



# **RISA Partners, Inc.**

## **Consolidated Full-Year Results**

**Fiscal Year Ended 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 fiscal year ended December 31, 2008

**RISA Partners, Inc.**

**February 13, 2009**

Stock Code: 8924

Listed exchanges: Tokyo, 1st Section

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Scheduled date of Annual General Meeting of Shareholders: March 19, 2009

Telephone: 813 5573-8011

Scheduled date of submission of Securities Report: March 23, 2009

Scheduled date of dividend payment: March 23, 2009

### 1. Consolidated Financial Results for the Year Ended December 31, 2008

#### 1) Consolidated Operating Results

*Millions of yen, rounded down; change compared to previous fiscal year*

	FY ended December 31, 2008		FY ended December 31, 2007	
		Change %		Change %
Net sales .....	24,780	(9.7)	27,441	65.2
Operating income.....	7,991	(33.0)	11,928	83.8
Ordinary income.....	5,123	(51.6)	10,595	103.6
Net income (loss) .....	(2,212)	--	6,659	119.7
Net income per share (¥) .....	(7,603.59)	--	24,141.19	--
Fully diluted earnings per share (¥).....	--	--	21,773.90	--
Return on equity (ROE) (%).....	(0.1)	--	28.4	--
Ordinary income/total assets (%).....	3.9	--	10.6	--
Operating income/net sales (%).....	32.2	--	43.5	--

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

FY ended December 31, 2008: (¥417 million)

FY ended December 31, 2007: ¥72 million

#### 2) Financial Position

*Millions of yen, rounded down*

	As of December 31, 2008	As of December 31, 2007
Total assets.....	142,383	119,000
Net assets.....	38,777	37,394
Shareholders' equity ratio (%).....	17.8	23.2
Net assets per share (¥).....	86,426.11	98,431.04

Note: Shareholders' equity as of:

December 31, 2008: ¥25,272 million      December 31, 2007: ¥27,663 million

Note: RISA Partners implemented a two-for-one share split for ordinary shares on April 1, 2007

#### 3) Cash Flows

*Millions of yen, rounded down*

	FY ended December 31, 2008	FY ended December 31, 2007
Cash flows from operating activities.....	(17,680)	3,225
Cash flows from investing activities .....	(20,365)	(24,501)
Cash flows from financing activities .....	28,656	30,397
Cash and equivalents at end of period.....	8,443	17,833

### 2. Dividends

	FY ended December 31, 2007	FY ended December 31, 2008	FY ending December 31, 2009 (forecast)
Dividends per share (Record date)			
End of first quarter .....	--	--	--
End of second quarter.....	0.00	0.00	0.00
End of third quarter .....	--	--	--
End of fourth quarter.....	¥1,800.00	¥1,500.00	¥1,500.00
Annual dividend.....	¥1,800.00	¥1,500.00	¥1,500.00
Total amount of dividends paid (¥ million) .....	505	438	--
Consolidated payout ratio (%) .....	7.5	17.1	21.9
Dividend as percentage of consolidated net assets .....	2.1	1.7	--

Note 1: The year-end dividend for FY ended December 31, 2007 comprised an ordinary dividend of ¥1,500 per share and a commemorative

dividend of ¥300 per share.

Note 2: The forecast dividend per share for the year ending December 31, 2009 does not include consideration of the preferred share dividend outlined in an announcement on February 9, 2009

### 3. Forecasts for the Fiscal Year Ending December 31, 2009

Millions of yen, rounded down; change compared to previous comparable period

	Interim period	Change in %	Full year	Change in %
Net sales .....	--	--	15,000	(39.4)
Operating income.....	--		5,700	(28.6)
Ordinary income.....	--		3,500	(31.6)
Net income.....	--		2,000	190.4
Net income per share (¥) .....	--		¥6,872.74	--

Note 1: The forecast consolidated net income per share for the year ending December 31, 2009 does not include conversion to ordinary shares of the preferred share issue announced on February 9, 2009.

Note 2: For information on forecasts for the interim period please refer to page 6, Outlook for FY2009

### 4. Other

1) Transfer of important subsidiaries during the period (Transfers of certain subsidiaries resulting in changes in the scope of consolidation): None

(Note: Details are available on page 9, Outline of the RISA Partners Group

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: Yes

(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 December 31, 2008:

296,461 shares

As of December 31, 2007:

281,053 shares

(2) Number of treasury shares:

As of December 31, 2008:

4,046 shares

As of December 31, 2007:

6 shares

## For reference: Outline of non-consolidated results

### 1) Non-consolidated Operating Results for the Year ended December 31, 2008

Millions of yen, rounded down; change compared to previous fiscal year

	FY ended December 31, 2008		FY ended December 31, 2007	
		Change %		Change %
Net sales .....	20,892	(11.7)	23,667	53.7
Operating income.....	7,151	(36.6)	11,282	90.6
Ordinary income.....	4,902	(50.9)	9,990	120.6
Net income (loss) .....	(2,552)	--	6,002	128.0
Net income per share (¥) .....	(8,772.65)	--	21,761.64	--
Fully diluted earnings per share (¥).....	--	--	19,627.68	--

### 2) Financial Position

Millions of yen, rounded down

	As of December 31, 2008	As of December 31, 2007
Total assets.....	120,487	107,464
Net assets.....	23,856	26,577
Shareholders' equity ratio (%).....	19.8	24.7
Net assets per share (¥).....	81,472.17	94,540.03

Note: Shareholders' equity as of:

December 31, 2008: ¥23,823 million

December 31, 2007:

¥26,570 million

### Forward-looking statements

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 3, 1. *Business Performance (1) Analysis of Business Performance*.

### Other information

Note: RISA Partners implemented a two-for-one share split for ordinary shares on April 1, 2007

## Business Performance

### (1) ANALYSIS OF BUSINESS PERFORMANCE

#### 1) Overall Business Performance

The Japanese economy slowed markedly during the year under review (the period January 1, 2008 to December 31, 2008), influenced by continued global upheaval in the financial market, and the impact of the financial crisis appeared to spread rapidly into the real economy. Corporate performance showed a clear decline, with falling levels of capital investment and a weakening of consumer sentiment. Exchange rate risks have contributed to an unforgiving business environment, and there is a risk of further decline in the economy.

In the financial markets in which the Group operates, domestic financial institutions in Japan have felt the impact of the financial crisis spreading from the U.S. and Europe, and credit has contracted considerably.

In the real estate market—also an area in which RISA Partners operates—the financial crisis has made it increasingly difficult to finance real estate, and the excessive restriction on financing for potential buyers has upset the supply and demand balance. As a result, trading in the real estate market has become markedly depressed.

RISA Partners has been pursuing business in three business segments— Principal Investment Business, Fund Business, and Investment Banking Business. Results in our Principal Investment Business and Investment Banking Business grew steadily during the year, despite the severe business environment. In Fund Business, performance in corporate investment funds and regional corporate revitalization funds expanded steadily. In co-investment business, however, the rapidly worsening market environment outlined above meant that we were unable to secure the level of success fees and investment return income contained in our initial plan for the year.

Concomitant with this, we recorded an extraordinary loss totaling ¥8,031 million for valuation loss on investment securities and provision for possible loan loss in the real estate co-investment program. This reflects our decision that, given that a significant recovery in the real estate market does not appear imminent, we should take a conservative view when reappraising the book value of all our equity investment in real estate holdings companies associated with the co-investment business.

For the year ended December 31, 2008 RISA Partners' net sales declined 9.7% to ¥24,780 million, operating income declined 33.0% to ¥7,991 million, and ordinary income declined 51.6% to ¥5,123 million. A net loss of ¥2,212 million was recorded, representing a decrease of 133.2%.

In financing, we continued to promote favorable transaction relationships with financial institutions, and the increased number of new transactions with regional banks and trust banks achieved during the year contributed to an increase in the total number of allied financial institutions to close to 80. We also expanded the financing framework with financial institutions by securing increased commitment lines, enabling greater flexibility in pursuing investment opportunities.

#### 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 (equity) investment, we recorded earnings from existing investments, while also recording revenues from 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. In November 2008 we were able to complete our exit from our 2007 investment in the Saihokukan Hotel in Nagano, generating an early return on our investment.

In the area of loan asset investment, loan collection on loan assets acquired from financial institutions continued steadily, generating stable revenues. We have continued to invest in loan assets as appropriate opportunities arise through our relationships with megabanks, government-affiliated and regional financial institutions, and others.

In real estate investment, we recorded steady revenue from the stable flow of rental fees provided by invested properties, in line with initial expectations. We also secured gain on the sale of certain properties when suitable buyers emerged.

For the year ended December 31, 2008, net sales in the Principal Investment Business increased 13.5% to ¥18,227 million, and operating income increased 5.6% to ¥5,122 million.

### ***Fund Business***

RISA Partners' Fund Business manages corporate investment funds (primarily equity investment, nationwide), regional corporate revitalization funds (primarily debt investment, in various regions), and real estate co-investment (targeting medium- to large-scale real estate assets, nationwide). We generate a set level of fee income from fund administration, and during the period under review were able to achieve stable revenues in this respect. We also invest our own equity in some funds with the aim of generating return on the investments themselves.

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 steadily, enabling us to invest the entire commitment amount as of April 2008. In July 2008 we launched a No. 2 fund, and in August of the same year implemented this fund's first investment. These two funds are invested in a total of 10 projects.

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 year 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 December 2008, a credit guarantee corporation became an investment partner in the Gifu Medium- to Small-Sized Companies Support Fund, the first such participation by a credit guarantee corporation in Japan.

In our real estate co-investment program, targeting medium- to large-scale real estate investments, we continued to conduct operations in cooperation with Grove International Partners ("Grove"). Through these investments we secured stable asset management fees in line with expectations. However, success fees and gain on sales of investments decreased more than 90% year on year despite focused marketing activities, reflecting the delay in sales arising from stagnation in the real estate market.

For the year ended December 31, 2008, net sales in the Fund Business decreased 72.5% to ¥2,217 million, and operating income decreased 77.8% to ¥1,489 million.

As noted above, in the real estate co-investment program we recorded an extraordinary loss for valuation loss on investment securities and provision for possible loan loss.

### ***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, along with a corporate solutions business that utilizes our extensive investment and advisory expertise in the areas of finance and real estate.

In fiscal 2008, business at Frontier Management, Inc., our consolidated subsidiary involved in financial advisory business and corporate revitalization support business, grew steadily, and we also succeeded in winning large advisory mandates—including a financial revitalization project and project that included reducing overseas real estate assets.

For the year ended December 31, 2008, net sales in the Principal Investment Business increased 21.3% to ¥5,252 million, and operating income increased 102.5% to ¥3,792 million

### **3) Outlook for FY2009**

It appears likely that the economic environment in Japan will remain severe in 2009. The decline in corporate performance is leading to an increase in non-performing loans (NPLs) held by financial institutions, and we believe that particularly from the second half of the year there could be a marked increase in activities by these institutions to deal with problem loans. This may lead to an increase in demand by financial institutions and businesses for our specialist capabilities in NPLs and corporate revitalization, with an expansion of investment opportunities and higher demand for our advisory services.

Conditions in the real estate market are expected to remain tough, with financial institutions continuing to take a strict approach to real estate financing, such that buyers are unable to secure sufficient funding and the market remains stalled. At the same time, with real estate companies failing in the midst of this market turmoil, there is a growing need among the remaining industry participants for real estate

advisory services (real estate due diligence, real estate asset management, etc.), and we will be actively pursuing these emerging business opportunities.

Reflecting the market outlook described above, our business approach in each area for the year is as follows.

In Principal Investment Business, we will continue to pursue steady return on our loan asset investments, and will aim to undertake new investments without expanding our balance sheet. With real estate assets held on our own account, we will pursue stable rental income rather than trying to sell assets in unfavorable circumstances. However, we will take a flexible approach to selling real estate assets if favorable buyers emerge.

In Fund Business, we will actively pursue exit opportunities for investments made by the RISA Corporate Solution Fund. For the second fund, we aim to increase our management fees by increasing the total investment commitment to ¥30.0 billion. In real estate co-investment, we will actively develop marketing activities for real estate assets. However, given the current stagnation of the market, we have not included gain on sale of real estate or success fees for real estate sales business in our forecasts for the year.

In Investment Banking Business, we will pursue increasing opportunities to provide corporate financial advisory services and business revitalization support services, primarily through our strategic subsidiary Frontier Management. We will also aim to secure earnings by providing detailed solutions services to financial institutions' transaction partners and other such clients, making maximum use of the extensive network of financial institutions we have developed along with the specialist skills we have within our group. In real estate advisory services we have seen a rapid increase in proposals amidst the current turmoil in the real estate market, and we will be pursuing opportunities through a dedicated team we established at the end of 2008.

As a result of the business activities outlined above, forecast consolidated net sales for 2009 are ¥15,000 million, with operating income of ¥5,700 million, ordinary income of ¥3,500 million, and net income of ¥2,000 million.

It should be noted that our business model is such that realizing returns on investments involves calculating a certain amount of lead time. Changes in actual lead times can have a significant impact on profit and loss in a given period, and for this reason it is difficult to make interim earnings forecasts. Quarterly performance reports will continue to be disclosed as they have previously.

*Note: On February 9, 2009, RISA Partners formed a contract with NEC Capital Solutions Limited, under which a range of potential synergies can be envisaged in each of our business segments. The specific business impact of these synergies is currently under consideration, and is not included in the above forecasts.*

## **(2) ANALYSIS OF FINANCIAL POSITION**

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

Total assets as of December 31, 2008 were ¥142,383 million, an increase of ¥23,383 million compared to the end of the previous fiscal year. Key factors contributing to this increase included an increase of ¥20,863 million in real estate for sale from Principal Investment Business, and an increase of ¥5,987 million in tangible fixed assets from the acquisition of long-term real estate.

Total liabilities as of December 31, 2008 were ¥103,606 million, an increase of ¥22,000 million compared to the end of the previous fiscal year. Primary factors contributing to this outcome included an increase of long-term borrowings of ¥30,347 million used for the acquisition of real estate noted above, and a decrease in short-term borrowings of ¥7,829 million.

Net assets as of December 31, 2008 were ¥38,777 million, an increase of ¥1,382 million compared to the end of the previous year. Primary factors contributing to this outcome included an increase in minority interests of ¥3,748 million arising from limited liability investment partnerships included in the scope of consolidation concomitant with expanded equity investment, along with the net loss of ¥2,212 million recorded for the period.

### **(2) Consolidated cash flows**

Consolidated cash and cash equivalents ("net cash") at December 31, 2008 had declined by ¥9,390 million compared to the end of fiscal 2007 to ¥8,443 million. This was the result of expenditures arising from the acquisition of real estate for sale and other tangible fixed assets.

Cash flows and their main components during fiscal 2008 were as follows.

### Operating activity cash flows

Net cash used in operating activities was ¥17,680 million (compared to cash flow from operating activities of ¥3,225 million in the previous year). This was primarily due to a net increase of inventory assets of ¥19,392 million.

### Investing activity cash flows

Net cash used in investing activities was ¥20,365 million, compared to net cash used of ¥24,501 million in the previous year. The main factors contributing to this were outgoings of ¥8,983 million for the acquisition of tangible fixed assets, ¥6,036 million for the acquisition of shares in affiliated companies, and ¥5,416 million in loans.

### Financing activity cash flows

Net cash provided by financing activities was ¥28,656 million, compared to ¥30,397 million in the previous year. The main factors contributing to this were inflow of ¥55,009 million in long-term borrowings and inflow of ¥5,739 million from minority shareholders, despite a reduction of ¥7,828 million in short-term borrowings and repayment of ¥21,820 million in long-term borrowings.

RISA Partners Group Cash Flow Indices

	2008	2007	2006
Equity ratio (%)	17.8	23.2	23.9
Equity (market price base) ratio (%)	8.7	58.1	82.8
Ratio of interest-bearing debt to cash flow (times)	—	23.7	—
Interest coverage ratio (times)	—	2.6	—

Notes:

- All indices are based on consolidated financial figures and are calculated as follows.  

$$\text{Equity ratio} = \frac{\text{Shareholders' equity}}{\text{Total assets}}$$

$$\text{Equity ratio based on market price} = \frac{\text{Capitalization at market price}}{\text{Total assets}}$$

$$\text{Ratio of interest-bearing debt to cash flow} = \frac{\text{Interest-bearing debt}}{\text{Operating cash flow}}$$

$$\text{Interest coverage ratio} = \frac{\text{Operating cash flow}}{\text{Interest payments}}$$
- 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 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

RISA Partners positions the maximization of shareholder returns as a key management responsibility. From this perspective, we have a 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 2008, we have proposed a dividend per ordinary share of ¥1,500, based on a comprehensive assessment of the company's financial position and outlook. Based on fiscal 2008 results and other factors, the planned dividend for fiscal 2009 is ¥1,500 per ordinary share.

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.

## **2. Outline of the RISA Partners Group**

As of December 31, 2008, RISA Partners Group consists of the Company (RISA Partners, Inc.), 42 consolidated subsidiaries (RIFAS, Inc., RISA Loan Servicing, Inc., Hayato Investments, Inc., Shiroyama Investments, Inc., Osumi Investments, Inc., RISA Partners Okinawa, Inc., Frontier Management, Inc., RISA Partners Naha Co., Ltd. and 23 other companies; and 11 silent partnerships and others), and 33 associated companies (F&B Corporation, SuperDeluxe and 25 others; and 6 silent partnerships and others).

RISA Partners Group conducts proprietary investments and investment through funds in a wide range of assets including corporate equities, loan assets and real estate, 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 corporate equities, loan assets and real estate.

#### **(i) 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 our financial and real estate expertise, as well as our strong ties with regional financial institutions.

#### **(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 our extensive nationwide ties with regional financial institutions.

#### **(iii) 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.

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

RISA Partners' Fund Business involves structuring, managing and administering corporate value funds aimed at increasing enterprise value through equity and debt investments, corporate revitalization funds, and real estate funds, with RISA Partners itself also makes equity investments in these funds.

#### **(i) Solution funds**

In September 2006, RISA Partners launched the RISA Corporate Solution Fund, a new-concept fund for enhancement of corporate value that combines our financial advisory capabilities and investment capability in loan assets and real estate. The aim of this fund is not only corporate revitalization, but also to assist with matters such as accelerating growth, restructuring operations, attending to business continuation and other such corporate needs, and by making use of RISA Partners' solutions capabilities the fund seeks to add value to a wide range of business, primarily with equity investment in domestic companies. Through the Corporate Solution Fund, in August 2007 we established the Kyushu Corporate Solution Fund in collaboration with Nishi-Nippon City Bank

RISA Corporate Solution Fund has made investment commitments of ¥21.85 billion since it began operations, and steady progress in investment enabled total investment commitment to be achieved as of April 2008. The second fund was established in July 2008, and the first investment by this fund was made in August of the same year. The two funds have currently made a total of 10 investments.

(ii) Corporate revitalization funds

Our regional corporate revitalization funds primarily make debt investments. The funds are developed in partnerships with regional financial institutions, and have accumulated a global-standard track record. As of December 31, 2008, RISA Partners has partnerships with 73 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) Real estate co-investments

In the area of investment in medium- to large-scale real estate, RISA Partners' Fund Business conducts co-investment 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 financial strength with RISA Partners' expertise, experience and information network in Japanese real estate investment. Total investment to date is approximately ¥223.5 billion (as of December 31, 2008; on a commitment basis).

### **(3) Investment Banking Business**

RISA Partners' Investment Banking Business entails provision of financial advisory services including corporate revitalization consulting services, financial advisory and other such corporate advisory services, along with due diligence and loan servicing operations, bringing together RISA Partners' investment and advisory capabilities in a comprehensive corporate solutions offering.

Of these, financial advisory business and due diligence business is conducted by RIFAS, Inc., and loan servicing business is carried out by RISA Loan Servicing, Inc. We have established Frontier Management, Inc., as a consulting company focusing on corporate turnarounds and M&A, as part of measures to strengthen our corporate advisory capabilities.

(i) Corporate advisory

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 loan assets, real estate 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, aiming to meet the needs of customers of regional banks and also engaging in advisory business for listed and other companies. A 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) Loan asset advisory

Business activities in loan asset advisory operations includes due diligence on loan asset along with loan servicing. RISA Partners has been engaging in loan asset due diligence business since its establishment, conducting research and analysis from diverse perspectives including the potential returns, risks and legal problems relating to corporate investments, loan assets, real estate 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 RISA Partners now ranks as a leading provider of these services.

In the loan servicing business, RISA Partners acquired Yashio Servicing Co., Ltd. from Ashikaga

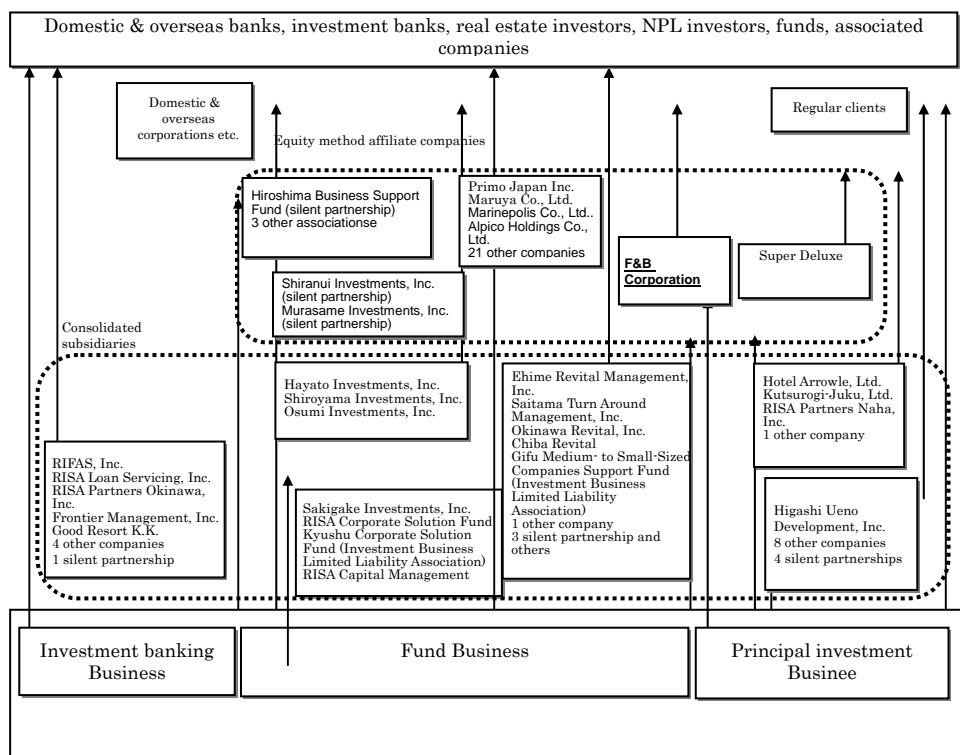
Financial Group, Inc. in April 2005 and changed its name to RISA Loan Servicing, Inc. on June 20, 2006. RISA Loan Servicing, Inc. carries out loan servicing business with a particular focus on corporate revitalization.

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

(iii) Real estate advisory

We provide real estate advisory operations as a real estate-related service in investment banking. Specific activities include asset management of real estate held by clients, real estate intermediation services, real estate due diligence and market research. In alliance with major European real estate consulting company Atisreal Group we have leveraged the available global network to create a strong pipeline of foreign investors. Our support for foreign investors in Japanese real estate includes every aspect of the real estate investment process, from entry to exit.

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.

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. in June 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 real estate co-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. Osumi Investments, Inc.

Osumi 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.

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.

8. RISA Partners Naha, Inc.

RISA Partners Naha, Inc. manages and undertakes administration of Hotel JAL City Naha, acquired in May 2008. Hotel JAL City Naha is located in main area on Kokusai-dori in Okinawa, and has a very strong occupancy rate supported by a superior brand position.

**3. MANAGEMENT POLICY**

There has been no significant change to the management policy disclosed in the consolidated financial results for fiscal 2006 (announced on February 9, 2007). Details are therefore not included in this report.

The relevant consolidated financial results are available at the following websites:

RISA Partners website:

<http://www.risa-p.com/category/investor-relations/>

Tokyo Stock Exchange (listed company search):

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

## 1. Consolidated Balance Sheets

Millions of yen, rounded down

	As of December 31, 2008	As of December 31, 2007	Change
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and bank deposits.....	8,483	17,877	
Notes & accounts receivable, trade inventories.....	2,270	1,799	
Inventories.....	36,257	15,394	
Purchased loans receivable .....	34,790	35,719	
Deferred tax assets .....	455	436	
Other .....	6,893	2,457	
Allowance for doubtful accounts.....	(1,359)	(590)	
Total current assets .....	87,791	73,094	14,696
<b>Fixed assets</b>			
Property and equipment			
Buildings and structures .....	8,735	3,347	
Depreciation of building and structures .....	375	223	
Land .....	6,555	5,827	
Construction in progress.....	57	47	
Other.....	675	607	
Accumulated depreciation .....	191	137	
Total property and equipment .....	15,457	9,469	5,987
Intangible assets			
Software .....	131	154	
Goodwill.....	107	279	
Other.....	21	45	
Total intangible assets .....	260	479	(219)
Investments and other assets			
Investments in securities.....	32,590	32,122	
Long-term loans receivable.....	2,252	2,317	
Deferred tax assets .....	3,059	807	
Other .....	1,265	955	
Allowance for doubtful accounts .....	(291)	(245)	
Total investments and other assets .....	38,875	35,957	2,918
Total fixed assets .....	54,592	45,905	8,686
<b>Total assets.....</b>	<b>142,383</b>	<b>119,000</b>	<b>23,383</b>

## Consolidated Balance Sheets (cont.)

*Millions of yen, rounded down*

	As of December 31, 2008	As of December 31, 2007	Change
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Notes & accounts payable, trade .....	89	87	
Short-term borrowings .....	9,784	17,613	
Current portion of long-term debt .....	15,232	12,390	
Income taxes payable .....	595	3,557	
Accrued bonuses .....	98	85	
Other .....	3,197	3,276	
<b>Total current liabilities</b> .....	<b>28,999</b>	<b>37,010</b>	<b>(8,010)</b>
<b>Non-current liabilities</b>			
Corporate bonds .....	14,618	14,789	
Long-term borrowings .....	59,504	29,157	
Reserve for employees' retirement benefits .....	2	3	
Other .....	481	645	
<b>Total non-current liabilities</b> .....	<b>74,606</b>	<b>44,595</b>	<b>30,010</b>
<b>Total liabilities</b> .....	<b>103,606</b>	<b>81,605</b>	<b>22,000</b>
<b>NET ASSETS</b>			
<b>Shareholders' equity</b>			
Capital .....	8,461	7,829	
Capital surplus .....	8,598	7,967	
Retained earnings .....	9,093	11,811	
Treasury stock .....	(821)	(1)	
<b>Total shareholders' equity</b> .....	<b>25,330</b>	<b>27,607</b>	<b>(2,276)</b>
<b>Valuation and translation adjustments</b>			
<b>Net realized gain on other securities</b> .....	(58)	56	
<b>Total valuation and translation adjustments</b> .....	<b>(58)</b>	<b>56</b>	<b>(115)</b>
Stock warrants .....	32	7	24
Minority interests .....	13,472	9,723	3,748
<b>Total net assets</b> .....	<b>38,777</b>	<b>37,394</b>	<b>1,382</b>
<b>Total liabilities and net assets</b> .....	<b>142,383</b>	<b>119,000</b>	<b>23,383</b>

## 2. Consolidated Statements of Income (abbreviated)

Millions of yen, rounded down

	FY ended December 31, 2008	FY ended December 31, 2007	Change
Net sales .....	24,780	27,441	(2,660)
Cost of sales .....	10,811	9,584	1,226
Gross profit .....	13,969	17,857	(3,887)
Selling, general and administrative expenses .....	5,977	5,928	49
Operating income.....	7,991	11,928	(3,936)
<b>Non-operating income</b>			
Interest income	42	18	
Dividend income	1	1	
Equity in earnings of affiliated companies	--	72	
Other	65	100	(83)
<b>Non-operating expenses</b>			
Interest expenses	1,676	1,234	
Loan commissions	226	132	
Losses on earnings of affiliated companies	417	--	
Other	656	158	1,451
<b>Ordinary income</b> .....	5,123	10,595	(5,471)
<b>Extraordinary income</b> .....	920	385	
Gain on sales of fixed assets	9	144	
Gain on sales of securities	1	--	
Gain on sale of equity in affiliates	901	240	
Reversal gain on expiration of stock warrants	7	--	535
<b>Extraordinary losses</b> .....	8,265	99	
Gain on sales of fixed assets	5	--	
Gain on disposal of fixed assets	66	26	
Valuation loss on investment securities	7,625	73	
Loss on revaluation of inventory	121	--	
Provision for possible loan loss	446	--	8,165
<b>Net income (losses) before distribution of profit/loss from silent partnerships, income taxes and minority interests</b> .....	(2,221)	10,881	(13,102)
Distribution of profit/loss from silent partnerships ...	40	37	2
Net income (losses) before income taxes and minority interests .....	(2,261)	10,844	(13,105)
Income taxes – current.....	2,835	5,439	
Income taxes – deferred .....	(2,187)	(798)	(3,994)
Loss in minority interests .....	(696)	(456)	(240)
<b>Net income (loss)</b> .....	(2,212)	6,659	(8,871)

**(3) Changes to consolidated shareholders' equity**  
**Previous year (January 1, 2007 to December 31, 2007)**

<i>Million yen, rounded down</i>	Shareholders' equity				
	Capital	Capital reserve	Retained earnings	Treasury shares	Total shareholders' equity
Balance as of December 31, 2006	6,852	6,990	5,421	(1)	19,263
Changes during period					
Issuance of new shares	976	976	—	—	1,953
Dividend payments	—	—	(267)	—	(267)
Net income	—	—	6,659	—	6,659
Cancellation of treasury shares	—	(0)	—	0	—
Changes in scope of consolidation	—	—	(1)	—	(1)
Changes other than to shareholders' equity (net)	—	—	—	—	—
Total change during period	976	976	6,390	—	8,344
Balance at end of period	7,829	7,967	11,811	(1)	27,607

<i>Million yen, rounded down</i>	Appraisal and translation differences	New share subscription rights	Minority interests	Total net assets
	Other marketable securities			
Balance as of December 31, 2006	64	—	40	19,367
Changes during period				
Issuance of new shares	—	—	—	1,953
Dividend payments	—	—	—	(267)
Net income	—	—	—	6,659
Cancellation of treasury shares	—	—	—	—
Changes in scope of consolidation	—	—	—	(1)
Changes other than to shareholders' equity (net)	(7)	7	9,682	9,682
Total change during period	(7)	7	9,682	18,026
Balance at end of period	56	7	9,723	37,394

January 1, 2008 to December 31, 2008

<i>Millions of yen, rounded down</i>	Shareholders' equity				
	Capital	Capital reserve	Retained earnings	Treasury shares	Total shareholders' equity
Balance as of December 31, 2007	7,829	7,967	11,811	(1)	27,607
Changes during period					
Issuance of new shares	631	631	—	—	1,262
Dividend payments	—	—	(505)	—	(505)
Net income (loss)	—	—	(2,212)	—	(2,212)
Cancellation of treasury shares	—	—	—	(820)	(820)
Changes other than to shareholders' equity (net)	—	—	—	—	—
Total change during period	631	631	(2,718)	(820)	(2,276)
Balance at end of period	8,461	8,597	9,093	(821)	25,330

<i>Millions of yen, rounded down</i>	Appraisal and translation differences	New share subscription rights	Minority interests	Total net assets
	Other marketable securities			
Balance as of December 31, 2007	56	7	9,723	37,394
Changes during period				
Issuance of new shares	—	—	—	1,262
Dividend payments	—	—	—	(505)
Net income (loss)	—	—	—	(2,212)
Cancellation of treasury shares	—	—	—	(820)
Changes other than to shareholders' equity (net)	(115)	24	3,748	3,658
Total change during period	(115)	24	3,748	1,382
Balance at end of period	(58)	32	13,472	38,777

#### 4. Consolidated Statements of Cash Flows

Millions of yen, rounded down

	FY ended December 31, 2008	FY ended December 31, 2007	Change
<b>I. Cash flows from operating activities</b>			
Net income (losses) before income taxes and minority interests .....	(2,261)	10,844	
Depreciation and amortization.....	356	258	
Amortization of long-term prepayment expenses.....	183	76	
Gain on sale of fixed assets .....	(9)	(144)	
Loss on sale of fixed assets .....	5	--	
Loss on disposal of fixed assets.....	66	0	
Loss on disposal of intangible assets.....	--	26	
Amortization of goodwill .....	106	128	
Equity in earnings of affiliated companies .....	417	(72)	
Silent partnership contributions received (paid) .....	237	(3,327)	
Valuation loss on investment securities .....	7,625	73	
Loss on sale of investment securities.....	(1)	--	
Gain on sale of shares in affiliated companies.....	(901)	(240)	
Increase (decrease) in provision for possible loan loss.....	815	799	
Increase (decrease) in accrued bonuses .....	13	85	
Increase (decrease) in reserve for employees' retirement benefits .....	(1)	(2)	
Interest income and dividend income.....	(43)	(19)	
Interest expense.....	1,676	1,234	
(Increase) decrease in notes and accounts receivable .....	(295)	(632)	
(Increase) decrease in inventories .....	(19,392)	(593)	
(Increase) decrease in purchased loans receivable.....	929	(644)	
Increase (decrease) in notes and accounts payable.....	(8)	16	
Other.....	310	585	
<b>Sub-total .....</b>	<b>(10,171)</b>	<b>8,448</b>	
Interest and dividends received.....	40	16	
Interest paid.....	(1,677)	(1,229)	
Income taxes paid .....	(5,871)	(4,009)	
<b>Net cash provided by (used in) operating activities .....</b>	<b>(17,680)</b>	<b>3,225</b>	<b>(20,905)</b>
<b>II. Cash flows from investing activities</b>			
Payments for purchase of property and equipment .....	(8,983)	(5,718)	
Proceeds from sale of tangible fixed assets.....	1,105	2,117	
Payments for purchase of investment securities.....	(4,423)	(16,577)	
Payments for purchase of shares in affiliated companies .....	(6,036)	(15)	
Proceeds from sale of shares in affiliated companies .....	1,257	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 .....	(243)	(8,552)	
Proceeds from distributions from silent partnerships .....	1,079	5,316	
Payments for loans.....	(5,416)	(3,656)	
Proceeds from loan collections .....	1,608	3,019	
Other.....	(256)	(486)	
<b>Net cash used in investing activities.....</b>	<b>(20,365)</b>	<b>(24,501)</b>	<b>4,136</b>

<b>III. Cash flows from financing activities</b>			
Net increase (decrease) in short-term borrowings .....	(7,828)	(3,524)	
Proceeds from long-term borrowings .....	55,009	29,779	
Repayment of long-term borrowings .....	(21,820)	(17,307)	
Proceeds from bond issuance.....	--	12,323	
Payments for bonds redeemable .....	(1,089)	(724)	
Proceeds from issuance of capital stock .....	1,262	28	
Payments for share buybacks.....	(820)	--	
Cash dividends paid .....	(503)	(266)	
Proceeds from minority interests.....	5,739	10,244	
Payments for distributions to minority interests.....	(1,290)	--	
Other.....	(3)	(155)	
<b>Net cash provided by financing activities.....</b>	<b>28,656</b>	<b>30,397</b>	<b>(1,741)</b>
<b>IV. (Decrease) increase in cash and cash equivalents.....</b>	<b>(9,389)</b>	<b>9,121</b>	<b>(18,510)</b>
<b>V. Cash and cash equivalents at beginning of period .....</b>	<b>17,833</b>	<b>8,362</b>	<b>9,471</b>
<b>VI. Increase in cash and cash equivalents from new consolidation.....</b>	<b>--</b>	<b>349</b>	<b>(349)</b>
<b>VII. Cash and cash equivalents at end of period .....</b>	<b>8,443</b>	<b>17,833</b>	<b>(9,390)</b>

Note: These financial results reflect Partial Revision to Fiscal 2008 Financial Results that RISA Partners announced on February 14, 2009