

2nd Quarter of Fiscal Year Ending December 2020

Summary of Financial Results

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

August 20, 2020



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Statement Regarding Use of These Materials



FY2020 2nd Quarter Financial Results

1. FY2020 2nd Quarter Financial Results

(1) Consolidated Income

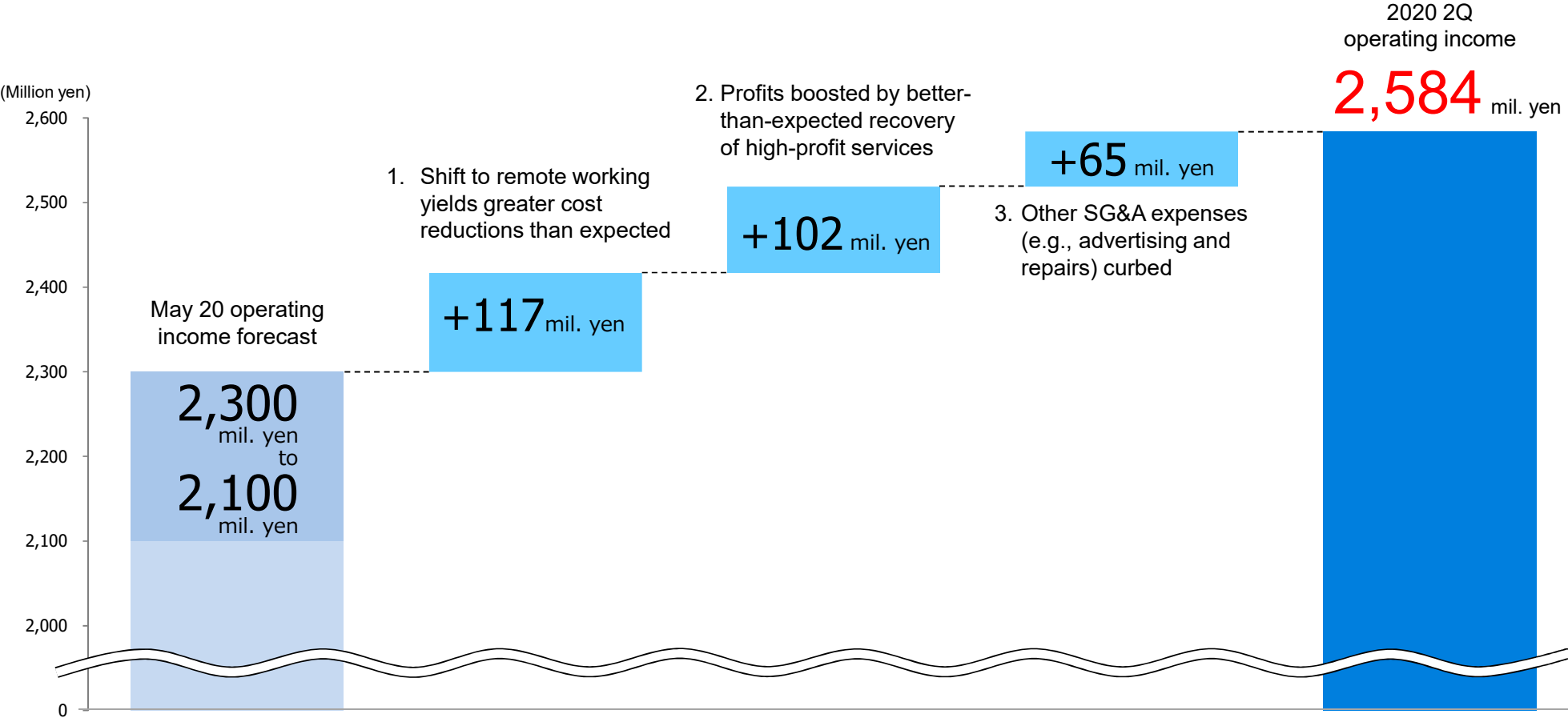
- Despite the restrictions on our ability to operate in full due to Covid-19, net sales **increased 1.2% over the same period in the preceding year**, buoyed by strong sales of online advertisement agency services and direct recruiting.
- Operating income was down 10.1% from the same period in the preceding year, ordinary income 9.4%, and net income 9.0%.

	June 2019		June 2020			Comparison with financial result forecast (Issued May 20, 2020)	
	Amount (million yen)	% of total	Amount (million yen)	% of total	Change (%)	Amount (million yen)	Difference (%)
Net sales	12,087	100.0	12,234	100.0	+1.2	12,000 – 12,400	+2.0% – -1.3%
Operating income	2,874	23.8	2,584	21.1	-10.1	2,100 – 2,300	+23.1% – +12.4%
Ordinary income	2,914	24.1	2,640	21.6	-9.4	2,100 – 2,300	+25.7% – +14.8%
Net income attributable to owners of the parent	1,918	15.9	1,745	14.3	-9.0	1,350 – 1,450	+29.3% – +20.4%

1. FY2020 2nd Quarter Financial Results

(2) Comparison with Revised Financial Result Forecast of May 20, 2020

- Operating income far exceeded initial forecasts, **+12.4% – +23.1%** above the financial result forecast.
- Major factors are shown below.

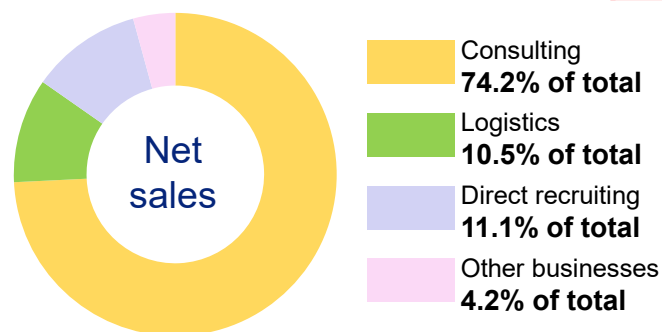


1. FY2020 2nd Quarter Financial Results

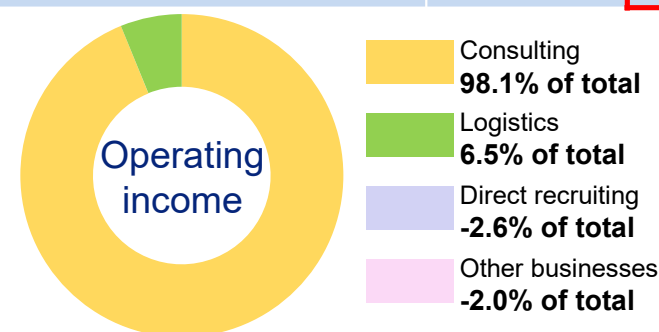
(3) Results of Operations by Segment

- New orders stagnated in our core consulting segment due to our refraining from in-person seminars and workshops. However, business has recovered at Funai Consulting Shanghai since April with the subsiding of Covid-19 in China.
- Sales increased in the logistics segment through spot orders and deep mining of existing clients.
- Cancelled seminars and a decrease in ad placements had an impact on the direct recruiting segment, but operating losses have decreased.

Net sales	June 2019	June 2020	
	Amount (million yen)	Amount (million yen)	Change (%)
Consulting	9,267	9,071	-2.1
Logistics	1,169	1,279	+9.4
Direct recruiting	1,091	1,358	+24.4
Other businesses	547	513	-6.3
(Intra-group & whole-group transactions)	11	11	-
Total	12,087	12,234	+1.2



Operating income	June 2019	June 2020	
	Amount (million yen)	Amount (million yen)	Change (%)
Consulting	2,859	2,513	-12.1
Logistics	166	165	-0.5
Direct recruiting	-153	-66	-
Other businesses	6	-51	-
(Intra-group & whole-group transactions)	-4	23	-
Total	2,874	2,584	-10.1

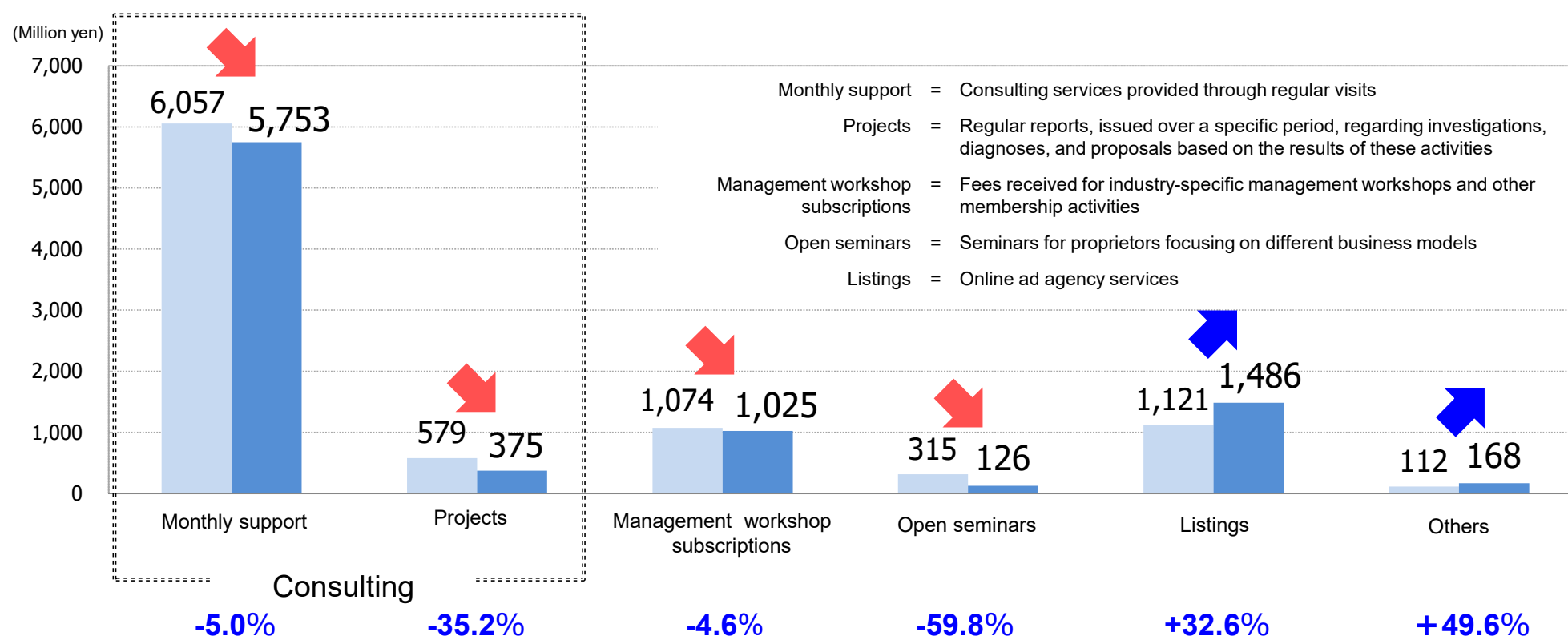


*Percentages exclude intra-group & whole-group transactions.

1. FY2020 2nd Quarter Financial Results

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

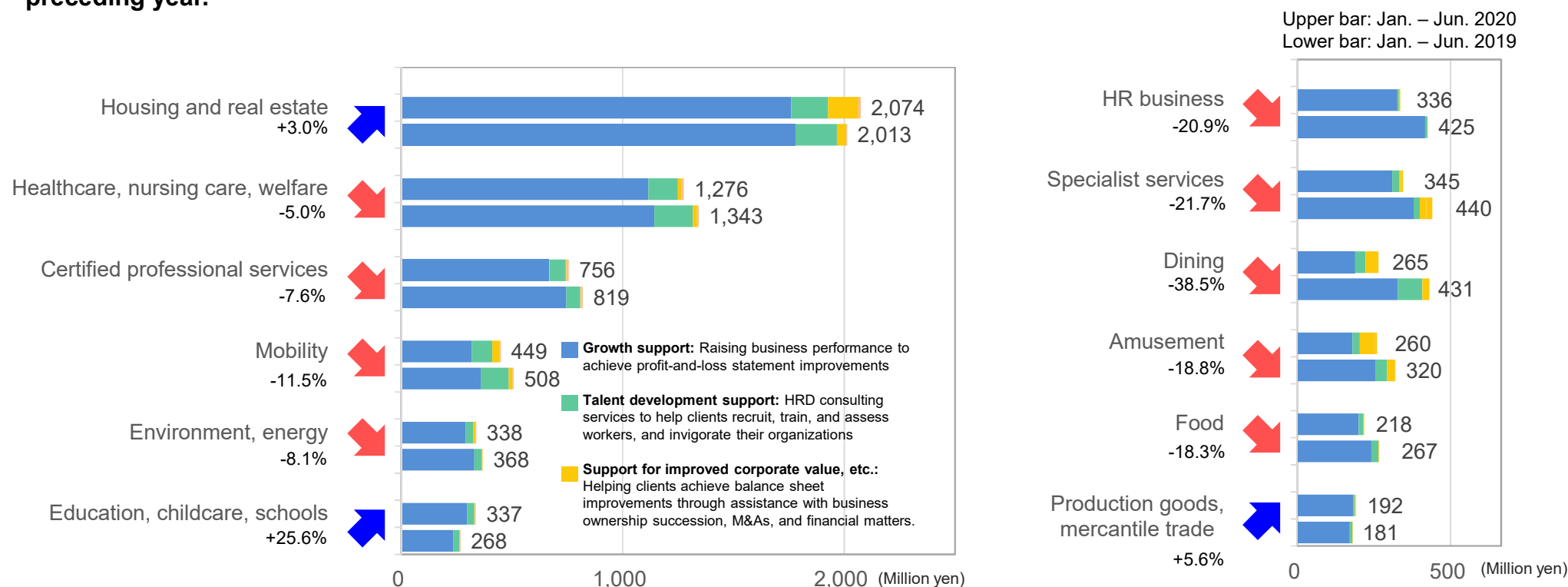
- The portion of total consulting sales occupied by monthly support decreased 5.0% from the same period in the preceding year, and project-based consulting decreased 35.2%.
- Management workshop subscription income decreased 4.6% as new memberships stagnated due to Covid-19.
- Seminar income decreased 59.8% due to the suspension of in-person seminars (and switch to web-based seminars).
- Web ad listing income increased 32.6% on the back of a solid rise in accounts from FY2019.



1. FY2020 2nd Quarter Financial Results

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

- The core housing & real estate sector continues to grow despite the adverse conditions.
- Swift delivery of solutions amid restrictive conditions brought about by Covid-19 saw the education, childcare, and schools sector and the production goods and mercantile trade sector continue to perform well.
- Temporary business closures in the dining sector and other areas saw sales decline compared with the same period in the preceding year.



NB: Figures show sales of consulting contracts, management workshop subscriptions, and open seminar revenues, grouped in accordance with the company's industry classifications, for the January-to-June period of 2019 and 2020.

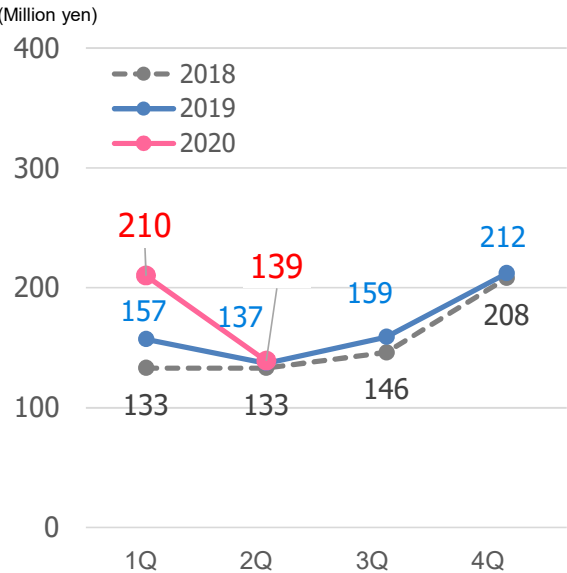
1. FY2020 2nd Quarter Financial Results

(5) Results of Operations by Segment: Logistics Sales by Service Category (by quarter)

Logistics Consulting

Helping clients reduce logistics costs

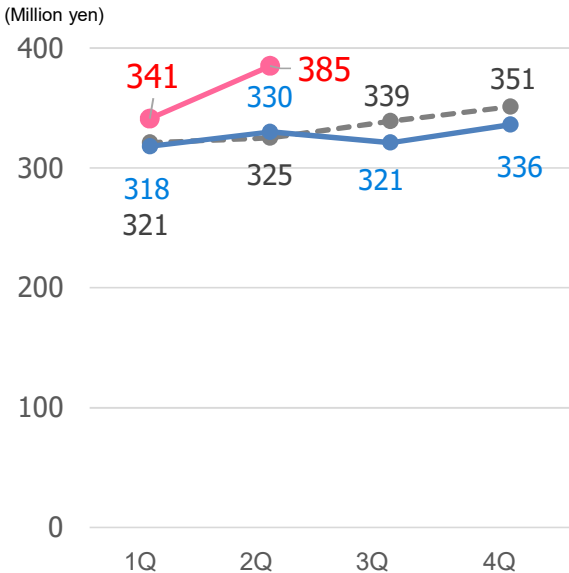
Some projects ordered last year were delayed, but 2Q sales are generally in line with 2019.



Logistics Operations

Logistics on behalf of clients

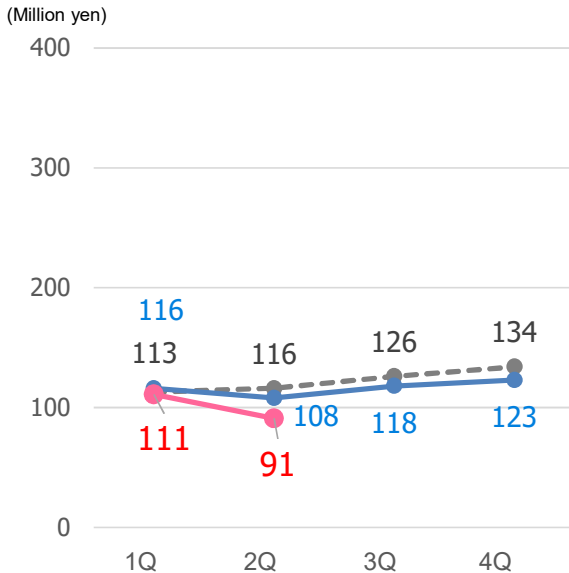
Deep-mining of existing clients and ongoing business with 2019's new clients saw sales rise steadily.



Logistics Trading

Reducing purchasing costs through joint buying

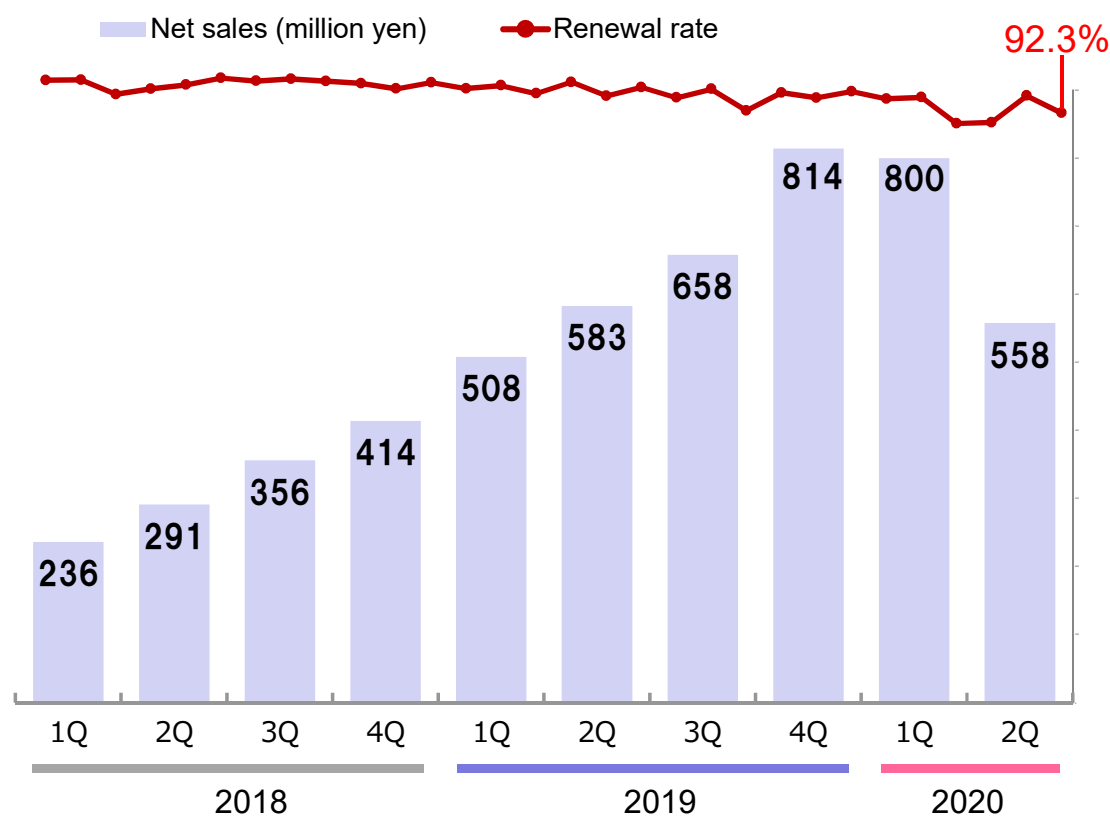
New clients were acquired but falling unit prices in the fuel business and temporary business suspensions due to Covid-19 saw sales decline.



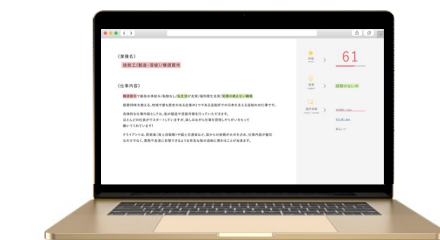
1. FY2020 2nd Quarter Financial Results

(6) Results of Operations by Segment: Direct Recruiting

- Although, due to Covid-19, seminar cancellations have seen new customer acquisitions decrease and fewer ad placements have resulted in a large drop in sales, the existing client renewal rate remains strong at more than 90 percent.



Point of difference with competitors



Recruiting Cloud

Cloud-based AI recruiting service

- Big data analysis of job-search keywords enables **AI-informed writing of effective job ad copy**
- 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, 2019	As of Jun. 30, 2020	Change	Major factors behind changes
Current assets		16,694	15,798	-896	Decrease in current assets: Mainly increases in cash and deposits; decreases in trade notes and accounts receivable and short-term investment securities.
Noncurrent assets	Property, plant, and equipment	6,109	6,051	-58	Decrease in property, plant and equipment: Mainly decreases in buildings and structures.
	Intangible assets	773	743	-30	
	Investments and other assets	4,840	4,872	+32	
Total assets		28,419	27,466	-953	
Current liabilities		4,931	3,410	-1,521	Decrease in current liabilities: Mainly decreases in current portion of bonds, other accounts payable (listed under “other current liabilities”), and deposits received.
Noncurrent liabilities		322	290	-31	Decrease in noncurrent liabilities: Mainly decrease in deferred tax liabilities.
Total liabilities		5,254	3,700	-1,553	
Total net assets		23,165	23,765	+600	Financial position remains sound with a high equity ratio of 84.1%.
Total liabilities and net assets		28,419	27,466	-953	

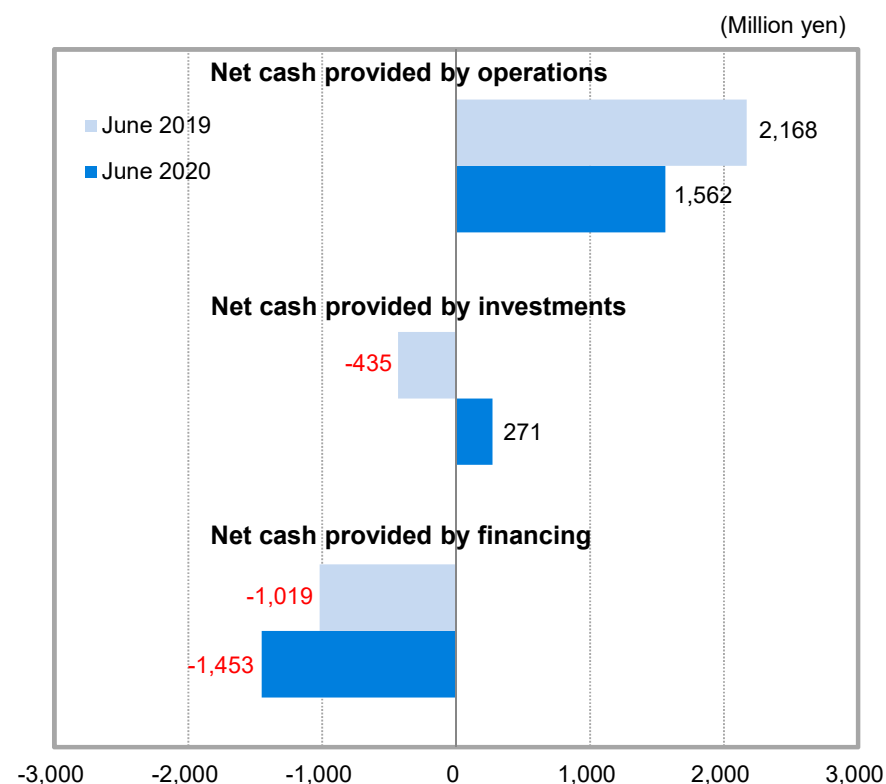
1. FY2020 2nd Quarter Financial Results

(7) Consolidated Financial Position—Cash Flow Statement

- Cash earned from operations was 1,562 million yen, down 606 million yen from the same period in the preceding year.
- Cash earned from investments was driven mainly by investment of surplus funds.
- The net use of cash in financing was mainly due to the distribution of dividends.

(Million yen)

	June 2019	June 2020	Change
Net cash provided by (used in) operations			
Net income before income taxes and other adjustments	2,908	2,635	(272)
Depreciation	132	142	9
Decrease (increase) in trade notes and accounts receivable	(31)	603	634
Decrease (increase) in other assets	(453)	(265)	188
Increase (decrease) in other liabilities	(13)	(1,129)	(1,115)
Other	238	211	(26)
Subtotal	2,780	2,198	(582)
Interest and dividends received	20	20	0
Income taxes paid	(972)	(1,108)	(136)
Income tax refunds	343	454	111
Other	(2)	(1)	0
Net cash provided by (used in) operations	2,168	1,562	(606)
Net cash provided by (used in) investments			
Income from time deposits	—	—	—
Purchase of short-term and long term investment securities	(263)	(205)	57
Proceeds from sales and redemption of short-term and long term investment securities	114	600	486
Purchase of property, plant and equipment and intangible assets	(295)	(123)	171
Purchase of investments in subsidiaries resulting in change in scope of consolidation	—	—	—
Other	8	—	(8)
Net cash provided by (used in) investments	(435)	271	706
Net cash provided by (used in) financing			
Purchase of treasury stock	(7)	(5)	1
Dividends paid	(1,005)	(1,142)	(137)
Other	(7)	(305)	(297)
Net cash provided by (used in) financing	(1,019)	(1,453)	(433)
Change in cash and cash equivalents	711	379	(332)
Cash and cash equivalents at start of fiscal year	11,022	11,630	607
Cash and cash equivalents at end of quarter	11,734	12,009	275





Full-year Outlook & Impact of Covid-19

2. Full-year Outlook & Impact of Covid-19

(1) Revision of Financial Result Forecast

- The financial result forecast for FY2020, previously stated as “undetermined” because of Covid-19, was revised on August 20, 2020.

FY2020 full-year forecast	(FYI) FY2019 actual	Previous forecast (May 20)	Revised forecast (August 20)	
	Amount (million yen)	Amount (million yen)	Amount (million yen)	Change
Net sales	25,752	Undetermined	24,000 – 25,760	-
Operating income	5,705		4,300 – 5,150	-
Ordinary income	5,755		4,350 – 5,200	-
Current net income attributable to owners of the parent	3,868		2,900 – 3,500	-

2. Full-year Outlook & Impact of Covid-19

(2) Outlook & Impact of Covid-19 by Segment

- The decline in orders through the second quarter due to operational limitations caused by Covid-19 will inevitably have an impact on full-year performance.
- Consulting activity in China is returning to pre-Covid levels.

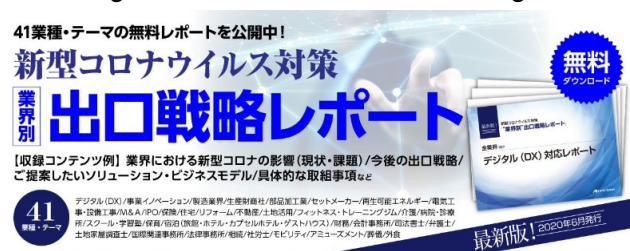
	Impact on FY2020 1H (Jan. – Jun.)	Outlook
Consulting	<ul style="list-style-type: none"> ● In Japan, our ability to seek new orders severely hampered as we have refrained from in-person seminars and consultant visits since March. ● Sales declined sharply in China as consulting activity was impossible in Feb. and Mar., but have gradually recovered between Apr. and Jun. as operations resumed. 	<ul style="list-style-type: none"> ● As Covid-19 spreads, we will offer industry-specific solutions for adapting to the Covid situation, remote support, online seminars, and management workshops via web conferencing. Impact likely on full-year performance in the Japanese consulting segment. ● China-based consulting business is predicted to return to pre-Covid levels starting in 3Q.
Logistics	<ul style="list-style-type: none"> ● Ongoing projects from last year ensured that performance was not as badly impacted as other segments amid limited ability to seek new orders: up 9.4% over the same period in FY2019. 	<ul style="list-style-type: none"> ● Restrictions through 2Q have delayed new client acquisitions, so the full-year forecast is for sales at a similar level to, and operating income down from, FY2019.
Direct recruiting	<ul style="list-style-type: none"> ● Drop in client acquisitions due to suspension of seminars and fewer ad placements caused sales to drop sharply through 2Q, but cost reductions meant operating losses decreased. 	<ul style="list-style-type: none"> ● New customer acquisition is a challenge at this time, but we predict an increase in revenues this year due to work with accounts added last year. ● Revenue structure will improve as a result of keeping a lid on promotion costs.
Other businesses	<ul style="list-style-type: none"> ● Operational restrictions and delays have had an impact in the IT and call center consulting sectors. ● No major effects on the systems development sector. 	<ul style="list-style-type: none"> ● Returning to normal performance in the IT and call center consulting sectors will likely take time.

2. Full-year Outlook & Impact of Covid-19

(3) New Services Adopted to Current Conditions with Covid-19

- We have begun offering web-based seminars and solutions to help clients deal with Covid-19, each tailored to specific industries and solution categories.

- “Exit Strategy Report” offers Covid-19 strategies covering 41 industries and solution categories.



- Online seminars tailored for optimal effectiveness in these Covid-affected times.



- We are developing and delivering industry-specific and solution-category-specific ideas for dealing with Covid-19. (Partial list)

Education & childcare

- Online lesson delivery and online student recruiting for tutoring and vocational schools.

Certified professional services

- Helping to counter Covid-19 difficulties through firm-wide digitalization, e.g., building remote legal advice framework, streamlining case processing.

HR business

- Helping clients set up outplacement (i.e., support for transitioning to new employment) operations as the outplacement market grows due to increased lay-offs.

Manufacturing

- Marketing automation and remote sales meeting solutions that work in a drastically changed sales and marketing landscape under Covid-19.

Dining & food

- Helping restore sales in a Covid-affected landscape with solutions such as developing new business categories and forging takeout and delivery channels.

Digital innovation

- “DX Journey Mapping Consulting” to help clients plot their digital transformation.

Finance

- Facilitating stronger monitoring of funding and finances, and execution of astute financial strategies via remote support.



Shareholder Returns and Future Initiatives

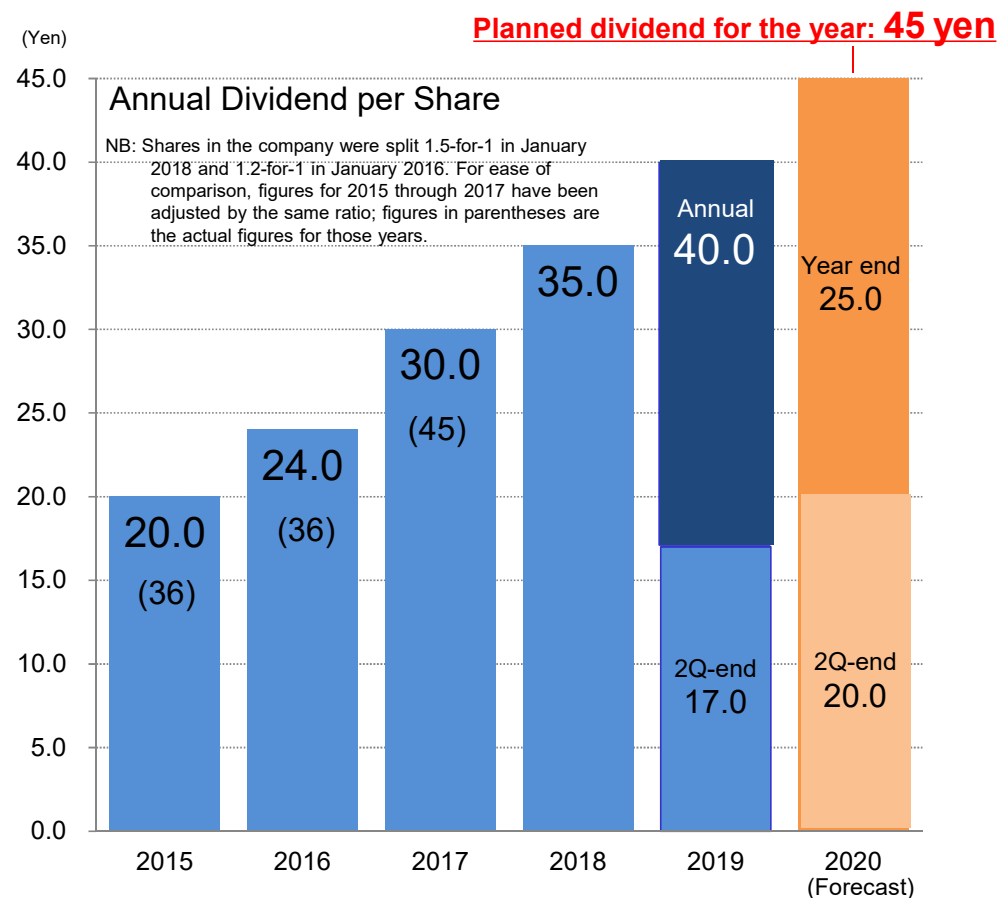
3. Shareholder Returns and Future Initiatives

(1) Dividends

In 2020, we plan to distribute an interim dividend of 20 yen and a year-end dividend of 25 yen, thus totaling 45 yen for the year.

*Revisions to financial result forecasts for the current period were announced on August 20, 2020 but there will be no change to dividend forecasts at this time.

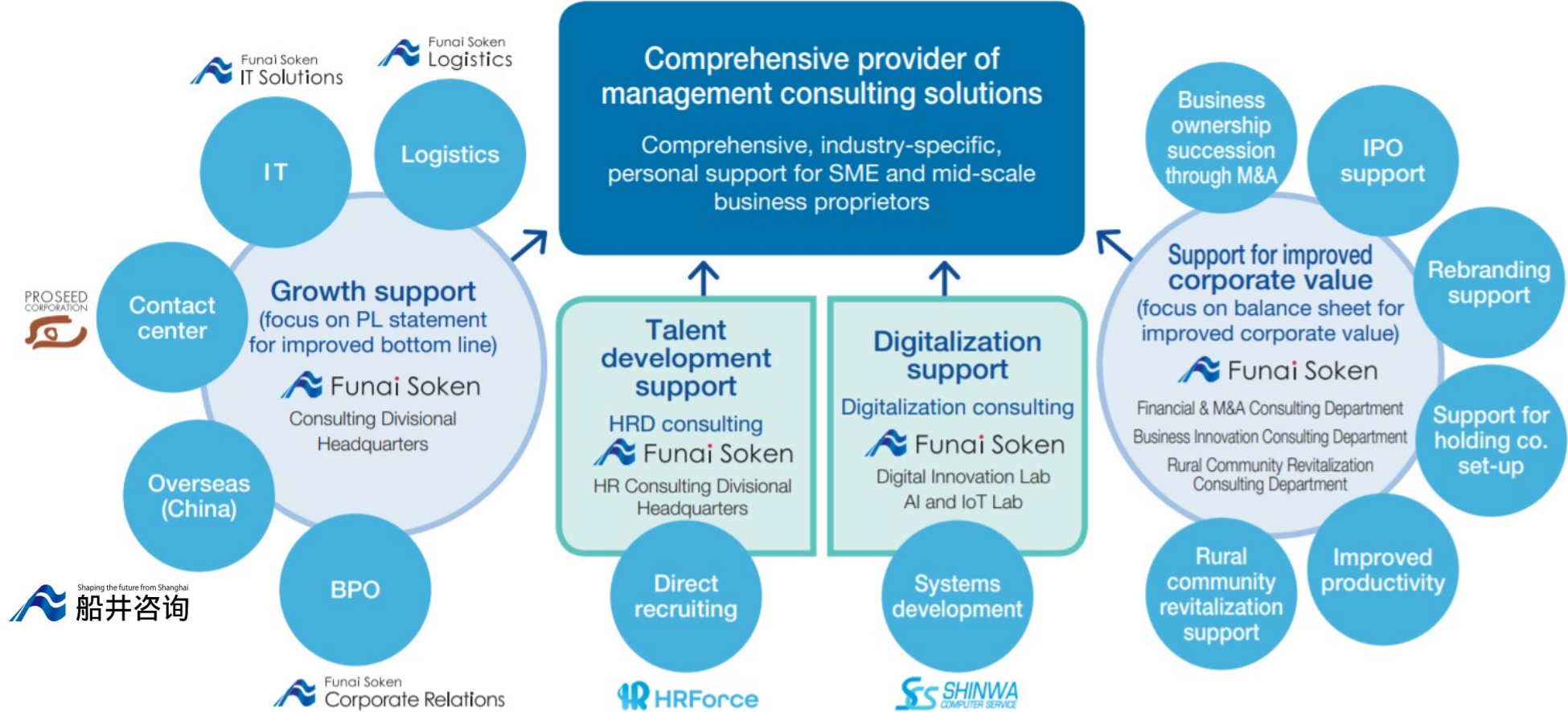
Record date	Initial forecast		Actual dividend	
	Dividend (per share)	Details	Dividend (per share)	Details
FY2015	34.0	2Q-end 15.0 Year end 19.0	36.0	2Q-end 15.0 Year end 21.0
FY2016 1.2-for-1 share split	36.0	2Q-end 15.0 Year end 21.0	36.0	2Q-end 15.0 Year end 21.0
FY2017	39.0	2Q-end 15.0 Year end 24.0	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 (Forecast)	45.0	Year end 25.0		2Q-end 20.0



3. Shareholder Returns and Future Initiatives

(2) Business Strategy

We are sequentially expanding the range of solution categories in which we offer support as part of our quest to be a comprehensive provider of management consulting solutions.

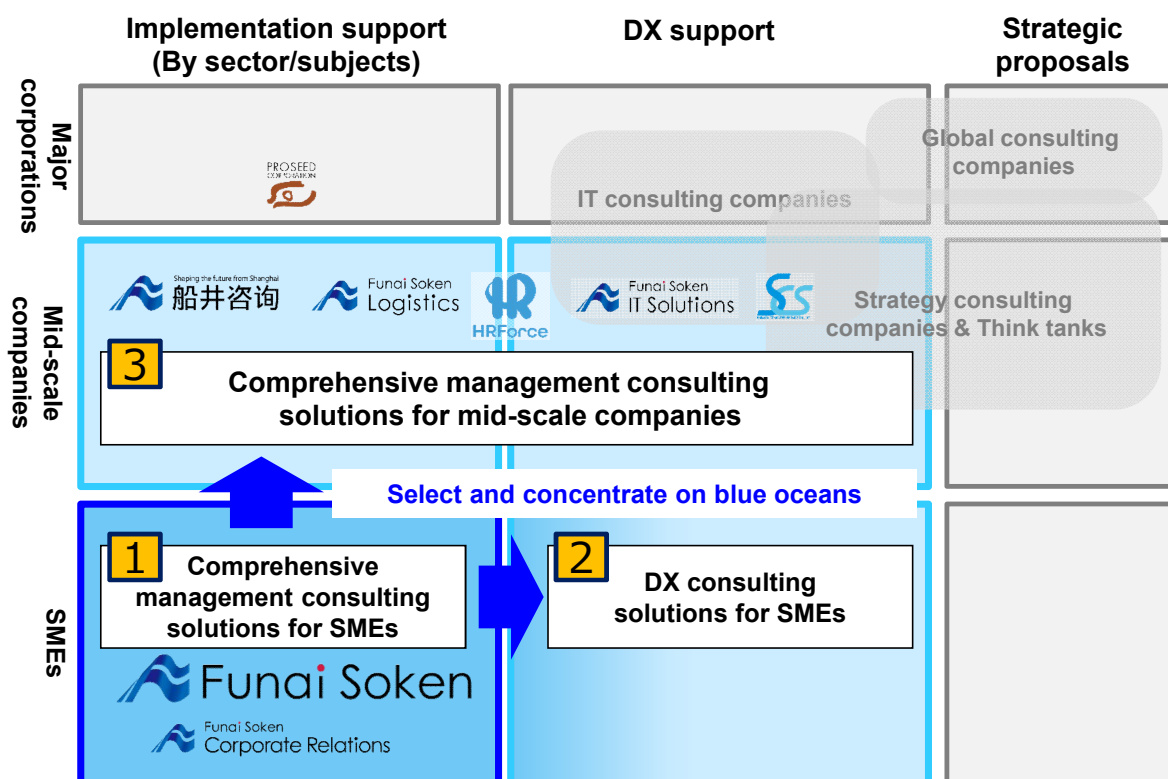


3. Shareholder Returns and Future Initiatives

(2) Business Strategy

Our Group will accelerate DX consulting services for SMEs and we will take on challenges towards providing comprehensive management consulting solutions to mid-scale companies.

Consulting needs and positioning



*Consulting: Funai Consulting Inc., Funai Consulting Shanghai Inc., Funai Soken Corporate Relations Inc.

*Logistics: Funai Soken Logistics Inc. *Direct Recruiting: HR Force Inc.

*Others: Funai Soken IT Solutions Inc., Proseed Corporation, Shinwa Computer Service Co., Ltd.

Policy for 2020-2022

- 1 Comprehensive management consulting solutions for SMEs**
 (SMEs x implementation support)

Growth support	Talent development support	Support for improved corporate value
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 - Deepen our existing businesses (No. 1 market shares in housing and real estate, healthcare and nursing care, and certified professional service industries)
 - Expand new main divisions and new themes (construction, HR services, energy, manufacturing, in-bound business, tourism etc.)
 - Strengthen M&A and business succession consulting
- 2 DX consulting solutions for SMEs**
 (SMEs x DX support)

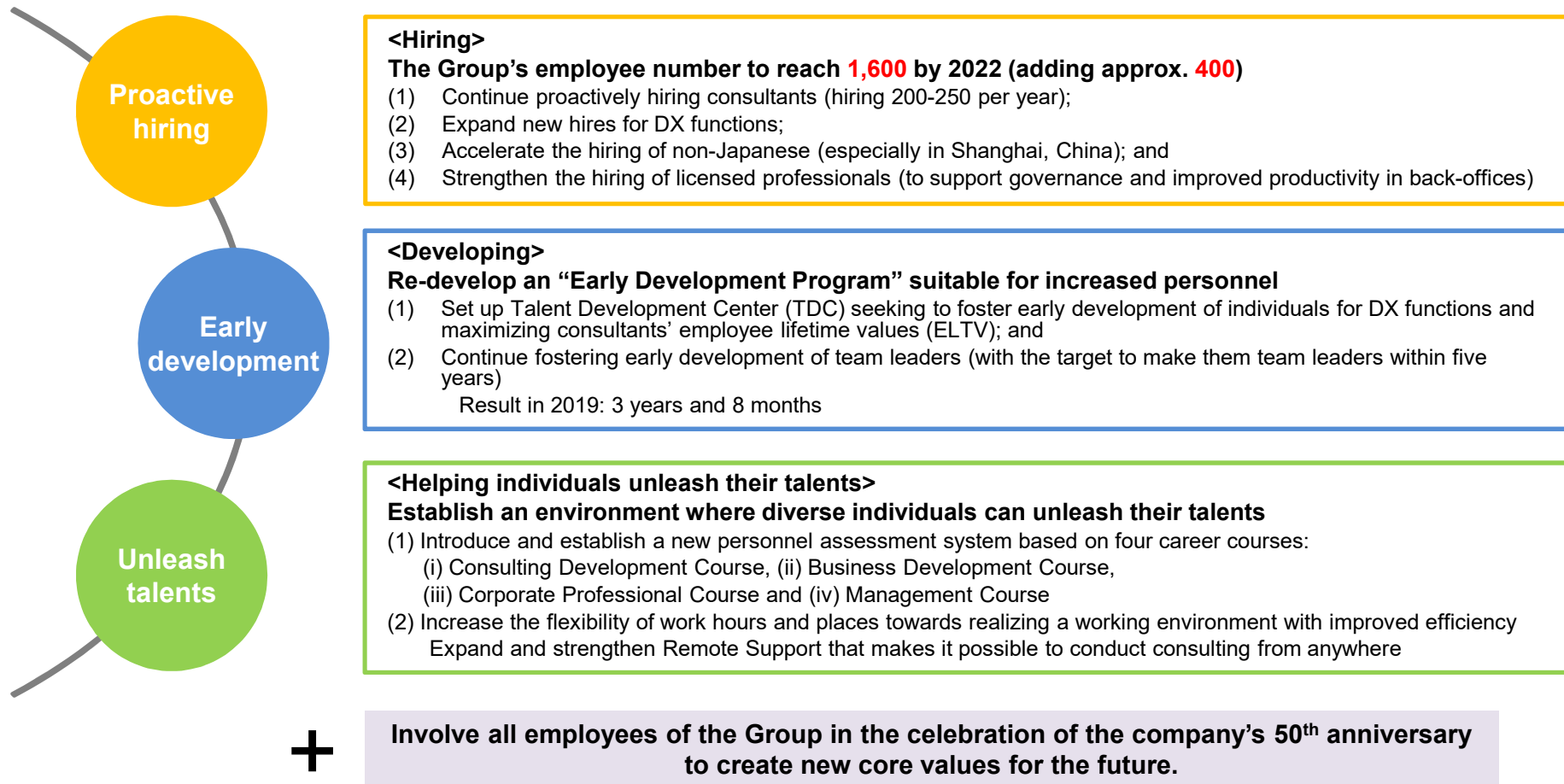
Digitalization support

 - Support SME's improved productivity from the perspective of a digital shift
 - Propose and support implementation of industry-specific digital solutions that produce results
 - Set up Digital Innovation Lab to promote DX consulting
- 3 Comprehensive management consulting solutions for mid-scale companies**
 (Mid-scale companies x implementation support & DX support)
 - Help deepen their existing businesses and support development of new businesses that will become their second pillar (incl: support for IPO, rebranding and transformation to holding company systems)
 - Enhance solution-specific workshops that meet the needs of mid-scale companies
 - Set up Account Partner Office to establish a team-based consulting system for mid-scale companies

3. Shareholder Returns and Future Initiatives

(3) Human Resources Strategy

Design an environment that helps diverse individuals fully unleash their strengths to support the Group's sustained growth.



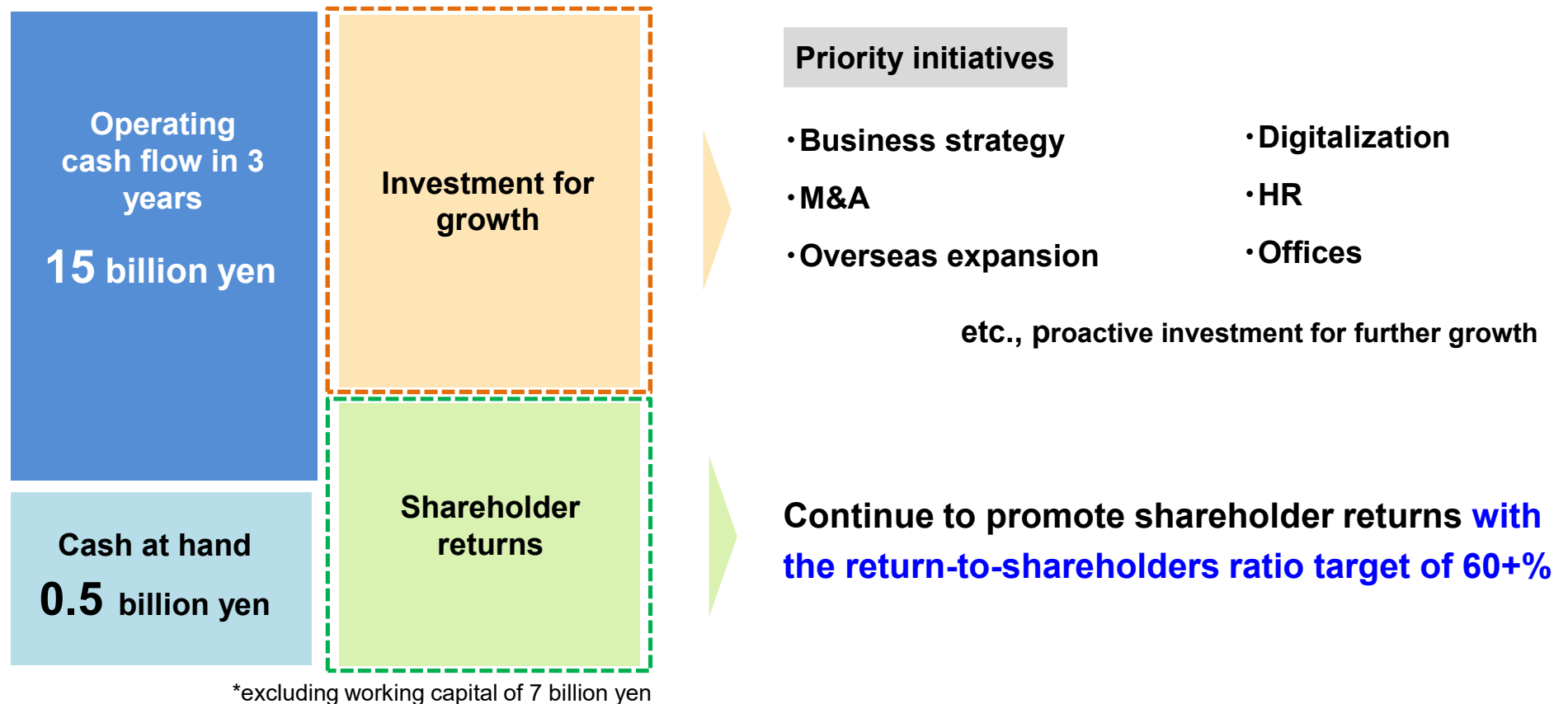
*Our company celebrated its 50th anniversary on March 6, 2020.

3. Shareholder Returns and Future Initiatives

(4) Financial Strategy

- **Investment for growth: Allocation of cash flow from operating activities in coming three years**

Allocate cash at hand and cash flow from operating activities for investment in the next growth period and for appropriate shareholder returns to increase shareholder value



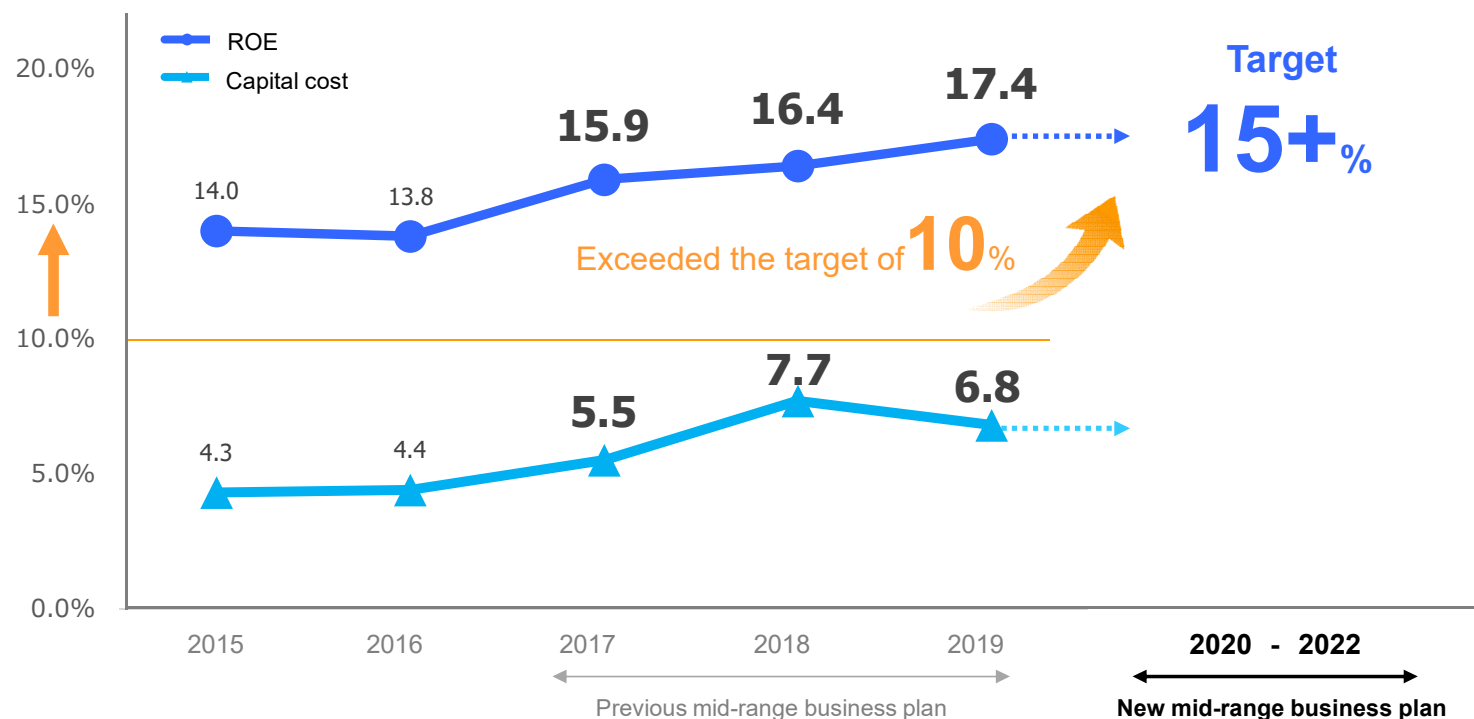
3. Shareholder Returns and Future Initiatives

(4) Financial Strategy

- Capital policy

Maintain **15% or higher consolidated ROE**, pursuing “our Group’s sustained growth and increased medium to long-term shareholder value,” “appropriate level of shareholders’ equity,” “appropriate shareholder return,” and “proactive business investment with necessary risk-taking”

Consolidated ROE and capital cost



Priority initiatives

(i) Promote new investments, taking shareholder return into account

(ii) Business investments with awareness on capital efficiency

- Capital cost
- Net present value (NPV)

3. Shareholder Returns and Future Initiatives

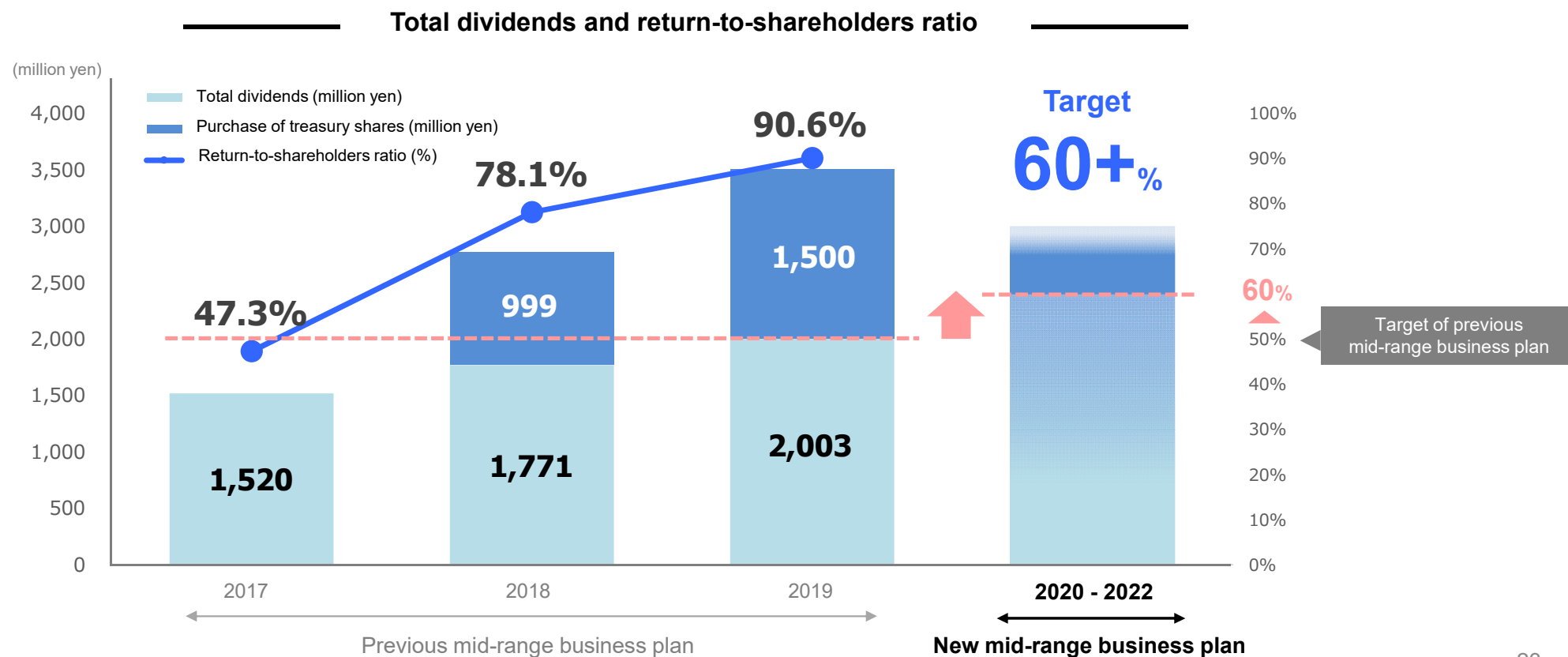
(4) Financial Strategy

- Shareholder return policy

- (i) Distribution of profits taking performance into account

- (ii) Flexible share buyback taking into consideration market environment, capital efficiency etc.

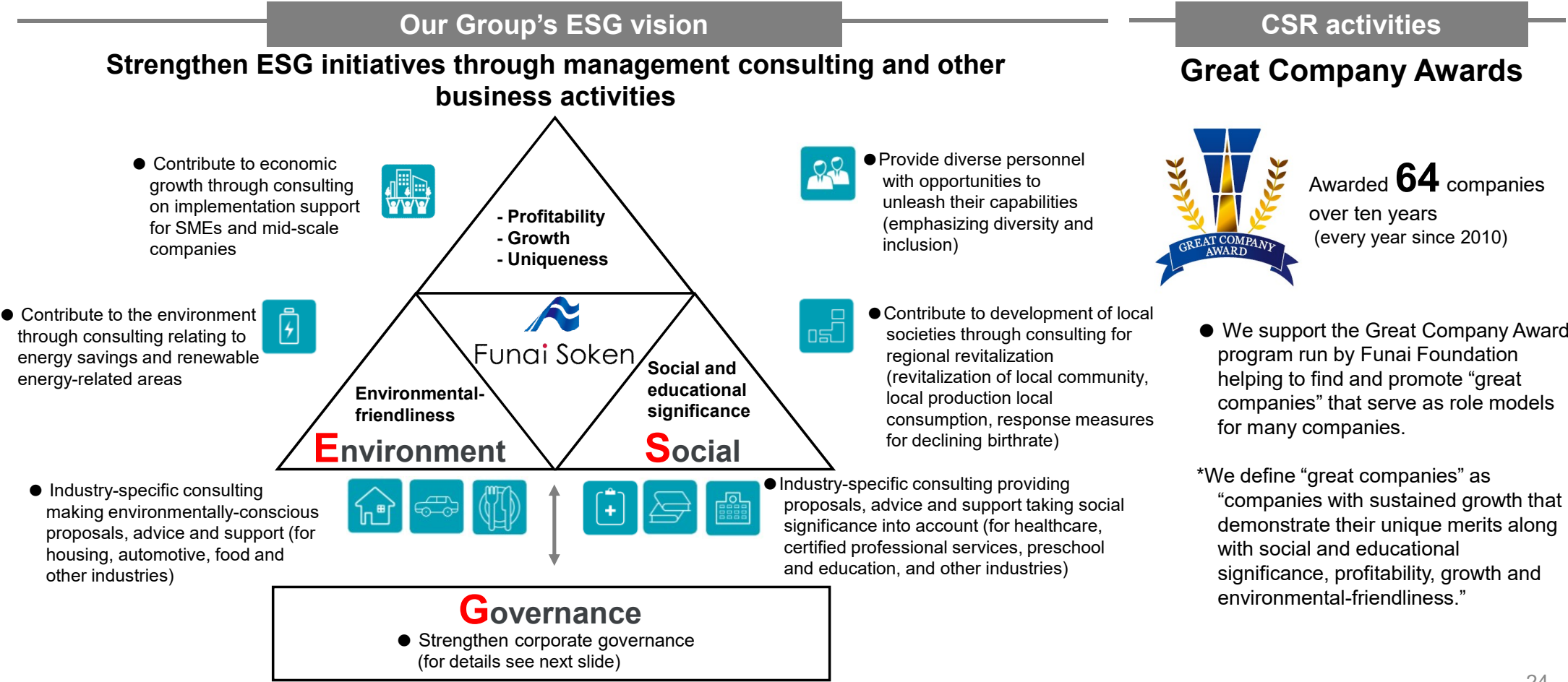
- (iii) **60% or higher return-to-shareholder ratio**



3. Shareholder Returns and Future Initiatives

(5) 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.”

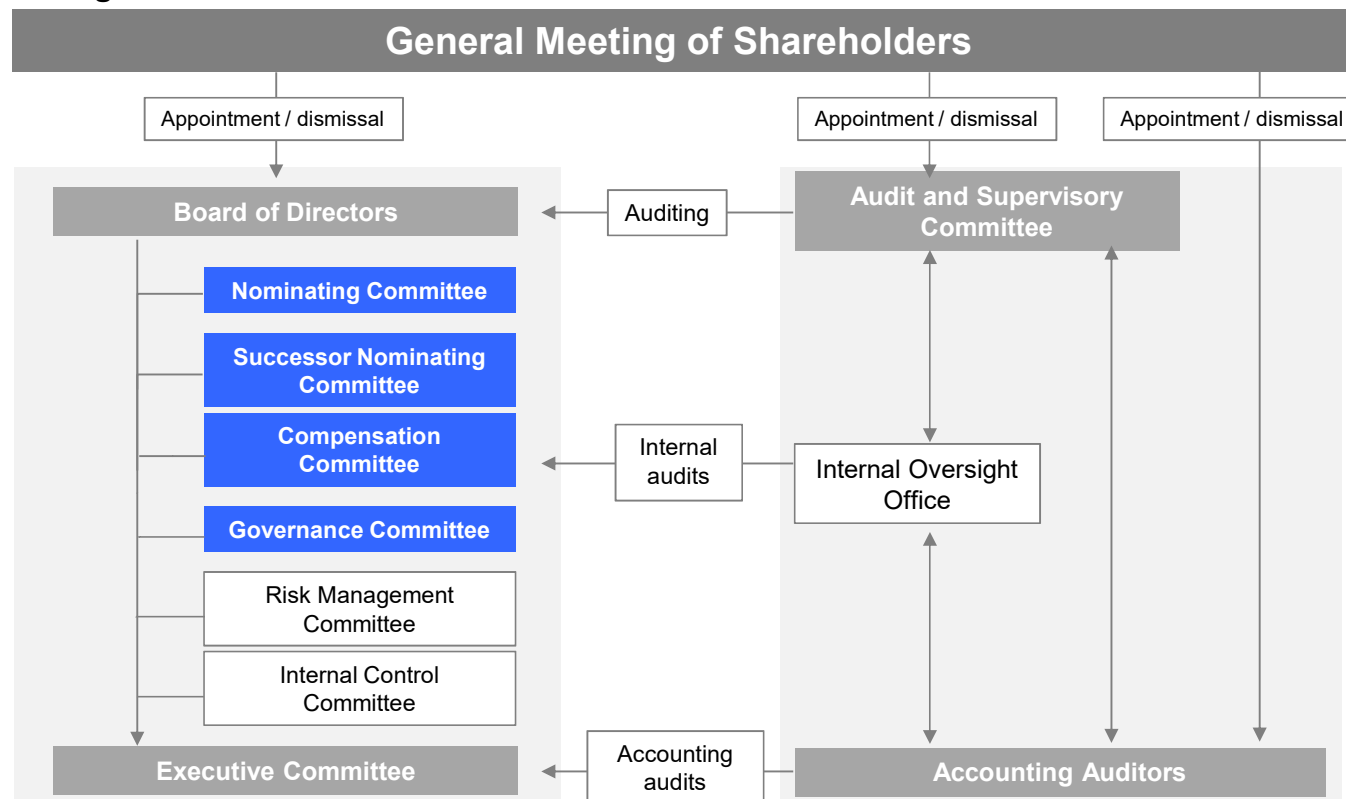


3. Shareholder Returns and Future Initiatives

(6) Corporate Governance Framework

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

*at the end of March 2020



[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 1 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



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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