



August 4, 2022

Consolidated Financial Results for the First Half of the Fiscal Year Ending December 31, 2022 (January 1, 2022 – June 30, 2022)

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Scheduled date of filing quarterly report:	August 10, 2022
Scheduled date of payment of dividend:	August 29, 2022
Supplementary materials compiled to explain 1st-half financial statements:	Yes
Briefing to be held to explain 1st-half financial results:	Yes (For institutional investors and analysts)

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

1. 2022 1st Half Consolidated Financial Results (January 1, 2022 – June 30, 2022)

(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	%
Six months ended								
Jun. 30, 2022	12,258	10.9	3,749	14.3	3,779	13.9	2,596	15.0
Jun. 30, 2021	11,055	–	3,279	–	3,317	–	2,257	–

Notes: Comprehensive income: 2,566 million yen (up 12.6%) in six months ended Jun. 30, 2022
2,278 million yen (-%) in the six months ended Jun. 30, 2021

	Earnings per share (basic)	Earnings per share (diluted)
Six months ended	Yen	Yen
Jun. 30, 2022	52.52	51.88
Jun. 30, 2021	45.71	45.20

Note: From the first quarter of the fiscal year ending December 2022, we apply the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020). In accordance with basic handling, we have applied the new accounting standard retroactively. Furthermore, we do not indicate the year-on-year rate of change compared to the second quarter of the fiscal year ended December 31, 2021. This is due to the fact that we retroactively revised figures to reflect this change in accounting standards.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	million yen	million yen	%
As of Jun. 30, 2022	31,798	27,005	82.8
As of Dec. 31, 2021	30,928	25,710	80.7

Reference: Shareholders' equity: 26,331 million yen as of Jun. 30, 2022
24,962 million yen as of Dec. 31, 2021

Note: From the first quarter of the fiscal year ending December 2022, we apply the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020). In accordance with basic handling, we have applied the new accounting standard retroactively.

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended Dec. 31, 2021	–	21.00	–	27.00	48.00
Year ending Dec. 31, 2022	–	25.00			
Forecast for year ending Dec. 31, 2022			–	28.00	53.00

Note: Amendments to dividend numbers compared to most recently announced forecasts: None

3. Forecast for Consolidated Financial Results for FY2022 (January 1, 2022 – December 31, 2022)

(Percentages represent year-on-year change)

	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
Full year	25,300	10.9	7,100	11.7	7,150	10.9	4,800	9.6	97.05

Note: Amendments to performance numbers compared to most recently announced forecasts: None

From the first quarter of the fiscal year ending December 2022, we apply the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020). In accordance with basic handling, we have applied the new accounting standard retroactively.

Furthermore, the year-on-year rate of change is a comparison with figures adjusted to reflect the new accounting standard.

Remarks

- (1) Changes in consolidated subsidiaries during the period: None
(Changes in scope of consolidation:)
- No. of new companies added: None
 - Names of new companies added: None
 - No. of companies removed: None
 - Names of companies removed: None
- (2) Application of specific accounting procedures when compiling quarterly 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: Yes
 - 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)
- 2) Number of treasury shares at end of six-month period
- 3) Average number of shares during six-month period (cumulative total)

Jun. 30, 2022	52,500,000	Dec. 31, 2021	52,500,000
Jun. 30, 2022	3,016,156	Dec. 31, 2021	3,120,936
Jun. 30, 2022	49,432,797	Jun. 30, 2021	49,388,207

Note: 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 “(1) 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 Ended June 30, 2022

(1) Results of Operations

As of the beginning of the first quarter of the current consolidated fiscal year, we apply the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020). For the Accounting Standard for Revenue Recognition, we apply this new accounting policy retroactively to all past fiscal years in accordance with the basic handling stipulated in Paragraph 84 of the Accounting Standard for Revenue Recognition. As such, our analysis and year-on-year comparisons of consolidated cumulative quarterly and full-year periods are based on figures for which this accounting standard have been applied retroactively.

For details on the impact on financial position and results of operations, refer to "2. Quarterly Consolidated Financial Statements and Main Notes (4) Notes to Quarterly Consolidated Financial Statements (Changes in Accounting Policy)" and "2. Quarterly Consolidated Financial Statements and Main Notes (4) Notes to Quarterly Consolidated Financial Statements (Segment information)".

During the six months under review (January 1, 2022 to June 30, 2022), the Japanese economy saw a gradual resumption of economic activities with the easing of measures against COVID-19. However, SMEs continue to face difficult conditions despite some signs of improvement in certain areas. Looking to the future, we continue to face a lack of transparency due to the prolonged Russian invasion of Ukraine and interest rate hikes in the US have caused rapid yen depreciation that has driven up the cost of living.

In this situation, our Group has worked to flexibly respond to customer needs, mainly by providing online seminars while also conducting in-person business management study groups in certain cases. The government resuming acceptance of applications for the SME Digitalization Support Project (Phase II) also contributed to improved performance.

As a result, the Group posted 12,258 million yen in net sales (up 10.9% year on year), 3,749 million yen in operating income (up 14.3% year on year), 3,779 million yen in ordinary income (up 13.9% year on year), 2,596 million yen in net income attributable to owners of the parent (up 15.0% year on year) for the period under review, achieving record results.

I. Net sales: 12,258 million yen (up 10.9% over the same period of the previous fiscal year)

Net sales increased in the monthly consulting support service and project consulting of the business consulting business segment. Net sales also continued to increase for online ad listing sales. The logistics business also steadily increased sales of logistics BPO services.

Consequently, net sales rose 10.9% year on year to 12,258 million yen.

II. Operating income: 3,749 million yen (up 14.3% over the same period of the previous fiscal year)

Looking at operating income, cost of sales was 7,035 million yen (compared to 6,338 million yen in the same period of the previous fiscal year). Travel expenses for consulting activities increased as we gradually resumed activities, and personnel expenses of consulting increased. SG&A expenses were 1,473 million yen (1,436 million yen in the same period of the previous fiscal year).

Consequently, operating income rose 14.3% year on year to 3,749 million yen.

III. Ordinary income: 3,779 million yen (up 13.9% over the same period of the previous fiscal year)

Ordinary income resulted in non-operating income of 36 million yen (compared to 44 million yen in the same period of the previous fiscal year) and non-operating expenses of 5 million yen (compared to 7 million yen in the same period of the previous fiscal year).

Consequently, ordinary income increased 13.9% from the same period of the previous fiscal year to 3,779 million yen.

IV. Net income attributable to owners of the parent: 2,596 million yen (up 15.0% over the same period of the previous fiscal year)

With income taxes totaling 1,178 million yen for the period under review, compared with 1,049 million yen in the same period of the previous fiscal year, net income attributable to owners of the parent rose 15.0% year on year to 2,596 million yen.

Segment-Specific Performance

The performance of each business segment is outlined below.

For the first quarter of the current consolidated fiscal year, as the monetary weight of direct recruiting declined, we changed to a recording method that includes those amounts in Other. As a result, we indicate figures created based on these revised categories.

For details, refer to "2. Quarterly Consolidated Financial Statements and Main Notes (4) Notes to Quarterly Consolidated Financial Statements (Segment information)"

I. Consulting

In the consulting business, orders from the management study groups increased and we secured orders received online. The number of consulting contracts increased steadily. As a result, we achieved net sales and income exceeding results for the same period of the previous fiscal year. By industry sector, consulting divisions for the housing and real estate industries, our main business division, the medical, aged care, welfare industries, and the manufacturing consulting division all increased net sales. In the solutions business, DX sales for operational improvements using AI, robots, and RPA were favorable. DX for marketing using online sales targeting manufacturing businesses was also firm.

Consequently, net sales increased 6.5% year on year to 9,182 million yen, and operating income rose 6.2% year on year to 3,206 million yen.

II. Logistics

In the logistics business, logistics BPO services recorded strong performance of aggressive promotional activities targeting existing customers and e-commerce related operations in our corporate clients resulted in a considerable increase in revenue compared to the same quarter of the previous year. Logistics consulting services saw a return to logistics investments among shippers and business management study group sales to logistics companies were favorable, resulting in a significant increase in net sales compared to the same period of the previous fiscal year.

Favorable performance by logistics BPO services and logistics consulting services resulted in increased income.

Consequently, net sales increased 40.3% year on year to 1,857 million yen, and operating income rose 66.0% year on year to 248 million yen.

III. Other Businesses

In other businesses, the direct recruiting business recorded increased net sales and income thanks to a trend towards increasing hiring. The contact center consulting business recorded increased net sales and income compared to the same period of the previous fiscal year on an increase in seminars related to COPC certification, our mainstay product, as well as other major consulting contracts received. The IT consulting business was largely on par with targets. In the system development business, orders received from major clients increased, resulting in increased net sales and income.

Consequently, net sales rose 10.0% year on year to 1,209 million yen and operating income was 156 million yen (up 1,313.2% over the same quarter of the previous year).

(2) Financial Position

1. Assets, Liabilities and Equity

(Assets)

Total assets increased by 870 million yen from the end of the previous fiscal year to 31,798 million yen as of the end of the six months under review.

Current assets increased 1,565 million yen from the end of the previous fiscal year to 20,615 million yen. This was mainly due to increases in cash and deposits and short-term investment securities.

Noncurrent assets decreased by 695 million yen from the end of the previous fiscal year to 11,183 million yen. This was mainly due to a decrease in investment securities.

(Liabilities)

Total liabilities fell by 424 million yen from the end of the previous fiscal year to 4,792 million yen as of the end of the six months under review.

Current liabilities shrank by 558 million yen from the end of the previous fiscal year to 4,494 million yen. This is mainly due to increased allowance for bonuses while current portion of long-term loans payable, unpaid amounts included under other liabilities, and consumption taxes payable and deposited money decreased.

Noncurrent liabilities increased by 134 million yen from the end of the previous fiscal year to 298 million yen. This was mainly due to an increase in long-term loans payable.

(Net Assets)

Total net assets increased by 1,295 million yen from the end of the previous fiscal year to 27,005 million yen as of the end of the six months under review.

(Equity Ratio)

The shareholders' equity ratio as of the end of the six months under review was 82.8%, up 2.1 percentage points from the end of the previous fiscal year.

2. Cash Flows

Cash and cash equivalents (hereinafter, "cash") rose by 1,229 million yen from the end of the previous fiscal year to 15,904 million yen as of the end of the six months under review.

The status of each type of cash flows during the six months under review is as follows.

(Cash flow from operating activities)

Net cash provided by operating activities was 2,182 million yen (compared to 2,255 million yen of net cash provided in the same period of the previous fiscal year).

This mainly reflected the posting of 3,774 million yen in net income before tax and other adjustments and the payment of 1,255 million yen of income tax and others.

(Cash flow from investing activities)

Net cash provided by investing activities was 384 million yen (compared to 398 million yen of net cash used in the same period of the previous fiscal year).

This was mainly due to the net inflow of 612 million yen for the purchase, sale, and redemption of short-term investment securities and investment securities and the spending of 235 million yen for the purchase of property, plant and equipment and intangible assets.

(Cash flow from financing activities)

Net cash used in financing activities was 1,344 million yen (compared to 1,503 million yen of net cash used in the same period of the previous fiscal year).

This mainly reflected the spending of 1,330 million yen for dividend payment.

(3) Consolidated Forecast and Other Forward-Looking Information

The impact of COVID-19 on socioeconomic activities, doubts caused by the situation in Ukraine, rising raw material costs, and fluctuations on capital markets, have created a lack of transparency about the future. This has created a situation in which domestic SMEs, our main clientele, are constantly being forced to make difficult management decisions.

In July 2022, we merged Funai Soken Corporate Relations Inc. and Shinwa Computer Service Co., Ltd. to launch Funai Soken Digital, Inc. Through this move, we will strengthen and expand our DX and consulting and other related services. We will continue to capture the needs of the managers of our corporate clients and offer business consulting services that match the current trend.

For full-year consolidated results, the Group projects 25,300 million yen in net sales, 7,100 million yen in operating income, 7,150 million yen in ordinary income, and 4,800 million yen in net income attributable to owners of the parent.

2. Quarterly Consolidated Financial Statements and Main Notes

(1) Consolidated Balance Sheet

(Thousand yen)

	FY12/21 (As of Dec. 31, 2021)	First half of FY12/22 (As of Jun. 30, 2022)
Assets		
Current assets		
Cash and deposits	14,675,155	15,904,389
Trade notes, accounts receivable, and contract assets	3,300,636	3,265,259
Short-term investment securities	100,000	308,150
Work in process	127,853	126,818
Raw materials and supplies	10,986	14,296
Other current assets	875,363	1,033,459
Allowance for doubtful accounts	(40,657)	(37,365)
Total current assets	19,049,337	20,615,008
Noncurrent assets		
Property, plant, and equipment		
Buildings and structures, net	1,195,629	1,161,199
Land	4,596,717	4,596,717
Other property, plant, and equipment, net	124,850	150,399
Total property, plant, and equipment	5,917,197	5,908,315
Intangible assets		
Leasehold rights	322,400	322,400
Software	298,339	365,066
Other intangible assets	84,678	133,796
Total intangible assets	705,418	821,263
Investments and other assets		
Investment securities	4,241,507	3,333,467
Assets related to retirement benefits	540,005	565,048
Other investments and other assets	481,471	562,404
Allowance for doubtful accounts	(6,929)	(7,206)
Total investments and other assets	5,256,055	4,453,714
Total noncurrent assets	11,878,671	11,183,293
Total assets	30,928,009	31,798,302

(Thousand yen)

	FY12/21 (As of Dec. 31, 2021)	First half of FY12/22 (As of Jun. 30, 2022)
Liabilities		
Current liabilities		
Trade notes and accounts payable	535,623	551,428
Short-term loans payable	200,000	200,000
Current portion of long-term loans payable	100,000	–
Income taxes payable	1,325,288	1,279,631
Allowance for bonus	–	177,753
Other current liabilities	2,892,164	2,285,281
Total current liabilities	5,053,076	4,494,094
Noncurrent liabilities		
Long-term loans payable	–	100,000
Retirement benefit liabilities	69,872	72,286
Deferred tax liabilities	47,164	43,601
Other noncurrent liabilities	47,050	82,440
Total noncurrent liabilities	164,087	298,328
Total liabilities	5,217,163	4,792,423
Net assets		
Shareholders' equity		
Capital stock	3,125,231	3,125,231
Capital surplus	2,946,763	2,955,094
Retained earnings	22,688,431	23,951,360
Treasury stock	(3,826,322)	(3,698,354)
Total shareholders' equity	24,934,103	26,333,332
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	76,859	30,280
Foreign currency translation adjustments	23,992	30,202
Accumulated adjustments for retirement benefits	(72,760)	(62,017)
Total accumulated other comprehensive income	28,090	(1,534)
Subscription rights for shares	748,651	674,080
Total net assets	25,710,846	27,005,878
Total liabilities and net assets	30,928,009	31,798,302

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statement of Income

First Half

(Thousand yen)

	First Half of FY12/21 (Jan. 1 – Jun. 30, 2021)	First Half of FY12/22 (Jan. 1 – Jun. 30, 2022)
Net sales	11,055,243	12,258,125
Cost of sales	6,338,562	7,035,430
Gross profit	4,716,681	5,222,695
SG&A expenses	1,436,804	1,473,608
Operating income	3,279,876	3,749,086
Non-operating income		
Interest income	9,872	7,843
Dividend income	3,683	4,154
Gain on sales of investment securities	15,208	242
Gain on valuation of investment securities	–	2,472
Other non-operating income	15,649	21,822
Total non-operating income	44,413	36,535
Non-operating expenses		
Interest expenses	2,411	4,169
Loss on valuation of investment securities	1,350	–
Foreign exchange losses	1,577	–
Investment partnership management expenses	1,462	1,295
Other non-operating expenses	388	486
Total non-operating expenses	7,190	5,951
Ordinary income	3,317,099	3,779,671
Extraordinary income		
Gain on sales of noncurrent assets	16	–
Total extraordinary income	16	–
Extraordinary losses		
Loss on sales of noncurrent assets	3,576	1,714
Loss on retirement of noncurrent assets	6,585	3,272
Total extraordinary losses	10,162	4,987
Net income before income taxes and other adjustments	3,306,953	3,774,683
Current income taxes	1,106,766	1,217,232
Deferred income taxes	(57,415)	(38,712)
Total income taxes	1,049,350	1,178,519
Net income	2,257,602	2,596,164
Net income attributable to owners of the parent	2,257,602	2,596,164

Consolidated Statement of Comprehensive Income

First Half

(Thousand yen)

	First Half of FY12/21 (Jan. 1 – Jun. 30, 2021)	First Half of FY12/22 (Jan. 1 – Jun. 30, 2022)
Net income	2,257,602	2,596,164
Other comprehensive income		
Valuation difference on available-for-sale securities	3,368	(46,578)
Foreign currency translation adjustments	4,271	6,209
Adjustments for retirement benefits	13,274	10,742
Total other comprehensive income	20,913	(29,625)
Comprehensive income	2,278,516	2,566,538
Details		
Comprehensive income attributable to owners of the parent	2,278,516	2,566,538

(3) Consolidated Cash Flow Statement

(Thousand yen)

	First Half of FY12/21 (Jan. 1 – Jun 30, 2021)	First Half of FY12/22 (Jan. 1 – Jun 30, 2022)
Net cash provided by (used in) operations		
Net income before income taxes and other adjustments	3,306,953	3,774,683
Depreciation	118,018	164,527
Amortization of goodwill	11,721	11,721
Share-based compensation expenses	25,495	62,766
Increase (decrease) in allowance for doubtful accounts	(1,137)	(3,015)
Decrease (increase) in assets related to retirement benefits	(11,850)	(14,299)
Increase (decrease) in liabilities related to retirement benefits	756	2,414
Increase (decrease) in allowance for bonus	141,673	177,191
Loss (gain) on valuation of investment securities	1,350	(2,472)
Loss (gain) on sales of investment securities	(15,208)	(242)
Interest and dividend income	(13,555)	(11,997)
Interest expenses	2,411	4,169
Foreign exchange loss (gain)	4,171	1,607
Loss (gain) on sales of property, plant and equipment	3,560	1,714
Loss on retirement of property, plant and equipment	2,113	3,272
Loss on retirement of intangible assets	4,472	–
Decrease (increase) in notes and accounts receivable-trade and contract assets	(134,840)	44,769
Decrease (increase) in other assets	(445,502)	(658,847)
Increase (decrease) in other liabilities	(532,633)	(589,780)
Other	7,676	1,906
Subtotal	2,475,647	2,970,089
Interest and dividends received	19,753	20,929
Interest paid	(2,416)	(4,237)
Income taxes paid	(777,783)	(1,255,550)
Income taxes refund	540,635	451,326
Net cash provided by (used in) operations	2,255,836	2,182,558
Net cash provided by (used in) investments		
Proceeds from sale and redemption of securities	104,615	100,000
Purchase of investment securities	(420,052)	(100,000)
Proceeds from sale and redemption of investment securities	16,011	612,796
Purchase of property, plant and equipment	(17,427)	(32,493)
Purchase of intangible assets	(84,023)	(203,217)
Proceeds from surrender of insurance reserves	–	6,896
Other	2,366	56
Net cash provided by (used in) investments	(398,510)	384,038
Net cash provided by (used in) financing		
Income from long-term loans	–	100,000
Expenditure for repayment of long-term loans	–	(100,000)
Repayment of lease obligations	(4,551)	(13,013)
Purchase of treasury shares	(263,127)	(1,142)
Proceeds from sale of treasury shares	63	105
Dividends paid	(1,236,255)	(1,330,571)
Net cash provided by (used in) financing	(1,503,871)	(1,344,622)
Effect of exchange rate changes on cash and cash equivalents	6,018	7,260
Net increase (decrease) in cash and cash equivalents	359,473	1,229,234
Cash and cash equivalents at start of fiscal year	12,216,419	14,675,155
Cash and cash equivalents at end of quarter	12,575,892	15,904,389

(4) Notes to Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumptions)

None to report.

(Notes on Significant Changes to Shareholders' Equity)

None to report.

(Changes in Accounting Policies)

1. Application of the Accounting Standard for Revenue Recognition

We apply the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020, hereinafter "Revenue Recognition Accounting Standard") as of the beginning of the first quarter of the current consolidated fiscal year. As a result, we recognize revenue based on the amount projected to be received in exchange for goods or services at the point ownership of the promised goods or services is transferred to the customer.

Changes resulting from the application of the Revenue Recognition Accounting Standard are as follows.

- Agent transactions

Revenue recognition for agent transactions previously entailed recognizing the total amount of compensation received from customers as revenue. However, for transactions where our Group serves as an agent for the provision of goods or services to the customer, we have changed to a method that recognizes revenue as the net amount from which amounts paid to the vendor are deducted from the amount received from the customer.

- Project transactions

Revenue recognition for project transactions previously entailed recognizing revenue at the point of service completion. However, we have changed to a method that estimates progress towards the fulfillment of duties and recognizes revenue over a specified period of time based on said progress.

These changes in accounting standards will be applied retroactively. As such, the quarterly consolidated financial statements and consolidated financial statements for the previous period and the previous fiscal year reflect the retroactive application of these standards.

As a result, compared to prior to retroactive application, net sales for the first six months of the previous consolidated fiscal year decrease by 2,831 million yen, cost of sales decreased by 2,835 million yen, and operating income, ordinary income, and net income before income taxes and other adjustments each increased by 3 million yen. Furthermore, the retained earnings balance at the beginning of the previous fiscal year increased by 18 million yen after reflecting the cumulative impact amount in net assets for the beginning of the previous consolidated accounting period. Trade notes, accounts receivable, and contract assets for the previous consolidated fiscal year increased by 108 million yen, work in process decreased by 56 million yen, "other" under investments and other assets decreased by 9 million yen, "other" under current liabilities increased by 16 million yen, and deferred tax liabilities increased by 3 million yen.

As we applied the Revenue Recognition Accounting Standard, as of the first quarter of the current consolidated fiscal year, trade notes and accounts receivable indicated under current assets in the consolidated balance sheet for the previous consolidated fiscal year is now included under trade notes, accounts receivable, and contract assets.

2. Application of Accounting Standard for Fair Value Measurement

We apply the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019, hereinafter, “Fair Value Measurement Accounting Standard”) as of the beginning of the first quarter of the current fiscal year. In accordance with the transitional treatment set forth in Paragraph 19 of the Fair Value Measurement Accounting Standard and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019), the new policies outlined in the Fair Value Measurement Accounting Standard shall be applied over time. Furthermore, this has no impact on our quarterly consolidated financial statements.

(Segment Information)

I. First Half of FY12/21 (Jan. 1 – Jun. 30, 2021)

Information About Net Sales, Income, and Losses for Each Segment

(Thousand yen)

	Consulting	Logistics	Others (1)	Total	Adjustment (2)	Amount listed in consolidated statement of income (3)
Net sales						
Sales to external customers	8,620,267	1,323,952	1,099,376	11,043,596	11,647	11,055,243
Inter-segment sales and transfers	32,423	171,669	10,223	214,317	(214,317)	–
Total	8,652,691	1,495,621	1,109,600	11,257,913	(202,670)	11,055,243
Segment income	3,018,786	149,506	11,065	3,179,357	100,518	3,279,876

Notes:

1. The “others” category includes income from IT consulting, contact center consulting, direct recruiting, and systems development.
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. Segment income is adjusted against operating income in the consolidated statement of income.

II. First Half of FY12/22 (Jan. 1 – Jun. 30, 2022)

1. Information About Net Sales, Income, and Losses for Each Segment

(Thousand yen)

	Consulting	Logistics	Others (1)	Total	Adjustment (2)	Amount listed in consolidated statement of income (3)
Net sales						
Sales to external customers	9,182,506	1,857,045	1,209,735	12,249,286	8,838	12,258,125
Inter-segment sales and transfers	51,906	168,962	6,258	227,127	(227,127)	–
Total	9,234,413	2,026,008	1,215,993	12,476,414	(218,288)	12,258,125
Segment income	3,206,464	248,215	156,373	3,611,053	138,033	3,749,086

Notes:

- The “others” category includes income from IT consulting, contact center consulting, direct recruiting, and systems development.
- 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.
- Segment income is adjusted against operating income in the consolidated statement of income.

2. Matters concerning changes in reporting segments

For the first quarter of the current consolidated fiscal year, as the monetary weight of direct recruiting declined, we changed to a recording method that includes those amounts in Other.

Segment information for the previous consolidated fiscal year is based on the changed category names.

As indicated in (Changes in Accounting Policy), as of the beginning of the first quarter of the current consolidated fiscal year, we apply the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020). As we have changed accounting treatments related to revenue recognition, we also changed how we estimate business segment income and losses.

Segment information for the first six months of the previous fiscal year indicates figures created using the revised method of measuring income and losses.

As a result, compared to the previous method, net sales for the first six months of the previous fiscal year decreased by 2,068 million yen for Consulting, by 171 million yen for Logistics, and by 591 million yen for Other businesses. Furthermore, segment income for Consulting decreased by 0.4 million yen and by 2 million yen for Other businesses, but this had no impact on Logistics.

3. Other Information

(1) Orders and Sales

1. Orders

Orders won by each operating segment in the six months under review are as follows.

Segment	Orders received (Thousand yen)	Change from same period last year (%)	Orders outstanding (Thousand yen)	Change from same period last year (%)
Consulting	8,143,624	+4.9	7,355,429	+3.9
Logistics	314,399	+9.8	263,186	+21.4
Other businesses	257,378	(8.6)	98,788	(14.3)

Notes:

1. Consulting orders above include only monthly support service and project consulting revenues.
2. Logistics revenues include only that earned from logistics consulting activities.
3. Other businesses only indicates sales 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 six months under review are as follows.

Segment	Sales (Thousand yen)	Change from same period last year (%)
Consulting	9,182,506	+6.5
Logistics	1,857,045	+40.3
Other businesses	1,209,735	+10.0
Total	12,249,286	+10.9

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