1st Quarter of Fiscal Year Ending December 2021

Summary of Financial Results

Funai Soken Holdings Incorporated
(TSE 1st section: stock code 9757)

Friday, May 7, 2021

Funai Soken Holdings

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［Statement Regarding Use of These Materials］

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Executive Summary

1. Executive Summary

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(1) Consolidated Income

- Performance in this quarter exceeded the (pre-Covid-19) same period of last year, and we recorded our best figures ever.
- Income was improved by the large drop in SG&A expenses created by the shift to online seminars, remote support, and remote work. As a result, operating income was up 15.6% from the same period in the preceding year, ordinary income up 14.0%, and net income up 18.4%.

	March 2020		March 2021		
	Amount (million yen)	% of total	Amount (million yen)	% of total	Change (%)
Net sales	6,547	100.0	6,891	100.0	+5.3
Operating income	1,475	22.5	1,704	24.7	+15.6
Ordinary income	1,519	23.2	1,732	25.1	+14.0
Net income attributable to owners of the parent	999	15.3	1,184	17.2	+18.4

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1. Executive Summary

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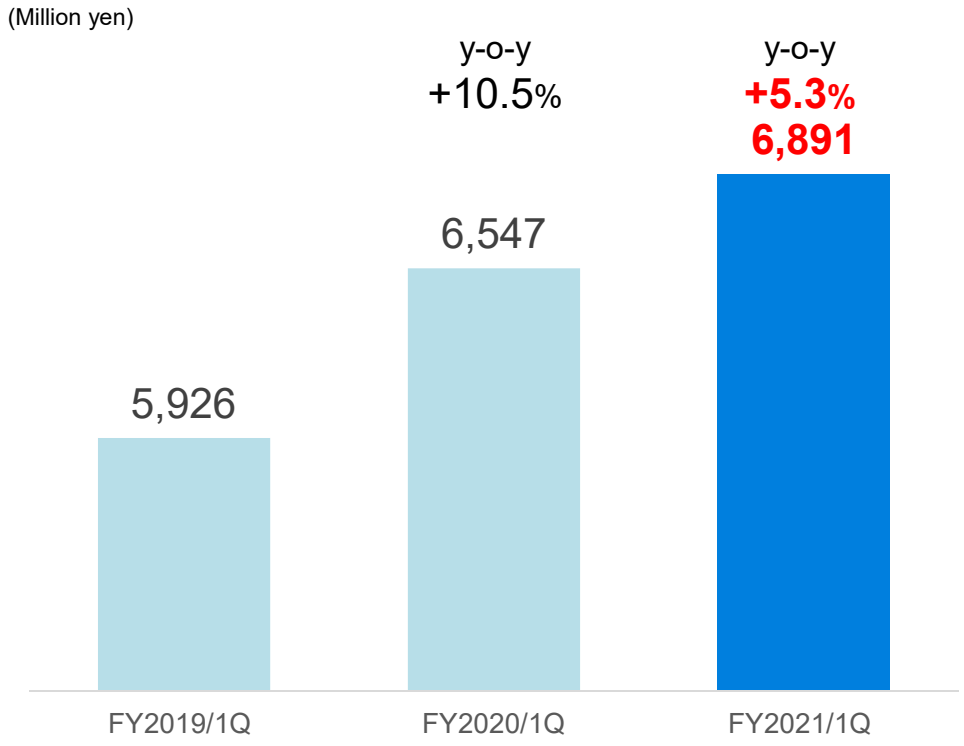
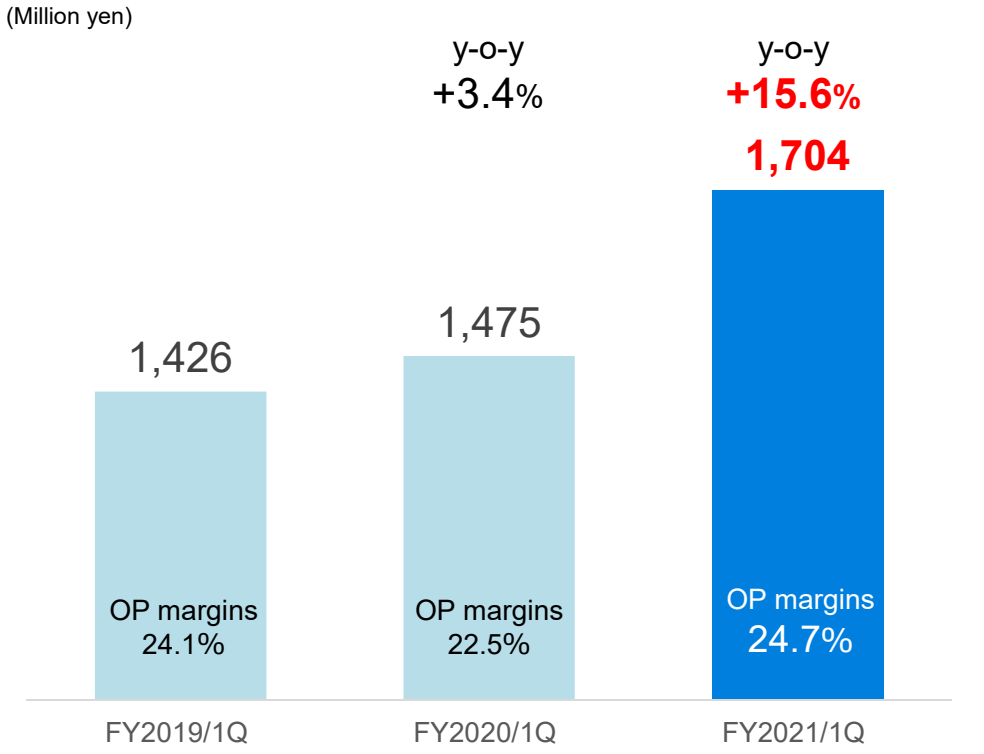
(1) Consolidated Income

- Sales were up, buoyed by an expanded range of digital transformation consulting options aimed at helping clients thrive in the post-Covid “new normal.”
- Operating income increased significantly, driven by our switch to online delivery of solutions, including online seminars and consulting services provided via web-based conferencing systems.

Net sales



Operating income



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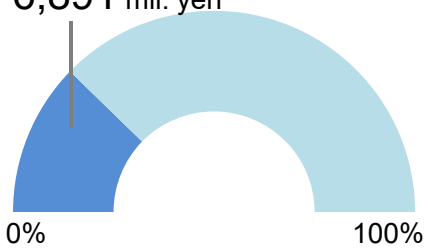
(2) Progress in Comparison with This Year's Forecasts

- Sales so far are at 24.6% of this year's forecast of 28,000 million yen.
- Operating income, ordinary income, and net income are all at around 30% of this year's forecast.

Net sales

2021 full-year forecast
28,000 mill. yen
(+11.9% y-o-y)

March earnings
6,891 mil. yen



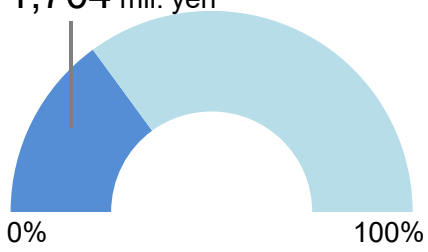
Progress as of March 2021

24.6%

Operating income

2021 full-year forecast
5,700 mil. yen
(+14.4 y-o-y)

March earnings
1,704 mil. yen



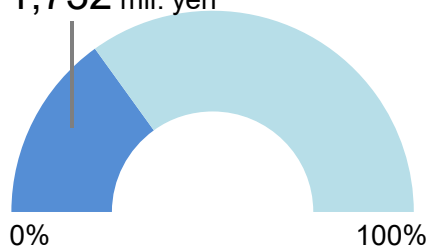
Progress as of March 2021

29.9%

Ordinary income

2021 full-year forecast
5,750 mil. yen
(+12.9 y-o-y)

March earnings
1,732 mil. yen



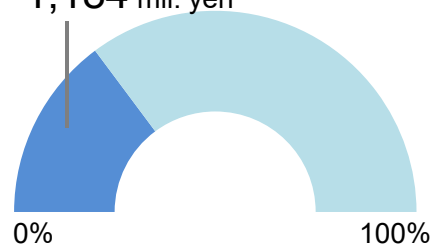
Progress as of March 2021

30.1%

Net income attributable to owners of the parent company

2021 full-year forecast
4,000 mil. yen
(+14.3 y-o-y)

March earnings
1,184 mil. yen



Progress as of March 2021

29.6%

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FY2021 1st Quarter Financial Results

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2. FY2021 1st Quarter Financial Results

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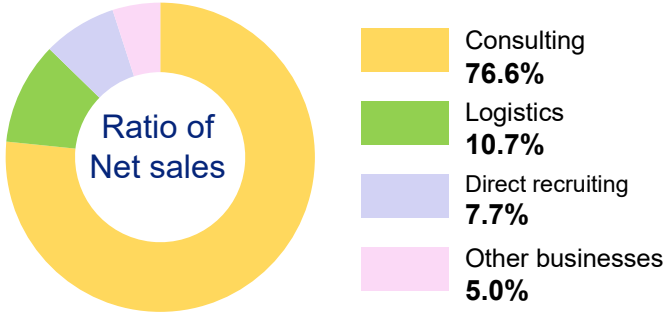
(1) Results of Operations by Segment

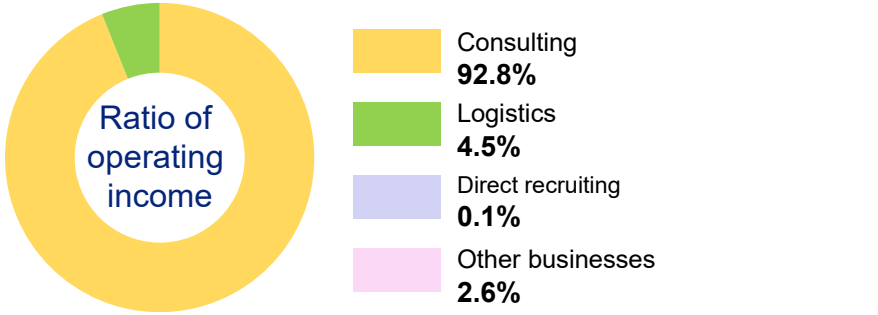
- Revenues in the consulting segment were up, buoyed by increased sales in of online advertisement agency and digital transformation consulting services. Income was also improved by the large drop in transport and venue costs afforded by the switch to online seminars and management workshops and remote support.
- Logistics revenues were up, boosted by strong performance of clients' e-commerce operations and new orders acquired online.
- In the direct recruiting segment, a decline in recruiting ads resulted in a drop in revenues, but new orders are propelling sales toward recovery.

(Units: million yen, %)

Net sales	March 2020	March 2021	
	Amount	Amount	Change
Consulting	4,764	5,273	+10.7
Logistics	663	737	+11.2
Direct recruiting	800	530	-33.6
Other businesses	312	343	+9.8
(Intra-group & whole-group transactions)	5	5	—
Total	6,547	6,891	+5.3



Operating income	March 2020	March 2021	
	Amount	Amount	Change
Consulting	1,368	1,546	+13.0
Logistics	120	74	-37.8
Direct recruiting	-15	1	—
Other businesses	0	43	+7,156.3
(Intra-group & whole-group transactions)	1	38	—
Total	1,475	1,704	+15.6



*Percentages exclude intra-group & whole-group transactions

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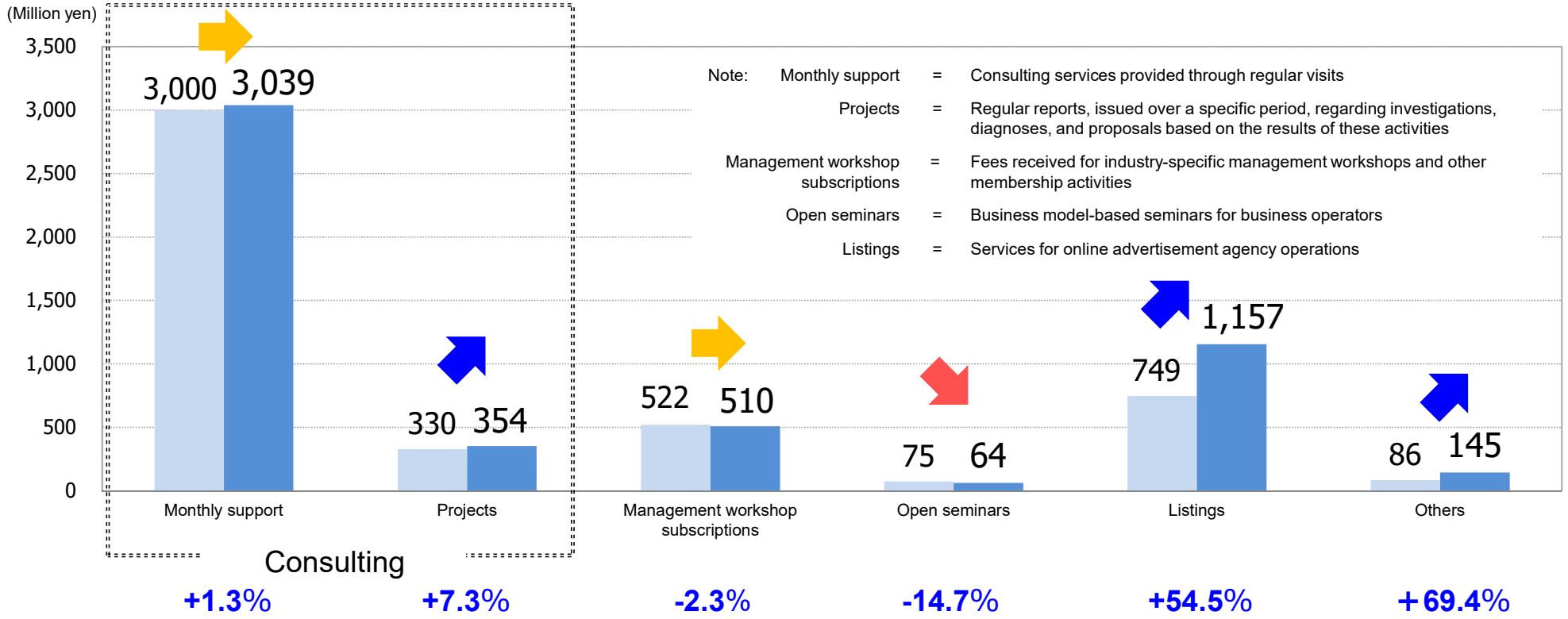
(2) Results of Operations by Segment: Consulting Sales by service category

- Monthly support sales recovered to pre-Covid levels, finishing 1.3% over the same period in the preceding year.
- Management workshop subscription income was steady as workshops were shifted online and subscription renewals among existing members held firm.
- Conversely, although open seminar participant numbers increased over the same period last year despite those seminars being shifted online, a decline in the price per seminar resulted in a decline in sales by 14.7%.
- Web ad listings increased 54.5% over the same period in the preceding year on the back of a solid rise in accounts.



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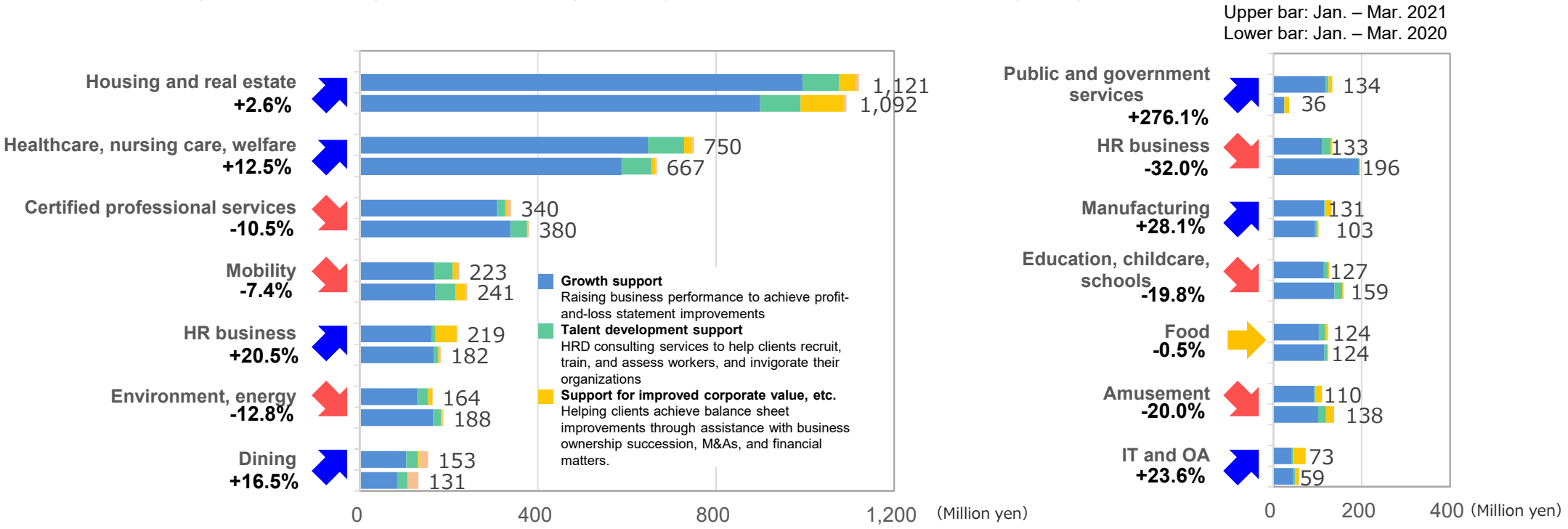
(2) Results of Operations by Segment: Consulting Sales by Sector

- Sales continued to track robustly in the following core sectors: housing and real estate; and healthcare, nursing care, and welfare.
- Although the dining sector struggled in Japan, sales of consulting services to Chinese dining businesses—a segment we were unable to properly address last year—have increased this year.
- Consulting for manufacturing clients was robust, driven by industry demand for online marketing solutions in this Covid-defined age.
- Sales in the governmental segment increased significantly on the back of an order for a large project.



Figures show total sales of consulting contracts, management workshop subscriptions, and open seminars, grouped in accordance with the company's industry classifications, for Jan. through Mar. 2020 and 2021.

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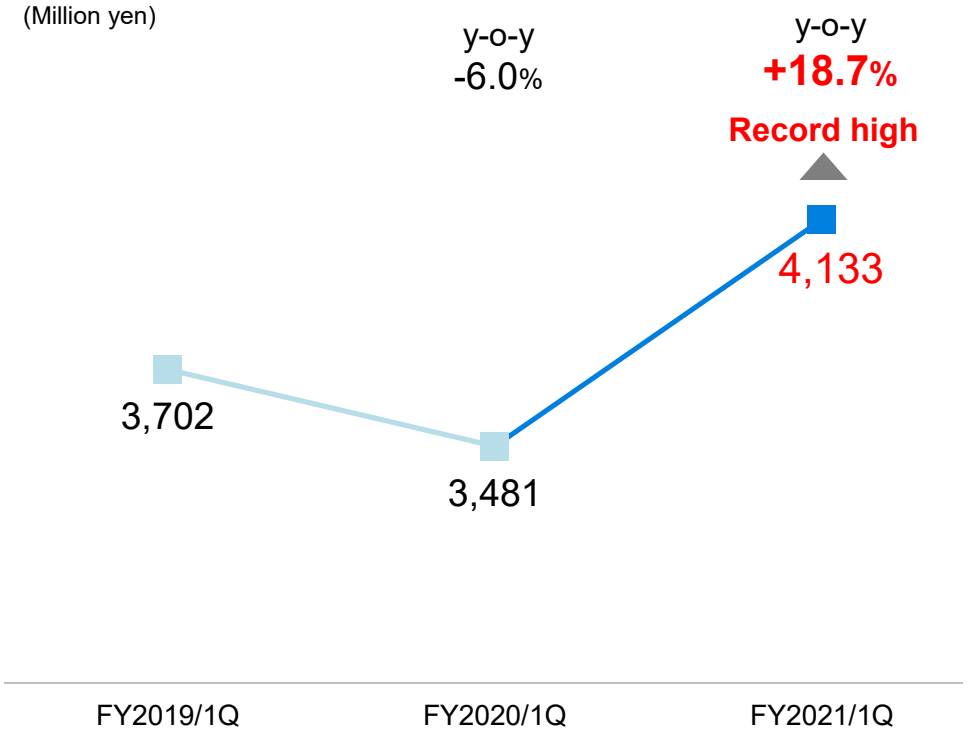
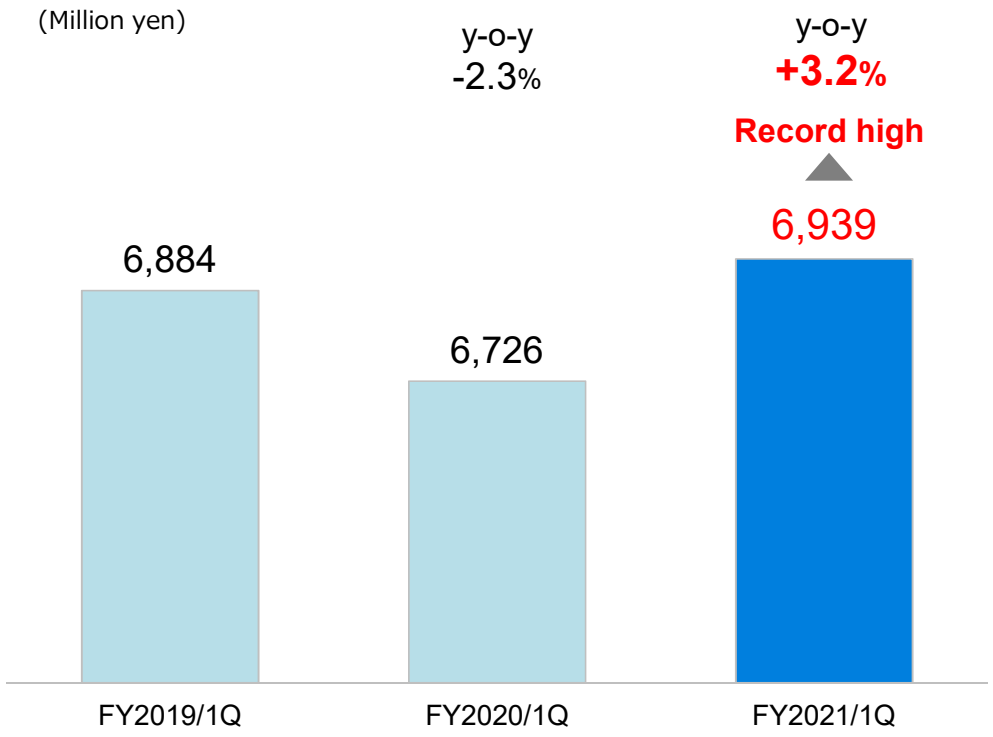
(2) Results of Operations by Segment: Consulting Orders by Quarter

- Increased demand for digital transformation consulting and support solutions for business in this Covid-defined age, combined with the establishment of online seminars as a new channel for orders, resulted in a large increase in orders.
- We set records for orders received in the quarter and orders outstanding at the end of the quarter.

Consulting orders received



Consulting orders outstanding



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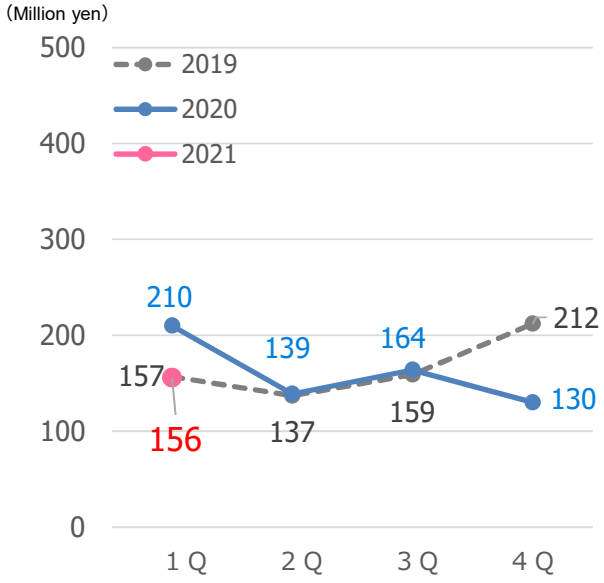
(3) Performance by Segment: Logistics—Quarterly Sales by Service Category

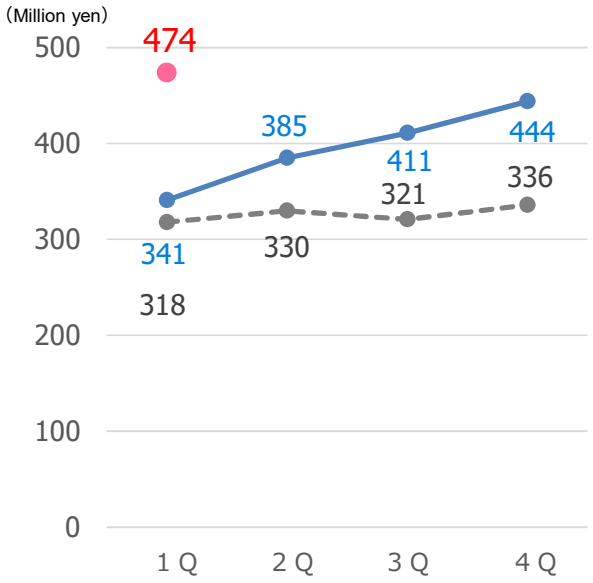
Logistics Consulting
Helping clients reduce logistics costs

- Revenues from consulting services for shipper clients were down as a result of last year's drop in orders.
- Consulting services for transporters were roughly the same as the same period in the preceding year, and we are seeking to boost earning potential with new services.



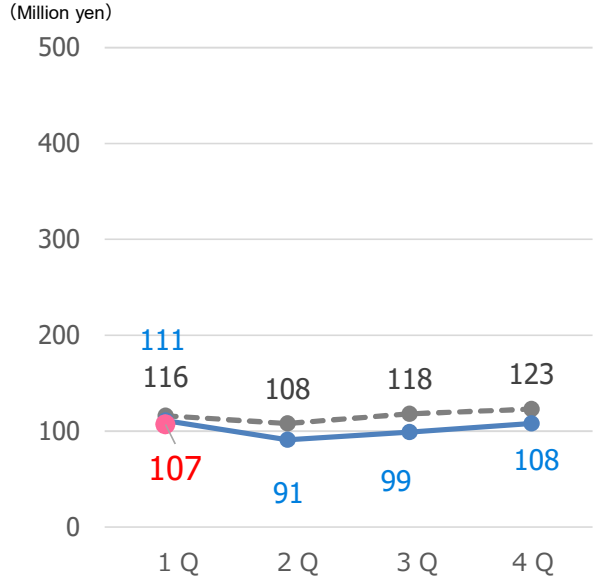
Logistics Operations
Logistics on behalf of clients

- Deep-mining of existing clients and ongoing business with last year's new clients resulted in an increase in sales.
- In particular, the strong demand for product deliveries generated by the shift to a stay-at-home economy contributed to robust performance in this segment.



Logistics Trading
Reducing purchasing costs through joint buying

- Sales decreased as restrictions on marketing activities—and activity in general—had a severe impact on joint purchasing of fuel, one of our core offerings in this area.



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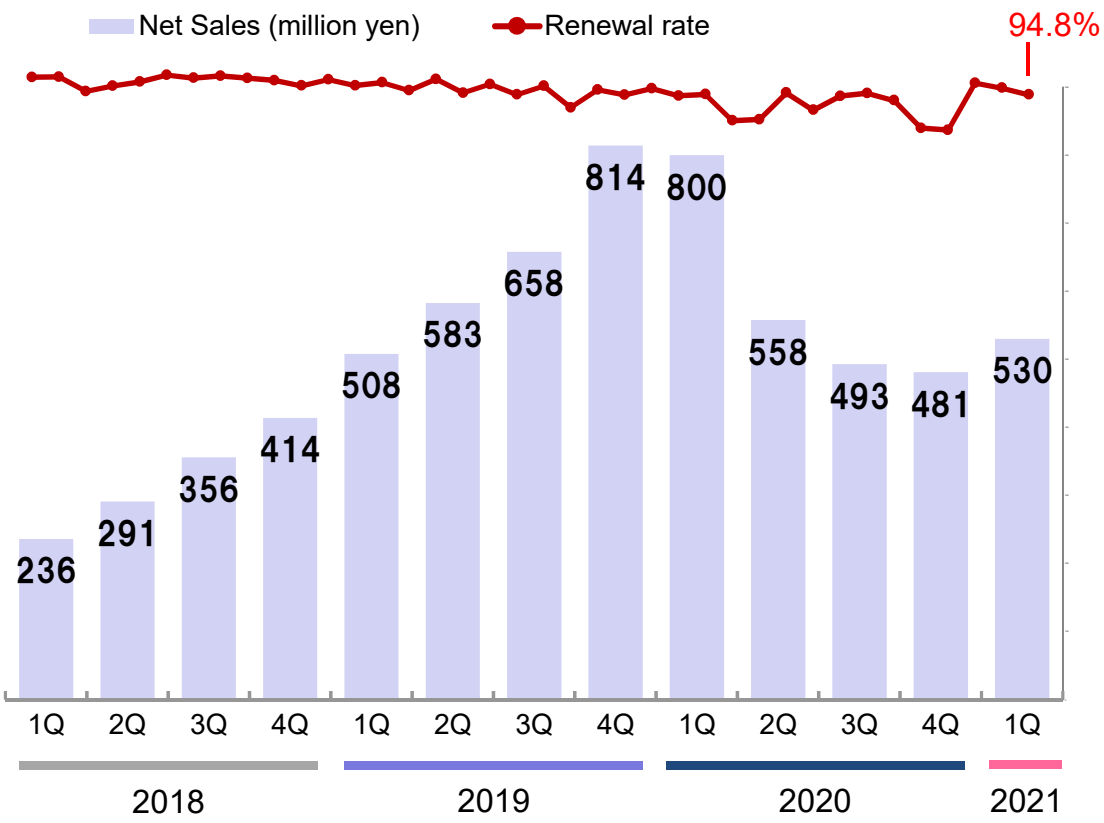
(4) Results of Operations by Segment: Direct Recruiting

- Covid-19 has caused a decline in personnel hiring, leading to an ongoing decrease in recruitment ad placements, but sales in this segment are on the road to recovery, buoyed by the staffing business we launched in 3Q last year.
- The contract renewal rate of clients who use the cloud-based AI recruiting service remains high.



Major Direct Recruiting Services



Cloud-based AI recruiting service

- Uses big data and an automated AI system to create ads that attract responses.
- Automated listing in optimal, cost-effective media reduces cost per response.
- AI allows for 24-hour 365-day operation and integrated administration of respondents, streamlining hiring work.



Fixed-Fee "All You Can Hire" service

- Lowers recruiting costs. No additional charges, regardless of the number of people hired. Fixed fee means the more you use, the more you save.
- Guaranteed number of hires (our commitment to you).
- Full refund if your ad does not result in a hire.
- "Blind" resumes made available in real time.

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(5) Consolidated Financial Position—Balance Sheet

(Million yen)

		As of Dec. 31, 2020	As of Mar. 31, 2021	Change	Major factors behind changes
Current assets		16,304	15,599	▲705	Decrease in current assets: Mainly decreases in cash and deposits.
Noncurrent assets	Property, plant, and equipment	5,987	5,956	▲30	
	Intangible assets	675	681	+6	Increase in noncurrent assets: Mainly increase in investment securities.
	Investments and other assets	4,984	5,159	+175	
Total assets		**27,951**	**27,397**	**▲554**	
Current liabilities		3,997	3,851	▲146	Decrease in current liabilities: Mainly increases in long-term loans to be repaid within one year and provision for bonuses, and decrease in income tax payable. Decrease in noncurrent liabilities: Mainly decrease in Long-term loans payable.
Noncurrent liabilities		265	152	▲113	
Total liabilities		**4,263**	**4,004**	**▲259**	
Total net assets		**23,688**	**23,393**	**▲294**	Financial position remains sound with a high equity ratio of 83.0%.
Total liabilities & net assets		**27,951**	**27,397**	**▲554**	

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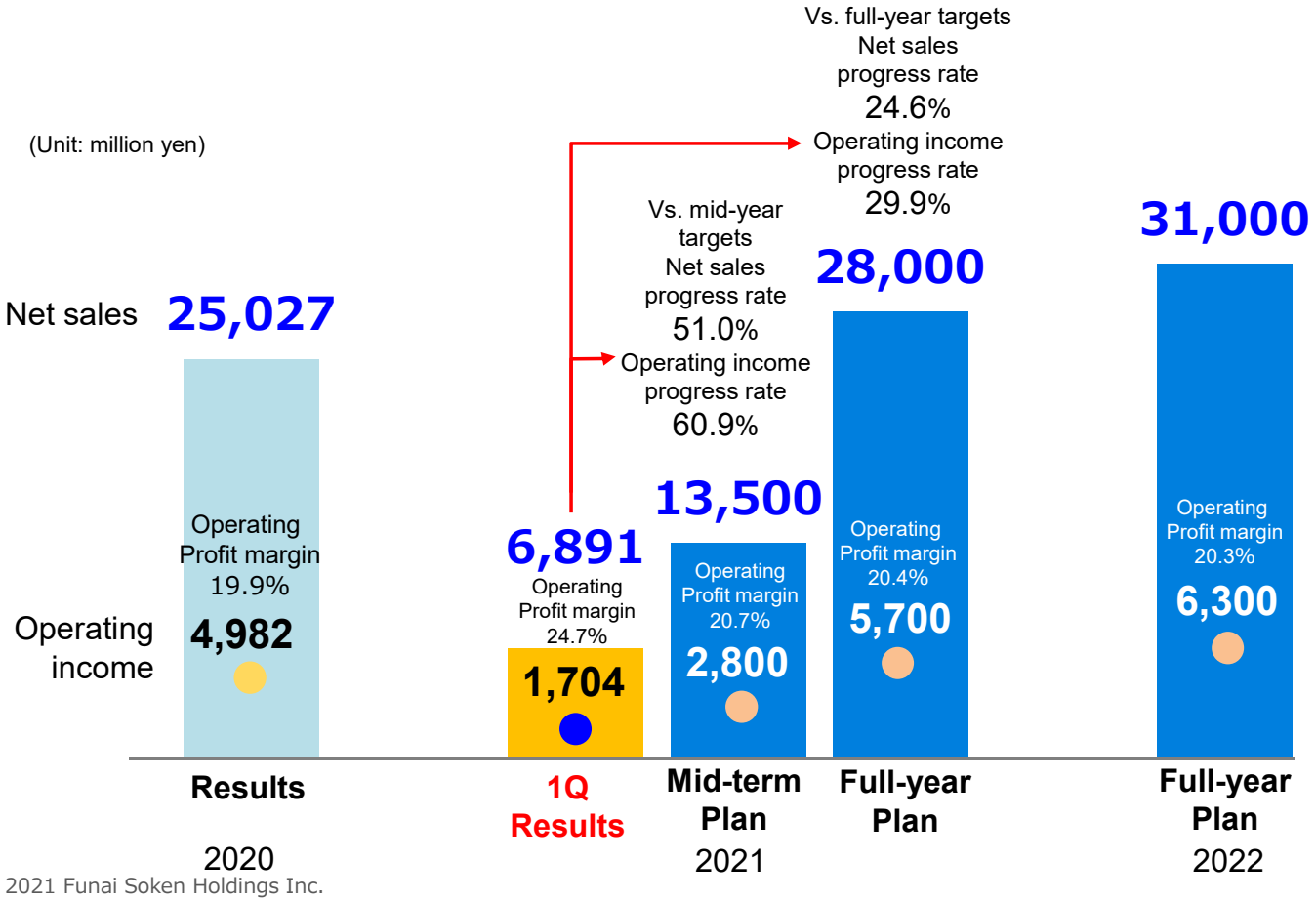
Outlook and Initiatives

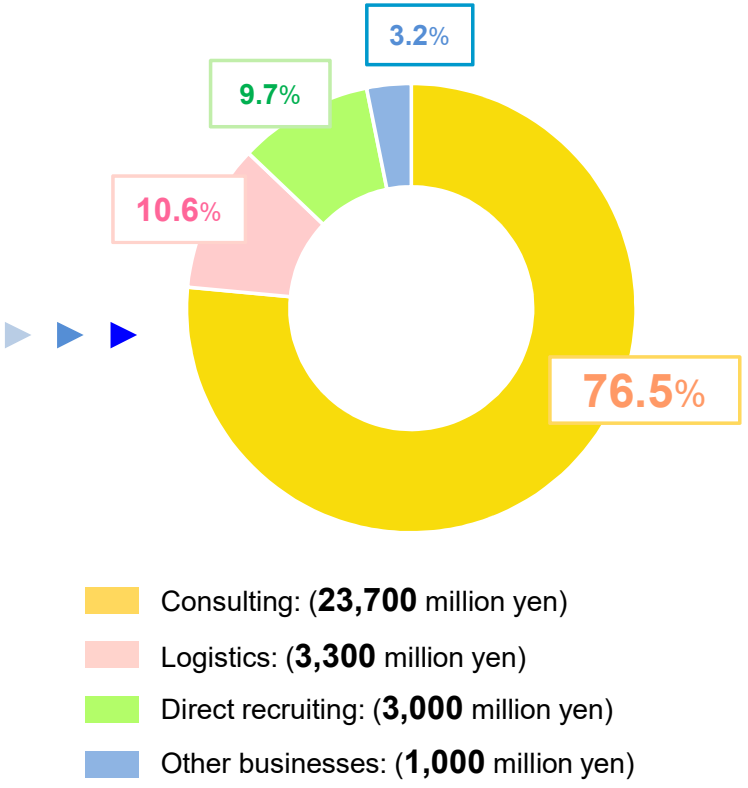
3. Outlook and Initiatives

(1) Progress toward Achieving the Mid-Range Business Plan

- **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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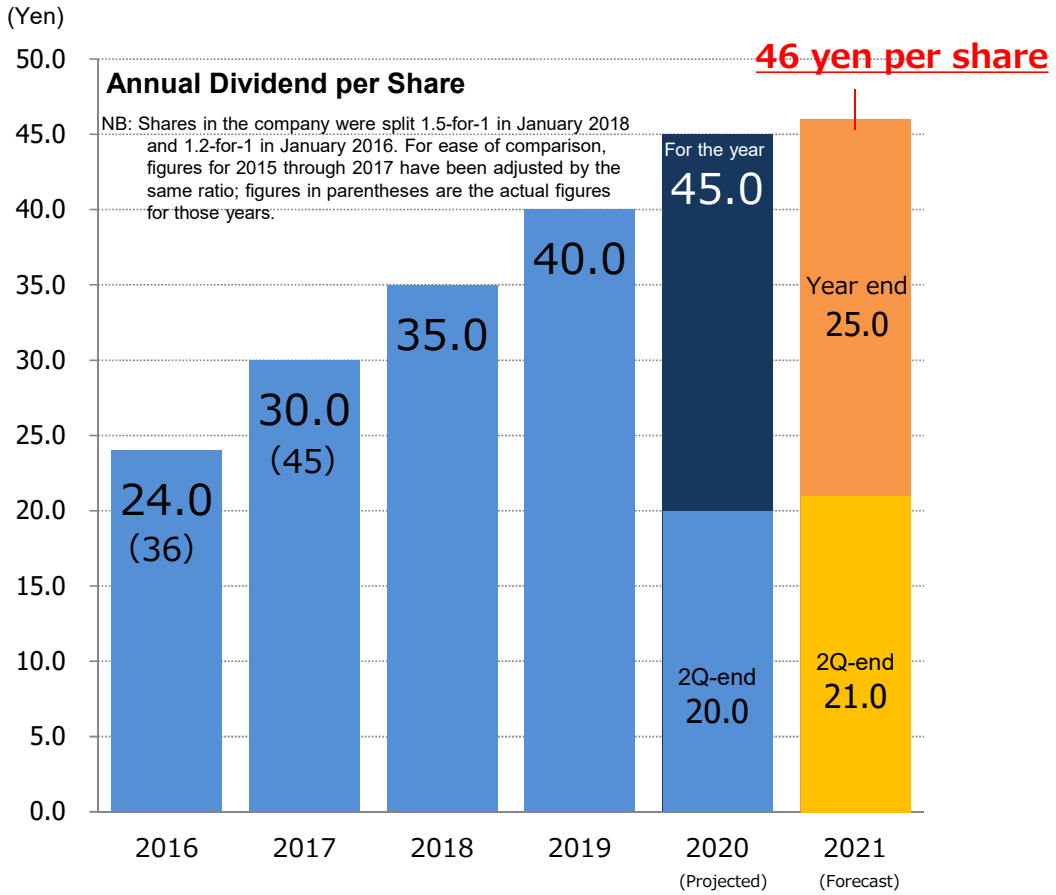
- **In 2021, we plan to pay a total dividend of 46 yen per share, comprising an interim dividend of 21 yen and a year-end dividend of 25 yen.**

	Initial forecast		Actual dividend	
Record date	Dividend (per share)	Details	Dividend (per share)	Details
FY2016 1.2-for-1 share split	36.0	2Q-end 15.0 Year end 21.0	36.0	2Q-end 15.0 Year end 21.0
FY2017	39.0	2Q-end 15.0 Year end 24.0	45.0	2Q-end 15.0 Year end 30.0
FY2018 1.5-for-1 share split	33.0	2Q-end 15.0 Year end 18.0	35.0	2Q-end 15.0 Year end 20.0 *including special dividend of 2.0
FY2019	40.0	2Q-end 17.0 Year end 23.0	40.0	2Q-end 17.0 Year end 23.0 *Including a commemorative dividend of 3.0
FY2020	45.0	2Q-end 20.0 Year end 25.0	45.0	2Q-end 20.0 Year end 25.0
FY2021 (Forecast)	46.0	2Q-end 21.0 Year end 25.0		



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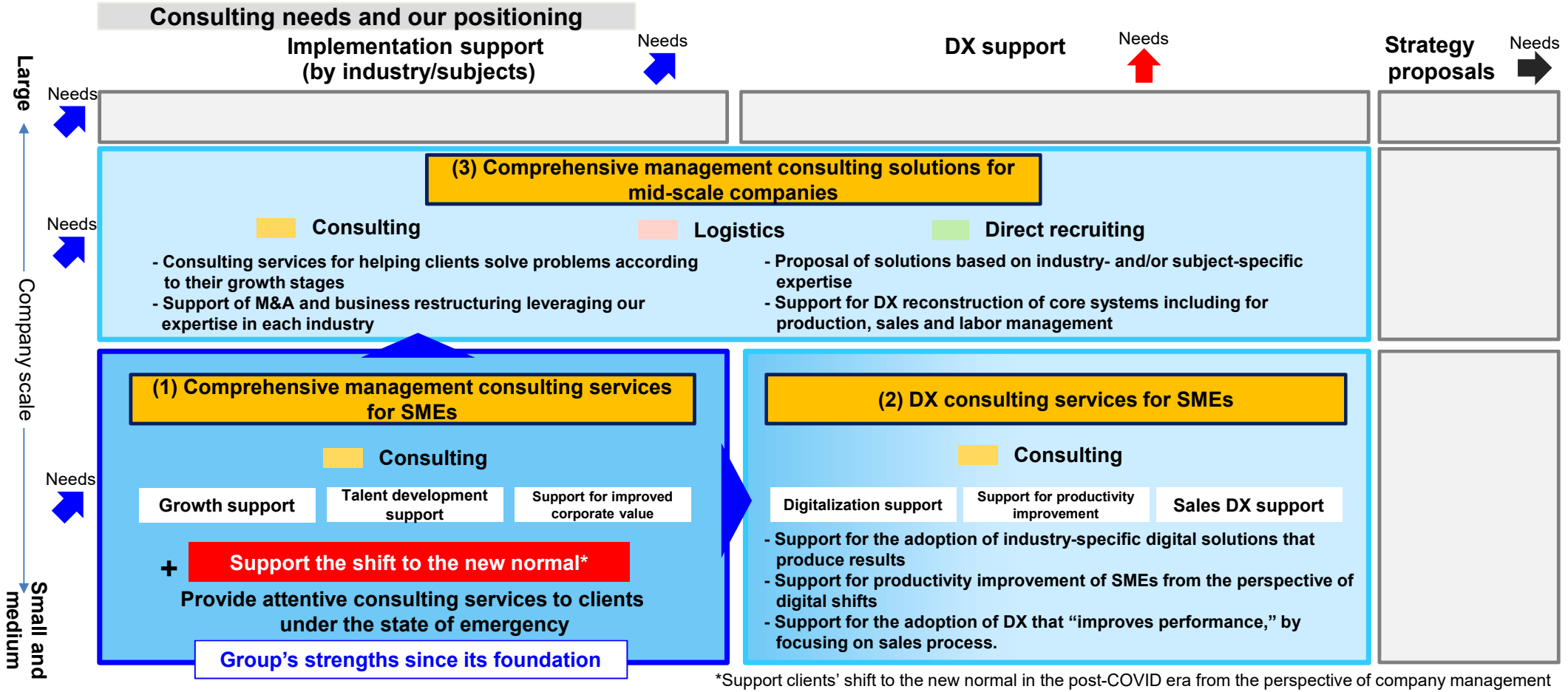
(3) Business Strategy: Consulting Needs and Our Positioning

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."



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

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3. Outlook and Initiatives

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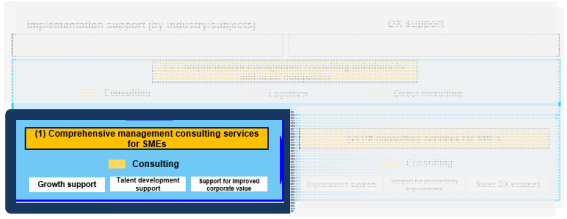
(3) Business Strategy: (1) Comprehensive Management Consulting Services for SMEs



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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3. Outlook and Initiatives

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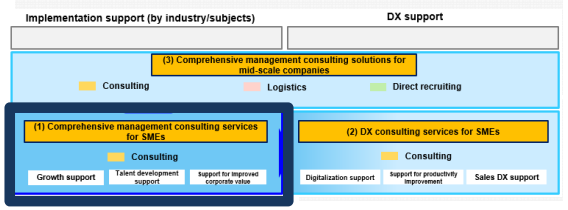
(3) Business Strategy: (1) Comprehensive Management Consulting Services for SMEs

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**

■ List by industry and by subject

Digital innovation, digital marketing, workforce & organizational strategy, organizational growth consulting & marketing, organizational growth consulting & RPO, designer homes, smart houses, renovations, painting and roofing, real estate, construction & land use, property rentals, specialist works (e.g., electrical equipment), dentists, community care, education, preschool, rural community revitalization, mobility, pachinko, funeral services, dining, food & tourism, corporate legal services, accounting & labor affairs, real estate surveying, inheritance, AI, robotics, manufacturing, HR business… and more!

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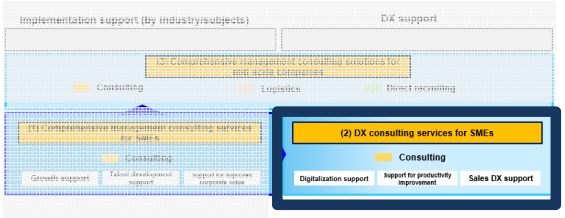
3. Outlook and Initiatives

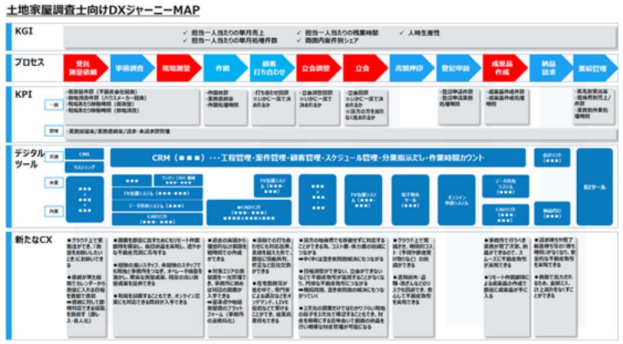
(3) Business Strategy: (2) DX Consulting for SMEs



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

Online marketing solutions that harness a potent blend of marketing automation, SFA, and CRM. Boost competitive ability to building on conventional marketing styles (e.g., deep-mining personal networks) to establish a new marketing structure that does not rely on face-to-face contact.

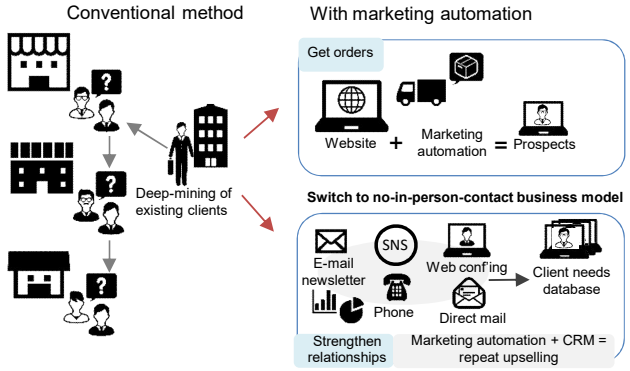


Diagram of switch by manufacturing company to a no-in-person-contact business model

- Build a website that targets key people inside corporate design and developments.
- Releasing content via e-mail newsletters and SNS like YouTube, and harnessing marketing automation and CRM, allows the development prospects and approach to high-potential targets having first ascertained their needs.

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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3. Outlook and Initiatives

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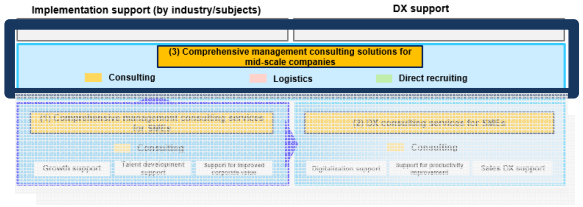
(3) Business Strategy: (3) Comprehensive Management Consulting Services for SMEs

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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3. Outlook and Initiatives

(4) 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 42 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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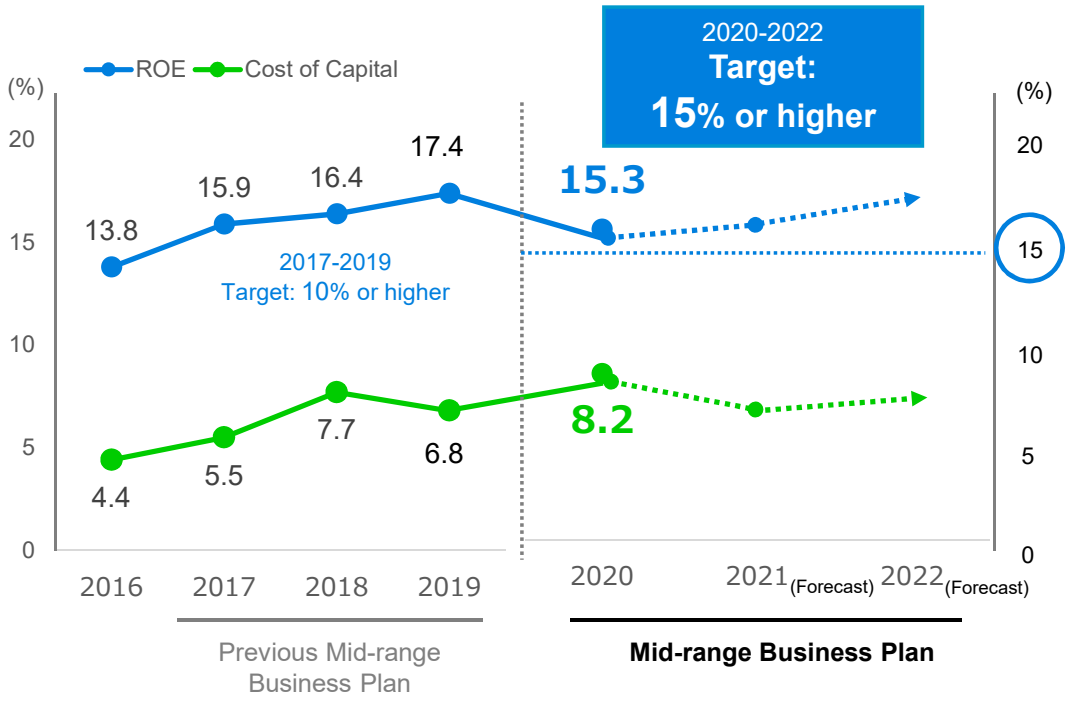
3. Outlook and Initiatives

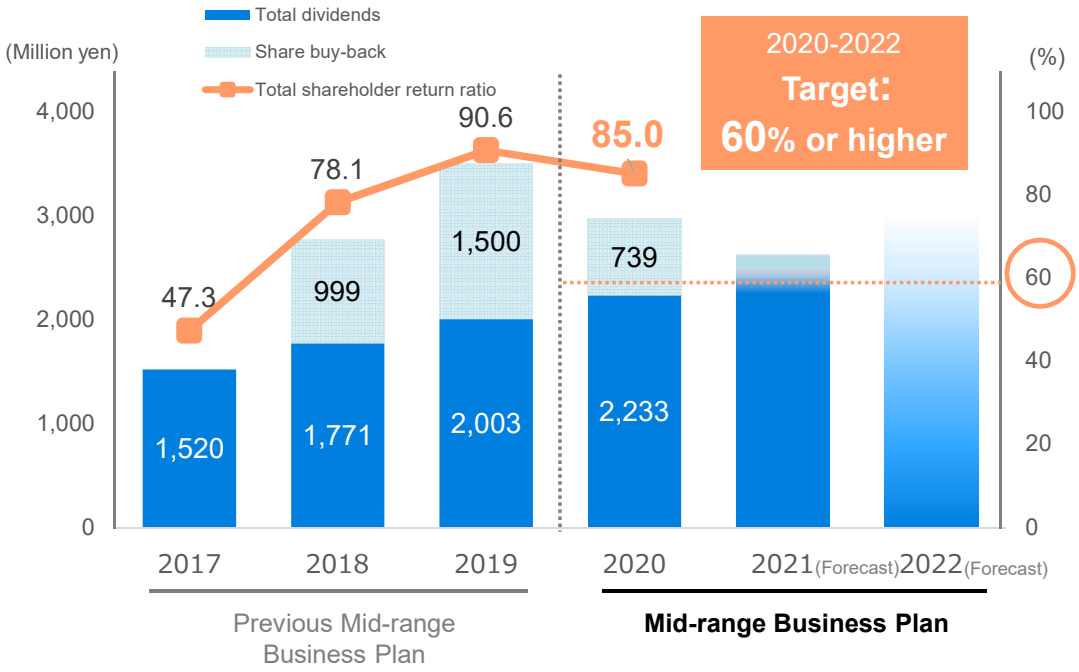
(5) Financial Strategy: (1) Capital Policy and Shareholder Return Policy

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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(5) Financial Strategy: (2) 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. Continue investment for growth and shareholder returns.

Cashflow from operating activities over 3 years

12 billion yen*

Cash reserves

5.0 billion yen

Investment for growth

Shareholder return

(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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3. Outlook and Initiatives

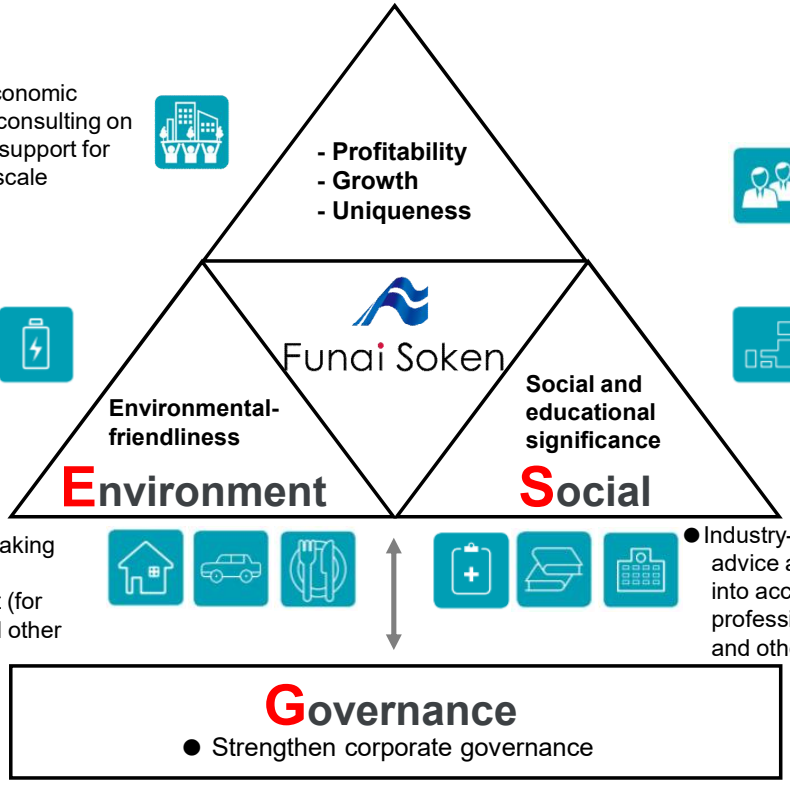
Better future for people, business and society
Funai Soken Holdings

(6) 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

● Industry-specific consulting making environmentally-conscious proposals, advice and support (for housing, automotive, food and other industries)

● 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 providing proposals, advice and support taking social significance into account (for healthcare, certified professional services, preschool and education, and other industries)

CSR activities

Great Company Awards

Awarded **77** companies over twelve 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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3. Outlook and Initiatives

Better future for people, business and society
Funai Soken Holdings

(6) ESG Initiatives

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 **Established Group-wide implementation base in 2020.**

- 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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(7) Corporate Governance Framework

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

*at the end of March 2021

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

1 internal member;
3 external members

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

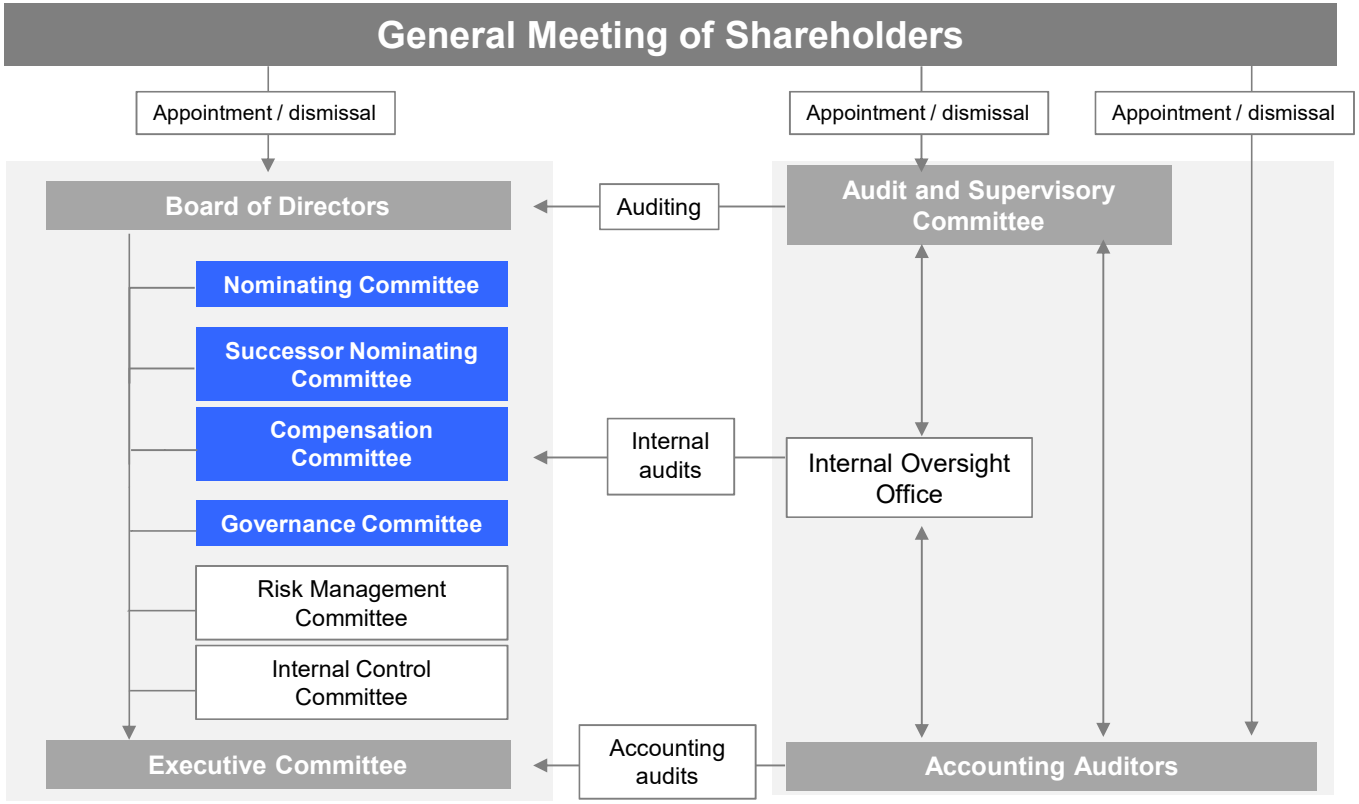
1 internal member;
3 external members

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

1 internal members;
3 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]

2019: Set up Successor Nominating Committee; appointed external directors for core Group companies; and hired in-house lawyers
2020: Appointed a woman director.
2021: The above four advisory committees are chaired by outside directors.

[Considerations for future initiatives]

- **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.

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

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