

For the Year Ended December 2021

Summary of Financial Results

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

February 4, 2022



1 Executive Summary

- (1) Consolidated Income
- (2) Income by Quarter
- (3) Annual Sales and Operating Income

2 FY2021 Financial Report

- (1) Results of Operations by Segment
- (2) Results of Operations by Segment: Consulting
- (3) Results of Operations by Segment: Logistics
- (4) Results of Operations by Segment: Direct Recruiting
- (5) Results of Operations by Segment: Digital Transformation
- (6) Consolidated Financial Position

3 Forecasts & Shareholder Returns

4 Outlook and Initiatives

Statement Regarding Use of These Materials

Executive Summary

1. Executive Summary

(1) Consolidated Income

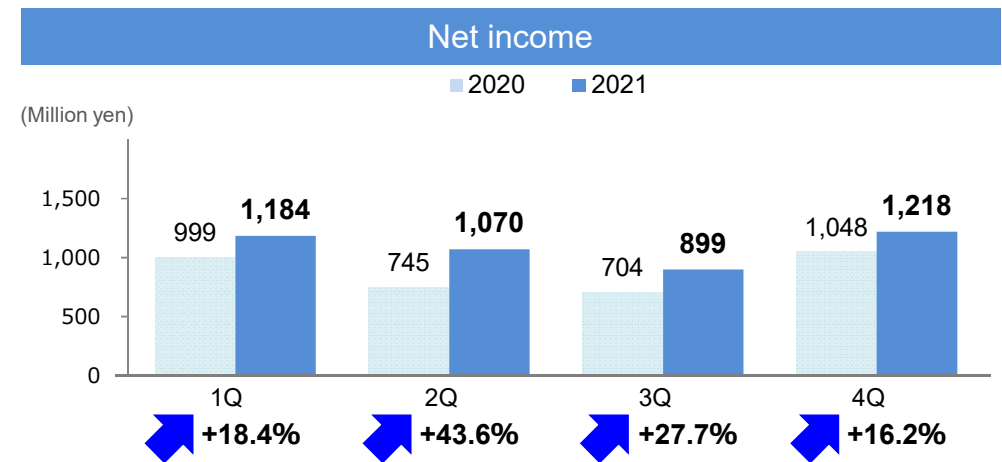
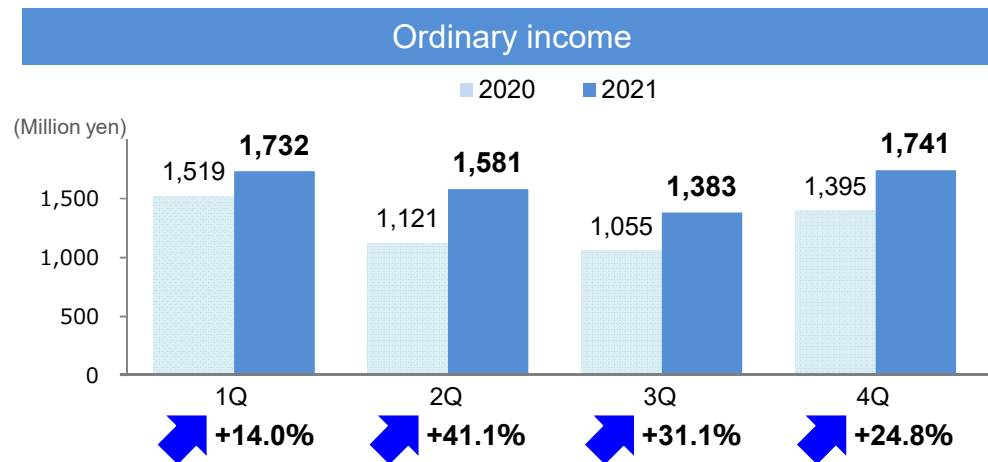
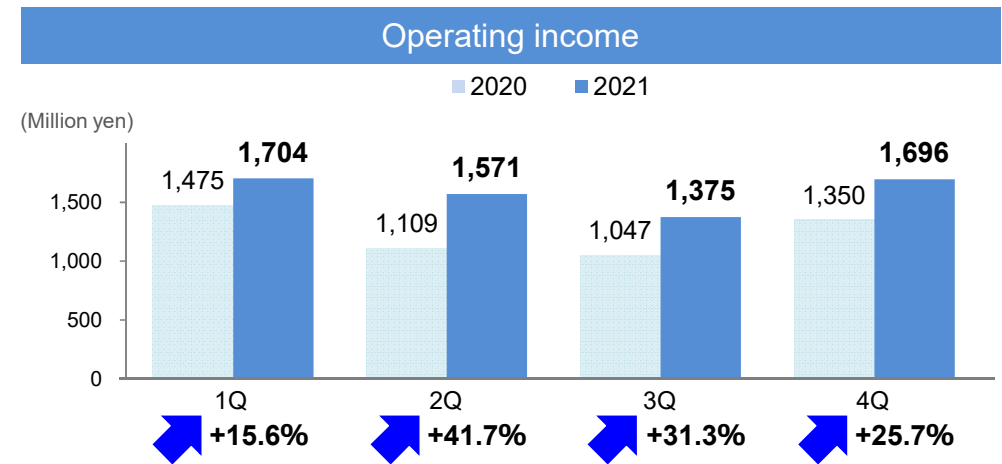
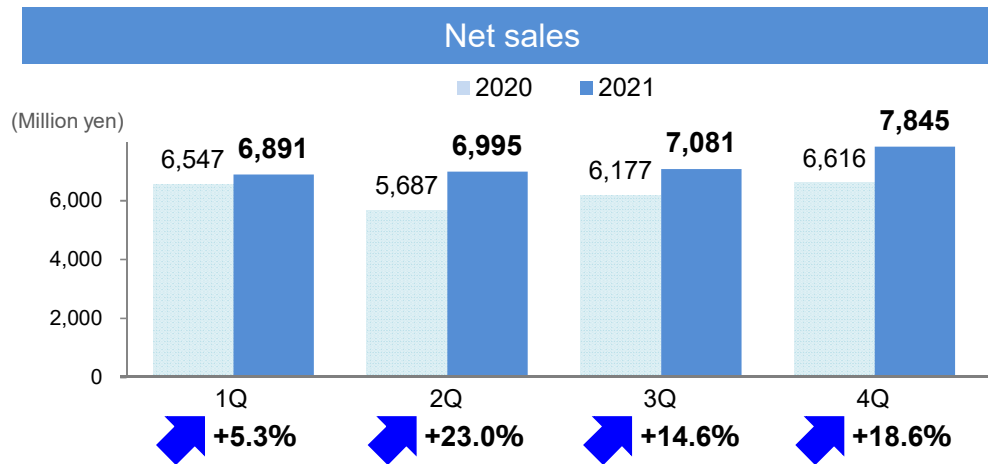
- Catering to clients' needs amid Covid-19 resulted in record performance.
- Sales were solid, with sales of monthly support services and online advertisement agency services up in the consulting segment.
- Profit margins improved greatly, and we achieved our net income target even after upward revision.

	FY12/20		FY12/21			Figures revised on Aug. 3, 2021	
	Amount (million yen)	% of total	Amount (million yen)	% of total	Change (%)	Amount (million yen)	Change (%)
Net sales	25,027	100.0	28,813	100.0	+15.1	29,000	-0.6
Operating income	4,982	19.9	6,349	22.0	+27.4	6,400	-0.8
Ordinary income	5,091	20.3	6,439	22.3	+26.5	6,450	-0.2
Net income attributable to owners of the parent	3,498	14.0	4,373	15.2	+25.0	4,300	+1.7

1. Executive Summary

(2) Income by Quarter

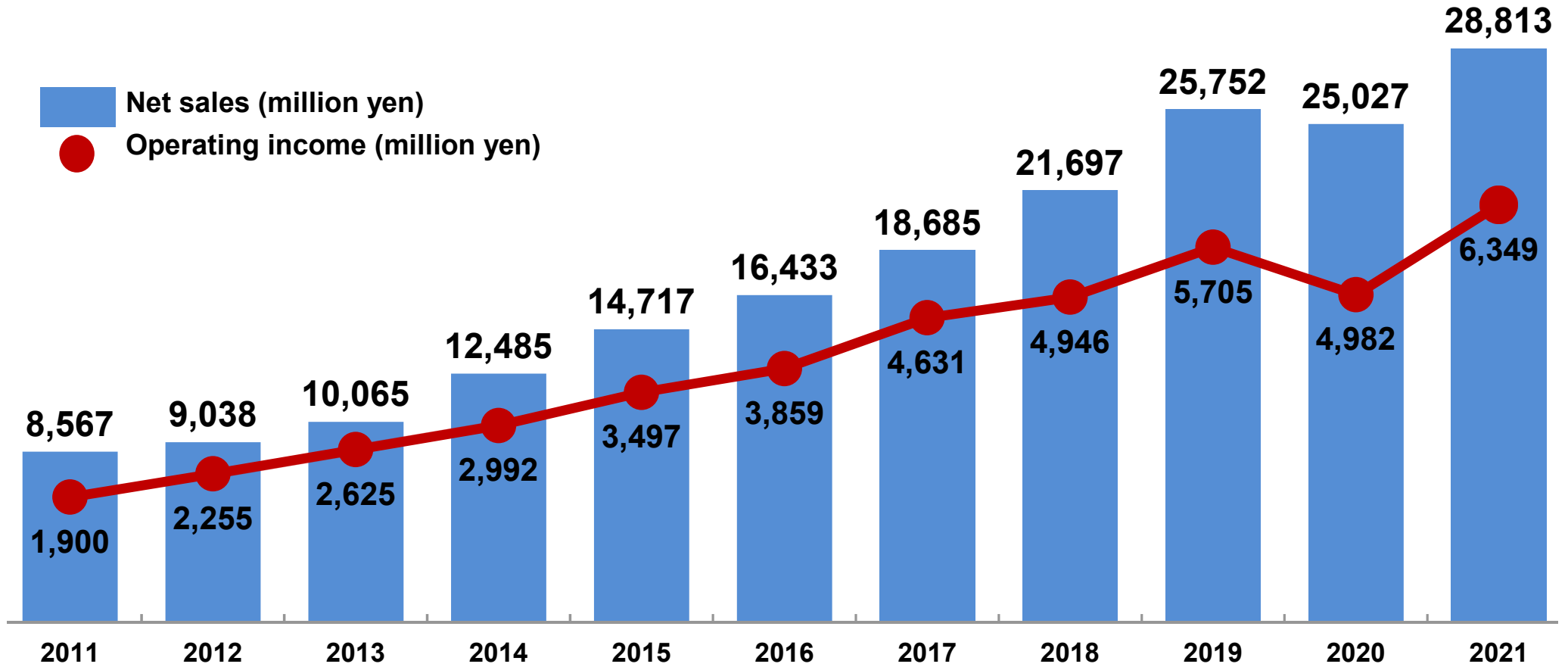
- Sales bottomed out in the second quarter of 2020, and have risen steadily in all quarters since. Income also showed large year-on-year increases in all quarters.



1. Executive Summary

(3) Annual Sales and Operating Income

- A return to record-setting sales for the first time in two years
- 10-year average growth: Sales: **12.9%**, operating income: **12.8%**



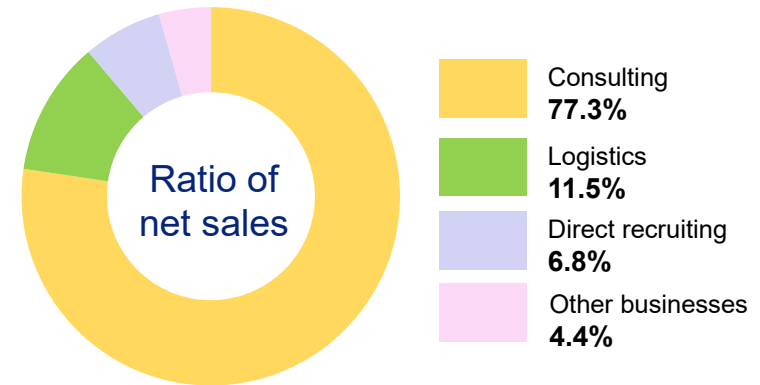
FY2021 Financial Report

2. FY2021 Financial Report

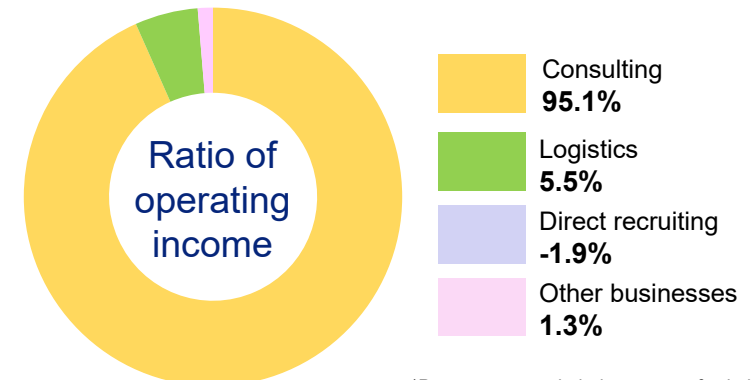
(1) Results of Operations by Segment

- Sales and income increased on the back of strong growth in new orders in the consulting and logistics segments.
- The size of the net operating loss in the direct recruiting segment decreased, but performance remains subdued.

Net sales	FY12/20		FY12/21	
	Amount (million yen)	Amount (million yen)	Amount (million yen)	Change (%)
Consulting	19,058	22,256	22,256	+16.8
Logistics	2,638	3,309	3,309	+25.5
Direct recruiting	2,331	1,953	1,953	-16.2
Other businesses	975	1,272	1,272	+30.4
(Intra-group & whole-group transactions)	23	21	21	—
Total	25,027	28,813	28,813	+15.1



Operating income	FY12/20		FY12/21	
	Amount (million yen)	Amount (million yen)	Amount (million yen)	Change (%)
Consulting	4,801	5,846	5,846	+21.8
Logistics	311	338	338	+8.7
Direct recruiting	-174	-115	-115	—
Other businesses	-88	82	82	—
(Intra-group & whole-group transactions)	131	195	195	—
Total	4,982	6,349	6,349	+27.4



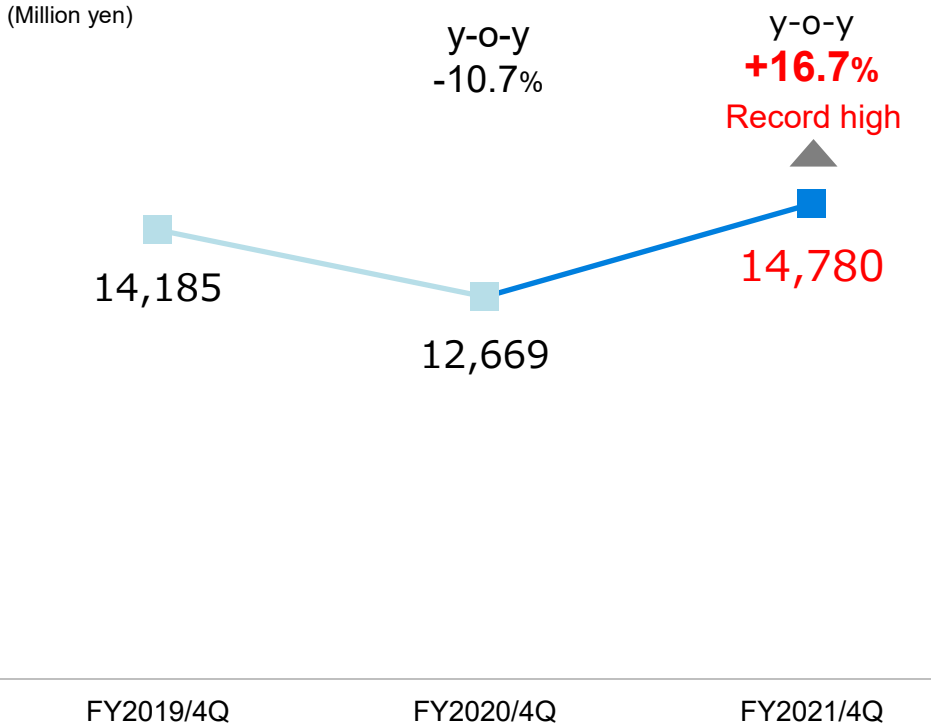
*Percentages exclude intra-group & whole-group transactions

2. FY2021 Financial Report

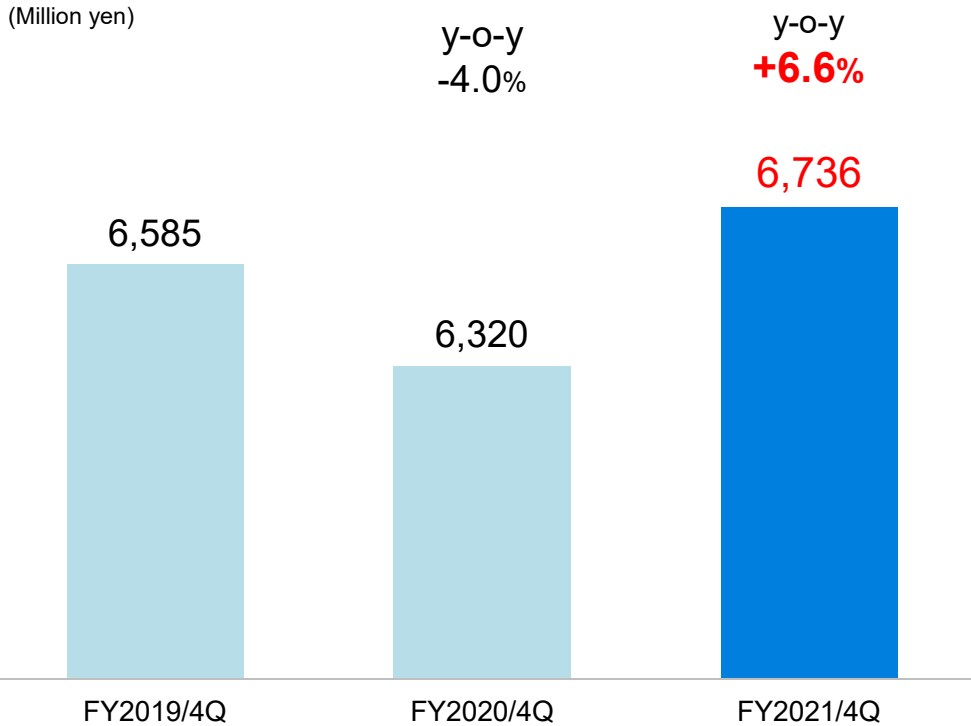
(2) Results of Operations by Segment: Consulting—Consulting Orders

- Online seminars and management workshops provided a steady stream of new orders, while referrals from existing clients and direct sales also contributed to a robust increase in orders.

Consulting Orders (Jan. thru Dec.)



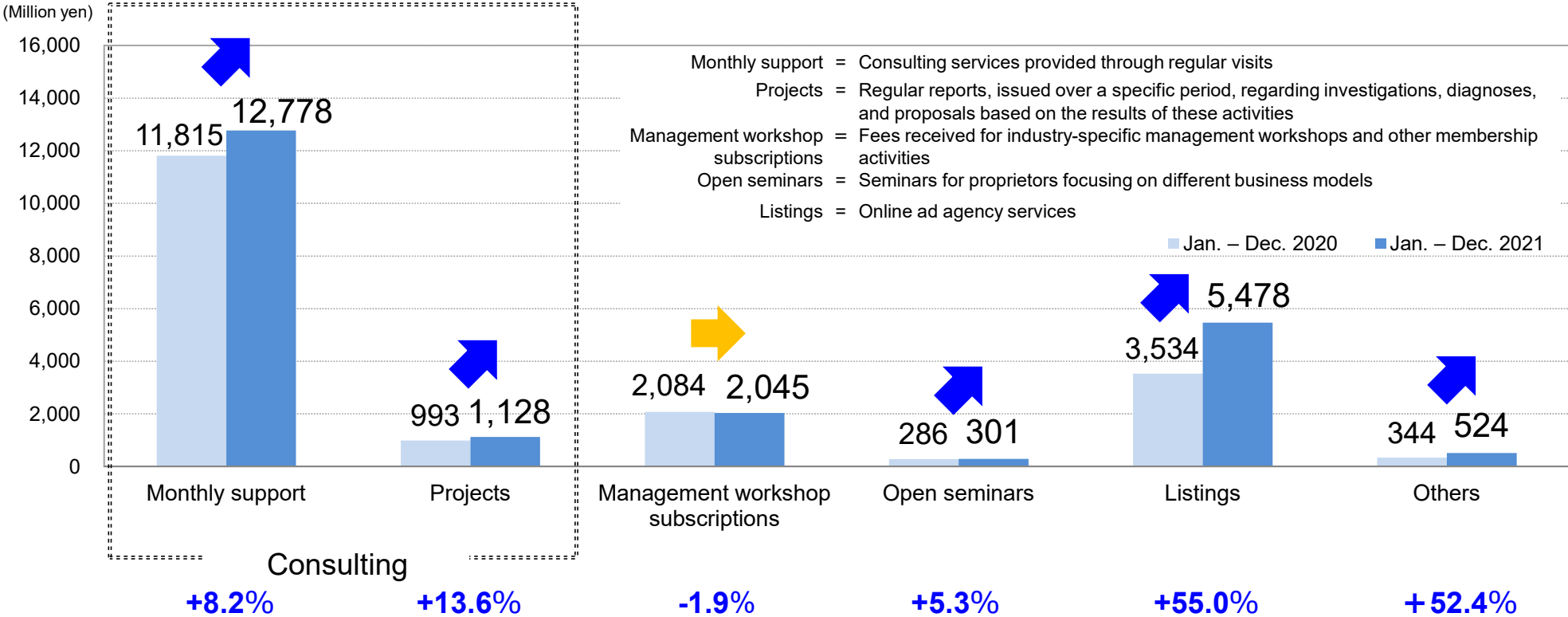
Consulting Orders Outstanding as of Dec.31



2. FY2021 Financial Report

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

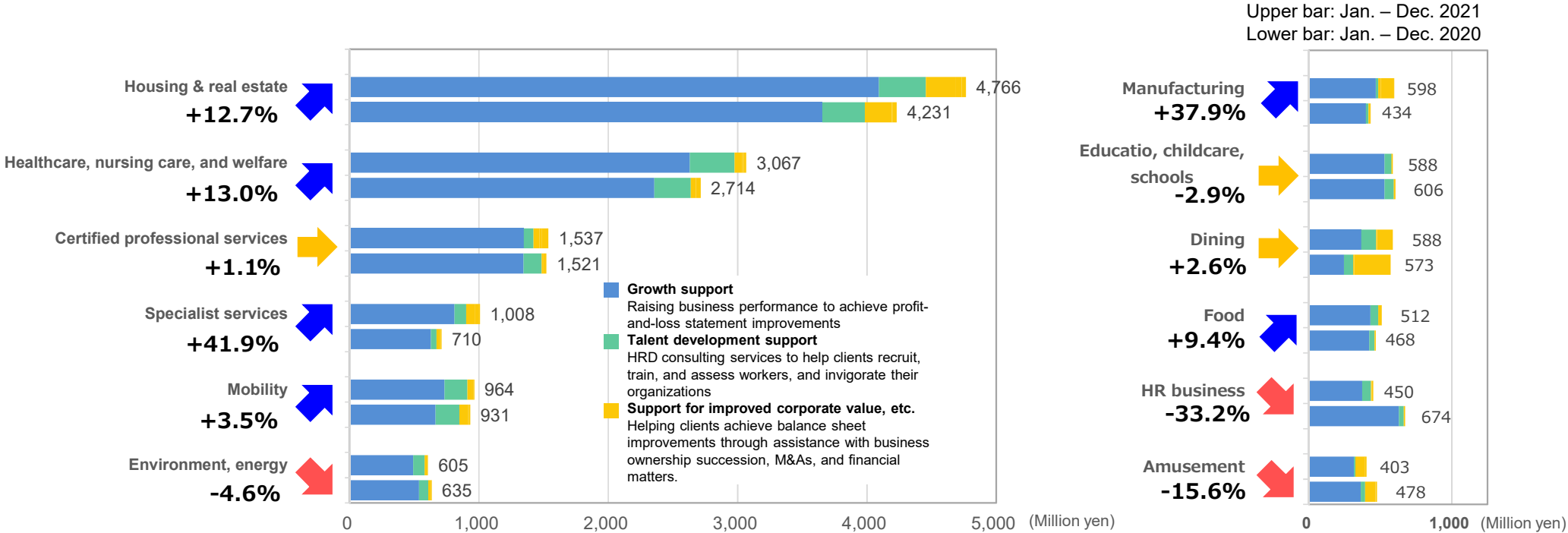
- Monthly support sales exceeded pre-Covid levels, finishing 8.2% over the same period in the preceding year.
- Management workshop subscription income was steady as workshops were shifted online and subscription renewals among existing members held firm.
- Open seminar sales were up 5.3% y-o-y, buoyed by an increase in fee-paying participants in online seminars.
- Web ad listings increased 55.0% y-o-y on the back of a solid rise in accounts.



2. FY2021 Financial Report

(2) 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.
- We have launched a diverse array of digital transformation consulting services, including online sales DX for manufacturing clients, and DX to help clients use AI and robotics to increase the efficiency of work processes.

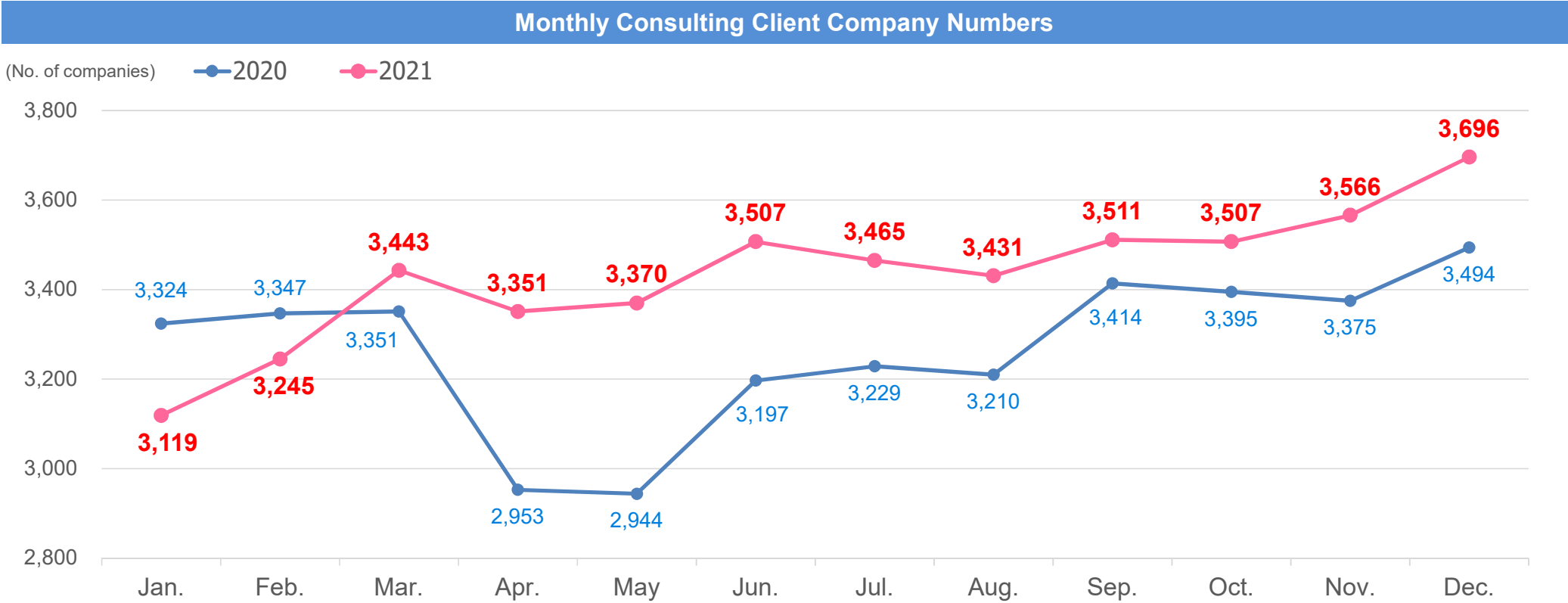


Figures show total sales of consulting contracts, management workshop subscriptions, and open seminars, grouped in accordance with the company’s industry classifications, for Jan. through Dec. 2020 and 2021.

2. FY2021 Financial Report

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

- Consulting client numbers rose far above last year’s figures starting in March, reaching our highest ever number of client companies in December.



*Figures denote number of client companies (in Japan) per month in the consulting segment (excl. intra-group transactions).

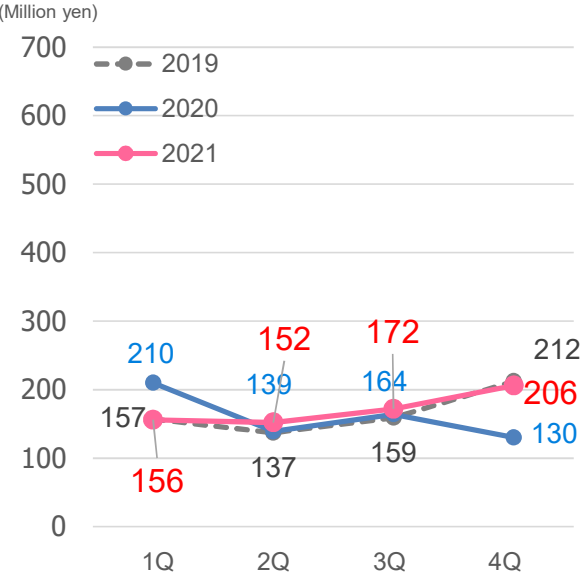
2. FY2021 Financial Report

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

- Sales of highly profitable logistics consulting services tracked level with 2020, but solid performance in the logistics operations segment drove an increase in sales and income.

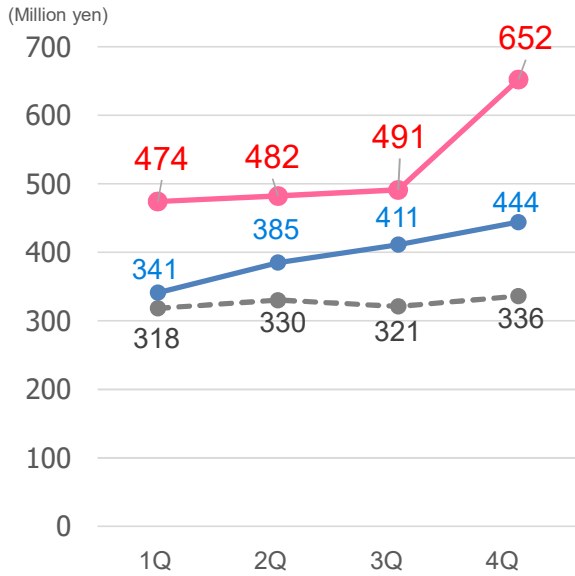
Logistics Consulting Helping clients reduce logistics costs

- 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.



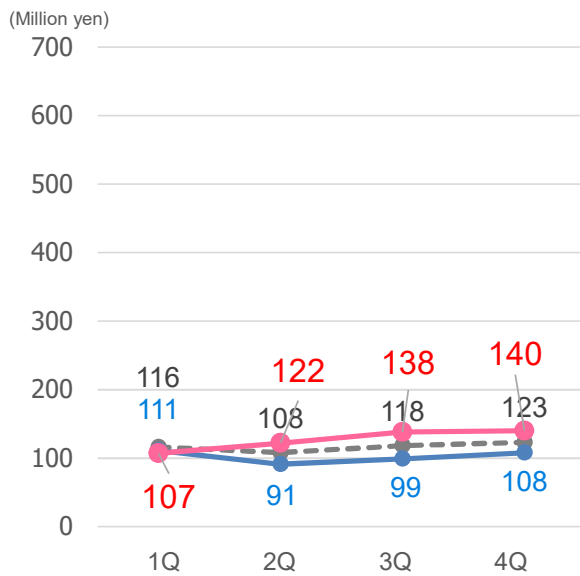
Logistics Operations Logistics on behalf of clients

- Deep-mining of existing clients and growth in client orders 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

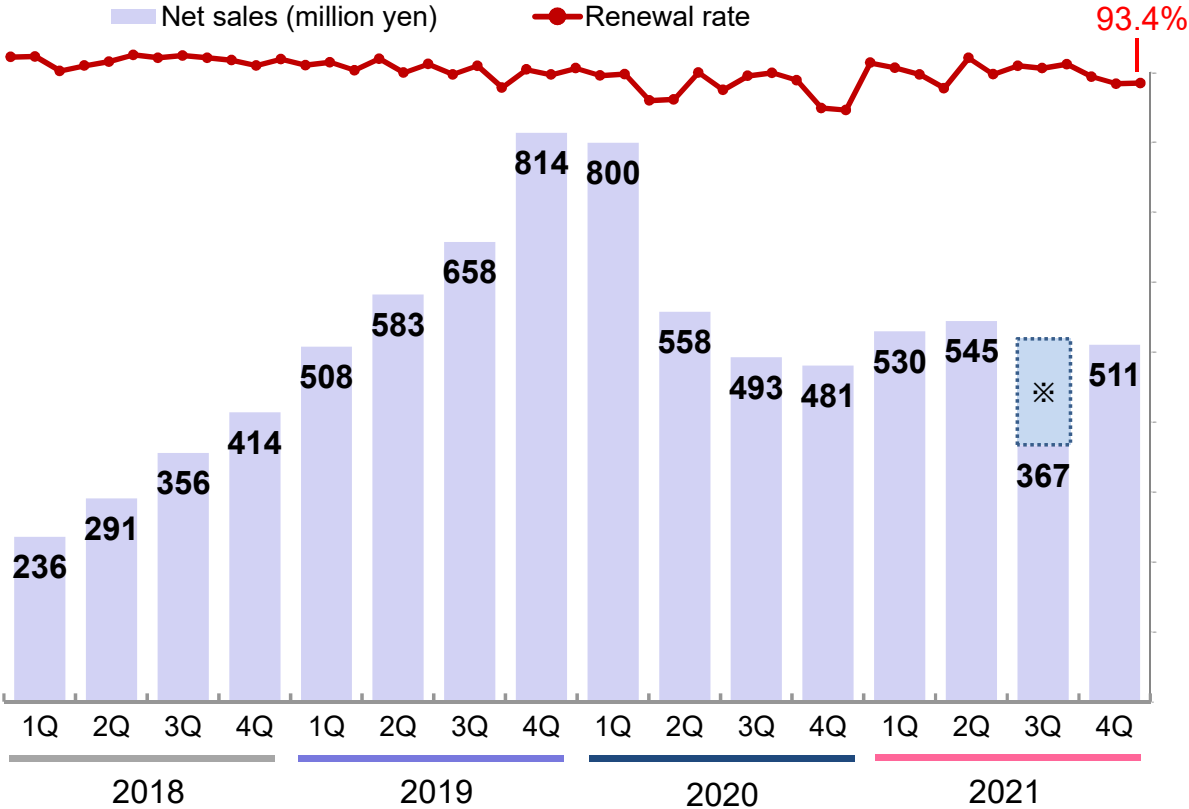
- Although a decline in movement among people and companies led to lower sales of our main offering in this space, joint purchasing of fuel, the increase in fuel prices ensured sales were up.



2. FY2021 Financial Report

(4) Results of Operations by Segment: Direct Recruiting

- Despite the ongoing lack of movement in the industry due to Covid-19, renewal rates remain high among Recruiting Cloud clients.



*Includes sales returns for some services.

Cloud-based AI recruiting service

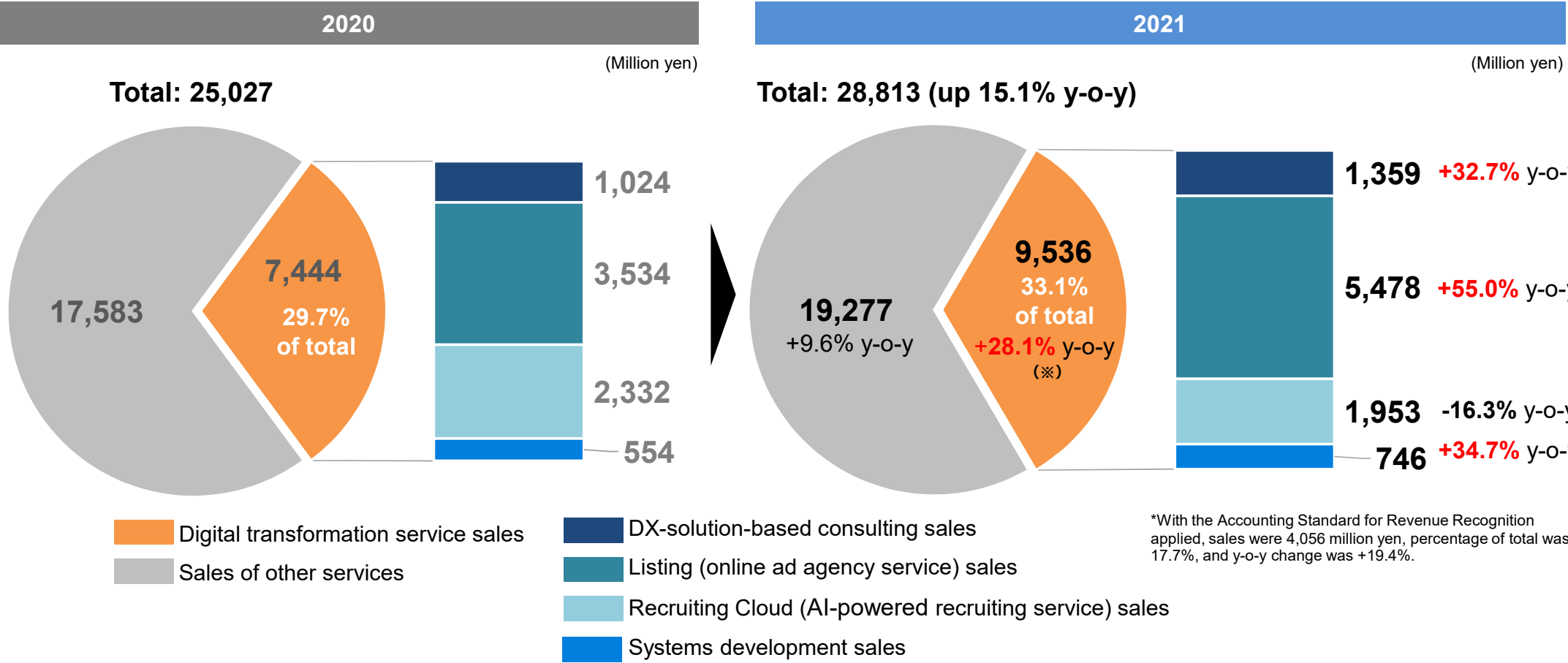


- Uses big data and an automated AI system to create **ads that attract response**.
- Automated listing in optimal, cost-effective media **reduces cost per response**.
- AI allows for 24-hour 365-day operation and integrated administration of respondents, **streamlining hiring work**.

2. FY2021 Financial Report

(5) Results of Operations by Segment: Digital Transformation

- The group is investing significant effort into digital transformation services, and performance in this area was strong this year.
- Digital transformation has become a core driver of our robust overall performance, accounting for more than 30% of total sales.



*With the Accounting Standard for Revenue Recognition applied, sales were 4,056 million yen, percentage of total was 17.7%, and y-o-y change was +19.4%.

2. FY2021 Financial Report

(6) Consolidated Financial Position—Balance Sheet

(Million yen)

	As of Dec. 31, 2020	As of Dec. 31, 2021	Change	Major factors behind changes
Current assets	16,304	18,996	+2,692	Increase in current assets: Mainly increases in cash and deposits, trade notes and accounts receivable; decreases in short-term investment securities.
Noncurrent assets				
Property, plant, and equipment	5,987	5,917	-70	Increase in noncurrent assets: Mainly increase in investment securities.
Intangible assets	675	705	+30	
Investments and other assets	4,984	5,265	+280	
Total assets	27,951	30,884	+2,932	
Current liabilities	3,997	5,037	+1,039	Increase in current liabilities: Mainly increases in trade notes and accounts payable, current portion of long-term loans payable, and income taxes payable.
Noncurrent liabilities	265	160	-105	Decrease in noncurrent liabilities: Mainly decrease in long-term loans payable.
Total liabilities	4,263	5,197	+934	
Total net assets	23,688	25,687	+1,998	Financial position remains sound with a high equity ratio of 80.7%.
Total liabilities & net assets	27,951	30,884	+2,932	

2. FY2021 Financial Report

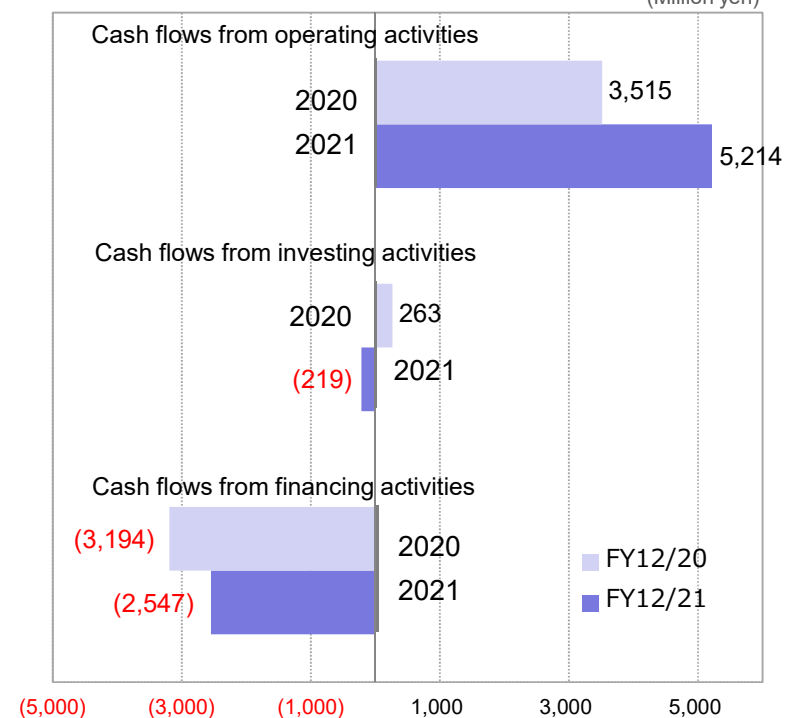
(6) Consolidated Financial Position—Cash Flow Statement

- Cash earned from operations was 5,214 million yen. This was mainly due to 6,415 million yen in net income before income taxes and other adjustments, 1,610 million yen in income taxes paid, and 540 million yen in income tax refunds.
- The net use of cash in investing activities was mainly due to expenditure of 218 million yen on acquisition of property, plant, and equipment, and intangible assets.
- The net use of cash in financing was mainly due to a net use in sale and acquisition of treasury shares, as well as distribution of dividends.

(Million yen)

	FY12/20	FY12/21	Change
Net cash provided by (used in) operations			
Net income before income taxes and other adjustments	5,176	6,415	1,239
Depreciation	280	240	(40)
Decrease in accounts receivable	128	(449)	(578)
Decrease (increase) in other assets	(270)	(489)	(218)
Increase (decrease) in other liabilities	(296)	475	771
Other cash provided by (used in) operations	(23)	79	103
Subtotal	4,995	6,272	1,276
Interest and dividends received	41	42	1
Income taxes paid	(1,958)	(1,610)	348
Income tax refunds	454	540	86
Others	(16)	(30)	(13)
Net cash provided by (used in) operations	3,515	5,214	1,698
Net cash provided by (used in) investments			
Purchase of short-term and long term investment securities	(705)	(724)	(19)
Proceeds from sales of short-term and long term investment securities	1,192	721	(470)
Purchase of property, plant and equipment and intangible assets	(223)	(218)	4
Other cash provided by (used in) investments	0	2	2
Net cash provided by (used in) investments	263	(219)	(483)
Net cash provided by (used in) financing			
Purchase of treasury stock	(749)	(266)	483
Dividends paid	(2,135)	(2,272)	(136)
Redemption of bonds	(500)	—	500
Other cash provided by (used in) financing	190	(8)	(199)
Net cash provided by (used in) financing	(3,194)	(2,547)	647
Change in cash and cash equivalents	585	2,458	1,872
Cash and cash equivalents at start of fiscal year	11,630	12,216	585
Cash and cash equivalents at end of fiscal year	12,216	14,675	2,458

(Million yen)



Forecasts & Shareholder Returns

3. Forecasts & Shareholder Returns

(1) FY2022 Earnings Forecast

● **Forecast for FY2022: 25.3 billion yen in net sales and 7.1 billion yen in operating income.**

1. Due to the company's adoption of the Accounting Standards Board of Japan's Accounting Standard for Revenue Recognition starting in FY2022, consolidated net sales have reduced 7,700 million yen compared with pre-adoption figures.
2. Figures for FY2021 have been adjusted to include the effects of the Accounting Standard for Revenue Recognition for those transactions affected by the new standard—i.e., in which the company is an agent.
3. Starting in FY2022, the direct recruiting segment is now included in the "other businesses" category.
4. Shinwa Computer Service, whose contribution was previously included under "other businesses," is scheduled to merge with Funai Soken Corporate Relations on July 1. Therefore, its contribution is now shown in the consulting segment.

Consolidated mid-year forecast for FY2022				
	2021 (actual) (million yen)	2022 forecast (million yen)	Change (%)	FYI: Pre-adoption forecast (million yen)
Net sales	(See 2) 11,073	(See 1) 12,300	+11.0	16,000
Operating income	3,276	3,600	+9.9	3,600
Ordinary income	3,313	3,600	+8.6	3,600
Net income	2,255	2,400	+6.4	2,400

Consolidated full-year forecast for FY2022				
	2021 (actual) (million yen)	2022 forecast (million yen)	Change (%)	FYI: Pre-adoption forecast (million yen)
Net sales	(See 2) 22,789	(See 1) 25,300	+11.0	33,000
Operating income	6,349	7,100	+11.8	7,100
Ordinary income	6,439	7,150	+11.0	7,150
Net income	4,373	4,800	+9.7	4,800

Sales Forecasts by Segment

 Consulting	20,600 mil. yen
 Logistics	3,200 mil. yen
 Other businesses (See 3 & 4)	1,500 mil. yen

Operating Income Forecasts by Segment

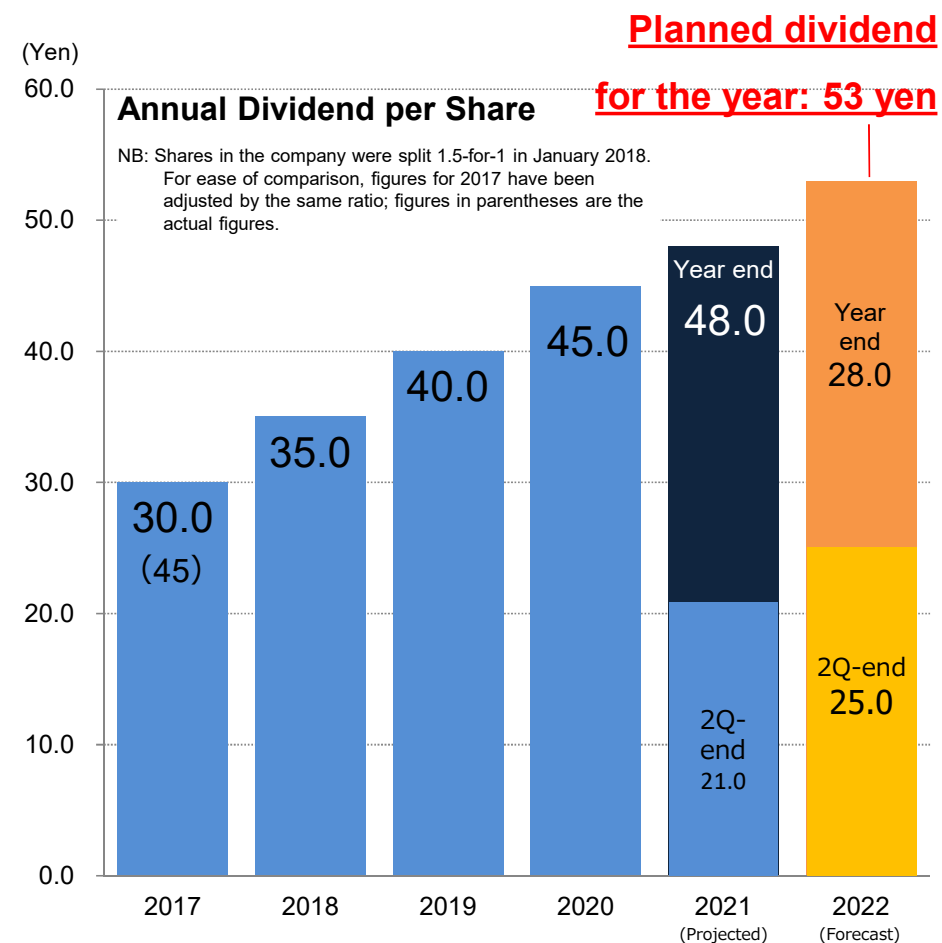
 Consulting	6,630 mil. yen
 Logistics	370 mil. yen
 Other businesses(See 3 & 4)	100 mil. yen

3. Forecasts & Shareholder Returns

(2) Annual Dividends

- In 2022, we plan to pay a total dividend of 53 yen per share, comprising an interim dividend of 25 yen and a year-end dividend of 28 yen.

Record date	Initial forecast		Actual dividend	
	Dividend (per share)	Details	Dividend (per shareholder)	Details
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	46.0	2Q-end 21.0 Year end 25.0	48.0	2Q-end 21.0 Year end 27.0
FY2022 (Forecast)	53.0	2Q-end 25.0 Year end 28.0		

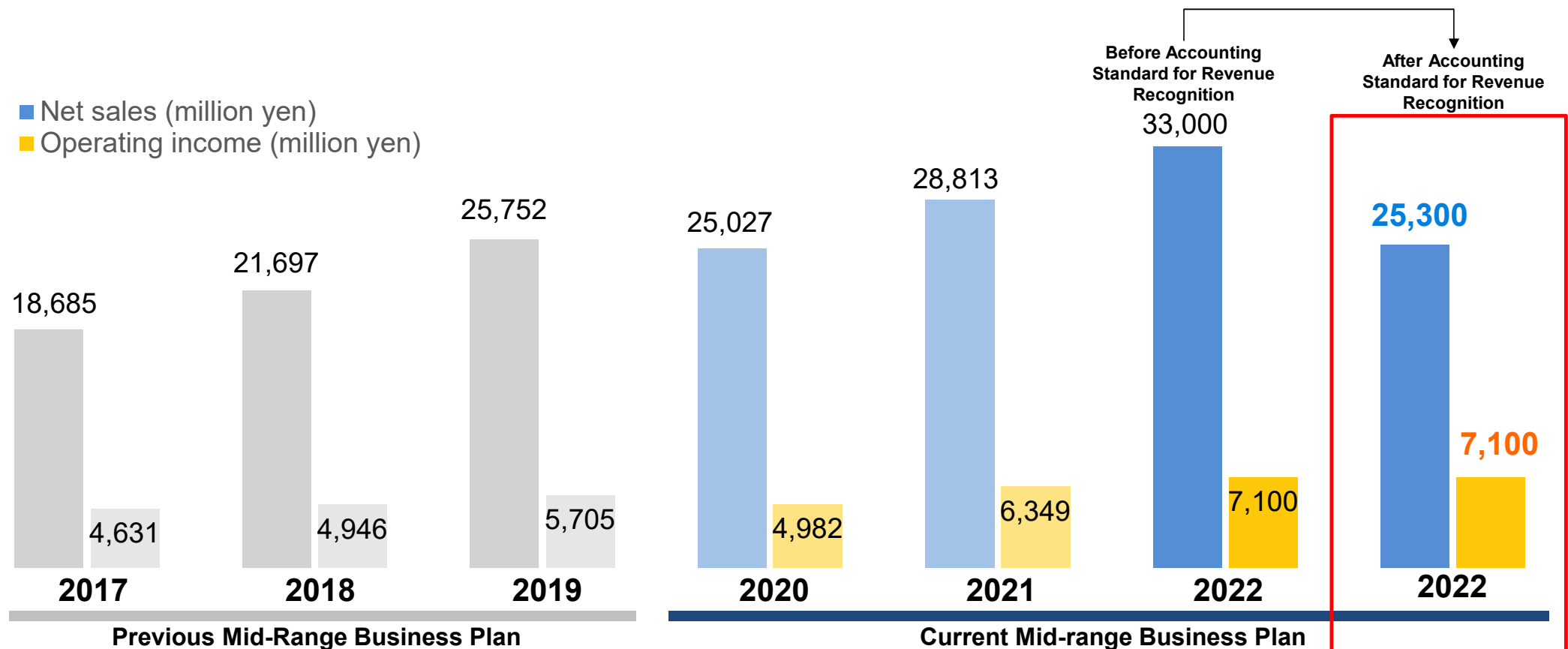


Outlook and Initiatives

4. Outlook and Initiatives

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

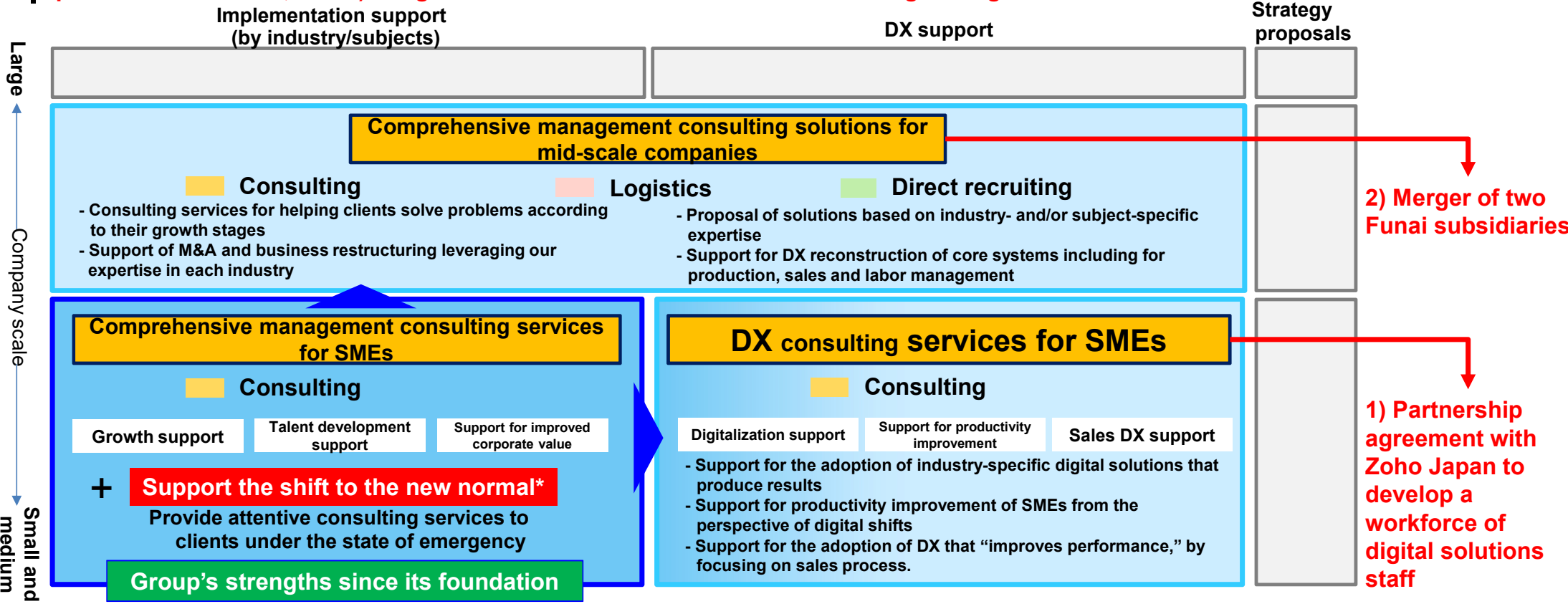
- In 2022, the final year of the current Mid-Range Business Plan, our target is sales of 25.3 billion yen (with the new Accounting Standard for Revenue Recognition applied).
- We are aiming for sustained double-digit growth and operating income of 7.1 billion yen in FY2022.



4. Outlook and Initiatives

(2) Business Strategy

We offer existing clients thorough **Post-Covid "new normal" support** to help them cope amid the related upheaval, and are stepping up digital transformation consulting for SMEs and comprehensive management consulting services for mid-scale companies. As part of this, we have decided to: **1) Improve our ability to offer digital transformation consulting and solutions by partnering with platform providers worldwide; and 2) Merge two of our subsidiaries to bolster our range of digital services.**



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

4. Outlook and Initiatives

(2) Business Strategy 1) Partnership Agreement with Zoho Japan to Develop Digital Solutions Staff

We entered into a training and certification partnership agreement with Zoho Japan to bridge the digital solutions staffing gap and improve productivity. Under the agreement, Funai Soken Holdings and the rest of the Funai Soken Consulting Group have exclusive use of Zoho* products in Japan for the group's digital solutions staff training business.

Zoho is a suite of cloud-based solutions to help businesses digitalize their operations and improve efficiency. Zoho has more than 70 million users at 250,000 companies worldwide.



From left:
Kazuhiro Oyama, vice president of Zoho Japan;
Manikandan Thangaraj, president of Zoho Japan (on screen);
Takayuki Nakatani, president & CEO of Funai Soken Holdings.

*The agreement was signed on December 28, 2021.



From left: Hitoshi Nagira, president, Funai Soken Corporate Relations; Kazuhiro Oyama; Hitoshi Nakazawa, VP of Zoho Business, Zoho Japan; Manikandan Thangaraj; Harish Sekar, Manager Business Development, Zoho Japan; Takayuki Nakatani; Satoshi Oka, head of Business Development Office, Funai Soken Holdings; and Daisuke Shingai, president & CEO, Funai Consulting Inc.

4. Outlook and Initiatives

(2) Business Strategy 2) Merger of Subsidiaries and Change of Trade Name

The Funai Soken Holdings Board of Directors voted on February 4, 2022, to merge two Funai Soken Consulting Group companies and rename the surviving company. The purpose of the merger is to bolster the group's ability to provide digital services.

1. Stronger platform for hiring and developing digital solutions staff

Deploying a common method for acquiring and training digital solutions staff will help the group enhance its digital services workforce

 Funai Soken
Corporate Relations

Funai Soken Corporate Relations Inc.

- Online marketing, sales support
- BPO, BPO consulting

Scheduled to merge and
become Funai Soken
Digital, Inc., (name TBC)
on July 1, 2022



Shinwa Computer Service Co., Ltd.

- Solid track record of reliable systems development
- Hiring, training digital solutions staff

2. Stronger promotional and sales support capabilities

Leveraging promotional functionality and the group's support structure will enhance the merged company's ability to pursue new outsourced orders

Method of Merger and Allocation of Stake in New Company

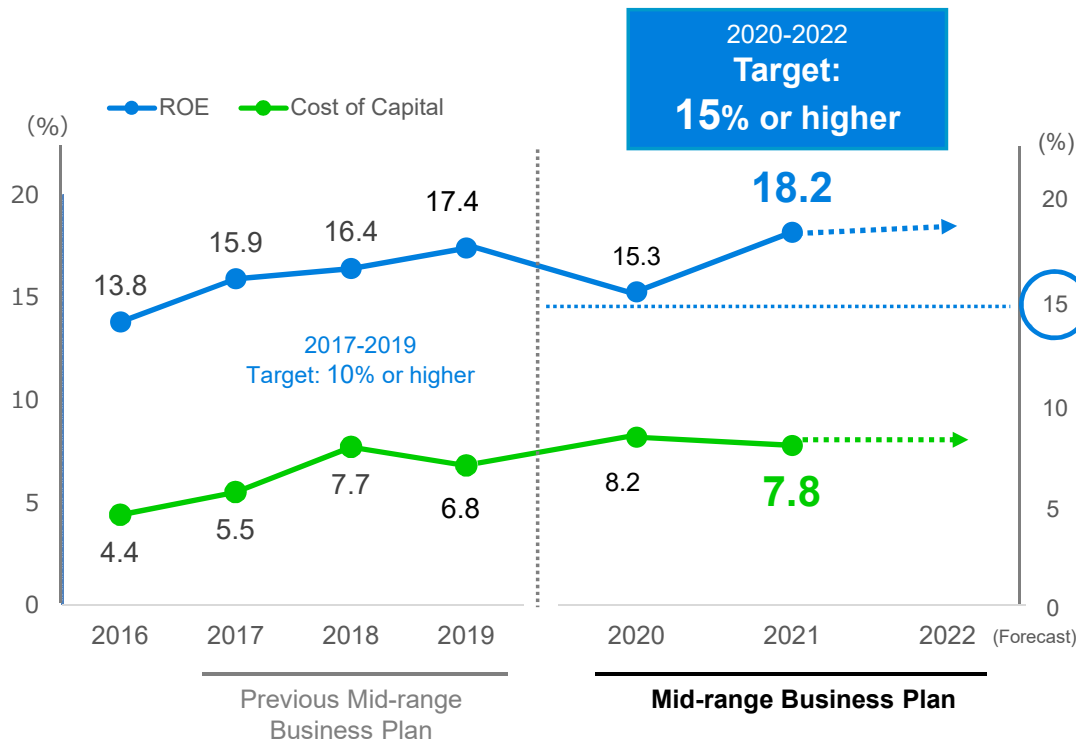
- An absorption merger, in which Funai Soken Corporate Relations will absorb Shinwa Computer Service and be the surviving company, and Shinwa Computer Service will become defunct.
- As both merging companies are wholly-owned subsidiaries of Funai Soken Holdings, no allocation of shares or other monies shall arise in this case.

4. Outlook and Initiatives

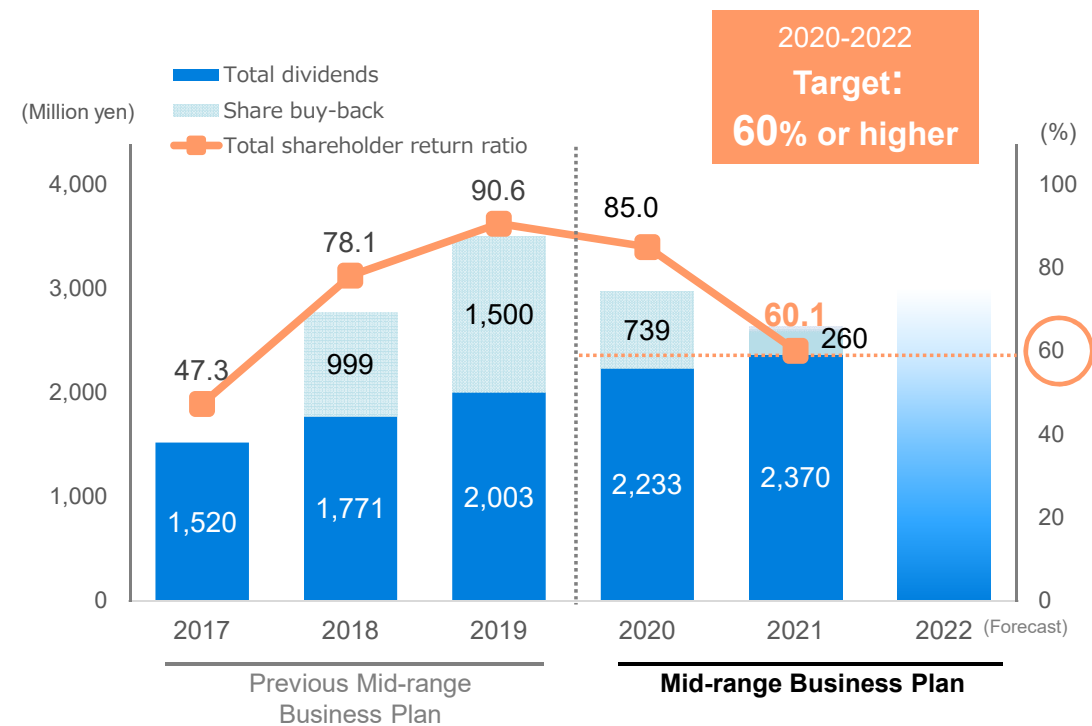
(3) Financial Strategy: (1) Capital Policy and Shareholder Return Policy

Amid residual impact from Covid-19 in 2021, we undertook a share buy-back. By acquiring treasury shares, we aimed to **improve capital efficiency to a consolidated ROE of at least 15% and raise the return-to-shareholders ratio to at least 60%**. Ultimately, we achieved those goals, with a consolidated ROE of 18.2% and a return-to-shareholders ratio of 60.1%. We remain committed to achieving the targets of 2022, the final year of the current Mid-Range Business Plan.

■ Consolidated ROE and capital cost: Results and targets



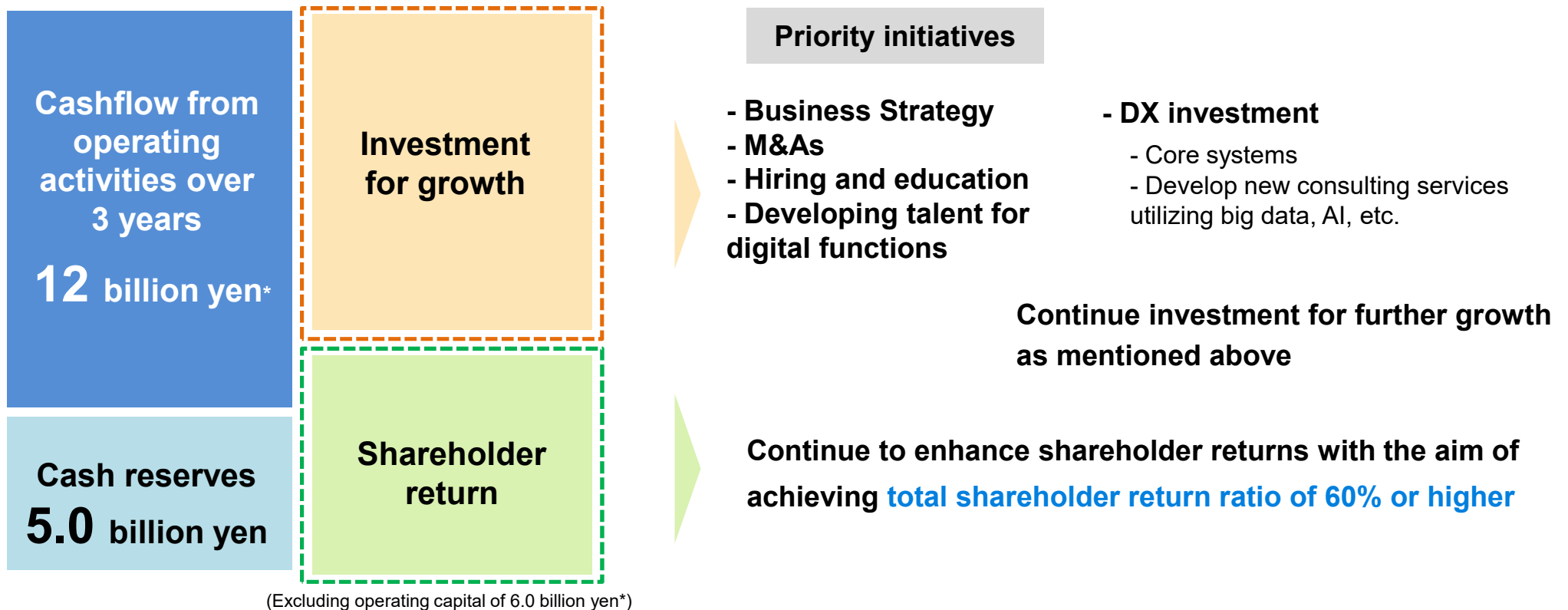
■ Total dividends and total shareholder return ratio: Results and targets



4. 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.

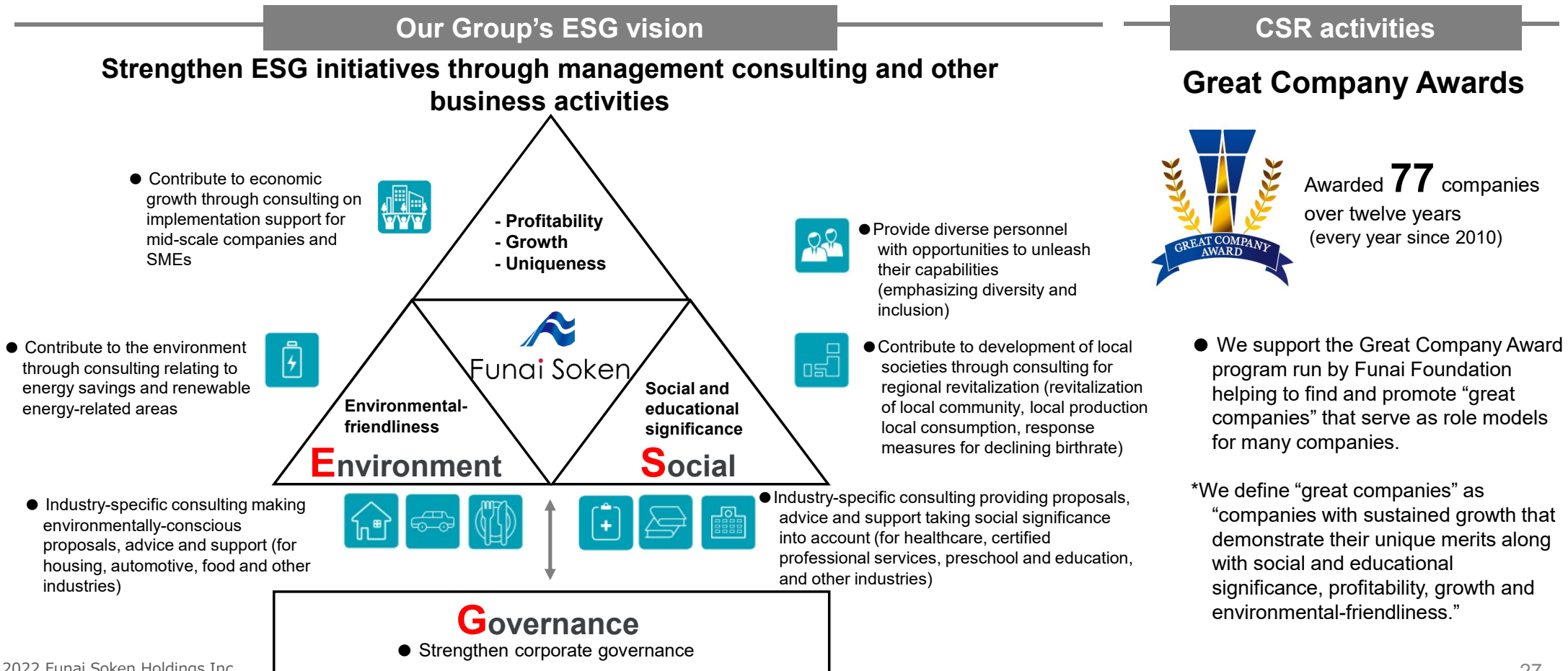


*The numbers have been revised reflecting the revised plan

4. Outlook and Initiatives

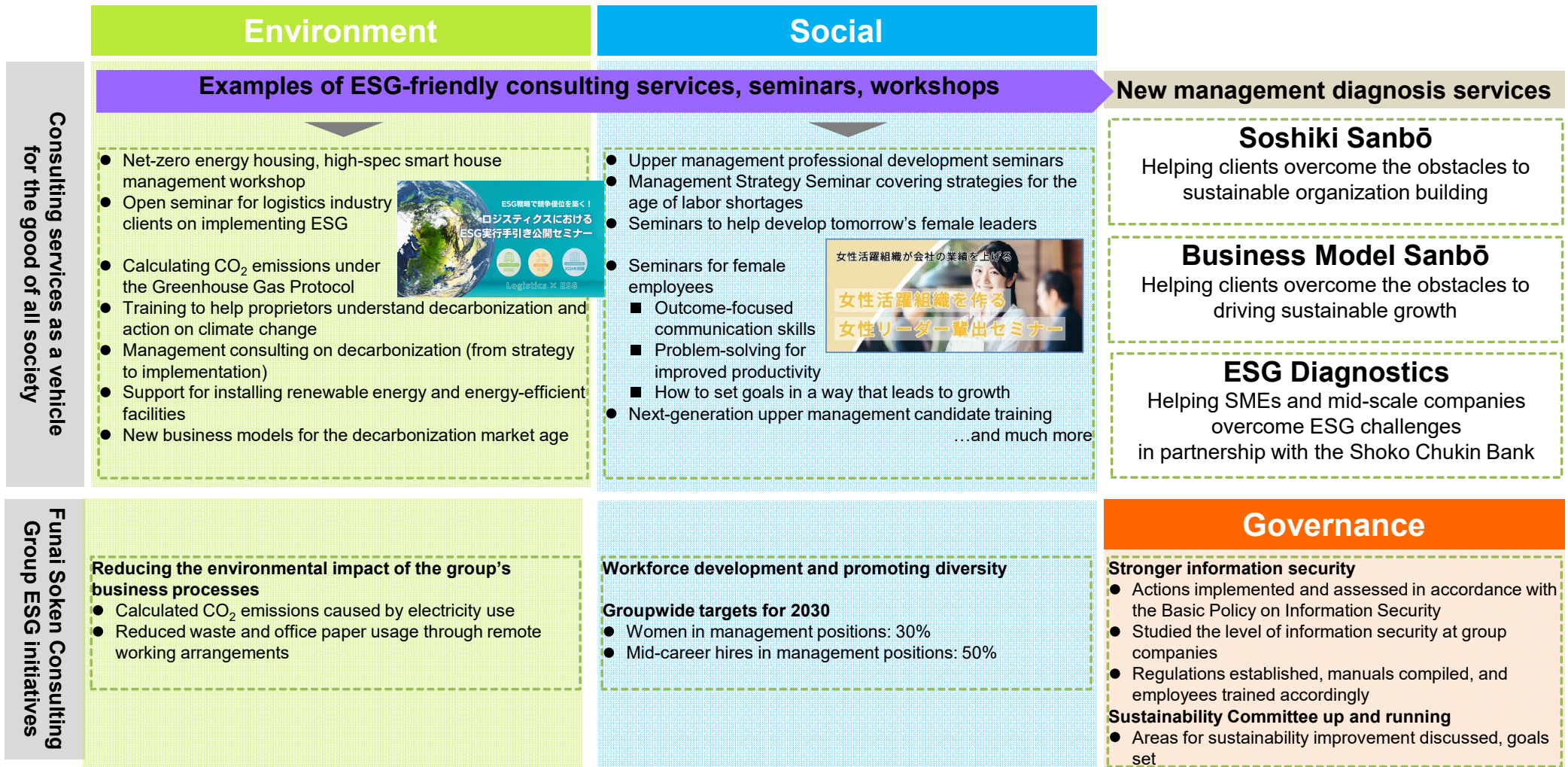
(4) ESG Initiatives

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. Outlook and Initiatives

(4) ESG Management Initiatives in 2021



4. 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.

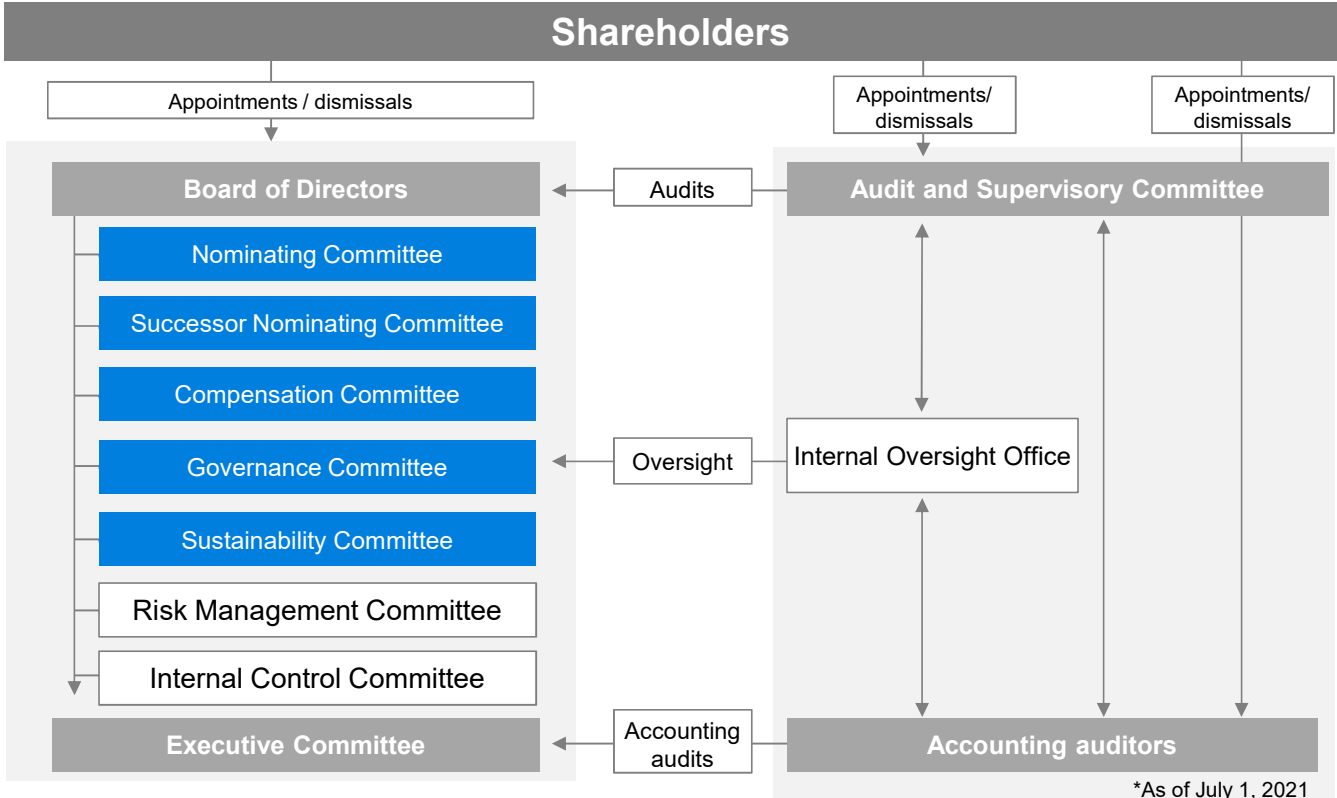
Nominating Committee
Ensures objectivity and validity of the process for selecting candidates for director positions.
3 out of 4 members are outside directors

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

- 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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