



February 8, 2023

For Immediate Release

Funai Soken Holdings, Inc. (TSE Prime, stock code 9757)

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Notice of New Mid-Range Business Plan (2023-2025)

Funai Soken Holdings Inc., has announced the establishment of its latest three-year plan, Mid-Range Business Plan (2023-2025): Sustainable Growth 2025, which will cover the three-year period up ending December 2025.

1. Plan Period

FY12/23 through FY12/25

2. Overview

The Funai Soken Consulting Group has recently established a new group purpose—“Sustainable growth for more companies”—as an expression of its commitment to delivering strong, sustainable growth for clients and itself in an age of tumultuous change and uncertainty. To achieve that purpose, the group will endeavor to expand its business so as to provide a full spectrum of solutions for SMEs and mid-scale companies seamlessly, and will seek to realize the Group Vision of becoming the foremost provider of digital and comprehensive consulting solutions for mid-scale and SME clients.

3. Numerical Targets

Consolidated targets	FY12/22 (actual)	FY12/25 (target)
Net sales	25.6 bil. yen	36.0 bil. yen
Operating income	7.1 bil. yen	10.0 bil. yen
ROE	19.2%	20+%
Shareholder returns	Return-to-shareholders ratio 62.5% Dividend payout ratio: 54.5%	Return-to-shareholders ratio 60+% Dividend payout ratio 55+%

See appendix for details.

- End -

2023-2025 Mid-Range Business Plan

Sustainable Growth 2025

Funai Soken Holdings Inc.

(TSE Prime: 9757)

Compiled by: Investor Relations

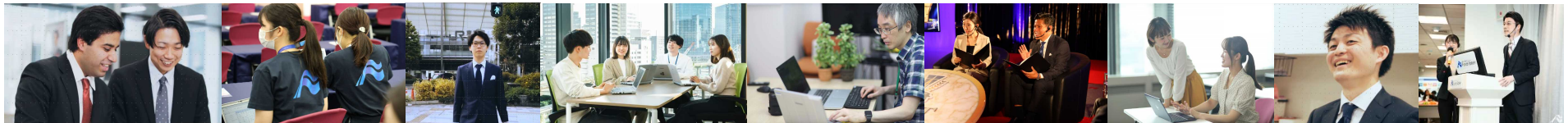
February 8, 2023

 Funai Soken Holdings



1 Review of Mid-Range Business Plan 2020–2022

2 Mid-Range Business Plan 2023–2025

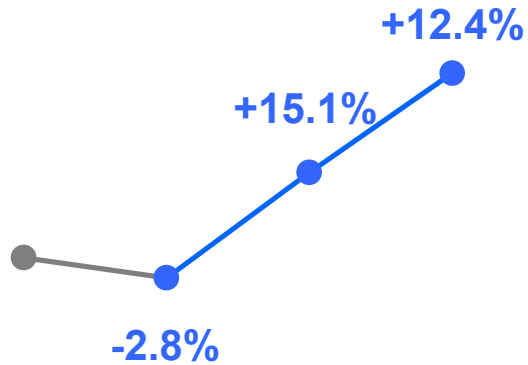


Review of Mid-Range Business Plan 2020–2022

(1) Performance Outcomes: Numerical Targets and Financial Strategy

Sales and income were down in 2020, but returned to double-figure growth in 2021 and 2022. Core financial strategy targets relating to consolidated ROE and return-to-shareholders ratio were met in all three years.

Sales



Target achieved

2019 2020 2021 2022

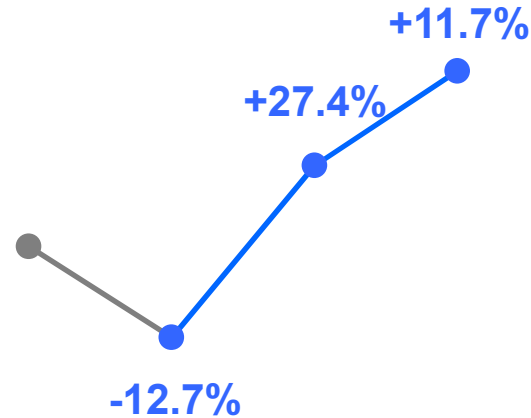
New ASBJ standards - - 22,816 **25,635**

Old ASBJ standards 25,752 25,027 28,813 -

(Million yen)

Target: 25,300

Operating income



Target achieved

2019 2020 2021 2022

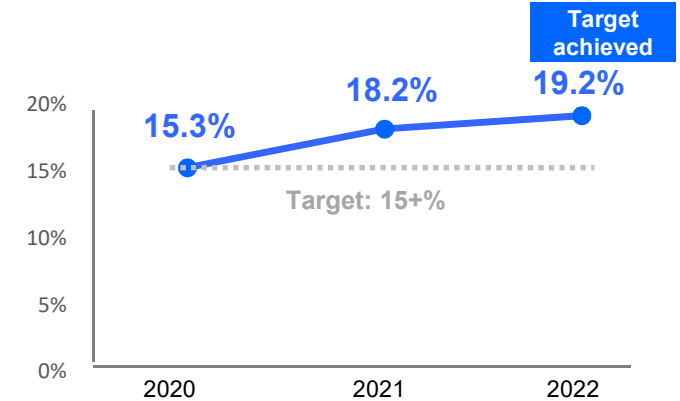
New ASBJ standards - - 6,358 **7,100**

Old ASBJ standards 5,705 4,982 6,349 -

(Million yen)

Target: 7,100

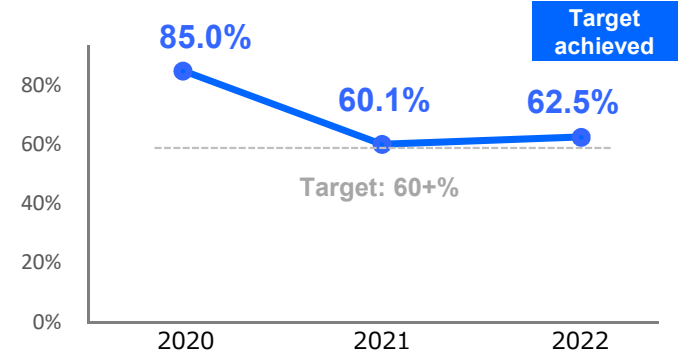
Consolidated ROE



Target achieved

2020 2021 2022

Return-to-shareholders ratio

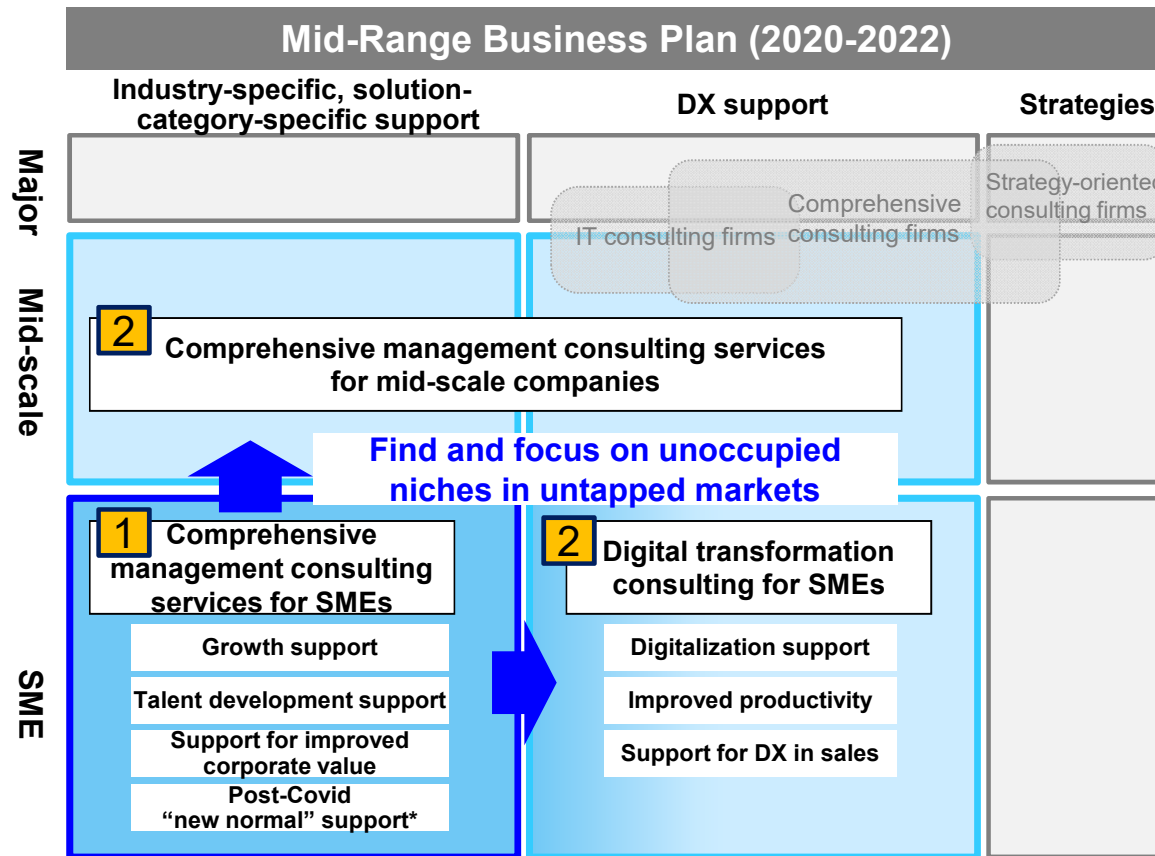


Target achieved

2020 2021 2022

(2) Performance Outcomes: Business Strategy

We achieved solid performance in comprehensive management consulting services for SMEs, and robust growth in digital transformation consulting services for SMEs and comprehensive management consulting services for mid-scale companies.






Outcomes

- 1 Comprehensive management consulting services for SMEs** (SMEs × consulting services) Solid
 - Solid performance in core industries: housing and real estate; healthcare, nursing care, and welfare; and certified professional services
 - Major growth in the manufacturing industry
 - Among support services for improved corporate value, M&A support services saw solid growth
- 2 Digital transformation consulting for SMEs** (SMEs × digital transformation support) Growing
 - Large growth in DX-solution-based consulting sales
 - Zoho-based consulting services began in earnest
- 3 Comprehensive management consulting services for mid-scale companies** (mid-scale × consulting services & digital transformation support) Growing
 - Acquiring certification as an approved Tokyo Pro Market “J-Adviser” provides solid footing to ramp up support for IPOs, rebranding, restructuring to a holding company set-up
 - Established a team-based consulting framework for mid-scale clients via our Account Partner Offices (expanded alliances with regional banks)

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

(3) Performance Outcomes: Financial Strategy

We implemented various initiatives to generate sustained growth through maintenance of a working environment that empowers our diverse workforce to make full use of their skills. We did not achieve the group workforce number target, but all other targets were met or expanded.

Mid-Range Business Plan (2020-2022)		Outcomes
1 Hiring 	Groupwide workforce of 1,500 by 2022 (increase by approx. 300) (1) Ongoing aggressive hiring of consultants (200–250 per year) (2) Expand hiring of digital transformation staff (3) Step up hiring of non-Japanese (esp. in Shanghai) (4) Hire more qualified professionals	Target not achieved ● Employees: 1,382 (groupwide; up 173 from 2019) Expanding ● DX staff (total digital marketing consultants, DX consultants, DX engineers as per our own definition): 260 at end of 2022
2 Development 	Rebuild accelerated development programs for an expanding workforce (1) Establish a Talent Development Center: Swift development of digital transformation staff, maximize consultants' employee lifetime value (2) Continued accelerated development of team leaders (target: promotion to team leader within 5 years).	Target achieved ● Talent Development Center opened; consultant training programs expanding ■ Instilling skills conducive to improving the bottom line ■ Development of DX staff through digital training Target achieved ● In 2022: 4 years 1 month
3 Empowerment  Positive cycle	A rewarding environment for a diverse workforce (1) Establish and embed a new assessment system based on four major career paths 1. Consultant development course; 2. Business development course; 3. Corporate professional course; 4. Management course (2) Flexible working arrangements for improved efficiency: Expand remote support services to reduce the need for consultants to travel	Target achieved ● New assessment system built and implemented at Funai Consulting; currently at the bedding-in stage Target achieved ● Remote support environment built. Hybrid style of delivering support services on-site and remotely is becoming normalized

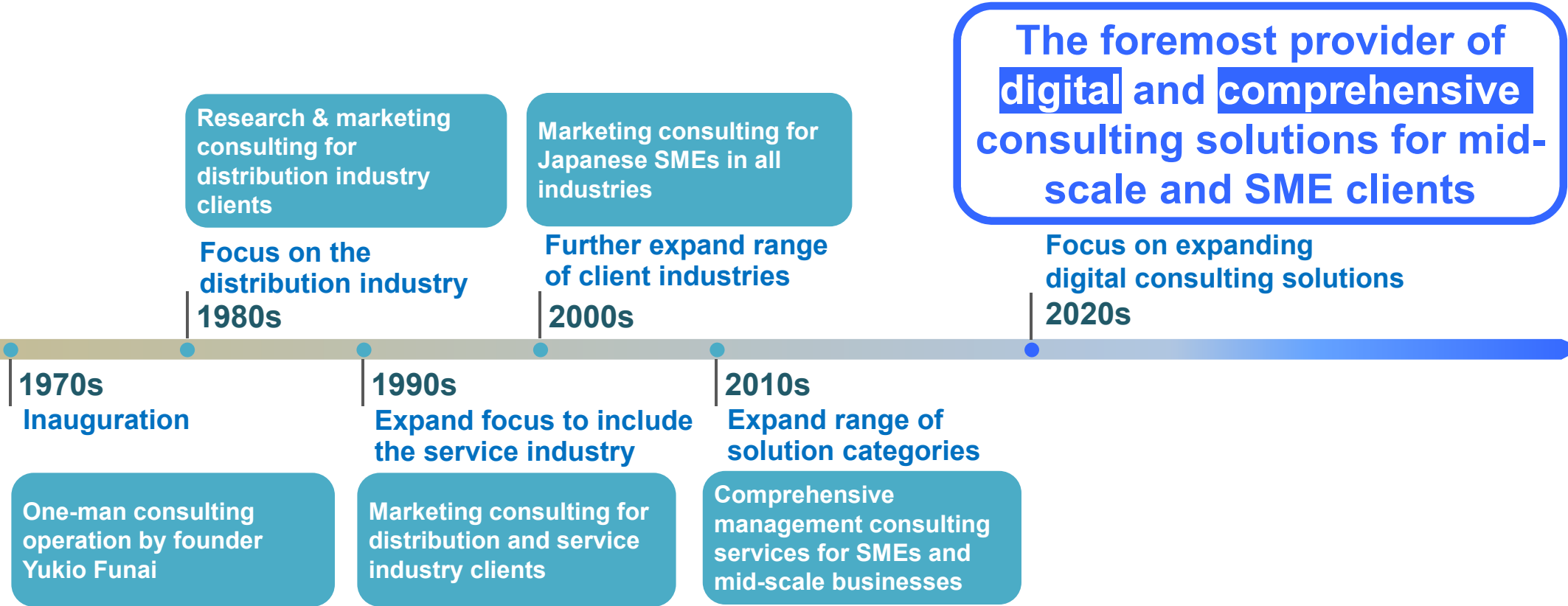
1 Review of Mid-Range Business Plan 2020–2022

2 **Mid-Range Business Plan 2023–2025**



Our Vision for the Future

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.**



The Funai Soken Consulting Group Purpose

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



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

This image shows our operating companies as trees growing bigger and stronger in the sunlight of the Funai Soken Consulting Group Purpose. The Funai Way is the roots that keep our footing firm, and the Founder's Spirit is the life-giving water that feeds them.

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
+Priorities	Aggressive investment in HR
	Ingraining the Group Purpose

Industry-specific management consulting	DX consulting
Solution-category-specific management consulting	
Comprehensive management consulting services for mid-scale companies	
Hiring, training DX staff	Digital solution services
Better engagement	Improved productivity, sustained improvements in compensation
Group synergies	Group synergies

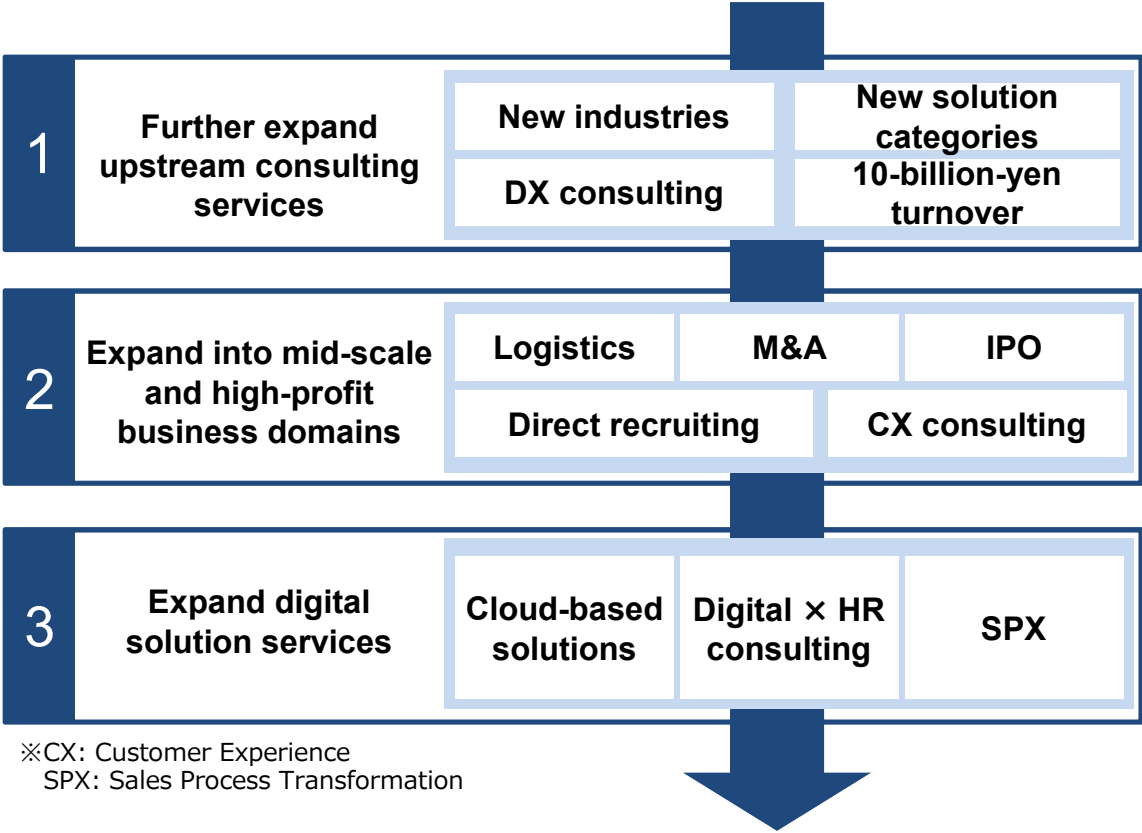
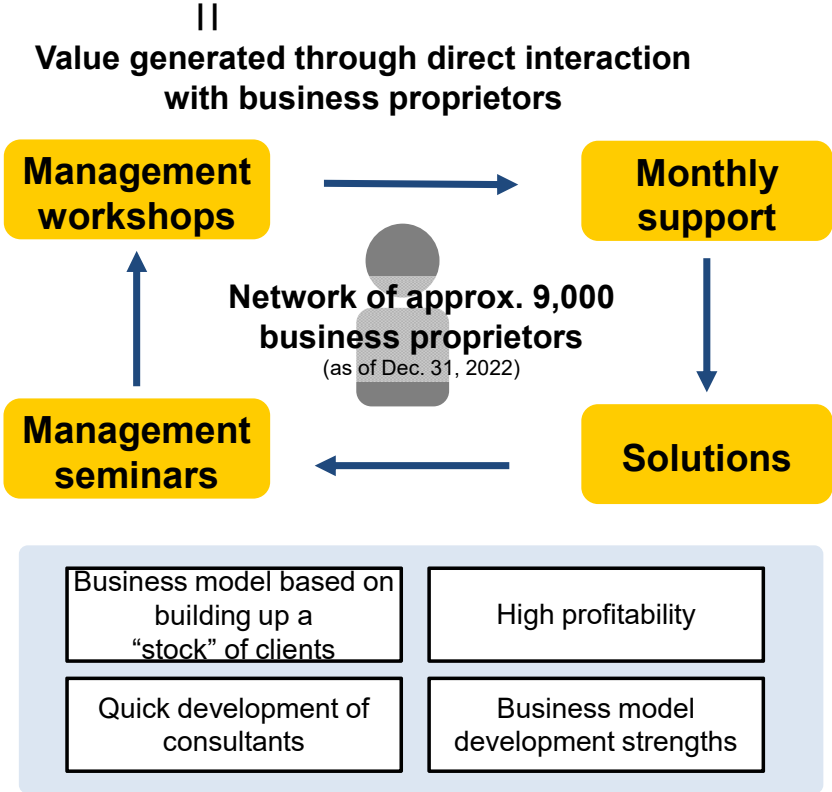
**2020-2022
Mid-Range
Business Plan**

Basic Policy	Comprehensive management consulting services for SMEs and mid-scale companies
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Comprehensive management consulting services for SMEs
DX consulting for SMEs
Comprehensive management consulting services for mid-scale companies

Direct contact with a large pool of proprietors gives us a unique strength: the ability to approach immediately with upstream services. In this way, we can maintain high profitability while expanding our business so as to provide a full spectrum of solutions for SMEs and mid-scale companies seamlessly.

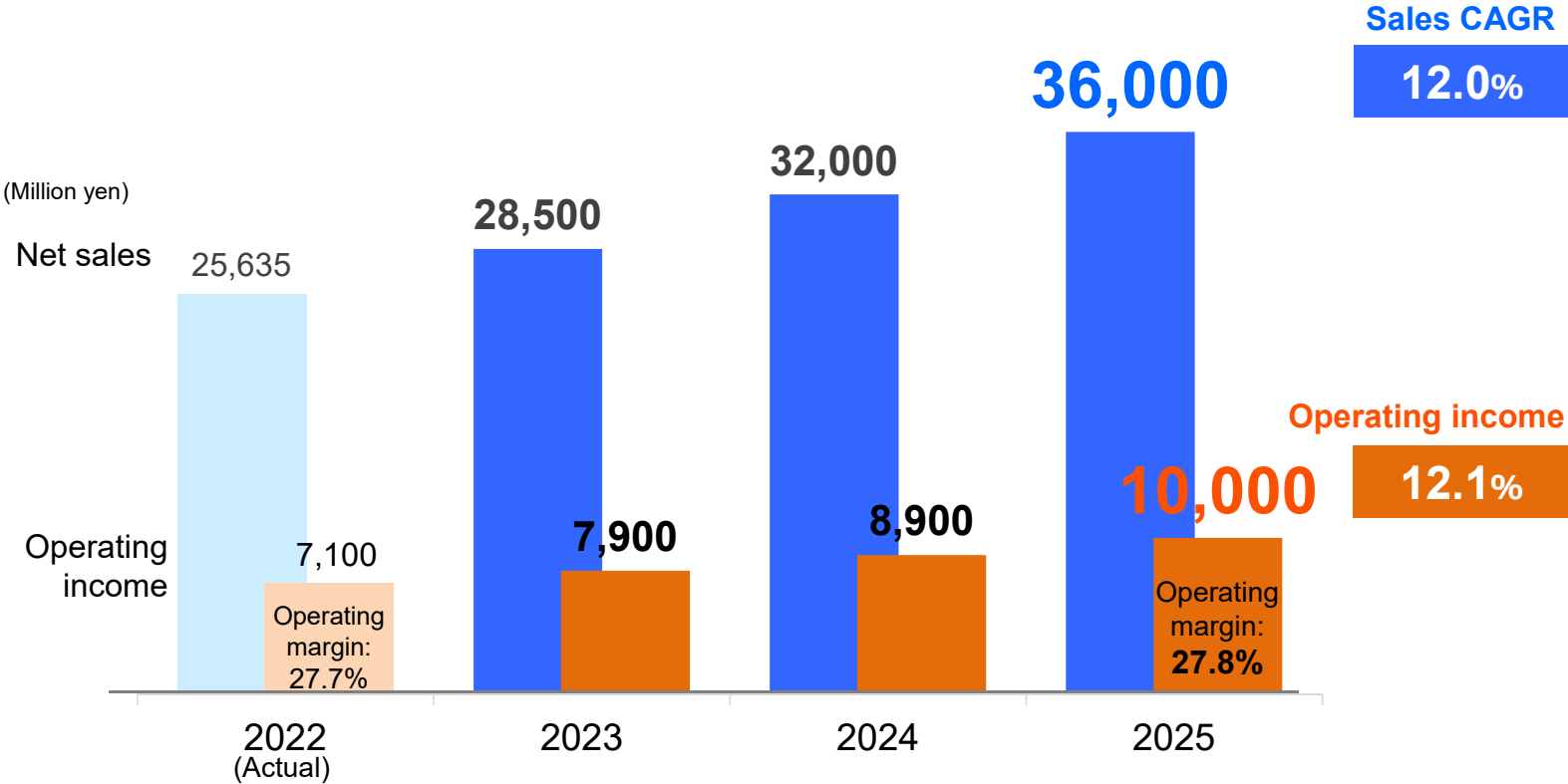
Seamless delivery of digital and comprehensive management solutions leverage our long-standing strengths to serve mid-scale and SME clients.



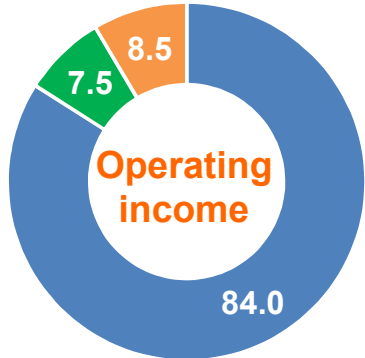
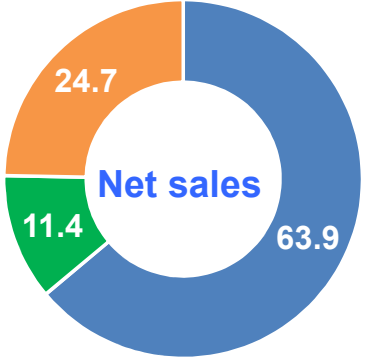
2023-2025 Targets

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

Net Sales and Operating Income: Performance & Targets



2025 Targets by Segment (%)

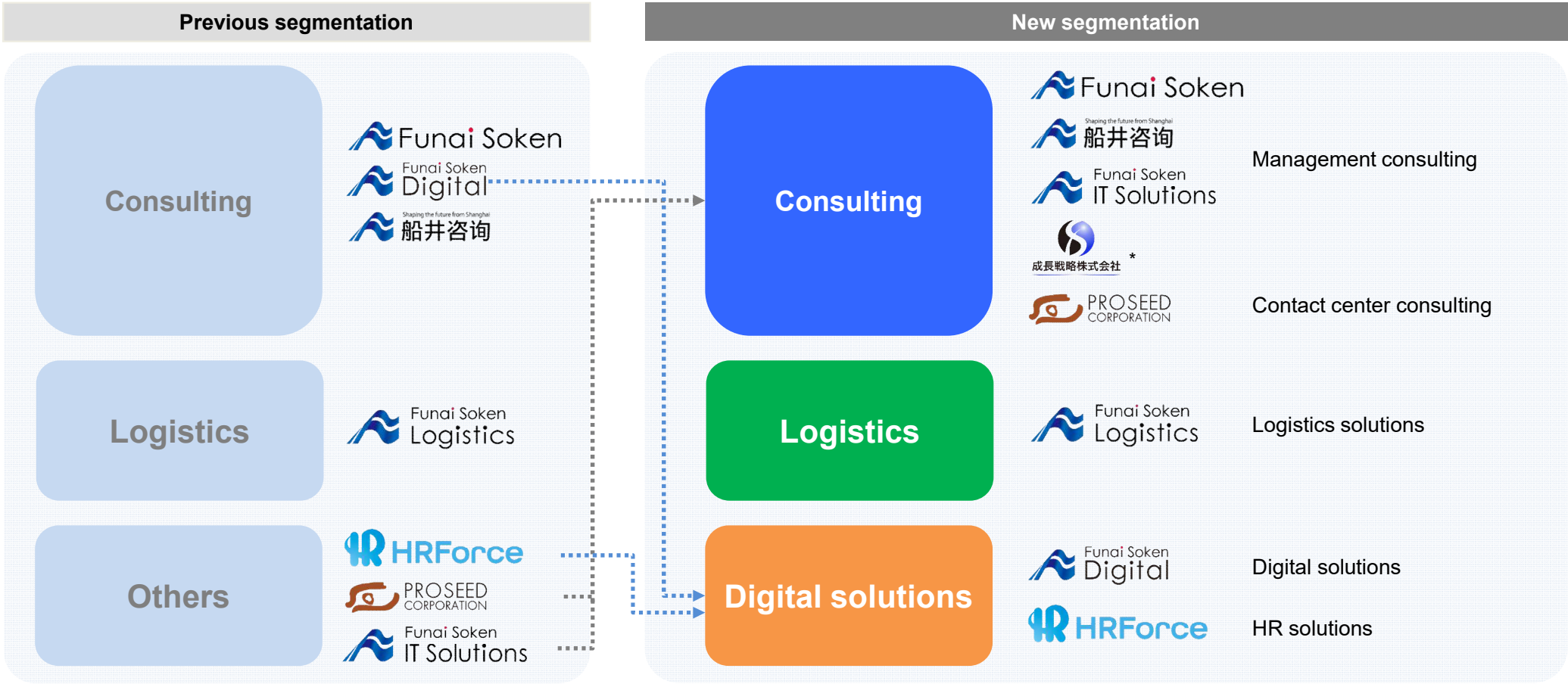


■ Consulting ■ Logistics ■ Digital solutions

*Percentages exclude intra-group & whole-group transactions

Changes in Segments

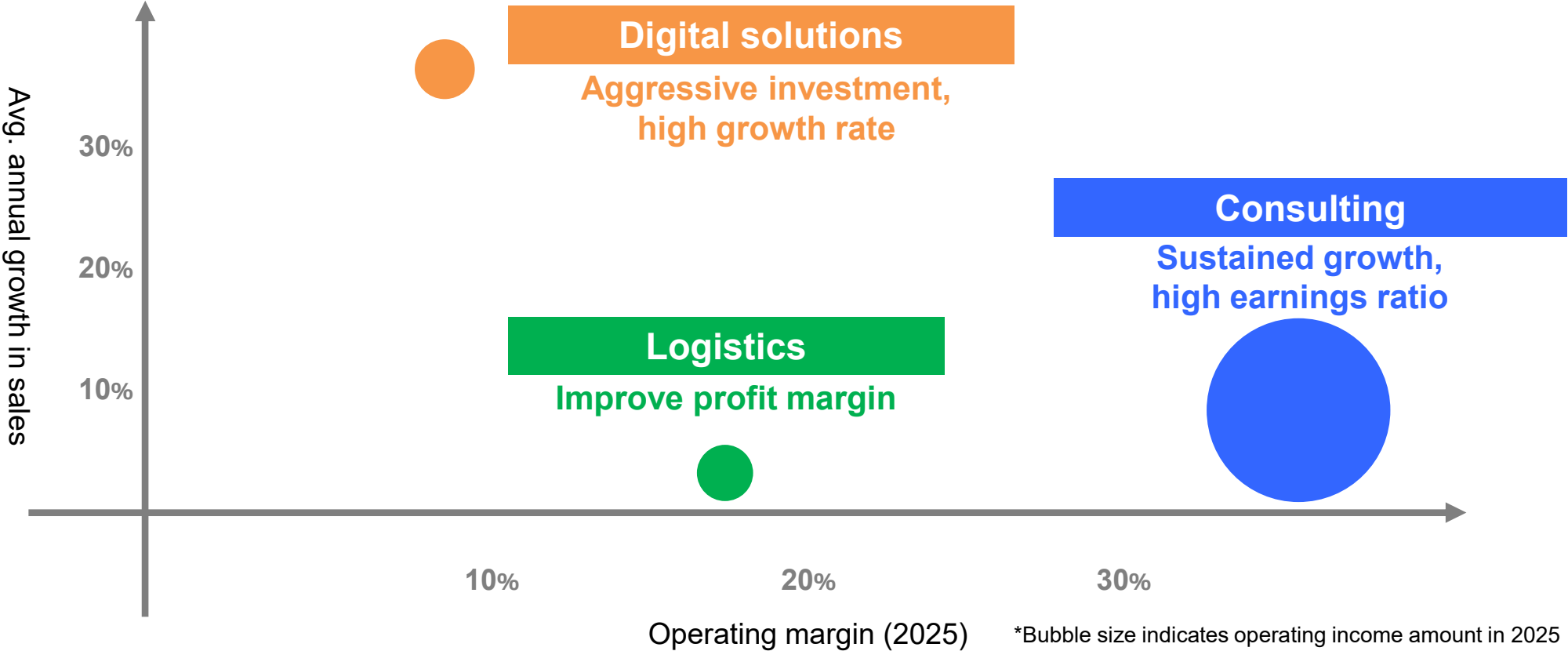
We have adjusted our segments to better suit our business strategy. We now have three segments: 1. Consulting, 2. Logistics, and 3. Digital solutions.



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

Strategies by Segment (1)

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



Strategies by Segment (2)

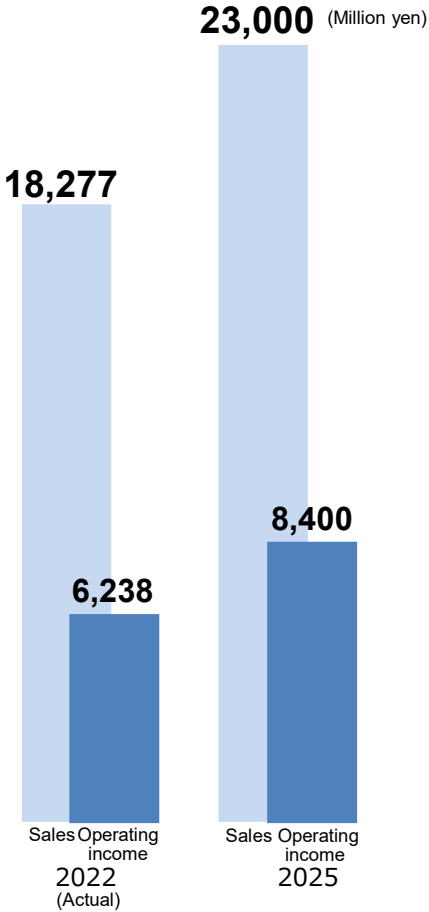
Consulting

Sustained growth, high earnings ratio

Operating income CAGR 10.4%

Operating margin 36.5%

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



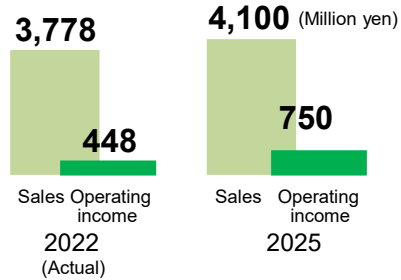
Logistics

Improve profit margin

Operating income CAGR 18.7%

Operating margin 18.3%: +6.4%

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



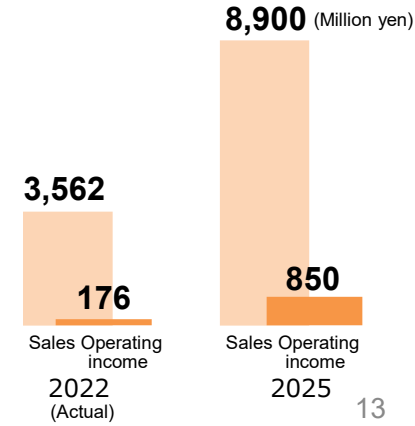
Digital solutions

Aggressive investment, high growth rate

Sales CAGR 35.7%

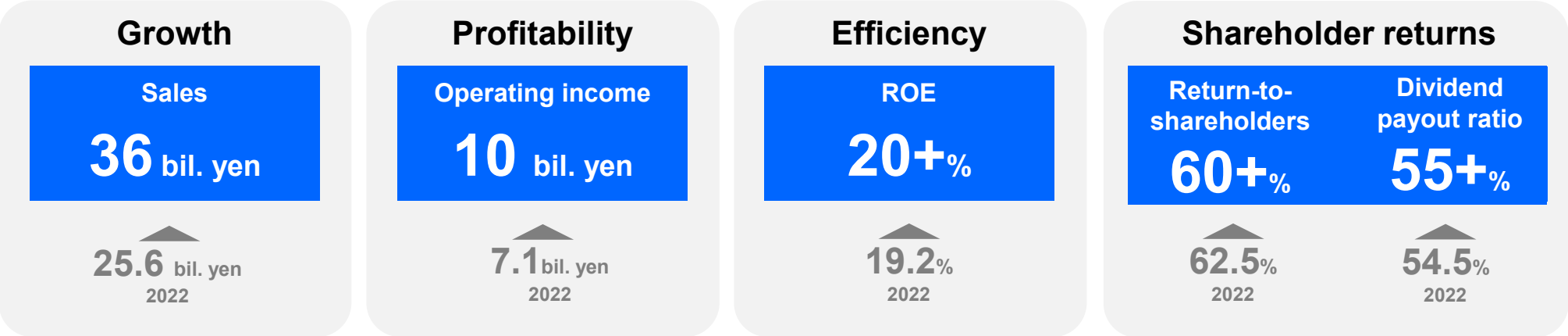
Operating income CAGR 69.0%

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

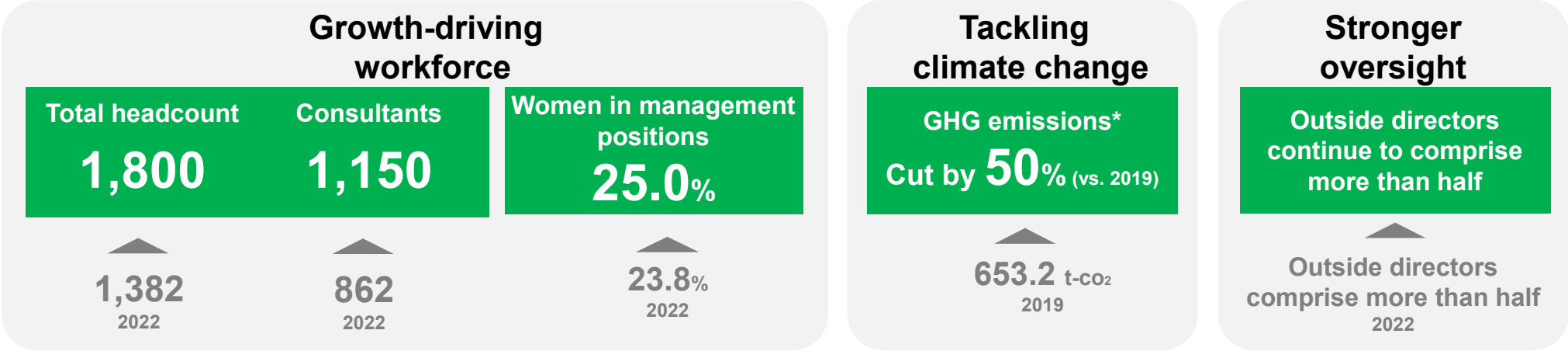


Numerical Targets for 2025

Financial



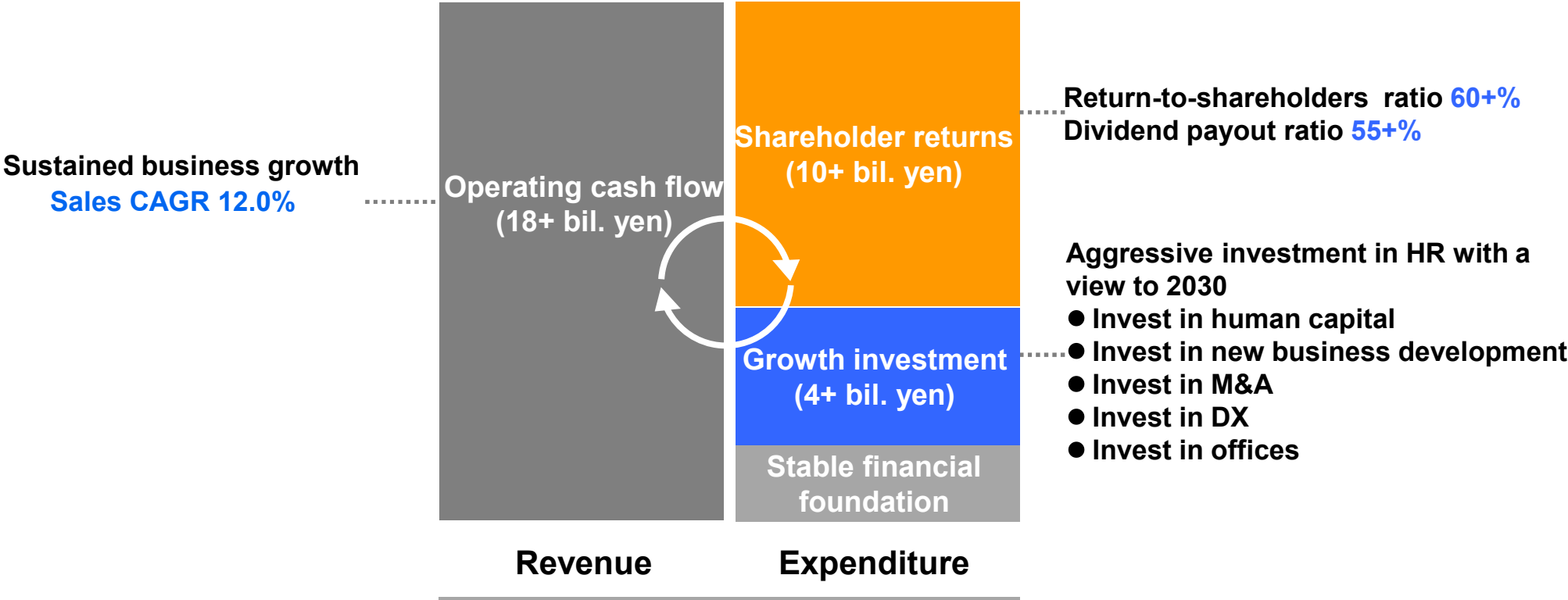
Sustainability



*Per Scope 1 and 2.

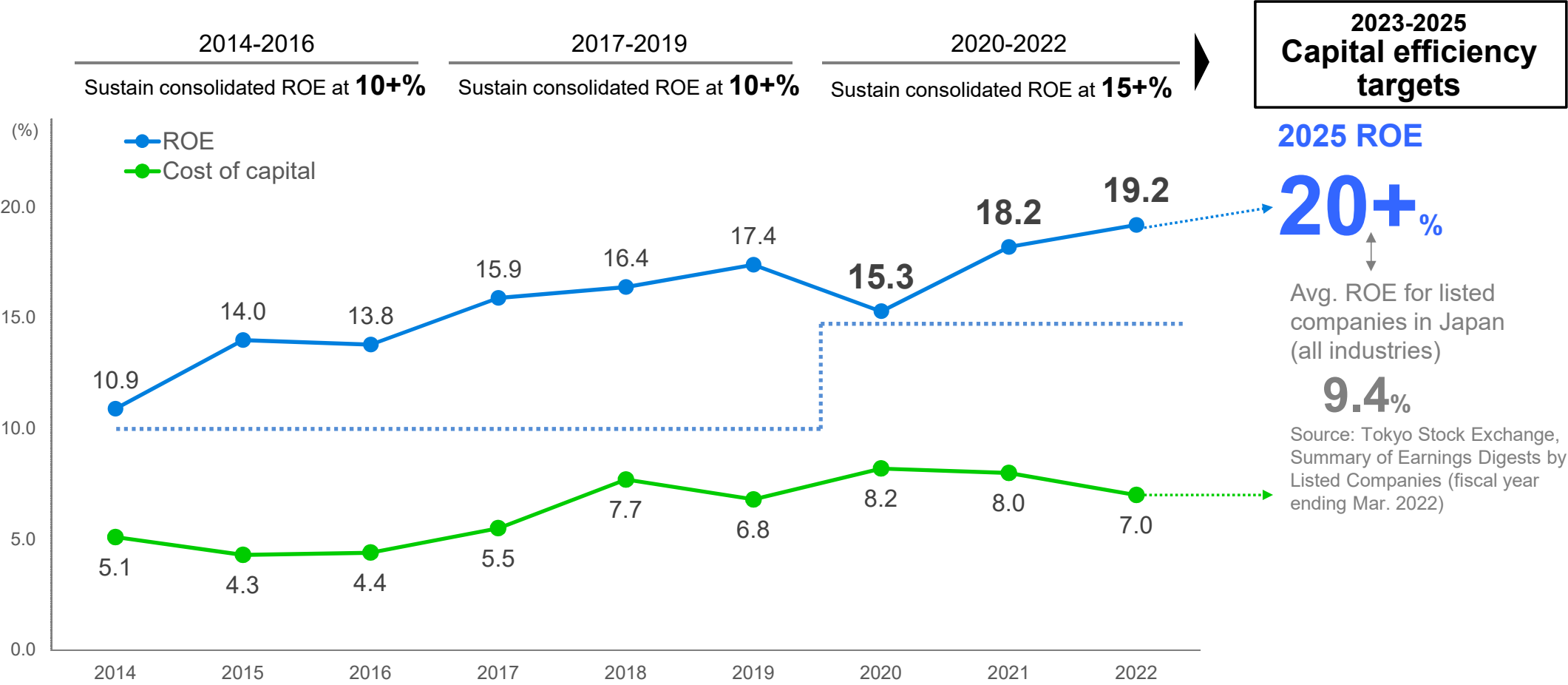
Investment Strategy & Cash Allocation

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



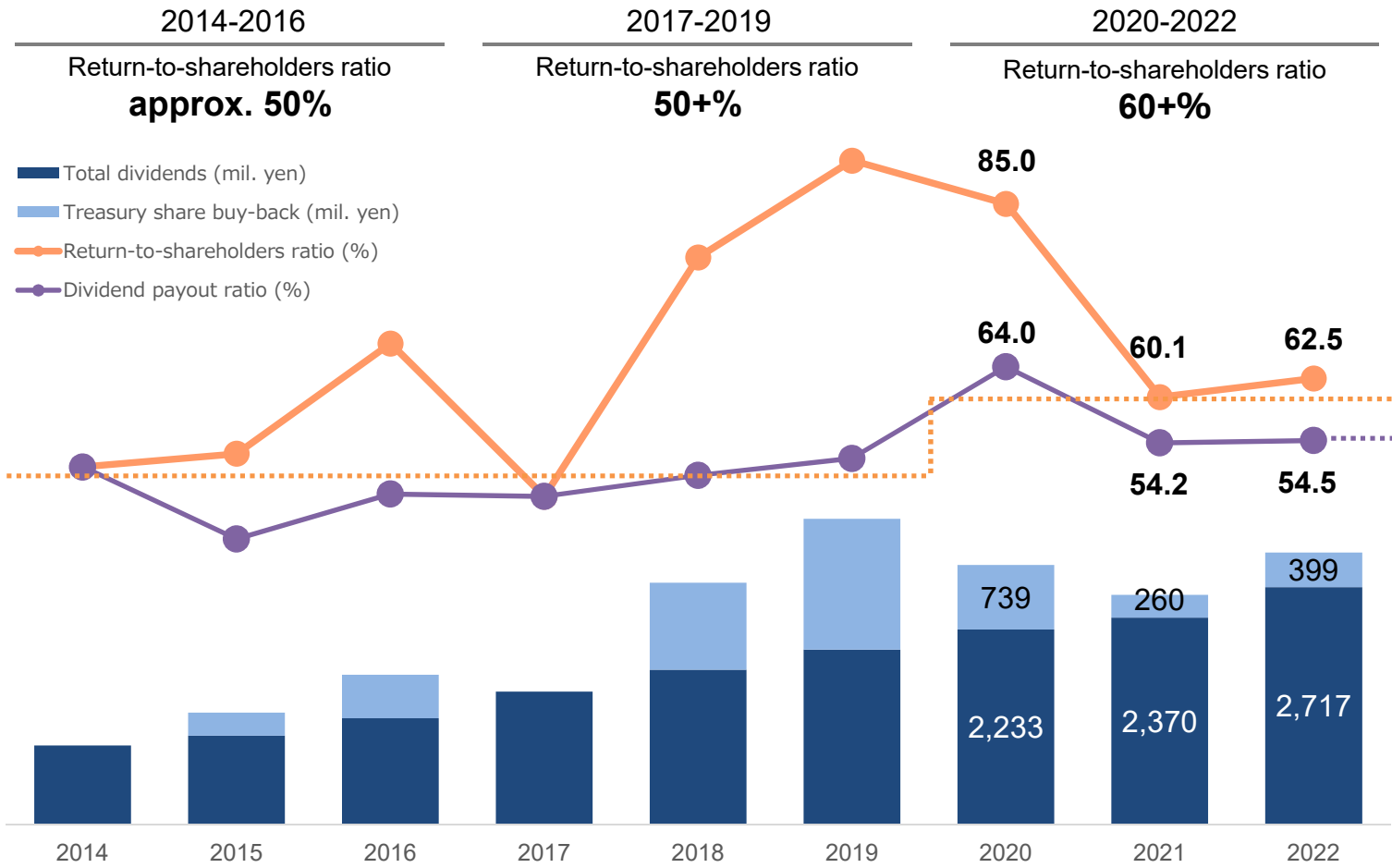
Financial Strategy: (1) Capital Policy

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



Financial Strategy: (2) Shareholder Returns Policy

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



**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)

60%
55%

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

Growth Targets by HR Category

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

- 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

Business staff	2025	400 <small>(305 in 2022)</small>	Increase	+95
			CAGR	9.5%

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

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

Key Initiatives in HR Strategy

Hiring

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

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

Training & career development

Training & career development for consultants and business staff

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

Retention

Improve employee value proposition to boost retention of talent


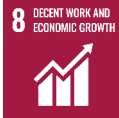

- Boost retention through sustained improvements in compensation
- Boost communication by relocating Tokyo office and consolidating into a single floor
- Increase employee engagement by sharing the Group Purpose

ESG Initiatives for a Priority Objective: Ingraining the Group Purpose

With the importance of ESG in mind, we will further ramp up our ESG initiatives.

Major Challenges and Corresponding SDGs

Major Initiatives

	Major Challenges and Corresponding SDGs	Major Initiatives
E	<p>Environment</p> <p>Tackling climate change</p> <p>Effective use of finite resources</p>    	<ul style="list-style-type: none"> ● Ascertain the whole group’s environmental footprint, disclose information about initiatives aimed at ongoing improvements ● Environmental education, compliance with conservation laws and regulations ● Offer environmentally considerate solutions, advice, and support as part of industry-specific services in the consulting and logistics segments
	<p>People</p> <p>Addressing social responsibility, education</p>  	<ul style="list-style-type: none"> ● Provide career opportunities for a diverse range of people ● Maintain a rewarding workplace that motivates employees ● Maintain a workplace that welcomes diversity, where people can pursue careers regardless of gender, ability/disability, etc. ● Offer flexible, diverse working styles that enable people to pursue work in a way that suits their life plans ● Proactive development of women for management roles
	<p>Communities</p> <p>Invigorating regional communities</p>  	<ul style="list-style-type: none"> ● Consulting services as a vehicle for community development ● Great Company Awards identify and spread the word about companies showing sustainable growth nationwide
G	<p>Governance</p> <p>Promoting fairness and justice</p>  	<ul style="list-style-type: none"> ● Enhance corporate governance ● Improve the effectiveness of the Board of Directors ● A stronger information security framework



The Funai Soken Consulting 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

Plans, outlooks, strategies and other information contained herein 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.

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These materials are not intended to encourage any kind of investment. Investment decisions are the sole responsibility of the individual investor.

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