Consolidated Financial Results for the Fiscal Year Ended December 31, 2020
(January 1, 2020 – December 31, 2020)

February 5, 2021

Company name:	Funai Soken Holdings, Inc.	Stock Exchange listing: Tokyo Stock Exchange	
Stock code:	9757	URL: https://hd.funaisoken.co.jp	

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General meeting of shareholders: March 27, 2021
Scheduled date of commencing dividend payments: March 29, 2021
Scheduled date of filing Annual Securities Report: March 29, 2021
Supplementary materials compiled to explain financial statements? $\boxed{\text{Yes}}$ / No
Briefing to be held to explain financial results? $\boxed{\text{Yes}}$ / No (For institutional investors and analysts)

(Amounts of less than one million yen are rounded down.)

1. Consolidated Financial Results for FY2020 (January 1, 2020 – December 31, 2020)

(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	%
Year ended Dec. 31, 2020	25,027	(2.8)	4,982	(12.7)	5,091	(11.5)	3,498	(9.6)
Year ended Dec. 31, 2019	25,752	18.7	5,705	15.4	5,755	14.9	3,868	9.0

Notes: Comprehensive income: 3,351 million yen (down 15.2 %) in the year ended Dec. 31, 2020;
3,952 million yen (up 19.2%) in the year ended Dec. 31, 2019

	Earnings per share (basic)	Net income per share (diluted)	Return on equity	Ratio of ordinary income to total assets	Ratio of operating income to net sales
	Yen	Yen	%	%	%
Year ended Dec. 31, 2020	70.32	69.52	15.3	18.1	19.9
Year ended Dec. 31, 2019	76.67	75.89	17.4	20.9	22.2

Reference: Equity method investment income (Million yen) Dec. 31, 2020: – Dec. 31, 2019: –

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
Year ended Dec. 31, 2020	27,951	23,688	82.4	465.60
Year ended Dec. 31, 2019	28,419	23,165	79.4	453.48

Reference: Shareholders' equity: 23,041 million yen in the year ended Dec. 31, 2020;
22,573 million yen in the year ended Dec. 31, 2019

(3) Consolidated Cash Flow Position

	Net cash provided by (used in) operations	Net cash provided by (used in) investments	Net cash provided by (used in) financing	Cash and cash equivalents at end of fiscal year
	Million yen	Million yen	Million yen	Million yen
Year ended Dec. 31, 2020	3,515	263	(3,194)	12,216
Year ended Dec. 31, 2019	4,522	(500)	(3,411)	11,630

2. Dividends

	Dividend per share					Total dividends	Dividend payout ratio (consolidated)	Dividend on equity (consolidated)
	1Q-end	2Q-end	3Q-end	Year end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Year ended Dec. 31, 2019	–	17.00	–	23.00	40.00	2,003	52.2	9.0
Year ended Dec. 31, 2020	–	20.00	–	25.00	45.00	2,232	64.0	9.8
Forecast for year ending Dec. 31, 2021	–	21.00	–	25.00	46.00		56.9	

* FY2019 dividend per share comprised an ordinary dividend of 20.00 yen and commemorative bonus dividend of 3.00 yen.
The bonus dividend was to commemorate the group's 50th anniversary.

3. Forecast for Consolidated Financial Results for FY2021 (January 1, 2021 – December 31, 2021)

(Percentages represent year-on-year change, full-year figures represent change compared with previous year; first-half figures represent change compared with same period in previous fiscal year.)

	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
First half	13,500	10.3	2,800	8.4	2,800	6.0	2,000	14.6	40.41
Full year	28,000	11.9	5,700	14.4	5,750	12.9	4,000	14.3	80.83

Remarks

(1) Changes in material subsidiaries during the fiscal year (changes in scope of consolidation): None

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

1) Changes in accounting policies caused by revision of accounting standards: None

2) Other changes in accounting policies: None

3) Changes in accounting estimates: None

4) Re-statement of amendments: None

(3) Number of issued shares (common stock)

1) Number of shares issued at end of the period (including treasury stock)	As of Dec. 31, 2020	52,500,000	As of Dec. 31, 2019	53,000,000
2) Number of treasury shares at end of the period	As of Dec. 31, 2020	3,011,772	As of Dec. 31, 2019	3,220,991
3) Average number of shares during the period	Fiscal year ended Dec. 31, 2020	49,756,975	Fiscal year ended Dec. 31, 2019	50,453,812

Notes: This financial summary is excluded from audit 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 "Results of Operations" on page 6 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.

Appendix Contents

1. Results of Operations

(1) This Fiscal Year's Results

The current fiscal year was severe for the Japanese economy, as the spread of COVID-19 caused corporate revenues to significantly decline, and the ratio of job openings to job applicants to decline, with its effects on social economic activities driving economies downward both in Japan and overseas. Despite expectations for the effects and improvement of various policies amid preventive measures being implemented against the infection, severe economic conditions will continue, and the situation remains unpredictable.

We at the Funai Soken Consulting Group made progress as targeted for the first quarter (January through March). Since the second quarter (April through June), however, COVID-19 has largely impacted the financial results of the SMEs who make up the bulk of Funai Soken Consulting Group's clientele, forcing the group to revise its financial forecasts downward. Amid the spread of infections, while thorough measures were taken to prevent infections inside and outside the company, we continued business activities by holding online seminars, web-based consulting, and telecommuting, and have steadily established a system toward the new normal. Financial result forecasts for FY2020 were revised taking such situations into consideration, and released on October 30, 2020. We were able to mostly attain the financial target, exceeding the profit target in particular.

The group's consolidated sales for FY2020 were 25,027 million yen (down 2.8% year-on-year), operating income was 4,982 million yen (down 12.7%), ordinary income was 5,091 million yen (down 11.5%), and net income attributable to owners of the parent was 3,498 million yen (down 9.6%). In addition, ROE stood at 15.3%, achieving the target (15% or higher).

Sales of online advertisement agency services (part of our consulting business) largely grew from the preceding year, although new orders were sluggish due to heavy restrictions on sales activities caused by the outbreak of COVID-19. Sales began to pick up as orders recovered from the third quarter (July through September), but not enough to soak up the decreases in orders and revenue in the second quarter (April through June) caused by COVID-19. Consequently, net sales decreased 2.8% from the previous year to 25,027 million yen.

Cost of sales was 17,027 million yen, compared with 16,972 million yen in the preceding year, and SG&A expenses were 3,018 million yen, compared with 3,075 million yen. This was due to an increase in staff, and an increase in online advertising costs as a result of strong sales of online advertisement agency services and increased activities to attract visitors, despite significant cost savings in travel expenses, external venue expenses and supplies expenses thanks to telecommuting. Consequently, operating income decreased 12.7% from the preceding year to 4,982 million yen.

Non-operating income was 147 million yen, compared with 134 million yen in the preceding year, due to factors such as gains on sales of investment securities acquired by investing surplus funds, while non-operating expenses were 38 million yen, compared with 84 million yen in the preceding year. Consequently, ordinary income decreased 11.5% from the previous year to 5,091 million yen.

Income taxes totaled 1,677 million yen this year, down from 1,880 million yen in the preceding year, resulting in a decrease in net income attributable to owners of the parent of 9.6% year-on-year to 3,498 million yen.

Segment-Specific Performance

Consolidated performance for each business segment is outlined below.

I. Consulting

In terms of individual solution categories, consulting sales of online ad agency services largely grew. However, monthly support services, which make up at least 60 percent of our operations, saw new orders sluggish because we were not able to secure sufficient sales activities as seminars and management workshops were suspended or moved online. In terms of the specific industries, we still managed to increase revenues in consulting for our core segment, the housing and real estate industry. Sales of consulting for production goods manufacturers and the IT industry have also grown. However, other sectors faced a severe situation. In terms of the different categories of solutions we provide, FY2020 saw significant growth in consulting services covering topics such as online marketing, digital transformation and finance, although growth in consulting services covering human resource development such as hiring and education were sluggish.

Profit ratio decreased, as significant cost savings in travel expenses (realized through restrictions on commuting and business trips) and external venue expenses were exceeded by an increase in personnel costs and a change in sales distribution ratio. In sum, business conditions were difficult in the second quarter (April through June) and begun an upward trend in the third quarter (July through September), but that uptick has not yet been enough to cover the second-quarter lag. Therefore, sales and income were down from the preceding year.

Consequently, net sales decreased 2.7% from the preceding year to 19,058 million yen, and operating income decreased 11.0% from the preceding year to 4,801 million yen.

II. Logistics

Deeper mining of existing clients and smooth continuation of transactions which we received orders from new clients in the previous year resulted in an about 20 percent increase in sales for our logistics operations compared to the preceding year. Meanwhile, although logistics consulting services posted sales as targeted in the first quarter (January through March), COVID-19 caused both workshop membership and sales to slightly decline from the second quarter (April through June) compared to the previous year. Logistics trading sales were down from the preceding year due to a downturn in the movement among businesses and individuals led to a decline in fuel sales. Profit ratio declined due to a lower proportion of high-profit logistics consulting sales among total sales, and an increase in personnel costs due to an increase in workforce numbers ensured profits were down in this period.

Consequently, net sales rose 8.0% over the preceding year to 2,638 million yen, and operating income decreased 9.6% from the preceding year to 311 million yen.

III. Direct Recruiting

The direct recruiting business posted sales as targeted in the first quarter (January through March). Sales were down, however, from the second quarter (April through June) as new order-taking activities were largely restricted due to the cancellation of seminars and a decrease in clients publishing help-wanted ads in line with decreased job postings, caused by COVID-19. The direct recruiting business ran an operating loss due to increases mainly in personnel costs and systems development costs.

Consequently, net sales decreased 9.1% over the preceding year to 2,331 million yen, and operating income ended on a net loss of 174 million yen, compared with a net operating loss of 80 million yen in the preceding year.

IV. Other Businesses

In other businesses, sales and income of IT consulting business were temporarily down due to the cancellation or postponement of training services, affected by COVID-19 in the second quarter (April through June). Sales, however, began to pick up as we swiftly went online from the third quarter (July through September), leading to an increase in sales. Profit of systems development services declined due to increases in internal development costs and outsourcing costs, although sales slightly declined.

Consequently, sales decreased 13.7% from the preceding year to 975 million yen, and operating income ended on a net loss of 88 million yen, compared with operating income of 23 million yen in the preceding year.

(2) This Fiscal Year's Financial Position

Assets

Total assets decreased 467 million yen year-on-year to 27,951 million yen at the end of FY2020.

Current assets decreased 390 million yen year-on-year to 16,304 million yen. This was mainly due to increases in cash and deposits, and decreases in trade notes, accounts receivable, and securities.

Noncurrent assets decreased 77 million yen year-on-year to 11,647 million yen. This was mainly due to an increase in investment securities and decreases in property, plant, and equipment, and intangible assets.

Liabilities

Total liabilities decreased 990 million year-on-year to 4,263 million yen at the end of FY2020.

Current liabilities decreased 934 million yen year-on-year to 3,997 million yen. This was mainly due to a decrease in current portion of bonds and income taxes payable.

Noncurrent liabilities decreased 56 million yen year-on-year to 265 million yen. This was mainly due to a decrease in deferred tax liabilities.

Net Assets

Total net assets increased 523 million year-on-year to 23,688 million yen at the end of FY2020. This was mainly due to an increase in net income attributable to owners of the parent, and decreases in purchase of treasury shares and retained earnings as these were appropriated.

As a result, the shareholders' equity ratio increased 3% to 82.4%.

(3) This Fiscal Year's Cashflow Position

Cash and cash equivalents increased 585 million year-on-year to 12,216 million yen at the end of FY2020.

Trends in cash flow by activity are described below.

Cash Flows from Operating Activities

Cash flows from operating activities ended on a net gain of 3,515 million yen this year compared to a net gain of 4,522 million yen in the preceding year. This was mainly due to income before income taxes and other adjustments of 5,176 million yen; income taxes paid of 1,958 million yen; and income tax refunds of 454 million yen.

Cash Flows from Investing Activities

Cash flows from investing activities totaled 263 million yen this year compared to a net loss of 500 million yen in the preceding year. This was mainly due to a net proceed of 486 million yen from the purchase and sale of short-term investment securities and investment securities; and expenditure of 223 million yen on purchases of property, plant, and equipment, and intangible assets.

Cash Flows from Financing Activities

Cash flows from financing activities ended on a net loss of 3,194 million yen this year compared to a net loss of 3,411 million yen in the preceding year. This was mainly due to expenditure of 500 million yen on the redemption of debts; a net expenditure of 749 million yen on the sale and purchase of treasury stock, and 2,135 million yen distributed as dividends.

The following table presents the historical movements of certain cash flow indices.

	FY12/16	FY12/17	FY12/18	FY12/19	FY12/20
Shareholders' equity ratio (%)	83.5	83.3	82.2	79.4	82.4
Shareholders' equity ratio based on market price (%)	270.2	498.8	309.8	434.6	446.3
Interest-bearing debt to cash flow ratio (years)	0.2	0.2	0.2	0.1	0.1
Interest coverage ratio (x)	355.8	717.7	645.9	863.6	761.7

Notes:

1. Indices are calculated on a consolidated basis as follows:
   Shareholders' equity ratio: Shareholders' equity divided by total assets
   Shareholders' equity ratio based on market price: Market capitalization divided by total assets
   Interest-bearing debt to cash flow ratio: Interest-bearing debt divided by operating cash flow
   Interest coverage ratio: Operating cash flow divided by interest payments
2. Market capitalization: Closing stock price at FY-end multiplied by the number of outstanding shares at period-end (after deducting treasury stock).
3. Interest-bearing debt: All interest-bearing liabilities listed under liabilities on the consolidated balance sheet.
4. Operating cash flow and interest payments are taken from cash flows from operating activities and interest paid, respectively, as listed in consolidated cash flow statements.

(4) Outlook

Under the “Mid-Range Business Plan for 2020 to 2022” for the three-year period starting in FY2020, with management consulting solutions for SMEs as its core, the group endeavored to generate more momentum for “DX” consulting services for SMEs, and management consulting solutions for mid-sized companies. However, the spread of COVID-19 caused the group to revise its Mid-Range Business Plan. Main revisions include the revision of performance targets stated below and the review of business strategies. The spread of COVID-19 has a large impact on the SMEs who make up the bulk of Funai Soken Consulting Group’s clientele. Going forward, considering establishing a system for the New Normal Era at SMEs to become an essential business challenge, the group will actively work on “support toward the New Normal” for SMEs anew. Specifically, we will work on the followings by industry: to propose a non-face-to-face business model change adapting to the New Normal Era; to propose approaches to industry-specific and solution-specific trend projections and business challenges; and to propose a business model capable of improving productivity and performance even by non-face-to-face operations mainly with DX.

As explained in the “Notice of Revised Mid-Range Business Plan” released today on February 5, 2021, we have revised performance targets for FY2021 initially planned to net sales of 28,000 million yen, operating income of 5,700 million yen, ordinary income of 5,750 million yen, and net income attributable to owners of the parent of 4,000 million yen.

Mid-Range Business Plan (from the fiscal year ended Dec. 31, 2020 to the fiscal year ending Dec. 31, 2022) (Million yen)

	FY12/20		FY12/21		FY12/22	
	Initial target	Actual results	Initial target	Revised target	Initial target	Revised target
Net sales	29,000	25,027	33,000	28,000	37,000	31,000
Operating income	6,300	4,982	7,000	5,700	7,700	6,300

(5) Basic Policy Regarding Distribution of Earnings, Dividends for the Current and Next Fiscal Years

Returning adequate earnings to shareholders is as important to us as strengthening our financial condition and management fundamentals. As such, we are determined to give back to shareholders through distribution of earnings and by buying treasury stock to an appropriate level in light of business performance. Our basic policy is to distribute surpluses in accordance with business performance, and as such, we will, with due consideration of factors such as market climate and capital efficiency, endeavor to maintain a return-to-shareholders ratio of at least 60% by using tools such as dynamic buy-backs of treasury shares.

Retained earnings will be used to enhance capital through a balance of investments for the long-term growth of corporate value, and in strengthening the company’s financial condition to facilitate flexible capital policies.

Based on these policies, we plan to distribute a year-end dividend for FY2020 of 25 yen per share, making a total annual dividend of 45 yen per share.

In FY2021, we plan to pay an interim dividend of 21 yen per share and a year-end dividend of 25 yen per share, making a total annual dividend of 46 yen per share.

Dividends per Share

	Interim	Year end	Annual total
FY2020	20 yen	25 yen	45 yen
FY2021 (forecast)	21 yen	25 yen	46 yen

2. The Funai Consulting Group

The group is comprised of Funai Soken Holdings and eight subsidiaries. Our core business is management consulting, and we also offer logistics, direct recruiting, and other services relating to those operations.

The roles of the various Group companies in each segment are outlined below.

Consulting

The group is fully equipped to offer a comprehensive range of consulting services, and we focus mainly on management consulting. In addition to core management consulting solutions, we also provide industry-specific and solution-specific workshops and seminars.

Group companies involved in this segment: Funai Consulting, Inc., Funai Soken Corporate Relations, Inc., Funai Consulting Shanghai, Inc.

Logistics

Our logistics services cover three main areas: consulting, designed to help clients reduce their logistics costs; operations, in which we design, build, and operate clients' logistics frameworks; and trading, which helps clients reduce their purchasing costs through initiatives like joint purchasing.

Group companies involved in this segment: Funai Soken Logistics, Inc.

Direct Recruiting

In this segment, we use IT to help clients solve the increasingly widespread problem of labor shortages, principally through recruiting advertising agency operations.

Group companies involved in this segment: HR Force, Inc.

Other Businesses

Elsewhere, Funai Soken IT Solutions offers IT consulting services, Proseed offers contact center consulting services, and Shinwa Computer Service offers system development services.

Group companies involved in this segment: Funai Soken IT Solutions, Inc., Proseed Corporation, Shinwa Computer Service Co., Ltd.

3. Basic Approach to Selection of Financial Accounting Standards

The Funai Soken Consulting Group's consolidated financial statements are prepared in accordance with Japanese financial reporting standards to provide for easier comparison of performance from year to year and company to company.

Regarding whether or not to apply international financial reporting standards, we will continue to monitor the situation and act in accordance with Japanese trends regarding such accounting standards.

4. Consolidated Financial Statements and Notes

(1) Consolidated Balance Sheet

(Thousand yen)

	FY12/19 (As of Dec. 31, 2019)	FY12/20 (As of Dec. 31, 2020)
Assets		
Current assets		
Cash and deposits	11,630,554	12,216,419
Trade notes and accounts receivable	2,870,051	2,741,126
Short-term investment securities	1,001,132	304,771
Work in process	155,685	130,721
Raw materials and supplies	5,759	9,908
Other current assets	1,071,147	951,571
Allowance for doubtful accounts	(39,543)	(49,817)
Total current assets	16,694,787	16,304,701
Noncurrent assets		
Property, plant, and equipment		
Buildings and structures, net	1,311,009	1,234,799
Land	4,602,643	4,602,643
Other property, plant, and equipment, net	196,280	149,994
Total property, plant, and equipment	6,109,933	5,987,438
Intangible assets		
Leasehold rights	322,400	322,400
Software	274,379	256,251
Other intangible assets	177,210	96,735
Total intangible assets	773,990	675,386
Investments and other assets		
Investment securities	3,907,279	4,053,809
Assets related to retirement benefits	473,196	463,062
Other investments and other assets	468,046	475,851
Allowance for doubtful accounts	(8,006)	(8,258)
Total investments and other assets	4,840,516	4,984,465
Total noncurrent assets	11,724,440	11,647,290
Total assets	28,419,227	27,951,991

	FY12/19 (As of Dec. 31, 2019)	FY12/20 (As of Dec. 31, 2020)
		(Thousand yen)
Liabilities		
Current liabilities		
Trade notes and accounts payable	347,821	406,535
Short-term loans payable	—	200,000
Current portion of bonds	500,000	—
Income taxes payable	1,159,020	841,931
Other current liabilities	2,925,055	2,549,217
Total current liabilities	4,931,897	3,997,683
Noncurrent liabilities		
Long-term loans payable	100,000	100,000
Retirement benefit liabilities	60,876	68,088
Deferred tax liabilities	109,949	56,128
Other noncurrent liabilities	51,377	41,673
Total noncurrent liabilities	322,203	265,891
Total liabilities	5,254,101	4,263,574
Net assets		
Shareholders' equity		
Capital stock	3,125,231	3,125,231
Capital surplus	2,947,675	2,946,634
Retained earnings	19,731,165	20,565,065
Treasury stock	(3,342,957)	(3,560,378)
Total shareholders' equity	22,461,115	23,076,553
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	211,575	75,241
Foreign currency translation adjustments	16,146	17,074
Accumulated adjustments for retirement benefits	(114,954)	(127,122)
Total accumulated other comprehensive income	112,766	(34,806)
Subscription rights for shares	591,243	646,669
Total net assets	23,165,126	23,688,416
Total liabilities and net assets	28,419,227	27,951,991

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statement of Income

(Thousand yen)

	FY12/19 (Jan. 1 – Dec. 31, 2019)	FY12/20 (Jan. 1 – Dec. 31, 2020)
Net sales	25,752,886	25,027,840
Cost of sales	16,972,135	17,027,136
Gross profit	8,780,751	8,000,704
SG&A expenses	3,075,273	3,018,249
Operating income	5,705,477	4,982,455
Non-operating income		
Interest income	17,105	18,577
Dividend income	9,135	8,816
Gain on sales of investment securities	23,468	55,245
Gain on valuation of investment securities	1,865	3,122
Insurance bonus income	30,434	33,455
Refunded consumption taxes	37,674	–
Other non-operating income	14,609	28,002
Total non-operating income	134,292	147,219
Non-operating expenses		
Interest expenses	5,231	4,740
Loss on valuation of investment securities	2,516	7,438
Investment partnership management expenses	3,847	3,272
Commission for purchase of treasury shares	23,358	–
Foreign exchange losses	927	8,047
Contributions	42,000	12,000
Other non-operating expenses	6,860	2,586
Total non-operating expenses	84,742	38,084
Ordinary income	5,755,027	5,091,590
Extraordinary income		
Gain on sales of noncurrent assets	624	176
Gain on sales of investment securities	665	159,912
Total extraordinary income	1,289	160,089
Extraordinary losses		
Impairment loss	–	70,000
Loss on retirement of noncurrent assets	582	5,135
Loss on sales of investment securities	6,807	–
Total extraordinary losses	7,390	75,135
Net income before income taxes and other adjustments	5,748,927	5,176,543
Current income taxes	1,927,567	1,640,018
Deferred income taxes	(47,121)	37,850
Total income taxes	1,880,446	1,677,868
Net income	3,868,481	3,498,675
Net income attributable to owners of the parent	3,868,481	3,498,675

Consolidated Statement of Comprehensive Income

(Thousand yen)

	FY12/19 (Jan. 1 – Dec. 31, 2019)	FY12/20 (Jan. 1 – Dec. 31, 2020)
Net income	3,868,481	3,498,675
Other comprehensive income		
Valuation difference on available-for-sale securities	89,788	(136,333)
Foreign currency translation adjustments	(138)	928
Adjustments for retirement benefits	(5,729)	(12,167)
Total other comprehensive income	83,920	(147,573)
Comprehensive income:	3,952,401	3,351,101
Details		
Comprehensive income attributable to owners of the parent	3,952,401	3,351,101

(3) Consolidated Statement of Changes in Net Assets

FY12/19 (Jan. 1 – Dec. 31, 2019)

(Thousand yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at start of fiscal year	3,125,231	2,946,634	17,729,542	(1,861,703)	21,939,705
Change					
Dividends from surplus			(1,866,857)		(1,866,857)
Net income attributable to owners of the parent			3,868,481		3,868,481
Purchase of treasury stock				(1,512,084)	(1,512,084)
Disposal of treasury stock		1,040		30,830	31,870
Retirement of treasury stock					—
Net changes of items other than shareholders' equity					
Total changes of items during the fiscal year	—	1,040	2,001,623	(1,481,253)	521,410
Balance at end of current fiscal year	3,125,231	2,947,675	19,731,165	(3,342,957)	22,461,115

	Accumulated other comprehensive income				Subscription rights for shares	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustments	Accumulated adjustments for retirement benefits	Total accumulated other comprehensive income		
Balance at start of fiscal year	121,786	16,284	(109,225)	28,845	402,278	22,370,829
Change						
Dividends from surplus						(1,866,857)
Net income attributable to owners of the parent						3,868,481
Purchase of treasury stock						(1,512,084)
Disposal of treasury stock						31,870
Retirement of treasury stock						—
Net changes of items other than shareholders' equity	89,788	(138)	(5,729)	83,920	188,965	272,886
Total changes of items during the fiscal year	89,788	(138)	(5,729)	83,920	188,965	794,296
Balance at end of current fiscal year	211,575	16,146	(114,954)	112,766	591,243	23,165,126

FY12/20 (Jan. 1 – Dec. 31, 2020)

(Thousand yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at start of fiscal year	3,125,231	2,947,675	19,731,165	(3,342,957)	22,461,115
Change					
Dividends from surplus			(2,140,514)		(2,140,514)
Net income attributable to owners of the parent			3,498,675		3,498,675
Purchase of treasury stock				(749,582)	(749,582)
Disposal of treasury stock		(1,040)	4,793	3,105	6,859
Retirement of treasury stock			(529,055)	529,055	—
Net changes of items other than shareholders' equity					
Total changes of items during the fiscal year	—	(1,040)	833,899	(217,421)	615,437
Balance at end of current fiscal year	3,125,231	2,946,634	20,565,065	(3,560,378)	23,076,553

	Accumulated other comprehensive income				Subscription rights for shares	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustments	Accumulated adjustments for retirement benefits	Total accumulated other comprehensive income		
Balance at start of fiscal year	211,575	16,146	(114,954)	112,766	591,243	23,165,126
Change						
Dividends from surplus						(2,140,514)
Net income attributable to owners of the parent						3,498,675
Purchase of treasury stock						(749,582)
Disposal of treasury stock						6,859
Retirement of treasury stock						—
Net changes of items other than shareholders' equity	(136,333)	928	(12,167)	(147,573)	55,425	(92,147)
Total changes of items during the fiscal year	(136,333)	928	(12,167)	(147,573)	55,425	523,290
Balance at end of current fiscal year	75,241	17,074	(127,122)	(34,806)	646,669	23,688,416

(4) Consolidated Cash Flow Statement

(Thousand yen)

	FY12/19 (Jan. 1 – Dec. 31, 2019)	FY12/20 (Jan. 1 – Dec. 31, 2020)
Net cash provided by (used in) operations		
Net income before income taxes and other adjustments	5,748,927	5,176,543
Depreciation	278,992	280,839
Impairment loss	—	70,000
Amortization of goodwill	66,835	34,290
Share-based compensation expenses	220,581	62,026
Increase (decrease) in allowance for doubtful accounts	3,696	10,526
Decrease (increase) in assets related to retirement benefits	1,204	(2,033)
Increase (decrease) in liabilities related to retirement benefits	6,216	7,212
Loss (gain) on valuation of investment securities	650	4,315
Loss (gain) on sales of investment securities	(17,326)	(215,158)
Interest and dividends received	(26,240)	(27,393)
Interest expenses	5,231	4,740
Commission for purchase of treasury shares	23,358	—
Loss (gain) on exchange	63	511
Contributions	42,000	12,000
Loss (gain) on sales of property, plant, and equipment	(624)	(176)
Loss on retirement of property, plant, and equipment	582	2,427
Loss on retirement of intangible assets	—	2,708
Decrease (increase) in trade notes and accounts receivable	(476,417)	128,977
Decrease (increase) in other assets	(634,473)	(270,965)
Increase (decrease) in other liabilities	728,424	(296,173)
Other cash provided by (used in) operations	9,311	10,072
Subtotal	5,980,997	4,995,293
Interest and dividends received	47,015	41,475
Interest paid	(5,236)	(4,615)
Income taxes paid	(1,801,859)	(1,958,765
Income taxes refunds	343,175	454,299
Contributions paid	(42,000)	(12,000)
Net cash provided by (used in) operations	4,522,092	3,515,687

(Thousand yen)

	FY12/19 (Jan. 1 – Dec. 31, 2019)	FY12/20 (Jan. 1 – Dec. 31, 2020)
Net cash provided by (used in) investments		
Purchase of short-term investment securities	(100,067)	–
Proceeds from sale and redemption of short-term investment securities	400,000	1,000,000
Purchase of investment securities	(416,596)	(705,550)
Proceeds from sale and redemption of investment securities	20,596	192,231
Purchase of property, plant, and equipment	(249,063)	(48,277)
Purchase of Intangible assets	(164,891)	(175,138)
Proceeds from cancellation of insurance funds	8,938	–
Other cash provided by (used in) investments	644	176
Net cash provided by (used in) investments	(500,438)	263,441
Net cash provided by (used in) financing		
Proceeds from short-term loans payable	–	200,000
Redemption of bonds	–	(500,000)
Repayment of lease obligations	(13,691)	(9,653)
Purchase of treasury shares	(1,535,442)	(749,988)
Proceeds from sale of treasury shares	254	258
Dividends paid	(1,862,890)	(2,135,581)
Net cash provided by (used in) financing	(3,411,770)	(3,194,965)
Effect of exchange rate changes on cash and cash equivalents	(1,914)	1,702
Net increase (decrease) in cash and cash equivalents	607,969	585,864
Cash and cash equivalents at start of fiscal year	11,022,585	11,630,554
Cash and cash equivalents at end of fiscal year	11,630,554	12,216,419

(5) Notes on Consolidated Financial Statements

Notes on Going Concern Assumptions

None to report.

Segment Information

1. Overview of Segments Included in Reports

The segments for which reports are compiled are those components of the group for which financial information can be obtained separate from other component units. Segments are reviewed periodically by the board of directors in order to make more informed decisions on how management resources can best be allocated, and in order to evaluate performance.

We employ three main segments in for these reports. They are, in keeping with the categories of work performed by the companies within the group: consulting, logistics, and direct recruiting. Their activities can be defined as follows.

- Consulting: Consulting services such as guidance, research, and diagnosis pertaining to company management; members-only workshops and seminars.
- Logistics: Logistics services cover two main areas: consulting, designed to help clients reduce their logistics costs; and operations, in which we design, build, and operate clients' logistics frameworks.
- Direct recruiting: Using IT to help clients solve the increasingly widespread problem of labor shortages, principally through recruiting advertising agency operations.

2. Calculation of Net Sales, Income/Losses, Assets, and Other Accounts for Each Segment

Accounting methods for the reported segments are largely the same as those used in the consolidated financial statements.

Segment-specific income or losses are calculated based on operating income figures. Inter-segment sales and transfers are calculated based on current market prices.

3. Other Information About Net Sales, Income/Losses, Assets, and Other Accounts for Each Segment

FY12/19 (Jan. 1 – Dec. 31, 2019)

(Thousand yen)

	Consulting	Logistics	Direct recruiting	Others[1]	Total	Adjustment[2]	Amount listed in consolidated financial statements[3]
Net sales							
Sales to external customers	19,592,131	2,441,697	2,564,549	1,130,844	25,729,223	23,662	25,752,886
Inter-segment sales and transfers	192,588	462,275	14,139	20,195	689,198	(689,198)	—
Total	19,784,720	2,903,972	2,578,688	1,151,040	26,418,422	(665,535)	25,752,886
Segment income	5,395,607	344,581	(80,755)	23,280	5,682,713	22,764	5,705,477
Segment assets	15,625,450	1,047,627	682,489	716,435	18,072,002	10,347,225	28,419,227
Others							
Depreciation	58,195	2,977	18,011	3,614	82,798	196,194	278,992
Amortization of goodwill	—	—	—	66,835	66,835	—	66,835
Change in property, plant, equipment, and intangible assets	94,922	2,964	99,376	3,036	200,301	227,647	427,948

Notes:

1. The "others" category includes income from IT consulting, contact center consulting, and systems development.
2. Details of adjustments are as follows.
   (1) Adjustments of segment income or losses include elimination of inter-segment transactions and whole-group revenues and expenses that are not attributable to any segment. Whole-group revenues are comprised of outsourcing and consulting fees from group companies, property rental income and whole-group expenses are comprised of those incurred in group operations.
   (2) Adjustments of segment assets include elimination of inter-segment transactions and assets held throughout the group that are not attributable to any segment. Whole-group assets are comprised of assets relating to the operation of the group.
   (3) Adjustments of depreciation include elimination of inter-segment transactions and depreciation of assets held throughout the group that are not attributable to any segment.
   (4) Change in property, plant, equipment, and intangible assets includes elimination of inter-segment transactions and assets held throughout the group that are not attributable to any segment.
3. Segment income or losses are adjusted against operating income in the consolidated financial statements.

FY12/20 (Jan. 1 – Dec. 31, 2020)

(Thousand yen)

	Consulting	Logistics	Direct recruiting	Others(1)	Total	Adjustment(2)	Amount listed in consolidated financial statements(3)
Net sales							
Sales to external customers	19,058,420	2,638,029	2,331,930	975,837	25,004,218	23,622	25,027,840
Inter-segment sales and transfers	123,014	236,656	4,450	8,246	372,366	(372,366)	—
Total	19,181,435	2,874,685	2,336,380	984,083	25,376,584	(348,744)	25,027,840
Segment income	4,801,998	311,619	(174,176)	(88,501)	4,850,940	131,514	4,982,455
Segment assets	15,699,274	1,242,944	397,821	657,711	17,997,751	9,954,239	27,951,991
Others							
Depreciation	61,660	3,288	33,340	1,974	100,263	180,575	280,839
Amortization of goodwill	—	—	—	34,290	34,290	—	34,290
Impairment loss	—	—	70,000	—	70,000	—	70,000
Change in property, plant, equipment, and intangible assets	56,278	1,600	83,114	864	141,857	39,814	181,671

Notes:

1. The “others” category includes income from IT consulting, contact center consulting, and systems development.
2. Details of adjustments are as follows.
   (1) Adjustments of segment income or losses include elimination of inter-segment transactions and whole-group revenues and expenses that are not attributable to any segment. Whole-group revenues are comprised of outsourcing and consulting fees from group companies, property rental income and whole-group expenses are comprised of those incurred in group operations.
   (2) Adjustments of segment assets include elimination of inter-segment transactions and assets held throughout the group that are not attributable to any segment. Whole-group assets are comprised of assets relating to the operation of the group.
   (3) Adjustments of depreciation include elimination of inter-segment transactions and depreciation of assets held throughout the group that are not attributable to any segment.
   (4) Change in property, plant, equipment, and intangible assets includes elimination of inter-segment transactions and assets held throughout the group that are not attributable to any segment.
3. Segment income or losses are adjusted against operating income in the consolidated financial statements.

Per-share Information

	FY12/19 (Jan. 1 – Dec. 31, 2019)	FY12/20 (Jan. 1 – Dec. 31, 2020)
Net assets per share	453.48	465.60
Earnings per share (basic)	76.67	70.32
Earnings per share (diluted)	75.89	69.52

Notes:

1. The basis for calculation of basic and diluted net income per share is as follows.

	FY12/19 (Jan. 1 – Dec. 31, 2019)	FY12/20 (Jan. 1 – Dec. 31, 2020)
Earnings per share (basic)		
Net income attributable to owners of the parent	3,868,481 yen	3,498,675 yen
Amount not attributable to common shareholders	—	—
Net income attributable to common-stock owners of the parent	3,868,481 yen	3,498,675 yen
Average number of common shares outstanding during the fiscal year	50,453,812	49,756,975
Earnings per share (diluted)		
Adjusted net income attributable to owners of the parent	—	—
Increase in common shares	523,683	567,074
(Portion of increase made up of subscription rights)	(523,683)	(567,074)
Summary of non-dilutive stock equivalents not used in calculation of earnings per share (diluted)	–	

2. Basis for calculation of net assets per share is as follows.

	FY12/19 (As of Dec. 31, 2019)	FY12/20 (As of Dec. 31, 2020)
Total net assets on consolidated balance sheets	23,165,126 yen	23,688,416 yen
Deductions from total net assets	591,243 yen	646,669 yen
(Portion of deductions made up of subscription rights)	(591,243 yen)	(646,669 yen)
Net assets attributable to common shareholders	22,573,882 yen	23,041,747 yen
Number of common shares used in calculation of net assets per share at end of year	49,779,009	49,488,228

Subsequent Events

None to report.

5. Other Information

(1) Orders and Sales

I. Orders

Orders won by each operating segment in this consolidated fiscal year are as follows.

(Thousand yen)

Segment	FY12/19 (Jan. 1 – Dec. 31, 2019)		FY12/20 (Jan. 1 – Dec. 31, 2020)	
	Orders received	Orders outstanding	Orders received	Orders outstanding
Consulting	14,185,944	6,585,001	12,669,210	6,320,999
Logistics	709,179	325,530	400,524	185,498
Other businesses	605,552	148,315	318,818	77,945

Notes:

1. Consulting orders above include only consulting revenues; membership fees and seminar fees are excluded as they are recurring revenues.
2. Logistics revenues include only that earned from logistics consulting activities.
3. Direct recruiting entails no consulting revenues and is therefore not included in the above table.
4. Other income includes only that earned from IT and contact center consulting.
5. The above amounts are based on sale prices.
6. The above amounts do not include consumption tax.

II. Sales

Sales made by each operating segment in the current fiscal year are as follows.

(Thousand yen)

Segment	FY12/19 (Jan. 1 – Dec. 31, 2019)		FY12/20 (Jan. 1 – Dec. 31, 2020)	
	Amount	% of total	Amount	% of total
Consulting	19,592,131	76.1%	19,058,420	76.2%
Logistics	2,441,697	9.5%	2,638,029	10.6%
Direct recruiting	2,564,549	10.0%	2,331,930	9.3%
Others	1,130,844	4.4%	975,837	3.9%
Total	25,729,223	100.0%	25,004,218	100.0%

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.

(2) Changes in Directors and Officers

(Scheduled to take effect on March 27, 2021)

1) Legal representatives

Name	New title	Previous title
Sakae Takashima	Chairman and Group CEO	President and Group CEO
Takayuki Nakatani	President and CEO, and head of Business Management Divisional Headquarters	Director and executive vice president, and head of Business Management Divisional Headquarters

2) Other directors and officers

None to report.

3) Executive officers

Scheduled appointments

Name	New title	Previous title
Satoshi Oka	Executive officer and head of Business Development Office	Executive officer, Second deputy head of Consulting Operations Divisional Headquarters, Funai Consulting Inc.

List of Directors, Auditors, and Executive Officers

Funai Soken Holdings, Inc. (scheduled to take effect on March 27, 2021)

Name	Title	Position
Sakae Takashima	Chairman	Group CEO
Takayuki Nakatani	President & CEO	Head of Business Management Divisional Headquarters
Tatsuro Ono	Director and executive vice president	Head of HR Divisional Headquarters
Takahisa Okumura	Director and senior vice president	Head of Management Administration Divisional Headquarters
Nobuyuki Isagawa	Independent director	
Miki Mitsunari	Independent director	
Masahiro Hyakumura	Director and standing member of the Audit and Supervisory Committee	
Atsushi Nakao	Independent director and member of the Audit and Supervisory Committee	
Akihiro Kobayashi	Independent director and member of the Audit and Supervisory Committee	
Akira Hamaguchi	Executive officer	Head of General Affairs Department
Masaru Sumitomo	Executive officer	Head of Human Resources Development Department
Tomoaki Mizoue	Executive officer	Head of Information Systems Department
Eijiro Saito	Executive officer	Head of Corporate Administration Office
Motoki Haruta	Executive officer	Head of Finance Department
Satoshi Oka	Executive officer	Head of Business Development Office

Funai Consulting, Inc. (scheduled to take effect on March 26, 2021)

Name	Title	Position
Daisuke Shingai	President & CEO	
Kyohei Deguchi	Director and executive vice president	Head of Consulting Operations Divisional Headquarters & head of Improved Corporate Value Consulting Divisional Headquarters
Yoshihito Sugahara	Director and senior vice president	Head of Administration Divisional Headquarters
Tomoyuki Murata	Independent director	
Masahiro Hyakumura	Auditor	
Isao Kikuchi	Executive officer	Head of DX Consulting Divisional Headquarters
Akira Hamaguchi	Executive officer	Head of Administration Department
Noboru Sugiura	Executive officer	Deputy head of Consulting Operations Divisional Headquarters & head of Consulting Divisional Headquarters I
Katsuya Kohira	Executive officer	Deputy head of Improved Corporate Value Consulting Divisional Headquarters
Akiyo Koike	Executive officer	Head of Talent Development Center