

Summary of Consolidated Financial Results For the Third Quarter of 2008 (January 1, 2008 – September 30, 2008)

November 5, 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
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1. Summary of consolidated financial results for the third quarter of 2008 (January 1, 2008 – September 30, 2008)

(1) Consolidated financial results

	Revenues		Operating income		Ordinary income		Net income	
	Millions ¥	%	Millions ¥	%	Millions ¥	%	Millions ¥	%
Nine months ended September 2008	4,445	-19.5	1,257	-55.7	935	-66.5	2	-99.8
Nine months ended September 2007	5,518	24.6	2,839	12.7	2,793	10.9	1,484	0.3
Year ended December 2007	7,838	—	4,162	—	4,069	—	2,209	—

	Earnings per share	Diluted earnings per share
	¥	¥
Nine months ended September 2008	24.09	19.08
Nine months ended September 2007	12,222.23	10,055.39
Year ended December 2007	18,194.35	14,808.20

(2) Consolidated financial position

	Total assets	Net assets	Capital ratio	Net assets per share
	Millions ¥	Millions ¥	%	¥
As of September 30, 2008	55,322	10,497	14.9	67,673.44
As of September 30, 2007	23,031	9,789	34.1	64,615.98
As of December 31, 2007	32,330	10,514	26.3	70,084.83

(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 2008	-1,117	-25,610	24,732	2,483
Nine months ended September 2007	-1,234	-2,914	7,758	4,519
Year ended December 2007	-5,576	-6,530	15,569	4,402

2. 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	6,090	-22.3	1,800	-56.8	1,300	-68.1	170	-92.3	1,399.11

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

3. Others

(1) Changes in major consolidated subsidiaries and affiliated companies accounted for by equity method

N/A

(2) Adoption of simplified accounting procedures

N/A

(3) Changes in accounting policies from the last consolidated fiscal year

[Changes in accounting policy]

The building and land held by funds managed by our group companies were recorded as entrusted properties in the prior year.

However, the management of the 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 ¥30,472,601 thousand and 'Property and equipment' increased by the amount in comparison to the balance using the old account policy. In addition, on the consolidated statements of cash flows for the current third quarter, the amount of 'Increase in entrusted properties' decreased by ¥23,481,719 thousand and 'Purchases of fixed assets' increased by the amount in comparison to the balance using the old account policy.

[Additional information]

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.

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.

Accordingly, the provision of the new separate line item increased the cost of revenues by ¥580,070 thousand and decreased the operating expenses and non-operating expenses by ¥369,662 thousand and ¥210,407 thousand respectively.

In addition, part of 'Interest expenses' and 'Interest paid' in the section of operating activities of consolidated statements of cash flows were classified to 'Operating interest expenses' and 'Operating interest paid'. As a result, the amount of 'Operating interest expenses' increased by ¥210,407 thousand and 'Interest expenses' decreased by the amount in comparison to the amount using the old account policy. In addition, the amount of 'Operating interest paid' increased by ¥-150,707 thousand and 'Interest paid' decreased by the amount in comparison to the amount using the old account policy.

4. Consolidated financial statements

(1) Consolidated balance sheets

(Thousands of yen)

	As of September 30, 2007	As of September 30, 2008	Increase / (Decrease)		As of December 31, 2007
	Amount	Amount	Amount	%	Amount
(Assets)					
I Current assets					
1 Cash and cash equivalents	4,519,569	2,483,351	-2,036,218		4,402,843
2 Accounts receivable	475,624	992,836	517,211		1,192,430
3 Securities	2,298,127	1,500,000	-798,127		—
4 Purchased loans	288,022	281,079	-6,943		283,888
5 Other receivable	208,259	148,647	-59,612		361,822
6 Entrusted properties	—	—	—		7,177,504
7 Deferred tax assets	198,213	80,360	-117,853		204,787
8 Deposits paid	2,471,631	1,290,584	-1,181,047		—
9 Other assets	758,572	973,664	215,092		1,281,900
Allowance for doubtful accounts	-34,666	-217,812	-183,145		-123,015
Total current assets	11,183,355	7,532,711	-3,650,643	-32.6	14,782,160
II Non-current assets					
1 Property and equipment					
(1) Building	116,532	12,186,762	12,070,230		100,911
(2) Furniture and equipment	30,620	42,810	12,189		46,014
(3) Land	—	18,382,261	18,382,261		—
Total property and equipment	147,152	30,611,833	30,464,681	—	146,925
2 Intangible assets	9,433	15,452	6,019	63.8	9,360
3 Investments and other assets					
(1) Investment securities	6,881,109	9,329,024	2,447,915		10,920,027
(2) Other securities of affiliates	2,398,723	4,461,148	2,062,424		3,806,222
(3) Long-term loans receivable	1,971,904	2,127,773	155,869		2,199,393
(4) Security deposits	306,839	288,992	-17,847		301,799
(5) Others	133,099	955,521	822,421		164,342
Total investments and other assets	11,691,676	17,162,461	5,470,784	46.8	17,391,785
Total non-current assets	11,848,262	47,789,748	35,941,485	303.3	17,548,071
Total assets	23,031,618	55,322,460	32,290,841	140.2	32,330,231

(Thousands of yen)

	As of September 30, 2007	As of September 30, 2008	Increase / (Decrease)		As of December 31, 2007
	Amount	Amount	Amount	%	Amount
(Liabilities)					
I Current liabilities					
1 Short-term borrowings	4,521,485	9,180,433	4,658,948		9,100,175
2 Accrued expense	399,627	188,177	-211,449		364,015
3 Income tax payable	689,290	152,414	-536,876		1,288,553
4 Deposits payable	169,331	522,191	352,860		544,413
5 Accrued bonus	187,333	56,750	-130,583		32,000
6 Other liabilities	103,882	331,277	227,395		180,362
Total current liabilities	6,070,949	10,431,243	4,360,294	71.8	11,509,520
II Non-current liabilities					
1 Bond	1,153,360	2,052,487	899,126		1,246,232
2 Convertible bond	6,000,000	6,000,000	0		6,000,000
3 Long-term borrowings	—	22,023,000	22,023,000		—
4 Deposit from silent partners	—	4,318,183	4,318,183		3,060,243
5 Deferred tax liabilities	17,536	—	-17,536		—
Total non-current liabilities	7,170,896	34,393,670	27,222,773	379.6	10,306,476
Total liabilities	13,241,846	44,824,914	31,583,067	238.5	21,815,996
(Net assets)					
I Shareholders' equity					
1 Common stock	1,200,253	1,200,779	525		1,200,253
2 Additional paid-in capital	1,168,214	1,168,729	514		1,168,214
3 Retained earnings	5,499,361	6,045,422	546,061		6,224,674
Total shareholders' equity	7,867,829	8,414,930	547,101	7.0	8,593,142
II Unrealized valuations and re-measurement					
1 Unrealized gains on available for sale securities	-4,795	-58,931	-54,136		-21,289
2 Foreign currency translation adjustments	-15,293	-133,270	-117,976		-59,910
Total unrealized valuations and re-measurement	-20,089	-192,202	-172,113	—	-81,199
III Stock options	2,317	2,306	-10	-0.4	2,317
IV Non-controlling interests	1,939,714	2,272,510	332,795	17.2	1,999,975
Total net assets	9,789,771	10,497,545	707,773	7.2	10,514,235
Total liabilities and net assets	23,031,618	55,322,460	32,290,841	140.2	32,330,231

(2) Consolidated statements of income

(Thousands of yen)

	Nine months ended September 30, 2007	Nine months ended September 30, 2008	Increase / (Decrease)		Year ended December 31, 2007
	Amount	Amount	Amount	%	Amount
I Revenues	5,518,762	4,445,283	-1,073,478	-19.5	7,838,134
II Cost of revenues	—	580,070	580,070	—	—
Gross profit	5,518,762	3,865,213	-1,653,549	-30.0	7,838,134
III Selling, general and administrative expenses	2,679,300	2,607,871	-71,428	-2.7	3,675,906
Operating income	2,839,461	1,257,341	-1,582,120	-55.7	4,162,228
IV Non-operating income	54,726	37,333	-17,392	-31.8	76,918
V Non-operating expenses	101,102	359,018	257,916	255.1	169,920
Ordinary income	2,793,085	935,656	-1,857,428	-66.5	4,069,225
VI Extraordinary gain	—	1,790	1,790	—	—
VII Extraordinary loss					
Loss on valuation of investment securities	—	1,203,447	1,203,447	—	—
Others	91,020	72,778	-18,241	-20.0	91,625
Total extraordinary loss	91,020	1,276,226	1,185,206	—	91,625
Income(loss) before silent partnership distribution and income taxes	2,702,065	-338,778	-3,040,844	—	3,977,599
Income allocations to silent partnerships	—	31,589	31,589	—	-10,668
Income(loss) before income taxes	2,702,065	-370,368	-3,072,433	—	3,988,268
Income taxes - current	1,182,670	393,318	-789,351	-66.7	1,801,114
Income taxes - deferred	-82,317	-307,800	-225,482	—	-151,088
Non-controlling interests in earnings(losses) of subsidiaries	117,406	-458,813	-576,220	—	128,623
Net income	1,484,305	2,926	-1,481,379	-99.8	2,209,619

(3) Consolidated statements of cash flows

(Thousands of yen)

	Nine months ended September 30, 2007	Nine months ended September 30, 2008	Year ended December 31, 2007
	Amount	Amount	Amount
I Operating activities			
Income(loss) before income taxes	2,702,065	-370,368	3,988,268
Depreciation and amortization	25,740	215,461	40,793
Increase (decrease) in accrued bonus	145,333	24,750	-10,000
Increase in allowance for doubtful accounts	34,666	94,796	123,015
Operating interest income	—	-555,344	—
Operating interest expenses	—	210,407	—
Interest and dividend income	-12,262	-11,456	-14,212
Interest expenses	66,295	350,876	112,396
Loss on valuation of investment securities	—	1,203,447	—
Increase (decrease) in accounts receivable	316,590	129,968	-406,161
Increase (decrease) in other receivable	-90,805	74,172	-104,365
Increase (decrease) in consumption tax receivable	—	-380,082	—
Increase (decrease) in deposit paid	-2,327,732	-895,597	—
Increase (decrease) in entrusted properties	—	—	-7,181,223
Increase (decrease) in non-current prepaid expense	—	-312,497	—
Increase (decrease) in accrued expense	37,532	-183,515	1,600
Increase (decrease) in consumption tax payable	—	-122,718	—
Increase (decrease) in deposit payable	-42,999	-22,221	332,082
Equity in earnings (losses) of silent partnerships	-199,911	337,098	-196,783
Operating interest received	—	543,147	—
Operating interest paid	—	-150,707	—
Others -net	-39,871	161,069	-379,590
Sub total	614,641	340,685	-3,694,178
Interest and dividend received	7,909	11,023	14,130
Interest paid	-63,511	-254,570	-103,146
Income taxes refunded	96,700	593,345	96,700
Income taxes paid	-1,889,795	-1,807,647	-1,890,128
Net cash used in operating activities	-1,234,055	-1,117,163	-5,576,622
II Investing activities			
Purchases of securities	-2,293,295	—	-2,293,295
Proceeds from redemptions and sales of marketable securities	—	—	2,293,447
Purchases of fixed assets	-140,968	-23,502,415	-151,940
Purchases of investment securities	-61,685	-4,000	-3,969,470
Proceeds from sales and redemptions of investment securities	632,793	20,979	837,160
Purchases of other securities of affiliates	-1,590,167	-1,750,980	-3,044,204

	Nine months ended September 30, 2007	Nine months ended September 30, 2008	Year ended December 31, 2007
	Amount	Amount	Amount
Proceeds from sales and redemptions of other securities of affiliates	675,591	679,105	632,702
Investments in silent partnership	-223,476	-512,620	-223,476
Proceeds from redemptions of investment in silent partnership	177,334	148,572	196,547
Purchases of money trust	-2,115,028	-1,503,820	-2,617,860
Proceeds from redemptions of money trust	35,655	754,452	42,995
Payments for loans issued	-128,570	-20,751	-128,570
Collections of loans receivable	4,547,448	74,569	4,952,352
Purchase of loan receivables	-2,577,392	—	-3,207,565
Others –net	146,913	5,944	150,732
Net cash used in investing activities	-2,914,849	-25,610,964	-6,530,445
III Financing activities			
Increase (decrease) in short-term borrowings	960,005	80,258	5,538,695
Proceeds from long-term borrowings	—	22,023,000	—
Proceeds from issuance of bonds	7,124,719	844,800	7,679,743
Dividends paid	-182,056	-179,831	-182,056
Proceeds from non-controlling interests	681,016	887,142	1,254,622
Distribution to non-controlling interests	-826,286	-111,696	-1,333,572
Contributions received from silent partners	—	1,258,119	3,070,912
Others -net	1,540	-69,285	-459,267
Net cash provided by financing activities	7,758,937	24,732,506	15,569,076
IV Foreign currency translation adjustments in cash and cash equivalents	14,840	76,129	46,138
V Net increase(decrease) in cash and cash equivalents	3,624,873	-1,919,491	3,508,146
VI Cash and cash equivalents at the beginning of period	889,139	4,402,843	889,139
VII Increase by inclusion of new consolidated subsidiaries	5,556	—	5,556
VIII Cash and cash equivalents at the end of period	4,519,569	2,483,351	4,402,843

(Segment information)

1. Business segment information

Nine months ended September 30, 2007

(Thousands of yen)

	Property acquisition and asset management	Loan acquisition and management	Total	Eliminations or non-allocatable expenses	Consolidated total
Revenues	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	2,207,656	890,204	3,097,860	-258,398	2,839,461

Nine months ended September 30, 2008

	Real estate investment management	Loan investment and asset management	Total	Eliminations or non-allocatable expenses	Consolidated total
Revenues	3,686,243	759,040	4,445,283	—	4,445,283
Operating expenses	2,345,472	592,590	2,938,063	249,879	3,187,942
Operating income	1,340,771	166,449	1,507,220	-249,879	1,257,341

Starting this period, the names of “Property acquisition and asset management” segment and “Loan acquisition and management” segment were changed to “Real estate investment management” segment and “Loan investment and asset management” segment. These changes have no effect on the allocations of revenues and operating expenses for both segments.

Year ended December 31, 2007

	Property acquisition and asset management	Loan acquisition and management	Total	Eliminations or non-allocatable expenses	Consolidated total
Revenues	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	3,641,602	891,925	4,533,527	-371,299	4,162,228

2. Geographical segment information

Nine months ended September 30, 2007

(Thousands of yen)

	Japan	North America	Total	Eliminations or non-allocatable expenses	Consolidated total
Revenues	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	2,342,773	755,087	3,097,860	-258,398	2,839,461

Nine months ended September 30, 2008

(Thousands of yen)

	Japan	North America	Total	Eliminations or non-allocatable expenses	Consolidated total
Revenues	3,727,821	717,462	4,445,283	—	4,445,283
Operating expenses	2,938,063	—	2,938,063	249,879	3,187,942
Operating income	789,758	717,462	1,507,220	-249,879	1,257,341

Year ended December 31, 2007

	Japan	North America	Total	Eliminations or non-allocatable expenses	Consolidated total
Revenues	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	3,563,157	970,369	4,533,527	-371,299	4,162,228