Non-Audited

Financial Results for the Fiscal Year Ended December 31, 2015
(January 1, 2015 – December 31, 2015)

February 8, 2016

Company name:	Funai Soken Holdings, Inc.	Stock Exchange listing: Tokyo Stock Exchange
Stock code:	9757	URL: http://hd.funaisoken.co.jp
President & Group CEO:	Sakae Takashima	
Contact:	Takahisa Okumura, director and executive officer, head of Management Administration Divisional Headquarters Telephone: +81-(0) 6-6232-0130	

General meeting of shareholders: March 26, 2016
Scheduled date of payment of dividend: March 28, 2016
Scheduled date of filing Annual Securities Report: March 28, 2016
Supplementary materials compiled to explain financial statements? Yes / No
Meeting to be held for institutional investors and analysts to explain financial results? 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, 2015 – June 31, 2015)

(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, 2015	14,717	17.9	3,497	16.9	3,691	21.9	2,426	37.3
Year ended Dec. 31, 2014	12,485	24.0	2,992	14.0	3,028	12.5	1,766	-11.0

NB: Comprehensive income was 2,512 million yen (up 44.0%) in the year ended December 31, 2015, and 1,744 million yen (down 16.9%) in the year ended December 31, 2014.

	Net income per share	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, 2015	71.75	70.81	14.0	17.3	23.8
Year ended Dec. 31, 2014	52.15	51.60	10.9	15.5	24.0

NB: Equity in earnings of affiliates (Million yen) Dec. 31, 2015: - Dec. 31, 2014: -
NB: Common shares in Funai Soken Holdings were split at a ratio of 1:1.2 on January 1, 2016. For the purposes hereof, net income per share and net income per share (diluted) for FY2014 are shown based on post-split assumptions.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
Year ended Dec. 31, 2015	22,260	18,217	81.3	534.08
Year ended Dec. 31, 2014	20,437	16,653	81.1	487.88

NB: Shareholders' equity: 18,107 million yen in the year ended December 31, 2015, and 16,568 million yen in the year ended December 31, 2014.
NB: Common shares in Funai Soken Holdings were split at a ratio of 1:1.2 on January 1, 2016. For the purposes hereof, net assets per share for FY2014 are shown based on post-split assumptions.

(3) Consolidated cash flow position

	Net cash provided by (used in) operations	Net cash provided by (used in) investments	Net 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, 2015	2,008	671	-1,181	7,125
Year ended Dec. 31, 2014	2,889	-142	-1,058	5,626

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, 2014	-	15.00	-	17.00	32.00	904	51.1	5.6
Year ended Dec. 31, 2015	-	15.00	-	21.00	36.00	1,015	41.8	5.9
Forecast for year ending Dec. 31, 2016	-	15.00	-	21.00	36.00		48.8	

NB: Common shares in Funai Soken Holdings were split at a ratio of 1:1.2 on January 1, 2016. The annual dividends for FY2014 and FY2015 shown herein are pre-split figures. When the share split is taken into account, annual dividend per share was 26.66 in 2014 and 30.00 in 2015.

3. Forecast Consolidated Financial Results for the Year (January 1, 2016 – December 31, 2016)

(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 attributable to owners of the parent company		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	8,000	16.1	2,200	16.4	2,200	10.3	1,400	9.0	41.29
Full year	16,300	10.8	3,900	11.5	3,900	5.7	2,500	3.0	73.74

NB: Common shares in Funai Soken Holdings were split at a ratio of 1:1.2 on January 1, 2016. For the purposes hereof, forecast consolidated net income per share is calculated based on the post-split number of outstanding shares (excluding treasury stock).

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.

(3) Number of outstanding shares (common stock)

1) Number of shares outstanding at end of year (including treasury stock)	FY2015	36,000,572	FY014	36,301,772
2) Number of treasury shares at end of year	FY2015	2,097,277	FY014	2,341,758
3) Average number of shares during year	FY2015	33,819,462	FY014	33,877,438

NB: Common shares in Funai Soken Holdings were split at a ratio of 1:1.2 on January 1, 2016. For the purposes hereof, the number of outstanding common shares in FY2014 is shown based on post-split assumptions.

Statement Regarding Auditing Procedures

These financial results are exempt from auditing under the Financial Instruments and Exchange Act. The company'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

(Million yen)

	FY2014	FY2015	Change	Rate of change (%)
Net sales	12,485	14,717	2,232	17.9
Operating income	2,992	3,497	504	16.9
Ordinary income	3,028	3,691	662	21.9
Net income	1,766	2,426	659	37.3

In 2015, the Japanese economy showed signs of a gentle recovery, such as improved corporate earnings, on the back of the government's policies aimed at economic revitalization. On the other hand, downward movement in the Chinese and other overseas economies mean Japan is not out of the woods yet. Against this backdrop, steady sales in our core consulting and logistics businesses contributed to robust performance overall throughout the Funai Soken Consulting Group, and resulted in our highest ever consolidated sales and income.

Steady increases in sales, spurred by our core consulting business where renewals for monthly support plans increased and membership of industry-specific and solution-specific management workshops grew, contributed to a rise in income. Similarly, we actively sought to promote sales in our logistics business and resulted in sales growth. Consequently, sales increased 17.9% year-on-year to 14,717 million yen for the year.

Despite increased cost of sales (9,625 million yen) and SG&A expenses (1,595 million), the aforementioned increase in sales pushed operating income 16.9% over the preceding year to 3,497 million yen.

With 141 million yen in refunded consumption taxes and 194 million yen in non-operating income, ordinary income increased 21.9% year-on-year to 3,691 million.

The end of the year for the Special Corporation Tax for Reconstruction and tax allowances for impairment losses in the preceding year on the sale of rental property meant income taxes totaled 1,190 million yen, and consequently, net income increased 37.3% year-on-year to 2,426 million yen.

Segment-specific Performance

Consolidated performance for each business segment is outlined below.

I Consulting

Consulting performance was much stronger than the preceding year, and resulted in record net sales.

In particular, sales of consulting services for the housing and real estate industries, one of our core consulting segments, continued to rise steadily. Consulting for the healthcare and nursing care industry, a segment with high growth potential in which we have made a concerted push to improve performance since last year, displayed high growth in sales and contributed to the overall increase in sales. All other consulting departments also enjoyed strong sales.

By service category, monthly-support-based consulting solutions, which account for at least 70 percent of overall consulting sales, continued their trend of double-figure sales growth over the preceding year. Membership income from our industry-specific and solution-specific workshops (of which we are the largest provider in Japan), were up. A large jump in the number of companies joining our management workshops—especially those for clients in the housing and real estate, certified professional services, and food service industries—created a stable client base and launch pad for growth, and helped boost our earning power.

In addition, the Communication Center contributed to a considerable increase in sales through aggressive efforts to boost orders by gathering and leveraging front-line feedback and information about customer needs.

Consequently, sales rose 15.9% year-on-year to 12,593 million yen, and operating income fell 2.8% year-on-year to 3,335 million yen. This apparent "drop" in operating income is deceptive: it was caused mainly by the switch to a holding-company structure on July 1, 2014, which meant that contracting fees, consulting fees, and rents must now be listed in accounts as being "paid" to Funai Soken Holdings. Thus, the 593 million yen decrease in operating income in that segment is, in fact, simply a reflection of a change in accounting methods at the time of organizational reform; in fact, however, income has increased by a healthy margin.

II Logistics

In the logistics business, we successfully maintained a 100 percent renewal rate of existing contracts in core operations, and a lively promotional campaign among clients helped push orders above planned levels. This achievement is the result of hard work to resolve one of our long-standing challenges: a lack of talented staff. Meeting staffing targets ensured we were able to start on a diverse variety of projects this year.

Consequently, sales rose 17.3% year-on-year to 1,664 million yen, and operating income increased 134.6% year-on-year to 78 million yen.

III Other Businesses

In other areas, outsourcing services for the IT industry received a boost with an increase in staff numbers over the preceding year, which led to growth in sales. We did not reach our sales targets, however, in the IT consulting segment. Meanwhile, Proseed Corporation, a provider of call center consulting services, was made a consolidated Funai Soken Consulting Group subsidiary in the first quarter this year. Proseed was incorporated into consolidated figures starting in Q2, and as a result, other business sales rose 124.8% year-on-year to 459 million yen, and operating income rose 65.8% to 155 million yen on the back of rents received from group companies.

Outlook for FY2016

There is no way of knowing the effects on the Japanese domestic economy of external factors such as the slowdown of the Chinese and other foreign economies, or those of oil-producing nations caused by the sharp drop in crude oil prices. Suffice it to say that there is no room for complacency.

Meanwhile, we at the Funai Soken Consulting Group have bolstered our existing core operations—i.e., consulting for the housing and real estate, leisure and amusement, and healthcare and certified professional services industries—with a new pillar: consulting for the high-growth healthcare and nursing care industry is the fourth of our main consulting categories. We are, therefore, redoubling our efforts in these segments, providing industry-specific solutions in an effort to improve performance and further expand our business.

In addition to our longstanding industry-specific management consulting, we are seeking to bolster our ability to help corporate clients improve their businesses by offering tailored services through two new consulting departments: the Human Resources Development Consulting Department and the Online Marketing Department. These new units will enable us to assist clients with recruiting and training, as well as online marketing.

Combined with the M&A Consulting Department established in July 2015 to help clients overcome challenges relating to mergers and ownership succession, these new departments, which are focused on specific solution categories, will complement our existing consulting departments, which are focused on specific industries. In this way, we endeavor to provide clients a broader range of higher quality consulting services.

Meanwhile, we are also working to boost teamwork between our consulting units and their logistics, IT, and call center counterparts, Funai Soken Logistics, Funai Soken IT Solutions, and Proseed respectively, in order to bring added depth and breadth to consulting services.

In sum, based on the aforementioned policies, we forecast consolidated net sales of 16,300 million yen, operating income of 3,900 million yen, ordinary income of 3,900 million yen, and net income of 2,500 million yen in FY2016.

(2) Analysis of Financial Position

1) Assets, liabilities and net assets

Assets

Total assets increased 1,822 million yen year-on-year to 22,260 million yen at the end of FY2015. Current assets increased 1,691 million yen year-on-year to 11,213 million yen. This was mainly due to increases in cash, deposits, trade notes, and accounts receivable, and a decrease in securities. Noncurrent assets increased 131 million yen year-on-year to 11,046 million yen. This was mainly due to an increase in software and goodwill, and a decrease in land.

Liabilities

Total liabilities increased 259 million year-on-year to 4,042 million yen at the end of FY2015. Current liabilities decreased 118 million yen year-on-year to 3,246 million yen. This was mainly due to a decrease in the current portion of bonds and an increase in income taxes payable. Noncurrent liabilities increased 377 million yen year-on-year to 796 million yen. This was mainly due to an increase in bonds.

Net assets

Total net assets increased 1,563 million year-on-year to 18,217 million yen at the end of FY2015. This was mainly due to an increase in retained earnings.

As a result, the shareholders' equity ratio increased 0.2% to 81.3% at the end of FY2015.

2) Cash flow

Cash and cash equivalents increased 1,499 million year-on-year to 7,125 million yen at the end of FY2015. Trends in cash flow by activity are described below.

Net cash provided by operations

Net cash provided by operations totaled 2,008 million yen compared to 2,889 million yen in the previous fiscal year. This was mainly due to an income before income taxes of 3,616 million yen; depreciation costs of 175 million yen, a 298 million yen increase in trade notes and accounts receivable, and 1,568 million yen in income taxes paid.

Net cash provided by investments

Net cash provided by investments totaled 671 million yen compared to 142 million yen used in investments in the previous fiscal year. This was mainly due to 250 million yen in proceeds from withdrawal of time deposits; the purchase and sale of securities and investment securities, which resulted in a net gain of 516 million yen; and the sale and purchase of property, plant, equipment, intangible assets, which resulted in a net expenditure of 7 million yen.

Net cash provided by financing

Net cash used in financing increased totaled 1,181 million yen compared to 1,058 million yen in the previous fiscal year. This was mainly due to 153 million yen spent on sale and purchase of treasury stock and 901 million yen distributed as dividends.

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

	FY12/11	FY12/12	FY12/13	FY12/14	FY12/15
Equity ratio	83.1	83.2	85.3	81.1	81.3
Shareholders' equity ratio based on a market price	92.0%	86.9%	127.5%	137.0%	263.2%
Interest-bearing debt to cash flow ratio	0.3 years	0.4 years	0.4 years	0.2 years	0.3 years
Interest coverage ratio (x)	175.1	170.1	221.9	250.7	326.3

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 company's financial condition to facilitate flexible capital policies. Based on that policy, we plan to pay 21 yen per share as a year-end dividend for FY2015 (scheduled date of payment: March 28, 2016). When the interim dividend of 15 yen per share is taken into account, the annual dividend for FY2016 will be 36 yen per share.

In FY2016, we plan to pay an interim dividend of 15 yen per share and a year-end dividend of 21 yen per share, making a total annual dividend of 36 yen per share. Note that common shares in Funai Soken Holdings were split at a ratio of 1:1.2 on January 1, 2016; when the share split is taken into account, annual dividend per share was 30.00 in FY2015.

2. The Funai Soken Consulting Group

The group is comprised of Funai Soken Holdings and six subsidiaries. Our core business is management consulting, and we also offer logistics and other services relating to those operations. We acquired a 100-percent stake in Proseed Corporation, a provider of contact center consulting services, in the first quarter and thus Proseed became a subsidiary of the Funai Soken Consulting Group. 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, Funai Soken IT Solutions provides services related to the IT sector, and Proseed Corporation offers contact center consulting services.

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

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 underscore our dedication to enhancing our operational capacity, we have a group-wide philosophy and vision.

I. Group Philosophy

We help to build a better future for people, businesses, and society

We at the Funai Soken 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. Two of those three years have passed now, and performance in FY2015 for outstripped the targets initially planned. In light of that performance and predictions of ongoing solid performance in 2016, we have revised our targets for the final year of the plan as described below. Unchanged, however, is our determination to give a complete effort to achieve the targets we set ourselves.

In FY2016, our new consulting organization structure, which combines units focused on solution categories and those focused on specific industries, will give us a solid base from which to seek ever higher corporate value as Japan's premier provider of comprehensive business consulting services.

◎FY2014-2016 Mid-range Business Plan

		Initial plan (Million yen)	Actual or revised (Million yen)	Change (Million yen)	Rate of change (%)
FY2014	Net sales	12,000	12,485	+485	+4.0
	Operating income	2,850	2,992	+142	+5.0
FY2015	Net sales	13,500	14,717	+1,217	+9.0
	Operating income	3,100	3,497	+397	+12.8
FY2016	Net sales	15,000	16,300	+1,300	+8.7
	Operating income	3,400	3,900	+500	+14.7

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 new focuses: human resource development consulting, in which we offer an extensive menu of workforce training services tailored for specific industries; and web marketing consulting, in which we help SMEs with their online strategies.

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. Our focus is on selecting merger partners carefully to ensure strong synergies with the existing members of the Funai Soken Consulting Group.

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 and acquisitions can proceed smoothly and companies can get on with their task of pursuing growth. 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.

VI. Philanthropic activity

To date, the Funai Soken Consulting Group has striven to make a genuine contribution to the community through and in addition to our consulting services. These efforts are now augmented by the Funai Foundation, which we established in January 2014 as a vehicle for pursuing philanthropic activities so as to cement our position as one of the truly great companies of the corporate community.

(4) Challenges

While the Japanese economy is showing signs of a gentle recovery, such as improved corporate earnings, on the back of the government's policies aimed at economic revitalization, downward movement in the Chinese and other overseas economies mean Japan is not out of the woods yet. Companies need to make more efficient use of their resources to survive the current circumstances and, to that end, accurate investment and management decisions are vital.

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 and expansion. Our vision is that the Funai Soken Consulting Group will continue to be trusted and respected by society for bringing joy to people and businesses through our work, and it is this thought that keeps us by our clients' sides working together, not only to help them grow but also to make a genuine difference in the broader community.

1) **Build stronger ties with current clients**

We want to play a leading role in enabling client companies to grow. The Communication Center, which is operated by Funai Soken Corporate Relations, is dedicated to responding swiftly to clients' needs without compromising our customer-oriented focus. Bolstering our line-up industry-specific, needs-specific consulting services will surely help us identify new potential clients.

2) Improve group-wide management strengths

Our aim is to cement our position as the leading consulting group for our clients in an increasingly global age. We intend to do this by leveraging our organizational structure which provides support for clients through regular visits or full-time on-site consulting, and constantly improving the wealth of consulting techniques we have built up over the years. 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.

To ensure capacity to handle the increase in work, we added a new consolidated subsidiary to the group in February 2015. Thus, the Funai Soken Consulting Group now consists of six companies. Moreover, we entered into a tie-up agreement with Mirai Consulting Inc. in March 2015, which provides us with the capacity to assist clients in areas of increased demand in recent times, including financial and tax strategy, corporate rehabilitation, and ownership succession. In this way, we are now able to provide optimal consulting services to satisfy a more diverse array of needs.

3) Expand into overseas markets

In an age when clients are increasingly looking to expand overseas, we seek to help them by focusing on Asian markets as likely expansion destinations. Consulting for Japanese clients active in foreign markets is nothing new to Funai Consulting, but now is the time for us to expand those operations. This includes setting up our own marketing capacity and recruiting staff in local markets, and holding workshops as a forum for clients to interact and learn from each other as a means of invigorating markets. In this way, we endeavor to improve the performance of industries as a whole. For now, our Japanese sales far outweigh our overseas sales, but we are convinced that there is potential for huge growth in overseas markets.

4) Recruit, train, and retain talented people

Given the 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 of the Funai Soken Consulting Group has enabled us to recruit many high-potential new graduates and experienced professionals. 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 Soken Consulting Group—is critical to our future. For instance, we work hard to help create an environment in which women can forge meaningful careers. Initiatives include frameworks that make it easier for women to balance work with needs such as childcare, and proactive efforts to enhance the working opportunities available to women. To that end, we will strive to ensure the Funai workplace is employee-friendly and conducive to long-term retention of consultants.

5) 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 part of this, we have identified risk management and compliance as two areas requiring particularly thorough effort. 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. Indeed, it is that philosophy which informs our desire to run the Funai Soken Consulting Group in a way that is conducive to the betterment of society.

6) 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. Reasons for decision on selection of accounting standards

The Funai Soken Consulting Group's consolidated financial statements are prepared in accordance with Japanese financial reporting standards because it provides for easier comparison of performance from year to year and company to company.

Regarding whether or not to switch to international financial reporting standards, we will continue to monitor the situation and act in accordance with Japanese trends regarding such standards.

5. Consolidated Financial Statements

(1) Consolidated Balance Sheet

(Unit: Thousand yen)

	FY12/14 (As of Dec. 31, 2014)	FY12/15 (As of Dec. 31, 2015)
Assets		
Current assets		
Cash and deposits	5,876,439	7,125,584
Trade notes and accounts receivable	1,373,758	1,707,206
Short-term investment securities	1,905,807	1,301,406
Work in process	107,324	96,300
Raw materials and supplies	4,141	6,428
Other current assets	285,387	1,007,522
Allowance for doubtful accounts	-31,237	-31,276
Total current assets	9,521,621	11,213,172
Noncurrent assets		
Property, plant, and equipment		
Buildings and structures, net	1,436,741	1,355,614
Land	4,886,148	4,610,713
Lease assets, net	31,632	21,228
Other property, plant, and equipment, net	43,372	58,476
Total property, plant, and equipment	*1 6,397,895	*1 6,046,034
Intangible assets		
Leasehold rights	322,400	322,400
Software	116,465	333,371
Goodwill	81,447	247,142
Other intangible assets	97,505	15,762
Total intangible assets	617,818	918,676
Investments and other assets		
Short-term investment securities	3,048,111	3,181,564
Assets related to retirement benefits	454,586	511,859
Other investments and other assets	406,370	399,418
Allowance for doubtful accounts	-9,243	-10,665
Total investments and other assets	3,899,825	4,082,176
Total noncurrent assets	10,915,539	11,046,887
Total assets	20,437,161	22,260,059

(Unit: Thousand yen)

	FY12/14 (As of Dec. 31, 2014)	FY12/15 (As of Dec. 31, 2015)
Liabilities		
Current liabilities		
Trade notes and accounts payable	239,428	264,728
Short-term loans payable	*2 100,000	*2 100,000
Current portion of bonds	500,000	100,000
Lease obligations	10,813	9,181
Income taxes payable	941,129	1,072,787
Other current liabilities	1,572,860	1,699,328
Total current liabilities	3,364,232	3,246,026
Noncurrent liabilities		
Bonds payable	100,000	500,000
Lease obligations	23,746	13,408
Deferred tax liabilities	197,537	185,778
Other noncurrent liabilities	97,849	97,749
Total noncurrent liabilities	419,134	796,937
Total liabilities	3,783,366	4,042,963
Net assets		
Shareholders' equity		
Capital stock	3,125,231	3,125,231
Capital surplus	2,946,634	2,946,634
Retained earnings	11,578,698	13,021,753
Treasury stock	-1,070,362	-1,061,044
Total shareholders' equity	16,580,202	18,032,575
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	99,650	181,173
Foreign currency translation adjustments	15,447	14,864
Accumulated adjustments for retirement benefits	-126,831	-121,553
Total accumulated other comprehensive income	-11,732	74,483
Subscription rights for shares	85,325	110,037
Total net assets	16,653,794	18,217,095
Total liabilities and net assets	20,437,161	22,260,059

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statement of Income

(Unit: Thousand yen)

	FY12/14 (Jan. 1 – Dec. 31, 2014)	FY12/15 (Jan. 1 – Dec. 31, 2015)
Net sales	12,485,057	14,717,741
Cost of sales	8,144,068	9,625,278
Gross profit	4,340,989	5,092,462
SG&A expenses	*1 1,348,315	*1 1,595,451
Operating income	2,992,674	3,497,010
Non-operating income		
Interest income	10,108	8,969
Dividend income	14,539	13,122
Gain on sales of investment securities	20,397	42,043
Insurance income	13,395	-
Insurance bonus income	20,519	23,164
Refunded consumption taxes	-	141,511
Other non-operating income	17,022	34,209
Total non-operating income	95,984	263,021
Non-operating expenses		
Interest expenses	11,525	7,269
Loss on valuation of investment securities	1,555	4,044
Bond issue expenses	-	10,141
Investment partnership management expenses	5,770	8,470
Contributions	26,900	30,000
Other non-operating expenses	14,256	8,814
Total non-operating expenses	60,008	68,741
Ordinary income	3,028,649	3,691,290
Extraordinary income		
Gain on sales of noncurrent assets	*2 27	*2 799
Gain on sales of investment securities	6	66
Gain on reversal of subscription rights to shares	462	117
Total extraordinary income	495	982
Extraordinary losses		
Loss on sales of noncurrent assets	*3 13	*3 29,525
Loss on retirement of noncurrent assets	*4 273	*4 32,740
Loss on valuation of investment securities	-	1,093
Impairment losses	-	*5 12,203
Company funeral expenses	47,263	-
Total extraordinary losses	47,551	75,563
Net income before income taxes and other adjustments	2,981,594	3,616,710
Current income taxes	1,264,298	1,314,678
Deferred income taxes	-49,481	-124,409
Total income taxes	1,214,817	1,190,269
Income before minority interests	1,766,777	2,426,440
Net income	1,766,777	2,426,440

Consolidated Statement of Comprehensive Income

(Unit: Thousand yen)

	FY12/14 (Jan. 1 – Dec. 31, 2014)	FY12/15 (Jan. 1 – Dec. 31, 2015)
Income before minority interests	1,766,777	2,426,440
Other comprehensive income		
Valuation difference on available-for-sale securities	-25,523	81,522
Foreign currency translation adjustments	3,311	-583
Adjustments for retirement benefits	-	5,277
Total other comprehensive income	*1 *2 -22,211	*1 *2 86,216
Comprehensive income	1,744,565	2,512,657
Details		
Comprehensive income attributable to owners of the parent company	1,744,565	2,512,657

(3) Consolidated Statement of Changes in Net Assets

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
Cumulative effect of changes in accounting policies			-		-
Restated balance	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
Cumulative effect of changes in accounting policies						-
Restated balance	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

FY12/15 (Jan. 1 – Dec. 31, 2015) (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	11,578,698	-1,070,362	16,580,202
Cumulative effect of changes in accounting policies			62,151		62,151
Restated balance	3,125,231	2,946,634	11,640,850	-1,070,362	16,642,354
Change					
Dividends from surplus			-903,363		-903,363
Net income			2,426,440		2,426,440
Acquisition of treasury stock				-266,624	-266,624
Disposal of treasury stock		10,102		123,665	133,767
Retirement of treasury stock		-10,102	-142,174	152,276	-
Net changes of items other than shareholders' equity					
Total changes of items during the fiscal year	-	-	1,380,903	9,317	1,390,220
Balance at end of current fiscal year	3,125,231	2,946,634	13,021,753	-1,061,044	18,032,575

	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	99,650	15,447	-126,831	-11,732	85,325	16,653,794
Cumulative effect of changes in accounting policies						62,151
Restated balance	99,650	15,447	-126,831	-11,732	85,325	16,715,946
Change						
Dividends from surplus						-903,363
Net income						2,426,440
Acquisition of treasury stock						-266,624
Disposal of treasury stock						133,767
Retirement of treasury stock						-
Net changes of items other than shareholders' equity	81,522	-583	5,277	86,216	24,712	110,928
Total changes of items during the fiscal year	81,522	-583	5,277	86,216	24,712	1,501,149
Balance at end of current fiscal year	181,173	14,864	-121,553	74,483	110,037	18,217,095

(4) Consolidated Cash Flow Statement

(Unit: Thousand yen)

	FY12/14 (Jan. 1 – Dec. 31, 2014)	FY12/15 (Jan. 1 – Dec. 31, 2015)
Net cash provided by (used in) operations		
Net income before income taxes and other adjustments	2,981,594	3,616,710
Depreciation	206,665	175,327
Amortization of goodwill	12,178	51,269
Share-based compensation expenses	39,642	45,554
Impairment losses	-	12,203
Increase (decrease) in allowance for doubtful accounts	-11,902	1,461
Decrease (increase) in prepaid pension costs	694,813	-
Decrease (increase) in assets related to retirement benefits	-650,122	-51,995
Loss (gain) on valuation of investment securities	998	1,093
Loss (gain) on sales of investment securities	-17,235	-41,722
Interest and dividend income	-24,648	-22,091
Interest expenses	11,525	7,269
Bond issue expenses	-	10,141
Loss (gain) on exchange	1,786	-673
Contributions	26,900	30,000
Insurance income	-13,395	-
Loss (gain) on sales of property, plant, and equipment	-14	28,750
Loss on retirement of property, plant, and equipment	273	18,476
Loss on retirement of intangible assets	-	14,264
Company funeral expenses	47,263	-
Decrease (increase) in trade notes and accounts receivable	-88,618	-298,845
Decrease (increase) in other assets	-17,471	-15,489
Increase (decrease) in other liabilities	396,872	8,088
Other cash provided by (used in) operations	4,242	-15,386
Subtotal	3,601,349	3,574,407
Interest and dividends received	43,461	39,436
Interest paid	-11,523	-6,156
Income taxes paid	-729,867	-1,568,784
Contributions paid	-26,900	-30,000
Proceeds from insurance income	60,159	-
Company funeral expenses paid	-47,263	-
Net cash provided by (used in) operations	2,889,414	2,008,903

(Unit: Thousand yen)

	FY12/14 (Jan. 1 – Dec. 31, 2014)	FY12/15 (Jan. 1 – Dec. 31, 2015)
Net cash provided by (used in) investments		
Income from time deposits	350,000	250,000
Purchase of short-term investment securities	-2,305,202	-600,232
Proceeds from sale of short-term investment securities	3,700,000	2,100,000
Purchase of investment securities	-1,755,993	-1,108,847
Proceeds from sale of investment securities	2,506	125,854
Purchase of property, plant, and equipment	-79,219	-32,595
Proceeds from sale of property, plant, and equipment	27	245,369
Purchase of intangible assets	-127,403	-220,540
Purchase of investments in subsidiaries	*1 54,381	*1 -143,833
Payments of short-term loans receivable	-8,900	-
Proceeds from cancellation of insurance funds	40,794	85,925
Payments for guarantee deposits	-9,648	-29,282
Other cash provided by (used in) investments	-3,618	-
Net cash provided by (used in) investments	-142,275	671,817
Net cash provided by (used in) financing		
Repayment of short-term loans payable	-138	-
Repayment of long-term loans payable	-128,869	-103,959
Income from issue of bonds	-	489,858
Redemption of bonds	-	-500,000
Repayment of lease obligations	-15,388	-11,969
Acquisition of treasury stock	-369	-266,624
Proceeds from sale of treasury stock	43,380	112,925
Dividends paid	-956,775	-901,465
Net cash provided by (used in) financing	-1,058,160	-1,181,234
Effect of exchange rate changes on cash and cash equivalents	405	-341
Increase (decrease) in cash and cash equivalents	1,689,384	1,499,144
Cash and cash equivalents at start of fiscal year	3,936,040	5,626,439
Increase in cash and cash equivalents resulting from merger	1,014	-
Cash and cash equivalents at end of fiscal year	*2 5,626,439	*2 7,125,584

(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: 6

   - Funai Consulting, Inc.,
   - Funai Soken Logistics, Inc.,
   - Funai Soken Corporate Relations, Inc.
   - Funai Soken IT Solutions, Inc.
   - Proseed Corp.
   - 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

2) Intangible assets (excluding lease assets)

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) Accounting for major deferred assets

Bond issue expenses

The full amount is listed in accounts at the time of disbursement.

(4) Recognition of major allowances

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.

(5) 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 by provisionally calculating the amount of benefit obligations due to arise.

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 years of service of the employees remaining in each particular fiscal year.

(6) Method and period of goodwill amortization

Goodwill is amortized using the straight-line method over an appropriate period no longer than twenty years.

(7) 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.

(8) 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

We have adopted Accounting Standards for Retirement Benefits (ASBJ standard no. 26; May 17, 2012) and Guidance on Accounting Standards for Retirement Benefits (ASBJ application guidance no. 25; March 26, 2015) starting this fiscal year in relation to the items stipulated in Clause 35 of the standards and Clause 67 of the guidance. Specifically, we have reviewed the method by which we calculates retirement benefits and pension assets and changed the way projected retirement benefit payments are assigned to a particular period from the fixed-amount method to a provisional calculation method. Furthermore, we have changed the method of determining the discount rate: whereas we previously used a number of years close to the average term of employees' service as the term of bonds used to determine the discount rate, we now use a single weighted average that reflects the projected payment period of retirement benefits and the amount for each such period.

We comply with the transitional measures prescribed by under Clause 37 of the Accounting Standards for Retirement Benefits regarding its application, and have adjusted the amount of retained earnings to reflect the change in retirement benefit liabilities and service costs under the change in standards. Consequently, retirement benefit assets as at the start of the current fiscal year increased 95,618,000 yen and retained earnings increased 62,151,000 yen. The effects on operating income, ordinary income, and net income before income taxes caused by this change in accounting method are minor. The effects of the change on per-share information are also minor.

Accounting Standards to Be Applied in Future

Standards pertaining to corporate integration

- Accounting Standards for Business Combinations (ASBJ Statement no. 21; September 13, 2013)
- Accounting Standard for Consolidated Financial Statements (ASBJ Statement no. 22; September 13, 2013)
- Accounting Standard for Business Divestitures (ASBJ Statement No.7; September 13, 2013)
- Accounting Standard for Earnings Per Share (ASBJ Statement No.2; September 13, 2013)
- Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10; September 13, 2013)
- Guidance on Accounting Standard for Earnings Per Share (ASBJ Guidance No.4; September 13, 2013)

(1) Overview

These standards have been revised mainly with regard to:

i. Changes in a parent company's stake in its subsidiary when acquiring additional shares in the subsidiary, assuming it continues to be in control of the subsidiary;
ii. Expenses relating to acquisition;
iii. Listing of net income and change from minority interest to non-controlling interest; and
iv. Transitional accounting.

(2) Scheduled start of application

These standards are scheduled to apply starting at the beginning of FY2016. Transitional accounting methods are scheduled to apply to corporate integrations undertaken on or after the beginning of FY2016.

(3) Effects of the new accounting standards

The effects of the foregoing were still being assessed at the time of writing.

Reclassifications

Footnotes to Consolidated Balance Sheet

Goodwill, which was included in other intangible assets in FY2014, is listed as a separate entry in FY2015 because it has become more financially important. The previous fiscal year's consolidated financial statements have been revised to reflect this reclassification.

Consequently, the 178,953,000 yen listed under other intangible assets in the FY2014 consolidated balance sheet has been re-classified into two lines: goodwill (81,447,000 yen) and other intangible assets (97,505,000 yen).

Footnotes to Consolidated Statement of Income

Reversal of allowance for doubtful accounts, which was listed as a separate entry under non-operating income in FY2014, is included in other non-operating income this year because the amount thereof was less than 10% of total non-operating income. The previous fiscal year's consolidated financial statements have been revised to reflect this reclassification. Consequently, the 226,000 yen in reversal of allowance for doubtful accounts and 16,795,000 yen in other non-operating income listed under non-operating income in the FY2014 consolidated statement of income have been re-classified into one line: other non-operating income, which totals 17,022,000 yen.

Loss or gain on exchange, which was listed as a separate entry under non-operating expenses in FY2014, is included in other non-operating expenses in FY2015 because the amount thereof was less than 10% of total non-operating expenses. The previous fiscal year's consolidated financial statements have been revised to reflect this reclassification. Consequently, the 1,258,000 yen in losses on exchange and 12,998,000 yen in other non-operating expenses listed under non-operating expenses in the FY2014 consolidated statement of income have been re-classified into one line: other non-operating expenses, which total 14,256,000 yen.

Footnotes to Consolidated Balance Sheet

*1 Accumulated depreciation on property, plant, and equipment

	FY12/14 (As of Dec. 31, 2014)	FY12/15 (As of Dec. 31, 2015)
Accumulated depreciation on property, plant, and equipment	1,960,071,000 yen	1,915,234,000 yen

*2 Credit lines and unused portions thereof

The Company 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.

	FY12/14 (As of Dec. 31, 2014)	FY12/15 (As of Dec. 31, 2015)
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

	FY12/14 (Jan. 1 – Dec. 31, 2014)	FY12/15 (Jan. 1 – Dec. 31, 2015)
Directors' salaries and bonuses	277,354,000 yen	344,846,000 yen
Employees' salaries	534,265,000 yen	588,080,000 yen
Retirement benefit expenses	20,534,000 yen	21,054,000 yen

2 Major gains on sale of noncurrent assets

	FY12/14 (Jan. 1 – Dec. 31, 2014)	FY12/15 (Jan. 1 – Dec. 31, 2015)
Buildings and structures	-	760,000 yen
Property, plant, and equipment, others	27,000 yen	39,000 yen
Total	27,000 yen	799,000 yen

3 Major losses on sale of noncurrent assets

	FY12/14 (Jan. 1 – Dec. 31, 2014)	FY12/15 (Jan. 1 – Dec. 31, 2015)
Land	-	29,511,000 yen
Property, plant, and equipment, others	13,000 yen	14,000 yen
Total	13,000 yen	29,525,000 yen

4 Major losses on retirement of noncurrent assets

	FY12/14 (Jan. 1 – Dec. 31, 2014)	FY12/15 (Jan. 1 – Dec. 31, 2015)
Buildings and structures	-	17,557,000 yen
Property, plant, and equipment, others	273,000 yen	919,000 yen
Software	-	14,264,000 yen
Total	273,000 yen	32,740,000 yen

***5 Impairment losses**

Impairment losses on the group's assets in FY2015 were as follows.

Location	Purpose	Category
Shinjuku-ku, Tokyo	Rental property	Land (property, plant, and equipment)

Of the three segments that make up the Funai Soken Consulting Group's business (consulting, logistics, and others), property rentals are included in the "others" segment. Individual rental properties are administered using a system of grouping.

In conjunction with a board of directors resolution to sell the land in Shinjuku-ku, Tokyo, the book value of the land was marked down to an amount deemed recoverable, and the amount of that mark-down, 12,203,000 yen was listed as an impairment loss under extraordinary losses. The recoverable amount was calculated based on the net sale price, which was determined in accordance with the scheduled sale price.

Footnotes to Consolidated Statement of Comprehensive Income

FY12/14 (Jan. 1 – Dec. 31, 2014)

***1 Adjustments for revisions in other comprehensive income**

Valuation difference on available-for-sale securities		
Valuation difference on available-for-sale securities in FY2014	-15,393,000 yen	
Adjustments for revisions	-23,897,000 yen	-39,291,000 yen
Foreign currency translation adjustments		
Foreign currency translation adjustments in FY2014		3,311,000 yen
Before tax		-35,979,000 yen
Taxes		13,767,000 yen
Total other comprehensive income		-22,211,000 yen

*2 Income tax 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

FY12/15 (Jan. 1 – Dec. 31, 2015)

*1 Adjustments for revisions in other comprehensive income

Valuation difference on available-for-sale securities		
Valuation difference on available-for-sale securities in FY2015	149,650,000 yen	
Adjustments for revisions	-35,721,000 yen	113,929,000 yen
Foreign currency translation adjustments		
Foreign currency translation adjustments in FY2015		-583,000 yen
Adjustments for retirement benefits		
Adjustments for retirement benefits in 2015	-50,278,000 yen	
Adjustments for revisions	66,333,000 yen	16,054,000 yen
Before tax		129,400,000 yen
Taxes		-43,184,000 yen
Total other comprehensive income		86,216,000 yen

*2 Income tax relating to other comprehensive income

	Before tax	Taxes	After tax
Valuation difference on available-for-sale securities	113,929,000 yen	-32,407,000 yen	81,522,000 yen
Foreign currency translation adjustments	-583,000 yen	-	-583,000 yen
Adjustments for retirement benefits	16,054,000 yen	-10,777,000 yen	5,277,000 yen
Total other comprehensive income	129,400,000 yen	-43,184,000 yen	86,216,000 yen

Footnotes to Consolidated Statement of Changes in Net Assets

FY12/14 (Jan. 1 – Dec. 31, 2014)

1. Outstanding shares

Class of shares	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

Changes

Decreases:

Decrease due to retirement of treasury stock: 1,000,000

2. Treasury stock

Class of shares	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 retirement of 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	
Issuing company	Subscription rights issued as stock options	-					85,325,000 yen

4. Dividends

(1) Dividend payments

Resolution date	Class of shares	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	Class of shares	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

FY12/15 (Jan. 1 – Dec. 31, 2015)

1. Outstanding shares

Class of shares	Number of shares at start of fiscal year	Increase	Decrease	Number of shares at end of fiscal year
Common stock	30,251,477	-	251,000	30,000,477

Changes

Decreases:

Decrease due to retirement of treasury stock: 251,000

2. Treasury stock

Class of shares	Number of shares at start of fiscal year	Increase	Decrease	Number of shares at end of fiscal year
Common stock	1,951,465	252,266	456,000	1,747,731

Changes

Increases:

Increase due to acquisition of odd-lot shares: 1,266

Increase due to board-approved purchase: 251,000

Decreases:

Decrease due to retirement of treasury stock: 251,000

Decrease due to exercising of stock options: 205,000

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	
Issuing company	Subscription rights issued as stock options	-					110,037,000 yen

4. Dividends

(1) Dividend payments

Resolution date	Class of shares	Total amount of dividend	Dividend per share	Record date	Effective date
General meeting of shareholders on Mar. 28, 2015	Common stock	481,100,000 yen	17 yen	Dec. 31, 2014	Mar. 30, 2015
Board meeting on Jul. 30, 2015	Common stock	422,262,000 yen	15 yen	Jun. 30, 2015	Aug. 25, 2015

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

Resolution date	Class of shares	Source of funds	Total amount of dividend	Dividend per share	Record date	Effective date
General meeting of shareholders on Mar. 26, 2016	Common stock	Retained earnings	593,307,000 yen	21 yen	Dec. 31, 2015	Mar. 28, 2016

Footnotes to Consolidated Cash Flow Statement

***1. Major assets and liabilities of companies made subsidiaries through acquisition of shares**

FY12/14 (Jan. 1 – Dec. 31, 2014)

The following is a list of assets and liabilities held by Funai Soken Logistics at the time it became a consolidated subsidiary through the group's acquisition of shares in that company, and the difference between the price paid and the balance of assets and liabilities acquired (i.e. net gain).

Current assets	217,642,000 yen
Noncurrent assets	59,058,000 yen
Goodwill	49,981,000 yen
Current liabilities	-229,427,000 yen
Noncurrent liabilities	-97,255,000 yen
Price of share acquisition	-
Cash and cash equivalents	-54,381,000 yen
Balance: Net gain on acquisition of shares	54,381,000 yen

FY12/15 (Jan. 1 – Dec. 31, 2015)

The following is a list of assets and liabilities held by Proseed at the time it became a consolidated subsidiary through the group's acquisition of shares in that company, and the difference between the price paid and the balance of assets and liabilities acquired (i.e. net expense).

Current assets	150,133,000 yen
Noncurrent assets	11,901,000 yen
Goodwill	216,965,000 yen
Current liabilities	-134,580,000 yen
Price of share acquisition	244,419,000 yen
Cash and cash equivalents	-100,585,000 yen
Balance: Net expense on acquisition of shares	143,833,000 yen

***2 Balance of cash and cash equivalents and pertinent listings in the consolidated balance sheet**

	FY12/14 (Jan. 1 – Dec. 31, 2014)	FY12/15 (Jan. 1 – Dec. 31, 2015)
Cash and deposits	5,876,439,000 yen	7,125,584,000 yen
Short-term investment securities	1,905,807,000 yen	1,301,406,000 yen
Time deposits with original maturities of longer than three months	-250,000,000 yen	-
Debt securities with original maturities of longer than three months	-1,905,807,000 yen	-1,301,406,000 yen
Cash and cash equivalents	5,626,439,000 yen	7,125,584,000 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

(1) Application of accounting standards for retirement benefits

The methods of calculating retirement benefit liabilities and service costs used in our business segments have been revised in accordance with the changes to such methods that came into effect this fiscal year, as described in the section on changes in accounting policies.

The effects on segment-specific income this year caused by this change in accounting method are minor.

(2) Changes in Segmenting Method

As a result of the change in organizational structure with the switch to a holding company set-up on July 1, 2014, 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. Outsourcing and consulting fees received from other group companies are listed as "whole-group" expenses as part of the adjustment of segment income, and rent on real estate are listed under "others."

Consequently, operating income in the consulting segment was 593,720,000 yen less than what would have been reported under the old method, while others and adjustments increased 88,854,000 yen and 504,865,000 yen, respectively.

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

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	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	327,102	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 include elimination of inter-segment transactions and whole-group revenues and expenses 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. Segment income is adjusted against operating income in the consolidated financial statements.

FY12/15 (Jan. 1 – Dec. 31, 2015)

(Unit: Thousand yen)

	Consulting	Logistics	Others(1)	Total	Adjustment(2)	Amount listed in consolidated financial statements(3)
Net sales						
Sales to external customers	12,593,803	1,664,108	459,829	14,717,741	-	14,717,741
Inter-segment sales and transfers	78,922	226,263	536,276	841,462	-841,462	-
Total	12,672,726	1,890,371	996,106	15,559,203	-841,462	14,717,741
Segment income	3,335,760	78,853	155,858	3,570,471	-73,461	3,497,010
Segment assets	11,503,827	530,036	2,215,104	14,248,968	8,011,091	22,260,059
Others						
Depreciation	106,131	2,702	53,688	162,522	12,805	175,327
Amortization of goodwill	-	9,996	41,273	51,269	-	51,269
Impairment losses	-	-	12,203	12,203	-	12,203
Change in property, plant, equipment, and intangible assets	322,237	2,422	254,927	579,586	-4,952	574,634

Notes

1. The “others” category includes income from real estate leasing, IT, and contact center consulting businesses.
2. Details of adjustments are as follows.
    (1) Adjustments of segment income include elimination of inter-segment transactions and whole-group revenues and expenses 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. Segment income is adjusted against operating income in the consolidated financial statements.

Per-share Information

	FY12/14 (Jan. 1 – Dec. 31, 2014)	FY12/15 (Jan. 1 – Dec. 31, 2015)
Net assets per share	487.88 yen	534.08 yen
Net income per share (basic)	52.15 yen	71.75 yen
Net income per share (diluted)	51.60 yen	70.81 yen

NB: Following a resolution of the board of directors on November 5, 2015, shares in Funai Soken Holdings were split at a ratio of 1:1.2 on January 1, 2016. For the purposes hereof, net assets per share, net income per share, and net income per share (diluted) for FY2014 are shown based on post-split assumptions.

The basis for calculation of basic and diluted net income per share is as follows.

	FY12/14 (Jan. 1 – Dec. 31, 2014)	FY12/15 (Jan. 1 – Dec. 31, 2015)
Net income per share (basic)		
Net income	1,766,777,000 yen	2,426,440,000 yen
Amount not attributable to common shareholders	-	-
Net income attributable to common shareholders	1,766,777,000 yen	2,426,440,000 yen
Average number of common shares outstanding during the fiscal year	33,877,438	33,819,462
Net income per share (diluted)		
Amount to be adjusted in considering dilutive effect	-	-
Increase in common shares	361,253	449,501
(Portion of increase made up of subscription rights)	(361,253)	(449,501)
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.

	FY12/14 (As of Dec. 31, 2014)	FY12/15 (As of Dec. 31, 2015)
Total net assets on consolidated balance sheets	16,653,794,000 yen	18,217,095,000 yen
Deductions from total net assets	85,325,000 yen	110,037,000 yen
(Portion of deductions made up of subscription rights)	(85,325,000 yen)	(110,037,000 yen)
Net assets attributable to common shareholders	16,568,469,000 yen	18,107,058,000 yen
Number of common stock used in calculation of net assets per share	33,960,014	33,903,295

Subsequent Events

Following a resolution of the board of directors on November 5, 2015, common shares in Funai Soken Holdings were split at a ratio of 1:1.2 on January 1, 2016.

1. Purpose of share split

To boost the liquidity of the company's shares and create an investment-friendly environment, thereby expanding the range of people investing in the company.

2. Overview of share split

(1) Method

Each common share held by shareholders listed in the final Shareholders' Register of December 31, 2015 (in effect, the date was December 30 because December 31 was a holiday) was split at a ratio of 1:1.2.

(2) Number of shares added as a result of split

Total number of shares outstanding before split:	30,000,477
Number of shares added as a result of split:	6,000,095
Total number of shares outstanding after split:	36,000,572
Total number of shares issuable after split:	130,000,000

NB: The number of shares authorized for issue has not changed as a result of the share split.

(3) Schedule

Public notice:	December 15, 2015
Record date:	December 31, 2015
Effective date:	January 1, 2016

(4) Adjustments to exercise price of subscription rights for shares

The per-share exercise price of subscription rights for shares has been adjusted as set forth below starting on January 1, 2016, as a result of the share split.

Board resolution	Applies to	Pre-adjustment exercise price	Adjusted exercise price
Apr. 17, 2012	Employees and executive officers of Funai Soken Holdings; employees, directors, and executive officers of subsidiaries	446 yen	372 yen
Apr. 16, 2013	Employees and executive officers of Funai Soken Holdings; employees and directors of subsidiaries	621 yen	518 yen

Omissions

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

6. 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	FY12/14 (Jan. 1 – Dec. 31, 2014)		FY12/15 (Jan. 1 – Dec. 31, 2015)	
	Orders received	Orders outstanding	Orders received	Orders outstanding
Consulting	9,632,127	4,615,090	11,125,236	5,211,119
Logistics	83,650	16,333	138,525	47,984
Other businesses	137,906	17,379	448,497	76,526

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 and contact center consulting.
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	FY12/14 (Jan. 1 – Dec. 31, 2014)		FY12/15 (Jan. 1 – Dec. 31, 2015)	
	Amount	% of total	Amount	% of total
Consulting	10,862,233	87.0%	12,593,803	85.6%
Logistics	1,418,279	11.4%	1,664,108	11.3%
Other businesses	204,544	1.6%	459,829	3.1%
Total	12,485,057	100.0%	14,717,741	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

Changes in directors and officers are as set forth below.

As stated in the Notice of Establishment of Audit and Supervisory Committee released on February 8, 2016, the board of directors has voted to establish a board of auditors and other such boards, subject to approval at the 46th AGM on March 26, 2016.

(Scheduled to take effect on March 26, 2016)

1) Legal representatives

None to report.

2) Other directors and officers

Scheduled director appointments

Nobuyuki Isagawa (professor at Kobe University Graduate School of Business Administration), independent director

Scheduled to resign their posts

Taro Sumitani, independent director

Status to switch from “auditor” to “director and member of the Audit and Supervisory Committee” upon establishment of the Audit and Supervisory Committee

Masahiro Hyakumura, standing auditor

Atsushi Nakao, independent auditor

Akihiro Kobayashi, independent auditor

List of directors, auditors, and executive officers

Funai Soken Holdings, Inc. (scheduled to take effect on March 26, 2016)

Name	Title	Position
Sakae Takashima	President	Group CEO
Kiyoshi Ohno	Director and executive vice president	Head of Business Administration Divisional Headquarters
Takeshi Isozumi	Director and senior vice president	Head of Business Development Office
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
Nobuyuki Isagawa	Independent director	
Masahiro Hyakumura	Director (on the Audit and Supervisory Committee)	
Atsushi Nakao	Independent director (on the Audit and Supervisory Committee)	
Akihiro Kobayashi	Independent director (on the Audit and Supervisory Committee)	
Akira Hamaguchi	Executive officer	Head of General Affairs Department
Noriaki Ishiguro	Executive officer	Head of Corporate Planning Office

Funai Consulting, Inc. (scheduled to take effect on March 25, 2016)

Name	Title	Position
Takayuki Nakatani	President & CEO	Head of Consulting Operations Divisional Headquarters (concurrently with presidential position)
Shinichiro Karatsuchi	Director and senior vice president	Head of Consulting Divisional Headquarters I
Masaru Sumitomo	Director and executive officer	Head of Consulting Divisional Headquarters II
Masahiro Hyakumura	Auditor	
Takahisa Okumura	Auditor	
Yoshihito Sugahara	Executive officer	Head of Innovation Consulting Department
Akira Hamaguchi	Executive officer	Head of Administration Department
Isao Kikuchi	Executive officer	Head of Industrial Goods, Information, and HR Business Consulting Department (Consulting Divisional Headquarters I)
Satoshi Oka	Executive officer	Deputy head of Innovation Consulting Department
Kyohei Deguchi	Executive officer	Deputy head of Consulting Divisional Headquarters II and head of Medical, Nursing Care, Welfare, and Education Consulting Department
Daisuke Shingai	Executive officer	Head of Certified Professional Services Consulting Department (Consulting Divisional Headquarters I)