

1st Quarter of Fiscal Year Ending December 2023
Summary of Financial Results

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

Thursday, May 11, 2023



1 Executive Summary

- (1) Consolidated Income
- (2) Progress in Comparison with This Year's Forecasts
- (3) Analysis of Changes from Same Period Last Year

2 FY2023 1st Quarter Financial Results

- (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: Digital Solutions
- (5) Results of Operations in Digital Transformation Services
- (6) Consolidated Financial Position

3 Shareholder Returns

- (1) Annual Dividends
- (2) Purchase of Treasury Shares

4 Mid-Range Business Plan (2023-2025)

[Statement Regarding Use of These Materials]

- Notes: 1. Starting this year, Proseed, and Funai Soken IT Solutions, which were previously included in the other businesses segment, are now included in the consulting segment.
2. Starting this year, Funai Soken Digital, which was previously included in the consulting segment, and HR Force, which was previously included in the other businesses segment, are now included in the digital solutions segment.

Executive Summary

1. Executive Summary

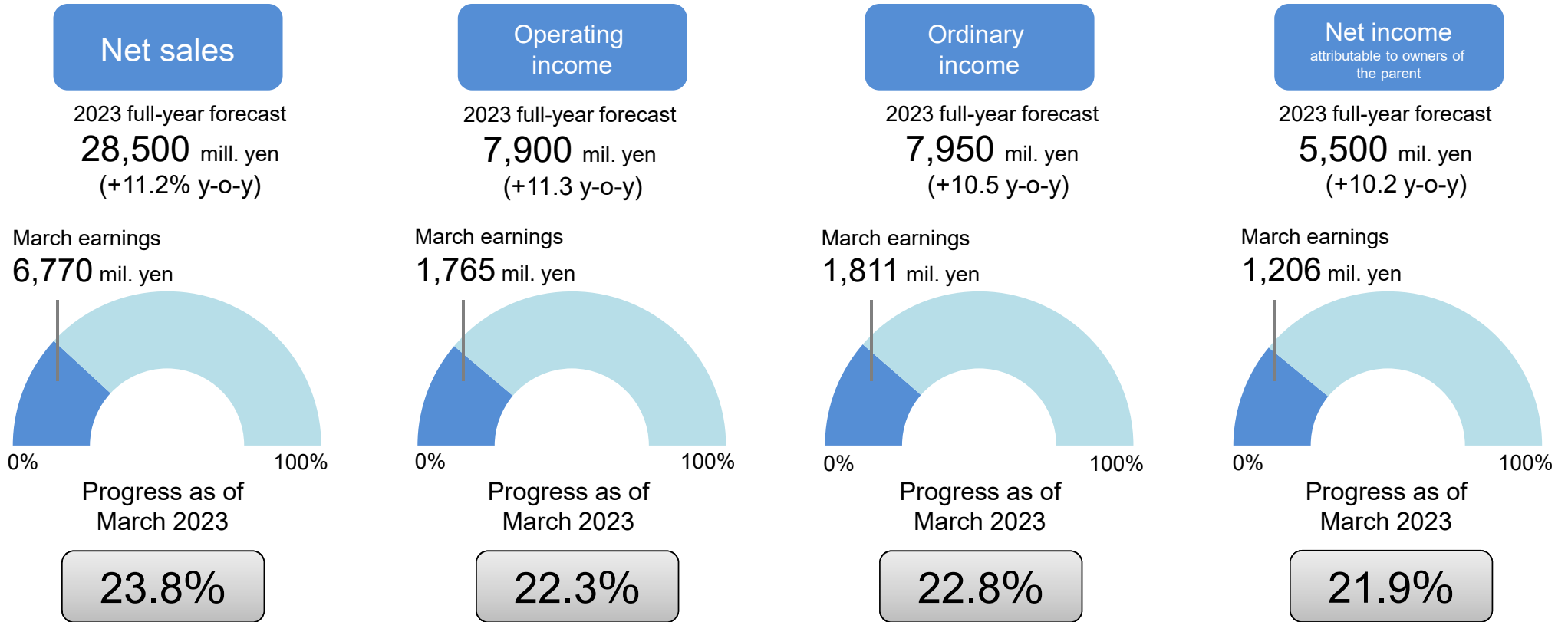
(1) Consolidated Income

- Sales were solid, with sales of monthly support services and projects up in the consulting segment, sales of logistics BPO operations up in the logistics segment, and sales of operations relating to cloud solutions up in the digital solutions segment.
- Profits were down, pressured by increased costs, mainly travel costs relating to consulting activity and aggressive investment in recruiting and hiring.

	March 2022		March 2023		
	Amount (million yen)	% of total	Amount (million yen)	% of total	Change (%)
Net sales	6,241	100.0	6,770	100.0	+8.5
Operating income	2,081	33.3	1,765	26.1	-15.2
Ordinary income	2,089	33.5	1,811	26.8	-13.3
Net income attributable to owners of the parent	1,443	23.1	1,206	17.8	-16.4

1. Executive Summary

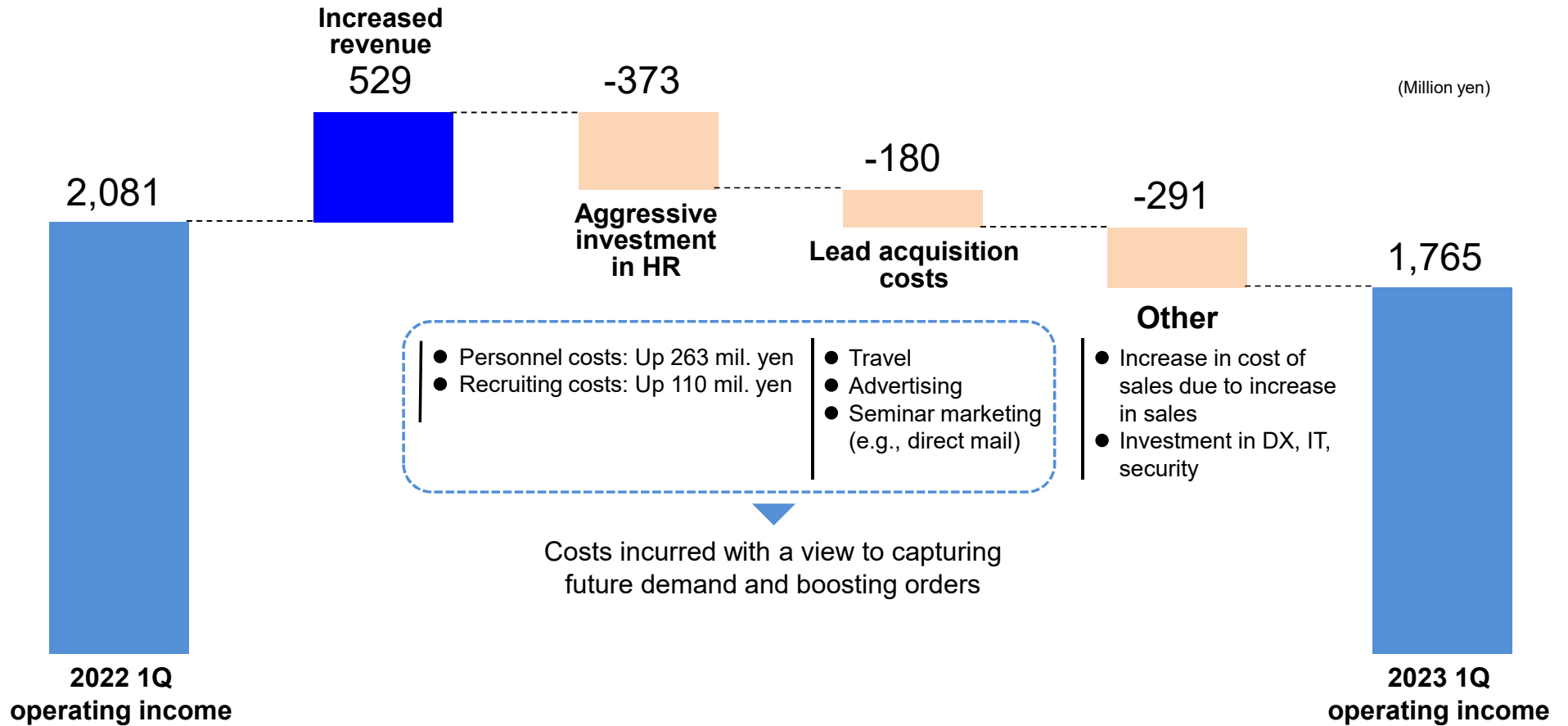
(2) Progress in Comparison with This Year's Forecasts



1. Executive Summary

(3) Analysis of Changes from Same Period Last Year: Operating Income

We are investing aggressively in human resources to prepare for the projected increase in demand for our services, and working hard to strengthen sales activity with a view to boosting orders.



1. Executive Summary

(3) Analysis of Changes from Same Period Last Year: Staffing Levels (by Category)

We will carry out the HR strategy of our Mid-Range Business Plan through aggressive hiring of people in positions directly linked to future sales: consultants and business staff (e.g., engineers).

	2022 1Q		2023 1Q		(FYI) 2025 Mid-Range Business Plan target		
Total headcount	1,246	▶	1,374	Net gain	+128	▶	1,800
Consultants	804	▶	873	Net gain	+69	▶	1,150
Business staff	261	▶	285	Net gain	+24	▶	400
Workforce admin	181	▶	216	Net gain	+35	▶	250
DX staff incl. in above	193		289	Net gain	+96		

*"Business staff" are those that work in consulting departments with a direct bearing on sales but who are not consultants; roles include development engineering, product sales, new business, management workshop operations staff, etc.

*DX staff counted in accordance with Funai Soken Holdings definition of "digital transformation staff."

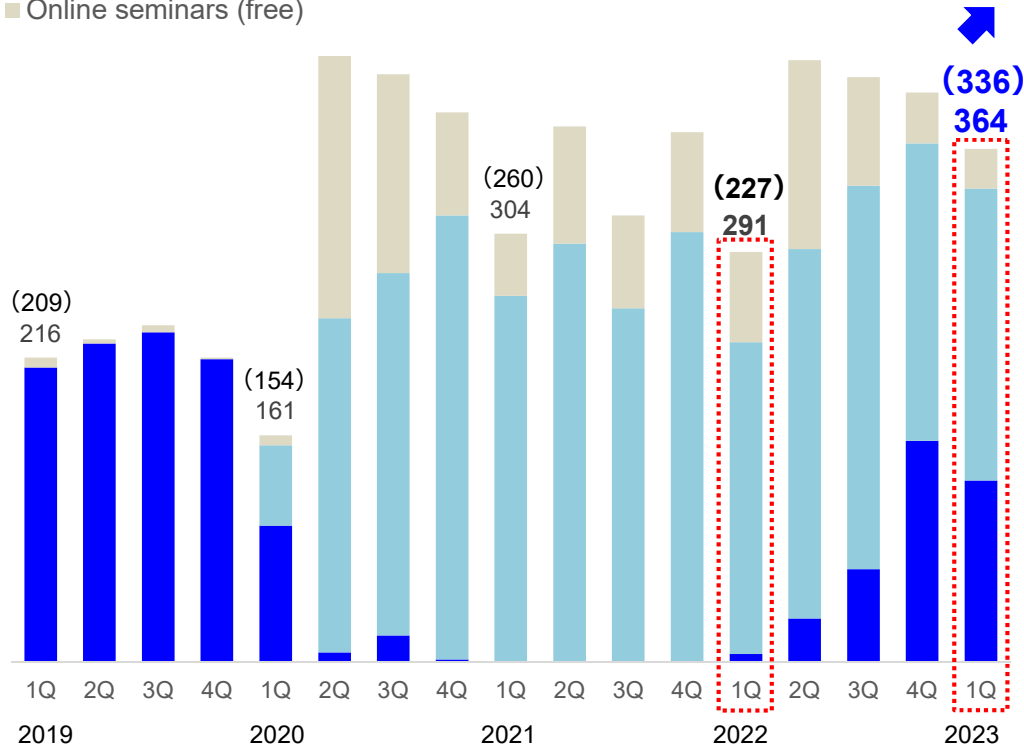
1. Executive Summary

(3) Analysis of Changes from Same Period Last Year: Management Seminars

We have eagerly restarted in-person seminars (not possible in the Covid era) to help strengthen sellability.

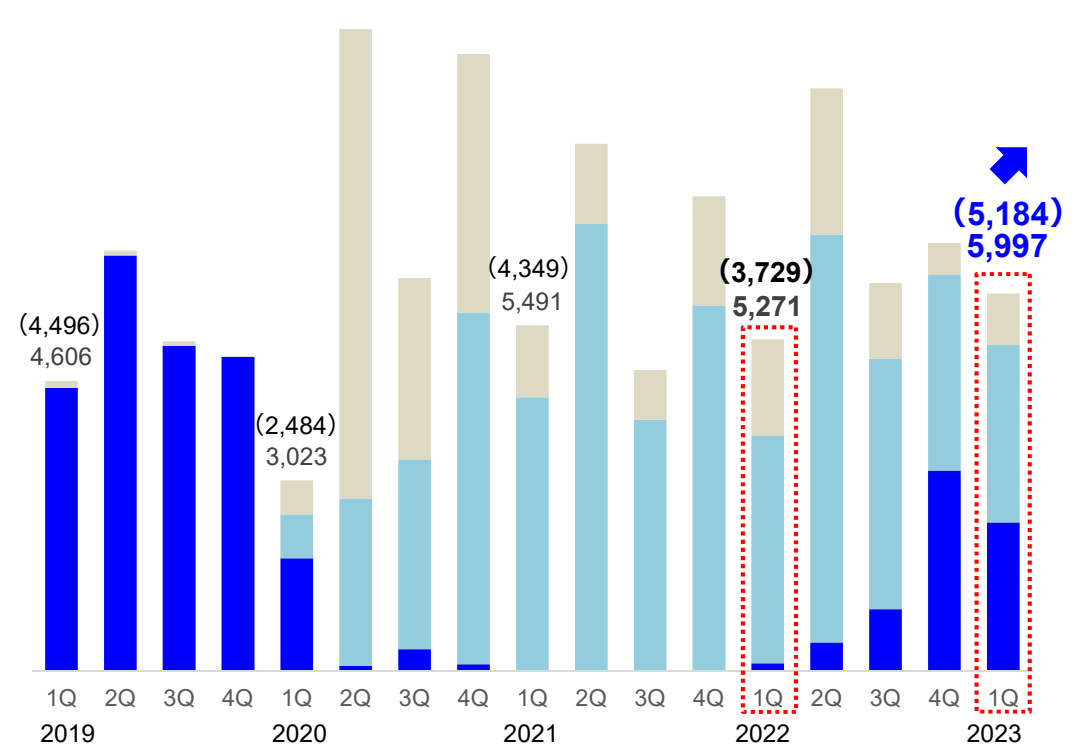
Management Seminars Held

- In-person seminars
- Online seminars (paid)
- Online seminars (free)



Management Seminars Attendance Figures

*Figures in parentheses denote paid attendance; incl. online and in-person seminars.

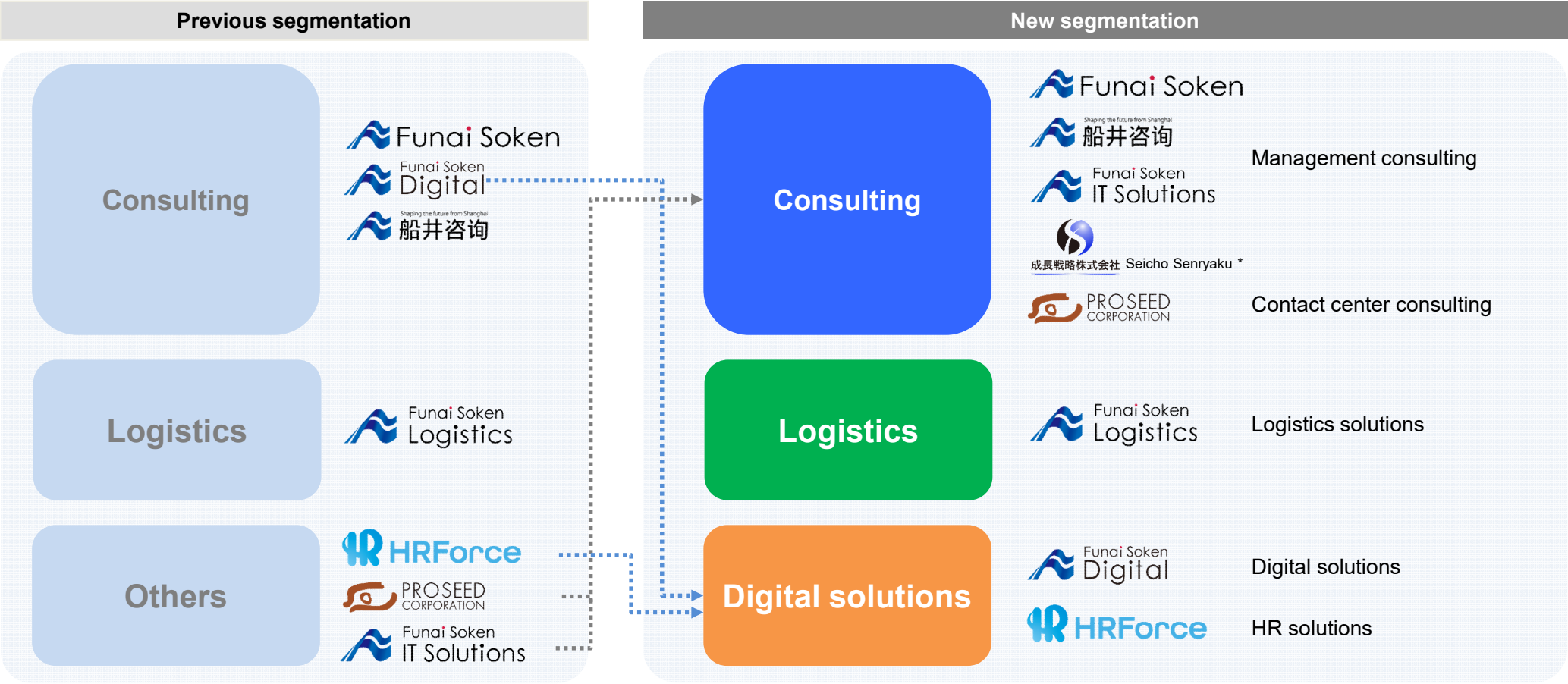


*Seminar figures are the number held by Funai Consulting.

FY2023 1st Quarter Financial Results

(FYI) Changes in Segments

We have adjusted our segments to better suit our business strategy. We now have three segments: 1. Consulting, 2. Logistics, and 3. Digital solutions.



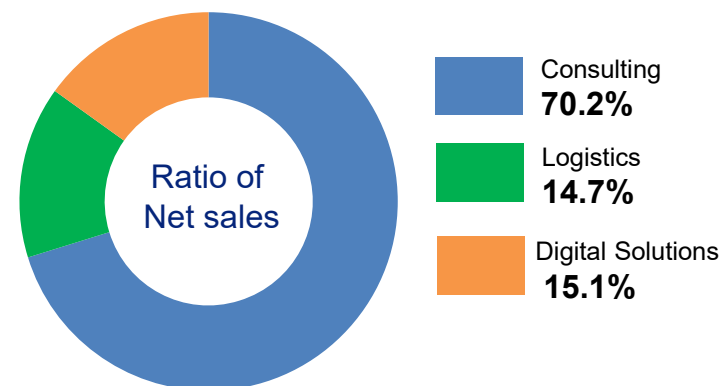
*Seicho Senryaku joined the Funai Soken Consulting Group in January 2023.

2. FY2023 1st Quarter Financial Results

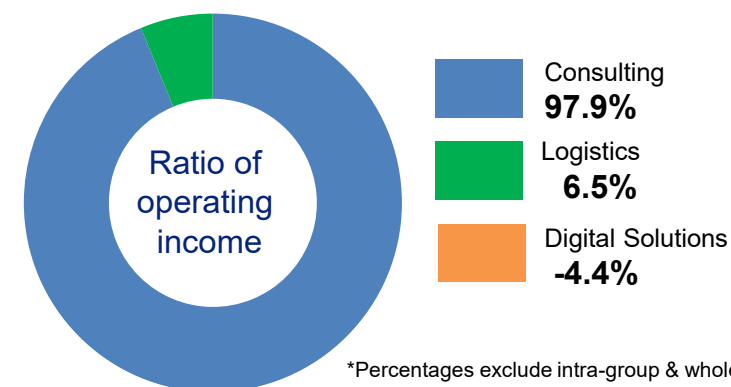
(1) Results of Operations by Segment

- Orders increased in all segments and sales were up across the board. The stepping up of sales activity and aggressive hiring have put downward pressure on profits.
- Personnel costs increased in the digital solutions segment as we invest in hiring to secure engineers and other necessary staff.

Net sales	March 2022	March 2023	
	Amount (million yen)	Amount (million yen)	Change (%)
Consulting	4,426	4,750	+7.3
Logistics	910	994	+9.2
Digital Solutions	900	1,020	+13.4
(Intra-group & whole-group transactions)	4	4	—
Total	6,241	6,770	+8.5



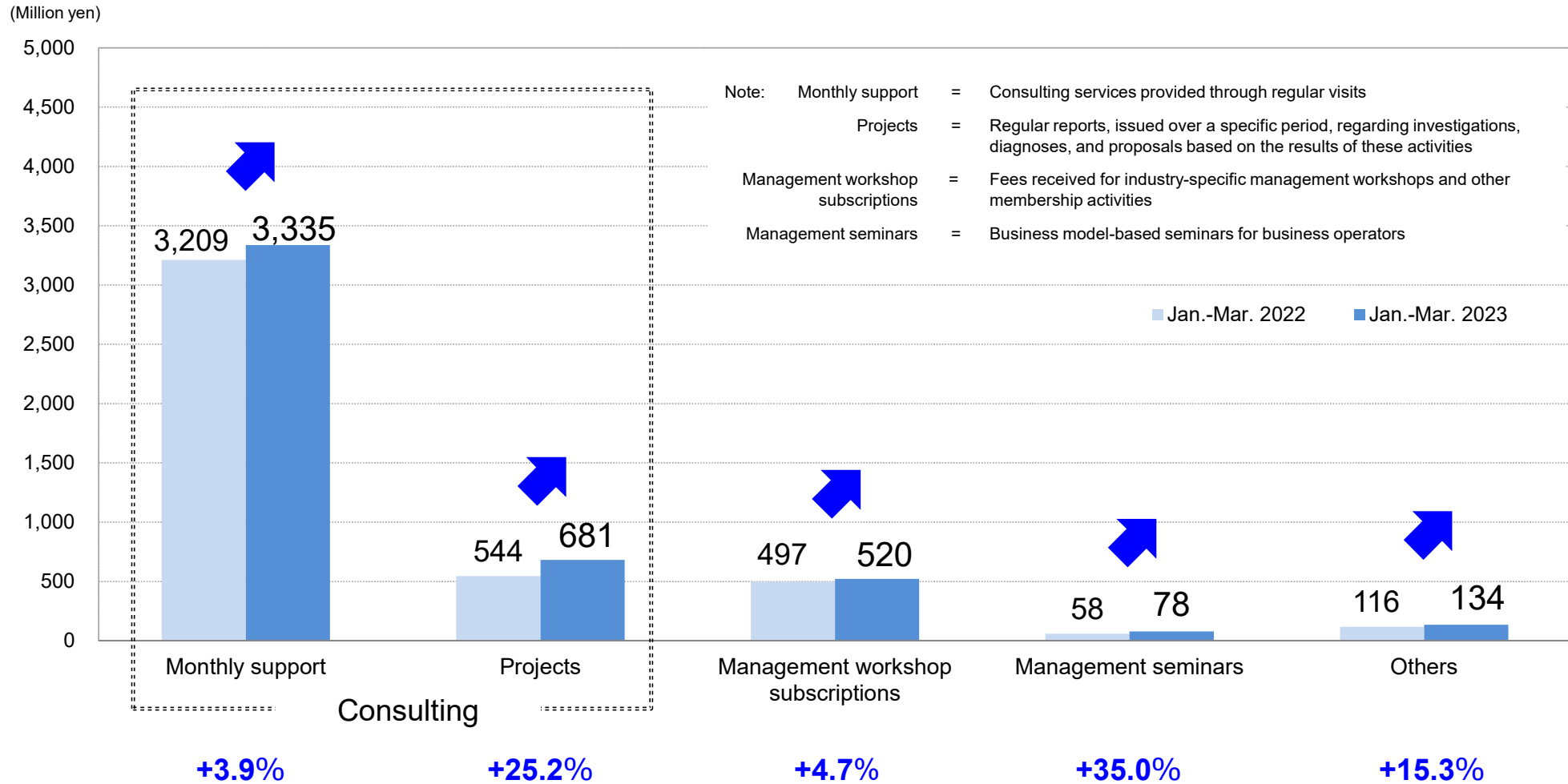
Operating income	March 2022	March 2023	
	Amount (million yen)	Amount (million yen)	Change (%)
Consulting	1,781	1,724	-3.2
Logistics	134	114	-15.0
Digital Solutions	152	-77	—
(Intra-group & whole-group transactions)	12	4	—
Total	2,081	1,765	-15.2



*Percentages exclude intra-group & whole-group transactions

2. FY2023 1st Quarter Financial Results

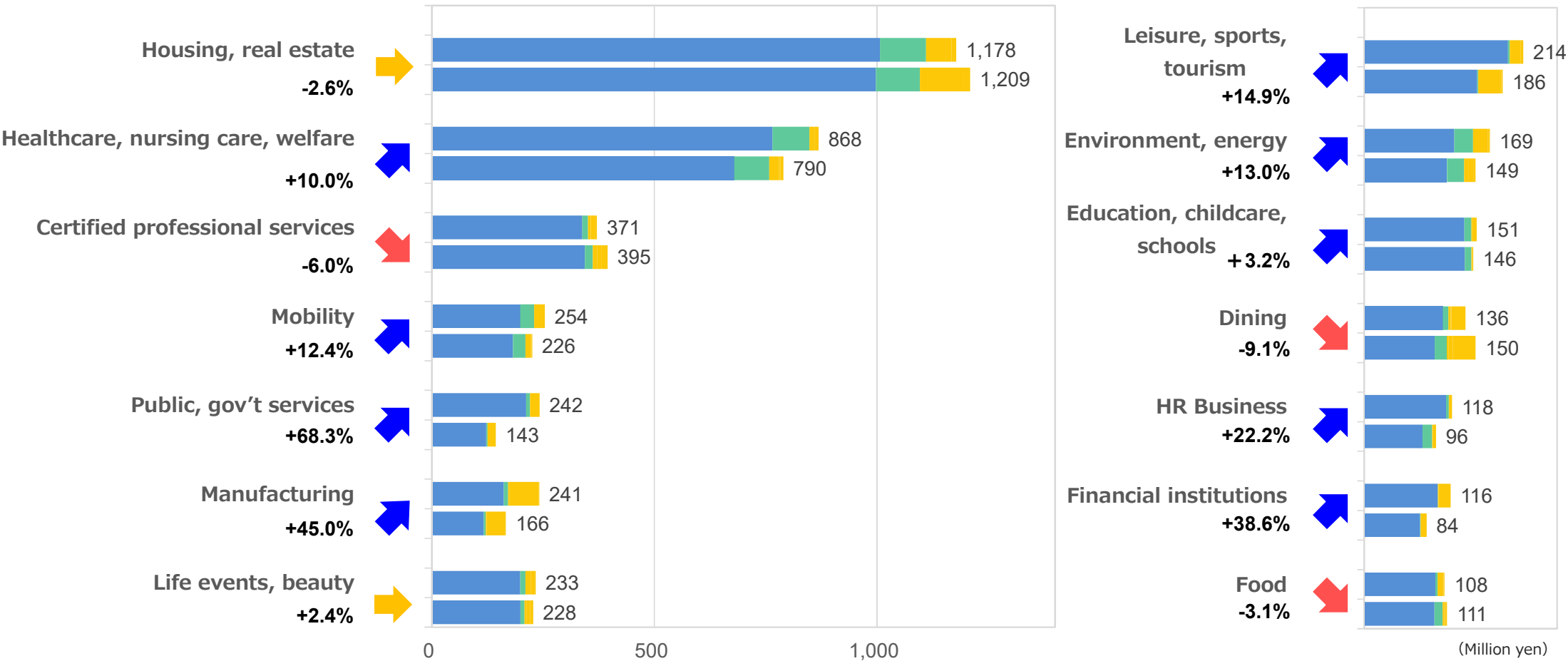
(2) Results of Operations by Segment: Consulting—Sales by Service Category



2. FY2023 1st Quarter Financial Results

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

Upper bar: Jan. – Mar. 2023
Lower bar: Jan. – Mar. 2022



*Starting this year, our client categories have been reorganized: the specialist services and the amusement industry category are now the life events and beauty and the leisure, sports, and tourism category.

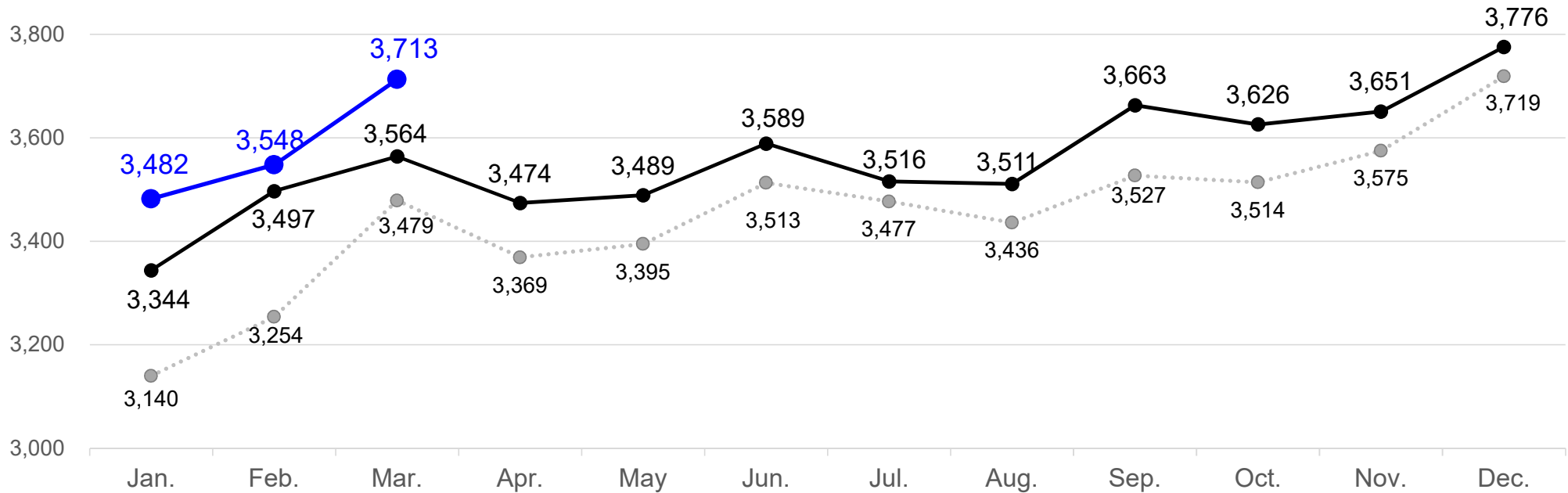
2. FY2023 1st Quarter Financial Results

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

Monthly Consulting Client Company Numbers

(No. of companies)

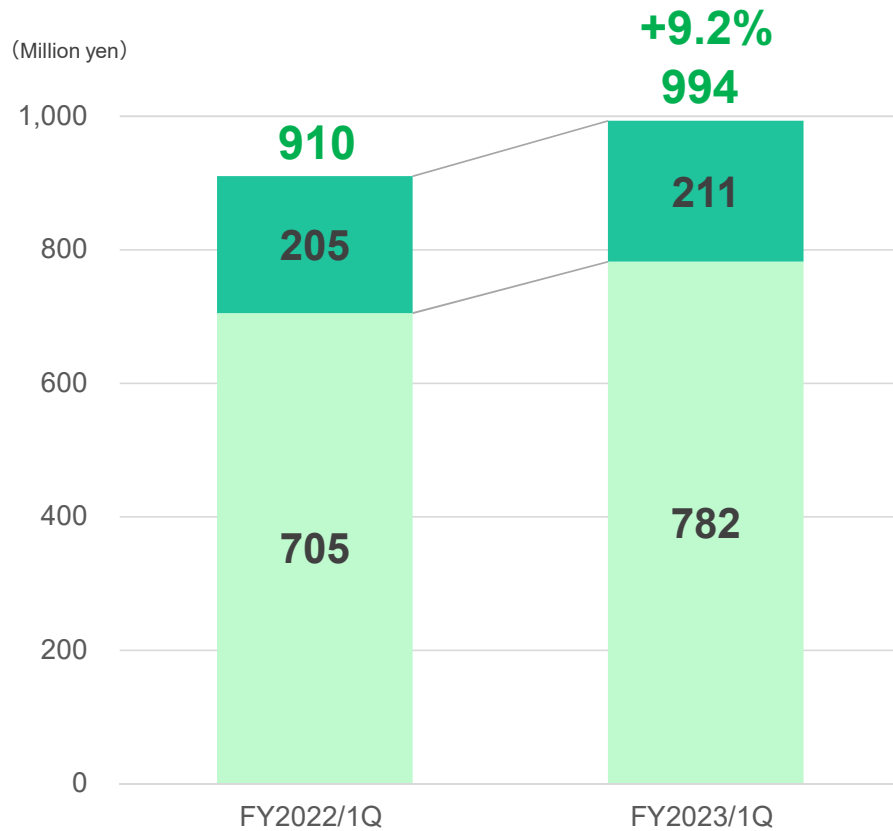
● 2021 ● 2022 ● 2023



*Figures denote the total number of consulting contracts per month in the consulting segment (i.e., Funai Consulting, Proseed, Funai Consulting Shanghai, Funai Soken IT Solutions, and Seicho Senryaku; excl. intra-group transactions).

2. FY2023 1st Quarter Financial Results

(3) Results of Operations by Segment: Logistics—Sales by Service Category



Logistics Consulting

Helping clients reduce logistics costs

+2.9%

- Consulting for logistics companies was, despite widespread reticence to invest due to the devalued yen and increased fuel costs, in line with the preceding year: 301 management workshop memberships as of Mar. 31, 2023; 308 as of Mar. 31, 2022.
- Revenues from consulting services for shipper companies increased.

Logistics BPO

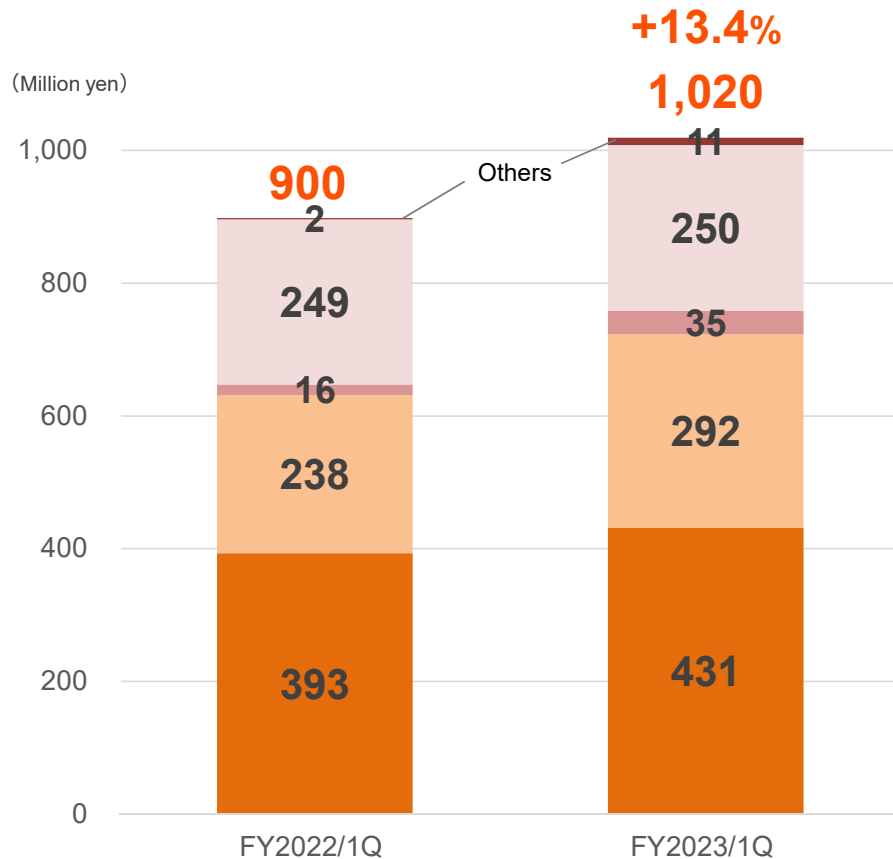
Logistics on behalf of clients
Reducing purchasing costs through joint buying

+11.0%

- 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 were level with the preceding year, affected by stubbornly high fuel prices on our core offering in this segment: joint purchasing of fuel.

2. FY2023 1st Quarter Financial Results

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



HR Solutions

+0.3%

- Despite solid growth in client numbers, sales remained level with last year as previously high recruiting demand dropped off.

IT Consulting

+117.3%

- Solid growth in sales of back-office consulting, from identifying issues to implementing solutions.

Cloud-based Solutions

+22.5%

- Additional orders from existing clients and increased orders for cloud development and operations.
- Aggressive upfront investment in recruiting to secure engineers.
Engineer headcount as of Mar. 31, 2023: 82 (as of Mar. 31, 2022: 37)

Sales Process Transformation (SPX)

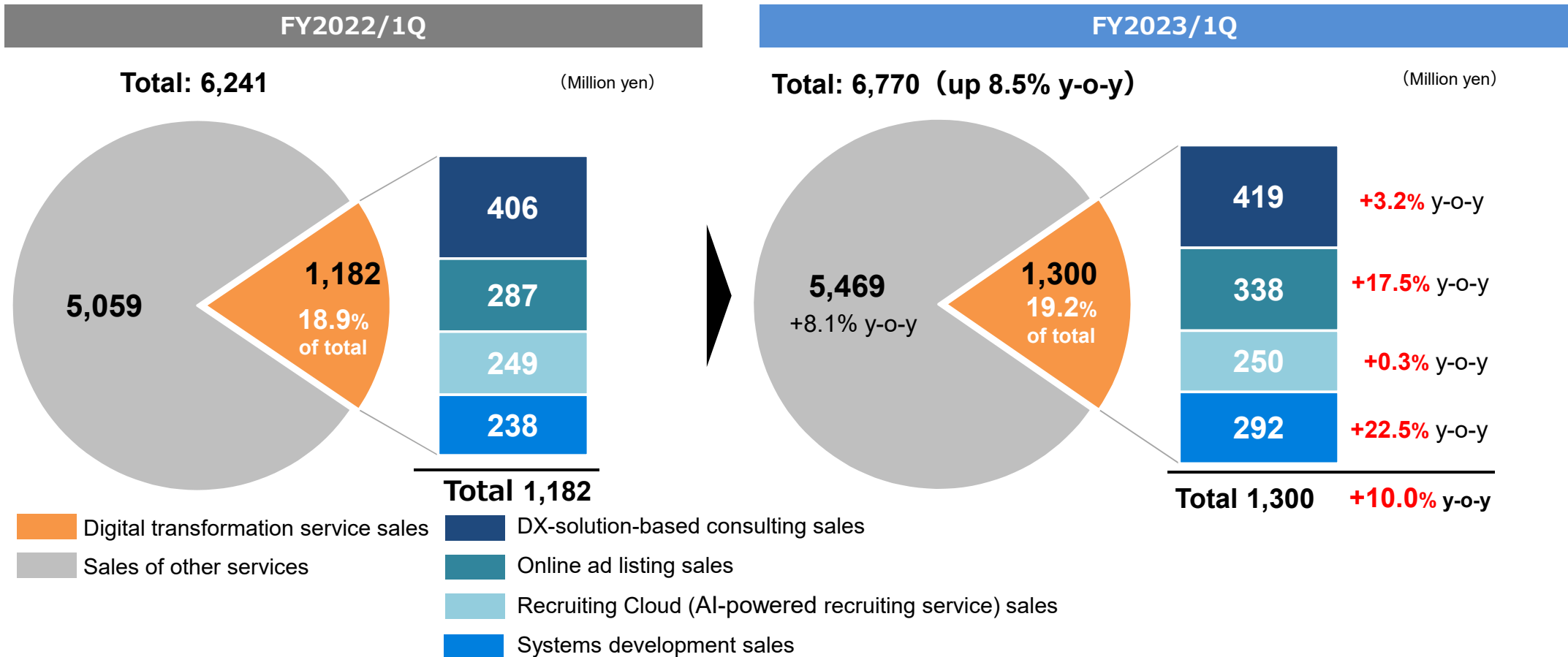
+9.7%

- Sales of online ad agency services, buoyed by ongoing strong performance.

2. FY2023 1st Quarter Financial Results

(5) Results of Operations in Digital Transformation Services

- The group is investing significant effort into digital transformation services, which grew 10%.
- Digital transformation services account for an increasingly large share of total sales and are helping grow the group's business overall.



2. FY2023 1st Quarter Financial Results

(6) Consolidated Financial Position: Balance Sheet

(Million yen)

	As of Dec. 31, 2022	As of Mar. 31, 2023	Change	Major factors behind changes	
Current assets	22,283	21,477	-806	Decrease in current assets: Major factors include decreases in cash and deposits; increases in other accounts receivable (listed under "others"). Increase in noncurrent assets: Major factors include increases in goodwill, investment securities, and guarantee deposits (listed under "other investments and other assets")	
Noncurrent assets	Property, plant, and equipment	5,813	5,798		-15
	Intangible assets	830	1,241		+410
	Investments and other assets	4,082	4,771		+688
Total assets	33,010	33,288	+278		
Current liabilities	5,067	5,625	+558	Increase in current liabilities: Major factors include increases in other accounts payable, provision for bonuses, and deposits received (listed under "others"); decreases in income taxes payable. Increase in noncurrent liabilities: Major factors include increase in long-term lease obligations (listed under "others").	
Noncurrent liabilities	242	260	+ 17		
Total liabilities	5,309	5,886	+ 576		
Total net assets	27,700	27,402	-298	Financial position remains sound with a high equity ratio of 80.4%.	
Total liabilities & net assets	33,010	33,288	+ 278		

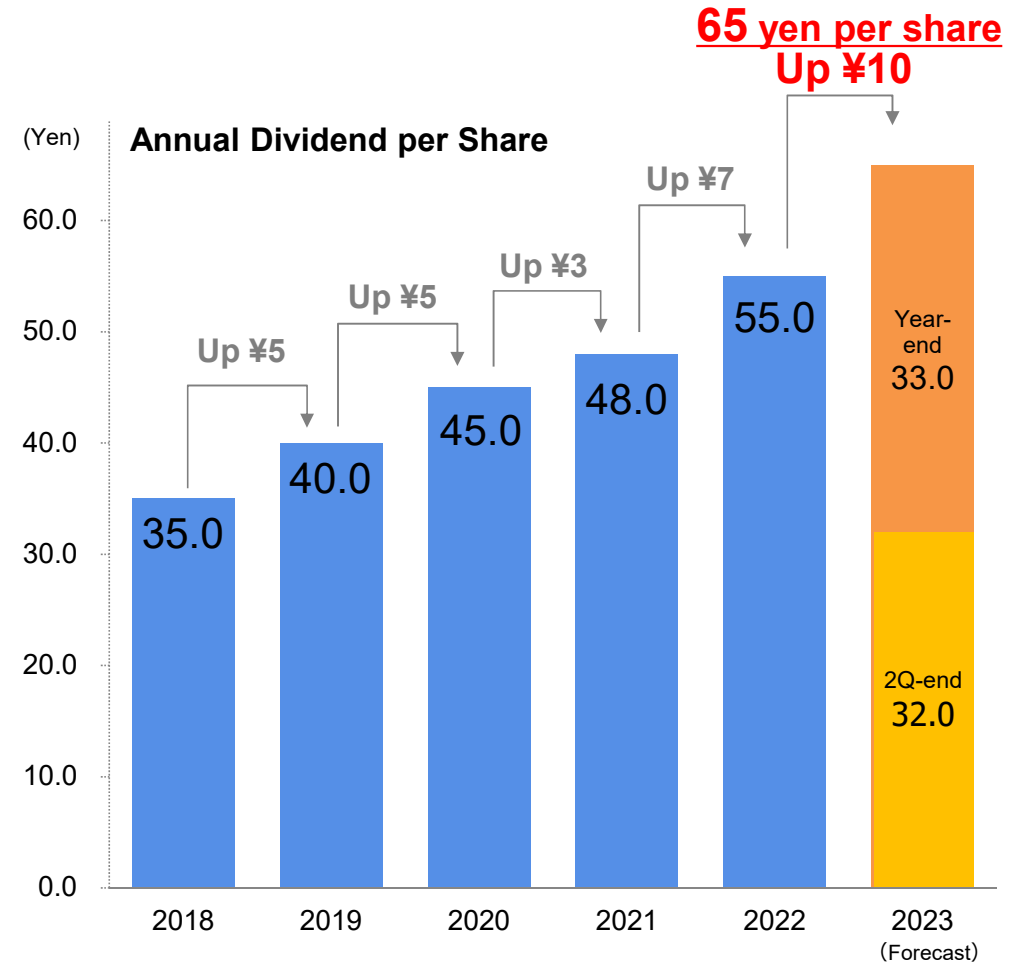
Shareholder Returns

3. Shareholder Returns

(1) Annual Dividends

We plan to pay a total dividend of 65 yen per share for FY2023, comprising an interim dividend of 32 yen and a year-end dividend of 33 yen.

Record date	Initial forecast		Actual dividend	
	Dividend (per share)	Details	Dividend (per sharer)	Details
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 *incl. 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 *Incl. 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	53.0	2Q-end 25.0 Year end 28.0	55.0	2Q-end 25.0 Year end 30.0 *Incl. a commemorative dividend of 2.0
FY2023 (Forecast)	65.0	2Q-end 32.0 Year end 33.0		

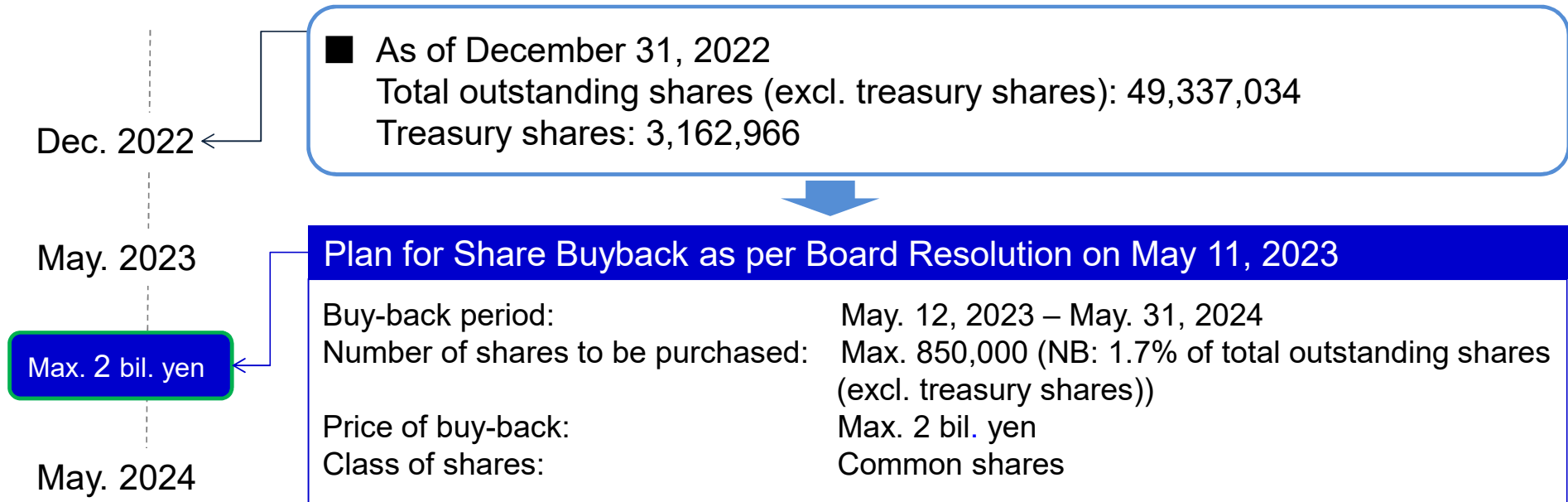


3. Shareholder Returns

(2) Purchase of Treasury Shares

- The Board of Directors voted on May 11, 2023, to undertake a 2-billion-yen buyback of shares.

The buyback of shares is designed to help improve capital efficiency and boost shareholder returns by allowing for more dynamic implementation of capital policies in response to changes in the business environment.





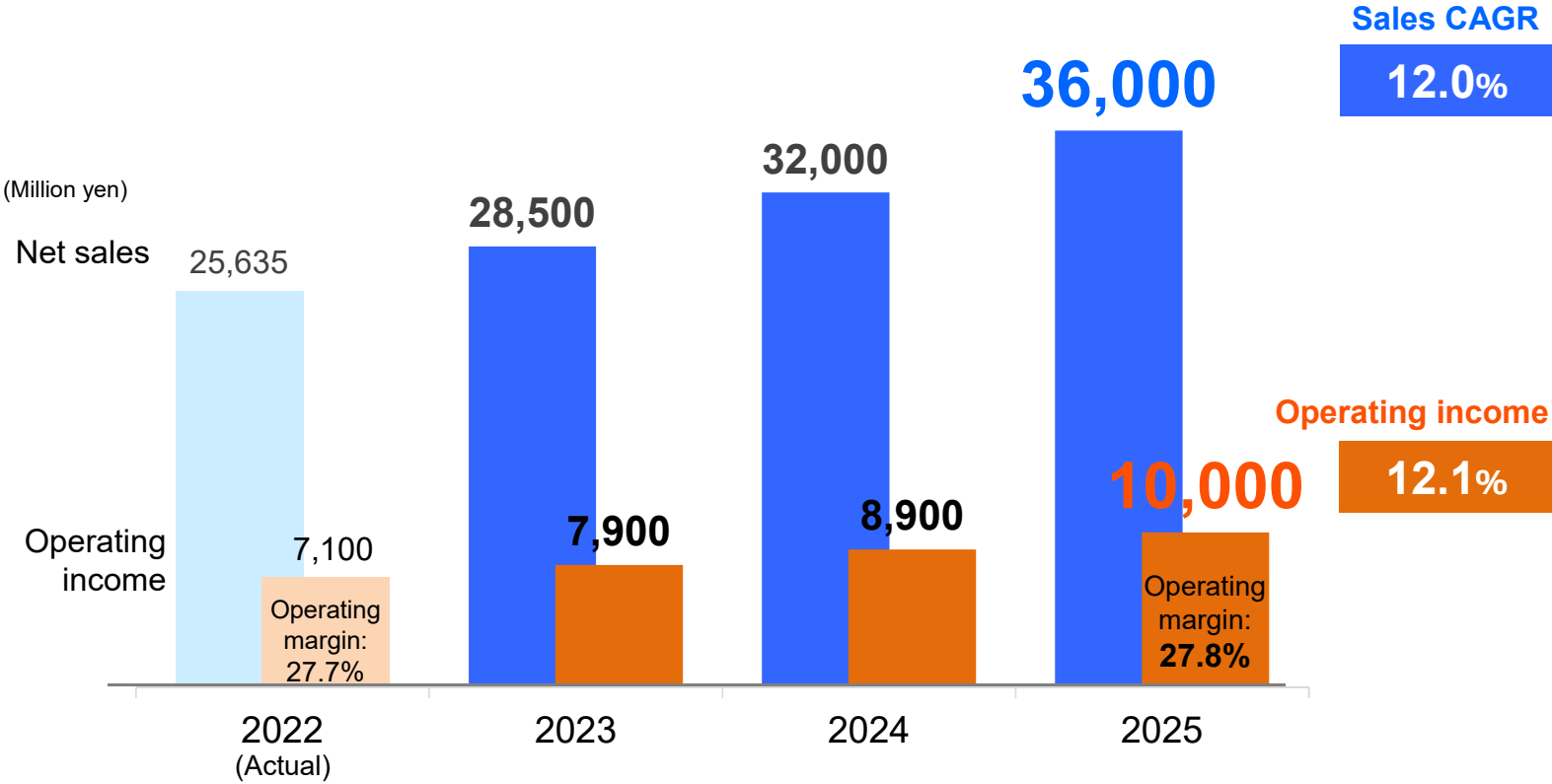
Mid-Range Business Plan (2023-2025)

(Released February 8, 2023)

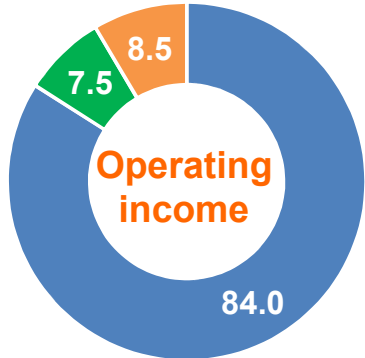
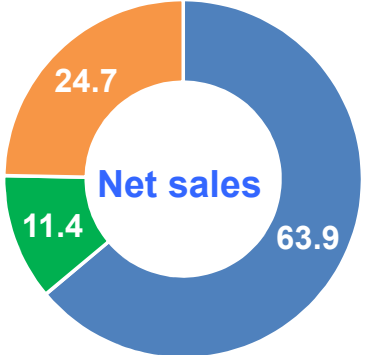
2023-2025 Targets

The target for 2025 is 36.0 billion yen in sales and 10.0 billion yen in operating income. We will endeavor to sustain high profitability while expanding our presence in the high-growth digital solutions field.

Net Sales and Operating Income: Performance & Targets



2025 Targets by Segment (%)

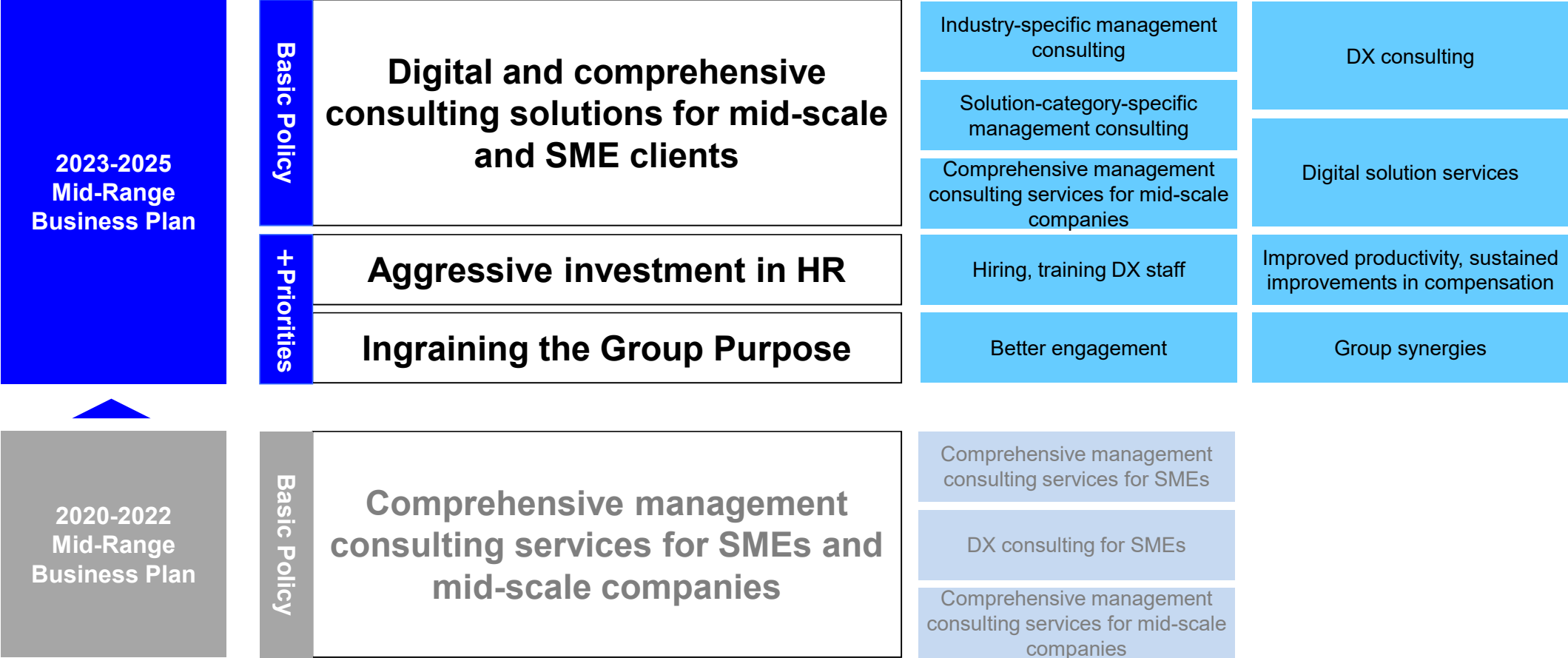


■ Consulting ■ Logistics ■ Digital solutions

*Percentages exclude intra-group & whole-group transactions

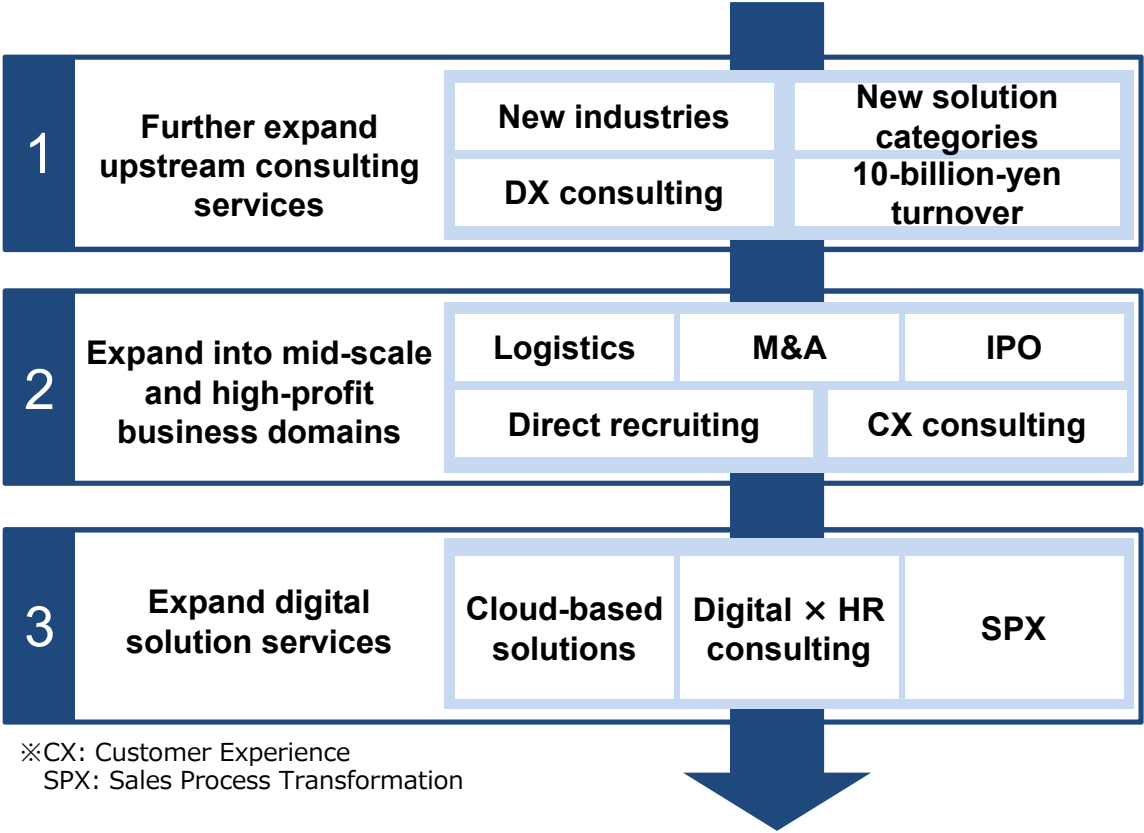
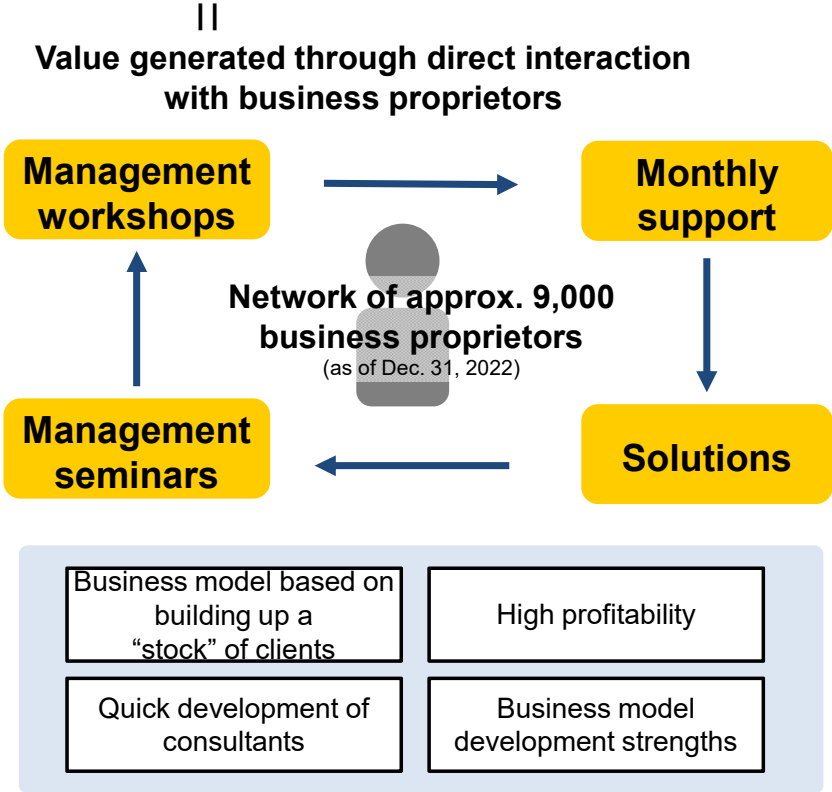
Mid-Range Business Plan 2023–2025: Policies

Under the new plan, our basic policy is to establish our group as the foremost provider of **digital and comprehensive consulting solutions for mid-scale and SME clients**, with **aggressive investment in HR** and **ingraining the Group Purpose** identified as priorities.



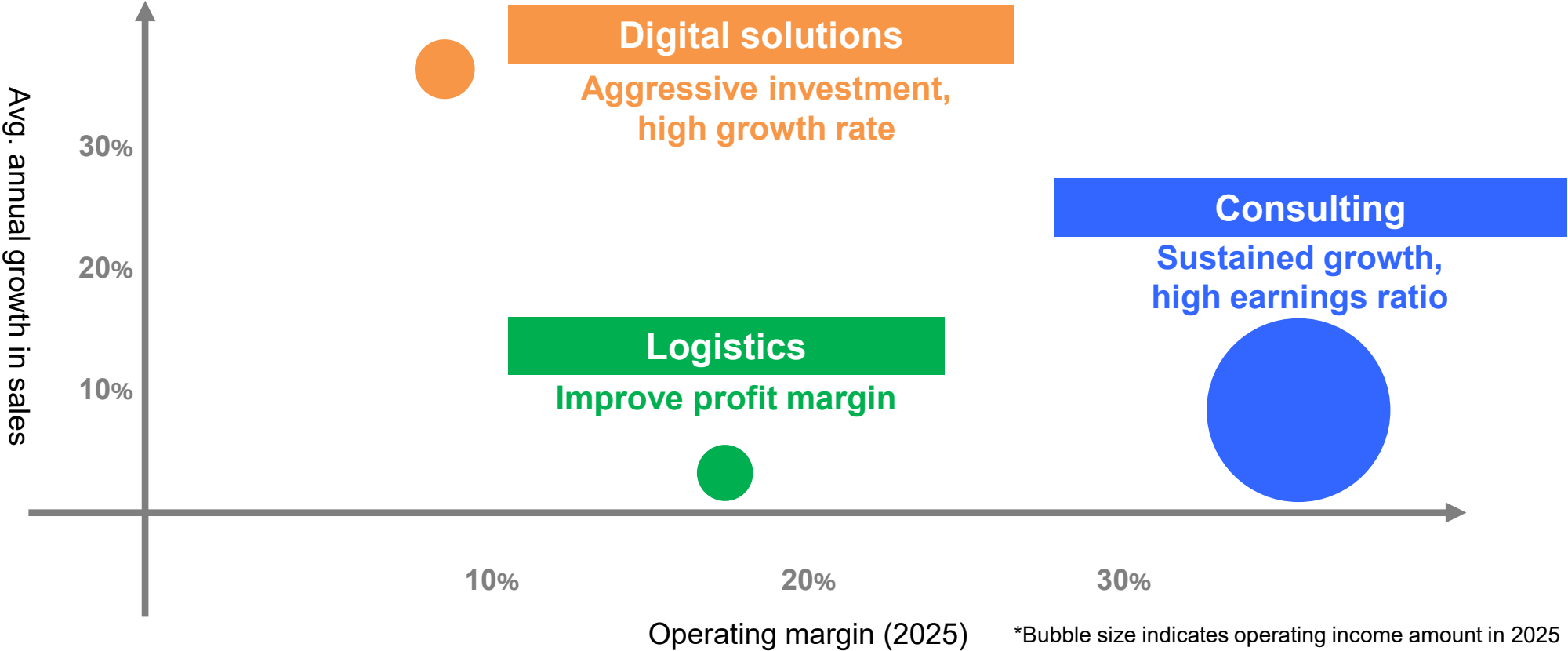
Direct contact with a large pool of proprietors gives us a unique strength: the ability to approach immediately with upstream services. In this way, we can maintain high profitability while expanding our business so as to provide a full spectrum of solutions for SMEs and mid-scale companies seamlessly.

Seamless delivery of digital and comprehensive management solutions leverage our long-standing strengths to serve mid-scale and SME clients.



Strategies by Segment (1)

We are aiming to boost sustained growth without compromising the high profitability of our core consulting segment. We will also invest aggressively in the high-growth digital consulting market.



*Bubble size indicates operating income amount in 2025

Strategies by Segment (2)

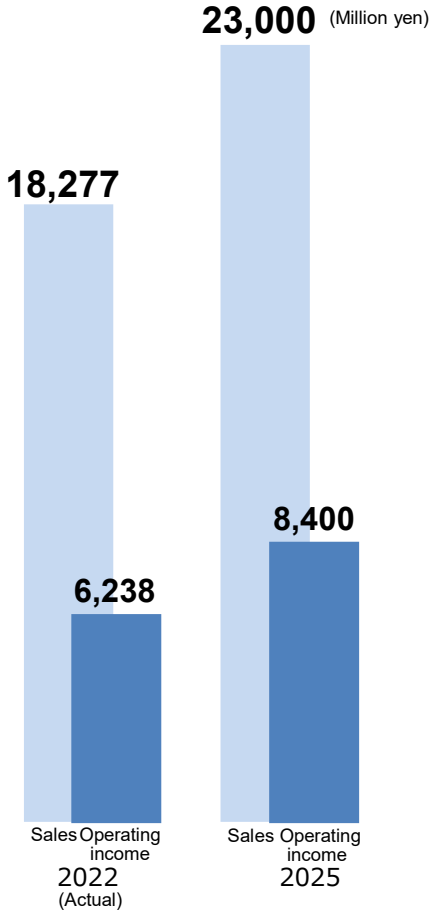
Consulting

Sustained growth, high earnings ratio

Operating income CAGR 10.4%

Operating margin 36.5%

- Further deepen industry-specific consulting for SMEs
- Manufacturing: priority industry. Boost offerings to clients in that sector.
- DX consulting: Develop industry-specific cloud modules (Growth Cloud); thereby expand to incorporate HR in addition to MA, SFA, and CRM
- Consulting for mid-scale companies
 - Expand consulting services designed to propel client companies to the 10-billion-yen turnover mark
 - Expand M&A consulting services
 - Expand IPO support services
 - Bolster hiring, training of project management staff
- Develop and invest effort into new growth industries: e.g., CX consulting, rural community revitalization, new business planning support



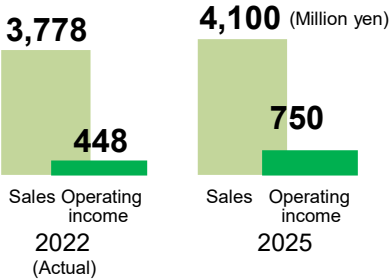
Logistics

Improve profit margin

Operating income CAGR 18.7%

Operating margin 18.3%: +6.4%

- Boost profitability by increasing consulting as proportion of sales
- Expand scope and reach of services: e.g., logistics real estate, global supply chain consulting, platforms (build data center for logistics information)
- Logistics ESG consulting services with a focus on the environment



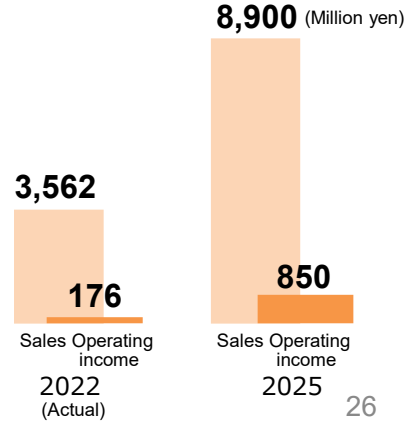
Digital solutions

Aggressive investment, high growth rate

Sales CAGR 35.7%

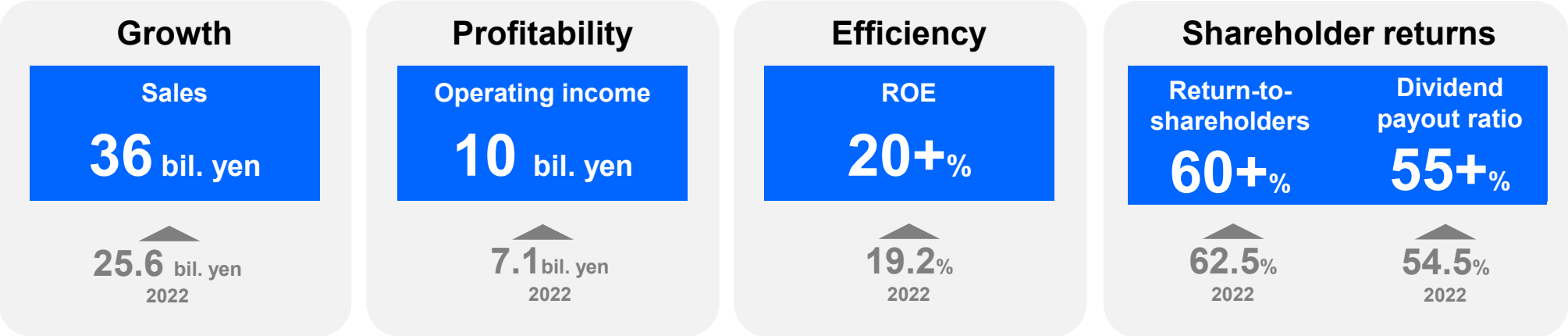
Operating income CAGR 69.0%

- Roll out sales process transformation (SPX) services* with a focus on digital marketing
- Cloud-based solutions development
- Back-office consulting and BPO centered on IT consulting
- Expand HR Tech business domain: e.g., HR solutions, recruitment process outsourcing (RPO), SaaS education

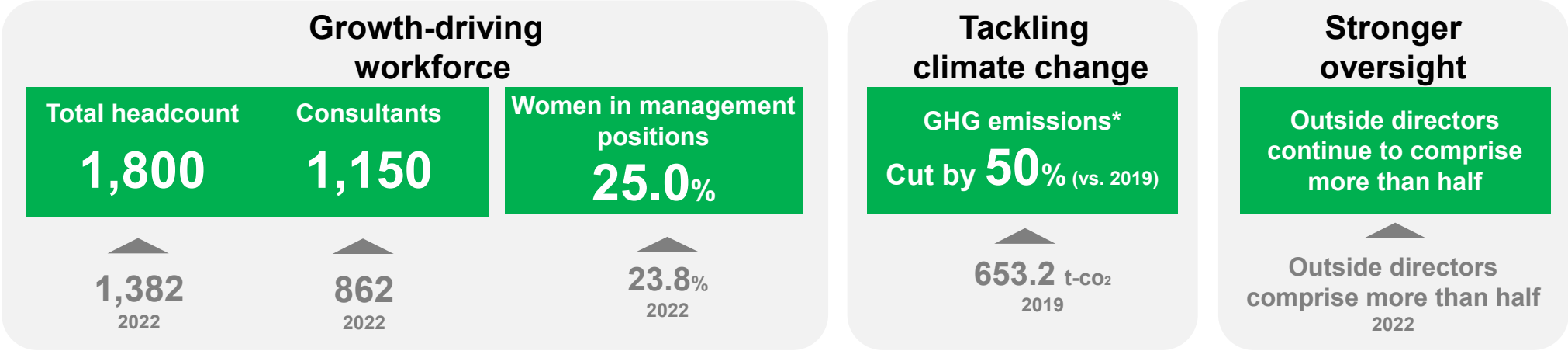


Numerical Targets for 2025

Financial



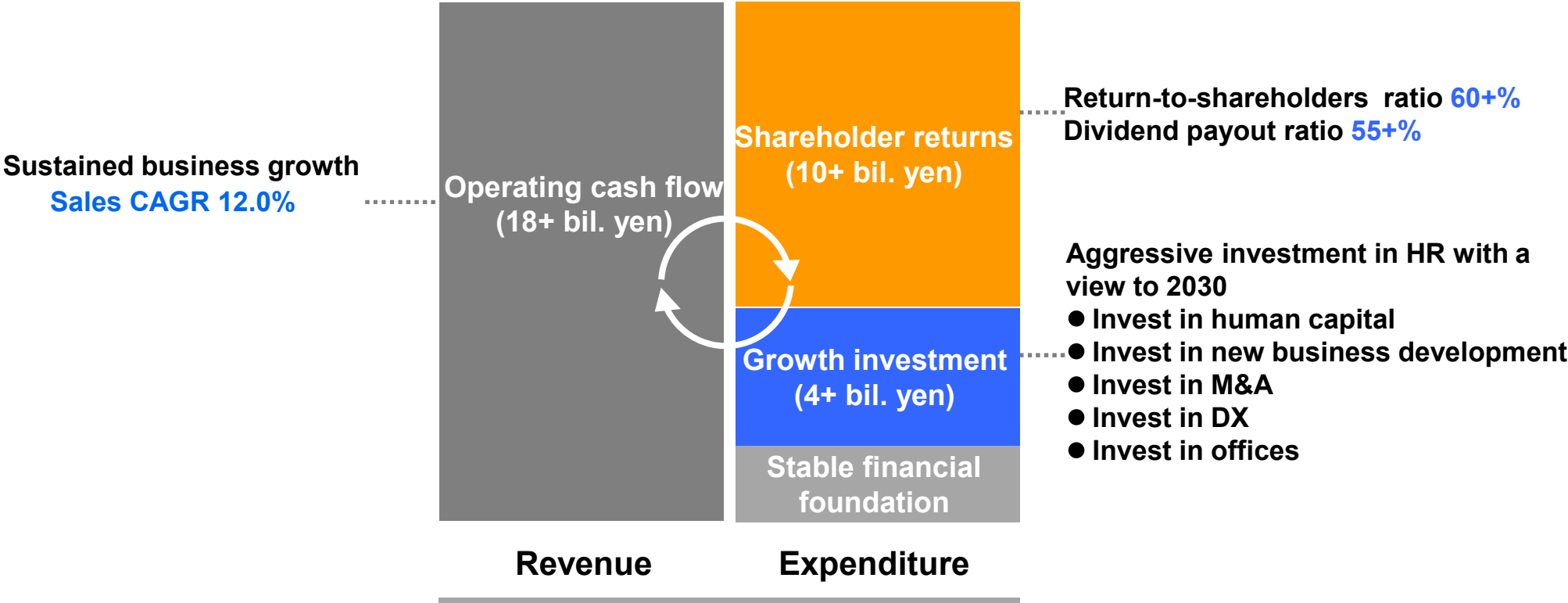
Sustainability



*Per Scope 1 and 2.

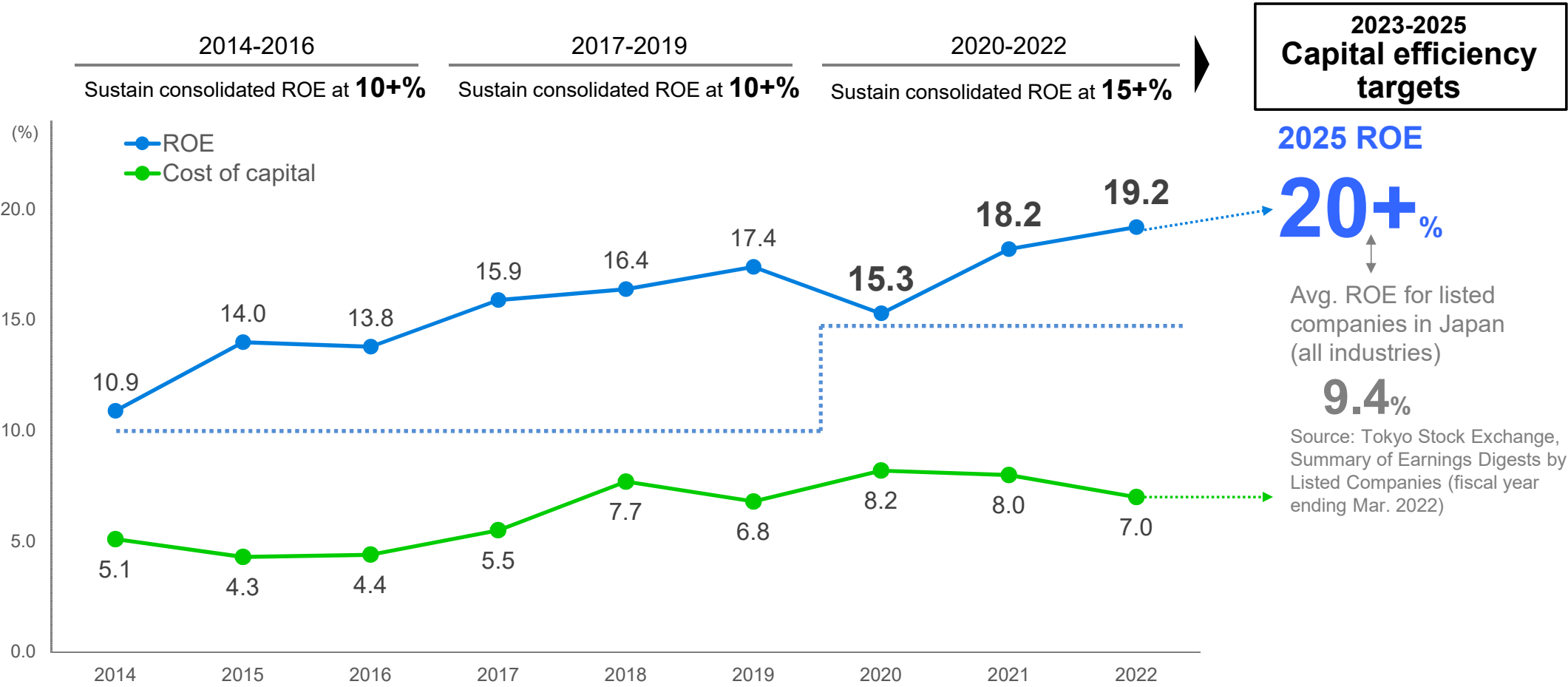
Investment Strategy & Cash Allocation

We will allocate cash earned in operations between activities aimed at generating **future growth** and appropriate **shareholder returns**, thus improving shareholder value. We will also use the 2023-2025 plan period for aggressive investment in HR with a view to 2030.



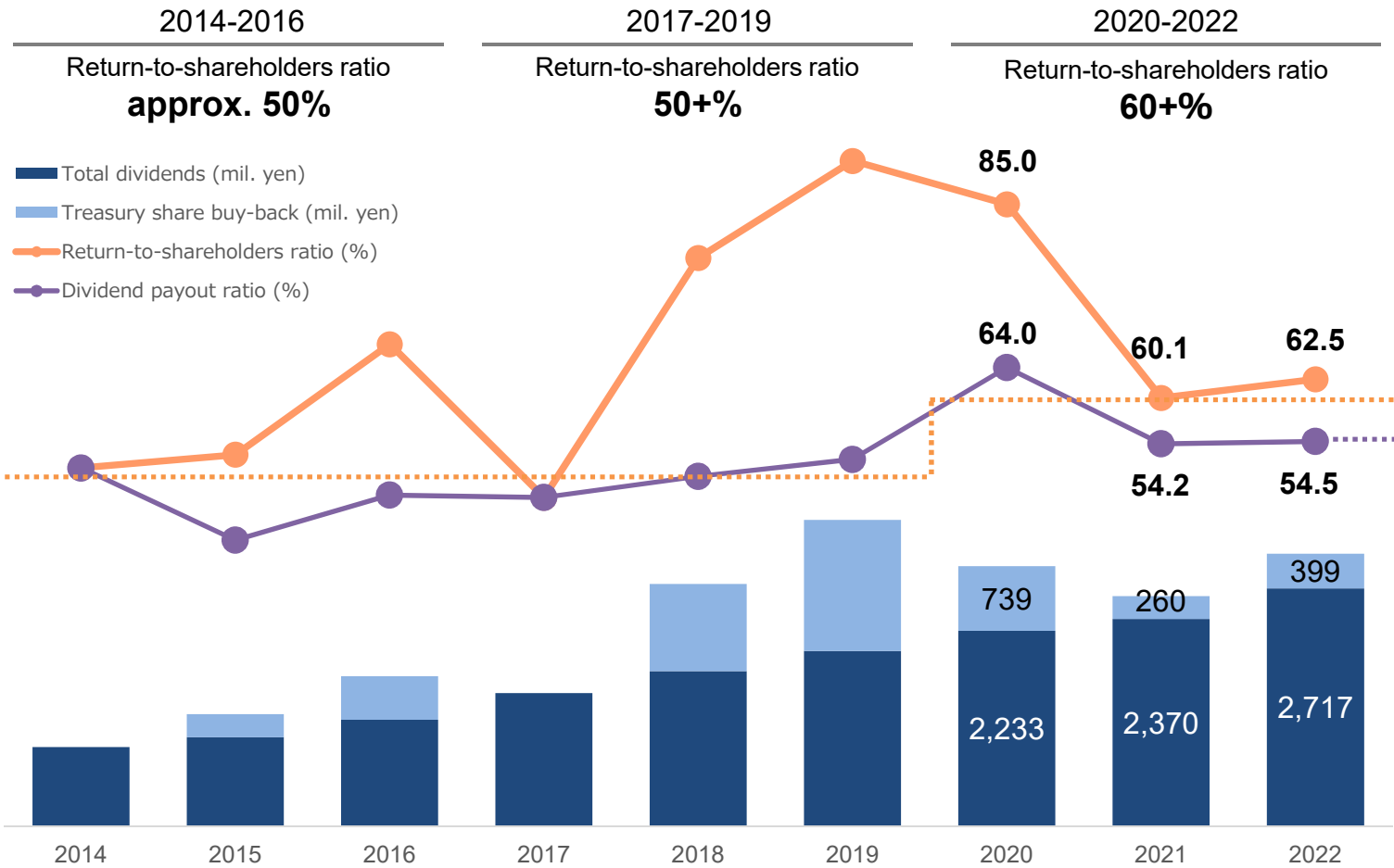
Financial Strategy: (1) Capital Policy

Through ongoing growth investment, increased capital efficiency ratio, and high shareholder returns, we aim to achieve sustained improvements in corporate value. Our target is an ROE of at least 20% by 2025.



Financial Strategy: (2) Shareholder Returns Policy

We will continue to strive for a high rate of shareholder returns, such as through ongoing dividend increases and share buybacks.



**2023-2025
Shareholder
Returns Policy**

Return-to-shareholders ratio

60+%

Dividend payout ratio

55+%

+

Dynamic share buybacks

+

Ongoing dividend increases

(Current dividend increase streak unbroken since FY2011)

We will strive to increase the number of consultants and business staff—i.e., employees with a direct bearing on sales—by an average of 10% per year.

Growth Targets by HR Category

Consultants	2025	1,150 <small>(862 in 2022)</small>	Increase	+288
			CAGR	10.1%

- Increase upstream service consultants, expand profitability
- Bolster mid-career recruiting in high-growth domains like DX and M&A consulting
- Boost productivity by strengthening recruiting and training of project management staff able to work with mid-scale clients

Business staff	2025	400 <small>(305 in 2022)</small>	Increase	+95
			CAGR	9.5%

- Expand system development and BPO, accelerate growth
- Boost engineer numbers; bolster DX solution development

**"Business staff" are those that work in consulting departments with a direct bearing on sales but who are not consultants; roles include development engineering, product sales, new business, management workshop operations staff, etc.

Key Initiatives in HR Strategy

Hiring

Ramp up hiring: 1,800 headcount by end of 2025

- Restrengthen hiring of recent graduates for consulting positions
- Strengthen mid-career hiring in new and specialist fields
- Hire people from more diverse backgrounds for management roles

Training & career development

Training & career development for consultants and business staff

- Expand training programs to accelerate development of new and younger employees
- Improve productivity through acquisition of digital skills by consultants
- Expand investment in professional development to boost staff skills and develop the pool of management candidates

Retention

Improve employee value proposition to boost retention of talent

- Boost retention through sustained improvements in compensation
- Boost communication by relocating Tokyo office and consolidating into a single floor
- Increase employee engagement by sharing the Group Purpose

ESG Initiatives for a Priority Objective: Ingraining the Group Purpose

With the importance of ESG in mind, we will further ramp up our ESG initiatives.

Major Challenges and Corresponding SDGs

Major Initiatives

	Major Challenges and Corresponding SDGs	Major Initiatives
E	<p>Environment</p> <p>Tackling climate change</p> <p>Effective use of finite resources</p>    	<ul style="list-style-type: none"> ● Ascertain the whole group’s environmental footprint, disclose information about initiatives aimed at ongoing improvements ● Environmental education, compliance with conservation laws and regulations ● Offer environmentally considerate solutions, advice, and support as part of industry-specific services in the consulting and logistics segments
	<p>People</p> <p>Addressing social responsibility, education</p>  	<ul style="list-style-type: none"> ● Provide career opportunities for a diverse range of people ● Maintain a rewarding workplace that motivates employees ● Maintain a workplace that welcomes diversity, where people can pursue careers regardless of gender, ability/disability, etc. ● Offer flexible, diverse working styles that enable people to pursue work in a way that suits their life plans ● Proactive development of women for management roles
	<p>Communities</p> <p>Invigorating regional communities</p>  	<ul style="list-style-type: none"> ● Consulting services as a vehicle for community development ● Great Company Awards identify and spread the word about companies showing sustainable growth nationwide
G	<p>Governance</p> <p>Promoting fairness and justice</p>  	<ul style="list-style-type: none"> ● Enhance corporate governance ● Improve the effectiveness of the Board of Directors ● A stronger information security framework



The Funai Soken Consulting Group Purpose

Sustainable growth for more companies

We lead the way to a better future and a more productive society in which more companies can achieve growth in any conditions and people can reach their full potential

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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