



August 8, 2024

Consolidated Financial Results for the Second Quarter (First Half) of the Fiscal Year Ending Dec. 31, 2024 (January 1, 2024 – June 30, 2024) [Under Japanese GAAP]

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Scheduled date of filing first-half report: August 13, 2024
Scheduled date of payment of dividend: August 30, 2024
Supplementary materials compiled to explain first-half financial statements: Yes
Briefing to be held to explain first-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. 2024 2nd Quarter (First Half) Consolidated Financial Results (January 1, 2024 – June 30, 2024)

(1) Consolidated Results of Operations

(Percentage represents 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 June 30, 2024	14,403	7.5	4,220	25.2	4,236	23.6	2,941	29.5
June 30, 2023	13,392	9.3	3,371	(10.1)	3,428	(9.3)	2,271	(12.5)

Notes: Comprehensive income: 3,034 million yen (up 29.2%) in the six months ended June 30, 2024
2,348 million yen (down 8.5%) in the six months ended June 30, 2023

	Earnings per share (basic)	Earnings per share (diluted)
	Yen	Yen
Six months ended June 30, 2024	62.37	61.71
June 30, 2023	46.04	45.52

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	million yen	million yen	%
As of June 30, 2024	30,677	24,537	77.9
As of Dec. 31, 2023	31,631	25,726	79.2

Reference: Shareholders' equity: 23,889 million yen as of June 30, 2024
25,054 million yen as of Dec. 31, 2023

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended Dec. 31, 2023	–	32.00	–	33.00	65.00
Year ending Dec. 31, 2024	–	37.00			
Forecast for year ending Dec. 31, 2024			–	38.00	75.00

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

3. Forecast for Consolidated Financial Results for FY2024 (January 1, 2024 – December 31, 2024)

(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	30,500	8.0	7,900	9.0	7,900	7.6	5,500	5.7	115.03

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

Remarks

- (1) Changes in consolidated subsidiaries in the first half of the fiscal year under review: None
- 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 first-half 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)
- 2) Number of treasury shares at end of six-month period
- 3) Average number of shares during six-month period (first half)

As of June 30, 2024	50,000,000	Dec. 31, 2023	52,000,000
As of June 30, 2024	3,209,614	Dec. 31, 2023	4,186,224
As of June 30, 2024	47,160,063	June 30, 2023	49,342,849

Note: This financial summary is excluded from the quarterly (first half) review by a CPA or an 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, 2024

(1) Results of Operations

During the first six months under review, the financial markets showed signs of normalizing in the economic environment as the Bank of Japan made a change in its monetary policy, i.e., by lifting its negative interest rate policy. With the value of the yen on a downward trend, large manufacturing and other companies indicated that there were signs of an improvement in business sentiment, reflecting the resilience of the economy. However, small and medium-sized enterprises (SMEs) continue to face severe conditions, including soaring raw material prices and difficulties in securing employees due to labor shortages.

As a result, the Group posted 14,403 million yen in net sales (up 7.5% year on year), 4,220 million yen in operating income (up 25.2% year on year), 4,236 million yen in ordinary income (up 23.6% year on year), and 2,941 million yen in net income attributable to owners of the parent (up 29.5% year on year) for the first half of the fiscal year under review.

In addition, our consolidated subsidiaries, Funai Soken Digital and Funai Soken IT Solutions, were merged into another subsidiary, Funai Consulting Inc., effective April 1, 2024. There are no changes to the reporting segments as a result of this merger.

I. Net sales: 14,403 million yen (up 7.5% over the first half of the previous fiscal year)

Net sales increased in the monthly consulting support service and project-based consulting service, the mainstays of the consulting business. In addition, online advertisement agency services and HR solutions in the digital solutions business also performed well, resulting in an increase in net sales.

Consequently, net sales rose 7.5% year on year to 14,403 million yen.

II. Operating income: 4,220 million yen (up 25.2% over the first half of the previous fiscal year)

As for operating income, cost of sales was 8,595 million yen (8,274 million yen in the first half of the previous fiscal year). SG&A expenses were 1,587 million yen (1,746 million yen in the first half of the previous fiscal year). We were able to reduce costs, especially SG&A, by properly controlling recruitment expenses, etc.

Consequently, operating income increased 25.2% year on year to 4,220 million yen.

III. Ordinary income: 4,236 million yen (up 23.6% over the first half of the previous fiscal year)

As for ordinary income, non-operating income was 47 million yen (64 million yen in the first half of the previous fiscal year) and non-operating expenses were 31 million yen (7 million yen in the first half of the previous fiscal year).

Consequently, ordinary income increased 23.6% from the first half of the previous fiscal year to 4,236 million yen.

IV. Net income attributable to owners of the parent: 2,941 million yen (up 29.5% over the first half of the previous fiscal year)

With income taxes totaling 1,210 million yen for the first half of the fiscal year under review, compared with 1,131 million yen in the first half of the previous fiscal year, net income attributable to owners of the parent increased 29.5% year on year to 2,941 million yen.

Segment-Specific Performance

The performance of each business segment is outlined below.

I. Consulting

In the consulting business, the number of visiting management executives also increased partly due to the effect of relocating the Tokyo head office to Tokyo Midtown Yaesu, Yaesu Central Tower in April, and orders from the seminars and the management study groups rose considerably, resulting in a sales increase from the first half of the previous fiscal year. By industry, sales were able to continue increasing in the consulting business for the medical, nursing care, welfare, and manufacturing industries. In terms of profit, income grew through controlling costs such as travel expenses associated with face-to-face activities and online sales promotion expenses for sales promotional activities.

Consequently, net sales increased 9.2% from the first half of the previous fiscal year to 10,319 million yen, and operating income grew 10.1% from the above period to 3,566 million yen.

II. Logistics

In the logistics business, net sales increased due to monthly support in consulting logistics companies and the new project of developing a new management study group for shippers. In the logistics BPO services, net sales rose due to an expansion in transactions with existing major customers.

Consequently, net sales increased 4.2% from the first half of the previous fiscal year to 1,988 million yen, and operating income increased 44.1% from the above period to 250 million yen.

III. Digital Solutions

In the digital solution business, net sales continued to increase due to growth in the business performance of online advertisement agency services. In the HR solutions business, net sales increased due to an improvement in the delivery ratio over the client's budget amount. Income increased as a result of controlling recruitment expenses to secure human resources, etc.

Consequently, net sales increased 3.5% from the first half of the previous fiscal year to 2,094 million yen, and operating income was 238 million yen (the first half of the previous fiscal year resulted in operating losses of 126 million yen).

(2) This Fiscal Year's Financial Position

1. Assets, Liabilities and Equity

(Assets)

Total assets decreased by 953 million yen from the end of the previous fiscal year to 30,677 million yen as of the end of the first half of the fiscal year under review.

Current assets decreased by 1,244 million yen from the end of the previous fiscal year to 17,413 million yen. This was mainly due to decreases in cash and deposits.

Noncurrent assets increased by 290 million yen from the end of the previous fiscal year to 13,263 million yen. This was mainly due to an increase in buildings and structures and a decrease in construction in progress included under other property, plant and equipment.

(Liabilities)

Total liabilities increased by 234 million yen from the end of the previous fiscal year to 6,139 million yen as of the end of the first half of the fiscal year under review.

Current liabilities increased by 207 million yen from the end of the previous fiscal year to 5,873 million yen. This was mainly due to an increase in allowance for bonuses and a decrease in deposited money included under "other."

Noncurrent liabilities increased by 27 million yen from the end of the previous fiscal year to 265 million yen. This was mainly due to an increase in deferred tax liabilities and a decrease in retirement benefit liabilities.

(Net Assets)

Total net assets decreased by 1,188 million yen from the end of the previous fiscal year to 24,537 million yen as of the end of the first half of the fiscal year under review. This was mainly due to an increase in net income attributable to owners of the parent, a decrease in retained earnings due to the appropriation of surplus and the cancellation of treasury stock, and a decrease in treasury stock due to its acquisition and cancellation.

(Equity Ratio)

The shareholders' equity ratio as of the end of the first half of the fiscal year under review was 77.9%, a decrease of 1.3 percentage points from the end of the previous fiscal year.

2. Cash Flows

Cash and cash equivalents (hereinafter, "cash") decreased by 1,317 million yen from the end of the previous fiscal year to 11,577 million yen as of the end of the first half of the fiscal year under review.

The status of each type of cash flows in the first half of the fiscal year under review is as follows.

(Cash flow from operating activities)

Net cash provided by operating activities was 3,126 million yen (compared to 2,485 million yen of net cash provided in the first half of the previous fiscal year). This mainly reflected the posting of 4,151 million yen in net income before taxes and other adjustments and the payment of 1,117 million yen of income tax and others.

(Cash flow from investing activities)

Net cash used in investing activities was 177 million yen (compared to 1,412 million yen of net cash used in investing activities in the first half of the previous fiscal year).

This was mainly due to purchase of property, plant, and equipment of 835 million yen and proceeds from sale of intangible assets of 467 million yen.

(Cash flow from financing activities)

Net cash used in financing activities was 4,278 million yen (compared to 2,263 million yen of net cash used in the first half of the previous fiscal year.)

This mainly reflected the spending of 2,691 million yen for purchase of treasury shares and 1,575 million yen for payment of dividend.

(3) Consolidated Forecast and Other Forward-Looking Information

The current fiscal year is the second year of the Mid-range Business Plan for FY2023 to FY2025, and we will continue to promote our Group's Purpose of "Sustainable Growth for More Companies," to realize this. In addition, we will expand our business to provide services for solving management issues that companies face in a single step, centered on business consulting service, the mainstay business of our Group. We will also promote our Group vision, digital and comprehensive consulting solutions for mid-scale and SME clients, and provide business consulting services that meet the needs of the management of client companies and are in line with current trends, while enhancing the power of alliances within the Group.

For full-year consolidated results, the Group projects 30,500 million yen in net sales, 7,900 million yen in operating income, 7,900 million yen in ordinary income, and 5,500 million yen in net income attributable to owners of the parent.

2. First Half Consolidated Financial Statements and Main Notes

(1) Consolidated Balance Sheet

(Thousand yen)

	FY12/23 (As of Dec. 31, 2023)	First Half of FY12/24 (As of Jun. 30, 2024)
Assets		
Current assets		
Cash and deposits	12,894,272	11,477,086
Trade notes, accounts receivable, and contract assets	4,129,004	4,170,292
Short-term investment securities	300,984	300,084
Work in process	150,485	217,883
Raw materials and supplies	6,491	5,108
Other current assets	1,229,965	1,292,739
Allowance for doubtful accounts	(53,224)	(49,511)
Total current assets	18,657,980	17,413,683
Noncurrent assets		
Property, plant, and equipment		
Buildings and structures, net	998,696	1,698,574
Land	4,596,717	4,596,717
Other property, plant, and equipment, net	550,587	360,410
Total property, plant, and equipment	6,146,000	6,655,701
Intangible assets		
Software	308,460	404,401
Goodwill	355,138	310,746
Other intangible assets	461,254	45,155
Total intangible assets	1,124,853	760,303
Investments and other assets		
Investment securities	3,220,850	3,358,017
Assets related to retirement benefits	445,246	481,352
Other investments and other assets	2,042,358	2,014,886
Allowance for doubtful accounts	(6,138)	(6,777)
Total investments and other assets	5,702,316	5,847,479
Total noncurrent assets	12,973,170	13,263,484
Total assets	31,631,150	30,677,167

(Thousand yen)

	FY12/23 (As of Dec. 31, 2023)	First Half of FY12/24 (As of Jun. 30, 2024)
Liabilities		
Current liabilities		
Trade notes and accounts payable	536,548	547,642
Short-term loans payable	200,000	200,000
Accounts payable - other	2,005,791	1,872,729
Income taxes payable	1,167,733	1,301,497
Allowance for bonus	-	465,677
Other current liabilities	1,756,359	1,485,971
Total current liabilities	5,666,433	5,873,518
Noncurrent liabilities		
Long-term loans payable	100,000	100,000
Retirement benefit liabilities	67,893	42,249
Deferred tax liabilities	5,902	77,646
Other noncurrent liabilities	64,447	45,942
Total noncurrent liabilities	238,242	265,838
Total liabilities	5,904,676	6,139,357
Net assets		
Shareholders' equity		
Capital stock	3,125,231	3,125,231
Capital surplus	2,946,634	2,946,634
Retained earnings	26,579,111	24,088,803
Treasury stock	(7,558,359)	(6,326,641)
Total shareholders' equity	25,092,618	23,834,028
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	90,312	159,040
Foreign currency translation adjustments	27,771	35,311
Accumulated adjustments for retirement benefits	(155,813)	(139,070)
Total accumulated other comprehensive income	(37,729)	55,280
Subscription rights for shares	671,585	648,500
Total net assets	25,726,474	24,537,810
Total liabilities and net assets	31,631,150	30,677,167

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statement of Income

(Thousand yen)

	First Half of FY12/23 (Jan. 1 – Jun. 30, 2023)	First Half of FY12/24 (Jan. 1 – Jun. 30, 2024)
Net sales	13,392,846	14,403,233
Cost of sales	8,274,825	8,595,707
Gross profit	5,118,020	5,807,526
SG&A expenses	1,746,955	1,587,111
Operating income	3,371,064	4,220,415
Non-operating income		
Interest income	2,886	4,135
Dividend income	4,748	5,267
Gain on sales of investment securities	18,444	2,400
Gain on valuation of investment securities	76	1,736
Refund of insurance premiums	21,108	18,284
Other non-operating income	17,520	15,835
Total non-operating income	64,785	47,659
Non-operating expenses		
Interest expenses	2,956	2,366
Loss on valuation of investment securities	-	1,556
Investment partnership management expenses	1,011	18,157
Donations	2,050	7,050
Other non-operating expenses	1,032	2,044
Total non-operating expenses	7,050	31,174
Ordinary income	3,428,799	4,236,900
Extraordinary income		
Gain on sales of noncurrent assets	8	194,910
Total extraordinary income	8	194,910
Extraordinary losses		
Loss on sales of noncurrent assets	-	945
Impairment losses	23,525	-
Loss on retirement of noncurrent assets	2,259	7,370
Office relocation expenses	-	271,952
Total extraordinary losses	25,784	280,268
Net income before income taxes and other adjustments	3,403,023	4,151,542
Current income taxes	1,146,574	1,275,578
Deferred income taxes	(15,331)	(65,462)
Total income taxes	1,131,243	1,210,115
Net income	2,271,779	2,941,426
Net income attributable to owners of the parent	2,271,779	2,941,426

Consolidated Comprehensive Income

(Thousand yen)

	First Half of FY12/23 (Jan. 1 – Jun. 30, 2023)	First Half of FY12/24 (Jan. 1 – Jun. 30, 2024)
Net income	2,271,779	2,941,426
Other comprehensive income		
Valuation difference on available-for-sale securities	58,774	68,727
Foreign currency translation adjustments	(136)	7,539
Adjustments for retirement benefits	17,616	16,742
Total other comprehensive income	76,255	93,010
Comprehensive income	2,348,034	3,034,436
Details		
Comprehensive income attributable to owners of the parent	2,348,034	3,034,436

(3) Consolidated Cash Flow Statement

(Thousand yen)

	First Half of FY12/23 (Jan. 1 – Jun 30, 2023)	First Half of FY12/24 (Jan. 1 – Jun 30, 2024)
Net cash provided by (used in) operations		
Net income before income taxes and other adjustments	3,403,023	4,151,542
Depreciation	141,146	174,818
Impairment losses	23,525	-
Amortization of goodwill	56,113	44,392
Share-based compensation expenses	62,509	44,830
Increase (decrease) in allowance for doubtful accounts	6,617	(3,075)
Decrease (increase) in assets related to retirement benefits	(15,983)	(19,363)
Increase (decrease) in liabilities related to retirement benefits	(6,838)	(25,643)
Increase (decrease) in allowance for bonus	207,368	465,068
Loss (gain) on valuation of investment securities	(76)	180
Loss (gain) on sales of investment securities	(18,444)	(2,400)
Interest and dividend income	(7,635)	(9,403)
Interest expenses	2,956	2,366
Foreign exchange loss (gain)	2,518	1,976
Donations	2,050	7,050
Loss (gain) on sales of property, plant and equipment	(8)	(49,310)
Loss (gain) on sale of intangible assets	-	(144,654)
Loss on retirement of property, plant and equipment	2,259	37,448
Loss on retirement of intangible assets	-	1,580
Decrease (increase) in notes and accounts receivable-trade and contract assets	239,279	(36,393)
Decrease (increase) in other assets	(458,689)	(721,579)
Increase (decrease) in other liabilities	(496,718)	(424,387)
Other	(15,970)	28,989
Subtotal	3,129,002	3,524,031
Interest and dividends received	16,052	13,583
Interest paid	(2,878)	(2,369)
Income taxes paid	(1,257,373)	(1,117,043)
Income taxes refund	602,481	715,356
Donations paid	(2,050)	(7,050)
Net cash provided by (used in) operations	2,485,234	3,126,509

	First Half of FY12/23 (Jan. 1 – Jun 30, 2023)	First Half of FY12/24 (Jan. 1 – Jun 30, 2024)
Net cash provided by (used in) investments		
Proceeds from sale and redemption of securities	308,150	100,000
Purchase of investment securities	(200,000)	(67,500)
Proceeds from sale and redemption of investment securities	96,420	1,446
Purchase of property, plant, and equipment	(25,643)	(835,287)
Proceeds from sale of property, plant, and equipment	8	136,435
Purchase of intangible assets	(69,829)	(60,395)
Proceeds from sale of intangible assets	-	467,709
Payments of asset retirement obligations	-	(150,325)
Payments into time deposits	(600,000)	-
Proceeds from distributions from investment partnerships	-	7,200
Proceeds from surrender of insurance reserves	75,812	-
Payments of guarantee deposits	(379,977)	-
Proceeds from refund of guarantee deposits	-	223,305
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(617,530)	-
Net cash provided by (used in) investments	(1,412,589)	(177,411)
Net cash provided by (used in) financing		
Repayment of lease obligations	(10,731)	(11,743)
Purchase of treasury shares	(776,152)	(2,691,604)
Proceeds from sale of treasury shares	294	48
Dividends paid	(1,476,741)	(1,575,122)
Net cash provided by (used in) financing	(2,263,331)	(4,278,422)
Effect of exchange rate changes on cash and cash equivalents	3,908	12,137
Net increase (decrease) in cash and cash equivalents	(1,186,778)	(1,317,186)
Cash and cash equivalents at start of fiscal year	17,031,407	12,894,272
Cash and cash equivalents at end of first half	15,844,629	11,577,086

(4) Note to First Half Consolidated Financial Statements

(Notes on Going Concern Assumptions)

None to report.

(Notes on Significant Changes to Shareholders' Equity)

The company purchased 1,071,600 treasury shares based on the resolution of the Board of Directors on August 23, 2023, and February 8, 2024. As a result, treasury shares increased 2,690,125 thousand yen for the first half of the fiscal year. In addition, the company resolved on February 8, 2024, to cancel treasury shares pursuant to the provisions of the Board of Directors and cancelled 2,000,000 treasury shares on February 29, 2024. As a result, during the period of the first half of the fiscal year, retained earnings and treasury shares each decreased by 3,828,300 thousand yen.

Consequently, retained earnings for the first half of the fiscal year amounted to 24,088,803 thousand yen and treasury shares totaled 6,326,641 thousand yen.

(Segment Information)

I. First Half of FY12/23 (Jan. 1 – Jun. 30, 2023)

Information About Net Sales, Income/Losses for Each Segment

(Thousand yen)

	Consulting	Logistics	Digital Solutions	Total	Adjustment (1)	Amount listed in consolidated statement of income (2)
Net sales						
Sales to external customers	9,452,141	1,907,886	2,024,617	13,384,645	8,200	13,392,846
Inter-segment sales and transfers	647,580	302,595	591,181	1,541,358	(1,541,358)	–
Total	10,099,722	2,210,482	2,615,799	14,926,003	(1,533,157)	13,392,846
Segment income (loss)	3,238,100	173,599	(126,680)	3,285,019	86,045	3,371,064

Notes:

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. Segment income or losses is adjusted against operating income in the first half consolidated statement of income.

II. First Half of FY12/24 (Jan. 1 – Jun. 30, 2024)

Information About Net Sales, Income/Losses for Each Segment

(Thousand yen)

	Consulting	Logistics	Digital Solutions	Total	Adjustment (1)	Amount listed in consolidated statement of income (2)
Net sales						
Sales to external customers	10,319,200	1,988,967	2,094,618	14,402,787	446	14,403,233
Inter-segment sales and transfers	386,765	287,662	407,611	1,082,039	(1,082,039)	–
Total	10,705,965	2,276,630	2,502,230	15,484,826	(1,081,592)	14,403,233
Segment income	3,566,618	250,185	238,414	4,055,218	165,197	4,220,415

Notes:

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. Segment income is adjusted against operating income in the first half consolidated statement of income.

3. Other Information

(1) Orders and Sales

I. Orders

Orders won by each operating segment in the first half of the fiscal 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	9,750,889	+12.1	8,350,394	+2.0
Logistics	401,907	+21.8	295,421	(2.2)
Digital Solutions	607,679	+1.9	235,965	+36.1

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. Digital Solutions includes only that earned from IT consulting and cloud-based solutions.
4. The above amounts are based on sale prices.

II. Sales

Sales made by each operating segment in the first half of the fiscal year are as follows.

Segment	Sales (unit: 1,000 yen)	Change from same period last year (%)
Consulting	10,319,200	+9.2
Logistics	1,988,967	+4.2
Digital Solutions	2,094,618	+3.5
Total	14,402,787	+7.6

Notes:

1. Sales amounts indicate sales to external customers.
2. No single customer accounted for 10% or more of aggregate net sales