

Consolidated Financial Statements
for the Second Quarter of the Fiscal Year Ending March 31, 2009

November 7, 2008

NIPPON KANZAI Co., Ltd.

Listed Exchanges: The 1st Section of Tokyo and Osaka stock exchanges
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*Amounts under one million yen have been rounded down.

1. Consolidated Results for the Second Quarter Ended September 30, 2008
(April 1, 2008 to September 30, 2008)

(1) Consolidated business results

(Percentage figures indicate the rate of change from the same period in the previous year.)

	Net Sales		Operating Income		Ordinary Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended September 30, 2008	34,461	—	2,042	—	2,169	—
Six months ended September 30, 2007	31,772	8.3	2,371	12.8	2,467	12.5

	Net Income		Net Income per Share	Diluted Net Income per Share
	Millions of yen	%	Yen	Yen
Six months ended September 30, 2008	959	—	46.67	—
Six months ended September 30, 2007	1,296	12.6	63.05	—

(2) Consolidated financial position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	Millions of yen	Millions of yen	%	Yen
As of September 30, 2008	38,747	27,420	66.6	1,255.56
As of March 31, 2008	36,467	26,354	69.3	1,229.13

Note: Shareholders' Equity: Six months ended Sept. 30, 2008: ¥25,817 million, Year ended Mar. 31, 2008: ¥25,275 million

2. Dividends

Record date	Dividends per Share (Yen)				
	First Quarter	Second Quarter	Third Quarter	Year-end	Annual
Year ended March 31, 2008	—	16.00	—	16.00	32.00
Year ending March 31, 2009	—	16.00	—	—	—
Year ending March 31, 2009 (Forecast)	—	—	—	16.00	32.00

Note: Revisions to the forecast of cash dividends in the current quarter: None

3. Consolidated Financial Result Forecasts for the Year Ending March 31, 2009
(April 1, 2008 to March 31, 2009)

(Percentage figures indicate the rate of change from the previous year.)

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	71,119	7.1	4,186	(11.8)	4,423	(23.6)	1,951	(9.5)	94.90

Note: Revisions to the forecast of consolidated results in the current quarter: Yes

4. Others

(1) Significant changes to subsidiaries during the term (transfers of specific subsidiaries with changes in the scope of consolidation): Yes

Newly transferred: 1 company (the anonymous association managed by the limited liability company SRF2007)

Eliminated: None

Note: For details, please refer to Page 4, "4. Others" of "Qualitative Information on Financial Statements."

(2) Adoption of the simple accounting as well as specific accounting for preparing the quarterly consolidated financial statements: Yes

Note: For details, please refer to Page 4, "4. Others" of "Qualitative Information on Financial Statements."

(3) Changes in accounting policies, procedures and methods of presentation for preparing the quarterly consolidated financial statements (changes described in the section of "Changes in significant matters forming the basis of preparing the quarterly consolidated financial statements")

1) Changes due to the revision of accounting standard, etc.: Yes

2) Changes other than 1): None

Note: For details, please refer to Page 4, "4. Others" of "Qualitative Information on Financial Statements."

(4) Number of shares issued and outstanding (common stock)

1) Number of shares issued and outstanding at the end of each period (including treasury stock)

As of September 30, 2008: 20,590,153 shares As of March 31, 2008: 20,590,153 shares

2) Number of treasury stock at the end of each period

As of September 30, 2008: 27,339 shares As of March 31, 2008: 26,869 shares

3) Average number of shares issued and outstanding in each period

Second quarter ended September 2008: 20,563,120 shares Second quarter ended September 2007: 20,564,154 shares

*** Explanation concerning the appropriate use of estimated business results and other special notes**

1. Forecasts of consolidated financial results have been revised as discussed in the *Notification of Revision to Forecast of Financial Results*, which has released on November 7, 2008 along with this material.
2. The forecasts of financial results are based on information available at the time material was released and actual results may differ from forecasts for various reasons.
3. *Accounting Standards for Quarterly Financial Reporting* (Accounting Standards No. 12) and *Implementation Guidance for Accounting Standards for Quarterly Financial Reporting* (Implementation Guidance No. 14) was applied starting this fiscal year, and quarterly financial reports were created in accordance with *Quarterly Financial Reporting Regulations*.

[Qualitative Information on Financial Statements]

1. Qualitative Information on Consolidated Business Results

During the first half of the current fiscal year, the slowdown in the U.S. economy stemming from the subprime mortgage problem spread to the global economy, and Japanese economic growth also further cooled for various reasons including a substantial drop in stock prices and jumps in the price of goods following hikes in raw material prices. Uncertainty about the future remains.

In the building maintenance industry, there was growing awareness of the importance of reducing costs and there was fierce competition with other companies, including that related to contract amounts.

Under these conditions, the Nippon Kanzai Group aggressively developed its business, by working on property management and PFI and other projects, and by strengthening group companies, as well as continuously expanding businesses peripheral to the building maintenance.

As covered in the *Notification of Revisions to Forecast of Financial Results* released on October 31, 2008, consolidated net sales for the first half rose 8.5% year on year to 34,461 million yen as a result of contributions from contracts for large new properties since the beginning of the fiscal year.

As for income, operating income shrank 13.9% year on year to 2,042 million yen and ordinary income fell 12.1% year on year to 2,169 million yen since growth in unit contract prices stagnated and costs rose. In addition, loss on valuation of investment securities were recorded since the price of marketable securities held by each group company fell dramatically, resulting in net income declining 26.0% year on year to 959 million yen.

The following are earning by segment:

(1) Building Management and Operating Business

In the Building Management and Operating Business, which is engaged in building management service and security, we were able to steadily win contracts for not only new properties, particularly those related to the designated administrator system, PFI, and properties connected to real estate funds, but also peripheral businesses, resulting in net sales for the first half growing 9.4% (2,593 million yen) year on year to 30,127 million yen.

As for income, operating income rose slightly by 1.6% (49 million yen) year on year to 3,129 million yen because growth in unit contract prices stagnated and major costs such as labor expenses rose.

(2) Environmental Facility Management Business

The Environmental Facility Management Business, which is mainly engaged in management of public facilities for water and sewerage, there was an overall firm number of new contracts, particularly for the management of incinerators and recycling facilities, which resulted in net sales growing 8.5% (242 million yen) year on year to 3,098 million yen.

Although revisions were made to outsourcing costs and purchasing costs for individual contracts, and thorough cost management, centered on the efficient assignment of personnel, was implemented, local governments, which are our main customers, are continuing to face tight fiscal conditions, and cost did not improve. Therefore, the business recorded 323 million in operating income, which is the same level as that for last year.

(3) Temporary Staffing Business

In the Temporary Staffing Business, which is mainly engaged in product management inside warehouses, conditions related to contract amounts for both product processing operations and entering and dispatching operations remained harsh, and we made active efforts related to other temporary staffing operations, particularly the production line staff. However, net sales declined 6.5% (64 million yen) to 941 million yen.

Operating income experienced a dramatic decline of 94.1% (53 million yen) to 3 million yen since it was not possible to absorb costs such as those for sales related to temporary staffing operations and start-up costs for major new contracts within logistics operations.

(4) Real Estate Fund Management Business

In the asset management operations, which entails forming real estate funds and managing assets, and the real estate fund management operations, which mainly handles investments in anonymous associations, was able to record stable asset management fees, but acquisition and sales fees declined as conditions in the real estate market deteriorated. Therefore, net sales for the first half shrank 21.7% (81 million yen) year on year to 294 million yen.

Operating income shrank 52.1% (136 million yen) year on year to 125 million yen as a result of a temporary decline in acquisition and sales fees.

2. Qualitative Information on Consolidated Financial Position

(1) Consolidated balance sheets

Total assets at the end of the first half of the current fiscal year rose 6.3% (2,280 million yen) compared to the end of the previous fiscal year to 38,747 million yen.

The increase was mainly due to the impact of an increase in assets (real estate for sale) held by consolidated anonymous associations as the scope of consolidation was expanded since the first quarter although cash and time deposits shrank.

Net assets rose 4.0% (1,065 million yen) to 27,420 million yen because of an increase in retained earnings and minority interests.

Since the first quarter of the current fiscal year, real estate held by consolidated anonymous associations (real estate funds) has been recorded as real estate for sale under current assets, and the corresponding loans have been recorded as long-term non-recourse loans under fixed liabilities.

(2) Consolidated cash flows

Net cash provided by operating activities totaled 54 million yen because of a dramatic increase in payment of income and other taxes.

Net cash used in investing activities totaled 572 million yen as a result of expenditures for the purchase of tangible fixed assets and investment securities and expenditure for lending.

Net cash used in financing activities was 350 million yen for various reasons including the dividends paid to shareholders and minority shareholders.

As a result, cash and cash equivalents at the end of term declined 977 million yen compared to the end of the previous fiscal year to 10,287 billion yen.

3. Qualitative Information on Consolidated Financial Result Forecasts for the Year Ending March 2009

As discussed in the *Notification of Revisions to Forecast of Financial Results* released on November 7, 2008, consolidated net sales for the current fiscal year are projected to surpass initial forecasts due to contributions from NS Corporation (formerly Shiseido Kaihatsu Co., Ltd.), which was acquired on November 1, 2008.

However, operating income, ordinary income, and net income are forecast to fall short of forecasts announced on May 8, 2008, for various reasons including jumps in costs and stagnant unit contract prices as was the situation through the first half of the current fiscal year.

4. Others

(1) Significant transfers to subsidiaries during the term (transfers of specific subsidiaries with changes in the scope of consolidation)

During the first quarter of the current fiscal year, the anonymous association managed by the limited liability company SRF2007 and that has traditionally been accounted for as a non-consolidated equity method company was turned into a consolidated subsidiary with accompanying importance of that anonymous association.

(2) Adoption of the simple accounting as well as specific accounting for preparing the quarterly consolidated financial statements

For assets depreciated using a declining balance method, depreciation is calculated by proportionally allocating the depreciation expense for the full fiscal year equally over each quarter.

(3) Changes in accounting policies, procedures and methods of presentation for preparing the quarterly consolidated financial statements (changes described in the section of "Changes in significant matters forming the basis of preparing the quarterly consolidated financial statements")

1) *Accounting Standards for Quarterly Financial Reporting* (Accounting Standards Board of Japan (ASBJ) Statement No. 12, March 14, 2007) and *Implementation Guidance on Accounting Standard for Quarterly Financial Reporting* (Accounting Standards Board of Japan Implementation Guidance No. 14, March 14, 2007) were applied starting from the first quarter of the fiscal year, and quarterly financial statements are created based on *Regulations for Quarterly Consolidated Financial Statements*.

2) Application of Accounting Standards for Measurement of Inventories

Accounting Standards for Measurement of Inventories (Accounting Standard Board of Japan; Accounting Standard No. 9; July 5, 2006) was applied starting the first quarter of the current fiscal year, and the measurement standards changed from a cost method to a **cost method** based on the specific identification method (the book value on the balance sheet is calculated using a method that reduces the value based on a deterioration in profitability (of the asset)). The impact of this change on operating income and each segment information is immaterial.

3) The anonymous association managed by the limited liability company SRF2007 that has traditionally been a non-consolidated subsidiary was included in the scope of consolidation since its importance increased during the first quarter of the current fiscal year. As for real estate for sale that was newly recorded following this change, a cost method based on the specific identification method (the book value on the balance sheet is calculated using a method that reduces the value based on deterioration in the profitability (of the asset)) was adopted.

5. Consolidated Financial Statements
(1) Consolidated balance sheets

(Thousands of yen)

	Second quarter ended September 30, 2008 (As of September 30, 2008)	Year ended March 31, 2008 (As of March 31, 2008)
ASSETS		
Current assets		
Cash and time deposits	10,617,816	11,594,987
Notes and accounts receivable	7,902,453	7,323,753
Securities	6,505	9,196
Investments in anonymous associations for business purposes	1,084,468	1,329,359
Supplies	67,012	74,571
Real estate for sale	2,151,957	—
Deferred income taxes – current	397,324	435,637
Other	896,779	458,322
Allowance for doubtful accounts	(12,832)	(11,566)
Total current assets	23,111,482	21,214,259
Fixed assets		
Tangible fixed assets		
Buildings and structures, net	1,448,243	1,463,344
Machinery and vehicles, net	27,491	32,413
Tools, appliance and equipment, net	252,009	236,462
Land	1,254,009	1,254,009
Construction in progress	5,296	2,800
Total tangible fixed assets	2,987,048	2,989,028
Intangible fixed assets		
Goodwill	381,227	442,005
Software in progress	759,380	410,051
Other	80,715	67,963
Total intangible fixed assets	1,221,322	920,019
Investments and other assets		
Investment securities	6,070,305	6,390,943
Investment in anonymous associations	29,127	37,067
Long-term loans	567,793	571,193
Guarantee and deposit for leasehold estate	2,117,385	1,832,925
Memberships	454,138	454,138
Deferred tax assets	1,128,741	951,417
Other	1,714,373	1,757,505
Allowance for doubtful accounts	(653,716)	(650,736)
Total investments and other assets	11,428,146	11,344,452
Total fixed assets	15,636,516	15,253,499
TOTAL ASSETS	38,747,998	36,467,758

(Thousands of yen)

	Second quarter ended September 30, 2008 (As of September 30, 2008)	Year ended March 31, 2008 (As of March 31, 2008)
LIABILITIES		
Current liabilities		
Notes and accounts payable	3,350,094	3,565,978
Accrued expenses	1,996,213	1,853,796
Accrued income taxes	941,975	1,465,100
Accrued consumption taxes	315,190	360,682
Deposits received	255,104	267,574
Advances received	203,655	123,432
Accrued bonus	639,627	647,916
Accrued directors' bonus	43,359	81,620
Other	125,060	150,101
Total current liabilities	7,870,277	8,516,199
Fixed liabilities		
Long-term non-recourse loans	1,442,000	—
Differed tax liabilities	—	4,668
Allowance for employees' retirement benefits	80,762	71,143
Allowance for directors' retirement benefits	460,591	443,289
Long-term guarantee deposits received	1,472,236	1,075,921
Other	1,684	1,685
Total fixed liabilities	3,457,273	1,596,706
TOTAL LIABILITIES	11,327,550	10,112,905
NET ASSETS		
Shareholders' equity		
Common stock	3,000,000	3,000,000
Capital surplus	499,128	499,016
Retained earnings	22,798,696	22,167,998
Treasury stock	(58,038)	(56,631)
Total shareholders' equity	26,239,786	25,610,383
Unrealized gains and adjustments		
Valuation difference on marketable securities	(421,998)	(335,335)
Total unrealized gains and adjustments	(421,998)	(335,335)
Minority interests	1,602,660	1,079,805
TOTAL NET ASSETS	27,420,448	26,354,853
TOTAL LIABILITIES AND NET ASSETS	38,747,998	36,467,758

(2) Consolidated statements of income
[Six months ended September 30, 2008]

(Thousands of yen)

	Six months ended September 30, 2008 (April 1, 2008 to September 30, 2008)
Net sales	34,461,561
Cost of sales	27,775,988
Gross profit	<u>6,685,573</u>
Selling, general and administrative expenses	
Selling expenses	149,438
Personnel expenses	2,407,349
Provision for accrued bonus	193,256
Provision for accrued directors' bonus	40,159
Provision for allowance for directors' retirement benefits	45,427
Retirement benefits expense	36,165
Transportation and communication expense	372,520
Supplies expense	252,516
Lease expense	383,827
Insurance expense	85,667
Depreciation and amortization	73,669
Tax and public charge	45,463
Provision for allowance for doubtful accounts	8,772
Amortization of goodwill	63,179
Other	485,742
Total selling, general and administrative expenses	<u>4,643,149</u>
Operating income	<u>2,042,424</u>
Non-operating income	
Interest and dividends income	110,098
Rent earned	24,560
Compensation for transfer	35,502
Other	23,373
Total non-operating income	<u>193,533</u>
Non-operating expenses	
Interest expense	1,605
Expense related to leasehold estates	24,822
Equity in losses of affiliates	8,550
Loss on investment of anonymous association	7,940
Loss on retirement and disposal of fixed assets	19,663
Other	3,459
Total non-operating expenses	<u>66,039</u>
Ordinary income	<u>2,169,918</u>
Extraordinary losses	
Loss on valuation of investment securities	259,575
Other	15,750
Total extraordinary losses	<u>275,325</u>
Income before income taxes	<u>1,894,593</u>
Income, inhabitant and business taxes	954,249
Income and other taxes adjustment	<u>(84,138)</u>
Income and other taxes	870,111
Minority interests	64,772
Net income	<u>959,710</u>

[Three months ended September 30, 2008]

(Thousands of yen)

	Three months ended September 30, 2008 (July 1, 2008 to September 30, 2008)
Net sales	17,504,025
Cost of sales	14,188,292
Gross profit	<u>3,315,733</u>
Selling, general and administrative expenses	
Selling expenses	72,288
Personnel expenses	1,291,450
Provision for accrued bonus	28,803
Provision for accrued directors' bonus	20,159
Provision for allowance for directors' retirement benefits	7,245
Retirement benefits expense	16,308
Transportation and communication expense	194,568
Supplies expense	126,190
Lease expense	187,394
Insurance expense	40,422
Depreciation and amortization	37,405
Tax and public charge	2,818
Provision for allowance for doubtful accounts	2,588
Amortization of goodwill	31,590
Other	243,856
Total selling, general and administrative expenses	<u>2,303,084</u>
Operating income	<u>1,012,649</u>
Non-operating income	
Interest and dividends income	45,695
Rent earned	12,018
Compensation for transfer	35,502
Other	7,857
Total non-operating income	<u>101,072</u>
Non-operating expenses	
Interest expense	919
Expense related to leasehold estates	9,177
Loss on investment of anonymous association	7,940
Loss on retirement and disposal of fixed assets	13,605
Other	638
Total non-operating expenses	<u>32,279</u>
Ordinary income	<u>1,081,442</u>
Extraordinary losses	
Loss on valuation of investment securities	259,575
Other	15,750
Total extraordinary losses	<u>275,325</u>
Income before income taxes	<u>806,117</u>
Income, inhabitant and business taxes	485,856
Income and other taxes adjustment	<u>(122,085)</u>
Income and other taxes	363,771
Minority interests	32,628
Net income	<u>409,718</u>

(3) Consolidated statements of cash flows

(Thousands of yen)

	Six months ended September 30, 2008 (April 1, 2008 to September 30, 2008)
Cash flows from operating activities	
Income before income taxes	1,894,593
Depreciation and amortization	85,187
Amortization of goodwill	63,179
Increase (decrease) in accrued bonus	(8,290)
Increase (decrease) in accrued directors' bonus	(38,261)
Increase (decrease) in allowance for employees' retirement benefits	9,619
Increase (decrease) in allowance for directors' retirement benefits	17,302
Increase (decrease) in allowance for doubtful accounts	4,246
Equity in losses (earnings) of affiliated companies	8,550
Interest and dividends income	(110,098)
Loss (gain) on investment of anonymous association	7,940
Interest expense	1,605
Loss (gain) on retirement or sales of fixed assets	19,663
Loss (gain) on sales of marketable and investment securities	914
Loss (gain) on valuation of investment securities	259,575
Decrease (increase) in accounts receivable	(505,801)
Decrease (increase) in investment in anonymous associations for business purposes	127,978
Decrease (increase) in inventories	7,558
Decrease (increase) in other assets	(161,397)
Increase (decrease) in accounts payable	(274,279)
Increase (decrease) in accrued income tax, etc.	(45,493)
Increase (decrease) in other liabilities	(55,816)
Sub-total	1,308,474
Interest and dividends received	107,418
Interest paid	(1,605)
Payment of income and other taxes	(1,468,706)
Net cash used in operating activities	(54,419)
Cash flows from investing activities	
Payments into time deposits	(265,067)
Proceeds from withdrawal of time deposits	265,056
Purchase of tangible and intangible fixed assets	(333,934)
Proceeds from sales of tangible and intangible fixed assets	50
Purchase of investment securities	(107,314)
Proceeds from sales of investment securities	12,628
Expenditure from investment in anonymous associations in conjunction with the change in scope of consolidation	(105,960)
Expenditure for lending	(144,468)
Income from recovery of loans	8,952
(Increase) decrease in guarantee and deposit for leasehold estate	(284,460)
Increase (decrease) in deposit guarantees received	382,697
Other	(344)
Net cash used in investing activities	(572,164)
Cash flows from financing activities	
Income from short-term loans	500,000
Expenditure for repayment of short-term loans	(500,000)
Decrease (increase) in treasury stock	(1,295)
Payments for minority shareholders	(14,651)
Dividends paid	(305,054)
Dividends paid to minority shareholders	(29,600)
Net cash used in financing activities	(350,600)
Net increase (decrease) in cash and cash equivalents	(977,183)
Cash and cash equivalents at beginning of year	11,264,301
Cash and cash equivalents at end of term	10,287,118

Accounting Standards for Quarterly Financial Reporting (Accounting Standards No. 12) and Implementation Guidance for Accounting Standards for Quarterly Financial Reporting (Implementation Guidance No. 14) was applied starting this fiscal year, and quarterly financial reports were created in accordance with *Quarterly Financial Reporting Regulations*.

(4) Notes on premise of a going concern

There is no related information.

(5) Segment information

[Business segment information]

Three months ended September 30, 2008 (July 1, 2008 to September 30, 2008)

(Thousands of yen)

	Building Management and Operating	Environmental Facility Management	Temporary Staffing	Real Estate Fund Management	Total	Elimination or Total	Consolidation
Net sales							
(1) Net sales to external customers	15,335,354	1,560,394	476,314	131,963	17,504,025	—	17,504,025
(2) Intersegment net sales and transfer	—	—	—	—	—	—	—
Total	15,335,354	1,560,394	476,314	131,963	17,504,025	—	17,504,025
Operating income	1,548,533	166,680	(2,889)	34,892	1,747,216	(734,567)	1,012,649

Six months ended September 30, 2008 (April 1, 2008 to September 30, 2008)

(Thousands of yen)

	Building Management and Operating	Environmental Facility Management	Temporary Staffing	Real Estate Fund Management	Total	Elimination or Total	Consolidation
Net sales							
(1) Net sales to external customers	30,127,833	3,098,699	941,017	294,012	34,461,561	—	34,461,561
(2) Intersegment net sales and transfer	—	—	—	—	—	—	—
Total	30,127,833	3,098,699	941,017	294,012	34,461,561	—	34,461,561
Operating income	3,129,413	323,636	3,350	125,986	3,582,385	(1,539,961)	2,042,424

Notes: 1. Segmentation

Our services are divided into the categories of building management and operating, environmental facility management, temporary staffing and real estate fund management businesses.

2. Main business in each service category

Category	Main Businesses
Building Management and Operating Business	Building cleaning, facility maintenance, and all-day resident security services for multipurpose buildings, city hotels, condominiums and rental apartments; automated security service with automated emergency response equipment that quickly notifies using sensors and telephone line
Environmental Facility Management Business	Management of water supply and sewage disposal plants, operation and maintenance of human waste treatment plants
Temporary Staffing Business	Temporary staffing for receptionists and telephone operators, and distribution processing services and logistics processing services in warehouses
Real Estate Fund Management Business	Management and arrangement of real estate fund, investment in anonymous associations, investment consulting and asset management and building operating business

[Segment information by geographic region]

Second quarter of the current fiscal year (July 1, 2008-September 30, 2008) and the six months ended September 30, 2008 (April 1, 2008-September 30, 2008)

Because the group does not have consolidated subsidiaries or branch offices outside Japan, there is no related information.

[Overseas sales]

Because the Group does not conduct sales activities outside Japan, there is no related information.

(6) Notes on significant changes in the amount of shareholders' equity

There is no related information.

(Reference)

Financial Statements for the Interim Period of the year ended March 31, 2008

(1) Consolidated statements of income

(Thousands of yen)

		Six months ended September 30, 2007 (April 1, 2007 to September 30, 2007)	
		Amount	%
I	Net sales	31,772,145	100.0
II	Cost of sales	25,167,876	79.2
	Gross profit	6,604,269	20.8
III	Selling, general and administrative expenses		
1	Selling expenses	129,615	
2	Personnel expenses	2,214,111	
3	Provision for accrued bonus	175,425	
4	Provision for accrued directors' bonus	37,037	
5	Provision for allowance for directors' retirement benefits	14,022	
6	Retirement benefits expense	20,498	
7	Transportation and communication expense	333,989	
8	Supplies expense	241,143	
9	Lease expense	376,389	
10	Insurance expense	83,029	
11	Depreciation and amortization	70,336	
12	Tax and public charge	44,660	
13	Provision for allowance for doubtful accounts	3,447	
14	Amortization of goodwill	63,179	
15	Other	425,911	
	Total selling, general and administrative expenses	4,232,791	13.3
	Operating income	2,371,478	7.5
IV	Non-operating income		
1	Interest and dividends income	94,291	
2	Rent earned	26,296	
3	Other	31,875	
	Total non-operating income	152,462	0.5
V	Non-operating expenses		
1	Interest expense	1,348	
2	Expense related to leasehold estates	25,231	
3	Investment loss on equity method	20,931	
4	Other	9,157	
	Total non-operating expenses	56,667	0.2
	Ordinary income	2,467,273	7.8
VI	Extraordinary loss		
1	Loss on valuation of investment securities	61,619	
	Total extraordinary loss	61,619	0.2
	Income before income taxes	2,405,654	7.6
	Income and other taxes	1,060,268	
	Income and other taxes adjustment	(4,657)	
	Total income and other taxes	1,055,611	3.3
	Minority interests	53,491	0.2
	Net income	1,296,552	4.1

(2) Consolidated statements of cash flows

(Thousands of yen)

	Six months ended September 30, 2007 (April 1, 2007 to September 30, 2007)
Cash flows from operating activities	
Income before income taxes	2,405,654
Depreciation and amortization	80,163
Amortization of goodwill	63,179
Increase (decrease) in accrued bonus	(45,039)
Increase (decrease) in accrued directors' bonus	(22,963)
Increase (decrease) in allowance for employees' retirement benefits	(7,110)
Increase (decrease) in allowance for directors' retirement benefits	5,534
Increase (decrease) in allowance for doubtful accounts	(479)
Equity in losses (earnings) of affiliated companies	20,931
Interest and dividends income	(94,291)
Gain on investment of anonymous association	(835)
Interest expense	1,348
Loss on sale of investment securities	61,619
Decrease (increase) in accounts receivable	(80,702)
Decrease (increase) in investment in anonymous associations for business purposes	(189,453)
Decrease (increase) in inventories	(15,151)
Decrease (increase) in other assets	52,672
Increase (decrease) in accounts payable	(297,041)
Increase (decrease) in accrued income tax, etc.	(53,396)
Increase (decrease) in other liabilities	(108,608)
Sub-total	1,776,032
Interest and dividends received	93,962
Interest paid	(1,348)
Payment of income and other taxes	(775,731)
Net cash provided by operating activities	1,092,915
Cash flows from investing activities	
Payments into time deposits	(365,045)
Proceeds from withdrawal of time deposits	265,039
Purchase of tangible and intangible fixed assets	(86,026)
Proceeds from sales of tangible and intangible fixed assets	3,953
Purchase of investment securities	(1,130,192)
Income from reimbursement of investment in anonymous associations	1,856
Expenditure for lending	(7,971)
Income from recovery of loans	12,643
(Increase) decrease in guarantee and deposit for leasehold estate	524,094
Increase (decrease) in deposit guarantees received	(529,653)
Other	6,402
Net cash used in investing activities	(1,304,900)
Cash flows from financing activities	
Income from short-term loans	300,000
Expenditure for repayment of short-term loans	(300,000)
Decrease (increase) in treasury stock	(2,571)
Dividends paid	(329,183)
Dividends paid to minority shareholders	(35,000)
Net cash used in financing activities	(366,754)
Net increase (decrease) in cash and cash equivalents	(578,739)
Cash and cash equivalents at beginning of year	10,265,528
Cash and cash equivalents at end of the term	9,686,789

(3) Segment information

Business segment information

Six months ended September 30, 2007 (April 1, 2007 to September 30, 2007)

(Thousands of yen)

	Building Management and Operating	Environmental Facility Management	Temporary Staffing	Real Estate Fund Management	Total	Elimination or Total	Consolidation
Net sales							
(1) Net sales to external customers	27,534,630	2,855,927	1,005,903	375,685	31,772,145	—	31,772,145
(2) Intersegment net sales and transfer	—	—	—	—	—	—	—
Total	27,534,630	2,855,927	1,005,903	375,685	31,772,145	—	31,772,145
Cost of Sales	24,454,285	2,532,309	949,104	112,720	28,048,418	1,352,249	29,400,667
Operating income	3,080,345	323,618	56,799	262,965	3,723,727	(1,352,249)	2,371,478