

## Newsletter for shareholders Vol. 7

Interim (17th) business summary  
January 1 to June 30, 2007

## Funai Zaisan Consultants

Consulting for Individuals  
Consulting for Companies  
Land and Real Estate

### 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/eng/index.html>

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

## Message from the President

Here is the interim report of our business results for the fiscal year ending December 2007 (our 17th financial term). Since incorporation, we have continued to maintain a position for ourselves as one of the leading comprehensive asset consulting firms in Japan. We are a Japanese-style private banking enterprise and operate under the slogan: We will remain your best partner over 100 years.

The portfolios of Japanese investors tend to be biased towards high levels of real estate assets. We have earned an excellent reputation and sound confidence from many high net-worth clients by addressing this issue and offering solutions that focus on the diversification of risk and higher income through a well-balanced asset mix.

We have provided asset consulting services to several hundreds of clients since the business was founded.

Each individual solution provided has been recorded, and this knowledge base has now become an absolutely invaluable asset for us.

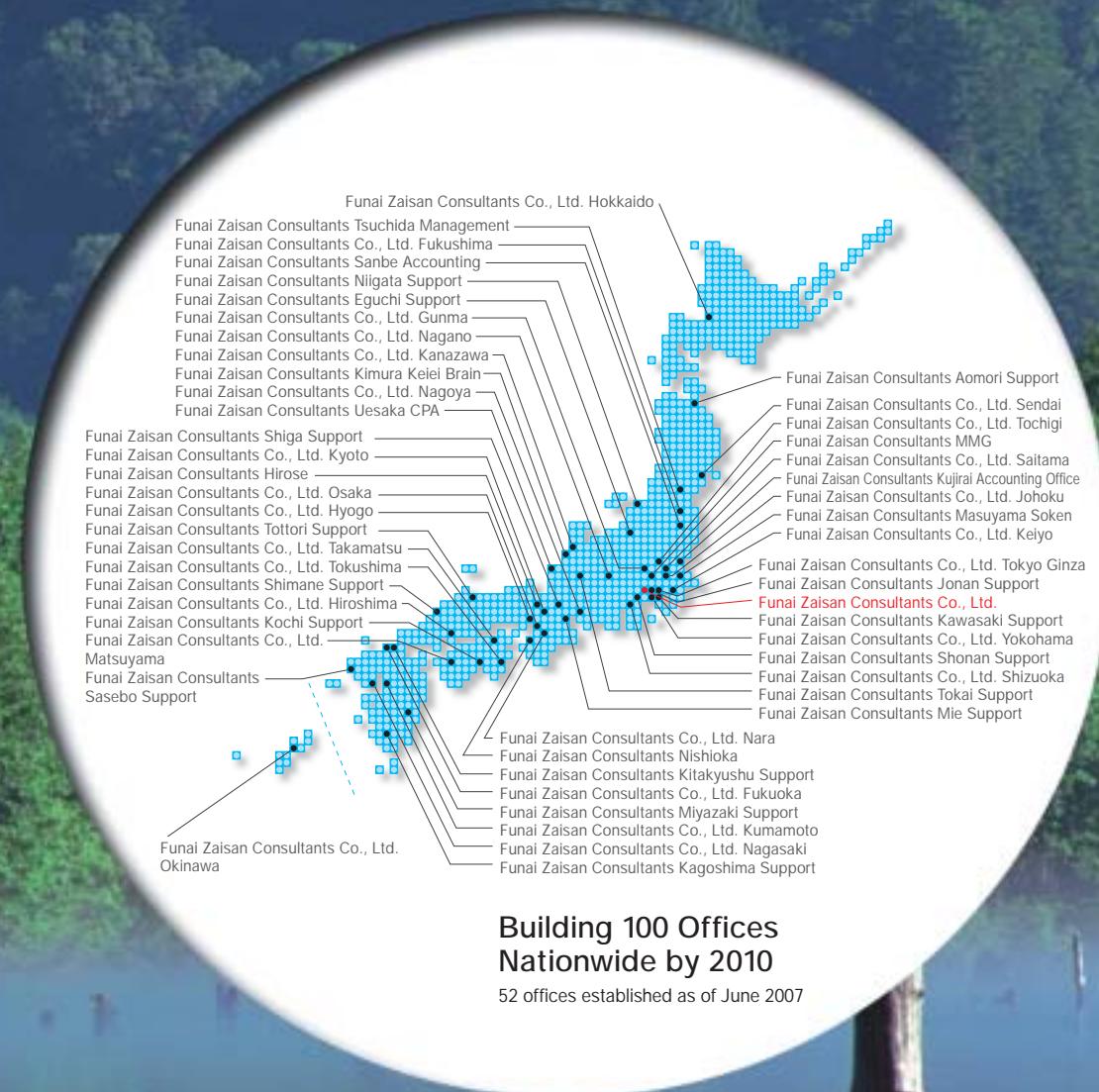
We believe that our fundamental mission lies in contributing to society by returning the benefits of our advanced consulting know-how to as many clients as possible. For example, we hold regular seminars tailored to the unique needs of specific business types, such as operators of tennis court facilities or golf driving ranges, for instance, and conduct presentations on asset management techniques for individual, high net-worth investors. These activities continue to be extremely well received.

Nippon Investors Securities Co., Ltd., which became an equity method affiliate of ours in 2005, works together with accounting firms nationwide, giving the company a reach similar to our nationwide network that has now grown to 52 offices. The company's operations, which specialize in the sale of installment-type investment trusts, are now producing stable results. Ukai Co., Ltd., an equity method affiliate of ours that we introduced to shareholders last year as part of our shareholder benefit plan, has also produced strong results and plans to open new branches in Omotesando in Tokyo this coming November.

We intend to become a company respected by society and to continue to grow steadily in the pursuit of the happiness of our clients, shareholders and employees. We look forward to your continued support.

President & CEO  
Funai Zaisan Consultants Co., Ltd.

**Yoshihito Hirabayashi**



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# Interim Business Results for the Fiscal Year Ending December 2007

## Overview of Results

The following provides an overview of the business results produced by our group (comprised of Funai Zaisan Consulting, 9 consolidated subsidiaries and 4 equity method affiliates) for the consolidated interim period under review.

Our group takes a proactive approach to the recruitment of new personnel while striving to develop and raise the quality of its existing consultants through comprehensive in-house education programs. The group is also making concerted efforts to acquire new clients by, for instance, actively holding seminars and publishing materials relevant to asset consulting. With respect to institutional asset consulting, income generated by some of our large accounts will be carried over to the second half of the year. The individual asset consulting business segment, on the other hand, continued to post strong performance for the interim period under review. Turning to the group's business network, one of our goals is to expand to 100 offices nationwide by 2010. This network, which includes Funai Zaisan Consulting,

has now grown to 52 offices, with the number steadily increasing (8 new offices were established during the consolidated interim period under review).

We are committed to further accelerating the growth of this network and expanding our asset consulting business to cover the entire country. In other areas, we also engaged in the sale of joint real-estate ownership schemes and the sale of inner-city properties. Income from real estate deals performed favorably, and this led to the realization of gross operating profit that exceeds initial expectations by a substantial margin, propelling strong growth in business results.

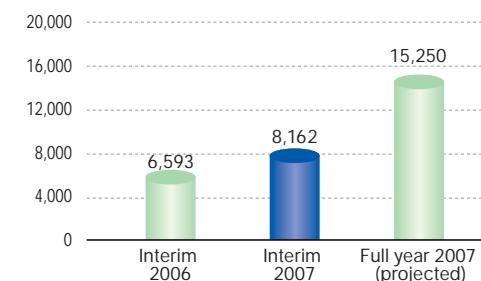
As a result of the factors described above, operating income for the consolidated interim period under review was up 23.8% year-on-year to 8,162 million yen, operating profit rose 89.8% to 2,409 million yen, ordinary profit surged 81.7% to 2,138 million yen, and interim net profit jumped 87.6% to 1,302 million yen.

## Operating Income by Category

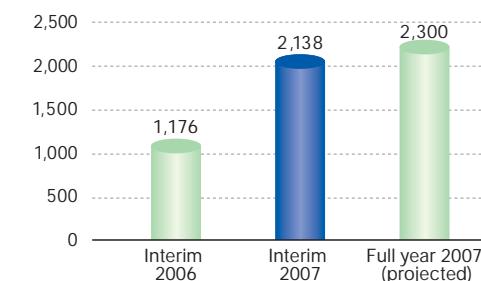
	Previous interim period (Jan. – Jun. 2006)		Current interim period (Jan. – Jun. 2007)		Increase (%)
	Amount (Million yen)	Ratio(%)	Amount (Million yen)	Ratio(%)	
Income from asst consulting	1,722	26.1	1,395	17.1	19.0
Income from real estate deals	4,190	63.6	6,079	74.5	45.1
Income from sublease	569	8.6	551	6.7	3.2
Other income	110	1.7	135	1.7	23.4
<b>Total</b>	<b>6,593</b>	<b>100.0</b>	<b>8,162</b>	<b>100.0</b>	<b>23.8</b>

## Highlights of Consolidated Business Results

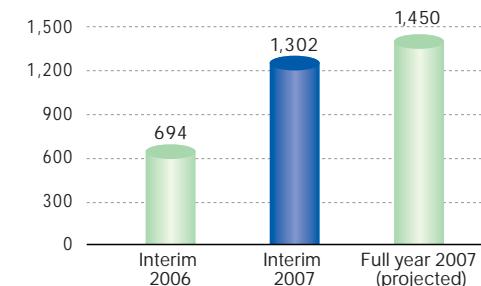
### Operating income (unit: million yen)



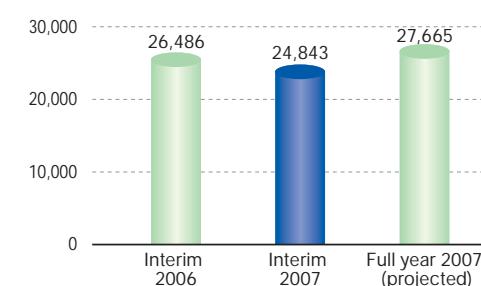
### Ordinary profit (unit: million yen)



### Interim net profit of the current period (unit: million yen)



### Net profit per share for the current interim period (unit: yen)\*



\*The company implemented a two-for-one stock split in fiscal year 2006 (the 16th financial term). The above figure for net income per share is based on the number of shares on issue as of June 30, 2007.

## Projection of Full-Year Results

Projected full-year results have been revised in accordance with conditions prevailing for the consolidated interim period under review. We are expecting income from asset consulting of 2,774 million yen, income from real estate deals of 11,150 million yen, income from subleasing of 1,100 million yen, and other income of 226 million yen.

Projected full-year consolidated results for the year ending December 2007 are as follows: operating income of 15,250

million yen, representing year-on-year growth of 10.9%, operating profit of 2,750 million yen, a rise of 42.1%, ordinary profit of 2,300 million yen, a rise of 41.2%, net profit of 1,450 million yen, a rise of 60.6%, and net profit per share of 27,665 yen.

\*The projected results announced when full-year accounts were released on February 14, 2007 were revised on August 6, 2007. 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.

# Business Lineup

## Individual Asset Consulting



Japanese-style customer-first consulting tailored towards individual high net-worth Japanese investors

## Institutional Asset Consulting



Corporate revitalization experience and know-how assisting more than 100 firms every year

## Asset Management Consulting



Addressing polarization in prices of real estate, a category that accounts for 60% of the average high-net worth portfolio  
From savings to management: effective asset management reduces risk. We provide asset management consulting targeted towards an ideal US and European style portfolio composition.

### Asset Consulting

#### • 100-Year Asset Consulting

Looking two to three generations ahead, the 100-Year Asset Consulting service primarily addresses one of the most important issues for high net-worth individuals: inheritance. We provide the best possible advice, given each individual client's circumstances, covering the areas of real estate, insurance and asset management.

#### • 10 (Ichimaru) Consulting

10 (Ichimaru) Consulting targets a 10% return on the client's taxable assets. This service advises clients regarding the effective utilization of real estate, with respect to the readjustment of real-estate portfolios to include properties in favorable locations or the outright purchase of such properties, and on the use of Funai's joint real-estate ownership schemes.

### Individual Business Consulting

Land owners frequently require consulting tailored towards the needs of specific business endeavors, such as the operation of a tennis court facility or the management of a golf driving range. Our consultants put forward various ideas for preserving wealth and developing clients' businesses, and these services currently enjoy an excellent reputation.

### Corporate Revitalization Consulting

#### • Corporate Revitalization Network

Our consultants can oversee and coordinate corporate revitalization projects that utilize our impressive network of licensed tax accountants, real estate appraisers, debt servicers, certified accountants, attorneys, management consultants and other professionals.

#### • Establishment of Revitalization Funds

We are engaged in launching corporate revitalization funds in an effort to revitalize Japan and its corporations.

### M&A Consulting

M&As have become a crucial part of corporate revitalization efforts, and our services in this area are among the best in Japan. We enjoy an established reputation for speedily closing deals and placing maximum priority on confidentiality. Our efforts contribute to economic growth through the promotion of friendly M&As that fulfill part of corporate restructurings or assist other entities such as owner-controlled enterprises that face issues with respect to corporate succession.

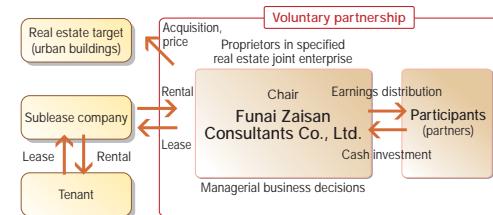
### Joint Real-Estate Ownership Schemes

We are now in what is sometimes called the age of real estate securitization, but to meet the needs of clients who want to enjoy the benefits of owning actual real estate, Funai Zaisan has created joint real-estate ownership schemes. These schemes involve the formation of voluntary partnership agreements (through monetary investment) for the co-ownership of income-bearing real estate and the apportionment of that income. This system is operated in accordance with the Real Estate Specified Joint Enterprise Law.

Total Assets Under Custody: **15.68** billion yen (as of end June 2007)

#### ADVANTAGE CLUB

Funai's real estate joint ownership scheme



### Funai Real Estate Net Auction

This services takes advantage of the Internet to bring together people wishing to sell real estate with those wishing to buy, and facilitates real estate transactions in a way that promotes confidence and satisfaction from clients.



- October 2004: Funai Real Estate Net Auction launched
- April 2005: Business alliance formed with DeNA Co., Ltd. (TSE Mothers, Mothers: 2432)
- November 2005: Business alliance formed with Tokyu Resort Co., Ltd.
- July 2006: Business alliance formed with Benefit One Inc. (TSE, 2nd section: 2412)

### Nippon Real Estate Rating Services Co., Ltd.

Providing a safe and accessible real estate market, boosting market activity and specializing in building diagnosis

On January 23, 2006, we established Nippon Real Estate Rating Service Co., Ltd. as a joint venture with the NIS Group (TSE, 1st section). Collaborating through this entity, we launched real estate rating, building diagnosis, real estate appraisal and due diligence services.

- Real estate appraisal and due diligence related activities
- Building diagnosis, earthquake resistance, asbestos and Probable Maximum Loss (PML) evaluations
- Operation of a ratings website

# Consolidated Financial Data (summary) (Million of yen, rounded down to the nearest million)

## Interim Consolidated Balance Sheet

Item	Term	Previous interim period ended June 2006	Current interim period ended June 2007
<b>Assets</b>			
Current assets		14,311	20,909
Cash and deposits		5,569	5,338
Accounts receivable		563	542
Real estate held for sale		7,656	10,824
Purchased receivables		-	3,815
Others		521	394
Allowance for doubtful accounts		0	4
Fixed assets		4,956	5,061
Tangible fixed assets		213	227
Property, plant and equipment		103	114
Others		110	112
Intangible fixed assets		41	37
Investments and other assets		4,700	4,796
Investment securities		505	1,013
Shares in affiliates		3,857	3,624
Others		338	158
<b>Total assets</b>		<b>19,268</b>	<b>25,971</b>
<b>Liabilities</b>			
Current liabilities		7,085	5,580
Accounts payable		93	93
Short-term debt		3,458	2,408
Long-term debt repayable within one year		1,168	168
Bonds redeemable within one year		1,040	1,140
Accrued corporate taxes		530	1,024
Others		796	747
Fixed liabilities		7,799	14,293
Bonds		3,615	3,475
Long-term debt		178	3,510
Anonymous association investment deposits payable		3,028	6,294
Allowance for employee retirement benefits		27	28
Addition to reserve for compensation of retired directors		128	152
Deposits payable		819	784
Others		1	48
<b>Total liabilities</b>		<b>14,885</b>	<b>19,874</b>
<b>Net assets</b>			
Shareholders' equity		4,384	5,773
Common stock		805	805
Capital surplus		875	875
Retained earnings		2,703	4,092
Evaluation and conversion difference		54	265
Minority interests		52	57
<b>Total net assets</b>		<b>4,382</b>	<b>6,096</b>
<b>Total liabilities and net assets</b>		<b>19,268</b>	<b>25,971</b>

## Interim Consolidated Income Statements

Item	Term	Previous interim period Jan. 1 - Jun. 30 2006	Current interim period Jan. 1 - Jun. 30 2007
Operating income		6,593	8,162
Operating cost		4,485	4,684
Gross operating profit		2,107	3,477
SG&A		837	1,067
Operating profit		1,269	2,409
Non-operating income		15	8
Non-operating expenses		108	279
Ordinary profit		1,176	2,138
Extraordinary profit		4	-
Extraordinary loss		16	19
Interim net income before taxes		1,197	2,237
Income taxes		518	1,012
Deferred income taxes		19	79
Minority interests		4	2
<b>Net profit</b>		<b>694</b>	<b>1,302</b>

## Interim Consolidated Cash Flows

Item	Term	Previous interim period Jan. 1 - Jun. 30 2006	Current interim period Jan. 1 - Jun. 30 2007
Cash flow from operating activities		1,284	2,954
Cash flow from investing activities		3,739	113
Cash flow from financing activities		3,743	3,140
<b>Change in cash and equivalents</b>		<b>1,288</b>	<b>72</b>
Cash and equivalents at start of period		3,957	4,463
<b>Cash and equivalents at end of interim period</b>		<b>5,246</b>	<b>4,536</b>

## Interim Consolidated Statement of Shareholders' Equity

Jan. 1 - Jun. 30 2007	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, 2006	805	875	2,869	4,550	224	224	55	4,829
<b>Consolidated interim period changes</b>								
Distribution of reserves	-	-	78	78	-	-	-	78
Interim net profit	-	-	1,302	1,302	-	-	-	1,302
Changes in other items (net)	-	-	-	-	41	41	2	43
<b>Total</b>	<b>-</b>	<b>-</b>	<b>1,223</b>	<b>1,223</b>	<b>41</b>	<b>41</b>	<b>2</b>	<b>1,267</b>
Balance on Jun. 30, 2007	805	875	4,092	5,773	265	265	57	6,096

# Stock/Stockholder Information/ Notes for Shareholders

## Overview

(as of June 30, 2007)

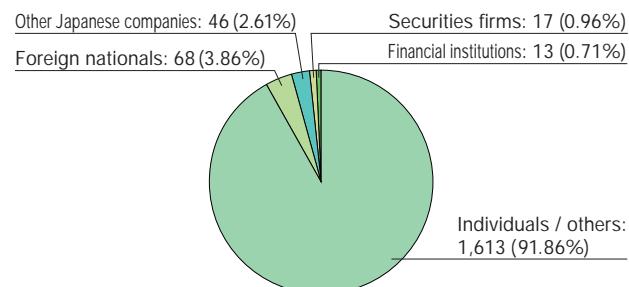
Total number of authorized shares	144,000
Number of shares in issue	52,412
Number of shareholders	1,757

\*The company implemented a two-for-one stock split of its common stock on November 1, 2006.

## Major Shareholders (Top 10)

Name	No. shares held	Ratio of shareholding(%)
Japan Trustee Services Bank Ltd.	5,359	10.22
Funai Consulting Co., Ltd.	5,316	10.14
Taihei Shoji Co., Ltd.	5,280	10.07
JP Morgan Chase Oppenheimer Funds JASDEC Account	4,000	7.63
The Master Trust Bank of Japan Ltd.	3,168	6.04
The Bank of New York, Treaty JASDEC Account	2,017	3.84
Yoshihito Hirabayashi	1,412	2.69
Trust & Custody Services Bank Ltd.	1,071	2.04
Bank of New York GCM Client Accounts EISG	1,007	1.92
The Chase Manhattan Bank, N.A. London	916	1.74

## Number of Shareholders by Category

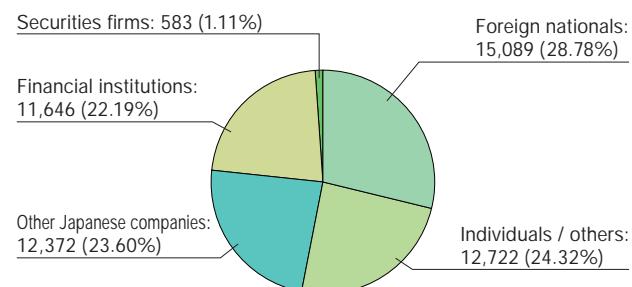


## Notes for Shareholders

Fiscal year	January 1 to December 31
General meeting of shareholders	Each March
Administrator of shareholders' register	The Chuo Mitsui trust and Banking Company, Limited 3-33-1 Shiba, Minato-ku, Tokyo
Office	The Chuo Mitsui Trust and Banking Company, Limited 2-8-4 Izumi, Suginami-ku, Tokyo 168-0063 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/ Executives

## Company information

(as of June 30, 2007)

Name of company	Funai Zaisan Consultant 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	126
Business network	Sapporo, Aomori, Sendai, Yonezawa, Koriyama, Mito, Tsukuba, Tochigi, Gunma, Saitama, Kumagaya, Chiba, Johoku, Ginza, Jonan, Kawasaki, Yokohama, Odawara, Niigata, Kanazawa, Fukui, Matsumoto, Takayama, Shizuoka, Nagoya, Mie, Shiga, Kyoto, Osaka, Hyogo, Nara, Wakayama, Tottori, Shimane, Hiroshima, Tokushima, Takamatsu, Matsuyama, Kochi, Fukuoka, Kitakyushu, Nagasaki, Sasebo, Kumamoto, Miyazaki, Kagoshima, Okinawa
Consolidated subsidiaries	9 companies including Funai Estate, Nippon Real Estate Rating Services 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, 2007)

President & CEO	Yoshihito Hirabayashi
Deputy President	Hideo Murakami
Managing Director	Hisao Nakatsuka
Director, 4th Division Manager	Seiki Noda
Director, 2nd Division Manager	Takahiko Makino
Director, 1st Division Manager	Masayuki Yagi
Director, 5th Division Manager	Yasuhiko Sato
Director, 6th Division Manager	Takeshi Matsuura
Director in charge, 3rd Division Manager	Tetsuo Akiyama
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

## Announcement

### Notice of Stock Split

Funai Zaisan will implement a two-for-one stock split of its common stock that will affect shareholders recorded in the shareholder registry or the registry of substantial shareholders as of the end of September 30, 2007. The aims of the split are to create a more accessible investment environment for all investors by lowering the minimum investment unit, enhance the liquidity of the company's shares, and expand the range of individual investors that hold the company's shares.

\*Since the date of the split falls on a non-business day for the administrator of the shareholder registry, the effective date of the split will be September 28, 2007.

### [Schedule]

Key date for stock split	September 30, 2007 (Sunday)
Date of effect	October 1, 2007 (Monday)
Distribution date of new stock certificates	November 20, 2007 (Tuesday)

Important matters relating to this stock split will be discussed at the next board meeting. For details, please refer to News Releases in the IR in English section of Funai Zaisan Consultant's website: <http://www.funai-zc.co.jp/ir/eng/index.html>