

# For the Year Ended December 2023 Summary of Financial Results

**Funai Soken Holdings Incorporated**  
**(TSE Prime, stock code 9757)**

February 8, 2024



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# Executive Summary

# 1. Executive Summary

## (1) Consolidated Income

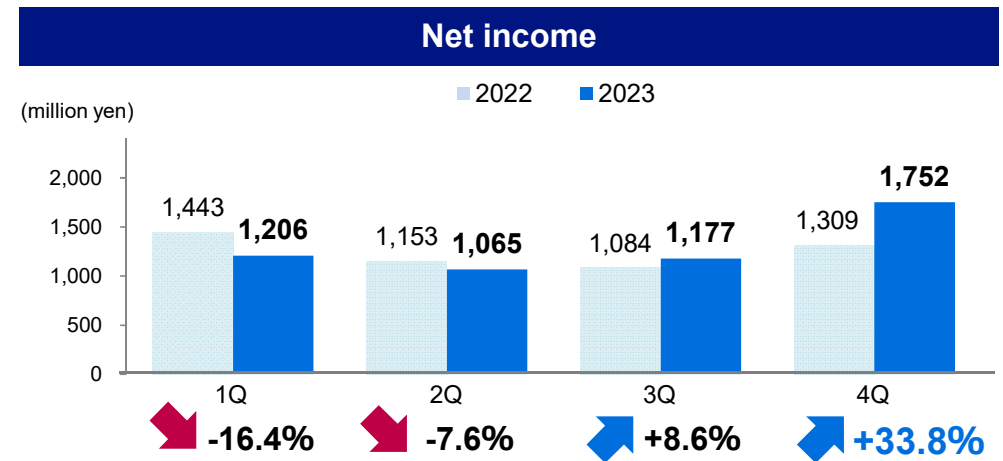
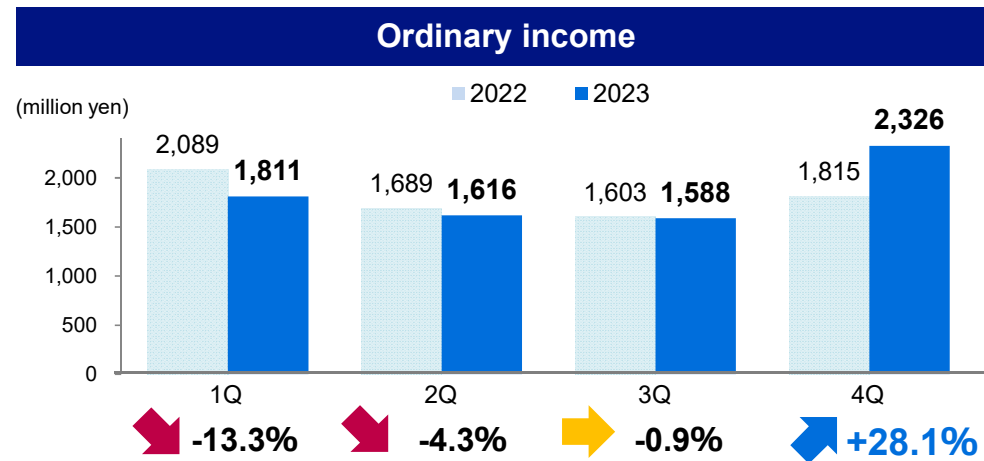
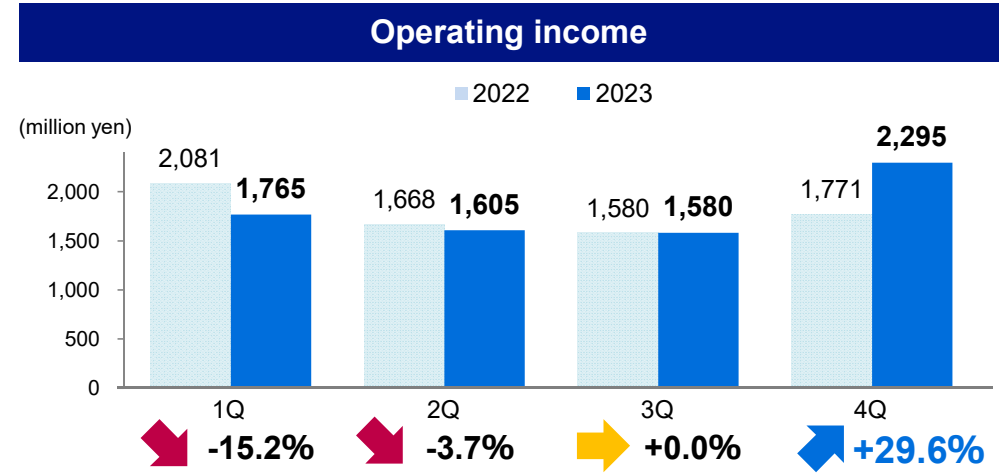
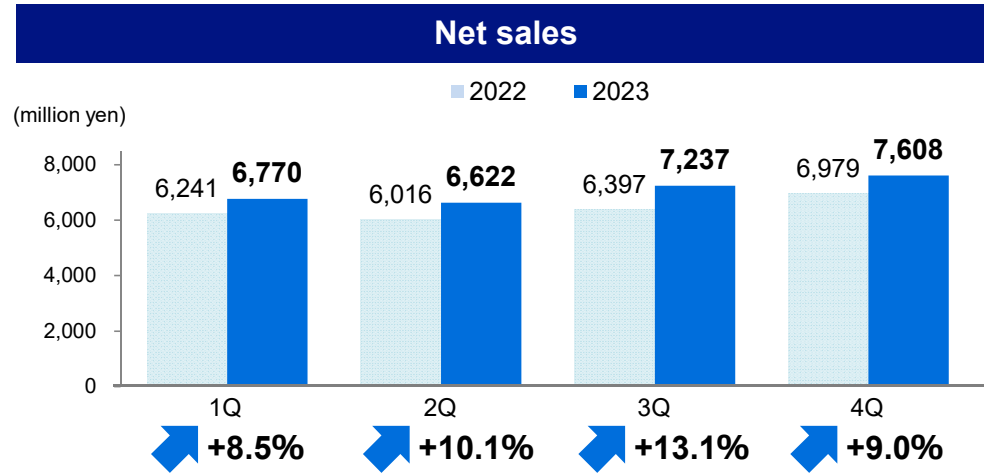
- Sales and income both up for the third consecutive year—records set
- Aggressive investment in human capital meant operating income ended below forecasts but sales remain on track with double-digit growth

	FY2022		FY2023			Compared with forecast issued on Feb. 8, 2023	
	Amount (million yen)	% of total	Amount (million yen)	% of total	Change (%)	Amount (million yen)	Change (%)
Net sales	25,635	100.0	28,238	100.0	+10.2	28,500	-0.9
Operating income	7,100	27.7	7,247	25.7	+2.1	7,900	-8.3
Ordinary income	7,197	28.1	7,343	26.0	+2.0	7,950	-7.6
Net income attributable to owners of the parent	4,990	19.5	5,201	18.4	+4.2	5,500	-5.4

# 1. Executive Summary

## (2) Income by Quarter

● Income jumped 30% in 4Q resulting in record quarterly income figures.

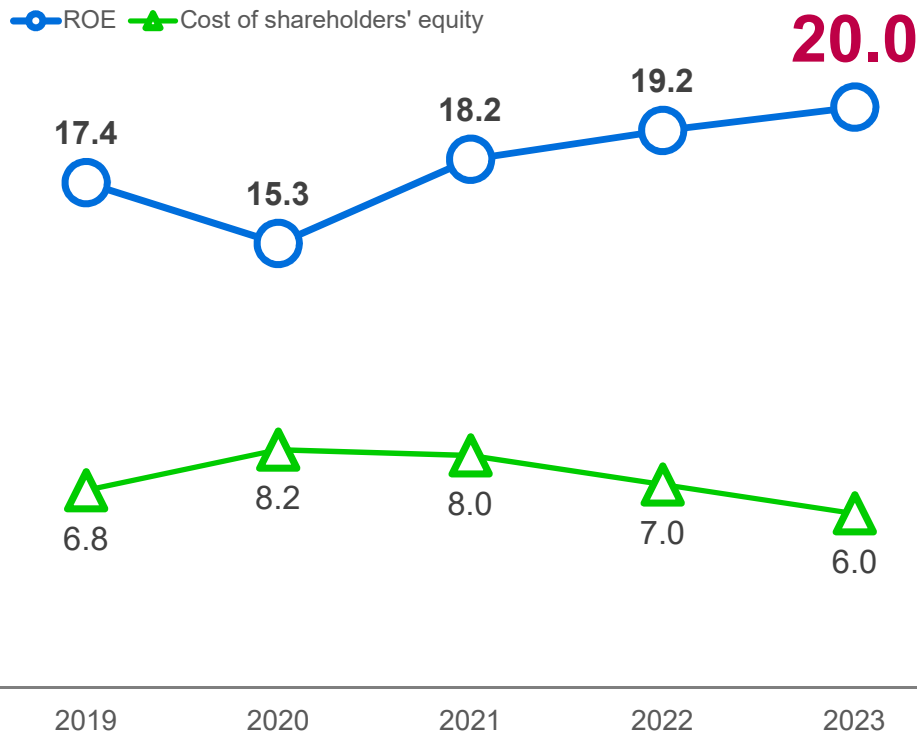


# 1. Executive Summary

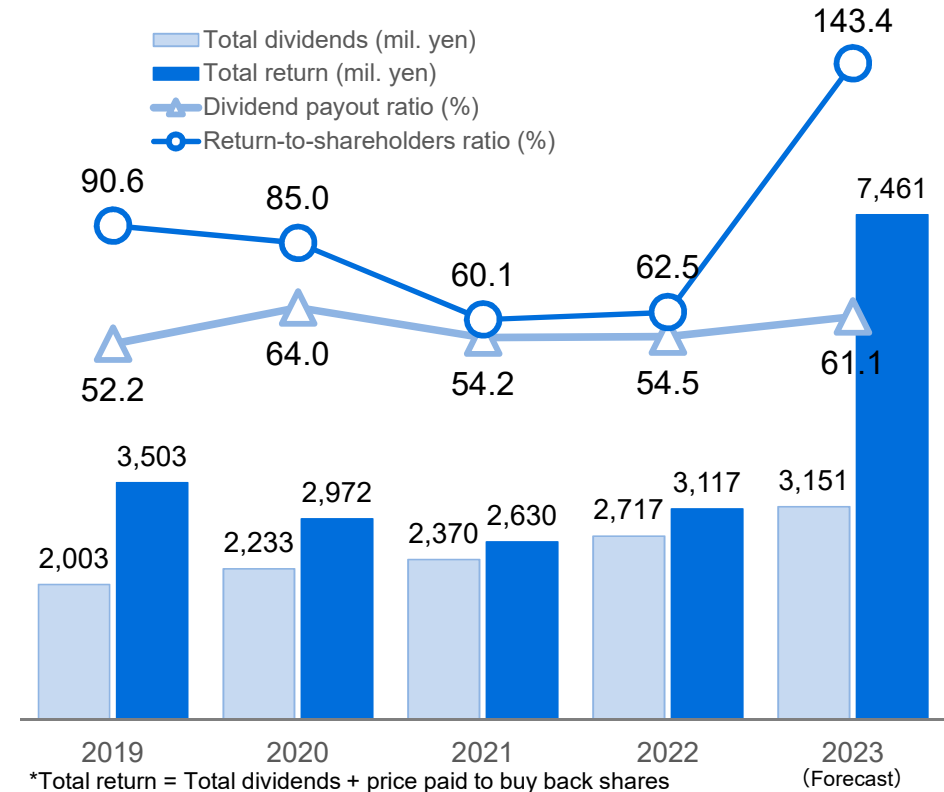
## (3) KPIs: Capital Efficiency & Shareholder Returns

- Record ROE of 20.0%; Mid-Range Business Plan target met in first year.
- Dividend payout ratio was 55%, return-to-shareholders ratio was 60%. Dynamic share buybacks are part of our policy of proactivity in shareholder returns.

Consolidated ROE and Cost of Capital



Total Dividend & Payout Ratio, Total Return to Shareholders & Ratio



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

(Forecast)

# 1. Executive Summary

## (3) KPIs: Staffing Levels (by Category)

- Consultant numbers (one of our most important KPIs) have far exceeded the initial target of 950.
- We remain committed to seeking more consultants, both in headcount and percentage of total workforce.

	FY2022		FY2023		
<b>Total headcount</b>	<b>1,382</b> Up by 65 (+4.9%)	▶	<b>1,535</b>	<b>Net gain</b>	<b>Up by 153</b> (+11.1%)
<b>Consultants</b>	<b>862</b> Down by 11 (-1.3%) %age of total workforce: 62.4%	▶	<b>982</b>	<b>Net gain</b>	<b>Up by 120</b> (+13.9%) %age of total workforce: 64.0% (+1.6 pts)
<b>Business staff</b>	<b>305</b>	▶	<b>325</b>	<b>Net gain</b>	<b>Up by 20</b> (+6.6%)
<b>Workforce admin</b>	<b>215</b>	▶	<b>228</b>	<b>Net gain</b>	<b>Up by 13</b> (+6.0%)
<b>DX staff incl. in above</b>	<b>260</b>	▶	<b>332</b>	<b>Net gain</b>	<b>Up by 72</b> (+27.7%)



\*"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, management workshop operations staff, etc.

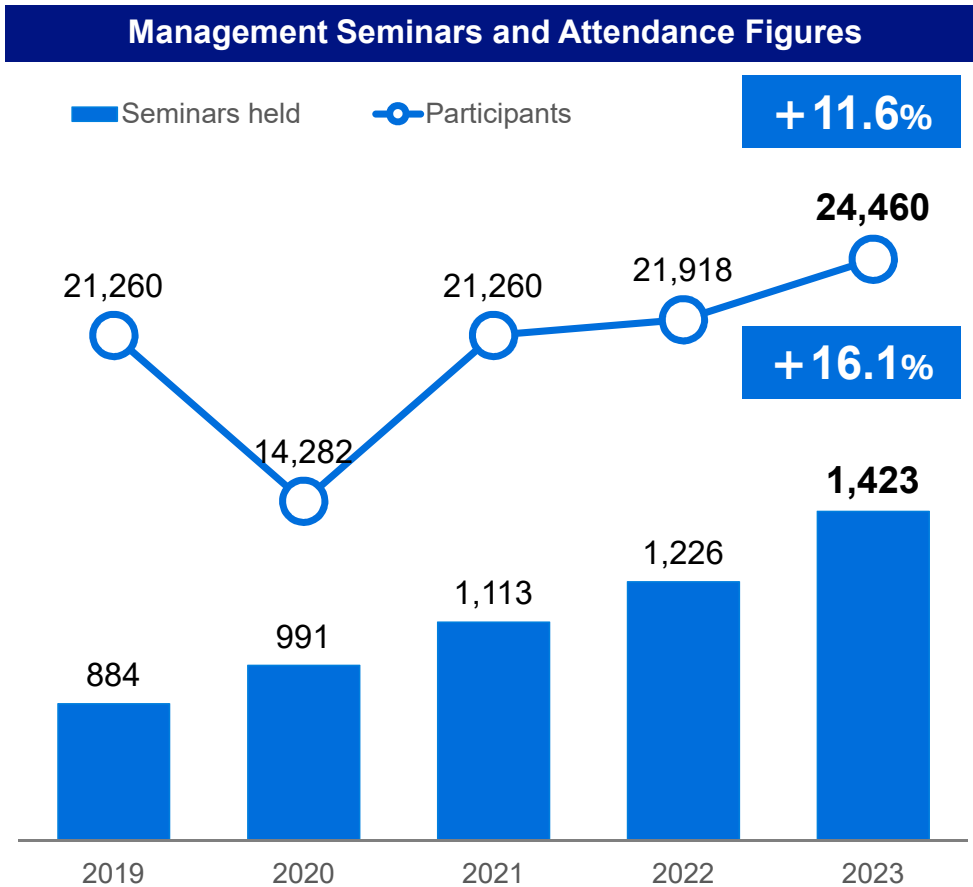
\*Business staff and workforce admin staff are new categories introduced in 2022. Year-on-year comparisons are calculated starting in 2023.

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

# 1. Executive Summary

## (3) KPIs: Seminars & Workshops

Aggressive sales activity resulted in a large uptick in seminar attendance. Management workshop membership has recovered to pre-Covid levels.



\*Seminar figures denote paid seminars held by Funai Consulting Inc.



# FY2023 Financial Report

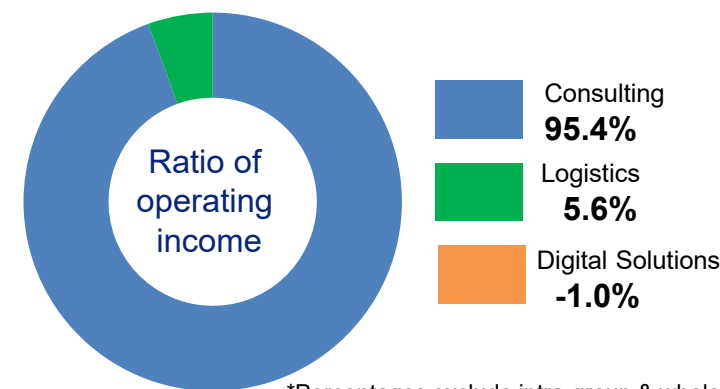
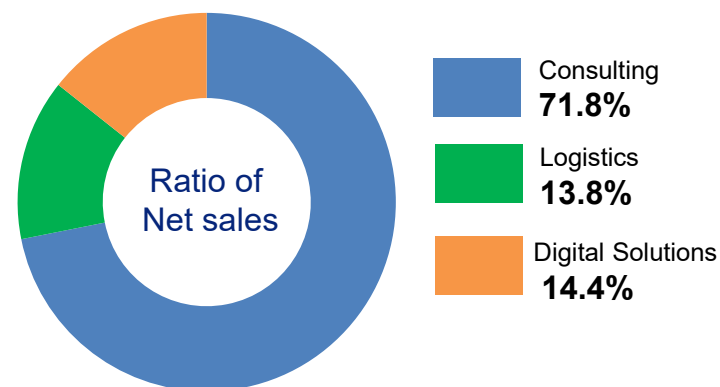
## 2. FY2023 Financial Report

### (1) Results of Operations by Segment

- In the consulting segment, orders were strong and consulting client company numbers grew steadily, resulting in increases in sales and income.
- In the logistics and digital solutions segments, an increase in hiring drove personnel costs higher. Thus, sales were up but income was down.

Net sales	FY2022	FY2023	
	Amount (million yen)	Amount (million yen)	Change (%)
Consulting	18,277	20,284	+11.0
Logistics	3,778	3,886	+2.8
Digital Solutions	3,562	4,051	+13.7
(Intra-group & whole-group transactions)	17	15	—
<b>Total</b>	<b>25,635</b>	<b>28,238</b>	<b>+10.2</b>

Operating income	FY2022	FY2023	
	Amount (million yen)	Amount (million yen)	Change (%)
Consulting	6,238	6,757	+8.3
Logistics	448	394	-11.9
Digital Solutions	176	-70	—
(Intra-group & whole-group transactions)	237	166	—
<b>Total</b>	<b>7,100</b>	<b>7,247</b>	<b>+2.1</b>

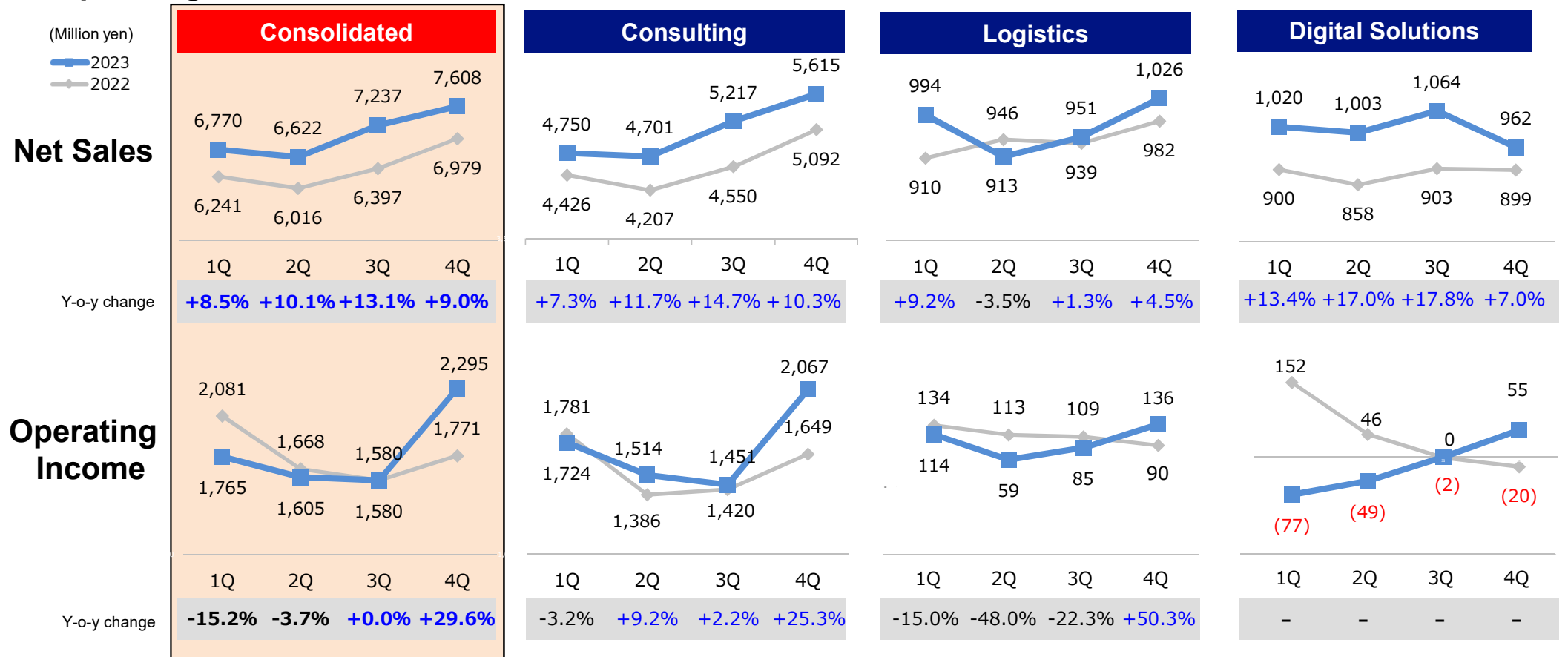


\*Percentages exclude intra-group & whole-group transactions

## 2. FY2023 Financial Report

### (1) 4Q Results of Operations by Segment

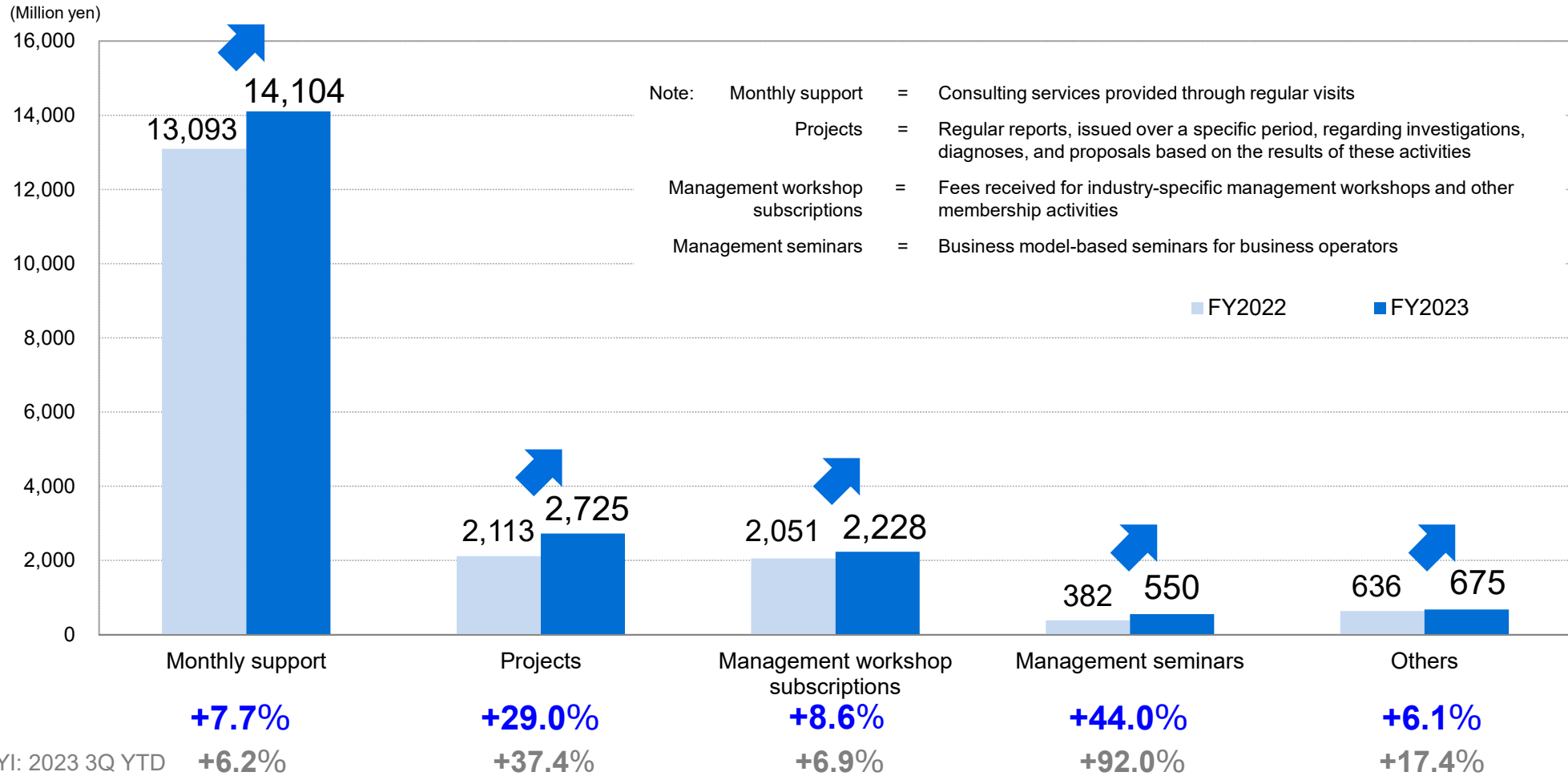
Sales and income both up in all segments over the same period last year; particularly large increase in operating income.



\*Consolidated figures include intra-group & whole-group transactions

## 2. FY2023 Financial Report

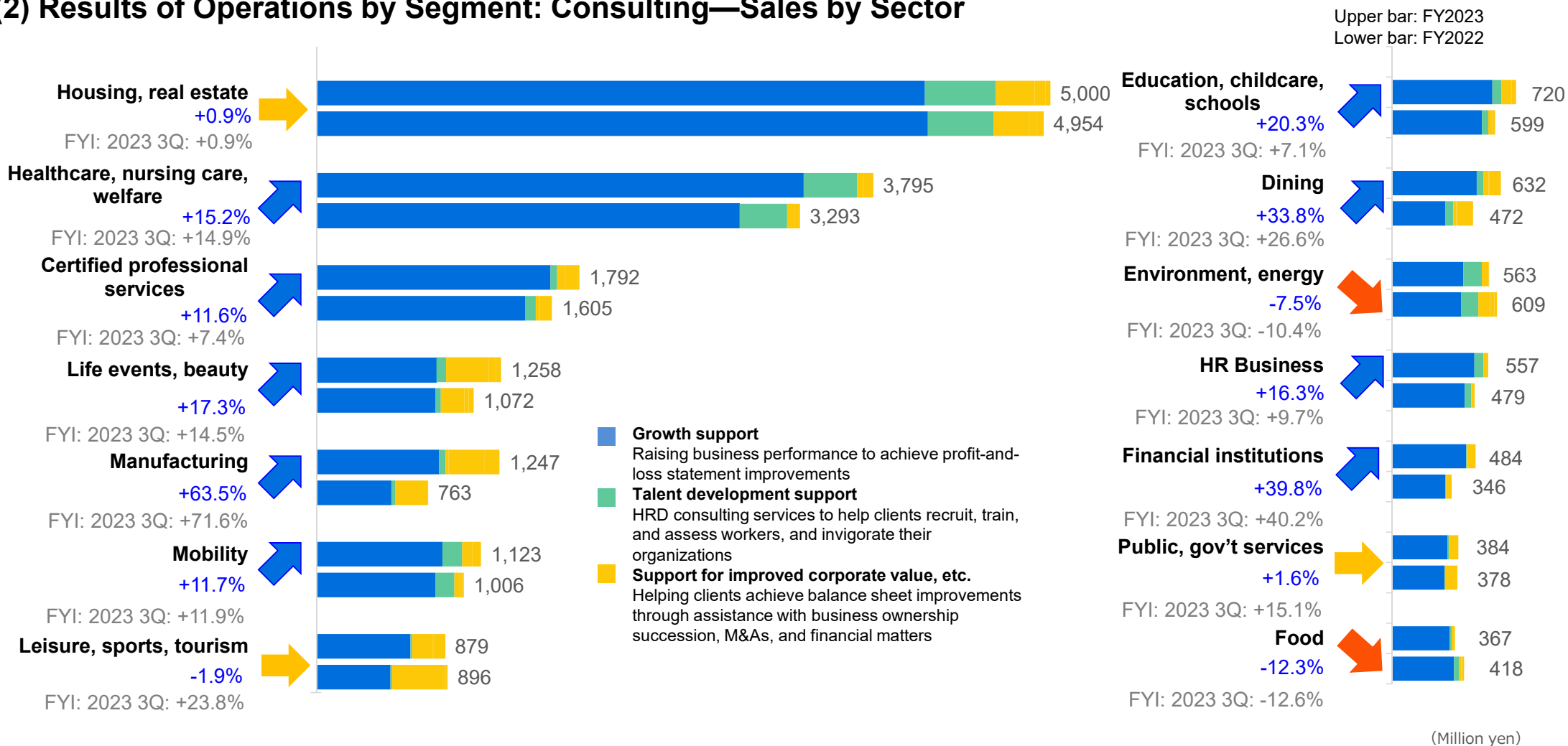
### (2) Results of Operations by Segment: Consulting—Sales by Service Category



\*2023 3Q YTD figures are a YOY comparison with the same period in 2022.

## 2. FY2023 Financial Report

### (2) Results of Operations by Segment: Consulting—Sales by Sector

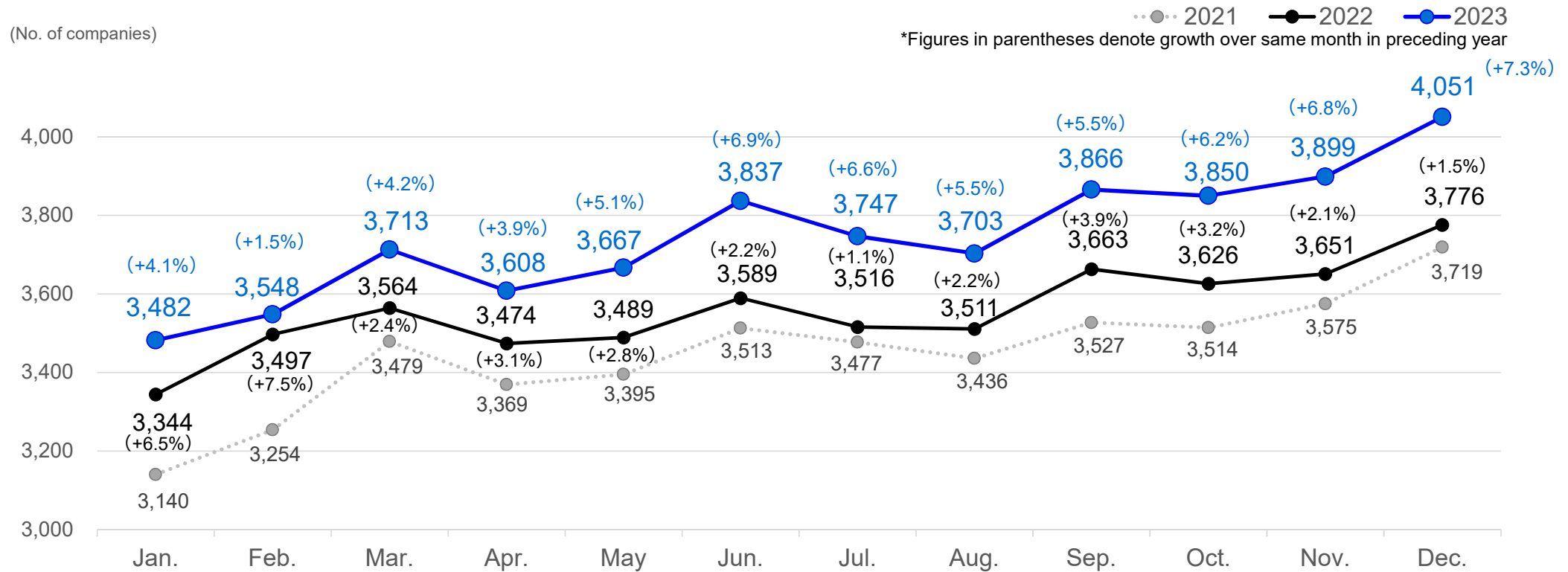


- **Growth support**  
Raising business performance to achieve profit-and-loss statement improvements
- **Talent development support**  
HRD consulting services to help clients recruit, train, and assess workers, and invigorate their organizations
- **Support for improved corporate value, etc.**  
Helping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

## 2. FY2023 Financial Report

### (2) Results of Operations by Segment: Consulting—Consulting Client Numbers

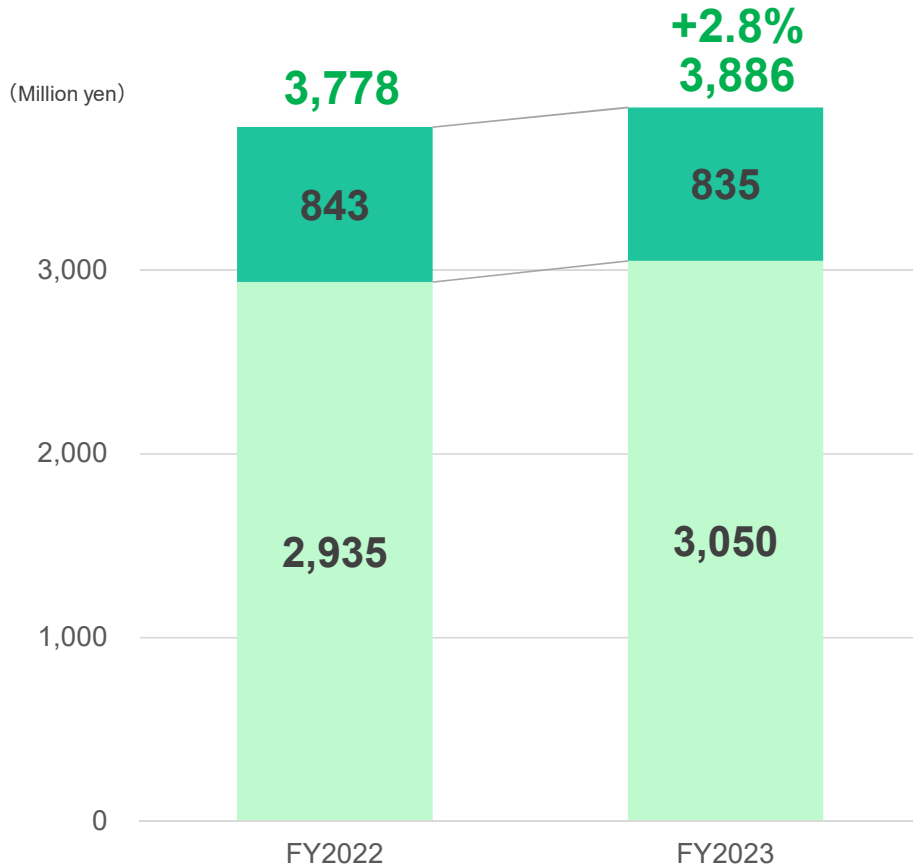
Monthly Consulting Client Company Numbers



\*Figures denote the total number of consulting contracts per month in the consulting segment (i.e., Funai Consulting, Proseed, Funai Consulting Shanghai, Funai Soken IT Solutions, and Seicho Senryaku; excl. intra-group transactions).

## 2. FY2023 Financial Report

### (3) Results of Operations by Segment: Logistics—Sales by Service Category



#### Logistics Consulting

Helping clients reduce logistics costs

➡ -0.9%

- Consulting for logistics companies was strong, and management workshop memberships also increased: 341 management workshop memberships as of Dec. 31, 2023; 298 as of Dec. 31, 2022
- Revenues from consulting services for shipper clients were down as a result of a lack of growth in project orders

#### Logistics BPO

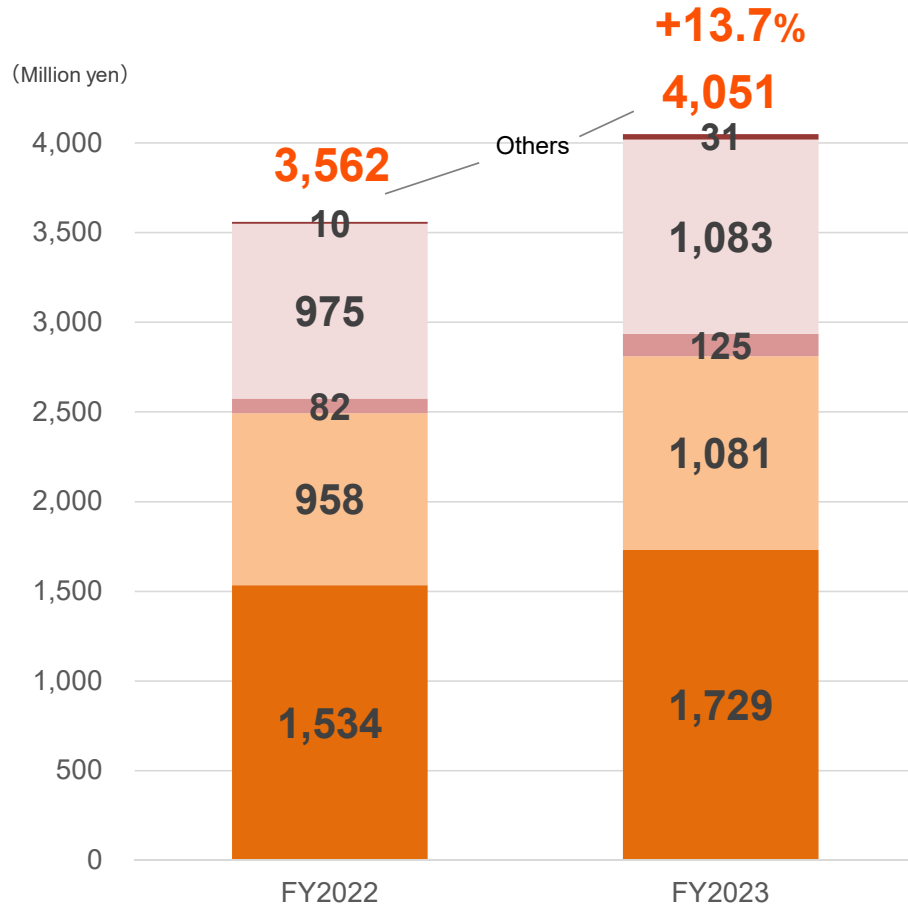
Logistics on behalf of clients  
Reducing purchasing costs through joint buying

➡ +3.9%

- Expanded trade with existing logistics operations clients resulted in an increased in sales
- New client development is progressing well despite the current unfavorable conditions for large-scale new orders

## 2. FY2023 Financial Report

### (4) Results of Operations by Segment: Digital Solutions—Sales by Service Category



#### HR Solutions

- Steady increase in orders from corporate clients
- Sales and income both up; maintained 10+% operating margin

**+11.0%**

#### IT Consulting

- Solid growth in sales of back-office consulting, from identifying issues to implementing solutions

**+51.9%**

#### Cloud-based Solutions

- Increased orders for cloud development and operations
- Invested efforts into securing engineer talent. Engineer headcount as of Dec. 31, 2023: 103 (up from 66 on Dec. 31, 2022)

**+12.8%**

#### Sales Process Transformation (SPX)

- Online ad agency services remain strong

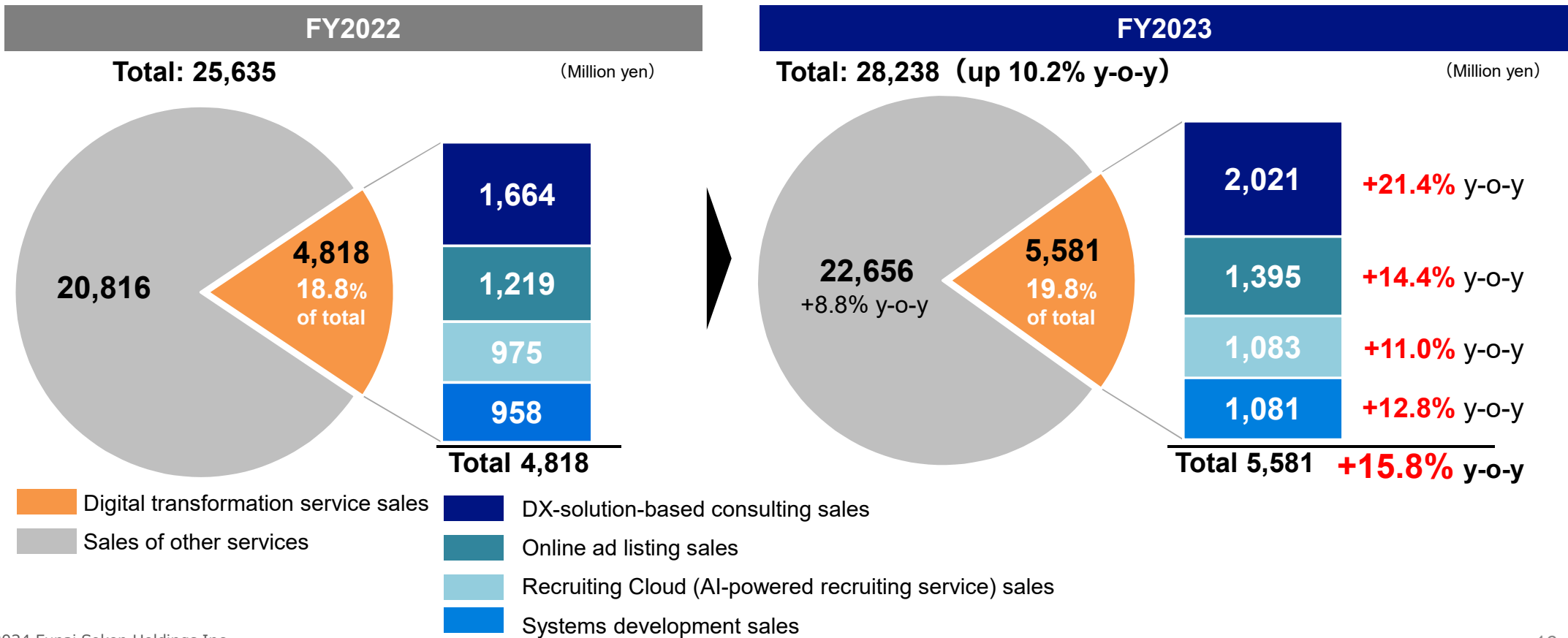
**+12.7%**



## 2. FY2023 Financial Report

### (5) Results of Operations in Digital Transformation Services

- The group is investing significant effort into digital transformation services, which grew 15.8%.
- Digital transformation services have expanded to account for nearly 20% of total sales and are helping grow the group's business overall.



## 2. FY2023 Financial Report

### (6) Consolidated Financial Position: Balance Sheet

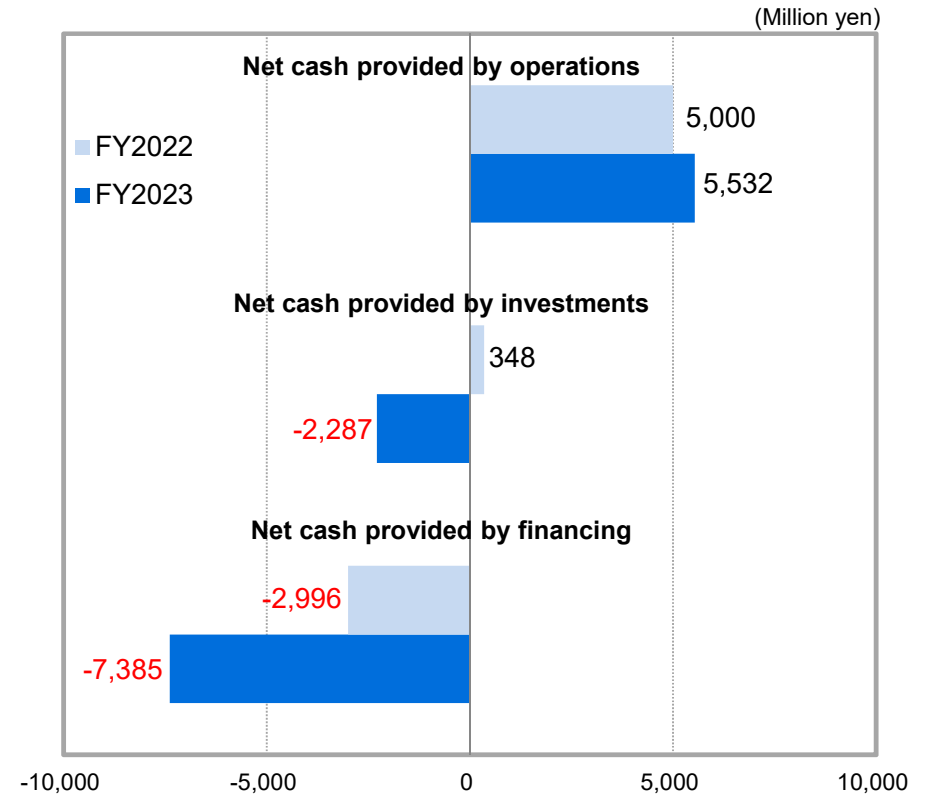
(Million yen)

	As of Dec. 31, 2022	As of Dec. 31, 2023	Change	Major factors behind changes	
Current assets	22,283	18,657	-3,625	Decrease in current assets: Major factors include decreases in cash and deposits, and increases in trade notes and accounts receivable and contract assets.	
Noncurrent assets	Property, plant, and equipment	5,813	6,146		+332
	Intangible assets	830	1,124	+294	Increase in noncurrent assets: Major factors include increases in construction in progress, goodwill, guarantee deposits and time deposits (listed under "other investments and other assets").
	Investments and other assets	4,082	5,702	+1,619	
<b>Total assets</b>	<b>33,010</b>	<b>31,631</b>	<b>-1,379</b>		
Current liabilities	5,067	5,666	+599	Increase in current liabilities: Major factors include increases in other accounts payable and deposits received (listed under "others").	
Noncurrent liabilities	242	238	-4	Decrease in noncurrent liabilities: Major factors include decrease in retirement benefit liabilities.	
<b>Total liabilities</b>	<b>5,309</b>	<b>5,904</b>	<b>+594</b>		
<b>Total net assets</b>	<b>27,700</b>	<b>25,726</b>	<b>-1,974</b>	Financial position remains sound with a high equity ratio of 79.2%.	
<b>Total liabilities &amp; net assets</b>	<b>33,010</b>	<b>31,631</b>	<b>-1,379</b>		

## 2. FY2023 Financial Report

### (6) Consolidated Financial Position—Cash Flow Statement

	(Million yen)		
	FY2022	FY2023	Change
<b>Net cash provided by (used in) operations</b>			
Net income before income taxes and other adjustments	7,138	7,272	133
Depreciation	311	301	(10)
Decrease (increase) in other assets	(567)	(435)	131
Increase (decrease) in other liabilities	132	253	120
Other cash provided by (used in) operations	(231)	(95)	136
<b>Subtotal</b>	<b>6,783</b>	<b>7,295</b>	<b>511</b>
Income taxes paid	(2,264)	(2,385)	(121)
Income tax refunds	451	602	151
Others	29	20	(9)
<b>Net cash provided by (used in) operations</b>	<b>5,000</b>	<b>5,532</b>	<b>531</b>
<b>Net cash provided by (used in) investments</b>			
Purchase of property, plant and equipment and intangible assets	(356)	(649)	(293)
Payments of guarantee deposits ※1	(32)	(759)	(727)
Purchase of investments in subsidiaries resulting in change in scope of consolidation ※2	—	(617)	(617)
Other cash provided by (used in) investments ※3	736	(259)	(996)
<b>Net cash provided by (used in) investments</b>	<b>348</b>	<b>(2,287)</b>	<b>(2,635)</b>
<b>Net cash provided by (used in) financing</b>			
Purchase of treasury stock	(403)	(4,312)	(3,909)
Dividends paid	(2,566)	(3,047)	(481)
Other cash provided by (used in) financing	(26)	(25)	1
<b>Net cash provided by (used in) financing</b>	<b>(2,996)</b>	<b>(7,385)</b>	<b>(4,389)</b>
<b>Change in cash and cash equivalents</b>	<b>2,356</b>	<b>(4,137)</b>	<b>(6,493)</b>
<b>Cash and cash equivalents at start of fiscal year</b>	<b>14,675</b>	<b>17,031</b>	<b>2,356</b>
<b>Cash and cash equivalents at end of fiscal year</b>	<b>17,031</b>	<b>12,894</b>	<b>(4,137)</b>



1. Security deposit paid for new Tokyo HQ offices (move scheduled for spring 2024).
2. Net expenditure resulting from acquisition of shares in Seicho Senryaku Inc. (which became a group company in Jan. 2023) and revenue of cash and cash equivalents held by Seicho Senryaku.
3. Major factors include net income from short-term investment securities as part of investment of surplus funds, and payments into time deposits.

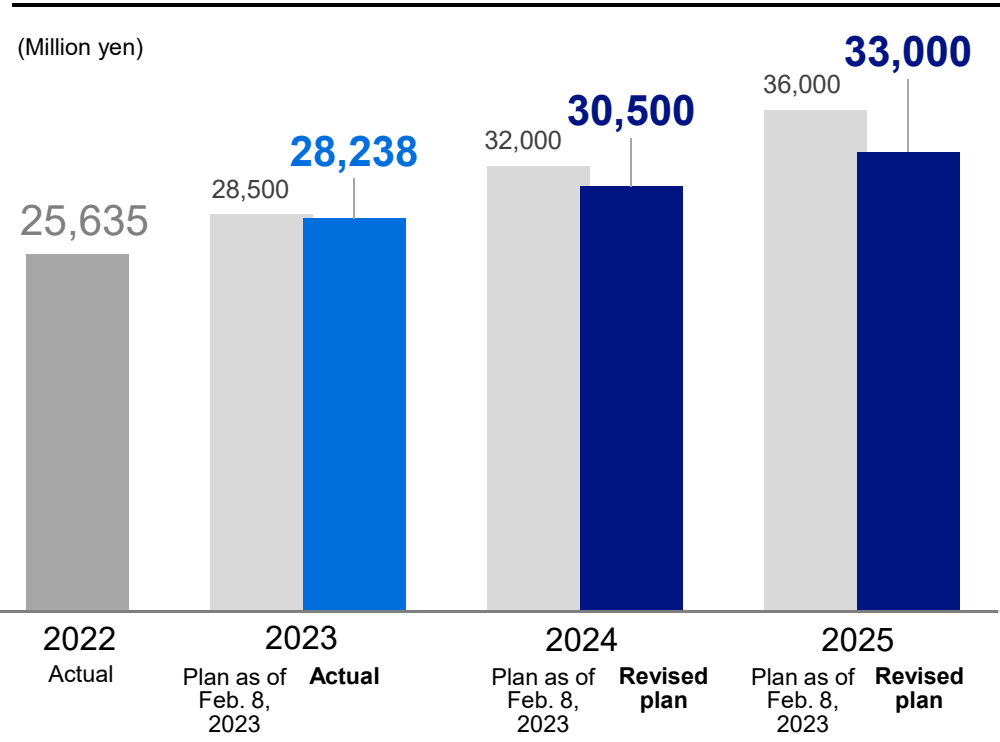
# Forecasts & Shareholder Returns

### 3. Forecasts & Shareholder Returns

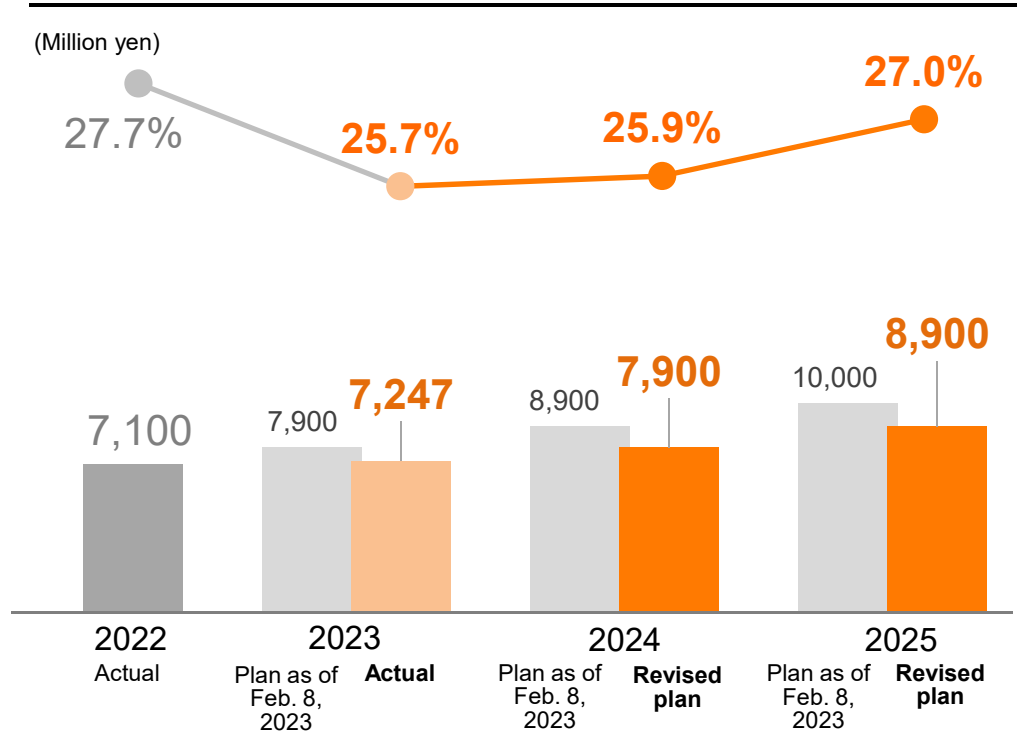
#### (1) Revisions to Mid-Range Business Plan: Consolidated Targets

##### ■ Net Sales and Operating Income: Performance & Targets

**Net Sales**



**Operating Income & Operating Margin**



\*For details, see the Notice Regarding Revised Mid-Range Business Plan issued on February 8, 2024.

### 3. Forecasts & Shareholder Returns

#### (1) Revisions to Mid-Range Business Plan: Segment-specific Targets

Net sales	2023 (actual)	2025		Change from initial plan of Feb. 8, 2023	
		Initial target	Revised target	(Million yen)	(%)
	(Million yen)	(Million yen)	(Million yen)	(Million yen)	(%)
Consulting	20,284	23,000 ▶	24,300	+1,300	+5.7
Logistics	3,886	4,100 ▶	4,200	+100	+2.4
Digital solutions	4,051	8,900 ▶	4,500	-4,400	-49.4
<b>Total</b>	<b>28,238</b>	<b>36,000 ▶</b>	<b>33,000</b>	<b>-3,000</b>	<b>-8.3</b>

Operating income	2023 (actual)	2025		Change from initial plan of Feb. 8, 2023	
		Initial target	Revised target	(Million yen)	(%)
	(Million yen)	(Million yen)	(Million yen)	(Million yen)	(%)
Consulting	6,757	8,400 ▶	8,000	-400	-4.8
Logistics	394	750 ▶	600	-150	-20.0
Digital solutions	-70	850 ▶	200	-650	-76.5
<b>Total</b>	<b>7,247</b>	<b>10,000 ▶</b>	<b>8,900</b>	<b>-1,100</b>	<b>-11.0</b>

Revised upward to reflect our situation (e.g., steady growth in consultant numbers)

Business plan subjected to review as actual figures diverged significantly from initial plan

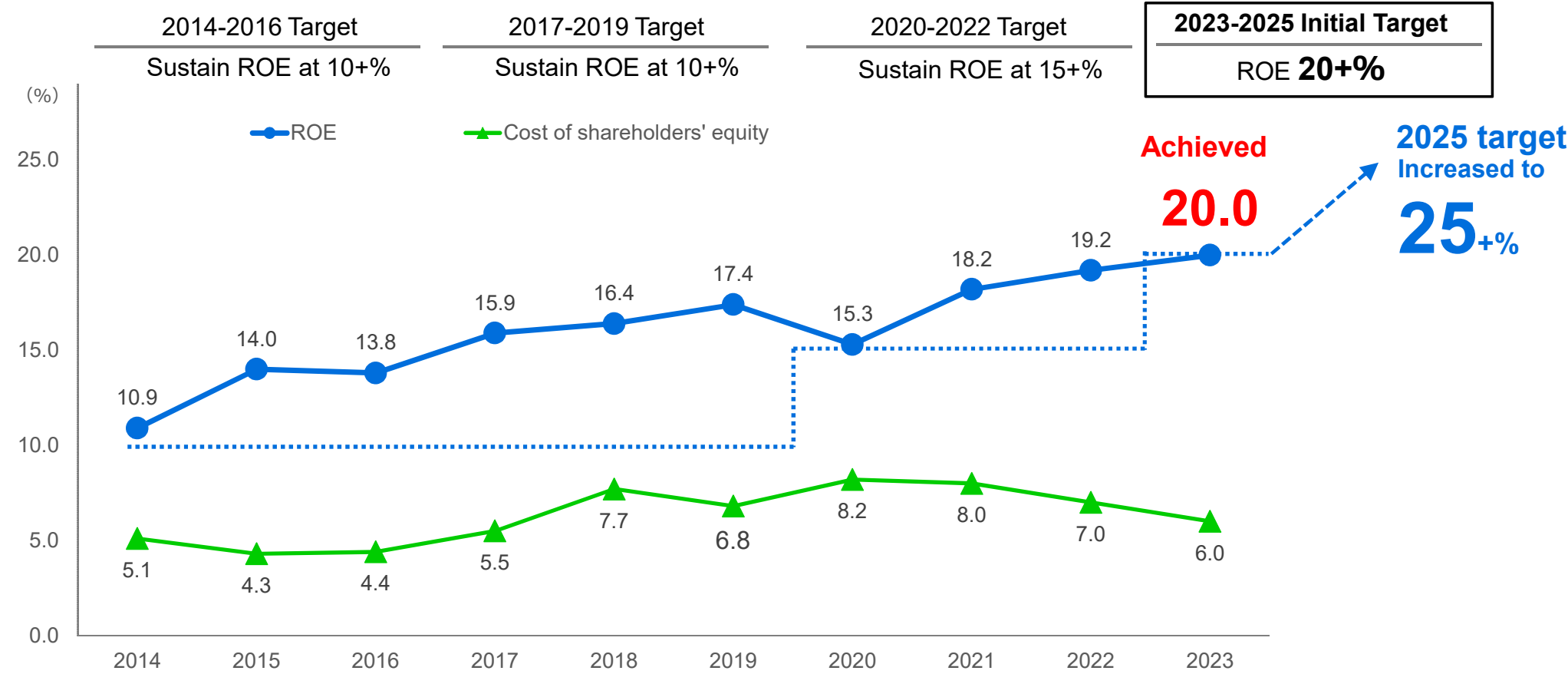
- Digital solutions plan subjected to review
- In consideration of ongoing increases in personnel costs (esp. consultants) and rising inflation

\*Totals include intra-group & whole-group transactions

### 3. Forecasts & Shareholder Returns

#### (1) Revisions to Mid-Range Business Plan: ROE Targets

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






### 3. Forecasts & Shareholder Returns

#### (2) FY2024 Earnings Forecast

	Consolidated mid-year forecast for FY2024			Consolidated full-year forecast for FY2024		
	2023 (actual) (million yen)	2024 forecast (million yen)	Change (%)	2023(actual) (million yen)	2024 forecast (million yen)	Change (%)
Net sales	13,392	14,500	+8.3	28,238	30,500	+8.0
Operating income	3,371	4,000	+18.7	7,247	7,900	+9.0
Ordinary income	3,428	4,000	+16.7	7,343	7,900	+7.6
Net income	2,271	2,700	+18.8	5,201	5,500	+5.7

**Sales Forecasts by Segment**

 Consulting	22,100 mil. yen
 Logistics	4,100 mil. yen
 Digital solutions	4,300 mil. yen

**Operating Income Forecasts by Segment**

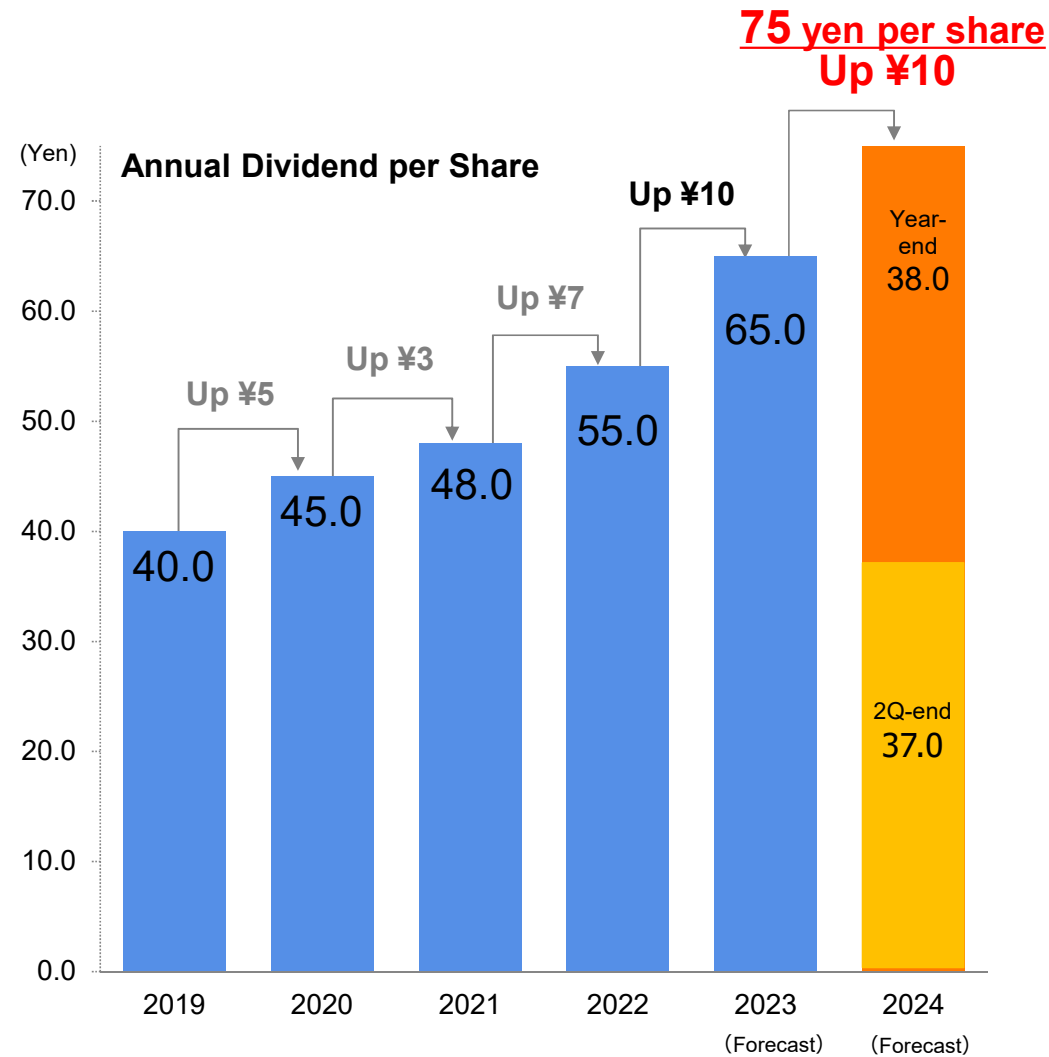
 Consulting	7,200 mil. yen
 Logistics	500 mil. yen
 Digital solutions	150 mil. yen



### 3. Forecasts & Shareholder Returns

#### (3) Annual Dividends

Record date	Initial forecast		Actual dividend	
	Dividend (per share)	Details	Dividend (per sharer)	Details
FY2019	40.0	2Q-end 17.0 Year end 23.0	40.0	2Q-end 17.0 Year end 23.0 *Incl. a commemorative dividend of 3.0
FY2020	45.0	2Q-end 20.0 Year end 25.0	45.0	2Q-end 20.0 Year end 25.0
FY2021	46.0	2Q-end 21.0 Year end 25.0	48.0	2Q-end 21.0 Year end 27.0
FY2022	53.0	2Q-end 25.0 Year end 28.0	55.0	2Q-end 25.0 Year end 30.0 *Incl. a commemorative dividend of 2.0
FY2023 (Forecast)	65.0	2Q-end 32.0 Year end 33.0	65.0	2Q-end 32.0 Year end 33.0
<b>FY2024 (Forecast)</b>	<b>75.0</b>	<b>2Q-end 37.0 Year end 38.0</b>		



### 3. Forecasts & Shareholder Returns

#### (4) Purchase and Retirement of Treasury Shares

We have decided to undertake a buyback of shares and to retire those treasury shares as outlined below to help improve capital efficiency and boost shareholder returns by allowing for more dynamic implementation of capital policies in response to changes in the business environment.

Purchase of Treasury Shares		Retirement of Treasury Shares	
Number of shares to be purchased	Max. <b>1.2 mil.</b>	Number of shares to be retired	<b>2 mil.</b>
% of total outstanding shares (excl. treasury shares)	<b>2.5%</b>	%age of total shares issued by the company prior to retirement	<b>3.8%</b>
Price of buy-back	Max. <b>¥3 bil.</b>	Total number of shares outstanding after retirement	50 mil.
Class of shares subject to buy-back	Common shares	Class of shares to be retired	Common shares
Buy-back period	Feb. 9 – Dec. 31, 2024	Scheduled date of retirement	Feb. 29, 2024

The share buyback approved by the Board of Directors on Aug. 23, 2023, was completed as outlined below.

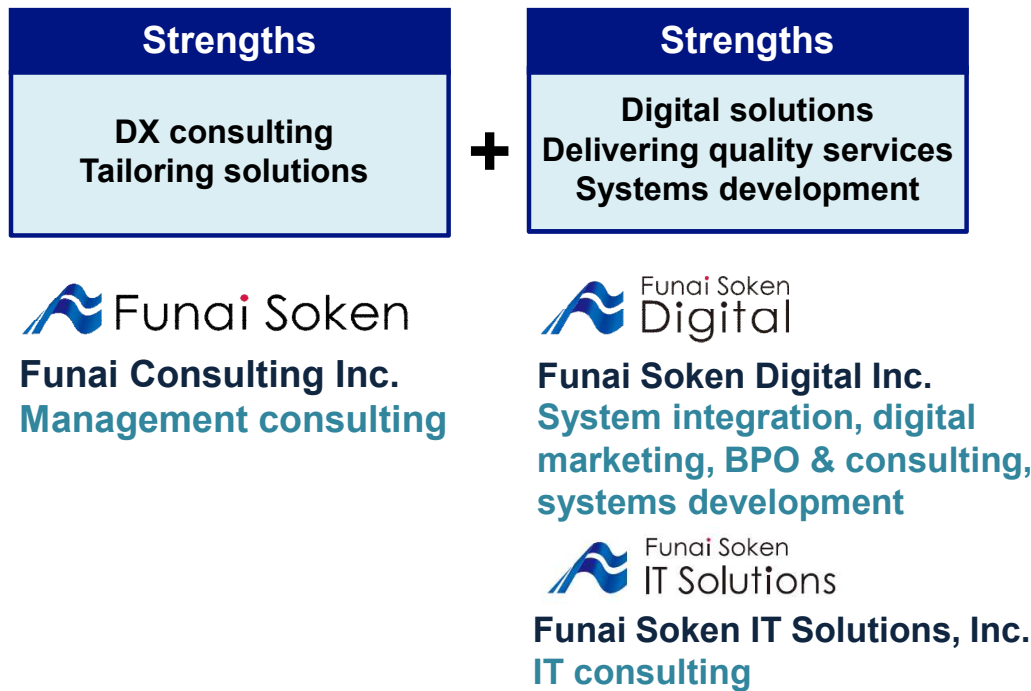
Date of board resolution	Buy-back period	Acquisition price	Number of shares purchased
Aug. 23, 2023	Aug. 24, 2023 – Feb. 5, 2024	¥2,999 bil.	1,172,800

## 4. News

### (1) Consolidated Subsidiaries to Merge

Funai Soken Digital and Funai Soken IT Solutions will be absorbed into Funai Consulting as part of the group's effort to speed up growth by filling out its business line-up and delivering a full range of services and solutions for mid-scale companies and SMEs.

Date of merger: April 1, 2024



### (2) Tokyo Office to Relocate

Consolidating our various Tokyo operations into a single location in Tokyo Midtown Yaesu will boost group synergies and enhance sales capabilities.

New Tokyo Office opens: April 1, 2024



New Tokyo Office address: 35th floor, Yaesu Central Tower, Tokyo Midtown Yaesu, 2-2-1 Yaesu, Chuo-ku, Tokyo, Japan



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

## Statement Regarding Use of These Materials

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.

All possible care has been exercised in preparing these materials, but the Funai Consulting Group assumes no responsibility for losses or other damages resulting from errors concerning any information.

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

Please direct enquiries regarding IR to:

Funai Soken Holdings, Inc. IR&PR Team

TEL: +81-(0)6-6232-2010

Mail: [ir@funaisoken.co.jp](mailto:ir@funaisoken.co.jp) URL: <https://hd.funaisoken.co.jp/en/>