Non-Audited

Consolidated Financial Results for the Fiscal Year Ended December 31, 2019 (January 1, 2019 – December 31, 2019)

February 5, 2020

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:	Takahisa Okumura, director and senior vice president, Head of Management Administration Divisional Headquarters Telephone: +81-(0) 6-6232-0130	

General meeting of shareholders:	March 28, 2020
Scheduled date of payment of dividend:	March 30, 2020
Scheduled date of filing of Annual Securities Report:	March 30, 2020

Supplementary materials compiled to explain financial statements? $\boxed{\text{Yes}}$ / No

Meeting to be held for institutional investors and analysts to explain financial results? $\boxed{\text{Yes}}$ / No

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

1. Consolidated Financial Results for FY2019 (January 1, 2019 – December 31, 2019)

(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	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended Dec. 31, 2019	25,752	18.7	5,705	15.4	5,755	14.9	3,868	9.0
Year ended Dec. 31, 2018	21,697	16.1	4,946	6.8	5,008	7.0	3,549	10.7

Notes: Comprehensive income: 3,952 million yen (up 19.2%) in the year ended Dec. 31, 2019; 3,315 million yen (down 2.5%) in the year ended Dec. 31, 2018

	Earnings per share (basic)	Net income per share (diluted)	Return on equity	Ratio of ordinary income to total assets	Ratio of operating income to net sales
	Yen	Yen	%	%	%
Year ended Dec. 31, 2019	76.67	75.89	17.4	20.9	22.2
Year ended Dec. 31, 2018	69.95	69.20	16.4	19.1	22.8

Reference: Equity method investment income (Million yen) Dec. 31, 2019: - Dec. 31, 2018: -

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
Year ended Dec. 31, 2019	28,419	23,165	79.4	453.48
Year ended Dec. 31, 2018	26,732	22,370	82.2	435.56

Reference: Shareholders' equity: 22,573 million yen in the year ended Dec. 31, 2019; 21,968 million yen in the year ended Dec. 31, 2018.

Notes: We started applying the Accounting Standards Board of Japan Statement No. 28 Partial Amendments to Accounting Standard for Tax Effect Accounting (released February 16, 2018) at the beginning of this fiscal year, and have applied them retroactively to figures from the preceding year's consolidated financial position.

(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, 2019	4,522	(500)	(3,411)	11,630
Year ended Dec. 31, 2018	3,554	(222)	(2,762)	11,022

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, 2018	-	15.00	-	20.00	35.00	1,771	50.0	8.2
Year ended Dec. 31, 2019	-	17.00	-	23.00	40.00	2,003	52.2	9.0
Forecast for year ending Dec. 31, 2020	-	20.00	-	25.00	45.00		53.3	

Notes:
1. FY2018 dividend per share comprised an ordinary dividend of 18.00 yen and a bonus dividend of 2.00 yen. The bonus dividend was paid to distribute extraordinary income earned in FY2018.
2. FY2019 dividend per share comprises an ordinary dividend of 20.00 yen and commemorative bonus dividend of 3.00 yen. The bonus dividend is to commemorate the group's 50th anniversary.

3. Forecast Consolidated Financial Results for FY2020 (January 1, 2020 – December 31, 2020)

(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		Earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	14,000	15.8	3,150	9.6	3,150	8.1	2,100	9.5	42.19
Full year	29,000	12.6	6,300	10.4	6,300	9.5	4,200	8.6	84.37

Remarks

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

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

1) Changes 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 issued shares (common stock)

1) Number of shares outstanding at end of year (including treasury stock)	FY2019	53,000,000	FY2018	53,000,000
2) Number of treasury shares at end of year	FY2019	3,220,991	FY2018	2,562,581
3) Average number of shares during year	FY2019	50,453,812	FY2018	50,740,880

Statement Regarding Auditing Procedures

This financial summary is excluded from audit 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 “Outlook” on page 4 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 its gradual recovery in FY2019, with corporate revenues and employment figures buoyed by the government's economic and fiscal policies, but the outlet remained clouded by a decrease in consumer sentiment caused by Japan's consumption tax hike, as well as US trade policy, the Chinese economic outlook, Middle East tensions, and financial market fluctuations.

Against this backdrop, the successful performance of our core consulting business for the Funai Soken Consulting Group enabled once again the achievement of our highest-ever consolidated net sales and income. The group's consolidated sales for FY2019 were 25,752 million yen (up 18.7% year-on-year), operating income was 5,705 million yen (up 15.4%), ordinary income was 5,755 million yen (up 14.9%), and net income attributable to owners of the parent was 3,868 million yen (up 9.0%). These figures far exceed the targets we set for the year in our Mid-Range Business Plan, namely sales of 23,500 million yen and operating income of 5,400 million yen.

Consulting sales were boosted this year by an increase in seminars for business owners focusing on specific business models, as well as an uptick in client numbers for our online ad agency services. Consequently, net sales rose 18.7% year-on-year to 25,752 million yen.

Despite higher cost of sales due to growth in online ad agency and direct recruiting services, we were able to secure solid operating income this year thanks to more efficient sales activities and improved profitability in the consulting segment. Consequently, operating income rose 15.4% year-on-year to 5,705 million yen.

Non-operating income was 134 million yen, up from 121 million yen in the preceding year, boosted by interest income and refunded consumption taxes, while non-operating expenses were 84 million yen, up from 58 million yen in the preceding year. Consequently, ordinary income rose 14.9% year-on-year to 5,755 million yen.

Income taxes totaled 1,880 million yen this year, up from 1,767 million yen in the preceding year, resulting in an increase in net income attributable to owners of the parent of 9.0% year-on-year to 3,868 million yen.

Segment-Specific Performance

Consolidated performance for each business segment is outlined below.

Starting in the second quarter, we have changed our method of reporting segments due to the increased financial importance of our Direct Recruiting business, which was previously included in the Other Businesses segment. See the Segment Information section of the Notes on Consolidated Financial Statements for more details.

I. Consulting

Consulting sales rose steadily this year. In terms of the specific industries we serve, major factors behind this rise in sales include the establishment of solutions to help SME clients in the housing and real estate industry—an area of particular strength for our consulting business—to help boost performance, as well as growth in membership of management workshops tailored for dental clinics, which we offer as part of our healthcare, nursing care, and welfare industry consulting services. Furthermore, sales of consulting services for the HR services industry have also grown substantially in recent years amidst increased demand for solutions to labor shortages. In terms of the different categories of solutions we provide, FY2019 saw growth in sales of human resource development consulting services as well as our long-standing growth support services.

Net sales rose 14.6% year-on-year to 19,592 million yen, and operating income rose 18.3% year-on-year to 5,395 million yen.

II. Logistics

Increased orders for logistics consulting from existing clients, seminars covering a variety of new topics, and record-breaking workshop membership contributed to a rise in sales. However, logistics operations sales to external clients decreased as direct mailing and other intra-group projects accounted for a greater portion of work.

Consequently, net sales decreased 0.4% year-on-year to 2,441 million yen, and operating income rose 34.5% year-on-year to 344 million yen.

III. Direct Recruiting

Net sales for our direct recruiting business were double the previous year's figures thanks to our successful addition of new clients on the strength of an active market for career changes buoyed by increased job postings by Japanese companies. The direct recruiting business is ended FY2019 with a cumulative operating loss due to aggressive upfront investments that began in the preceding year, mainly in sales promotions and personnel costs related to our operating framework, such investments intended to expand sales sooner rather than later.

Consequently, net sales rose 97.5% year-on-year to 2,564 million yen, and operating income ended with a net loss of 80 million yen, down from a net gain of 19-million-yen loss in the preceding year.

IV. Other Businesses

In other businesses, failure to capture an order from a major corporate client by Proseed, the group's contact center consulting arm, saw a decrease in profits. However, our IT consulting business enjoyed stable orders that resulted in higher revenue than planned, and sales of systems development services grew steadily.

Consequently, net sales rose 37.3% year-on-year to 1,130 million yen, and operating income decreased 19.2% year-on-year to 23 million yen.

(2) This Fiscal Year's Financial Position

We started applying the Accounting Standards Board of Japan Statement No. 28 Partial Amendments to Accounting Standard for Tax Effect Accounting (released February 16, 2018) and the like at the beginning of FY2019, and applied them retroactively to figures from the preceding year for the following comparisons and analysis.

Assets

Total assets increased 1,686 million yen year-on-year to 28,419 million yen at the end of FY2019.

Current assets increased 2,104 million yen year-on-year to 16,694 million yen. This was mainly due to an increase in cash, deposits, short-term investment securities, trade notes, and accounts receivable.

Noncurrent assets decreased 418 million yen year-on-year to 11,724 million yen. This was mainly due to a decrease in investment securities.

Liabilities

Total liabilities increased 892 million year-on-year to 5,254 million yen at the end of FY2019.

Current liabilities increased 1,256 million yen year-on-year to 4,931 million yen. This was mainly due to increases in the current portion of bonds and other accounts payable (listed under "others").

Noncurrent liabilities decreased 364 million yen year-on-year to 322 million yen. This was mainly due to a decrease in bonds payable.

Net Assets

Total net assets increased 794 million year-on-year to 23,165 million yen at the end of FY2019. This was mainly due to an increase in net income attributable to owners of the parent and a decrease in purchase of treasury shares and retained earnings as these were appropriated.

As a result, the shareholders' equity ratio decreased 2.8% to 79.4%.

(3) This Fiscal Year's Cashflow Position

Cash and cash equivalents increased 607 million year-on-year to 11,630 million yen at the end of FY2019. Trends in cash flow by activity are described below.

Cash Flows from Operating Activities

Cash flows from operating activities ended on a net gain of 4,522 million yen this year compared to a net gain of 3,554 million yen in the preceding year. This was mainly due to income before income taxes and other adjustments of 5,748 million yen; an increase in trade notes and accounts receivable of 476 million yen; 1,801 million yen in income taxes paid, and income tax refunds of 343 million yen.

Cash Flows from Investing Activities

Cash flows from investing activities ended on a net loss of 500 million yen this year compared to a net loss of 222 million yen in the preceding year. This was mainly due to expenditure of 413 million yen on purchase of property, plant, and equipment, and intangible assets.

Cash Flows from Financing Activities

Cash flows from financing activities ended on a net loss of 3,411 million yen this year compared to a net loss of 2,762 million yen in the preceding year. This was mainly due to a net expenditure of 1,535 million yen on the sale and purchase of treasury stock, and 1,862 million yen distributed as dividends.

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

	FY12/15	FY12/16	FY12/17	FY12/18	FY12/19
Shareholders' equity ratio (%)	81.3	83.5	83.3	82.2	79.4
Shareholders' equity ratio based on market price (%)	263.2	270.2	498.8	309.8	434.6
Interest-bearing debt to cash flow ratio (years)	0.3	0.2	0.2	0.2	0.1
Interest coverage ratio (x)	326.3	355.8	717.7	645.9	863.6

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 interest-bearing liabilities listed under liabilities on the consolidated balance sheet.
4. Operating cash flow and interest payments are taken from cash flows from investing activities and interest paid, respectively, as listed in consolidated cash flow statements.

(4) Outlook

The group's roadmap for the three-year period starting in FY2020 is set out in the Mid-Range Business Plan for 2020 to 2022. During that period, we intend to generate more momentum for our core consulting segment, and particularly pertaining to "DX" consulting services for SMEs. Moreover, we will endeavor to leverage intra-group alliances to better enable ourselves to offer a comprehensive range of management consulting solutions for mid-sized companies.

The group's targets for each year of the latest Mid-Range Business Plan are set forth below.

2020 – 2022 Mid-Range Business Plan Targets (Million yen)

	FY12/20		FY12/21		FY12/22	
	Target	Y-o-y change	Target	Y-o-y change	Target	Y-o-y change
Net sales	29,000	+12.6%	33,000	+13.8%	37,000	+12.1%
Operating income	6,300	+10.4%	7,000	+11.1%	7,700	+10.0%

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

Returning adequate earnings to shareholders is as important to us as strengthening our financial condition and management fundamentals. As such, we are determined to give back to shareholders through distribution of earnings and by buying treasury stock to an appropriate level in light of business performance. Our basic policy is to distribute surpluses in accordance with business performance, and as such, we have, with due consideration of factors such as market climate and capital efficiency, endeavored to maintain a return-to-shareholders ratio of at least 50% by using tools such as dynamic buy-backs of treasury shares. As part of the 2020–2022 Mid-Range Business Plan, we have set ourselves a target of a return-to-shareholders ratio of at least 60% in order to further enhance dividends.

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

Based on these policies, we plan to distribute a year-end dividend for FY2019 of 23 yen per share, which includes an ordinary dividend of 20 yen and a 50th anniversary bonus dividend of 3 yen, making a total annual dividend of 40 yen per share.

In FY2020, we plan to pay an interim dividend of 20 yen per share and a year-end dividend of 25 yen per share, making a total annual dividend of 45 yen per share.

Dividends per Share

	Interim	Year end	Annual total
FY2019	17 yen	(Ordinary dividend: 20 yen) (Bonus dividend: 3 yen) 23 yen	(Ordinary dividend: 37 yen) (Bonus dividend: 3 yen) 40 yen
FY2020 (forecast)	20 yen	25 yen	45 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, direct recruiting, 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.

Direct Recruiting

In this segment, we use IT to help clients solve the increasingly widespread problem of labor shortages, principally through recruiting advertising agency operations.

Group companies involved in this segment: HR Force, Inc.

Other Businesses

Elsewhere, Funai Soken IT Solutions offers IT consulting services, Proseed offers contact center consulting services, and Shinwa Computer Service offers system development services.

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

(Thousand yen)

	FY12/18 (As of Dec. 31, 2018)	FY12/19 (As of Dec. 31, 2019)
Assets		
Current assets		
Cash and deposits	11,022,585	11,630,554
Trade notes and accounts receivable	2,393,699	2,870,051
Short-term investment securities	301,784	1,001,132
Work in process	113,784	155,685
Raw materials and supplies	7,053	5,759
Other current assets	786,604	1,071,147
Allowance for doubtful accounts	(35,443)	(39,543)
Total current assets	14,590,069	16,694,787
Noncurrent assets		
Property, plant, and equipment		
Buildings and structures, net	1,270,842	1,311,009
Land	4,602,643	4,602,643
Other property, plant, and equipment, net	150,515	196,280
Total property, plant, and equipment	6,024,001	6,109,933
Intangible assets		
Leasehold rights	322,400	322,400
Software	280,596	274,379
Other intangible assets	191,732	177,210
Total intangible assets	794,730	773,990
Investments and other assets		
Investment securities	4,451,647	3,907,279
Assets related to retirement benefits	480,131	473,196
Other investments and other assets	400,624	468,046
Allowance for doubtful accounts	(8,408)	(8,006)
Total investments and other assets	5,323,993	4,840,516
Total noncurrent assets	12,142,725	11,724,440
Total assets	26,732,794	28,419,227

(Thousand yen)

	FY12/18 (As of Dec. 31, 2018)	FY12/19 (As of Dec. 31, 2019)
Liabilities		
Current liabilities		
Trade notes and accounts payable	331,448	347,821
Current portion of bonds	-	500,000
Current portion of long-term loans payable	100,000	-
Income taxes payable	1,033,185	1,159,020
Other current liabilities	2,210,623	2,925,055
Total current liabilities	3,675,257	4,931,897
Noncurrent liabilities		
Bonds payable	500,000	-
Long-term loans payable	-	100,000
Retirement benefit liabilities	54,660	60,876
Deferred tax liabilities	70,716	109,949
Other noncurrent liabilities	61,331	51,377
Total noncurrent liabilities	686,707	322,203
Total liabilities	4,361,964	5,254,101
Net assets		
Shareholders' equity		
Capital stock	3,125,231	3,125,231
Capital surplus	2,946,634	2,947,675
Retained earnings	17,729,542	19,731,165
Treasury stock	(1,861,703)	(3,342,957)
Total shareholders’ equity	21,939,705	22,461,115
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	121,786	211,575
Foreign currency translation adjustments	16,284	16,146
Accumulated adjustments for retirement benefits	(109,225)	(114,954)
Total accumulated other comprehensive income	28,845	112,766
Subscription rights for shares	402,278	591,243
Total net assets	22,370,829	23,165,126
Total liabilities and net assets	26,732,794	28,419,227

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statement of Income

(Thousand yen)

	FY12/18 (Jan. 1 – Dec. 31, 2018)	FY12/19 (Jan. 1 – Dec. 31, 2019)
Net sales	21,697,104	25,752,886
Cost of sales	14,042,254	16,972,135
Gross profit	7,654,850	8,780,751
SG&A expenses	2,708,744	3,075,273
Operating income	4,946,106	5,705,477
Non-operating income		
Interest income	9,258	17,105
Dividend income	12,696	9,135
Gain on sales of investment securities	25,934	23,468
Gain on valuation of investment securities	807	1,865
Insurance bonus income	31,113	30,434
Refunded consumption taxes	25,972	37,674
Other non-operating income	15,438	14,609
Total non-operating income	121,222	134,292
Non-operating expenses		
Interest expenses	5,515	5,231
Investment partnership management expenses	4,579	3,847
Commission for purchase of treasury shares	-	23,358
Contributions	37,000	42,000
Other non-operating expenses	11,716	10,304
Total non-operating expenses	58,811	84,742
Ordinary income	5,008,516	5,755,027
Extraordinary income		
Gain on sales of noncurrent assets	-	624
Gain on sales of investment securities	319,945	665
Gain on reversal of subscription rights for shares	865	-
Total extraordinary income	320,811	1,289
Extraordinary losses		
Loss on retirement of noncurrent assets	3,586	582
Loss on sales of investment securities	-	6,807
Dispute settlement costs	8,643	-
Total extraordinary losses	12,229	7,390
Net income before income taxes and other adjustments	5,317,098	5,748,927
Current income taxes	1,791,048	1,927,567
Deferred income taxes	(23,506)	(47,121)
Total income taxes	1,767,541	1,880,446
Net income	3,549,556	3,868,481
Net income attributable to owners of the parent	3,549,556	3,868,481

Consolidated Statement of Comprehensive Income

(Thousand yen)

	FY12/18 (Jan. 1 – Dec. 31, 2018)	FY12/19 (Jan. 1 – Dec. 31, 2019)
Net income	3,549,556	3,868,481
Other comprehensive income		
Valuation difference on available-for-sale securities	(203,386)	89,788
Foreign currency translation adjustments	(1,576)	(138)
Adjustments for retirement benefits	(28,725)	(5,729)
Total other comprehensive income	(233,688)	83,920
Comprehensive income	3,315,868	3,952,401
Details		
Comprehensive income attributable to owners of the parent	3,315,868	3,952,401

(3) Consolidated Statement of Changes in Net Assets

FY12/18 (Jan. 1 – Dec. 31, 2018)

(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			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 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						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

FY12/19 (Jan. 1 – Dec. 31, 2019)

(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	17,729,542	(1,861,703)	21,939,705
Change					
Dividends from surplus			(1,866,857)		(1,866,857)
Net income attributable to owners of the parent			3,868,481		3,868,481
Purchase of treasury stock				(1,512,084)	(1,512,084)
Disposal of treasury stock		1,040		30,830	31,870
Retirement of treasury stock					-
Net changes of items other than shareholders' equity					
Total changes of items during the fiscal year	-	1,040	2,001,623	(1,481,253)	521,410
Balance at end of current fiscal year	3,125,231	2,947,675	19,731,165	(3,342,957)	22,461,115

	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	121,786	16,284	(109,225)	28,845	402,278	22,370,829
Change						
Dividends from surplus						(1,866,857)
Net income attributable to owners of the parent						3,868,481
Purchase of treasury stock						(1,512,084)
Disposal of treasury stock						31,870
Retirement of treasury stock						-
Net changes of items other than shareholders' equity	89,788	(138)	(5,729)	83,920	188,965	272,886
Total changes of items during the fiscal year	89,788	(138)	(5,729)	83,920	188,965	794,296
Balance at end of current fiscal year	211,575	16,146	(114,954)	112,766	591,243	23,165,126

(4) Consolidated Cash Flow Statement

(Thousand yen)

	FY12/18 (Jan. 1 – Dec. 31, 2018)	FY12/19 (Jan. 1 – Dec. 31, 2019)
Net cash provided by (used in) operations		
Net income before income taxes and other adjustments	5,317,098	5,748,927
Depreciation	243,566	278,992
Amortization of goodwill	65,110	66,835
Share-based compensation expenses	183,013	220,581
Increase (decrease) in allowance for doubtful accounts	(4,451)	3,696
Decrease (increase) in assets related to retirement benefits	23,558	1,204
Increase (decrease) in retirement benefit liabilities	26,504	6,216
Loss (gain) on valuation of investment securities	3,705	650
Loss (gain) on sales of investment securities	(345,879)	(17,326)
Interest and dividend income	(21,955)	(26,240)
Interest expenses	5,515	5,231
Commission for purchase of treasury shares	-	23,358
Loss (gain) on exchange	1,225	63
Contributions	37,000	42,000
Loss (gain) on sales of property, plant, and equipment	-	(624)
Loss on retirement of property, plant, and equipment	968	582
Loss on retirement of intangible assets	2,618	-
Decrease (increase) in trade notes and accounts receivable	(437,314)	(476,417)
Decrease (increase) in other assets	(486,429)	(634,473)
Increase (decrease) in other liabilities	281,851	728,424
Other cash provided by (used in) operations	7,988	9,311
Subtotal	4,903,694	5,980,997
Interest and dividends received	42,089	47,015
Interest paid	(5,503)	(5,236)
Income taxes paid	(1,682,279)	(1,801,859)
Income tax refunds	333,825	343,175
Contributions paid	(37,000)	(42,000)
Net cash provided by (used in) operations	3,554,826	4,522,092

(Thousand yen)

	FY12/18 (Jan. 1 – Dec. 31, 2018)	FY12/19 (Jan. 1 – Dec. 31, 2019)
Net cash provided by (used in) investments		
Income from time deposits	100,000	-
Purchase of short-term investment securities	(200,000)	(100,067)
Proceeds from sale and redemption of short-term investment securities	700,000	400,000
Purchase of investment securities	(1,208,346)	(416,596)
Proceeds from sale and redemption of investment securities	710,283	20,596
Purchase of property, plant, and equipment	(89,823)	(249,063)
Purchase of intangible assets	(134,582)	(164,891)
Proceeds from cancellation of insurance funds	12,136	8,938
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(112,128)	-
Other cash provided by (used in) investments	-	644
Net cash provided by (used in) investments	(222,461)	(500,438)
Net cash provided by (used in) financing		
Repayment of lease obligations	(15,302)	(13,691)
Purchase of treasury stock	(1,020,744)	(1,535,442)
Proceeds from sale of treasury shares	45,484	254
Dividends paid	(1,771,597)	(1,862,890)
Net cash provided by (used in) financing	(2,762,160)	(3,411,770)
Effect of exchange rate changes on cash and cash equivalents	(3,295)	(1,914)
Increase (decrease) in cash and cash equivalents	566,908	607,969
Cash and cash equivalents at start of fiscal year	10,455,676	11,022,585
Cash and cash equivalents at end of fiscal year	11,022,585	11,630,554

(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 three main segments in for these reports. They are, in keeping with the categories of work performed by the companies within the group: consulting, logistics, and direct recruiting. 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.
- Direct recruiting: Using IT to help clients solve the increasingly widespread problem of labor shortages, principally through recruiting advertising agency operations.

Starting in the second quarter, we have changed our method of reporting segments due to the increased financial importance of our Direct Recruiting business, which was previously included in the Other Businesses segment. Accordingly, segment information for the previous fiscal year has been recompiled using the new segments for reference purposes.

2. Calculation of Net Sales, Income/Losses, Assets, and Other Accounts for Each Segment

Accounting methods for the reported segments are largely the same as those used in 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.

Starting from the beginning of FY2019, we have adopted the Accounting Standards Board of Japan's Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28; February 16, 2018). Those amendments have been applied retroactively to segment assets for FY2018 to allow for easier comparison with current information.

3. Other Information About Net Sales, Income/Losses, Assets, and Other Accounts for Each Segment

FY12/18 (Jan. 1 – Dec. 31, 2018)

(Thousand yen)

	Consulting	Logistics	Direct recruiting	Others[1]	Total	Adjustment[2]	Amount listed in consolidated financial statements[3]
Net sales							
Sales to external customers	17,099,170	2,452,580	1,298,224	823,466	21,673,442	23,662	21,697,104
Inter-segment sales and transfers	191,826	238,860	18,997	8,403	458,087	(458,087)	-
Total	17,290,996	2,691,441	1,317,221	831,870	22,131,530	(434,425)	21,697,104
Segment income	4,559,258	256,143	19,815	28,798	4,864,015	82,090	4,946,106
Segment assets	13,883,729	893,623	382,126	686,236	15,845,715	10,887,078	26,732,794
Others							
Depreciation	53,725	268	5,109	1,913	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	50,888	119,870	235,841	131,041	366,883

Notes

1. The “others” category includes income from IT consulting, contact center consulting, and systems development.
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) Adjustments of depreciation include elimination of inter-segment transactions and depreciation of assets held throughout the group that are not attributable to any segment.
3. Segment income is adjusted against operating income in the consolidated financial statements.

FY12/19 (Jan. 1 – Dec. 31, 2019)

(Thousand yen)

	Consulting	Logistics	Direct recruiting	Others(1)	Total	Adjustment(2)	Amount listed in consolidated financial statements(3)
Net sales							
Sales to external customers	19,592,131	2,441,697	2,564,549	1,130,844	25,729,223	23,662	25,752,886
Inter-segment sales and transfers	192,588	462,275	14,139	20,195	689,198	(689,198)	-
Total	19,784,720	2,903,972	2,578,688	1,151,040	26,418,422	(665,535)	25,752,886
Segment income	5,395,607	344,581	(80,755)	23,280	5,682,713	22,764	5,705,477
Segment assets	15,625,450	1,047,627	682,489	716,435	18,072,002	10,347,225	28,419,227
Others							
Depreciation	58,195	2,977	18,011	3,614	82,798	196,194	278,992
Amortization of goodwill	-	-	-	66,835	66,835	-	66,835
Change in property, plant, equipment, and intangible assets	94,922	2,964	99,376	3,036	200,301	227,647	427,948

Notes

1. The “others” category includes income from IT consulting, contact center consulting, and systems development.
2. Details of adjustments are as follows.
   (1) Adjustments of segment income or losses 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) Adjustments of depreciation include elimination of inter-segment transactions and depreciation of assets held throughout the group that are not attributable to any segment.
3. Segment income or losses are adjusted against operating income in the consolidated financial statements.

Per-share Information

	FY12/18 (Jan. 1 – Dec. 31, 2018)	FY12/19 (Jan. 1 – Dec. 31, 2019)
Net assets per share	435.56 yen	453.48 yen
Earnings per share (basic)	69.95 yen	76.67 yen
Earnings per share (diluted)	69.20 yen	75.89 yen

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

	FY12/18 (Jan. 1 – Dec. 31, 2018)	FY12/19 (Jan. 1 – Dec. 31, 2019)
Earnings per share (basic)		
Net income attributable to common-stock owners of the parent	3,549,556,000 yen	3,868,481,000 yen
Amount not attributable to common shareholders	-	-
Net income attributable to owners of the parent	3,549,556,000 yen	3,868,481,000 yen
Average number of common shares outstanding during the fiscal year	50,740,880	50,453,812
Earnings per share (diluted)		
Adjusted net income attributable to owners of the parent	-	-
Increase in common shares	551,150	523,683
(Portion of increase made up of subscription rights)	(551,150)	(523,683)
Summary of non-dilutive stock equivalents not used in calculation of earnings per share (diluted)	-	

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

	FY12/18 (As of Dec. 31, 2018)	FY12/19 (As of Dec. 31, 2019)
Total net assets on consolidated balance sheets	22,370,829,000 yen	23,165,126,000 yen
Deductions from total net assets	402,278,000 yen	591,243,000 yen
(Portion of deductions made up of subscription rights)	(402,278,000 yen)	(591,243,000 yen)
Net assets attributable to common shareholders	21,968,551,000 yen	22,573,882,000 yen
Number of common shares used in calculation of net assets per share at end of year	50,437,419	49,779,009

5. Other Information

(1) Orders and Sales

I. Orders

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

(Thousand yen)

Segment	FY12/18 (Jan. 1 – Dec. 31, 2018)		FY12/19 (Jan. 1 – Dec. 31, 2019)	
	Orders received	Orders outstanding	Orders received	Orders outstanding
Consulting	13,816,638	6,462,351	14,185,944	6,585,001
Logistics	693,381	231,890	709,179	325,530
Other businesses	520,997	63,703	605,552	148,315

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. Direct recruiting entails no consulting revenues and is therefore not included in the above table.
4. Other income includes only that earned from IT and contact center consulting.
5. The above amounts are based on sale prices.
6. The above amounts do not include consumption tax.

II. Sales

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

(Thousand yen)

Segment	FY12/18 (Jan. 1 – Dec. 31, 2018)		FY12/19 (Jan. 1 – Dec. 31, 2019)	
	Amount	% of total	Amount	% of total
Consulting	17,099,170	78.9%	19,592,131	76.1%
Logistics	2,452,580	11.3%	2,441,697	9.5%
Direct recruiting	1,298,224	6.0%	2,564,549	10.0%
Other businesses	823,466	3.8%	1,130,844	4.4%
Total	21,673,442	100.0%	25,729,223	100.0%

Notes

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

(2) Changes in Directors and Officers

(Scheduled to take effect on March 28, 2020)

1) Legal representatives

None to report.

2) Other directors and officers

Scheduled appointments

Name	New title	Previous title
Takayuki Nakatani	Director, executive vice president, and head of Business Management Divisional Headquarters	President & CEO, Funai Consulting Inc.
Miki Mitsunari	Independent director	President, Finev, Inc.

3) Executive officers

Scheduled appointments

Name	New title	Previous title
Eijiro Saito	Executive officer and head of Corporate Administration Office	Head of Corporate Administration Office
Motoki Haruta	Executive officer and head of Finance Department	Head of Finance Department

List of Directors, Auditors, and Executive Officers

Funai Soken Holdings, Inc. (scheduled to take effect on March 28, 2020)

Name	Title	Position
Sakae Takashima	President	Group CEO
Tatsuro Ono	Director and executive vice president	Head of HR Divisional Headquarters
Takayuki Nakatani	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	
Miki Mitsunari	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
Eijiro Saito	Executive officer	Head of Corporate Administration Office
Motoki Haruta	Executive officer	Head of Finance Department

Funai Consulting, Inc. (scheduled to take effect on March 27, 2020)

Name	Title	Position
Daisuke Shingai	President & CEO	Head of HR Consulting Divisional Headquarters
Kyohei Deguchi	Director and executive vice president	Head of Consulting Operations Divisional Headquarters & head of Consulting Divisional Headquarters II
Yoshihito Sugahara	Director and senior vice president	Head of Administration Divisional Headquarters
Tomoyuki Murata	Independent director	
Masahiro Hyakumura	Auditor	
Isao Kikuchi	Executive officer	Head of AI and IoT Lab
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 Consulting Divisional Headquarters I
Katsuya Kohira	Executive officer	Head of Consulting Divisional Headquarters III
Akiyo Koike	Executive officer	Head of Talent Development Center