



May 9, 2022

Consolidated Financial Results

for the First Quarter of the Fiscal Year Ending Dec. 31, 2022

(January 1, 2022 – March 31, 2022)

Company name: Funai Soken Holdings, Inc.	Stock Exchange listing: Tokyo Stock Exchange
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Scheduled date of filing quarterly report:	May 12, 2022
Scheduled date of payment of dividend:	–
Supplementary materials compiled to explain 1st-quarter financial statements:	Yes
Briefing to be held to explain 1st-quarter financial results:	No

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

1. 2022 1st Quarter Consolidated Financial Results (January 1, 2022 – March 31, 2022)

(1) Consolidated Results of Operations

(Percentages represent year-on-year change)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent	
Three months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Mar. 31, 2022	6,241	13.9	2,081	24.0	2,089	22.5	1,443	23.8
Mar. 31, 2021	5,481	–	1,677	–	1,705	–	1,166	–

Notes: Comprehensive income: 1,429 million yen (up 20.5%) in the three months ended Mar. 31, 2022
1,185 million yen (-%) in the three months ended Mar. 31, 2021

	Earnings per share (basic)	Earnings per share (diluted)
Three months ended	Yen	Yen
Mar. 31, 2022	29.22	28.87
Mar. 31, 2021	23.61	23.35

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

Furthermore, we do not indicate the year-on-year rate of change compared to the first quarter of the fiscal year ended December 31, 2021. This is due to the fact that we retroactively revised figures to reflect this change in accounting standards.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	million yen	million yen	%
As of Mar. 31, 2022	30,543	25,844	82.4
As of Dec. 31, 2021	30,928	25,710	80.7

Reference: Shareholders' equity: 25,162 million yen as of Mar. 31, 2022
24,962 million yen as of Dec. 31, 2021

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

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended Dec. 31, 2021	–	21.00	–	27.00	48.00
Year ending Dec. 31, 2022	–				
Forecast for year ending Dec. 31, 2022		25.00	–	28.00	53.00

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

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

(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	12,300	11.3	3,600	9.8	3,600	8.5	2,400	6.3	48.60
Full year	25,300	10.9	7,100	11.7	7,150	10.9	4,800	9.6	97.21

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

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

Furthermore, the year-on-year rate of change is a comparison with figures adjusted to reflect the new accounting standard.

Remarks

- (1) Changes in consolidated subsidiaries in this quarter: None
(Changes in scope of consolidation:)
● No. of new companies added: None
Names of new companies added: None
● No. of companies removed: None
Names of companies remove: None
- (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: Yes
2) Other changes in accounting policies: None
3) Changes in accounting estimates: None
4) Re-statement of amendments: None

(4) Number of issued shares (common stock)

1) Number of shares issued at end of three-month period (including treasury stock)	As of Mar. 31, 2022	52,500,000	As of Dec. 31, 2021	52,500,000
2) Number of treasury shares at end of three-month period	As of Mar. 31, 2022	3,044,436	As of Dec. 31, 2021	3,120,936
3) Average number of shares during three-month period (cumulative total)	As of Mar. 31, 2022	49,382,006	As of Mar. 31, 2021	49,396,096

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 “(1) Results of Operations” on page 2 of the appendix for further information concerning the conditions on which these forecasts are based and further cautions with respect to the use of forward-looking statements.

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1. Qualitative Information Regarding the Three Months Ended March 31, 2022

(1) Results of Operations

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

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

During the quarter under review (January 1, 2022, to March 31, 2022), the Japanese economy continued to see severe conditions for small and medium-sized businesses despite the economic activities of corporations and consumers beginning to move towards normalcy amid the environment caused by COVID-19. Furthermore, the economic outlook brings both concerns about a resurgence and elongation of COVID-19 and concerns about the economic impact of Russia's invasion of Ukraine.

In this situation, the Funai Soken Consulting Group (the "Group") was able to record steady growth by holding online seminars and flexibly combining in-person meetings with online consulting to suit customer needs. The government resuming acceptance of applications for the SME Digitalization Support Project (Phase II) also contributed to improved performance.

As a result, the Group posted 6,241 million yen in net sales (up 13.9% year on year), 2,081 million yen in operating income (up 24.0% year on year), 2,089 million yen in ordinary income (up 22.5% year on year), and 1,443 million yen in net income attributable to owners of the parent (up 23.8% year on year) for the quarter under review, achieving record results.

I. Net sales: 6,241 million yen (up 13.9% over the same quarter of the previous year)

Net sales increased in the monthly consulting support service and project consulting of the business consulting business segment. Net sales also steadily grew in the logistics business.

Consequently, net sales rose 13.9% year on year to 6,241 million yen.

II. Operating income: 2,081 million yen (up 24.0% over the same quarter of the previous year)

Looking at operating income, cost of sales was 3,390 million yen (compared to 3,091 million yen in the same quarter of the previous fiscal year). Travel expenses for consulting activities increased as we gradually resumed activities while implementing COVID-19 prevention measures. SG&A expenses were 770 million yen (711 million yen in the same quarter of the previous year).

Consequently, operating income rose 24.0% year on year to 2,081 million yen.

III. Ordinary income: 2,089 million yen (up 22.5% over the same quarter of the previous year)

Ordinary income, which was 2,089 million yen, included non-operating income of 13 million yen (compared to 31 million yen the previous fiscal year) and non-operating expenses were 4 million yen (unchanged compared to the previous year).

Consequently, ordinary income increased 22.5% from the same quarter of the previous year to 2,089 million yen.

IV. Net income attributable to owners of the parent: 1,443 million yen (up 23.8% over the same quarter of the previous year)

With income taxes totaling 644 million yen for the quarter under review, compared with 534 million yen in the same quarter of the previous year, net income attributable to owners of the parent rose 23.8% year on year to 1,443 million yen.

Segment-Specific Performance

The performance of each business segment is outlined below.

For the first quarter of the current consolidated fiscal year, as the monetary weight of direct recruiting declined, we changed to a recording method that includes those amounts in Other. As a result, we indicate figures created based on these revised categories.

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

I. Consulting

In the consulting business, orders received from the participants of online seminars for securing orders received were favorable. We also secured orders received online to achieve net sales and income exceeding the same quarter of the previous year.

By industry sector, consulting divisions for the housing and real estate industries, our main business division, as well as the medical, aged care, and welfare industries continued to record net sales growth, driving the entire sector.

The solutions business recorded firm sales for DX for marketing using online sales targeting manufacturing businesses, DX for operational improvements using AI, robots, and RPA.

As a result of the above policies, we achieved increased income.

Consequently, net sales increased 10.7% year on year to 4,682 million yen, and operating income rose 17.3% year on year to 1,783 million yen.

II. Logistics

In the logistics business, logistics BPO services recorded strong performance of aggressive promotional activities targeting existing customers and e-commerce related operations in our corporate clients resulted in a considerable increase in revenue compared to the same quarter of the previous year.

Logistics consulting services saw a return to logistics investments among shippers and management study groups for logistics corporations were also favorable, resulting in increased net sales.

Favorable performance by logistics BPO services and logistics trading operations resulted in increased income.

Consequently, net sales increased 39.2% year on year to 910 million yen, and operating income rose 80.0% year on year to 134 million yen.

III. Other Businesses

In other businesses, the direct recruiting business recorded increased net sales thanks to a trend towards increasing hiring. The contact center consulting business recorded increased net sales and income compared to the first quarter of the previous year. Other businesses captured large-scale orders received, which offset the temporary decrease in participation for seminars related to COPC certification, our mainstay product, due to the resurgence and elongation of COVID-19. The IT consulting business was largely on par with targets. In the system development business, orders received from major clients increased, resulting in increased net sales and income.

Consequently, net sales rose 8.9% year on year to 643 million yen and operating income was 145 million yen (up 223.4% over the same quarter of the previous year).

(2) Financial Position

(Assets)

Total assets decreased by 384 million yen from the end of the previous fiscal year to 30,543 million yen as of the end of the quarter under review.

Current assets increased 230 million yen from the end of the previous fiscal year to 19,280 million yen. This was mainly due to increases in trade notes, accounts receivable and contract assets, short-term investment securities and a decrease in cash and deposits.

Noncurrent assets decreased by 615 million yen from the end of the previous fiscal year to 11,263 million yen. This was mainly due to an increase in software and a decrease in investment securities.

(Liabilities)

Total liabilities fell by 517 million yen from the end of the previous fiscal year to 4,699 million yen as of the end of the quarter under review.

Current liabilities shrank by 645 million yen from the end of the previous fiscal year to 4,407 million yen. This is mainly due to increased allowance for bonuses while current portion of long-term loans payable, income taxes payable, and deposited money decreased.

Noncurrent liabilities increased by 128 million yen from the end of the previous fiscal year to 292 million yen. This was mainly due to an increase in long-term loans payable.

(Net Assets)

Total net assets increased by 133 million yen from the end of the previous fiscal year to 25,844 million yen as of the end of the quarter under review. This was mainly due to an increase in net income attributable to owners of the parent and a decrease in retained earnings due to the disposition of treasury stock.

(Equity Ratio)

The shareholders' equity ratio as of the end of the quarter under review was 82.4%, up 1.7 percentage points from the end of the previous fiscal year.

(3) Consolidated Forecast and Other Forward-Looking Information

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

In July 2022, we merged Funai Soken Corporate Relations Inc. and Shinwa Computer Service Co., Ltd. to launch Funai Soken Digital, Inc. (name TBC). Through this move, we will strengthen and expand our DX and consulting and other related services. We will continue to capture the needs of the managers of our corporate clients and offer business consulting services that match the current trend.

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

2. Quarterly Consolidated Financial Statements and Main Notes

(1) Consolidated Balance Sheet

(Thousand yen)

	FY12/21 (As of Dec. 31, 2021)	FY12/22 1Q (As of Mar. 31, 2022)
Assets		
Current assets		
Cash and deposits	14,675,155	14,392,884
Trade notes, accounts receivable, and contract assets	3,300,636	3,507,490
Short-term investment securities	100,000	408,150
Work in process	127,853	112,039
Raw materials and supplies	10,986	10,862
Other current assets	875,363	886,825
Allowance for doubtful accounts	(40,657)	(37,955)
Total current assets	19,049,337	19,280,297
Noncurrent assets		
Property, plant, and equipment		
Buildings and structures, net	1,195,629	1,180,569
Land	4,596,717	4,596,717
Other property, plant, and equipment, net	124,850	153,807
Total property, plant, and equipment	5,917,197	5,931,094
Intangible asset		
Leasehold rights	322,400	322,400
Software	298,339	385,991
Other intangible assets	84,678	123,523
Total intangible assets	705,418	831,915
Investments and other assets		
Investment securities	4,241,507	3,391,241
Assets related to retirement benefits	540,005	553,289
Other investments and other assets	481,471	562,112
Allowance for doubtful accounts	(6,929)	(6,396)
Total investments and other assets	5,256,055	4,500,247
Total noncurrent assets	11,878,671	11,263,257
Total assets	30,928,009	30,543,554

(Thousand yen)

	FY12/21 (As of Dec. 31, 2021)	FY12/22 1Q (As of Mar. 31, 2022)
Liabilities		
Current liabilities		
Trade notes and accounts payable	535,623	555,346
Short-term loans payable	200,000	200,000
Current portion of long-term loans payable	100,000	–
Income taxes payable	1,325,288	744,608
Allowance for bonus	–	352,031
Other current liabilities	2,892,164	2,555,247
Total current liabilities	5,053,076	4,407,234
Noncurrent liabilities		
Long-term loans payable	–	100,000
Retirement benefit liabilities	69,872	71,494
Deferred tax liabilities	47,164	32,533
Other noncurrent liabilities	47,050	88,089
Total noncurrent liabilities	164,087	292,117
Total liabilities	5,217,163	4,699,351
Net assets		
Shareholders' equity		
Capital stock	3,125,231	3,125,231
Capital surplus	2,946,763	2,958,272
Retained earnings	22,688,431	22,798,354
Treasury stock	(3,826,322)	(3,732,885)
Total shareholders' equity	24,934,103	25,148,973
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	76,859	53,676
Foreign currency translation adjustments	23,992	27,720
Accumulated adjustments for retirement benefits	(72,760)	(67,388)
Total accumulated other comprehensive income	28,090	14,007
Subscription rights for shares	748,651	681,222
Total net assets	25,710,846	25,844,202
Total liabilities and net assets	30,928,009	30,543,554

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statement of Income

First Quarter of FY12/22

(Thousand yen)

	First Quarter of FY12/21 (Jan. 1 – Mar. 31, 2021)	First Quarter of FY12/22 (Jan. 1 – Mar. 31, 2022)
Net sales	5,481,125	6,241,731
Cost of sales	3,091,861	3,390,487
Gross profit	2,389,264	2,851,243
SG&A expenses	711,320	770,200
Operating income	1,677,943	2,081,043
Non-operating income		
Interest income	5,188	3,867
Dividend income	–	8
Gain on sales of investment securities	15,184	229
Gain on valuation of investment securities	–	2,472
Other non-operating income	11,453	7,048
Total non-operating income	31,826	13,626
Non-operating expenses		
Interest expenses	1,187	2,595
Loss on valuation of investment securities	1,350	–
Foreign exchange losses	–	434
Investment partnership management expenses	1,462	1,295
Other non-operating expenses	380	427
Total non-operating expenses	4,381	4,752
Ordinary income	1,705,388	2,089,917
Extraordinary losses		
Loss on sales of noncurrent assets	3,576	1,714
Loss on retirement of noncurrent assets	1,162	304
Total extraordinary losses	4,738	2,019
Net income before income taxes and other adjustments	1,700,649	2,087,897
Current income taxes	618,063	699,696
Deferred income taxes	(83,493)	(54,956)
Total income taxes	534,570	644,739
Net income	1,166,079	1,443,157
Net income attributable to owners of the parent	1,166,079	1,443,157

Consolidated Statement of Comprehensive Income

First Quarter of FY12/22

(Thousand yen)

	First Quarter of FY12/21 (Jan. 1 – Mar. 31, 2021)	First Quarter of FY12/22 (Jan. 1 – Mar. 31, 2022)
Net income	1,166,079	1,443,157
Other comprehensive income		
Valuation difference on available-for-sale securities	9,830	(23,183)
Foreign currency translation adjustments	3,214	3,728
Adjustments for retirement benefits	6,690	5,371
Total other comprehensive income	19,734	(14,083)
Comprehensive income	1,185,814	1,429,074
Details		
Comprehensive income attributable to owners of the Parent	1,185,814	1,429,074

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumptions)

None to report.

(Notes on Significant Changes to Shareholders' Equity)

None to report

(Changes in Accounting Policies)

1. Application of the Accounting Standard for Revenue Recognition

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

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

- **Agent transactions**

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

- **Project transactions**

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

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

As a result, compared to prior to retroactive application, net sales for the first three months of the previous consolidated fiscal year decrease by 1,410 million yen, cost of sales decreased by 1,383 million yen, and operating income, ordinary income, and net income before income taxes and other adjustments each decreased by 26 million yen. Furthermore, the capital surplus balance at the beginning of the previous fiscal year increased by 18 million yen after reflecting the cumulative impact amount in net assets for the beginning of the previous consolidated accounting period.

Trade notes, accounts receivable, and contract assets for the previous consolidated fiscal year increased by 108 million yen, work in process decreased by 56 million yen, "other" under investments and other assets decreased by 9 million yen, "other" under current liabilities increased by 16 million yen, and deferred tax liabilities increased by 3 million yen.

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

2. Application of Accounting Standard for Fair Value Measurement

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

(Segment Information)

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

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

(Thousand yen)

	Consulting	Logistics	Others (1)	Total	Adjustment (2)	Amount listed in consolidated statement of income (3)
Net sales						
Sales to external customers	4,230,084	654,126	591,118	5,475,329	5,795	5,481,125
Inter-segment sales and transfers	17,934	85,945	1,855	105,736	(105,736)	—
Total	4,248,018	740,072	592,974	5,581,066	(99,940)	5,481,125
Segment income	1,519,794	74,821	45,043	1,639,659	38,283	1,677,943

Notes:

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

II. First Quarter of FY12/22 (Jan. 1 – Mar. 31, 2022)

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

(Thousand yen)

	Consulting	Logistics	Others (1)	Total	Adjustment (2)	Amount listed in consolidated statement of income (3)
Net sales						
Sales to external customers	4,682,778	910,694	643,519	6,236,993	4,738	6,241,731
Inter-segment sales and transfers	24,142	88,053	3,615	115,810	(115,810)	—
Total	4,706,920	998,747	647,134	6,352,803	(111,072)	6,241,731
Segment income	1,783,353	134,661	145,658	2,063,672	17,370	2,081,043

Notes:

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

2. Matters concerning changes in reporting segments

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

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

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

Segment information for the previous consolidated first quarter indicates figures created using the revised method of measuring income and losses.

As a result, compared to the previous method, net sales for the consolidated cumulative first quarter decreased by 1,043 million yen for Consulting, by 83 million yen for Logistics, and by 283 million yen for Other businesses. Furthermore, segment income for Consulting decreased by 26 million yen, but this had no impact on Logistics or Other businesses.

(Subsequent Events)

(Allocation of stock options as stock compensation for Company directors and executive officers and for subsidiary directors and executive officers)

At the Board of Directors held on April 22, 2022, the Company decided on the solicitation parameters for subscription rights for shares as stock options issued to the Company's directors (excluding Audit and Supervisory Committee members and outside directors), executive officers, subsidiary directors and subsidiary executive officers. The Board also voted to recruit parties to underwrite said subscription rights for shares.

Number of subscription rights for shares	530 (upper limit) (Note) 1
Type of stock applicable to subscription rights for shares	Common shares
Number of shares applicable to subscription rights for shares (shares)	95,400 (upper limit) (Note) 2
Payment amount at time of execution of subscription rights for shares	1 yen per share
Exercise period of subscription rights for shares	May 10, 2022 to May 9, 2052
Matters concerning increased capital stock and capital reserve when issuing shares related to the exercising of subscription rights for shares	(1) The amount of capital increase when issuing shares related to the exercising of subscription rights for shares shall be half the capital increase limit calculated in accordance with Article 17, Paragraph 1 of the Regulations on Corporate Accounting. Any fractional amounts less than 1 yen shall be rounded up. (2) The amount of additional paid-in capital to be increased when shares are issued as a result of the exercising of subscription rights for shares shall be the amount derived by subtracting capital amount increase outlined in (1) above from the capital increase limited indicated in (1) above.
Conditions for exercising subscription rights for shares	(Note) 3
Matters concerning the transfer of subscription rights for shares	The acquisition of subscription rights for shares via ownership transfer shall require approval by the Company Board of Directors.

Notes

1. The number of shares applicable to each subscription right for shares (hereinafter, "number of allocated shares") shall be 180 shares.
2. After May 9, 2022 (hereinafter referred to as the "allocation date"), if the Company will split the shares of the Company's common stock (including the free allotment of the Company's common stock, hereinafter, the same shall apply to descriptions of stock splits) or conduct a stock merger, adjustments shall be made using the following formula and any fractional shares shall be rounded off.
$$\text{Adjusted No. of Allocated Shares} = \text{Pre-adjustment No. of Allocated Shares} \times \text{split (or merger) ratio}$$

If the Company conducts a merger or split after the allocation date, or if it is necessary to adjust the number of shares to be allocated due to similar circumstances, the Company shall appropriately adjust the number of shares to be allocated within a reasonable range.
3. (1) The partial exercising of subscription rights for shares is not allowed.
(2) A person with subscription rights for shares may exercise their subscription rights for shares during the exercisable period as of the day after the day on which said person loses their position as a director, corporate auditor, or executive officer of the Company or a subsidiary held on the allocation date (hereinafter, "rights start date").
(3) Notwithstanding (2) above, the stock acquisition rightsholder may exercise subscription rights for shares when applicable to either case i. or ii. below within the exercisable period (however, in the case of ii., this shall exclude cases where there is a merger agreement, share exchange agreement, or share transfer plan stipulating that the subscription rights for shares of the reorganized company will be issued to the stock acquisition rightsholder in accordance with the decision-making policy related to the issuance of subscription rights for shares for a company subject to reorganization), respectively.
 - i. When the stock acquisition right holder does not reach the rights start date by May 9, 2051
From May 10, 2051 to May 9, 2052
 - ii. When a proposal for approval of a merger agreement in which the Company becomes an extinguished company or a proposal for approval of a share exchange agreement or a share transfer plan in which the Company becomes a wholly owned subsidiary is approved at a General Meeting of Shareholders (Board of Directors if a resolution at the General Meeting of Shareholders is not required)
15 days from the day after the approval date
(4) The above (2) and (3) i. do not apply to those who have inherited the subscription rights for shares.
(5) If the holder of the stock acquisition rights waives the subscription rights for shares, the subscription rights for shares 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	4,155,645	+2.2	6,953,733	+0.2
Logistics	159,357	(14.3)	268,239	+10.6
Other businesses	118,574	(7.8)	44,609	(14.0)

Notes:

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

II. Sales

Sales made by each operating segment in the first quarter of the year are as follows.

Segment	Sales (unit: 1,000 yen)	Change from same period last year (%)
Consulting	4,682,778	+10.7
Logistics	910,694	+39.2
Other businesses	643,519	+8.9
Total	6,236,993	+13.9

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.