FGI

FinTech Global Incorporated

The firm of innovative financing

Annual Report 2008

For the year ended September 30, 2008

FGI

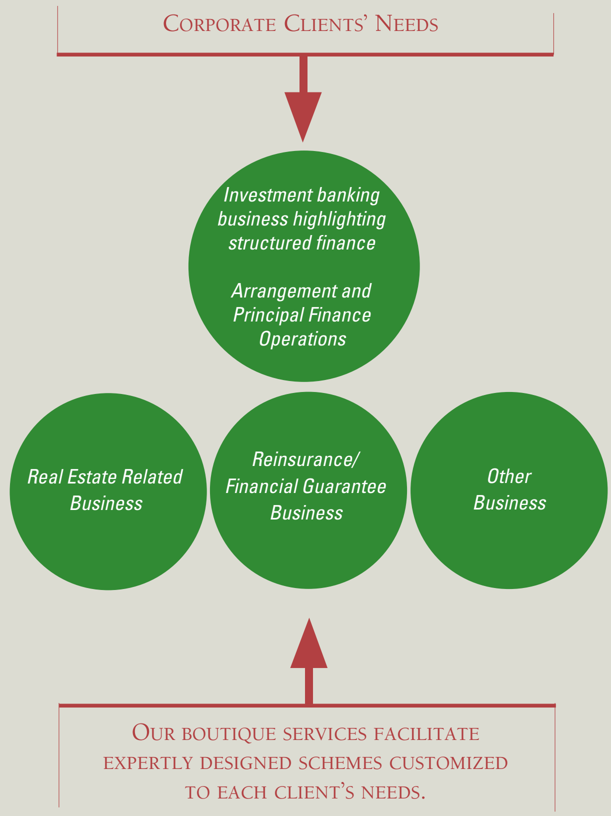
The Firm of Innovative Financing

Headquartered in Tokyo, Japan, FinTech Global Incorporated (FGI) was established in 1994 as a boutique investment bank specializing in structured finance and providing services underpinned by the latest financial technologies.

"FinTech" is coined from "finance" and "technology" and, true to our name, we create financial solutions, including innovative schemes utilizing leading-edge techniques, that earn us the trust of our clients.

As of September 30, 2008, the FGI Group comprised FGI—the parent company—as well as 18 consolidated principal subsidiaries.

Business Lines



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Cautionary Statement with Regard to Forward-Looking Statements

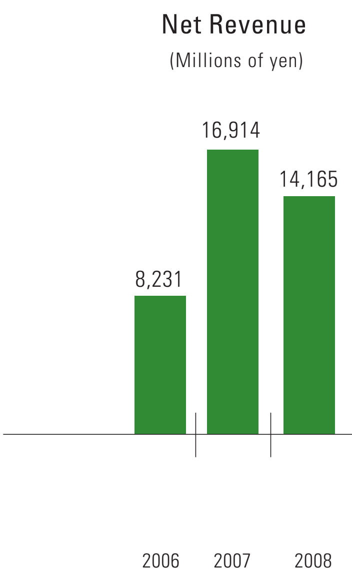
Certain statements made in this annual report are forward-looking statements, which involve certain risks and uncertainties that could cause actual results to differ materially from those projected. Readers are cautioned not to place undue reliance on these forward-looking statements, which are valid only as of the date thereof. FinTech Global undertakes no obligation to republish revised forward-looking statements to reflect events or circumstances after the date thereof or to reflect the occurrence of unanticipated events.

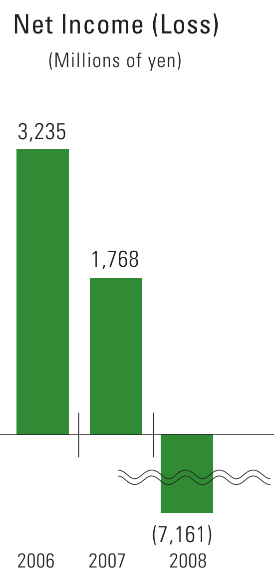
Consolidated Financial Highlights

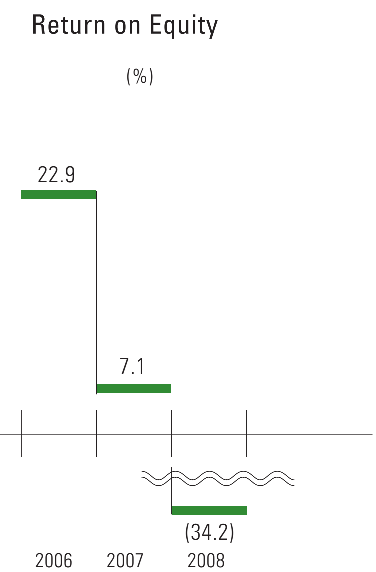
(Years ended September 30)

	Millions of yen			Thousands of U.S. dollars
	2008 (a)	2007 (b)	% change (a/b)	2008
For the fiscal year:				
Net revenue	¥ 14,165	¥ 16,914	–16.3%	$136,691
Operating income (loss)	(8,240)	6,287	—	(79,518)
Net income (loss)	(7,161)	1,768	—	(69,100)
Net cash provided by (used in) operating activities	13,155	(10,001)	—	126,944
At year-end:				
Total assets	¥ 79,021	¥ 90,740	–12.9%	$762,532
Net assets	17,426	27,191	–35.9	168,159
Earnings per common share (yen and dollars):				
Net income:				
Basic	¥(5,937.48)	¥ 1,484.29	—%	$(57.29)
Diluted	—	1,395.39	—	—
Cash dividend applicable to the year	165.00	1,300.00	–87.3	1.59
Key ratios (percent):				
Return on equity	(34.2)%	7.1%	—	
Return on assets	(8.4)	2.3	—	
Equity ratio	21.3	27.6	—	
Other year-end data:				
Number of shares outstanding	1,208,135	1,202,560	—	
Number of employees	112	129	—	

Note: The U.S. dollar amounts represent the arithmetical results of translating yen into U.S. dollars at the rate of ¥103.63 to US$1.







To Our Shareholders

"Management and staff will make every effort to return the Group to a position of profit as quickly as possible."

In fiscal 2008, ended September 30, 2008, continued upheaval in worldwide financial markets inevitably impacted the activities of the FGI Group. Foreign-owned financial institutions became more reluctant to invest, and domestic financial institutions were forced to take a tougher stance on lending for real estate–oriented investments. FGI itself responded to the adjustment in real estate prices by implementing stricter screening standards on principal financing projects. All these factors exerted pressure on consolidated net revenue, which fell 16.3%, to ¥14,165 million, compared with a year earlier.

After booking a provision for doubtful accounts to cover an uncollected loan by an FGI subsidiary to a project allegedly raising funds for a hospital restructuring business as well as a provision for doubtful accounts and a loss on doubtful accounts associated with loans extended by the Company to a property redevelopment project, in addition to valuation losses taken on marketable securities, trade, the Group recorded a net loss of ¥7,161 million.

It is with sincere regret that faced with this poor performance, management has decided not to distribute a year-end dividend. Recognizing the need to take responsibility for these fiscal results, directors have agreed to a reduction in compensation for a one-year period.

The FGI Group enjoys a solid reputation among its many clients, thanks to its high level of expertise in structured finance, and a strong network of connections to financial institutions and investors, both in Japan and abroad. Client needs are diversifying, moving beyond existing property development securitization to arrangement services in new applications, including corporate restructuring. FGI will promote business expansion by utilizing its structured finance know-how and investor network to address prevailing client needs.

Management and staff will make every effort to return the Group to a position of profit as quickly as possible. We know this is essential to maintaining the confidence that you have placed in us. We ask for your continued encouragement and support.

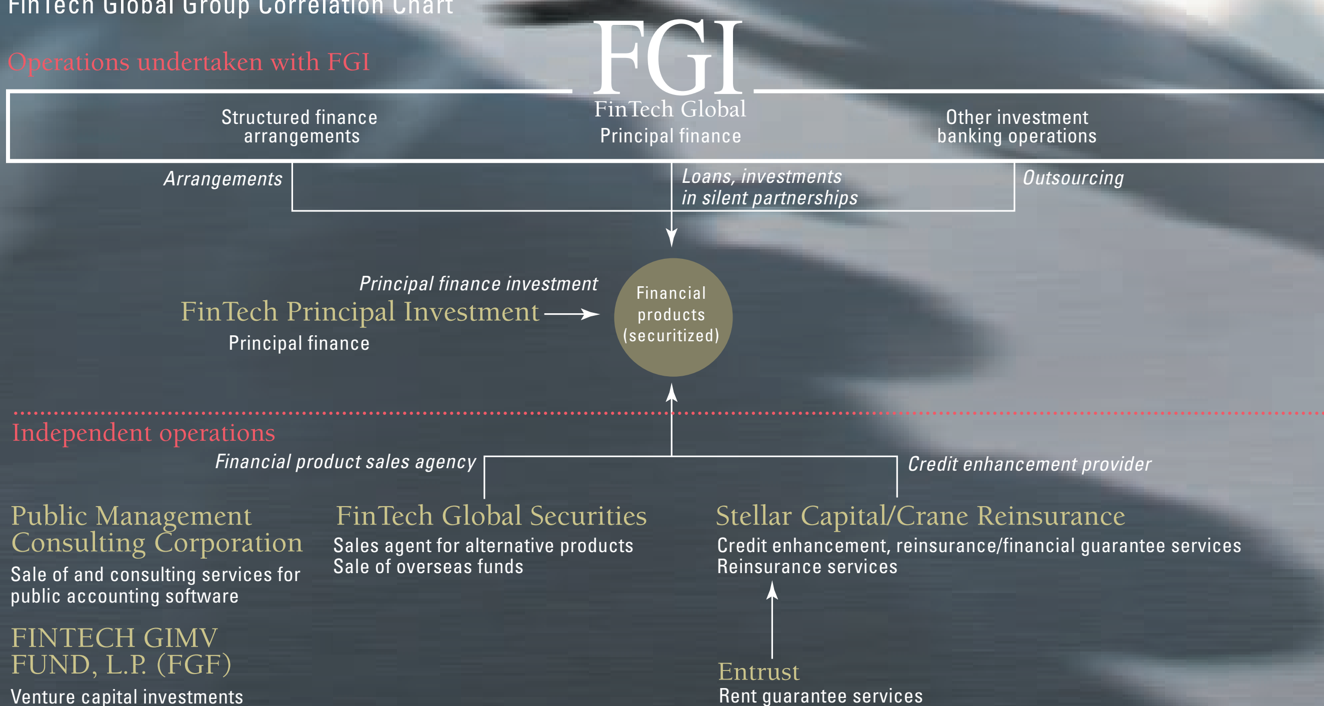
December 2008

Nobumitsu Tamai
President and CEO

Medium-term Strategies

We aim to return to a position of profit as quickly as possible by addressing changes in the operating environment and making steady progress on key strategies.

FinTech Global Group Correlation Chart



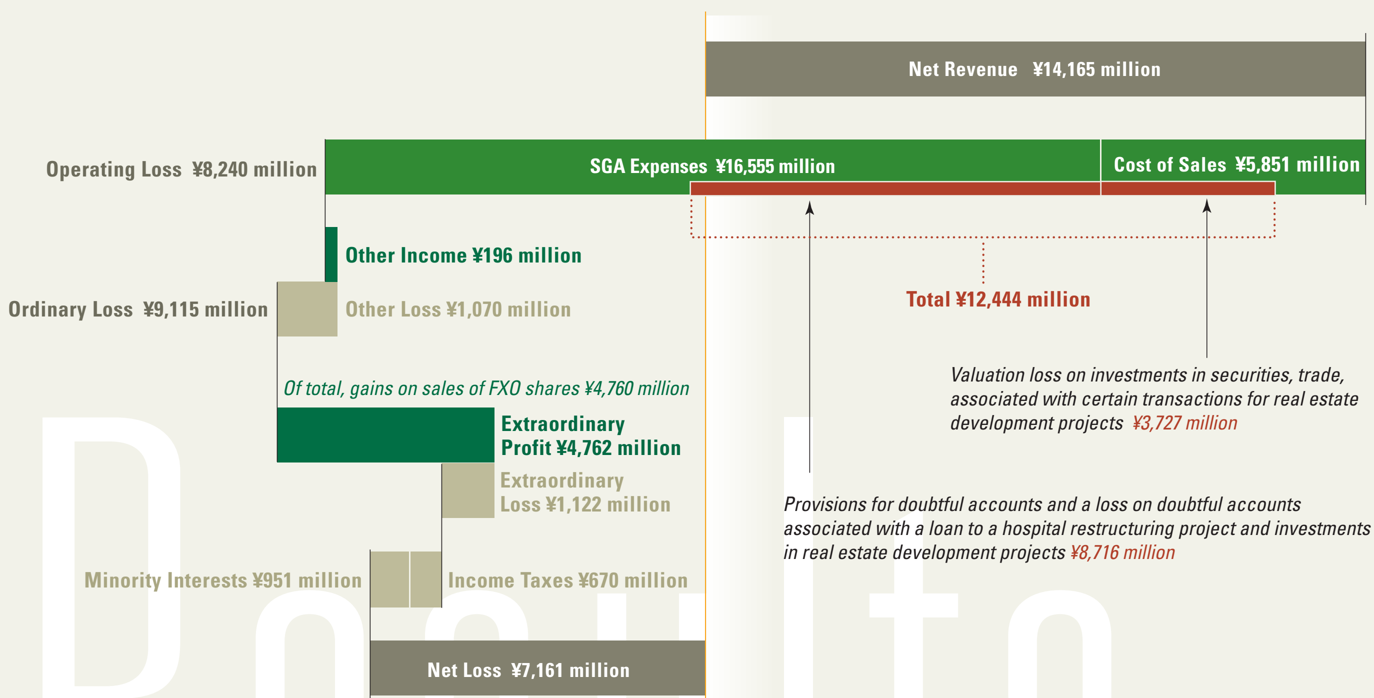
Results

Fiscal 2008

Decreased revenue and profit, mainly due to a provision for doubtful accounts and valuation losses

FGI completed one financial arrangement for a large-scale project in the early part of fiscal 2008, which contributed to earnings. However, from the third quarter, the Company took a more conservative approach to principal finance activities, in which it utilizes its own funds to facilitate transactions, by adopting a more selective approach and prioritizing those arrangements requiring only the packaging service, and those viewed as low risk.

Consequently, consolidated net revenue decreased 16.3% year-on-year, to ¥14,165 million. After booking a provision for doubtful accounts to cover an uncollected loan by an FGI subsidiary to a project allegedly raising funds for a hospital restructuring business, as well as a provision for doubtful accounts and a loss on doubtful accounts associated with loans extended by the Company to a property redevelopment project, in addition to valuation losses taken on marketable securities, trade, the Group recorded a net loss of ¥7,161 million.



Results

Marketing Strategies

1. Strive to expand revenue base and cultivate new businesses
2. Establish client and information platforms
3. Carve out access routes to investors at home and abroad

Group Management Strategies

1. Implement scrap-and-build process for unprofitable businesses, whether they are business segments or whole subsidiaries
2. Draw on Group synergies and emphasize optimum allocation of management resources
3. Promote asset reduction, streamline balance sheets, and reduce economic risk
4. Achieve stable liquidity status
5. Execute meticulous project screening and reinforce claim recovery
6. Review expenses, especially selling, general and administrative expenses

Fiscal 2008

Strategies to reinforce group capabilities

In fiscal 2008, the Group addressed the following five marketing and Group management strategies.

Pursue appropriate business expansion for this phase of the real estate price adjustment process

In the second half, FGI held off from new real estate projects requiring principal financing; instead FGI emphasized refinancing arrangements for existing clients, and actively promoted those financial arrangements not requiring FGI investment or lending involvement, as well as fee businesses, such as real estate brokerage.

Expand network of fund suppliers

FGI formed a business alliance with Capital Realty Inc. in October 2008. This alliance provides 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.

Full-fledged start of non-real estate related operations

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 transferable property-backed loans and obtains warrants from the borrower—for a company to which FINTECH GIMV FUND, L.P. (FGF) has contributed funds.

Restructure the Group

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.

In the same month, FGI transferred some of its shares in FX Online Japan Co., Ltd. (FXO), back to the company, in accordance with a treasury stock purchase request, and the remaining shares to IG Japan. The Company recorded ¥4,759 million in proceeds from the sale of its equity stake in FXO.

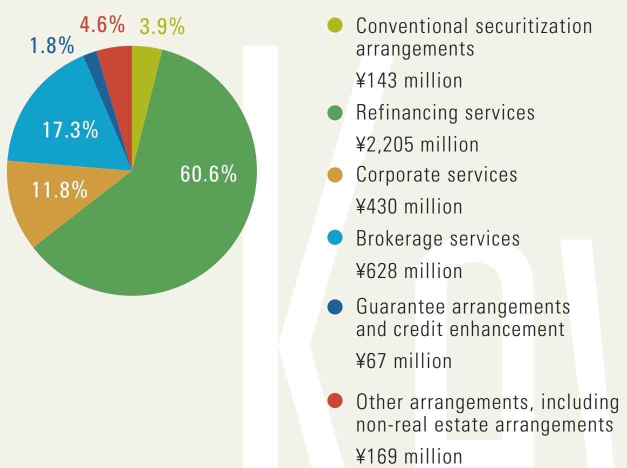
Enhance screening system, reinforce claim protection and recovery capacity

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.

Non-Consolidated Net Revenue by Business

(Millions of yen)

Year ended September 30, 2008



Note: The total—¥3,642 million—reflects the deduction of ¥2,182 million in interest income and cash management fees from original net revenue of ¥5,824 million before the elimination of ¥2,120 million, which is the portion equivalent to FGI's equity stake in a silent partnership (tokumei kumiai) *that recorded a net loss.*

Fiscal 2009

Addressing diverse needs and building a new profit model

As foreign-owned financial institutions, which play a guiding role in fund supply for the real estate market, became more reluctant to invest, and as domestic financial institutions took a tougher stance on real estate–oriented investment-lending leading real estate prices to soften, FGI found it difficult to execute new arrangements for real estate development projects.

However, this period of real estate price adjustment has created the perfect opportunity for FGI to demonstrate a valuable strength—know-how in structured financing. Emerging trends, especially heightened corporate restructuring and fund procurement requirements, present new business chances, and management is keen to capitalize on these conditions.

A breakdown of fiscal 2008 revenues by service, on a non-consolidated basis, shows that conventional property development securitization arrangements comprised a significantly smaller share of the total. But revenues were up from refinancing services, corporate services to support the capital sourcing needs of clients through such means as securitization of assets, and real estate brokerage services for existing clients. This substantiates the success of efforts to address diverse client needs.

To satisfy the demand for funds that obviously exists, the Group will strive to improve its capabilities, already well regarded by clients, with a particular emphasis on (i) its network of local and international investors whose diversity facilitates access to the funds needed to fulfill the procurement requirements of clients, and (ii) direct access to reinsurance/financial guarantees. This focus will underpin the Group's ability to offer sophisticated financial services, such as advisory services and restructuring support, and inspire a new, well-designed profit model.

Reinforcing risk management, and financial 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 on possible investments using its own funds. 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 new loans. The Group will maintain this perspective, seeking to shrink risk assets while improving liquidity.

In September 2008, FGI completed the sale of all shares held in FXO for a total consideration of about ¥12.7 billion. Payment will be received in several installments, and part of the proceeds from the sale of equity in FXO have already been used to retire bank borrowings originally acquired to purchase these shares, thereby reducing the weight of interest-bearing liabilities.

Recovered investments and loans will also be applied to interest-bearing liabilities, which will further strengthen the Company's financial footing.

For reference, bank borrowings totaled ¥11.1 billion as of September 30, 2008, on a non-consolidated basis.

Strategies

Fiscal 2008 Review

At September 30, 2008, the FGI Group comprised FGI—the parent company—as well as 18 consolidated subsidiaries and five unconsolidated subsidiaries.

Sales and Income: Consolidated Results

Net revenue was down 16.3% year-on-year, to ¥14,165 million. There was an operating loss of ¥8,240 million, compared with operating income of ¥6,287 million a year earlier. The Group showed a net loss of ¥7,161 million, versus net income of ¥1,768 million in fiscal 2007.

A breakdown by business segment follows.

Investment Banking Business

Revenue: ¥4,588 million, down 34.3%

Arrangement Operations

Revenue: ¥2,191 million, down 43.5%

Arrangement Services

Revenue: ¥2,082 million, down 36.4%

An arrangement is a structured finance package comprising several components. FGI formulates a framework to execute a structured financing transaction, 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.

With fund suppliers adopting a more cautious approach towards real estate-oriented investments and loans, as well as FGI's implementation of tougher screening standards for principal financing, the Company closed only 22 arrangements in fiscal 2008.

Arrangement Services with Credit Enhancement

Revenue: ¥109 million, down 82.0%

Stellar Capital AG accepted no new credit enhancement requests, while FGI executed credit enhancement itself on one arrangement. Credit enhancement was also added to one arrangement packaged jointly with another company.

Principal Finance Operations

Revenue: ¥2,049 million, down 30.1%

Although a subsidiary acquired equity in a silent partnership in December 2007 and maintained this investment, other members of the Group emphasized loan recovery efforts and tougher screening standards to minimize the impact of recent adjustments in the real estate market. As a result, the balance of the Group's investments and loans* stood at ¥37,104 million at September 30, 2008, down 25.0% from a year earlier.

** Balance of investments and loans = Non-consolidated loans receivable, trade, investments in securities, trade, and short-term loans to certain subsidiaries which execute principal finance, minus cash and deposits of the same subsidiaries*

Note: In the principal finance business, FGI itself acts as a provider of funds, in the capacity of an investor or a lender, for such applications as silent partnership (tokumei kumiai) *investments, mezzanine loans and corporate loans. Revenue from these operations comprise interest income and lending commissions from loans receivable, trade, as well as income dividends from silent partnerships* (tokumei kumiai).

STRUCTURED FINANCE

A structured finance transaction is a package of several financial components needed to ensure risk control and to address legal, accounting and tax issues on such schemes as aircraft finance, project finance and securitization (asset liquidation). In general, a single structured finance transaction can involve several participants. In the field of investment banking, arrangement services are particularly important, not only for facilitating the formulation of schemes and verification of legal, accounting and tax issues, but also for allocating and managing risk and return among different project participants.

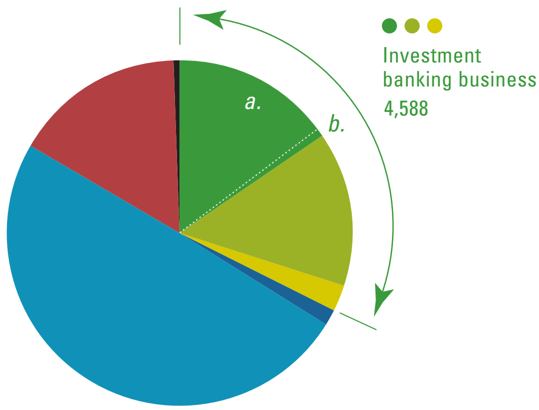
Services Specific to Investment Banks

- Structured finance
- Equity finance, such as arrangements to support stock issues
- Investments and loans, as well as principal financing as a supplier of funds to facilitate completion of arrangement transactions
- Trading of marketable securities, bonds and other investment units
- Venture capital participation, and financial product development services
- Corporate finance, such as arrangements to raise funds for M&A transactions
- Advice on M&A transactions

Net Revenue by Business

(Millions of yen)

Year ended September 30, 2008



2,191 Arrangement operations

a. Arrangement services 2,082

b. Arrangement services with credit enhancement 109

2,049 Principal finance operations

348 Other investment banking operations

211 Reinsurence/financial guarantee business

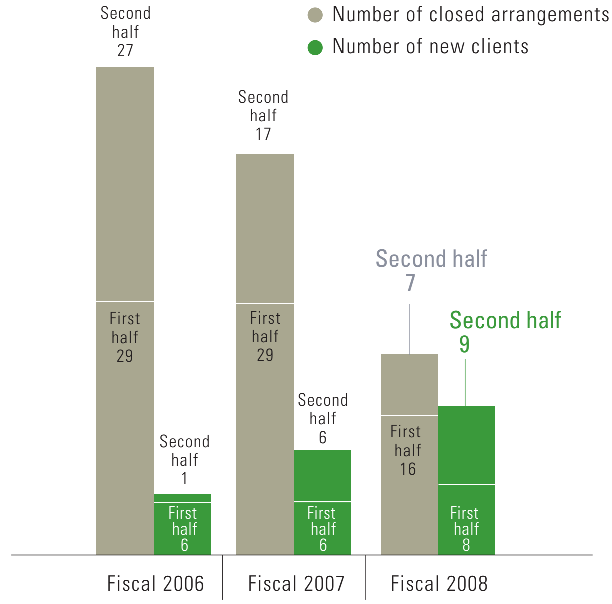
7,018 FX business

2,269 Real estate related business

79 Other business

Total 14,165

Number of Arrangements

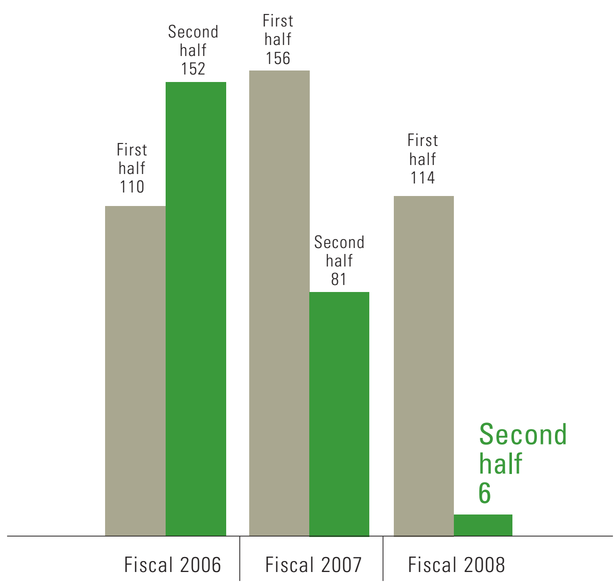


Note:

The aggregate number of arrangements includes arrangements with credit enhancement. New clients are those for whom a business relationship with FGI commenced during the period indicated. The number of closed arrangements excludes such transactions as joint arrangements and principal finance–only arrangements.

New Arrangements During the Term

(Billions of yen)

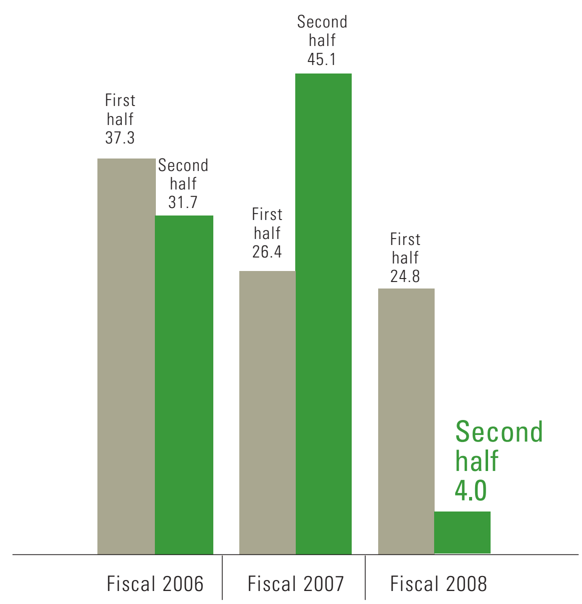


Notes:

1. *Revenue is booked as arrangement fees, based on service agreements, at the time a transaction is executed.*
2. *Arrangement execution fees on arrangements with credit enhancement have been included in the amounts noted above.*

Principal Finance (New Investment During the Term)

(Billions of yen)



Note:

The amounts above are for newly executed loans receivable, trade, and investment in securities, trade.

Other Investment Banking Operations

Revenue: ¥348 million, up 96.6%

FGI earns commissions and fees from administrative services executed on behalf of special purpose companies (SPCs) for which the Company has completed property development securitization, liquidation-for-profit transactions and other financial arrangements, as well as income generated by FinTech Global Securities, which acts as an agent for products, such as loan credits arranged by FGI and privately placed funds.

Reinsurance/Financial Guarantee Business

Revenue: ¥211 million, down 87.7%

Revenue in this segment is generated by members of the Stellar Group—that is, Stellar Capital and Crane Reinsurance Limited—and Entrust, Inc., and cover three businesses: credit enhancement services, reinsurance services, and services to guarantee rent in the event tenants are in arrears and to guarantee restitution costs in the event tenants are evicted.

In fiscal 2008, Stellar Capital did not undertake any new transactions, so its earnings derived from existing guarantees alone.

Crane Reinsurance Limited resumed policy underwriting in September, once scheme restructuring was completed. However, because some of the company's existing policies were cancelled, the unexpired portion recorded under revenue as unearned premiums was instead deducted from revenue.

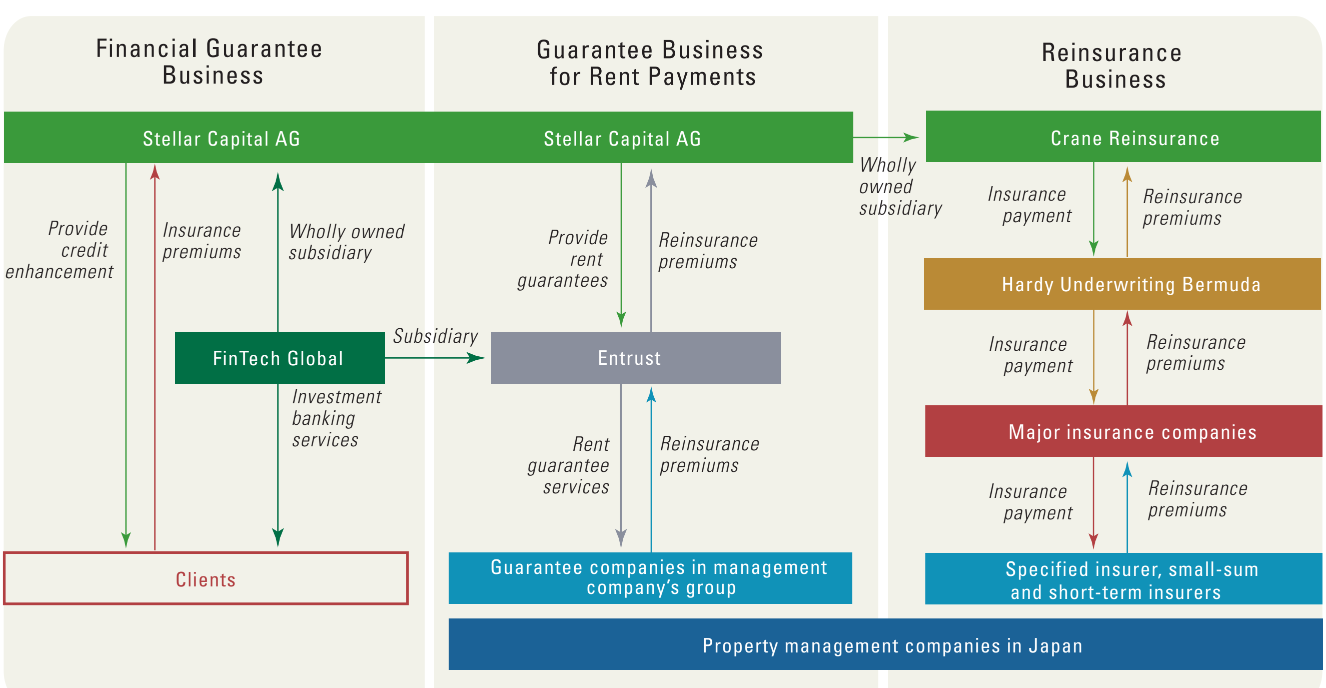
Entrust Inc., which provides rent guarantee services, achieved a profit position in fiscal 2008, supported by a rapid increase in the number of new contracts, thanks to its October 2007 business alliance with Daiwa Living Co., Ltd.

FX (Foreign Exchange) Business

Revenue: ¥7,018 million

This represents the online margined foreign exchange trading business undertaken by FXO. The company achieved

Reinsurance/Financial Guarantee Business Profit Diagram



a higher overall transaction volume through a successful reduction in the bid–offer spread charged on key currency pairs, an aggressive marketing campaign, and energetic trading fueled by rising volatility in forex markets.

Real Estate Related Business

Revenue: ¥2,269 million, down 55.2%

The disposal of property for sale by FinTech Real Estate, Inc., which was a consolidated subsidiary until its liquidation at the end of fiscal 2008, generated ¥1,604 million. Revenues in this segment also include brokerage fees and rental income from property owned by SPCs included under the scope of consolidation.

Other Business

Revenue: ¥79 million

Other business comprises revenue from Public Management Consulting (PMC) Corporation, which was brought under consolidation in June 2008. The company develops and markets public accounting package software for municipal corporations and provides related consultations.

Financial Position

Balance Sheet Analysis

At September 30, 2008, total assets stood at ¥79,021 million, down 12.9% from September 30, 2007. Liabilities were ¥61,595 million, down 3.1%, and net assets were ¥17,426 million, down 35.9%. The consolidated equity ratio was 21.3%, down from 27.6%.

Current Assets: ¥78,155 million, down ¥4,093 million

Key movements included a ¥21,094 million reduction in loans receivable, trade, which reflects tougher screening standards, as well as a ¥30,480 million expansion in inventory, which reflects the decision to bring an SPC with property to develop under the scope of consolidation.

Other changes in current assets included a ¥10,215 million decrease in deposits due to the exclusion of FXO from the scope of consolidation.

Provision for doubtful accounts grew ¥7,678 million, to ¥7,830 million.

Fixed Assets: ¥866 million, down ¥7,626 million

Key changes were a ¥6,473 million drop in goodwill, primarily due to the exclusion of FXO from the scope of consolidation, and a ¥1,080 million decline in investment securities.

Current Liabilities: ¥37,399 million, up ¥2,049 million

This increase stems from a ¥19,262 million expansion in short-term debt, accumulated mainly through an investment that brought under consolidation an SPC involved in a large-scale transaction. This increase in short-term debt overshadowed a ¥5,454 million reduction in long-term debt due within one year and a ¥9,993 million decrease in client deposits through the exclusion of FXO from the scope of consolidation.

Fixed Liabilities: ¥24,196 million, down ¥4,003 million

The change reflects a ¥2,920 million reduction in long-term debt.

Net Assets: ¥17,426 million, down ¥9,765 million

This change is almost exclusively due to an ¥8,200 million drop in retained earnings and a ¥1,574 million decrease in minority interests, which were eroded by the exclusion of FXO from the scope of consolidation.

Cash Flow

Cash and cash equivalents (hereafter, "cash") as of September 30, 2008, amounted to ¥9,500 million, down ¥5,664 million from September 30, 2007.

Net cash provided by operating activities was ¥13,155 million, a turnaround from ¥10,001 million in net cash used by operating activities in fiscal 2007. Major changes on the assets side were a ¥5,540 million loss before income taxes and minority interests, a ¥4,760 million decrease on the sale of stock in affiliates, and ¥3,593 million on higher inventory, while on the liabilities side, the Group recorded ¥7,678 million more under provision for doubtful accounts and the recovery of ¥23,034 million in loans receivable, trade.

Net cash used in investing activities came to ¥12,100 million, compared with ¥7,151 million in net cash used in investing activities in fiscal 2007. The change reflects outflow of ¥3,031 million for investment securities and ¥11,988 million to bring a new company under consolidation, and inflow of ¥2,473 million in proceeds on the sale of stock in a subsidiary following a change in the scope of consolidation.

Net cash used in financing activities reached ¥6,744 million, a reversal from ¥15,019 million provided by financing activities in fiscal 2007. A ¥3,292 million net increase in short-term debt was offset by the application of ¥10,668 million to repay long-term debt.

Basic Policy on Profit Distribution

While adhering to a dividend policy that emphasizes the return of profits to shareholders, management seeks to maintain sufficient internal reserves to quickly and reliably take advantage of opportunities that reinforce and further expand the Company's business foundation. In determining dividends, management must therefore take a comprehensive view that includes corporate performance and future business development.

From fiscal 2008, the Company's goal is to realize a non-consolidated payout ratio of 40% for shareholders, based on a stable dividend component, which is equivalent to 20% of non-consolidated net income anticipated at the beginning of the fiscal year, and a performance-based dividend component, conditioned by the Company's success in achieving a certain level of fiscal performance. Under basic dividend policy, dividends are paid twice a year, with the dividend for the first two quarters comprising only the stable dividend portion, and the year-end dividend comprising a performance-based component in addition to the stable dividend component.

The Company paid a dividend of ¥165 per share for the first two-quarter period, but did not distribute a year-end dividend, owing to the poor performance described above. Management extends its deepest apologies to shareholders for this situation.

At the present time, management does not plan to distribute dividends at the end of the first two quarters or at year-end in fiscal 2009, opting to retain the funds for strengthening the Company's financial position.

Financial Section

Contents

Consolidated Balance Sheet

FinTech Global Incorporated and Consolidated Subsidiaries
As of September 30, 2008 and 2007

Assets	Thousands of yen 2008	Thousands of yen 2007	Thousands of U.S. dollars (Note 1) 2008
Current assets:			
Cash and due from banks (Note 4)	¥ 9,600,189	¥15,263,736	$ 92,639
Deposits (Note 11)	—	10,214,673	—
Trading securities (Note 13)	4,119,245	—	39,750
Operating investments securities (Note 13)	5,828,401	4,571,706	56,242
Inventory (Notes 3 and 15)	36,344,528	5,864,267	350,714
Operating loans receivable (Notes 3 and 15)	19,361,400	40,454,941	186,832
Deferred tax assets (Note 18)	823,502	361,119	7,947
Other receivable	7,545,343	663,863	72,810
Other current assets	2,362,527	5,005,991	22,798
Allowance for doubtful accounts	(7,829,785)	(151,409)	(75,555)
Total current assets	78,155,350	82,248,887	754,177
Property, plant and equipment:			
Building, furniture and equipment, at cost	399,373	328,790	3,854
Less: accumulated depreciation	(123,376)	(60,965)	(1,191)
Property, plant and equipment, net	275,997	267,825	2,663
Goodwill (Note 14)	133,853	6,607,273	1,292
Software	106,549	—	1,028
Investments in securities (Note 13)	55,882	1,135,810	539
Security deposits	227,241	296,702	2,193
Deferred tax assets (Note 18)	—	22,508	—
Other assets	66,321	161,469	640
Total assets	¥79,021,193	¥90,740,474	$762,532
Liabilities and net assets			
Current liabilities:			
Accounts payable, trade	¥ 57,726	¥ 68,804	$ 557
Short-term debt (Notes 3 (20) and 15)	35,431,948	21,623,756	341,908
Other payable	720,769	302,620	6,955
Income taxes payable (Note 18)	5,446	1,237,985	53
Consumption tax payable	—	23,157	—
Deposits from customers (Note 11)	—	9,992,734	—
Accrued employee bonuses	134,480	266,296	1,298
Allowance for loss on guarantee payable	38,293	—	370
Other current liabilities	1,010,721	1,835,403	9,753
Total current liabilities	37,399,383	35,350,755	360,894
Long-term liabilities:			
Bonds with stock acquisition rights (Note 15)	22,170,000	22,170,000	213,934
Long-term debt (Notes 3 (20) and 15)	1,612,600	4,532,140	15,561
Deferred tax liabilities (Note 18)	2,081	216,129	20
Accrued retirement benefits (Note 16)	37,652	20,331	363
Other long-term liabilities	373,217	1,260,021	3,601
Total liabilities	61,594,933	63,549,376	594,373
Shareholders' equity:			
Common stock			
Authorized: 3,084,000 shares as of September 30, 2008 and 2007			
Issued: 1,208,135 shares and 1,202,560 shares as of September 30, 2008 and 2007, respectively	10,764,318	10,736,448	103,873
Additional paid-in capital	10,351,900	10,351,900	99,893
(Accumulated deficits)/Retained earnings	(4,260,973)	3,939,480	(41,117)
Total shareholders' equity	16,855,245	25,027,828	162,649
Valuation and translation adjustments:			
Net unrealized (loss)/gain on available-for-sale securities (Note 13)	(7,346)	(17,163)	(71)
Translation adjustments	(40,600)	—	(392)
Total valuation and translation adjustments	(47,946)	(17,163)	(463)
Stock acquisition rights (Note 17)	17,660	4,975	171
Minority interests	601,301	2,175,458	5,802
Total net assets	17,426,260	27,191,098	168,159
Total liabilities and net assets	¥79,021,193	¥90,740,474	$762,532

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statement of Operation

FinTech Global Incorporated and Consolidated Subsidiaries
For the years ended September 30, 2008 and 2007

	Thousands of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	2008
Net revenue:			
Investment banking business (Note 12)	¥ 4,588,330	¥ 6,985,131	$ 44,276
Reinsurance/financial guarantee business (Note 12)	210,767	1,720,098	2,034
FX (Foreign Exchange) business	7,018,214	3,139,105	67,724
Real estate related business (Note 12)	2,268,769	5,069,813	21,893
Other	79,218	—	764
	14,165,298	16,914,147	136,691
Cost of revenue (Notes 3 (20) and 12)	5,850,602	5,481,682	56,457
Gross profit	8,314,696	11,432,465	80,234
Selling, general and administrative expenses (Note 3 (20)):			
Directors' compensation	438,495	377,801	4,231
Salaries	966,148	635,612	9,323
Provision for doubtful accounts	7,716,669	63,189	74,464
Provision for employee bonuses	656,176	360,193	6,332
Provision for retirement benefits (Note 16)	16,634	28,733	161
Depreciation and amortization expense	111,582	52,669	1,077
Rent	310,767	264,209	2,999
Commission	1,572,685	1,400,769	15,176
Amortization expense of goodwill	1,476,429	746,160	14,247
Other	3,289,415	1,216,152	31,742
	16,555,000	5,145,487	159,752
Operating (loss)/income	(8,240,304)	6,286,978	(79,518)
Other income (expense):			
Interest income	129,569	104,731	1,250
Gain on sales of investment in securities	—	159,332	—
Refund for consumption tax	25,135	—	243
Dilution gain on a deemed partial disposal of subsidiary	2,105	11,720	20
Gain on sales of investments in subsidiaries and affiliates	4,759,652	—	45,929
Interest expense (Note 3 (20))	(263,742)	(257,186)	(2,545)
Stock distribution costs	(764)	(3,708)	(7)
Bond issuance costs	—	(52,449)	0
Loss on redemption of bonds with stock acquisition rights	—	(200,000)	0
Loss on trading securities	(530,741)	—	(5,121)
Financing fees	(148,585)	(95,221)	(1,434)
Foreign exchange loss	(108,084)	—	(1,043)
Loss on disposed of non-current assets	(8,244)	(57,665)	(80)
Impairment loss on goodwill (Note 14)	(16,503)	(66,818)	(159)
Loss on business withdrawal	—	(21,701)	0
Loss on the adoption of new system (Note 5)	(838,718)	—	(8,093)
Other, net	(235,716)	9,195	(2,275)
(Loss)/income before income taxes and distribution of gains/(losses) to silent partners	(5,474,940)	5,817,208	(52,833)
Distribution of losses to silent partners	65,427	—	631
(Loss)/income before income taxes and minority interests	(5,540,367)	5,817,208	(53,464)
Income taxes (Note 18):			
Current	1,668,205	2,379,025	16,098
Deferred	(998,585)	158,087	(9,636)
	669,620	2,537,112	6,462
Minority interests (Note 12)	(950,707)	(1,512,311)	(9,174)
Net (loss)/income (Note 24)	¥ (7,160,694)	¥ 1,767,785	$ (69,100)

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statement of Changes in Net Assets

FinTech Global Incorporated and Consolidated Subsidiaries
For the years ended September 30, 2008 and 2007

	Number of shares of common stock	Thousands of yen				
		Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of September 30, 2006	236,622.00	¥10,624,770	¥10,351,900	¥ 3,882,975	¥—	¥24,859,645
Issuance of common stock	19,450.00	111,678	—	—	—	111,678
Stock split	946,488.00	—	—	—	—	—
Dividends	—	—	—	(1,838,592)	—	(1,838,592)
Net income	—	—	—	1,767,785	—	1,767,785
Acquisition of treasury stock	—	—	—	127,312	—	127,312
Net changes of items other than shareholders' equity	—	—	—	—	—	—
Balance as of September 30, 2007	1,202,560.00	10,736,448	10,351,900	3,939,480	—	25,027,828
Issuance of common stock	**5,575.00**	**27,870**	—	—	—	**27,870**
Dividends	—	—	—	**(1,101,237)**	—	**(1,101,237)**
Net loss	—	—	—	**(7,160,694)**	—	**(7,160,694)**
Increase due to decrease in number of consolidated subsidiaries	—	—	—	**61,478**	—	**61,478**
Net changes of items other than shareholders' equity	—	—	—	—	—	—
Balance as of September 30, 2008	**1,208,135.00**	**¥10,764,318**	**¥10,351,900**	**¥(4,260,973)**	**¥—**	**¥16,855,245**

	Thousands of yen					
	Valuation and translation adjustments					
	Net unrealized gains/(loss) on available-for-sale securities	Translation adjustment	Total valuation and translation adjustments	Stock acquisition rights	Minority interests	Total net assets
Balance as of September 30, 2006	¥ 28,321	¥ —	¥ 28,321	¥ —	¥ 69,963	¥24,957,929
Issuance of common stock	—	—	—	—	—	111,678
Stock split	—	—	—	—	—	—
Dividends	—	—	—	—	—	(1,838,592)
Net income	—	—	—	—	—	1,767,785
Acquisition of treasury stock	—	—	—	—	—	127,312
Net changes of items other than shareholders' equity	(45,484)	—	(45,484)	4,975	2,105,495	2,064,986
Balance as of September 30, 2007	(17,163)	—	(17,163)	4,975	2,175,458	27,191,098
Issuance of common stock	—	—	—	—	—	**27,870**
Dividends	—	—	—	—	—	**(1,101,237)**
Net loss	—	—	—	—	—	**(7,160,694)**
Increase due to decrease in number of consolidated subsidiaries	—	—	—	—	—	**61,478**
Net changes of items other than shareholders' equity	**9,817**	**(40,600)**	**(30,783)**	**12,685**	**(1,574,157)**	**(1,592,255)**
Balance as of September 30, 2008	**¥ (7,346)**	**¥(40,600)**	**¥(47,946)**	**¥17,660**	**¥ 601,301**	**¥17,426,260**

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statement of Changes in Net Assets (Continued)

FinTech Global Incorporated and Consolidated Subsidiaries
For the years ended September 30, 2008 and 2007

	Thousands of U.S. dollars (Note 1)				
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of September 30, 2007	$103,604	$99,893	$ 38,016	$—	$241,513
Issuance of common stock	269	—	—	—	269
Dividends	—	—	(10,627)	—	(10,627)
Net loss	—	—	(69,100)	—	(69,100)
Increase due to decrease in number of consolidated subsidiaries	—	—	594	—	594
Net changes of items other than shareholders' equity	—	—	—	—	—
Balance as of September 30, 2008	$103,873	$99,893	$(41,117)	$—	$162,649

	Thousands of U.S. dollars (Note 1)					
	Valuation and translation adjustments					
	Net unrealized gains/(loss) on available-for-sale securities	Translation adjustment	Total valuation and translation adjustments	Stock acquisition rights	Minority interests	Total net assets
Balance as of September 30, 2007	$(166)	$ —	$(166)	$ 48	$ 20,993	$262,388
Issuance of common stock	—	—	—	—	—	269
Dividends	—	—	—	—	—	(10,627)
Net loss	—	—	—	—	—	(69,100)
Increase due to decrease in number of consolidated subsidiaries	—	—	—	—	—	594
Net changes of items other than shareholders' equity	95	(392)	(297)	123	(15,191)	(15,365)
Balance as of September 30, 2008	$ (71)	$(392)	$(463)	$171	$ 5,802	$168,159

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statement of Cash Flows

FinTech Global Incorporated and Consolidated Subsidiaries
For the years ended September 30, 2008 and 2007

	Thousands of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	2008
Cash flows from operating activities			
(Loss)/income before income taxes and minority interests (Note 4)	¥ (5,540,367)	¥ 5,817,208	$ (53,463)
Adjustments for:			
Depreciation and amortization	119,410	54,765	1,152
Increase in allowance for doubtful accounts	7,678,376	63,189	74,094
Increase in accrued employee bonuses	202,810	173,197	1,957
Increase in accrued retirement benefits	17,321	15,996	167
Interest income	(129,582)	(104,731)	(1,250)
Stock distribution costs	764	3,708	7
Cost of fund and interest expenses (Note 3 (20))	507,234	611,536	4,895
Gain on sale of investment in shares of subsidiaries and affiliates	(4,759,652)	—	(45,929)
Bond issuance costs	—	111,820	—
Loss on redemption of bonds with stock acquisition rights	—	200,000	—
Increase in deposits	(310,633)	(710,570)	(2,998)
Increase in investments in securities, trade	(1,256,695)	(4,132,193)	(12,127)
Increase in inventory	(3,592,656)	(6,071,696)	(34,668)
(Increase)/decrease in loans receivable, trade	23,033,541	(1,868,352)	222,267
(Decrease)/increase in deposits from customers	(850,823)	662,081	(8,210)
Other	2,067,152	(120,264)	19,947
Subtotal	17,186,200	(5,294,306)	165,841
Interest income received	123,011	115,147	1,187
Interest expense paid	(465,967)	(637,706)	(4,496)
Income taxes paid	(3,688,034)	(4,184,092)	(35,588)
Net cash provided by/(used in) operating activities	13,155,210	(10,000,957)	126,944
Cash flows from investing activities:			
Investment in time deposit	(1,100,000)	(100,000)	(10,615)
Purchases of property, plant and equipment	(371,611)	(293,347)	(3,586)
Additional investments in securities	—	(1,734,957)	—
Increase in trading securities	(3,031,437)	—	(29,253)
Proceeds from sales of investments in securities	923,494	2,901,163	8,911
Proceeds from sales of subsidiaries' shares resulting change in scope of consolidation	2,472,536	—	23,859
Payments for security deposits	(20,729)	(182,486)	(200)
Refunds of security deposits	54,687	102,284	528
Cash paid for purchase of newly consolidated subsidiaries, net of cash acquired (Note 4)	(11,988,435)	(7,452,020)	(115,685)
Other	961,574	(491,230)	9,279
Net cash used in investing activities	(12,099,921)	(7,150,593)	(116,762)
Cash flows from financing activities:			
Increase in short-term debt, net	3,292,446	8,121,200	31,771
Proceeds from long-term debt	1,000,000	13,938,000	9,650
Repayment of long-term debt	(10,667,570)	(7,577,581)	(102,939)
Proceeds from issuance of bonds	—	22,058,180	—
Proceeds from issuance of common stock	27,106	107,970	262
Proceeds from issuance of common stock to minor shareholders	667,499	424,116	6,441
Dividends paid	(1,063,196)	(1,829,183)	(10,260)
Redemption of bonds	—	(20,200,000)	0
Other	0	(24,159)	0
Net cash (used in)/provided by financing activities	(6,743,715)	15,018,543	(65,075)
Effect of exchange rate changes on cash and cash equivalents	(13,485)	(44,190)	(130)
Net decrease in cash and cash equivalents	(5,701,911)	(2,177,197)	(55,023)
Cash and cash equivalents at beginning of year	15,163,736	18,718,676	146,326
Cash and cash equivalents from newly consolidated subsidiaries	39,510	3,000	381
Decrease in cash and cash equivalents due to deconsolidation of subsidiaries (Note 4)	(1,145)	(1,380,743)	(11)
Cash and cash equivalents at end of year (Note 4)	¥ 9,500,189	¥ 15,163,736	$ 91,673

The accompanying notes are an integral part of the consolidated financial statements.

Notes to Consolidated Financial Statements

For the years ended September 30, 2008 and 2007

1. Basis of Preparing Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared from the accounts maintained by FinTech Global Incorporated (hereinafter referred to as "the Company") and its consolidated subsidiaries (hereinafter together referred to as "the Group") in accordance with the provisions set forth in the Corporate Law and the Financial Instruments and Exchange Law of Japan, and in conformity with accounting principles generally accepted in Japan, These differ in certain respects, as to application and disclosure requirements from International Financial Reporting Standards and the accounting principles generally accepted in the United States of America.

In preparing the consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form that is more familiar with readers outside Japan.

The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers, using the prevailing exchange rate at September 30, 2008, which was ¥103.63 to U.S. $1.00. The inclusion of such amounts is not intended to imply that the Japanese yen have been or could be readily converted, realized or settled in U.S. dollars at this or any other rate.

2. Factors Raising Substantial Doubt about Assumption of a Going Concern

Both the finance industry generally, of which the Group is a part, and the real estate industry, to which major clients of the Group belong, have been subject to the deleveraging prompted by the worldwide credit crunch. Consequently financial institutions, especially foreign-owned banks, have become significantly reluctant to provide loans for real estate–related purposes. Capital turnover has also slowed, principally because amendments to the Building Standards Law have delayed construction starts. In this context, the real estate market is currently undergoing a correction phase.

In this environment, the Company incurred impairment losses on operating investments securities of a special purpose company which dealt with real estate development project (presented as cost of revenue). The Company also incurred losses on and made provisions against operating loan receivables (presented as consolidated selling, general and administrative expenses). The combined impact resulted in an operating loss of ¥8,240,303 ($79,517) thousand, which has raised doubts over the Group's long term viability as a going concern.

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

Regarding revenue, the Group will promote business expansion geared to the corporate restructuring activities and fund-procurement needs in the current correction phase of the real estate market. The Group will seeks to enhance revenues by offering advanced financial services to clients with accumulated knowledge and experiences, accessing to diversified investors network, and providing a direct pipeline to insurance guarantees business.

In a bid to enhance the robustness of its risk management, the Group has already applied a dramatically more conservative approach to principal finance business with the rigorous internal credit monitoring rule. Based on this rule, the Group is making efforts to decrease new loans and collect outstanding loans in the fiscal year 2008 under a plan to reduce risk assets and improve the liquidity.

As a part of a plan to enhance profitability, the management will reconsider rationalization of expenses including selling, general and administrative expenses.

The Company completed the sale of all shares of FX Online Japan Co., Ltd. (hereafter, "FXO") for a total value of about ¥12.7 billion ($123 million). The Company will receive the payment in several installments, and according to the initial schedule, the payment is supposed to be completed in December 2008. The Group does not therefore have any concerns over financing.

The burden of interest-bearing liabilities was reduced as part of the proceeds from the sale of shares in FXO, which have been used to repay loans originally provided to purchase these shares. Funds realized through sales of real estate will further reduce interest-bearing liabilities, which will in turn strengthen the Group's financial condition.

Accordingly, the consolidated financial statements for the fiscal year 2008 are prepared on the assumption that the Group continues as a going concern, and do not include any adjustments that might result from the outcome of this uncertainty.

3. Summary of Significant Accounting Policies

(1) *Use of Estimates*

The preparation of the consolidated financial statements in conformity with generally accepted accounting principles in Japan requires management to make certain estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

(2) *Principles of Consolidation*

(i) Scope of Consolidation

The numbers of consolidated subsidiaries are 18 and 23 for 2008 and 2007, respectively.

Major consolidated subsidiaries are as follows:

2008	2007
FinTech Global Securities, Inc.	FinTech Global Securities, Inc.
Stellar Capital AG	FinTech Real Estate, Inc.
Crane Reinsurance Limited	Stellar Capital AG
Entrust Inc.	Crane Reinsurance Limited
Reliable Factors Co., Ltd.	Entrust Inc.
Yugen Kaisha NJ Steel Beta	FX Online Japan Co., Ltd.
Godo Kaisha TSM Sixty Four Alfa	
Godo Kaisha TSM Sixty Four Beta	
SP&W Asclepius Investment Partnership No. 4	
FINTECH GIMV FUND, L. P. (FGF)	

(CHANGES IN THE SCOPE OF CONSOLIDATION DURING THE FISCAL YEAR 2008)

Five Silent Partnerships (*Tokumei Kumiai*) were previously counted as consolidated subsidiaries separately from those operators in the fiscal year 2007. However, an operator and a Silent Partnership are considered as a unit and reported as one consolidated subsidiary in the fiscal year 2008. This change was made in order to better understand the frame of the consolidated group by recognizing the Company's consolidated subsidiaries on a large entity basis.

Public Management Consulting Corporation has been consolidated due to the acquisition of its voting rights.

Yugen Kaisha NJ Steel Beta, Godo Kaisha TSM Sixty Four Alfa, Godo Kaisha TSM Sixty Four Beta, SP&W Asclepius Investment Partnership No.4 and FINTECH GIMV FUND, L.P. (FGF) have been consolidated due to the fact that the Company substantially assumes the majority of rights and duties as well as risks associated with profits and losses of those companies.

RF Funding One Co., Ltd. has been consolidated in the fiscal year 2008 since it has become a material subsidiary.

FinTech Real Estate, Inc. has been excluded from the scope of consolidation due to dissolution.

FXO has been excluded from the scope of consolidation due to the sale of all of the shares.

FGI Investment Two Incorporated, TSM Fourteen Incorporated, FGI Investment Three Incorporated, Godo Kaisha Toranomon 1-chome Kaihatsu and FinTech Global Asset Management Inc. have been excluded from the scope of consolidation due to the fact that the Company does not assume the majority of rights and duties nor risks associated with profits and losses of those companies.

(CHANGES IN THE SCOPE OF CONSOLIDATION DURING THE FISCAL YEAR 2007)

FinTech Global Asset Management Inc. and Reliable Factors Co., Ltd. were consolidated upon incorporation. FGI Medical Finance Co., Ltd. and FXO have become consolidated subsidiaries due to acquisition of the voting rights.

The accounts of FGI Investment Three Incorporated, Yugen Kaisha Hibiki, Godo Kaisha Toranomon 1-chome Kaihatsu, and three Silent Partnerships (*Tokumei Kumiai*) have also been consolidated on the basis that the Company substantially assumes the majority of the rights and duties as well as the risks associated with profits or losses of those companies.

Furthermore, FGI Principal Co., Ltd. and FinTech Principal Investment Incorporated (formerly known as FGI Principal Two Co., Ltd.) on June 29, 2007, have been consolidated because it was material to medium- and long-term business strategies.

TSM Fifteen Incorporated has been excluded from the scope of consolidation since the fact that the Company does not assume the majority of rights and duties nor the risks associated with profits or losses of the company and partnerships.

ASAP Payment System Inc. has been excluded from the scope of consolidation due to sales of all of the shares.

TSM Thirty Incorporated, Godo Kaisha Temp Moderate Udagawa-cho Kaihatsu and one Silent Partnership (*Tokumei Kumiai*) had become consolidated subsidiaries and later excluded from consolidation during the year ended September 30, 2007 depending upon whether the Company substantially assumes the majority of rights and duties as well as the risks associated with profits and losses of those companies. Profits or losses arising during the period which those companies had been consolidated are included in the consolidated financial statements.

There are a number of subsidiaries which were excluded from the scope of consolidation, because they are small, and their total assets, net revenue, net income or losses (amount proportionate to equity share), and retained earnings (amount proportionate to equity share) have no material impact on the consolidated financial statements.

Major non-consolidated subsidiaries are as follows:

2008	2007
FGI Property Funding Incorporated	RF Funding One Co., Ltd.
FinTech Global Capital, LLC	One Silent Partnership *(Tokumei Kumiai)*
	FinTech Global Capital, LLC

(ii) Application of the Equity Method

The number of unconsolidated subsidiaries and affiliates, which are accounted for by the equity method, is six for 2007.

Companies accounted for by the equity method are as follows:

2008	2007
—	RF Funding One Co., Ltd.
	TSM Fifteen Incorporated
	TSM Seventeen Incorporated
	Three Silent Partnerships *(Tokumei Kumiai)*

There are no unconsolidated subsidiaries and affiliates that are accounted for under the equity method in 2008.

(REASONS FOR EXCLUDING FROM THE SCOPE OF THE APPLICATION OF THE EQUITY METHOD DURING THE FISCAL YEAR 2008)

RF Funding One Co., Ltd. has been consolidated since it has become a material subsidiary.

TSM Fifteen Incorporated, TSM Seventeen Incorporated and two Silent Partnerships (*Tokumei Kumiai*) have been excluded from the scope of consolidation due to liquidation. Silent Partnership (*Tokumei Kumiai*) has been consolidated on the basis that its operator and the silent partnership (*Tokumei Kumiai*) are deemed to be one united subsidiary.

Major non-consolidated subsidiaries or affiliates which are not accounted for under the equity method are as follows:

2008	2007
FGI Property Funding Incorporated	FinTech Global Capital, LLC
FinTech Global Capital, LLC	

The equity method of accounting has not been applied to these companies because they have an immaterial impact on net income or losses (amount proportionate to equity share), and retained earnings (amount proportionate to equity share) of the consolidated financial statements.

(iii) Fiscal Year Ends of Consolidated Subsidiaries

The fiscal year ends of consolidated subsidiaries are as follows:

2008		2007	
End of January:	1	End of January:	2
End of March:	1	End of March:	4
End of June:	3	End of May:	1
End of August:	1	End of June:	4
End of September:	9	End of July:	1
End of November:	1	End of September:	10
End of December:	2	End of December:	1

Subsidiaries with fiscal year ends January 31, March 31, November 30 and December 31 are consolidated based on their interim financial statements as of September 30.

Subsidiaries with year ends June 30 and August 31 are consolidated based on the financial statements for their respective fiscal year ends. Significant transactions occurring during the intervening periods are reflected in the consolidated financial statements.

(iv) Consolidation of special purpose entities and Silent Partnerships (Tokumei Kumiai)

The following special purpose entities and the Silent Partnerships (*Tokumei Kumiai*) have been consolidated due to the fact that the Company substantially assumes the majority of rights and obligations as well as the risks associated with the profits and losses of those entities.

2008	2007
FGI Investment Two Incorporated	TSM Fifteen Incorporated
Blenheim Partners One Incorporated	FGI Investment Two Incorporated
Yugen Kaisya Hibiki	FGI Investment Three Incorporated
Yugen Kaisha NJ Steel Beta	TSM Fourteen Incorporated
Godo Kaisha TSM Sixty Four Alfa	Blenheim Partners One Incorporated
Godo Kaisha TSM Sixty Four Beta	Yugen Kaisya Hibiki
	Godo Kaisha Toranomon 1-chome Kaihatsu
	Five Silent Partnerships (*Tokumei Kumiai*)

Major assets and liabilities of the above special purpose entities and the Silent Partnerships (*Tokumei Kumiai*) are as follows:

	Thousands of yen		Thousands of U.S. dollars
	2008	2007	2008
Inventory	**¥34,688,618**	¥4,467,343	**$334,735**
Short-term debt	**23,300,000**	—	**224,838**
Long-term debt	**—**	604,904	**—**

(v) Consolidation and Elimination

For the purpose of preparing the consolidated financial statements all significant intercompany transactions, account balances and unrealized profits among the Group has been eliminated, and the portion thereof attributable to minority interests is charged to minority interest accounts.

The cost of investments in the common stock of consolidated subsidiaries is eliminated with the underlying equity in the net assets of such subsidiaries.

(vi) Remeasurement of Assets and Liabilities of Consolidated Subsidiaries

All assets and liabilities of subsidiaries are measured at fair value upon acquisition of control over those subsidiaries.

(3) *Investment in Securities*

Trading securities are stated at fair market value. Costs are determined by the moving-average method.

Available-for-sale securities with fair market value are stated at fair value. Unrealized holding gains and losses, net of the related tax effect, are recorded as valuation and translation adjustments until realized. The cost is determined by the moving-average method.

Available-for-sale securities with no fair market value are stated at cost. The cost is determined by the moving-average method.

(4) *Derivatives and Hedging Instruments*

All derivatives are stated at fair value.

Gains or losses arising from changes in the fair value of derivatives designated and qualified as hedging instruments are deferred as an asset or liability and charged to net income or loss in the same period during which the gains and losses on the hedged items or transactions are recognized.

The derivatives designated as hedging instruments by the Group are interest rate swaps and the related hedged items are bank loans. It is the Group's policy to utilize the above hedging instruments in order to reduce their exposure to the risk of interest rate fluctuation.

Efficiency assessment for interest rate swaps is omitted as they meet the requirements for special treatment.

(5) *Inventories*

Inventories are stated at cost. Cost on uncompleted contracts and real estate for sale are determined by the specific identification method.

The interest expenses paid for long-term and significant real estate development are included in the acquisition costs of real estate held for sale.

(6) *Property, Plant and Equipment*

Property, plant and equipment is stated at cost. Depreciation is computed using the declining balance method.

Useful lives for major assets are as follows:

• Buildings:	6-24 years
• Furniture and equipment:	2-20 years

(7) *Intangible Fixed Assets*

Intangible fixed assets are stated at cost determined using the straight-line method.

Software for in-house use is accounted for with the straight-line method over useful life (three to five years).

(8) *Deferred Assets*

Stock distribution costs and bond issuance costs are recorded as expenses when incurred.

(9) *Goodwill*

Goodwill is amortized under the straight-line method over five years.

(10) *Allowance for Doubtful Accounts*

The Group provides allowances for doubtful accounts with a projected loss based on historical loss experiences for performing loans, and/or individually determined probable losses for non-performing loans.

(11) *Accrued Employee Bonuses*

Employee bonuses are accrued to the extent expected to be paid out for employee bonuses.

(12) *Accrued Retirement Benefits*

The Group provides lump-sum retirement benefit plans as defined benefit type of plan. A defined contribution pension plan has also been introduced from the fiscal year 2007.

Accrued retirement benefits are provided at the amount which would be required to be paid were all the eligible employees to voluntarily retire at the consolidated balance sheet date. The simplified method is adopted since the number of employees covered by the retirement benefits plan is less than 300.

(13) *Allowance for Loss on Guarantee*

To provide loss on guarantee, the amount for the allowance has been recorded by the reversal method.

(14) *Leases*

Finance leases, except for those leases under which the ownership of the leased assets is considered to be transferred to the lessee, are accounted for in the same manner as operating leases.

(15) *Cash and Cash Equivalents*

For the purpose of the consolidated statement of cash flows, the Group considers all highly liquid investments with an insignificant risk of changes in value and with original maturities of three months or less at the time of acquisition to be cash equivalents.

(16) *Consumption Taxes*

Consumption taxes are accounted for security based on the tax exclusion method.

(17) *Investments in Silent Partnerships (Tokumei Kumiai)*

Investments in Silent Partnership (*Tokumei Kumiai*) are disclosed as “Operating investment securities” and stated at owned interest. Earnings and losses acquired by partnerships are recorded as “Revenue” and reflected in “Operating investments securities”.

(18) *Income Taxes*

The provision for income taxes is computed based on the pre-tax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred tax assets and liabilities are measured by applying currently enacted tax rates to the temporary differences.

The Group assesses the recoverability of deferred tax assets based on consideration of the available evidence, including future taxable income, future reversal of existing temporary differences and tax planning strategies. The Group reduces the carrying amount of deferred tax assets to the extent that it is not probable that sufficient taxable income will be available to allow the benefit of part or all of that deferred tax assets to be realized. Any such reduction may be reversed to the extent that it becomes probable that sufficient taxable income will be available and warrant the realization of tax benefits.

(19) *Impairment Loss on Non-Current Assets*

Fixed assets are reviewed for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or asset group or the net selling price at disposition.

(20) *Changes in Accounting Policies*

(i) Change in depreciation method

The depreciation method used for the tangible assets acquired on and after April 1, 2007 has been changed based in line with an amendment in the corporation tax law. This change does not result in a material impact on income or losses for the fiscal year 2007.

(ii) Method for allocating financing expenses

Financing expenses on loans associated with individual investments or financing had been classified as a cost of revenue and financing expenses on those loans which could not be traced to individual fund requirement had been classified as other expense. However, due to the increasing ratio of the financing expenses which could not be traced to individual fund requirement, the Group has decided to allocate financing expenses to properly present cost of revenue and other expenses since the fiscal year 2007.

Loans associated with individual investments are classified as short-term debt or long-term debt.

As a result of this change, the operating income have decreased by ¥174,567 thousand compared to what would have been reported under the previous presentation, but there is no impact on the income before income taxes and minority interests in the consolidated statements of income. Current liabilities have decreased by ¥565,000 thousand and long-term liabilities have increased by the same amount.

Furthermore, in the consolidated statement of cash flows, cash flows from operating activities have increased by ¥2,699,325 thousand and cash flows from financing activities have decreased by the same amount.

As for the breakdown of cash flows from operating activities, interest expenses included in the cost of revenues and in other expenses are combined and classified as to "cost of fund and interest expense".

4. Cash and Cash Equivalents and Other Information Relating to the Consolidated Statements of Cash Flows

(1) Cash and cash equivalents as of September 30, 2008 and 2007 comprised the following:

	Thousands of yen		Thousands of U.S. dollars
	2008	2007	2008
Cash and due from banks	**¥9,600,189**	¥15,263,736	**$92,639**
Less: time deposits with original maturity over three months	**(100,000)**	(100,000)	**(965)**
Cash and cash equivalents	**¥9,500,189**	¥15,163,736	**$91,674**

(2) The assets and liabilities of the major newly consolidated subsidiary as of September 30, 2007 comprised the following:

Fiscal year 2007	Thousands of yen
FX Online Japan Co., Ltd.:	
Current assets	¥ 12,536,596
Non-current assets	70,582
Current liabilities	(10,156,839)
Goodwill	7,318,563
Minority interests	(1,347,931)
Purchase price of the shares	8,420,971
Cash and cash equivalent of the company	(972,561)
Cash paid for the purchase of newly consolidated subsidiaries, net of cash acquired	¥ 7,448,410

(3) The assets and liabilities of a subsidiary which has not been subject to consolidation as a result of the sale of shares as of September 30, 2008 comprised the following:

Fiscal year 2008	Thousands of yen	Thousands of U.S. dollars
FX Online Japan Co., Ltd.:		
Current assets	**¥15,976,592**	**$154,170**
Fixed assets	**388,998**	**3,754**
Total assets	**16,365,590**	**157,923**
Current liabilities	**14,055,117**	**135,628**
Total liabilities	**14,055,117**	**135,628**
Sale price	**12,734,732**	**122,887**
Other receivable	**(8,151,160)**	**(78,656)**
Cash and cash equivalents	**(2,367,177)**	**(22,843)**
Proceeds from sale	**¥ 2,216,395**	**$ 21,388**

(4) *Sale of real estate held by a special purpose company*

Godo Kaisha Temp Moderate Udagawa-cho Kaihatsu, which has been consolidated during certain period in the fiscal year 2007 and later has been excluded from consolidation in accordance with "Practical Solution on Application of Control Criteria and Influence Criteria to Investment Associations" (PITF No. 20 issued by ASBJ on September 8, 2006), sold the real estate held for sale. As a result, a gain of ¥898,286 thousand is recognized as income before income taxes and minority interests and ¥897,412 thousand is included in decrease in cash and cash equivalents due to deconsolidation of subsidiaries on the consolidated statement of cash flows.

5. Loss from system charges

In the sale of the shares of FXO, the expenses of system changes, incurred by system transfers to new infrastructure, have been recorded as an extraordinary loss.

6. Non-Performing Loans included in Operating Loans Receivable

Loans to borrowers in legal bankruptcy are loans where payment of principals and/or interests has not been received for a substantial period or, for other reasons, there are no prospects for collection of principals and/or interests, and accordingly, no interest has been accrued (excluding balances already written off and hereinafter referred to as nonaccrual loans) and also certain specific condition stated in the Implementation Ordinances for the Corporation Tax Law (Cabinet Order No.97, 1965), Items i through v in Article 96-1-3 or the circumstances stated in Article 96-1-4 exists.

Past due loans are nonaccrual loans, other than loans to borrowers in legal bankruptcy or loans whose interest payments have been rescheduled in order to support the restructuring of the borrowers.

Loans to borrowers in legal bankruptcy and past due loans amounted to ¥11,700 ($113) thousand and ¥10,525,000 ($101,563) thousand, respectively, as of September 30, 2008.

7. Received pledged assets with a right of disposal of its own discretion

Fair market value of collateral received with a right of disposal at the Group's discretion amounted to ¥265,217 ($2,559) thousand as of September 30, 2008.

8. Loan Commitment-line Contract

The Company is committed to provide a loan to a customer. The outstanding balance of this commitment as of September 30, 2007 was as follows:

	Thousands of yen
Total of credit	¥920,000
Executed amount	—
Unused amount	¥920,000

Under this contract, the loan is provided after examination of the purpose of use and credit standing of the debtor and therefore the commitment amount may not be executed in full.

9. Contingent Liabilities

The Companies offered guaranty of liabilities to the following companies as of September 30, 2007:

	Thousands of yen
Duplex Forty-Fifth Ltd.	¥ 500,000
Duplex Forty-Ninth Ltd.	300,000
Duplex Fifty-Forth Ltd.	1,000,000
Duplex Twenty-Seventh Ltd.	1,450,000
Duplex Thirty-Sixth Ltd.	740,000
Duplex Thirty-Third Ltd.	800,000
Duplex Thirty-Fourth Ltd.	600,000
Duplex Forty-First Ltd.	400,000
Duplex Forty-Fourth Ltd.	300,000
Duplex Forty-Seventh Ltd.	450,000
Yokohama Bayside Resort Ltd.	2,000,000
	¥ 8,540,000

The Group offered guaranty of liabilities to the following companies as of September 30, 2008:

	Thousands of yen	Thousands of U.S. dollars
Duplex Forty-Fifth Ltd.	**¥ 500,000**	**$ 4,825**
Duplex Forty-Ninth Ltd.	**300,000**	**2,895**
Duplex Forty-Fourth Ltd.	**1,000,000**	**9,650**
AKIMURA CIX INCOPORATED	**2,057,000**	**19,849**
Others	**402,707**	**3,886**
	¥4,259,707	**$41,105**

Joint guarantee amounted to ¥54,797,704 ($528,782) thousand, which is equivalent to maximum guarantee limit for rent guarantee service provided by Entrust Inc.

The amount of joint guarantee liability is calculated as multiplying number of residents by average rent and guarantee period.

10. Credit-Line Contract

The Company has entered into commitment-line contracts with its banks to make appropriation for a fund for investments and loans in the principal finance business. The credit line under this contract and the outstanding commitment balance are as follows as of September 30, 2008:

	Thousands of yen		Thousands of U.S. dollars
	2008	2007	2008
Credit line	**¥7,100,000**	¥8,000,000	**$68,513**
Loan payable	**5,300,000**	6,133,000	**51,143**
Outstanding	**¥1,800,000**	¥1,867,000	**$17,369**

11. Deposits and Deposits from Customers

Deposits represent cash held in trust under an investor protection fund for FX (Foreign Exchange) business by FXO. Deposits from customers are also for FX (Foreign Exchange) business by FXO.

The breakdown of deposits received from customers as of September 30, 2007 is as follows:

	Thousands of yen
Received deposits	¥12,265,197
Unrealized gain on unsettled balance	(2,272,463)
	¥9,992,734

12. Sales

Net revenues from investment banking business are broken down as follows:

	Thousands of yen		Thousands of U.S. dollars
	2008	2007	2008
Arrangement operations	**¥2,191,237**	¥3,878,773	**$21,145**
Arrangement services	**2,082,237**	3,271,755	**20,093**
Arrangement services with credit enhancement	**109,000**	607,018	**1,052**
Principal finance operations	**2,048,741**	2,929,176	**19,770**
Other investment banking operations	**348,350**	177,182	**3,361**
	¥4,588,330	¥6,985,131	**$44,276**

Net revenues from the reinsurance/financial guarantee businesses are broken down as follows:

Reinsurance Business

	Thousands of yen		Thousands of U.S. dollars
	2008	2007	2008
Net reinsurance premium assumed	**¥(154,655)**	¥1,501,016	**$(1,492)**
Reinsurance premium ceded	**(83,500)**	(120,500)	**(806)**
	¥(238,155)	¥1,380,516	**$(2,298)**

Financial Guarantee Business

	Thousands of yen		Thousands of U.S. dollars
	2008	2007	2008
Net guarantee fees	**¥462,602**	¥188,368	**$4,464**
Decrease / (Increase) in unearned guarantee fees	**(13,679)**	57,714	**(132)**
Guarantee arrangement fees	**—**	93,500	**—**
	¥448,923	¥339,582	**$4,332**

As described in Notes 4 and 22, Godo Kaisha Temp Moderate Udagawa-cho Kaihatsu sold the real estate held for sale in the fiscal year 2007. As a result, ¥3,658,512 thousand of net revenue are recognized in the real estate related business, resulted ¥2,569,504 thousand of cost of revenue ¥1,089,008 thousand of gross profit, ¥979,909 thousand of operating income, and ¥898,286 thousand of income before income taxes and minority interests. The Group did not have any equity interests in Godo Kaisha Temp Moderate Udagawa-cho Kaihatsu but had consolidated it on the basis that the Company substantially assumes the majority of rights and duties as well as the risks associated with profits and losses. Therefore, upon consolidation, the net results of Godo Kaisha Temp Moderate Udagawa-cho Kaihatsu have been attributed to minority interests and results no impact on the net income in the consolidated statement of operations.

13. Securities

Fair values and realized gains and losses on the trading securities for the fiscal year 2008 amounted to ¥4,119,245 ($39,750) thousand and ¥310,134 ($2,993) thousand, respectively.

Investments in securities include the following securities of unconsolidated subsidiaries and affiliates:

	Thousands of yen		Thousands of U.S. dollars
	2008	2007	2008
Other security	**¥ 49**	¥49	**$ 0**
Investment in capital	**54,595**	—	**527**

The amount of available-for-sale securities with market values as of September 30, 2008 is summarized as follows:

	Thousands of yen		
	Acquisition cost	Fair value	Unrealized gain (loss)
Securities with fair values that do not exceed acquisition cost:			
Equity securities	**¥ 9,200**	**¥ 504**	**¥ (8,696)**
Other	**20,000**	**12,654**	**(7,346)**
	¥29,200	**¥13,158**	**¥(16,042)**

	Thousands of U.S. dollars		
	Acquisition cost	Fair value	Unrealized gain (loss)
Securities with fair values that do not exceeds acquisition cost:			
Equity securities	**$ 89**	**$ 5**	**$ (84)**
Other	**193**	**122**	**(71)**
	$282	**$127**	**$(155)**

The amount of available-for-sale securities sold during the fiscal year 2008 is ¥900,350 ($8,688) thousand and loss on the sales is ¥68,649 ($662) thousand.

The amount of available-for-sale securities with market values as of September 30, 2007 is summarized as follows:

	Thousands of yen		
	Acquisition cost	Fair value	Unrealized gain (loss)
Securities with fair value that exceeds acquisition cost:			
Equity securities	¥ 9,200	¥ 15,000	¥ 5,800
Securities with fair value that does not exceed acquisition cost:			
Other	¥1,020,000	¥ 985,261	¥(34,739)
	¥1,020,000	¥ 985,261	¥(34,739)
	¥1,029,200	¥1,000,261	¥(28,939)

The amount of available-for-sale securities sold during the fiscal year 2007 is ¥3,301,162 thousand and gain on the sales is ¥189,332 thousand.

The carrying amounts of major available-for-sale securities without fair market value as of September 30, 2008 and 2007 are summarized as follows:

	Thousands of yen		Thousands of U.S. dollars
	2008	2007	2008
Unlisted equity securities	**¥ 820,576**	¥ 135,500	**$ 7,918**
Silent Partnerships (*Tokumei Kumiai*)	**20,500**	541,706	**198**
Unlisted corporate bond	**4,550,000**	3,550,000	**43,906**
Preferred investment security	**480,000**	480,000	**4,632**

Available-for-sale securities which have defined maturities and bonds and debentures that are held to maturities amounted to ¥4,550,000 ($43,906) thousand and are due to be matured within one year of the consolidated balance sheet date.

Of the bonds above, bonds amounting to ¥3,550,000 ($34,256) thousand had a redemption date of September 26 but have yet to be redeemed.

14. Impairment Loss

The impairment loss on the following assets group was recognized for the fiscal year 2008.

Name of company	Type of asset
FinTech Global Securities, Inc. FGI Principal Co., Ltd.	Goodwill

For the purpose of determining impaired assets, the Company groups its fixed assets based on the type of business and business condition.

The Company recognized ¥16,502 ($159) thousand of impairment loss on goodwill relating to the investment in FinTech Global Securities, Inc. and FGI Principal Co., Ltd. as an extraordinary loss because expected future cash flows from the investment are not considered as fully recoverable for the fiscal year 2008.

The impairment loss on the following asset group was recognized for the fiscal year 2007.

Name of company	Type of asset
ASAP Payment System Inc.	Goodwill

For the purpose of determining fixed assets that are impaired, the Group groups its fixed assets based on the type of business and business condition.

The Company recognized ¥66,818 thousand of impairment loss on the goodwill related to the investment in ASAP Payment System Inc. because expected future cash flows from the investment are not considered as fully recoverable for the fiscal year 2007.

15. Short-term and Long-term Debt and Bank Loans, Trade

Short-term debt as of September 30, 2008 and 2007 consisted of the following:

	Thousands of yen		Thousands of U.S. dollars
	2008	2007	2008
Short-term debt:			
Unsecured loans from banks	¥ 4,541,247	¥14,351,700	$ 43,822
Collateralized loans from banks	29,072,400	—	280,540
	¥33,613,647	¥14,351,700	$324,362
Current portion of long-term debt			
Unsecured loans from bank	468,300	7,272,056	4519
Collateralized loans from banks	1,350,000	—	13,027
	¥ 1,818,300	¥ 7,272,056	$ 17,546
	¥35,431,947	¥21,623,756	$341,908

The weighted average interest rate on the short-term debt was 3.4 % as of September 30, 2008.

Long-term debt as of September 30, 2008 and 2007 consisted of the following:

	Thousands of yen		Thousands of U.S. dollars
	2008	2007	2008
Long-term debt:			
Unsecured loans from banks	¥3,400,900	¥11,199,287	$32,818
Collateralized loans from banks	30,000	604,909	289
Less: Current portion of long-term debt	(1,818,300)	(7,272,056)	(17,546)
	¥1,612,600	¥ 4,532,140	$15,561

The weighted average interest rate on long-term debt was 2.3 % as of September 30, 2008.

The aggregate annual maturities of long-term debts as of September 30, 2008 were as follows:

Year ending September 30	Thousands of yen	Thousands of U.S. dollars
2009	¥1,818,300	$17,546
2010	1,484,100	13,453
2011	128,500	1,674
	¥3,430,900	$33,107

Assets pledged as collateral for bank loans as of September 30, 2008 and 2007 are as follows:

	Thousands of yen		Thousands of U.S. dollars
	2008	2007	2008
Inventories	¥23,892,400	¥1,012,669	$230,555
Operating loans receivable	4,270,000	1,400,000	41,204
	¥28,162,400	¥2,412,669	$271,759

Of the pledged assets above, asset for non recourse loans is ¥23,300,000 ($224,838) thousand of inventories.

Bonds with stock acquisition rights amounted to ¥22,170,000 ($213,934) thousand as of September 30, 2008. They are attached with the stock acquisition rights for 139,785 shares of common stock and are due to be matured in 2012.

16. Accrued Retirement Benefit

Retirement benefit expenses charged to the consolidated statement of operations amounted to ¥38,696 ($373) for the fiscal year 2008, which includes service costs amounted to ¥17,320 ($167) thousand and pension premiums for defined contribution plan amounted to ¥21,375 ($206), respectively.

Retirement benefit expenses for the fiscal year 2007 amounted to ¥30,379 thousand including only service costs.

17. Net Assets

(1) *Stock acquisition rights*

Details of the stock acquisition rights issued by the Company are as follows:

(Fiscal Year 2008)

Details (Type of stock to be issued)	Number of shares to be issued: Beginning	Increases	Decreases	Ending	Balance (Thousands of yen) (Thousands of U.S. dollars)
Stock acquisition rights on the Euro-yen denominated bonds issued in February 2007 (Common stock)	**139,785**	—	—	**139,785**	—
Stock acquisition rights as stock options (Common stock)	—	—	—	—	**¥17,659** **($170)**
Total	**139,785**	—	—	**139,785**	**¥17,659** **($170)**

Note: Number of shares to be issued for the stock acquisition rights represents the maximum number of shares derived through the exercise of stock acquisition rights.

(Fiscal Year 2007)

Details (Type of stock to be issued)	Number of shares to be issued: Beginning	Increases	Decreases	Ending	Balance (Thousands of yen) (Thousands of U.S. dollars)
Stock acquisition rights on the third series of bonds issued in April 2006 (Common stock)	22,222.22	—	22,222.22	—	—
Stock acquisition rights on the Euro-yen denominated bonds issued in February 2007 (Common stock)	—	139,785	—	139,785	—
Stock acquisition rights as stock options (Common stock)	—	—	—	—	¥4,975 ($43)
Total	22,222.22	139,785	22,222.22	139,785	¥4,975 ($43)

1. Number of shares to be issued for the stock acquisition rights represents the maximum number of shares derived through the exercise of stock acquisition rights.

2. Reasons for changes in number of shares

Decrease in number of shares for stock acquisition rights on the third series of bonds issued in April 2006 was a result of the early redemption of those bonds.

Increase in number of shares for stock acquisition rights on the Euro-yen denominated bonds issued in February 2007 was a result of issuance of ¥20,000,000 Zero coupon convertible bonds due in 2012.

Increase in number of stock acquisition rights was a result of the issuance of stock acquisition rights (stock option) in June 2007.

3. The exercise period for stock acquisition rights on the Euro-yen denominated bonds issued in February 2007 has not come yet.

(2) *Dividends*

(i) Dividends paid during the years are as follows:

Resolution	Type of stock	Total dividends (Thousands of yen) (Thousands of U.S. dollars)	Dividend per share (Yen) (U.S. dollars)	Record date	Effective date
Fiscal Year 2008					
General shareholders' meeting on December 20, 2007	**Common stock**	**¥901,920** **($8,703)**	**¥750** **($7)**	**September 30, 2007**	**December 21, 2007**
Board of directors meeting on May 15, 2008	**Common stock**	**¥199,317** **($1,923)**	**¥165** **($2)**	**March 31, 2008**	**June 13, 2008**
Fiscal Year 2007					
General shareholders' meeting on December 20, 2006	Common stock	¥1,183,110	¥5,000	September 30, 2006	December 21, 2006
Board of directors meeting on May 15, 2007	Common stock	¥655,481	¥550	March 31, 2007	June 14, 2007

(ii) Dividends whose record date falls in the fiscal year 2008 but where the effective date falls in the fiscal year 2009

Not applicable for the fiscal year 2008

18. Deferred Income Taxes

Significant components of deferred tax assets and liabilities as of September 30, 2008 and 2007 are as follows:

	Thousands of yen		Thousands of U.S. dollars
	2008	2007	2008
Deferred tax assets:			
(Current)			
Accrued enterprise tax	**¥ —**	¥ 99,573	**$ —**
Accrued employee bonuses	**47,271**	106,311	**456**
Allowance for doubtful accounts	**3,185,939**	66,200	**30,743**
Impairment loss on inventory	**844,139**	—	**8,146**
Inter-company profit elimination	**141,882**	—	**1,369**
Other	**5,365**	89,035	**52**
	4,224,597	361,119	**40,766**
Less valuation allowance	**(3,375,810)**	—	**(32,576)**
Less deferred tax liabilities (current)	**(25,285)**	—	**(244)**
	¥ 823,502	¥ 361,119	**$ 7,947**
(Non-current)			
Loss carryforwards on tax basis	**¥ 579,723**	¥ 286,438	**$ 5,594**
Impairment loss on investments in securities	**41,308**	—	**399**
Accrued retirement benefits	**15,320**	8,206	**148**
Other	**12,070**	16,662	**116**
	648,423	311,306	**6,257**
Less valuation allowance	**(648,423)**	(286,438)	**(6,257)**
	¥ —	¥ 24,868	**$ —**
Less deferred tax liabilities	**—**	(2,360)	**—**
	¥ —	¥ 22,508	**$ —**
Deferred tax liabilities:			
(Current)			
Accrued enterprise tax	**(25,285)**		**(244)**
	(25,285)		**(244)**
Less deferred tax assets (current)	**25,285**	—	**244**
(Non-current)			
Foreign exchanges loss for tax purpose in foreign subsidiaries	**—**	(216,129)	**—**
Negative goodwill	**(2,081)**		**(20)**
Other	**—**	(2,360)	**—**
	(2,081)	(218,489)	**(20)**
Less deferred tax assets	**—**	2,360	**—**
	¥ (2,081)	¥(216,129)	**$ (20)**
Net deferred tax assets	**¥ 821,420**	¥ 167,498	**$ 7,926**

The reconciliation of the statutory tax rate to the effective tax rate is shown below:

	2007
Statutory tax rate	40.7%
Expenses not deductible for tax purpose	0.4
Change in valuation allowance	3.1
Adjustment for distributions of Silent Partnership (*Tokumei Kumiai*) included in minority interests	(6.3)
Amortization of goodwill	5.7
Other	0.0
Effective tax rate	43.6%

Loss before income taxes has been recorded on the consolidated statements of operations for the fiscal year 2008. Therefore, there is no description with regard to the reconciliation of those tax rates.

19. Stock Options

(1) *Expenses recognized during the year*

The Group provides stock option plans to directors and employees. The stock options granted by the Company are accounted for under the fair value method. The stock options granted by consolidated subsidiaries and the treasury stock options are accounted for by the intrinsic value method, instead of the fair value method, allowed for privately held companies in accordance with the "Accounting Standards for Stock Options."

Amount and account used to recognize the expenses for the fiscal year 2008 and 2007 are as follows:

	Thousands of yen		Thousands of U.S. dollars
	2008	2007	2008
Cost of revenue:			
Stock compensation expense	**¥ 368**	¥ 246	**$ 4**
Selling, general and administrative expenses:			
Stock compensation expense	**¥12,258**	¥4,728	**$118**

No expense was recognized for the stock options granted by the consolidated subsidiaries and the treasury stock options because intrinsic value at the grant date was estimated to be zero.

(2) *Outline of stock options*

(Fiscal year 2008)

Type	Stock options	Stock options
Name of company	FinTech Global Incorporated	FinTech Global Incorporated
Name	Subscription rights	First stock acquisition rights Second stock acquisition rights
Title and number of grantees	Members of the board of directors: 3 Employees: 8 Approved supporters: 7	Members of the board of directors: 2 Employees: 16 Outside supporters: 1 Corporate auditors: 3 Members of the board of directors of affiliates: 2
Number of stock options (*1)	Common stock: 42,750 shares (*2)	Common stock: 75,000 shares (*2)
Grant date	December 25, 2001	First December 1, 2004 Second December 14, 2004
Condition of vesting	Those who are entitled to exercise the stock option shall be any of the directors or employees of the Company or its subsidiaries at the time of vesting date (on or after the first day of the period for exercise). (excluding approved supporters)	Those who are entitled to exercise the stock option shall be any of the directors, corporate auditors, employees or the equivalent positions of the Company, its subsidiaries or affiliates at the time of vesting date (on or after the first day of the period for exercise) unless there are any appropriate reasons such as a resignation due to expiry of the term of duty and a mandatory retirement.
Required service period	December 25, 2001 to December 25, 2003 (members of the board of directors and employees)	First December 1, 2004 to June 30, 2006 Second December 14, 2004 to June 30, 2006
Exercise period	December 26, 2003 to December 25, 2011 (members of the board of directors and employees) From the date of listing to December 25, 2011 (approved supporters)	July 1, 2006 to June 25, 2014

Type	Stock options	Stock options
Name of company	FinTech Global Incorporated	FinTech Global Incorporated
Name	Third stock acquisition rights	Fourth stock acquisition rights
Title and number of grantees	Employees: 30	Employees: 10
Number of stock options (*1)	Common stock: 15,000 shares (*2)	Common stock: 3,250 shares (*2)
Grant date	December 2, 2005	April 27, 2006
Condition of vesting	Those who are entitled to exercise the stock option shall be any of the directors, corporate auditors or employees on the equivalent positions of the Company, its subsidiaries or affiliates at the time of vesting date (on or after the first day of the period for exercise) unless there are any appropriate reasons such as a resignation due to expiry of the term of duty and a mandatory retirement.	Same as at left
Required service period	December 2, 2005 to December 9, 2006	April 27, 2006 to December 31, 2007
Exercise period	December 10, 2006 to November 30, 2014	January 1, 2008 to November 30, 2015

Type	Stock options	Stock options
Name of company	FinTech Global Incorporated	Entrust Inc
Name	Fifth stock acquisition rights	First stock acquisition rights
Title and number of grantees	Employees: 54	Members of the board of directors of the company: 3 Employees of the company: 6
Number of stock options (*1)	Common stock: 1,280 shares	Common stock: 86 shares
Grant date	June 4, 2007	April 1, 2007
Condition of vesting	Those who are entitled to exercise the stock option shall be any of the directors, corporate auditors or employees of the Company or its subsidiaries at the time of vesting date (on or after the first day of the period for exercise) unless there are any appropriate reasons such as a resignation due to expiry of the term of duty and a mandatory retirement.	Those who are entitled to exercise the stock option shall be any of the directors, corporate auditors or employees of Entrust Inc. at the time of vesting date (on or after the first day of the period for exercise) (Except in case those who are entitled to exercise the stock acquisition rights are not the directors, corporate auditors or employees of Entrust Inc. on the grant date) unless there are any approval by the board of directors and consent in writing.
Required service period	(*3)	April 1, 2007 to May 31, 2009
Exercise period	June 4, 2009 to November 30, 2016 (*3)	April 1, 2009 to September 30, 2014

Type	Stock options
Name of company	Entrust Inc.
Name	Second stock acquisition rights
Title and number of grantees	Members of the board of directors of the company: 3 Employees of the company: 8
Number of stock options (*1)	Common stock: 114 shares
Grant date	September 10, 2007
Condition of vesting	Those who are entitled to exercise the stock option shall be any of the directors, corporate auditors or employees of Entrust Inc. at the time of vesting date (on or after the first day of the period for exercise) (Except in case those who are entitled to exercise the stock acquisition rights are not the directors, corporate auditors or employees of Entrust Inc. on the grand date) unless there are any approval by the board of directors and consent in writing.
Required service period	September 10, 2007 to March 31, 2009
Exercise period	April 1, 2009 to September 30, 2016

*(*1) The number of stock options is converted into the number of shares.*

*(*2) The number of stock options is adjusted with a 5-for-1 stock split on December 20, 2004, a 3-for-1 stock split on December 20, 2005 and a 5-for-1 stock split on October 1, 2006.*

*(*3) Those who are entitled to exercise the stock acquisition rights can exercise up to the percentage in each required service period described in the "Category" below.*

(Number of shares)

	Category	Required service period
A	In the period from June 4, 2009 to June 3, 2010 will be permitted to 40% of all of the shares in the stock acquisition rights granted	June 4, 2007 to June 3, 2009
B	In the period from June 4, 2010 to June 3, 2011 will be permitted to 70% of all of the shares in the stock acquisition rights granted, totaling the number of shares in the stock acquisition rights exercised from June 4, 2009 to June 3, 2010.	June 4, 2007 to June 3, 2010
C	In the period from June 4, 2011 to June 3, 2012 will be permitted to 90% of all of the shares in the stock acquisition rights granted, totaling the number of shares in the stock acquisition rights exercised from June 4, 2009 to June 3, 2011.	June 4, 2007 to June 3, 2011
D	In the period from June 4, 2012 to June 3, 2016 will be permitted all of the unexercised stock acquisition rights.	June 4, 2007 to June 3, 2012

(Fiscal year 2007)

Type	Stock options	Stock options
Name of company	FinTech Global Incorporated	FinTech Global Incorporated
Name	Subscription rights	First stock acquisition rights Second stock acquisition rights
Title and number of grantees	Members of the board of directors: 3 Employees: 8 Approved supporters: 7	Members of the board of directors: 2 Employees: 16 Outside supporters: 1 Auditors: 3 Members of the board of directors of affiliates: 2
Number of stock options (*1)	Common stock: 42,750 shares (*2)	Common stock: 75,000 shares (*2)
Grant date	December 25, 2001	First December 1, 2004 Second December 14, 2004
Condition of vesting	Those who are entitled to exercise the stock option shall be any of the directors or employees of the Company or its subsidiaries at the time of vesting date (on or after the first day of the period for exercise).(excluding approved supporters)	Those who are entitled to exercise the stock option shall be any of the directors, corporate auditors, employees or the equivalent positions of the Company, its subsidiaries or affiliates at the time of vesting date (on or after the first day of the period for exercise) unless there are any appropriate reasons such as a resignation due to expiry of the term of duty and a mandatory retirement.
Required service period	December 25, 2001 to December 25, 2003 (members of the board of directors and employees)	First December 1, 2004 to June 30, 2006 Second December 14, 2004 to June 30, 2006
Exercise period	December 26, 2003 to December 25, 2011 (members of the board of directors and employees) From the date of listing to December 25, 2011 (approved supporters)	July 1, 2006 to June 25, 2014

Type	Stock options	Stock options
Name of company	FinTech Global Incorporated	FinTech Global Incorporated
Name	Third stock acquisition rights	Fourth stock acquisition rights
Title and number of grantees	Employees: 30	Employees: 10
Number of stock options (*1)	Common stock: 15,000 shares (*2)	Common stock: 3,250 shares (*2)
Grant date	December 2, 2005	April 27, 2006
Condition of vesting	Those who are entitled to exercise the stock option shall be any of the directors, corporate auditors or employees on the equivalent positions of the Company, its subsidiaries or affiliates at the time of vesting date (on or after the first day of the period for exercise) unless there are any appropriate reasons such as a resignation due to expiry of the term of duty and a mandatory retirement.	Same as at left
Required service period	December 2, 2005 to December 9, 2006	April 27, 2006 to December 31, 2007
Exercise period	December 10, 2006 to November 30, 2014	January 1, 2008 to November 30, 2015

Type	Stock options	Treasury stock options
Name of company	FinTech Global Incorporated	FX Online Japan Co., Ltd.
Name	Fifth stock acquisition rights	First stock acquisition rights
Title and number of grantees	Employees: 54	Clients: 1 (*4)
Number of stock options (*1)	Common stock: 1,280 shares	Common stock: 105 shares (*4)
Grant date	June 4, 2007	March 23, 2007
Condition of vesting	Those who are entitled to exercise the stock option shall be any of the directors, corporate auditors or employees of the Company or its subsidiaries at the time of vesting date (on or after the first day of the period for exercise) unless there are any appropriate reasons such as a resignation due to expiry of the term of duty and a mandatory retirement.	The stock acquisition rights are exercisable after the common stock of FX Online Japan Co., Ltd. is listed on a Stock Exchange. The listed common stock is assignable only after nonassignability term that the Stock Exchange or lead managing underwriter considers appropriate or necessary.
Required service period	(*3)	—
Exercise period	June 4, 2009 to November 30, 2016 (*3)	From the issuance date through the date 10 years after the resolution date at the ordinary shareholders' meeting (if the date is not a business day, the nearest preceding day shall apply)

Type	Stock options	Stock options
Names of company	FX Online Japan Co., Ltd.	Entrust Inc.
Name	Second stock acquisition rights	First stock acquisition rights
Title and number of grantees	Members of the board of directors of the company: 1 Employees of the company: 19	Members of the board of directors of the company: 3 Employees of the company: 6
Number of stock options (*1)	Common stock: 248 shares	Common stock: 86 shares
Grant date	June 29, 2007	April 1, 2007
Condition of vesting	Those who are entitled to exercise the stock option shall be any of the directors, corporate auditors or employees of FX Online Japan Co., Ltd. or its subsidiaries at the time of the exercise. In the case of a mandatory retirement, the right is forfeited in 1 year after the exercisable date if it remains unexercised until the last day (there is no extension of more than 10 years since the shareholders' meeting). In the case of a retirement due to death, the right is forfeited in 1 year after the exercisable date if it remains unexercised until the last day (there is no extension of more than 10 years since the shareholders' meeting).	Those who are entitled to exercise the stock option shall be any of the directors, corporate auditors or employees of Entrust Inc. at the time of vesting date (on or after the first day of the period for exercise) (Except in case those who are entitled to exercise the stock acquisition rights are not the directors, corporate auditors or employees of Entrust Inc. on the grant date) unless there are any approval by the board of directors and consent in writing.
Required service period	June 29, 2007 to June 29, 2009	April 1, 2007 to May 31, 2009
Exercise period	June 30, 2009 to June 29, 2017	April 1, 2009 to September 30, 2014

Type	Stock options
Name of company	Entrust Inc.
Name	Second stock acquisition rights
Title and number of grantees	Members of the board of directors of the company: 3 Employees of the company: 8
Number of stock options (*1)	Common stock: 114 shares
Grant date	September 10, 2007
Condition of vesting	Those who are entitled to exercise the stock option shall be any of the directors, corporate auditors or employees of Entrust Inc. at the time of vesting date (on or after the first day of the period for exercise) (Except in case those who are entitled to exercise the stock acquisition rights are not the directors, corporate auditors or employees of Entrust Inc. on the grand date) unless there are any approval by the board of directors and consent in writing.
Required service period	September 10, 2007 to March 31, 2009
Exercise period	April 1, 2009 to September 30, 2016

*(*1) The number of stock options is converted into the number of shares.*

*(*2) The number of stock options is adjusted with a 5-for-1 stock split on December 20, 2004, a 3-for-1 stock split on December 20, 2005 and a 5-for-1 stock split on October 1, 2006.*

*(*3) Those who are entitled to exercise the stock acquisition rights can exercise up to the percentage in each required service period described in the "Category" below.*

*(*4) Other than that, FX Online Japan Co., Ltd. has granted 370 shares of treasury stock options to 2 shareholders, including FinTech Global Incorporated, and one partnership. Because the 370 shares were granted solely for maintaining the population ratio of voting rights and do not represent any consideration, they are not disclosed in the table.*

(Number of shares)

	Category	Required service period
A	In the period from June 4, 2009 to June 3, 2010 will be permitted to 40% of all of the shares in the stock acquisition rights granted	June 4, 2007 to June 3, 2009
B	In the period from June 4, 2010 to June 3, 2011 will be permitted to 70% of all of the shares in the stock acquisition rights granted, totaling the number of shares in the stock acquisition rights exercised from June 4, 2009 to June 3, 2010.	June 4, 2007 to June 3, 2010
C	In the period from June 4, 2011 to June 3, 2012 will be permitted to 90% of all of the shares in the stock acquisition rights granted, totaling the number of shares in the stock acquisition rights exercised from June 4, 2009 to June 3, 2011.	June 4, 2007 to June 3, 2011
D	In the period from June 4, 2012 to June 3, 2016 will be permitted all of the unexercised stock acquisition rights.	June 4, 2007 to June 3, 2012

(3) *Number of stock options*

Descriptions below covers stock options and treasury stock options for the fiscal year 2008 and 2007. The number of stock options is converted into the number of shares.

Type	Stock options	Stock options	Stock options
Name of company	FinTech Global Incorporated	FinTech Global Incorporated	FinTech Global Incorporated
Name	Subscription rights	First stock acquisition rights Second stock acquisition rights	Third stock acquisition rights
Grant date	December 25, 2001	December 1, 2004 December 14, 2004	December 2, 2005
(Before vested)			
September 30, 2006	—	—	2,940
Granted	—	—	—
Increase due to stock split (*1)	—	—	11,580
Forfeited	—	—	270
Vested	—	—	—
September 30, 2007	—	—	14,250
Granted	—	—	—
Forfeited	—	—	—
Vested	—	—	—
Outstanding as of September 30, 2008	—	—	—

(Continued)

Type	Stock options	Stock options	Stock options
(After vested)			
September 30, 2006	815	12,465	—
Vested	—	—	14,250
Increase due to stock split (*1)	3,260	49,680	—
Exercised	2,050	15,525	1,875
Forfeited	—	3,270	825
September 30, 2007	2,025	43,350	11,550
Vested	—	—	—
Exercised	1,300	3,825	450
Forfeited	—	225	150
Exercisable as of September 30, 2008	725	39,300	10,950

Type	Stock options	Stock options	Treasury stock
Name of company	FinTech Global Incorporated	FinTech Global Incorporated	FX Online Japan Co., Ltd.
Name	Fourth stock acquisition rights	Fifth stock acquisition rights	First stock acquisition rights
Grant date	April 27, 2006	June 4, 2007	March 23, 2007
(Before vested)			
September 30, 2006	650	—	—
Granted	—	1,280	105
Increase due to stock split (*1)	2,600	—	—
Forfeited	225	40	—
Vested	—	—	—
September 30, 2007	3,025	1,240	105
Granted	—	—	—
Forfeited	—	113	—
Vested	3,025	—	—
Outstanding as of September 30, 2008	—	1,127	—
(After vested)			
September 30, 2006	—	—	—
Vested	—	—	—
Increase due to stock split (*1)	—	—	—
Exercised	—	—	—
Forfeited	—	—	—
September 30, 2007	—	—	—
Vested	3,025	—	—
Exercised	—	—	—
Forfeited	75	—	—
Exercisable as of September 30, 2008	2,950	—	—

Type	Stock options	Stock options	Stock options
Name of company	FX Online Japan Co., Ltd	Entrust, Inc	Entrust, Inc
Name	Second stock acquisition rights	First stock acquisition rights	Second stock acquisition rights
Grant date	June 29, 2007	April 1, 2007	September 10, 2007
(Before vested)			
September 30, 2006	—	—	—
Granted	248	86	114
Increase due to stock split (*1)	—	—	—
Forfeited	—	—	—
Vested	—	—	—
September 30, 2007	248	86	114
Granted	—	—	—
Forfeited	—	10	13
Vested	—	—	—
Outstanding as of September 30, 2008	—	76	101

(Continued)

Type	Stock options	Stock options	Stock options
(After vested)			
September 30, 2006	—	—	—
Vested	—	—	—
Increase due to stock split (*1)	—	—	—
Exercised	—	—	—
Forfeited	—	—	—
September 30, 2007	—	—	—
Vested	—	—	—
Exercised	—	—	—
Forfeited	—	—	—
Exercisable as of September 30, 2008	—	—	—

*(*1) FinTech Global Incorporated executed a stock split at a ratio of 5-for-1 on October 1, 2006.*

(4) *Price information*

(Fiscal Year 2008)

Name of company	FinTech Global Incorporated	FinTech Global Incorporated	FinTech Global Incorporated
Name	Subscription rights	First stock acquisition rights Second stock acquisition rights	Third stock acquisition rights
Grant date	December 25, 2001	December 1, 2004 December 14, 2004	December 2, 2005
Exercise price			
(Yen)	¥ 667	¥ 5,334	¥14,667
(U.S. dollars)	$ 6	$ 51	$ 142
Average exercise price			
(Yen)	¥15,950	¥15,254	¥21,138
(U.S. dollars)	$ 154	$ 147	$ 204
Fair value at the grant date	—	—	—

Name of company	FinTech Global Incorporated	FinTech Global Incorporated
Name	Fourth stock acquisition rights	Fifth stock acquisition rights
Grant date	April 27, 2006	June 4, 2007
Exercise price		
(Yen)	¥145,979	¥71,130
(U.S. dollars)	$ 1,409	$ 686
Average exercise price	—	—
Fair value at the grant date	—	(*1)

Name of company	Entrust Inc.	Entrust Inc.
Name	First stock acquisition rights	Second stock acquisition rights
Grant date	April 1, 2007	September 10, 2007
Exercise price		
(Yen)		
(U.S. dollars)	¥50,000 $ 482	¥50,000 $ 482
Average exercise price	—	—
Fair value at the grant date	—	—

*(*1) The fair values of 5th stock acquisition rights at the grant date are valued as follows based on the categories noted in Note 15 (2) (*3).*

	Fair value at the grant date	
	Yen	U.S. dollars
A	¥31,129	$300
B	32,065	309
C	32,917	318
D	33,688	325

(Fiscal Year 2007)

Name of company	FinTech Global Incorporated	FinTech Global Incorporated	FinTech Global Incorporated
Name	Subscription rights	First stock acquisition rights Second stock acquisition rights	Third stock acquisition rights
Grant date	December 25, 2001	December 1, 2004 December 14, 2004	December 2, 2005
Exercise price			
(Yen)	¥ 667	¥ 5,334	¥14,667
Average exercise price			
(Yen)	¥68,511	¥72,254	¥97,556
Fair value at the grant date	—	—	—

Name of company	FinTech Global Incorporated	FinTech Global Incorporated	FX Online Japan Co., Ltd
Name	Fourth stock acquisition rights	Fifth stock acquisition rights	First stock acquisition rights
Grant date	April 27, 2006	June 4, 2007	March 23, 2007
Exercise price			
(Yen)	¥145,979	¥71,130	¥2,674,173
Average exercise price	—	—	—
Fair value at the grant date	—	(*1)	—

Name of company	FX Online Japan Co., Ltd.	Entrust Inc.	Entrust Inc.
Name	Second stock acquisition rights	First stock acquisition rights	Second stock acquisition rights
Grant date	June 29, 2007	April 1, 2007	September 10, 2007
Exercise price			
(Yen)	¥2,674,173	¥50,000	¥50,000
Average exercise price	—	—	—
Fair value at the grant date	—	—	—

*(*1) The fair values of 5th stock acquisition rights at the grant date are valued as follows based on the categories noted in Note 15(2) (*3).*

	Fair value at the grant date	
	Yen	U.S. dollars
A	¥31,129	$300
B	32,065	309
C	32,917	318
D	33,688	325

(5) *Valuation technique used for determining fair value of stock options granted in the fiscal year*

(i) Fifth stock acquisition rights granted by the Company

(a) Valuation technique: Black-Scholes option pricing model

(b) Principal parameters used in the option-pricing model

Category described in Note 15(2) (*3)	A	B	C	D
Expected volatility (*1)	64.909%	64.909%	64.909%	64.909%
Average expected life (*2)	5.75 years	6.25 years	6.75 years	7.25 years
Expected dividends (*3)				
(Yen)	¥1,050	¥1,050	¥1,050	¥1,050
(U.S. dollars)	$9	$9	$9	$9
Risk-free interest rate (*4)	1.486%	1.523%	1.568%	1.610%

*(*1) This is calculated based on monthly stock prices in the past (the closing prices at the last trading day of each month from June, 2005 to May, 2007).*

*(*2) The average expected life could not be estimated rationally due to insufficient amount of data. Therefore, it was estimated assuming that the options were exercised at the midpoint of the exercise period. This is calculated based on monthly stock prices in the past (the closing prices at the last trading day of each month from June, 2005 to May, 2007).*

*(*3) The actual dividends on common stock during the last year*

*(*4) The rate is Japanese government bond yield as of June 4 2007, corresponding to the average expected life.*

(ii) First stock acquisition rights (treasury stock options) and second stock acquisition rights (stock options) granted by FX Online Japan Co., Ltd.

Those stock options are accounted for under the intrinsic value method since FXO is a privately held company. The stock value of FXO used in the calculation of intrinsic value was determined by the sales comparison approach (comparing to similar transactions). The intrinsic value of those stock options granted by FXO during the fiscal year 2007 was estimated to be zero.

(iii) First stock acquisition rights (stock option) and second stock acquisition rights (stock option) granted by Entrust Inc.

Those stock options are accounted for under the intrinsic value method since Entrust Inc. is a privately held company. The stock value of Entrust Inc. used in the calculation of intrinsic value was determined by net assets method. The intrinsic value of those stock options granted by Entrust Inc. during the fiscal year 2007 was estimated to be zero.

(6) *Method of estimating number of stock options vested*

With respect to fifth stock acquisition rights of the Company, only the actual number of forfeited stock options is reflected in determining the number of vested stock options because it is difficult to rationally estimate the actual number of stock options that will be forfeited in the future.

20. Leases

Finance leases, except for those leases under which the ownership of the leased assets is considered to be transferred to the lessee, are accounted for in the same manner as operating leases and are composed of the following as of September 30, 2008 and 2007:

(September 30, 2008)	Thousands of yen		
	Assumed acquisition costs	Assumed accumulated depreciation	Assumed balance
Furniture and equipment	¥19,468	¥13,302	¥6,165
Other	556	352	204
	¥20,024	¥13,655	¥6,369

	Thousands of U.S. dollars		
	Assumed acquisition costs	Assumed accumulated depreciation	Assumed balance
Furniture and equipment	$188	$128	$59
Other	5	3	2
	$193	$132	$61

(September 30, 2007)	Thousands of yen		
	Assumed acquisition costs	Assumed accumulated depreciation	Assumed balance
Furniture and equipment	¥30,240	¥11,725	¥18,515
Other	557	241	316
	¥30,797	¥11,966	¥18,831

The scheduled maturities of future lease payments of such lease contracts as of September 30, 2008 are as follows:

	Thousands of yen	Thousands of U.S. dollars
Due within one year	¥4,391	$42
Due over one year	2,466	24
	¥6,858	$66

Lease expenses and implied depreciation and interest expense of the non-capitalized finance leases for the years ended September 30, 2008 and 2007 are as follows:

	Thousands of yen		Thousands of U.S. dollars
	2008	2007	2008
Lease expenses	¥4,387	¥5,507	$42
Implied depreciation	3,895	4,698	38
Implied interest expenses	¥ 405	¥ 716	$ 4

Assumed depreciation was calculated using the straight-line method over the lease term with no residual value.

Differences between total lease expenses and assumed acquisition costs of the leased assets comprise assumed interest expenses. Assumed interest expenses are allocated to each period using the interest method over the lease term.

21. Derivative Transactions

(1) *Overview of derivative transactions*

The Company utilizes interest rate swaps for fixed income and equity option for equity. One of the subsidiaries enters into FX (foreign exchange) margin transactions with customers. This subsidiary enters into OTC (over the counter) FX margin transactions with counterparties to hedge the risks arising from the transactions with customers.

(2) *Purpose and policies for utilizing derivative instruments*

Derivative instruments are utilized to manage the risk arising from interest rate fluctuation associated with borrowings. Derivative instruments are not traded for speculative purposes. Hedge accounting is applied to derivative transactions. Hedged items are borrowings and hedging instruments are interest rate swaps, which meet specific matching criteria. Therefore interest rate swaps are not remeasured at market value but the differentials paid or received under the swap contracts are recognized and included in interest expense. Interest rate swaps are utilized within the amount of hedged borrowings to hedge the associated interest rate risk.

With respect to FX margin transactions of the subsidiary, their proprietary and the customers' transaction accounts are separately administered in accordance with the rules concerning FX margin transactions to properly segregate customers' assets in the trust account. Foreign exchange risk arising from the covering transactions with customers is hedged by timely trades with counterparties.

(3) *Risks on the transactions*

Interest rate swap and equity option transactions are subject to risks of fluctuations in market interest rate and prices. The counterparties are limited to highly-rated financial institutions. Therefore, the company does not anticipate losses arising from credit risk.

As for FX margin businesses carried out by the subsidiary, after entering into contracts with customers, the transaction is subject to foreign exchange risks until the execution of covering trades with counterparties. The subsidiary does not anticipate significant losses arising from the customers' non-fulfillments of contracts since customers are supposed to pledge additional collaterals or to be forced to settle their positions all on in part unless they keep required margin collateral balances when foreign exchange rates move adversely for the customers often the execution of the contracts. In addition, the company does not anticipate any losses rising from the clients' failure of contracts since covering transaction with the counterparties are entered into with rated financial institutions.

(4) *Risk management structure*

Derivative transactions are executed by the treasury department upon appropriate approval in accordance with the internal policies which regulate authorization and the limit exposures arising from those transactions by covering trades.

The subsidiary carrying out FX margin transaction applies the policies of foreign exchange position management to hedge foreign exchange risks arising from the transactions with the customers.

(5) Unrealized gains/(losses) on derivatives which are not accounted for as hedges as of September 30, 2008 and 2007 are summarized as follows:

(i) Equity securities related transaction

(September 30, 2008)

	Thousands of yen		
Type	Contract amounts (*1)	Fair market value	Unrealized gain/(loss)
Option trading			
Short	¥34,242	¥61,356	¥(27,114)
Long	3,683	4,427	744
	¥37,925	¥65,783	¥(26,370)

(September 30, 2008)

	Thousands of U.S. dollars		
Type	Contract amounts (*1)	Fair market value	Unrealized gain/(loss)
Option trading			
Short	$330	$592	$(262)
Long	36	43	7
	$366	$635	$(254)

1. Market value is calculated based on the prices presented by the counterparties of financial institutions, etc.

2. Contract amount is not actual account to be settled with counterparties, and thus does not present the magnitude of the market risk associated with derivatives instruments.

3. Derivative instruments to which hedge accounting were applied are excluded from above table.

(ii) Currency transactions

(September 30, 2007)

	Thousands of yen		
Type	Contract amounts (*1)	Fair market value	Unrealized gain/(loss)
FX margin transaction			
Short	¥173,318,030	¥172,104,843	¥1,213,187
Long	171,169,449	172,108,906	939,457
	¥344,487,479	¥344,213,749	¥2,152,644

Note: The subsidiary was excluded from the scope of consolidation in the fiscal year 2008.

22. Segment Information

Information regarding the business segments, operations by geographic area and overseas sales are summarized as follows:

(1) *Business Segments*

(September 30, 2007)

	(Thousands of yen)			
	Investment banking business	Reinsurance/financial guarantee business	FX (Foreign Exchange) business	Real estate related business
Gross revenues				
(1) Revenues from third party	¥ 4,588,330	¥ 210,767	¥7,018,213	¥ 2,268,769
(2) Inter-segment revenues	729,057	—	—	—
Total	5,317,387	210,767	7,018,213	2,268,769
Operating expenses	11,775,660	862,454	4,260,062	5,466,680
Operating income	¥ (6,458,273)	¥ (651,687)	¥2,758,151	¥ (3,197,910)
Assets	¥40,665,940	¥13,572,571	¥ —	¥22,675,178
Depreciation and amortization expenses	57,333	23,107	28,776	1,385
Impairment loss	16,502	—	—	—
Capital expenditures	113,652	36,015	301,494	—

	Other business	Total	Elimination and corporate	Consolidated total
Gross revenues				
(1) Revenues from third party	¥ 79,218	¥14,165,298	¥ —	¥14,165,298
(2) Inter-segment revenues	—	729,057	(729,057)	—
Total	79,218	14,894,355	(729,057)	14,165,298
Operating expenses	73,525	22,438,383	(32,780)	22,405,602
Operating income	¥5,692	(7,544,027)	(696,276)	¥ (8,240,303)
Assets	¥ 393,669	77,307,359	1,713,833	¥79,021,192
Depreciation and amortization expenses	250	110,851	—	110,851
Impairment loss	—	16,502	—	16,502
Capital expenditures	74,667	525,830	—	525,830

	(Thousands of U.S. dollars)			
	Investment banking business	Reinsurance/financial guarantee business	FX (Foreign Exchange) business	Real estate related business
Gross revenues				
(1) Revenues from third party	$ 44,276	$ 2,034	$67,724	$ 21,893
(2) Inter-segment revenues	7,035	—	—	—
Total	51,311	2,034	67,724	21,893
Operating expenses	113,632	8,322	41,108	52,752
Operating income	$ (62,320)	$ (6,289)	$26,615	$ (30,859)
Assets	$392,415	$103,971	$ —	$218,809
Depreciation and amortization expenses	553	223	278	13
Impairment loss	159	—	—	—
Capital expenditures	1,097	348	2,909	—

	Other business	Total	Elimination and corporate	Consolidated total
Gross revenues				
(1) Revenues from third party	$ 764	$136,691	$ —	$136,691
(2) Inter-segment revenues	—	7,035	(7,035)	—
Total	764	143,726	(7,035)	136,691
Operating expenses	709	216,524	(316)	216,208
Operating income	$ 55	(72,798)	$ (6,719)	$ (79,517)
Assets	$ 3,799	$745,994	$16,538	$762,532
Depreciation and amortization expenses	2	1,070	—	1,070
Impairment loss	—	159	—	159
Capital expenditures	721	5,074	—	5,074

1. Business segments are grouped according to the market similarities.
2. Main business activities in each segment
(1) Investment banking business: Arrangement operations, principal finance operations, and other investment banking operations
(2) Reinsurance/financial guarantee business: Credit enhancement and reinsurance underwriting
(3) FX (Foreign Exchange) business: Foreign exchange margin trading business on internet
(4) Real estate related business: Real estate development and trade, lease and brokerage
(5) Other business: Sale and development of software for public accounting and consulting services
3. There are no non-allocable operating expenses in "elimination or corporate".
4. There are no corporate assets in "elimination or corporate".
5. FXO has been excluded from the scope of consolidation due to the sale of all of the shares in the fiscal year 2008. The profits or losses during the period are included in the consolidated statements of operations and the segment information by business.

(September 30, 2007)

	(Thousands of yen)			
	Investment banking business	Reinsurance/financial guarantee business	FX (Foreign Exchange) business	Real estate related business
Gross revenues				
(1) Revenues from third party	¥ 6,985,131	¥ 1,720,098	¥ 3,139,105	¥5,069,813
(2) Inter-segment revenues	260,099	—	—	—
Total	7,245,230	1,720,098	3,139,105	5,069,813
Operating expenses	3,606,746	1,836,292	1,627,001	3,648,223
Operating income	¥ 3,638,484	¥ (116,194)	¥ 1,512,104	¥1,421,590
Assets	¥60,023,816	¥12,620,727	¥21,577,708	¥7,477,023
Depreciation and amortization expenses	38,913	9,591	6,261	—
Impairment loss	66,818	—	—	—
Capital expenditures	209,251	54,679	57,772	—

	Total	Elimination and corporate	Consolidated total
Gross revenues			
(1) Revenues from third party	¥ 16,914,147	¥ —	¥16,914,147
(2) Inter-segment revenues	260,099	(260,099)	—
Total	17,174,246	(260,099)	16,914,147
Operating expenses	10,718,262	(91,093)	10,627,169
Operating income	¥6,455,984	¥ (169,006)	¥ 6,286,978
Assets	¥101,699,274	¥(10,958,800)	¥90,740,474
Depreciation and amortization expenses	54,765	—	54,765
Impairment loss	66,818	—	66,818
Capital expenditures	321,702	—	321,702

1. Business segments are grouped according to the market similarities.
2. Main business activities in each segment
(1) Investment banking business: Arrangement operations, principal finance operations, and other investment banking operations
(2) Reinsurance/financial guarantee business: Credit enhancement and reinsurance underwriting
(3) FX (Foreign Exchange) business: Foreign exchange business on internet
(4) Real estate related business: Real estate development and trade, lease and brokerage
3. Godo Kaisha Temp Moderate Udagawa-cho Kaihatsu, which has been consolidated in accordance with "Practical Solution on Application of Control Criteria and Influence Criteria to Investment Associations" (PITF No. 20 issued by ASBJ on September 8, 2006), sold the real estate held for sale for the year ended September 30, 2007. As a result, ¥3,658,512 thousand of revenue and ¥2,678,603 thousand of operating expenses are recognized in real estate related business.

(2) *Operations by Geographic Area*

(September 30, 2008)

	(Thousands of yen)				
	Japan	Europe and America	Total	Elimination and corporate	Consolidated total
Gross revenues					
(1) Revenues from third party	¥14,173,009	¥ (7,710)	¥14,165,298	¥ —	¥14,165,298
(2) Inter-segment revenues	—	13,133	13,133	(13,133)	—
Total	14,173,009	5,423	14,178,432	(13,133)	14,165,298
Operating expenses	22,092,162	326,574	22,418,736	(13,133)	22,405,602
Operating loss	¥(7,919,152)	¥ (321,151)	¥(8,240,303)	¥ —	¥(8,240,303)
Assets	¥73,434,555	¥12,585,026	¥86,019,581	¥(6,998,388)	¥79,021,192

	(Thousands of U.S. dollars)				
	Japan	Europe and America	Total	Elimination and corporate	Consolidated total
Gross revenues					
(1) Revenues from third party	$136,766	$ (74)	$136,691	$ —	$136,691
(2) Inter-segment revenues	—	127	127	(127)	—
Total	136,766	52	136,818	(127)	136,691
Operating expenses	213,183	3,151	216,334	(127)	216,208
Operating loss	$ (76,418)	$ (3,099)	$ (79,517)	$ —	$ (79,517)
Assets	$708,623	$121,442	$830,064	$(67,532)	$762,532

1. National and regional segments are grouped according to the geographical proximity.

2. Countries and regions associated with the geographical segments outside of Japan, Europe and America: Switzerland and Bermuda.

3. There are no non-allocable operating expenses in "elimination or corporate".

4. There are no corporate assets in "elimination or corporate".

(September 30, 2007)	(Thousands of yen)				
	Japan	Europe and America	Total	Elimination and corporate	Consolidated total
Gross revenues					
(1) Revenues from third party	¥15,209,709	¥ 1,704,438	¥16,914,147	¥ —	¥16,914,147
(2) Inter-segment revenues	—	538	538	(538)	—
Total	15,209,709	1,704,976	16,914,685	(538)	16,914,147
Operating expenses	8,935,660	1,692,047	10,627,707	(538)	10,627,169
Operating income	¥ 6,274,049	¥ 12,929	¥ 6,286,978	¥ —	¥ 6,286,978
Assets	¥83,746,358	¥12,194,312	¥95,940,670	¥(5,200,196)	¥90,740,474

1. National and regional segments are grouped according to the geographical proximity.

2. Countries and regions associated with the geographical segments outside of Japan, Europe and America: Switzerland and Bermuda.

3. Godo Kaisha Temp Moderate Udagawa-cho Kaihatsu, which has been consolidated in accordance with PITF No. 20 issued by ASBJ on September 8, 2006, sold the real estate held for sale for the year ended September 30, 2007. As a result, ¥3,658,512 thousand of revenue and ¥2,678,603 thousand of operating expenses are recognized in Japan segment.

(3) *Overseas Sales*

Because overseas gross revenue corresponds to less than 10% of total gross revenue, the information regarding overseas sales was omitted in the fiscal year 2008 and 2007.

23. Transactions with Related Parties

The transactions with the officers and major individual shareholders for the fiscal year 2007 are summarized as follows:

	2007
Attributes	Company of which an officer and his relatives held a majority of the voting rights
Corporate name	I•N Co., Ltd. (see Note 3)
Address	Chuo-ku, Osaka
Capital or investment	
(Thousands of yen)	¥10,000
Business	Insurance and real estate
Ratio of voting rights in possession (or being possessed)	Directly possessed 1.2%
Relationship	
Double role of directors	None
Business relationship	None
Description of transactions	Receipt of lease deposit Receipt of rent
Transaction amount	
(Thousands of yen)	Rent: ¥1,445

1. The above transaction amount did not include consumption taxes.

2. The Company sub-leased a part of the leased building on the same conditions with the Company.

3. Haruyoshi Inoue, an officer of the Company, and his relatives held 60% of the voting rights.

There are no transactions with the officers and major individual shareholders for the fiscal year 2008.

24. Per Share Information

Per share information for the fiscal years 2008 and 2007 is summarized as follows:

	Yen		U.S. dollars
Item	2008	2007	2008
Net assets per share	**¥13,911.77**	¥20,797.85	**$134.24**
Net income (loss) per share	**(5,937.48)**	1,484.29	**57.29**
Net income per share after adjusting dilution effect	—	1,395.39	—
Cash dividends applicable to the year per share	**¥ 165**	¥ 1,300.00	**$ 1.59**

The underlying information for the calculation of the net income (loss) per share and the net income (loss) per share after adjusting for dilution effects for the fiscal year 2008 and 2007 are as follows:

	2008	2007	2008
Net income (loss)			
(Thousands of yen)	**¥(7,160,694)**	¥1,767,785	**$(69,099)**
Net income regarding common stock			
(Thousands yen)	**¥(7,160,694)**	¥1,767,785	**$(69,099)**
Average number of common stock	**1,206,025 shares**	1,190,996 shares	—
Details of the increased number of the common stock used for calculation of the net income per share after adjusting for dilution effect			
Subscription rights	—	3,379 shares	—
Stock acquisition rights	—	61,240 shares	—
Bonds with stock acquisition rights	—	11,263 shares	—
Increased number of common stock	—	75,882 shares	—

Details of potential common stock excluded for the calculation of the net income after adjusting for dilution effect because of no dilution effect for the fiscal year 2008 and 2007 are as follows:
(Fiscal year 2008)
(1) The Company: Stock acquisition rights (Stock options) 725 shares
(2) The Company: Stock acquisition rights (Stock options): 39,300 shares
(3) The Company: Stock acquisition rights (Stock options): 10,950 shares
(4) The Company: Stock acquisition rights (Stock options): 2,950 shares
(5) The Company: Stock acquisition rights (Convertible bonds): 139,785 shares
(6) The Company: Stock acquisition rights (Stock options): 1,127 shares
(7) Subsidiaries: Entrust, Inc.: Stock acquisition rights (Stock options): 76 shares
(8) Subsidiaries: Entrust, Inc.: Stock acquisition rights (Stock options): 101 shares

(Fiscal year 2007)
(1) The Company: Stock acquisition rights (Stock option): 3,025 shares
(2) The Company: Stock acquisition rights (Convertible bond): 139,785 shares
(3) The Company: Stock acquisition rights (Stock option): 1,240 shares
(4) Subsidiaries: FX Online Japan Co., Ltd. Stock acquisition rights (Treasury stock option): 142 shares
(5) Subsidiaries: FX Online Japan Co., Ltd. Stock acquisition rights (Stock option): 248 shares
(6) Subsidiaries: Entrust Inc.: Stock acquisition rights (Stock option): 86 shares
(7) Subsidiaries: Entrust Inc.: Stock acquisition rights (Stock option): 114 shares

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Report of Independent Auditors

To the Board of Directors of
FinTech Global Incorporated

We have audited the accompanying consolidated balance sheet of FinTec Global Incorporated ("the Company") and its subsidiaries as of September 30, 2008, and the related consolidated statements of income, changes in net assets and cash flows for the year then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company and its subsidiaries as of September 30, 2008, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

As discussed in Note 2, to the consolidated financial statements, the Company and its subsidiaries recorded an operating loss of ¥8,240,303 ($79,517) thousand in the year ended September 30, 2008, that raises substantial doubt over their ability to continue as a going concern. Management's plans in regard to these matters are also described in the Note. The consolidated financial statements have been prepared on the basis that the Company and its subsidiaries continue as a going concern, and do not include any adjustments that might result from the outcome of this uncertainty.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended September 30, 2008 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

PricewaterhouseCoopers Aarata

December 19, 2008

Members of the Board

(As of December 19, 2008)

FinTech Global Incorporated

NOBUMITSU TAMAI

President and CEO

Mr. Tamai was responsible for structuring and marketing of various structured financial products, including aircraft finance at ORIX Corporation. He was also involved in developing new businesses relating to insurance, risk finance and project finance involving insurance. Seeking to create a new style of investment banking business, he established FGI in 1994.

MITSURO OHASHI

Managing Director

Mr. Ohashi worked at the New York Branch and Overseas Credit Department of Mizuho Trust and Banking Co., Ltd. (formerly, Yasuda Trust and Banking Co., Ltd.) before taking the position of president of the Australian subsidiary of the bank. He was transferred to the Credit Department of the bank in April 2000 as manager responsible for credit risk control of structured finance. In September 2005, he joined FGI to take charge of the Credit Department and was subsequently appointed to the Board of Directors on December 20, 2005.

ROBERT HIRST

Chairman

Mr. Hirst's career includes positions at Bankers Trust Co., International Finance Corporation, Citibank NA and AIG Financial Products Corp., for the last of which he launched the company's operations in Asia in 1987 and headed up these activities for many years. His professional expertise is in structured finance, financial derivatives and alternative assets. He became a director of FGI in December 2005 and assumed the post of chairman in December 2007.

TAKESHI SUGIMOTO

Managing Director

With marketing experience gained at Nikko Securities Co., Ltd., Mr. Sugimoto created the e-Learning Web System and established IT Brain Network in 1994 as a means to provide training in the use of this system. In 2002, he established Proforce Co., Ltd., to develop, maintain and operate business-to-business web-based computer systems. Hoping to have opportunities to flex this business muscle, Mr. Sugimoto joined the Company's Board of Directors in June 2004.

YASUNOBU NOSE

Executive Vice President

Mr. Nose has long been engaged in structured finance at financial institutions, including Daiwa Securities Co., Ltd., Deutsche Bank AG and UBS AG. Most recently, he was the head of securitization in Japan at Lehman Brothers Japan, Inc., where he established securitization business for Japanese originators and developed various other types of structured finance products. In January 2005, he was appointed Managing Director and head of the Global Structured Finance Group in Japan. In October 2005, he joined FGI and was subsequently appointed to the Board of Directors on December 20, 2005, and to the post of Executive Vice President on April 1, 2008.

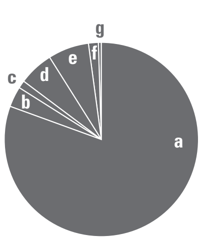
Investor Information

(As of September 30, 2008)

FinTech Global Incorporated

Head Office	19th Floor, Toranomon Towers Office, 1-28, Toranomon 4-chome, Minato-ku, Tokyo 105-0001, Japan
	Tel: 03-5733-2121 *(general)*
	Fax: 03-5733-2124
Osaka Office	11th Floor, Midosuji Honmachi Bldg., 5-7, Honmachi 3-chome, Chuo-ku, Osaka 541-0053, Japan
Date of Establishment	December 7, 1994
Paid-in Capital	¥10,764,317,950
Number of Employees	112 *(Consolidated, excluding part-timers)*, 83 *(Non-consolidated, excluding part-timers)*
Members of the Board and Auditors (As of December 19, 2008)	*President and CEO* Nobumitsu Tamai
	Chairman Robert Hirst
	Executive Vice President Yasunobu Nose
	Managing Directors Mitsuro Ohashi, Takeshi Sugimoto
	Auditors Koichi Ninomiya *(Full-time)*, Toru Ohyama, Yakichi Nagashima
Fiscal Year	September 30
Shareholders' Meeting	December
Date of Record	September 30
Interim Dividend Date of Record	March 31
Common Stock (Authorized)	3,084,000 shares
Common Stock (Issued)	1,208,135 shares
Number of Shareholders	14,063
Listing	Mothers, Tokyo Stock Exchange

Share Distribution



a Individuals and others	977,871 shares	(80.94%)
b Financial institutions	41,426 shares	(3.43%)
c Securities companies	15,598 shares	(1.29%)
d Foreign companies	70,499 shares	(5.84%)
e Other domestic corporations	82,625 shares	(6.84%)
f Government and local public entity	20,001 shares	(1.65%)
g JASDEC account	115 shares	(0.01%)

Major Shareholders

Name	Shareholding (shares)	Shareholding (%)
1. Nobumitsu Tamai	297,000	24.58
2. Masaaki Aoshima	57,750	4.78
3. Yuko Fujii	52,014	4.31
4. Mizuho Capital Co., Ltd.	30,247	2.50
5. Finance Minister	20,001	1.66
6. Katsuhito Okedoi	17,231	1.43
7. Nippon Life Insurance Company	17,135	1.42
8. UBS AG Singapore	16,778	1.39
9. IN Co., Ltd.	15,000	1.24
10. Akihisa Suzuki	14,619	1.21

Principal Consolidated Subsidiaries

(As of September 30, 2008)

FinTech Global Securities, Inc.

Date of Establishment	June 2004 *(licensed for securities business in October 2005)*
Paid-in Capital	¥465 million
Business Content	Securities business

Stellar Capital AG

Date of Establishment	March 2006
Paid-in Capital	¥10 billion
Business Content	Investments and credit enhancement

Crane Reinsurance Limited*

Date of Establishment	March 2006
Paid-in Capital	¥1.5 billion
Business Content	Reinsurance

**A subsidiary of Stellar Capital AG*

Entrust Inc.

Date of Establishment	March 2006
Paid-in Capital	¥200 million
Business Content	Provision of guarantee system for rent payments and commissioned business

Public Management Consulting Corporation

Date of Business Commencement	July 2008
Paid-in Capital	¥100 million
Business Content	Development and sale of public accounting software, and consulting

FGI

FinTech Global Incorporated

The firm of innovative financing

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