



February 8, 2023

Consolidated Financial Results for the Fiscal Year Ended December 31, 2022 (January 1, 2022 – December 31, 2022)

Company name:	Funai Soken Holdings, Inc.	Stock Exchange listing:	Tokyo Stock Exchange
Stock code:	9757	URL:	https://hd.funaisoken.co.jp
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General meeting of shareholders:	March 25, 2023		
Scheduled date of payment of dividend:	March 27, 2023		
Scheduled date of filing Annual Securities Report:	March 27, 2023		
Supplementary materials compiled to explain financial statements:	Yes		
Briefing to be held to explain financial results:	Yes (For institutional investors and analysts)		

(Figures are rounded to the nearest million yen; fractions of one million discarded rather than rounded up or down)

1. Consolidated Financial Results for FY2022 (January 1, 2022 – December 31, 2022)

(1) Consolidated Results of Operations

(Percentages represent year-on-year change)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended Dec. 31, 2022	25,635	12.4	7,100	11.7	7,197	11.6	4,990	14.0
Year ended Dec. 31, 2021	22,816	–	6,358	–	6,448	–	4,378	–

Note: Comprehensive income: 4,826 million yen (up 8.7 %) in the year ended Dec. 31, 2022
4,441 million yen (– %) in the year ended Dec. 31, 2021

	Earnings per share (basic)	Earnings per share (diluted)	Return on equity	Ratio of ordinary income to total assets	Ratio of operating income to net sales
	Yen	Yen	%	%	%
Year ended Dec. 31, 2022	100.92	99.62	19.2	22.5	27.7
Year ended Dec. 31, 2021	88.67	87.60	18.2	21.9	27.9

Reference: Equity method investment income (Million yen) Dec. 31, 2022: –
Dec. 31, 2021: –

Note: From the beginning of the current consolidated fiscal year, we apply the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020). In accordance with basic handling, we have applied the new accounting standard retroactively. Furthermore, we do not indicate the year-on-year rate of change compared to the fiscal year ended December 31, 2021. This is due to the fact that we retroactively revised figures to reflect this change in accounting standards.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
Year ended Dec. 31, 2022	33,010	27,700	81.7	546.31
Year ended Dec. 31, 2021	30,928	25,710	80.7	505.52

Reference: Shareholders' equity: 26,953 million yen in the year ended Dec. 31, 2022
24,962 million yen in the year ended Dec. 31, 2021

Note: From the beginning of the current consolidated fiscal year, we apply the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020). In accordance with basic handling, we have applied the new accounting standard retroactively.

(3) Consolidated Cash Flow Position

	Net cash provided by (used in) operations	Net cash provided by (used in) investments	Net cash provided by (used in) financing	Cash and cash equivalents at end of fiscal year
	Million yen	Million yen	Million yen	Million yen
Year ended Dec. 31, 2022	4,981	367	(2,996)	17,031
Year ended Dec. 31, 2021	5,214	(219)	(2,547)	14,675

2. Dividends

	Dividend per share					Total dividends	Dividend payout ratio (consolidated)	Dividend on equity (consolidated)
	1Q-end	2Q-end	3Q-end	Year end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Year ended Dec. 31, 2021	–	21.00	–	27.00	48.00	2,370	54.1	9.9
Year ended Dec. 31, 2022	–	25.00	–	30.00	55.00	2,717	54.5	10.5
Forecast for year ending Dec. 31, 2023	–	32.00	–	33.00	65.00		58.3	

Note: Breakdown of year-end dividend for the year ending Dec. 31, 2022: Normal dividend: 28.00 yen; Commemorative dividend: 2.00 yen
We will issue a commemorative dividend to commemorate our listing on the Prime Market, a new market segment on the Tokyo Stock Exchange.

3. Forecast for Consolidated Financial Results for FY2023 (January 1, 2023 – December 31, 2023)

(Percentages represent year-on-year change, full-year figures represent change compared with previous year; first-half figures represent change compared with same period in previous fiscal year.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent		Earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	13,600	10.9	4,000	6.7	4,000	5.8	2,700	4.0	54.73
Full year	28,500	11.2	7,900	11.3	7,950	10.5	5,500	10.2	111.48

Remarks

(1) Changes in material subsidiaries during the fiscal year (changes in scope of consolidation): None

No. of new companies added: None

Names of new companies added: None

No. of companies removed: None

Names of companies removed: None

(2) Changes in accounting policies; changes in estimates; re-statement of amendments

1) Changes in accounting policies caused by revision of accounting standards: Yes

2) Other changes in accounting policies: None

3) Changes in accounting estimates: None

4) Re-statement of amendments: None

(3) Number of issued shares (common stock)

1) Number of shares issued at end of the period (including treasury stock)

2) Number of treasury shares at end of the period

3) Average number of shares during the period

As of Dec. 31, 2022	52,500,000	As of Dec. 31, 2021	52,500,000
As of Dec. 31, 2022	3,162,966	As of Dec. 31, 2021	3,120,936
Fiscal year ended Dec. 31, 2022	49,449,401	Fiscal year ended Dec. 31, 2021	49,383,914

Note: This financial summary is excluded from audit by a CPA or auditing company.

Statement Regarding the Use of Forward-Looking Statements

Forecasts in these materials regarding future performance are based on reasonable judgments made in accordance with information currently available. Actual results may differ greatly from these forecasts for a number of factors. Please refer to "1. Results of Operations (4) Outlook" on page 6 of the appendix for further information concerning the conditions on which these forecasts are based and further cautions with respect to the use of forward-looking statements.

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1. Results of Operations

(1) This Fiscal Year's Results

As of the beginning of the current consolidated fiscal year, we apply the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020). For the Accounting Standard for Revenue Recognition, we apply this new accounting policy retroactively to all past fiscal years in accordance with the basic handling stipulated in Paragraph 84 of the Accounting Standard for Revenue Recognition. As such, our analysis and year-on-year comparisons of consolidated full-year period is based on figures for which this accounting standard have been applied retroactively.

For details on the impact on financial position and results of operations, refer to "4. Consolidated Financial Statements and Main Notes (5) Notes on Consolidated Financial Statements (Changes in Accounting Policies)" and "4. Consolidated Financial Statements and Main Notes (5) Notes on Consolidated Financial Statements (Segment Information)".

During the current fiscal year, the Japanese economy continued to be impacted by COVID-19 but National Travel Support programs being implemented by the government and local municipalities and the removal of restrictions on foreign travelers entering Japan are driving hopes of a resurgence in inbound demand as social and economic activities gradually trend towards normalization. Also, corporate capital expenditures are trending towards recovery among small and medium-sized enterprises. Also, looking at conditions on the employment market, the job opening-to-application ratio trended towards mild improvement. However, conditions are still influenced by the impact of the elongated situation in Ukraine and continuous interest rate hikes by the US are driving rapid yen depreciation. Other causes for concern, including skyrocketing energy prices and raw material costs, are creating conditions that continue to lack future transparency.

In this situation, our Group continues to conduct mainly online seminars and management study groups while also gradually increasing opportunities for in-person events. For consulting activities, we continue to focus on our core business of comprehensive management consulting for small and medium-sized enterprises while also expanding into DX consulting and comprehensive consulting midsized businesses. We also further strengthened Group services related to digital domains. Aiming to provide a one stop solution for DX-related services, on July 1, 2022, we conducted a merger combining Funai Soken Corporate Relations Inc., which specializes in online marketing and BPO consulting, with Shinwa Computer Service Co., Ltd., which specializes in recruitment and training for digital human resources and contracted system development. The name of the newly formed company is Funai Soken Digital, Inc.

As a result, the Group posted 25,635 million yen in net sales (up 12.4% year on year), 7,100 million yen in operating income (up 11.7% year on year), 7,197 million yen in ordinary income (up 11.6% year on year), and 4,990 million yen in net income attributable to owners of the parent (up 14.0% year on year) for FY2022. This consolidated fiscal year, the final fiscal year of our Mid-range Business Plan, we achieved an ROE, one of the financial goals, of 19.2%, which significantly surpassed our goal (15%)

Net sales increased in the monthly consulting support service and project consulting of the business consulting business segment, our main business. Net sales also continued to increase for online ad listing sales. The logistics business also recorded a significant increase in net sales for logistics BPO services. Consequently, net sales rose 12.4% year on year to 25,635 million yen.

Looking at operating income, cost of sales was 15,484 million yen (previous fiscal year was 13,505 million yen), SG&A expenses were 3,049 million yen (previous fiscal year was 2,951 million yen). Travel expenses for consulting activities significantly increased as we gradually resumed activities, and consultant personnel and recruitment expenses increased. Additionally, we incurred an increase in system-related expenses in relation to the expansion of our DX consulting domains. Consequently, operating income rose 11.7% over the previous fiscal year to 7,100 million yen and our operating margin was 27.7%.

Non-operating income was 115 million yen, compared with 131 million yen in the previous fiscal year, on insurance bonus income while non-operating expenses were 18 million yen, compared with 40 million yen in the previous fiscal year.

Consequently, ordinary income rose 11.6% over the previous fiscal year to 7,197 million yen.

With income taxes totaling 2,148 million yen for the current fiscal year, compared with 2,046 million yen in the previous fiscal year, net income attributable to owners of the parent rose 14.0% year on year to 4,990 million yen.

Consolidated performance for each business segment is outlined below.

During the consolidated first quarter, we changed to a reporting method that includes the Direct Recruiting Business under Others due to a decline in financial importance.

Furthermore, during the consolidated third quarter, we conducted an absorption-type merger through involving our consolidated subsidiary Funai Soken Corporate Relations Inc. and another consolidated subsidiary Shinwa Computer Services Co., Ltd., through which Funai Soken Corporate Relations was the surviving company and Shinwa Computer Services was absorbed. The business name have changed to Funai Soken Digital, Inc. As a result of this absorption-type merger, we changed to a reporting method through which the system development business of the former Shinwa Computer Services, which previously was reported under Others, is now reported under the Consulting segment.

These statements are created based on categories applicable after the implementation of these changes.

For details, refer to 4. Consolidated Financial Statements and Main Notes (5) Notes on Consolidated Financial Statements (segment information, etc.).

I. Consulting

In the consulting business, orders from online and seminars increased. Consulting contracts also increased steadily. As a result, we achieved net sales and income exceeding results for the previous fiscal year.

By industry sector, consulting divisions for the housing and real estate industries, the medical, aged care, and welfare industries, our main business divisions, and the manufacturing consulting division all increased net sales.

In the solutions business, sales were favorable for DX for marketing using online sales targeting manufacturing businesses, which is a part of our DX consulting. Additionally, sales were favorable for operational improvements using AI, robots, and RPA as well as exterior DX consulting in the reform segment, and cloud accounting integration solutions. Overall, the DX consulting segment recorded strong performance.

Looking at income, travel expenses, personnel and recruitment expenses, and system-related expenses increased but we achieved increased profit thanks to an increase in higher income driven by increased sales.

Consequently, net sales increased 9.5% year on year to 20,314 million yen, and operating income rose 4.4% year on year to 6,150 million yen.

II. Logistics

In the logistics business, logistics BPO services recorded strong performance of aggressive promotional activities targeting existing customers and e-commerce related operations in our corporate clients. We are also seeing an increase in online inquiries. As a result, net sales increased significantly compared to the previous consolidated fiscal year. Logistics consulting services saw a return to logistics investments among shippers and project orders were favorable, resulting in an increase in net sales compared to the previous fiscal year.

Favorable performance by logistics BPO services and logistics consulting services resulted in increased income.

Consequently, net sales increased 29.3% year on year to 3,778 million yen, and operating income rose 32.3% year on year to 448 million yen.

III. Other Businesses

In other businesses, the direct recruiting business recorded increased net sales and income thanks to a trend towards increasing hiring. The contact center consulting business recorded a significant increase in net sales and income compared to the previous fiscal year on an increase in seminars related to COPC certification, as well as major consulting contracts received. The IT consulting business was largely on par with targets.

Consequently, net sales rose 14.8% year on year to 1,524 million yen and an operating income of 260 million yen was posted compared with an operating loss of 68 million yen in the previous fiscal year.

(2) This Fiscal Year's Financial Position

(Assets)

Total assets increased 2,082 million yen year-on-year to 33,010 million yen at the end of FY2022.

Current assets increased 3,233 million yen from the end of the previous fiscal year to 22,283 million yen. This was mainly due to increases in cash and deposits, trade notes, accounts receivable, and contract assets, and securities.

Noncurrent assets decreased by 1,151 million yen from the end of the previous fiscal year to 10,727 million yen. This was mainly due to a decrease in investment securities.

(Liabilities)

Total liabilities increased 92 million year-on-year to 5,309 million yen at the end of FY2022.

Current liabilities rose by 13 million yen from the end of the previous fiscal year to 5,067 million yen. This mainly reflects decreases in unpaid amounts included under other liabilities, consumption taxes payable and current portion of long-term loans payable.

Noncurrent liabilities rose by 78 million yen from the end of the previous fiscal year to 242 million yen. This was mainly due to an increase in long-term loans payable.

(Net Assets)

Total net assets increased 1,990 million year-on-year to 27,700 million yen at the end of FY2022. This was mainly due to an increase in net income attributable to owners of the parent, and decreases in purchase of treasury shares and retained earnings as these were appropriated.

As a result, the shareholders' equity ratio compared to the end of the previous consolidated fiscal year increased 1.0% to 81.7%.

(3) This Fiscal Year's Cashflow Position

Cash and cash equivalents increased 2,356 million year-on-year to 17,031 million yen at the end of FY2022.

Trends in cash flow by activity are described below.

(Cash Flows from Operating Activities)

Cash flows from operating activities ended on a net gain of 4,981 million yen this year compared to a net gain of 5,214 million yen in the preceding year. This was mainly due to net income before income taxes and other adjustments of 7,138 million yen; income taxes paid of 2,264 million yen; and income tax refunds of 451 million yen.

(Cash Flows from Investing Activities)

Cash flows from investing activities ended on a net gain of 367 million yen this year compared to a net loss of 219 million yen in the preceding year. This was mainly due to a net income of 714 million yen from the sale and purchase of securities and investment securities, and expenditures of 356 million yen on purchases of property, plant, and equipment, and intangible assets.

(Cash Flows from Financing Activities)

Cash flows from financing activities ended on a net loss of 2,996 million yen this year compared to a net loss of 2,547 million yen in the preceding year. This was mainly due to a net expenditure of 403 million yen on the sale and purchase of treasury stock, and 2,566 million yen distributed as dividends.

The following table presents the historical movements of certain cash flow indices.

	FY12/18	FY12/19	FY12/20	FY12/21	FY12/22
Shareholders' equity ratio (%)	82.2	79.4	82.4	80.7	81.7
Shareholders' equity ratio based on market price (%)	309.8	434.6	446.3	417.7	406.2
Interest-bearing debt to cash flow ratio (years)	0.2	0.1	0.1	0.1	0.1
Interest coverage ratio (x)	645.9	863.6	761.7	1,056.1	674.8

Notes:

- Indices are calculated on a consolidated basis as follows:
Shareholders' equity ratio: Shareholders' equity divided by total assets
Shareholders' equity ratio based on market price: Market capitalization divided by total assets
Interest-bearing debt to cash flow ratio: Interest-bearing debt divided by operating cash flow
Interest coverage ratio: Operating cash flow divided by interest payments
- Market capitalization: Closing stock price at FY-end multiplied by the number of outstanding shares at period-end (after deducting treasury stock).
- Interest-bearing debt: All interest-bearing liabilities listed under liabilities on the consolidated balance sheet.
- Operating cash flow and interest payments are taken from cash flows from operating activities and interest paid, respectively, as listed in consolidated cash flow statements.

(4) Outlook

Today, our Group announced our Mid-range Business Plan for 2023 to 2025, the three-year period beginning from FY2023. During this period, we will promote digital solutions and comprehensive management consulting for medium-sized businesses and SMEs our core consulting business. At the same time, we will strengthen Group internal alliances as we continue to capture the needs of the managers of our corporate clients and offer business consulting services that match the current trend. Furthermore, our business plans for this period are as follows.

Result Plan from FY12/23 to FY12/25

(Million yen)

Category	FY2023		FY2024		FY2025	
	Plan	YoY	Plan	YoY	Plan	YoY
Net sales	28,500	+11.2%	32,000	+12.3%	36,000	+12.5%
Operating income	7,900	+11.3%	8,900	+12.7%	10,000	+12.4%

(5) Basic Policy Regarding Distribution of Earnings, Dividends for the Current and Next Fiscal Years

Returning adequate earnings to shareholders is as important to us as strengthening our financial condition and management fundamentals. As such, we are determined to give back to shareholders through distribution of earnings and by buying treasury stock to an appropriate level in light of business performance. Our basic policy is to distribute surpluses in accordance with business performance, and as such, we will, with due consideration of factors such as market climate and capital efficiency, endeavor to maintain a return-to-shareholders ratio of at least 60% by using tools such as dynamic buy-backs of treasury shares.

Retained earnings will be used to enhance capital through a balance of investments for the long-term growth of corporate value, and in strengthening the company's financial condition to facilitate flexible capital policies.

Based on these policies, combined with normal dividend of 28 yen per share and our listing on the Prime Market, a new market segment on the Tokyo Stock Exchange commemorative dividend 2 yen, we plan to distribute a year-end dividend for FY2022 of 30 yen per share, making a total annual dividend of 55 yen per share.

In FY2023, we plan to pay an interim dividend of 32 yen per share and a year-end dividend of 33 yen per share, making a total annual dividend of 65 yen per share.

Dividends per Share

	Interim	Year end	Annual total
FY2022	25 yen	30 yen (Normal dividend: 28 yen) (Commemorative dividend: 2 yen)	55 yen
FY2023 (forecast)	32 yen	33 yen	65 yen

2. The Funai Consulting Group

The group is comprised of Funai Soken Holdings and seven subsidiaries. Our core business is management consulting, and we also offer logistics and other services relating to those operations.

The roles of the various Group companies in each segment are outlined below.

Consulting

The group is fully equipped to offer a comprehensive range of consulting services, and we focus mainly on management consulting. In addition to core management consulting solutions, we also provide industry-specific and solution-specific workshops and seminars.

Group companies involved in this segment: Funai Consulting, Inc., Funai Soken Digital, Inc.,
Funai Consulting Shanghai, Inc.

Logistics

Our logistics services cover two main areas: consulting, designed to help clients improve results and reduce their logistics costs; and BPO services, in which we design, build, and operate clients' logistics frameworks.

Group companies involved in this segment: Funai Soken Logistics, Inc.

Other Businesses

Elsewhere, Funai Soken IT Solutions offers IT consulting services, Proseed offers contact center consulting services, and HR Force offers direct recruiting.

Group companies involved in this segment: Funai Soken IT Solutions, Inc., Proseed Corporation,
HR Force, Inc.

3. Basic Approach to Selection of Financial Accounting Standards

The Funai Soken Consulting Group's consolidated financial statements are prepared in accordance with Japanese financial reporting standards to provide for easier comparison of performance from year to year and company to company.

Regarding whether or not to apply international financial reporting standards, we will continue to monitor the situation and act in accordance with Japanese trends regarding such accounting standards.

4. Consolidated Financial Statements and Main Notes

(1) Consolidated Balance Sheet

(Thousand yen)

	FY12/21 (As of Dec. 31, 2021)	FY12/22 (As of Dec. 31, 2022)
Assets		
Current assets		
Cash and deposits	14,675,155	17,031,407
Trade notes, accounts receivable, and contract assets	3,300,636	3,767,959
Short-term investment securities	100,000	408,150
Work in process	127,853	158,767
Raw materials and supplies	10,986	8,935
Other current assets	875,363	950,725
Allowance for doubtful accounts	(40,657)	(42,610)
Total current assets	19,049,337	22,283,334
Noncurrent assets		
Property, plant, and equipment		
Buildings and structures, net	1,195,629	1,111,950
Land	4,596,717	4,596,717
Other property, plant, and equipment, net	124,850	105,132
Total property, plant, and equipment	5,917,197	5,813,800
Intangible asset		
Leasehold rights	322,400	322,400
Software	298,339	392,655
Other intangible assets	84,678	115,647
Total intangible assets	705,418	830,704
Investments and other assets		
Investment securities	4,241,507	3,101,525
Assets related to retirement benefits	540,005	395,287
Other investments and other assets	481,471	592,068
Allowance for doubtful accounts	(6,929)	(5,997)
Total investments and other assets	5,256,055	4,082,883
Total noncurrent assets	11,878,671	10,727,388
Total assets	30,928,009	33,010,723

(Thousand yen)

	FY12/21 (As of Dec. 31, 2021)	FY12/22 (As of Dec. 31, 2022)
Liabilities		
Current liabilities		
Trade notes and accounts payable	535,623	552,314
Short-term loans payable	200,000	200,000
Current portion of long-term loans payable	100,000	-
Income taxes payable	1,325,288	1,252,738
Other current liabilities	2,892,164	3,061,969
Total current liabilities	5,053,076	5,067,022
Noncurrent liabilities		
Long-term loans payable	-	100,000
Retirement benefit liabilities	69,872	71,994
Deferred tax liabilities	47,164	2,804
Other noncurrent liabilities	47,050	67,989
Total noncurrent liabilities	164,087	242,788
Total liabilities	5,217,163	5,309,811
Net assets		
Shareholders' equity		
Capital stock	3,125,231	3,125,231
Capital surplus	2,946,763	2,955,094
Retained earnings	22,688,431	25,108,389
Treasury stock	(3,826,322)	(4,100,171)
Total shareholders' equity	24,934,103	27,088,544
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	76,859	19,755
Foreign currency translation adjustments	23,992	27,299
Accumulated adjustments for retirement benefits	(72,760)	(182,338)
Total accumulated other comprehensive income	28,090	(135,282)
Subscription rights for shares	748,651	747,650
Total net assets	25,710,846	27,700,911
Total liabilities and net assets	30,928,009	33,010,723

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Thousand yen)

	FY12/21 (Jan. 1 – Dec. 31, 2021)	FY12/22 (Jan. 1 – Dec. 31, 2022)
Net sales	22,816,130	25,635,207
Cost of sales	13,505,787	15,484,845
Gross profit	9,310,343	10,150,361
SG&A expenses	2,951,826	3,049,490
Operating income	6,358,516	7,100,871
Non-operating income		
Interest income	21,532	15,867
Dividend income	6,997	8,057
Gain on sales of investment securities	38,554	11,850
Gain on valuation of investment securities	2,086	8,228
Insurance bonus income	33,768	31,938
Other non-operating income	28,250	39,213
Total non-operating income	131,191	115,155
Non-operating expenses		
Interest expenses	4,933	7,322
Loss on valuation of investment securities	1,350	–
Investment partnership management expenses	2,738	2,269
Foreign exchange losses	3,566	4,484
Donations	25,500	1,000
Other non-operating expenses	2,799	3,152
Total non-operating expenses	40,888	18,229
Ordinary income	6,448,819	7,197,796
Extraordinary income		
Gain on sales of noncurrent assets	16	–
Total extraordinary income	16	–
Extraordinary losses		
Loss on sales of noncurrent assets	3,576	2,179
Impairment losses	–	40,090
Loss on retirement of noncurrent assets	10,935	16,987
Loss on revision of retirement benefit plan	9,339	–
Total extraordinary losses	23,851	59,256
Net income before income taxes and other adjustments	6,424,984	7,138,540
Current income taxes	2,083,037	2,191,247
Deferred income taxes	(36,876)	(42,996)
Total income taxes	2,046,160	2,148,251
Net income	4,378,824	4,990,289
Net income attributable to owners of the parent	4,378,824	4,990,289

Consolidated Statement of Comprehensive Income

(Thousand yen)

	FY12/21 (Jan. 1 – Dec. 31, 2021)	FY12/22 (Jan. 1 – Dec. 31, 2022)
Net income	4,378,824	4,990,289
Other comprehensive income		
Valuation difference on available-for-sale securities	1,617	(57,103)
Foreign currency translation adjustments	6,917	3,307
Adjustments for retirement benefits	54,362	(109,577)
Total other comprehensive income	62,897	(163,373)
Comprehensive income	4,441,722	4,826,915
Details		
Comprehensive income attributable to owners of the parent	4,441,722	4,826,915

(3) Consolidated Statement of Changes in Net Assets

FY12/21 (Jan. 1 – Dec. 31, 2021)

(Thousand yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at start of fiscal year	3,125,231	2,946,634	20,565,065	(3,560,378)	23,076,553
Cumulative impact of change in accounting policy			18,729		18,729
Year-beginning balance after reflecting change in accounting policy	3,125,231	2,946,634	20,583,794	(3,560,378)	23,095,283
Change					
Dividends from surplus			(2,274,187)		(2,274,187)
Net income attributable to owners of the parent			4,378,824		4,378,824
Purchase of treasury stock				(266,079)	(266,079)
Disposal of treasury stock		128		134	263
Net changes of items other than shareholders' equity					
Total changes of items during the fiscal year	–	128	2,104,636	(265,944)	1,838,820
Balance at end of current fiscal year	3,125,231	2,946,763	22,688,431	(3,826,322)	24,934,103

	Accumulated other comprehensive income				Subscription rights for shares	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustments	Accumulated adjustments for retirement benefits	Total accumulated other comprehensive income		
Balance at start of fiscal year	75,241	17,074	(127,122)	(34,806)	646,669	23,688,416
Cumulative impact of change in accounting policy						18,729
Year-beginning balance after reflecting change in accounting policy	75,241	17,074	(127,122)	(34,806)	646,669	23,707,145
Change						
Dividends from surplus						(2,274,187)
Net income attributable to owners of the parent						4,378,824
Purchase of treasury stock						(266,079)
Disposal of treasury stock						263
Net changes of items other than shareholders' equity	1,617	6,917	54,362	62,897	101,982	164,879
Total changes of items during the fiscal year	1,617	6,917	54,362	62,897	101,982	2,003,700
Balance at end of current fiscal year	76,859	23,992	(72,760)	28,090	748,651	25,710,846

FY12/22 (Jan. 1 – Dec. 31, 2022)

(Thousand yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at start of fiscal year	3,125,231	2,946,763	22,688,431	(3,826,322)	24,934,103
Change					
Dividends from surplus			(2,570,330)		(2,570,330)
Net income attributable to owners of the parent			4,990,289		4,990,289
Purchase of treasury stock				(402,959)	(402,959)
Disposal of treasury stock		8,331		129,111	137,442
Net changes of items other than shareholders' equity					
Total changes of items during the fiscal year	–	8,331	2,419,958	(273,848)	2,154,441
Balance at end of current fiscal year	3,125,231	2,955,094	25,108,339	(4,100,171)	27,088,544

	Accumulated other comprehensive income				Subscription rights for shares	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustments	Accumulated adjustments for retirement benefits	Total accumulated other comprehensive income		
Balance at start of fiscal year	76,859	23,992	(72,760)	28,090	748,651	25,710,846
Change						
Dividends from surplus						(2,570,330)
Net income attributable to owners of the parent						4,990,289
Purchase of treasury stock						(402,959)
Disposal of treasury stock						137,442
Net changes of items other than shareholders' equity	(57,103)	3,307	(109,577)	(163,373)	(1,001)	(164,375)
Total changes of items during the fiscal year	(57,103)	3,307	(109,577)	(163,373)	(1,001)	1,990,065
Balance at end of current fiscal year	19,755	27,299	(182,338)	(135,282)	747,650	27,700,911

(4) Consolidated Cash Flow Statement

(Thousand yen)

	FY12/21 (Jan. 1 – Dec. 31, 2021)	FY12/22 (Jan. 1 – Dec. 31, 2022)
Net cash provided by (used in) operations		
Net income before income taxes and other adjustments	6,424,984	7,138,540
Depreciation	240,553	311,651
Impairment losses	–	40,090
Amortization of goodwill	23,442	23,442
Share-based compensation expenses	101,982	136,335
Increase (decrease) in allowance for doubtful accounts	(10,489)	1,021
Decrease (increase) in assets related to retirement benefits	(22,580)	35,140
Increase (decrease) in liabilities related to retirement Benefits	1,783	2,122
Loss (gain) on valuation of investment securities	(735)	(8,228)
Loss (gain) on sales of investment securities	(38,554)	(11,850)
Interest and dividends received	(28,530)	(23,924)
Interest expenses	4,933	7,322
Loss (gain) on exchange	3,307	18
Contributions	25,550	1,000
Loss (gain) on sales of property, plant, and equipment	3,559	2,179
Loss on retirement of property, plant, and equipment	2,516	16,987
Loss on retirement of intangible assets	8,419	–
Decrease (increase) in notes and accounts receivable-trade and contract assets	(476,494)	(459,100)
Decrease (increase) in other assets	(474,439)	(586,623)
Increase (decrease) in other liabilities	477,767	132,750
Other cash provided by (used in) operations	5,078	5,741
Subtotal	6,272,053	6,764,614
Interest and dividends received	42,901	38,297
Interest paid	(4,937)	(7,383)
Income taxes paid	(1,610,671)	(2,264,080)
Income tax refunds	540,635	451,326
Contributions paid	(25,550)	(1,000)
Net cash provided by (used in) operations	5,214,432	4,981,775

(Thousand yen)

	FY12/21 (Jan. 1 – Dec. 31, 2021)	FY12/22 (Jan. 1 – Dec. 31, 2022)
Net cash provided by (used in) investments		
Proceeds from sale and redemption of short-term investment securities	304,615	100,000
Purchase of investment securities	(724,985)	(399,437)
Proceeds from sale and redemption of investment securities	416,812	1,013,565
Purchase of property, plant, and equipment	(63,237)	(53,170)
Purchase of Intangible assets	(155,336)	(302,877)
Proceeds from surrender of insurance reserves	–	9,291
Other cash provided by (used in) investments	2,366	109
Net cash provided by (used in) investments	(219,766)	367,481
Net cash provided by (used in) financing		
Income from long-term loans	–	100,000
Expenditure for repayment of long-term loans	–	(100,000)
Repayment of lease obligations	(9,103)	(26,666)
Purchase of treasury shares	(266,222)	(403,179)
Proceeds from sale of treasury shares	263	105
Dividends paid	(2,272,285)	(2,566,314)
Net cash provided by (used in) financing	(2,547,348)	(2,996,055)
Effect of exchange rate changes on cash and cash equivalents	11,418	3,050
Net increase (decrease) in cash and cash equivalents	2,458,736	2,356,251
Cash and cash equivalents at start of fiscal year	12,216,419	14,675,155
Cash and cash equivalents at end of fiscal year	14,675,155	17,031,407

(5) Notes on Consolidated Financial Statements

(Notes on Going Concern Assumptions)

None to report.

(Changes in Accounting Policies)

1. Application of the Accounting Standard for Revenue Recognition

We apply the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020, hereinafter “Revenue Recognition Accounting Standard”) as of the beginning of the current consolidated fiscal year. As a result, we recognize revenue based on the amount projected to be received in exchange for goods or services at the point ownership of the promised goods or services is transferred to the customer.

Changes resulting from the application of the Revenue Recognition Accounting Standard are as follows.

- Agent transactions

Revenue recognition for agent transactions previously entailed recognizing the total amount of compensation received from customers as revenue. However, for transactions where our Group serves as an agent for the provision of goods or services to the customer, we have changed to a method that recognizes revenue as the net amount from which amounts paid to the vendor are deducted from the amount received from the customer.

- Project transactions

Revenue recognition for project transactions previously entailed recognizing revenue at the point of service completion. However, we have changed to a method that estimates progress towards the fulfillment of duties and recognizes revenue over a specified period of time based on said progress.

These changes in accounting standards will be applied retroactively. As such, the consolidated financial statements for the previous fiscal year reflect the retroactive application of these standards.

As a result, compared to prior to retroactive application, net sales for the previous consolidated fiscal year decreased by 5,997 million yen, cost of sales decreased by 6,006 million yen, and operating income, ordinary income, and net income before income taxes and other adjustments each increased by 9 million yen. Furthermore, the retained earnings balance at the beginning of the previous fiscal year increased by 18 million yen after reflecting the cumulative impact amount in net assets for the beginning of the previous consolidated accounting period. Trade notes, accounts receivable, and contract assets for the previous consolidated fiscal year increased by 108 million yen, work in process decreased by 56 million yen, “other” under investments and other assets decreased by 9 million yen, “other” under current liabilities increased by 16 million yen, and deferred tax liabilities increased by 3 million yen. Impact on per-share information is indicated on the said part.

As we applied the Revenue Recognition Accounting Standard, as of the current consolidated fiscal year, trade notes and accounts receivable indicated under current assets in the consolidated balance sheet for the previous consolidated fiscal year is now included under trade notes, accounts receivable, and contract assets.

2. Application of Accounting Standard for Fair Value Measurement

We apply the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019, hereinafter, “Fair Value Measurement Accounting Standard”) as of the beginning of the current consolidated fiscal year. In accordance with the transitional treatment set forth in Paragraph 19 of the Fair Value Measurement Accounting Standard and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019), the new policies outlined in the Fair Value Measurement Accounting Standard shall be applied over time.

Furthermore, this has no impact on our consolidated financial statements.

(Segment Information)

1. Overview of Segments Included in Reports

The segments for which reports are compiled are those components of the group for which financial information can be obtained separate from other component units. Segments are reviewed periodically by the board of directors in order to make more informed decisions on how management resources can best be allocated, and in order to evaluate performance.

We employ two main segments in for these reports. They are, in keeping with the categories of work performed by the companies within the group: consulting and logistics. Their activities can be defined as follows.

- Consulting: Consulting services such as guidance, research, and diagnosis pertaining to company management; members-only workshops and seminars.
- Logistics: Logistics services cover two main areas: consulting, designed to help clients improve results and reduce their logistics costs; and BPO services, in which we design, build, and operate clients' logistics frameworks.

For the first quarter of the current consolidated fiscal year, as the monetary weight of direct recruiting declined, we changed to a recording method that includes those amounts in Others.

During the first nine months of the current consolidated fiscal year, we conducted an absorption-based merger through which our consolidated subsidiary Shinwa Computer Service Co., Ltd. was absorbed into our consolidated subsidiary Funai Soken Corporate Relations Inc., and we changed the name of the company to Funai Soken Digital, Inc. As a result of this absorption-based merger, we changed the reporting segment for the system development business of Shinwa Computer Service Co., Ltd. While previously included under the Others, this is now included under the Consulting segment.

Segment information for the previous consolidated fiscal year is based on the changed category names.

2. Calculation of Net Sales, Income/Losses, Assets, and Other Accounts for Each Segment

Accounting methods for the reported segments are largely the same as those used in the consolidated financial statements.

Segment-specific income or losses are calculated based on operating income figures. Inter-segment sales and transfers are calculated based on current market prices.

As indicated in Changes in Accounting Policies, as of the beginning of the current consolidated fiscal year, we apply the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020). As we have changed accounting treatments related to revenue recognition, we also changed how we estimate business segment income and losses.

Segment information for the previous fiscal year indicates figures created using the revised method of measuring income and losses.

As a result, compared to the previous method, net sales for the previous fiscal year decreased by 3,711 million yen for Consulting, by 387 million yen for Logistics, and by 1,898 million yen for Others. Furthermore, segment income for Consulting increased by 46 million yen, while Others decreased by 35 million yen and Adjustments decreased by 1 million yen.

3. Other Information About Net Sales, Income/Losses, Assets, and Other Accounts for Each Segment
FY12/21 (Jan. 1 – Dec. 31, 2021)

(Thousand yen)

	Consulting	Logistics	Others ⁽¹⁾	Total	Adjustment ⁽²⁾	Amount listed in consolidated financial statements ⁽³⁾
Net sales						
Sales to external customers	18,544,888	2,922,033	1,328,084	22,795,006	21,124	22,816,130
Inter-segment sales and transfers	66,034	291,766	20,239	378,040	(378,040)	–
Total	18,610,922	3,213,800	1,348,324	23,173,046	(356,916)	22,816,130
Segment income (loss)	5,893,486	338,792	(68,160)	6,164,118	194,398	6,358,516
Segment assets	18,124,310	1,618,356	1,127,280	20,869,947	10,058,061	30,928,009
Others						
Depreciation	76,708	3,577	26,672	106,957	133,596	240,553
Amortization of goodwill	23,442	–	–	23,442	–	23,442
Change in property, plant, equipment, and intangible assets	121,699	12,347	36,713	170,759	58,938	229,698

Notes:

- 1 The “others” category includes income from IT consulting, contact center consulting, and direct recruiting.
- 2 Details of adjustments are as follows.
 - (1) Adjustments of segment income or losses include elimination of inter-segment transactions and whole-group revenues and expenses that are not attributable to any segment. Whole-group revenues are comprised of outsourcing and consulting fees from group companies, property rental income and whole-group expenses are comprised of those incurred in group operations.
 - (2) Adjustments of segment assets include elimination of inter-segment transactions and assets held throughout the group that are not attributable to any segment. Whole-group assets are comprised of assets relating to the operation of the group.
 - (3) Adjustments of depreciation include elimination of inter-segment transactions and depreciation of assets held throughout the group that are not attributable to any segment.
 - (4) Change in property, plant, equipment, and intangible assets includes elimination of inter-segment transactions and assets held throughout the group that are not attributable to any segment.
- 3 Segment income or losses are adjusted against operating income in the consolidated financial statements.

FY12/22 (Jan. 1 – Dec. 31, 2022)

(Thousand yen)

	Consulting	Logistics	Others ⁽¹⁾	Total	Adjustment ⁽²⁾	Amount listed in consolidated financial statements ⁽³⁾
Net sales						
Sales to external customers	20,314,813	3,778,858	1,524,495	25,618,167	17,039	25,635,207
Inter-segment sales and transfers	111,489	372,043	5,590	489,123	(489,123)	–
Total	20,426,302	4,150,902	1,530,085	26,107,290	(472,083)	25,635,207
Segment income	6,150,752	448,198	260,144	6,859,095	241,775	7,100,871
Segment assets	19,573,335	2,060,433	945,338	22,579,108	10,431,614	33,010,723
Others						
Depreciation	154,393	3,781	31,650	189,825	121,825	311,651
Amortization of goodwill	23,442	–	–	23,442	–	23,442
Impairment losses	40,090	–	–	40,090	–	40,090
Change in property, plant, equipment, and intangible assets	171,955	1,889	33,393	207,238	127,945	335,183

Notes:

- 1 The “others” category includes income from IT consulting, contact center consulting, and direct recruiting.
- 2 Details of adjustments are as follows.
 - (1) Adjustments of segment income include elimination of inter-segment transactions and whole-group revenues and expenses that are not attributable to any segment. Whole-group revenues are comprised of outsourcing and consulting fees from group companies, property rental income and whole-group expenses are comprised of those incurred in group operations.
 - (2) Adjustments of segment assets include elimination of inter-segment transactions and assets held throughout the group that are not attributable to any segment. Whole-group assets are comprised of assets relating to the operation of the group.
 - (3) Adjustments of depreciation include elimination of inter-segment transactions and depreciation of assets held throughout the group that are not attributable to any segment.
 - (4) Change in property, plant, equipment, and intangible assets includes elimination of inter-segment transactions and assets held throughout the group that are not attributable to any segment.
- 3 Segment income is adjusted against operating income in the consolidated financial statements.

(Per-share Information)

	FY12/21 (Jan. 1 – Dec. 31, 2021)	FY12/22 (Jan. 1 – Dec. 31, 2022)
Net assets per share	505.52 yen	546.31 yen
Earnings per share (basic)	88.67 yen	100.92 yen
Earnings per share (diluted)	87.60 yen	99.62 yen

Note: 1. The basis for calculation of basic and diluted net income per share is as follows.

	FY12/21 (Jan. 1 – Dec. 31, 2021)	FY12/22 (Jan. 1 – Dec. 31, 2022)
Earnings per share (basic)		
Net income attributable to owners of the parent (Thousand yen)	4,378,824	4,990,289
Amount not attributable to common shareholders (Thousand yen)	–	–
Net income attributable to common-stock owners of the parent (Thousand yen)	4,378,824	4,990,289
Average number of common shares outstanding during the fiscal year	49,383,914	49,449,401
Earnings per share (diluted)		
Adjusted net income attributable to owners of the parent (Thousand yen)	–	–
Increase in common shares	604,170	642,390
(Portion of increase made up of subscription rights)	(604,170)	(642,390)
Summary of non-dilutive stock equivalents not used in calculation of earnings per share (diluted)	–	–

Note: 2. Basis for calculation of net assets per share is as follows.

	FY12/21 (Jan. 1 – Dec. 31, 2021)	FY12/22 (Jan. 1 – Dec. 31, 2022)
Total net assets on consolidated balance sheets (Thousand yen)	25,710,846	27,700,911
Deductions from total net assets (Thousand yen)	748,651	747,650
(Portion of deductions made up of subscription rights) (Thousand yen)	(748,651)	(747,650)
Net assets attributable to common shareholders (Thousand yen)	24,962,194	26,953,261
Number of common shares used in calculation of net assets per share at end of year	49,379,064	49,337,034

Notes: As indicated in Changes in Account Policy, changes in the account policy for FY2022 will be applied retroactively. As such, the consolidated financial statements for the previous fiscal year reflect the retroactive application of these standards. As a result, compared to prior to the retroactive application, net assets per share for the previous consolidated fiscal year increased by 0.48 yen, and basic and diluted net earnings per share increased by 0.10 yen.

(Subsequent Events)

(Changes in reporting segments)

At the Board of Directors meeting convened on January 24, 2023, a resolution was passed to change the segments to the three: Consulting, Logistics and Digital Solutions from the fiscal year ending December 31, 2023.

This was a result of reviewing reasonable categories in order to clarify our group growth strategy taking into account of our future business development, upon overseeing the Mid-range Business Plan, of which the fiscal year ending December 31, 2023, incorporating integration of Funai Soken Corporate Relations Inc. and Shinwa Computer Service Co., Ltd. in July 2022, and purchase of stocks of Seichou Senryaku, Inc. in January 2023, is the first fiscal year.

As such, information about net sales and earnings amount for each segment of the current consolidated fiscal year according to the revised segment categories is described below.

FY12/22 (Jan. 1 – Dec. 31, 2022)

(Thousand yen)

	Consulting	Logistics	Digital solutions	Total	Adjustment	Amount listed in consolidated financial statements
Net sales						
Sales to external customers	18,277,165	3,778,858	3,562,143	25,618,167	17,039	25,635,207
Inter-segment sales and transfers	1,194,225	372,043	1,065,995	2,632,264	(2,632,264)	–
Total	19,471,390	4,150,902	4,628,138	28,250,431	(2,615,224)	25,635,207
Segment income	6,238,903	448,198	176,247	6,863,349	237,521	7,100,871

(Retirement of treasury stock)

At the Board of Directors meeting convened on January 24, 2023, we voted to dispose of treasury stock in accordance with the provisions of Companies Act Article 178. Details are as follows.

1. Retired stock type
Company common shares
2. Total number of retired shares
500,000 shares
(0.95% of the total number of shares issued prior to retirement)
3. Date of retirement
January 31, 2023

(Reference) Total number of issued shares following retirement 52,000,000

5. Other Information

(1) Orders and Sales

I. Orders

Orders won by each operating segment in this consolidated fiscal year are as follows.

(Thousand yen)

Segment	FY12/21 (Jan. 1 – Dec. 31, 2021)		FY12/22 (Jan. 1 – Dec. 31, 2022)	
	Orders received	Orders outstanding	Orders received	Orders outstanding
Consulting	14,789,005	6,630,710	16,531,457	7,528,899
Logistics	671,852	282,858	745,132	304,508
Other businesses	514,368	86,023	510,756	63,967

Note:

- 1 Consulting orders above include only monthly support service and project consulting revenues.
- 2 Logistics revenues include only that earned from logistics consulting activities.
- 3 Other businesses only indicates sales from IT and contact center consulting.
- 4 The above amounts are based on sale prices.
- 5 The above amounts do not include consumption tax.

II. Sales

Sales made by each operating segment in the current fiscal year are as follows.

(Thousand yen)

Segment	FY12/21 (Jan. 1 – Dec. 31, 2021)		FY12/22 (Jan. 1 – Dec. 31, 2022)	
	Amount	% of total	Amount	% of total
Consulting	18,544,888	81.4%	20,314,813	79.2%
Logistics	2,922,033	12.8%	3,778,858	14.8%
Other businesses	1,328,084	5.8%	1,524,495	6.0%
Total	22,795,006	100.0%	25,618,167	100.0%

Note:

- 1 Sales amounts indicate sales to external customers.
- 2 The above amounts do not include consumption tax.
- 3 No single customer accounted for 10% or more of aggregate net sales.

(2) Changes in Directors and Officers

(Scheduled to take effect on March 25, 2023)

1) Legal representatives

Name	New Title	Previous Title
Sakae Takashima	N/A	Chairman and Group CEO
Takayuki Nakatani	President and Group CEO	President & CEO

2) Other directors and officers

- Scheduled resignations

Name	New Title	Previous Title
Miki Mitsunari	-	Outside director

- Scheduled appointments

Name	New Title	Previous Title
Taeko Yamamoto	Outside director	EVP, CMO at Fujitsu Ltd.
Tomomi Murakami	Outside director	Senior Manager at Board Advisors Japan, Inc.

3) Executive officers

- Scheduled resignations

Name	New Title	Previous Title
Tomoaki Mizoue	-	Executive officer, head of Group IT Department
Akira Hamaguchi	-	Executive officer, head of Group Wellbeing Department

- Scheduled appointments

Name	New Title	Previous Title
Akiyo Koike	Executive officer, head of Group Wellbeing Department	Executive officer of Funai Consulting Inc., head of Employment Success Divisional Headquarters

List of Directors, Auditors, and Executive Officers

Funai Soken Holdings, Inc. (scheduled to take effect on March 25, 2023)

Name	Title	Position
Takayuki Nakatani	President	Group CEO
Tatsuro Ono	Director and executive vice president	Head of Corporate Management Divisional Headquarters
Nobuyuki Isagawa	Outside director	
Taeko Yamamoto	Outside director	
Tomomi Murakami	Outside director	
Masahiro Hyakumura	Director and standing member of the Audit and Supervisory Committee	
Atsushi Nakao	Outside director and member of the Audit and Supervisory Committee	
Akihiro Kobayashi	Outside director and member of the Audit and Supervisory Committee	
Masaru Sumitomo	Executive officer	Head of Group Culture Office
Eijiro Saito	Executive officer	Head of Corporate Strategy Office
Motoki Haruta	Executive officer	Head of Group Finance Department
Akiyo Koike	Executive officer	Head of Group Wellbeing Department

Funai Consulting, Inc. (scheduled to take effect on March 24, 2023)

Name	Title	Position
Daisuke Shingai	President & CEO	
Kyohei Deguchi	Director and executive vice president	Head of Consulting Operations Divisional Headquarters and head of Improved Corporate Value Consulting Divisional Headquarters
Yoshihito Sugahara	Director and senior vice president	Head of Administration Divisional Headquarters
Tomoyuki Murata	Outside director	
Masahiro Hyakumura	Auditors	
Isao Kikuchi	Executive officer	Head of Consulting Divisional Headquarters V
Noboru Sugiura	Executive officer	Deputy head of Consulting Operations Divisional Headquarters & head of Consulting Divisional Headquarters IV
Yoshihiko Ito	Executive officer (new)	Head of Consulting Divisional Headquarters II
Hiroshige Sunakawa	Executive officer (new)	Head of Consulting Divisional Headquarters III and head of Employment Success Divisional Headquarters