For the Year Ended December 2020

Summary of Financial Results

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

February 5, 2021

Funai Soken Holdings

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Statement Regarding Use of These Materials

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FY2020 Financial Report

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1. FY2020 Financial Report

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(1) Consolidated Income

- **Operating income, ordinary income, and net income all exceeded the forecast issued on October 30, 2020.**
- **Although there was a late uptick in sales driven by a recovery in consulting orders, this was not enough to absorb the drop in revenues and orders caused by the impact of Covid-19 in the April-to-June quarter, and net sales ended 2.8% down from the preceding year.**
- **Operating income was 12.7% down, ordinary income was 11.5% down, and net income was 9.6% down from the preceding year due to a drop in higher-profit-margin consulting sales as a percentage of total sales.**

	FY12/19		FY12/20			Compared with forecast issued on Oct. 30, 2020	
	Amount (million yen)	% of total	Amount (million yen)	% of total	Change (%)	Amount (million yen)	Change (%)
Net sales	25,752	100.0	25,027	100.0	-2.8	25,100	-0.3
Operating income	5,705	22.2	4,982	19.9	-12.7	4,900	+1.7
Ordinary income	5,755	22.3	5,091	20.3	-11.5	5,000	+1.8
Net income attributable to owners of the parent	3,868	15.0	3,498	14.0	-9.6	3,400	+2.9

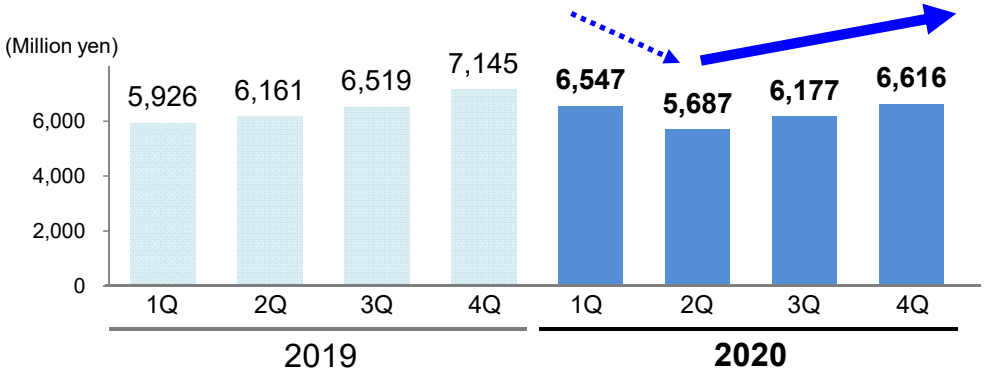
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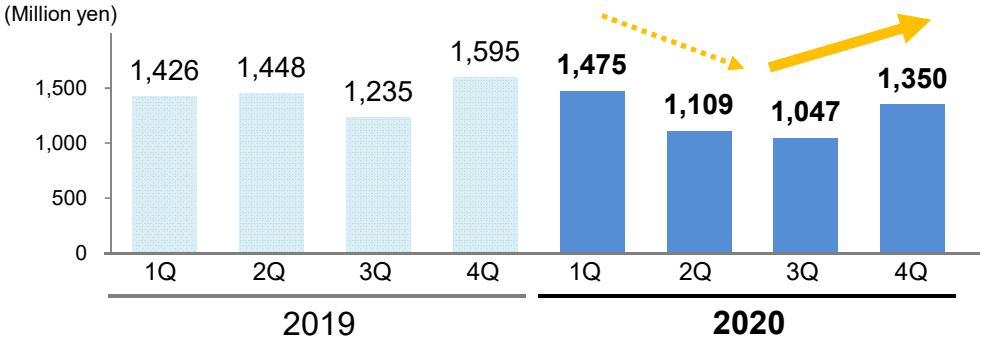
(2) Income by Quarter

・**Despite a drop in the second quarter caused by Covid-19, sales recovered in the third quarter and income in the fourth quarter.**

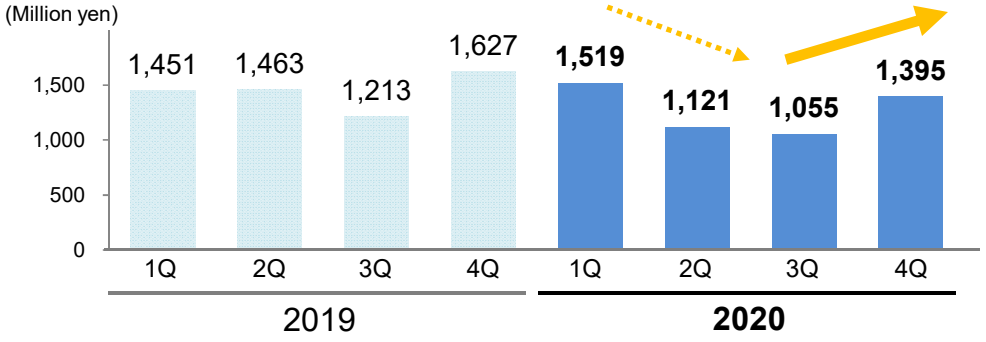
Net sales



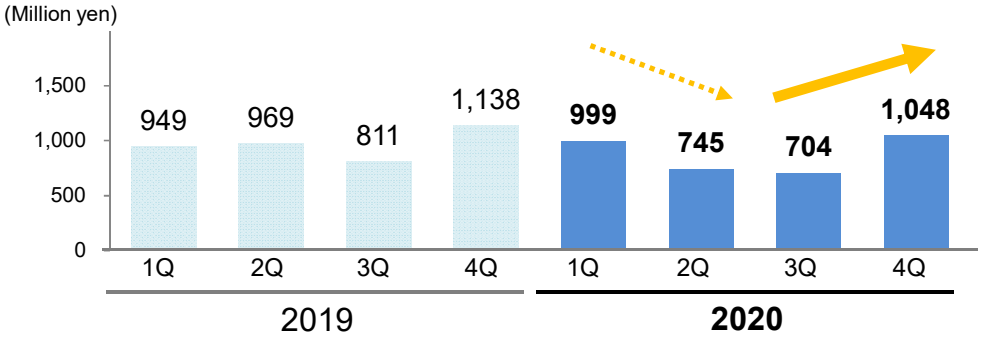
Operating income



Ordinary income



Net income



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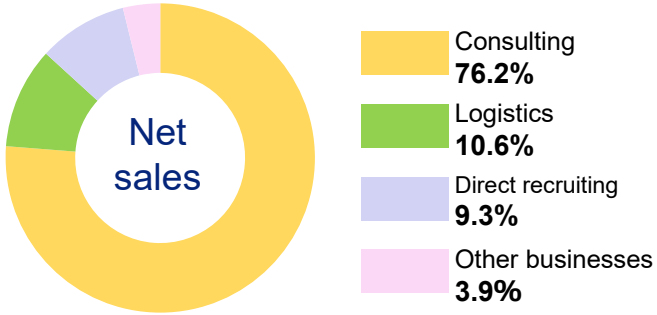
(3) Results of Operations by Segment

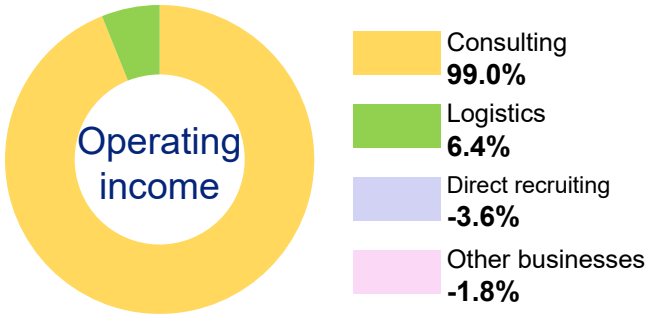
- **Sales and income were down in our core consulting segment despite an increase in sales of online advertisement agency services, as the suspension of in-person seminars and workshops led to a decline in new orders for consulting contracts.**
- **Sales increased in the logistics segment through deep mining of existing clients and growth of spot orders for logistics operations.**
- **Sales were down in the direct recruiting segment due to a decrease in ad placements, and operating income ended on a net loss due to an increase in personnel costs and systems development costs.**

(Units: Million yen; %)

Net sales	FY12/19	FY12/20	
	Amount	Amount	Change
Consulting	19,592	19,058	-2.7
Logistics	2,441	2,638	+8.0
Direct recruiting	2,564	2,331	-9.1
Other businesses	1,130	975	-13.7
(Intra-group & whole-group transactions)	23	23	-
Total	25,752	25,027	-2.8

Operating income	FY12/19	FY12/20	
	Amount	Amount	Change
Consulting	5,395	4,801	-11.0
Logistics	344	311	-9.6
Direct recruiting	-80	-174	—
Other businesses	23	-88	—
(Intra-group & whole-group transactions)	22	131	—
Total	5,705	4,982	-12.7





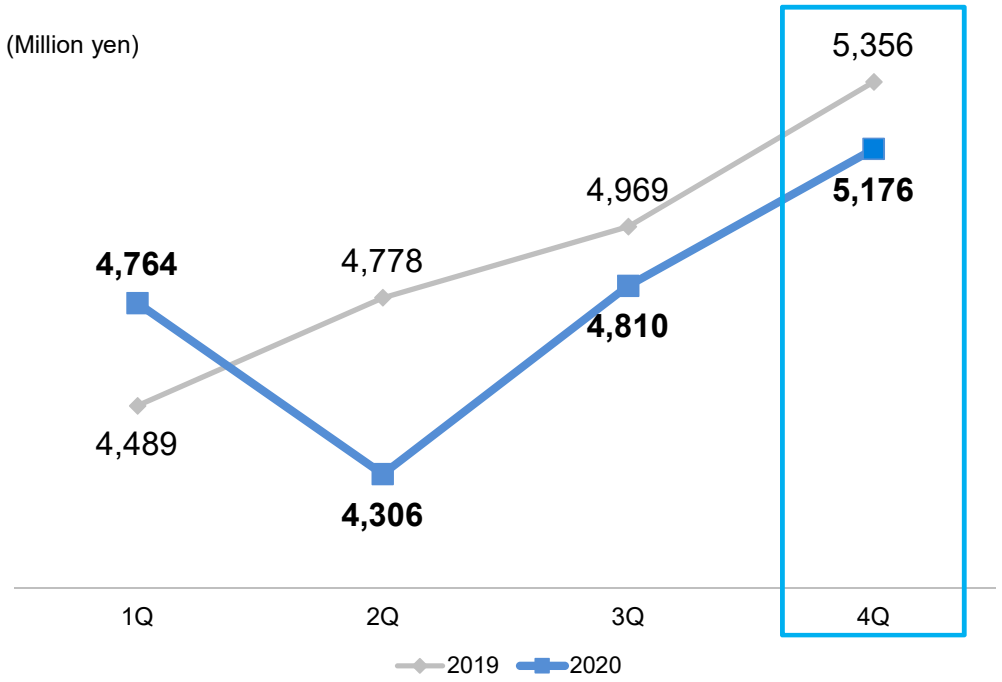
*Percentages exclude intra-group & whole-group transactions

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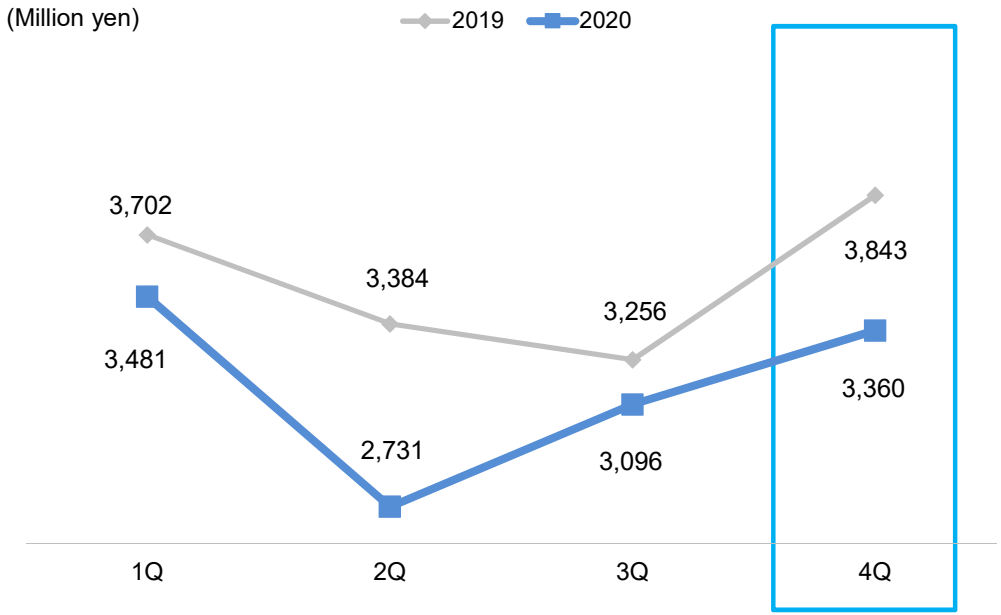
(4) Results of Operations by Segment: Consulting—Sales & Consulting Orders by Quarter

- **The decrease in sales and income caused by Covid-19 bottomed out in the April-to-June quarter. Sales and consulting orders have been in a recovering trend since the third quarter.**

Consulting sales



Consulting orders

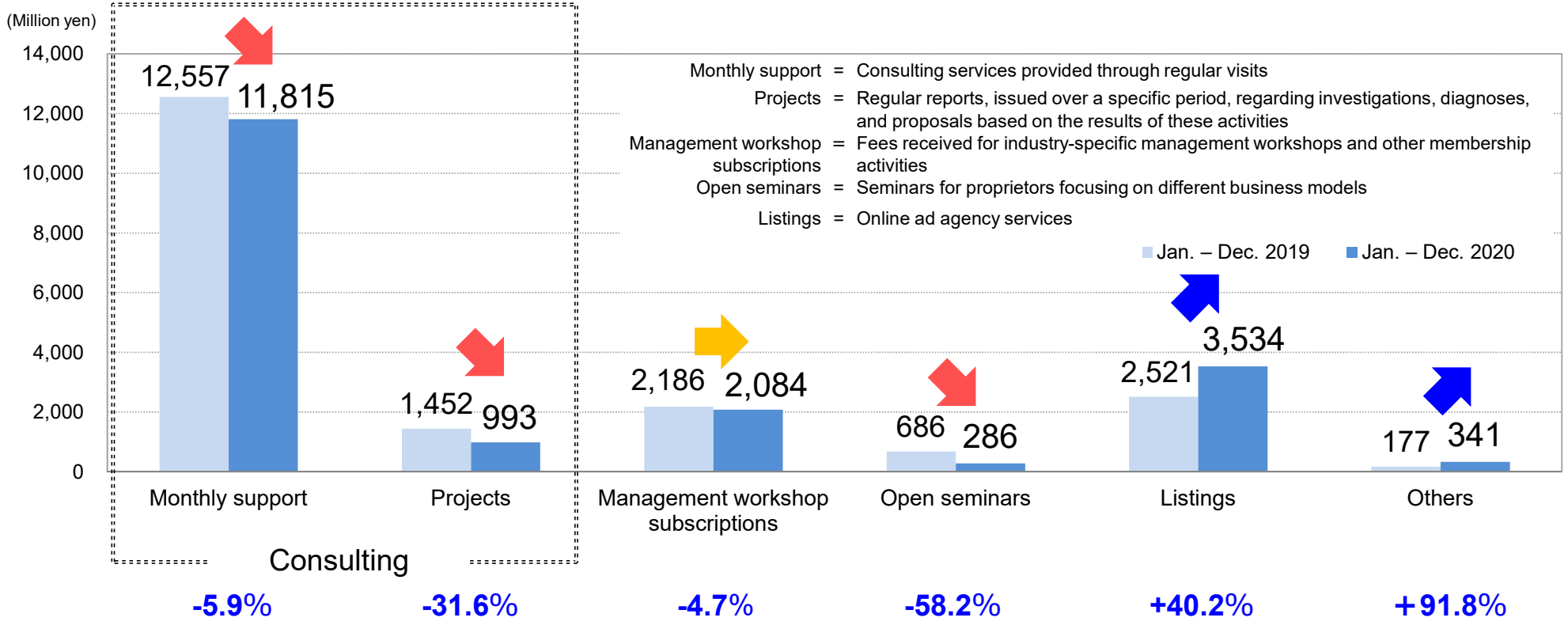


*Total management consulting income from the consulting segment.

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

- The portion of total consulting sales occupied by monthly support decreased 5.9% y-o-y despite the recovery since the third quarter.
- Management workshop subscription income was solid as workshops were moved online due to Covid-19 and membership renewals among existing members remained steady.
- Open seminars were eventually held online, but the impact of the initial suspension saw sales finish 58.2% down y-o-y.
- Web ad listing sales increased 40.2% on the back of a solid increase in accounts from FY2020.

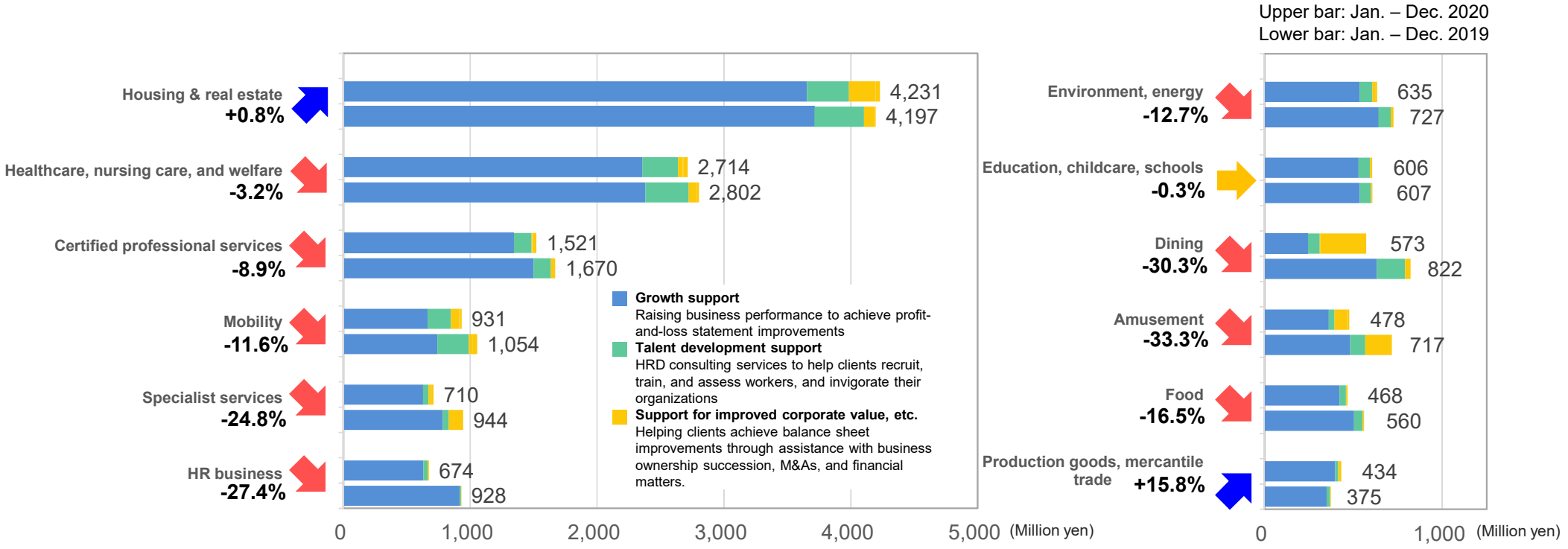


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(4) Results of Operations by Segment: Consulting—Sales by Sector

- The core housing & real estate sector experienced y-o-y growth despite the adverse conditions.
- Sales in the production goods and mercantile trade sector were robust as early development of solutions designed to counter the impact of Covid-19 proved effective.
- The situation remains severe across the board, but there were increases in online marketing and digital-related consulting sales.



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. 2019 and 2020.

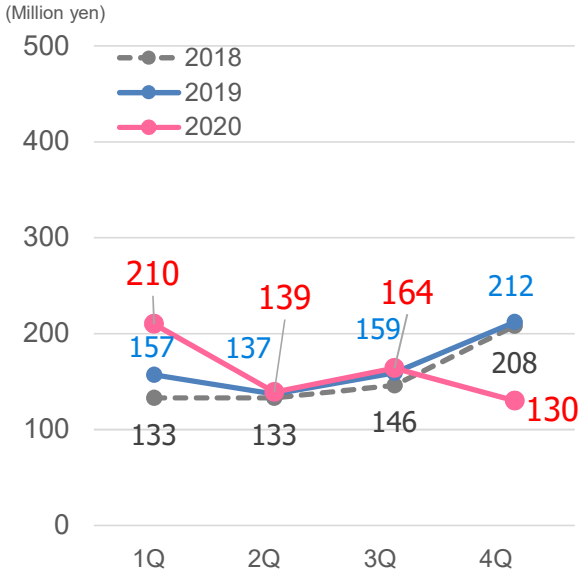
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(5) Performance by Segment: Logistics—Quarterly Sales by Service Category

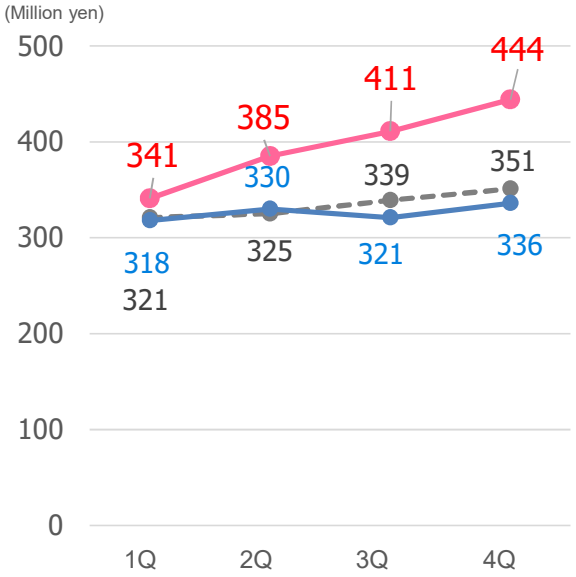
Logistics Consulting
Helping clients reduce logistics costs

Shippers are extremely reticent to invest. Sales were down slightly, but new-client development needs from distribution companies remain high.



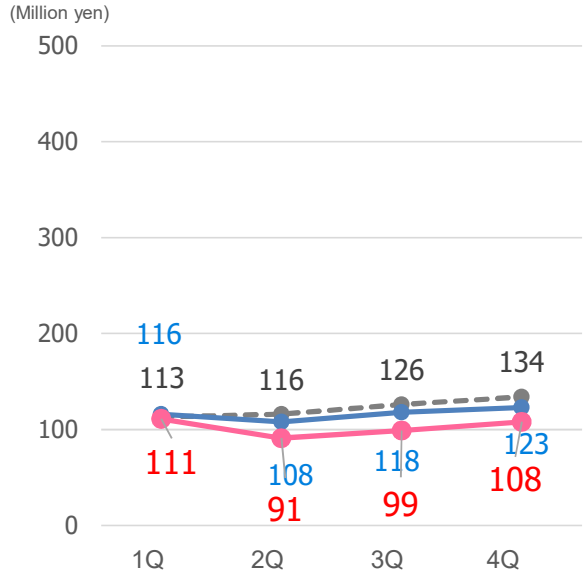
Logistics Operations
Logistics on behalf of clients

Sales increased, buoyed by growth in existing clients, with a particular increase in volume from those catering to stay-home demand.



Logistics Trading
Reducing purchasing costs through joint buying

Restrictions on marketing and other activity had a major effect, with low demand for our core product: joint-purchasing of fuel. Sales declined y-o-y.

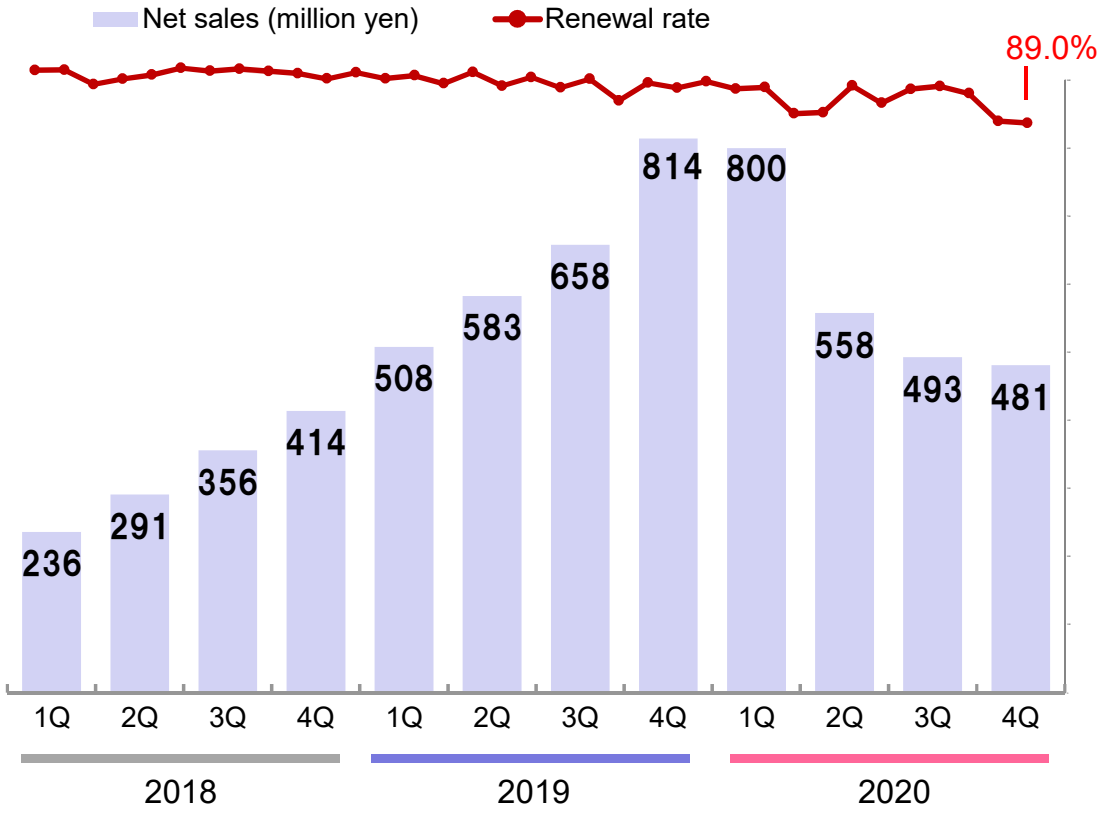


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(6) Results of Operations by Segment: Direct Recruiting

- **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 of our cloud-based AI recruiting service remains strong at 89 percent.**
- **A new staffing business was launched in the third quarter.**



Major Direct Recruiting Services



Recruiting Cloud

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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(7) Consolidated Financial Position—Balance Sheet

(Million yen)

		As of Dec. 31, 2019	As of Dec. 31, 2020	Change	Major factors behind changes
Current assets		16,694	16,304	-390	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	5,987	-122	
	Intangible assets	773	675	-98	Decrease in noncurrent assets: Mainly increase in investment securities and decrease in property, plant, equipment, and intangible assets.
	Investments and other assets	4,840	4,984	+143	
Total assets		**28,419**	**27,951**	**-467**	
Current liabilities		4,931	3,997	-934	Decrease in current liabilities: Mainly decreases in current portion of bonds and income taxes payable.
Noncurrent liabilities		322	265	-56	Decrease in noncurrent liabilities: Mainly decrease in deferred tax liabilities.
Total liabilities		**5,254**	**4,263**	**-990**	
Total net assets		**23,165**	**23,688**	**+523**	Financial position remains sound with a high equity ratio of 82.4%.
Total liabilities & net assets		**28,419**	**27,951**	**-467**	

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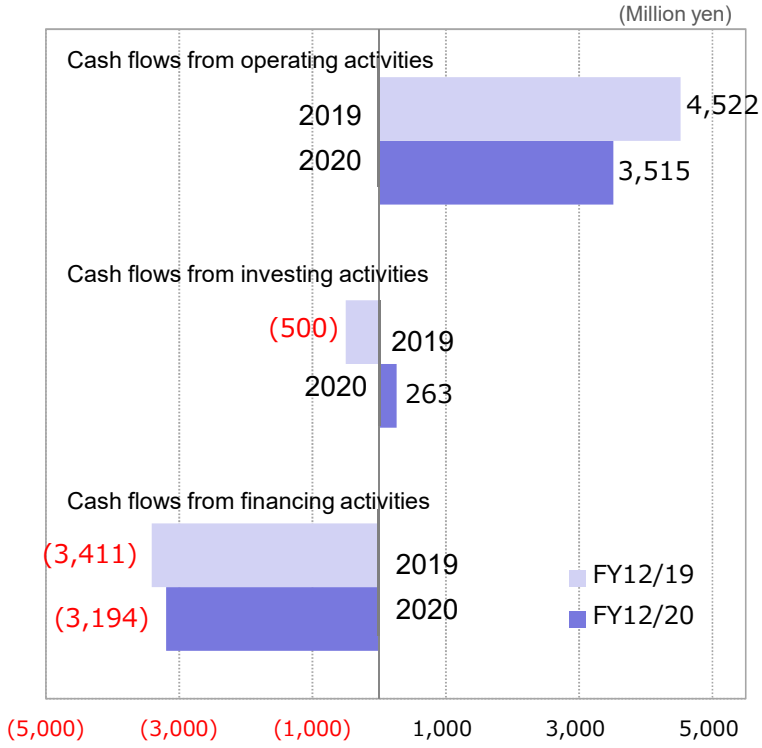
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(7) Consolidated Financial Position—Cash Flow Statement

- **Cash earned from operations was 3,515 million yen. This was mainly due to 5,176 million yen in net income before income taxes and other adjustments, 1,958 million yen in income taxes paid, and 454 million yen in income tax refunds.**
- **The net gain in cash from investing activities was mainly due to a net gain on the acquisition and sale of short-term investment securities and investment securities.**
- **The net use of cash in financing activities was mainly due to dividend payments and acquisition of shares.**

(Million yen)

	FY12/19	FY12/20	Change
Net cash provided by (used in) operations			
Net income before income taxes and other adjustments	5,748	5,176	(572)
Depreciation	278	280	1
Commission for purchase of treasury shares	23	—	(23)
Decrease in accounts receivable	(476)	128	605
Decrease (increase) in other assets	(634)	(270)	363
Increase (decrease) in other liabilities	728	(296)	(1,024)
Other cash provided by (used in) operations	312	(23)	(336)
Subtotal	5,980	4,995	(985)
Interest and dividends received	47	41	(5)
Income taxes paid	(1,801)	(1,958)	(156)
Income tax refunds	343	454	111
Others	(47)	(16)	30
Net cash provided by (used in) operations	4,522	3,515	(1,006)
Net cash provided by (used in) investments			
Purchase of short-term and long term investment securities	(516)	(705)	(188)
Proceeds from sales of short-term and long term investment securities	420	1,192	771
Purchase of property, plant and equipment and intangible assets	(413)	(223)	190
Other cash provided by (used in) investments	9	0	(9)
Net cash provided by (used in) investments	(500)	263	763
Net cash provided by (used in) financing			
Purchase of treasury stock	(1,535)	(749)	785
Dividends paid	(1,862)	(2,135)	(272)
Redemption of bonds	—	(500)	(500)
Other cash provided by (used in) financing	(13)	190	204
Net cash provided by (used in) financing	(3,411)	(3,194)	216
Change in cash and cash equivalents	607	585	(22)
Cash and cash equivalents at start of fiscal year	11,022	11,630	607
Cash and cash equivalents at end of fiscal year	11,630	12,216	585



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(8) Change of Representative Directors

- **The following changes in representative directors are scheduled.**

Representative directors (scheduled to take effect on March 27, 2021)

Chairman and Group CEO

Sakae Takashima (currently President & Group CEO)

President and CEO

Takayuki Nakatani (currently Director and Executive Vice President)

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Forecasts & Shareholder Returns

2. Forecasts & Shareholder Returns

(1) FY2021 Earnings Forecast

- **Forecast for FY2021: 28 billion yen in net sales and 5.7 billion yen in operating income.**

	Mid-year forecast for FY2021			Full-year forecast for FY2021		
	2020 (actual) (million yen)	2021 forecast (million yen)	Change (%)	2020 (actual) (million yen)	2021 forecast (million yen)	Change (%)
Net sales	12,234	13,500	+10.3	25,027	28,000	+11.9
Operating income	2,584	2,800	+8.4	4,982	5,700	+14.4
Ordinary income	2,640	2,800	+6.0	5,091	5,750	+12.9
Net income	1,745	2,000	+14.6	3,498	4,000	+14.3

Sales Forecasts by Segment

Consulting	21,500 mil. yen
Logistics	2,900 mil. yen
Direct recruiting	2,600 mil. yen
Other businesses	1,000 mil. yen

Operating Income Forecasts by Segment

Management consulting	5,300 mil. yen
Logistics	320 mil. yen
Direct recruiting	0 mil. yen
Other businesses	80 mil. yen

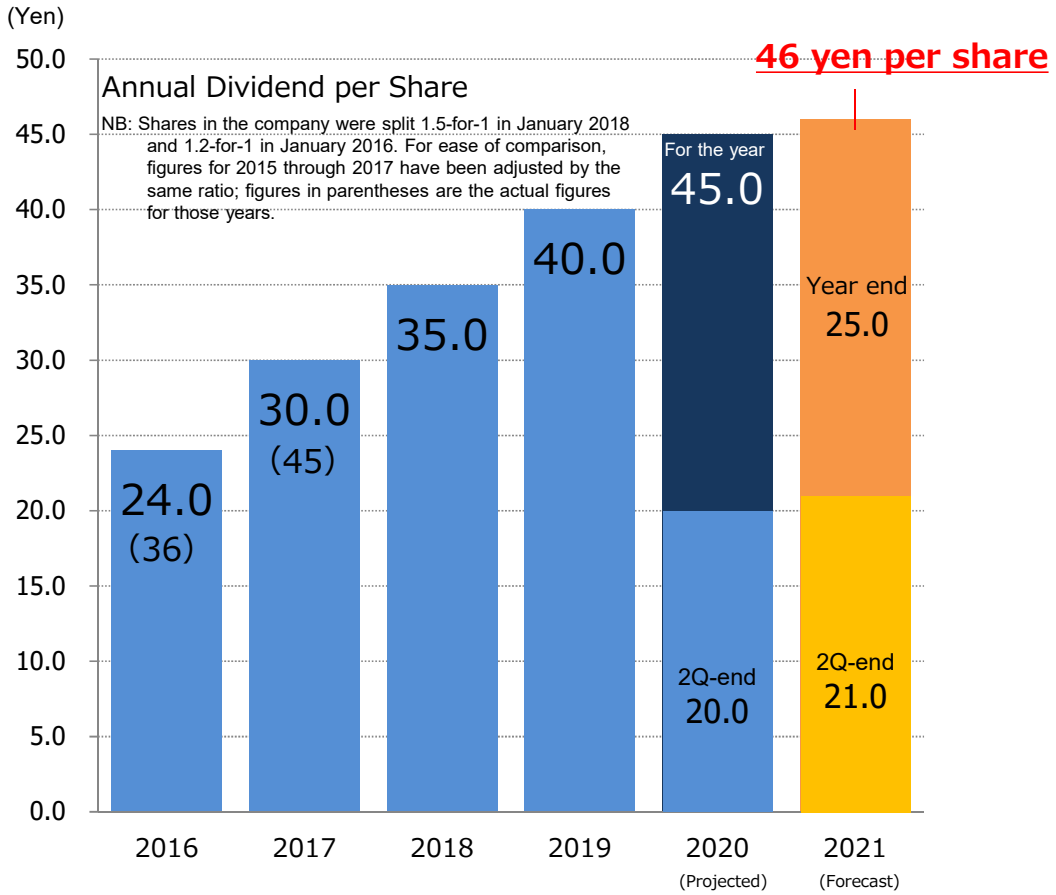
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(2) Dividends

- **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) Progress in Treasury Share Acquisition

- **On October 30, 2020, the Funai Soken Holdings Board of Directors voted to acquire treasury stock as follows in accordance with Article 156 of the Companies Act as read in accordance with Article 165 Paragraph 3. The table below shows our progress in acquiring treasury stock as of December 31, 2020, and January 19, 2021, and notes that the buy-back has now finished.**

	October 30, 2020, board resolution	**Progress as of December 31, 2020**	**Progress as of January 19, 2021 (end of buy-back)**
Class of shares subject to buy-back	Common shares	Common shares	Common shares
Total number of shares able to be bought back	Maximum 420,000 NB: 0.8% of total outstanding shares (excl. treasury shares)	290,000 (69.0% of target)	396,900 (94.5% of target)
Price of buy-back	Maximum 1,000 million yen	739,829,100 yen (73.9% of budget)	999,865,000 yen (Progress: 99.9% of budget)
Buy-back period	Nov. 2, 2020 – Mar. 31, 2021	Nov. 2, 2020 – Dec. 31, 2020	Nov. 2, 2020 – Jan. 19, 2021

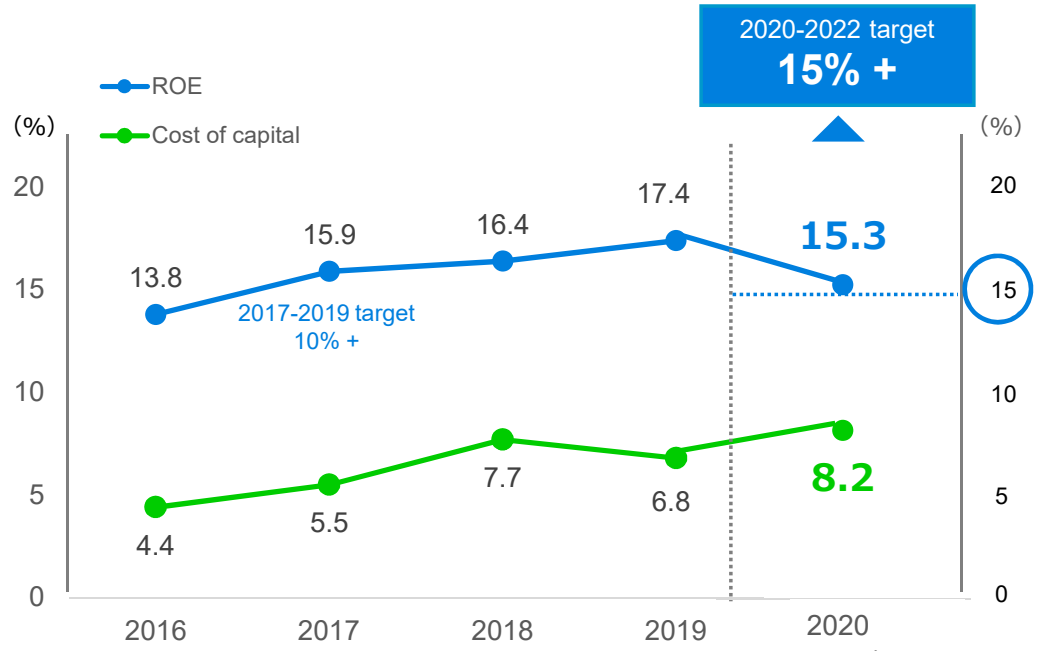
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2. Forecasts & Shareholder Returns

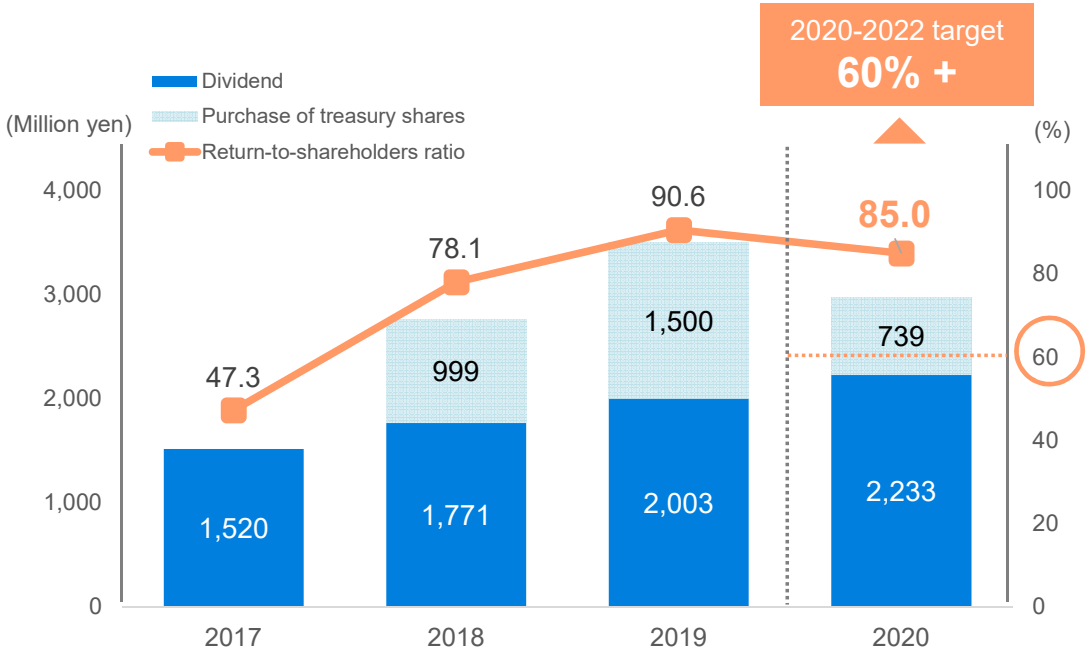
(4) Capital Policy

- **Amid the severe impact of Covid-19 on 2020, we undertook a share buy-back. By acquiring treasury shares, we aimed to improve capital efficiency to at least 15% and raise the return-to-shareholders ratio to at least 60%. Ultimately, we achieved those goals, with a consolidated ROE of 15.3% and a return-to-shareholders ratio of 85.0%.**

■ Consolidated ROE and Cost of Capital



■ Total Dividend and Return-to-Shareholders Ratio



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Our Mission

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

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

Our Vision for the Future

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

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

Statement Regarding Use of These Materials

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

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

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

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

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