



RISA PARTNERS INC.

# **RISA Partners, Inc.**

## **Consolidated First-Quarter Results**

First three months of the fiscal year ending December 31, 2010

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 first quarter of the fiscal year ending December 31, 2010

**RISA Partners, Inc.****May 10, 2010**

Stock Code: 8924

Listed exchanges: Tokyo, 1st Section

URL: <http://www.risa-p.com>Inquiries: Akihiko Haruyama  
Chief Financial Officer

President: Atsushi Imuta

Scheduled date of submission of first quarter *hokokusho* May 14, 2010  
(business report):

Telephone: 813 5573-8011

**1. Consolidated Financial Results for First Quarter of the Year Ending December 31, 2010**

## 1) Consolidated Operating Results

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

	Three months ended March 31, 2010		Three months ended March 31, 2009	
		Change %		Change %
Net sales .....	1,952	(24.3)	2,581	(41.3)
Operating income.....	536	(8.0)	582	(78.1)
Ordinary income.....	46	(84.2)	298	(86.3)
Net income (loss) .....	185	11.5	166	(90.6)
Net income per share (¥) .....	634.64	--	569.17	--
Fully diluted earnings per share (¥).....	429.50	--	549.89	--

## 2) Financial Position

*Millions of yen, rounded down*

	As of March 31, 2010	As of December 31, 2009
Total assets.....	136,474	134,783
Net assets.....	38,801	38,668
Shareholders' equity ratio (%).....	18.7	19.2
Net assets per share (¥).....	73,666.87	74,465.17

Note: Shareholders' equity as of:

March 31, 2010: ¥25,541 million      December 31, 2009: ¥25,836 million

**2. Dividends**

	FY ended December 31, 2009	FY ending December 31, 2010 (forecast)
Dividends per share (Record date)		
End of first quarter .....	--	--
End of second quarter.....	0.00	0.00
End of third quarter .....	--	--
End of fourth quarter .....	¥1,500.00	¥1,500.00
Annual dividend.....	¥1,500.00	¥1,500.00

Note 1: There has been no change to the dividend forecast during the period under review.

Note 2: The above dividend forecast refers to the ordinary share dividend. See "Preferred share dividends" on page 3 for the dividend on preferred shares.

**3. Forecasts for the Fiscal Year Ending December 31, 2010***Millions of yen, rounded down; change compared to previous comparable period*

	Interim period	Change in %	Full year	Change in %
Net sales .....	--	--	36,000	81.3
Operating income.....	--	--	6,700	31.6
Ordinary income.....	--	--	3,800	18.6
Net income.....	--	--	1,800	--
Net income per share (¥) .....	--	--	¥5,882.05	--

Note: There has been no change to the consolidated interim and full-year forecasts during the period under review

**4. Other**

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

2) Changes in accounting methods, procedures and presentation in the making of these financial statements:

- (i) Changes to preparation of quarterly statements in line with revision to accounting standards: No
- (ii) Changes other than those in (i) above: No

3) Number of shares outstanding (ordinary shares)

(1) Number of shares outstanding (including treasury shares):

As of March 31, 2010:	As of December 31, 2009:
296,461 shares	296,461 shares

(2) Number of treasury shares:

As of March 31, 2010:	As of December 31, 2009:
4,046 shares	4,046 shares

(3) Average number of shares outstanding (during fiscal year):

As of March 31, 2010:	As of December 31, 2009:
292,415 shares	292,415 shares

**Notice regarding appropriate use of financial forecasts:**

The forecasts announced by RISA Partners on February 15, 2010 have not changed. The forecasts recorded above are based on information available at the time of publication. A number of factors could cause actual results to differ materially from expectations.

**Preferred share dividends**

	FY ended December 31, 2009	FY ending December 31, 2010 (forecast)
Dividend per Class 1 preferred share (Record date)		
End of first quarter .....	--	--
End of second quarter .....	0.00	0.00
End of third quarter .....	--	--
End of fourth quarter .....	¥1,556.20	¥2,000.00
Annual dividend .....	¥1,556.20	¥2,000.00



## Business Performance

### (1) ANALYSIS OF BUSINESS PERFORMANCE

#### 1) Overall Business Performance

The Japanese economy saw corporate earnings improve during the period under review (the period January 1, 2010 to March 31, 2010) as export and production levels gradually recovered, but the employment situation remained severe. Significant downside risks remain, with concerns of a further deterioration in the European economy and the impact of deflation, and the recovery still lacks self-sustaining momentum.

In the financial markets in which RISA Partners operates, while Japan has emerged from the financial crisis of 2008 and is regaining stability, in Europe the worsening financial situation of Greece is increasing the risk of market volatility and a tightening in credit.

In the real estate market, another area in which RISA Partners operates, financial institutions continued to place restrictions on financing of real estate. However, a trend has emerged in which some individual investors and corporations are making real estate purchases as part of a long-term holding strategy aimed at securing stable earnings. The overall real estate market has shown a trend toward selectivity according to each property.

Amid these conditions, RISA Partners continued to pursue business in its three business segments—principal investment business, fund business, and investment banking business. Despite the severe market conditions previously described, we pursued stable business operation in accordance with our business plan announced at the start of the fiscal year, and of our three business segments in the principal investment business and fund business we secured stable revenues and earnings from collection on loan assets as well as from rental income, while in the fund business management fees provided stable revenue and earnings. In investment banking we recorded a profit due to an accumulation of financial advisory mandates.

In preparation for the redemption at maturity (in March 2010) and early redemption (in April 2010) of RISA Partners-issued convertible bonds, we issued convertible bonds with NEC Capital Solutions Limited (“NEC Capital Solutions”) and Deutsche Bank as the allottees and also took measures to procure a syndicated loan. This procurement of capital has further reinforced our financial base and provided us with a framework from which we can rapidly respond to future investment opportunities.

In February 2009, we concluded an operational and capital alliance with NEC Capital Solutions, and have begun collaborative investments in the formation of new areas of financial solutions. We have already implemented a number of collaborative projects with NEC Capital Solutions.

For the three-month period ended March 31, 2010 RISA Partners’ net sales declined 24.3% to ¥1,952 million, operating income declined 8.0% to ¥536 million, and ordinary income declined 84.2% to ¥46 million. Net income increased by 11.5% to ¥185 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 (equity) investment, we recorded steady earnings from existing investments. In particular, our May 2008 acquisition of Hotel JAL City Naha maintained a high occupancy ratio and contributed to revenues in accordance with plans.

In the area of loan asset investment, sales of non-performing loans gradually improved from the start of the fiscal year and RISA Partners was able to purchase loan assets from financial institutions around



the country. Loan collection on previously acquired loan assets continued steadily, generating stable revenues.

In real estate investment, we took measures to increase the value of real estate holdings with a view to increasing sale value, and we recorded steady revenue from the stable flow of rental fees provided by invested properties.

Net sales in the principal investment business for the first quarter declined 10.0% to ¥1,394 million, and operating income declined 22.1% to ¥486 million.

### ***Fund Business***

RISA Partners' fund business manages corporate investment funds (primarily equity investment, nationwide), regional corporate revitalization funds (primarily loan asset investment, in various regions), and real estate co-investment (targeting medium- and large-scale real estate assets, nationwide).

Our nationwide corporate investment fund, the RISA Corporate Solution Fund, was launched in September 2006 and consists of two funds: the No.1 fund and the No.2 fund, the combined total commitment amount of which is approximately ¥43.6 billion. The number of investment projects is currently at 12.

In our corporate revitalization fund activities we associate with regional financial institutions throughout Japan. We currently operate 20 funds.

In our real estate co-investment program, targeting medium- to large-sized real estate investments, we continue to conduct operations in cooperation with Grove International Partners. RISA Partners itself provides asset management services for investment properties.

Net sales in the fund business for the first quarter decreased 40.6% to ¥302 million, and operating income declined 39.1% to ¥175 million.

### ***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.

During the period under review, we used our network of regional financial institutions to obtain advisory mandates in corporate restructuring.

Net sales in the investment banking business for the first quarter declined 43.7% to ¥351 million, and operating income decreased 0.1% to ¥131 million.

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

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

Total assets as of March 31, 2010 were ¥136,474 million, an increase of ¥1,690 million compared to the end of the previous fiscal year. This increase was mainly attributable to an increase of ¥2,326 million in cash and cash equivalents ("net cash") and a decrease of ¥1,298 million in loan assets.

Total liabilities as of March 31, 2010 were ¥97,672 million, an increase of ¥1,558 million compared to the



end of the previous fiscal year. Key factors contributing to this outcome included an increase in corporate bonds of ¥9,000 million, an increase in short-term borrowings of ¥1,780 million, a reduction in long-term borrowings of ¥4,285 million, and a decrease in current portion of bonds of ¥4,065 million.

Net assets as of March 31, 2010 were ¥38,801 million, an increase of ¥132 million compared to the end of the previous year. This was chiefly due to an increase in minority interests of ¥424 million and a decrease in retained earnings of ¥318 million.

#### (2) Consolidated cash flows

Consolidated cash and cash equivalents (“net cash”) at March 31, 2010 had increased by ¥2,326 million compared to the end of fiscal 2009 to ¥12,018 million.

Cash flows and their main components during fiscal 2010 were as follows.

#### **Operating activity cash flows**

Net cash provided by operating activities was ¥111 million, compared to net cash used of ¥363 million in the first quarter of fiscal 2009. The main factors contributing to this were a decrease of ¥1,298 million in loan assets, an increase of ¥679 million in inventory assets, and interest payments amounting to ¥505 million.

#### **Investing activity cash flows**

Net cash used in investing activities was ¥1,219 million, compared to net cash used of ¥3,180 million in the first quarter of fiscal 2009. This was primarily due to an outflow of ¥1,655 million for payments of loans receivable and an inflow ¥402 million in collection of loans receivable.

#### **Financing activity cash flows**

Net cash provided by financing activities was ¥3,434 million, compared to ¥4,580 million provided in the first quarter of fiscal 2009. This was mainly due to an inflow of ¥8,973 million in proceeds for the issuance of convertible bonds, procurement (by syndicated loans and other means) of ¥7,200 million, and repayment of ¥12,098 million on long-term borrowings.

### **(3) OUTLOOK FOR FY2010**

There is no change to the results forecast announced on February 15, 2010.

**1. Consolidated Balance Sheets***Millions of yen, rounded down*

	As of March 31, 2010	As of December 31, 2009
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and bank deposits .....	12,118	9,792
Notes & accounts receivable, trade inventories.....	2,205	2,011
Real estate for sale.....	36,096	35,404
Operating investment securities.....	15,944	15,928
Purchased loans receivable .....	27,701	29,000
Other .....	12,510	10,672
Allowance for doubtful accounts .....	(2,006)	(2,017)
Total current assets.....	104,570	100,791
<b>Fixed assets</b>		
Property and equipment .....	15,060	15,122
Intangible assets		
Other .....	125	127
Total intangible assets .....	125	127
Investments and other assets		
Investments in securities .....	11,177	12,653
Other.....	6,628	7,177
Allowance for doubtful accounts.....	(1,088)	(1,088)
Total investments and other assets.....	16,716	18,741
Total fixed assets .....	31,903	33,991
<b>Total assets.....</b>	<b>136,474</b>	<b>134,783</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Notes & accounts payable, trade .....	41	44
Short-term borrowings.....	6,338	4,558
Current portion of long-term debt .....	34,292	34,905
Current portion of bonds .....	10,553	14,618
Income taxes payable.....	159	122
Accrued bonuses.....	57	1
Other.....	2,411	2,773
Total current liabilities.....	53,853	57,025
<b>Non-current liabilities</b>		
Corporate bonds .....	9,000	--
Long-term borrowings.....	32,565	36,851
Reserve for employees' retirement benefits....	2	2
Negative goodwill .....	42	26
Other.....	2,209	2,209
Total non-current liabilities .....	43,819	39,089
<b>Total liabilities.....</b>	<b>97,672</b>	<b>96,114</b>

*Millions of yen, rounded down*

	As of March 31, 2010	As of December 31, 2009
<b>NET ASSETS</b>		
<b>Shareholders' equity</b>		
Capital .....	10,461	10,461
Capital surplus .....	10,598	10,598
Retained earnings .....	5,350	5,668
Treasury stock .....	(821)	(821)
Total shareholders' equity.....	25,587	25,906
<b>Valuation and translation adjustments</b>		
<b>Net realized gain on other securities</b> .....	(46)	(69)
Total valuation and translation adjustments..	(46)	(69)
Stock warrants .....	76	72
Minority interests .....	13,183	12,758
<b>Total net assets</b> .....	<b>38,801</b>	<b>38,668</b>
<b>Total liabilities and net assets</b> .....	<b>136,474</b>	<b>134,783</b>

**2. Consolidated Statements of Income**

*Millions of yen, rounded down*

	Three months ended March 31, 2010	Three months ended March 31, 2009
Net sales .....	1,952	2,581
Cost of sales.....	375	593
Gross profit .....	1,577	1,987
Selling, general and administrative expenses .....	1,041	1,404
Operating income .....	536	582
<b>Non-operating income</b> .....	<b>36</b>	<b>190</b>
Interest income .....	4	14
Dividend income .....	3	2
Equity in earnings of affiliated companies .....	6	151
Reversal of allowance for doubtful accounts.....	11	--
Other .....	10	21
<b>Non-operating expenses</b> .....	<b>525</b>	<b>474</b>
Interest expenses .....	414	415
Loan fees .....	78	53
Other .....	32	5
<b>Ordinary income</b> .....	<b>46</b>	<b>298</b>
<b>Extraordinary income</b> .....	<b>242</b>	<b>--</b>
Gain on sales of securities.....	52	--
Gain on bond retirement .....	190	--
<b>Extraordinary losses</b> .....	<b>2</b>	<b>51</b>
Loss on sales of securities.....	2	--
Loss on revaluation of securities .....	--	51
Net income (losses) before distribution of profit/loss from silent partnerships, income taxes and minority interests .....	286	246
Distribution of profit/loss from silent partnerships .....	9	9
Net income (losses) before income taxes and minority interests .....	277	237
Income taxes—current .....	146	161
Income tax adjustment .....	70	(60)
Total income tax .....	216	100
Loss in minority interests .....	(124)	(30)
<b>Net income</b> .....	<b>185</b>	<b>166</b>



### 3. Consolidated Statements of Cash Flows

*Millions of yen, rounded down*

	Three months ended March 31, 2010	Three months ended March 31, 2009
<b>I. Cash flows from operating activities</b>		
Net income before income taxes and minority interest.....	277	237
Depreciation and amortization.....	74	92
Amortization of goodwill .....	15	13
Gain on sales of investment securities	(49)	--
Valuation loss on investment securities .....	--	51
Silent partnership contributions received (paid) .....	48	59
Equity in earnings of affiliated companies .....	(6)	(151)
Increase (decrease) in allowance for doubtful accounts .....	(11)	0
Increase (decrease) in accrued bonuses .....	55	54
Interest income and dividend income.....	(7)	(17)
Interest expense.....	414	415
(Increase) decrease in notes and accounts receivable .....	(193)	(114)
(Increase) decrease in inventories .....	(679)	(156)
(Increase) decrease in purchased loans receivable .....	1,298	660
Increase (decrease) in notes and accounts payable	(3)	(23)
Other .....	(526)	(471)
<b>Sub-total .....</b>	<b>706</b>	<b>651</b>
Interest and dividends received.....	10	17
Interest paid .....	(505)	(431)
Income taxes paid .....	(100)	(600)
<b>Net cash provided by (used in) operating activities.....</b>	<b>111</b>	<b>(363)</b>
<b>II. Cash flows from investing activities</b>		
Payments for time deposits .....	--	(665)
Payments for purchase of property and equipment.....	0	(146)
Payments for purchase of investment securities .....	(9)	(20)
Proceeds from sale of investment securities .....	168	0
Payments on sale of shares of subsidiaries entailing a change in the scope of consolidation.....	--	(53)
Payments for loans .....	(1,655)	(2,300)
Proceeds from loan collections .....	402	58
Other .....	(124)	(53)
<b>Net cash used in investing activities.....</b>	<b>(1,219)</b>	<b>(3,180)</b>

**3. Consolidated Statements of Cash Flows (contd.)**

	<i>Millions of yen, rounded down</i>	
	Three months ended March 31, 2010	Three months ended March 31, 2009
<b>III. Cash flows from financing activities</b>		
Net increase (decrease) in short-term borrowings .....	1,780	(3,311)
Proceeds from long-term borrowings .....	7,200	11,805
Repayment of long-term borrowings .....	(12,098)	(8,511)
Proceeds from issuance of bonds	8,973	--
Payments for bonds redeemable .....	(2,565)	(84)
Proceeds from issuance of capital stock.....	--	4,000
Cash dividends paid.....	(401)	(325)
Proceeds from minority interests.....	546	1,017
Other .....	--	(9)
<b>Net cash provided by financing activities .....</b>	<b>3,434</b>	<b>4,580</b>
<b>IV. (Decrease) increase in cash and cash equivalents...</b>	<b>2,326</b>	<b>1,036</b>
<b>V. Cash and cash equivalents at beginning of period...</b>	<b>9,692</b>	<b>8,443</b>
<b>VI. Cash and cash equivalents at end of period .....</b>	<b>12,018</b>	<b>9,480</b>

**4. Items related to the company as a going concern**

None

**5. Segment information**

Three-month period from January 1, 2010 to March 31, 2010

*Millions of yen*

	Principal Investment Business	Fund Business	Investment Banking Business	Total	Eliminations or Corporate	Consolidated
Sales						
(1) Sales to external customers	1,394	302	256	1,952	--	1,952
(2) Inter-segment sales or transfers	--	--	95	95	(95)	--
Total sales	1,394	302	351	2,047	(95)	1,952
Operating income	486	175	131	793	(257)	536

Three-month period from January 1, 2009 to March 31, 2009

*Millions of yen*

	Principal Investment Business	Fund Business	Investment Banking Business	Total	Eliminations or Corporate	Consolidated
Sales						
(1) Sales to external customers	1,548	509	522	2,581	--	2,581
(2) Inter-segment sales or transfers	--	--	101	101	(101)	--
Total sales	1,548	509	623	2,682	(101)	2,581
Operating income	625	288	131	1,045	(462)	582

**Notes:**

1. Segmentation is based on business type.
2. Segment operations are as follows:

Principal Investment Business	Loan asset investment, equity investment, proprietary real estate investment, other corporate investment
Fund Business	Corporate revitalization fund investment, corporate revitalization fund asset management, solution fund investment, solution fund asset management real estate fund investment, real estate fund asset management
Investment Banking Business	Solution, financial advisory service, due diligence, servicing, real estate intermediation

**Segment information by area:**

First quarter of the fiscal year ending December 31, 2010 (January 1, 2010 to March 31, 2010)

Since RISA Partners does not have any consolidated subsidiaries with operations overseas or important branch offices overseas, segment information by area has been omitted.



First quarter of the fiscal year ending December 31, 2009 (January 1, 2009 to March 31, 2009)

Since RISA Partners does not have any consolidated subsidiaries with operations overseas or important branch offices overseas, segment information by area has been omitted.

Overseas sales:

First quarter of the fiscal year ending December 31, 2010 (January 1, 2010 to March 31, 2010)

Since overseas sales are less than 10% of consolidated sales, overseas sales information has been omitted.

First quarter of the fiscal year ending December 31, 2009 (January 1, 2009 to March 31, 2009)

Since overseas sales are less than 10% of consolidated sales, overseas sales information has been omitted.

**6. Changes to shareholders' equity**

None