



# RISA Partners, Inc.

## Consolidated Interim Results

First Half of  
Fiscal Year Ending December 31, 2008

This document has been translated from the original Japanese as a guide for non-Japanese investors. It contains forward-looking statements based on a number of assumptions and beliefs made by management in light of information currently available. Actual financial results may differ materially depending on a number of factors, including changing economic conditions, legislative and regulatory developments, delay in new product launches, and pricing and product initiatives of competitors.

**SUMMARY OF FINANCIAL STATEMENTS (Consolidated)**

For the interim period ended June 30, 2008

**RISA Partners, Inc.****August 8, 2008**

Stock Code: 8924

Listed exchanges: Tokyo, 1st Section

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**1. Consolidated Financial Results for the Six Months Ended June 30, 2008**

## 1) Consolidated Operating Results

*Millions of yen, rounded down, change compared to previous interim period*

	Interim period ended June 30, 2008		Interim period ended June 30, 2007		FY ended December 31, 2007
		Change %		Change %	
Net sales .....	14,198	27.1	11,171	36.1	27,441
Operating income .....	4,951	50.7	3,286	28.2	11,928
Ordinary income .....	3,864	44.6	2,672	42.3	10,595
Net income .....	2,943	63.0	1,805	59.5	6,659
Net income per share (¥) .....	10,162.46	--	6,629.25	--	24,141.19
Fully diluted earnings per share (¥) .....	9,801.83	--	5,903.54	--	21,773.90

Note: Gain (loss) from investments in subsidiaries and affiliates accounted for by the equity method:

Interim period ended June 30, 2008:	(¥190 million)	Interim period ended June 30, 2007:	¥ 110 million	FY ended December 31, 2007:	¥72 million
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## 2) Financial Position

*Millions of yen, rounded down*

	As of June 30, 2008	As of June 30, 2007	As of December 31, 2007
Total assets .....	152,192	94,829	119,000
Net assets .....	43,654	24,660	37,394
Shareholders' equity ratio (%) .....	20.0	24.0	23.2
Net assets per share (¥) .....	104,266.12	81,739.84	98,431.04

Note: Shareholders' equity as of:

June 30, 2008:	¥30,484 million	June 30, 2007:	¥22,788 million	December 31, 2007:	¥27,663 million
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## 3) Cash Flows

*Millions of yen, rounded down*

	Interim period ended June 30, 2008	Interim period ended June 30, 2007	FY ended December 31, 2007
Cash flows from operating activities .....	(23,789)	5,305	3,225
Cash flows from investing activities .....	(17,846)	(9,665)	(24,501)
Cash flows from financing activities .....	31,067	11,549	30,397

**2. Dividends**

	FY ending December 31, 2008	FY ending December 31, 2008 (forecast)	FY ended March 31, 2007
Dividends per share (Record date)			
End of first quarter .....	0.00	-	0.00
End of second quarter .....	0.00	-	0.00
End of third quarter .....	-	0.00	0.00
End of fourth quarter .....	-	¥1,500.00	¥1,800.00
Annual .....		¥1,500.00	¥1,800.00
Cash and cash equivalents at end of period .....	7,265	15,899	17,833

**3. Forecasts for the Fiscal Year Ending December 31, 2008***Millions of yen, rounded down, change compared to previous fiscal year*

	FY ending December 31, 2008	
		Change %
Net sales .....	39,570	44.2
Operating income.....	16,200	35.8
Ordinary income.....	13,780	30.1
Net income.....	8,780	31.8
Net income per share.....	¥31,240.33	--

**4. Other**

- 1) Transfer of important subsidiaries during the period (Transfers of certain subsidiaries resulting in changes in the scope of consolidation): No
- 2) Changes in accounting methods, procedures and presentation in the making of these financial statements (Key items mentioned in "Significant Items for the Preparation of Consolidated Financial Statements")
  - (1) Changes in line with revision to accounting standards: No
  - (2) Changes other than those in (1) above: No
- 3) Number of shares outstanding (ordinary shares)
  - (1) Number of shares outstanding (including treasury shares):
 

As of June 30, 2008:	As of June 30, 2007:	As of December 31, 2007:
296,413 shares	278,798 shares	281,053 shares
  - (2) Number of treasury shares:
 

As of June 30, 2008:	As of June 30, 2007:	As of December 31, 2007:
4,046 shares	6 shares	6 shares

Forward-looking statements, such as business forecasts, made in these financial statements are based on management's estimates, assumptions and projections at the time of publication. A number of factors could cause actual results to differ materially from expectations. For information regarding our business forecasts, please refer to page 5, "3) Fiscal 2008 Outlook"



## **1. Business Performance**

### (1) Analysis of Business Performance

#### 1) Overall Business Performance

During the first half of fiscal 2008 (January 1, 2008 to June 30, 2008) Japan's economy faced mounting uncertainty as soaring prices of crude oil and various materials exerted pressure on corporate earnings amid continuing financial market volatility triggered by the U.S. subprime mortgage crisis. Companies exercised increased levels of caution in their assessment of business conditions, raising concerns about the outlook for capital expenditure. Although it has maintained a roughly level trend, individual consumption is difficult to forecast, due to the negative wealth effect of a rise in consumer prices and sharp decline in stock prices.

The financial markets in which the Group operates have seen Japanese banks gain a relatively strong presence against a background of successive reports of deterioration in earnings by U.S. and European banks. However, non-performing loans continue to emerge to a certain degree at both regional financial institutions and megabanks, leading to active disposals of such loans. Meanwhile, in the real estate market, another area of the Group's business, financial institutions continue to tighten their assessments for real estate loans and discriminate between loan customers, causing large disparities between real estate businesses in terms of their fund procurement capabilities.

Despite these challenging business conditions, RISA Partners managed to achieve robust growth in each of its business segments—the principal investment, fund, and investment banking businesses. We also expanded the limits on financing that we receive from financial institutions by expanding commitment lines to enable greater flexibility in pursuing the Group's abundant investment opportunities. In the fiscal half under review, the Group also traded with six more new banks (regional banks and trust banks) compared with fiscal 2007, bringing the total number to more than 77, and has continued to maintain favorable financial relationships with them.

As a result, RISA Partners achieved substantial growth in both sales and profit, recording net sales of ¥14,198 million, up 27.1% on the first half of fiscal 2007, operating profit ¥4,951 million (up 50.7%), ordinary profit of ¥3,864 million (up 44.6%) and net income of ¥2,943 million (up 63.0%).

#### 2) Performance by Business Segment

##### ***Principal Investment Business***

RISA Partners' principal investment business conducts proprietary investment in real estate, loans receivable and corporate equities, among other areas. In real estate investment, we recorded steady revenue in line with initial expectations, mainly from the stable flow of rental fees provided by invested properties. At the same time, we continued to progress our investment activities, taking advantage of opportunities to accumulate profitable, high quality assets that have declined in price due to the contraction in credit provision for real estate assets.

In the area of loan asset investment, loan collection continued steadily, due partly to successful exits in line with planned scenarios from revitalization projects. We have continued with investments in marketable loan assets, both in restructured loans and bulk loans offered by megabanks, government-affiliated and regional financial institutions, and others.

In corporate equities, we secured revenue from existing investments, while new investments included our May 2008 acquisition of Hotel JAL City Naha, located on Kokusai-dori in Okinawa. Hotel JAL City Naha has a superior competitive position in terms of both its location and brand, and since it maintains a high occupancy ratio, can be expected to provide stable future revenues.

As a result, the principal investment business recorded net sales of ¥9,658 million (up 21.9%), and operating profit of ¥2,170 million (up 1.4%).

##### ***Fund Business***

RISA Partners' fund business conducts large- to medium-sized joint real estate investments with external investors, corporate revitalization funds in each region, and nationwide corporate investment funds, for which it provides management and operational services, as well as providing part of the equity investment.

The large- to medium-sized joint real estate investments are conducted in cooperation with Grove International Partners ("Grove"), and through these investments we succeeded in securing revenues as



initially planned, mainly in the form of asset management fees. We continue to gauge market trends with a view to securing exits from investment properties, and we aim during the second half of fiscal 2008 to actively implement sale of properties that had been scheduled for sale during fiscal 2008.

Regarding our corporate revitalization funds, we pursue alliances with regional financial institutions throughout Japan, and these are continuing to expand favorably. Initiatives during the first half of fiscal 2008 included the startup in March 2008 of the 77 Business Revitalization Fund in partnership with The 77 Bank, Ltd., and the launch of the Gifu Medium- to Small-Sized Companies Support Fund in Gifu Prefecture, in alliance with the Organization for Small & Medium Enterprises and Regional Innovation, Japan.

Our nationwide corporate investment fund, the RISA Corporate Solution Fund, has increased its commitment amount to ¥21.85 billion since its launch in September 2006. Investing activities have continued favorably enabling us to invest nearly the entire commitment amount as of April 2008. We have already formed a No. 2 fund, which was launched in July 2008 and investments have commenced.

As a result, the fund business achieved growth in both sales and profit, with net sales of ¥1,187 million (up 6.6%) and operating profit of ¥747 million (up 18.1%).

### **Investment Banking Business**

RISA Partners' investment banking business provides financial advisory services including M&A and corporate revitalization consulting services, loan servicing (management and collection of loans) and due diligence services, and a solutions business that comprehensively utilizes our extensive investment and advisory expertise in the areas of real estate and financing.

In the first half of fiscal 2008, Frontier Management, Inc., our consolidated subsidiary involved in corporate revitalization advisory business, grew favorably and we also succeeded in winning large-sized advisory mandates—including a financial revitalization project and sales of real estate overseas.

As a result, substantial increases in revenue and profits were recorded in the investment banking business, with net sales of ¥3,793 million (up 46.1%), and operating profit of ¥3,114 million (up 164.5%)

### 3) Fiscal 2008 Outlook

We believe that downside risk in the Japanese economy in the second half of fiscal 2008 cannot be denied. Despite this, RISA Partners expects to record strong growth for the fiscal year, due to our strongly growing principal investment business, the sale of large properties scheduled for the second half of the fiscal year in the fund business, and active operations in the investment banking business centering on advisory business.

However, due in part to changes in the environment surrounding the financial and real estate markets in which we operate and other uncertainties, we have decided to leave unchanged our current results forecasts, which were released on February 8, 2008.

### 4) Medium-term Business Plan

Fiscal 2008 is the second year of the three year medium-term business plan we announced on February 9, 2007 and to date, we have achieved levels of business growth surpassing the business plan targets in each of our business segments—the principal investment, fund, and investment banking businesses.

In the principal investment business, strengthening our relationship with financial institutions has enabled us to consistently secure investment opportunities. In the fund business, a large property scheduled for exit in fiscal 2007 sold for a price surpassing our forecasts. During fiscal 2008, we expect to continue with sales of large properties. Furthermore, having achieved early completion of investment for our fund RISA Corporate Solution Fund, and the successful formation of a No. 2 fund, the fund business is growing steadily. In the investment banking business, Frontier Management, Inc. has recorded remarkable growth since its launch in January 2007, and by fully leveraging our solutions services to win large-scale advisory service contracts, we are recording steady results.

Regarding business plan objectives that have not yet been achieved, one ongoing challenge that may be cited is our entry into new business fields; however, we will continue to pursue challenges in new business areas as we actively examine alliances with companies offering potential for operational synergies, as well as purchases of businesses and companies.

## (2) Analysis of Financial Position

Consolidated cash flows in the first half of fiscal 2008



Consolidated cash and cash equivalents (“net cash”) at the end of the first half of fiscal 2008 declined by ¥10,568 million compared to the end of fiscal 2007 to ¥7,265 million. This was the result of expenditures arising from the acquisition of property and equipment, investment in funds, and other expenditures, which was partially offset by the ¥4,723 million in net income before income taxes and minority interests recorded for the period and funds procured from financial institutions by such means as borrowing. Cash flows and their main components during the first half of fiscal 2008 were as follows.

### Operating activity cash flows

Net cash used in operating activities was ¥23,789 million (compared to cash flow from operating activities of ¥5,305 million in the first half of fiscal 2007), despite the ¥4,723 million in net income before income taxes and minority interests that was recorded for the period. The main factors decreasing operating cash flow were expenditures arising from corporate tax and other payments, purchased loans and the acquisition of real estate for sale.

### Investing activity cash flows

Net cash used in investing activities was ¥17,846 million (up 84.6%). The main factors contributing to this were expenditures for investment real estate accounted for as tangible fixed assets and investment in affiliated companies.

### Financing activity cash flows

Net cash provided by financing activities was ¥31,067 million (up 169.0%). The main factor contributing to increased cash flows from financing was the procurement of funds from financial institutions for real estate investment, loan investments, and investment in funds.

RISA Partners Group Cash Flow Indicator Trends

	Fiscal 2008	Fiscal 2007		Fiscal 2006	
	Interim	Interim	Year-end	Interim	Year-end
Equity ratio (%)	20.0	24.0	23.2	21.7	23.9
Equity (market price base) ratio (%)	31.6	98.8	58.1	74.8	82.8
Ratio of interest-bearing debt to cash flow (times)	—	9.5	23.7	—	—
Interest coverage ratio (times)	—	8.9	2.6	—	—

#### Notes:

- All indicators are based on consolidated financial figures and are calculated as follows.  
Equity ratio = Shareholders' equity ÷ Total assets  
Equity ratio based on market price = Capitalization at market price ÷ Operating cash flow  
Ratio of interest-bearing debt to cash flow = Interest-bearing debt ÷ Operating cash flow  
Interest coverage ratio = Operating cash flow ÷ Interest payments
- Operating cash flow is used for cash flow. Interest-bearing debt includes all interest-bearing debt out of the liabilities recorded on the consolidated balance sheets.
- For fiscal 2006 and the first half of fiscal 2008 the ratio of interest-bearing debt to cash flow and interest coverage ratio are not indicated because operating cash flow was negative.

### (3) Basic Policy on Income Distribution and Dividends for Fiscal 2008

RISA Partners positions the maximization of shareholder returns as a critical business task. From this



perspective, we adopt the basic dividend policy of enhancing retained earnings for the purpose of reinforcing the business and future business development and, on this basis, paying out dividends flexibly in accordance with business performance. For fiscal 2007, we paid a dividend per share of ¥1,500, based on a comprehensive assessment of business performance to date, business performance forecasts for the period and financial condition, among other factors (a separate, 10<sup>th</sup> anniversary commemorative dividend of ¥300 was also paid). In addition, in light of actual results for the first half of fiscal 2008 and other factors, we expect at this stage to pay a dividend per share of ¥1,500 for fiscal 2008. Pursuant to the abovementioned policy, we will continue hereafter to strive to maximize shareholder returns while taking into account the business performance in each fiscal year. However, depending on business performance trends, there is the possibility that no dividends will be paid out.



## **2. Current state of the RISA Partners Group**

As of June 30, 2008, RISA Partners Group consists of the Company (RISA Partners, Inc.), 43 consolidated subsidiaries (RIFAS, Inc., RISA Loan Servicing, Inc., Hayato Investments, Inc., Shiroyama Investments, Inc., Okuma Investments, Inc., RISA Partners Okinawa, Inc., Frontier Management, Inc., Good Resort K.K., RISA Partners Naha Co., Ltd. and 24 other companies; and 10 anonymous and other associations), and 38 associated companies (F&B Corporation, SuperDeluxe and 30 others; and 6 anonymous and other associations).

RISA Partners Group conducts proprietary investments and investment through funds in a wide range of assets including real estate, loan assets, and corporate equities, and is also involved in financial advisory business in areas including due diligence, asset management, loan servicing, and corporate revitalization consulting.

Details of the businesses conducted by RISA Partners Group, the Company's business segments, and the positioning of Group companies with respect to said businesses are as follows.

### **(1) Principal Investment Business**

RISA Partners' principal investment business makes proprietary investments in real estate, loan assets and corporate equities.

#### **(i) Real estate investment**

In the area of real estate investment, RISA Partners is mainly involved in investment in small real estate valued at around ¥500 million.

We invest in real estate in all regions of Japan, making decisions to invest only after determining the features of the region in question and conducting stringent due diligence on an investment's potential returns, exit strategies and related matters. Our business model ensures steady returns on investments, with its strength lying in its ability to secure appropriate returns by raising the value of a property through design changes and other means, particularly with respect to less viable properties such as those that have restrictions on their usage or that are aged.

#### **(ii) Loan asset investment**

In loan asset investment, we are involved not only in investment in bulk loans to bankrupt companies or companies in danger of going bankrupt, but also in investment using the Company's expertise in corporate revitalization, which we see as one of our strengths. Another major characteristic of our loan asset investment business is our ability to promptly and effectively ascertain the characteristics and potential returns of a given investment, by making full use of the Group's strong expertise and capabilities in due diligence and servicing, business areas that RISA Partners has been involved in since its foundation. Furthermore, we aim to steadily expand the loan asset investment business by ascertaining a broad range of investment opportunities, making use of its vast nationwide ties with regional financial institutions.

#### **(iii) Corporate equity investment**

In corporate equity investment, RISA Partners invests in companies with which we have had involvement in areas such as corporate revitalization or growing companies that are projected to demonstrate synergies with parts of our business. When investing in growing companies, we support the companies' growth by making full use of its real estate and financial expertise, as well as its strong ties with regional financial institutions.

### **(2) Fund Business**

RISA Partners' fund business makes joint investments with third-party investors in large and medium-sized real estate, and takes charge of management and administration for corporate revitalization funds throughout Japan and for a corporate investment fund called the Solution Fund, while RISA Partners itself also makes equity investments in these funds.

#### **(i) Real estate funds**

In the area of investment in large and medium-sized real estate, RISA Partners' fund business conducts joint investments with a fund controlled by Grove International Partners ("Grove"; formerly Soros Real Estate Partners). RISA Partners and Grove aim to maximize profit opportunities by combining Grove's global investment network and advanced financial strength with RISA Partners' expertise and experience in Japanese real estate investment. Total investment in the fund to date has reached around ¥223.5 billion (as of June 30, 2008; on a commitment basis).

#### **(ii) Corporate revitalization funds**



In corporate revitalization funds, RISA Partners is developing partnerships mainly with regional financial institutions, and has a top-class track record in this business even in global terms. As of June 30, 2008, RISA Partners has partnerships with 72 financial institutions, and has developed 20 corporate revitalization funds. We are steadily building a track record in this business, as evidenced by the large numbers of successful exits that have already been made and involvement also in corporate revitalization of listed companies.

These corporate revitalization initiatives have been favorably received, and RISA Partners has developed public-private partnership corporate revitalization funds in alliance with Japan's Organization for Small & Medium Enterprises and Regional Innovation in Aichi Prefecture (June 2005), Saitama Prefecture (November 2005), Chiba Prefecture (March 2006), Okinawa Prefecture (March 2006), and Gifu Prefecture (March 2008). These five public-private partnership funds have a commitment amount of ¥13 billion.

(iii) Solution funds

In September 2006, RISA Partners launched the RISA Corporate Solution Fund, a new-concept fund for enhancement of corporate value, in partnership with leading Japanese institutional investors and pension funds. This fund serves as one of the core pillars of our fund business.

The RISA Corporate Solution Fund aims to enhance the value of the companies it invests in by comprehensively providing them with the financial solutions capabilities and capabilities in investment in real estate, loan assets and corporate equity that our Group has acquired to date. The fund seeks to invest in Japanese corporate equity and debt, but it is flexible in the types of investment it makes, which include investment in various types of equity as well as convertible debt.

After the launch of the first solution fund, we steadily pressed forward with the task of making investments, and quickly made 9 investments within the short timeframe of 18 months. Almost all of the fund's total commitment amount has already been invested. RISA Partners will continue to meet increasing demand for equity finance through its second solution fund, which was launched in July 2007. At the same time, the Company will steadily enhance the value of the companies it invests in, and strive maximize returns on investments.

(3) Investment Banking Business

RISA Partners' investment banking business entails provision of financial advisory services including corporate revitalization consulting services, loan servicing, due diligence and a solutions business that makes integrated use of RISA Partners' investment and advisory capabilities.

Of these, advisory business and due diligence business is conducted by RIFAS, Inc., and loan servicing business is carried out by RISA Loan Servicing, Inc. Good Resort K.K. engages in advisory business focusing on management support for Japanese inns, hotels and related facilities. Furthermore, we have established Frontier Management, Inc., a consulting company focusing on corporate turnarounds and M&A, and are endeavoring to further strengthen our corporate advisory capabilities.

(i) Financial advisory business

A key feature of our corporate revitalization and M&A-related advisory business is the comprehensive use of expertise relating to due diligence acquired through involvement in this business to date and relating to investment in real estate, loan assets and other asset classes. RISA Partners is highly rated in this business because our involvement extends beyond planning right through to plan implementation, with the Company providing reliable implementation support using the Group's comprehensive capabilities. We are steadily developing this business, by aiming to meet the needs of customers of regional banks and also engaging in advisory business for listed and other companies. A particularly noteworthy development in this area was the establishment of Frontier Management, Inc., a joint venture with prominent corporate revitalization and M&A experts Shoichiro Onishi and Masahiro Matsuoka, aiming to further enhance the Group's advisory capabilities.

(ii) Due diligence business

RISA Partners has been engaging in due diligence business since its establishment, conducting research and analysis from diverse perspectives including the potential returns, risks and legal problems relating to real estate, loan assets, corporations and other investments, and estimating the fair value of such investments. Since its foundation RISA Partners has conducted due diligence for more than 30,000 investments and is recognized as a major player in this business.

(iii) Loan servicing business

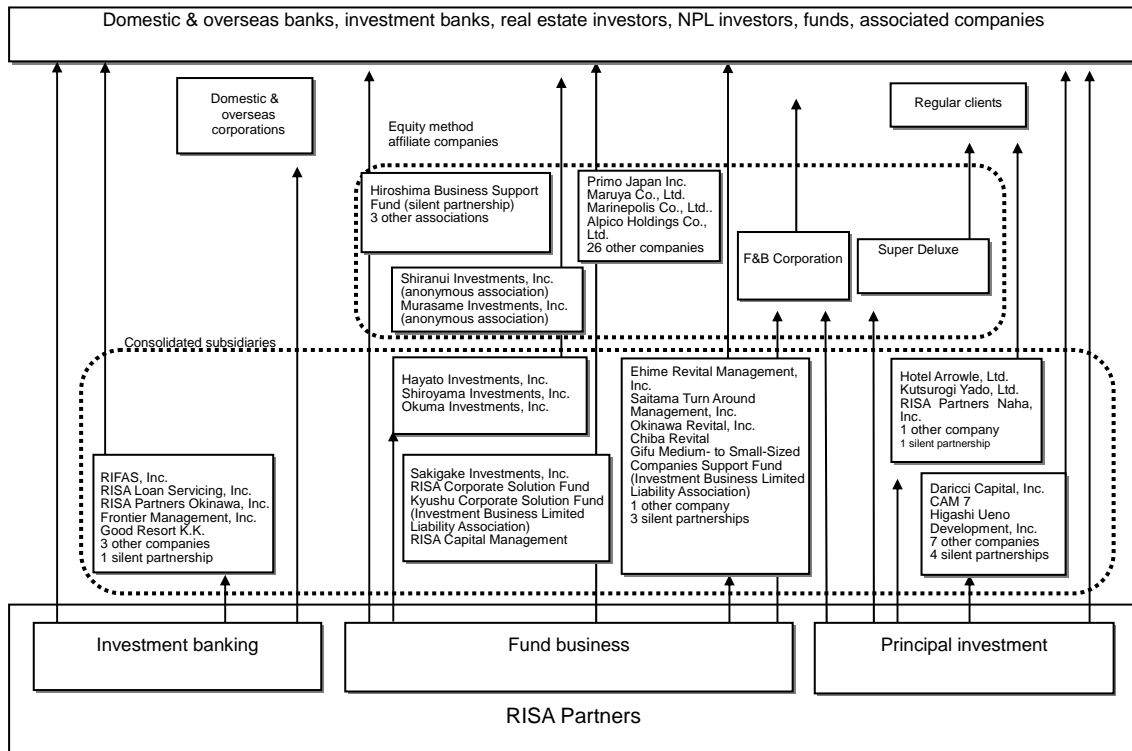
In the loan servicing business, RISA Partners acquired Yashio Servicing Co., Ltd. from Ashikaga Financial Group, Inc. in April 2005 and changed its name to RISA Loan Servicing, Inc. on June 20, 2006.



RISA Loan Servicing, Inc. carries out loan servicing business with a particular focus on corporate revitalization.

RISA Loan Servicing, Inc. has been assigned the commercial mortgage special servicer rating of CSS2-(JPN) by Fitch Ratings Ltd.

### Business Organization



### Main associated companies

1. RIFAS, Inc.

RIFAS, Inc. is an advisory company that combines the due diligence, M&A and business revitalization advisory and other functions that RISA Partners has developed in the course of its business to date. The advisory functions of RIFAS, Inc. are complemented by its subsidiary Good Resort K.K., a specialist company involved in providing support for the operation of hotels, Japanese inns, and other establishments in the hospitality industry.

2. RISA Loan Servicing, Inc.

RISA Loan Servicing, Inc. engages in loan administration and servicing operations for loan asset investments made solely by RISA Partners, loan assets purchased through revitalization funds, and loan assets held by third parties. RISA Partners acquired Yashio Servicing Co., Ltd. from Ashikaga Financial Group, Inc. in April 2005 and changed its name to RISA Loan Servicing, Inc. on June 20, 2006. RISA Loan Servicing, Inc. specializes in the administration and servicing of loan assets owned by financial institutions, as well as those associated with corporate revitalization.

3. Hayato Investments, Inc.

Hayato Investments, Inc. a strategic joint venture company established with the aim of discovering investment opportunities in the pursuit of developing large to medium joint real estate investments with Redwood Grove International (“RGI”), a fund managed by Grove International Partners.

4. Shiroyama Investments, Inc.

Shiroyama Investments, Inc. occupies a similar position to Hayato Investments, Inc. in terms of its relation to RGI, and was similarly established as a joint venture company with a fund under the



management of Grove International Partners, namely Cypress Grove International.

5. Okuma Investments, Inc.

Okuma Investments, Inc. occupies a similar position to Hayato Investments, Inc. in terms of its relation to RGI, and was similarly established as a joint venture company with a fund under the management of Grove International Partners, namely Soros Real Estate Investors.

6. Frontier Management, Inc.

Frontier Management, Inc., which specializes in business revitalization and M&As, was established as a joint venture with prominent corporate revitalization and M&A experts Shoichiro Onishi and Masahiro Matsuoka with the aim of further enhancing the Group's advisory capabilities. Mr. Onishi and Mr. Matsuoka headed several major projects at the IRCJ (Industrial Revitalization Corporation of Japan), such as the revitalization of Kanebo Ltd. and Daiei Corporation. Mr. Onishi has considerable revitalization and M&A expertise as a legal counsel, while Mr. Matsuoka, who has a track record of success as a top analyst at UBS, is well known in the market for his expertise regarding M&A and business strategy analysis.

7. RISA Partners Okinawa, Inc.

RISA Partners Okinawa makes use of RISA Partners' accumulated real estate and financial business expertise and pursues business with a specific focus on Okinawa, which offers diverse business opportunities.

### **3. Management Policy**

There has been no significant change to the management policy disclosed in the consolidated financial results for fiscal 2007 (announced on February 9, 2008). Details are therefore omitted here.

The consolidated financial results for fiscal 2007 are available in the following websites:

RISA Partners website:

<http://www.risa-p.com/category/ir-library/>

Tokyo Stock Exchange (listed company search):

<http://www.tse.or.jp/english/index.html>



## 4. Consolidated Financial Statements

### Consolidated Balance Sheets

Millions of yen, rounded down

	As of June 30, 2008	%	As of June 30, 2007	%	Increase (Decrease)	As of December 31, 2007	%
<b>ASSETS</b>							
<b>Current Assets</b>							
Cash and bank deposits.....	7,294		15,950			17,877	
Notes & accounts receivable, trade Inventories.....	2,092		922			1,799	
Inventories	37,040		13,522			15,394	
Purchased loans receivable .....	39,838		32,940			35,719	
Deferred tax assets .....	567		180			436	
Other .....	7,028		2,215			2,457	
Allowance for doubtful accounts...	(597)		(21)			(590)	
<b>Total current assets .....</b>	<b>93,265</b>	<b>61.3</b>	<b>65,710</b>	<b>69.3</b>	<b>27,555</b>	<b>73,094</b>	<b>61.4</b>
<b>Fixed Assets</b>							
<b>Property and Equipment</b>							
Buildings and structures.....	8,333		4,461			3,123	
Land .....	6,777		6,284			5,827	
Other .....	554		653			517	
<b>Total property and equipment ....</b>	<b>15,665</b>	<b>10.3</b>	<b>11,399</b>	<b>12.0</b>	<b>4,265</b>	<b>9,469</b>	<b>8.0</b>
<b>Intangible fixed assets</b>							
Software.....	148		144			154	
Goodwill .....	158		334			279	
Other .....	43		37			45	
<b>Total intangible fixed assets.....</b>	<b>350</b>	<b>0.2</b>	<b>516</b>	<b>0.6</b>	<b>(165)</b>	<b>479</b>	<b>0.4</b>
<b>Investments and Other Assets</b>							
Investments in securities.....	38,973		14,547			32,122	
Long-term loans receivable .....	2,252		1,553			2,317	
Deferred tax assets .....	625		254			807	
Other .....	1,304		848			955	
Allowance for doubtful accounts...	(245)		-			(245)	
<b>Total investments and other assets .....</b>	<b>42,910</b>	<b>28.2</b>	<b>17,202</b>	<b>18.1</b>	<b>25,707</b>	<b>35,957</b>	<b>30.2</b>
<b>Total fixed assets.....</b>	<b>58,926</b>	<b>38.7</b>	<b>29,118</b>	<b>30.7</b>	<b>29,807</b>	<b>45,905</b>	<b>38.6</b>
<b>Total Assets .....</b>	<b>152,192</b>	<b>100.0</b>	<b>94,829</b>	<b>100.0</b>	<b>57,362</b>	<b>119,000</b>	<b>100.0</b>



### Consolidated Balance Sheets

Millions of yen, rounded down

	As of June 30, 2008		As of June 30, 2007		Increase (Decrease)	As of December 31, 2007	
<b>LIABILITIES</b>							
<b>Current Liabilities</b>							
Notes & accounts payable, trade .....	62		62			87	
Short-term borrowings	26,067		21,543			30,003	
Income taxes payable .....	2,182		1,229			3,557	
Accrued bonuses .....	314		193			85	
Other .....	3,752		3,085			3,276	
Total current liabilities .....	32,380	21.3	26,114	27.5	6,265	37,010	31.1
<b>Long-term Liabilities</b>							
Corporate bonds .....	14,704		15,533			14,789	
Long-term borrowings .....	60,820		27,902			29,157	
Reserve for employees' retirement benefits .....	2		4			3	
Other .....	628		613			645	
Total long-term liabilities .....	76,156	50.0	44,054	46.5	32,102	44,595	37.5
<b>Total Liabilities</b> .....	<b>108,537</b>	<b>71.3</b>	<b>70,168</b>	<b>74.0</b>	<b>38,368</b>	<b>81,605</b>	<b>68.6</b>
<b>NET ASSETS</b>							
<b>Shareholders' Equity</b>							
Capital stock.....	8,460	5.6	7,812	8.2		7,829	6.6
Capital surplus .....	8,598	5.6	7,949	8.4		7,967	6.7
Retained earnings .....	14,247	9.3	6,958	7.3		11,811	9.9
Treasury stock.....	(821)	(0.5)	(1)	(0.0)		(1)	(0.0)
Total shareholders' equity	30,484	20.0	22,719	23.9	7,764	27,607	23.2
<b>Valuation and Translation Adjustments</b>							
Net realized gain on other securities .....	(0)		68			56	
Total valuation and translation adjustments .....	(0)	(0.0)	68	0.1	(69)	56	0.0
Stock warrants.....	9	0.0	-		9	7	0.0
<b>Minority Interests</b> .....	<b>13,161</b>	<b>8.7</b>	<b>1,871</b>	<b>2.0</b>	<b>11,289</b>	<b>9,723</b>	<b>8.2</b>
<b>Total Net Assets</b> .....	<b>43,654</b>	<b>28.7</b>	<b>24,660</b>	<b>26.0</b>	<b>18,994</b>	<b>37,394</b>	<b>31.4</b>
<b>Total Liabilities &amp; Net Assets</b> .....	<b>152,192</b>	<b>100.0</b>	<b>94,829</b>	<b>100.0</b>	<b>57,362</b>	<b>119,000</b>	<b>100.0</b>



## Consolidated Statements of Income

Millions of yen, rounded down

	Interim period ended June 30, 2008		Interim period ended June 30, 2007		Increase (Decrease)	FY ended December 31, 2007	
Net sales .....	14,198	100.0	11,171	100.0	3,026	27,441	100.0
Cost of sales.....	6,674	47.0	5,330	47.7	1,343	9,584	34.9
Gross profit .....	7,524	53.0	5,840	52.3	1,683	17,857	65.1
Selling, general and administrative expenses .....	2,573	18.1	2,553	22.9	19	5,928	21.6
Operating income .....	4,951	34.9	3,286	29.4	1,664	11,928	43.5
<b>Non-operating income</b>							
Interest income.....	18		6			18	
Dividends income.....	1		1			1	
Equity in earnings of affiliated companies.....	-		110			72	
Other .....	28		73			100	
Total non-operating income .....	48	0.3	191	1.7	(143)	192	0.7
<b>Non-operating expenses</b>							
Interest expense.....	747		592			1,234	
Loan commissions .....	118		59			132	
Equity in losses of affiliated companies.....	190		-			-	
Other .....	78		154			158	
Total non-operating expenses .....	1,134	8.0	806	7.2	328	1,525	5.6
Ordinary income .....	3,864	27.2	2,672	23.9	1,192	10,595	38.6
<b>Extraordinary income</b>							
Gain on sales of investment securities .....	903		230			240	
Gain on sales of fixed assets .....	6		10			144	
Reversal gain on expiration of stock warrants .....	7		-			-	
Total extraordinary income .....	917	6.5	240	2.2	676	385	1.4
<b>Extraordinary losses</b>							
Loss on disposal of fixed assets.....	-		26			26	
Loss on valuation of investments in securities .....	39		-			73	
Total extraordinary losses.....	39	0.3	26	0.2	13	99	0.4
Net income before distribution of profit/loss from silent partnerships, income taxes and minority interests ....	4,742	33.4	2,886	25.9	1,855	10,881	39.6
Distribution of profit/loss from silent partnerships.....	18	0.1	18	0.2	0	37	0.1
Net income before income taxes and minority interests .....	4,723	33.3	2,867	25.7	1,856	10,844	39.5
Income taxes – current.....	2,026		1,334			5,439	
Income taxes – deferred.....	83		2			(798)	
Income taxes – total .....	2,110	14.9	1,336	12.0	773	4,641	16.9
Minority interests in income (loss) .....	(329)	(2.3)	(274)	(2.5)	(55)	(456)	(1.7)
<b>Net income .....</b>	<b>2,943</b>	<b>20.7</b>	<b>1,805</b>	<b>16.2</b>	<b>1,051</b>	<b>6,659</b>	<b>24.3</b>



**Interim Consolidated Statements of Changes in Shareholders' Equity**  
**For the interim period ended June 30, 2008**

*Millions of yen, rounded down*

	Shareholders' Equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
<b>Balances as of December 31, 2007</b>	7,829	7,967	11,811	(1)	27,607
Changes during the interim period ended June 30, 2008					
New share issuance.....	631	631	-	-	1,262
Dividends .....	-	-	(507)	-	(507)
Net income .....	-	-	2,943	-	2,943
Share buybacks .....	-	-	-	(820)	(820)
Net changes during the interim period in items not included in shareholders' equity .....	-	-	-	-	-
<b>Total of changes during the interim period ended June 30, 2008</b>	631	631	2,435	(820)	2,877
<b>Balances as of June 30, 2008</b>	8,460	8,598	14,247	(821)	30,484

*Millions of yen, rounded down*

	Valuation, Translation Adjustments and Others	Stock warrants	Minority Interests	Total Net Assets
	Unrealized gain on other securities			
<b>Balances as of December 31, 2007</b>	56	7	9,723	37,394
Changes during the interim period ended June 30, 2008				
New share issuance.....	-	-	-	1,262
Dividends .....	-	-	-	(507)
Net income .....	-	-	-	2,943
Share buybacks .....	-	-	-	(820)
Net changes during the interim period in items not included in shareholders' equity .....	(56)	1	3,437	3,382
<b>Total of changes during the interim period ended June 30, 2008</b>	(56)	1	3,437	6,259
<b>Balances as of June 30, 2008</b>	(0)	9	13,161	43,654



**Interim Consolidated Statements of Changes in Shareholders' Equity**  
**For the interim period ended June 30, 2007**

*Millions of yen, rounded down*

	<b>Shareholders' Equity</b>				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
<b>Balances as of December 31, 2006</b>	6,852	6,990	5,421	(1)	19,263
Changes during the interim period ended June 30, 2007					
New share issuance.....	959	959	-	-	1,919
Dividends .....	-	-	(267)	-	(267)
Net income .....	-	-	1,805	-	1,805
Decrease in retained earnings from decrease in consolidated subsidiaries .....	-	-	(0)	-	(0)
Net changes during the interim period in items not included in shareholders' equity ....	-	-	-	-	-
<b>Total of changes in interim period ended June 30, 2007</b>	959	959	1,537	-	3,456
<b>Balances as of June 30, 2007</b>	7,812	7,949	6,958	(1)	22,719

*Millions of yen, rounded down*

	<b>Valuation, Translation Adjustments and Others</b>	<b>Minority Interests</b>	<b>Total Net Assets</b>
	Unrealized gain on other securities		
<b>Balances as of December 31, 2006</b>	64	40	19,367
Changes during the interim period ended June 30, 2007			
New share issuance.....	-	-	1,919
Dividends .....	-	-	(267)
Net income .....	-	-	1,805
Decrease in retained earnings from decrease in consolidated subsidiaries .....	-	-	(0)
Net changes during the interim period in items not included in shareholders' equity ....	4	1,831	1,835
<b>Total of changes during the interim period ended June 30, 2007</b>	4	1,831	5,292
<b>Balances as of June 30, 2007</b>	68	1,871	24,660



**Consolidated Statements of Changes in Shareholders' Equity**  
**For the fiscal year ended December, 2007**

Millions of yen, rounded down

	Shareholders' Equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
<b>Balances as of December 31, 2006</b>	6,852	6,990	5,421	(1)	19,263
Changes during the fiscal year ended December 31, 2007					
New share issuance.....	976	976	-	-	1,953
Dividends .....	-	-	(267)	-	(267)
Net income .....	-	-	6,659	-	6,659
Disposal of treasury stock .....	-	(0)	-	0	-
Decrease in retained earnings from decrease in consolidated subsidiaries .....	-	-	(1)	-	(1)
Net changes during the fiscal year in items not included in shareholders' equity .....	-	-	-	-	-
<b>Total of changes in fiscal year ended December 31, 2007</b>	976	976	6,390	0	8,344
<b>Balances as of December 31, 2007</b>	7,829	7,967	11,811	(1)	27,607

Millions of yen, rounded down

	Valuation, Translation	Stock warrants	Minority Interests	Total Net Assets
	Adjustments and Others Unrealized gain on other securities			
<b>Balances as of December 31, 2006</b>	64	-	40	19,367
Changes during the fiscal year ended December 31, 2007				
New share issuance.....	-	-	-	1,953
Dividends .....	-	-	-	(267)
Net income .....	-	-	-	6,659
Disposal of treasury stock .....	-	-	-	-
Decrease in retained earnings from decrease in consolidated subsidiaries .....	-	-	-	(1)
Net changes during the fiscal year in items not included in shareholders' equity .....	(7)	7	9,682	9,682
<b>Total of changes in fiscal year ended December 31, 2007</b>	(7)	7	9,682	18,026
<b>Balances as of December 31, 2007</b>	56	7	9,723	37,394

**Consolidated Statements of Cash Flows***Millions of yen, rounded down*

	Interim period ended June 30, 2008	Interim period ended June 30, 2007	Increase (Decrease)	FY ended December 31, 2007
<b>I. Cash flows from operating activities</b>				
Net income before income taxes and minority	4,723	2,867		10,844
Depreciation and amortization.....	142	107		258
Amortization of long-term prepayment expenses ..	60	14		76
Gain on sale of property and equipment .....	(6)	-		(144)
Loss on disposal of property and equipment.....	-	-		0
Loss on disposal of intangible assets.....	-	26		26
Amortization of goodwill .....	55	72		128
Equity in earnings of affiliated companies .....	190	(110)		(72)
Silent partnership contributions received (paid) ...	(141)	(194)		(3,327)
Valuation loss on investment securities .....	39			73
Gain on sale of shares in affiliated companies.....	(903)	(230)		(240)
Increase (decrease) in allowance for doubtful accounts.....	6	(14)		799
Increase (decrease) in accrued bonuses .....	229	193		85
Increase (decrease) in reserve for employees' retirement benefits .....	(0)	(1)		(2)
Interest income and dividend income .....	(19)	(7)		(19)
Interest expense.....	747	592		1,234
(Increase) decrease in notes and accounts receivable.....	(411)	244		(632)
(Increase) decrease in inventories .....	(20,183)	1,851		(593)
(Increase) decrease in purchased loans receivable.....	(4,118)	2,135		(644)
Increase (decrease) in notes and accounts	(35)	(8)		16
Other .....	14	535		585
<b>Sub-total .....</b>	<b>(19,611)</b>	<b>8,074</b>	<b>(27,685)</b>	<b>8,448</b>
Interest and dividends received.....	18	4		16
Interest paid .....	(736)	(606)		(1,229)
Income taxes paid .....	(3,460)	(2,167)		(4,009)
<b>Net cash provided by (used in) operating activities .....</b>	<b>(23,789)</b>	<b>5,305</b>	<b>(29,095)</b>	<b>3,225</b>
<b>II. Cash flows from investing activities</b>				
Payments for purchase of property and equipment .....	(8,560)	(4,260)		(5,718)
Proceeds from sale of tangible fixed assets.....	771	-		2,117
Payments for purchase of investment securities...	(1,645)	(1,489)		(16,577)
Payments for purchase of shares in affiliated companies.....	(6,036)	(13)		(15)
Proceeds from sale of shares in affiliated companies.....	1,257	240		240
Payments on sale of shares of subsidiaries entailing a change in the scope of consolidation...	-	-		(187)
Payments for purchases of shares of newly consolidated subsidiaries .....	(56)	-		-
Payments for investments in companies.....	-	(0)		-
Payments for investments in silent partnerships ...	(121)	(4,905)		(8,552)



Proceeds from distributions from silent partnerships .....	425	1,141		5,316
Payments for loans .....	(5,068)	(1,755)		(3,656)
Proceeds from loan collections .....	1,603	1,725		3,019
Other .....	(416)	(347)		(486)
<b>Net cash used in investing activities .....</b>	<b>(17,846)</b>	<b>(9,665)</b>	<b>(8,181)</b>	<b>(24,501)</b>
<b>III. Cash flows from financing activities</b>				
Net increase (decrease) in short-term borrowings.....	(7,136)	(8,905)		(3,524)
Proceeds from long-term borrowings .....	45,001	11,900		29,779
Repayment of long-term borrowings .....	(10,137)	(5,231)		(17,307)
Proceeds from bond issuance.....	-	12,323		12,323
Payments for bonds redeemable .....	(364)	(345)		(724)
Proceeds from issuance of capital stock.....	1,262	4		28
Payments for share buybacks .....	(820)	-		-
Cash dividends paid.....	(501)	(265)		(266)
Proceeds from minority interests.....	5,043	2,223		10,244
Payments for distributions to minority interests....	(1,276)	-		-
Other .....	(2)	(154)		(155)
<b>Net cash provided by financing activities ....</b>	<b>31,067</b>	<b>11,549</b>	<b>19,518</b>	<b>30,397</b>
<b>IV. (Decrease) increase in cash and cash equivalents .....</b>	<b>(10,568)</b>	<b>7,189</b>	<b>(17,758)</b>	<b>9,121</b>
<b>V. Cash and cash equivalents at the beginning of the period .....</b>	<b>17,833</b>	<b>8,362</b>	<b>9,471</b>	<b>8,362</b>
<b>VI. Increase in cash and cash equivalents from new consolidation .....</b>	<b>-</b>	<b>347</b>	<b>(347)</b>	<b>349</b>
<b>VII. Cash and cash equivalents at the end of the period .....</b>	<b>7,265</b>	<b>15,899</b>	<b>(8,633)</b>	<b>17,833</b>