



# RISA Partners, Inc.

## Consolidated Third-Quarter Results

First Nine Months of the  
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 nine-month period ended September 30, 2008

**RISA Partners, Inc.**

**November 14, 2008**

Stock Code: 8924

Listed exchanges: Tokyo, 1st Section

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### 1. Consolidated Financial Results for the Nine Months Ended September 30, 2008

#### 1) Consolidated Operating Results

*Millions of yen, rounded down; change compared to previous nine-month period*

	Nine months ended September 30, 2008		Nine months ended September 30, 2007		FY ended December 31, 2007
		Change %		Change %	
Net sales .....	20,492	23.9	16,540	55.3	27,441
Operating income .....	7,215	24.2	5,810	74.3	11,928
Ordinary income .....	5,505	12.9	4,877	97.5	10,595
Net income .....	4,099	31.3	3,123	115.3	6,659
Net income per share (¥) .....	14,111.31	--	11,376.77	--	24,141.19
Fully diluted earnings per share (¥) .....	13,873.88	--	10,262.26	--	21,773.90

#### 2) Financial Position

*Millions of yen, rounded down*

	As of September 30, 2008	As of September 30, 2007	As of December 31, 2007
Total assets .....	151,898	111,219	119,000
Net assets .....	44,597	27,632	37,394
Shareholders' equity ratio (%) .....	20.8	21.7	23.2
Net assets per share (¥) .....	108,206.55	86,407.09	98,431.04

#### 3) Cash Flows

*Millions of yen, rounded down*

	Nine months ended September 30, 2008	Nine months ended September 30, 2007	FY ended December 31, 2007
Cash flows from operating activities .....	(23,362)	(963)	3,225
Cash flows from investing activities .....	(18,814)	(17,003)	(24,501)
Cash flows from financing activities .....	31,444	26,647	30,397
Cash and cash equivalents at end of period .....	7,100	17,390	17,833

### 2. Dividends

	FY ending December 31, 2008	FY ending December 31, 2008 (forecast)	FY ended December 31, 2007
Dividends per share (Record date)			
End of first quarter .....	-	-	-
End of second quarter .....	-	-	-
End of third quarter .....	-	-	-
End of fourth quarter .....	-	¥1,500.00	¥1,800.00
Annual .....		¥1,500.00	¥1,800.00

### 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 .....	28,200	2.8
Operating income.....	8,520	(28.6)
Ordinary income.....	5,980	(43.6)
Net income.....	4,010	(39.8)
Net income per share.....	¥13,779 .85	--

Note: The above forecasts are based on the early application of the lower of cost or market method with regard to real estate available for sale.

### 4. Other

- 1) Transfer of important subsidiaries during the period (Transfers of certain subsidiaries resulting in changes in the scope of consolidation): None
- 2) Adoption of simplified accounting methods or special accounting methods in preparation of quarterly financial statements: No applicable items: None
- 3) Changes in principles, procedures and methods of indication of account methods for preparation of quarterly financial statements: None

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 business forecasts, please refer to page 6, "3) Consolidated forecasts".

## Business Performance

*Note: All comparisons are with the same nine-month period of the previous year, unless otherwise noted.*

### (1) Analysis of Business Performance

#### 1) Overall Business Performance

During the first nine months of fiscal 2008 (the period January 1, 2008 to September 30, 2008) Japan's economy continued to decelerate amid continuing financial market volatility triggered by the global financial crisis. Companies exercised increased levels of caution in their assessment of business conditions, and capital expenditure weakened. Although individual consumption has maintained a roughly level trend, consumer sentiment has deteriorated due in part to the negative wealth effect of a 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 worsening financial crises in U.S. and European markets. However, financial markets are not functioning normally due to the rapid onset of a global credit crunch.

In the real estate market, another area of the Group's business, financial institutions continue to tighten their assessments for real estate loans, causing a deterioration in the balance of supply and demand stemming from limitations on the fund procurement of buyers.

Amid these challenging business conditions, RISA Partners has continued to conduct its three business segments—the principal investment, fund, and investment banking businesses. Of the three segments, in the fund business our corporate investment funds and regional revitalization funds grew steadily, but we are facing delays to our exit from a certain portion of our large- to medium-sized joint real estate investments. Meanwhile, in our principal investment and investment banking businesses, we have recorded robust growth.

We have 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 first nine months of fiscal 2008, the Group also traded with more regional banks and trust banks, bringing the total number close to 80, and has continued to maintain favorable financial relationships with them.

As a result, RISA Partners achieved increased sales and profit, with net sales increasing 23.9% to ¥20,492 million, operating income increasing 24.2% to ¥7,215 million, ordinary income increasing 12.9% to ¥5,505 million, and net income increasing 31.3% to ¥4,099 million.

#### 2) Performance by Business Segment

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

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

In corporate equities, in addition to securing revenue from existing investments, we recorded revenue from Hotel JAL City Naha, which we acquired in June 2008. JAL City Naha has a superior competitive position in terms of both its location on Kokusai-dori and its brand, and since it maintains a high occupancy ratio, can be expected to provide stable future revenues.

In the area of loan asset investment, collection from loan assets purchased from financial institutions continued steadily, providing stable revenue. We have continued to pursue investments in marketable loan assets offered by megabanks, government-affiliated and regional financial institutions, and others.

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 advance property sales, securing profit on sale when buyers emerged that fulfilled the purchasing requirements. We also continued to take 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.

As a result, net sales in the principal investment business increased 28.8% to ¥14,868 million, and operating income increased 41.8% to ¥4,914 million.

##### **Fund Business**

RISA Partners' fund business conducts corporate investment funds (nationwide investments, mainly in corporate equities), regional corporate revitalization funds (investments in each region, mainly in loan assets), and joint real estate investments programs (nationwide investments limited to large- to medium-sized real estate), for which it provides management and operational services.

We succeeded in securing management fees for these services and in the first nine months of fiscal 2008 again achieved stable revenues. Having also provided part of the equity investment, we aim to receive future returns on our investment.

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 formed a No. 2 fund in July 2008, implementing one new investment project in August 2008. The total number of projects between our No.1 and No.2 funds has reached ten.

In our corporate revitalization fund activities, we pursue alliances with regional financial institutions throughout Japan, and these are continuing to expand favorably. Initiatives during the first nine months 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.

In our joint real estate investments programs, RISA Partners' fund business conducts large and medium-sized joint real estate investments with a fund controlled by Grove International Partners. While asset management fees for certain properties in which we have invested provided stable revenues as planned, the recent stagnation of the property market has delayed our exit from several investment projects, leading to a decline in capital gains and contingency fees of 90% or more compared with the first nine months of fiscal 2007.

As a result, net sales in the fund business decreased 25.9% to ¥1,806 million and operating income decreased 34.1% to ¥1,155 million.

### **Investment Banking Business**

RISA Partners' investment banking business provides corporate 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 nine months of fiscal 2008, Frontier Management, Inc., our consolidated subsidiary involved in financial advisory business and corporate revitalization business, grew favorably and we also succeeded in winning large-sized advisory mandates—including a financial revitalization project and projects relating to the reduction of real estate assets overseas.

As a result, substantial increases in revenue and profits were recorded in the investment banking business, with net sales increasing 36.1% to ¥4,540 million and operating income increasing 121.1% to ¥3,482 million.

## (2) Analysis of Financial Position

### (1) Total assets, liabilities and net assets

Total assets as of September 30, 2008 were ¥151,898 million, an increase of ¥32,898 million compared to the end of the previous fiscal year. Key factors contributing to this increase included an increase of ¥21,710 million in real estate for sale either from direct acquisitions or through fund activities, and an increase of ¥7,645 million in investment securities concomitant with an expansion of our equity investment activities.

Total liabilities as of September 30, 2008 were ¥107,300 million, an increase of ¥25,695 million compared to the end of the previous fiscal year. This was primarily due to an increase of long-term borrowings of ¥29,944 million used for the acquisition of debt and real estate.

### (2) Consolidated cash flows

Consolidated cash and cash equivalents ("net cash") at September 30, 2008 was ¥7,100 million, ¥10,732 million lower than at the end of the previous fiscal year. Factors contributing to cash inflow included net income before tax of ¥6,344 million recorded for the first nine months of fiscal 2008, and cash received from long-term borrowing. Key factors contributing to cash outflow were outlays for the acquisition of real estate, fixed assets, equity in affiliated companies, and investment securities.

Cash flows and their main components during the nine months of fiscal 2008 were as follows.

**Operating activity cash flows**

Net cash used in operating activities was ¥23,362 million, and increase of 2,325.96% compared to the first nine months of the previous fiscal year. Cash inflow of ¥6,344 million was recorded from net income before taxes for the first nine months of fiscal 2008, while main cash outflows included ¥20,239 million for the acquisition of real estate and ¥5,823 million for corporate tax payments.

**Investing activity cash flows**

Net cash used in investing activities was ¥18,814 million, an increase of 10.7%. The main factors contributing to this were expenditures of ¥8,796 million for the acquisition of tangible fixed assets and ¥6,036 million for the acquisition of equity in affiliated companies arising from Corporate Solution Fund investment activity.

**Financing activity cash flows**

Net cash provided by financing activities was ¥31,444 million, an increase of 18.0%. This was mainly due to a net increase in long-term borrowings of ¥33,250 million.

**(3) Consolidated forecasts**

For further information on full-year consolidated forecasts, please refer to the revised consolidated forecasts disclosed on October 9, 2008.

**(4) Other**

- (1) Transfer of important subsidiaries during the period (Transfers of certain subsidiaries resulting in changes in the scope of consolidation): No applicable items
- (2) Adoption of simplified accounting methods or special accounting methods in preparation of quarterly financial statements: No applicable items
- (3) Changes in principles, procedures and methods of indication of account methods for preparation of quarterly financial statements: No applicable items

## 5. Consolidated Financial Statements (abbreviated)

### 1. Consolidated Balance Sheets

*Millions of yen, rounded down*

	As of September 30, 2008	As of September 30, 2007	Increase (Decrease)	As of December 31, 2007
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and bank deposits.....	7,130	17,447	(10,317)	17,877
Notes & accounts receivable, trade Inventories.....	2,386	1,083	1,302	1,799
Inventories.....	37,104	15,215	21,888	15,394
Purchased loans receivable .....	39,040	37,916	1,123	35,719
Deferred tax assets .....	503	248	255	436
Other .....	6,953	2,835	4,117	2,457
Allowance for doubtful accounts...	(596)	(28)	(567)	(590)
Total current assets .....	92,521	74,719	17,801	73,094
<b>Fixed Assets</b>				
Property and Equipment				
Buildings and structures.....	8,426	4,686	3,740	3,123
Land .....	6,508	6,402	105	5,827
Other .....	481	470	10	517
Total property and equipment ....	15,416	11,558	3,857	9,469
Intangible fixed assets				
Software .....	140	163	(22)	154
Goodwill .....	132	307	(174)	279
Other .....	43	40	3	45
Total intangible fixed assets.....	316	510	(194)	479
<b>Investments and Other Assets</b>				
Investments in securities.....	39,767	21,503	18,264	32,122
Long-term loans receivable .....	2,252	1,712	540	2,317
Deferred tax assets .....	636	269	367	807
Other .....	1,231	944	287	955
Allowance for doubtful accounts...	(245)	-	(245)	(245)
Total investments and other assets .....	43,643	24,429	19,214	35,957
Total fixed assets.....	59,376	36,499	22,876	45,905
<b>Total Assets</b> .....	151,898	111,219	40,678	119,000

## Consolidated Balance Sheets (cont.)

*Millions of yen, rounded down*

	As of September 30, 2008	As of September 30, 2007	Increase (Decrease)	As of December 31, 2007
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Notes & accounts payable, trade .....	89	58	30	87
Short-term borrowings	28,892	29,082	(189)	30,003
Income taxes payable .....	548	1,190	(641)	3,557
Accrued bonuses .....	519	316	202	85
Other .....	3,046	3,402	(355)	3,276
<b>Total current liabilities .....</b>	<b>33,096</b>	<b>34,050</b>	<b>(953)</b>	<b>37,010</b>
<b>Long-term Liabilities</b>				
Corporate bonds .....	14,618	14,789	(170)	14,789
Long-term borrowings .....	59,101	34,100	25,000	29,157
Reserve for employees' retirement benefits .....	2	3	(1)	3
Other .....	481	642	(161)	645
<b>Total long-term liabilities .....</b>	<b>74,203</b>	<b>49,536</b>	<b>24,667</b>	<b>44,595</b>
<b>Total Liabilities .....</b>	<b>107,300</b>	<b>83,587</b>	<b>23,713</b>	<b>81,605</b>
<b>NET ASSETS</b>				
<b>Shareholders' Equity</b>				
Capital stock.....	8,461	7,817	643	7,829
Capital surplus .....	8,598	7,955	643	7,967
Retained earnings .....	15,411	8,276	7,135	11,811
Treasury stock.....	(821)	(1)	(820)	(1)
<b>Total shareholders' equity.....</b>	<b>31,649</b>	<b>24,047</b>	<b>7,601</b>	<b>27,607</b>
<b>Valuation and Translation Adjustments</b>				
Net realized gain on other securities .....	(8)	47	(56)	56
<b>Total valuation and translation adjustments .....</b>	<b>(8)</b>	<b>47</b>	<b>(56)</b>	<b>56</b>
Stock warrants.....	22	-	22	7
<b>Minority Interests .....</b>	<b>12,934</b>	<b>3,536</b>	<b>9,397</b>	<b>9,723</b>
<b>Total Net Assets .....</b>	<b>44,597</b>	<b>27,632</b>	<b>16,965</b>	<b>37,394</b>
<b>Total Liabilities &amp; Net Assets .....</b>	<b>151,898</b>	<b>111,219</b>	<b>40,678</b>	<b>119,000</b>

## 2. Consolidated Statements of Income (abbreviated)

*Millions of yen, rounded down*

	Nine months ended September 30, 2008	Nine months ended September 30, 2007	Increase (Decrease)	FY ended December 31, 2007
Net sales .....	20,492	16,540	3,952	27,441
Cost of sales.....	9,106	6,926	2,179	9,584
Gross profit .....	11,386	9,613	1,773	17,857
Selling, general and administrative expenses .....	4,171	3,802	369	5,928
Operating income .....	7,215	5,810	1,404	11,928
Non-operating income .....	87	221	(134)	192
Non-operating expenses .....	1,796	1,155	641	1,525
Ordinary income .....	5,505	4,877	628	10,595
Extraordinary income .....	923	240	683	385
Extraordinary losses .....	57	26	31	99
Net income before distribution of profit/loss from silent partnerships, income taxes and minority interests ....	6,371	5,092	1,279	10,881
Distribution of profit/loss from silent partnerships.....	27	28	0	37
Net income before income taxes and minority interests .....	6,344	5,063	1,280	10,844
Income taxes – current.....	2,652	2,356	296	5,439
Income taxes – deferred.....	142	(65)	207	(798)
Minority interests in income (loss) .....	(550)	(350)	(199)	(456)
<b>Net income .....</b>	<b>4,099</b>	<b>3,123</b>	<b>976</b>	<b>6,659</b>

### 3. Consolidated Statements of Cash Flows

Millions of yen, rounded down

	Nine months ended September 30, 2008	Nine months ended September 30, 2007	FY ended December 31, 2007
<b>I. Cash flows from operating activities</b>			
Net income before income taxes and minority	6,344	5,063	10,844
Depreciation and amortization.....	240	186	258
Amortization of long-term prepayment expenses ..	120	14	76
Gain on sale of property and equipment .....	(6)	-	(144)
Loss on disposal of fixed assets.....	15	26	26
Amortization of goodwill .....	81	100	128
Equity in earnings of affiliated companies .....	329	(107)	(72)
Silent partnership contributions received (paid) ...	(157)	(416)	(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.....	5	(7)	799
Increase (decrease) in accrued bonuses .....	434	316	85
Increase (decrease) in reserve for employees' retirement benefits .....	(0)	(2)	(2)
Interest income and dividend income .....	(45)	(18)	(19)
Interest expense.....	1,213	888	1,234
(Increase) decrease in notes and accounts receivable.....	(411)	83	(632)
(Increase) decrease in inventories .....	(20,239)	157	(593)
(Increase) decrease in purchased loans receivable.....	(3,320)	(2,841)	(644)
Increase (decrease) in notes and accounts	(9)	(13)	16
Other .....	(73)	114	585
<b>Sub-total .....</b>	<b>(16,342)</b>	<b>3,315</b>	<b>8,448</b>
Interest and dividends received.....	41	8	16
Interest paid .....	(1,238)	(899)	(1,229)
Income taxes paid .....	(5,823)	(3,387)	(4,009)
<b>Net cash provided by (used in) operating activities .....</b>	<b>(23,362)</b>	<b>(963)</b>	<b>3,225</b>
<b>II. Cash flows from investing activities</b>			
Payments for purchase of property and equipment .....	(8,796)	(4,477)	(5,718)
Proceeds from sale of tangible fixed assets .....	1,104	-	2,117
Payments for purchase of investment securities ...	(3,352)	(7,873)	(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 silent partnerships ...	(180)	(5,540)	(8,552)

Proceeds from distributions from silent partnerships .....	889	1,396	5,316
Payments for loans .....	(5,090)	(2,263)	(3,656)
Proceeds from loan collections .....	1,603	2,024	3,019
Other .....	(155)	(496)	(486)
<b>Net cash used in investing activities .....</b>	<b>(18,814)</b>	<b>(17,003)</b>	<b>(24,501)</b>
<b>III. Cash flows from financing activities</b>			
Net increase (decrease) in short-term borrowings.....	(4,416)	(5,411)	(3,524)
Proceeds from long-term borrowings .....	50,106	24,995	29,779
Repayment of long-term borrowings .....	(16,856)	(8,083)	(17,307)
Proceeds from bond issuance.....	-	12,323	12,323
Payments for bonds redeemable .....	(1,089)	(724)	(724)
Proceeds from issuance of capital stock.....	1,262	5	28
Payments for share buybacks .....	(820)	-	-
Cash dividends paid.....	(502)	(265)	(266)
Proceeds from minority interests.....	5,043	3,965	10,244
Payments for distributions to minority interests.....	(1,276)	-	-
Other .....	(5)	(155)	(155)
<b>Net cash provided by financing activities ....</b>	<b>31,444</b>	<b>26,647</b>	<b>30,397</b>
<b>IV. (Decrease) increase in cash and cash equivalents .....</b>	<b>(10,732)</b>	<b>8,680</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>8,362</b>
<b>VI. Increase in cash and cash equivalents from new consolidation .....</b>	<b>-</b>	<b>347</b>	<b>349</b>
<b>VII. Cash and cash equivalents at the end of the period .....</b>	<b>7,100</b>	<b>17,390</b>	<b>17,833</b>

## 4. Segment Information

### Segment information by business

#### Nine months ended September 30, 2008

*Millions of yen, rounded down*

	Principal investment	Fund business	Investment banking	Total	Eliminations and all company	Consolidated total
Net sales	14,868	1,806	4,540	21,215	(722)	20,492
Operating expenses	9,953	651	1,058	11,663	1,614	13,277
Operating income	4,914	1,155	3,482	9,552	(2,337)	7,215

#### Nine months ended September 30, 2007

*Millions of yen, rounded down*

	Principal investment	Fund business	Investment banking	Total	Eliminations and all company	Consolidated total
Net sales	11,545	2,437	3,335	17,319	(778)	16,540
Operating expenses	8,080	684	1,760	10,525	203	10,729
Operating income	3,465	1,753	1,574	6,793	(982)	5,810

#### Year ended December 31, 2007

*Millions of yen, rounded down*

	Principal investment	Fund business	Investment banking	Total	Eliminations and all company	Consolidated total
Net sales	16,054	8,064	4,331	28,449	(1,007)	27,441
Operating expenses	11,205	1,363	2,458	15,027	486	15,513
Operating income	4,848	6,700	1,873	13,422	(1,493)	11,928

### Segment information by geographical area

No information is presented, as for the nine-month periods ended September 30, 2008 and 2007 and the full year ended December 31, 2007 the Company did not undertake any material business activity outside of Japan.