

**Fiscal Report 2008**  
**(Year ended September 30, 2008)**

November 2008

**FinTech Global Incorporated**

Mothers Stock Code: 8789  
<http://www.fgi.co.jp/>

---

The industry trends and analyses, as well as business outlook, strategies and other forward-looking statements, described in these materials are based on information available to the management of FinTech Global Group as of the information publication date. The future operating environment could, however, be significantly different than now due to various factors, and next-stage strategies, performance results and other events may therefore differ from the content presented today.

# **Summary of Fiscal 2008 Results**

---

## Key Issues Addressed in Fiscal 2008 and Status of Results

|   | Degree of Success   |
|---|---|
| <p><b>■ Execute risk-defined principal financing and arrangements without investing or lending own funds</b></p> <p>➡ Given that the real estate market has entered an adjustment phase, FGI held off on new real estate projects requiring principal financing in the second half, and instead emphasized refinancing arrangements for existing clients, actively promoted financial arrangements without investment or lending involvement, and promoted fee businesses, such as real estate brokerage.</p> | <p>○</p> <p>Achieved second-half revenue target</p>   |
| <p><b>■ Secure fund suppliers</b></p> <p>➡ FGI formed a business alliance with Capital Realty Inc. in October 2008 that presents new opportunities for the Company to promote its debt procurement services and solid network of fund suppliers, including financial institutions, to quality overseas investors, such as Invista Real Estate Investment Management Limited, a Capital Realty client, and encourage them to participate in FGI-packaged financial arrangements.</p>                           | <p>△</p> <p>Formed ties with more investors<br/>→ Will eventually contribute to profit</p>  |
| <p><b>■ Expand non-real estate related business</b></p> <p>➡ A department established in April to focus on non real estate related transactions executed small-lot financing backed by structures with warrants—a new product concept whereby FGI provides small-lot financing backed by structures with warrants from the borrower—for a company to which FINTECH GIMV FUND (FGF) has contributed funds.</p>   | <p>△</p> <p>Built on results, cultivated client base<br/>→ Will eventually contribute to profit</p>   |
| <p><b>■ Work towards resumption of reinsurance business</b></p> <p>➡ Crane Reinsurance Limited signed a reinsurance underwriting agreement with Hardy Underwriting Bermuda Limited, a member of a leading Lloyd’s of London syndicate, and marked its return to underwriting new policies in September 2008.</p>  | <p>△</p> <p>Raised reinsurance premiums<br/>→ Will eventually contribute to profit</p>  |
| <p><b>■ Enhance screening system ■ Reinforce claim protection and recovery</b></p> <p>➡ FGI improved its overall ability to analyze risks on new arrangements through the assignment of three examiners and one securitization expert to its screening team. The Company also strengthened management of existing arrangements, including reviews, as necessary, on asset valuation paralleling changes in the external environment.</p>  | <p>×</p> <p>Improved system and claim recovery status but booked valuation losses and higher provision of doubtful accounts on several arrangements</p> |

# Performance Revisions (Consolidated)

|                  | Previous forecast (A) | Fiscal 2008 result (B) | Change (B-A) | Fiscal 2007 result | (Millions of yen) |
|------------------|-----------------------|------------------------|--------------|--------------------|-------------------|
| Revenue          | 14,940                | 14,165                 | (775)        | 16,914             |                   |
| Operating Income | 3,281                 | (8,240)                | (11,521)     | 6,286              |                   |
| Ordinary Profit  | 2,680                 | (9,114)                | (11,794)     | 5,951              |                   |
| Net Income       | (798)                 | (7,160)                | (6,362)      | 1,767              |                   |

|                |  |   |
|----------------|--|---|
| <b>Revenue</b> | Revenue was slightly lower than the previous forecast, largely because the restructured underwriting scheme adopted by Crane Reinsurance eliminated some of the subsidiary's existing policies and reduced the unexpired portion recorded under revenue as unearned premiums, and also because revenue growth at FX Online (FXO) was not as brisk as expected. |   |
| <b>Profits</b> | Cost of revenue  | <ul style="list-style-type: none"> <li>Booked <b>valuation loss of ¥2,121 million on investments in securities, trade</b> related to a property development project.</li> <li>Booked <b>valuation loss of ¥1,606 million on investments in securities, trade</b> at the time FinTech Real Estate(FRE) was liquidated.</li> </ul>  |
|                | Selling, general and administrative expenses   | <ul style="list-style-type: none"> <li>Booked <b>provision to cover ¥1,029 million of a ¥1,500 million loan</b> extended to a real estate development project.</li> <li>Booked <b>provision for doubtful accounts to cover ¥1,000 million in corporate bonds</b> issued by a special purpose company involved in a real estate development project in Aichi Prefecture.</li> <li>Booked <b>provision for doubtful accounts to cover ¥3,550 million in corporate bonds</b> issued by a special purpose company using real estate holdings in Tokyo as collateral to support the fund-raising effort.</li> <li>Booked another <b>increase in provision for doubtful accounts, bringing the total to ¥1,924 million</b>, to reflect the current market value of stock used to secure an investment made in a hospital restructuring business.</li> </ul> |
|                | Other expenses   | <ul style="list-style-type: none"> <li>Booked increase of <b>¥168 million from valuation losses on fund management operations</b> by the Stellar Group,</li> </ul>  |
|                | Extraordinary loss   | <ul style="list-style-type: none"> <li>Booked <b>loss of ¥838 million</b> on system change at FXO as system-related expenses. (FGI's 45% equity stake in FXO determines the amount of net income (loss) from FXO included in the Company's consolidated results.)</li> </ul>  |
|                | Extraordinary profit   | <ul style="list-style-type: none"> <li>Booked <b>¥4,759 million in proceeds from the sale of stock in affiliates</b> following the transfer of FXO shares held by the Company.</li> </ul>   |

# Performance Revisions (Non-consolidated)

|                  | Previous forecast (A) | Fiscal 2008 result (B)   | Change (B-A) | Fiscal 2007 result | (Millions of yen) |
|------------------|-----------------------|--|--------------|--------------------|-------------------|
| Revenue          | 5,537                 | $\left( \begin{array}{r} 5,824 \\ (2,120) \\ \hline 3,704 \end{array} \right)$ | (1,833)      | 7,287              |                   |
| Operating Income | 227                   | (7,837)  | (8,064)      | 4,230              |                   |
| Ordinary Profit  | 222                   | (8,173)  | (8,395)      | 3,731              |                   |
| Net Income       | (219)                 | (6,056)  | (5,837)      | 1,806              |                   |

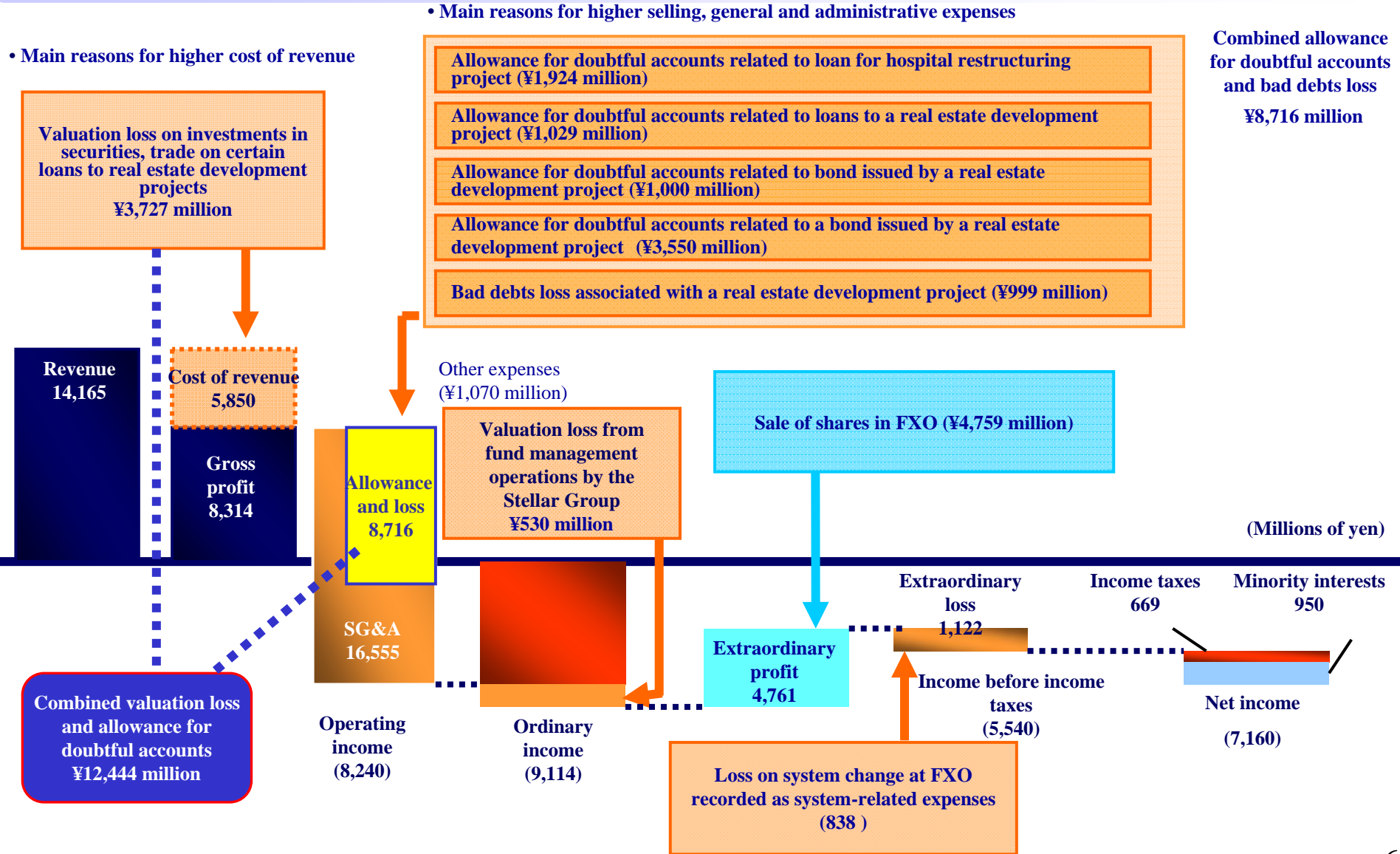
|  |   |  |
|--|---|--|
| <b>Revenue</b>   | Despite generating <b>revenue of ¥5,824 million</b> , primarily from continuing efforts to package large-scale transactions booked as earnings in the first quarter and from real estate brokerage services, FGI had to record a <b>deduction of ¥2,120 million</b> —an amount equivalent to its investment in a silent partnership ( <i>tokumei-kumiai</i> )—and therefore saw its revenue position severely eroded. (See note below.) |  |
| <b>Profits</b>   | Selling, general and administrative expenses  | • Booked <b>provision to cover ¥1,029 million of a ¥1,500 million loan</b> extended to a real estate development project.  |
|  |   | • Booked another increase in <b>allowance for doubtful accounts, bringing the total to ¥1,924 million</b> , to reflect the current market value of stock used to secure an investment made in a hospital restructuring business. |
|  |   | • Booked <b>allowance for doubtful accounts to cover ¥1,000 million in corporate bonds</b> issued by a special purpose company involved in real estate development project in Aichi Prefecture.                                  |
|  |   | • Booked <b>allowance for doubtful accounts to cover ¥3,550 million in corporate bonds</b> issued by a special purpose company using real estate holdings in Tokyo as collateral to support the fund-raising effort.             |
|  | Extraordinary loss  | • Booked <b>¥1,462 million in loss on reorganization of subsidiary</b> , following the windup of FRE.  |
| • Booked <b>valuation loss of ¥434 million on investments in subsidiaries and affiliates</b> . |   |  |
| Extraordinary profit   | • Booked <b>¥4,059 million in gain on sales of shares of subsidiaries and affiliates</b> following the transfer of FXO shares held by the Company.  |  |

**Accounting treatment for silent partnership (*tokumei-kumiai*) investments included under investments in securities, trade**

When applying accounting treatment for silent partnership (*tokumei-kumiai*) investments, the Company records under investments in securities, trade a portion of the assets in silent partnerships (*tokumei-kumiai*) equivalent to its equity stake. Investments in securities, trade is disclosed at the time of investment. The share of earnings and losses realized by the silent partnership (*tokumei-kumiai*) is recorded under revenue, and investments in securities, trade is adjusted by the same amount.

Summary of Consolidated Performance

Fiscal 2008 Business Results



## Dividend Revision

While adhering to a dividend policy that emphasizes the return of profits to shareholders, management seeks to maintain sufficient internal reserves for quickly and reliably taking advantage of opportunities that reinforce and further expand the Company's business platform. In determining dividends, management must therefore take a comprehensive view that includes corporate performance and future business development. Accordingly, management's objective in fiscal 2008 was to ensure the continuation of a payout ratio at 40%, based on a stable dividend component and a performance-based component.

For the first two quarters of fiscal 2008, the Company paid a stable component of ¥165 per share. However, as explained in the announcement regarding downgraded performance forecasts for fiscal 2008, and due to the extremely difficult operating environment that prevails, the Company will not distribute a year-end dividend. Management sincerely regrets this decision and extends its deepest apologies to shareholders. Every effort will be made to bring the Company back to a position where it can resume dividend payments, and management asks for the support of shareholders in this regard.

|   | Dividends per Share (Yen) |          |          |
|---|---------------------------|----------|----------|
| Record date                                 | Interim-end               | Year-end | Annual   |
| Previous forecast                           |                           | 165.00   | 330.00   |
| Revised                                     |                           | —        | 165.00   |
| Results                                     | 165.00                    |          |          |
| (References)<br>Results at<br>previous term | 550.00                    | 750.00   | 1,300.00 |



## Explanation of Note regarding the Assumption of a Going Concern

The Board of Directors at FGI resolved to provide in the financial statements for fiscal 2008 as well as in the *Yuka Shoken Hokokusho*, a business report filed with the authorities in Japan, an explanation, concerning the assumption that the Company and the Group it leads are going concerns.

### Consolidated Financial Statements

- Valuation loss on investments in securities, trade
- Allowance for doubtful accounts



Operating loss of ¥8,240 million

### Non-Consolidated Financial Statements

- Fewer arrangements
- Deduction (¥2,120 million) equivalent to equity stake in silent partnership (*tokumei-kumiai*), following a decrease in the value of real estate held by this silent partnership.



Revenue down from ¥7,837 million in fiscal 2007 to ¥3,704 million in fiscal 2008

## Explanation of Note regarding the Assumption of a Going Concern

**The Group will seek to erase doubt about its future viability through the business strategies, risk management practices, management efficiency measures and financial strategies described below.**

**To buoy revenue**, the Group will promote business expansion geared to the corporate restructuring activities and fund-procurement needs specific to this period of correction in the real estate industry. The Group will enhance earnings by utilizing accumulated know-how in structured financing, a network of investors characterized by diversity, and a direct pipeline to insurance guarantees, and by providing sophisticated financial services to client companies. Higher earnings will underpin a return to an operating income position on a consolidated basis.

**To reinforce risk management**, the Group has already taken a dramatically more conservative approach to principal finance operations with the application of tougher screening standards. This move brought about a significant reduction in new investments in fiscal 2008 as the business emphasis shifted toward the collection of outstanding loans rather than extending loans. The Group will maintain this perspective, seeking to shrink risk assets while improving liquidity in hand.

**To enhance profitability**, management will review groupwide expenses, especially selling, general and administrative expenses.

Of note, the Company completed the transfer of all shares held in FXO for a total value of about ¥12.7 billion. The Company will receive payment in several installments, and according to the initial schedule, the last installment will take place in December 2008. This should eliminate any concerns over financing.

# **Business Briefing**

---

**Consolidated Business Activities at a Glance**

**Investment Banking Business**

**Arrangement operations**

**FinTech Global**

**Principal finance operations**

**FinTech Global**

- **FinTech Principal Investment Incorporated**
- **FGI Principal Co., Ltd.**

**Other investment banking operations**

**FinTech Global**

- **FinTech Global Securities, Inc.**
- **FINTECH GIMV FUND, L.P.**

**Reinsurance/Financial Guarantee Business**

**Credit enhancement**

- **Stellar Capital AG**
- **FinTech Global**

**Reinsurance underwriting**

- **Crane Reinsurance Limited**

**Rent guarantee services**

- **Entrust Inc.**

**Sales credit guarantees**

- **Reliable Factors Co., Ltd.**

**Real Estate related Business**

**Development, brokerage, purchase, and rental of properties**

**FinTech Global**

**Other Business**

**Sale and consulting services of public accounting software**

- **Public Management Consulting Corporation**

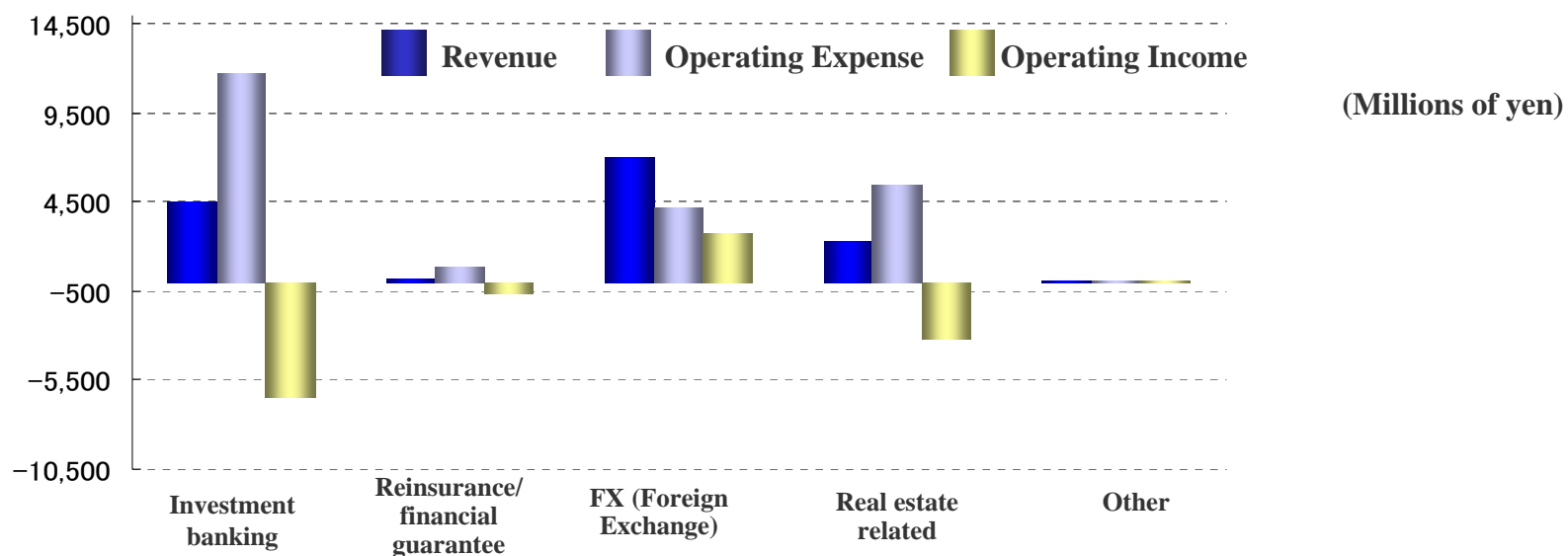
● Consolidated subsidiary

**Consolidated Results by Business Segment (Revenue and Operating Profit)**

(Millions of yen)

| Business Segment                | Investment banking | Reinsurance/ financial guarantee | FX (Foreign Exchange) | Real estate related | Other     | Total         | Elimination and corporate | Consolidated  |
|---------------------------------|--------------------|----------------------------------|-----------------------|---------------------|-----------|---------------|---------------------------|---------------|
| (1)Revenue from Outside Clients | 4,588              | 210                              | 7,018                 | 2,268               | 79        | 14,165        | 0                         | 14,165        |
| (2)Inter-Segment Transactions   | 729                | 0                                | 0                     | 0                   | 0         | 729           | -729                      | 0             |
| <b>Total (Revenue)</b>          | <b>5,317</b>       | <b>210</b>                       | <b>7,018</b>          | <b>2,268</b>        | <b>79</b> | <b>14,894</b> | <b>-729</b>               | <b>14,165</b> |
| <b>Operating Expenses</b>       | <b>11,755</b>      | <b>862</b>                       | <b>4,260</b>          | <b>5,466</b>        | <b>73</b> | <b>22,438</b> | <b>-32</b>                | <b>22,405</b> |
| <b>Operating Income</b>         | <b>-6,458</b>      | <b>-651</b>                      | <b>* 2,758</b>        | <b>-3,197</b>       | <b>5</b>  | <b>-7,544</b> | <b>-696</b>               | <b>-8,240</b> |

(Including ¥1.5 billion goodwill)



## 2-1. Investment Banking Business /Arrangement Operations

An arrangement is a structured finance package comprising several components. FGI formulates a framework to execute structured financing, such as asset securitization, adjusts it to accommodate investors and other participants in the arrangement, and then verifies the content from legal, accounting and taxation perspectives.

### Aggregate Arrangement Results (Non-Consolidated)

(Millions of yen)

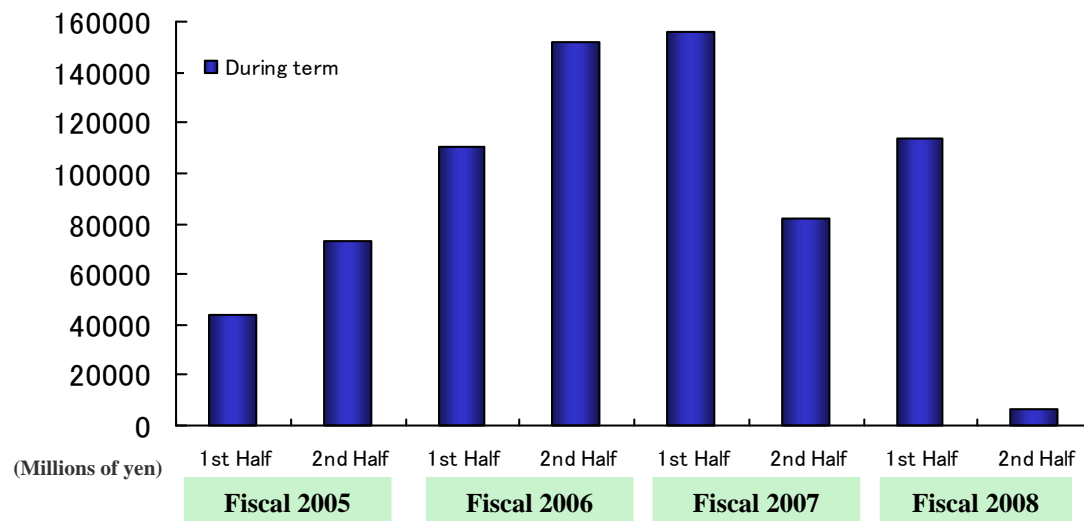
|  | Fiscal 2005 |          | Fiscal 2006 |          | Fiscal 2007 |          | Fiscal 2008 |          |
|--|-------------|----------|-------------|----------|-------------|----------|-------------|----------|
|  | 1st Half    | 2nd Half | 1st Half    | 2nd Half | 1st Half    | 2nd Half | 1st Half    | 2nd Half |
| Value  | 43,699      | 73,483   | 110,445     | 151,806  | 155,732     | 81,789   | 114,095     | 6,169    |
| Revenue from arrangement operations (non-consolidated) | 840         | 1,310    | 1,682       | 2,996    | 2,941       | 1,016    | 1,934       | 263      |

Aggregate Arrangement Results represents total investment and loans--that is, overall fund procurement--acquired from investors, financial institutions and other sources to fund financial products arranged by FGI. The aggregate value of arrangement contracts includes contracts for arrangement services with credit enhancement.

|  |    |    |    |    |    |    |       |      |
|--|----|----|----|----|----|----|-------|------|
| (References) *                         |    |    |    |    |    |    |       |      |
| Number of arrangements closed          | 14 | 30 | 29 | 27 | 29 | 17 | 16(7) | 7(5) |
| Number of Arrangements for new clients | 14 | 6  | 1  | 6  | 6  | 6  | 8     | 9    |

\*Number of arrangements closed: Number in parentheses is the total number of joint arrangements, principal finance--only arrangements and other arrangements.

New clients are those for whom a business relationship with FGI commenced during the period indicated. The number of arrangements closed includes those for new clients.



Arrangement services procured ¥6,169 million of funds in the last two quarters of fiscal 2008.

As conditions in the real estate market deteriorate, the packaging of financial arrangements becomes increasingly problematic. In addition, even though FGI logged numerous inquiries for its financial arrangement expertise from a wide range of potential clients and attracted new clients amid challenging financial conditions, its search for lenders to invest in clients' real estate development projects was made all the more difficult by reduced lending among financial institutions for real estate purposes. As a result, the Company closed fewer arrangements.

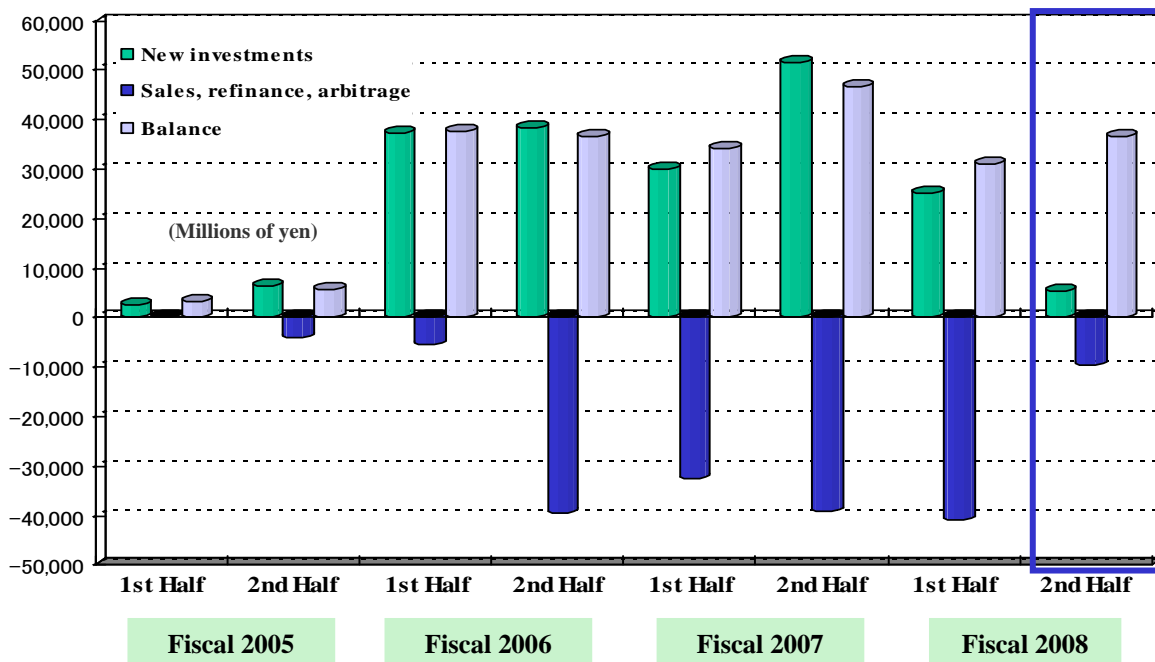
## 2-2. Investment Banking Business/Principal Finance Operations

FGI itself acts as a provider of funds, in the capacity of an investor or a lender, for such applications as silent partnerships (*tokumei-kumiai*), mezzanine loans and corporate loans.

### Balance of Investments and Loans

(Millions of yen)

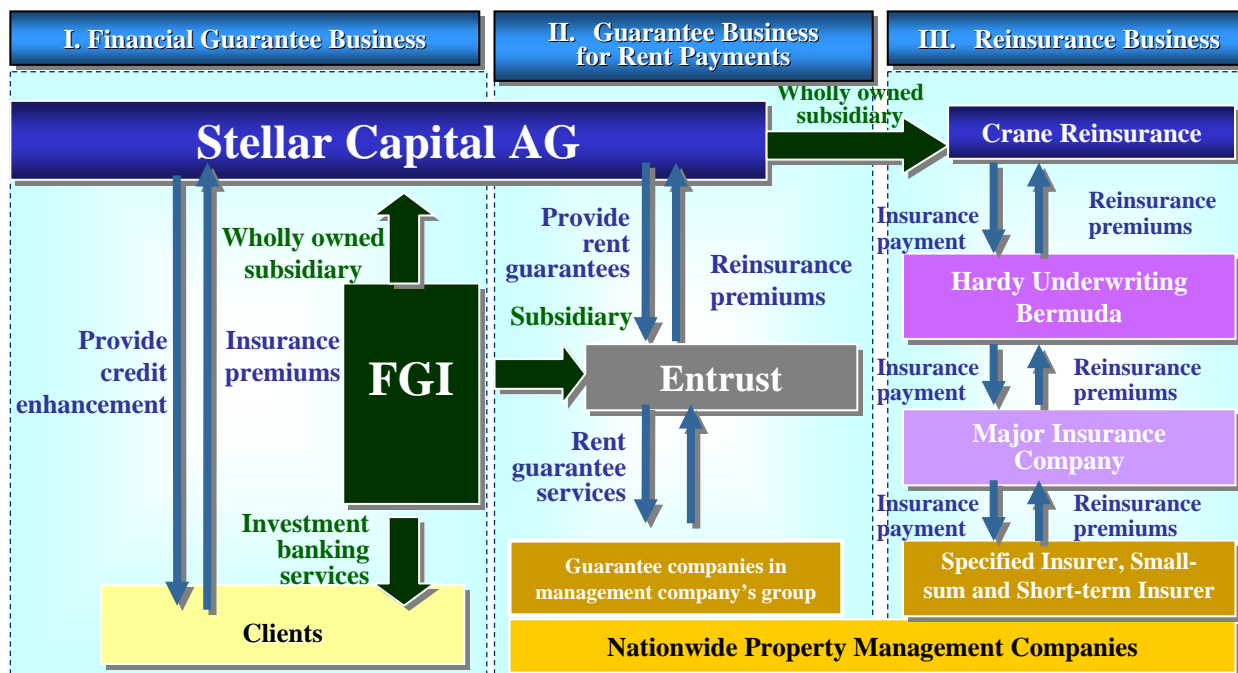
| Non-consolidated           | Fiscal 2005 |          | Fiscal 2006 |          | Fiscal 2007 |          | Fiscal 2008 |                        |
|----------------------------|-------------|----------|-------------|----------|-------------|----------|-------------|------------------------|
|                            | 1st Half    | 2nd Half | 1st Half    | 2nd Half | 1st Half    | 2nd Half | 1st Half    | 2nd Half               |
| New investments            | 2,693       | 6,526    | 37,290      | 38,380   | 30,060      | 51,623   | 25,278      | 5,413<br>[note 12,169] |
| Sale, refinance, arbitrage | 39          | 4,074    | 5,344       | 39,567   | 32,579      | 39,020   | 40,685      | 11,694                 |
| Balance                    | 3,295       | 5,747    | 37,693      | 36,506   | 33,987      | 46,590   | 31,183      | * 37,071               |
| Revenue                    | 28          | 228      | 860         | 1,777    | 1,538       | 1,635    | 1,437       | * [1,494](Δ811)        |



\*Comprises investments in securities, trade and loans receivable, trade on a non-consolidated basis.  
 \*After deducting an amount (¥2,120 million) representing the equity-based portion of a net loss realized by a silent partnership (*tokumei-kumiai*), FGI showed a deficit of ¥811 million.

FGI implemented dramatically tougher screening standards in fiscal 2008 as part of enhanced risk management and emphasized low-risk arrangements using as little of its own capital as possible. As a result, new investments in the last two quarters fell considerably, compared year-on-year, to ¥5,413 million  
 Note: New investments in the fourth quarter were up, because assets held by FRE were transferred to FGI upon suspension of business and subsequent liquidation of the subsidiary in the same quarter. The increase through transfer is in parentheses ([xxx]).

**3. Reinsurance/Financial Guarantee Business**



(Millions of yen)

|         | Fiscal 2007 Results | Fiscal 2008 Results |
|---------|---------------------|---------------------|
| Revenue | 1,720               | 210                 |

**Stellar Capital and Crane Reinsurance:**

Stellar Capital posted revenues from previously arranged transactions only because no transactions requiring the credit enhancement services of the company were arranged in fiscal 2008.

Crane Reinsurance, having made the final adjustments toward resumption of reinsurance underwriting operations under a new scheme, marked its return to active status in September 2008 with services directed toward Syndicate 382 for Hardy Underwriting Bermuda Limited, a reinsurer listed on the London Stock Exchange.

Prompted by the final losses of fiscal 2007, both Stellar Capital and Crane Reinsurance are conducting radical reviews aimed at streamlining investment assets and reducing selling, general and administrative expenses.

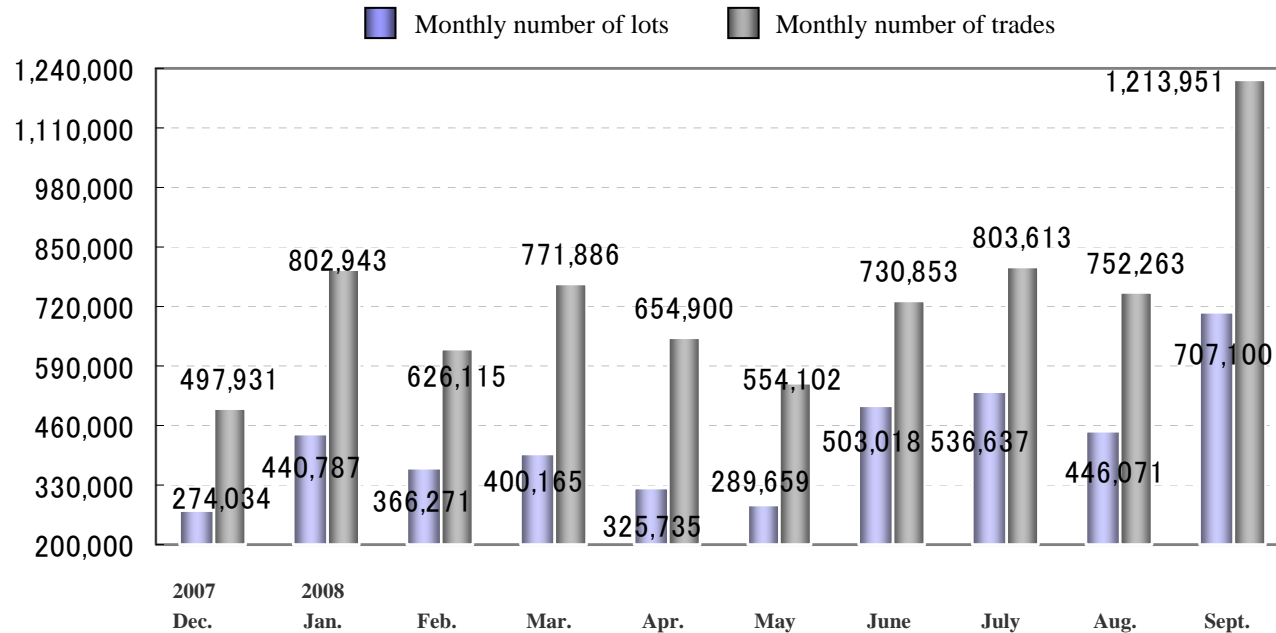
**Entrust:**

Entrust earned a profit position in fiscal 2008, as stronger connections to Daiwa Living Co., Ltd., and wider demand for rent guarantee services fueled aggressive business development and supported steadily higher guarantee income.



**4. FX (Foreign Exchange) Business**

The FX business is undertaken by FXO, shares of which were acquired by FGI between January and March 2007. Profits from this business activity have been included in consolidated results, since fiscal 2007. The online foreign exchange margin trading business—FXO’s area of expertise—is an intensely competitive field but one that is rapidly expanding in scale.



Wild exchange rate fluctuations in September 2008 led to a major increase in the number of trades. The number of lots hit an all-time high that month. However trading volume had dropped, albeit temporarily, in the early part of the third quarter, leading to revenues below target.

A “lot” is the trading unit used in forex margin trading. In these materials, one lot is equivalent to 100,000 pips of a key currency.

| (Millions of yen) | Fiscal 2007 Results<br>(Six month results) | Fiscal 2008 Results |
|-------------------|--|---------------------|
| Revenue           | 3,139                                      | 7,018               |

\* Note: FGI has sold its stake in FXO effective September 2008.

## 5. Real Estate Related Operations and Other Business

- Real Estate Related Operations**

Real estate related operations hinge on FinTech Real Estate and SPCs under the scope of consolidation, which capitalize on profit opportunities, such as property brokerage, sales and rental income, generated through development-style securitization arrangements packaged by FGI.

| (Millions of yen)           | Fiscal 2007 Results | Fiscal 2008 Results |
|-----------------------------|---------------------|---------------------|
| Real Estate Related Revenue | 5,069               | 2,268               |

**FRE sold one property in the first quarter, which brought in about ¥1.6 billion. Rental income from buildings owned by SPCs under consolidation generated additional revenue.**

\*Liquidation procedures for FRE completed on September 30, 2008.

- Other Business**

Other business covers revenue from Public Management Consulting (PMC), which was brought under consolidation through subscription to a third-party allocation of shares.

| (Millions of yen) | Fiscal 2008 Results |
|-------------------|---------------------|
| Other Revenue     | 79                  |

**In the third quarter, FGI acquired a 98.6% equity stake in PMC and turned the company into a subsidiary. Management pursued this investment because of potential demand stemming from new rules for public sector accounting that will require market value assessment of assets held by municipal corporations, and thereby prompt greater need for improved asset efficiency, in accordance with the Financial Revitalization Law. The Company aims to address this need with financial solutions utilizing securitization and asset-liquidation techniques, and PMC's products and services will be instrumental in achieving this goal.**

## Fiscal 2008: Group Company Results

(Non-consolidated results of Group companies before consolidated adjustments)

| Stellar Capital/<br>Crane Reinsurance | Fiscal 2007       | Fiscal 2008 (A)   | Fiscal 2008 (B) | Progress Ratio (B/A)<br>(%) |
|---------------------------------------|-------------------|-------------------|-----------------|-----------------------------|
|                                       | Full Year Results | Full Year Results | Initial Targets |                             |
| Revenue                               | 1,719             | 5                 | 136             | 3.7%                        |
| Ordinary Profit (Loss)                | 293               | (809)             | (269)           | -                           |
| Net Income (Loss)                     | 317               | (784)             | (272)           | -                           |

(Millions of yen)

| FX Online       | Fiscal 2007       | Fiscal 2008 (A)   | Fiscal 2008 (B) | Progress Ratio (B/A)<br>(%) |
|-----------------|-------------------|-------------------|-----------------|-----------------------------|
|                 | Six-Month Results | Full Year Results | Initial Targets |                             |
| Revenue         | 3,139             | 7,018             | 7,495           | 93.6%                       |
| Ordinary Profit | 2,244             | 4,202             | 5,041           | 83.4%                       |
| Net Income      | 1,328             | 1,992             | 2,986           | 66.7%                       |

| FinTech Global Securities | Fiscal 2007       | Fiscal 2008 (A)   | Fiscal 2008 (B) | Progress Ratio (B/A)<br>(%) |
|---------------------------|-------------------|-------------------|-----------------|-----------------------------|
|                           | Full Year Results | Full Year Results | Initial Targets |                             |
| Revenue                   | 112               | 164               | 175             | 93.7%                       |
| Ordinary Profit (Loss)    | (110)             | (33)              | (21)            | -                           |
| Net Income (Loss)         | (110)             | (35)              | (23)            | -                           |

| Entrust                | Fiscal 2007       | Fiscal 2008 (A)   | Fiscal 2008 (B) | Progress Ratio (B/A)<br>(%) |
|------------------------|-------------------|-------------------|-----------------|-----------------------------|
|                        | Full Year Results | Full Year Results | Initial Targets |                             |
| Revenue                | 8                 | 376               | 312             | 120.5%                      |
| Ordinary Profit (Loss) | (126)             | 20                | 2               | 1,000.0%                    |
| Net Income (Loss)      | (127)             | 18                | 2               | 900.0%                      |

Liquidation procedures for FRE completed up on September 30, 2008.

# **Financial Highlights**

---

**1. Consolidated Balance Sheets**

(Thousands of yen, %)

| Assets                           | Fiscal 2007 |       | Fiscal 2008 |       |
|----------------------------------|-------------|-------|-------------|-------|
| <b>Current assets</b>            | 82,248,886  | 90.6  | 78,155,349  | 98.9  |
| Cash and time deposits           | 15,263,735  |       | 9,600,189   | 1     |
| Deposits                         | 10,214,673  |       | —           |       |
| Accounts receivable, trade       | 5,962       |       | 211,058     |       |
| Trading securities               | —           |       | 4,119,244   | 2     |
| Investments in securities, trade | 4,571,706   |       | 5,828,400   |       |
| Inventory                        | 5,864,266   |       | 36,344,528  | 3     |
| Loans receivable, trade          | 40,454,941  |       | 19,361,400  |       |
| Accrued income                   | —           |       | 7,545,342   |       |
| Other                            | 6,025,010   |       | 2,974,970   |       |
| Allowance for doubtful accounts  | ( 151,409)  |       | (7,829,785) | 4     |
| <b>Fixed assets</b>              | 8,491,587   | 9.4   | 865,843     | 1.1   |
| Property, plant and equipment    | 267,825     | 0.3   | 275,997     | 0.3   |
| Intangible fixed assets          | 6,666,727   | 7.4   | 241,157     | 0.3   |
| Investments and other assets     | 1,557,035   | 1.7   | 348,688     | 0.4   |
| <b>Total assets</b>              | 90,740,474  | 100.0 | 79,021,192  | 100.0 |

1 Down, due to sale of FXO shares

2 Reflects line item change for investment assets of Stellar Group

3 Inventory, loans receivable trade, and short-term debt: Silent partnership investment into SPCs with property holdings falls under consolidated accounting, following large-scale transaction restructuring. As a result, loans receivable, trade decreased while inventory, including real estate for sale, and short-term debt grew considerably.

Consolidated SPC portion of inventory assets: ¥34,688 million  
Consolidated SPC portion of short-term debt: ¥23,300 million

4 Allowance for doubtful accounts: Details are on page 4.

(Thousands of yen, %)

| Liabilities                         | Fiscal 2007 |      | Fiscal 2008 |      |
|-------------------------------------|-------------|------|-------------|------|
| <b>Current liabilities</b>          | 35,350,755  | 38.9 | 37,399,383  | 47.3 |
| Short-term debt                     | 14,351,700  |      | 33,613,647  |      |
| Deposits from customers             | 9,992,733   |      | —           |      |
| Long-term debt due within one year  | 7,272,056   |      | 1,818,300   |      |
| Other                               | 3,734,263   |      | 1,967,432   |      |
| <b>Long-term liabilities</b>        | 28,198,620  | 31.1 | 24,195,549  | 30.6 |
| Bonds with stock acquisition rights | 22,170,000  |      | 22,170,000  |      |
| Long-term debt                      | 4,532,140   |      | 1,612,600   |      |
| Other                               | 1,496,480   |      | 412,949     |      |
| <b>Total liabilities</b>            | 63,549,376  | 70.0 | 61,594,933  | 77.9 |

(Thousands of yen, %)

| Net Assets                                   | Fiscal 2007 |       | Fiscal 2008 |        |
|--|-------------|-------|-------------|--------|
| <b>Shareholders' Equity</b>                  | 25,027,828  | 27.6  | 16,855,245  | 21.3   |
| Common stock                                 | 10,736,448  | 11.8  | 10,764,317  | 13.6   |
| Additional paid-in capital                   | 10,351,900  | 11.4  | 10,351,900  | 13.1   |
| Retained earnings                            | 3,939,480   | 4.4   | (4,260,972) | ( 5.4) |
| <b>Valuation and translation adjustments</b> | (17,163)    | (0.0) | (47,945)    | ( 0.1) |
| <b>Stock acquisition rights</b>              | 4,974       | 0.0   | 17,659      | 0.0    |
| <b>Minority interests</b>                    | 2,175,458   | 2.4   | 601,301     | 0.8    |
| <b>Total net Assets</b>                      | 27,191,098  | 30.0  | 17,426,259  | 22.1   |

|   |            |       |            |       |
|---|------------|-------|------------|-------|
| <b>Total liabilities and net assets</b> | 90,740,474 | 100.0 | 79,021,192 | 100.0 |
|---|------------|-------|------------|-------|

## 2. Consolidated Statement of Income

(Thousands of yen, %)

|  | Fiscal 2006 |        | Fiscal 2007 |       | Fiscal 2008 |         |
|--|-------------|--------|-------------|-------|-------------|---------|
| Revenue                                      | 8,231,713   | 100.0  | 16,914,147  | 100.0 | 14,165,298  | 100.0   |
| Cost of revenue                              | 622,716     | 7.6    | 5,481,682   | 32.4  | 5,850,602   | 41.3    |
| Gross profit                                 | 7,608,997   | 92.4   | 11,432,464  | 67.6  | 8,314,696   | 58.7    |
| Selling, general and administrative expenses | 1,687,114   | 20.5   | 5,145,487   | 30.4  | 16,555,000  | 116.9   |
| Operating income (loss)                      | 5,921,883   | 71.9   | 6,286,977   | 37.2  | (8,240,303) | (58.2)  |
| Other income                                 | 59,091      | 0.7    | 308,516     | 1.8   | 195,757     | 1.4     |
| Other expenses                               | 399,883     | 4.9    | 643,822     | 3.8   | 1,070,129   | 7.6     |
| Ordinary profit (loss)                       | 5,581,091   | 67.8   | 5,951,671   | 35.2  | (9,114,676) | (64.3)  |
| Extraordinary profit                         | —           | —      | 11,720      | 0.1   | 4,761,756   | 33.6    |
| Extraordinary loss                           | —           | —      | 146,183     | 0.9   | 1,122,020   | 7.9     |
| Income (loss) before income taxes            | 5,581,091   | 67.8   | 5,817,208   | 34.4  | (5,540,367) | (39.1)  |
| Income taxes                                 | 2,384,543   | 29.0   | 2,537,111   | 15.0  | 669,619     | 4.7     |
| Minority interests                           | (39,208)    | ( 0.5) | 1,512,311   | 8.9   | 950,707     | 6.7     |
| Net income (loss)                            | 3,235,755   | 39.3   | 1,767,784   | 10.5  | (7,160,694) | ( 50.6) |

Please see page 4 for references.

**3. Non-Consolidated Balance Sheets**

(Thousands of yen, %)

| Assets                           | Fiscal 2007       |              | Fiscal 2008       |              |
|----------------------------------|-------------------|--------------|-------------------|--------------|
| <b>Current assets</b>            | 57,380,752        | 73.2         | 47,333,519        | 80.2         |
| Cash and time deposits           | 6,836,785         |              | 6,229,715         |              |
| Accounts receivable, trade       | 6,195             |              | 3,324             |              |
| Investments in securities, trade | 3,986,713         |              | 14,701,082        |              |
| Loans receivable, trade          | 42,603,000        |              | 22,370,000        |              |
| Short-term loans                 | 3,562,000         |              | 80,000            |              |
| Accrued income                   | —                 |              | 7,469,296         |              |
| Other                            | 548,752           |              | 4,289,757         |              |
| Allowance for doubtful accounts  | (162,695)         |              | (7,809,660)       |              |
| <b>Fixed assets</b>              | 20,982,185        | 26.8         | 11,655,508        | 19.8         |
| Property, plant and equipment    | 183,312           | 0.3          | 229,702           | 0.4          |
| Intangible fixed assets          | 12,425            | 0.0          | 19,675            | 0.0          |
| Investments and other assets     | 20,786,448        | 26.5         | 11,406,130        | 19.3         |
| <b>Total assets</b>              | <b>78,362,938</b> | <b>100.0</b> | <b>58,989,028</b> | <b>100.0</b> |

**1** Aggregate principal financing investments and loans (investments in securities, trade + loans receivable, trade) reached ¥37,071 million. See page 14 for details.

**2** Lower short-term debt reflects a considerable decrease in this line item through liquidation of FRE.

**3** Receivables associated with sale of FXO stock.

**4** Investments and other assets: Investments in shares of subsidiaries and affiliates Stellar Capital: about ¥10 billion  
Sales of FXO stock caused investments in shares of subsidiaries and affiliates to retreat about ¥8.4 billion.

(Thousands of yen, %)

| Liabilities                         | Fiscal 2007       |             | Fiscal 2008       |             |
|-------------------------------------|-------------------|-------------|-------------------|-------------|
| <b>Current liabilities</b>          | 27,287,380        | 34.8        | 17,325,991        | 29.4        |
| Short-term debt                     | 18,779,000        |             | 14,686,400        |             |
| Long-term debt due within one year  | 7,272,056         |             | 1,818,300         |             |
| Other                               | 1,236,324         |             | 821,287           |             |
| <b>Long-term liabilities</b>        | 26,125,321        | 33.4        | 23,820,252        | 40.4        |
| Bonds with stock acquisition rights | 22,170,000        |             | 22,170,000        |             |
| Long-term debt                      | 3,927,236         |             | 1,612,600         |             |
| Other                               | 28,085            |             | 37,652            |             |
| <b>Total liabilities</b>            | <b>53,412,701</b> | <b>68.2</b> | <b>41,146,244</b> | <b>69.8</b> |

(Thousands of yen, %)

| Net Assets                                   | Fiscal 2007       |             | Fiscal 2008       |             |
|--|-------------------|-------------|-------------------|-------------|
| <b>Shareholders' Equity</b>                  | 24,962,424        | 31.9        | 17,832,471        | 30.2        |
| Common stock                                 | 10,736,448        | 13.7        | 10,764,317        | 18.2        |
| Additional paid-in capital                   | 10,351,900        | 13.2        | 10,351,900        | 17.5        |
| Retained earnings                            | 3,874,076         | 5.0         | (3,283,746)       | (5.6)       |
| <b>Valuation and translation adjustments</b> | (17,163)          | (0.1)       | (7,346)           | 0.0         |
| <b>Stock acquisition rights</b>              | 4,974             | 0.0         | 17,659            | 0.0         |
| <b>Total net Assets</b>                      | <b>24,950,236</b> | <b>31.8</b> | <b>17,842,784</b> | <b>30.2</b> |

|   |                   |              |                   |              |
|---|-------------------|--------------|-------------------|--------------|
| <b>Total liabilities and net assets</b> | <b>78,362,938</b> | <b>100.0</b> | <b>58,989,028</b> | <b>100.0</b> |
|---|-------------------|--------------|-------------------|--------------|

## 4. Non-Consolidated Statement of Income

(Thousands of yen, %)

|  | Fiscal 2006 |       | Fiscal 2007 |       | Fiscal 2008 |         |
|--|-------------|-------|-------------|-------|-------------|---------|
| Revenue                                      | 7,544,427   | 100.0 | 7,287,612   | 100.0 | 3,704,386   | 100.0   |
| Cost of revenue                              | 431,256     | 5.7   | 740,799     | 10.2  | 567,007     | 15.3    |
| Gross profit                                 | 7,113,171   | 94.3  | 6,546,812   | 89.8  | 3,137,379   | 84.7    |
| Selling, general and administrative expenses | 1,297,778   | 17.2  | 2,316,585   | 31.8  | 10,975,055  | 296.3   |
| Operating income (loss)                      | 5,815,392   | 77.1  | 4,230,227   | 58.0  | (7,837,676) | (211.6) |
| Other income                                 | 14,566      | 0.2   | 116,134     | 1.6   | 26,830      | 0.7     |
| Other expenses                               | 349,578     | 4.7   | 615,256     | 8.4   | 362,506     | 9.8     |
| Ordinary profit (loss)                       | 5,480,380   | 72.6  | 3,731,105   | 51.2  | (8,173,352) | (220.6) |
| Extraordinary profit                         | 0           | —     | 0           | —     | 4,059,722   | 109.6   |
| Extraordinary loss                           | 0           | —     | 627,125     | 8.6   | 2,195,218   | 59.3    |
| Income (loss) before income taxes            | 5,480,380   | 72.6  | 3,103,979   | 42.6  | (6,308,847) | (170.3) |
| Income taxes                                 | 2,245,752   | 29.8  | 1,297,356   | 17.8  | (252,262)   | (6.8)   |
| Net income (loss)                            | 3,234,627   | 42.9  | 1,806,623   | 24.8  | (6,056,585) | (163.5) |

<sup>1</sup> Despite generating revenue from continuing efforts to package large-scale transactions booked as earnings in the first quarter and from real estate brokerage services, FGI saw its revenue position severely eroded, owing to a deduction of ¥2,120 million, which is the portion of the net loss posted by a silent partnership (*tokumei-kumiai*) equivalent to the investment made by FGI in this entity. When applying accounting treatment for silent partnership (*tokumei-kumiai*) investments, the Company books a portion of the assets in silent partnerships (*tokumei-kumiai*) equivalent to its equity stake under investments in securities, trade. Investments in securities, trade is disclosed at the time of investment. The share of earnings and losses realized by the silent partnership (*tokumei-kumiai*) is recorded under revenue, and investments in securities, trade is adjusted by the same amount.

The portion—¥2,120 million—of the net loss realized by the silent partnership (*tokumei-kumiai*) is equivalent to the equity stake held by the Company. The amount has been reduced, according to the Company's accounting treatment standards, but was originally ¥5,824 million.



# **Fiscal 2009 Performance Forecasts and Measures**

---

## Key Strategies in Fiscal 2009

### Marketing Strategies

Strive to expand revenue base and cultivate new businesses

Establish client and information platforms

Carve out access routes to investors at home and abroad

### Group Management Strategies

Implement scrap-and-build process for unprofitable businesses, whether they are business segments or whole subsidiaries

Draw on Group synergies and emphasize optimum allocation of management resources

### Risk Management, Fiscal Strategies

Shrink assets, streamline balance sheets, and lower economic risk

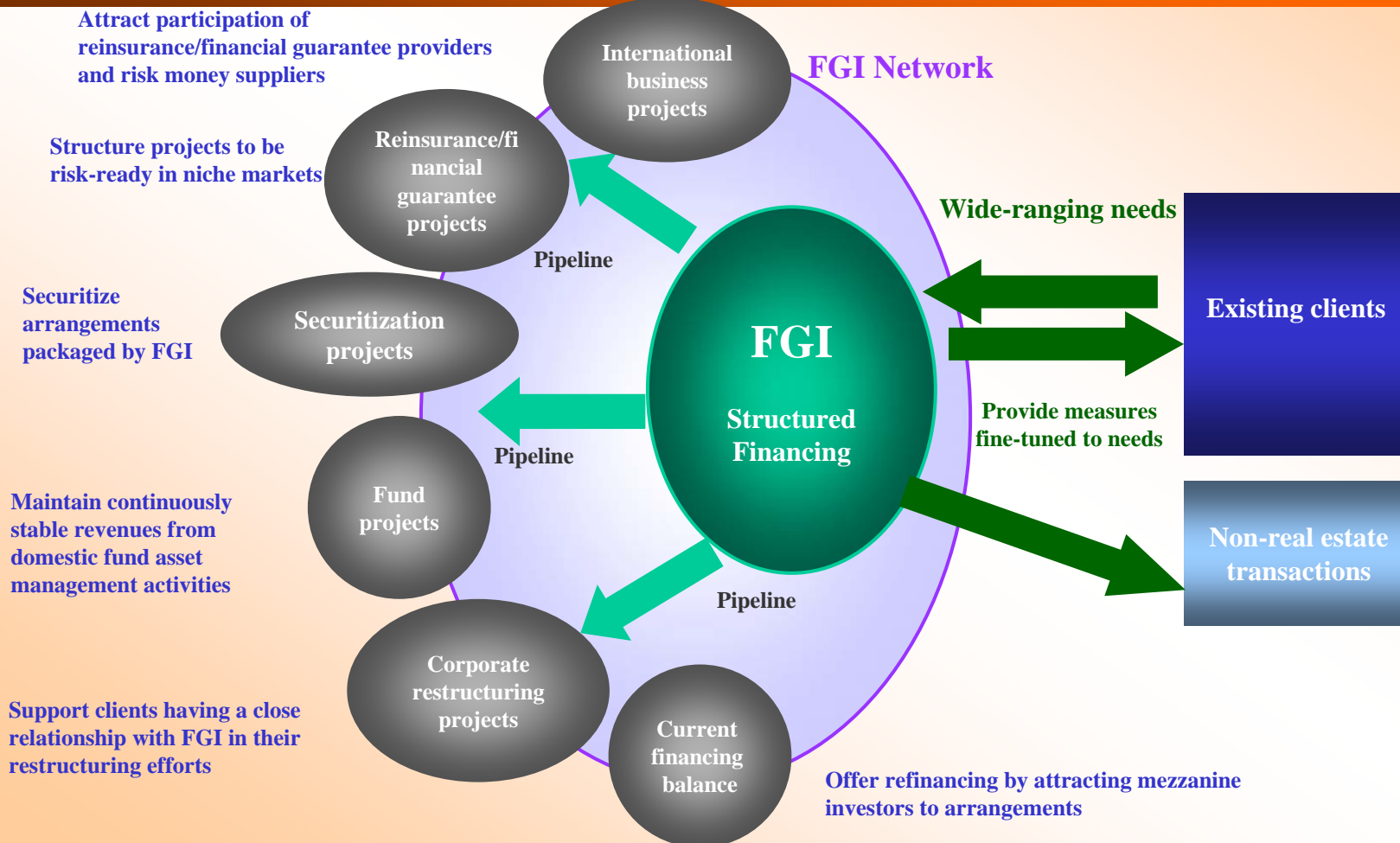
Achieve stable liquidity status

Execute meticulous project screening and reinforce claim recovery

Review expenses, including selling, general and administrative expenses

## Marketing Strategies/Group Management Strategies

Seeking to expand business activities to meet emerging trends, especially heightened corporate restructuring and fund procurement requirements, during this adjustment phase in the real estate industry, the Group will maximize its strong points—know-how in structured financing and a network of investors made more attractive through diversity—and utilize direct access to reinsurance/financial guarantees. These efforts will underpin sophisticated financial services, such as advisory services and restructuring support, and reinforce the Group’s connection to clients. Management will execute a radical review of all business activities, including those of subsidiaries, and apply a scrap-and-build approach as necessary. Efforts will also be taken to vigorously pursue synergies among Group companies, and ensure not only optimum allocation of management resources, such as people, facilities, services, funds and networks, but also shared access to these vital corporate assets.



**Fiscal 2008: Breakdown of Non-Consolidated Revenue**

| Type   | Total (Millions of yen) |
|--|-------------------------|
| <b>Conventional securitized arrangements</b>                               | 143                     |
| Property → bridging loans  | 59                      |
| Development-style securitization   | 84                      |
| <b>Refinancing arrangements</b>  | 2,205                   |
| Property → Refinancing   | 326                     |
| Property → Development transfer financing                                  | 1,684                   |
| Completed building → Exit financing  | 195                     |
| <b>Corporate support</b>   | 430                     |
| Securitization of client-owned assets                                      | 423                     |
| Corporate financing  | 7                       |
| <b>Brokerage</b>   | 628                     |
| Real estate brokerage  | 542                     |
| Lending agency   | 84                      |
| Private handling   | 2                       |
| <b>Reinsurance/financial guarantee arrangements and credit enhancement</b> | 67                      |
| <b>Other / Non-real estate related arrangement total</b>                   | 169                     |
| <b>Total A</b>   | 3,642                   |
| <b>Interest</b>  | 2,098                   |
| <b>Cash management administration</b>                                      | 84                      |
| <b>Total B</b>   | 2,182                   |
| <b>(A+B)</b>   | 5,824                   |

Development-style securitization had been the largest component of revenue until fiscal 2008 when conventional securitized arrangements represented only about 4% of revenues from investment banking business, excluding interest and cash management. Revenue from refinancing arrangements and brokerage activities accounted for more than three-quarters of this total.

|  |              |
|--|--------------|
| Portion of the net loss realized by the silent partnership (tokumei-kumiai) equivalent to the equity stake held by the Company | (2,120)      |
| <b>Revenue</b>   | <b>3,704</b> |

## Risk Management, Fiscal Strategies

To reinforce risk management, the Group has already taken a dramatically more conservative approach to principal finance operations with the application of tougher screening standards. This move brought about a significant reduction in new investments in fiscal 2008 as the business emphasis shifted toward the collection of outstanding loans rather than extending loans. The Group will maintain this perspective, seeking to shrink risk assets while improving liquidity in hand.

Of note, the Company completed the transfer of all shares held in FXO for a total value of about ¥12.7 billion. The Company will receive payment in several installments, and according to the initial schedule, the last installment will take place in December 2008. Part of the proceeds from the sale of equity in FXO have been used to retire loans originally acquired to purchase these shares, thus reducing the weight of interest-bearing liabilities.

Funds that should be recovered later will also be applied to reducing interest-bearing liabilities, which will further strengthen the Company's financial footing.

1. Implement thorough cash flow management through close communication among the finance, sales management and credit departments
2. Recover and shrink risk assets and achieve stable liquidity status
3. Reduce interest-bearing liabilities
4. Review expenses, especially selling, general and administrative expenses

### Reference: Bank loans

(100 millions of yen)

| Non-Consolidated      |                                    | At Sept 30, 2008 | At Dec 31, 2008 |
|-----------------------|------------------------------------|------------------|-----------------|
| Short-term borrowings |                                    | 94               | 17              |
|                       | Short-term debt                    | 76               | 6               |
|                       | Long-term debt due within one year | 18               | 11              |
| Long-term borrowings  |                                    | 16               | 4               |
| <b>Total</b>          |                                    | <b>111</b>       | <b>21</b>       |

**Principal Finance Portfolio**

(Millions of yen)

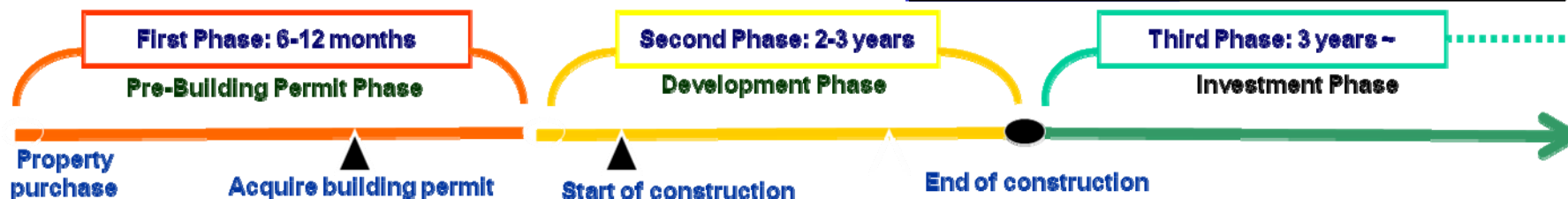
| Fiscal 2008   |                                     | Pre-building permit bridging loan | Development-style senior and mezzanine loan | Investment-style senior and mezzanine loan | Non-real estate | Total         |
|---|-------------------------------------|-----------------------------------|---|--|-----------------|---------------|
| Loans receivable, trade   | Loans receivable, trade: A          | 4,885                             | 8,010                                       | 3,357                                      | 3,109           | 19,361        |
|   | Allowance for doubtful accounts: a  | 1,029                             | 0   | 0  | 2,098           | 3,127         |
|   | (A-a)                               | 3,856                             | 8,010                                       | 3,357                                      | 1,011           | 16,234        |
| Investments in securities, trade                                  | Investments in securities, trade: B | 3,558                             | 1,005                                       | 488  | 777             | 5,828         |
|   | Allowance for doubtful accounts: b  | 3,550                             | 1,000                                       | 0  | 0               | 4,550         |
|   | (B-b)                               | 8                                 | 5   | 488  | 777             | 1,278         |
| Allowance for doubtful accounts, sales and valuation losses (a+b) |                                     | 4,579                             | 1,000                                       | 0  | 2,098           | 7,677         |
| <b>Total</b>  |                                     | <b>3,864</b>                      | <b>8,015</b>                                | <b>3,845</b>                               | <b>1,788</b>    | <b>17,512</b> |

**Risk highest at pre-building permit phase**

| Inventory assets |   | Type                              | Consolidated inventory (36,334) | Valuation losses in fiscal 2008 |
|------------------|---|-----------------------------------|---------------------------------|---------------------------------|
| SPC-held         | A | Pre-building permit bridging loan | 29,188                          | 1,503                           |
|                  | B | Pre-building permit bridging loan | 4,669                           | 2,121                           |
|                  | C | Investment-style loan             | 830                             | 102                             |
| FGI-held         | D | Pre-building permit bridging loan | 786                             | 0                               |
|                  | E | Investment-style loan             | 862                             | 0                               |

| Primary fund-procurement schemes of SPCs |                |   |
|--|----------------|---|
| FGI loan                                 | FGI investment | Non-recourse loans from other companies |
| 3,000                                    | 10,185         | 18,500                                  |
| 0  | 2,121          | 4,800                                   |
| 0  | 959            | 0                                       |
| 0  | 786            | 0                                       |
| 0  | 862            | 0                                       |
| <b>3,000</b>                             | <b>14,913</b>  | <b>23,300</b>                           |

**Real Estate Development and Investment**



## Fiscal 2009: Performance Forecast (Consolidated)

(Millions of yen)

|                         | Fiscal 2007<br>Results | Fiscal 2008<br>Results | Fiscal 2009<br>Forecast |           |
|-------------------------|------------------------|------------------------|-------------------------|-----------|
|                         |                        |                        | Interim                 | Full year |
| Revenue                 | 16,914                 | 14,165                 | 2,178                   | 4,837     |
| Operating Income (Loss) | 6,286                  | (8,240)                | 169                     | 814       |
| Ordinary Profit (Loss)  | 5,951                  | (9,114)                | 143                     | 836       |
| Net Income (Loss)       | 1,767                  | (7,160)                | 37                      | 426       |

### Fiscal 2009 Expectations

FXO, which brought in about 50% of revenues, will be absent from consolidation in fiscal 2009, leading to a major decline—¥9,328 million, or 65.9%—in consolidated revenue. On the profit front, Entrust is expected to generate ¥176 million in ordinary profit, but certain expenses, mainly restructuring costs following a radical review of the Stellar Group, could pull consolidated profits even lower than the non-consolidated level.

**Fiscal 2009: Performance Forecast (Non-Consolidated)**

(Millions of yen)

|                         | Fiscal 2007<br>Results | Fiscal 2008<br>Results | Fiscal 2009<br>Forecast |           |
|-------------------------|------------------------|------------------------|-------------------------|-----------|
|                         |                        |                        | Interim                 | Full year |
| Revenue                 | 7,287                  | 3,704                  | 1,500                   | 3,400     |
| Operating Income (Loss) | 4,230                  | (7,837)                | 341                     | 1,083     |
| Ordinary Profit (Loss)  | 3,731                  | (8,173)                | 262                     | 1,000     |
| Net Income (Loss)       | 1,806                  | (6,056)                | 152                     | 580       |

**Fiscal 2009 Expectations**

To underpin new business development, FGI will set up lateral project teams for each new arrangement and strive to establish a network of overseas investors and other cooperative interests as quickly as possible. The Company will emphasize activities geared to the financing needs and restructuring efforts of clients, especially existing clients.

Of revenue, fee income should reach ¥2,600 million, and interest on principal finance operations should bring in ¥800 million. Concerted efforts will be directed toward companywide cost-cutting, including personnel expenses, to reduce selling, general and administrative expenses. This will lead to enhanced profitability.



# **Supplementary Materials**

---

## Developments that Impacted Fiscal 2008 Performance

### Valuation loss on investments in securities, trade under cost of revenue: ¥3,727 million

• **Valuation loss on investment in securities, trade from silent partnership (*tokumei-kumiai*) involved in real estate development project (¥2,121 million)**

Members of the FGI Group, including FRE, an FGI subsidiary wound up as of September 30, 2008, invested ¥2,121 million in Godo Kaisha TSM Sixty Four Alpha (Alpha), a special purpose company, in November 2007, under a silent partnership (*tokumei-kumiai*) agreement. Alpha then invested ¥2,120 million in Godo Kaisha TSM Sixty Four Beta (Beta), a special purpose company involved in a real estate development project, under a silent partnership (*tokumei-kumiai*) agreement. (Assets held by FRE were transferred to the Company upon suspension of business and subsequent liquidation of the subsidiary. )

Real estate transactions have become sluggish, largely because of an increasingly challenging fund-procurement environment, caused by recent turmoil in financial markets, and because of tougher screening standards for real estate-oriented lending and investment by financial institutions. Considering the impact of these conditions on the Beta project, the Company reassessed the value of the specific property being developed and concluded that it would be appropriate to book a valuation loss of ¥2,121 million on investments in securities, trade related to this equity interest under cost of revenue in the consolidated financial statements. On a non-consolidated basis, revenue will be reduced by ¥2,120 million, which is the portion of the net loss realized by the silent partnership (*tokumei-kumiai*) equivalent to the equity stake held by the Company. (See note below.)

• **Valuation loss on investment in securities, trade following liquidation of FRE (¥1,606 million)**

Equity stakes held by FRE in silent partnerships (*tokumei-kumiai*) operating SPCs holding property for development were booked as losses on the disposal of investments in securities, trade at the time these stakes were sold to the Company because the appraised value of the subject real estate had decreased. Contributions by FRE to these silent partnerships (*tokumei-kumiai*) were sourced from the Company, so a portion of the outstanding indebtedness was forgiven at the time of liquidation.

**Note: Accounting treatment for silent partnership (*tokumei-kumiai*) investments included under investments in securities, trade**

When applying accounting treatment for silent partnership (*tokumei-kumiai*) investments, the Company records under investments in securities, trade a portion of the assets in silent partnerships (*tokumei-kumiai*) equivalent to its equity stake. Investments in securities, trade is disclosed at the time of investment. The share of earnings and losses realized by the silent partnership (*tokumei-kumiai*) is recorded under revenue, and investments in securities, trade is adjusted by the same amount.

## Developments that Impacted Fiscal 2008 Performance

### Additions to provision for doubtful accounts under SG&A: ¥7,716 million

- On investment in a hospital restructuring business (¥1,924 million)
- On a loan extended by FGI to a real estate development project in Osaka (¥1,029 million)
- On corporate bonds issued by a special purpose company using real estate holdings in Tokyo as collateral to support the fund-raising effort because of an obvious decline in the value of said real estate (¥3,550 million)
- On corporate bonds issued by a special purpose company using real estate holdings in Aichi Prefecture as collateral to support the fund-raising effort because of an obvious decline in the value of said real estate (¥1,000 million)

### Bad debts loss under SG&A: ¥999 million

- On a loan extended by FGI to facilitate financing of a real estate project in Osaka

### Non-operating expenses: ¥1,070 million

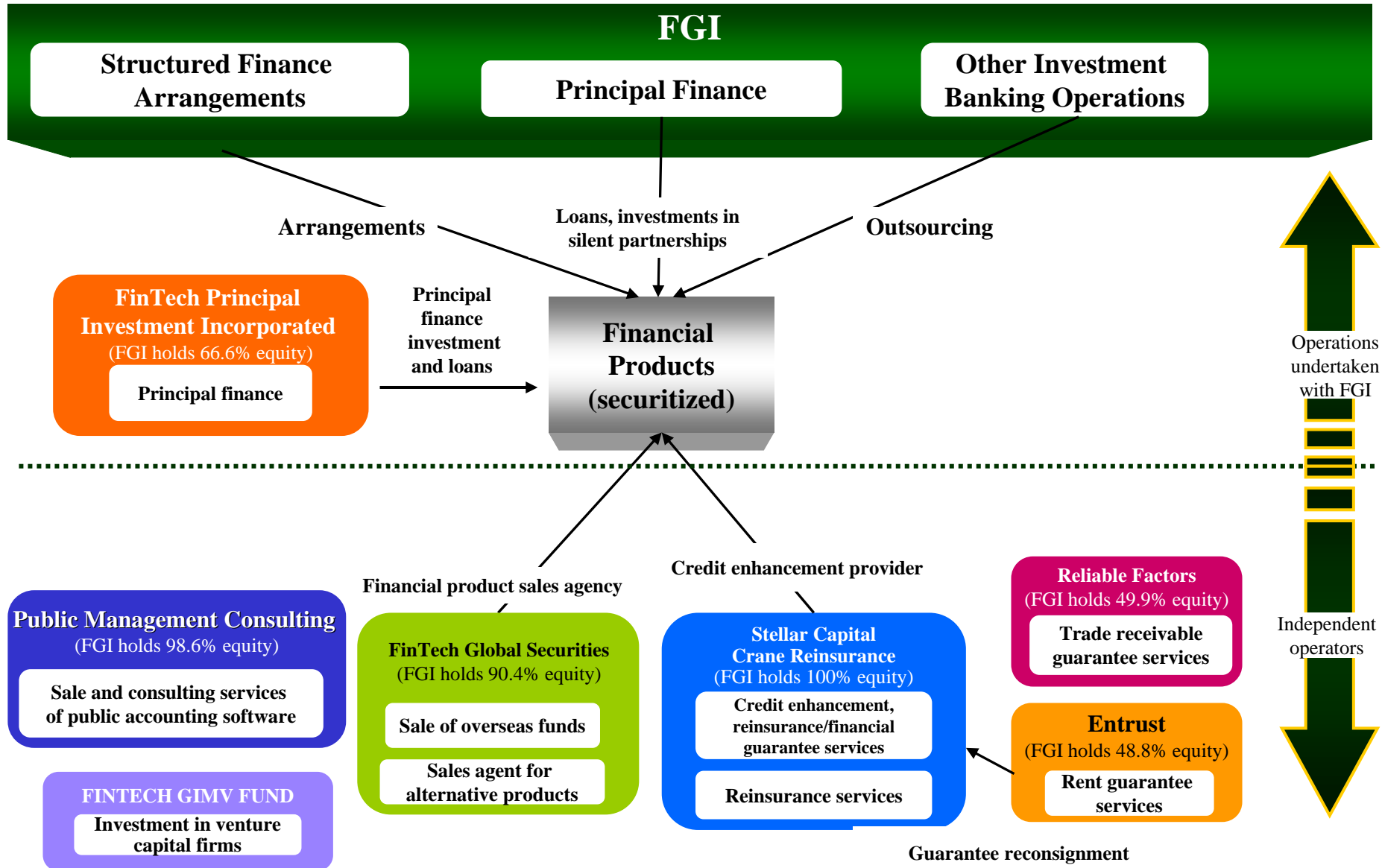
- Additional loss of ¥168 million on fund management operations in the fourth quarter

### Consolidated extraordinary profit of ¥4,759 million from sale of shares in FXO

FGI transferred some of the shares it held in FXO back to the company and all remaining shares to IG Japan, a wholly owned subsidiary of U.K.-based IG Group Holdings plc. The Company will invest some of the proceeds from this sale of stock into carefully selected projects through new real estate and non-real estate related financial schemes designed with a heightened emphasis on risk and return. Some of the proceeds will also be used to retire debt, including bank borrowings, and thereby reinforce the Company's financial footing.

- Proceeds (extraordinary profit) from the sale of stock in affiliates appears as ¥4,759 million on the consolidated statement of income and as ¥4,059 million on the non-consolidated statement of income
- Booked a loss of ¥838 million on system change at FXO as system-related expenses  
(FGI's 45% equity stake in FXO determines the amount of net income (loss) from FXO included in the Company's consolidated results.)

**FGI Group Correlation Chart**



**Aggregate Arrangement Results: Total Investment by FGI and Major Financial Sectors**

(Millions of yen)

|  | Fiscal 2005   |                | Fiscal 2006    |                | Fiscal 2007    |                | Fiscal 2008    |                |
|--|---------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
|  | 1st half      | Total for year | 1st half       | Total for year | 1st half       | Total for year | 1st half       | Total for year |
| Trust banks  | 45,134        | 62,974         | 91,206         | 108,701        | 132,036        | 143,836        | 163,736        | 163,736        |
| City banks   | 34,180        | 69,554         | 96,381         | 161,143        | 200,253        | 205,653        | 219,018        | 219,018        |
| Regional banks   | 2,189         | 5,818          | 11,037         | 14,597         | 14,597         | 14,597         | 15,247         | 15,247         |
| FGI  | 3,574         | 10,100         | 45,891         | 61,519         | 83,584         | 105,174        | 113,344        | 114,004        |
| Other investors<br>(Non bank, and foreign<br>financial institutions) | 5,427         | 15,541         | 29,918         | 80,279         | 151,501        | 194,500        | 266,510        | 272,019        |
| <b>Total</b>   | <b>90,504</b> | <b>163,987</b> | <b>274,432</b> | <b>426,238</b> | <b>581,971</b> | <b>663,760</b> | <b>777,855</b> | <b>784,024</b> |

(Millions of yen)

