Non-Audited

Financial Results for the Fiscal Year Ended December 31, 2014
(January 1, 2014 – December 31, 2014)

January 30, 2015

Company name: Funai Soken Holdings, Inc. Stock Exchange listing: Tokyo Stock Exchange
Stock code: 9757 URL: http://hd.funaisoken.co.jp
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General meeting of shareholders: March 28, 2015
Scheduled date of payment of dividend: March 30, 2015
Scheduled date of filing Annual Securities Report: March 30, 2015
Supplementary materials compiled to explain financial statements? $\boxed{\text{Yes}}$ / No
Meeting to be held for institutional investors and analysts to explain financial results? $\boxed{\text{Yes}}$ / No
(Figures are rounded to the nearest million yen; fractions of one million discarded rather than rounded up or down)

1. Consolidated Financial Results (January 1, 2014 – December 31, 2014)

(1) Consolidated results of operations (Percentages represent year-on-year change)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended Dec. 31, 2014	12,485	24.0	2,992	14.0	3,028	12.5	1,766	-11.0
Year ended Dec. 31, 2013	10,065	11.4	2,625	16.4	2,692	21.6	1,984	49.7

NB: Comprehensive income was 1,744 million yen (down 16.9%) in the year ended December 31, 2014, and 2,098 million yen (up 53.1%) in the year ended December 31, 2013.

	Net income per share (basic)	Net income per share (diluted)	Return on equity	Ratio of ordinary income to total assets	Ratio of operating income to net sales
	Yen		Yen%	%	%
Year ended Dec. 31, 2014	62.58	61.92	10.9	15.5	24.0
Year ended Dec. 31, 2013	70.44	69.99	13.1	15.0	26.1

NB: Equity in earnings of affiliates (million yen) Dec. 31, 2014: - Dec. 31, 2013: -

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
Year ended Dec. 31, 2014	20,437	16,653	81.1	585.46
Year ended Dec. 31, 2013	18,602	15,912	85.3	562.34

NB: Shareholders' equity: 16,568 million yen as of Dec. 31, 2014; 15,859 million yen as of Dec. 31, 2013.

(3) Consolidated cash flow position

	Net cash provided by (used in) operations	Net cash provided by (used in) investments	Cash provided by (used in) financing	Cash and cash equivalents at end of fiscal year
	Million yen	Million yen	Million yen	Million yen
Year ended Dec. 31, 2014	2,889	-142	-1,058	5,626
Year ended Dec. 31, 2013	1,975	-1,136	-698	3,936

2. Dividends

	Dividend per share					Total dividends	Dividend payout ratio (consolidated)	Dividend on equity (consolidated)
	1Q-end	2Q-end	3Q-end	Year end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Year ended Dec. 31, 2013	-	10.00	-	19.00	29.00	817	41.2	5.4
Year ended Dec. 31, 2014	-	15.00	-	17.00	32.00	904	51.1	5.6
Forecast for year ending Dec. 31, 2015	-	15.00	-	19.00	34.00		52.0	

3. Forecast Consolidated Financial Results (January 1, 2015 – December 31, 2015)

(Percentages represent year-on-year change,
full-year figures represent change compared with previous year;
first-half figures represent change compared with same period in previous fiscal year.)

	Net sales		Operating income		Ordinary income		Net income		Net income per share (basic)
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	6,500	9.9	1,700	2.9	1,700	1.4	1,000	4.4	35.34
Full year	13,500	8.1	3,100	3.6	3,150	4.0	1,850	4.7	65.37

Remarks

(1) Changes in consolidated subsidiaries during the fiscal year (changes in scope of consolidation): None

(2) Changes in accounting policies; changes in estimates; re-statement of amendments

1) Changes caused by revision to accounting standards: Some changes made
2) Other changes: None
3) Changes in accounting estimates: None
4) Re-statement of amendments: None

NB: Starting at the end of this fiscal year, the Accounting Standards for Retirement Benefits (standard no. 26 issued by the Accounting Standards Board of Japan on May 17, 2012) and the Guidance on Accounting Standard for Retirement Benefits (ASBJ guidance no. 25 issued on the same day) will be applied. For information on the effects of applying the standards and guidance, please see the Changes in Accounting Policy section of 2. Footnotes to Consolidated Financial Statements (5) Notes on Consolidated Financial Statements on page 18.

(3) Number of outstanding shares (common stock)

1) Number of shares outstanding at end of period (including treasury stock)	Dec. 31, 2014	30,251,477	Dec. 31, 2013	31,251,477
2) Number of treasury stock at end of period	Dec. 31, 2014	1,951,465	Dec. 31, 2013	3,049,366
3) Average number of stock during period	Dec. 31, 2014	28,231,198	Dec. 31, 2013	28,175,180

Additional: Summary of Non-Consolidated Financial Results

1. Non-Consolidated Financial Results (January 1, 2014 – December 31, 2014)

(1) Non-consolidated results of operations (Percentages represent year-on-year change)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended Dec. 31, 2014	5,929	-39.9	1,703	-35.4	1,737	-35.9	998	-49.3
Year ended Dec. 31, 2013	9,864	11.2	2,638	16.8	2,711	21.4	1,971	49.4

	Net income per share (basic)	Net income per share (diluted)
	Yen	Yen
Year ended Dec. 31, 2014	35.38	35.01
Year ended Dec. 31, 2013	69.96	69.51

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
Year ended Dec. 31, 2014	18,300	15,984	86.9	561.82
Year ended Dec. 31, 2013	18,565	15,888	85.3	561.46

NB: Shareholders' equity: 15,899 million yen as of Dec. 31, 2014; 15,834 million yen as of Dec. 31, 2013.
NB: The Funai Consulting Group switched to a holding company set-up on July 1. 2014. Therefore, the figures for non-consolidated performance for the year ended December 2014 are shown in comparison to the year ended December 2013.

Statement Regarding Auditing Procedures
These financial results are exempt from auditing under the Financial Instruments and Exchange Act. The group's financial statements are currently being audited at the time of publication of these results.

Statement Regarding the Use of Forward-looking Statements
Forecasts in these materials regarding future performance are based on reasonable judgments made in accordance with information currently available. Actual results may differ greatly from these forecasts for a number of factors. Please refer to "Analysis of Results of Operations" on page 2 of the appendix for further information concerning the conditions on which these forecasts are based and further cautions with respect to the use of forward-looking statements.

Appendix

Contents

1. Results of Operations and Analysis of Financial Position

(1) Analysis of Results of Operations

This Fiscal Year's Results

In FY2014, improved economic sentiment in response to government economic and financial measures saw corporate profits improve on the back of higher share prices, the appreciation of the yen, and a recovery in exports. However, consumers' rush to buy before the consumption tax hike resulted in a subsequent lull in consumption, thus dulling the trend toward recovery.

The group has, however, set a clear course for future success: we switched to a holding company set-up on July 1, 2014 in a move designed to expand our business activities, strengthen the group's operating capacity, accelerate growth, and enhance corporate governance.

I. Net sales: 12,485 million yen (up 24.0% y-o-y)

Income from our core consulting business increased, and Funai Soken Logistics was added to the group's consolidated accounts in the first quarter. Consequently, sales increased 24.0% year-on-year to 12,485 million yen.

II. Operating income: 2,992 million yen (up 14.0% y-o-y)

Fixed costs rose on the back of an increase in employee numbers. Consequently, cost of sales was 8,144 million yen and SG&A expenses were 1,348 million. However, as a result of the aforementioned increase in sales, operating income increased 14.0% year-on-year to 2,992 million yen.

III. Ordinary income: 3,028 million yen (up 12.5% y-o-y)

Non-operating income was 95 million yen, and non-operating expenses were 60 million yen. Consequently, ordinary income rose 12.5% year-on-year to 3,028 million yen.

IV. Net income 1,766 million yen (down 11.0% y-o-y)

Company funeral and other expenses drove extraordinary losses to 47 million yen, and total income taxes were 1,214 million yen. Consequently, net income fell 11.0% year-on-year to 1,766 million yen. Income taxes reached only 789 million yen in FY2013 as a result of the dissolution of Funai Capital and, consequently, net income was 1,984 million yen.

Segment-specific Performance

Consolidated performance for each business segment is outlined below.

I. Consulting

Sales in the consulting segment were much stronger than the preceding year. The merging of separate Tokyo and Osaka departments consulting for clients in the housing and real estate industry resulted in better sharing of information and expertise and an increase in customer satisfaction. Consequently, sales in these core consulting areas showed a marked year-on-year increase. Healthcare and nursing care, meanwhile, underscored their reputation as high-growth areas with the highest growth rate in sales among all consulting departments, making a major contribution to the overall increase in sales.

Among our industry-specific and solution-specific management workshops, those held for the housing, real estate, and certified professional service industries experienced robust growth in attendee numbers. Consequently, membership fee income increased 20% year-on-year.

In addition, the Communication Center, long an area in which we have invested considerable effort, contributed to a considerable increase in orders through aggressive efforts to gather and leverage front-line feedback and information about customer needs.

Consequently, consulting sales rose 10.2% year-on-year to 10,862 million yen, and operating income from consulting fell 1.0% year-on-year to 3,430 million yen.

It should also be noted that the switch to a holding company set-up in 2014 resulted in a redistribution of administration expenses. These were previously listed in the consulting business accounts, but are now listed under adjustments. See the Segment Information section on page 23 for more details.

II. Logistics

Logistics is a new segment, created in the first quarter of the year. This segment covers operations, which involve designing, building, and running clients' logistics operations. In this segment, 100% of existing clients renewed their consulting services contracts, and we carried out aggressive promotional campaigns to attract new clients.

Consequently, logistics sales were 1,418 million yen, and operating income from logistics was 33 million yen.

III. Other businesses

Elsewhere, while our IT consulting operations did not progress as planned, we still managed to strengthen our IT client base as a result of regular workshops and seminars. In addition, Funai Soken IT Solutions' acquisition of Land Future, Inc. on October 1, 2014, has bolstered our IT outsourcing operations and created a foundation on which we can base our ongoing efforts to expand revenues.

Consequently, sales in other businesses rose 3.0% year-on-year to 204 million yen, and operating income from other businesses rose 164.3% year-on-year to 94 million yen.

Outlook for FY2015

While the Japanese economy suffered a slight hangover after consumers' rush to buy before the consumption tax hike in April 2014, the government's economic policies and the Bank of Japan's quantitative easing policy are nudging the economy gently toward recovery. Nonetheless, the situation remains precarious.

The group has, however, set a clear course for future success: we switched to a holding company set-up on July 1, 2014 in a move designed to expand our business activities, strengthen the group's operating capacity, accelerate growth, and enhance corporate governance. Moreover, Funai Consulting's Tokyo and Osaka consulting divisional headquarters will be merged into a more coherent organization to bring greater focus to our unique industry-specific consulting services in those cities. By reorganizing our operations to focus on specific industries and themes, we seek to achieve a framework that encourages the pooling and sharing of information and expertise among the various departments.

To that end, we will establish a Consulting Operations Divisional Headquarters to oversee the Consulting Divisional Headquarters and the Corporate Strategy Department, which will put us in a better position to offer more strategic solutions for major corporations. This will enable us to boost cohesion throughout all of our consulting operations and offer clients a uniformly high level of consulting quality. Meanwhile, we are also working to boost teamwork between our consulting units and their logistics and IT counterparts, Funai Soken Logistics and Funai Soken IT Solutions, respectively, in order to bring added depth and breadth to consulting services.

The Group's organization was further reinforced when the board of directors voted today to acquire of stock in Proseed Corporation, a management consulting company which is now a Group subsidiary.

In sum, based on the aforementioned policies, we forecast consolidated net sales of 13,500 million yen, operating income of 3,100 million yen, ordinary income of 3,150 million yen, and net income of 1,850 million yen for FY2015.

(2) Analysis of Financial Position

1) Assets, Liabilities and Net Assets

Assets

Total assets increased 1,834 million yen year-on-year to 20,437 million yen at the end of FY2014.

Current assets increased 1,256 million yen year-on-year to 9,521 million yen. This was mainly due to increases in cash, deposits, trade notes, and accounts receivable, and a decrease in securities.

Noncurrent assets increased 578 million yen year-on-year to 10,915 million yen. This was mainly due to an increase in investment securities and a decrease in long-term deposits listed under other investments.

Liabilities

Total liabilities increased 1,093 million yen year-on-year to 3,783 million yen at the end of FY2014. Current liabilities increased 1,651 million yen year-on-year to 3,364 million yen. This was mainly due to increases in trade notes and accounts payable, current portion of bonds, and income taxes payable.

Noncurrent liabilities decreased 558 million yen year-on-year to 419 million yen. This was mainly due to a decrease in bonds.

Net assets

Net assets increased 741 million yen year-on-year to 16,653 million yen at the end of FY2014. This was mainly due to an increase in retained earnings and a decrease in treasury stock.

Consequently, the shareholders' equity ratio decreased 4.2 points to 81.1% at the end of FY2014.

2) Cash Flow

Cash and cash equivalents increased 1,690 million year-on-year to 5,626 million yen at the end of FY2014. Trends in cash flow by activity are described below.

Net Cash Provided by (or Used in) Operations

Net cash provided by operations totaled 2,889 million yen compared to 1,975 million yen in the previous fiscal year. Income before income taxes was 2,981 million yen; depreciation costs were 206 million yen; other increases in liabilities were 396 million yen; and income taxes paid were 729 million yen.

Net Cash Provided by (or Used in) Investments

Net cash used in investments totaled 142 million yen compared to 1,136 million yen in the previous fiscal year. Proceeds from withdrawal of time deposits were 350 million yen; income from the purchase and sale of securities and investment securities was 358 million yen; and purchase of tangible and intangible noncurrent assets was 206 million yen.

Net Cash Provided by (or Used in) Financing

Net cash used in financing increased totaled 1,058 million yen compared to 698 million yen in the previous fiscal year. Payments for other long-term accounts payable were 128 million yen, and cash dividends paid were 956 million yen.

The following table illustrates the historical movements of certain cash flow indices.

	FY12/10	FY12/11	FY12/12	FY12/13	FY12/14
Equity ratio	83.5%	83.1%	83.2%	85.3%	81.1%
Shareholders' equity ratio based on market price	91.7%	92.0%	86.9%	127.5%	137.0%
Interest-bearing debt to cash flow ratio	0.4 years	0.3 years	0.4 years	0.4 years	0.2 years
Interest coverage ratio (x)	108.4	175.1	170.1	221.9	250.7

Notes:

1. Indices are calculated on a consolidated basis as follows:
   Shareholders' equity ratio: Shareholders' equity divided by total assets
   Shareholders' equity ratio based on a market price: Market capitalization divided by total assets
   Interest-bearing debt to cash flow ratio: Interest-bearing debt divided by operating cash flow
   Interest coverage ratio: Operating cash flow divided by interest payments
2. Market capitalization: Closing stock price at FY-end multiplied by the number of outstanding shares at period-end (after deducting treasury stock)
3. Interest-bearing debt: All short-term loans payable, bonds payable, and the current portion of bonds listed under liabilities on the consolidated balance sheet.
4. Operating cash flow and interest payments are taken from net cash provided by operations and interest paid, respectively, as listed in consolidated cash flow statements.

(3) Basic Policy Regarding Distribution of Earnings, Dividends for the Current and Next Fiscal Years

Returning adequate earnings to shareholders is as important to us as strengthening our financial condition and management fundamentals. As such, we are determined to give back to shareholders through distribution of earnings and by buying treasury stock to an appropriate level in light of business performance. Our basic policy is to strive for a sustainable level of dividend increases and aim for a return-to-shareholders ratio of around 50%.

Retained earnings will be used to enhance capital through a balance of investments for the long-term growth of corporate value, and in strengthening the group's financial condition to facilitate flexible capital policies.

Based on that policy, we plan to pay 17 yen per share as a year-end dividend for FY2014 (scheduled date of payment: March 30, 2015). When the interim dividend of 15 yen per share is taken into account, the annual dividend for FY2013 will be 32 yen per share (consolidated payout ratio of 51.1%).

In FY2015, we plan to pay an interim dividend of 15 yen per share and a year-end dividend of 19 yen per share, making a total annual dividend of 34 yen per share, up 2 yen per share from FY2014.

2. The Funai Consulting Group

The group is comprised of Funai Soken Holdings and five subsidiaries. Our core business is management consulting, and we also offer logistics and other services relating to those operations.

Funai Soken Logistics became a group subsidiary on January 1, 2014, and the group switched to a holding company set-up on July 1, 2014. Under the new structure, Funai Soken Holdings' main role is administration of the group's business activities and assets.

The roles of the various Group companies in each segment are outlined below.

Consulting

The group is fully equipped to offer a comprehensive range of consulting services, and we focus mainly on management consulting. In addition to core management consulting solutions, we also provide industry-specific and solution-specific workshops and seminars.

Group companies involved in this segment: Funai Consulting, Inc., Funai Soken Corporate Relations, Inc., Funai Consulting Shanghai, Inc.

Logistics

Our logistics services cover three main areas: consulting, designed to help clients reduce their logistics costs; operations, in which we design, build, and operate clients' logistics frameworks; and trading, which helps clients reduce their purchasing costs through initiatives like joint buying.

Group companies involved in this segment: Funai Soken Logistics, Inc.

Other businesses

Elsewhere, Funai Soken Holdings offers real estate leasing solutions and Funai Soken IT Solutions provides services related to the IT sector.

Group companies involved in this segment: Funai Soken Holdings, Inc., Funai Soken IT Solutions, Inc.

The following is a diagram of the group's business operations.

3. Management Policies

(1) Fundamental Management Policy

The group's fundamental management policy is to contribute broadly to society by providing steadfast support to the diverse needs of a wide variety of corporations through our comprehensive, high-quality management consulting services. To fulfill this role, we switched to a holding company set-up on July 1, 2014 in order to strengthen the group's capacity to provide great services and accelerate growth.

To underscore our dedication to enhancing our operational capacity, we have instituted a new group philosophy and vision.

I. Group Philosophy: We help to build a better future for people, businesses, and society

We at the Funai Consulting Group will offer solutions for a better future to all the people and businesses we are involved with – and to society as a whole – and will do our best to turn those ideas into reality.

II. Group Vision: Trusted and respected by society for bringing joy to people and businesses through our work

We are determined to work together as a corporate group to bring joy to the people and businesses we are involved with. By earning the trust and respect of the people and businesses we seek to please, we can also earn the trust and respect of society as a whole.

(2) Targets and Performance Indicators

Our goal is to practice the philosophy and pursue the vision stated above through constant growth and improvement. To that end, we have instituted core performance indicators, which we aim to meet consistently over the mid-to-long term.

I. Sales growth of at least 10%

We will continue to develop new business operations and pursue group-based business management to enhance our range of consulting services and, through this, aim to grow our sales by at least ten percent per year while expanding our business activities further.

II. Return on equity of at least 10%

We will seek stable profits, growth over the mid-to-long term, and a fine balance of optimal capital and appropriate returns to shareholders. Our aim is to maintain a return on equity of at least ten percent and to further improve capital efficiency.

(3) Medium-to-long-term Management Strategies

The group's roadmap for the three-year period starting in FY2014 is set out in the Mid-range Business Plan for 2014 to 2016. We are pleased to announce that our targets for FY2014, the first year covered by the plan, were achieved, and we look forward to doing the same in the following two years.

In FY2015, we will strengthen our business in core segments by concentrating resources in promising markets for consulting services, while reinforcing operations and teamwork in peripheral segments. Specifically, we aim to provide steadfast support for the diverse needs of a wide variety of corporations through our comprehensive, high-quality management consulting services and, to that end, we will implement the policies outlined below.

I. Aim for greater depth and breadth in core consulting business

We will continue to evolve our industry-specific consulting services, which are one of our strengths, and strive to become Japan's top consulting corporate group in multiple segments. To date, the main focus of our consulting services has been helping clients improve business performance chiefly through marketing. We will work, however, to add a second core focus: workforce development. Our intention is to develop and offer an extensive menu of consulting services based on specialized training and education solutions for each segment.

II. Enhance framework for pursuing mergers and acquisitions dynamically in areas peripheral to consulting

As part of our ongoing quest to build a robust corporate group around Funai Consulting, we will step up our policy of mergers and acquisitions of management consulting companies.

III. Stronger support services group-wide

We will provide a consistently high level of support services and maintain a well-oiled back-office environment in order that the various group companies can concentrate on their core competencies, and in order that mergers, acquisitions, and in-house entrepreneurship can proceed smoothly. Moreover, we will continue to bolster administrative and consulting support for group companies with the information base and promotional functions needed to acquire and retain new clients.

IV. Nurture executives and in-house entrepreneurs

A dynamic M&A framework is not the only way in which we hope to focus our energies, achieve synergies, and improve business performance; we will also work hard to develop successive generations of business administrators. Moreover, we will invest significant effort into encouraging in-house entrepreneurship, in which employees turn the off-shoot services of their consulting work into new businesses. In this way, we aim to raise management strength and expand business operations across the whole group.

VI. Philanthropic Activity

To date, the group has striven to make a genuine contribution to the community through management consulting and other services. Moving forward, we will use the Funai Foundation, incorporated in January 2014, as a vehicle for philanthropic activity as we seek to cement our position as one of the truly great companies of the corporate community.

(4) Challenges

The government's proactive economic and financial policies are slowly but steadily pushing Japanese share prices upward and, although some areas of consumer spending remain weak, corporate profits are gradually recovering. Companies still need to make more efficient use of their resources to survive the current difficulties and, to that end, it is vital to make accurate investment and management decisions.

We view all of these circumstances as opportunities to expand our core management consulting business, and are determined to advance to a new stage of growth. To that end, we must identify the true needs of our clients and provide solutions and services for their benefit. In doing so, we aim to evolve together with our clients and make a genuine contribution to society.

1) Aim for greater depth and breadth in the business sectors we serve

Funai Consulting provides hands-on, field-oriented consulting services, offering a variety of support in a broad range of industry sectors and fields of business. We believe it is necessary for a firm of this nature to aggressively develop new consulting competencies and client industry sectors by accommodating changes in market conditions.

This is where Funai Consulting's management workshops—one of the company's greatest strengths and offered on a scale virtually unrivalled in Japan in terms of industries served and subjects covered—come into their own. They give us quick access to information from the front lines where the client's employees work, and that information can then be used to create more focused consulting services. Moving forward, we plan to achieve greater depth and breadth in the business sectors we serve by expanding the membership system, which offers benefits such as attendance at informative workshops, to cover all industries and subjects.

2) Build stronger ties with current clients

We want to leverage the strengths of the whole group to play a leading role in enabling client companies to grow. Achieving this goal will require ongoing client relationships that are even stronger than before; we must endeavor to create a framework that enables us to satisfy all of our clients' needs.

The Communication Center, which is operated by Funai Soken Corporate Relations, is dedicated to providing swifter response to clients' needs without compromising our customer-oriented focus. The center's handles inquiries for the whole group, and serves to provide a uniformly high level of response to customers' needs.

In this way, we endeavor to strengthen teamwork within our organization and ensure that every team and group is able to address a broad range of clients' needs, thus improving the quality of our consulting services and increasing customer satisfaction and the rate of repeat contracts.

What is more, to ensure that workforce development, which is such an important part of corporate growth, has a prominent place on the menu of our consulting services, we have made the formulation and supply of multifarious industry-specific workforce development consulting services one of our highest priorities. We will leverage the wealth of know-how amassed over years of industry-specific support for clients to help improve their performance, and we are working hard to build up a strong array of services.

Responding to clients' needs as they evolve with growth is another requirement, and we will work proactively to expand and upgrade our solutions to accomplish this.

3) Establish a sales framework able to target major corporations

We expect to see large corporations invest and create strategies more aggressively for growth, and we predict that demand for our consulting services will increase as a result. We are keenly aware of the need to create a sales framework that can enlarge the group's client base from our current clientele of SMEs to major corporations.

To that end, we are reorganizing our departments working with large-scale companies to switch from old-style consulting through regular support visits to a new style in which our consultants are based full-time at clients' premises to provide constant, uninterrupted assistance. This fine-tuning will eliminate all barriers to communication with client companies and clear the way for smoother resolution of their underlying problems, thus further improving the level of service we provide.

4) Expand into Overseas Markets

We are well aware of the need to keep abreast of overseas markets if we are to serve our clients, and thus we are focusing on Asian markets as likely expansion destinations. Consulting for Japanese clients active in foreign markets is nothing new to us, but now is the time for us to expand those operations by setting up our own marketing capacity and recruiting staff in local markets. For now, our Japanese sales far outweigh our overseas sales, but we are convinced that there is potential for huge growth in overseas markets.

5) Improve group-wide management strengths

At present, the group is known for its industry-specific, marketing-oriented consulting services. We believe, however, that expanding our range of services is vital if we are to continue to satisfy the diverse needs of the corporate community.

To that end, we must continually strive to develop peripheral operations to complement and strengthen our consulting business, thus improving the quality of our services and expanding the range of fields we can operate in. We are eager to expand the group by establishing new companies and urging with existing enterprises in order to incorporate fields that do not fall within the scope of Funai Consulting's existing operations. To achieve the synergies and service improvements needed to do so, it is vital that we continue to boost the group's management strengths.

6) Recruit, train, and retain talented people

Given the particular weight we place on improving the performance of our core consulting business, it is essential that we recruit talented people and constantly work on their consulting skills. Heightened brand recognition over the past few years has enabled us to recruit many high-potential new graduates and experienced professionals. Moreover, our recruiting drives for new graduates are not limited to Japan—we seek high-quality talent wherever it may be.

But just as attracting talented people is important, so is retaining them. Retention of quality employees helps maintain continuity of client relations and improves the rate of repeat contracts, thus contributing to stable performance. Therefore, we believe that the ability to develop these new, highly talented employees into outstanding consultants—and retain them in the Funai Consulting Group—is critical to our future. To that end, we will strive to ensure the Funai workplace is employee-friendly and conducive to long-term retention of consultants.

7) Corporate social responsibility, the bedrock of our management

We believe that Corporate Social Responsibility (CSR) is vital to group management in order to ensure sound growth and boost corporate value. As such, we are driven to use our comprehensive management consulting services as a vehicle for seeking a better future for all the people and businesses we are involved with – and to society as a whole – and will do our best to turn those ideas into reality. Inspired by that philosophy, we aim to use our business as a vehicle for the betterment of society.

8) Enhance internal controls and corporate governance

We realize that solid corporate governance is key to ensuring transparent and efficient management and raising corporate value, and that internal controls are a critical element in any foundation for effective corporate governance. That is why we have introduced and implemented in-house rules that meet internal control reporting requirements and ensure the transparency and soundness of management. With these rules in place, we will further strengthen our business fundamentals by achieving the group's strategies and business objectives on a systematic basis and implementing appropriate and efficient management procedures.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheet

(Unit: Thousand yen)

	FY12/13 (As of Dec. 31, 2013)	FY12/14 (As of Dec. 31, 2014)
Assets		
Current assets		
Cash and deposits	4,086,055	5,876,439
Trade notes and accounts receivable	1,117,207	1,373,758
Short-term investment securities	2,808,132	1,905,807
Work in process	70,877	107,324
Raw materials and supplies	3,798	4,141
Short-term loans receivable	50,000	-
Other current assets	221,934	285,387
Allowance for doubtful accounts	-92,976	-31,237
Total current assets	8,265,030	9,521,621
Noncurrent assets		
Property, plant, and equipment		
Buildings and structures, net	1,485,262	1,436,741
Land	4,878,640	4,886,148
Lease assets, net	20,469	31,632
Other property, plant, and equipment, net	42,215	43,372
Total property, plant, and equipment	*1 6,426,588	*1 6,397,895
Intangible assets		
Leasehold rights	322,400	322,400
Software	143,135	116,465
Other intangible assets	15,049	178,953
Total intangible assets	480,585	617,818
Investments and other assets		
Investment securities	2,080,497	3,048,111
Long-term loans receivable	18,000	-
Prepaid pension costs	694,813	-
Assets related to retirement benefits	-	454,586
Other investments and other assets	663,403	406,370
Allowance for doubtful accounts	-26,564	-9,243
Total investments and other assets	3,430,150	3,899,825
Total noncurrent assets	10,337,324	10,915,539
Total assets	18,602,354	20,437,161

(Unit: Thousand yen)

	FY12/13 (As of Dec. 31, 2013)		FY12/14 (As of Dec. 31, 2014)	
Liabilities				
Current liabilities				
Trade notes and accounts payable		1,995		239,428
Lease obligations		12,069		10,813
Income taxes payable		392,755		941,129
Short-term loans payable	*2	100,000	*2	100,000
Current portion of bonds		-		500,000
Other current liabilities		1,205,535		1,572,860
Total current liabilities		1,712,355		3,364,232
Noncurrent liabilities				
Bonds payable		600,000		100,000
Lease obligations		10,536		23,746
Deferred tax liabilities		299,500		197,537
Other noncurrent liabilities		67,187		97,849
Total noncurrent liabilities		977,223		419,134
Total liabilities		2,689,578		3,783,366
Net assets				
Shareholders' equity				
Capital stock		3,125,231		3,125,231
Capital surplus		2,960,428		2,946,634
Retained earnings		11,308,490		11,578,698
Treasury stock		-1,672,397		-1,070,362
Total shareholders' equity		15,721,751		16,580,202
Accumulated other comprehensive income				
Valuation difference on available-for-sale securities		125,174		99,650
Foreign currency translation adjustments		12,135		15,447
Accumulated adjustments for retirement benefits		-		-126,831
Total accumulated other comprehensive income		137,310		-11,732
Subscription rights for shares		53,713		85,325
Total net assets		15,912,775		16,653,794
Total liabilities and net assets		18,602,354		20,437,161

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statement of Income

(Unit: Thousand yen)

	FY12/13 (Jan. 1 – Dec. 31, 2013)		FY12/14 (Jan. 1 – Dec. 31, 2014)	
Operating revenue		10,065,273		12,485,057
Operating cost		6,434,974		8,144,068
Gross operating income		3,630,298		4,340,989
SG&A expenses	*1	1,004,773	*1	1,348,315
Operating income		2,625,524		2,992,674
Non-operating income				
Interest income		10,407		10,108
Dividend income		17,260		14,539
Gain on sales of investment securities		7,734		20,397
Insurance income		-		13,395
Insurance bonus income		16,058		20,519
Reversal of allowance for doubtful accounts		15,000		226
Other non-operating income		24,083		16,795
Total non-operating income		90,545		95,984
Non-operating expenses				
Interest expenses		8,767		11,525
Loss on valuation of investment securities		3,031		1,555
Bond issue expenses		2,009		-
Loss (gain) on exchange		2,698		1,258
Social contributions		4,576		5,770
Contributions		-		26,900
Other non-operating expenses		2,155		12,998
Total non-operating expenses		23,238		60,008
Ordinary income		2,692,831		3,028,649
Extraordinary income				
Gain on sale of noncurrent assets	*2	569	*2	27
Gain on sales of investment securities		140,208		6
Gain on reversal of subscription rights to shares		-		462
Total extraordinary income		140,778		495
Extraordinary losses				
Loss on sales of noncurrent assets		-	*3	13
Loss on retirement of noncurrent assets	*4	1,243	*4	273
Retirement benefits for directors		58,405		-
Company funeral expenses		-		47,263
Total extraordinary losses		59,648		47,551
Net income before income taxes and other adjustments		2,773,961		2,981,594
Current income taxes		763,358		1,264,298
Deferred income taxes		26,056		-49,481
Total income taxes		789,414		1,214,817
Income before minority interests		1,984,546		1,766,777
Net income		1,984,546		1,766,777

Consolidated Statement of Comprehensive Income

(Unit: Thousand yen)

	FY12/13 (Jan. 1 – Dec. 31, 2013)	FY12/14 (Jan. 1 – Dec. 31, 2014)
Income before minority interests	1,984,546	1,766,777
Other comprehensive income		
Valuation difference on available-for-sale securities	105,139	-25,523
Foreign currency translation adjustments	8,848	3,311
Total other comprehensive income	*1 *2 113,987	*1 *2 -22,211
Comprehensive income	2,098,534	1,744,565
(Details)		
Comprehensive income attributable to owners of the parent company	2,098,534	1,744,565

(3) Consolidated Statement of Changes in Net Assets

FY12/13 (Jan. 1 – Dec. 31, 2013) (Unit: Thousand yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at start of fiscal year	3,125,231	2,946,634	10,056,099	-1,710,049	14,417,916
Change					
Dividends from surplus			-732,156		-732,156
Net income			1,984,546		1,984,546
Acquisition of treasury stock				-298	-298
Disposal of treasury stock		13,793		37,949	51,743
Retirement of treasury stock		-	-	-	-
Net changes of items other than shareholders' equity					
Total changes of items during the fiscal year	-	13,793	1,252,390	37,651	1,303,834
Balance at end of current fiscal year	3,125,231	2,960,428	11,308,490	-1,672,397	15,721,751

	Accumulated other comprehensive income				Subscription rights for shares	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustments	Accumulated adjustments for retirement benefits	Total accumulated other comprehensive income		
Balance at start of fiscal year	20,035	3,287	-	23,322	15,599	14,456,838
Change						
Dividends from surplus						-732,156
Net income						1,984,546
Acquisition of treasury stock						-298
Disposal of treasury stock						51,743
Retirement of treasury stock						-
Net changes of items other than shareholders' equity	105,139	8,848	-	113,987	38,114	152,102
Total changes of items during the fiscal year	105,139	8,848	-	113,987	38,114	1,455,936
Balance at end of current fiscal year	125,174	12,135	-	137,310	53,713	15,912,775

FY12/14 (Jan. 1 – Dec. 31, 2014) (Unit: Thousand yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at start of fiscal year	3,125,231	2,960,428	11,308,490	-1,672,397	15,721,751
Change					
Dividends from surplus			-959,369		-959,369
Net income			1,766,777		1,766,777
Acquisition of treasury stock				-369	-369
Disposal of treasury stock		-2,502		53,914	51,411
Retirement of treasury stock		-11,290	-537,199	548,490	-
Net changes of items other than shareholders' equity					
Total changes of items during the fiscal year	-	-13,793	270,208	602,035	858,450
Balance at end of current fiscal year	3,125,231	2,946,634	11,578,698	-1,070,362	16,580,202

	Accumulated other comprehensive income				Subscription rights for shares	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustments	Accumulated adjustments for retirement benefits	Total accumulated other comprehensive income		
Balance at start of fiscal year	125,174	12,135	-	137,310	53,713	15,912,775
Change						
Dividends from surplus						-959,369
Net income						1,766,777
Acquisition of treasury stock						-369
Disposal of treasury stock						51,411
Retirement of treasury stock						-
Net changes of items other than shareholders' equity	-25,523	3,311	-126,831	-149,043	31,611	-117,431
Total changes of items during the fiscal year	-25,523	3,311	-126,831	-149,043	31,611	741,019
Balance at end of current fiscal year	99,650	15,447	-126,831	-11,732	85,325	16,653,794

(4) Consolidated Cash Flow Statement

(Unit: Thousand yen)

	FY12/13 (Jan. 1 – Dec. 31, 2013)	FY12/14 (Jan. 1 – Dec. 31, 2014)
Net cash provided by (used in) operations		
Net income before income taxes and other adjustments	2,773,961	2,981,594
Depreciation	211,200	206,665
Amortization of goodwill	-	12,178
Stock-based compensation expenses	39,860	39,642
Increase (decrease) in allowance for doubtful accounts	-116,775	-11,902
Increase (decrease) in provision for retirement benefits	-3,585	-
Decrease (increase) in prepaid pension costs	36,520	694,813
Decrease (increase) in assets related to retirement benefits	-	-650,122
Increase (decrease) in provision for bonuses	-135	-
Loss (gain) on valuation of investment securities	2,589	998
Loss (gain) on sales of investment securities	-146,692	-17,235
Loss (gain) on valuation of operational investment securities	12,276	-
Interest and dividend income	-27,668	-24,648
Interest expenses	8,767	11,525
Bond issue expenses	2,009	-
Loss (gain) on exchange	1,564	1,786
Contributions	-	26,900
Insurance income	-	-13,395
Loss (gain) on sales of property, plant, and equipment	-569	-14
Loss on retirement of property, plant, and equipment	523	273
Loss on retirement of intangible assets	720	-
Company funeral expenses	-	47,263
Retirement benefits for directors	58,405	-
Decrease (increase) in trade notes and accounts receivable	-79,100	-88,618
Decrease (increase) in other assets	131,873	-17,471
Increase (decrease) in other liabilities	84,436	396,872
Other non-operating income	3,774	4,242
Subtotal	2,993,956	3,601,349
Interest and dividends received	48,899	43,461
Interest paid	-8,900	-11,523
Income taxes paid	-904,395	-729,867
Contributions paid	-	-26,900
Proceeds from insurance income	-	60,159
Directors' retirement benefits paid	-154,275	-
Company funeral expenses paid	-	-47,263
Net cash provided by (used in) operations	1,975,284	2,889,414

(Unit: Thousand yen)

	FY12/13 (Jan. 1 – Dec. 31, 2013)	FY12/14 (Jan. 1 – Dec. 31, 2014)
Net cash provided by (used in) investments		
Payments into time deposits	-250,000	-
Income from time deposits	100,000	350,000
Purchase of short-term investment securities	-2,411,378	-2,305,202
Proceeds from sale of short-term investment securities	2,100,000	3,700,000
Purchase of investment securities	-1,468,127	-1,755,993
Proceeds from sale of investment securities	908,594	2,506
Purchase of property, plant, and equipment	-53,129	-79,219
Proceeds from sale of property, plant, and equipment	2,428	27
Purchase of intangible assets	-95,921	-127,403
Purchase of investments in subsidiaries	-	54,381
Payments of short-term loans receivable	-	-8,900
Income from collection of long-term loans receivable	31,500	-
Proceeds from cancellation of insurance funds	-	40,794
Payments for guarantee deposits	-	-9,648
Other non-operating income	-	-3,618
Net cash provided by (used in) investments	-1,136,034	-142,275
Net cash provided by (used in) financing		
Decrease in short-term loans payable	-	-138
Decrease in long-term loans payable	-100,000	-128,869
Income from issue of bonds	97,990	-
Repayments of lease obligations	-17,450	-15,388
Purchase of treasury stock	-298	-369
Proceeds from sale of treasury stock	49,997	43,380
Dividends paid	-729,217	-956,775
Net cash provided by (used in) financing	-698,979	-1,058,160
Effect of exchange rate changes on cash and cash equivalents	5,163	405
Increase (decrease) in cash and cash equivalents	145,435	1,689,384
Cash and cash equivalents at start of fiscal year	3,790,605	3,936,040
Increase in cash and cash equivalents resulting from merger	-	1,014
Cash and cash equivalents at end of fiscal year	*[1] 3,936,040	*[1] 5,626,439

(5) Notes on Consolidated Financial Statements

Notes on Going Concern Assumptions
None to report.

Important Matters Pertaining to the Preparation of Consolidated Financial Statements

1. Scope of consolidation
Number of consolidated subsidiaries: 5
- Funai Consulting, Inc.
- Funai Soken Corporate Relations, Inc.
- Funai Soken Logistics, Inc.
- Funai Soken IT Solutions, Inc.
- Funai Consulting Shanghai, Inc.

All subsidiaries are included in the scope of consolidation.

2. Application of the equity method
Number of equity-method affiliates: None

3. Business years of consolidated subsidiaries
The business years of consolidated subsidiaries end on the same closing date as that of the consolidated financial statements.

4. Accounting standards

(1) Valuation criteria and methods for major assets

1) Securities
- Held-to-maturity debt securities:
  Valued using the amortized cost method (straight-line method.)
- Other securities:
  - Securities with market quotations:
    Securities with market quotations are stated at market value on the fiscal year balance sheet date (Valuation difference is included in net assets. Cost of securities sold is determined by the moving-average method).
  - Securities without market quotations:
    Securities without market quotations are stated at cost, cost being determined by the moving-average method.

2) Derivatives
Derivatives are, in principle, stated at market value.

3) Inventories
Inventories are stated at cost, cost determined by the specific-identification method. (The carrying value on the balance sheet is written down to reflect the effect of lower profit margins).

(2) Depreciation of major depreciable assets

1) Property, plant, and equipment (excluding lease assets)
- Buildings (excluding fixtures)
  Acquisitions on or before March 31, 1998: By the old declining-balance method.
  Acquisitions on or after April 1, 1998 to March 31, 2007: By the old straight-line method.
  Acquisitions on or after April 1, 2007: By the straight-line method.
- Other than buildings (including fixtures)
  Acquisitions on or before March 31, 2007: By the old declining-balance method.
  Acquisitions on or after April 1, 2007: By the declining-balance method.

The useful life of principal assets is as follows:
Buildings and structures: 10-50 years
Tools, furniture and fixtures, net: 2-10 years

2) Intangible assets (excluding lease assets)
The depreciation of intangible assets is calculated using the straight-line method.
The development costs of software intended for internal use are amortized over an expected useful life of five years by the straight-line method.

3) Lease assets
Lease assets associated with finance lease transactions where there is no transfer of ownership:

Depreciation of lease assets is calculated using the straight-line method with no residual value, assuming the lease period to be the useful life of the asset.

(3) Recognition of major allowances

1) Allowance for doubtful accounts
To prepare against credit losses on accounts receivable, amounts equivalent to the estimated amount of uncollectible receivables is provided for general receivables based on the historical write-off ratio and bad receivables based on a case-by-case determination of collectability.

2) Provision for bonuses
To provide for employees' bonuses, an allowance is provided based on the amount estimated to have accrued.

(4) Accounting for retirement benefits

1) Method of assigning recognized accrued benefits to particular periods
In calculating retirement benefit obligations, accrued benefits are assigned to the period up to the current consolidated fiscal year in accordance with fixed-amount standards.

2) Actuarial gains or losses
Actuarial gains or losses are amortized from the following year in which the gain or loss is recognized primarily by the straight-line method over a period of seven years, which falls within the average remaining years of service of the employees.

(5) Method and period of goodwill amortization
Goodwill is amortized using the straight-line method over an appropriate period no longer than twenty years.

(6) Scope of cash and cash equivalents on consolidated cash flow statement
For the purpose of consolidated cash flow statement, cash and cash equivalents consists of vault cash, deposits that can be withdrawn on demand, and short-term investments, with original maturities of three months or less, that are readily convertible to known amounts of cash and present insignificant risk of change in value.

(7) Change in major accounting policies in the preparation of consolidated financial statements
Accounting for consumption taxes: Consumption taxes are accounted by the tax-exclusion method.

Changes in Accounting Policies

Application of Accounting Standards for Retirement Benefits
The Group has adopted the Accounting Standards for Retirement Benefits (standard no. 26 issued by the Accounting Standards Board of Japan on May 17, 2012) and the Guidance on Accounting Standard for Retirement Benefits (ASBJ application guidance no. 25; May 17, 2012) starting at the end of the current consolidated fiscal year (excluding the main provision of Clause 35 of such standard and the main provision of Clause 67 of such guidance). As such, the Group has changed the method by which it lists retirement benefits in accounts; retirement benefit assets or liabilities are to be added to accounts, showing the amount of retirement benefit obligations less pension assets, and actuarial gains and losses are listed under assets related to retirement benefits.

The group complies the transitional measures prescribed by under Clause 37 of the Accounting Standards for Retirement Benefits regarding its application, and has adjusted the amount of accumulated adjustments for retirement benefits under Accumulated other comprehensive income at the end of the current fiscal year to reflect the effects of that change.

Consequently, 454,586,000 yen in retirement benefit assets were listed in accounts as of the end of the fiscal year. Accordingly, accumulated other comprehensive income totaled 126,831,000 yen.

The effects of the change on per-share information are listed in the pertinent section.

Accounting Standards to Be Applied in Future
- Accounting Standards for Retirement Benefits (ASBJ standard no. 26; May 17, 2012)
- Guidance on Accounting Standard for Retirement Benefits (ASBJ application guidance no. 25; May 17, 2012)

1. Overview
These standards have been revised with a view to improving financial reporting and bringing Japan into line with international trends. Major changes are to methods of accounting for unrecognized actuarial gains and losses and unrecognized prior service costs, and methods of calculating retirement benefit liabilities and service costs, as well as expanding disclosure.

2. **Scheduled start of application**
The revised methods of calculating retirement benefit liabilities and service costs will come into effect on the first day of the year ended December 2015.

3. **Effects of the new accounting standards**
We are currently evaluating the effects of applying the new accounting standards.

Reclassifications

Footnotes to Consolidated Statement of Income

Gain on sales of investment securities, which was listed under other non-operating income, is listed as a separate line this year because the amount thereof exceeded 10% of total non-operating income. The previous fiscal year's consolidated financial statements have been revised to reflect this reclassification.

Consequently, the 7,734,000 yen listed under other non-operating income in the FY2013 consolidated statement of income has been given its own line, "gain on sales of investment securities," which totals 7,734,000 yen.

Footnotes to Consolidated Balance Sheet

1. **Accumulated depreciation on property, plant, and equipment**

	FY12/13 (As of Dec. 31, 2013)	FY12/14 (As of Dec. 31, 2014)
Accumulated depreciation on property, plant, and equipment	1,851,975,000 yen	1,960,071,000 yen

2. **Credit lines and unused portions thereof**
Funai Soken Holdings has commitment line agreements with major financial institutions in order to facilitate the efficient raising of funds. The unused portion of those current account overdraft facilities are as follows.

	FY12/13 (As of Dec. 31, 2013)	FY12/14 (As of Dec. 31, 2014)
Current account overdraft and commitment line	150,000,000 yen	150,000,000 yen
Credit used	100,000,000 yen	100,000,000 yen
Credit available	50,000,000 yen	50,000,000 yen

Footnotes to Consolidated Statement of Income

1. **Major SG&A expenses**

	FY12/13 (Jan. 1 – Dec. 31, 2013)	FY12/14 (Jan. 1 – Dec. 31, 2014)
Directors' salaries and bonuses	231,786,000 yen	277,354,000 yen
Employees' salaries	365,442,000 yen	534,265,000 yen
Retirement benefit expenses	16,227,000 yen	20,534,000 yen

2. **Major gains on sale of noncurrent assets**

	FY12/13 (Jan. 1 – Dec. 31, 2013)	FY12/14 (Jan. 1 – Dec. 31, 2014)
Property, plant, and equipment, others	569,000 yen	27,000 yen

3. **Major losses on sale of noncurrent assets**

	FY12/13 (Jan. 1 – Dec. 31, 2013)	FY12/14 (Jan. 1 – Dec. 31, 2014)
Property, plant, and equipment, others	-	13,000 yen

4. **Major losses on retirement of noncurrent assets**

	FY12/13 (Jan. 1 – Dec. 31, 2013)	FY12/14 (Jan. 1 – Dec. 31, 2014)
Property, plant, and equipment, others	523,000 yen	273,000 yen
Intangible assets	720,000 yen	-
Total	1,243,000 yen	273,000 yen

Footnotes to Consolidated Statement of Comprehensive Income

FY12/13 (Jan. 1 – Dec. 31, 2013)

1. Notes regarding reclassification adjustments relating to other comprehensive income

Valuation difference on available-for-sale securities		
Valuation difference on available-for-sale securities in FY2014	306,106,000 yen	
Adjustments for revisions	-144,933,000 yen	161,172,000 yen
Foreign currency translation adjustments		
Foreign currency translation adjustments in FY2014		8,848,000 yen
Before tax		170,021,000 yen
Taxes		-56,033,000 yen
Total other comprehensive income		113,987,000 yen

2. Notes regarding tax effects relating to other comprehensive income

	Before tax	Taxes	After tax
Valuation difference on available-for-sale securities	161,172,000 yen	-56,033,000 yen	105,139,000 yen
Foreign currency translation adjustments	8,848,000 yen	-	8,848,000 yen
Total other comprehensive income	170,021,000 yen	-56,033,000 yen	113,987,000 yen

FY12/14 (Jan. 1 – Dec. 31, 2014)

1. Notes regarding reclassification adjustments relating to other comprehensive income

Valuation difference on available-for-sale securities		
Foreign currency translation adjustments in FY2012	-15,393,000 yen	
Adjustments for revisions	-23,897,000 yen	-39,291,000 yen
Foreign currency translation adjustments		
Foreign currency translation adjustments in FY2012		3,311,000 yen
Other comprehensive income before tax		-35,979,000 yen
Taxes		13,767,000 yen
Total other comprehensive income		-22,211,000 yen

2. Notes regarding tax effects relating to other comprehensive income

	Before tax	Taxes	After tax
Valuation difference on available-for-sale securities	-39,291,000 yen	13,767,000 yen	-25,523,000 yen
Foreign currency translation adjustments	3,311,000 yen	-	3,311,000 yen
Total other comprehensive income	-35,979,000 yen	13,767,000 yen	-22,211,000 yen

Footnotes to Consolidated Statement of Changes in Net Assets

FY12/13 (Jan. 1 – Dec. 31, 2013)

1. Outstanding shares

Type of share	Number of shares at start of fiscal year	Increase	Decrease	Number of shares at end of fiscal year
Common stock	31,251,477	-	-	31,251,477

2. Treasury stock

Type of share	Number of shares at start of fiscal year	Increase	Decrease	Number of shares at end of fiscal year
Common stock	3,118,175	391	69,200	3,049,366

Changes

Increases:

- Increase due to acquisition of odd-lot shares: 391

Decreases:

- Decrease due to third-party allocation in accordance with board resolution: 63,200
- Decrease due to exercising of stock options: 6,000

3. Subscription rights for shares

Company	Details	Class of shares	Number of shares				Balance at end of fiscal year
			Number of shares at start of fiscal year	Increase	Decrease	Number of shares at end of fiscal year	
Submitting company	Subscription rights offered as stock options	-					53,713,000 yen

4. Dividends

(1) Dividend payments

Resolution date	Type of share	Total amount of dividend	Dividend per share	Record date	Effective date
General meeting of shareholders Mar. 23, 2013	Common stock	450,132,000 yen	16 yen	Dec. 31, 2012	March 25, 2013
Board meeting on Jul. 29, 2013	Common stock	282,023,000 yen	10 yen	Jun. 30, 2013	Aug. 27, 2013

(2) Dividends with a record date in the current fiscal year but an effective date in the following fiscal year

Resolution date	Type of share	Source of funds	Total amount of dividend	Dividend per share	Record date	Effective date
General meeting of shareholders on Mar. 29, 2014	Common stock	Retained earnings	535,840,000 yen	19 yen	Dec. 31, 2013	Mar. 31, 2014

FY12/14 (Jan. 1 – Dec. 31, 2014)

1. Outstanding shares

Type of share	Number of shares at start of fiscal year	Increase	Decrease	Number of shares at end of fiscal year
Common stock	31,251,477	-	1,000,000	30,251,477

2. Treasury stock

Type of share	Number of shares at start of fiscal year	Increase	Decrease	Number of shares at end of fiscal year
Common stock	3,049,366	400	1,098,301	1,951,465

Changes

Increases:
- Increase due to acquisition of odd-lot shares: 400

Decreases:
- Decrease due to retirement of treasury stock: 1,000,000
- Decrease due to exercising of stock options: 98,300
- Decrease due to top-up purchases 1

3. Subscription rights for shares

Company	Details	Class of shares	Number of shares				Balance at end of fiscal year
			Number of shares at start of fiscal year	Increase	Decrease	Number of shares at end of fiscal year	
Submitting company	Subscription rights offered as stock options	-					85,325,000 yen

4. Dividends

(1) Dividend payments

Resolution date	Type of share	Total amount of dividend	Dividend per share	Record date	Effective date
General meeting of shareholders on Mar. 29, 2014	Common stock	535,840,000 yen	19 yen	Dec. 31, 2013	Mar. 31, 2014
Board meeting on Jul. 30, 2014	Common stock	423,528,000 yen	15 yen	Jun. 30, 2014	Aug. 26, 2014

(2) Dividends with a record date in the current fiscal year but an effective date in the following fiscal year

Resolution date	Type of share	Source of funds	Total amount of dividend	Dividend per share	Record date	Effective date
General meeting of shareholders on Mar. 28, 2015	Common stock	Retained earnings	481,100,000 yen	17 yen	Dec. 31, 2014	Mar. 30, 2015

Footnotes to Consolidated Cash Flow Statement

1. Balance of cash and cash equivalents and pertinent listings in the consolidated balance sheet

	FY12/13 (Jan. 1 – Dec. 31, 2013)	FY12/14 (Jan. 1 – Dec. 31, 2014)
Cash and deposits	4,086,055,000 yen	5,876,439,000 yen
Short-term investment securities	2,808,132,000 yen	1,905,807,000 yen
Time deposits with original maturities of longer than three months	-350,000,000 yen	-250,000,000 yen
Debt securities with original maturities of longer than three months	-2,608,147,000 yen	-1,905,807,000 yen
Cash and cash equivalents	3,936,040,000 yen	5,626,439,000 yen

Segment Information

1. Overview of Segments Included in Reports

The segments for which reports are compiled are those components of the group for which financial information can be obtained separate from other component units. Segments are reviewed periodically by the board of directors in order to make more informed decisions on how business resources can best be allocated, and in order to evaluate performance.

We employ two main segments in for these reports. They are, in keeping with the categories of work performed by the companies within the group, consulting and logistics. Their activities can be defined as follows:

Consulting: Consulting services such as guidance, research, and diagnosis pertaining to company management; members-only workshops and seminars.

Logistics: Logistics services cover two main areas: consulting, designed to help clients reduce their logistics costs; and operations, in which we design, build, and operate clients' logistics frameworks.

2. Calculation of net sales, income/losses, assets and other accounts for each segment

Accounting methods for the reported segments are largely the same as those listed in the Major Accounting Policies in the Preparation of Consolidated Financial Statements.

Segment-specific income or losses are calculated based on operating income figures. Inter-segment sales and transfers are calculated based on current market prices.

3. Changes in Report Segments

Starting in the first quarter, the venture capital reporting segment has been discontinued and a new segment, logistics, has been added. This is due to the liquidation of the Group's venture capital concern, Funai Capital Co., Ltd., on September 27, 2013, and the acquisition of Funai Soken Logistics, Inc., as a Group subsidiary on January 1, 2014. Consequently, reports are now provided for two segments, consulting and logistics, as of the first quarter of the fiscal year.

Meanwhile, starting in the third quarter, expenses incurred in the course of group operations, which were previously included in the consulting segment report, are now listed as "whole-group" expenses as part of the adjustment of segment income or losses in segments not subject to reporting. Outsourcing and consulting fees received from other group companies are listed as "whole-group" expenses as part of the adjustment of segment income or losses, and rent on real estate are listed under "others." These are due to the group's switch to a holding company set-up.

Consequently, operating income in the consulting segment was 526,802,000 yen less than what would have been reported under the old method, while others and adjustments increased 63,484,000 yen and 463,317,000 yen, respectively.

Information reported in last year's segment reports have been recompiled using the new segments for reference purposes.

4. Other information about net sales, income/losses, assets and other accounts for each segment

FY12/13 (Jan. 1 – Dec. 31, 2013) (Unit: Thousand yen)

	Consulting	Venture capital(1)	Others(2)	Total	Adjustment(3)	Amount listed in consolidated financial statements(4)
Net sales						
Sales to external customers	9,858,409	8,267	198,595	10,065,273	-	10,065,273
Inter-segment sales and transfers	140	-	16,808	16,948	-16,948	-
Total	9,858,549	8,267	215,404	10,082,221	-16,948	10,065,273
Segment income (loss)	3,466,364	-34,162	35,570	3,467,771	-842,247	2,625,524
Segment assets	8,115,064	-	597,849	8,712,913	9,899,440	18,602,354
Others						
Depreciation	188,778	2	5,712	194,493	16,707	211,200
Amortization of goodwill	-	-	-	-	-	-
Change in property, plant, equipment, and intangible assets	82,248	-	31	82,280	1,269	83,550

Notes:
1. The group withdrew from the venture capital business by liquidating its venture capital arm, Funai Capital, on September 27, 2013.
2. The “others” category includes income from real estate leasing and IT-related businesses.
3. Details of adjustments are as follows.
   (1) Adjustments of segment income (losses) include elimination of inter-segment transactions and expenses incurred throughout the Group that are not attributable to any segment. Whole-group expenses are mainly comprised of expenses incurred by the administrative departments of companies not covered by the reporting segments.
   (2) Adjustments of segment assets include elimination of inter-segment transactions and assets held throughout the Group that are not attributable to any segment. Whole-group assets are mainly comprised of assets held by the administrative departments of companies not covered by the reporting segments.
   (3) Adjustment of change in property, plant, equipment, and intangible assets refers to the elimination of inter-segment transactions.
4. Income/losses are adjusted against operating income in consolidated financial statements.

FY12/14 (Jan. 1 – Dec. 31, 2014) (Unit: Thousand yen)

	Consulting	Logistics	Others[1]	Total	Adjustment[2]	Amount listed in consolidated financial statements[3]
Net sales						
Sales to external customers	10,862,233	1,418,279	204,544	12,485,057	-	12,485,057
Inter-segment sales and transfers	34,574	128,000	281,559	444,134	-444,134	-
Total	10,896,808	1,546,280	486,103	12,929,192	-444,134	12,485,057
Segment income (loss)	3,430,403	33,609	94,002	3,558,016	-565,342	2,992,674
Segment assets	8,940,944	436,964	2,122,966	11,500,875	8,936,286	20,437,161
Others						
Depreciation	157,208	1,698	32,259	191,166	15,498	206,665
Amortization of goodwill	-	9,996	2,182	12,178	-	12,178
Change in property, plant, equipment, and intangible assets	196,093	51,803	79,205	232,798	5,282	332,384

Notes:
1. The "others" category includes income from real estate leasing and IT-related businesses.
2. Details of adjustments are as follows.
   (1) Adjustments of segment income (losses) include elimination of inter-segment transactions, as well as income earned and expenses incurred throughout the Group that are not attributable to any segment. Whole-group income is comprised of outsourcing and consulting fees from group companies, and whole-group expenses are comprised of those incurred in group operations.
   (2) Adjustments of segment assets include elimination of inter-segment transactions and assets held throughout the Group that are not attributable to any segment. Whole-group assets are comprised of assets relating to the operation of the group.
   (3) Change in property, plant, equipment, and intangible assets includes elimination of inter-segment transactions and assets held throughout the Group that are not attributable to any segment.
3. Income/losses are adjusted against operating income in consolidated financial statements.

Per-share Information

	FY12/13 (Jan. 1 – Dec. 31, 2013)	FY12/14 (Jan. 1 – Dec. 31, 2014)
Net assets per share	562.34 yen	585.46 yen
Net income per share (basic)	70.44 yen	62.58 yen
Net income per share (diluted)	69.99 yen	61.92 yen

Notes

1. Basis for calculation of basic and diluted net income per share is as follows.

	FY12/13 (Jan. 1 – Dec. 31, 2013)	FY12/14 (Jan. 1 – Dec. 31, 2014)
Net income per share (basic)		
Net income	1,984,546	1,766,777
Amount not attributable to common shareholders	-	-
Net income attributable to common shareholders	1,984,546	1,766,777
Average number of common shares outstanding during the fiscal year	28,175,180	28,231,198
Net income per share (diluted)		
Amount to be adjusted in considering dilutive effect	-	-
Increase in common shares	180,011	301,044
(Portion of increase made up of subscription rights)	(180,011)	(301,044)
Summary of non-dilutive stock equivalents not used in calculation of net income per share (diluted)	-	

2. Basis for calculation of net assets per share is as follows.

	FY12/13 (As of Dec. 31, 2013)	FY12/14 (As of Dec. 31, 2014)
Total net assets on consolidated balance sheets	15,912,775	16,653,794
Deductions from total net assets	53,713	85,325
(Portion of deductions made up of subscription rights)	(53,713)	(85,325)
Net assets attributable to common shareholders	15,859,061,000 yen	16,568,469,000 yen
Number of common stock used in calculation of net assets per share	28,202,111	28,300,012

3. As noted in the section on changes in accounting policies, the Group has adopted the Accounting Standards for Retirement Benefits and is complying with the transitional measures prescribed by under Clause 37 thereof. Consequently, net assets per share decreased 4.48 yen as a result of this change as of the end of the current fiscal year.

Omissions

Matters other than those listed above are deemed to be immaterial, and accordingly, are not included here.

5. Other Information

(1) Orders and Sales

1) Orders

Orders won by each operating segment in the current fiscal year are as follows.

(Unit: Thousand yen)

Segment	FY12/13 (Jan. 1 – Dec. 31, 2013)		FY12/14 (Jan. 1 – Dec. 31, 2014)	
	Orders received	Orders outstanding	Orders received	Orders outstanding
Consulting	8,938,735	4,167,717	9,632,127	4,615,090
Logistics	-	-	83,650	16,333
Others	100,205	10,300	137,906	17,379

Notes:
1. Consulting orders above include only consulting income; membership fees and seminar fees are excluded as they are ongoing income.
2. Logistics income includes only that earned from logistics consulting activities.
3. Other income includes only that earned from IT consulting activities.
4. The above amounts are based on sale prices.
5. The above amounts do not include consumption tax.

2) Sales

Sales made by each operating segment in the current fiscal year are as follows.

(Unit: Thousand yen)

Segment	FY12/13 (Jan. 1 – Dec. 31, 2013)		FY12/14 (Jan. 1 – Dec. 31, 2014)	
	Amount	% of total	Amount	% of total
Consulting	9,858,409	97.9%	10,862,233	87.0%
Logistics	-	-	1,418,279	11.4%
Venture capital	8,267	0.1%	-	-
Others	198,595	2.0%	204,544	1.6%
Total	10,065,273	100.0%	12,485,057	100.0%

Notes:
1. Sales amounts indicate sales to external customers.
2. The above amounts do not include consumption tax.
3. No single customer accounted for 10% or more of aggregate net sales.

(2) Changes in Directors and Officers

(Scheduled to take effect on March 28, 2015)

1) Legal representatives

None to report.

2) Other directors and officers

Scheduled to resign their posts

- Takayuki Nakatani, director and executive officer
- Shinichiro Karatsuchi, director and executive officer

List of directors, auditors, and executive officers

Funai Soken Holdings, Inc. (scheduled to take effect on March 28, 2015)

Name	Title	Position
Sakae Takashima	President	Funai Consulting Group CEO
Kiyoshi Ohno	Director and executive vice president	Head of Corporate Communication Office
Takeshi Isozumi	Director and senior vice president	Head of Business Development Divisional Headquarters
Tatsuro Ono	Director and senior vice president	Head of Human Resources Development Divisional Headquarters
Takahisa Okumura	Director and executive officer	Head of Management Administration Divisional Headquarters & head of Internal Control Office
Taro Sumitani	Independent director	
Masahiro Hyakumura	Standing auditor	
Atsushi Nakao	Independent auditor	
Akihiro Kobayashi	Independent auditor	
Akira Hamaguchi	Executive officer	Head of General Affairs Department
Noriaki Ishiguro	Executive officer	Head of Strategic Planning Office

Funai Consulting, Inc. (scheduled for March 27, 2015)

Name	Title	Position
Sakae Takashima	President & CEO	
Takayuki Nakatani	Director and senior vice president	Head of Consulting Operations Divisional Headquarters
Shinichiro Karatsuchi	Director and senior vice president	Head of Consulting Divisional Headquarters
Masahiro Hyakumura	Auditor	
Takahisa Okumura	Auditor	
Masaru Sumitomo	Executive officer	Deputy head of Consulting Divisional Headquarters
Yoshihito Sugahara	Executive officer	Head of Corporate Strategy Department
Akira Hamaguchi	Executive officer	Head of Administration Department
Isao Kikuchi	Executive officer	Head of Management Consulting Department V
Satoshi Oka	Executive officer	Deputy head of Corporate Strategy Department