

3rd Quarter of the Fiscal Year Ending December 2021

Summary of Financial Results

Funai Soken Holdings Incorporated
(TSE 1st section: stock code 9757)

November 3, 2021



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Statement Regarding Use of These Materials



FY2021 3rd Quarter Financial Results

1. FY2021 3rd Quarter Financial Results

(1) Year-on-Year Comparison of Consolidated Income: January through September

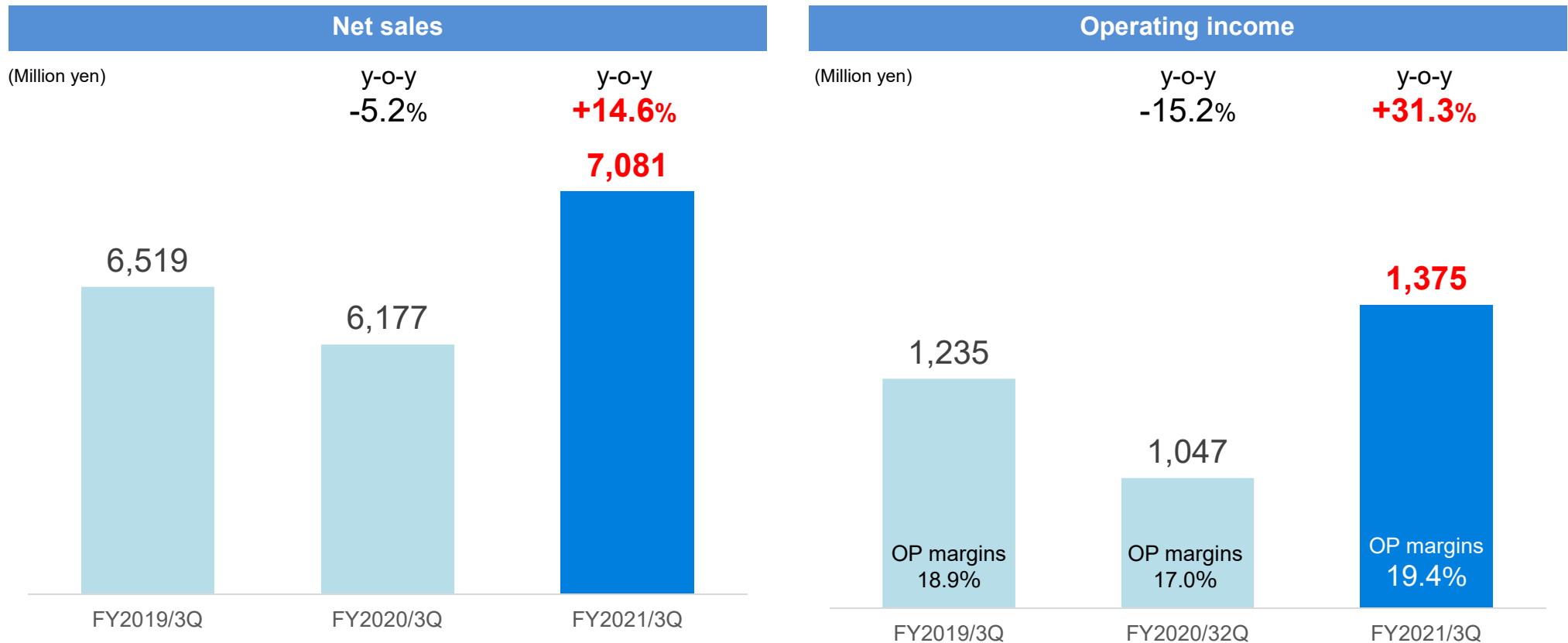
- Catering to clients' needs amid Covid-19 resulted in record performance.
- Sales were solid, with sales of monthly support services and online advertisement agency services up in the consulting segment, and sales of logistics operations up in the logistics segment.
- Major reductions in travel and venue hire expenses resulted in increased profit margins.

	September 2020		September 2021		
	Amount (million yen)	% of total	Amount (million yen)	% of total	Change (%)
Net sales	18,411	100.0	20,968	100.0	+13.9
Operating income	3,632	19.7	4,652	22.2	+28.1
Ordinary income	3,695	20.1	4,697	22.4	+27.1
Net income attributable to owners of the parent	2,450	13.3	3,155	15.0	+28.8

1. FY2021 3rd Quarter Financial Results

(1) Year-on-Year Comparison of Consolidated Income: July-September Quarter

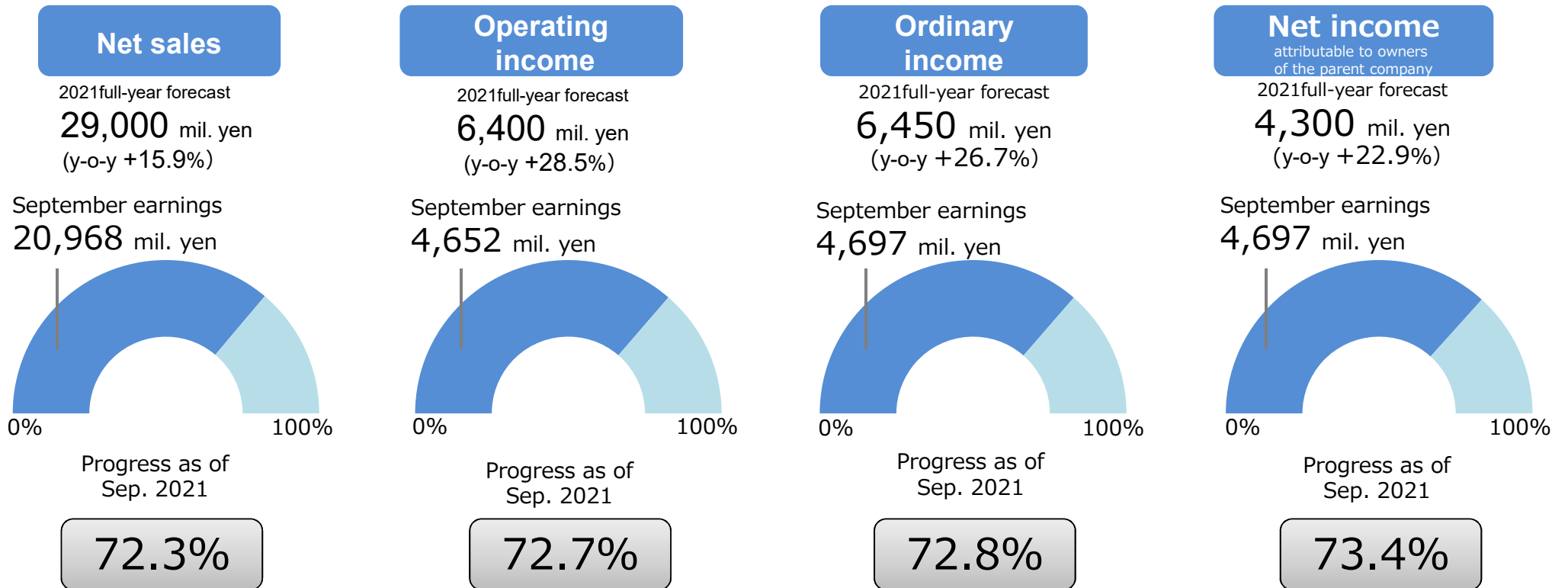
- We achieved record figures for this quarter, exceeding even pre-Covid FY2019/2Q.
- Consulting services catering to client needs amid Covid-19 resulted in an increase in sales.
- Providing services remotely, e.g., online seminars and remote support services, increased profit margins, resulting in a major increase in operating income.



1. FY2021 3rd Quarter Financial Results

(2) Progress in Comparison with This Year's Forecasts

- Robust performance was driven by solid sales of consulting services for clients in core segments such as housing, real estate, healthcare, nursing care, and welfare.
- Sales so far are at 72.3% of this year's forecast of 29,000 million yen.
- Operating income, ordinary income, and net income are all at around 73% of this year's forecast.

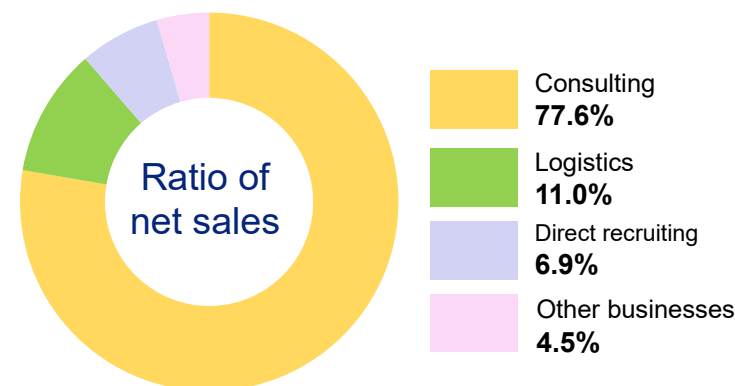


1. FY2021 3rd Quarter Financial Results

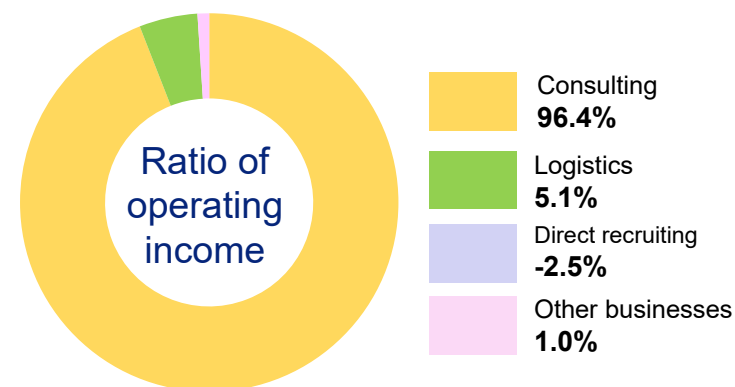
(3) Results of Operations by Segment

- New orders grew strongly and sales increased in the consulting and logistics segments.
- Holding seminars and management workshops online, and promoting remote support services, have led to further decreases in costs and resulted in a large increase in sales and income.

Net sales	September 2020	September 2021	
	Amount (million yen)	Amount (million yen)	Change (%)
Consulting	13,882	16,276	+17.2
Logistics	1,955	2,297	+17.5
Direct recruiting	1,850	1,442	-22.1
Other businesses	706	935	+32.4
(Intra-group & whole-group transactions)	17	16	—
Total	18,411	20,968	+13.9



Operating income	September 2020	September 2021	
	Amount (million yen)	Amount (million yen)	Change (%)
Consulting	3,570	4,367	+22.3
Logistics	220	232	+5.7
Direct recruiting	-92	-111	—
Other businesses	-95	46	—
(Intra-group & whole-group transactions)	28	116	—
Total	3,632	4,652	+28.1

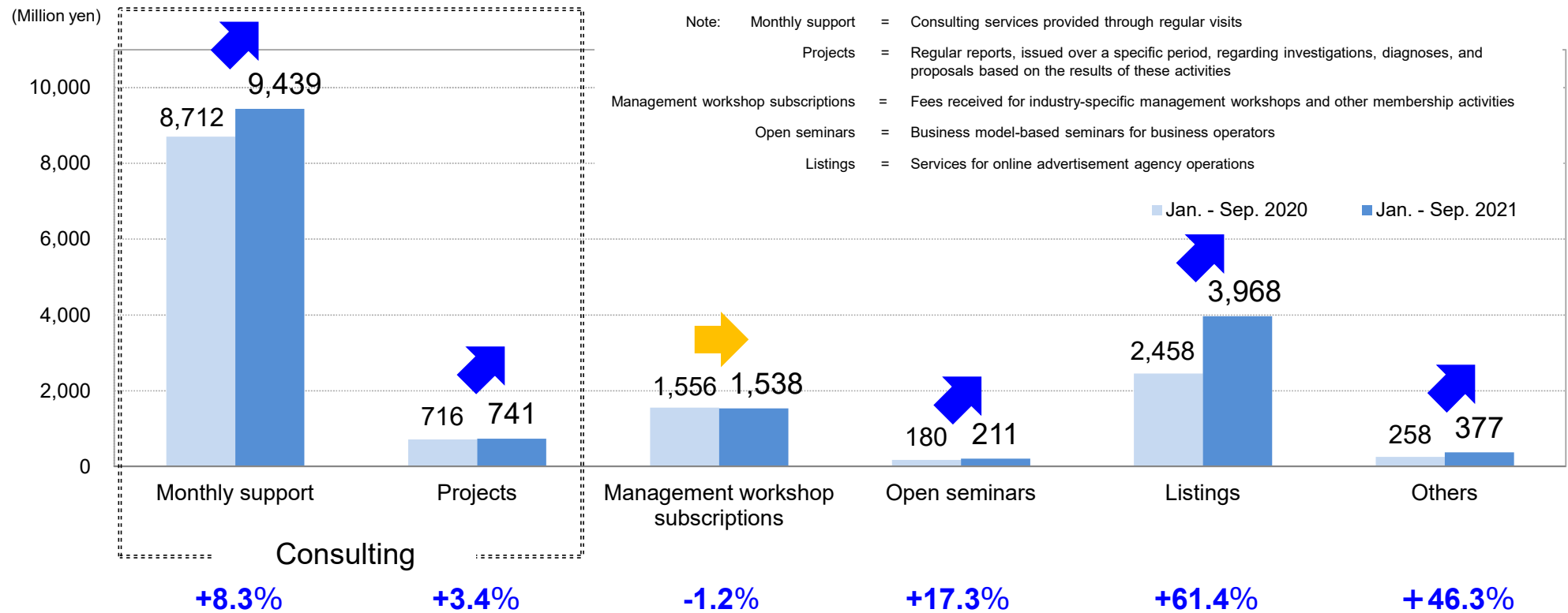


*Percentages exclude intra-group & whole-group transactions

1. FY2021 3rd Quarter Financial Results

(4) Results of Operations by Segment: Consulting—Sales by Service Category

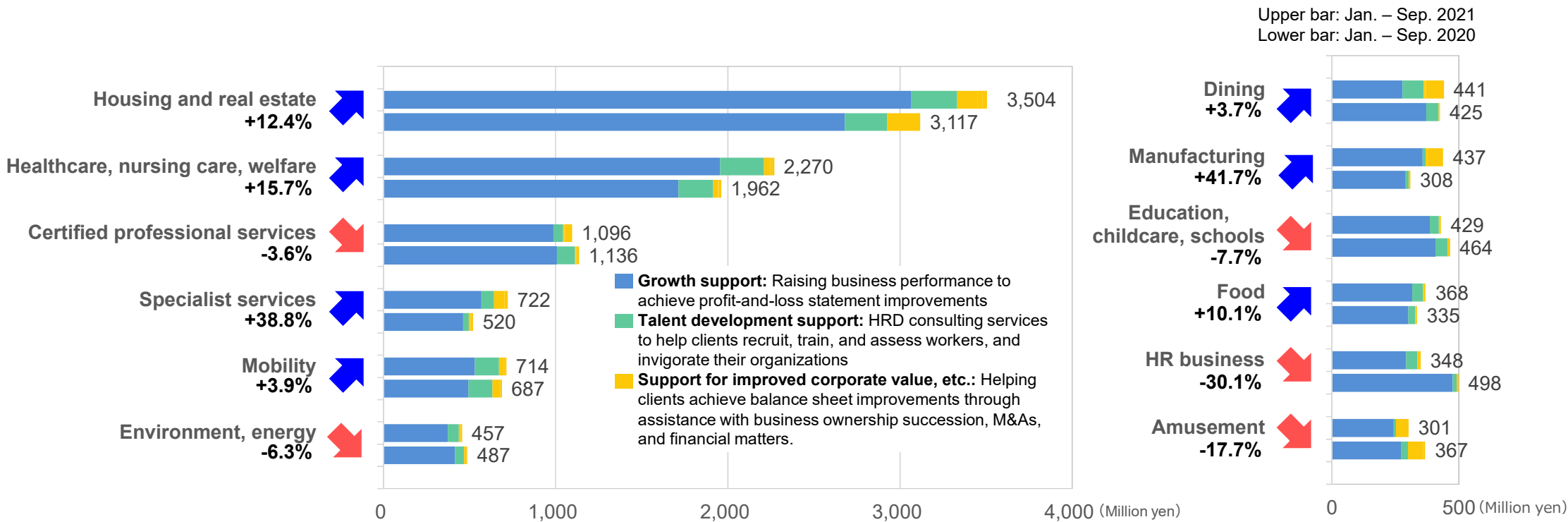
- Monthly support sales exceeded pre-Covid levels, finishing 8.3% over the same period in the preceding year.
- Management workshop subscription income was steady as workshops were shifted online and subscription renewals among existing members held firm.
- Open seminar sales were up 17.3% over the same period in FY2020, buoyed by an increase in fee-paying participants in online seminars.
- Web ad listings increased 61.4% over the same period in the preceding year on the back of a solid rise in accounts.



1. FY2021 3rd Quarter Financial Results

(4) Results of Operations by Segment: Consulting—Sales by Sector

- Robust performance was driven by solid sales of consulting services for clients in core segments such as housing, real estate, healthcare, nursing care, and welfare.
- Demand for digital transformation consulting was again solid in multiple segments, e.g., online marketing solutions for manufacturing clients.
- The HR business consulting market continued to struggle under the impact of Covid-19.

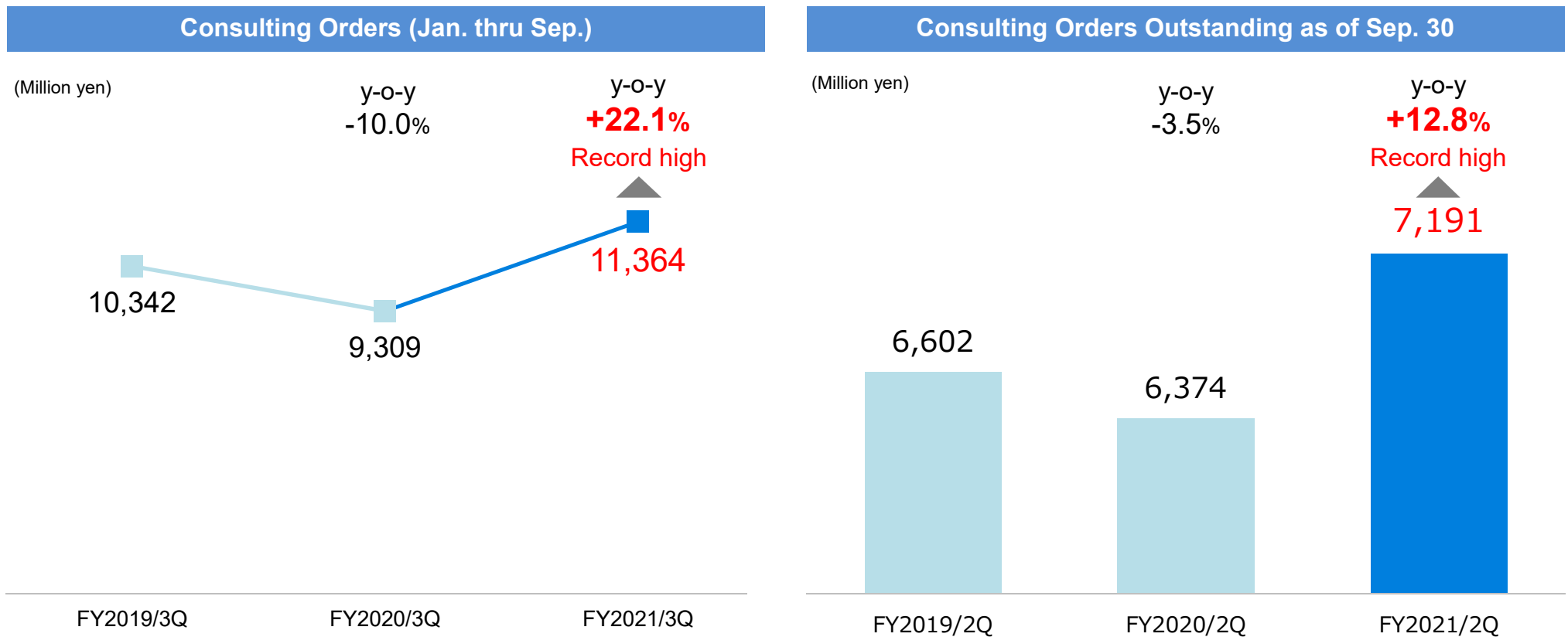


Figures show total sales of consulting contracts, management workshop subscriptions, and open seminars, grouped in accordance with the company's industry classifications, for the January-to-September period of 2020 and 2021.

1. FY2021 3rd Quarter Financial Results

(4) Results of Operations by Segment: Consulting—Consulting Orders

- Increased demand for digital transformation consulting and support solutions for business in this Covid-defined age, combined with the establishment of online seminars as a new channel for orders, resulted in a large increase in orders.
- We set records for total orders received in the first, second, and third quarters, and orders outstanding at the end of 3Q.

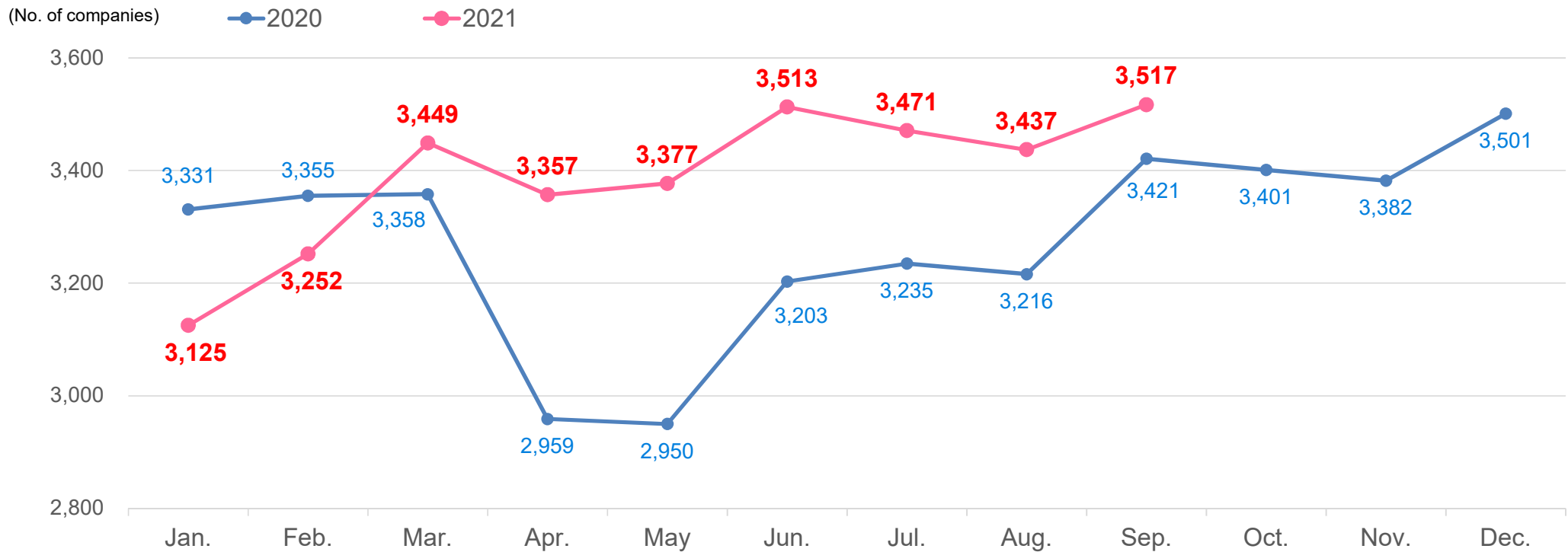


1. FY2021 3rd Quarter Financial Results

(4) Results of Operations by Segment: Consulting—Consulting Client Numbers

- Consulting client numbers rose far above last year's figures, tracking close to 2019's pre-Covid levels.

Monthly Consulting Client Numbers



*Figures denote number of consulting clients (in Japan) per month in the consulting segment.

1. FY2021 3rd Quarter Financial Results

(5) Performance by Segment: Logistics—Quarterly Sales by Service Category

- Solid performance in logistics operations and a trend toward recovery in logistics consulting orders resulted in an increase in sales and income.

Logistics Consulting

Helping clients reduce logistics costs

- Consulting for logistics companies was strong, with increases in sales and workshop memberships.
- Orders outstanding from shipper companies increased, indicating that rock bottom has been reached and we are now in a recovery trend.

Logistics Operations

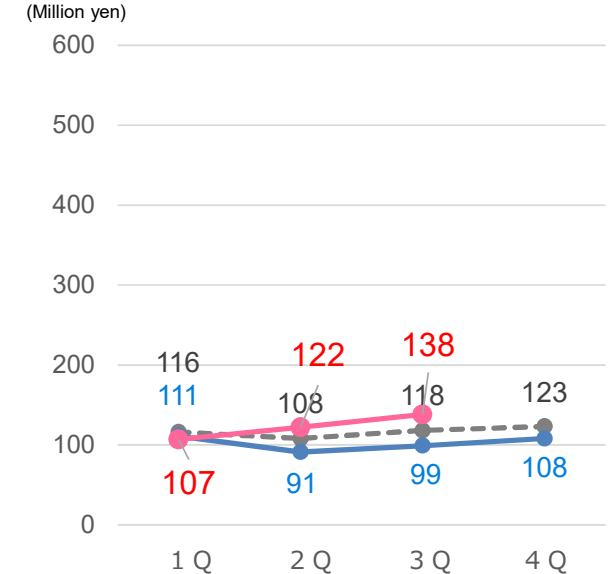
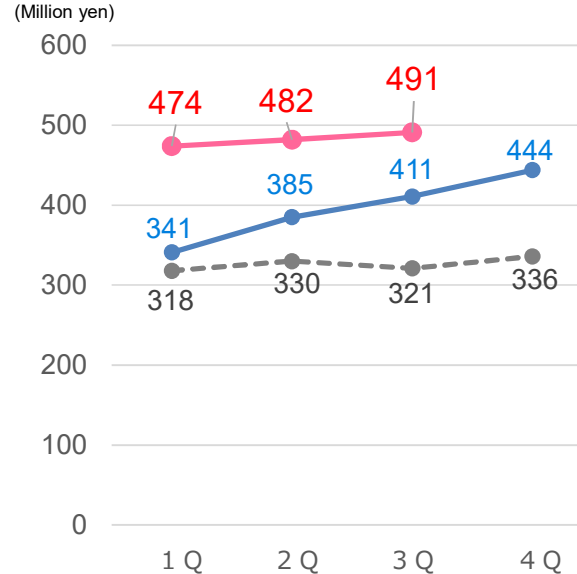
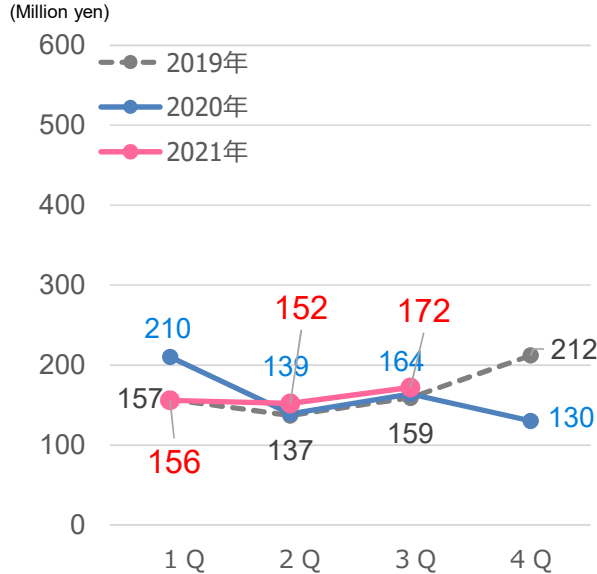
Logistics on behalf of clients

- Deep-mining of existing clients and ongoing business with last year's new clients resulted in an increase in sales.
- Demand for product deliveries was particularly strong, generated by the shift to a stay-at-home economy.

Logistics Trading

Reducing purchasing costs through joint buying

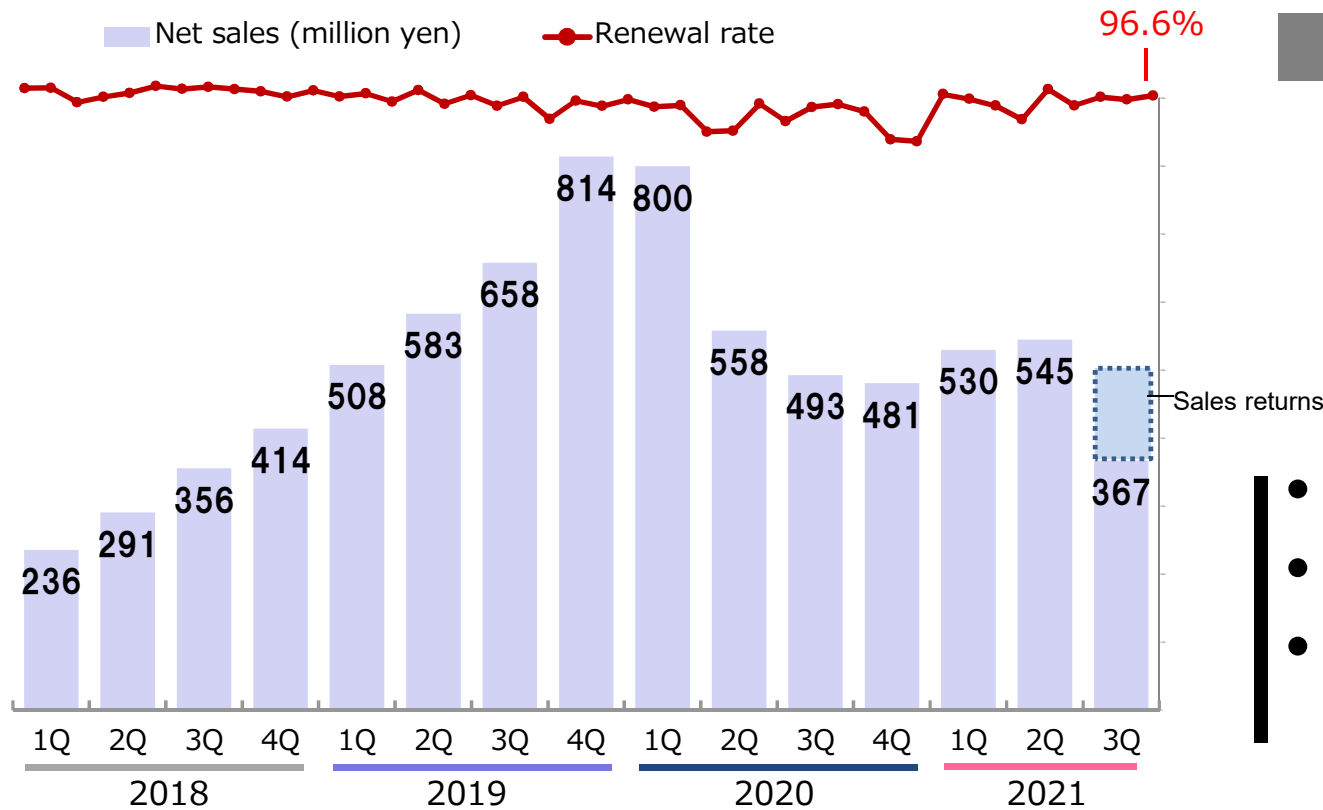
- Despite restrictions on business activities hampering customers of our main service in this segment, joint purchasing of fuel, an increase in sales prices ensured net sales were up.



1. FY2021 3rd Quarter Financial Results

(6) Results of Operations by Segment: Direct Recruiting

- Despite the decrease in recruitment ad placements caused by the decline in corporate job openings, renewal rates remain high among Recruiting Cloud clients.
- Sales returns have been listed in this year's accounts relating to the subscription-based staffing service we launched last year.



Cloud-based AI recruiting service



Recruiting Cloud

- Uses big data and an automated AI system to create **ads that attract response**.
- Automated listing in optimal, cost-effective media **reduces cost per response**.
- AI allows for 24-hour 365-day operation and integrated administration of respondents, **streamlining hiring work**.

1. FY2021 3rd Quarter Financial Results

(7) Consolidated Financial Position—Balance Sheet

(Million yen)

		As of Dec. 31, 2020	As of Sep. 30, 2021	Change	Major factors behind changes
Current assets		16,304	17,056	+751	Increase in current assets. Mainly increase in cash and deposits, trade notes and accounts receivable.
Noncurrent assets	Property, plant, and equipment	5,987	5,917	▲69	Increase in noncurrent assets: Mainly increase in investment securities.
	Intangible assets	675	692	+16	
	Investments & other assets	4,984	5,407	+422	
Total assets		27,951	29,073	+1,121	
Current liabilities		3,997	4,530	+532	Increase in current liabilities: Mainly increases in current portion of long-term loans payable, income taxes payable, and provision for bonuses.
Noncurrent liabilities		265	143	▲122	Decrease in noncurrent liabilities: Mainly decrease in long-term loans payable.
Total liabilities		4,263	4,674	+410	
Total net assets		23,688	24,399	+710	The financial position of the company remains sound with a high equity ratio of 81.5%.
Total liabilities and net assets		27,951	29,073	+1,121	

Distribution to Shareholders

2. Distribution to Shareholders

(1) Revised Dividend Forecast

Our policy is to distribute surpluses in accordance with business performance and carry out dynamic buy-backs of treasury shares with due consideration of factors such as market climate and capital efficiency. Therefore, we have decided, in light of recent business performance, to increase our year-end dividend forecast by two yen per share.

Revised Dividend Forecast

Year-end dividend **increased** from 25 yen to **27 yen** per share

	Dividend Per Share		
	2Q end (already paid)	Year end	Total
Previous forecast	21 yen	25 yen	46 yen
Latest forecast	-	27 yen	48 yen

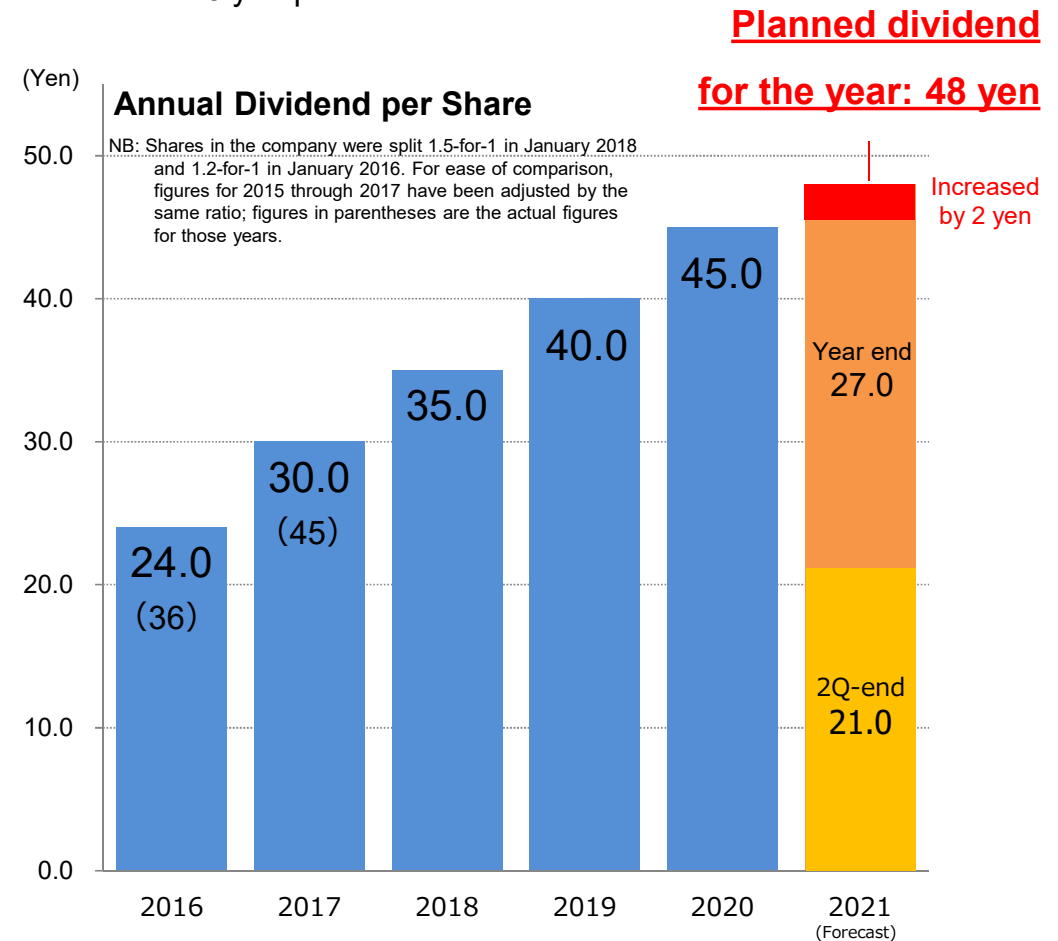
NB: Funai Soken Holdings has spent 260 million yen on acquiring treasury stock this fiscal year.

2. Distribution to Shareholders

(2) Annual Dividends

In light of recent business performance, we plan to increase this year's dividend. The year-end dividend will be increased by two yen above our initial forecast from 25 yen to 27 yen per share, making a full-year total dividend of 48 yen per share.

Record date	Initial forecast		Actual dividend	
	Dividend (per share)	Details	Dividend (per share)	Details
FY2016 1.2-for-1 share split	36.0	2Q-end 15.0 Year end 21.0	36.0	2Q-end 15.0 Year end 21.0
FY2017	39.0	2Q-end 15.0 Year end 24.0	45.0	2Q-end 15.0 Year end 30.0
FY2018 1.5-for-1 share split	33.0	2Q-end 15.0 Year end 18.0	35.0	2Q-end 15.0 Year end 20.0 *including special dividend of 2.0
FY2019	40.0	2Q-end 17.0 Year end 23.0	40.0	2Q-end 17.0 Year end 23.0 *Including a commemorative dividend of 3.0
FY2020	45.0	2Q-end 20.0 Year end 25.0	45.0	2Q-end 20.0 Year end 25.0
FY2021 (Forecast)	46.0	2Q-end 21.0 Year end 25.0	48.0	2Q-end 21.0 Year end 27.0

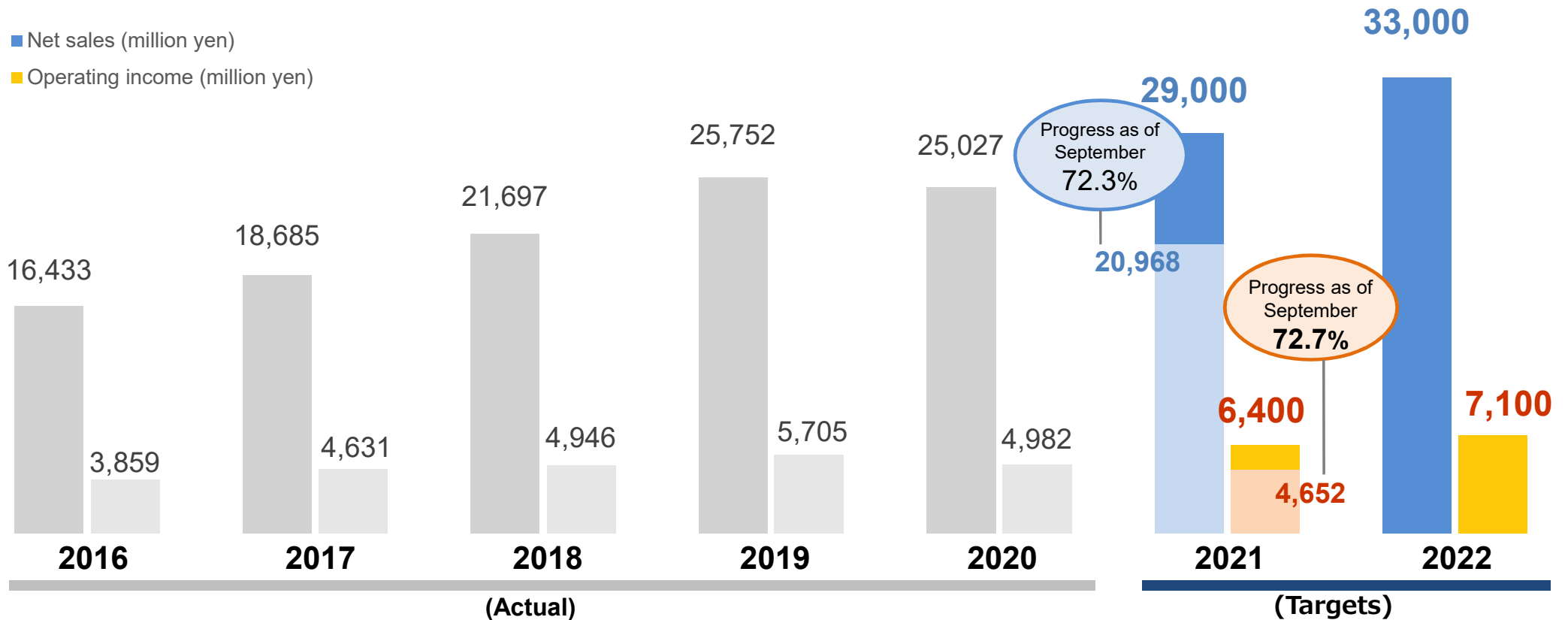


Outlook and Initiatives

3. Outlook and Initiatives

(1) Progress toward Achieving the Mid-Range Business Plan

For FY2021, the second year of our Mid-Range Business Plan, targets are 29 billion yen in sales and 6.4 billion yen in operating income. Starting in FY2021, we are once again aiming for sustained double-digit growth and operating income of 7.1 billion yen in FY2022.

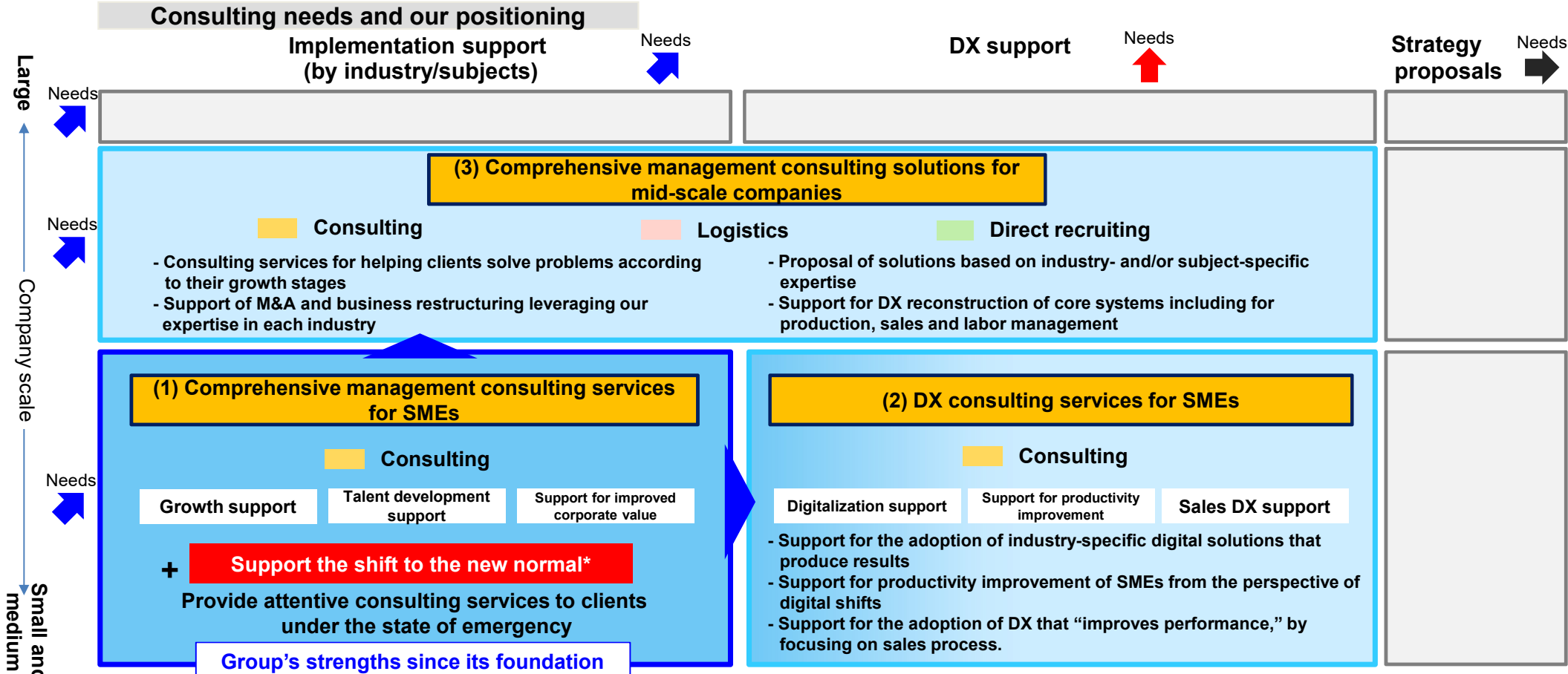


NB: The company is scheduled to adopt the Accounting Standards Board of Japan's Accounting Standard for Revenue Recognition beginning in FY2022. We predict that the main impact of this will be a decrease in net sales as only the portion of ad listing agency sales comprising the company's fees can be listed as sales. The effects of this change on operating income are minor. The effects (amounts) of the change will be included within the full-year financial results for the year ending December 2021.

3. Outlook and Initiatives

(2) Business Strategy

Fully engage in supporting our existing clients' **shift to new normal** in "life with corona." Based on this, accelerate the implementation of "DX consulting services for SMEs" and "comprehensive management consulting solutions for mid-scale companies."



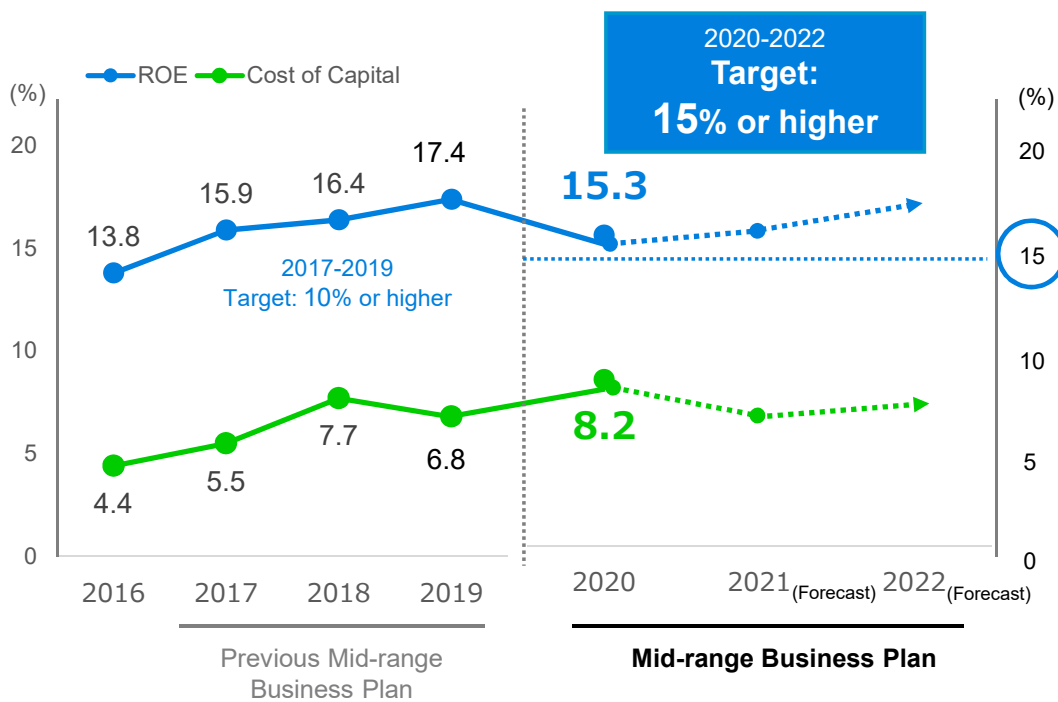
*Support clients' shift to the new normal in the post-COVID era from the perspective of company management

3. Outlook and Initiatives

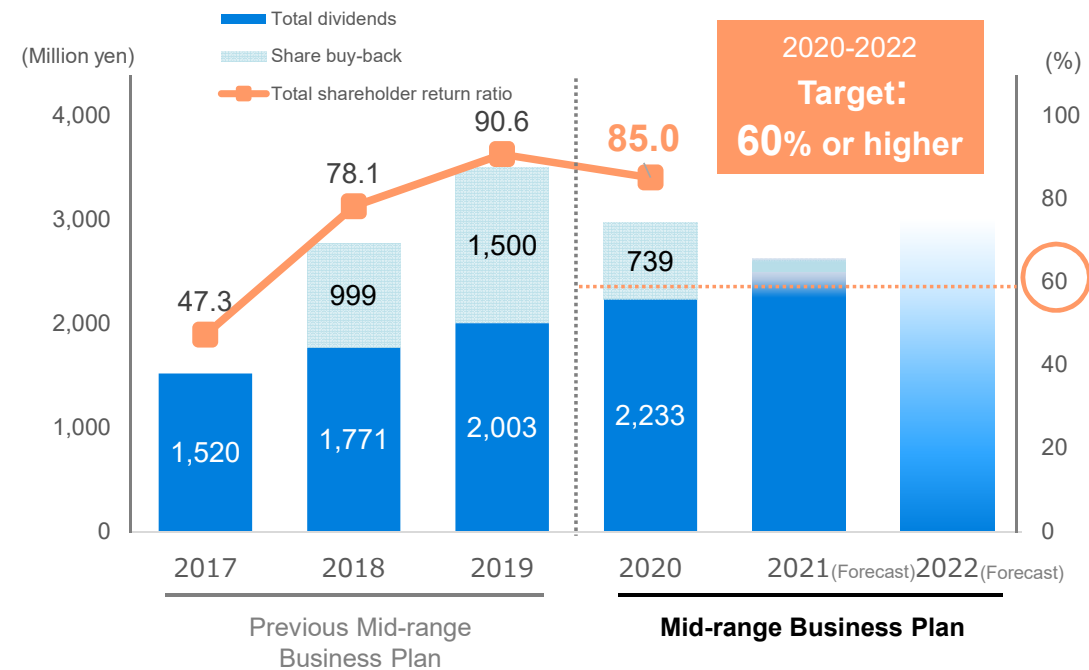
(3) Financial Strategy: (1) Capital Policy and Shareholder Return Policy

In 2020, under the significant impact of the COVID-19 pandemic, implemented share buy-back for the purposes of **improving capital efficiency** and **shareholder return** ratio. As a result, the consolidated ROE and total shareholder return ratio reached 15.3% and 85.0% respectively, **achieving the targeted consolidated ROE of 15% or higher and the targeted total shareholder return ratio of 60% or higher**. Continue the initial policy aiming to achieve the targets in the second year and after.

■ Consolidated ROE and capital cost: Results and targets



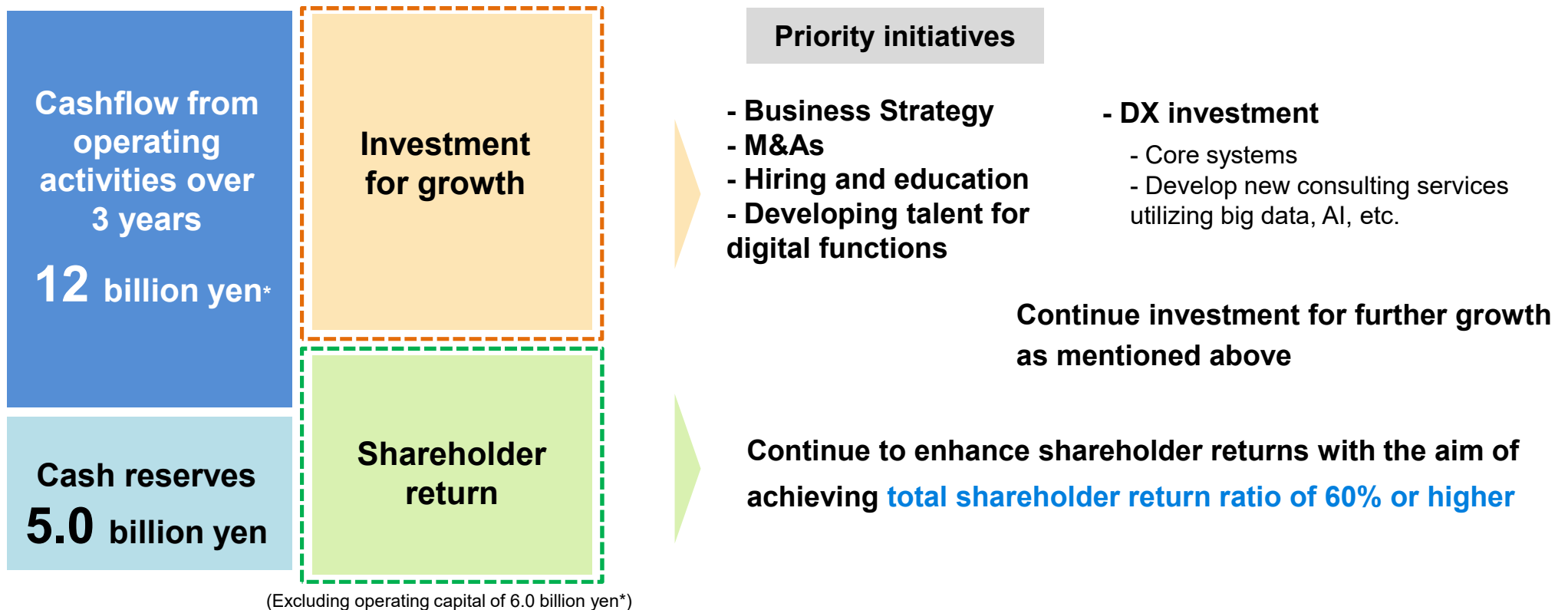
■ Total dividends and total shareholder return ratio: Results and targets



3. Outlook and Initiatives

(3) Financial Strategy: (2) Investment for Growth: Allocation of cashflow from operating activities over three years

Increase shareholders' value by allocating cashflow from operating activities and cash reserves to investment for the next stage of growth and to appropriate shareholder returns. Continue investment for growth and shareholder returns.

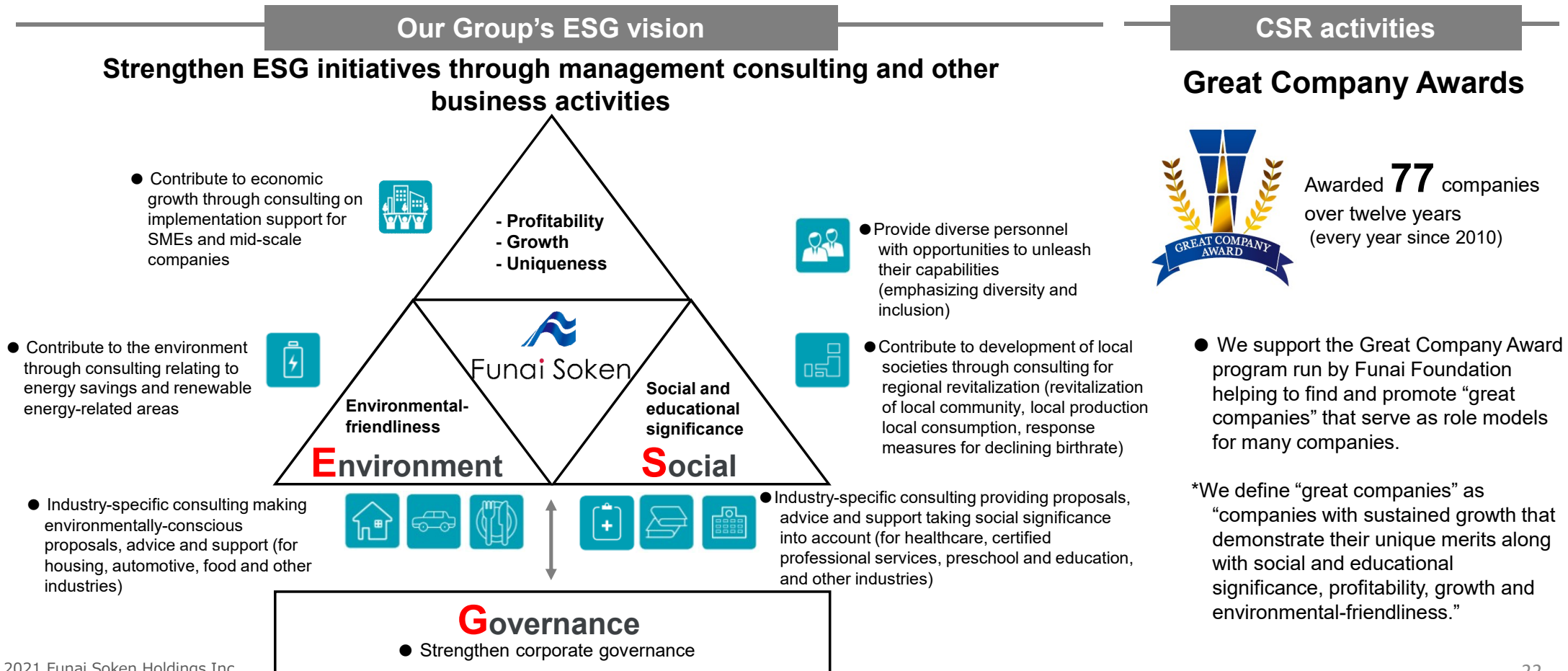


*The numbers have been revised reflecting the revised plan

3. Outlook and Initiatives

(4) ESG Initiatives

We will further strengthen our initiatives for ESG, recognizing its importance, under the Group philosophy:
“We help to build a better future for people, business, and the society.”



4. Shareholder Returns and Other Initiatives

(4) ESG Initiatives

The Funai Soken Consulting Group is committed to making sustainability the norm throughout society. We believe ESG-based management is essential for this, and have multiple initiatives in place as part of our business activities.



■ ESG Management: Achievements

Governance

Instilling Standards Groupwide

- Studied the level of information security at group companies
- Analyzed results and identify problems
- Implemented corrective measures

Ensuring Standards are Ingrained

- Distributed the Information Security Manual and provided online learning

Enhanced Risk Management

- Reviewed security guidelines



Environment

- Prepared to identify business risks and opportunities by performing primary study of group companies' environment-related policies



- Calculated carbon dioxide emissions caused by electricity use

- Collected scenario information with a view to scenario analysis; established scope; prepared to set mid-to-long-range targets



- Established a governance and risk management structure based on climate change disclosure framework

Social

- Fostered groupwide unity by ingrainng core values and the founder's spirit



- Promoted diversity by opening up career paths for women, mid-career hires, and foreign-national employees

- Established shared targets
Women in group workforce:
Women in management positions:
Mid-career hires in management positions:



3. Outlook and Initiatives

(5) Corporate Governance Structure

In order to ensure legal compliance in the running of the company’s business and to drive mid-to-long-term corporate value, the company is working to strengthen its corporate governance structure, and established a Sustainability Committee on July 1.

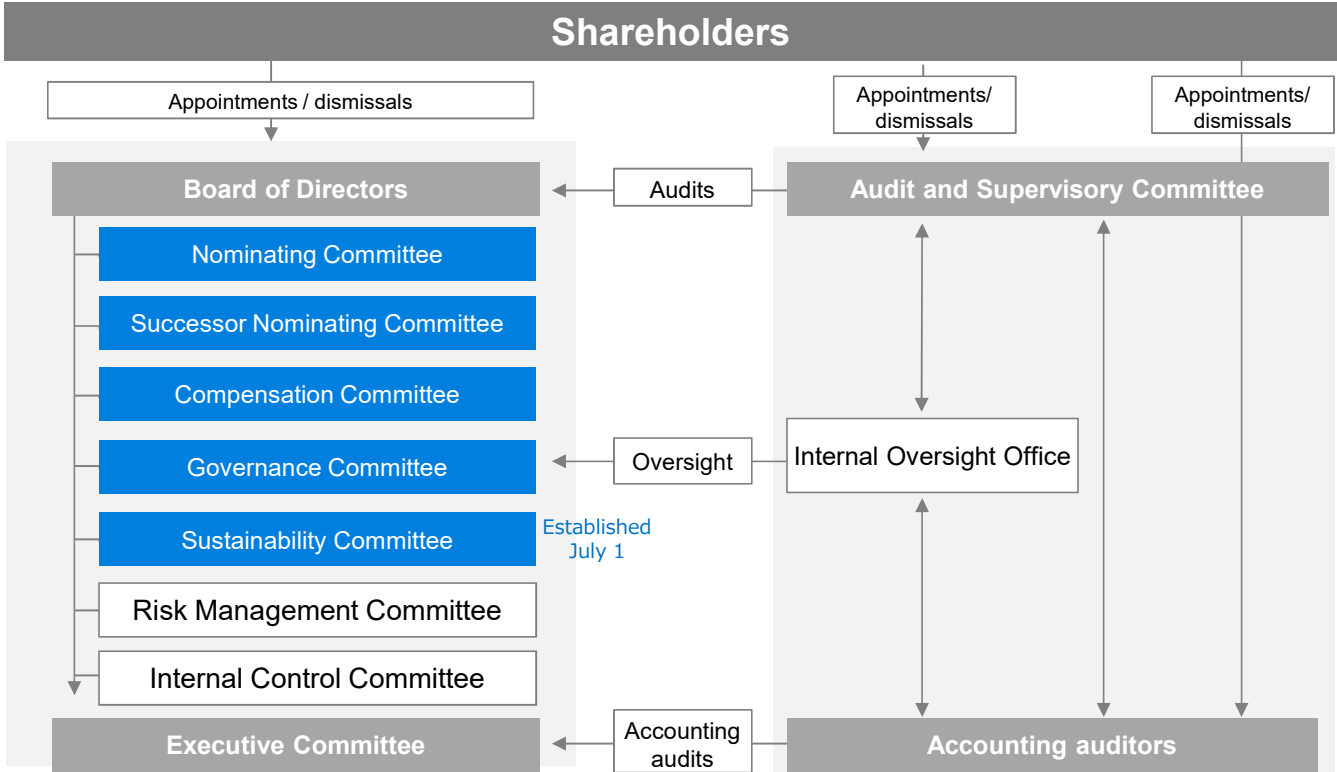
Nominating Committee
Ensures objectivity and validity of the process for selecting candidates for director positions.
3 out of 4 members are outside directors

Successor Nominating Committee
Ensures fairness and transparency of selection and nurturing of future presidential candidates.
3 out of 4 members are outside directors

Compensation Committee
Ensures objectivity and validity of officer remuneration by keeping remuneration tied to mid-to-long-term business performance.
3 out of 4 members are outside directors

Governance Committee
Discusses governance issues from a mid-to-long-term perspective, and endeavor to strengthen governance.
All 4 members are outside directors

Sustainability Committee
Coordinates cross-sectional pursuit of sustainability throughout the whole group, and implement ongoing issues under strict governance.
2 out of 4 members are outside directors



Previous Initiatives to Strengthen the Group’s Governance

*As of July 1, 2021

- 2019 Established a Successor Nominating Committee, appointed outside directors to the boards of the group’s core companies, appointed in-house attorneys.
- 2020 Appointed 1 female director.
- 2021 Established a Sustainability Committee. The five advisory committees shown to the left are chaired by outside directors.



Our Mission

We help to build a better future for people, businesses, and society

We at the Funai Consulting Group will offer solutions for a better future to all the people and businesses we are involved with – and to society as a whole – and will do our best to turn those ideas into reality.

Our Vision for the Future

Trusted and respected by society for bringing joy to people and businesses through our work

We are determined to work together as a corporate group to bring joy to the people and businesses we are involved with. By earning the trust and respect of the people and businesses we seek to please, we can also earn the trust and respect of society as a whole.

Statement Regarding Use of These Materials

Plans, outlooks, strategies and other information contained herein 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.

All possible care has been exercised in preparing these materials, but the Funai Consulting Group assumes no responsibility for losses or other damages resulting from errors concerning any information.

These materials are not intended to encourage any kind of investment. Investment decisions are the sole responsibility of the individual investor.

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