

# Business Results for the First Quarter of the Fiscal Year Ending December 31, 2006 (Consolidated)

Date: May 10, 2006

C o m p a n y	<b>Funai Zaisan Consultants Co., Ltd.</b>	Registered on the TSE Mothers
Stock Code	8929	Head office location: Tokyo
U R L	<a href="http://www.funai-zc.co.jp/">http://www.funai-zc.co.jp/</a>	
Representative	Yoshihiko Hirabayashi	
C o n t a c t	Title of Executive	Executive Director, Executive Officer and Administration Manager
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## 1. Significant policies in the preparation of the summary of quarterly financial position and results of operations:

- (1) Basis of preparation of quarterly financial statements: The standards for Preparation of Interim Financial Statements
- (2) Changes in accounting treatment compared to the most recent fiscal year: None
- (3) Changes in the scope of consolidation and application of the equity method: Yes  
 Number of subsidiaries additionally included in the consolidation: 1  
 Number of affiliates additionally accounted by the equity method: 4
- (4) Participation of a certified public accountant or audit corporation: Yes  
 The quarterly financial statements were audited by our auditors in order to obtain their opinion in accordance with the Tokyo Stock Exchange's "Supplementary Rules" to the "Rules on Timely Disclosure of Corporate Information by Issuer of Listed Securities and the Like".

## 2. Results of operations for the first quarter of the fiscal year ending December 2006 (January 1, 2006 - March 31, 2006)

### (1) Net Sales

	Net Sales		Operating Income		Ordinary Income	
	¥ Million	%	¥ Million	%	¥ Million	%
FY2006 1 <sup>st</sup> Quarter	5,297	211.2	1,014	245.4	962	315.3
FY2005 1 <sup>st</sup> Quarter	1,702	31.4	293	74.4	231	56.1
December 2005	11,237	35.1	1,283	45.8	1,115	45.5

	Net Income		Net Income Per share	Diluted Net Income per share
	¥ Million	%	¥	¥
FY2006 1 <sup>st</sup> Quarter	559	339.6	21,348.86	20,815.87
FY2005 1 <sup>st</sup> Quarter	127	47.7	10,130.25	10,041.54
December 2005	640	49.4	24,750.98	

(Note) The percentage shown for net sales, operating income and other incomes represent changes from the same period in the previous fiscal year.

### 【Results of Operations】

During the first quarter of the fiscal year (January 1, 2006 ~ March 31, 2006), there were signs of recovery in Japan's economy as improvement in corporate income led to qualitative improvement and quantitative expansion in employment as well as increase in household income.

In the 2006 land price trends report, which is based on official announcement of land prices, released in March by the Ministry of Land, Infrastructure and Transport, statistics revealed that almost every point rose or remained roughly flat in central cities of Japan's three metropolitan areas. In Tokyo metropolitan area, decline in land prices

slowed or remained roughly flat on an average for 4 consecutive years. In central Tokyo, land prices rose in 15 years and such as in Minato-ku and Shibuya-ku, it showed high appreciation rate on an average.

The Funai Zaisan Group, which is made up of Funai Zaisan, 9 consolidated subsidiaries and 15 equity-method affiliates, gained high reputation for the financial consulting business and the Company continues to perform well. Operating highlights for the first quarter of the fiscal year are as follows.

- Funai Zaisan established Nihon Fudosan Kakuzuke Co., Ltd., Funai Zaisan's consolidated subsidiary, through a merger with Nissin Co., Ltd. The two companies offer real estate rating, engineering support, real estate appraisal and due diligence services.
- Funai Zaisan sold all 192 units at 1.92 billion yen each at Tokyo Yotsuya-Kyoto Gojyo using its real estate joint ownership scheme. This is the first investment scheme that combines a property in Tokyo with a property in another region of Japan. Due to this sale, Tokyo Yotsuya-Kyoto Gojyo became the 14<sup>th</sup> property and the total amount of sales price exceeded 12.4 billion yen.

Operating results by business segment are as follows.

#### (1) Financial consulting

Activities in this segment are divided between financial consulting for high-net worth individuals and consulting for companies. Operating results for the first quarter are as follows.

In consulting for individuals, activities focused on inheritance measures. This led the number of orders received and the amount to be favorable. However, the result was a year-on-year decrease of 28.1% to 346 million yen as a large consulting project had been posted in the previous fiscal year.

On the other hand, in consulting for companies, large consulting project contributed to its net sales which posted 603 million yen, an increase of 261.0%.

As a result, financial consulting income increased 46.4% to 950 million yen.

#### (2) Real estate sales and management

Funai Zaisan completed the sales under its real estate joint ownership scheme, selling all 192 units at Tokyo Yotsuya-Kyoto Gojyo for 1.92 billion yen. Also, the Company sold 1 large real estate property in the city (Jingu-mae, Shibuya-ku). The result was a 406.4% increase in segment net sales to 3,981 million yen.

#### (3) Sub-leasing

Funai Zaisan had 16 sub-let properties during the first quarter of the fiscal year. These properties produced net sales of 274 million yen, 18.7% more than one year earlier.

#### (4) Others

Net sales in the other segment increased 152.4% to 92 million yen due to membership fees to join Funai Zaisan Group, holding various seminars, sale of books and other factors.

As a result of the above and other factors, first quarter consolidated operating income increased 211.2% year-on-year to 5,297 million yen, ordinary income increased 315.3% year-on-year to 962 million yen and net

income increased 339.6% to 559 million yen.

Real estate sales largely contributed to operating income as financial consulting income was favorable and its real estate joint ownership scheme properties were sold ahead of schedule. As a result, gross profit increased 115.1% to 1,410 million yen and operating income increased 245.4% to 1,014 million yen.

## (2) Financial Position

	Total Assets	Shareholders' Equity	Shareholders' equity to total assets	Shareholders' equity per share
	¥ Million	¥ Million	%	¥
FY2006 1 <sup>st</sup> Quarter	16,353	4,225	25.8	161,231.80
FY2005 1 <sup>st</sup> Quarter	11,253	3,162	28.1	251,683.86
December 2005	14,535	3,732	25.7	142,418.27

### 【Consolidated Financial Condition】

At the end of the first quarter of the fiscal year, total assets were 16,353 million yen, 1,817 million yen more than at the end of the previous fiscal year. This was mainly attributable to decrease of 1,714 million yen in real estate for sale, increases of 2,370 million yen in cash and deposits, 498 million yen in purchase of loans and 449 million yen in investment securities. Cash and deposit increased temporarily for future real estate acquisition and purchase of loans.

At the end of the first quarter of the fiscal year, total liabilities were 12,078 million yen, 1,284 million yen more than at the end of the previous fiscal year. This was mainly attributable to net increases of 1,053 million yen in debt and 230 million yen in bonds.

The equity ratio at the end of the first quarter was 25.8%.

## (3) Results of Cash Flows

	Net cash flows by operating activities	Net cash flows by investment activities	Net cash flows by financial activities	Balance of cash and cash equivalents at the end of year
	¥ Million	¥ Million	¥ Million	¥ Million
FY2006 1 <sup>st</sup> Quarter	1,615	-269	1,281	6,585
FY2005 1 <sup>st</sup> Quarter	-1,702	-176	3,236	4,268
December 2005	-3,513	-842	5,403	3,957

### 【Cash Flows Condition】

Cash and cash equivalents (hereafter “funds”) for the first quarter of the fiscal year increased 2,627 million yen compared to the previous consolidated fiscal year and the fund balance was 6,585 million yen.

The following is a brief analysis of cash flows during the period under review.

#### (Operating activities)

Net cash gained through operating activities was 1,615 million yen. This was due mainly to proceeds from sales of real estate for sale. Apart from this, income before income taxes was 959 million yen, purchase of loans increased to 498 million yen and payments for corporate tax was 322 million yen.

#### (Investing activities)

Net cash used in investing activities was 269 million yen. This was due mainly to the purchase of investment securities which was 517 million yen and proceeds from the refund of fixed deposits which was 260 million yen.

(Financing activities)

Net cash gained by financing activities was 1,281 million yen. This was due mainly to net increases of 1,053 million yen in debt and 213 million yen in bond issue.

### 3 . Forecast of Financial Performance in FY December 2006 (January 1, 2006 - December 31, 2006)

	Net Sales	Ordinary Income	Net Income
	¥ Million	¥ Million	¥ Million
Interim	6,642	751	414
FY ending Dec. 2006	12,750	1,250	688

( Note ) Forecast net income per share for the year: 26,253.53 yen

#### 【Qualitative data and other information related to business forecasts】

Funai Zaisan believes that demand will remain strong for its financial consulting services and is thus projecting a 15.2% increase to 2,592 million yen in net sales from financial consulting.

In real estate sales, by focusing on inventory properties that Funai Zaisan has already procured by the end of the previous fiscal year, the Company expects real estate sales to increase 16.7% to 8,827 million yen.

Funai Zaisan is studying the outlook for procuring properties that can be used for its real estate joint ownership scheme.

In sub-leasing, Funai Zaisan plans a new consignment of real estate co-ownership properties and improvements in rate of vacancy of properties under management. Based on this outlook, sub-leasing is expected to increase 10.0% to 1,069 million yen.

In others, the forecast is for a 42.4% increase in sales to 260 million yen.

Due to the above factors, Funai Zaisan is forecasting a 13.5% increase in consolidated net sales to 12,750 million yen, a 12.1% increase in ordinary income to 1,250 million yen and 7.5% increase in net income to 688 million yen. Assuming that Funai Zaisan reaches its projected earnings for 2006, the Company plans to pay a year-end dividend of 2,500 yen per share.

#### ***Forward-looking statements***

The above forecasts are based on judgments made in accordance with information available at the time these materials were prepared. As forecasts embody risks and uncertainties, actual results may differ significantly from these forecasts for a number of reasons.