



Sustainable Growth
for More Companies

Integrated Report
2023

(Covering January - December 2022)

Funai Soken Consulting Group Purpose and Vision

Our Group Purpose

Sustainable Growth for More Companies

Sustainable Growth for More Companies

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



S. Kojima

Our Vision for the Future

The foremost provider of digital and comprehensive consulting solutions for mid-scale and SME clients

For more than 50 years, we have pushed back the boundaries of what's possible in the consulting industry. In the 2020s, we aim to build on that history and establish the Funai Soken Consulting Group as the foremost provider of digital and comprehensive consulting solutions for mid-scale and SME clients.

Funai Way

Our Core Values: The Funai Way

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.

The Spirit Espoused by the Group's Founder, Yukio Funai

We make the world a better place.

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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 unique content that conveys the thoughts of the management team, as well as an explanation of the growth strategies set out in the Mid-Range Business Plan, in order to provide shareholders, institutional investors, and other stakeholders with a deeper understanding of our operations.

Reference to Guidelines

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

Scope

This report pertains to FY2022 (January 1 through December 31, 2022), 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.

ESG: The Bedrock of Our Business

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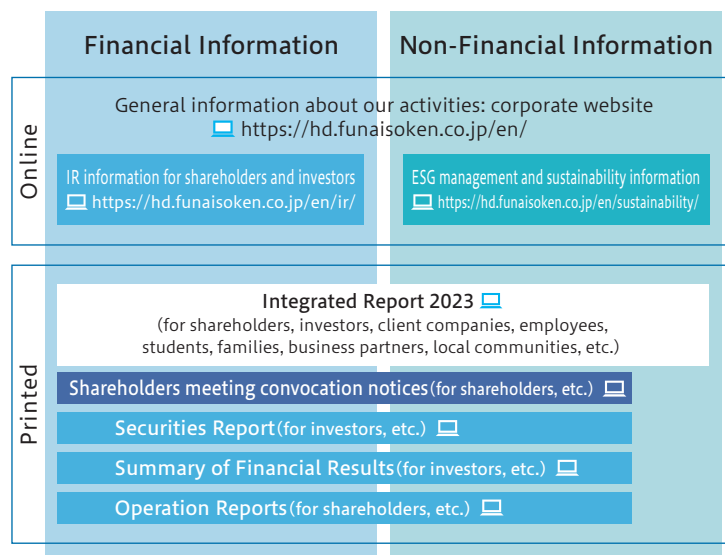
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Disclaimer

This report is published solely for the purpose of providing information relating to the Funai Soken Consulting Group's performance in FY2022 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



The Group at a Glance

The Funai Soken Consulting Group is a provider of comprehensive management consulting solutions for mid-scale companies and SMEs.

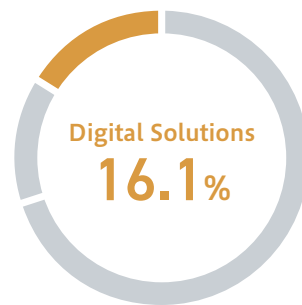
We are one of Japan's foremost comprehensive consulting groups for mid-scale companies and SMEs



Forecast share of total sales in 2023



Forecast share of total sales in 2023



Forecast share of total sales in 2023

Consulting	Funai Soken <small>Shaping the future from Shanghai</small> 船井咨询 Funai Soken IT Solutions * 成長戦略株式会社	Management consulting
	PROSEED CORPORATION	Contact center consulting
Logistics	Funai Soken Logistics	Logistics solutions
Digital Solutions	Funai Soken Digital	Digital solutions
	HRForce	HR solutions

*Seicho Senryaku, Inc. joined the Funai Soken Consulting Group in January 2023.

The Funai Soken Consulting Group Business Model

The Market We Serve

Helping businesses overcome their own unique challenges

Total companies in Japan **Approx. 3.67 mil.** SMEs as %age of total **99.7%** Source: 2021 Economic Census for Business Activity, METI

How can we boost our company's growth beyond current levels?

How can we improve our customer contact center capabilities?

Where can we find enough staff to sustain sales growth?

Where can we discuss issues with, and learn from, other business managers?

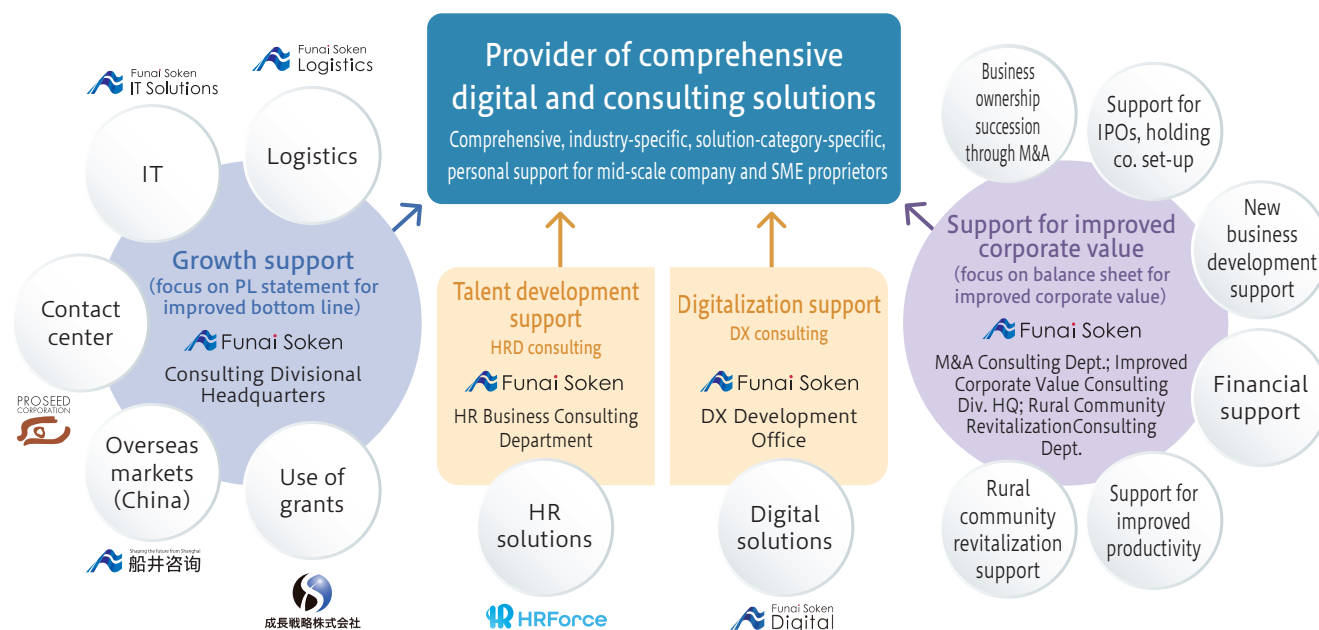
Where can we find the right logistics partner for our needs?

We don't have an appointed successor. How can we secure the company's future?

How can we upgrade our IT and digitize our business?

We at the Funai Soken Consulting Group can help find solutions to your concerns.

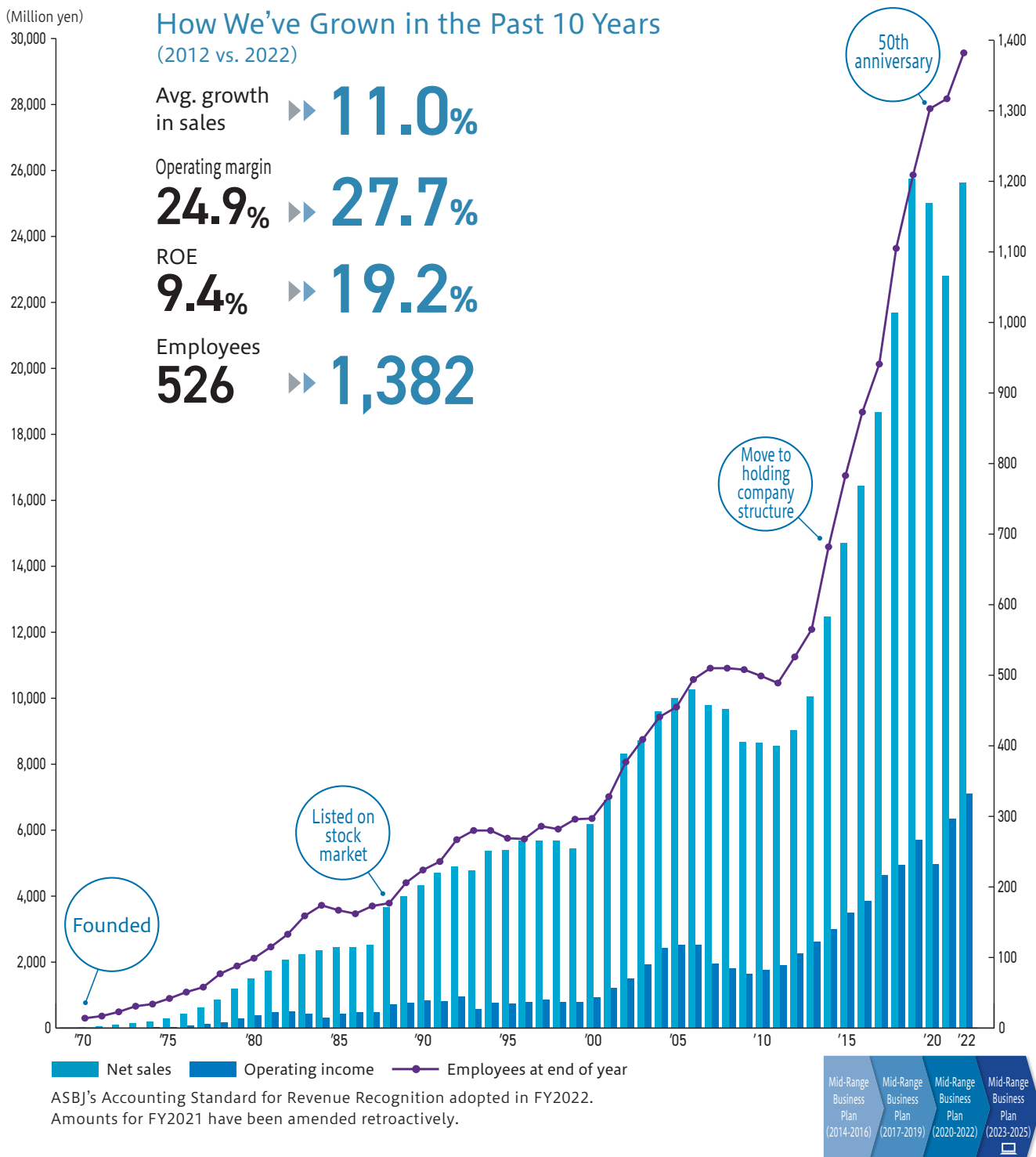
- Housing, real estate
- Healthcare, nursing care, welfare
- Certified pro' services
- Life events, beauty
- Mobility
- Manufacturing
- Environment, energy
- Leisure, sports, tourism
- Education, childcare, schools
- HR business
- Dining, food
- Rural community revitalization



Our Journey So Far

Company Timeline and Financial Performance

The history of Funai Soken is the history of management consulting in Japan, the very contours of the industry shaped by our unique evolution as a consulting firm for business proprietors. The 2020s will be the age of digital expansion, and we are committed to being the most trusted provider of digital and comprehensive consulting solutions for mid-scale and SME clients.



1970s

Inauguration

One-man consulting operation by founder Yukio Funai

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.



Our first premises in Yariya-machi, Osaka.

1980s

Focus on the distribution industry, stock listed

Research & marketing consulting for distribution industry clients

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.



Founder Yukio Funai.

1990s

Expand focus to include the service industry

Marketing consulting for distribution and service industry clients

March 1990

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

June 1993

Stock reclassified on OSE 2nd section.

2000s

Further expand range of client industries

Marketing consulting for Japanese SMEs in all industries

February 2000

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

March 2000

New 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.



Great Company Awards launched in 2010.

2010s

Expand range of solution categories

Comprehensive consulting for SMEs and mid-scale businesses

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.

2020s

Focus on expanding digital consulting solutions

Digital and comprehensive consulting solutions for mid-scale and SME clients

March 6, 2020

50th anniversary

March 2021

Takayuki Nakatani is appointed president, and a new set of core values, the Funai Way, is instituted.

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.

January 2023

Seicho Senryaku becomes a wholly owned subsidiary of Funai Consulting.

"Sustainable growth for more companies" is instituted as the Funai Soken Consulting Group Purpose.

Real Strengths Forged in Experience

Throughout the Funai Soken Consulting Group's steady growth over the past 53 years, 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.

Our Core Strengths

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.

A Strong Capital Base to Underpin Our Strengths

Social Capital

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.

Human & Intellectual Capital

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.

Financial Capital

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.

A long-standing, trusted brand

53
years

Recent growth in profits

Double-figure growth

Our Clientele by the Numbers

Client companies: **Approx. 10,800**
(groupwide)

Consulting clients **5,687**

Contract renewal rate **73.3%**

Management Workshops

Workshops held **180**

Workshop members **6,905**

Seminars

Seminars held **1,537**

Group Workforce by the Numbers

Employees **1,382**

Consultants **862**

DX staff **260**

Non-Japanese **4.7%**

Female employees **38.1%**

Women in management **23.8%**

Childcare leave uptake
Men **20.0%**
Women **100%**

Our Finances by the Numbers

Operating margin **27.7%**

Equity ratio **81.7%**

Return-to-shareholders ratio **62.5%**

ROE **19.2%**

Dividends up 12 years in a row

The Value Creation Process

Today's Challenges >

Business Risks [□ ▶ P79](#) >

High-materiality Issues [□ ▶ P47](#)

Management Capital



Social Capital

Client companies: Approx. 10,800 (groupwide)
 Management workshop members: 6,905
 Seminars held: 1,537
 Seminar participants: 27,506
 "Shacho Online" platform for business proprietors:
 5,571 subscribers



Intellectual Capital

Long track record:

53 years

Strengths lie in marketing (growth support) solutions offered by teams of consultants specializing in specific industries and solution categories



Human Capital

Employees: 1,382 groupwide
 Consultants: 862 groupwide
 DX staff: 260 groupwide
 Non-Japanese employees: 4.7% of group workforce
 Female employees: 38.1% of group workforce
 Women in management: 23.8% of management positions groupwide



Financial Capital

Consolidated operating income

7,100 mil. yen

Total assets

33,010 mil. yen

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 [□ ▶ P9](#)]

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

Our Group Purpose [□ ▶ P1](#)

Funai Way [□ ▶ P2](#)

Corporate Governance [□ ▶ P65](#)

Value Creation Driver

Creating Value Groupwide

[Three Business Segments  P29]

Consulting  P30

Logistics  P45

Digital Solutions  P46

Industries Served

Housing, real estate	Manufacturing
Healthcare, nursing care, welfare	Education, childcare, schools
Certified professional services	Dining, food
Life events, beauty	HR business
Mobility	Leisure, sports, tourism
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	Business process outsourcing

Value for the Benefit of Society (Outcomes)

Carrying out our Group Purpose

Sustainable Growth for More Companies


Companies that can achieve sustainable growth are those that can thrive and grow amid tumultuous change and uncertainty. We strive to deliver strong, sustainable growth for our clients and ourselves.

Increasing Corporate Value (Output)

Mid-Range Business Plan (2023-2025) Targets

 Operating income
10.0 bil. yen

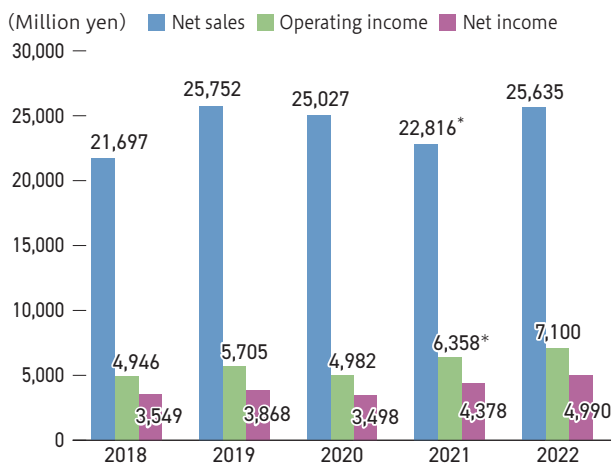
 ROE
20+ %

 Return-to-shareholders ratio
60+ %



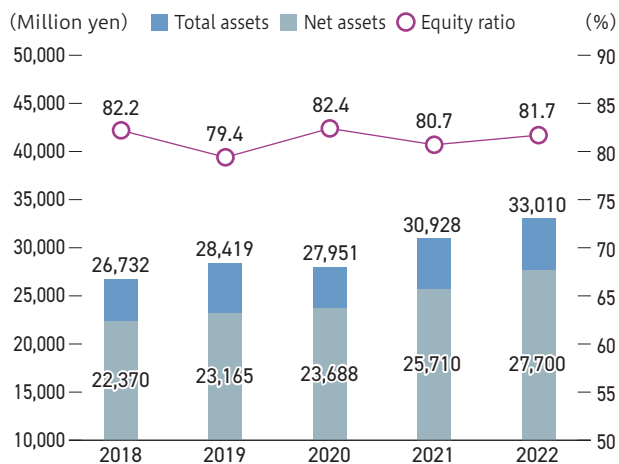
Financial Highlights

Net Sales, Operating Income, Net Income

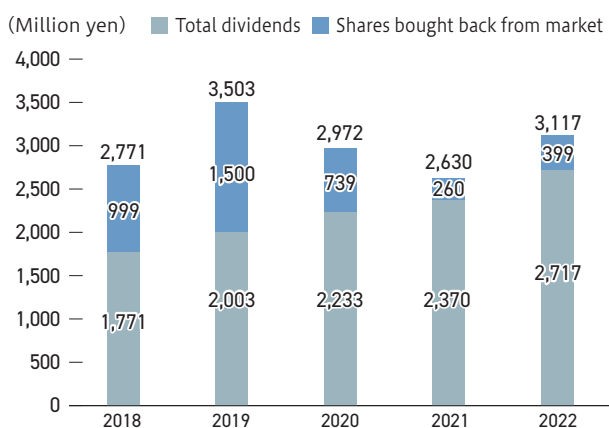


*ASBJ's Accounting Standard for Revenue Recognition adopted in FY2022. Amounts for FY2021 have been amended retroactively: net sales down by 5,997 million yen, income up by 9 million yen.

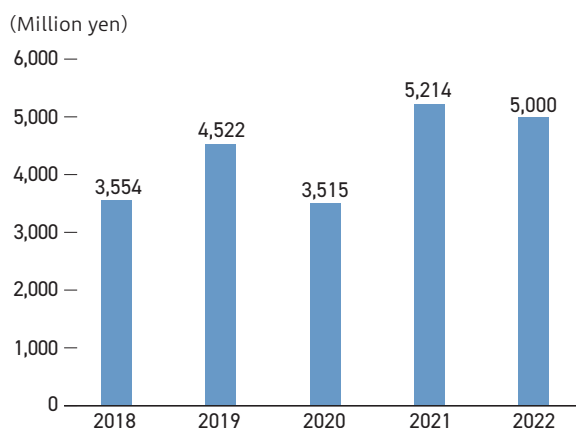
Total Assets, Net Assets, Equity Ratio



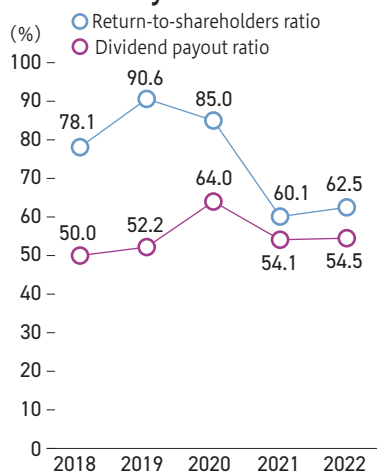
Total Dividends & Share Buy-back



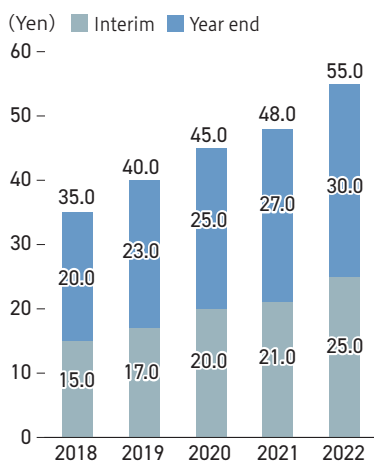
Operating Cash Flow



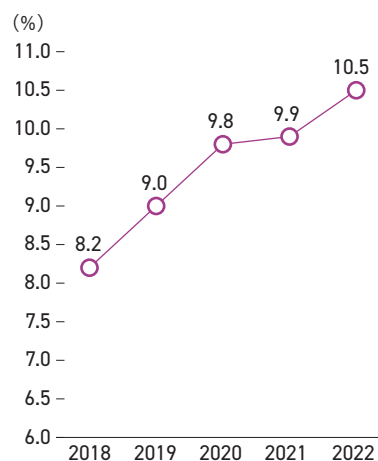
Return-to-Shareholders Ratio & Dividend Payout Ratio



Dividend Per Share



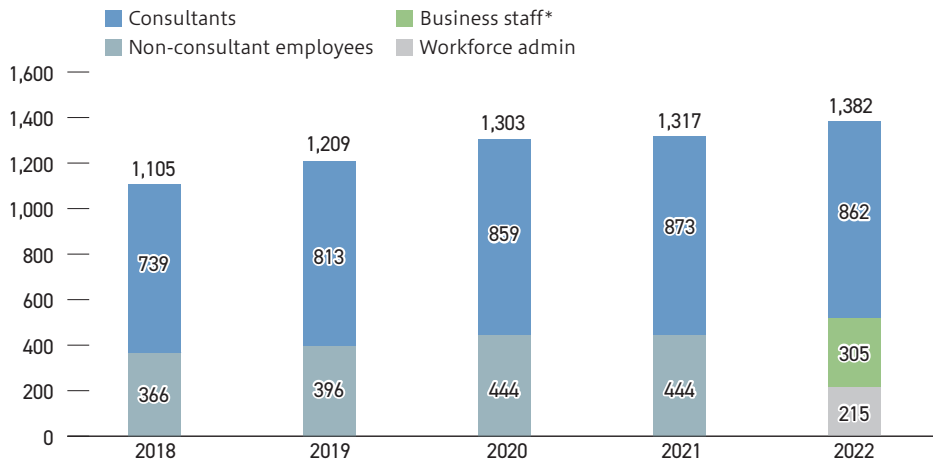
Dividend on Equity



*We adopted the ASBJ's Accounting Standard for Revenue Recognition (ASBJ Statement No. 29; Mar. 31, 2020) from the start of FY2022, and have applied the standard retroactively to FY2021's KPIs herein.

Non-Financial Highlights

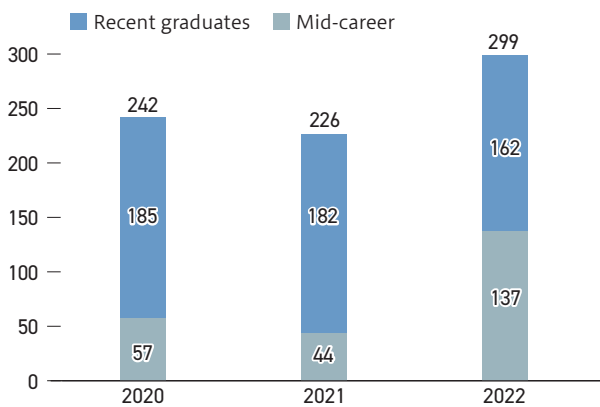
Employee & Consultant Numbers for the Entire Funai Soken Consulting Group



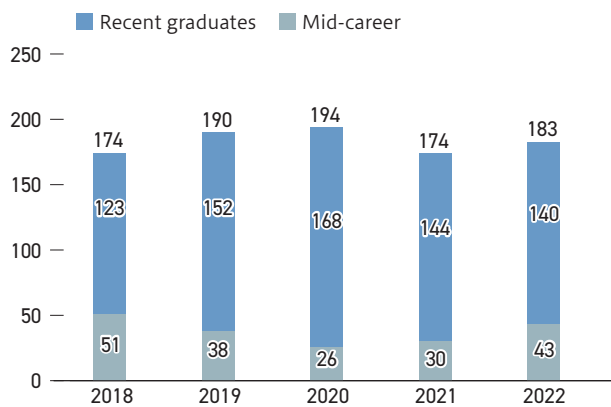
Our people are our most valuable asset and our biggest investment. We aim to have a groupwide workforce of 1,800 (incl. 1,150 consultants, 400 business staff) by 2025.

*"Business staff" are those that work in consulting departments with a direct bearing on sales but who are not consultants; roles include development engineering, product sales, new business, management workshop operations staff, etc.

Hires

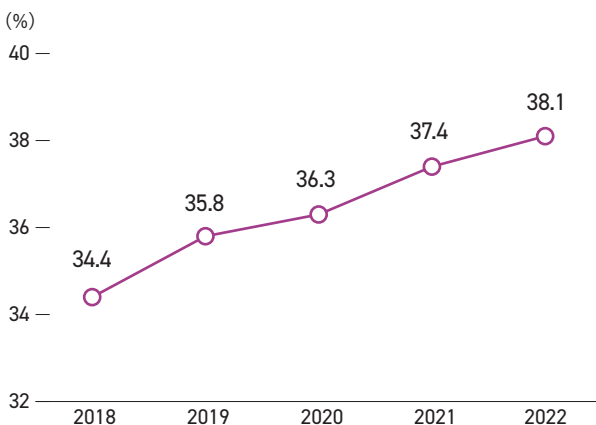


Consultants Hired

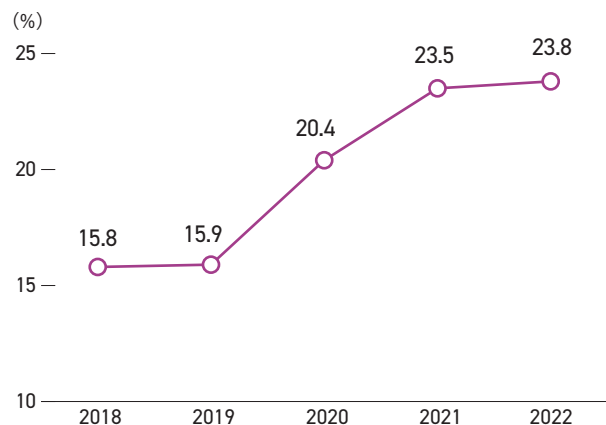


We are recruiting aggressively, and are known for hiring large numbers of recent graduates.

Women in Our Group Workforce



Women in Management Positions Groupwide



*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.

Setting an Example for Clients by Striving for Sustainable Growth and Profitability

Takayuki Nakatani
President and Group CEO
Funai Soken Holdings, Inc.



Our Group Purpose Fixes Our Focus on 2030

A new era has begun at the Funai Soken Consulting Group, heralded by a new CEO (after a decade's sterling work by my predecessor) and the receding of Covid-era restrictions. I aim to make this a period of further progress and strong, sustained growth for the group so that we may cement our position as Japan's top listed consulting group.

The Funai Soken Consulting Group Purpose

In January 2023, we instituted a Group Purpose: Sustainable growth for more companies. The purpose updates and builds on our long-standing mission: We help to build a better future for people, businesses, and society.

It is the result of two years' discussion and consideration, based on a long-term view (i.e., ten-year) of the group's business and taking a variety of questions into account, including:

- What is the shared aspiration of all Funai Soken Consulting Group employees, that can inspire us to work cohesively and powerfully?

- What kind of contribution to society would we be uniquely able to make?
- What constitutes a “good company” these days, that we can model for our clients to emulate?
- What qualities are most becoming of one of the nation's top listed companies?
- What gives a company the flexibility needed to survive and grow in unpredictable times?

What Do We Mean by “Sustainable Growth for More Companies”?

Given our origins as a marketing consulting firm, growth—i.e., helping mid-scale and SME clients achieve quick improvements in customer attraction and sales—has always been a core focus of our work. Sustainability, meanwhile, is an increasingly vital requirement for businesses all around the world.

As we see it, sustainable growth is the combination of the strength to thrive in all circumstances and the gentleness to strive for

sustainability and consider their wider stakeholder communities.

Over the past two to three years, epidemics, climate change, energy crises, inflation, and wildly fluctuating exchange rates and share prices have wrought dramatic change. Our goal is to be a highly relatable model for our clients and set an example of how mid-scale companies and SMEs can achieve sustainable growth even amid such uncertainty. In doing so, we hope to guide more and more of our clients to such sustainable growth.

By growing Japan’s (and, indeed, the world’s) pool of sustainably growing companies, we hope to use our business for the benefit not only of individual companies, but of whole regions and industries, which in turn can have a more positive impact on societies and nations.

The Ecosystem of Our Guiding Principles

The diagram on page 1 showing the “ecosystem” of our guiding principles imagines a forest nurtured by the sun. Our operating companies are the trees that collectively grow bigger and stronger in the sunlight of the Funai Soken Consulting Group Purpose. Each company has its own vision and mission.

The Funai Way is the soil that upholds our businesses, and the Founder’s Spirit is the life-giving water that feeds their growth.

Ingraining a Sustainable Growth Mindset Groupwide through Dialogue

To ensure our Group Purpose is taken to heart and not seen as empty sloganeering, we are holding “town hall meetings” with all group employees. To encourage proper dialogue, meetings are limited to a few dozen employees at a time.

Town hall meetings are something we picked up at tech companies during overseas study tours; we like how they provide opportunities for face-to-face dialogue between top management and employees.

Dialogue like this is a vital method of repeated

communication of management’s intentions in the case of subjects of high importance but modest urgency.

We have high hopes that the process of ingraining the Founder’s Spirit, our core values, vision for the future, and Group Purpose will lead to the development of a sustainable growth mindset in each employee and result not only in sustainable growth but also synergies that can be harnessed in the management of group companies.

Regain → Regrowth → Sustainable Growth

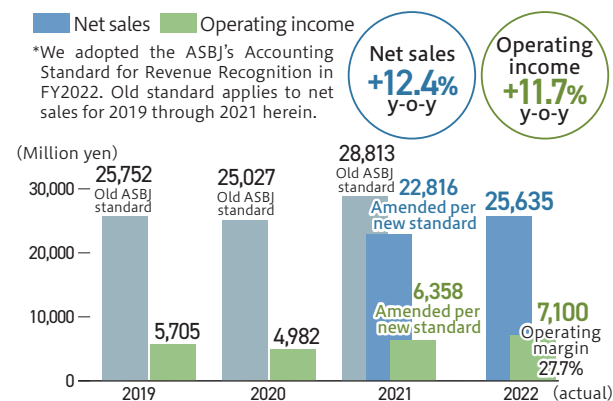
The 2020 was a bitter one for the Funai Soken Consulting Group: the effects of Covid brought eight consecutive years of sales and income growth to a halt.

The following year, we sought to regain that lost momentum through an all-in groupwide effort.

In 2022, we worked to reevaluate what we lacked and launched a concerted drive (dubbed Regrowth) to put us back on track for growth. That year, we listed double-digit growth in sales and income, reaching record high performance and achieving the targets of the Mid-Range Business Plan.

Now, starting in 2023, we are working to solidify that regrowth trajectory with a new focus on sustainable growth. Sustainable growth is an integral part of our business, closely linked with our medium-term strategy (Mid-Range Business Plan) and our long-term direction (Group Purpose).

Business Performance 2019-2022



The New Mid-Range Business Plan (2023-2025)

Aiming for Double-digit Growth and 20+% ROE

Under the new plan, we are aiming for 36.0 billion yen in sales and 10.0 billion yen in operating income by 2025.

These figures represent an average annual growth rate of around 12%. To that end, while we intend to sustain the steady growth of our consulting business, within that we will endeavor to increase digital solution sales to around 25% of the total by 2025.

Through ongoing growth investment, increased capital efficiency ratio, and high shareholder returns, we aim to achieve sustained improvements in corporate

value, targeting an ROE of at least 20% by 2025.

(Capital policy under the Mid-Range Business Plan [□](#) ▶P28)

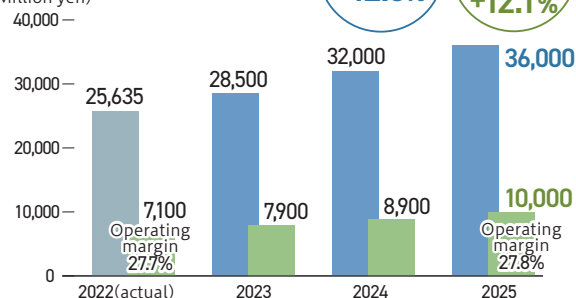
Targets Under the New 3-year Plan

Net Sales and Operating Income:

Performance & Targets

■ Net sales ■ Operating income

(Million yen)



Our Mid-Range Vision

The Foremost Provider of Digital and Comprehensive Consulting Solutions for Mid-scale and SME Clients

This is the vision for the future established as part of our new Mid-Range Business Plan, which sets out three key tasks needed to turn that vision into reality.

Key Task① Further expand upstream (strategy) consulting services

Key Task② Expand into mid-scale and high-profit business domains

Key Task③ Expand digital solution services

Today, the management consulting industry is booming with general consulting firms serving major corporate clients. The fastest growing area in this segment is the combination of digital solutions and comprehensive consulting.

In that sense, our focus is on a relatively niche market: mid-scale and SME clients, and indeed we are one of Japan's largest providers of comprehensive management consulting solutions for that sector. Now, under the new Mid-Range Business Plan, we are striving to combine our dominance in that niche with digital and comprehensive consulting solutions to establish ourselves as the leader in that space while other firms are still getting themselves organized.

To that end, we will launch services for new

industries and new solution categories so as to boost contact with our “stock” of nearly 10,000 business proprietors, and maximize the value generated therein by offering a full spectrum of digital and comprehensive consulting solutions for mid-scale and SME clients.

(Mid-Range Business Plan (2023-2025) policies [□](#) ▶P23)

Think Digital

Digital and DX are key concepts in our new Mid-Range Business Plan. DX is already well advanced overseas, and Japan's market for DX services is expanding, too, starting with major companies.

This is particularly relevant to Japan, where population has already begun and productivity is lowest among the OECD; now is the time to harness DX in the search for solutions. Covid spurred Japan's SMEs and mid-scale companies to undertake DX, and we believe that full-scale adoption is imminent in that demographic.

For our part, we will strive to use marketing DX solutions tailored to suit clients' industries—an area of particular strength—to help them reform business and business processes.

At the same time, we plan to accelerate the hiring

and training of digital solutions staff, and to grow our range of digital solutions.

Broader Focus: Mid-scale Companies and SMEs

Starting with the current Mid-Range Business Plan, we are investing more effort in targeting mid-scale businesses as well SMEs.

This is because we believe mid-sized companies are the core engines that will propel Japan into the future at a time when the number of companies is expected to decrease.

In addition to helping clients become the best in their industry and region, we plan to offer a solutions at a higher scale, such as M&As to help clients form regional conglomerates, reach the ¥10 billion turnover mark, and undertake IPOs.

Mid-scale companies have considerable influence on the market, and the Funai Soken Consulting Group has the scale and breadth of solutions to serve as a powerful one-stop provider of solutions to suit their needs.

Capturing Growing Demand for Digital Solutions

In order to better demonstrate our increasing presence in the rapidly growing market for digital solutions, we have reorganized our portfolio to establish digital solutions as a third segment. (Changes in segments □ ▶P25)

The Strategies by Segment (1) section of page 25 shows the positions we are striving to achieve under the new Mid-Range Business Plan.

It is presented as a graph, and shows average growth rate of sales over the next three years, our operating margin target for 2025, and operating income amount. We envisage ongoing sustainable growth and profitability in the consulting business, further improved profitability in the logistics business, and aggressive investment in the digital solutions business, this driving the group's growth rate.

Through these efforts, we hope to achieve both profitability and growth.

Priority Areas of Investment & Shareholder Returns

Investing in People and Offices; Distributing Surpluses to Shareholders

Our investment strategy stipulates investment in human capital and offices, and distributing surpluses to shareholders.

The investment in offices refers to the relocation of the group's Tokyo headquarters to Tokyo Midtown Yaesu in the spring of 2024.

The move has several aims, including:

- Improved office functionality, and a boost to business by expanding points of in-person contact, e.g., management workshops and seminars, by making our premises a place clients want to visit;
- A better workplace: improved telecommunication functionality, convenient for commuting and travel, conducive to communication, and compatible with flexible working styles;
- Boosting inter-group communication and synergies by bringing Tokyo offices under one roof; and
- Better ability to attract and retain talented people

Investment in people refers to investing in our most vital resource: the human resources that drive the group's growth.

To strengthen human capital, we will continue to improve compensation for consultants, including sustainable annual salary increases, to better reward performance.

In addition, we will further accelerate digital education for all employees by, among other things, tripling our training budget by 2025.

We also aim to help employees build wealth, for instance by improve the employee share ownership plan so that the benefits of our corporate management are also open to our workforce as shareholders.

Meanwhile, are investing aggressively in human resources to prepare for the projected increase in demand for our services, and personnel and hiring expenses are therefore on the rise. Some suspect this might exert downward pressure on profits in the short term, but we believe that it is a necessary investment that will not take long to drive business growth.

As for shareholder returns, our dedication remains as strong as ever, with a policy of sustaining dividend payout ratio of at least 55% and a return-to-shareholders ratio of at least 60%.

We have succeeded in increasing dividends for 12 consecutive years, placing us firmly among the top 15% of listed companies. This is due to our strong focus on

increasing shareholder value. At the same time, we are also mindful of the need to maintain a stout financial structure, and it is vital that we continue improving financial strength so as to build the capacity to respond flexibly to changes in the consulting industry.

[\(Investment strategy under the Mid-Range Business Plan □▶P24\)](#)

[\(Financial strategy □▶P28\)](#)

HR Strategy Geared toward Growth

Our Hiring Goal: A Roster of 1,000+ Consultants

The key to implementing our HR strategy is to hire more people. Starting in 2023, we have tapped some much younger talent to serve in hiring manager and HR-related staff positions.

Having people closer in age to job applicants process those applications will enable better understanding of applicants and employees, and improves our ability to respond to the recent shift in the job market climate and hiring methods.

Indeed, we are already seeing a positive influence on talent acquisition and retention.

Under the new Mid-Range Business Plan, our goal is to increase our pool of consultants to more than 1,000 by the end of 2025. To that end, we plan to increase the number of people in positions directly linked to sales: consultants and business staff (e.g., engineers).

We will strengthen recruitment of new graduates and mid-career hires, as well as people from more diverse backgrounds for management roles.

[\(HR strategy under the Mid-Range Business Plan □▶P27\)](#)

Steadfast Support for Improved Retention

We must improve retention if we are to grow our pool of consultants and business staff, and a number of recent initiatives have begun to yield results.

For instance, in the consulting business, when Covid-era restrictions hampered our core activity (i.e., visiting clients in person and delivering solutions on site), the switch to remote support made it hard for younger employees to appreciate the appeal of what we did, and the lack of time for close communication with senior colleagues (i.e., when travelling

to and from such visits) impacted our ability to identify and address their concerns. The result was a higher turnover rate.

However, the return of in-person consulting and management workshops in the second half of 2022 has led to signs of improvement in the turnover, and we have tweaked our systems to encourage swift attention for employees identified as possibly considering resignation.

Diversity and 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. For instance, Funai Consulting’s “Lady Go” project to help women forge meaningful careers is progressing well, including initiatives such as the Career Navi Café study group and forum for female consultants, and the Lady College training program to help female managers develop their careers. In addition, we encourage flexible working arrangements to suit different lifestyles, such as remote work and flex-time.

Our aim is that at least 30% of management positions groupwide will be held by women by 2030, and our interim target is 25% in 2025. Already, women already hold close to 60% of team leader positions at Funai Consulting, and we are eager to continue in this vein.

More broadly, we are determined that our work environment should be one in which each employee can maximize their abilities and strive for professional fulfilment and a work-life balance. For instance, we are eager to hire non-Japanese people and are considerate of mental health.

Sustainability Underpinning Long-term Profitability

Taking Action on High-materiality Issues

We pursue ESG because we believe that it will lead to enhanced corporate value. Our stated high-materiality issues include contributing to our communities through consulting services for mid-scale businesses and SMEs and helping clients implement ESG management. Indeed, our business provides plentiful opportunities for action on this front. For instance, Funai Consulting offers carbon neutrality support services, operates a management workshop focusing on becoming carbon-free, and net-zero-energy housing support services, while Funai Soken Logistics offers ESG logistics consulting. In this way, our core business of helping clients overcome the issues they face in their discrete industries is conducive to promoting ESG management. All of us at the Funai Soken Consulting Group strive for business growth and solutions to social issues through ESG.

[\(Basic Policy on ESG Management and high-materiality issues □ ▶P47\)](#)

In addition, we also seek ongoing improvements to management. For instance, we revised our Basic Policy on the Environment in 2023 to incorporate TCFD disclosures, and we disclose information proactively via our annual securities report and integrated report. We are conscious of the need to counter climate change, and have acquired ISMS certification for tougher cyber security. These initiatives are part of our action on our third high-materiality issue: ESG and proactive information disclosure are at the core of our group company management.

[\(Environment \(TCFD disclosures\) □ ▶P49\)](#)

[\(ISMS certification □ ▶P62\)](#)

Skill Matrix, DX, and Sustainability

The Funai Soken Holdings Board of Directors comprises a majority of outside directors, and is continually evolving.

Our intention is that the board should be more than just a “board 2.0” monitoring organ, and that it should be more of a “board 3.0,” better equipped to

formulate and execute growth strategies in keeping with the expectations of institutional investors.

While the skill matrix is an important tool in ensuring a functional board, it is vital that we incorporate DX and a global outlook in the mid-to-long term to secure board members with the skills needed to create value in our industry.

Given that DX is a part of our new Mid-Range Business Plan, and given the increasing importance of sustainability in corporate management, it is only fitting that the board include experts in DX and sustainability. The acquisition of two new specialists was an ideal chance to bring more gender balance to our board—an area in which we had lagged somewhat—with outside directors Taeko Yamamoto (DX specialist) and Tomomi Murakami (sustainability specialist), whose arrival will add significant forward momentum to the group.

Neither is an Audit and Supervisory Committee member, so hope they will serve in an execution-adjacent advisory capacity and work with us in our journey toward strong, sustainable growth groupwide.

Meanwhile, the composition of Board of Directors ensures an appropriate level of objective oversight, with outside directors providing advice based on an impartial understanding of the group’s operations.

Growth through Robust Debate and Governance

In the group’s quest to create value, enhancing non-financial value is just as important as financial value. Identifying and analyzing the items of non-financial value that influence the group’s growth allows us to find the actions best suited to maximizing each one. For instance, our new Mid-Range Business Plan (2023-2025) sets out quantitative targets not just for finance, but for sustainability, too. In this way, we are committed to identifying the non-financial values such as human resources with a direct bearing on growth, most important to the group’s business.

We are grateful to all our stakeholders for your ongoing understanding and support.

Executive Vice President's Message



Safeguarding the Group's Future Growth through Prudent Investment in Human Capital

Director and Executive Vice President
Tatsuro Ono

Laying the Groundwork for the Group's Businesses

If roles within a business could be compared to the offense and defense of sports, then I would be a defender and Takayuki Nakatani, our Group CEO, would be a point-scorer. Our roles are reflected clearly in the Group Vision of becoming the foremost provider of digital and comprehensive consulting solutions for mid-scale and SME clients.

The establishment of Funai Soken Digital in 2022 was a statement of the group's intention to expand our digital solutions business and prepare the ground for a second core business after Funai Consulting's management consulting. Now, the launch of the new Mid-Range Business Plan this year sees our portfolio configured to include a third pillar. Under the new plan, I believe it will be vital to bolster governance of group management and enhance synergies without abandoning the focus on autonomy of each group company nurtured under previous plans. Meanwhile, to safeguard the group against the ever-changing demands of our unpredictable age, we need to deepen communication and cooperation among the group's companies to enhance synergies. That is where my defensive role comes in, covering everything from essentials such as compliance to human capital and its related systems. Such

vital work requires a talented team at all levels of hierarchy, and we must now work swiftly to develop a management-level workforce.

Key Skills in Workforce Development: Project Development and Risk Anticipation

One of the skills we require of executive officers is project direction. Unlike directors, who are charged with leading groupwide action on management strategy and governance, executive officers and department heads manage their own departments and projects, while supporting each group company's top management. In my view, sharp project direction skills are founded on motivational leadership and communication skills.

Also vital is the ability to anticipate risks. For instance, when I was a consultant, I could sense potential risks in daily reports and the sales figures reported at meetings, and identified them more clearly through dialogue.

Following this, the Risk Management Committee's scope of operations was expanded from Funai Soken Holdings to include the entire group, and each company got a designated risk management officer. The committee meets about eight times a year, and attendees share concerns and potential

countermeasures on topics like compliance and security.

Seven Attributes Required of Executive Officers

- | | |
|---|---------------------------|
| 1. Problem solving skills | 2. Team player |
| 3. Strategy execution | 4. Organizational control |
| 5. Nurtures potential management talent | |
| 6. Project development | 7. Risk anticipation |

Intragroup Teamwork Sparks New Initiatives

My work includes implementation of corporate strategies that support group companies' business strategies. This entails pursuing new initiatives through intragroup teamwork in three specific areas: HR strategy, groupwide DX, and compliance and governance.

HR strategy is closely related to the group's business strategy. We are working hard to boost recruitment and training of consultants in order to increase profitability, and striving to secure personnel for highly specialized solution categories, such as upstream (strategy) processes, DX, and M&A as stipulated in the Mid-Range Business Plan. We also aim to improve productivity through better recruiting and training of project management personnel. Moreover, we are aiming to expand system development and BPO in the high-growth digital domain. Specifically, we are hiring more engineers to increase our ability to develop DX solutions.

But it is not enough to just hire more people; retention is important, too, and we have multiple initiatives in place, including human capital investment in the form of improved compensation and training, as well as productivity improvements, better working practices, and greater diversity.

Groupwide DX is an area of considerable activity, and we are working to strengthen operational aspects such as policy making and planning. In doing so, we form project teams to handle specific problems, including making rules for using AI and other advanced technologies, coming up with ways of utilizing the group's client assets, and information security.

Meanwhile, we are striving to continually raise the group's base level of performance regarding legal and compliance matters. Specifically, we are looking to create a solid base to underpin business growth by improving things like contract-related tasks and risk management in the consulting business. In terms of governance, we strive to satisfy stakeholders' expectations, for instance by making sure that at least half of our board are outside directors and continuing to improve the board's gender balance.

The S in ESG

Given the link between corporate strategy and ESG, the new Mid-Range Business Plan stipulates quantitative targets for sustainability. The Funai Soken Consulting Group's employees are its foremost asset, so harnessing that asset to boost corporate value is a perennial theme. Moreover, given the centrality of human capital to the group's management strategy, we recognize that recruitment and retention are vitally to our very existence. The new Mid-Range Business Plan sets forth targets for gender balance in management, and we are pleased to see more and more women appointed to top management positions throughout the group. By committing to choosing the right people for the job, regardless of gender or age, we hope to offer our employees rewarding, motivating career paths.

Our Group Purpose: A Vehicle for Greater Unity

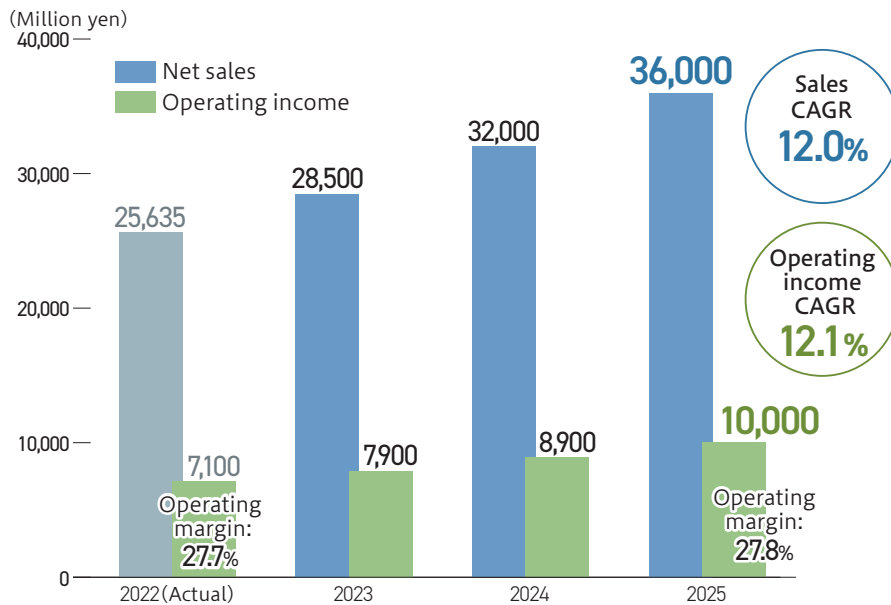
The chaos of Covid caused us to reexamine our business and our working practices. I believe that unity and team spirit are vital for the group's growth, and that investing in people will help us achieving the goals of the new Mid-Range Business Plan. Strengthening those bonds, however, requires first ingraining the Funai Soken Consulting Group Purpose throughout our workforce, and a department dedicated to enhancing engagement was established in January 2023 to that end.

Mid-Range Business Plan

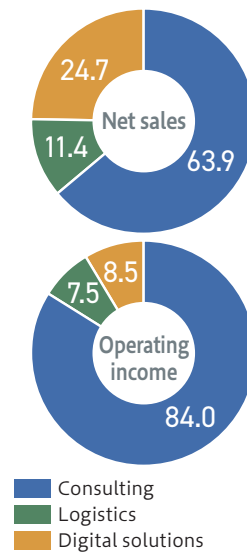
2023-2025 Targets

The target for 2025 is 36.0 billion yen in sales and 10.0 billion yen in operating income. We will endeavor to sustain high profitability while expanding our presence in the high-growth digital solutions field.

Net Sales and Operating Income: Performance & Targets



2025 Targets by Segment (%)



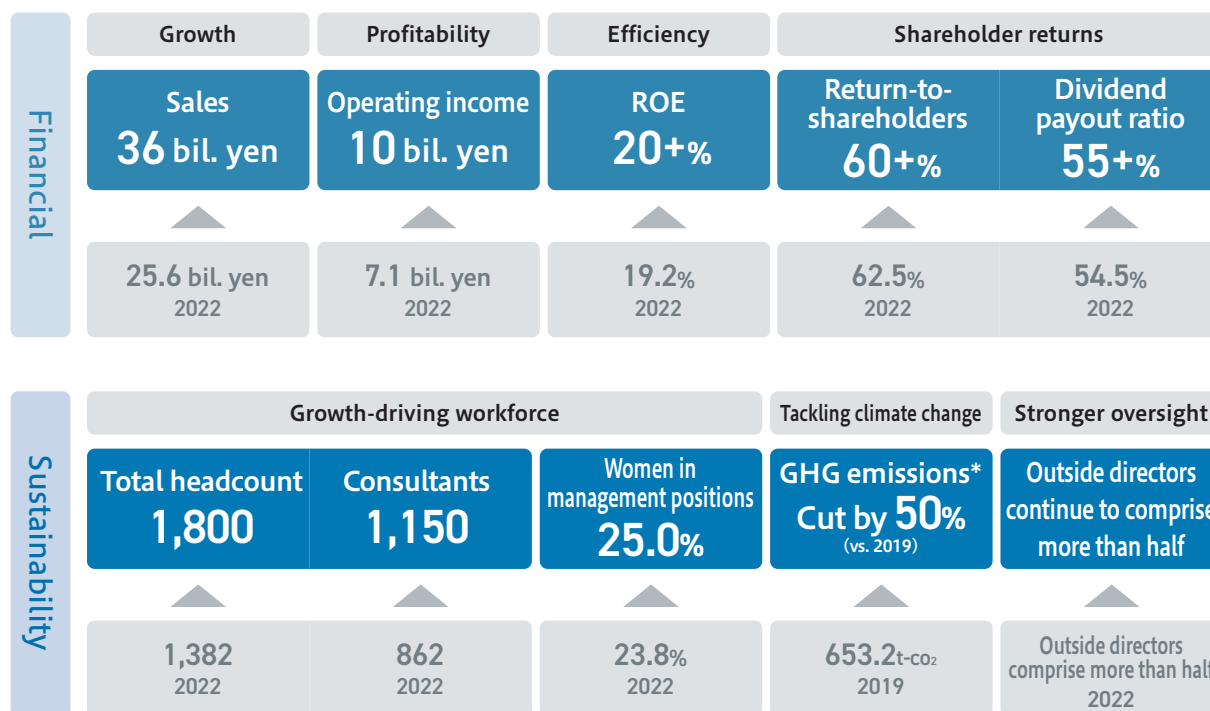
*Percentages exclude intra-group & whole-group transactions

Mid-Range Business Plan 2023–2025: Policies

Under the new plan, our basic policy is to establish our group as the foremost provider of **digital and comprehensive consulting solutions** for mid-scale and SME clients, with **aggressive investment in HR** and **ingraining the Group Purpose** identified as priorities.

2023-2025 Mid-Range Business Plan	Basic Policy	Digital and comprehensive consulting solutions for mid-scale and SME clients	Industry-specific management consulting	DX consulting
			Solution-category-specific management consulting	
Comprehensive management consulting services for mid-scale companies				
+ Priorities		Aggressive investment in HR	Hiring, training DX staff	Improved productivity, sustained improvements in compensation
		Ingraining the Group Purpose	Better engagement	Group synergies
2020-2022 Mid-Range Business Plan	Basic Policy	Comprehensive management consulting services for SMEs and mid-scale companies	Comprehensive management consulting services for SMEs	
			DX consulting for SMEs	
			Comprehensive management consulting services for mid-scale companies	

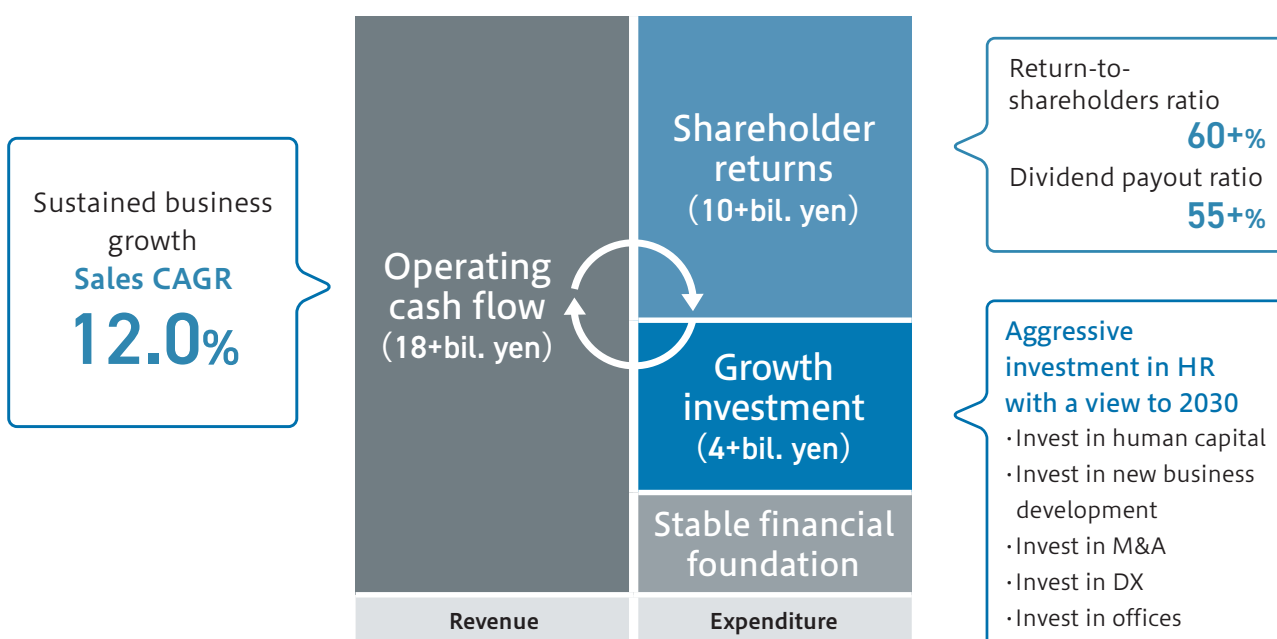
Numerical Targets for 2025



*Per Scope 1 and 2.

Investment Strategy & Cash Allocation

We will allocate cash earned in operations between activities aimed at generating **future growth** and appropriate **shareholder returns**, thus improving shareholder value. We will also use the 2023-2025 plan period for aggressive investment in HR with a view to 2030.

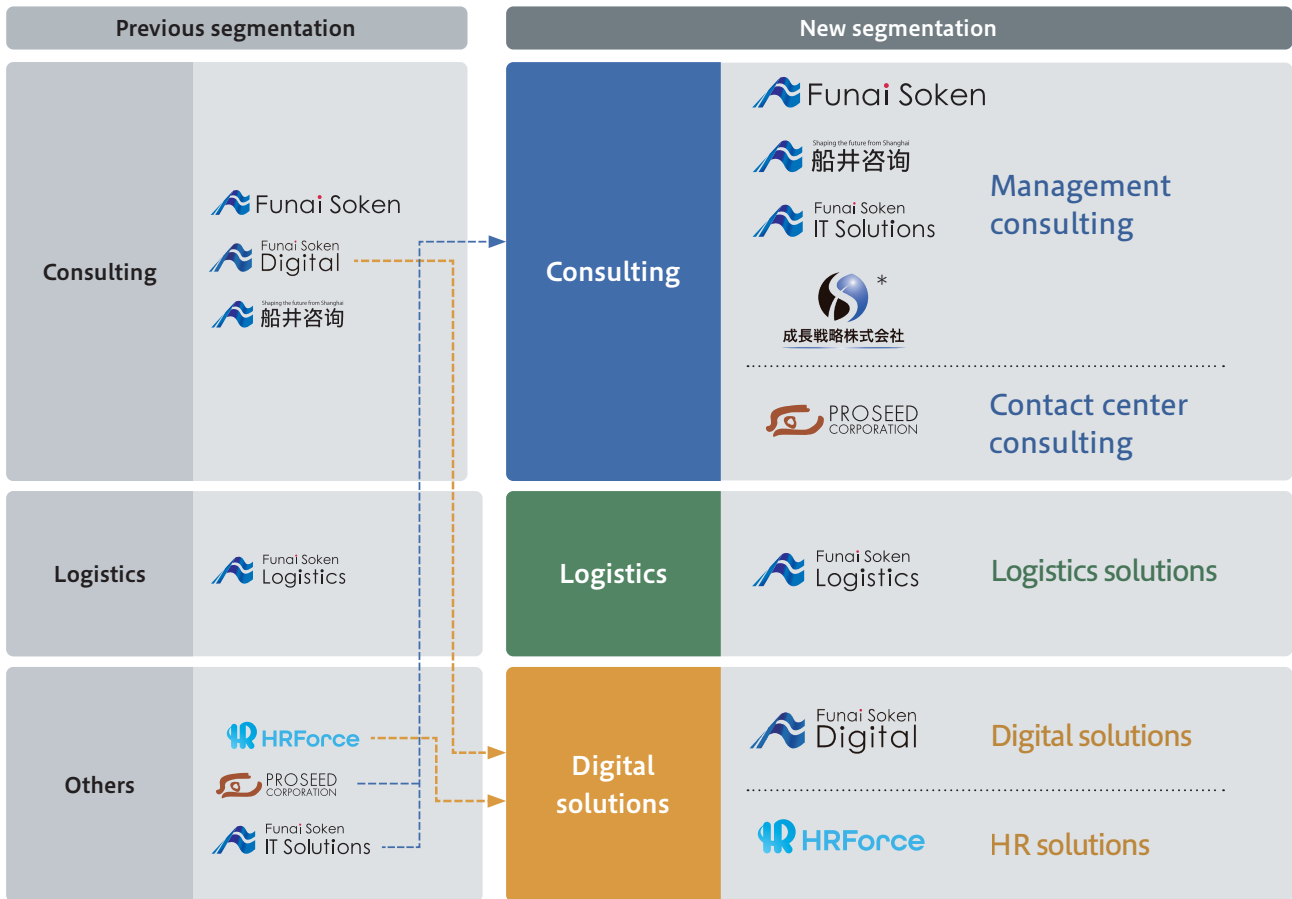


Mid-Range Business Plan

Changes in Segments

We have adjusted our segments to better suit our business strategy. We now have three segments:

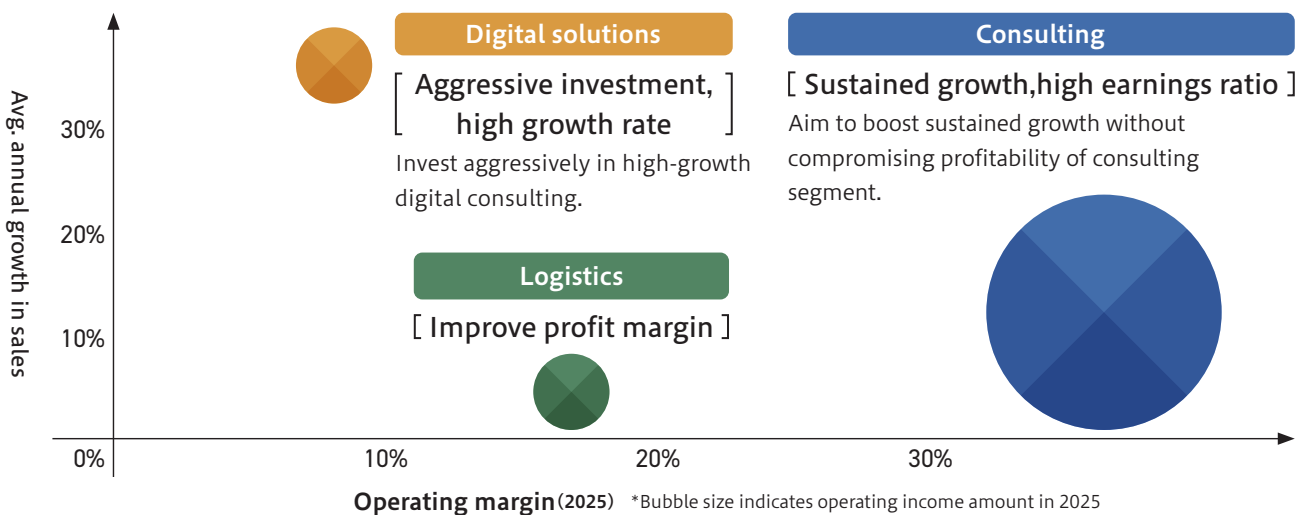
1. Consulting, 2. Logistics, and 3. Digital solutions.



*Seicho Senryaku, Inc. joined the Funai Soken Consulting Group in January 2023.

Strategies by Segment (1)

We are aiming to boost sustained growth without compromising the high profitability of our core consulting segment. We will also invest aggressively in the high-growth digital consulting market.



Strategies by Segment (2)

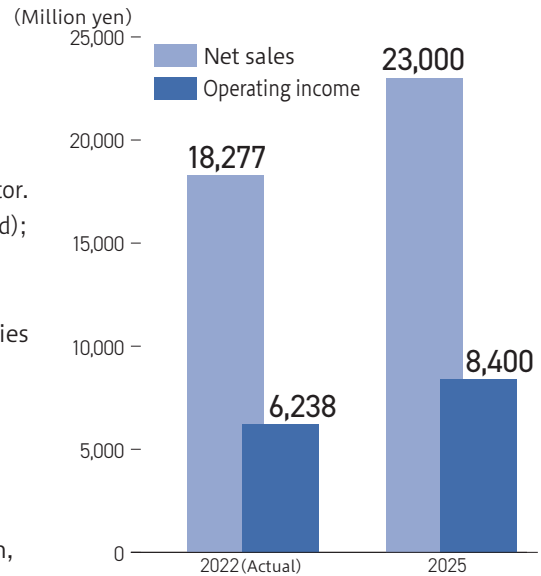
Consulting

Sustained growth, high earnings ratio

Operating income CAGR
10.4%

Operating margin
36.5%

- Further deepen industry-specific consulting for SMEs
- Manufacturing: priority industry. Boost offerings to clients in that sector.
- DX consulting: Develop industry-specific cloud modules (Growth Cloud); thereby expand to incorporate HR in addition to MA, SFA, and CRM
- Consulting for mid-scale companies
 - Expand consulting services designed to propel client companies to the 10-billion-yen turnover mark
 - Expand M&A consulting services
 - Expand IPO support services
 - Bolster hiring, training of project management staff
- Develop and invest effort into new growth industries: e.g., CX consulting, rural community revitalization, new business planning support



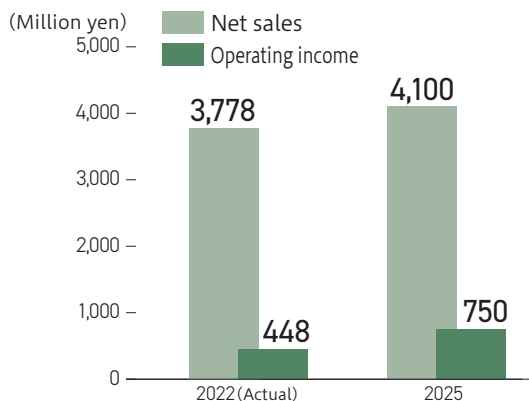
Logistics

Improve profit margin

Operating income CAGR
18.7%

Operating margin
18.3% : +6.4%

- Boost profitability by increasing consulting as proportion of sales
- Expand scope and reach of services: e.g., logistics real estate, global supply chain consulting, platforms (build data center for logistics information)
- Logistics ESG consulting services with a focus on the environment



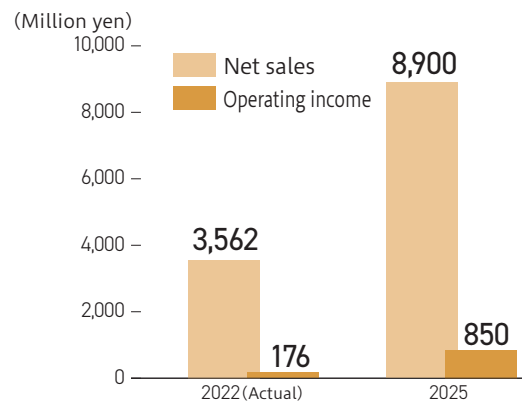
Digital solutions

Aggressive investment, high growth rate

Sales CAGR
35.7%

Operating income CAGR
69.0%

- Roll out sales process transformation (SPX) services with a focus on digital marketing
- Cloud-based solutions development
- Back-office consulting and BPO centered on IT consulting
- Expand HR Tech business domain: e.g., HR solutions, recruitment process outsourcing (RPO), SaaS education



Mid-Range Business Plan

Human Resource Strategy

We will strive to increase the number of consultants and business staff—i.e., employees with a direct bearing on sales—by an average of 10% per year.

Growth Targets by HR Category

Consultants	2025	1,150 (862 in 2022)
	Increase	+288 CAGR 10.1%

Business staff	2025	400 (305 in 2022)
	Increase	+95 CAGR 9.5%

- Increase upstream service consultants, expand profitability
- Bolster mid-career recruiting in high-growth domains like DX and M&A consulting
- Boost productivity by strengthening recruiting and training of project management staff able to work with mid-scale clients

- Expand system development and BPO, accelerate growth
- Boost engineer numbers; bolster DX solution development

*"Business staff" are those that work in consulting departments with a direct bearing on sales but who are not consultants; roles include development engineering, product sales, new business, management workshop operations staff, etc.

Key Initiatives in HR Strategy

Hiring

Ramp up hiring: 1,800 headcount by end of 2025

- Restrengthen hiring of recent graduates for consulting positions
- Strengthen mid-career hiring in new and specialist fields
- Hire people from more diverse backgrounds for management roles

Training & career development

Training & career development for consultants and business staff

- Expand training programs to accelerate development of new and younger employees
- Improve productivity through acquisition of digital skills by consultants
- Expand investment in professional development to boost staff skills and develop the pool of management candidates

Retention

Improve employee value proposition to boost retention of talent

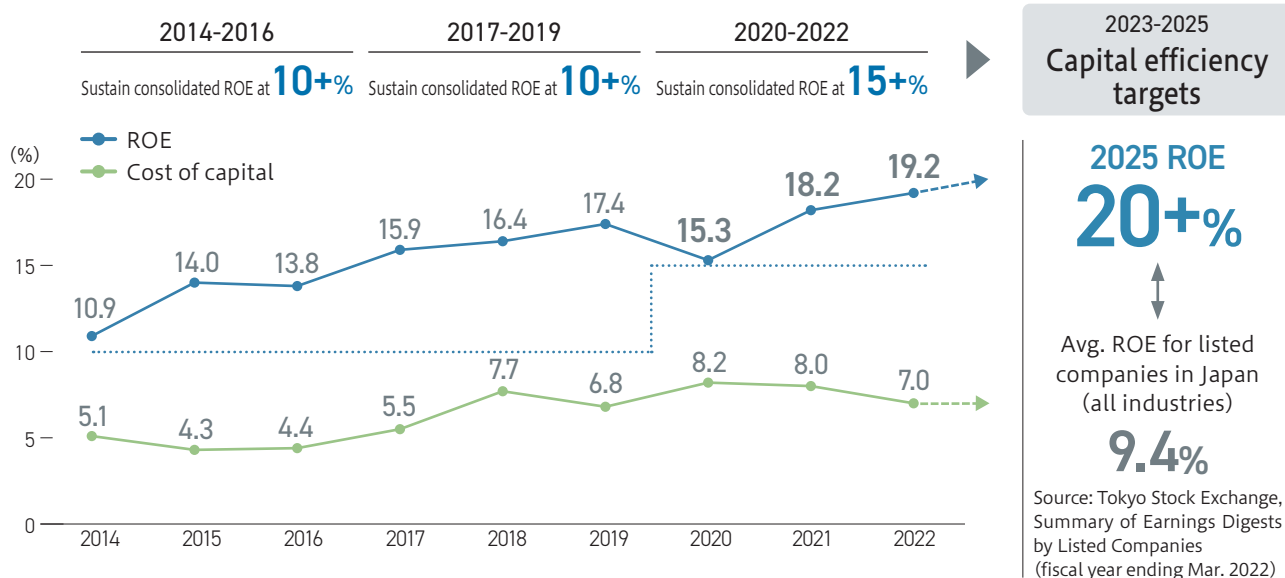
- Boost retention through sustained improvements in compensation
- Boost communication by relocating Tokyo office and consolidating into a single floor
- Increase employee engagement by sharing the Group Purpose



Financial Strategy

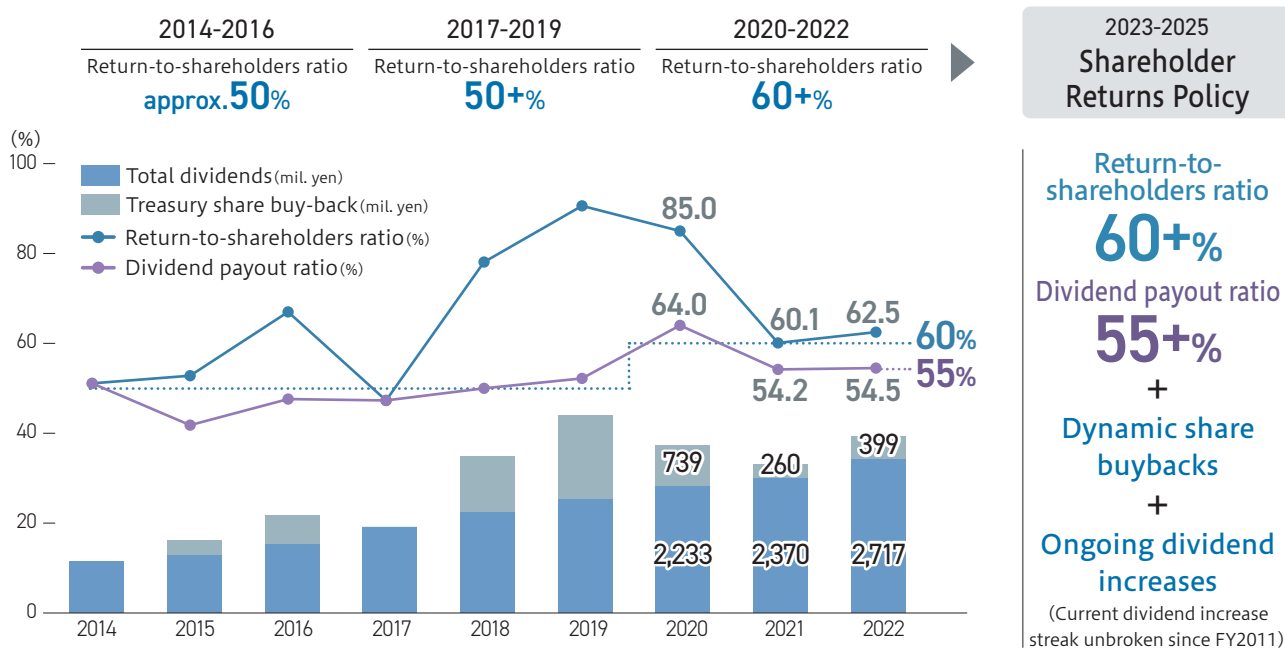
(1) Capital Policy

Through ongoing growth investment, increased capital efficiency ratio, and high shareholder returns, we aim to achieve sustained improvements in corporate value. Our target is an ROE of at least 20% by 2025.



(2) Shareholder Returns Policy

We will continue to strive for a high rate of shareholder returns, such as through ongoing dividend increases and share buybacks.

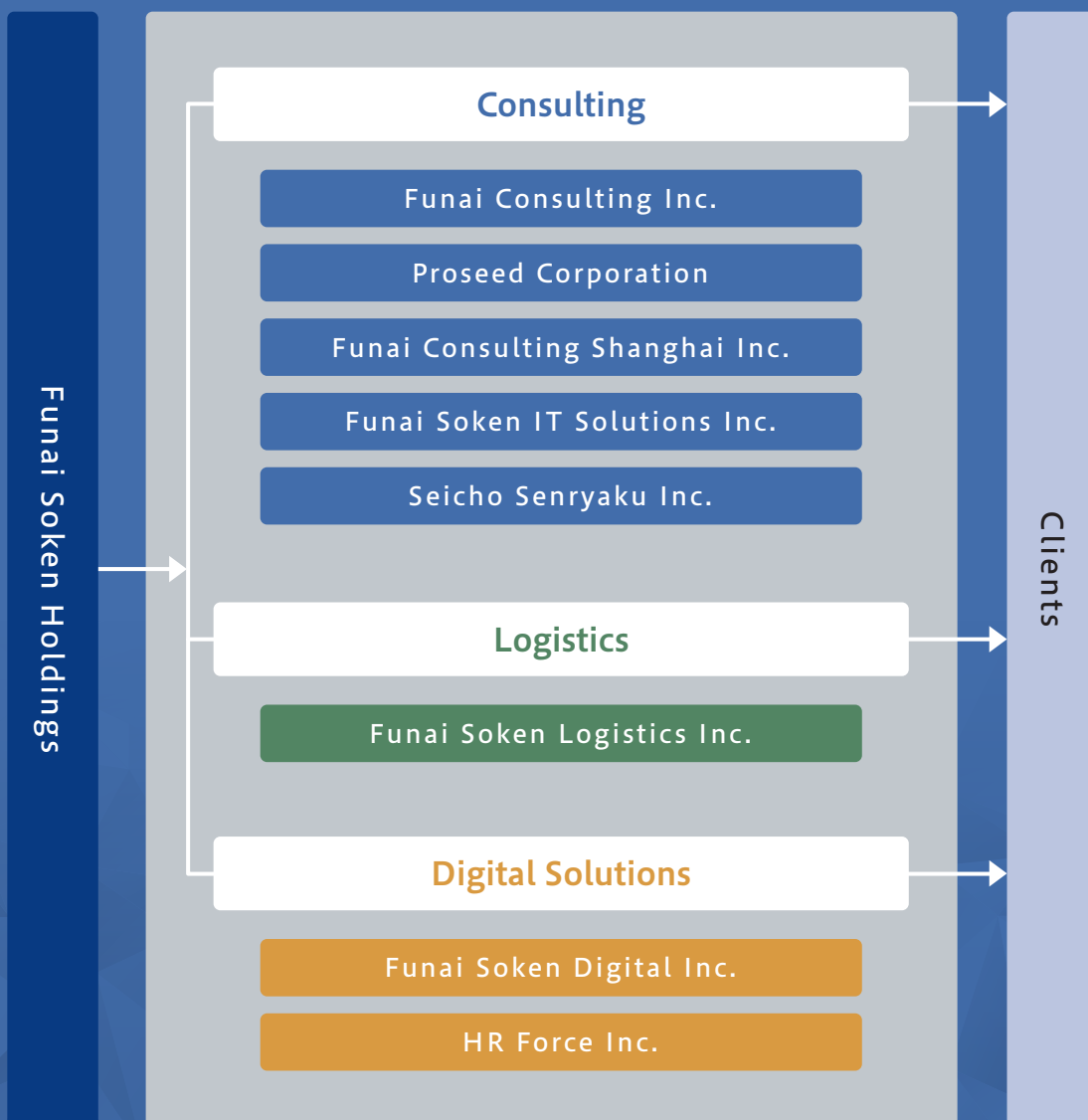


What We Do : Our Three Business Segments at a Glance

The group's business was reorganized into three segments—consulting, logistics, and digital solutions—starting in the first quarter of 2023 to coincide with the launch of the Mid-Range Business Plan (2023-2025).

Each of those segments has key themes to

pursue over the coming three years as we seek to develop our portfolio: in the consulting business, sustainable growth and high profitability; in the logistics business, improving profitability; and in the digital solutions business, aggressive investment and higher growth rate.



1 Consulting Business



Consulting for Improved Bottom Line & Corporate Value

We Help Clients Overcome the Obstacles to Sustainable Growth in Uncertain Times

Daisuke Shingai
President and CEO
Funai Consulting Inc.

Growth support for SMEs: Industry-specific, category-specific consulting

Broader Strategic Consulting for Mid-scale and SME Clients:

Growth through Diversification and DX

Expand Focus to Include Mid-scale Companies: Develop Solutions to Help Improve Value

IN THIS SECTION

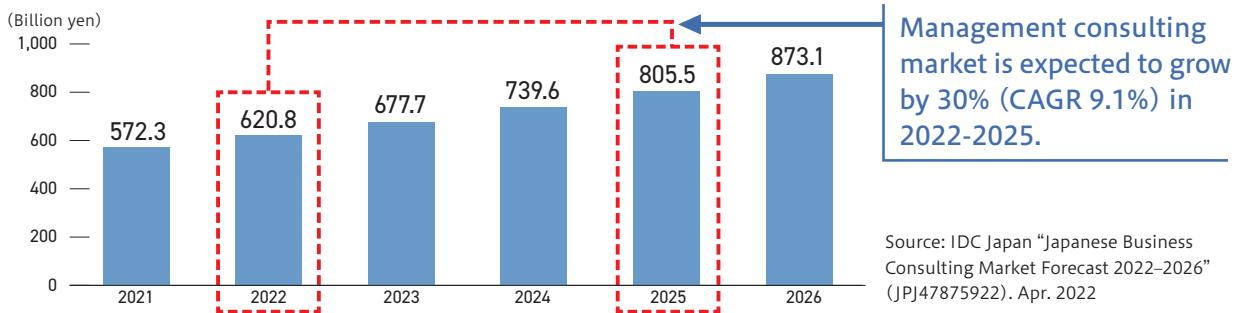
- 1 | Market Conditions
- 2 | Clients' Business Climate
- 3 | Our Strengths and Opportunities
- 4 | Expanding Upstream (Strategy) Consulting Services
- 5 | Expanding Focus to Include Mid-scale Companies
- 6 | Group Synergies
- 7 | Testimonials



Expanding DX Market, Hopes for Renewed Growth

The Japanese management consulting market returned toward in growth in 2022, and is forecast exceed ¥600 billion in 2022 and ¥800 billion in 2025, with a CAGR of 9.1% in 2022-2025, representing a 30% market growth.

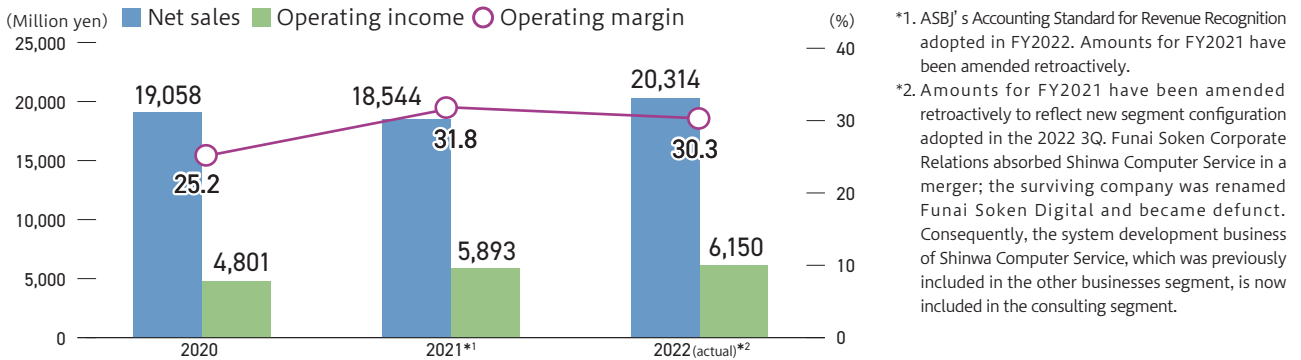
It is expected that this growth will be driven by the ongoing increase in demand for business transformation support through DX, and we are working to expand our presence in the DX consulting domain for SMEs.



Record Performance in 2022

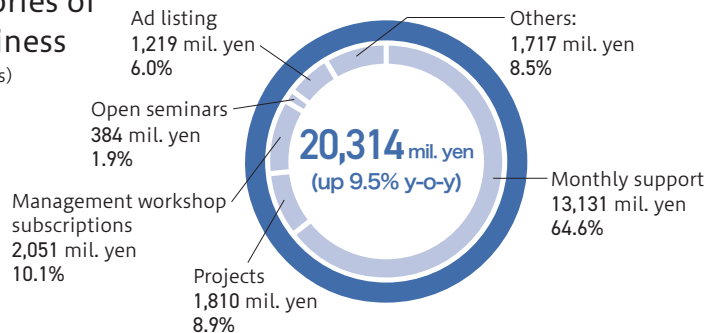
With the gradual post-Covid return to socioeconomic normality, our core management consulting business recorded our best ever figures in sales (¥20.3 billion) and operating income (¥6.1 billion). Monthly

support services were particularly outstanding, with a steady increase in orders for consulting via seminars and our website.



Main Service Categories of Our Consulting Business

(Amts. and Share of External Sales)

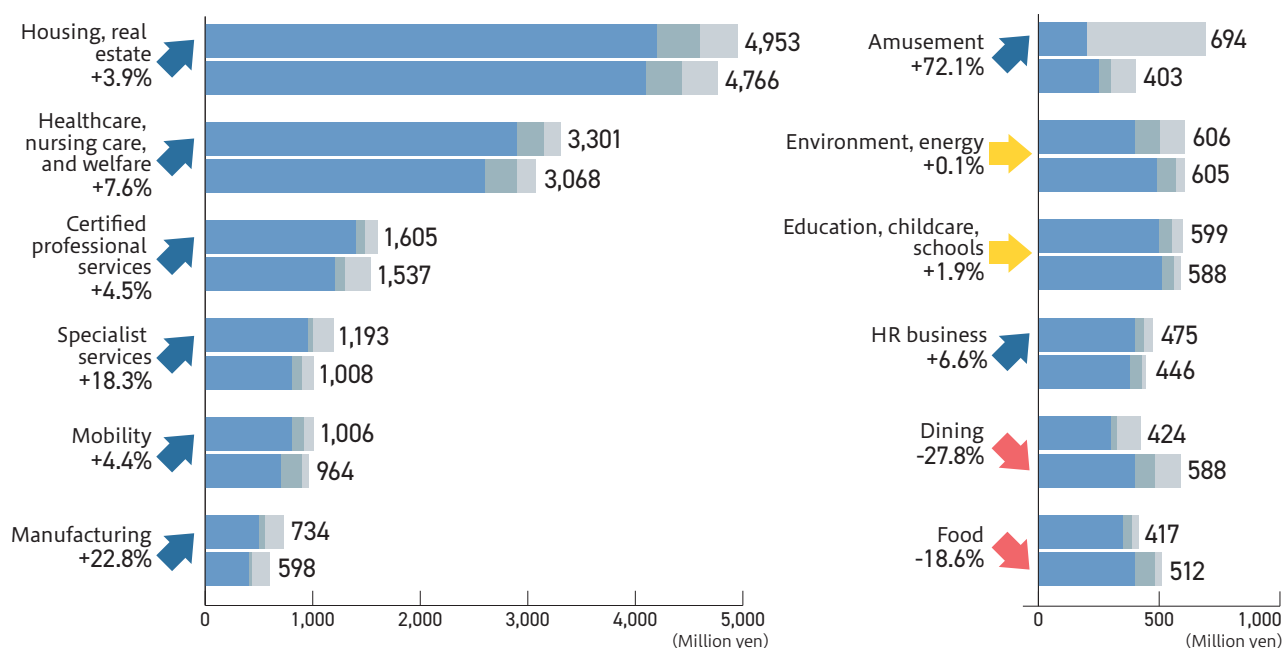


Core Business Solid, Digital Support Services Growing

Of the 12 top client industries served by our consulting business, eight experienced year-on-year growth, including our main market segments: housing and real estate, and healthcare, nursing care, and welfare. Of these, the growth in the

specialist services and manufacturing categories was spurred by the expansion of DX consulting, and the growth in the amusement category was due to the large number of M&A brokerage contract sales.

- Growth support: Raising business performance to achieve profit-and-loss statement improvements
- Talent development support: HRD consulting services to help clients recruit, train, and assess workers, and invigorate their organizations
- Support for improved corporate value, digitalization etc.: Helping clients achieve balance sheet improvements through assistance with M&As and financial matters; and consulting and other assistance for digitalization



*Upper bar: Jan. – Dec. 2022; lower bar: Jan. – Dec. 2021

*Figures show sales of consulting contracts, management workshop subscriptions, and open seminar revenues, grouped in accordance with the company's industry classifications, for 2021 and 2022.

DX Packages Prove Popular

Demand for DX consulting is growing rapidly among mid-scale companies and SMEs. For a sector where DX progress has lagged so far, we have developed DX packages tailored for specific industries, focusing on reforming client management and sales and business processes. As of 2022, these packages

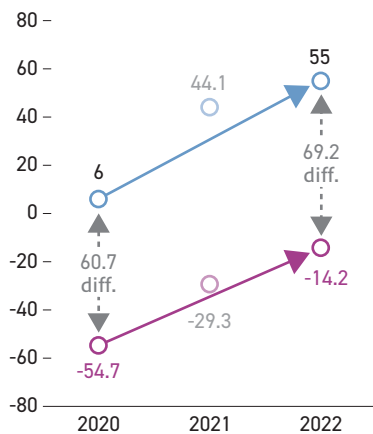
had been deployed at more than 350 companies or some 6% of our clientele. In addition to DX, new consulting solution categories are emerging, such as IPO, M&A, and CX improvement, and will become areas of focus in the future.



Impact of Covid and Ukraine War on SMEs' Business

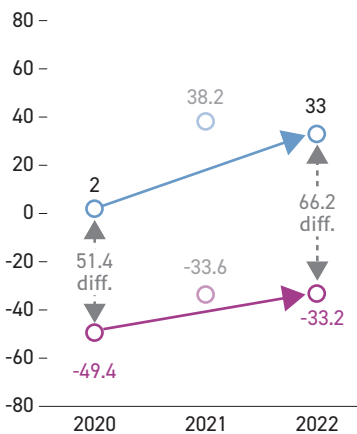
Sales Diffusion Index

○ Funai Consulting clients
 ○ Whole-year average figures from SMRJ Survey of SME Business Conditions



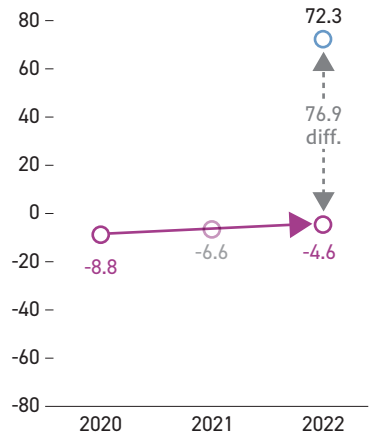
Ordinary Income Diffusion Index

○ Funai Consulting clients
 ○ Whole-year average figures from SMRJ Survey of SME Business Conditions



Employee Headcount Diffusion Index*

○ Funai Consulting clients
 ○ Whole-year average figures from SMRJ Survey of SME Business Conditions



*New survey item; no data for 2020, 2021

The graphs above compare our clients and Japanese SMEs in general in terms of the impact of the depreciating yen and rising resource costs caused by factors such as Covid, inflation in the US economy, and the Ukraine war. The data for our clients come from responses to a survey of management workshop members and consulting clients. The sample size is approximately 3,500 companies (around 50% of our clientele); response numbers have grown by 1,100 since 2021, and we believe that the significance of the survey is increasing by the year.

The blue line represents the diffusion index of our client companies' results; it shows a trend toward a recovery in sales throughout 2022, despite a severe business climate. There was a significant jump in ordinary income from 2020 to 2021, when the impact of Covid was most severe, but

this settled to normal in 2022. Some of this can be attributed to our consulting solutions, and the fact that our clients tend to be focused on growth in the first place.

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

Comparing the blue and purple lines shows that the gap between our clients and the average Japanese SME actually increased from 50–60 points in FY2020 to 66–76 points in FY2022, including employee headcount. Differences in survey and analysis methodologies mean we are wary of simple comparisons, but given that economic downturn tends to exacerbate polarization, we do believe that the divergence between our clients and Japanese SMEs in general seen in 2021 will continue.

Typical Examples of Our Clients' Consulting Needs

We harness the strengths and expertise of the group's companies (outlined on the following pages) to offer solutions to clients' specific needs. Here are a few examples of some typical requests.

■ New Growth in an Existing Business

“We mainly do door-to-door sales, but we want to future-proof our business through web-based customer attraction. We need your expertise on other methods of customer acquisition, and how to improve our online closing rate. We would also like to discuss subsidies, executive training, and early professional development for employees.”

■ Restructuring an Existing Business

“We run childcare facilities, but enrolments have fallen below target figures. New facilities are opening up in our area, and we need a USP or something if we are to compete with them. We want your advice on how to do that within a limited budget.”

■ Former Client Wants Help with Profitability and HR

“We are a former client, and would like you to consult for us again. We operate three clinics, and our total workforce is 20. We want to establish a staff evaluation and career development system, and to make the company more profitable. We are interested in new business models, and would like to hear about the latest case studies.”

■ Help with Fundraising

“Our business is struggling but we are getting new orders so we want to raise funds to try and right the ship. Can you assist us with fundraising?”

■ Launching a New Business

“We are a small company, annual turnover around ¥50 mil. We want to use the government's business restructuring subsidy and map out our future. We want help with the subsidy application alongside regular business consulting.”

■ Reaching the ¥10-billion Turnover Mark

“After attending one of your seminars on conglomerates, I want to know more. We are a real estate leasing company, turnover around ¥1 billion, but we lack the know-how to add new businesses and have plateaued. We need your help to try and reach the ¥10 billion mark by launching new businesses and operating as a conglomerate.”

■ Business Ownership Succession, M&A

“Our annual turnover is ¥100 million, and we have six sales staff. We are looking for a company to take over our business as I am elderly now. My children work elsewhere and do not want to take over my business. I have no other likely successors. I am not sure what to do and want you to connect me with someone who can take over the business.”

■ Help with IPO (on Tokyo Pro Market)

“We are considering listing on Tokyo Pro Market and looking for a qualified J-Adviser to help. Based on our growth plans, is a listing within the realm of possibility? We want to know whether, as things stand, we could start preparing now and achieve listing within a few years.”

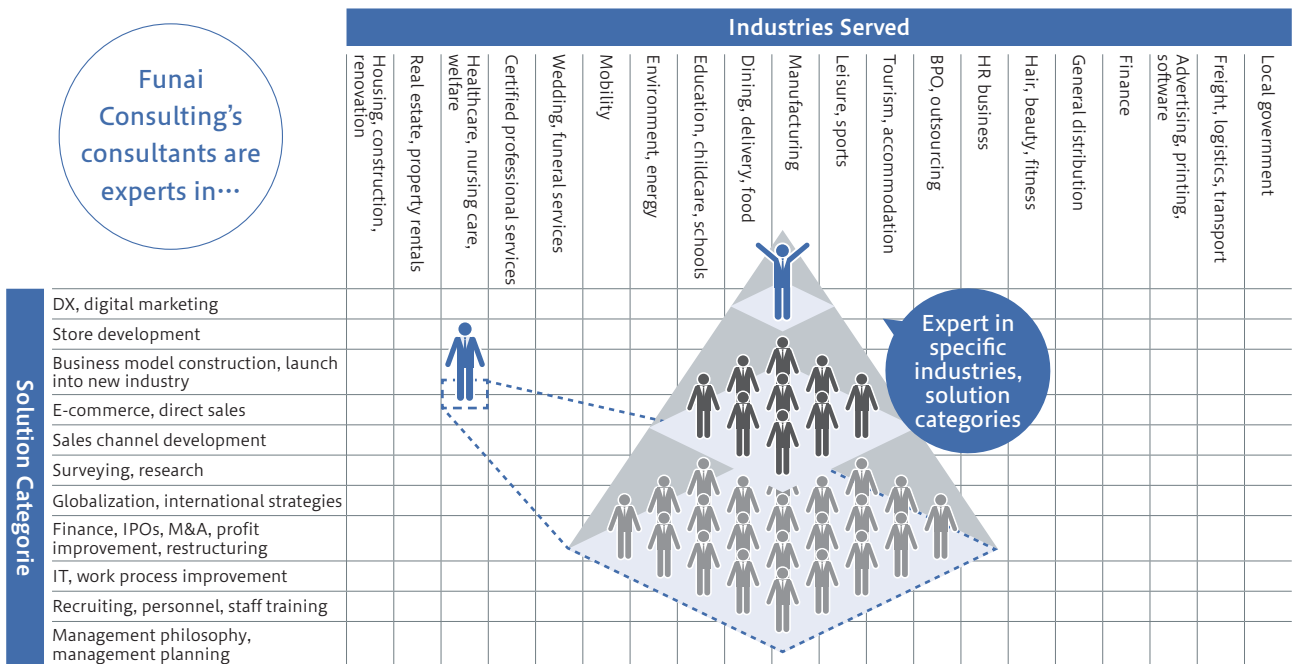


Our Strengths

Industry-specific, Category-specific Consulting Structure

Funai Consulting’s approximately 800 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. And starting 2023, we are further deepening our DX expertise, nurturing DX staff (e.g., engineers), and developing new industry-specific DX modules (see p. 37).

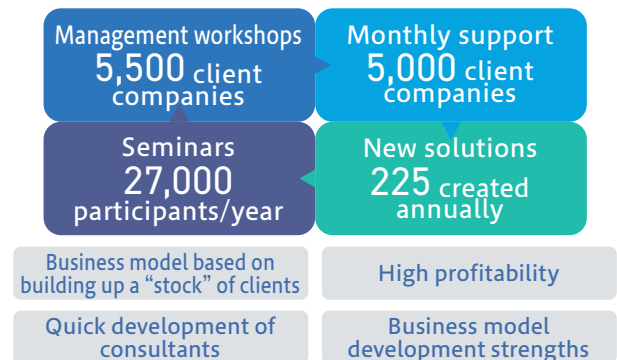


Workshops and Monthly Support Services: Our Cyclical Business Model

Our business model comprises multiple stages, each of which feeds the next. Business proprietors who attend our seminars are encouraged to sign up for management workshops; lessons learned there are put into practice via monthly support consulting, which leads clients to faster results and propulsion of business strategy; and interaction with clients generates ideas for new solutions, which we use to produce new seminars and management workshops.

This cyclical business model enables us to build a solid client base that underpins the group’s sustained growth: roughly 10% of seminar attendees sign up for workshops, and half of workshop members go on to consulting contracts. To date, we have around 5,500 workshop members and 5,000 monthly support client companies.

The chief benefit of this model its cyclical nature, constantly generating the seeds of new solutions we can offer to our increasing “stock” of clients. Also unique is our solution-focused consultant training, which equips new hires to become full-fledged consultants at an early stage. Both of these are made possible by having such a solid client base.



Business Strategy

Our vision is that our group will become the foremost provider of digital and comprehensive consulting solutions for mid-scale and SME clients by leveraging our two core strengths—expert consultants in specific industries and solution categories and a cyclical business model that perpetually generates new seeds to feed itself. As part of our strategy for achieving that vision, we have identified two key tasks for our consulting business.

The first is the expansion of upstream (strategy) consulting services by developing new strategic

consulting markets and support diversification and DX efforts to help SME clients reach the ¥10 billion turnover mark. The second is expanding our focus to include mid-scale companies as well as SMEs, and boosting our range of services for larger mid-scale companies.

In this way, we are broadening the focus of our consulting services from SMEs to incorporate upstream (strategy) consulting services and mid-scale companies.



Business Risks

- The impact of Covid-19, the war in Ukraine, and 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.
- The lack of foreign workers in Japan caused by Covid-enforced border restrictions have caused a labor shortage and SMEs are struggling to recruit talent. There may be extreme difficulty in securing the workforce needed to pursue corporate growth.
- The financial climate for SMEs may be about to deteriorate: the end of the “no interest,

no security required” loans offered by the government to help tide business over Covid difficulties may cause SMEs to struggle to find funding, and some may experience cash flow difficulties as those loans become due in July 2023 through 2024.

- 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.



4 | Expanding Upstream (Strategy) Consulting Services DX Consulting

DX Consulting

Adoption of DX is progressing among larger corporations, but mid-scale companies and SMEs are lagging. To redress this, we at the Funai Soken Consulting Group are working with SaaS providers to develop industry-specific business system packages for mid-scale and SME clients. These packages include Zoho, Kintone, and Freee, all of which are ideal for more

modestly sized businesses in terms of functionality and cost.

Popular packages include Zoho-based Growth Cloud and Kintone-based Funai Fast System, which help with tasks such as CRM, SFA, ERP, and BI, and are fast becoming indispensable for data-driven management at mid-scale companies and SMEs.

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.

Our 4 Most Popular DX Products		
1.	Zoho	351 happy clients
2.	kintone	175 happy clients
3.	Cloud-based accounting	54 happy clients
4.	Cloud-based talent development (Sales Switch)	16 happy clients
DX support* sales		Approx. 1.6 bil. yen per year
		Up 21.0% y-o-y

*Sales of DX consulting services

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  | **Premium Partner** 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.

Our Extensive Line-up of Industry-specific DX Modules



Funai Fast System 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.



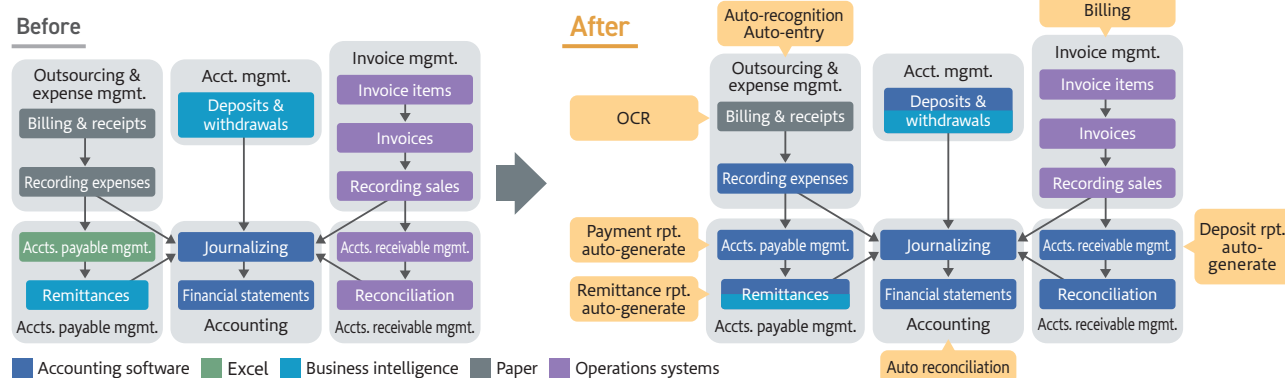
Funai Fast System (Tailored for the Needs of Funeral Services Industry Clients)

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
Customizable apps	Event participation management	Management of event participation information
	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
Partially customizable apps	Incoming payment management	Management of incoming payment data from billing apps
	Funeral venue calendar	Track funeral venues' status
	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	

Our Extensive Line-up of Industry-specific Kintone Applications

Rental property management	Exterior design	Renovators, builders	Home improvement	Architecture, construction	New home development
New home building	Real estate	Care equipment rentals	Nursing home referral	Staffing, temping	Bridal services
Mercantile trade	Funeral services	Accounting	Labor and social security attorney	Attorney	Judicial scrivener
Real estate surveyor	Design firm	Disability pension	Renewable energy	Corporate energy	

How Free-based Accounting Solutions Work



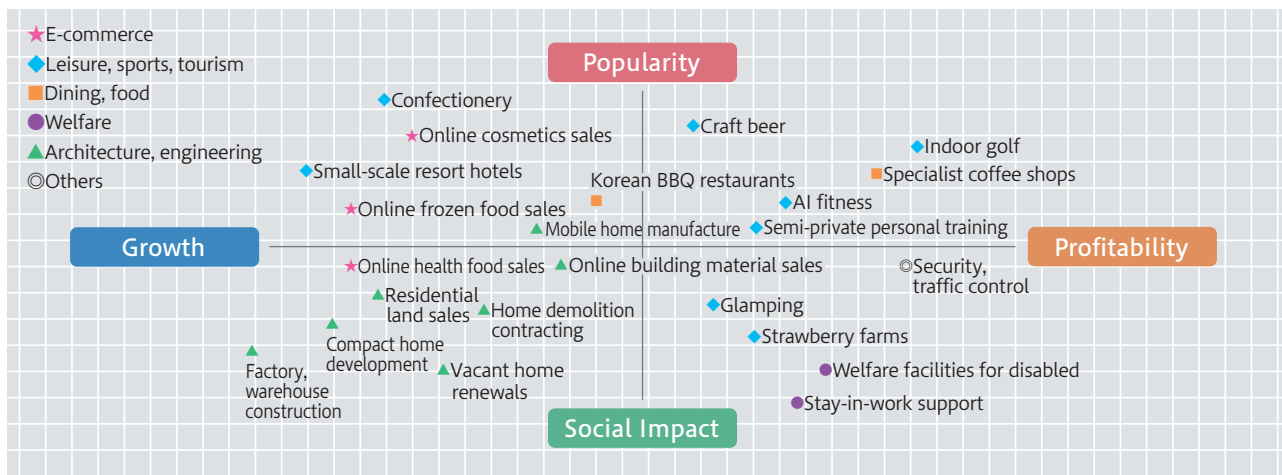
Clients in These Industries Are Already Benefiting from Our Cloud-based Accounting Consulting

Mobility	Funeral services	Transportation	Nursing care	Retail	Certified professional services	Renovation	Manufacturing
Fuel retail	Dental clinics	Staffing agencies	Energy	IT	Construction	Preschool	Industrial waste

Expanding Upstream (Strategy) Consulting Services New Services: Consulting to Propel Clients to 10-billion-yen Turnover



New Business Exploration: How Recent High-Buzz Businesses Relate to Each Other



We are constantly pioneering solutions for new industries. In the housing and real estate sector, we launched business models for vacant house rehabilitation, building factories and warehouses, home demolition contracting, and compact home development. In the healthcare, nursing care, and welfare sector, we launched business

models for welfare and stay-in-work support facilities for people with disabilities. In the dining and amusement sectors, we launched business models for confectioners, BBQ restaurants, glamping, and indoor golf facilities. All of these new solutions have sparked significant sales growth in their respective fields.

Services Designed Propel Clients to 10-billion-yen Turnover

Traditionally, our clients have been companies with annual turnover of less than ¥10 billion, but in 2022 we began ramping up consulting to encourage clients to form “regional conglomerates” as a means of reaching for the ¥10 billion mark.

Only 1.1% of all Japanese companies have sales beyond that figure, but we have been able to propel clients from around ¥1 billion in turnover to ¥10 billion through diversification of the clients’ business operations by combining our industry-specific consulting services.

We refer to this type of diversification strategy as forming a regional conglomerate. By enabling the client to capture a broader swathe of local demand and exposing them to synergies in customer acquisition, finding staff, and risk hedging, forming a regional conglomerate provides SMEs with strategies to thrive in this era of uncertainty.

What is the Optimal Size of Business?

100,000+ companies have ¥1–10 billion in turnover, but less than 17,000 have ¥10 billion or more. **Reaching ¥10 billion means joining the top 1%.**

Sales	Companies	%age of total
100+ bil. yen	1,859	0.1%
30–100 bil. yen	4,287	0.3%
10–30 bil. yen	10,634	0.7%
3–10 bil. yen	30,463	2.0%
1–3 bil. yen	70,084	4.6%
100 mil.–1 bil. yen	511,936	33.6%
Less than 100 mil. yen	895,313	58.7%
Total	1,524,576	100.0%

Source: Tokyo Shoko Research, Ltd.

- 16,780 companies (1.1%)
- 100,547 companies (6.6%)
- 1,407,249 companies (92.3%)



Assuming a median gross margin of 27%, a gross margin of ¥3 billion is among the top 1%.

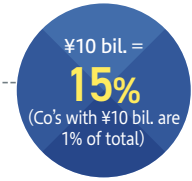
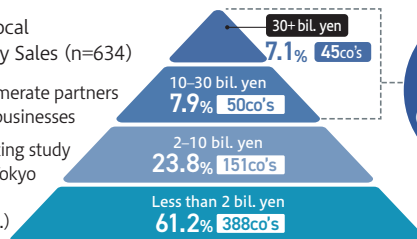
The Size of Local Conglomerates

Approx. 60% have less than ¥2 bil. ↔ Fully 15% have ¥10 bil. or more.

Distribution of Local Conglomerates by Sales (n=634)

Co’s selected conglomerate partners from those in other businesses

Source: Funai Consulting study (incl. raw data from Tokyo Shoko Research and study of websites, etc.)





Industry-specific M&A Teams Carry Out Our Commitment to Helping Clients Achieve Growth

One of the most common concerns facing proprietors is keeping the business going when they retire. The more successful a company is, the more likely they are to fret over finding the successor who is best for the company.

If someone in the family has the ability and desire to take over the reins, the handover, personal and physical, is easily done with some careful tax planning. If, however, there are no potential successors within the family, employees or third parties must be considered. It may be that now is not the time to sell but to ready the business for sale by improving the bottom line first. Our job is to help determine the best option for the

company, the employees, and the proprietor's family.

Unlike typical M&A brokerage firms, which do nothing beyond the signing of the brokerage contract, our consultants (all experts in the relevant industry) work alongside clients and provide ongoing support up to and beyond the M&A. In some cases, our support has resulted in sales and profits doubling in the first year and a half after the handover.

Ownership succession is meaningless unless it enables both parties to grow. M&A deals brokered by the Funai Soken Consulting Group are committed to corporate growth, which is why we place such importance on industry expertise.

IPO Support

Our Latest Venture: Tokyo Pro Market Listing Support Services

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.

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.





Seicho Senryaku Joins the Funai Soken Consulting Group



成長戦略株式会社

Business restructuring subsidies

Manufacturing subsidies

NEDO subsidies

Supply chain subsidies

In January 2023, Funai Consulting acquired a stake in Seicho Senryaku Inc., which specializes in helping clients take advantage of subsidies. The company has a strong track record: in 2022, its average subsidy was approximately ¥50 million and its acceptance rate was 82%. The company has also developed its own process and project management systems.

Hopes are high that Funai Consulting will combine Seicho Senryaku's experience and expertise with its own long-standing

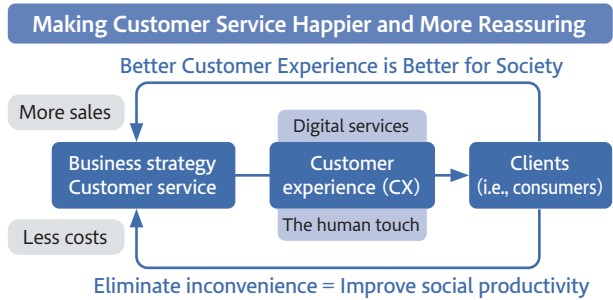
strengths in financial consulting for mid-scale companies and SMEs to expand the scope of the group's consulting services and open up new markets.

When launching new businesses and restructuring existing ones, capital investment is a significant outlay. We believe that working closely with clients via growth support services in markets eligible for subsidies (i.e., markets with official backing) is a sure step on the way to creating more sustainable companies.

CX Consulting



Contact center consulting, the core offering of Proseed, one of our group companies, is a popular service for mid-scale and larger clients. We help clients increase sales and rationalize customer acquisition costs by improving call center and customer support quality and improving in-person and digital customer experience (CX).



Management Consulting for the Chinese Dining Industry



Funai Consulting Shanghai Inc. (consulting)

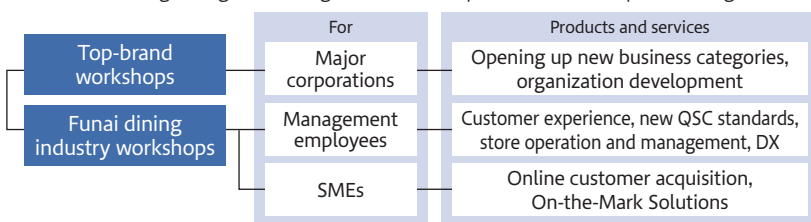
Adapting the Funai Soken Group's expertise to provide consulting services in the growing Chinese market.

Business Strategy Under the Mid-Range Business Plan

In 2022, after a long Covid-enforced lockdown, Funai Consulting Shanghai restarted its seminars and management workshops, as well as new initiatives such as operational support for SNS marketing based on a deep understanding of Chinese digital media. By combining our marketing strengths in Japan and China, we aim to produce quick wins for our clients.

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



125 shorts posted to official TikTok account in 2022





A True Partner with the Goods to Deliver and the Guts to Say No



Hisayuki Kato
Representative Director and President
The Monogatari Corporation

Client Interview

A Philosophy that Resonates with Our Own

Our relationship with Funai Consulting is the resonance between our ways of thinking: honesty, positivity, and a love of learning. Their reliability stems from the impression that every one of them strives to make sense of successes and failures through the prism of this philosophy and their own sensibilities.

Funai Consulting have partnered with us for some 15 years now, and I have been part of that for around a decade. Initially, I was floundering in my position in development and planning, and after another presentation seemingly fell flat, I was saved by the encouragement of their consultant, who called it interesting.

From Nitty-Gritty Solutions to Broader Management Perspectives

Now, as the proprietor, my relationship with Funai Consulting has changed: where previously we discussed menu strategies, now our discussions are focused on management issues like business strategies. Another significant change pertains to information.

I am good at identifying and applying useful nuggets from information received, so the large volumes of information Funai Consulting provides us about successful and unique stores is a goldmine for me. For a company like ours, the value of consulting

lies not in what they give you but in what you learn and how you make use of it. It is vital, therefore, that proprietors know their own characteristics and think about how to utilize information.


But Funai’s consultants do more than just feed business owners useful information; they also serve as an honest sounding board. Our people in China have said they appreciated how the consultants offer both encouragement and dissenting opinions. It is not easy to develop products and pursue business in a foreign country, so Funai Consulting’s advice, which is based on Chinese marketing sensibilities, has been a great help to us in China.

One of the Team in Word and Deed

Most distinctive of all, though, is the way Funai Consulting consultants are there for you, unlike some who simply throw “solutions” at you and take no responsibility for the outcomes. This is best illustrated by their language, such as way they refer to our company as “we” in meetings and the like.

As a proprietor, my overriding aim is steady growth, and I hope Funai Consulting will stay the course as we pursue that quest. I look forward to their ongoing, close partnership—their grounded logic and their sweat—as we undertake the hard work of our business.

Support Provided, Outcomes Achieved

Challenges Faced	Solutions Implemented
Increase store value to prepare for the shrinking labor force of the future	<ul style="list-style-type: none"> Deployed Servi food service delivery robots, not only to improve productivity but also increase customer satisfaction. 400 Servi robots deployed at Yakiniku King restaurants following needs consultation and trial runs. 
Expand into overseas markets to sustain growth as Japanese market shrinks	<ul style="list-style-type: none"> Market information based on Funai Consulting Shanghai’s deep insights into the Chinese market, and help for decision making. Insights gained through China business expansion has proven synergistically beneficial for growth among employees in Japan.

Client Company Overview



Storyteller tells the Story
物語コーポレーション

Name	The Monogatari Corporation
Incorporated	September 1969
Employees	1,175 (as of Feb. 28, 2022)
Business	Restaurants, direct operated and franchises



More Like Employees than Outside Help: Close Support from Ideas to Implementation

Masaaki Kimura
CEO
Fukae Special Steel Co., Ltd.



Client Interview

Real Commitment to Our Future

We first engaged Funai Consulting when seeking ways to link our employees' efforts to visible outcomes. We ended up building a "solutions site," and Funai Consulting's consultants didn't just make suggestions, they helped us plan it and everything. They are always eager to discuss future development, even when the ideas are still abstract. In that sense, Funai's consultants are more like employees than outside help.

For the Betterment of All Society

I like how Funai Consulting always comes up with an effective starting point for the first step toward action; having something we can get our teeth into ensures well-paced project. Their consultants don't just suggest, they take responsibility for implementation and outcomes, and I am convinced that the Funai Consulting team are dedicated not only to benefiting clients, but also to the betterment of society.

Support Provided, Outcomes Achieved

Challenges Faced	Solutions Implemented
<p>Adjusting sales methods to thrive in a mature market</p>	<ul style="list-style-type: none"> Created a comprehensive catalog to differentiate the client from competitors, and put the catalog online, thus strengthening sales capabilities while reducing reliance on sales personnel. Bolstered new processing business. DX in sales, including marketing automation and SFA. <p>Implemented DX in sales</p>

Client Company Overview



Name	Fukae Special Steel Co., Ltd.
Incorporated	November 1964
Employees	120 (as of Jan. 30, 2023)
Business	Sales of steel material, processed metal products (e.g., wholesale, processing, and sales of materials incl. structural wire ropes, tool steel, special-purpose steel, forged products, aluminum, stainless steel)



An M&A that Balanced Growth Strategy with the Needs of the Proprietor and the Employees

Left:
Jun Nakagawa
President
Frontier Home Inc.

Right:
Yoshihiro Komura
President
Crasco



Client Interview

The Options for Business Ownership Succession

There were three ways I could secure the future of our company beyond my retirement: Ownership succession within the family, ownership succession within the company, and joining forces with a third party via M&A. My children were too young and not interested, and the burden of proprietorship, including personal guarantees of loans and share transfers, seemed to much for likely employees to handle, so the first two were out. But M&A? That might work.

Funai Consulting had been consulting for us for about four years, and discussions about the company's future five to ten years away led to the idea of an M&A.

I was ignorant about things like mergers share transfers, but our consultant referred us to a colleague specializing in that field. We spoke, and I began to think about my twilight years, and to discuss matters with my family.

How M&A Came to Be an Option

The bigger your business and the larger your workforce, the more things you have to consider. In our case, everything in our company of 20 people was dependent on me: I was the head of all departments, I made all the decisions, and still did sales.

Every day was busy enough that I never gave much thought to business management, even into my 30s and 40s. Then Covid hit, and only then did I consider what

would happen to the company if I were to fall ill. One thing I knew: I absolutely could not let my employees and their families fall by the wayside.

M&A Lets Me Stay on as Proprietor After the Sale

I want to dedicate my life to my work and to society as long as I have my health and am entrusted to run the company.

Some proprietors leave once the M&A is completed, but I like this job because it is a source of happiness for clients and me, and I want to see how the company progresses and the staff grows in future.

A Trusted Partner Smooths the Ownership Succession Process

You probably think—like I did—that you're okay because you're healthy, but if you are concerned about securing the future of your company, I urge you to find a trusted partner.

My partner was Funai Consulting. The consultants were supportive of my concerns, and matched me with Yoshihiro Komura of Crasco. His respect for our company's culture convinced me that an M&A with Crasco was the way to go.

It makes sense to look into the matter and find a reliable partner while you have your health. I read somewhere that delaying business ownership succession is as reckless as not backing up your computer, and I, too, believe that business ownership succession is something you need to think about before it becomes urgent.

Support Provided, Outcomes Achieved

Challenges Faced	Solutions Implemented
Business ownership succession to a third party outside of family and the employees	<ul style="list-style-type: none"> • Sold stake in the company (M&A) • Proprietor remains in the company's management post-sale.

Client Company Overview

Buyer		Name	Crasco
		Incorporated	December 1963
		Employees	187
Seller		Name	Frontier Home Inc.
		Incorporated	October 2003
		Employees	21
		Business	Real estate sale and purchase, leasing, repairs, and brokerage
		Business	Brokerage of real estate sales and rentals, rental property management

2

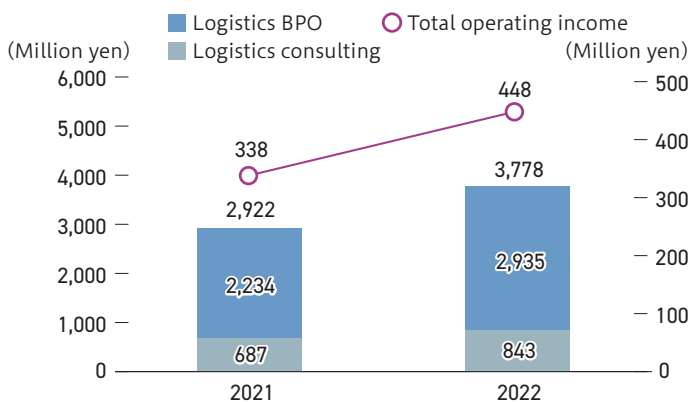
Logistics Business

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

The movement of goods is a vital social infrastructure, and as leaders in the field of streamlining logistics, we strive to 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.

Results of Operations



▶ Group Companies in This Segment



*ASBJ's Accounting Standard for Revenue Recognition adopted in FY2022. Amounts for FY2021 have been amended retroactively.

Policies under the Mid-Range Business Plan (see p. 26)

External Factor 1 Regulatory Changes Coming in 2024	External Factor 2 Supply Chain Turmoil	External Factor 3 Climate Change
<p>Boost profitability by increasing consulting as proportion of sales</p> <p>Japan's shrinking working-age population and new laws related to working practices have sparked growing demand for consulting services on both sides of the logistics equation. We help shippers set up sustainable logistics systems, and help logistics companies secure a stable workforce and pursue automation and labor conservation through DX support services.</p>	<p>Expand scope and reach of services e.g., logistics real estate, global supply chain consulting, platforms (building logistics data centers)</p> <p>We are working to stay ahead of recent global supply chain changes by developing new services such as consulting for global supply chain restructuring. Other new businesses include warehouse real estate brokerage and logistics information platform solutions.</p>	<p>Logistics ESG consulting services with a focus on the environment</p> <p>Amidst growing demand for ESG, including decarbonization, in all industries, we offer logistics-industry clients a whole menu of sector-specific consulting options from ESG diagnosis to implementation support. Data-driven support enables clients to engage in all aspects of ESG management.</p>

3

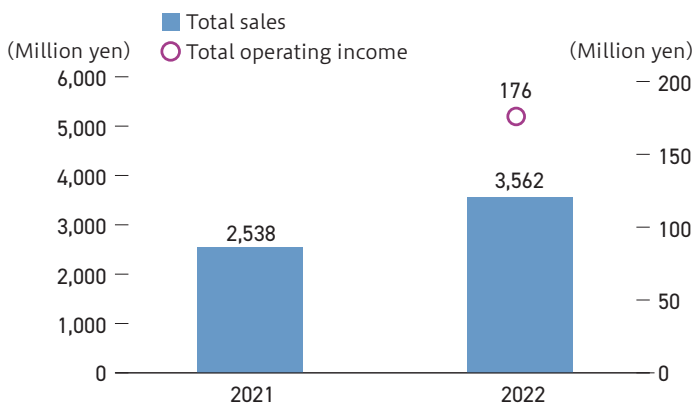
Digital Solutions Business

A Full Spectrum of DX Support Services

As part of our effort toward expanding the group's business to include DX consulting and consulting for mid-scale businesses as per our business strategy, we have established a new segment for

the 2023–2025 period. That segment is digital solutions, and includes Funai Soken Digital, a new addition to the group in July 2022, and HR Force.

Results of Operations



Group Companies in This Segment



*No operating income figures for 2021.

*ASBJ's Accounting Standard for Revenue Recognition adopted in FY2022. Amounts for FY2021 have been amended retroactively.

*New segment created to coincide with the start of FY2023; includes Funai Soken Digital (previously included in the consulting segment) and HR Force previously included in the other businesses segment).

Policies under the Mid-Range Business Plan (see p. 26)

External Factor 1 Demand for improved corporate productivity despite a declining population

Roll out sales process transformation (SPX) services with a focus on digital marketing

Comprehensive, industry-specific and solution-category-specific digital marketing support for mid-scale and SME clients

External Factor 2 Expanding cloud-based services market, higher demand for cloud engineers

Cloud-based solutions development

We offer development and operation of Azure and other public cloud-based solutions, and technical consulting.

External Factor 3 Japan's 2025 digital cliff: demand for legacy system replacement

Back-office consulting and BPO centered on IT consulting

We offer corporate back-office transformation solutions to boost productivity and competitive ability by improving work processes and digitalization.

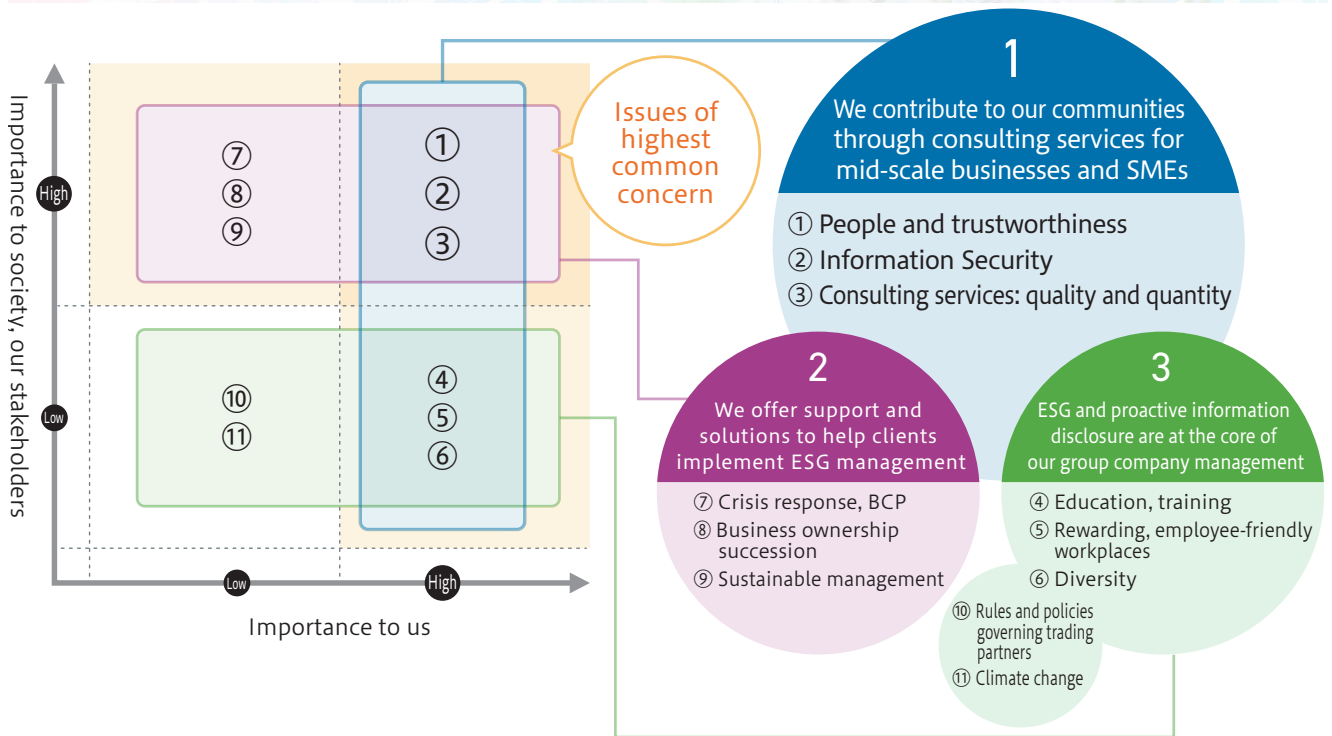
External Factor 4 Employers competing for a shrinking labor pool

Expansion of HR tech business, HR solutions, RPO/SaaS education, etc.

HR Force's direct recruiting services offer IT-based solutions to clients' labor shortage issues, primarily through recruitment ad placement services.

Dedicated to ESG in Management

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



Key Tasks in 2023 for Increased Disclosure of Non-Financial Capital

Human Capital	KPIs and investment to boost human capital
Sustainability and ESG	Further expansion of integrated report, TCFD compliance
ESG information disclosure	Improve ESG score with rating agencies

Contributing to Society by Rewarding Outstanding Businesses



The Great Company Awards, which are run by Funai Consulting, 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

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 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.

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

Recipients of the 2022 Great Company Awards [📄](#)

	Company	Industry
Great Company Award	Sears Home Group HD Co., Ltd.	Housing, real estate, renovation
Customer Appreciation Award	Famile Maternity Clinic Group	Ob-gyn, post-natal care
Employee Pride Award	Seki Furniture Co., Ltd.	Planning and sale of furniture, interior and other home decorations
Unique Business Model Award	47 Holdings Inc.	General consulting about workplace design and operation
Philanthropy Award	HataraCreate Ltd.	Office admin services, content creation
Better Performance Award	Green System Corporation	Planning, design, and sales of industrial and agricultural solar power generation facilities

Environment (TCFD Disclosures)

Environmental issues like climate change are a global challenge, and we, informed by the underlying principles of our Basic Policy on the Environment, recognize the importance to business. Propelled by our group purpose—sustainable growth for more companies—we are eager to be a part of the effort to achieve sustainability and to use all facets of our business to reduce environmental impact.

For instance, in addition to measuring greenhouse gas emissions caused by the group's business

activities and launching efforts to reduce these, we also offer our clients and suppliers support for responding to these and other climate change issues. We aim not only to improve our readiness for and resilience to natural disasters (which are becoming ever more severe as a result of climate change), but we are also striving for greater adaptability to the inevitable changes in the business environment caused by new policies and restrictions implemented as part of the global move toward decarbonization.

In Thought and Action: Our Determination to Tackle Climate Change

Our climate action is founded on our Basic Policy on the Environment, which we updated in 2023 to better reflect the challenges the world faces.

Basic Policy on the Environment

The Thinking Behind the Policy

Environmental issues like climate change are a global challenge, and we recognize the importance to business. Propelled by our group purpose—sustainable

growth for more companies—we are eager to be a part of the effort to achieve sustainability and to use all facets of our business to reduce environmental impact.

Basic Policy on the Environment

1. Compliance with Relevant Laws

We will comply with all laws and regulations relating to environmental conservation.

2. Energy Efficiency and Reducing GHG Emissions

We will strive to use less energy, expand the use of renewable energy, and cut greenhouse gas emissions.

3. Preventing Pollution

We will reduce emissions of pollutants such as waste and chemical substances, and prevent pollution of the atmosphere, oceans, water, and soil.

4. Recycling

We will promote more efficient use of water and other resources, and strive to reduce and recycle waste.

5. Using Our Business as a Vehicle for Good

We strive to make a real reduction in environmental impact, not only within our business activities, but also by using out consulting and other services as a means for working together with clients to address climate change, prevent environmental pollution, and promote recycling.

6. Disclosure and Dialogue

We will strive for continual progress in our environmental initiatives through information disclosure and dialogue with stakeholders.

7. Education on Environmental Matters

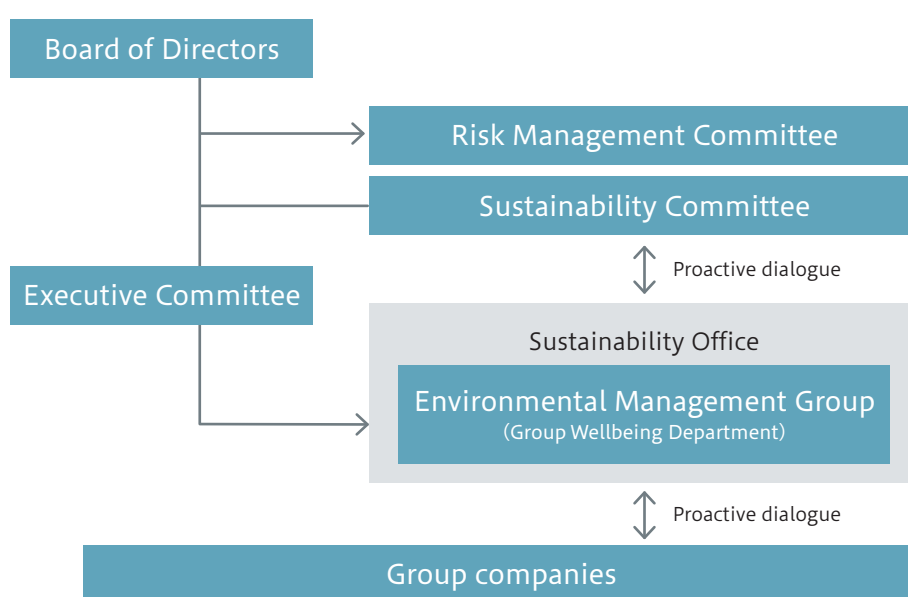
We will endeavor to ensure full understanding among officers and employees of our Basic Policy on the Environment and awareness of the ecological issues we seek to tackle.

Governance Framework

At the Funai Soken Consulting Group, the executive vice president is in charge of sustainability, and final responsibility lies with the CEO. The Sustainability Committee, established in 2021 as an advisory body to the Board of Directors, sets sustainability (defined to include climate change action) targets,

monitors progress, and evaluates outcomes. The committee aims to meet three times a year, and the chairperson is appointed by the board. Environmental risks deemed in need of action are reported to the Board of Directors, and necessary measures are determined and implemented.

► Governance Framework



Organ	Roles
Board of Directors	<ul style="list-style-type: none"> • Oversees sustainability in management, climate action
Executive Committee	<ul style="list-style-type: none"> • Sets basic policy • Decides on key issues for action • Sets mid-to-long-range goals
Sustainability Committee	<ul style="list-style-type: none"> • Ensures groupwide implementation • Monitors action on key issues, gauges progress toward targets
Sustainability Office	<ul style="list-style-type: none"> • Implements action on key issues • Proactive dialogue with group companies • Periodic collection of environmental impact indices (e.g., CO₂ emissions)
Risk Management Committee	<ul style="list-style-type: none"> • Identifies, evaluates, and manages risks with significant impact on corporate management and business continuity • Identifies risks requiring priority response, implements specific measures • Risk management and prevention

Environment (TCFD Disclosures)

Strategy

Based on our Basic Policy on the Environment, which stipulates that we use our business as a vehicle for good, we strive to make a real reduction in environmental impact, not only within our business activities, but also by using out consulting and other services as a means for working together with clients

to address climate change, prevent environmental pollution, and promote recycling. To that end, we endeavor to be aware of the impact of risks and opportunities pertaining to climate change, and will carry out the strategies necessary to making sustainability the norm throughout society.

Risk

Classification		Risk assessment	Major action
Transition risks	Market	Increased awareness of climate change and decarbonization throughout society and among clients	As concern about climate change becomes widespread, mid-scale companies and SMEs are increasingly shifting toward decarbonization and environmentally conscious management, and we seek to support them on that journey with consulting services relating to decarbonization and other climate action.
	Reputation	Loss of business due to drop in reputation among stakeholders and lack of accountability	Stakeholders are increasingly demanding action on climate change, and reluctance to engage brings the risk of damage to brand and public reputation. Also, the particular urgency of climate concern among younger demographics may cause underperforming companies to struggle to attract workers.
Physical risks	Urgency	Increased risk of economic stagnation due to more severe natural disasters	Physical damage to group premises or transport networks would likely impact our ability to provide in-person consulting services. Damage to premises also brings the risk of loss of data (e.g., client data and personal information), so we are working with the Information Security Section and the Risk Management Committee to strengthen systems and infrastructures.

Opportunities

Classification		Risk assessment	Major action
Opportunities	Products and services	Offer environmentally conscious services	<p>Growing interest in sustainability among society, markets, and our clients is expected to boost demand for consulting services. We will offer more climate change conscious, environmentally friendly options among our industry-specific consulting services.</p> <p style="text-align: center;">Solutions to Help Clients Achieve Carbon-free Business</p> <p>Funai Consulting</p> <ul style="list-style-type: none"> ·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 <p>Funai Soken Logistics</p> <ul style="list-style-type: none"> ·ESG Logistics Diagnosis ·Distribute handbook for logistics industry clients on implementing ESG

TOPICS

ESG Services for Client Companies

ESG Solutions for Logistics Companies and Departments

Funai Soken Logistics offers consulting to help clients incorporate ESG into their logistics to environmental impact and the labor load placed on employees. Specialist consultants use logistics diagnoses to gauge clients' progress, devise strategies, and provide ESG logistics support.



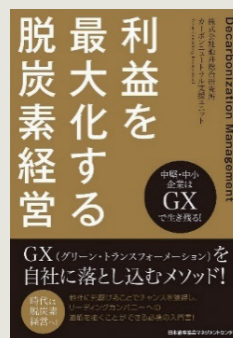
Regular Study Workshops to Promote Carbon Neutrality

In August 2022, Funai Consulting launched a management workshop focused on becoming carbon-free. Here, mid-scale company and SME proprietors and sustainability managers can learn about CO2 emission measurement and reduction methods from around Japan through guest speakers, member forums, as well as the latest trends from expert consultants.



Check Out Our Book on Carbon Neutrality in Business Management

In December 2022, Funai Consulting published a book on businesses can decarbonize. Aimed at mid-scale company and SME proprietors and sustainability managers, the book shares helpful knowhow, specific approaches, case studies, and explains the significance of different decarbonization actions.



Green Transformation: How Mid-scale Companies & SMEs Can Decarbonize & Maximize Profits
 Edited by the Funai Consulting Inc., Carbon Neutrality Consulting Unit

Environment (TCFD Disclosures)

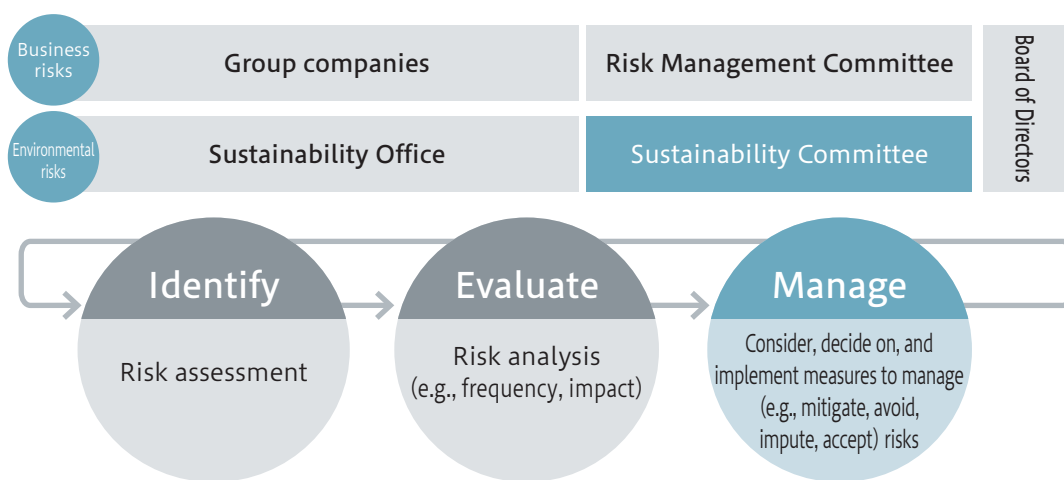
Risk Management

Based on our Basic Policy on the Environment, which requires us to disclose information and engage in dialogue, we will strive for continual progress in our environmental initiatives through information disclosure and dialogue with stakeholders.

Climate change risk management is the responsibility of the Sustainability Committee.

The Sustainability Committee receives reports

from the Sustainability Office regarding the results of environmental risk assessments and other risk analyses carried out by the Environmental Management Group, both periodically and in response to internal and external environmental changes, 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.

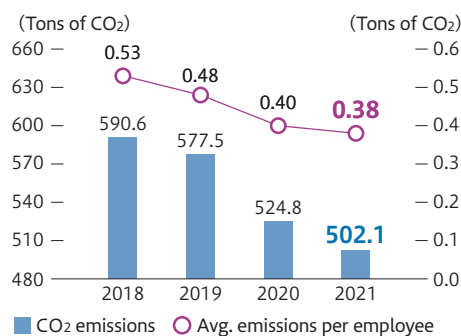
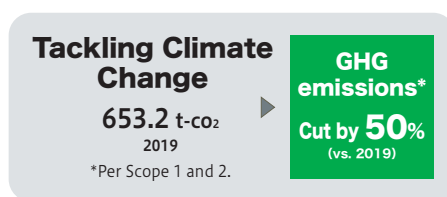


Targets and KPIs

The group's Mid-Range Business Plan (2023-2025) stipulates a sustainability goal of reducing greenhouse gas emissions by 50% compared with 2019 levels.

	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

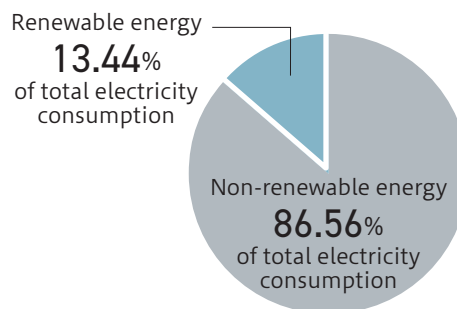
Business sites incl. in calculations: (1) (2) (3) All group sites; (4) Osaka HQ, Tokyo HQ, Gotanda Office, Fushimimachi Office, Shiba Office; (5) (6) Osaka HQ, Tokyo HQ, Gotanda Office, Shiba Office



Commitment to Renewable Energy

In June 2021, we switched our power supply contract for our Tokyo office to TEPCO's Aqua Premium plan, which provides renewable energy electricity generated at hydroelectric power plants and is certified 100% non-FIT and non-fossil-fuel. As a result, 13.44% of our overall total electricity consumption that year came from renewable energy sources. By 2030, the group aims to achieve a 100% renewable energy procurement rate at all its Japanese sites, thereby

reducing greenhouse gas emissions to virtually zero and achieving Scope 2 under the GHG Protocol.



Reducing Emissions

Reducing Scope 2 Emissions Electricity Consumption

As part of our quest to reduce emissions, we will switch our power supply contracts with various suppliers to renewable energy plans. With a view to future membership of the RE100 (under the RE Action initiative for smaller-scale users), we will use only those plans with non-fossil certification with additionality and tracking (limited to renewable energy power plants within 15 years of construction).

Reducing Scope 3 Category 6 Emissions Business Travel at Funai Consulting

The rapid update of remote work in 2020 in the face of Covid caused a year-on-year drop in business travel. However, given the resurgence in business travel following the return to near-normalcy, we intend to base our course of action on newer data from 2022 onward.

Reducing Scope 3 Category 1 Emissions Copy Paper, Seminar DM Printing and Postage

Our efforts to make operations paperless continue, and digitalization is a useful means to that end. Mid-to-long term, we will continue to look for more environmentally friendly printing, posting, and transportation options. We will also calculate emissions based on primary data, rather than on a per-unit basis.

Teaming Up with External Partners

The GX League

In 2023, Funai Soken Holdings joined the GX League, a forum for collaboration by businesses, governments, and universities that are serious about seeking sustainable growth to seek ways to bring about social change and achieve carbon

neutrality by 2050. Funai Consulting offers decarbonization support for clients via its Carbon Neutrality Support Group, and its participation in the GX League will further enhance the value of the solutions it delivers.



Our People

Human Resources Management

At the Funai Soken Consulting Group, we believe that a diverse workforce is key to sustained growth. To this end, [aggressive investment in HR](#) and [ingraining the Group Purpose](#) have been established as priorities under the Mid-Range Business Plan, and we will endeavor to further enhance our human capital.

Our Workforce: A Breakdown

	2020	2021	2022	2025 target
Total employees	1,303	1,317	1,382	1,800
Consultants	859	873	862	1,150
Business staff			305	400
Workforce admin	444	444	215	—
Men	830	824	856	—
Women	473	493	526	—

	2020	2021	2022	2025 target
Women as %age of workforce	36.3%	37.4%	38.1%	38%
Management employees	270	243	269	—
Men	215	186	205	—
Women	55	57	64	—
Management as %age of workforce	20.7%	18.5%	19.5%	—
Women in management positions	20.4%	23.5%	23.8%	25%

	2020	2021	2022
Years until promotion to “chief”	4 years 1 month	4 years 1 month	4 years 1 month

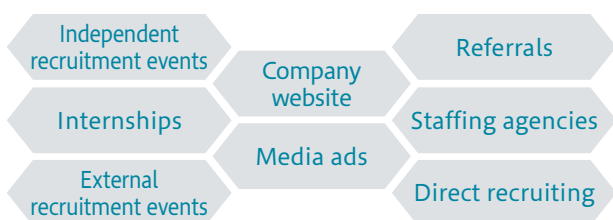
*Career tracks have been diversified and the previous title “team leader” has been split into four positions eligible for accelerated development (target: promotion within 5 years): leader, chief consultant, chief expert, chief professional

Hiring

We are hiring aggressively to grow our workforce to 1,800 by the end of 2025, including more new graduates to boost consultant numbers and mid-career recruits in our high-growth DX and M&A businesses. We also intend to enhance our management-level workforce in order to reinforce operations groupwide.

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.



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 ever more dedicated recruitment webpages on our site for this purpose.

	2020	2021	2022
New hires	242	226	299
Recent graduates	185	182	162
Mid-career	57	44	137
DX staff	—	—	—

Development

We will expand training programs and further invest in education, including accelerated development of young employees and the acquisition of digital skills for better productivity.

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

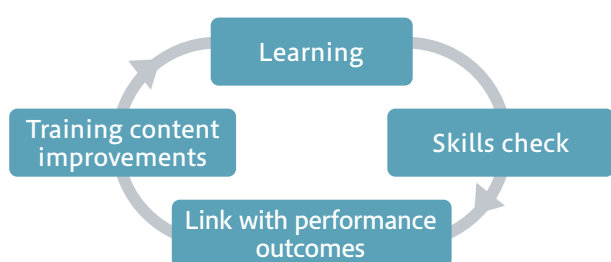
	New recruits	Mid-career hires	Experienced staff	Upper management
Level-specific staff training	New employee training		Career enhancement program	Upper management training
	Follow-up training			
	Department-specific training		New manager training	Committees, workshops
	Systems training			
Problem-specific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

practical work based on real examples rather than theory alone. In the consulting segment, we list 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	Harnessing the company's expertise For new recruits For existing employees
DX consultant	Achieving outcomes through sales, planning, project management	DX improvement External training content
DX engineer	Achieving outcomes through building and utilizing DX systems	

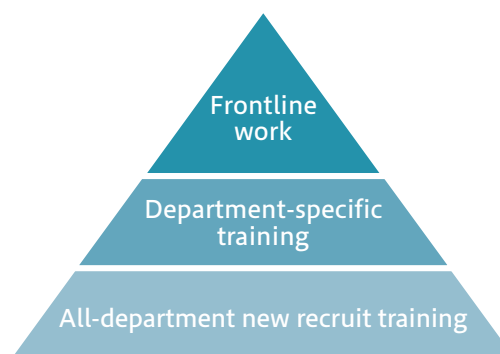
DX Training

We have training, workshops, e-learning, and other programs in place at group companies to develop work-ready digital solutions staff. Funai Research Institute offers a total of 22 DX training courses that systematize the required skills and provide the instruction to instill them. Linking skill acquisition progress with actual performance outcomes not only drives the evolution of training content but ensures implementation of the PDCA cycle.



Consulting Training

We offer a total of 1,014 training courses that instill applicable skills that enable consultants to assist clients on their way to improved business performance. The training emphasizes on-the-job practice, translating educational “input” into practical “output” in the workplace, with KPIs based on bottom-line results.



Our People

Retention

We want all employees to feel their work is fulfilling and rewarding. Ensuring the Group Purpose and management policies are fully ingrained is vital to that end, as are employee engagement and group synergies. We also offer attractive employee

*An EVP is a tailored proposition that combines diverse, flexible working styles based on individuals' life plans with workplace environments that keep employees motivated.

How We Can Offer Better EVPs

We use EVPs as a means of retaining talent, and maintain attractive workplace environments that keep employees motivated.

- Expand communication by relocating Tokyo office and consolidating into a single floor
- Sustained improvements in compensation
- Diverse, flexible working styles, including flex time, remote work, career course changes

An Often Overlooked but Potent Force for Good

We have always believed that properly voiced greetings have the power to encourage, invigorate, and console. This is reflected in our office culture, where it is common practice for employees gather and greet arriving colleagues—a bright and cheery start to the working day.



value propositions* (EVP) to retain talent, including competitive compensation and improved communication by relocating our Tokyo office and consolidating it into a single floor (scheduled for spring 2024).

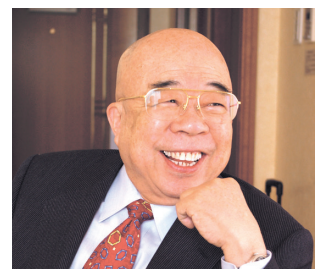
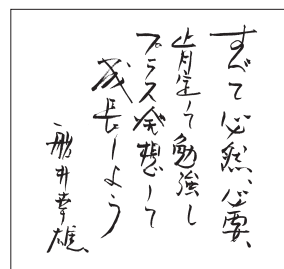
Town Hall Meetings on the Group Purpose

Group CEO Takayuki Nakatani and management from group companies held a series of town hall meetings to speak directly with employees about the Group Purpose, its background and intentions, and answer their questions about it.



The Founder's Spirit Lives On

To ensure the spirit espoused by Yukio Funai remains ingrained throughout our workforce and operations, future leaders from throughout the group participate in workshops and lectures, and tour the Founder's Memorial Museum, and spread the word among our organization.

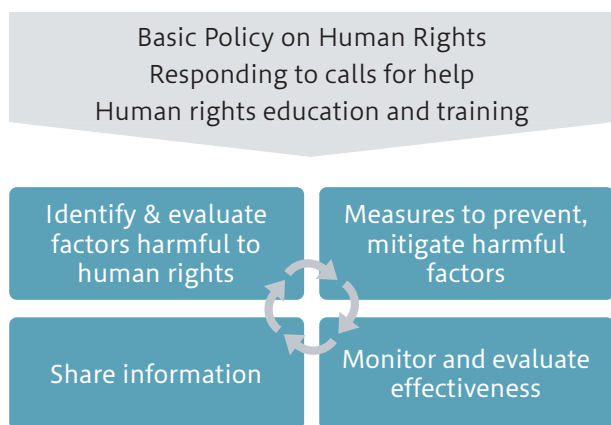


Human Rights

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

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 below.



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.

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 strive to maintain an organization and culture of mutual respect and encouragement. To prevent harassment of any kind, all employees undergo e-learning programs on what constitutes harassment, and how to respond when such harassment occurs. Managers undergo further training on compliance risk management, prevention harassment in all forms, and how to respond when an incident occurs.



Our People

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.

Women as %age of workforce

Target: 40% by 2030

Women in management

Target: 30% by 2030

Evening Up the Gender Balance

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

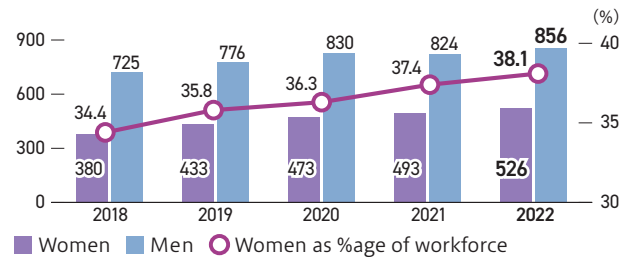
2 Promoting and Embedding Diversity

- “L-Star” certified as a proactive provider of career opportunities for women
(Funai Consulting 2 stars; Funai Soken Corporate Relations 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)

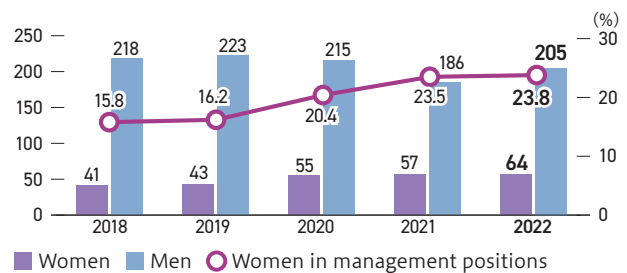
3 Harnessing the Business’s Unique Characteristics

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

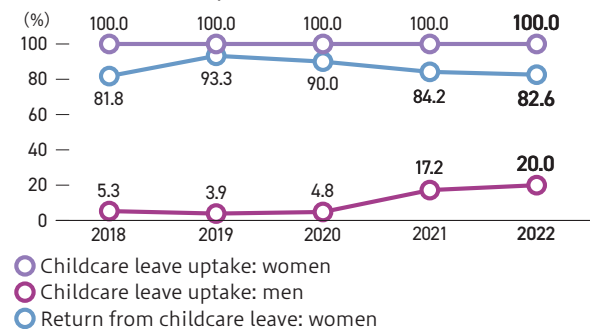
Women in Our Workforce



Women in Management Positions



Childcare Leave: Uptake and Return



Our Approach to Healthy Management and Labor

Occupational Health and Safety Management System

The occupational health and safety management of the group is safeguarded under a system headed by Tatsuro Ono, director and executive vice president at Funai Soken Holdings, and with health and safety managers at each group company coordinated by the Funai Soken Holdings Human Resources Department. In keeping with the Industrial Safety and Health Act, group companies in Japan have health committees in which employees participate

to discuss and implement measures to maintain and promote good health and prevent health problems.

The committees meet once a month to discuss employee workplace health and safety, in addition to monitoring information such as the number of employees on, and returning from, leave, the progress of health checkups, and the number of employees working long hours. Meeting minutes are posted on the intranet for employees to read.

Healthy Management Initiatives

Given the importance that employees have a correct understanding of the group's policies and approaches, we provide comprehensive training for all employees on topics such as human rights, occupational safety, and our philosophy and Group Purpose.

New employees undergo training within 90 days of hiring. And in light of the make-up of our workforce, the Group Purpose and policies are translated into English to ensure everyone can understand.

1 Mental Health Care

Greater cooperation between industrial physicians, workplace supervisors, and group companies' personnel departments enables us to ensure that any employee struggling with mental health can seek professional medical help promptly.

By detecting the signs of poor mental health early and helping those people get proper care, we can minimize work time lost and encourage earlier recovery and return to work.

With the help of workplace supervisors, we are improving work environments and establishing work procedures that enable people to continue working.

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

■ Subsidizing Gastroscopic Tests

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

■ Subsidizing Follow-up Tests

Not taking follow-up tests 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 tests by subsidizing the cost.

	2020	2021	2022	2025 target
% age of Employees Taking Health Check-up	97.6%	95.6%	98.4%	100%

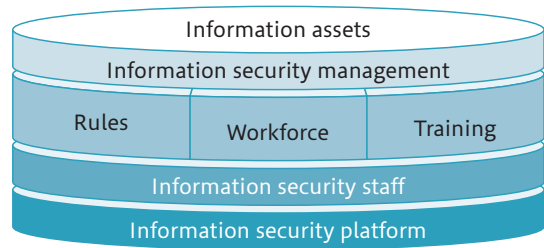
Information Security

Informed by our Group Purpose—Sustainable growth for more companies—we work closely with mid-scale businesses and SMEs as they seek to negotiate the challenges of day-to-day business. 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

In addition to translating our Basic Policy on Information Security into a set of rules tailored for our various businesses, which we strive to embed groupwide through training, and pursue robust infosec management. Through these initiatives, we seek to strengthen our information security foundation and build a security-conscious workforce.



Information Security Risks

- 1** Information Asset Leaks
- 2** Insufficient Access Procedures
- 3** Damage to Vital Data, System Outages

These days, the risk to the group's information assets—including information received from clients—is increasing as more organizations become involved and as more data gets used in more ways across more systems.

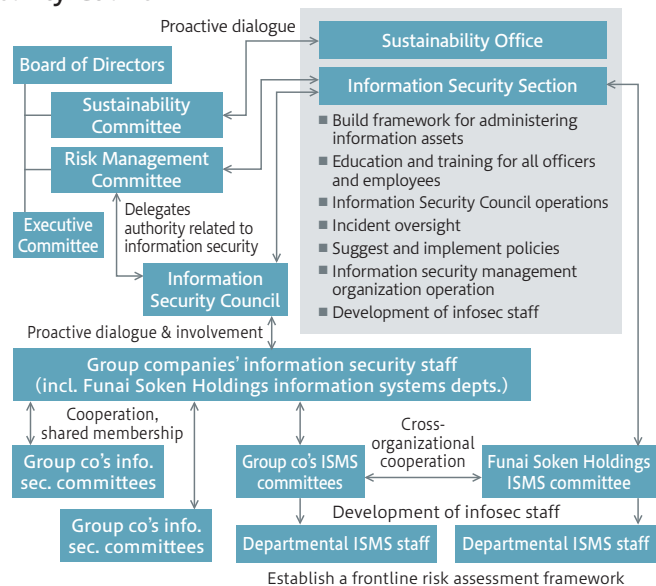
As laws become more stringent and ever-changing customer support means the data we hold is more confidential, any failure of rules or system access permissions to keep up with evolving security demands increases the risk of unauthorized access.

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

Information Security Section and Information Security Council

We are serious about safeguarding the group's information assets. Our dedicated Information Security Section engages with the Risk Management Committee and Sustainability Committee, providing objective expert opinion and advice, investigating and assessing incidents, and offering response support via the Information Security Council. The section also helps implement the security measures it recommends, and helps nurture the group's infosec workforce through initiatives such as ISMS certification.



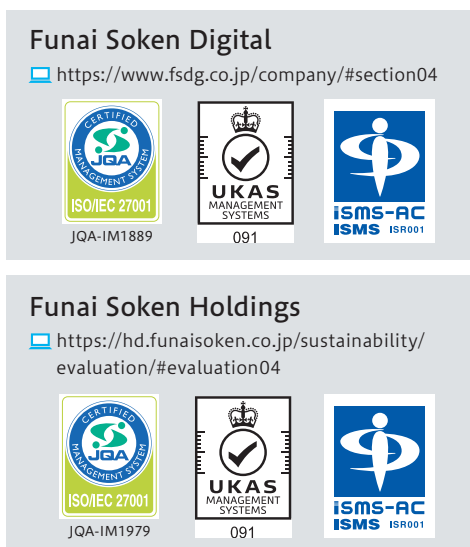
Information Security Management Organization

Each group company has established an information security committee or ISMS committee, which disseminates security policy, promotes ISO/IEC 27001 or Privacy Mark certification, and helps nurture the infosec workforce.

Information Security Initiatives Since 2022

ISO/IEC 27001 Certification

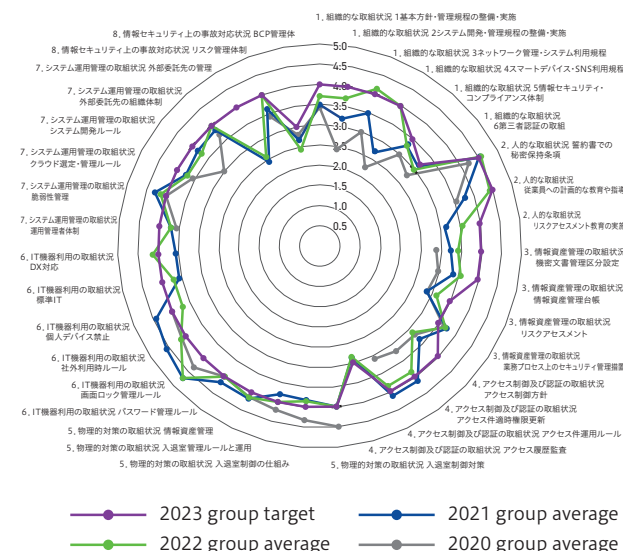
Funai Soken Digital and Funai Soken Holdings acquired ISO/IEC 27001 certification, an international standard for information security management, in 2022 and 2023 respectively. This highlights our commitment not only to bolstering information security by identifying the information assets to be protected and managing risks, but also to providing stable value to our stakeholders.



Constant Strengthening of the Information Security Framework

We survey the level of information security of all Funai Soken Consulting Group companies, analyze the results, engage in proactive dialogue and run the PDCA cycle to find solutions to problems uncovered. Below is an example of the radar chart used to plot the survey results and set targets.

The survey results plotted on a radar chart.



Ongoing 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.

Moreover, we work with ISO/IEC 27001 certified companies and others to further improve security measures and spread the word about the importance of information security.

Stronger Security within the Information Systems Platform

1 Preventing Information Asset Leaks

How Our Information Security Management Works

Our certified companies lead a cohesive group effort to manage information security risks with appropriate management rules, systems, mechanisms, and assessments.

Steadfast Systems for Safer Use of Information Assets

The faster we can 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 new software and cloud-based applications, and for secure handing of portable media such as USB and DVD.

Risk Assessments of Systems

We help maintain secure information environments by assessing the risks to public websites and cloud-based platforms, and implementing improvements in response to periodic, objective vulnerability assessments.

Modern Working Styles Without Compromising Safety

Maintaining—and consistently improving—a robust authentication infrastructure enables us to offer the flexibility of working styles like remote work without compromising information security.

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 periodic tests for the most vital systems, and even retesting by experts.

Compliance

Our Basic Approach to Compliance

The three main values we at the Funai Soken Consulting Group hold dearest are encapsulated in the “Funai Way.” They are adventureship: converting change into momentum; empathy: a reliable partner for business owners; and integrity: a force for good. All of our employees and officers are expected to behave as good citizens in accordance with these values.

We believe that our fundamental mission is to use the group’s consulting and other business activities not just in the pursuit of greater corporate value, but also to meet the expectations and earn the trust of our stakeholders, including clients, local

communities, shareholders, investors, business partners, and our workforce.

To fulfill our corporate responsibility to society and to put “Integrity: a force for good” into practice, we have established the Funai Soken Consulting Group Corporate Ethics Code of Conduct and always strive to uphold high standards of fairness and ethics, and to behave in accordance with social norms in all aspects of our business.

The code of conduct sets out specific principles in three core areas: fulfillment of our social mission, compliance with laws and regulations, and behavioral guidelines.

Compliance Initiatives

The Funai Soken Consulting Group Corporate Ethics Code of Conduct and Regulations on Group Compliance establish clear, high standards for ethics and sensible behavior expected of our people. To deal with individual issues, we have established a Basic Policy on Eliminating Anti-Social Forces, a Basic Policy for the Prevention of Bribery & Corruption, and Basic Policy on Fair Trade Practices, and in-house regulations based thereon.

In addition, we have established a framework to monitor compliance and identify problems

throughout the group through close teamwork by the Funai Soken Holdings Legal Affairs & Risk Management Office and the executives in charge of compliance at the group’s operating companies.

Meanwhile, we strive to raise awareness of the importance of compliance among our whole workforce—officers and employees alike—through initiatives such as mandatory compliance training for new employees and compulsory e-learning courses on compliance and information security held at least three times a year.



Whistleblower System

Based on the Funai Soken Consulting Group Hotline Rules, we have established an Internal Whistleblower Hotline for people to report compliance violations, including breaches of the following basic policies and regulations. Whistleblower reports are directed to the head of the Legal Department, an outside director who serves on the Audit Committee, and an independent lawyer.

To protect whistleblowers, reports can be made anonymously by e-mail or telephone, the content of reports are kept confidential, and retaliation against whistleblowers is strictly prohibited.

Information on whistleblower reports is shared throughout the group, by inscribing the information on cards carried by officers, and making it available on the group intranet, which is accessible to all officers and employees.

Whistleblower's Contact Card to be kept with employee ID card at all times



(Approximate rendering)

Anti-bribery & Anti-corruption Initiatives

The Regulations on Group Compliance, which apply to all Funai Soken Consulting Group employees, stipulate details and require group employees to report any violation (or suspected violation) of those regulations through the Internal Whistleblower System.

Compliance with regulations is monitored regularly through internal oversight and reported to the board of directors. If a violation or suspected violation of

the basic policy or regulations is reported, the Risk Management Committee reviews the incident reports to the board. Based on these reports, the board determines whether or not a review of the anti-corruption compliance system and the basic policy is required.

It is vital that every executive and employee knows and understands the basic policy, and we will continue to implement various education and awareness activities.

This table shows figures pertaining to anti-corruption incidents in the past three years.

	2020	2021	2022
Total political donations (in yen)	0	0	0
Officers and employees dismissed or otherwise subjected to disciplinary action under the group's anti-corruption policy	0	0	0
Disciplinary action, fines, or regulation breaches relating to bribery	0	0	0

Corporate Governance

Officers



**Atsushi
Nakao**

Outside director and
member of the Audit
and Supervisory
Committee

**Tomomi
Murakami**

Outside
director

**Nobuyuki
Isagawa**

Outside
director

**Takayuki
Nakatani**

President and
Group CEO



**Tatsuro
Ono**

Director and
executive vice
president

**Taeko
Yamamoto**

Outside
director

**Masahiro
Hyakumura**

Director and
member of the Audit
and Supervisory
Committee

**Akihiro
Kobayashi**

Outside director and
member of the Audit
and Supervisory
Committee

Corporate Governance

As of Mar. 25, 2023

	Directors					Audit and Supervisory Committee Members		
	President and Group CEO	Director and executive vice president	Director	Director	Director	Director, A&S Comm. member	Director, A&S Comm. member	Director, A&S Comm. member
	Takayuki Nakatani	Tatsuro Ono	Outside, independent Nobuyuki Isagawa	Outside, independent Taeko Yamamoto	Outside, independent Tomomi Murakami	Masahiro Hyakumura	Atsushi Nakao	Akihiro Kobayashi
Date of birth	Aug. 16, 1968	May 8, 1963	Dec. 8, 1966	Oct. 1, 1964	Jan. 23, 1968	Feb. 27, 1965	Dec. 21, 1969	Dec. 19, 1970
Years in office (at end of Mar. 2023 shareholders' meeting)	3	16	7	—	—	7	7	7
Shares owned	179,820	144,340	—	—	—	1,710	—	—
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%)
A&S Comm. meetings Mtgs. attended / mtgs. held (attendance rate)	—	—	—	—	—	14/14(100%)	14/14(100%)	14/14(100%)
Nominating Committee		○	●		○			○
Successor Nominating Committee		○	●		○			○
Compensation Committee		○	○	○			●	
Governance Committee			○	○	○		○	●
Sustainability Committee	○	○	○		●			
Risk Management Committee		●				○		
Internal Control Committee	●	○				○		
Skills								
Corporate management	●	●		●		●	●	●
Sales, marketing	●	●		●				
Finance			●			●	●	
Compliance, risk management		●						●
Governance, auditing			●		●	●	●	●
Sustainability		●	●		●			
IT, DX				●				
HR		●					●	

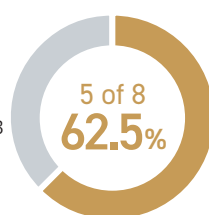
●Chairperson ○Member

Board of Directors Composition

*Incl. Audit and Supervisory Committee members

Outside Directors*

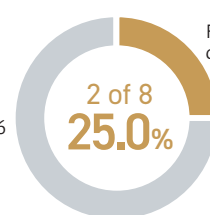
Inside directors: 3



Outside directors: 5

Female directors*

Male directors: 6



Female directors: 2

Board of Directors

The Funai Soken Consulting Group is led by officers with diverse backgrounds in terms of expertise and experience, including directors with an in-depth knowledge of the group's business and outside directors whose role is to audit the group from an independent and objective standpoint. Of eight directors, five are outside directors (some of whom bring management experience from other companies), six are male, and two female. The board meets once a

month, in principal.

When appointing directors, the board draws up a matrix outlining the major skills and specialties of its members, and the Nominating Committee (of which more than half of the members are outside directors) deliberates based on a diverse and varied assessment of capabilities and performance, and is determined by the Board of Directors.

We do not believe it is necessary to appoint non-

Japanese directors at present as most of our sales are derived within Japan.

In terms of Audit and Supervisory Committee members who are appointed to the Board of Directors,

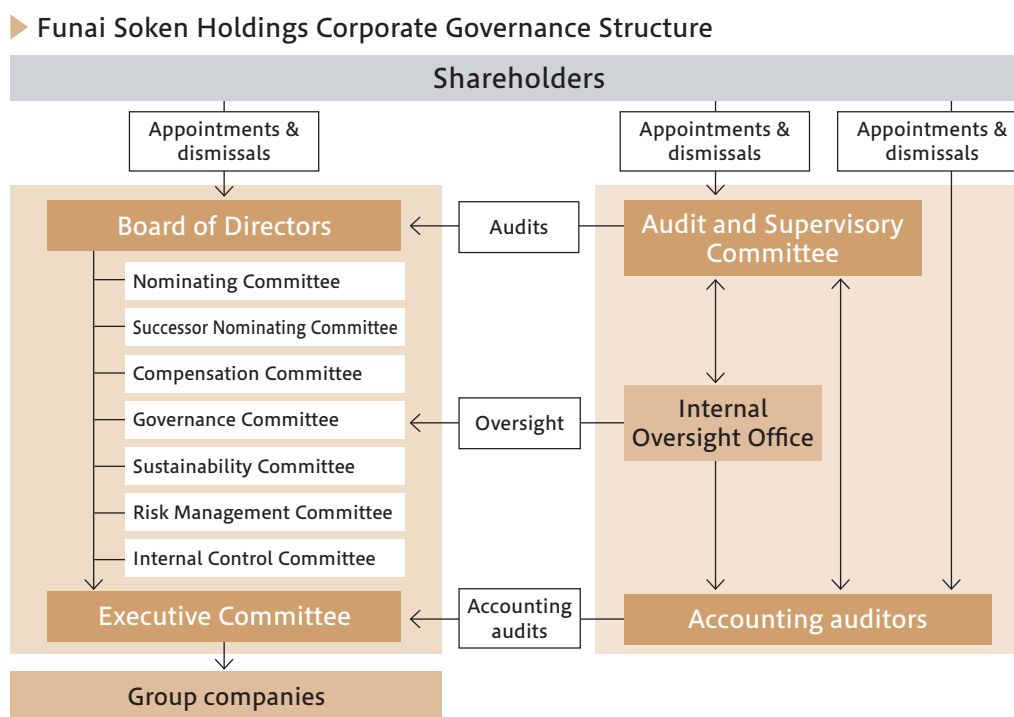
Basic Views

The company strives to strengthen its corporate governance with a focus on ensuring effective legal compliance and maximizing shareholder returns.

We believe that a proactive approach to disclosure is an important pillar of corporate governance, and we are committed to prompt and

there is one certified public accountant, with specialized knowledge of finance and accounting, and one lawyer, with specialized knowledge of legal affairs.

accurate disclosure of its current business activities and future business strategies through statutory announcements and through initiatives such as company briefings and individual meetings with institutional investors and analysts.



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 (target: ROE 20+% by 2025)

Aim for return-to-shareholders ratio of 60+% and dividend payout ratio of 55+%, with a focus on methods such as acquisition of treasury shares and increasing total dividend (dividend per share)

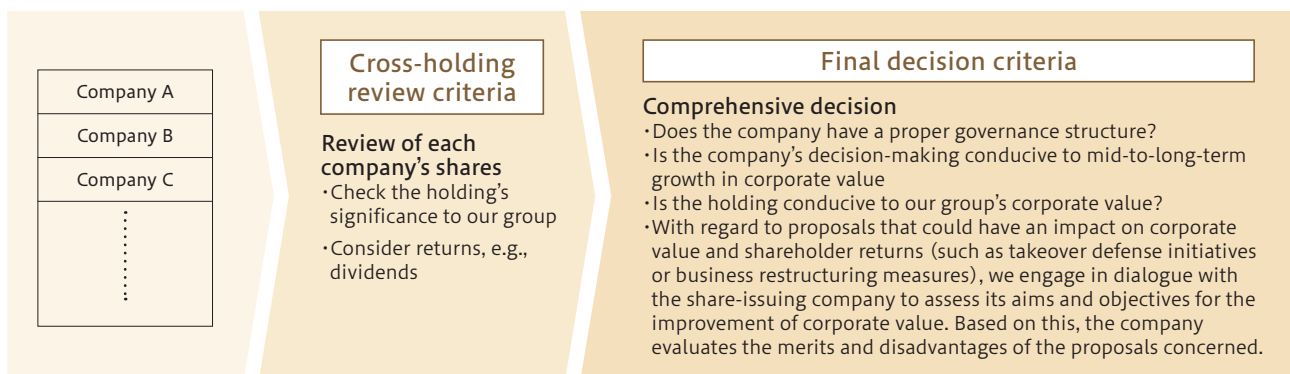
Corporate Governance

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



Oversight and Evaluation of Strategic Decision Making

Advisory Committees

■ Nominating Committee

Seeks to ensure the transparency and objectivity of the process for selecting candidates for director positions. Deliberates on criteria for director and executive officer appointments, reinforces the board's supervisory capabilities.

■ Successor Nominating Committee

Seeks to ensure 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 20+%, return-to-shareholders ratio at 60+%, and dividend payout ratio at 55+%, while keeping a watchful eye on cost of capital.

Executive Compensation System: Design and Outcomes

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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Corporate Governance

<p>Remuneration levels and methods of determining remuneration amounts</p>	<p>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.</p>
<p>Policy for determining the ratio of performance-based stock-as-compensation to compensation not linked to performance</p>	<p>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.</p>
<p>KPIs for performance-based compensation and performance-linked floating compensation; reasons for choosing those KPIs; and methods of calculating the compensation</p>	<p>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.</p>
<p>Grounds for the board's finding that individual directors' compensation packages were in line with policy</p>	<p>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.</p> <p>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 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.</p>

Compensation Paid to Directors' (Excluding Audit and Supervisory Committee Members)

Fixed compensation		Performance-linked floating compensation
Basic remuneration	Performance-based remuneration	Stock options as compensation
<p>Monetary compensation, which is not linked to performance, and the amount of which is determined in accordance with rank and duties.</p> <p>*Calculated with reference to executive compensation packages paid by other companies in the industry.</p>	<p>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 criteria (incl. performance of duties, responsibilities, business performance, and degree of contribution) and personal KPIs.</p>	<p>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.</p>
8		2

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

Fixed compensation
Basic remuneration (fixed monthly payment)
<p>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.</p>

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. The evaluation of effectiveness was deliberated at the Board of Directors' meeting held in March 2023. The following is a summary of those deliberations.

2022 Initiatives in Review

- 1 Materials needed for board meeting discussions are now being prepared with much greater focus on key points.
- 2 The Internal Oversight Office now reports to the Board of Directors for prompt awareness of risk-related information, but there is still a need for more effective, ongoing measures to prevent recurrence.
- 3 In formulating the Mid-Range Business Plan, there was a certain degree of discussion of matters like group companies' strategies. Moving forward, however, we need to work more closely with group companies and schedule opportunities to hear progress reports and current status analyses.
- 4 The board took more time to discuss high-materiality issues and endeavored to improve the substance matters tabled at board meetings so as to promote more in-depth debate on important subjects.
- 5 The board's advisory committees have a majority of independent outside directors, making them more effective.

2023 Action Plan

The Board of Directors makes decisions on strategy, taking all appropriate information into account, based on active discussion to ensure the opinions of all directors are reflected. This ensures the effectiveness of the entire Board of Directors.

- 1 Ensure appointment of directors is consistent with the skills and diversity required for the board as a whole.
- 2 To strengthen risk management, continue working closely with the Internal Oversight Office, analyze internal oversight systems' ability to identify and address risks and incidents that may arise, and formulate and implement effective measures to prevent recurrence.
- 3 In implementing the Mid-Range Business Plan, work closely with the Board of Directors and group companies toward achieving business growth cohesively under the new group purpose: sustainable growth for more companies.
- 4 Continue to improve the quality of matters tabled for discussion so as to make the Board of Directors' advisory committees more effective. Take stock of each committee's current set-up, cooperation, etc.

Director Training

The company pays expenses and conducts training for inside directors/executive officers, outside directors and newly appointed inside directors/executive officers as follows in order that directors and executive officers may fulfill their respective roles and responsibilities appropriately.

- 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.

Outside Directors' Messages

Leveraging academic expertise to boost corporate value long-term amid growing demand for sustainability



Nobuyuki Isagawa
Outside director

Reappointed

Bio & Concurrent Positions

- Apr. 1989 Joined New Japan Securities (now Mizuho Securities)
- Apr. 1998 Assistant professor, Kobe University School of Business Administration
- Apr. 2007 Professor, Kobe University Graduate School of Business Administration
- Jan. 2011 Outside director, Tasaki & Co.
- Mar. 2016 Director, Funai Soken Holdings (current)
- Apr. 2016 Professor, Graduate School of Management, Kyoto University (current)
- Mar. 2020 Outside director, Inbound Tech (current)

Bringing Solid Expertise to the Debate

An outside director is required by investors and other stakeholders to fulfill two roles: protect corporate value and help enhance corporate value. I fulfill these roles by advising the board of directors on topics I have studied in depth throughout my schooling and career, including finance, ESG, and sustainability in management. Recently, the relationship between financial value and ESG has become a frequent topic of discussion, as in equity valuation in M&A and business integration deals.

Lively Debate by the Nominating Committee and Sustainability Committee

I serve as chair of the Nominating Committee and sit on the Sustainability Committee. Recently, the Nominating Committee assisted with the selection of new outside directors, and deliberated on director appointments for group companies such as Funai Soken Digital and Seicho Senryaku, before making a recommendation to the board. The Sustainability Committee discussed mid-range sustainability targets, as well as TCFD disclosures for the annual Securities Report. Moving forward, I hope to boost opportunities for dialogue between outside directors and group company presidents as part of the development of the group management structure.

As part of our cohesive group management, my focus is on helping the digital solutions business achieve solid outcomes. Hopefully, aggressive hiring and training of digital solutions staff will spark new customer value and synergies among group companies, and in turn generate financial value for the whole group.

Greater, More Sustainable Growth

Meeting investors' expectations requires long-term value creation, and that means achieving ROE in excess of cost of capital and raising the rate of sustainable growth. Currently, thanks to the efforts of executives and employees throughout the Funai Soken Consulting Group, ROE is indeed higher than cost of capital.

Meanwhile, climate change and human capital are areas of increasing concern. Simply releasing numerical data will not be enough; sustainable management we require careful examination and application of quantitative and qualitative information.

Promoting DX and Helping Mid-scale Companies and SMEs Become More Competitive



Taeko Yamamoto
Outside director

New appointment

Bio & Concurrent Positions

- Apr. 1987 Joined Mitsubishi
- Dec. 1994 Joined Gold Coast Technical Documentation
- Sep. 1998 Joined Microsoft Japan
- Jun. 2001 Joined IBM Japan
- Apr. 2013 Rejoined Microsoft Japan as Senior Director of Enterprise Marketing
- Jul. 2017 Senior Director, Partner Business and Marketing, Microsoft Japan
- Apr. 2020 Joined Fujitsu as Corporate Executive Officer & CMO
- Apr. 2021 Corporate Executive Officer & CMO, Fujitsu
- Apr. 2022 Corporate Executive Officer, EVP & CMO, Fujitsu (current)

Long Experience in Marketing, DX, and Diversity

I bring to the Funai Soken Consulting Group experience in BtoB marketing, DX, and diversity through the use of technology. My track record is particularly strong in marketing, with numerous initiatives aimed at improving corporate value in areas such as in sales and branding. Digitalization is a core facet of the new Mid-Range Business Plan, and my role as outside director will be to supervise and advise on its progress. Digital transformation is progressing apace overseas; in Japan, larger corporations are on track but mid-scale companies and SMEs are lagging. I hope that we can lead by example and help mid-scale and SME clients boost productivity and competitiveness by showcasing what works and what does not.

Group Purpose and Personal Purpose

Japan's corporate community is currently striving to diversify its workforce by improving career paths for women. To do so, eliminating unconscious bias is imperative; after all, innovation requires us to confront our norms and biases, and to seek ideas in diversity of opinion and values. The group's workforce is ideally suited for this: its overall youth and growing prevalence of digital natives make it all the more likely to seek out new challenges to overcome.

The Funai Soken Consulting Group Purpose is the perfect guiding light for such enterprises. But to understanding the company's purpose, individuals must first know their own purpose. Considering your purpose helps organize your future, your career, and even your immediate tasks into a coherent path, and brings clarity to your role within the collective effort to realize the Group Purpose.

Harnessing SX for the Benefit of Society

The importance of sustainability in business these days has brought increased focus on sustainability transformation (SX) as a means of tuning business to have a more positive environmental and socioeconomic impact. As outside director, I intend to harness the potential of SX to help maximize the group's impact on society.

Outside Directors' Messages

Applying My Experience to Help Build a Brighter Future



Tomomi Murakami New appointment

Outside director

Bio & Concurrent Positions

- Apr. 1990 Joined Fujitsu Research Institute (now Mizuho Research & Technologies)
- Jul. 2017 Promoted to senior manager
- Jul. 2019 Promoted to lead consultant
- Jun. 2021 Senior manager at Board Advisors Japan, Inc. (current)

Experience and Insights in Business Management and Policy

Over thirty years at a financial thinktank, I have built up a broad base of experience, including helping businesses progress from environmentally friendly management to full-on ESG, and assisting with policy matters such as government guidelines on management and disclosure. These days, my main focus is strengthening corporate governance. As outside director, my role is to encourage sustainable corporate growth through objective oversight and advice. The changeability and uncertainty in today's business environment is partly due to broader awareness of environmental and social issues, and I am determined to harness my experience and knowledge in that area to help the group in its mission to help make a brighter future by supporting mid-scale companies and SMEs.

Disclosing ESG Data Strengthens Group Management

One of my roles is help strengthen the group's ESG management. Increasingly stringent demands from society concerning environmental and social issues raise the stakes for businesses, who are expected to pursue sustainable development through flexible, resilient management without losing sight of mid-to-long-range risks and opportunities.

Increased social pressure can also be seen in ESG information disclosure rules, and I hope to contribute to the group's ESG performance by ascertaining disclosure trends and the expectations of shareholders, investors, and other important stakeholders, and guiding the group toward better, more ESG-focused management.

Helping the Group Become a Cornerstone of a Better, Brighter Future

The establishment of the Funai Soken Consulting Group Purpose is a strong step toward sustainable growth and enhancement of corporate value. Given that the group focuses on supporting mid-scale companies and SMEs, which employ 70% of Japan's workforce, I believe the group is a cornerstone of the nation's quest to build a brighter future, and I support that mission wholeheartedly. Those companies will be increasingly exposed to social and environmental issues in the future, and I hope to play a part by working with the Funai workforce toward making the Group Purpose a reality and development better sustainability solutions for Japan's smaller business community.

Caution in the Name of Robust Governance



Atsushi Nakao

Outside director and Audit and Supervisory Committee member

Reappointed

Bio & Concurrent Positions

Oct. 1991	Joined Ota Showa (now Ernst & Young ShinNihon)
Jul. 1995	Joined Hongo Accounting (now Hongo Tsuji Tax & Consulting)
Nov. 2000	Director, Chuo CS Accounting (now CS Accounting)
Dec. 2005	Executive Vice President, CS Accounting
Mar. 2013	Auditor, Funai Soken Holdings
Mar. 2016	Director and A&S Committee member, Funai Soken Holdings (current)
Dec. 2019	President, CS Accounting (current)

A Correct Pay Ratio and Rewarding Wages for All of the Group's Employees

As a member of the Audit and Supervisory Committee, my role is one of caution in the name of robust governance. I work closely with the Internal Oversight Office and other departments to advise the board. I also chair the Compensation Committee, which evaluates executives' pay from a shareholders' perspective. Presently, we are discussing improvements to the pay ratio; management is eager that employees be rewarded appropriately, and I hope to keep executive compensation packages within the bounds of correct human capital management. I also advise on M&A deals and the post-merger integration processes, and look forward to supporting the group's decision-making.

A Fine Balance of Daring and Caution

The group's sustaining of double-digit growth is an outstanding achievement by any measure. All the more so because they did it without compromising attention to governance and risk management, as illustrated by a proactive approach led by the Risk Management Committee. Indeed, the group has a fine balance of daring and caution, and for all its initiative and eagerness for progress, it is reassuring to see discussion of things like information security and the acquisition of ISMS certification in 2023. This, surely, is the solid foundation on which the group can base its ongoing quest for sustainable growth.

A Corporate Culture that Underpins Strong Growth

How can businesses in Japan seek to grow when the nation's labor force is shrinking by the year? Routine tasks will be taken over by digital technologies, so companies must concentrate their human resources in areas that leverage DX to generate value. Also, despite the lack of an established method for calculating human value in accounting yet, companies should disclose their investments in people, such as training expenses. More importantly, though, they must build a culture around the quest for growth. In the Funai Soken Consulting Group's case, this can be seen in the new Group Purpose and an innate love of learning. I look forward to harnessing my role of caution in the name of robust governance to help propel the group to strong, sustained growth.

Outside Directors' Messages

Safeguarding Growth Through In-depth, High-value Communication



Akihiro Kobayashi

Outside director and Audit and Supervisory Committee member

Reappointed

Bio & Concurrent Positions

Apr. 1999	Called to the bar (Osaka Bar Association), joined Chuo Sogo Law Office
Nov. 2009	Partner, Kyoto Office, Chuo Sogo Law Office (current)
Apr. 2010	Part-time lecturer at Kyoto University Law School
Mar. 2013	Auditor, Funai Soken Holdings
Mar. 2016	Director and A&S Committee member, Funai Soken Holdings (current)
Apr. 2017	Distinguished professor, Kyoto University Law School
Sep. 2019	Acquired certification as certified fraud examiner

Healthier Communication by Outside Directors

Since 2016, I have served as outside director, using my expertise as an attorney to oversee group management as a member of the Audit and Supervisory Committee. Swift, correct handling of risks is a vital part of ongoing corporate growth, and the Funai Soken Consulting Group does this well with a Risk Management Committee that meets regularly and reports to the board of directors. The board, meanwhile, is a forum of healthy debate, where inside and outside directors can exchange views frankly.

The group's ongoing advancement will be best served by more in-depth communication aimed at creating value, for instance by improving the criteria for matters to be tabled at board meetings and through better communication by outside directors. As chairman of the Governance Committee, I intend to promote healthy dialogue with our new outside directors on issues like supervision and execution of business, and teamwork among the A&S Committee.

Group Purpose: A Bold Statement of Common Intent

The Funai Soken Consulting Group Purpose is the product of long discussion by the board of directors. My role was to provide an outside perspective on the intent and wording, and the result is a purpose that communicates the group's *raison d'être* in an appealing way.

Meanwhile, the new Mid-Range Business Plan sets ambitious targets aimed at sustaining the group's growth. In keeping with Funai's group management *modus operandi*, further growth will require more development, not just by Funai Consulting, the group's core company, but by the whole entity.

The Group Purpose serves this enterprise well—a bold statement of common intent encouraging closer team spirit in the quest for shared goals.

Encouraging Initiative and Safeguarding Growth

The freedom of employees to pursue their work under their own initiative is balanced by certain boundaries that form part of business practice. Leaking information, for instance, is one of those boundaries; security risks are highly pertinent to the Funai Soken Consulting Group because incidents are likely to erode the hard-earned trust of our clients.

Some may see the law as merely a tool of restriction, but no, the law is there to protect legitimate activity. I hope to use my legal expertise as a means of encouraging employees' initiatives and safeguarding the group's growth.

A Post Uniquely Suited to Bolstering Group Governance



Masahiro Hyakumura
Director and Audit and Supervisory Committee member

Reappointed

Bio & Concurrent Positions

Oct. 1988	Joined Funai
Jan. 1997	Administration Group Leader
Mar. 2003	President, Funai Capital
Mar. 2011	Appointed Auditor
Jul. 2014	Auditor, Funai Consulting (current)
Mar. 2016	Director and A&S Committee member, Funai Soken Holdings (current)

Balancing Cohesive Quality with Distinct Character

In addition to being a standing member of the Audit and Supervisory Committee, I also serve as auditor of the group's companies and attend their board meetings. My role is to get a firsthand understanding of each company's situation, advise management, and relay the companies' views to HQ. Each company is highly distinct, and comparing such different companies helps to shed light on operational issues. I strive to sustain a uniform baseline of operational quality while respecting each company's uniqueness. Close teamwork with staff is imperative, and I strive to deepen communication with colleagues in an effort to enhance group governance.

Closer Cohesion of A&S Committee and Outside Directors

The Funai Soken Holdings board has a majority of outside directors to ensure objective oversight. The impartiality the outside directors bring to proceedings ensures healthy and productive debate. In addition, matters tabled at board meetings are subject to progress management if necessary, and I believe that the group's adoption of value-oriented, "board 3.0" style governance (e.g., focus on topics with impact on the bottom line) has improved the board's operations.

Moreover, while outside members of the Audit and Supervisory Committee contribute proactively to committee discussions, it will become increasingly important to also include outside directors who are not A&S Committee members, and we hope to create forums outside of board meetings for such exchanges.

The Weighty Responsibility of a Voluntarily Established Role

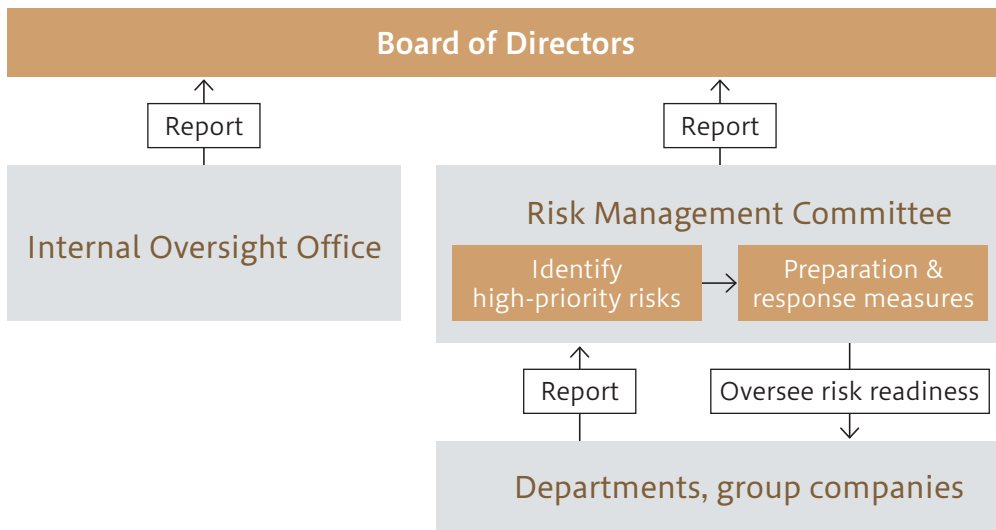
The establishment of my post—standing member of the Audit and Supervisory Committee—despite there being no legal requirement to have such a position, illustrates the company's expectations, and my responsibility as part of the decision-making mechanism weighs substantially. I endeavor to strengthen group governance by keeping an accurate eye on the group's business and offering timely advice. Judicious oversight of operations to ensure legality and appropriateness is a service not just to the group's enterprises, but to investors, employees, and other stakeholders, and I look forward to doing my best in this capacity.

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 HR solutions 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 HR solutions 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 pandemics (e.g., 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	To ensure we can continue our business in a pandemic, in addition to helping stop the spread of infections, both inside and outside the group, we have established a framework that enables us to continue business operations in pandemic conditions, 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.

Consolidated Financial KPIs 2012–2022

*We adopted the ASBJ's Accounting Standard for Revenue Recognition

Key Performance Indicators

	2012	2013	2014	2015	
	(Million yen)				
Statement of Income	Net sales	9,038	10,065	12,485	14,717
	Gross profit	3,290	3,630	4,340	5,092
	SG&A expenses	1,035	1,004	1,348	1,595
	Operating income	2,255	2,625	2,992	3,497
	Net income attributable to owners of the parent*	1,325	1,984	1,766	2,426

*Net income figures are used for 2015 and before.

	(Million yen)				
Balance Sheet	Total assets	17,347	18,602	20,437	22,260
	Net assets	14,456	15,912	16,653	18,217

	(Million yen)				
Cash flow	Net cash provided by (used in) operations	1,753	1,975	2,889	2,008
	Net cash provided by (used in) investments	(1,631)	(1,136)	(142)	671
	Net cash provided by (used in) financing	(690)	(698)	(1,058)	(1,181)
	Cash and cash equivalents at end of fiscal year	3,790	3,936	5,626	7,125

	(Yen)				
Per-share indices	Earnings per share	26.18	39.13	34.77	47.83
	Dividend per share	14.4	16.1	17.8	20.0
	Net assets per share	285.17	312.41	325.25	356.05

*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 the beginning of FY2012.

	(%)				
Financial KPIs	Operating margin	24.9	26.1	24.0	23.8
	Return on equity (ROE)	9.4	13.1	10.9	14.0
	Ratio of ordinary income to total assets (ROA)	13.1	15.0	15.5	17.3
	Equity ratio	83.2	85.3	81.1	81.3
	Dividend payout ratio	55.2	41.2	51.1	41.8

Stock information	Closing share price at end of fiscal year*	298	467	549	1,152
	Price earnings ratio (PER)	11.4	11.9	15.8	24.1

*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 conducted at the beginning of FY2012.

Workforce	Employees	526	565	682	783
	Avg. no. of temporary employees	44	49	56	41

(ASBJ Statement No. 29; Mar. 31, 2020) from the start of FY2022, and have applied the standard retroactively to FY2021's KPIs herein.

2016	2017	2018	2019	2020	2021	2022
(Million yen)						
16,433	18,685	21,697	25,752	25,027	22,816	25,635
5,743	6,888	7,654	8,780	8,000	9,310	10,150
1,883	2,256	2,708	3,075	3,018	2,951	3,049
3,859	4,631	4,946	5,705	4,982	6,358	7,100
2,558	3,206	3,549	3,868	3,498	4,378	4,990

(Million yen)						
22,862	25,650	26,732	28,419	27,951	30,928	33,010
19,272	21,624	22,370	23,165	23,688	25,710	27,700

(Million yen)						
2,813	3,950	3,554	4,522	3,515	5,214	5,000
412	(982)	(222)	(500)	263	(219)	348
(1,689)	(1,176)	(2,762)	(3,411)	(3,194)	(2,547)	(2,996)
8,663	10,455	11,022	11,630	12,216	14,675	17,031

(Yen)						
50.41	63.37	69.95	76.67	70.32	88.67	100.92
24.0	30.0	35.0	40.0	45.0	48.0	55.0
378.44	421.29	435.56	453.48	465.60	505.52	546.31

1.5-for-one on January 1, 2018. For the purposes of this section, per-share indices are calculated as if the stock splits had been conducted at

(%)						
23.5	24.8	22.8	22.2	19.9	27.9	27.7
13.8	15.9	16.4	17.4	15.3	18.2	19.2
17.1	19.3	19.1	21.3	18.1	21.9	22.5
83.5	83.3	82.2	79.4	82.4	80.7	81.7
47.6	47.3	50.0	52.2	64.0	54.1	54.5

1,224	2,524	1,642	2,481	2,521	2,616	2,718
24.3	39.8	23.5	32.4	35.9	29.5	26.9

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

873	941	1,105	1,209	1,303	1,317	1,382
31	37	41	37	68	52	63

Consolidated Financial Statements

Consolidated Balance Sheet

(Thousand yen)

	2021	2022		2021	2022
Assets			Liabilities		
Current assets			Current liabilities		
Cash and deposits	14,675,155	17,031,407	Trade notes and accounts payable	535,623	552,314
Trade notes and accounts receivable, contract assets	3,300,636	3,767,959	Short-term loans payable	200,000	200,000
Short-term investment securities	100,000	408,150	Current portion of long-term loans payable	100,000	–
Work in process	127,853	158,767	Other accounts payable	1,362,113	1,651,677
Raw materials and supplies	10,986	8,935	Income taxes payable	1,325,288	1,252,738
Other current assets	875,363	950,725	Other current liabilities	1,530,051	1,410,292
Allowance for doubtful accounts	(40,657)	(42,610)	Total current liabilities	5,053,076	5,067,022
Total current assets	19,049,337	22,283,334	Noncurrent liabilities		
Noncurrent assets			Long-term loans payable	–	100,000
Property, plant, and equipment			Retirement benefit liabilities	69,872	71,994
Buildings and structures, net	1,195,629	1,111,950	Deferred tax liabilities	47,164	2,804
Land	4,596,717	4,596,717	Other noncurrent liabilities	47,050	67,989
Other property, plant, and equipment, net	124,850	105,132	Total noncurrent liabilities	164,087	242,788
Total property, plant, and equipment	5,917,197	5,813,800	Total liabilities	5,217,163	5,309,811
Intangible assets			Net Assets		
Leasehold rights	322,400	322,400	Shareholders' equity		
Software	298,339	392,655	Capital stock	3,125,231	3,125,231
Other intangible assets	84,678	115,647	Capital surplus	2,946,763	2,955,094
Total intangible assets	705,418	830,704	Retained earnings	22,688,431	25,108,389
Investments & other assets			Treasury shares	(3,826,322)	(4,100,171)
Investment securities	4,241,507	3,101,525	Total shareholders' equity	24,934,103	27,088,544
Assets related to retirement benefits	540,005	395,287	Accumulated other comprehensive income		
Other investments and other assets	481,471	592,068	Valuation difference on available-for-sale securities	76,859	19,755
Allowance for doubtful accounts	(6,929)	(5,997)	Foreign currency translation adjustments	23,992	27,299
Total investments and other assets	5,256,055	4,082,883	Accumulated adjustments for retirement benefits	(72,760)	(182,338)
Total noncurrent assets	11,878,671	10,727,388	Total accumulated other comprehensive income	28,090	(135,282)
Total assets	30,928,009	33,010,723	Subscription rights for shares	748,651	747,650
			Total net assets	25,710,846	27,700,911
			Total liabilities and net assets	30,928,009	33,010,723

Consolidated Statement of Income

(Thousand yen)

	2021	2022
Net sales	22,816,130	25,635,207
Cost of sales	13,505,787	15,484,845
Gross profit	9,310,343	10,150,361
SG&A expenses	2,951,826	3,049,490
Operating income	6,358,516	7,100,871
Non-operating income		
Interest income	21,532	15,867
Dividend income	6,997	8,057
Gain on sales of investment securities	38,554	11,850
Gain on valuation of investment securities	2,086	8,228
Insurance bonus income	33,768	31,938
Other non-operating income	28,250	39,213
Total non-operating income	131,191	115,155
Non-operating expenses		
Interest expenses	4,933	7,322
Loss on valuation of investment securities	1,350	-
Investment partnership management expenses	2,738	2,269
Foreign exchange losses	3,566	4,484
Contributions	25,500	1,000
Other non-operating expenses	2,799	3,152
Total non-operating expenses	40,888	18,229
Ordinary income	6,448,819	7,197,796

	2021	2022
Extraordinary income		
Gain on sales of noncurrent assets	16	-
Total extraordinary income	16	-
Extraordinary losses		
Loss on sales of noncurrent assets	3,576	2,179
Impairment losses	-	40,090
Loss on retirement of noncurrent assets	10,935	16,987
Loss on revision of retirement benefit plan	9,339	-
Total extraordinary losses	23,851	59,256
Net income before income taxes and other adjustments	6,424,984	7,138,540
Current income taxes	2,083,037	2,191,247
Deferred income taxes	(36,876)	(42,996)
Total income taxes	2,046,160	2,148,251
Net income	4,378,824	4,990,289
Net income attributable to owners of the parent	4,378,824	4,990,289

Consolidated Statement of Comprehensive Income

(Thousand yen)

	2021	2022
Net income	4,378,824	4,990,289
Other comprehensive income		
Valuation difference on available-for-sale securities	1,617	(57,103)
Foreign currency translation adjustments	6,917	3,307
Adjustments for retirement benefits	54,362	(109,577)
Total other comprehensive income	62,897	(163,373)

	2021	2022
Comprehensive income	4,441,722	4,826,915
Details		
Comprehensive income attributable to owners of the parent	4,441,722	4,826,915

Consolidated Financial Statements

Consolidated Statement of Changes in Net Assets

(Thousand yen)

FY12/21 (Jan. 1 – Dec. 31, 2021)	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at start of fiscal year	3,125,231	2,946,634	20,565,065	(3,560,378)	23,076,553
Cumulative effect of changes in accounting policies			18,729		18,729
Restated balance	3,125,231	2,946,634	20,583,794	(3,560,378)	23,095,283
Change					
Dividends from surplus			(2,274,187)		(2,274,187)
Net income attributable to owners of the parent			4,378,824		4,378,824
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	2,104,636	(265,944)	1,838,820
Balance at end of current fiscal year	3,125,231	2,946,763	22,688,431	(3,826,322)	24,934,103

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
Cumulative effect of changes in accounting policies						18,729
Restated balance	75,241	17,074	(127,122)	(34,806)	646,669	23,707,145
Change						
Dividends from surplus						(2,274,187)
Net income attributable to owners of the parent						4,378,824
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	2,003,700
Balance at end of current fiscal year	76,859	23,992	(72,760)	28,090	748,651	25,710,846

FY12/22 (Jan. 1 – Dec. 31, 2022)	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at start of fiscal year	3,125,231	2,946,763	22,688,431	(3,826,322)	24,934,103
Change					
Dividends from surplus			(2,570,330)		(2,570,330)
Net income attributable to owners of the parent			4,990,289		4,990,289
Purchase of treasury shares				(402,959)	(402,959)
Disposal of treasury shares		8,331		129,111	137,442
Net changes of items other than shareholders' equity					
Total changes of items during the fiscal year	—	8,331	2,419,958	(273,848)	2,154,441
Balance at end of current fiscal year	3,125,231	2,955,094	25,108,389	(4,100,171)	27,088,544

FY12/22 (Jan. 1 – Dec. 31, 2022)	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	76,859	23,992	(72,760)	28,090	748,651	25,710,846
Change						
Dividends from surplus						(2,570,330)
Net income attributable to owners of the parent						4,990,289
Purchase of treasury shares						(402,959)
Disposal of treasury shares						137,442
Net changes of items other than shareholders' equity	(57,103)	3,307	(109,577)	(163,373)	(1,001)	(164,375)
Total changes of items during the fiscal year	(57,103)	3,307	(109,577)	(163,373)	(1,001)	1,990,065
Balance at end of current fiscal year	19,755	27,299	(182,338)	(135,282)	747,650	27,700,911

Consolidated Cash Flow Statement

(Thousand yen)

	2021	2022
Net cash provided by (used in) operations		
Net income before income taxes and other adjustments	6,424,984	7,138,540
Depreciation	240,553	311,651
Impairment losses	–	40,090
Amortization of goodwill	23,442	23,442
Share-based compensation expenses	101,982	136,335
Increase (decrease) in allowance for doubtful accounts	(10,489)	1,021
Decrease (increase) in assets related to retirement benefits	(22,580)	35,140
Increase (decrease) in retirement benefit liabilities	1,783	2,122
Loss (gain) on valuation of investment securities	(735)	(8,228)
Loss (gain) on sales of investment securities	(38,554)	(11,850)
Interest and dividend income	(28,530)	(23,924)
Interest expenses	4,933	7,322
Loss (gain) on exchange	3,307	18
Contributions	25,550	1,000
Loss (gain) on sales of property, plant, and equipment	3,559	2,179
Loss on retirement of property, plant, and equipment	2,516	16,987
Loss on retirement of intangible assets	8,419	–
Decrease (increase) in trade notes and accounts receivable and contract assets	(476,494)	(459,100)
Decrease (increase) in other assets	(474,439)	(567,494)
Increase (decrease) in other liabilities	477,767	132,750
Other cash provided by (used in) operations	5,078	5,741
Subtotal	6,272,053	6,783,743
Interest and dividends received	42,901	38,297
Interest paid	(4,937)	(7,383)
Income taxes paid	(1,610,671)	(2,264,080)
Income tax refunds	540,635	451,326
Contributions paid	(25,550)	(1,000)
Net cash provided by (used in) operations	5,214,432	5,000,904

	2021	2022
Net cash provided by (used in) investments		
Proceeds from sale and redemption of short-term investment securities	304,615	100,000
Purchase of investment securities	(724,985)	(399,437)
Proceeds from sale and redemption of investment securities	416,812	1,013,565
Purchase of property, plant, and equipment	(63,237)	(53,170)
Purchase of intangible assets	(155,336)	(302,877)
Proceeds from cancellation of insurance funds	–	9,291
Payments of leasehold and guarantee deposits	–	(32,300)
Proceeds from refund of leasehold and guarantee deposits	–	13,171
Other cash provided by (used in) investments	2,366	109
Net cash provided by (used in) investments	(219,766)	348,352
Net cash provided by (used in) financing		
Proceeds from long-term loans payable	–	100,000
Repayment of long-term loans payable	–	(100,000)
Repayment of lease obligations	(9,103)	(26,666)
Purchase of treasury stock	(266,222)	(403,179)
Proceeds from sale of treasury shares	263	105
Dividends paid	(2,272,285)	(2,566,314)
Net cash provided by (used in) financing	(2,547,348)	(2,996,055)
Effect of exchange rate changes on cash and cash equivalents	11,418	3,050
Increase (decrease) in cash and cash equivalents	2,458,736	2,356,251
Cash and cash equivalents at start of fiscal year	12,216,419	14,675,155
Cash and cash equivalents at end of fiscal year	14,675,155	17,031,407

The Funai Soken Consulting Group Network (as of Jan. 4, 2023)

Consulting

Funai Consulting Inc.

President and CEO: Daisuke Shingai
 Management consulting
 Incorporated: Nov. 28, 2013 (founded Mar. 6, 1970)
 Capital: 3,000 mil. yen

Proseed Corporation

President: Naoki Nemoto
 Contact center consulting
 Incorporated: Jun. 24, 1991
 Capital: 100 mil. yen

Funai Consulting Shanghai Inc.

President: Kyohei Deguchi
 Representative director: Lang Luyuan
 China-based consulting
 Incorporated: Jan. 13, 2012
 Investment: 50 mil. yen

Funai Soken IT Solutions Inc.

President: Naoki Nishiyama
 IT consulting
 Incorporated: Feb. 1, 2000
 Capital: 60 mil. yen

Seicho Senryaku Inc.

President: Yoshihito Sugahara
 Management consulting
 Incorporated: Jan. 4, 2011
 Capital: 2 mil. yen

Logistics

Funai Soken Logistics Inc.

President: Shigehiro Kan
 Logistics solutions
 Incorporated: May 10, 2000
 Capital: 98 mil. yen

Digital Solutions

Funai Soken Digital Inc.

President: Hitoshi Nagira
 Digital solutions
 Incorporated: Nov. 28, 2013
 Capital: 50 mil. yen

HR Force Inc.

President: Yasuko Murata
 HR solutions
 Incorporated: Feb. 1, 2018
 Capital: 64 mil. yen

External Certifications, Awards, Etc.



Selected for inclusion in the JPX-Nikkei Mid and Small Cap Index 2022 (Aug. 31, 2022 – Aug. 30, 2023)

Chosen by the Government Pension Investment Fund as the Most Improved Integrated Report

Signed up to the UN Global Compact (Apr. 2023)



Toyo Keizai Inc.
 CSR Company Hand Book

2022 Women in Management Rankings: We ranked 14th in Japan



Funai Consulting



Funai Soken Digital

“L-Star” certified as a proactive provider of career opportunities for women (Funai Consulting 2 stars; Funai Soken Digital 3 stars)



JQA-IM1889



091



ISMS ISR001

Funai Soken Digital certified Jun. 3, 2022



JQA-IM1979



091



ISMS ISR001

Funai Soken Holdings certified Feb. 24, 2023

Funai Soken Holdings and Funai Soken Digital acquired ISMS certification

Corporate Overview & Stock Information

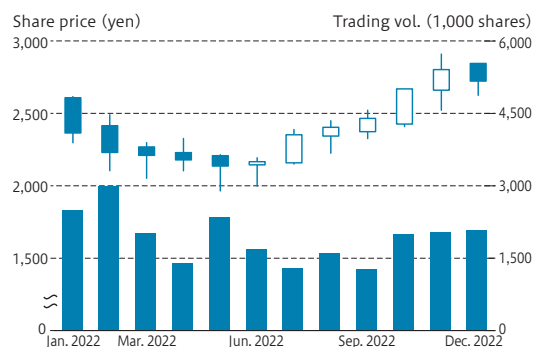
Corporate Overview

Name	Funai Soken Holdings Inc.
Representative	Takayuki Nakatani, president and group CEO (since Mar. 25, 2023)
Major roles	To serve as the group holding company, compile group strategies, and handle group management
Incorporated	Mar. 6, 1970
Capital	3,125 mil. 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
Consolidated subsidiaries	8 (as of Jan. 4, 2023)
Group employees	1,382

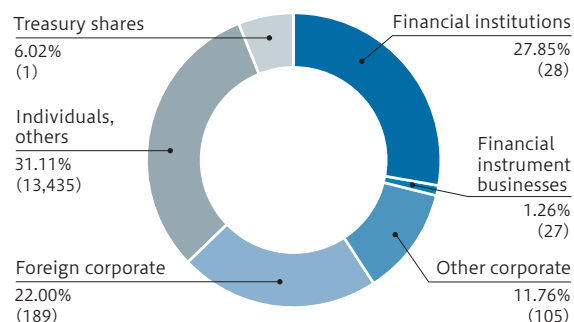
Stock Information

Stock exchange listing	Tokyo Stock Exchange Prime Market
Stock code	9757
Business year	Jan. 1 to Dec. 31
AGM	Mar.
Share unit	100 shares
Number of shares authorized for issue	130,000,000
Total number of shares outstanding	49,337,034 (excl. 3,162,966 treasury shares)
Shareholders	13,785
Record date for dividends	Jun. 30, Dec. 31

Share Price & Trading Volume



Shareholder Categories



Top 10 Shareholders

Name	Shares owned (×1,000)	Stake (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	6,156	12.48
Funai Honsha Inc.	5,026	10.19
NORTHERN TRUST CO. (AVFC) RE FIDELITY FUNDS	3,062	6.21
Custody Bank of Japan, Ltd. (Trust account)	2,217	4.49
Sumitomo Mitsui Banking Corporation	1,952	3.96
SSBTC CLIENT OMNIBUS ACCOUNT	1,353	2.74
Kazuko Funai	1,307	2.65
Nippon Life Insurance Company	1,062	2.15
Katsuhito Funai	1,056	2.14
TAIYO FUND, L.P.	1,044	2.12

Treasury shares (3,162,000) are excluded when calculating holding percentages.



Please direct inquiries to:

Corporate Communication Office, Sustainability Office
Funai Soken Holdings Inc.

<https://hd.funaisoken.co.jp/en/contact/>

Scan the QR code to go straight to the inquiries form.

