



February 4, 2022

Consolidated Financial Results for the Fiscal Year Ended December 31, 2021 (January 1, 2021 – December 31, 2021)

Company name:	Funai Soken Holdings, Inc.	Stock Exchange listing:	Tokyo Stock Exchange
Stock code:	9757	URL:	https://hd.funaisoken.co.jp
Representative:	Takayuki Nakatani, President & CEO		
Contact:	Takahisa Okumura, Director and Senior Vice President, Head of Management Administration Divisional Headquarters Telephone: +81-(0)6-6232-0130		
General meeting of shareholders:	March 26, 2022		
Scheduled date of payment of dividend:	March 28, 2022		
Scheduled date of filing Annual Securities Report:	March 28, 2022		
Supplementary materials compiled to explain financial statements:	Yes		
Briefing to be held to explain 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. Consolidated Financial Results for FY2021 (January 1, 2021 – December 31, 2021)**(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	%
Year ended Dec. 31, 2021	28,813	15.1	6,349	27.4	6,439	26.5	4,373	25.0
Year ended Dec. 31, 2020	25,027	(2.8)	4,982	(12.7)	5,091	(11.5)	3,498	(9.6)

Notes: Comprehensive income: 4,436 million yen (up 32.4 %) in the year ended Dec. 31, 2021
3,351 million yen (down 15.2%) in the year ended Dec. 31, 2020

	Earnings per share (basic)	Earnings per share (diluted)	Return on equity	Ratio of ordinary income to total assets	Ratio of operating income to net sales
	Yen	Yen	%	%	%
Year ended Dec. 31, 2021	88.57	87.50	18.2	21.9	22.0
Year ended Dec. 31, 2020	70.32	69.52	15.3	18.1	19.9

Reference: Equity method investment income (Million yen) Dec. 31, 2021: –
Dec. 31, 2020: –

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
Year ended Dec. 31, 2021	30,884	25,687	80.7	505.04
Year ended Dec. 31, 2020	27,951	23,688	82.4	465.60

Reference: Shareholders' equity: 24,938 million yen in the year ended Dec. 31, 2021
23,041 million yen in the year ended Dec. 31, 2020

(3) Consolidated Cash Flow Position

	Net cash provided by (used in) operations	Net cash provided by (used in) investments	Net cash provided by (used in) financing	Cash and cash equivalents at end of fiscal year
	Million yen	Million yen	Million yen	Million yen
Year ended Dec. 31, 2021	5,214	(219)	(2,547)	14,675
Year ended Dec. 31, 2020	3,515	263	(3,194)	12,216

2. Dividends

	Dividend per share					Total dividends	Dividend payout ratio (consolidated)	Dividend on equity (consolidated)
	1Q-end	2Q-end	3Q-end	Year end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Year ended Dec. 31, 2020	–	20.00	–	25.00	45.00	2,232	64.0	9.8
Year ended Dec. 31, 2021	–	21.00	–	27.00	48.00	2,370	54.2	9.9
Forecast for year ending Dec. 31, 2022	–	25.00	–	28.00	53.00		54.5	

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

(Percentages represent year-on-year change, full-year figures represent change compared with previous year; first-half figures represent change compared with same period in previous fiscal year.)

	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
First half	12,300	–	3,600	9.9	3,600	8.6	2,400	6.4	48.60
Full year	25,300	–	7,100	11.8	7,150	11.0	4,800	9.7	97.21

Note: From the beginning of FY2022, we apply the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29). As such, the abovementioned consolidated earnings forecasts indicate amounts converted to reflect the application of this standard. As such, the above does not indicate a comparison of the change in net sales with the previous fiscal year or the same quarter of the previous fiscal year. Furthermore, estimates adding the impact amount on agent transactions, the main segment impacted by this standard, indicate a 11.0% increase in the full-year net sales forecast amount compared to the previous fiscal year. The impact on agent transactions is a 6,023 million yen decrease for FY2021 and a 7,700 million yen decrease for FY2022. There is no impact on operating income, ordinary income, or net income attributable to owners of the parent.

Remarks

(1) Changes in material subsidiaries during the fiscal year (changes in scope of consolidation): None

- No. of new companies added: None
- Names of new companies added: None
- No. of companies removed: None
- Names of companies removed: None

(2) 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

(3) Number of issued shares (common stock)

- 1) Number of shares issued at end of the period (including treasury stock)
- 2) Number of treasury shares at end of the period
- 3) Average number of shares during the period

As of Dec. 31, 2021	52,500,000	As of Dec. 31, 2020	52,500,000
As of Dec. 31, 2021	3,120,936	As of Dec. 31, 2020	3,011,772
Fiscal year ended Dec. 31, 2021	49,383,914	Fiscal year ended Dec. 31, 2020	49,756,975

Note: This financial summary is excluded from audit 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 (4) Outlook" on page 6 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. Results of Operations

(1) This Fiscal Year's Results

During the current fiscal year, the Japanese economy was impacted by the COVID-19 pandemic at the beginning of the year, when we saw stagnant economic activity in the food and beverage industry and tourism industry, as well as restricted consumer activities due to policies calling for people to avoid leaving the home unnecessarily. Later, the number of new infection cases decreased significantly thanks to an uptake in vaccinations and corporate and consumer economic activities trended towards normalization as we headed into the end of the year. Capital expenditures by major corporations trended towards recovery but conditions remained severe for small-to-medium sized enterprises. Conditions on the employment market also remained severe due to the prolonged decline in the job opening-to-application ratio. On the other hand, consumer spending trended towards recovery thanks to an easing of restrictions on movement.

In this situation, the Funai Soken Consulting Group (the "Group") reinforced thorough infection preventions measures, both within and outside the company, offered workplace vaccination for employees, and proactively offered online seminars. In our consulting activities, we engaged in operations that flexibly combined in-person and web-based consulting based on client needs. The SMEs who make up the bulk of our Group's clientele are addressing numerous operational issues, including adopting telecommuting and other diverse workstyles while also engaging in ESG initiatives to promote the realization of a sustainable society. Thanks in part to our Group's united commitment to providing clients with solutions to these issues, we achieved record high earnings for the current consolidated fiscal year that even surpassed consolidated fiscal year earnings from two year ago, prior to the pandemic.

Inquiries for our digital transformation (DX) consulting service, a core part of our Group's business strategy, were strong throughout the year thanks in part to government stimulus in the form of business reconstruction subsidies and IT integration assistance funds. Customer DX consulting needs spanned across all aspects of business operations, from online sales solutions to manufacturing businesses and AI/robot automation and ERP solutions at manufacturing sites.

We offer various management analysis programs as part of consulting services for mid-scale companies, and used those programs as an opportunity to establish new client contact points and offer customized solutions to address client issues.

As a result, the Group posted 28,813 million yen in net sales (up 15.1% year on year), 6,349 million yen in operating income (up 27.4% year on year), 6,439 million yen in ordinary income (up 26.5% year on year), and 4,373 million yen in net income attributable to owners of the parent (up 25.0% year on year) for FY2021. Net income attributable to owners of the parent was 73 million yen above the upward revision to our earnings forecast announced when we released second quarter financial results. As for ROE, one of the financial goals outlined in our Mid-range Business Plan, we achieved 18.2%, which significantly surpassed our goal (15%).

Net sales increased significantly for online advertisement agency services in the business consulting segment, our main business. We also recorded an increase in new orders received online, which resulted in increased sales for monthly consulting support services and logistics operation services in the logistics business. Consequently, net sales rose 15.1% over the previous fiscal year to 28,813 million yen.

Looking at operating income, cost of sales was 19,512 million yen (previous fiscal year was 17,027 million yen), SG&A expenses were 2,951 million yen (previous fiscal year was 3,018 million yen), and marketing costs 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 27.4% over the previous fiscal year to 6,349 million yen and our operating margin increasing by 2.1 points compared to the previous consolidated fiscal year to 22.0%.

Non-operating income was 131 million yen, compared with 147 million yen in the previous fiscal year, reflecting factors such as gains on sales of investment securities, while non-operating expenses were 40 million yen, compared with 38 million yen in the previous fiscal year. Consequently, ordinary income rose 26.5% over the previous fiscal year to 6,439 million yen.

With income taxes totaling 2,041 million yen for the current fiscal year, compared with 1,677 million yen in the previous fiscal year, net income attributable to owners of the parent rose 25.0% year on year to 4,373 million yen.

Consolidated performance for each business segment is outlined below.

I. Consulting

In the consulting business, orders received from the participants of online seminars and management study groups, channels for securing orders received, were favorable. Additionally, we secured orders received from client referrals and direct sales. As a result, we were able to achieve net sales and income exceeding the previous fiscal year.

By industry sector, performance was firm for consulting divisions for the housing and real estate industries, our main business division, as well as the medical, aged care, and welfare industries, resulting in net sales exceeding the previous consolidated fiscal year.

On a theme-specific basis, net sales grew significantly for consulting related to online marketing, business models, and finances.

The solutions business is beginning to see diverse growth in DX consulting services across various industries. Some examples include DX for marketing using online sales targeting manufacturing businesses, DX for operational improvements using AI, robots, and RPA, and DX solutions for the housing and real estate industries and manufacturing industries.

On the other hand, the personnel consulting market continues to face severe conditions due to constraints on aggressive recruitment activities by companies.

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

Consequently, net sales increased 16.8% year on year to 22,256 million yen, and operating income rose 21.8% year on year to 5,846 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. Logistics consulting services increased thanks to a return to investment activities by customers and favorable management study groups. 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 performance by the logistics operations services business.

Consequently, net sales increased 25.5% year on year to 3,309 million yen, and operating income rose 8.7% year on year to 338 million yen.

III. Direct Recruiting

In the direct recruiting business, recruitment advertisements declined from a reduced level of hiring by companies since the previous fiscal year due to COVID-19's impact. Net sales continued to struggle but operating losses

decreased thanks to more efficient management of recruitment advertising and a review of marketing and other costs.

Consequently, net sales shrank 16.2% year on year to 1,953 million yen, and we posted an operating loss of 115 million yen (previous consolidated fiscal year resulted in an operating loss of 174 million yen).

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 system development business, net sales and operating income increased thanks to orders received from major clients and a recovery in new orders received from other businesses.

Consequently, net sales rose 30.4% year on year to 1,272 million yen and an operating income of 82 million yen was posted compared with an operating loss of 88 million yen in the previous fiscal year.

(2) This Fiscal Year's Financial Position

(Assets)

Total assets increased 2,932 million yen year-on-year to 30,884 million yen at the end of FY2021.

Current assets increased 2,692 million yen from the end of the previous fiscal year to 18,996 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 240 million yen from the end of the previous fiscal year to 11,888 million yen. This was mainly due to an increase in investment securities.

(Liabilities)

Total liabilities increased 934 million year-on-year to 5,197 million yen at the end of FY2021.

Current liabilities rose by 1,039 million yen from the end of the previous fiscal year to 5,037 million yen. This mainly reflects increases in trade notes and accounts payable, current portion of long-term bonds payable, and income taxes payable.

Noncurrent liabilities declined by 105 million yen from the end of the previous fiscal year to 160 million yen. This was mainly due to a decrease in long-term loans payable.

(Net Assets)

Total net assets increased 1,998 million year-on-year to 25,687 million yen at the end of FY2021. This was mainly due to an increase in net income attributable to owners of the parent, and decreases in purchase of treasury shares and retained earnings as these were appropriated.

As a result, the shareholders' equity ratio as of the end of the previous consolidated fiscal year decreased 1.7% to 80.7%.

(3) This Fiscal Year's Cashflow Position

Cash and cash equivalents increased 2,458 million year-on-year to 14,675 million yen at the end of FY2021.

Trends in cash flow by activity are described below.

(Cash Flows from Operating Activities)

Cash flows from operating activities ended on a net gain of 5,214 million yen this year compared to a net gain of 3,515 million yen in the preceding year. This was mainly due to income before income taxes and other adjustments of 6,415 million yen; income taxes paid of 1,610 million yen; and income tax refunds of 540 million yen.

(Cash Flows from Investing Activities)

Cash flows from investing activities ended on a net loss of 219 million yen this year compared to a net gain of 263 million yen in the preceding year. This was mainly due to expenditures of 218 million yen on purchases of property, plant, and equipment, and intangible assets.

(Cash Flows from Financing Activities)

Cash flows from financing activities ended on a net loss of 2,547 million yen this year compared to a net loss of 3,194 million yen in the preceding year. This was mainly due to a net expenditure of 265 million yen on the sale and purchase of treasury stock, and 2,272 million yen distributed as dividends.

The following table presents the historical movements of certain cash flow indices.

	FY12/17	FY12/18	FY12/19	FY12/20	FY12/21
Shareholders' equity ratio (%)	83.3	82.2	79.4	82.4	80.7
Shareholders' equity ratio based on market price (%)	498.8	309.8	434.6	446.3	418.3
Interest-bearing debt to cash flow ratio (years)	0.2	0.2	0.1	0.1	0.1
Interest coverage ratio (x)	717.7	645.9	863.6	761.7	1,056.1

Notes:

- Indices are calculated on a consolidated basis as follows:
Shareholders' equity ratio: Shareholders' equity divided by total assets
Shareholders' equity ratio based on market price: Market capitalization divided by total assets
Interest-bearing debt to cash flow ratio: Interest-bearing debt divided by operating cash flow
Interest coverage ratio: Operating cash flow divided by interest payments
- Market capitalization: Closing stock price at FY-end multiplied by the number of outstanding shares at period-end (after deducting treasury stock).
- Interest-bearing debt: All interest-bearing liabilities listed under liabilities on the consolidated balance sheet.
- Operating cash flow and interest payments are taken from cash flows from operating activities and interest paid, respectively, as listed in consolidated cash flow statements.

(4) Outlook

During the current fiscal year, the Japanese economy saw economic activities begin to return to normal thanks in part to a significant drop in COVID-19 infections.

Looking ahead, countries in North America and Europe are projected to see a rise in corporate and consumer prices due to higher crude oil prices and widespread supply chain constraints. In Japan, while we are seeing higher corporate prices, the environment does not support the transfer of costs onto consumer prices and we are seeing a rapid increase in infections from the latest COVID-19 variant. As a result, the various factors creating an unpredictable environment for SMEs are projected to continue.

Our Group will continue to implement strategies outlined in our Mid-range Business Plan of meeting the DX adoption needs of SMEs and medium-sized enterprises by accelerating DX consulting services and consulting services for mid-scale companies. To resolve the shortage of digital human resources facing society, we concluded an exclusive business alliance agreement with ZOHO Japan Corporation for digital human resource development. Through this agreement, we will conduct digital human resource development for SMEs and medium-sized enterprises in Japan to produce numerous personnel capable of overseeing corporate digital innovation. Through our DX consulting service, we are working to resolve the issue of improving productivity at corporations. To further promote DX consulting services, in January 2022 we transferred a portion of operations at Funai Soken IT Solutions Incorporated into Funai Consulting Incorporated. And in July 2022, we will merge Funai Soken Corporate Relations, Inc. and Shinwa Computer Service Co., Ltd. to strengthen our DX-related services.

As outlined above, we engage in business activities by effectively utilizing internal and external products, knowledge and human resources as well as engage in organizational restructuring.

At the same time, we are committed to addressing new issues facing society, including realizing a carbon-free society, promoting diversity, investing in human capital, and the issue of sustainability facing both SMEs and medium-sized enterprises. We will continue working towards enhancing solutions to address these issues.

Due to the application of the Accounting Standard for Revenue Recognition, figures outlined in our performance forecast for FY2022 reflect the application of this standard. The main impact of this application includes, net sales resulting from agent transactions from online advertisement agency services in the consulting business, recruiting advertising agency services in the direct recruiting business, and joint fuel purchasing services in the logistics business being changed from gross total to net total. Our performance forecast prior to and after application of this standard is as follows. Furthermore, we also revised FY2022 net sales figures indicated in our Mid-range Business Plan (2020 to 2022).

Impact of applying the Accounting Standard for Revenue Recognition

Performance forecast after application

(Million yen)

Category	First half			Full year		
	FYE Dec. 31, 2021	FYE Dec. 31, 2022	YoY	FYE Dec. 31, 2021	FYE Dec. 31, 2022	YoY
Net sales	11,083	12,300	111.0%	22,789	25,300	111.0%
Operating income	3,276	3,600	109.9%	6,349	7,100	111.8%
Ordinary income	3,313	3,600	108.6%	6,439	7,150	111.0%
Net income attributable to owners of the parent	2,255	2,400	106.4%	4,373	4,800	109.7%
Operating margin	29.6%	29.3%	–	27.9%	28.1%	–

Performance forecast prior to application (reference)

(Million yen)

Category	First half			Full year		
	FYE Dec. 31, 2021	FYE Dec. 31, 2022	YoY	FYE Dec. 31, 2021	FYE Dec. 31, 2022	YoY
Net sales	13,887	16,000	115.2%	28,813	33,000	114.5%
Operating income	3,276	3,600	109.9%	6,349	7,100	111.8%
Ordinary income	3,313	3,600	108.6%	6,439	7,150	111.0%
Net income attributable to owners of the parent	2,255	2,400	106.4%	4,373	4,800	109.7%
Operating margin	23.6%	22.5%	–	22.0%	21.5%	–

Impact amount (reference)

(Million yen)

Category	First half			Full year		
	FYE Dec. 31, 2021	FYE Dec. 31, 2022	YoY	FYE Dec. 31, 2021	FYE Dec. 31, 2022	YoY
Net sales	(2,803)	(3,700)	–	(6,023)	(7,700)	–
Operating income	–	–	–	–	–	–
Ordinary income	–	–	–	–	–	–
Net income attributable to owners of the parent	–	–	–	–	–	–
Operating margin	+6.0	+6.8		+5.9	+6.6	

Note: The application of the Accounting Standards for Revenue Recognition mainly impacts agent transactions. As such, only those amounts are indicated. We are currently calculating the impact for amounts other than agent transactions but project that the importance of the impact of these amounts on performance is minimal.

(5) Basic Policy Regarding Distribution of Earnings, Dividends for the Current and Next Fiscal Years

Returning adequate earnings to shareholders is as important to us as strengthening our financial condition and management fundamentals. As such, we are determined to give back to shareholders through distribution of earnings and by buying treasury stock to an appropriate level in light of business performance. Our basic policy is to distribute surpluses in accordance with business performance, and as such, we will, with due consideration of factors such as market climate and capital efficiency, endeavor to maintain a return-to-shareholders ratio of at least 60% by using tools such as dynamic buy-backs of treasury shares.

Retained earnings will be used to enhance capital through a balance of investments for the long-term growth of corporate value, and in strengthening the company's financial condition to facilitate flexible capital policies.

Based on these policies, we plan to distribute a year-end dividend for FY2021 of 27 yen per share, making a total annual dividend of 48 yen per share.

In FY2022, we plan to pay an interim dividend of 25 yen per share and a year-end dividend of 28 yen per share, making a total annual dividend of 53 yen per share.

Dividends per Share

	Interim	Year end	Annual total
FY2021	21 yen	27 yen	48 yen
FY2022 (forecast)	25 yen	28 yen	53 yen

2. The Funai Consulting Group

The group is comprised of Funai Soken Holdings and eight subsidiaries. Our core business is management consulting, and we also offer logistics, direct recruiting, and other services relating to those operations.

The roles of the various Group companies in each segment are outlined below.

Consulting

The group is fully equipped to offer a comprehensive range of consulting services, and we focus mainly on management consulting. In addition to core management consulting solutions, we also provide industry-specific and solution-specific workshops and seminars.

Group companies involved in this segment: Funai Consulting, Inc., Funai Soken Corporate Relations, Inc.,
Funai Consulting Shanghai, Inc.

Logistics

Our logistics services cover three main areas: consulting, designed to help clients reduce their logistics costs; operations, in which we design, build, and operate clients' logistics frameworks; and trading, which helps clients reduce their purchasing costs through initiatives like joint purchasing.

Group companies involved in this segment: Funai Soken Logistics, Inc.

Direct Recruiting

In this segment, we use IT to help clients solve the increasingly widespread problem of labor shortages, principally through recruiting advertising agency operations.

Group companies involved in this segment: HR Force, Inc.

Other Businesses

Elsewhere, Funai Soken IT Solutions offers IT consulting services, Proseed offers contact center consulting services, and Shinwa Computer Service offers system development services.

Group companies involved in this segment: Funai Soken IT Solutions, Inc., Proseed Corporation,
Shinwa Computer Service Co., Ltd.

3. Basic Approach to Selection of Financial Accounting Standards

The Funai Soken Consulting Group's consolidated financial statements are prepared in accordance with Japanese financial reporting standards to provide for easier comparison of performance from year to year and company to company.

Regarding whether or not to apply international financial reporting standards, we will continue to monitor the situation and act in accordance with Japanese trends regarding such accounting standards.

4. Consolidated Financial Statements and Notes

(1) Consolidated Balance Sheet

(Thousand yen)

	FY12/20 (As of Dec. 31, 2020)	FY12/21 (As of Dec. 31, 2021)
Assets		
Current assets		
Cash and deposits	12,216,419	14,675,155
Trade notes and accounts receivable	2,741,126	3,191,781
Short-term investment securities	304,771	100,000
Work in process	130,721	184,105
Raw materials and supplies	9,908	10,986
Other current assets	951,571	875,363
Allowance for doubtful accounts	(49,817)	(40,657)
Total current assets	16,304,701	18,996,734
Noncurrent assets		
Property, plant, and equipment		
Buildings and structures, net	1,234,799	1,195,629
Land	4,602,643	4,596,717
Other property, plant, and equipment, net	149,994	124,850
Total property, plant, and equipment	5,987,438	5,917,197
Intangible asset		
Leasehold rights	322,400	322,400
Software	256,251	298,339
Other intangible assets	96,735	84,678
Total intangible assets	675,386	705,418
Investments and other assets		
Investment securities	4,053,809	4,241,507
Assets related to retirement benefits	463,062	540,005
Other investments and other assets	475,851	490,826
Allowance for doubtful accounts	(8,258)	(6,929)
Total investments and other assets	4,984,465	5,265,410
Total noncurrent assets	11,647,290	11,888,026
Total assets	27,951,991	30,884,761

(Thousand yen)

	FY12/20 (As of Dec. 31, 2020)	FY12/21 (As of Dec. 31, 2021)
Liabilities		
Current liabilities		
Trade notes and accounts payable	406,535	535,623
Short-term loans payable	200,000	200,000
Current portion of long-term loans payable	—	100,000
Income taxes payable	841,931	1,325,288
Other current liabilities	2,549,217	2,876,104
Total current liabilities	3,997,683	5,037,015
Noncurrent liabilities		
Long-term loans payable	100,000	—
Retirement benefit liabilities	68,088	69,872
Deferred tax liabilities	56,128	43,657
Other noncurrent liabilities	41,673	47,050
Total noncurrent liabilities	265,891	160,579
Total liabilities	4,263,574	5,197,595
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	22,664,750
Treasury stock	(3,560,378)	(3,826,322)
Total shareholders' equity	23,076,553	24,910,422
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	75,241	76,859
Foreign currency translation adjustments	17,074	23,992
Accumulated adjustments for retirement benefits	(127,122)	(72,760)
Total accumulated other comprehensive income	(34,806)	28,090
Subscription rights for shares	646,669	748,651
Total net assets	23,688,416	25,687,165
Total liabilities and net assets	27,951,991	30,884,761

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Thousand yen)

	FY12/20 (Jan. 1 – Dec. 31, 2020)	FY12/21 (Jan. 1 – Dec. 31, 2021)
Net sales	25,027,840	28,813,372
Cost of sales	17,027,136	19,512,340
Gross profit	8,000,704	9,301,032
SG&A expenses	3,018,249	2,951,826
Operating income	4,982,455	6,349,205
Non-operating income		
Interest income	18,577	21,532
Dividend income	8,816	6,997
Gain on sales of investment securities	55,245	38,554
Gain on valuation of investment securities	3,122	2,086
Insurance bonus income	33,455	33,768
Other non-operating income	28,002	28,250
Total non-operating income	147,219	131,191
Non-operating expenses		
Interest expenses	4,740	4,933
Loss on valuation of investment securities	7,438	1,350
Investment partnership management expenses	3,272	2,738
Foreign exchange losses	8,047	3,566
Donations	12,000	25,500
Other non-operating expenses	2,586	2,799
Total non-operating expenses	38,084	40,888
Ordinary income	5,091,590	6,439,508
Extraordinary income		
Gain on sales of noncurrent assets	176	16
Gain on sales of investment securities	159,912	–
Total extraordinary income	160,089	16
Extraordinary losses		
Loss on sales of noncurrent assets	–	3,576
Impairment loss	70,000	–
Loss on retirement of noncurrent assets	5,135	10,935
Loss on revision of retirement benefit plan	–	9,339
Total extraordinary losses	75,135	23,851
Net income before income taxes and other adjustments	5,176,543	6,415,673
Current income taxes	1,640,018	2,083,037
Deferred income taxes	37,850	(41,236)
Total income taxes	1,677,868	2,041,800
Net income	3,498,675	4,373,872
Net income attributable to owners of the parent	3,498,675	4,373,872

(3) Consolidated Statement of Changes in Net Assets

FY12/20 (Jan. 1 – Dec. 31, 2020)

(Thousand yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at start of fiscal year	3,125,231	2,947,675	19,731,165	(3,342,957)	22,461,115
Change					
Dividends from surplus			(2,140,514)		(2,140,514)
Net income attributable to owners of the parent			3,498,675		3,498,675
Purchase of treasury stock				(749,582)	(749,582)
Disposal of treasury stock		(1,040)	4,793	3,105	6,859
Retirement of treasury stock			(529,055)	529,055	–
Net changes of items other than shareholders' equity					
Total changes of items during the fiscal year	–	(1,040)	833,899	(217,421)	615,437
Balance at end of current fiscal year	3,125,231	2,946,634	20,565,065	(3,560,378)	23,076,553

	Accumulated other comprehensive income				Subscription rights for shares	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustments	Accumulated adjustments for retirement benefits	Total accumulated other comprehensive income		
Balance at start of fiscal year	211,575	16,146	(114,954)	112,766	591,243	23,165,126
Change						
Dividends from surplus						(2,140,514)
Net income attributable to owners of the parent						3,498,675
Purchase of treasury stock						(749,582)
Disposal of treasury stock						6,859
Retirement of treasury stock						–
Net changes of items other than shareholders' equity	(136,333)	928	(12,167)	(147,573)	55,425	(92,147)
Total changes of items during the fiscal year	(136,333)	928	(12,167)	(147,573)	55,425	523,290
Balance at end of current fiscal year	75,241	17,074	(127,122)	(34,806)	646,669	23,688,416

FY12/21 (Jan. 1 – Dec. 31, 2021)

(Thousand yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at start of fiscal year	3,125,231	2,946,634	20,565,065	(3,560,378)	23,076,553
Change					
Dividends from surplus			(2,274,187)		(2,274,187)
Net income attributable to owners of the parent			4,373,872		4,373,872
Purchase of treasury stock				(266,079)	(266,079)
Disposal of treasury stock		128		134	263
Net changes of items other than shareholders' equity					
Total changes of items during the fiscal year	–	128	2,099,685	(265,944)	1,833,869
Balance at end of current fiscal year	3,125,231	2,946,763	22,664,750	(3,826,322)	24,910,422

	Accumulated other comprehensive income				Subscription rights for shares	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustments	Accumulated adjustments for retirement benefits	Total accumulated other comprehensive income		
Balance at start of fiscal year	75,241	17,074	(127,122)	(34,806)	646,669	23,688,416
Change						
Dividends from surplus						(2,274,187)
Net income attributable to owners of the parent						4,373,872
Purchase of treasury stock						(266,079)
Disposal of treasury stock						263
Net changes of items other than shareholders' equity	1,617	6,917	54,362	62,897	101,982	164,879
Total changes of items during the fiscal year	1,617	6,917	54,362	62,897	101,982	1,998,748
Balance at end of current fiscal year	76,859	23,992	(72,760)	28,090	748,651	25,687,165

(4) Consolidated Cash Flow Statement

(Thousand yen)

	FY12/20 (Jan. 1 – Dec. 31, 2020)	FY12/21 (Jan. 1 – Dec. 31, 2021)
Net cash provided by (used in) operations		
Net income before income taxes and other adjustments	5,176,543	6,415,673
Depreciation	280,839	240,553
Impairment loss	70,000	—
Amortization of goodwill	34,290	23,442
Share-based compensation expenses	62,026	101,982
Increase (decrease) in allowance for doubtful accounts	10,526	(10,489)
Decrease (increase) in assets related to retirement benefits	(2,033)	(22,580)
Increase (decrease) in liabilities related to retirement benefits	7,212	1,783
Loss (gain) on valuation of investment securities	4,315	(735)
Loss (gain) on sales of investment securities	(215,158)	(38,554)
Interest and dividends received	(27,393)	(28,530)
Interest expenses	4,740	4,933
Loss (gain) on exchange	511	3,307
Contributions	12,000	25,550
Loss (gain) on sales of property, plant, and equipment	(176)	3,559
Loss on retirement of property, plant, and equipment	2,427	2,516
Loss on retirement of intangible assets	2,708	8,419
Decrease (increase) in trade notes and accounts receivable	128,977	(449,762)
Decrease (increase) in other assets	(270,965)	(489,920)
Increase (decrease) in other liabilities	(296,173)	475,826
Other cash provided by (used in) operations	10,072	5,078
Subtotal	4,995,293	6,272,053
Interest and dividends received	41,475	42,901
Interest paid	(4,615)	(4,937)
Income taxes paid	(1,958,765)	(1,610,671)
Income taxes refunds	454,299	540,635
Contributions paid	(12,000)	(25,550)
Net cash provided by (used in) operations	3,515,687	5,214,432
Net cash provided by (used in) investments		
Proceeds from sale and redemption of short-term investment securities	1,000,000	304,615
Purchase of investment securities	(705,550)	(724,985)
Proceeds from sale and redemption of investment securities	192,231	416,812
Purchase of property, plant, and equipment	(48,277)	(63,237)
Purchase of Intangible assets	(175,138)	(155,336)
Other cash provided by (used in) investments	176	2,366
Net cash provided by (used in) investments	263,441	(219,766)
Net cash provided by (used in) financing		
Proceeds from short-term loans payable	200,000	—
Redemption of bonds	(500,000)	—
Repayment of lease obligations	(9,653)	(9,103)
Purchase of treasury shares	(749,988)	(266,222)
Proceeds from sale of treasury shares	258	263
Dividends paid	(2,135,581)	(2,272,285)
Net cash provided by (used in) financing	(3,194,965)	(2,547,348)
Effect of exchange rate changes on cash and cash equivalents	1,702	11,418
Net increase (decrease) in cash and cash equivalents	585,864	2,458,736
Cash and cash equivalents at start of fiscal year	11,630,554	12,216,419
Cash and cash equivalents at end of fiscal year	12,216,419	14,675,155

(5) Notes on Consolidated Financial Statements

(Notes on Going Concern Assumptions)

None to report.

(Segment Information)

1 Overview of Segments Included in Reports

The segments for which reports are compiled are those components of the group for which financial information can be obtained separate from other component units. Segments are reviewed periodically by the board of directors in order to make more informed decisions on how management resources can best be allocated, and in order to evaluate performance.

We employ three main segments in for these reports. They are, in keeping with the categories of work performed by the companies within the group: consulting, logistics, and direct recruiting. Their activities can be defined as follows.

- Consulting: Consulting services such as guidance, research, and diagnosis pertaining to company management; members-only workshops and seminars.
- Logistics: Logistics services cover two main areas: consulting, designed to help clients reduce their logistics costs; and operations, in which we design, build, and operate clients' logistics frameworks.
- Direct recruiting: Using IT to help clients solve the increasingly widespread problem of labor shortages, principally through recruiting advertising agency operations.

2 Calculation of Net Sales, Income/Losses, Assets, and Other Accounts for Each Segment

Accounting methods for the reported segments are largely the same as those used in the consolidated financial statements.

Segment-specific income or losses are calculated based on operating income figures. Inter-segment sales and transfers are calculated based on current market prices.

3 Other Information About Net Sales, Income/Losses, Assets, and Other Accounts for Each Segment
FY12/20 (Jan. 1 – Dec. 31, 2020)

(Thousand yen)

	Consulting	Logistics	Direct recruiting	Others ⁽¹⁾	Total	Adjustment ⁽²⁾	Amount listed in consolidated financial statements ⁽³⁾
Net sales							
Sales to external customers	19,058,420	2,638,029	2,331,930	975,837	25,004,218	23,622	25,027,840
Inter-segment sales and transfers	123,014	236,656	4,450	8,246	372,366	(372,366)	—
Total	19,181,435	2,874,685	2,336,380	984,083	25,376,584	(348,744)	25,027,840
Segment income	4,801,998	311,619	(174,176)	(88,501)	4,850,940	131,514	4,982,455
Segment assets	15,699,274	1,242,944	397,821	657,711	17,997,751	9,954,239	27,951,991
Others							
Depreciation	61,660	3,288	33,340	1,974	100,263	180,575	280,839
Amortization of goodwill	—	—	—	34,290	34,290	—	34,290
Impairment loss	—	—	70,000	—	70,000	—	70,000
Change in property, plant, equipment, and intangible assets	56,278	1,600	83,114	864	141,857	39,814	181,671

Notes:

- 1 The “others” category includes income from IT consulting, contact center consulting, and systems development.
- 2 Details of adjustments are as follows.
 - (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) Adjustments of segment assets include elimination of inter-segment transactions and assets held throughout the group that are not attributable to any segment. Whole-group assets are comprised of assets relating to the operation of the group.
 - (3) Adjustments of depreciation include elimination of inter-segment transactions and depreciation of assets held throughout the group that are not attributable to any segment.
 - (4) Change in property, plant, equipment, and intangible assets includes elimination of inter-segment transactions and assets held throughout the group that are not attributable to any segment.
- 3 Segment income or losses are adjusted against operating income in the consolidated financial statements.

	Consulting	Logistics	Direct recruiting	Others ⁽¹⁾	Total	Adjustment ⁽²⁾	Amount listed in consolidated financial statements ⁽³⁾
Net sales							
Sales to external customers	22,256,061	3,309,985	1,953,312	1,272,887	28,792,247	21,124	28,813,372
Inter-segment sales and transfers	63,734	291,766	2,925	21,581	380,008	(380,008)	–
Total	22,319,795	3,601,752	1,956,238	1,294,469	29,172,256	(358,884)	28,813,372
Segment income	5,846,946	338,792	(115,021)	82,757	6,153,474	195,730	6,349,205
Segment assets	18,046,933	1,618,356	392,214	767,999	20,825,502	10,059,258	30,884,761
Others							
Depreciation	75,632	3,577	25,498	2,248	106,957	133,596	240,553
Amortization of goodwill	–	–	–	23,442	23,442	–	23,442
Change in property, plant, equipment, and intangible assets	120,927	12,347	30,152	7,331	170,759	58,938	229,698

Notes:

- 1 The “others” category includes income from IT consulting, contact center consulting, and systems development.
- 2 Details of adjustments are as follows.
 - (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) Adjustments of segment assets include elimination of inter-segment transactions and assets held throughout the group that are not attributable to any segment. Whole-group assets are comprised of assets relating to the operation of the group.
 - (3) Adjustments of depreciation include elimination of inter-segment transactions and depreciation of assets held throughout the group that are not attributable to any segment.
 - (4) Change in property, plant, equipment, and intangible assets includes elimination of inter-segment transactions and assets held throughout the group that are not attributable to any segment.
- 3 Segment income or losses are adjusted against operating income in the consolidated financial statements.

(Per-share Information)

	FY12/20 (Jan. 1 – Dec. 31, 2020)	FY12/21 (Jan. 1 – Dec. 31, 2021)
Net assets per share	465.60 yen	505.04 yen
Earnings per share (basic)	70.32 yen	88.57 yen
Earnings per share (diluted)	69.52 yen	87.50 yen

Note: 1. The basis for calculation of basic and diluted net income per share is as follows.

	FY12/20 (Jan. 1 – Dec. 31, 2020)	FY12/21 (Jan. 1 – Dec. 31, 2021)
Earnings per share (basic)		
Net income attributable to owners of the parent (Thousand yen)	3,498,675	4,373,872
Amount not attributable to common shareholders (Thousand yen)	–	–
Net income attributable to common-stock owners of the parent (Thousand yen)	3,498,675	4,373,872
Average number of common shares outstanding during the fiscal year	49,756,975	49,383,914
Earnings per share (diluted)		
Adjusted net income attributable to owners of the parent (Thousand yen)	–	–
Increase in common shares	567,074	604,170
(Portion of increase made up of subscription rights)	(567,074)	(604,170)
Summary of non-dilutive stock equivalents not used in calculation of earnings per share (diluted)	–	–

Note: 2. Basis for calculation of net assets per share is as follows.

	FY12/20 (Jan. 1 – Dec. 31, 2020)	FY12/21 (Jan. 1 – Dec. 31, 2021)
Total net assets on consolidated balance sheets (Thousand yen)	23,688,416	25,687,165
Deductions from total net assets (Thousand yen)	646,669	748,651
(Portion of deductions made up of subscription rights) (Thousand yen)	(646,669)	(748,651)
Net assets attributable to common shareholders (Thousand yen)	23,041,747	24,938,513
Number of common shares used in calculation of net assets per share at end of year	49,488,228	49,379,064

(Subsequent Events)

(Absorption-type merger of consolidated subsidiary)

At the Board of Directors' meeting convened on February 4, 2022, the Company approved a proposal to merge consolidated subsidiaries Funai Soken Corporate Relations Inc. and Shinwa Computer Service Co., Ltd., and change the business name of the surviving company.

1. Company merger overview

(1) Merger company names and business operations

(Surviving company of absorption-type merger)

Name: Funai Soken Corporate Relations Inc.

Operations: SI & digital marketing services, BPO & consulting services, etc.

(Eliminated company from absorption-type merger)

Name: Shinwa Computer Service Co., Ltd.

Operations: System development business

(2) Corporate merger date

July 1, 2022 (planned)

(3) Corporate merger method

Absorption-type merger with Funai Soken Corporate Relations Inc. as the surviving company and Shinwa Computer Service Co., Ltd. as the eliminated company.

(4) Company name following merger

Funai Soken Digital Inc. (planned)

(5) Matters concerning a summary of other transactions

Our main business is the provision of general business consulting services to SMEs. At the same time, we are expanding into DX consulting and general management consulting for medium-sized enterprises. As such, we position strengthening our hiring and development of digital personnel as a core issue.

Merging Funai Soken Corporate Relations Inc., which specializes in online marketing and BPO consulting, and Shinwa Computer Service Co. Ltd., which specializes in digital human resource hiring and development, will enable us to further strengthen our Group's digital services and provide one-stop solutions for DX services. As such, we made the decision to merge these two companies.

2. Summary of implemented accounting treatments

We plan to treat transactions as transactions under common control in accordance with the Accounting Standard for Business Mergers (ASBJ Statement No. 21, January 16, 2019) and the Application Guidelines for the Accounting Standard Business Mergers and the Accounting Standard for Business Splits (ASBJ Application Guideline No. 10, January 16, 2019).

5. Other Information

(1) Orders and Sales

I. Orders

Orders won by each operating segment in this consolidated fiscal year are as follows.

(Thousand yen)

Segment	FY12/20 (Jan. 1 – Dec. 31, 2020)		FY12/21 (Jan. 1 – Dec. 31, 2021)	
	Orders received	Orders outstanding	Orders received	Orders outstanding
Consulting	12,669,210	6,320,999	14,780,162	6,736,205
Logistics	400,524	185,498	671,852	282,858
Other businesses	318,818	77,945	514,368	86,023

Note:

- 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 only indicates sales 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 current fiscal year are as follows.

(Thousand yen)

Segment	FY12/20 (Jan. 1 – Dec. 31, 2020)		FY12/21 (Jan. 1 – Dec. 31, 2021)	
	Amount	% of total	Amount	% of total
Consulting	19,058,420	76.2%	22,256,061	77.3%
Logistics	2,638,029	10.6%	3,309,985	11.5%
Direct recruiting	2,331,930	9.3%	1,953,312	6.8%
Other businesses	975,837	3.9%	1,272,887	4.4%
Total	25,004,218	100.0%	28,792,247	100.0%

Note:

- 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.

(2) Changes in Directors and Officers

(Scheduled to take effect on March 26, 2022)

1) Legal representatives

None to report.

2) Other directors and officers

- Scheduled resignations

Name	New title	Previous title
Takahisa Okumura	—	Director and senior vice president, head of Management Administration Divisional Headquarters

3) Executive officers

- Scheduled resignations

Name	New title	Previous title
Satoshi Oka	—	Executive officer, head of Business Development Office

List of Directors, Auditors, and Executive Officers

Funai Soken Holdings, Inc. (scheduled to take effect on March 26, 2022)

Name	Title	Position
Sakae Takashima	Chairman	Group CEO
Takayuki Nakatani	President & CEO	Head of Business Administration Divisional Headquarters
Tatsuro Ono	Director and executive vice president	Head of Workforce Administration Divisional Headquarters
Nobuyuki Isagawa	Outside director	
Miki Mitsunari	Outside director	
Masahiro Hyakumura	Director and standing member of the Audit and Supervisory Committee	
Atsushi Nakao	Outside director and member of the Audit and Supervisory Committee	
Akihiro Kobayashi	Outside director and member of the Audit and Supervisory Committee	
Akira Hamaguchi	Executive officer	Head of General Affairs Department
Masaru Sumitomo	Executive officer	Head of Human Resources Development Department
Tomoaki Mizoue	Executive officer	Head of Information Systems Department
Eijiro Saito	Executive officer	Head of Corporate Planning Office
Motoki Haruta	Executive officer	Head of Finance Department

Funai Consulting, Inc. (scheduled to take effect on March 25, 2022)

Name	Title	Position
Daisuke Shingai	President & CEO	
Kyohei Deguchi	Director and executive vice president	Head of Consulting Operations Divisional Headquarters
Yoshihito Sugahara	Director and senior vice president	Head of Administration Divisional Headquarters
Tomoyuki Murata	Outside director	
Masahiro Hyakumura	Auditor	
Isao Kikuchi	Executive officer	Head of DX Consulting Divisional Headquarters
Noboru Sugiura	Executive officer	Deputy head of Consulting Operations Divisional Headquarters & head of Consulting Divisional Headquarters I
Katsuya Kohira	Executive officer	Head of Improved Corporate Value Consulting Divisional Headquarters
Akiyo Koike	Executive officer	Head of Talent Development Center