

2024

Sustainable Growth for More Companies

Funai Soken Consulting Group

Integrated Report 2024

(Covering January - December 2023)





Our Group Purpose

Sustainable Growth for More Companies

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



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

- | | |
|---|--|
| <p>Adventureship
 Converting change into momentum
 以变促势</p> | <ul style="list-style-type: none"> ■ Our work is not work unless it's fun. ■ We relish the challenges of our ongoing quest for growth. ■ We are leaders of change. |
| <p>Empathy
 A reliable partner for business owners
 与“领袖”同心同行</p> | <ul style="list-style-type: none"> ■ Our focus on outcomes is unwavering. ■ We share the mindset of the entrepreneurs we serve. ■ We dream farther and act quicker. |
| <p>Integrity
 A force for good
 遵循良心</p> | <ul style="list-style-type: none"> ■ 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, one good company at a time.

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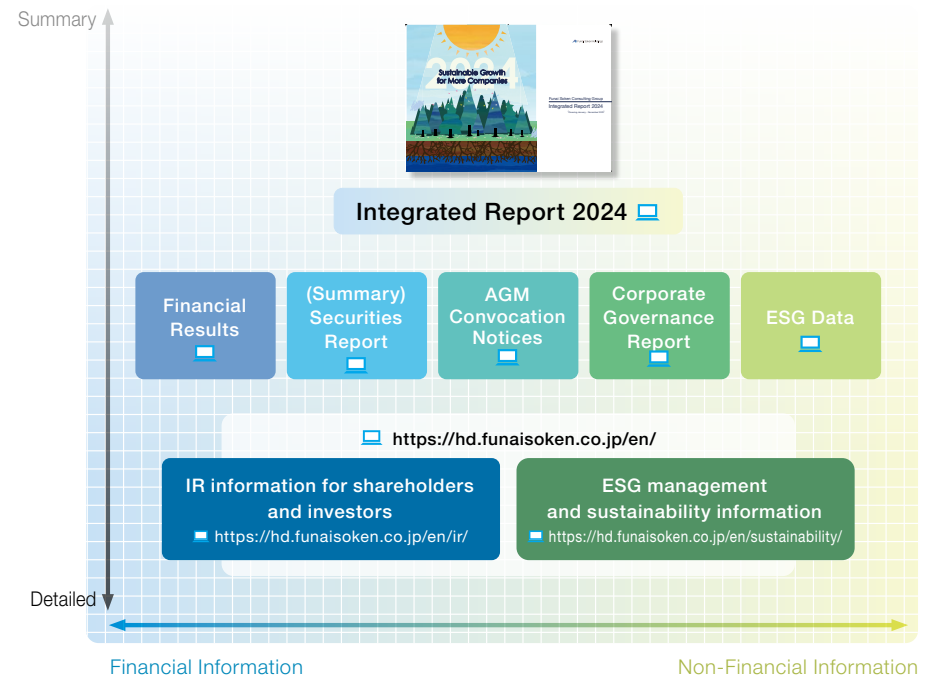
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Disclaimer

This report is not intended to induce investment. Opinions and outlooks contained herein 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 information. Actual results may differ greatly for a number of factors, and we make no promise regarding achievement of plans in future.

Integrated Report 2024 Within Our Information Disclosure

Integration of Financial & Non-financial Information



Editorial Policy

This report is intended as a tool to inform stakeholders and help them understand the business strategy, financial performance, and non-financial information of the Funai Soken Consulting Group (i.e., Funai Soken Holdings and consolidated subsidiaries).

Scope

FY2023 (Jan. 1–Dec. 31, 2023)

*Reference is made to prior and subsequent business years where necessary.

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

Reference to Guidelines

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

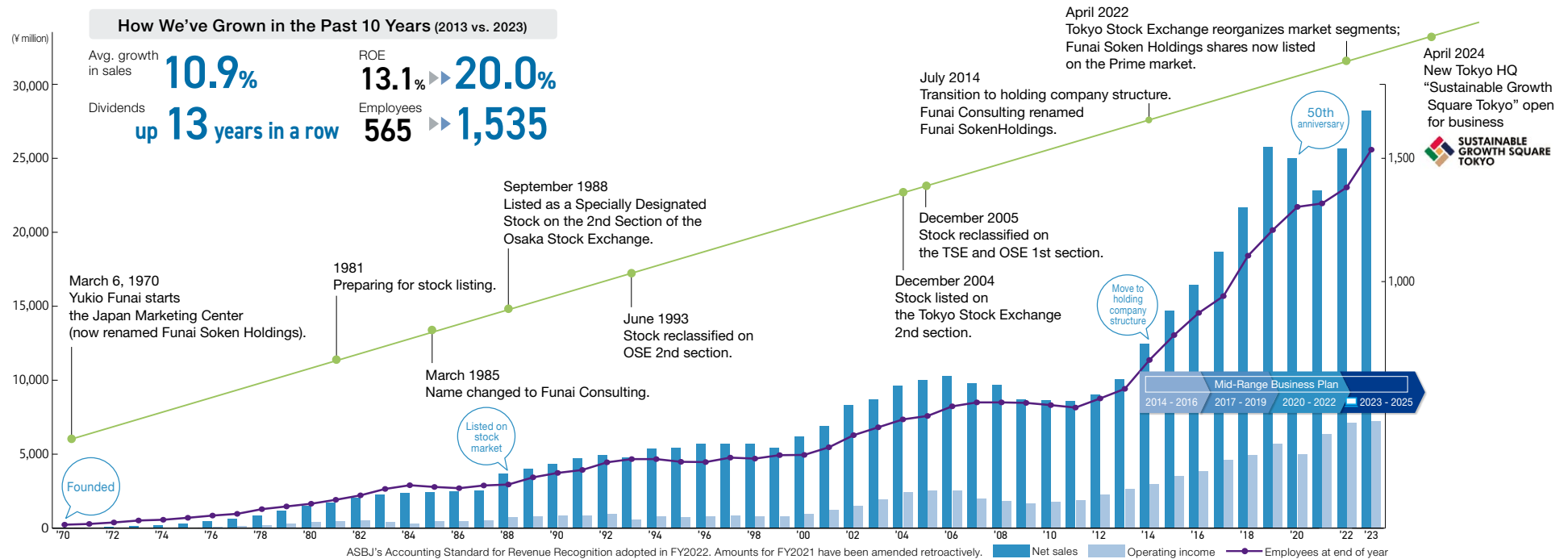
- IFRS - Integrated Reporting Framework
- MITI - Guidance for Collaborative Value Creation

Our Purpose & Commitment

Creating Sustainable Growth for More Companies in Our Own Quest for Sustainable Growth

Since its founding in 1970, the Funai Soken Consulting Group has shaped the very contours of the industry with its unique evolution as a consulting firm for business proprietors. By helping more and more companies develop the strength needed to sustain robust growth and the compassion to put stakeholders first in an age of tumultuous change and uncertainty, we strive to achieve our own sustainable growth.

By the Numbers: Lifetime Business Performance



The Funai Soken Consulting Group at a Glance

One of Japan's Foremost Comprehensive Consulting Groups for Mid-scale Companies and SMEs

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

Funai Consulting, the core entity of the group's business strategy, offers unique support for clients, combining industry-specific, solution-category-specific monthly support services and management workshops. By delivering growth support, talent development support, support for improved corporate value, and DX support, the company aims to propel more clients to sustainable growth and high social value. Its practical, on-site, close-proximity consulting is highly popular with business proprietors in a broad range of industries.


Industry-specific, Category-specific Consulting

Consultants
982


Industries Served											
Housing, construction, renovation	Real estate, property rentals	Healthcare, nursing care, welfare	Certified professional services	Wedding, funeral services	Mobility	Education, childcare, schools	Environment, energy	Dining, delivery, food	Leisure, sports	Tourism, accommodation	BPO, outsourcing
Local government	Freight, logistics, transport	Advertising, printing, software	Finance	General distribution	Hair, beauty, fitness	HR business	Manufacturing	Leisure, sports	Tourism, accommodation	BPO, outsourcing	HR business

Direct contact with business proprietors

Monthly support
(Contract-based consulting services)



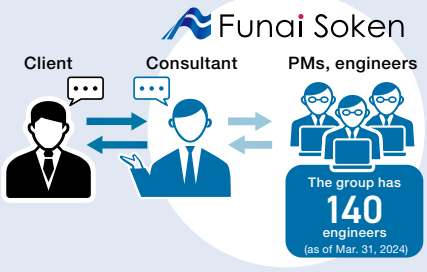
Management workshop
(Study groups for proprietors)



Provider of comprehensive digital and consulting solutions

DX support

- DX consulting based on industry-specific management expertise
- Full spectrum of seamless support for systems development and DX



The group has **140** engineers (as of Mar. 31, 2024)

- Online marketing and web consulting
- Consulting for AI development and operation

Comprehensive Consulting Solutions

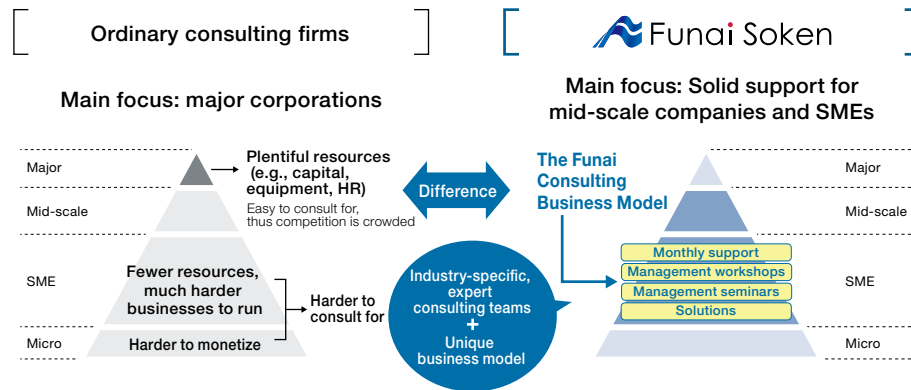
The Funai Soken Consulting Group comprises a range of companies that enable us to deliver various kinds of support to meet our clients' needs, including logistics consulting by Funai Soken Logistics, HR solutions by HR Force, contact center consulting by Proseed, public funds and subsidies consulting by Seicho Senryaku, and overseas business expansion by Funai Consulting Shanghai.

The Funai Soken Consulting Group at a Glance

Our Competitive Edge

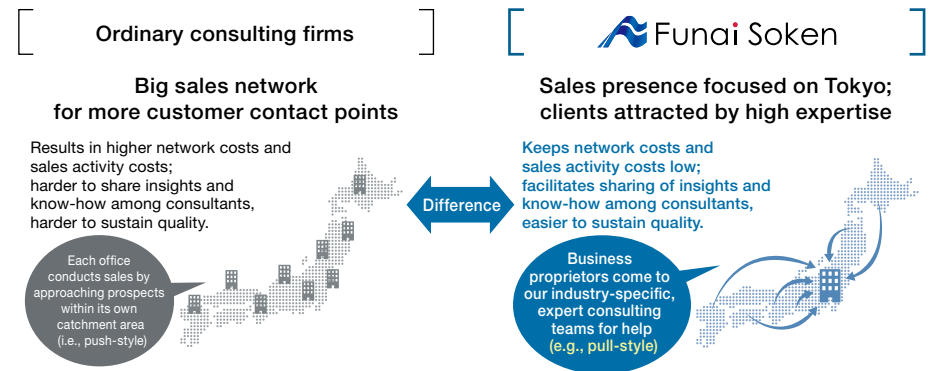
What Makes Us Different from Other Consulting Firms? 1

Unique consulting style of direct support for SME and mid-scale business proprietors raises the stakes for prospective competitors



What Makes Us Different from Other Consulting Firms? 2

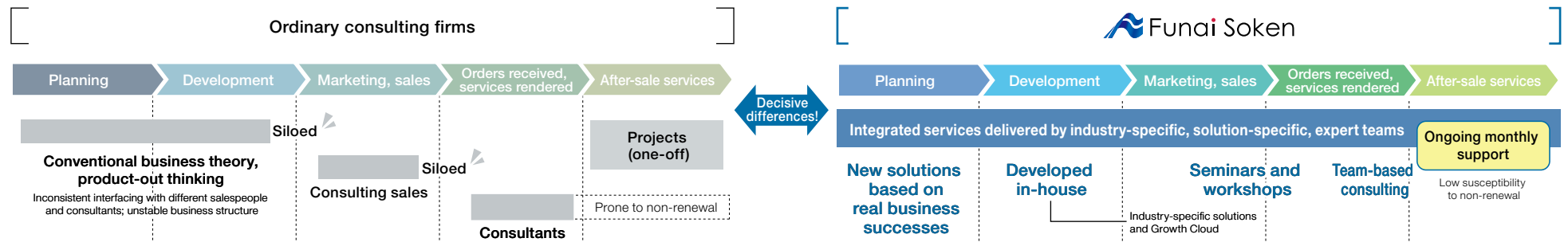
Sales presence focused on Tokyo for better efficiency and profitability



What Makes Us Different from Other Consulting Firms? 3

Establishing ourselves as an “SPA”* of the consulting industry, we can maintain high profitability by providing the full spectrum of consulting, from solution development to packaging and service delivery.

*Adapted from the “specialty store retailer of private label apparel.”

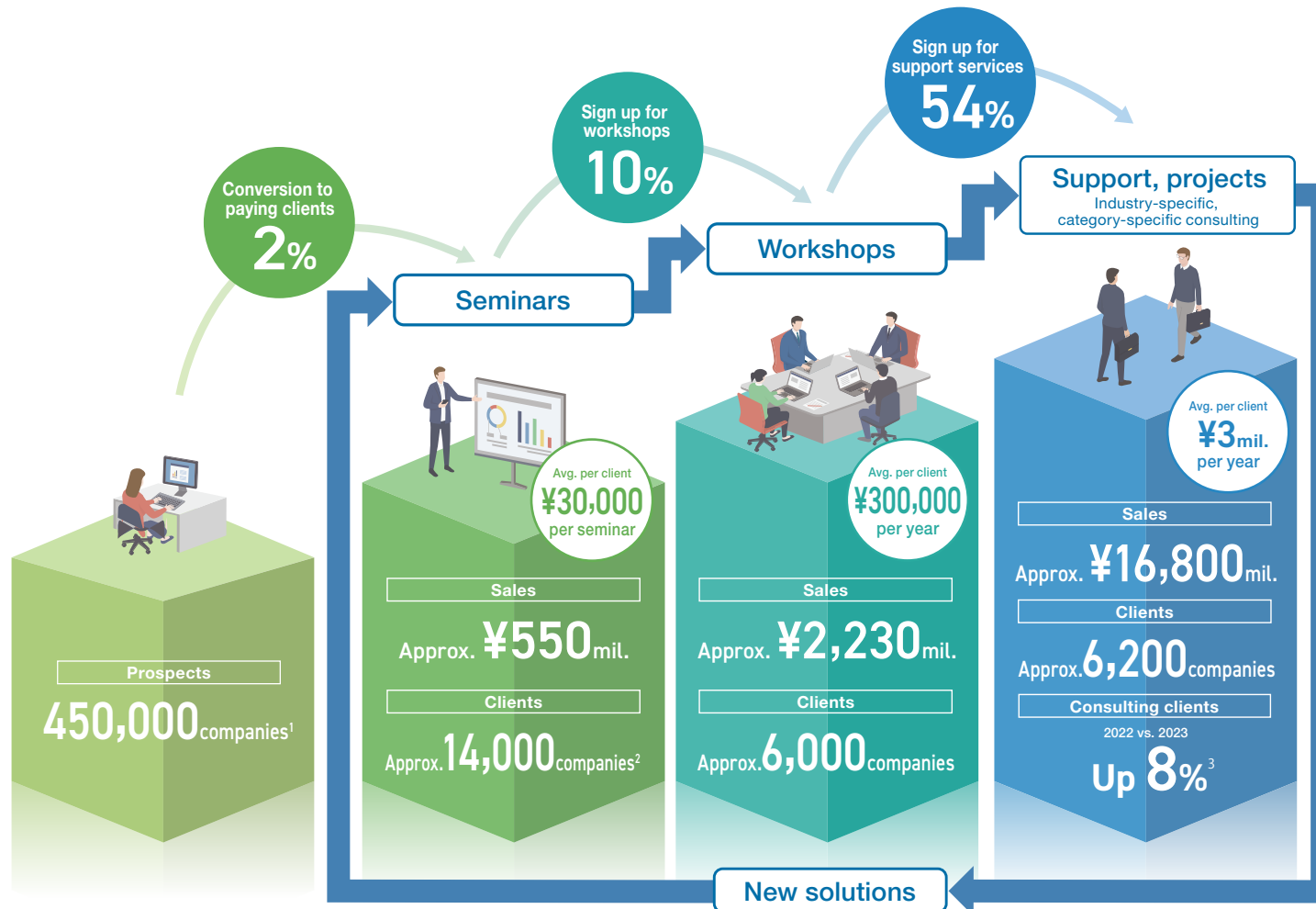




Our Competitive Edge

What Makes Us Different from Other Consulting Firms? 4

Seminars and workshops help build a client base from which to generate demand for consulting.
Cyclical business model targets business proprietors and is conducive to long-term revenues.



What Makes Our Cyclical Business Model Unique?

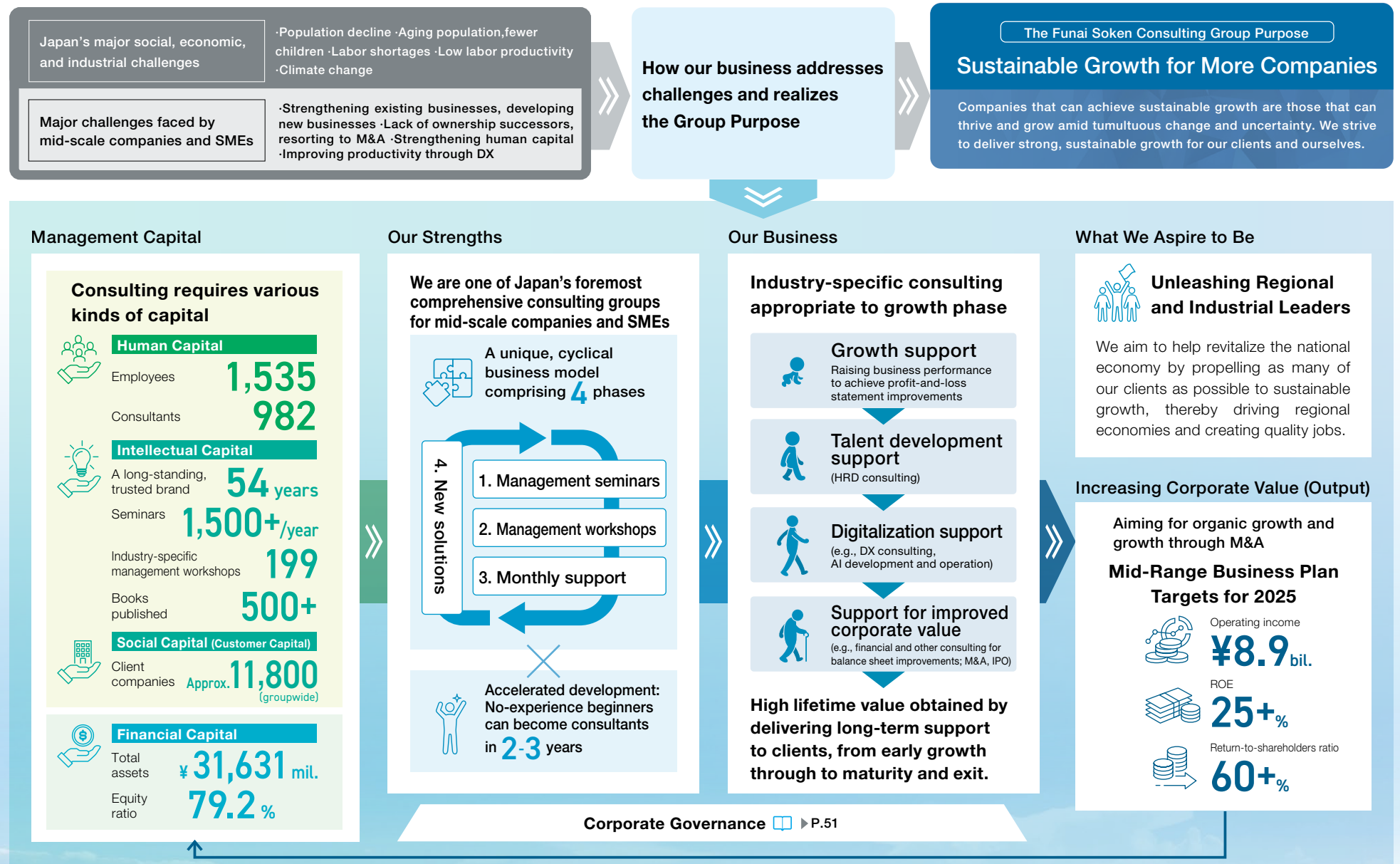
- Strong, long-term relationships with proprietors
- 90+% of clients are direct clients acquired “pull-style” through our 1,500+ seminars a year
- Fewer than 10% of orders are open-bid contracts
- Team-based consulting for swift response to client’s pain points specific to growth phase
- Consulting teams are experts in specific industries solution categories
- Core products (e.g., workshops, monthly support) not susceptible to economic conditions

1. We typically target Japanese mid-scale companies and SMEs, filtered by industry and company size.

2. Number of companies attending in-person and paid online events.

3. Actual performance in the consulting business (Jan. to Dec. 2023).

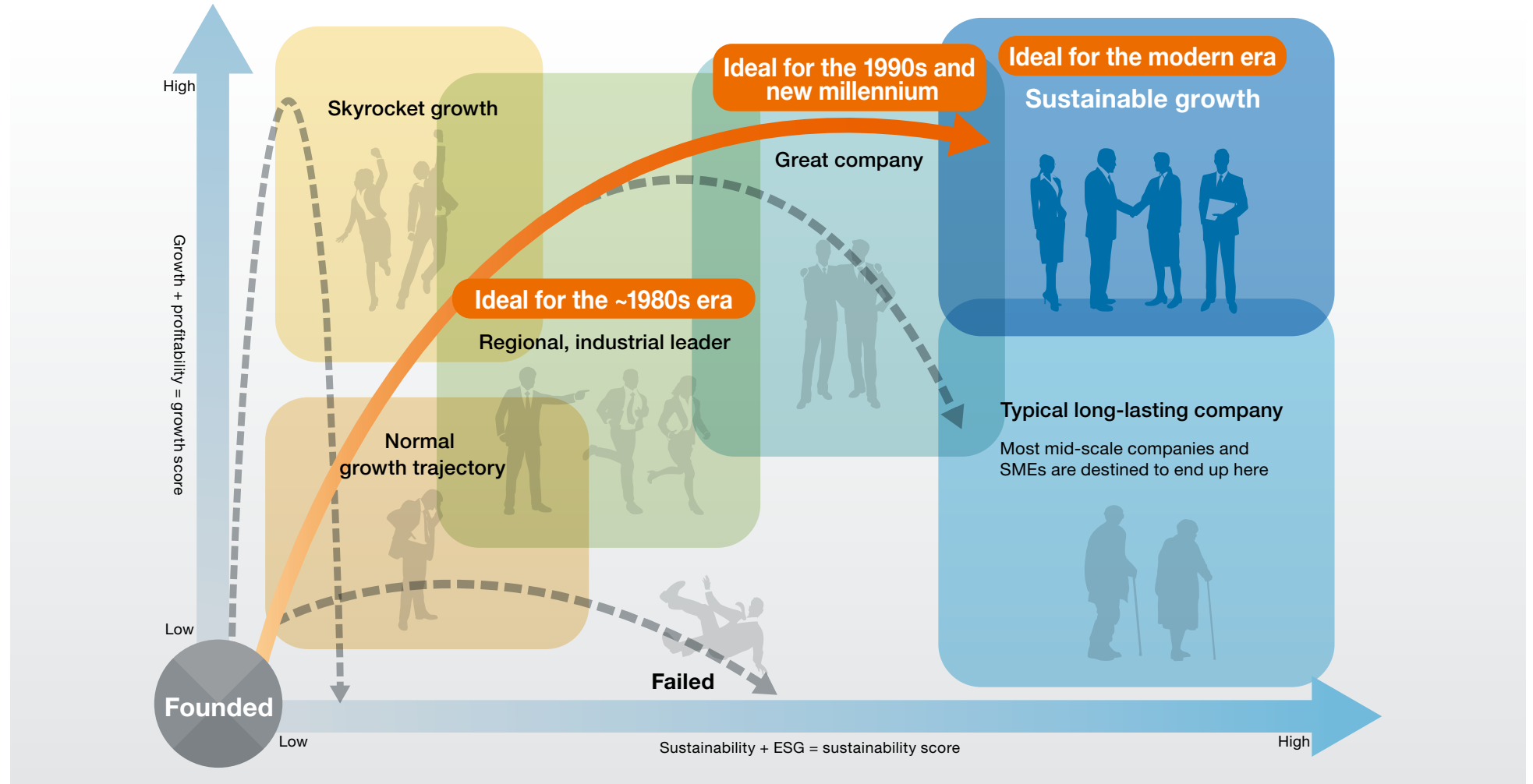
The Value Creation Process



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

A Company That Can Thrive and Grow amid Tumultuous Change and Uncertainty

As we see it, sustainable growth is the combination of the strength to sustain profitability and growth in all circumstances and the gentleness to consider their wider stakeholder community.



*ESG: Corporate management that is conscious of the environment, society, and corporate governance—not just selfish, short-term gain.

Real Strengths Forged in Experience

Various Kinds of Capital: A Unique Strength Forged Over 54 Years of Management Consulting

Throughout the Funai Soken Consulting Group's steady growth over the past 54 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 long-standing, trusted brand

54 years

Recent growth in sales

Double-figure growth

A Strong Capital Base to Underpin Our Strengths

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.

Group Workforce by the Numbers

Employees	1,535	DX staff	332	Female employees	37.7%	Childcare leave uptake	
Consultants	982	Non-Japanese	3.9%	Women in management	22.7%	Men	68.6%
						Women	100%

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.

Our Clientele by the Numbers

Client companies: Approx. 11,800 (groupwide)	Consulting clients	6,189	Management Workshops	Workshops held	199	Seminars	Seminars held	1,609
	Contract renewal rate	74.6%		Workshop members	7,321		Seminar participants	Approx. 14,000 companies

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.

Our Finances by the Numbers

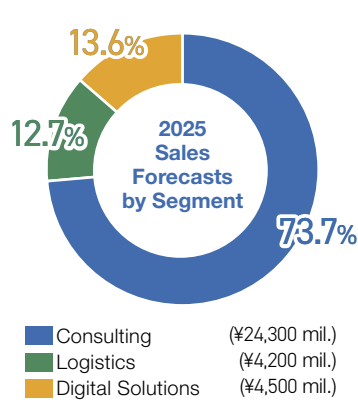
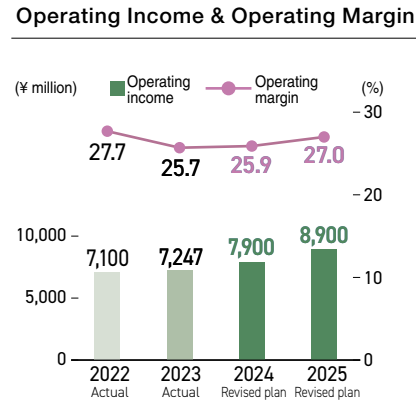
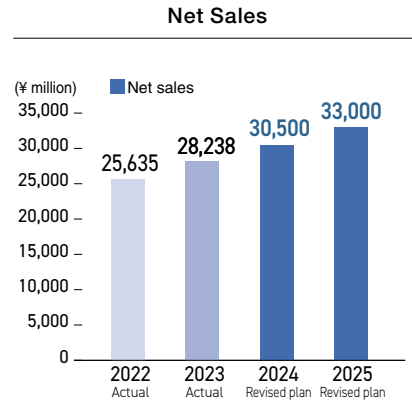
Net sales	¥28,238 mil.	Operating income	¥7,247 mil.	Operating margin	25.7%	ROE	20.0%
Total assets	¥31,631 mil.	Equity ratio	79.2%	Return-to-shareholders ratio	143.4%	Dividends up 13 years in a row	

Progress on the 2023-2025 Mid-Range Business Plan: Sustainable Growth 2025

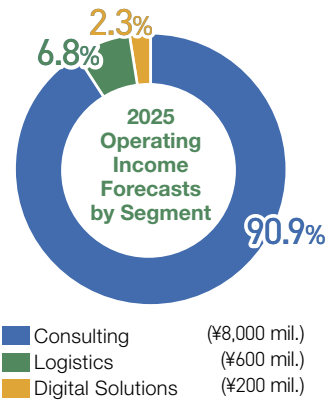


2023-2025 Earnings Targets

The target for 2025 is ¥33 billion in sales and ¥8.9 billion in operating income. We will endeavor to sustain high profitability.



*Percentages exclude intra-group & whole-group transactions

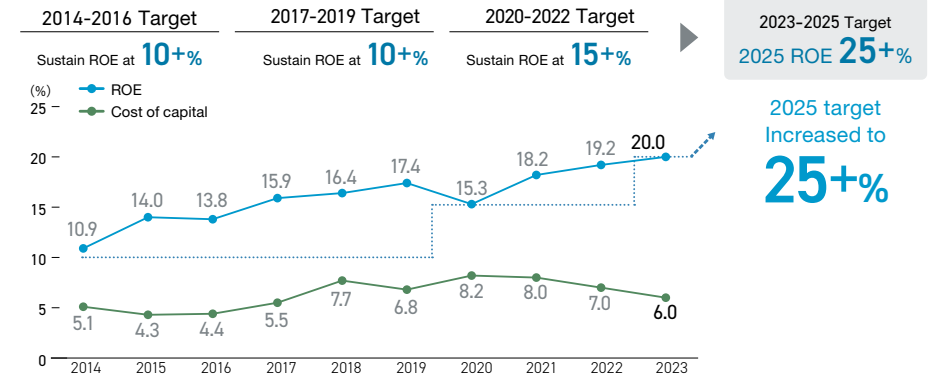


*Percentages exclude intra-group & whole-group transactions

2023-2025 Financial Targets

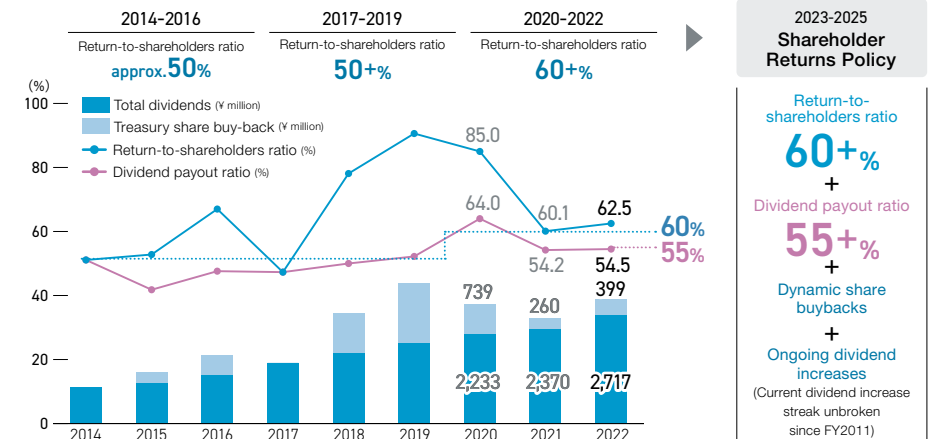
Return on Equity

ROE was 20.0% in 2023, and thus the Mid-Range Business Plan target was met in the first year. The target has been revised to 25% for remaining duration.



Shareholder Returns Policy

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



2023-2025 Shareholder Returns Policy

Return-to-shareholders ratio **60+**
 +
 Dividend payout ratio **55+**
 +
 Dynamic share buybacks
 +
 Ongoing dividend increases
 (Current dividend increase streak unbroken since FY2011)



Mid-Range Business Plan 2023-2025: Policies

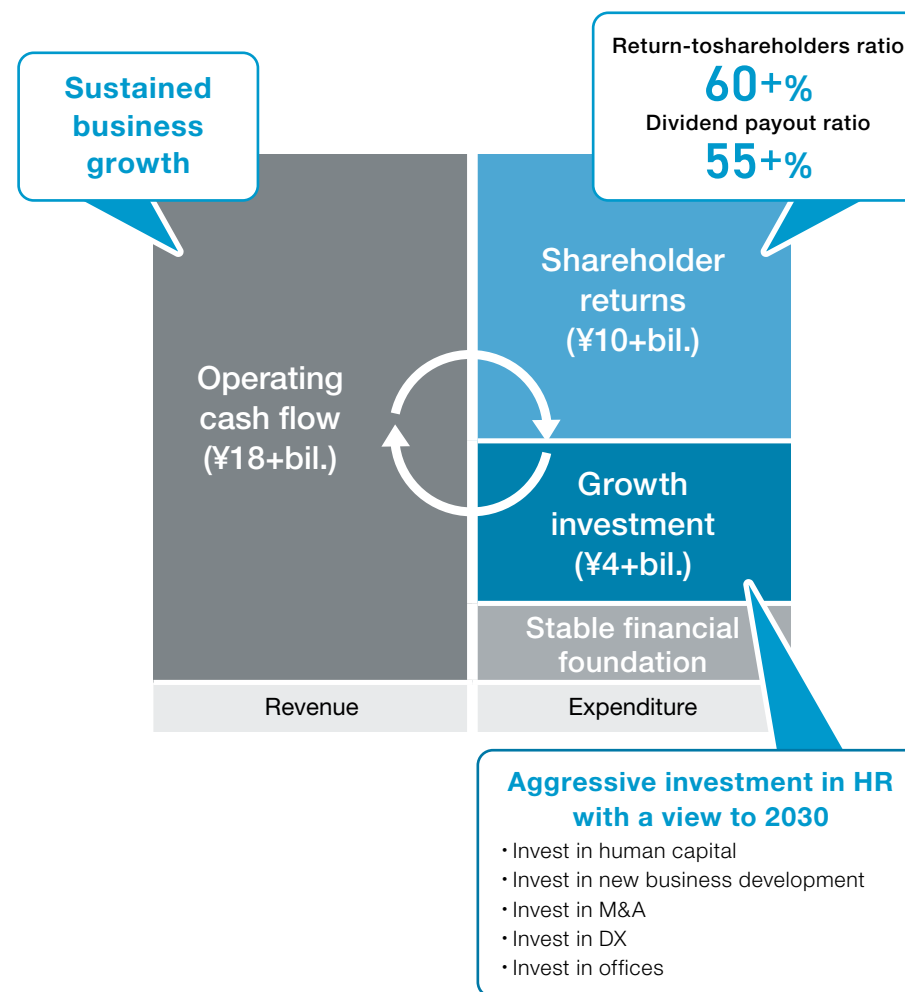
Under the new plan, our basic policy is to establish our group as the foremost provider of **digital and comprehensive consulting solutions for mid-scale and SME clients**, with **aggressive investment in HR** and **ingraining the Group Purpose** identified as priorities.

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	Digital solution services	
			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

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.



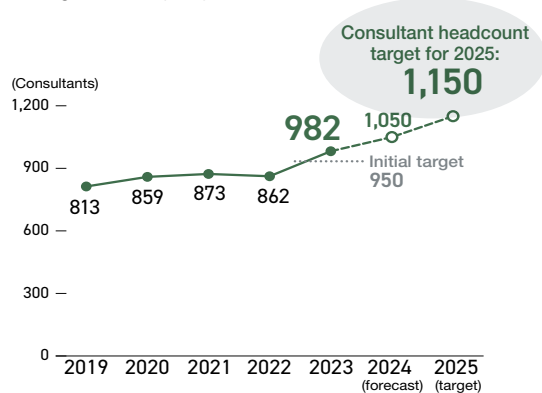


Human Resource Strategy

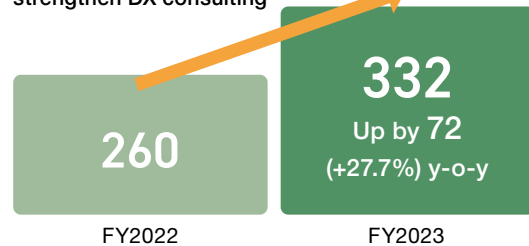
A Fine Balance of Corporate Growth and Employee Growth

Aggressive investment in human resources is a priority under our Mid-Range Business Plan. We aim for sustainable growth through investment in hiring, development, retention, and working environments.

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



DX staff numbers expanded to strengthen DX consulting



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

Growth Targets by HR Category

Consultants

- 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

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

Digital Transformation Services

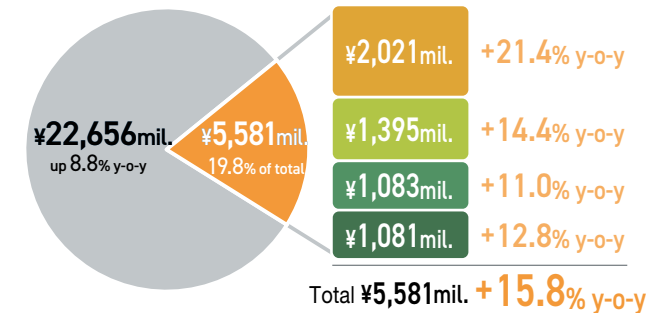
DX-related Services Command an Increasing Share of Our Portfolio

DX-related Services as a Percentage of Net Sales

Sales of DX-related services grew 15.8% year-on-year, and currently make up 19.8% of total net sales.

FY2023

Total: **¥28,238mil.** (up 10.2% y-o-y)



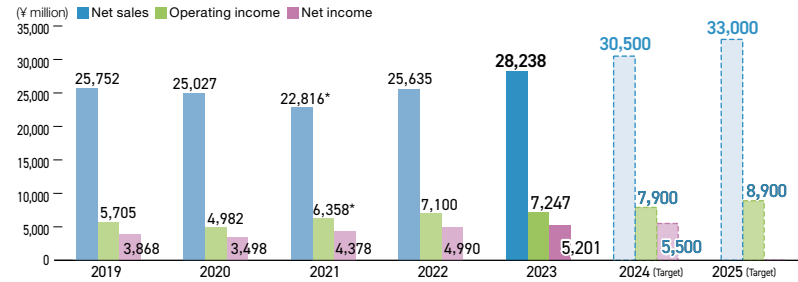
- Digital transformation service sales
- Sales of other services
- DX-solution-based consulting sales
- Online ad listing sales
- Recruiting Cloud (AI-powered recruiting service) sales
- Systems development sales

Financial Highlights



Fundamentals

Net Sales, Operating Income, Net Income

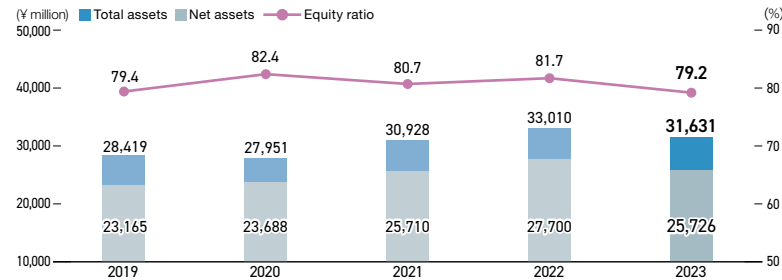


*ASBJ's Accounting Standard for Revenue Recognition adopted in FY2022.

Amounts for FY2021 have been amended retroactively: net sales down by ¥5,997 million, operating income up by ¥9 million.

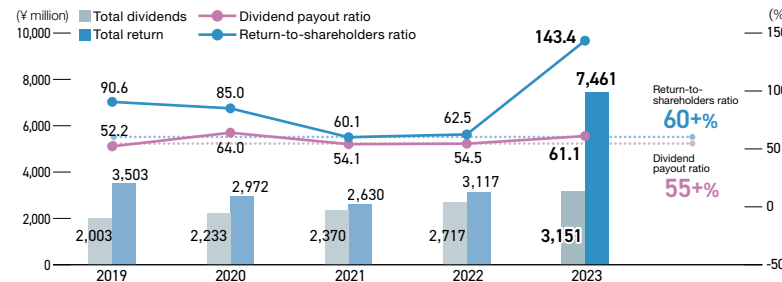
Sales and income are up in our core consulting business and DX business for the third consecutive year, and ended with our best ever figures in 2023. We plan to use operating income to invest in human resources ahead of schedule, leading to further growth in 2024 and beyond.

Total Assets, Net Assets, Equity Ratio



We have achieved a steady increase in net assets, while keeping a close eye on the balance between profit accumulation and shareholder returns. Consequently, our financial condition remains sound, with a high equity ratio of 79.2%.

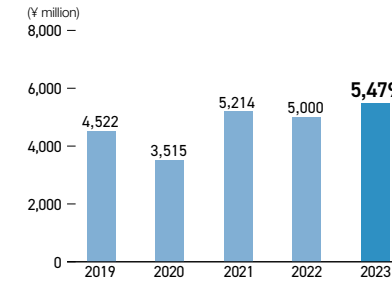
Total Dividends, Total Return, Dividend Payout Ratio, Return-to-shareholders Ratio



We will continue with policies including dividend increases and share buybacks in order to sustain a dividend payout ratio of at least 55% and a return-to-shareholders ratio of at least 60%.

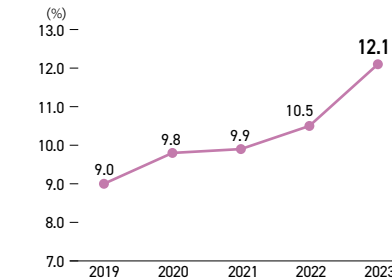
*Total return = Total dividends + price paid to buy back shares

Operating Cash Flow



We will divide cash earned in operations between investing in future growth (e.g., aggressive investment in HR with a view to 2030) and appropriate shareholder returns.

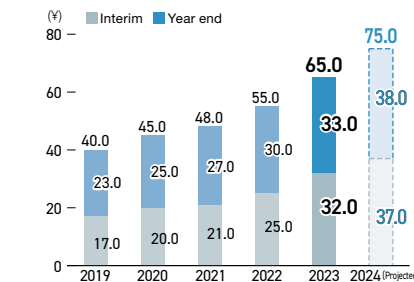
Dividend on Equity



DOE is on an upward trend in keeping with the increase in total dividends.

DOE remains one of the key indicators of our effort to sustaining high dividends.

Dividend per Share



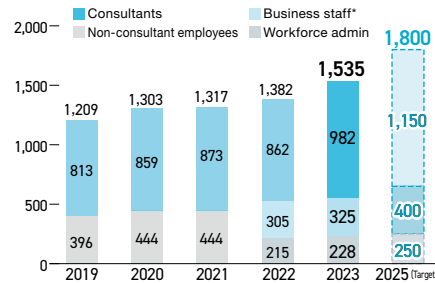
For 2024, we plan to increase the annual dividend by ¥10 to ¥75 per share (interim ¥37, year-end ¥38). If achieved, this will be the 14th consecutive year of dividend increases.

*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.



HR & Organization

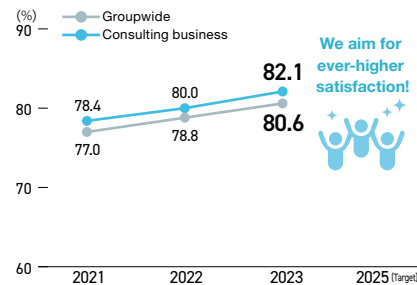
Employee & Consultant Numbers Groupwide



Our workforce has grown steadily along with our bottom line, reaching 1,535 employees in 2023. In addition to efforts surrounding new-graduate and mid-career recruiting, the retention rate has also improved, resulting in a net increase of more than 100 consultants. When recruiting, we focus on acquiring talent with a close match to our corporate culture. To this end, we are offering long-term internships for prospective new-graduate hires advertising for mid-career hires on our own media and direct recruiting channels.

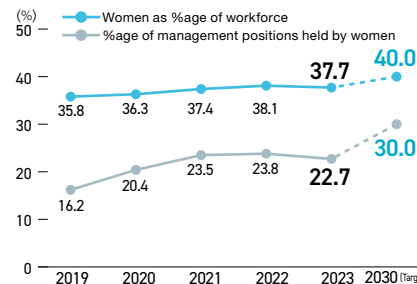
*"Business staff" are those that work in consulting departments with a direct bearing on sales but who are not consultants; roles include development engineering, product sales, new business, management workshop operations staff, etc.

Employee Satisfaction



To benchmark our efforts surrounding employee satisfaction, improving our Employee Value Proposition (EVP) score is now an HR strategy KPI in our Mid-Range Business Plan. In addition, we have a variety of efforts in place for 2024 and beyond, including: ongoing increases in compensation; revitalizing communication by integrating the group's Tokyo Headquarters into a single office; and maintaining personnel and performance assessment systems that help employees pursue diverse career paths.

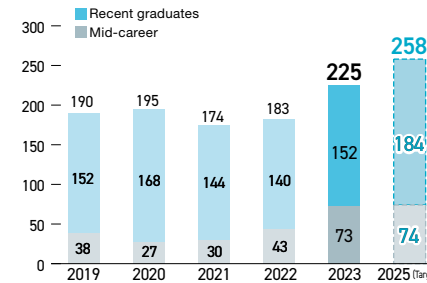
Women in Our Workforce & Management Groupwide



Because our efforts to increase mid-career hires resulted in an influx of male consultants and engineers, this had the effect of diluting the percentage of women in management positions and our workforce in general. Meanwhile, departments with more women in management tend to have higher median employee satisfaction and productivity scores. Recognizing the importance of this factor for sustainable growth, we are dedicated to proactively hiring and promoting women.

HR & Organization

Consultants Hired



In 2023, we hired a record high 225 consultants and 152 recent graduates, which is comparable to pre-Covid levels. Mid-career hires were also a record high of 73. When hiring recent graduates, we look for those with a high enthusiasm for consulting, particularly for mid-scale companies and SMEs; when hiring people mid-career, we look for professional talent to thrive in new fields such as DX and M&A.

Brand

Consulting Services: Quality and Quantity



High contract renewal rate for 5 years and counting

For 54 years now, the Funai Soken Consulting Group has led the market as a provider of comprehensive management consulting solutions specializing in Japanese mid-scale companies and SMEs. In our core management consulting business, our success is reflected in the sustained growth of our client companies and a high contract renewal rate: 63% in 2010 (when these figures were first collected), 67% in 2018, and constantly over 70% between 2019 and 2023. More recently, we have established a Group Purpose—"Sustainable growth for more companies"—as a statement of our intent to maintain a structure that enables us to support more companies across all phases of corporate development.

PDCA

Information Security and Compliance Initiatives

In 2023, Funai Soken Holdings and HR Force acquired independent certification for information security management systems: the international standard ISO/IEC 27001 and the Japanese equivalent JIS Q27001. Meanwhile, Funai Consulting's DX Consulting Divisional Headquarters and Business Development Divisional Headquarters, and group subsidiary Proseed continue to maintain their existing certification. In addition to seeking certification for more companies and divisions groupwide (first Japan, then overseas), we will continue to strengthen the whole group's infosec platform and develop infosec-capable employees.

Annual Infosec & Compliance Training Opportunities for Employees (non-comprehensive list)			
November 2023	Harassment in the workplace	July 2023	Cyber attack response (1)
October 2023	What to know about compliance	June 2023	Information security measures
September 2023	Cyber attack response (2)	May 2023	Privacy protection

Sustainable Growth for More Companies

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

Joined Funai Consulting as a graduate in 1991. Served a consultant, then promoted to head of consulting; developed industry-specific business models designed to spark immediate performance improvement, implemented industry-specific management workshops groupwide, boosted new-graduate hiring to 100 per year, led formulation of the group's current sustainable growth business model. Served as president of Funai Consulting Shanghai and president of Funai Consulting, appointed president & CEO of Funai Soken Holdings in 2021, appointed president & group CEO of the Funai Soken Consulting Group in 2023.

Overseeing a Cohesive, Groupwide Effort to Drive Business Growth and Boost Corporate Value

2023 in Review

In 2023, thanks to the support of our stakeholders, sales and income were up for a second straight year, income ended on a record high, and we reached our Mid-Range Business Plan target of 20% ROE two years ahead of schedule.

Conversely, the struggling digital solutions business, the resulting integration of operating companies, and the revision of the Mid-Range

Business Plan have caused some concern among stakeholders. As such, 2023 was a year of hard lessons as well as celebration.

However, we are determined to learn from these experiences; will we strive not only to get our Mid-Range Business Plan (2023-2025) done, but also to achieve the strong business growth and sustained growth in corporate value that becomes a listed company.

Group CEO's Message

Management Policies for 2024

Putting the Group Purpose into Practice and Synchronizing with Business Strategy

Sustainable growth for more companies*. That is the Funai Soken Consulting Group Purpose we unveiled in 2023—a statement of our vision for the world in 2030 and beyond and our presence in it, and the foundation for our philosophies and principles.

The Group Purpose was born out of the Covid disaster, which brought our eight consecutive years of sales and income growth to a screeching halt in 2020. We realized that we lacked true strength as a company, and that we needed to fundamentally rethink our business model and our direction and standards for the future.

With the Group Purpose in place, we held “town hall” meetings with employees in 2023 to raise awareness and ingrain the Group Purpose; in 2024, we have begun putting it into practice. Each group company and division holds 15 meetings across the year to discuss how to practice the Group Purpose in daily operations.

For instance, Funai Consulting's former Great Company Awards for outstanding mid-scale and SME clients, have been renamed the Sustainable Growth Company Awards and are now jointly held by the whole group. What's more, as part of the screening process, we have defined objective, quantifiable ideals for companies in the modern era. These form the Sustainable Growth Score (operating margin + sales growth), and are the foundation of a groupwide effort to enable more companies to embody those ideals.

Part of our consulting for mid-scale companies and SMEs is “showroom management,” in which we present ourselves as a model company for them to emulate. Japan in particular is susceptible to the malaise in which long-running smaller enterprises tend to lose their growth potential, but we hope to reignite their desire to grow by displaying our own strong drive for growth and the ways we go about it. Through this and our groupwide team-based consulting, we believe not only that we can provide greater economic and social value, but also that this can ultimately lead to increased speed, synergies, productivity, and growth for ourselves and our clients.

Focus on Human Capital and Aggressive Investment in Growth

In 2024, we relocated an Osaka-based group company into our Osaka Headquarters, and consolidated our various Tokyo operations into a single, more spacious premises, which we call Sustainable Growth Square Tokyo. This took an investment of around ¥1.5 billion, but this is as much a strategic investment in non-financial capital such as human capital and brand power as it is spending on a new office.

For instance, the new location is conducive to improved work outcomes because it is more accessible and has better digital facilities and other equipment. We intend

that the new office will boost productivity by providing improved in-person and digital consulting environments, offering better working styles and eliciting work quality, and increasing efficiencies through consolidation of supporting departments.

Clients benefit, too, with a place to learn and receive business management support in Japan's most easily accessible location—directly in front of Tokyo Station—with the latest digital equipment and content. In this way, we will can further build one of our greatest assets: a community of top-class business proprietors (i.e., members of our management workshops and other organizations).

The new office is also intended to boost the uptake of job offers by inspiring students and mid-career job hunters with views of our growth-oriented working environment.

In this way, we aim to improve overall brand strength, which in turn will contribute to higher average spend per client and profitability.


The office has earned praise from a variety of stakeholders as an excellent setting to harness our strengths in in-person consulting services at a time when the world is reverting to in-person work. Indeed, significant jumps in employees working in-office, in-person client attendance, and job offer uptake indicate that the new office is putting us in good stead for the future.

*As we see it, sustainable growth is the combination of the strength to sustain profitability and growth in all circumstances and the gentleness to consider the wider stakeholder community.

Group CEO's Message

Our Mid-Range Vision

Stronger DX Support for Client Companies

Our Mid-Range Business Plan  sets forth a vision of the Funai Soken Consulting Group as the foremost provider of digital and comprehensive consulting solutions for mid-scale and SME clients, and providing DX support is a core part of that.

The old days of “analog” marketing support services are gone; today, we complement our management consulting services with the latest digital marketing solutions using Google, employer marketing using Indeed et al, as well as marketing automation, SFA, CRM, etc., using tools like Zoho. For SME clients, who tend to lack digitally skilled staff, we offer industry-specific support for adoption of digital marketing and can even operate systems on their behalf if requested.

Our competitive edge lies in two main areas. First is our expert consultants and engineers, who have the knowledge to design products and offer support tailored to the unique requirements of each industry. Second is our ability to offer these in parallel with our top-notch consulting services.

In fact, recently our extensive roster of member companies and the alliances we have built over the years have enabled us to expand our role as a kind of “digital agency” connecting mid-scale companies and SMEs with those that can offer digital tools and technologies.

Meanwhile, we constantly review our line-up of digital services to ensure they are consistent with our mission and clients' needs.

Where Does DX Fit in Our Consulting Business Model?

In addition to providing DX support to clients, we must also digitally transform our own consulting business model.

Take our unique management workshops for example. These used to be exclusively in-person events held every two months in Tokyo, but expecting our client business proprietors to attend every time was too much to ask, and we struggled to reduce the stubborn attrition rate. Things changed when we began recording the workshops for on-demand viewing and revamped our membership framework for ease of use. This helped reduce attrition and we are seeing some early success in uncovering new client categories with potential needs for consulting services.

Under the new set-up, clients use a shared system, the Customer Success System. This has the added benefit of sharing data and insights, which used to be concentrated among a few veteran consultants, throughout our whole roster, including new and younger consultants, thus enabling data-driven consulting based on business intelligence and other methods.

In addition, adopting Secure Access Service Edge for stronger information security, updating to high-performance computers, and establishing an online consulting platform have created an environment in which women feel more able to play an active role, thus further boosting productivity.

Moreover, generative AI is changing the very nature of the consulting business, and we intend to take advantage of AI to improve efficiency throughout the group and accelerate the creation of new businesses.

Helping Mid-scale Companies & SMEs Upscale

For clients in growing industries, upscaling support entails things like helping open new stores or expanding networks. Now, when many industries have matured, it means helping SMEs grow to mid-scale, such as by boosting turnover, developing new businesses, conducting IPOs, and leveraging public grants for major investments, undertaking M&As, and going international.

Our ever-stronger ties with financial institutions help us open up new channels. Government policy for business assistance now includes a new mid-scale category, and new support options are available for businesses in that area, so we intend to expand our reach in that field.

Conversely, the clients who take advantage of Funai Soken Logistics's consulting services for shippers and Proseed's consulting services for contact centers tend to be major corporations. In light of this, we are working to make our business model more sustainable by pivoting to a more “stock business” stance, such as by focusing on membership-based workshops.

Organic and Acquired Growth

At the Funai Soken Consulting Group, we strive for two kinds of mid-to-long-term growth: organic growth and growth acquired through capital and business alliances including M&A.

Last year, an institutional investor told me the first thing they expect from us is the profitability and solid growth that comes from a business model with a competitive advantage.

Group CEO's Message

That sentiment aligns closely with our thinking. For instance, in our core consulting segment, we aim for organic growth by developing new solutions and expanding proactively into new industries.

But we are also after acquired growth through M&As. One example is Seicho Senryaku, which we acquired in January 2023. Their sales volumes may not be huge, but their rate of return is higher than our existing consulting business. To propel the group to its next stage, we are eager to partner with companies that share our aspirations—even those who have already reached a certain size based on a culture that may differ from ours.

The Overriding Importance of Human Capital

For a consulting business like ours, consultants are capital—it's as simple as that.

Our Mid-Range Business Plan sets a target of increasing our workforce—especially consultants, who have a direct bearing on the bottom line—by 10% per year on average by 2025. We also aim for 25% of management positions to be held by women by 2025, and 30% by 2030. Already 22% of directors are women, and women are increasingly tapped to serve as group company presidents and directors as we strive for more female representation in the upper ranks.

In recent years, consulting has become one of the most popular options for jobseekers. As such, we need to improve HR policies, including competitive recruiting, training systems, career support, and retention policies. Take consultants' pay, for instance: our Mid-Range Business Plan stipulates ongoing increases in annual income of 10% year-on-year. In addition, we have raised the company contribution added to the employees' pay-ins to the Employees' Stockholding Association to 25%, one of the highest rates among listed companies.

Some progress has been made in improving working practices, but we aren't yet delivering the intrinsic job satisfaction, including non-monetary rewards and growth, that would make us a must-choose employer among jobseekers.

In particular, many employees say they far prefer working with business proprietors directly, e.g., through monthly support services, than as a faceless cog in some major corporate project. They find it more rewarding because the outcomes of the solutions they suggest are immediate and clear—as is the client's gratitude when results are positive. That was certainly my experience when I was a consultant, and I believe that this is what makes working at the Funai Soken Consulting Group such a thrill.

With that in mind, we place importance on training to get new, unexperienced arrivals up to speed swiftly. This includes digital skills training (e.g., Zoho), time at clients' premises so prospective consultants can get an on-site, hands-on feel for specific industries, and even interpersonal skills to enable consultants to better connect with client on a personal level. In 2023, we spent 110 hours per employee on professional development, one of the highest rates among companies that disclose such information.

It is significant that some 30 percent of our recent-graduate hires are children of mid-scale company and SME proprietors. Per Japanese tradition, many of these youngsters expect to eventually follow their parents' professions, so by providing an environment to train for that future by working in proximity with business owners, we can boost our own employee retention and accelerate training. We feel this is another of our unique competitive advantages.

Proactive Communication with Investors

The rise in importance of corporate governance has made

dialogue with investors a vital part of management.

At Funai Soken Holdings, we are working toward more frequent, more substantial dialogue with investors, such as office tours for visiting investors. We also make sure to share the content of these interactions among directors so as to swiftly reflect their views in our strategies where appropriate.

For instance, the integration of group companies in April 2024 was sparked by conversations with investors. We are determined to pursue improved communication—better in quantity and quality—knowing that this will enable deeper understanding of our long-term strategic quest for more competitive value creation and bring further value to dialogue with investors.

Shareholder Returns

Shareholder returns are a vital part of our efforts to increase shareholder value. Aiming for a dividend payout ratio of 55+% and a return-to-shareholders ratio of 60+%, not only did we achieve a payout ratio of 61.1% in 2023, but we also marked 13 straight years of dividend increases. At the same time, however, we believe it is vital to improve our financial strength so that we may withstand those once-in-a-decade unexpected upheavals and take advantage of M&A opportunities.

For the future

The relocation of the group's Tokyo Headquarters to the new premises will enable us to finally unlock the potential for truly synergistic groupwide management. I hope you'll join us on our journey of accelerated growth, led by Funai Consulting, the group's core operating company, as part of our quest for double-digit growth and increased corporate value.

Executive Vice President's Message



2023: A Year of Decisions with Important Implications

The lifecycle of corporate management is marked by expansion and consolidation; for the Funai Soken Consulting Group, 2023 was a year of historic consolidation, including the merger of Funai Soken Consulting Group, Funai Soken Digital, and Funai Soken IT Solutions, and the integration of our various Tokyo operations into Sustainable Growth Square Tokyo.

As head of the Corporate Management Divisional Headquarters, I will use that consolidation as the foundation for robust, groupwide governance aimed at further enhancing corporate value. In 2023, the group's companies' back office functions were integrated into Funai Soken Holdings to centralize information so that we can stay up-to-date with feedback from frontline employees—a vital component of our strong risk management system.

Information Security and Governance to Underpin Future Growth

Aggressive Investment in SASE and Other Infosec Initiatives

Information security is more than just a major part of our risk management; it is also a vital theme of our ESG efforts with potential to impact the group's business.

Funai Soken Holdings and HR Force obtained ISO/IEC 27001 certification for information security management systems (ISMS) in 2023, and now we are seeking certification for the entire group (first Japan, then overseas; see p.14). We adopted the Secure Access Service Edge (SASE) framework in April 2024 to counter increasingly sophisticated cyber-attacks, and all group employees receive infosec training, which includes monthly infosec classes and periodic training in how to deal with targeted e-mail attacks. Meanwhile, we are constantly monitoring security measures, the Risk Management Committee reports periodically to the Board of Directors on information security matters, and we are working to further strengthen risk management, e.g., identifying underlying risks. Indeed, I believe that reinforcing governance through measures such as SASE will do more than just help prevent damage to corporate value—it will positively contribute to it.

Directing the Board's Focus Toward Growth

Part of our effort to boost corporate value has been to bolster governance. To this end, we have sought make our board of directors more diverse and to incorporate more

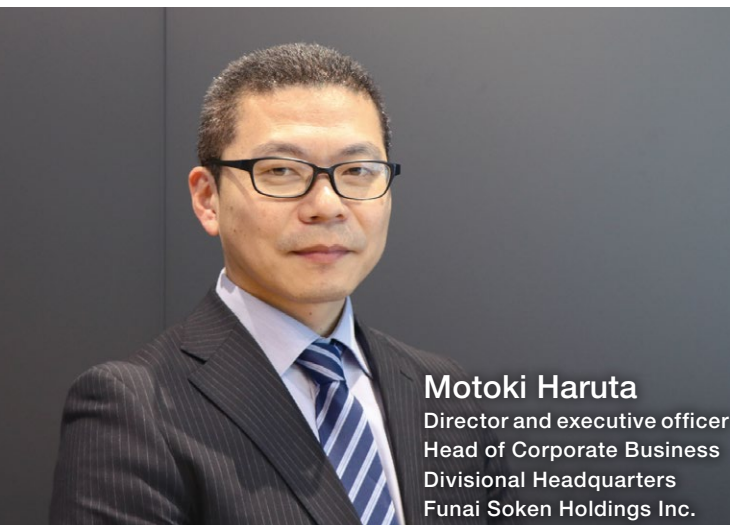
outside directors so that their objectivity and expertise may help with the ongoing refinement of management quality and contribute to corporate value. As of March 23, 2024, the board currently comprises nine directors, five (55.6%) of whom are independent outside directors, and two (22.2%) of whom are women. Our target is for women to make up 30% of the board by 2030.

A distinct feature of our corporate governance is that our various board committees are chaired by outside directors. We have also noticed that committee discussions lead to more lively dialogue at board meetings.

Take, for instance, discussions by the Sustainability Committee relating to the group's human capital management and climate change response, and discussions by the DX Promotion Committee (newly formed in 2024) about the group's digital transformation. These deliberations resulted in tweaks to the action plan used to gauge the board's effectiveness. This year, we have added a director (inside) in charge of finance. Doing so will not only address the need to equip the board with necessary skills and diversity, but will also strengthen our governance and thereby enhance corporate value.

As I see it, the group's corporate governance structure is a work in progress. My ideal is growth-oriented governance with total buy-in to the group's long-term goals and strategies among board members so that the board can lead future growth.

Director in Charge of Finance's Message



Financial Strategy in the Mid-Range Business Plan

My appointment as director in charge of finance in March 2024 follows 16 years' experience in accounting, finance, and other administrative roles, as well as helping with the group's corporate restructuring. In one sense, my current role is a continuation of that work of safeguarding the group's essentials, such as ensuring financial statements meet legal requirements and overseeing internal oversight. But given that the Mid-Range Business Plan calls for aggressive investment with a view to 2030 and awareness of cost of shareholders' equity, I think my job also involves a more proactive contribution to the group's efforts to increase corporate value.

Boosting Corporate Value to Meet the Financial Strategy Targets of the Mid-Range Business Plan

My Goal: Record ROE and Higher Capital Efficiency

Return on equity is the most important of the group's financial KPIs. While sustained growth in market capitalization is the result of multiple factors, it is ROE that provides an overall measure of growth potential, financial composition, and capital efficiency.

Our ROE for 2023 was 20%, well above the cost of capital of approximately 6% (per CAPM). Although 20% represents a record high for us, it is not high by consulting industry standards and we are striving for even better capital efficiency, with a target of 25% ROE for 2025.

To improve ROE and PBR, and thereby increase corporate value, we intend to allocate cash in three areas: sustained increases in shareholder returns, aggressive investment in growth, and retained earnings for appropriate balance.

Returning Profits to Investors through Dividends

Our shareholder returns policy is to sustain a dividend payout ratio of at least 55% and a return-to-shareholders ratio of at least 60%. We have managed to increase annual dividends for 13 consecutive years now, and undertake buybacks when market prices are low. We are also eager to engage with employees and help them build assets, to which end we have raised the company contribution added to employees' pay-ins to the Employees' Stockholding

Association from 20% to 25%. We hope that this will inspire employees to become involved as shareholders, too, and enrich their lives through dividends and capital gains.

As part of our investments in growth, we invested ¥1.5 billion acquiring new, spacious premises for our Tokyo Headquarters in an excellent location with a direct connection to Tokyo Station. By consolidating all our various Tokyo locations under one roof, we expect that the new headquarters will help attract customers and job applicants through improved branding, boost productivity and synergies among group companies through proximity, and increase employee engagement through diverse working styles.

Finally, appropriate retained earnings ensure we have a properly balanced financial base for undertakings like those investor returns and investments described above.

Compensation Committee: Constructive Debate and Transparency

The group's commitment to corporate governance is illustrated by our adoption of an audit and supervisory committee structure, our majority of outside directors, and our voluntary Nominating Committee and Compensation Committee to reinforce the board's objectivity and validity. The Compensation Committee, which I serve on, is chaired by an outside director and I am impressed by the constructive debate and highly transparent processes.

In my capacity as director in charge of finance, I look forward to achieving outcomes that meet investors' expectations.

Core Group Company Executives' Message



Daisuke Shingai
President and CEO
Funai Consulting Inc.

New Client Development with Zoho for, and Strong Growth through DX Solutions Consulting

Merging 3 into 1 for More Potent DX Solutions Consulting

In April 2024, Funai Soken Digital and Funai Soken IT Solutions were merged into Funai Consulting, marking the start of a new era.

Incorporating the group's digital subsidiaries into Funai Consulting is intended to boost customer value by combining our strengths in consulting and digital services.

In our core consulting segment, DX solution-based consulting sales were up by 21.4% year-on-year in 2023, the highest growth among all DX-related services. By industry, Zoho support for manufacturing clients

increased steadily, but given that only around 500 companies had adopted Zoho as of April 2024, and given the size of our client base, there is still plenty of room for more. With that in mind, Zoho support is not just ideal for our existing clients, but it is an also excellent way to target new clients of all sizes—SME, mid-scale, and major corporation alike. In fact, our long track record as a Zoho Premium Partner is already attracting inquiries from companies outside of our consulting sphere. In 2024, we aim to boost Zoho clients and cross-sell our other consulting services.



Sustainable Growth Square Tokyo: The Perfect Setting for In-person Client Contact

Our consulting services are distinguished by attentive, close-quarters support for business proprietors so that they may grow along with their companies. One example of this is our workshops, which finally rebounded in 2023 to pre-Covid attendance levels. We made sure to hold workshops and events immediately upon moving in to our new Tokyo headquarters, Sustainable Growth Square Tokyo, so as to leverage the increased capacity of the seminar and meeting facilities (double our previous capacity), boost workshop membership, and spur business growth. In this way, we aim to create a smooth pathway from in-person client contact to consulting orders.

Seeking Double-digit Business Growth by Turning Clients into Local Favorites

To create that pathway and achieve those outcomes, we

need to develop new businesses and deliver new value like specialized, industry-specific solutions and more sophisticated products and industry-specific modular offerings in the DX space. Moreover, unlocking sustainable growth for more companies will require us to work with a diverse range of people and companies inside and outside the group to help clients achieve palpable, tangible growth, such as achieving local favorite status, IPO, or reaching ¥10 billion turnover.

Enhancing Human Capital Is the Key to Business Growth

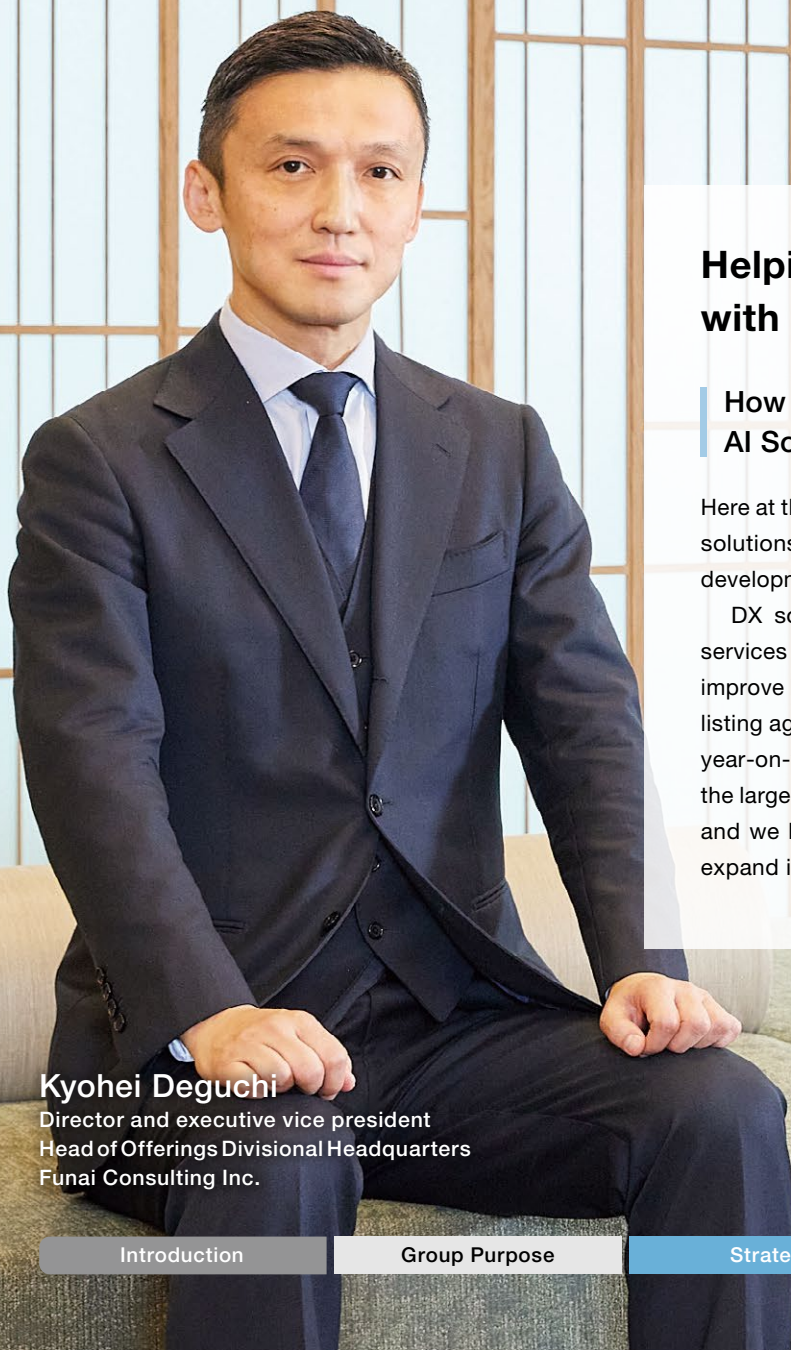
To grow our consulting business, we must strengthen our human capital; if we are to continue our double-digit growth, we need more consultants. To that end, we are focusing on swift development of recent-graduate hires, adopting DX-based and other systematic training programs, and investing effort in communication with employees such as one-on-one meetings to discuss concerns, career development, and more. We also strive to improve

compensation in line with business growth. Meanwhile, we also believe that increasing value delivered to clients and continuing to achieve sustainable growth also contribute to strengthening human capital.

Sustainable Growth for More Companies

Low productivity and growth are more than just constant concerns for our mid-scale and SME clients; they are problems for society as a whole. Our Group Purpose—“Sustainable growth for more companies”—is intended to address this, because by helping companies that seek to grow even in uncertain times, we can contribute to society itself, so the more sustainable growth companies we can produce and the more sustainable their growth potential, the more challenges we can help society overcome.

In this way, I look forward to executing my duties and achieving the growth that our investors expect.



Kyohei Deguchi
Director and executive vice president
Head of Offerings Divisional Headquarters
Funai Consulting Inc.

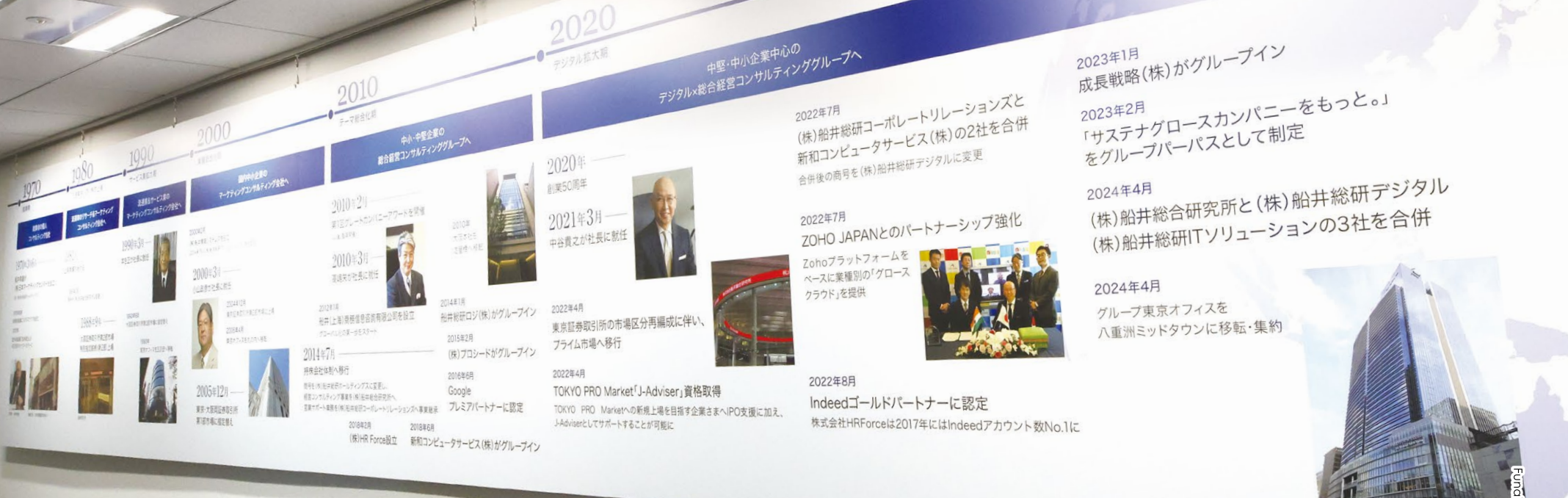
Helping Mid-scale Companies Go Beyond the Growth Plateau with DX, M&A, and Roadmap Solutions

How We Evolved from Online Marketing to CRM and AI Solutions for Mid-scale Companies and SMEs

Here at the Offerings Divisional Headquarters, we deliver solutions such as DX services, M&A, and roadmap development to help clients reach ¥10 billion in turnover.

DX solutions emerged from the online marketing services we began offering around 2000 to help clients improve business performance. One of these is online ad listing agency services, sales of which increased 14.4% year-on-year in 2023 to ¥1.39 billion. Currently, we have the largest number of ad listing client accounts in Japan, and we have worked hard to leverage that position to expand into DX solutions such as Zoho.

Incorporating the group's digital subsidiaries into Funai Consulting has broadened the range of our DX solutions, and created a seamlessly integrated set-up capable of delivering support to clients in all facets of their operations. In systems development, for instance, sales were up 12.8% year-on-year in 2023 to ¥1.08 billion. Moving forward, we are implementing AI literacy programs groupwide as the group prepares to develop AI solutions to capture the needs of companies adopting generative AI, machine learning, and the like.



The Culmination of All Our Experience and Expertise

Launched around 2021, ¥10 Billion Roadmapping is the very culmination of our consulting experience and expertise. It involves making a roadmap with clients by starting at the goal—¥10 billion in turnover—plotting back from there, and providing the required assistance. To achieve such a scale, clients need a different approach to growth strategy than that which may have worked to reach their current size; they need a second and third “pillar” business, a financial base capable of underpinning swift growth and an organization capable of achieving it, as well as the talent to lead such an organization.

Our aim is to produce many of these sustainable growth companies by helping them plot roadmaps that account for those various requirements.

Expert Teams Delivering M&A Solutions Tailored for Specific Industries

One area in which mid-scale clients are increasingly seeking our help is M&A. Our M&A solutions are founded on the trust we have earned from clients by delivering real value through our industry-specific consulting services, and delivered by teams of merger specialists chosen for their experts in the client’s specific industry. Typical M&A firms focus on finding a match, but we go much further, offering an extensive menu of post-deal long-term services to support continued growth after the deal is done. In fact, mergers between existing Funai Consulting clients have led to subsequent orders for growth support consulting. Our next goal is to expand our roster of M&A consultants to 100 and more and boost M&A sales to ¥2.5 billion.

Favorable Government Policy a Boon to Our Growth Efforts

In 2024, the Japanese government has adopted business policy with a focus on growth support for the mid-scale businesses that form the backbone of the economy.

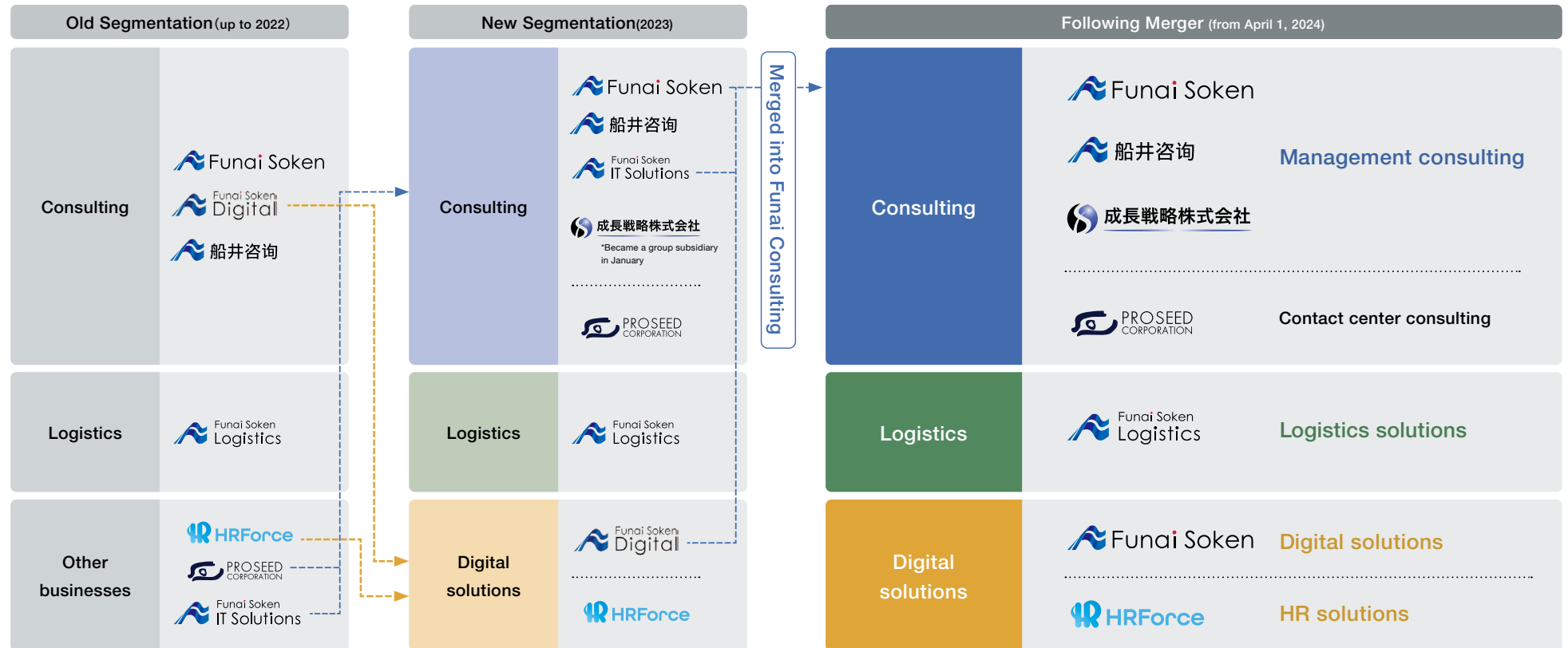
Our long experience in supporting SMEs has given us a close-up view of the impact of issues like low birthrates and regional economic disparity. We are convinced that we can make a difference by putting our Group Purpose—“Sustainable growth for more companies”—into practice and producing lots of companies of ¥10-billion-turnover scale to drive their local economies.

Supporting mid-scale companies is a core theme of our Mid-Range Business Plan, so the government’s policy is a welcome development. We hope to harness this trend to achieve further growth for ourselves and our clients.

Business Strategy & Portfolio Policy

2023-2025 Mid-Range Business Plan: Merger & Change in Segmentation

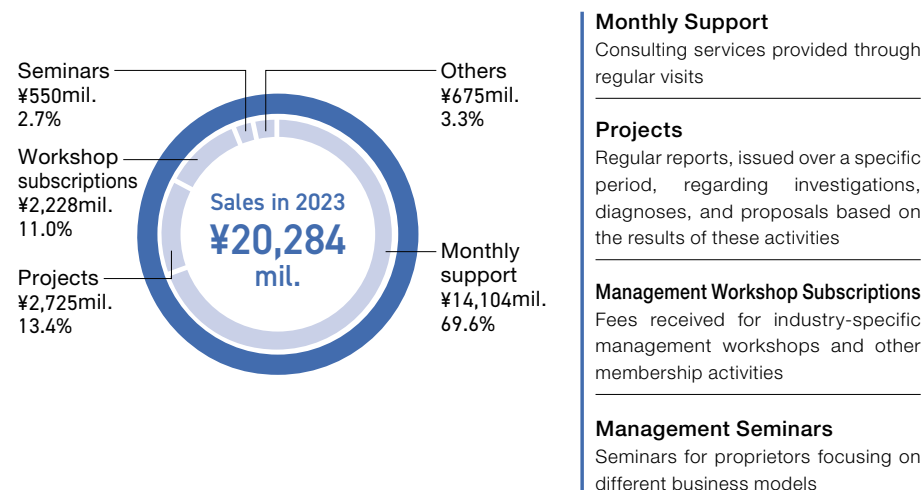
We established a new segment, digital solutions, in 2023 for more effective pursuit of our business strategy. In addition, Funai Soken Digital and Funai Soken IT Solutions were merged into Funai Consulting on April 1, 2024, to create a stronger, seamlessly integrated structure for delivery of digital solutions.



Portfolio Policy

To better concentrate our resources on businesses that can generate sustained returns in excess of cost of capital over the mid-to-long term, our portfolio is configured around businesses with earning potential and growth potential. We keep a careful watch on cost of capital as part of our process for establishing and publishing the group's management strategies and plans, and list target figures for sales, operating income, and ROE in the Mid-Range Business Plan.

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



Monthly Support

Consulting services provided through regular visits

Projects

Regular reports, issued over a specific period, regarding investigations, diagnoses, and proposals based on the results of these activities

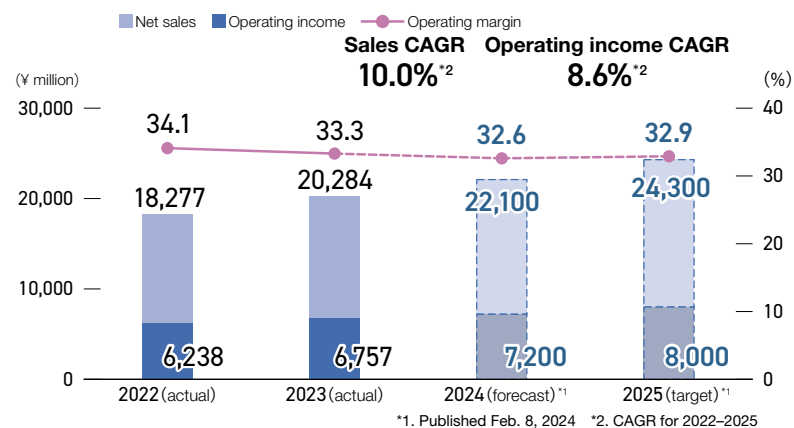
Management Workshop Subscriptions

Fees received for industry-specific management workshops and other membership activities

Management Seminars

Seminars for proprietors focusing on different business models

Sales & Operating Income



Current Business Climate

Swift Adoption of DX: Start Small and Grow Big

- Despite working with various industries, each with its own distinct feel for the state of the economy, we still managed to post record performance in 2023 in the consulting business. DX-solution-based consulting sales, in particular, grew more than 20% year-on-year for the second year running (see □ p.27) as more mid-scale and mid-SME clients undertook DX.
- As Japan's population declines, clients will face an accelerating shortage of DX-capable staff. We therefore expect growth in needs (i.e., potential clients) for service providers like us. Regarding DX, rather than throwing vast sums at the latest tools like larger corporations do, we believe mid-scale companies and SMEs should seek a competitive edge through swift adoption of DX, starting small and striving for growth, as this is a more effective way to boost business performance and can help close the disparity between larger and smaller companies.
- According to the government's 2024 *White Paper on Small and Medium Enterprises in Japan*, some 90% of SMEs are eager to invest, making institutional support for human capital investment, capital spending, M&A, public grants, and corporate revitalization all the more important.

Our Strengths

Using Our Industry-specific Expertise and DX to Help Clients Differentiate Themselves

Just as our consultants have the industry-specific and solution-specific expertise to deliver growth support to clients, DX solutions must also be industry-tailored to help clients set themselves apart. For instance, manufacturing clients need development, design, and production solutions; wholesale and retail clients need purchasing, procurement, and distribution solutions; and service industry clients need promotion, order acquisition, and individualized customer management solutions. Since 2022, we have catered to those needs with Growth Cloud, a business systems package based on industry-specific best practices.

Elsewhere, our pool of clients for online ad agency services—an essential tool for attracting consulting clients—is growing steadily (see □ p.35), and we are now capable of providing one-stop support for AI development.

Growth Strategies

Integration of Group Companies Generates Synergies that Underpin Clients' Successful DX

Incorporating the group's digital subsidiaries into Funai Consulting has strengthened teamwork among consultants and engineers, resulting in a seamless system for delivery of solutions. Consultants describe the required solutions directly to engineers, who can then accurately tailor the system to those needs. In this way, our cloud-based solutions (see □ p.35) and other digital service meet the precise needs of clients in an ever-expanding range of industries.

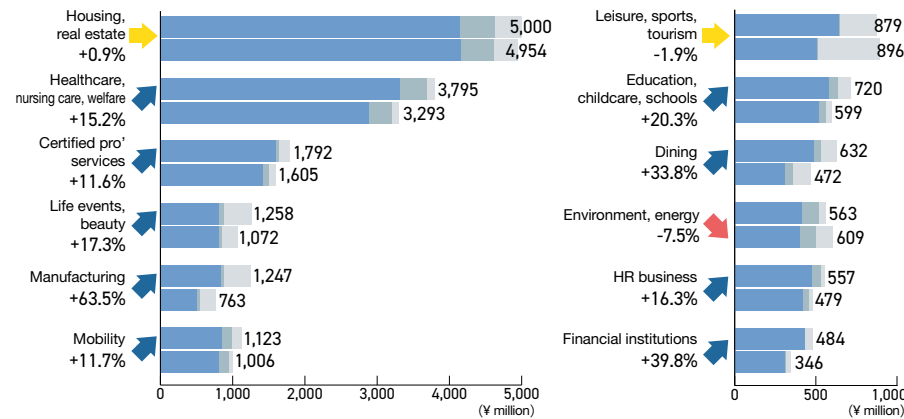
Through DX solutions, we aim to reach more mid-scale companies with Growth Cloud and Zoho, new business development, our new ¥10 Billion Roadmapping service, IPO and M&A support, and more. Moreover, we are leveraging the synergies created by the consolidation of various group companies into a single Tokyo Headquarters toward securing more orders and achieving sustainable growth.

1. A Closer Look at Our Markets (for Consulting and DX)

Core Business Solid, Digital Support Services Growing

Of the 12 top client industries served by our consulting business, healthcare, nursing care, and welfare grew sharply again this year, while in digitalization support, we also saw expansion in the manufacturing, life events, certified professional services, and housing and real estate industries. The 17.3% y-o-y growth in the life events and beauty segment included a large number of M&A brokerage contracts sales. Moving forward, we foresee growing demand for digitalization and business management support through portfolio review from clients in all industries currently struggling with inflation, labor shortages, and other issues.

- 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. 2023; lower bar: Jan. – Dec. 2022
 *Figures show sales of consulting contracts, management workshop subscriptions, and open seminar revenues, grouped in accordance with the company's industry classifications, for 2022 and 2023.

DX Solutions Consulting Market

We are working hard to claw back our slow start in this segment and capture the high demand for DX solutions among mid-scale companies and SMEs by leveraging our strengths in client management and sales and business process reform to create packages tailored for specific industries. To date, our solutions have been taken up by some 700 companies. 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.

2. DX Solution Consulting

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

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.

What's more, we have created our own package, Growth Cloud, which is available for Zoho and Kintone, as the ideal base to underpin clients' quests for sustainable growth.

Our 4 Most Popular DX Products		DX support* sales
1. Zoho	440 clients	Approx. ¥2 bil. per year Up 21.4% y-o-y
2. kintone	259 clients	
3. Cloud-based talent development (Sales Switch)	81 clients	
4. Cloud-based accounting	72 clients	

*Sales of DX consulting services

Growth Cloud's unique strength is that it distills the industry-specific expertise of 982 consultants and SaaS development skills of 103 engineers. As a result, we can offer clients a huge range of core and peripheral DX solutions to meet the specific needs of their particular industries, including CRM, SFA, ERP, and BI, as well as inventory and production management systems. We even have groupware and talent management solutions to drive workforce development and culture building.

Zoho: Proven by 280,000 Companies Worldwide

At Funai Consulting, Zoho is one of the main digital tools that we recommend to clients. We have a lot of tools at our disposal these days, but Zoho stands out among the crowd, not just because it is practical for businesses in all industries, but also because of its affordability (it was, after all, originally designed with SMEs in mind). Moreover, it is highly versatile—its no-code or low-code nature making it easily customizable—meaning clients can digitalize most of their work processes with Zoho. In other words, Zoho is ideal for people who are not highly trained experts in digital technologies, and means that even smaller-scale enterprises can have digitalized systems without being tied to specific staff or outside experts.

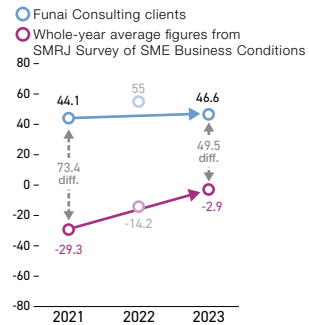
Our digital transformation consultants are already helping clients install and make full use of Zoho products.



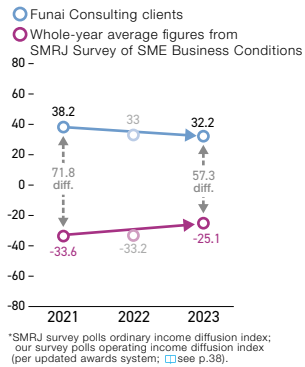
3. Clients' Business Climate

Performance of Growth-Oriented Firms and the Impact of External Factors

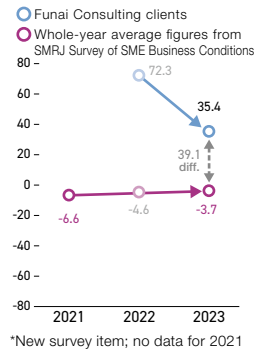
Sales Diffusion Index



Operating Income Diffusion Index



Employee Headcount Diffusion Index*



The graphs above compare our clients and Japanese SMEs in general in terms of the impact of factors such as post-Covid recovery, rising energy and material prices caused by global unrest, and turbulent exchange rates. The data for our clients come from responses to a survey of management workshop members and consulting clients. The sample size is approximately 2,300 companies (around 30% of our clientele); more than half of respondents have sales of less than ¥300 million, and more than 60% have fewer than 30 employees.

The blue line represents the diffusion index of our client companies' results; the purple line reflects the SMRJ's Survey of SME Business Conditions. Our clients' performance exceeds the national average in all three graphs, and although differences in survey methods make simple comparisons impossible, nonetheless we believe that this shows that growth-minded business proprietors are seeking us out even amid the challenging business climate.

However, when the results of Funai Consulting's Shacho Online White Paper survey are taken into account, we predict that even though SMEs posted improved performance in 2023, growth in sales and operating income could not keep pace with inflation and increasing wages.

The Japanese business environment in 2024 remains somewhat uncertain due to inflation caused by heightened geopolitical risks and wage increases, but tourism demand is expected to remain at record highs. As such, the keys that unlock growth for our clients will be addressing immediate challenges like pricing conundrums and labor shortages, and maintaining a business portfolio in tune with the current trends.

4. 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.

■ Chatbots Powered by Generative AI

We are thinking of using an AI chatbot on our website inquiries page to increase the number of valid inquiries while spending fewer man-hours on inquiry response. We believe that generative AI would make for a more effective chatbot. Is there such a chatbot that is suited to our industry and can produce results?

■ New Growth in an Existing Business

I'm looking to plot the future direction for my business, so I would appreciate advice from consultants with expertise in things like franchises and the areas we're looking to expand into.

■ Launching a New Business

We are looking to add to our medical care business with new departments and a dispensing pharmacy, and we need advice on things like location, facilities, business size, and current trends. We would also like to leverage online support to stand out from the competition. Can you help us with our business plan?

■ Help with IPO

After one of your seminars on restructuring to a holding company set-up, I am interested in listing on the Tokyo Pro Market and am looking for a J-Adviser to help. Given that Funai Consulting is a certified J-Adviser (per the TSE website) and you offer consulting services, I feel that your IPO support services may deliver the value I require. I want to know if you offer J-Adviser services with consulting included.

■ Help with M&A

I own several restaurants but I'm thinking of selling one that is not attracting enough customers. How long would it take and how much will it cost to offload it?

■ Industry-appropriate DX

We are talking about incorporating DX but we all have different perspectives, expertise, and qualifications. Far from setting out what needs to be done, we can't even decide on our ultimate goal for DX. We hope that through management consulting, we can first plot a DX roadmap and sort out the required tasks, and ultimately implement a system that depicts clear processes and gives us access to the data we need when we need it—can you help us with that? We would appreciate consultants who understand the ins and outs and parlance our industry.

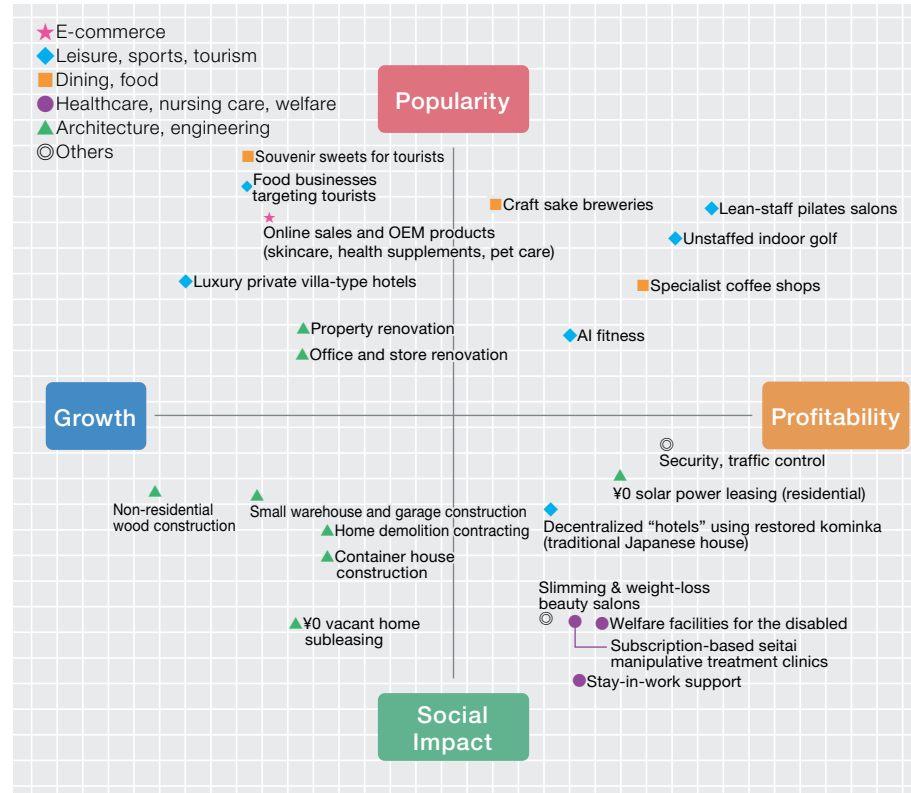
■ Replacing Existing Systems through DX

We are thinking of switching to CRM, SFA, and MA tools. We heard about Funai a trade show, and Zoho looks good to us but we want to know how it stacks up against other options, particularly in terms of Japanese-language support, completeness of data migration, and the time and costs involved.

5. New Business Exploration

New Business Exploration:

How Recent High-Buzz Businesses Relate to Each Other



New business models in the housing, real estate, and construction sectors include non-residential wood construction, ¥0 vacant home subleasing, home demolition contracting, and ¥0 solar power leasing (residential). Those in the healthcare, nursing care, and welfare sectors include slimming and weight-loss beauty salons and subscription-based seitai manipulative treatment clinics. In the area of rural and regional community revitalization sectors, our new business models in food businesses targeting tourists and lean-staff pilates salons, and decentralized "hotels" using restored kominka are the focus of much attention.

6. Services Designed to Propel Clients to ¥10 Billion Turnover

Services Designed to Propel Clients to ¥10 Billion 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 1.2% 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 18,000 have ¥10 billion or more.

Reaching ¥10 billion means joining the top 1%

Sales	Companies	%age of total
¥100+bil.	2,014	0.1%
¥30–100bil.	4,513	0.3%
¥10–30bil.	11,328	0.8%
¥3–10bil.	32,383	2.1%
¥1–3bil.	74,025	4.8%
¥100mil.–1bil.	532,126	34.8%
Less than ¥100mil.	873,294	57.1%
Total	1,529,683	100.0%

Source: Funai Consulting, based on data from Tokyo Shoko Research, Ltd.



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

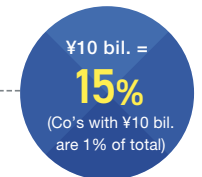
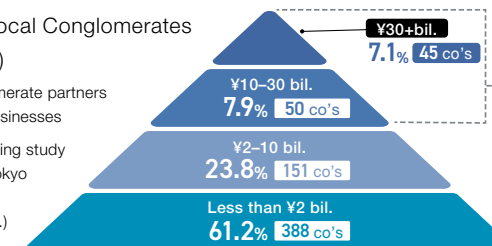
The Size of Local Conglomerates

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.)



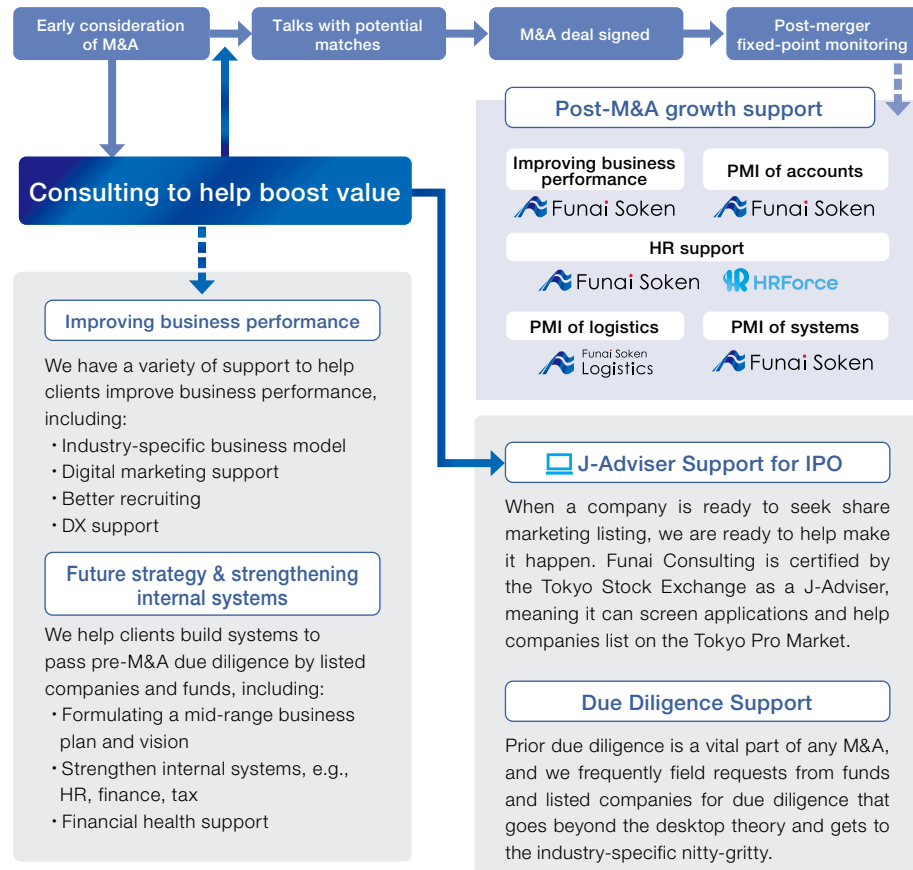
7. Expanding our Focus to Include Mid-scale Companies

M&A case studies (in Japanese)
<https://ma.funaisoken.co.jp/true-story/>



It's Not About the Sale; We're Committed to Clients' Growth—

One of the most common concerns facing proprietors is keeping the business going when they retire. Business owners want to know the “when” and “who with” to ensure the succession benefits their company, but the average brokerage just seeks to find a match and rack up the sale. In contrast, we work alongside proprietors to determine the most beneficial course of action. For instance, if the client would benefit by increasing corporate value before any M&A, we offer support for that first. And unlike many others, we have an extensive network of experts in specific industries to call on.



Our Strength: Post-merger Integration of Processes and Systems—

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.

Post-merger integration (PMI) is designed to realize the goals of the M&A and maximize the effects of integrating the participating businesses. The process generally has three stages: integration of management, integration of operations, and integration of philosophy.

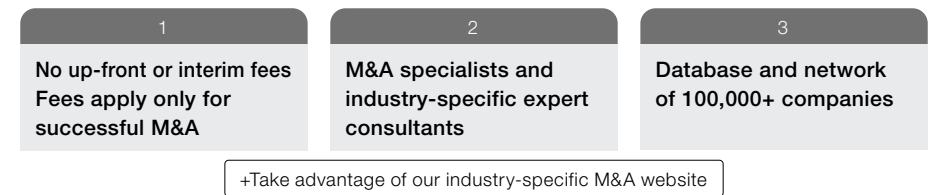
Funai Consulting's Industry-specific M&A

(Find out more at our M&A website: <https://ma.funaisoken.co.jp/industry/>) (in Japanese)

We have brokered M&As in multiple industries (listed below), matching companies based on compatibility and synergistic potential.

- Logistics & warehousing
- Rental property management & real estate brokerage
- Builders, renovation, and construction
- Construction & engineering
- Automobile sales & maintenance
- Manufacturing
- Healthcare & nursing care
- Pachinko
- Funeral services

What Makes Funai Consulting's M&A Brokerage So Good?—



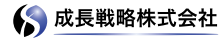
Mid-to-long-term Growth Strategy

(Recruiting & Professional Development Support)

- Currently boosting our advisor numbers to 60 through in-group recruiting and mid-career hires (21 advisors as of Jan. 2023; 40 as of Jan. 2024; aiming for 60+ in 2025–2026)
- Recruiting in-house via our “transit system,” in which employees can transfer to other departments if they wish, as well as a wide range of career plans (e.g., M&A, IPO, finance, industry-specific consulting)

8. Group Synergies

Seicho Senryaku Helps More Clients Access Larger Public Grants —



Seicho Senryaku in Brief

Seicho Senryaku, which joined the group as a subsidiary of Funai Consulting in January 2023, works alongside clients to help them access public grants. Since its inception, the company has facilitated 536 successful applications; in 2023, its success rate was 84.4%. It has a particularly strong track record with larger grants: the average amount of grants awarded to Seicho Senryaku's clients was ¥49.43 million in 2023.

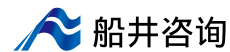
- Large-scale growth subsidies
- Business restructuring subsidies
- Manufacturing subsidies
- Energy subsidies
- Ownership succession subsidies

Outcomes and Outlook

Since joining the Funai Soken Consulting Group, Seicho Senryaku has proven to be closely aligned with Funai Consulting's operations, and now more than half of its orders are made up of client referrals from within this group. We hope to boost referrals even further through our ties with financial institutions, general contractors, and mercantile trading companies.



Expanding Our Consulting Services in Shanghai to Target the Dental Practice Market



Funai Consulting Shanghai Inc. (consulting)
Adapting the Funai Soken Group's expertise to provide industry-specific consulting services in the Chinese market

Building on Expertise in the Chinese Dining Industry to Consult for the Local Dental Industry

Funai Consulting Shanghai was spun out from Funai Consulting in 2012. The company has heretofore focused on growth support for the local dining industry through management consulting and support for opening new locations.

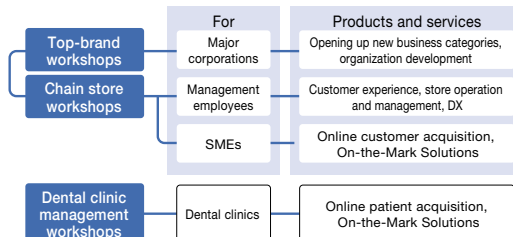
Following the Covid recession and post-Covid bounce-back, 2024 has seen the dining industry settle into a mature phase. We are helping clients seek sustainable growth through business model reform and development of new business categories.

Meanwhile, we have expanded the scope of our Chinese operations to include the growing dental clinic market, offering industry-specific consulting services such as management workshops tailored to the dental business.



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



The Customer Experience Consulting Experts



Proseed joined the Funai Soken Consulting Group in 2015 and undertook a restructuring in 2024 to maximize synergies throughout the group.

Three COPC-based Services

1. COPC Certification Support

Proseed helps companies obtain COPC, a management standard certification operated by COPC Inc. (formerly Customer Operations Performance Center Inc.) in the US, which is increasingly popular among large corporations and financial institutions seeking an objective evaluation of contact center quality.

2. Management Training for Contact Centers

Proseed offers training and certification for individuals based on world-recognized customer center and service center management standards such as COPC, KCS, and ICXS.

3. Consulting for Customer Experience Improvements

Expert consultants monitor clients' contact center operations in comparison to the latest COPC standards and identify needed improvements where management practices are impacting customer experience, service quality, productivity, costs, and timeliness.

New Workshop and Partner Sales Channels Office

Proseed launched a new workshop in 2023, the Finance Contact Center Summit, which facilitates the exchange of information through panel discussions, and has already attracted a large attendance. Following this, in 2024, the company launched a Sales Planning Office to reinforce partner sales channels.



Strategy & Outlook for Ongoing Expansion

Proseed will continue to promote partner channel sales as a means of attracting new customers, and aims to further expand its three COPC-based services through better seminars and bespoke workshops.



Inquiries Quadrupled Within Six Months of Adopting Zoho— Manufacturing Client Attracts Attention of Growing Sectors

Client Interview

Pivot from In-person Visits to Online Sales

We are based in Higashiosaka City, and our “fasteners that do not loosen” have earned the trust of railways and infrastructure builders nationwide, including the Shinkansen “bullet train” and the Seto Ohashi bridge. Covid dealt a major blow to our business; previously, we relied on in-person contact at eight annual trade shows to attract customers, but these were all cancelled during pandemic, severely curtailing our ability to conduct sales. However, we saw this as an opportunity amid hardship, and decided to switch to online sales.

Adopting Zoho Manufacturing Growth Cloud

We implemented Zoho to establish a structure for our online sales, integrate customer information, get a clear picture of customers’ needs and our sales practices, and improve productivity. With Funai Consulting’s support, we incorporated the Zoho module designed for the manufacturing industry into our processes, and immediately quadrupled inquiries in just six months—not just from our mainstay railway and infrastructure industries, but also from growing industries such as robotics. Zoho’s marketing automation provides customer information as electronic data, which has made new customer acquisition more effective, while also providing a clear

picture of sales staff performance, improving productivity and making sales management much simpler.

Zoho CRM Presents a Clear Picture of Customer Needs

Most impressive of all is Zoho—never have we had such a clear understanding of customers’ needs. This is perhaps the greatest success of our overall efforts at DX in customer outreach. For instance, we allow customers to download CAD drawings of our fasteners, which are labeled by size, e.g., M5 is approximately 5 mm in diameter, M10 10 mm, and so on. If a customer that always uses M5 downloads something larger, such as M20, it suggests they may be developing a new product,

and our salespeople can then approach the customer knowing there is potential for new needs that we may capture. Before we had Zoho, we had no means of gauging customer behavior in this way and proactively offering solutions, so from our point of view, Zoho CRM’s visual depiction of potential needs was revolutionary.

But Zoho Manufacturing Growth Cloud does more than just highlight new needs; it offers a wide range of functions to make sales processes easier, such as inquiry management and client approach management. We intend to leverage these features and more to pursue DX of our customer outreach processes.



Masahiko Wakabayashi

Representative director
Hardlock Industry Co., Ltd.

Support Provided, Outcomes Achieved

Challenges Faced	Solutions Implemented	Benefits
<p>Overreliance on in-person face-time at trade shows for new customer acquisition</p> <p>Excel-based CRM and sales management: poor visualization of customer needs, sales management difficulties</p>	<p>Zoho Manufacturing Growth Cloud</p>	<ul style="list-style-type: none"> • Zoho CRM helped integrate customer information and visualize needs • Marketing automation helped establish online sales structure • SFA created a clear picture of sales staff performance and improved productivity • Inquiries quadrupled within six months of adopting Zoho. Client now gets many new inquiries from growth sectors (e.g., robotics)

Client Company Overview



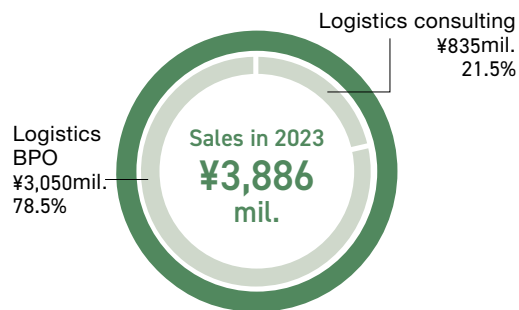
Name: Hardlock Industry Co., Ltd.

Incorporated: Apr. 1974

Employees: 90 (as of Jun. 2023)

Business: Development, manufacture, and sales of anti-loosening fasteners

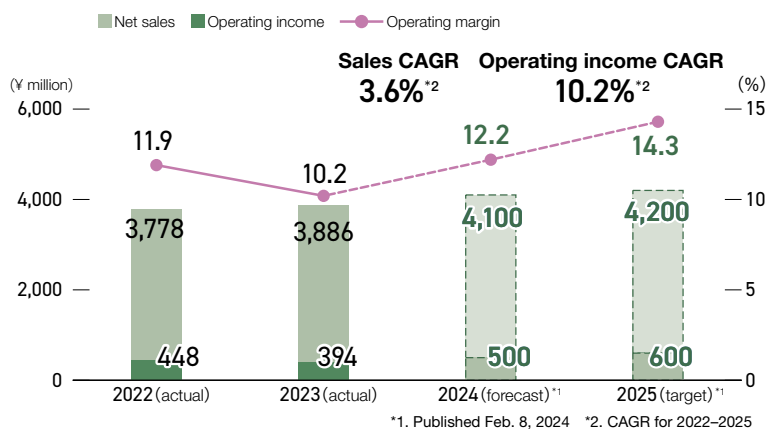
Main Service Categories (Amts. and Share of External Sales)



Logistics Consulting
Helping clients reduce logistics costs

Logistics BPO
Helping clients reduce purchasing costs through logistics services performed on behalf of clients, joint purchasing, etc.

Sales & Operating Income



Current Business Climate

Regulatory Changes Coming in 2024 Make Improved Productivity through DX Vital

Logistics costs are being thrust ever upwards by rising recruitment and labor costs caused by declining birthrates and aging populations, labor shortages, and changes to labor laws. Not only is there demand for higher productivity using AI, robots, and other DX, but driver shortages are about to squeeze shippers' ability to carry freight, meaning we need to reset the relationship between logistics companies and those wanting to move goods.

As the Japanese market continues to shrink, more companies are looking to forge overseas sales channels and improve logistics, and demand for Scope 3 level climate change action is rising.

Our Strengths

Support for Both Sides of the Logistics Equation; Unique Platform of Proprietors & Execs

Funai Soken Logistics is one of Japan's largest consulting firms for the logistics sector, offering comprehensive support from initial strategy planning to implementation and beyond. Unlike most logistics consulting firms, Funai Soken Logistics is an objective third party offering support for both shippers and logistics companies. This means that the company's consultants leverage their expertise in ESG, BCP, and other solutions to the industry's complex challenges for the benefit of both sides of the logistics equation as they seek to alleviate one of society's most pressing issues.

In keeping with its origins as a former division of Funai Consulting, Funai Soken Logistics holds seminars on the industry's timely topics, and attendance has already exceeded 10,000. Its consultants also speak at different training and lectures, and the company publishes books and white papers. Moreover, the company has its own platform of more than 300 business proprietors, executives, and managers, which it uses to promote management workshops.

Growth Strategies

Focus on DX Support and Logistics Consulting

The main pillars of our strategy in the logistics consulting space are DX and innovation of logistics. We will deliver strategic value to help both shippers and logistics companies achieve sustainable growth.

- Zoho-based Growth Cloud tool for DX tailored to help logistics companies save labor and improve productivity
- ESG logistics consulting (esp. on decarbonization and other environmental issues)
- Helping shippers innovate (e.g., premises location and design, addressing labor challenges)
- Helping logistics companies strengthen labor and recruitment to alleviate driver and other labor shortages

Logistics Growth Cloud: DX for the Recruiting and Sales Needs of Logistics Companies

Growth Cloud Helps Boost Inquiries, Orders, Job Applicants, and Hires



Growth Cloud's real-time inquiry response chatbot helps turn inquiries into prospects, while the email distribution and scoring functions promote efficient nurturing of customers and prospects, raising the potential for increased orders. Meanwhile, the sales management function and dashboard allow for real-time monitoring of sales performance, enabling swifter strategic decision making.

Why Cloud-based Sales Management for Logistics? Why Now?

Logistics Growth Cloud addresses the very real concerns of the logistics industry—e.g., pricing, terms, and labor shortages—while boosting sales capabilities and mitigating business risks. It is an effective way for logistics companies to be more competitive and seek sustainable growth.



Junpei Shibata
DX Management Group
Funai Soken Logistics Inc.

Client Interview



Yoshihiro Kawaguchi
President
Sanwalogi, Ltd.



Name: Sanwalogi, Ltd.
Incorporated: May 1958
Employees: 173 (as of Aug. 2023)
Business: Transportation, warehousing, packing services, sale of construction and civil engineering materials

100 New Inquiries in Six Months! Growth Cloud Leads to Greater Sales Team Efficiency, More Orders, Higher Customer Satisfaction

My first task upon becoming president in 2021 was to ditch our existing low-profit set up. I engaged Funai Soken Logistics to help us negotiate better freight rates and build a sales and marketing structure. Negotiating with clear data on our costs, track record, and work environment improvements helped raise freight carriage revenue by around ¥50 million a year, our driver dispatcher now doubles as a sales rep, and our revamped, SEO-primed website attracted some 100 inquiries within six months.

Moreover, having a fee schedule and automated price quote function on our

website has sped up the process, while new in-house systems enable staff to stay on top of orders and ensure customer information management is integrated. We have also introduced a “sales playbook” that enables even inexperienced salespeople to pursue leads, thus alleviating the concentration of sales abilities in a few people.

Now we can look forward to new developments: new HQ and driver rest-stop locations, plans for stronger recruiting of high school and college graduates.

Fee schedule and automated price quote function



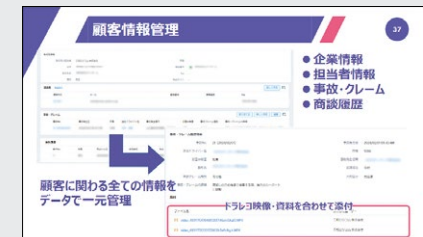
Enabling price quotes online encourages people to make contact

Website's chatbot function



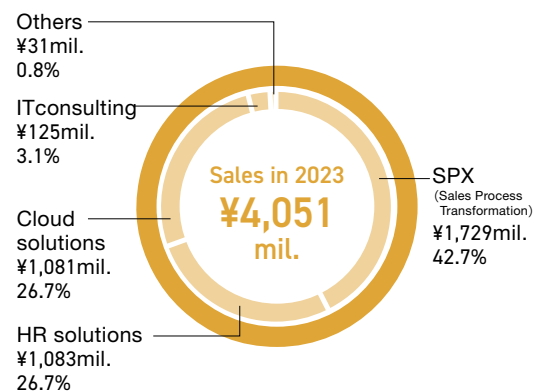
Roughly half of inquiries originate from chatbot interactions

Customer information management screen



Identify past contact points → Greater sales team efficiency, more orders, higher customer satisfaction

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



Sales Process Transformation (SPX)

SPX and online ad agency services with a focus on digital marketing

HR Solutions

Recruiting Cloud (AI-powered recruiting service), HR tech

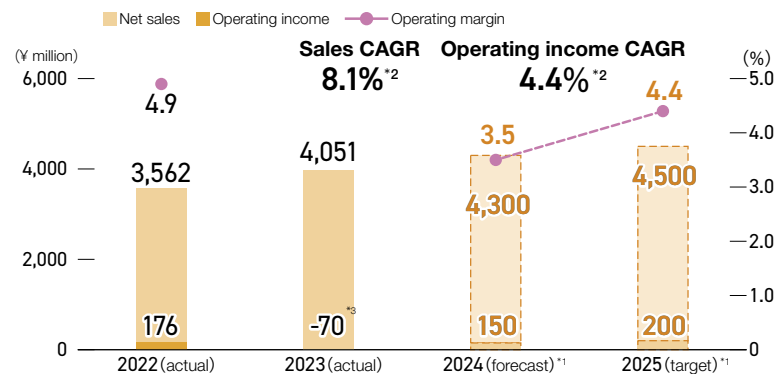
Cloud-based Solutions

Cloud development and operations

IT Consulting

IT consulting for back office transformation through work process improvements and digitalization

Sales & Operating Income



^{*1}. Published Feb. 8, 2024

^{*2}. CAGR for 2022–2025

^{*3}. Revenue was up in 2023 based on solid sales of cloud-based solutions and online ad agency services. However, upfront investments in hiring to secure engineers and other staff led to a net operating loss.

^{*4}. Re. 2023–2025 segmentation: Funai Soken Digital, which was included in the digital solutions segment, merged with Funai Consulting and Funai Soken IT Solutions on April 1, 2024, becoming Funai Soken Consulting, Inc.

Current Business Climate

Growing Demand for Digital Marketing and HR Solutions

The digital solutions business exists in a highly dynamic environment of rapid technological innovation and social change, and we find there is increasing demand for digital marketing and HR solutions from companies concerned about the sustainability of their businesses. Consequently, demand for our online ad agency services remains high, and by consulting for clients from the early planning stages, we can help clients achieve their marketing goals.

Meanwhile, the HR market continues to grow, and is increasingly filled with media and services. As competition increases, companies need to offer unique value to stand out from the crowd. These factors are driving the growth in our digital solutions business.

Our Strengths

Unique Services and Consulting Capabilities

In the digital solutions business, our chief strength lies in our ability to place ads for clients that contribute to their business plans. We aim to add real value—not just higher click rates but actual conversions into product and service inquiries. In the HR solution business, we use our proprietary Recruiting Cloud management system to optimize help wanted ad placements. Indeed, this effectiveness of placements and unique ad design set us apart from a crowded marketplace. Thus, our strength lies in our high-quality, highly effective consulting services, which are tailored to help clients achieve their marketing goals.

Growth Strategies

Maximizing Group Synergies for Growth

Our strategy for growth in the digital solutions business is to maximize synergies among group companies. For instance, we are harnessing Recruiting Cloud to generate growth throughout the group. One example is the comprehensive solution packages combining Funai Consulting's industry-specific consulting and HR Force's services aimed at meeting needs for recruitment process outsourcing, thus helping our mid-scale and SME clients boost their recruiting capabilities. Meanwhile, in the cloud solutions business, we are harnessing our enhanced sales capabilities (thanks to the incorporation of the group's digital subsidiaries into Funai Consulting) to seek sustainable growth.

Standing Out from the Crowd with Online Ads, Market-sourced and Proprietary HR Solutions

SPX & Online Ad Agency Services Remain Strong

Ad Placement Fees up 14.4% in 2023, Now Make up 5% of Consolidated Net Sales

In addition to traditional strengths in marketing consulting, Funai Consulting's consultants also leverage their expertise in specific industries and solution categories to advise clients on websites, online advertising, and SEO. Online ad placement (e.g., on search engines, news portals, video sites, apps) was particularly successful in 2023: placement fees were up by ¥1.3 billion year-on-year and now represent almost 5% of the group's consolidated net sales.

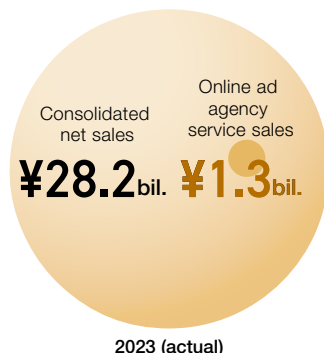
Web Ads to Complement Growth-oriented Business Plans

We stand out in a crowded ad placement market because our consultants are able to tailor ads to suit each client's specific business plans based on deep knowledge of their growth phase and performance.

A Majority Share of the Market for Small-spend Ads

Most ad agencies dislike ads with a total spend of less than ¥500,000 a month. Not only are the commissions small, it's also hard to make a profit from them. Our advantage is that we are able to combine ad placement with consulting services, and that's why we love small-spend ads.

In fact, one of our clients has improved their business performance so much as a result of our consulting services that their monthly advertising spend has gone from ¥280,000 to ¥500,000 over the past five years.



HR Force's Recruiting Cloud Marketing Tool Is Now Linked with Indeed PLUS

Why Recruiters Prefer Recruiting Cloud

Recruiting Cloud, the recruiting-oriented marketing tool developed by HR Force with ad placement fees starting at ¥0, has been adopted by more than 7,500 companies nationwide.

Clients simply enter the job details and the AI does the rest, automatically selecting the most suitable media and placing the ad. Some have reported that Recruiting Cloud has reduced their average cost-per-hire by two thirds.

With a carefully curated network of over 150 media to choose from, including major job sites like Indeed and Kyujin Box, Recruiting Cloud ensures ads are shown in the optimal places.



Tie-up with Indeed PLUS

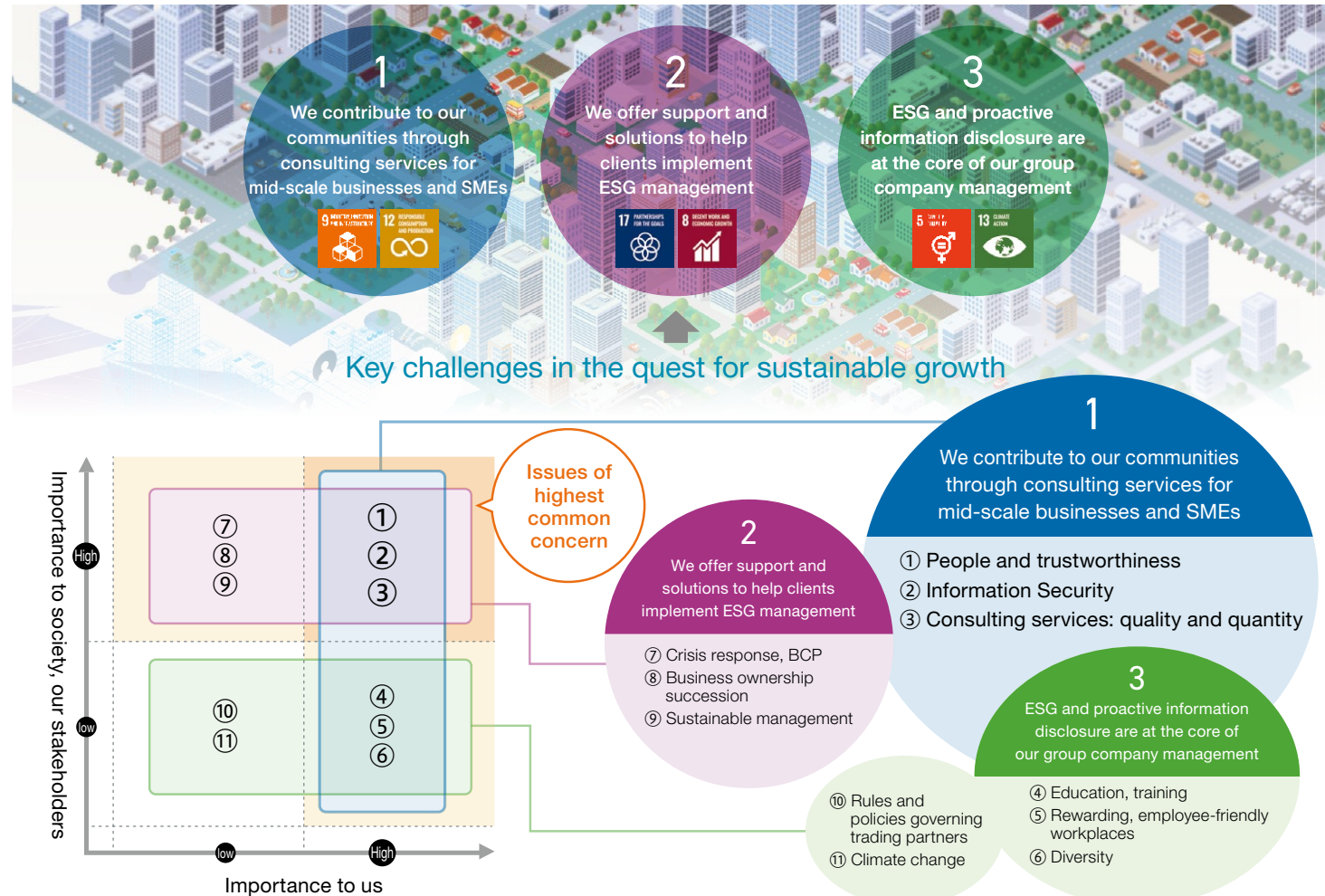
Starting in March 2024, Recruiting Cloud is linked with Indeed PLUS, the job posting platform run by Indeed. Now clients can list their ads on Indeed PLUS via Recruiting Cloud.

Ads are posted to sites linked to Indeed PLUS that Indeed deems appropriate in light of the position advertised and its requirements, as well as current view and application numbers. Ads may be posted on a single media rather than multiple sites, and are subject to Indeed's terms of use, posting criteria, and restrictions.



We use sustainability index scores and external assessments of our ESG and investor relations initiatives to gauge what society expects of us and to measure the success of our initiatives, and make whatever improvements are needed. Through an ongoing PDCA cycle, we aim to provide ever better information in formats that enable comparison with others to promote greater understanding of the group's business.

Creating Value Together to Help Address Today's Challenges: High-materiality Issues



The Contribution of Non-financial Capital to Sustainable Growth

Human Capital

KPIs and investment to boost human capital

See non-financial highlights on p. 14

Sustainability and ESG

Further expansion of integrated report, TCFD compliance

See TCFD disclosures on p. 46

ESG Information Disclosure

MSCI Rating

Rating rose from BB in 2022 to BBB in 2023 due to improved information security

CSA Rating

Rose from below average in 2022 (did not respond) to 70th percentile (top 30 ranking) of the professional services industry in 2023

Ongoing Initiatives

The Sustainability Committee, which is chaired by an outside director, will continue to share information on non-financial capital and discuss ways to strengthen human capital and other resources.



Sustainable Growth Company Awards 2024

Contributing to Society by Rewarding Outstanding Businesses

The Sustainable Growth Company Awards are just one of the ways we at the Funai Soken Consulting Group endeavor to contribute to the greater good. The awards began in 2010 as the Great Company Awards, and have been renamed the Sustainable Growth Company Awards in 2024 to mark our fifteenth year of rewarding outstanding businesses.

What Are the Sustainable Growth Company Awards?

Client companies that achieve sustainable growth and strive to benefit communities, industries, societies, and nations are selected to compete in the Sustainable Growth Company Awards. The awards are intended as a means of support for the sound development of those deemed likely to make notable contributions to the community make a positive contribution to the advancement of society.

For the 2024 awards, 22 companies deemed to best embody the award criteria were nominated from a pool of 11,800, and following rigorous screening, 11 particularly outstanding companies were selected as winners.



The 2024 Sustainable Growth Company Awards winners

2024 Sustainable Growth Company Awards

Sustainable Growth Company Awards Grand Prize	The Monogatari Corporation	The one company judged most outstanding of all nominees
Special Prizes Awarded by the Judging Panel		
Best M&A or business ownership succession	Wellbin Group Co., Ltd.	For the company whose strategic M&A or business ownership succession had the greatest impact
Best IPO	Genda Inc.	For the company who undertook an IPO (in the immediate or preceding business year) and established the organizational and governance structures needed for sustainable growth
Best Overseas Expansion	Oishes Co., Ltd.	For the company that expanded their business overseas, and whose overseas business has had a significant impact on sustainable growth
Public Interest Sector Contribution	Nara Medical University	For the non-profit organization that best contributes to the greater good of society
Other Awards		
Digital Impact Award	Elitz Holdings Co., Ltd.	For the company whose DX has had the greatest impact on improving business performance, including sales, cost reductions, and productivity
Unique Business Model Award	Being Holdings Co., Ltd.	For the company whose unique business model provides a clear competitive advantage and sustainable growth potential
Customer Delight Award	MBS Medical Corporation	For the company whose solutions to customers' challenges lead to high customer satisfaction (delight!) and consequently sustainable growth
Employee Engagement Award	Tear Co., Ltd.	For the company with the highest employee engagement (with both company and work), and which is deemed likely to achieve sustainable growth through human capital management
Social Contribution Award	Wonder Storage Holdings	For the company that achieves sustainable growth by using its business as a vehicle to help its community, or society as a whole, overcome challenges
Business Growth Award	Inter Action Corp.	For the company with high growth, profitability, and productivity, and which is deemed likely to achieve sustainable growth

Basic Approach to Human Capital

Our Basic Policy on Human Capital

The Thinking Behind the Policy

We at the Funai Soken Consulting Group recognize the importance of people as the very means by which we create value as part of the global effort toward sustainability. To that end, attracting and retaining talented people is a top priority in our quest to deliver real value to the world.

Our Basic Policy on Human Resources: Six Themes & Actions

1	Diversity & Inclusion Helping women forge meaningful careers, hiring non-Japanese, and encouraging men to take childcare leave, etc.
2	Creating Opportunities for Growth Systematized, accelerated development for recent graduates and inexperienced employees, e.g., rank-specific training, on-site training, OJT
3	Better Employee Engagement One-on-one meetings with dedicated HR dept., engagement surveys, direct dialogue with management at town hall meetings, etc.
4	Healthy Management  Aiming for quality working practices through work monitoring, workload leveling, Health and Safety Committee meetings, wellbeing initiatives, etc.
5	Transparency Regarding Human Resource Initiatives Expand disclosure of human capital initiatives and data through integrated reports and sustainability website
6	Compliance Compliance with relevant laws and regulations; timely, appropriate action

Our Human Capital Management Framework

Relevance to Mid-Range Business Plan Priorities

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.

Mid-Range Business Plan Priorities

Enhance human capital, one of the group's key growth drivers, through aggressive human capital investment and ingraining of the Group Purpose

The relevant in-house departments pursue hiring, development, and retention policies in accordance with the Funai Soken Consulting Group Basic Policy on Human Resources and the Mid-Range Business Plan (2023-2025). The progress of the various group companies' initiatives is shared at group HR reviews and Executive Committee meetings, and reported to the Board of Directors as necessary.

We are currently establishing clear standards for "employee ideals," and discussing ways our organization can best secure, develop, and retain talent, and leverage their skills to maximum effect.

Human Capital Management Framework



Major Topics Relating to Human Capital

Enhancing human capital

- Group employee numbers, attrition rate, hiring, retention, development
- Women in management positions
- Hiring of people with disabilities
- Operation of own recruitment media
- Hours invested in education and training

Worker-friendly work environment

- Monitoring and employee training to prevent harassment
- Access to industrial physician
- Meetings between group management and unions
- Uptake of health check-ups
- Overtime hours, overtime wages paid...and more!

Basic Approach to Human Capital

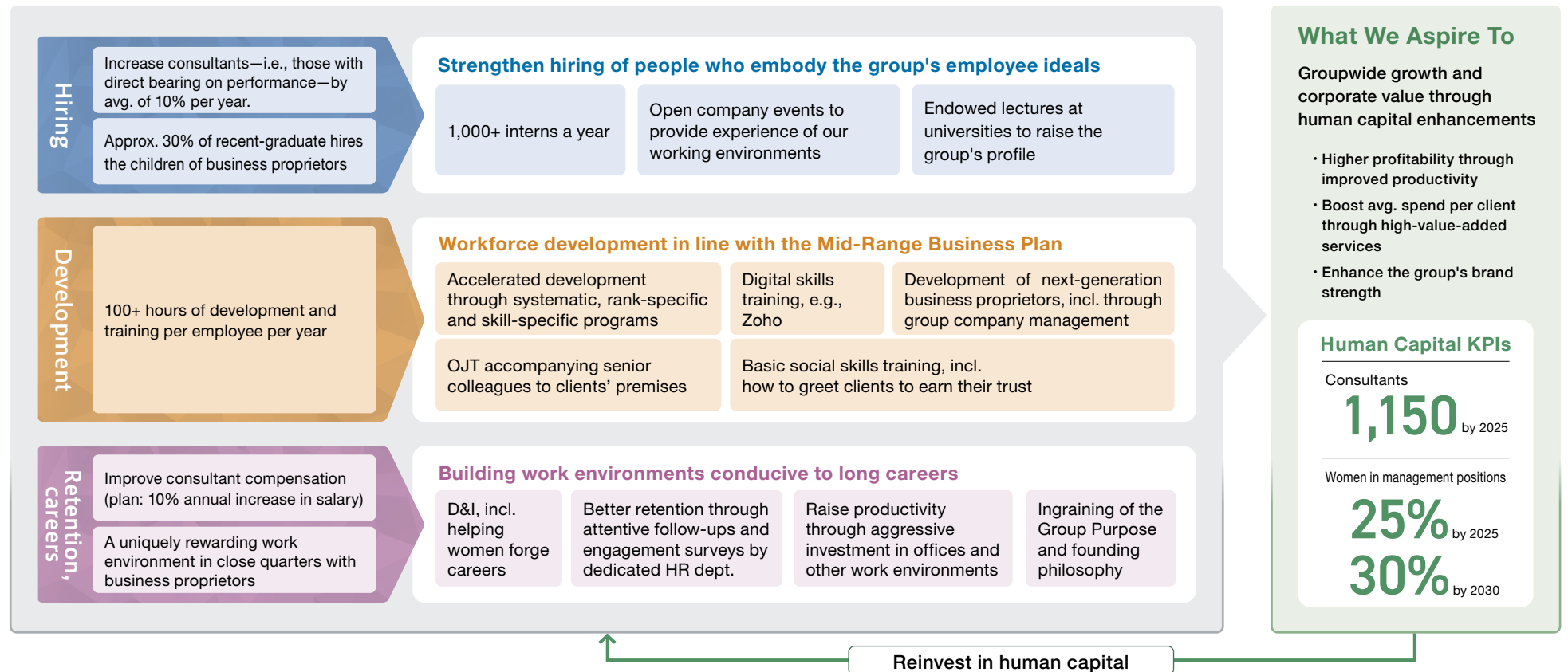
Our Approach to Human Capital Management

Our Approach to Human Capital Management

A fine balance of corporate growth and employee growth

- Our Basic Policy on Human Resources states that we see all our people, consultants and otherwise, as human capital and the very means by which we create value.
- Aggressive investment in human resources is a priority under our Mid-Range Business Plan. We aim for sustainable growth through investment in hiring, development, retention, and working environments.

Major Human Capital Initiatives



Human Capital: Hiring

Our Approach to Hiring

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.

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 for upstream processes, 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.



Major Initiatives

Recent Graduates

In addition to industry-specific recruiting, we also hold whole-group hiring events and offer internships (featuring workshops and forums) to approach students early on. In doing so, we endeavor to recruit a broader range of talent.



Internships

The Funai Soken Consulting Group offers internships for prospective new-graduate hires.

Since 2012, we have offered two kinds of internship: short (three days or one week) and long (three months or more). These allow students about to begin their job search a real understanding of our work and the workplace atmosphere.



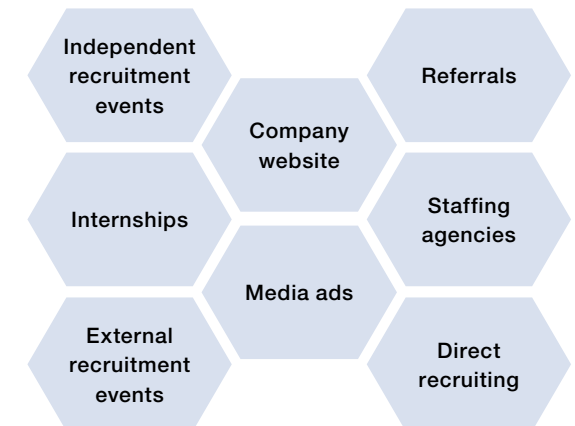
Mid-Career Hires

We seek to secure more diverse talent through broader recruitment channels and streamlined screening processes. Hiring professionals with skills in areas like DX or M&A is a particular focus given that our ability to attract such staff has a direct bearing on the bottom line, and we have launched a dedicated recruitment webpage for this purpose.



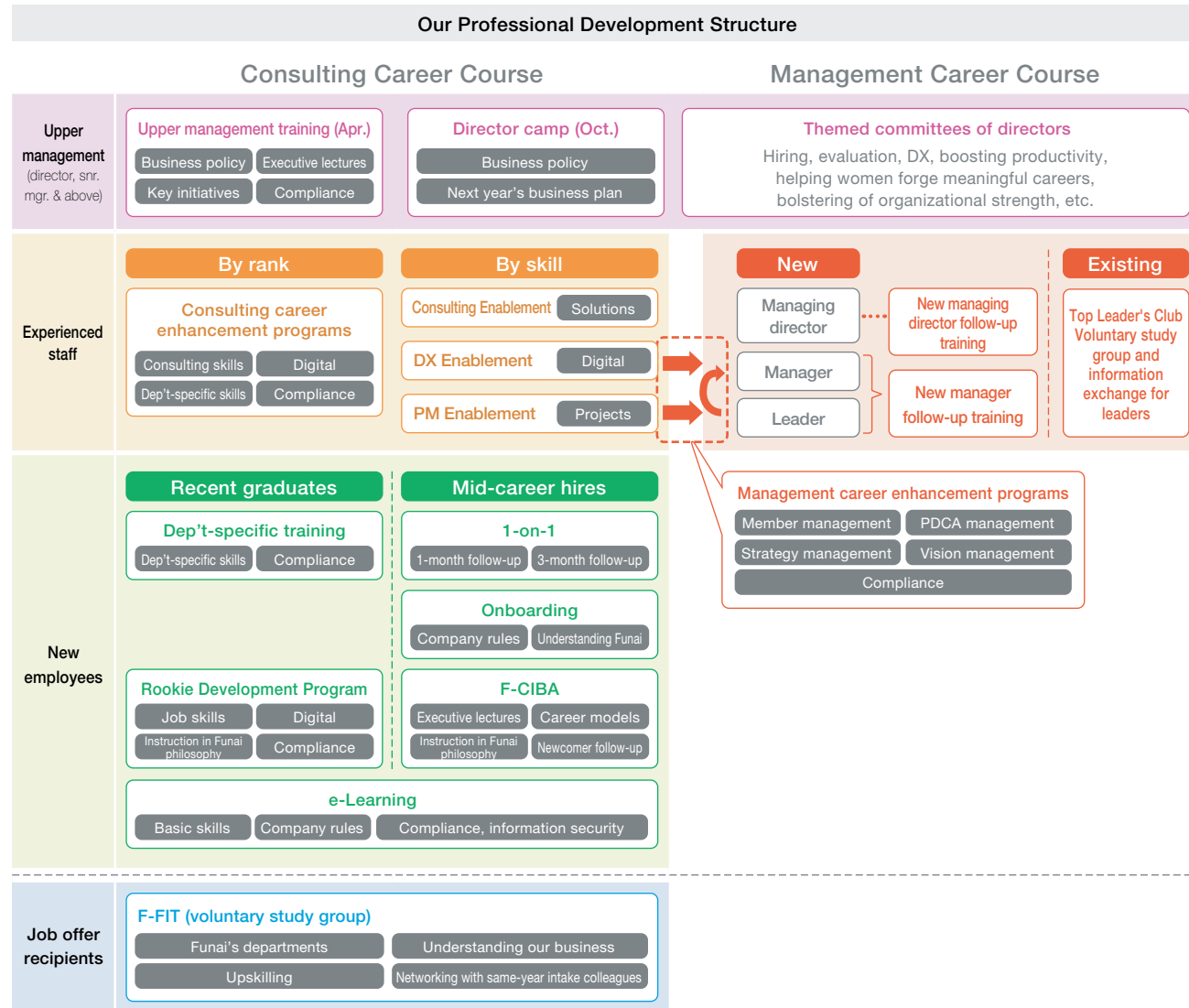
*Our target for 2030 is 50%

Making Use of Various Recruitment Channels



Human Capital: Development

Development



Our Basic Policy on Human Resources stipulates creation of opportunities for growth, and we are committed to maintaining an extensive, robust training regime to arm our workforce with the skills to drive the innovation the times demand. 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.

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 themes. Our focus is on having the right skills at the right time, instilled through practical work based on real examples rather than theory alone.

In the consulting segment, we list 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.

Human Capital: Development

Development

OJT Accompanying Senior Colleagues on Sales Calls

In addition to extensive training programs, we place a particular focus on on-the-job training—especially accompanying senior colleagues on sales calls. Having first-year employees experience sales calls instils practical knowledge of the key points and skills.

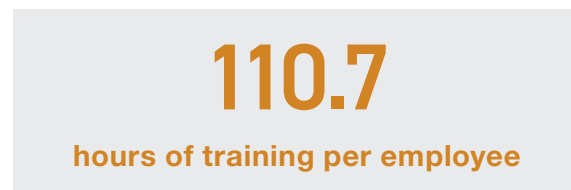


A Day in the Life of a Funai Soken Consultant 2022.[Video].
YouTube:<https://www.youtube.com/embed/5IHv8uW6AU>

On-site Training

We know that for consultants to deliver real support to clients, they must have a genuine feel for the clients' work. That's why on-site training is a vital part of our workforce development.

Working alongside clients as if one of their employees enables consultants to acquire necessary knowledge and skills first hand, thereby improving the quality of our consulting services, such as identifying and sorting management problems and coming up with solutions.



*The sum of time spent on activities we categorize as training divided by the group's consolidated employee headcount.

Developing New Businesses to Deliver New Solutions

New Business Pitch Contest

Our business involves much more than just consultants offering support. In our quest to expand our solutions, we hold an annual pitch contest of ideas for new businesses. The winners are those judged to have a business plan with the potential to produce a certain level of profit and generate synergies with the group's existing operations. Numerous winning pitches have since been incorporated into our lineup of services.

Solutions that Emerged from the New Business Pitch Contest

Shacho Online

Shacho Online is a platform dedicated to helping owner-operator enterprises nationwide improve business performance.

It is designed to help proprietors boost business performance and seek personal growth and success by delivering cutting-edge management information and insights relevant to mid-scale companies and SMEs.



<https://media.funaisoken.co.jp/>

CPA Selection

CPA Selection matches companies with high-level tax accountants. As a company grows, the services required from its tax accountant evolve to include advanced tax strategies, improved accounting, fundraising, and succession planning. CPA Selection seeks to match companies with the right CPAs for their current situation, thereby encouraging business growth.



<https://zeirisi-selection.funaisoken.co.jp/>

Human Capital: Retention

Diversity & Inclusion

Helping Women Forge Meaningful Careers

We recognize the importance of a diverse workforce to our quest for value creation. To that end, we have a variety of initiatives in place to help women forge meaningful careers.

In 2023, women made up 37.7% of the consolidated group's workforce.

Female employees (groupwide)

37.7%

*Our target for 2030 is 40%

Major Initiatives

Better Workplace Environment and Systems

- HR framework and career enhancement program designed to increase women in management
- 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

Promoting and Embedding Diversity

- "L-Star" certified as a proactive provider of career opportunities for women (Funai Consulting 2 stars)
- Female Talent Empowerment Committee (strategies and initiatives led by department heads)
- Post-childcare-leave Reboarding Programs (ensuring staff on childcare leave are get back up to speed by the time they return)

Harnessing the Business's Unique Characteristics

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

Major Initiatives

Career Navigator Café

Funai Consulting's Career Navigator Café is a triannual in-house training program in which role model female employees share their experiences in career development with their first-year and second-year colleagues, and participants can workshop career and life planning strategies.



Encouraging Uptake of Childcare Leave by Male Employees

We are endeavoring to build an environment that encourages male employees to take childcare leave. Male uptake of childcare leave in 2023 was 68.6%.

Uptake of childcare leave by male employees (groupwide)

68.6%

*Uptake of childcare leave and post-leave return to work were both 100% among female employees.

Targets and KPIs

In keeping with our belief that our people are the true drivers of our growth, our Mid-Range Business Plan (2023-2025) stipulates three targets: a total workforce of 1,800 (including 1,150 consultants); at least 25% of management positions groupwide held by women; and sustaining a majority of outside directors on the board.

In 2023, women held 34.6% of management positions at Funai Soken Holdings, and 22.7% across the whole Funai Soken Consulting Group.

Management positions held by women (groupwide)

22.7%

*Our target for 2025 is 25%, and for 2030 is 30%

Close Communication with the Labor Union

Employees of Funai Soken Holdings, Funai Consulting, Proseed, Funai Soken Logistics, and HR Force have formed a labor union. Union members from each of those companies are elected to an executive board.

Group management and union representatives meet monthly to maintain communication between company and union. Meeting minutes are shared with union members to keep them informed of what was discussed.

Human Rights Education

Basic Policy on Human Rights

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.

Human Capital: Retention

Ingraining the Group Purpose

Town Hall Meetings

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 to answer their questions about it.



Improving Our Employee Value Proposition

Better Communication Through Regular 1-on-1 Meetings

Funai Consulting, via its Employment Success Divisional Headquarters, holds regular one-on-one interviews with consultants. Having an objective third-party listen to their views and concerns is more conducive to improving motivation and support for individuals' career planning.

600+
1-on-1 meetings (Funai Consulting)

Promoting a Distinct Group Culture

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 to gather and greet arriving colleagues—a bright and cheery start to the working day.



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, tour the Founder's Memorial Museum, and spread the word among our organization.



Family Day

We held a Family Day to let the group's employees and their families get to know our new premises. The event was a tremendous success, with some 590 visitors.



Hometown Groups

Because our workforce comprises people from all around Japan, informal "hometown groups" of people from the same prefecture are an effective way of promoting communication and team spirit outside of hierarchical and departmental demarcations. The hometown groups have already proved successful, with some 600 employees taking part.



In-house IR Meetings

We recently held our inaugural IR meeting for group employees and it quickly proved to be a forum for constructive communication. An audience of around 170 heard from management on the group's strategies and current state of business, and asked questions candidly.





Governance Framework

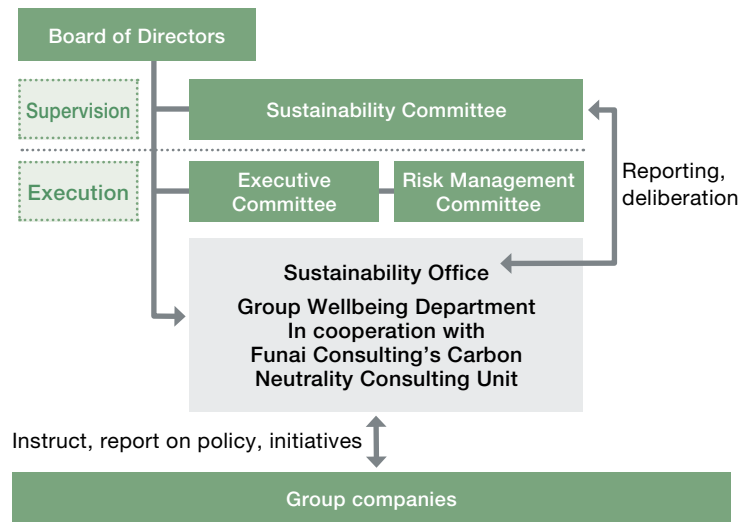
Basic Views

Environmental issues like climate change are serious challenges to society's sustainability. Tackling climate change is a prerequisite for any company's efforts toward sustainable growth, and forms a core tenet of the group's purpose.

Governance

Led by the CEO and a dedicated sustainability director and office, and in conjunction with Funai Consulting's Carbon Neutrality Consulting Unit, we assess and manage risks and opportunities relating to climate change, monitor the group's basic environmental policy and targets, implement measures and manage their progress, and disclose information. The Sustainability Office reports those studies and progress information to the Sustainability Committee, an advisory committee of the Board of Directors, for further discussion. The outcomes of these discussions are reported to the board as appropriate for monitoring. Meanwhile, our Sustainability Office has established four groups to oversee action across the whole Funai Soken Consulting Group in four specific areas: the environment (climate change), human capital (our people), information security, and business. The Sustainability Office meets monthly to monitor action progress across the whole Funai Soken Consulting Group and discuss future initiatives.

► Governance Framework



Organ	Roles
Board of Directors	<ul style="list-style-type: none"> Establishes and oversees policies relevant to sustainability management, e.g., climate change
Sustainability Committee	<ul style="list-style-type: none"> Advisory committee of the Board of Directors Deliberates on group sustainability policies and initiatives, reports to the board Monitors action on key sustainability issues, gauges progress toward targets
Executive Committee	<ul style="list-style-type: none"> Sets basic policy Decides on key issues for action Sets mid-to-long-range goals
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
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., GHG emissions)



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.




A management workshop focused on becoming carbon free.

Risk

Classification	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 the group's 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 <ul style="list-style-type: none"> Increased risk of economic stagnation due to more severe natural disasters Risk of data loss due to damage to offices 	Physical damage to group premises or transport networks would likely impact our ability to provide in-person consulting services and raise the need to secure the safety of the group's employees. A check-in system is in place to ascertain employee safety. 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.

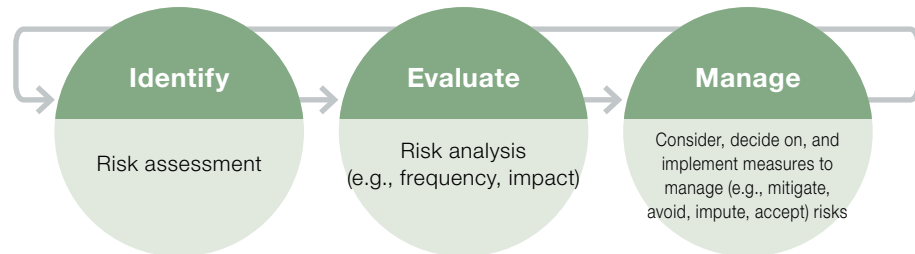
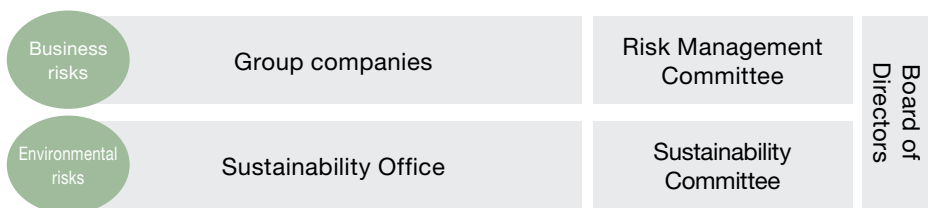
Opportunities

Classification	Assessment	Major action
Opportunities	Products and services Offer environmentally conscious services	Growing interest in sustainability among society, markets, and the group's 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>Initiatives Undertaken by Group Companies</p> <p>Funai Consulting</p> <ul style="list-style-type: none"> Net-zero energy building and housing construction TCFD disclosures, CDP disclosures, science-based targets certification, decarbonization roadmap, carbon neutrality support solutions Management workshops focused on becoming carbon free (membership-based workshops for proprietors and sustainability officers aiming for carbon neutrality in business) <p>Funai Soken Logistics (in Japanese)</p>  <ul style="list-style-type: none"> Distribute handbook for logistics industry clients on implementing ESG Support for those wanting to adopt ESG into logistics

Environment: TCFD Disclosures

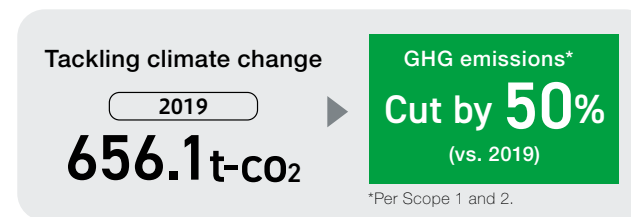
Risk Management

The Sustainability Office is responsible for analyzing climate change risks and reporting these to the Sustainability Committee for deliberation. If the Sustainability Committee determines that an environmental risk requires action, it alerts the Risk Management Committee and reports to the Board of Directors. The board, having considered the connection with other risks, then decides on action to be taken.



Targets and KPIs

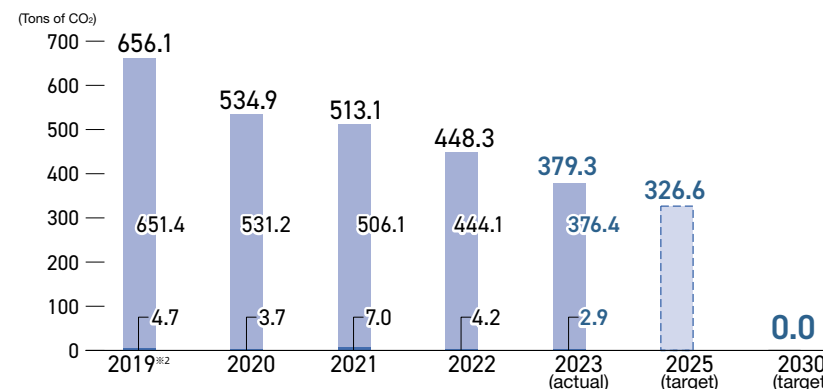
The group's Mid-Range Business Plan (2023-2025) stipulates a sustainability goal of reducing greenhouse gas emissions by 50% compared with 2019 levels.



Sourcing Renewable Energy

We are aiming for a 100% renewable energy procurement rate at all the group's Japanese sites by 2030, thereby reducing greenhouse gas emissions to virtually zero and achieving Scope 2 under the GHG Protocol.

Groupwide GHG Emissions: Trends and Targets



*1. Scope 2 emissions are calculated by the market-based method using the adjusted CO₂ emission factors of the energy retailers our various business places buy electricity from. For our Shanghai office, adjusted CO₂ emission factors were not available from Shanghai Electric Power, so calculations are instead based on the average Chinese power grid emission factor (0.5703 tCO₂ per megawatt hour in 2022).

*2. The year ending December 31, 2019, is the benchmark.



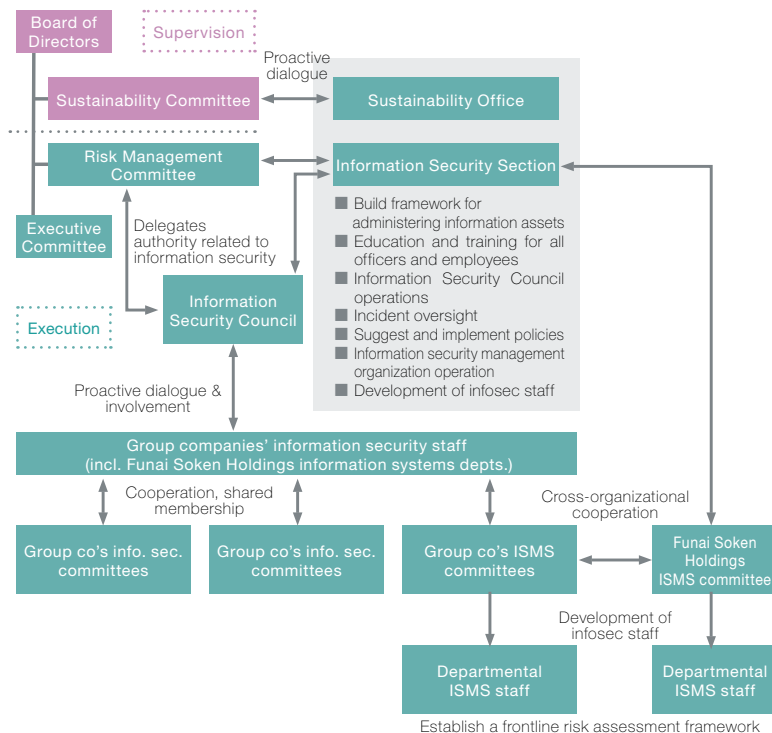
Information Security Risks

- 1 Information Asset Leaks**
 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.
- 2 Insufficient Access Procedures**
 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.
- 3 Damage to Vital Data, System Outages**
 Disruption to the upkeep and succession of skills acquired by IT staff, and failure to stay ahead of potential for increasingly sophisticated external attacks, poses a risk to our systems and organizations dedicated to maintaining the confidentiality, reliability, usability, integrity, and security of information, and increase the risk of compromising business continuity.

Information Security Framework

Information Security Section and Information Security Council

The group's information security is safeguarded by the Information Security Section in close communication with the Risk Management Committee and Sustainability Committee. We also have an Information Security Council made up of key infosec staff from group companies, which strives to raise the standard of information management.



Countering Cyber Risks with Secure Access Service Edge

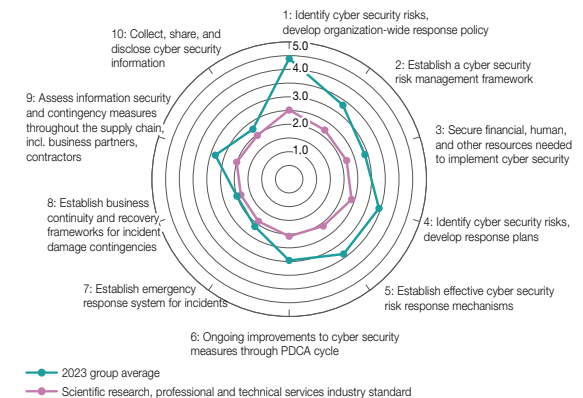
We adopted the Secure Access Service Edge (SASE) framework in April 2024. SASE helps us to counter increasingly sophisticated cyber-attacks. All group employees receive infosec training, and our security measures are constantly monitored for effectiveness.

Constant Strengthening of the Information Security Framework

We constantly survey the level of information security of all 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 compare the group's infosec performance with the Japanese scientific research, professional and technical services (per the Japan Standard Industrial Classification) and strive for further reinforcements to our security framework.

Cyber Security: Funai Soken Consulting Group vs. Industry Standard



Group Companies' Infosec Initiatives in 2023

- Funai Soken Holdings, Funai Soken Digital (since merged to become Funai Consulting), HR Force, Proceed obtained or renewed ISO/IEC 27001 certification (int'l ISMS standard)
- Inaugural annual training for all executives and employees underwent on targeted e-mail attack response
- Established group guidelines for generative AI use; built in-house ChatGPT platform, enhanced training
- Expanded regulations relevant to information security in conjunction with merger of group companies in April 2024 (see □ p. 25)
- Analyzed risks, formulated contingency measures in relation to deployment of Growth Cloud by clients in all industries (see □ p. 27)

Compliance

Basic Approach to Compliance

The Funai Way demands integrity—that all of our employees and officers behave as good citizens as serve as a force for good. Naturally, robust corporate compliance is a vital element of the group's integrity. Our fundamental mission is to meet the expectations and earn the trust of our stakeholders, including clients, communities, shareholders, investors, business partners, and our workforce.

Compliance Regulations and Policies

Our Corporate Ethics Code of Conduct and Regulations on Group Compliance establish clear, high standards for ethics and sensible behavior expected of our people. In practice, that means policies like these.

Compliance with Laws, Regulations, and In-house Rules

We are dedicated to transparency in business, and comply strictly with all laws and regulations, as well as in-house rules, including Personal Information Protection Regulations, Regulations on the Prevention of Insider Trading, and Intellectual Property Management Regulations. All employees are expected to stay up-to-date and comply with the latest laws and regulations.

Eliminating Anti-Social Forces

We will have no relationship whatsoever with antisocial forces, and firmly reject any and all contact and interaction with these.

Anti-bribery & Anti-corruption

We have clear guidelines to prevent bribery of public officials and business partners, and uphold fair business practices.

Protection of Confidential and Personal Information

We manage and protect confidential and personal information to prevent unauthorized use or leaks.

Whistleblower System

To enable swift detection and correction of violations of laws and regulations, we have established Whistleblower Hotlines for people to report compliance violations. The system consists of the following elements.

Internal & External Whistleblower Hotlines

Internal whistleblower reports are directed to the head of the Legal Affairs Department; external whistleblower reports are directed to an outside director who serves on the Audit and Supervisory Committee or a consulting attorney.

Various Methods to Guarantee Anonymity

Whistleblowers can report violations by phone, email, in person, or other appropriate means. Reports can be made anonymously, and confidentiality is guaranteed.

Handling of Information

Whistleblower reports and investigation outcomes are handled with the utmost care. Access to information is restricted on a strict need-to-know basis, and subject to leak-prevention safeguards.

Whistleblower Protection

Whistleblowers are kept anonymous, and prejudicial treatment of whistleblowers and those who cooperate with investigations is prohibited. To keep whistleblowers safe, retaliation is strictly prohibited, and violations are subject to disciplinary action.

Compliance Education

All group employees attend compliance and information security training. In addition to various individual training programs, there is a mandatory yearly e-learning course delivered on a monthly basis. The compliance-related content for 2024 included the following.

- March: Training on labor standards
- April: Key elements of the Act on the Protection of Personal Information
- August: Training for managers on dealing with harassment in the workplace
- October: Compliance risks and responses
- November: Alcohol-related compliance; actions relating to harassment in the workplace

Our aim is that training will remind employees of the importance of compliance, and that it will serve our efforts to earn the public's trust. Through regular, practical training and education, we strive to raise employee awareness and provide specific behavior guidelines.

How We Deal with Compliance Violations or Incidents

Each group company has a clear, systematized method for dealing with compliance violations.

Here, for instance, is how our core subsidiary, Funai Consulting, deals with violations and incidents.

1. Compliance Violation or Incident Report

- Funai Consulting's compliance staff or customer service hotline reports an incident when it occurs.
- The head of divisional headquarters (or department) checks the details and, if necessary, reports to the Administration Divisional Headquarters, which is responsible for compliance.

2. Consideration of Response

- The Administration Divisional Headquarters considers the response, working together with the Risk Management Division and consulting attorneys as necessary. Expert opinion may be sought if the nature of the incident requires it.

3. Report on Outcomes

- In the case of a serious incident, the outcomes of the response is reported to the Funai Soken Holdings Board of Directors and discussed by the Risk Management Committee. The final response is subject to board approval and reflected in subsequent reviews of the group's compliance framework.

Systematic responses like these allow for prompt, effective action, and help prevent recurrence. A system that enables all employees to follow the same, consistent procedures ensures transparency and consistency, and improves overall corporate integrity.

Corporate Officers (as of March 23, 2024)



9

Akihiro Kobayashi

Independent outside director and member of the Audit and Supervisory Committee

7

Masahiro Hyakumura

Director and member of the Audit and Supervisory Committee

5

Taeko Yamamoto

Independent outside director

3

Motoki Haruta

Director and executive officer (new)

1

Takayuki Nakatani

President and Group CEO

2

Tatsuro Ono

Director and executive vice president

4

Nobuyuki Isagawa

Independent outside director

6

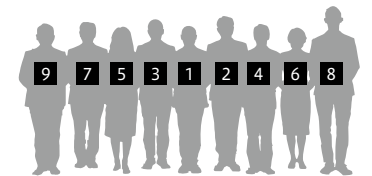
Tomomi Murakami

Independent outside director

8

Atsushi Nakao

Independent outside director and member of the Audit and Supervisory Committee





Directors

- 1 Takayuki Nakatani**
President and Group CEO ●4 ○13 out of 13 ○184,320

 - Apr. 1991 Joined the company
 - Mar. 2010 Executive officer, deputy head of Consulting Divisional Headquarters II
 - Mar. 2013 Director, executive officer, deputy head of Tokyo Consulting Divisional Headquarters, head of Consulting Department I
 - Jul. 2014 Director, executive officer, and head of Tokyo Consulting Divisional Headquarters of Funai Consulting
 - Mar. 2015 Director, senior vice president, head of Consulting Operations Divisional Headquarters of Funai Consulting, president of Funai Consulting Shanghai
 - Mar. 2016 President & CEO of Funai Consulting
 - Mar. 2020 Director, executive vice president of Funai Soken Holdings, head of Business Management Divisional Headquarters
 - Mar. 2021 President & CEO
 - Mar. 2023 President and Group CEO (current)

2 Tatsuro Ono
Director and executive vice president,
Head of Corporate Management Divisional Headquarters

●17 ○13 out of 13 ○146,540

 - Apr. 1987 Joined the company
 - Mar. 2007 Director, executive officer, head of Consulting Department I
 - Mar. 2010 Director, senior vice president, deputy head of Business Operations Division, head of Consulting Department II
 - Jan. 2014 Director, senior vice president, head of Human Resources Development Divisional Headquarters
 - Apr. 2018 Director, senior vice president, head of Business Management Divisional Headquarters
 - Mar. 2019 Director, executive vice president, head of Business Management Divisional Headquarters
 - Jan. 2020 Director, executive vice president, head of HR Divisional Headquarters
 - Jan. 2022 Director, executive vice president, head of Workforce Administration Divisional Headquarters
 - Jan. 2023 Director, executive vice president, head of Corporate Management Divisional Headquarters (current)

3 Motoki Haruta
Director and executive officer,
Head of Corporate Business Divisional Headquarters

● New appointment ○10,520

 - Jun. 2008 Joined the company
 - Mar. 2014 Auditor, Funai Soken IT Solutions
 - Mar. 2015 Auditor, Funai Consulting Shanghai
 - Jan. 2018 Head of Accounting Department of Funai Soken Holdings
 - Feb. 2018 Director, HR Force
 - Mar. 2020 Executive officer, head of Finance Department of Funai Soken Holdings
 - Mar. 2022 Director, Funai Soken Corporate Relations (now Funai Soken Digital) (current)
 - Mar. 2023 Director, Funai Soken Logistics (current)
 - Mar. 2024 Director, executive officer, Head of Corporate Business Divisional Headquarters of Funai Soken Holdings (current)
- 4 Nobuyuki Isagawa**
Outside director

●8 ○13 out of 13 ○0

 - 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)

5 Taeko Yamamoto
Outside director

●1 ○10 out of 10 (since appt. on Mar. 25, 2023) ○0

 - 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)
 - Mar. 2023 Director, Funai Soken Holdings (current)

6 Tomomi Murakami
Outside director

●1 ○10 out of 10 (since appt. on Mar. 25, 2023) ○0

 - 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)
 - Mar. 2023 Director, Funai Soken Holdings (current)

Audit and Supervisory Committee Members

- 7 Masahiro Hyakumura**
Director and Audit and Supervisory Committee member

●8 ○13 out of 13 ○1,810

 - 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)

8 Atsushi Nakao
Outside director and Audit and Supervisory Committee member

●8 ○13 out of 13 ○0

 - 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)

9 Akihiro Kobayashi
Outside director and Audit and Supervisory Committee member

●8 ○13 out of 13 ○0

 - 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
 - Oct. 2022 Part-time Lecturer at Kyoto University Law School (current)



Basic Approach to Corporate Governance

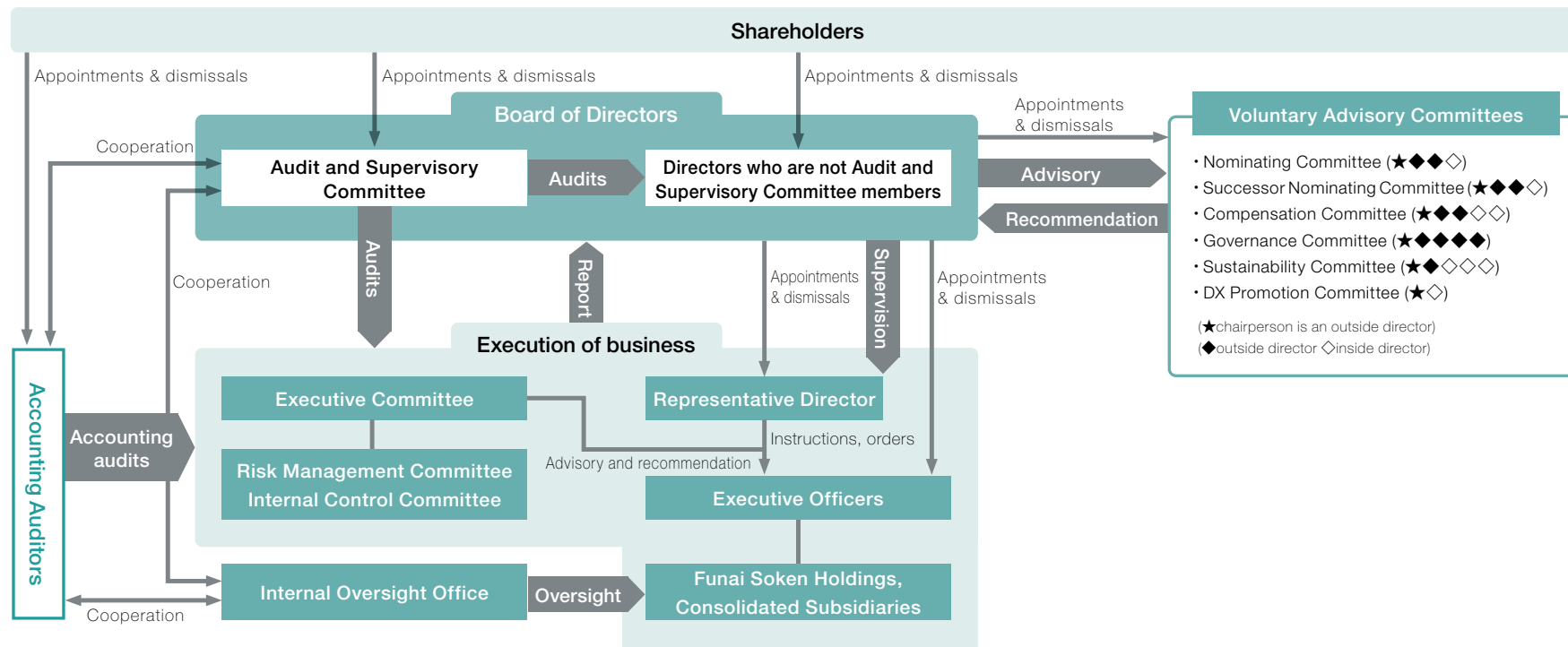
We strive to strengthen our corporate governance with a focus on ensuring effective legal compliance and maximizing shareholder returns.

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

Quick Facts: Our Corporate Governance Structure (as of Mar. 23, 2024)

Classed as	Company with Audit and Supervisory Committee
Board of Directors	9 directors (incl. 5 outside directors; 2 women)
Audit and Supervisory Committee	3 members (incl. 2 outside directors)
Executive Officers	Company has an executive officer system
Voluntary Advisory Committees	Company has advisory committees to the board

Corporate Governance Structure (as of Mar. 23, 2024)





Board of Directors

Deliberation and decision-making on important matters relating to management

Size	9 (5 independent outside directors, 4 inside directors)
Selection Policy	Directors are entrusted by shareholders to manage the company and its business on their behalf, and our selection policy focuses on candidates' ability to carry out those duties and responsibilities rather than on age, gender, or nationality.
Gender diversity	Female directors: 2 (our target: 30% of board seats held by women by 2030)
Meetings held	13, attendance 100%

Audit and Supervisory Committee

Effective monitoring and auditing of management decision-making and business execution

Size	3 (2 independent outside directors, 1 standing member; incl. 1 CPAs, 1 attorney)
Meetings held	13, attendance 100%

Advisory Committees & Main Items of Discussion

Nominating Committee

Deliberates on criteria for director and executive officer appointments

- Deliberations regarding candidates for group company director positions
- Deliberations regarding corporate officers and succession planning in conjunction with the integration of group companies

7 meetings held, attendance 100%

Successor Nominating Committee

Appointment, dismissal, and development of the next group CEO and representative directors

- Confirmation of the continued appointment of the president

1 meeting held, attendance 100%

Compensation Committee

Deliberates on director and executive officer compensation

- Performance evaluation and deliberation on compensation amount of group companies' officers
- Deliberations regarding executive remuneration policy

5 meetings held, attendance 100%

Governance Committee

Reviews various issues related to corporate governance

- Exchange of views regarding auditing practices in light of the company's status as a company with an audit and supervisory committee

2 meetings held, attendance 100%

Sustainability Committee

Coordinates cross-sectional pursuit of sustainability throughout the group; monitors, and assesses progress toward targets

- Discussion of key initiatives
- Deliberation of the group's approach to human capital

3 meetings held, attendance 100%

DX Promotion Committee

Cross-sectional implementation and oversight of DX management

- Monitoring of DX initiatives and identification of issues to be addressed

2 meetings held, attendance 75%

Maintaining an Effective Board of Directors

Assessing Board Effectiveness

Funai Soken Holdings established its Audit and Supervisory Committee in April 2016. To better ensure the company's corporate governance functions as intended, the Governance Committee was established in November of the same year, thereby launching a system of self-assessment of board effectiveness. Since then, to check that the company's corporate governance system

remains conducive to its objectives—legal compliance and maximization of shareholder profits—all directors, including Audit and Supervisory Committee members, take an annual self-assessment questionnaire to gauge board effectiveness and identify issues to be addressed in the next year's action plan to make the board more effective.

Review of Board Effectiveness in 2023

January 2024	Update content of self-evaluation questionnaire
February 2024	Governance Committee collates opinions from questionnaire responses and considers action plan
March 2024	Board of Directors votes on motion relating to governance issues and action plan for FY2024

2023 Self-evaluation Questionnaire Question Structure

1. Respondents are asked to write their views on advisory committee composition, operational performance, meeting frequency, scheduling, content of discussions, materials, etc.
2. Respondents rate (out of 5) director effectiveness, strategy debate, quality of management procedures and discussions, risk management, and support systems provided for outside directors; and provide specific ideas for improvement.

Review of Board Effectiveness in 2023: Findings

Action Taken Re. "Ensuring appointment of directors is consistent with the skills and diversity required for the board as a whole": Appropriate people were appointed in accordance with Nominating Committee conclusions.

Action Taken A DX Promotion Committee was created in 2023 as an advisory committee to the Board of Directors, and undertook initiatives aimed at achieving the goal of establishing the Funai Soken Consulting Group as the foremost provider of digital and comprehensive consulting solutions for mid-scale and SME clients, as stated in the Mid-Range Business Plan.

Action Taken Further debate by the Governance Committee and Sustainability Committee on ESG matters such as TCFD compliance and disclosure of human capital information drove an expansion of disclosure of non-financial information and led to an improvement in our ESG score with rating agencies.

Outcome Swifter execution of business by strengthening the board's supervisory capabilities and delegating authority to relevant departments: Authority is being delegated appropriately.

Outcome A culture is developing that enables outside directors to speak freely and frankly as a result of measures such as advance distribution and explanation of board meeting agendas and encouragement of communication among outside directors by the Governance Committee.

Issues and Actions for 2024

Issues The Risk Management Committee reports periodically to the Board of Directors on information security matters, but there is an ongoing need for further strengthening of risk management, e.g., identifying underlying risks.

Action Plan

- 1 Directors share with each other their ideas on the functions and roles that should be fulfilled by the company's board of directors, which has majority of outside directors, and undertake the board's business carefully and deliberately.
- 2 Further bolster risk management and strengthen our structure for preventing the emergence of underlying risks.
- 3 Continue to ingrain the Group Purpose and strive for more in-depth discussion of mid-to-long-term management strategies including creating new businesses.
- 4 Promote more in-depth communication among outside directors; implement measures to improve the quality of board meeting deliberations.

Director Training, Support System for Outside Directors and Audit and Supervisory Committee Members

Director Training

The training programs described below are provided at the company's expense.

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.

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.

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.

Support System for Outside Directors and Audit and Supervisory Committee Members

Prior to the date of each month's board meeting, the board has the Finance Department brief outside directors on the upcoming agenda.

In principle, Audit and Supervisory Committee meetings are held on the same day as board meetings, and the standing member of the Audit and Supervisory Committee, who attends Executive Committee and other important meetings, briefs outside members of the Audit and Supervisory Committee on board meeting deliberations for discussion by the committee.

The Audit and Supervisory Committee meets regularly with the accounting auditors and the Internal Oversight Office (2 full-time staff) to strengthen the auditing system for more effective auditing. (Funai Soken Holdings's assistants for accounting auditing duties include seven CPAs and 13 others.)

When the Audit and Supervisory Committee deems it necessary, it may use external experts for the execution of its duties at the company's expense.



Executive Compensation System

Basic Policy and Methods of Determining Executive Compensation

We have an established policy for determining the executive compensation amounts and calculation methods. This stipulates a fixed compensation comprising basic remuneration and performance-linked compensation. Officers' compensation amounts are determined within the total pool amount approved by a shareholder vote and taking into consideration factors such as rank, duties, and contribution to the company's business performance.

When determining the ratio of compensation components and individuals' compensation packages, the amount of compensation paid to directors who are not Audit and Supervisory Committee members shall be discussed by the Compensation Committee, whose recommendation the representative director shall table before the Board of Directors for deliberation and 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.

Maximum Amount of Basic Remuneration

Compensation for directors who are not members of the Audit and Supervisory Committee was set at a maximum of ¥450 million per year (of which, ¥40 million was for outside directors) at the 53rd general meeting of shareholders on March 25, 2023.

Compensation for directors who are members of the Audit and Supervisory Committee was set at a maximum of ¥50 million per year at the 46th general meeting of shareholders on March 26, 2016.

Maximum Amount of Performance-Based Stock-as-Compensation

The maximum amount of stock options that can be awarded to directors (excluding outside directors and Audit and Supervisory Committee members) was set at ¥100 million per year by a vote at the 53rd general meeting of shareholders on March 25, 2023. Moreover, with the increased clarity surrounding resolutions pertaining to stock options as remuneration achieved with the enactment of the Act Partially Amending the Companies Act (act no. 70 of 2019), a motion was approved at the 51st AGM on March 27, 2021, to cap subscription rights issuable as stock options at 350 (each stock option convertible to 180 shares) and cap the number of shares issuable at 63,000. This does not, however, include the executive officer compensation paid to those directors who serve concurrently as executive officers.

Executive Compensation: Total, Component Breakdown, Number of Eligible Officers

Category	Total amount of compensation (¥ million)	Total amount of compensation by component (¥ million)			Number of officers eligible
		Fixed compensation (basic remuneration + performance-based compensation)	Stock options	Retirement allowance	
Directors who are not Audit and Supervisory Committee members (figure in parentheses: outside directors' portion)	153 (23)	125 (23)	10 (—)	16 (—)	7 (4)
Directors who are Audit and Supervisory Committee members (figure in parentheses: outside directors' portion)	39 (17)	39 (17)	(—) (—)	(—) (—)	3 (2)
Total (figure in parentheses: outside directors' portion)	192 (41)	165 (41)	10 (—)	16 (—)	10 (6)

*Amounts are rounded down to the nearest million yen. *Non-monetary compensation amounts are those amounts recorded this fiscal year for stock options awarded to Funai Soken Holdings directors (excluding outside directors and Audit and Supervisory Committee members). *The total amount of compensation on a consolidated basis is not stated because there are no persons whose total amount of compensation is ¥100 million or more. *Total amount of executive officer remuneration for the one director serving concurrently as executive officer: ¥28 million

Executive Compensation System

Compensation Structure and Performance-Based Compensation

Directors' compensation is structured as indicated herein, and paid as a fixed amount comprising basic remuneration and performance-linked compensation. In addition, performance-based stock-as-compensation is also awarded to directors (excluding outside directors and Audit and Supervisory Committee members) as a long-term incentive 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.

Compensation Paid to Directors (Excl. Outside Directors and Audit and Supervisory Committee Members)

8		2
Fixed compensation (basic remuneration + performance-based compensation)		Performance-based stock-as-compensation
Basic remuneration (fixed monthly payment)	Performance-based compensation	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. Paid in accordance with in-house regulations.</p> <p><small>*Compensations paid by other companies in our industry in Japan taken into account.</small></p>	<ul style="list-style-type: none"> • Monetary compensation linked to consolidated sales and operating income in the most recently completed business year, as well as the previous year's growth rate and employee turnover rate* • Between 80% and 120% of the preceding year's compensation, determined in accordance with a personal assessment score (from best to worst: S, A, B, C, and D) based on each individual's degree of achievement of the criteria listed above and personal KPIs 	<ul style="list-style-type: none"> • Granted every year during the term of office in accordance with rank, roles, and performance, on the condition that the options can only be exercised upon resignation • Performance-based stock-as-compensation generally makes up 20% of total compensation, and this ratio changes in accordance with performance outcomes

*We have also made improving engagement part of factors such as bottom-line performance and degree of contribution by establishing performance evaluation indices relating to ESG (e.g., as relate to employee turnover).

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>

Our Philosophy Regarding Executive Compensation

- Officer's compensation should be commensurate with their roles, responsibilities, and performance.
- Compensation should strongly motivate officers to achieve sustained growth in corporate value over the mid-to-long term.
- Compensation should be appropriate to attract, retain, and develop talent.
- The process for determining compensation should be objective and transparent.

Skill Matrix: Experience & Expertise of Directors and Audit and Supervisory Committee Members

The Benefits of Diversity in the Board of Directors

The group is led by officers with diverse backgrounds, including directors with in-depth knowledge of the group's business and outside directors whose role is to audit the group from an independent and objective standpoint. The board currently consists of nine directors, five of whom are outside directors, including those with corporate management experience at other companies, business administration expertise, and knowledge of DX and sustainability. Meanwhile, the Audit and Supervisory Committee comprises one certified public accountant and one lawyer, who are experts in finance, accounting, and law respectively.

We are also working to improve the board's gender balance and diversity: our target is for women to make up 30% of the board by 2030. Regarding internationality, since most of the group's sales are derived within Japan, we do not believe it is necessary to appoint any overseas directors at present. In any case, we remain devoted to leveraging the benefits of a diverse board for better decision-making, laying the foundations for the group's long-term growth, and carrying out the Group Purpose: Sustainable growth for more companies.

Name Date of birth	Positions	Committee Memberships								Experience / Skills								
		Nominating	Successor Nominating	Compensation	Governance	Sustainability	DX Promotion	Risk Management	Internal Control	Corporate management	Sales, marketing	Finance	Compliance, risk management	Governance, auditing	Sustainability	IT, DX	HR	Expertise, qualifications
Takayuki Nakatani Aug. 16, 1968	President and Group CEO					●	●		● (Chairperson)	●	●							Bus. administration
Tatsuro Ono May 8, 1963	Director and executive vice president	●	●	●		●		● (Chairperson)	●	●	●		●				●	Management
Motoki Haruta Jun. 9, 1980	Director and executive officer			●		●			●	●				●	●			Group finance
Nobuyuki Isagawa Dec. 8, 1966	Director, Outside, independent	● (Chairperson)	● (Chairperson)	●	●	●						●			●	●		Univ. professor
Taeko Yamamoto Oct. 1, 1964	Director, Outside, independent			●	●		● (Chairperson)			●	●					●		DX
Tomomi Murakami Jan. 23, 1968	Director, Outside, independent	●	●		●	● (Chairperson)									●	●		ESG management
Masahiro Hyakumura Feb. 27, 1965	Director, A&S Comm. member							●	●	●		●			●			Comprehensive audits
Atsushi Nakao Dec. 21, 1969	Director, A&S Comm. member, Outside, independent			● (Chairperson)	●					●		●			●		●	CPA
Akihiro Kobayashi Dec. 19, 1970	Director, A&S Comm. member, Outside, independent	●	●		● (Chairperson)					●			●	●				Lawyer

Outside Directors' Messages



Our outside directors provide their views on the group's Mid-Range Business Plan: Sustainable Growth 2025.



Careful Management and Supervision of Business Ventures in Growth Sectors

Nobuyuki Isagawa
Outside director

I was pleased to see the group achieve record profits in an uncertain business climate, but the downward revision of some Mid-Range Business Plan targets indicates room for improvement. Still, management's swift, bold transformation of the digital solutions business, whose struggles partly caused that plan revision, showed admirable leadership. Meanwhile, the appointment of Motoki Haruta as director was a fine achievement by the Nominating Committee, which I head; his background in finance fills what was a prominent gap in the board's skills matrix. This, coupled with the reviews of board effectiveness and progress with action plans highlight the steady evolution of the group's corporate governance.

As things stand, the group's ROE is high and, in theory, conditions are ripe for further growth. I see room for more growth in digital solutions, driven by our core business of consulting for mid-scale companies and SMEs. However, given that the Japanese market is shrinking, I feel that we need to look more toward expanding overseas operations. In China, for instance, Funai Consulting Shanghai, which has heretofore concentrated on consulting for the dining industry, has begun targeting the medical industry. In this way, I think we will need to apply our Japanese expertise in other markets. As such, workforce development and other facets of human capital will become an important topic of discussion.

As I see it, my role is to provide careful management and supervision for the group's ventures in growth sectors. I look forward to maintaining good relationships with investors and other stakeholders, and helping the group deliver greater corporate value through management that is conscious of the cost of capital and share price.



Harnessing DX for Added Value: Our Quest for More Growth

Taeko Yamamoto
Outside director

The group achieved solid sales and profits in 2023, but the poor performance of the digital solutions business shows that challenges remain. I believe we will see higher profitability in digital solutions when we have built up assets (in this case, experience and track record) sufficient to deliver swift value to clients. Building those assets will therefore be key to providing higher quality value, and the DX Promotion Committee, newly established in 2024, is discussing this very issue in addition to topics such as preparations underway for the development of a digital governance system, the quest for customer value creation through use of generative AI, and updating ERP.

If the group is to continue to grow, we need to properly understand the how clients' requirements for consulting firms are changing. As advancing AI and other services democratize knowledge, clients will require support that goes beyond mere advice to include help with implementing solutions and creation of clear outcomes. And since the group has prided itself on delivering hands-on support to achieve real outcomes since its very inception, adding DX solutions to the group's arsenal will surely spur further growth.

Seeking innovation through workforce diversity is another way in which the group can seek further growth. Funai's workforce is blessed with plentiful opportunities for its new and younger employees to prove themselves and a workplace culture conducive to free and robust debate. In my capacity as part of the management team, I am eager to help create more opportunities for innovation in the future.

Outside Directors' Messages



Our outside directors provide their views on the group's Mid-Range Business Plan: Sustainable Growth 2025.



Balancing Perspectives: The Group and Its Investors

Tomomi Murakami
Outside director

In the year since my appointment as director, I have been struck by the open climate that encourages freely and open expression of views by directors. The board's nimble decision-making that led to the reorganization of the group's digital solutions business was impressive indeed.

My main focus is on ESG, and I strive to supervise and provide advice from the perspective of our stakeholders, such as shareholders and investors. As such, I look forward to contributing toward governance that helps build corporate value by helping identify what challenges need to be addressed and what information can be disclosed to boost understanding of the group.

As I see it, we first need to clarify the relevance of the Group Purpose to management strategy. At a time when our clients—i.e., Japanese mid-scale companies and SMEs—are struggling with mid-to-long-term socioeconomic challenges, I hope to earn their trust and understanding through discussion, not just on areas of potential growth for the group, our clients, and society as a whole, and how we might create sustainable growth, but also on how our strategy and the services it shapes contribute to the realization of the Group Purpose and lead to corporate value.

At the same time, human capital is currently one of the group's most pressing concerns, and I am determined to build on the group's human capital strategy. Last year, the Sustainability Committee succeeded in further raising awareness among the highest ranks groupwide of the need for human capital strategy designed to achieve sustainable value creation through greater diversity and workforce development and career development with a mid-to-long-term perspective, and the importance of more systematic dissemination of information relating to our various initiatives. In this way, I hope to build momentum for deeper application of the group's human capital strategy.



Ongoing Debate Toward Higher Employee Salaries

Atsushi Nakao
Outside director and member of the Audit and Supervisory Committee

I think it is good that the Board of Directors is open to the frank opinions of outside directors and that it encourages constructive debate. What's more, I believe these debates made a real contribution to the group's record-high profits in 2023.

As chair of the Compensation Committee, one of my important roles is to ensure proper governance relating to compensation. As a business proprietor myself, I believe I have contributed to governance, for instance by not being blinded by the record profits and insisting on rigorous processes for compensation decisions—including sending one proposal back to the drawing board. Also, at a time of greater awareness of the importance of human capital, I have been pushing discussion by the Compensation Committee for several years on the disparity in pay between CEO and employees. It is vital that the group raise employee pay, and I think this discussion has led to specific outcomes including pay increases. In any case, I think the Compensation Committee's ability to advance these discussions is a noteworthy achievement.

In my view, our future growth depends on our ability to foster professional ethics as this will help prevent risks from actualizing and boost employee satisfaction. For that, we look to the Funai Way, which exhorts us to have integrity and be a force for good. This is relevant to the issue of CEO/employee pay disparity: raising employee pay requires solid earnings, but we can only achieve that if we have integrity sufficient to deliver support that exceeds clients expectations. We hear that the Japanese market is shrinking, but I believe Japan still has many mid-scale companies and SMEs that aspire to grow; our task is to continue supporting those ambitious enterprises, and in spurring their growth contributing to our own growth.



Our outside directors and the standing member of the Audit and Supervisory Committee provide their views on the group's Mid-Range Business Plan: Sustainable Growth 2025.



Bringing an Objective View to the Group's Quest for Effective Governance

Akihiro Kobayashi

Outside director and member of the Audit and Supervisory Committee

The group achieved record sales and income in 2023 despite some challenges, and as such I think the year could be defined as one in which we kept largely to our ongoing path toward growth. As a member of the Audit and Supervisory Committee, it is my job to focus on the group's potential issues in order to keep us on that growth path.

The Audit and Supervisory Committee has been working in cooperation with the Internal Oversight Office on various initiatives. One area of recent focus has been governance of group companies, and we have sought to address this issue with a major revamp of group company auditors starting in April 2024. We intend to deepen cooperation on auditing among group companies and strive for more effective group governance, for instance by having the standing member of the Audit and Supervisory Committee lead regular meetings of group company auditors. In doing so, it is vital to ensure that auditees are properly aware of the need for audits, and to that end, we strive for appropriate communication with auditees.

I also look forward to deeper communication among outside directors serving on the group's advisory bodies. By building a common understanding of the outside director's role, we aim to invigorate board meeting debate.

I foresee that the group is likely to consider acquiring other business as a means of bolstering growth in future. But an M&A is more than just adding the acquired company's sales to existing figures; the board needs to discuss potential synergies and underlying risks, and I hope to use my position on the Audit and Supervisory Committee to ensure any M&A meets the growth expectations of investors.



The First Line of Defense Against Risks: Frontline Managers and Employees

Masahiro Hyakumura

Director and member of the Audit and Supervisory Committee

Achieving record sales and income in 2023 was very pleasing indeed, and I know that it is the result of steady day-to-day management efforts, such as minimizing costs. As an Audit and Supervisory Committee member, it is my duty to monitor risks that may arise in the course of cost containment; for instance, I have been checking to ensure that profits are not being brought forward or expenses postponed. Cooperation with accounting auditors is certainly important, but more than that, I believe we need to strengthen our internal audit system. To that end, we are working on strengthening three lines of defense, the most vital of which is the first: our frontline managers and employees. Moving forward, we are striving to build a system in which individuals take ownership of risks and fulfil their ownership responsibilities appropriately.

I personally intend to help maintain a management foundation conducive to sound growth for the group. Specifically, I am working on systems and behaviors aimed at deepening cooperation between internal oversight, corporate auditing, and accounting auditing to reinforce the effectiveness of our three-pronged auditing regime. I am mindful, however, that an overzealous Audit and Supervisory Committee may discourage proactivity on the frontlines, and therefore a fine balance is required; ideally, those on the front lines should be entrusted to function as the first line of defense in risk management.

We auditors must serve as a kind of "in-house consultant," identifying potential problems within the group and suggesting solutions. I look forward to helping the group maintain a management foundation that meets the expectations of investors, employees, and other stakeholders.

Consolidated Financial KPIs 2013–2023



*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.

Key Performance Indicators

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	
Statement of Income	Net sales	10,065	12,485	14,717	16,433	18,685	21,697	25,752	25,027	22,816	25,635	28,238
	Gross profit	3,630	4,340	5,092	5,743	6,888	7,654	8,780	8,000	9,310	10,150	10,721
	SG&A expenses	1,004	1,348	1,595	1,883	2,256	2,708	3,075	3,018	2,951	3,049	3,473
	Operating income	2,625	2,992	3,497	3,859	4,631	4,946	5,705	4,982	6,358	7,100	7,247
	Net income attributable to owners of the parent*	1,984	1,766	2,426	2,558	3,206	3,549	3,868	3,498	4,378	4,990	5,201

*Net income figures are used for 2015 and before.

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	
Balance Sheet	Total assets	18,602	20,437	22,260	22,862	25,650	26,732	28,419	27,951	30,928	33,010	31,631
	Net assets	15,912	16,653	18,217	19,272	21,624	22,370	23,165	23,688	25,710	27,700	25,726

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	
Cash Flow	Net cash provided by (used in) operations	1,975	2,889	2,008	2,813	3,950	3,554	4,522	3,515	5,214	5,000	5,479
	Net cash provided by (used in) investments	(1,136)	(142)	671	412	(982)	(222)	(500)	263	(219)	348	(2,233)
	Net cash provided by (used in) financing	(698)	(1,058)	(1,181)	(1,689)	(1,176)	(2,762)	(3,411)	(3,194)	(2,547)	(2,996)	(7,385)
	Cash and cash equivalents at end of fiscal year	3,936	5,626	7,125	8,663	10,455	11,022	11,630	12,216	14,675	17,031	12,894

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	
Per-Share Indices	Earnings per share	39.13	34.77	47.83	50.41	63.37	69.95	76.67	70.32	88.67	100.92	106.30
	Dividend per share	16.1	17.8	20.0	24.0	30.0	35.0	40.0	45.0	48.0	55.0	65.0
	Net assets per share	312.41	325.25	356.05	378.44	421.29	435.56	453.48	465.60	505.52	546.31	524.01

*Common shares in Funai Soken Holdings were split twice in recent years: at a ratio of 1.2-for-one on January 1, 2016, and at a ratio of 1.5-for-one on January 1, 2018. For the purposes of this section, per-share indices are calculated as if the stock splits had been conducted at the beginning of FY2013.

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	
Financial KPIs	Operating margin	26.1	24.0	23.8	23.5	24.8	22.8	22.2	19.9	27.9	27.7	25.7
	Return on equity (ROE)	13.1	10.9	14.0	13.8	15.9	16.4	17.4	15.3	18.2	19.2	20.0
	Ratio of ordinary income to total assets (ROA)	15.0	15.5	17.3	17.1	19.3	19.1	20.9	18.1	21.9	22.5	22.7
	Equity ratio	85.3	81.1	81.3	83.5	83.3	82.2	79.4	82.4	80.7	81.7	79.2
	Dividend payout ratio	41.2	51.1	41.8	47.6	47.3	50.0	52.2	64.0	54.2	54.5	61.1

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	
Stock Information	Closing share price at end of fiscal year* (¥)	467	549	1,152	1,224	2,524	1,642	2,481	2,521	2,616	2,718	2,564
	Price earnings ratio (PER)	11.9	15.8	24.1	24.3	39.8	23.5	32.4	35.9	29.5	26.9	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 on January 1, 2018. For the purposes of this section, closing share price at end of fiscal year is calculated as if the stock splits had been conducted at the beginning of FY2013.

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	
Workforce	Employees	565	682	783	873	941	1,105	1,209	1,303	1,317	1,382	1,535
	Avg. no. of temporary employees	49	56	41	31	37	41	37	68	52	63	90

The Funai Soken Consulting Group Network (as of Apr. 1, 2024)

Consulting

Funai Consulting Inc.

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

Proseed Corporation

President: Hitoshi Nagira
 Contact center consulting
 Incorporated: Jun. 24, 1991
 Capital: ¥100 mil.

Funai Consulting Shanghai Inc.

President: Kyohei Deguchi
 Representative director: Akihiro Nisugi
 China-based consulting
 Incorporated: Jan. 13, 2012
 Investment: ¥130 mil.

Seicho Senryaku Inc.

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

Logistics

Funai Soken Logistics Inc.

President: Naoyuki Hashimoto
 Logistics solutions
 Incorporated: May 10, 2000
 Capital: ¥98 mil.

Digital Solutions

Funai Consulting Inc.

HR Force Inc.

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

ESG: Inclusion in Indexes etc.

FTSE Blossom Japan Sector Relative Index

S&P/JPX Carbon Efficient Index

MSCI Japan Empowering Women Index (WIN)*

Morningstar® Japan ex-REIT Gender Diversity Tilt Index

JPX-Nikkei Mid and Small Cap Index



FTSE Blossom
 Japan Sector
 Relative Index

(As of Jul.2024)



S&P/JPX
 Carbon
 Efficient
 Index

2024 CONSTITUENT MSCI JAPAN
 EMPOWERING WOMEN INDEX (WIN)*



JPX-NIKKEI Mid Small
 2022-2024

*The inclusion of Funai Soken Holdings in any MSCI index, and the use of MSCI logos, trademarks, service marks of index names herein, do not constitute a sponsorship, endorsement or promotion of Funai Soken Holdings by MSCI or any of its affiliates.

The MSCI indexes are the exclusive property of MSCI. MSCI and the MSCI index names and logos are trademarks or service marks of MSCI or its affiliates.

Initiatives We Support

UN Global Compact Network Japan

Human Capital Management Consortium



Human
 Capital
 Management
人的資本経営コンソーシアム

Third-party Certifications

ISO/IEC 27001 for information security management systems



Funai Soken Holdings
 certified Feb. 24, 2023



Funai Consulting
 (DX Consulting Divisional HQ and
 Business Development Divisional HQ)
 certified Jun. 3, 2022



Proseed certified
 Dec. 18, 2008



HR Force certified
 Dec. 22, 2023

Corporate Information

Corporate Overview

Name

Funai Soken Holdings Inc.

Representative

Takayuki Nakatani
President & Group CEO

Major roles

To serve as the group holding company, compile group strategies, and handle group management

Incorporated

March 6, 1970

Capital

¥3,125 mil.

Address

Tokyo Headquarters
35th floor, Yaesu Central Tower,
Tokyo Midtown Yaesu, 2-2-1 Yaesu,
Chuo-ku, Tokyo

Osaka Headquarters

4-4-10 Kitahama, Chuo-ku, Osaka

Consolidated subsidiaries

6 (as of Apr. 1, 2024)

Group employees

1,535

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

No. of shares authorized for issue

130,000,000

Total no. of shares outstanding

47,813,776
(excl. 4,186,224 treasury shares)

Shareholders

14,656

Record date for dividends

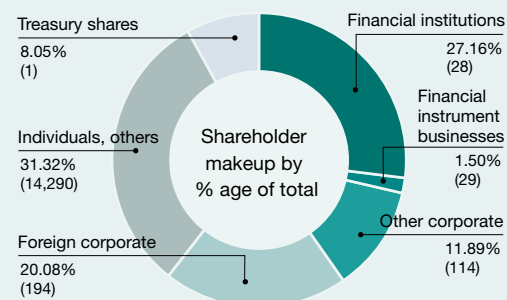
Jun. 30, Dec. 31

Top 10 Shareholders

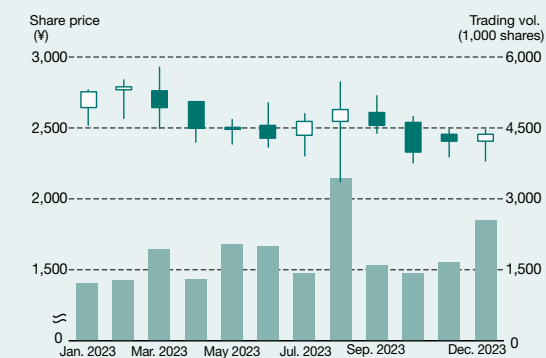
Name	Shares owned (x1,000)	Stake(%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	5,752	12.03
Funai Honsha Inc.	5,026	10.51
NORTHERN TRUST CO. (AVFC) RE FIDELITY FUNDS	2,489	5.21
Custody Bank of Japan, Ltd. (Trust account)	2,196	4.59
Sumitomo Mitsui Banking Corporation	1,952	4.08
SSBTC CLIENT OMNIBUS ACCOUNT	1,357	2.84
Kazuko Funai	1,307	2.73
Nippon Life Insurance Company	1,062	2.22
Katsuhito Funai	1,056	2.21
Takahiro Funai	889	1.86

*Treasury shares (4,186,000) are excluded when calculating holding percentages.

Shareholder Categories (Shareholder numbers in parentheses)



Share Price & Trading Volume





Please direct inquiries to:

Sustainability Office

E-mail: sustainability@funaisoken.co.jp

Check out our new offices!
(in Japanese)

