

About our website

Our website introduces Funai Zaisan's business activities and trends, including corporate and financial data, for all shareholders and investors. Please visit our site for further details.



IR information

<http://www.funai-zc.co.jp/ir/index.html>



Newsletter Vol.11

Interim (18th) business summary
January 1 to June 30, 2008

Consulting for Individuals
Consulting for Companies
Land and Real Estate

We will remain your best partner over 100 years for comprehensive individual consulting

Message from the President

I would like to respectfully extend my sincerest gratitude to all of our shareholders for the strong confidence you have placed in our company by holding shares of our company's stock.

Presently, Japan's economy is sustaining its moderate recovery, but it is showing the effects of financial uncertainty arising from the steep increase in raw material costs due to continuing high crude oil prices and the subprime loan issue. In the real estate market as well which accounts for an important component of our corporate group's business, financial institutions have tightened their financing review criteria for real estate businesses and future prospects for the overall market present a very difficult situation.

Within such an environment, our group has endeavored to enhance in-house education, provide training for our consultants, and improve the quality of our services. By actively holding seminars, releasing books and other publications related to our asset consulting business, we have focused on cultivating new clients for and improving the performance of our core consulting divisions. The result has been that our Institutional Asset Consulting has done well, including finalizing a contract on a large-scale project turning out the highest amount since our founding. Our Individual Asset Consulting has also achieved similar strong growth. On behalf of all our employees, I wish to again express our sincere appreciation for your encouragement.

Also, in our joint real estate ownership scheme "ADVANTAGE CLUB®" based on the Real Estate Specified Joint Enterprise Law and established as a reorganizational product for our customers' important assets, we set up "Meguro Station-Mae" in March and "Gotanda" in June, and were able to raise our total assets under custody for the joint real estate ownership scheme to approximately ¥22.83 billion.

We have conducted our operations with pride on a business model unique among the approximately 4,000 domestic listed companies. As Japan's largest "comprehensive asset consulting company for high net worth individuals," we have practiced our management on the basis of the highest standards of behavior and on the foundation of "asset preservation" and "100-year asset consulting." Also, as of October 1st of this year, our company will integrate operations with Proggest Holdings, Inc. in order to provide consulting services pertaining to management, finance, accounting, human resources and other areas. It has been tentatively decided that Masazumi Hasumi, President and CEO of Proggest Holdings, Inc., will be the new chief executive officer. We will use the opportunities afforded by this business integration to further strengthen our consulting services for corporate clients and push forward as a leading comprehensive asset and financial consulting company in Japan

I humbly request all of our shareholders for your increased support in the future as well.

President & CEO **Yoshihito Hirabayashi**

■ Career History of the New President and CEO



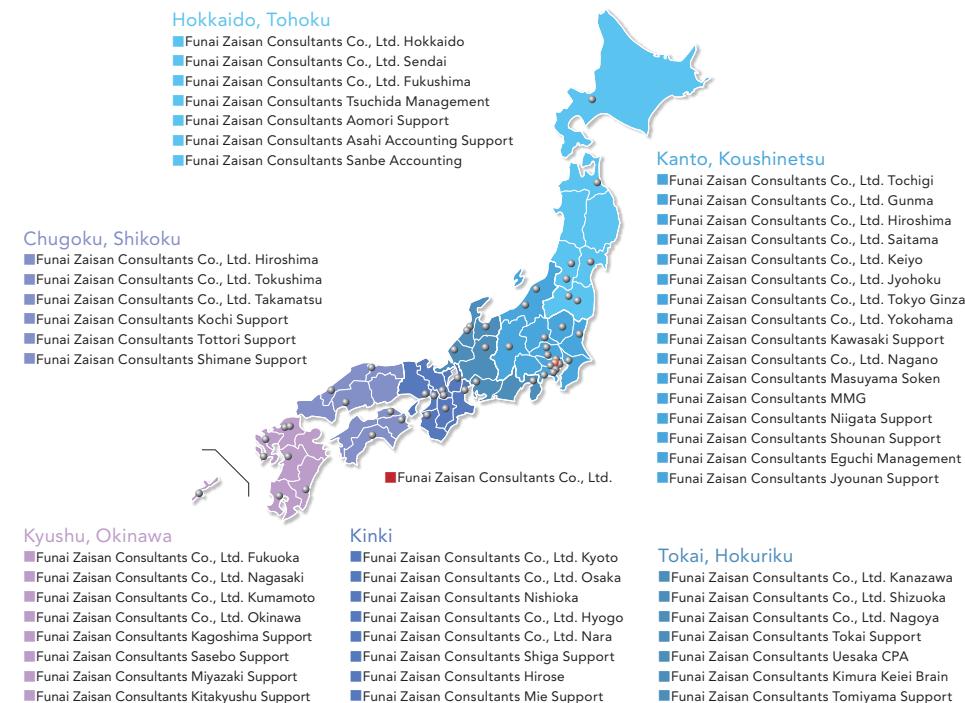
Masazumi Hasumi (Date of birth: December 7, 1956)

◆ Brief history ◆

- August 1983 Joined Aoyama Audit Corporation
- March 1986 Registered as a Certified Public Accountant
- November 1991 Joined Yamada & Partners Accounting Office (now YAMADA & Partners Certified Public Tax Accountants Office)
; joined Sanyu & Co. Audit Corporation
- December 1996 Established Proggest Co., Ltd. (now Proggest Holdings Ltd.) Currently President

Nationwide Network

52bases as of June 2008.



Contents

Message from the President	1
Business results for the Interim (18th)	3
Business Contents	5
Financial Statements	7
Company Info, Executives, Notes for shareholder	9

During the consolidated interim period under review, uncertainty about Japan's domestic economy has become particularly pronounced due to the surge in crude oil prices as well as the rapid weakening of the dollar and strengthening of the yen on concerns about an economic slowdown in the United States sparked by the subprime loan issue.

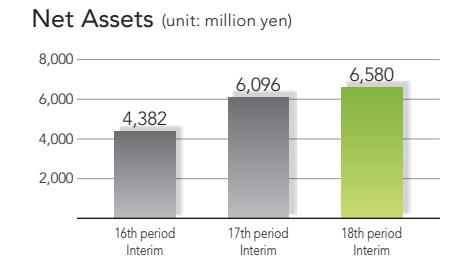
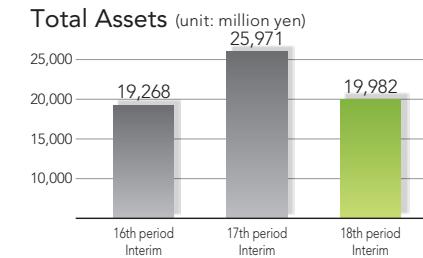
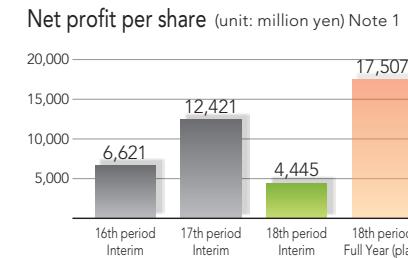
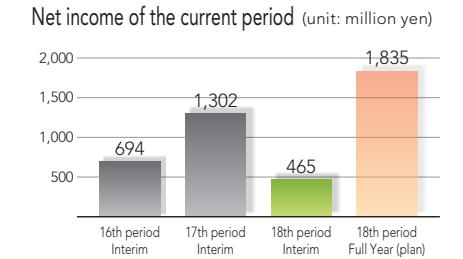
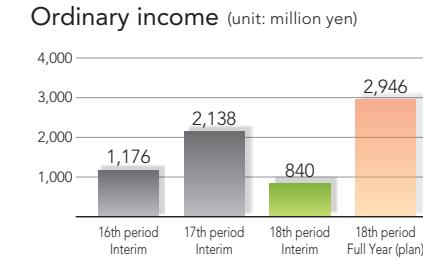
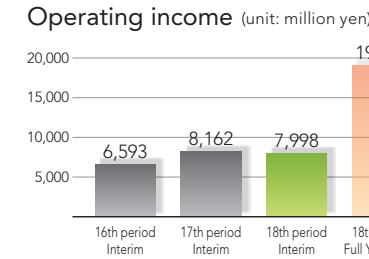
Additionally, in the real estate market which accounts for an important component of our corporate group's business, the review criteria employed by financial institutions for real estate business financing have become more stringent and future prospects for the overall market present a very difficult situation due to the impact of the subprime loan issue as well as the revised Building Standards Law and the Financial Instruments and Exchange Law which took effect on September 30, 2007

Within such an environment, our group (comprised of Funai Zaisan Consulting, six consolidated subsidiaries and four equity method affiliates) has strived to enhance in-house education, provide training for our consultants, and improve the quality of our

services. By developing an active program of seminars, releasing books and other publications related to our asset consulting business, we have focused on cultivating new clients. The result is that we have done well in our asset consulting including the achievement of concluding a contract immediately after the commencement of the fiscal year for a large-scale project, which will bring largest consulting fee since our company's founding.

Additionally, in our joint real estate ownership scheme, two new partnerships, Meguro Station-Mae and Gotanda, were formed. In other cases, we have handled the sale of real estate properties in the Tokyo metropolitan area. However, because of concerns about stagnation in the overall real estate market, both income and profit fell below initial projections for the real estate brokerage segment. As a result of the factors described above, operating income for the consolidated interim period under review was down 2.0% on a year-on-year basis to 7,998 million yen, operating profit fell 49.2% to 1,223 million yen, ordinary profit was down 60.7% to 840 million yen, and interim net profit decreased 64.2% to 465 million yen.

Highlights of consolidated business results



Note: The company implemented a two-for-one stock split in November 11 of fiscal year 2006 (the 16th financial term) and in October 1 of fiscal year 2007 (the 17th financial year). The above figure for net income per share is based on the number of shares on issue as of June 30, 2008.

Operating Income by Category

	Previous interim period (Jan. - Jun. 2007)		Current interim period (Jan. - Jun. 2008)		Increase (%)	18th period Full-Year 2008 forecast (million yen)	Goal met (%)
	Amount (Million yen)	Ratio (%)	Amount (Million yen)	Ratio (%)			
Income from asst consulting	1,395	17.1	2,001	25.0	43.5	3,096	64.7
Income from real estate deals	6,079	74.5	5,273	65.9	△13.3	14,429	36.5
Income from sublease	551	6.7	580	7.3	5.3	1,117	52.0
Other income	135	1.7	142	1.8	4.8	389	36.5
Total	8,162	100.0	7,998	100.0	△2.0	19,033	42.0

Projection of Full-Year Results

Although income and profit declined in the consolidated interim period under review, there is sufficient potential for a recovery in the second half, so the outlook for the full fiscal year remains the same as the plan given at the beginning of the term.

Projected full-year consolidated results for the year ending December 2008 are as follows: operating income of 19,033 million yen, representing year-on-year growth of 6.4%, operating profit of 3,380 million yen, a rise of 11.5% from the same period of the previous year, ordinary profit of 2,946 million yen, a rise of 13.9% year-on-year, net profit of 1,835 million yen, a rise of 18.9% from the same period one year earlier, and net profit per share of 17,507.21 yen.

*The projected figures appearing above reflect analysis based on information available at the time of preparation, and are subject to various uncertainties. Actual realized results may vary significantly from the above projections due to changes in business conditions and /or other factors.

Point

Several superior quality consulting projects have also been completed, and our asset consulting divisions have performed well.

Efforts Aimed at Cultivating New Clients

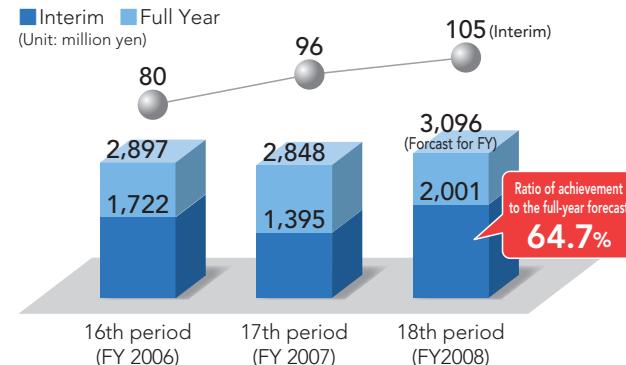
We have provided expert advice and guidance to clients in a volatile market.

Actively holding seminars

Enhancing in-house education

Publishing books related to asset consulting

Changes in asset consulting income and the number of consultants in the company



Individual Asset Consulting



Individual high net-worth Japanese investors need Japanese-style treatment. Out of this daily contact over many years, Our "Customer First" idea arose. We respond to our customers' various needs using our nationwide organization as Japan's largest asset consulting company.

100-Year Asset Consulting

We offer "100-year asset consulting" that looks ahead to the second and third generations for high net-worth individuals nationwide. Beginning from the "tripartite asset divestiture" of "real estate," "insurance" and "securities," we provide the best possible advice focusing of the investor's greatest concern inheritance and tailored to each individual client's circumstances extending over real estate and insurance to asset management.

Funai Zaisan Consultants' Expertise

Real estate Insurance Cash Securities

Overwhelming superiority enabling specialized advice without tax return-based products for investors in Japan

Customer First (Comprehensive Asset Consultation) & Completely Individualized Investor Consulting

Advice (Total Approach)

Customer

10 (Ichimaru) Consulting

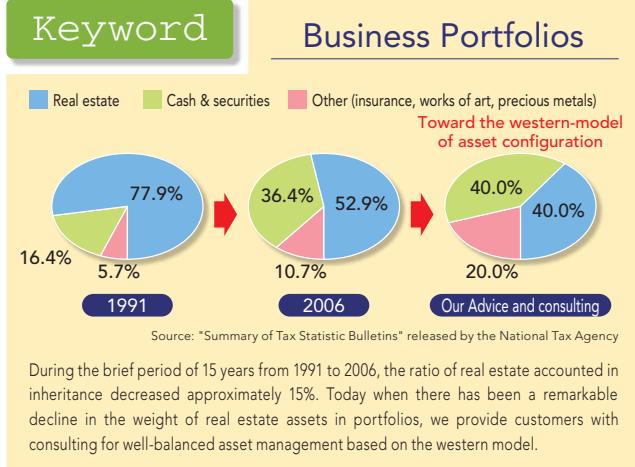
The goal of 10 (Ichimaru) Consulting is to secure a 10% return on the client's taxable assets. The goal of the entire company is to increase cash flow and further the advantages provided to the customer such as "deferred tax payments on inheritance taxes while holding onto land," "easier divestiture of assets with increased income," and "increased options for estate-planning."

$$\frac{\text{Total annual income}}{\text{Total taxable assets}^*} = 10\%$$

(*Before deduction for liabilities)

Specific proposal example

- Effective utilization of real estate
- Readjustment of real-estate portfolios to include or purchase properties in favorable local surroundings
- Replacement of business properties
- Use of Funai's joint real-estate ownership schemes



Individual Business Consulting

With investors holding land, cases do arise where consulting is required which focuses on specific types of business, such as "tennis court management" or "management of golf driving range." We provide consulting services in a variety of business categories, the depth of which reaches a level beyond that of conventional single-step consulting. Consulting related to inheritance also takes on the significance of social contribution.

Income Property Purchase Consulting

In today's chaotic real estate market environment, purchasing an appropriate income property has become extremely difficult. We have introduced a proprietary assessment system and added a new selection of services which allow us to assist customers in purchasing an income property at the optimal price for them.

Institutional Asset Consulting



As a pioneer in corporate revitalization consulting, we make corporate reorganization feasible through our experience and know-how in being engaged in projects for over 50 companies annually. We also focus on M&A which has become vital for the succession of any business. We are able to select sponsors as well as effectuate swift and reliable M&A.

Corporate Revitalization Consulting

In addition to our numerous achievements in corporate revitalization, we have strived to improve both the quality and quantity of our corporate revitalization consultants ("turn-around managers") to respond to requests comprising multiple aspects. We meet companies' diverse needs so as to support the revitalization of the "company" and "Japan."

M&A Consulting

We offer Japan's premier level of M&A service and have an established reputation in M&A consulting of giving preference to the wishes of proprietors. In the provision of a broad array of support services for Japan's small and medium-sized companies such as "partial group reorganization" and "proprietary companies with successor difficulties," we are contributing to Japan's economic development particularly through amicable M&A.



Keyword Business succession

Business succession as we envision it is not only a financial and monetary issue, but it also entails "continuation of the corporate culture." We attach the greatest importance to coming up with a long-term business plan to facilitate that continuity. Backed by our consulting know-how developed over many years, we search out a company's merits from an objective viewpoint and work to extend those excellent qualities so that the corporate culture will be carried on through the next generation.

Ukai Co., Ltd.



(Photo: Omotesando Ukai-tei)

The connection between our company and Ukai Company Limited comes from the mutual trust gained through our similar management philosophies, such as the "customer first" stance and sense of social contribution. We have created a completely innovative and impressive shop encompassing both a sense of exclusivity and elegance which has been favorably received by many of our affluent customers, enabling the definitive "Ukai Brand" to be established.

Consolidated Financial Data (Summary)

(Million of yen, rounded down to the nearest million)

Interim Consolidated Balance Sheet

Item	Term	Previous Interim period ended June 2007	Current Interim period ended June 2008
Assets			
Current assets		20,909	14,458
Cash and deposits		5,338	6,640
Accounts receivable		542	524
Real estate held for sale		10,824	6,279
Purchased receivables		3,815	748
Others		394	270
Allowance for doubtful accounts		△4	△4
Fixed assets		5,061	5,523
Tangible fixed assets		227	218
Property, plant and equipment		114	102
Others		112	115
Intangible fixed assets		37	36
Investments and other assets		4,796	5,269
Investment securities		1,013	1,099
Shares in affiliates		3,624	3,943
Others		158	226
Total assets		25,971	19,982

Item	Term	Previous Interim period ended June 2007	Current Interim period ended June 2008
Liabilities			
Current liabilities		5,580	8,439
Accounts payable		93	91
Short-term debt		2,408	2,600
Long-term debt repayable within one year		168	3,510
Bonds redeemable within one year		1,140	1,060
Accrued corporate taxes		1,024	466
Others		747	711
Fixed liabilities		14,293	4,961
Bonds		3,475	3,215
Long-term debt		3,510	—
Anonymous association investment deposits payable		6,294	759
Allowance for employee retirement benefits		28	36
Anonymous association investment deposits payable		152	185
Deposits payable		784	765
Others		48	—
Total liabilities		19,874	13,401
Net assets			
Shareholders' equity		5,773	6,324
Common stock		805	805
Capital surplus		875	875
Retained earnings		4,092	4,643
Evaluation and conversion difference		265	209
Minority interests		57	47
Total net assets		6,096	6,580
Total liabilities and net assets		25,971	19,982

Interim Consolidated Income Statements

Item	Term	Previous Interim period ended June 2007	Current Interim period ended June 2008
Operating income		8,162	7,998
Operating cost		4,684	5,741
Gross operating profit		3,477	2,256
SG&A		1,067	1,033
Operating profit		2,409	1,223
Non-operating income		8	31
Non-operating expenses		279	414
Ordinary profit		2,138	840
Extraordinary profit		—	—
Extraordinary loss		19	5
Current quarter net income before taxes before loss distribution to anonymous association		2,119	835
Loss distribution to anonymous association		△118	△116
Interim net income before taxes		2,237	952
Income taxes		1,012	456
Deferred income taxes		△79	37
Minority interests		2	△7
Net profit		1,302	465

Interim Consolidated Cash Flows

Item	Term	Previous Interim period ended June 2007	Current Interim period ended June 2008
Cash flow from operating activities		△2,954	2,777
Cash flow from investing activities		△113	△3,147
Cash flow from financing activities		3,140	△42
Change in cash and equivalents		72	△412
Cash and equivalents at start of period		4,463	5,895
Cash and equivalents at end of interim period		4,536	5,482

Interim Consolidated Statement of Shareholders' Equity

Jan. 1 - Dec. 31 2008	Shareholders' equity				Evaluation and conversion difference		Minority interests	Total net assets
	Common stock	Capital surplus	Retained earnings	Total shareholders' equity	Other marketable securities evaluation difference	Total evaluation and conversion difference		
Balance on Dec. 31, 2007	805	875	4,255	5,936	267	267	55	6,259
Consolidated interim period changes								
Distribution of reserves	—	—	△78	△78	—	—	—	△78
Interim net profit	—	—	465	465	—	—	—	465
Changes in other items (net)	—	—	—	—	△58	△58	△7	△66
Total	—	—	387	387	△58	△58	△7	321
Balance on June 30, 2008	805	875	4,643	6,324	209	209	47	6,580

Stock Overview

(As of June 30, 2008)

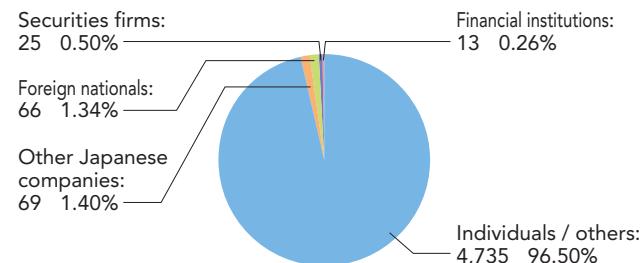
Total number of authorized shares	288,000
Number of shares in issue	104,824
Number of shareholders	4,908

*The company implemented a two-for-one stock split of its common stock on October 1, 2007.

Major Shareholders (Top 10)

Name	Shares held	Shareholding ratio
Taihei Shoji Co., Ltd.	10,560	10.07
JP Morgan Chase Oppenheimer Funds JASDEC Account	10,000	9.53
Funai Consulting Co., Ltd.	9,132	8.71
BBH Matthews Asian Pacific Fund	7,081	6.75
Yoshihito Hirabayashi	2,824	2.69
CB LDN Scottish Equitable	2,752	2.62
Japan Exempt Scottish Equitable plc		
BBH Matthews Japan Fund	2,409	2.29
Japan Trustee Services Bank Ltd.	2,230	2.12
Baillie Gifford Shin Nippon plc	1,672	1.59
Hideo Murakami	1,410	1.34

Number of Shareholders by Category

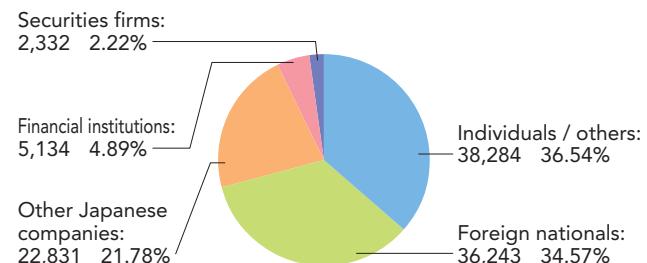


Notes for Shareholder

- Fiscal year: January 1 to December 31
- General meeting of shareholders: Each March
- Administrator of shareholders' register: 3-33-1 Shiba, Minato-ku, Tokyo The Chuo Mitsui Trust and Banking Company, Limited
- Office: 2-8-4 Izumi, Suginami-ku, Tokyo 168-0063 The Chuo Mitsui Trust and Banking Company, Limited. Stock transfer agency department Phone (toll-free : 0120-78-2031)
- Agency: The Chuo Mitsui Trust and Banking Company, Limited Branches throughout Japan Japan Securities Agents, Ltd. Head office and branches
- Public announcements: Please refer to the Funai Zaisan website

For information on balance sheet and income statements, please see <http://www.funai-zc.co.jp/ir/houtei.html>

Number of Shareholders by Category



Company information

(as of June 30, 2008)

- Name of company: Funai Zaisan Consultants Co., Ltd.
- Head office: 18F, Shinjuku NS Bldg. 2-4-1 Nishishinjuku, Shinjuku-ku, Tokyo 163-0818
- Incorporated: September 17, 1991
- Capital stock: 805.81 million yen
- Business line: Individual asset consulting, institutional asset consulting, and asset management
- Number of employees (Group): 738 (Group)
- Business network: 52 locations throughout Japan Sapporo, Aomori, Sendai, Yamagata, Koriyama, Mito, Tochigi, Gunma, Saitama, Kumagaya, Chiba, Johoku, Ginza, Jonan, Kawasaki, Yokohama, Odawara, Niigata, Kanazawa, Tokuyama, Fukui, Matsumoto, Takayama, Shizuoka, Nagoya, Mie, Shiga, Kyoto, Osaka, Hyogo, Nara, Wakayama, Tottori, Shimane, Hiroshima, Tokushima, Takamatsu, Kochi, Fukuoka, Kitakyushu, Nagasaki, Sasebo, Kumamoto, Miyazaki, Kagoshima, Okinawa
- Consolidated subsidiaries: 6 companies including Funai Estate, Nippon Real Estate Rating Service Co., Ltd., and the Centennial Fund Investment Limited Partnership
- Affiliates under equity method: 4 companies including Nippon Investors Securities Co., Ltd., Ukai Co., Ltd.

Executives

(as of June 30, 2008)

President & CEO	Yoshihito Hirabayashi
Deputy President	Hideo Murakami
Managing Director	Hisao Nakatsuka
Managing Director	Takahiko Makino
Director, 3rd Division Manager	Tetsuo Akiyama
Director, 4th Division Manager	Seiki Noda
Director, 1st Division Manager	Masayuki Yagi
Director, 6th Division Manager	Ken Matsuura
Director, 5th Division Manager	Yasuhiko Sato
Outside Director	Haruo Shimada
Outside Director	Kiyoshi Ohno
Outside Auditor (full-time)	Takao Kitamura
Auditor	Takehiko Yamamura
Outside Auditor	Hiroshi Yamagishi
Outside Auditor	Toshio Honda