Non-Audited

Consolidated Financial Results for the Fiscal Year Ended December 31, 2018
(January 1, 2018 – December 31, 2018)

February 6, 2019

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

General meeting of shareholders: March 23, 2019
Scheduled date of dividend payment: March 25, 2019
Scheduled date of Annual Securities Report filing: March 25, 2019
Supplementary notes to financial statements: $\boxed{\text{Yes}}$ / No
Conference held for institutional investors and analysts to explain financial results: $\boxed{\text{Yes}}$ / No

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

1. Consolidated Financial Results (January 1, 2018 – December 31, 2018)

(1) Consolidated Results of Operations (Percentages represent year-on-year change)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent company	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended Dec. 31, 2018	21,697	16.1	4,946	6.8	5,008	7.0	3,549	10.7
Year ended Dec. 31, 2017	18,685	13.7	4,631	20.0	4,681	21.1	3,206	25.3

NB: Comprehensive income: December 31, 2018: 3,315 million yen, (2.5%); December 31, 2017: 3,399 million yen, 33.1%

	Earnings per share (basic)	Earnings 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, 2018	69.95	69.20	16.4	19.1	22.8
Year ended Dec. 31, 2017	63.37	62.62	15.9	19.3	24.8

Reference: Equity method investment income (Million yen) December 31, 2018: - December 31, 2017: -

NB: Common shares in Funai Soken Holdings were split at a ratio of 1.5-for-1 on January 1, 2018. For the purposes hereof, earnings per share (basic) and earnings per share (diluted) are shown based on the assumption that the stock split was made at the start of the previous consolidated fiscal year.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
Year ended Dec. 31, 2018	26,821	22,370	81.9	435.56
Year ended Dec. 31, 2017	25,650	21,624	83.3	421.29

Reference: Shareholders' equity: December 31, 2018: 21,968 million yen; December 31, 2017: 21,355 million yen

NB: Common shares in Funai Soken Holdings were split at a ratio of 1.5-for-1 on January 1, 2018. For the purposes hereof, net assets per share are shown based on the assumption that the stock split was made at the start of the previous consolidated fiscal year.

(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, 2018	3,554	(222)	(2,762)	11,022
Year ended Dec. 31, 2017	3,950	(982)	(1,176)	10,455

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, 2017	–	15.00	–	30.00	45.00	1,520	47.3	7.5
Year ended Dec. 31, 2018	–	15.00	–	20.00	35.00	1,771	50.0	8.2
Forecast for year ending Dec. 31, 2019	–	17.00	–	23.00	40.00		54.5	

NB: 1. Common shares in Funai Soken Holdings were split at a ratio of 1.5-for-1 on January 1, 2018. The annual dividends for FY2017 shown herein are pre-split figures. When the share split is taken into account, annual dividend per share was 30.00 yen in 2017.

2. Breakdown of year-end dividend for the year ended December 31, 2018: Common share dividend of 18.00 yen, extraordinary dividend of 2.00 yen. The extraordinary dividend reflects having recorded extraordinary income for the year ended December 31, 2018.
We also plan to distribute a bonus dividend to commemorate our 50th anniversary.
Breakdown of year-end dividend forecast for the year ending December 31, 2019: Common share dividend of 20.00 yen, 50th anniversary bonus dividend of 3.00 yen.

3. Forecast Consolidated Financial Results for the Year (January 1 – December 31, 2019)

(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		Earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	11,200	12.2	2,800	11.9	2,800	10.3	1,900	11.2	37.67
Full year	23,500	8.3	5,400	9.2	5,400	7.8	3,700	4.2	73.36

Remarks

(1) Changes in material subsidiaries during the fiscal year (changes in scope of consolidation): None
New – Co. (Company name) , Exception – Co. (Company name)

(2) Changes in accounting policies; changes in accounting estimates; re-statement due to amendments
1) Changes in accounting policies caused by revision of accounting standards: None
2) Other changes in accounting policies: 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)	FY2018	53,000,000	FY2017	53,250,000
2) Number of treasury shares at end of year	FY2018	2,562,581	FY2017	2,558,760
3) Average number of shares during year	FY2018	50,740,880	FY2017	50,601,054

NB: Common shares in Funai Soken Holdings were split at a ratio of 1.5-for-1 on January 1, 2018. For the purposes hereof, the number of issued common shares is shown based on the assumption that the stock split was made at the start of the previous consolidated fiscal year.

NB: 1. This financial summary is excluded from the scope of the audit conducted by the certified public accountant or auditing firm.

2. 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 “Outlook for FY2019” on page 6 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

(1) This Fiscal Year's Results

The Japanese economy continued on a recovery trend during the consolidated fiscal year thanks to continued improvements in employment and wage conditions driven by the government's economic and monetary policies. However, there remained a lack of transparency due to political developments in the US and Europe causing uncertainty in overseas economic conditions, the impact of fluctuations on financial markets, and the economic impact of continuing natural disasters.
Amid such an operating environment, our Group continued our focus on dynamic recruiting activities as part of the human resource strategy outlined in our mid-range business plan.
As a result, Group earnings for the consolidated fiscal year under review were net sales of 21,697 million yen, up 16.1% year-on-year, operating income of 4,946 million yen, up 6.8% YoY, ordinary income of 5,008 million yen, up 7.0% YoY, and net income attributable to owners of the parent company of 3,549 million yen, up 10.7% YoY. These results represent record high earnings for our Group.

Net sales rose 16.1% year-on-year to 21,697 million yen. Membership numbers for business and theme-specific management workshops increased thanks to enhancements of business model and member service. We also saw a significant increase in web ad agent services for the consulting business and service accounts for the direct recruiting business.

Operating income rose 6.8% year-on-year to 4,946 million yen. Although the cost of sales increased due to growth in web ad agent services and the direct recruiting business, our mainstay consulting business was successful in optimizing sales activities and recorded higher revenues, making firm contributions to operating income.

Ordinary income rose 7.0% year-on-year to 5,008 million yen. Non-operating income was 121 million yen, compared to 103 million yen the previous consolidated fiscal year, due to recording refunded consumption taxes and other factors. Non-operating expenses were 58 million yen compared to 54 million yen the previous consolidated fiscal year.

Net income attributable to owners of the parent company rose 10.7% year-on-year to 3,549 million yen. We recorded 319 million yen as extraordinary income from the gain of sales of investment securities and total income taxes, etc., were 1,767 million yen compared to 1,480 million yen the previous consolidated fiscal year.

Segment-Specific Performance

Consolidated performance for each business segment is outlined below.
During the first quarter, we established HR Force, which operates a direct recruiting business, and included this company within the scope of consolidation. As a result, in place of "Direct recruiting-related business" previously included under "Consulting business", we established "Direct recruiting business" as a new business segment and include it in "Other". Shinwa Computer Services Co., Ltd., which operates the "System development business" is a company we acquired and newly included in the scope of consolidation in the second quarter. This company is included in "Other". In the third quarter, we conducted a split and absorption that resulting in transferring the "logistics consulting services" business of our subsidiary Funai Consulting, Inc. to Funai Soken Logistics, Inc., also a subsidiary. Details are as indicated under "4. Consolidated Financial Statements and Notes, Segment Information".

I. Consulting

Consulting net sales rose over the previous year. Major factors include the establishment of solutions in the housing and real estate industries—an area of particular strength of our consulting business—to help SME clients boost performance and ongoing growth in projects with mid-size and larger corporate clients.

Elsewhere, for the healthcare, nursing care, and welfare industries, as well as the certified professional services industry, an increase in the participating membership of management workshops led to a favorable increase in net sales.

Looking at solution-category-specific results, existing growth support services and workforce development consulting both achieved favorable growth. As a result, net sales rose 11.9% year-on-year to 17,099 million yen, and operating income rose 8.5% year-on-year to 4,559 million yen.

II. Logistics

The logistics business saw a favorable growth in the mainstay logistics operations business on strong orders from existing and new customers. During the third quarter, we transferred the logistics consulting services of Funai Consulting, Inc. to Funai Soken Logistics, Inc. via a split and absorption. This generated synergy that resulted in favorable performance. Income increased on higher sales of logistics consulting services, which is a relatively highly profitable business. Consequently, net sales rose 12.1% year-on-year to 2,452 million yen, and operating income rose 18.5% year-on-year to 256 million yen.

III. Other Businesses

Among other businesses, the contact center business was unable to secure sufficient net sales but the IT consulting business continued to capture multiple large-scale contracts for system consulting services. In the second quarter we changed “IT-related sectors” to “IT consulting business” to better represent the business segment name. This change is only a name change and has no impact on segment information.

The direct recruiting business conducted by HR Force, which we newly established in the first quarter, saw favorable net sales growth on increase accounts for recruitment ad agent services.

As a result of the above and because we added earnings from Shinwa Computer Services Co., Ltd., a systems development company that was newly added to the scope of consolidation in the second quarter, to “Other businesses” from the third quarter, net sales rose 77.2% year-on-year to 2,121 million yen, and operating income decreased 33.4% year-on-year to 48 million yen.

(2) This Fiscal Year's Financial Position

Assets

Total assets increased 1,170 million yen year-on-year to 26,821 million yen at the end of FY2018.
Current assets increased 892 million yen year-on-year to 14,696 million yen. This was mainly due to increases in cash and deposits, trade notes and accounts receivable.
Noncurrent assets increased 278 million yen year-on-year to 12,125 million yen. This was mainly due to decreases in property, plant, and equipment, and intangible assets as a result of depreciation, and an increase in investment of surpluses in investment securities.

Liabilities

Total liabilities increased 424 million yen year-on-year to 4,450 million yen at the end of FY2018.
Current liabilities increased 602 million yen year-on-year to 3,675 million yen. This was mainly due to increases in income taxes payable and other accounts payable (listed under "other current liabilities").
Noncurrent liabilities decreased 177 million yen year-on-year to 775 million yen. This was mainly due to an increase in deferred tax liabilities.

Net Assets

Total net assets increased 746 million yen year-on-year to 22,370 million yen at the end of FY2018. This was mainly due to an increase in net income attributable to owners of the parent company and a decrease in retained earnings as these were appropriated.

As a result, the shareholders' equity ratio decreased 1.4% to 81.9%.

(3) This Fiscal Year's Cash Flow Position

Cash and cash equivalents increased 566 million yen year-on-year to 11,022 million yen at the end of FY2018. Trends in cash flow by activity are described below.

Net Cash Provided by Operations

Net cash provided by operations totaled 3,554 million yen compared to 3,950 million yen in the previous fiscal year. This was mainly due to income before income taxes and other adjustments of 5,317 million yen; an increase in accounts receivable of 437 million yen, 1,682 million yen in income taxes paid, and 333 million yen in income tax refunds.

Net Cash Provided by Investments

Net cash used in investments totaled 222 million yen compared to 982 million yen in the previous fiscal year. This is mainly due to expenditures of 224 million yen for the purchase of tangible and intangible fixed assets.

Net Cash Provided by Financing

Net cash used in financing totaled 2,762 million yen compared to 1,176 million yen in the previous fiscal year. This was mainly due to a net expenditure of 975 million yen on the sale and acquisition of treasury shares and 1,771 million yen distributed as dividends.

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

	FY12/14	FY12/15	FY12/16	FY12/17	FY12/18
Shareholder's equity ratio	81.1	81.3	83.5	83.3	81.9
Shareholders' equity ratio based on market price	137.0	263.2	270.2	498.8	308.8
Interest-bearing debt to cash flow ratio	0.2	0.3	0.2	0.2	0.2
Interest coverage ratio	250.7	326.3	355.8	717.7	645.9

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 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 and long-term loans payable, bonds payable, and the current portion of bond 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.

(4) Outlook for FY2019

Two years have elapsed since we created our new mid-range business plan (2017-2019), which covers the three-year period from FY2017 to FY2019. In the initial year of the plan, group earnings significantly exceeded target figures. As such, we have conducted an upward revision of plan figures. We will work wholeheartedly towards achieving the plan figures outlined for FY2019, the final fiscal year of this mid-range business plan.
During FY2019, we will reform our organization into a new structure that combines service and solution categories as we aim to further increase our corporate value as a comprehensive provider of management consulting solutions.
In the consulting business, we identify IT-based solutions, digital solutions, and cloud-based solutions as priorities in our business strategy and will aim to further stabilize digitalization support services. To strengthen our web marketing services, we will organize various tools, including renovating our official website and each category website, as we continue to promote IT-based consulting services.
In the logistics business, we transferred the logistics consulting operations of Funai Consulting, Inc. to Funai Soken Logistics, Inc. via a split and absorption. In addition to strengthening our logistics consulting services, as a new logistics venture business we will aim to become a comprehensive provider of logistics engineering solutions.
Among other businesses, in the direct recruiting business we completed the construction of an AI-based system that enables us to propose cost-effective hiring solutions. Through this new service, we will aim to capture new contracts.
Based on the above, our full-year consolidated earnings forecast is net sales of 23,500 million yen, operating income of 5,400 million yen, ordinary income of 5,400 million yen, and net income attributable to owners of parent of 3,700 million yen.

(5) Basic Policy on Profit Distribution and Dividends for the Current and Next Fiscal Years

Together with strengthening our financial structure and operating platform, we view appropriate profit returns to shareholders as one of our highest priority management issues. We will continue to evaluate performance and implement a policy of shareholder returns that focuses on both "dividend-based returns" and "returns in the form of treasury shares buy-back". Our basic policy is to aim for sustainable increases in total dividends with a goal dividend payout ratio of 50% or more.
Our approach to internal retention is to enhance shareholders' equity while maintaining a balance between securing the capital necessary to conduct long-term growth investments that contribute to corporate value while also ensuring a financial structure that enables dynamic capital strategy.
In accordance with this policy, for the current fiscal year (FY2018), we are planning on a year-end dividend of 20 yen per share, which is comprised of a common share dividend of 18 yen per share and, as outlined in the "Notice on revisions to our dividend forecast (special dividend)" released on December 11, 2 yen per share as a special dividend (planned dividend payment date is March 25, 2019). Combined with the interim dividend of 15 yen, this represents a full-year dividend of 35 yen per share.
As the dividend amount for the next fiscal year (FY2019), we are planning on an interim dividend of 17 yen per share, a year-end dividend of 23 yen per share, which is comprised of a common share dividend of 20 yen per share and a 50th anniversary bonus dividend of 3 yen per share (total full-year dividend of 40 yen per share).

◎Per-share dividends

	Interim	End of year	Full-year
FY2018	15 yen	20 yen (Common dividend: 18 yen) (Special dividend: 2 yen)	35 yen (Common dividend: 33 yen) (Special dividend: 2 yen)
FY2019 forecast	17 yen	23 yen (Common dividend: 20 yen) (Special dividend: 3 yen)	40 yen (Common dividend: 37 yen) (Special dividend: 3 yen)

2. The Funai Consulting Group

The group is comprised of Funai Soken Holdings and eight subsidiaries. Our core business is management consulting, and we also offer logistics and other services relating to those operations.
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 purchasing.
Group companies involved in this segment: Funai Soken Logistics, Inc.

Other Businesses

Other businesses include the IT consulting business conducted by Funai Soken IT Solutions, Inc., the contact center consulting business conducted by Proseed Corporation, the direct recruiting business conducted by HR Force Inc., and the system development business conducted by Shinwa Computer Services Co., Ltd.
Group companies involved in this segment: Funai Soken IT Solutions, Inc., Proseed Corporation
HR Force Inc., Shinwa Computer Services, Co., Ltd.

3. Basic Approach to Selection of Financial Accounting Standards

The Funai Soken Consulting Group's consolidated financial statements are prepared in accordance with Japanese financial reporting standards to provide for easier comparison of performance from year to year and company to company.
Regarding whether or not to apply international financial reporting standards, we will continue to monitor the situation and act in accordance with Japanese trends regarding such accounting standards.

4. Consolidated Financial Statements and Notes

(1) Consolidated Balance Sheet

(Unit: Thousand yen)

	FY12/17 (As of Dec. 31, 2017)	FY12/18 (As of Dec. 31, 2018)
Assets		
Current assets		
Cash and deposits	10,555,676	11,022,585
Trade notes and accounts receivable	1,917,843	2,393,699
Short-term investment securities	501,314	301,784
Work in process	81,827	113,784
Raw materials and supplies	9,482	7,053
Other current assets	775,440	892,852
Allowance for doubtful accounts	(37,318)	(35,443)
Total current assets	13,804,266	14,696,317
Noncurrent assets		
Property, plant, and equipment		
Buildings and structures, net	1,318,306	1,270,842
Land	4,602,643	4,602,643
Lease assets, net	42,362	30,944
Other property, plant, and equipment, net	103,875	119,570
Total property, plant, and equipment	6,067,188	6,024,001
Intangible assets		
Leasehold rights	322,400	322,400
Software	239,792	280,596
Other intangible assets	130,702	191,732
Total intangible assets	692,895	794,730
Investments and other assets		
Investment securities	4,254,659	4,451,647
Assets related to retirement benefits	532,414	480,131
Other investments and other assets	310,121	383,079
Allowance for doubtful accounts	(10,985)	(8,408)
Total investments and other assets	5,086,210	5,306,448
Total noncurrent assets	11,846,294	12,125,180
Total assets	25,650,560	26,821,497

(Unit: Thousand yen)

	FY12/17 (As of Dec. 31, 2017)	FY12/18 (As of Dec. 31, 2018)
Liabilities		
Current liabilities		
Trade notes and accounts payable	285,619	331,448
Current portion of long-term loans payable	–	100,000
Lease obligations	14,225	13,691
Income taxes payable	945,076	1,033,185
Other current liabilities	1,827,724	2,196,932
Total current liabilities	3,072,646	3,675,257
Noncurrent liabilities		
Bonds payable	500,000	500,000
Long-term loans payable	100,000	–
Net defined benefit liability	–	54,660
Lease obligations	31,412	19,695
Deferred tax liabilities	277,086	159,419
Other noncurrent liabilities	44,635	41,635
Total noncurrent liabilities	953,134	775,410
Total liabilities	4,025,781	4,450,667
Net Assets		
Shareholders' equity		
Capital stock	3,125,231	3,125,231
Capital surplus	2,946,634	2,946,634
Retained earnings	16,130,738	17,729,542
Treasury stock	(1,109,323)	(1,861,703)
Total shareholders' equity	21,093,281	21,939,705
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	325,172	121,786
Foreign currency translation adjustments	17,861	16,284
Accumulated adjustments for retirement benefits	(80,499)	(109,225)
Total accumulated other comprehensive income	262,533	28,845
Subscription rights for shares	268,964	402,278
Total net assets	21,624,779	22,370,829
Total liabilities and net assets	25,650,560	26,821,497

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statement of Income

(Unit: Thousand yen)

	FY12/17 (Jan. 1 – Dec. 31, 2017)	FY12/18 (Jan. 1 – Dec. 31, 2018)
Net sales	18,685,358	21,697,104
Cost of sales	11,796,817	14,042,254
Gross profit	6,888,540	7,654,850
SG&A expenses	2,256,827	2,708,744
Operating income	4,631,712	4,946,106
Non-operating income		
Interest income	7,451	9,258
Dividend income	11,143	12,696
Gain on sales of investment securities	24,777	25,934
Gain on valuation of investment securities	6,639	807
Surrender value of insurance	11,140	2,083
Insurance bonus income	27,964	31,113
Refunded consumption taxes	–	25,972
Other non-operating income	14,525	13,355
Total non-operating income	103,643	121,222
Non-operating expenses		
Interest expenses	5,515	5,515
Investment partnership management expenses	6,064	4,579
Contributions	36,000	37,000
Other non-operating expenses	6,648	11,716
Total on-operating expenses	54,229	58,811
Ordinary income	4,681,125	5,008,516
Extraordinary income		
Gain on sales of noncurrent assets	388	–
Gain on sales of investment securities	4,440	319,945
Gain on reversal of subscription rights for shares	1,432	865
Total extraordinary income	6,261	320,811
Extraordinary losses		
Loss on retirement of noncurrent assets	419	3,586
Loss on cancellation of lease contracts	112	–
Settlement package	–	8,643
Total extraordinary losses	531	12,229
Net income before income taxes and other adjustments	4,686,856	5,317,098
Current income taxes	1,498,469	1,791,048
Deferred income taxes	(18,170)	(23,506)
Total income taxes	1,480,299	1,767,541
Net income	3,206,556	3,549,556
Net income attributable to owners of the parent company	3,206,556	3,549,556

Consolidated Statement of Comprehensive Income

(Unit: Thousand yen)

	FY12/17 (Jan. 1 – Dec. 31, 2017)	FY12/18 (Jan. 1 – Dec. 31, 2018)
Net income	3,206,556	3,549,556
Other comprehensive income		
Valuation difference on available-for-sale securities	172,190	(203,386)
Foreign currency translation adjustments	1,604	(1,576)
Adjustments for retirement benefits	19,641	(28,725)
Total other comprehensive income	193,436	(233,688)
Comprehensive income	3,399,993	3,315,868
Details		
Comprehensive income attributable to owners of the parent company	3,399,993	3,315,868

(3) Consolidated Statement of Changes in Net Assets

FY12/17 (Jan. 1 – Dec. 31, 2017)

(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	14,478,158	(1,527,811)	19,022,212
Change					
Dividends from surplus			(1,212,800)		(1,212,800)
Net income attributable to owners of the parent company			3,206,556		3,206,556
Purchase of treasury stock				(12,745)	(12,745)
Disposal of treasury stock			(18,091)	108,149	90,057
Retirement of treasury stock			(323,084)	323,084	–
Net changes of items other than shareholders' equity					
Total changes of items during the fiscal year	–	–	1,652,580	418,488	2,071,068
Balance at end of current fiscal year	3,125,231	2,946,634	16,130,738	(1,109,323)	21,093,281

	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	152,982	16,256	(100,141)	69,097	181,166	19,272,477
Change						
Dividends from surplus						(1,212,800)
Net income attributable to owners of the parent company						3,206,556
Purchase of treasury stock						(12,745)
Disposal of treasury stock						90,057
Retirement of treasury stock						–
Net changes of items other than shareholders' equity	172,190	1,604	19,641	193,436	87,797	281,233
Total changes of items during the fiscal year	172,190	1,604	19,641	193,436	87,797	2,352,302
Balance at end of current fiscal year	325,172	17,861	(80,499)	262,533	268,964	21,624,779

FY12/18 (Jan. 1 – Dec. 31, 2018)

(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	16,130,738	(1,109,323)	21,093,281
Change					
Dividends from surplus			(1,776,837)		(1,776,837)
Net income attributable to owners of the parent company			3,549,556		3,549,556
Purchase of treasury stock				(1,020,612)	(1,020,612)
Disposal of treasury stock			7,702	86,615	94,318
Retirement of treasury stock			(181,617)	181,617	–
Net changes of items other than shareholders' equity					
Total changes of items during the fiscal year	–	–	1,598,804	(752,379)	846,424
Balance at end of current fiscal year	3,125,231	2,946,634	17,729,542	(1,861,703)	21,939,705

	Accumulated other comprehensive income				Subscription rights for shares	Total net assets
	Valuation difference assets 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	325,172	17,861	(80,499)	262,533	268,964	21,624,779
Change						
Dividends from surplus						(1,776,837)
Net income attributable to owners of the parent company						3,549,556
Purchase of treasury stock						(1,020,612)
Disposal of treasury stock						94,318
Retirement of treasury stock						–
Net changes of items other than shareholders' equity	(203,386)	(1,576)	(28,725)	(233,688)	133,314	(100,374)
Total changes of items during the fiscal year	(203,386)	(1,576)	(28,725)	(233,688)	133,314	746,050
Balance at end of current fiscal year	121,786	16,284	(109,225)	28,845	402,278	22,370,829

(4) Consolidated Cash Flow Statement

(Unit: Thousand yen)

	FY12/17 (Jan. 1 – Dec. 31, 2017)	FY12/18 (Jan. 1 – Dec. 31, 2018)
Net cash provided by (used in) operations		
Net income before income taxes and other adjustments	4,686,856	5,317,098
Depreciation	239,262	243,566
Amortization of goodwill	53,389	65,110
Share-based compensation expenses	119,307	183,013
Increase (decrease) in allowance for doubtful accounts	8,349	(4,451)
Decrease (increase) in assets related to retirement benefits	11,157	23,558
Increase (decrease) in net defined benefit liability	–	26,504
Loss (gain) on valuation of investment securities	(4,676)	3,705
Loss (gain) on sales of investment securities	(28,814)	(345,879)
Interest and dividend income	(18,594)	(21,955)
Surrender value of insurance	(11,140)	(2,083)
Interest expenses	5,515	5,515
Loss (gain) on exchange	(557)	1,225
Contributions	36,000	37,000
Loss (gain) on sales of property, plant, and equipment	(388)	–
Loss on retirement of property, plant, and equipment	419	968
Loss on retirement of intangible assets	–	2,618
Decrease (increase) in trade notes and accounts receivable	(38,638)	(437,314)
Decrease (increase) in other assets	(344,359)	(486,429)
Increase (decrease) in other liabilities	277,116	281,851
Other cash provided by (used in) operations	10,072	10,072
Subtotal	5,000,274	4,903,694
Interest and dividends received	34,145	42,089
Interest paid	(5,503)	(5,503)
Income taxes paid	(1,385,078)	(1,682,279)
Income tax refund	342,524	333,825
Contributions paid	(36,000)	(37,000)
Net cash provided by (used in) operations	3,950,361	3,554,826

(Unit: Thousand yen)

	FY12/17 (Jan. 1 – Dec. 31, 2017)	FY12/18 (Jan. 1 – Dec. 31, 2018)
Net cash provided by (used in) investments		
Payments into time deposits	(100,000)	–
Proceeds from withdrawal of time deposits	–	100,000
Purchase of short-term investment securities	(1,799,979)	(200,000)
Proceeds from sale of short-term investment securities	2,499,973	700,000
Purchase of investment securities	(1,448,680)	(1,208,346)
Proceeds from sale of investment securities	8,893	710,283
Purchase of property, plant, and equipment	(122,411)	(89,823)
Proceeds from sale of property, plant, and equipment	11,155	–
Purchase of intangible assets	(76,852)	(134,582)
Proceeds from cancellation of insurance funds	45,543	12,136
Purchase of subsidiary shares resulting in change in scope of consolidation	–	(112,128)
Net cash provided by (used in) investments	(982,359)	(222,461)
Net cash provided by (used in) financing		
Repayment of lease obligations	(14,225)	(15,302)
Purchase of treasury stock	(12,745)	(1,020,744)
Proceeds from sale of treasury stock	59,980	45,484
Dividends paid	(1,209,799)	(1,771,597)
Net cash provided by (used in) financing	(1,176,791)	(2,762,160)
Effect of exchange rate changes on cash and cash equivalents	1,415	(3,295)
Increase (decrease) in cash and cash equivalents	1,792,625	566,908
Cash and cash equivalents at start of fiscal year	8,663,050	10,455,676
Cash and cash equivalents at end of fiscal year	10,455,676	11,022,585

(5) Notes on Consolidated Financial Statements

Notes on Going Concern Assumptions

None to report.

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 management 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.

   During the first quarter, we established HR Force, which operates a direct recruiting business, and included this company within the scope of consolidation. As a result, in place of "Direct recruiting-related business" previously included under "Consulting business", we established "Direct recruiting business" as a new business segment and include it in "Other".

   During the second quarter, we acquired shares in Shinwa Computer Services Co., Ltd. and included the company in the scope of consolidation. As a result, we added "System development business" as a new reporting segment and include it in "Other". Also, during the second quarter we changed "IT-related sectors", which is included in "Other", to "IT consulting business" to better represent the business segment name. This change is only a name change and has no impact on segment information.

   In the third quarter, we conducted a split and absorption that resulted in transferring the "logistics consulting services" business of our subsidiary Funai Consulting, Inc. to Funai Soken Logistics, Inc., also a subsidiary. As a result, "logistics consulting services", which previously was reported under "consulting business", is now reported under "logistics business".

   Furthermore, segment information for the previous consolidated fiscal year is disclosed based on the revised reporting segments.

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

   The accounting treatments for the reported segments are largely the same as the accounting treatments used when creating the 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. Other information about net sales, income/losses, assets, and other accounts for each segment

FY12/17 (Jan. 1 – Dec. 31, 2017)

(Unit: Thousand yen)

	Consulting	Logistics	Others(1)	Total	Adjustment(2)	Amount listed in consolidated financial statements(3)
Net sales						
Sales to external customers	15,275,952	2,188,033	1,197,564	18,661,550	23,807	18,685,358
Inter-segment sales and transfers	87,470	161,955	12,014	261,441	(261,441)	–
Total	15,363,423	2,349,988	1,209,579	18,922,991	(237,633)	18,685,358
Segment income	4,201,369	216,172	72,950	4,490,492	141,219	4,631,712
Segment assets	12,961,663	704,509	462,357	14,128,530	11,522,030	25,650,560
Others						
Depreciation	69,445	1,558	1,105	72,109	167,152	239,262
Amortization of goodwill	–	9,996	43,393	53,389	–	53,389
Change in property, plant, equipment, and intangible assets	48,107	1,380	275	49,763	208,353	258,117

Notes:

1. The “others” category includes income from IT consulting, contact center consulting and direct recruiting 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 revenues are comprised of outsourcing and consulting fees from group companies, property rental income 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.
   (4) The adjustment to depreciation expenses includes elimination of inter-segment transactions and depreciation expenses for whole-group assets not allocated to each reporting segment.
3. Segment income is adjusted against operating income in the consolidated financial statements.

FY12/18 (Jan. 1 – Dec. 31, 2018)

(Unit: Thousand yen)

	Consulting	Logistics	Others(1)	Total	Adjustment(2)	Amount listed in consolidated financial statements(3)
Net sales						
Sales to external customers	17,099,170	2,452,580	2,121,691	21,673,442	23,662	21,697,104
Inter-segment sales and transfers	191,826	238,860	27,400	458,087	(458,087)	–
Total	17,290,996	2,691,441	2,149,091	22,131,530	(434,425)	21,697,104
Segment income	4,559,258	256,143	48,613	4,864,015	82,090	4,946,106
Segment assets	13,956,283	893,623	1,068,232	15,918,139	10,903,357	26,821,497
Others						
Depreciation	53,725	268	7,023	61,017	182,548	243,566
Amortization of goodwill	–	9,996	55,114	65,110	–	65,110
Change in property, plant, equipment, and intangible assets	57,412	7,670	170,758	235,841	131,041	366,883

Notes:

1. The “others” category includes income from IT consulting, contact center consulting, direct recruiting and the system development business.
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 revenues are comprised of outsourcing and consulting fees from group companies, property rental income 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.
   (4) The adjustment to depreciation expenses includes elimination of inter-segment transactions and depreciation expenses for whole-group assets not allocated to each reporting segment.
3. Segment income is adjusted against operating income in the consolidated financial statements.

Per-share Information

	FY12/17 (Jan. 1 – Dec. 31, 2017)	FY12/18 (Jan. 1 – Dec. 31, 2018)
Net assets per share	421.29 yen	435.56 yen
Earnings per share (basic)	63.37 yen	69.95 yen
Earnings per share (diluted)	62.62 yen	69.20 yen

Notes:

1. Common shares in Funai Soken Holdings were split at a ratio of 1.5-for-1 on January 1, 2018. For the purposes hereof, net assets per share, earnings per share (basic), and earnings per share (diluted) are shown based on the assumption that the stock split was made at the start of the previous consolidated fiscal year.
2. The basis for calculation of basic and diluted earnings per share is as follows.

	FY12/17 (Jan. 1 – Dec. 31, 2017)	FY12/18 (Jan. 1 – Dec. 31, 2018)
Earnings per share (basic)		
Net income attributable to owners of the parent company	3,206,556,000 yen	3,549,556,000 yen
Amount not attributable to common shareholders	–	–
Net income attributable to owners of parent relevant to common shares	3,206,556,000 yen	3,549,556,000 yen
Average number of common shares outstanding during the fiscal year	50,601,054	50,740,880
Earnings per share (diluted)		
Adjusted net income attributable to owners of the parent company	–	–
Increase in common shares	601,536	551,150
(Portion of increase made up of subscription rights)	(601,536)	(551,150)
Summary of non-dilutive stock equivalents not used in calculation of earnings per share (diluted)	–	

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

	FY12/17 (As of Dec. 31, 2017)	FY12/18 (As of Dec. 31, 2018)
Total net assets on consolidated balance sheets	21,624,779,000 yen	22,370,829,000 yen
Deductions from total net assets	268,964,000 yen	402,278,000 yen
(Portion of increase made up of subscription rights)	(268,964,000 yen)	(402,278,000 yen)
Net assets attributable to common shareholders	21,355,815,000 yen	21,968,551,000 yen
Number of common shares used in calculation of net assets per share at end of year	50,691,240	50,437,419

5. Other Information

(1) Orders and Sales

1) Orders

Orders won by each operating segment in this consolidated fiscal year are as follows.

(Unit: Thousand yen)

Segment	FY12/17 (Jan. 1 – Dec. 31, 2017)		FY12/18 (Jan. 1 – Dec. 31, 2018)	
	Orders received	Orders outstanding	Orders received	Orders outstanding
Consulting	12,656,435	5,380,620	13,816,638	6,462,351
Logistics	618,131	174,750	693,381	231,890
Other businesses	540,071	65,448	520,997	63,703

Notes:

1. Consulting orders above include only consulting revenues; membership fees and seminar fees are excluded as they are ongoing income.
2. Logistics revenues include only that earned from logistics consulting activities. Furthermore, as we transferred the logistics consulting business, which previously fell under the consulting business, the above comparison is based on figures adjusted retroactively.
3. Other revenues include 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	FY12/17 (Jan. 1 – Dec. 31, 2017)		FY12/18 (Jan. 1 – Dec. 31, 2018)	
	Amount	% of total	Amount	% of total
Consulting	15,275,952	81.9%	17,099,170	78.9%
Logistics	2,188,033	11.7%	2,452,580	11.3%
Other businesses	1,197,564	6.4%	2,121,691	9.8%
Total	18,661,550	100.0%	21,673,442	100.0%

Notes:

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

(2) Changes in Directors and Officers

(scheduled to take effect on March 23, 2019)

1) Legal representatives

None to report.

2) Other directors and officers

Directors scheduled for promotion

Name	New title	Previous title
Tatsuro Ono	Director and Executive Vice President	Director and Senior Vice President

List of Directors, Auditors, and Executive Officers

Funai Soken Holdings, Inc. (scheduled to take effect on March 23, 2019)

Name	Title	Position
Sakae Takashima	President	Group CEO
Tatsuro Ono	Director and Executive Vice President	Head of Business Management Divisional Headquarters
Takahisa Okumura	Director and Senior Vice President	Head of Management Administration Divisional Headquarters
Nobuyuki Isagawa	Independent Director	
Masahiro Hyakumura	Director and standing member of the Audit and Supervisory Committee	
Atsushi Nakao	Independent Director and member of the Audit and Supervisory Committee	
Akihiro Kobayashi	Independent Director and member of the Audit and Supervisory Committee	
Akira Hamaguchi	Executive Officer	Head of General Affairs Department
Masaru Sumitomo	Executive Officer	Head of Human Resources Development Department
Tomoaki Mizoue	Executive Officer	Head of Information Systems Department

Funai Consulting, Inc. (scheduled to take effect on March 22, 2019)

Name	Title	Position
Takayuki Nakatani	President & CEO	
Daisuke Shingai	Director and Executive Officer	Head of Consulting Operations Divisional Headquarters
Kyohei Deguchi	Director and Executive Officer	Deputy Head of Consulting Operations Divisional Headquarters
Yoshihito Sugahara	Director and Executive Officer (promoted)	Head of Administration Divisional Headquarters
Masahiro Hyakumura	Auditor	
Isao Kikuchi	Executive Officer	Head of Manufacturing & Energy Consulting Department
Akira Hamaguchi	Executive Officer	Head of Administration Department
Satoshi Oka	Executive Officer	Second Deputy Head of Consulting Operations Divisional Headquarters
Noboru Sugiura	Executive Officer	Head of Housing & Real Estate Consulting Divisional Headquarters
Katsuya Kohira	Executive Officer	Head of Service & Entertainment Consulting Divisional Headquarters
Akiyo Koike	Executive Officer	Head of HRD Consulting Divisional Headquarters