

2nd Quarter of Fiscal Year Ending December 2024
Summary of Financial Results

Funai Soken Holdings Incorporated
(TSE Prime, stock code 9757)

August 8, 2024



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Executive Summary

1. Executive Summary

(1) Consolidated Income

New records were set for sales and income.

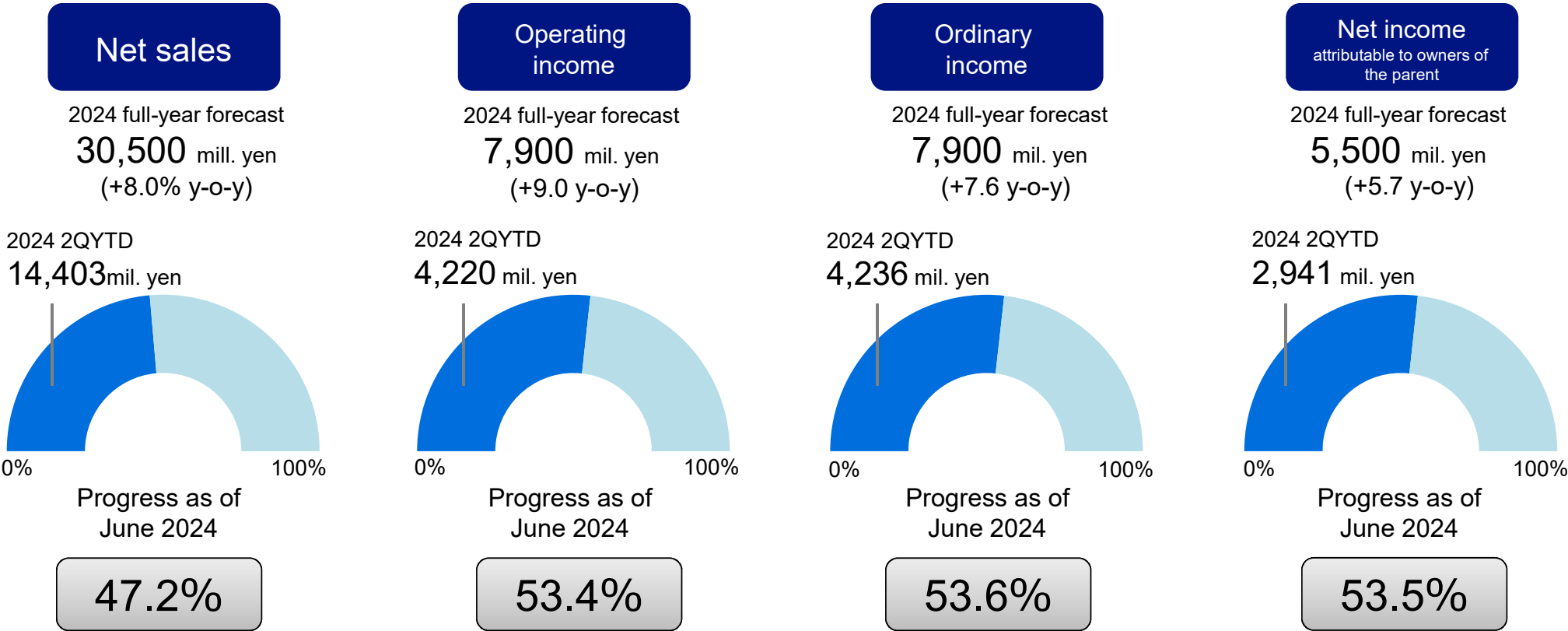
Sales were solid, with sales of monthly support services up in the consulting segment.

Operating income was up sharply, buoyed by the increased revenues generated by the relocation of our Tokyo Headquarters and reduced SG&A expenses.

	FY2023 2Q YTD		FY2024 2Q YTD			Comparison with financial result forecast (Issued February 8, 2024)	
	Amount (million yen)	% of total	Amount (million yen)	% of total	Change (%)	Amount (million yen)	Difference (%)
Net sales	13,392	100.0	14,403	100.0	+7.5	14,500	-0.7
Operating income	3,371	25.2	4,220	29.3	+25.2	4,000	+5.5
Ordinary income	3,428	25.6	4,236	29.4	+23.6	4,000	+5.9
Net income attributable to owners of the parent	2,271	17.0	2,941	20.4	+29.5	2,700	+8.9

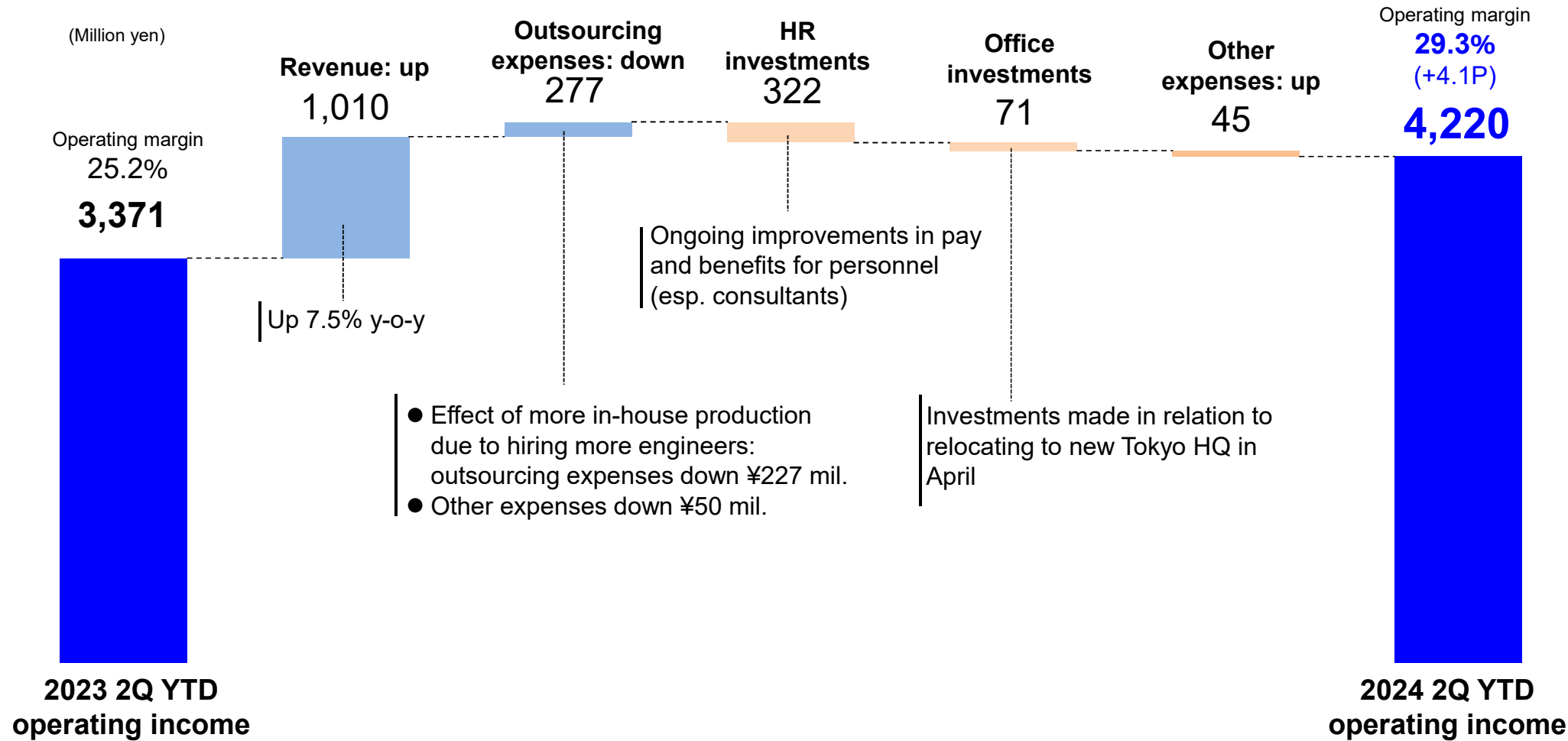
1. Executive Summary

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



1. Executive Summary

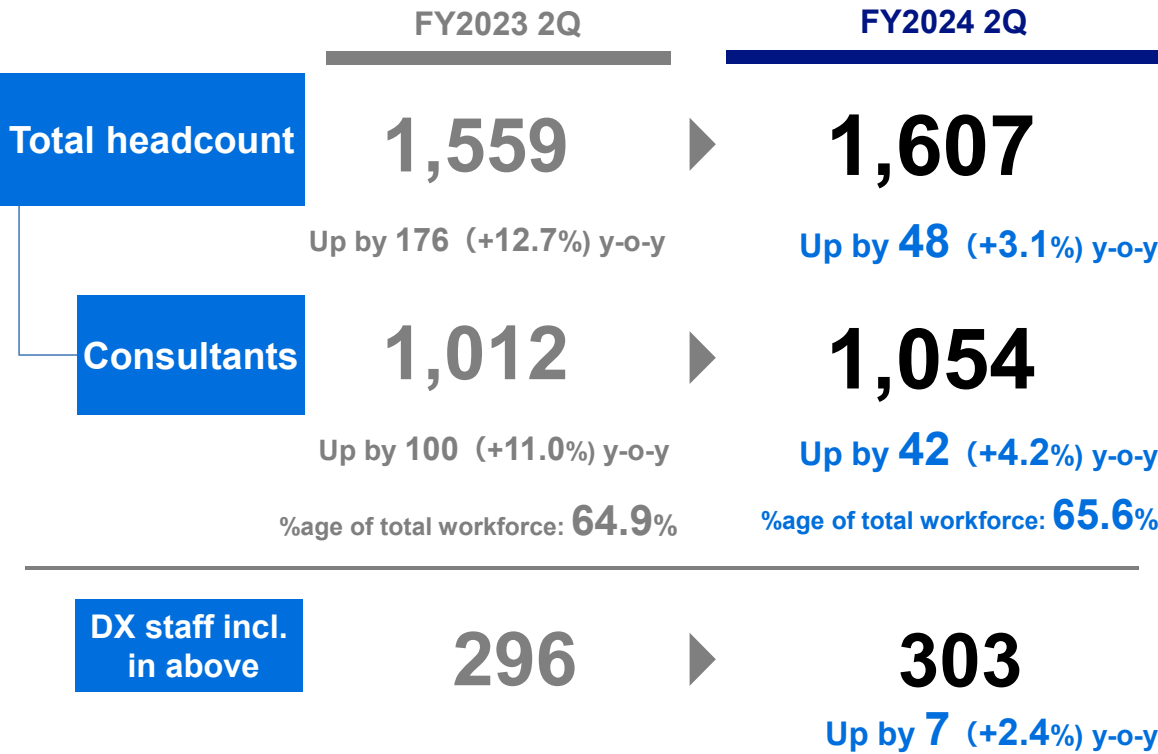
(3) Analysis of Changes from Same Period Last Year: Operating Income



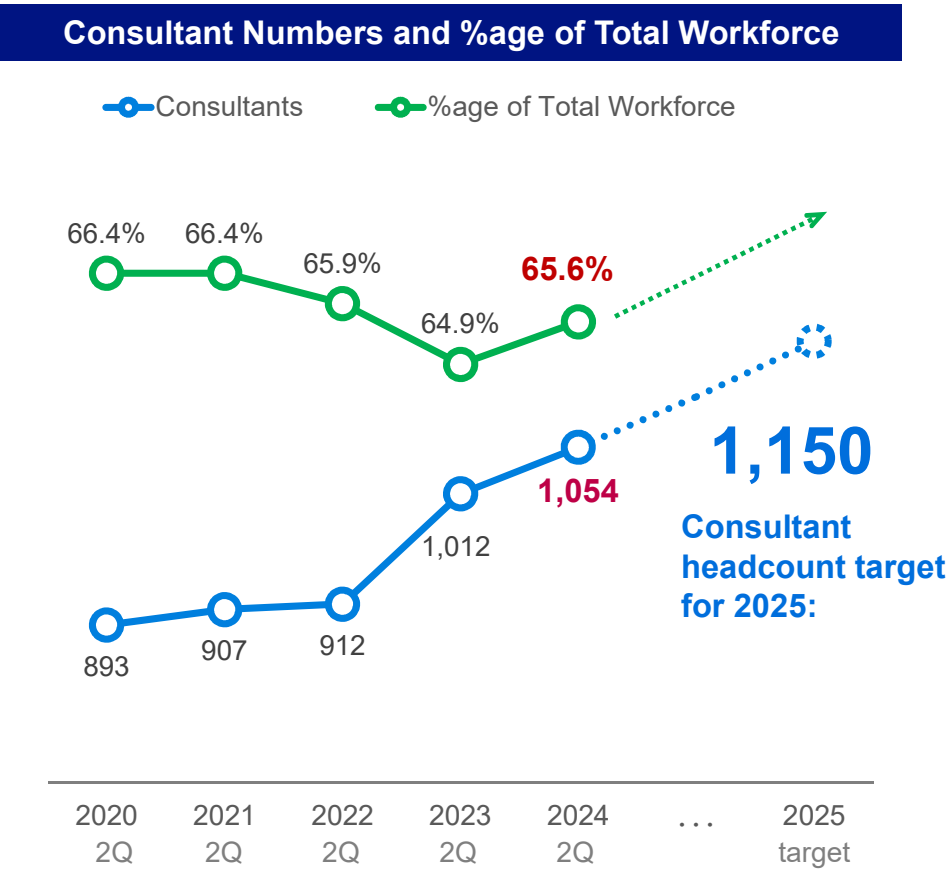
1. Executive Summary

(4) KPIs: Staffing Levels (by Category)

Consultant numbers (one of our core KPIs) continue to grow. Our target is 1,150 consultants by 2025. We aim to further improve profitability by making more of our consultants more productive.



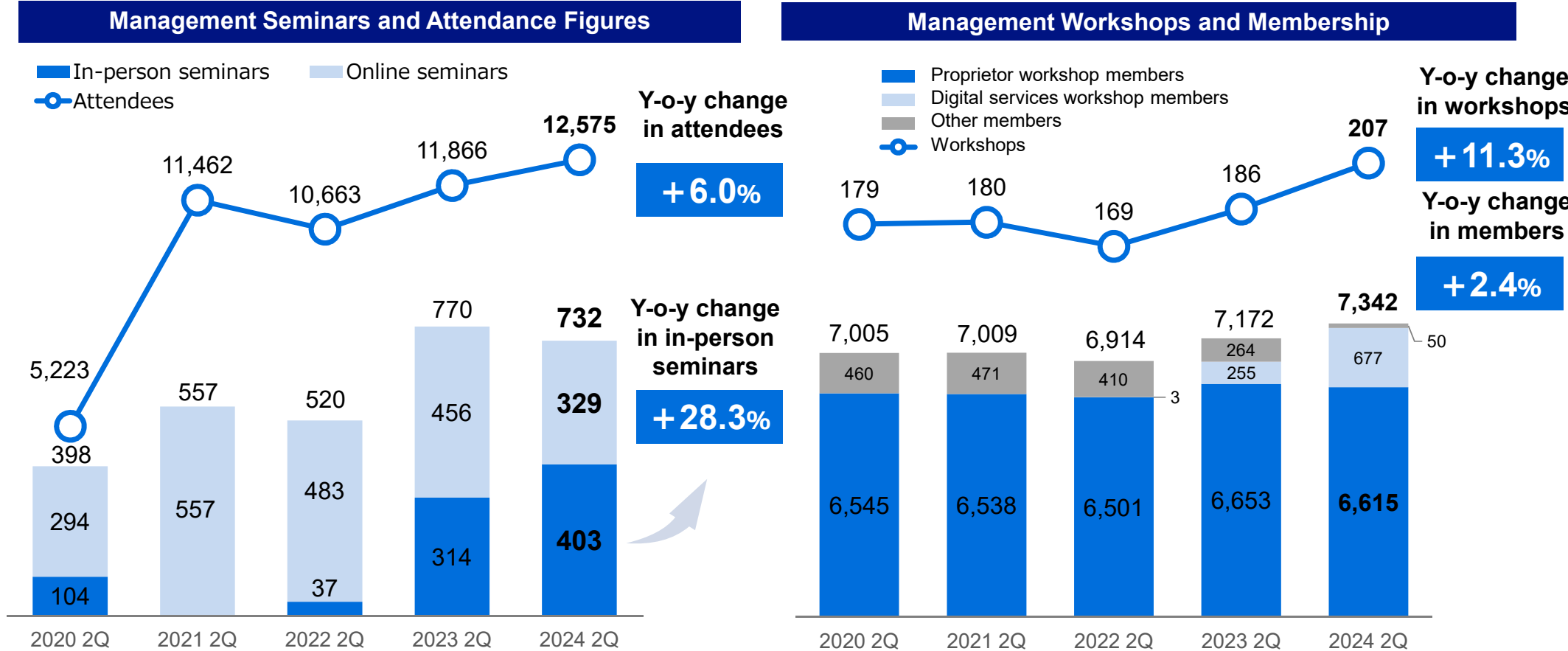
*DX staff are counted in accordance with Funai Soken Holdings definition of "digital transformation staff."



1. Executive Summary

(4) KPIs: Seminars & Workshops

Relocating Tokyo Headquarters has enabled us to boost in-person seminars, resulting in increased attendance. The number of management workshops held and attendance were both up.



© 2024 Funai Soken Holdings Inc. *Seminar figures denote paid seminars held by Funai Consulting Inc.

Financial Results as of FY2024 2Q

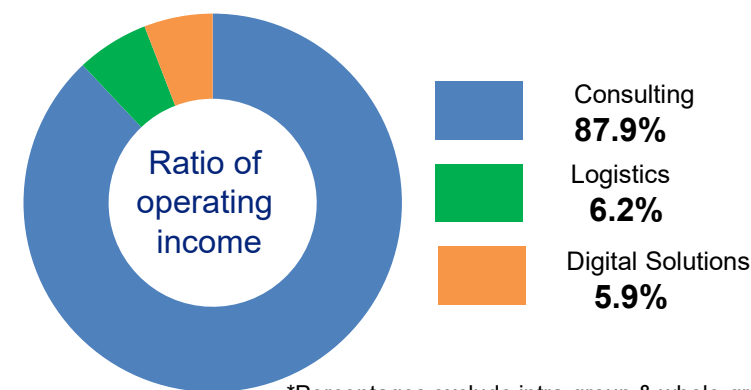
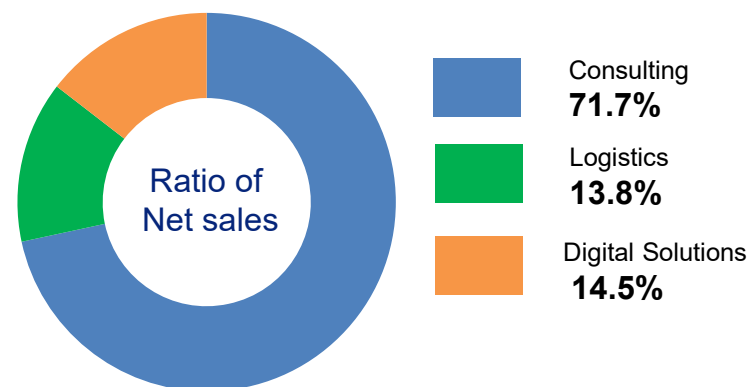
2. Financial Results as of FY2024 2Q

(1) Results of Operations by Segment

The consulting business saw growth across the board in monthly support, projects, management workshops, and management seminars. Profitability was up in the logistics business, and income increased sharply as all segments (incl. digital solutions) ended in a net profit.

Net sales	2023 2Q YTD	2024 2Q YTD	
	Amount (million yen)	Amount (million yen)	Change (%)
Consulting	9,452	10,319	+ 9.2
Logistics	1,907	1,988	+ 4.2
Digital Solutions	2,024	2,094	+ 3.5
(Intra-group & whole-group transactions)	8	0	—
Total	13,392	14,403	+ 7.5

Operating income	2023 2Q YTD	2024 2Q YTD	
	Amount (million yen)	Amount (million yen)	Change (%)
Consulting	3,238	3,566	+ 10.1
Logistics	173	250	+ 44.1
Digital Solutions	-126	238	—
(Intra-group & whole-group transactions)	86	165	—
Total	3,371	4,220	+ 25.2

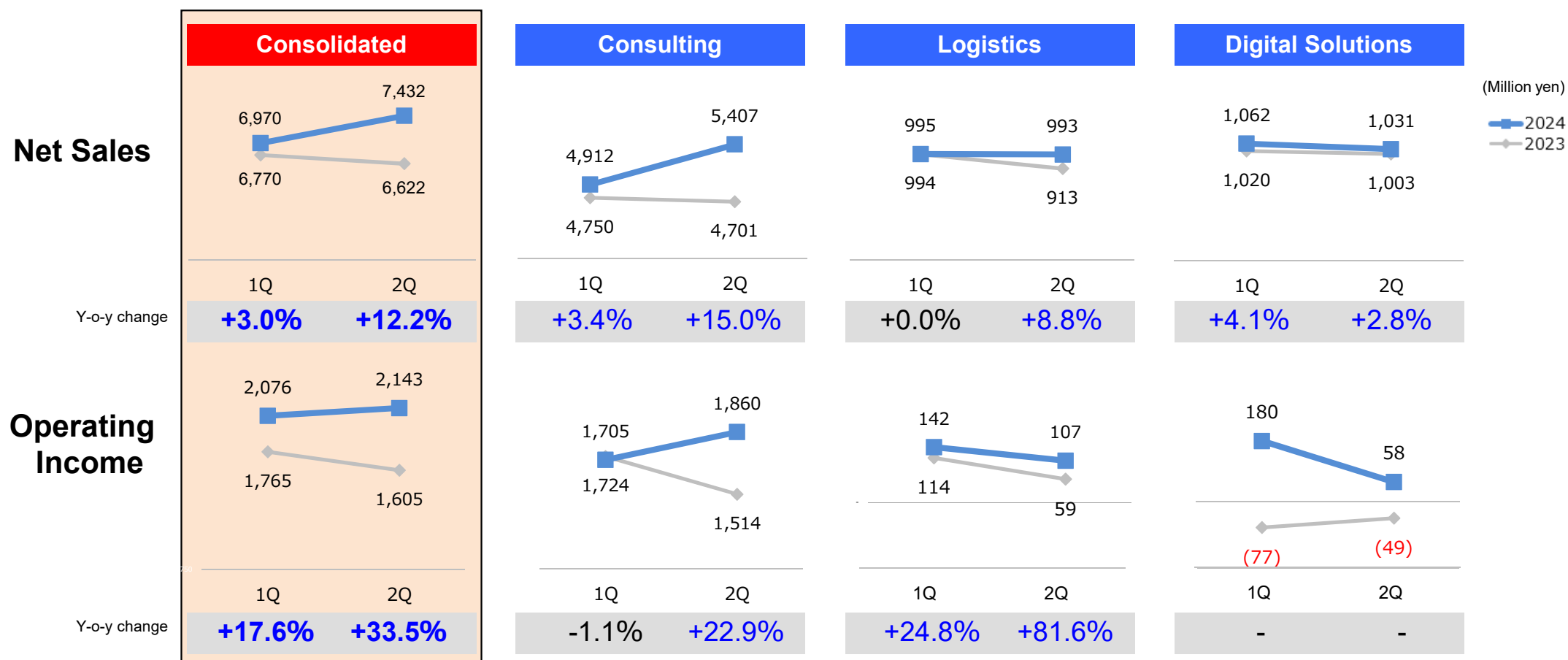


*Percentages exclude intra-group & whole-group transactions

2. Financial Results as of FY2024 2Q

(1) 2Q Results of Operations by Segment

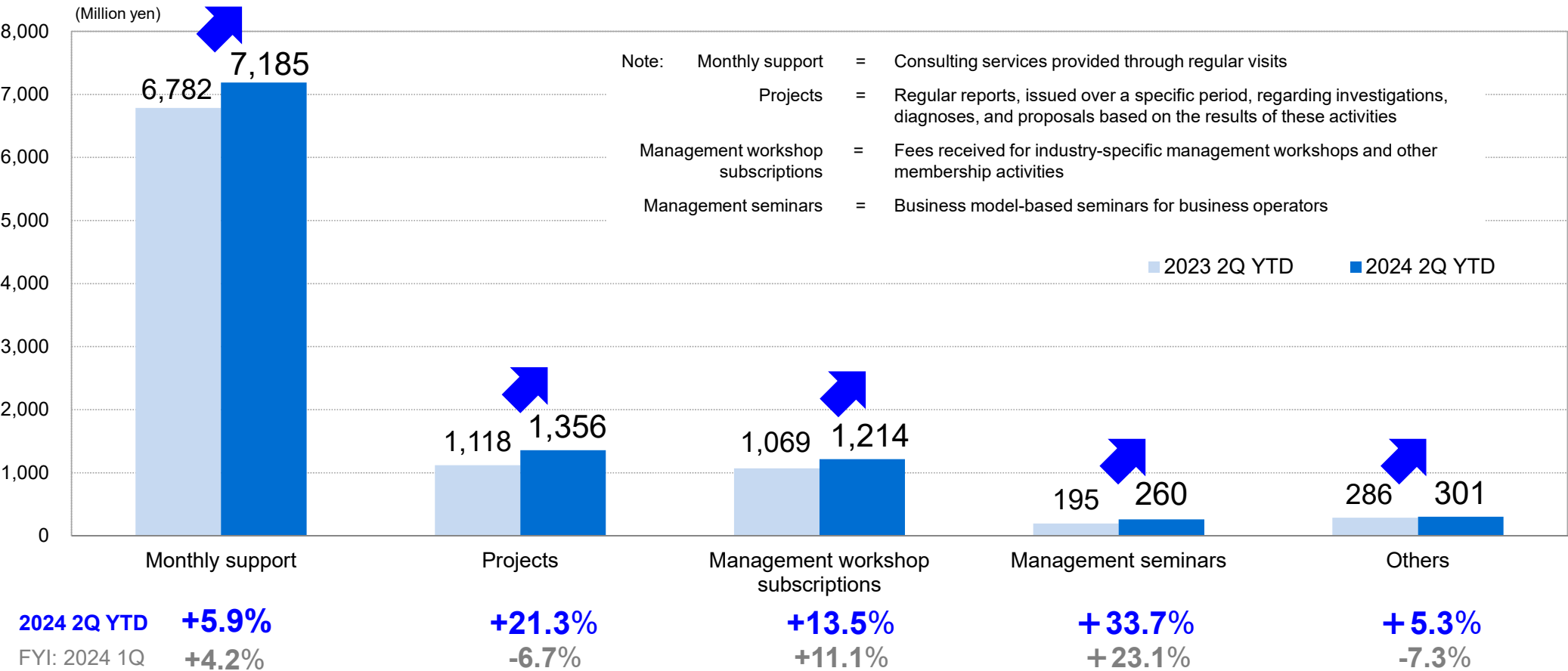
In the consulting business, sales and income in 2Q were both up by double-digits y-o-y.



2. Financial Results as of FY2024 2Q

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

Average management workshop subscription per member was up by double figures y-o-y due to an increase in subscription prices.

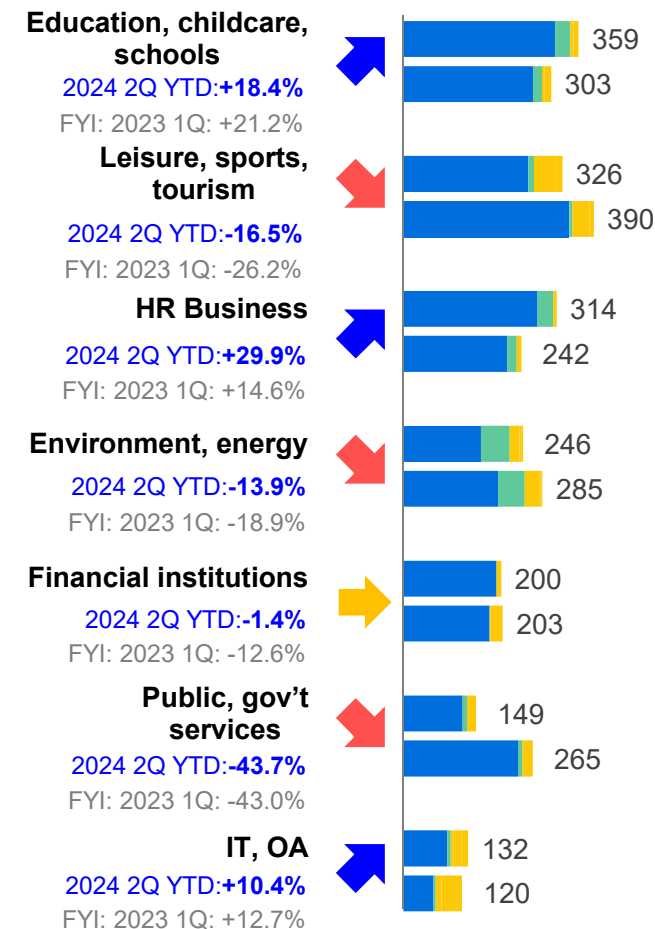
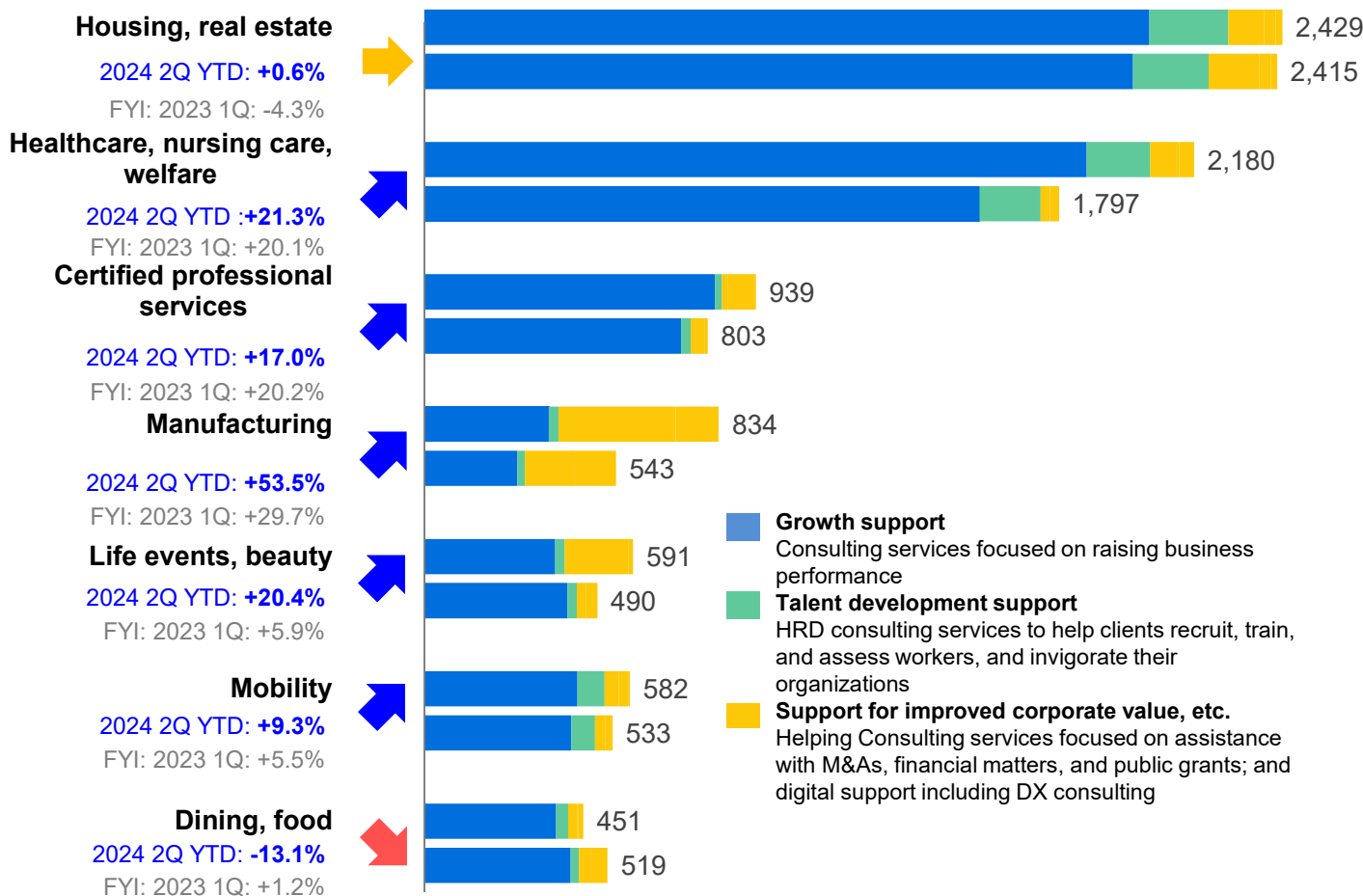


2. Financial Results as of FY2024 2Q

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

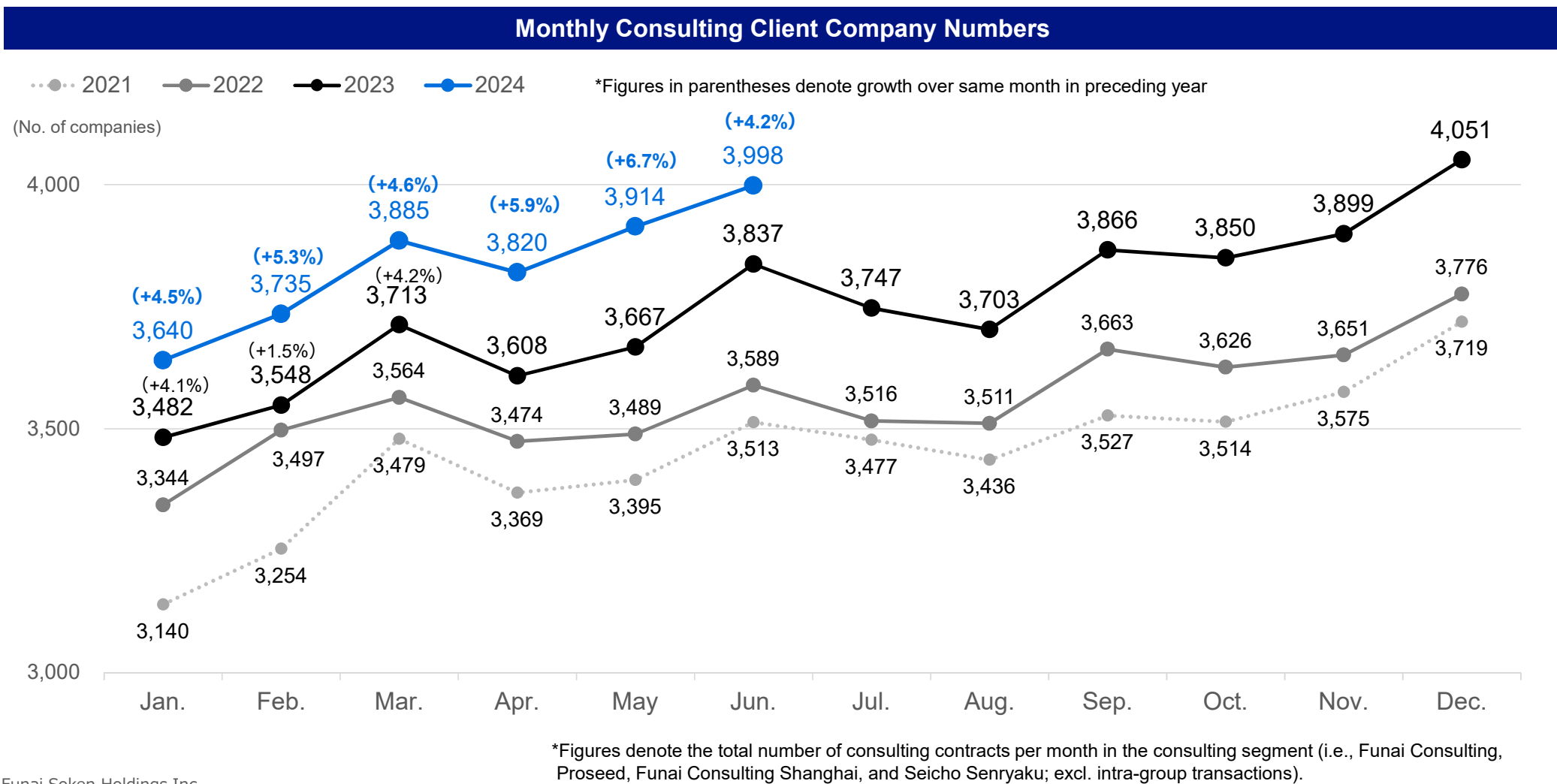
Upper bar: 2024 2Q YTD
Lower bar: 2023 2Q YTD

(Million yen)



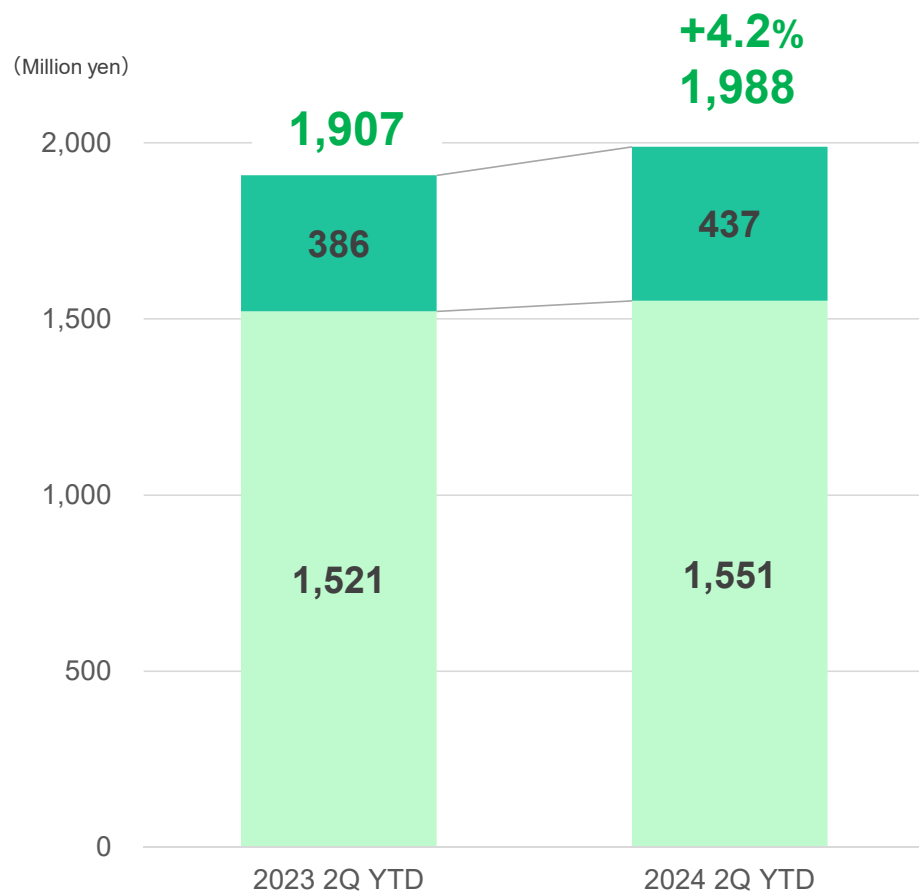
2. Financial Results as of FY2024 2Q

(2) Results of Operations by Segment: Consulting—Consulting Client Numbers



2. Financial Results as of FY2024 2Q


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



Logistics Consulting

Helping clients reduce logistics costs

- Revenues from consulting services for logistics companies remained solid
- Consulting services for shipper companies trended toward recovery in 2Q
- We seek to broaden client acquisition through the launch of the Logistics Leadership Salon management workshop for shipper companies
334 management workshop memberships as of Jun. 30, 2024; 332 as of Jun.30, 2023

 **+13.2%**

FYI: 2024 1Q +13.9%

Logistics BPO

Logistics on behalf of clients

Reducing purchasing costs through joint buying

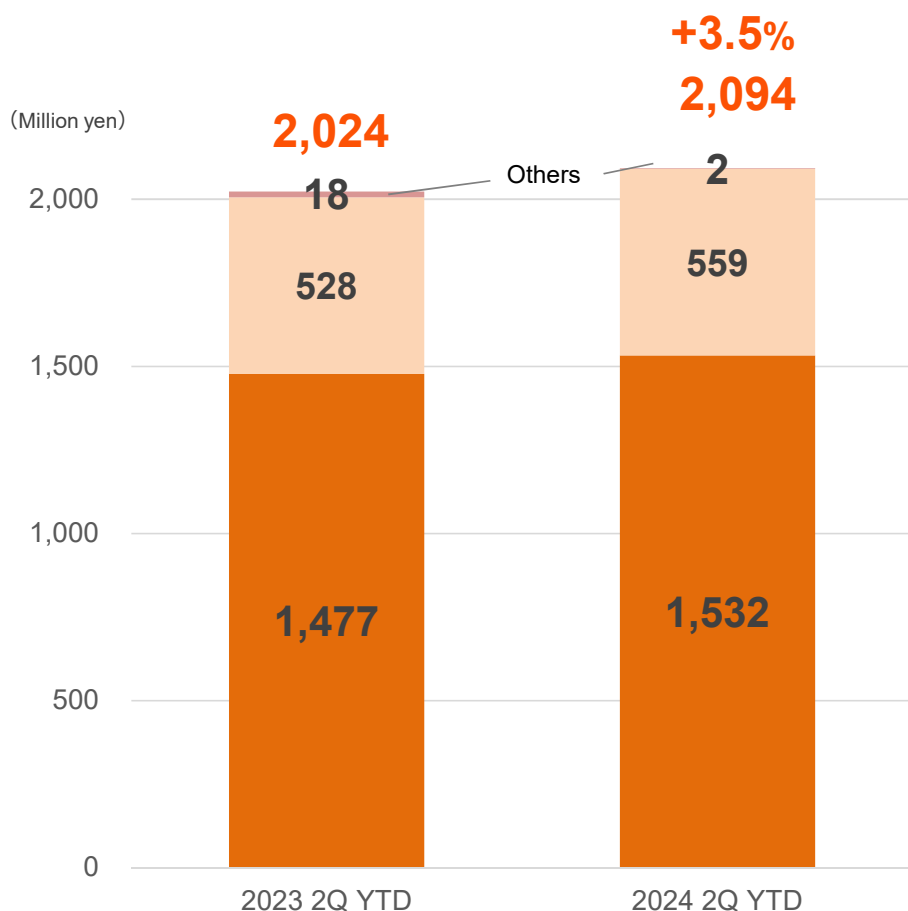
- Sales recovered in 2Q on the back of increased business with existing clients
- Client acquisition is progressing well despite the current unfavorable conditions for new orders

 **+2.0%**

FYI: 2024 1Q -3.7%

2. Financial Results as of FY2024 2Q

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



HR Solutions

- Sales and income both up; maintained 10+% operating margin
- Recruiting Cloud (AI-powered recruiting service): Average revenue per-account up

 **+5.8%**

FYI: 2024 1Q +11.3%

Digital Solutions

- Aggressive investment in hiring engineers last year resulted in a net loss; restored focus on profit this year has resulted in a net gain.

Sales Process Transformation (SPX)

- Robust sales of call center BPO services drove a major increase in net sales
- Online ad agency services remain strong

IT Consulting

- Sales were down slightly due to the conclusion of major projects from last year

Cloud-based Solutions

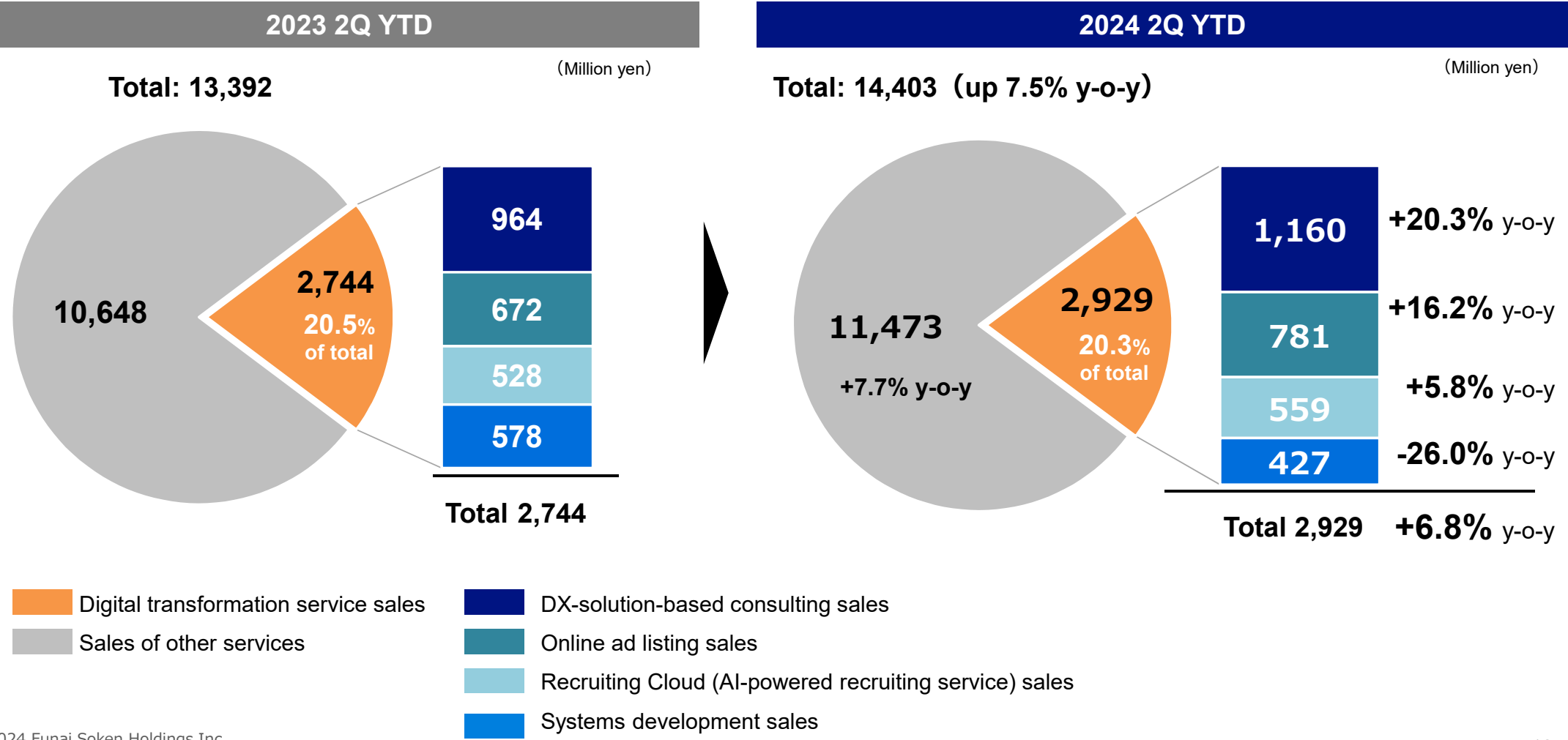
- Sales were down due to last year's decrease in outsourcing contracts
- Income was up because outsourcing costs were cut in excess of the dip in sales

 **+3.8%**

FYI: 2024 1Q +2.8%

2. Financial Results as of FY2024 2Q

(5) Results of Operations in Digital Transformation Services



2. Financial Results as of FY2024 2Q

(6) Consolidated Financial Position: Balance Sheet

(Million yen)

		As of Dec. 31, 2023	As of Jun. 30, 2024	Change	Major factors behind changes
Current assets		18,657	17,413	-1,244	Decrease in current assets: Major factors include decreases in cash and deposits
Noncurrent assets	Property, plant, and equipment	6,146	6,655	+509	Increase in noncurrent assets: Major factors include increase in buildings and structures and decrease in construction in progress listed under "other property, plant, and equipment."
	Intangible assets	1,124	760	-364	
	Investments and other assets	5,702	5,847	+145	
Total assets		31,631	30,677	-953	
Current liabilities		5,666	5,873	+207	Increase in current liabilities: Major factors include increases in provision for bonuses and decreases in deposits received (listed under "others").
Noncurrent liabilities		238	265	+27	Increase in noncurrent liabilities: Major factors include increase in deferred tax liabilities and decrease in retirement benefit liabilities.
Total liabilities		5,904	6,139	+234	
Total net assets		25,726	24,537	-1,188	Financial position remains sound with a high equity ratio of 77.9%.
Total liabilities & net assets		31,631	30,677	-953	

2. Financial Results as of FY2024 2Q

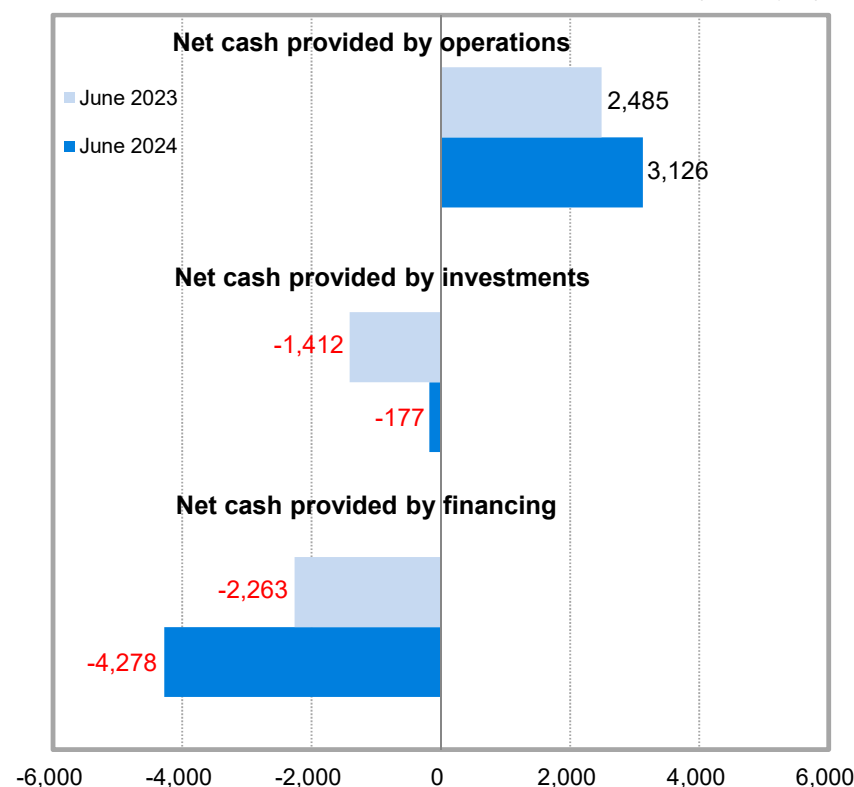
(7) Consolidated Financial Position: Cash Flow Statement

(Million yen)

	June 2023	June 2024	Change
Net cash provided by (used in) operations			
Net income before income taxes and other adjustments	3,403	4,151	748
Depreciation	141	174	33
Other	(415)	(802)	(387)
Subtotal	3,129	3,524	395
Income taxes paid	(1,257)	(1,117)	140
Income tax refunds	602	715	112
Other	11	4	(6)
Net cash provided by (used in) operations	2,485	3,126	641
Net cash provided by (used in) investments			
Purchase of property, plant and equipment and intangible assets ※1	(95)	(895)	(800)
Proceeds from sale of property, plant, and equipment, and intangible assets ※2	0	604	604
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(617)	—	617
Other	(699)	114	813
Net cash provided by (used in) investments	(1,412)	(177)	1,235
Net cash provided by (used in) financing			
Purchase of treasury shares	(776)	(2,691)	(1,915)
Dividends paid	(1,476)	(1,575)	(98)
Other	(10)	(11)	(1)
Net cash provided by (used in) financing	(2,263)	(4,278)	(2,015)
Change in cash and cash equivalents	(1,186)	(1,317)	(130)
Cash and cash equivalents at start of fiscal year	17,031	12,894	(4,137)
Cash and cash equivalents at end of quarter	15,844	11,577	(4,267)

1. Purchase of property, plant, and equipment associated with the relocation of Tokyo Headquarters.
2. Mainly proceeds from sale of leasehold resulting from integration of physical locations in Tokyo.

(Million yen)



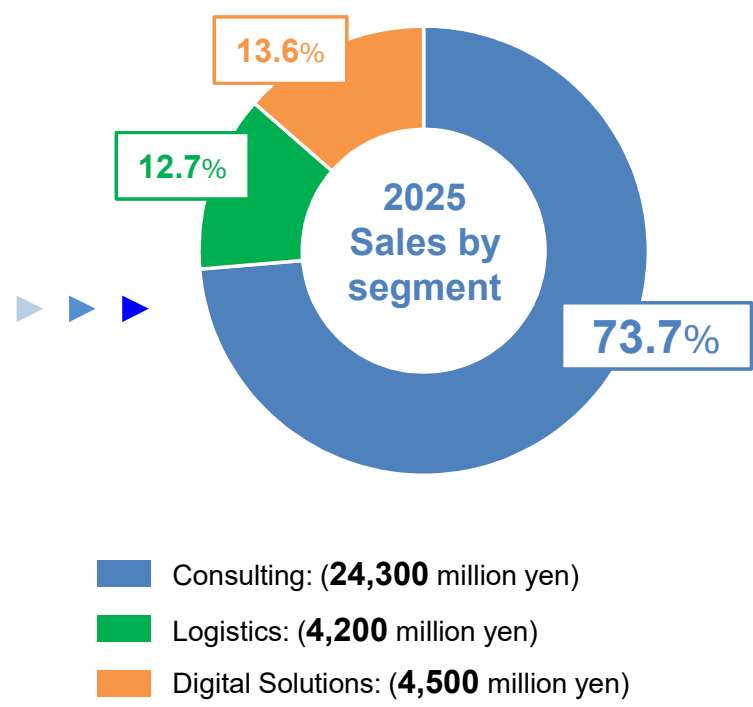
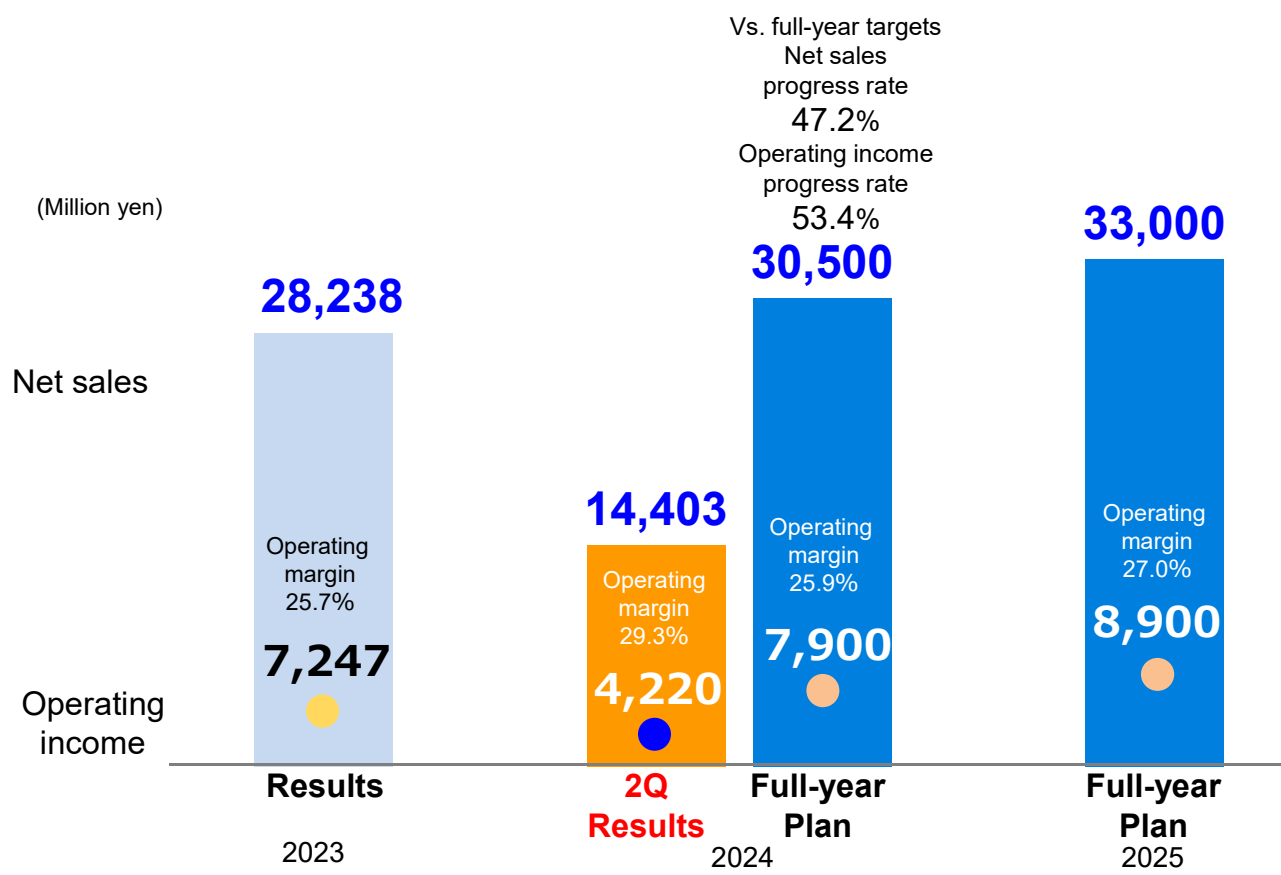
Forecasts & Shareholder Returns

3. Forecasts & Shareholder Returns

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

For FY2025, we plan to achieve net sales of 33.0 billion yen and operating income of 8.9 billion yen, maintaining high profitability.

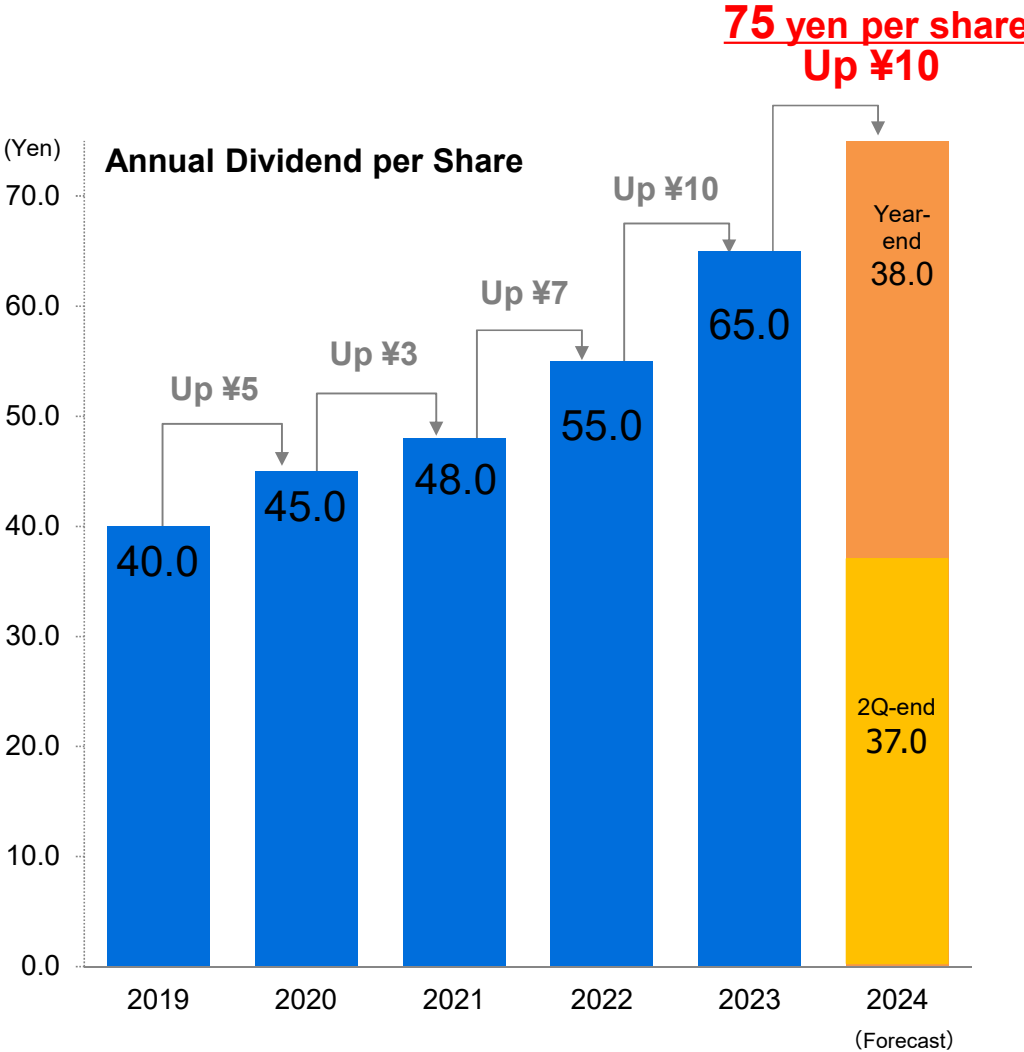
■ FY2023-FY2025: Results and targets of net sales and operating income



3. Forecasts & Shareholder Returns

(2) Annual Dividends

	Initial forecast		Actual dividend	
Record date	Dividend (per share)	Details	Dividend (per sharer)	Details
FY2019	40.0	2Q-end 17.0 Year end 23.0	40.0	2Q-end 17.0 Year end 23.0 *Incl. 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	46.0	2Q-end 21.0 Year end 25.0	48.0	2Q-end 21.0 Year end 27.0
FY2022	53.0	2Q-end 25.0 Year end 28.0	55.0	2Q-end 25.0 Year end 30.0 *Incl. a commemorative dividend of 2.0
FY2023	65.0	2Q-end 32.0 Year end 33.0	65.0	2Q-end 32.0 Year end 33.0
FY2024 (Forecast)	75.0	2Q-end 37.0 Year end 38.0		



3. Forecasts & Shareholder Returns

(3) Share Buyback (Progress thru June 30, 2024)

We are undertaking a buyback of shares as outlined below to help improve capital efficiency and boost shareholder returns by allowing for more dynamic implementation of capital policies in response to changes in the business environment.

Share Buyback

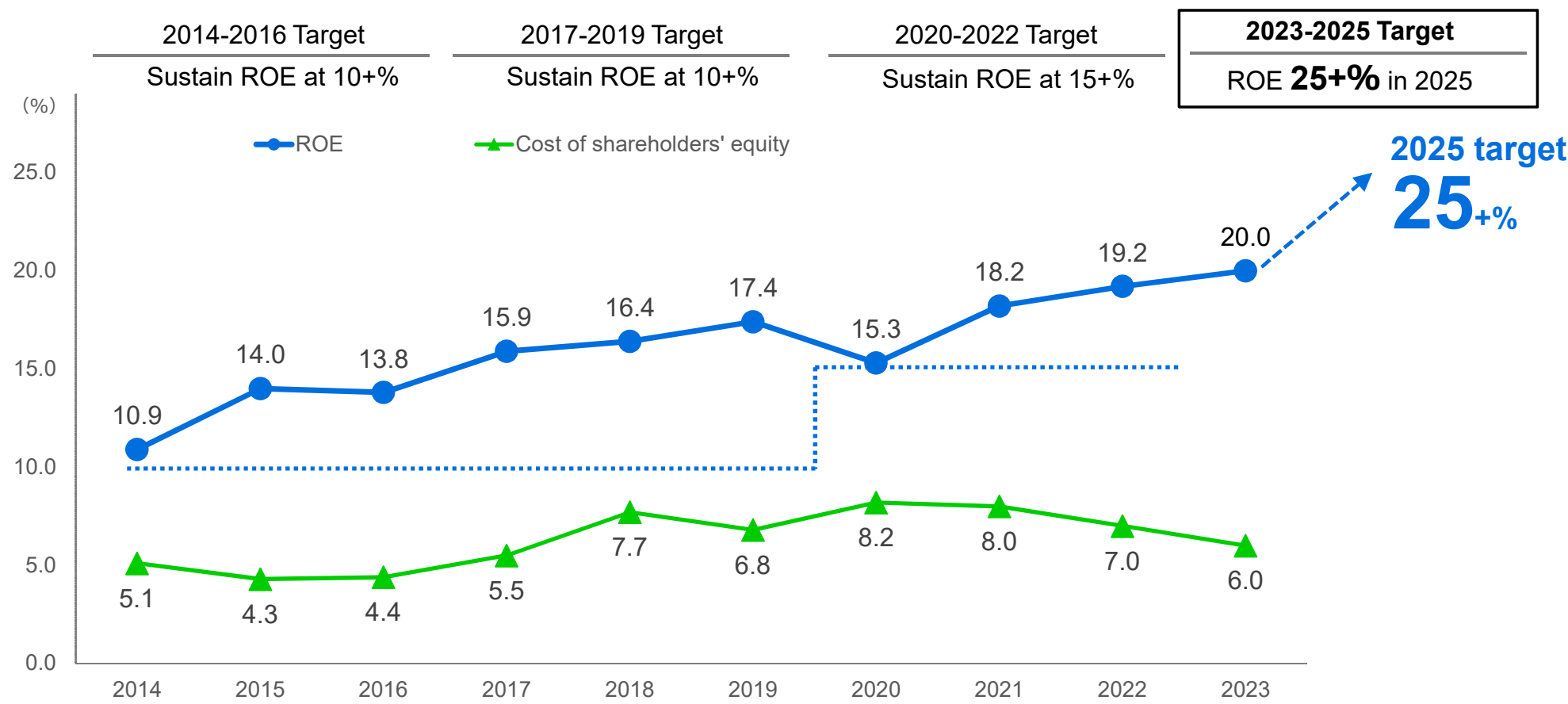
Date of board resolution	Buy-back period	Acquisition price					Number of shares purchased
		Max. amount approved	2023	2024	Total price paid	%age of approved amount used	
Aug. 23, 2023	Aug. 24, 2023 – May 31, 2024	¥3,000 mil.	¥2,209 mil.	¥790 mil.	¥2,999 mil.	99.9% (buyback complete)	1,172,800
Feb. 8, 2024	Feb 9, 2024 – Dec.31, 2024	¥3,000 mil.	-	¥1,899 mil.	¥1,899 mil.	63.3% (buyback ongoing)	769,900

Retirement of Treasury Shares

Date of board resolution	Date of retirement	Number of shares retired		
		Total number of shares outstanding prior to retirement	Number of shares retired	Total number of shares outstanding after retirement
Feb. 8, 2024	Feb. 29, 2024	52,000,000	2,000,000	50,000,000

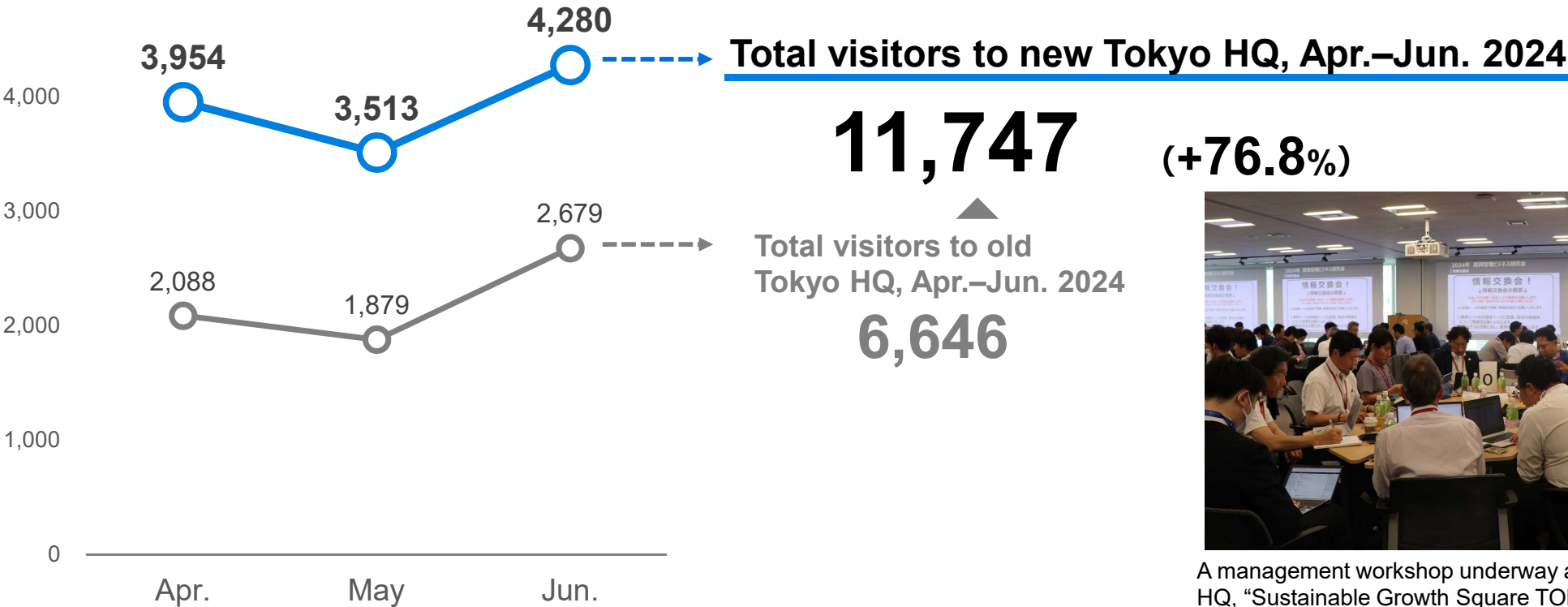
3. Forecasts & Shareholder Returns

(4) ROE Targets



(1) Total Visitors to New Tokyo Headquarters

The Funai Soken Consulting Group’s Tokyo presence has been consolidated into a single location on the 35th floor of the Yaesu Central Tower in Tokyo Midtown Yaesu. The new Tokyo Headquarters opened for business on April 1. The strategy of creating a single office has paid off with visits by business proprietors up significantly year-on-year even now, three months after the official opening.



A management workshop underway at New Tokyo HQ, “Sustainable Growth Square TOKYO.”

4. News

(2) Funai Soken Holdings Chosen for FTSE Blossom Japan Sector Relative Index

Funai Soken Holdings was chosen to be one of the stocks in the FTSE Blossom Japan Sector Relative Index. We at the Funai Soken Consulting Group will continue to use our own business management and our consulting services for mid-scale companies and SMEs as vehicles to promote sustainability and contribute to efforts to help resolve societal issues.

FTSE Blossom Japan Sector Relative Index

The FTSE Blossom Japan Sector Relative Index is designed as a sector neutral benchmark that reflects the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices in Japan. The index selects companies with higher ESG Ratings within the top 50% of each sector and supports climate transition to a low carbon economy by evaluating companies' climate governance and climate change efforts via the Transition Pathway Initiative's Management Quality Score.



FTSE Blossom Japan Sector Relative Index

FTSE Russell confirms that Funai Soken Holdings has been independently assessed according to the index criteria, and has satisfied the requirements to become a constituent of the FTSE Blossom Japan Sector Relative Index. The FTSE Blossom Japan Sector Relative Index is used by a wide variety of market participants to create and assess responsible investment funds and other products.



The Funai Soken Consulting Group Purpose

Sustainable growth for more companies

We lead the way to a better future and a more productive society
in which more companies can achieve growth in any conditions
and people can reach their full potential

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.

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