



February 8, 2024

Consolidated Financial Results
for the Fiscal Year Ended December 31, 2023
(January 1, 2023 – December 31, 2023)

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General meeting of shareholders: March 23, 2024
 Scheduled date of payment of dividend: March 25, 2024
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 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 FY2023 (January 1, 2023 - December 31, 2023)

(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, 2023	28,238	10.2	7,247	2.1	7,343	2.0	5,201	4.2
Year ended Dec. 31, 2022	25,635	12.4	7,100	11.7	7,197	11.6	4,990	14.0

Note: Comprehensive income: 5,299 million yen (up 9.8%) in the year ended Dec. 31, 2023
 4,826 million yen (up 8.7%) in the year ended Dec. 31, 2022

	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, 2023	106.30	105.03	20.0	22.7	25.7
Year ended Dec. 31, 2022	100.92	99.62	19.2	22.5	27.7

Reference: Equity method investment income (Million yen) Dec. 31, 2023: –
 Dec. 31, 2022: –

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
Year ended Dec. 31, 2023	31,631	25,726	79.2	524.01
Year ended Dec. 31, 2022	33,010	27,700	81.7	546.31

Reference: Shareholders' equity: 25,054 million yen in the year ended Dec. 31, 2023
 26,953 million yen in the year ended Dec. 31, 2022

(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, 2023	5,532	(2,287)	(7,385)	12,894
Year ended Dec. 31, 2022	5,000	348	(2,996)	17,031

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, 2022	—	25.00	—	30.00	55.00	2,717	54.5	10.5
Year ended Dec. 31, 2023	—	32.00	—	33.00	65.00	3,151	61.1	12.1
Forecast for year ending Dec. 31, 2024	—	37.00	—	38.00	75.00		65.2	

3. Forecast of Consolidated Financial Results for FY 2024 (January 1, 2024 through December 31, 2024)

(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	14,500	8.3	4,000	18.7	4,000	16.7	2,700	18.8	56.47
Full year	30,500	8.0	7,900	9.0	7,900	7.6	5,500	5.7	115.03

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, 2023	52,000,000	As of Dec. 31, 2022	52,500,000
As of Dec. 31, 2023	4,186,224	As of Dec. 31, 2022	3,162,966
Fiscal year ended Dec. 31, 2023	48,933,078	Fiscal year ended Dec. 31, 2022	49,449,401

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 5 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

The economic environment during the current consolidated fiscal year saw progression in the normalization of socioeconomic activities, including the lifting of COVID-19 restrictions and a steady recovery in the number of foreign visitors to Japan. However, small and medium-sized enterprises continue to face a difficult situation due to rising raw material prices and severe labor shortages due to difficulties in securing employees. In addition, increasing geopolitical risks such as the prolonged situation in Ukraine and the intensifying situation in the Middle East, soaring energy and raw material prices due to the unstable international situation, and sharp fluctuations in exchange rates have become concerns for the economy, and the future outlook remains uncertain.

In this situation, based on our aspiration to produce many companies that can continue to grow strongly and sustainably even in times of rapid and uncertain change, and to become such a company ourselves, we have defined the Group's purpose as "sustainable growth for more companies". In order to realize the Group's purpose, we will expand our business towards a structure that can provide a full spectrum of services for corporate management issues, with the aim of achieving our Group vision of becoming "the go-to provider of digital solutions and comprehensive management consulting for medium-sized business and SMEs". Within our operating activities, our consulting activities such as seminars, management workshops, and monthly support are returning to face-to-face activities. While our main focus is on comprehensive management consulting for SMEs, we are also progressing our expansion into the areas of DX consulting and comprehensive consulting for medium-sized companies.

As a result, the Group posted 28,238 million yen in net sales (up 10.2% year on year), 7,247 million yen in operating income (up 2.1% year on year), 7,343 million yen in ordinary income (up 2.0% year on year), and 5,201 million yen in net income attributable to owners of the parent (up 4.2% year on year) for FY2023.

Net sales increased in the monthly consulting support service and project consulting, the main businesses of the business consulting business segment. The cloud solutions and HR solutions in the digital solutions business also performed well, resulting in an increase in sales. Consequently, net sales rose 10.2% year on year to 28,238 million yen.

Looking at operating income, cost of sales was 17,517 million yen (previous fiscal year was 15,484 million yen); travel, meeting and venue expenses significantly increased as we resumed consulting activities following the easing of COVID-19 restriction, and consultant personnel and recruitment and personnel expenses increased due to aggressive hiring of personnel. SG&A expenses were 3,473 million yen (previous fiscal year was 3,049 million yen). Consequently, operating income rose 2.1% over the previous fiscal year to 7,247 million yen and our operating margin was 25.7%.

Non-operating income was 114 million yen, compared with 115 million yen in the previous fiscal year, while non-operating expenses were 19 million yen, compared with 18 million yen in the previous fiscal year. Consequently, ordinary income rose 2.0% over the previous fiscal year to 7,343 million yen.

With income taxes totaling 2,070 million yen for the current fiscal year, compared with 2,148 million yen in the previous fiscal year, net income attributable to owners of the parent rose 4.2% year on year to 5,201 million yen.

Consolidated performance for each business segment is outlined below.

From the first quarter of the current consolidated fiscal year, the segments were changed to the three segments of Consulting, Logistics and Digital Solutions. 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, the number of orders received from seminars increased significantly due to the aggressive holding of fee-based face-to-face seminars. Online orders also increased steadily. As a result, we achieved net sales and income exceeding results for the previous fiscal year. Looking at each industry sector, the consulting divisions for the medical, aged care, and welfare industries, and the manufacturing consulting division all greatly increased their net sales. Looking at income, we achieved increased profit even though there were increases in travel expenses due to an increase in face-to-face activities, venue expenses due to hosting seminars, and online sales promotion expenses due to aggressive sales promotion activities.

Consequently, net sales increased 11.0% year on year to 20,284 million yen, and operating income rose 8.3% year on year to 6,757 million yen.

II. Logistics

In the logistics business, sales of logistics consulting services decreased due to sluggish growth in consulting services for shippers, despite an increase in management workshop memberships for logistics companies and a recovery in the hosting of seminars. Logistics BPO services saw increased sales due to continued steady business with existing clients through our deep relationships, as well as the development of new clients. Income decreased due to higher personnel expenses resulting from strengthened recruitment.

Consequently, net sales increased 2.8% year on year to 3,886 million yen, and operating income fell 11.9% year on year to 394 million yen.

III. Digital Solutions Business

The cloud solutions and online advertising management services in the digital solutions business also performed well, resulting in an increase in sales. Looking at income, however, we posted an operating loss due to an increase in recruiting and personnel expenses resulting from upfront investments to secure human resources, mainly engineers. In HR Solutions, sales increased due to an increase in new orders and higher customer budgets.

Consequently, net sales rose 13.7% year on year to 4,051 million yen and an operating loss of 70 million yen was posted, compared with an operating income of 176 million yen in the previous fiscal year.

(2) This Fiscal Year's Financial Position

(Assets)

Total assets decreased 1,379 million yen year-on-year to 31,631 million yen at the end of FY2023.

Current assets decreased by 3,625 million yen from the end of the previous fiscal year to 18,657 million yen. This was mainly due to a decrease in cash and deposits, and increases in trade notes, accounts receivable, and contract assets.

Noncurrent assets increased 2,245 million yen from the end of the previous fiscal year to 12,973 million yen. This was mainly due to increases in construction work in progress and goodwill, and guarantee deposits and term deposits which are included in other investments and other assets.

(Liabilities)

Total liabilities increased 594 million year-on-year to 5,904 million yen at the end of FY2023.

Current liabilities rose by 599 million yen from the end of the previous fiscal year to 5,666 million yen. This was mainly due to an increase in other accounts payable, and deposits which are included in other current liabilities.

Noncurrent liabilities decreased by 4 million yen from the end of the previous fiscal year to 238 million yen. This was mainly due to a decrease in retirement benefit liabilities.

(Net Assets)

Total net assets decreased 1,974 million yen year-on-year to 25,726 million yen at the end of FY2023. This was mainly due to an increase from net income attributable to owners of the parent, a decrease in net assets due to the purchase of treasury stock, and a decrease in retained earnings due to the appropriation of retained earnings.

(Shareholders' equity ratio)

The shareholders' equity ratio decreased by 2.5 percentage points to 79.2% compared to the end of the previous fiscal year.

(3) This Fiscal Year's Cashflow Position

Cash and cash equivalents decreased 4,137 million year-on-year to 12,894 million yen at the end of FY2023.

Trends in cash flow by activity are described below.

(Cash Flows from Operating Activities)

Cash flows from operating activities ended on a net gain of 5,532 million yen this year compared to a net gain of 5,000 million yen in the preceding year. This was mainly due to net income before income taxes and other adjustments of 7,272 million yen; income taxes paid of 2,385 million yen; and income tax refunds of 602 million yen.

(Cash Flows from Investing Activities)

Cash flows from investing activities ended on a net loss of 2,287 million yen this year compared to a net gain of 348 million yen in the preceding year. This was mainly due to expenditures of 649 million yen for the purchase of property, plant, equipment, and intangible assets, 617 million yen for the purchase of shares of subsidiaries arising from a change in scope of consolidation, and 759 million yen for payments for lease and guarantee deposits.

(Cash Flows from Financing Activities)

Cash flows from financing activities ended on a net loss of 7,385 million yen this year compared to a net loss of 2,996 million yen in the preceding year. This was mainly due to a net expenditure of 4,312 million yen on the sale and purchase of treasury stock, and 3,047 million yen distributed as dividends.

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

	FY12/19	FY12/20	FY12/21	FY12/22	FY12/23
Shareholders' equity ratio (%)	79.4	82.4	80.7	81.7	79.2
Shareholders' equity ratio based on market price (%)	434.6	446.3	417.7	406.2	387.6
Interest-bearing debt to cash flow ratio (years)	0.1	0.1	0.1	0.1	0.1
Interest coverage ratio (x)	863.6	761.7	1,056.1	677.3	831.3

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 revisions to our 2023-2025 Mid-range Business Plan, initially launched on February 8, 2023, as follows.

I. Targets

(Million yen)

	FY12/23			
	Initial plan	Actual	Change vs. initial plan (%)	YOY (%)
Net sales	28,500	28,238	-0.9	10.2
Operating income	7,900	7,247	-8.3	2.1

	FY12/24			
	Initial plan	Revised plan	Change vs. initial plan (%)	YOY (%)
Net sales	32,000	30,500	-4.7	8.0
Operating income	8,900	7,900	-11.2	9.0

	FY12/25			
	Initial plan	Revised plan	Change vs. initial plan (%)	YOY (%)
Net sales	36,000	33,000	-8.3	8.2
Operating income	10,000	8,900	-11.0	12.7

II. Capital efficiency

	FY12/23	FY12/25	
	Actual	Initial plan	Revised plan
ROE	20.0%	20+%	25+%

(Reasons for Revision)

Sales in the consulting and logistics segments are on track to exceed the targets established in the Funai Soken Consulting Group Mid-Range Business Plan (2023-2025), buoyed by a steady increase in consultant numbers as part of the group's HR strategy. Conversely, in the digital solutions business segment, performance has diverged significantly from initial plans, and sales figures are expected to be lower than the initial targets. Income targets have been revised in light of the review of plans for the digital solutions business segment, as well as ongoing increases in personnel costs (esp. consultants) and recent inflation.

Meanwhile, because the group's flexible capital policy has yielded improvements in capital efficiency, capital efficiency targets have also been revised as outlined above.

(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.

In FY2024, we plan to pay an interim dividend of 37 yen per share and a year-end dividend of 38 yen per share, making a total annual dividend of 75 yen per share.

Dividends per Share

	Interim	Year end	Annual total
FY2023	32 yen	33 yen	65 yen
FY2024 (forecast)	37 yen	38 yen	75 yen

2. The Funai Soken Consulting Group

The group is comprised of Funai Soken Holdings and eight subsidiaries and second-tier subsidiaries. Our core business is management consulting, and we also offer logistics and digital solutions 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 Consulting Shanghai, Inc.,
Funai Soken IT Solutions, Inc., Proseed Corporation, Seichou Senryaku, 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.

Digital Solutions Business

We provide Sales Process Transformation (SPX) services such as online advertising management services, cloud solution services such as cloud development and operation, and HR solution services centered on the provision of recruiting cloud services (AI recruiting cloud services).

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

	FY12/22 (As of Dec. 31, 2022)	FY12/23 (As of Dec. 31, 2023)
Assets		
Current assets		
Cash and deposits	17,031,407	12,894,272
Trade notes, accounts receivable, and contract assets	3,767,959	4,129,004
Short-term investment securities	408,150	300,984
Work in process	158,767	150,485
Raw materials and supplies	8,935	6,491
Other current assets	950,725	1,229,965
Allowance for doubtful accounts	(42,610)	(53,224)
Total current assets	22,283,334	18,657,980
Noncurrent assets		
Property, plant, and equipment		
Buildings and structures, net	1,111,950	998,696
Land	4,596,717	4,596,717
Construction in progress	-	463,615
Other property, plant, and equipment, net	105,132	86,972
Total property, plant, and equipment	5,813,800	6,146,000
Intangible asset		
Leasehold rights	322,400	322,400
Software	392,655	308,460
Goodwill	11,721	355,138
Other intangible assets	103,926	138,853
Total intangible assets	830,704	1,124,853
Investments and other assets		
Investment securities	3,101,525	3,220,850
Assets related to retirement benefits	395,287	445,246
Other investments and other assets	592,068	2,042,358
Allowance for doubtful accounts	(5,997)	(6,138)
Total investments and other assets	4,082,883	5,702,316
Total noncurrent assets	10,727,388	12,973,170
Total assets	33,010,723	31,631,150

(Thousand yen)

	FY12/22 (As of Dec. 31, 2022)	FY12/23 (As of Dec. 31, 2023)
Liabilities		
Current liabilities		
Trade notes and accounts payable	552,314	536,548
Short-term loans payable	200,000	200,000
Accounts payable - other	1,651,677	2,005,791
Income taxes payable	1,252,738	1,167,733
Other current liabilities	1,410,292	1,756,359
Total current liabilities	5,067,022	5,666,433
Noncurrent liabilities		
Long-term loans payable	100,000	100,000
Retirement benefit liabilities	71,994	67,893
Deferred tax liabilities	2,804	5,902
Other noncurrent liabilities	67,989	64,447
Total noncurrent liabilities	242,788	238,242
Total liabilities	5,309,811	5,904,676
Net asset		
Shareholders' equity		
Capital stock	3,125,231	3,125,231
Capital surplus	2,955,094	2,946,634
Retained earnings	25,108,389	26,579,111
Treasury stock	(4,100,171)	(7,558,359)
Total shareholders' equity	27,088,544	25,092,618
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	19,755	90,312
Foreign currency translation adjustments	27,299	27,771
Accumulated adjustments for retirement benefits	(182,338)	(155,813)
Total accumulated other comprehensive income	(135,282)	(37,729)
Subscription rights for shares	747,650	671,585
Total net assets	27,700,911	25,726,474
Total liabilities and net assets	33,010,723	31,631,150

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Thousand yen)

	FY12/22 (Jan. 1 – Dec. 31, 2022)	FY12/23 (Jan. 1 – Dec. 31, 2023)
Net sales	25,635,207	28,238,771
Cost of sales	15,484,845	17,517,559
Gross profit	10,150,361	10,721,212
SG&A expenses	3,049,490	3,473,404
Operating income	7,100,871	7,247,808
Non-operating income		
Interest income	15,867	7,156
Dividend income	8,057	9,219
Gain on sales of investment securities	11,850	20,353
Gain on valuation of investment securities	8,228	76
Surrender value of insurance policies	3,899	20,971
Insurance bonus income	31,938	16,539
Other non-operating income	35,313	40,492
Total non-operating income	115,155	114,808
Non-operating expenses		
Interest expenses	7,322	6,733
Loss on valuation of investment securities	-	1,736
Investment partnership management expenses	2,269	1,078
Commission for purchase of treasury shares	199	2,154
Foreign exchange losses	4,484	-
Donations	1,000	2,050
Other non-operating expenses	2,952	5,506
Total non-operating expenses	18,229	19,259
Ordinary income	7,197,796	7,343,357
Extraordinary income		
Gain on sales of noncurrent assets	-	8
Total extraordinary income	-	8
Extraordinary losses		
Loss on sales of noncurrent assets	2,179	-
Impairment losses	40,090	23,953
Loss on retirement of noncurrent assets	16,987	46,910
Total extraordinary losses	59,256	70,864
Net income before income taxes and other adjustments	7,138,540	7,272,502
Current income taxes	2,191,247	2,157,611
Deferred income taxes	(42,996)	(86,834)
Total income taxes	2,148,251	2,070,776
Net income	4,990,289	5,201,726
Net income attributable to owners of the parent	4,990,289	5,201,726

Consolidated Statement of Comprehensive Income

(Thousand yen)

	FY12/22 (Jan. 1 – Dec. 31, 2022)	FY12/23 (Jan. 1 – Dec. 31, 2023)
Net income	4,990,289	5,201,726
Other comprehensive income		
Valuation difference on available-for-sale securities	(57,103)	70,556
Foreign currency translation adjustments	3,307	472
Adjustments for retirement benefits	(109,577)	26,524
Total other comprehensive income	(163,373)	97,553
Comprehensive income	4,826,915	5,299,280
Details		
Comprehensive income attributable to owners of the parent	4,826,915	5,299,280

(3) Consolidated Statement of Changes in Net Assets

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	25,108,389	(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

FY12/23 (Jan. 1 – Dec. 31, 2023)

(Thousand yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at start of fiscal year	3,125,231	2,955,094	25,108,389	(4,100,171)	27,088,544
Change					
Dividends from surplus			(3,054,177)		(3,054,177)
Net income attributable to owners of the parent			5,201,726		5,201,726
Purchase of treasury stock				(4,312,428)	(4,312,428)
Disposal of treasury stock		(8,459)	(20,651)	198,064	168,953
Cancellation of treasury stock			(656,175)	656,175	-
Net changes of items other than shareholders' equity					
Total changes of items during the fiscal year	-	(8,459)	1,470,721	(3,458,188)	(1,995,926)
Balance at end of current fiscal year	3,125,231	2,946,634	26,579,111	(7,558,359)	25,092,618

	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	19,755	27,299	(182,338)	(135,282)	747,650	27,700,911
Change						
Dividends from surplus						(3,054,177)
Net income attributable to owners of the parent						5,201,726
Purchase of treasury stock						(4,312,428)
Disposal of treasury stock						168,953
Cancellation of treasury stock						-
Net changes of items other than shareholders' equity	70,556	472	26,524	97,553	(76,064)	21,489
Total changes of items during the fiscal year	70,556	472	26,524	97,553	(76,064)	(1,974,437)
Balance at end of current fiscal year	90,312	27,771	(155,813)	(37,729)	671,585	25,726,474

(4) Consolidated Cash Flow Statement

(Thousand yen)

	FY12/22 (Jan. 1 – Dec. 31, 2022)	FY12/23 (Jan. 1 – Dec. 31, 2023)
Net cash provided by (used in) operations		
Net income before income taxes and other adjustments	7,138,540	7,272,502
Depreciation	311,651	301,314
Impairment losses	40,090	23,953
Amortization of goodwill	23,442	100,505
Share-based compensation expenses	136,335	92,541
Increase (decrease) in allowance for doubtful accounts	1,021	10,560
Decrease (increase) in assets related to retirement benefits	35,140	(23,434)
Increase (decrease) in liabilities related to retirement benefits	2,122	(4,101)
Loss (gain) on valuation of investment securities	(8,228)	1,660
Loss (gain) on sales of investment securities	(11,850)	(20,353)
Interest and dividends received	(23,924)	(16,376)
Interest expenses	7,322	6,733
Loss (gain) on exchange	18	1,554
Contributions	1,000	2,050
Loss (gain) on sales of property, plant, and equipment	2,179	(8)
Loss on retirement of property, plant, and equipment	16,987	2,339
Loss on retirement of intangible assets	-	44,571
Decrease (increase) in notes and accounts receivable-trade and contract assets	(459,100)	(324,168)
Decrease (increase) in other assets	(567,494)	(435,798)
Increase (decrease) in other liabilities	132,750	253,037
Other cash provided by (used in) operations	5,741	6,575
Subtotal	6,783,743	7,295,658
Interest and dividends received	38,297	29,003
Interest paid	(7,383)	(6,655)
Income taxes paid	(2,264,080)	(2,385,943)
Income tax refunds	451,326	602,481
Contributions paid	(1,000)	(2,050)
Net cash provided by (used in) operations	5,000,904	5,532,494

(Thousand yen)

	FY12/22 (Jan. 1 – Dec. 31, 2022)	FY12/23 (Jan. 1 – Dec. 31, 2023)
Net cash provided by (used in) investments		
Proceeds from sale and redemption of short-term investment securities	100,000	408,150
Purchase of investment securities	(399,437)	(367,500)
Proceeds from sale and redemption of investment Securities	1,013,565	100,189
Purchase of property, plant, and equipment	(53,170)	(501,907)
Proceeds from earnest related sales of property, plant and equipment	-	122,640
Purchase of Intangible assets	(302,877)	(148,075)
Payments into time deposits	-	(600,000)
Proceeds from surrender of insurance reserves	9,291	75,812
Payments of leasehold and guarantee deposits	(32,300)	(759,955)
Proceeds from refund of leasehold and guarantee deposits	13,171	-
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(617,530)
Other cash provided by (used in) investments	109	1,012
Net cash provided by (used in) investments	348,352	(2,287,163)
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	(26,666)	(25,562)
Purchase of treasury shares	(403,179)	(4,312,428)
Proceeds from sale of treasury shares	105	346
Dividends paid	(2,566,314)	(3,047,742)
Net cash provided by (used in) financing	(2,996,055)	(7,385,386)
Effect of exchange rate changes on cash and cash equivalents	3,050	2,920
Net increase (decrease) in cash and cash equivalents	2,356,251	(4,137,134)
Cash and cash equivalents at start of fiscal year	14,675,155	17,031,407
Cash and cash equivalents at end of fiscal year	17,031,407	12,894,272

(5) Notes on Consolidated Financial Statements

(Notes on Going Concern Assumptions)

None to report.

(Changes in Accounting Policies)

We apply the Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, June 17, 2021, hereinafter, "Implementation Guidance") as of the beginning of the current consolidated fiscal year. In accordance with the transitional treatment set forth in Paragraph 27-2 of the Implementation Guidance, the new policies outlined in the Implementation Guidance shall be applied over time. Furthermore, this has no impact on our consolidated financial statements.

(Segment Information)

1. Overview of Segments Included in Reports

(1) Determination 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 three main segments in these reports. They are, in keeping with the categories of work performed by the companies within the group: consulting, logistics and digital solutions. Their activities can be defined as follows.

(2) Types of Products and Services of Each Segment Included in Reports

The Consulting Business includes consulting services such as guidance, research, and diagnosis related to corporate management, as well as management study groups and seminars conducted by a membership organization. The Logistics Business includes logistics consulting services aimed at improving clients' business performance and reducing logistics costs, and logistics BPO services for designing, building, and operating clients' logistics frameworks. The Digital Solutions Business includes SPX (Sales Process Transformation) services such as online advertising management services, cloud solutions that include the development and operation of cloud services, and HR solutions centered on the provision of recruiting cloud (AI recruiting cloud) services.

(3) Matters Related to Changes to Segments Included in Reports

From the beginning of the current consolidated fiscal year, the segments were changed to the three segments of Consulting, Logistics and Digital Solutions.

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 the merger of Funai Soken Corporate Relations Inc. and Shinwa Computer Service Co., Ltd. in July 2022, and purchase of all of the stocks of Seichou Senryaku, Inc. in January 2023, is the first fiscal year.

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.

3. Other Information About Net Sales, Income/Losses, Assets, and Other Accounts for Each Segment

FY12/22 (Jan. 1 – Dec. 31, 2022)

(Thousand yen)

	Consulting	Logistics	Digital Solutions Business	Total	Adjustment ⁽¹⁾	Amount listed in consolidated financial statements ⁽²⁾
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
Segment assets	18,119,959	2,060,433	2,635,831	22,816,224	10,194,498	33,010,723
Others						
Depreciation	139,629	3,781	46,414	189,825	121,825	311,651
Amortization of goodwill	—	—	23,442	23,442	—	23,442
Change in property, plant, equipment, and intangible assets	136,674	1,889	68,673	207,238	127,945	335,183

Notes:

1 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 and real estate rental income, and whole-group expenses are mainly 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.

2 Segment income is adjusted against operating income in the consolidated financial statements.

	Consulting	Logistics	Digital Solution Business	Total	Adjustment ⁽¹⁾	Amount listed in consolidated financial statements ⁽²⁾
Net sales						
Sales to external customers	20,284,921	3,886,134	4,051,746	28,222,801	15,970	28,238,771
Inter-segment sales and transfers	1,364,350	524,141	1,257,737	3,146,229	(3,146,229)	—
Total	21,649,271	4,410,275	5,309,483	31,369,030	(3,130,258)	28,238,771
Segment income (loss)	6,757,409	394,802	(70,745)	7,081,467	166,341	7,247,808
Segment assets	19,808,871	2,121,583	2,564,753	24,495,208	7,135,942	31,631,150
Others						
Depreciation	91,574	3,499	53,482	148,556	152,758	301,314
Amortization of goodwill	88,784	—	11,721	100,505	—	100,505
Change in property, plant, equipment, and intangible assets	500,978	3,220	35,569	539,767	535,163	1,074,930

Notes:

1 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 and real estate rental income, and whole-group expenses are mainly 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.

2 Segment income or losses are adjusted against operating income in the consolidated financial statements.

(Per-share Information)

	FY12/22 (Jan. 1 – Dec. 31, 2022)	FY12/23 (Jan. 1 – Dec. 31, 2023)
Net assets per share	546.31 yen	524.01 yen
Earnings per share (basic)	100.92 yen	106.30 yen
Earnings per share (diluted)	99.62 yen	105.03 yen

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

	FY12/22 (Jan. 1 – Dec. 31, 2022)	FY12/23 (Jan. 1 – Dec. 31, 2023)
Earnings per share (basic)		
Net income attributable to owners of the parent (Thousand yen)	4,990,289	5,201,726
Amount not attributable to common shareholders (Thousand yen)	—	—
Net income attributable to common-stock owners of the parent (Thousand yen)	4,990,289	5,201,726
Average number of common shares outstanding during the fiscal year	49,449,401	48,933,078
Earnings per share (diluted)		
Adjusted net income attributable to owners of the parent (Thousand yen)	—	—
Increase in common shares	642,390	593,207
(Portion of increase made up of subscription rights)	(642,390)	(593,207)
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.

	FY12/22 (Jan. 1 – Dec. 31, 2022)	FY12/23 (Jan. 1 – Dec. 31, 2023)
Total net assets on consolidated balance sheets (Thousand yen)	27,700,911	25,726,474
Deductions from total net assets (Thousand yen)	747,650	671,585
(Portion of deductions made up of subscription rights) (Thousand yen)	(747,650)	(671,585)
Net assets attributable to common shareholders (Thousand yen)	26,953,261	25,054,889
Number of common shares used in calculation of net assets per share at end of year	49,337,034	47,813,776

(Subsequent Events)

(Purchase of treasury stock)

At a meeting of the Board of Directors held on February 8, 2024, the Company resolved matters pertaining to the acquisition of treasury stock in accordance with Article 156 of the Companies Act as applied pursuant to Article 165, Paragraph 3 of said Act. For details, please refer to the "Notice Regarding Finalization of Share Buyback Details" dated February 8, 2024.

(Retirement of treasury stock)

At the Board of Directors meeting convened on February 8, 2024, we voted to dispose of treasury stock in accordance with the provisions of Companies Act Article 178. For details, please refer to the "Notice Regarding Retirement of Treasury Shares" dated February 8, 2024.

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	FY12/22 (Jan. 1 – Dec. 31, 2022)		FY12/23 (Jan. 1 – Dec. 31, 2023)	
	Orders received	Orders outstanding	Orders received	Orders outstanding
Consulting	16,390,104	7,396,520	17,184,006	7,455,707
Logistics	745,132	304,508	698,631	266,668
Digital Solutions Business	1,148,047	258,629	1,289,586	209,104

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 Digital solutions revenues include IT consulting revenue and cloud solutions revenue.
- 4 The above amounts are based on sale prices.

II. Sales

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

(Thousand yen)

Segment	FY12/22 (Jan. 1 – Dec. 31, 2022)		FY12/23 (Jan. 1 – Dec. 31, 2023)	
	Amount	% of total	Amount	% of total
Consulting	18,277,165	71.3%	20,284,921	71.8%
Logistics	3,778,858	14.8%	3,886,134	13.8%
Digital Solution Business	3,562,143	13.9%	4,051,746	14.4%
Total	25,618,167	100.0%	28,222,801	100.0%

Note:

- 1 Sales amounts indicate sales to external customers.
- 2 No single customer accounted for 10% or more of aggregate net sales.

(2) Changes in Directors and Officers

(Scheduled to take effect on March 23, 2024)

1) Legal representatives

None to report.

2) Other directors and officers

- Scheduled appointments

Name	New Title	Previous Title
Motoki Haruta	Director, executive officer, Head of Corporate Business Divisional Headquarters	Executive officer, Head of Corporate Business Divisional Headquarters

3) Executive officers

- Scheduled appointments

Name	New Title	Previous Title
Keiichiro Kizawa	Executive officer, Head of Risk Management Department and head of Group IT Department	Head of Risk Management Department and head of Group IT Department

List of Directors, Auditors, and Executive Officers

Funai Soken Holdings, Inc. (scheduled to take effect on March 23, 2024)

Name	Title	Position
Takayuki Nakatani	President	Group CEO
Tatsuro Ono	Director and executive vice president	Head of Corporate Management Divisional Headquarters
Motoki Haruta	Director and executive officer (new)	Head of Corporate Business 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 Department
Akiyo Koike	Executive officer	Head of Group Wellbeing Department
Keiichiro Kizawa	Executive officer (new)	Head of Risk Management Department and head of Group IT Department

Funai Consulting, Inc. (scheduled to take effect on March 22, 2024)

Name	Title	Position
Daisuke Shingai	President & CEO	
Kyohei Deguchi	Director and executive vice president	Head of Offerings Divisional Headquarters
Yoshihito Sugahara	Director and senior vice president	Head of Administration Divisional Headquarters
Hitoshi Nagira	Director and executive officer	Deputy head of Offerings Divisional Headquarters
Tomoyuki Murata	Outside director	
Masahiro Hyakumura	Auditor	
Isao Kikuchi	Senior executive officer	Head of DX Consulting Divisional Headquarters
Noboru Sugiura	Senior executive officer	Head of Industry-specific Consulting Divisional Headquarters and deputy Head of Customer Engagement Divisional Headquarters
Osamu Seo	Executive officer	Deputy head of DX Consulting Divisional Headquarters
Katsuya Kohira	Executive officer	Head of Business Development Divisional Headquarters and head of Customer Engagement Divisional Headquarters
Yoshihiko Ito	Executive officer	Deputy head of DX Consulting Divisional Headquarters
Hiroshige Sunakawa	Executive officer	Head of Employment Success Divisional Headquarters and deputy head of Industry-specific Consulting Divisional Headquarters
Noriyasu Shoji	Executive officer	Deputy head of DX Consulting Divisional Headquarters
Katsura Matsui	Executive officer (new)	Head of Improved Corporate Value Consulting Divisional Headquarters