February 5, 2021

Company name: Funai Soken Holdings, Inc.
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Notice of Revised Mid-Range Business Plan

Funai Soken Holdings, Inc., hereby announces that its Board of Directors voted today to revise its 2020-2022 Mid-Range Business Plan as set forth below.

Revisions to Mid-Range Business Plan (Million yen)

	FY12/20				
	Initial plan	Revised forecast (Oct. 30)	Actual	Change vs. forecast (%)	YOY (%)
Net sales	29,000	25,100	25,027	-0.3	-2.8
Operating income	6,300	4,900	4,982	1.7	-12.7

	FY12/21				FY12/22			
	Initial plan	Revised plan	Change vs. initial plan (%)	YOY (%)	Initial plan	Revised plan	Change vs. initial plan (%)	YOY (%)
Net sales	33,000	28,000	-15.2	11.9	37,000	31,000	-16.2	10.7
Operating income	7,000	5,700	-18.6	14.4	7,700	6,300	-18.2	10.5

2. Reasons for Revision

The Funai Soken Consulting Group's Mid-Range Business Plan for 2020 through 2022 is founded on an underlying theme of comprehensive management consulting services for SMEs. Within that, we had hoped to pursue a number of challenges, such as accelerating our digital transformation consulting for SMEs and comprehensive management consulting services for mid-scale companies, but the impact of Covid-19 has forced us to revise the earnings within our Mid-Range Business Plan as shown above.

With the huge effect of Covid-19 on SMEs, which make up the bulk of our clientele, we believe that preparing to deal with the "new normal" in the post-Covid landscape is now a vital part of SME management. As such, the Funai Soken Consulting Group is working proactively to roll out "new normal support" services and offer SMEs the help they need. This does not come at the expense of the aforementioned comprehensive management consulting services for mid-scale companies and digital transformation solutions; we remain determined to expand our footprint in those domains.

Details of the revised Mid-Range Business Plan are attached. We also released Consolidated financial results and summary of financial results for FY2020 today.

Revised version

Mid-range Business Plan

(2020-2022)

Funai Soken Holdings Incorporated

*This material reflects revisions made to the Mid-range Business Plan (2020-2022) published on February 5, 2020.

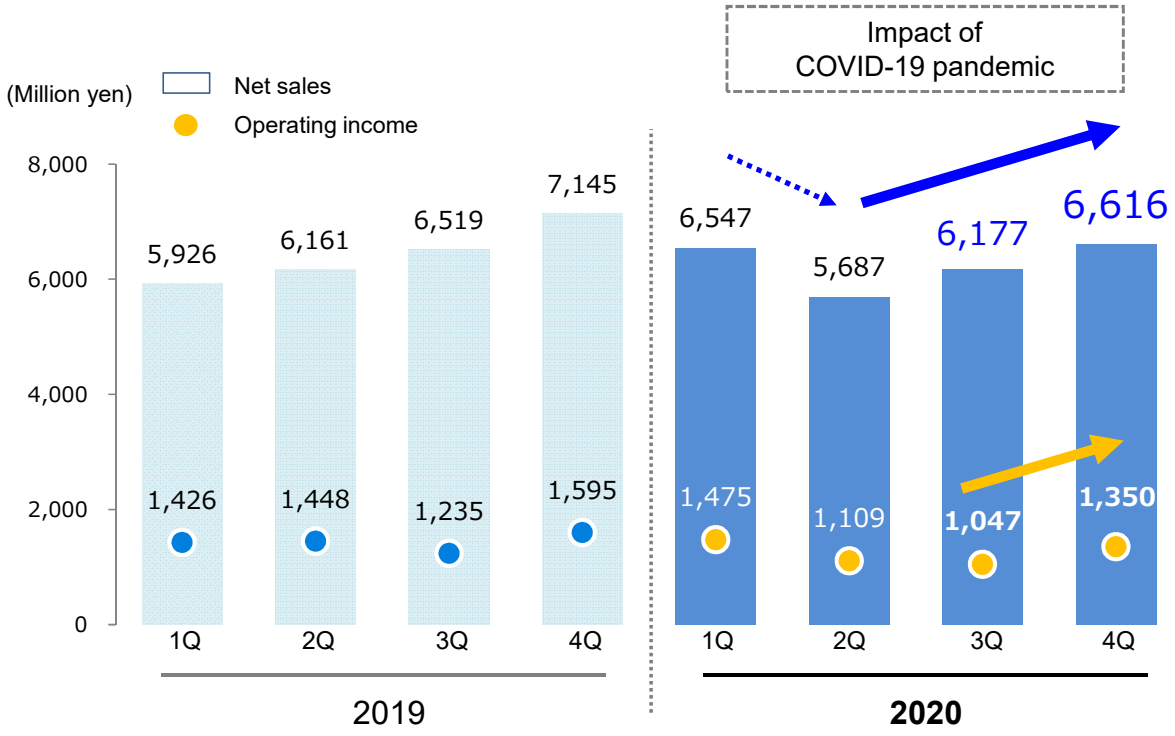
Funai Soken Holdings

Review of the First Year of the Mid-range Business Plan (2020-2022)

Better future for people, business and society
Funai Soken Holdings

The COVID-19 pandemic significantly restricted our sales activities, forcing us to refrain from holding seminars. New orders decreased between March 2020 and the 2Q but showed a recovery trend from the 3Q on.

■ Quarterly results of net sales and operating income



Results for 2020 (the first year of the Mid-range Business Plan)

Net sales: 25,027 million yen (Down 2.8% YoY)

Operating income: 4,982 million yen (Down 12.7% YoY)

<Results by segment>

Consulting	Net sales: 19,058million yen(Down 2.7% YoY) Operating income: 4,801million yen(Down 11.0%)
Logistics	Net sales: 2,638million yen(Up 8.0% YoY) Operating income : 311million yen(Down 9.6% YoY)
Direct recruiting	Net sales: 2,331million yen(Down 9.1% YoY) Operating income: - 174million yen
Other businesses	Net sales: 975million yen(Down 13.7% YoY) Operating income: - 88million yen

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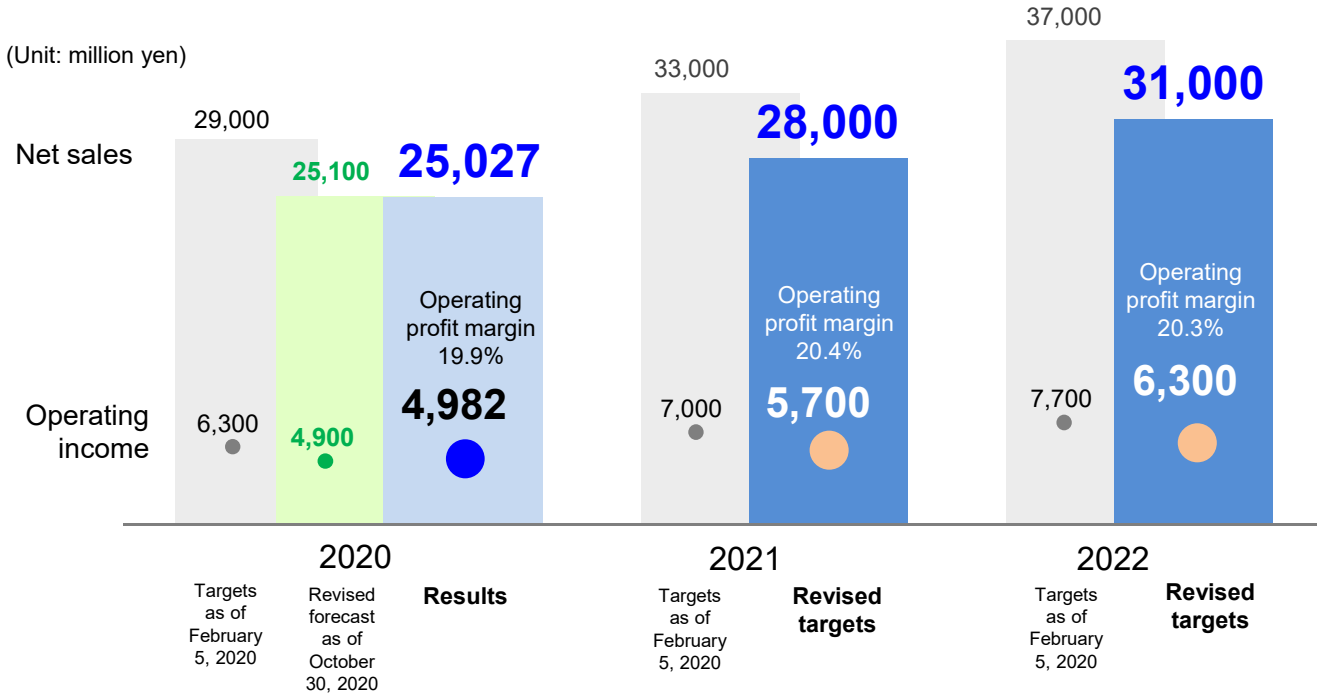
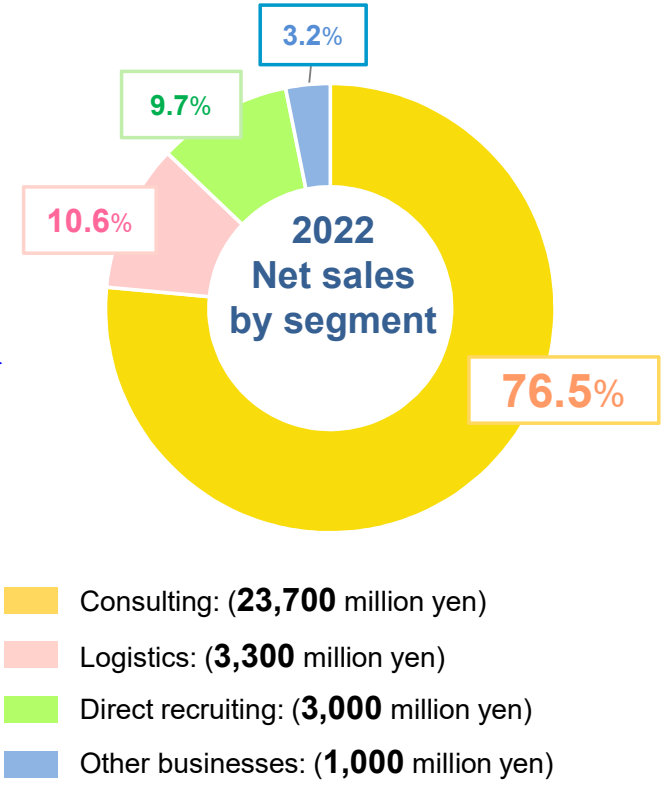
Performance Targets

Performance targets towards FY2022 revised based on the current business environment
For FY2022, we plan to achieve net sales of 31.0 billion yen and operating income of 6.3 billion yen, maintaining high profitability.

■ FY2020-FY2022: Results and targets of net sales and operating income





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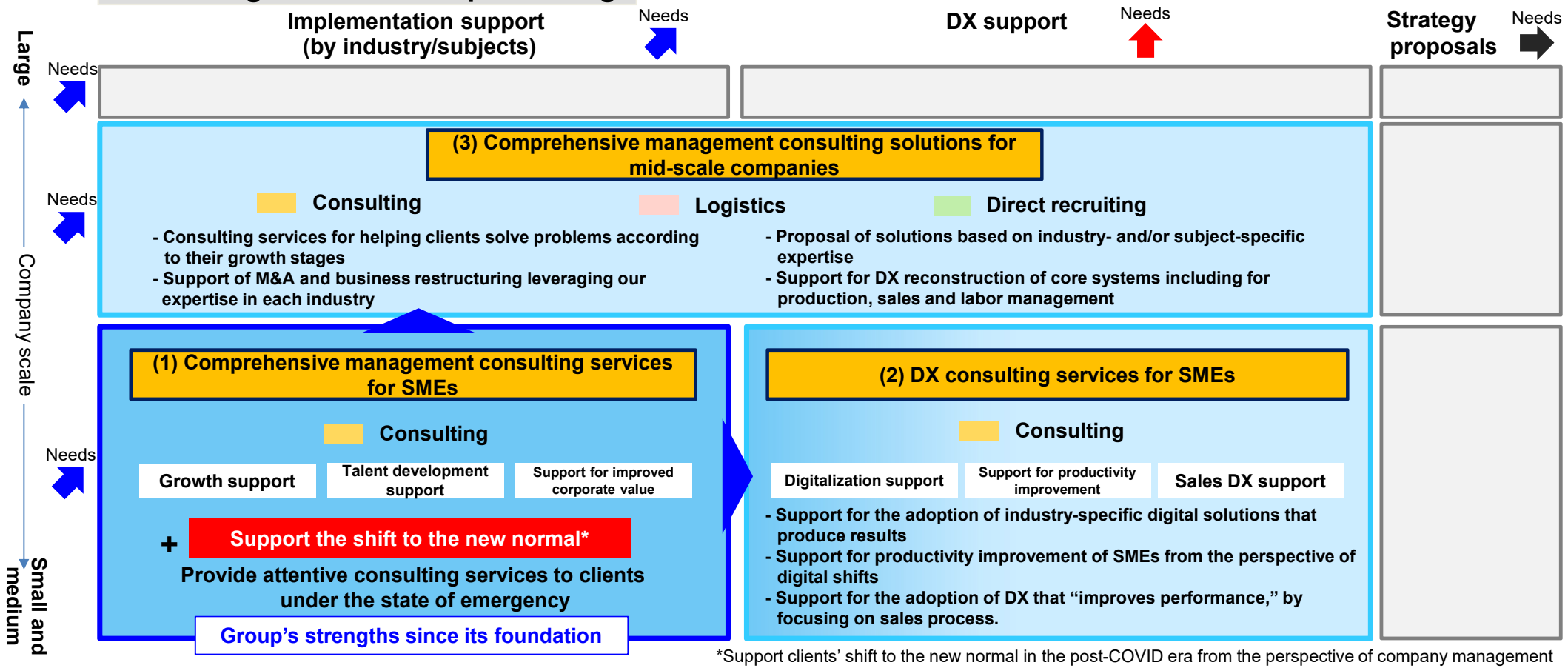
Business Strategy - Group's Envisioned Future

Fully engage in supporting our existing clients' shift to new normal in "life with corona." Based on this, accelerate the implementation of "DX consulting services for SMEs" and "comprehensive management consulting solutions for mid-scale companies."

Consulting needs and our positioning



*Support clients' shift to the new normal in the post-COVID era from the perspective of company management

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Business Strategy: (1) Comprehensive Management Consulting Services for SMEs

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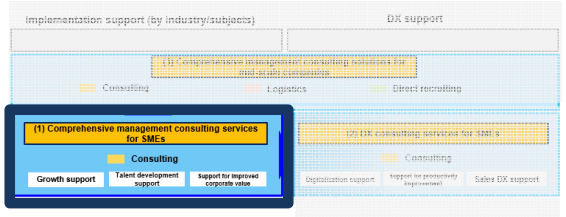
Consulting



In addition to the conventional business model, introduce a non-face-to-face consulting business model for the new normal era

■ Management consulting business models: Before and after (Examples)

	Solution development (Consulting menu)	Marketing (Client attraction)	Sales and orders (Seminars for business owners)	Services (Workshops and monthly support)
Before Before COVID-19 pandemic	■ **Consulting by industry and by subject** **- Growth support** Performance improvement, new store opening, etc. **- Talent development support** Support for hiring, development of evaluation system, etc **- Support for improved corporate value** Consulting for M&As and business succession	■ **Direct mails (DMs)** Grasp client needs based on market trends and attracting prospective clients based on responses to the DMs ■ **Email newsletters and listing advertisement** New client development utilizing email newsletters and listing advertisement	■ **Seminars by industry and by subject** Mainly face-to-face (in-person) seminars **- In-person seminars :** 884 times held in total **- Online seminar:** 16 times held in total Participants: 21,526 in total (FY2019) ■ **National Management Strategy Seminar Conference** Held annually in August, attended by thousands of people	■ **Management workshops** 178 workshops held in person in Marunouchi, Yodoyabashi, Gotanda and Shiba ■ **Monthly support** Mostly mobile-type support including making business trips to various parts of Japan and overseas as well as having clients visit our office
+ After Measures taken after COVID-19 pandemic	■ **Proposals of non-face-to-face business models** (Examples) **- Support for industry-specific online sales** Improve performance through non-face-to-face approaches, shifting client service from in-person to online/remote basis (Examples) DX of real estate sales and DX of medical treatment **- Support for adoption of robotics** Improve productivity and profitability of clients in manufacturing and restaurant businesses with robotics adopted	■ **Trend forecast report by industry and by subject** Attracted 29,399 prospective clients, who downloaded reports from our website (2020 results) ■ **Enhancement of platform for business owners** Begin distribution of TV contents of “Shacho Online,” business video media for business owners 	■ **Seminars by industry and by subject** Shift from in-person to online **- In-person seminars** 125 times held in total. **- Online seminar** 1,273 times held in total. Participants: 29,280 in total(FY2020) ■ **Online management advice** Provide management consulting services online following online seminars, completing sales activities through acceptance of order online	■ **Online management workshops** Shift all 190 workshops from in-person to online. ■ **Promotion of remote consulting** Approx. eight hundred consultants provided remote consulting services from the new studios (*) set up in our office and other places *Gotanda, Tokyo; Yodoyabashi, Osaka

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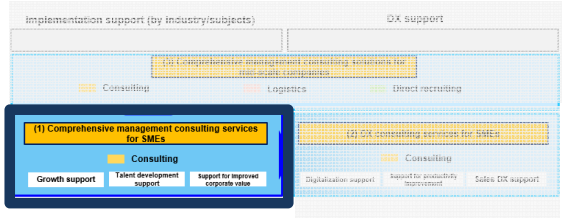
Business Strategy: (1) Comprehensive Management Consulting Services for SMEs

Consulting

Actively propose and send out the trend of each industry in the new normal era and initiatives managers of SMEs should undertake





Professional consultants of Funai Consulting analyze business models and subjects that help increase sales even during the COVID pandemic based on data and cases they obtain through daily consulting activities

Send out trend forecast for each industry and subject, as well as initiatives to be undertaken immediately

■ Proposed business models (examples)

Narrowly-defined attributes model
A business model focusing on specifically targeted customer segments and products with the aim of generating sales results by concentrating on a particular approach
Examples: warehouse construction; water heaters specialty stores; brokerage of rental housing exclusive to the elderly; endoscopic clinics, etc.

Home delivery, takeaway, and e-commerce models
A business model selling products, which have been conventionally sold face to face, through home delivery and other types of delivery
Examples: Fried chicken to go; bakery specializing in pain de mie; e-commerce construction materials, etc.

Social problem solution model
The business model generating earnings by solving social problems such as declining population, aging society and environmental destruction
Examples: fidelity guarantee specialists; rehabilitation clinic specializing in cerebral infarction; renovation of vacant dwellings

■ List by industry and by subject

ICT; manufacturing; energy; hiring, evaluation, and organizational revitalization; human resources business; M&A; IPO; business succession; finance; insurance; new housing; renovation; painting; real-estate brokerage and pre-owned houses; dwelling for sale; construction materials; rental housing brokerage and rental housing management; construction and land utilization; dentists; clinics; veterinary hospitals; internal medicine clinics; dermatological clinics; ophthalmic clinics; otolaryngologic clinics; esthetic clinics; orthopedic clinics; nursing care, elderly care, and welfare; hospitals and clinics; tutoring schools; schools; nursery schools; kindergartens and early childhood education and care centers; hotels; roadside rest areas; sightseeing and confectionery for souvenirs; food manufacturers; sweets and bakery; legal tech; tax accountants and accountants; labor and social security attorneys; real estate surveyors; judicial scriveners and administrative scriveners; lawyers; automobile retail sales, maintenance and repair; amusement; restaurant and food delivery; general retailers and specialized retailers; Japanese clothing; funeral ceremony, etc.

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Business Strategy: (2) DX Consulting for SMEs

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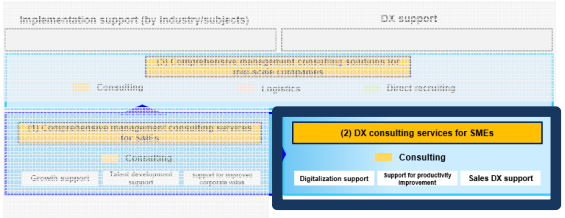
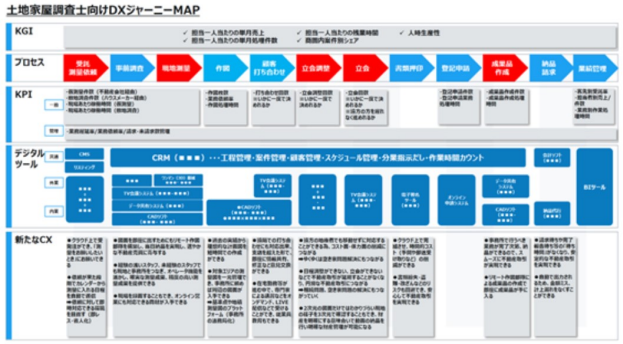
Consulting



Propose and expand the sales of "business models that increase productivity and improve performance in a non-face-to-face manner" through **our strength, "DX (digital transformation) that improves performance," especially consulting on DX of sales activities and on adoption of robotics**

DX journey map

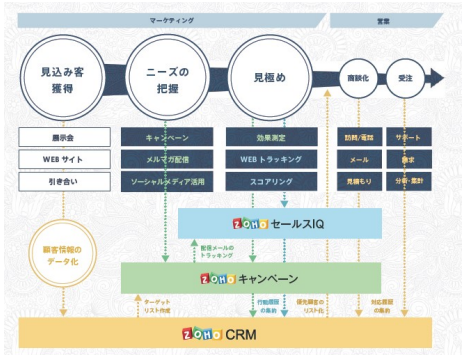
Propose diagnosis and consulting for "shifting to data-driven management" in terms of total optimization in each industry



*Example of DX journey map for real estate surveyors

Online sales solutions

By integrating MA (marketing automation), SFA and CRM, provide a solution package for "online sales" that includes digital attraction of customers through holding of online seminars



*Example: A solution using the platform provided by ZOHO, a SaaS vendor (Funai Consulting is an official partner of ZOHO.)

Consulting on adoption of AI and robotics

Propose "initiatives for maximizing customer attraction capability and sales" by adopting robotics to reduce headcounts and improve productivity, and by reallocating the excess management resources for strengthening sales and customer service capabilities



*(Left) A restaurant, our client, that has adopted serving robots
*(Right) A manufacturer, our client, that has adopted robots

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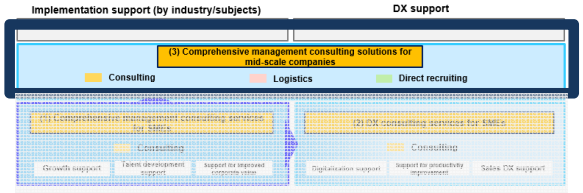
Business Strategy: (3) Comprehensive Management Consulting Services for SMEs

Consulting　Logistics　Direct Recruiting



Propose specialized solutions for helping solve medium to long-term issues facing mid-scale companies, in addition to our existing targeted clients, SMEs.



■ Consulting

Meet client needs such as M&As, new business development, and business model restructuring, that emerge as industry reorganization accelerates in the future in every industry

- Based on our strength, industry-specific consulting services, develop solutions and help clients solve issues according to external environment and their growth stage, besides supporting implementation of growth strategy, talent development, and increased corporate value
- Establish a team-based consulting system for mid-scale companies by setting up an Account Partner Office

- Support for M&As and business succession
- Support for IPO and shift to a holding company structure
- Support for re-branding
- Support for the second core business (new business development)
- Support for strengthening of inside sales



■ Logistics

Expand Japan's largest logistics business base in four pillars: consulting, community, network, and database

(1) Platforms

Developing and expanding Japan's largest logistics community linking consigners and logistics operators (Approx. 300 companies as of the end of 2020)

(2) AI and digital

Launched new services such as DX Logistics Workshop, AI Drive Recorder, and Logi-RPA Service

(3) Global SCM

In cooperation with Funai Consulting Shanghai, launched new services such as consulting on sales channel expansion and agency service for export (international delivery for e-commerce)



■ Direct Recruiting

Improve profit margin and strengthen sales of new services, paying attention to the recovery status of the recruitment market after its decline in 2020

Recruiting Cloud

Improve profit margin with optimal operation of recruitment media mix, utilizing self-developed cloud-based recruitment service using AI

Fixed-Fee "All You Can Hire" service

Recruitment service that commits the number of hires, with its patent being applied for. Aim to increase the number of contracts, focusing on industries in strong need of hiring service, such as healthcare and nursing care

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Human Resources Strategy

Design an environment that helps diverse human resources demonstrate their strengths in the new normal era
Realize Group's sustainable growth based on a positive spiral of hiring, development and demonstration of strengths

	Human resources strategy: Mid-range business plan (2020-2022)	Human resources strategy: Results in 2020 and progress status
01: Recruit 	**Group's employee number to reach 1,600 (adding approx. 400) in 2022** (1) Continue proactively hiring consultants and consultant candidates (hiring 200-250 per year); (2) Expand new hires for DX functions; (3) Accelerate hiring of non-Japanese (especially in Shanghai, China); and (4) Strengthen hiring of licensed professionals	**Revised** - Considering the present business environment, Group's employee number to reach 1,500 (adding approx. 300) in 2022 **Ongoing** - Talent for DX functions: Hired 24 individuals (Funai Consulting, results for 2020) *Definition of talent for DX functions is given by our own internal standards - Hired 43 non-Japanese (Group-wide results for 2020)
02: Develop 	**Redevelop Early Development Program in response to the headcount increase** (1) Set up Talent Development Center (TDC) Foster early development of staff for DX functions, and maximizing the consultants' ELTV (employee lifetime value) (2) Continue early development of team leaders (with target deadline within five years) Results in 2019: 3 years and 8 months	**Ongoing** - Enhancing various development programs including DX education with the establishment of Talent Development Center (TDC)  **Achieved** - Results in 2020: 4 years and 1 month
03: Retain 	**Establish an environment that helps diverse human resources demonstrate their strengths** (1) Introduce and establish a new personnel evaluation system based on four career courses (i) Consulting Development Course, (ii) Business Development Course, (iii) Corporate Professional Course, and (iv) Management Course (2) Increase the flexibility of work hours and places towards realizing a working environment with improved efficiency Expand and strengthen "remote support" that makes it possible to conduct consulting from anywhere	**Ongoing** - Funai Consulting, the core company, has developed and adopted the new personnel evaluation system. This is the second year (establishment phase) of the operation of the new system **Achieved** - Given the COVID crisis, accelerated development and establishment of the remote-support environment, which is now utilized in our ordinary consulting service

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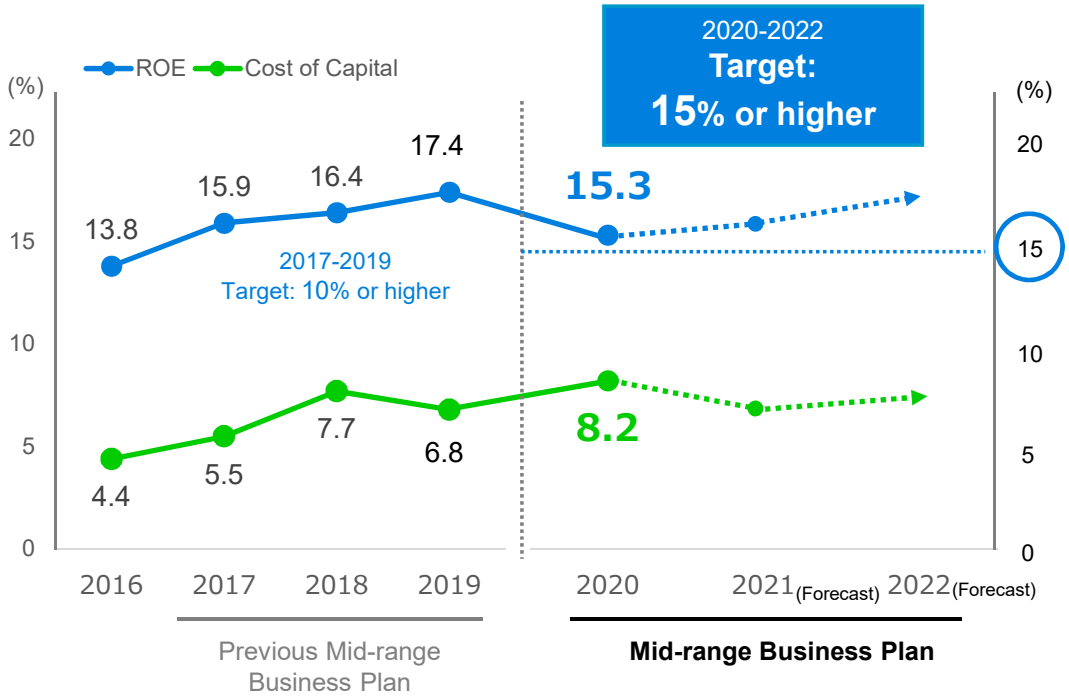
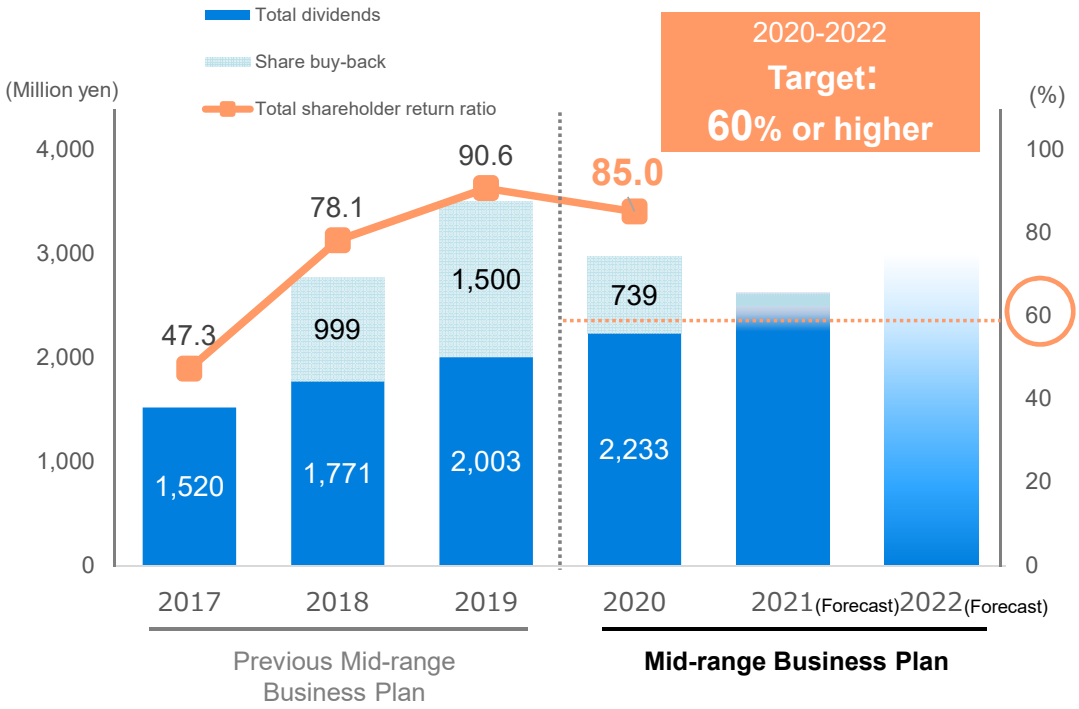
Financial Strategy: (1) Capital Policy and Shareholder Return Policy

In 2020, under the significant impact of the COVID-19 pandemic, implemented share buy-back for the purposes of improving capital efficiency and shareholder return ratio. As a result, the consolidated ROE and total shareholder return ratio reached 15.3% and 85.0% respectively, achieving the targeted consolidated ROE of 15% or higher and the targeted total shareholder return ratio of 60% or higher. Continue the initial policy aiming to achieve the targets in the second year and after.

■ **Consolidated ROE and capital cost: Results and targets**



■ **Total dividends and total shareholder return ratio: Results and targets**



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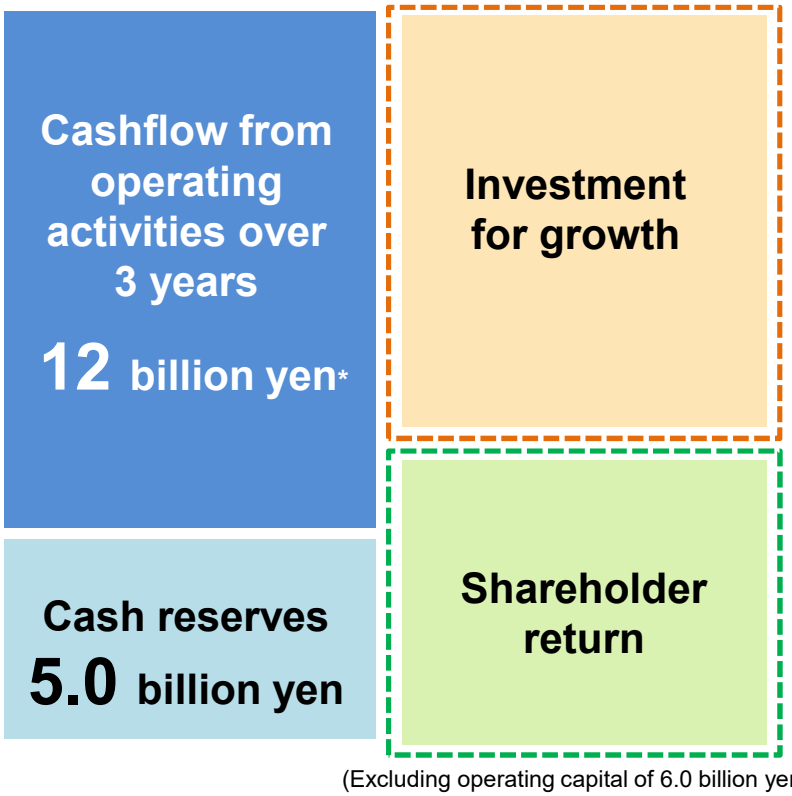
Financial Strategy: (2) Investment for Growth

Investment for growth: Allocation of cashflow from operating activities over three years

Increase shareholders' value by allocating cashflow from operating activities and cash reserves to investment for the next stage of growth and to appropriate shareholder returns. Based on the results in 2020, continue investment for growth and shareholder returns, though the cashflow has changed as indicated below.



(Excluding operating capital of 6.0 billion yen*)

Priority initiatives

- **Business Strategy**
- **M&As**
- **Hiring and education**
- **Developing talent for digital functions**

- **DX investment**
  - Core systems
  - Develop new consulting services utilizing big data, AI, etc.

Continue investment for further growth as mentioned above

Continue to enhance shareholder returns with the aim of achieving total shareholder return ratio of 60% or higher

*The numbers have been revised reflecting the revised plan

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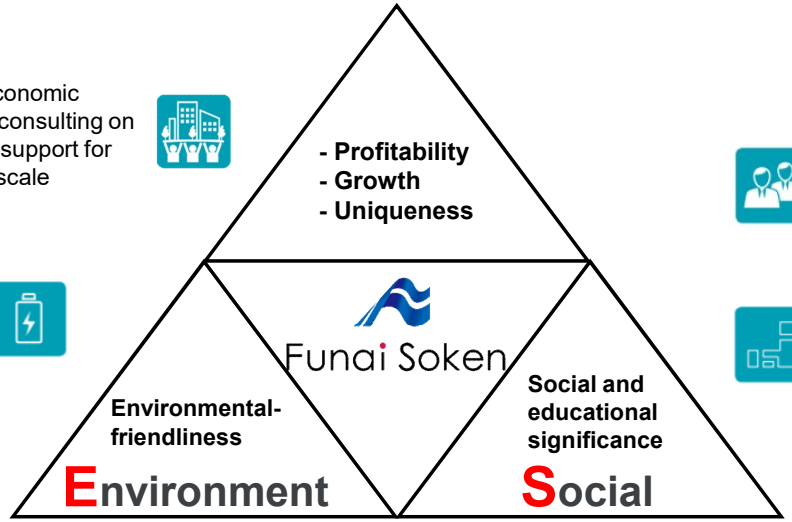
ESG Initiatives

We will further strengthen our initiatives for ESG, recognizing its importance, under the Group philosophy: "We help to build a better future for people, business, and the society."

Our Group's ESG vision

Strengthen ESG initiatives through management consulting and other business activities



- Contribute to economic growth through consulting on implementation support for SMEs and mid-scale companies
- Contribute to the environment through consulting relating to energy savings and renewable energy-related areas
- Provide diverse personnel with opportunities to unleash their capabilities (emphasizing diversity and inclusion)
- Contribute to development of local societies through consulting for regional revitalization (revitalization of local community, local production local consumption, response measures for declining birthrate)
- Industry-specific consulting making environmentally-conscious proposals, advice and support (for housing, automotive, food and other industries)
- Industry-specific consulting providing proposals, advice and support taking social significance into account (for healthcare, certified professional services, preschool and education, and other industries)

Governance

- Strengthen corporate governance

CSR activities

Great Company Awards

Awarded **70** companies over eleven years (every year since 2010)

- We support the Great Company Award program run by Funai Foundation helping to find and promote "great companies" that serve as role models for many companies.

*We define "great companies" as "companies with sustained growth that demonstrate their unique merits along with social and educational significance, profitability, growth and environmental-friendliness."

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ESG Initiatives

Better future for people, business and society
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The Group continues to implement its initiatives for ESG to help realize a sustainable society through its business activities, recognizing ESG activities as its priority.



■ Results of our ESG initiatives in FY2020; and future policy

Step 01 Establish Group-wide implementation base

- Formulate Group's basic policy
- Identify Group's Materiality
- Establish Group-wide implementation system

Governance

- Formulate information security basic policy
- Roll out information security manual
- Education and enlightenment of staff regarding how to deal with information security (e-learning etc.)



Step 02 Gather information for identifying issues and indicators

Environment

- Information necessary for addressing climate change issues including CO2 emissions and for environment management

(Calculation of emissions based on electricity consumption)





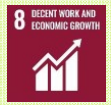
Social

- Information necessary for addressing diversity and other social issues

(Number of non-Japanese staff; ratio of women staff, etc.)



- Support clients' implementation of ESG-conscious management and develop a menu of consulting services that contribute to local communities



Step 03 Strengthen cooperation for continuous initiatives

- Formulate a roadmap for continuously implementing initiatives
- Implement initiatives towards attaining the Sustainability Vision, incorporating experts' knowledge and advice
- Continue creating economic and social values by implementing Group-wide initiatives in cooperation with operating companies



- Consider collaborative plans with external organizations



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Corporate Governance Framework

Implement and strengthen our Group's corporate governance based on the below framework

*at the end of December 2020

Nominating Committee:
Ensures objectivity and adequacy of the director candidate selection process

1 internal member;
2 external members

Successor Nominating Committee:
Ensures fairness and high transparency of procedure for selecting and fostering candidates for next Group CEO

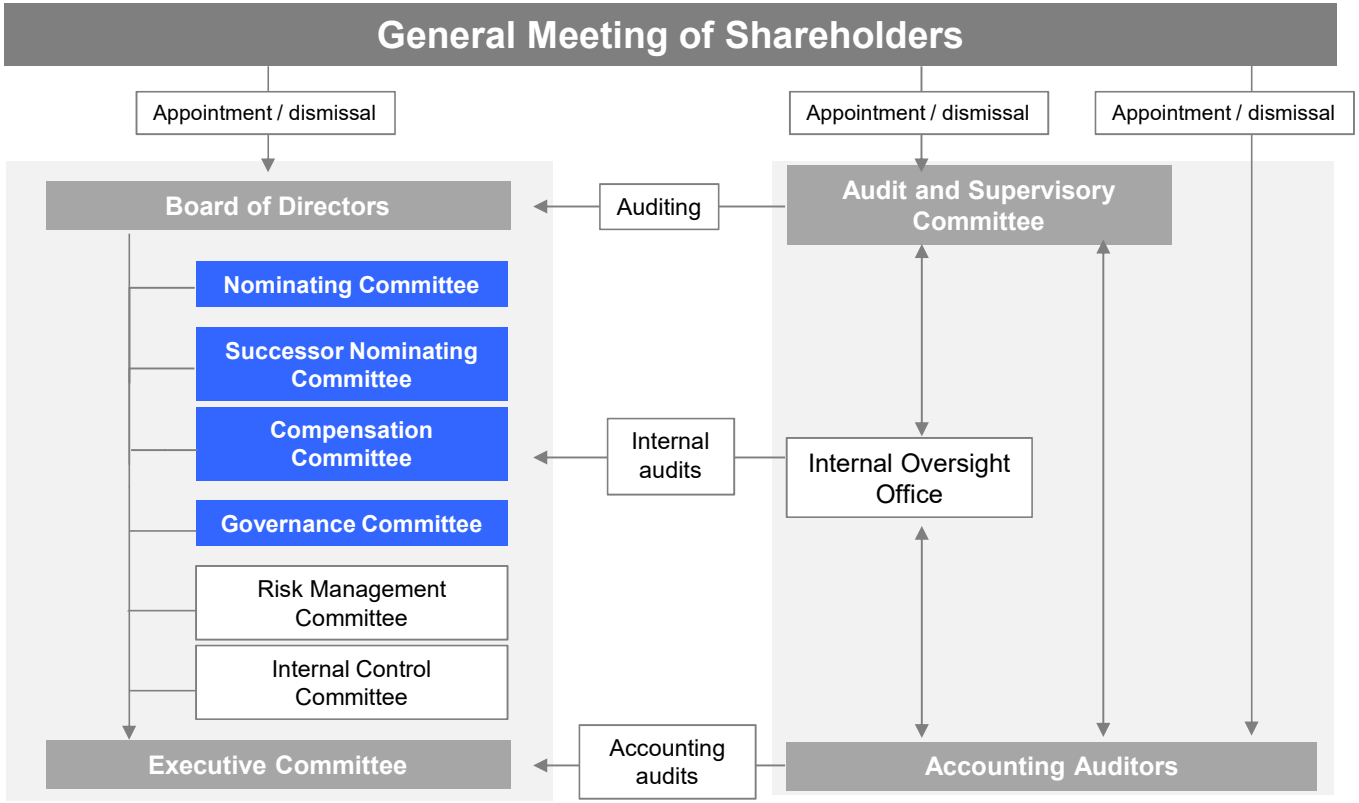
1 internal member;
3 external members

Compensation Committee:
Ensures objectivity of decisions on, and the adequacy of, directors' compensation through consideration of a pay package that contributes to improved medium to long-term performance

2 internal members;
2 external members

Governance Committee:
Seeks to strengthen governance by discussing overall governance from medium to long-term perspectives

4 external members



[Examples of past initiatives for strengthening governance]

2017: Held explanatory meetings for shareholders (May and June) and new business meetings
2018: Reduced cross-shareholdings
2019: Set up Successor Nominating Committee; appointed external directors for core Group companies; and hired in-house lawyers

[Considerations for future initiatives]

- **Appointment of women directors (Appointed a woman director in March, 2020)**
- **Establishment of a Group compliance department focusing on Group companies**
- **External disclosure of the Group's code of ethics and conduct**

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Our Mission

We help to build a better future for people, businesses, and society

We at the Funai Consulting Group will offer solutions for a better future to all the people and businesses we are involved with – and to society as a whole – and will do our best to turn those ideas into reality.

Our Vision for the Future

Trusted and respected by society for bringing joy to people and businesses through our work

We are determined to work together as a corporate group to bring joy to the people and businesses we are involved with. By earning the trust and respect of the people and businesses we seek to please, we can also earn the trust and respect of society as a whole.

Statement Regarding Use of These Materials

Plans, outlooks, strategies and other information contained herein are based on reasonable judgments made in accordance with information currently available.

Actual results may differ greatly from these forecasts for a number of factors.

All possible care has been exercised in preparing these materials, but the Funai Consulting Group assumes no responsibility for losses or other damages resulting from errors concerning any information.

These materials are not intended to encourage any kind of investment. Investment decisions are the sole responsibility of the individual investor.

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