



CL HOLDINGS Inc.
<https://www.clholdings.co.jp/en>

Experience × Entertainment
Ex-Tainment

Printed in Japan

Integrated Report 2022

CL
HOLDINGS
- Creating Lives -

Management Philosophy

At CL GROUP, we pursue the material and intellectual growth of all our employees and will continue to contribute to the advancement of society through sound business activities.

For the CL Group, our most valuable assets are our people. Our business is people, and it is our people who have supported the growth of the Group. Continuing to produce many talented employees makes it possible to create not only valuable businesses but also a valuable company. This leads to a better society. Everything begins with developing our people. That is the starting point for our philosophy.

That is precisely why we pursue “the material and intellectual growth of all our employees.” It is because all employees are able to develop their humanity and skills through their daily work and achieve material happiness (economic stability and affluence) and mental happiness (psychological richness as a person—that is, a reason for living and fulfillment), that we are able to provide products and services that delight our customers. We are able to promote sound business activities.

We believe that by doing this, we will generate innovation and find solutions to social problems, which will make the daily lives of all related people happier, even if only slightly, and that we can continue to bring a smile to the faces of even more people and create greater pleasure.

Group Policy

We have gathered several strengths into one strong group.

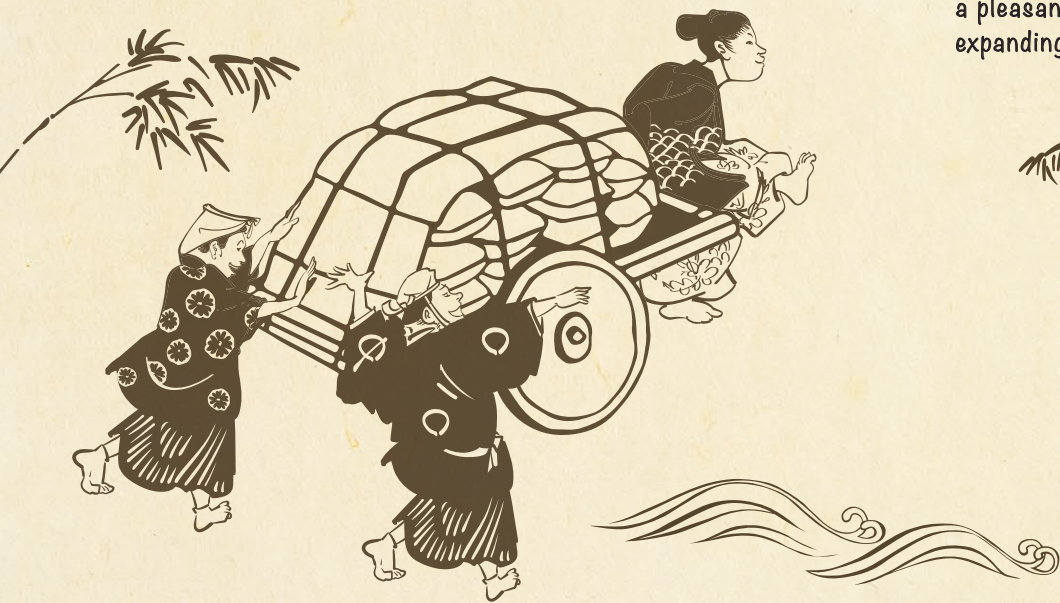
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Our Growth

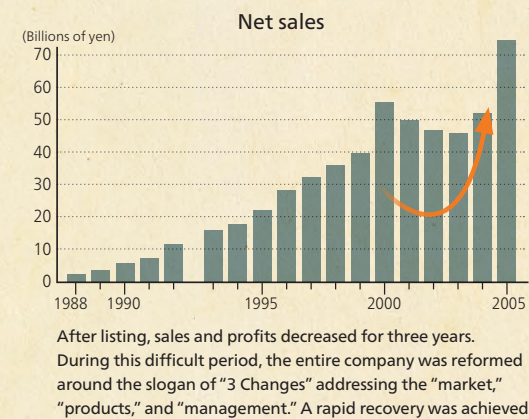
Journey of CL Holdings

The path we have walked,
recorded as it was.

Three people rented an apartment in Harajuku (Tokyo) in 1986 and started the business, then, Uchikawa solely established LEGS COMPANY, LTD. in 1988. It was an old building with a tiny bathroom. Although their talents were fairly average, the founders' energy made them stand out.



In 1997, the staff had quickly reached 50 employees. Net sales were over **3 billion yen**, a pleasant surprise, with expanding business as well.



Sales/profits increase for
13 consecutive years!

A JASDAQ listing came in 2001. It was like a dream to be a publicly traded company. The founders' sentiments were, "Even if we aren't great geniuses, we have conviction. We got this far by working harder than the rest."

V-shaped recovery here



Weathering historic trouble (1)
The year it happened: 2006.
Trouble with an IP* content collaborative product

A certain number of products were found to have strength defects. All products were recalled, booking a one-time loss. It provided an opportunity to shift away from operations centered on individual duties. Part of this transition included acquiring ISO 9001 (quality management) certification.

* IP: intellectual property



Progress in
organizational
capability

Efforts to tackle
the overseas
market started
in 2008.



2012
Established LEGS (SHENZHEN) TRADING COMPANY, LTD. in Shenzhen, China

2009
Acquired shares of M&I Co., Ltd. and made it a subsidiary

2011
Established LEGS (SHANGHAI) ADVERTISING COMPANY, LTD. in Shanghai, China

2004
ISO 14001 (environmental) certification acquired

2005
Invested in MEDIAFLAG Inc. a marketing support business for stores

2006
Privacy Mark acquired

2001 ◀... Three Difficult Years ...▶ 2004
Public listing on JASDAQ
5 important points discovered before public listing

(1) Principles are everything
(2) Work harder than others
(3) Make patterns

(4) Value your way of thinking
(5) Figures are important

1996
Green Building 3F, 1996-98 / 50 employees / Sales of 3 billion yen

1991
Established SIP Company, Ltd. in Tokyo as a subsidiary for marketing planning and design. SIP was founded with three people in Nakamura SN2 (a two-story house with rent of 500,000 yen).

1988
LEGS COMPANY, LTD. was established in Tokyo for the purposes of product planning, development, manufacturing, and sales. LEGS was founded in a modest building, room 201, with rent of only 168,000 yen.

1986
Without any specific techniques, work is completed with the spirit of "Do it. Can do it. Try."



Going forward, we aim
for 100 billion yen!

Achieved
30 billion yen
in consolidated
revenue in 2022.

In 2021, established LTR.inc to further expand the theme cafe business

CDG Co., Ltd. became an equity-method affiliate through a tender offer in 2020.

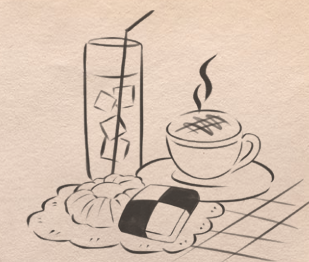
In 2022, transitioned to a holding company structure

Established elCOCO.inc to enter the prize business in Japan and expand into the overseas IP content market



Weathering historic trouble (2)
The years it happened: 2016-2017.
An issue with theme cafe inventory

Soon after launching the theme cafe business, issues occurred with inventory shortages and surpluses. We adopted a reservation system and strove to continually improve operations, which gradually optimized inventory and led to increased sales and a better profit margin.



Strengthening our
consumer business
foundation

Listed on the first section
of the Tokyo Stock
Exchange in 2015.



February 2015
Listed on the second section of the Tokyo Stock Exchange

June 2015
Listed on the first section of the Tokyo Stock Exchange

2020
CDG Co., Ltd. became an equity-method affiliate through a tender offer

2021
Established LTR.inc, a joint venture with Transit General Office Inc.

January 2022
CDG Co., Ltd. became a consolidated subsidiary by adoption of International Financial Reporting Standards (IFRS).

LEGS COMPANY, LTD. changed its corporate name to CL Holdings Inc. and shifted to a holding company structure.

April 2022
Transited to Prime Market in Tokyo Stock Exchange

August 2022
Established elCOCO.inc, a joint venture with Design COCO Ltd.



We will continue to grow based on our philosophy-based management and aim to become a visionary company.

President & CEO

Looking Back on One Year Since our Transition to a Holding Company Structure

The CL Group transitioned to a holding company structure in January 2022, with CL Holdings Inc. as the parent company overseeing operating companies such as LEGS COMPANY, LTD. and CDG Co., Ltd. The reason behind this transition was twofold. First, the new management structure addresses our industry's structure geared toward domestic demand and second it will enable us to create new businesses and foster the next generation of management by building a system where frontline employees can make decisions quickly in response to intense changes in the external environment, such as future reorganization of the industry, for example.

Furthermore, we established a management philosophy for the Group and formulated the CL Philosophy as a guideline covering specific actions. This process was a team effort involving officers of both LEGS and CDG, along with around 20 employees including senior staff, middle management and young employees. Going

forward, we will seek to further penetrate our management philosophy based around this CL Philosophy.

Philosophy-based Management and the CL Philosophy

The CL Group advocates philosophy-based management. I first found out about this form of management when I read a book by Konosuke Matsushita to learn about management from scratch around the time we established LEGS COMPANY, LTD., the predecessor of CL Holdings. The book discussed the importance of management philosophy in corporate management, and, with this as a starting point, I have been very conscious of the importance of management philosophy in my own approach.

Philosophy-based management means to manage the company based on a clear understanding of the company's purpose. In today's terms, I think it is close to purpose-based management. Since we were not an independent company with a unique technology, it was important to realize firsthand that our management

philosophy has the power to bring people together. After all, we have a strength of being a group that can get the most out of the collective power of our people, and I felt this strength even more as we have overcome various challenges.

I often say, "align mental vectors." Even with five or ten people, when individuals combine their power, they bring together their own power to form a strong collective energy. I started with very little understanding of management, but thanks to everyone's efforts, sales increased steadily even though we did not employ many specialists. We have managed to overcome various challenges and listed our shares on the First Section of the Tokyo Stock Exchange (transitioned to the Prime Market in April 2022). In this sense, I find that Drucker's statement that "culture eats strategy for breakfast" holds true.

The CL Group's management philosophy is to "pursue the material and intellectual growth of all our employees," and, thus, our first step is to realize the physical and mental wellbeing of our people. A business starts with the goal of being able to sustain itself, but once this is achieved, it starts to look beyond its own self-interests to its people. Today, ESG management,

including employee engagement, is becoming more important, and since the early days of LEGS, our management objective has been to align individual and company goals. This does not involve forcing individuals to conform to company targets, but rather it places individuals first. Aligning individual and company goals is also an important concept of our customer-first approach. This may seem contradictory at first glance, but it shows that we as a company value employees, who are valuable assets, and want them to value customers, who are employees' valuable assets.

This year marks our 35th anniversary since our founding, but I believe that we still have some way to go in penetrating our management philosophy among Group employees. Until last year, I led talks on our philosophy, but from this year, we aim to provide philosophy training at three levels. Essentially, we will have the people taking part in my presentations share what they learned with their team members, so that everyone in the company can talk about our management philosophy. In doing so, I believe that in the end, even if I am no longer President & CEO, our philosophy and words will remain, and the mechanism for preserving them will remain, which will lead to the succession plan.

Initiatives to Achieve the Group Mid-term Strategy

The founders of LEGS and CDG share common values as they both studied at Seiwajyuku*1. In 2022, we made progress with integrating the cultures of the two companies, but there are still areas where each company has its own way of thinking. We will now fully advance initiatives for “coordinating and strengthening business functions” as set forth in the Group Mid-term Strategy. “Coordinating business functions” refers to creating synergies between LEGS and CDG in areas such as planning, production, and IP content procurement. The basis of the Group Mid-term Strategy is to mutually link, coordinate, and streamline the functions and organizations of LEGS and CDG.

In addition, both companies engage in promotion, while entertainment and distribution are areas of expertise, but the “Ex-Tainment (customer experience value in entertainment)” strategy aims to further guide us into these areas. Our strength in entertainment and distribution is a unique feature of the CL Group, and we have earned the trust of our customers by continuously strengthening our presence in these areas. We would like to further enhance this competitive edge by maximizing the point of contact with consumers in terms of distribution and providing products and services that utilize entertainment on that platform to a wide range of consumers.

Traditionally, we have mainly provided contract services such as promotions, but in the future, we hope to increase the ratio of prospective services that handle product sales to further clarify our strengths in the areas of entertainment and distribution. Additionally, the domestic market for promotional services is expected to shrink due to changing demographics, and competition is expected to intensify as a result. As an extension of our promotional services, we are also developing BPO*2 services, which are recurring promotional services.

The frontline represents the main actor of the Ex-Tainment strategy. Looking ahead, we would like to create an empowerment*3 type organization that enables speedier decisions in front-end operations than ever before and enables employees to think and act on their own. To that end, I would like to make management as transparent as possible and visualize the company’s information for employees. That way, employees do not have to wait for instructions from top management, but rather use that information to think for themselves. New forms of entertainment, such as e-sports and the metaverse, are being created in quick succession in Japan and overseas. I would like to create business by heightening our frontline employees’ sensitivities so that they can use various information to

think and act on their own because they find their work interesting. As a result, I would like to combine the bottom-up flow with the top-down flow to create a vortex of sorts. My role is to foster an environment and system that makes it easier to create this vortex.

*1: A private school run by Kazuo Inamori, the founder of Kyocera Corporation, that teaches managers about the philosophy of management.
*2: An abbreviation for business process outsourcing, in which an enterprise outsources its business processes to an outside specialist.
*3: To enable each member of the organization to demonstrate their innate abilities and act autonomously through their own decision-making.

Focusing on Human Capital Investment to Achieve Our Long-Term Policy

In order to reach sales revenue of 100 billion yen, our long-term policy aim, and to achieve sustainable growth, we require a pool of human resources. Therefore, we have set “human resource development and management human resource creation” as another long-term policy aim and we are now promoting investment in human capital. This year, we plan to finally put into operation the Junior Board System, which we have been studying in cooperation with outside directors. In addition, management continues to receive executive coaching, and there is a possibility that new business seeds can be found through these efforts. Moreover, we are reducing the hierarchy of the organization and promoting delegation of authority. For example, this includes allowing general managers to place large value orders, thereby increasing the discretionary power of frontline operations. Organizational transformation will take several years, but now that we are ready to start, we intend to put them into practice this year.

Empowerment-based organizations require the courage to respect frontline employees’ decisions. This year, I handed over the position of President & CEO of LEGS to Director Satoshi Yamashita, who has been with the company for 21 years. CL Holdings executive officers already serve as representative directors of operating companies CDG, LTR, and eCOCO and we would like to make these operating companies a place where management is nurtured and entrusted. We are at a really big turning point.

Strengthening Governance

The essence of sincerity, courage, and effort contained in the CL Philosophy is very basic. Nevertheless, they also lead to individual integrity, and enhancing this will



also lead to stronger governance. Even if we make many rules, they will not be effective unless everyone is motivated to follow them. Having correctness and integrity as a human being goes beyond the rules, and being a high integrity organization means a well-governed organization and corporate culture. The hoodie that I am wearing now also began when the leader of the Culture Promotion Office, which promotes the spread of our philosophy, voluntarily made a T-shirt. Many employees bought it and it soon spread, so I, too, decided to ride the wave. It was comfortable to wear and I liked it so much that I wear it both at work and at home. I believe that fostering corporate culture can also be achieved from such casual steps.

Value Provided to Society by the CL Group

Ex-Tainment is a combination of experience and entertainment. In a world where online shopping has become commonplace, adding the added value of “fun” to the daily experience of shopping moves consumers to buys things. This will lead to the vitalization of retail stores nationwide and will also contribute to society. Under such circumstances, if we were to create value through the business itself, in our case, it would be to deliver fun and joy to the world by providing Ex-Tainment (customer experience value in entertainment), and I believe that this is the major role that the Group plays for society.

For example, the theme cafe service provided by LTR brings entertainment value to the food and beverage business. We would like to create more new business

formats centered on such entertainment. However, there is a risk that the domestic market will shrink, so we will actively aim to expand overseas.

Message to Stakeholders

Aiming for long-term management, we have been solidifying our foothold over the past two years to lay the groundwork for the future. I believe that there were times when we caused concern to our stakeholders.

The CL Group will continue to maintain its consolidated dividend payout ratio while increasing its market capitalization and achieving sustainable growth. To this end, we aim to become a visionary company* by instilling our management philosophy and CL Philosophy among our employees through training and other means, and by creating managers and developing human resources through ample investment in human capital.

I ask for the continued understanding and support of our stakeholders as we move forward.

* A company that has a vision to embrace change, while maintaining its fundamental philosophy, and that constantly evolves across generations as described in Visionary Company authored by James C. Collins and Jerry I. Porras.

April 2023

Junichiro Uchikawa
President & CEO

Risks, Opportunities, and Material Issues

From the perspective of social changes, we analyzed the external environment surrounding CL Group and identified material issues that have a high degree of importance for stakeholders and will affect the Group's medium- to long-term value creation, by evaluating both risks and opportunities. We will continue to aim for the sustainable development and growth of our group through our efforts to address material issues.

Social Changes	Issues	Risks	Opportunities	Material Issues		CL Group Initiatives	Outcome of the initiatives
1. Changes in consumer behavior in the wake of the global outbreak of COVID-19	Developing products and services that respond to changes in consumer lifestyles and behavior patterns, as well as clients' sales promotion needs	Decrease in opportunities to use the Group's products and services due to delays in responding to changing social needs	Creating new revenue models through development of new products and services demanded by consumers	Economic Value	Creating continuous innovation in response to changing consumer needs	<ul style="list-style-type: none">Creating synergies within the GroupDeveloping and deepening domestic and overseas platforms¹, both real and digitalDeveloping theme cafes combining food, beverage, and product salesEnhancing services that combine sales promotion and product sales, and developing in-house productsDeveloping stock-based promotion services (BPO)Developing digitally-enabled products and services, including EC and NFT²Increasing the number of licenses held and developing content business as a licensorStrengthening IP content procurement capabilities	<div>Sales revenue in distribution platform (17.3 billion yen)</div> <div>Sales revenue from IP content (16.7 billion yen)</div> <div>Sales revenue from digitally-enabled sales (6.5 billion yen)</div>
2. Low birthrate and aging society / declining Japanese population / growing global population	<ul style="list-style-type: none">Expanding the Group's overseas businessResponding to the risk of contraction of the advertising and sales promotion market in Japan	Decrease in sales promotion/ customer attraction opportunities and decrease in product sales in Japan	Creating revenue-generating models in new markets, both inside and outside Japan		Responding to the risk of the advertising and sales promotion market in Japan shrinking		
					Developing business utilizing digital technology		
3. Transition to a digital society	<ul style="list-style-type: none">Developing products and services utilizing digital technologyDigitalizing business processesEnhancing cybersecuritySecuring and developing human resources competent in digital technologies	<ul style="list-style-type: none">Reduction of competitiveness of products and servicesIncrease in SG&A and other costs due to lower productivityInformation leakage and damages caused by security failures	<ul style="list-style-type: none">Creating new revenue models through the development of new products and services using digital technologyImproving productivity through digitization of business processesStable business continuity	Social and Environmental Value	Reinforcing and sophisticating internal infrastructure using digital technology	<ul style="list-style-type: none">Digitalizing workflows and using data warehousingMonitoring security	Number of business efficiencies achieved through the use of digital technology (15)
					Developing sustainable business	<ul style="list-style-type: none">Reducing inventory disposal by using IP content analysis and a sales forecasting systemUsing promotions and IP content to address the SDGsDeveloping services that use environmentally friendly and recycled materials	Percentage of inventory disposed of vs product sales (6.3%)
4. Growing awareness of sustainability	<ul style="list-style-type: none">Developing products and services with low environmental impactsPromoting CSR procurement	<ul style="list-style-type: none">Loss of business opportunities and increased costs due to the continued provision of environmentally detrimental products and servicesLoss of business opportunities due to decreased social credibility	<ul style="list-style-type: none">Creating business opportunities by gaining social credibilityReducing costs through energy efficiency and waste reductionAchieving a stable supply of products to the market		Ongoing recruitment and development of human resources	<ul style="list-style-type: none">Diversifying hiring categories and approachesCreating a system that can accommodate diverse work stylesCreating a system in line with diversityImproving our employee engagement index³	Three-year retention rate for new graduates (85%)
					Nurturing management personnel	<ul style="list-style-type: none">Creating infrastructure able to develop human resources from a long-term perspectiveIntroducing a junior board system	
5. Diversification of work styles	<ul style="list-style-type: none">Acquiring human resources that match the Group's management styleCreating a pleasant and rewarding work environment	<ul style="list-style-type: none">Delays in nurturing management personnelLoss of business opportunities due to failure to acquire human resources, or due to outflow thereof	<ul style="list-style-type: none">Continuously producing management personnelStrengthening competitiveness in recruiting human resources by creating a pleasant and rewarding work environment				
6. Government-led corporate governance reforms	Ensuring soundness and transparency of management	Unforeseen losses due to governance failures	Increasing corporate value through improved management efficiency	Governance	Strengthening corporate governance	<ul style="list-style-type: none">Strengthening management, business, and risk control systems for the Group globallyEstablishing a Compliance and Governance CommitteeUsing e-learning for compliance education	Compliance with revised Corporate Governance Code (4 principles ⁴ not yet complied with)

1: A network of stores that a client, such as a distributor, operates in Japan or internationally; a network of consumer contact points.
2: A non-fungible token issued using blockchain technology, which is a mechanism to prove the uniqueness and possession of a digital item.
3: A single engagement analysis tool will be introduced for the Group in FY2023, and scores calculated.
4: As of the end of March 2023.

Process of Value Creation

Based on our management philosophy and CL philosophy, and with our human skills (philosophy-based management) and management system (Management Manual) as the foundation, the Group develops its services with our four strengths as the source of value: IP content procurement and development capabilities, platform deployment capabilities, premium quality products and services, and digital technology utilization capabilities.

Through the development of the Ex-Tainment (experience + entertainment) market, we will transform everyday life into an emotional experience and deliver fun and joy to the world, thereby achieving sustainable enhancement of corporate value.



The Future of the CL Group & IP Content Business

Satoshi Yamashita × Atsuo Nakayama × Jotaro Tani

Director, CL Holdings Inc.
President & CEO, LEGS COMPANY, LTD.

Entertainment Sociologist
Founder & CEO, Re entertainment

Executive Officer, CL Holdings Inc.
President & Representative Director, LTR.inc



Satoshi Yamashita
Director, CL Holdings Inc.
President & CEO, LEGS COMPANY, LTD.

Atsuo Nakayama
Entertainment Sociologist
Founder & CEO, Re entertainment

Jotaro Tani
Executive Officer, CL Holdings Inc.
President & Representative Director, LTR.inc

Content business potential and the impact of fan diversification

Nakayama The global market for Japanese animation expanded dramatically from around 2014-2015 thanks to video distribution services. The domestic and international markets have been almost evenly matched in recent years, with a combined market size of 2.7 trillion yen. Manga are also doing well in the U.S., with a scale of 100 billion yen, and this is also due to the fact that people who watch anime through video distribution are now reading manga as well. This is largely due to the ease of experiencing visual images. A woman I recently interviewed who has been writing anime for 30 years told me that it was around 2007-2009 that women began to get involved in anime and interactive content increased. Until then, production was almost exclusively middle-aged and older men, but once the anime market became saturated and DVDs stopped selling, producers began to focus on female audiences. It was around the same time that the number of female anime fans began to increase, thanks to the power of the Internet and SNS.

Tani I'm involved in the theme cafe business at LTR, a subsidiary of CL Holdings, and although I think this is partly due to the nature of the cafe business, the majority of our customers are women.

Nakayama The audience for 2.5-dimensional stage performances based on anime and manga is also 80-90% female, and I think it is fair to say that the content is almost exclusively for women.

Yamashita The employment rate of women has been steadily rising since around 2003, and since that time companies have been conscious of the female perspective when using characters in sales promotions. As tastes and preferences became more diverse and complex, it was becoming more difficult to reach them with a single type of content, even with commercials using well-known celebrities. On the other hand, with the development of the telecommunications environment and hardware, such as cell phones, companies began to have websites, allowing companies and consumers to communicate interactively, and with the advent of SNS, opportunities for consumers to communicate interactively with each other have exploded. It was women who made the spread and active use of interactive communication happen at the same time. This continues to be the case today, and I think there are many cases where our business is focused on women.

Nakayama Men tend to do things on their own, whether it's dining or purchasing goods, but women tend to aim for communication through sharing. In Japan, CL Group has led the IP content business in the promotion field, and I strongly feel that women have ensured this interactive nature.

Future prospects for the Ex-Tainment business

Yamashita We believe that the service we provide is to enrich people's daily lives for a short time. We are also involved in businesses that do not use IP, but the difference in promotional effect is obvious. In a homogenized world, where everything tastes good and the quality of service is high, people have become interested in how to enjoy their daily lives, and their desire has become the pursuit of self-actualization and individuality. We feel that anime and manga are two of the necessary elements in this pursuit. In Japan, the consumers of this content are getting older every year, and we are deploying our business by targeting a wide range of consumers. When we look at the consumers targeted, we find that Generation Y and the parents of Gen Z also are interested in this content. We strongly feel that they are having more opportunities to come into contact with the content later in life. Millennials and Gen Z already account for 40% of the world's population. Considering that the

first device to come into contact with content is the smartphone, and that more and more generations are coming into contact with content through video, there is great potential for Japanese content that cannot be expressed in numbers.

Tani The way we enjoy things is changing from a one-to-one act of watching images or playing games to being interactive, of sharing experiences and experiencing things with others. The primary factor in this is undoubtedly smartphones. Each person owns a device and transmitting information via SNS has become a daily routine, and experiences with friends in front of you are shared in real time in the digital space, and others who see the experience will want to go there too. Our theme cafes offer food and drink, space, and goods, which is very similar to a theme park, but in terms of ease of visit and per-visit spending, we see theme cafes as extraordinary experiences that are more accessible. Although the number of people who have experienced these cafes is still much smaller than those who have experienced a theme park and it is a niche market, we believe that there is a great deal of room for future expansion and that there is ample potential to make it a part of Japan's culture that can be presented to the world.

Nakayama Talking about the future of Ex-Tainment from a historical perspective, sightseeing trips did not become a common pastime until the Englishman Thomas Cook established a travel business in the mid-19th century. The reason is that even if you go far away and see and eat a lot of things, if you are not involved in anything and just receive them, you do not have accumulate experiences and cannot find enjoyment in them. However, with the invention of the camera, it became possible to preserve the trip in a tangible form by taking pictures, a sort of hunting act, and sharing the pictures with others after returning from a trip became an established "format." Similarly, if the experience of going to a theme cafe after a play or movie and taking and sharing photos can be packaged as a template, people will find it enjoyable, and the potential for the Ex-Tainment market will become enormous.

Toward the further evolution of the Ex-Tainment business

Yamashita One of the challenges is the need to increase the speed of copyright licensing from companies that own content and to procure content more quickly. On the other hand, when negotiating copyright licensing overseas, it is difficult to proceed unless there is someone on the other side who understands Japanese sensibilities. There are also legal barriers, and we are currently putting a great deal of effort into handling each case, especially with regard to trademarks and other intellectual property, so we would like to have government support. Also, South Asia, including India, and South America are becoming promising markets, but we also believe that we should not be in the position of just reaping the rewards in the content business. In order to keep the background of Japanese creators alive, we are considering supporting the creative scene and marketing the works so that they will have a long life.

Tani As I mentioned earlier, there is tremendous room for expansion of the domestic market for theme cafes. We believe that we can expect to reach several million, or even 10 million people, up from the current 1 million. At 5,000 yen per person, the market would be worth 50 billion yen.

Yamashita Considering that Tokyo Disney Resort alone attracts approximately 30 million visitors annually, if we calculate that one-tenth of those come 10 times, we can expect 100 million visitors in the Japanese market alone. We believe it is quite possible to achieve 100-200 billion yen globally. To achieve this goal, we are forming partnerships to further accelerate our overseas expansion.

Nakayama Japan still has a low level of content literacy, and many companies are not up to date on trends, but I think CL Group has changed that. The current wave of animation and characters is several times larger than the big waves we have seen in the past, and what is unique is that the wave is coming from overseas. However, what used to be sold by just putting products on the market, now requires facing the user and taking the time and effort to customize and create each product, even small ones.

Yamashita It is difficult to give specific figures to show the future potential of the market, but I would like to convey the attractiveness and opportunities of the Ex-Tainment business market itself in an easy-to-understand way.

Satoshi Yamashita



Director of CL Holdings, Inc., and President & CEO of LEGS COMPANY, LTD. Joined LEGS in 2002, he has been engaged in hands-on sales-related work in our Group for many years and has

abundant experience and knowledge on the frontlines of business. He has extensive knowledge not only of the sales promotion industry, but also of the distribution industry and licensing business, and has contributed to the development of new business models, such as PMD services*.

* PMD service: Promotion & Merchandising service. A service that combines sales promotion and merchandise sales.

Atsuo Nakayama



Entertainment sociologist, Founder & CEO of Re entertainment. Graduated from the University of Tokyo and the University of Tokyo Graduate School (Sociology). After working for Recruit Staffing, DeNA, Deloitte Tohmatsu Consulting, and Bandai Namco Studio, he was stationed in Singapore as President of Bushiroad International Pte. Ltd. from 2016, where he was responsible for overseas development of Japanese card games, anime, games, and professional wrestling. In July 2021, he founded Re entertainment, which pursues the creation and reproduction of the entertainment economic zone. He also serves as a chief researcher for the Content IP Study Group of the Ministry of Economy, Trade and Industry, a visiting researcher for the Faculty of Economics at Keio University, and a visiting researcher for the Ritsumeikan Center for Game Studies. He is the author of "The Stan Economy (Oshi Economy)" and "Genesis of the Otaku Ecosystem" (Nikkei BP), among others.

tioned in Singapore as President of Bushiroad International Pte. Ltd. from 2016, where he was responsible for overseas development of Japanese card games, anime, games, and professional wrestling. In July 2021, he founded Re entertainment, which pursues the creation and reproduction of the entertainment economic zone. He also serves as a chief researcher for the Content IP Study Group of the Ministry of Economy, Trade and Industry, a visiting researcher for the Faculty of Economics at Keio University, and a visiting researcher for the Ritsumeikan Center for Game Studies. He is the author of "The Stan Economy (Oshi Economy)" and "Genesis of the Otaku Ecosystem" (Nikkei BP), among others.

Jotaro Tani



Executive Officer, of CL Holdings, Inc. and Representative Director, President, LTR.inc He joined LEGS in 1998. After working overseas (Shanghai and Singapore), he returned to Japan and became involved in the licensing business of Japanese anime works and characters, and became responsible for the food entertainment business. In 2021, he formed a joint venture with TRANSIT GENERAL OFFICE INC., with whom he had an alliance in recipe development, etc., and was appointed as the representative director when LTR was established.

The Future Created by the Ex-Tainment Business

(1) What is the Ex-Tainment?

The term was coined by combining the words “experience” and “entertainment,” referring to the experiential value felt by consumers when consuming entertainment. In addition, in terms of positioning, the

Ex-Tainment market includes potential areas across other markets, such as the markets for advertising and sales promotion, the product sales market, and the entertainment content market.

(2) Ex-Tainment market potential

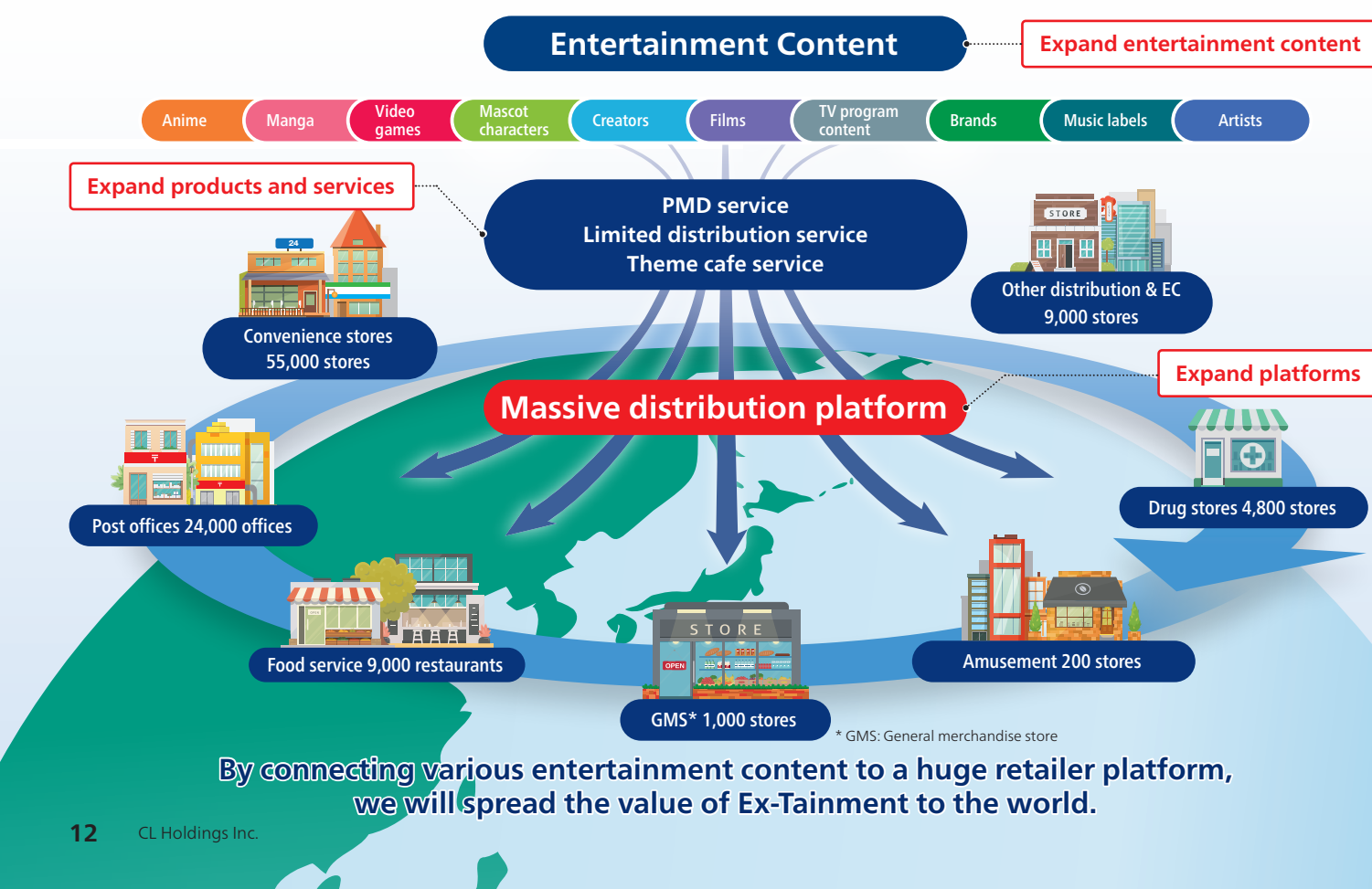
Consumer behavior has become polarized. One pole is from the demand for “rational shopping,” which is the desire to make purchases quickly and easily. The other pole is from the demand for the experimental value of fun when shopping. With the advancement of digitalization, e-commerce’s absorption of demand for quick shopping is expected to accelerate even further. On the other hand, the demand for so-called “fun shopping,” or the desire for intangible goods consumption and experiential value, is also steadily increasing.

Currently, new content is being created one after another by copyright holders. In addition, with the increase in opportunities to access content due to advances in streaming technology and other factors, content fans are looking for contact points for those contents. However, the commercialization of creating contact points that provide consumers with an enjoyable shopping experience using entertainment content is still in its infancy, and this leaves a large gap that makes the potential market very considerable.

(3) Expanding from Japan to the world

CL Group is approaching this potential market with three services: promotion merchandising service (PMD service), the Group’s core original service; limited distribution service; and theme cafe service and is making strides in unlocking and fostering the Ex-Tainment market. Japan is an advanced country in terms of

entertainment shopping and, we are a company that excels at making an entertaining shopping experience. We will continue to pioneer the future in the Ex-Tainment business and provide fun shopping to consumers and fans not only in Japan, but around the world.



Growth Strategy

CL Group sees the Ex-Tainment market as the market with the greatest opportunities in the medium to long term, not only in Japan but also overseas. In order to expand the Ex-Tainment market, we will leverage the strengths of each Group company, accelerate the creation of synergy, and further coordinate and strengthen functions. We will then expand the Ex-Tainment market by multiplying these three expansions: expansion of platforms, expansion of products and services, and expansion of entertainment content.

Conceptualization of CL Group Medium-term Strategy and Business Portfolio

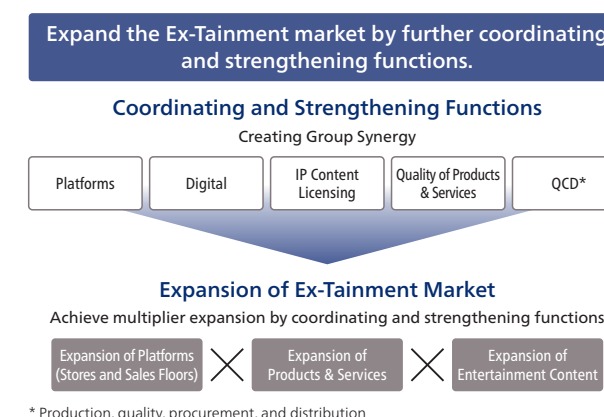
The Group’s medium-term strategy for achieving Group growth is to “expand the Ex-Tainment market by further coordinating and strengthening functions.”

In order to promote the expansion of the Ex-Tainment market, we need to hone the Group’s strengths, and to this end, we must push forward with the coordination and strengthening of functions, especially those of our two main operating subsidiaries, LEGS and CDG. Coordinating and strengthening functions will accelerate

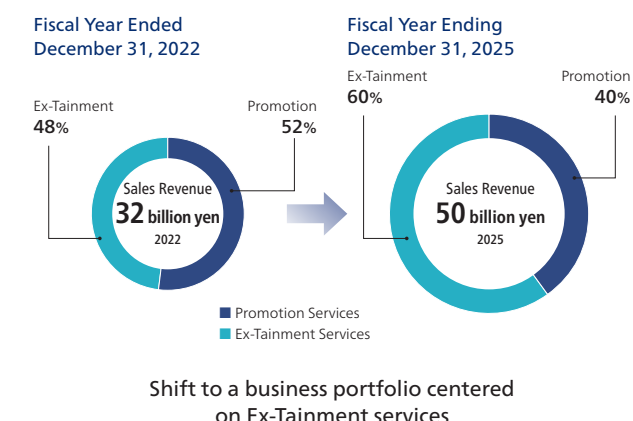
the expansion of the three basic strategies of the Ex-Tainment business: platforms, products & services, and entertainment content, and the multiplication of these three will expand the Ex-Tainment market exponentially. This is the CL Group’s mid-term strategy.

By promoting the Group’s medium-term strategy, we envision a shift in our business portfolio to one centered on Ex-Tainment services by the fiscal year ending December 31, 2025.

CL Group’s Medium-term Strategy



Graph of Group Business Portfolio

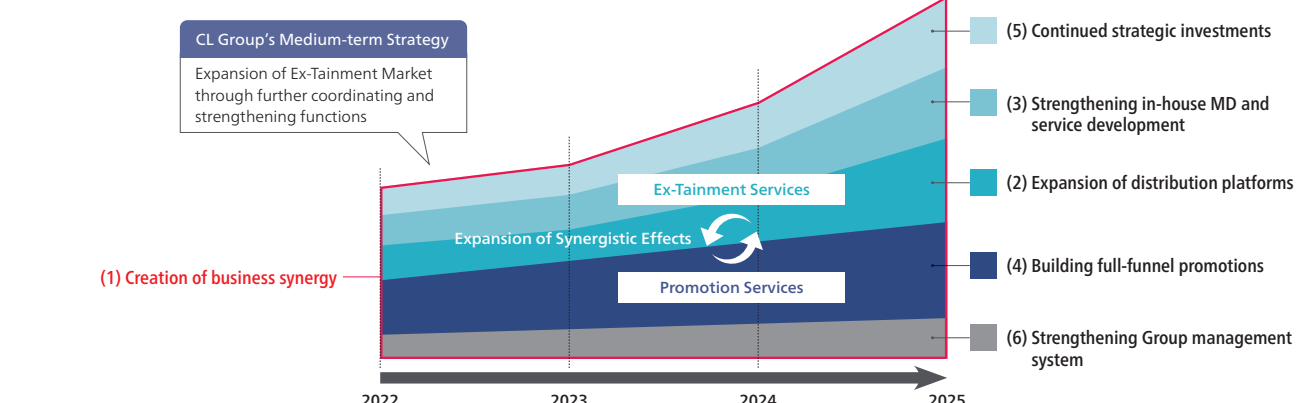


Conceptualization of Group Growth and Key Points in the Execution of Medium-term Strategy

CL Group has identified six key points in the execution of its medium-term strategy on which it places particular focus. The Group’s current services are mainly divided into two major categories, and we envision that

the focus point of one major service will have a ripple effect on the other (Ex-Tainment services will have a ripple effect on promotion services), and that the entire Group will grow through these synergistic effects.

Conceptualization of CL Group Growth



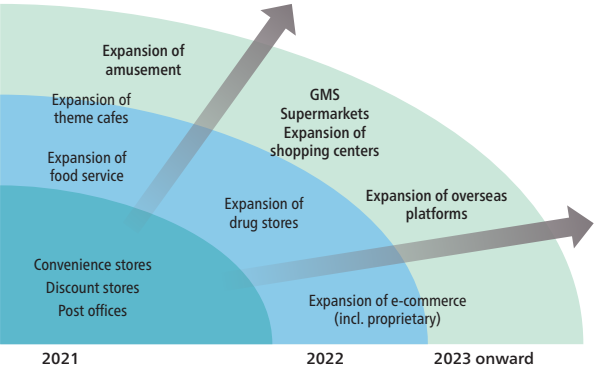
Key Points

1. Creation of Business Synergy

The creation of business synergy within the Group is the basis for each of the key point initiatives. The areas of particular priority were identified as Platform, Digital and IP Content Licensing, each of which was turned into a project. Members from various Group companies are participating to accelerate cooperative efforts.

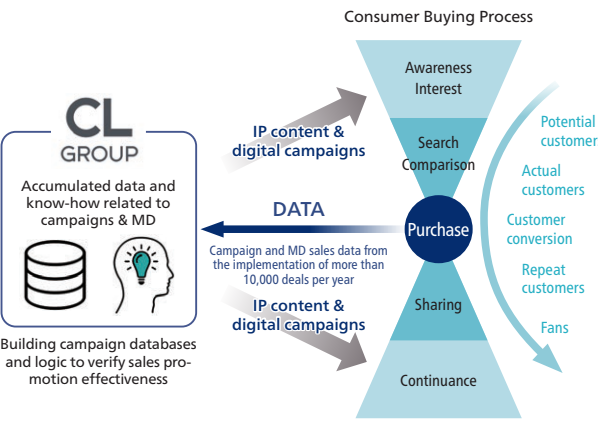
2. Expansion of Distribution Platforms

In addition to making steady progress in deepening our presence in convenience stores and developing drugstores, we are expanding our platform in both the real and digital worlds, including the development of our proprietary mall-based e-commerce site, AniBOX. There is still much room for expansion, for instance in GMS, amusement, and overseas markets, and we will continue to spread out our platforms.



4. Building Full-funnel Promotions

Leveraging the volume of campaign & MD traffic, which are CL Group's strengths, we will build a full funnel of promotional services, starting with in-store sales promotions, and centered on IP content and digital campaigns.

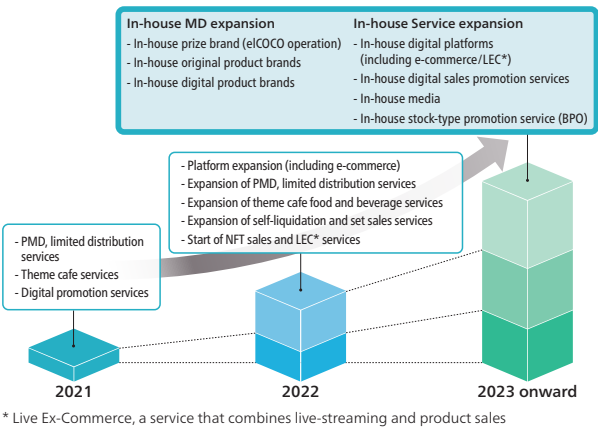


6. Strengthening Group management system

With the transition to a holding company structure and CDG becoming a consolidated subsidiary, we are working to further strengthen the Group management structure, mainly in the areas of human resources and management. Through this project, we will promote the liquidation and commonization of Group assets to strengthen Group governance and improve management efficiency.

3. Strengthening of In-house MD and Service Development

We also continue to seed the development of new products and services, with PMD services, limited distribution services, and theme cafe services as our core original services. From these, new products and services based on IP content, such as our own plush toy brand "Mochidoru" and original digital products (NFTs), are steadily beginning to sprout.



5. Continued Strategic Investments

We have established an investment policy and continue to make strategic investments in two major types: business and functional. The policy for business-type companies is to aim for high sales through large-scale investments, while the policy for functional companies is to make diversified investments in a cooperative manner that minimizes risk. In 2022, we established the joint venture eCOCO as a business-type investment, subscribed to convertible bonds of SmartShare, Inc. and entered into a capital and business alliance with Hogetic Lab as functional investments.

	Policy	Areas	Achievements
Business	Make large-scale investments to get higher sales by taking on more risk.	i. Platform area (expansion of consumer contact points) ii. Products & services area (products & services expansion)	Establishment of Joint Ventures eCOCO LTR
Functional	Spread the seeds of opportunity while reducing risk through small and diversified investments	iii. IP content licensing area (IP content expansion) iv. Digital area (CX/EX expansion) v. QCD area (production, quality, procurement, distribution expansion)	Investment in anime production committees and small investments Total of 10 productions including Back Arrow, Ikebukuro West Gate Park, and others Teku Teku Life Capital and business alliances Underwriting convertible bonds with stock acquisition rights Hogetic Lab SmartShare Inc.

Case study: Examples of Group medium-term strategy progress

Case 1: Distribution platform expansion

Developing the drugstore industry

In 2022, we made progress in expanding our distribution platform, particularly with major drugstores. We held a first-come, first-serve offer of limited-edition goods from popular anime series when purchasing eligible products at stores, a nationwide campaign for official app members only, in which customers can enter a drawing to win prizes by taking a quiz, and other such campaigns across Japan. At the same time, we sold limited-edition merchandise, which contributed significantly to sales growth in addition to attracting customers to stores.

Case 2: Distribution platform expansion

Our proprietary mall-based e-commerce site AniBOX

AniBOX is our proprietary mall-based e-commerce service that allows consumers nationwide to easily purchase IP content goods that are available in the real stores of distribution clients. In addition to selling goods of popular IP content, which are available exclusively through each distribution client, AniBOX offers a variety of attractive products for fans, including loungewear based on popular anime characters' costumes and sold as AniBOX exclusive goods.

Case 3: Distribution platform expansion

Overseas platform expansion

Leveraging the Group's strengths, we have begun full-scale horizontal development of Ex-Tainment services overseas. We opened theme cafes and pop-up shops for popular anime first in Shanghai, China, and then in Chengdu and Nanjing. The popularity of Japanese anime remained high even amidst the COVID-19 pandemic, showing that our global expansion was well received.

Case 4: Strengthening of in-house MD and service development

Establishing joint venture eCOCO

In August 2022, we established a joint venture, eCOCO, with Design COCO Ltd., a company specializing in figure production. Using popular IP content, we are working on the development and production of scale and deformed figures with particular attention to modeling and coloring, and plan to enter the domestic prize market and expand into the IP content overseas market.

Case 5: Strengthening of in-house MD and service development

Issuance and sale of NFTs*

We are working with various licensors to offer NFTs as a digital product. In 2022, CDG, our main operating subsidiary, was certified as the first sales partner of the comprehensive NFT marketplace "LINE NFT" in Japan, and the NFT of "Godzilla vs. Hedorah" sold out in about two minutes after sales started, indicating the growing popularity of NFT in Japan and abroad.

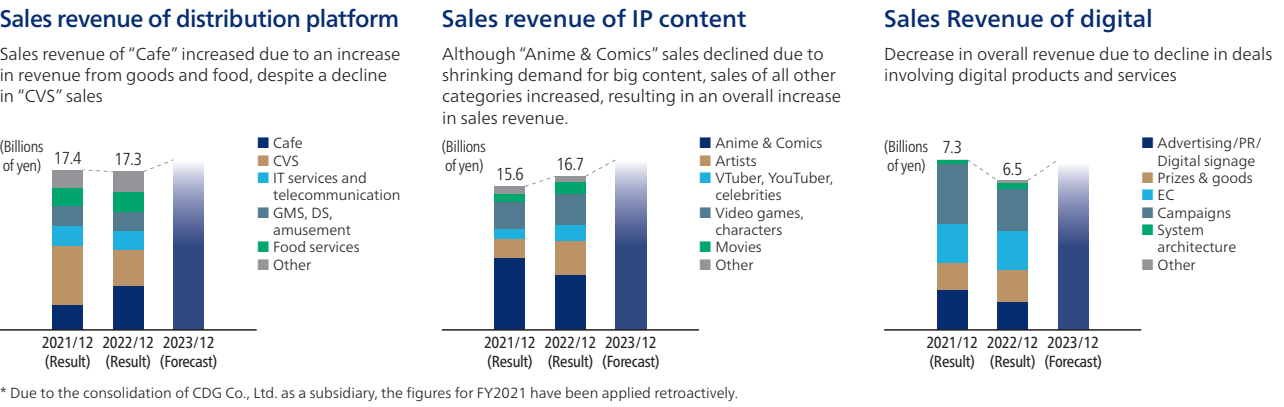
Case 6: Strengthening of in-house MD and service development

Development of our in-house original plush toy brand "Mochidoru"

Mochidoru, plush dolls which are soft and squishy to the touch, and can be reproduced in great detail, are an in-house original brand that utilizes popular IP content and is being deployed among various distribution clients. In 2022, mochidoru made in collaboration with the popular female VTuber group hololive sold out immediately at a major discount store, and additional orders received through e-commerce were a huge success, setting a new record for limited distribution sales of Mochidoru products.

Key Points of Group Growth

The CL Group focuses on three sales revenues in the progress of its medium-term strategy. As we aim to expand the Ex-Tainment market, steadily develop and deepen our distribution platforms and strengthen the development of new products and services, we expect these three sales revenues to expand as well.



Description of Our Products and Services

The Group offers a variety of marketing services. We are currently developing Ex-Tainment services (product sales and premium services [retail distribution]) and promotion services (VMD, premium services [manufacturers/food service], OEM, and BPO) in Japan and overseas.

Products and Services	Description of Our Products and Services	Sales (Millions of yen)*	Cause of increase/decrease
Ex-Tainment Services	<div>Merchandising</div> <p>This is a B2B2C, B2C or D2C service where products (goods) are designed and sold to consumers in stores and e-commerce. Theme cafes offer food and merchandise (goods) with original menus created in collaboration with various IP content.</p>	<div>6,9698,361</div> <div>Fiscal year ended December 31, 2021Fiscal year ended December 31, 2022</div> <div>20.0% YoY increase</div>	Cafe merchandising (including food and beverage sales) performed well.
	<div>Premium Services (Retail Distribution)</div> <p>We provide services for sales promotion and customer-attraction campaigns using prizes (premiums) to our distribution clients. Not only are we capable of providing one-stop support for everything from campaign planning and management, to prize (premium) development and production, logistics management, and follow-up services, but we also specialize in services handling IP content and digital campaigns.</p>	<div>7,8295,791</div> <div>Fiscal year ended December 31, 2021Fiscal year ended December 31, 2022</div> <div>26.0% YoY decrease</div>	Decreased demand for big content, which was a significant driver in the previous fiscal year
Promotional Services	<div>VMD</div> <p>These services plan and place visually appealing sales promotion displays that reflect the worldview and brand image of manufacturing clients' products on sales floors, thereby encouraging consumers to make purchases. We have earned a high reputation for our VMD planning and design capabilities, including winning in 2022 three gold and two silver awards in the JPM POP Creative Awards, Japan's largest POP tool contest.</p>	<div>2,5681,844</div> <div>Fiscal year ended December 31, 2021Fiscal year ended December 31, 2022</div> <div>28.2% YoY decrease</div>	Reductions in clients' orders due to soaring resource prices, etc.
	<div>Premium Services (Manufacturers/Food Service)</div> <p>We provide one-stop support for various promotional activities that connect the products and services of manufacturers and food service clients with consumers, from planning, production, and manufacturing to campaign office operations. Our strength lies in our nationwide distribution platform, and by providing more services handling IP content and digital campaigns, we help our clients create buzz around their products and services, attract customers, increase sales, and develop new customer segments.</p>	<div>9,2498,374</div> <div>Fiscal year ended December 31, 2021Fiscal year ended December 31, 2022</div> <div>9.5% YoY decrease</div>	
	<div>OEM</div> <p>These services provide planning, production, quality control, and delivery of prizes and products to manufacturer clients and copyright holders, among others, using the Group's supply chain. We specialize in creating prizes and products that win the hearts of fans by employing the worldview of their favorite artwork and characters.</p>	<div>2,3784,051</div> <div>Fiscal year ended December 31, 2021Fiscal year ended December 31, 2022</div> <div>70.3% YoY increase</div>	OEMs for entertainment customers performed well.
	<div>BPO</div> <p>These services leverage the know-how cultivated in our marketing promotion services and take on contracts for client marketing operations, as well as planning, procurement, quality control, and other operations and processes for sales promotion materials. We take on a part of our client's supply chain on an ongoing basis, so we are responsible for providing solutions for our clients over the medium to long term.</p>	<div>2,4072,544</div> <div>Fiscal year ended December 31, 2021Fiscal year ended December 31, 2022</div> <div>5.6% YoY increase</div>	Outsourcing of IT client operations performed well.

* Revenue of others is omitted.



The Possibilities for Theme Cafes, which Provide an Emotional Experience through Food and Entertainment

We will expand the potential of IP content around the world by providing the value of experiences that can only be experienced in real life.

Jotaro Tani
Executive Officer, CL Holdings, Inc.
President & Representative Director,
LTR.inc



To provide extraordinary experience that are accessible

The first theme cafe we opened was a collaboration with an artist. Seeing the reaction of the fans at that time, we felt that we could expand this business with manga, anime, and various other content, and from there we gradually commercialized theme cafes. For a while, we operated cafes in tandem with a partner company and steadily expanded, but with the outbreak of the COVID-19 virus, we suddenly found ourselves in a situation where we could not foresee the future at all. The state of emergency was finally lifted and theme cafes reopened, and even though we were still under the COVID-19 pandemic at the time, we had far more customers return than we imagined would. We keenly felt that the accessible extraordinary experiences that we advocate are something that is necessary for human beings. Until then, our company handled merchandise sales and production and our partner company ran the cafe operations, but we became more and more convinced that to bring theme cafes to the world, we needed to face our fans more and do it properly as a company. So, in September 2021, we established LTR.inc, a joint venture company specializing in theme cafes.

Aiming for global expansion through menu localization

There are two types of content: those that are loved for a long time and those that are popular right now. The Harry Potter Cafe, which opened in June 2022, is an example of content that is loved by a wide range of generations and has the strength to be developed over the long term. On the other hand, we also want to support newly started anime and characters with our theme cafes. If this is supported by fans, it may eventually become content that transcends generations.

We have already developed businesses in Shanghai, and we would like to expand overseas more and more in the future. While conveying the wonderful content and food culture of Japan is a major value proposition, we also believe that an important part of theme cafes is designing a food entertainment experience for the fans of the work. If we can reflect the worldview of the content, it will also be okay to localize the menu, and there will be potential to expand in various countries and regions.

In the future, we would like to expand the category of content to include sports, fashion, and art, for example, and the category of business type and location to include hotels, taverns, and galleries, for example, and by combining them, create new theme cafes one after another.



Left: Harry Potter Cafe, which opened in June 2022. (Akasaka, Tokyo)
Right: Visitors can enjoy food, desserts, and drinks that are photogenic and full of fantasy. Original goods and special offers are also popular among fans.

Creating an environment where the younger generation can take on challenges.

After joining the company, I was given the responsibility of starting up a local subsidiary in Shanghai as its president at the age of 32. I am extremely grateful to the company for giving me the opportunity when I had no acquaintances in the area and no Chinese language skills. Our group's long-term goal is to create human resources with a management mindset, and looking back on myself and at those around me, I believe that we actually have the ability to attract people with a pioneering spirit. In order to keep this cycle going, I would like to create an environment where young people can take on more and more challenges to preserve our management assets and pass them on to the next generation.

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Financial Strategies

Financial Policy

In January 2022, the Group shifted to a holding company structure. In the same month, we began the voluntary use of International Financial Reporting Standards (IFRS) and made CDG Co., Ltd. a consolidated subsidiary in conjunction with this change. As we transition to a holding company structure, we are building a Group management system to further accelerate business growth.

In order to achieve sustained business expansion while growing the company over the medium- to long-term, we will aggressively invest in strengthening our human

capital, digitalization, expanding our overseas business, and M&A, while generating ample cash to make these investments possible. With regard to the sources of financial capital and the liquidity of funds in the Group, we always aim to maintain a sound financial position and generate a stable operating cash flow. The balance of cash and cash equivalents at the end of the most recent fiscal year was 5.69 billion yen. Due to sufficient liquidity (a 37.1% of equity ratio attributable to owners of parent), we consider the Group to be in a sound financial position.

Investment Policy

As a key part of our medium-term strategy, we will be continuing strategic investment and have established areas of investment and investment policies for our two main investment categories: business investments and function investments. In business investments, we are focused on reaping greater revenues through larger, more risk-on investments in the two areas of platforms and products and services. Our function investments center on cooperative, risk-off, and diversified investments in the three areas of IP content and licensing,

digital technologies, and QCD (quality, cost, and delivery). We made three major investments in 2022. One was a business investment that involved establishing eCOCO. inc as a joint venture, and the other two were function investments that entailed establishing a capital partnership with Hogetic Lab as well as underwriting the convertible bond-type bonds with stock acquisition rights of Smart Share Inc. as a means to strengthen our digital business capabilities. We plan to continue making aggressive investments.

Details and Explanations of Financial KPIs

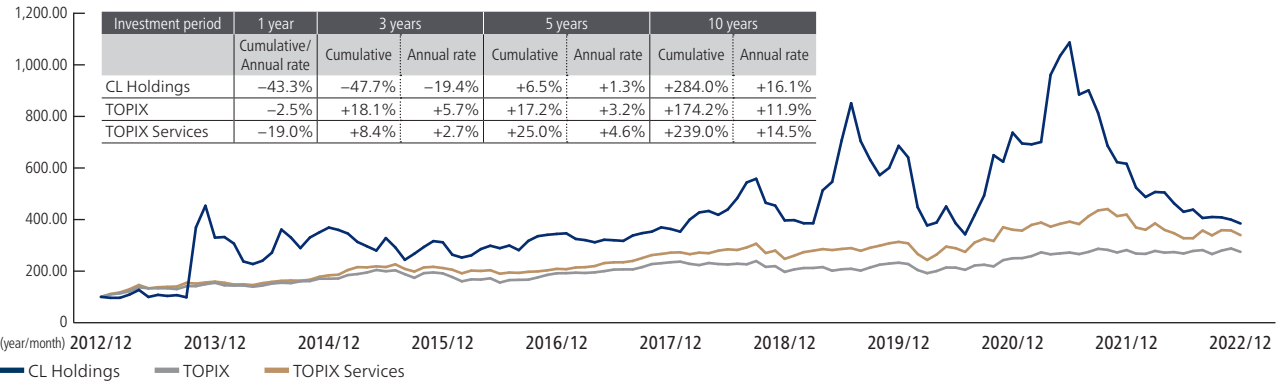
In order to maximize the Group's corporate value, our long-term policy aim is to achieve sales revenue of 100 billion yen and operating income of 10 billion yen as target management indices. Similarly, our medium-term management policy's reference targets are sales revenue of 50 billion yen and EBITDA of 5 billion yen* in the fiscal year ending December 2025. For the fiscal year ended December 2022, the Group recorded sales revenue of 32.06 billion yen (up 0.2% year on year), operating income of 776 million yen (down 60.5% year on year), and EBITDA of 1.84 billion yen.

We recognize that returning profits to shareholders is an important management issue, and from the perspective of Group management, our approach takes into account the consolidated dividend payout ratio. Our policy is to pay dividends according to business performance while securing the internal reserves necessary to strengthen our business

foundation and develop future business. Accordingly, our profit distribution is conducted with a consolidated dividend payout ratio of 30% or higher. In the fiscal year ended December 2022, we acquired 408,000 shares of treasury stock at a value of 404 million yen. The acquisition of treasury stock is an important part of our shareholder return policy, and we will continue to carry out this policy while considering adjustments as appropriate. Although TSR underperformed both the TOPIX and TOPIX Services indices over the one-year and three-year periods, it significantly outperformed over the longer-term five-year and 10-year periods. We will continue to make steady returns to shareholders while striving to improve shareholder value in order to achieve TSR that is higher than the cost of shareholders' equity due to high stock price performance.

* EBITDA is simply calculated as operating income plus depreciation and amortization.

Total Shareholder Return (TSR) (Data on closing price at the end of December 2012 = 100)



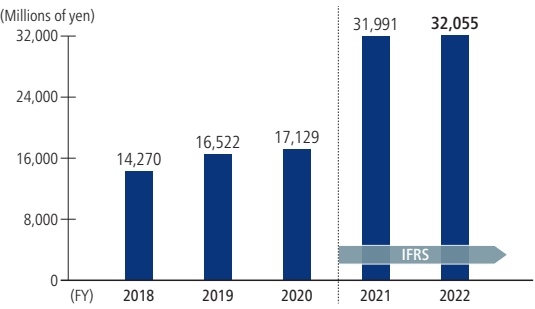
* Total Shareholder Return (TSR): Total return on investment including capital gains and dividends.
* TSR for CL Holdings Inc. is calculated based on cumulative dividends and stock price fluctuations, and for TOPIX and TOPIX Services are calculated based on a stock price index including dividends (prepared by the Company based on data from Bloomberg and others).
* The values in the graph are indexed TSR market values, with the closing price data on the last day of December 2012 equaling 100 (with a holding period until the end of December 2022).

Financial and Non-Financial Highlights

Financial Highlights

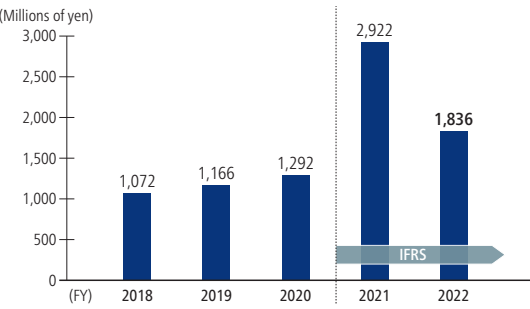
* The Group has adopted International Financial Reporting Standards (IFRS) from the first quarter of the fiscal year ended December 2022. For the fiscal year ended December 2021, indicators and other figures are those after retroactive application of these accounting standards.

Net sales/Sales Revenue



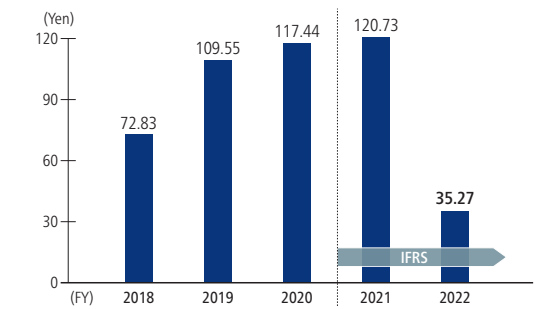
Sales revenue for the fiscal year ended December 2022 increased 0.2% YoY to 32,055 million yen, a new record, due to strong cafe merchandise sales (including food and drink sales) and sales from OEM services for entertainment customers.

EBITDA



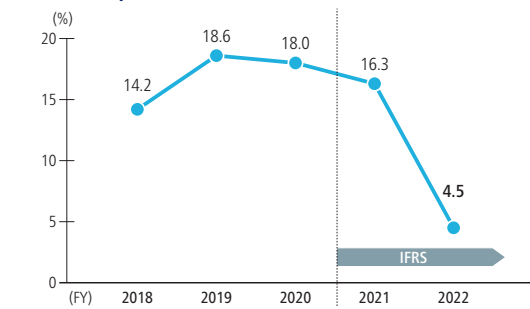
EBITDA for the fiscal year ended December 2022 decreased 37.2% YoY to 1,836 million yen. This was due to an increase in selling, general and administrative expenses and a decrease in operating income as a result of an increase in business outsourcing costs aimed at human capital development operations and a rise in system-related expenses associated with the development of our business digitization.
* EBITDA is simply calculated as operating income plus depreciation and amortization.

Diluted EPS



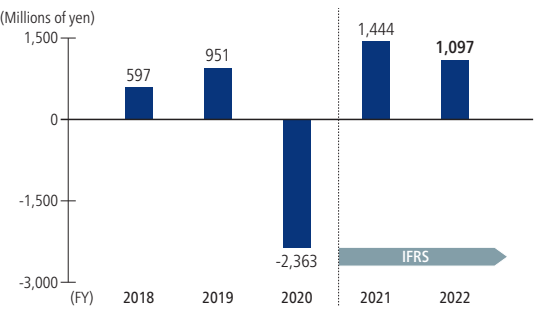
Profit attributable to owners of the parent for the fiscal year ended December 2022 declined 71.3% YoY to 364 million yen due to a decrease in operating income. This resulted in a diluted EPS* (earnings per share) of 35.27 yen, a decrease of 85.46 yen YoY.
* Diluted EPS: Net income attributable to owners of the parent / Average number of shares outstanding during the period after deduction of treasury stock

Return on equity/Return on equity attributable to owners of parent (ROE)



ROE for the fiscal year ended December 2022 decreased 11.8 points YoY to 4.5% as a result of a decrease in profit attributable to owners of the parent.

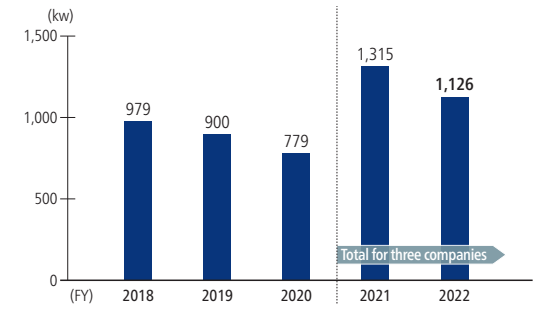
Free cash flow



Cash flows provided by operating activities were 1,090 million yen, while cash flows provided by investing activities amounted to 6 million yen due to proceeds from the sale of other financial assets. This resulted in a free cash flow of 1,097 million yen.
* Free cash flow = Net cash provided by operating activities + Net cash used in investing activities

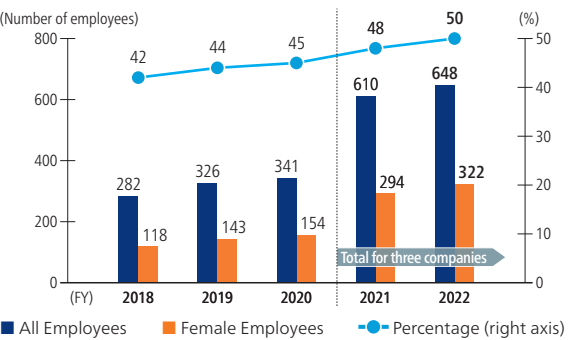
Non-Financial Highlights

Annual electricity consumption per employee*



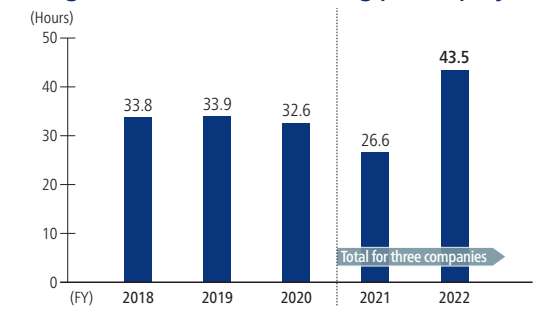
The Group is continually working to make effective use of energy. As part of these efforts, we are reducing the amount of electricity used.
* The period covered by the measurement is the 11-month period excluding June of each year.
* Employee numbers and power consumption figures for 2021 and beyond are the total for CL Holdings, LEGS, and CDG.

Percentage of female employees*



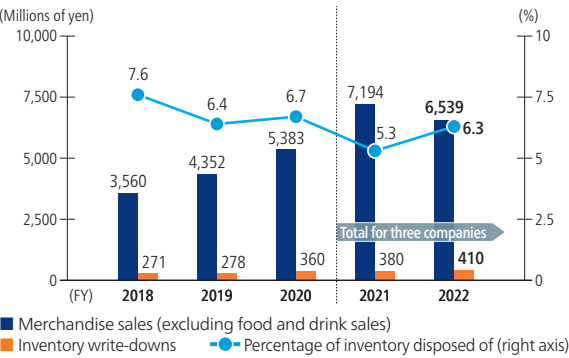
The Group is committed to creating an environment where women can continue to work for a long time. As part of these efforts, we are promoting measures such as support systems for childcare, resulting in an increasing percentage of female employees every year.
* Figures for 2018 to 2021 are the total for CL Holdings and LEGS, and figures for 2021 and beyond are the total for CL Holdings, LEGS, and CDG.

Average annual hours of training per employee*



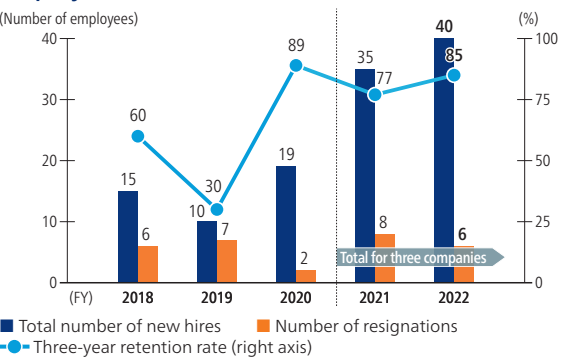
Calculation method: Total training hours per year / Number of employees at the end of the fiscal year
Total training hours per year = Total of (hours of each training program x number of trainees x number of training sessions)
With a view to instilling our management philosophy throughout the organization while strengthening management capabilities, the Group is focused on conducting effective employee training, and revises its training methods and systems on a case-by-case basis in order to enhance personal capabilities, management capabilities, and achieve continued growth.
* Figures for 2018 to 2021 are the total for CL Holdings and LEGS, and figures for 2021 and beyond are the total for CL Holdings, LEGS, and CDG.

Inventory disposed of as a percentage of sales of merchandise*



Calculation method: Inventory write-down / merchandise sales (only merchandise sales involving inventory)
As part of its sustainability efforts, the Group is working to reduce inventory disposal in its merchandise sales through such efforts as improving operations at the theme cafe and utilizing an AI-based IP content demand forecasting model.
* Figures for 2018 to 2021 are the total for CL Holdings and LEGS, and figures for 2021 and beyond are the total for CL Holdings, LEGS, and CDG.

Three-year retention rate of new graduate employees*



Calculation method: (Total number of new graduate hires - Number of new graduate hires who resigned)/Total number of new hires
The Group has a philosophy-based management approach and strives to prevent early turnover due to personnel mismatches by focusing on recruiting people who share the values of the organization.
* Figures for 2018 to 2021 are the total for CL Holdings and LEGS, and figures for 2021 and beyond are the total for CL Holdings, LEGS, and CDG.

Sustainability

To advance social sustainability, the Group aims to enhance its ability to provide services by pursuing innovation and enhancing sustainability throughout our entire business value chain. At the same time, we strive to generate profits and improve corporate value by solving an array of social issues.

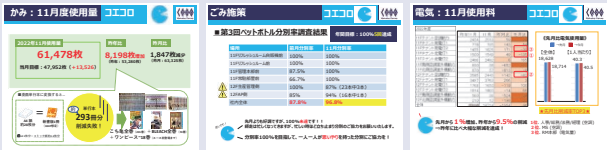
Initiatives for Creating Environmental Value

The Group recognizes that environmental issues that threaten the sustainability of society and the world are important management issues. To decarbonize and reduce our environmental impact, we are making a number of efforts that include using digital technologies.



Environment

- ISO activities by new employees*: Promoting visualization of electricity and paper usage with the goal of reducing environmental impact. We foster a common mindset on energy saving throughout the company by regularly sharing the progress of each initiative at the weekly morning meetings.
* Our new employee training focuses in part on promoting environmental conservation and workplace revitalization throughout the company, while strengthening employee skills.
- Participation in the “Minato Eco-conscious Consortium”*: We take part in activities unique to central Tokyo that are aimed at reducing environmental impact, including trash pickup events.
* A private organization established to leverage the characteristics of Minato Ward, which is home to the headquarters functions of many companies and organizations, and conduct environmental conservation and information sharing activities through a collaboration among business operators, residents, and local governments.
- Participation in the ASKUL Resource-Recycling Platform: The Group participates in the ASKUL Resource-Recycling Platform, which was launched as a “FY2020 Demonstration Project for a Plastic Resource Circulation System toward a Decarbonized Society” by the Ministry of the Environment. Run by ASKUL Corporation, the platform recycles, remanufactures, and sells used clear plastic folders, contributing to more effective use of resources, reducing plastic waste, protecting marine life, and curbing landfill disposal of industrial waste.



Presentation materials concerning ISO activities by new employees

Products and services

- Development of products that use eco-conscious materials: We promote plastic use reduction and environmental conservation by providing gift products, marketing fixtures, and recycled pottery made using FSC certified paper and MAPKA plastic.
- Reduction of merchandise waste inventory using the IPDB (an IP content analysis and merchandise sales forecasting system): We are working to reduce our product waste inventories by using AI and databases, analyzing IP content trends, and utilizing a demand forecasting system that calculates the optimal number of products to keep in inventory.



Pocket tissues made from FSC certified paper (left) Spoon made from MAPKA plastic (right)

Efforts to create social value

With the view that the source of a Group’s competitiveness comes from human resource capabilities supported by philosophy-based management, we are focused on investing in our human capital in line with our material issues of “recruiting and developing competitive people” and “nurturing management personnel” To provide safe, reliable, high-quality services, the Company maximizes the capabilities of its people by fostering workplaces that allow for flexible working styles through having a variety of robust education programs and using digital technologies. We will continue to engage in creating social value in a variety of ways, including investing in human capital.



Human capital

Realizing diverse work styles

- Remote working system: This system was implemented in response to the spread of COVID-19.
- Childcare support systems: These include a childcare leave system that allows employees to take childcare leave until the child is up to two years old, shortened working hours allowing for childcare for those raising children under three years old, and a flexible work schedule to allow for childcare for those with children up to preschool age.
- Flextime system: This was introduced with the aim of improving operational efficiency and productivity.
- Life event support system: This program enables employees to work flexibly or on shorter hours to accommodate various family situations, such as marriage, childbirth, nursing care, and medical treatment.

Promotion of diversity and inclusion (D&I)*

- Partnership Certificates: Implemented in September 2022, this program allows employees to submit these certificates when applying for benefit programs. This is part of our efforts to build workplaces that flexibly accepts diverse family configurations, regardless of gender, age, religion, social status, or disability.
 - Promotion of greater employment of those with disabilities: Through this initiative, our business sites are provided with vegetables grown at the CDG Farm, where those with disabilities can work with peace of mind. We will continue to promote the employment of those with disabilities and foster a sense of normalization among employees.
- * An effort to foster an organization and workplace where people mutually respect differences of gender, age, nationality, beliefs, etc. and work together and contribute by making use of their diverse characteristics.



Implementation of Partnership Certificates

Efforts to improve employee engagement

To help employees achieve job satisfaction and well-being, we are making it possible for employees to challenge themselves without worry. These efforts include providing a career support program, managing work hours, and ensuring fairness with regard to remuneration standards. In fiscal 2023, we plan to begin calculating scores using a shared set of engagement analysis tools that we will deploy throughout the Group.

Building mechanisms to cultivate human talent from a long-term perspective

- Philosophy Study Meeting: These study meetings aim to translate our management philosophy and CL philosophy (see pg. 24) into action.
- Philosophy education: This is aimed at promoting character growth based on philosophy and giving people the ability to work with a management perspective.
- Leader management education: This program aims to develop leaders who excel both in terms of skills and personalities.
- Junior Board program: A quasi-management committee composed of young and mid-career employees is established to identify management issues, formulate solutions, implement and verify them. This develops candidates for next-generation management through actual improvement of management.

Sustainability topics



Trash cleanup activities (near Company headquarters)

Minato Environment Award
Recognized as a “Minato City Model Office for Energy Conservation Promotion”

CDG Farm
(employment of those with disabilities)

Acquired ISO certification (ISO 9001 and 14001) and the Privacy Mark



SUSTAINA ESG AWARDS 2022 award recipient

Group company CDG received an award at SUSTAINA ESG AWARDS 2022 for being a company with a high overall ESG score in the Tokyo Stock Exchange’s Standard Market.

Partnership, coexistence and coprosperity

- SDG awareness program using IP content: This program stimulates employee interest in SDGs by having them plan and execute interactive events using IP content.
 - Planning and proposing regional revitalization measures: We work with local governments and contribute to regional revitalization by means such as digital stamp rallies conducted through a location-based game app*, which serves to guide customers to well-known sites and facilities in the area.
- *A location-based smartphone game app developed by TekuTeku Life, Inc.



SDGs awareness program through “Goyururi SDGs” ©2023 San-X



Sightseeing, customer guidance, and regional revitalization via “TekuTeku Life” ©TekuTeku Life

Products and services

Providing safe, reliable, high-quality products and services

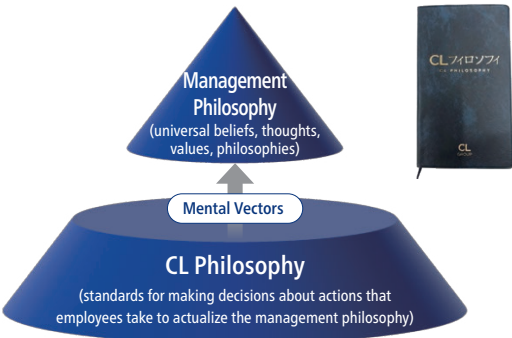
To manage supply chain risks and ensure the quality of our products and services, the Group was first in the industry to acquire ISO 9001 (quality management system) and ISO 14001 (environmental management system) certifications. We have established risk management methods for the environment and quality, and by implementing the PDCA cycle we are able to provide products and services that are always of low environmental impact, high quality, and ensure safety and security.

Feature: Fostering a corporate culture

When transitioning to a holding company structure in 2022, the Group established a new management philosophy. Achieving continued growth will require all employees to come together around a common desire, and it is with this philosophy at heart that we all go about our daily work in an effort to actualize the Group’s management philosophy. These efforts add up and culminate in our corporate culture, creating a strong foundation to support employee and Group growth. The Group is engaged on a number of fronts to achieve our management philosophy and foster a corporate culture that will support these efforts.

Establishment of the CL Philosophy

The CL Philosophy is a code of conduct for the entire Group that provides standards for making decisions about actions that employees take to actualize our management philosophy. It encapsulates the Group’s thinking and philosophy and forms the heart of our corporate culture. It is a guide when employees are unsure of how to proceed with their daily work, and supports mutual understanding of one another, consensus building, and growth into a strong organization.



Building an organization that emphasizes empowerment

As an organization where employees face no hurdles in actualizing the Group’s principles and philosophy, the Group is taking steps to build an organization that emphasizes empowerment. As an employee’s character develops, if have the right information to make the right decisions, they will begin to think and act for themselves. The more employees that become independent and act based on a shared set of principles and philosophy, the more corporate culture takes root. This culture supports individual and corporate growth and makes it possible to better contribute to customers and society.

Establishment of the Culture Promotion Office, an organization dedicated to fostering our corporate culture

Launched in March 2022, the Culture Promotion Office seeks to foster the Group’s corporate culture. To make employees proud of their company and say, “I work for a good company,” we make a number of efforts to foster our corporate culture, including devising Group-wide education and HR programs, and conducting Group-wide events.

A Message from the Culture Promotion Office

The mission of the Culture Promotion Office is to “foster a culture through integrity and entertainment, contributing to employees’ well-being, together with creating exceptional corporate value that employees can be proud of.” The Division’s vision is to become “a group about which employees will be proud to say ‘I work for a good company.’” “Integrity” here refers to the CL Philosophy, while “entertainment” refers to the joys of co-creation. By strategically instilling the important views of the Group throughout the entire organization from all points of contact, we aim to make the Group an organization that can act as befits a visionary company and see it grow into a unique organization that contributes to both the material and intellectual well-being of all employees, as our management philosophy instructs. (Culture Promotion Office General Manager)



Master of ceremonies (left) and event staff (right) at the Annual Awards Ceremony, a Company event for fostering corporate culture

Philosophy Study Meeting

Regularly held within every organization, these meetings have participants read in turns and hold discussions to expand their understanding of the management philosophy and CL Philosophy, and put it to use in their daily work. After attending lectures on each of the tenets of the philosophy from the president, managers then pass on what they learned to their team members. This gives them the ability to talk about these concepts, which helps the concepts spread to every corner of the organization and foster a corporate culture.

Philosophy education

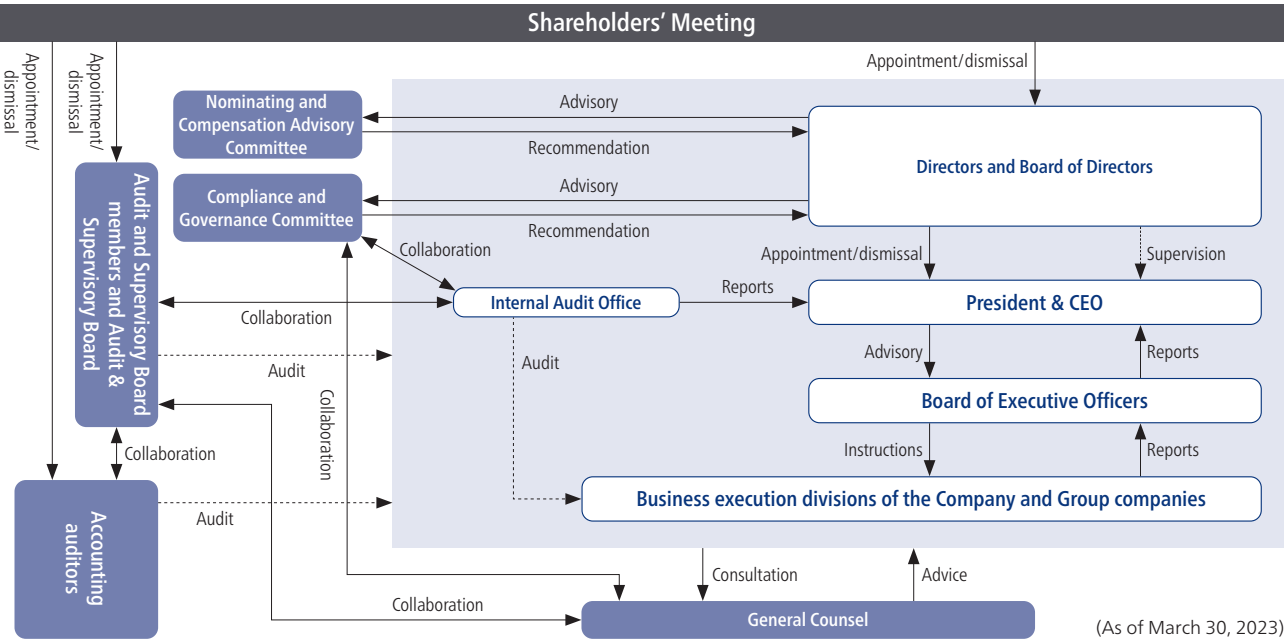
This initiative serves to familiarize employees with the management philosophy and CL Philosophy, promoting character growth based on the philosophy while also giving employees the ability to work with the managerial perspective. All Group employees attend these sessions, which are conducted by the president himself. Employees align their goals by translating what they learn about the management philosophy and CL Philosophy into their day-to-day operations. This leads to self-expression and achievement of the Company’s goals.



Corporate Governance

CL Holdings regards corporate governance as one of the most important management issues and has focused on ensuring sound, transparent, and speedy management. Under the Group Management Philosophy, we have established a basic policy for internal control and are promoting the understanding of our ethical values among all employees. We will continue to strive to realize an effective corporate governance system and to continuously enhance our corporate value, both by fostering ethical values and by creating a rational framework.

Corporate Governance Structure



Board of Directors

Our Board of Directors consists of one President & CEO and seven other directors (including three outside directors), and in addition to regular monthly meetings, extraordinary meetings are held as necessary. The term of office for directors is one year, and by appointing outside directors who have excellent insight into all aspects of management, we are working to ensure that management supervision is strengthened by the incorporation of neutral and outside perspectives and ensure that management is transparent and fair.

Audit and Supervisory Board

CL Holdings employs an Audit and Supervisory Board System of one full-time and two part-time outside auditors. The Audit and Supervisory Board meets once a month to discuss important audit-related matters and exchange information. Each auditor also participates in meetings of the Board of Directors, while the full-time auditor attends other important meetings, such as the Board of Executive Officers Meeting, to monitor the execution of duties by directors and the Board of Executive Officers.

Nominating and Compensation Advisory Committee

To ensure the transparency and objectivity of procedures related to the nominating and compensation of directors

and to further enhance our corporate governance system, we have established a Nominating and Compensation Advisory Committee as a voluntary advisory body to the Board of Directors. The committee is chaired by an outside auditor and consists of the three auditors (including the committee chair) and three outside directors. The committee responds to inquiries from the Board of Directors regarding the appointment and dismissal of directors, as well as the basic compensation policy, individual compensation amounts for directors and executive officers, director and auditor compensation limits, etc.

Compliance and Governance Committee

A Compliance and Governance Committee has been established as a voluntary advisory body to the Board of Directors in order to maintain and improve the maintenance, operation, and evaluation of a sound compliance system and a transparent corporate governance system. The committee is chaired by an outside director and consists of five outside directors and three internal directors. The committee responds to inquiries from the Board of Directors regarding the formulation of basic policies for the promotion of compliance and governance, the formulation of countermeasures and improvement measures when incidents occur, and recommendations for improvement to the relevant departments and others.

Evaluation of the Effectiveness of the Board of Directors

In order to continuously improve the effectiveness of the Board of Directors, the Company conducts a questionnaire of all officers (directors and auditors) participating in the Board of Directors meetings and has a

third-party organization analyze and evaluate the results. After receiving a report on the results, the Board of Directors discusses future issues related to the effectiveness of the Board of Directors as a whole.

Improvements and Continuing Issues for FY2022

Improvements

(1) Composition, agenda, and operation of the Board of Directors

(2) Discussions and initiatives regarding compensation of, and the appointment and dismissal of, members of the management team with appropriate involvement and advice from the Nominating and Compensation Advisory Committee

(3) Discussions and initiatives related to governance and risk management

Continuing Issues

(1) Difference in information between outside directors and other directors and improvement of that situation

(2) Stimulating communication among outside directors

(3) Discussions and initiatives on sustainability and human capital

(4) Discussions and initiatives related to succession planning and nurturing of managers

Executive Remuneration System

CL Holdings’ executive remuneration system is based on the principle that remuneration is linked to medium- and long-term improvements in corporate value and the achievement of management targets. Directors’ compensation consists of monthly compensation, which is fixed compensation, and bonuses, shares, etc., which are performance-linked compensation, and 1) fixed compensation and 2) performance-linked compensation are each determined based on independent criteria. Starting in April 2023, the fixed compensation for directors (excluding outside directors) will be reduced and a new restricted stock compensation plan will be introduced to provide both monetary and stock-based compensation. We will continue to examine ways to link the compensation of directors and corporate auditors to medium- and long-term improvements in corporate value and management targets.

1) Fixed compensation: Monthly compensation, which is fixed compensation, is determined according to position and responsibility, taking into consideration social conditions, the Company’s business

environment, and the standards of other companies in the same industry. The Nomination and Compensation Advisory Committee is consulted on compensation proposals based on the compensation table established by the Board of Directors, and the committee verifies and reports on the appropriateness of the proposals by incorporating data from executive compensation surveys conducted by external organizations.

2) Performance-linked compensation: Bonuses, shares, etc., which are performance-linked compensation, are determined in accordance with the Company’s performance and each director’s contribution to management, with the aim of making the linkage to performance clearer and increasing the motivation to contribute to improving performance and increasing corporate value. The Board of Directors, at its meeting held on January 31, 2023, decided that bonuses for fiscal year 2023 will be determined based on the year-on-year growth rate of EBITDA and operating income.

Total amount of compensation for directors and Audit and Supervisory Board Members (FY2022)

Executive classification	Total amount of compensation, etc. (thousands of yen)	Total amount of compensation by type (thousands of yen)			Amount paid
		Basic compensation	Performance-linked compensation	Non-monetary compensation, etc.*	Number of directors and auditors covered by the plan
Directors (outside directors)	71,915 (15,300)	71,187 (15,300)	- (-)	728 (-)	10 (4)
Audit and Supervisory Board members (outside Audit & Supervisory Board members)	19,890 (9,600)	19,890 (19,890)	- (-)	- (-)	3 (2)

* Stock acquisition rights are granted to directors in the form of stock options as non-monetary compensations, etc.

Skills Matrix of the Board of Directors

	Name	Skills that can be specifically utilized in the expertise we require										
		Management	Finance & Accounting	Legal & Governance	Human Resources/ Human Resource Development	ESG/SDGs	Overseas Business	Sales & Marketing	Production Engineering/ Quality Control	DX/IT	Content Business	New Business Development
Director	Junichiro Uchikawa	●	●		●			●	●			●
	Makoto Yoneyama	●	●	●	●	●				●		
	Satoshi Yamashita	●				●	●	●			●	●
	Hideo Konishi	●				●	●	●		●	●	
	Mitsuru Ishimura	●	●	●			●	●				●
	Hiroshi Sonobe											
	Outside Independent			●	●	●				●		
	Takashi Watanabe	●			●	●		●				●
Auditor	Outside Independent											
	Sachiyo Yasuda	●			●	●		●		●		●
	Outside Independent											
	Hajime Kusuda			●	●			●	●			
	Hiroshi Magaribuchi		●	●	●	●						
	Outside Independent											
	Motoo Kobayashi	●				●	●			●		
	Outside Independent											

Training for Directors

For internal directors and Audit and Supervisory Board members, we provide opportunities for external training, such as executive coaching to ensure that they fully understand the roles and responsibilities expected of them as directors and corporate auditors when they take

office, and provide support for the cost of such training. In addition, the Company provides financial support to individual directors and Audit and Supervisory Board members, including outside directors and auditors, who voluntarily undergo study or training.

Compliance

As stated in our management philosophy, “we will continue to contribute to the advancement of society through sound business activities.” We recognize that compliance is an essential part of our corporate activities and that maintaining sound management is indispensable for long-term enhancement of corporate value. We will improve the integrity of each and every employee through the promotion of various types of education,

starting with education in our philosophy. Also, in 2022, we established a Compliance and Governance Committee, consisting mainly of outside directors, to review various policies and systems, and to formulate measures to respond to and remedy problems when they occur. The Company is promoting various initiatives to strengthen compliance from the perspectives of fostering a corporate culture and building a framework.

Specific Initiatives

- Philosophy Education The president himself serves as instructor for the program, which is open to all Group employees. The purpose of the program is to share our management philosophy and the CL Philosophy to promote the growth of employees’ humanity based on those philosophies and to develop the ability to approach work from a manager’s viewpoint. By learning about our management philosophy and the CL Philosophy and having employees incorporate them into their daily activities, we aim to get employees’ thinking and acting going in the same direction, which in turn will lead to the self-realization of each employee and the achievement of the company’s goals.
- Philosophy Study Meeting..... To deepen understanding of our management philosophy and the CL Philosophy and link them to daily actions, meetings are held regularly by department to read them by turns and discuss them. By enabling each employee to talk about them, the Group’s thinking and philosophy are spread to all corners of the organization, leading to the cultivation of a corporate culture.
- Compliance Education (e-learning) In addition to basic knowledge of compliance, we provide ongoing training via e-learning to deepen understanding of laws and regulations (Act against Unjustifiable Premiums and Misleading Representations, Subcontract Act, and intellectual property such as trademarks and copyrights) that we face in our daily work.
- Whistleblowing System..... The Group has established and is operating a whistleblowing system for all employees, including directors, for the purpose of preventing and detecting organizational or individual violations of laws and regulations and misconduct at an early stage, and improving the agility of the self-cleansing process. To ensure that whistleblowers are not treated unfairly, an appropriate reporting system is in place with the full-time auditor or an outside attorney as the contact point.
- Compliance and Governance Committee... The committee is chaired by an outside director and consists of five outside directors, two internal directors and one auditor. The committee regularly reports on and discusses compliance-related business risks and various issues related to company operations.

Discussion

Junichiro Uchikawa × Takashi Watanabe × Sachiyo Yasuda

President & CEO, CL Holdings Inc.

Outside Director, CL Holdings Inc.

Outside Director, CL Holdings Inc.



Takashi Watanabe

Outside Director, CL Holdings Inc.

Junichiro Uchikawa

President & CEO, CL Holdings Inc.

Sachiyo Yasuda

Outside Director, CL Holdings Inc.

The Role the Board of Directors Should Fulfill to Further Improve Philosophy-Based Management

Why Philosophy-Based Management Leads to Competitive Advantage

Uchikawa I personally invited Mr. Watanabe and Ms. Yasuda to join our Board of Directors as outside directors. The CL Group advocates philosophy-based management and has a long-term policy of “development of human resources and generation of management personnel,” and I believe that we need the help of these two individuals, who have been involved in the HR field for many years and have a deep understanding of philosophy-based management, to make this a reality. In what ways do the two of you believe that philosophy-based management will lead to competitive advantage?

Yasuda I joined a general human resource service firm as a new graduate, and for 27 years I was primarily involved in recruitment and human resource development, global human resources, and support for women’s advancement. Later, I was involved in finding and developing DX human resources at an AI venture company. When I joined the first company, it was a very difficult time after the burst of the bubble economy, but I sympathized with the business philosophy of “creating a next-generation society in which each individual can continue to work with vitality.” I started my career by recruiting people to help companies grow over the medium to long term. The current era is also one of dramatic social change, and CL Holdings is also in the midst of major changes in its business and profit model. In these turbulent times, being able to identify with the philosophy of the company to which one belongs is the key to understanding why one must change and why one must do one’s best, and I believe philosophy-based management is very beneficial in this regard.

Watanabe After joining a general human resource service company as a new graduate, at the age of 29 I established an in-house venture company that provides outplacement and recruiting services, and served as its president for 25 years. Philosophy-based management was also practiced at my previous company, and projects that were highly profitable but did not contribute to society were not approved. In addition, according to the results of a joint study with a university, companies that achieved both employee happiness and high business performance were, without exception, strictly conducting philosophy-based management - their respective concepts of how we as human beings should be had permeated all levels of these companies. It was through these experiences that I came to know the competitive advantage of philosophy-based management.

Uchikawa In my mind, I picture human’s value systems as the equivalent of operating systems in a PC, the foundations upon which we work. The management philosophy and CL Philosophy are exactly that foundation. In order to cultivate human resources who approach their work from a manager’s perspective, I would like to make the company an organization where front-line employees who work closely with customers can think and solve problems on their own by making company information transparent and promoting open and aboveboard management. In the words of Kazuo Inamori, from which I learned, this is “Management by All.” We aim to realize “development of human resources and generation of management personnel” through the creation of an inverted pyramid organization in which front-line employees create the vortex and are supported by people at the management level.



Watanabe In-depth discussions on human resource development are held mainly at meetings hosted by the Culture Promotion Office, the Human Resources Department, and President Uchikawa. In 2023, we will launch the Junior Board Program, which will be a year-long complex program, and I will be there to facilitate. I feel that CL Holdings is making a very solid commitment to human resource development.



Going Beyond Rule-Based Governance Through Education in Our Philosophy

Watanabe Although we have transitioned to a holding company structure, with Legs and CDG still existing as separate companies, we need to overcome the differences in culture and rules and unite as one group in order to grow. On the other hand, there is a concern that if the governance of the parent company is “copied and pasted” to new businesses or subsidiaries as they are added through M&A in the future, this will not mesh well with their organizational cultures and thus innovation will come to a halt. The challenge for the Group’s growth will be finding a way to maintain a corporate culture that allows the subsidiaries to grow, while at the same time making governance effective in preventing problems and scandals from occurring.

Uchikawa I feel that we are now in a very difficult phase of finding a balance between governance and the venturing spirit. The reason why the management philosophy, CL philosophy, and human resource policy were discussed and formulated by both Legs and CDG is because we believe that good company-building can be achieved through a shared vision of how we as humans should think, if these philosophies are understood by each of the Group’s employees and raise their integrity to a higher level beyond just following the rules. In fact, just today we conducted joint education in our philosophy for the two companies, where we discussed our work and the CL philosophy. We also talked about how we should work together to build a company where everyone is happy based on the right way of thinking and good deeds as human beings.

Yasuda We are entering a phase in which we will have to make completely different decisions than in the past, such as how to best use outside knowledge in order to build a new, innovative model for success. We believe that a variety of options should be considered in scouting for and training our next management team.

New LEGS President Fulfills the “Five Conditions for a Successor”

Yasuda One of the most symbolic events in my participation on the Board of Directors so far has been the birth of Mr. Yamashita, the new President of LEGS. There is a Japanese saying, roman to soroban, which means, figuratively, “management philosophy and financial sense” - and I have the impression that Mr. Yamashita definitely possesses both. He is part of the generation that learned directly from President Uchikawa, as are many of the current executive officers, but I think it is necessary to verbalize in more detail what CL Holdings should and should not change as they pass down the tradition to the next generation who will replace them.

Uchikawa We have established five “conditions for successors” based on Mr. Inamori’s experience. The first is a firm standard of judgment and decision-making in one’s heart. Second, the ability to take on unlimited responsibility for the Company. Third, the ability to selflessly pour one’s all into the Company. Fourth, working harder than anyone else to pursue the growth and material and intellectual happiness of all employees. And fifth, having love for and having earned respect from our employees. It would be quite a hurdle to meet all five of these criteria, but since Mr. Yamashita joined the company as a new graduate, I knew that in addition to his passion for his colleagues, he also had a very strong mentality and would not only be able to improve our performance, but also unite the Company as a whole. I believe that as long as these conditions are met, everything will be alright.

Watanabe Both the Nominating and Compensation Advisory Committee and the Board of Directors were almost unanimously in favor of Mr. Yamashita’s appointment as President. I believe that further consideration will be given to the Junior Board Program and other initiatives related to succession planning.



Supporting the People and Creation of Organizations that Generate Mid- to Long-term Growth

Watanabe When business performance is volatile, full-time directors tend to be preoccupied with single-year performance due to the pressure. Our role as outside directors is to support full-time directors to overcome this pressure and to become a board that can achieve effective long-term management. Personally, my main expertise, which I hope to make good use of going forward, lies in how to develop excellent human resources and create a better organizational culture that balances happiness at work with high performance.

Yasuda I believe that it is extremely important for the growth of the CL Group for us to figure out how to increase the volume and speed of challenges in continuing to create new innovations. As for my own personal challenge, I would like to devote myself to supporting the creation of an organizational culture that supports both diversity and growth.

Uchikawa I am aware that the points you both raised are issues that have already been addressed within the Company, and it is my important duty to ensure that the great insight and experience of outsiders is fed back to the Company. I would like to, with the help of your various insights, continue to promote reform within the Company.

Takashi Watanabe

After serving as Executive Officer and Vice President of Pasona Group Inc., he was appointed as Outside Director of CL Holdings, Inc. in March 2022. He has extensive knowledge and experience in human resource development, organizational revitalization, and management development.

Sachiyo Yasuda

After serving as Executive Officer in charge of New-graduates at the Recruiting Operation Division of Recruit Career Co., Ltd. (currently, Recruit Co., Ltd.), she was appointed as Outside Director of CL Holdings, Inc. in March 2022. She has a wide range of extensive experience in the domains of HR and DX, including new-graduate recruitment, mid-career recruitment, and organizational revitalization.

Directors and Auditors



1 Junichiro Uchikawa
President & CEO

1988 March	Founded LEGS COMPANY, LTD. (currently, CL Holdings Inc.), Representative Director
1991 March	Founded SIP Company, Ltd. (currently, REET Inc.), Representative Director
1994 February	President & CEO, LEGS COMPANY, LTD. (to present)
2009 July	Director, M&I Co., Ltd.
2014 July	Outside Director, Oreno Corporation
2016 February	Director, JU Co., Ltd. (to present)
2017 May	Auditor, Asia Leaders Association (to present)
2020 July	Chairman, LEGS (SHANGHAI) TRADING COMPANY, LTD. (to present)
2020 July	Chairman, LEGS (SHANGHAI) CULTURAL AND CREATIVE COMPANY, LTD. (to present)
2021 June	Chairman & Representative Director, CDG Co., Ltd. (to present)
2021 August	LEGS COMPANY, LTD. established, President & CEO, LEGS COMPANY, LTD.
2021 September	Chairman, LEGS (SHENZHEN) TRADING COMPANY, LTD. (to present)
2023 January	Chairman, LEGS COMPANY, LTD. (to present)

4 Hideo Konishi
Director

1996 April	Joined CDG Co., Ltd.
2019 April	CEO, CDG Co., Ltd. (to present)
2021 January	Director, CL Holdings Inc. (to present)

7 Takashi Watanabe
Outside Director

1989 April	Joined Temporary Center Inc. (currently, Pasona Inc.)
1997 April	Representative Director and President, Pasona career assets Inc. (currently, Pasona Inc.)
2018 August	Executives Officer and Vice President, Pasona Group Inc.
2022 March	Outside Director, CL Holdings Inc. (to present)
2022 March	Outside Director, CARTA HOLDINGS, Inc. (to present)

10 Hiroshi Magaribuchi
Outside Auditor

1984 April	Joined SHINKO ELECTRIC INDUSTRIES CO., LTD.
1992 September	Joined Mio Certified Public Accountant Office
1995 December	Established Hiroshi Magaribuchi Certified Public Tax Accountant Office, Head (to present)
2008 December	Outside Auditor, GLOBALPOWER Inc. (to present)
2009 May	Outside Auditor, Kofu Soko Co., Ltd. (to present)
2014 March	Outside Audit & Supervisory Board Member, CL Holdings Inc. (to present)
2015 June	Outside Auditor, Youji Corporation (to present)

2 Makoto Yoneyama
Director

1980 March	Joined Kyoto Ceramic Co., Ltd. (currently KYOCERA Corporation)
2008 April	Managing Director, KYOCERA MITA JAPAN Corporation (currently, KYOCERA Document Solutions, Inc.)
2012 April	Managing Executive Officer, Corporate Control Division, Japan Airlines Co., Ltd.
2015 April	Senior Managing Director & General Manager, Administration Division, KYOCERA Communication Systems Co., Ltd.
2016 March	Joined LEGS COMPANY, LTD. (currently, CL Holdings Inc.)
2017 March	Representative Director, SIP Company, Ltd. (currently, REET Inc.)
2020 June	Director, CDG Co., Ltd. (to present)
2020 July	Director, LEGS (SHANGHAI) TRADING COMPANY, LTD. (to present)
2020 July	Director, LEGS (SHANGHAI) CULTURAL AND CREATIVE COMPANY, LTD. (to present)
2021 September	Director, LEGS (SHENZHEN) TRADING COMPANY, LTD. (to present)
2022 March	Director in charge of Business Administration, CL Holdings Inc. (to present)
2022 March	Director in charge of Business Administration, LEGS COMPANY, LTD. (to present)

5 Mitsuru Ishimura
Director

1983 April	Joined The Bank of Tokyo, Ltd. (currently MUFG Bank, Ltd.), International Division, BOT Lease Co., Ltd.
1988 January	Joined Paribas Capital Markets (currently BNP Paribas Securities (Japan) Limited)
2000 April	Managing Director in charge of Investment Banking Division, HSBC Securities (Japan) Limited
2013 May	Executive Director, Japan Association for Securities Learning (to present)
2015 June	Outside Director, MARUHAN Corporation
2016 April	Independent Outside Director, SATHAPANA Bank PLC
2019 January	Advisor, Kanie JAPAN Co., Ltd. (to present)
2021 March	Director, CL Holdings Inc. (to present)
2022 June	Advisor, ESG, Ltd. (to present)

8 Sachiyo Yasuda
Outside Director

1992 April	Joined Recruit Co., Ltd. (currently, Recruit Holdings Co., Ltd.)
2014 April	Executive Officer in charge of New-graduates Recruiting Operation Division, Recruit Career Co., Ltd. (currently, Recruit Co., Ltd.)
2019 May	Joined ExaWizards Inc., Executive Officer
2021 May	Director, ExaWizards Inc., Practical AI & DX Research Center (to present)
2022 March	Outside Director, CL Holdings Inc. (to present)
2022 November	Business Development Manager, LegalOn Technologies, Inc. (to present)
2023 February	Advisor, Shinnihonseiyaku Co., Ltd. (to present)

11 Motoo Kobayashi
Outside Auditor

1978 April	Joined KYOCERA Corporation
2008 April	President & Representative Director, KYOCERA Communication Systems Co., Ltd.
2015 December	Retired as Chairman & Representative Director, KYOCERA Communication Systems Co., Ltd.
2018 March	Outside Auditor, CL Holdings Inc. (to present)

3 Satoshi Yamashita
Director

2002 April	Joined LEGS COMPANY, LTD. (currently, CL Holdings Inc.)
2020 July	Director, LEGS (SHANGHAI) TRADING COMPANY, LTD. (to present)
2020 July	Director, LEGS (SHANGHAI) CULTURAL AND CREATIVE COMPANY, LTD. (to present)
2022 January	Director, CL Holdings Inc. (to present)
2023 January	President & CEO, LEGS COMPANY, LTD. (to present)

6 Hiroshi Sonobe
Outside Director

1992 April	Entered the Legal Training and Research Institute of the Supreme Court of Japan
1994 April	Joined Kyoshi Suda Law Office
2001 October	Established Hayashi, Sonobe & Fujigasaki Law Office (currently HS & Co.), Representative Attorney-at-Law (to present)
2016 March	Outside Director, PALTEK CORPORATION
2016 March	Outside Director, Japan Property Management Center Co., Ltd. (Audit and Supervisory Committee Member)
2016 June	Outside Director, Tokyo Tekko Co., Ltd. (Audit and Supervisory Committee Member) (to present)
2017 March	Outside Director, CL Holdings Inc. (to present)
2022 June	Outside Director, Care Service Co., Ltd. (to present)

9 Hajime Kusuda
Full-time Corporate Auditor

1988 April	Joined LEGS COMPANY, LTD. (currently CL Holdings Inc.)
2012 March	Director, LEGS (SHENZHEN) TRADING COMPANY, LTD.
2014 March	Representative Director, SIP Company, Ltd. (currently, REET Inc.)
2020 April	Director and Deputy General Manager, Sales Division, BONMAX CO., LTD.
2021 March	Auditor, LEGS COMPANY, LTD. (to present)
2021 March	Auditor, REET Inc. (to present)
2021 August	Auditor, LEGS COMPANY, LTD. (to present)
2021 September	Auditor, LEGS (SHANGHAI) TRADING COMPANY, LTD. (to present)
2021 September	Auditor, LEGS (SHANGHAI) CULTURAL AND CREATIVE COMPANY, LTD. (to present)
2021 September	Auditor, LEGS (SHENZHEN) TRADING COMPANY, LTD. (to present)
2022 June	Auditor, CDG Co., Ltd. (to present)

Executive Officers



1 Masashi Hasegawa
Executive Officer

Concurrently serving as Executive Officer, LEGS COMPANY, LTD. and Representative Director, eCOCO. inc.

4 Jotaro Tani
Executive Officer

Concurrently serving as Executive Officer, LEGS COMPANY, LTD. and Representative Director, LTR.inc

7 Yasuhiro Furuse
Executive Officer

Concurrently serving as Executive Officer, LEGS COMPANY, LTD. and Executive Officer, CDG Co., Ltd.

10 Takuto Yamakawa
Executive Officer

Concurrently serving as Senior Managing Director, CDG Co., Ltd. and Executive Officer, LEGS COMPANY, LTD.

13 Taketo Isoda
Executive Officer

Concurrently serving as Executive Officer, CDG Co., Ltd.

2 Kiyoyuki Ichikawa
Executive Officer

Concurrently serving as Executive Officer, LEGS COMPANY, LTD. and Director, CDG Co., Ltd.

5 Satoshi Nishijima
Executive Officer

Concurrently serving as Executive Officer, LEGS COMPANY, LTD., Managing Director, LEGS (SHANGHAI) CULTURAL AND CREATIVE COMPANY, LTD., and General Manager, LEGS (SHENZHEN) TRADING COMPANY, LTD.

8 Naoki Noda
Executive Officer

Concurrently serving as Executive Officer, LEGS COMPANY, LTD. and Executive Officer, CDG Co., Ltd.

11 Hideyuki Yasujima
Executive Officer

Concurrently serving as Managing Director, CDG Co., Ltd. and Executive Officer, LEGS COMPANY, LTD.

14 Hiroaki Watanabe
Executive Officer

Concurrently serving as Executive Officer, CDG Co., Ltd.

6 Makoto Kinami
Executive Officer

Concurrently serving as Executive Officer, LEGS COMPANY, LTD. And Secretary/General Manager, LEGS (SHENZHEN) TRADING COMPANY, LTD.

9 Go Kuwata
Executive Officer

Concurrently serving as Executive Officer, LEGS COMPANY, LTD.

12 Kaname Sato
Executive Officer

Concurrently serving as Executive Officer, LEGS COMPANY, LTD.

15 Miwa Takahashi
Executive Officer

Concurrently serving as Executive Officer, CDG Co., Ltd.

16 Masaya Ueno
Executive Officer

Concurrently serving as Executive Officer, CDG Co., Ltd. and Executive Officer, LEGS COMPANY, LTD.

Corporate Outline

Corporate name	CL Holdings Inc.
Representative	President & CEO Junichiro Uchikawa
Head office	Tokyo, Minato Ward, Minami Aoyama 2 chome, 26-1 D-LIFE PLACE MINAMIAOYAMA 11f & 12f
Established	March 1988* <small>*Establishment date of LEGS COMPANY, LTD. before changing its corporate name to CL Holdings Inc. (January 1, 2022)</small>
Capital	350 million yen
Business field	Managing of group companies and activities related to the above

Major Subsidiaries

Corporate name	Business field
LEGS COMPANY, LTD.	Planning, development, and production for promotional services and the entertainment business
CDG Co., Ltd.	Offering of marketing communication plans, planning and implementation of promotional marketing solutions, planning and implementation of client's overall business operation solutions
LTR.inc	Theme cafe planning and production, and store development and operation
eCOCO.inc	Planning, development, manufacturing, and sales of sundries that include figures and soft toys
LEGS (SHANGHAI) CULTURAL AND CREATIVE COMPANY, LTD.	Entertainment production, new business construction support
LEGS (SHANGHAI) TRADING COMPANY, LTD.	Planning and implementation of various campaign types, development, production and sales of premium and OEM products
LEGS (SHENZHEN) TRADING COMPANY, LTD.	Quality control and production management for a range of goods and OEM products, product planning and sales for the Chinese domestic market
REET Inc.	Promotion planning, development, and implementation

Glossary

Term	Meaning
IP	Intellectual Property
Content	Animation, games, movies, characters, artists, etc.
Premiums	Premium goods, premium prizes, and give-aways offered in promotional activities
VMD	Visual Merchandising. A sales method that emphasizes the visual impression of products. It involves comprehensive planning of store design, display, and POP to make products look better.
OEM	Original Equipment Manufacturing. The production of a product under the client's brand, or a manufacturer that produces a product under the client's brand.
BPO	Business Process Outsourcing. Outsourcing of a company's own business processes to an outside specialist

Term	Meaning
Promotion and merchandising (PMD)	A service that combines sales promotion and product sales
Limited Distribution Services	A distribution service that creates intangible goods demand and intangible goods consumption by offering limited edition services, such as limited time, limited area, and limited product.
Theme cafe	A service that provides experiential value by way of a cafe that makes use of IP content, as well as an original menu and limited-run merchandise.
Platform	Networks of stores in Japan and overseas run by retail distribution clients
Ex-Tainment	A term coined by combining the words "experience" and "entertainment," referring to the experiential value felt by consumers when consuming entertainment
GMS	General Merchandise Store

Stock information

Fiscal Year	From January 1 to December 31	
Ordinary General Meeting of Shareholders	March	
Shares (As of December 31, 2022)	Total number of authorized shares	39,200,000
	Total number of shares issued	10,840,000 (includes 703,750 shares of treasury stock)
	Number of shareholders	5,577
	Stock exchange listing	First Section of the Tokyo Stock Exchange (currently, the Prime Market)
	Stock trading unit	100 shares

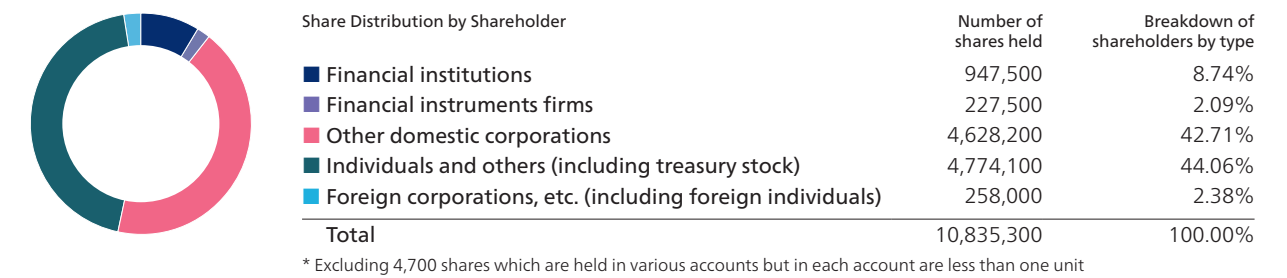
Major Shareholders

* As of December 31, 2022

Major shareholders (Top 10)	Number of shares held	Percentage of total number of shares issued (%)
1 JU Co., Ltd.	4,321,200	42.63
2 CL Holdings Inc. Employees' Stockholding Association	716,100	7.06
3 The Master Trust Bank of Japan, Ltd. (Trust Account)	477,000	4.71
4 Custody Bank of Japan, Ltd. (Trust Account)	411,300	4.06
5 Junichiro Uchikawa	295,400	2.91
6 Kofu Soko Co., Ltd.	224,000	2.21
7 Norio Kabasawa	213,000	2.10
8 SMBC Nikko Securities Inc.	120,700	1.19
9 Masashi Hasegawa	115,500	1.14
10 Toshikazu Kobayashi	60,900	0.60

* The Company owns 703,750 shares of treasury stock.
* The percentage of shareholding is calculated based on the total number of shares issued, excluding treasury stock.

Ownership Status



Editorial Policy
The purpose of this report is to convey to our wide variety of stakeholders, but primarily shareholders and investors, in an easy-to-understand manner, the philosophy-based management that our Group advocates, as well as Ex-Tainment business and other initiatives aimed at increasing our corporate value over the medium to long term. Financial and non-financial information, conversations, etc. are used to convey this information.

CL Group Website
Our website provides various kinds of information on CL Group, including IR information and Group Sustainability. Please peruse it alongside this report.

<https://www.clholdings.co.jp/en>

Forward-Looking Statements
This integrated report contains statements regarding our future plans, strategies, and performance. These statements are not historical facts, but rather represent the Company's judgments based on the information currently available to CL Group. Actual future results may be affected by economic trends, industry competition, currency exchange rates, taxes, and other regulatory developments. For these reasons, these forward-looking statements are subject to potential risks and uncertainties.

Period Covered: Fiscal year 2022 (January 1 – December 31, 2022)
(Where necessary, however, references are made to dates before and after the period under review.)

Date of Publication: June 2023
Referenced Guidelines, etc.
International Integrated Reporting Framework from the IFRS Foundation