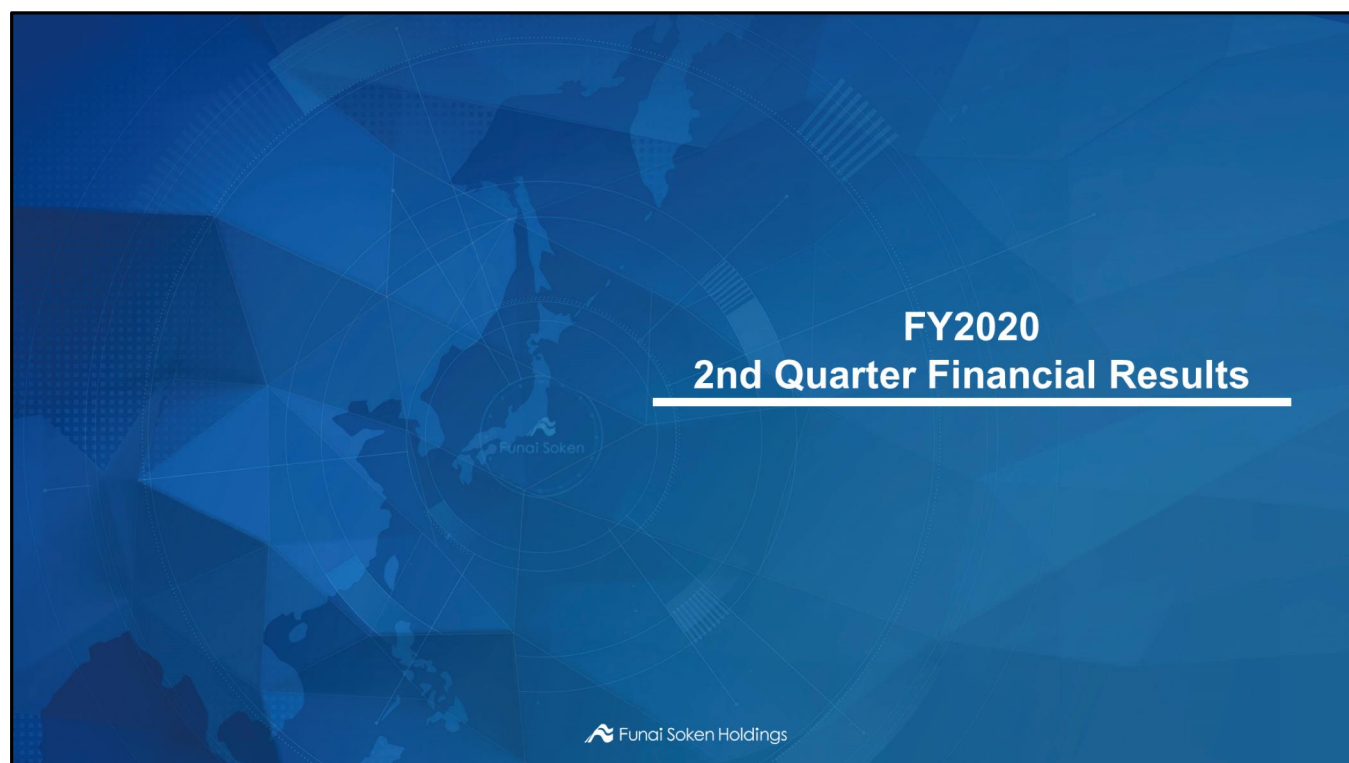


2nd Quarter of Fiscal Year Ending December 2020

Financial Results Briefing

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

August 24, 2020



Hello everyone. I am Sakae Takashima, president and group CEO. Thank you for your ongoing support of the Funai Soken Consulting Group.

Without further ado, I'd like to report on our accounts for the second quarter of the year ended December 2020.

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%

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Let's begin with the Consolidated Statement of Income.

Sales were 12,234 million yen, up 1.2 percent over the same period in the preceding year.

Operating income was 2,584 million yen, down 10.1 percent.

Ordinary income was 2,640 million yen, down 9.4 percent.

And net income was 1,745 million yen, down 9 percent.

Covid-19 had an impact on our ability to seek new orders, and although sales were up, income was down—a bitterly disappointing outcome.

Compared with our financial result forecast, which we initially published on May 20, sales were roughly in line with the projected range of +2 percent through -1 percent, but operating income and ordinary income were far above the forecast.

I will explain about the factors behind these developments.

1. FY2020 2nd Quarter Financial Results

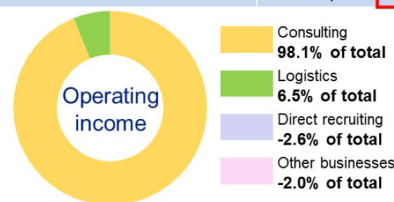
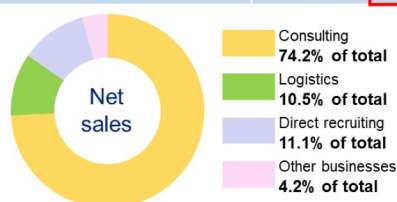


(3) Results of Operations by Segment

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

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



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

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Next, let's look at how we fared in each of our operating segments.

In our core consulting segment, sales were 9,071 million yen, down 2.1 percent from the same period in the preceding year, and operating income was 2,513 million yen, down 12.1 percent. Since we began refraining from in-person seminars and workshops in April, and moved them online, we have been able to attract new customers to a certain degree, but growth in new orders has stagnated and sales are at roughly the same level as last year.

Meanwhile, Funai Consulting Shanghai, which was virtually inactive in the first quarter of the year, restarted operations in April and is gradually returning to pre-Covid levels. Operating income in this segment, though, were down as we went ahead with necessary investments, including aggressive hiring of new staff.

Performance was solid in the Logistics segment. Sales were 1,279 million yen, up 9.4 percent over the same period in the preceding year, helped by some large spot orders; and operating income was 165 million yen, roughly even with last year.

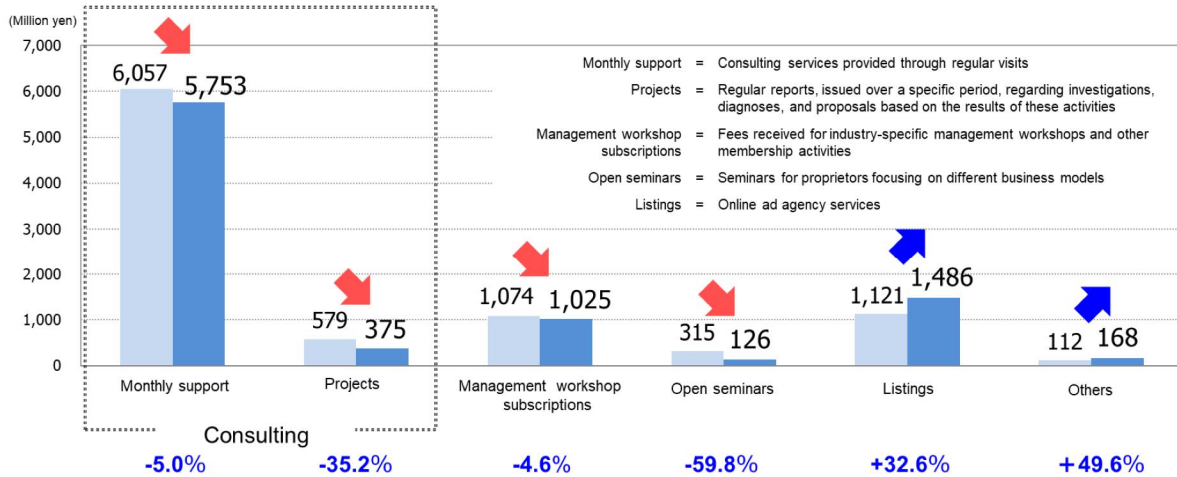
In the direct recruiting segment, the suspension of large-scale seminars stunted growth in new orders. Sales were 1,358 million yen, and although that represents growth of 24.4 percent over the same period in the preceding year, still that growth rate is less than what it was previously. Operating income continues its improving trend, ending on a net loss of 66 million yen.

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.



This shows sales by service category in our core consulting segment.

Of the various forms of consulting we offer, projects are the most vulnerable to economic downturns like we have now, and the ravages of Covid-19 saw project sales down by a huge 35.2 percent.

On the other hand, sales of monthly support services, one of the main earners of our consulting business, were down only 5 percent as we managed to sustain these via online delivery. Similarly, management workshop sales were down only 4.6 percent.

The main factor behind these decreases was the 59.8-percent decline in open seminars. Suspending in-person seminars stalled our momentum in securing new orders, but we look forward to driving new orders again soon, either by resuming in-person seminars or holding web-based seminars.

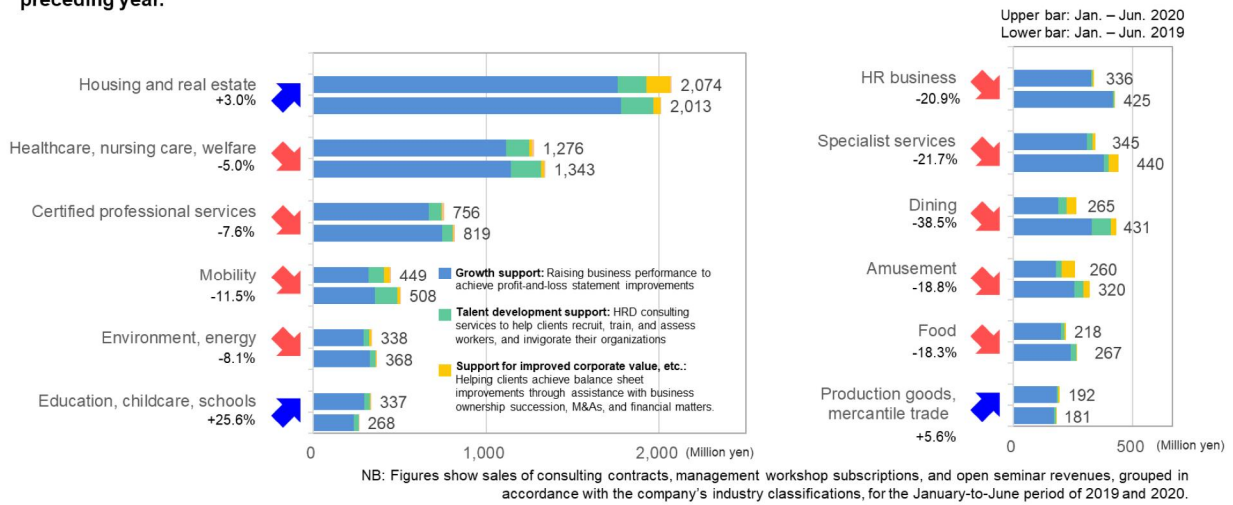
Listing sales remained solid, up by 32.6 percent.

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.



This shows consulting sales by sector.

As different industries were affected in different ways and to different degrees by Covid-19, there is considerable variation in sales movement in the different sectors.

Those sectors known to be severely affected by the coronavirus—dining, specialist services, and human resource businesses—all experienced precipitous drops, while other sectors were more robust. These included core client industries such as housing and real estate, and education, childcare, and schools, as well as production goods manufacturing, an area which is fast adopting robotics technology.

In any case, as you can see from this graph, the situation is severe indeed for many of the sectors and clients we serve.

For that reason, although our business has focused mainly on providing SMEs support for growth and improved corporate value, we have recently begun providing support aimed at dealing with the effects of Covid-19, working with proprietors to help them survive the current difficulties.



Now, let's look at full-year forecasts and the effects 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	-

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As you will recall, we previously withdrew our full-year financial result forecasts, labeling them “undetermined” amid the confusion surrounding the impact of coronavirus, but we have now published these as a range, so I’d like to go over those forecasts first.

We are currently forecasting sales of between 24.0 billion and 25.76 billion yen, operating income of between 4.3 billion and 5.15 billion yen, ordinary income of between 4.35 billion and 5.2 billion yen, and net income of between 2.9 billion and 3.5 billion yen.

The upper figures reflect our determination to earn as much revenue as possible during these Covid-affected times, and to maintain our proposed ROE of 15 percent.

The lower figures are what we could realistically hope to achieve in worst-case Covid-19 scenarios—specifically if the circumstances experienced in April through June after the government declared a state of emergency were to continue throughout the rest of the year.

For that reason, I think there is only a limited risk of us sinking to those lower figures, and we will work hard to come as close as possible to the upper figures.

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.

Next, I would like to explain about how our various segments have been impacted by Covid-19, and what they can expect in the future.

In the consulting segment, our efforts in the first half of the year have shown that pre-existing consulting contracts can be performed by delivering support remotely. So even if the virus continues to spread, we can handle these by increasing the ratio of remote support to non-remote support. The problem lies in drumming up new orders; our main concerns would be easily resolved if we could hold in-person seminars, but as long as we must refrain from them or there are major restrictions on our ability to hold them, we are forced to rely solely on web-based seminars to seek new orders, which will inevitably have an impact on business performance.

Incidentally, Covid-19 seems to be on the wane in China, and I believe Funai Consulting Shanghai is on the road to pre-Covid levels of performance.

The logistics segment performed solidly thanks to some large projects lasting through the second quarter, but as with the consulting segment, we foresee a lag in the attraction of new projects. Full-year sales will likely be in line with last year, and operating income is forecast to decline slightly.

Despite the decline in new client acquisitions and ad placements due to the suspension of large-scale seminars, the direct recruiting segment's revenues were buoyed by existing accounts and the July launch of our new fixed-fee subscription-based "all you can hire" service. We are forecasting a year-on-year improvement in profitability.

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.

Next, I will give a simple run-down of new consulting services offered to help clients deal with Covid-19.

At present, we offer an Exit Strategy Report, covering 41 points specific to different industries and solution categories, and online seminars focused on adapting to the Covid-affected landscape.

Meanwhile, we also offer industry-specific solutions that go a step further to help clients not only navigate the immediate difficulties, but also to prepare for the new post-Covid realities.

Here is an example. For instance, for clients in the education and childcare sector, we offer help in delivering online classes and online student recruitment; for clients in the certified professional services sector, we offer assistance for the remote delivery of legal consultation; and for clients in the manufacturing sector, we offer help relating to marketing automation and remote business meetings, etc.

Digital transformation for SME clients is already a major facet of our current Mid-Range Business Plan, and has been made all the more relevant by the challenges thrown up by Covid-19. As such, we are working to quickly develop new solutions in this area.

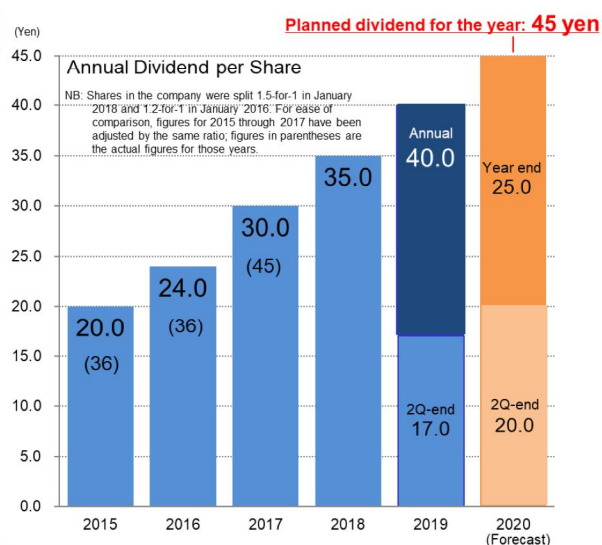
3. Shareholder Returns and Future Initiatives



(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 <i>1.2-for-1 share split</i>	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 <i>1.5-for-1 share split</i>	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



Finally, I would like to touch on dividends.

The board has approved a resolution to stick with our original plan and pay an interim dividend of 20 yen per share. For now, there is no change to our stated position, with a year-end dividend of 25 yen, making for a total of 45 yen per share for the year.

As we seek sustainable growth for the whole Funai Soken Consulting Group, we look forward to your ongoing support for our efforts to uphold dividend policy also designed to uphold long-term growth.

That concludes the presentation. Thank you very much.



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.

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