

2nd Quarter of Fiscal Year Ending December 2022

Summary of Financial Results

Funai Soken Holdings Incorporated
(TSE Prime, stock code 9757)

August 4, 2022



1 FY2022 2nd Quarter Financial Results

- (1) Consolidated Income
- (2) Progress in Comparison with This Year's Forecasts
- (3) Results of Operations by Segment
- (4) Results of Operations by Segment: Consulting
- (5) Performance by Segment: Logistics
- (6) Results of Operations in Digital Transformation Services
- (7) Consolidated Financial Position

2 Progress toward Achieving the Mid-Range Business Plan

- (1) Progress toward Achieving the Mid-Range Business Plan
- (2) Business Strategy
- (3) Human Resource Strategy
- (4) Financial Strategy

3 ESG

[Statement Regarding Use of These Materials]

FY2022 2nd Quarter Financial Results

1. FY2022 2nd Quarter Financial Results

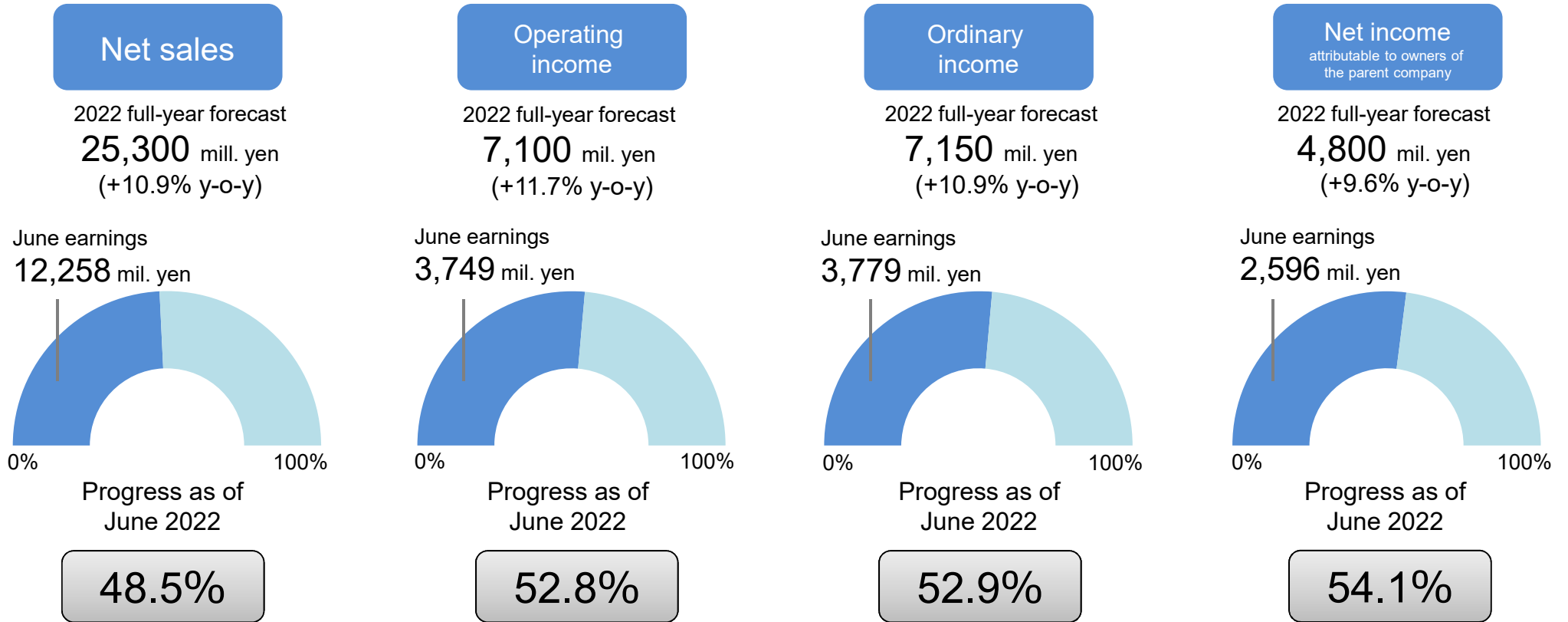
(1) Consolidated Income

- Sales were solid, with sales of monthly support services, project-based consulting, and online advertisement agency services up in the consulting segment, and sales of consulting and BPO also up in the logistics segment.
- Despite a rise in transport costs and consultant hiring costs resulting from the return to on-site consulting activities, as well as an increase in personnel expenses, we managed to sustain a high level of profitability.

	June 2021		June 2022		
	Amount (million yen)	% of total	Amount (million yen)	% of total	Change (%)
Net sales	11,055	100.0	12,258	100.0	+10.9
Operating income	3,279	29.7	3,749	30.6	+14.3
Ordinary income	3,317	30.0	3,779	30.8	+13.9
Net income attributable to owners of the parent	2,257	20.4	2,596	21.2	+15.0

1. FY2022 2nd Quarter Financial Results

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

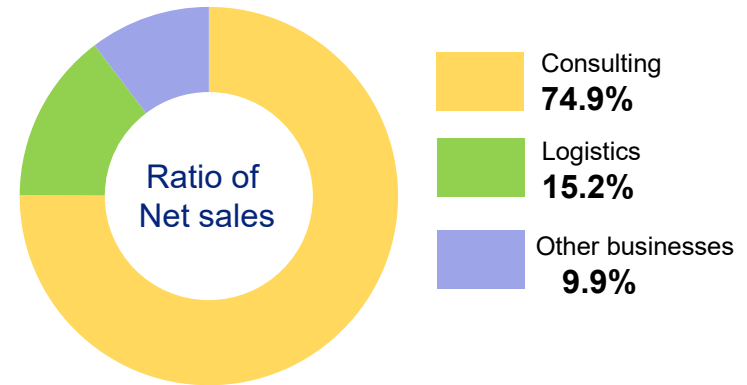


1. FY2022 2nd Quarter Financial Results

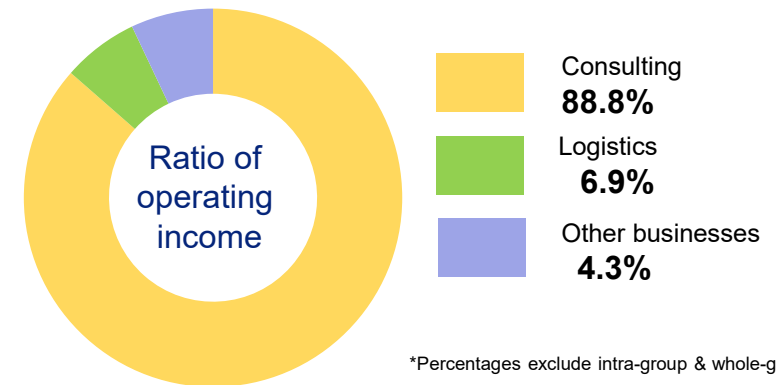
(3) Results of Operations by Segment

- Sales and income were up in all segments.
- Among other businesses, we achieved a large increase in income in the direct recruiting segment due to increases in job opening and system development orders.

Net sales	June 2021	June 2022	
	Amount (million yen)	Amount (million yen)	Change (%)
Consulting	8,620	9,182	+6.5
Logistics	1,323	1,857	+40.3
Other businesses	1,099	1,209	+10.0
(Intra-group & whole-group transactions)	11	8	—
Total	11,055	12,258	+10.9



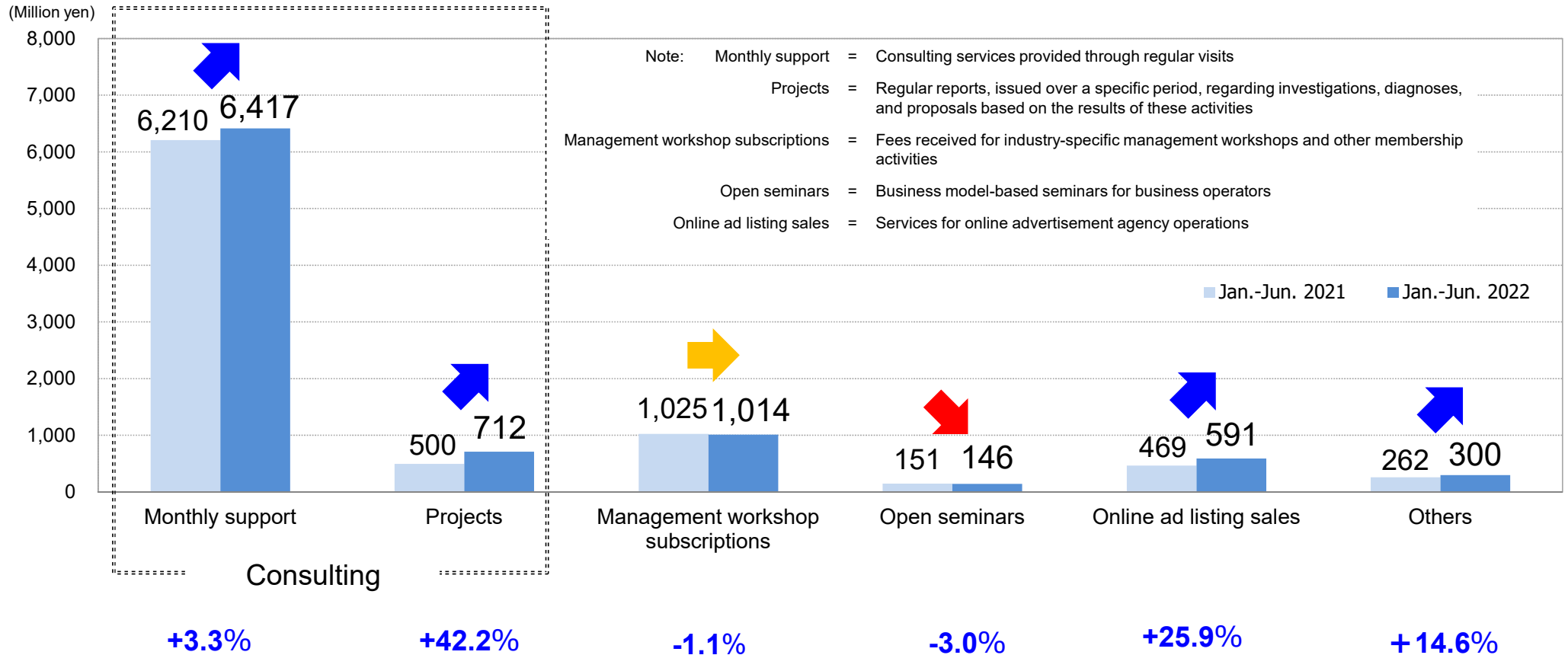
Operating income	June 2021	June 2022	
	Amount (million yen)	Amount (million yen)	Change (%)
Consulting	3,018	3,206	+6.2
Logistics	149	248	+66.0
Other businesses	11	156	+1,313.2
(Intra-group & whole-group transactions)	100	138	—
Total	3,279	3,749	+14.3



*Percentages exclude intra-group & whole-group transactions

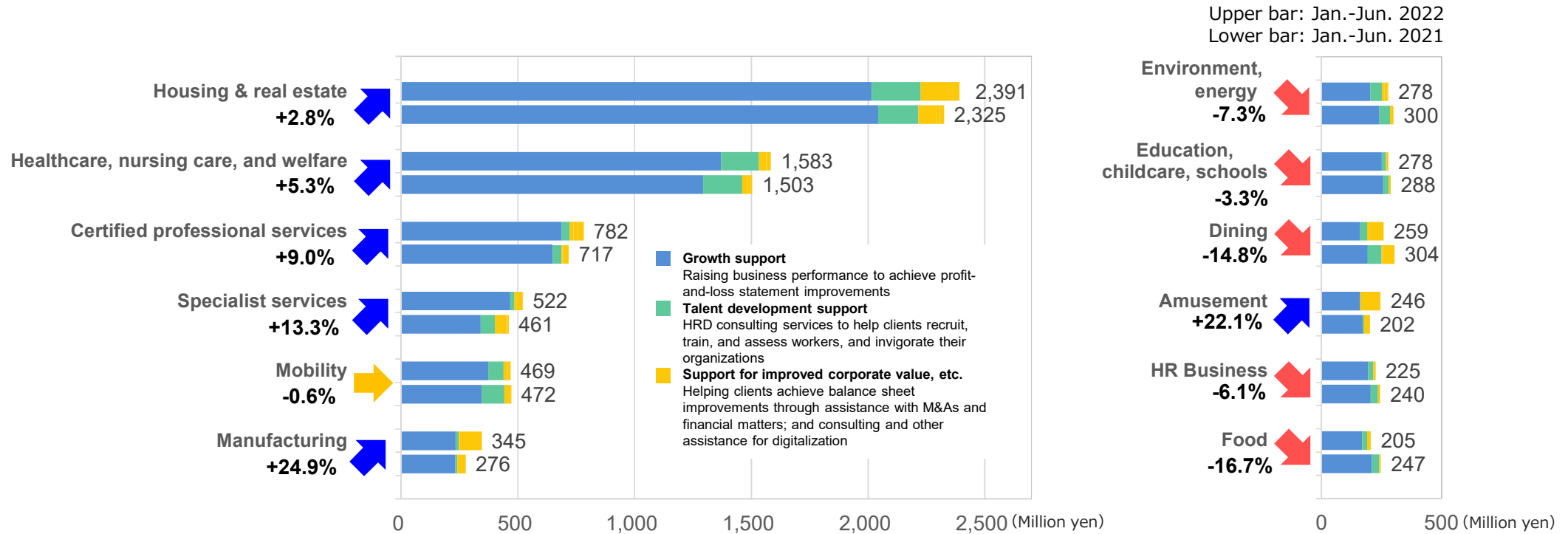
1. FY2022 2nd Quarter Financial Results

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



1. FY2022 2nd Quarter Financial Results

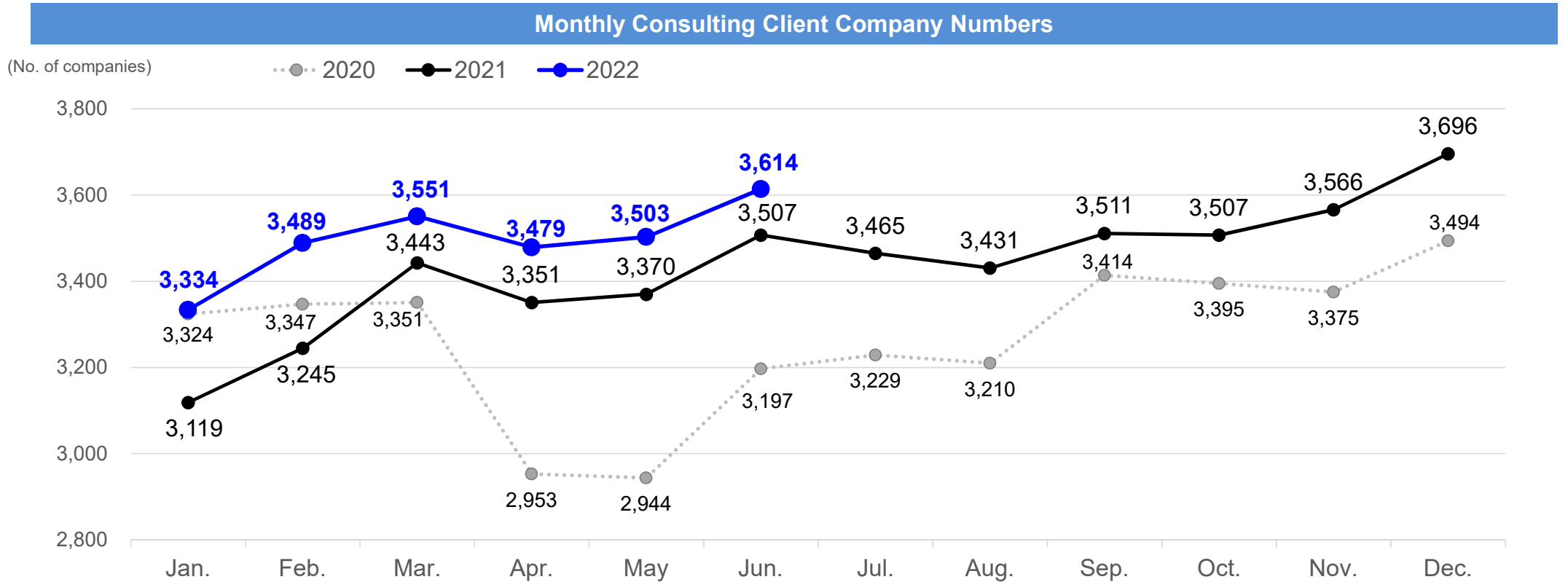
(4) Results of Operations by Segment: Consulting—Sales by Sector



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 Jun. 2021 and 2022.

1. FY2022 2nd Quarter Financial Results

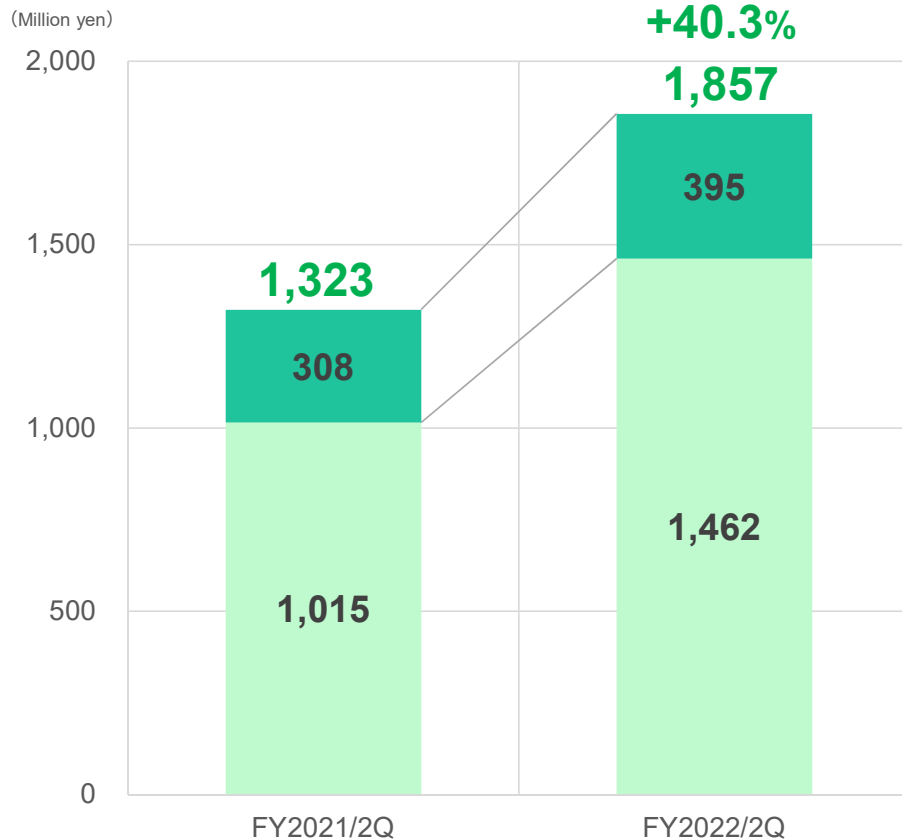
(4) Results of Operations by Segment: Consulting—Consulting Client Numbers



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

1. FY2022 2nd Quarter Financial Results

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



Logistics Consulting

Helping clients reduce logistics costs

+27.9%

- Consulting for logistics companies was in line with the preceding year; management workshop memberships increased: 306 as of Jun. 30, 2022; 291 as of Jun. 30, 2021.
- Revenues from consulting services increased, buoyed by a recovery in orders.

Logistics BPO

Logistics on behalf of clients
Reducing purchasing costs through joint buying

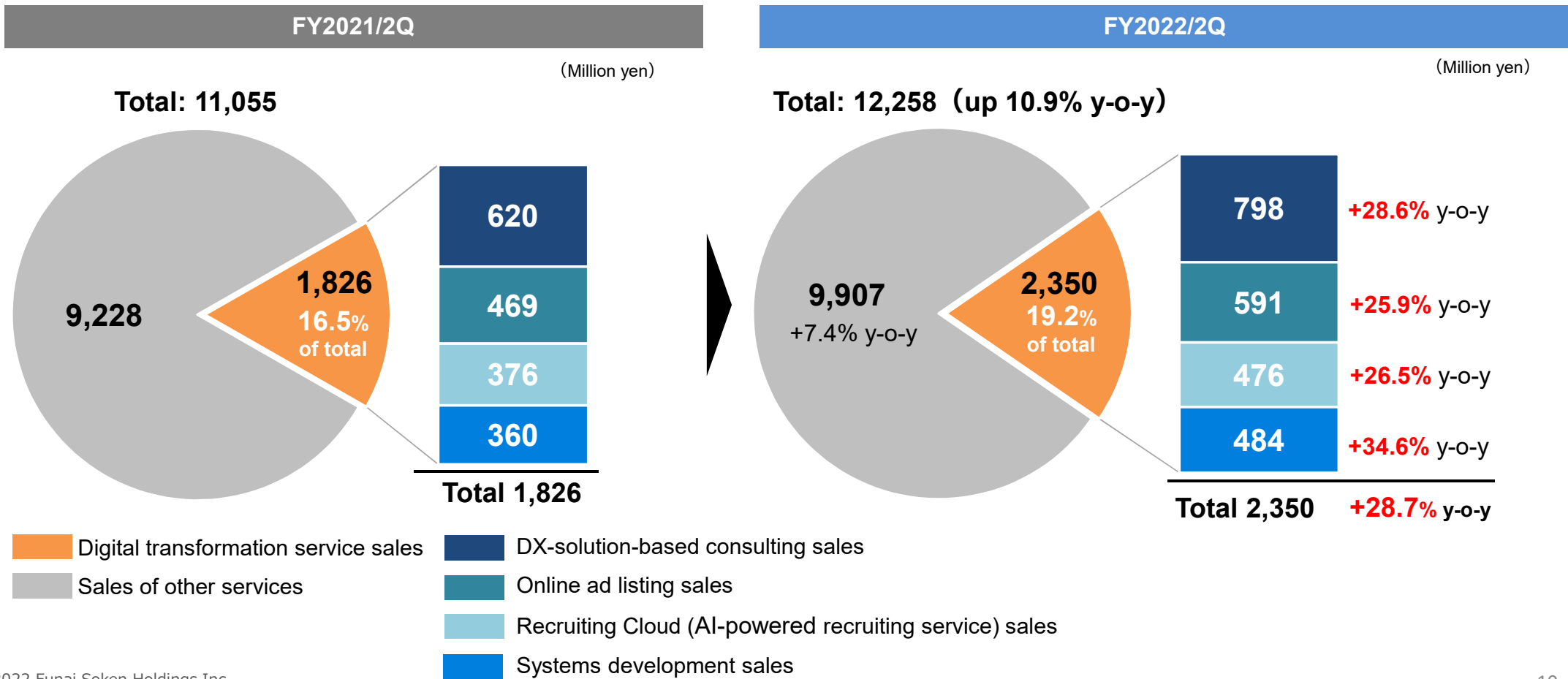
+44.0%

- Deep-mining of existing clients and growth in client orders resulted in an increase in sales.
- Demand for product deliveries was particularly strong among clients.
- Sales increased due to the effect of rising fuel prices on our core offering in this segment: joint purchasing of fuel.

1. FY2022 2nd Quarter Financial Results

(6) Results of Operations in Digital Transformation Services

- The group is investing significant effort into digital transformation services, which grew at least 25%.
- Digital transformation services account for an increasingly large share of total sales and are helping grow the group's business overall.



1. FY2022 2nd Quarter Financial Results

(7) Consolidated Financial Position—Balance Sheet

(Million yen)

	As of Dec. 31, 2021	As of Jun. 30, 2022	Change	Major factors behind changes	
Current assets	19,049	20,615	+1,565	Increase in current assets: Major factors include increases in cash, deposits, and short-term investment securities.	
Noncurrent assets	Property, plant, and equipment	5,917	5,908	-8	Decrease in noncurrent assets: Major factors include decrease in investment securities.
	Intangible assets	705	821	+115	
	Investments and other assets	5,256	4,453	-802	
Total assets	30,928	31,798	+870		
Current liabilities	5,053	4,494	-558	Decrease in current liabilities: Major factors include increase in provision for bonuses, decreases in current portion of long-term loans payable, other accounts payable (listed under “others”), accrued consumption taxes, and deposits received.	
Noncurrent liabilities	164	298	+ 134	Increase in noncurrent liabilities: Major factors include increase in long-term loans payable.	
Total liabilities	5,217	4,792	-424		
Total net assets	25,710	27,005	+1,295	Financial position remains sound with a high equity ratio of 82.8%.	
Total liabilities & net assets	30,928	31,798	+870		

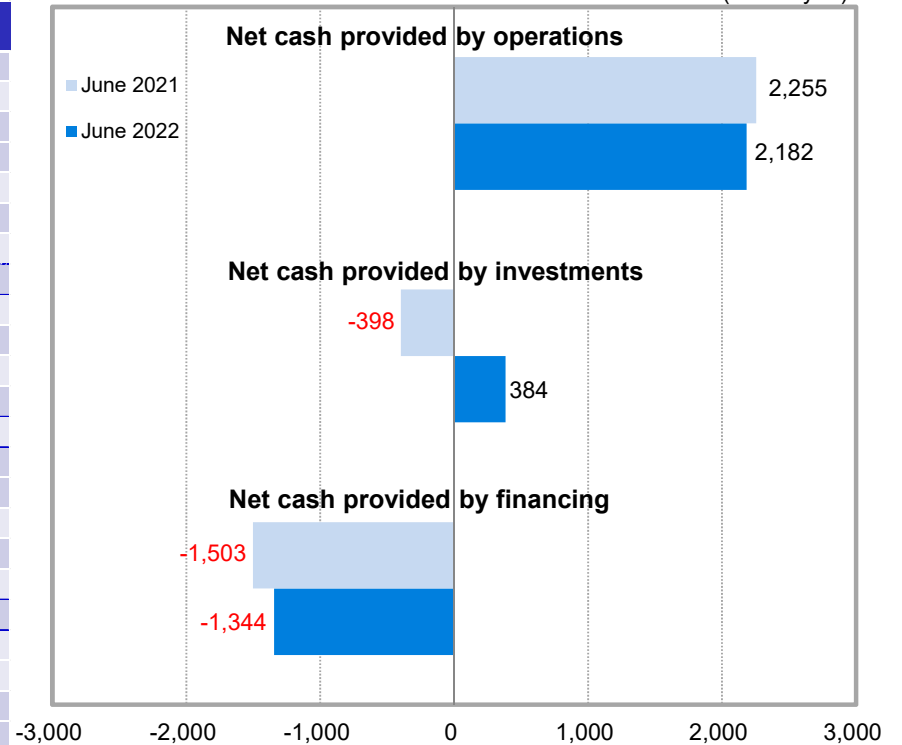
1. FY2022 2nd Quarter Financial Results

(7) Consolidated Financial Position—Cash Flow Statement

(Million yen)

	June 2021	June 2022	Change
Net cash provided by (used in) operations			
Net income before income taxes and other adjustments	3,306	3,774	467
Depreciation	118	164	46
Decrease (increase) in trade notes and accounts receivable and contract assets	(134)	44	179
Decrease (increase) in other assets	(445)	(658)	(213)
Increase (decrease) in other liabilities	(532)	(589)	(57)
Other	163	234	71
Subtotal	2,475	2,970	494
Interest and dividends received	19	20	1
Income taxes paid	(777)	(1,255)	(477)
Income tax refunds	540	451	(89)
Other cash provided by (used in) operations	(2)	(4)	(1)
Net cash provided by (used in) operations	2,255	2,182	(73)
Net cash provided by (used in) investments			
Purchase of short-term and long term investment securities	(420)	(100)	320
Proceeds from sales of short-term and long-term investment securities	120	712	592
Purchase of property, plant and equipment and intangible assets	(101)	(235)	(134)
Other cash provided by (used in) investments	2	6	4
Net cash provided by (used in) investments	(398)	384	782
Net cash provided by (used in) financing			
Purchase of treasury shares	(263)	(1)	261
Dividends paid	(1,236)	(1,330)	(94)
Other cash provided by (used in) financing	(4)	(12)	(8)
Net cash provided by (used in) financing	(1,503)	(1,344)	159
Change in cash and cash equivalents	359	1,229	869
Cash and cash equivalents at start of fiscal year	12,216	14,675	2,458
Cash and cash equivalents at end of quarter	12,575	15,904	3,328

(Million yen)

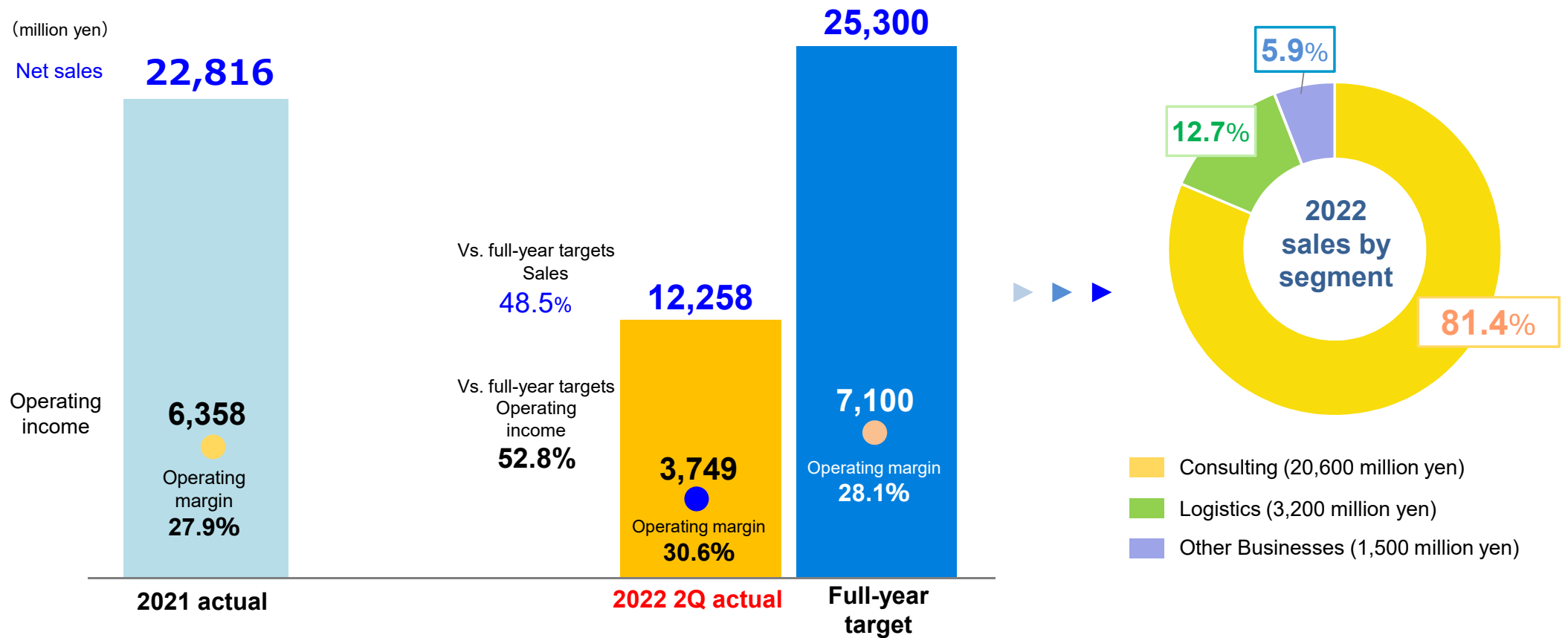


Progress toward Achieving the Mid-Range Business Plan

2. Progress toward Achieving the Mid-Range Business Plan

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

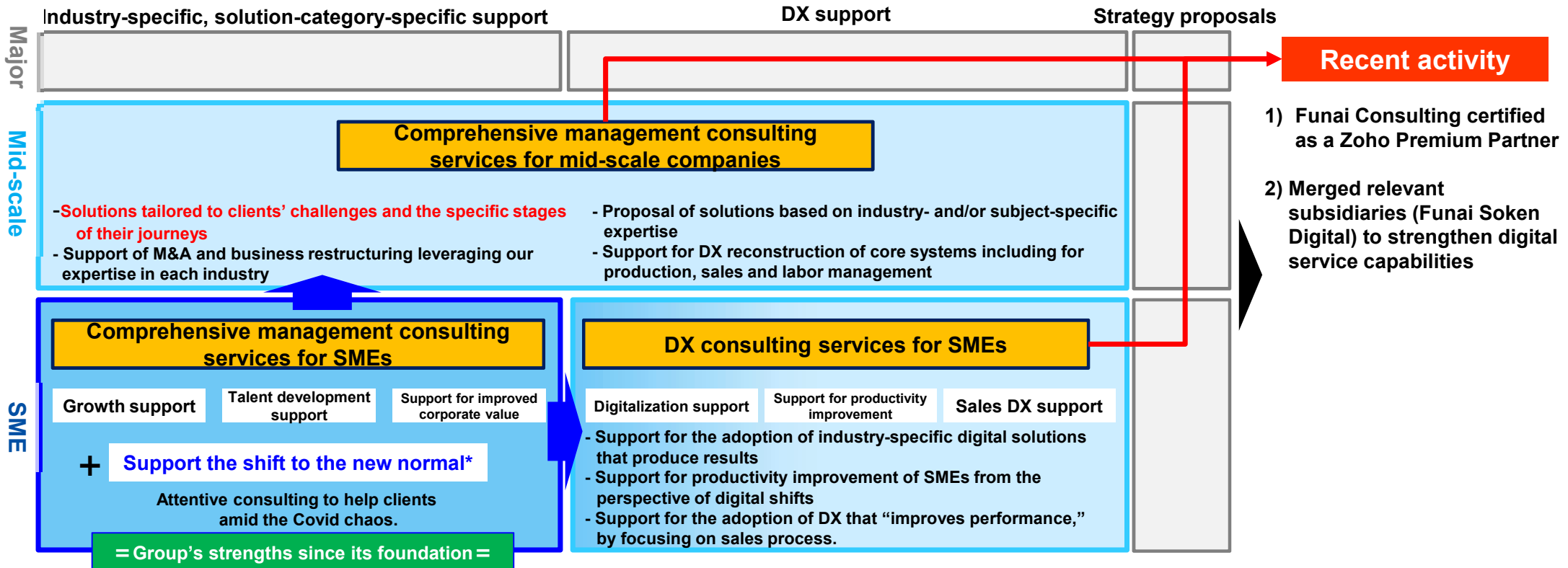
- In 2022, the final year of the current Mid-Range Business Plan, our target is sales of 25.3 billion yen.
- We are aiming for sustained double-digit growth and record operating income of 7.1 billion yen in FY2022.



2. Progress toward Achieving the Mid-Range Business Plan

(2) Business Strategy

Our **comprehensive management consulting services for SMEs**, the group's core strength, are the ideal vehicle for offering clients through **post-Covid "new normal" support** to help them cope amid the related upheaval. We are also working on a series of initiatives relating to **digital transformation consulting for SMEs** and **comprehensive management consulting services for mid-scale companies**, which will help us expand into new business segments as stated in our Mid-Range Business Plan.



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

2. Progress toward Achieving the Mid-Range Business Plan

(2) Business Strategy : (1) Funai Consulting Certified as a Zoho Premium Partner

- Zoho is the ideal tool for our digital transformation consulting services for SMEs and mid-scale clients.
- Our partnership with Zoho has developed, and we are the only company in Japan to be certified as a Premium Partner, the highest rank of Zoho partnership.



■ What is a Zoho Premium Partner?

- A Zoho partner is a company that works alongside clients and uses Zoho and other methods to provide solutions to their challenges.
- A Premium Partner is a Zoho partner that achieves year-on-year growth in Zoho sales of at least \$200,000.



Zoho, the Growing Company's Preferred DX Tool (written and edited by Funai Consulting Inc.)

About Zoho

Zoho is a suite of cloud-based solutions to help businesses digitalize their operations and improve efficiency. Worldwide, Zoho has more than

75 mil.
users

at

250,000
companies



Out now!

Maruzen Marunouchi
business category
(May 12–18, 2022)

Amazon SME
management category
(May 25, 2022)

Ranked
No. 1

2. Progress toward Achieving the Mid-Range Business Plan

(2) Business Strategy : (2) Merged relevant subsidiaries to strengthen digital service capabilities

- Merged two subsidiaries on July 1, 2022, into Funai Soken Digital, Inc.
- Funai Soken Digital will work together with Funai Consulting to offer a full spectrum of digital transformation services from initial consulting to final installation.

■ Funai Soken Digital's Services



(1) Cloud-based solutions development

Development and operation of Azure and other public cloud-based solutions, and technical consulting

(2) Digital marketing BPO

Comprehensive, industry-specific and solution-category-specific digital marketing support for mid-scale and SME clients

(3) IT consulting

Helping mid-scale and SME clients transform through back-office BPR and DX solutions

(4) Product development

Development and popularization of vertical SaaS (industry-specific digital products)

(5) Digital solutions staff recruiting & training

Training and reskilling services to help clients alleviate digital solutions staff shortages



A briefing on the new company on July 11, 2022, was attended by more than 100 people from business partner companies.

2. Progress toward Achieving the Mid-Range Business Plan

(3) Human Resource Strategy

We strive to generate sustained growth by designing a positive cycle that promotes the maintenance of a working environment that empowers our diverse workforce to make full use of their skills.

Mid-Range Business Plan (2020-2022)

1 Hiring



**Groupwide workforce of 1,500 by 2022
(increase by approx. 300)**

- (1) Ongoing aggressive hiring of consultants (200–250 per year)
- (2) Expand hiring of digital transformation staff
- (3) Step up hiring of non-Japanese (esp. in Shanghai)
- (4) Hire more qualified professionals

2 Development



**Rebuild accelerated development programs
for an expanding workforce**

- (1) Establish a Talent Development Center: Swift development of digital transformation staff, maximize consultants' employee lifetime value
- (2) Continued accelerated development of team leaders (target: promotion to team leader within 5 years). In 2019: 3 years 8 months

3 Empowerment



A rewarding environment for a diverse workforce

- (1) Establish and embed a new assessment system based on four major career paths
 1. Consultant development course; 2. Business development course;
 3. Corporate professional course; 4. Management course
- (2) Flexible working arrangements for improved efficiency: Expand remote support services to reduce the need for consultants to travel

Virtuous cycle

2021 Outcomes and Plan Progress

Progress

- Employees: 1,317 (groupwide; up 108 from 2019)

Underway

- 32 digital transformation staff hired by Funai Consulting in 2020-2021
- 58 non-Japanese hired throughout the group in 2020-2021

Underway

- Talent Development Center opened; consultant training programs expanding
 - Instilling skills conducive to improving the bottom line
 - Digital training aimed at developing and reskilling for digital transformation staff

Target achieved

- In 2020: Promotion to chief-level position: 4 years 1 months

Underway

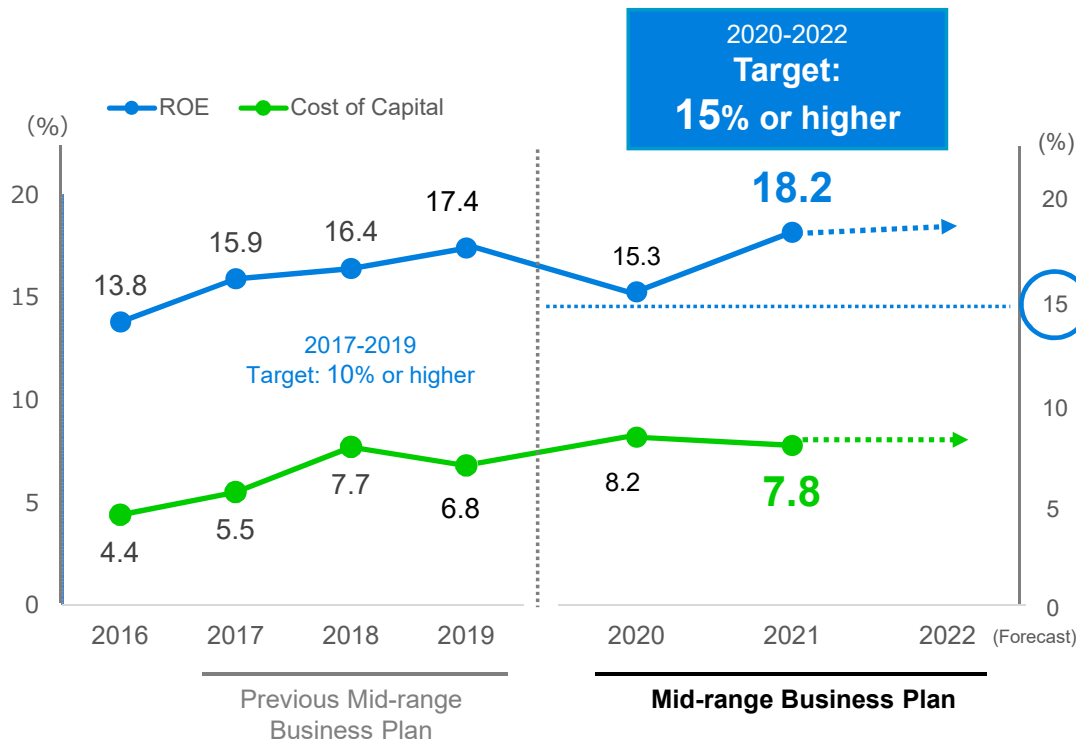
- New assessment system implemented at Funai Consulting; establishment of systems enabling employees to change career courses, take up in-group job offers, or transit between departments has led to smoother placement of the right people in the right positions
- Remote delivery of support services exceeds 50% (in 2021)
- “Hybrid” delivery of services combining remote and on-site support

2. Progress toward Achieving the Mid-Range Business Plan

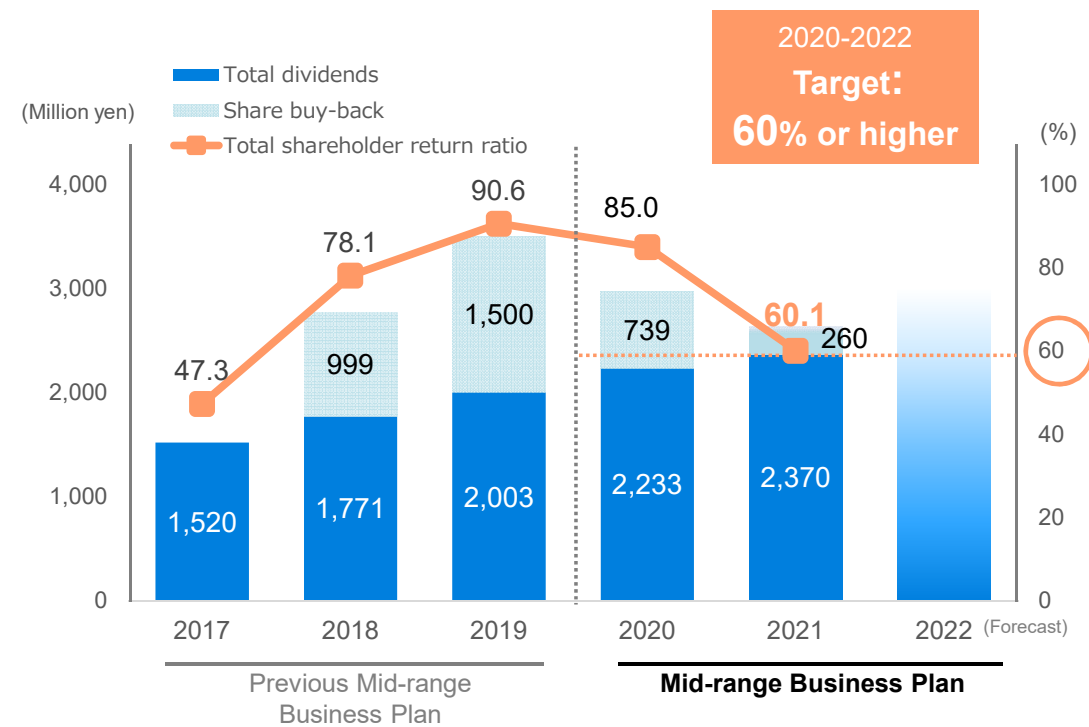
(4) Financial Strategy: (1) Capital Policy and Shareholder Return Policy

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



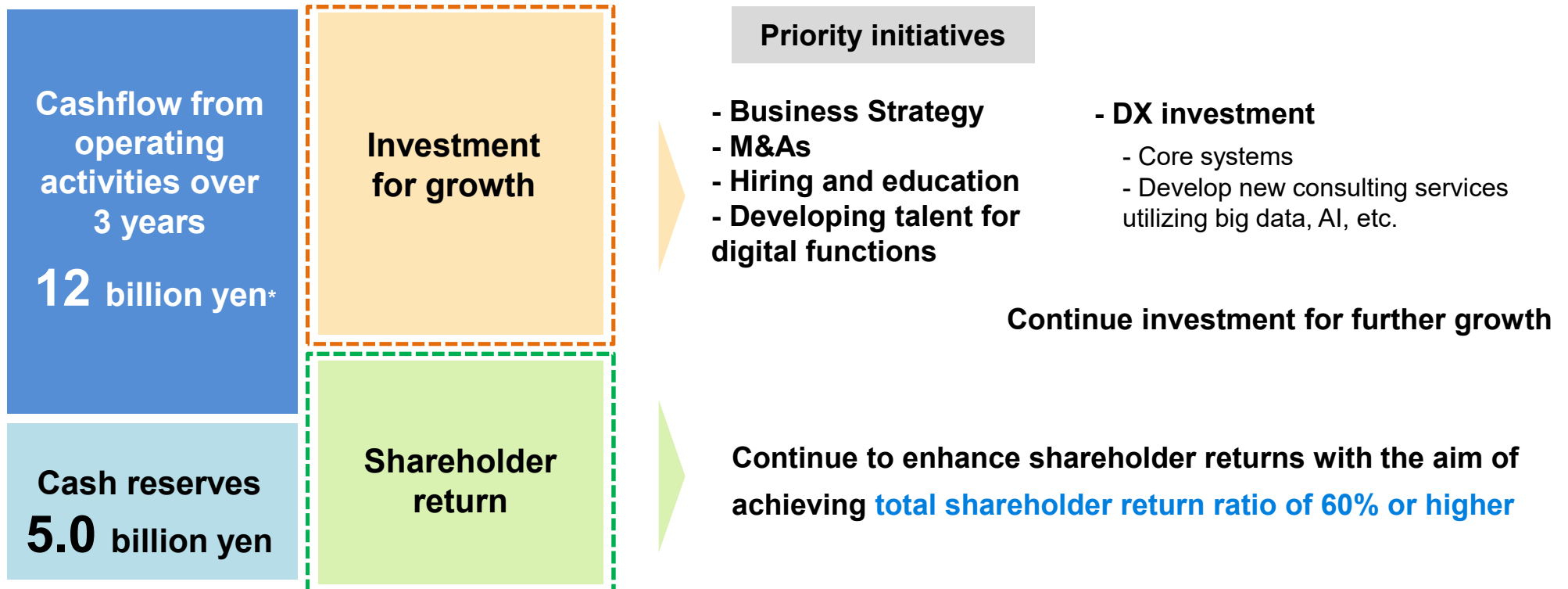
■ Total dividends and total shareholder return ratio: Results and targets



2. Progress toward Achieving the Mid-Range Business Plan

(4) 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.



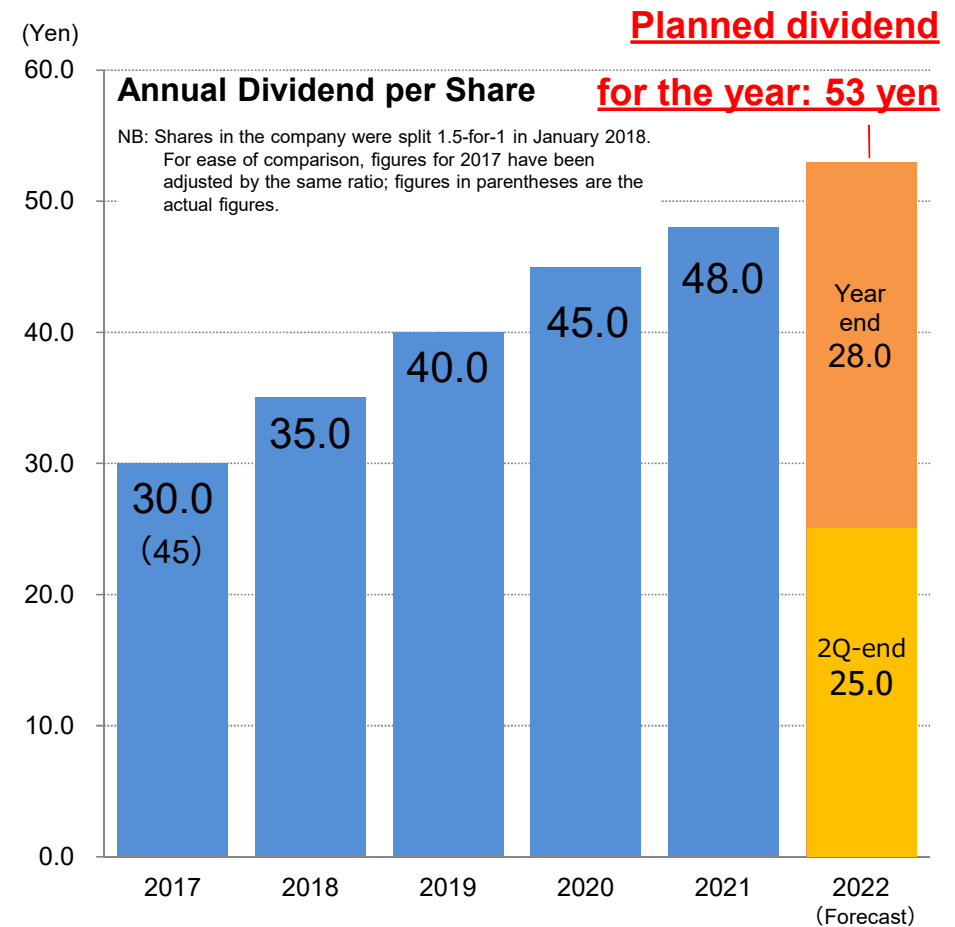
*Excluding operating capital of 6.0 billion yen

2. Progress toward Achieving the Mid-Range Business Plan

(4) Financial Strategy: (3) 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 sharer)	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		

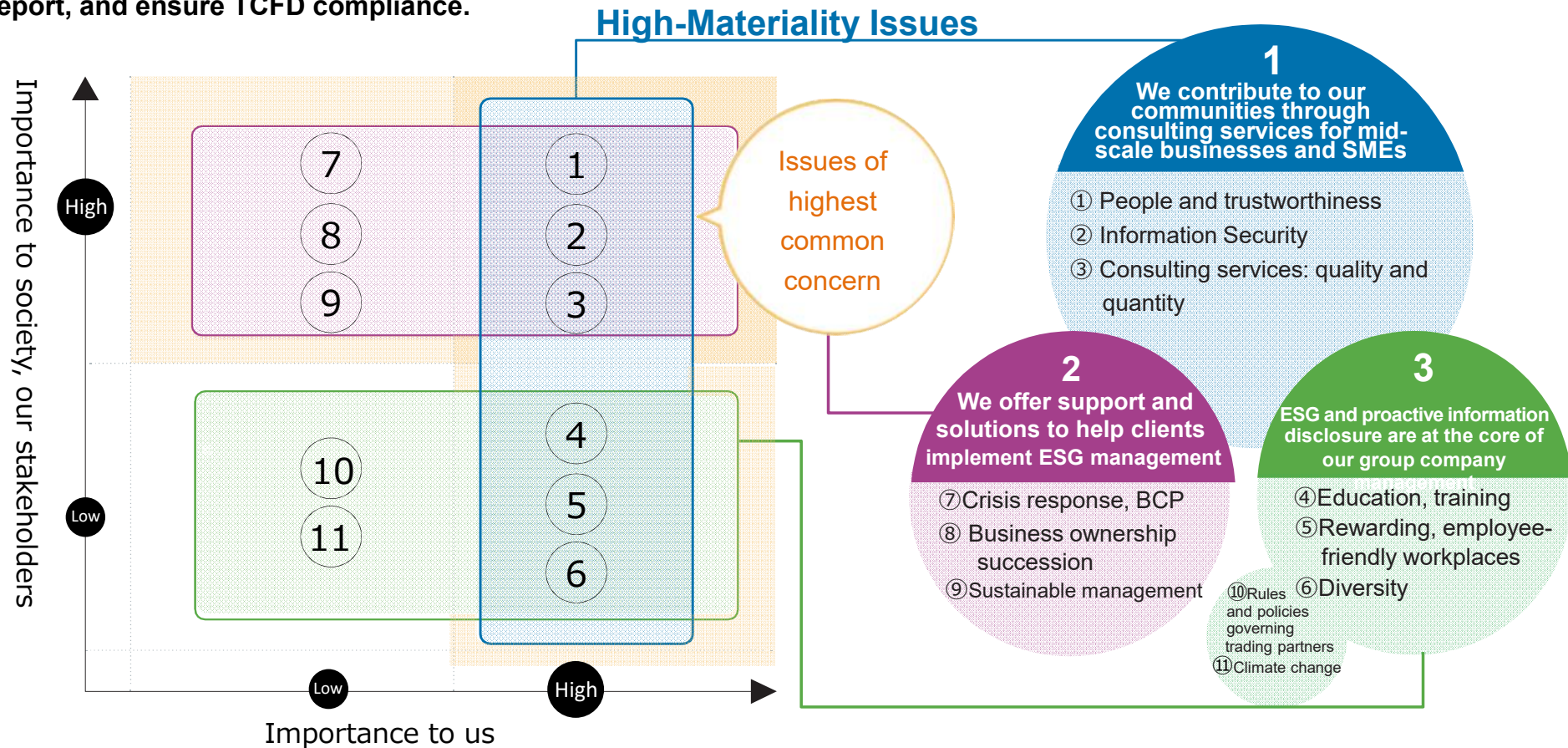


ESG

3. ESG

(1) High-Materiality Issues

- 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.”
- Our key task for 2022 is increased disclosure of non-financial capital. We will strive to boost human capital, expand the Integrated Report, and ensure TCFD compliance.



3. ESG

(2) Environmet—Environmental Impact Reduction Initiatives

Seminars on new business models for the decarbonization market age (Funai Consulting)



For auto parts manufacturers



For fuel retail businesses

Seminar: Carbon Neutrality in Logistics



Efforts So Far to Reduce Our Environmental Impact

- 💡 Use of LED lights, automatic shut-off of lights at night
- 📄 Increasingly paperless operations
- 👤 Remote work

By the Numbers: Our Environmental Initiatives

- See four years' data relating to electricity consumption, carbon dioxide emissions, and waste emissions.



<https://hd.funaisoken.co.jp/en/sustainability/environment/reducingimpact>

- ◆ We identify, evaluate, and analyze the impact of climate change on our business, and manage the pertinent risks and opportunities.
- ◆ We disclose information relating to our efforts to deal with that impact that overcome challenges in accordance with the Task Force on Climate-related Financial Disclosures (TCFD) established by the Financial Stability Board of Japan.

3. ESG

(3) Social—Diversity & Inclusion-

We are working hard toward goals for 2030 relating to better harnessing the power of our female workforce.

Female employees

37.4% in 2021 ⇒ **Goal for 2030: 40%**

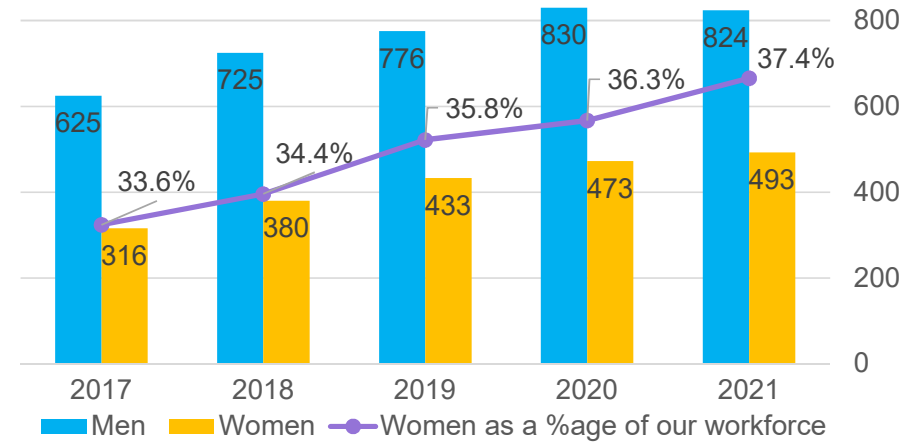
Women in management positions

23.5% in 2021 ⇒ **Goal for 2030: 30%**

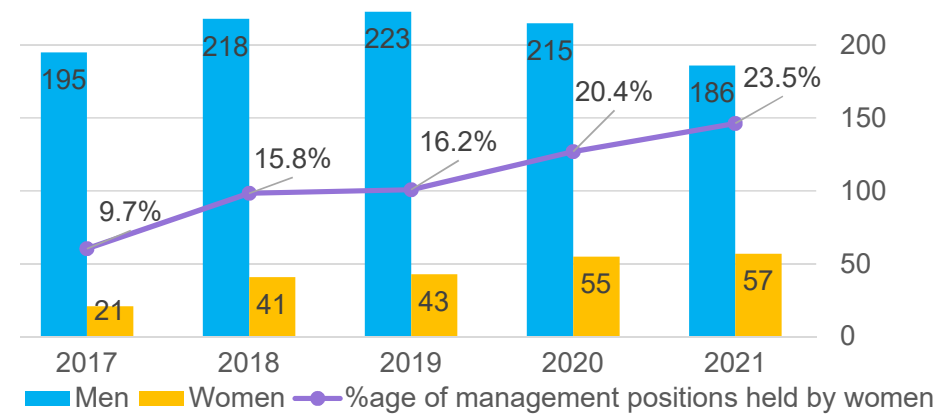
Major Initiatives

- Encouraging more flexible working styles
 - Remote working, flex-time, career course change, etc.
 - Support program for those returning to work after childcare leave
- Assignments and development that take advantage of the business's characteristics
 - Projects to help women forge meaningful careers
 - Training for managers to encourage better empowerment of female staff
 - HR framework and career enhancement program designed to increase women in management

Female employee numbers & %age of total workforce



Women in Management Positions



3. ESG

(4) Governance— 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.

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

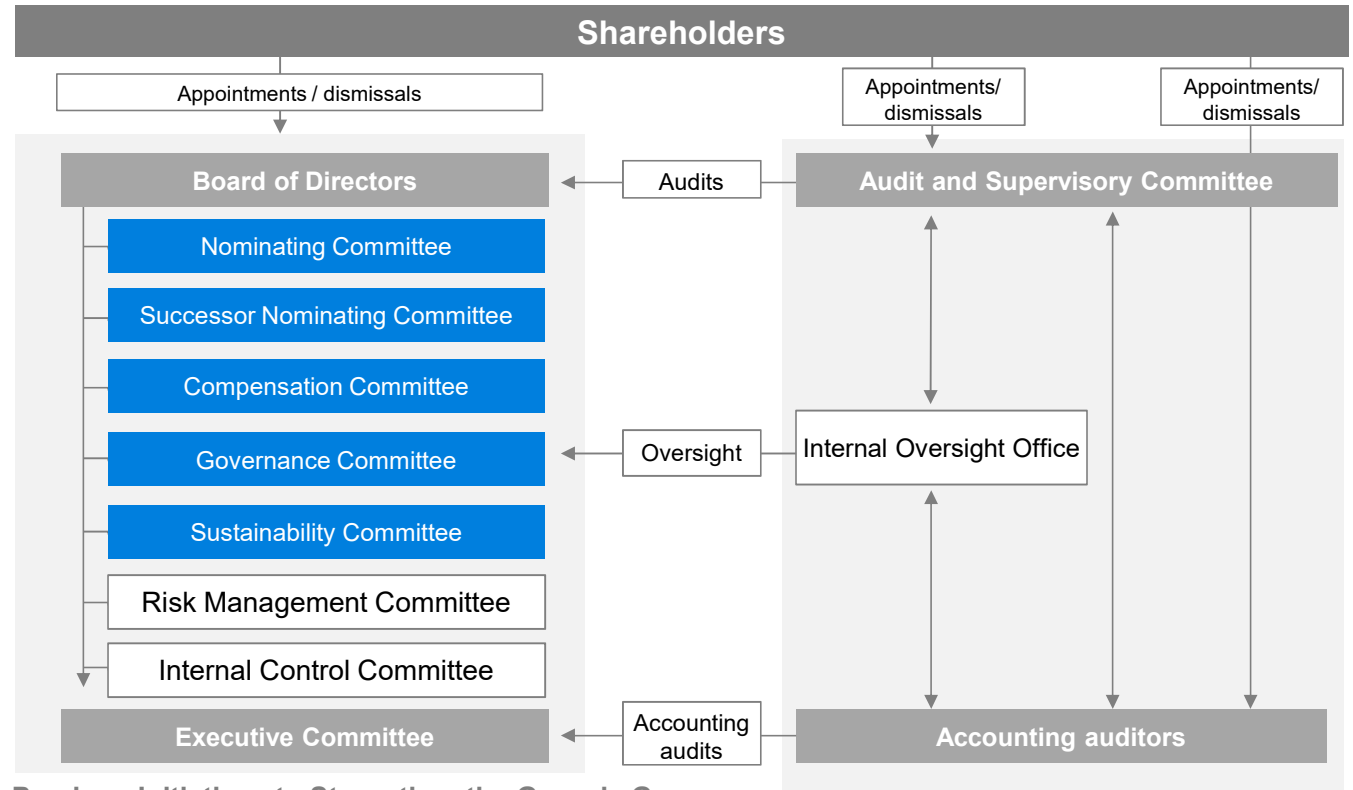
Discusses governance issues from a mid-to-long-term perspective, and endeavor to strengthen governance.

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 3 members are outside directors



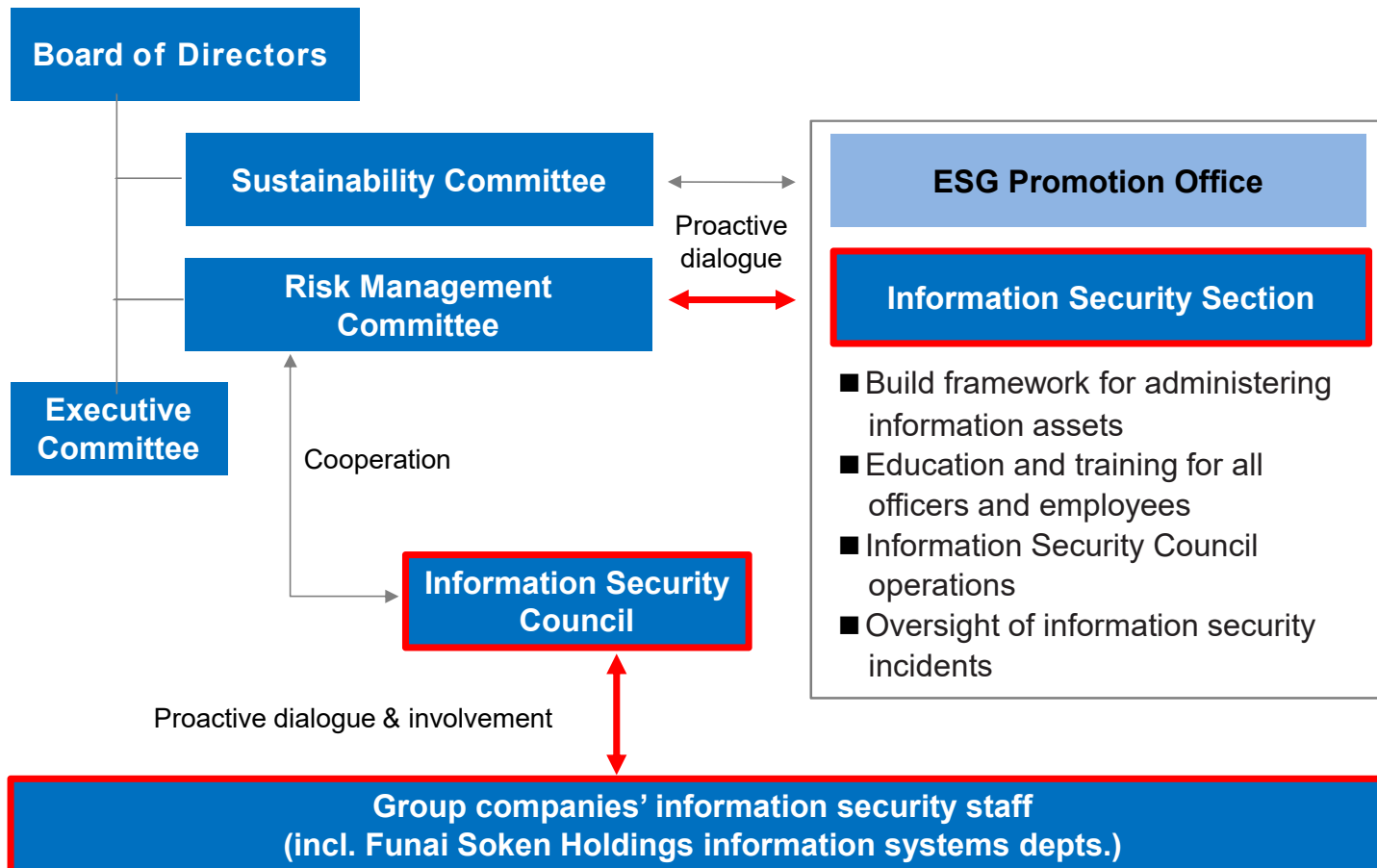
Previous Initiatives to Strengthen the Group’s Governance

- 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.

3. ESG

(4) Governance—Information Security Framework

Ongoing Strengthening of Management Systems and Training by Information Security Section and groupwide Information Security Council.



Information Security Level Checks
Check items added relating to DX. Implemented the PDCA cycle. Radar charts used to plot results.

Information Security e-Learning
Annual training to firmly embed awareness of information security rules among **all officers and employees**.

Groupwide Management
Each group company works to **enhance the framework** for identifying risks and protecting security.

More Secure Remote Work Platforms
Balancing information security and improved working practices by upgrading the **authentication infrastructure of our remote work platforms**.

Protecting Personal Information & Vital Data
Group companies and departments work together to uphold security through **periodic inspections and expert checks of core systems**.

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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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.