



November 2, 2021

Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending December 31, 2021 (January 1, 2021 – September 30, 2021)

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Scheduled date of payment of dividend: –
 Scheduled date of filing quarterly report: November 12, 2021
 Supplementary materials compiled to explain 3rd-quarter financial statements: Yes
 Briefing to be held to explain 3rd-quarter financial results: None

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

1. 2021 3rd Quarter Consolidated Financial Results (January 1, 2021 – September 30, 2021)

(1) Consolidated Results of Operations (Cumulative)

(Percentages represent change from the same period last year)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine months ended								
Sep. 30, 2021	20,968	13.9	4,652	28.1	4,697	27.1	3,155	28.8
Sep. 30, 2020	18,411	(1.1)	3,632	(11.6)	3,695	(10.5)	2,450	(10.3)

Notes: Comprehensive income: 3,185 million yen (up 30.9%) in the nine months ended Sep. 30, 2021
 2,433 million yen (down 13.3%) in the nine months ended Sep. 30, 2020

	Earnings per share (basic)	Earnings per share (diluted)
	Yen	Yen
Nine months ended		
Sep. 30, 2021	63.89	63.14
Sep. 30, 2020	49.22	48.67

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Sep. 30, 2021	29,073	24,399	81.5
As of Dec. 31, 2020	27,951	23,688	82.4

Reference: Shareholders' equity: 23,688 million yen as of Sep. 30, 2021
 23,041 million yen as of Dec. 31, 2020

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year end	Total
	Yen	Yen	Yen	Yen	Yen
FY2020	–	20.00	–	25.00	45.00
FY2021	–	21.00	–		
FY2021 forecast				27.00	48.00

Note: Amendments to dividend numbers compared to most recently announced figures: Yes

See the Notice Regarding Revision (Increase) of Dividend Forecast released today for details on our dividend forecast for FY2021.

3. Forecast Consolidated Financial Results for FY2021 (January 1, 2021 – December 31, 2021)

(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	29,000	15.9	6,400	28.5	6,450	26.7	4,300	22.9	87.07

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

Remarks

(1) Changes in consolidated subsidiaries in 1Q, 2Q and 3Q: 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 3Q 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 nine-month period (including treasury stock)
- 2) Number of treasury shares at end of nine-month period
- 3) Average number of shares during nine-month period (cumulative total)

Sep. 30, 2021	52,500,000	As of Dec. 31, 2020	52,500,000
Sep. 30, 2021	3,120,386	As of Dec. 31, 2020	3,011,772
Sep. 30, 2021	49,385,433	Sep. 30, 2020	49,779,240

Notes: 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 Nine Months Ended September 30, 2021

(1) Results of Operations

During the nine months under review (January 1, 2021 to September 30, 2021), the Japanese economy continued to face severe conditions, including a decline in personal consumption, due to the COVID-19 pandemic. Amid such conditions, the number of new infection cases decreased thanks to stringent infection prevention measures and efforts to promote vaccinations. At the same time, society has adopted *new normal* workstyles through digitalization and the use of non-face-to-face channels. Certain markets have also seen signs of a recovery, including increased capital expenditures by corporations. Furthermore, the holding of the Tokyo Olympic and Paralympic Games served as an opportunity to reaffirm the importance of efforts related to achieving a sustainable society that proactively promotes diversity and addresses climate change.

In this situation, the Funai Soken Consulting Group (the “Group”) proactively offered online seminars. In our consulting activities, we flexibly combined in-person and web-based consulting based on client needs to grow earnings despite the COVID-19 environment.

Looking at our DX consulting service, which our Group is actively expanding, we are seeing a trend towards increased consulting needs related to digital transformation in marketing for SMEs, online sales solutions to manufacturing businesses, and robot automation at manufacturing sites. We are projecting an increase in orders received in these areas. Looking at consulting for the digital transformation solutions of customer business activities, while government subsidies through the 2nd SME Digitization Support Team Program helped drive orders received, program application procedures were temporarily suspended while the government outlines stricter program requirements. This resulted in certain projects we planned to record during the nine months to September 30, 2021 being postponed until the consolidated cumulative fourth quarter or later.

As a result, the Group posted 20,968 million yen in net sales (up 13.9% year on year), 4,652 million yen in operating income (up 28.1% year on year), 4,697 million yen in ordinary income (up 27.1% year on year), and 3,155 million yen in net income attributable to owners of the parent (up 28.8% year on year) for the nine months to September 30, 2021, achieving record high earnings.

I. Net sales: 20,968 million yen (up 13.9% over the same period of the preceding year)

Net sales increased in the monthly consulting support service of the business consulting business segment. In addition, net sales in online advertisement agency services continued their steady growth. Net sales also steadily grew in physical distribution operations in the logistics business.

Consequently, net sales rose 13.9% over the same period of the previous year to 20,968 million yen.

II. Operating income: 4,652 million yen (up 28.1% over the same period of the preceding year)

Looking at operating income, cost of sales was 14,122 million yen (previous fiscal year was 12,441 million yen), SG&A expenses were 2,193 million yen (previous fiscal year was 2,338 million yen), and cost of sales in online advertisement agency services increased. At the same time, expenses such as consulting activity travel expenses and venue hiring expenses decreased significantly.

Consequently, operating income rose 28.1% over the same period of the previous year to 4,652 million yen.

III. Ordinary income: 4,697 million yen (up 27.1% over the same period of the preceding year)

Non-operating income was 81 million yen, compared with 96 million yen in the same period of the previous year, reflecting factors such as gains on sales of investment securities, while non-operating expenses were 36 million yen, compared with 32 million yen in the same period of the previous year due to the recording of donations, among other income.

Consequently, ordinary income rose 27.1% over the same period of the previous year to 4,697 million yen.

IV. Net income attributable to owners of the parent: 3,155 million yen (up 28.8% over the same period of the previous year)

With income taxes totaling 1,531 million yen for the period under review, compared with 1,240 million yen in the same period of the previous year, net income attributable to owners of the parent rose 28.8% year on year to 3,155 million yen.

Segment-Specific Performance

The performance of each business segment is outlined below.

I. Consulting

In the consulting business, net sales were favorable thanks to increased orders received from the participants of mainly online seminars and management study groups, and improvement in contract renewal rates. We were able to achieve net sales and income exceeding the same period of the previous fiscal year thanks to favorable internet-based sales of solutions linked to resolving problems in various industries.

By industry sector, consulting service earnings were driven by its main business divisions, the housing and real estate industries, as well as the medical, aged care, and welfare industries. The solutions business saw an increase in online sales solutions to all industries, including the manufacturing businesses, the housing and real estate industries, and the food and beverage industry. As a result, digital transformation services for SMEs and medium-sized enterprises were firm.

On the other hand, a recovery of proactive recruitment among corporations was sluggish due to the impact of COVID-19. As a result, the job opening-to-application ratio is declining and conditions remain difficult for the personnel consulting market.

Looking at income, income increased on higher net sales as well as a large reduction in travel expenses and venue hiring expenses through the promotion of online seminars, online workshops, and the permeation of remote consulting services using online conference systems.

Consequently, net sales increased 17.2% year on year to 16,276 million yen, and operating income rose 22.3% year on year to 4,367 million yen.

II. Logistics

The logistics business saw new orders received online for the logistics operations increase thanks to new customer development and aggressive marketing activities targeting existing customers. As a result, net sales increased compared to the previous fiscal year. On the other hand, although orders received were in a recovery trend, revenue declined in logistics consulting services due to conservative investment activities. Revenue in logistics trading operations also increased due to higher sales prices, although fuel sales volume shrank following a downturn in business and individual movements. Income increased thanks to favorable logistics operations as well as a recovery trend from the decrease in net sales for the highly profitable logistics consulting services.

Consequently, net sales increased 17.5% year on year to 2,297 million yen, and operating income rose 5.7% year on year to 232 million yen.

III. Direct Recruiting

In the direct recruiting business, due to a reduction in recruitment advertisements following the reduced level of hiring by companies since the previous fiscal year as a result of COVID-19's impact. Also, earnings for the new subscription-based personnel referral service launched in the previous fiscal year remained sluggish due to a reversal of net sales recorded during the nine months under review.

Consequently, net sales shrank 22.1% year on year to 1,442 million yen, and we posted an operating loss of 111 million yen, compared with an operating loss of 92 million yen in the same period of the preceding year.

IV. Other Businesses

In other businesses, both net sales and income significantly grew year on year in the contact center consulting business due to the widespread adoption of remote channels for training and support services, and contributions from regular revenues from major accounts. In the IT consulting business, however, revenue shrank due to the difficulties in receiving new orders. In the system development business, net sales increased thanks to orders received from major clients and a recovery in new orders received from other businesses.

Consequently, net sales rose 32.4% year on year to 935 million yen and an operating income of 46 million yen was posted compared with an operating loss of 95 million yen in the same period of the previous year.

(2) Financial Position

(Assets)

Total net assets increased 1,121 million yen from the end of the previous fiscal year to 29,073 million yen at the end of the nine months under review.

Current assets increased 751 million yen from the end of the previous fiscal year to 17,056 million yen. This was mainly due to increases in cash and deposits, trade notes and accounts receivable, and a decrease in short-term investment securities.

Noncurrent assets grew by 370 million yen from the end of the previous fiscal year to 12,017 million yen. This was mainly due to an increase in investment securities.

(Liabilities)

Total liabilities increased 410 million yen from the end of the previous fiscal year to 4,674 million yen as of the end of the nine months under review.

Current liabilities rose by 532 million yen from the end of the previous fiscal year to 4,530 million yen. This mainly reflects increases in the current portion of long-term bonds payable, income taxes payable, and an allowance for bonus, and reductions in consumption taxes payable and deposited money included in other current liabilities.

Noncurrent liabilities declined by 122 million yen from the end of the previous fiscal year to 143 million yen. This was mainly due to a decrease in long-term loans payable.

(Net Assets)

Total net assets increased by 710 million yen from the end of the previous fiscal year to 24,399 million yen as of the end of the nine months under review. This is mainly due to an increase in net income attributable to owners of the parent and a decrease in retained earnings due to the disposal of capital surplus.

(Equity Ratio)

The shareholders' equity ratio as of the end of the nine months under review was 81.5%, down 0.9 percentage points from the end of the previous fiscal year.

(3) Consolidated Forecast and Other Forward-Looking Information

During the current fiscal year, the Japanese economy continued to face a difficult situation due to the impact of the resurging of COVID-19 infections and other factors. However, increased vaccine uptake has resulted in the stabilization of cases of infections and it is expected that increased vaccination rates among younger age groups will ensure a return to normal economic activities.

Looking ahead, while the excessive sense of concern regarding COVID-19 infections has calmed, the Japanese economy is expected to continue facing conditions causing a lack of future transparency due to a number of factors, including the rising cost of crude oil and other resources driving up corporate and consumer prices, supply chain stagnation due to a lack of semiconductors, growing economic pessimism among domestic enterprises due to depreciation of the Japanese yen and appreciation of the US dollar on currency markets, as well as the rise of geopolitical risks in the Middle East and China.

Our Group will implement initiatives related to offering a diverse range of consulting services as we strive to expand our DX consulting serve and consulting services for mid-scale companies, as is outlined in our Mid-range Business Plan.

Specifically, for DX consulting services, we will adopt the online sales solutions framework we developed for the manufacturing industry for use with other industries. As for consulting services for mid-scale companies, we will establish contact points with mid-scale companies by providing cloud-based diagnostic services and use those diagnostic results to address the problems facing each business and provide solutions that resolve those problems.

Our full-year performance forecast is net sales of 29,000 million yen, operating income of 6,400 million yen, ordinary income of 6,450 million yen, and net income attributable to owners of the parent of 4,300 million yen.

Furthermore, at the Board of Directors meeting convened on November 2, 2021, a resolution was passed to make the following revisions to the year-end dividend per share forecast. Details on this matter are as outlined in the Notice Regarding Revision (Increase) of Dividend Forecast.

	Dividend per share (Yen)		
	2Q-end	Year end	Total
Previous forecast	–	25	46
Revised forecast	–	27	48
FY actual	21	–	–
Results of previous term (FYE Dec. 31, 2020)	20	25	45

2. Consolidated Financial Statements and Notes

(1) Consolidated Balance Sheet

(Thousand yen)

	FY12/20 (As of Dec. 31, 2020)	FY12/21 3Q (As of Sep. 30, 2021)
Assets		
Current assets		
Cash and deposits	12,216,419	13,117,375
Trade notes and accounts receivable	2,741,126	2,868,055
Short-term investment securities	304,771	100,000
Work in process	130,721	187,235
Raw materials and supplies	9,908	8,785
Other current assets	951,571	822,391
Allowance for doubtful accounts	(49,817)	(47,692)
Total current assets	16,304,701	17,056,150
Noncurrent assets		
Property, plant, and equipment		
Buildings and structures, net	1,234,799	1,199,609
Land	4,602,643	4,596,717
Other property, plant, and equipment, net	149,994	121,432
Total property, plant, and equipment	5,987,438	5,917,759
Intangible asset		
Leasehold rights	322,400	322,400
Software	256,251	298,657
Other intangible assets	96,735	71,254
Total intangible assets	675,386	692,312
Investments and other assets		
Investment securities	4,053,809	4,256,849
Assets related to retirement benefits	463,062	498,852
Other investments and other assets	475,851	655,190
Allowance for doubtful accounts	(8,258)	(3,491)
Total investments and other assets	4,984,465	5,407,401
Total noncurrent assets	11,647,290	12,017,473
Total assets	27,951,991	29,073,623

(Thousand yen)

	FY12/20 (As of Dec. 31, 2020)	FY12/21 3Q (As of Sep. 30, 2021)
Liabilities		
Current liabilities		
Trade notes and accounts payable	406,535	430,169
Short-term loans payable	200,000	200,000
Current portion of long-term loans payable	–	100,000
Income taxes payable	841,931	962,071
Allowance for bonus	–	760,253
Other current liabilities	2,549,217	2,078,022
Total current liabilities	3,997,683	4,530,516
Noncurrent liabilities		
Long-term loans payable	100,000	–
Retirement benefit liabilities	68,088	69,143
Deferred tax liabilities	56,128	32,651
Other noncurrent liabilities	41,673	42,019
Total noncurrent liabilities	265,891	143,814
Total liabilities	4,263,574	4,674,331
Net assets		
Shareholders' equity		
Capital stock	3,125,231	3,125,231
Capital surplus	2,946,634	2,946,763
Retained earnings	20,565,065	21,446,044
Treasury stock	(3,560,378)	(3,824,788)
Total shareholders' equity	23,076,553	23,693,250
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	75,241	81,255
Foreign currency translation adjustments	17,074	21,642
Accumulated adjustments for retirement benefits	(127,122)	(107,264)
Total accumulated other comprehensive income	(34,806)	(4,367)
Subscription rights for shares	646,669	710,408
Total net assets	23,688,416	24,399,292
Total liabilities and net assets	27,951,991	29,073,623

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statement of Income

First Nine Months

(Thousand yen)

	First Nine Months of FY12/20 (Jan. 1 – Sep 30, 2020)	First Nine Months of FY12/21 (Jan. 1 – Sep 30, 2021)
Net sales	18,411,667	20,968,300
Cost of sales	12,441,262	14,122,280
Gross profit	5,970,405	6,846,019
SG&A expenses	2,338,317	2,193,704
Operating income	3,632,087	4,652,315
Non-operating income		
Interest income	13,415	15,260
Dividend income	5,617	3,683
Gain on sales of investment securities	55,245	38,531
Gain on valuation of investment securities	3,122	2,086
Other non-operating income	19,296	22,050
Total non-operating income	96,697	81,611
Non-operating expenses		
Interest expenses	3,503	3,660
Loss on valuation of investment securities	7,438	1,350
Foreign exchange losses	6,235	2,580
Investment partnership management expenses	3,272	2,738
Donations	12,000	25,500
Other non-operating expenses	449	412
Total non-operating expenses	32,898	36,242
Ordinary income	3,695,886	4,697,684
Extraordinary income		
Gain on sales of noncurrent assets	–	16
Gain on sales of investment securities	46	–
Total extraordinary income	46	16
Extraordinary losses		
Loss on sales of noncurrent assets	–	3,576
Loss on retirement of noncurrent assets	5,135	7,718
Total extraordinary losses	5,135	11,294
Net income before income taxes and other adjustments	3,690,796	4,686,406
Current income taxes	1,412,891	1,751,624
Deferred income taxes	(172,291)	(220,384)
Total income taxes	1,240,600	1,531,240
Net income	2,450,196	3,155,166
Net income attributable to owners of the parent	2,450,196	3,155,166

Consolidated Statement of Comprehensive Income
 First Nine Months

(Thousand yen)

	First Nine Months of FY12/20 (Jan. 1 – Sep 30, 2020)	First Nine Months of FY12/21 (Jan. 1 – Sep 30, 2021)
Net income	2,450,196	3,155,166
Other comprehensive income		
Valuation difference on available-for-sale securities	(34,536)	6,013
Foreign currency translation adjustments	16	4,567
Adjustments for retirement benefits	17,611	19,858
Total other comprehensive income	(16,908)	30,439
Comprehensive income	2,433,287	3,185,606
Details		
Comprehensive income attributable to owners of the parent	2,433,287	3,185,606

(3) Notes on Consolidated Financial Statements

Notes on Going Concern Assumptions

None to report.

Notes on Significant Changes to Shareholders' Equity

None to report.

Segment Information

I First Nine Months of FY12/20 (Jan. 1 – Sep. 30, 2020)

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

(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	13,882,100	1,955,084	1,850,630	706,105	18,393,920	17,747	18,411,667
Inter-segment sales and transfers	100,407	192,517	3,640	6,525	303,090	(303,090)	–
Total	13,982,507	2,147,601	1,854,270	712,630	18,697,010	(285,343)	18,411,667
Segment income/loss	3,570,341	220,240	(92,073)	(95,257)	3,603,250	28,836	3,632,087

Notes

- 1 “Others” 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.

II First Nine Months of FY12/21 (Jan. 1 – Sep. 30, 2021)

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

(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	16,276,500	2,297,998	1,442,266	935,148	20,951,914	16,386	20,968,300
Inter-segment sales and transfers	45,694	231,593	1,825	14,628	293,741	(293,741)	–
Total	16,322,195	2,529,592	1,444,092	949,776	21,245,656	(277,355)	20,968,300
Segment income/loss	4,367,973	232,856	(111,325)	46,349	4,535,853	116,461	4,652,315

Notes

- 1 “Others” 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.

3. Other Information

(1) Orders and Sales

I. Orders

Orders won by each operating segment in the first nine months of FY2021 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	11,364,785	+22.1	7,191,511	+12.8
Logistics	490,204	+47.7	279,558	+24.7
Other businesses	432,857	+87.4	144,190	+28.8

Notes

- 1 Consulting orders above include only consulting revenues; membership fees and seminar fees are excluded as they are recurring revenues.
- 2 Logistics revenues include only that earned from logistics consulting activities.
- 3 Direct recruiting entails no consulting revenues and is therefore not included in the above table.
- 4 Other businesses includes only that earned from IT and contact center consulting.
- 5 The above amounts are based on sale prices.
- 6 The above amounts do not include consumption tax.

II. Sales

Sales made by each operating segment in the first nine months of FY2021 are as follows.

Segment	Sales (unit: 1,000 yen)	Change from same period last year (%)
Consulting	16,276,500	+17.2
Logistics	2,297,998	+17.5
Direct recruiting	1,442,266	(22.1)
Other businesses	935,148	+32.4
Total	20,951,914	+13.9

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.