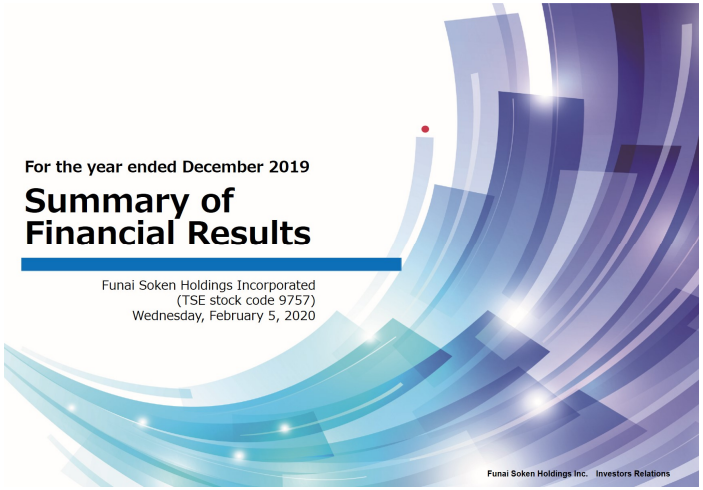
For the year ended December 2019

Summary of Financial Results

Funai Soken Holdings Incorporated
(TSE stock code 9757)
Wednesday, February 5, 2020

Contents



1 Executive Summary

(1) Consolidated Income
(2) Income by Quarter
(3) Annual Sales, Operating Income, and Operating Margin

2 Financial Report for the Year Ended December 2019

(1) Results of Operations by Segment
(2) Results of Operations by Segment: Consulting
(3) Results of Operations by Segment: Logistics
(4) Results of Operations by Segment: Direct recruiting
(5) Consolidated Financial Position

3 Forecasts & Shareholder Returns

(Statement Regarding Use of These Materials)

Executive Summary

1. Executive Summary

(1) Consolidated Income

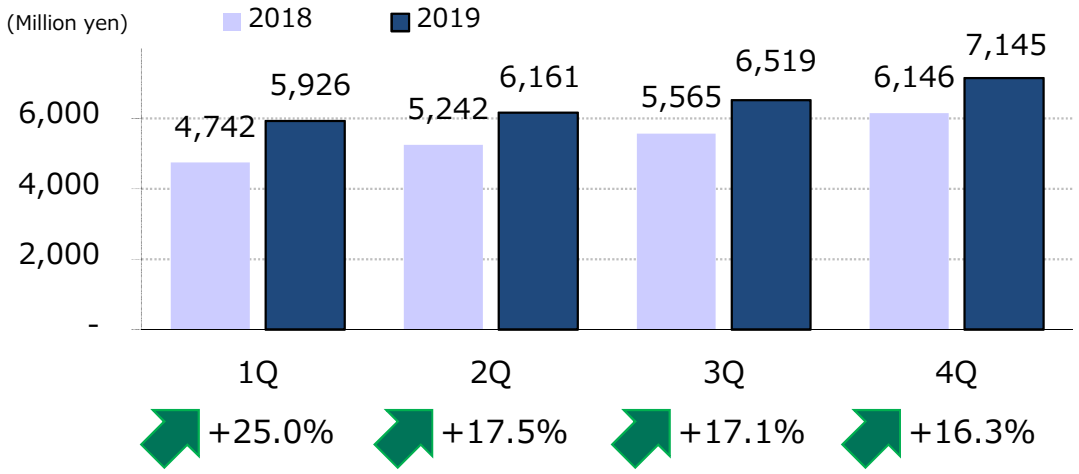
	FY12/18		FY12/19			Compared with forecast issued on Feb. 6, 2019	
	Amount (million yen)	% of total	Amount (million yen)	% of total	Change (%)	Amount (million yen)	Change (%)
Net sales	21,697	100.0	25,752	100.0	+18.7	23,500 (forecast)	+9.6
Operating income	4,946	22.8	5,705	22.2	+15.4	5,400 (forecast)	+5.7
Ordinary income	5,008	23.1	5,755	22.3	+14.9	5,400 (forecast)	+6.6
Net income attributable to owners of the parent company	3,549	16.4	3,868	15.0	+9.0	3,700 (forecast)	+4.6

- Continued robust sales in the core consulting segment and solid acquisition of new clients in the direct recruiting segment resulted in a large increase in sales, 18.7% over the same period in the preceding year.
- The rise in sales also drove increases in operating income, ordinary income, and net income; up 15.4%, 14.9%, and 9.0% respectively over the same period in the preceding year.
- Numerical targets set in the Mid-Range Business Plan for 2017-2019 were achieved in all three of those years.

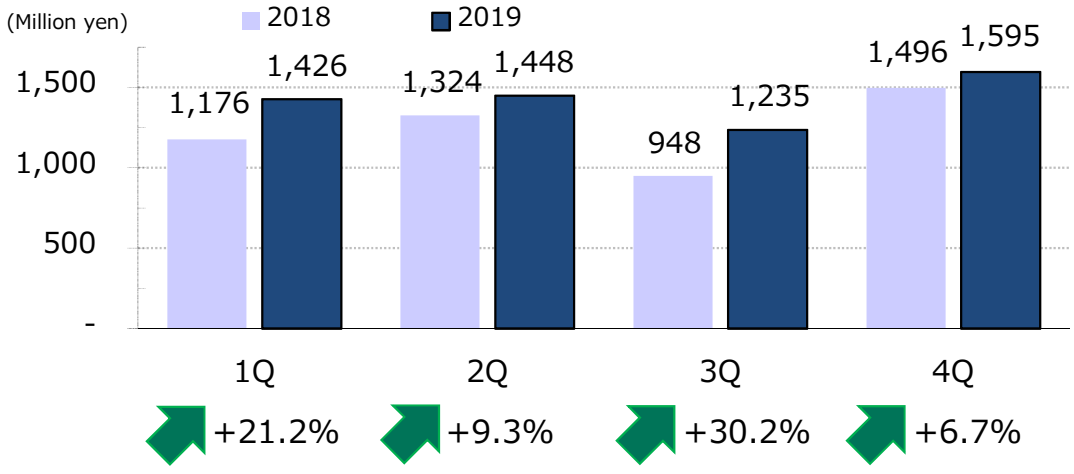
1. Executive Summary

(2) Income by Quarter

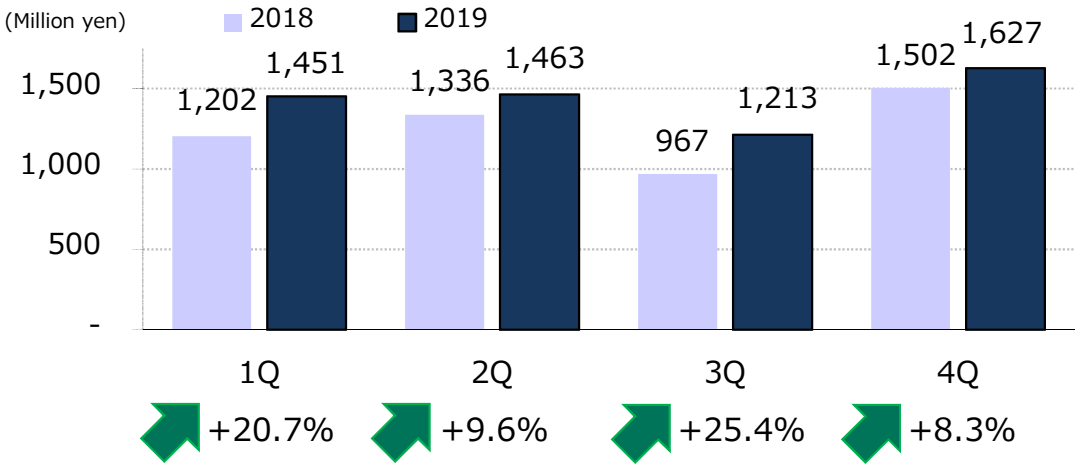
Net sales



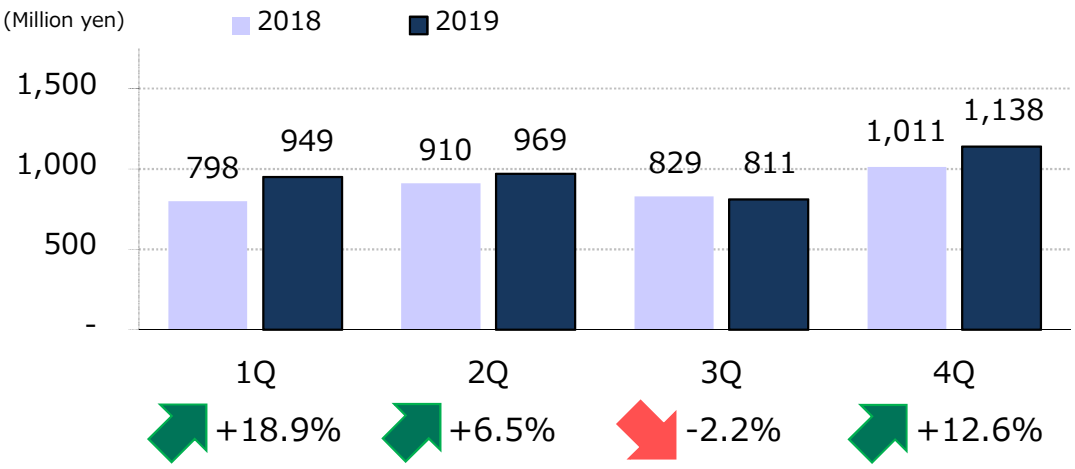
Operating income



Ordinary income



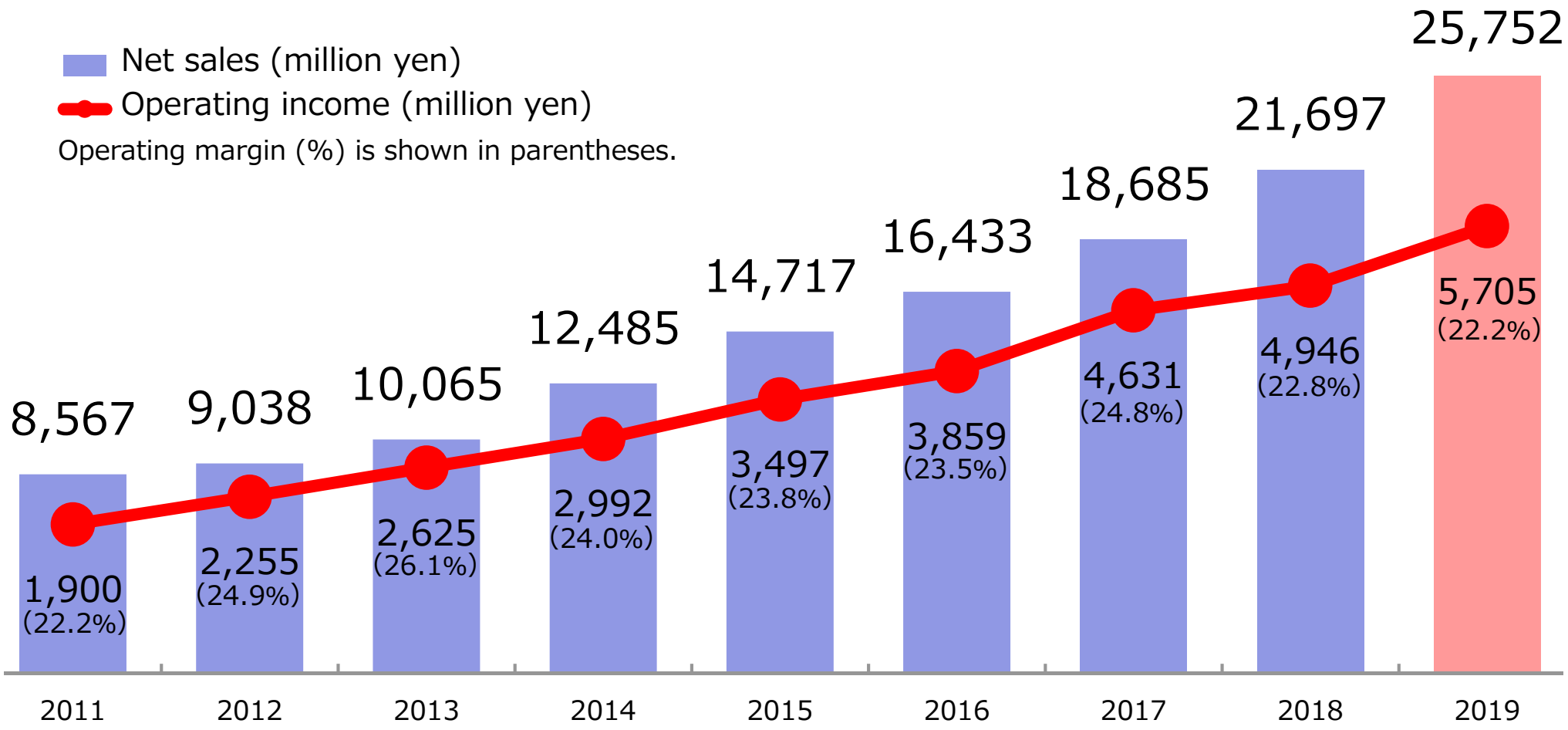
Net income



■ Sales rose steadily in all quarters. Operating, ordinary, and net income also grew stably.

1. Executive Summary

(3) Annual Sales, Operating Income, and Operating Margin



- Sales and income up every year since 2011. New record set—again!—in 2019.
- Average rate of sales and operating income growth between 2011 and 2019 of 14.7%.

Financial Report

for the Year Ended December 2019

Funai Soken Holdings Inc.　Investors Relations

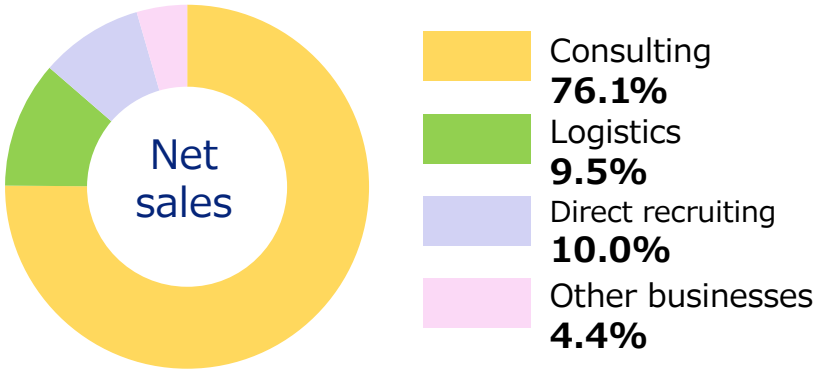
2. Financial Report for the Year Ended December 2019

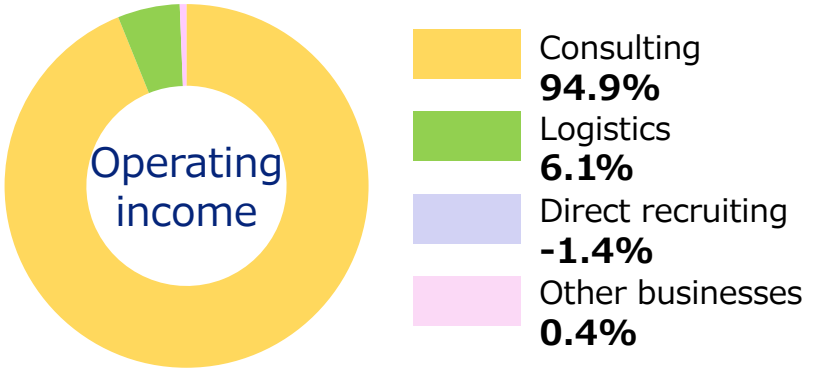
(1) Results of Operations by Segment

(Units: Million yen; %)

Net sales	FY12/18	FY12/19	
	Amount	Amount	Change
Consulting	17,099	19,592	+14.6
Logistics	2,452	2,441	-0.4
Direct recruiting	1,298	2,564	+97.5
Other businesses	823	1,130	+37.3
(Intra-group & whole-group transactions)	23	23	-
Total	21,697	25,752	+18.7

Operating income	FY12/18	FY12/19	
	Amount	Amount	Change
Consulting	4,559	5,395	+18.3
Logistics	256	344	+34.5
Direct recruiting	19	-80	-
Other businesses	28	23	-19.2
(Intra-group & whole-group transactions)	82	22	-
Total	4,946	5,705	+15.4



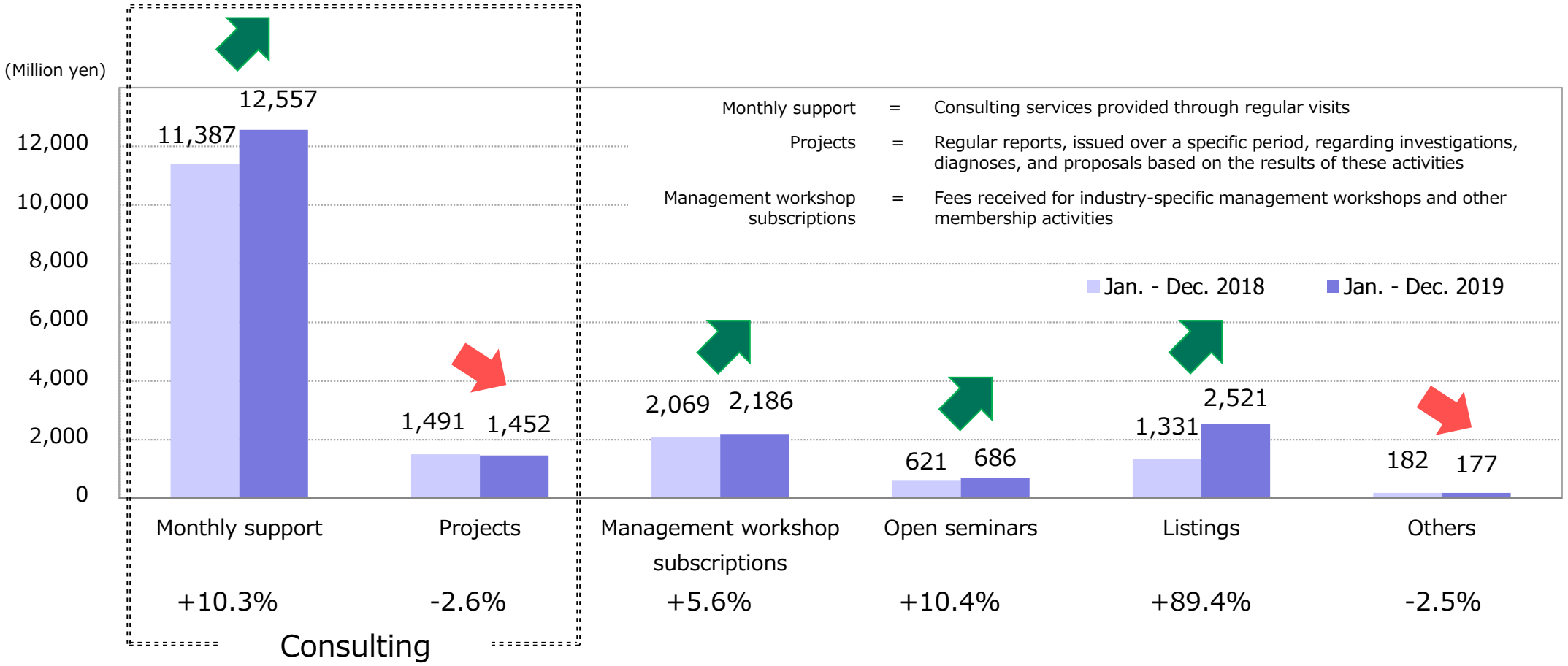


*Percentages exclude intra-group & whole-group transactions

- Large increases in sales and income again in the core consulting segment this year.
- Logistics sales were the same as last year, but higher-profit logistics consulting work boosted operating income.
- Large increase in direct recruiting revenues due to acquisition of new clients. Promotions and other up-front investments aimed at quick sales expansion saw an operating loss of 80 million yen.

2. Financial Report for the Year Ended December 2019

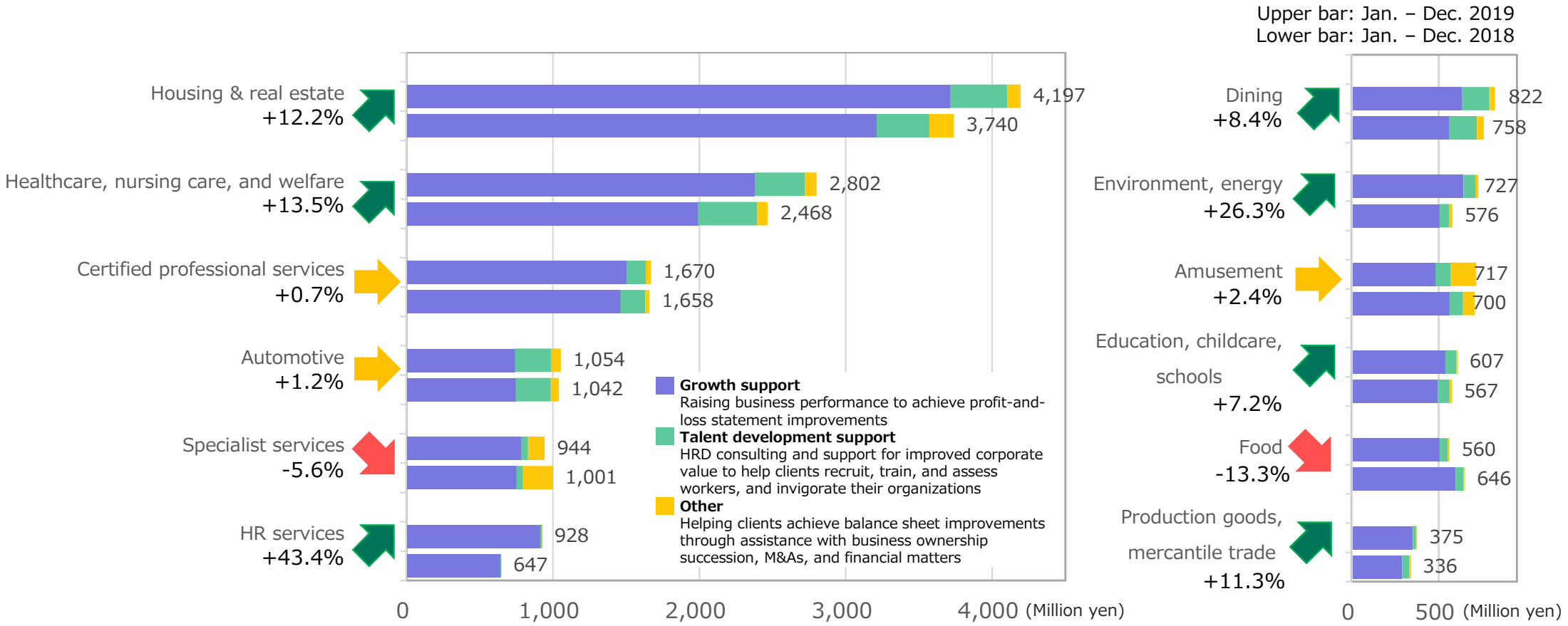
(2) Results of Operations by Segment: Consulting—Sales by Service Category



- Monthly support sales increased 10.3% year-on-year, project sales decreased 2.6%.
- Subscriptions from management workshops, the events through which we build our client base, increased 5.6%.
- Ongoing large increases in revenues from listing services for online advertisement agency operations due to steady growth in account numbers.

2. Financial Report for the Year Ended December 2019

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



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 Dec. 2018 and 2019.

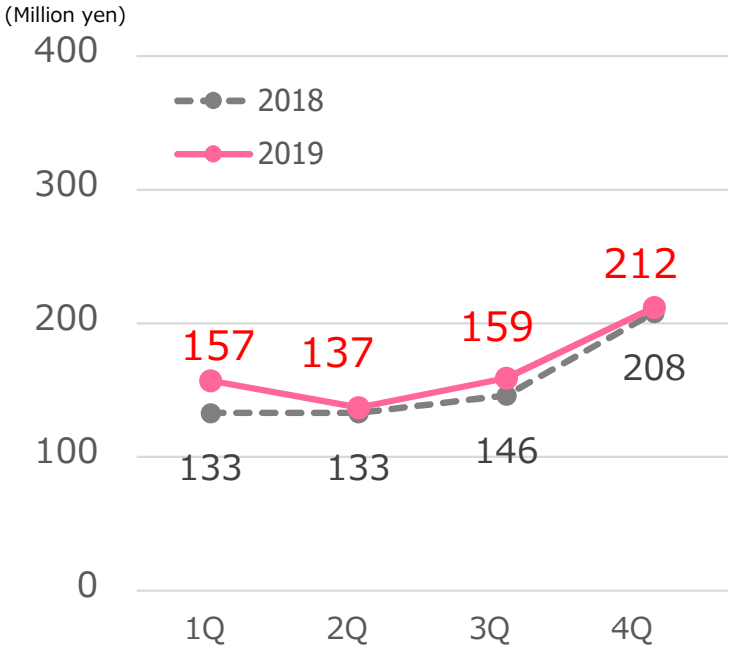
- Continued growth in net sales in housing and real estate; and healthcare, nursing care, and welfare.
- HR services and environment & energy performed well; HR services in particular, grew sharply amid market struggles with workforce shortages.

2. Financial Report for the Year Ended December 2019

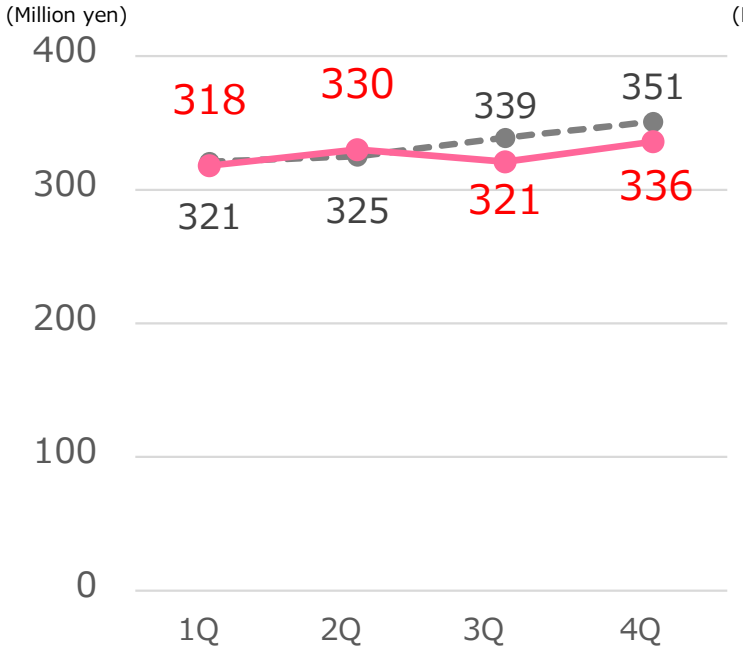
(3) Results of Operations by Segment: Logistics —Quarterly Sales by Service Category

Logistics consulting: Consulting services aimed at helping clients reduce logistics costs
Logistics operations: Logistics services performed on behalf of clients
Logistics trading: Helping to reduce clients' purchasing costs through joint buying

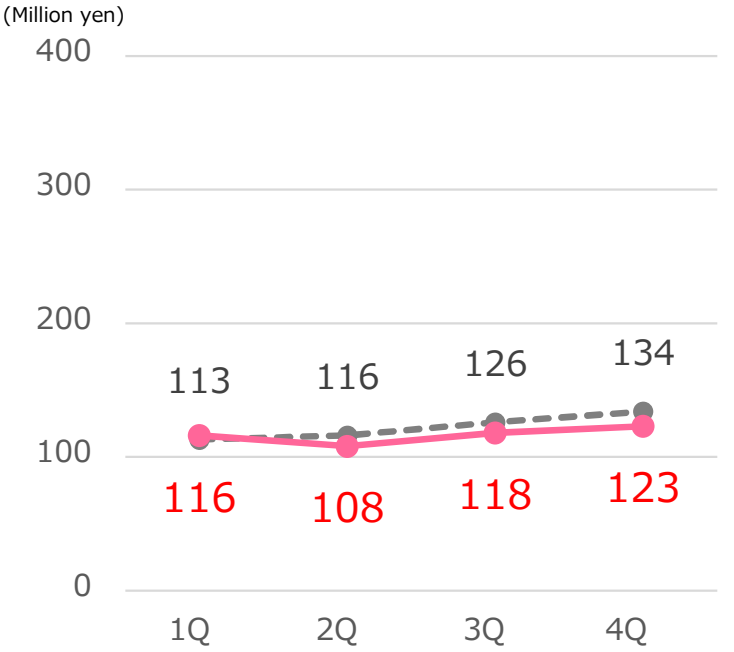
Logistics Consulting



Logistics Operations



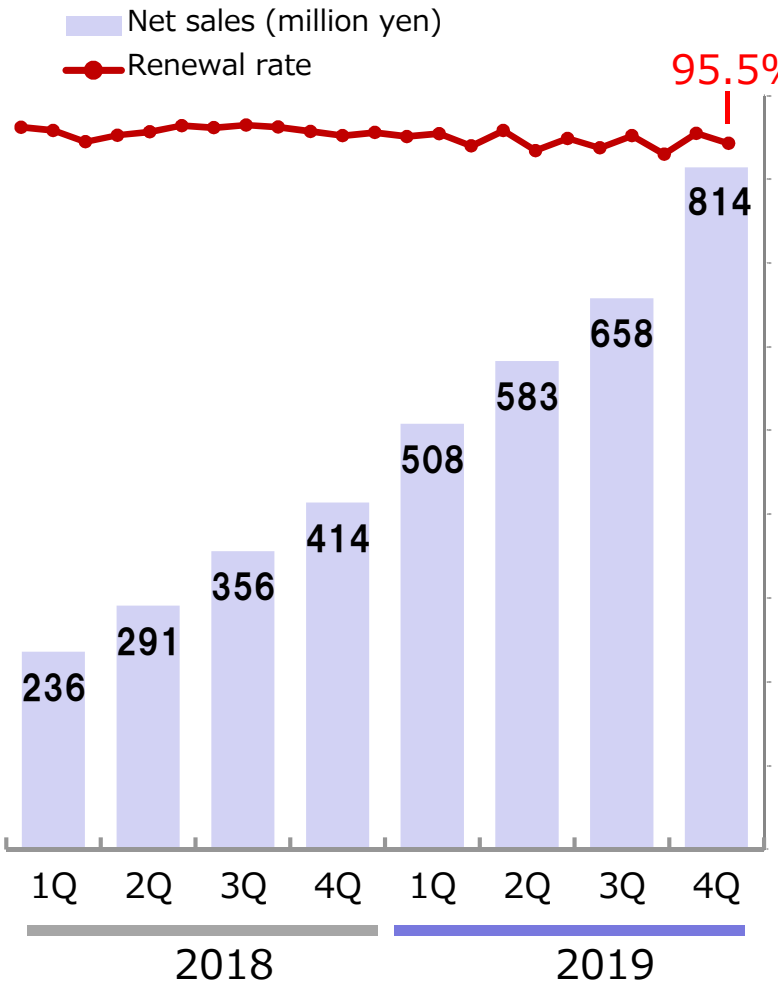
Logistics Trading



- Logistics consulting: Businesses' struggles to attract talent drove solid increase in orders from new clients. Numerous seminars on new topics saw membership soar to record numbers and contributed to increased sales.
- Logistics operations: Deeper-mining of existing clients and new clients expanded courier agency and warehousing sales, but this was offset by a slight drop in sales as a result of attrition of clients whose contracts finished last year.
- Logistics trading: New clients were acquired but the conclusion of a major client's contract resulted in a decrease in sales.

Better future for people, business and society
Funai Soken Holdings

(4) Results of Operations by Segment: Direct Recruiting



Consistently high renewal rate (i.e., customer satisfaction)

Steady client increase leads to increased sales

Because we foresaw growth, priority was given to promotions in order to drive new client acquisitions

Point of difference with competitors



Recruiting Cloud

Japan's first cloud-based AI recruiting service

- Big data analysis of job-search keywords enables AI-led 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

■Leading results (in Japan) on Indeed, the world's foremost job search engine*
・Received "Gold Partner" status, the highest ranked Indeed Japan partnership
(*As per comScore visit numbers, March 2019)

■ Net sales for our direct recruiting business were double the previous year's figures thanks to our successful addition of new clients on the strength of an active market for career changes buoyed by increased job postings by Japanese companies.

■ We will continue to seek expanded sales, and will strive for better profitability by harnessing Recruiting Cloud to achieve an optimal media mix.

(5) Consolidated Financial Position—Balance Sheet

(Million yen)

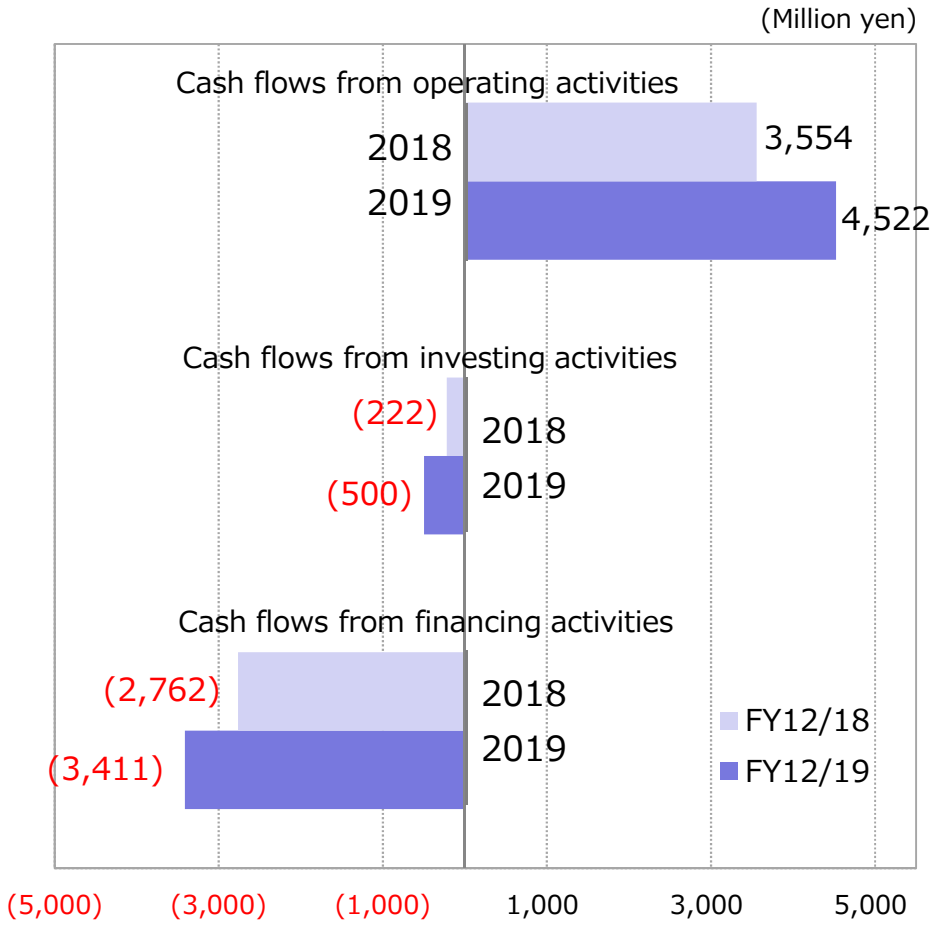
		As of Dec. 31, 2018	As of Dec. 31, 2019	Change	Major factors behind changes
Current assets		14,590	16,694	+2,104	Mainly increases in cash and deposits, short-term investment securities
Noncurrent assets	Property, plant, and equipment	6,024	6,109	+85	Decrease in noncurrent assets: Mainly decrease in investment securities
	Intangible assets	794	773	-20	
	Investments and other assets	5,323	4,840	-483	
Total assets		**26,732**	**28,419**	**+1,686**	
Current liabilities		3,675	4,931	+1,256	Increase in current liabilities: Mainly increases in current portion of bonds and other accounts payable
Noncurrent liabilities		686	322	-364	
Total liabilities		**4,361**	**5,254**	**+892**	
Total net assets		**22,370**	**23,165**	**+794**	Financial position remains sound with a high equity ratio of 79.4%.
Total liabilities and net assets		**26,732**	**28,419**	**+1,686**	

2. Financial Report for the Year Ended December 2019

(5) Consolidated Financial Position—Cash Flow Statement

(Million yen)

	FY12/18	FY12/19	Change
Net cash provided by (used in) operations			
Net income before income taxes and other adjustments	5,317	5,748	431
Depreciation	243	278	35
Commission for purchase of treasury shares	-	23	23
Decrease in accounts receivable	(437)	(476)	(39)
Decrease (increase) in other assets	(486)	(634)	(148)
Increase (decrease) in other liabilities	281	728	446
Other cash provided by (used in) operations	(15)	312	327
Subtotal	4,903	5,980	1,077
Interest and dividends received	42	47	4
Income taxes paid	(1,682)	(1,801)	(119)
Income tax refunds	333	343	9
Others	(42)	(47)	(4)
Net cash provided by (used in) operations	3,554	4,522	967
Net cash provided by (used in) investments			
Income from time deposits	100	–	(100)
Purchase of short-term and long term investment securities	(1,408)	(516)	891
Proceeds from sales of short-term and long term investment securities	1,410	420	(989)
Purchase of property, plant and equipment and intangible assets	(224)	(413)	(189)
Other cash provided by (used in) investments	(99)	9	109
Net cash provided by (used in) investments	(222)	(500)	(277)
Net cash provided by (used in) financing			
Proceeds from sale of treasury shares	45	0	(45)
Purchase of treasury stock	(1,020)	(1,535)	(514)
Cash dividends paid	(1,771)	(1,862)	(91)
Other cash provided by (used in) financing	(15)	(13)	1
Net cash provided by (used in) financing	(2,762)	(3,411)	(649)
Change in cash and cash equivalents	566	607	41
Cash and cash equivalents at start of fiscal year	10,455	11,022	566
Cash and cash equivalents at end of fiscal year	11,022	11,630	607



- Net cash from operations was 4,522 million yen, an increase of 967 million yen over the same period in the previous year, which was mainly due to a rise in net income before income taxes and other adjustments.
- The net use of cash in investing activities was mainly due to the acquisition of property, plant, and equipment, as well as intangible assets.
- The net use of cash in financing activities was mainly due to dividend payments and acquisition of shares.

Forecasts & Shareholder Returns

3. Forecasts & Shareholder Returns

(1) Forecasts

	Mid-year forecast for FY2020			Full-year forecast for FY2020		
	2019 (actual) (million yen)	2020 forecast (million yen)	Change (%)	2019 (actual) (million yen)	2020 forecast (million yen)	Change (%)
Net sales	12,087	14,000	+15.8	25,752	29,000	+12.6
Operating income	2,874	3,150	+9.6	5,705	6,300	+10.4
Ordinary income	2,914	3,150	+8.1	5,755	6,300	+9.5
Net income	1,918	2,100	+9.5	3,868	4,200	+8.6

Sales Forecasts by Segment

Consulting	21,800 mil. yen
Logistics	2,800 mil. yen
Direct recruiting	3,200 mil. yen
Other businesses	1,200 mil. yen

Operating Income Forecasts by Segment

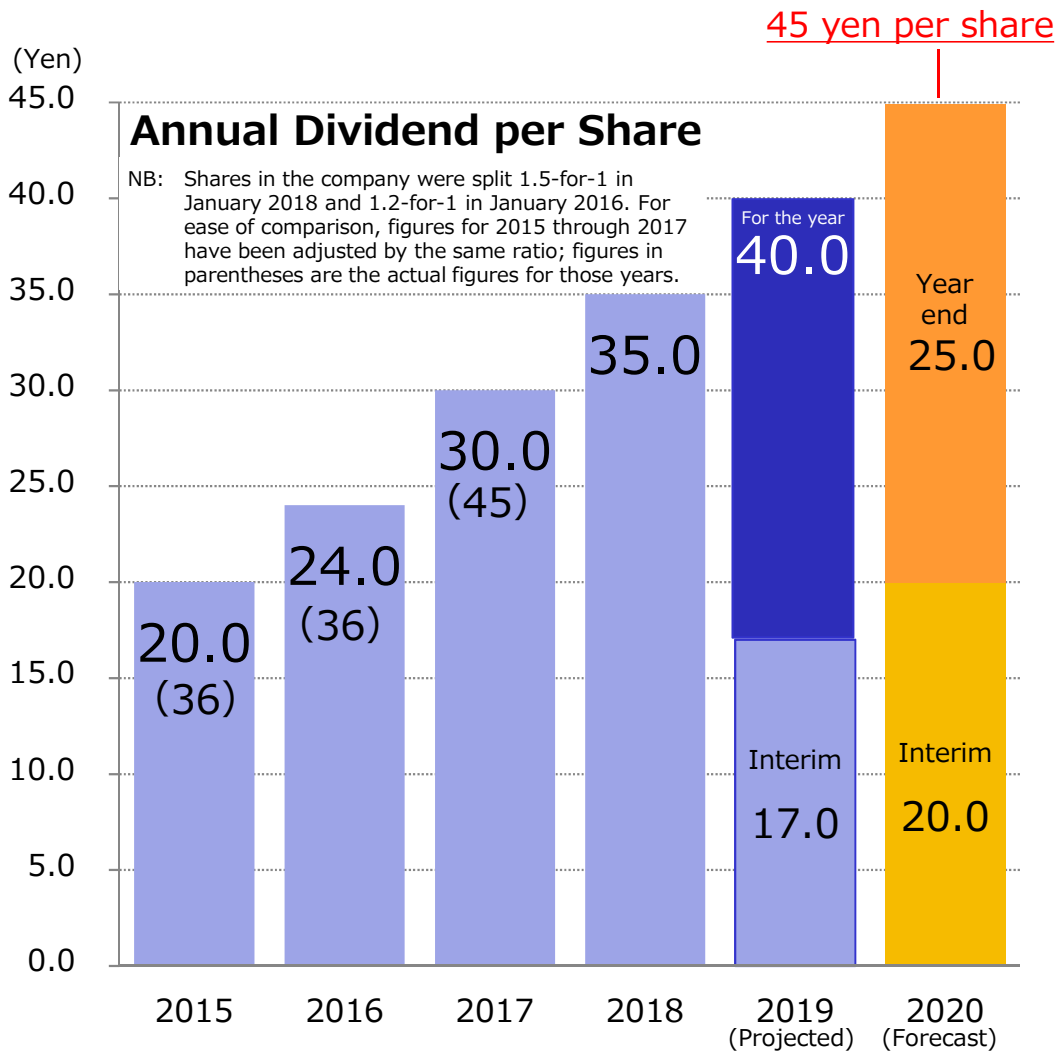
Consulting	5,910 mil. yen
Logistics	350 mil. yen
Direct recruiting	0 mil. yen
Other businesses	40 mil. yen

3. Forecasts & Shareholder Returns

(2) 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.

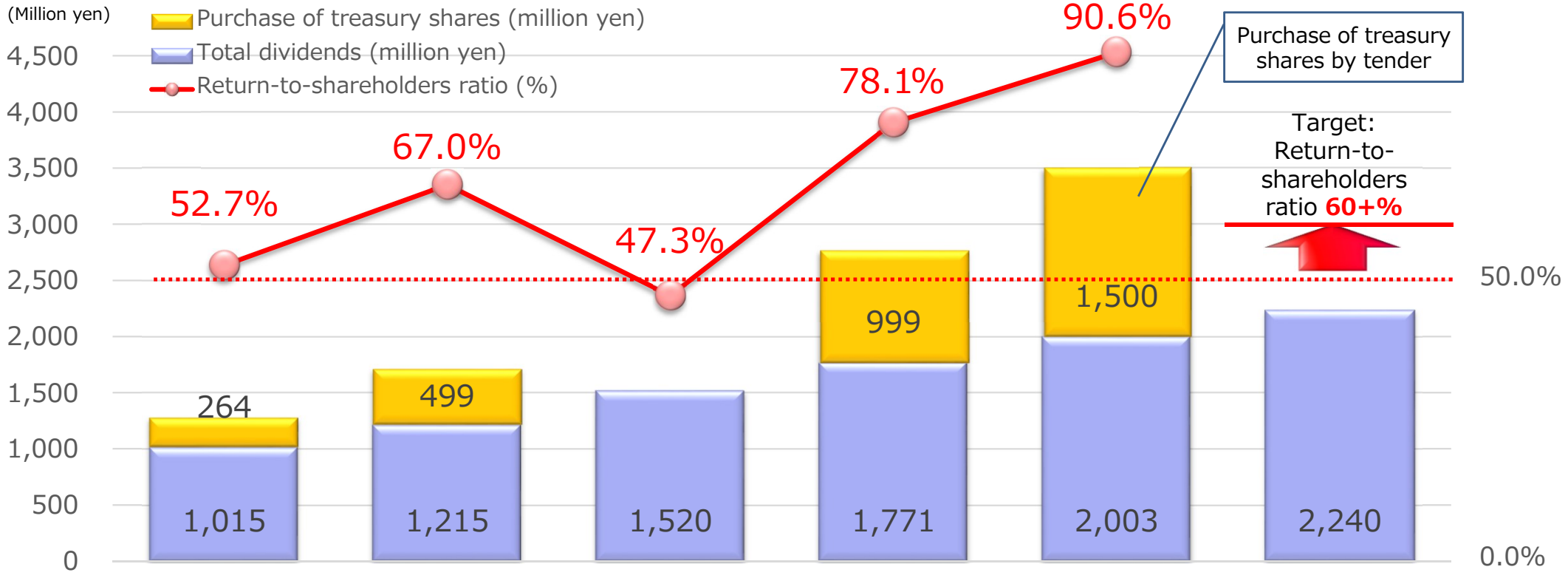
	Initial forecast		Actual	
Record date	Dividend (per share)	Details	Dividend (per share)	Details
FY2015	34.0	2Q-end 15.0 Year end 19.0	36.0	2Q-end 15.0 Year end 21.0
FY2016 1.2-for-1 share split	36.0	2Q-end 15.0 Year end 21.0	36.0	2Q-end 15.0 Year end 21.0
FY2017	39.0	2Q-end 15.0 Year end 24.0	45.0	2Q-end 15.0 Year end 30.0
FY12/18 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 (incl. special dividend: 2.0)
FY12/19	40.0	2Q-end 17.0 Year end 23.0	40.0	2Q-end 17.0 Year end 23.0 (incl. bonus dividend: 3.0)
FY2020 (forecast)	45.0	2Q-end 20.0 Year end 25.0		



Better future for people, business and society
Funai Soken Holdings

(3) Capital Policy 1) Shareholder Returns Policy

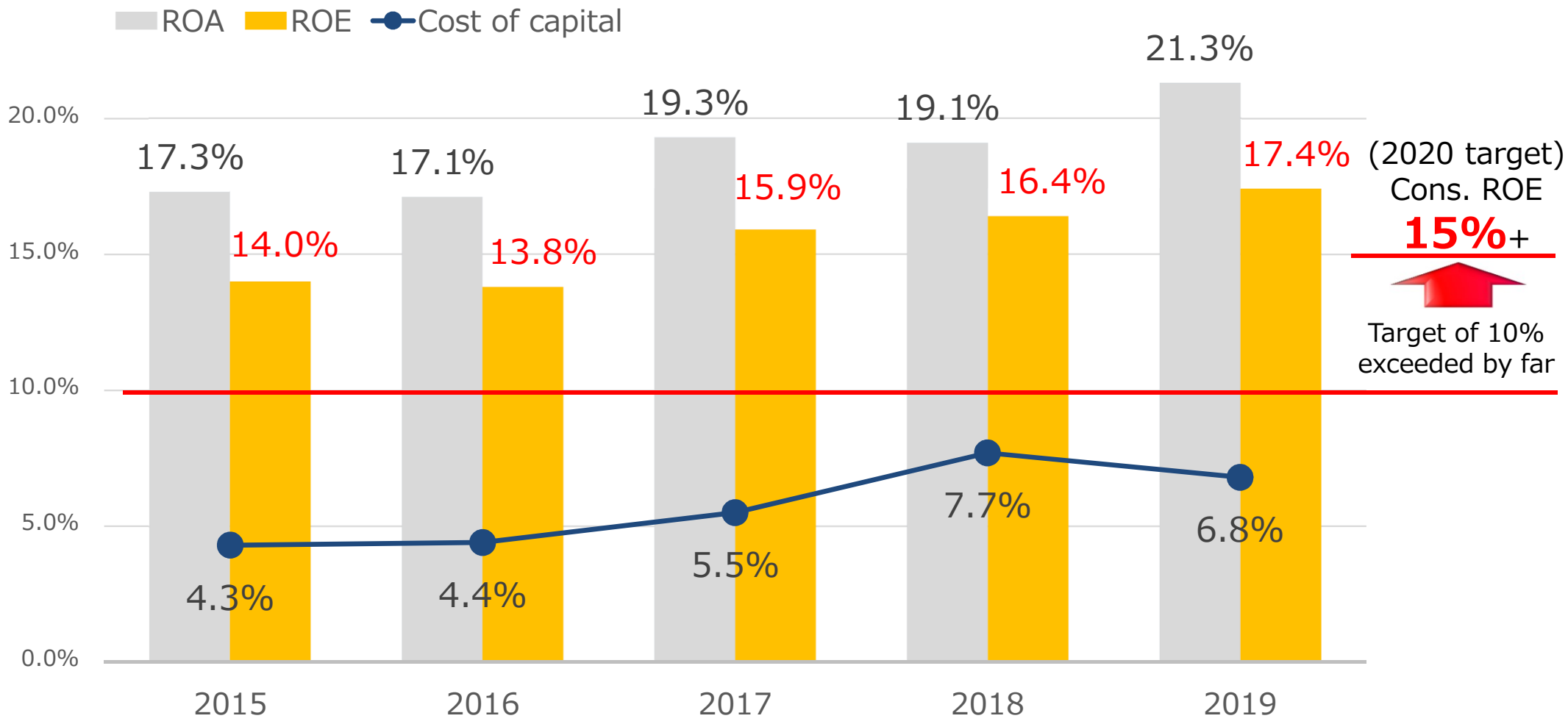
- To increase shareholder value over the mid-to-long term, we will engage in meaningful buy-backs of treasury shares and continue with performance-linked distributions of surpluses.
- Return-to-shareholders ratio target has been raised from 50+% to 60+% in the Mid-Range Business Plan for 2020-2022.



	2015	2016	2017	2018	2019	2020 (Forecast)
Payout ratio	41.8%	47.6%	47.3%	50.0%	52.2%	53.3%
DOE ratio	5.9%	6.6%	7.5%	8.2%	9.0%	

(3) Capital Policy 2) Capital Efficiency Ratio Policy

- Improved capital efficiency achieved through proactive business investments aimed at growing profits (mindful of cost of capital and subject to consensus regarding profitability)
- Consolidated ROE target has been raised from 10+% to 15+% in the Mid-Range Business Plan for 2020-2022.





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

Better future for people, business and society
Funai Soken Holdings

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.

Please direct enquiries regarding IR to:

Funai Soken Holdings, Inc. IR & PR Office
TEL: +81-(0)6-6232-2010
Mail: ir@funaisoken.co.jp URL: https://hd.funaisoken.co.jp