Non-Audited

Consolidated Financial Results for the First Half of the Fiscal Year Ending December 31, 2016

August 5, 2016

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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Scheduled date of payment of dividend: August 29, 2016
Scheduled date of filing quarterly report: August 10, 2016
Supplementary materials compiled to explain 1st-half financial statements? Yes / No
Meeting to be held for institutional investors and analysts to explain 1st-half financial results? Yes / No

(Figures are rounded to the nearest million yen; fractions of one million discarded rather than rounded up or down)

1. 1st Half Consolidated Financial Results (January 1, 2016 – June 30, 2016)

(1) Consolidated Results of Operations (Percentages represent change from the same period last year)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent company	
Six months ending	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Jun. 30, 2016	7,664	11.2	1,907	0.9	1,922	(3.6)	1,326	3.3
Jun. 30, 2015	6,893	16.5	1,889	14.4	1,994	19.0	1,284	34.1

NB: Comprehensive income: 1,298 million yen (down 4.5%) in the six months ending Jun. 30, 2016
1,359 million yen (up 45.8%) in the six months ending Jun. 30, 2015

	Net income per share (basic)	Net income per share (diluted)
Six months ending	Yen	Yen
Jun. 30, 2016	39.11	38.63
Jun. 30, 2015	37.99	37.54

NB: Common shares in Funai Soken Holdings were split at a ratio of 1.2-for-one on January 1, 2016. For the purposes hereof, net income per share and net income per share (diluted) for FY2015 are shown based on post-split assumptions.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Jun. 30, 2016	22,169	18,965	84.9
As of Dec. 31, 2015	22,260	18,217	81.3

NB: Shareholders' equity: 18,828 million yen as of June 30, 2016
18,107 million yen as of December 31, 2015

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year end	Total
	Yen	Yen	Yen	Yen	Yen
Year ending Dec. 31, 2015	-	15.00	-	21.00	36.00
Year ending Dec. 31, 2016	-	15.00			
FY2016 forecast			-	21.00	36.00

NB: 1. Amendments to dividend numbers compared to most recently announced figures? None
2. Common shares in Funai Soken Holdings were split at a ratio of 1.2-for-one on January 1, 2016. The annual dividend for FY2015 shown herein is the pre-split figure. When the share split is taken into account, annual dividend per share was 30.00 in FY2015.

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

(Percentages represent year-on-year change)

	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
Year ending Dec. 31, 2016	16,300	10.8	3,900	11.5	3,900	5.7	2,500	3.0	73.74

NB: Amendments to performance numbers compared to most recently announced forecasts? None

Remarks

(1) Changes in consolidated subsidiaries in 1Q and 2Q (changes in scope of consolidation): None

(2) Application of specific accounting procedures when compiling 2Q consolidated financial statements: None

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

1) Changes in accounting policies caused by revision of accounting standards: Changes made

2) Other changes in accounting policies None

3) Changes in accounting estimates None

4) Re-statement of amendments None

(4) Number of Outstanding Shares (Common Stock)

1) Number of shares outstanding at end of six-month period (including treasury stock)	Jun. 30, 2016	36,000,572	Dec. 31, 2015	36,000,572
2) Number of treasury shares at end of six-month period	Jun. 30, 2016	2,058,696	Dec. 31, 2015	2,097,277
3) Average number of shares during six-month period (cumulative total)	Jun. 30, 2016	33,924,293	Jun. 30, 2015	33,815,627

NB: Common shares in Funai Soken Holdings were split at a ratio of 1.2-for-one on January 1, 2016. For the purposes hereof, the number of outstanding common shares in FY2015 is shown based on post-split assumptions.

Statement Regarding Quarterly Review Procedures

These financial results for the first half of FY2016 are exempt from quarterly review procedures under the Financial Instruments and Exchange Act. The company's first-half financial statements are currently undergoing quarterly review at the time of publication.

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 "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. Qualitative Information regarding the Six Months Ending Jun. 30, 2016

(1) Results of Operations

In the first half of 2016, the Japanese economy was buoyed by gradual improvements in income and employment figures, but rising uncertainty overseas as illustrated by the United Kingdom's "Brexit" vote and downward swings in the economies of China, emerging Asian nations, and other resource-rich countries, combined to keep the outlook unclear.

Against this backdrop, increased sales in our core consulting and logistics businesses contributed to robust performance overall throughout the Funai Soken Consulting Group, and consolidated sales rose 11.2% over the same period in the preceding year to 7,664 million yen. Meanwhile, aggressive hiring of new staff kept operating income at 1,907 million yen (up 0.9%), ordinary income at 1,922 million yen (down 3.6%), and net income attributable to owners of the parent company at 1,326 million yen (up 3.3%).

I. Net sales: 7,664 million yen (up 11.2% over the six months ending Jun. 30, 2015)

In our core consulting business, membership subscriptions for our industry-specific and solution-category-specific management workshops continued their upward trend, which led to a large increase in the number of orders for our business support consulting solutions. Meanwhile, large orders and renewals of existing contracts for our logistics services resulted in an increase in sales in this segment, too.

Consequently, sales rose 11.2% over the same period in the previous year to 7,664 million yen.

II. Operating income: 1,907 million yen (up 0.9% over the six months ending Jun. 30, 2015)

Although sales grew steadily, so did fixed costs. This was a result of aggressive hiring or new staff in the consulting segment, which caused an increase in labor costs as well as costs associated with the expansion of office and seminar space. Consequently, cost of sales was 4,836 million yen (compared with 4,231 million in the same period of the previous year), SG&A expenses were 920 million yen (771 million yen), and operating income was 1,907 million yen, up only 0.9%.

III. Ordinary income: 1,922 million yen (down 3.6% from the six months ending Jun. 30, 2015)

Non-operating income, which had been affected in previous years by the listing of refunded consumption taxes arising from organizational restructuring, settled at 26 million yen (compared with 130 million yen in the same period of the previous year) now that those refunds have been fully processed; non-operating expenses were 11 million yen (25 million yen), and ordinary income was 1,922 million yen, down 3.6%.

IV. Net income attributable to owners of the parent company: 1,326 million yen (up 3.3% over the six months ending Jun. 30, 2015)

101 million yen in gains on sales of investment securities were listed as extraordinary income and income taxes were 694 million yen (compared with 707 million yen in the same period of the previous year) as a result of a change in effective tax rate caused by an amendment to relevant laws. Consequently, net income attributable to owners of the parent company rose 3.3% to 1,326 million yen.

The performance of each business segment is outlined below.

I. Consulting

Sales in the consulting segment exceeded figures for the same period of the previous year.

High renewal rates for consulting contracts in core segments such as housing, real estate, healthcare, nursing care, welfare, and certified professional services, saw sales continue to increase steadily in those segments.

Meanwhile, large increases over the same period last year in the number of members of our industry-specific and solution-category-specific management workshops (of which we are the most prolific provider in Japan) ensured that income from membership subscriptions made a huge contribution to our quest for a stable flow of orders.

Sales of consulting services centered around on-site support for clients grew again in the first half of 2016, and now account for at least 70% of consulting sales. Moreover, we managed to keep operating income at a similar level to the previous year despite the increase in personal expenses caused by the spike in hiring.

Consequently, sales rose 10.2% over the same period in the previous year to 6,558 million yen, and operating income rose 3.4% over the same period in the previous year to 1,849 million yen.

II. Logistics

In the logistics segment, marketing to existing users of our core logistics operations helped push sales above the figures achieved in the same period last year. Meanwhile, in addition to renewed contracts for logistics consulting, more orders from new clients also contributed to a continued steady flow of orders.

Greater sales in this case led to greater operating income. Consequently, sales rose 10.9% over the same period in the previous year to 841 million yen, and operating income rose 28.9% over the same period in the previous year to 60 million yen.

III. Other Businesses

In the IT segment, we reached our sales target for outsourcing services but were unable to achieve the initially planned sales figures for IT consulting. Meanwhile, in the contact center consulting segment—a new addition to the group starting in the six months ending Jun. 30, 2015—sales increased markedly over the same period last year as a result of consolidation of those functions into the Funai Soken Consulting Group at the start of FY2016. Operating losses decreased on the back of that rise in sales.

Consequently, sales rose 55.5% over the same period in the previous year to 252 million yen, and operating income ended as a net loss of 6 million yen (compared to a net loss of 24 million yen in the six months ending Jun. 30, 2015).

Moreover, starting in the first quarter, we have initiated a review of the Board of Directors' methods of managing consolidated business, beginning with the sale of major rental properties. As such, income from real estate rentals, which were previously listed under "others," will henceforth be listed under "adjustments," which do not belong to any segment subject to reporting requirements. See the Segment Information section of the consolidated financial statements for more details.

(2) Financial Position

Assets

Total assets decreased 90 million yen from the end of FY2015 to 22,169 million yen at the end of the second quarter.

Current assets decreased 253 million yen from the end of FY2015 to 10,959 million yen. This was mainly due to an increase in cash and deposits, and decreases in trade accounts receivable, securities, and other accounts receivable (listed under "others").

Noncurrent assets increased 162 million yen from the end of FY2015 to 11,209 million yen. This was mainly due to an increase in investment securities.

Liabilities

Total liabilities decreased 838 million yen from the end of FY2015 to 3,204 million yen at the end of the second quarter.

Current liabilities decreased 959 million yen from the end of FY2015 to 2,286 million yen. This was mainly due to decreases in the current portion of bonds, income taxes payable, and accrued consumption taxes (listed under "others").

Noncurrent liabilities increased 120 million yen year-on-year to 917 million yen. This was mainly due to an increase in long-term loans payable.

Net Assets

Total net assets increased 748 million yen from the end of FY2015 to 18,965 million yen at the end of the second quarter.

Equity Ratio

Equity ratio increased 3.6 points from the end of FY2015 to 84.9% at the end of the second quarter.

Cash Flow

Cash and cash equivalents (hereinafter "net cash") increased 306 million over the end of FY2015 to 7,432 million yen at the end of the six months ending June 30, 2016. Trends in cash flow during the first half of the year are described below.

Net Cash Provided by Operations

Net cash provided by operations totaled 1,011 million yen compared to 891 million yen in the same period of the previous year.

This was mainly due to net income before income taxes and other adjustments of 2,021 million yen, decrease in other liabilities of 486 million yen, 1,048 million yen in income taxes paid, and income tax refunds of 394 million yen.

Net Cash Provided by Investments

Net cash used in investments totaled 116 million yen compared to a net gain of 400 million yen in the same period of the previous year.

This was mainly due to 66 million yen in income from the purchase and sale of securities and investment securities and 173 million yen in purchases of property, plant, and equipment.

Net Cash Provided by Financing

Net cash used in financing totaled 587 million yen compared to 809 million yen in the same period of the previous year.

This was mainly due to 591 million yen distributed as dividends.

(3) Consolidated Forecast and Other Forward-Looking Information

While the government's large-scale economic measures and the Bank of Japan's easing of monetary policy raise hopes of an economic recovery, a potential downward swing overseas caused by further stagnation in emerging economies means the Japanese economic outlook remains unclear and there is no room for complacency.

Against this backdrop, we at the Funai Soken Consulting Group have bolstered our core consulting business with the addition of solution-specific consulting services to complement our existing industry-specific services. Focusing on solutions rather than industries enables us to go beyond sector boundaries and select the right solutions for clients. Establishing such a cross-sectional division has allowed us to expand our range of services to include human resource development and hiring support, and we have invested considerable effort into cross-industry teamwork. We are determined to develop and pursue new solutions, increase our workforce, and train our employees, thereby building the teams with which we aim to implement our team-based consulting services. Indeed, while we are already Japan's foremost provider of industry-specific and solution-specific management workshops in terms of scale, we also aim to establish Japan's top membership-based organization for business executives to take advantage of these valuable services. To which end, we are endeavoring to expand our management workshop client base and teaming up with providers of consulting services focused on specialized fields in order that we can continue to offer an ever broader range of ever higher quality consulting services.

In the logistics segment, we are holding numerous seminars promoting new solutions around which we hope to expand our business, and are striving to build new, web-based logistics operations services. Our aim is to not only leverage the synergies with our consulting division, but also to bolster teamwork with the various companies of the Funai Soken Consulting Group as a means of expanding performance.

In sum, 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 attributable to owners of the parent company of 2,500 million yen for FY2016.

2. Summary Information (Remarks. etc.)

(1) Changes in Consolidated Subsidiaries in 1Q and 2Q

None to report.

(2) Application of Specific Accounting Procedures when Compiling Consolidated Financial Statements

None to report.

(3) Changes in Accounting Policies; Changes in Estimates; Re-Statement of Amendments

Changes in Accounting Policies

Application of Accounting Standards for Corporate Integration

Starting from the first quarter of FY2016, the Funai Soken Consulting Group has adopted the Accounting Standards for Business Combinations (ASBJ Statement no. 21; September 13, 2013), the Accounting Standard for Consolidated Financial Statements (ASBJ Statement no. 22; September 13, 2013), and the Accounting Standard for Business Divestitures (ASBJ Statement No.7; September 13, 2013). Specifically, differences arising from changes in equity in subsidiaries over which the group has ongoing control are to be listed in accounts as capital surpluses, and expenses incurred in making acquisitions are to be listed as expenses in the fiscal year in which they arise. If a corporate integration ("business combination") is undertaken at or after the beginning of the first quarter, any revision of the apportionment of acquisition costs undertaken by finalizing provisional accounting procedures taken at the time are to be reflected in the consolidated financial statements for the quarter in which the integration of businesses takes effect.

Furthermore, changes have been made to statement of net income, and the half-year and year-end consolidated financial statements for FY2015 have been amended to reflect such changes.

In the Consolidated Cash Flow Statement for the six months ending Jun. 30, 2016, cash provided by or used in the sale or purchase of shares in subsidiaries which do not result in change in scope of consolidation is listed under "net cash provided by (used in) financing," while expenses incurred in relation to investments in subsidiaries resulting in change in scope of consolidation or in relation to the sale or purchase of shares in subsidiaries which do not result in change in scope of consolidation are listed under "net cash provided by (used in) operations."

In applying the aforementioned standards, the standards take effect starting at the beginning of the first quarter pursuant to the transition measures stipulated in Clause 58-2 Item (4) of the Accounting Standards for Business Combinations, Clause 44-5 Item (4) of the Accounting Standard for Consolidated Financial Statements, and Clause 57-4 Item (4) of the Accounting Standard for Business Divestitures.

This has no effect on the Consolidated Financial Statements for the six months ending Jun. 30, 2016.

Adoption of ASBJ PITF No. 18

The group has adopted Practical Solution on Accounting for Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements (ASBJ PITF No. 18; March 26, 2015) starting in the first quarter.

This has no effect on the Consolidated Financial Statements for the six months ending Jun. 30, 2016.

Adoption of ASBJ PITF No. 32

In response to the amendment of the Corporation Tax Act, the group has adopted the Practical Solution on a Change in Depreciation Method Due to Tax Reform (ASBJ PITF No. 32; June 17, 2016) starting in the first half of 2016. Depreciation of buildings, accompanying facilities, and structures purchased on or after April 1, 2016, has been changed from the declining-balance method to the straight-line method.

The effects of this change on earnings in the six months ending Jun. 30, 2016 are minor.

3. Consolidated Financial Statements
(1) Consolidated Balance Sheet

(Unit: Thousand yen)

	FY12/15 (As of Dec. 31, 2015)	1st Half of 2016 (As of Jun. 30, 2016)
Assets		
Current assets		
Cash and deposits	7,125,584	7,432,056
Trade notes and accounts receivable	1,707,206	1,532,489
Short-term investment securities	1,301,406	1,100,461
Work in process	96,300	129,892
Raw materials and supplies	6,428	8,700
Other current assets	1,007,522	787,270
Allowance for doubtful accounts	(31,276)	(31,072)
Total current assets	11,213,172	10,959,799
Noncurrent assets		
Property, plant, and equipment		
Buildings and structures, net	1,355,614	1,416,002
Land	4,610,713	4,610,713
Lease assets, net	21,228	63,695
Other property, plant, and equipment, net	58,476	55,698
Total property, plant, and equipment	6,046,034	6,146,110
Intangible assets		
Leasehold rights	322,400	322,400
Software	333,371	296,159
Goodwill	247,142	216,083
Other intangible assets	15,762	9,447
Total intangible assets	918,676	844,090
Investments and other assets		
Short-term investment securities	3,181,564	3,339,138
Assets related to retirement benefits	511,859	520,142
Other investments and other assets	399,418	373,225
Allowance for doubtful accounts	(10,665)	(13,238)
Total investments and other assets	4,082,176	4,219,266
Total noncurrent assets	11,046,887	11,209,468
Total assets	22,260,059	22,169,267

(Unit: Thousand yen)

	FY12/15 (As of Dec. 31, 2015)	1st Half of 2016 (As of Jun. 30, 2016)
Liabilities		
Current liabilities		
Trade notes and accounts payable	264,728	221,989
Short-term loans payable	100,000	100,000
Current portion of bonds	100,000	-
Lease obligations	9,181	10,177
Income taxes payable	1,072,787	677,375
Provision for bonuses	-	54,274
Other current liabilities	1,699,328	1,223,048
Total current liabilities	3,246,026	2,286,865
Noncurrent liabilities		
Bonds payable	500,000	500,000
Long-term loans payable	-	100,000
Lease obligations	13,408	58,624
Deferred tax liabilities	185,778	193,770
Other noncurrent liabilities	97,749	64,885
Total noncurrent liabilities	796,937	917,279
Total liabilities	4,042,963	3,204,145
Net assets		
Shareholders' equity		
Capital stock	3,125,231	3,125,231
Capital surplus	2,946,634	2,948,193
Retained earnings	13,021,753	13,755,299
Treasury stock	(1,061,044)	(1,046,526)
Total shareholders' equity	18,032,575	18,782,197
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	181,173	144,105
Foreign currency translation adjustments	14,864	13,260
Accumulated adjustments for retirement benefits	(121,553)	(111,314)
Total accumulated other comprehensive income	74,483	46,051
Subscription rights for shares	110,037	136,873
Total net assets	18,217,095	18,965,122
Total liabilities and net assets	22,260,059	22,169,267

(2) Consolidated Statements of Income and Comprehensive Income
Consolidated Statement of Income
First Half

(Unit: Thousand yen)

	1st Half of 2015 (Jan. 1 – Jun. 30, 2015)	1st Half of 2016 (Jan. 1 – Jun. 30, 2016)
Net sales	6,893,296	7,664,962
Cost of sales	4,231,845	4,836,992
Gross profit	2,661,450	2,827,969
SG&A expenses	771,728	920,683
Operating income	1,889,722	1,907,285
Non-operating income		
Interest income	4,679	4,331
Dividend income	8,064	7,286
Gain on sales of investment securities	22,300	3,323
Refunded consumption taxes	88,600	1,121
Other non-operating income	6,827	10,707
Total non-operating income	130,472	26,770
Non-operating expenses		
Interest expenses	4,334	3,121
Bond issue expenses	10,141	-
Investment partnership management expenses	4,728	3,844
Other non-operating expenses	6,414	4,951
Total non-operating expenses	25,618	11,917
Ordinary income	1,994,576	1,922,139
Extraordinary income		
Gain on reversal of subscription rights to shares	-	175
Gain on sales of investment securities	-	101,157
Total extraordinary income	-	101,332
Extraordinary losses		
Loss on sales of noncurrent assets	2,609	130
Loss on retirement of noncurrent assets	-	1,650
Loss on sales of investment securities	-	139
Total extraordinary losses	2,609	1,919
Net income before income taxes and other adjustments	1,991,966	2,021,551
Current income taxes	747,539	653,334
Deferred income taxes	(40,188)	41,363
Total income taxes	707,350	694,698
Net income	1,284,615	1,326,853
Net income attributable to owners of the parent company	1,284,615	1,326,853

Consolidated Statement of Comprehensive Income

First Half

(Unit: Thousand yen)

	1st Half of 2015 (Jan. 1 – Jun. 30, 2015)	1st Half of 2016 (Jan. 1 – Jun. 30, 2016)
Net income	1,284,615	1,326,853
Other comprehensive income		
Valuation difference on available-for-sale securities	57,047	(37,067)
Foreign currency translation adjustments	434	(1,603)
Adjustments for retirement benefits	17,411	10,239
Total other comprehensive income	74,893	(28,432)
Comprehensive income	1,359,509	1,298,421
Details		
Comprehensive income attributable to owners of the parent company	1,359,509	1,298,421

(3) Consolidated Cash Flow Statement

(Unit: Thousand yen)

	1st Half of 2015 (Jan. 1 – Jun. 30, 2015)	1st Half of 2016 (Jan. 1 – Jun. 30, 2016)
Net cash provided by (used in) operations		
Net income before income taxes and other adjustments	1,991,966	2,021,551
Depreciation	79,773	116,710
Amortization of goodwill	20,210	31,059
Share-based compensation expenses	15,789	30,643
Increase (decrease) in allowance for doubtful accounts	(1,648)	2,368
Decrease (increase) in assets related to retirement benefits	(102,592)	1,956
Increase (decrease) in provision for bonuses	68,615	54,274
Loss (gain) on sales of investment securities	(22,300)	(104,341)
Interest and dividend income	(12,744)	(11,618)
Interest expenses	4,334	3,121
Bond issue expenses	10,141	-
Loss (gain) on exchange	154	1,092
Loss (gain) on sales of property, plant, and equipment	2,609	130
Loss on retirement of property, plant, and equipment	-	1,650
Decrease (increase) in trade notes and accounts receivable	38,688	173,800
Decrease (increase) in other assets	(68,826)	(189,678)
Increase (decrease) in other liabilities	(219,299)	(486,483)
Other cash provided by (used in) operations	19,601	5,036
Subtotal	1,824,473	1,651,274
Interest and dividends received	20,680	18,620
Interest paid	(2,701)	(4,877)
Income taxes paid	(950,670)	(1,048,076)
Income tax refunds	-	394,819
Net cash provided by (used in) operations	891,782	1,011,760

(Unit: Thousand yen)

	1st Half of 2015 (Jan. 1 – Jun. 30, 2015)	1st Half of 2016 (Jan. 1 – Jun. 30, 2016)
Net cash provided by (used in) investments		
Purchase of short-term investment securities	-	(400,000)
Proceeds from sale of short-term investment securities	1,300,000	600,000
Purchase of investment securities	(600,179)	(251,856)
Proceeds from sale of investment securities	218	118,153
Purchase of property, plant, and equipment	(18,984)	(173,721)
Proceeds from sale of property, plant, and equipment	3,669	11
Purchase of intangible assets	(140,856)	(8,711)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(143,833)	-
Other cash provided by (used in) investments	-	100
Net cash provided by (used in) investments	400,034	(116,023)
Net cash provided by (used in) financing		
Proceeds from long-term loans payable	-	100,000
Repayment of long-term loans payable	(103,959)	-
Repayment of lease obligations	(6,372)	(8,409)
Redemption of bonds	(500,000)	(100,000)
Income from issue of bonds	489,858	-
Purchase of treasury stock	(265,513)	(7,422)
Proceeds from sale of treasury stock	56,565	19,867
Dividends paid	(479,585)	(591,780)
Net cash provided by (used in) financing	(809,006)	(587,744)
Effect of exchange rate changes on cash and cash equivalents	140	(1,520)
Increase (decrease) in cash and cash equivalents	482,951	306,472
Cash and cash equivalents at start of fiscal year	5,626,439	7,125,584
Cash and cash equivalents at end of quarter	6,109,390	7,432,056

(4) Notes on Consolidated Financial Statements

Notes on Going Concern Assumptions

None to report.

Notes on Significant Changes to Shareholders' Equity

None to report.

Segment Information
I. 1st Half of 2015 (Jan. 1 – Jun. 30, 2015)
Information about Net Sales, Income and Losses for Each Segment

(Unit: Thousand yen)

	Consulting	Logistics	Others(1)	Total	Adjustment(2)	Amount listed in consolidated statement of income(3)
Net sales						
Sales to external customers	5,952,806	758,829	162,054	6,873,690	19,606	6,893,296
Inter-segment sales and transfers	39,789	117,100	11,233	168,122	(168,122)	-
Total	5,992,595	875,930	173,287	7,041,813	(148,516)	6,893,296
Segment income (loss)	1,787,604	47,068	(24,656)	1,810,016	79,705	1,889,722

Notes
1. The "others" category includes income from IT and contact center consulting businesses.
2. Adjustments of segment income/losses 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 fees, consulting fees, and rental income from group companies, and whole-group expenses are comprised of those incurred in the operations of the group's holding company not attributable to any segment.
3. Income/losses are adjusted against operating income in the consolidated statement of income.

II. 1st Half of 2016 (Jan. 1 – Jun. 30, 2016)
1. Information about Net Sales, Income and Losses for Each Segment

(Unit: Thousand yen)

	Consulting	Logistics	Others(1)	Total	Adjustment(2)	Amount listed in consolidated statement of income(3)
Net sales						
Sales to external customers	6,558,974	841,484	252,071	7,652,530	12,431	7,664,962
Inter-segment sales and transfers	39,861	120,157	3,969	163,988	(163,988)	-
Total	6,598,836	961,642	256,041	7,816,519	(151,557)	7,664,962
Segment income (loss)	1,849,093	60,693	(6,460)	1,903,326	3,959	1,907,285

Notes
1. The "others" category includes income from IT and contact center consulting businesses.
2. Adjustments of segment income/losses 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 fees, consulting fees, and rental income from group companies, and whole-group expenses are comprised of those incurred in the operations of the group's holding company not attributable to any segment.
3. Income/losses are adjusted against operating income in the consolidated statement of income.

2. Changes in Report Segments

Starting in the first quarter, we have initiated a review of the Board of Directors' methods of managing consolidated business, beginning with the sale of major rental properties. As such, income from real estate rentals, which were previously listed under "others," will henceforth be listed under "adjustments," which do not belong to any segment subject to reporting requirements.

Furthermore, segment information for the six months ending Jun. 30, 2015 has been recompiled using the new segments for reference purposes.

Subsequent Events

Purchase of Treasury Stock

On August 5, 2016, the Funai Soken Holdings Board of Directors voted to acquire treasury stock as follows in accordance with Article 156 of the Companies Act as read in accordance with Article 165 Paragraph 3.

1. Reason for acquisition of shares:	To allow for more dynamic implementation of capital policies in response to changes in the business environment.
2. Class of shares to be acquired:	Common shares
3. No. of shares to be acquired:	Max. 400,000
4. Total amount to be spent on acquiring shares:	Max. 500 million yen
5. Acquisition period:	August 8 to December 30, 2016
6. Method of acquisition:	Purchase on the Tokyo Stock Exchange

4. Supplementary Information

(1) Orders and Sales

1) Orders

Orders won by each operating segment in the first half of the year are as follows.

Segment	Orders received (unit: 1,000 yen)	Change from same period last year (%)	Orders outstanding (unit: 1,000 yen)	Change from same period last year (%)
Consulting	6,070,327	+2.2	6,014,425	+7.2
Logistics	38,287	(38.4)	24,249	(16.4)
Other businesses	271,653	+25.7	130,374	+40.7

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 first half of the year are as follows.

Segment	Sales (unit: 1,000 yen)	Change from same period last year (%)
Consulting	6,558,974	+10.2
Logistics	841,484	+10.9
Other businesses	252,071	+55.5
Total	7,652,530	+11.3

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.