

2nd Quarter of the Fiscal Year Ending December 2021

Summary of Financial Results

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

August 3, 2021



1 FY2021 2nd Quarter Financial Results

- (1) Consolidated Income
- (2) Factors behind Year-on-Year Change in Operating Income
- (3) Results of Operations by Segment
- (4) Results of Operations by Segment: Consulting
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2 Revised Full-Year Earnings Forecast

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4 Shareholder Returns and Other Initiatives

Statement Regarding Use of These Materials



FY2021
2nd Quarter Financial Results

1. FY2020 2nd Quarter Financial Results

(1) Year-on-Year Comparison of Consolidated Income: January through June

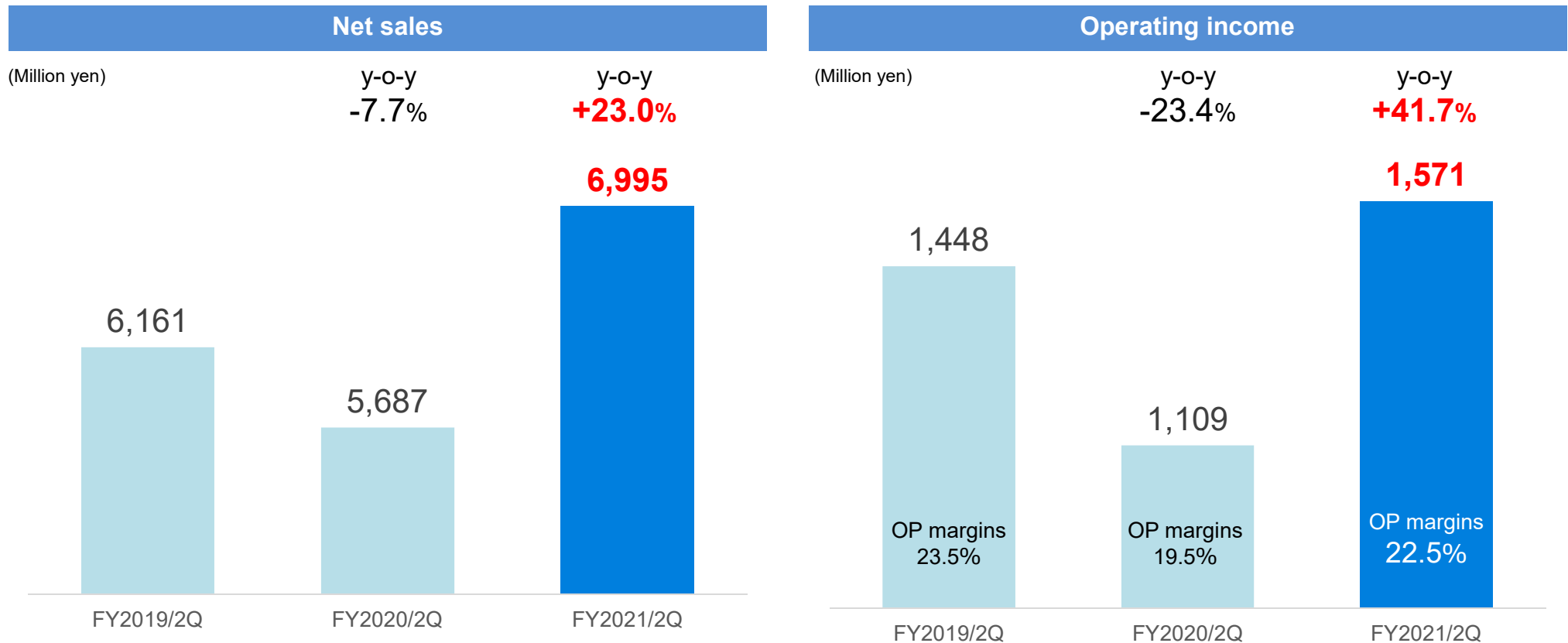
- Catering to clients' needs amid Covid-19 resulted in record performance far in excess of the same period in the preceding year.
- Sales were solid, with sales of monthly support services and online advertisement agency services up in the consulting segment, and sales of logistics operations up in the logistics segment.
- Major reductions in travel and venue hire expenses resulted in increased profit margins.
- Figures exceeded early earnings forecasts; operating and ordinary income, in particular, were well into double figures beyond those projections.

	June 2020		June 2021			Comparison with earnings forecast (Issued May 5, 2021)	
	Amount (million yen)	% of total	Amount (million yen)	% of total	Change (%)	Amount (million yen)	Difference (%)
Net sales	12,234	100.0	13,887	100.0	+13.5	13,500	+2.9
Operating income	2,584	21.1	3,276	23.6	+26.8	2,800	+17.0
Ordinary income	2,640	21.6	3,313	23.9	+25.5	2,800	+18.3
Net income attributable to owners of the parent	1,745	14.3	2,255	16.2	+29.2	2,000	+12.8

1. FY2020 2nd Quarter Financial Results

(1) Year-on-Year Comparison of Consolidated Income: April-June Quarter

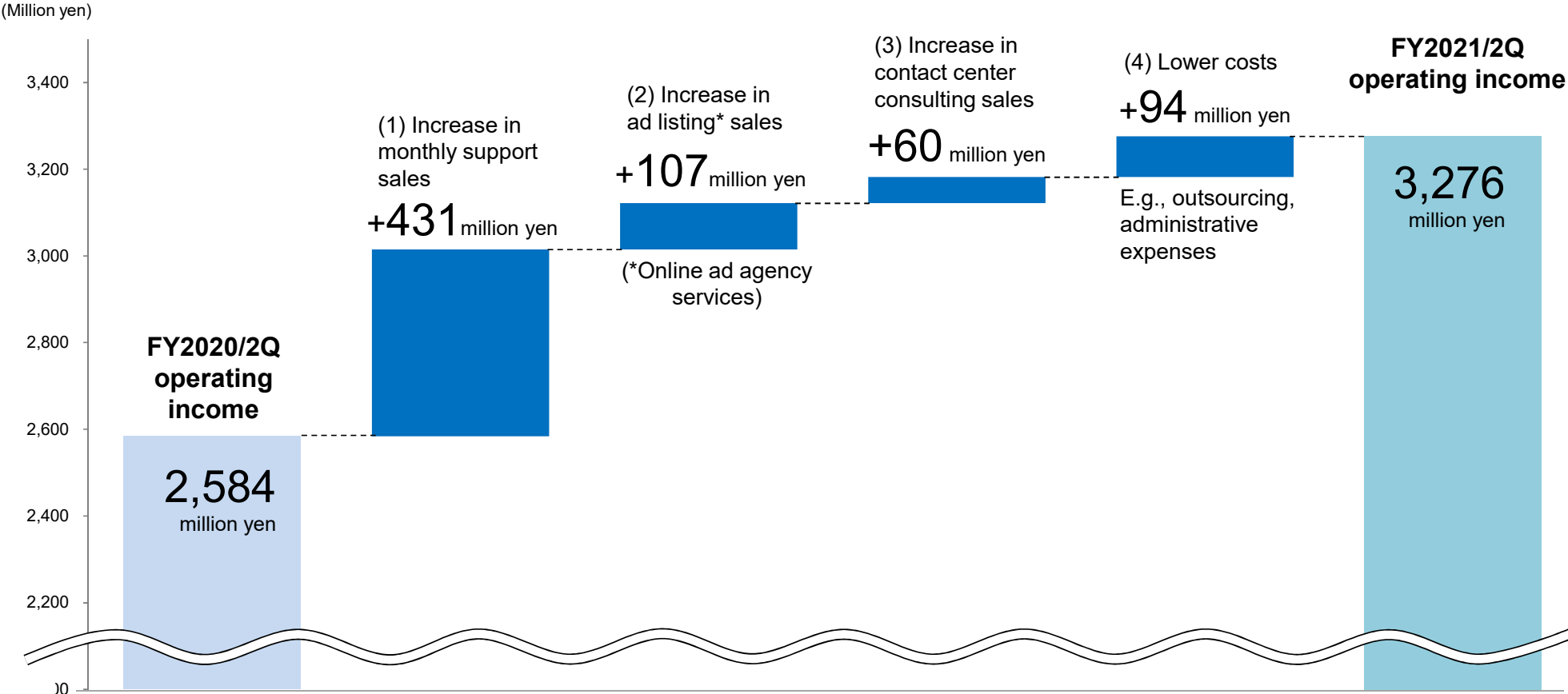
- We achieved record figures for this quarter, exceeding even pre-Covid FY2019/2Q.
- Consulting services catering to client needs amid Covid-19 resulted in an increase in sales.
- Providing services remotely, e.g., online seminars and remote support services, increased profit margins, resulting in a major increase in operating income.



1. FY2020 2nd Quarter Financial Results

(2) Factors behind Year-on-Year Change in Operating Income

- Operating income increased sharply, up **26.8%** over the same period in the previous year.
- Major factors are shown below.

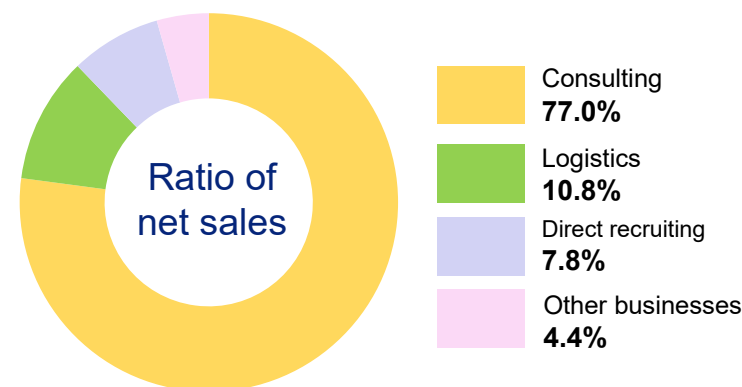


1. FY2020 2nd Quarter Financial Results

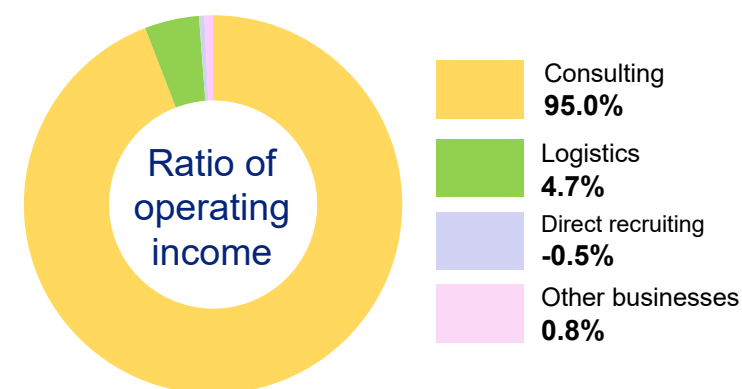
(3) Results of Operations by Segment

- In the consulting segment, which accounts for the bulk of sales and operating income, the reduction in costs achieved by establishing new online channels for orders, by holding seminars and management workshops online, and by promoting remote support services, resulted in a large increase in sales and income.

Net sales	June 2020	June 2021	
	Amount (million yen)	Amount (million yen)	Change (%)
Consulting	9,071	10,688	+17.8
Logistics	1,279	1,495	+16.9
Direct recruiting	1,358	1,075	-20.8
Other businesses	513	615	+19.9
(Intra-group & whole-group transactions)	11	11	-
Total	12,234	13,887	+13.5



Operating income	June 2020	June 2021	
	Amount (million yen)	Amount (million yen)	Change (%)
Consulting	2,513	3,018	+20.1
Logistics	165	149	-9.8
Direct recruiting	-66	-15	-
Other businesses	-51	23	-
(Intra-group & whole-group transactions)	23	100	-
Total	2,584	3,276	+26.8

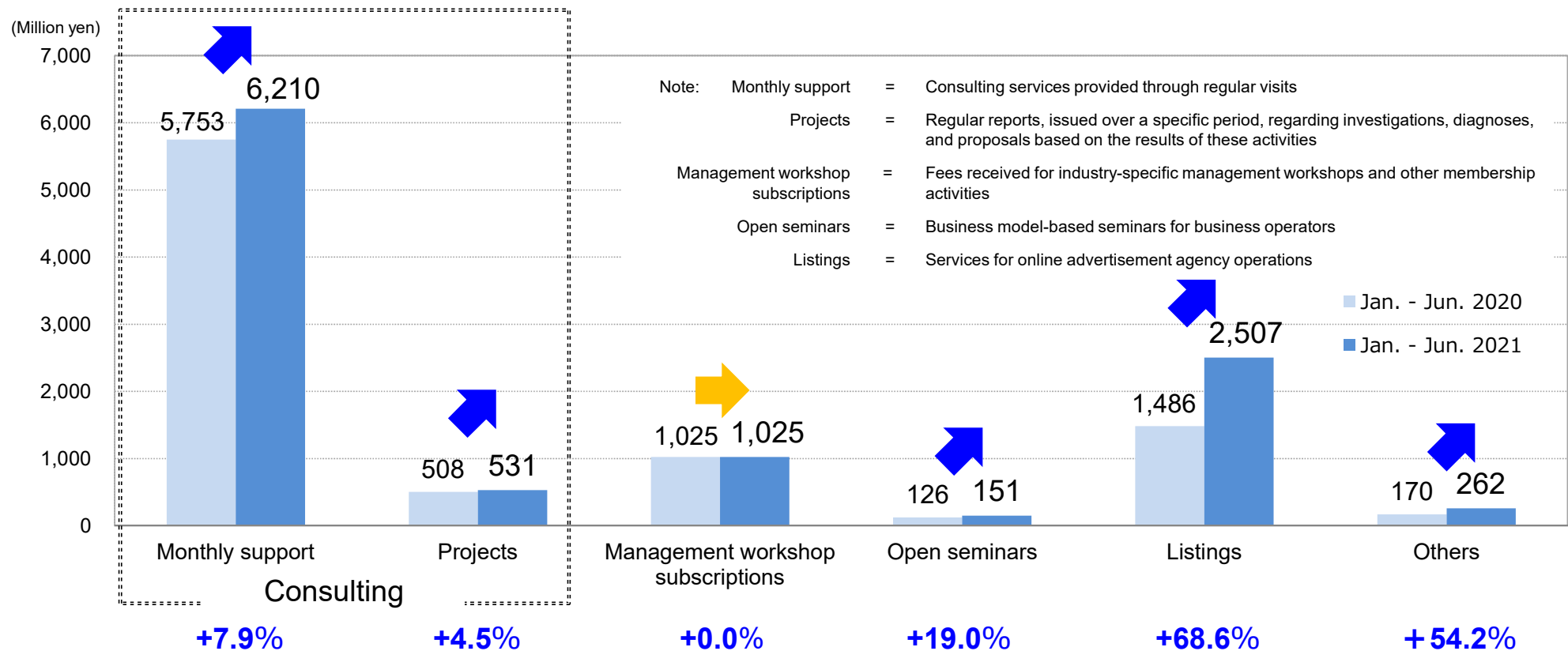


*Percentages exclude intra-group & whole-group transactions

1. FY2020 2nd Quarter Financial Results

(4) Results of Operations by Segment: Consulting—Sales by Service Category

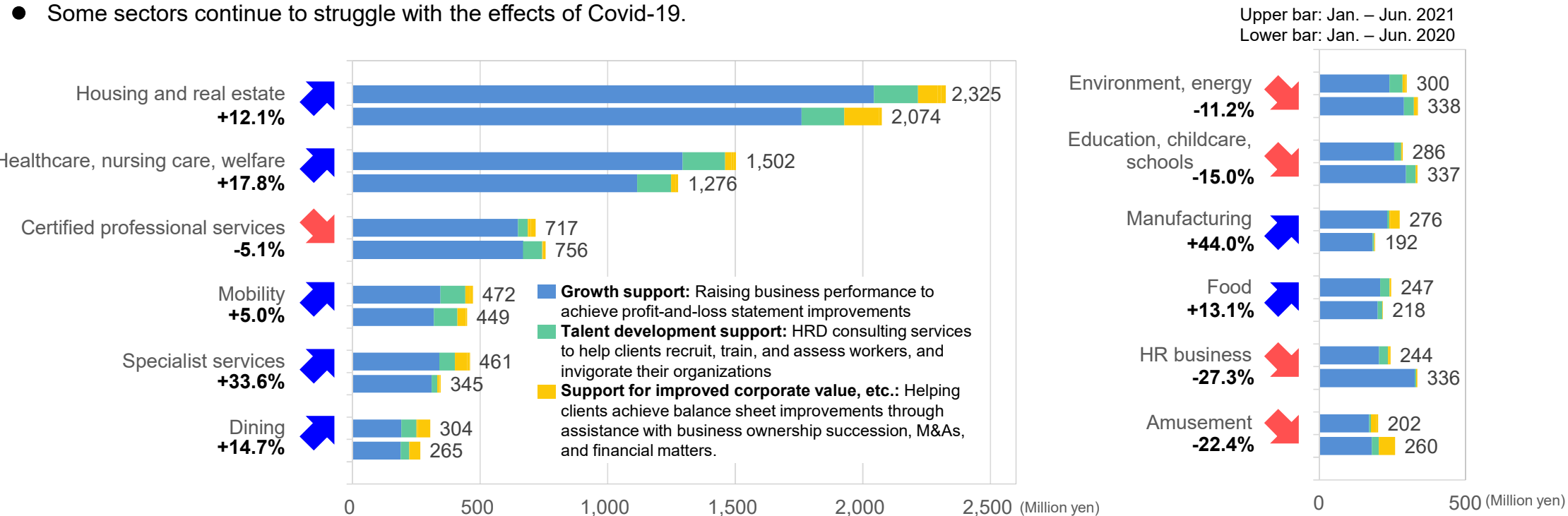
- Monthly support sales exceeded pre-Covid levels, finishing 7.9% over the same period in the preceding year.
- Management workshop subscription income was steady as workshops were shifted online and subscription renewals among existing members held firm.
- Open seminar sales were up 19.0% over the same period in FY2020, buoyed by an increase in fee-paying participants in online seminars.
- Web ad listings increased 68.6% over the same period in the preceding year on the back of a solid rise in accounts.



1. FY2020 2nd Quarter Financial Results

(4) Results of Operations by Segment: Consulting—Sales by Sector

- Sales were up more than 10% over the same period in the preceding year in many of our core sectors, including housing and real estate, as well as healthcare, nursing care, and welfare.
- Consulting for manufacturing clients was particularly robust, driven by industry demand for digital transformation consulting, e.g., online marketing solutions.
- Some sectors continue to struggle with the effects of Covid-19.

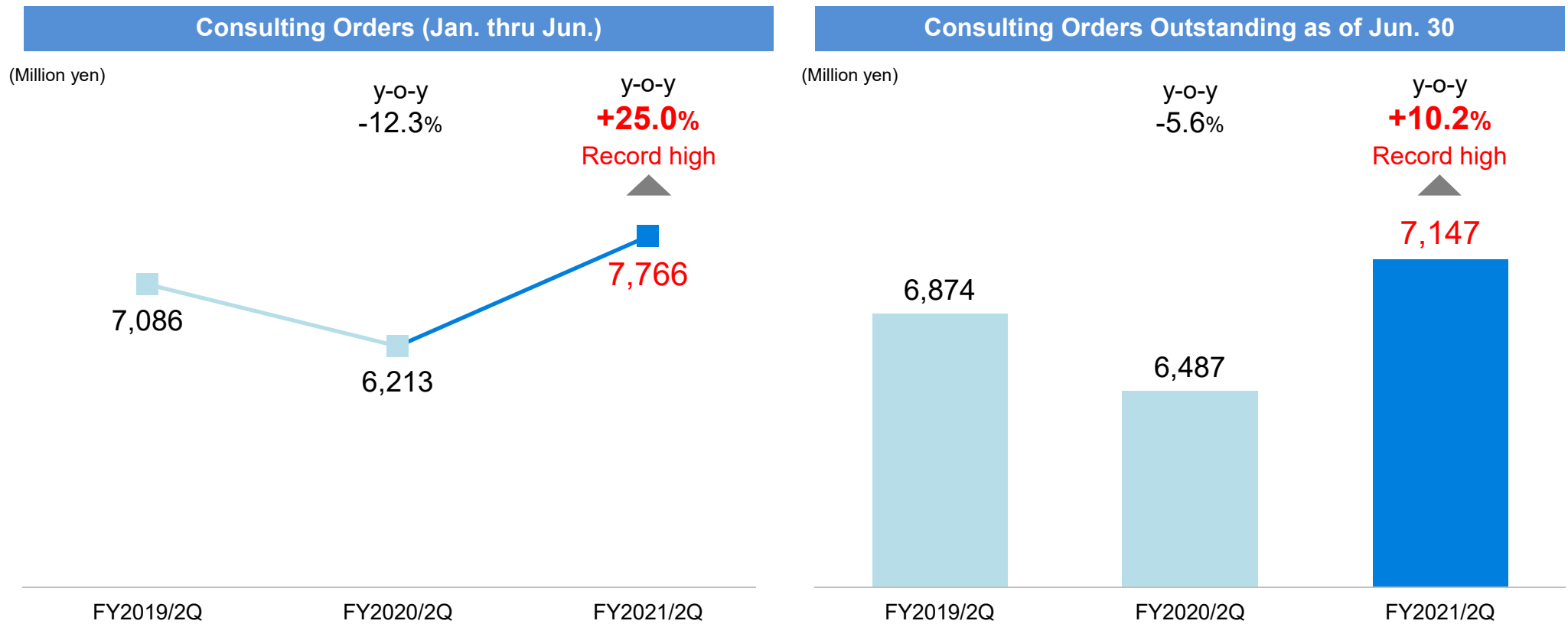


Figures show total sales of consulting contracts, management workshop subscriptions, and open seminars, grouped in accordance with the company's industry classifications, for the January-to-June period of 2020 and 2021.

1. FY2020 2nd Quarter Financial Results

(4) Results of Operations by Segment: Consulting—Consulting Orders

- 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 total orders received in the first and second quarters and orders outstanding at the end of 2Q.



1. FY2020 2nd Quarter Financial Results

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

Logistics Consulting

Helping clients reduce logistics costs

- Consulting for logistics companies was strong in this period; sales and workshop memberships were up over the same period in the preceding year.
- Revenues from consulting services for shipper clients were down as clients remained cautious.

Logistics Operations

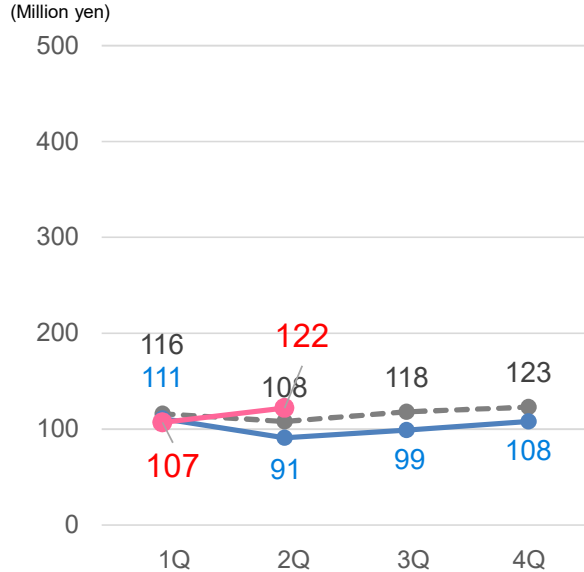
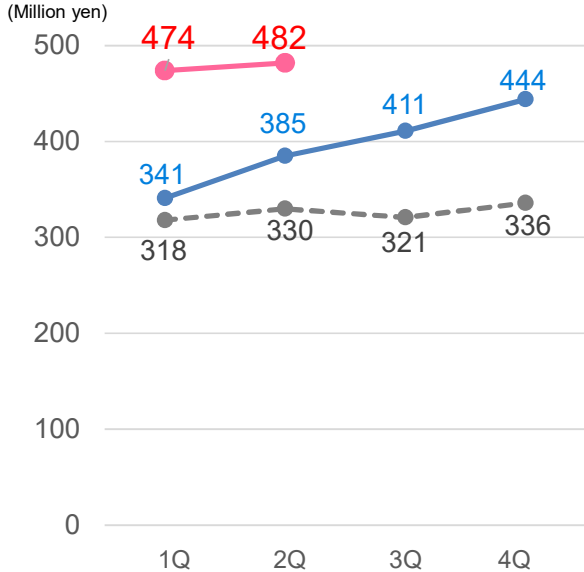
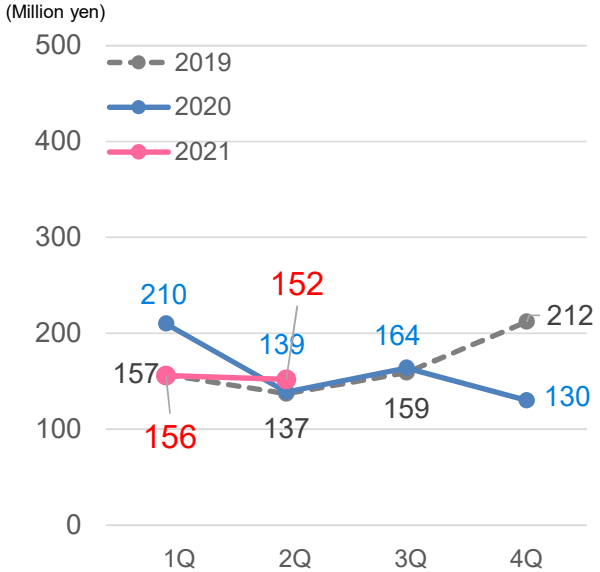
Logistics on behalf of clients

- 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

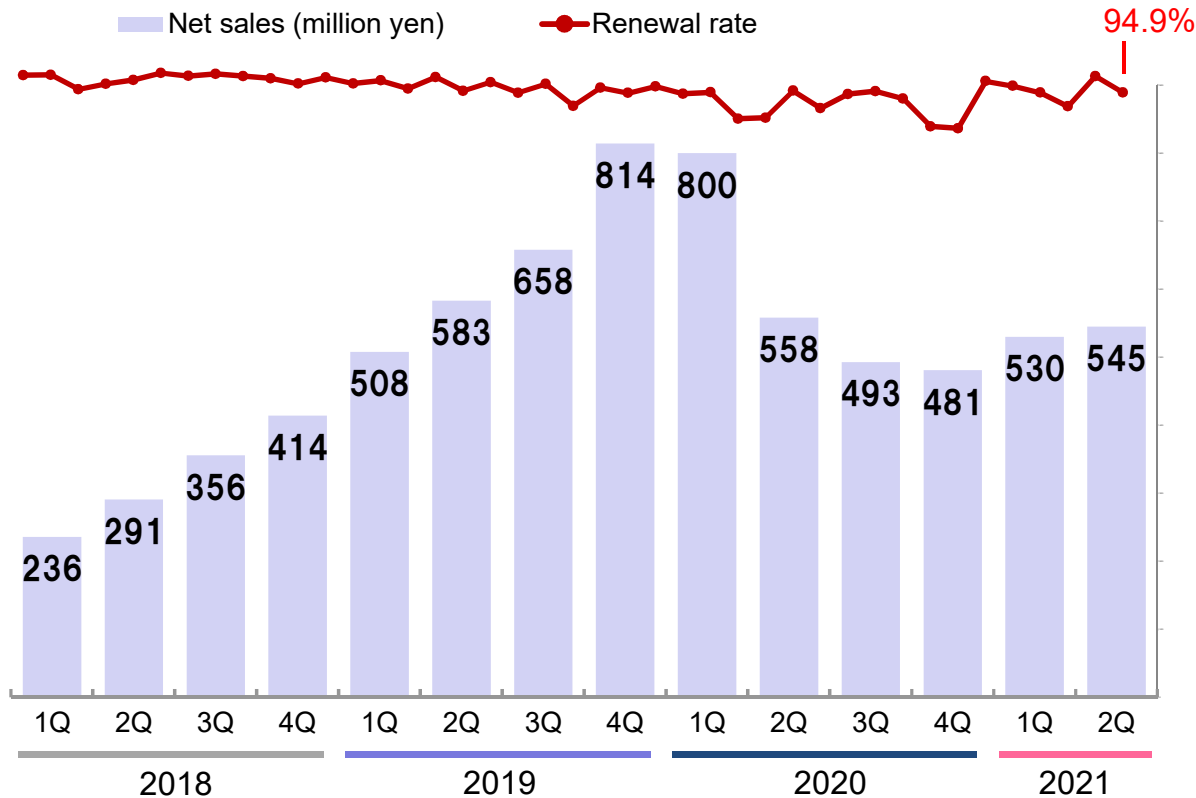
- Despite restrictions on business activities hampering customers of our main service in this segment, joint purchasing of fuel, an increase in sales prices ensured net sales were up.



1. FY2020 2nd Quarter Financial Results

(6) Results of Operations by Segment: Direct Recruiting

- With the ongoing effects of Covid-19, job vacancy numbers are down. As a result, the recovery in recruit ad placements is still pedestrian in pace, but cost savings and efficiencies in ad operations saw this segment's operating loss **reduce by 15 million yen** (from an operating loss of 66 million yen in the same quarter of the preceding year).
- The contract renewal rate of clients who use the cloud-based AI recruiting service remains high.



Cloud-based AI recruiting service



- Uses big data and an automated AI system to create **ads that attract response**.
- 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**.

1. FY2020 2nd Quarter Financial Results

(7) Consolidated Financial Position—Balance Sheet

(Million yen)

		As of Dec. 31, 2020	As of Jun. 30, 2021	Change	Major factors behind changes
Current assets		16,304	16,729	+424	Increase in current assets. Mainly increase in cash and deposits, trade notes and accounts receivable. Increase in noncurrent assets: Mainly increase in investment securities.
Noncurrent assets	Property, plant, and equipment	5,987	5,929	-58	
	Intangible assets	675	683	+7	
	Investments & other assets	4,984	5,342	+357	
Total assets		27,951	28,684	+732	
Current liabilities		3,997	4,027	+30	Increase in current liabilities: Mainly increases in current portion of long-term loans payable, income taxes payable, and provision for bonuses. Decrease in noncurrent liabilities: Mainly decrease in long-term loans payable.
Noncurrent liabilities		265	166	-99	
Total liabilities		4,263	4,194	-69	
Total net assets		23,688	24,489	+801	The financial position of the company remains sound with a high equity ratio of 83.0%.
Total liabilities and net assets		27,951	28,684	+732	

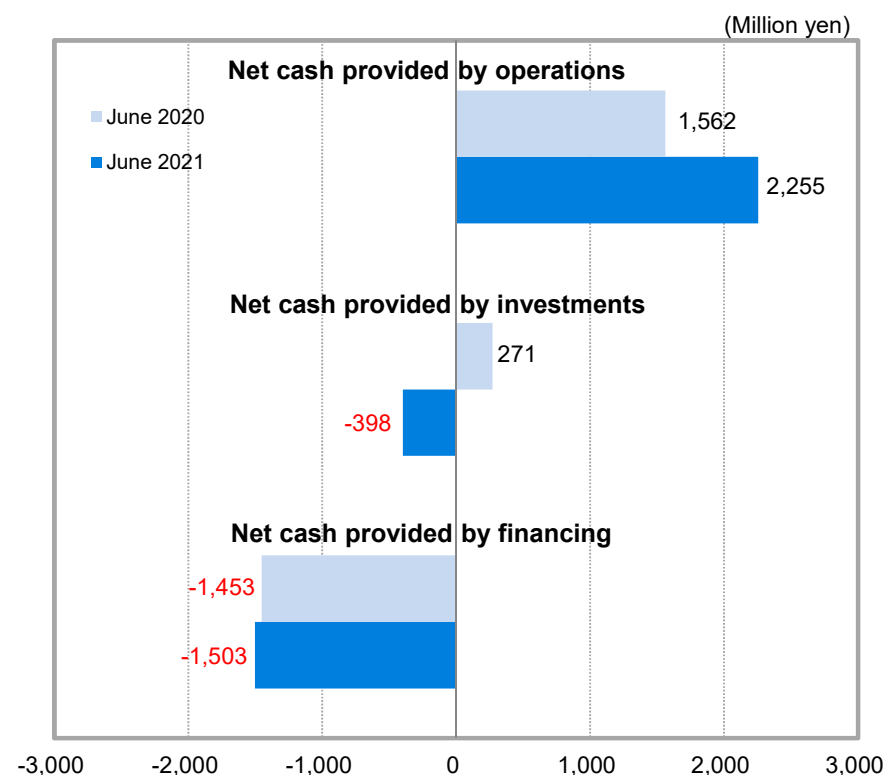
1. FY2020 2nd Quarter Financial Results

(7) Consolidated Financial Position—Cash Flow Statement

- Cash earned from operations was 2,255 million yen, up 692 million yen from the same period of the preceding year.
- Net cash used in investments increased mainly due to investment of surplus funds.
- Net cash used in financing increased mainly due to dividend payments and acquisition of shares

(Million yen)

	June 2020	June 2021	Change
Net cash provided by (used in) operations			
Net income before income taxes and other adjustments	2635	3303	668
Depreciation	142	118	(24)
Decrease in accounts receivable	603	(162)	(766)
Decrease (increase) in other assets	(265)	(425)	(159)
Increase (decrease) in other liabilities	(1129)	(521)	607
Other	211	163	(47)
Subtotal	2198	2475	277
Interest and dividends received	20	19	△0
Income taxes paid	(1108)	(777)	330
Income tax refunds	454	540	86
Other	△1	△2	△0
Net cash provided by (used in) operations	1562	2255	692
Net cash provided by (used in) investments			
Purchase of short-term and long term investment securities	(205)	(420)	(214)
Proceeds from sales of short-term and long-term investment securities	600	120	(480)
Purchase of property, plant and equipment and intangible assets	(123)	(101)	22
Other	—	2	2
Net cash provided by (used in) investments	271	(398)	(670)
Net cash provided by (used in) financing			
Purchase of treasury stock	(5)	(263)	(257)
Dividends paid	(1142)	(1236)	(93)
Redemption of bonds	(500)	—	500
Other	194	(4)	(199)
Net cash provided by (used in) financing	(1453)	(1503)	(50)
Change in cash and cash equivalents	379	359	(19)
Cash and cash equivalents at start of fiscal year	11630	12216	585
Cash and cash equivalents at end of quarter	12009	12575	565



Revised Full-Year Earnings Forecast

2. Revised Full-Year Earnings Forecast

The company has made an upwards revision to the full-year consolidated earnings forecast issued on February 5, 2021, based on recent business performance trends.

FY2021 full-year forecast	(FYI) FY2020 actual	Previous forecast (February 5)	Revised forecast (August 3)	
	Amount (million yen)	Amount (million yen)	Amount (million yen)	Change (%)
Net sales	25,027	28,000	29,000	3.6
Operating income	4,982	5,700	6,400	12.3
Ordinary income	5,091	5,750	6,450	12.2
Net income attributable to owners of the parent	3,498	4,000	4,300	7.5

Sales Forecasts by Segment

Consulting	22,600 mil. yen
Logistics	3,000 mil. yen
Direct recruiting	2,100 mil. yen
Other businesses	1,300 mil. yen

Operating Income Forecasts by Segment

Consulting	6,000 mil. yen
Logistics	320 mil. yen
Direct recruiting	0 mil. yen
Other businesses	80 mil. yen

Reasons for Revision of Earnings Forecast

Shifting to online seminars and remote work has resulted in an improvement of the company's operating margin, and operating income in the core consulting segment is predicted to progress in excess of initial plans.

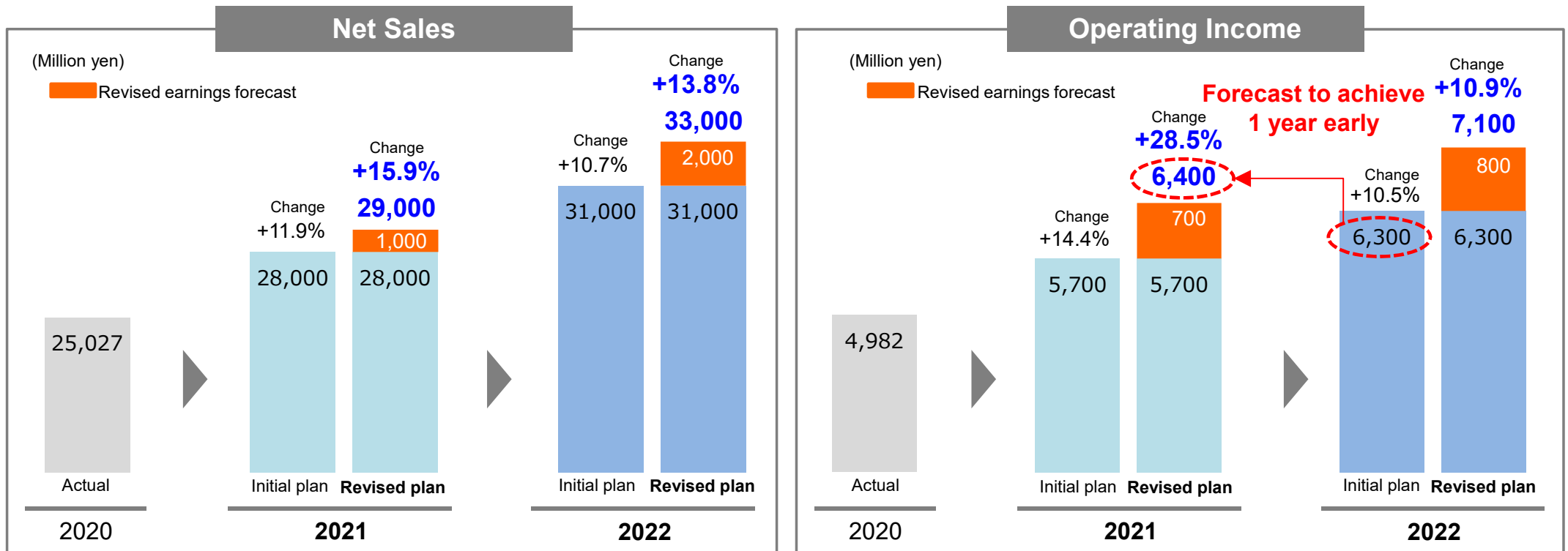
For the time being, the group has not revised its dividend forecast.

Revisions to Mid-Range Business Plan

3. Revisions to Mid-Range Business Plan

(1) Revisions to Mid-Range Business Plan

- Targets for 2022, the final year of the 2020-2022 Mid-Range Business Plan, have also been increased as shown below.
- Forecast for operating income is 7.1 billion yen in 2022; operating income is on track to meet its Mid-Range Plan targets a year earlier than the initial plan.
- The basic policies and business strategies of the Mid-Range Business Plan remain unchanged.

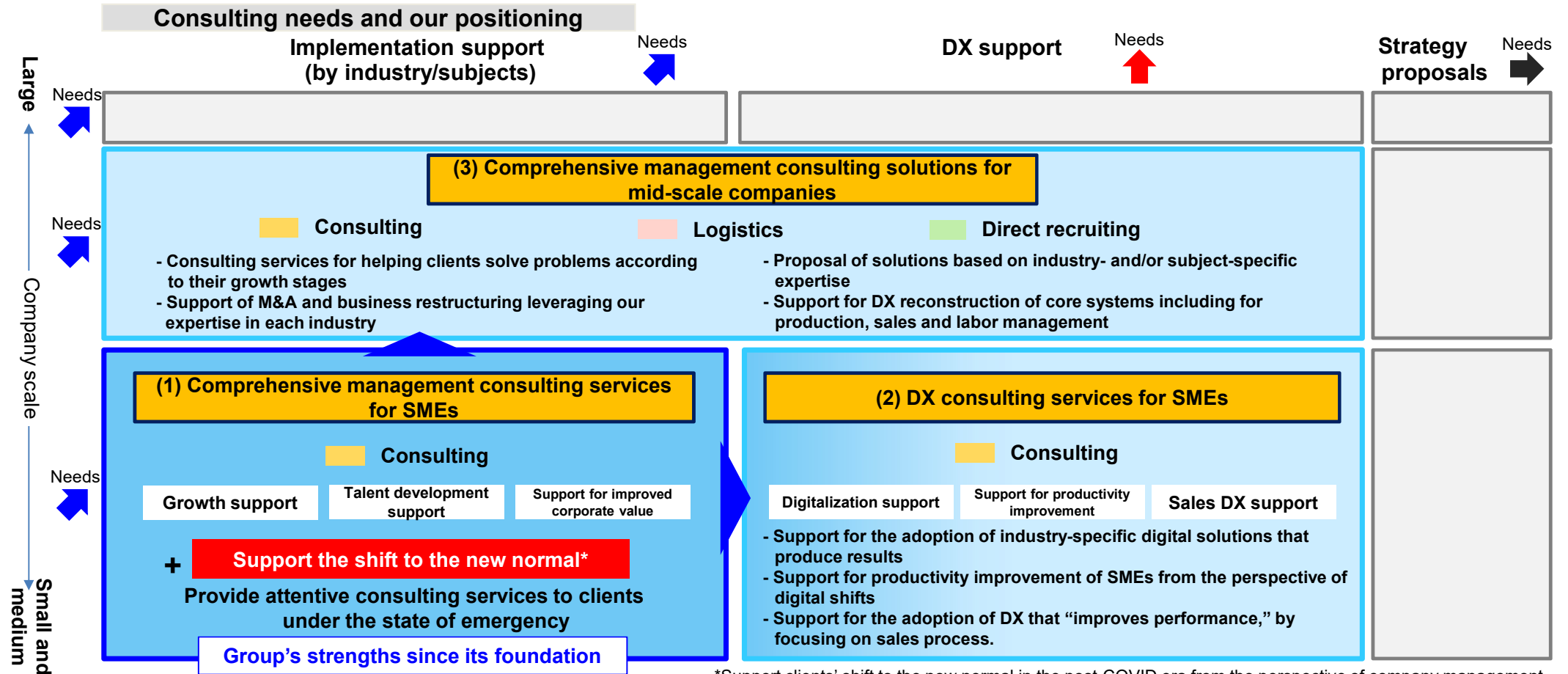


NB: The company is scheduled to adopt the Accounting Standards Board of Japan's Accounting Standard for Revenue Recognition beginning in FY2022. We predict that the main impact of this will be a decrease in net sales as only the portion of ad listing agency sales comprising the company's fees can be listed as sales. We are currently estimating how much this will affect accounts, and will announce the affected amount and the post-adoption figures when the company's financial results for the year ended December 2021 are made public.

3. Revisions to Mid-Range Business Plan

(2) Business Strategy (Announced in Mid-Range Business Plan, February 5th 2021)

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."



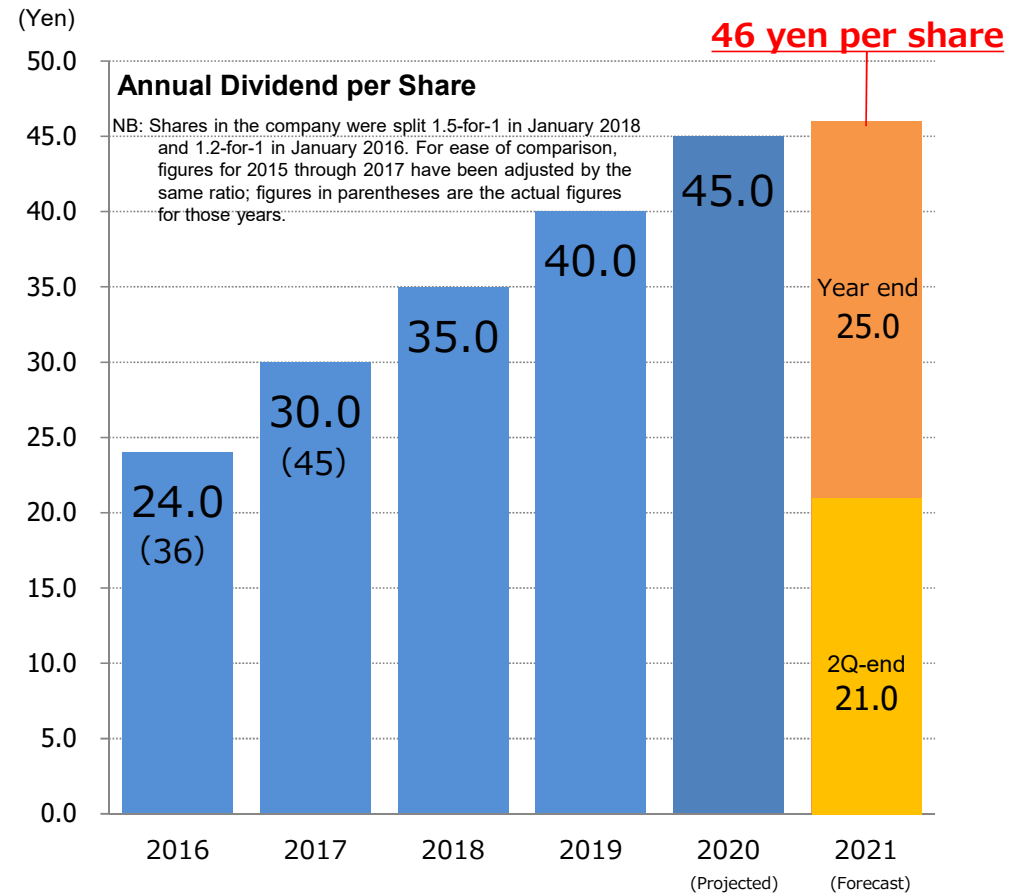
*Support clients' shift to the new normal in the post-COVID era from the perspective of company management

Shareholder Returns and Other Initiatives

4. Shareholder Returns and Other Initiatives

- 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.

Record date	Initial forecast		Actual dividend	
	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		

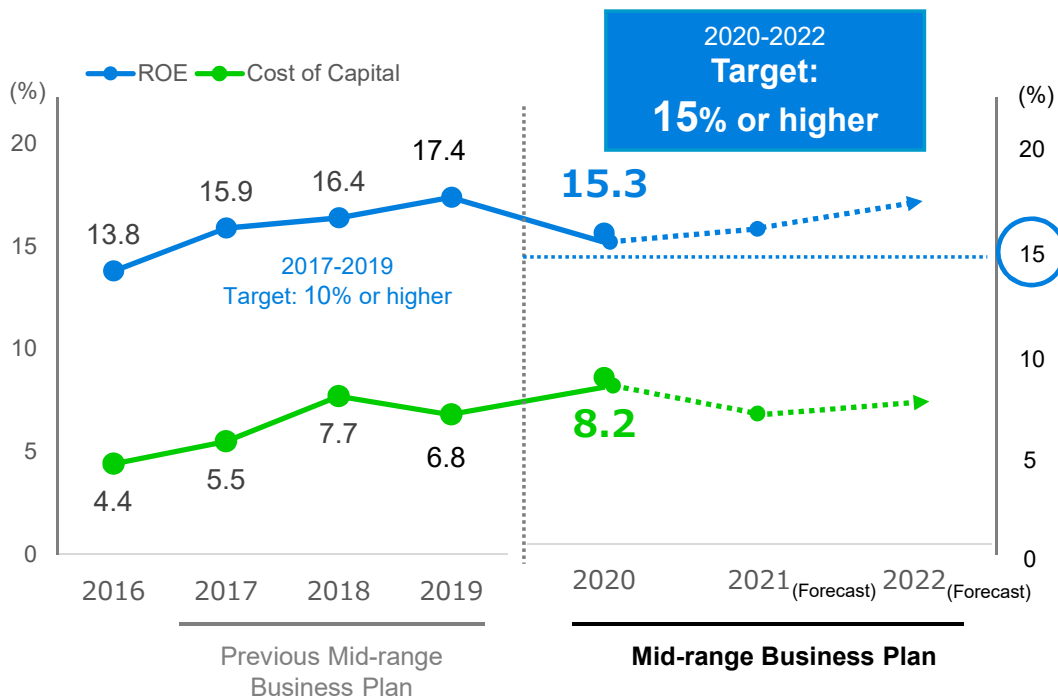


4. Shareholder Returns and Other Initiatives

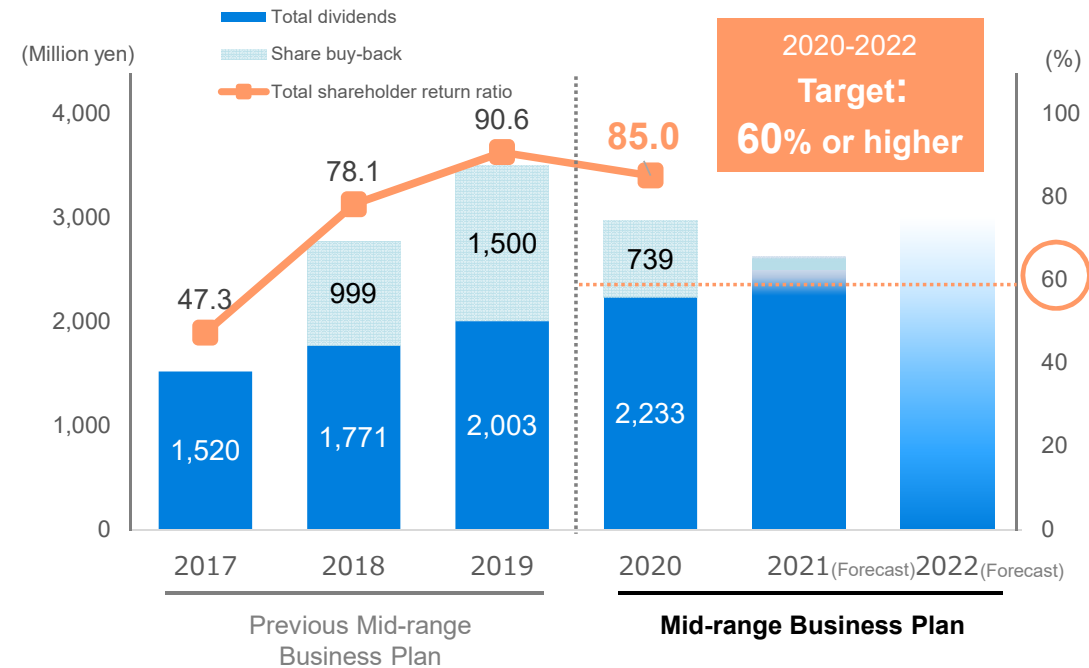
(2) Financial Strategy: (1) Capital Policy and Shareholder Return Policy

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



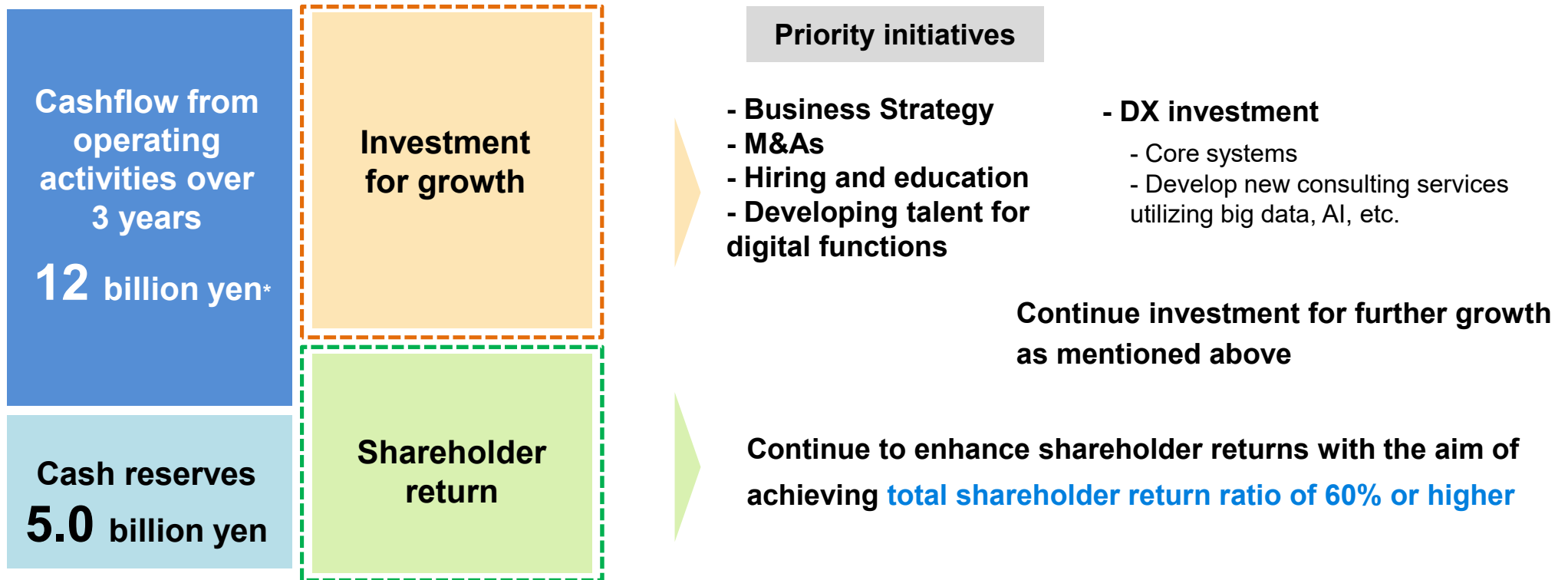
■ Total dividends and total shareholder return ratio: Results and targets



4. Shareholder Returns and Other Initiatives

(2) 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.



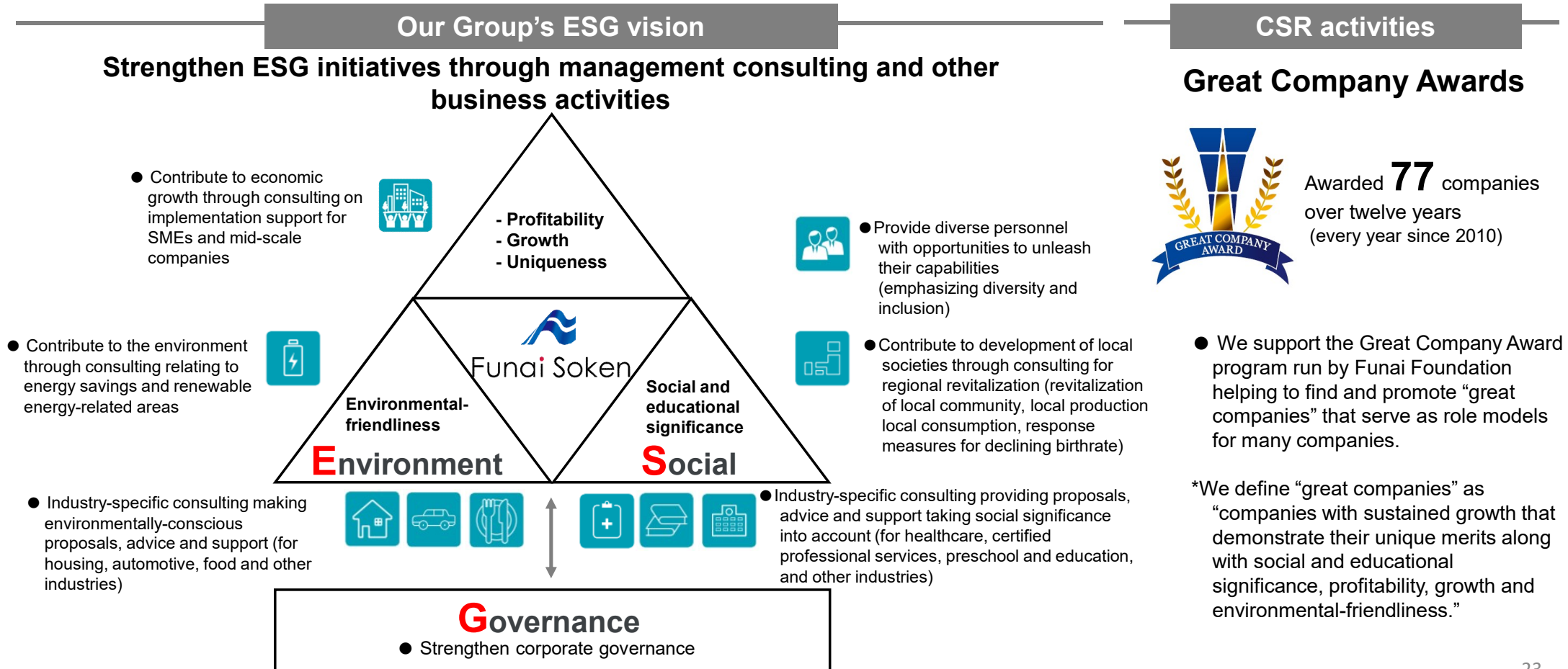
(Excluding operating capital of 6.0 billion yen*)

*The numbers have been revised reflecting the revised plan

4. Shareholder Returns and Other Initiatives

(3) 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.”



4. Shareholder Returns and Other Initiatives

(3) ESG Management Initiatives

The Funai Soken Consulting Group is committed to making sustainability the norm throughout society. We believe ESG-based management is essential for this, and have multiple initiatives in place as part of our business activities.



■ ESG Management: Achievements and Ongoing Initiatives

STEP 1 Establish a groupwide ESG platform (completed in 2020)

- Establish the group's basic policy
- Establish the group's key tasks
- Establish the group's ESG framework

Governance

- Establish a Basic Policy on Information Security
- Release an Information Security Manual
- Carry out staff training and education on information security (e.g., via e-learning)



STEP 2 Collect information to identify tasks and set KPIs

(Scheduled for 1st half of 2021)

- Establish a Sustainability Committee **(Completed)**

Environment

- Establish the group's Basic Policy on the Environment **(Completed)**
- Calculate CO₂ emissions per employee based on electricity usage **(Completed)**
- Identify other environmental issues arising from business activities, and calculate KPIs for addressing these (e.g., paper usage, waste emissions, water usage) **(Completed)**
- Establish tasks and KPIs for resolving mid-to-long-term environmental issues **(In progress)**



Social

- Establish the group's Basic Policy on Human Resources **(Completed)**
- Establish common tasks and KPIs for sustained social development (e.g., ratio of female employees, representation of women and mid-career hires in management) **(In progress)**



STEP 3 Strengthen partnerships to sustain initiatives (ongoing)

- Create a roadmap for sustained pursuit of initiatives.
- Incorporate expert opinion and advice into policies for achieving the group's Sustainability Vision.
- Create sustained economic and social value through cross-sectional initiatives incorporating all the Funai Soken Consulting Group's operating companies.
- Consider projects in partnership with external organizations.



4. Shareholder Returns and Other Initiatives

(4) Corporate Governance Structure

In order to ensure legal compliance in the running of the company’s business and to drive mid-to-long-term corporate value, the company is working to strengthen its corporate governance structure, and established a Sustainability Committee on July 1.

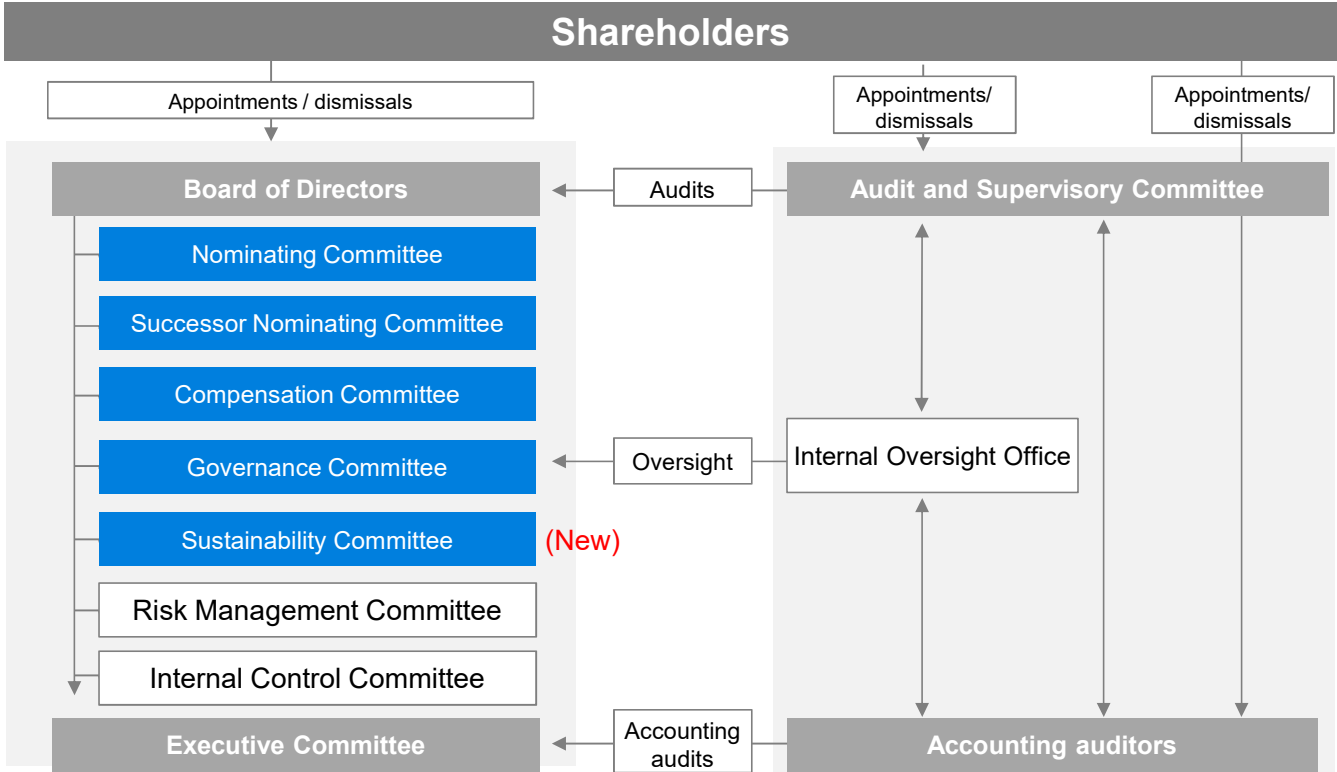
Nominating Committee
Ensures objectivity and validity of the process for selecting candidates for director positions.
3 out of 4 members are outside directors

Successor Nominating Committee
Ensures fairness and transparency of selection and nurturing of future presidential candidates.
3 out of 4 members are outside directors

Compensation Committee
Ensures objectivity and validity of officer remuneration by keeping remuneration tied to mid-to-long-term business performance.
3 out of 4 members are outside directors

Governance Committee
Discusses governance issues from a mid-to-long-term perspective, and endeavor to strengthen governance.
All 4 members are outside directors

Sustainability Committee
Coordinates cross-sectional pursuit of sustainability throughout the whole group, and implement ongoing issues under strict governance.
2 out of 4 members are outside directors



Previous Initiatives to Strengthen the Group’s Governance

*As of July 1, 2021

- 2019 Established a Successor Nominating Committee, appointed outside directors to the boards of the group’s core companies, appointed in-house attorneys.
- 2020 Appointed 1 female director.
- 2021 Established a Sustainability Committee. The five advisory committees shown to the left are chaired by outside directors.



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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