

3rd Quarter of Fiscal Year Ending December 2023 Summary of Financial Results

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

November 8, 2023



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Executive Summary

1. Executive Summary

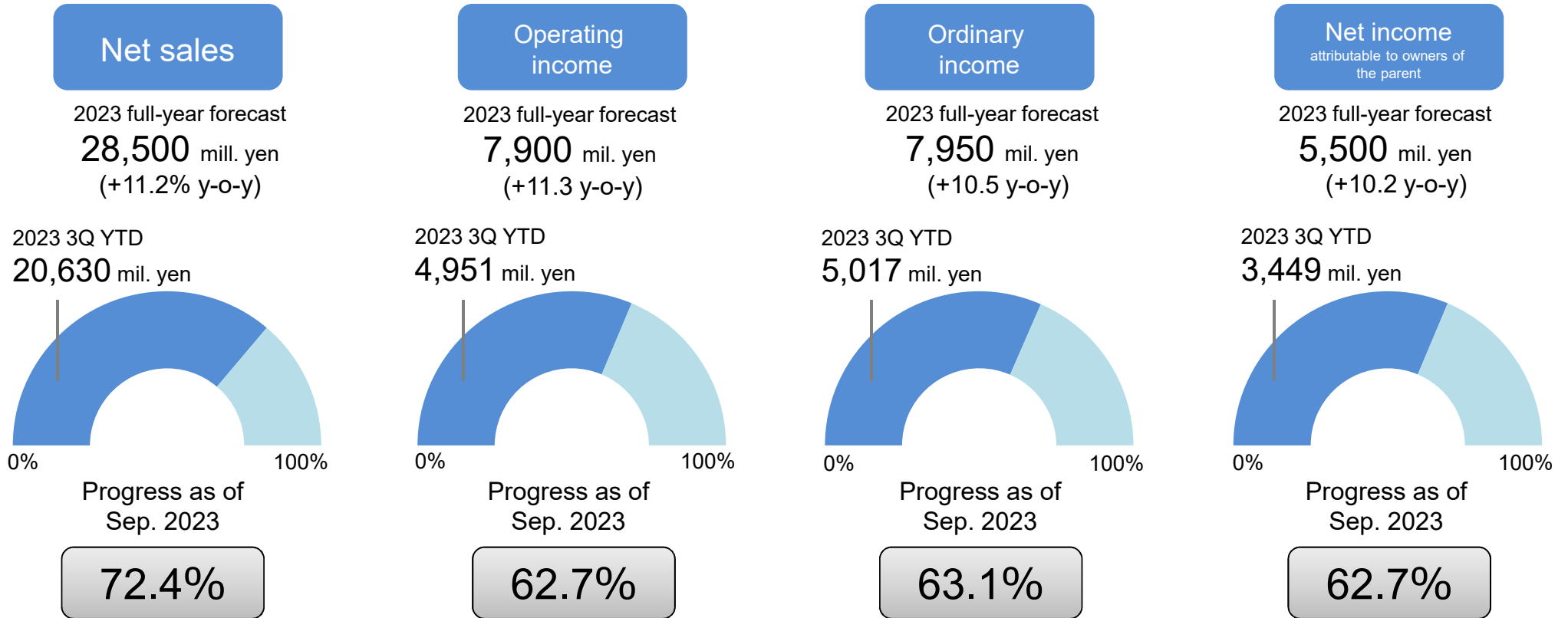
(1) Consolidated Income

- Sales were solid, with sales of monthly support services and project-based consulting up in the consulting segment.
- Profits were down, pressured by increased costs, mainly travel costs relating to consulting activity and aggressive investment in recruiting and hiring.

	2022 3Q YTD		2023 3Q YTD		
	Amount (million yen)	% of total	Amount (million yen)	% of total	Change (%)
Net sales	18,655	100.0	20,630	100.0	+10.6
Operating income	5,329	28.6	4,951	24.0	- 7.1
Ordinary income	5,382	28.9	5,017	24.3	- 6.8
Net income attributable to owners of the parent	3,680	19.7	3,449	16.7	- 6.3

1. Executive Summary

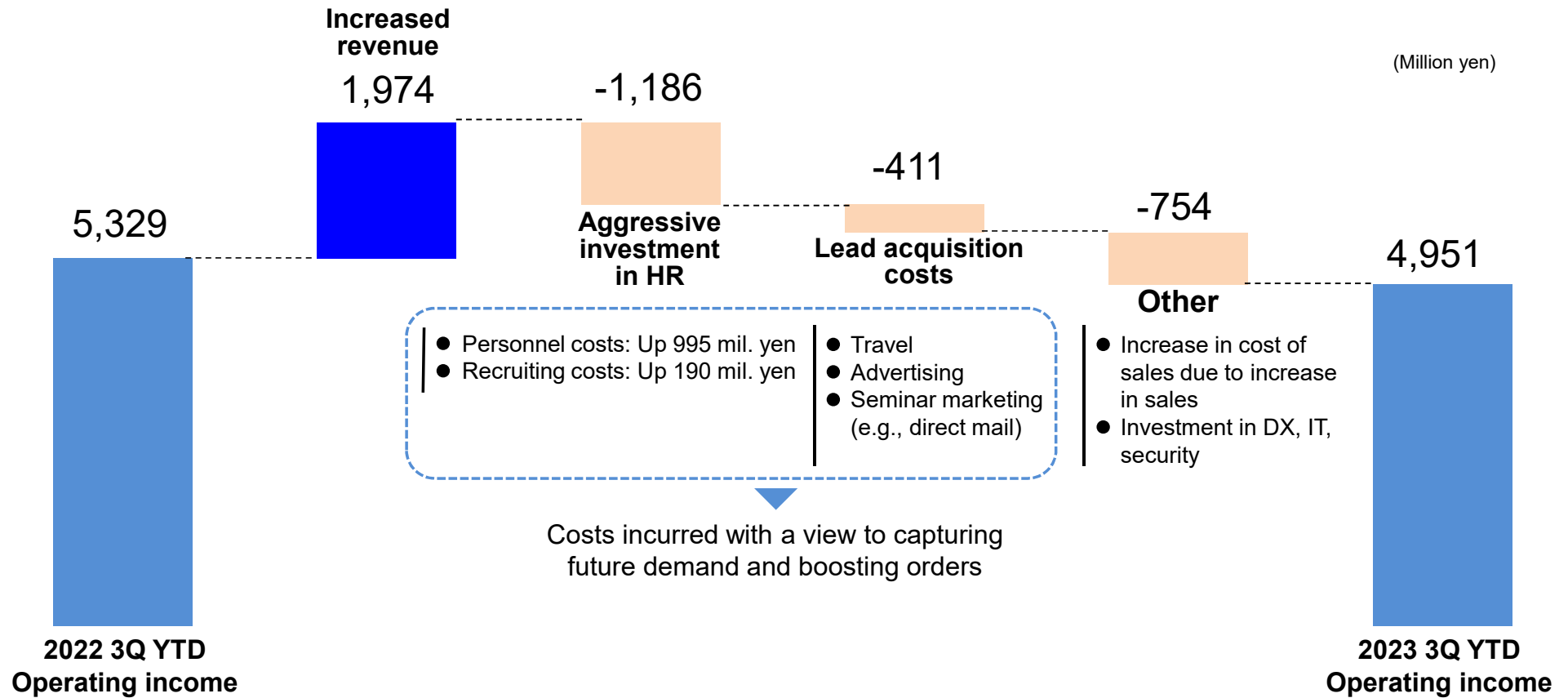
(2) Progress in Comparison with This Year's Forecasts



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).
- Consultant numbers (one of our most important KPIs) have risen much faster than initial targets.

	2022 3Q YTD	2023 3Q YTD		2023 target	2025 Mid-Range Business Plan target
Total headcount	1,378 +47 (+3.5%)	1,554	Net gain +176 (+12.8%)	1,510	1,800
Consultants	881 -3 (-0.3%)	999	Net gain +118 (+13.4%)	950	1,150
Business staff	285	325	Net gain +40 (+14.0%)	330	400
Workforce admin	212	230	Net gain +18 (+8.5%)	230	250
DX staff incl. in above	203	312	Net gain +109 (+53.7%)		

*"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.

*Business staff and workforce admin staff are new categories introduced in 2022. Year-on-year comparisons are calculated starting in 2023.

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

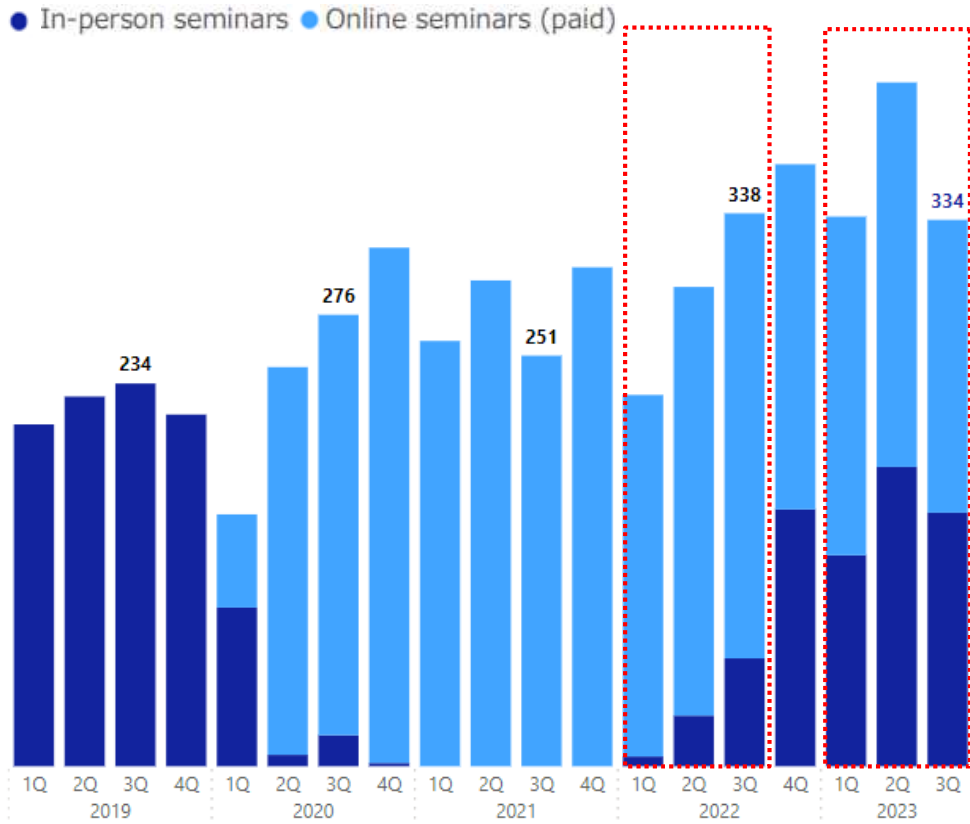
1. Executive Summary

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

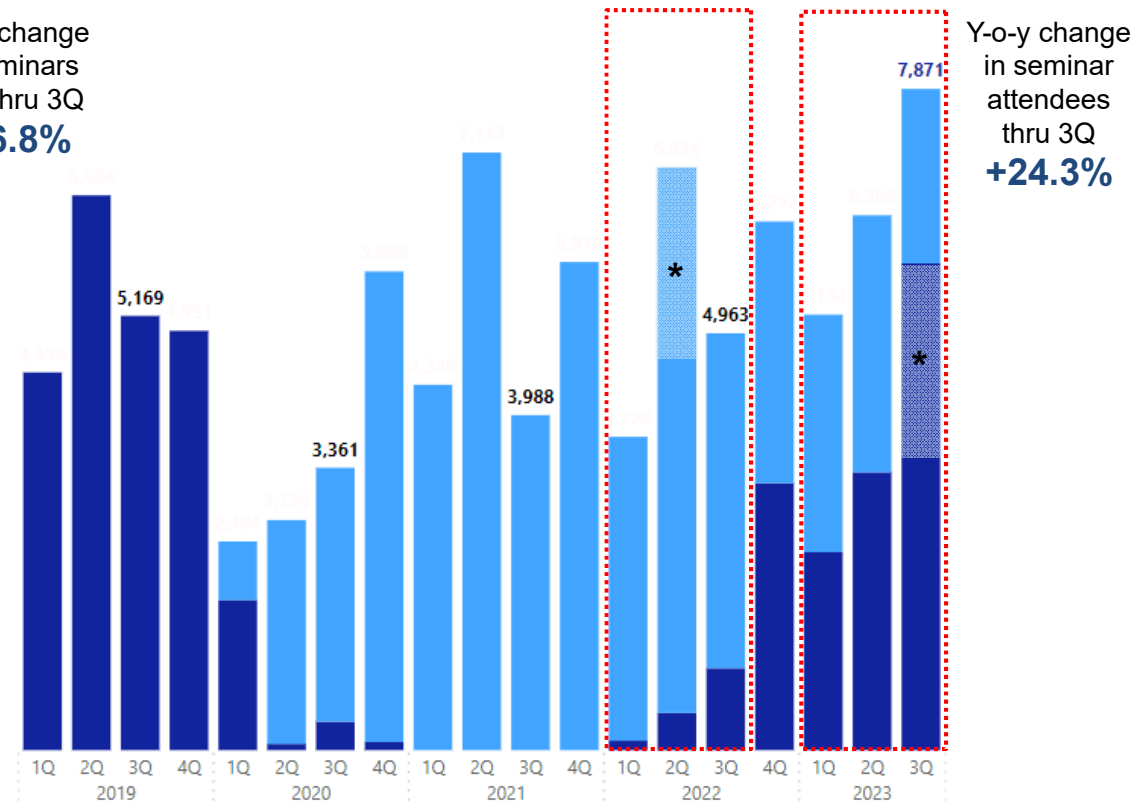
We have eagerly restarted in-person seminars (not possible in the Covid era) to help strengthen sellability.

*Attendee numbers include those attending the National Management Strategy Seminar Conference. In 2022, 2,457 are included in 2Q paid online seminars; in 2023, 2,686 are included in 3Q in-person seminars.

Management Seminars Held



Management Seminars Attendance Figures

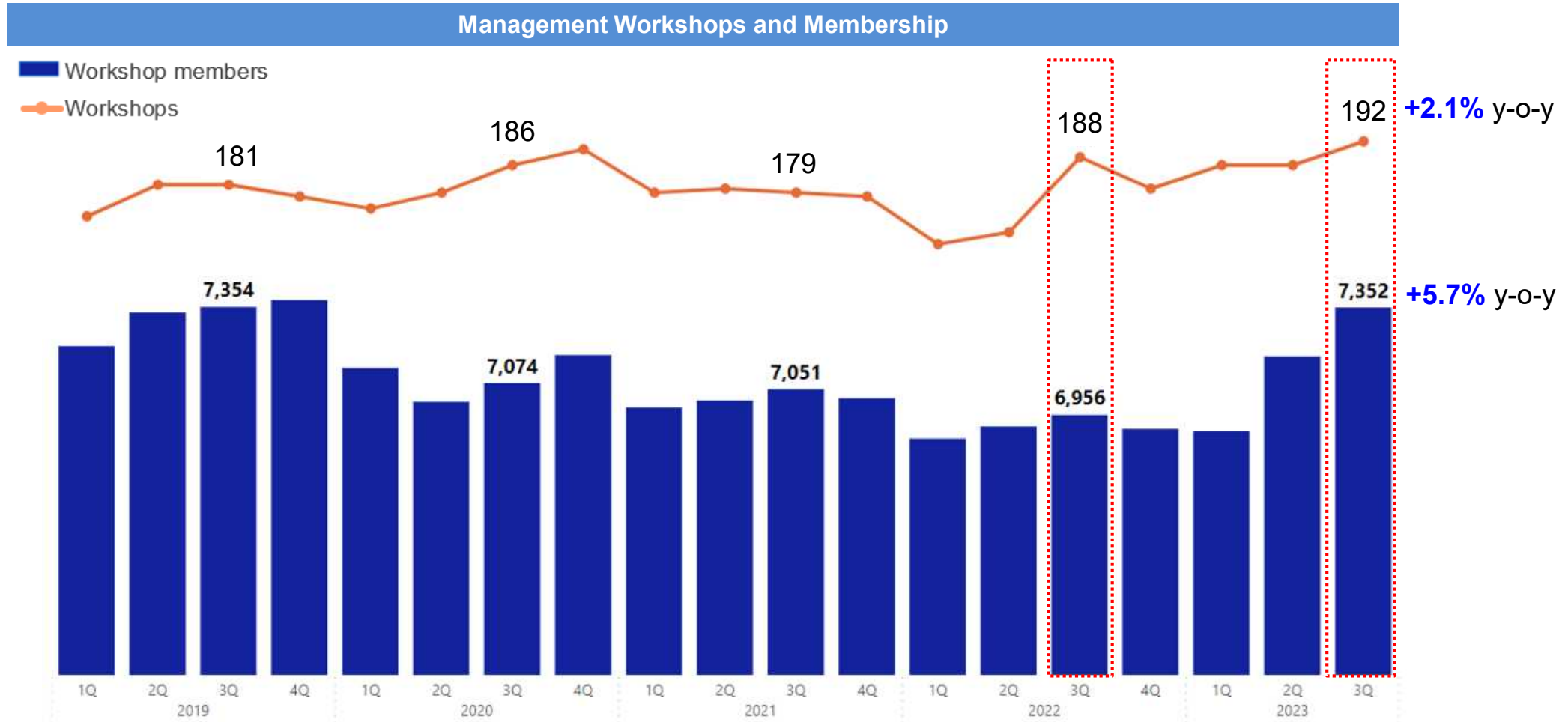


*Seminar figures are the number held by Funai Consulting.

1. Executive Summary

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

Workshop memberships, which decreased during the Covid years, have begun recovering this year.



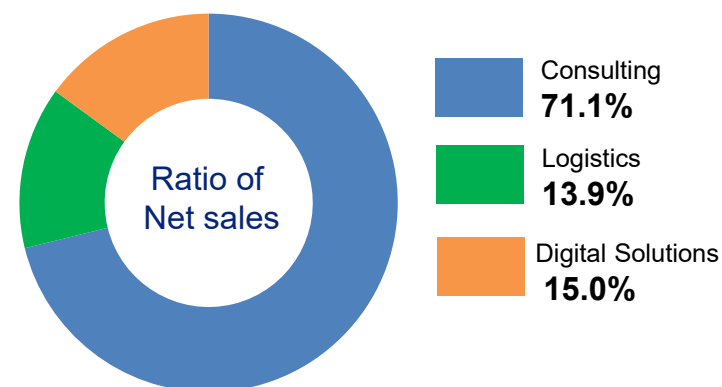
Financial Results as of FY2023 3Q

2. Financial Results as of FY2023 3Q

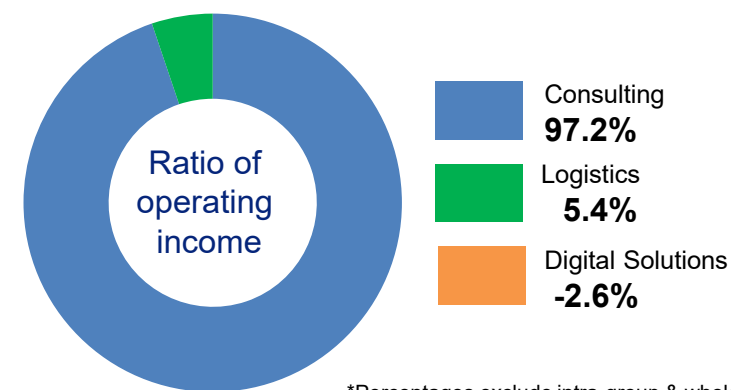
(1) Results of Operations by Segment

- In the consulting segment, orders were strong and consulting client company numbers grew steadily, resulting in increases in sales and income.
- In the logistics and digital solutions segments, an increase in hiring drove personnel costs higher. Thus, sales were up but income was down.

Net sales	2022 3Q YTD	2023 3Q YTD	
	Amount (million yen)	Amount (million yen)	Change (%)
Consulting	13,184	14,669	+11.3
Logistics	2,796	2,859	+2.3
Digital Solutions	2,662	3,089	+16.0
(Intra-group & whole-group transactions)	12	12	—
Total	18,655	20,630	+10.6



Operating income	2022 3Q YTD	2023 3Q YTD	
	Amount (million yen)	Amount (million yen)	Change (%)
Consulting	4,589	4,689	+2.2
Logistics	357	258	-27.7
Digital Solutions	196	-126	—
(Intra-group & whole-group transactions)	186	130	—
Total	5,329	4,951	-7.1

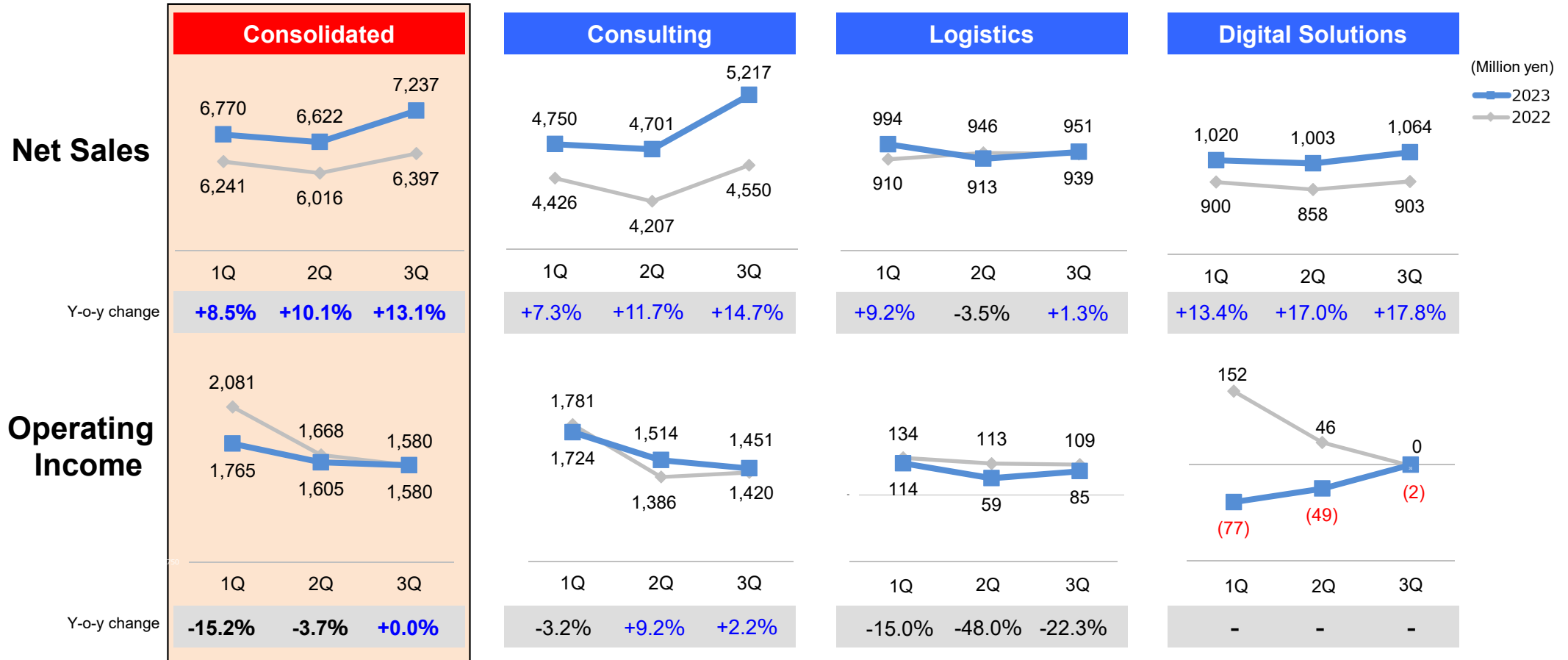


*Percentages exclude intra-group & whole-group transactions

2. Financial Results as of FY2023 3Q

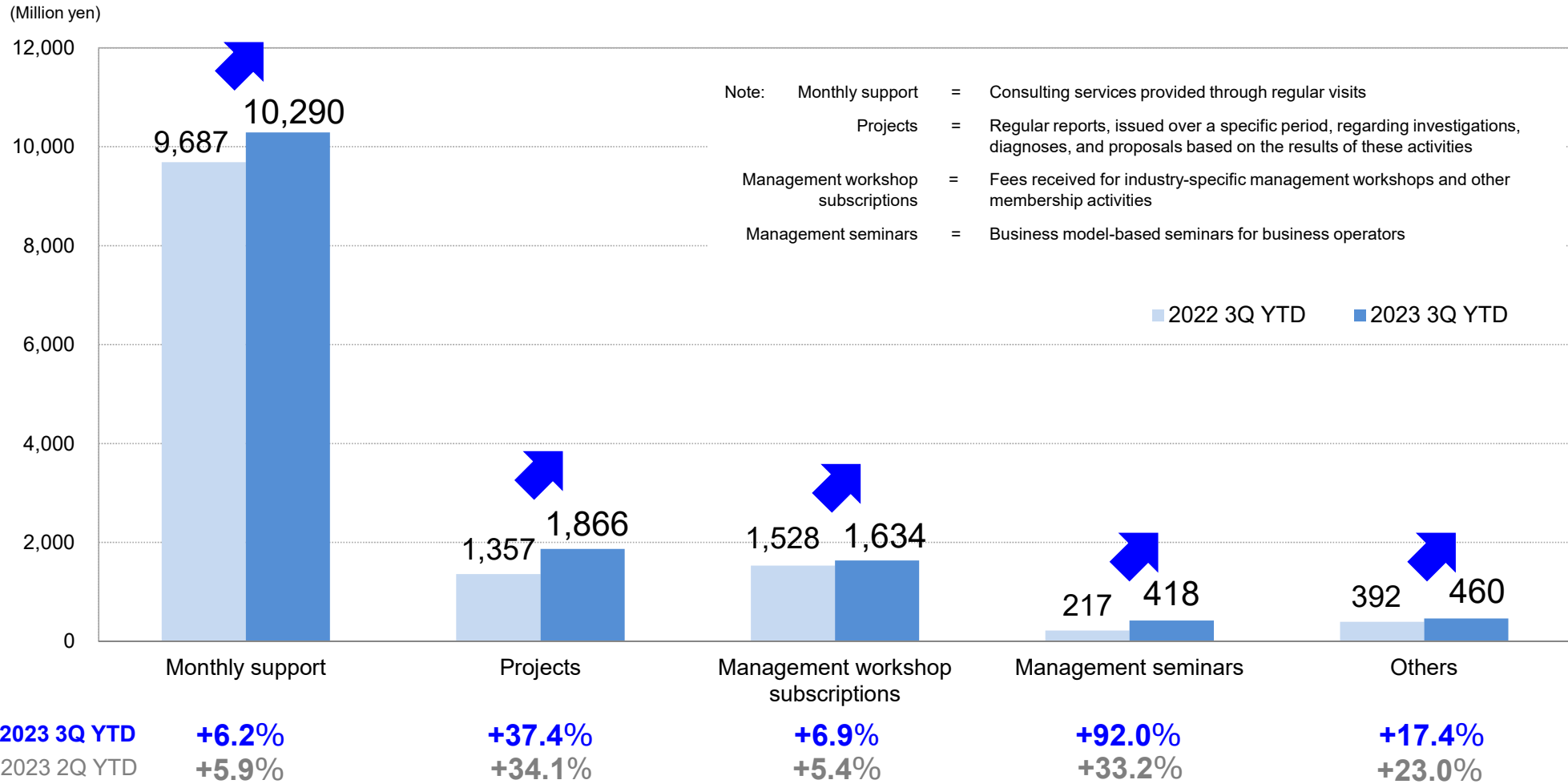
(1) 3Q Results of Operations by Segment

- Net sales growth rate is increasing each quarter.
- Operating income is also up over the previous year; sales and income both up in the third quarter.



2. Financial Results as of FY2023 3Q

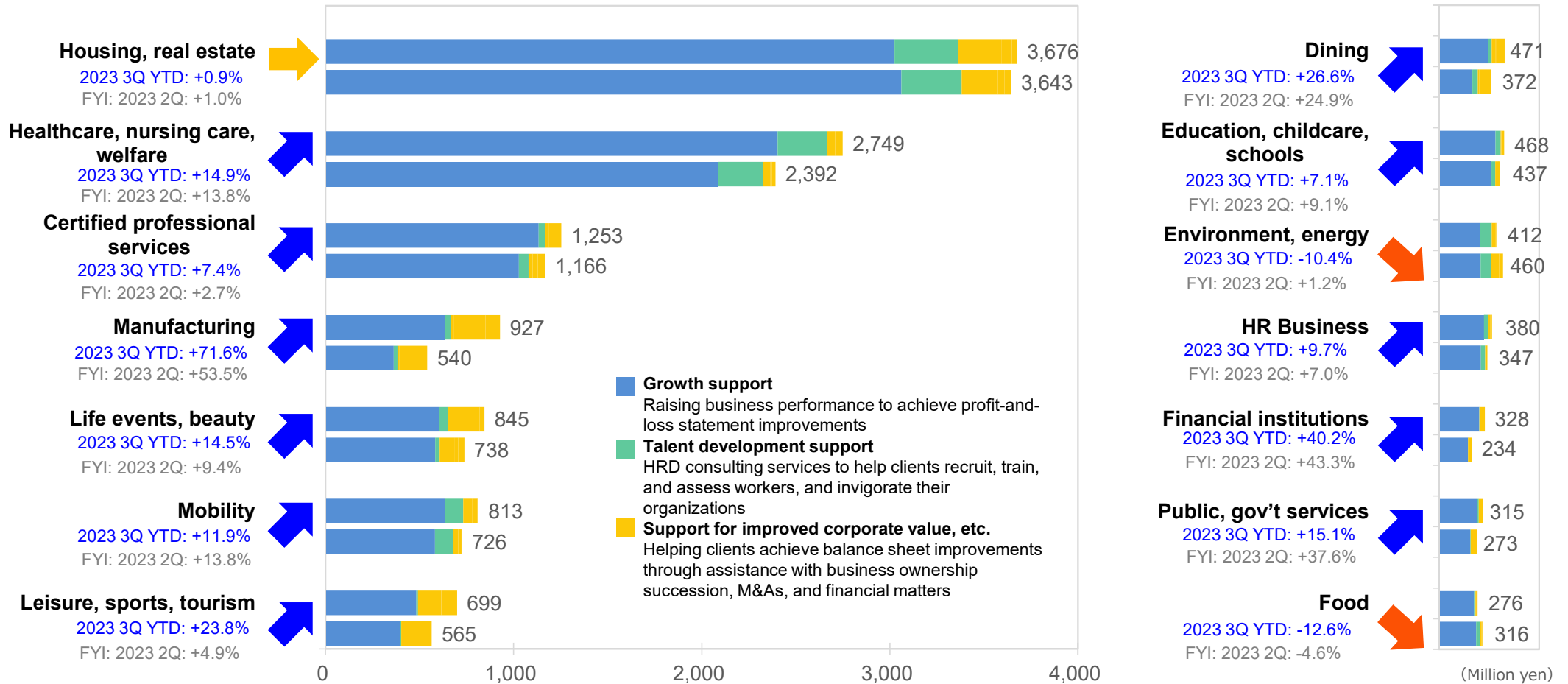
(2) Results of Operations by Segment: Consulting—Sales by Service Category



2. Financial Results as of FY2023 3Q

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

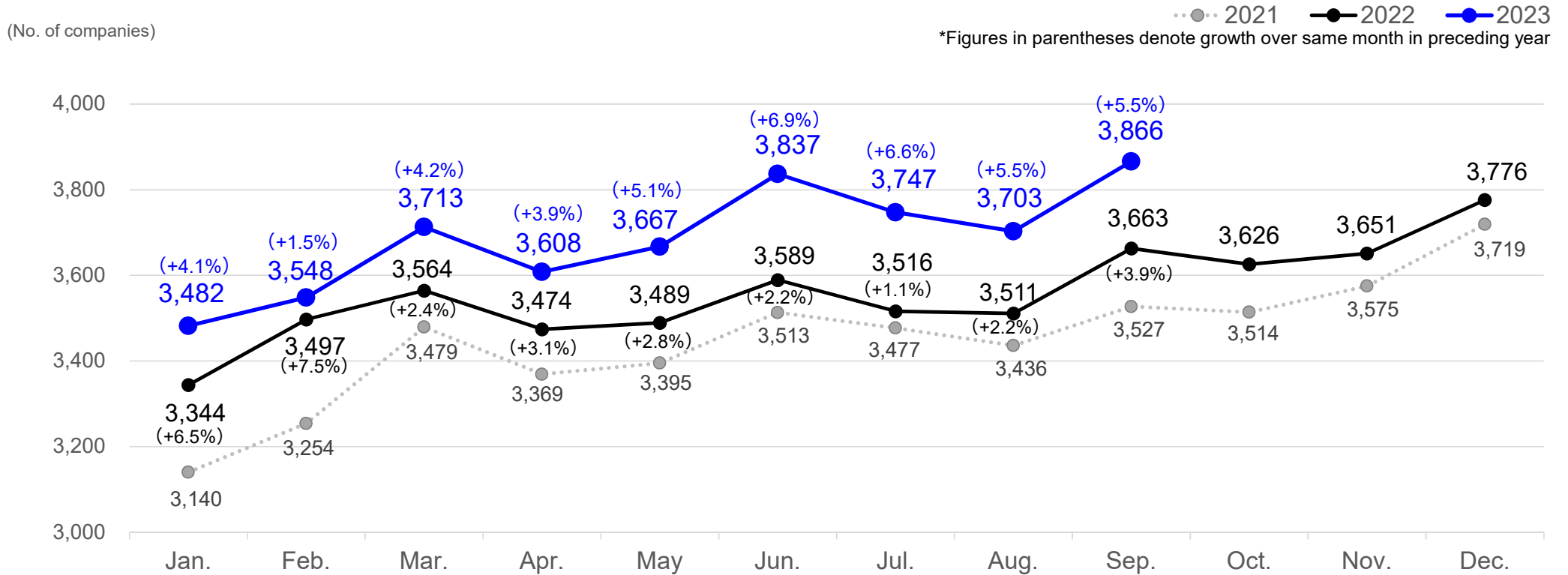
Upper bar: 2023 3Q YTD
Lower bar: 2022 3Q YTD



2. Financial Results as of FY2023 3Q

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

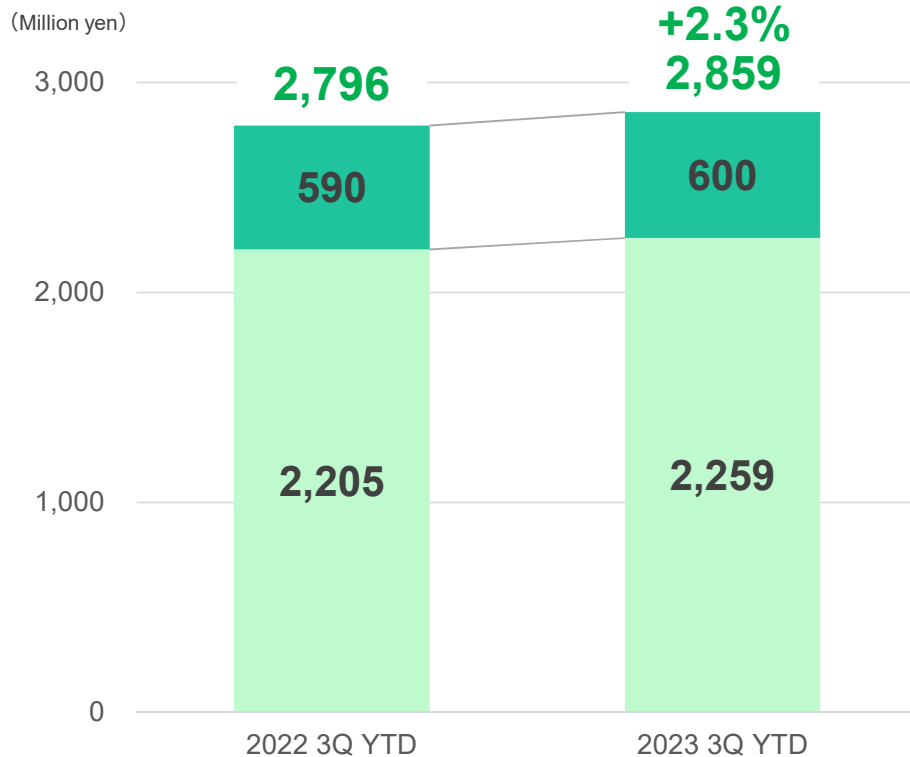
Monthly Consulting Client Company Numbers



*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. Financial Results as of FY2023 3Q

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



Logistics Consulting


Helping clients reduce logistics costs

 **+1.7%**

- Consulting for logistics companies was strong in 3Q, and management workshop memberships also increased: 331 management workshop memberships as of Sep. 30, 2023; 307 as of Sep. 30, 2022.
- Revenues from consulting services for shipper clients recovered from the preceding quarter, but were down overall as a result of a lack of growth in project orders.

Logistics BPO

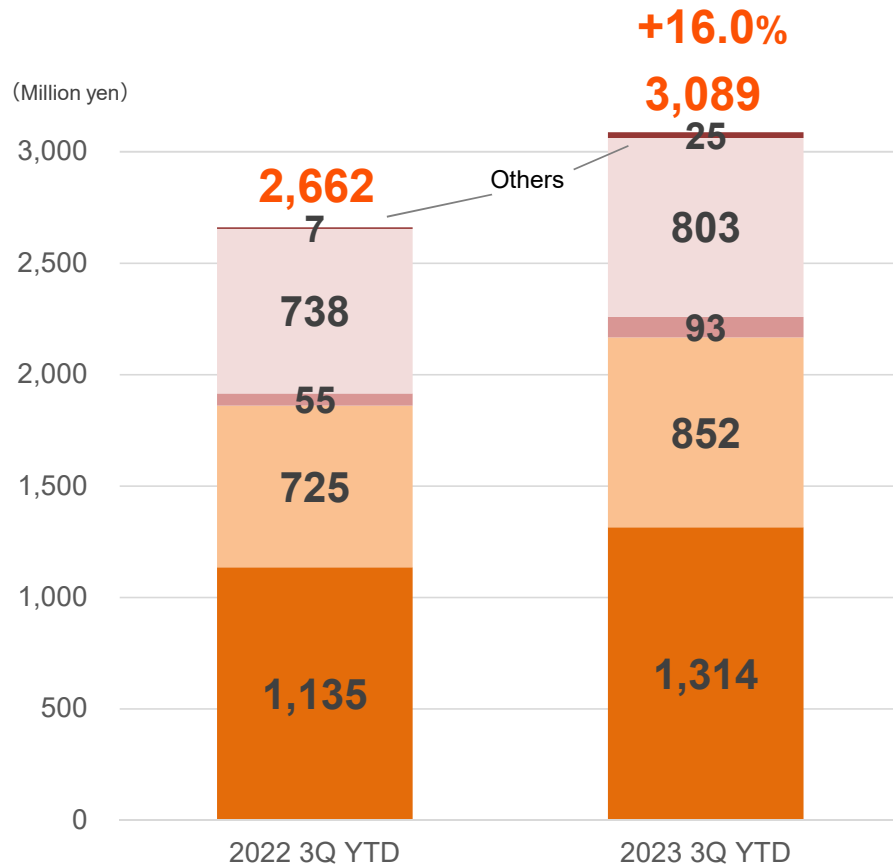
Logistics on behalf of clients
Reducing purchasing costs through joint buying

 **+2.4%**

- Steady renewal of contracts by existing logistics operations clients resulted in an increased in sales.
- Sales of joint purchasing services were slightly down, affected by stubbornly high prices for our core offering in this segment: fuel.

2. Financial Results as of FY2023 3Q

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



HR Solutions

+8.8%

- Sales up, buoyed by an increase in new orders.
- Maintained 10+% operating margin.

IT Consulting

+69.3%

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

Cloud-based Solutions

+17.6%

- Additional orders from existing clients and increased orders for cloud development and operations.
- Continued with aggressive upfront investment in recruiting to secure engineers—a high priority at the moment.
Engineer headcount as of Sep. 30, 2023: 103 (as of Sep. 30, 2022: 50)

Sales Process Transformation (SPX)

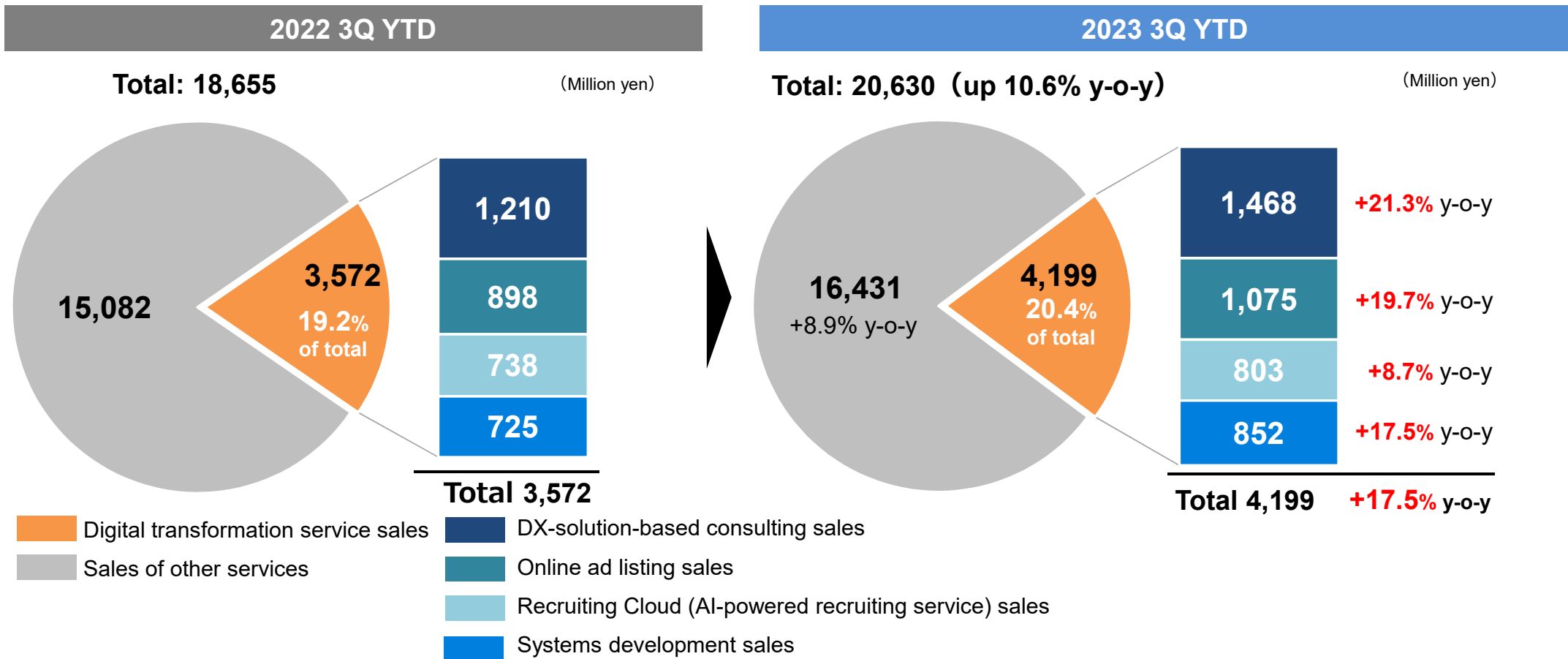
+15.7%

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

2. Financial Results as of FY2023 3Q

(5) Results of Operations in Digital Transformation Services

- The group is investing significant effort into digital transformation services, which grew 17.5%.
- Digital transformation services have expanded to account for more than 20% of total sales, and are helping grow the group's business overall.



2. Financial Results as of FY2023 3Q

(6) Consolidated Financial Position: Balance Sheet

(Million yen)

	As of Dec. 31, 2022	As of Sep. 30, 2023	Change	Major factors behind changes	
Current assets	22,283	19,552	-2,730	Decrease in current assets: Major factors include decrease in cash and deposits.	
Noncurrent assets	Property, plant, and equipment	5,813	5,733	-80	Increase in noncurrent assets: Major factors include increases in goodwill, guarantee deposits and time deposits (listed under "other investments and other assets").
	Intangible assets	830	1,206	+375	
	Investments and other assets	4,082	5,892	+1,809	
Total assets	33,010	32,385	-625		
Current liabilities	5,067	6,245	+1,178	Increase in current liabilities: Major factors include increases in provision for bonuses and decreases in deposits received (listed under "others").	
Noncurrent liabilities	242	239	-3	Decrease in noncurrent liabilities: Mainly decrease in retirement benefit liabilities.	
Total liabilities	5,309	6,484	+1,175		
Total net assets	27,700	25,900	-1,800	Financial position remains sound with a high equity ratio of 77.9%.	
Total liabilities & net assets	33,010	32,385	-625		

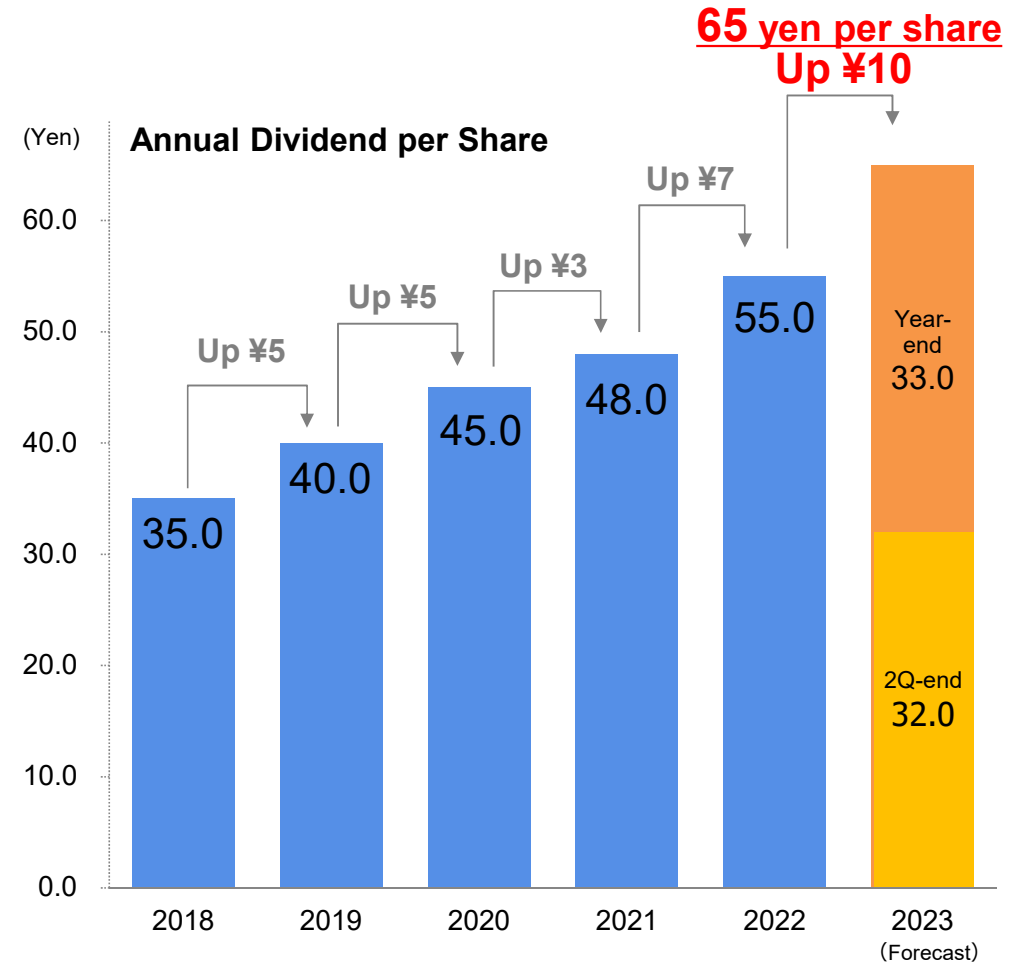
Shareholder Returns and Initiatives

3. Shareholder Returns and Initiatives

(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		2Q-end 32.0



3. Shareholder Returns and Initiatives

(2) Share Buyback

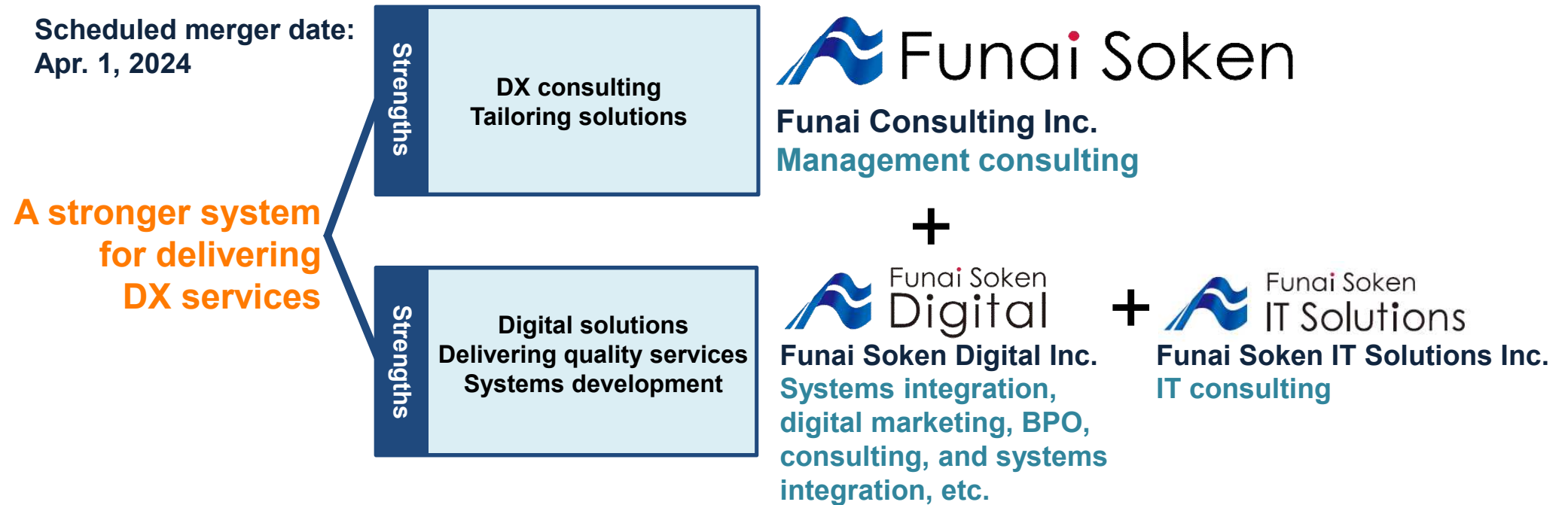
The Board of Directors voted on August 23, 2023, to undertake a buyback of shares, the second such buy-back this fiscal year. The buyback of shares is designed to help improve capital efficiency and boost shareholder returns by allowing for more dynamic implementation of capital policies in response to changes in the business environment.

No. of shares:	Max. 1,200,000 (2.4% of total outstanding shares (excl. treasury shares))
Purchase price:	Max. ¥3 billion
Buy-back period:	Aug. 24, 2023 – May 31, 2024

3. Shareholder Returns and Initiatives

(3) Notice Regarding Merger of Consolidated Subsidiaries

The board voted on Sep. 22, 2023, to merge three of the group’s companies as part of an effort to ramp up growth by filling out its business line-up and delivering of a full range of services and solutions for mid-scale companies and SMEs.



Method of Merger and Allocation of Stake in New Company

- Absorption merger: Funai Consulting will absorb Funai Soken Digital and Funai Soken IT Solutions and be the surviving company; Funai Soken Digital and Funai Soken IT Solutions 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.

3. Shareholder Returns and Initiatives

(4) Largest Ever Workshop & Inspection Tour Seminar: In-person Conferences Are Back After Four Years!

National Workshop Conference 2023

(96th National Management Strategy Seminar Conference)



- Growth-hungry proprietors and executives from 2,159 businesses gather for one of Japan's largest top-management seminars (Aug. 20–22, 2023).
- The conference features lectures by more than 50 top executives, as well as themed lectures and breakout group sessions by more than 100 Funai consultants.

US Great Company Inspection Tour Seminar 2023

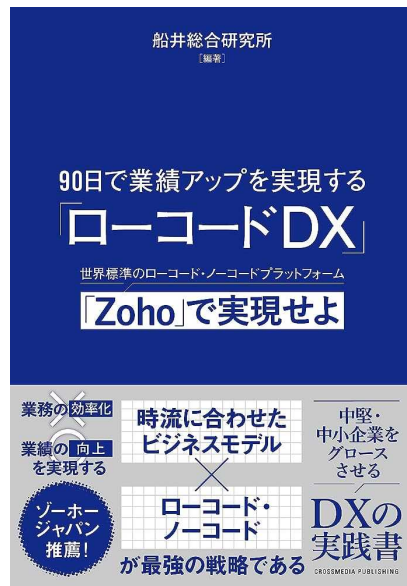


- The world's must-see companies and organizations carefully selected by Funai Consulting's top consultants.
- 112 proprietors participate in a tour (Sep. 10–17) to see and experience companies in the US, leader of the post-Covid business world, and in particular fast-growing Texas, a popular relocation destination.

3. Shareholder Returns and Initiatives

(5) Publications to Help More Companies Achieve Sustainable Growth

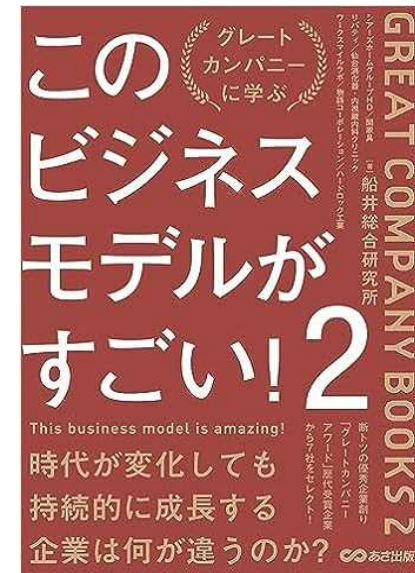
We offer a range of information, including publishing books, on all the things needed to realize sustainable growth for more companies*, such as DX, helping communities solve local problems, and ideas for continued corporate growth.



DX: Digital Transformation



CX: Corporate Transformation



BX: Business Model Transformation

Note: In January 2023, the Funai Soken Consulting Group has recently established a new group purpose—"sustainable growth for more companies"—as an expression of its commitment to delivering strong, sustainable growth for clients and itself in an age of tumultuous change and uncertainty.

3. Shareholder Returns and Initiatives

(6) Funai Consulting: Giving Back to the Community through Endowed Courses

- Course on growth strategies and performance improvement at mid-scale companies and SMEs held at Kobe University
- Funai Consulting president and group company executives provide a wealth of real-world, industry-specific case studies to illustrate growth strategies and performance improvements methodologies for an audience of around 400 promising students.
- Courses benefit recruiting efforts targeting students interested in careers as management consultants.



Kobe University students listen intently to a lecture at the Funai Consulting Mid-scale and SME Management Theory endowed course. The course consists of 15 lectures between October 2023 and January 2024.

3. Shareholder Returns and Initiatives

(7) Inclusion in Share Index, Consortium Membership

1 Selected for Inclusion in the JPX-Nikkei Mid and Small Cap Index for the 2nd Consecutive Year



Funai Soken Holdings shares were selected in August 2022 for inclusion in the JPX-Nikkei Mid and Small Cap Index calculated by JPX Market Innovation & Research and Nikkei. The index focuses on companies with high investment appeal, and consists of mid-cap and small companies satisfy a range of criteria including efficient use of capital and investor-conscious management.

2 Selected for Inclusion in “GenDi J,” the Morningstar Japan ex-REIT Gender Diversity Tilt Index

Funai Soken Holdings shares were selected for inclusion in the Morningstar Japan ex-REIT Gender Diversity Tilt Index, which is built with the data and scoring methodology of Equileap regarding gender diversity. Starting in 2023, this index is one of the ESG-oriented indices used by Japan’s Government Pension Investment Fund. We are included in Group 2 of the index (as of Dec. 19, 2022).

3 Joined TCFD Consortium and Human Capital Management Consortium

We joined the TCFD Consortium in August 2023, and are working to improve disclosure of information about climate risks, opportunities, and financial impact. We also joined the Human Capital Management Consortium in August 2022, which include the Ministry of Economy, Trade and Industry and the Financial Services Agency as observers, through which we are striving for better disclosure of initiatives to strengthen our human capital.



Further reading: [TCFD disclosure information](#)
[METI press release on establishment of the Human Capital Management Consortium](#)



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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