Non-Audited

Consolidated Financial Results for the First Half of the Fiscal Year Ending December 31, 2018 (January 1, 2018 – June 30, 2018)

August 3, 2018

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	
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Scheduled date of payment of dividend: August 28, 2018
Scheduled date of filing quarterly report: August 10, 2018
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, 2018 – June 30, 2018)

(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, 2018	9,984	10.1	2,501	(8.3)	2,538	(8.2)	1,708	(9.5)
Jun. 30, 2017	9,068	18.3	2,729	43.1	2,766	43.9	1,888	42.3

NB: Comprehensive income: 1,798 million yen (down 10.0%) in the six months ending Jun. 30, 2018
1,997 million yen (up 53.9%) in the six months ending Jun. 30, 2017

	Earnings per share (basic)	Earnings per share (diluted)
Six months ending	Yen	Yen
Jun. 30, 2018	33.66	33.33
Jun. 30, 2017	37.37	36.96

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) for FY2017 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, 2018	26,544	22,485	83.6
As of Dec. 31, 2017	25,650	21,624	83.3

NB: Shareholders' equity: 22,193 million yen as of Jun. 30, 2018
21,355 million yen as of Dec. 31, 2017

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year end	Total
	Yen	Yen	Yen	Yen	Yen
Year ending Dec. 31, 2017	-	15.00	-	30.00	45.00
Year ending Dec. 31, 2018	-	15.00			
FY2018 forecast			-	18.00	33.00

NB: * Amendments to dividend numbers compared to most recently announced figures? None
* Common shares in Funai Soken Holdings were split at a ratio of 1.5-for-1 on January 1, 2018. The annual dividend for FY2017 shown herein is the pre-split figure. When the share split is taken into account, annual dividend per share was 30.00 in FY2017.

3. Forecast Consolidated Financial Results for the Year (January 1, 2018 – December 31, 2018)

(Percentages represent year-on-year change)

	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
Full year	21,000	12.4	4,900	5.8	4,900	4.7	3,350	4.5	66.09

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

* 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 consolidated earnings per share forecast is calculated based on the post-split number of outstanding shares (excluding treasury stock).

Remarks

(1) Changes in consolidated subsidiaries in 1Q and 2Q: 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: None
  2) Other changes in accounting policies: None
  3) Changes in accounting estimates: None
  4) Re-statement of amendments: None
(4) Number of issued shares (common stock)

1) Number of shares issued at end of six-month period (incl. treasury stock)	Jun. 30, 2018	53,250,000	Dec. 31, 2017	53,250,000
2) Number of treasury shares at end of six-month period	Jun. 30, 2018	2,382,473	Dec. 31, 2017	2,558,760
3) Average number of shares during six-month period (cumulative total)	Jun. 30, 2018	50,766,412	Jun. 30, 2017	50,536,440

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 outstanding common shares in FY2017 is shown based on post-split assumptions.

* This financial summary is excluded from quarterly review by a CPA or auditing company.

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, 2018

(1) Results of Operations

The Japanese economy continued its mild paced recovery through the second quarter of FY2018, in part owing to the effectiveness of various government policies, while the climate improved with respect to employment and income. However, the outlook for the economy holds some concerns with respect to trade policies of the United States and trends in the financing and capital markets for their impact on the global economy.

For out part, we at the Funai Soken Consulting Group have continued our aggressive hiring activities according to the human resources strategy set forth in our Mid-Range Business Plan. In addition, we have continued with our investments in IT, focusing mainly on the development of IT and Cloud solutions that will enhance our digitalization support services, which are one of the group's core business strategies.

As a result, net sales were 9,984 million yen in the first half of the year (up 10.1% over the same period of the preceding year), operating income was 2,501 million yen (down 8.3%), ordinary income was 2,538 million yen (down 8.2%), and net income attributable to owners of the parent company was 1,708 million yen (down 9.5%).

I. Net sales: 9,984 million yen (up 10.1% over the same period of the preceding year)

While monthly support consulting services, which represent 70% of net sales in our core consulting segment, experienced a slight increase over the same period in the preceding year, a more prominent increase occurred in membership subscriptions, boosted by a rise in membership of industry-specific and solution-category-specific management workshops as well as additional services for members. Moreover, HR Force, Inc., newly established during the first quarter of FY2018, successfully increased net sales in its direct recruiting business operations.

Consequently, sales rose 10.1% over the same period of the previous year to 9,984 million yen.

II. Operating income: 2,501 million yen (down 8.3% from the same period of the preceding year)

The greater growth of online advertisement agency services and direct recruiting operations, which have comparatively low income margins, over higher-profit-margin services like monthly support and project-based consulting led to an increase in cost of sales. Aggressive hiring activities contributed to an increase in personnel and hiring expenses, such that cost of sales rose to 6,191 million yen, up from 5,246 million yen in the same period of the preceding year, while SG&A expenses were 1,291 million yen, up from 1,093 million yen in the same period of the preceding year.

Consequently, operating income decreased 8.3% from the same period of the preceding year to 2,501 million yen.

III. Ordinary income: 2,538 million yen (down 8.2% from the same period of the preceding year)

Gains on sales of investment securities acquired by investing surplus funds provided non-operating income of 48 million yen, compared with 48 million yen in same period of the preceding year, while non-operating expenses were 11 million yen, compared with 11 million yen in same period of the preceding year.

Consequently, ordinary income decreased 8.2% from the same period of the preceding year to 2,538 million yen.

IV. Net income attributable to owners of the parent company: 1,708 million yen (down 9.5% from the same period of the preceding year)

Income taxes totaled 837 million yen, up from 878 million yen in the same period of the preceding year, and net income attributable to owners of the parent company was 1,708 million yen, down 9.5% from the same period in the preceding year.

Segment-Specific Performance

The performance of each business segment is outlined below.

During the first quarter of FY2018, we established a new company, HR Force, Inc., to conduct direct recruiting services; the new company is included in the financial consolidation. Thus, for direct recruiting services, which were previously included in accounts under "consulting," a new "direct recruiting" segment has been added and is now included under "other businesses."

See the Segment Information section of the consolidated financial statements and notes for more details.

I. Consulting

Performance in our principal sectors—housing and real estate; healthcare, nursing care and welfare; and certified professional services—was up over the same period of the preceding year, and net sales tracked at a solid pace. The revision of medical fees instituted by the Ministry of Labor, Health and Welfare in December 2017 triggered a large number of cases of clients seeking advice. Consequently, seminars and management workshops enjoyed favorable turnout, and resulted in growth of 20% over the same period of the preceding year. Consulting for clients in the education, childcare, and schools segment, moreover, saw an increase in projects concerning childcare operations led by businesses aimed at countering the lingering problem of wait-listed children. As a result, business performance in this segment increased considerably over the same period of the preceding year.

Conversely, factors for decreasing revenues were evident among sectors with fewer offers suited to current trends for improving business performance.

Profits were affected by enhanced online advertisement activities and an increase in employee headcount resulting from aggressive hiring activities.

Consequently, sales rose 6.7% over the same period of the preceding year to 8,135 million yen, and operating income decreased 7.2% from the same period of the preceding year to 2,323 million yen.

II. Logistics

A steady increase in orders from existing and new clientele logistics operations services and a rise in unit prices resulted in net sales trending steadily. However, although we achieved our planned net sales target, a decrease in projects with relatively high profitability compared to the same period of the preceding year, combined with increased personnel costs, led to a decline in operating income.

Consequently, sales rose 11.4% over the same period of the preceding year to 984 million yen, and operating income decreased 37.3% from the same period of the preceding year to 68 million yen.

III. Other Businesses

Although we reached the net sales target under our initial performance plan for contact center consulting, net sales were still down in this half of the year compared with the same period of the previous year because the rush of orders received last year for training projects aimed at helping trainees update individual qualifications were completed.

Multiple large projects enlisting system consulting services were successfully booked in the IT consulting business. Note also that the segment previously denoted as "IT business" has been renamed "IT consulting business" as of the second quarter of FY2018, in order to more clearly represent the name in line with actual practice. The change is only the name, and imposes no impact on data for the segment.

In addition, the direct recruiting business of HR Force, Inc., newly established during the first quarter of FY2018, experienced growth in the number of accounts for its staff recruiting advertisement agency service, and net sales increased steadily.

Consequently, sales rose 55.5% over the same period of the preceding year to 851 million yen, and operating income decreased 25.0% from the same period of the preceding year to 36 million yen.

During the second quarter of FY2018, we acquired 100% of common stock in Shinwa Computer Service Co., Ltd., a systems development company, and made the company a consolidated subsidiary. Because the deemed acquisition date was June 30, 2018, consolidation for the second quarter of FY2018 consists solely of the balance sheet.

(2) Financial Position

Assets

Total assets increased 894 million yen from the end of FY2017 to 26,544 million yen at the end of the second quarter.

Current assets increased 865 million yen from the end of FY2017 to 14,669 million yen. This was mainly due to increases in cash, deposits, trade notes, accounts receivable, and advance payments included in other current assets.

Noncurrent assets increased 28 million yen from the end of FY2017 to 11,875 million yen. This was mainly due to a decrease caused by redemption of investment securities upon maturity and an increase in goodwill included in other intangible assets.

Liabilities

Total liabilities increased 33 million yen from the end of FY2017 to 4,059 million yen at the end of the second quarter.

Current liabilities increased 78 million yen from the end of FY2017 to 3,151 million yen. This was mainly due to an increase in provision for bonuses and a decrease in income taxes payable.

Noncurrent liabilities decreased 45 million yen from the end of FY2017 to 908 million yen.

Net Assets

Total net assets increased 860 million yen from the end of FY2017 to 22,485 million yen at the end of the second quarter. 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.

Equity Ratio

Equity ratio increased 0.3 points from the end of FY2017 to 83.6% at the end of the second quarter.

Cash Flow

Cash and cash equivalents (hereinafter “net cash”) increased 513 million over the end of FY2017 to 10,969 million yen at the end of the second quarter.

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 1,417 million yen compared to 2,104 million yen in the same period of the preceding year.

This was mainly due to a net income before income taxes and other adjustments of 2,546 million yen, and 856 million in income taxes paid.

Net Cash Provided by Investments

Net cash provided by operations totaled 111 million yen compared to a net use of 229 million yen in the same period of the preceding year.

This was mainly due to 230 million yen in income from the purchase and sale of investment securities and short-term investment securities and 118 million yen in purchases of property, plant, equipment, and intangible assets.

Net Cash Provided by Financing

Net cash used in financing totaled 1,013 million yen compared to a net use of 670 million yen in the same period of the previous year.

This was mainly due to 1,010 million yen distributed as dividends.

(3) Consolidated Forecast and Other Forward-Looking Information

Heading into the second half of 2018, the second year of our Mid-Range Business Plan (2017-2019), we at the Funai Soken Consulting Group look forward to driving various initiatives aimed at cementing our place as a trusted provider of comprehensive management consulting solutions.

“Promoting IT-based solutions, digital solutions, cloud-based solutions” is one of our consulting business’s key initiatives, and to that end we are endeavoring to establish digitalization support as a mainstay of our service line-up. To lead this initiative, we have established a new department, the Innovation Department.

Meanwhile, we remain eager to harness the strengths of IT in consulting, for instance by preparing various tools for enhancing online marketing capabilities, including makeovers for official websites and category-specific sites. In order to drive this strategy, we acquired Shinwa Computer Service Co., Ltd., in order to harness its engineering and development capacities in the digital realm. The company joined the Funai Soken Consulting Group in June 2018, and will assume a key role in our digital-shift strategy.

In July 2018, the logistics consulting arm of Funai Consulting was spun off into a new company through an absorption-type merger. Consolidating our array of solution-category-specific logistics consulting services helps to reinforce those services by creating an organization that can provide new offerings with greater added value to clients. With the spirit of a new logistics start-up company, we aim to provide comprehensive logistics engineering solutions.

Elsewhere, the contact center consulting business is investing considerable effort into developing work-ready talent as a means of boosting business performance with a view to possible international expansion.

In sum, we forecast consolidated net sales of 21,000 million yen, operating income of 4,900 million yen, ordinary income of 4,900 million yen, and net income attributable to owners of the parent company of 3,350 million yen for FY2018.

2. Consolidated Financial Statements and Notes

(1) Consolidated Balance Sheet

(Unit: Thousand yen)

	FY12/17 (As of Dec. 31, 2017)	First half of FY12/17 (As of Jun. 30, 2018)
Assets		
Current assets		
Cash and deposits	10,555,676	10,966,898
Trade notes and accounts receivable	1,917,843	2,170,560
Short-term investment securities	501,314	302,747
Work in process	81,827	165,213
Raw materials and supplies	9,482	10,127
Other current assets	775,440	1,095,166
Allowance for doubtful accounts	(37,318)	(41,153)
Total current assets	13,804,266	14,669,561
Noncurrent assets		
Property, plant, and equipment		
Buildings and structures, net	1,318,306	1,306,757
Land	4,602,643	4,602,643
Lease assets, net	42,362	38,565
Other property, plant, and equipment, net	103,875	103,281
Total property, plant, and equipment	6,067,188	6,051,248
Intangible assets		
Leasehold rights	322,400	322,400
Software	239,792	265,945
Other intangible assets	130,702	232,665
Total intangible assets	692,895	821,011
Investments and other assets		
Investment securities	4,254,659	4,149,470
Assets related to retirement benefits	532,414	550,576
Other investments and other assets	310,121	307,581
Allowance for doubtful accounts	(10,985)	(4,651)
Total investments and other assets	5,086,210	5,002,976
Total noncurrent assets	11,846,294	11,875,236
Total assets	25,650,560	26,544,797

(Unit: Thousand yen)

	FY12/17 (As of Dec. 31, 2017)	First half of FY12/17 (As of Jun. 30, 2018)
Liabilities		
Current liabilities		
Trade notes and accounts payable	285,619	318,298
Current portion of long-term loans payable	-	100,000
Lease obligations	14,225	15,566
Income taxes payable	945,076	911,333
Provision for bonuses	-	100,379
Other current liabilities	1,827,724	1,705,833
Total current liabilities	3,072,646	3,151,411
Noncurrent liabilities		
Bonds payable	500,000	500,000
Long-term loans payable	100,000	-
Retirement benefit liabilities	-	28,155
Lease obligations	31,412	26,010
Deferred tax liabilities	277,086	309,220
Other noncurrent liabilities	44,635	44,635
Total noncurrent liabilities	953,134	908,021
Total liabilities	4,025,781	4,059,432
Net assets		
Shareholders' equity		
Capital stock	3,125,231	3,125,231
Capital surplus	2,946,634	2,954,250
Retained earnings	16,130,738	16,825,862
Treasury stock	(1,109,323)	(1,064,320)
Total shareholders’ equity	21,093,281	21,841,023
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	325,172	401,622
Foreign currency translation adjustments	17,861	16,400
Accumulated adjustments for retirement benefits	(80,499)	(65,606)
Total accumulated other comprehensive income	262,533	352,417
Subscription rights for shares	268,964	291,923
Total net assets	21,624,779	22,485,365
Total liabilities and net assets	25,650,560	26,544,797

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statement of Income

First Half

(Unit: Thousand yen)

	First Half of FY12/17 (Jan. 1 – Jun. 30, 2017)	First Half of FY12/18 (Jan. 1 – Jun. 30, 2018)
Net sales	9,068,902	9,984,460
Cost of sales	5,246,100	6,191,823
Gross profit	3,822,801	3,792,637
SG&A expenses	1,093,634	1,291,330
Operating income	2,729,166	2,501,306
Non-operating income		
Interest income	3,526	4,610
Dividend income	5,821	6,895
Gain on sales of investment securities	13,772	17,046
Gain on valuation of investment securities	6,628	554
Refunded consumption taxes	-	9,947
Other non-operating income	18,665	9,807
Total non-operating income	48,412	48,862
Non-operating expenses		
Interest expenses	2,830	2,735
Loss on valuation of investment securities	886	2,661
Investment partnership management expenses	3,405	2,596
Other non-operating expenses	3,928	3,760
Total non-operating expenses	11,050	11,753
Ordinary income	2,766,529	2,538,415
Extraordinary income		
Gain on reversal of subscription rights for shares	1,022	865
Gain on sales of noncurrent assets	229	-
Gain on sales of investment securities	9	10,671
Total extraordinary income	1,261	11,537
Extraordinary losses		
Loss on retirement of noncurrent assets	250	3,135
Loss on cancellation of lease contracts	112	-
Total extraordinary losses	362	3,135
Net income before income taxes and other adjustments	2,767,427	2,546,816
Current income taxes	859,884	857,587
Deferred income taxes	18,806	(19,719)
Total income taxes	878,691	837,868
Net income	1,888,736	1,708,948
Net income attributable to owners of the parent company	1,888,736	1,708,948

Consolidated Statement of Comprehensive Income

First Half

(Unit: Thousand yen)

	First Half of FY12/17 (Jan. 1 – Jun. 30, 2017)	First Half of FY12/18 (Jan. 1 – Jun. 30, 2018)
Net income	1,888,736	1,708,948
Other comprehensive income		
Valuation difference on available-for-sale securities	93,643	76,450
Foreign currency translation adjustments	(309)	(1,460)
Adjustments for retirement benefits	15,715	14,893
Total other comprehensive income	109,049	89,883
Comprehensive income	1,997,786	1,798,832
Details		
Comprehensive income attributable to owners of the parent company	1,997,786	1,798,832

(3) Consolidated Cash Flow Statement

(Unit: Thousand yen)

	First Half of FY12/17 (Jan. 1 – Jun. 30, 2017)	First Half of FY12/18 (Jan. 1 – Jun. 30, 2018)
Net cash provided by (used in) operations		
Net income before income taxes and other adjustments	2,767,427	2,546,816
Depreciation	115,365	114,500
Amortization of goodwill	26,694	26,694
Share-based compensation expenses	47,558	72,659
Increase (decrease) in allowance for doubtful accounts	2,300	(2,499)
Decrease (increase) in assets related to retirement benefits	1,204	(3,267)
Increase (decrease) in provision for bonuses	66,568	100,379
Loss (gain) on valuation of investment securities	(5,741)	2,106
Loss (gain) on sales of investment securities	(13,377)	(27,717)
Interest and dividend income	(9,347)	(11,506)
Interest expenses	2,830	2,735
Loss (gain) on exchange	(70)	395
Loss (gain) on sales of property, plant, and equipment	(229)	-
Loss on retirement of property, plant, and equipment	250	714
Loss on retirement of intangible assets	-	2,421
Decrease (increase) in trade notes and accounts receivable	95,261	(214,124)
Decrease (increase) in other assets	(360,598)	(497,768)
Increase (decrease) in other liabilities	(256,818)	(192,999)
Other cash provided by (used in) operations	(6,104)	2,952
Subtotal	2,473,173	1,922,494
Interest and dividends received	15,628	20,887
Interest paid	(2,842)	(2,747)
Income taxes paid	(719,975)	(856,633)
Income tax refunds	338,518	333,825
Net cash provided by (used in) operations	2,104,502	1,417,826
Net cash provided by (used in) investments		
Income from time deposits	-	100,000
Purchase of short-term investment securities	(1,399,979)	(200,000)
Proceeds from sale of short-term investment securities	1,399,980	500,000
Purchase of investment securities	(227,236)	(401,246)
Proceeds from sale of investment securities	226	331,273
Purchase of property, plant, and equipment	(47,063)	(56,329)
Proceeds from sale of property, plant, and equipment	5,625	-
Purchase of intangible assets	(6,336)	(62,509)
Proceeds from cancellation of insurance funds	45,543	12,136
Purchase of investments in subsidiaries resulting in change in scope of consolidation	-	(112,128)
Net cash provided by (used in) investments	(229,241)	111,196
Net cash provided by (used in) financing		
Repayment of lease obligations	(7,112)	(7,112)
Purchase of treasury stock	(5,553)	(41,191)
Proceeds from sale of treasury stock	45,916	45,370
Dividends paid	(704,113)	(1,010,225)
Net cash provided by (used in) financing	(670,863)	(1,013,159)
Effect of exchange rate changes on cash and cash equivalents	(367)	(1,904)
Increase (decrease) in cash and cash equivalents	1,204,029	513,959
Cash and cash equivalents at start of fiscal year	8,663,050	10,455,676
Cash and cash equivalents at end of quarter	9,867,080	10,969,636

(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. First Half of FY12/17 (Jan. 1 – Jun. 30, 2017)

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	7,624,678	884,392	547,854	9,056,925	11,976	9,068,902
Inter-segment sales and transfers	44,205	94,757	4,218	143,181	(143,181)	-
Total	7,668,884	979,150	552,072	9,200,107	(131,205)	9,068,902
Segment income	2,503,330	109,414	48,194	2,660,939	68,226	2,729,166

Notes

1. The “others” category includes income from IT consulting, contact center consulting, and direct recruiting.
2. 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 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. First Half of FY12/18 (Jan. 1 – Jun. 30, 2018)

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	8,135,996	984,789	851,843	9,972,629	11,831	9,984,460
Inter-segment sales and transfers	93,638	112,636	10,398	216,673	(216,673)	-
Total	8,229,634	1,097,426	862,241	10,189,303	(204,842)	9,984,460
Segment income	2,323,160	68,567	36,142	2,427,870	73,435	2,501,306

Notes

1. The “others” category includes income from IT consulting, contact center consulting, and direct recruiting. Beginning with the first half of FY2018, the “IT business” has been renamed the “IT consulting business.” This change in segment has no impact on segment information. Furthermore, segment information for the six months ending Jun. 30, 2017 has been recompiled based on this change.
2. 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 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

Changes in Segmenting Method

During the first quarter of FY2018, we established a new company, HR Force, Inc., to conduct direct recruiting services; the new company is included in the financial consolidation. Thus, for direct recruiting services, which were previously included in accounts under “consulting,” a new “direct recruiting” segment has been added and is now included under “other businesses.”

Furthermore, segment information for the six months ending Jun. 30, 2017 has been recompiled using the new segments for reference purposes.

3. Other Information

(1) Orders and Sales

I. 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 received (unit: 1,000 yen)	Change from same period last year (%)
Consulting	7,129,296	(1.1)	6,388,653	+3.3
Logistics	173,233	(8.8)	123,211	+3.7
Other businesses	368,623	(2.7)	142,646	(19.8)

Notes

1. Consulting orders above include only consulting revenues; membership fees and seminar fees are excluded as they are recurring revenues.
2. Logistics revenues include 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.

II. 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	8,135,996	106.7
Logistics	984,789	111.4
Other businesses	851,843	155.5
Total	9,972,629	110.1

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 made in the first half of FY2018 are set forth below.

1) Legal representatives

None to report.

2) Other directors and officers

None to report.

Changes in directors and officers of Funai Consulting Inc. made in the first half of FY2018 are set forth below.

1) Legal representatives

None to report.

2) Other directors and officers (as of August 3, 2018)

- **Scheduled director appointments**

  Sakae Takashima, director (also president of Funai Soken Holdings, Inc. and CEO of the Funai Soken Consulting Group)