



**HITO-Communications Holdings, Inc.**

TSE 1<sup>st</sup> Section ticker number: 4433



# FY2021 H1 Financial Results

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Apr. 9, 2021

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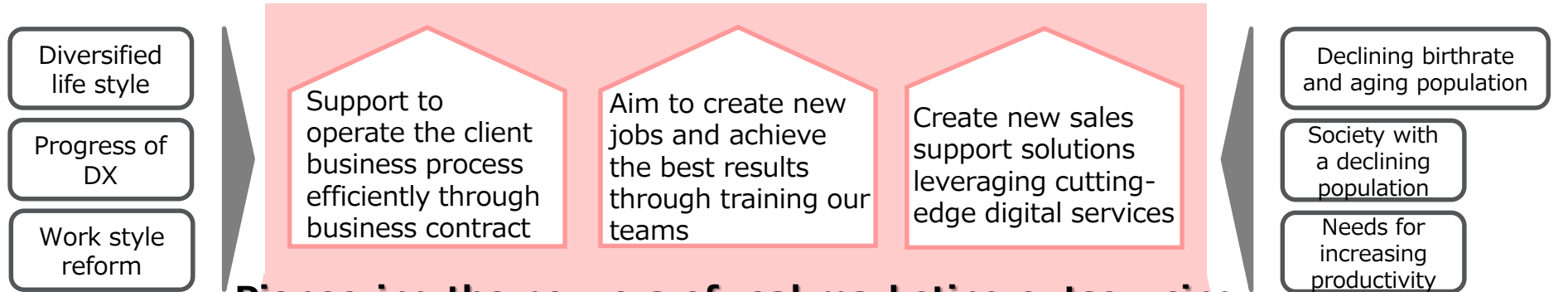


# **HITO-Communications Holdings Outlook**

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## [HITO-COM HD Creation of Value (Business Theme)]

All contact is our business field, both in real and digital region. We have pursued the smiles and satisfactions of customers, and created the bright and vibrant society.

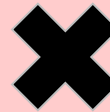


### **Pioneering the new era of real marketing outsourcing**

COVID-19 boosts the change of the external environment

- **Retail Sales Support including mobile devices**
- **Facility Operation Support**
- **Sports Event Operation**
- **Tour Staffing in Japan and Overseas**
- **Landoperater**

Human Sales Support



Digital Sales Support

- **EC Site Operation Support**
- **Inside Sales**
- **Cutting-Edge Technologies Utilization**
- **Remote customer support, Live commerce**

Social challenges which needs prompt responses

#### **Fruitful Business Portfolio Omni-Channel Sales Support**

- Over 100 EC sites operations
- Various business fields including mobile sales, tourism, sports, logistics

#### **Results-Driven Sales Support Services**

- Results achievement responded to the clients needs as a partner
- Positive commitments to the clients' EC site growths through revenue share model

#### **Human Resource Development**

- Various original training programs responded to real and digital region
- Nurturing systems for team building

#### **High Implementation Ability**

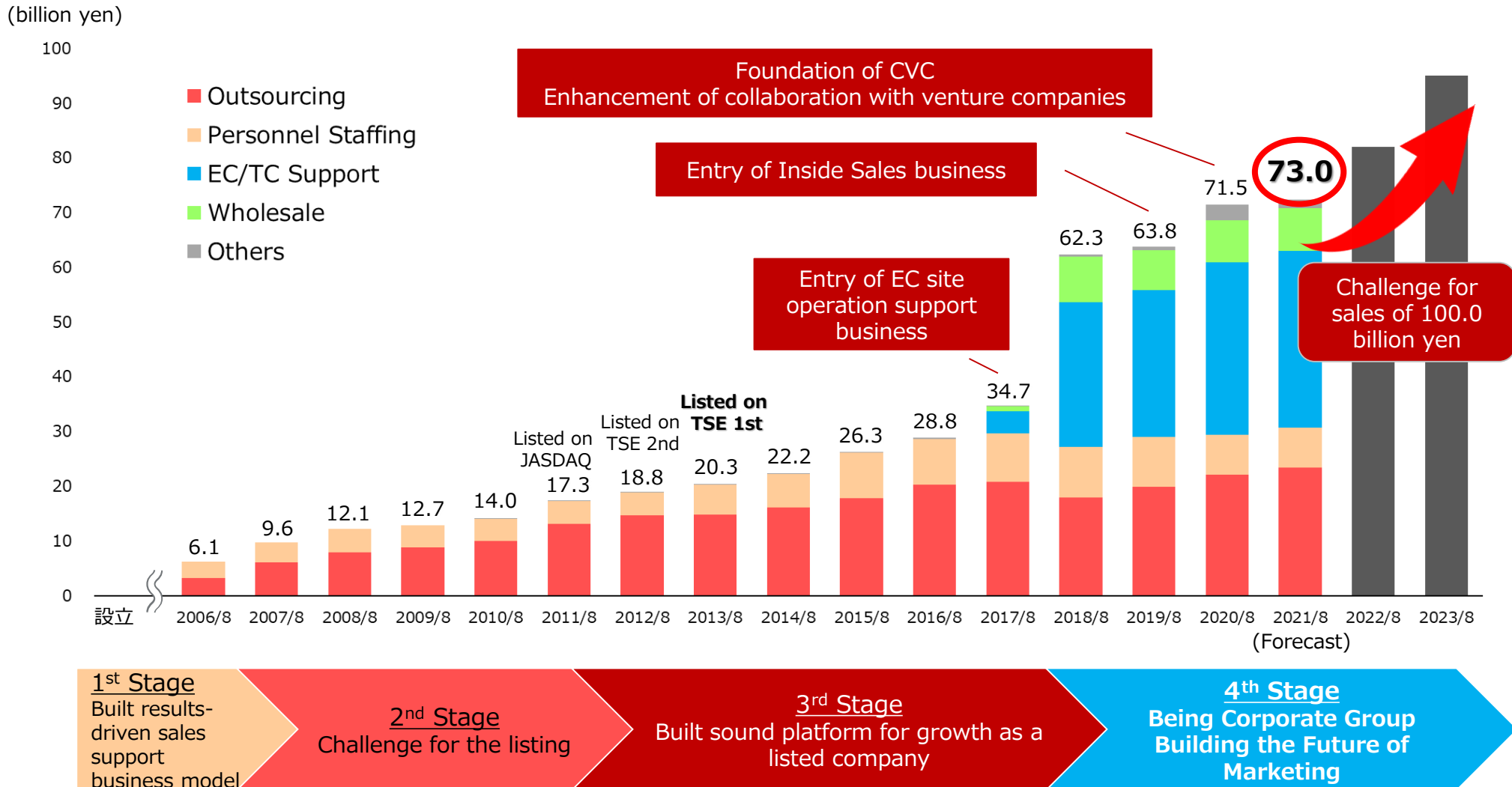
- High response capacity to businesses all over Japan
- Over 15,000 dedicated staff
- One-stop EC site operation support

### **Strengths of HITO-COM**

# Sales Trend



Healthy performance for aiming at 25<sup>th</sup> straight years of sales growth since the foundation. At this time, progression rate is 56% for initial plan. We intend to amend the full year plan ASAP.





# Summary of FY2021 H1 Financial Results

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EC site operation support business has performed well with healthy sales of both existing and new EC sites. Wholesale business has also achieved strong performance continuously utilizing influential contents licenses. We covered the negative impacts of urban area's market contraction and tourism sector's severe performance and **achieved strong performance of both sales and operating profit by double digit increase year on year**, even in COVID-19 expansion environment.

## Sales

41,060M yen  
113.4 % yoy

- ◆ Sales growth of EC site operation support business leveraging accumulated know-hows responded to the demand increase for EC
- ◆ Strong performance of Wholesale business by using influential manufacturing licenses including Demon Slayer, Sanrio and influencers with existing clients sales growth and new clients acquisitions
- ◆ New business acquisitions of Outsourcing business continuously

## Operating Profit

2,508M yen  
132.4 % yoy

- ◆ OP growth by digital marketing business (EC site operation, Inside Sales, System Development business etc.) increases
- ◆ Sales increase of high-added value products leveraging influential manufacturing licenses of famous anime characters and influencers in Wholesale business
- ◆ Acquisition of high-added value businesses in Outsourcing business and settlement of the efficient cost spending structure

# P/L Overview



	FY2020 H1	FY2021 H1			
		Performance	YoY	Amended Forecast	Against Forecast
<b>Sales</b>	<b>36,198</b> (100.0%)	<b>41,060</b> (100.0%)	<b>113.4%</b>	<b>41,400</b> (100.0%)	<b>99.2%</b>
Outsourcing business (composition)	<b>11,665</b> (32.2%)	<b>11,375</b> (27.7%)	<b>97.5%</b>	<b>11,350</b> (27.4%)	<b>100.2%</b>
Personnel Staffing business (composition)	<b>4,324</b> (11.9%)	<b>3,297</b> (8.0%)	<b>76.2%</b>	<b>3,550</b> (8.6%)	<b>92.9%</b>
EC/TC Support business (composition)	<b>14,293</b> (39.5%)	<b>20,600</b> (50.2%)	<b>144.1%</b>	<b>20,550</b> (49.6%)	<b>100.2%</b>
Wholesales business (composition)	<b>3,707</b> (10.2%)	<b>5,172</b> (12.6%)	<b>139.5%</b>	<b>5,250</b> (12.7%)	<b>98.5%</b>
Other business (composition)	<b>2,208</b> (6.1%)	<b>615</b> (1.5%)	<b>27.9%</b>	<b>700</b> (1.7%)	<b>87.9%</b>
<b>Gross Margin</b> (% to sales)	<b>6,658</b> (18.4%)	<b>7,178</b> (17.5%)	<b>107.8%</b>	<b>7,210</b> (17.4%)	<b>99.6%</b>
<b>Sales and General Administrative Expenses</b> (% to sales)	<b>4,764</b> (13.2%)	<b>4,669</b> (11.4%)	<b>98.0%</b>	<b>4,710</b> (11.4%)	<b>99.2%</b>
<b>Operating Profit</b> (% to sales)	<b>1,894</b> (5.2%)	<b>2,508</b> (6.1%)	<b>132.4%</b>	<b>2,500</b> (6.0%)	<b>100.3%</b>
<b>Ordinary Profit</b> (% to sales)	<b>1,912</b> (5.3%)	<b>2,689</b> (6.6%)	<b>140.6%</b>	<b>2,670</b> (6.4%)	<b>100.7%</b>
<b>Net Profit attributed to owners of the parent</b> (% to sales)	<b>1,032</b> (2.9%)	<b>1,520</b> (3.7%)	<b>147.2%</b>	<b>1,560</b> (3.8%)	<b>97.5%</b>

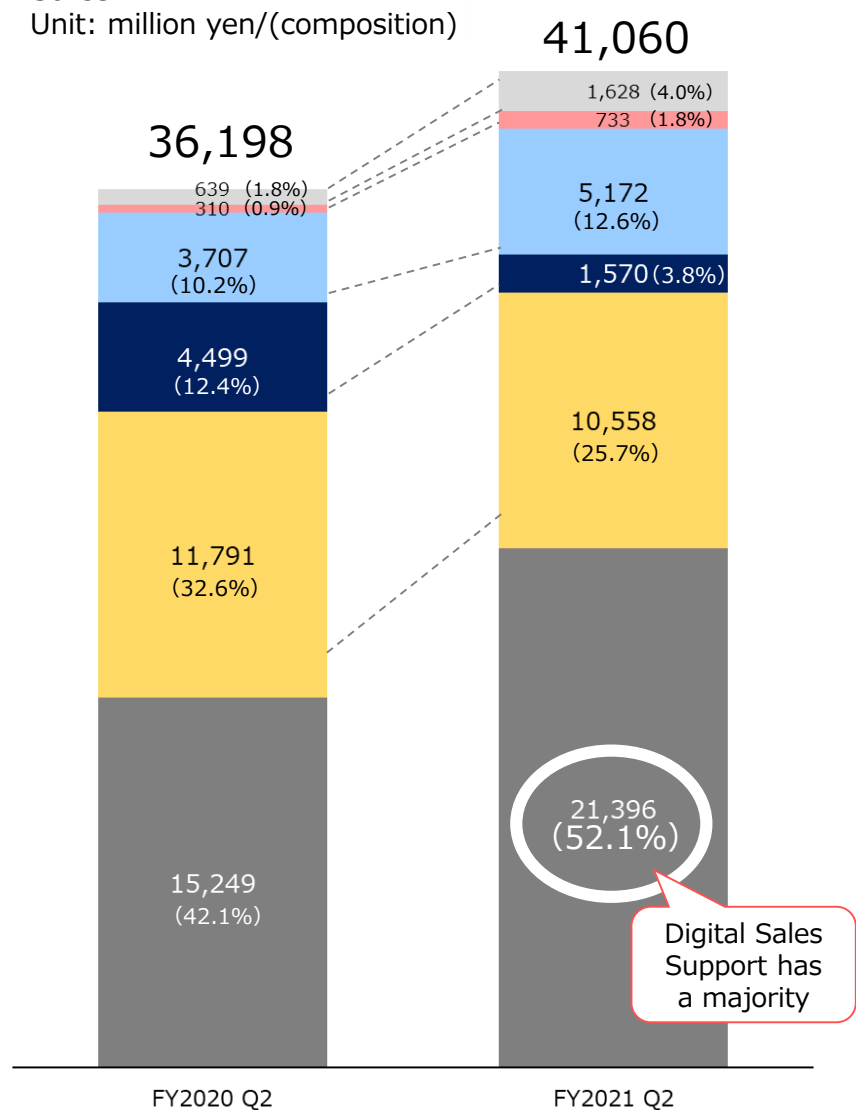


# Sales Performance for Each Sector



## Sales

Unit: million yen/(composition)



Digital Sales Support has a majority

### Digital Sales Support

↑ YoY **+40.3%** (+6,147M)

<EC/TC support, Inside Sales, etc.>

- Strong performance of EC operation support business with both existing and new clients
- Finding new clients by introducing new services in Inside Sales
- Steady sales growth of system development business

### Store Sales Support

↘ YoY **-10.5%** (-1,233M)

<Telecommunication and Mobile, Home appliances, store services, etc.>

- Negative impacts of some client retail stores temporarily close and shorten operating hours due to COVID-19
- Strengthening cooperation with clients focusing on 5G diffusion and industrial changes of telecommunications

### Tourism & Sports

↓ YoY **-65.1%** (-2,929M)

<Tourism, Sports, MICE and Inbound>

- Partial recovery of sports industry with uncertain outlook of airport business, tourism and inbound

### Wholesale

↑ YoY **+39.5%** (+1,465M)

<Wholesale mainly on apparel products>

- Expansion of business with existing clients and development of new customers leveraging influential manufacturing licenses

### Sales Business Support

↑ YoY **+136.7%** (+423M)

<Field sales support>

- Strong performance of newly started mobility business
- Strengthening sales force due to strong demand of cashless payment

### Others

↑ YoY **+154.5%** (+988M)

<Call center and others>

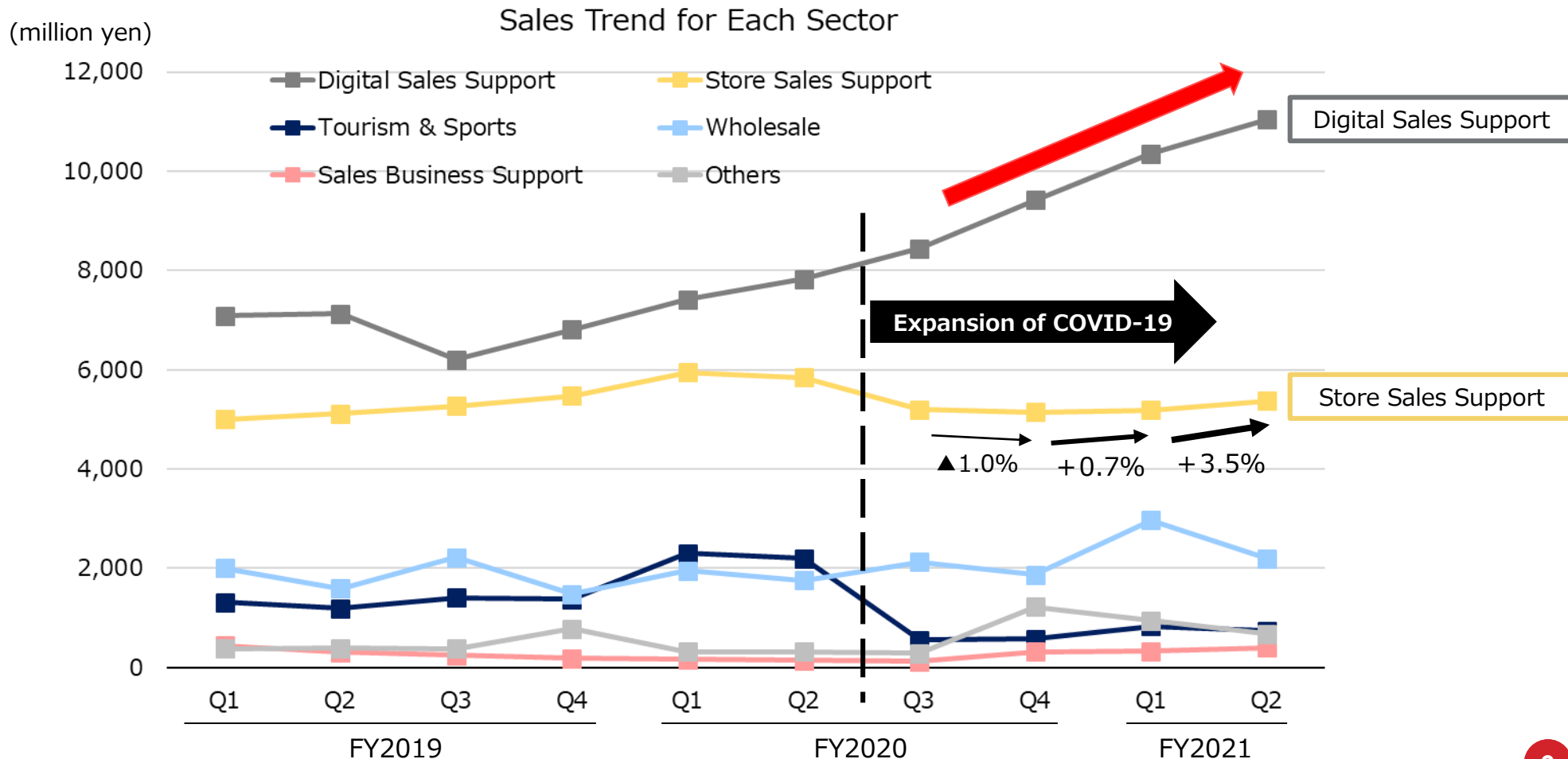
- Operation of several economic support packages of the government for mitigating COVID-19 negative impacts

Note: We manages 6sectors for matching actual business operating units

# Sales Trend for Each Sector



Amid the expansion of COVID-19, **Digital Sales Support business has grown dramatically** in response to the increase of EC demand leveraging the accumulated EC operation know-hows. It has **acted as a growth engine of the Company**. Store Sales Support business has recovered gradually driven by the expansion of new acquisition businesses.





# **FY2021 Financial Results Forecast**

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Strong performance has continued even in severe COVID-19 environment.

Progress Rate against Initial Full Year Forecast / **Sales: 56.2%, OP: 71.7%, Net Profit: 80.9%**

We planed to amend the full year forecast, however we decided not to amend at this time since there are lots of uncertain issues including expansion of new variant of COVID-19.

We do not include the impacts of Olympic and Paralympic Games in the initial full year forecast.

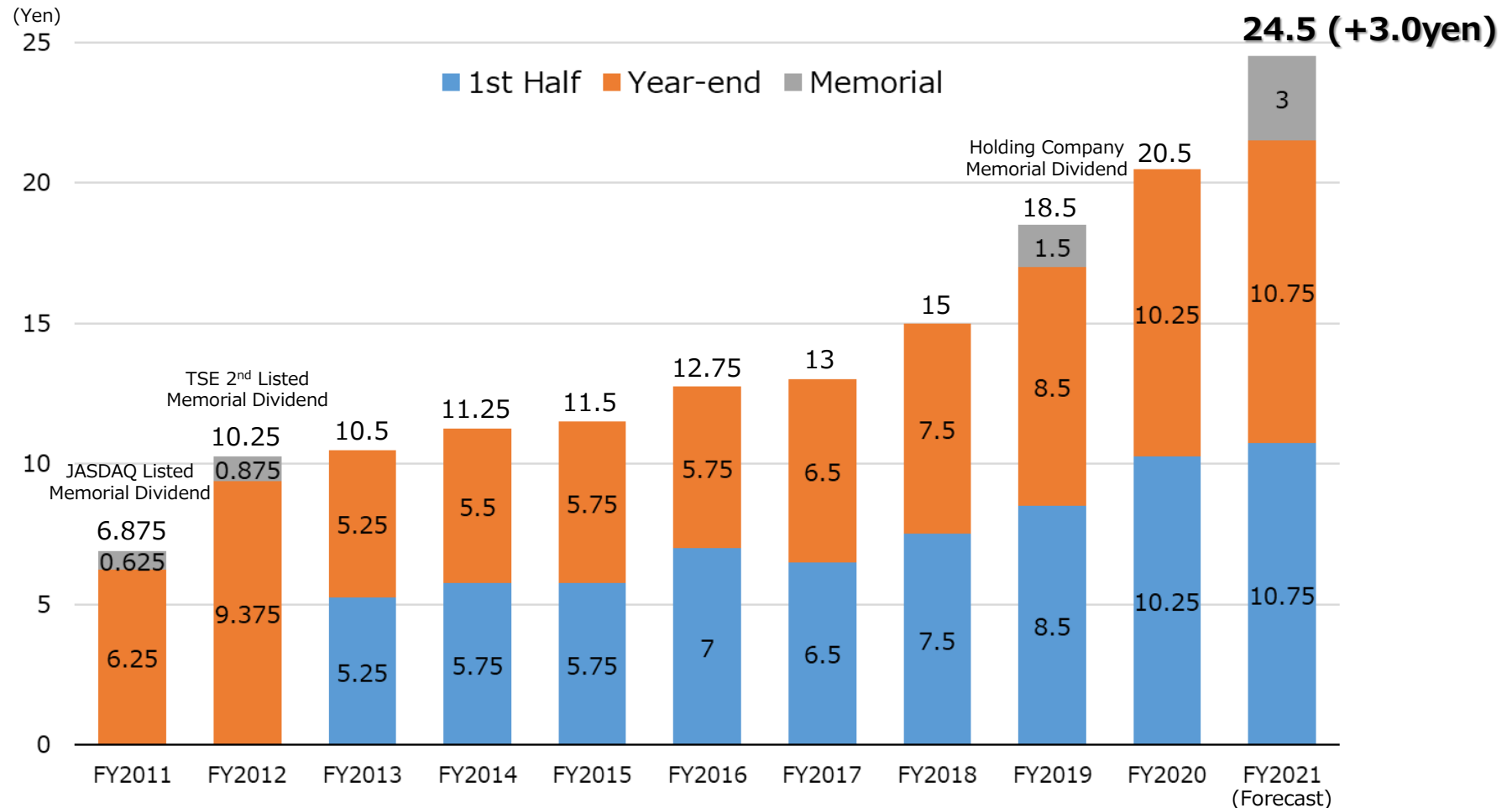
	FY2021					
	H1	YoY	Against Forecast	Progress Rate	Initial Full Year Forecast	YoY
<b>Sales</b>	<b>41,060</b> (100.0%)	113.4%	99.2%	<b>56.2%</b>	<b>73,000</b> (100.0%)	102.1%
Outsourcing business	11,375 (27.7%)	97.5%	100.2%	47.4%	23,990 (32.9%)	108.5%
Personnel Staffing business	3,297 (8.0%)	76.2%	92.9%	45.2%	7,300 (10.0%)	99.6%
EC/TC Support business	20,600 (50.2%)	144.1%	100.2%	63.8%	32,310 (44.3%)	102.5%
Wholesale business	5,172 (12.6%)	139.5%	98.5%	65.5%	7,900 (10.8%)	102.5%
Other business	615 (1.5%)	27.9%	87.9%	41.0%	1,500 (2.1%)	53.1%
Gross Margin (% to sales)	7,178 (17.5%)	107.8%	99.6%	55.8%	12,867 (17.6%)	102.1%
Sales and General Administrative Expenses (% to sales)	4,669 (11.4%)	98.0%	99.2%	49.8%	9,367 (12.8%)	99.0%
Operating Profit (% to sales)	2,508 (6.1%)	132.4%	100.3%	<b>71.7%</b>	3,500 (4.8%)	111.1%
Ordinary Profit (% to sales)	2,689 (6.6%)	140.6%	100.7%	74.7%	3,600 (5.0%)	107.1%
Net Profit attributed to owners of the parent (% to sales)	1,520 (3.7%)	147.2%	97.5%	<b>80.9%</b>	1,880 (2.6%)	137.1%

# Dividend Forecast



Dividend policy: 1. steady increase of dividend, 2. dividend pay out ratio of 20% as a rough guide, 3. balanced with investment for growth.

For FY2021, 24.5yen per share by **1yen increase of ordinary dividend** and **3yen increase of commemorative dividend for celebrating 10<sup>th</sup> anniversary of listing** from the previous year and **increases for the 10th year in a row** since listed



Note: Dividend per share in this page reflects the impacts of share splitting on 30<sup>th</sup> April 2012 (1 to 2), 31st January 2013 (1 to 2), and 31st January 2016 (1 to 2)



# **FY2021 Business Strategy**

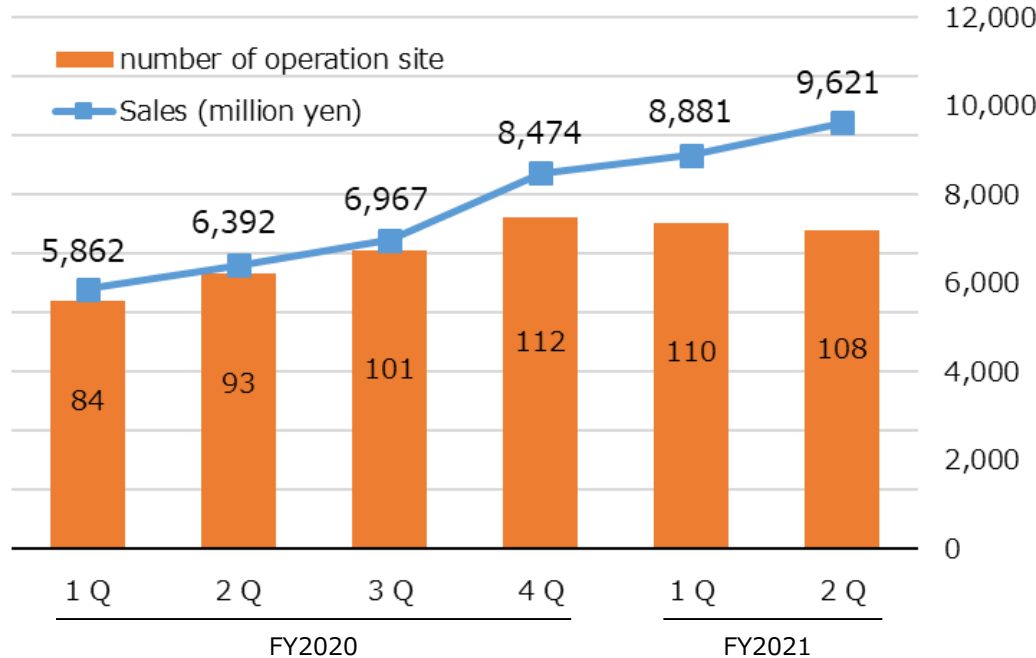
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## Enhancing EC site operation support by leveraging the original platform

Expanding sales centered on the existing fashion and sports brand sites  
Increasing number of operation EC sites in 2<sup>nd</sup> Half

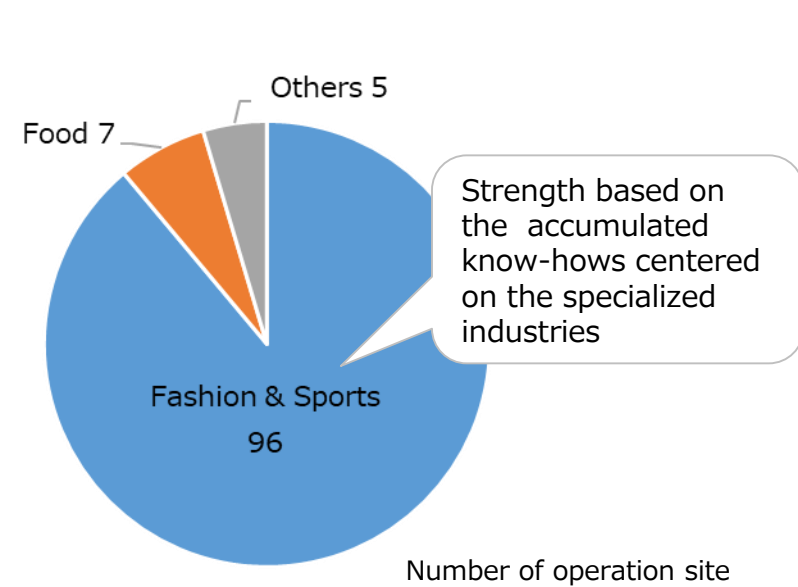
### 【Steady growth of EC site operation support business】

Continuous strong sales and steady new clients acquisition despite of slight decrease of number of EC sites



### 【Client Portfolio】

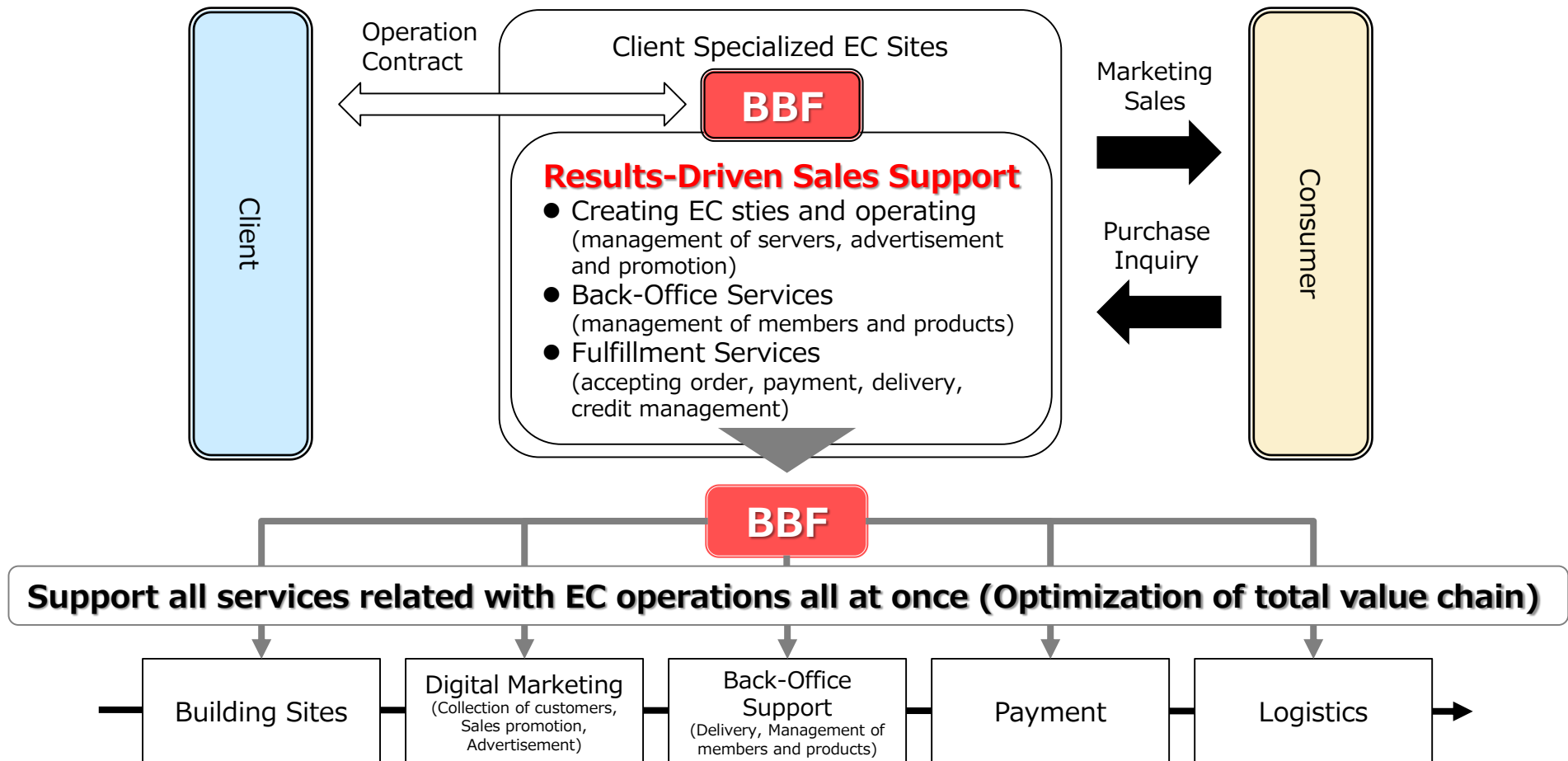
Enhancing approaches for new fields including food sector for new earning foundation



Enhancing approaches for the industries which have low penetration rate in EC including food and cosmetics in the future  
Building and promoting new business model with clients through accumulating the industrial specialized know-hows

## Sharing goals with clients and aiming at sustainable growth of EC sites sales

Supporting the clients' specialized EC sites operation comprehensively through planning, creating, operating EC sites and fulfilment services



Note: Offer services in response to clients needs including partnership with appropriate business partners



## Strong commitment to clients' sustainable growth driven by the original results-driven business model

### Strength of Business Model

- Leveraging the original EC support platform
- Mitigating clients cost burden by implementing low cost operation
- Accumulated know-hows by operating various specialized EC sites

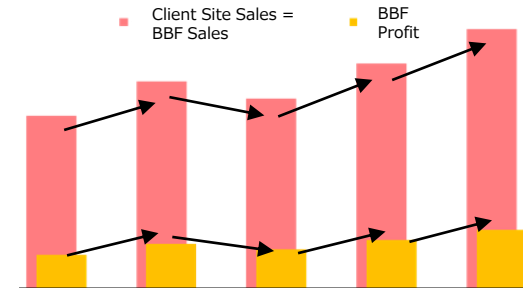
**Results-driven business model** which grows the sales by increasing clients EC site sales through **overwhelming sales performance and brand nurturing power**

### Achievements of BBF

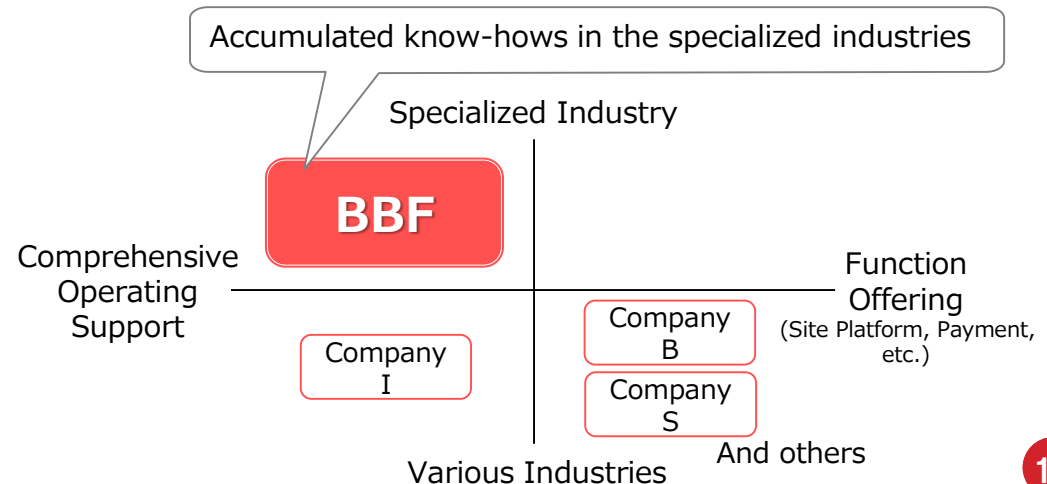
- Operating over 100 domestic EC sites centered on apparel
- Approx. 350 brands specialized EC sites operation
- Expanding support for the clients' overseas EC sites
- Developing and operating custody of inventory system for domestic and overseas shopping EC malls

### Earning Structure of EC support business

**Client Site Sales = BBF Sales**  
**Profit linked to sales due to revenue share model**  
 ⇒ Strong commitment to clients growths



### Positioning of EC support business

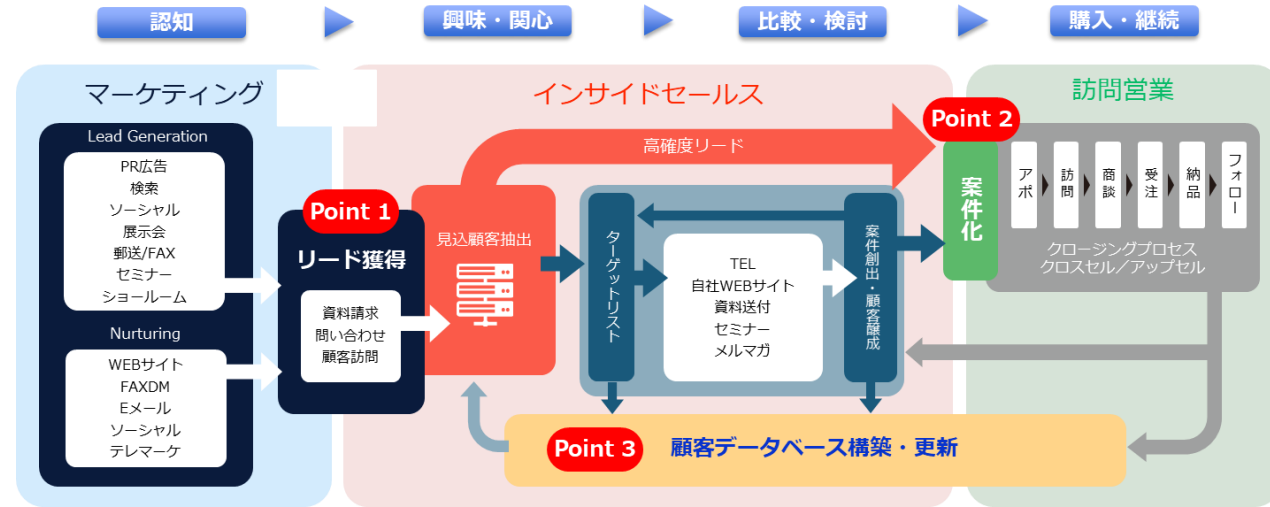


## Changing sales systems from walk-in sales type to inside sales with web and data utilization

### 【Background of inside sales market expansion】

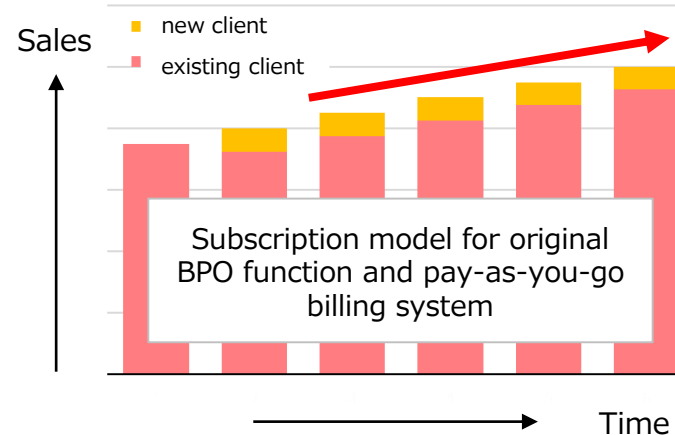
Expanding recognition of inside sales advantage rapidly

- Settlement of non-face-to-face life style
- Increase of interest in labor productivity due to decrease of labor population
- Popularization of CRM/SFA



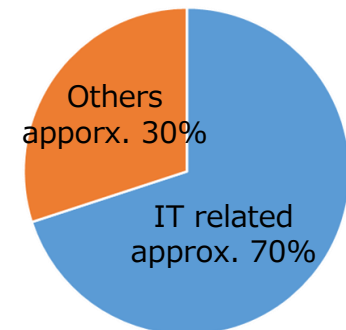
### 【Earning Model】

- Model accumulating new clients every month with curbing churn of existing customers  
Accumulated data leading to offer data based proposal for various industries
- Focused on acquiring leads so far  
Expanding the business target and aiming at increasing ARPA in the future



### 【Client Portfolio】

Progress of DX leads to growth of sales support needs for IT related products and services



※ARPA : Average Revenue Per Account

## Realizing both clients' productivity increase and employment generation driven by non face-to-face services with cutting edge digital tools

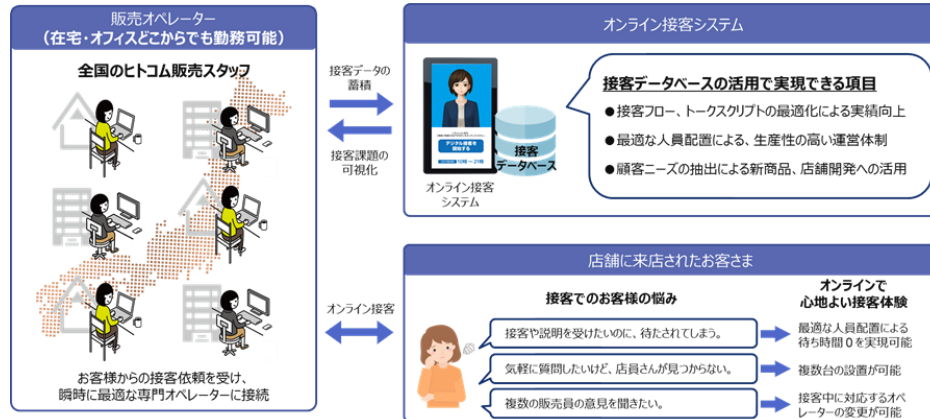
### 【Advantages of Remote Customer Service】

- ① Increase clients' productivities by offering customer service data analysis
- ② Promote new work styles not limited to the work places and generate new employment chances
- ③ Realize comfortable shopping experiences in the circumstances where contacts need to be avoided

### 【Expansion into Various Products】

Becoming practical use from trial stage

Using Avatar for smooth communications



Baby Items



Alcohol Beverages



Cosmetics



Soft Drinks



Home Appliances

## Increasing clients driven by providing one-stop services from design planning using influential contents to manufacturing in our overseas factories

### 【Strength of Wholesale Business】

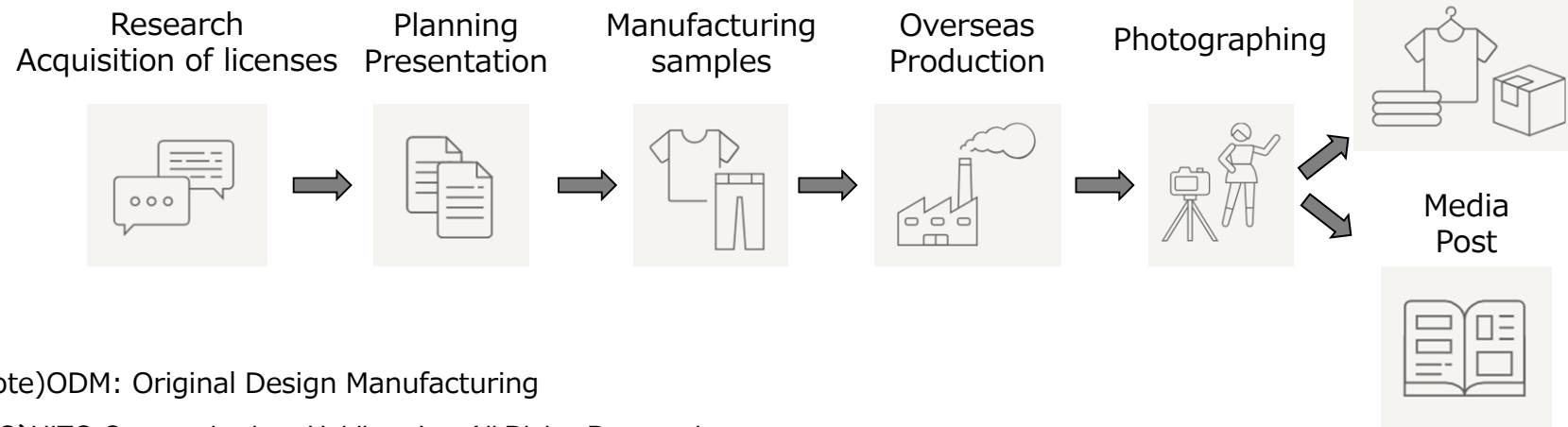
Managing all steps of the process from product planning to PR

- Proposal capability based on thorough research and agile planning
- One stop service for all steps
- Design talent in response to clients' needs and trend
- Various licenses of influential contents



### 【Process】

**Using influential contents**



(Note)ODM: Original Design Manufacturing

## Aiming at a company trusted and needed by society through offering new values for social challenges by leveraging our various resources

- Challenging continuously to the new stage for being “Corporate Group Building the Future of Marketing” driven by expanding the business region and deepening the specialty through multiplying human resource power by IT
- Contributing realization of sustainable and sound society through our business performance in the changing world





# Being Corporate Group Building the Future of Marketing

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