



November 8, 2022

## Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending December 31, 2022 (January 1, 2022 – September 30, 2022)

Company name:	Funai Soken Holdings, Inc	Stock Exchange listing: Tokyo Stock Exchange
Stock code:	9757	URL: <a href="https://hd.funaisoken.co.jp">https://hd.funaisoken.co.jp</a>
President & CEO:	Takayuki Nakatani	
Contact:	Tatsuro Ono, Director and Executive Vice President, Head of Workforce Administration Divisional Headquarters Telephone: +81-(0) 6-6232-0130	
Scheduled date of filing quarterly report:	November 11, 2022	
Scheduled date of payment of dividend:	-	
Supplementary materials compiled to explain 3rd-quarter financial statements:	Yes	
Briefing to be held to explain 3rd-quarter 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. 2022 3rd-Quarter Consolidated Financial Results (January 1, 2022 – September 30, 2022)

#### (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	%
Nine months ended								
Sep. 30, 2022	18,655	12.3	5,329	14.2	5,382	14.2	3,680	16.3
Sep. 30, 2021	16,606	-	4,667	-	4,712	-	3,165	-

Note: Comprehensive income: 3,633 million yen (up 13.7%) in the nine months ended Sep. 30, 2022  
3,195 million yen (-%) in the nine months ended Sep. 30, 2021

	Earnings per share (basic)	Earnings per share (diluted)
	Yen	Yen
Nine months ended		
Sep. 30, 2022	74.44	73.51
Sep. 30, 2021	64.10	63.35

Note: From the first quarter of the fiscal year ending December 2022, we apply the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020). In accordance with basic handling, we have applied the new accounting standard retroactively. Furthermore, we do not indicate the year-on-year rate of change compared to the 3rd quarter of the fiscal year ended December 31, 2021. This is due to the fact that we retroactively revised figures to reflect this change in accounting standards.

#### (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Sep. 30, 2022	31,910	26,872	82.0
As of Dec. 31, 2021	30,928	25,710	80.7

Reference: Shareholders' equity: 26,161 million yen as of Sep. 30, 2022  
24,962 million yen as of Dec. 31, 2021

Note: From the first quarter of the fiscal year ending December 2022, we apply the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020). In accordance with basic handling, we have applied the new accounting standard retroactively.

## 2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended Dec. 31, 2021	–	21.00	–	27.00	48.00
Year ending Dec. 31, 2022	–	25.00	–		
Forecast for year ending Dec. 31, 2022				30.00	55.00

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

Breakdown of year-end dividend for the year ending Dec. 31, 2022: Normal dividend: 28.00 yen; Commemorative dividend: 2.00 yen  
We will issue a commemorative dividend to commemorate our listing on the Prime Market, a new market segment on the Tokyo Stock Exchange.

Refer to the Notice Regarding Revision (Commemorative Bonus) of Dividend Forecast issued today for details on our dividend forecast for the year ending Dec. 31, 2022.

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

(Percentages represent year-on-year change)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent		Earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	25,300	10.9	7,100	11.7	7,150	10.9	4,800	9.6	97.05

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

From the first quarter of the fiscal year ending December 2022, we apply the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020). In accordance with basic handling, we have applied the new accounting standard retroactively. Furthermore, the year-on-year rate of change is a comparison with figures adjusted to reflect the new accounting standard.

**Remarks**

(1) Changes in consolidated subsidiaries during the period: None

(Changes in scope of consolidation:)

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

(2) Application of specific accounting procedures when compiling quarterly consolidated financial statements: None

(3) Changes in accounting policies; changes in estimates; re-statement of amendments

- 1) Changes in accounting policies caused by revision of accounting standards: Yes
- 2) Other changes in accounting policies: None
- 3) Changes in accounting estimates: None
- 4) Re-statement of amendments: None

(4) Number of issued shares (common stock)

- 1) Number of shares issued at end of nine- month period (including treasury stock)
- 2) Number of treasury shares at end of nine- month period
- 3) Average number of shares during nine- month period (cumulative total)

Sep. 30, 2022	52,500,000	Dec. 31, 2021	52,500,000
Sep. 30, 2022	3,016,206	Dec. 31, 2021	3,120,936
Sep. 30, 2022	49,449,988	Sep. 30, 2021	49,385,433

Note: This financial summary is excluded from quarterly review by a CPA or auditing company.

Statement Regarding the Use of Forward-Looking Statements

Forecasts in these materials regarding future performance are based on reasonable judgments made in accordance with information currently available. Actual results may differ greatly from these forecasts for a number of factors. Please refer to “(1) Results of Operations” on page 2 of the appendix for further information concerning the conditions on which these forecasts are based and further cautions with respect to the use of forward-looking statements.

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## 1. Qualitative Information Regarding the Nine Months Ended September 30, 2022

### (1) Results of Operations

As of the beginning of the first quarter of the current consolidated fiscal year, we apply the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020). For the Accounting Standard for Revenue Recognition, we apply this new accounting policy retroactively to all past fiscal years in accordance with the basic handling stipulated in Paragraph 84 of the Accounting Standard for Revenue Recognition. As such, our analysis and year-on-year comparisons of consolidated cumulative quarterly and full-year periods are based on figures for which this accounting standard have been applied retroactively.

For details on the impact on financial position and results of operations, refer to "2. Quarterly Consolidated Financial Statements and Main Notes (3) Notes to Quarterly Consolidated Financial Statements (Changes in Accounting Policy)" and "2. Quarterly Consolidated Financial Statements and Main Notes (3) Notes to Quarterly Consolidated Financial Statements (Segment information)".

During the nine months under review (January 1, 2022 to September 30, 2022), the Japanese economy continued to be impacted by COVID-19 as conditions remained difficult for SMEs and mid-sized businesses. At the same time, the removal of restrictions on foreign travelers entering Japan is driving hopes of a resurgence in inbound demand. However, we continue to face a lack of transparency regarding the future as the impact of the elongated situation in Ukraine becomes apparent and continuous interest rate hikes by the US are driving rapid yen depreciation and cost of living increases.

In this situation, our Group maintained a focus on our core business of comprehensive management consulting for small and medium-sized enterprises while also expanding into DX consulting and comprehensive consulting mid-sized businesses. We also further strengthened Group services related to digital domains. Aiming to provide a one-stop solution for DX-related services, on July 1, 2022, we conducted a merger combining Funai Soken Corporate Relations Inc., which specializes in online marketing and BPO consulting, with Shinwa Computer Service Co., Ltd., which specializes in recruitment and training for digital human resources and contracted system development. The name of the newly formed company is Funai Soken Digital, Inc.

As a result, the Group posted 18,655 million yen in net sales (up 12.3% year on year), 5,329 million yen in operating income (up 14.2% year on year), 5,382 million yen in ordinary income (up 14.2% year on year), 3,680 million yen in net income attributable to owners of the parent (up 16.3% year on year) for the period under review, achieving record results.

#### **I. Net sales: 18,655 million yen (up 12.3% over the same period of the previous fiscal year)**

Net sales increased in the monthly consulting support service and project consulting of the business consulting business segment. Net sales also continued to increase for online ad listing sales. The logistics business also steadily increased sales of logistics BPO services.

Consequently, net sales rose 12.3% year on year to 18,655 million yen.

#### **II. Operating income: 5,329 million yen (up 14.2% over the same period of the previous fiscal year)**

Looking at operating income, cost of sales was 11,083 million yen (compared to 9,746 million yen in the same period of the previous fiscal year). Travel expenses for consulting activities increased as we gradually resumed activities, and consultant personnel and recruitment expenses increased. SG&A expenses were 2,243 million yen (2,193 million yen in the same period of the previous fiscal year).

Consequently, operating income rose 14.2% year on year to 5,329 million yen.

### **III. Ordinary income: 5,382 million yen (up 14.2% over the same period of the previous fiscal year)**

Ordinary income resulted in non-operating income of 65 million yen (compared to 81 million yen in the same period of the previous fiscal year) and non-operating expenses of 12 million yen (compared to 36 million yen in the same period of the previous fiscal year).

Consequently, ordinary income increased 14.2% from the same period of the previous fiscal year to 5,382 million yen.

### **IV. Net income attributable to owners of the parent: 3,680 million yen (up 16.3% over the same period of the previous fiscal year)**

With income taxes totaling 1,695 million yen for the period under review, compared with 1,535 million yen in the same period of the previous fiscal year, net income attributable to owners of the parent rose 16.3% year on year to 3,680 million yen.

## **Segment-Specific Performance**

The performance of each business segment is outlined below.

For the first quarter of the current consolidated fiscal year, as the monetary weight of direct recruiting declined, we changed to a recording method that includes those amounts in Other Businesses.

During the first nine months of the current consolidated fiscal year, we conducted an absorption-based merger through which our consolidated subsidiary Shinwa Computer Service Co., Ltd. was absorbed into our consolidated subsidiary Funai Soken Corporate Relations Inc., and we changed the name of the newly formed company to Funai Soken Digital, Inc. As a result of this absorption-based merger, we changed the reporting segment for the system development business of Shinwa Computer Service Co., Ltd. While previously included under the "Other Businesses," this is now included under the "Consulting" segment.

As a result, we indicate figures created based on these revised categories.

For details, refer to "2. Quarterly Consolidated Financial Statements and Main Notes (3) Notes to Quarterly Consolidated Financial Statements (Segment information)"

#### **I. Consulting**

In the consulting business, orders from online and management study groups increased. Consulting contracts also increased steadily. As a result, we achieved net sales and income exceeding results for the same period of the previous fiscal year. By industry sector, consulting divisions for the housing and real estate industries, the medical, aged care, and welfare industries, our main business divisions, and the manufacturing consulting division all increased net sales. In the solutions business, DX sales for operational improvements using AI, robots, and RPA remained favorable. Additionally, DX for marketing using online sales targeting manufacturing businesses and the DX consulting segment, including exterior DX consulting in the reform segment, were also firm.

Consequently, net sales increased 8.2% year on year to 14,718 million yen, and operating income rose 4.0% year on year to 4,576 million yen.

#### **II. Logistics**

In the logistics business, logistics BPO services recorded strong performance of aggressive promotional activities targeting existing customers and e-commerce related operations in our corporate clients, and new orders received via online sales also increase, which resulted in a considerable increase in revenue compared to the same quarter of the previous year. Logistics consulting services saw a return to logistics investments among shippers and business management study group sales to logistics companies were favorable, resulting in an increase in net sales

compared to the same period of the previous fiscal year.

Favorable performance by both logistics BPO services and logistics consulting services resulted in increased income.

Consequently, net sales increased 37.6% year on year to 2,796 million yen, and operating income rose 51.9% year on year to 357 million yen.

### **III. Other Businesses**

In other businesses, the direct recruiting business recorded increased net sales and income thanks to a trend towards increasing hiring. The contact center consulting business recorded increased net sales and income compared to the same period of the previous fiscal year on an increase in seminars related to COPC certification, our mainstay product, as well as other major consulting contracts received. The IT consulting business was largely on par with targets.

Consequently, net sales rose 18.2% year on year to 1,128 million yen and an operating income of 204 million yen was posted compared with an operating loss of 83 million yen in the same period of the previous year.

## **(2) Financial Position**

### **1. Assets, Liabilities and Equity**

(Assets)

Total assets increased by 982 million yen from the end of the previous fiscal year to 31,910 million yen as of the end of the nine months under review.

Current assets increased 1,547 million yen from the end of the previous fiscal year to 20,597 million yen. This was mainly due to increases in cash and deposits and short-term investment securities.

Noncurrent assets decreased by 564 million yen from the end of the previous fiscal year to 11,313 million yen. This was mainly due to a decrease in investment securities.

(Liabilities)

Total liabilities fell by 178 million yen from the end of the previous fiscal year to 5,038 million yen as of the end of the nine months under review.

Current liabilities shrank by 281 million yen from the end of the previous fiscal year to 4,771 million yen. This is mainly due to increased allowance for bonuses while current portion of long-term loans payable, income taxes payable, and consumption taxes payable and deposited money included under other liabilities decreased.

Noncurrent liabilities increased by 102 million yen from the end of the previous fiscal year to 266 million yen. This was mainly due to an increase in long-term loans payable.

(Net Assets)

Total net assets increased by 1,161 million yen from the end of the previous fiscal year to 26,872 million yen as of the end of the nine months under review.

(Equity Ratio)

The shareholders' equity ratio as of the end of the nine months under review was 82.0%, up 1.3 percentage points from the end of the previous fiscal year.

### (3) Consolidated Forecast and Other Forward-Looking Information

The impact of COVID-19 on socioeconomic activities, doubts caused by the situation in Ukraine, rising raw material costs, and fluctuations on capital markets, have created a lack of transparency about the future. This has created a situation in which domestic SMEs, our main clientele, are constantly being forced to make difficult management decisions.

In July 2022, we merged Funai Soken Corporate Relations Inc. and Shinwa Computer Service Co., Ltd. to launch Funai Soken Digital, Inc. Through this move, we will offer one-stop solutions for DX-related services and help advance corporate adoption of digital technology. We will continue to capture the needs of the managers of our corporate clients and offer business consulting services that match the current trend.

For full-year consolidated results, the Group projects 25,300 million yen in net sales, 7,100 million yen in operating income, 7,150 million yen in ordinary income, and 4,800 million yen in net income attributable to owners of the parent.

Furthermore, at the Board of Directors meeting convened on November 8, 2022, a resolution was passed to make the following revisions to the year-end dividend per share forecast. Concerning the year-end dividend for the year ending December 31, 2022, we will issue a commemorative dividend of 2 yen per share to commemorate our listing on the Prime Market, a new market segment on the Tokyo Stock Exchange, on April 4, 2022. Details on this matter are as outlined in the Notice Regarding Revision (Commemorative Bonus) of Dividend Forecast.

	Dividend per share (Yen)		
	2Q-end	Year end	Total
Previous forecast	–	28	53
Revised forecast	–	30 (Normal dividend: 28) (Commemorative dividend: 2)	55 (Normal dividend: 53) (Commemorative dividend: 2)
FY actual	25	–	–
Results of previous term (FYE Dec. 31, 2021)	21	27	48



## 2. Quarterly Consolidated Financial Statements and Main Notes

### (1) Consolidated Balance Sheet

(Thousand yen)

	FY12/21 (As of Dec. 31, 2021)	FY12/22 3Q (As of Sep. 30, 2022)
<b>Assets</b>		
Current assets		
Cash and deposits	14,675,155	15,787,612
Trade notes, accounts receivable, and contract assets	3,300,636	3,378,619
Short-term investment securities	100,000	308,150
Work in process	127,853	175,077
Raw materials and supplies	10,986	10,989
Other current assets	875,363	974,009
Allowance for doubtful accounts	(40,657)	(37,283)
Total current assets	19,049,337	20,597,175
Noncurrent assets		
Property, plant, and equipment		
Buildings and structures, net	1,195,629	1,144,274
Land	4,596,717	4,596,717
Other property, plant, and equipment, net	124,850	153,335
Total property, plant, and equipment	5,917,197	5,894,327
Intangible assets		
Leasehold rights	322,400	322,400
Software	298,339	405,783
Other intangible assets	84,678	118,457
Total intangible assets	705,418	846,641
Investments and other assets		
Investment securities	4,241,507	3,291,267
Assets related to retirement benefits	540,005	575,640
Other investments and other assets	481,471	711,825
Allowance for doubtful accounts	(6,929)	(5,882)
Total investments and other assets	5,256,055	4,572,851
Total noncurrent assets	11,878,671	11,313,820
<b>Total assets</b>	<b>30,928,009</b>	<b>31,910,996</b>

(Thousand yen)

	FY12/21 (As of Dec. 31, 2021)	FY12/22 3Q (As of Sep. 30, 2022)
<b>Liabilities</b>		
Current liabilities		
Trade notes and accounts payable	535,623	486,687
Short-term loans payable	200,000	200,000
Current portion of long-term loans payable	100,000	-
Income taxes payable	1,325,288	912,299
Allowance for bonus	-	870,048
Other current liabilities	2,892,164	2,302,807
Total current liabilities	5,053,076	4,771,843
Noncurrent liabilities		
Long-term loans payable	-	100,000
Retirement benefit liabilities	69,872	72,680
Deferred tax liabilities	47,164	1,619
Other noncurrent liabilities	47,050	92,085
Total noncurrent liabilities	164,087	266,385
Total liabilities	5,217,163	5,038,229
<b>Net assets</b>		
Shareholders' equity		
Capital stock	3,125,231	3,125,231
Capital surplus	2,946,763	2,955,094
Retained earnings	22,688,431	23,798,964
Treasury stock	(3,826,322)	(3,698,469)
Total shareholders' equity	24,934,103	26,180,820
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	76,859	7,818
Foreign currency translation adjustments	23,992	29,908
Accumulated adjustments for retirement benefits	(72,760)	(56,645)
Total accumulated other comprehensive income	28,090	(18,919)
Subscription rights for shares	748,651	710,865
Total net assets	25,710,846	26,872,766
<b>Total liabilities and net assets</b>	30,928,009	31,910,996

## (2) Consolidated Statements of Income and Comprehensive Income

### Consolidated Statement of Income

First Nine Months

(Thousand yen)

	First Nine Months of FY12/21 (Jan. 1 – Sep. 30, 2021)	First Nine Months of FY12/22 (Jan. 1 – Sep. 30, 2022)
Net sales	16,606,904	18,655,857
Cost of sales	9,746,116	11,083,256
Gross profit	6,860,787	7,572,601
SG&A expenses	2,193,704	2,243,138
Operating income	4,667,083	5,329,462
Non-operating income		
Interest income	15,260	11,960
Dividend income	3,683	4,154
Gain on sales of investment securities	38,531	11,845
Gain on valuation of investment securities	2,086	8,228
Other non-operating income	22,050	29,647
Total non-operating income	81,611	65,836
Non-operating expenses		
Interest expenses	3,660	5,735
Loss on valuation of investment securities	1,350	-
Foreign exchange losses	2,580	3,806
Investment partnership management expenses	2,738	2,269
Donations	25,500	-
Other non-operating expenses	412	761
Total non-operating expenses	36,242	12,574
Ordinary income	4,712,452	5,382,724
Extraordinary income		
Gain on sales of noncurrent assets	16	-
Total extraordinary income	16	-
Extraordinary losses		
Loss on sales of noncurrent assets	3,576	2,179
Loss on retirement of noncurrent assets	7,718	4,004
Total extraordinary losses	11,294	6,183
Net income before income taxes and other adjustments	4,701,174	5,376,541
Current income taxes	1,751,624	1,919,463
Deferred income taxes	(215,934)	(223,785)
Total income taxes	1,535,689	1,695,677
Net income	3,165,484	3,680,863
Net income attributable to owners of the parent	3,165,484	3,680,863

Consolidated Statement of Comprehensive Income

First Nine Months

(Thousand yen)

	First Nine Months of FY12/21 (Jan. 1 – Sep. 30, 2021)	First Nine Months of FY12/22 (Jan. 1 – Sep. 30, 2022)
Net income	3,165,484	3,680,863
Other comprehensive income		
Valuation difference on available-for-sale securities	6,013	(69,041)
Foreign currency translation adjustments	4,567	5,916
Adjustments for retirement benefits	19,858	16,114
Total other comprehensive income	30,439	(47,010)
Comprehensive income	3,195,924	3,633,853
Details		
Comprehensive income attributable to owners of the parent	3,195,924	3,633,853

### **(3) Notes to Quarterly Consolidated Financial Statements**

(Notes on Going Concern Assumptions)

None to report.

(Notes on Significant Changes to Shareholders' Equity)

None to report.

(Changes in Accounting Policies)

#### **1. Application of the Accounting Standard for Revenue Recognition**

We apply the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020, hereinafter "Revenue Recognition Accounting Standard") as of the beginning of the first quarter of the current consolidated fiscal year. As a result, we recognize revenue based on the amount projected to be received in exchange for goods or services at the point ownership of the promised goods or services is transferred to the customer.

Changes resulting from the application of the Revenue Recognition Accounting Standard are as follows.

- **Agent transactions**

Revenue recognition for agent transactions previously entailed recognizing the total amount of compensation received from customers as revenue. However, for transactions where our Group serves as an agent for the provision of goods or services to the customer, we have changed to a method that recognizes revenue as the net amount from which amounts paid to the vendor are deducted from the amount received from the customer.

- **Project transactions**

Revenue recognition for project transactions previously entailed recognizing revenue at the point of service completion. However, we have changed to a method that estimates progress towards the fulfillment of duties and recognizes revenue over a specified period of time based on said progress.

These changes in accounting standards will be applied retroactively. As such, the quarterly consolidated financial statements and consolidated financial statements for the previous period and the previous fiscal year reflect the retroactive application of these standards.

As a result, compared to prior to retroactive application, net sales for the first nine months of the previous consolidated fiscal year decreased by 4,361 million yen, cost of sales decreased by 4,376 million yen, and operating income, ordinary income, and net income before income taxes and other adjustments each increased by 14 million yen.

Furthermore, the retained earnings balance at the beginning of the previous fiscal year increased by 18 million yen after reflecting the cumulative impact amount in net assets for the beginning of the previous consolidated accounting period. Trade notes, accounts receivable, and contract assets for the previous consolidated fiscal year increased by 108 million yen, work in process decreased by 56 million yen, "other" under investments and other assets decreased by 9 million yen, "other" under current liabilities increased by 16 million yen, and deferred tax liabilities increased by 3 million yen.

As we applied the Revenue Recognition Accounting Standard, as of the first quarter of the current consolidated fiscal year, trade notes and accounts receivable indicated under current assets in the consolidated balance sheet for the previous consolidated fiscal year is now included under trade notes, accounts receivable, and contract assets.

## 2. Application of Accounting Standard for Fair Value Measurement

We apply the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019, hereinafter, “Fair Value Measurement Accounting Standard”) as of the beginning of the first quarter of the current fiscal year. In accordance with the transitional treatment set forth in Paragraph 19 of the Fair Value Measurement Accounting Standard and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019), the new policies outlined in the Fair Value Measurement Accounting Standard shall be applied over time.

Furthermore, this has no impact on our quarterly consolidated financial statements.

(Segment Information)

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

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

(Thousand yen)

	Consulting	Logistics	Others (1)	Total	Adjustment (2)	Amount listed in consolidated statement of income (3)
Net sales						
Sales to external customers	13,604,186	2,031,519	954,812	16,590,518	16,386	16,606,904
Inter-segment sales and transfers	47,544	231,593	13,055	292,193	(292,193)	–
Total	13,651,730	2,263,113	967,868	16,882,711	(275,807)	16,606,904
Segment income (loss)	4,399,950	235,431	(83,761)	4,551,620	115,462	4,667,083

Notes:

1. The “others” category includes income from IT consulting, contact center consulting, and direct recruiting.
2. Adjustments of segment income (loss) include elimination of inter-segment transactions and whole-group revenues and expenses that are not attributable to any segment. Whole-group income is comprised of outsourcing fees, consulting fees, and rental income from group companies, and whole-group expenses are comprised of those incurred in the operations of the group’s holding company not attributable to any segment.
3. Segment income (loss) is adjusted against operating income in the consolidated statement of income.

## II. First Nine Months of FY12/22 (Jan. 1 – Sep. 30, 2022)

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

(Thousand yen)

	Consulting	Logistics	Others (1)	Total	Adjustment (2)	Amount listed in consolidated statement of income (3)
Net sales						
Sales to external customers	14,718,190	2,796,335	1,128,393	18,642,918	12,939	18,655,857
Inter-segment sales and transfers	79,160	282,421	5,030	366,612	(366,612)	–
Total	14,797,350	3,078,757	1,133,423	19,009,530	(353,672)	18,655,857
Segment income	4,576,889	357,646	204,159	5,138,696	190,766	5,329,462

Notes:

1. The “others” category includes income from IT consulting, contact center consulting, and direct recruiting.
2. Adjustments of segment income include elimination of inter-segment transactions and whole-group revenues and expenses that are not attributable to any segment. Whole-group income is comprised of outsourcing fees, consulting fees, and rental income from group companies, and whole-group expenses are comprised of those incurred in the operations of the group’s holding company not attributable to any segment.
3. Segment income is adjusted against operating income in the consolidated statement of income.

### 2. Matters concerning changes in reporting segments

For the first quarter of the current consolidated fiscal year, as the monetary weight of direct recruiting declined, we changed to a recording method that includes those amounts in Other.

During the first nine months of the current consolidated fiscal year, we conducted an absorption-based merger through which our consolidated subsidiary Shinwa Computer Service Co., Ltd. was absorbed into our consolidated subsidiary Funai Soken Corporate Relations Inc., and we changed the name of the company to Funai Soken Digital, Inc. As a result of this absorption-based merger, we changed the reporting segment for the system development business of Shinwa Computer Service Co., Ltd. While previously included under the “Other Businesses,” this is now included under the “Consulting Business” segment.

Segment information for the previous consolidated fiscal year is based on the changed category names.

As indicated in Changes in Accounting Policy, as of the beginning of the first quarter of the current consolidated fiscal year, we apply the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020). As we have changed accounting treatments related to revenue recognition, we also changed how we estimate business segment income and losses.

Segment information for the first nine months of the previous fiscal year indicates figures created using the revised method of measuring income and losses.

As a result, compared to the previous method, net sales for the first nine months of the previous fiscal year decreased by 2,672 million yen for Consulting, by 266 million yen for Logistics, and by 1,422 million yen for Other businesses. Furthermore, segment income for Consulting increased by 31 million yen and by 2 million yen for Logistics businesses, while Other businesses decreased by 18 million yen and Adjustments decreased by 0.9 million yen.

(Important subsequent events)

Treasury stock acquisition

At the Board of Directors meeting convened on November 8, 2022, we passed a resolution concerning the acquisition of treasury stock in accordance with the provisions of Companies Act Article 156, which are applied instead of the provisions of Article 165, Paragraph 3 of the same Act.

Refer to the “Notice Regarding Finalization of Share Buyback Details” dated November 8, 2022.



### 3. Other Information

#### (1) Orders and Sales

##### I. Orders

Orders won by each operating segment in the nine months under review are as follows.

Segment	Orders received (Thousand yen)	Change from same period last year (%)	Orders outstanding (Thousand yen)	Change from same period last year (%)
Consulting	12,172,670	+7.0	7,470,994	+5.3
Logistics	515,049	+5.1	282,401	+1.0
Other Businesses	365,974	(15.5)	72,638	(49.6)

Notes:

1. Consulting orders above include only monthly support service and project consulting revenues.
2. Logistics revenues include only that earned from logistics consulting activities.
3. Other businesses only indicates sales from IT and contact center consulting.
4. The above amounts are based on sale prices.
5. The above amounts do not include consumption tax.

##### II. Sales

Sales made by each operating segment in nine months under review are as follows.

Segment	Sales (Thousand yen)	Change from same period last year (%)
Consulting	14,718,190	+8.2
Logistics	2,796,335	+37.6
Other Businesses	1,128,393	+18.2
Total	18,642,918	+12.4

Notes:

1. Sales amounts indicate sales to external customers.
2. The above amounts do not include consumption tax.
3. No single customer accounted for 10% or more of aggregate net sales.