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# **(Summary)**

# **Annual Securities Report**

The English translation of part of the “Yukashoken-Houkokusho”  
for the 56th fiscal year (from January 1, 2025 to December 31, 2025)

**Funai Soken Holdings Inc.**

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## 1. Overview of Business

The Group consists of Funai Soken Holdings and ten consolidated subsidiaries and a second-tier subsidiary. Our core business is management consulting, and we also offer logistics and digital solutions services relating to those operations.

Funai Soken Holdings is a specified Listed Company, etc. stipulated in paragraph (2), Article 49 of the Cabinet Office Ordinance on Restrictions on Securities Transactions, etc. This requires judgment on the criteria for regarding a material fact concerning insider dealing regulations to be made based on consolidated data.

The positioning of each company in the Group's business and its relationship with the segments are as follows.

### (1) 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.

Major affiliated companies: Funai Consulting Inc., Funai Consulting Shanghai Inc.,  
Proseed Corporation, Funai Soken Agata FAS Inc., Almacreation Inc., MI Consulting Co., Ltd., and  
Funai Consulting India Pvt. Ltd.

### (2) 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.

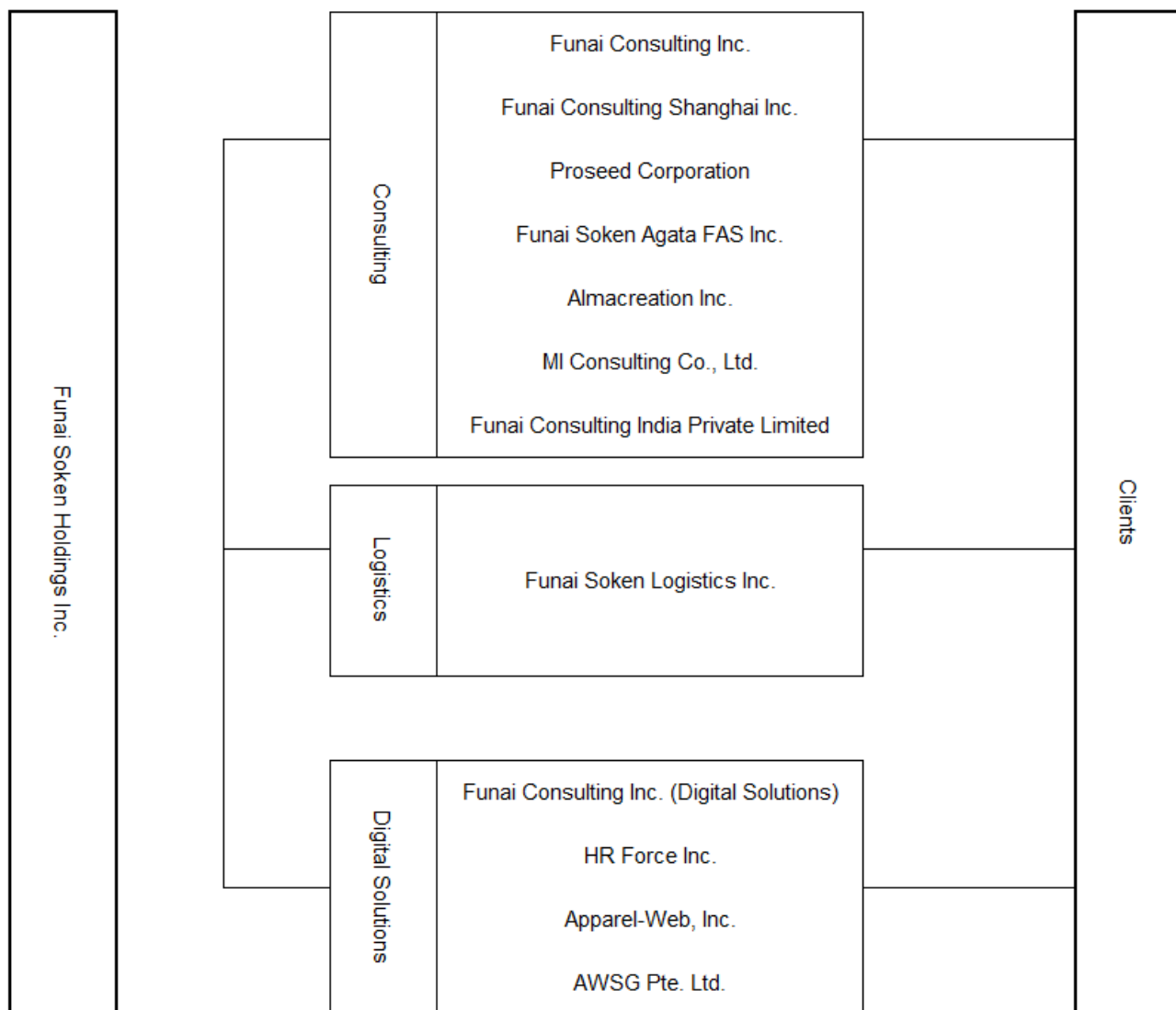
Major affiliated company: Funai Soken Logistics Inc.

### (3) Digital Solutions

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 (AI recruiting cloud services).

Major affiliated companies: Funai Consulting Inc. (Digital Solutions), HR Force Inc., Apparel-Web, Inc., and AWSG Pte. Ltd.

The figure below shows the Group's operating structure.



## 2. Management Policy, Management Environment and Challenges to Address

The forward-looking statements below are based on judgments of the Group as of the end of the consolidated fiscal year under review.

### (1) Basic management policy of the Company

In 2023, a new Group Purpose was adopted. The Group defines companies that can achieve sustainable growth as those that can thrive and grow amid tumultuous change and uncertainty, and the Group Purpose reflects our determination to produce many companies like this and to also become such a company ourselves.

#### (i) 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

### (2) Objective Indicators for Judging Status of Achievement of Management Goals

To realize the Group Purpose described above, we aimed to be a group that achieves consistent growth, and under our Mid-Range Business Plan 2023-2025, we aimed to manage our business with an awareness of capital efficiency, targeting ROE (return on equity) of 25% by 2025. As a result, we succeeded in achieving our target, with ROE reaching 26.5% in 2025.

### (3) Business environment and the Company's medium- to long-term management strategies

Under the 2023-2025 plan, our basic policy was to establish ourselves as the foremost providers of “digital and comprehensive consulting solutions for mid-scale and SME clients,” with “aggressive investment in HR” as the driver of our growth and “ingraining the Group Purpose” identified as priorities.

Each of the strategies below are strategies under the Mid-Range Business Plan 2023-2025. The strategies under the Mid-Range Business Plan 2026-2028 are described in (4) Priority business and financial issues to be addressed.

#### (i) Business strategy in the consulting business

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 maintained high profitability while expanding our business so as to provide a full spectrum of solutions for SMEs and mid-scale companies seamlessly. We also pushed forward with further expansion of upstream consulting and expansion into the mid-scale company business domain.

#### (ii) Business strategy in the logistics business

We aimed to build Japan's most extensive logistics foundation around consulting, community, networks, and databases, enhancing operations in existing domains to cement our position as a comprehensive provider of logistics solutions.

#### (iii) Business strategy in the digital solutions business

We continued investing management resources in the expansion of our digital solution services, contributing to expansion into DX consulting and management consulting for mid-scale companies in line with our basic policy.

#### (iv) Human resources strategy

We used the core values shared throughout the whole group as a solid base for an environment that allows a diverse workforce to harness its individual strengths and started a cycle of hiring, professional development, and empowerment to generate sustained growth.

#### (v) Basic policy for capital policy

- Basic policies

The Company recognizes that developing and executing an appropriate capital policy is extremely important to enhance shareholder value over the medium to long term. Our basic policy is to strive to improve shareholder returns in conjunction with the formation of an optimal level of shareholders' equity, while at the same time aiming to increase profits through aggressive business investment and improving capital efficiency.

- Efficiency policy

By 2025, we aimed to achieve a return on equity (ROE) of 25% or more.

- Shareholder returns policy

The Company aimed to achieve a dividend payout ratio of at least 55% and a total return ratio of at least 60%.

#### (4) Priority business and financial issues to be addressed

The Group recently formulated the new Mid-Range Business Plan 2026-2028. During the plan period, we will work on the following issues, to become a leading company in consulting for SMEs as well as “consulting for mid-market leaders” and “consulting for mid-market aspirants,” which are markets that are growing on the back of government policy, and to drive AX (AI transformation) and DX consulting in tandem with global platform developers.

##### (i) Expanding target domains to include consulting for mid-market leaders

Encouraged by government policy, the number of small businesses and sole proprietorships is decreasing as they are consolidated into mid-market and larger companies. Against this background, we will expand our consulting domains to include “consulting for mid-market leaders” and “consulting for mid-market aspirants,” and we will drive transformation consulting in categories such as AI, CRM, EC, ¥10 billion turnover, regional conglomerates, M&A, IPO, human capital management, supply chain management (SCM) and use of subsidies.

##### (ii) Enhancing human capital foundations through promotion of human capital management

We are currently investing in human capital to maximize the three drivers of Group growth: “consultant headcount,” “productivity” and “expected tenure.” Going forward, we will further accelerate our efforts, aiming to build a structure of 1,400 consultants by 2028 through better recruitment and better support for retention and also focusing on increasing productivity through human capital investment and creating an organization that retains employees long term through development of the work environment including promoting health management.

##### (iii) Achieving “sustainable growth” through improvement of capital efficiency and enhancement of shareholder returns

We have adopted “Sustainable Growth for More Companies” as our Group Purpose, and our aim is to serve as a model company for sustainable growth. As part of our financial strategies, we are targeting ROE (Return on Equity) of 30% (26.5% in 2025), a return-to-shareholders ratio of at least 65% (98.1% in 2025), and a dividend payout ratio of at least 60% (60.1% in 2025), and we will aim to strike a balance between enhancement of corporate value through aggressive growth investment and high shareholder returns.

##### (iv) Implementing sustainability management initiatives

For the Group’s sustainable growth, we have determined three high-materiality issues as priority issues from the perspectives of stakeholders and society, namely: 1) We contribute to our communities through consulting services for SMEs and mid-scale businesses; 2) We offer support and solutions to help clients implement ESG management of client companies; and 3) ESG and proactive information disclosure are at the core of our group company management. The progress in these sustainability initiatives is shared with and discussed by the Sustainability Committee which is chaired by an outside director and we will work to elevate these efforts to further enhance our sustainability-oriented management in the future.

##### (v) Increasing the sophistication of corporate governance

We recognize that further improvement of corporate governance is indispensable for sustainable growth and enhancement of corporate value over the medium to long term, and we consider robust implementation of the Corporate Governance Code and the establishment of internal control functions to be extremely important issues. Our policy is to have a majority of the members of the Board of Directors be outside directors who are independent and neutral to strengthen corporate governance. We also aim to improve the quality of the discussions and the decision-making process of the board and have set the target of maintaining at least 30% of the Board of Directors be female directors in 2030 with an eye toward increasing the diversity of the board in terms of characteristics such as gender.

### 3. Approach to Sustainability and Sustainability Initiatives

The Group's approach to sustainability and sustainability initiatives are as follows.

Forward-looking statements in this document are based on judgments of the Group's management as of the end of the consolidated fiscal year under review.

ESG and sustainability matters have always been common topics of discussion by the Board of Directors. In 2021, though, we established a Sustainability Committee as an advisory committee to the board to ensure sustainability becomes firmly established as a core management tenet across the whole Funai Soken Consulting Group. The Sustainability Committee has five members and is chaired by an outside director. It typically meets three times a year to set sustainability targets, monitor progress, and evaluate outcomes, and prepare reports and recommendations for the Board of Directors. In addition, a Sustainability Office has been created within the Funai Soken Holdings organization. The office has established four groups to oversee action across the whole Funai Soken Consulting Group in four specific areas: the environment (climate change), human capital (our people), information security, and business. The Sustainability Office meets monthly to monitor action progress across the whole Funai Soken Consulting Group and discuss future initiatives.

In addition, the Funai Soken Consulting Group has initiatives in place to tackle issues of keen interest to stakeholders and the community at large, and lists those it considers as being highly material on its website. These are subject to review as the landscape inside and outside the group evolves.

(Funai Soken Consulting Group's high-materiality sustainability issues)

<https://hd.funaisoken.co.jp/en/sustainability/materiality/>

#### (1) Climate change

##### (i) Governance

The Company, led by the Sustainability Office and a director in charge of sustainability affairs, also collaborates with Funai Consulting's Sustainability Consulting Team to assess and manage risks and opportunities relating to climate change, to study the group's basic environmental policy and targets for GHG emissions, etc., and to implement measures, manage their progress and handle information disclosure. The Sustainability Office reports those studies and progress information to the Sustainability Committee, an advisory body to the Board of Directors, for further discussion. The outcomes of these discussions are reported to the board as appropriate for monitoring.

##### (ii) Strategy

The Group's Basic Policy on the Environment states that we will strive to make a real reduction in environmental impact, not only within our business activities, but also by using our consulting and other services as a means for working together with clients to address climate change, prevent environmental pollution, and promote recycling. To that end, we endeavor to be aware of the impact of risks and opportunities pertaining to climate change, and will carry out the strategies necessary to making sustainability the norm throughout society.

#### - Risks

Category		Rating	Main response measures
Transition risks	Market	Increased awareness of climate change and decarbonization throughout society and among clients	As concern about climate change becomes widespread, mid-scale companies and SMEs are increasingly shifting toward decarbonization and environmentally conscious management, and we seek to support them on that journey with consulting services relating to decarbonization and other climate action.
	Reputation	Loss of business due to drop in reputation among stakeholders and lack of accountability	Stakeholders are increasingly demanding action on climate change, and reluctance to engage brings the risk of damage to brand and public reputation. Also, the particular urgency of climate concern among younger demographics may cause underperforming companies to struggle to attract human resources.
Physical risks	Acute	Increased risk of economic stagnation due to more severe natural disasters and wind and flood damage Risk of data loss, etc. due to damage to offices	Physical damage to group premises or transport networks would likely impact our ability to provide in-person consulting services and we must also ensure the safety of group employees. A safety confirmation system is in place to ensure safety. Damage to premises also brings the risk of loss of data (e.g., client data and personal information), so we are working with the Information Security Section and the Risk Management Committee to strengthen systems and infrastructures.

- Opportunities

Category		Opportunities	Main response measures
Opportunities	Products and services	Offer environmentally conscious services	<p>Growing interest in sustainability among society, markets, and our clients is expected to boost demand for consulting services. We will offer more climate change conscious, environmentally friendly options among our industry-specific consulting services.</p> <p>Initiatives at each group company</p> <ul style="list-style-type: none"> <li>- Funai Consulting Inc. provides ZEB/ZEH building business solutions in the housing and real estate sectors, as well as TCFD compliance, CDP response, SBT certification, decarbonization roadmap development, and carbon neutrality support solutions via its Sustainability Consulting Team.</li> <li>- In addition, to promote carbon neutral management, Funai Consulting holds members-only workshops to promote carbon neutrality in management for managers and sustainability managers of SMEs and mid-scale businesses.</li> </ul> <p>Funai Soken Logistics Inc. has developed logistics ESG consulting services and is working to reduce the environmental impact caused by logistics activities. Funai Soken Logistics provides a “radar chart evaluation” of a company’s level of commitment from an ESG perspective. Based on the results of the diagnosis, logistics consultants analyze progress and issues, discuss strategies, and provide implementation support for the introduction of ESG logistics.</p>

These risks and opportunities are reported to the Risk Management Committee and the Sustainability Committee described below, for consideration and implementation of appropriate countermeasures.

(iii) Risk management

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

(iv) Metrics and targets

The Group’s Mid-Range Business Plan 2026-2028 stipulates a sustainability goal of reducing greenhouse gas emissions (Scope 1 and Scope 2) by 75% compared with 2019 levels. The target set under the previous Mid-Range Business Plan of reducing GHG emissions by 50% compared with 2019 levels by FY2025 was achieved as planned. Additionally, we will implement initiatives aimed at achieving carbon neutrality by 2030, including achieving a 100% renewable energy procurement rate at all our Japanese sites.

Actual GHG emissions by Scope (FY2025)

	Emissions (t-CO <sub>2</sub> )	Previous Mid-Range Business Plan (2023-2025) reduction targets
Scope 1	0.92	Reduced greenhouse gas emissions by 50% compared with 2019 levels* * Per scope 1 and 2 *2019 result: 758.3t-CO <sub>2</sub>
Scope 2* market standard	332.71	2030 target: Achieve a 100% renewable energy procurement rate at all its Japanese sites, thereby reducing Scope 2 greenhouse gas emissions to virtually zero

<Emission rate approach in Scope 2 calculation>

Calculation of emissions by the market-based method is based on an adjusted CO<sub>2</sub> emission factor specific to each site’s retail electricity supplier; however, a grid emission factor by region for China was used at sites in Shanghai.

## (2) Human capital

### (i) Governance

The Board of Directors oversees human capital and human resources strategies, and the Sustainability Committee holds discussions to strengthen human resources strategy. The relevant in-house departments pursue hiring, training, and retention policies in accordance with the Funai Soken Consulting Group Basic Policy on Human Resources and the Mid-Range Business Plan 2026-2028. The progress of the various group companies' initiatives is shared at Group HR meetings and Executive Committee meetings, and reported to the Board of Directors as necessary.

### (ii) Strategy

Strategies relating to human capital are applied in accordance with the Funai Soken Consulting Group Basic Policy on Human Resources through implementation of initiatives set forth in the HR strategy section of the Mid-Range Business Plan 2026-2028.

#### - Policy 1: Funai Soken Consulting Group Basic Policy on Human Resources

In keeping with the fundamental principles set forth in the Funai Soken Consulting Group Basic Policy on Human Resources, we recognize the importance of people as the very means by which we create value as part of the global effort toward sustainability. To that end, attracting and retaining talented people is a top priority in our quest to deliver real value to the world.

Themes Included in the Basic Policy on Human Resources

1. Diversity & Inclusion
2. Creating Opportunities for Growth
3. Better Employee Engagement
4. Health Management
5. Transparency Regarding Human Resource Initiatives
6. Compliance

Part of our quest for workforce development is creating opportunities for growth, and we are committed to maintaining an extensive, robust training regime to arm our workforce with the skills to drive the innovation the times demand. We will expand training programs and further invest in education, including accelerated development of young employees and the acquisition of digital skills for better productivity.

Regarding the creation and maintenance of better working environments, we believe that diversity and inclusion—not the least of which is empowering women to forge meaningful careers and providing employment opportunities for people with disabilities—is the bedrock on which inclusivity, value creation, and improved productivity are founded. We will continue to endeavor to maintain rewarding, diverse, inclusive workplaces.

#### - Policy 2: Funai Soken Consulting Group Basic Policy on Human Rights

At the Funai Soken Consulting Group, respect for human rights is not just an obligation but a fundamental precept of our consulting and other business operations. To that end, we have established the Funai Soken Consulting Group Basic Policy on Human Rights to ensure that people's basic rights are protected and respected in all areas of the group's activities.

We prohibit discrimination based on race, ethnic origin, nationality, religion, place of birth, gender, marital status, age, language, physical disability, health status, job type, form of employment, etc. and we shall not engage in harassment of any kind. We reject and will not tolerate human trafficking and other forms of slave labor, forced labor, or child labor. Moreover, we respect basic labor rights including the right to collective bargaining. In terms of human rights, we will strive to deepen understanding by providing in-house education and training opportunities.

- Human resources strategy

At the Funai Soken Consulting Group, we believe that a diverse workforce is key to sustained growth. To this end, under the Mid-Range Business Plan 2026-2028, we will work to enhance human capital, which is the most important resource for realizing the Group vision of becoming “a comprehensive transformation (X) consulting group for mid-market leaders, mid-market aspirants, and rising stars.” Specifically, we will implement human capital management that combines consultant headcount growth with improvement in Employee Lifetime Value (ELTV). Through a loop model in which our business model and human capital management are simultaneous cycles, we will turn business outcomes into better compensation and professional development and achieve sustainable growth.

Three drivers of human capital management

1. Increasing consultant headcount: We will aim for a structure with 1,400 consultants by the end of 2028 through better recruiting of new graduates, better recruiting of mid-career professionals in new and professional domains, and the acquisition of human resources through M&A.
2. Improving productivity: We will increase business efficiency and added value by empowering employees to apply their skills early and encouraging the use of artificial intelligence (AI) as symbolized in the granting of generative AI licenses to all employees and we will also maximize per-employee productivity through efforts to increase the client contract renewal rate.
3. Extending expected tenure: We will improve the employee engagement score and promote retention by maintaining annual salary increases and expanding strategic transfers and concurrent assignments.

(iii) Risk management

To ensure consideration and respect for human rights in an age when people and working styles are diversifying, we have established a framework of due diligence to ensure we comply with the UN’s Guiding Principles on Business and Human Rights. If an event arises that may constitute the occurrence of a human rights risk, the Risk Management Committee is alerted, and measures are discussed and implemented.

- Identifying and Eliminating Potential Human Rights Risks

Our employees are not just our most valuable form of capital, they are true stakeholders in the Group’s business. Due diligence includes identifying and assessing areas with potential for adverse impact, and we conduct thorough studies to seek out potential risks to the human rights of our stakeholders.

Target	Group employees
Potential human rights risks	<ul style="list-style-type: none"> <li>• Physical and mental effects of overwork, discrimination, and harassment.</li> <li>• Infringements on freedom of association and collective bargaining rights, and privacy</li> <li>• Delayed response insufficient access to remedy (e.g., whistleblower system)</li> </ul>
Impact on business	<ul style="list-style-type: none"> <li>• Decline in engagement</li> <li>• Higher staff turnover rate</li> <li>• Negative impact on recruitment</li> </ul>
Prevention	<ul style="list-style-type: none"> <li>• Human capital investment</li> <li>• Appropriate personnel evaluation and compensation systems</li> <li>• Use of the whistleblowing system</li> <li>• Follow-ups by specialist department dedicated to eliminating such risks</li> <li>• Ongoing education through e-learning courses, etc.</li> </ul>
Remedy	<ul style="list-style-type: none"> <li>• Notify Risk Management Committee, ascertain facts of the matter</li> <li>• Once the facts are established, take corrective action</li> <li>• Raise awareness to prevent recurrence, and more</li> </ul>

(iv) Metrics and targets

The Group has set the following targets under Mid-Range Business Plan 2026-2028, from the viewpoint of enhancing human capital, which is the driver of Group growth, and maximizing the potential of diverse human resources.

- Growth potential-related human resources: 2,000 employees in total by 2028, including 1,400 consultants (70% of total)
- Improving productivity: Sales per employee of ¥23 million by 2028
- Improving the retention rate: Expected tenure of 7.0 years by 2028 (14.2% turnover rate)
- Employee engagement: Employee satisfaction survey score (Soshiki Sanbo score) of at least 80
- Diversity and governance: Women make up at least 30% of all directors and outside directors a majority on the board

#### 4. Business Risks

Major risks that are related to what is stated primarily in the business overview and financial status chapters of the securities report, which management thinks could significantly affect the financial position, operating results and cash flows of the consolidated companies are as follows.

Forward-looking statements in this document are based on judgments of the Group's management as of the end of the consolidated fiscal year under review.

(1) Risk management system of the Group

The Company has established a Risk Management Committee as a company-wide organization to manage crises including management of the risk of loss. The Risk Management Committee recognizes of the importance of identifying, evaluating, and managing risks that have a significant impact on corporate management and business continuity, and appropriately manages the risks surrounding the group and seeks to prevent risks from arising, for instance by identifying risks that require a priority response and implementing specific measures to deal with them. It consists mainly of directors, executive officers and employees who manage major departments. It collects information from both inside and outside the company, conducts risk analysis from various perspectives and deliberates on and implements measures in response to risks.

(2) Reliance on consulting business

The consulting business is the Group's core business and accounts for a large share of its sales and income.

The table below shows a breakdown of the Group's (consolidated) net sales and operating income (loss) for the fiscal years ending December 31, 2024 and December 31, 2025 respectively (amounts and component ratios).

	(Jan. 1, 2024 – Dec. 31, 2024)				(Jan. 1, 2025 – Dec. 31, 2025)			
	Net sales		Operating income (loss)		Net sales		Operating income (loss)	
	Amount (Million yen)	Component ratio (%)	Amount (Million yen)	Component ratio (%)	Amount (Million yen)	Component ratio (%)	Amount (Million yen)	Component ratio (%)
Consulting	22,375	73.0	7,508	90.2	24,471	73.4	8,369	95.0
Logistics	4,306	14.1	496	6.0	4,354	13.1	609	6.9
Digital Solutions	3,962	12.9	159	1.9	4,504	13.5	(96)	(1.1)
Elimination or corporate	0	0	159	1.9	-	-	(69)	(0.8)
Total	30,645	100.0	8,324	100.0	33,330	100.0	8,813	100.0

(3) Risks associated with the Group's core consulting business

(i) Environment surrounding the management consulting industry

Within the Group, management consulting services to companies and corporations are provided mainly by Funai Consulting Inc.

The management consulting business consists of professional services such as planning, guidance and advice services that harness all kinds of expertise, information and technology across a wide range of fields. However, unlike types of business for which occupational licensing is required by law, for example, licensing as a lawyer, certified public accountant or tax accountant, the management consulting business is a type of business for which no special licensing is required to open a business.

In order to provide services that deliver high levels of client satisfaction, consulting firms in this industry accumulate know-how gained from day-to-day operations and develop new methodologies (methods for analyzing the current state of clients and methods for reforming the current state based on current state analysis). However, the industry is expected to become even more competitive in the future. New client needs such as DX are emerging, creating a polarization between companies that can meet customer needs and those that cannot, and further industry reorganization including M&A is likely going forward.

It has also been pointed out that the market size of the industry in Japan is relatively small compared to Europe and the United States in terms of economic scale. We recognize that as corporate management in Japan matures, demand for knowledge-based professional services such as management consulting will grow. However, if understanding and awareness of such knowledge-based professional services does not increase sufficiently, and if we move in a direction that does not meet the needs of our clients, then the expansion of our earnings may remain limited.

(ii) Business activities and client development of Funai Consulting Inc.

Funai Consulting Inc., the core operating company of the Funai Soken Consulting Group, supports the growth and development of client companies by providing management consulting services in marketing, customer management, human resources, and other areas tailored to each industry and business category to address the various management issues faced by corporate managers.

In addition to direct consulting activities for client companies, we also sponsor management seminars that address a wide range of management issues and current trends, and operate members-only management workshops consisting of a diverse group of members for the purpose of researching management strategies and creating a network to open up business possibilities through mutual exchange among members.

In terms of client development, Funai Consulting Inc. seeks to develop new clients through a range of channels including referrals from existing clients, the attraction of customers through its seminars, the expansion of its workshop network, and the provision free management consultation services.

Since its founding, its client base has been focused mainly on the distribution industry; however, its client base has now expanded to include the housing and real estate industries, healthcare, nursing care, and welfare industries, certified professional services industry, mobility industry, and human resource service industry, among others.

Funai Consulting Inc. does not have a sales department dedicated to customer development, and our policy is to continue to develop customers through consulting activities as described above. However, in the event that the activities and methods used to develop new clients cease to be effective, our business results may be affected.

(iii) Other consulting business

Proseed Corporation is in the contact center consulting business and provides individual training, including COPC certification, based on an exclusive license with US-based COPC Inc. to provide COPC-based training in Japan. Accordingly, any changes in COPC Inc.'s management policies, service content, or other factors may affect the Group's business results. Effective January 1, 2026, the Group conducted an absorption-type merger, in which Funai Consulting Inc. was the surviving company and Proseed Corporation was the extinguished company.

(iv) Dependence on consultants

In the consulting business, there is a limit to the amount of work each consultant can complete, and it is essential to increase the number of excellent consultants in order to expand the business. To this end, we equip our consultants with a basic approach to consultancy work and the knowledge they will need as consultants as part of our in-house training program, and also strive to develop human resources through actual on-site consulting work in teams usually made up of three to five people to improve the skills level of individual consultants and share knowledge and know-how within the company. In particular, we are actively working to improve opportunities for women to play an active role by introducing a system to help them balance work with childcare, etc., in an attempt to retain excellent human resources. Furthermore, as part of efforts to secure new human resources, we are actively recruiting experienced personnel in various fields as well as new graduates, both in Japan and overseas, in a bid to acquire personnel with high potential.

Going forward, we will continue striving to secure excellent human resources and develop them into excellent consultants, and we intend to continue increasing our workforce. However, if we are unable to make progress in securing and developing the human resources that our Group requires, this will have an impact on our business operations that are reliant on consultants and on our

business results.

In addition, due to the nature of this business, performance may vary depending on the awareness and abilities of individual consultants.

In order to enhance the motivation and sense of belonging of our employees, we have reviewed our personnel evaluation system and introduced a salary structure that better reflects individual performance. However, some extremely capable consultants may be very independent minded, and if certain key personnel were to leave the Group, our business results may be temporarily affected.

(v) Country risk in overseas business

The Company has subsidiaries in Shanghai, China and Bengaluru, India as well as a sub-subsidiary in Singapore. These subsidiaries mainly support Japanese companies entering the Chinese and Singapore markets, provide consulting services for local sales and marketing, and undertake system development for companies including Group companies. While demand for consulting services in the Chinese market is strong, country risk remains high. Specifically, risks in China include the impact of anti-Japanese activities on Japanese products, the impact of repeated changes in tax and legal systems, the impact of drastic changes in the political and economic landscape on the market, the impact of air pollution and other environmental problems on employee health, and in India and Singapore as well, there are other country risks specific to overseas operations, such as foreign exchange risks. We believe we will continue to see growth in demand for consulting and other services in our overseas business, especially in China. However, the country risks mentioned above may temporarily affect our Group.

(4) Risks associated with businesses other than consulting business

The logistics business consists of the provision of services in 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. Since these services depend on good relationships with customers, we are always exposed to the risk of losing customers as a result of sales activities by competing companies. In addition, in logistics BPO services, there is potential for unexpected accidents, including accidents during lifting operations, accidents in warehouses, and other loading and unloading accidents, vehicle accidents, and warehouse fires, while in joint purchasing, there is a possibility of quality defects and suchlike.

Our Group's business results may be affected depending on the measures taken in response to such incidents. We also run the risk of needing to promptly develop solution proposals that address the ESG concerns of clients and wider society and environmental considerations across the entire supply chain.

In the digital solutions business, we provide services in both the marketing and back-office areas, including consulting on the use of digital technologies, system and product development, and online advertisement agency services. The digital industry is highly competitive due to the rapid pace of technological innovation and the presence of many new companies as well as major companies among competitors. In this industry, it is necessary to accurately respond to the ever-changing and increasingly complex needs of clients, and if Funai Consulting Inc. fails to meet client needs, the Group's business performance may be affected. In the HR solutions business, we provide IT technology-based solutions to the current labor shortage issues faced by many companies, mainly through our recruitment advertising agency services. There are many competitors in the HR industry, including major firms, and if we are unable to maintain our competitive advantage in terms of price and service, our business results may be affected.

(5) Group strategies, etc.

(i) Review of business domains

As a result of a review of business strategies under the current management, the Group has determined that expansion of its core consulting business, which is expected to generate stable profits, is possible for the time being and has adopted a policy of concentrating its management resources on this business and its surrounding businesses.

In accordance with this policy, the Group will seek to advance into new business domains such as surrounding businesses that have high synergy with the consulting business, causing the Group to incur initial investment costs and potentially causing deviations between the investment plan and actual performance. In this case, the Group's business results may be temporarily affected.

(ii) Strength of the Group's brand

The "Funai Soken" brand established by our founder, Yukio Funai, is essential to the development of our group's business, including our consulting business, and maintaining and developing this brand is extremely important to the expansion of our group's business base. However, if a situation arises in which the quality of consultants declines or the services provided by the Group do not necessarily meet the needs of clients, affecting the Group's ability to gain the trust of clients, this will lead to a decline in brand strength. In addition, legal compliance and corporate governance issues that arise at companies that bear the "Funai Consulting" or "Funai Soken" trademark may lead to brand damage and affect the business performance of the Group.

(6) Information security risks

The Group holds confidential information about clients, including personal and management information, for the purpose of conducting its business. The Group regards information security as one of the most important ESG issues. Under the Group's Basic Policy on Information Security, the Group has established a group-wide system for controlling information security-related regulations and their operation and handling information in accordance with internal regulations, in order to strictly comply with the Act on the Protection of Personal Information, other laws and regulations, confidentiality agreements and nondisclosure agreements when collecting, storing, processing, using, and disposing of such information. In terms of organization, our executives and employees are made thoroughly aware of the importance of information management through education and training using the so-called Five Clauses for information security, information security manuals, and e-learning programs, etc. In terms of systems, major group companies have been working to develop a seamless mobile environment that can be used anywhere from 2018 and to balance cloud computing and security through email encryption, and measures to stop misdirected emails, and we are smoothly adapting to new workstyles in the post-COVID era. Funai Consulting Inc. is also working to strengthen security measures and maintain confidentiality on a daily basis, including a revamping of the way in which clients entrust us with their information assets initiated in 2020.

However, in the event of unforeseen circumstances in spite of such measures that results in a leak of such information, a violation of laws and regulations due to inadequate procedures for collecting and handling personal information, destruction or falsification of important data, or a system shutdown, our Group's business results may be affected due to a loss of trust in our company or compensation for damages.

(7) Internal control systems

The Group considers the enhancement of corporate governance to be an important management issue for achieving sustainable growth and increasing corporate value over the medium to long term. To ensure the appropriateness of its business operations and the reliability of its financial reporting, the Group has established, maintains, and operates systems to ensure that internal controls over such matters function effectively. However, failure to build adequate internal control systems in response to a rapid expansion of businesses could make proper business operation difficult and adversely affect the Group's business results.

(8) Risks related to assets held

The Group may recognize impairment losses on property, plant and equipment, intangible assets, securities and other assets it holds in the event that its business results are not in line with its plans, leading to significant reduction in expected future cash flows, or in the event of deterioration in the business results or the business failure of the issuer. In such cases, the Group's business results may be affected. To avoid such risks related to assets held, the Board of Directors gives due consideration to new investments and management of progress after investment and strives to prevent and detect risks as early as possible.

(9) Risks of major disasters, pandemics, etc.

A large-scale disaster that damages social infrastructure or another coronavirus pandemic that adversely affects the global economy could affect the Group's business results. In preparation for such contingencies, we have established a crisis management manual for confirming and securing employees' safety. We also conduct safety confirmation training at least once a year. Furthermore, as part of our business continuity measures, we relocated our Tokyo Headquarters to Tokyo Midtown Yaesu in April 2024, a location where efforts are devoted to BCP measures in preparation for disasters, and we relocated our Osaka Headquarters to Inogate Osaka in January 2026.

## 5. Management's Analysis of Financial Position, Operating Results and Cash Flows

### (1) Overview of operating results, etc.

An overview of the financial condition, operating results and cash flows (hereinafter operating results, etc.) of the Group (the Company and its consolidated subsidiaries) during the current fiscal year is as follows.

#### (i) Financial condition and operating results

During the current consolidated fiscal year, the economic environment was characterized by uncertainty in financial markets and corporate management due to concerns over the tariff policies of the new U.S. administration inaugurated in January. The prolonged war in Ukraine remains with no end in sight, and in the Middle East, intermittent fighting continues, leaving the situation highly unstable. In the Japanese economy, signs of a gradual business recovery are emerging, against the backdrop of recovering personal consumption driven by improved employment and income conditions. However, the outlook remains cautious. Larger enterprises are making capital investments in automation and labor-saving equipment to address labor shortages, maintaining a solid performance against the backdrop of the trend of a weakening yen. Meanwhile, small and medium-sized enterprises (SMEs) are unable to fully pass on increased costs resulting from soaring raw material prices to their sales prices, and they continue to struggle with the ongoing labor shortages. Furthermore, with the conclusion of government financial support related to the COVID-19 pandemic, the number of bankruptcies has remained high, and the outlook remains uncertain.

Under these conditions, Funai Soken Agata FAS Inc., a joint venture between the Group and Agata Global Consulting, commenced operations in January 2025. In the same month, Almacreation Inc., led by Masanori Kanda, one of Japan's leading marketers and a mentor to many business leaders, joined our Group. In April, Apparel-Web, Inc., a company with deep expertise in the apparel industry and extensive knowledge of web marketing, joined our Group, followed by MI Consulting Co., Ltd., a company with strengths in M&A consulting and due diligence, in July. Furthermore, in November, our first local subsidiary in India, Funai Consulting India Private Limited, was established to accelerate Digital Transformation (DX) promotion across the entire group as a Global Capability Center.

As a result, the Group's operating results for FY2025 included a record high net sales of 33,330 million yen (up 8.8% year on year), record high operating income of 8,813 million yen (up 5.9% year on year), record high ordinary income of 8,841 million yen (up 5.1% year on year) and record high net income attributable to owners of the parent of 6,526 million yen (up 8.9% year on year).

Consolidated performance for each business segment is outlined below.

#### - Consulting

In the consulting business, net sales increased compared with the previous fiscal year, due in part to higher contract unit prices for the mainstay monthly consulting support service and increased membership fees for management workshops. The number of management workshop members, which forms the core of our stock business, has continued to grow, reaching a new all-time high. Examined by industry, the consulting business for housing and real estate, which is a mainstay, and the healthcare, nursing care, and welfare industries achieved steady growth in net sales. The Company saw an increase in profits while aggressively investing in human resources to strengthen human capital and controlling costs.

Consequently, net sales increased 9.4% year on year to 24,471 million yen, and operating income rose 11.5% year on year to 8,369 million yen.

Breakdown of sales	Monthly support	Project	Management workshop membership fees	Others	Total
Unit: million yen	15,963	4,134	2,984	1,390	24,471

(Note) Project sales include some M&A sales.

#### - Logistics

In the logistics business, logistics consulting operations progressed steadily with new projects and continued orders from existing customers. In addition, net sales increased due to a continued increase in the number of members of consulting workshops for logistics companies. On the other hand, in the logistics BPO services, net sales decreased due to the impact of terminating transactions with existing major customers. Nevertheless, the logistics business as a whole saw an increase in net sales. In terms of profits, a

significant increase was achieved due to the steady performance of high-margin logistics consulting services.

Consequently, net sales increased 1.1% year on year to 4,354 million yen, and operating income increased 22.8% year on year to 609 million yen.

#### - Digital Solutions

As for the digital solutions business, in the recruitment ad placement services of HR solutions, there were reductions in advertising budgets by certain major clients, and reductions in the subcontracted-type projects in cloud solutions. However, in IT consulting, projects for implementation support, ranging from formulating DX plans to implementing Zoho CRM, increased, and web advertising agency services also remained steady, resulting in an increase in net sales. Profits were down due to higher operating expenses, particularly personnel costs.

Consequently, net sales increased 13.7% year on year to 4,504 million yen and an operating loss of 96 million yen was posted, compared with an operating income of 159 million yen in the previous fiscal year.

The financial position at the end of the current fiscal year was as follows.

#### - Assets

Total assets increased 3,054 million yen year-on-year to 34,493 million yen at the end of FY2025.

Current assets increased by 2,954 million yen from the end of the previous fiscal year to 20,711 million yen. This was mainly due to increases in cash and deposits, trade notes, accounts receivable, contract assets, and securities as well as a decrease in accounts receivable - other included in other current assets.

Noncurrent assets increased 100 million yen from the end of the previous fiscal year to 13,782 million yen. This was mainly due to increases in construction in progress, goodwill, investment securities, assets related to retirement benefits, long-term deposits, and guarantee deposits, as well as decreases in buildings and structures and land.

#### - Liabilities

Total liabilities increased 2,255 million yen year-on-year to 8,705 million yen at the end of FY2025.

Current liabilities rose by 2,240 million yen from the end of the previous fiscal year to 8,514 million yen. This was mainly due to increases in accounts payable – other, income taxes payable, and unpaid consumption taxes and deposits received in other current liabilities, as well as a decrease in trade notes and accounts payable

Noncurrent liabilities increased by 15 million yen from the end of the previous fiscal year to 190 million yen. This was mainly due to increases in long-term borrowings and lease liabilities which is included in other noncurrent liabilities and a decrease in deferred tax liabilities.

#### - Net assets

Total net assets increased 798 million yen year-on-year to 25,788 million yen at the end of FY2025. This was mainly due to an increase in net income attributable to owners of the parent, a decrease in retained earnings due to the disposal of retained earnings, and an increase in treasury stock due to their purchase.

Consequently, the shareholders' equity ratio decreased by 4.8 percentage points to 72.4% compared to the end of the previous fiscal year.

#### (ii) Cash flows

Cash and cash equivalents increased 3,012 million yen year-on-year to 13,359 million yen at the end of FY2025.

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 7,903 million yen this year compared to a net gain of 7,010 million yen in the preceding year. This was mainly due to net income before income taxes and other adjustments of 9,236 million yen; impairment

loss of 2,433 million yen; gain on sale of property, plant and equipment of 3,159 million yen; income taxes paid of 1,922 million yen; and income tax refunds of 725 million yen.

- Cash Flows from Investing Activities

Cash flows from investing activities ended on a net gain of 1,964 million yen this year compared to a net loss of 2,595 million yen in the preceding year. This was mainly due to expenditures of 994 million yen for the purchase of property, plant and equipment and intangible assets, income of 5,827 million yen from the sales of property, plant and equipment, and expenditures of 2,100 million yen for payments into time deposits.

- Cash Flows from Financing Activities

Cash flows from financing activities ended on a net loss of 6,849 million yen this year compared to a net loss of 6,971 million yen in the preceding year. This was mainly due to a net expenditure of 2,501 million yen on the sale and purchase of treasury stock, and 3,703 million yen distributed as dividends.

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

	FY12/21	FY12/22	FY12/23	FY12/24	FY12/25
Shareholders' equity ratio (%)	80.7	81.7	79.2	77.2	72.4
Shareholders' equity ratio based on market price (%)	417.7	406.2	387.6	352.4	302.0
Interest-bearing debt to cash flow ratio (years)	0.1	0.1	0.1	0.0	0.0
Interest coverage ratio (x)	1,056.1	671.8	823.3	1,486.6	670.5

(Notes) 1. 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 (excluding lease obligations).
- 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.

(iii) Status of orders received and sales

- Orders received

The table below shows a breakdown of orders performance in the current fiscal year by segment.

Segment	Amount of orders received (thousand yen)	YoY change (%)	Order backlog (thousand yen)	YoY change (%)
Consulting	20,800,742	107.8	8,153,197	99.2
Logistics	912,056	109.7	314,910	101.9
Digital Solutions	1,934,986	200.8	1,136,704	792.2

(Notes) 1. For the consulting business, only monthly support and project management consulting revenues are shown.

2. For the logistics business, only logistics consulting revenue is shown.

3. For the digital solutions business, only IT consulting revenue and cloud solutions revenue are shown.

4. The amount is based on sales prices.

- Sales results

The table below shows sales performance by business segment in the current fiscal year.

Segment	Sales (thousand yen)	YoY change (%)
Consulting	24,471,655	109.4
Logistics	4,354,097	101.1
Digital Solutions	4,504,290	113.7

(Notes) 1. Sales results indicate sales to external customers.

2. There are no customers that account for 10% or more of total sales.

(2) Details of analysis and examination concerning the state of operating results, etc. from the perspective of the management

The details of understanding, analysis and examination concerning the state of operating results, etc. for the Group from the perspective of the management are as follows.

Forward-looking statements in this document are based on judgments of the Company's management as of the end of the current fiscal year.

(i) Recognition, analysis and discussion of financial condition and results of operations

(Analysis of financial position)

- Assets

Total assets increased 3,054 million yen year-on-year to 34,493 million yen at the end of FY2025.

Current assets increased by 2,954 million yen from the end of the previous fiscal year to 20,711 million yen. This was mainly due to increases in cash and deposits, trade notes, accounts receivable, contract assets, and securities and a decrease in accounts receivable – other, which is included in other current assets.

Noncurrent assets increased 100 million yen from the end of the previous fiscal year to 13,782 million yen. This was mainly due to increases in construction in progress, goodwill, investment securities, assets related to retirement benefits, long-term deposits, and guarantee deposits, as well as decreases in buildings and structures and land.

- Liabilities

Total liabilities increased 2,255 million yen year-on-year to 8,705 million yen at the end of FY2025.

Current liabilities rose by 2,240 million yen from the end of the previous fiscal year to 8,514 million yen. This was mainly due to increases in accounts payable – other, income taxes payable, and unpaid consumption taxes and deposits received in other current liabilities, as well as a decrease in trade notes and accounts payable.

Noncurrent liabilities increased by 15 million yen from the end of the previous fiscal year to 190 million yen. This was mainly due to increases in long-term borrowings and lease liabilities, which is included in other noncurrent liabilities, and a decrease in deferred tax liabilities.

- Net assets

Total net assets increased 798 million yen year-on-year to 25,788 million yen at the end of FY2025. This was mainly due to an increase in net income attributable to owners of the parent, a decrease in retained earnings due to the disposal of retained earnings, and an increase in treasury stock due to their purchase.

Consequently, the shareholders' equity ratio decreased by 4.8 percentage points to 72.4% compared to the end of the previous fiscal year.

(Analysis of operating results)

In the consulting business, net sales increased, driven by higher contract prices in the monthly consulting support services, which are a mainstay. Logistics consulting services in the logistics business saw steady progress in the number of management workshop members, resulting in an increase in net sales. Consequently, net sales rose 8.8% year on year to 33,330 million yen.

Looking at operating income, cost of sales was 20,282 million yen (previous fiscal year was 18,783 million yen). SG&A expenses were 4,234 million yen (previous fiscal year was 3,537 million yen). Consequently, operating income rose 5.9% over the previous fiscal year to 8,813 million yen and our operating margin was 26.4%.

Non-operating income was 138 million yen, compared with 138 million yen in the previous fiscal year, while non-operating expenses

were 109 million yen, compared with 51 million yen in the previous fiscal year. Consequently, ordinary income rose 5.1% over the previous fiscal year to 8,841 million yen.

Net income attributable to owners of the parent increased 8.9% from that in the previous fiscal year to 6,526 million yen due to an extraordinary loss of 2,764 million yen mainly resulting from the sale of the Gotanda office, which was owned by the Company's consolidated subsidiary, Funai Consulting Inc., and an extraordinary gain of 3,159 million yen mainly resulting from the sale of the Yodoyabashi office, which was owned by the Company.

Consolidated performance for each business segment is outlined below.

- Consulting

In the consulting business, net sales increased compared with the previous fiscal year, due in part to higher contract unit prices for the mainstay monthly consulting support service and increased membership fees for management workshops. The number of management workshop members, which forms the core of our stock business, has continued to grow, reaching a new all-time high. Examined by industry, the consulting business for housing and real estate, which is a mainstay, and the healthcare, nursing care, and welfare industries achieved steady growth in net sales. The Company saw an increase in profits while aggressively investing in human resources to strengthen human capital and controlling costs.

Consequently, net sales increased 9.4 % year on year to 24,471 million yen, and operating income rose 11.5% year on year to 8,369 million yen.

- Logistics

In the logistics business, logistics consulting operations progressed steadily with new projects and continued orders from existing customers. In addition, net sales increased due to a continued increase in the number of members of consulting workshops for logistics companies. On the other hand, in the logistics BPO services, net sales decreased due to the impact of terminating transactions with existing major customers. Nevertheless, the logistics business as a whole saw an increase in net sales. In terms of profits, a significant increase was achieved due to the steady performance of high-margin logistics consulting services.

Consequently, net sales increased 1.1% year on year to 4,354 million yen, and operating income increased 22.8% year on year to 609 million yen.

- Digital Solutions

As for the digital solutions business, in the recruitment ad placement services of HR solutions, there were reductions in advertising budgets by certain major clients, and reductions in the subcontracted-type projects in cloud solutions. However, in IT consulting, projects for implementation support, ranging from formulating DX plans to implementing Zoho CRM, increased, and web advertising agency services also remained steady, resulting in an increase in net sales. Profits were down due to higher operating expenses, particularly personnel costs.

Consequently, net sales increased 13.7% year on year to 4,504 million yen and an operating loss of 96 million yen was posted, compared with an operating income of 159 million yen in the previous fiscal year.

(ii) Information about the analysis and discussion of the status of cash flow, capital resources and fund liquidity

Cash and cash equivalents increased 3,012 million yen year-on-year to 13,359 million yen at the end of FY2025. Cash flows from operating activities ended on a net gain of 7,903 million yen this year compared to a net gain of 7,010 million yen in the preceding year. This was mainly due to net income before income taxes and other adjustments of 9,236 million yen; impairment loss of 2,433 million yen; gain on sale of property, plant and equipment of 3,159 million yen; income taxes paid of 1,922 million yen; and income tax refunds of 725 million yen. Cash flows from investing activities ended on a net gain of 1,964 million yen this year compared to a net loss of 2,595 million yen in the preceding year. This was mainly due to expenditures of 994 million yen for the purchase of property, plant and equipment and intangible assets, income of 5,827 million yen from the sales of property, plant and equipment, and expenditures of 2,100 million yen for payments into time deposits. Cash flows from financing activities ended on a net loss of 6,849 million yen this year compared to a net loss of 6,971 million yen in the preceding year. This was mainly due to a net expenditure

of 2,501 million yen on the sale and purchase of treasury stock, and 3,703 million yen distributed as dividends.

The Group's cash requirements are primarily for operating expenses such as cost of sales and selling, general and administrative expenses.

The Group's sources of funds are mainly cash flows from operating activities.

(iii) Significant accounting estimates and the assumptions used for them

The Group prepares its consolidated financial statements based on generally accepted accounting standards in Japan. In preparing these consolidated financial statements, accounting estimates that affect the status of assets and liabilities or profit and loss are reasonably estimated based on historical experience and other information available at the time the consolidated financial statements are prepared. However, actual results may differ from these estimates due to uncertainties inherent in estimates.

(iv) Management policy, management strategy, objective indicators for judging the achievement of management objectives, etc.

The Group has been implementing initiatives for achievement of the three-year Mid-Range Business Plan that began in the fiscal year ended December 31, 2023. As a result, we succeeded in achieving record-high business results in the fiscal year ended December 31, 2025. To continue aiming for our Group's growth, on February 6, 2026, we announced the Mid-Range Business Plan 2026-2028 covering the three-year period from FY2026. During the plan period, we will aim to become a leading company not only in consulting for SMEs but also in "consulting for mid-market leaders" and "consulting for mid-markets aspirants," which is a growth market fueled by government policy. We will also drive AX (AI transformation) and DX consulting in tandem with global platform developers. While enhancing alliance capabilities within the Group through such initiatives, we will also capture the management needs of clients and provide consulting services in line with the times.

Our performance targets under each plan are as follows.

Performance targets in the Mid-Range Business Plan (2023-2025)

Fiscal period	Plan/Result	Net sales (Million yen)	Operating income (Million yen)
FY12/23	Plan	28,500	7,900
	Result	28,238	7,247
FY12/24	Plan	30,500	7,900
	Result	30,645	8,324
FY12/25	Plan	33,000	8,900
	Result	33,330	8,813

(Note) The above plan shows the revised figures, as plan figures for the second and third years were revised to reflect factors in the first fiscal year of the plan (fiscal year ended December 31, 2023), such as revision of the plan for the digital solutions business and lower than initially planned results under the impact of persistently rising personnel costs, mainly for consultants, and recent inflation.

Capital efficiency under the Mid-Range Business Plan (2023-2025)

Fiscal period	Plan/Result	ROE
FY12/23	Result	20.0%
FY12/24	Result	24.3%
FY12/25	Result	26.5%

Performance targets in the Mid-Range Business Plan (2026-2028)

Fiscal period	Plan/Result	Net sales (Million yen)	Operating income (Million yen)
FY12/26	Plan	37,000	9,100
FY12/27	Plan	41,000	10,200
FY12/28	Plan	46,000	11,500

## 6. Corporate Governance

### (1) Overview of corporate governance

#### (i) Corporate governance policy

The company strives to strengthen its corporate governance with a focus on ensuring effective legal compliance and maximizing shareholder returns.

We believe that a proactive approach to disclosure is an important pillar of corporate governance, and we are committed to prompt and accurate disclosure of our current business activities and future business strategies through statutory announcements and through initiatives such as company briefings and individual meetings with institutional investors and analysts.

#### (ii) Overview of the corporate governance structure and reasons for its adoption

Following a resolution at the 46th Ordinary General Meeting of Shareholders held on March 26, 2016, the company transitioned from a company with a board of corporate auditors to a company with an Audit and Supervisory Committee and appointed three outside directors who are members of the Audit and Supervisory Committee. The company considers that by granting voting rights to these directors on the Board of Directors its audit and supervisory functions are strengthened. In addition, it considers that increasing the ratio of outside directors on the Board of Directors and improving the transparency and validity of management will further enhance corporate value.

In order to enhance corporate governance, a majority of the directors of the company are outside directors. The company audits the legality and validity of the Board of Directors by means of the Audit and Supervisory Committee (comprising three outside directors) to ensure objectivity and validity. In addition, the company has established a Corporate Governance Committee, formed exclusively of outside directors, to conduct reviews of corporate governance on a regular basis as required. The company has also established a Nominating Committee and Compensation Committee (of which more than half of the members are outside directors) as advisory bodies to the Board of Directors to ensure transparency and objectivity with respect to the appointment of directors and directors' remuneration. Based on these bodies' deliberations regarding the various reports, the president makes submissions to the Board of Directors for decisions. To ensure procedures surrounding the selection and development of future group CEO candidates are fair and transparent, the Successor Nominating Committee's recommendations are discussed by the Board of Directors to identify those candidates with "the right stuff" to lead the group to future prosperity. Moreover, an executive officer system has been introduced to ensure a separation between the management and execution of business matters, as well as to ensure flexibility in business execution.

#### - Board of Directors

The Board of Directors deliberates and makes decisions on important management matters. In addition to the regular Board of Directors' meeting once a month, extraordinary board meetings are held as required. The Board of Directors also conducts specialist and diverse ranging reviews of the management of the company and reaches prompt decisions on this basis.

The term of office for directors (excluding directors who are Audit and Supervisory Committee members) is one year, and for directors who are Audit and Supervisory Committee members it is two years in order to clarify management responsibilities for each fiscal year.

The chairman of the board is President and CEO Takayuki Nakatani; the other board members are Tatsuro Ono, Motoki Haruta, Nobuyuki Isagawa (outside director), Taeko Yamamoto (outside director), Tomomi Murakami (outside director), Nobuko Nakajima (outside director and member of the Audit and Supervisory Committee), Atsushi Nakao (outside director and member of the Audit and Supervisory Committee), and Akihiro Kobayashi (outside director and member of the Audit and Supervisory Committee).

The Company has submitted the proposals "Election of Six (6) Directors (Excluding Directors Serving as Audit and Supervisory Committee Members)" and "Election of Three (3) Directors Serving as Audit and Supervisory Committee Members" among the proposals (proposals to be resolved) at the Ordinary General Meeting of Shareholders to be held on March 28, 2026. If these proposals are approved, the chairman of the board will be President and CEO Takayuki Nakatani; the other board members will be Motoki Haruta, Kyohei Deguchi, Nobuyuki Isagawa (outside director), Taeko Yamamoto (outside director), Tomomi Murakami (outside director), Nobuko Nakajima (outside director and member of the Audit and Supervisory Committee), Atsushi Nakao (outside director and member of the Audit and Supervisory Committee), and Yasumasa Sakamoto (outside director and member of the Audit and Supervisory Committee).

- Audit and Supervisory Committee

The Audit and Supervisory Committee effectively monitors and audits management decisions and execution of business activities, and holds regular meetings every month. The full-time member of the Audit and Supervisory Committee attends important meetings other than Board of Directors meetings, such as Executive Committee meetings, and expresses his or her opinions accordingly. Of the outside directors who serve on the Audit and Supervisory Committee, two are lawyers with specialized knowledge pertaining to compliance, while another is a certified public accountant with specialized knowledge of finance and accounting.

The chairperson is Outside Director (member of the Audit and Supervisory Committee) Nobuko Nakajima; the other committee members are Atsushi Nakao and Akihiro Kobayashi.

The Company has submitted the proposal “Election of Three (3) Directors Serving as Audit and Supervisory Committee Members” among the proposals (proposals to be resolved) at the Ordinary General Meeting of Shareholders to be held on March 28, 2026. If this proposal is approved, the chairperson will be Outside Director (member of the Audit and Supervisory Committee) Nobuko Nakajima; the other committee members will be Atsushi Nakao and Yasumasa Sakamoto.

- Nominating Committee

The Nominating Committee deliberates the selection criteria for directors and executive officers in accordance with company regulations. Its role is to increase the transparency and objectivity of decisions on candidates to be directors and executive officers and to strengthen supervisory function of the Board of Directors. Four of the five committee members are outside directors, and the chairperson is an outside director of the company.

The chairperson is Outside Director Nobuyuki Isagawa; other committee members are Akihiro Kobayashi, Tomomi Murakami, Nobuko Nakajima, and Motoki Haruta.

The Company has submitted the proposals “Election of Six (6) Directors (Excluding Directors Serving as Audit and Supervisory Committee Members)” and “Election of Three (3) Directors Serving as Audit and Supervisory Committee Members” among the proposals (proposals to be resolved) at the Ordinary General Meeting of Shareholders to be held on March 28, 2026. If these proposals are approved, the chairperson will be Outside Director Nobuyuki Isagawa; the other committee members will be Tomomi Murakami, Nobuko Nakajima, Yasumasa Sakamoto, and Motoki Haruta.

- Successor Nominating Committee

The Successor Nominating Committee evaluates the current Group CEO and representative director based on business performance, etc., and discusses the succession plan in accordance with company regulations. Its role is to increase transparency and objectivity in the selection of Group CEO and representative director candidates. Four of the five committee members are outside directors, and the chairperson is an outside director of the company.

The chairperson is Outside Director Nobuyuki Isagawa; other committee members are Akihiro Kobayashi, Tomomi Murakami, Nobuko Nakajima, and Motoki Haruta.

The Company has submitted the proposals “Election of Six (6) Directors (Excluding Directors Serving as Audit and Supervisory Committee Members)” and “Election of Three (3) Directors Serving as Audit and Supervisory Committee Members” among the proposals (proposals to be resolved) at the Ordinary General Meeting of Shareholders to be held on March 28, 2026. If these proposals are approved, the chairperson will be Outside Director Nobuyuki Isagawa; the other committee members will be Tomomi Murakami, Nobuko Nakajima, Yasumasa Sakamoto, and Motoki Haruta.

- Compensation Committee

The Compensation Committee deliberates remuneration policy for directors and executive officers in accordance with company regulations. Its role is to increase the transparency and objectivity of decisions on remuneration for directors and executive officers and to strengthen supervisory function of the Board of Directors. Three of the five committee members are outside directors, and the chairperson is an outside director of the company.

The chairperson is Outside Director and member of the Audit and Supervisory Committee Atsushi Nakao; the other committee members are Nobuyuki Isagawa, Taeko Yamamoto, Tatsuro Ono, and Motoki Haruta.

The Company has submitted the proposals “Election of Six (6) Directors (Excluding Directors Serving as Audit and Supervisory Committee Members)” and “Election of Three (3) Directors Serving as Audit and Supervisory Committee Members” among the

proposals (proposals to be resolved) at the Ordinary General Meeting of Shareholders to be held on March 28, 2026. If these proposals are approved, the chairperson will be Outside Director and member of the Audit and Supervisory Committee Atsushi Nakao; the other committee members will be Nobuyuki Isagawa, Taeko Yamamoto, Motoki Haruta, and Kyohei Deguchi.

- Governance Committee

The Governance Committee reviews various issues related to the corporate governance of the group from a medium- to long-term perspective. Its purpose is to improve management fairness and transparency and to strengthen corporate governance. All six committee members are outside directors, and the chairperson is an outside director of the company.

The chairperson is Outside Director and member of the Audit and Supervisory Committee Akihiro Kobayashi; the other committee members are Nobuyuki Isagawa, Taeko Yamamoto, Tomomi Murakami, Nobuko Nakajima, and Atsushi Nakao.

The Company has submitted the proposals “Election of Six (6) Directors (Excluding Directors Serving as Audit and Supervisory Committee Members)” and “Election of Three (3) Directors Serving as Audit and Supervisory Committee Members” among the proposals (proposals to be resolved) at the Ordinary General Meeting of Shareholders to be held on March 28, 2026. If these proposals are approved, the chairperson will be Outside Director and member of the Audit and Supervisory Committee Yasumasa Sakamoto; the other committee members will be Nobuyuki Isagawa, Taeko Yamamoto, Tomomi Murakami, Nobuko Nakajima, and Atsushi Nakao.

- Sustainability Committee

The Sustainability Committee exchanges information and fosters a shared awareness regarding sustainability in business management, and submits recommendations to the Board of Directors regarding the sustainability connotations of policies and plans, thereby helping to deepen the board’s discussions in this area and overseeing the entrenchment of sustainability in business management groupwide through the steady resolution of ESG issues, all with a view to promoting the mid-to-long term development of Funai Soken Holdings and the greater Funai Soken Consulting Group. Two of the five committee members are outside directors, and the chairperson is an outside director of the company.

The chairperson is Outside Director Tomomi Murakami; other committee members are Nobuyuki Isagawa, Takayuki Nakatani, Tatsuro Ono, and Motoki Haruta.

The Company has submitted the proposals “Election of Six (6) Directors (Excluding Directors Serving as Audit and Supervisory Committee Members)” and “Election of Three (3) Directors Serving as Audit and Supervisory Committee Members” among the proposals (proposals to be resolved) at the Ordinary General Meeting of Shareholders to be held on March 28, 2026. If these proposals are approved, the chairperson will be Outside Director Tomomi Murakami; other committee members will be Nobuyuki Isagawa, Takayuki Nakatani, and Motoki Haruta.

- DX Promotion Committee

The DX Promotion Committee exchanges information and fosters a shared awareness regarding digital transformation at the Funai Soken Consulting Group, and submits recommendations to the Board of Directors regarding the group’s DX-related policies and plans, thereby helping to deepen the board’s discussions in this area and overseeing the entrenchment of DX in business management groupwide, all with a view to promoting the mid-to-long-term development of Funai Soken Holdings and the greater Funai Soken Consulting Group.

The chairperson is Outside Director Taeko Yamamoto; the other committee members are Takayuki Nakatani, one Funai Soken Holdings executive officer, and directors and management-level employees from the Funai Soken Consulting Group.

The Company has submitted the proposals “Election of Six (6) Directors (Excluding Directors Serving as Audit and Supervisory Committee Members)” and “Election of Three (3) Directors Serving as Audit and Supervisory Committee Members” among the proposals (proposals to be resolved) at the Ordinary General Meeting of Shareholders to be held on March 28, 2026. If these proposals are approved, the chairperson will be Outside Director Taeko Yamamoto; the other committee members will be Takayuki Nakatani, Kyohei Deguchi, one Funai Soken Holdings executive officer, and directors and management-level employees from the Funai Soken Consulting Group. The DX Promotion Committee will also change its name to the AX Promotion Committee.

- Risk Management Committee

The Risk Management Committee recognizes of the importance of identifying, evaluating, and managing risks that have a significant impact on corporate management and business continuity, and appropriately manages the risks surrounding the group and seeks to prevent risks from arising, for instance by identifying risks that require a priority response and implementing specific measures to deal with them. It consists mainly of directors, executive officers and employees who manage major departments. It collects information from both inside and outside the company, conducts risk analysis from various perspectives and deliberates on and implements measures in response to risks.

The chairperson is Director and Executive Vice President Tatsuro Ono; the other committee members are Nobuko Nakajima, one Funai Soken Holdings executive officer, and directors and management-level employees from the Funai Soken Consulting Group.

The Company has submitted the proposals “Election of Six (6) Directors (Excluding Directors Serving as Audit and Supervisory Committee Members)” and “Election of Three (3) Directors Serving as Audit and Supervisory Committee Members” among the proposals (proposals to be resolved) at the Ordinary General Meeting of Shareholders to be held on March 28, 2026. If these proposals are approved, the chairperson will be Director and Executive Officer Kyohei Deguchi; the other committee members will be Nobuko Nakajima, Takayuki Nakatani, Motoki Haruta, one Funai Soken Holdings executive officer, and directors and management-level employees from the Funai Soken Consulting Group.

- Internal Control Committee

The Internal Control Committee functions to ensure the creation and proper operation of an internal control system overseeing Funai Soken Holdings’ and the Funai Soken Consulting Group’s financial statements, so as to uphold the appropriateness of financial statements stipulated in the Financial Instruments and Exchange Act and its enforcement order. The Funai Soken Consulting Group CEO and the heads of the organizational units subject to internal oversight all serve on the committee as internal control managers, in which capacity they build and manage internal control systems within their day-to-day work.

The chairperson is President and CEO Takayuki Nakatani; the other committee members are Tatsuro Ono, Motoki Haruta, and Nobuko Nakajima.

The Company has submitted the proposals “Election of Six (6) Directors (Excluding Directors Serving as Audit and Supervisory Committee Members)” and “Election of Three (3) Directors Serving as Audit and Supervisory Committee Members” among the proposals (proposals to be resolved) at the Ordinary General Meeting of Shareholders to be held on March 28, 2026. If these proposals are approved, the chairperson will be President and CEO Takayuki Nakatani; the other committee members will be Nobuko Nakajima, Motoki Haruta, and Kyohei Deguchi.

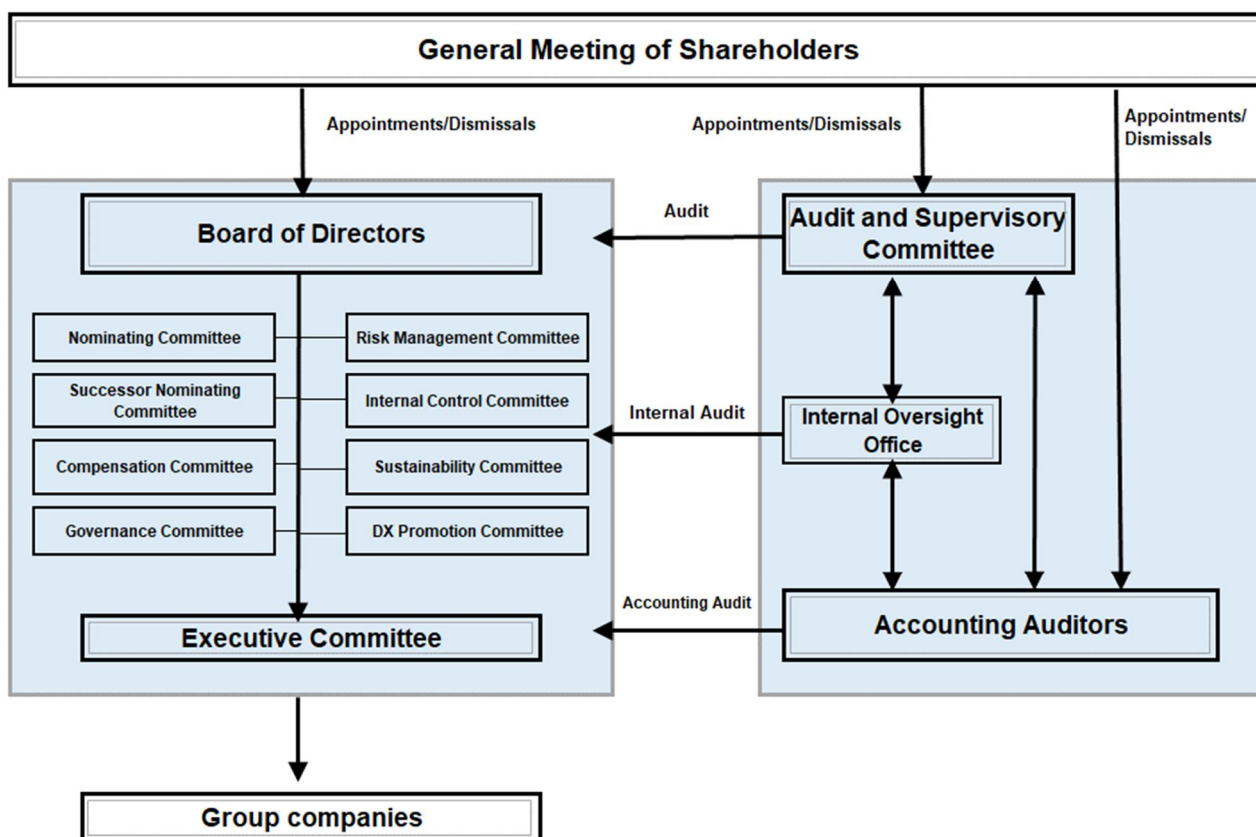
- Executive Committee

The company separates the functions of the Board of Directors, which makes decisions and supervises the management of the company, from the functions of executive officers who execute business matters. The scope of this is defined in the official regulations of administrative authority. The Executive Committee comprises directors and executive officers and exists under the Board of Directors to carry out swiftly the policies instituted by the board. In addition to considering and discussing important agenda items in advance of board meetings (excluding those subject to a vote) to aid the board’s deliberations, the committee makes decisions and shares information on those agenda items that are not tabled at board meetings.

The chairperson is President and CEO Takayuki Nakatani; other committee members are Tatsuro Ono, Motoki Haruta, Nobuko Nakajima, and four Funai Soken Holdings executive officers.

The Company has submitted the proposals “Election of Six (6) Directors (Excluding Directors Serving as Audit and Supervisory Committee Members)” and “Election of Three (3) Directors Serving as Audit and Supervisory Committee Members” among the proposals (proposals to be resolved) at the Ordinary General Meeting of Shareholders to be held on March 28, 2026. If these proposals are approved, the chairperson will be President and CEO Takayuki Nakatani; the other committee members will be Motoki Haruta, Kyohei Deguchi, Nobuko Nakajima, and four Funai Soken Holdings executive officers.

- Corporate governance structure



(iii) Other matters related to corporate governance

(1) Business Execution System

The company has introduced an executive officer system in order to distinguish decision-making and supervision of business execution by the Board of Directors from the business execution functions of the business divisions. In accordance with the policies determined by the Board of Directors, the executive officers are responsible for carrying out the daily business operations of the company. In addition to Board of Directors' meetings, the company holds monthly Executive Committee meetings, consisting of the directors, executive officers, and standing members of the Audit and Supervisory Committee to review business execution and to build consensus among the officers.

(2) Development of Internal Control System

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". To ensure that the Group's directors and employees embody this Group purpose, the company has established and maintains an internal control system to build an appropriate organization, set internal rules and regulations, communicate information and monitor business execution. The company ensures that its business is properly executed through reviews of this system as appropriate and through continual improvement.

(3) Status of Risk Management System

The Company has established a Risk Management Committee as a company-wide organization to manage crises including management of the risk of losses. It consists mainly of directors, executive officers and employees who manage major departments. It collects information from both inside and outside the company, conducts risk analysis from various perspectives and deliberates on and implements measures in response to risks.

#### (4) Basic Policy for Establishment of Internal Control System

##### (i) Summary of Resolutions for Matters such as Systems for Ensuring Appropriateness of Operations

##### (i)-1 System to Ensure that the Execution of Duties by Directors and Employees of the Company Complies with Laws and Regulations as well as the Articles of Incorporation

a) The group has established the Regulations on Group Compliance and the Group Corporate Ethics Code of Conduct which set forth its basic stance on social responsibility. It thereby clarifies the criteria to ensure that the directors and employees act with strong ethics and good sense in accordance with laws and ordinances and internal rules and regulations.

b) The group has established and maintains an appropriate internal control system. It has established the Internal Oversight Office to ensure that the business of the company and the companies in the group is properly conducted in accordance with laws and regulations; oversee the correct implementation of the group's internal control system; propose improvements as required; and perform internal oversight of the company and group.

c) If a director or employee discovers any serious instances of violation of laws or ordinances, or any other infringement of laws and ordinances or internal rules and regulations, this must be reported immediately and without delay to the Audit and Supervisory Committee and to the Board of Directors.

d) In order to prevent and rectify illegal conduct, or acts that violate social norms and corporate ethics, the company has established the Group Hotline Rules and strives to enhance its compliance system through initiatives such as an internal hotline for anyone involved with the group. The company is also committed to raising the awareness of directors and employees of compliance matters through training, including workshops and e-learning.

e) The group takes a strong stance on anti-social individuals and organizations that have a negative impact on social order and the integrity of its corporate activities.

##### (i)-2 System to Ensure that the Execution of Duties by Directors of the Company Is Performed Efficiently

a) In order to ensure that directors' decisions and their execution of duties are implemented efficiently, the company has established rules concerning the operation of the Board of Directors. As a general rule, the Board of Directors meets once a month, but meetings can also be held on an ad hoc basis as required.

b) To ensure efficient, organized business execution, the company has established the Regulations on Positions and Administrative Authority, Regulations on Division of Duties, and Criteria of Administrative Authority to clarify the responsibilities and system of authority for each of the company's organizations and each position therein.

c) The company promotes quick decision making and efficient business execution through appointing executive officers to be in charge of business execution and through delegating the company's operations and clarifying authority and responsibility in the execution of the company's business by resolution of the Board of Directors.

d) The company has established the Executive Committee as an organization to coordinate the business activities of the Group, review the status of business execution and build consensus through discussion of important matters within the group.

e) The company sets out numerical targets for the budget period based on the business plan and clarifies the objectives and responsibilities of each group company and department and aims to achieve its planned performance targets through analyzing differences between the budget and actual results.

##### (i)-3 System Concerning the Storage and Management of Information Related to the Execution of Duties by Directors of the Company

a) The details of resolutions, approvals and reports on directors' execution of their duties are saved and stored as appropriate based on the Regulations of the Board of Directors, Regulations of the Executive Committee, and Regulations for Document Management.

b) Regarding the protection of information, the Company has established the ISMS Basic Regulations and Security Management Regulations and strives to clarify viewing permissions according to materiality, manage passwords, and promote awareness among directors and employees of issues such as measures to prevent the leak, falsification, and destruction of information.

##### (i)-4 Regulations and Other Systems Concerning Management of Risk of Losses of the Company

a) The company recognizes the importance of identifying, evaluating, and managing those risks that have a significant impact on corporate management and business continuity. It strives to implement a system for appropriately managing the risks surrounding

the group and has established the Risk Management Committee to take specific measures to deal with risks that require a priority response.

b) With respect to the management of the risk of losses, the company has established the Regulations on Group Crisis Management to strengthen the management system to prevent losses.

(i)-5 System to Ensure the Appropriate Operation of Group Companies

a) The group shall share the basic ideas expressed in the Group Purpose while respecting management autonomy in each of its companies.

b) The company shall dispatch directors and corporate auditors to group companies as required in order to improve the soundness and efficiency of management. It shall also hold Group Presidents' Council meetings to exchange information and to consult with its companies.

c) The group shall conduct internal audits to ensure the effectiveness and validity of internal controls as a system for conducting surveys and audits of group companies, in addition to audits by members of the Audit and Supervisory Committee and accounting auditors.

d) The group shall have a set of Regulations for Group Company Cooperation in place to manage the business operations of its companies.

e) The group shall establish a system of company approval for important matters concerning the business operations of group companies in accordance with the Group Company Cooperation Regulations when it is necessary to improve soundness of management at its companies and to ensure the appropriateness of its business activities.

f) The company shall ensure the reliability of its financial reporting through appropriate and effective management and evaluation. It shall also establish company-wide internal controls for financial reporting across the group and control systems for individual business processes.

(i)-6 Matters Concerning Employees Who Assist in the Execution of Duties by the Audit and Supervisory Committee at the Committee's Request

a) Directors shall engage employees to assist the Audit and Supervisory Committee in carrying out its duties if requested by the Audit and Supervisory Committee.

b) Assistants to the Audit and Supervisory Committee are assigned as dedicated staff to members of Audit and Supervisory Committee to assist them in carrying out their duties. Independence from the business executives on matters related to staff transfers and personnel evaluation is ensured by obtaining the agreement of the Audit and Supervisory Committee in advance.

(i)-7 System Concerning Directors' and Employees' Reports to the Audit and Supervisory Committee and Other Systems Concerning Reports to the Audit and Supervisory Committee

a) Members of the Audit and Supervisory Committee attend important meetings such as Board of Directors' meetings and Executive Committee meetings to monitor and audit the management of the company and the decision-making process on a regular basis.

b) A system is in place that allows prompt and effective reporting by directors and employees to the Audit and Supervisory Committee upon request for issues such as facts that may cause significant damage to the company or information received on the in-house hotline.

No disadvantage shall accrue to anyone making reports as outlined above.

c) The Internal Oversight Office reports on the status and results of its internal audits to members of the Audit and Supervisory Committee. The Audit and Supervisory Committee cooperates closely with the Internal Oversight Office—e.g., the committee requesting reviews by the Internal Oversight Office as required—and conducts efficient audits.

(i)-8 Policy Related to the Handling of Audit Expenses

a) The Audit and Supervisory Committee is eligible to receive payment in advance or reimbursement from the company for expenses arising from the execution of its duties.

b) When the Audit and Supervisory Committee deems it necessary, it may use external experts for the execution of its duties. Expenses accruing from this shall be treated as set forth in a) above.

(i)-9 Other Systems to Ensure that the Audit by Audit and Supervisory Committee Members is Conducted Effectively

a) The majority of the Audit and Supervisory Committee shall be outside directors to ensure the transparency of the audit. The Audit and Supervisory Committee meets with the president and directors as necessary to exchange opinions on important company issues and on audit matters and makes requests when it deems these necessary, thereby promoting mutual understanding with the president and the directors.

b) The Audit and Supervisory Committee meets regularly with the accounting auditors and the Internal Oversight Office to actively exchange opinions and information.

(ii) Overview of Implementation of System to Ensure the Appropriate Operation of Group Companies

The Board of Directors meets once a month as a decision-making body on matters related to the management of the company and business execution. It makes decisions on important management issues, such as items stipulated in laws and ordinances and in the Articles of Incorporation, management policy and budget setting. It analyzes and evaluates the performance of group companies based on monthly reports. It discusses matters from the perspective of compliance with laws and ordinances and the Articles of Incorporation and business appropriateness. In addition, the Executive Committee, which is attended by the company's directors, executive officers and full-time members of the Audit and Supervisory Committee, meets once a month to deliberate on important group matters

(ii)-1 Internal Audits

Regarding the appropriateness of the operation of the company's internal control system, the Internal Oversight Office has conducted an audit of the company and the companies in the group and has reported the results of this to the company's president, the Board of Directors, and the Audit and Supervisory Committee.

All of the three members of the company's Audit and Supervisory Committee are Outside Directors. This ensures the transparency of audits.

(ii)-2 Compliance

In order to improve directors' and employees' awareness of compliance, the company arranges compliance education including training through workshops and e-learning.

(ii)-3 Risk Management

The company has established a Risk Management Committee and undertakes risk management activities, including assessment of potential risks and prevention of the occurrence of risks within the company and the group. The group has also established a Group Corporate Ethics Code of Conduct and the Regulations on Group Compliance to eliminate anti-social forces. It sets out the provisions and reviews new clients when they apply for credit, and implements this code as required.

In addition, it has established an inhouse hotline and has communicated this to the directors and employees of the company and the group. The company has a system in place to enable it to ascertain facts that may cause significant damage to the company. Legal counsel and the outside directors on the Audit and Supervisory Committee act as points of contact in this respect.

(5) **Basic Views on Eliminating Anti-Social Forces and Status of Implementation**

(i) **Basic Approach to the Exclusion of Antisocial Forces**

The group takes its social responsibilities very seriously and has a basic principle of avoiding any sort of relationship with anti-social forces. It has established action guidelines in this respect in the Regulations on Group Compliance. In accordance with the code of conduct in these regulations, group employees pledge to observe the conduct stipulated in the guidelines when joining the company.

The company has an internal process in place in accordance with its legal system to eliminate anti-social forces and has a crisis management system for swift assessment of information. It has established a department to take responsibility in case of emergency and ensured a system enabling companywide response including the involvement of top management.

(ii) **Status of Exclusion of Antisocial Forces**

(ii)-1 The company has put in place a risk management system and strives to obtain information promptly through the establishment of a Risk Management Committee. There is also a system in place in which the Legal Compliance Department is charged with ensuring prompt reporting to top management and implementation of countermeasures based on information obtained.

(ii)-2 Based on this system, the company manages information in an integrated manner based on prompt understanding of issues internally. It strengthens its cooperation with external professional entities such as legal counsel and the police and ensures any relationships with antisocial forces are promptly terminated.

(ii)-3 When the company undertakes work under consignment, provisions for the exclusion of antisocial forces are clearly set forth in writing in the contract at the time of the contract of assignment.

(ii)-4 The company's credit management rules set forth provisions for the exclusion of antisocial forces. The credit management system is operated in accordance with these rules.

(6) **Outline of the Details of Liability Limitation Agreement**

The Company has executed agreements with outside directors (including members of the Audit and Supervisory Committee) on the limitation of liability for damages as provided for under the provisions of Paragraph 1, Article 423 of the Companies Act according to the provisions of Paragraph 1, Article 427 thereof. The maximum amount of liability for damages under these agreements is the minimum liability limit stipulated by law.

(7) **Outline of Liability Insurance for Officers, etc.**

The company has concluded an agreement on liability insurance for officers (D&O insurance) under the provisions of Paragraph 1, Article 430-3 of the Companies Act with an insurance company.

The scope of the insured of the insurance contract is the directors (including members of the Audit and Supervisory Committee) and executive officers of the company, and the directors, corporate auditors and executive officers of its subsidiaries (hereafter, the "eligible officers"), and the insured does not bear the insurance premiums.

Under the insurance contract, the insurance company agrees to indemnify any damage that may arise when eligible officers, who are the insured persons, assume liability for the execution of their duties or receive a claim related to the pursuit of such liability. The contract is renewed each year.

The insurance contract states that insurance shall not be paid in cases where the company takes action pursuing liability for compensation of damages against eligible officers and stipulates provisions to the effect that the scope of damages to be compensated shall be limited, for the purpose of guaranteeing the appropriateness of the eligible officers' execution of duties.

(8) Matters to be Resolved at the Shareholders' Meeting that May be Resolved by the Board of Directors

- Purchase of treasury shares

The Articles of Incorporation of the company stipulate that the company may, by resolution of the Board of Directors, purchase treasury shares in the market pursuant to Paragraph 2, Article 165 of the Companies Act for flexible implementation of capital policy in response to changes in the operating environment.

- Interim dividend

To enable the flexible return of profits to shareholders, the company's Articles of Incorporation stipulate that the company may, by a resolution of the Board of Directors, pay dividends from surplus as interim dividends to shareholders or registered share pledges, with a record date of June 30 of each year.

- Exemption of Directors from Liability

The Articles of Incorporation of the company stipulate that the liability for damages of directors (including former Directors) may be exempted by a resolution of the Board of Directors to the extent permitted by laws and regulations, pursuant to Paragraph 1, Article 426 of the Companies Act, in order to allow the Directors to fully play their expected roles.

The handling of exemption by resolution of the Board of Directors from the liability specified in Paragraph 1, Article 423 of the Companies Act and agreements to limit liability for such damages already executed in relation to acts of Corporate Auditors (including former Corporate Auditors) prior to the conclusion of the 46th Ordinary General Meeting of Shareholders held on March 26, 2016 shall be in accordance with the provisions then in force.

(9) Number of Directors

The Articles of Incorporation of the company stipulate that the company shall have not more than ten (10) directors (excluding Audit and Supervisory Committee Members) and that it shall have not more than five (5) directors who are Audit and Supervisory Committee Members.

(10) Requirement for the Resolution for the Election of Directors

The Articles of Incorporation of the company stipulate that resolutions for the election of the directors shall be made by a majority of voting rights of the shareholders in attendance who hold one-third or more of the voting rights, and not through cumulative voting.

(11) Requirement for Special Resolutions of the General Meeting of Shareholders

The company's Articles of Incorporation stipulate that resolutions pursuant to Article 309, Paragraph 2 of the Companies Act shall be adopted by two thirds or more of the voting rights of shareholders present at a meeting where shareholders holding one third or more of the voting rights of shareholders who are entitled to exercise their voting rights are present.

The purpose of this measure is to facilitate the smooth operation of the General Meeting of Shareholders by relaxing the quorum for special resolutions at the General Meeting of Shareholders.

(iv) Status of Activities of the Board of Directors

The company held 13 meetings of the Board of Directors during the current fiscal year, and the attendance of individual directors is as follows.

Name	Number of meetings	Attendance
Takayuki Nakatani	13	13
Tatsuro Ono	13	13
Motoki Haruta	13	13
Nobuyuki Isagawa	13	13
Taeko Yamamoto	13	12
Tomomi Murakami	13	13
Masahiro Hyakumura	3	3
Nobuko Nakajima	10	10
Atsushi Nakao	13	13
Akihiro Kobayashi	13	13

(Notes) 1. Masahiro Hyakumura retired as director at the conclusion of the Ordinary General Meeting of Shareholders held on March 29, 2025. Attendance at the Board of Directors meetings held until his retirement is shown.

2. Nobuko Nakajima was elected as an outside director (Audit and Supervisory Committee Member) at the Ordinary General Meeting of Shareholders held on March 29, 2025. Attendance at the Board of Directors meetings held after her appointment is shown.

Specific matters discussed by the Board of Directors during the current fiscal year included business plans, matters related to general management policies, sustainability initiatives, and corporate governance systems.

(2) Shareholdings

(i) Standards and approach to the classification of investment shares

The company classifies its investment shares into the investment stocks held for the purpose of pure investment, or solely for making profits from changes in the value of the stocks or dividends related to the stocks, and those held for purposes other than pure investment.

(ii) Investment shares held for purposes other than pure investment

a. Policy for shareholding, method for examining the rationality of shareholding, and the examination of whether holding shares of individual stocks is appropriate or not

The company will hold shares if it is determined that the shares will contribute to the sustainable enhancement of corporate value and the holding is deemed to be strategically significant. The Board of Directors annually examines the appropriateness of holding these securities by scrutinizing the purpose and rationale for holding them from a medium- to long-term perspective. When reviewing the appropriateness of stockholdings, we consider the status of collaboration with the investee company, the impact on business, and the contribution of the transaction to our profits. As a result of this review, those stockholdings deemed to have limited strategic significance or economic rationale are sold, while taking into account the impact of disposal on the market and other considerations.

b. Number of stocks and total amount on the balance sheet

	Number of stocks (Stock name)	Total balance sheet amount (thousand yen)
Unlisted shares	2	696
Shares other than unlisted shares	3	507,602

(Stocks for which the number of shares increased for the current fiscal year)

	Number of stocks (Stock name)	Total acquisition cost for increase in number of shares (thousand yen)	Reason for increase in number of shares
Unlisted shares	-	-	-
Shares other than unlisted shares	-	-	-

(Stocks for which the number of shares decreased for the current fiscal year)

	Number of stocks (Stock name)	Total sale value related to decreases in shares (thousand yen)
Unlisted shares	-	-
Shares other than unlisted shares	-	-

c. Number and balance sheet amount of specified investment shares and deemed shareholdings for each stock held and other information

- Specified investment shares

Stock name	Current fiscal year	Previous fiscal year	Purpose, outline of business alliance, etc., quantitative effect of shareholding and reason for an increase in the number of shares	Shareholding by the company
	Number of shares (shares)	Number of shares (shares)		
	Carrying amount on the balance sheet (thousand yen)	Carrying amount on the balance sheet (thousand yen)		
Chuo Warehouse Co., Ltd.	193,300	193,300	Held for the purpose of maintaining and strengthening business relationships (storage of important documents, etc.)	Yes
	276,805	293,622		
Mitsubishi UFJ Financial Group, Inc.	58,110	58,110	The entity is a financial institution with which the Company conducts transactions; held for the purpose of facilitating fund procurement and maintaining and strengthening financial transactions.	No (Note 1)
	144,868	107,271		
Sumitomo Mitsui Financial Group, Inc.	17,046	17,046	The entity is a financial institution with which the Company conducts transactions; held for the purpose of facilitating fund procurement and maintaining and strengthening financial transactions.	No (Note 1)
	85,928	64,161		

(Notes) 1. The entity in which the company holds shares does not hold shares of the company; however, its subsidiary holds shares of the company.

2. Quantitative retention effects are not stated because they are difficult to describe, but the rationale for retention is verified by the method described in a. above.

- Deemed shareholdings

Not applicable

(iii) Investment shares held for the purpose of pure investment

Not applicable

(iv) Investment shares that were held for the purpose of pure investment during the fiscal year under review and that the purpose of holding them has changed to other than pure investment

Not applicable

(v) Investment shares whose purpose of holding was reclassified from other than pure investment to pure investment in the four fiscal years before the fiscal year under review and in the fiscal year under review

Not applicable