Non-Audited

Consolidated Financial Results for the First Half of the Fiscal Year Ending December 31, 2019 (January 1, 2019 – June 30, 2019)

August 2, 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	
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Scheduled date of payment of dividend: August 27, 2019
Scheduled date of filing quarterly report: August 9, 2019
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. 2019 1st Half Consolidated Financial Results (January 1, 2019 – June 30, 2019)

(1) Consolidated Results of Operations

(Percentages represent change from the same quarter 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, 2019	12,087	21.1	2,874	14.9	2,914	14.8	1,918	12.3
Jun. 30, 2018	9,984	10.1	2,501	(8.3)	2,538	(8.2)	1,708	(9.5)

NB: Comprehensive income: 1,977 million yen (up 9.9%) in the six months ending Jun. 30, 2019
1,798 million yen (down 10.0%) in the six months ending Jun. 30, 2018

	Earnings per share (basic)	Earnings per share (diluted)
Six months ending	Yen	Yen
Jun. 30, 2019	38.02	37.66
Jun. 30, 2018	33.66	33.33

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Jun. 30, 2019	27,921	23,428	82.2
As of Dec. 31, 2018	26,732	22,370	82.2

NB: * Shareholders' equity: 22,962 million yen as of Jun. 30, 2019
21,968 million yen as of Dec. 31, 2018

* 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 the first quarter of this fiscal year, and have applied them retroactively to figures from the preceding year's consolidated financial position.

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year end	Total
	Yen	Yen	Yen	Yen	Yen
Year ending Dec. 31, 2018	-	15.00	-	20.00	35.00
Year ending Dec. 31, 2019	-	17.00			
FY2019 forecast			-	23.00	40.00

NB: * Amendments to dividend numbers compared to most recently announced figures? None

* FY2018 year-end dividend: Ordinary dividend 18.00 yen and extraordinary dividend 2.00 yen. Extraordinary dividend was distributed in light of extraordinary income earned in FY2018.
* FY2019 year-end dividend forecast: Ordinary dividend 20.00 yen and bonus dividend 3.00 yen. Bonus dividend scheduled to be distributed to commemorate the 50th anniversary of the company's founding.

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

(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	23,500	8.3	5,400	9.2	5,400	7.8	3,700	4.2	73.36

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

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 (including treasury stock)	Jun. 30, 2019	53,000,000	Dec. 31, 2018	53,000,000
2) Number of treasury shares at end of six-month period	Jun. 30, 2019	2,522,971	Dec. 31, 2018	2,562,581
3) Average number of shares during six-month period (cumulative total)	Jun. 30, 2019	50,458,177	Jun. 30, 2018	50,766,412

NB 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.

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1. Qualitative Information regarding the Six Months Ending Jun. 30, 2019

(1) Results of Operations

The Japanese economy showed signs of a slow but steady recovery through the second quarter of FY2019, amidst continuing improvements in corporate profits and incomes. However, the outlook remains unclear due to persistent trepidation about trade friction between the USA and China, and fluctuating financial and capital markets.

For our part, we at the Funai Soken Consulting Group remain fully committed to achieving the targets of our Mid-Range Business Plan (2017-2019) in our quest for ever higher corporate value as a provider of comprehensive management consulting solutions.

Net sales were 12,087 million yen in the first half of the year (up 21.1% over the same period of the preceding year), operating income was 2,874 million yen (up 14.9%), ordinary income was 2,914 million yen (up 14.8%), and net income attributable to owners of the parent company was 1,918 million yen (up 12.3%), all representing a large increase over the same period of FY2018.

I. Net sales: 12,087 million yen (up 21.1% over the same period of the preceding year)

Net sales in our core consulting business increased steadily, and we successfully added new clients for our direct recruiting services as well.

Consequently, sales rose 21.1% over the same period of the previous year to 12,087 million yen.

II. Operating income: 2,874 million yen (up 14.9% over the same period of the preceding year)

Cost of sales increased to 7,750 million yen from 6,191 million yen in the same period of the preceding year, and SG&A expenses rose to 1,462 million yen from 1,291 million yen. This inflated operating expenses, but the aforementioned increase in net sales pushed operating income up over the preceding year.

Consequently, operating income increased 14.9% over the same period of the preceding year to 2,874 million yen.

III. Ordinary income: 2,914 million yen (up 14.8% over the same period of the preceding year)

Non-operating income was 48 million yen, the same as in the same period of the preceding year, while non-operating expenses were 8 million yen, compared with 11 million yen in same period of the preceding year.

Consequently, ordinary income increased 14.8% over the same period of the preceding year to 2,914 million yen.

IV. Net income attributable to owners of the parent company: 1,918 million yen (up 12.3% over the same period of the preceding year)

Income taxes totaled 989 million yen, up from 837 million yen in the same period of the preceding year, and net income attributable to owners of the parent company was 1,918 million yen, up 12.3% over the same period in the preceding year.

Segment-Specific Performance

The performance of 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. Thus, this report uses the post-change segments.

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

I. Consulting

Sales in our principal sectors—housing and real estate; healthcare, nursing care and welfare; and certified professional services—continued to track at a solid pace. Support to help clients improve business performance, our core service, remained strong in the housing and real estate sector, In the healthcare, nursing care and welfare sector, new clients gained from the major seminars and management workshops also ensured robust performance. Our consulting for the HR services industry has also grown substantially amidst increased demand for solutions to labor shortages in recent years. This quarter was a profitable one, as we successfully boosted operating income by increasing net sales in addition to streamlining sales work to reduce the cost of business trips and other expenses.

Consequently, sales rose 16.2% over the same period of the preceding year to 9,267 million yen, and operating income rose 26.3% over the same period of the preceding year to 2,859 million yen.

II. Logistics

Deeper mining of existing clients, higher retail prices, and other developments resulted in increased sales for our logistics operations compared to the same period in the preceding year. Increased orders for logistics consulting from existing clients, orders for a new major project, seminars covering a variety of new topics, and record-breaking attendance at workshops also contributed to the rise in sales. As logistics consulting is relatively highly profitable, the increase in revenue in that field drove profits up as well.

Consequently, sales rose 1.9% over the same period of the preceding year to 1,169 million yen, and operating income rose 30.4% over the same period of the preceding year to 166 million yen.

We have taken action to keep pace with the rapid digitalization of the logistics business. First, we invested in QT Japan Co., Ltd., the Japanese arm of Quicktron, the Chinese developer of distributed autonomous logistics AI robots; QT Japan is developing the same robots for the Japanese market. We also added consulting for introducing distributed autonomous logistics AI robotics to our lineup of services.

III. Direct Recruiting

Net sales were approximately double the same period in the preceding year 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. In terms of profit, we posted an operating loss during the second quarter due to upfront investments that began in the preceding year, mainly in systems development and sales promotion intended to expand sales sooner rather than later.

Consequently, sales rose 106.8% over the same period of the preceding year to 1,091 million yen, and operating income ended in a net loss of 153 million yen compared with a net gain of 3 million yen in the same period of the preceding year.

IV. Other Businesses

Net sales increased compared to the same period of the preceding year due to the addition of systems development business; the decrease in profit is due in part to our failure to capture an order for a contact center consulting project with a major corporation. However, our IT consulting business enjoyed stable orders that resulted in higher revenue than planned.

Consequently, sales rose 69.0% over the same period of the preceding year to 547 million yen, and operating income decreased 79.1% from the same period of the preceding year to 6 million yen.

(2) 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) at the beginning of the first quarter of this fiscal year, and applied them retroactively to figures from the preceding year for the following comparisons and analysis.

Assets

Total assets increased 1,188 million yen from the end of FY2018 to 27,921 million yen at the end of the second quarter.

Current assets increased 1,461 million yen from the end of FY2018 to 16,051 million yen. This was mainly due to an increase in cash, deposits, and short-term investment securities.

Noncurrent assets decreased 272 million yen from the end of FY2018 to 11,869 million yen. This was mainly due to a decrease in investment securities, and an increase in buildings and structures as well as furniture and fixtures included in other property, plant, and equipment.

Liabilities

Total liabilities increased 131 million yen from the end of FY2018 to 4,493 million yen at the end of the second quarter.

Current liabilities increased 521 million yen from the end of FY2018 to 4,196 million yen. This was mainly due to an increase in current portion of bonds and provision for bonuses, and a decrease in current portion of long-term loans payable.

Noncurrent liabilities decreased 389 million yen from the end of FY2018 to 296 million yen. This was mainly due to a decrease bonds payable and an increase long-term loans payable.

Net Assets

Total net assets increased 1,057 million yen from the end of FY2018 to 23,428 million yen at the end of the second quarter.

Equity Ratio

Equity ratio remained the same as at the end of FY2018, 82.2% at the end of the second quarter.

Cash Flow

Cash and cash equivalents (hereinafter “net cash”) increased 711 million over the end of FY2018 to 11,734 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 2,168 million yen compared to 1,417 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 2,908 million yen, and 972 million in income taxes paid.

Net Cash Provided by Investments

Net cash used in investments totaled 435 million yen compared to a net gain of 111 million yen in the same period of the previous year. This was mainly due to a net expenditure of 149 million yen on the purchase and sale of investment securities, and expenditure of 295 million yen on purchases of property, plant, equipment, and intangible assets.

Net Cash Provided by Financing

Net cash used in financing totaled 1,019 million yen compared to a net use of 1,013 million yen in the same period of the previous year. This was mainly due to 1,005 million yen distributed as dividends.

(3) Consolidated Forecast and Other Forward-Looking Information

In the final year of our Mid-Range Business Plan (2017-2019), we remain fully committed to achieving the targets we set for ourselves in our quest to strengthen our organization in each segment and area, and provide ever higher corporate value as a provider of comprehensive management consulting solutions.

We intend to help our clients improve their corporate value by providing more robust, customized support for the industries we have experience in, namely housing and real estate; healthcare, nursing care and welfare; and certified professional services, the principal sectors of our consulting business. We also aim to normalize and improve our support for strategic digitalization to help small and medium-sized enterprises improve productivity and resolve labor shortages.

We intend to contribute to improved performance by deploying new techniques to acquire new clients for our logistics business. To that end, we will strengthen our exclusive matching services for subcompact cars in our logistics operations business, and continue to reinforce our logistics consulting. We will also develop new products and bolster online consulting solutions, and develop consulting services to support clients' adoption of AI logistics robotics, an initiative we launched in July 2019.

As the direct recruiting business in Japan continues to expand, we must increase net sales by acquiring new clients as soon as possible to make our services highly sustainable for those clients. Therefore, we aim to expand our business by continuing upfront investments throughout the year, mainly in systems development and sales promotion.

In sum, we forecast consolidated 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 the parent company of 3,700 million yen for FY2019.

2. Consolidated Financial Statements and Notes

(1) Consolidated Balance Sheet

(Unit: Thousand yen)

	FY12/18 (As of Dec. 31, 2018)	First half of FY12/19 (As of Jun. 30, 2019)
Assets		
Current assets		
Cash and deposits	11,022,585	11,734,361
Trade notes and accounts receivable	2,393,699	2,424,586
Short-term investment securities	301,784	902,875
Work in process	113,784	175,395
Raw materials and supplies	7,053	7,454
Other current assets	786,604	843,000
Allowance for doubtful accounts	(35,443)	(35,853)
Total current assets	14,590,069	16,051,820
Noncurrent assets		
Property, plant, and equipment		
Buildings and structures, net	1,270,842	1,337,729
Land	4,602,643	4,602,643
Lease assets, net	30,944	24,095
Other property, plant, and equipment, net	119,570	190,393
Total property, plant, and equipment	6,024,001	6,154,862
Intangible assets		
Leasehold rights	322,400	322,400
Software	280,596	265,724
Other intangible assets	191,732	178,561
Total intangible assets	794,730	766,686
Investments and other assets		
Investment securities	4,451,647	4,038,660
Assets related to retirement benefits	480,131	504,548
Other investments and other assets	400,624	413,478
Allowance for doubtful accounts	(8,408)	(8,299)
Total investments and other assets	5,323,993	4,948,387
Total noncurrent assets	12,142,725	11,869,936
Total assets	26,732,794	27,921,757

(Unit: Thousand yen)

	FY12/18 (As of Dec. 31, 2018)	First half of FY12/19 (As of Jun. 30, 2019)
Liabilities		
Current liabilities		
Trade notes and accounts payable	331,448	341,507
Current portion of bonds	-	500,000
Current portion of long-term loans payable	100,000	-
Lease obligations	13,691	11,416
Income taxes payable	1,033,185	1,072,804
Provision for bonuses	-	120,432
Other current liabilities	2,196,932	2,150,675
Total current liabilities	3,675,257	4,196,836
Noncurrent liabilities		
Bonds payable	500,000	-
Long-term loans payable	-	100,000
Retirement benefit liabilities	54,660	67,164
Lease obligations	19,695	14,593
Deferred tax liabilities	70,716	73,390
Other noncurrent liabilities	41,635	41,635
Total noncurrent liabilities	686,707	296,784
Total liabilities	4,361,964	4,493,620
Net assets		
Shareholders' equity		
Capital stock	3,125,231	3,125,231
Capital surplus	2,946,634	2,947,598
Retained earnings	17,729,542	18,639,435
Treasury stock	(1,861,703)	(1,837,924)
Total shareholders’ equity	21,939,705	22,874,341
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	121,786	166,795
Foreign currency translation adjustments	16,284	15,366
Accumulated adjustments for retirement benefits	(109,225)	(94,304)
Total accumulated other comprehensive income	28,845	87,857
Subscription rights for shares	402,278	465,937
Total net assets	22,370,829	23,428,136
Total liabilities and net assets	26,732,794	27,921,757

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statement of Income

First Half

(Unit: Thousand yen)

	First Half of FY12/18 (Jan. 1 – Jun. 30, 2018)	First Half of FY12/19 (Jan. 1 – Jun. 30, 2019)
Net sales	9,984,460	12,087,880
Cost of sales	6,191,823	7,750,723
Gross profit	3,792,637	4,337,156
SG&A expenses	1,291,330	1,462,648
Operating income	2,501,306	2,874,508
Non-operating income		
Interest income	4,610	4,525
Dividend income	6,895	5,013
Gain on sales of investment securities	17,046	18,891
Gain on valuation of investment securities	554	1,464
Refunded consumption taxes	9,947	11,429
Other non-operating income	9,807	7,440
Total non-operating income	48,862	48,766
Non-operating expenses		
Interest expenses	2,735	2,590
Loss on valuation of investment securities	2,661	1,914
Investment partnership management expenses	2,596	2,047
Other non-operating expenses	3,760	1,805
Total non-operating expenses	11,753	8,358
Ordinary income	2,538,415	2,914,915
Extraordinary income		
Gain on reversal of subscription rights for shares	865	-
Gain on sales of investment securities	10,671	626
Total extraordinary income	11,537	626
Extraordinary losses		
Loss on retirement of noncurrent assets	3,135	394
Loss on sales of investment securities	-	6,807
Total extraordinary losses	3,135	7,201
Net income before income taxes and other adjustments	2,546,816	2,908,341
Current income taxes	857,587	1,017,542
Deferred income taxes	(19,719)	(27,843)
Total income taxes	837,868	989,699
Net income	1,708,948	1,918,641
Net income attributable to owners of the parent company	1,708,948	1,918,641

Consolidated Statement of Comprehensive Income

First Half

(Unit: Thousand yen)

	First Half of FY12/18 (Jan. 1 – Jun. 30, 2018)	First Half of FY12/19 (Jan. 1 – Jun. 30, 2019)
Net income	1,708,948	1,918,641
Other comprehensive income		
Valuation difference on available-for-sale securities	76,450	45,008
Foreign currency translation adjustments	(1,460)	(918)
Adjustments for retirement benefits	14,893	14,921
Total other comprehensive income	89,883	59,011
Comprehensive income	1,798,832	1,977,653
Details		
Comprehensive income attributable to owners of the parent company	1,798,832	1,977,653

(3) Consolidated Cash Flow Statement

(Unit: Thousand yen)

	First Half of FY12/18 (Jan. 1 – Jun. 30, 2018)	First Half of FY12/19 (Jan. 1 – Jun. 30, 2019)
Net cash provided by (used in) operations		
Net income before income taxes and other adjustments	2,546,816	2,908,341
Depreciation	114,500	132,626
Amortization of goodwill	26,694	33,417
Share-based compensation expenses	72,659	95,275
Increase (decrease) in allowance for doubtful accounts	(2,499)	300
Decrease (increase) in assets related to retirement benefits	(3,267)	(9,495)
Increase (decrease) in retirement benefit liabilities	-	12,504
Increase (decrease) in provision for bonuses	100,379	120,941
Loss (gain) on valuation of investment securities	2,106	449
Loss (gain) on sales of investment securities	(27,717)	(12,710)
Interest and dividend income	(11,506)	(9,539)
Interest expenses	2,735	2,590
Loss (gain) on exchange	395	(367)
Loss on retirement of property, plant, and equipment	714	394
Loss on retirement of intangible assets	2,421	-
Decrease (increase) in trade notes and accounts receivable	(214,124)	(31,213)
Decrease (increase) in other assets	(497,768)	(453,610)
Increase (decrease) in other liabilities	(192,999)	(13,486)
Other cash provided by (used in) operations	2,952	4,274
Subtotal	1,922,494	2,780,692
Interest and dividends received	20,887	20,003
Interest paid	(2,747)	(2,601)
Income taxes paid	(856,633)	(972,367)
Income tax refunds	333,825	343,175
Net cash provided by (used in) operations	1,417,826	2,168,902
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	500,000	100,000
Purchase of investment securities	(401,246)	(163,405)
Proceeds from sale and redemption of investment securities	331,273	14,272
Purchase of property, plant, and equipment	(56,329)	(221,369)
Purchase of intangible assets	(62,509)	(73,809)
Proceeds from cancellation of insurance funds	12,136	8,938
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(112,128)	-
Net cash provided by (used in) investments	111,196	(435,439)
Net cash provided by (used in) financing		
Repayment of lease obligations	(7,112)	(7,376)
Purchase of treasury stock	(41,191)	(7,021)
Proceeds from sale of treasury shares	45,370	148
Dividends paid	(1,010,225)	(1,005,609)
Net cash provided by (used in) financing	(1,013,159)	(1,019,860)
Effect of exchange rate changes on cash and cash equivalents	(1,904)	(1,791)
Increase (decrease) in cash and cash equivalents	513,959	711,810
Cash and cash equivalents at start of fiscal year	10,455,676	11,022,585

(Unit: Thousand yen)

	First Half of FY12/18 (Jan. 1 – Jun. 30, 2018)	First Half of FY12/19 (Jan. 1 – Jun. 30, 2019)
Cash and cash equivalents at end of quarter	10,969,636	11,734,395

(4) Notes on Consolidated Financial Statements

Notes on Going Concern Assumptions

None to report.

Notes on Significant Changes to Shareholders' Equity

None to report.

Additional Information

Adoption of Partial Amendments to Accounting Standard for Tax Effect Accounting

NB: Starting from the first quarter of FY2019, the Funai Soken Consulting Group has adopted the Accounting Standards Board of Japan’s Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28; February 16, 2018). Accordingly, deferred tax assets are listed under other investments and other assets, and deferred tax liabilities are listed under noncurrent liabilities.

Segment Information

I. First Half of FY12/18 (Jan. 1 – Jun. 30, 2018)
Information About Net Sales, Income, and Losses for Each Segment

(Unit: Thousand yen)

	Consulting	Logistics	Direct Recruiting	Others[1]	Total	Adjustment [2]	Amount listed in consolidated statement of income[3]
Net sales							
Sales to external customers	7,973,430	1,147,355	527,872	323,970	9,972,629	11,831	9,984,460
Inter-segment sales and transfers	93,638	108,817	9,660	738	212,854	(212,854)	-
Total	8,067,068	1,256,173	537,533	324,708	10,185,484	(201,023)	9,984,460
Segment income	2,263,943	127,785	3,264	32,878	2,427,870	73,435	2,501,306

Notes

1. The “others” category includes income from IT consulting and contact center consulting. Beginning with the first half of FY2018, the “IT business” has been renamed the “IT consulting business.” This change has no impact on segment information.
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 FY12/19 (Jan. 1 – Jun. 30, 2019)
1. Information About Net Sales, Income, and Losses for Each Segment

(Unit: Thousand yen)

	Consulting	Logistics	Direct Recruiting	Others[1]	Total	Adjustment [2]	Amount listed in consolidated statement of income[3]
Net sales							
Sales to external customers	9,267,413	1,169,556	1,091,494	547,584	12,076,049	11,831	12,087,880
Inter-segment sales and transfers	98,870	289,287	7,079	12,761	407,999	(407,999)	-
Total	9,366,284	1,458,844	1,098,574	560,345	12,484,048	(396,167)	12,087,880
Segment income	2,859,256	166,664	(153,502)	6,858	2,879,277	(4,768)	2,874,508

Notes

1. The “others” category includes income from IT consulting, contact center consulting, and systems development.
2. Adjustments of segment income/losses include elimination of inter-segment transactions and whole-group revenues and expenses that are not attributable to any segment. Whole-group income is comprised of outsourcing fees, consulting fees, and rental income from group companies, and whole-group expenses are comprised of those incurred in the operations of the group’s holding company not attributable to any segment.
3. Income/losses are adjusted against operating income in the consolidated statement of income.

2. Changes in Report Segments

Changes in Segmenting Method

In the third quarter of last year, we used an absorption-type company split to transfer logistics consulting from one subsidiary, Funai Consulting Inc., to another, Funai Soken Logistics, Inc.; now, logistics consulting, which was formerly part of our management consulting, is included in the logistics business segment.

Segment information for FY2018 2Q is provided herein for comparison with this year's second-quarter information. However, because the aforementioned change in segmentation has been applied retroactively to the FY2018 2Q information, there are slight discrepancies between the FY2018 2Q figures in this document and the same figures published last year.

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.

Furthermore, segment information for the six months ending Jun. 30, 2018 has been restated 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 outstanding (unit: 1,000 yen)	Change from same period last year (%)
Consulting	7,086,323	+1.8	6,874,234	+9.9
Logistics	308,876	(10.3)	229,102	(10.0)
Other businesses	312,145	(15.3)	133,496	(6.4)

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. Logistics consulting, which was formerly part of our management consulting, was transferred to the logistics business segment in the third quarter of the preceding year; therefore, we retroactively adjusted the above figures for this comparison.
4. Direct recruiting entails no consulting revenues and is therefore not included in the above table.
5. Other income includes only that earned from IT and contact center consulting.
6. The above amounts are based on sale prices.
7. 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	9,267,413	+16.2
Logistics	1,169,556	+1.9
Direct recruiting	1,091,494	+106.8
Other businesses	547,584	+69.0
Total	12,076,049	+21.1

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.