Non-Audited

Consolidated Financial Results for the First Quarter of the Fiscal Year Ending Dec. 31, 2021 (January 1, 2021 – March 31, 2021)

May 7, 2021

Company name:	Funai Soken Holdings, Inc.	Stock Exchange listing: Tokyo Stock Exchange
Stock code:	9757	URL: https://hd.funaisoken.co.jp
President & CEO:	Takayuki Nakatani	
Contact:	Takahisa Okumura, director and senior vice president, Head of Management Administration Divisional Headquarters Telephone: +81-(0) 6-6232-0130	

Scheduled date of payment of dividend: -

Scheduled date of filing quarterly report: May 13, 2021

Supplementary materials compiled to explain 1st-quarter financial statements? $\boxed{\text{Yes}}$ / No

Briefing to be held to explain 1st-quarter financial results? Yes / $\boxed{\text{No}}$

(Figures are rounded to the nearest million yen; fractions of one million discarded rather than rounded up or down)

1. 2021 1st Quarter Consolidated Financial Results (January 1, 2021 – March 31, 2021)

(1) Consolidated Results of Operations

(Percentages represent change from the same quarter last year)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent	
Three months ending	Million yen	%	Million yen	%	Million yen	%	Million yen	%
March 31, 2021	6,891	5.3	1,704	15.6	1,732	14.0	1,184	18.4
March 31, 2020	6,547	10.5	1,475	3.4	1,519	4.7	999	5.3

Notes: Comprehensive income: 1,204 million yen (up 27.2%) in the three months ending Mar. 31, 2021
946 million yen (down 4.2%) in the three months ending Mar. 31, 2020

	Earnings per share (basic)	Earnings per share (diluted)
Three months ending	Yen	Yen
March 31, 2021	23.98	23.71
March 31, 2020	20.09	19.87

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Mar. 31, 2021	27,397	23,393	83.0
As of Dec. 31, 2020	27,951	23,688	82.4

Reference: Shareholders' equity: 22,747 million yen as of Mar. 31, 2021
23,041 million yen as of Dec. 31, 2020

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year end	Total
	Yen	Yen	Yen	Yen	Yen
Year ending Dec. 31, 2020	-	20.00	-	25.00	45.00
Year ending Dec. 31, 2021	-				
FY2021 forecast		21.00	-	25.00	46.00

Notes: Amendments to dividend numbers compared to most recently announced forecasts? None

3. Forecast 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

Notes: Amendments to performance numbers compared to most recently announced forecasts? None

Remarks

(1) Changes in consolidated subsidiaries in this quarter: None

Changes in scope of consolidation:

- No. of new companies added: None

  Names of new companies added:

- No. of companies removed: None

  Names of companies removed:

(2) Application of specific accounting procedures when compiling 1Q 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: None

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 three-month period (including treasury stock)	Mar. 31, 2021	52,500,000	Dec. 31, 2020	52,500,000
2) Number of treasury shares at end of three-month period	Mar. 31, 2021	3,119,316	Dec. 31, 2020	3,011,772
3) Average number of shares during three-month period (cumulative total)	Mar. 31, 2021	49,396,096	Mar. 31, 2020	49,778,174

Notes: 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 “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.

Appendix Contents

1. Qualitative Information Regarding the Three Months Ending March 31, 2021

(1) Results of Operations

During the quarter under review (January 1, 2021, to March 31, 2021), the Japanese economy continued experiencing difficult conditions due to the impact of COVID-19, although some sections of the economy saw recovery through the promotion of *new normal* workstyles such as digitalization and non-face-to-face operations and the implementation of infection prevention measures. The economic outlook, however, remains unpredictable with concerns over the further spread and lengthening of the infectious disease.

In this situation, the Funai Soken Consulting Group (the "Group") proactively offered online seminars as the continuation of our efforts in the previous fiscal year, further promoted consulting services using online conference systems, and endeavored to improve our digital transformation (DX) consulting menu to respond to the growing needs of our clients. Furthermore, the Group endeavored to continue business activities through the promotion of teleworking and other alternative workstyle options.

As a result, the Group posted 6,891 million yen in net sales (up 5.3% year on year), 1,704 million yen in operating income (up 15.6% year on year), 1,732 million yen in ordinary income (up 14.0% year on year), and 1,184 million yen in net income attributable to owners of the parent (up 18.4% year on year) for the quarter under review, achieving record results exceeding the results we had achieved in the same quarter of the previous year in the pre-COVID business environment.

I. Net sales: 6,891 million yen (up 5.3% over the same quarter of the previous year)

Net sales increased in the monthly consulting support service of the business consulting business segment. In addition, net sales in online advertisement agency services continued their steady growth. Net sales also steadily grew in physical distribution operations in the logistics business.

Consequently, net sales rose 5.3% year on year to 6,891 million yen.

II. Operating income: 1,704 million yen (up 15.6% over the same quarter of the previous year)

Cost of sales grew from 4,246 million yen in the same quarter of the previous year to 4,475 million yen with an increase in the cost of sales in online advertisement agency services. Travel expenses and venue hiring expenses, among other expenses, however, fell significantly in consulting activities. SG&A expenses also declined from 825 million yen in the same quarter of the previous year to 711 million yen.

Consequently, operating income rose 15.6% year on year to 1,704 million yen.

III. Ordinary income: 1,732 million yen (up 14.0% over the same quarter of the previous year)

Non-operating income was 31 million yen, compared with 50 million yen in the same quarter of the previous year, reflecting factors such as gains on sales of investment securities, while non-operating expenses were 4 million yen, compared with 6 million yen in the same quarter of the previous year.

Consequently, ordinary income increased 14.0% from the same quarter of the previous year to 1,732 million yen.

IV. Net income attributable to owners of the parent: 1,184 million yen (up 18.4% over the same quarter of the previous year)

With income taxes totaling 542 million yen for the quarter under review, compared with 517 million yen in the same quarter of the previous year, net income attributable to owners of the parent rose 18.4% year on year to 1,184 million yen.

Segment-Specific Performance

The performance of each business segment is outlined below.

I. Consulting

In the consulting business, both net sales and income recovered significantly compared with the same quarter of the previous year thanks to the strong orders received for online seminars, which had struggled in the previous fiscal year, and a steady increase in orders received online. By industry sector, net sales grew steadily in consulting services for the housing and real estate industries and for medical and aged care industries. In addition, net sales increased smoothly in online advertising agency services and DX consulting services. With respect to costs, travel expenses and venue hiring expenses fell significantly due to the promotion of online seminars, online workshops, and remote support services using online conference systems.

Consequently, net sales increased 10.7% year on year to 5,273 million yen, and operating income rose 13.0% year on year to 1,546 million yen.

II. Logistics

In the logistics operations, strong performance of e-commerce related operations in our corporate clients and an increase in new orders received online resulted in a considerable increase in revenue compared to the same quarter of the previous year. On the other hand, revenue declined in logistics consulting services due to the cautious stance our corporate clients adopted toward investment activities, although orders received were in a recovery trend. Logistics trading sales also contracted due to sluggish fuel sales volume following a downturn in business and individual movements. Income declined as the ratio of the more profitable logistics consulting services to total net sales fell.

Consequently, net sales rose 11.2% year on year to 737 million yen, while operating income fell 37.8% year on year to 74 million yen.

III. Direct Recruiting

In the direct recruiting business, revenue fell year on year due to a reduction in recruitment advertisements following the reduced level of hiring by companies as a result of COVID-19’s impact. New orders and net sales, however, were in a recovery trend during the quarter under review, and the segment posted an operating income on the back of the improved profitability brought about by cost reduction and more efficient advertisement operations.

Consequently, while net sales shrank 33.6% year on year to 530 million yen, an operating income of 1 million yen was posted compared with an operating loss of 15 million yen in the same quarter of the previous year.

IV. Other Businesses

In other businesses, both net sales and income significantly grew year on year in the contact center consulting business due to the concentration of training applications during the quarter under review. In the IT consulting business, however, revenue shrank due to the difficulties in receiving new orders. Net sales in the system development business were almost at the same level as the same quarter of the previous year.

Consequently, net sales rose 9.8% year on year to 343 million yen, and operating income increased 7156.3% year on year to 43 million yen.

(2) Financial Position

Assets

Total assets decreased by 554 million yen from the end of the previous fiscal year to 27,397 million yen as of the end of the quarter under review.

Current assets shrank by 705 million yen from the end of the previous fiscal year to 15,599 million yen. This was mainly due to reductions in cash and deposits.

Noncurrent assets grew by 151 million yen from the end of the previous fiscal year to 11,798 million yen. This was mainly due to an increase in investment securities.

Liabilities

Total liabilities fell by 259 million yen from the end of the previous fiscal year to 4,004 million yen as of the end of the quarter under review.

Current liabilities shrank by 146 million yen from the end of the previous fiscal year to 3,851 million yen. This mainly reflects increases in the current portion of long-term loans payable and an allowance for bonus and reductions in income taxes payable and deposited money included in other current liabilities.

Noncurrent liabilities declined by 113 million yen from the end of the previous fiscal year to 152 million yen. This was mainly due to a decrease in long-term loans payable.

Net Assets

Total net assets declined by 294 million yen from the end of the previous fiscal year to 23,393 million yen as of the end of the quarter under review. This was mainly due to the acquisition of treasury stock.

Equity Ratio

The shareholders' equity ratio as of the end of the quarter under review was 83.0%, up 0.6 percentage points from the end of the previous fiscal year.

(3) Consolidated Forecast and Other Forward-Looking Information

Japanese companies are constantly required to make difficult management decisions as the balance between economic activities and infection prevention keeps changing in the face of a resurgence in COVID-19 transmission. The Group will capture the needs of the managers of our corporate clients and offer business consulting services that match the current trend to expand consulting and DX consulting services for SMEs as stated in our Mid-range Business Plan. Although the Group struggled in the areas of seminars, workshops, and monthly support services, in the previous fiscal year, our performance has been strong in terms of the orders received for seminars and the orders received online since the start of the current fiscal year. We can therefore expect a recovery from the second quarter onward.

For full-year consolidated results, the Group projects 28,000 million yen in net sales, 5,700 million yen in operating income, 5,750 million yen in ordinary income, and 4,000 million yen in net income attributable to owners of the parent.

2. Consolidated Financial Statements and Notes

(1) Consolidated Balance Sheet

(Thousand yen)

	FY12/20 (As of Dec. 31, 2020)	FY12/21 1Q (As of Mar. 31, 2021)
Assets		
Current assets		
Cash and deposits	12,216,419	11,311,473
Trade notes and accounts receivable	2,741,126	2,955,773
Short-term investment securities	304,771	304,707
Work in process	130,721	118,947
Raw materials and supplies	9,908	8,501
Other current assets	951,571	951,119
Allowance for doubtful accounts	(49,817)	(51,040)
Total current assets	16,304,701	15,599,482
Noncurrent assets		
Property, plant, and equipment		
Buildings and structures, net	1,234,799	1,219,916
Land	4,602,643	4,596,717
Other property, plant, and equipment, net	149,994	139,964
Total property, plant, and equipment	5,987,438	5,956,598
Intangible assets		
Leasehold rights	322,400	322,400
Software	256,251	287,924
Other intangible assets	96,735	71,418
Total intangible assets	675,386	681,744
Investments and other assets		
Investment securities	4,053,809	4,159,699
Assets related to retirement benefits	463,062	476,610
Other investments and other assets	475,851	531,515
Allowance for doubtful accounts	(8,258)	(7,835)
Total investments and other assets	4,984,465	5,159,990
Total noncurrent assets	11,647,290	11,798,332
Total assets	27,951,991	27,397,814

(Thousand yen)

	FY12/20 (As of Dec. 31, 2020)	FY12/21 1Q (As of Mar. 31, 2021)
Liabilities		
Current liabilities		
Trade notes and accounts payable	406,535	438,544
Short-term loans payable	200,000	200,000
Current portion of long-term loans payable	–	100,000
Income taxes payable	841,931	648,200
Allowance for bonus	–	315,807
Other current liabilities	2,549,217	2,148,995
Total current liabilities	3,997,683	3,851,548
Noncurrent liabilities		
Long-term loans payable	100,000	–
Retirement benefit liabilities	68,088	68,254
Deferred tax liabilities	56,128	43,175
Other noncurrent liabilities	41,673	41,063
Total noncurrent liabilities	265,891	152,492
Total liabilities	4,263,574	4,004,041
Net assets		
Shareholders' equity		
Capital stock	3,125,231	3,125,231
Capital surplus	2,946,634	2,946,634
Retained earnings	20,565,065	20,512,262
Treasury stock	(3,560,378)	(3,821,953)
Total shareholders’ equity	23,076,553	22,762,176
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	75,241	85,071
Foreign currency translation adjustments	17,074	20,289
Accumulated adjustments for retirement benefits	(127,122)	(120,432)
Total accumulated other comprehensive income	(34,806)	(15,071)
Subscription rights for shares	646,669	646,669
Total net assets	23,688,416	23,393,773
Total liabilities and net assets	27,951,991	27,397,814

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statement of Income

First Quarter of FY12/21

(Thousand yen)

	First Quarter of FY12/20 (Jan. 1 – Mar. 31, 2020)	First Quarter of FY12/21 (Jan. 1 – Mar. 31, 2021)
Net sales	6,547,002	6,891,224
Cost of sales	4,246,194	4,475,313
Gross profit	2,300,808	2,415,911
SG&A expenses	825,744	711,320
Operating income	1,475,064	1,704,591
Non-operating income		
Interest income	3,934	5,188
Dividend income	998	–
Gain on sales of investment securities	36,305	15,184
Gain on valuation of investment securities	2,893	–
Other non-operating income	6,858	11,453
Total non-operating income	50,989	31,826
Non-operating expenses		
Interest expenses	1,290	1,187
Loss on valuation of investment securities	887	1,350
Foreign exchange losses	2,325	–
Investment partnership management expenses	1,824	1,462
Other non-operating expenses	334	380
Total non-operating expenses	6,662	4,381
Ordinary income	1,519,391	1,732,035
Extraordinary income		
Gain on sales of investment securities	18	–
Total extraordinary income	18	–
Extraordinary losses		
Loss on sales of noncurrent assets	–	3,576
Loss on retirement of noncurrent assets	2,059	1,162
Total extraordinary losses	2,059	4,738
Net income before income taxes and other adjustments	1,517,351	1,727,296
Current income taxes	541,697	618,063
Deferred income taxes	(24,297)	(75,169)
Total income taxes	517,399	542,894
Net income	999,951	1,184,402
Net income attributable to owners of the parent	999,951	1,184,402

Consolidated Statement of Comprehensive Income

First Quarter of FY12/21

(Thousand yen)

	First Quarter of FY12/20 (Jan. 1 – Mar. 31, 2020)	First Quarter of FY12/21 (Jan. 1 – Mar. 31, 2021)
Net income	999,951	1,184,402
Other comprehensive income		
Valuation difference on available-for-sale securities	(59,122)	9,830
Foreign currency translation adjustments	159	3,214
Adjustments for retirement benefits	5,870	6,690
Total other comprehensive income	(53,093)	19,734
Comprehensive income	946,858	1,204,137
Details		
Comprehensive income attributable to owners of the parent	946,858	1,204,137

(3) Notes on Consolidated Financial Statements

Notes on Going Concern Assumptions

None to report.

Notes on Significant Changes to Shareholders' Equity

None to report.

Segment Information

I. First Quarter of FY12/20 (Jan. 1 – Mar. 31, 2020)

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

(Thousand yen)

	Consulting	Logistics	Direct recruiting	Others(1)	Total	Adjustment(2)	Amount listed in consolidated statement of income(3)
Net sales							
Sales to external customers	4,764,877	663,218	800,071	312,920	6,541,087	5,915	6,547,002
Inter-segment sales and transfers	37,800	86,633	1,280	542	126,255	(126,255)	–
Total	4,802,678	749,851	801,351	313,462	6,667,343	(120,340)	6,547,002
Segment income/loss	1,368,183	120,349	(15,196)	600	1,473,936	1,128	1,475,064

Notes

1. "Others" includes income from IT consulting, contact center consulting, and systems development.
2. 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 comprise outsourcing and consulting fees from group companies, property rental income, among other things, while whole-group expenses comprise expenses incurred in group operations and are not attributable to any segment.
3. Income/losses are adjusted against operating income in the consolidated statement of income.

II. First Quarter of FY12/21 (Jan. 1 – Mar. 31, 2021)

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

(Thousand yen)

	Consulting	Logistics	Direct recruiting	Others(1)	Total	Adjustment(2)	Amount listed in consolidated statement of income(3)
Net sales							
Sales to external customers	5,273,317	737,503	530,959	343,647	6,885,428	5,795	6,891,224
Inter-segment sales and transfers	17,934	85,945	545	1,310	105,736	(105,736)	–
Total	5,291,252	823,449	531,505	344,957	6,991,165	(99,940)	6,891,224
Segment income	1,546,441	74,821	1,495	43,548	1,666,307	38,283	1,704,591

Notes

1. "Others" includes income from IT consulting, contact center consulting, and systems development.
2. 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 comprise outsourcing and consulting fees from group companies, property rental income, among other things, while whole-group expenses comprise expenses incurred in group operations and are not attributable to any segment.
3. Income/losses are adjusted against operating income in the consolidated statement of income.

Subsequent Events

Allocation of stock options as stock-based remuneration to Directors and Executive Officers of Funai Soken Holdings Inc. (the "Company") and Directors and Executive Officers of its subsidiaries

The Company resolved at its Board of Directors meeting on April 21, 2021 the application details of share subscription rights to be issued as stock options for Directors (excluding standing members of the Audit and Supervisory Committee and Independent Directors) and Executive Officers of the Company and Directors and Executive Officers of its subsidiaries and the Company's plan to invite applications to receive such share subscription rights. Based on this resolution, the Company issued share subscription rights on May 6, 2021.

Total number of share subscription rights issued	549(1)
Type of shares subject to the share subscription rights	Shares of common stock
Number of shares subject to the share subscription rights	98,820(2)
Amount paid when exercising the share subscription rights	1 yen per share
Exercise period of the share subscription rights	May 7, 2021 to May 6, 2051
Matters concerning capital stock and capital reserves that will increase upon the issuance of shares through the exercise of the share subscription rights	(1) The amount of capital stock to be increased upon the issuance of shares through the exercise of the share subscription rights shall be equal to 50% of the maximum amount of increase in capital stock and so on calculated in accordance with Article 17 (1) of the Rules of Corporate Accounting. Any amount less than 1 yen that arises as a result of such calculation shall be rounded up. (2) The amount of capital reserves to be increased upon the issuance of shares through the exercise of the share subscription rights shall be the maximum amount of increase in capital stock and so forth described in (1) above less the amount of capital stock to be increased as stipulated in (1) above.
Conditions for exercising the share subscription rights	See 3 below.
Matters concerning assignment of the share subscription rights	The acquisition of the share subscription rights by transfer will be subject to the approval of the Company's Board of Directors in the form of its resolution.

Notes

1. The number of shares to be granted for each share subscription right (hereinafter, the "Number of Shares Granted") shall be 180.

2. If, after May 6, 2021 (hereinafter, the "Allocation Date"), the Company is to conduct a share split of its common stock (including the allocation of shares of its common stock without charge; hereinafter, the same shall apply to any reference to a share split) or a reverse split, the Number of Shares Granted shall be adjusted according to the following formula. Any number of shares less than one share resulting from such adjustment shall be discarded.

Number of Shares Granted after adjustment = Number of Shares Granted before adjustment x ratio of share split/reverse split

In addition, if, after the Allocation Date, the Company conducts a merger or company split, or it becomes necessary to adjust the Number of Shares Granted in other similar situations, the Company may adjust the Number of Shares Granted in an appropriate manner within a reasonable scope.

3. (1) A share subscription right cannot be exercised in part.

(2) A share subscription right holder may exercise his or her share subscription right during the exercise period on or after the day following the day when he or she lost his or her status as the Director, Auditor, or Executive Officer of the Company or its subsidiary (hereinafter, the "Exercise Start Date") which he or she held as of the Allocation Date.

(3) Notwithstanding (2) above, if an event described in I. or II. below occurs during the exercise period of the share subscription rights, a share subscription right holder may exercise his or her share subscription right within a period stipulated below for respective situations (this, however, does not apply if, in case of II., a merger agreement, share swap agreement, or share transfer plan prescribes that share subscription right holders will be issued with share subscription rights of the restructured company pursuant to a policy on the delivery of share subscription rights of the restructured company in the organizational restructuring).

I. When the Exercise Start Date does not arrive for share subscription right holders by May 6, 2050.
May 7, 2050, to May 6, 2051

II. When a general meeting of shareholders (or the Board of Directors, if a resolution of the general meeting of shareholders is not required) approved a proposal on a merger agreement in which the Company will be absorbed and become defunct or a proposal on a share swap agreement or share transfer plan in which the Company will become a wholly-owned subsidiary.
Fifteen days from the day following the said approval date

(4) The provisions of (2) above and (3) I. shall not apply to people who have become share subscription right holders through inheritance.

(5) A share subscription right that has been relinquished by its holder cannot be exercised.

3. Other Information

(1) Orders and Sales

I. Orders

Orders won by each operating segment in the first quarter of the year are as follows.

Segment	Orders received (unit: 1,000 yen)	Change from same period last year (%)	Orders outstanding (unit: 1,000 yen)	Change from same period last year (%)
Consulting	4,133,205	18.7	6,939,460	3.2
Logistics	186,052	39.6	242,493	(12.9)
Other businesses	128,671	62.0	51,898	(50.3)

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 first quarter of the year are as follows.

Segment	Sales (unit: 1,000 yen)	Change from same period last year (%)
Consulting	5,273,317	10.7
Logistics	737,503	11.2
Direct recruiting	530,959	(33.6)
Other businesses	343,647	9.8
Total	6,885,428	5.3

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.