



Funai Soken Holdings
Integrated Report 2022
(Covering January – December 2021)

FUNAI SOKEN Consulting Group

Funai Soken Holdings Inc.
Funai Consulting Inc.
Funai Soken Digital Inc.
Funai Consulting Shanghai Inc.
Funai Soken Logistics Inc.
Funai Soken IT Solutions Inc.
Proseed Corporation
HR Force Inc.

Funai Soken Consulting Group Mission and Vision

Our Mission

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

We at the Funai Soken 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.

The Funai Way: Our Core Values

Adventureship

Converting change into momentum

以变促势

- Our work is not work unless it's fun.
- We relish the challenges of our ongoing quest for growth.
- We are leaders of change.

Empathy

A reliable partner for business owners

与“领袖”同心同行

- Our focus on outcomes is unwavering.
- We share the mindset of the entrepreneurs we serve.
- We dream farther and act quicker.

Integrity

A force for good

遵循良心

- Our work is a vehicle for the betterment of society.
- We design environments where everyone can be themselves.
- We are good corporate citizens, and we behave like it.

Contents

Funai Soken Holdings: The Basics

- Our Mission, Editorial Policy
- Our Journey So Far
- Real Strengths Forged in Experience
- Financial & Non-Financial Highlights
- The Value Creation Process

Growth Strategies

- President's Message
- Mid-Range Business Plan

Value Creation Drivers

- Our Business Segments at a Glance
- Consulting
- Logistics
- Other Businesses

ESG

- Dedicated to ESG in Management
- Environment
- Social
- Information Security

Governance

- Corporate Governance
- Corporate Governance Structure
- Director Dialogue
- Business Risks

Corporate Data

- Financial Review
- Consolidated Financial KPIs 2011–2021
- Consolidated Financial Statements
- The Funai Soken Consulting Group Network
- Corporate Overview & Stock Information

Link Buttons Used in This Report



External link



Link to relevant section in this report

Editorial Policy

This report is designed to provide stakeholders a comprehensive understanding of the Funai Soken Consulting Group's efforts to achieve sustained growth and mid-to-long-term improvements in corporate value. Thus, in addition to financial data, the report contains non-financial information about aspects such as the group's strengths, and the philosophy, business model, sustainability, growth potential, growth strategies, and governance regime that contribute to its earning potential.

This year's report includes information on ESG initiatives, sustainability targets (particularly those relating to climate-related financial disclosures), and outside directors' views on how to boost the effectiveness of the Board of Directors as part of the group's effort to generate sustained growth in

corporate value. In this way, we seek to provide shareholders, investors, and other stakeholders a deeper understanding of our commitment in these areas.

Reference to Guidelines

This report is edited and configured with reference to relevant Japanese and international guidelines.

Scope

This report pertains to FY2021 (January 1 through December 31, 2021), with additional comment regarding other adjacent times as necessary.

All data shown herein pertain to the group's consolidated accounts for the aforementioned period unless otherwise stated.

Disclaimer

This report is published solely for the purpose of providing information relating to the Funai Soken Consulting Group's performance in FY2021 and its strategies for the future. Its purpose is not to induce investment in securities issued by Funai Soken Holdings, and no contents hereof shall constitute a warranty or promise.

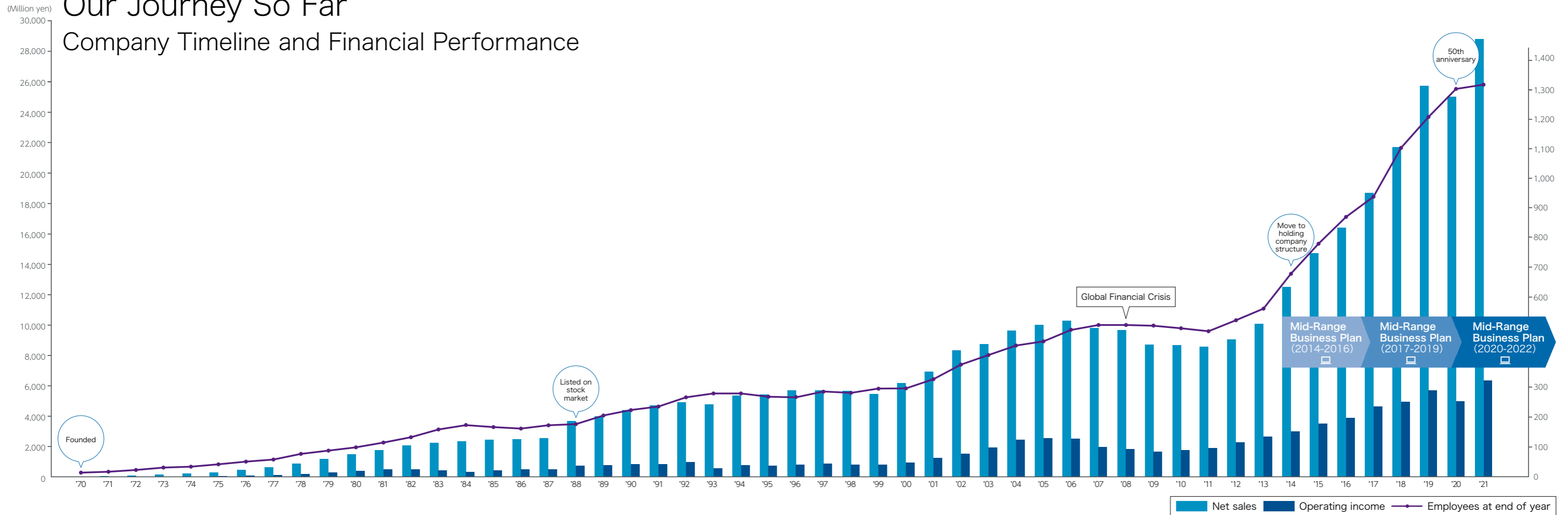
Opinions and outlooks contained in this report represent the views of Funai Soken Holdings and the Funai Soken Consulting Group at the time of writing, and we make no guarantee or promise regarding the accuracy or completeness of such contents, and the contents of this report may be changed at any time without notice.

A Comprehensive Communication Structure

	Financial Information	Non-Financial Information
Online	General information about our activities: corporate website https://hd.funaisoken.co.jp/en/	ESG management and sustainability information https://hd.funaisoken.co.jp/en/sustainability/index.html
Documents	Integrated Report 2022 (for shareholders, investors, client companies, employees, students, families, business partners, local communities, etc.) Shareholders meeting convocation notices (for shareholders, etc.) Securities Report (for investors, etc.) Summary of Financial Results (for investors, etc.) Operation Reports (for shareholders, etc.)	

Our Journey So Far

Company Timeline and Financial Performance



1970s Inauguration

1980s Listing

1990s Focus on the service industry

2000s Expanded operations

2010s Move to a corporate group structure

March 6, 1970
Yukio Funai starts the Japan Marketing Center(now renamed Funai Soken Holdings).

September 1970
Members-only Cosmo Club established.

1972
Yukio Funai's *Henshin Shoho* (Commerce in Change) becomes a bestseller.



1981
Preparing for stock listing.

March 1985
Name changed to Funai Consulting.

September 1988
Listed as a Specially Designated Stock on the 2nd Section of the Osaka Stock Exchange.



March 1990
Tadashi Moto'ori is appointed the 2nd president, coinciding with a shift from predominantly the distribution industry to the service industry.

June 1993
Stock reclassified on OSE 2nd section.

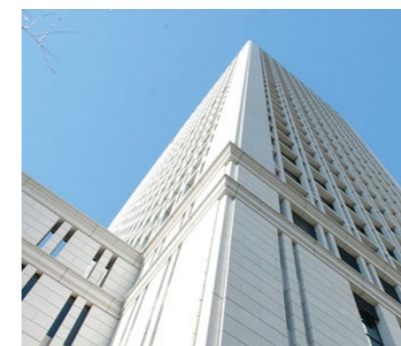


February 2000
Funai Information Systems established (renamed Funai Soken IT Solutions in July 2014).

March 2000
The 3rd President Masahiko Koyama launches the "change of gears" to achieve financial and workforce growth.

December 2004
Stock listed on the Tokyo Stock Exchange 2nd section.

December 2005
Stock reclassified on the TSE and OSE 1st section.



February 2010
Inaugural annual Great Company Awards held.

March 2010
Sakae Takashima is named the company's 4th president, implementing group policy of self-control, autonomy, and teamwork.

January 2012
Funai Consulting Shanghai established.

January 2014
Funai Soken Logistics becomes a wholly owned subsidiary.

July 2014
Transition to holding company structure. Funai Consulting renamed Funai Soken Holdings; consulting arm spun off as the new Funai Consulting; sales support arm spun off as Funai Soken Corporate Relations.

February 2015
Proseed becomes a wholly owned subsidiary.

February 2018
HR Force established.

June 2018
Shinwa Computer Service becomes a wholly owned subsidiary.

March 6, 2020
50th anniversary of the group's founding.

March 2021
Takayuki Nakatani is appointed president, and a new set of core values, the Funai Way, is established for the group's management.

April 2022
Tokyo Stock Exchange reorganizes market segments; Funai Soken Holdings shares now listed on the Prime market

July 2022
Funai Soken Corporate Relations and Shinwa Computer Service merge to create a new company: Funai Soken Digital Inc.



Real Strengths Forged in Experience

Throughout the Funai Soken Consulting Group's steady growth over the past half century, we have amassed a wealth of strengths, and these have enabled us to thrive in good times and bad through prudent application of sensible strategies. We will continue to add to those strengths as a vehicle for creating new group value.



Japan's Leading Consultant for Mid-scale Companies and SMEs

As Japan's foremost specialists in management solutions for mid-scale businesses and SMEs, we have developed a unique capacity for offering proprietors across-the-board support from early strategy planning to final implementation and embedding.



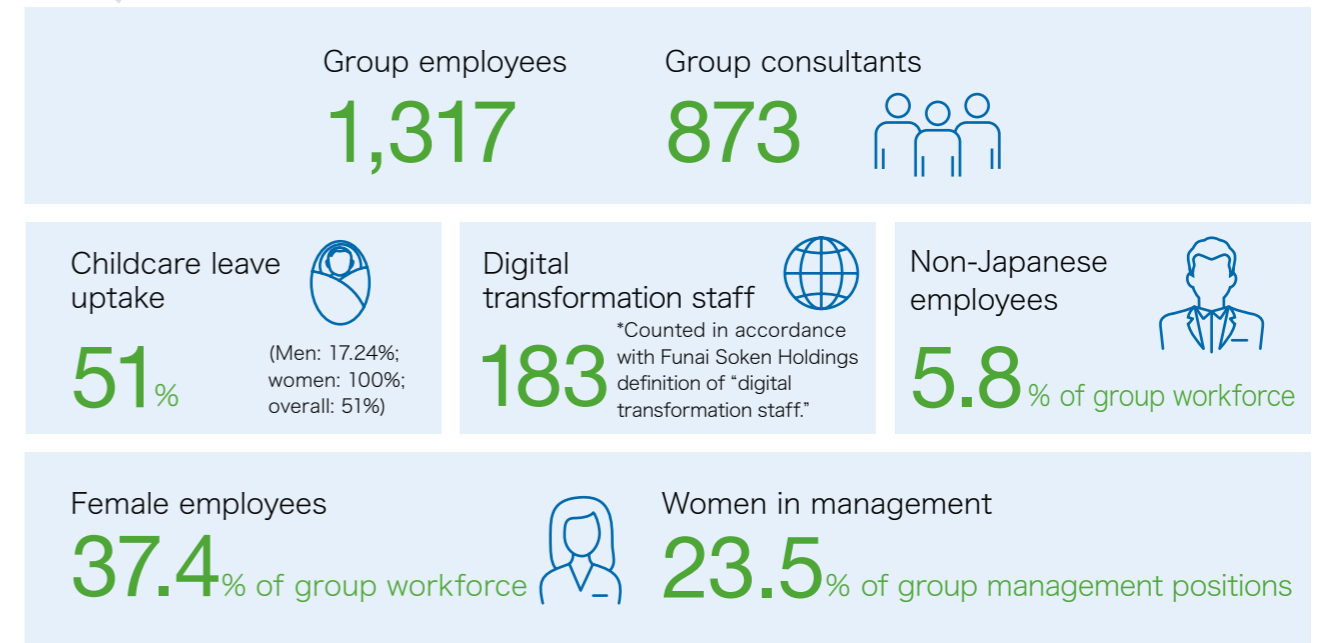
Wide-Ranging Client Base

Our pool of management workshop clients is one of the largest among all consulting firms in Japan. In recent years, we have begun holding workshops in Shanghai, where they are regarded as being unlike those found anywhere else in the world.



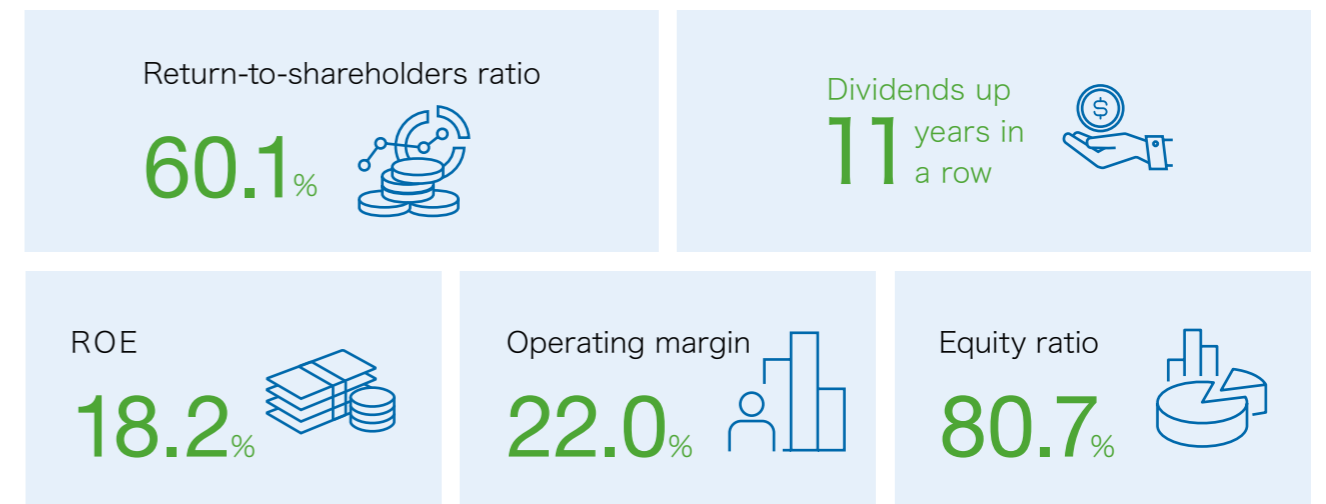
A Diverse Workforce

A diverse workforce of talented people is vital for sustaining the group's development. We are committed to enhancing our talent management capabilities and maintaining an environment that enables our people—the true drivers of our growth—to make the most of their strengths.



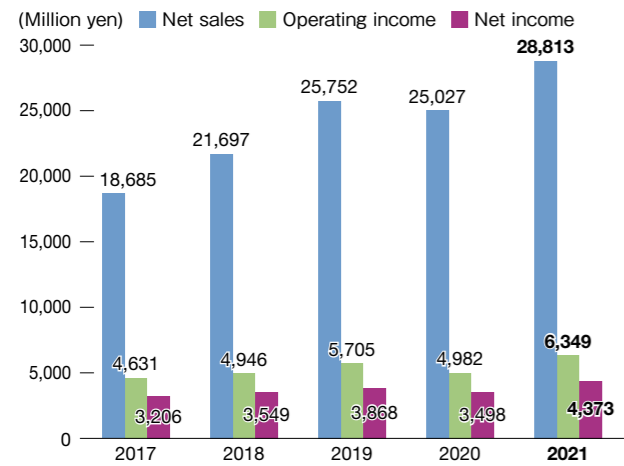
A Solid Financial Foundation

Our high ROE and equity ratio provide a solid financial foundation to underpin our ongoing quest for sustained improvements in corporate value through growth investments, as well as shareholder value through steady shareholder returns.

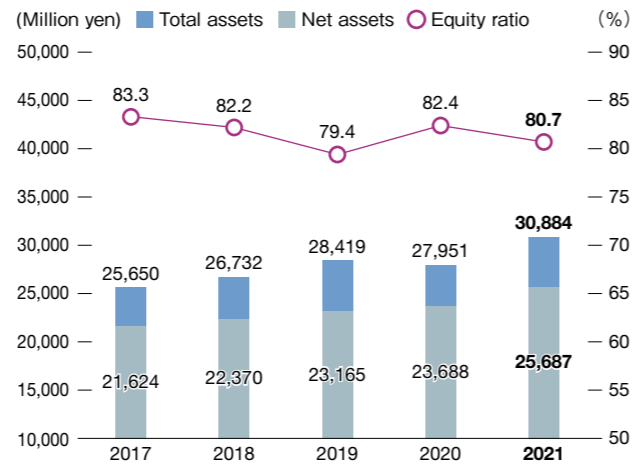


Financial Highlights

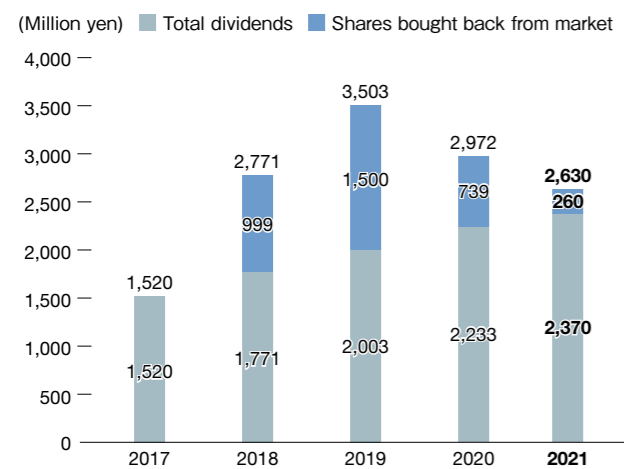
Net Sales, Operating Income, Net Income



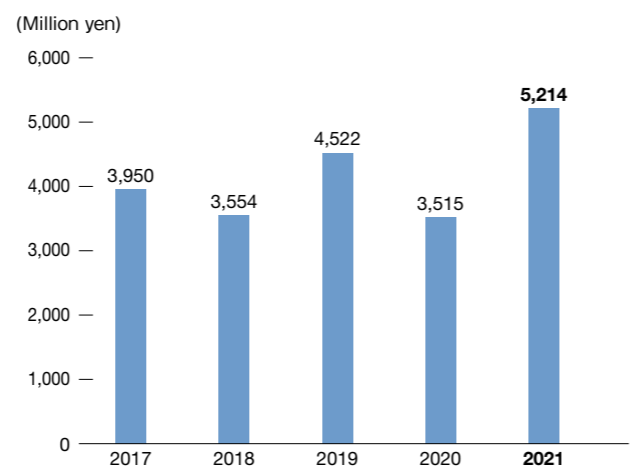
Total Assets, Net Assets, Equity Ratio



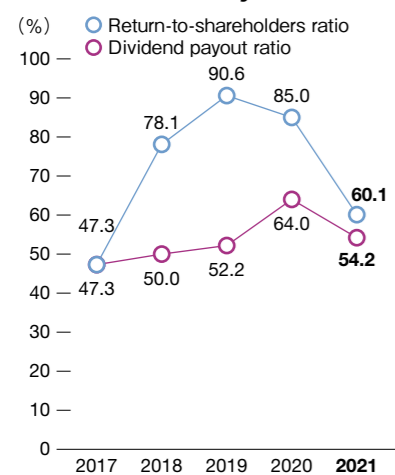
Total Dividends & Share Buy-back



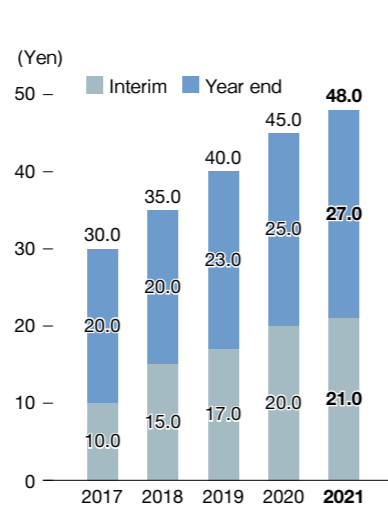
Operating Cash Flow



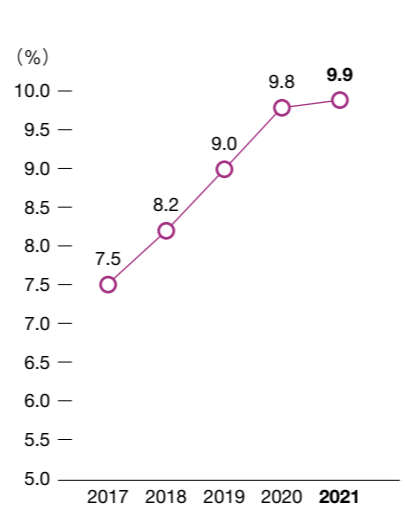
Return-to-Shareholders Ratio & Dividend Payout Ratio



Dividend Per Share*



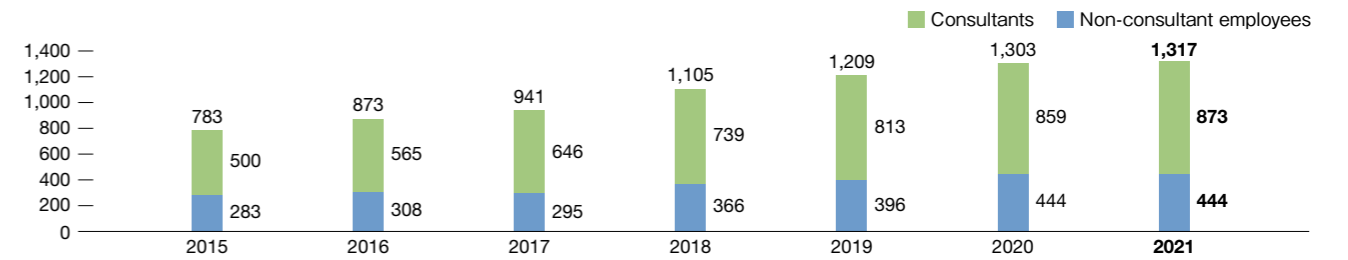
Dividend on Equity



*Common shares in Funai Soken Holdings were split at a ratio of 1.5-for-1 on January 1, 2018. For the purposes hereof, annual dividend per share is calculated as if the stock split had been conducted at the beginning of FY2017.

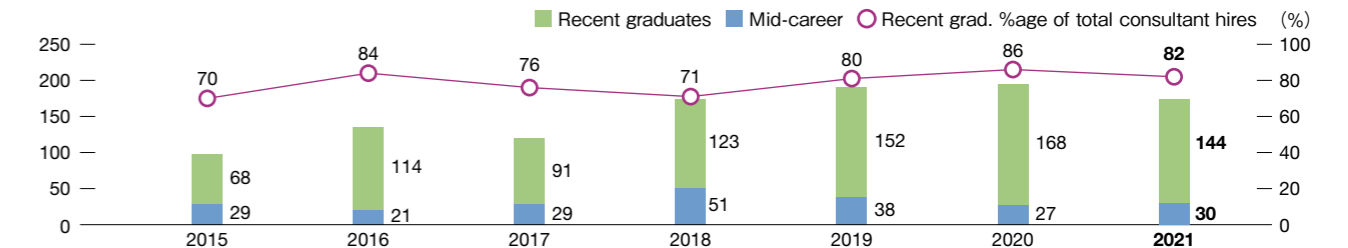
Non-Financial Highlights

Employee & Consultant Numbers for the Entire Funai Soken Consulting Group



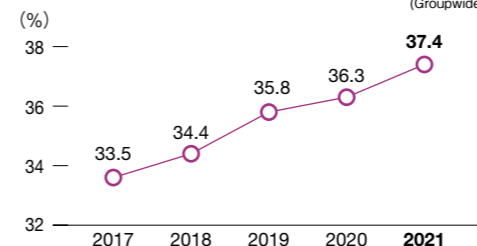
Our people are our most valuable asset and our biggest investment. Our goal is to reach a workforce of 1,500 people across the Funai Soken Consulting Group in 2022.

Consultant Hiring: Recent Graduates & Mid-Career Hires

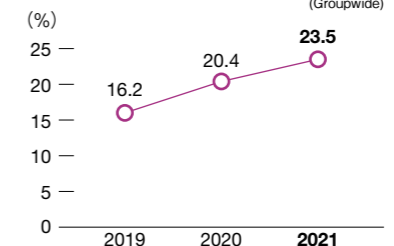


We are recruiting aggressively, and are known for hiring large numbers of recent graduates.

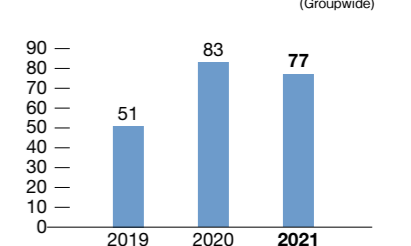
Women in Our Workforce



Women in Management Positions



Non-Japanese Employees

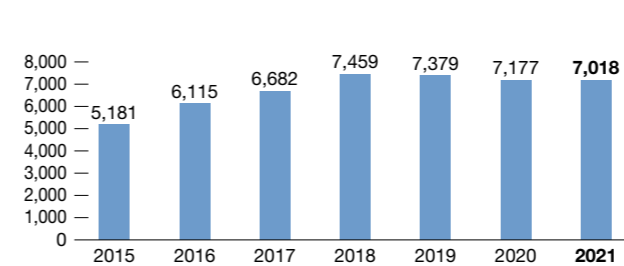


*The percentage of the Funai Soken Consulting Group workforce made up of women, and the percentage of group management positions held by women are increasing, but we need to do more. To that end, we provide management training for women and offer a broad range of working styles.

*The base date for calculating women in management positions has been changed from January 1 to December 31. Figures published last year (which showed 16% for 2019 and 22% for 2020) have been revised to reflect the change.

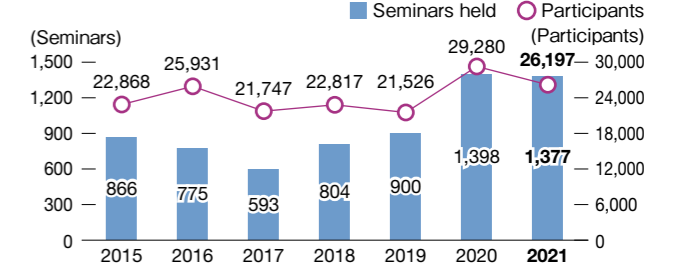
At Funai Consulting Shanghai and throughout the whole group, our workforce is becoming increasingly international.

Management Workshop Members



Management workshops are one of our group's foremost platforms, bringing together business proprietors to study challenges facing specific industries, business types, and solution categories.

Seminars & Participants



Seminars help proprietors and executives find solutions to business management problems. They are the ideal point of first contact where we can meet prospective clients.

The Value Creation Process

Challenges Facing Society > Business Risks [▢ P57](#) > High-materiality issues [▢ P35](#)

Management Capital

Financial Capital
Consolidated operating income
6,349 mil. yen
Total assets
30,884 mil. yen

Intellectual Capital
A long, proven track record
52 years so far
Strengths lie in marketing (growth support) solutions offered by teams of consultants specializing in specific industries and solution categories

Social Capital
Client companies: 10,000+ (groupwide)
Seminars held: 1,377
Management workshop members: 7,018
"Shacho Online" platform for business proprietors: 5,159 subscribers
Seminar participants: 26,197

Human Capital
Employees: 1,317 (groupwide)
Consultants: 873 (groupwide)
Digital transformation staff: 183 (groupwide)
Non-Japanese employees: 5.8% of group workforce
Female employees: 37.4% of group workforce
Women in management: 23.5% of management positions groupwide

Our Strengths

Clients' needs
We offer services optimized to meet clients' needs based on state-of-the-art business models

[Real Strengths Forged in Experience] [▢ P05](#)

- Japan's leading consultant for mid-scale companies and SMEs
- Wide-ranging client base
- Diverse workforce
- Solid financial foundation

Our Mission [▢ P01](#)

Our Vision for the Future [▢ P01](#)

The Funai Way [▢ P01](#)

Growth Strategies [▢ P11](#)

Corporate Governance [▢ P47](#)

Value Creation Drivers

Creating Value Groupwide

[Three Business Segments [▢ P19](#)]

Consulting [▢ P21](#)

Logistics [▢ P33](#)

Other Businesses [▢ P34](#)

Industries Served

Housing, real estate	Manufacturing
Healthcare, nursing care, welfare	Education, childcare, schools
Certified professional services	Dining, food
Specialist services	HR business
Mobility	Amusement
Environment, energy	Finance
Public, gov't services	

Solution Categories

M&A, IPO	IT, systems development
Overseas markets (China)	Digital innovation
HRD	AI, robotics
Contact center	Logistics
Finance	BPO

Value for the Benefit of Society (Outcomes)

Helping to Make the World More Sustainable

SUSTAINABLE DEVELOPMENT GOALS

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	We contribute to our communities through consulting services for mid-scale businesses and SMEs
17 PARTNERSHIPS FOR THE GOALS	8 DECENT WORK AND ECONOMIC GROWTH	We offer support and solutions to help clients implement ESG management
5 GENDER EQUALITY	13 CLIMATE ACTION	ESG and proactive information disclosure are at the core of our group company management

Increasing corporate value (output)

Mid-Range Business Plan (2020-2022) Targets

[▢ P17](#)

Consolidated operating income
7.1 bil. yen

3-year operating cash flow + cash on hand
12 bil. yen + 5 bil. yen = **17** bil. yen

ROE
15+%



On the Cusp of a New Era of Regrowth

Takayuki Nakatani
President and CEO
Funai Soken Holdings Inc.

Review of Last Year, Outlook for This Year

For the Funai Soken Consulting Group, 2021 was a year of major transition.

The graph below shows our performance between 2011 and 2021. After eight straight years of increased sales and income, the impact of Covid-19 in 2020 was severe, leading to a temporary dip in results. 2020 was supposed to be the year we celebrated our 50th anniversary; instead it was a trying time.

When 2021 dawned, we rallied our workforce around a determination to regain lost time

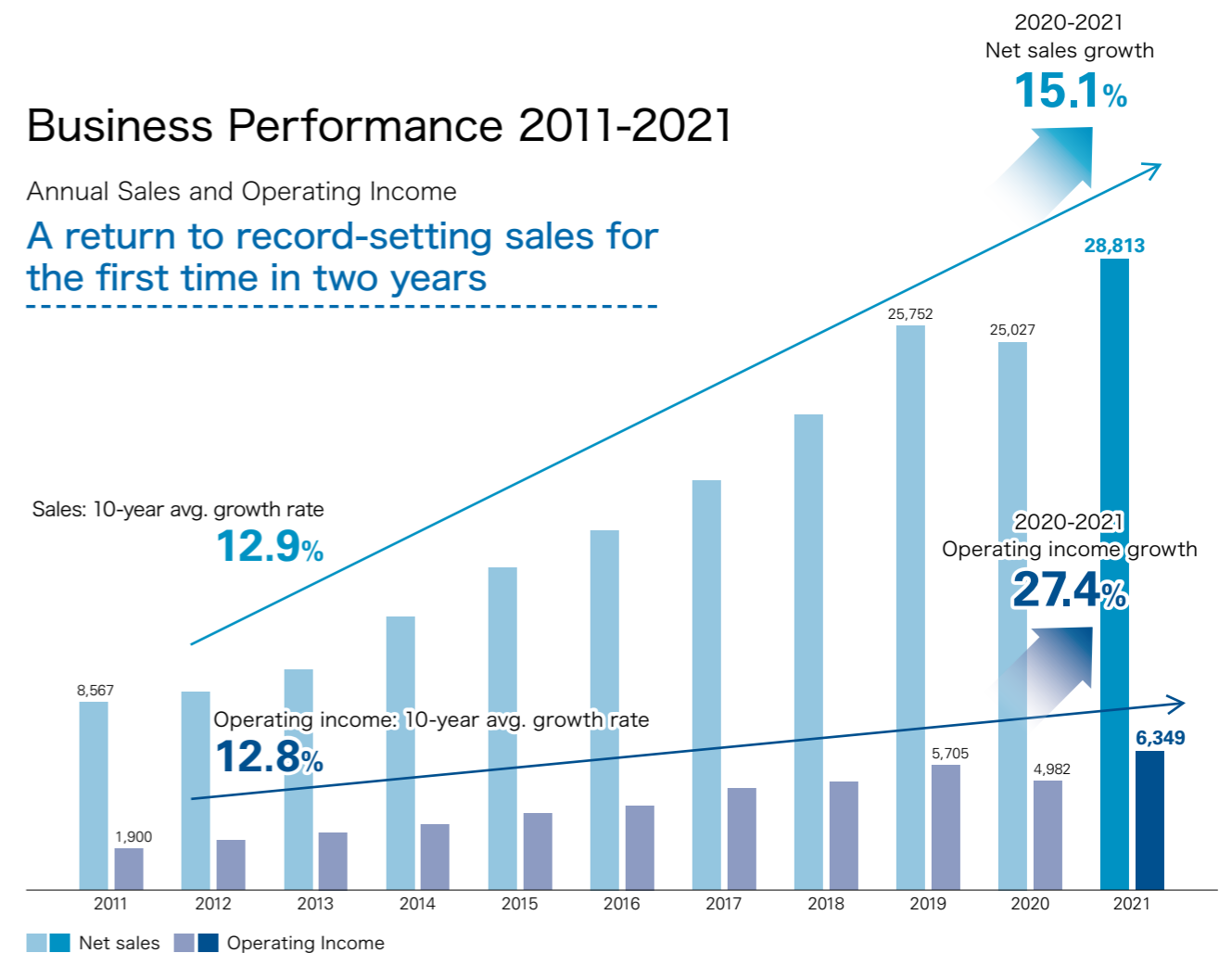
(i.e., our 50th birthday celebrations). The whole group came together to work hard under this slogan, and that concerted effort resulted in not just a return to increased sales and income, but our highest ever figures.

Our focus for 2022, the final year of the current Mid-Range Business Plan (2020-2022), is on regrowth, and we are committed to showing our stakeholders that the Funai Soken Consulting Group remains on the track to strong growth despite the turmoil of the Covid era.

Business Performance 2011-2021

Annual Sales and Operating Income

A return to record-setting sales for the first time in two years



Our Position in the Consulting Industry

The Funai Soken Consulting Group began modestly as a small, sole-proprietor consulting firm. From that, the firm grew into a consulting company focusing on research and marketing for the distribution and service industries in the 1990s, expanding to focus on marketing for SMEs in the 2000s, before becoming a provider of comprehensive management consulting services for SMEs in the early 2010s. The company restructured into a holding-company-and-operating-companies group structure in the late 2010s, and has further developed into the nation's number one consulting group, a provider of comprehensive management consulting services for mid-scale companies and SMEs. Today, we are ideally positioned to offer world-class services in three key areas:

- ① Comprehensive management consulting services for SMEs
- ② Digital transformation consulting for SMEs, and
- ③ Comprehensive management consulting services for mid-scale companies.

① Comprehensive Management Consulting Services for SMEs

We are as committed as always to being there for SME proprietors, and we continue to expand our range of solutions to provide solid support for those vital decisions. One of our core strengths is the ability to break these solutions down into specific sectors, which allows us to maintain strong ties with clients and sustain profits. This year, we are working to add new industries and clients, and focusing on boosting workshop membership. Other developments include digitalization and improvement of existing solutions for offering as digital transformation solution models, and

harnessing group synergies in an effort to boost average client spend and lifetime value.

② Digital Transformation Consulting Services for SMEs

Our aim is to establish ourselves as a one-stop provider of a full line-up of digital transformation solutions for SMEs—not just consulting, but also systems development, implementation, operation, and maintenance—and we are expanding digital offerings to make this happen. In December 2021, we announced our partnership with Zoho Japan to provide industry-specific digital services and digital solutions staff training, and in July 2022 we launched a new company, Funai Soken Digital, which will further enhance our presence in the digital space. By applying the group's core strengths in management consulting services for SMEs to the development of a new source of clients, we hope to make digital solutions a future growth leader.

③ Comprehensive Management Consulting Services for Mid-Scale Companies

Although our focus has traditionally been on consulting for SMEs, the increase in recent years of requests for support from mid-scale companies has led us to expand our scope to incorporate this untapped market without compromising our commitment to SME clients. From management support for existing clients wanting to grow to mid-scale status, and an expanded range of IPO consulting solutions now that we are a certified J-Adviser for the Tokyo Stock Exchange's Tokyo Pro Market, to day-to-day efforts like building stronger ties with local banks, we are expanding our menu of consulting solutions for mid-scale and larger corporations.

How the Zoho Partnership Benefits Us and Our Clients

If the Funai Soken Consulting Group is to become a substantial presence in the digital transformation sector, typical IT vendor deals are not enough; we need to pursue our business in a way that suits us as much as the market. Previous collaborations with Google and Indeed contributed significantly to our bottom line, and those successes were due in part to those companies' global presence and top share of their respective markets. That is why we are truly excited by Zoho, a suite of cloud-based solutions to help businesses digitalize their operations and improve efficiency. Of course similar tools abound these days, but Zoho's CRM solutions for SMEs are genuinely top-class, and are used by more than 75 million people at more than 250,000 organizations worldwide. That close match of Zoho's client base and ours is significant, and was one of the factors behind our decision to partner with Zoho.

Nonetheless, given our standing in the industry, our large workforce of expert consultants in all industries providing unique solutions to mid-scale

and SME clients, and our status as Zoho's sole Prime Partner in Japan, a typical vendor deal that involved simply promoting their tools to our clients would not have been a good fit for us. But by deftly combining Zoho with our industry-specific solutions, we are enhancing our ability to provide services that others cannot.

Under the partnership, Funai Soken Digital becomes the exclusive provider of Zoho's digital solutions staff training content in Japan. More than just a digital solutions provider, Funai Soken Digital has also inherited Funai Consulting's huge wealth of training operations expertise.

Our intention is to help society overcome a major challenge—the current lack of digital solutions staff for SMEs—by establishing a training and certification system founded on a Zoho-based curriculum. Moreover, we hope that this Zoho certification will help us, the Funai Soken Consulting Group, bridge our own digital solutions staff gap by providing a ready supply of trained, certified candidates.



High Hopes for Funai Soken Digital

On July 1, 2022, two group companies merged to form Funai Soken Digital.

The main objective of the merger is to establish an organization to handle all facets of digital solutions consulting, a vital addition to bolster the group's line-up of consulting services.



Our aim is to offer digital solutions to mid-scale and SME clients, and Funai Soken Digital will be the vehicle for that.

The merger, which brings together Funai Soken Corporate Relations, which focuses on online marketing and sales support, and Shinwa Computer Service, a systems development company, is just the start. Moving forward, we will seek to fill in the organizational and functional gaps and provide a more seamless range of services by hiring more digital solutions staff and pursuing M&As where necessary.

Success depends on our ability to secure a pool of talented engineers. The merger and business expansion has set a platform for aggressive hiring and training, and we hope to parlay that into ongoing growth.

We are Serious About Diversity and Inclusion

When Yasuko Murata was appointed the new president of HR Force at the end of March 2022, she became the second female president of a Funai Soken Consulting Group company, following Lang Luyuan of Funai Consulting Shanghai.

I think the appointment of Ms. Murata, who began as a consultant with Funai Consulting, brings a solid balance to management. It is also in keeping with our targets for increasing female participation in management and our workforce overall: we hope that by 2030, at least 30% of management positions will be held by women, and that women will make up at least 40% of our workforce and 30% of consultants.

Making adjustments to our working styles to be a better fit for female consultants is nothing new for us, but the sudden move to online work

during the Covid-19 pandemic has amplified the effect. Prior to Covid, the physically grueling work of consulting for clients all around the country meant there was a higher burnout rate among women, which left the impression that consulting was a "man's job." But the increasing normalcy and acceptance of online consulting has reduced the need for travel, meaning that women can function as consultants without overdoing it too much.

We are also widening recruitment to include more non-Japanese talent. In October 2021, Funai Consulting welcomed two new employees from India, one man and one woman, and the company is eager to do the same again in 2022. This is significant to our global strategy, as India is the second most populous nation after China, and we are laying the foundations today for a

ten-year strategy.

Funai Consulting's developments and Proseed's long-standing practice of hiring non-Japanese people are indicators of the fact that

female executives and a multinational workforce are no longer strange or exotic, but natural parts of the Funai Soken Consulting Group experience.

Addressing Immediate Challenges

One of the main challenges we face today is boosting employee retention. Last year, attrition was somewhat high, particularly among younger employees. One factor was our struggle to communicate effectively amid the changes wrought by Covid, as hiring was done completely online and the employees' initial interaction with senior colleagues and clients were all limited to the online sphere.

Recognizing that the Covid chaos affected our ability to maintain our long-standing culture

of looking after newcomers, we look forward to making the necessary adjustments and ongoing improvements, and pursuing better working practices so as to halt employee attrition and increase retention.

Hiring is equally important, too, and I am confident that our ongoing recruitment of consultants, coupled with accelerated hiring of engineers at Funai Soken Digital, will contribute to healthier workforce numbers throughout the group.

In Conclusion

We are currently formulating a new "corporate purpose," which we plan to unveil together with the new Mid-Range Business Plan in 2023. Beyond our well-documented devotion to helping each client improve their bottom-line performance and achieve positive management outcomes, our growing presence has led to a general curiosity about our greater purpose in society, and the roles we play within society and the economy at large. As I see it, our work of helping mid-scale and SME clients'

proprietors and employees achieve dramatic improvements in quality of life has a significant social influence, contributing to positive changes within companies, in communities, and across societies.

For now, our focus is on accomplishing the goals for the final year of the current Mid-Range Business Plan, and on designing something even better for the future. We are grateful to all our stakeholders for your ongoing understanding and support.

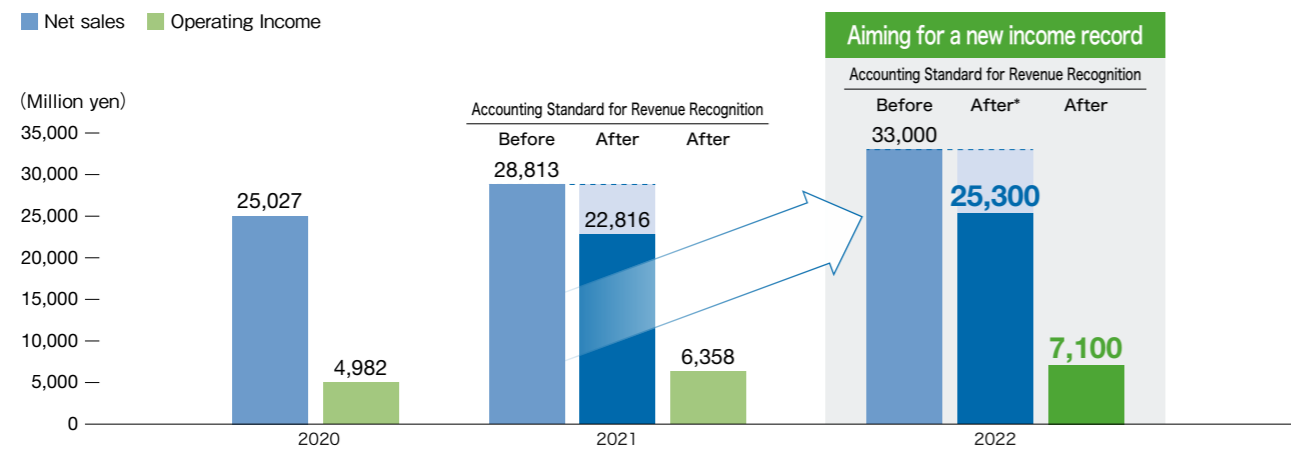


Mid-Range Business Plan

Targets

Our goal for FY2022 is sustainable growth of at least 10%; our targets are sales of 25.3 billion yen (under the Accounting Standard for Revenue Recognition) and a new record for operating income of 7.1 billion yen.

Net Sales and Operating Income 2020–2022: Performance & Targets

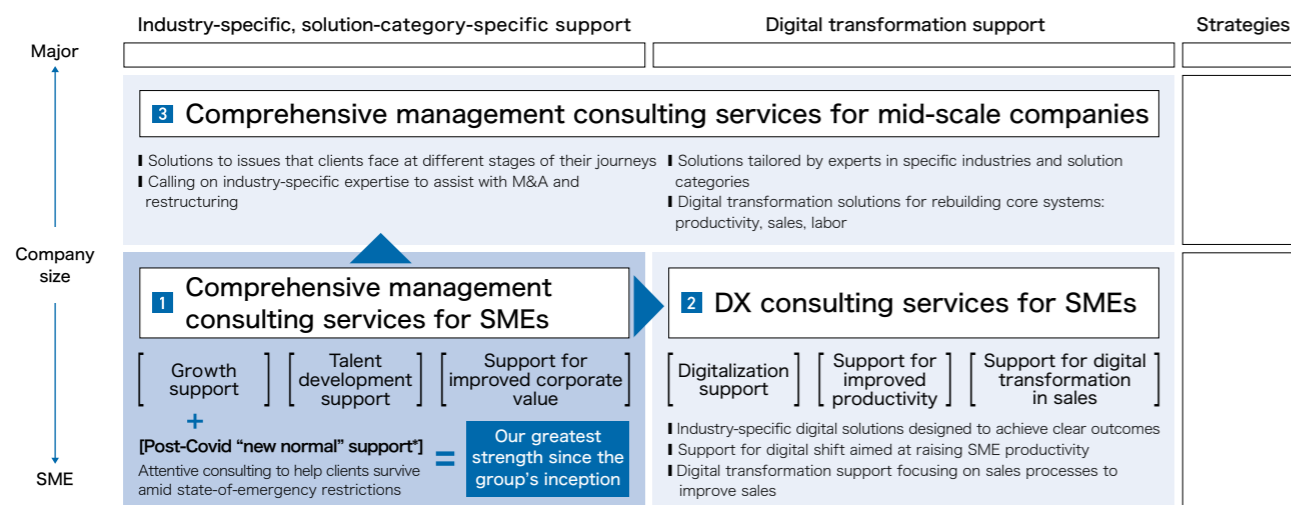


*We adopted the Accounting Standards Board of Japan's Accounting Standard for Revenue Recognition beginning in FY2022. The main impact of this has been a decrease in net sales of 7,700 million yen as only the portion of ad listing agency sales comprising the company's fees can be listed as sales. The effects of this change on operating income are minor.

Business Strategy: Our Vision for the Funai Soken Consulting Group

Attentive support to help existing clients adjust to the "new normal" of the post-Covid era. Step up digital transformation consulting for SMEs and comprehensive management consulting services for mid-scale companies.

Ideally Positioned to Capture Consulting Needs



*Aimed at helping clients shape the "new normal" of the post-Covid era from a business management standpoint.

Human Resource Strategy

Create an environment that allows a diverse workforce to harness its individual strengths in the post-Covid era, and start a cycle of hiring, professional development, and empowerment to generate sustained growth.

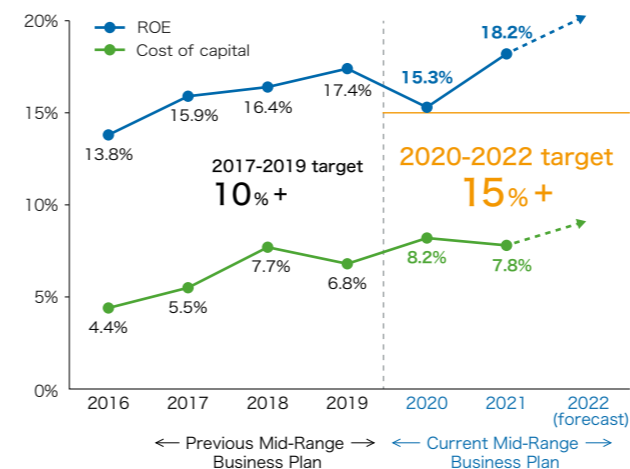
	Human Resource Strategy: Mid-Range Business Plan (2020-2022)	Human Resource Strategy: 2021 Outcomes and Plan Progress
1 Hiring	<p>Groupwide workforce of 1,500 by 2022 (increase by approx. 300)</p> <ol style="list-style-type: none"> Ongoing aggressive hiring of consultants (200–250 per year) Expand hiring of digital transformation staff Step up hiring of non-Japanese (esp. in Shanghai) Hire more qualified professionals 	<p>Progress Employees: 1,317 (groupwide; up 108 from 2019)</p> <p>Underway 32 digital transformation staff hired by Funai Consulting in 2020-2021</p> <p>58 non-Japanese hired throughout the group in 2020-2021</p>
2 Development	<p>Rebuild accelerated development programs for an expanding workforce</p> <ol style="list-style-type: none"> Establish a Talent Development Center Swift development of digital transformation staff, maximize consultants' employee lifetime value Continued accelerated development of team leaders (target: promotion to team leader within 5 years) <p>In 2019: 3 years 8 months</p>	<p>Underway Talent Development Center opened; consultant training programs expanding</p> <p>Groupwide rollout of consultant enablement (a program to develop the skills needed to help clients improve business performance) is accelerating skill uptake and improvement among young employees</p> <p>Development of a digital training curriculum is adding momentum to digital transformation staff development and reskilling</p> <p>Target achieved In 2021: Promotion to chief-level position: 4 years 1 months</p> <p>*Career tracks have been diversified and the previous title "team leader" has been split into four positions eligible for accelerated development (target: promotion within 5 years): leader, chief consultant, chief expert, chief professional</p>
3 Empowerment	<p>A rewarding environment for a diverse workforce</p> <ol style="list-style-type: none"> Establish and embed a new assessment system based on four major career paths <ol style="list-style-type: none"> Consultant development course Business development course Corporate professional course Management course Flexible working arrangements for improved efficiency <p>Expand remote support services to reduce the need for consultants to travel</p>	<p>Underway New career courses introduced to encourage a more diverse workforce. Establishment of systems enabling employees to change career courses, take up in-group job offers, or transit between departments has led to better placement of the right people in the right positions (transits were up from 8 in 2020 to 26 in 2021)</p> <p>Increasing delivery of support services online (more than 50% in 2021) has given rise to a hybrid style of more frequent visits, combining in-person and online.</p>

Financial Strategy: Capital Policy, Shareholder Returns Policy

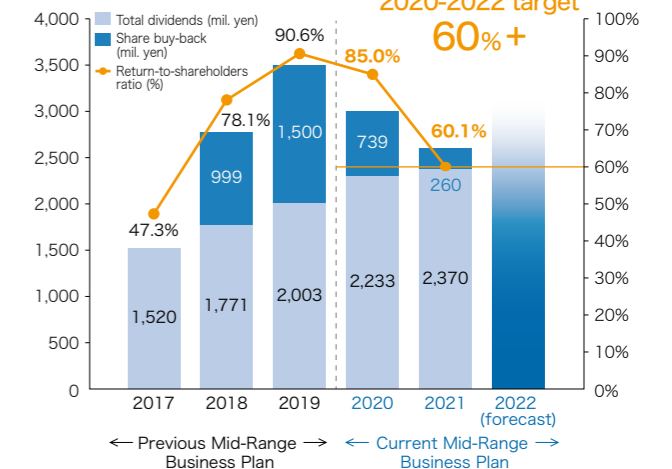
Amid residual impact from Covid-19 in 2021, we undertook a share buy-back. By acquiring treasury shares, we aimed to improve capital efficiency to a consolidated ROE of at least 15% and raise the return-to-shareholders ratio to at least 60%. Ultimately, we achieved those goals, with a consolidated ROE of 18.2% and a return-to-shareholders ratio of 60.1%.

We remain committed to achieving the targets of 2022, the final year of the current Mid-Range Business Plan.

Consolidated ROE and Cost of Capital: Outcomes and Targets



Total Dividend and Return-to-Shareholders Ratio: Outcomes and Targets



What We Do: Our Three Business Segments at a Glance

To better concentrate our resources on businesses that can generate sustained returns in excess of cost of capital over the mid-to-long term, our portfolio is configured around businesses with earning potential and growth potential.

Consulting

Funai Consulting Inc.	Management consulting	<ul style="list-style-type: none"> Growth support for SMEs: Industry-specific, category-specific consulting Digital transformation consulting Comprehensive management consulting services for mid-scale companies
Funai Soken Digital Inc.	BPO & consulting	<ul style="list-style-type: none"> Online marketing, sales support System integration Systems development services, digital solutions staff training
Funai Consulting Shanghai Inc.	Management consulting	<ul style="list-style-type: none"> Primarily China

Logistics

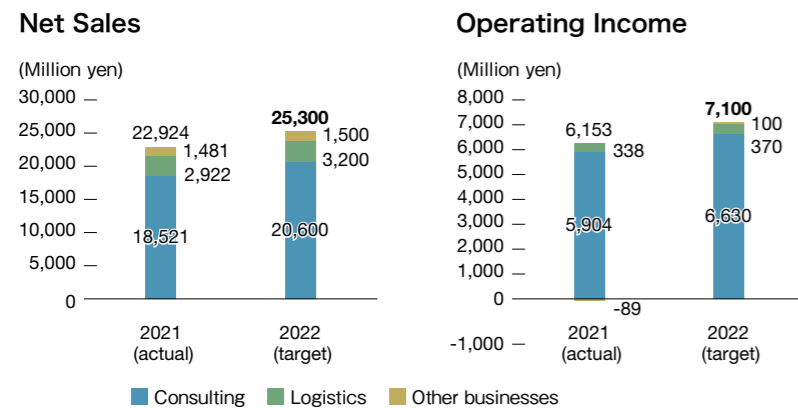
Funai Soken Logistics Inc.	Logistics consulting, operations, and trading
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Other Businesses

Funai Soken IT Solutions Inc.	IT consulting
Proseed Corporation	Contact center management services
HR Force Inc.	Direct recruiting

*Figures are shown for new segment configuration adopted in FY2022. In the performance by segment shown below, the new configuration has been applied retroactively to FY2021. See p. 34 for more details on segments.
 *We adopted the Accounting Standards Board of Japan's Accounting Standard for Revenue Recognition (ASBJ Statement No. 29) beginning in FY2022. Net sales and operating income for FY2021 are estimates to which that standard has been applied.

Performance by Segment (FY2021 Actual; FY2022 Target)



- Reporting segments have been revised: Direct recruiting was previously a separate segment, but has been incorporated into the other businesses segment starting in FY2022.
- Shinwa Computer Service, whose contribution was previously included under "other businesses," was merged with Funai Soken Corporate Relations (now Funai Soken Digital) on July 1, 2022. Therefore, its contribution is now shown in the consulting segment.

Business Management Climate & Mid-to-long-term Strategies

During the current Mid-Range Business Plan period, 2020–2022, we intend to generate more momentum for our core consulting segment, and particularly pertaining to digital transformation consulting services for SMEs. Moreover, we will endeavor to leverage intra-group alliances to better enable ourselves to offer a comprehensive range of management consulting solutions for mid-sized companies.

Business Strategy

We will expand our line-up of comprehensive management consulting solutions and cement our presence as the go-to solutions platform for mid-scale and SME proprietors, for instance by offering existing clients attentive post-Covid "new normal" support to help them cope amid the related upheaval, strengthening digital points of customer contact through digital innovation, and furthering the digital shift in consulting.



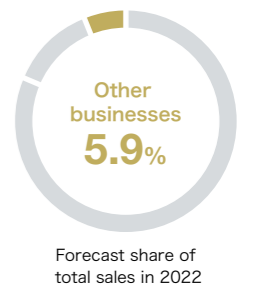
Business Strategy

We aim to build Japan's most extensive logistics foundation around consulting, community, networks, and databases, enhancing operations in existing domains to cement our position as a comprehensive provider of logistics solutions.



Business Strategy

We aim to expand our client base in the contract center management business, and maintain our high rate of direct recruiting contract renewals, thus striving to move beyond sales growth toward solid improvements in profit margins. To this end, we will continue to invest resources in growth areas with the potential to become the group's future core businesses.



Human Resource Strategy

Use the core values shared throughout the whole group as a solid base for an environment that allows a diverse workforce to harness its individual strengths, and start a cycle of hiring, professional development, and empowerment to generate sustained growth.



Our Consulting Business Model

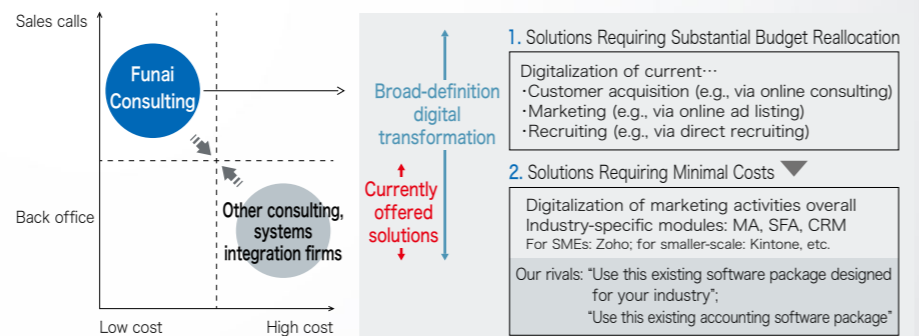
Those Who Take a Different Approach Find Untapped Potential

In the digital transformation consulting market, the typical vendors—major system integration companies—have so far avoided the SME and mid-scale segment because of its supposed low profit potential. But we see it as very promising.

We believe that a client's successful digital transformation begins pre-DX with "analog transformation": assessing their business as it is, and making improvements to operating, marketing, and work processes, and administrative methods. Funai Consulting's solutions let clients immediately see and feel the benefits of DX in marketing (i.e., sales calls) by providing broad-definition digital transformation tools tailored to the client's specific industry and sector. This is followed by support in the form of easy-to-use SaaS tools and low-code development tools. Our aim is to create new value as a digital transformation accelerator for client companies.

Funai Consulting's Ideal Digital Transformation Consulting

Begin with marketing solutions to let clients get a taste of the benefits



1 Market conditions

2 Changes in clients' business climate

3 Competition

4 Digital transformation strategy

5 Helping promising local SMEs grow to mid-scale

6 Our consulting business and its strengths

7 Group synergies

8 Risks and opportunities



Creating Value: Our Consulting Business

Growth and digital transformation to help clients thrive in the post-Covid "new normal"

Daisuke Shingai
President and CEO, Funai Consulting Inc.

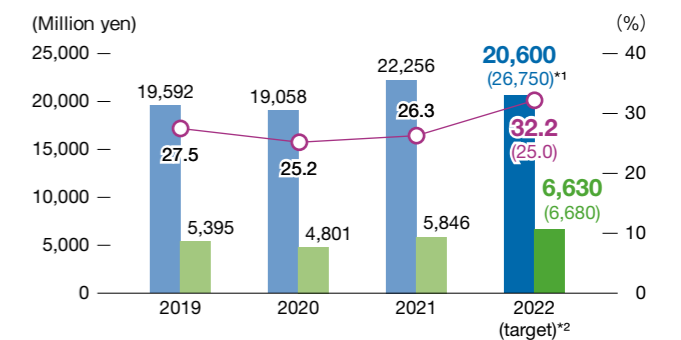
Three Core Categories of Support

- Growth support for SMEs: Industry-specific, category-specific consulting
- Digital transformation consulting: A team of specialists offering an expanding line-up of industry-specific modules
- Comprehensive management consulting services for mid-scale companies: Helping promising local SMEs grow to mid-scale

1 Market: Conditions & Demand for Industry-Specific Consulting

Despite the lingering effects of Covid-19, sales of monthly support contracts, one of our core offerings, increased 8.2% year-on-year in 2021 as the shift to online seminars proved fruitful and referrals from existing clients and direct sales activity resulted in a solid increase in orders.

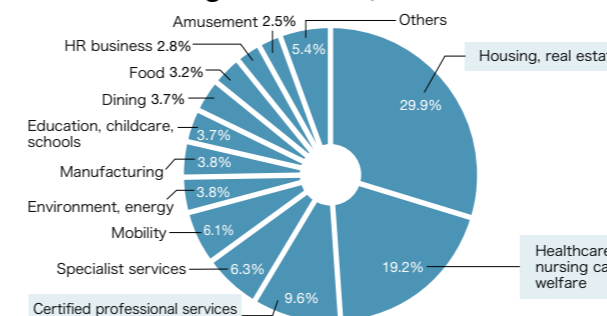
In particular, sales returned to pre-Covid 2019 levels in Funai Consulting's main market segments, up 12.7% year-on-year in the housing and real estate segment, and 13.0% in healthcare, nursing care, and welfare. Meanwhile, in the digital transformation consulting business, we continue to meet clients' DX needs with a combination of consultants with industry-specific expertise and other specialists from inside and outside the group. There has been a sharp uptick in demand for digital transformation from the manufacturing industry, and results were also solid in the funeral services industry following our advance rollout of digital transformation modules.



■ Net sales ■ Operating income ○ Operating margin (Excl. intra-group & whole-group transactions)

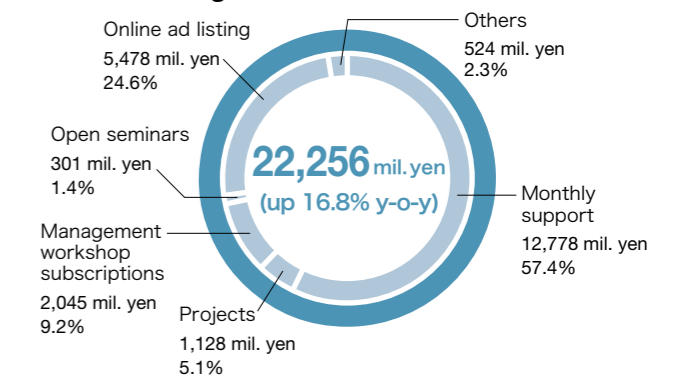
1. Due to the company's adoption of the Accounting Standards Board of Japan's Accounting Standard for Revenue Recognition starting in FY2022, consolidated net sales have reduced 6,150 million yen compared with pre-adoption figures.
2. The Accounting Standard for Revenue Recognition has been applied to 2022 forecasts. Forecast figures to which the standard has not been applied are shown in parentheses. Shinwa Computer Service, whose contribution was previously included under "other businesses," was merged with Funai Soken Corporate Relations (now Funai Soken Digital) on July 1, 2022. Therefore, its contribution is now shown in the consulting segment.

Industries Served by Our Consulting Business (by Share of Sales)



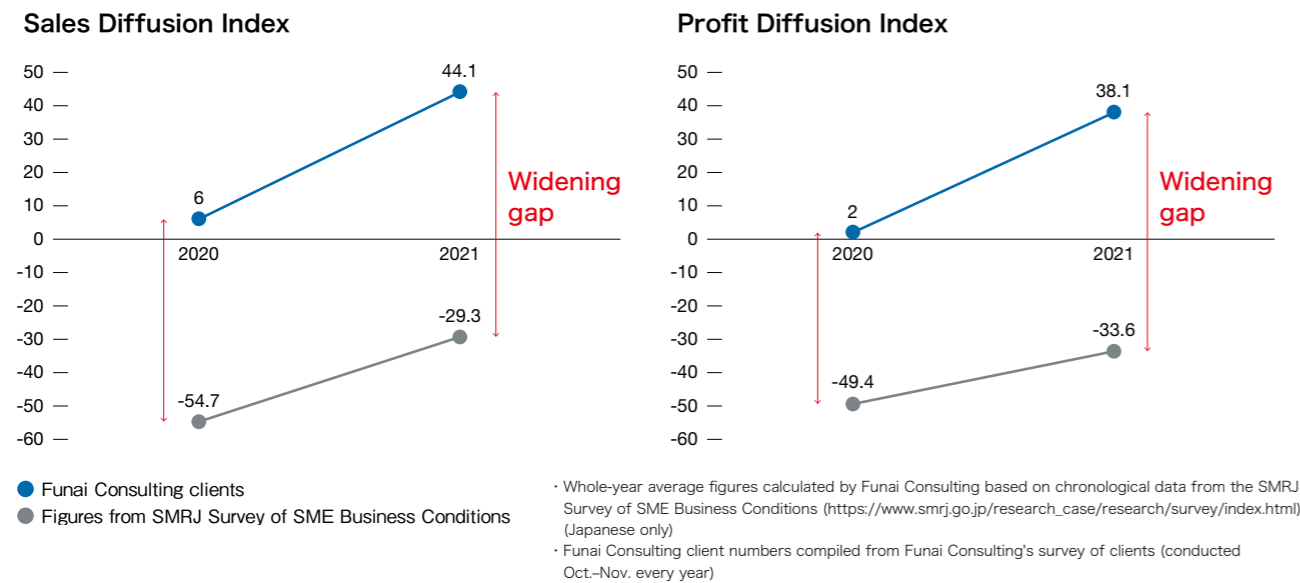
*Figures show sales of consulting contracts, management workshop subscriptions, and open seminar revenues, grouped in accordance with the company's industry classifications, for the January through December 2021.

Main Service Categories of Our Consulting Business (Amts. and Share of External Sales)



2 Changes in Clients' Business Climate

Diverging Fortunes of SMEs in the Covid Era
Covid-era SME Business Performance Diffusion Index



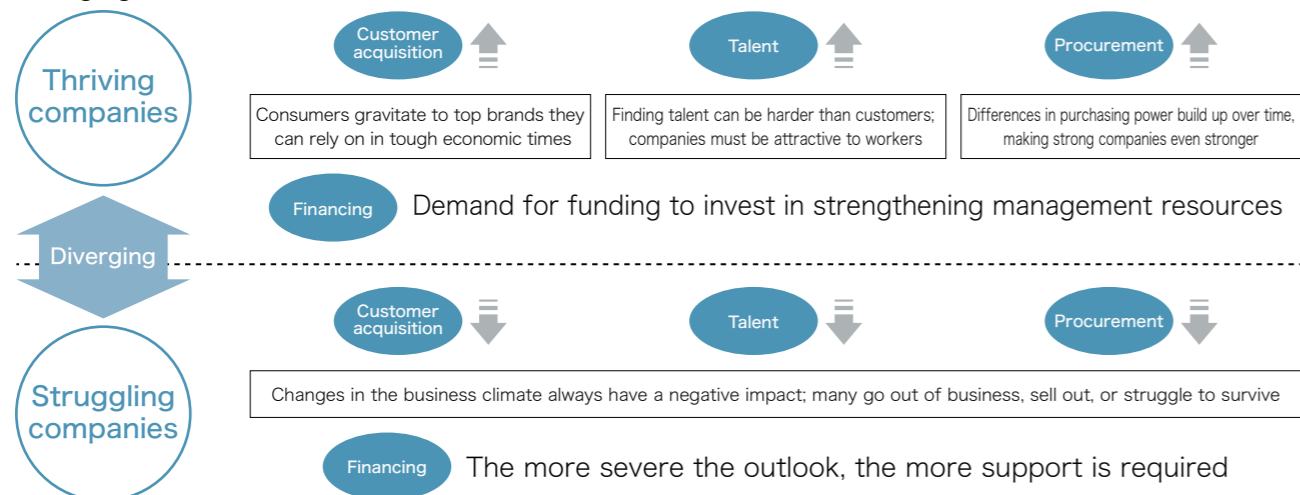
- The diffusion index shows a large gap between Funai Consulting clients and SMEs overall as reported in the Organization for Small and Medium Enterprises and Regional Innovation's (SMRJ) Survey of SME Business Conditions.
- The gap widened from 2020 to 2021 as Funai Consulting clients' business conditions improved.

The diagrams above depict the result of a survey of our clients on the impact of Covid-19, and compares these with a government survey of Japanese SMEs. Although the sample size was modest—2,300 companies, roughly 40% of our total client base—the figures are still significant. The blue line represents the diffusion index of our client companies' results; it shows a trend toward recovery in 2021, despite the lingering effects of Covid. Some of this can be attributed to our consulting solutions, and the fact that our clients tend toward high motivation and energy in the first place.

In contrast, the SMRJ's Survey of SME Business Conditions (grey line) shows that, on average, Japanese SMEs managed to somewhat reduce the negative effects of the Covid dip.

Comparing the blue and grey lines shows that the gap between our clients and the average Japanese SME actually increased from about 50–60 points in FY2020 to 70+ points in FY2021. I hesitate to draw major conclusions from such a short survey duration, but it does seem to support the popular theory of an acceleration in the divergence of economic fortunes.

Diverging Fortunes of SMEs in the Covid Era



3 Competition

Our consulting style is different from that of the foreign-owned “strategic” consulting firms and think tanks in that we specialize in practical, coalface-ready solutions for mid-scale businesses and SMEs, and in our focus on digital transformation consulting to grow market share.

Ideally Positioned to Capture Consulting Needs

This diagram shows our consulting categories and the kinds of clients we offer them to. Simplified for easy viewing, it is designed to give a general overview rather than a detailed examination.

I Client Consulting Needs and Consulting Firm Positioning

	Industry-specific, solution-category-specific support	Digital transformation support	Strategies
Major	PROSEED CORPORATION	IT consulting firms	Foreign-owned consulting firms
Mid-scale	船井咨询 (Funai Consulting Shanghai), Funai Soken Logistics, HRForce	Funai Soken IT Solutions, Funai Soken Digital	Strategic consulting firms, Think tanks, Consulting firms
SME	Comprehensive management consulting services for mid-scale companies, Comprehensive management consulting services for SMEs	Digital transformation consulting for SMEs	

Find and focus on unoccupied niches in untapped markets

*Consulting businesses: Funai Consulting, Funai Consulting Shanghai, Funai Soken Digital
*Logistics business: Funai Soken Logistics
*Other businesses: Funai Soken IT Solutions, Proseed, HR Force

I 3.67 million companies in Japan (per 2021 Economic Census)

3.67 mil. companies in Japan

Current clients 5,461 companies

We offer consulting services tailored to each company's current stage of growth, work closely with business proprietors throughout the process to ensure digital transformation solutions are properly formulated, implemented, and embedded in the quest for improved performance and productivity.

Digital Transformation Solutions: Tailored to Clients' Businesses, Delivered by Industry Experts

Our support for client companies is constantly evolving to ensure they can stay abreast of digital advancements. Clients know that when they come to us for digital transformation help, we can provide the practical, industry-specific solutions that apply the right strengths and characteristics at the

right stage from early strategy planning to final implementation. By focusing on a unique brand of high-value, industry-specific services, we can establish a strong position in the digital transformation consulting market for SMEs, a space where Japanese SaaS vendors are struggling to gain a footing.

I Support Services Evolving Together with Digital Advancement

Growth Support

Monthly support, management workshops, content-based services

Industry A

Digital Transformation Consulting Focused on Growth Support

E.g.: Industry A

A typical SaaS vendor's services are devised for fee-based monetization; our digital transformation support services are built to grow the client's bottom line. Our strategy is to beat the competition by offering what they can't: a full spectrum of support for clients covering everything from initial design to final implementation and utilizing the benefits of business applications and modules made by our partner platforms like Zoho and Kintone.

- Partner with leading platform developers offering superior business applications
- Package these into design industry-specific modules for quicker client applicability
- Insights from business-savvy consultants

We swiftly identify success stories in specific sectors and industries, and use these to develop business models and solutions to propel client companies to growth by opening up new and expanded demand in blue ocean sectors.

Client testimonials (in Japanese) at <https://www.funaisoken.co.jp/voice>

4 Digital Transformation Strategy

A team of specialists offering an expanding line-up of industry-specific modules

With its tight focus on promoting growth (e.g., through improved bottom-line performance and productivity), our digital transformation support is designed to help clients meet digitalization requirements and overcome business management challenges. This year, we are working hard in partnership with leading platform developers to increase our range of business application modules tailored to specific industries.

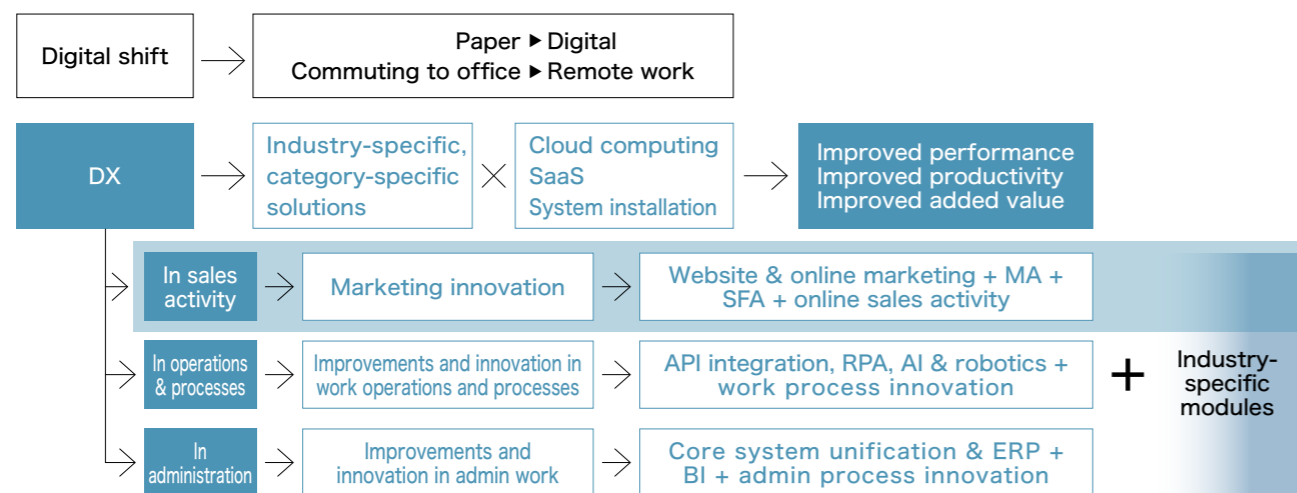
Those "DX modules" are all-in-one packages containing the software templates they need to successfully digitalize specific work processes. No need for the client to build something from scratch;

with our extensive line-up of templates for specific industries, they can simply choose the module with the right templates to realize the appropriate business model in accordance with insightful advice from our expert consultants.



*Sales of digital transformation consulting services

Our Digital Transformation Support Includes...



Funai Partners with Zoho Japan on Digital Solutions Staff Training Services



Signing the partnership agreement. From left: Kazuhiro Oyama, vice president of Zoho Japan; Manikandan Thangaraj, CEO of Zoho Japan (on screen); Takayuki Nakatani, president & CEO of Funai Soken Holdings.

Further Reading

Here is a must-read for business proprietors considering digital transformation for their enterprises, or those in planning or other departments who need to learn the basics of digitalization.

More than just an outline of Zoho, this is a handy "digital solutions buyer's manual," and a great way to understand the ideal path to digital transformation.

- Ranked No. 1 Kinokuniya Shinjuku business category (May 9–15, 2022)
- Amazon SME management category (May 25, 2022)



Funai Soken Holdings entered into a partnership agreement with Zoho Japan on December 28, 2021, under which the Funai Soken Consulting Group becomes the exclusive Japanese provider of digital solutions staff training services using Zoho products.

Using Zoho to Help Mid-scale Companies and SMEs Boost Business Performance and Productivity

At Funai Consulting, Zoho is one of the main digital tools that we recommend to clients. We have a lot of tools at our disposal these days, but Zoho stands out among the crowd, not just because it is practical for businesses in all industries, but also because of its affordability (it was, after all, originally designed with SMEs in mind). Moreover, it is highly versatile—its no-code or low-code nature making it easily customizable—meaning clients can digitalize most of their

work processes with Zoho. In other words, Zoho is ideal for people who are not highly trained experts in digital technologies, and means that even smaller-scale enterprises can have digitalized systems without being tied to specific staff or outside experts.

Our digital transformation consultants are already helping clients install and make full use of Zoho products.

Zoho's Extensive Coverage

Marketing	CRM, marketing automation, chat bots, email newsletter distribution, integrated social media management, forms, heat maps, e-commerce sites, event management, etc.
Sales, customer support	Sales force automation, online contract execution, survey management, simple chat, in-house messaging, etc.
KPI and management data administration	Business intelligence systems
Collaborations	Groupware, workflow and progress management, system linking, etc.
General affairs, personnel, payroll, labor	Personnel and labor management, workplace management, hiring management, etc.
Accounting, finance, settlement, debt management	Management of accounts, inventory, subscriptions, billing, and expenses; online payments, etc.

Funai Fast Systems | Tailored Systems Using Digital Technologies to Help Clients Get a Competitive Advantage

Funai Fast Systems are packages containing applications built using Kintone by Cybozu. No programming is required, so users can build their own apps, customize them, and add all sorts of functions.

Below is one example of a Funai Fast System. Funai Consulting offers this as part of its consulting for more than 100 clients in the funeral services industry. The focus on

improving clients' business performance and the applications focusing on KPIs and sales management data needed to raise the bottom lines is what sets it apart from the typical customer information databases offered by other companies.



Funai Fast System (Tailored for the Needs of Funeral Services Industry Clients)

Standard apps	Client management	Management of basic customer data (e.g., name, address, customer category)
	Pre-funeral consultation management	Management of information e.g., survey responses, consultation, materials distributed
	Funeral information management	Management of information e.g., schedules, meetings, staff assignments, venues
	Follow-up management	Track progress of post-funeral products and services, e.g., purchase of home altar and accoutrements, memorial services, disposal of property
	Event participation management	Management of event participation information
Customizable apps	Funeral service billing	Pre-funeral cost estimates, price quotes, post-funeral invoices
	Flower and offering billing	Manage invoices and receipts for flowers and offerings, track orders
	Funeral service billing	Order forms for MC, buses, taxis, catering, etc.; track orders
	Memorial service billing	Cost estimates and invoices for memorial services
	Incoming payment management	Management of incoming payment data from billing apps
	Funeral venue calendar	Track funeral venues' status
Partially customizable apps	Fleet management	Manage vehicle inspection and refueling schedules
	Woodland burial management	Manage provisional and final plot purchase agreements
	Daily report management	Track daily reports from staff
	In-house FAQ	Manage in-house FAQ data
	Phone call management	Manage information regarding call center inquiries and responses
	Leaflet distribution management	Track leaflets distributed per staff member, per area

5 Helping Promising Local SMEs Grow to Mid-scale

In partnership with community banks, we offer team-based consulting to help promising local SMEs grow to mid-scale, from an annual turnover of two billion yen to ten billion.

Amid a widening gap in the diverging fortunes of SMEs, we at Funai Consulting work with financial institutions to propel client companies to the 10-billion-yen turnover mark. Not only is this a natural extension of our quest to help clients overcome customer acquisition, recruiting, procurement, and funding challenges, but turning more SMEs into mid-scale companies will also drive demand for comprehensive management consulting services for mid-scale companies, which are a major focus of our Mid-Range Business Plan.

Annual turnover of two billion yen is a common plateau for SMEs, where growth seems to stop. A common plea for help is that all their work is reliant on the president and they are struggling to develop staff capable of shouldering the burden, or that they have identified a second core line of business but cannot get it off the ground. The solutions to these problems depend largely on the company's vision for the future.

We have the client work backwards from a goal of ten billion yen in turnover, drawing on our long experience and expertise to formulate strategies for sustained mid-term growth and suggest ways they can strengthen their frameworks and functions. With our partner financial institutions, we are striving to build a platform to extend needed funding to local companies without a main bank.

Working with local banks in this way to draw up road maps for SMEs to upscale, we endeavor to nurture those companies into powerful drivers of their regional economies. Similarly, we hope that working with those banks' consulting departments, which are seen as major revenue earners of the future, will contribute to local economies by broadening the range of industries they can consult for and thereby invigorate the business community.



New Service Tokyo Pro Market Listing Support

Funai Consulting was granted "J-Adviser" status by Tokyo Stock Exchange, Inc., for its Tokyo Pro Market for professional investors on April 11, 2022.

Why Did We Seek J-Adviser Certification?

In the course of Funai Consulting's IPO support services, there was an increase in companies interested in the Tokyo Pro Market. For our part, becoming a J-Adviser not only boosts our ability to help more companies list on the Tokyo Pro Market, but it also helps us in our strategy of strengthening comprehensive management consulting services for mid-scale companies.

Tokyo Pro Market

Tokyo Pro Market is one of the markets on the Tokyo Stock Exchange, but it is different from TSE's Prime, Standard, and Growth markets. Most significantly, the Tokyo Pro Market is restricted to professional investors, and has less stringent listing criteria (e.g., number of shareholders, amount of profits) than the other markets demand. The audit period is shorter, too—one year compared to two on the other markets—indicating a trend toward shorter time from kick-off to listing. Even so, companies can achieve some of the recognition and credibility



of market listing, and that has led to increased interest in market listing. Indeed, Tokyo Pro Market listings are increasing ever year, with ten in 2020, and 13 in 2021. It is also noteworthy that more than half of the companies listed are headquartered outside of Tokyo.

Feedback has been positive, too, with one executive saying that listing on the Tokyo Pro Market was the most effective investment the company had ever made, and another saying that listing had led to a huge improvement in the quantity and quality of mid-career applicants responding to job openings.

Being a certified J-Adviser adds depth to our IPO support services, and enables us to serve as a one-stop provider of comprehensive solutions.

How We Would Help a Client Work Backwards from Their Goal (¥2 bil. → ¥10 bil.)

Our roadmaps are unlike typical mid-range business plans; they give business owners the big picture to help them scan the business horizon and take the early initiative needed to achieve sustained growth.

FY	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Net sales (billion yen)	2.0	2.6	3.4	4.3	5.6	7.2	9.5	12.5	15.8	20.0
Consolidated workforce at end of year	30	40	55	70	90	120	160	200	250	300
Support offered	Mid-range business plan (business, org., finance)			Mid-range business plan (business, org., finance)			Mid-range business plan (business, org., finance)			
	Mgmt plan	Mgmt plan	Mgmt plan	Mgmt plan	Mgmt plan	Mgmt plan	Mgmt plan	Mgmt plan	Mgmt plan	Mgmt plan
Proprietors' focus	Top-down, growth oriented		Primary focus on hiring, cashflow		Management team, compliance, diversity & inclusion			Corporate value, SDGs		
	Business support (1) Products, customer acquisition, sales			Business support (2) Store opening, developing upper management			Business support (3)			
2. Business planning	Pay-per click ads, digital client acquisition		New product development		Store manager development		Bew business ideas		Bew business ideas	
	(2) Developing new business lines					2nd core business (start-up, build-up, chain-stores)			New business (start-up, build-up, establish as 3rd core business)	
3. People & organization	Future org. chart		Shake-up hiring (specialist positions for recent-graduate recruits)		Get on the "most popular employer" ranking→rebranding			Diversity & inclusion		
	Evaluation system		Professional development system		Optimize staff assignments, promotions, demotions		Form management team		Purpose	
4. Finance, accounting, M&A	Fundraising, better cashflow visibility, bank formation			Restructure into holdings and operating co. set-up, intragroup transactions, increased budgets			M&A (2)		M&A (3)	
	M&A (1)			IPO preparations (choose securities co., regulations, terms, IR, PR)			Listing			
5. Digital transformation	Digital shift (1) Business improvements & efficiencies				Digital shift (2) Management improvements & efficiencies					
	In sales activity (1)			In sales activity (2)			In business model			

Team-based Consulting Framework

Under this comprehensive, start-to-finish approach, multiple consultants cooperate to offer—via an account partner as a single point of contact—solutions that contribute to growth in the shortest possible time, and ensures we can adapt when clients progress to a new growth phase.

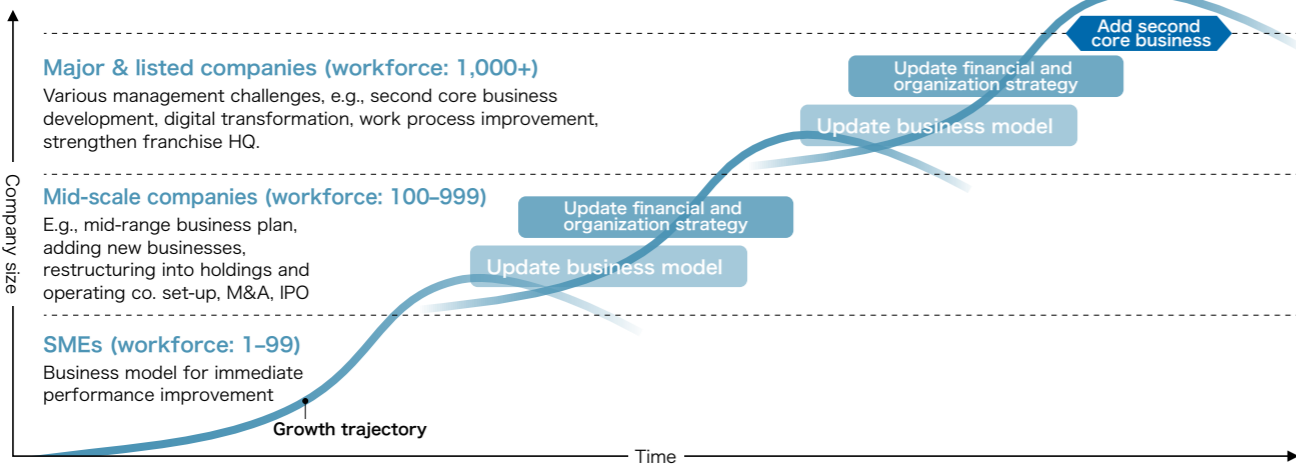


6 Our Consulting Business and Its Strengths

Our Strengths Growth Support

Because we have a broad stable of consultants expert in specific industries and solution categories, we can compile project teams perfectly equipped to provide precisely the solutions that each client needs. Thus, project-based consulting goes beyond mere strategizing to include practical, actionable solutions. We have the

comprehensive expertise needed to offer advice on weighty management issues, and can help bridge the gap between the C-suite and employees. Each issue is subjected to thorough analysis to elicit the scenarios most likely to ensure resolution.

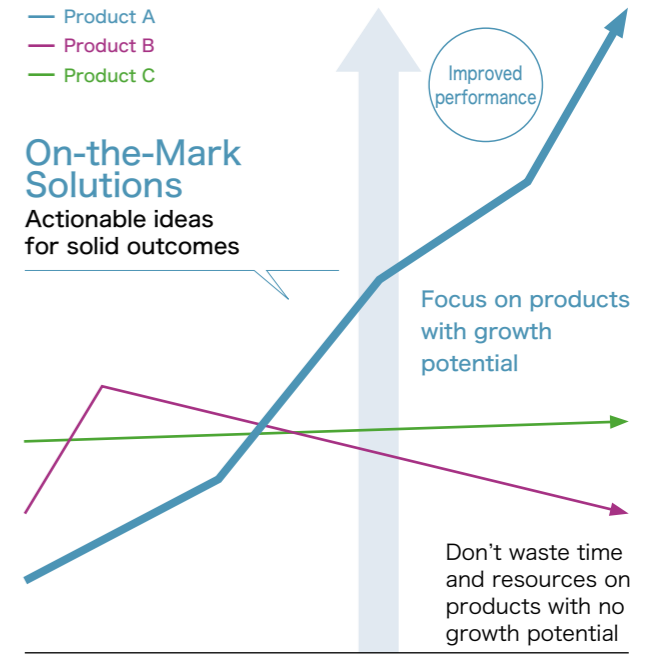


Our Developments Funai Consulting's Problem-solving Business Models

228 Solutions a Year
A Business Model Designed to Improve Results Quickly

At Funai Consulting, we offer clients business models that go beyond industry norms and are optimized for the times. We call these On-the-Mark Solutions. They are fresh business models that, if implemented in the intended industries (or adjacent sectors), will enable the client to improve their performance dramatically. As the name suggests, each On-the-Mark Solution is designed to enable the client to ride market trends by delivering the right thing at the right time.

Sample On-the-Mark Solution for the Housing & Real Estate Industry
Super low-cost housing targeting people looking for houses on a budget akin to renting an apartment. Clients can pursue higher-yield products, and their customers will be happy to find affordable houses



Our Strategy Industry-specific, Category-specific Consulting Structure

Expertise in a Broad Range of Fields

The Funai Soken Consulting Group's approximately 900 specialist consultants offer clients solutions that are informed by expert knowledge of clients' characteristics and positioning within their industries, and that take advantage of our huge wealth of insights, information, and skills.

Our approach combines long experience of success and on-the-spot agility, and our clients love the value this approach realizes for them.

Consultants: **873** (groupwide)

Solution Categories	Industries Served																				
	Housing, renovation, real estate	Property rentals, construction	Healthcare, nursing care, welfare	Certified professional services	Specialist services	Mobility	Environment, energy	Education, childcare, schools	Dining, delivery, food	Amusement	Manufacturing	BPO, outsourcing	HR business	Hair, beauty, fitness	Tourism, accommodation	General distribution	Finance	Advertising, printing, software	Freight, logistics, transport	Local government	
Digital transformation, digital marketing																					
Store development																					
Business model construction, launch into new industry																					
E-commerce, direct sales																					
Sales channel development																					
Surveying, research																					
Globalization, international strategies																					
Finance, IPOs, M&A, profit improvement, restructuring																					
IT, work process improvement																					
Recruiting, personnel, staff training																					
Management philosophy, management planning																					

Unique consulting style focused on nurturing ties with business proprietor clients

Management seminars (Point of contact, information source) 1,377 25,000+ business proprietors and executives attend each year	Management workshops (Members-only organization) 7,018 Industry-specific, category-specific management workshops for business proprietors and executives	Monthly support (Contract-based consulting services) 5,461 client companies in Japan Monthly support for clients who enter into consulting contracts	Projects (Project-based consulting) 5,461 client companies in Japan Actionable solutions offered through a team structure for a fixed period
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Online memberships
(Point of contact, information source)
Information tailored for SME proprietors

社長ONLINE
毎朝5分の経営者変革
Shacho Online
Your 5-Minute Morning Business Innovation

5,159
(as of Dec. 31, 2021)
Members-only online platform full of information for SME proprietors

Generate business ideas

Assess business, create image of success

Formulation of business plans

Launch business

Carry out business

At the Funai Soken Consulting Group, management workshops are one of our main strengths. Every month, we hold a variety of workshops providing business proprietors with access to a wealth of practical, applicable expertise and relevant information. Workshops are facilitated by experts in the relevant industry or solution category, who know what it's like to walk the participants' shoes.

Monthly support services are designed to help clients overcome their company's challenges to reach specific goals. Our consultants work closely with clients to implement solutions. In some cases, depending on a client's stage of growth, we form dedicated teams to help propel the company toward growth targets. When required, we form teams to offer the right solutions to suit the client company's growth stage.

7 Group Synergies

Funai Soken Digital Funai Soken Digital Inc. (consulting) | The Funai Soken Consulting Group offers clients a full spectrum of digital services and digital transformation solutions seamlessly



Funai Soken Digital Launched to Handle Digital Transformation Operations

On July 1, 2022, Funai Soken Corporate Relations and Shinwa Computer Service merged to become Funai Soken Digital. As part of the Funai Soken Consulting Group's business strategy under its Mid-Range Business Plan, the group has expanded its services to include digital transformation consulting and comprehensive management consulting for mid-scale clients. As a result, the group faces an urgent need to strengthen its platform for hiring and developing talent able to provide digital solutions. Combining the strengths of Funai Soken Corporate Relations (online marketing and BPO consulting) with those of Shinwa Computer Service (digital HR hiring and development, computer systems development) enables the Funai Soken Consulting Group to offer clients a full spectrum of digital services more seamlessly.

Hiring and Training Digital Solutions Staff; Promotional and Sales Support

The Funai Soken Consulting Group entered into a partnership agreement with Zoho Japan in December 2021 with the aim of helping Japan alleviate its current lack of digital solutions staff for SMEs and replenish the nation's pool of digital skills. Funai Soken Digital seeks uses its wealth of training expertise built up over long years of experience to provide Zoho training, increase student numbers, and build up a pool of skilled graduates. In addition to conventional sales support, the company can also provide steadfast support for Funai Consulting's Zoho-based digital transformation consulting services, as well as operational support for management workshops with Zoho modules. Beyond that, Funai Soken Digital intends to build a framework conducive to customer success, developing solutions to meet specific needs, such as using Zoho's advanced API to develop apps, or call center systems that link Zoho Desk and Amazon Connect.

船井咨询 Funai Consulting Shanghai Inc. (consulting) | Adapting the Funai Soken Group's expertise to provide consulting services in the growing Chinese market.

Business Strategy Under the Mid-Range Business Plan

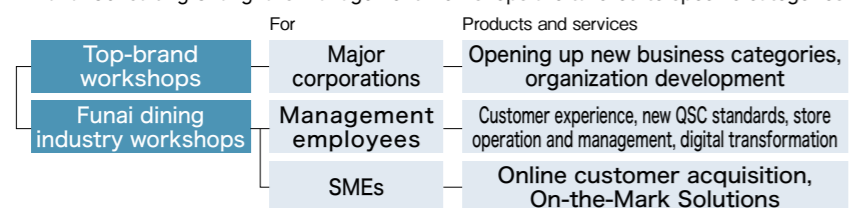
Having just celebrated Funai Consulting Shanghai's tenth birthday in January 2022, we remain committed to establishing the company as one of China's foremost management consulting firms in the near future by expanding a business model already proven in the dining industry to incorporate other sectors.

Areas of Particular Strength

•Specialized support aimed at boosting growth | Opening new restaurants, turning around unprofitable restaurants, seeking growth, improving productivity, management, talent development

•Category-specific management workshops and QSC improvement

• Funai Consulting Shanghai's management workshops are tailored to specific categories



Clients attend a dining industry management workshop in November 2021.

8 Risks and Opportunities

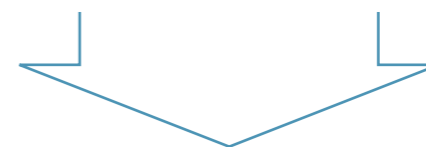
Increasingly Severe Competition in the Industry is Forcing Restructuring

Risks to Our Business

- The impact of Covid-19 in Japan and China, as well as increasing pressure on procurement from rising material costs, are leading to demand for major changes in SME business models. We predict that this will intensify competition in our industry, leading to mergers and other restructuring.
- Deterioration in the effective functioning of our activities and methods for client acquisition may have an impact on our business performance.
- Loss of ability to secure talent capable of satisfying ever-changing, ever-diversifying client needs in an IT industry of rapid technological advancement and intense competition between companies.

Opportunities

- Increased sales from new services that meet new client needs
- Opportunities arising from clients' increased productivity achieved by harnessing the strengths of our industry-specific digital transformation solutions, and from an expanded client base underpinning development



Our Strategy for the Consulting Business

Focus Efforts on Digital Transformation Consulting

Digital transformation solutions: tailored to clients' businesses, delivered by industry experts

DX strategy | Focus on digital transformation consulting ▶ P25

Enhance Growth Support Services

Offer solutions that combine the strengths of our industry-specific, category-specific consulting structure and clients' industries' characteristics

Strengths | Expanding portfolio ▶ P29

Support Structures Tailored to Clients' Growth Stage

New strategy | Helping SMEs upscale ▶ P27

Stronger platform for hiring and training digital solutions staff

Strengthening | Hiring, training digital solutions staff ▶ P31

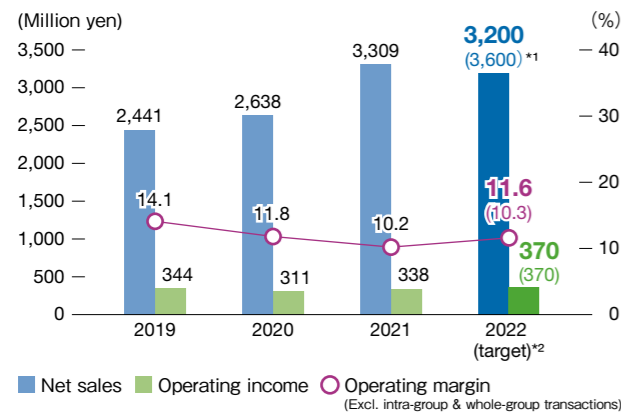
Specialized Support for the China Market

New categories | Expanding into new business categories ▶ P31



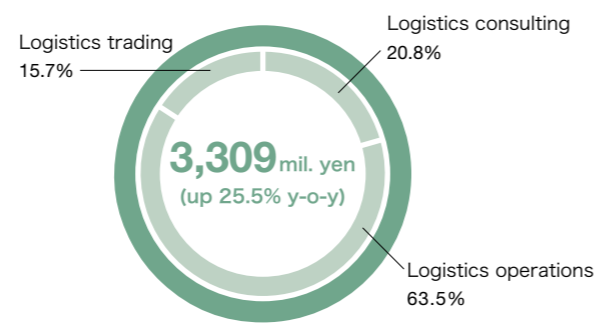
To Be Japan's Best Logistics Consulting and BPO Solutions Provider

The movement of goods is a vital social infrastructure, and we strive to eliminate waste and bring improvements through ESG management and digital transformation. From comprehensive logistics consulting solutions to practical, effective outsourcing of back-end processes, we help clients identify and remove the roadblocks to smooth business operation.



1. Due to the company's adoption of the Accounting Standards Board of Japan's Accounting Standard for Revenue Recognition starting in FY2022, net sales have reduced 400 million yen compared with pre-adoption figures.
2. The Accounting Standard for Revenue Recognition has been applied to 2022 forecasts. Forecast figures to which the standard has not been applied are shown in parentheses.

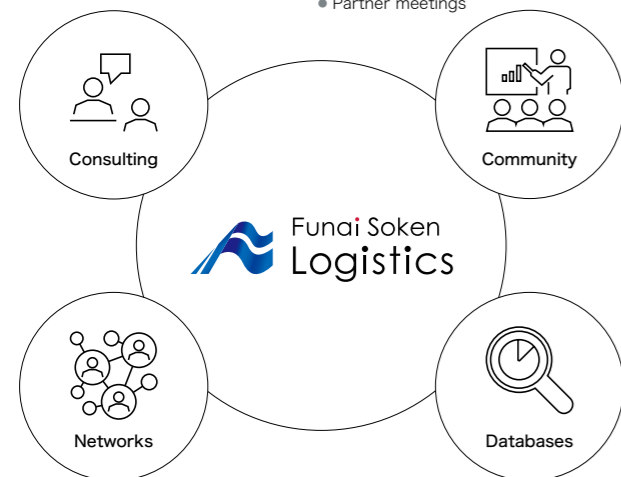
Main Service Categories of Our Logistics Business (Amts. and Share of External Sales)



Business Strategy Under the Mid-Range Business Plan

Consulting, community, networks, and databases:
Building Japan's most extensive logistics foundation

- Consulting for logistics companies
- Consulting for shippers
- Solution-based consulting
- Management workshops for logistics companies
- Digital transition logistics workshops
- Partner meetings



- Warehouse and transport network
- Joint purchasing network
- IT, AI, logistics, material handling
- Logiii!!! (e-zine)
- Current market for logistics costs
- Expertise and case studies
- Logistics trend information

Consulting

We offer effective consulting solutions that enable both companies that send cargo and those that transport it to transform their logistics. More than simply planning and strategizing, we offer outsourcing and other support to make sure clients can carry out back-end processes properly.

Networks

With some 300 logistics-industry partners nationwide and a material procurement network, we are ideally positioned to offer clients all kinds of solutions, from manual tasks like material handling to high-tech applications like IT, AI, and robotics.

Community

From management workshops for logistics company executives to a community for shippers' chief logistics officers, we offer a variety of forums for people involved in the logistics industry to acquire and share knowledge.

Databases

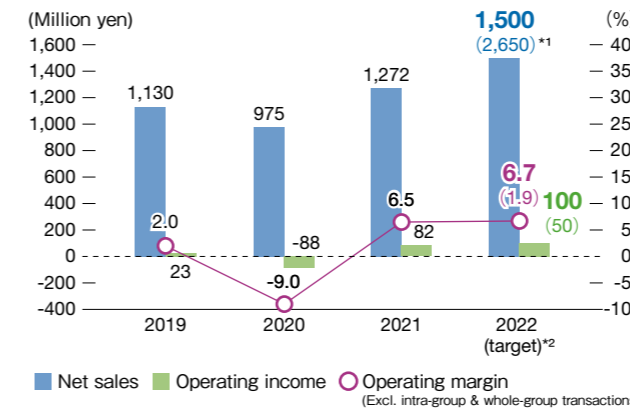
Market prices, expertise and case studies, trends, and much more: Any useful information we compile into a database for our consulting work and to offer clients. Our e-zine, Logiii!!!, is aimed at boosting the whole logistics industry and providing unique insights, know-how, and trend information for the benefit of those inside and outside the industry.



A Variety of Services Including IT and Direct Recruiting Solutions

Our "other businesses" segment is truly diverse and always growing. Operations include:

- IT consulting: optimized solutions for IT system construction, operation, and everything in between
- Contact center consulting: helping clients in many different industries improve customer service quality through contact center management solutions; and
- Direct recruiting: helping clients achieve better talent recruiting results through Recruiting Cloud, Japan's first data- and AI-powered ad platform dedicated to "help wanted" ads.



1. Due to the company's adoption of the Accounting Standards Board of Japan's Accounting Standard for Revenue Recognition starting in FY2022, net sales have reduced 1,150 million yen compared with pre-adoption figures.
2. The Accounting Standard for Revenue Recognition has been applied to 2022 forecasts. Forecast figures to which the standard has not been applied are shown in parentheses.

External Sales in the Other Businesses Segment



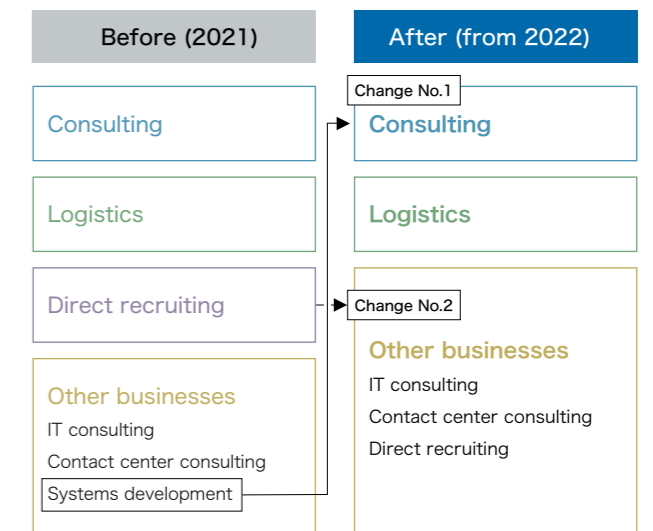
Changes in Business Segments

Change No.1

Systems development, which was previously part of the "other businesses," segment, was merged into the new company, Funai Soken Digital, and is now included in the consulting segment.

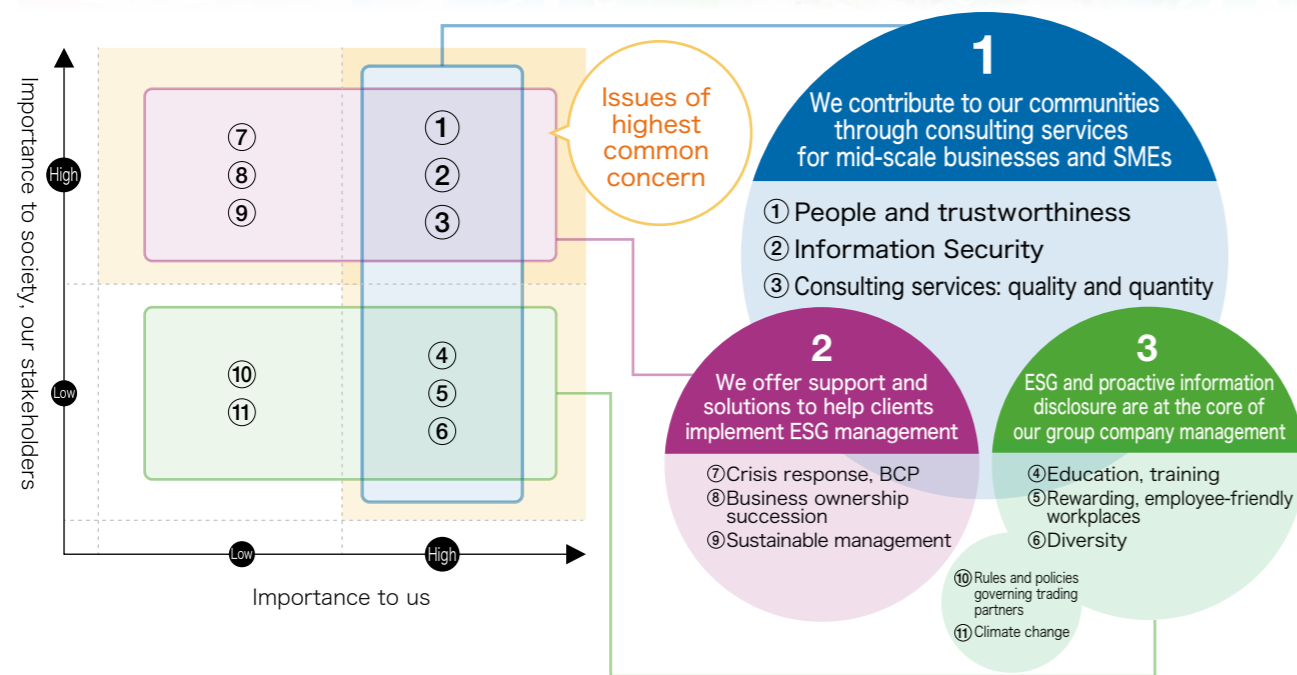
Change No.2

We adopted the Accounting Standards Board of Japan's Accounting Standard for Revenue Recognition starting in FY2022. The direct recruiting segment's share of total sales fell below 10%, so direct recruiting is now included in "other businesses."



Dedicated to ESG in Management

Creating Value Together to Help Address Today's Challenges: Our Basic Policy Regarding ESG Management



Key Tasks in 2022 for Increased Disclosure of Non-Financial Capital

Brand	Technical competencies
2022 key task Human Capital	KPIs and investment to boost human capital
2022 key task Sustainability and ESG	Further expansion of integrated report, TCFD compliance
Corporate Governance	Address uncertainties, bolster governance framework

Contributing to Society by Rewarding Outstanding Businesses



Improving Ourselves, Our Companies, and Our Communities

The Great Company Awards are just one of the ways we at the Funai Soken Consulting Group endeavor to contribute to the greater good. Since 2010, the Great Company Awards have functioned not only to reward companies that combine profitability and growth

What Is a Great Company?

A "great company" is founded on a philosophy of high value to the community, perfects its own unique business model and, through these, achieves sustainable growth. It is an organization whose unique culture earns it recognition from employees and customers alike as a great company.

Recipients of the 2021 Great Company Awards

For the 2021 awards, 17 companies from a variety of industries were nominated from around 9,000 potential candidates. From these, the following seven companies were recognized for their achievements.

potential with social responsibility, education, and environmental responsibility, but also to boost those companies' visibility and recognition. We hope that the awards serve as a means of enriching society by bringing broad attention to worthy companies and proprietors.

What Makes a Great Company Great?

1. Sustainable growth.
2. Ardent, fiercely loyal fans.
3. High employee satisfaction; employees and their families are proud to be a part of it.
4. Pride in its unique company character.
5. Generous contribution to the community, which sees the company as indispensable.

Regardless of current shortcomings, a great company is forward-looking and wants to be Number One in Japan and in the world.

	Company	Industry; region
Great Company Award	Watanabe Pipe Co., Ltd.	Construction material distributor; agricultural equipment manufacturer; Tokyo
Customer Appreciation Award	Nihon Itomic Co., Ltd.	Electric hot water equipment manufacturer; Tokyo
Employee Pride Award	Work Smile Labo	Creator of smile-inducing work styles; Okayama
	Tanaka Denshi Co., Ltd.	Mobile phone sales; Chiba
Unique Business Model Award	Eat & Holdings Co., Ltd.	Dining, food production and sale; Tokyo
Philanthropy Award	Sendai Gastrointestinal Endoscopy Clinic	Internal medicine, gastroenterological clinic; Miyagi
Better Performance Award	Liberty Co., Ltd.	Used car, kei car sales and repairs; Kyoto

Environment



Environmental Impact Reduction Initiatives

Previous Initiatives

■ Seminars on new business models for the decarbonization market age

Funai Consulting holds industry-specific seminars to help SMEs achieve a carbon-free business. Attendees hear up-to-date information on industry trends arising from the shift toward a low-carbon society, and highly detailed case studies of successful implementation of solutions.



For electrics & equipment installation businesses

For fuel retail businesses

■ Seminar: Carbon Neutrality in Logistics

Funai Soken Logistics holds seminars for freight shippers and logistics-industry subsidiaries to promote carbon-free business in the logistics industry. Attendees hear about the main challenges to carbon neutrality in logistics, and ways to achieve progress toward it.



Seminar: Carbon Neutrality in Logistics
What You Should Be Doing to Decarbonize in 2022

■ Other Initiatives

- ESG diagnosis for SMEs
- Energy-efficiency solutions for manufacturing SMEs
- Solar power generation and other renewable energy solutions
- Net-zero energy housing and other solutions tailored for clients' industries

based on an emissions database and setting out real workplace actions. Also, as part of our management workshops, we intend to establish a new membership-based organization for carbon-free business.

At present, the road to carbon-free business is a long and arduous one for mid-scale companies and SMEs, but we are convinced that encouraging them to make this contribution to the public good will surely lead to increased profitability and corporate value.

Upcoming Initiatives

In addition to net-zero energy housing and other solutions tailored for clients' industries, we are working with financial institutions to offer a decarbonization diagnosis service as a means of helping SMEs achieve carbon-free business. We aim to use decarbonization diagnosis as a launch pad for further solutions, such as measurement of greenhouse gas emissions (in accordance with the Greenhouse Gas Protocol's three-scope system) and creating a roadmap to carbon-free business

Solutions to Help Clients Achieve Carbon-free Business

■ Funai Consulting

- Decarbonization diagnosis
- Greenhouse gas emission measurement (as per the Greenhouse Gas Protocol's three-scope system)
- Roadmaps to carbon-free business and support for workplace action
- Partnering with 110+ manufacturers to help clients install renewable energy and energy-efficient facilities
- New business models for the decarbonization market age

■ Funai Soken Logistics

- ESG Logistics Diagnosis
- Distribute handbook for logistics industry clients on implementing ESG



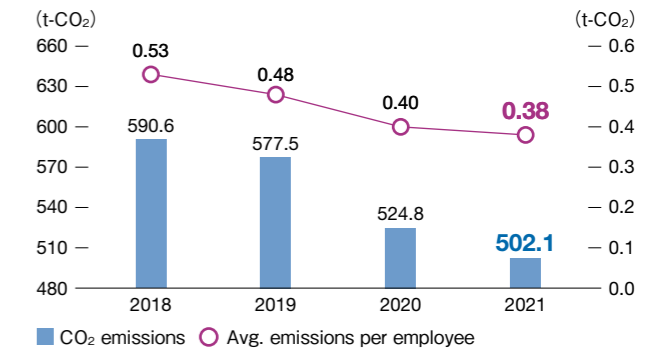
Reducing Environmental Impact in Business Processes

■ By the Numbers: Our Environmental Initiatives

The table and graph below show electricity consumption, carbon dioxide emitted as a result of that electricity consumption, and waste emitted across the whole group over the past four years.

	2018	2019	2020	2021
(1) Electricity used (kWh)	1,220	1,204	1,099	1,128
(2) CO ₂ emitted through use of electricity (tons)	590.6	577.5	524.8	502.1
(3) Avg. CO ₂ emitted per employee through use of electricity (tons)	0.53	0.48	0.40	0.38
(4) Office paper purchased (converted to sheets of A4)	10,098	8,871	2,622	2,025
(5) General waste emissions (tons)	65.4	59.0	27.8	26.7
(6) Industrial waste emissions (tons)	4.3	4.5	3.1	3.2

Business sites incl. in calculations:
(1)(2)(3) All group sites; (4) Osaka HQ, Tokyo HQ, Gotanda Office, Fushimimachi Office, Shiba Office; (5)(6) Osaka HQ, Tokyo HQ, Gotanda Office, Shiba Office



■ Efforts So Far to Reduce Our Environmental Impact

Reducing avg. CO₂ emitted per employee through use of electricity LEDs installed at Osaka Headquarters Nighttime automatic shut-off of lights at Osaka and Tokyo Headquarters	Purchasing less office paper Seminar and workshop materials are increasingly paperless	Reducing waste Remote work Increasingly paperless operations
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Disclosure and Dialogue in Accordance with the TCFD

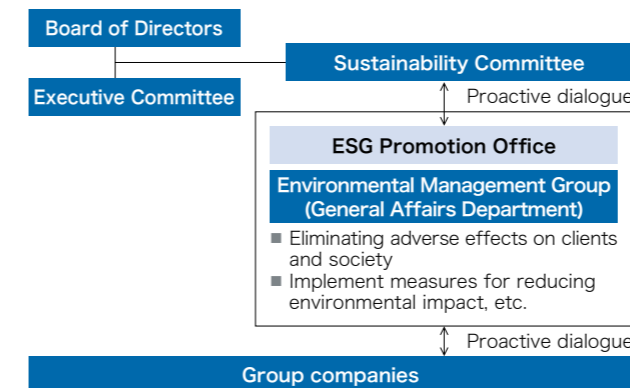
We disclose information relating to the environmental impact of climate change on our business and our efforts to tackle environmental challenges in accordance with the Task Force on Climate-related Financial Disclosures (TCFD) established by the Financial Stability Board of Japan.

■ Climate Change Initiatives, Risk Management Structure

Funai Soken Holdings' ESG Promotion Office leads a working group to facilitate efforts to reduce our footprint through dialogue with the group's various companies.

Receiving regular data from group companies on key indicators for environmental impact, we evaluate and analyze the effects on our business activities, and keep abreast of the risks and opportunities relating to climate change.

Disclosure and Dialogue Structure

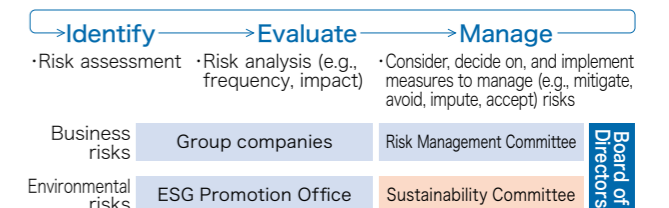


Governance

The Sustainability Committee is an advisory organ of the Board of Directors. Its role is to oversee the ongoing implementation of policies groupwide. Based on reports from the ESG Promotion Office, the committee sets targets, monitors progress, and evaluates achievements, and advises the board and the ESG Promotion Office as necessary.

Risk Management

The Sustainability Committee receives reports regarding the results of environmental risk assessments and other risk analyses carried out by working groups led by the ESG Promotion Office, and makes recommendations to the Board of Directors regarding those risks requiring action. The board then decides on action to be taken regarding these and other risks.



Social

We are serious about achieving a balance between sustainable growth and a sustainable society. To that end, we work hard to recruit and develop talented people, and to maintain workplaces where all employees are empowered to make the most of their strengths. The result has been a positive cycle leading to increased corporate value.



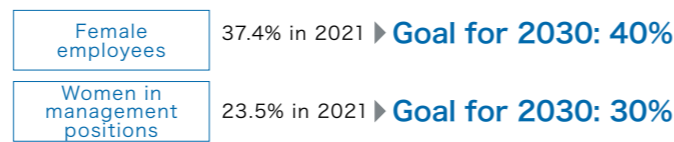
Diversity & Inclusion

Diversity in business management—not the least of which is empowering women to forge meaningful careers—is the bedrock on which inclusivity, value

creation, and improved productivity are founded. We endeavor to maintain rewarding, diverse, inclusive workplaces.

Helping Women Forge Meaningful Careers

At the Funai Soken Consulting Group, we have a variety of initiatives in place to help us reach our targets for women in our workforce and women in management.



Evening Up the Gender Balance

Point 1 Better workplace environment and systems

- HR framework and career enhancement program designed to increase women in management
- We encourage flexible working arrangements to suit different lifestyles, e.g., remote work, flex-time, career track changes
- Projects to help women forge meaningful careers
- Workshops and forums for female consultants
- Training for managers to encourage better empowerment of female staff

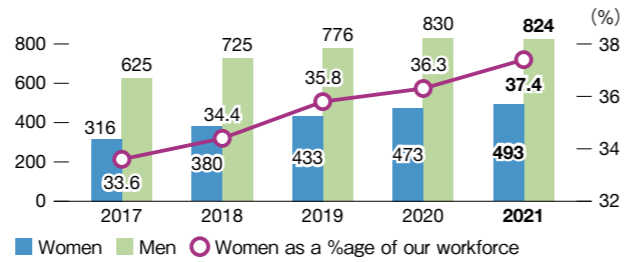
Point 2 Promoting and embedding diversity

- “L-Star” certified as a proactive provider of career opportunities for women (Funai Consulting 2 stars; Funai Soken Corporate Relations [now merged into Funai Soken Digital] 3 stars)
- Female Talent Empowerment Committee (training by department heads on strategies to help women forge meaningful careers)
- Post-childcare-leave Reboarding Programs (ensuring staff on childcare leave are get back up to speed by the time they return)

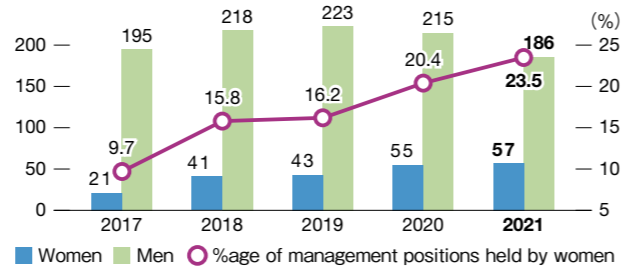
Point 3 Harnessing the business's unique characteristics

- Assignments and development that take advantage of the business's characteristics

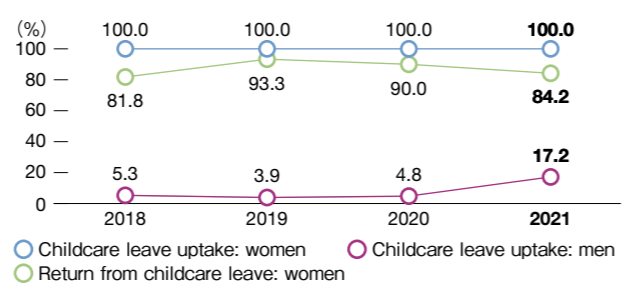
Female employee numbers & %age of total workforce



Women in Management Positions



Childcare Leave: Uptake and Return



Pick Up Funai Soken Holdings



Akiko Nishimura
Manager, General Planning Section
Finance Department
Director, HR Force

I'm Grateful to Have Such Supportive Colleagues

The Finance Department's staff is 70% women, and everyone works in a way that suits their stage of life. I have taken (and returned from) childcare leave twice, and returning was made much easier through options such as remote work, staggered start times, sharing information with those on leave (e.g., through loans of computers and mobile phones). Most of all, the support of my colleagues during and after my childcare leave meant I could rejoin the fray with confidence.

Data Funai Soken Holdings	
Female employees	70%
Childcare uptake by women	100%



2021 Women in Management Rankings: We ranked 28th

Source: Toyo Keizai Inc. CSR Company Hand Book 2021

Pick Up Funai Soken Digital



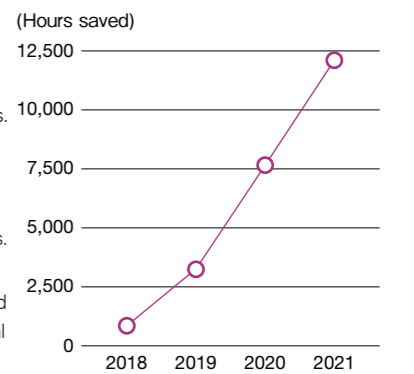
Yuko Tasaka
Consultant

Women Blazing a Trail in New Business Areas

At Funai Soken Digital, women make up almost 80% of management positions and the workforce in general. That means we are active in a variety of fields, such as:

- **Business process outsourcing** (e.g., list-based sales calling, seminar operations)
Putting in-house admin expertise to use for customer-facing departments.
- **Back-office consulting**
In the typically female-majority field of back-office operations, our experience in streamlining and making improvements has led to the creation of back-office consulting services to help users extract greater value from workplace operations.
- **From RPA operator to back-office consultant**
Some 9,000 hours of robotic process automation (RPA) over four years yielded far more output than achievable by human staff (typically female, non-technical employees). One of the RPA has graduated to back-office consulting work.

Work Hours Saved through Approx. 9,000 Hours of RPA Over 4 Years



Career Opportunities for Mid-career Hires

- **Pre-hire Support**
Prospective hires work with managers to create a Career Vision Map before committing to a final interview so as to ensure they can join us with confidence in their direction and hit the ground running.
- **Post-hire 1-on-1 Meetings**
New hires have one-on-one meetings with Human Resources

- Development Department managers to discuss concerns and pointers for career development.
- **Workshops and Discussion Forums**
We hold workshops, discussions, and training to help mid-career hires learn more about the company and its work, and forge stronger ties with colleagues.

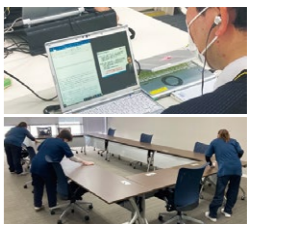
Mid-career hires in management positions: 48.1% in 2021 ▶ Goal for 2030: 50%

Career Opportunities for People with Disabilities

- **Funai Consulting Diversity & Inclusion Office**
We are constantly looking for ways to be more inclusive in hiring and work opportunities. For instance, in 2015, we established a team to handle cleaning duties for our Osaka Office, and a second team was formed in 2020 to provide assistance for consultants in Ehime.
- **A Rewarding Workplace for All**
We strive to maintain workplaces that allow people with disabilities to work in a way that suits their abilities and career vision. Working with colleagues in different departments and achieving outcomes, they have quickly become indispensable and ensured the system has become firmly established.
- **Leading the Way on ESG**
The Diversity & Inclusion Office is leading the way on ESG initiatives, with staff speaking at all-in morning meetings and conferences about rewarding workplace and promoting diverse working styles.

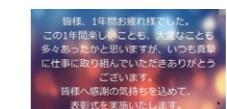
Working Hard Behind the Scenes

Making productivity improvements to boost work outcomes (transcribing output almost tripled, direct mail numbers almost doubled) and working with consultants to create solutions, every day we are working to help behind the scenes.

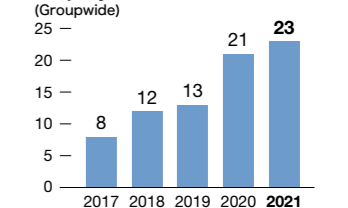


Online Award Ceremony

A special event to share the positive feedback received by the Diversity & Inclusion Office.



Employees with Disabilities (Groupwide)



Human Resources Management

At the Funai Soken Consulting Group, we believe that a diverse workforce is key to sustained growth. Knowing the importance of securing sufficient talent and worker mobility, we are working hard to attract

Hiring

Mid-career

We seek to secure more talent through broader recruitment channels and streamlined screening processes. Hiring professionals is a particular focus; for instance, given that our ability to attract digital transformation staff has a direct bearing on the bottom line, we have launched a dedicated recruitment webpage for this purpose.

Recent Graduates

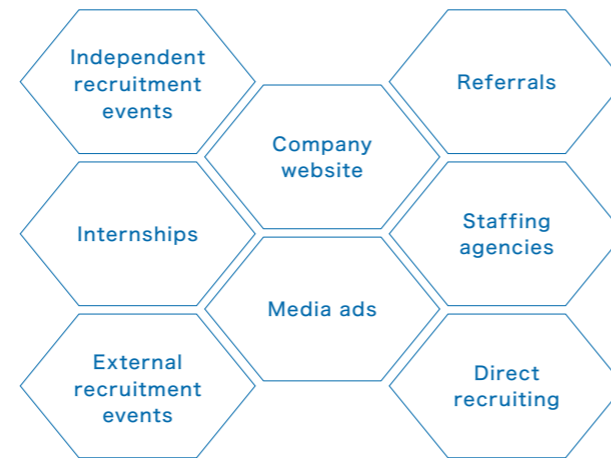
In addition to industry-specific recruiting, we also hold whole-group digital transformation hiring events and offer digital transformation internships (featuring workshops and forums) to approach students early on. In doing so, we identify the pool of available talent, differentiate ourselves from rival employers, and lock in potential employees.

Professional Development Programs

We offer a variety of training programs. Some are tailored to different levels of employees (e.g., new hires, mid-career hires, experienced staff, and upper management); others are designed to develop specific skills or address specific problems. Our focus is on having the right skills at the right time, instilled through practical work based on real examples rather than theory alone. In the consulting segment, we list

	New recruits	Mid-career hires	Experienced staff	Upper management
Level-specific staff training	New employee training		Career enhancement program	Upper management training
	Follow-up training		New manager training	Committees, workshops
	Department-specific training			
	Systems training			
Problem-specific training	Instruction in Funai philosophy			
	Human rights training (e.g., compliance)			
	Information security training			
Skills training	Helping women forge meaningful careers			
	Digital transformation training			
	Department-specific training			
	Workshops, forums for non-Japanese employees, mid-career hires			

and retain good people by strengthening our talent management. Initiatives include aggressive hiring and training to maximize employees' skills.



up the digital transformation skills needed to get results, and devise training content for each skill. Linking these with career enhancement programs is a positive way for us to develop every employee's skills and steadily develop a pool of staff with digital transformation skills.

Some employees undergo training that incorporates external content in order to acquire more specialized skills.

DX staff category	Definition	Learning program
Digital marketing consultant	Achieving outcomes through operations	<ul style="list-style-type: none"> Harnessing the company's expertise For new recruits For existing employees DX enablement
Digital transformation consultant	Achieving outcomes through sales, planning, project management	<ul style="list-style-type: none"> External training content
Digital transformation engineer	Achieving outcomes through building and utilizing DX systems	

Human Rights

At the Funai Soken Consulting Group, respect for human rights is not just an obligation but a fundamental precept of our consulting and other business operations. To that end, we have established

the Funai Soken Consulting Group Basic Policy on Human Rights to ensure that people's basic rights are protected and respected in all areas of the group's activities.

Basic Policy on Human Rights

1 Guiding Principles

We strive to embody and practice the respect for human rights stipulated in the United Nations' Guiding Principles for Business and Human Rights.

2 Scope of Application

This policy applies to all officers and employees of the Funai Soken Consulting Group. We will also encourage our business partners to abide by this policy.

3 Respect for Human Rights

We prohibit discrimination in any form, or harassment that undermines human dignity.

We are committed to responsible employment practices, including ensuring safe workplaces, paying decent wages, and keeping working hours within reasonable levels. Moreover, our people have the freedom of association, and we recognize the right to collective bargaining. We reject and will not tolerate human trafficking and other forms of slave labor, forced labor, or child labor.

4 Due Diligence

We will strive to identify any adverse impact the group's business activities may have on human rights, and will conduct periodic risk assessments and take action to prevent and mitigate the occurrence of such effects. If any such adverse impact is deemed to have arisen, we will act swiftly and appropriately to correct the situation effectively.

5 Education

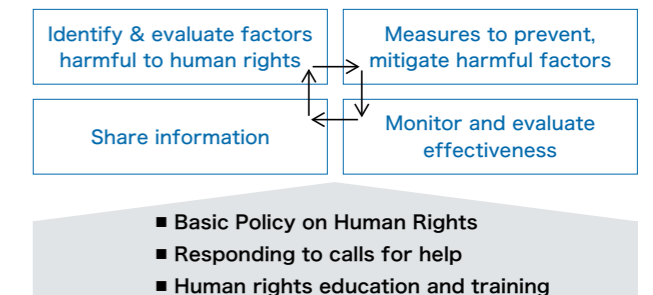
All group employees undergo periodic training aimed at eliminating all forms of harassment in the workplace. In addition, officers and employees undergo training that encourages them to reflect this policy in all areas of the group's business.

6 Transparency Regarding Human Rights Initiatives

We will disclose, via our website, information regarding the progress of initiatives implemented under this policy.

Due Diligence

To ensure consideration and respect for human rights in an age when people and working styles are diversifying, we have established a framework of due diligence to ensure we comply with the UN's Guiding Principles on Business and Human Rights, as shown to the right.



Human Rights Education

Through education programs covering issues such as preventing discrimination and harassment, we seek not only to instill an understanding of the basics and highlight the signs that might help prevent harassment and human rights violations, but also to develop a mindset conducive to maintaining a workplace in which these are unlikely to occur.



e-Learning

We provide anti-harassment e-learning programs designed to create a corporate culture in which all employees can respect and spur each other on to success.

Manager Training

Managers with staff undergo training to learn what they can do to ensure workplace compliance and prevent harassment.

Promoting Health and Wellbeing

Initiatives to Prevent the Spread of Covid-19

1 Workplace Vaccinations

The companies of the Funai Soken Consulting Group held a collective workplace vaccination drive to give employees, their families, and our clients a little extra reassurance. Extending the scope to include employees' families was designed to prevent the risk of a mass infection in our workplace.

2 New Workplace Systems in Response to Covid-19

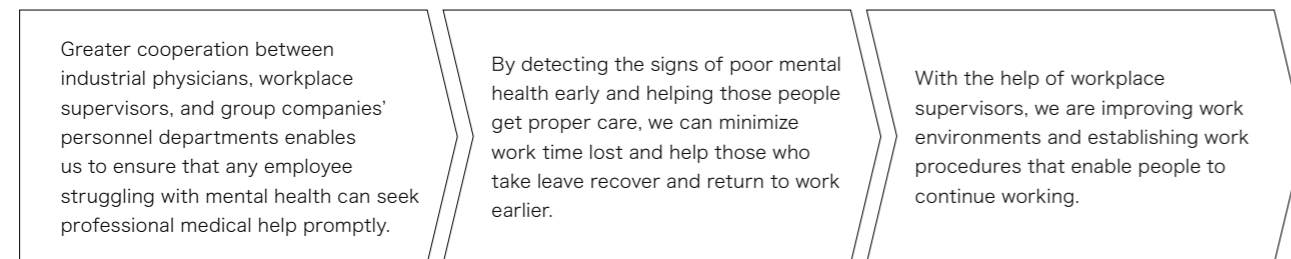
We moved swiftly to implement in-house systems in accordance with government policy. In addition to department-specific work-from-home arrangements, these included studying where and how people moved in the workplace and devising ways to manage contact.

3 Follow-up Care for Infected Employees

Covid can have long-lasting aftereffects, and follow-up care for employees who catch the virus is essential. We provide ample opportunity for anyone who needs follow-up care to consult an industrial physician.

Promoting Physical and Mental Wellbeing

1 Mental Health Care



2 Review of Annual Health Check-up "Optionals," Encouragement of Follow-up Examinations

Subsidizing Gastroscopic Exams

We subsidize the cost of gastrocamera exams for employees aged 35 or over who undergo the procedure as part of their annual health check-up.

Subsidizing Follow-up Exams

Not taking follow-up exams can lead to health issues that impact work and private life. When an employee's annual health check-up results contain an advisory from the testing physician, we encourage the employee to undergo follow-up exams by subsidizing the cost.

Wellbeing: For a Healthy and Happy Workforce

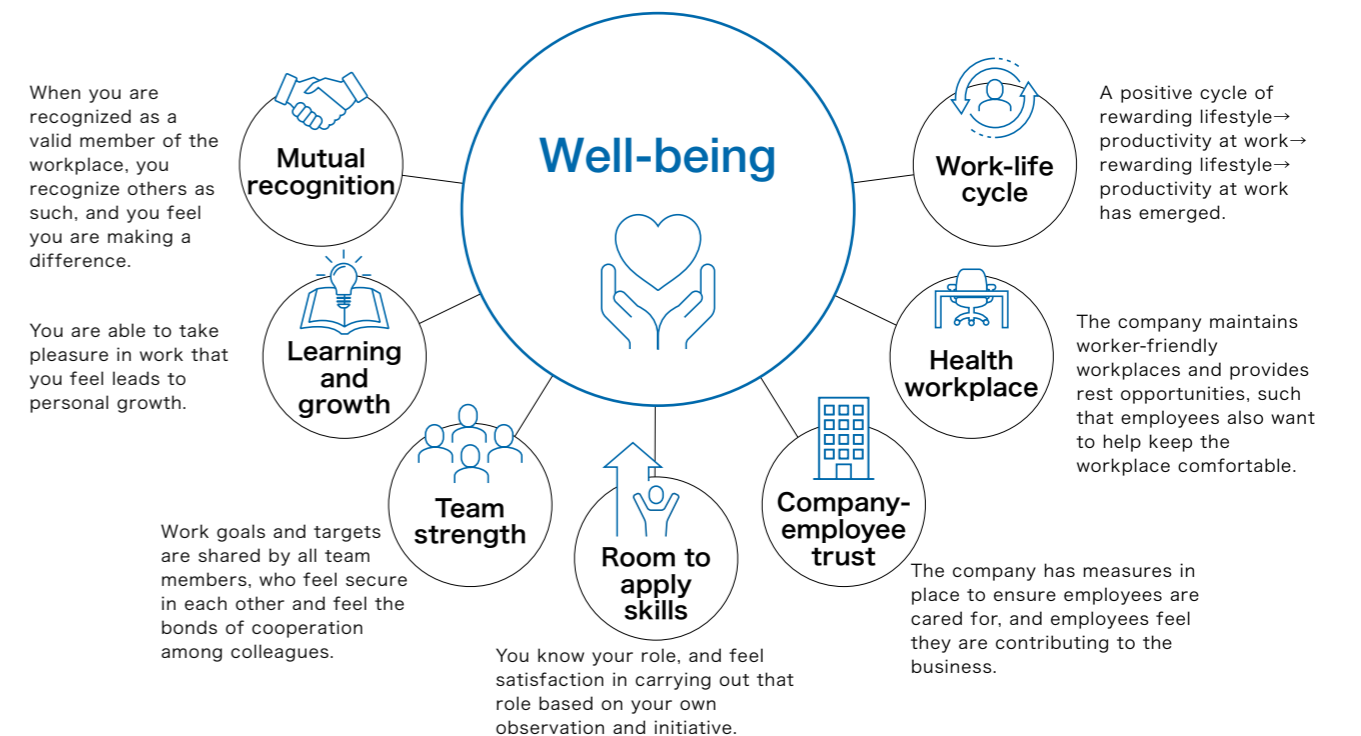
Wellbeing is more than just physical health; it speaks of a broader happiness that also includes mental health and social satisfaction. Employees' wellbeing leads to improved performance, individually and collectively, and that feeling of being engaged in

rewarding work helps improve employee retention. Proseed is the prime example of how the Funai Soken Consulting Group is working hard on employee wellbeing and healthy management.

Proseed's Wellbeing Initiatives

1 Wellbeing Diagnosis

Proseed offers clients a diagnostic test to measure employees' happiness. It consists of 56 questions on seven factors that contribute to wellbeing. The test is followed by action in the form of briefings and workshops to make improvements where needed in order to encourage greater awareness among companies and employees, so that both may seek happiness and satisfaction in a workplace climate of trust and worthwhile work.



2 The Wellbeing Customer Center Awards

The Wellbeing Customer Center Awards recognize companies who implement the Wellbeing Diagnosis and show outstanding performance. It focuses on the value and roles of customer service—the most human of occupations—and seeks to instill pride and boost happiness among the customer service workforce.

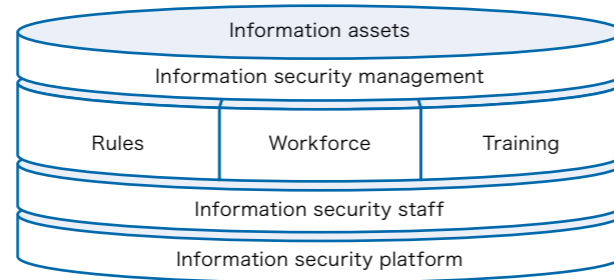


Information Security

We work closely with mid-scale businesses and SMEs as they seek to negotiate the “new normal” of the post-Covid era, helping them seek growth, improved productivity, and development. The data we receive from clients as part of these efforts to bring joy to people and businesses is part of our huge wealth of information assets, which must be safeguarded from leaks and falsification. As such, information security is a high-materiality issue, and a vital element of our ESG management.

Information Security Initiatives

Our information security platform is founded on the Basic Policy on Information Security, with rules formulated to suit our business domains and contemporary trends, as well as solid information security management practice instilled throughout our workforce. Moreover, we constantly strive to bolster that platform and maintain a well-trained information security team.



Information Security Risks

1. Information Asset Leaks

Today, data usage is increasingly digitalized and there are so many ways for using it, from core systems to software and cloud computing. The risk to the group’s information assets—including information received from clients—increases as more organizations become involved, as the volume of information expands, and as more systems are used.

2. Insufficient Access Procedures

As laws become more stringent and ever-advancing customer support means the data we hold is more confidential, any failure of rules or system access permissions to keep up with evolving security demands increases the risk of unauthorized access.

3. Damage to Vital Data, System Outages

Disruption to the upkeep and succession of skills acquired by IT staff, and failure to stay ahead of potential for increasingly sophisticated external attacks poses a risk to our systems and organizations dedicated to maintaining the confidentiality, reliability, usability, integrity, and security of information, and increase the risk of compromising business continuity.

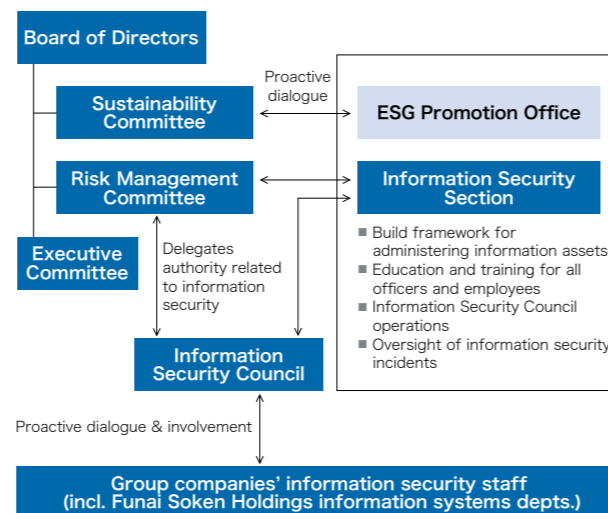
Information Security Framework

1. Information Security Section

We have established a dedicated section to administer information security groupwide. The Information Security Section reports directly to the president, and offers objective, expert advice on info-security regarding all group companies, as well as incident response support, research, and assessment so as to raise the bar for security throughout the whole group.

2. Information Security Council

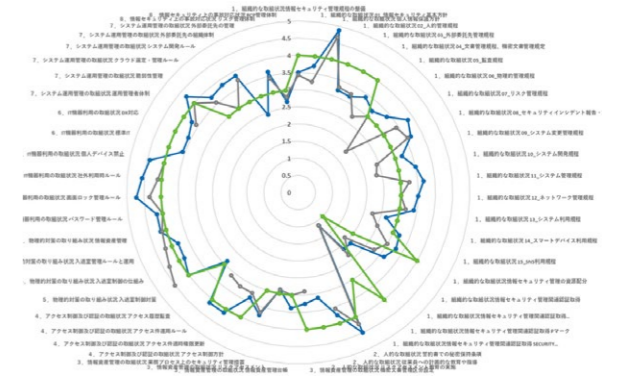
We have established a groupwide Information Security Council, which functions in cooperation with the Risk Management Committee and the Sustainability Committee to work with group companies’ key info-security staff in a concerted effort to maintain and strengthen our information security structure.



Information Security Initiatives Since 2021

1. Constant Strengthening of the Information Security Framework

Surveying the level of information security of all Funai Soken Consulting Group companies—with an updated test to cover areas relevant to digital transformation—and analyzing the results allows us to identify apparent and underlying issues, and to run the PDCA cycle to work on resolving them. To the right is an example of the radar chart used to plot the survey results.



2. Conducted Information Security Training

Our officers and employees handle a broad range of information. Knowing that a disciplined approach emphasizing strong individual awareness of the rules and of the relevance of information security to each of us is vital for ensuring secure, efficient use of information, employees of all ranks are required to undergo information security training every year.

Information Security e-Learning Overview

- 1. Information security
- 2. Privacy protection
- 3. Cyber attacks
- 4. Compliance
- 5. Information Security Manual

3. Stronger Security within the Information Systems Platform

1 Preventing Information Asset Leaks

• Steadfast systems for safer digital transformation

The faster the digital transformation of the ways we use the group’s information assets—including information received from clients—the greater the risks. We have a groupwide framework in place to counter those risks, including thorough information security training for all ranks and enhanced systems for confirming the safety of software and cloud-based applications.

• Risk assessments of systems

To avoid the emergence of “shadow IT,” Funai Consulting has established an Information Security Committee to perform pre-emptive risk assessments of information systems.

• More Secure Remote Work Platforms

We endeavor to maintain systems that ensure information security without compromising our efforts to improve working practices, for instance by upgrading the authentication infrastructure of our remote work platforms.

2 Addressing Faults in Personal Information Access Procedures

Our legal departments work closely with group companies to ensure that procedures for handling personal information are up to date.

3 Preventing Damage to Vital Data, System Outages

To ensure uninterrupted, safe use of reliable systems, those systems are subjected to testing upon installation and major updates, as well as as periodic tests for the most vital systems, and even retesting by experts.

Corporate Governance

Officers



- | | |
|--|---|
| <p>1 Sakae Takashima
Chairman & group CEO</p> <p>2 Takayuki Nakatani
President & CEO</p> <p>3 Tatsuro Ono
Director and executive vice president</p> <p>4 Nobuyuki Isagawa
Outside director</p> | <p>5 Miki Mitsunari
Outside director</p> <p>6 Masahiro Hyakumura
Director and member of the Audit and Supervisory Committee</p> <p>7 Atsushi Nakao
Outside director and member of the Audit and Supervisory Committee</p> <p>8 Akihiro Kobayashi
Outside director and member of the Audit and Supervisory Committee</p> |
|--|---|

	Directors					Audit and Supervisory Committee Members		
	Chairman & group CEO	President & CEO	Director and executive vice president	Director	Director	Director and member of the Audit and Supervisory Committee	Director and member of the Audit and Supervisory Committee	Director and member of the Audit and Supervisory Committee
	Sakae Takashima	Takayuki Nakatani	Tatsuro Ono	Nobuyuki Isagawa	Miki Mitsunari	Masahiro Hyakumura	Atsushi Nakao	Akihiro Kobayashi
Attendance								
Board meetings Mtgs. attended / mtgs. held (attendance rate)	13/13(100%)	13/13(100%)	13/13(100%)	13/13(100%)	13/13(100%)	13/13(100%)	13/13(100%)	13/13(100%)
Audit and Supervisory Committee meetings Mtgs. attended / mtgs. held (attendance rate)	-	-	-	-	-	13/13(100%)	13/13(100%)	13/13(100%)
Nominating Committee			○	●			○	○
Successor Nominating Committee			○	●			○	○
Compensation Committee			○	○	○		●	
Governance Committee				○	○		○	●
Sustainability Committee		○		○	●			
Skills								
Corporate management	●	●	●		●	●	●	●
Sales, marketing	●	●	●					
Finance, accounting				●		●	●	
Capital markets, fundraising				●				
Law								●
Risk management			●		●			●
Governance				●	●		●	●
Social and environmental issues				●	●			
Auditing and internal oversight						●	●	●

As of Apr. 1, 2022
Board meeting numbers exclude three written-resolution votes.

Diversity and Expertise in Management

We believe that directors are entrusted by shareholders to manage the company and its business on their behalf, and our selection policy for directorship candidates focuses on ability to carry out those duties and responsibilities rather

than on age, gender, or nationality. Moreover, we strive to bolster corporate governance by making sure at least a third of our directors are outside directors so as to ensure the objectivity and validity of the board.

Director Training

1. For Inside Directors and Executive Officers

The company invites outside lecturers to conduct training based on real examples, such as violations of laws and regulations that we may be susceptible to, illegal conduct that may arise at the company, selection of M&A targets, as well as points to consider for management decision-making and management approaches for subsidiary companies, including overseas transactions.

2. For Outside Directors

The company improves the effectiveness of outside directors' supervisory capabilities through better understanding of the business, based on deepening their knowledge of the group and its business. This includes outside directors' participation in "group company presentations on management policy" and group company board meetings as appropriate.

3. For Newly Appointed Inside Directors and Executive Officers

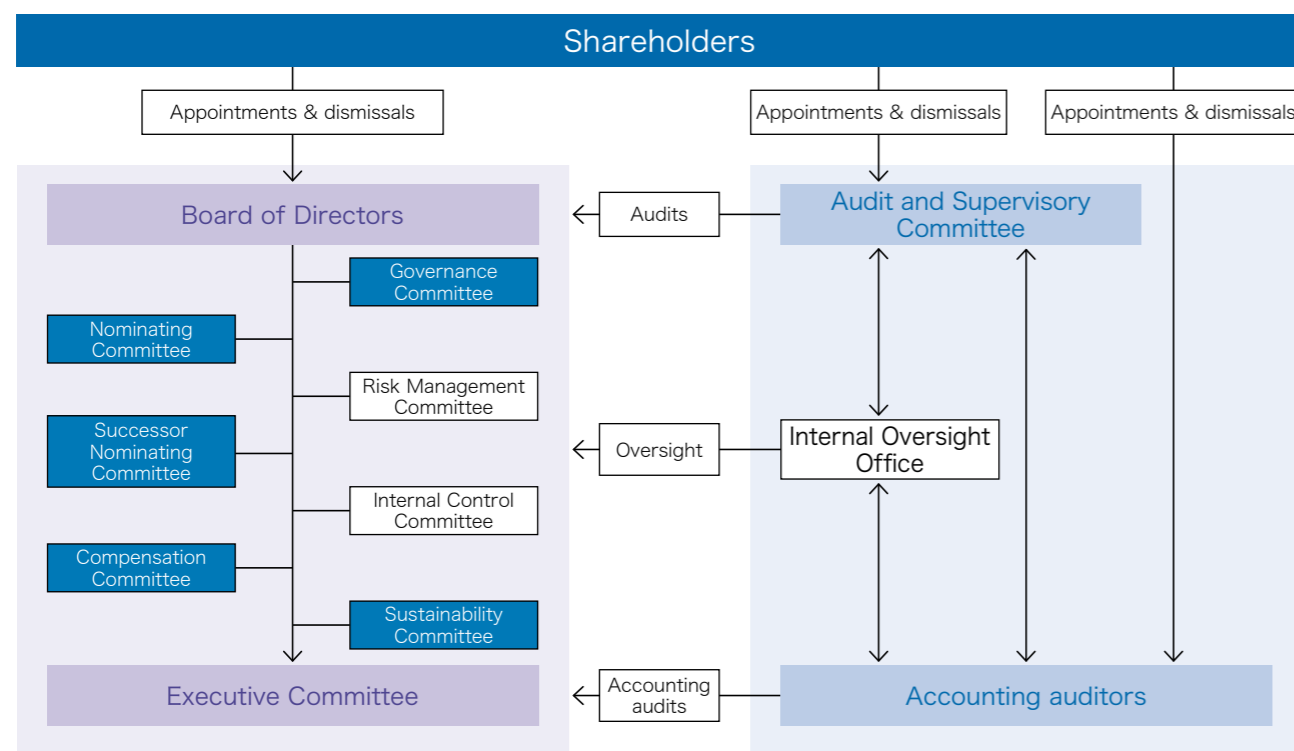
The company offers opportunities for training at external organizations to gain the minimum knowledge required for directors on matters such as laws, compliance and corporate governance.

Board of Directors Basic View on Corporate Governance Relating to Sustainability

At Funai Soken Holdings, we strive to strengthen our corporate governance with a focus on ensuring effective legal compliance and maximizing shareholder returns. In order to enhance corporate governance, at least one third of the directors of the company are

outside directors, thus ensuring the board's objectivity and validity. The company audits the legality and validity of the Board of Directors by means of the Audit and Supervisory Committee (comprising three members, including two outside directors).

Funai Soken Holdings Corporate Governance Structure



Major Corporate Governance Initiatives

Basic Approach to Capital Policy

We recognize that our approach to capital policy is extremely important for enhancing shareholder value over the mid- to long-term. Our basic approach is to seek profit growth driven by proactive investment in the business, while building shareholders' equity to an appropriate level and increasing returns to shareholders.

- Steady increase in ROE above cost of capital (consolidated ROE 15+%)
- Aim for return-to-shareholders ratio of 60+%, with a focus on methods such as acquisition of treasury shares and increasing total dividend (dividend per share)

Approach to Cross-Shareholdings

In light of changes in the environment relating to the Corporate Governance Code and the risk that the company's financial situation could be significantly impacted by share price fluctuations, the company's basic policy on cross-shareholdings is to reduce cross-holdings and to not acquire new shares unless the holding is deemed to be strategically significant. Each year, the company's stockholdings are reviewed on an individual basis, and the economic rationale of these holdings is assessed. The medium- to long-term objectives for the holdings are examined and returns, such as dividends, are taken into account. As a result of this review, those stockholdings that are deemed to have limited strategic significance or economic rationale are sold, while taking the impact of the disposal on the market and other considerations into account. On the

other hand, those stocks that are acknowledged to be of strategic significance to the company are retained. We exercise voting rights to approve or reject the stockholding company's proposals, taking account of whether there is an appropriate governance system in place, and whether the stockholding company makes appropriate decisions that will enhance corporate value over the medium- to long-term, based on whether it enhances the corporate value of the group. With regard to proposals that could have an impact on corporate value and shareholder returns (such as takeover defense initiatives or business restructuring measures), we engage in dialogue with the stockholding company to assess its aims and objectives for the improvement of corporate value. Based on this, we evaluate the merits and disadvantages of the proposals concerned.

Cross-holdings

Company	Cross-holding review criteria	Final decision criteria
Company A	Review of each company's shares · Check the holding's significance to our group · Consider returns, e.g., dividends	Comprehensive decision · Does the company have a proper governance structure? · Is the company's decision-making conducive to mid-to-long-term growth in corporate value? · Is the holding conducive to our group's corporate value? · With regard to proposals that could have an impact on corporate value and shareholder returns (such as takeover defense initiatives or business restructuring measures), we engage in dialogue with the share-issuing company to assess its aims and objectives for the improvement of corporate value. Based on this, the company evaluates the merits and disadvantages of the proposals concerned.
Company B		
Company C		
⋮		

Oversight and Evaluation of Strategic Decision Making

Advisory Committees

- **Nominating Committee**
Ensures the transparency and objectivity of the process for selecting candidates for director positions, deliberates on appointment criteria for directors and executive officers, assists candidates through the selection process, and ensures the validity of the selection process.
- **Successor Nominating Committee**
Ensures the transparency and objectivity of the process for appointing and dismissing the president. Advises regarding the appointment and development of the group CEO and representative director, and ensures the process is fair and highly transparent.
- **Compensation Committee**
Seeks to improve the group's corporate value by ensuring the transparency and objectivity of the process for determining executive compensation. Ensures that executives' and directors'

remuneration is an incentive for the improvement of business performance over the medium- to long- term. It submits proposals for remuneration to the Board of Directors for submission to the General Meeting of Shareholders and discusses the policy and details of individual remuneration.

- **Governance Committee**
Reviews various issues related to the corporate governance of the group from a mid-to-long-term perspective, improves fairness and transparency of management, and strengthens corporate governance.
- **Sustainability Committee**
Ensures sustainability is incorporated into management throughout the whole group, monitors and evaluates KPIs, ensures governance functions properly, and oversees consistent implementation of policies.

Policy Regarding Distribution of Earnings

We recognize the vital importance of prudent capital policy for mid-to-long-term increases in shareholder value. To that end, we strive to sustain ROE at 15+%

and return-to-shareholders ratio at 60+%, while keeping a watchful eye on cost of capital.

Executive Compensation System: Design and Outcomes

I Matters Pertaining to Policy on Determining Directors' Remuneration Amounts and Calculation Methods

Our policy pertaining on determining directors' remuneration amounts and calculation methods recognizes that directors' remuneration is a vital part of corporate governance as relates to the pursuit of sustainable growth for the Funai Soken Consulting Group and mid-to-long-term growth in corporate value, as well as sharing value with shareholders. The policy is configured to allow directors' remuneration to function as a healthy incentive for directors to strive to achieve those objectives. It is intended to help us secure, retain, educate, and reward talented people, and holds that the process of determining remuneration should be highly transparent and objective. The compensation of directors who are not members of the Audit and Supervisory Committee is discussed by the Compensation Committee, after which the CEO submits the matter to the Board of Directors, which makes a final decision. The remuneration of directors who are members of the Audit and Supervisory Committee is determined through discussions by the Audit and Supervisory Committee. As pertains the process of determining the amount

of directors' remuneration for this business year, the Board of Directors' and Compensation Committee's role is to deliberate multiple times on the policy on determining officers' remuneration, and to deliberate multiple times on the compensation packages of each of the company's directors (excluding those who are members of the Audit and Supervisory Committee). Compensation is determined based on factors such as each directors' duties, responsibilities, performance, and degree of contribution. Based on the committee's decisions, the CEO made submissions to the board of directors, which made a decision.

- Remuneration Structure and Performance-Based Remuneration**
 The remuneration structure of directors (excluding outside directors) who are not members of the Audit and Supervisory Committee contains the items listed below, and remuneration is apportioned based on rank and duties. Compensation comprises a fixed portion as well as performance-based remuneration and performance-based stock-as-compensation.

[Fixed Compensation]

A fixed monthly amount comprising the following.

Basic remuneration	Monetary compensation, which is not linked to performance, and the amount of which is determined in accordance with rank and duties.
Performance-based remuneration	Monetary compensation linked to consolidated sales, operating income, and ordinary income in the most recently completed business year A personal assessment score (from best to worst: S, A, B, C, and D) based on each individual's degree of achievement of criteria (incl. performance of duties, responsibilities, business performance, and degree of contribution) and personal KPIs.

[Performance-Based Stock-as-Compensation]

Stock options as compensation	Stock options are offered by shareholders in accordance with rank, roles, and achievements with the aim of increasing motivation and morale relating to the sharing of value with shareholders and achieving mid-to-long-term improvements in business performance, on the condition that the options can only be exercised upon resignation. The remuneration structure of outside directors and those directors who are members of the Audit and Supervisory Committee comprises only fixed compensation (i.e., the fixed monthly amount).
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Remuneration Levels and Methods of Determining Remuneration Amounts

The Compensation Committee deliberates to ensure appropriate remuneration levels and structures in accordance with each individual's duties, and takes into consideration the compensations paid by other companies in our industry so as to ensure that remuneration amounts are in keeping with the company's performance and scale of business. The Compensation Committee sets officers' remuneration policy, monitors the system, and deliberates on specific calculation methods. Based on the conclusions they reach, the compensation paid to directors who are not members of the Audit and Supervisory Committee is then determined by a Board of Directors resolution, and the compensation paid to directors who are members of the Audit and Supervisory Committee is determined through discussions by the directors who are members of the Audit and Supervisory Committee.

Policy for Determining the Ratio of Performance-Based Stock-as-Compensation to Compensation not Linked to Performance

At Funai Soken Holdings, performance-based stock-as-compensation generally makes up 20% of total compensation, and this ratio changes in accordance with performance outcomes.

KPIs for Performance-Based Compensation and Performance-Linked Floating Compensation; Reasons for Choosing Those KPIs; and Methods of Calculating the Compensation

When calculating compensation, these factors are evaluated: the group's achievement of targets (i.e., for consolidated net sales, operating income, and ordinary income) in the most recently completed business year; qualitative evaluation of the individual's progress toward achieving targets relating to his/her duties, responsibilities, performance, and degree of contribution; and the group's progress toward achieving the targets of the Mid-Range Business Plan. Indicators relating to achievement of performance targets are used to gauge earning capability.

Grounds for the Board's Finding that Individual Directors' Compensation Packages Were in Line with Policy

The Board of Directors determined that individual directors' compensation packages were in line with official policy after receiving a report to that effect from the Compensation Committee, which carried out exhaustive, multifaceted examination of the proposed packages to check their compliance with policy.
Authority for determining the amount and calculation methods of officers' remuneration rests with the Board of Directors. We have, in addition to our Audit and Supervisory Committee, a voluntary Compensation Committee. To ensure objectivity and transparency, the committee is chaired by an outside director and a majority (i.e., three) of the committee's members are outside directors. The committee's role is to deliberate on the compensation packages of each of the company's directors (excluding those who are members of the Audit and Supervisory Committee). Compensation is determined based on factors such as each directors' duties, responsibilities, performance, and degree of contribution, and bound by the maximum amounts approved at a shareholders' meeting. Based on the committee's decisions, the CEO makes submissions to the board of directors, which deliberates on each individual case and makes a final decision. The amount of compensation paid to directors who are members of the Audit and Supervisory Committee is determined through discussions by the Audit and Supervisory Committee.

[Compensation Paid to Directors' (Excluding Those Who Are Members of the Audit and Supervisory Committee)]

Fixed Compensation		Performance-linked floating compensation
Basic remuneration	Performance-based remuneration	Stock options as compensation
Monetary compensation, which is not linked to performance, and the amount of which is determined in accordance with rank and duties.	Monetary compensation linked to consolidated sales, operating income, and ordinary income in the most recently completed business year. A five-level personal assessment score based on each individual's degree of achievement of the criteria (incl. performance of duties, responsibilities, business performance, and degree of contribution) and personal KPIs.	Stock options are offered by shareholders in accordance with rank, roles, and achievements with the aim of increasing motivation and morale relating to the sharing of value with shareholders and achieving mid-to-long-term improvements in business performance, on the condition that the options can only be exercised upon resignation.
*Calculated with reference to executive compensation packages paid by other companies in the industry.	8	2

[Compensation Paid to Outside Directors and Members of the Audit and Supervisory Committee]

Fixed Compensation
Basic remuneration (fixed monthly payment)
Compensation for outside directors comprises only fixed remuneration in light of their independence from execution of operations; compensation for directors who are members of the Audit and Supervisory Committee comprises only fixed remuneration in light of their independent status as auditors.

Evaluation Process and Identifying Areas for Improvement

The effectiveness of the Board of Directors is evaluated once a year, covering all directors, including Audit and Supervisory Committee members, through a self-assessment questionnaire. The Board of Directors deliberates the results of this evaluation to improve the effectiveness of the Board of Directors.

2021 in Review

- 1 Reviewing which items get tabled at board meetings and which do not has resulted in improvements. We will continue with these reviews.
- 2 Progress toward achieving the targets of the Mid-Range Business Plan is being monitored and analyzed, but further effort is required.
- 3 Engaged in debate regarding assessment and clarification of the range of skills needed for the Board of Directors.
- 4 More items were tabled relating to sustainability, and progress was monitored.
- 5 Monitoring of progress in dealing with issues identified as having high materiality has begun, but further action is required next year and beyond.
- 6 Increased involvement of outside directors: All advisory committees to the board are chaired by outside directors, and outside directors make up a majority of advisory committee membership.

2022 Tasks

- 1 Prepare materials outlining the main points of matters to be tabled at board meetings so as to promote more substantial debate and improve the board's decision-making quality.
- 2 Establish a framework for optimal communication of risk management information through reporting from internal oversight departments to the Board of Directors so as to enable swifter identification and understanding of risks within the group.
- 3 Improve progress monitoring and analysis of strategies pursued by the group's core companies in order to boost the quality of deliberations regarding Mid-Range Business Plan strategies.
- 4 Improve the substance of matters tabled at board meetings so as to promote more in-depth debate regarding high-materiality issues.
- 5 Further increase teamwork between the Board of Directors and its various advisory committees in order to boost the committees' functional effectiveness.

Constructive Dialogue with Shareholders, Investors, Analysts, and Others

Part of our efforts to realize the Funai Soken Consulting Group vision, "Trusted and respected by society for bringing joy to people and businesses through our work," is to provide information to all stakeholders. The company compiles a disclosure policy and posts it on the company website, not only to meet information disclosure obligations stipulated by law, but also as part of our proactive dissemination (to the extent possible) of unbiased information that we believe is conducive to promoting a deeper understanding of the Funai Soken Consulting Group.

Dialogue with shareholders, investors, and securities analysts is overseen by the director in charge of the IR & PR Office, who works with the president and appropriate officers to determine the right approach in each case. The IR & PR Office functions to support the company's dialogue with shareholders and investors, working

organically with the pertinent departments to collect information and exchange views based on expert insight.

We engage in dialogue in a variety of ways, including in-person meetings, phone calls, and online conferencing, as well as results briefings and small meetings. We try to be proactive in disclosing information, and are constantly working to enhance the contents of major disclosure tools such as the summary of financial results and integrated report.

Opinions received through stakeholder dialogue are shared with the board of directors and put to good internal use, for instance in management strategy reviews.

In stakeholder dialogue as elsewhere, we strive to maintain the accuracy and fairness of information disclosure, as well as proper administration of international information.

Major IR Activities

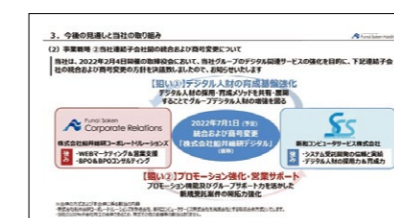
	2019	2020	2021
Individual meetings with analysts and institutional investors	115	108	132
Results briefings for analysts and institutional investors	2	2	2
Conferences arranged by securities companies	0	0	5
Briefings for individual investors	3	0	1

*These have mainly been held online since February 2020 due to Covid-19.

	2019 (50th AGM)	2020 (51st AGM)	2021 (52nd AGM)
Shareholders	10,490	10,994	13,342
AGM attendees	104	19	21

*Held at a limited scale due to concerns regarding the spread of Covid-19.

Results briefing for analysts and institutional investors (Feb. 8, 2022)



Please visit group company websites for briefing script.
<https://hd.funaisoken.co.jp/en/ir/report.html>

Annual general meeting of shareholders (Mar. 26, 2022)



Starting this year, questions can be submitted in advance online.

Company information session for individual investors (Jun. 30, 2021)



Director Dialogue

Nobuyuki Isagawa

Independent outside director
Professor, Graduate School of Management, Kyoto University

Tatsuro Ono

Director and executive vice president

A More Effective Board for Sustainable Creation of Corporate Value

The revision of the Japan Exchange Group's Corporate Governance Code meant 2021 was a year of new questions about sustained effectiveness of governance. We asked two of our directors, Nobuyuki Isagawa and Tatsuro Ono, about the director's role and the importance of diversity.



Q1

At a company like ours, which already has an Audit and Supervisory Committee, what functions do voluntary advisory committees perform for the Board of Directors?

Isagawa We have three advisory committees: the Nominating Committee, the Successor Nominating Committee, and the Compensation Committee. All of them are chaired by independent outside directors, and all of them have a majority of outside directors as members, meaning they are highly independent. Their deliberations on matters are substantial and carry weight in keeping with their independence and objectivity.

The Nominating Committee's role is to evaluate candidates for director positions (including obtaining third-party opinion) to ensure they have the skills and attributes needed to be a director. The Compensation Committee makes proposals regarding executives' compensation based on the group's Compensation Regulations and the previous year's business results, while taking into account factors such as providing incentive to help achieve long-term growth in corporate value.

The Nominating Committee met five times in 2021, and



the Compensation Committee three times. If you count pre-meeting consultations, there were actually more meetings than that. The committees' findings are reported to the Board of Directors, where they are analyzed and debated. Naturally, the representative directors and internal directors respect the committees' findings. In this way, the advisory committees and the Board of Directors function as a single entity.

Ono The Funai Soken Consulting Group adopted a system in 2021 that upholds the objectivity and fairness of the advisory committees by requiring a majority of members be outside directors. As for specific activities, one comes to mind: the further clarification of the candidate selection process by the Nominating Committee. The establishment of a set of seven attributes as a quantitative means of judging new directorship candidates, and the requirement for group director candidates to make presentations to the Nominating Committee so as to judge their character, views, and capabilities, have made the process more objective.

The Compensation Committee has also sought to make the objectivity of the compensation decision process and the acceptability of compensation packages among executives clearer. Specific initiatives include use of KPIs and KGIs for assessments, and a report-debate-feedback cycle where group company presidents report their compensation amounts to the committee, which then debates and responds. Moreover, in light of the shift in recent years toward focus on improving corporate value, there is a new emphasis on compensation (stock-based) linked to mid-to-long-term business performance. We are also considering increasing evaluations from once a year to twice a year.

Q2

With the diversity of boards of directors now a clear focus of the JPX Corporate Governance Code, what discussions have their been about diversifying the group's board while ensuring the right skill mix, and what action can we expect?

Isagawa We need a diverse Board of Directors if we are to achieve our vision for the future and apply our business strategies. There has been an increased environmental and social focus in recent years from a sustainability standpoint, and companies are now required to consider the ecological and social impact of their businesses—and those of their clients and business partners. This trend will only become more pronounced, and I think we will need directors with experience and insights relevant to these areas, or who can acquire the necessary knowledge and skills. It's no accident that our skill matrix for executives now includes ESG.

Japan is now learning that harnessing the power of its female workforce drives the creation of new value. The Funai Soken Consulting Group benefits greatly from Funai Soken Holdings's female outside director and the multiple women appointed to the boards of its operating companies, and each one of them earned her appointment fair and square through an objective, transparent selection process.

Our executives are chosen for their expertise and experience in light of the mix of skills we need for the transition to the Tokyo Stock Exchange's new Prime Market and for our own business strategies. Naturally, we need the

dynamic capabilities to stay abreast of the ever-changing business climate, and with clear criteria for evaluating skills we seek to maintain a board composition that ensures each skill is covered by multiple directors.

Ono Right now, digitalization is an area of major focus for our group, and we are working to acquire people with the skills to boost our skill base in that field.

As far as diversity is concerned, we will continue with our policy of appointing female directors who are a match for our business strategy and help improve corporate value. It is vital that we harness the strengths of our female workforce if we are to improve productivity as part of our quest to achieve sustained growth in corporate value. Women in the boardroom are motivational role models for our whole workforce and help us show clear career paths for women.



Q3 What are you looking forward to tackling next?

Isagawa I am determined to add momentum to the development of our digital consulting business, and I look forward to managing, supervising, and providing advice to help overcome the challenges surrounding sustainability. In this way, I hope to meet the expectations of our clients, employees, and other stakeholders by contributing to growth in corporate value. To that end, I will uphold the transparency and objectivity of the advisory committees while speaking frankly to the board as a part of constructive debate.

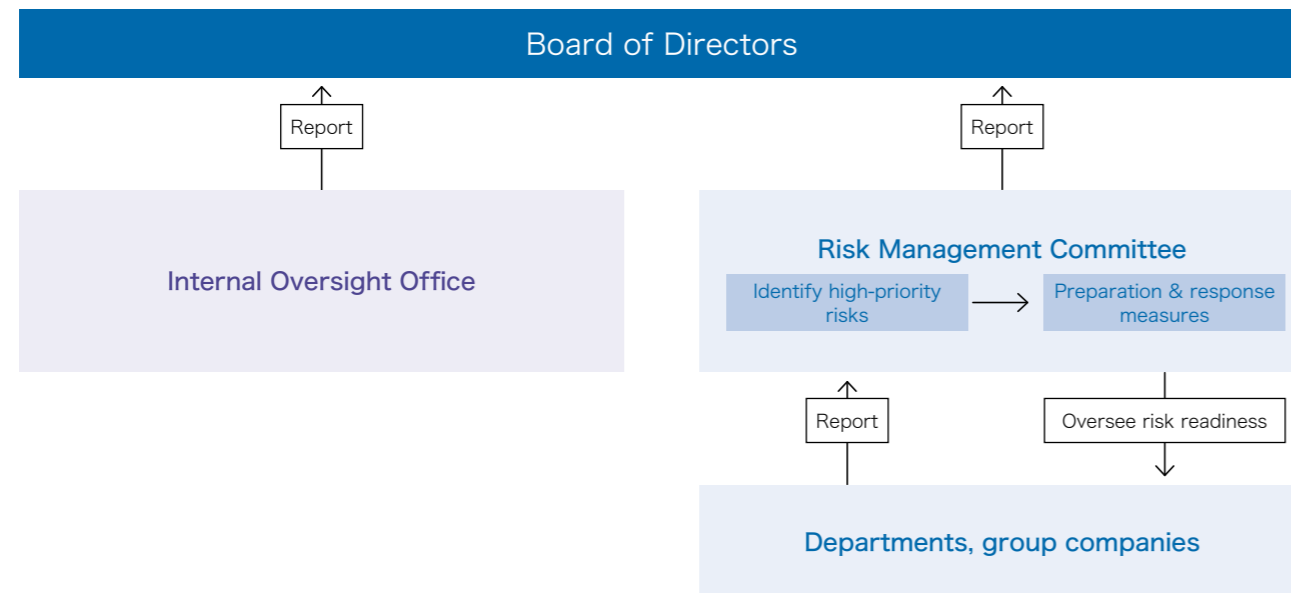
Ono Information disclosure will become more important than ever. The Nominating Committee and the Compensation Committee must discuss individual matters such as the disclosure of management decision-making processes and the disclosure of human capital, with greater transparency foremost in mind. We will strive for transparent, objective information while remaining open to various opinions.

Business Risks

Our Risk Management Framework

We have established a Risk Management Committee as a groupwide organization to manage crises including management of the risk of losses. The Risk Management Committee recognizes the importance of identifying, evaluating, and managing risks that have a significant impact on corporate management and business continuity, and appropriately manages the risks surrounding the group and seeks to prevent risks from arising, for instance by identifying risks that require a priority response and implementing specific measures to deal with them.

It consists mainly of directors, executive officers and employees who manage major departments. It collects information from both inside and outside the company, conducts risk analysis from various perspectives and deliberates on and implements measures in response to risks. We have also established other advisory organizations as deemed appropriate, including a Sustainability Committee and a Governance Committee, thus helping to bolster group governance with access to advice from broadly experienced outside directors.



Risks we face in the consulting business	
Risk	In an industry already predicted to become even more intensely competitive, the increasing gap between firms that can and cannot keep up with clients' needs, including new demands such as help with digital transformation, raises the possibility of an industry shake-up, including new alliances and splits.
Preventive measures	We strive to ensure a high degree of client satisfaction by collating insights gained during day-to-day operations and using these to formulate new methodologies for analyzing clients' businesses and finding innovations.

Over-reliance on consultants	
Risk	<ul style="list-style-type: none"> Failure to secure and develop the human resources we need may have an impact on our operations and business performance. The most talented consultants often have a desire to set up their own businesses. Losing some of our most important talent may have a temporary impact on business performance.
Preventive measures	<ul style="list-style-type: none"> We seek to secure high-potential talent by hiring aggressively, not just recent graduates but also among those with career experience in other fields. We are revising our assessment systems so that compensation reflects individuals' achievements more accurately. We strive to help women forge meaningful careers, e.g., by introducing frameworks that make it easier to balance work with needs such as childcare.
Risks we face in other businesses	
Risk	<ul style="list-style-type: none"> While our logistics business contributes to clients' improved business performance, this segment is susceptible to demands for prompt roll-out of environmentally-considerate solutions for entire supply chains in the name of ESG management. Our direct recruiting business operates in a crowded industry susceptible to sudden declines in competitive strength on price and service quality, and to national economic trends.
Preventive measures	<ul style="list-style-type: none"> We will develop a talent pool for our logistics business with the skills to stay abreast of industry trends regarding ESG requirements. We will expand our share of the direct recruiting market through marketing and pursue client acquisition in a way that is not susceptible to the whims of the economy.
Information security risks	
Risk	Unforeseen circumstances may lead to incidents such as confidential information leaks, violations of law relating to incorrect procedures for acquiring or handling personal information, destruction or falsification of important data, and system disruptions.
Preventive measures	<ul style="list-style-type: none"> We have a framework that ensures in-house rules are followed through thorough oversight of information security regulations and their implementation. The importance of information management is ingrained in employees and officers through instilling our Five Principles of Information Security, adherence to the Information Security Manual, and e-training.
Risks of longer, more widespread Covid	
Risk	Worsening business performance among our core clientele, Japanese SMEs, may have an adverse effect on our ability to attract new consulting orders, while lost opportunities for new orders caused by restrictions on client acquisition and in-person sales activities may impact the group's business performance.
Preventive measures	In addition to helping stop the spread of infections, both inside and outside the group, we have established a framework that enabled us to continue business operations despite the pandemic, including online seminars, remote consulting services, and working from home. We are also striving to restore clients' business performance by supporting their efforts to ready themselves for the "new normal" of the post-Covid era and stepping up digital transformation consulting services.

Financial Review

Consolidated Results of Operations

In 2021, we sought to balance Covid safety with the pursuit of business operations: on the one hand, a thorough regime of anti-Covid measures and holding workplace vaccinations; on the other hand, a nimble combination of in-person and online consulting services to meet clients' needs. The Funai Soken Consulting Group's ability to work cohesively and provide clients with solutions to the variety of challenges they face, including diversifying work styles (e.g., remote work) and adopting ESG as part of the collective drive toward sustainability, ensured our bottom-line figures returned to record-high levels last seen in pre-Covid 2019.

In 2021, net sales were 28,813 million yen (up 15.1% year-on-year), operating income was 6,349 million yen (up 27.4%), ordinary income was 6,439 million yen (up 26.5%), and net income attributable to owners of the parent was 4,373 million yen (up 25.0%). Net income attributable to owners of the parent exceeded the upwardly revised forecast published at the time of the 2Q results by 73 million yen, and ROE blew past the target of 15.0% (identified as a core financial strategy goal in the Mid-Range Business Plan) to 18.2%.

Revenues and Profits

Net sales were up in the consulting segment, driven by a sharp increase in online advertisement agency services, while an uptick in new orders via the web drove increases in sales of monthly support consulting and logistics operations. Consequently, net sales increased 15.1% year-on-year to 28,813 million yen. Cost of sales increased to 19,512 million yen from 17,027 million yen in the preceding year, and SG&A expenses fell from 2,951 million yen from 3,018 million yen. Although there was an increase in costs related to online advertisement agency services, there was also a large decrease in travel and venue costs incurred in consulting operations. Consequently, operating income rose 27.4% year-on-year to 6,349 million yen, and operating margin increased 2.1 points to 22.0%.

Non-operating income was 131 million yen, compared with 147 million yen in the preceding year, due to factors such as gains on sales of investment securities acquired by investing surplus funds, while non-operating expenses were 40 million yen, compared with 38 million yen in the preceding year. Consequently, ordinary income increased 26.5% year-on-year to 6,439 million yen.

Income taxes totaled 2,041 million yen this year, compared with 1,677 million yen in the preceding year, resulting in an increase in net income attributable to owners of the parent of 25.0% year-on-year to 4,373 million yen.

Performance by Segment

I. Consulting

Online seminars and management workshops provided a steady stream of new orders, while referrals from existing clients and direct sales also contributed to a robust increase in orders, thus propelling sales and income above 2020 levels.

Performance in our principal sectors—housing and real estate, and healthcare, nursing care and welfare—was steady, with another year-on-year increase in net sales. By solution category, we achieved significant growth in online marketing consulting, business model consulting, and finance consulting.

There has been noticeable growth in the uptake of our diverse array of digital transformation consulting services, including marketing DX (centered on online sales) for manufacturing clients, and DX to help clients in the housing, real estate, manufacturing, and other sectors harness AI, robotics, and RPA to increase the efficiency of work processes.

Conversely, subdued demand among companies for hiring saw yet another tough year for the recruiting support services market. Despite this, the overall increase in sales, and the decrease in travel and venue costs caused by from the widespread uptake of online seminars, online workshops, and remote support services resulted in increased profit.

Consequently, net sales increased 16.8% year-on-year to 22,256 million yen, and operating income increased 21.8% year-on-year to 5,846 million yen.

II. Logistics

Sales of logistics operations were up over the preceding year, boosted by an increase in new orders via the web, which resulted from new client development and proactive efforts to invigorate sales among existing clients. Logistics consulting sales were also up amid a return by clients to investment activities and solid management workshop sales. Logistics trading sales were affected by a drop in fuel sales volumes caused by restrictions on corporate and personal movement, but rising prices meant that sales were up year-on-year. The solid performance of the logistics operations segment led to growth in operating income.

Consequently, net sales increased 25.5% year-on-year to 3,309 million yen, and operating income increased 8.7% year-on-year to 338 million yen.

III. Direct Recruiting

The ongoing effects of Covid-19 continue to depress corporate demand for new staff, and the resulting in a drop in recruitment

ad placements kept downward pressure on sales, but optimized ad operations and a revision of advertising expenses and other costs enabled us to reduce the size of the net operating loss.

Consequently, net sales decreased 16.2% year-on-year to 1,953 million yen, and operating losses were 115 million yen, compared with an operating loss of 174 million yen in the preceding year.

IV. Other Businesses

Contact center consulting sales and income increased significantly year-on-year, buoyed by widespread acceptance and uptake of online training and support services, as well as recurring income from major clients. In the systems development business, a recovery in orders from our main clients and other new orders resulted in an increase in sales and income.

Consequently, net sales increased 30.4% year-on-year to 1,272 million yen, and operating income was 82 million yen, compared with an operating loss of 88 million yen in the preceding year.

Assets, Liabilities, Capital

Assets

Total assets increased 2,932 million yen year-on-year to 30,884 million yen at the end of FY2021. Current assets increased 2,692 million yen from the end of the preceding year to 18,996 million yen. Major factors included an increase in cash and deposits, trade notes and accounts receivable, and a decrease in short-term investment securities.

Noncurrent assets increased 240 million yen from the end of the preceding year to 11,888 million yen. Major factors included an increase in investment securities.

Liabilities

Total liabilities increased 934 million yen year-on-year to 5,197 million yen at the end of FY2021.

Current liabilities increased 1,039 million yen from the end of the preceding year to 5,037 million yen. Major factors included increases in trade notes and accounts payable, the current portion of bonds, and income taxes payable.

Noncurrent liabilities decreased 105 million yen from the end of the preceding year to 160 million yen. Major factors included a decrease in long-term loans payable.

Net Assets

Total net assets increased 1,998 million yen year-on-year to 25,687

million yen at the end of FY2021. Major factors included an increase in net income attributable to owners of the parent, a decrease in net assets due to purchase of treasury shares, and a decrease in retained earnings as these were appropriated.

Consequently, the shareholders' equity ratio decreased 1.7 points to 80.7%.

Cash Flow

Cash and cash equivalents increased 2,458 million year-on-year to 14,675 million yen at the end of FY2021. Trends in cash flow by activity are described below.

Cash Flows from Operating Activities

Cash flows from operating activities ended on a net gain of 5,214 million yen this year compared to a net gain of 3,515 million yen in the preceding year. Major factors included net income before income taxes and other adjustments of 6,415 million yen; 1,610 million yen in income taxes paid, and 540 million yen in income tax refunds.

Cash Flows from Investing Activities

Cash flows from investing activities ended on a net loss of 219 million yen this year compared to a net gain of 263 million yen in the preceding year. This was mainly due to expenditure of 218 million yen on purchase of property, plant, and equipment, and intangible assets.

Cash Flows from Financing Activities

Cash flows from financing activities ended on a net loss of 2,547 million yen this year compared to a net loss of 3,194 million yen in the preceding year. Major factors included a net expenditure of 265 million yen on sale and purchase of treasury shares, and 2,272 million yen distributed as dividends.

Capital Policy and Shareholder Returns

We recognize the vital importance of prudent capital policy for mid-to-long-term increases in shareholder value. Our basic approach is to seek higher capital efficiency through profit growth driven by proactive investment in the business, while building shareholders' equity to an appropriate level and increasing returns to shareholders.

- **Basic approach to capital efficiency:** Strive for ROE of 15+%
- **Basic approach to shareholder returns:** Strive for a return-to-shareholders ratio of 60+%

Consolidated Financial KPIs 2011–2021

Key Performance Indicators		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	
		(Million yen)					(Million yen)						
For the fiscal year	Net sales	8,567	9,038	10,065	12,485	14,717	16,433	18,685	21,697	25,752	25,027	28,813	
	Gross profit	3,010	3,290	3,630	4,340	5,092	5,743	6,888	7,654	8,780	8,000	9,301	
	SG&A expenses	1,110	1,035	1,004	1,348	1,595	1,883	2,256	2,708	3,075	3,018	2,951	
	Operating income	1,900	2,255	2,625	2,992	3,497	3,859	4,631	4,946	5,705	4,982	6,349	
	Net income attributable to owners of the parent*	1,196	1,325	1,984	1,766	2,426	2,558	3,206	3,549	3,868	3,498	4,373	
*Net income figures are used for 2015 and before.													
		(Million yen)					(Million yen)						
At end of fiscal year	Total assets	16,549	17,347	18,602	20,437	22,260	22,862	25,650	26,732	28,419	27,951	30,884	
	Net assets	13,770	14,456	15,912	16,653	18,217	19,272	21,624	22,370	23,165	23,688	25,687	
		(Million yen)					(Million yen)						
Cash flow	Net cash provided by (used in) operations	2,240	1,753	1,975	2,889	2,008	2,813	3,950	3,554	4,522	3,515	5,214	
	Net cash provided by (used in) investments	(317)	(1,631)	(1,136)	(142)	671	412	(982)	(222)	(500)	263	(219)	
	Net cash provided by (used in) financing	(736)	(690)	(698)	(1,058)	(1,181)	(1,689)	(1,176)	(2,762)	(3,411)	(3,194)	(2,547)	
	Cash and cash equivalents at end of fiscal year	4,357	3,790	3,936	5,626	7,125	8,663	10,455	11,022	11,630	12,216	14,675	
		(Yen)					(Yen)						
Per-share information	Earnings per share	23.64	26.18	39.13	34.77	47.83	50.41	63.37	69.95	76.67	70.32	88.57	
	Dividend per share	13.3	14.4	16.1	17.8	20.0	24.0	30.0	35.0	40.0	45.0	48.0	
	Net assets per share	271.43	285.17	312.41	325.25	356.05	378.44	421.29	435.56	453.48	465.60	505.04	
*Common shares in Funai Soken Holdings were split twice in recent years: at a ratio of 1.2-for-one on January 1, 2016, and at a ratio of 1.5-for-one on January 1, 2018. For the purposes of this section, per-share information is calculated as if the stock splits had been conducted at the beginning of FY2011.													
		(%)					(%)						
Financial KPIs	Operating margin	22.2	24.9	26.1	24.0	23.8	23.5	24.8	22.8	22.2	19.9	22.0	
	Return on equity (ROE)	8.9	9.4	13.1	10.9	14.0	13.8	15.9	16.4	17.4	15.3	18.2	
	Ratio of ordinary income to total assets (ROA)	11.8	13.1	15.0	15.5	17.3	17.1	19.3	19.1	21.3	18.1	21.9	
	Equity ratio	83.1	83.2	85.3	81.1	81.3	83.5	83.3	82.2	79.4	82.4	80.7	
	Dividend payout ratio	56.4	55.2	41.2	51.1	41.8	47.6	47.3	50.0	52.2	64.0	54.2	
		(Yen)					(Yen)						
Stock information	Closing share price at end of fiscal year* (yen)	292	298	467	549	1,152	1,224	2,524	1,642	2,481	2,521	2,616	
	Price earnings ratio (PER)	12.7	11.4	11.9	15.8	24.1	24.3	39.8	23.5	32.4	35.9	29.5	
*Common shares in Funai Soken Holdings were split twice in recent years: at a ratio of 1.2-for-one on January 1, 2016, and at a ratio of 1.5-for-one on January 1, 2018. For the purposes of this section, closing share price at end of fiscal year is calculated as if the stock splits had been conducted at the beginning of FY2011.													
Other information	Employees	489	526	565	682	783	873	941	1,105	1,209	1,303	1,317	
	Avg. no. of temporary employees	64	44	49	56	41	31	37	41	37	68	52	

Consolidated Financial Statements

Consolidated Balance Sheet

(Thousand yen)

	2020	2021		2020	2021
Assets			Liabilities		
Current assets			Current liabilities		
Cash and deposits	12,216,419	14,675,155	Trade notes and accounts payable	406,535	535,623
Trade notes and accounts receivable	2,741,126	3,191,781	Short-term loans payable	200,000	200,000
Short-term investment securities	304,771	100,000	Current portion of long-term loans payable	—	100,000
Work in process	130,721	184,105	Income taxes payable	841,931	1,325,288
Raw materials and supplies	9,908	10,986	Other current liabilities	2,549,217	2,876,104
Other current assets	951,571	875,363	Total current liabilities	3,997,683	5,037,015
Allowance for doubtful accounts	(49,817)	(40,657)	Noncurrent liabilities		
Total current assets	16,304,701	18,996,734	Long-term loans payable	100,000	—
Noncurrent assets			Retirement benefit liabilities	68,088	69,872
Property, plant, and equipment			Deferred tax liabilities	56,128	43,657
Buildings and structures, net	1,234,799	1,195,629	Other noncurrent liabilities	41,673	47,050
Land	4,602,643	4,596,717	Total noncurrent liabilities	265,891	160,579
Other property, plant, and equipment, net	149,994	124,850	Total liabilities	4,263,574	5,197,595
Total property, plant, and equipment	5,987,438	5,917,197	Net Assets		
Intangible assets			Shareholders' equity		
Leasehold rights	322,400	322,400	Capital	3,125,231	3,125,231
Software	256,251	298,339	Capital surplus	2,946,634	2,946,763
Other intangible assets	96,735	84,678	Retained earnings	20,565,065	22,664,750
Total intangible assets	675,386	705,418	Treasury stock	(3,560,378)	(3,826,322)
Investments & other assets			Total shareholders' equity	23,076,553	24,910,422
Investment securities	4,053,809	4,241,507	Accumulated other comprehensive income		
Assets related to retirement benefits	463,062	540,005	Valuation difference on available-for-sale securities	75,241	76,859
Other investments and other assets	475,851	490,826	Foreign currency translation adjustments	17,074	23,992
Allowance for doubtful accounts	(8,258)	(6,929)	Accumulated adjustments for retirement benefits	(127,122)	(72,760)
Total investments and other assets	4,984,465	5,265,410	Total accumulated other comprehensive income	(34,806)	28,090
Total noncurrent assets	11,647,290	11,888,026	Subscription rights for shares	646,669	748,651
Total assets	27,951,991	30,884,761	Total net assets	23,688,416	25,687,165
			Total liabilities and net assets	27,951,991	30,884,761

Consolidated Statement of Income

(Thousand yen)

	2020	2021
Net sales	25,027,840	28,813,372
Cost of sales	17,027,136	19,512,340
Gross profit	8,000,704	9,301,032
SG&A expenses	3,018,249	2,951,826
Operating income	4,982,455	6,349,205
Non-operating income		
Interest income	18,577	21,532
Dividend income	8,816	6,997
Gain on sales of investment securities	55,245	38,554
Gain on valuation of investment securities	3,122	2,086
Insurance bonus income	33,455	33,768
Other non-operating income	28,002	28,250
Total non-operating income	147,219	131,191
Non-operating expenses		
Interest expenses	4,740	4,933
Investment partnership management expenses	3,272	2,738
Contributions	12,000	25,500
Other non-operating expenses	18,072	7,717
Total non-operating expenses	38,084	40,888
Ordinary income	5,091,590	6,439,508
Extraordinary income		
Gain on sales of noncurrent assets	176	16
Gain on sales of investment securities	159,912	—
Total extraordinary income	160,089	16
Extraordinary losses		
Loss on sales of noncurrent assets	—	3,576
Impairment losses	70,000	—
Loss on retirement of noncurrent assets	5,135	10,935
Loss on revision of retirement benefit plan	—	9,339
Total extraordinary losses	75,135	23,851
Net income before income taxes and other adjustments	5,176,543	6,415,673
Current income taxes	1,640,018	2,083,037
Deferred income taxes	37,850	(41,236)
Total income taxes	1,677,868	2,041,800
Net income	3,498,675	4,373,872
Net income attributable to owners of the parent	3,498,675	4,373,872

Consolidated Statement of Comprehensive Income

(Thousand yen)

	2020	2021
Net income	3,498,675	4,373,872
Other comprehensive income		
Valuation difference on available-for-sale securities	(136,333)	1,617
Foreign currency translation adjustments	928	6,917
Adjustments for retirement benefits	(12,167)	54,362
Total other comprehensive income	(147,573)	62,897
Comprehensive income	3,351,101	4,436,770
Details		
Comprehensive income attributable to owners of the parent	3,351,101	4,436,770

Consolidated Statement of Changes in Net Assets

(Thousand yen)

FY12/20 (Jan. 1 – Dec. 31, 2020)	Shareholders' equity				
	Capital	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at start of fiscal year	3,125,231	2,947,675	19,731,165	(3,342,957)	22,461,115
Change					
Dividends from surplus			(2,140,514)		(2,140,514)
Net income attributable to owners of the parent			3,498,675		3,498,675
Purchase of treasury shares				(749,582)	(749,582)
Disposal of treasury shares		(1,040)	4,793	3,105	6,859
Retirement of treasury shares			(529,055)	529,055	—
Net changes of items other than shareholders' equity					
Total changes of items during the fiscal year	—	(1,040)	833,899	(217,421)	615,437
Balance at end of fiscal year	3,125,231	2,946,634	20,565,065	(3,560,378)	23,076,553

FY12/20 (Jan. 1 – Dec. 31, 2020)	Accumulated other comprehensive income				Subscription rights for shares	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustments	Accumulated adjustments for retirement benefits	Total accumulated other comprehensive income		
Balance at start of fiscal year	211,575	16,146	(114,954)	112,766	591,243	23,165,126
Change						
Dividends from surplus						(2,140,514)
Net income attributable to owners of the parent						3,498,675
Purchase of treasury shares						(749,582)
Disposal of treasury shares						6,859
Retirement of treasury shares						—
Net changes of items other than shareholders' equity	(136,333)	928	(12,167)	(147,573)	55,425	(92,147)
Total changes of items during the fiscal year	(136,333)	928	(12,167)	(147,573)	55,425	523,290
Balance at end of fiscal year	75,241	17,074	(127,122)	(34,806)	646,669	23,688,416

FY12/21 (Jan. 1 – Dec. 31, 2021)	Shareholders' equity				
	Capital	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at start of fiscal year	3,125,231	2,946,634	20,565,065	(3,560,378)	23,076,553
Change					
Dividends from surplus			(2,274,187)		(2,274,187)
Net income attributable to owners of the parent			4,373,872		4,373,872
Purchase of treasury shares				(266,079)	(266,079)
Disposal of treasury shares		128		134	263
Net changes of items other than shareholders' equity					
Total changes of items during the fiscal year	—	128	2,099,685	(265,944)	1,833,869
Balance at end of fiscal year	3,125,231	2,946,763	22,664,750	(3,826,322)	24,910,422

FY12/21 (Jan. 1 – Dec. 31, 2021)	Accumulated other comprehensive income				Subscription rights for shares	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustments	Accumulated adjustments for retirement benefits	Total accumulated other comprehensive income		
Balance at start of fiscal year	75,241	17,074	(127,122)	(34,806)	646,669	23,688,416
Change						
Dividends from surplus						(2,274,187)
Net income attributable to owners of the parent						4,373,872
Purchase of treasury shares						(266,079)
Disposal of treasury shares						263
Net changes of items other than shareholders' equity	1,617	6,917	54,362	62,897	101,982	164,879
Total changes of items during the fiscal year	1,617	6,917	54,362	62,897	101,982	1,998,748
Balance at end of fiscal year	76,859	23,992	(72,760)	28,090	748,651	25,687,165

Consolidated Cash Flow Statement

(Thousand yen)

	2020	2021
Net cash provided by (used in) operations		
Net income before income taxes and other adjustments	5,176,543	6,415,673
Depreciation	280,839	240,553
Impairment losses	70,000	—
Amortization of goodwill	34,290	23,442
Share-based compensation expenses	62,026	101,982
Increase (decrease) in allowance for doubtful accounts	10,526	(10,489)
Decrease (increase) in assets related to retirement benefits	(2,033)	(22,580)
Increase (decrease) in retirement benefit liabilities	7,212	1,783
Loss (gain) on valuation of investment securities	4,315	(735)
Loss (gain) on sales of investment securities	(215,158)	(38,554)
Interest and dividend income	(27,393)	(28,530)
Interest expenses	4,740	4,933
Loss (gain) on exchange	511	3,307
Contributions	12,000	25,550
Loss (gain) on sales of property, plant, and equipment	(176)	3,559
Loss on retirement of property, plant, and equipment	2,427	2,516
Loss on retirement of intangible assets	2,708	8,419
Decrease (increase) in trade notes and accounts receivable	128,977	(449,762)
Decrease (increase) in other assets	(270,965)	(489,920)
Increase (decrease) in other liabilities	(296,173)	475,826
Other cash provided by (used in) operations	10,072	5,078
Subtotal	4,995,293	6,272,053
Interest and dividends received	41,475	42,901
Interest paid	(4,615)	(4,937)
Income taxes paid	(1,958,765)	(1,610,671)
Income tax refunds	454,299	540,635
Contributions paid	(12,000)	(25,550)
Net cash provided by (used in) operations	3,515,687	5,214,432
Net cash provided by (used in) investments		
Proceeds from sale and redemption of short-term investment securities	1,000,000	304,615
Purchase of investment securities	(705,550)	(724,985)
Proceeds from sale and redemption of investment securities	192,231	416,812
Purchase of property, plant, and equipment	(48,277)	(63,237)
Purchase of intangible assets	(175,138)	(155,336)
Other cash provided by (used in) investments	176	2,366
Net cash provided by (used in) investments	263,441	(219,766)
Net cash provided by (used in) financing		
Proceeds from short-term loans payable	200,000	—
Redemption of bonds	(500,000)	—
Repayment of lease obligations	(9,653)	(9,103)
Purchase of treasury shares	(749,988)	(266,222)
Proceeds from sale of treasury shares	258	263
Dividends paid	(2,135,581)	(2,272,285)
Net cash provided by (used in) financing	(3,194,965)	(2,547,348)
Effect of exchange rate changes on cash and cash equivalents	1,702	11,418
Increase (decrease) in cash and cash equivalents	585,864	2,458,736
Cash and cash equivalents at start of fiscal year	11,630,554	12,216,419
Cash and cash equivalents at end of fiscal year	12,216,419	14,675,155

The Funai Soken Consulting Group Network

(as of Jul. 1, 2022)

Consulting

Funai Consulting Inc.

President and CEO: Daisuke Shingai
 Management consulting
 Incorporated: Nov. 28, 2013 (founded Mar. 6, 1970)
 Capital: 3,000 million yen
 Osaka HQ: 4-4-10 Kitahama, Chuo-ku, Osaka
 Tokyo HQ: 21st floor, Nihon Seimei Marunouchi Bldg., 1-6-6 Marunouchi, Chiyoda-ku, Tokyo
 Gotanda Office
 6-12-1 Nishigotanda, Shinagawa-ku, Tokyo
 Shiba Seminar Place
 Shiba City Bldg., 3-4-11 Shiba, Minato-ku, Tokyo

Funai Soken Digital Inc.

President: Hitoshi Nagira
 System integration, digital marketing
 BPO & consulting
 Systems development
 Incorporated: Nov. 28, 2013
 Capital: 50 million yen
 Tokyo HQ: 21st floor, Nihon Seimei Marunouchi Bldg., 1-6-6 Marunouchi, Chiyoda-ku, Tokyo
 Osaka HQ: 6th floor, Shinfushimimachi Bldg., 4-4-10 Fushimi-machi, Chuo-ku, Osaka
 Shiba Office
 9th floor, Shiba City Bldg., 3-4-11 Shiba, Minato-ku, Tokyo
 Hacchobori Office
 3rd floor, Nippo Hacchobori Bldg., 2-19-8 Hacchobori, Chuo-ku, Tokyo

Funai Consulting Shanghai Inc.

President: Kyohei Deguchi
 Representative director: Lang Luyuan
 China-based consulting
 Incorporated: Jan. 13, 2012
 Capital invested: 50 million yen
 Address: Suite 18H, Zhaofeng Trade Building, 369 Jiangsu Road, Changning District, Shanghai, China

Logistics

Funai Soken Logistics Inc.

President: Shigehiro Kan
 Logistics
 Incorporated: May. 10, 2000
 Capital: 98 million yen
 Osaka HQ: 4-4-10 Kitahama, Chuo-ku, Osaka
 Tokyo HQ: 22nd floor, Nihon Seimei Marunouchi Bldg., 1-6-6 Marunouchi, Chiyoda-ku, Tokyo

Other Businesses

Funai Soken IT Solutions Inc.

President: Naoki Nishiyama
 IT consulting
 Incorporated: Feb. 1, 2000
 Capital: 60 million yen
 Address: 22nd floor, Nihon Seimei Marunouchi Bldg., 1-6-6 Marunouchi, Chiyoda-ku, Tokyo

Proseed Corporation

President: Naoki Nemoto
 Contact center consulting
 Incorporated: Jun. 24, 1991
 Capital: 100 million yen
 Address: 22nd floor, Nihon Seimei Marunouchi Bldg., 1-6-6 Marunouchi, Chiyoda-ku, Tokyo
 Taiwan Branch: Suite 1, 7th floor, No. 128 Section 3, Minsheng East Road, Songshan District, Taipei

HR Force Inc.

President: Yasuko Murata
 Direct Recruiting
 Incorporated: Feb. 1, 2018
 Capital: 64 million yen
 Address: 21st floor, Nihon Seimei Marunouchi Bldg., 1-6-6 Marunouchi, Chiyoda-ku, Tokyo
 Hamamatsucho Office
 9th floor, PMO Hamamatsu-cho, 2-5-5 Hamamatsu-cho, Minato-ku, Tokyo

Corporate Overview & Stock Information

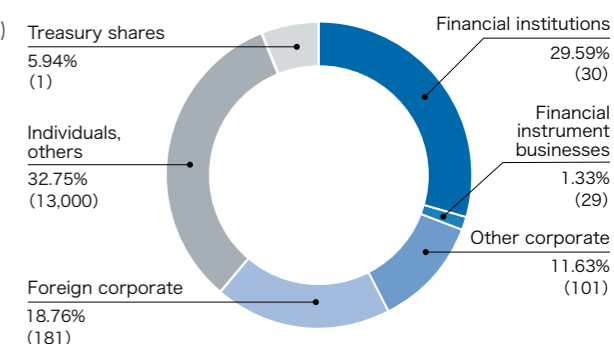
Corporate Overview

Name	Funai Soken Holdings Inc.	Consolidated subsidiaries 7 (as of Jul. 1, 2022)
Representatives	Sakae Takashima, chairman and group CEO Takayuki Nakatani, president & CEO	Group employees 1,317
Major roles	To serve as the group holding company, compile group strategies, and handle group management	
Incorporated	March 6, 1970	
Capital	3,125 million yen	
Address	Osaka HQ: 4-4-10 Kitahama, Chuo-ku, Osaka Tokyo HQ: 21st floor, Nihon Seimei Marunouchi Bldg., 1-6-6 Marunouchi, Chiyoda-ku, Tokyo	

Stock Information

Stock exchange listing	Tokyo Stock Exchange Prime Market (as per TSE's new categories instituted in April 2022)
Stock code	9757
Business year	January 1 to December 31
AGM	March
Share unit	100 shares
Number of shares authorized for issue	130,000,000
Total number of shares outstanding	49,379,064 (excl. 3,120,936 treasury shares)
Shareholders	13,342
Record date for dividends	June 30, December 31

Shareholder Categories



Top 10 Shareholders

Name	Number of Shares Owned (In thousands)	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	5,386	10.91
Funai Honsha Inc.	5,026	10.18
Custody Bank of Japan, Ltd. (Trust account)	3,125	6.33
Sumitomo Mitsui Banking Corporation	1,952	3.95
NORTHERN TRUST CO. (AVFC) RE FIDELITY FUNDS	1,526	3.09
Kazuko Funai	1,307	2.65
Nippon Life Insurance Company	1,062	2.15
Katsuhito Funai	1,056	2.14
TAIYO FUND, L.P.	946	1.92
Takahiro Funai	889	1.80

Treasury shares (3,120,000) are excluded when calculating holding percentages.

