

## Summary of financial results For the fiscal year ending December 2008 (Six months ended June 30, 2008)

August 8, 2008

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.
Listed stock market :	Tokyo Stock Exchange, First Section
Stock code :	2392
URL :	<a href="http://www.securedcapital.co.jp/">http://www.securedcapital.co.jp/</a>
President :	Katsuya Takanashi, CEO
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### 1. Consolidated interim financial results (January 1, 2008 – June 30, 2008)

#### (1) Consolidated financial results

	Revenues		Operating income		Ordinary income		Net income(loss)	
	Millions ¥	%	Millions ¥	%	Millions ¥	%	Millions ¥	%
Six months ended June 2008	2,479	-39.4	262	-88.5	134	-94.1	-78	—
Six months ended June 2007	4,089	21.6	2,291	9.9	2,269	9.0	1,205	-1.6
Year ended December 2007	7,838		4,162		4,069		2,209	

	Earnings per share	Diluted earnings per share	Equity in earnings of affiliated companies
	¥	¥	Millions ¥
Six months ended June 2008	-644.99	—	7
Six months ended June 2007	9,927.01	8,336.91	16
Year ended December 2007	18,194.35	14,808.20	26

(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	Capital ratio	Net assets per share	Tangible net worth
	Millions ¥	Millions ¥	%	¥	Millions ¥
As of June 30, 2008	54,897	11,067	14.9	67,219.36	8,167
As of June 30, 2007	23,206	10,417	33.0	63,114.59	7,665
As of December 31, 2007	32,330	10,514	26.3	70,084.83	8,511

#### (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 ¥
Six months ended June 2008	-865	-25,647	23,706	1,658
Six months ended June 2007	991	-6,062	8,309	4,147
Year ended December 2007	-5,576	-6,530	15,569	4,402

## 2. Dividend position

	Dividend per share		
	At the end of the semi-annual period	At the end of the year	Annual total
Year ended December 2007	—	¥1,500	¥1,500
Year ending December 2008 (Actual)	—	—	¥1,500
Year ending December 2008 (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 2008(January 1, 2008 – December 31, 2008)

	Revenues		Operating income		Ordinary income		Net income		Earnings per share
	Millions ¥	%	Millions ¥	%	Millions ¥	%	Millions ¥	%	¥
Full year	8,350	6.5	3,550	-14.7	3,150	-22.6	1,550	-29.9	12,756.57

(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 subsidiaries	N/A
Excluded subsidiary	N/A

### (2) Changes in significant accounting policies and presentation

Changes based on the amendment of accounting principles	N/A
Changes without the above	YES

### (3) Number of shares outstanding at the end of the period

	As of June 30, 2007	As of June 30, 2008	As of December 31, 2007
Common stock (including treasury stock)	121,452 shares	121,506 shares	121,452 shares
Treasury stock	—	—	—

## 5. Interim financial results (January 1, 2008 – June 30, 2008)

### (1) Financial results

	Revenues		Operating income		Ordinary income		Net income	
	Millions ¥	%	Millions ¥	%	Millions ¥	%	Millions ¥	%
Six months ended June 2008	1,135	-24.8	-297	—	1,661	-26.9	1,709	-20.4
Six months ended June 2007	1,510	16.7	181	60.0	2,273	92.7	2,147	91.1
Year ended December 2007	3,265		519		2,608		2,337	

	Earnings per share
	¥
Six months ended June 2008	14,071.03
Six months ended June 2007	17,682.98
Year ended December 2007	19,250.62

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

### (2) Financial position

	Total assets	Net assets	Capital ratio	Net assets per share	Tangible net worth
	Millions ¥	Millions ¥	%	¥	Millions ¥
As of June 30, 2008	16,214	7,920	48.8	65,168.91	7,918
As of June 30, 2007	12,794	6,233	48.7	51,309.58	6,231
As of December 31, 2007	16,493	6,401	38.8	52,689.45	6,399

## 6. Forecast for the fiscal year ending December 2008 (January 1, 2008 – December 31, 2008)

	Revenues		Operating income		Ordinary income		Net income		Earnings per share
	Millions ¥	%	Millions ¥	%	Millions ¥	%	Millions ¥	%	¥
Full year	2,680	-17.9	-250	—	1,780	-31.8	1,780	-23.9	14,649.48

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

## 7. Consolidated interim financial statements

[1] Consolidated interim balance sheets

(Thousands of yen)

	As of June 30, 2007		As of June 30, 2008		As of December 31, 2007	
	Amount	%	Amount	%	Amount	%
(Assets)						
I Current assets						
1 Cash and cash equivalents	2,449,419		1,658,410		4,402,843	
2 Accounts receivable	858,458		718,240		1,192,430	
3 Securities (*2)	3,494,361		1,500,000		—	
4 Purchased loans	290,305		281,507		283,888	
5 Other receivable	168,800		152,033		361,822	
6 Entrusted properties	—		—		7,177,504	
7 Deferred tax assets	133,789		241,161		204,787	
8 Other assets (*2)	1,746,856		1,703,239		1,281,900	
Allowance for doubtful accounts	-34,666		-217,579		-123,015	
Total current assets	9,107,323	39.2	6,037,014	11.0	14,782,160	45.7
II Non-current assets						
1 Property and equipment						
(1) Building(*1 and 2)	121,105		12,266,323		100,911	
(2) Furniture and equipment (*1)	31,546		48,481		46,014	
(3) Land (*2)	—		18,385,712		—	
Total property and equipment	152,652	0.7	30,700,517	55.9	146,925	0.5
2 Intangible assets	9,919	0.0	8,572	0.0	9,360	0.0
3 Investments						
(1) Investment securities (*2)	7,501,705		10,518,109		10,920,027	
(2) Other securities of affiliates (*2)	1,934,005		4,418,730		3,806,222	
(3) Long-term loans receivable (*2)	4,078,935		2,144,187		2,199,393	
(4) Security deposits	303,558		286,682		301,799	
(5) Others (*2)	118,880		783,923		164,342	
Total investments	13,937,085	60.1	18,151,634	33.1	17,391,785	53.8
Total non-current assets	14,099,657	60.8	48,860,723	89.0	17,548,071	54.3
Total assets	23,206,981	100.0	54,897,738	100.0	32,330,231	100.0

(Thousands of yen)

	As of June 30, 2007		As of June 30, 2008		As of December 31, 2007	
	Amount	%	Amount	%	Amount	%
(Liabilities)						
I Current liabilities						
1 Short-term borrowing (*2 and 3)	5,380,018		8,092,433		9,100,175	
2 Accrued expense	178,388		237,821		364,015	
3 Income tax payable	875,640		170,298		1,288,553	
4 Deposits payable	202,179		536,906		544,413	
5 Bonus reserve	55,000		55,500		32,000	
6 Other liabilities (*2)	86,673		307,583		180,362	
Total current liabilities	6,777,900	29.2	9,400,541	17.1	11,509,520	35.6
II Non-current liabilities						
1 Bond (*2)	—		2,052,487		1,246,232	
2 Convertible bond	6,000,000		6,000,000		6,000,000	
3 Long-term borrowings (*2)	—		22,023,000		—	
4 Deposit from silent partners	—		4,354,636		3,060,243	
5 Deferred tax liabilities	11,363		—		—	
Total non-current liabilities	6,011,363	25.9	34,430,123	62.7	10,306,476	31.9
Total liabilities	12,789,263	55.1	43,830,665	79.8	21,815,996	67.5
(Net assets)						
I Shareholders' equity						
1 Common stock	1,200,253	5.2	1,200,779	2.2	1,200,253	3.7
2 Additional paid-in capital	1,168,214	5.0	1,168,729	2.1	1,168,214	3.6
3 Retained earnings	5,220,577	22.5	5,964,148	10.9	6,224,674	19.3
Total shareholders' equity	7,589,045	32.7	8,333,657	15.2	8,593,142	26.6
II Unrealized valuations and re-measurement						
1 Unrealized gains on available for sale securities	16,425	0.1	-31,367	-0.1	-21,289	-0.1
2 Foreign currency translation adjustments	59,922	0.3	-134,734	-0.2	-59,910	-0.2
Total unrealized valuations and re-measurement	76,347	0.4	-166,101	-0.3	-81,199	-0.3
III Stock options	2,317	0.0	2,306	0.0	2,317	0.0
IV Non-controlling interests	2,750,007	11.8	2,897,211	5.3	1,999,975	6.2
Total net assets	10,417,717	44.9	11,067,073	20.2	10,514,235	32.5
Total liabilities and net assets	23,206,981	100.0	54,897,738	100.0	32,330,231	100.0

[2] Consolidated interim statements of income

(Thousands of yen)

	Six months ended June 30, 2007			Six months ended June 30, 2008			Year ended December 31, 2007		
	Amount		%	Amount		%	Amount		%
I Revenues		4,089,767	100.0		2,479,487	100.0		7,838,134	100.0
II Cost of revenues		—	—		355,378	14.3		—	—
Gross profit		4,089,767	100.0		2,124,108	85.7		7,838,134	100.0
III Selling, general and administrative expenses (*1)		1,798,718	44.0		1,861,305	75.1		3,675,906	46.9
Operating income		2,291,049	56.0		262,803	10.6		4,162,228	53.1
IV Non-operating income									
1 Interest income	2,989			5,972			12,211		
2 Dividend income	2,000			2,910			2,000		
3 Currency exchange gain	24,517			2,125			35,660		
4 Equity in earnings of affiliated companies	16,127			7,192			26,029		
5 Gain on valuation of derivatives	—			43,681			—		
6 Interest on refund taxes	—			10,258			—		
7 Others	2,272	47,907	1.2	495	72,637	2.9	1,015	76,918	1.0
V Non-operating expenses									
1 Interest expenses	41,857			200,975			112,396		
2 Bond issuance expenses	27,297			—			27,297		
3 Stock listing market change expense	—			—			29,589		
4 Others	12	69,167	1.7	0	200,975	8.1	638	169,920	2.2
Ordinary income		2,269,789	55.5		134,466	5.4		4,069,225	51.9
VI Extraordinary gain									
1 Gain on sale of investment security (*2)	—	—	—	1,790	1,790	0.1	—	—	—
VII Extraordinary loss									
1 Loss on prior period adjustment	—			33,015			—		
2 Loss on disposition of fixed assets (*2)	103			924			459		
3 Loss on valuation of investment security	—			42,000			—		
4 Loss on dissolution of investment in affiliates	—			—			632		
5 Loss on office relocation(*3)	90,701	90,804	2.2	—	75,940	3.1	90,533	91,625	1.2
Income before silent partnership distribution and income taxes		2,178,984	53.3		60,316	2.4		3,977,599	50.7
Income allocations to silent partnership		—	—		36,273	1.5		-10,668	-0.2
Income before income taxes		2,178,984	53.3		24,043	0.9		3,988,268	50.9
Income taxes - current	928,268			222,088			1,801,114		
Income taxes - deferred	-37,209	891,058	21.8	-231,940	-9,852	-0.4	-151,088	1,650,025	21.1
Non-controlling interests in earnings of subsidiaries		82,404	2.0		112,243	4.5		128,623	1.6
Net income(loss)		1,205,522	29.5		-78,347	-3.2		2,209,619	28.2

[3] Consolidated interim statements of changes in shareholders' equity

Six months ended June 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(loss)	—	—	1,205,522	1,205,522
Change other than shareholders' equity	—	—	—	—
Net amount of change	787	772	1,023,465	1,025,026
Balance as of June 30, 2007	1,200,253	1,168,214	5,220,577	7,589,045

	Unrealized valuations and re-measurement			Stock options	Non-controlling 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(loss)	—	—	—	—	—	1,205,522
Change other than shareholders' equity	3,573	47,382	50,955	-15	759,820	810,760
Net amount of change	3,573	47,382	50,955	-15	759,820	1,835,787
Balance as of June 30, 2007	16,425	59,922	76,347	2,317	2,750,007	10,417,717

Six months ended June 30, 2008

(Thousands of yen)

	Shareholders' equity			
	Common stock	Additional paid-in capital	Retained earnings	Total shareholders' equity
Balance as of December 31, 2007	1,200,253	1,168,214	6,224,674	8,593,142
Amount of change				
New shares issued	525	514	—	1,040
Dividend paid	—	—	-182,178	-182,178
Net income(loss)	—	—	-78,347	-78,347
Change other than shareholders' equity	—	—	—	—
Net amount of change	525	514	-260,525	-259,485
Balance as of June 30, 2008	1,200,779	1,168,729	5,964,148	8,333,657

	Unrealized valuations and re-measurement			Stock options	Non-controlling 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, 2007	-21,289	-59,910	-81,199	2,317	1,999,975	10,514,235
Amount of change						
New shares issued	—	—	—	—	—	1,040
Dividend paid	—	—	—	—	—	-182,178
Net income(loss)	—	—	—	—	—	-78,347
Change other than shareholders' equity	-10,078	-74,823	-84,901	-10	897,235	812,323
Net amount of change	-10,078	-74,823	-84,901	-10	897,235	552,838
Balance as of June 30, 2008	-31,367	-134,734	-166,101	2,306	2,897,211	11,067,073

Year ended December 31, 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(loss)	—	—	2,209,619	2,209,619
Change other than shareholders' equity	—	—	—	—
Net amount of change	787	772	2,027,562	2,029,123
Balance as of December 31, 2007	1,200,253	1,168,214	6,224,674	8,593,142

	Unrealized valuations and re-measurement			Stock options	Non-controlling 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(loss)	—	—	—	—	—	2,209,619
Change other than shareholders' equity	-34,141	-72,450	-106,592	-15	9,789	-96,818
Net amount of change	-34,141	-72,450	-106,592	-15	9,789	1,932,304
Balance as of December 31, 2007	-21,289	-59,910	-81,199	2,317	1,999,975	10,514,235

[4] Consolidated interim statements of cash flows

(Thousands of yen)

	Six months ended June 30, 2007	Six months ended June 30, 2008	Year ended December 31, 2007
	Amount	Amount	Amount
I Operating activities			
Income before income taxes	2,178,984	24,043	3,988,268
Depreciation and amortization	16,508	131,723	40,793
Increase (decrease) in accrued bonus	13,000	23,500	-10,000
Increase in allowance for doubtful accounts	34,666	94,563	123,015
Operating interest income	—	-362,535	—
Operating interest expenses	—	136,329	—
Interest and dividend income	-4,990	-8,883	-14,212
Currency exchange gain	—	—	-9,726
Gain on valuation of derivatives	—	-43,681	—
Interest expenses	41,857	200,975	112,396
Equity in earnings of affiliated companies	-16,127	-7,192	—
Loss on disposition of fixed assets	39,900	924	40,256
Loss on valuation of investment securities	—	42,000	—
Loss on prior year adjustment	—	33,015	—
Increase (decrease) in accounts receivable	169,067	437,270	-406,161
Increase (decrease) in other receivable	-22,138	70,785	-104,365
Increase (decrease) in interest receivable	—	—	-29,825
Increase (decrease) in consumption tax receivable	—	-343,062	—
Increase (decrease) in deposit paid	—	-574,536	—
Increase (decrease) in entrusted properties	—	—	-7,181,223
Increase (decrease) in other current assets	—	—	-275,923
Increase (decrease) in non-current prepaid expenses	—	-312,497	—
Increase (decrease) in accrued expense	-204,489	-126,067	1,600
Increase (decrease) in consumption tax payable	—	-118,355	—
Increase (decrease) in deposit payable	-10,151	-7,506	332,082
Increase (decrease) in advance received	-1,041	81,409	23,160
Equity in earnings (losses) of silent partnerships	82,226	407,366	-196,783
Income allocations to silent partnerships	—	36,273	-10,668
Operating interest received	—	348,241	—
Operating interest paid	—	-99,846	—
Others	-130,099	-62,026	-93,702
Sub total	2,187,174	2,229	-3,694,178
Interest and dividend received	1,811	8,606	14,130
Interest paid	-39,353	-70,861	-103,146
Income taxes refunded	96,700	593,345	96,700
Income taxes paid	-1,254,338	-1,398,751	-1,890,128
Net cash used in operating activities	991,993	-865,431	-5,576,622

	Six months ended June 30, 2007	Six months ended June 30, 2008	Year ended December 31, 2007
	Amount	Amount	Amount
<b>II Investing activities</b>			
Purchases of marketable securities	-1,795,029	—	-2,293,295
Proceeds from redemptions and sales of marketable securities	—	—	2,293,447
Purchases of property and equipment	-137,975	-23,507,207	-151,940
Purchases of software	-2,343	-862	-3,450
Purchases of investment securities	-22,000	—	-3,969,470
Proceeds from sales and redemptions of investment securities	119,305	17,479	837,160
Purchases of other securities of affiliates	-1,172,820	-1,615,065	-3,044,204
Proceeds from sales and redemptions of other securities of affiliates	348,835	489,188	632,702
Investments in silent partnership	-201,441	-451,695	-223,476
Proceeds from redemption of investment in silent partnership	18,979	124,392	196,547
Contributions to capital	-22,000	-9,000	-25,000
Proceeds from transfers and sales of capital contributions	20,200	—	22,300
Purchases of money trust	-2,113,825	-1,503,820	-2,617,860
Proceeds from redemptions of money trust	35,655	754,440	42,995
Payments of security deposits	-5,673	—	—
Payments for loans issued	-117,470	-17,101	-128,570
Collections of loans receivable	734,702	54,569	4,952,352
Purchases of loans receivable	-1,883,766	—	-3,207,565
Others	134,411	17,117	156,883
<b>Net cash used in investing activities</b>	<b>-6,062,256</b>	<b>-25,647,565</b>	<b>-6,530,445</b>
<b>III Financing activities</b>			
Increase (decrease) in short-term borrowings	1,818,538	-1,007,741	5,538,695
Proceeds from long-term borrowings	—	22,023,000	—
Proceeds from issuance of bonds	5,972,702	844,800	7,679,743
Redemption of bonds	—	-38,545	-460,807
Proceeds from issuance of common stock	1,540	—	—
Proceeds from non-controlling interests	1,206,315	887,127	1,254,622
Dividends paid	-182,056	-179,278	-182,056
Distribution to non-controlling interests	-507,647	-81,653	-1,333,572
Contributions received from silent partners	—	1,258,119	3,070,912
Others	—	1,030	1,540
<b>Net cash provided by financing activities</b>	<b>8,309,393</b>	<b>23,706,857</b>	<b>15,569,076</b>
<b>IV Foreign currency translation adjustments in cash and cash equivalents</b>	<b>17,044</b>	<b>61,706</b>	<b>46,138</b>
<b>V Net increase(decrease) in cash and cash equivalents</b>	<b>3,256,175</b>	<b>-2,744,432</b>	<b>3,508,146</b>
<b>VI Cash and cash equivalents at the beginning of period</b>	<b>889,139</b>	<b>4,402,843</b>	<b>889,139</b>
<b>VII Increase by inclusion of new consolidated subsidiaries</b>	<b>2,385</b>	<b>—</b>	<b>5,556</b>
<b>VIII Cash and cash equivalents at the end of period</b>	<b>4,147,699</b>	<b>1,658,410</b>	<b>4,402,843</b>

Basis of presenting the consolidated interim financial statements

1 Scope of consolidation

Six months ended June 30, 2007	Six months ended June 30, 2008	Year ended December 31, 2007
<p>(1) Number of consolidated subsidiaries: 15 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</p> <p>SCJ Mezzanine Investment G.K. is established in the current semi-annual period and included in the consolidated interim financial statements.</p> <p>The amount of total assets and the profit or loss from SCJREP Asia Management, L.P. became material to the consolidated interim financial statements taken as a whole. Thus, it is included in the consolidated interim financial statements since the current semi-annual period.</p> <p>The company's influence on Ashwood I Y.K. is deemed no longer temporary. Thus, it is included in the consolidated interim financial statements in the current semi-annual period.</p>	<p>(1) Number of consolidated subsidiaries: 24 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.            SCJ Residential Fund2 G.K.            RF2C G.K.            RF2A G.K.            RF2D G.K.            SCJREP IV Management, LLC</p> <p>SCJREP IV Management, LLC is established in the current semi-annual period and included in the consolidated interim financial statements.</p>	<p>(1) Number of consolidated subsidiaries: 23 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.            SCJ Residential Fund2 G.K.            RF2C G.K.</p> <p>SCJ Mezzanine Investment G.K., CSG G.K., SCJ Residential Fund2 G.K., SCJ Toranomom Chukan Hojin, RF2A G.K., RF2B G.K., RF2C G.K. and RF2D G.K. are established in the current year 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 became material to the consolidated financial statements taken as a whole. Thus, they are included in the current year's consolidated financial statements.</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 year.</p>

<p>(2) Names of the main unconsolidated subsidiaries are as follows:  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, L.P. maintain property portfolios for partners. Our substantial share of assets, net income or loss in the entity has no material effect on the consolidated interim financial statements taken as a whole. Therefore, they are not included in the consolidated interim financial statements in accordance with Japanese Accounting Standards for the consolidated interim 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 interim financial statements. Therefore activities from other unconsolidated subsidiaries are not included in the consolidated interim financial statements.</p>	<p>(2) Names of the main unconsolidated subsidiaries are as follows:  Mountain Recovery Fund I Y.K.  SCJREP I Management, L.P.  SCJREP II Management, L.P.  SCJREP Asia, L.P.  SCJREP IV, L.P.  SCJREP IV Cayman, L.P.  SCJREP IV Fund, L.P.</p> <p>Mountain Recovery Fund I Y.K. maintains loan portfolios for silent partners. SCJREP I Management, L.P., SCJREP II Management, L.P., SCJREP Asia, L.P., SCJREP IV L.P., SCJREP IV Cayman, L.P. and SCJREP IV Fund, L.P. maintain real estate property portfolios for partners. Our substantial share of assets and net income or loss of these entities has no material effect on the consolidated interim financial statements taken as a whole. Therefore, they are not included in the consolidated interim financial statements in accordance with Japanese Accounting Standards for the consolidated interim 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 interim financial statements. Therefore activities from other unconsolidated subsidiaries are not included in the consolidated interim financial statements.</p>	<p>(2) Names of the main unconsolidated subsidiaries are as follows:  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, L.P. maintain real estate property portfolios for partners. Our substantial share of assets and net income or loss of these entities 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>
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## 2 Use of equity method

Six months ended June 30, 2007	Six months ended June 30, 2008	Year ended December 31, 2007
<p>(1) Affiliated companies accounted for using the equity method.  J-STAR K.K.  J-STAR No.1 Investment LPS</p>	<p>(1) Affiliated companies accounted for using the equity method.  J-STAR K.K.  J-STAR No.1 Investment LPS</p>	<p>(1) Affiliated companies accounted for using the equity method.  J-STAR K.K.  J-STAR No.1 Investment LPS</p>
<p>(2) Unconsolidated subsidiaries accounted for using the equity</p>	<p>(2) Unconsolidated subsidiaries accounted for using the equity</p>	<p>(2) Unconsolidated subsidiaries accounted for using the equity</p>

<p>method. N/A</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 consolidated interim financial statements. Thus, these companies are not accounted for using equity method.</p>	<p>method. SCJREP I Management, L.P. SCJREP II Management, L.P. SCJREP Asia, L.P. SCJREP IV, L.P. SCJREP IV Cayman, L.P. SCJREP IV Fund, L.P.</p> <p>The amount of total assets and the profit or loss from SCJREP I Management, L.P., SCJREP II Management, L.P. and SCJREP Asia, L.P. became material to the consolidated interim financial statements taken as a whole. Thus, they are accounted for using the equity method since the current semi-annual period.</p> <p>SCJREP IV, L.P., SCJREP IV Cayman, L.P. and SCJREP IV Fund, L.P. are established in the current semi-annual period and accounted for using the equity method.</p> <p>(3) The following unconsolidated subsidiaries are not accounted for using the equity method. Mountain Recovery Fund I Y.K.</p> <p>Net income and retained earnings of the above unconsolidated subsidiaries have no material effect on the consolidated interim financial statements. Thus, these companies are not accounted for using equity method.</p>	<p>method. N/A</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, L.P.</p> <p>Net income and retained earnings of the above unconsolidated subsidiaries have no material effect on the consolidated financial statements. Thus, these companies are not accounted for using equity method.</p>
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### 3 Fiscal year of consolidated subsidiaries

Six months ended June 30, 2007	Six months ended June 30, 2008	Year ended December 31, 2007
<p>The semi-annual period end for SCJ Real Estate Mezzanine Partners I Investment LPS and SRF Toranomom Chukan Hojin is the end of July of each year. However, these subsidiaries are consolidated based on their financial statements as of the</p>	<p>The semi-annual period end for SCJ Real Estate Mezzanine Partners I Investment LPS and SRF Toranomom Chukan Hojin is the end of July of each year. However, these subsidiaries are consolidated based on their</p>	<p>The fiscal year end for the subsidiaries are as follows;  <u>End of January</u> SCJ Real Estate Mezzanine Partners I Investment LPS SRF Toranomom Chukan Hojin</p>

<p>end of June. Other consolidated subsidiaries have the same semi-annual period end as the parent company.</p>	<p>financial statements as of the end of June. Other consolidated subsidiaries have the same semi-annual period end as the parent company.</p>	<p><u>End of June</u> SCJ Residential Fund2 G.K. SCJ Toranomom CH RF2A G.K. RF2B G.K. RF2C G.K. RF2D G.K.</p> <p>However, these subsidiaries are consolidated based on their financial statements as of the end of December. Except for those entities listed above, other consolidated subsidiaries have the same fiscal year end as the parent company.</p>
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#### 4 Summary of significant accounting policies

Six months ended June 30, 2007	Six months ended June 30, 2008	Year ended December 31, 2007
<p>(1) Significant asset valuation method</p> <p>a) For securities with fair market value Valuation is based on the market value at each semi-annual period end. (The unrealized gain/loss is recorded in the net assets section.)</p>	<p>(1) Significant asset valuation method</p> <p>a) For securities with fair market value Same as on the left</p>	<p>(1) Significant asset valuation method</p> <p>a) For securities with fair market value 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 semi-annual 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 consolidated interim 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>b) For securities without fair market value Same as on the left</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 consolidated 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>

c) Derivatives  
Evaluation is based on the market value.

d) Entrusted properties  
N/A

(2) Depreciation method of significant depreciable assets

a) Tangible assets:  
Buildings except for building attachments are depreciated as follows:  
i) Acquired on and before March 31, 1998  
Old declining balance method  
ii) Acquired from April 1, 1998 to March 31, 2007  
Old straight-line method  
iii) Acquired on and after April 1, 2007  
New straight-line method

Other tangible assets are depreciated as follows:  
i) Acquired on and before March 31, 2007  
Old declining balance method  
ii) Acquired on and after April 1, 2007  
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.

Software for internal use is depreciated by straight-line method over the expected available periods of 5 years.

(3) Amortization method of significant deferred assets:

a) Public offering related expenses:  
Public offering related costs are expensed as incurred.

b) Bond issuance expenses:  
Bond issuance costs are expensed as incurred.

c) Derivatives  
Same as on the left

d) Entrusted properties  
N/A

(1) Tangible assets:

Buildings except for building attachments are depreciated as follows:  
i) Acquired on and before March 31, 1998  
Old declining balance method  
ii) Acquired from April 1, 1998 to March 31, 2007  
Old straight-line method  
iii) Acquired on and after April 1, 2007  
New straight-line method

Other tangible assets are depreciated as follows:  
i) Acquired on and before March 31, 2007  
Old declining balance method  
ii) Acquired on and after April 1, 2007  
New declining balance method

The useful life of principal assets is as follows:  
Buildings: 15-45 years  
Furniture and equipment: 4-15 years

b) Intangible assets:  
Same as on the left

(3) Amortization method of significant deferred assets:

a) Public offering related expenses:  
Same as on the left

b) Bond issuance expenses:  
Same as on the left

c) Derivatives  
Same as on the left

d) Entrusted properties  
The specific cost method is used and depreciated over its estimated useful life of 45 years.

(1) Tangible assets:

Buildings except for building attachments are depreciated as follows:  
i) Acquired on and before March 31, 1998  
Old declining balance method  
ii) Acquired from April 1, 1998 to March 31, 2007  
Old straight-line method  
iii) Acquired on and after April 1, 2007  
New straight-line method

Other tangible assets are depreciated as follows:  
i) Acquired on and before March 31, 2007  
Old declining balance method  
ii) Acquired on and after April 1, 2007  
New declining balance method

The useful life of principal assets is as follows:  
Buildings: 15 years  
Furniture and equipment: 4-15 years

b) Intangible assets:  
Same as on the left

(3) Amortization method of significant deferred assets:

a) Public offering related expenses:  
Same as on the left

b) Bond issuance expenses:  
Same as on the left

(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.

b) Allowance for bonus payments:  
The company properly accrues estimated incentive payments for employees that have been vested during the semi-annual period.

(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 semi-annual period end.

(6) Accounting treatment for significant leases:

All finance leases, except for those leases with a transfer of ownership, are treated as operating leases.

(7) Other significant accounting policies:

a) Accounting for investment in silent partnership:  
Investment in silent partnership is accounted as 'Investment securities' on the consolidated interim 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 'Revenues' 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'.

(4) Accounting for significant allowances and reserves:

a) Allowance for doubtful accounts:  
Same as on the left

b) Allowance for bonus payments:  
Same as on the left

(5) Translation of foreign currency:

Same as on the left

(6) Accounting treatment for significant leases:

Same as on the left

(7) Other significant accounting policies:

a) Accounting for investment in silent partnership:  
Same as on the left

(4) Accounting for significant allowances and reserves:

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 year.

(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 year end.

(6) Accounting treatment for significant leases:

Same as on the left

(7) Other significant accounting policies:

a) Accounting for investment in silent partnership:  
Investment in silent partnership is accounted as 'Investment securities' on the consolidated 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 'Revenues' 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

<p>b) Accounting for purchased loans: Collection of purchased loans offsets the 'Purchased loans' and difference from purchase price is recorded as 'Revenues'.</p> <p>c) Accounting for consumption taxes: The consumption tax and the local consumption tax are excluded from transaction amounts.</p>	<p>b) Accounting for purchased loans: Same as on the left</p> <p>c) Accounting for consumption taxes: The consumption tax and the local consumption tax are excluded from transaction amounts. The undeductible consumption taxes are expensed for the current period and related to the fixed assets are included in the purchase prices.</p>	<p>'Investment securities'.</p> <p>b) Accounting for purchased loans: Same as on the left</p> <p>c) Accounting for consumption taxes: Same as on the left</p>
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5 Definition of cash and cash equivalents in consolidated interim statement of cash flows

Six months ended June 30, 2007	Six months ended June 30, 2008	Year ended December 31, 2007
<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

Six months ended June 30, 2007	Six months ended June 30, 2008	Year ended December 31, 2007
<p>Starting the current semi-annual 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 consolidated interim statements of income.</p> <p>Starting the current semi-annual period, certain changes were made to the depreciation method to be compliant to the new income tax rule. The application of the new rules has no material effect on the consolidated interim statements of income.</p> <p>-----</p>	<p>-----</p> <p>-----</p> <p>The building and land held by funds managed by our group companies are recorded as entrusted properties in the prior year. However, the management of the</p>	<p>-----</p> <p>Starting this year, certain changes were made to the depreciation method to be compliant to the new income tax rule. The application of the new rules has no material effect on the consolidated statements of income.</p> <p>-----</p>

	<p>consolidated group places more emphasis on the importance of expected future cash flows from tenants from the time of its acquisition. This is because the expected amount of time that the properties held by funds is expected to be longer in comparison to our funds established a few years ago due to many current economical factors. As a result, the balance of 'Entrusted properties' decreased by ¥30,552,248 thousand and 'Property and equipment' increased by the amount in comparison to the balance using the old account policy. In addition, on the consolidated interim statements of cash flows for the current semi-annual period, the amount of 'Increase in entrusted properties' decreased by ¥23,487,705 thousand and 'Purchases of fixed assets' increased by the amount in comparison to the balance using the old account policy.</p>	
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#### Changes in presentation

Six months ended June 30, 2007	Six months ended June 30, 2008								
-----	<p>Consolidated interim statements of income:</p> <p>The 'Gain on valuation of derivatives' and 'Interest on refunded taxes' in non-operating income section were included in 'others' due to its immateriality for the six months ended June 30, 2007. However, the amounts of these items became material and disclosed as separate line items for the current semi-annual period. The amounts account for ¥1,686 thousand and ¥379 thousand, respectively.</p>								
-----	<p>Consolidated interim statements of cash flows:</p> <p>(1) The following accounts were included in 'others' in operating activities section due to their immateriality for the six months ended June 30, 2007. The amounts of these accounts were as follows;</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: left;">Account</th> <th style="text-align: right;">Amount</th> </tr> </thead> <tbody> <tr> <td>Operating interest income</td> <td style="text-align: right;">¥-244,110 thousand</td> </tr> <tr> <td>Gain on valuation of derivatives</td> <td style="text-align: right;">¥1,686 thousand</td> </tr> <tr> <td>Increase(decrease) in consumption tax receivable</td> <td style="text-align: right;">¥-14,116 thousand</td> </tr> </tbody> </table>	Account	Amount	Operating interest income	¥-244,110 thousand	Gain on valuation of derivatives	¥1,686 thousand	Increase(decrease) in consumption tax receivable	¥-14,116 thousand
Account	Amount								
Operating interest income	¥-244,110 thousand								
Gain on valuation of derivatives	¥1,686 thousand								
Increase(decrease) in consumption tax receivable	¥-14,116 thousand								

	<table border="1" style="width: 100%;"> <tr> <td style="width: 70%;">Increase (decrease) in deposits paid</td> <td style="width: 30%; text-align: right;">¥-58,692 thousand</td> </tr> <tr> <td>Increase(decrease) in consumption tax payable</td> <td style="text-align: right;">¥-62,835 thousand</td> </tr> </table> <p>(2) The 'Proceeds from transfers and sales of capital contributions' and 'Payments of security deposits' in investing activities section are included in 'others' due to its immateriality. Their amounts for the current semi-annual period are ¥2,000 thousand and ¥-6,440 thousand, respectively.</p> <p>(3) The 'Proceeds from issuance of common stock' in financing activities section is included in 'others' due to its immateriality. Its amount for the current semi-annual period is ¥1,030 thousand.</p>	Increase (decrease) in deposits paid	¥-58,692 thousand	Increase(decrease) in consumption tax payable	¥-62,835 thousand
Increase (decrease) in deposits paid	¥-58,692 thousand				
Increase(decrease) in consumption tax payable	¥-62,835 thousand				

Additional information

As of June 30, 2007	As of June 30, 2008	As of December 31, 2007
-----	<p>For the year ended 2007, the expenses of our consolidated entities, including the management fees and interest expenses, were included as a part of selling, general and administrative expenses which were directly related to their rental income and interest revenues which were recorded as a part of revenues. This is because the amounts of these expenses were not material enough to be classified as a separate line item.</p> <p>However, the management expects the impact of the revenues and expenses from these entities are going to be material to the consolidated financial statements for the current year. Thus, those direct expenses of our consolidated entities are classified as cost of revenues.</p> <p>Accordingly, the provision of the new separate line item increased the cost of revenues by ¥355,378 thousand and decreased the operating expenses and non-operating expenses by ¥219,049 thousand and ¥136,329 thousand, respectively.</p>	-----

Notes

(Consolidated interim balance sheets)

As of June 30, 2007	As of June 30, 2008	As of December 31, 2007
<p>(1) Accumulated depreciation of tangible assets</p> <p style="text-align: right;">¥52,411 thousand</p>	<p>(1) Accumulated depreciation of tangible assets</p> <p style="text-align: right;">¥197,682 thousand</p>	<p>(1) Accumulated depreciation of tangible assets</p> <p style="text-align: right;">¥68,777 thousand</p>
<p>(2) Short-term bank loans at June 30, 2007, consisted of collateralized non-recourse loans from a bank of ¥5,380,018 thousand. The carrying amounts of assets pledged as collateral for the short-term bank loans at June 30, 2007 are as follows:</p> <p style="margin-left: 40px;">Investment securities ¥3,412,000 thousand</p> <p style="margin-left: 40px;">Current other assets (Short-term loans receivable) ¥1,000,000 thousand</p> <p style="margin-left: 40px;">Long-term loans receivable ¥4,067,568 thousand</p> <hr style="width: 20%; margin-left: 0;"/> <p style="margin-left: 40px;">Total      ¥8,479,568 thousand</p>	<p>(2) Assets pledged as collateral were as follows:</p> <p style="margin-left: 40px;"><u>Assets pledged as collateral</u></p> <p style="margin-left: 80px;">Securities ¥1,500,000 thousand</p> <p style="margin-left: 80px;">Current other assets ¥524,569 thousand</p> <p style="margin-left: 80px;">Building ¥12,166,535 thousand</p> <p style="margin-left: 80px;">Land ¥18,385,712 thousand</p> <p style="margin-left: 80px;">Investment securities ¥7,266,110 thousand</p> <p style="margin-left: 80px;">Other securities of affiliates ¥4,000 thousand</p> <p style="margin-left: 80px;">Long-term loans receivable ¥2,130,087 thousand</p> <p style="margin-left: 80px;">Other investments ¥74,655 thousand</p> <hr style="width: 20%; margin-left: 0;"/> <p style="margin-left: 40px;">Total      ¥42,051,670 thousand</p> <p style="margin-left: 40px;"><u>Liabilities corresponding to assets pledged as collateral</u></p> <p style="margin-left: 80px;">Short-term borrowings ¥6,292,433 thousand</p> <p style="margin-left: 80px;">Long-term borrowings ¥22,023,000 thousand</p> <p style="margin-left: 80px;">Bond ¥2,052,487 thousand</p> <hr style="width: 20%; margin-left: 0;"/> <p style="margin-left: 40px;">Total      ¥30,367,920 thousand</p> <p>The above borrowings and bond are non-recourse liabilities and expected to be repaid by only pledged assets and future income from them.</p> <p>In addition, other securities of affiliates of ¥2,816,798 thousand are pledged as collateral, but they were eliminated on the consolidated interim balance sheets.</p>	<p>(2) Short-term bank loans at December 31, 2007, consisted of collateralized non-recourse loans from a bank of ¥5,500,175 thousand. The carrying amounts of assets pledged as collaterals for the short-term bank loans at December 31, 2007 are as follows:</p> <p style="margin-left: 40px;">Investment securities ¥7,312,000 thousand</p> <p style="margin-left: 40px;">Long-term loans receivable ¥2,183,274 thousand</p> <hr style="width: 20%; margin-left: 0;"/> <p style="margin-left: 40px;">Total      ¥9,495,274 thousand</p> <p>Bond at December 31, 2007, consisted of collateralized non-recourse bond of ¥1,246,232 thousand. The carrying amounts of assets pledged as collateral for the bond at December 31, 2007 are as follows:</p> <p style="margin-left: 40px;">Long-term loans receivable ¥1,081,919 thousand</p> <p style="margin-left: 40px;">Investment securities ¥3,622,392 thousand</p> <p style="margin-left: 40px;">Other assets ¥249,661 thousand</p> <p style="margin-left: 40px;">Short-term borrowings ¥-2,723,088 thousand</p> <p style="margin-left: 40px;">Other liabilities ¥-774,463 thousand</p> <hr style="width: 20%; margin-left: 0;"/> <p style="margin-left: 40px;">Total      ¥1,456,422 thousand</p>
<p>(3) The company and its subsidiaries have an overdraft agreement with a bank</p> <p style="margin-left: 40px;">The total amount of overdraft agreement ¥3,600,000 thousand</p> <p style="margin-left: 40px;">Over-drafted balance as of June 30, 2007</p> <p style="text-align: right;">N/A</p>	<p>(3) The company and its subsidiaries have an overdraft agreement with a bank</p> <p style="margin-left: 40px;">The total amount of overdraft agreement ¥3,900,000 thousand</p> <p style="margin-left: 40px;">Used credit line balance as of June 30, 2008 ¥1,800,000 thousand</p> <hr style="width: 20%; margin-left: 0;"/> <p style="margin-left: 40px;">Unexercised credit line balance as of June 30, 2008 ¥2,100,000 thousand</p>	<p>(3) The company and its subsidiaries have an overdraft agreement with a bank</p> <p style="margin-left: 40px;">The total amount of credit line agreements ¥3,600,000 thousand</p> <p style="margin-left: 40px;">Used credit line balance as of December 31, 2007 ¥3,600,000 thousand</p> <hr style="width: 20%; margin-left: 0;"/> <p style="margin-left: 40px;">Unexercised credit line balance as of December 31, 2007</p> <p style="text-align: right;">N/A</p>

## (Consolidated interim statements of income)

Six months ended June 30, 2007	Six months ended June 30, 2008	Year ended December 31, 2007
(1) Selling general and administrative expenses comprised as follows:	(1) Selling general and administrative expenses comprised as follows:	(1) Selling general and administrative expenses comprised as follows:
Directors' salaries ¥99,914 thousand	Directors' salaries ¥119,318 thousand	Directors' salaries ¥202,159 thousand
Salaries ¥518,899 thousand	Salaries ¥588,538 thousand	Salaries ¥1,052,866 thousand
Bonus paid ¥148,780 thousand	Bonus paid ¥164,700 thousand	Bonus paid ¥410,995 thousand
Unpaid bonus accrual ¥55,000 thousand	Unpaid bonus accrual ¥55,500 thousand	Unpaid bonus accrual ¥32,000 thousand
Professional fees ¥35,850 thousand	Professional fees ¥79,182 thousand	Professional fees ¥209,431 thousand
Rent ¥151,750 thousand	Rent ¥119,423 thousand	Rent ¥270,334 thousand
Charges ¥388,853 thousand	Charges ¥302,786 thousand	Charges ¥612,303 thousand
Bad debt expense ¥34,666 thousand	Bad debt expense ¥94,563 thousand	Bad debt expense ¥123,015 thousand
(2) Details of the loss on disposition of fixed assets	(2) Details of the loss on disposition of fixed assets	(2) Details of the loss on disposition of fixed assets
Equipment and Fixture ¥103 thousand	Building ¥460 thousand	Equipment and Fixture ¥459 thousand
	Equipment and Fixture ¥463 thousand	
(3) Details of loss from office relocation	-----	(3) Details of loss from office relocation
Office recovery expense ¥42,021 thousand		Office recovery expense ¥41,853 thousand
Loss on disposition of fixed assets ¥39,797 thousand		Loss on disposition of fixed assets ¥39,797 thousand
Moving expense ¥8,883 thousand		Moving expense ¥8,883 thousand
<u>Total</u> ¥90,701 thousand		<u>Total</u> ¥90,533 thousand

(Consolidated interim statements of changes in shareholders' equity)

Six months ended June 30, 2007

1. Type and number of treasury stock

	Number at the beginning of the semi-annual period	Number of increase during the semi-annual period	Number of decrease during the semi-annual period	Number at the end of the semi-annual period	Notes
Issued stock (common stock)	121,371 shares	81 shares	—	121,452 shares	The increase of issued stock (81 shares) was due to exercise of stock options.

2. Stock options

Entity	Detail	Balance as of June 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

Six months ended June 30, 2008

1. Type and number of treasury stock

	Number at the beginning of the semi-annual period	Number of increase during the semi-annual period	Number of decrease during the semi-annual period	Number at the end of the semi-annual period	Notes
Issued stock (common stock)	121,452 shares	54 shares	—	121,506 shares	The increase of issued stock (54 shares) was due to exercise of stock options.

2. Stock options

Entity	Detail	Balance as of June 30, 2008
Secured Capital Japan Co., Ltd.	Stock acquisition rights	¥2,306 thousand

3. Dividend paid

Resolution	Share type	Total amount of dividend	Dividend per share	Record date	Effective date
Annual shareholders' meeting on March 26, 2008	Common stock	¥182,178 thousand	¥1,500	December 31, 2007	March 27, 2008

Year ended December 31, 2007

1. Type and number of treasury stock

	Number at the beginning of the year	Number of increase during the year	Number of decrease during the year	Number at the end of the year	Notes
Issued stock (common stock)	121,371 shares	81 shares	—	121,452 shares	The increase of issued stock (81 shares) was due to exercise of stock options.

2. Stock options

Entity	Detail	Balance as of December 31, 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

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 26, 2008	Common stock	¥182,178 thousand	Retained earnings	¥1,500	December 31, 2007	March 27, 2008

(Consolidated interim statements of cash flows)

Six months ended June 30, 2007	Six months ended June 30, 2008	Year ended December 31, 2007
<p>Cash and cash equivalents at the end of the semi-annual period and their relevant items posted in the consolidated interim balance sheets and their amount.</p> <p>Cash ¥2,449,419 thousand</p> <p>Short-term securities expected to be matured within 3 months ¥1,698,280 thousand</p> <hr/> <p>Cash and cash equivalents ¥4,147,699 thousand</p>	<p>Cash and cash equivalents at the end of the semi-annual period and their relevant items posted in the consolidated interim balance sheets and their amount.</p> <p>Cash ¥1,658,410 thousand</p> <hr/> <p>Cash and cash equivalents ¥1,658,410 thousand</p>	<p>Cash and cash equivalents at the end of the year and their relevant items posted in the consolidated balance sheets and their amount.</p> <p>Cash ¥4,402,843 thousand</p> <hr/> <p>Cash and cash equivalents ¥4,402,843 thousand</p>

(Segment information)

1. Business segment information

Six months ended June 30, 2007

(Thousands of yen)

	Property acquisition and asset management	Loan acquisition and management	Total	Eliminations or non-allocatable expenses	Consolidated total
Revenues					
(1) Revenue to external customers	3,240,046	849,720	4,089,767	—	4,089,767
(2) Inter-segment revenue and transfers	—	—	—	—	—
Total	3,240,046	849,720	4,089,767	—	4,089,767
Operating expenses	1,217,696	402,302	1,619,999	178,718	1,798,718
Operating income (loss)	2,022,350	447,418	2,469,768	-178,718	2,291,049

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 ¥178,718 thousand. These expenses primarily represent administrative expenses of the company.

Six months ended June 30, 2008

(Thousands of yen)

	Real estate investment management	Loan investment and asset management	Total	Eliminations or non-allocatable expenses	Consolidated total
Revenues					
(1) Revenue to external customers	1,959,197	520,289	2,479,487	—	2,479,487
(2) Inter-segment revenue and transfers	—	—	—	—	—
Total	1,959,197	520,289	2,479,487	—	2,479,487
Operating expenses	1,591,888	456,580	2,048,468	168,215	2,216,683
Operating income (loss)	367,309	63,709	431,019	-168,215	262,803

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:  
Real estate investment management: Consists of the acquisition and asset management of real estate properties.  
Loan investment and asset 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 ¥168,215 thousand. These expenses primarily represent administrative expenses of the company.

Year ended December 31, 2007

(Thousands of yen)

	Property acquisition and asset management	Loan acquisition and management	Total	Eliminations or non-allocatable expenses	Consolidated total
Revenues					
(1) Revenues to external customers	6,092,961	1,745,172	7,838,134	—	7,838,134
(2) Inter-segment revenues and transfers	—	—	—	—	—
Total	6,092,961	1,745,172	7,838,134	—	7,838,134
Operating expenses	2,451,359	853,247	3,304,607	371,299	3,675,906
Operating income (loss)	3,641,602	891,925	4,533,527	-371,299	4,162,228

Notes

- 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.
- 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 ¥371,299 thousand. These expenses primarily represent administrative expenses of the company.

2. Geographical segment information

Six months ended June 30, 2007

(Thousands of yen)

	Japan	North America	Total	Eliminations or non-allocatable expenses	Consolidated total
Revenues					
(1) Revenue to external customers	3,501,854	587,912	4,089,767	—	4,089,767
(2) Inter-segment revenue and transfers	—	—	—	—	—
Total	3,501,854	587,912	4,089,767	—	4,089,767
Operating expenses	1,619,999	—	1,619,999	178,718	1,798,718
Operating income (loss)	1,881,855	587,912	2,469,768	-178,718	2,291,049

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 ¥178,718 thousand. These expenses primarily represent administrative expenses of the company.

Six months ended June 30, 2008

(Thousands of yen)

	Japan	North America	Total	Eliminations or non-allocatable expenses	Consolidated total
Revenues					
(1) Revenue to external customers	2,126,108	353,379	2,479,487	—	2,479,487
(2) Inter-segment revenue and transfers	—	—	—	—	—
Total	2,126,108	353,379	2,479,487	—	2,479,487
Operating expenses	2,048,468	—	2,048,468	168,215	2,216,683
Operating income (loss)	77,640	353,379	431,019	-168,215	262,803

- Notes
1. Geographical segment is determined based on the location of the countries.
  2. The country included in 'North America' segment is the United States.
  3. Unallocated operating expenses included in the eliminations and corporate components of operating expenses amounted to ¥168,215 thousand. These expenses primarily represent administrative expenses of the company.

Year ended December 31, 2007

(Thousands of yen)

	Japan	North America	Total	Eliminations or non-allocatable expenses	Consolidated total
Revenues					
(1) Revenues to external customers	6,867,764	970,369	7,838,134	—	7,838,134
(2) Inter-segment revenues and transfers	—	—	—	—	—
Total	6,867,764	970,369	7,838,134	—	7,838,134
Operating expenses	3,304,607	—	3,304,607	371,299	3,675,906
Operating income (loss)	3,563,157	970,369	4,533,527	-371,299	4,162,228

- Notes
1. Geographical segment is determined based on the location of the countries.
  2. The country included in 'North America' segment is the United States.
  3. Unallocated operating expenses included in the eliminations and corporate components of operating expenses amounted to ¥371,299 thousand. These expenses primarily represent administrative expenses of the company.

### 3. Overseas sales

Six months ended June 30, 2007

	North America	Total
I Revenue to oversea customers	¥587,912 thousand	¥587,912 thousand
II Consolidated revenue		¥4,089,767 thousand
III Portion of revenue to oversea customers		14.4%

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

Six months ended June 30, 2008

	North America	Total
I Revenue to overseas customers	¥355,764 thousand	¥355,764 thousand
II Consolidated revenue		¥2,479,487 thousand
III Portion of revenue to overseas customers	14.3%	14.3%

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

Year ended December 31, 2007

	North America	Total
I Revenues from overseas customers	¥996,670 thousand	¥996,670 thousand
II Consolidated revenues		¥7,838,134 thousand
III Portion of revenues from overseas customers	12.7%	12.7%

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

(Earnings per share data)

	Six months ended June 30, 2007	Six months ended June 30, 2008	Year ended December 31, 2007
Net assets per share	¥63,114.59	¥67,219.36	¥70,084.83
Net income(loss) per share after taxes	¥9,927.01	¥-644.99	¥18,194.35
Diluted net income per share after taxes	¥8,336.91	N/A	¥14,808.20

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

	Six months ended June 30, 2007	Six months ended June 30, 2008	Year ended December 31, 2007
Amount of net assets	¥10,417,717 thousand	¥11,067,073 thousand	¥10,514,235 thousand
Amount of deductions	¥2,752,324 thousand	¥2,899,517 thousand	¥2,002,292 thousand
Stock options	¥2,317 thousand	¥2,306 thousand	¥2,317 thousand
Non-controlling interests	¥2,750,007 thousand	¥2,897,211 thousand	¥1,999,975 thousand
Amount of net assets relevant to common stock	¥7,665,393 thousand	¥8,167,555 thousand	¥8,511,942 thousand
Number of common stock at the end of periods	121,452 shares	121,506 shares	121,452 shares

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

	Six months ended June 30, 2007	Six months ended June 30, 2008	Year ended December 31, 2007
Net income(loss)	¥1,205,522 thousand	¥-78,347 thousand	¥2,209,619 thousand
Amount not allocable to common shareholders	—	—	—
Net income(loss) available for common stock shareholders	¥1,205,522 thousand	¥-78,347 thousand	¥2,209,619 thousand

	Six months ended June 30, 2007	Six months ended June 30, 2008	Year ended December 31, 2007
Number of average shares outstanding during the periods	121,439 shares	121,470 shares	121,445 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 options 18,028 shares Convertible bond 5,134 shares <hr/> Total 23,162 shares	—	Stock options 17,417 shares Convertible bond 10,354 shares <hr/> Total 27,771 shares
Details of items not included in the calculation of diluted earnings per share	Stock options (Authorized on March 30, 2005) 1,890 shares  Stock options (Authorized on March 30, 2006) 1,100 shares	Stock options (Authorized on March 30, 2005) 4,842 shares  Stock options (Authorized on March 30, 2006) 1,100 shares	Stock options (Authorized on March 30, 2005) 5,367 shares  Stock options (Authorized on March 30, 2006) 1,100 shares

(Subsequent events)

Six months ended June 30, 2007

N/A

Six months ended June 30, 2008

N/A

Year ended December 31, 2007

Significant investment, borrowing and collateralization

On January 30, 2008, RF2A G.K., one of the investment vehicles of the company acquired an entrusted properties security of ¥3,640 million. The entity financed the purchase by drawing a long-term bank loan of ¥2,623 million at 2.53% per annum, which is due on January 28, 2011. The bank loan is a non-recourse loan which is collateralized by the security purchased.

On January 30, 2008, RF2C G.K., one of the investment vehicles of the company acquired an entrusted properties security of ¥1,310 million. The entity financed the purchase by drawing a long-term bank loan of ¥5,900 million at 2.53% per annum, which is due on January 28, 2011. The bank loan is a non-recourse loan which is collateralized by the security purchased.

## 8. Non-consolidated interim financial statements

[1] Non-consolidated interim balance sheets

(Thousands of yen)

	As of June 30, 2007		As of June 30, 2008		As of December 31, 2007	
	Amount	%	Amount	%	Amount	%
(Assets)						
I Current assets						
1 Cash and cash equivalents	1,397,039		346,506		3,305,098	
2 Accounts receivable	252,103		1,604,513		1,209,118	
3 Securities	3,494,361		—		—	
4 Other receivable	156,347		142,155		282,987	
5 Income taxes receivable	—		—		330,040	
6 Prepaid expenses	—		—		36,790	
7 Dividends receivable	—		1,592,100		—	
8 Deferred tax assets	38,720		113,103		33,871	
9 Short-term loans receivable from affiliates	—		7,477,101		6,116,360	
10 Other assets	960,278		214,762		18,913	
Total current assets	6,298,851	49.2	11,490,243	70.9	11,333,180	68.7
II Non-current assets						
1 Property and equipment						
(1) Building	121,105		99,787		100,911	
(2) Furniture and equipment	31,546		48,481		46,014	
Total property and equipment	152,652	1.2	148,269	0.9	146,925	0.9
2 Intangible assets	9,919	0.1	8,572	0.0	9,360	0.1
3 Investments						
(1) Investment securities	1,457,306		1,236,135		1,261,778	
(2) Investment in affiliates	573,397		631,297		643,397	
(3) Other securities of affiliates	3,930,093		2,004,925		2,588,786	
(4) Contribution to capital	—		—		97,666	
(5) Contribution to capital of affiliates	—		—		8,000	
(6) Long-term loans receivable from affiliates	—		—		128,845	
(7) Security deposits	263,558		261,682		261,799	
(8) Deferred tax assets	—		—		13,364	
(9) Others	108,966		433,843		—	
Total investments	6,333,323	49.5	4,567,885	28.2	5,003,638	30.3
Total non-current assets	6,495,894	50.8	4,724,727	29.1	5,159,924	31.3
Total assets	12,794,746	100.0	16,214,970	100.0	16,493,105	100.0

(Thousands of yen)

	As of June 30, 2007		As of June 30, 2008		As of December 31, 2007	
	Amount	%	Amount	%	Amount	%
(Liabilities)						
I Current liabilities						
1 Short-term borrowings	—		1,835,000		3,635,000	
2 Accrued expense	447,813		301,554		263,661	
3 Income tax payable	4,858		5,151		28,164	
4 Deposits payable	—		—		118,123	
5 Bonus reserve	55,000		55,500		32,000	
6 Other liabilities	45,089		97,043		14,599	
Total current liabilities	552,762	4.3	2,294,249	14.1	4,091,548	24.8
II Non-current liabilities						
1 Convertible bond	6,000,000		6,000,000		6,000,000	
2 Deferred tax liabilities	8,016		—		—	
Total non-current liabilities	6,008,016	47.0	6,000,000	37.0	6,000,000	36.4
Total liabilities	6,560,778	51.3	8,294,249	51.1	10,091,548	61.2
(Net assets)						
I Shareholders' equity						
1 Common stock	1,200,253	9.4	1,200,779	7.4	1,200,253	7.3
2 Additional paid-in capital						
(1) Additional paid-in capital	1,168,214		1,168,729		1,168,214	
Total additional paid-in capital	1,168,214	9.1	1,168,729	7.2	1,168,214	7.1
3 Retained earnings						
(1) Retained earnings carried forward	3,851,472		5,569,008		4,041,975	
Total retained earnings	3,851,472	30.1	5,569,008	34.4	4,041,975	24.5
Total shareholders' equity	6,219,940	48.6	7,938,516	49.0	6,410,443	38.9
II Unrealized valuations and re-measurement						
1 Unrealized gains on available for sale securities	11,710	0.1	-20,102	-0.1	-11,203	-0.1
Total unrealized valuations and re-measurement	11,710	0.1	-20,102	-0.1	-11,203	-0.1
III Stock options	2,317	0.0	2,306	0.0	2,317	0.0
Total net assets	6,233,967	48.7	7,920,720	48.9	6,401,556	38.8
Total liabilities and net assets	12,794,746	100.0	16,214,970	100.0	16,493,105	100.0

[2] Non-consolidated interim statements of income

(Thousands of yen)

	Six months ended June 30, 2007		Six months ended June 30, 2008		Year ended December 31, 2007				
	Amount	%	Amount	%	Amount	%			
I Revenues		1,510,474	100.0		1,135,649	100.0		3,265,283	100.0
II Selling, general and administrative expenses		1,329,377	88.0		1,432,863	126.2		2,745,974	84.1
Operating income(loss)		181,096	12.0		-297,214	-26.2		519,308	15.9
III Non-operating income		2,128,294	140.9		1,974,544	173.9		2,157,971	66.1
IV Non-operating expenses		35,781	2.4		16,049	1.4		68,850	2.1
Ordinary income		2,273,609	150.5		1,661,279	146.3		2,608,430	79.9
V Extraordinary gain		—	—		1,790	0.2		—	—
VI Extraordinary loss		90,804	6.0		42,924	3.8		91,625	2.8
Income before Income taxes		2,182,804	144.5		1,620,145	142.7		2,516,804	77.1
Income taxes - current	41,130			51,016			185,432		
Income taxes - deferred	-5,721	35,408	2.3	-140,080	-89,064	-7.8	-6,526	178,906	5.5
Net income		2,147,395	142.2		1,709,210	150.5		2,337,898	71.6

[3] Non-consolidated interim statements of changes in shareholders' equity

Six months ended June 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	—	—	2,147,395	2,147,395
Change other than shareholders' equity	—	—	—	—
Net amount of change	787	772	1,965,339	1,966,899
Balance as of June 30, 2007	1,200,253	1,168,214	3,851,472	6,219,940

	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	—	—	—	2,147,395
Change other than shareholders' equity	-1,222	-1,222	-15	-1,237
Net amount of change	-1,222	-1,222	-15	1,965,662
Balance as of June 30, 2007	11,710	11,710	2,317	6,233,967

Six months ended June 30, 2008

(Thousands of yen)

	Shareholders' equity			
	Common stock	Additional paid-in capital	Retained earnings	Total shareholders' equity
Balance as of December 31, 2007	1,200,253	1,168,214	4,041,975	6,410,443
Amount of change				
New shares issued	525	514	—	1,040
Dividend paid	—	—	-182,178	-182,178
Net income	—	—	1,709,210	1,709,210
Change other than shareholders' equity	—	—	—	—
Net amount of change	525	514	1,527,032	1,528,073
Balance as of June 30, 2008	1,200,779	1,168,729	5,569,008	7,938,516

	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, 2007	-11,203	-11,203	2,317	6,401,556
Amount of change				
New shares issued	—	—	—	1,040
Dividend paid	—	—	—	-182,178
Net income	—	—	—	1,709,210
Change other than shareholders' equity	-8,898	-8,898	-10	-8,908
Net amount of change	-8,898	-8,898	-10	1,519,164
Balance as of June 30, 2008	-20,102	-20,102	2,306	7,920,720

Year ended December 31, 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	—	—	2,337,898	2,337,898
Change other than shareholders' equity	—	—	—	—
Net amount of change	787	772	2,155,842	2,157,402
Balance as of December 31, 2007	1,200,253	1,168,214	4,041,975	6,410,443

	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	—	—	—	2,337,898
Change other than shareholders' equity	-24,136	-24,136	-15	-24,151
Net amount of change	-24,136	-24,136	-15	2,133,250
Balance as of December 31, 2007	-11,203	-11,203	2,317	6,401,556

## Basis of presenting the non-consolidated interim financial statements

### 1 Valuation policy and method for assets

Six months ended June 30, 2007	Six months ended June 30, 2008	Year ended December 31, 2007
<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 Valuation is based on the market value at each semi-annual 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 semi-annual 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 non-consolidated interim 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>(2) Other securities</p> <p>a) For securities with fair market value Same as on the left</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 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 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 non-consolidated 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>

### 2 Depreciation method of significant depreciable assets

Six months ended June 30, 2007	Six months ended June 30, 2008	Year ended December 31, 2007
<p>(1) Tangible assets:</p> <p>Buildings except for building attachments are depreciated as follows:</p> <p>i) Acquired on and before March 31, 1998 Old declining balance method</p> <p>ii) Acquired from April 1, 1998 to</p>	<p>(1) Tangible assets:</p> <p>Buildings except for building attachments are depreciated as follows:</p> <p>i) Acquired on and before March 31, 1998 Old declining balance method</p> <p>ii) Acquired from April 1, 1998 to</p>	<p>(1) Tangible assets:</p> <p>Same as on the left</p>

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

Six months ended June 30, 2007	Six months ended June 30, 2008	Year ended December 31, 2007
<p>(1) Public offering related expenses:</p> <p>Public offering 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>Same as on the left</p> <p>(2) Bond issuance expenses:</p> <p>Same as on the left</p>	<p>(1) Stock issuance related expenses:</p> <p>Same as on the left</p> <p>(2) Bond issuance expenses:</p> <p>Same as on the left</p>

### 4 Accounting for significant allowances and reserves

Six months ended June 30, 2007	Six months ended June 30, 2008	Year ended December 31, 2007
<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 uncollectible after the reviewing the individual collectibility of certain doubtful accounts.</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>(2) Allowance for bonus payments:</p> <p>The company properly accrues estimated incentive payments for employees that have been vested during the semi-annual 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

Six months ended June 30, 2007	Six months ended June 30, 2008	Year ended December 31, 2007
<p>Foreign currency denominated payables and receivables are re-measured into the Japanese Yen using the prevailing market rate at the semi-annual 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

Six months ended June 30, 2007	Six months ended June 30, 2008	Year ended December 31, 2007
<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

Six months ended June 30, 2007	Six months ended June 30, 2008	Year ended December 31, 2007
<p>(1) Accounting for investment in silent partnership:</p> <p>Investment in silent partnership is accounted as 'Investment securities' on the non-consolidated interim 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 'Revenues' 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>(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>(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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Changes in accounting policy

Six months ended June 30, 2007	Six months ended June 30, 2008	Year ended December 31, 2007
<p>Starting the current semi-annual period, certain changes were made to the depreciation method to be compliant to the new income tax rule. The application of the new rules has no material effect on the non-consolidated interim statements of income.</p>	<p>-----</p>	<p>Starting this year, 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 non-consolidated statements of income.</p>

Changes in presentation

Six months ended June 30, 2007	Six months ended June 30, 2008
<p>-----</p>	<p>Non-consolidated interim balance sheets:  'Dividend receivable' and 'Short-term loans receivable from affiliates' were included in 'others' in current assets section due to their immateriality on the non-consolidated interim balance sheets as of June 30, 2007. Their balances as of June 30, 2007 were ¥1,600 thousand and ¥484,081 thousand, respectively.</p>