

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

February 6, 2009

**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 Third Quarter Ended December 31, 2008 (April 1, 2008 to December 31, 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	%
Nine months ended December 31, 2008	52,864	—	3,208	—	3,392	—
Nine months ended December 31, 2007	48,509	7.4	3,588	3.9	3,760	4.9

	Net Income		Net Income per Share	Diluted Net Income per Share
	Millions of yen	%	Yen	Yen
Nine months ended December 31, 2008	1,235	—	60.06	—
Nine months ended December 31, 2007	1,944	2.3	94.58	—

**(2) Consolidated financial position**

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	Millions of yen	Millions of yen	%	Yen
As of December 31, 2008	39,139	27,434	65.8	1,253.18
As of March 31, 2008	36,467	26,354	69.3	1,229.13

Note: Shareholders' Equity: Nine months ended Dec. 31, 2008: ¥25,768 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: None

#### 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 December 31, 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 December 31, 2008: 27,603 shares

As of March 31, 2008: 26,869 shares

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

Third quarter ended December 2008: 20,562,908 shares

Third quarter ended December 2007: 20,564,007 shares

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

1. 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.

2. *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**

Over the first three quarters of the current fiscal year, the Japanese economy has faced dramatically worsening circumstances brought on by a global economic downturn that originated with a financial crisis in America. The effects of these conditions have been seen in corporate earnings beaten down by a high yen and faltering exports, and in declining capital expenditures and rapidly deteriorating employment conditions.

The building maintenance industry, as well, continues to face difficult circumstances as customers become increasingly focused on cutting costs, and properties are closed or scaled down.

Under these conditions, the Nippon Kan-zai 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.

Consolidated net sales for the nine month rose 9.0% year on year to 52,864 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 10.6% year on year to 3,208 million yen and ordinary income fell 9.8% year on year to 3,392 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 securities held by each group company fell dramatically, resulting in net income declining 36.5% year on year to 1,235 million yen.

The following are earning by segment:

#### **(1) Building Management and Operating Business**

In our core Building Management and Operating Business, which is engaged in building management service and security, a steady stream of new contracts mainly for designated-administrator-system, PFI, and real-estate-fund-related properties, and for peripheral businesses, resulted in net sales of 46,435 million yen as of the end of the third quarter.

Operating income came to 4,878 million yen, weighed down by stagnating unit contract prices and increases primarily in labor expenses, but also startup costs, and costs related to lost orders, discounted properties, and withdrawal from unprofitable properties.

#### **(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 amounted to 4,672 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 484 million yen in operating income.

#### **(3) Temporary Staffing Business**

In the Temporary Staffing Business, which is mainly engaged in product management inside warehouses, conditions with regard to contract amounts for both product processing operations and warehouse entry and dispatch operations remained difficult. Despite concerted efforts, particularly in production line staffing, net sales through the third quarter came to 1,331 million yen.

Operating loss of 28 million yen reflected lower contract pricing and the resulting inability to absorb startup costs for major new projects in logistics operations, withdrawing from unprofitable projects, and temporary staffing sales activities.

#### **(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 income, but acquisition and sales income declined as conditions in the real estate market deteriorated. Therefore, net sales for the nine months amounted to 425 million yen.

Operating income came to 152 million yen because of decreases in nonrecurring income from acquisition and sales fees.

## 2. Qualitative Information on Consolidated Financial Position

### (1) Consolidated balance sheets

Total assets at the end of the third quarter of the current fiscal year rose 7.3% (2,671 million yen) compared to the end of the previous fiscal year to 39,139 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 4.1% (1,079 million yen) to 27,434 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 772 million yen because of a dramatic increase in payment of income and other taxes.

Net cash used in investing activities totaled 1,513 million yen as a result of purchase of tangible fixed assets and subsidiary shares, the latter in connection with a change in consolidation scope.

Net cash used in financing activities was 661 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 1,402 million yen compared to the end of the previous fiscal year to 9,862 million yen.

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

Results have generally been consistent with the *Notification of Revisions to Forecast of Financial Results* released on November 7, 2008, and there are no changes to the consolidated financial results forecasts for the year ending March 2009.

## 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)

	Third quarter ended December 31, 2008 (As of December 31, 2008)	Year ended March 31, 2008 (As of March 31, 2008)
<b>ASSETS</b>		
Current assets		
Cash and time deposits	10,242,652	11,594,987
Notes and accounts receivable	8,709,584	7,323,753
Securities	15,108	9,196
Investments in anonymous associations for business purposes	1,080,960	1,329,359
Supplies	74,721	74,571
Real estate for sale	2,434,330	—
Deferred income taxes – current	113,360	435,637
Other	1,012,750	458,322
Allowance for doubtful accounts	(13,635)	(11,566)
Total current assets	23,669,830	21,214,259
Fixed assets		
Tangible fixed assets		
Buildings and structures, net	1,631,590	1,463,344
Machinery and vehicles, net	103,781	32,413
Tools, appliance and equipment, net	261,391	236,462
Land	1,254,009	1,254,009
Construction in progress	—	2,800
Total tangible fixed assets	3,250,771	2,989,028
Intangible fixed assets		
Goodwill	444,715	442,005
Software in progress	759,380	410,051
Other	104,927	67,963
Total intangible fixed assets	1,309,022	920,019
Investments and other assets		
Investment securities	5,520,308	6,390,943
Investment in anonymous associations	29,127	37,067
Long-term loans	564,724	571,193
Guarantee and deposit for leasehold estate	2,050,387	1,832,925
Memberships	457,673	454,138
Deferred tax assets	1,492,058	951,417
Other	1,451,193	1,757,505
Allowance for doubtful accounts	(655,805)	(650,736)
Total investments and other assets	10,909,665	11,344,452
Total fixed assets	15,469,458	15,253,499
<b>TOTAL ASSETS</b>	<b>39,139,288</b>	<b>36,467,758</b>

(Thousands of yen)

	Third quarter ended December 31, 2008 (As of December 31, 2008)	Year ended March 31, 2008 (As of March 31, 2008)
<b>LIABILITIES</b>		
Current liabilities		
Notes and accounts payable	4,467,859	3,565,978
Accrued expenses	2,110,276	1,853,796
Accrued income taxes	268,605	1,465,100
Accrued consumption taxes	439,178	360,682
Deposits received	615,481	267,574
Advances received	69,541	123,432
Accrued bonus	124,879	647,916
Accrued directors' bonus	58,236	81,620
Other	124,428	150,101
Total current liabilities	8,278,483	8,516,199
Fixed liabilities		
Long-term non-recourse loans	1,442,000	—
Differed tax liabilities	—	4,668
Allowance for employees' retirement benefits	118,318	71,143
Allowance for directors' retirement benefits	462,965	443,289
Long-term guarantee deposits received	1,401,154	1,075,921
Other	1,684	1,685
Total fixed liabilities	3,426,121	1,596,706
<b>TOTAL LIABILITIES</b>	<b>11,704,604</b>	<b>10,112,905</b>
<b>NET ASSETS</b>		
Shareholders' equity		
Common stock	3,000,000	3,000,000
Capital surplus	499,128	499,016
Retained earnings	22,745,028	22,167,998
Treasury stock	(58,528)	(56,631)
Total shareholders' equity	26,185,628	25,610,383
Unrealized gains and adjustments		
Valuation difference on marketable securities	(417,136)	(335,335)
Total unrealized gains and adjustments	(417,136)	(335,335)
Minority interests	1,666,192	1,079,805
<b>TOTAL NET ASSETS</b>	<b>27,434,684</b>	<b>26,354,853</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>39,139,288</b>	<b>36,467,758</b>

**(2) Consolidated statements of income**  
**[Nine months ended December 31, 2008]**

(Thousands of yen)

	Nine months ended December 31, 2008 (April 1, 2008 to December 31, 2008)
<b>Net sales</b>	52,864,916
Cost of sales	42,719,376
<b>Gross profit</b>	<u>10,145,540</u>
Selling, general and administrative expenses	
Selling expenses	227,383
Personnel expenses	3,890,535
Provision for accrued bonus	17,735
Provision for accrued directors' bonus	57,665
Provision for allowance for directors' retirement benefits	52,801
Retirement benefits expense	53,238
Transportation and communication expense	558,871
Supplies expense	363,308
Lease expense	577,483
Insurance expense	130,106
Depreciation and amortization	114,184
Tax and public charge	49,887
Provision for allowance for doubtful accounts	11,843
Amortization of goodwill	94,968
Other	736,571
Total selling, general and administrative expenses	<u>6,936,578</u>
<b>Operating income</b>	<u>3,208,962</u>
Non-operating income	
Interest and dividends income	148,141
Rent earned	36,901
Compensation for transfer	35,081
Other	34,574
Total non-operating income	<u>254,697</u>
Non-operating expenses	
Interest expense	2,582
Expense related to leasehold estates	33,514
Equity in losses of affiliates	573
Loss on investment of anonymous association	7,940
Loss on retirement and disposal of fixed assets	22,599
Other	4,122
Total non-operating expenses	<u>71,330</u>
<b>Ordinary income</b>	<u>3,392,329</u>
<b>Extraordinary losses</b>	
Loss on valuation of investment securities	840,591
Other	15,750
Total extraordinary losses	<u>856,341</u>
<b>Income before income taxes</b>	<u>2,535,988</u>
Income, inhabitant and business taxes	1,209,310
Income and other taxes adjustment	(8,409)
Income and other taxes	<u>1,200,901</u>
Minority interests	<u>100,040</u>
<b>Net income</b>	<u>1,235,047</u>

**[Three months ended December 31, 2008]**

(Thousands of yen)

	Three months ended December 31, 2008 (October 1, 2008 to December 31, 2008)
<b>Net sales</b>	18,403,355
Cost of sales	14,943,388
<b>Gross profit</b>	<b>3,459,967</b>
Selling, general and administrative expenses	
Selling expenses	77,945
Personnel expenses	1,483,186
Provision for accrued bonus	(175,521)
Provision for accrued directors' bonus	17,506
Provision for allowance for directors' retirement benefits	7,374
Retirement benefits expense	17,073
Transportation and communication expense	186,351
Supplies expense	110,792
Lease expense	193,656
Insurance expense	44,439
Depreciation and amortization	40,515
Tax and public charge	4,424
Provision for allowance for doubtful accounts	3,071
Amortization of goodwill	31,789
Other	250,829
Total selling, general and administrative expenses	<b>2,293,429</b>
<b>Operating income</b>	<b>1,166,538</b>
Non-operating income	
Interest and dividends income	38,043
Rent earned	12,341
Equity in earnings of affiliates	7,977
Other	11,201
Total non-operating income	<b>69,562</b>
Non-operating expenses	
Interest expense	977
Expense related to leasehold estates	8,692
Loss on retirement and disposal of fixed assets	2,936
Other	1,084
Total non-operating expenses	<b>13,689</b>
<b>Ordinary income</b>	<b>1,222,411</b>
<b>Extraordinary losses</b>	
Loss on valuation of investment securities	581,016
Total extraordinary losses	<b>581,016</b>
<b>Income before income taxes</b>	<b>641,395</b>
Income, inhabitant and business taxes	255,061
Income and other taxes adjustment	75,729
Income and other taxes	330,790
Minority interests	35,268
<b>Net income</b>	<b>275,337</b>



**(3) Consolidated statements of cash flows**

(Thousands of yen)

	Nine months ended December 31, 2008 (April 1, 2008 to December 31, 2008)
Cash flows from operating activities	
Income before income taxes	2,535,988
Depreciation and amortization	134,314
Amortization of goodwill	94,968
Increase (decrease) in accrued bonus	(535,353)
Increase (decrease) in accrued directors' bonus	(23,955)
Increase (decrease) in allowance for employees' retirement benefits	20,096
Increase (decrease) in allowance for directors' retirement benefits	19,676
Increase (decrease) in allowance for doubtful accounts	7,138
Equity in losses (earnings) of affiliated companies	573
Interest and dividends income	(148,141)
Loss (gain) on investment of anonymous association	7,940
Interest expense	2,582
Loss (gain) on retirement or sales of fixed assets	22,599
Loss (gain) on sales of marketable and investment securities	914
Loss (gain) on valuation of investment securities	840,591
Decrease (increase) in accounts receivable	(982,111)
Decrease (increase) in investment in anonymous associations for business purposes	137,203
Decrease (increase) in inventories	1,536
Decrease (increase) in other assets	(7,542)
Increase (decrease) in accounts payable	274,997
Increase (decrease) in accrued income tax, etc.	70,799
Increase (decrease) in other liabilities	592,688
Sub-total	<u>3,067,500</u>
Interest and dividends received	142,416
Interest paid	(2,582)
Payment of income and other taxes	(2,434,832)
Net cash provided by operating activities	<u>772,502</u>
Cash flows from investing activities	
Payments into time deposits	(175,650)
Proceeds from withdrawal of time deposits	325,754
Purchase of tangible and intangible fixed assets	(1,005,446)
Proceeds from sales of tangible and intangible fixed assets	160
Purchase of investment securities	(116,724)
Proceeds from sales of investment securities	12,629
Purchase of subsidiary shares in conjunction with the change in scope of consolidation	(386,006)
Expenditure from investment in anonymous associations in conjunction with the change in scope of consolidation	(105,960)
Expenditure for lending	(285,502)
Proceeds from recovery of loans	82,774
Proceeds from repayment of insurance reserves	46,841
(Increase) decrease in guarantee and deposit for leasehold estate	(120,189)
Increase (decrease) in deposit guarantees received	212,700
Other	1,064
Net cash used in investing activities	<u>(1,513,555)</u>
Cash flows from financing activities	
Income from short-term loans	1,100,000
Expenditure for repayment of short-term loans	(1,100,000)
Decrease (increase) in treasury stock	(1,786)
Payments for minority shareholders	(14,028)
Dividends paid	(601,613)
Dividends paid to minority shareholders	(43,751)
Net cash used in financing activities	<u>(661,178)</u>
Net increase (decrease) in cash and cash equivalents	<u>(1,402,231)</u>
Cash and cash equivalents at beginning of year	<u>11,264,301</u>
Cash and cash equivalents at end of term	<u>9,862,070</u>

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 December 31, 2008 (October 1, 2008 to December 31, 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	16,307,543	1,573,752	390,718	131,342	18,403,355	—	18,403,355
(2) Intersegment net sales and transfer	—	—	—	—	—	—	—
Total	16,307,543	1,573,752	390,718	131,342	18,403,355	—	18,403,355
Operating income	1,748,905	160,678	(32,266)	26,722	1,904,039	(737,501)	1,166,538

Nine months ended December 31, 2008 (April 1, 2008 to December 31, 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	46,435,376	4,672,451	1,331,735	425,354	52,864,916	—	52,864,916
(2) Intersegment net sales and transfer	—	—	—	—	—	—	—
Total	46,435,376	4,672,451	1,331,735	425,354	52,864,916	—	52,864,916
Operating income	4,878,318	484,314	(28,916)	152,708	5,486,424	(2,277,462)	3,208,962

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
<b>Building Management and Operating Business</b>	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
<b>Environmental Facility Management Business</b>	Management of water supply and sewage disposal plants, operation and maintenance of human waste treatment plants
<b>Temporary Staffing Business</b>	Temporary staffing for receptionists and telephone operators, and distribution processing services and logistics processing services in warehouses
<b>Real Estate Fund Management Business</b>	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]**

Third quarter of the current fiscal year (October 1, 2008 to December 31, 2008) and the nine months ended December 31, 2008 (April 1, 2008 to December 31, 2008)

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

**[Overseas sales]**

Third quarter of the current fiscal year (October 1, 2008 to December 31, 2008) and the nine months ended December 31, 2008 (April 1, 2008 to December 31, 2008)

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 Nine Month Ended December 31, 2007

**(1) Consolidated statements of income**

(Thousands of yen)

	Nine months ended December 31, 2007 (April 1, 2007 to December 31, 2007)
	Amount
I Net sales	48,509,147
II Cost of sales	38,478,958
Gross profit	10,030,189
III Selling, general and administrative expenses	6,442,037
Operating income	3,588,152
IV Non-operating income	
1 Interest and dividends income	145,610
2 Rent earned	37,944
3 Other	52,815
Total non-operating income	236,369
V Non-operating expenses	
1 Interest expense	1,983
2 Expense related to leasehold estates	34,270
3 Investment loss on equity method	18,604
4 Other	9,250
Total non-operating expenses	64,107
Ordinary income	3,760,414
VI Extraordinary loss	
1 Loss on valuation of investment securities	117,042
Total extraordinary loss	117,042
Income before income taxes	3,643,372
Income and other taxes	1,325,610
Income and other taxes adjustment	291,539
Minority interests	81,375
Net income	1,944,848

**(2) Consolidated statements of cash flows**

(Thousands of yen)

	Nine months ended December 31, 2007 (April 1, 2007 to December 31, 2007)
Cash flows from operating activities	
Income before income taxes	3,643,372
Depreciation and amortization	121,090
Amortization of goodwill	94,768
Increase (decrease) in reserve	(550,778)
Equity in losses (earnings) of affiliated companies	18,604
Interest and dividends income	(145,610)
Gain on investment of anonymous association	(835)
Interest expense	1,983
Loss on valuation of investment securities	117,042
Decrease (increase) in accounts receivable	(50,887)
Decrease (increase) in investment in anonymous associations for business purposes	(182,892)
Decrease (increase) in inventories	(11,429)
Decrease (increase) in other assets	27,826
Increase (decrease) in accounts payable	(209,438)
Increase (decrease) in other liabilities	857,300
Other	(3,000)
Sub-total	3,727,116
Interest and dividends received	141,912
Interest paid	(1,983)
Payment of income and other taxes	(1,852,579)
Net cash provided by operating activities	2,014,466
Cash flows from investing activities	
Payments into time deposits	(375,604)
Proceeds from withdrawal of time deposits	425,713
Purchase of tangible and intangible fixed assets	(165,841)
Proceeds from sales of tangible and intangible fixed assets	4,030
Purchase of investment securities	(1,144,426)
Income from reimbursement of investment in anonymous associations	1,856
Expenditure for lending	(8,860)
Income from recovery of loans	16,580
Other	8,716
Net cash used in investing activities	(1,237,836)
Cash flows from financing activities	
Income from short-term loans	450,000
Expenditure for repayment of short-term loans	(450,000)
Dividends paid	(359,191)
Dividends paid to minority shareholders	(35,000)
Other	(3,908)
Net cash used in financing activities	(398,099)
Net increase (decrease) in cash and cash equivalents	378,531
Cash and cash equivalents at beginning of year	10,265,528
Cash and cash equivalents at end of the term	10,644,059