

Consolidated financial results For the business year ended December 2008

February 13, 2009

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

Listed company name :	Secured Capital Japan Co., Ltd.
URL :	http://www.securedcapital.co.jp/
Listed stock market :	Tokyo Stock Exchange, First Section
Stock code :	2392
Company domicile :	Tokyo
President :	Katsuya Takanashi, CEO
Contact :	Takeshi Sugai, CAO
Telephone :	+81-3-5776-1300
Shareholders' meeting schedule :	March 26, 2009

1. Consolidated financial results (January 1, 2008 – December 31, 2008)

(1) Consolidated financial results

	Revenues		Operating income		Ordinary income		Net income(loss)	
	Millions ¥	%	Millions ¥	%	Millions ¥	%	Millions ¥	%
Year ended December 2008	5,807	-25.9	718	-82.7	166	-95.9	-370	—
Year ended December 2007	7,838	25.5	4,162	23.5	4,069	20.4	2,209	10.3

	Earnings per share	Diluted earnings per share	Return on tangible net worth	Ordinary income to total assets	Operating income to sales	Equity in earnings of affiliated companies
	¥	¥	%	%	%	Millions ¥
Year ended December 2008	-3,046.20	—	-4.6	0.4	12.4	8
Year ended December 2007	18,194.35	14,808.20	29.3	17.7	53.1	26

(2) Consolidated financial position

	Total assets	Net assets	Capital ratio	Net assets per share	Tangible net worth
	Millions ¥	Millions ¥	%	¥	Millions ¥
As of December 31, 2008	53,365	11,791	14.0	61,585.54	7,483
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 used in investing activities	Net cash provided by financing activities	Cash and cash equivalents at the end of period
	Millions ¥	Millions ¥	Millions ¥	Millions ¥
Year ended December 2008	266	-25,673	24,040	3,061
Year ended December 2007	-5,576	-6,530	15,569	4,402

2. Dividend position

	Dividend per share					Annual total amount of dividend	Consolidated payout ratio	Consolidated dividend per net assets
	At the end of the first quarter	At the end of the second quarter	At the end of the third quarter	At the end of the year	Annual total			
	¥	¥	¥	¥	¥	Millions ¥	%	%
Year ended December 2007	0.00	0.00	0.00	1,500.00	1,500.00	182	8.2	2.4
Year ended December 2008	0.00	0.00	0.00	0.00	0.00	0	0.0	0.0
Year ending December 2009 (Forecast)	0.00	0.00	0.00	1,000.00	1,000.00	—	12.7	—

3. Consolidated forecast for the fiscal year ending December 2009 (January 1, 2009 – December 31, 2009)

	Revenues		Operating income		Ordinary income		Net income		Earnings per share
	Millions ¥	%	Millions ¥	%	Millions ¥	%	Millions ¥	%	¥
Six months	—	—	—	—	—	—	—	—	—
Full year	7,050	21.4	3,020	320.4	2,000	—	960	—	7,900.84

(Note) Percentage figures shown in the above represent changes from the corresponding period of the previous year. Forecast for the six months ending June 30, 2009 is omitted due to its indefiniteness.

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 not based on the amendment of accounting principles	See "Changes in accounting policies" and "Changes in presentation"
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(3) Number of shares outstanding at the end of the year

	As of December 31, 2007	As of December 31, 2008
Common stock (including treasury stock)	121,452 shares	121,506 shares
Treasury stock	N/A	N/A

5. Financial results (January 1, 2008 – December 31, 2008)

(1) Financial results

	Revenues		Operating income(loss)		Ordinary income		Net income	
	Millions¥	%	Millions¥	%	Millions¥	%	Millions¥	%
Year ended December 2008	1,948	-40.3	-645	—	1,385	-46.9	1,455	-37.7
Year ended December 2007	3,265	15.0	519	100.9	2,608	96.1	2,337	94.1

	Earnings per share	Diluted earnings per share
	¥	¥
Year ended December 2008	11,984.47	9,527.13
Year ended December 2007	19,250.62	15,667.89

(2) Financial position

	Total assets	Net assets	Capital ratio	Net assets per share	Tangible net worth
	Millions¥	Millions¥	%	¥	Millions¥
As of December 31, 2008	17,773	7,607	42.8	62,587.94	7,604
As of December 31, 2007	16,493	6,401	38.8	52,689.45	6,399

6. Forecast for the fiscal year ending December 2009(January 1, 2009 – December 31, 2009)

	Revenues		Operating income		Ordinary income		Net income		Earnings per share
	Millions¥	%	Millions¥	%	Millions¥	%	Millions¥	%	¥
Six months	—	—	—	—	—	—	—	—	—
Full year	3,830	96.6	1,520	—	1,210	-12.7	670	-54.0	5,514.13

(Note) Percentage figures shown in the above represent changes from the corresponding period of the previous year.
Forecast for the six months ending June 30, 2009 is omitted due to its indefiniteness.

7. Consolidated financial statements

[1] Consolidated balance sheets

(Thousands of yen)

	As of December 31, 2007		As of December 31, 2008	
	Amount	%	Amount	%
(Assets)				
I Current assets				
1 Cash and cash equivalents	4,402,843		3,061,257	
2 Accounts receivable	1,192,430		461,199	
3 Securities	—		2,086,290	
4 Purchased loans	283,888		280,692	
5 Other receivable	361,822		113,980	
6 Entrusted properties	7,177,504		—	
7 Deferred tax assets	204,787		76,725	
8 Other assets(*2)	1,281,900		1,755,009	
Allowance for doubtful accounts	-123,015		-334,361	
Total current assets	14,782,160	45.7	7,500,794	14.1
II Non-current assets				
1 Property and equipment				
(1) Building(*2)	117,560		12,404,654	
Accumulated depreciation	-16,649	100,911	-295,532	12,109,121
(2) Furniture and equipment	98,142		101,968	
Accumulated depreciation	-52,127	46,014	-61,294	40,674
(3) Land(*2)	—		18,382,261	
Total property and equipment	146,925	0.5	30,532,057	57.2
2 Intangible assets	9,360	0.0	6,892	0.0
3 Investments and other assets				
(1) Investment securities(*1)(*2)	10,920,027		7,782,662	
(2) Other securities of affiliates(*2)	3,806,222		3,989,818	
(3) Long-term loans receivable(*2)	2,199,393		2,107,695	
(4) Security deposits	301,799		288,102	
(5) Deferred tax assets	—		796,423	
(6) Others(*2)	164,342		361,284	
Total investments and other assets	17,391,785	53.8	15,325,988	28.7
Total non-current assets	17,548,071	54.3	45,864,938	85.9
Total assets	32,330,231	100.0	53,365,732	100.0

(Thousands of yen)

	As of December 31, 2007		As of December 31, 2008	
	Amount	%	Amount	%
(Liabilities)				
I Current liabilities				
1 Short-term borrowings(*2)(*3)	9,100,175		3,600,000	
2 Accrued expense	364,015		171,575	
3 Income tax payable	1,288,553		201,032	
4 Deposits payable	544,413		516,625	
5 Accrued bonus	32,000		56,750	
6 Other liabilities	180,362		348,793	
Total current liabilities	11,509,520	35.6	4,894,775	9.2
II Non-current liabilities				
1 Bond(*2)	1,246,232		4,605,487	
2 Convertible bond	6,000,000		6,000,000	
3 Long-term borrowings(*2)	—		22,000,000	
4 Deposit from silent partners	3,060,243		4,074,080	
Total non-current liabilities	10,306,476	31.9	36,679,567	68.7
Total liabilities	21,815,996	67.5	41,574,343	77.9
(Net assets)				
I Shareholders' equity				
1 Common stock	1,200,253	3.7	1,200,779	2.3
2 Additional paid-in capital	1,168,214	3.6	1,168,729	2.2
3 Retained earnings	6,224,674	19.3	5,672,419	10.6
Total shareholders' equity	8,593,142	26.6	8,041,927	15.1
II Unrealized valuations and re-measurement				
1 Unrealized gains on available for sale securities	-21,289	-0.1	-50,666	-0.1
2 Foreign currency translation adjustments	-59,910	-0.2	-508,248	-1.0
Total unrealized valuations and re-measurement	-81,199	-0.3	-558,914	-1.1
III Stock options	2,317	0.0	2,306	0.0
IV Non-controlling interests	1,999,975	6.2	4,306,069	8.1
Total net assets	10,514,235	32.5	11,791,389	22.1
Total liabilities and net assets	32,330,231	100.0	53,365,732	100.0

[2] Consolidated statements of income

(Thousands of yen)

	Year ended December 31, 2007		Year ended December 31, 2008				
	Amount	%	Amount	%			
I Revenues		7,838,134	100.0		5,807,840	100.0	
II Cost of sales		—	—		1,631,142	28.1	
Gross profit		7,838,134	100.0		4,176,697	71.9	
III Selling, general and administrative expenses							
1 Compensation for directors	202,159				250,987		
2 Employee salaries	1,052,866				1,187,041		
3 Employee bonus	410,995				164,700		
4 Provision for accrued bonus	32,000				56,750		
5 Allowance for doubtful accounts	123,015				211,345		
6 Professional fees	209,431				233,025		
7 Rent	270,334				238,605		
8 Charges	612,303				469,236		
9 Other expenses	762,799	3,675,906	46.9	646,686	3,458,379	59.5	
Operating income		4,162,228	53.1		718,318	12.4	
IV Non-operating income							
1 Interest income	12,211				73,850		
2 Dividend income	2,000				3,060		
3 Equity in earnings of affiliated companies	26,029				8,132		
4 Currency exchange gain	35,660				6,258		
5 Interest on refund of tax	—				12,809		
6 Others	1,015	76,918	1.0	2,490	106,602	1.8	
V Non-operating expenses							
1 Interest expenses	112,396				514,076		
2 Bond issuance expenses	27,297				—		
3 Financing commissions	—				82,574		
4 Losses on derivatives	—				61,648		
5 Stock listing market change expense	29,589				—		
6 Others	638	169,920	2.2	4	658,304	11.3	
Ordinary income		4,069,225	51.9		166,616	2.9	
VI Extraordinary gain							
1 Gain on sale of investment security	—	—	—		1,790	1,790	0.0
VII Extraordinary loss							
1 Loss on disposition of fixed assets(*1)	459				2,132		
2 Loss on valuation of investment security	—				1,310,751		
3 Loss on dissolution of investment in affiliates	632				—		
4 Loss on office relocation(*2)	90,533				—		
5 Others	—	91,625	1.2	69,327	1,382,212	23.8	

Income(loss) before silent partnership distribution and income taxes		3,977,599	50.7		-1,213,804	-20.9
Income allocations to silent partnership		-10,668	-0.2		-14,321	-0.2
Income(loss) before income taxes		3,988,268	50.9		-1,199,482	-20.7
Income taxes						
- current	1,801,114			501,076		
- deferred	-151,088	1,650,025	21.1	-299,623	201,452	3.5
Non-controlling interests in earnings(losses) of subsidiaries		128,623	1.6		-1,030,857	-17.8
Net income(loss)		2,209,619	28.2		-370,077	-6.4

[3] Consolidated statements of changes in shareholders' equity

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	—	—	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	—	—	—	—	—	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

Year ended December 31, 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)	—	—	-370,077	-370,077
Change other than shareholders' equity	—	—	—	—
Net amount of change	525	514	-552,255	-551,214
Balance as of December 31, 2008	1,200,779	1,168,729	5,672,419	8,041,927

	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)	—	—	—	—	—	-370,077
Change other than shareholders' equity	-29,376	-448,337	-477,714	-10	2,306,094	1,828,369
Net amount of change	-29,376	-448,337	-477,714	-10	2,306,094	1,277,154
Balance as of December 31, 2008	-50,666	-508,248	-558,914	2,306	4,306,069	11,791,389

[4] Consolidated statements of cash flows

(Thousands of yen)

	Year ended December 31, 2007	Year ended December 31, 2008
	Amount	Amount
I Operating activities		
Income(loss) before income taxes	3,988,268	-1,199,482
Depreciation and amortization	40,793	299,289
Increase(decrease) in accrued bonus	-10,000	24,750
Increase(decrease) in allowance for doubtful accounts	123,015	211,345
Operating interest income	—	-665,300
Operating interest expenses	—	294,406
Interest and dividend income	-14,212	-76,911
Currency exchange gain	-9,726	—
Interest expenses	112,396	514,076
Operating losses on valuation of investment security	—	826,135
Loss on disposition of fixed assets	40,256	2,132
Loss on valuation of investment security	—	1,310,751
Increase (decrease) in accounts receivable	-406,161	628,597
Increase (decrease) in other receivable	-104,365	108,839
Increase (decrease) in interest receivable	-29,825	—
Increase (decrease) in entrusted properties	-7,181,223	—
Increase (decrease) in other current assets	-275,923	-631,714
Increase (decrease) in accrued expense	1,600	-190,214
Increase (decrease) in deposit payable	332,082	-27,787
Increase (decrease) in consumption tax payable	—	-126,170
Equity in earnings (losses) of silent partnerships	-196,783	376,600
Income allocations to silent partnerships	-10,668	-14,321
Operating interest received	—	653,282
Operating interest paid	—	-244,157
Others	-93,702	-61,956
Sub total	-3,694,178	2,012,192
Interest and dividend received	14,130	88,636
Interest paid	-103,146	-404,592
Income taxes refunded	96,700	593,345
Income taxes paid	-1,890,128	-2,022,676
Net cash provided by(used in) operating activities	-5,576,622	266,906
II Investing activities		
Purchases of marketable securities	-2,293,295	—
Proceeds from redemption and sales of marketable securities	2,293,447	—
Purchases of fixed assets	-151,940	-23,505,842
Purchases of software	-3,450	—
Purchases of investment securities	-3,969,470	-4,000
Proceeds from sales and redemption of investment securities	837,160	22,979
Purchases of other securities of affiliates	-3,044,204	-1,981,363
Proceeds from sales and redemption of other securities of affiliates	632,702	786,667
Investments in silent partnership	-223,476	-512,620
Proceeds from redemption of investment in silent partnership	196,547	182,466
Contribution to capital	-25,000	—
Proceeds from transfer and sales of contribution	22,300	—

	Year ended December 31, 2007	Year ended December 31, 2008
	Amount	Amount
Purchases of money trust	-2,617,860	-1,503,638
Proceeds from redemption of money trust	42,995	759,519
Payments for loans issued	-128,570	-20,751
Collections of loans receivable	4,952,352	94,569
Purchases of loans receivable	-3,207,565	—
Others	156,883	8,834
Net cash used in investing activities	-6,530,445	-25,673,180
III Financing activities		
Increase (decrease) in short-term borrowings	5,538,695	-5,500,175
Proceeds from long-term borrowings	—	22,023,000
Proceeds from issuance of bonds	7,679,743	3,397,800
Redemption of bonds	-460,807	-38,545
Dividends paid	-182,056	-180,086
Proceeds from non-controlling interests	1,254,622	3,625,192
Distribution to non-controlling interests	-1,333,572	-291,725
Proceeds from silent partners	3,070,912	1,258,119
Others	1,540	-252,932
Net cash provided by financing activities	15,569,076	24,040,646
IV Foreign currency translation adjustments in cash and cash equivalents	46,138	24,041
V Net increase(decrease) in cash and cash equivalents	3,508,146	-1,341,585
VI Cash and cash equivalents at the beginning of period	889,139	4,402,843
VII Increase by inclusion of new consolidated subsidiaries	5,556	—
VIII Cash and cash equivalents at the end of period	4,402,843	3,061,257

Basis of presenting the consolidated financial statements

1 Scope of consolidation

Year ended December 31, 2007	Year ended December 31, 2008
<p>(1) Number of consolidated subsidiaries: 23 entities</p> <p>Names of the consolidated subsidiaries are as follows:</p> <p>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>(1) Number of consolidated subsidiaries: 24 entities</p> <p>Names of the consolidated subsidiaries are as follows:</p> <p>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 this year and included in the consolidated financial statements.</p>
<p>(2) Names of the main unconsolidated subsidiaries are as follows:</p> <p>Mountain Recovery Fund I Y.K. MRF 2 Y.K. SCJREP I Management, L.P. SCJREP II Management, L.P. SCJREP Asia, L.P.</p> <p>Mountain Recovery Fund I Y.K. and MRF 2 Y.K. maintain loan portfolios for silent partners. SCJREP I Management, L.P., SCJREP II Management, L.P. and SCJREP Asia, L.P. maintain real estate property portfolios for partners. Our substantial share of assets, net income or loss in the entity has no material effect on the consolidated financial statements taken as a whole. Therefore, they are not included in the consolidated financial statements in accordance with Japanese</p>	<p>(2) Names of the main unconsolidated subsidiaries are as follows:</p> <p>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, net income or loss in the entity has no material effect on</p>

<p>Accounting Standards for the consolidated financial statements No.5-1-2.</p> <p>The total assets, revenues, net income and retained earnings (based on ownership interest) of the other unconsolidated subsidiaries have no material effects on the consolidated financial statements. Therefore activities from other unconsolidated subsidiaries are not included in the consolidated financial statements.</p>	<p>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

Year ended December 31, 2007	Year ended December 31, 2008
<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 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 the equity method.</p>	<p>(1) Affiliated companies accounted for using the equity method. Same as on the left</p> <p>(2) Unconsolidated subsidiaries accounted for using the equity 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>SCJREP IV, L.P., SCJREP IV Cayman, L.P. and SCJREP IV Fund, L.P. are established in the current year 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 financial statements. Thus, these companies are not accounted for using the equity method.</p>

3 Fiscal year of consolidated subsidiaries

Year ended December 31, 2007	Year ended December 31, 2008
<p>The fiscal year end for the subsidiaries</p> <p>SCJ Real Estate Mezzanine Partners I Investment LPS End of January</p> <p>SRF Toranomom Chukan Hojin End of January</p> <p>SCJ Residential Fund2 G.K. End of June</p> <p>SCJ Toranomom Chukan Hojin End of June</p>	<p>The fiscal year end for the subsidiaries</p> <p>Same as on the left</p>

RF2A G.K.	End of June	
RF2B G.K.	End of June	
RF2C G.K.	End of June	
RF2D G.K.	End of June	
<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>		

4 Summary of significant accounting policies

Year ended December 31, 2007	Year ended December 31, 2008
<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 year end. The unrealized gain/loss is recorded in the net assets section.) (Refer 4-(7)-a for the treatment of the investment in silent partnership) (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> <p>c) Derivatives Evaluation is based on the market value.</p> <p>d) Entrusted properties (real estate for sale) The specific cost method is used and depreciated over its estimated useful life of 45 years.</p> <p>(2) Depreciation method of significant depreciable assets</p> <p>a) Tangible assets: 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 March 31, 2007 Old straight-line method</p> <p>iii) Acquired on and after April 1, 2007 New straight-line method</p> <p>Other tangible assets are depreciated as follows:</p>	<p>(1) Significant asset valuation method</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>c) Derivatives Same as on the left</p> <p>d) Entrusted properties (real estate for sale) N/A</p> <p>(2) Depreciation method of significant depreciable assets</p> <p>a) Tangible assets: 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 March 31, 2007 Old straight-line method</p> <p>iii) Acquired on and after April 1, 2007 New straight-line method</p> <p>Other tangible assets are depreciated as follows:</p>

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:

Intangible assets are depreciated by straight-line method. Software for internal use is depreciated by straight-line method over the expected available period of 5 years.

(3) Amortization method of significant deferred assets

a) Stock issuance related expenses:

Stock issuance related costs are expensed as incurred.

b) Bond issuance expenses:

Bond issuance costs are expensed as incurred.

(4) Accounting for significant allowances and reserves:

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 year.

(5) Translation of foreign currency transactions:

Foreign currency denominated payables and receivables are re-measured into the Japanese Yen using the prevailing market currency exchange rate at the year end.

(6) Accounting for significant leases:

All finance leases, except for those leases with the 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 balance sheets in the amount proportional to the contribution of

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) Stock issuance 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:

Same as on the left

b) Allowance for bonus payments:

Same as on the left

(5) Translation of foreign currency transactions:

Same as on the left

(6) Accounting 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

<p>the assets to the silent partnership which is recorded at the time such investment is made. The change in company's share of equity interests in the silent partnership is accounted as 'Sales' and the equivalent amount of increases/decreases as 'Investment securities'. A distribution from the company's investee is accounted as redemption of the investment which decreases the amount of 'Investment securities'.</p> <p>b) Accounting for purchased loans: Collection of purchased loans offsets the 'Purchased loans' and difference from purchase price is recorded as 'Sales'.</p> <p>c) Accounting for 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>b) Accounting for purchased loans: Same as on the left</p> <p>c) Accounting for consumption taxes: Same as on the left</p>
--	---

5 Valuation method used for consolidated subsidiaries' assets and liabilities

Year ended December 31, 2007	Year ended December 31, 2008
The fair market value method is fully adopted for the valuation of assets and liabilities of the consolidated subsidiaries.	Same as on the left

6 Definition of cash and cash equivalents in consolidated statement of cash flows

Year ended December 31, 2007	Year ended December 31, 2008
Cash and cash equivalents are comprised of short-term investments with original maturities of less than ninety days.	Same as on the left

Changes in accounting policy

Year ended December 31, 2007	Year ended December 31, 2008
<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 style="text-align: center;">-----</p>	<p style="text-align: center;">-----</p> <p>The building and land held by funds managed by our group companies are recorded as entrusted properties in the prior year.</p> <p>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.</p> <p>As a result, the balance of 'Entrusted properties' decreased by ¥30,398,916 thousand and 'Property and equipment' increased by the amount in comparison to</p>

the balance using the old account policy. In addition, on the consolidated statements of cash flows for the current year, 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.

Changes in presentation

Year ended December 31, 2007	Year ended December 31, 2008																		
<p style="text-align: center;">-----</p> <p>Consolidated statements of income:</p> <p>The amount of 'charges' on the consolidated statements of income became over 10% of the total selling, general and administrative expenses, thus it is presented separately. The amount of 'charges' for the year ended December 31, 2006 was ¥160,065 thousand if disclosed on the face of the consolidated income statement.</p> <p>Consolidated statements of cash flows:</p> <p>(1) The following accounts are included in 'others' in operating activities section due to their immateriality. The amount of these accounts on the fiscal year ended December 31, 2007 are as follows;</p> <table border="1" style="width: 100%;"> <thead> <tr> <th style="text-align: left;">Account</th> <th style="text-align: right;">Amount</th> </tr> </thead> <tbody> <tr> <td>Loss on dissolution of investment in affiliates</td> <td style="text-align: right;">¥632 thousand</td> </tr> <tr> <td>Increase (decrease) in purchased loans</td> <td style="text-align: right;">¥9,182 thousand</td> </tr> <tr> <td>Increase (decrease) in advance received</td> <td style="text-align: right;">¥23,160 thousand</td> </tr> <tr> <td>Increase (decrease) in consumption tax payable</td> <td style="text-align: right;">¥-5,099 thousand</td> </tr> </tbody> </table> <p>(2) The 'payments of security deposits' in investing activities section is included in 'others' due to its immateriality. Its amount on the fiscal year ended December 31, 2007 is ¥-12,554 thousand.</p> <p>(3) The 'proceeds from issuance of common stock' in financing activities section is included in 'others' due to its immateriality. Its amount on the fiscal year ended December 31, 2007 is ¥1,540 thousand.</p>	Account	Amount	Loss on dissolution of investment in affiliates	¥632 thousand	Increase (decrease) in purchased loans	¥9,182 thousand	Increase (decrease) in advance received	¥23,160 thousand	Increase (decrease) in consumption tax payable	¥-5,099 thousand	<p>Consolidated balance sheets:</p> <p>The amount of 'Non-current deferred tax assets' on the consolidated balance sheets became over 1% of the total assets, thus it is presented separately. The amount of 'Non-current deferred tax assets' for the last year was ¥57,516 thousand if disclosed on the face of the consolidated income statement.</p> <p>Consolidated statements of income:</p> <p>The amount of 'Interest on refund of tax' on the consolidated statements of income became over 10% of the total non-operating income, thus it is presented separately. The amount of 'Interest on refund of tax' for the last year was ¥373 thousand if disclosed on the face of the consolidated income statement.</p> <p>Consolidated statements of cash flows:</p> <p>(1) The following accounts become material to the consolidated financial statements, thus they are presented separately. The amounts of these accounts on the fiscal year ended December 31, 2007 were as follows;</p> <table border="1" style="width: 100%;"> <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;">¥512,815 thousand</td> </tr> <tr> <td>Increase(decrease) in consumption tax payable</td> <td style="text-align: right;">¥5,099 thousand</td> </tr> <tr> <td>Operating interest received</td> <td style="text-align: right;">¥483,162 thousand</td> </tr> </tbody> </table> <p>(2) The 'Purchases of software', 'Contributions to capital' and 'Proceeds from transfers and sales of capital contributions' in investing activities section are included in 'others' due to its immateriality. Their amounts for the current year are ¥862 thousand, ¥9,000 thousand and ¥5,000 thousand, respectively.</p>	Account	Amount	Operating interest income	¥512,815 thousand	Increase(decrease) in consumption tax payable	¥5,099 thousand	Operating interest received	¥483,162 thousand
Account	Amount																		
Loss on dissolution of investment in affiliates	¥632 thousand																		
Increase (decrease) in purchased loans	¥9,182 thousand																		
Increase (decrease) in advance received	¥23,160 thousand																		
Increase (decrease) in consumption tax payable	¥-5,099 thousand																		
Account	Amount																		
Operating interest income	¥512,815 thousand																		
Increase(decrease) in consumption tax payable	¥5,099 thousand																		
Operating interest received	¥483,162 thousand																		

Additional information

Year ended December 31, 2007	Year ended December 31, 2008
-----	<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. Accordingly, the provision of the new separate line item increased the cost of revenues by ¥1,631,142 thousand and decreased the operating expenses, non-operating expenses and extra ordinary loss by ¥510,599 thousand, ¥294,406 thousand and ¥826,135 thousand, respectively.</p> <p>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' and 'Operating interest paid' increased ¥294,406 thousand and ¥244,157 thousand, respectively. In addition, the amount of 'Interest paid' decreased by ¥244,157 thousand in comparison to the amount using the old account policy.</p>

Notes

(Consolidated balance sheets)

Year ended December 31, 2007	Year ended December 31, 2008
<p>(1) Capital establishment of non-consolidated companies are as follows:</p> <p style="padding-left: 40px;">Investment securities ¥98,845 thousand</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="padding-left: 40px;">Investment securities ¥7,312,000 thousand Long-term loans receivable ¥2,183,274 thousand <hr style="width: 100%;"/> 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</p>	<p>(1) Capital establishment of non-consolidated companies are as follows:</p> <p style="padding-left: 40px;">Investment securities ¥93,378 thousand</p> <p>(2) Assets pledged as collateral were as follows:</p> <p style="padding-left: 40px;"><u>Assets pledged as collateral</u></p> <p style="padding-left: 80px;">Current other assets ¥537,807 thousand Building ¥12,016,655 thousand Land ¥18,382,261 thousand Other securities of affiliates ¥4,000 thousand Non-current other assets ¥14,022 thousand <hr style="width: 100%;"/> Total ¥30,954,746 thousand</p> <p style="padding-left: 40px;"><u>Liabilities corresponding to assets pledged as collateral</u></p> <p style="padding-left: 80px;">Long-term borrowings ¥22,000,000 thousand Bond ¥4,605,487 thousand <hr style="width: 100%;"/> Total ¥26,605,487 thousand</p> <p>The above borrowings and bond are non-recourse liabilities</p>

bond at December 31, 2007 are as follows:

Long-term loans receivable	¥1,081,919 thousand
Investment securities	¥3,622,392 thousand
Other assets	¥249,661 thousand
Short-term borrowings	¥-2,723,088 thousand
Other liabilities	¥-774,463 thousand
Total	¥1,456,422 thousand

(3) The company entered into credit line agreements with several banks.

The total amount of credit line agreements	¥3,600,000 thousand
Used credit line balance as of December 31, 2007	¥3,600,000 thousand
Unexercised credit line balance as of December 31, 2007	N/A

and expected to be repaid by only pledged assets and future income from them.

In addition, other securities of affiliates of ¥5,145,737 thousand are pledged as collateral, but they were eliminated on the consolidated balance sheets.

(3) The company entered into credit line agreements with several banks.

The total amount of credit line agreements	¥3,900,000 thousand
Used credit line balance as of December 31, 2008	¥3,600,000 thousand
Unexercised credit line balance as of December 31, 2008	¥300,000 thousand

A 2 billion YEN credit line agreement with one of our banks requires the Company to maintain the ordinary consolidated income to be more than 1 billion Yen on an annual basis. Currently, our consolidated ordinary income does not meet the requirement. However, the bank acknowledges the fact and does not plan to take an action to declare a default event. The agreement covers the period from October 12, 2006 to October 12, 2009.

(Consolidated statements of income)

Year ended December 31, 2007	Year ended December 31, 2008
(1) Detail of the loss on disposition of fixed assets:	(1) Detail of the loss on disposition of fixed assets:
Furniture and Equipment ¥459 thousand	Furniture and Equipment ¥2,132 thousand
(2) Details of loss from office relocation:	_____
Office recovery expenses ¥41,853 thousand	
Loss on disposition of fixed assets ¥39,797 thousand	
Moving expenses ¥8,883 thousand	
Total ¥90,533 thousand	

(Consolidated statements of changes in shareholders' equity)

Year ended December 31, 2007

1. Type and number of treasury stock

	Number at the beginning of year	Number of increase during the year	Number of decrease during the year	Number at the end of year	Description
Issued stock (common stock)	121,371 shares	81 shares	—	121,452 shares	*1

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

2. Stock options

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

Year ended December 31, 2008

1. Type and number of treasury stock

	Number at the beginning of year	Number of increase during the year	Number of decrease during the year	Number at the end of year	Description
Issued stock (common stock)	121,452 shares	54	—	121,506 shares	*1

Notes: 1. The increase of issued stock (54 shares) was due to exercise of stock options.

2. Stock options

Entity	Detail	Balance as of December 31, 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

(Consolidated statements of cash flows)

Year ended December 31, 2007		Year ended December 31, 2008	
Cash and cash equivalents at the end of the year and their relevant items posted in the consolidated balance sheets and their amount.		Cash and cash equivalents at the end of the year and their relevant items posted in the consolidated balance sheets and their amount.	
Cash	¥4,402,843 thousand	Cash	¥3,061,257 thousand
Cash and cash equivalents	¥4,402,843 thousand	Cash and cash equivalents	¥3,061,257 thousand

(Segment information)

1. Business segment information

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 and operating income					
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	3,641,602	891,925	4,533,527	-371,299	4,162,228
Assets depreciation expense and capital expenditure					
Assets	26,687,159	1,507,914	28,195,074	4,135,157	32,330,231
Depreciation expense	13,585	5,001	18,586	18,487	37,073
Capital expenditure	60,897	22,418	83,316	72,198	155,515

- Notes
1. 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.
 2. Unallocated operating expenses included in the eliminations and corporate components of operating expenses in 2007 amounted to ¥371,299 thousand. These expenses primarily represent administrative expenses of the Company.
 3. The total amount of assets, ¥4,135,157 thousand for the corporate section mainly represents cash equivalents, income tax receivables and security deposits.

Year ended December 31, 2008

(Thousands of yen)

	Real estate investment management	Loan investment and asset management	Total	Eliminations or non-allocatable expenses	Consolidated total
Revenues and operating income					
Revenues					
(1) Revenues to external customers	4,889,255	918,584	5,807,840	—	5,807,840
(3) Inter-segment revenues and transfers	—	—	—	—	—
Total	4,889,255	918,584	5,807,840	—	5,807,840
Operating expenses	3,952,360	832,563	4,784,924	304,597	5,089,521
Operating income	936,894	86,020	1,022,915	-304,597	718,318
Assets depreciation expense and capital expenditure					
Assets	48,527,540	1,067,516	49,595,056	3,770,675	53,365,732
Depreciation expense	272,802	6,448	279,251	20,038	299,289
Capital expenditure	23,490,254	4,341	23,494,596	12,109	23,506,705

- Notes
- 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.
 - Unallocated operating expenses included in the eliminations and corporate components of operating expenses in 2008 amounted to ¥304,597 thousand. These expenses primarily represent administrative expenses of the Company.
 - The total amount of assets, ¥3,770,675 thousand for the corporate section mainly represents cash equivalents, income tax receivables and security deposits.

2. Geographical segment information

Year ended December 31, 2007

(Thousands of yen)

	Japan	North America	Total	Eliminations or corporate	Consolidated total
Revenues and operating income					
(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	3,563,157	970,369	4,533,527	-371,299	4,162,228
Assets	25,913,540	2,281,533	28,195,074	4,135,157	32,330,231

- 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 ¥371,299 thousand. These expenses primarily represent administrative expenses of the company.
 - The total amount of assets, ¥4,135,157 thousand for the corporate section mainly represents cash equivalents, income tax receivables and security deposits.

Year ended December 31, 2008

(Thousands of yen)

	Japan	North America	Total	Eliminations or corporate	Consolidated total
Revenues and operating income					
(1) Revenues to external customers	4,658,765	1,149,074	5,807,840	—	5,807,840
(3) Inter-segment revenues and transfers	262,558	—	262,558	-262,558	—
Total	4,921,324	1,149,074	6,070,399	-262,558	5,807,840
Operating expenses	4,781,920	21,059	4,802,980	286,541	5,089,521
Operating income	139,403	1,128,014	1,267,418	-549,099	718,318
Assets	45,984,808	3,611,634	49,596,442	3,769,289	53,365,732

- 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 ¥304,597 thousand. These expenses primarily represent administrative expenses of the company.
 4. The total amount of assets, ¥3,770,675 thousand for the corporate section mainly represents cash equivalents, income tax receivables and security deposits.

3. Overseas sales

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.

Year ended December 31, 2008

	North America	Total
I Revenues from overseas customers	¥1,153,752 thousand	¥1,153,752 thousand
II Consolidated revenues		¥5,807,840 thousand
III Portion of revenues from overseas customers	19.9%	19.9%

- 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)

	Year ended December 31, 2007	Year ended December 31, 2008
Net assets per share	¥70,084.83	¥61,585.54
Net income(loss) per share after taxes	¥18,194.35	¥-3,046.20
Diluted net income per share after taxes	¥14,808.20	N/A

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

	Year ended December 31, 2007	Year ended December 31, 2008
Amount of net assets	¥10,514,235 thousand	¥11,791,389 thousand
Amount of deductions	¥2,002,292 thousand	¥4,308,376 thousand
Stock options	¥2,317 thousand	¥2,306 thousand
Non-controlling interests	¥1,999,975 thousand	¥4,306,069 thousand
Amount of net assets relevant to common stock	¥8,511,942 thousand	¥7,483,013 thousand
Number of common stock at the end of year	121,452 shares	121,506 shares

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

	Year ended December 31, 2007	Year ended December 31, 2008
Net income(loss)	¥2,209,619 thousand	¥-370,077 thousand
Amount not allocable to common shareholders	—	—
Net income(loss) available for common stock shareholders	¥2,209,619 thousand	¥-370,077 thousand
Number of average shares outstanding during the year	121,445 shares	121,488 shares
Details of net income adjustments included in the calculation of diluted earnings per share	—	—
Details of increased number of shares included in the calculation of diluted earnings per share	Stock option 17,417 shares Convertible bond 10,354 shares <u>Total</u> 27,771 shares	N/A
Details of items not included in the calculation of diluted earnings per share	Stock option (Authorized on March 30, 2005) 5,367 shares Stock option (Authorized on March 30, 2006) 1,100 shares	(See notes)

Notes Stock options (Authorized on July 25, 2002) ... 12,069 shares
 Stock options (Authorized on January 8, 2004) ... 6,750 shares
 Stock options (Authorized on March 30, 2005) ... 3,792 shares
 Stock options (Authorized on March 30, 2006) ... 1,000 shares
 Convertible bond (Authorized on April 11, 2007) ... 15,487 shares

(Significant subsequent events)

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.

Year ended December 31, 2008

N/A

8. Non-consolidated financial statements

[1] Non-consolidated balance sheets

(Thousands of yen)

	As of December 31, 2007		As of December 31, 2008		
	Amount	%	Amount	%	
(Assets)					
I Current assets					
1 Cash and cash equivalents		3,305,098		2,669,618	
2 Accounts receivable		1,209,118		1,971,923	
3 Other receivable		282,987		111,513	
4 Income tax receivable		330,040		364,429	
5 Prepaid expenses		36,790		46,230	
6 Deferred tax assets		33,871		35,893	
7 Short-term loans receivable from affiliates		6,116,360		7,737,101	
8 Other assets		18,913		168,556	
Total current assets		11,333,180	68.7	13,105,266	73.7
II Non-current assets					
1 Property and equipment					
(1) Building	117,560		123,972		
Accumulated depreciation	-16,649	100,911	-31,505	92,466	
(2) Furniture and equipment	98,142		101,968		
Accumulated depreciation	-52,127	46,014	-61,294	40,674	
Total property and equipment		146,925	0.9	133,141	0.8
2 Intangible assets					
(1) Software		9,360		6,892	
Total intangible assets		9,360	0.1	6,892	0.0
3 Investments and other assets					
(1) Investment securities		1,261,778		1,092,029	
(2) Investment in affiliates		643,397		627,797	
(3) Other securities of affiliates		2,588,786		1,622,761	
(4) Contribution to capital		97,666		91,266	
(5) Contribution to capital of affiliates		8,000		10,000	
(6) Long-term loans receivable from affiliates		128,845		552,056	
(7) Security deposits		261,799		263,102	
(8) Deferred tax assets		13,364		337,607	
Allowance for doubtful accounts		—		-68,400	
Total investments and other assets		5,003,638	30.3	4,528,221	25.5
Total non-current assets		5,159,924	31.3	4,668,255	26.3
Total assets		16,493,105	100.0	17,773,521	100.0

(Thousands of yen)

	As of December 31, 2007		As of December 31, 2008	
	Amount	%	Amount	%
(Liabilities)				
I Current liabilities				
1 Short-term borrowings	3,635,000		3,935,000	
2 Accrued expense	263,661		115,519	
3 Income tax payable	28,164		12,333	
4 Deposit payable	118,123		27,545	
5 Accrued bonus	32,000		56,750	
6 Other liabilities	14,599		19,257	
Total current liabilities	4,091,548	24.8	4,166,404	23.4
II Non-current liabilities				
1 Convertible bond	6,000,000		6,000,000	
Total non-current liabilities	6,000,000	36.4	6,000,000	33.8
Total liabilities	10,091,548	61.2	10,166,404	57.2
(Net assets)				
I Shareholders' equity				
1 Common stock	1,200,253	7.3	1,200,779	.6
2 Additional paid-in capital				
(1) Additional paid-in capital	1,168,214		1,168,729	
Total additional paid-in capital	1,168,214	7.1	1,168,729	6.6
3 Retained earnings				
(1) Retained earnings				
Retained earnings carried forward	4,041,975		5,315,769	
Total retained earnings	4,041,975	24.5	5,315,769	29.9
Total shareholders' equity	6,410,443	38.9	7,685,277	43.3
II Unrealized valuations and re-measurement				
1 Unrealized gains on available for sale securities	-11,203	-0.1	-80,467	-0.5
Total unrealized valuations and re-measurement	-11,203	-0.1	-80,467	-0.5
III Stock options	2,317	0.0	2,306	0.0
Total net assets	6,401,556	38.8	7,607,116	42.8
Total liabilities and net assets	16,493,105	100.0	17,773,521	100.0

[2] Non-consolidated statements of income

(Thousands of yen)

	Year ended December 31, 2007		Year ended December 31, 2008			
	Amount	%	Amount	%		
I Revenues		3,265,283	100.0		1,948,315	100.0
II Selling, general and administrative expenses		2,745,974	84.1		2,594,134	133.1
Operating income(loss)		519,308	15.9		-645,819	-33.1
III Non-operating income						
1 Interest income	34,453			168,814		
2 Dividend income	2,112,000			1,895,160		
3 Currency exchange gain	10,917			5,047		
4 Others	599	2,157,971	66.1	1,221	2,070,243	106.2
IV Non-operating expenses						
1 Interest expenses	11,959			39,167		
2 Bond issuance expenses	27,297			—		
3 Stock listing market change expenses	29,589			—		
4 Others	4	68,850	2.1	0	39,168	2.0
Ordinary income		2,608,430	79.9		1,385,255	71.1
V Extraordinary gain						
1 Gain on sale of investment security	—	—	—	1,790	1,790	0.1
VI Extraordinary loss						
1 Loss on disposition of fixed assets	459			2,132		
2 Loss on valuation of investment securities	—			138,808		
3 Loss on dissolution of investment in affiliates	632			—		
4 Loss on office relocation	90,533			—		
5 Others	—	91,625	2.8	5,628	146,569	7.5
Income before income taxes		2,516,804	77.1		1,240,476	63.7
Income taxes						
- current	185,432			118,470		
- deferred	-6,526	178,906	5.5	-333,966	-215,495	-11.0
Net income		2,337,898	71.6		1,455,972	74.7

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

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

Year ended December 31, 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	—	—	1,455,972	1,455,972
Change other than shareholders' equity	—	—	—	—
Net amount of change	525	514	1,273,794	1,274,834
Balance as of December 31, 2008	1,200,779	1,168,729	5,315,769	7,685,277

	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	—	—	—	1,455,972
Change other than shareholders' equity	-69,263	-69,263	-10	-69,274
Net amount of change	-69,263	-69,263	-10	1,205,560
Balance as of December 31, 2008	-80,467	-80,467	2,306	7,607,116

Basis of presenting the non-consolidated financial statements

1 Valuation policy and method for assets

Year ended December 31, 2007	Year ended December 31, 2008
<p>(1) Investment in subsidiaries and affiliates</p> <p style="padding-left: 40px;">The purchase cost of the investment is used.</p> <p>(2) Other securities</p> <p style="padding-left: 40px;">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 style="padding-left: 40px;">b) For securities without fair market value The purchase cost of the securities is used. (For the US dollar denominated securities, these securities are re-measured into the Japanese Yen using the prevailing market rate at the year end. The unrealized gain/loss is recorded in the net assets section.)</p> <p>(Refer 7-(1) for the treatment of the investment in silent partnership)</p> <p>(The capital contributions made to limited liability partnerships and similar partnerships are treated as "securities" on the balance 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>(1) Investment in subsidiaries and affiliates</p> <p style="padding-left: 40px;">Same as on the left</p> <p>(2) Other securities</p> <p style="padding-left: 40px;">a) For securities with fair market value Same as on the left</p> <p style="padding-left: 40px;">b) For securities without fair market value Same as on the left</p>

2 Depreciation method of significant depreciable assets

Year ended December 31, 2007	Year ended December 31, 2008
<p>(1) Tangible assets:</p> <p style="padding-left: 40px;">Buildings except for building attachments are depreciated as follows:</p> <p style="padding-left: 80px;">i) Acquired on and before March 31, 1998 Old declining balance method</p> <p style="padding-left: 80px;">ii) Acquired from April 1, 1998 to March 31, 2007 Old straight-line method</p> <p style="padding-left: 80px;">iii) Acquired on and after April 1, 2007 New straight-line method</p> <p style="padding-left: 40px;">Other tangible assets are depreciated as follows:</p> <p style="padding-left: 80px;">i) Acquired on and before March 31, 2007 Old declining balance method</p> <p style="padding-left: 80px;">ii) Acquired on and after April 1, 2007 New declining balance method</p> <p style="padding-left: 40px;">The useful life of principal assets is as follows:</p> <p style="padding-left: 80px;">Buildings: 15 years</p> <p style="padding-left: 80px;">Furniture and equipment: 4-15 years</p>	<p>(1) Tangible assets:</p> <p style="padding-left: 40px;">Same as on the left</p>

<p>(2) Intangible assets:</p> <p>Intangible assets are depreciated by straight-line method. Software for internal use is depreciated by straight-line method over the expected available period of 5 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

Year ended December 31, 2007	Year ended December 31, 2008
<p>(1) Stock issuance related expenses:</p> <p>Stock issuance related costs are expensed as incurred.</p> <p>(2) Bond issuance expenses:</p> <p>Bond issuance costs are expensed as incurred.</p>	<p>(1) Stock issuance related expenses:</p> <p>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

Year ended December 31, 2007	Year ended December 31, 2008
<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. Specific allowances are provided for estimated amounts considered to be uncollectible after the reviewing the individual collectibility of specific doubtful accounts.</p> <p>(2) Allowance for bonus payments:</p> <p>The company properly accrues estimated incentive payments for employees that have been vested during the year.</p>	<p>(1) Allowance for doubtful accounts:</p> <p>Same as on the left</p> <p>(2) Allowance for bonus payments:</p> <p>Same as on the left</p>

5 Translation of foreign currency transactions

Year ended December 31, 2007	Year ended December 31, 2008
<p>Foreign currency denominated payables and receivables are re-measured into the Japanese Yen using the prevailing market currency exchange rate at the year end.</p>	<p>Same as on the left</p>

6 Accounting for significant leases

Year ended December 31, 2007	Year ended December 31, 2008
<p>All financing leases, except for leases with the provision of an ownership transfer to lessees, are treated as operating leases.</p>	<p>Same as on the left</p>

7 Other significant accounting policies

Year ended December 31, 2007	Year ended December 31, 2008
<p>(1) Accounting for investment in silent partnership:</p>	<p>(1) Accounting for investment in silent partnership:</p>

<p>Investment in silent partnership is accounted as 'Investment securities' on the non-consolidated balance sheets in the amount proportional to the contribution to the silent partnership which is recorded at the time such investment is made.</p> <p>The change in company's share of equity interests in the silent partnership is accounted as 'Revenues' and the equivalent amount of increases/decreases as 'Investment securities'. A distribution from the silent partnership is accounted as redemption of the investment which decreases the amount of 'Investment securities'.</p> <p>(2) Accounting for consumption taxes:</p> <p>The consumption tax and the local consumption tax are excluded from transaction amounts.</p>	<p>Same as on the left</p> <p>(2) Accounting for consumption taxes:</p> <p>Same as on the left</p>
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Changes in accounting policies

Year ended December 31, 2007	Year ended December 31, 2008
<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>	<p>-----</p>

Change in presentation

Year ended December 31, 2007	Year ended December 31, 2008
<p>Non-consolidated balance sheets:</p> <p>(1) The amount of 'short-term loans receivable from affiliates' on the non-consolidated balance sheets became over 1% of the total assets, thus it is presented separately. On the non-consolidated balance sheets as of December 31, 2006, it was included others in current assets section, and its amount was ¥4,081 thousand.</p> <p>(2) The amount of 'consumption tax payable' became less than 1% of the total liabilities and net assets, thus it is included in others in current liability section. Its amount is ¥11,357 thousand on the non-consolidated balance sheets as of December 31, 2007.</p> <p>(3) The amount of 'advance received' became less than 1% of the total liabilities and net assets, thus it is included in others in current liability section. Its amount is ¥1,312 thousand on the non-consolidated balance sheets as of December 31, 2007.</p>	<p>-----</p>