



**Summary of financial results  
For the third quarter of 2007  
(Nine months ended September 30, 2007)**

November 8, 2007

Described below is the English abstract of the financial results (Tanshin Report) that was released today in Japan. The translation is prepared and provided for readers' convenience only. Therefore, all readers are strongly advised to refer to the original version in Japanese for complete and accurate information. In the event of any discrepancy between this translated document and the original Japanese document, the original document shall prevail.

Listed company name : Secured Capital Japan Co., Ltd.  
URL : <http://www.securedcapital.co.jp/>  
Listed stock market : Tokyo Stock Exchange, Mothers Market  
Stock code : 2392  
Company domicile : Tokyo  
President : Katsuya Takanashi, CEO  
Contact : Takeshi Sugai, CAO  
Telephone : +81-3-5776-1300  
Dividend schedule : —

**1. Consolidated financial results (January 1, 2007 – September 30, 2007)**

(1) Consolidated financial results

	Revenue		Operating income		Ordinary income		Net income	
	Millions ¥	%	Millions ¥	%	Millions ¥	%	Millions ¥	%
Nine months ended September 2007	5,518	24.6	2,839	12.7	2,793	10.9	1,484	0.3
Nine months ended September 2006	4,428	34.6	2,519	45.7	2,518	45.3	1,479	57.0
Year ended December 2006	6,247	—	3,370	—	3,379	—	2,003	—

	Earnings per share	Diluted earnings per share
	¥	¥
Nine months ended September 2007	12,222.23	10,055.39
Nine months ended September 2006	12,310.55	10,511.97
Year ended December 2006	16,628.27	14,248.98

(Note) Percentage figures shown in the above represent changes from the corresponding period of the previous year.

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Millions ¥	Millions ¥	%	¥
As of September 30, 2007	23,031	9,789	34.1	64,615.98
As of September 30, 2006	7,320	6,132	82.9	49,989.62
As of December 31, 2006	13,724	8,581	48.0	54,291.48

(3) Consolidated cash flows position

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at the end of period
	Millions ¥	Millions ¥	Millions ¥	Millions ¥
Nine months ended September 2007	-1,234	-2,914	7,758	4,519
Nine months ended September 2006	1,131	-822	-67	2,114
Year ended December 2006	1,534	-7,055	4,515	889

## 2. Dividend position

	Dividend per share				
	At the end of the first quarter	At the end of the second quarter	At the end of the third quarter	At the end of the year	Annual total
Year ended December 2006	0.00	0.00	0.00	¥1,500.00	¥1,500.00
Year ending December 2007 (Actual)	0.00	0.00	0.00	—	¥1,500.00
Year ending December 2007 (Forecast)	—	—	—	¥1,500	

The above forecast was made by our company based on currently available information.  
The actual results may differ from those forecasts since our business is affected by various uncertain factors.

## 3. Consolidated forecast for the fiscal year ending December 2007(January 1, 2007 – December 31, 2007)

	Revenue		Operating income		Ordinary income		Net income		Earnings per share
	Millions ¥	%	Millions ¥	%	Millions ¥	%	Millions ¥	%	¥
Full year	8,125	30.1	4,270	26.7	4,210	24.6	2,315	15.6	19,061.03

(Note) Percentage figures shown in the above represent changes from the corresponding period of the previous year.

## 4. Others

(1) Changes in scope of consolidation	New included subsidiary	SCJREP Asia Management, L.P.
	Excluded subsidiary	N/A
(2) Basis of presenting the consolidated financial statements	Japanese Accounting Standards for the consolidated financial statements	
(3) Changes in accounting policies	N/A	
(4) Auditor	Quarterly review work is conducted by our independent auditors.	

## 5. Financial results (January 1, 2007 – September 30, 2007)

### (1) Financial results

	Revenue		Operating income		Ordinary income		Net income	
	Millions ¥	%	Millions ¥	%	Millions ¥	%	Millions ¥	%
Nine months ended September 2007	2,336	20.2	269	58.1	2,365	91.3	2,200	90.8
Nine months ended September 2006	1,944	15.7	170	14.4	1,236	98.5	1,153	108.9
Year ended December 2006	2,838	—	258	—	1,329	—	1,204	—

	Earnings per share
Nine months ended September 2007	18,116.60 ¥
Nine months ended September 2006	9,599.53
Year ended December 2006	10,000.38

(Note) Percentage figures shown in the above represent changes from the corresponding period of the previous year.

### (2) Financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Millions ¥	Millions ¥	%	¥
As of September 30, 2007	12,738	6,274	49.2	51,646.13
As of September 30, 2006	4,781	4,214	88.1	34,706.70
As of December 31, 2006	6,526	4,268	65.4	35,148.21

## 6. Forecast for the fiscal year ending December 2007 (January 1, 2007 – December 31, 2007)

	Revenue		Operating income		Ordinary income		Net income		Earnings per share
	Millions ¥	%	Millions ¥	%	Millions ¥	%	Millions ¥	%	¥
Full year	3,560	25.4	710	174.6	2,810	111.3	2,420	100.9	19,925.57

(Note) Percentage figures shown in the above represent changes from the corresponding period of the previous year.

## 7. Consolidated financial statements

[1] Consolidated balance sheets

(Thousands of yen)

	As of September 30, 2006		As of September 30, 2007		As of December 31, 2006	
	Amount	%	Amount	%	Amount	%
(Assets)						
I Current assets						
1 Cash and cash equivalents	2,114,614		4,519,569		889,139	
2 Accounts receivable	788,580		475,624		974,367	
3 Securities	—		2,298,127		—	
4 Purchased loans	—		288,022		293,071	
5 Short-term loan receivable	7,081		—		7,081	
6 Other receivable	174,122		208,259		129,454	
7 Deferred tax assets	167,255		198,213		96,284	
8 Deposits paid(*2)	—		2,471,631		143,899	
9 Other assets	348,167		758,572		238,351	
Bad debt reserve	—		-34,666		—	
Total current assets	3,599,822	49.2	11,183,355	48.6	2,771,649	20.2
II Non-current assets						
1 Property and equipment						
(1) Building(*1)	42,302		116,532		40,633	
(2) Furniture and equipment(*1)	32,757		30,620		28,967	
Total property and equipment	75,060	1.0	147,152	0.6	69,600	0.5
2 Intangible assets	9,751	0.1	9,433	0.0	9,060	0.1
3 Investments						
(1) Investment securities(*2)	2,789,216		6,881,109		5,534,674	
(2) Other securities of affiliates	490,133		2,398,723		963,510	
(3) Long-term loan receivable(*2)	—		1,971,904		3,812,394	
(4) Security deposits	258,198		306,839		458,123	
(5) Others	98,416		133,099		105,231	
Total investments	3,635,964	49.7	11,691,676	50.8	10,873,935	79.2
Total non-current assets	3,720,776	50.8	11,848,262	51.4	10,952,596	79.8
Total assets	7,320,598	100.0	23,031,618	100.0	13,724,246	100.0

(Thousands of yen)

	As of September 30, 2006		As of September 30, 2007		As of December 31, 2006	
	Amount	%	Amount	%	Amount	%
(Liabilities)						
I Current liabilities						
1 Short-term borrowing (*2)	—		4,521,485		3,561,480	
2 Accrued expense	134,484		399,627		366,151	
3 Income tax payable	643,735		689,290		802,564	
4 Deferred tax liabilities	3,493		—		—	
5 Deposits payable	124,773		169,331		212,330	
6 Bonus reserve	120,000		187,333		42,000	
7 Other liabilities	154,433		103,882		149,100	
Total current liabilities	1,180,919	16.1	6,070,949	26.4	5,133,626	37.4
II Non-current liabilities						
1 Bond(*2)	—		1,153,360		—	
2 Convertible bond	—		6,000,000		—	
3 Deferred tax liabilities	7,026		17,536		8,689	
Total non-current liabilities	7,026	0.1	7,170,896	31.1	8,689	0.1
Total liabilities	1,187,945	16.2	13,241,846	57.5	5,142,315	37.5
(Net assets)						
I Shareholders' equity						
1 Common stock	1,199,465	16.4	1,200,253	5.2	1,199,465	8.7
2 Additional paid-in capital	1,167,441	15.9	1,168,214	5.1	1,167,441	8.5
3 Retained earnings	3,678,681	50.3	5,499,361	23.9	4,197,111	30.6
4 Treasury stock	-5,461	-0.1	—	—	—	—
Total shareholders' equity	6,040,127	82.5	7,867,829	34.2	6,564,019	47.8
II Unrealized valuations and re-measurement						
1 Unrealized gains on available for sale securities	15,492	0.2	-4,795	-0.0	12,852	0.1
2 Foreign currency translation adjustments	11,670	0.2	-15,293	-0.1	12,540	0.1
Total unrealized valuations and re-measurement	27,163	0.4	-20,089	-0.1	25,392	0.2
III Stock options	2,332	0.0	2,317	0.0	2,332	0.0
IV Minority interests	63,029	0.9	1,939,714	8.4	1,990,186	14.5
Total net assets	6,132,653	83.8	9,789,771	42.5	8,581,930	62.5
Total liabilities and net assets	7,320,598	100.0	23,031,618	100.0	13,724,246	100.0

[2] Consolidated statements of income

(Thousands of yen)

	Nine months ended September 30, 2006			Nine months ended September 30, 2007			Year ended December 31, 2006		
	Amount		%	Amount		%	Amount		%
I Revenues		4,428,976	100.0		5,518,762	100.0		6,247,793	100.0
II Selling, general and administrative expenses (*1)		1,909,234	43.1		2,679,300	48.5		2,877,598	46.1
Operating income		2,519,741	56.9		2,839,461	51.5		3,370,195	53.9
III Non-operating income									
1 Interest income	442			10,262			470		
2 Dividend income	5,000			2,000			5,000		
3 Currency exchange gain	—			33,579			13,350		
4 Equity in earnings of affiliated companies	—			8,226			—		
5 Others	927	6,370	0.1	656	54,726	1.0	1,622	20,444	0.4
IV Non-operating expenses									
1 Interest expenses	—			66,295			10,638		
2 Stock issuance expenses	193			—			—		
3 Bond issuance expenses	—			28,641			—		
4 Currency exchange loss	2,724			—			—		
5 Equity in losses of affiliated companies	4,323			—			384		
6 Others	—	7,241	0.1	6,165	101,102	1.9	193	11,216	0.2
Ordinary income		2,518,870	56.9		2,793,085	50.6		3,379,423	54.1
V Extraordinary loss									
1 Loss on disposition of fixed assets (*2)	289			175			482		
2 Loss on office relocation (*3)	—			90,844			—		
3 Others	—	289	0.0	—	91,020	1.6	1,142	1,625	0.0
Income before income taxes		2,518,581	56.9		2,702,065	49.0		3,377,798	54.1
Income taxes-current	1,040,301			1,182,670			1,346,229		
Deferred income taxes	-862	1,039,439	23.5	-82,317	1,100,352	20.0	70,013	1,416,243	22.7
Gain/Loss from minority interest		—	—		117,406	2.1		-41,478	-0.7
Net income		1,479,141	33.4		1,484,305	26.9		2,003,033	32.1

[3] Consolidated statements of changes in shareholders' equity

Nine months ended September 30, 2006

(Thousands of yen)

	Shareholders' equity				
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of December 31, 2005	1,173,200	1,141,691	2,321,549	-5,461	4,630,979
Amount of change					
New shares issued	26,265	25,749	—	—	52,015
Dividend paid	—	—	-118,671	—	-118,671
Decrease from consolidation exclusion	—	—	-3,338	—	-3,338
Net income	—	—	1,479,141	—	1,479,141
Change other than shareholders' equity	—	—	—	—	—
Total amount of change	26,265	25,749	1,357,132	—	1,409,147
Balance as of September 30, 2006	1,199,465	1,167,441	3,678,681	-5,461	6,040,127

	Unrealized valuations and re-measurement			Stock options	Minority interests	Total net assets
	Unrealized gains on available for sale securities	Foreign currency translation adjustments	Total unrealized valuations and re-measurement			
Balance as of December 31, 2005	6,363	—	6,363	2,850	—	4,640,194
Amount of change						
New shares issued	—	—	—	—	—	52,015
Dividend paid	—	—	—	—	—	-118,671
Decrease from consolidation exclusion	—	—	—	—	—	-3,338
Net income	—	—	—	—	—	1,479,141
Change other than shareholders' equity	9,128	11,670	20,799	-518	63,029	83,311
Total amount of change	9,128	11,670	20,799	-518	63,029	1,492,458
Balance as of September 30, 2006	15,492	11,670	27,163	2,332	63,029	6,132,653

Nine months ended September 30, 2007

(Thousands of yen)

	Shareholders' equity			
	Common stock	Additional paid-in capital	Retained earnings	Total shareholders' equity
Balance as of December 31, 2006	1,199,465	1,167,441	4,197,111	6,564,019
Amount of change				
New shares issued	787	772	—	1,560
Dividend paid	—	—	-182,056	-182,056
Net income	—	—	1,484,305	1,484,305
Change other than shareholders' equity	—	—	—	—
Total amount of change	787	772	1,302,249	1,303,809
Balance as of September 30, 2007	1,200,253	1,168,214	5,499,361	7,867,829

	Unrealized valuations and re-measurement			Stock options	Minority Interests	Total net assets
	Unrealized gains on available for sale securities	Foreign currency translation adjustments	Total unrealized valuations and re-measurement			
Balance as of December 31, 2006	12,852	12,540	25,392	2,332	1,990,186	8,581,930
Amount of change						
New shares issued	—	—	—	—	—	1,560
Dividend paid	—	—	—	—	—	-182,056
Net income	—	—	—	—	—	1,484,305
Change other than shareholders' equity	-17,647	-27,834	-45,481	-15	-50,472	-95,968
Total amount of change	-17,647	-27,834	-45,481	-15	-50,472	1,207,841
Balance as of September 30, 2007	-4,795	-15,293	-20,089	2,317	1,939,714	9,789,771

Year ended December 31, 2006

(Thousands of yen)

	Shareholders' equity				
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of December 31, 2005	1,173,200	1,141,691	2,321,549	-5,461	4,630,979
Amount of change					
New shares issued	26,265	25,749	—	—	52,015
Dividend paid	—	—	-118,671	—	-118,671
Decrease from consolidation exclusion	—	—	-3,338	—	-3,338
Net income	—	—	2,003,033	—	2,003,033
Retirement of treasury stock	—	—	-5,461	5,461	—
Change other than shareholders' equity	—	—	—	—	—
Total amount of change	26,265	25,749	1,875,562	5,461	1,933,039
Balance as of December 31, 2006	1,199,465	1,167,441	4,197,111	—	6,564,019

	Unrealized valuations and re-measurement			Stock options	Minority Interests	Total net assets
	Unrealized gains on available for sale securities	Foreign currency translation adjustments	Total unrealized valuations and re-measurement			
Balance as of December 31, 2005	6,363	—	6,363	2,850	—	4,640,194
Amount of change						
New shares issued	—	—	—	—	—	52,015
Dividend paid	—	—	—	—	—	-118,671
Decrease from consolidation exclusion	—	—	—	—	—	-3,338
Net income	—	—	—	—	—	2,003,033
Retirement of treasury stock	—	—	—	—	—	—
Change other than shareholders' equity	6,488	12,540	19,028	-518	1,990,186	2,008,696
Total amount of change	6,488	12,540	19,028	-518	1,990,186	3,941,736
Balance as of December 31, 2006	12,852	12,540	25,392	2,332	1,990,186	8,581,930

[4] Consolidated statements of cash flows

(Thousands of yen)

	Nine months ended September 30, 2006	Nine months ended September 30, 2007	Year ended December 31, 2006
	Amount	Amount	Amount
<b>I Cash flows from operating activities</b>			
Income before taxes	2,518,581	2,702,065	3,377,798
Depreciation	18,704	25,740	25,158
Increase in bonus reserve	95,000	145,333	17,000
Increase in bad debt reserve	—	34,666	—
Interest and dividend income	-5,443	-12,262	-5,470
Interest expense	—	66,295	10,638
Equity in earnings of affiliated companies	—	-8,226	—
Equity in losses of affiliated companies	4,323	—	—
Stock issuance expense	193	—	—
Loss on disposition of fixed assets	289	39,972	482
Increase (decrease) in accounts receivable	75,101	316,590	-111,726
Increase (decrease) in other receivable	-14,465	-90,805	52,110
Increase (decrease) in deposits paid	—	-2,327,732	—
Increase (decrease) in accrued expense	10,102	37,532	243,981
Increase (decrease) in deposits payable	-54,910	-42,999	34,081
Increase (decrease) in advance received	-191,585	1,969	-224,781
Income (loss) allocated to silent partnership	-4,990	-199,911	-37,292
Others	9,484	-73,586	-516,996
Sub total	2,460,384	614,641	2,864,984
Interest and dividend received	4,391	7,909	4,597
Interest paid	—	-63,511	-6,944
Income taxes refunded	61,853	96,700	61,853
Income taxes paid	-1,395,401	-1,889,795	-1,389,638
Net cash flows from operating activities	1,131,228	-1,234,055	1,534,852
<b>II Cash flows from investing activities</b>			
Purchase of securities	—	-2,293,295	—
Acquisition of fixed assets	-7,907	-140,968	-8,404
Acquisition of software	-1,217	-2,669	-2,136
Purchase of investment securities	-669,691	-61,685	-2,375,417
Proceeds from sales and redemption of investment securities	1,614,569	632,793	1,712,629
Purchase of affiliates' securities	-1,188,514	-1,590,167	-2,008,390
Proceeds from sales and redemption of affiliates' securities	3,040	675,591	180,661
Investment in silent partnership	-313,789	-223,476	-313,789
Proceeds from redemption of investment in silent partnership	60,054	177,334	67,003
Acquisition of subsidiaries and affiliates	-177,314	-22,000	-157,314
Proceeds from transfer and sales of subsidiaries and affiliates	75,660	20,300	53,324
Purchase of money trust	-215,270	-2,115,028	-416,735
Proceeds from redemption of money trust	17,200	35,655	180,847
Entrustment of security deposits	-18,080	-12,554	-217,095

(Thousands of yen)

	Nine months ended September 30, 2006	Nine months ended September 30, 2007	Year ended December 31, 2006
	Amount	Amount	Amount
Loans made	-190,107	-128,570	-1,374,571
Collection of loans	186,026	4,547,448	186,026
Purchase of loan receivables	—	-2,577,392	-3,817,672
Others	3,292	163,837	1,255,774
Net cash flows from investing activities	-822,049	-2,914,849	-7,055,259
III Cash flows from financing activities			
Increase (decrease) in short-term loan payable	—	960,005	3,561,480
Proceeds from issuance of bond	—	7,124,719	—
Proceeds from issuance of common stock	51,308	1,540	51,308
Proceeds from minority interests	—	681,016	1,035,377
Dividends paid	-118,671	-182,056	-118,671
Distribution to minority interests	—	-826,286	-13,780
Net cash flows from financing activities	-67,362	7,758,937	4,515,715
IV Foreign currency translation adjustments in cash and cash equivalents	—	14,840	157
V Net increase(decrease) in cash and cash equivalents	241,817	3,624,873	-1,004,534
VI Cash and cash equivalents at the beginning of period	1,854,397	889,139	1,854,397
VII Increase by inclusion of new consolidated subsidiaries	39,244	5,556	60,122
VIII Decrease by exclusion of non-consolidated subsidiary	-20,845	—	-20,845
IX Cash and cash equivalents at the end of period	2,114,614	4,519,569	889,139

## Basis of presenting the consolidated financial statements

### 1 Scope of consolidation

Nine months ended September 30, 2006	Nine months ended September 30, 2007	Year ended December 31, 2006
<p>(1) Number of consolidated subsidiaries: 8 entities</p> <p>Names of the consolidated subsidiaries are as follows:            SCJ Servicing Co., Ltd.            SCJ Investment Management Co., Ltd.            SCJ VM Y.K.            SCJREP GP Investor Y.K.            SCJ-M-B Investment LPS            SCJREP NK Partnership            SCJREP II NK Partnership            SCJREP Asia NK Partnership</p> <p>The amount of total assets and the profit or loss from 3A Investment Corporation Y.K. become immaterial to the consolidated financial statements taken as a whole. Thus, it is excluded from the consolidated financial statements.</p> <p>The company's influence on SCJ-M-B Investment LPS is deemed no longer temporary. Thus, it is included in the consolidated financial statements since the current period.</p> <p>SCJREP NK Partnership, SCJREP II NK Partnership and SCJREP Asia NK Partnership are included in the consolidated financial statements since the current period.</p>	<p>(1) Number of consolidated subsidiaries: 17 entities</p> <p>Names of the consolidated subsidiaries are as follows:            SCJ Servicing Co., Ltd.            SCJ Investment Management Co., Ltd.            SCJ VM Y.K.            SCJ REP GP Investor Y.K.            SCJ-M-B Investment LPS            SCJREP NK Partnership            SCJREP II NK Partnership            SCJREP Asia NK Partnership            SCJREP Asia Management, L.P.            SCJ Real Estate Mezzanine Partners I Investment LPS            Ashwood II Y.K.            SCJ-RMF-B Investment LPS            SRF Toranomom Chukan Hojin            SCJ Mezzanine Investment G.K.</p> <p>SCJ Mezzanine Investment G.K. and CSG G.K. are established in the current period and included in the consolidated financial statements.</p> <p>The amount of total assets and the profit or loss from SCJREP Asia Management, L.P. and SGP Chukan Hojin become material to the consolidated financial statements taken as a whole. Thus, it is included in the consolidated financial statements since the current period.</p> <p>The company's influence on Ashwood I Y.K. is deemed no longer temporary. Thus, it is included in the consolidated financial statements in the current period.</p>	<p>(1) Number of consolidated subsidiaries: 12 entities</p> <p>Names of the consolidated subsidiaries are as follows:            SCJ Servicing Co., Ltd.            SCJ Investment Management Co., Ltd.            SCJ VM Y.K.            SCJREP GP Investor Y.K.            SCJ-M-B Investment LPS            SCJREP NK Partnership            SCJREP II NK Partnership            SCJREP Asia NK Partnership            SCJ Real Estate Mezzanine Partners I Investment LPS            Ashwood II Y.K.            SCJ-RMF-B Investment LPS            SRF Toranomom Chukan Hojin</p> <p>The amount of total assets and the profit or loss from 3A Investment Corporation Y.K. become immaterial to the consolidated financial statements taken as a whole. Thus, it is excluded from the consolidated financial statements.</p> <p>The company's influence on SCJ-M-B Investment LPS, Ashwood II Y.K., SCJ-RMF-B Investment LPS and SRF Toranomom Chukan Hojin is deemed no longer temporary. Thus, it is included in the consolidated financial statements since this year.</p> <p>SCJREP NK Partnership, SCJREP II NK Partnership and SCJREP Asia NK Partnership are included in the consolidated financial statements since this year.</p> <p>SCJ Real Estate Mezzanine Partners I Investment LPS is established in this year and included in the consolidated financial statements.</p>

<p>(2) Names of unconsolidated subsidiaries as follows:</p> <p>Mountain Recovery Fund I Y.K. SRFA Chukan Hojin MRF II Y.K. J-STAR No.1 Investment LPS</p> <p>Mountain Recovery Fund I Y.K. and MRF II Y.K. maintain loan portfolios for silent partners. Our substantial share of assets, net income or loss in the entity as the operator has no material effect on the consolidated statements taken as a whole. Therefore, they are not included in the consolidated financial statements in accordance with Japanese Accounting Standards for the consolidated financial statements No.5-1-2.</p> <p>The company's control over J-STAR No.1 Investment LPS is deemed temporary. Thus, they are excluded from the consolidated financial statements.</p> <p>The total assets, revenues, net income and retained earnings (based on ownership interest) of the other unconsolidated subsidiaries have no material effects on the consolidated statements. Therefore, activities and balances from other unconsolidated subsidiaries are not included in the consolidated financial statements.</p>	<p>(2) Names of the main unconsolidated subsidiaries are as follows:</p> <p>Mountain Recovery Fund I Y.K. MRF 2 Y.K. SCJREP I Management, L.P. SCJREP II Management, L.P. SCJREP Asia, L.P.</p> <p>Mountain Recovery Fund I Y.K. and MRF 2 Y.K. maintain loan portfolios for silent partners. SCJREP I Management L.P., SCJREP II Management L.P. and SCJREP Asia Management L.P. maintain real estate property portfolios for partners. Our substantial share of assets, net income or loss in the entity has no material effect on the consolidated financial statements taken as a whole. Therefore, they are not included in the consolidated financial statements in accordance with Japanese Accounting Standards for the consolidated financial statements No.5-1-2.</p> <p>The total assets, revenues, net income and retained earnings (based on ownership interest) of the other unconsolidated subsidiaries have no material effects on the consolidated financial statements. Therefore activities from other unconsolidated subsidiaries are not included in the consolidated financial statements.</p>	<p>(2) Names of the main unconsolidated subsidiaries are as follows:</p> <p>Mountain Recovery Fund I Y.K. MRF 2 Y.K. SCJREP I Management, L.P. SCJREP II Management, L.P. SCJREP Asia Management,L.P.</p> <p>Mountain Recovery Fund I Y.K. and MRF 2 Y.K. maintain loan portfolios for silent partners. SCJREP I Management L.P., SCJREP II Management L.P. and SCJREP Asia Management L.P. maintain real estate property portfolios for partners. Our substantial share of assets, net income or loss in the entity has no material effect on the consolidated statements taken as a whole. Therefore, they are not included in the consolidated financial statements in accordance with Japanese Accounting Standards for the consolidated financial statements No.5-1-2.</p> <p>The total assets, revenues, net income and retained earnings (based on ownership interest) of the other unconsolidated subsidiaries have no material effects on the consolidated statements. Therefore activities from other unconsolidated subsidiaries are not included in the consolidated financial statements.</p>
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## 2 Use of equity method

Nine months ended September 30, 2006	Nine months ended September 30, 2007	Year ended December 31, 2006
<p>(1) Affiliated companies accounted for using the equity method.</p> <p>J-STAR K.K. China Real Estate I Ltd. China Real Estate V Ltd.</p> <p>J-Star K.K., China Real Estate I Ltd. and China Real Estate V Ltd. are established in the current period and accounted for using the equity method.</p>	<p>(1) Affiliated companies accounted for using the equity method.</p> <p>J-STAR K.K. J-STAR No.1 Investment LPS</p>	<p>(1) Affiliated companies accounted for using the equity method.</p> <p>J-Star K.K. J-STAR No.1 Investment LPS</p> <p>J-Star K.K. and J-Star No.1 Investment LPS are established this year and accounted for using the equity method. China Real Estate I Ltd. and China Real Estate V Ltd. are established this year and accounted for using the equity method. However, these</p>

<p>(2) Unconsolidated subsidiaries accounted for using the equity method. N/A</p> <p>(3) The following unconsolidated subsidiaries are not accounted for using the equity method. Mountain Recovery Fund I Y.K. SRFA Chukan Hojin MRF II Y.K. J-STAR No.1 Investment LPS</p> <p>Net income and retained earnings of the other unconsolidated subsidiaries have no material effect on the consolidated financial statements. Thus, these companies are not accounted for using equity method.</p>	<p>(2) Unconsolidated subsidiaries accounted for using the equity method. Same as on the left</p> <p>(3) The following unconsolidated subsidiaries are not accounted for using the equity method. Mountain Recovery Fund I Y.K. MRF II Y.K. SCJREP I Management, L.P. SCJREP II Management, L.P. SCJREP Asia, L.P.</p> <p>Net income and retained earnings of the above unconsolidated subsidiaries have no material effect on the above consolidated financial statements. Thus, these companies are not accounted for using equity method.</p>	<p>companies are sold during the year and the equity method is no longer applied.</p> <p>(2) Unconsolidated subsidiaries accounted for using the equity method. Same as on the left</p> <p>(3) The following unconsolidated subsidiaries are not accounted for using the equity method. Mountain Recovery Fund I Y.K. MRF 2 Y.K. SCJREP I Management, L.P. SCJREP II Management, L.P. SCJREP Asia Management, L.P.</p> <p>Net income and retained earnings of the above unconsolidated subsidiaries have no material effect on the consolidated statements. Therefore the above companies are not accounted for using equity method.</p>
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### 3 Fiscal year of consolidated subsidiaries

Nine months ended September 30, 2006	Nine months ended September 30, 2007	Year ended December 31, 2006
<p>Each consolidated subsidiary has the same period end as the parent company.</p>	<p>The period end for SCJ Real Estate Mezzanine Partners I Investment LPS and SRF Toranomom Chukan Hojin is the end of October of each year. However, these subsidiaries are consolidated based on their financial statements as of the end of September. Other consolidated subsidiaries have the same period end as the parent company.</p>	<p>The fiscal year end for SCJ Real Estate Mezzanine Partners I Investment LPS and SRF Toranomom Chukan Hojin is the end of January of each year. However, these subsidiaries are consolidated based on their financial statements as of the end of December. Other consolidated subsidiaries have the same fiscal year end as the parent company.</p>

### 4 Summary of significant accounting policies

Nine months ended September 30, 2006	Nine months ended September 30, 2007	Year ended December 31, 2006
<p>(1) Significant asset valuation method</p> <p>a) For securities with fair market value Valuation is based on the market</p>	<p>(1) Significant asset valuation method</p> <p>a) For securities with fair market value</p>	<p>(1) Significant asset valuation method</p> <p>a) For securities with fair market value</p>

<p>value at each period end. (The unrealized gain/loss is recorded in the net assets section.)</p> <p>b) For securities without fair market value The purchase cost of the securities is used. (For the US dollar denominated securities, these securities are re-measured into the Japanese Yen using the prevailing market rate at the current period end. The unrealized gain/loss is recorded in the net assets section.)</p> <p>(Refer 4-7-a for the treatment of the investment in silent partnership)</p> <p>(The capital contributions made to limited liability partnerships and similar partnerships are treated as "securities" on the balance sheets in the amount proportional to the contributions made to the partnerships. The changes in the company's share of the interests in the partnerships are adjusted based on the company's share accordingly.)</p>	<p>Same as on the left</p> <p>b) For securities without fair market value Same as on the left</p> <p>c) Derivatives Evaluation is based on the market value.</p>	<p>Valuation is based on the market value at each year end. (The unrealized gain/loss is recorded in the net assets section.)</p> <p>b) For securities without fair market value The purchase cost of the securities is used. (For the US dollar denominated securities, these securities are re-measured into the Japanese Yen using the prevailing market rate at the year end. The unrealized gain/loss is recorded in the net assets section.)</p> <p>(Refer 4-7-a for the treatment of the investment in silent partnership)</p> <p>(The capital contributions made to limited liability partnerships and similar partnerships are treated as "securities" on the balance sheets in the amount proportional to the contributions made to the partnerships. The changes in the company's share of the interests in the partnerships are adjusted based on the company's share accordingly.)</p> <p>c) Derivatives Same as on the left</p>
<p>(2) Depreciation method of significant depreciable assets</p> <p>a) Tangible assets: Tangible assets are depreciated by declining balance method. However, buildings acquired on and after April 1, 1998 are depreciated by straight-line method, except for building attachments.</p> <p>The useful life of principal assets is as follows: Buildings: 15 years Furniture and equipment: 4-8 years</p>	<p>(2) Depreciation method of significant depreciable assets</p> <p>a) Tangible assets: Buildings except for building attachments are depreciated as follows: i) Acquired before March 31, 1998 Old declining balance method ii) Acquired from April 1, 1998 to March 31, 2007 Old straight-line method iii) Acquired after April 1, 2007 New straight-line method</p> <p>Other tangible assets are depreciated as follows: i) Acquired before March 31, 2007 Old declining balance method ii) Acquired after April 1, 2007</p>	<p>(2) Depreciation method of significant depreciable assets</p> <p>a) Tangible assets: Tangible assets are depreciated by declining balance method. However, buildings acquired on and after April 1, 1998 are depreciated by straight-line method, except for building attachments.</p> <p>The useful life of principal assets is as follows: Buildings: 15 years Furniture and equipment: 4-8 years</p>

	New declining balance method	
	The useful life of principal assets is as follows: Buildings: 15 years Furniture and equipment: 4-8 years	
b) Intangible assets: Intangible assets are depreciated by straight-line method. However, software for internal use is depreciated by straight-line method over the expected available periods of 5 years.	b) Intangible assets: Same as on the left	b) Intangible assets: Same as on the left
(3) Amortization method of significant deferred assets:	(3) Amortization method of significant deferred assets:	(3) Amortization method of significant deferred assets:
a) Stock Issuance Expenses: Stock issuance costs are expensed as incurred.	a) Stock issuance related expenses: Stock issuance related costs are expensed as incurred.	a) Stock issuance related expenses: Stock issuance related costs are expensed as incurred.
	b) Bond issuance expenses: Bond issuance costs are expensed as incurred.	
(4) Accounting for significant allowances and reserves:	(4) Accounting for significant allowances and reserves:	(4) Accounting for significant allowances and reserves:
a) Allowance for doubtful accounts: For general receivables, general allowances are provided using a rate determined by our past bad debt history. Specific allowances are provided for estimated amounts considered to be uncollectible after the reviewing the individual collectibility of certain doubtful accounts.	a) Allowance for doubtful accounts: Same as on the left	a) Allowance for doubtful accounts: Same as on the left
b) Allowance for bonus payments: The company properly accrues estimated incentive payments for employees that have been vested during the current period.	b) Allowance for bonus payments: Same as on the left	b) Allowance for bonus payments: The company properly accrues estimated incentive payments for employees that have been vested during the year.
(5) Translation of foreign currency:	(5) Translation of foreign currency:	(5) Translation of foreign currency:
Foreign currency denominated payables and receivables are re-measured into the Japanese Yen using the prevailing market rate at the current period end.	Same as on the left	Foreign currency denominated payables and receivables are re-measured into the Japanese Yen using the prevailing market rate at the year end.
(6) Accounting treatment for significant leases:	(6) Accounting treatment for significant leases:	(6) Accounting treatment for significant leases:

<p>All finance leases, except for those leases with a transfer of ownership, are treated as operating leases.</p> <p>(7) Other significant accounting policies:</p> <p>a) Accounting for investment in silent partnership: Investment in silent partnership is accounted as 'Investment securities' on the balance sheets in the amount proportional to the contribution of the assets to the silent partnership which is recorded at the time such investment is made. The change in company's share of equity interests in the silent partnership is accounted as 'Sales' and the equivalent amount of increases/decreases as 'Investment securities'. A distribution from the company's investee is accounted as redemption of the investment which decreases the amount of 'Investment securities'.</p> <p>c) Accounting for the consumption taxes: The consumption tax and the local consumption tax are excluded from transaction amounts.</p>	<p>Same as on the left</p> <p>(7) Other significant accounting policies:</p> <p>a) Accounting for investment in silent partnership: Same as on the left</p> <p>b) Accounting for purchased loans: Collection of purchased loans offsets the 'Purchased loans' and difference from purchase price is recorded as 'Sales'.</p> <p>c) Accounting for the consumption taxes: Same as on the left</p>	<p>Same as on the left</p> <p>(7) Other significant accounting policies:</p> <p>a) Accounting for investment in silent partnership: Same as on the left</p> <p>b) Accounting for purchased loans: Same as on the left</p> <p>c) Accounting for the consumption taxes: Same as on the left</p>
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5 Definition of cash and cash equivalents in consolidated statement of cash flows

Nine months ended September 30, 2006	Nine months ended September 30, 2007	Year ended December 31, 2006
<p>Cash and cash equivalents are comprised of short-term investments with original maturities of less than ninety days.</p>	<p>Same as on the left</p>	<p>Same as on the left</p>

### Changes in accounting policy

Nine months ended September 30, 2006	Nine months ended September 30, 2007	Year ended December 31, 2006
Starting the current period, the impairment accounting has been applied to fixed assets. This application has no material effect on the statements of income.	-----	Starting this year, the impairment accounting has been applied to fixed assets. This application has no material effect on the statements of income.
Starting the current period, certain changes were made to the net assets section to be compliant to the new accounting rules. The amount of the total shareholders' equity based on the old accounting rule is ¥6,067,290 thousand.	-----	Starting this year, certain changes were made to the net assets section to be compliant to the new accounting rules. The amount of the total shareholders' equity based on the old accounting rule is ¥6,589,411 thousand.
Starting the current period, certain changes were made to the scope of consolidation regarding the limited liability partnerships. The application of the new rules has no material effect on the statements of income.	-----	Starting this year, certain changes were made to the scope of consolidation regarding the limited liability partnerships. The application of the new rules has no material effect on the statements of income.
-----	Starting the current period, certain changes were made to the depreciation method to be compliant to the new income tax rules. The application of the new rules has no material effect on the statements of income.	-----

### Changes in presentation

Nine months ended September 30, 2006	Nine months ended September 30, 2007
<p>Consolidated balance sheets:</p> <p>According to newly enacted company law announced in 2005, the investment in Y.K., known as Yugen Kaisha, is accounted as securities.</p> <p>On the consolidated balance sheets as of September 30, 2005, the investment in Y.K. was included in 'Other assets' in the investments section.</p> <p>In the current period, it is included in 'Investment securities' in the investments section. As a result, the balance of 'Investment securities' increased by ¥92,700 thousand in comparison to the balance using the old accounting policy.</p> <p>Consolidated statements of cash flows:</p> <p>The investment in Y.K. on the consolidated statements of cash flows is reclassified from proceeds and payments of affiliates into securities.</p>	<p>Consolidated balance sheets:</p> <p>(1) The amount of deposits paid on the consolidated balance sheets become over 5% of the total assets, thus it is presented separately. On the consolidated balance sheets as of September 30, 2006, it was included in 'Other assets' in current assets section and the amount was ¥515 thousand.</p> <p>(2) The balance of current deferred tax liabilities is ¥19,551 thousand and its amount on the consolidated balance sheets become less than 5% of the total liability and equity, thus it is included in 'Other liabilities' in current liabilities section.</p> <p>Consolidated statements of cash flows:</p> <p>The increase (decrease) in deposits paid on the consolidated statements of cash flows is presented separately due to its material effect. On the</p>

In the current period, the amount of purchase of investment in Y.K. is ¥45,000 thousand and the amount of the proceeds from redemption of investment in Y.K. is ¥42,000 thousand.

consolidated statements of cash flows for nine months ended September 30, 2006, it was included in 'Others' in operating activities section and the amount was ¥-515 thousand.

## Notes

### (Consolidated balance sheets)

As of September 30, 2006	As of September 30, 2007	As of December 31, 2006
(1) Accumulated depreciation of tangible assets  ¥69,126 thousand	(1) Accumulated depreciation of tangible assets  ¥59,897 thousand	(1) Accumulated depreciation of tangible assets  ¥73,906 thousand
(2) -----	(2) Short-term bank loans at September 30, 2007, consisted of collateralized non-recourse loans from a bank of ¥4,521,485 thousand. The carrying amounts of assets pledged as collaterals for the short-term bank loans at September 30, 2007 are as follows:  Deposits paid ¥789,000 thousand Investment securities ¥2,912,000 thousand Long-term loans receivable ¥1,258,909 thousand <u>Total</u> ¥4,959,910 thousand  Bond at September 30, 2007, consisted of collateralized non-recourse bond of ¥1,153,360 thousand. The carrying amounts of assets pledged as collateral for the bond at September 30, 2007 are as follows:  Investment securities ¥1,442,300 thousand Long-term loans receivable ¥969,291 thousand Deposits paid ¥1,223,364 thousand Other assets ¥40,835 thousand Short-term bank loans (¥2,238,547 thousand) Other liabilities (¥60,544 thousand) <u>Total</u> ¥1,376,700 thousand	(2) Short-term bank loans at December 31, 2006, consisted of collateralized non-recourse loans from a bank of ¥3,561,480 thousand. The carrying amounts of assets pledged as collateral for the short-term bank loans at December 31, 2006 are as follows:  Investment securities ¥2,000,000 thousand Long-term loans receivable ¥3,810,800 thousand <u>Total</u> ¥5,810,800 thousand
(3) The company and its subsidiaries have an overdraft agreement with a bank	(3) The company and its subsidiaries have an overdraft agreement with a bank	(3) The company and its subsidiaries have an overdraft agreement with a bank

<p>The total amount of overdraft agreement ¥1,300,000 thousand Over-drafted balance as of September 30, 2006 N/A</p> <p>(4) Contingent liabilities</p> <p>Penalty for not purchasing the property specified in a purchase agreement ¥255,000 thousand</p>	<p>The total amount of overdraft agreement ¥3,600,000 thousand Over-drafted balance as of September 30, 2007 N/A</p>	<p>The total amount of overdraft agreement ¥3,600,000 thousand Over-drafted balance as of December 31, 2006 N/A</p>
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(Consolidated statements of income)

Nine months ended September 30, 2006	Nine months ended September 30, 2007	Year ended December 31, 2006
<p>(1) Selling and general administrative expenses comprised as follows:</p> <p>Directors' salaries ¥142,675 thousand Salaries ¥727,342 thousand Bonus paid ¥157,590 thousand Unpaid bonus accrual ¥120,000 thousand Professional fees ¥50,266 thousand Rent ¥126,749 thousand</p> <p>(2) Detail of the loss on disposition of fixed assets</p> <p>Equipment and Fixture ¥289 thousand</p>	<p>(1) Selling and general administrative expenses comprised as follows:</p> <p>Directors' salaries ¥152,752 thousand Salaries ¥778,772 thousand Bonus paid ¥148,780 thousand Unpaid bonus accrual ¥187,333 thousand Professional fees ¥106,584 thousand Rent ¥210,868 thousand Charges ¥494,816 thousand Bad debt reserve ¥34,666 thousand</p> <p>(2) Detail of the loss on disposition of fixed assets</p> <p>Equipment and Fixture ¥175 thousand</p> <p>(3) Details of loss from office relocation</p> <p>Office recovery expense ¥42,164 thousand Loss on disposition of fixed assets ¥39,797 thousand Moving expense ¥8,883 thousand <hr/>Total ¥90,844 thousand</p>	<p>(1) Selling and general administrative expenses comprised as follows:</p> <p>Directors' salaries ¥192,350 thousand Salaries ¥991,824 thousand Bonus paid ¥432,540 thousand Unpaid bonus accrual ¥42,000 thousand Professional fees ¥179,652 thousand Rent ¥189,975 thousand</p> <p>(2) Detail of the loss on disposition of fixed assets</p> <p>Equipment and Fixture ¥482 thousand</p>

(Consolidated statements of changes in shareholders' equity)

Nine months ended September 30, 2006

1. Type and number of treasury stock

	Number as of December 31, 2005	Number of increase during the current period	Number of decrease during the current period	Number as of September 30, 2006	Description
Issued stock (common stock)	118,679.85 shares	2,700 shares	—	121,379.85 shares	*1
Treasury stock (common stock)	8.85 shares	—	—	8.85 shares	—

Notes: 1. The increase of issued stock (2,700 shares) was due to exercise of stock options.

2. Stock options

	Details of stock option	Share type	Number of stock option				Balance as of September 30, 2006
			Number as of December 31, 2005	Number of increase during the current period	Number of decrease during the current period	Number as of September 30, 2006	
SCJ K.K.	1st	Common stock(*2)	10,476 shares	—	1,323 shares	9,153 shares	¥1,749 thousand
	2nd	Common stock(*2)	324 shares	—	270 shares	54 shares	¥10 thousand
	3rd	Common stock(*1)	4,131 shares	—	1,134 shares	2,997 shares	¥572 thousand
	4th	Common stock	6,750 shares	—	—	6,750 shares	—
	5th	Common stock	600 shares	—	—	600 shares	—
	6th	Common stock	1,797 shares	—	—	1,797 shares	—
	7th	Common stock(*3)	2,310 shares	—	555 shares	1,755 shares	—
	8th	Common stock(*4)	—	1,290 shares	—	1,290 shares	—
	9th	Common stock(*4)	—	1,100 shares	—	1,100 shares	—
Total	—	26,388 shares	2,390 shares	3,282 shares	25,496 shares	¥2,332 thousand	

Notes: 1. The decrease during the current period was due to the exercise and expiration of stock options.  
2. The decrease during the current period was due to the exercise of stock options.  
3. The decrease during the current period was due to the expiration of stock options.  
4. The increase during the current period was due to the issuance of stock options.

3. Dividend paid

Resolution	Share type	Total amount of dividend	Dividend per share	Record date	Effective date
Annual shareholders' meeting on March 30, 2006	Common stock	¥118,671 thousand	¥1,000	December 31, 2005	March 31, 2006

Nine months ended September 30, 2007

1. Type and number of treasury stock

	Number as of December 31, 2006	Number of increase during the current period	Number of decrease during the current period	Number as of September 30, 2007	Description
Issued stock (common stock)	121,371 shares	81 shares	—	121,452 shares	*1

Notes: 1. The increase of issued stock (81 shares) was due to exercise of stock options.

2. Stock options

	Detail	Balance as of September 30, 2007
Secured Capital Japan Co., Ltd.	Stock acquisition rights	¥2,317 thousand

3. Dividend paid

Resolution	Share type	Total amount of dividend	Dividend per share	Record date	Effective date
Annual shareholders' meeting on March 28, 2007	Common stock	¥182,056 thousand	¥1,500	December 31, 2006	March 29, 2007

Year ended December 31, 2006

1. Type and number of treasury stock

	Number as of December 31, 2005	Number of increase during the year	Number of decrease during the year	Number as of December 31, 2006	Description
Issued stock (common stock)	118,679.85 shares	2,700 shares	8.85 shares	121,371 shares	*1
Treasury stock (common stock)	8.85 shares	—	8.85 shares	—	*2

Notes: 1. The increase of issued stock (2,700 shares) was due to exercise of stock options.  
2. The decrease of treasury stock (8.85 shares) was due to retirement.

2. Stock options

	Detail	Balance as of December 31, 2006
Secured Capital Japan Co., Ltd.	Stock acquisition rights	¥2,332 thousand

3. Dividend paid

Resolution	Share type	Total amount of dividend	Dividend per share	Record date	Effective date
Annual shareholders' meeting on March 30, 2006	Common stock	¥118,671 thousand	¥1,000	December 31, 2005	March 31, 2006

Dividend to be effective on and after next period

Resolution	Share type	Total amount of dividend	Source	Dividend per share	Record date	Effective date
Annual shareholders' meeting on March 28, 2007	Common stock	¥182,056 thousand	Retained earnings	¥1,500	December 31, 2006	March 29, 2007

(Consolidated statements of cash flows)

Nine months ended September 30, 2006	Nine months ended September 30, 2007	Year ended December 31, 2006
Cash and cash equivalents at the end of the current period and their relevant items posted in the balance sheet and their amount.	Cash and cash equivalents at the end of the current period and their relevant items posted in the balance sheet and their amount.	Cash and cash equivalents at the end of the year and their relevant items posted in the balance sheet and their amount.
<p>Cash</p> <p style="text-align: right;">¥2,114,614 thousand</p> <hr/> <p>Cash and cash equivalents</p> <p style="text-align: right;">¥2,114,614 thousand</p>	<p>Cash</p> <p style="text-align: right;">¥4,519,569 thousand</p> <hr/> <p>Cash and cash equivalents</p> <p style="text-align: right;">¥4,519,569 thousand</p>	<p>Cash</p> <p style="text-align: right;">¥889,139 thousand</p> <hr/> <p>Cash and cash equivalents</p> <p style="text-align: right;">¥889,139 thousand</p>

(Accounting for leases)

Nine months ended September 30, 2006	Nine months ended September 30, 2007	Year ended December 31, 2006
(1) Finance lease transactions other than those, which are deemed to be an ownership transfer of the leased asset to lessees	(1) Finance lease transactions other than those, which are deemed to be an ownership transfer of the leased asset to lessees	(1) Finance lease transactions other than those, which are deemed to be an ownership transfer of the leased asset to lessees
Information is omitted due to its immateriality.	Same as on the left	Same as on the left
	(2) Non-cancelable operating lease transactions:	(2) Non-cancelable operating lease transactions:
	<p>Commitment within 1 year</p> <p style="text-align: right;">¥229,320 thousand</p> <p>Commitment over 1 year</p> <p style="text-align: right;">¥707,070 thousand</p> <hr/> <p>Total</p> <p style="text-align: right;">¥936,390 thousand</p>	<p>Commitment within 1 year</p> <p style="text-align: right;">¥266,347 thousand</p> <p>Commitment over 1 year</p> <p style="text-align: right;">¥879,060 thousand</p> <hr/> <p>Total</p> <p style="text-align: right;">¥1,145,407 thousand</p>

(Securities)

1. Those securities which are valued based on the fair market value

(Thousands of yen)

	Nine months ended September 30, 2006			Nine months ended September 30, 2007			Year ended December 31, 2006		
	Purchase price	Balance on the consolidated balance sheets	Difference	Purchase price	Balance on the consolidated balance sheets	Difference	Purchase price	Balance on the consolidated balance sheets	Difference
Other securities									
Bond	189,700	197,980	8,280	4,289,307	4,296,567	7,259	2,493,664	2,496,680	3,015
Money trust	—	—	—	2,696,615	2,678,509	-18,105	—	—	—
Total	189,700	197,980	8,280	6,985,922	6,975,077	-10,845	2,493,664	2,496,680	3,015

2. Those securities which are not valued based on the fair market value

(Thousands of yen)

	Nine months ended September 30, 2006	Nine months ended September 30, 2007	Year ended December 31, 2006
	Balance on the consolidated balance sheets	Balance on the consolidated balance sheets	Balance on the consolidated balance sheets
Securities			
Stock without readily available fair market value	84,000	84,000	84,000
Foreign securities without readily available fair market value	472,407	188,029	466,262
Money trust	1,213,762	1,434,338	2,051,580
Investment in silent partnership	357,111	415,748	350,836
Total	2,127,282	2,122,116	2,952,678

Investment in affiliated companies			
Investment in subsidiaries	584,333	1,447,319	164,876
Investment in affiliated companies	369,754	1,033,447	883,950
Total	954,088	2,480,766	1,048,826

(Derivatives)

Nine months ended September 30, 2006	Nine months ended September 30, 2007	Year ended December 31, 2006
No derivative transactions are made during the current period.	Transaction Interest rate swap transaction  Contract price ¥380,000 thousand Fair market value ¥5,283 thousand Valuation gain (loss) ¥-577 thousand	Transaction Interest rate swap transaction  Contract price ¥380,000 thousand Fair market value ¥5,860 thousand Valuation gain (loss) ¥582 thousand

	<p>The market price of the interest rate swap is based on the price obtained from the financial institution (counterparty).</p> <p>Above principal amount doesn't indicate the amount of the market risk for the derivative transaction.</p>	<p>The market price of the interest rate swap is based on the price obtained from the financial institution (counterparty).</p> <p>Above principal amount doesn't indicate the amount of the market risk for the derivative transaction.</p>
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(Stock options)

Nine months ended September 30, 2006

1. Details and scale of stock option

	8 <sup>th</sup> Stock Option	9 <sup>th</sup> Stock Option	Description
Classification and number of allottees	6 employees	4 employees	
Number and class of shares under subscription rights	Common Stock 1,290 shares	Common Stock 1,100 shares	*1
Issue date of subscription rights	March 1, 2006	April 28, 2006	
Terms and conditions of exercise	Must continually be an employee, advisor, or a director of the company until the day that subscription rights are given.	Must continually be an employee, advisor, or a director of the company until the day that subscription rights are given.	*2
Exercise period for subscription rights	March 30, 2007 - September 30, 2011	March 31, 2008 - September 30, 2012	
Exercise price	¥485,205 per share	¥459,948 per share	
Fair value	—	—	*3

- Notes
1. It is converted into the number of shares to be exercised.
  2. Subscription rights are not exercisable by heirs to subscription rights holders. Other terms and conditions are as set forth in the Subscription Rights Allocation Agreement for execution by and between the Company and subscription rights holders.
  3. These stock options were issued before the enactment of the new company law. Therefore, it has no material effect on the consolidated financial results.

2. Amount of effect on the consolidated financial results

These stock options were granted before the enactment of the new company law. Therefore, it has no material effect on the consolidated financial results.

Nine months ended September 30, 2007

There was no stock option granted during the current period.

Year ended December 31, 2006

1. Details and scale of stock option

	8 <sup>th</sup> Stock Option	9 <sup>th</sup> Stock Option	Description
Classification and number of allottees	6 employees	4 employees	
Number and class of shares under subscription rights	Common Stock 1,290 shares	Common Stock 1,100 shares	*1
Issue date of subscription rights	March 1, 2006	April 28, 2006	
Terms and conditions of exercise	Must continually be an employee, advisor, or a director of the company until the day that subscription rights are given.	Must continually be an employee, advisor, or a director of the company until the day that subscription rights are given.	*2
Exercise period for subscription rights	March 30, 2007 - September 30, 2011	March 31, 2008 - September 30, 2012	
Exercise price	¥485,205 per share	¥459,948 per share	
Fair value	—	—	*3

- Notes
1. It is converted into the number of shares to be exercised.
  2. Subscription rights are not exercisable by heirs to subscription rights holders. Other terms and conditions are as set forth in the Subscription Rights Allocation Agreement for execution by and between the Company and subscription rights holders.
  3. These stock options were issued before the enactment of the new company law. Therefore, it has no material effect on the consolidated financial results.

2. Amount of effect on the consolidated financial results

These stock options were granted before the enactment of the new company law. Therefore, it has no material effect on the consolidated financial results.

(Segment information)

1. Business segment information

Nine months ended September 30, 2006

(Thousands of yen)

	Property acquisition and asset management	Loan acquisition and management	Total	Eliminations or corporate	Consolidated total
Revenue and operating income					
Revenue					
(1) Revenue to external customers	1,410,693	3,018,283	4,428,976	—	4,428,976
(2) Inter-segment revenue and transfers	—	—	—	—	—
Total	1,410,693	3,018,283	4,428,976	—	4,428,976
Operating expenses	1,072,602	592,578	1,665,181	244,053	1,909,234
Operating income (loss)	338,090	2,425,705	2,763,795	-244,053	2,519,741

- Notes
1. Description of the segment information:  
The segment information is presented on the basis of the two principal business segments which are defined internally by the management.
  2. Primary operations of the respective business segments are as follows:  
Property acquisition and asset management: Consists of the acquisition and asset management of real estate properties.  
Loan acquisition and management: Consists of the acquisition and servicing of secured and

unsecured loans.

3. Unallocated operating expenses included in the eliminations and corporate components of operating expenses amounted to ¥244,053 thousand. These expenses primarily represent administrative expenses of the company.

#### Nine months ended September 30, 2007

(Thousands of yen)

	Property acquisition and asset management	Loan acquisition and management	Total	Eliminations or corporate	Consolidated total
Revenue and operating income					
Revenue					
(1) Revenue to external customers	4,042,296	1,476,466	5,518,762	—	5,518,762
(2) Inter-segment revenue and transfers	—	—	—	—	—
Total	4,042,296	1,476,466	5,518,762	—	5,518,762
Operating expenses	1,834,640	586,261	2,420,901	258,398	2,679,300
Operating income (loss)	2,207,656	890,204	3,097,860	-258,398	2,839,461

#### Notes

1. Description of the segment information:  
The segment information is presented on the basis of the two principal business segments which are defined internally by the management.
2. Primary operations of the respective business segments are as follows:  
Property acquisition and asset management: Consists of the acquisition and asset management of real estate properties.  
Loan acquisition and management: Consists of the acquisition and servicing of secured and unsecured loans.
3. Unallocated operating expenses included in the eliminations and corporate components of operating expenses amounted to ¥258,398 thousand. These expenses primarily represent administrative expenses of the company.

#### Year ended December 31, 2006

(Thousands of yen)

	Property acquisition and asset management	Loan acquisition and management	Total	Eliminations or corporate	Consolidated total
Revenue and operating income					
Revenue					
(1) Revenue to external customers	2,891,443	3,356,350	6,247,793	—	6,247,793
(2) Inter-segment revenue and transfers	—	—	—	—	—
Total	2,891,443	3,356,350	6,247,793	—	6,247,793
Operating expenses	1,668,355	865,856	2,534,212	343,385	2,877,598
Operating income (loss)	1,223,087	2,490,494	3,713,581	-343,385	3,370,195

#### Notes

1. Description of the segment information:  
The segment information is presented on the basis of the two principal business segments which are defined internally by the management.
2. Primary operations of the respective business segments are as follows:  
Property acquisition and asset management: Consists of the acquisition and asset management of real estate properties.

Loan acquisition and management: Consists of the acquisition and servicing of secured and unsecured loans.

- Unallocated operating expenses included in the eliminations and corporate components of operating expenses amounted to ¥343,385 thousand. These expenses primarily represent administrative expenses of the company.

## 2. Geographical segment information

Nine months ended September 30, 2006

N/A

Nine months ended September 30, 2007

(Thousands of yen)

	Japan	North America	Total	Eliminations or corporate	Consolidated total
Revenue and operating income					
Revenue					
(1) Revenue to external customers	4,763,675	755,087	5,518,762	—	5,518,762
(2) Inter-segment revenue and transfers	—	—	—	—	—
Total	4,763,675	755,087	5,518,762	—	5,518,762
Operating expenses	2,420,901	—	2,420,901	258,398	2,679,300
Operating income (loss)	2,342,773	755,087	3,097,860	-258,398	2,839,461

### Notes

- Geographical segment is determined based on the location of the countries.
- The country included in 'North America' segment is the United States.
- Unallocated operating expenses included in the eliminations and corporate components of operating expenses amounted to ¥258,398 thousand. These expenses primarily represent administrative expenses of the company.

Year ended December 31, 2006

N/A

## 3. Overseas sales

Nine months ended September 30, 2006

N/A

Nine months ended September 30, 2007

	North America	Total
I Revenue from overseas customers	¥772,948 thousand	¥772,948 thousand
II Consolidated revenue		¥5,518,762 thousand
III Portion of revenue from overseas customers		14.0%

### Notes

- Geographical segment is classified based on the location of the countries.
- The country included in 'North America' segment is the United States.

Year ended December 31, 2006

N/A

## (Earnings per share data)

	Nine months ended September 30, 2006	Nine months ended September 30, 2007	Year ended December 31, 2006
Net assets per share	¥49,989.62	¥64,615.98	¥54,291.48
Net income per share after taxes	¥12,310.55	¥12,222.23	¥16,628.27
Diluted net income per share after taxes	¥10,511.97	¥10,055.39	¥14,248.98

## (Notes) 1. Items used to calculate the amount of net assets per share:

	Nine months ended September 30, 2006	Nine months ended September 30, 2007	Year ended December 31, 2006
Amount of net assets	¥6,132,653 thousand	¥9,789,771 thousand	¥8,581,930 thousand
Amount of deductions	¥65,362 thousand	¥1,942,031 thousand	¥1,992,518 thousand
Stock options	¥2,332 thousand	¥2,317 thousand	¥2,332 thousand
Minority interests	¥63,029 thousand	¥1,939,714 thousand	¥1,990,186 thousand
Amount of net assets relevant to common stock	¥6,067,290 thousand	¥7,847,740 thousand	¥6,589,411 thousand
Number of common stock at the end of periods	121,371 shares	121,452 shares	121,371 shares

## (Notes) 2. Items used to calculate earnings per share and diluted earnings per share:

	Nine months ended September 30, 2006	Nine months ended September 30, 2007	Year ended December 31, 2006
Net income	¥1,479,141 thousand	¥1,484,305 thousand	¥2,003,033 thousand
Amount not allocable to common shareholders	—	—	—
Net income available for common stock shareholders	¥1,479,141 thousand	¥1,484,305 thousand	¥2,003,033 thousand
Number of average shares outstanding during the current period	120,152 shares	121,443 shares	120,460 shares
Details of net income adjustments included in the calculation of diluted earnings per share	—	—	—
Details of increased number of shares included in the calculation of diluted earnings per share	Stock option 20,558 shares	Stock option 17,547 shares Convertible bond 8,623 shares <hr/> Total 26,170 shares	Stock option 20,114 shares
Details of items not included in the calculation of diluted earnings per share	Stock option (Authorized on March 30, 2005) 1,290 shares  Stock option (Authorized on March 30, 2006) 1,100 shares	Stock option (Authorized on March 30, 2005) 1,890 shares  Stock option (Authorized on March 30, 2006) 1,100 shares	Stock option (Authorized on March 30, 2005) 1,290 shares  Stock option (Authorized on March 30, 2006) 1,100 shares

(Subsequent events)

Nine months ended September 30, 2006

Significant amount of borrowings

The commitment line agreement of ¥2 billion closed on October 12, 2006 was based on the commitment line approval by the board of directors' meeting on March 30, 2006. Thus, the company borrowed as follows:

Lender	Sumitomo Mitsui Banking Corporation
Amount of loan	¥1,000,000 thousand
Interest rate	1.370% per annum
Conditions of repayment	Repayment collectively on the due date
Date of loan	October 27, 2006
Due dates	November 27, 2006
Use of proceeds	Operating capital

The overdraft agreement was based on the approval by the board of directors' meeting on October 27, 2006. Thus, the company borrowed as follows:

Lender	Mizuho Bank, Ltd.
Amount of loan	¥300,000 thousand
Interest rate	1.100% per annum
Conditions of repayment	Repayment collectively on the due date
Date of loan	October 27, 2006
Due dates	November 27, 2006
Use of proceeds	Operating capital

Nine months ended September 30, 2007

N/A

Year ended December 31, 2006

Significant investment, borrowing and collateralization

On March 6, 2007, SCJ Real Estate Mezzanine Partners I Investment LPS acquired a loan receivable of ¥1 billion as an investment asset. The entity financed the purchase by drawing a short-term bank loan of ¥600 million at 1.9725% per annum, which is due on October 30, 2007. The bank loan is a non-recourse loan which is collateralized by the loan receivable purchased.

Significant amount of borrowings

The Company took out short-term loans to fund the on-going operations from banks during the year as follows:

Lender	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	Lender	Mizuho Bank, Ltd.
Amount of loan	¥1,000,000 thousand	Amount of loan	¥100,000 thousand
Interest rate	1.230%, 1.240% and 1.240% per annum	Interest rate	1.390% per annum
Conditions of repayment	Repayment collectively on the due date	Conditions of repayment	Repayment collectively on the due date
Date of loan	March 12, 2007, March 23, 2007 and March 27, 2007	Date of loan	March 23, 2007
Due dates	April 12, 2007, April 23, 2007 and April 27, 2007	Due dates	April 23, 2007
Use of proceeds	Operating capital	Use of proceeds	Operating capital

## 8. Financial statements

### [1] Balance sheets

(Thousands of yen)

	As of September 30, 2006		As of September 30, 2007		As of December 31, 2006	
	Amount	%	Amount	%	Amount	%
(Assets)						
I Current assets						
1 Cash and cash equivalents	482,527		2,602,113		521,942	
2 Accounts receivable	37,000		834,920		23,953	
3 Securities	—		2,298,127		—	
4 Short-term loan receivable(*3)	4,081		880,000		4,081	
5 Other receivable	124,726		194,341		100,762	
6 Deferred tax assets	65,527		120,669		32,799	
7 Other assets	179,499		393,183		175,905	
Total current assets	893,362	18.7	7,323,355	57.5	859,443	13.2
II Non-current assets						
1 Property and equipment						
(1) Building(*1)	42,302		116,532		40,633	
(2) Furniture and equipment(*1)	32,757		30,620		28,967	
Total property and equipment	75,060	1.6	147,152	1.2	69,600	1.1
2 Intangible assets	9,751	0.2	9,433	0.1	9,060	0.1
3 Investments						
(1) Investment securities	1,693,360		1,358,172		1,379,728	
(2) Investment in affiliates	614,897		644,397		572,897	
(3) Other securities of affiliates(*2)	1,178,630		2,738,204		3,121,341	
(4) Security deposits	217,988		266,839		418,123	
(5) Others(*3)	98,416		251,037		95,866	
Total investments	3,803,293	79.5	5,258,652	41.2	5,587,957	85.6
Total non-current assets	3,888,105	81.3	5,415,238	42.5	5,666,619	86.8
Total assets	4,781,467	100.0	12,738,594	100.0	6,526,063	100.0

(Thousands of yen)

	As of September 30, 2006		As of September 30, 2007		As of December 31, 2006	
	Amount	%	Amount	%	Amount	%
(Liabilities)						
I Current liabilities						
1 Accrued expense	93,599		222,996		179,559	
2 Income tax payable	28,726		17,889		33,366	
3 Advance received	233,506		—		809,611	
4 Bonus reserve	120,000		187,333		42,000	
5 Other liabilities	83,888		35,532		1,184,564	
Total current liabilities	559,721	11.7	463,751	3.7	2,249,102	34.5
II Non-current liabilities						
1 Convertible bond	—		6,000,000		—	
2 Deferred tax liabilities	7,026		—		8,655	
Total non-current liabilities	7,026	0.2	6,000,000	47.1	8,655	0.1
Total liabilities	566,747	11.9	6,463,751	50.8	2,257,757	34.6
(Net assets)						
I Shareholders' equity						
1 Common stock	1,199,465	25.1	1,200,253	9.4	1,199,465	18.4
2 Additional paid-in capital						
(1) Additional paid-in capital	1,167,441		1,168,214		1,167,441	
Total additional paid-in capital	1,167,441	24.4	1,168,214	9.2	1,167,441	17.9
3 Retained earnings						
(1) Retained earnings						
Retained earnings carried forward	1,840,359		3,904,213		1,886,133	
Total retained earnings	1,840,359	38.5	3,904,213	30.6	1,886,133	28.9
4 Treasury stock	-5,461	-0.1	—	—	—	—
Total shareholders' equity	4,201,805	87.9	6,272,680	49.2	4,253,040	65.2
II Unrealized valuations and re-measurement						
1 Unrealized gains on available for sale securities	10,582	0.2	-155	-0.0	12,932	0.2
Total unrealized valuations and re-measurement	10,582	0.2	-155	-0.0	12,932	0.2
III Stock options	2,332	0.0	2,317	0.0	2,332	0.0
Total net assets	4,214,719	88.1	6,274,842	49.2	4,268,305	65.4
Total liabilities and net assets	4,781,467	100.0	12,738,594	100.0	6,526,063	100.0

[2] Statements of income

(Thousands of yen)

	Nine months ended September 30, 2006		Nine months ended September 30, 2007		Year ended December 31, 2006	
	Amount	%	Amount	%	Amount	%
I Revenues	1,944,188	100.0	2,336,343	100.0	2,838,260	100.0
II Selling, general and administrative expenses (*1)	1,774,081	91.3	2,067,340	88.5	2,579,736	90.9
Operating income	170,106	8.7	269,003	11.5	258,524	9.1
III Non-operating income (*2)	1,066,819	54.9	2,138,021	91.5	1,078,963	38.0
IV Non-operating expenses (*3)	193	0.0	41,314	1.7	7,663	0.3
Ordinary income	1,236,732	63.6	2,365,710	101.3	1,329,824	46.9
V Extraordinary loss (*4)	289	0.0	91,020	3.9	1,625	0.1
Income before Income taxes	1,236,442	63.6	2,274,690	97.4	1,328,198	46.8
Income taxes-current	125,777		162,459		133,554	
Deferred income taxes	-42,740	83,036	-87,905	74,554	-9,996	123,557
Net income	1,153,405	59.3	2,200,136	94.2	1,204,641	42.4

[3] Statements of changes in shareholders' equity

Nine months ended September 30, 2006

(Thousands of yen)

	Shareholders' equity				
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of December 31, 2005	1,173,200	1,141,691	805,624	-5,461	3,115,054
Amount of change					
New shares issued	26,265	25,749	—	—	52,015
Dividend paid	—	—	-118,671	—	-118,671
Net income	—	—	1,153,405	—	1,153,405
Change other than shareholders' equity	—	—	—	—	—
Total amount of change	26,265	25,749	1,034,734	—	1,086,750
Balance as of September 30, 2006	1,199,465	1,167,441	1,840,359	-5,461	4,201,805

	Unrealized valuations and re-measurement		Stock options	Total net assets
	Unrealized gains on available for sale securities	Total unrealized valuations and re-measurement		
Balance as of December 31, 2005	6,363	6,363	2,850	3,124,269
Amount of change				
New shares issued	—	—	—	52,015
Dividend paid	—	—	—	-118,671
Net income	—	—	—	1,153,405
Change other than shareholders' equity	4,218	4,218	-518	3,700
Total amount of change	4,218	4,218	-518	1,090,450
Balance as of September 30, 2006	10,582	10,582	2,332	4,214,719

Nine months ended September 30, 2007

(Thousands of yen)

	Shareholders' equity			
	Common stock	Additional paid-in capital	Retained earnings	Total shareholders' equity
Balance as of December 31, 2006	1,199,465	1,167,441	1,886,133	4,253,040
Amount of change				
New shares issued	787	772	—	1,560
Dividend paid	—	—	-182,056	-182,056
Net income	—	—	2,200,136	2,200,136
Change other than shareholders' equity	—	—	—	—
Total amount of change	787	772	2,018,079	2,019,640
Balance as of September 30, 2007	1,200,253	1,168,214	3,904,213	6,272,680

	Unrealized valuations and re-measurement		Stock options	Total net assets
	Unrealized gains on available for sale securities	Total unrealized valuations and re-measurement		
Balance as of December 31, 2006	12,932	12,932	2,332	4,268,305
Amount of change				
New shares issued	—	—	—	1,560
Dividend paid	—	—	—	-182,056
Net income	—	—	—	2,200,136
Change other than shareholders' equity	-13,087	-13,087	-15	-13,102
Total amount of change	-13,087	-13,087	-15	2,006,537
Balance as of September 30, 2007	-155	-155	2,317	6,274,842

Year ended December 31, 2006

(Thousands of yen)

	Shareholders' equity				
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of December 31, 2005	1,173,200	1,141,691	805,624	-5,461	3,115,054
Amount of change					
New shares issued	26,265	25,749	—	—	52,015
Dividend paid	—	—	-118,671	—	-118,671
Net income	—	—	1,204,641	—	1,204,641
Retirement of treasury stock	—	—	-5,461	5,461	—
Change other than shareholders' equity	—	—	—	—	—
Total amount of change	26,265	25,749	1,080,508	5,461	1,137,985
Balance as of December 31, 2006	1,199,465	1,167,441	1,886,133	—	4,253,040

	Unrealized valuations and re-measurement		Stock options	Total net assets
	Unrealized gains on available for sale securities	Total unrealized valuations and re-measurement		
Balance as of December 31, 2005	6,363	6,363	2,850	3,124,269
Amount of change				
New shares issued	—	—	—	52,015
Dividend paid	—	—	—	-118,671
Net income	—	—	—	1,204,641
Retirement of treasury stock	—	—	—	—
Change other than shareholders' equity	6,568	6,568	-518	6,050
Total amount of change	6,568	6,568	-518	1,144,036
Balance as of December 31, 2006	12,932	12,932	2,332	4,268,305

## Basis of presenting the financial statements

### 1 Valuation policy and method for assets

Nine months ended September 30, 2006	Nine months ended September 30, 2007	Year ended December 31, 2006
<p>(1) Investment in affiliates</p> <p>The purchase cost of the investment is used.</p>	<p>(1) Investment in affiliates</p> <p>Same as on the left</p>	<p>(1) Investment in affiliates</p> <p>Same as on the left</p>
<p>(2) Other securities</p> <p>a) For securities with fair market value N/A</p> <p>b) For securities without fair market value The purchase cost of the securities is used. (For the US dollar denominated securities, these securities are re-measured into the Japanese Yen using the prevailing market rate at the current period end. The unrealized gain/loss is recorded in the net assets section.)</p> <p>(Refer 7-(1) for the treatment of the investment in silent partnership)</p> <p>(The capital contributions made to limited liability partnerships and similar partnerships are treated as "securities" on the balance sheet in the amount proportional to the contributions made to the partnerships. The changes in the company's share of the interests in the partnerships are adjusted based on the company's share accordingly.)</p>	<p>(2) Other securities</p> <p>a) For securities with fair market value Valuation is based on the market value at the current period end. (The unrealized gain/loss is recorded in the net assets section.)</p> <p>b) For securities without fair market value Same as on the left</p>	<p>(2) Other securities</p> <p>a) For securities with fair market value N/A</p> <p>b) For securities without fair market value The purchase cost of the securities is used. (For the US dollar denominated securities, these securities are re-measured into the Japanese Yen using the prevailing market rate at the year end. The unrealized gain/loss is recorded in the net assets section.)</p> <p>(Refer 7-(1) for the treatment of the investment in silent partnership)</p> <p>(The capital contributions made to limited liability partnerships and similar partnerships are treated as "securities" on the balance sheet in the amount proportional to the contributions made to the partnerships. The changes in the company's share of the interests in the partnerships are adjusted based on the company's share accordingly.)</p>

### 2 Depreciation method of significant depreciable assets

Nine months ended September 30, 2006	Nine months ended September 30, 2007	Year ended December 31, 2006
<p>(1) Tangible assets:</p> <p>Tangible assets are depreciated by declining balance method. However, buildings acquired on and</p>	<p>(1) Tangible assets:</p> <p>Buildings except for building attachments are depreciated as follows:</p>	<p>(1) Tangible assets:</p> <p>Tangible assets are depreciated by declining balance method. However, buildings acquired on and</p>

<p>after April 1, 1998 are depreciated by straight-line method, except for building attachments.</p> <p>The useful life of principal assets is as follows:</p> <p>Buildings: 15 years Furniture and equipment: 4-8 years</p> <p>(2) Intangible assets:</p> <p>Intangible assets are depreciated by straight-line method. However, software for internal use is depreciated by straight-line method over the expected available periods of 5 years.</p>	<p>i) Acquired before March 31, 1998 Old declining balance method</p> <p>ii) Acquired from April 1, 1998 to March 31, 2007 Old straight-line method</p> <p>iii) Acquired after April 1, 2007 New straight-line method</p> <p>Other tangible assets are depreciated as follows:</p> <p>i) Acquired before March 31, 2007 Old declining balance method</p> <p>ii) Acquired after April 1, 2007 New declining balance method</p> <p>The useful life of principal assets is as follows:</p> <p>Buildings: 15 years Furniture and equipment: 4-8 years</p> <p>(2) Intangible assets:</p> <p>Same as on the left</p>	<p>after April 1, 1998 are depreciated by straight-line method, except for building attachments.</p> <p>The useful life of principal assets is as follows:</p> <p>Buildings: 15 years Furniture and equipment: 4-8 years</p> <p>(2) Intangible assets:</p> <p>Same as on the left</p>
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3 Depreciation method of significant deferred assets

Nine months ended September 30, 2006	Nine months ended September 30, 2007	Year ended December 31, 2006
<p>(1) Stock issuance expenses:</p> <p>Stock issuance costs are expensed as incurred.</p>	<p>(1) Stock issuance related expenses:</p> <p>Stock issuance related costs are expensed as incurred.</p> <p>(2) Bond issuance expenses:</p> <p>Bond issuance costs are expensed as incurred.</p>	<p>(1) Stock issuance related expenses:</p> <p>Stock issuance related costs are expensed as incurred.</p>

4 Accounting for significant allowances and reserves

Nine months ended September 30, 2006	Nine months ended September 30, 2007	Year ended December 31, 2006
<p>(1) Allowance for doubtful accounts:</p> <p>For general receivables, general allowances are provided using a rate determined by our past bad debt history.</p> <p>Specific allowances are provided for estimated amounts considered to be</p>	<p>(1) Allowance for doubtful accounts:</p> <p>Same as on the left</p>	<p>(1) Allowance for doubtful accounts:</p> <p>Same as on the left</p>

<p>uncollectible after the reviewing the individual collectibility of certain doubtful accounts.</p> <p>(2) Allowance for bonus payments:</p> <p>The company properly accrues estimated incentive payments for employees that have been vested during the current period.</p>	<p>(2) Allowance for bonus payments:</p> <p>Same as on the left</p>	<p>(2) Allowance for bonus payments:</p> <p>The company properly accrues estimated incentive payments for employees that have been vested during the year.</p>
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#### 5 Exchange policy of foreign currency

Nine months ended September 30, 2006	Nine months ended September 30, 2007	Year ended December 31, 2006
<p>Foreign currency denominated payables and receivables are re-measured into the Japanese Yen using the prevailing market rate at the current period end.</p>	<p>Same as on the left</p>	<p>Foreign currency denominated payables and receivables are re-measured into the Japanese Yen using the prevailing market rate at the year end.</p>

#### 6 Accounting treatment for significant leases

Nine months ended September 30, 2006	Nine months ended September 30, 2007	Year ended December 31, 2006
<p>All finance leases, except for those leases with a transfer of ownership, are treated as operating leases.</p>	<p>Same as on the left</p>	<p>Same as on the left</p>

#### 7 Other significant accounting policies

Nine months ended September 30, 2006	Nine months ended September 30, 2007	Year ended December 31, 2006
<p>(1) Accounting for investment in silent partnership:</p> <p>Investment in silent partnership is accounted as 'Investment securities' on the balance sheets in the amount proportional to the contribution of the assets to the silent partnership which is recorded at the time such investment is made.</p> <p>The change in company's share of equity interests in the silent partnership is accounted as 'Sales' and the equivalent amount of increases/decreases as 'Investment securities'. A distribution from the company's investee is accounted as redemption of the investment which</p>	<p>(1) Accounting for investment in silent partnership:</p> <p>Same as on the left</p>	<p>(1) Accounting for investment in silent partnership:</p> <p>Same as on the left</p>

<p>decreases the amount of 'Investment securities'.</p> <p>(2) Accounting for the consumption taxes:</p> <p>The consumption tax and the local consumption tax are excluded from transaction amounts.</p> <p>Also consumption tax receivables and payables are netted against each other, then included in the other payable on the face of the financial statements.</p>	<p>(2) Accounting for the consumption taxes:</p> <p>Same as on the left</p>	<p>(2) Accounting for the consumption taxes:</p> <p>The consumption tax and the local consumption tax are excluded from transaction amounts.</p>
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#### Change in accounting policy

Nine months ended September 30, 2006	Nine months ended September 30, 2007	Year ended December 31, 2006
<p>Starting the current period, the impairment accounting has been applied to fixed assets. This application has no material effect on the statements of income.</p> <p>Starting the current period, certain changes were made to the net assets section to be compliant to the new accounting rules. The amount of the total shareholders' equity based on the old accounting rule is ¥4,212,387 thousand.</p> <p>-----</p>	<p>-----</p> <p>-----</p> <p>Starting the current period, certain changes were made to the depreciation method to be compliant to the new income tax rule.</p> <p>The application of the new rules has no material effect on the statements of income.</p>	<p>Starting this year, the impairment accounting has been applied. This application has no material effect on the statements of income.</p> <p>Starting this year, certain changes were made to the net assets section to be compliant to the new accounting rules.</p> <p>The amount of the shareholders' equity based on the old accounting rule is ¥4,265,973 thousand.</p> <p>-----</p>

#### Change in presentation

Nine months ended September 30, 2006	Nine months ended September 30, 2007
<p>Balance sheets:</p> <p>According to newly enacted company law announced in 2005, the investment in Y.K., known as Yugen Kaisha, is accounted as securities.</p> <p>On the balance sheets as of September 30, 2005, the investment in Y.K. was included in 'Other assets' in the investments section.</p> <p>In the current period, it is included in 'Investment in affiliates' in the investments section. As a result, the</p>	<p>Balance sheets:</p> <p>The balance of advance received is ¥1,995 thousand and its amount on the consolidated balance sheets become less than 5% of the total liability and equity, thus it is included in 'Other liabilities' in current liabilities section.</p>

balance of 'Investment in affiliates' increased by ¥92,700 thousand in comparison to the balance using the old accounting policy.	
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## Notes

### (Balance sheets)

As of September 30, 2006	As of September 30, 2007	As of December 31, 2006
(1) Accumulated depreciation of tangible assets  ¥69,126 thousand	(1) Accumulated depreciation of tangible assets  ¥59,897 thousand	(1) Accumulated depreciation of tangible assets  ¥73,906 thousand
(3) The company and its subsidiaries have an overdraft agreement with a bank.  The total amount of overdraft agreement ¥1,300,000 thousand Over-drafted balance as of September 30, 2006 N/A	(2) The carrying amounts of assets pledged as collaterals for the bond issued by a subsidiary are as follows:  Other securities of affiliates ¥360,000 thousand  (3) Overdraft agreement a) As borrower The company and its subsidiaries have an overdraft agreement with a bank.  The total amount of overdraft agreement ¥3,600,000 thousand Over-drafted balance as of September 30, 2007 N/A  b) As lender The company and its subsidiaries have an overdraft agreement for short term operating capital.  The total amount of overdraft agreement ¥3,700,000 thousand Over-drafted balance as of September 30, 2007 1,014,558 thousand <hr/> Unexercised balance as of September 30, 2007 2,685,441 thousand	(3) The company and its subsidiaries have an overdraft agreement with a bank.  The total amount of overdraft agreement ¥3,600,000 thousand Over-drafted balance as of December 31, 2006 N/A
(4) Contingent liabilities  Penalty for not purchasing the property specified in a purchase agreement ¥255,000 thousand		

(Statements of income)

Nine months ended September 30, 2006	Nine months ended September 30, 2007	Year ended December 31, 2006
(1) Depreciation amount:  Tangible assets: ¥16,768 thousand Intangible assets: ¥1,936 thousand	(1) Depreciation amount:  Tangible assets: ¥23,443 thousand Intangible assets: ¥2,297 thousand	(1) Depreciation amount:  Tangible assets: ¥22,532 thousand Intangible assets: ¥2,626 thousand
(2) Major breakdown of non-operating income:  Interest income: ¥224 thousand Dividend income: ¥1,065,000 thousand Currency exchange gain: ¥684 thousand	(2) Major breakdown of non-operating income:  Interest income: ¥15,960 thousand Dividend income: ¥2,112,000 thousand	(2) Major breakdown of non-operating income:  Interest income: ¥240 thousand Dividend income: ¥1,065,000 thousand Currency exchange gain: ¥12,805 thousand
(3) Major breakdown of non-operating expenses:  Stock issuance expenses: ¥193 thousand	(3) Major breakdown of non-operating expenses:  Interest expenses: ¥8,480 thousand Bond issuance expenses: ¥27,297 thousand	(3) Major breakdown of non-operating expenses:  Interest expenses: ¥7,469 thousand
(4) Details of extraordinary loss:  Loss on disposition of fixed assets: ¥289 thousand	(4) Details of extraordinary loss:  Loss on disposition of fixed assets: ¥175 thousand  The details of loss on office relocation are as follows:  Office recovery expense ¥42,164 thousand Loss on disposition of fixed assets ¥39,797 thousand Moving expense ¥8,883 thousand <hr/> Total ¥90,844 thousand	(4) Details of extraordinary loss:  Loss on disposition of fixed assets: ¥482 thousand Loss on dissolution of investment in affiliates: ¥1,142 thousand

(Statements of changes in shareholders' equity)

Nine months ended September 30, 2006

1. Type and number of treasury stock

	Number as of December 31, 2005	Number of increase during the current period	Number of decrease during the current period	Number as of September 30, 2006	Description
Treasury stock (common stock)	8.85 shares	—	—	8.85 shares	—

Nine months ended September 30, 2007

N/A

Year ended December 31, 2006

1. Type and number of treasury stock

	Number as of December 31, 2006	Number of increase during the current period	Number of decrease during the current period	Number as of September 30, 2007	Description
Treasury stock (common stock)	8.85 shares	—	8.85 shares	—	*1

Notes: 1. The decrease of treasury stock (8.85 shares) was due to retirement.

(Accounting for leases)

Nine months ended September 30, 2006	Nine months ended September 30, 2007	Year ended December 31, 2006
(1) Finance lease transactions other than those, which are deemed to be an ownership transfer of the leased asset to lessees  Information is omitted due to its immateriality.	(1) Finance lease transactions other than those, which are deemed to be an ownership transfer of the leased asset to lessees  Same as on the left	(1) Finance lease transactions other than those, which are deemed to be an ownership transfer of the leased asset to lessees  Same as on the left
	(2) Non-cancelable operating lease transactions:  Commitment within 1 year ¥229,320 thousand Commitment over 1 year ¥707,070 thousand <u>Total</u> ¥936,390 thousand	(2) Non-cancelable operating lease transactions:  Commitment within 1 year ¥266,347 thousand Commitment over 1 year ¥879,060 thousand <u>Total</u> ¥1,145,407 thousand

(Accounting for securities)

Nine months ended September 30, 2006	There is no investment for subsidiaries with fair market value.
Nine months ended September 30, 2007	There is no investment for subsidiaries with fair market value.
Year ended December 31, 2006	There is no investment for subsidiaries with fair market value.

(Earnings per share data)

	Nine months ended September 30, 2006	Nine months ended September 30, 2007	Year ended December 31, 2006
Net assets per share	¥34,706.70	¥51,646.13	¥35,148.21
Net income per share after taxes	¥9,599.53	¥18,116.60	¥10,000.38
Diluted net income per share after taxes	¥8,197.03	¥14,904.76	¥8,569.46

(Notes) 1. Items used to calculate the amount of net assets per share:

	Nine months ended September 30, 2006	Nine months ended September 30, 2007	Year ended December 31, 2006
Amount of net assets	¥4,214,719 thousand	¥6,274,842 thousand	¥4,268,305 thousand
Amount of deductions			
Stock options	¥2,332 thousand	¥2,317 thousand	¥2,332 thousand
Amount of net assets relevant to common stock	¥4,212,387 thousand	¥6,272,525 thousand	¥4,265,973 thousand
Number of common stock at the end of periods	121,371 shares	121,452 shares	121,371 shares

(Notes) 2. Items used to calculate earnings per share and diluted earnings per share:

	Nine months ended September 30, 2006	Nine months ended September 30, 2007	Year ended December 31, 2006
Net income	¥1,153,405 thousand	¥2,200,136 thousand	¥1,204,641 thousand
Amount not allocable to common shareholders	—	—	—
Net income available for common stock shareholders	¥1,153,405 thousand	¥2,200,136 thousand	¥1,204,641 thousand
Number of average shares outstanding during the current period	120,152 shares	121,443 shares	120,460 shares
Details of net income adjustments included in the calculation of diluted earnings per share	—	—	—
Details of increased number of shares included in the calculation of diluted earnings per share	Stock option 20,558 shares	Stock option 17,547 shares Convertible bond 8,623 shares <hr/> Total 26,170 shares	Stock option 20,114 shares
Details of items not included in the calculation of diluted earnings per share	Stock option (Authorized on March 30, 2005) 1,290 shares  Stock option (Authorized on March 30, 2006) 1,100 shares	Stock option (Authorized on March 30, 2005) 1,890 shares  Stock option (Authorized on March 30, 2006) 1,100 shares	Stock option (Authorized on March 30, 2005) 1,290 shares  Stock option (Authorized on March 30, 2006) 1,100 shares

(Subsequent events)

Nine months ended September 30, 2006

Significant amount of borrowings

The commitment line agreement of ¥2 billion closed on October 12, 2006 was based on the commitment line approval by the board of directors' meeting on March 30, 2006. Thus, the company borrowed as follows:

Lender	Sumitomo Mitsui Banking Corporation
Amount of loan	¥1,000,000 thousand
Interest rate	1.370% per annum
Conditions of repayment	Repayment collectively on the due date
Date of loan	October 27, 2006
Due dates	November 27, 2006
Use of proceeds	Operating capital

The overdraft agreement was based on the approval by the board of directors' meeting on October 27, 2006. Thus, the company borrowed as follows:

Lender	Mizuho Bank, Ltd.
Amount of loan	¥300,000 thousand
Interest rate	1.100% per annum
Conditions of repayment	Repayment collectively on the due date
Date of loan	October 27, 2006
Due dates	November 27, 2006
Use of proceeds	Operating capital

Nine months ended September 30, 2007

N/A

Year ended December 31, 2006

Significant amount of borrowings

The Company took out short-term loans to fund the on-going operations from banks during the year as follows:

Lender	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	Lender	Mizuho Bank, Ltd.
Amount of loan	¥1,000,000 thousand	Amount of loan	¥100,000 thousand
Interest rate	1.230%, 1.240% and 1.240% per annum	Interest rate	1.390% per annum
Conditions of repayment	Repayment collectively on the due date	Conditions of repayment	Repayment collectively on the due date
Date of loan	March 12, 2007, March 23, 2007 and March 27, 2007	Date of loan	March 23, 2007
Due dates	April 12, 2007, April 23, 2007 and April 27, 2007	Due dates	April 23, 2007
Use of proceeds	Operating capital	Use of proceeds	Operating capital