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Integrated Report 2023

Experience × Entertainment

Ex-Tainment



Printed in Japan

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.

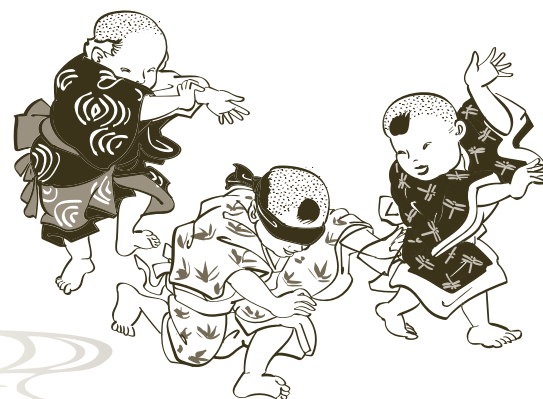
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Our Growth

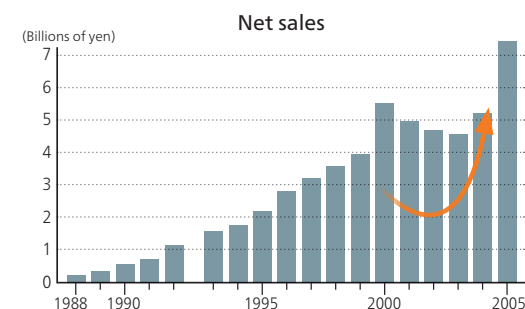
Journey of CL Holdings

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.



After listing, sales and profits decreased for three years. During this difficult period, the entire company was reformed around the slogan of "3 Changes" addressing the "market," "products," and "management." A rapid recovery was achieved.

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



Progress in
organizational
capability

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



Achieved
15 billion yen
in consolidated
sales in 2019.



Going forward, we aim
for 100 billion yen!

Achieved
35 billion yen
in consolidated
revenue in 2023.

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.

Strengthening our
consumer business
foundation

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.



1986

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



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.



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).



1996

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



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

ISO 14001 (environmental)
certification acquired

2005

Invested in MEDIAFLAG Inc. a marketing support business for stores

2006

PrivacyMark acquired



January 2008

ISO 9001 (quality management) certification acquired

October 2008

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

2009

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

2011

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

2012

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



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

Transitioned to Prime Market in Tokyo Stock Exchange

August 2022

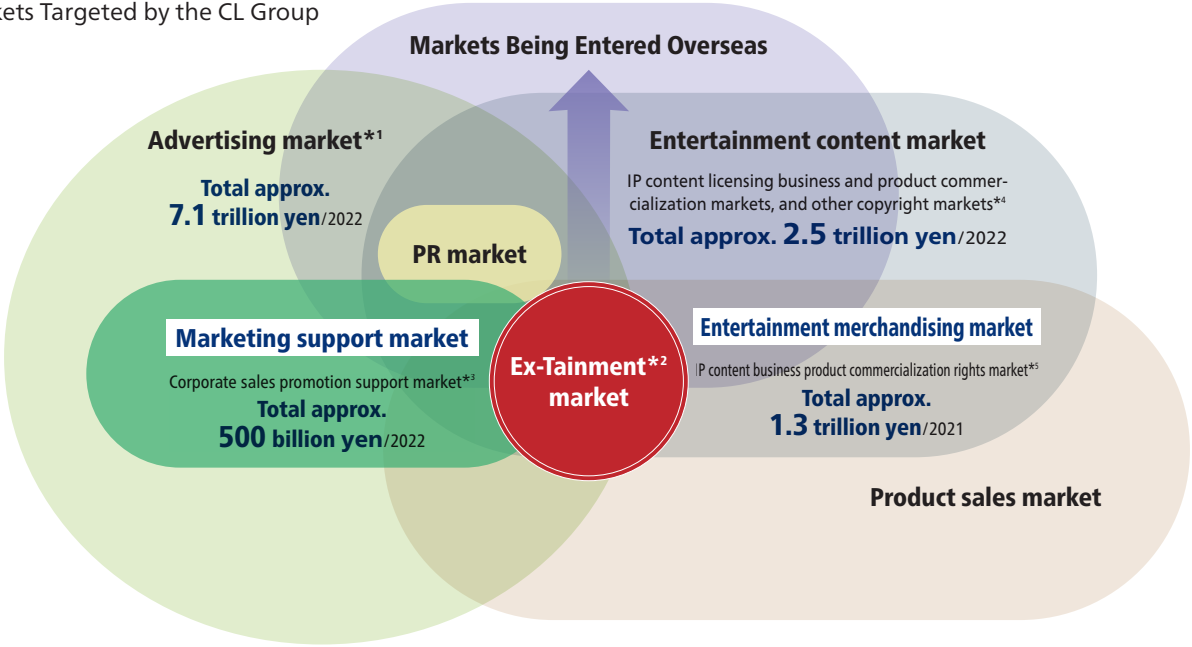
Established elCOCO.inc, a joint venture with Design COCO Ltd.

October 2023

Moved to the TSE Standard market

At a Glance

Markets Targeted by the CL Group



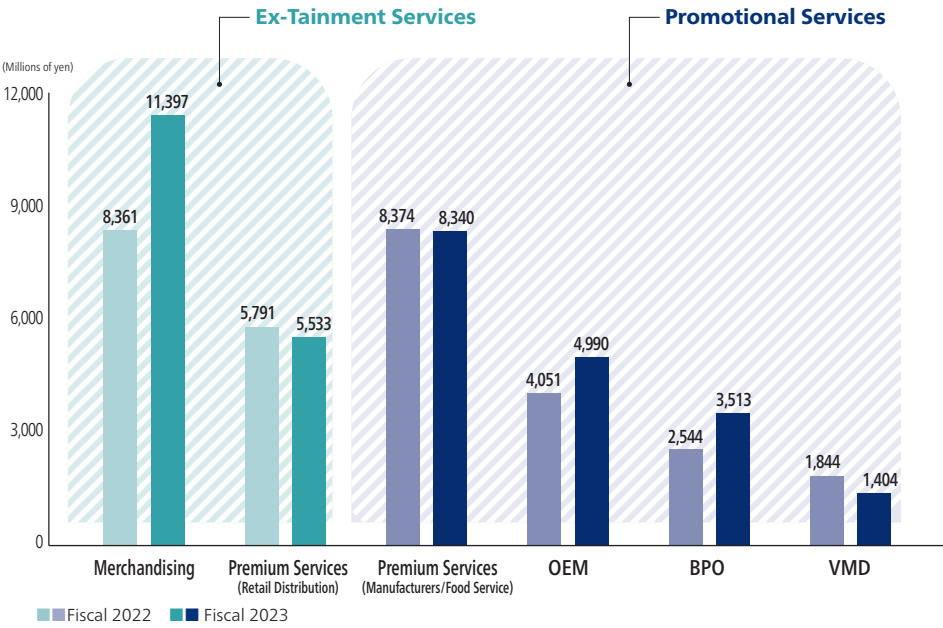
*1 Quoted from Advertising Expenditures in Japan 2022 (DENTSU INC.).
*2 A coined word that combines the words experience and entertainment and refers to the customer experience value in entertainment.
*3 Under certain assumptions calculated based on in-house research.
*4*5 Quoted from Character Business 2022 (Yano Research Institute Ltd.).

The markets in which the CL Group operates include the advertising, product sales, and entertainment content markets. However, there are two other markets—the marketing support market (promotional market) and the entertainment merchandising market, which is the goods market for IP content—and it is the area in which these two markets overlap, which is known as the Ex-Tainment market, that we have defined as the market that the Group is targeting.

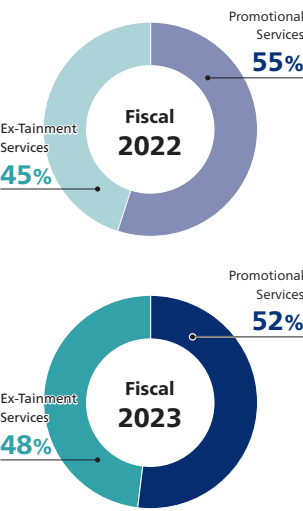
The Ex-Tainment market is the area in which the consumer experience value in entertainment is at its highest, there is the least amount of competition, and the Group’s strengths can be fully demonstrated. We will focus increasingly on going on the offensive in this area over the medium term.

▶ P.14-18

Trends in Sales Revenue by Product/Service



Sales revenue composition ratio









In the fiscal year ended December 2023, sales revenue from Ex-Tainment services was particularly strong at theme cafes, convenience stores, drug stores, etc., and product sales steadily expanded. In promotion services, business process outsourcing (BPO), which are recurring promotional services*⁶, performed well.

Over the medium term, the business structure will continue to change as the Ex-Tainment market expands, and the expectation is that Ex-Tainment services will account for an even higher percentage of sales revenue.

*6 A form of promotion service that enters the customer’s supply chain and is outsourced on a continuous basis.

Products and Services

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

Products and Services	Description of Our Products and Services
Ex-Tainment Services	 Merchandising This is a B2B2C, B2C or D2C service where products (goods) utilizing IP content are designed and sold to consumers in stores and e-commerce. Theme cafes offer food and merchandise with original menus created in collaboration with various IP content.
	 Premium Services (Retail Distribution) 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.
Promotional Services	 Premium Services (Manufacturers/Food Service) 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 cultivate new customers.
	 OEM 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.
	 BPO 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.
	 VMD 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 numerous gold and silver awards in the JPM POP Creative Awards, Japan’s largest POP tool contest.



President & CEO

A good manager is one that can both satisfy stakeholders and generate profits. Moreover, a good manager will work to secure steady shareholder returns while engaging in management that satisfies all stakeholders, including shareholders.

Substantial Growth in Ex-Tainment and BPO Services Amid the Transition to a Holding Company Structure and Efforts to Optimize the Business Portfolio

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. In part because the founders of LEGS and CDG originally both studied at Seiwajyuku*, they share a common set of values that has allowed the two companies to undergo a relatively seamless transition to the new management structure. At present, we are advancing integration from both a business and organizational approach.

One of the reasons for transforming our management structure was to address today's dramatically changing external environment. This includes a shrinking domestic market triggered by changing demographics, a factor that we recognize demands a reorganization of the industry, as well as the COVID-19 pandemic that ravaged the globe starting 2020. Recognizing these changes in the external environment as opportunities, we decided to embark on major structural changes that will move us away from a conventional promotional services-focused company. In other words, we determined that an organic approach to sustainable growth under existing business models would be difficult. 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 leverage our strengths in the areas of entertainment and distribution.

From a promotional services perspective, we are focused on developing recurring revenue model BPO services as a countermeasure against the increasingly severe competitive environment in Japan. As part of these services, we delve into our customers' supply chains, thereby capturing more orders through services

that we provide in an ongoing manner, and through an approach that relies on our marketing capabilities and IT technologies. Even before this move, CDG had begun to see signs of growth in its BPO services, which is why we determined that we should build on these endeavors. In fact, BPO service sales have grown remarkably as a result of investing management resources in this area.

We are also turning our attention to overseas markets. The promotional service business is typically dependent on domestic demand, and is therefore considered an unlikely candidate for overseas expansion. Leveraging entertainment-related intellectual property and other rights, however, our Ex-Tainment services hold sufficient potential for overseas expansion. For this reason, we will embark overseas once fully solidifying our presence in Japan.

Despite the difficulties encountered during the first half of 2023, Ex-Tainment services now account for close to 50% of the CL Group's sales, whereas promotional services are starting to shift to a focus on recurring revenue model BPO services. We have transitioned to a holding company structure and worked to optimize the business portfolio since fiscal 2022, and it is now clear that these efforts are slowly bearing fruit. Having already reached the bottom from a business performance perspective, we expect to launch a counteroffensive in fiscal 2024 and beyond. By promoting higher earnings strength as an effort raised in the CL Group's medium-term strategy, we will grow the Company based on sufficient earnings strength. At the same time, we will connect this strength to economic returns for our stakeholders with the aim of achieving our management philosophy.

* A private school run by Kazuo Inamori, the founder of Kyocera Corporation, that teaches managers about the philosophy of management.

CDG Also Implements the Management System Developed by LEGS, and Makes Judgements by Project Based on Operating Income Instead of Gross Profit

Although it possesses outstanding human resources and superior technology, CDG's management resources are spread out because it has more than 400 client companies. In addition to recognizing the strengths possessed by CDG, we have therefore decided to redistribute its management resources. Despite the fact that its net sales had already exceeded 10 billion yen when it became a consolidated subsidiary, we took this action because we needed to better clarify its strengths in order to grow the company. Expansion of BPO services can be considered one of the outcomes of this effort. Although considerable courage was required

to select and concentrate on specific clients and projects, CDG's employees ultimately accepted the move because we put forward a clear management strategy. Moreover, we decided to make judgements regarding each client and project based on operating income instead of gross profit as the basis for decision-making. As a result of CDG also implementing the management systems established by LEGS, it is now able to visualize the profitability of each client. This move has helped CDG select and concentrate on specific clients and projects. And as with LEGS, CDG has thoroughly pursued the potential to visualize management because

the ability to see more information encourages the greatest changes in behavior. By opening up management to employees

and engaging with them more directly, CDG has also accelerated the infusion of policies throughout the company.

Promoting Group-wide Leader Management Education and the Delegation of Authority While Shifting to Management That Prioritizes the Frontline

Ideas that evolve into businesses are conceived on the frontlines. And because the frontlines are close to customers, they receive a considerable amount of the latest information, including customers’ needs. We therefore believe it is important to fully embrace a hands-on approach to ensure that employees work more effectively. Although we previously provided leader management education for those in management positions, we now offer leader management education to those at all levels. This is because knowledge on management, including among younger employees, is a prerequisite for creating an independent organization. In this manner, our goal is to become an empowerment-based organization that takes the form of an inverse pyramid, and that draws out the capabilities and vitality hidden in each employee. An equally important goal is to ensure that we are the first to capture frontline needs as a means of generating business. Similarly, we launched the Junior Board System in fiscal 2023 in order to provide more opportunities to young employees.

As the foundation for human resource development, we are advancing preparations to transform the human resource system into one that more accurately assesses the efforts of the frontline while keeping an eye on the engagement score. Although our approach still tends to value those who produce positive results in terms of business performance, we will reform systems and organizations to ensure that those who rise to the top possess the skills to bring people together, to listen to others, and to develop human resources.

Moreover, connecting with people is an important aspect of maintaining employee motivation. We occasionally find cases where departments with low engagement scores face problems with connecting to people within the organization, for example those departments that tend to take a top-down approach to management as in the past. Essentially, superiors must look upon their employees with a greater sense of affection. Which is why I believe that we must aspire to an organization in which employees can propose plans on their own initiative under these types of superiors, and make decisions upon gathering collective wisdom. At the same time, we intend to achieve our management philosophy through the combined strength of the entire team. Reflecting this desire, we have advanced reforms to organizations and human affairs throughout the Company over the past three years.

Yet both the historical context and the values held by people are starting to change. In the past, only a privileged few were informed on management and society, and therefore tended to monopolize information. Today, however, everyone has access to this information. The coming future will require us to provide even more open access to information, and to aspire to a level organizational management playing field if we are to succeed. Although the answer cannot simply be to have every employee attend executive meetings, to this extent we will endeavor to ensure that there is no gap in access to information within the Company.

Positioning all LEGS and CDG Executive Officers as Executive Officers of CL Holdings Thereby Eliminating Individual Corporate Identities and Shifting to Management from a Companywide Perspective

Operating companies under the oversight of holding companies are necessarily subject to centrifugal forces that drive them to function as individual entities. Therefore, our first move was to position all of the LEGS and CDG executive officers as executive officers of CL Holdings in an effort to increase centripetal forces. Our aim here was to shift their strong sense of identity as members of individual companies to a focus on succeeding as a group, and to foster the capability to chart optimization for the Group. Although serious effort is involved in administering such a meeting body, I believe this is an important step for the current phase. Moreover, we are fully advancing initiatives for coordinating and strengthening business functions in a way that mutually links, coordinates, and streamlines the individual functions and organizations respectively possessed by LEGS and CDG.

We must ensure that all executive officers fully understand the management philosophy that outlines why the CL Group exists, along with the CL Philosophy that serves as the standard for conduct. For this purpose, Group companies must position these philosophies at the heart of their guiding principles. Under this concept, we drafted the management philosophy and CL Philosophy through the combined efforts of the Group’s directors and executive officers. Perhaps several years in the future, centrifugal forces will act to drive apart the individual companies from each other again depending on the strategy. Even in this case, however, I believe that by ensuring everyone becomes a member of the CL Group, the centripetal forces applied by CL Holdings will continue to act in a way that contributes to the growth of the Group.

Shifting from Assessment on the Basis of Individual Companies to that of the Entire CL Group, and the Importance of Promoting External Human Resources

The CL Group has identified the “development of human resources and generation of management personnel” as a long-term policy. While investing in human capital to achieve this policy, one of the challenges faced by the Group today is its

evaluation system. For example, we still tend to assess individual companies with a priority on their profit and loss statements. In response, we are now starting to shift assessments toward an approach that includes the degree of contribution by Group-wide

projects. And today we are seeing gradual changes in the awareness of those who participate in those projects that are advanced through collaboration within the Group. The outcomes of these projects then serve to change the awareness of other employees who recognize that working together leads to success. In one example of an initiative with a client in the retail field, we leveraged the ability of LEGS to procure intellectual property content and launched an initiative in cooperation with CDG, ultimately leading to an order for a large-scale campaign. By applying the evaluation system to the principles of business, I believe the awareness of our employees will also gradually change.

By striving for optimization across the Group in this way, and by centralizing the know-how and knowledge of individual companies as a Group, we are starting to transform our business model in significant ways. Accordingly, the skill sets possessed by our employees must also change. I therefore believe we must avoid over-focusing on taking action with our current members alone. Instead, we must also engage in mid-career recruitment efforts through which we scout and promote general managers in their 30s and 40s, as well as human resources in the executive officer class, from other companies. The skill sets required at each stage will change as our sales grow from 10 billion yen to 30 billion yen and 50 billion yen. The Company will stagnate and our people will lag behind, however, if we fail to place human resources

suited to the current phase of the Company in the right place. In line with the business plan, we will therefore consider and work to recruit the types of human resources that we lack. External human resources will have accumulated experience along their career path, and will have already climbed those mountains before, meaning they are more likely to choose the best course of action. Starting entirely from scratch means our people will lack the ability to address the risks of unforeseen circumstances, which also means the Company will require more time to grow.

Another important management issue is the succession plan. I believe that simply ensuring top management are outstanding talent will fail to create an effective company. Instead, they must all possess truly high motivation, give their all for their colleagues, and be able to make self-sacrifices. Even my friends from my time at Seiwajyuku failed to succeed when they were unable to make self-sacrifices. Although some people may succeed at times by prioritizing their own desires, I feel that altruistic individuals maintain their motivation longer, and therefore succeed in the long run. In order to appoint altruistic individuals as successors, our Nomination and Compensation Advisory Committee has also agreed to compare candidates against the conditions for successors as based on the experience of Kazuo Inamori, a renowned entrepreneur who was known as the founder of Kyocera Corporation and KDDI Corporation.

The Key Is Balancing Stakeholder Satisfaction and Profit Generation

It is only natural for shareholders and investors, particularly those who invest in growth companies, to expect returns. The Tokyo Stock Exchange also presents broad requirements for management to have an awareness of capital costs and stock prices. I believe this is not a question of choosing either contributions to society or growth as a company, however, but of needing to satisfy both “stakeholder satisfaction” and “profit generation” as we say. In this regard, a good manager can achieve both. Without profits we will fail to grow in a sustainable manner, ensure each

employee’s happiness, and give back to society. By enhancing profitability, increasing the value we create for society, and realizing steady returns for shareholders, we aspire to a management approach that satisfies our shareholders and other stakeholders.

April 2024

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.

Changes in Society Related to the Company	Related stakeholders	Issues	Risks	Timeframe	Opportunities	Timeframe
1 Diversifying consumer and client needs	Consumers, clients, cooperating compa- nies, copyright holders	• Developing products and services that respond to changes in consumer lifestyles and behavior patterns, as well as clients' sales promotion needs	Fewer opportunities to use the Company's products and services due to a delayed response to changing consumer and client needs	Short Medium	Creating new revenue models through the development of new products and services demanded by consumers and clients	Short Medium
2 Low birthrate and aging society / declining Japanese population / growing global population	Consumers, clients, cooperating compa- nies, copyright holders, employees, sharehol- ders, investors, local communities	• Responding to the risk of contraction of the advertising and sales promotion market in Japan • Labor shortages due to a shrinking working-age population	• Decrease in sales promotion/customer attraction opportunities and decrease in product sales in Japan • Waning corporate activities due to difficul- ties in securing human resources	Medium Long	• Creating revenue-gene- rating models in new markets, both inside and outside Japan • Achieving stable business growth by securing human resources	Medium Long
3 Accelerating digitalization due to the emergence of new technologies	Consumers, clients, cooperating compa- nies, copyright holders, employees	• Developing products and services that leverage the latest digital technologies • Digitalizing business processes • Enhancing cybersecurity • Securing and develop- ing human resources competent in digital technologies	• Reduction of competitive- ness of products and services • Increase in SG&A and other costs due to lower productivity • Information leakage and damages caused by security failures	Short Medium	• Creating new revenue models through the development of new products and services that leverage the latest digital technologies • Improving productivity through digitization of business processes • Continuing safe, secure, stable business	Short Medium
4 Spreading consumer awareness of sustainability	Consumers, clients, cooperating compa- nies, copyright holders, employees, sharehol- ders, investors, local communities	• Responding to greater resource efficiency and the transition to a recycling-oriented society • Developing products and services with low environmental impacts • Promoting CSR procurement • Constructing a sustainable supply chain	• Loss of business opportu- nities and increased costs due to the continued provision of environmen- tally detrimental products and services • Loss of business opportu- nities due to decreased social credibility • Delayed product delivery due to supply chain breakdowns	Medium Long	• Developing sustainable products and services • Creating business opportunities by gaining social credibility • Reducing costs through energy efficiency and waste reduction • Achieving a stable supply of products to the market	Medium Long
5 Diversifying human resources and work styles	Employees	• Securing and develop- ing human resources that align with the Group's management style • Establishing an environment and introducing systems that allow for pleasant and rewarding work	• Sluggish business growth due to delayed human resource development • Lost business opportuni- ties due to the outflow of and failure to secure human resources	Medium Long	• Achieving stable business growth through ongoing human resource development, and output of manage- ment personnel • Strengthening personnel recruitment competitive- ness by realizing pleasant and rewarding work environments	Medium Long
6 Growing demand from society to strengthen corpo- rate governance	Consumers, clients, cooperating compa- nies, copyright holders, employees, sharehol- ders, investors, local communities	• Ensuring soundness and transparency of management	• Losses caused by lower social credibility	Short Medium	• Increasing corporate value by fostering social credibility	Short Medium



Material Issues	CL Group Initiatives	Outcome of the initiatives
Higher profitability Continuous innovation output	Economic Value <ul style="list-style-type: none">• Exploring and deepening domestic and overseas platforms*1 ▶ P.12-15, 18• Expanding original products and services that leverage IP ▶ P.12-15, 18• Developing new products and services that leverage digital technology• Strengthening the ability to procure IP content by reinforcing relation- ships with copyright holders ▶ P.17• Making ongoing investments with an optimal balance in new businesses, M&As, overseas, and the SDGs ▶ P.17, 19• Optimizing business portfolios (focus on the three business domains) ▶ P.16• Creating business synergy within the Group (promotion of Group synergy projects) ▶ P.16• Expanding business support services (BPO) in the marketing domain ▶ P.5, 16	Sales revenue (36.3 billion yen) EBITDA (2.1 billion yen) EBITDA margin (5.9%)
Reinforcing and sophisticat- ing internal infrastructure using digital technology	<ul style="list-style-type: none">• Improving and integrating digital infrastructure within the Group• Digitalizing operations through the introduction of RPA, AI, etc.• Monitoring security	Number of business efficiencies achieved through the use of digital technology (6)
Developing sustainable business	<ul style="list-style-type: none">• Reducing inventory disposal by using IP content analysis and a sales forecasting system ▶ P.22• Conducting SDGs awareness programs that use promotional and IP content ▶ P.22-23• Developing products and services that use environmentally friendly materials and recycled materials ▶ P.22• Building a stable supply chain through stronger relationships with coope- rating companies	Percentage of inventory disposed of vs product sales (7.3%)
Ongoing recruitment and development of human resources Nurturing management personnel	<ul style="list-style-type: none">• Providing support for recruitment of and participation by diverse human resources• Improving the environment and building systems to realize diversity, equity, and inclusion (DE&I)• Undertaking initiatives to enhance employee engagement*2• Creating a culture that enables human resource development from a long-term perspective• Building systems to discover and develop human resources that will take responsibility for management in the future ▶ P.17, 23-24	Average annual hours of training per employee (43.8 hours)
Strengthening corporate governance	Governance <ul style="list-style-type: none">• Strengthening management, business, and risk control systems for the Group globally• Conducting ongoing compliance education including e-learning ▶ P.25-27	Compliance with revised Corporate Governance Code (full compliance*3)

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 single engagement analysis tool will be introduced for the Group in FY2023, and scores calculated.
3: As of the end of March 2024.

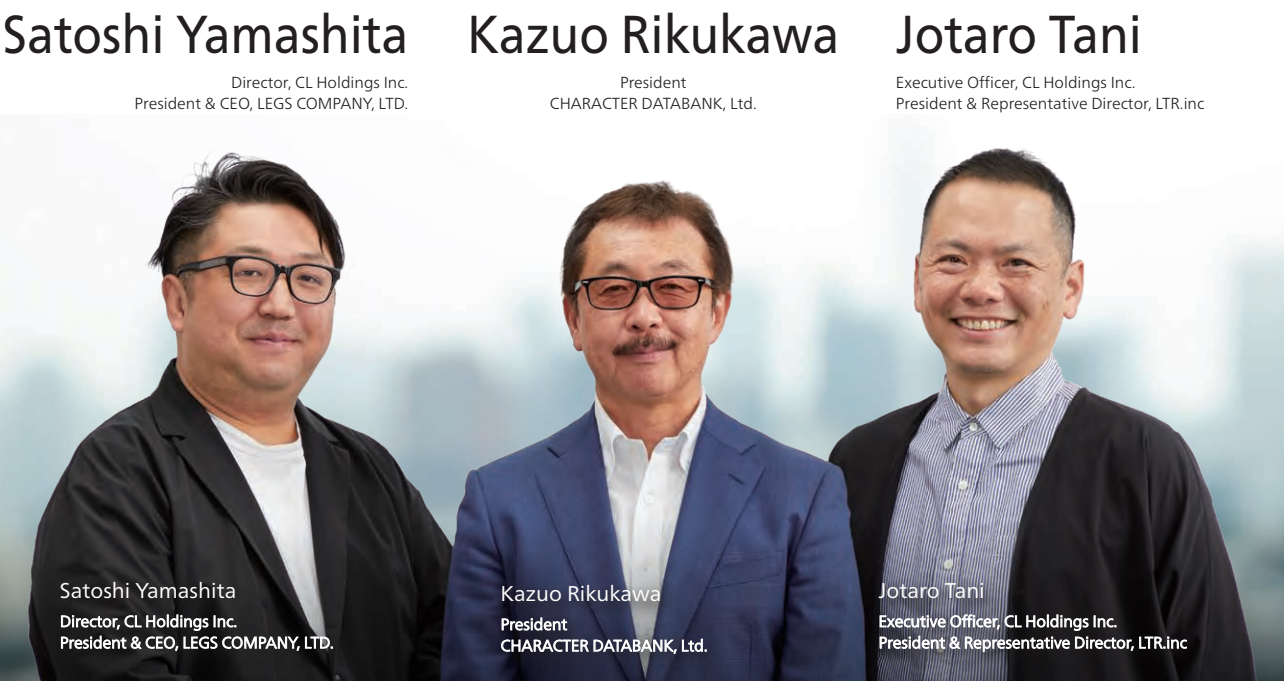
Process of Value Creation

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 expansion 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



Potential for content business development in Japan

Rikukawa I run a marketing and consulting company that specializes in character content. As such, I estimate the scale of the character product market each year. In 2022, the market hit 1.56 trillion yen in Japan, slightly higher than the level recorded in 2019 prior to COVID-19. If we add digital products, the market exceeds 2 trillion yen. Trends throughout 2023 are also projected to remain robust and well ahead of the previous year. Despite the pandemic and subsequent shift toward digital content, I believe this reflects the behavior of character fans, who are once again seeking the value of experiences that can only be found in real life, with the gradual removal of restrictions on people’s movements from 2022.

Yamashita Under the extraordinary circumstances of the pandemic, the ongoing development of a digital distribution environment and upswing in stay-at-home demand triggered a sudden rush of opportunities to experience various genres of entertainment videos. As a result, new markets are emerging, most notably in East Asia and especially in North America. Against this backdrop, the status of entertainment developed in Japan, especially character content, is increasing. We, at the CL Group, are involved in both B2B sales promotion and B2C merchandise sales. Of these, the B2C theme cafe service has witnessed a consistent increase in the number of visitors since the pandemic

and the experience-based service that combines IP content with food and beverages has attracted a solid fan base. Looking at our track record to date, we are confident in those businesses that revolve around IP content and take pride in their strong performance trends.

Tani Rather than a flash in the pan, I am convinced that the theme cafe service has firmly established itself as a conduit through which fans can enjoy characters and artwork in the post-COVID-19 period. We currently maintain a network of 16 BOX cafe&space theme cafes nationwide, which focus on topical themes for a limited period of time. These experience-based cafes allow visitors to engage in the one-off consumption of intangible goods. Meanwhile, we are also developing cafes that adopt a permanent theme, which we hope will attract an enduring fan base. In terms of long-lasting popularity, theme parks such as Disneyland, which have many repeat visitors, are an excellent example. Art museums where visitors enjoy the same painting on multiple occasions are another example from a more historical perspective. The boundary between the art and entertainment worlds continues to narrow, as evidenced by immersive museums, including teamLab. With this in mind, I think it is important for customers to feel immersed and to relive the world of their favorite works.

Prospects for the Ex-Tainment business

Tani As far as such experience-based facilities as theme cafes, museums, and zoos are concerned, there are three levels

of behavior through which customers perceive the value of each experience. Beginning with a “visual appreciation,”

the value of each experience is further enhanced through “interaction” and then completed with a “purchase.” Recognizing the importance of preserving each experience, undertaking a purchase is necessarily the last of the three levels of behavior. In essence, this behavioral flow is considered universal, transcending national boundaries. In this regard, Ex-Tainment precisely provides the value required at the “purchase” stage while LTR.inc creates value through a multiplier effect using food and beverages.

Rikukawa Should customers wish to make a purchase, they can do so through an e-commerce site. Content fans frequent stores seeking to engage in the one-off consumption of intangible goods, where they shop, eat, and drink while experiencing the world of characters. Businesses will therefore suffer going forward should they fail to provide the necessary experiential value that satisfies these needs. For this reason, and as was mentioned a moment ago, I believe that the concept of an “immersive experience” will become key in the Ex-Tainment business. As a result, I sense demand for deeper immersive experiences will continue to grow.

Tani Today, the breadth and depth of each consumer’s experience of a particular product or service have increased and fans are becoming more discerning. Looking ahead, I believe that products and services will need to be more authentic in order to satisfy fans.

Yamashita Businesses are evolving and changing at an accelerated pace. Even if a new market is created, that market will quickly deteriorate should it fail to evolve. People’s sensitivities have also evolved. In addition to expectations surrounding convenience and value for money, people are increasingly looking for the story behind each product. Taking the aforementioned into consideration, our most important concerns are “Who is our customer? What do they want?” Rather than adopt a corporate perspective, it is therefore important to create a “story-like experience” that satisfies customers. This is an extremely challenging task. However, as an emerging force, I see this as an opportunity to expand the Ex-Tainment market.

Essential requirements for the sustainable growth of the CL Group

Rikukawa To date, the magnitude of domestic content has been more than sufficient to support business solely in Japan. However, as the population continues to decline, it will become increasingly important to expand business to the world stage. The so-called “Galapagos” IP content that has emerged specifically for the Japanese market is now widely known to people overseas through various media, including video, music and other content distribution services as well as SNS, attracting considerable praise and interest. I am therefore convinced that this is a genuine opportunity.

Yamashita Our goal is to change people’s lives for the better through our Ex-Tainment (customer experience value in entertainment) business. Japan’s birthrate continues to decline. In contrast, the younger generation is beginning to drive economic growth across the rest of the world. Against this backdrop, I believe there is considerable potential to create a business model that links Japan with the rest of the world through exposure to Japanese IP content. In

addition to such IP content as animation and characters, Japan has a lot more to offer. I therefore hope to work in collaboration with various other industries.

Tani Just the other day, we test marketed a boxed lunch containing “onigiri” (rice balls) in collaboration with Japanese IP content, which sold out every day of a four-day event. This helped to confirm the definitive need for a theme cafe that combines Japanese ingredients and Japanese food with IP content. If we can add experience value, I think the possibilities will further increase.

Yamashita As far as the Group as a whole is concerned, we are active across three businesses: Marketing, Ex-Tainment, and Merchandising. Our goal is to forge a global foothold in each of these business domains. In order to generate mutual synergies in the three business domains and work closely with overseas partners, we hope to compete by first focusing on Japanese character content, and by making good use of various Japanese strengths and attractive attributes, including Japanese food.



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 front lines 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.



Kazuo Rikukawa

President of CHARACTER DATABANK, Ltd. After working as an editor and researcher as well as in other capacities for a marketing company, established CHARACTER DATABANK, Ltd., a marketing research and consulting company for licensing and character businesses. TV, newspaper, magazine, and other media commentator, writer, and lecturer. Author of such works as “Character Marketing Method” (co-author: JMA Management Center Inc.).



Jotaro Tani

Executive Officer of CL Holdings, Inc. and President & Representative Director of 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 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

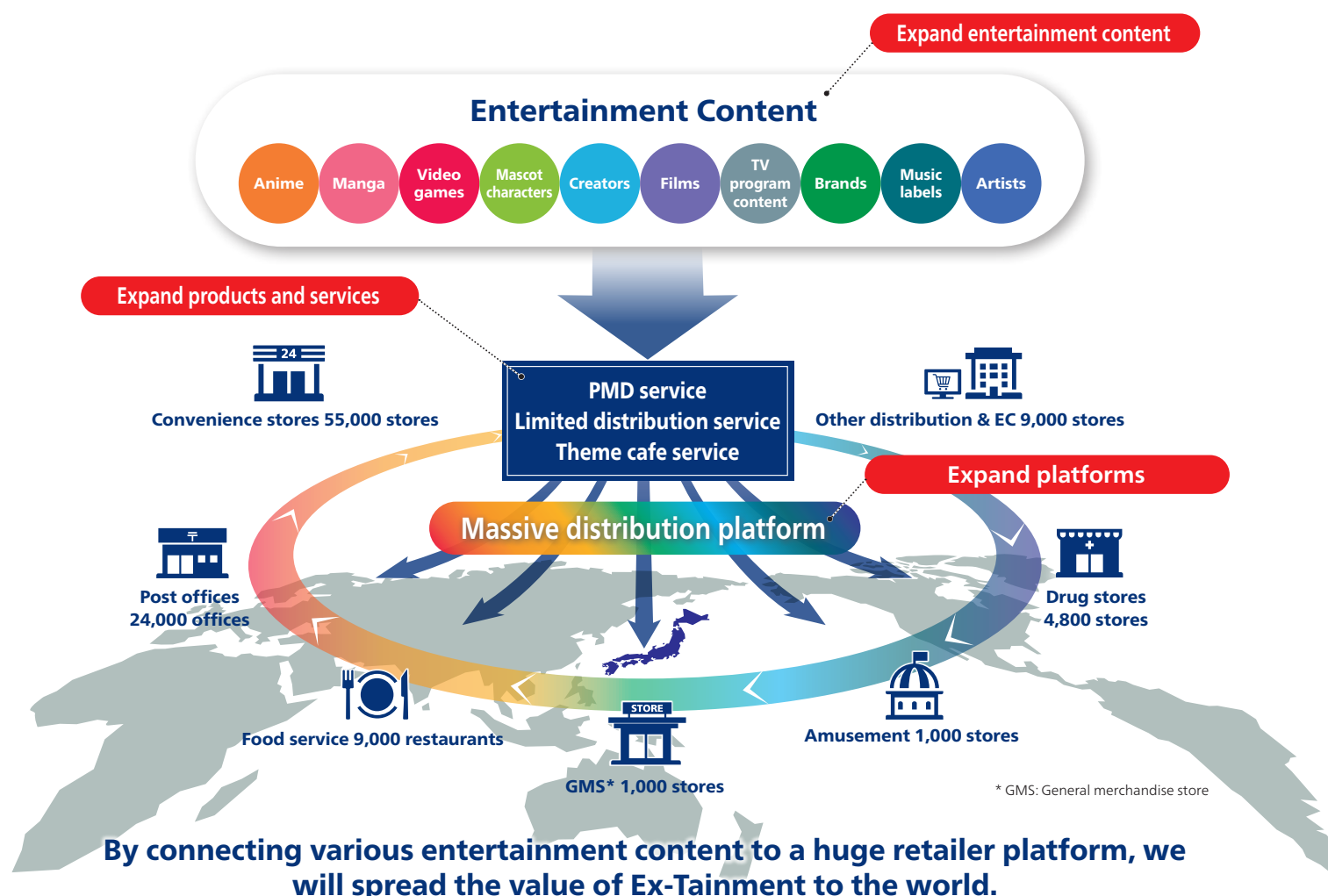
Consumer behavior has become polarized. One pole is from the demand for “rational shopping,” which is the desire to make purchases quickly and easily. The other pole is from the demand for the experimental value of fun when shopping. With the advancement of digitalization, e-commerce’s absorption of 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.

* See p.32 for terminology details.



Special Feature: Providing customer experience value in entertainment through theme cafes

In the Ex-Tainment business promoted by the Group, theme cafes have become an iconic service that provides customer experience value in entertainment through the combination of food and entertainment.

Customer experience value in entertainment being provided to fans

Theme cafe services, which are provided through small theme park-like cafes that combine the world views of intellectual property (IP) content with space, food and drink as well as performance and other attractions, are continuing to steadily expand as places to enjoy extraordinary experiences up close. Fans who visit are able to enjoy IP content from new perspectives through an exciting dining experience that is beautiful to behold, delicious to eat, and fun to experience.

Fans’ ability to immerse themselves in the world views of their favorite IP content is also being highly praised. We are

creating stores that will make fans smile by means of, for example, spaces where they can relive the worldviews and decorations of the artworks that will make them spontaneously want to take commemorative photos.

Our stores have been gaining a reputation among many customers by offering great-tasting and photogenic food and drinks that are safe, environmentally friendly, and healthy. In addition, limited-edition original goods can capture fans’ hearts and allow them to enjoy the special feelings that can only be found at our theme cafes.

Customer experience value in entertainment provided through theme cafe services



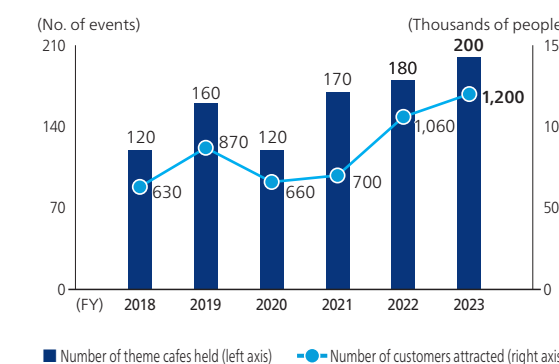
Theme cafe as device to encourage clicks on “like”

Through the customer experience value in entertainment provided through our theme cafes, fans will “like” the IP content even more. Moreover, as fans have shared their “likes” with family and friends, the number of customers attracted has steadily

increased. As a device to encourage clicks on “like,” our theme cafes have steadily increased their numbers of visitors. In 2025, we aim to have attracted two million people and continue to increase the number of people who “like” our theme cafes.



Number of theme cafes held and number of customers attracted



Growth Strategy

In order to realize the Group’s management philosophy, we are focused on strengthening profitability over the medium term. In this regard, we will transform the earnings structure and enhance productivity in order to strengthen earning power, which will entail advancing structural reforms and optimizing the business portfolio. At the same time, we will achieve sustained business growth over the medium- to long-term by accelerating expansion of the Ex-Tainment market, which offers the greatest degree of opportunity over the medium- to long-term both in Japan and overseas.

CL Group’s Medium-Term Strategy and Key Points

The Group has advanced its medium-term strategy under the goal of expanding the Ex-Tainment market and with an emphasis on business growth. In order to realize the Group’s management philosophy anew, however, we recognized the need to first strengthen profitability, which serves as the capital for growth and endurance. We therefore established “strengthen profitability” as the medium-term strategy. Moreover, we will focus on four key points in order to prioritize efforts to strengthen earning power.

CL Group’s Medium-Term Strategy

Strengthen Profitability

In order to realize the management philosophy, we will enhance profitability over the medium term. For this purpose, we will achieve the following four key points.

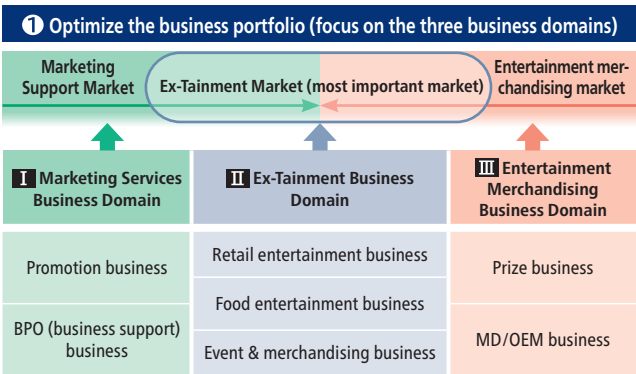
Medium-Term Group Strategy
Four Key Points

- 1 Optimize the business portfolio (focus on the three business domains)
- 2 Enhance productivity (improve the efficiency of business)
- 3 Strengthen intangible assets (human capital, intellectual property, technological assets)
- 4 Optimize investments (continuous investment with an optimal balance)

Key Points

1 Optimize the business portfolio (focus on the three business domains)

In regard to the marketing support, entertainment merchandising, and the Ex-Tainment markets which are the three markets the Group is targeting (see p. 2), we are working to optimize resources and formulate strategies suited to each market. Similarly, we have established three business domains and seven business segments to execute these strategies. Under an officer responsible for each business domain, we will establish key points for profitability improvement, and steadily execute these improvements.



2 Enhance productivity (improve the efficiency of business operations)

Since fiscal 2023, we have promoted four Group synergy projects intended to create business synergy within the Group, centralize common operations, and promote greater operational efficiency. From a productivity improvement perspective, we are steadily advancing a variety of steps, including efforts to standardize and share business operations, including those that involve rules and systems, and to review processes. In particular, significant progress was made in the platform project and management infrastructure project during fiscal 2023. In terms of the front line, we are reviewing operations and eliminating unreasonable, wasteful, and irregular work as part of steady, ongoing efforts to streamline internal

2 Enhance productivity (improve the efficiency of business operations)		
1. Advance the four Group synergy projects	•Review business processes	•Eliminate unreasonable, wasteful, and irregular work
	•Systematize operations (including RPA and AI use)	
2. Streamline internal operations (pursue stress-free work)	•Platform project	•Consider optimal combinations of internal and external production from the standpoints of productivity and profitability
	•Digital development project	
3. Effectively use external resources (BPO use)	•IP content project	
	•Management infrastructure project	

operations. Going forward, we will work to further enhance productivity by investigating optimal approaches to operations, including the effective use of external resources.

3 Strengthen intangible assets (human capital, intellectual property, technological assets)

In order to accumulate and bolster the Group’s strengths as assets, we will promote efforts to boost human capital, intellectual property, and technological assets. Amid an external environment in which demographics are changing, in particular, we recognize that human resources are the source of the Group’s competitiveness, and are therefore focusing investments on human capital. For example, we are advancing initiatives to develop management personnel, as well as visualizing internal information, encouraging independent action among employees, and creating empowerment-based organizations. Moreover, we are shoring up all manner of intellectual property, including the IP content procurement pipeline, and will utilize the Group’s experience in large-scale campaigns and product sales traffic as technological assets.

3 Strengthen intangible assets (human capital, intellectual property, technological assets)

1. Strengthen human capital	• Strengthen the qualities (ways of thinking, passion) and capabilities (knowledge, technology, skill) possessed by individuals
Human capital	Refers to the qualities and capabilities possessed by the individuals that constitute companies, and serves as the origin from which corporate value emerges
2. Strengthen intellectual property	• Construct systems and mechanisms that develop (invest in) human resources that can create value
Intellectual property	Refers to personnel, technologies, organizational capabilities, customer networks, brands, and other invisible assets possessed by companies, and serves as a source of competitiveness
3. Strengthen technological assets	• Enhance stress-free work environments for employees
Technological assets	Refers to the information assets regarding technology, as separate from engineers, possessed by companies, and serves as a source of competitiveness
	• Enhance copyrights, trademark rights, patents, and other forms of intellectual property
	• Enhance know-how, brands, business models, and other forms of intellectual property for which rights are not acquired
	• Enhance beneficial relationships and networks between clients, partners, and copyright holders (shift away from reliance on people)
	• Build assets using campaigns (B2B) and products/services (B2C) traffic (volume of customer experience)

4 Optimize investments (continuous investment with an optimal balance)

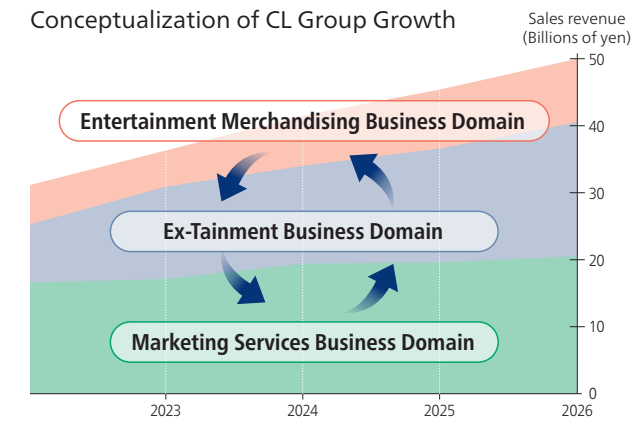
We have identified four areas of investment necessary for the Group’s growth: new businesses, M&As, overseas, and SDGs, and will continue to make investments in these areas in a balanced manner.

4 Optimize investments (continuous investment with an optimal balance)

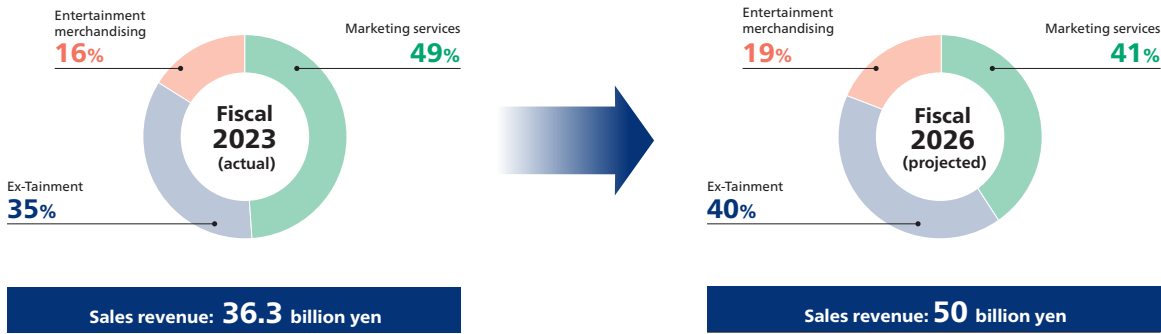
1. New business	•Engage in numerous hypothetical options and reviews on a project basis, and target commercialization
2. M&A	•Make ongoing investments according to the M&A investment policy
3. Overseas	•Gradually grow business as an extension of platform expansion
4. SDGs	•Make ongoing investments according to the Holdings sustainability policy and business growth

Conceptualization of the Group’s Growth and Business Portfolio

The three business domains laid out by the Group overlap in part, where focusing on the Ex-Tainment business domain, which offers the greatest degree of opportunity, will generate synergy with the other business domains. In this way, we have illustrated a concept for overall growth for the Group that builds through the expansion of each of these business domains. Moreover, we intend to have made major progress in the shift from a business portfolio centered on marketing services to one centered on Ex-Tainment and entertainment merchandising services by 2026.



Conceptualization of Sales Share by CL Group Business Domain



Case Study: Transforming the earnings structure through business portfolio optimization

CASE 1 Ex-Tainment business domain expansion

Diversifying the theme cafe brand (food entertainment business)

As a joint venture specialized in theme cafes, LTR is diversifying its theme cafes. In one approach, it is expanding long-term and permanent theme cafes. In this respect, it is accelerating openings, including miffy café tokyo, which follows upon the opening of Harry Potter Cafe. In another approach, it is deploying new businesses that combine IP content and different business formats. By partnering with large-scale commercial facilities and major developers, LTR is participating in community development concepts that convert entire streets into theme parks from the starting point of theme cafes, as well as developing theme cafes in hotels.



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CASE 2 Ex-Tainment business domain expansion

Launching event & merchandising services (event & merchandising business)

In fiscal 2023, we launched an event & merchandising service as a new offering. Recognizing the growing demand for experience consumption among fans of IP content at events, these services combine limited item product sales with events involving uncompromising exhibits and decorations that faithfully reproduce the worldview of the IP content. In the summer of 2023, we held a collaborative event and limited product sales with hololive, a popular VTuber agency, and Tokyo Dome City Attractions, which drew significant attention.



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CASE 3 Ex-Tainment business domain expansion

Expanding the overseas platform (event & merchandising business)

Leveraging the strengths of the Group and customizing business models that have been successful in Japan, we are working to horizontally deploy our Ex-Tainment services overseas. In fiscal 2023, we held event product sales, event-type pop-up shops, theme cafes, and other events in collaboration with the popular anime Jujutsu Kaisen, which garnered a major response. These events were centered on Shanghai, China, but also took place in Chengdu, Nanjing, and Chongqing. Going forward, we plan to expand this platform beyond China with a primary focus on Asia.



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CASE 4 Entertainment merchandising business domain expansion

Planning, developing, and selling our own brand products and prizes (prize business)

Leveraging popular IP content, we are working to plan, develop, and sell figures and plush toys under our own brand as part of our expansion into the domestic prize market and the overseas product sales market.



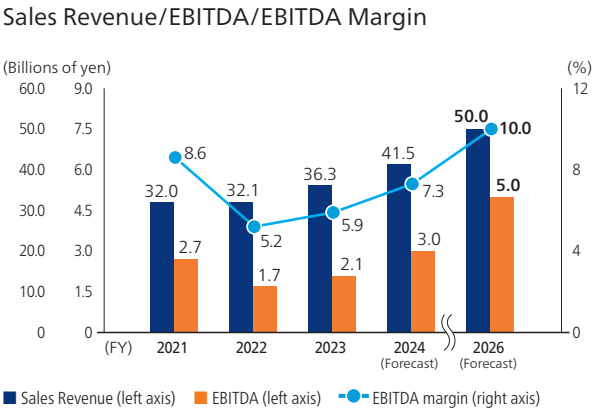
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Key Points of Group Growth

In order to measure the progress of the CL Group’s medium-term strategy, we have identified sales revenue, EBITDA*, and EBITDA margin*2 as the three indicators for strengthening earning power.

In regard to fiscal 2024, we foresee growth and improvement in all three indicators as a result of the changes in our earnings structure and improved productivity resulting from our efforts to transform our business portfolio.

*1: Simply calculated as operating income plus depreciation and amortization.
*2: EBITDA margin = EBITDA/Sales revenue



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 promoting the strengthening of our Group management system to further accelerate business growth.

To achieve medium- to long-term growth, our policy involves optimizing our business portfolio, improving productivity, strengthening intangible assets, and actively

investing in, for example, new businesses and M&A. Recognizing the necessity for ample cash to achieve this policy, the Group constantly strives to maintain a sound financial position and generate stable operating cash flows.

With regard to the sources of financial capital and liquidity of funds in the Group, we recognize that the Group is in a sound financial position with the balance of cash and cash equivalents at the end of the fiscal year ended December 31, 2023 totaling 5.17 billion yen and the equity ratio attributable to owners of parent at 39.0%, ensuring sufficient liquidity.

Investment Policy

To implement our medium-term strategy of strengthening profitability (see p. 16), we will be proceeding with investment optimization, which is one of the key points in the strategy’s execution. Specifically, our policy is to continue to make well-balanced investments in four categories: new businesses, M&A, overseas business, and SDGs. First, in new businesses, we will start small on a project-by-project basis and aim to commercialize them by repeated theory and verification processes. In the case of M&A, we will divide our investments into two main categories: business and function investments. In business investments, we will aim to reap greater revenues through larger, more risk-on investments in the two areas of platforms and products and services. In function investments,

we will conduct cooperative, risk-off, and diversified investments in the three areas of IP content and licensing, digital technologies, and QCD (quality, cost, and delivery). In overseas business, as an extension of our platform expansion we will also leverage the strengths of our Group and move forward with expansion targeting Asia, including China, and North America. With regard to the SDGs, we will make investments that are in line with both the CL Holdings Sustainability Policy and the Group’s business growth.

In addition to optimizing our investments by means of the aforementioned policies, we intend to resolutely seize investment opportunities by generating operating cash flow and building an ample cash position.

Details and Explanations of Financial KPIs

To maximize the Group’s corporate value, our Group has set sales revenue of 100 billion yen and operating income of 10 billion yen as long-term policy targets. Similarly, under our medium-term management policy we have adopted the achievement of sales revenue of 50 billion yen and EBITDA of 5 billion yen* in the fiscal year ending December 2026. We are also aiming to achieve a return on equity (ROE) attributable to owners of the parent of 8% by the fiscal year ending December 2026 and to exceed that level as soon as possible.

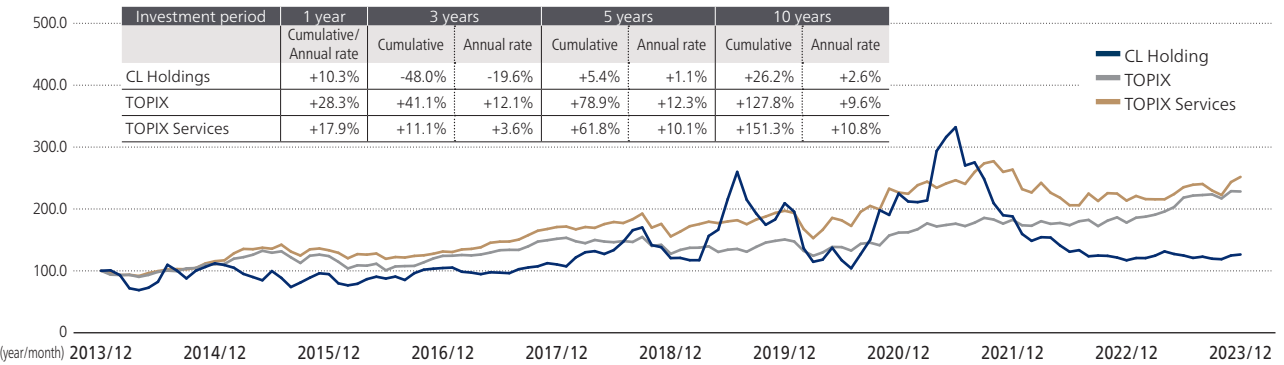
For the fiscal year ended December 2023, the Group recorded sales revenue of 36.34 billion yen (up 13.4% year on year), operating income of 1.79 billion yen (up 39.0% year on year), EBITDA of 2.13 billion yen, and ROE of 6.3%.

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. Positioning the acquisition of treasury stock as an important shareholder return policy, the Company will continue to carry out this policy in a flexible manner while taking into consideration its capital needs and stock market trends. Although TSR underperformed both the TOPIX and TOPIX Services indices, we will continue to make steady returns to shareholders while striving to improve shareholder value to achieve ROE that is higher than the cost of capital.

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

Total Shareholder Return (TSR) (Data on closing price at the end of December 2013 = 100)



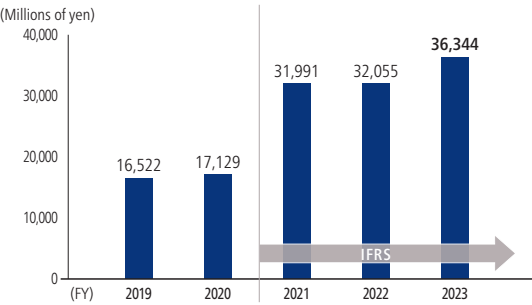
Total Shareholder Return (TSR): Total return on investment including capital gains and dividends.
TSR for CL Holdings Inc. is calculated based on cumulative dividends and stock price fluctuations, and for TOPIX and TOPIX Services are calculated based on a stock price index including dividends (prepared 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 2013 equaling 100 (with a holding period until the end of December 2023).

Financial and Non-Financial Highlights

Financial Highlights

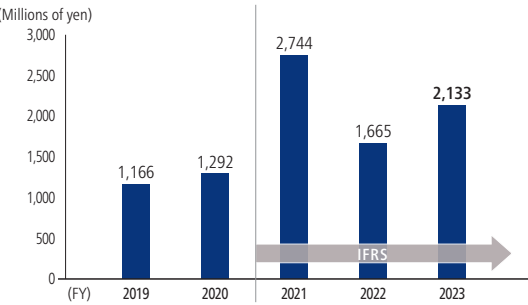
* The Group has adopted International Financial Reporting Standards (IFRS) from the first quarter of the fiscal year ended December 2022. For the fiscal year ended December 2021, indicators and other figures are those after retroactive application of these accounting standards.

Net sales/Sales Revenue



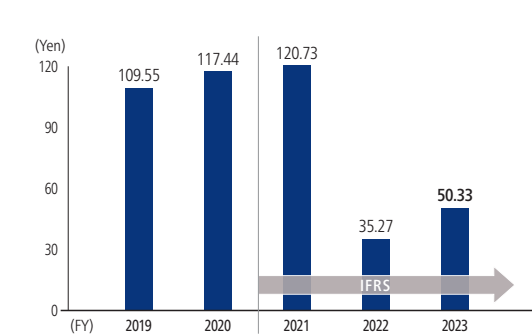
Cafe merchandising (including food and beverage sales), BPO for Internet service customers, and OEMs for entertainment customers having performed well, revenue for the fiscal year ended December 2023 increased 13.4% year on year to 36,344 million yen.

EBITDA



EBITDA for the fiscal year ended December 2023 increased 28.1% year on year to 2,133 million yen. Although selling, general and administrative expenses, largely comprising personnel expenses to strengthen human capital, increased, that increase was absorbed by increased revenue. From a profit perspective, EBITDA increased owing to upswings in operating income as well as depreciation expenses on the back of the growth in theme cafe service stores and other factors.
* EBITDA is simply calculated as operating income plus depreciation and amortization.

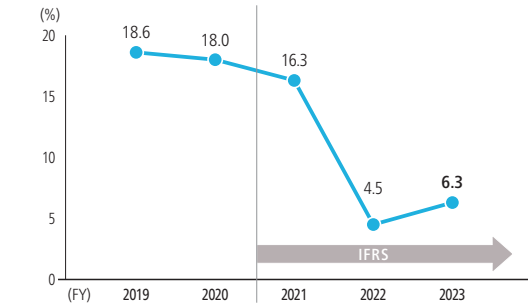
Diluted EPS



Profit attributable to owners of the parent for the fiscal year ended December 2023 increased 40.2% YoY to 510 million yen due to an increase in operating income. This resulted in a diluted EPS* (earnings per share) of 50.33 yen, an increase of 15.06 yen YoY.

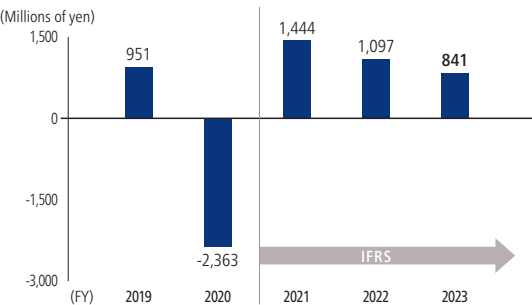
* Diluted EPS: Net income attributable to owners of the parent / Average number of shares outstanding during the period after deduction of treasury stock

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



ROE for the fiscal year ended December 2023 increased 1.8 points YoY to 6.3% as a result of an increase in profit attributable to owners of the parent.
* Return on equity up to 2020.

Free cash flow

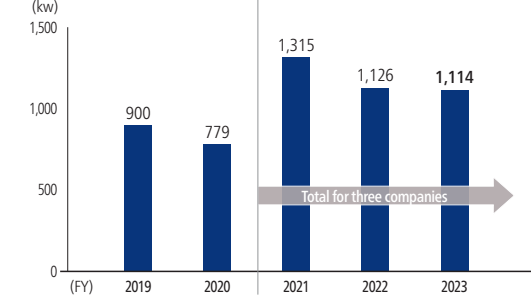


Cash flows provided by operating activities were 386 million yen, while cash flows provided by investing activities amounted to 454 million yen due to proceeds from the sale of other financial assets. This resulted in a free cash flow* of 841 million yen.

* Free cash flow = Net cash provided by operating activities + Net cash used in investing activities

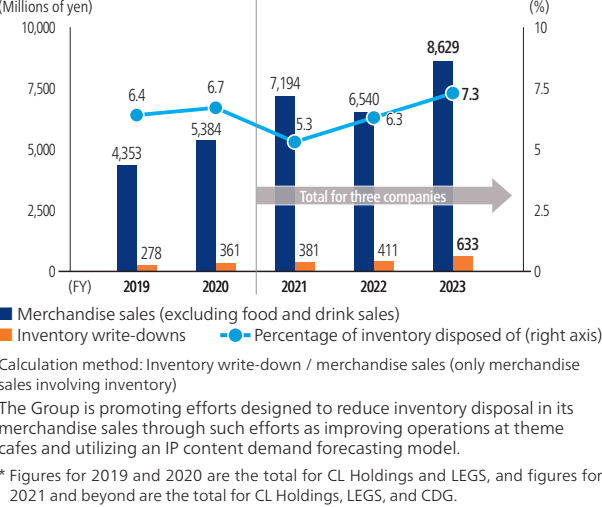
Non-Financial Highlights

Annual electricity consumption per employee*



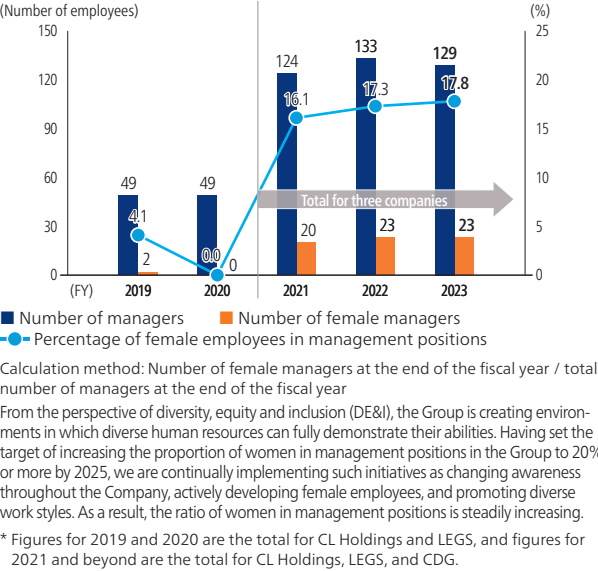
The Group is continually working to make effective use of energy. As part of these efforts, we are reducing the amount of electricity used.
* The period covered by the measurement is the 11-month period excluding June of each year.
* Figures for 2019 and 2020 are the total for CL Holdings and LEGS, and figures for 2021 and beyond are the total for CL Holdings, LEGS, and CDG.

Inventory disposed of as a percentage of sales of merchandise*



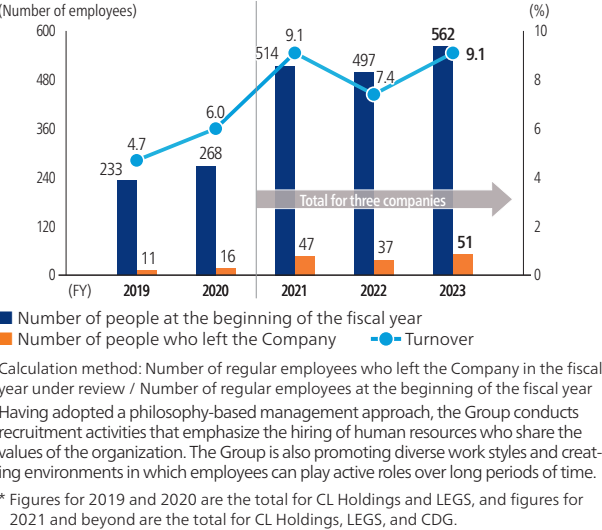
■ Merchandise sales (excluding food and drink sales)
■ Inventory write-downs
● Percentage of inventory disposed of (right axis)
Calculation method: Inventory write-down / merchandise sales (only merchandise sales involving inventory)
The Group is promoting efforts designed to reduce inventory disposal in its merchandise sales through such efforts as improving operations at theme cafes and utilizing an IP content demand forecasting model.
* Figures for 2019 and 2020 are the total for CL Holdings and LEGS, and figures for 2021 and beyond are the total for CL Holdings, LEGS, and CDG.

Percentage of female employees in management positions*



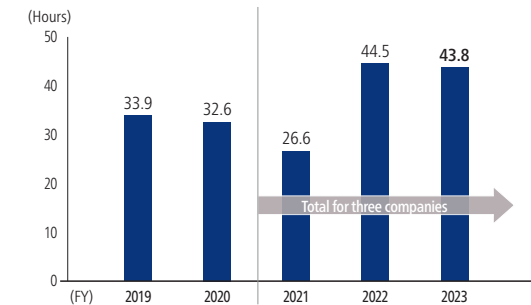
■ Number of managers
■ Number of female managers
● Percentage of female employees in management positions
Calculation method: Number of female managers at the end of the fiscal year / total number of managers at the end of the fiscal year
From the perspective of diversity, equity and inclusion (DE&I), the Group is creating environments in which diverse human resources can fully demonstrate their abilities. Having set the target of increasing the proportion of women in management positions in the Group to 20% or more by 2025, we are continually implementing such initiatives as changing awareness throughout the Company, actively developing female employees, and promoting diverse work styles. As a result, the ratio of women in management positions is steadily increasing.
* Figures for 2019 and 2020 are the total for CL Holdings and LEGS, and figures for 2021 and beyond are the total for CL Holdings, LEGS, and CDG.

Turnover*



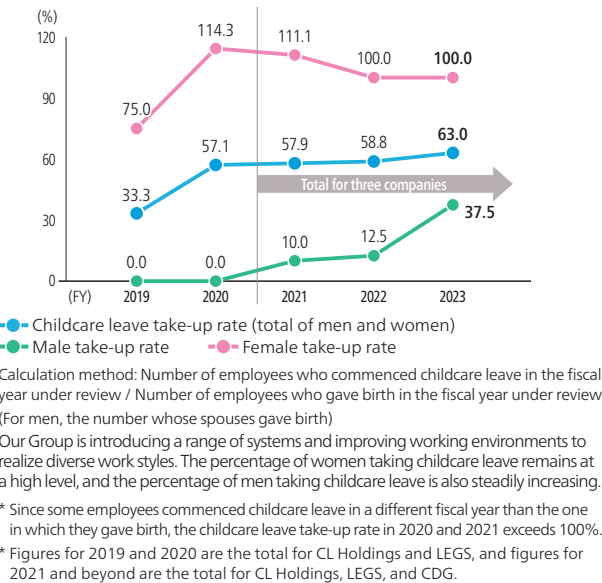
■ Number of people at the beginning of the fiscal year
■ Number of people who left the Company
● Turnover
Calculation method: Number of regular employees who left the Company in the fiscal year under review / Number of regular employees at the beginning of the fiscal year
Having adopted a philosophy-based management approach, the Group conducts recruitment activities that emphasize the hiring of human resources who share the values of the organization. The Group is also promoting diverse work styles and creating environments in which employees can play active roles over long periods of time.
* Figures for 2019 and 2020 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 for the fiscal year under review / Number of employees at the end of the fiscal year
Total training hours per year = Total of each training program (program hours 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. To enhance personal and management capabilities as well as to achieve continued growth, we revise our training methods and systems on a case-by-case basis while working to provide effective training and ensure sufficient training time.
* Figures for 2019 and 2020 are the total for CL Holdings and LEGS, and figures for 2021 and beyond are the total for CL Holdings, LEGS, and CDG.

Childcare leave take-up rate*



● Childcare leave take-up rate (total of men and women)
● Male take-up rate
● Female take-up rate
Calculation method: Number of employees who commenced childcare leave in the fiscal year under review / Number of employees who gave birth in the fiscal year under review (For men, the number whose spouses gave birth)
Our Group is introducing a range of systems and improving working environments to realize diverse work styles. The percentage of women taking childcare leave remains at a high level, and the percentage of men taking childcare leave is also steadily increasing.
* Since some employees commenced childcare leave in a different fiscal year than the one in which they gave birth, the childcare leave take-up rate in 2020 and 2021 exceeds 100%.
* Figures for 2019 and 2020 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 the quality of sustainability throughout its entire business value chain. At the same time, we strive to generate profits and improve corporate value by solving an array of social issues.

The CL Holdings Sustainability Policy

CL Holdings helps to realize a sustainable society by adhering to its management philosophy.

The Group formulated the CL Holdings Sustainability Policy as a basic guideline for creating and promoting sustainability-related initiatives. In accordance with this policy, we established an organization to promote sustainability within the Group,

and appointed a dedicated executive officer responsible for sustainability. At the same time, we established committees intended to promote the SDGs at each of our major subsidiaries, through which we are advancing specific initiatives.

Initiatives for Creating Environmental Value

The Group recognizes that environmental issues that threaten the sustainability of society and the world are important management issues. We therefore included “sustainable business development” as a material issue, and are

taking various approaches as part of an ongoing effort to decarbonize and reduce our environmental impact, including through the use of digital technologies.

Major Initiatives and Dialogue Methods	Stakeholders	Stakeholder Expectations/Demands
Environment <ul style="list-style-type: none">Have new employees engage in ISO activitiesEngage in clean-up activities in neighboring areasParticipate in the Resource-Recycling Platform	<ul style="list-style-type: none">ClientsLocal communities	<ul style="list-style-type: none">Participation in social contribution activitiesPromotion of decarbonization and a lower environmental impact
Products and Services <ul style="list-style-type: none">Use environmentally-friendly as well as recycled materials (gifts and displays made using FSC-certified paper*1 and MAPKA plastic*2, goods made using recycled porcelain clay, etc.)Reduce inventory disposal using IPDB (IP content analysis and sales forecasting system)	<ul style="list-style-type: none">ConsumersClientsCopyright holdersShareholders and investors	<ul style="list-style-type: none">Environmentally-friendly goods and giftsPromotion of decarbonization and a lower environmental impact

*1: FSC-certified paper is made from wood harvested from forests that are strictly managed for the purpose of protecting forest resources. Paper that is certified under a system developed and managed by the Forest Stewardship Council, an international non-profit organization.
*2: New materials that can be molded for use as alternatives to plastics. These are primarily made from paper powder, which reduces environmental impact, mixed with polyolefin resin.

Topic | Introducing Environmentally-friendly Products (goods and gifts)

The Group promotes sustainability- and SDGs-related initiatives through the development of goods and gifts that consider the global environment.

[Major Products]

- Coffee cups, teacups, and saucers made from recycled porcelain clay:** These are produced from recycled porcelain clay, which is made by mixing clay and other ingredients with finely crushed chips generated during the ceramics-making process.
- Recycled PP file folders:** These are produced from ecological plastic materials, which are made by recycling cuttings generated during the PP sheet forming process.
- Bioplastic straws:** These are produced from a formulation containing bio-polyethylene (derived from plants and lacking biodegradability), and are used at all BOX cafe&space establishments.



Recycled porcelain clay coffee cup

Recycled PP file folders

Efforts to create social value

Underpinned by its management philosophy, the Group recognizes that human resources are the wellspring of its competitiveness. Positioning “continuously recruiting and developing human resources” and “nurturing management personnel” as material issues, we are focused on investing

in our human capital and believe that maximizing the capabilities of our human resources will allow us to provide safe, reliable, high-quality products and services. We will continue to engage in creating social value in a variety of ways, including investing in human capital.

Major Initiatives and Dialogue Methods	Stakeholders	Stakeholder Expectations/Demands
Human capital <ul style="list-style-type: none">Improve human resources systems (remote working system, life event support system, childcare support system, flextime system)Promote diversity, equity and inclusion (DE&I) (increase the ratio of women in managerial positions, introduce partnership certificates, and promote employment of persons with disabilities)Improve the environment so that challenges can be taken without worry (career support program, compensation level optimization)Build mechanisms to cultivate human talent (Philosophy Study Meeting, philosophy education, leader management education, Junior Board System, CHRO committee)Promote health management	<ul style="list-style-type: none">EmployeesShareholders and investors	<ul style="list-style-type: none">Realization of diverse work stylesPromotion of DE&IImproved employee engagementMaintenance and enhancement of corporate value
Partnership, Coexistence, and Coprosperity <ul style="list-style-type: none">Implement SDG awareness programs using IP content*3Plan and propose regional revitalization measures*4	<ul style="list-style-type: none">Copyright holdersLocal communities	<ul style="list-style-type: none">Cooperation toward solutions to the problems faced by local communities
Products and Services <ul style="list-style-type: none">ISO9001ISO14001PrivacyMark	<ul style="list-style-type: none">ConsumersClientsCooperating companiesCopyright holdersShareholders and investors	<ul style="list-style-type: none">Provision of safe, reliable, high-quality products and servicesMaintenance and enhancement of corporate value

*3: Initiatives intended to stimulate interest in the SDGs through the planning and execution of interactive events using IP content.
*4: Initiatives in which the Group collaborates with local governments to guide customers to, and encourage movement around, well-known sites and facilities through digital stamp rallies using mobile game apps.

Topic | CHRO Council

Serving as the secretariat, the Group administers regularly held study meetings that primarily attract volunteers from among human resource executives at listed companies in a way that overcomes the barriers between companies. As each company exchanges information and shares challenges, this effort contributes to finding solutions to problems faced by individual companies, and serves to polish the skills of personnel aiming for CHRO.

Members discuss the common challenges faced by each company that are raised during hearings with the participants, including nurturing future generations of executives, training for management positions, and creating organizations and cultures. Along with deepening learning among the participants, the meetings serve as an arena to acquire hints for solving the challenges faced by their respective companies. As such, the Council has garnered high praise from participants.



A CHRO Council meeting

Pick Up: Fostering Future Generations of Management

Having recognized human resource capabilities underpinned by the management philosophy as the source of our competitiveness, the Group included “continuously recruiting and developing human resources” and “nurturing management personnel” as material issues, and is therefore actively investing in human resource development.

Challenges Faced by the Group

- Aligning the mental vectors of all employees
- Early training targeting management personnel who will take responsibility for future generations

With the aim of sustainable growth for the CL Group as we strive to realize our management philosophy, we are working to promote these two areas.

The CL Philosophy and Initiatives to Put It into Practice

What is the CL Philosophy?

In order to ensure the Group grows in a continuous manner, every employee must align their mental vector toward realizing the management philosophy, and must possess the shared beliefs required to act in unison. The CL Philosophy is a code of conduct that is shared throughout the Group, and was formulated to create a common language among employees and to serve as a signpost for employees when unsure how to proceed as they perform their daily work.

Instilling the CL Philosophy

Each organization regularly holds its own Philosophy Study Meetings in which participants read the management philosophy and CL Philosophy in turn and hold discussions to expand their understanding of these, as well as to ensure they put them 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. Participants acquire the ability to talk about the management philosophy and CL Philosophy through these study meetings, which helps spread the Group’s approaches and philosophies to every corner of the organization. In this way, this initiative serves to align the mental vectors of every employee.



Initiatives to Nurture Management Personnel

Junior Board System

- This system was launched in fiscal 2023 for the purpose of developing future generations of manager candidates. Members selected from among young and mid-career employees perform the entire cycle of identifying management issues, formulating solutions, implementing them, and verifying the results in order to acquire experience in improving management.
- This system invites managers from the Group and corporate managers from other companies to provide lectures and conduct discussions on management. In addition, participants analyze each business within the Group, and investigate and execute various measures targeting solutions to management issues, including improving customer satisfaction and productivity.

Leader Management Education

- This system is held for the leader class and aims to develop leaders who excel both in terms of skills and personalities. Through discussions among leaders and lectures conducted by outside experts, participants acquire the knowledge and ways of thinking required of leaders.

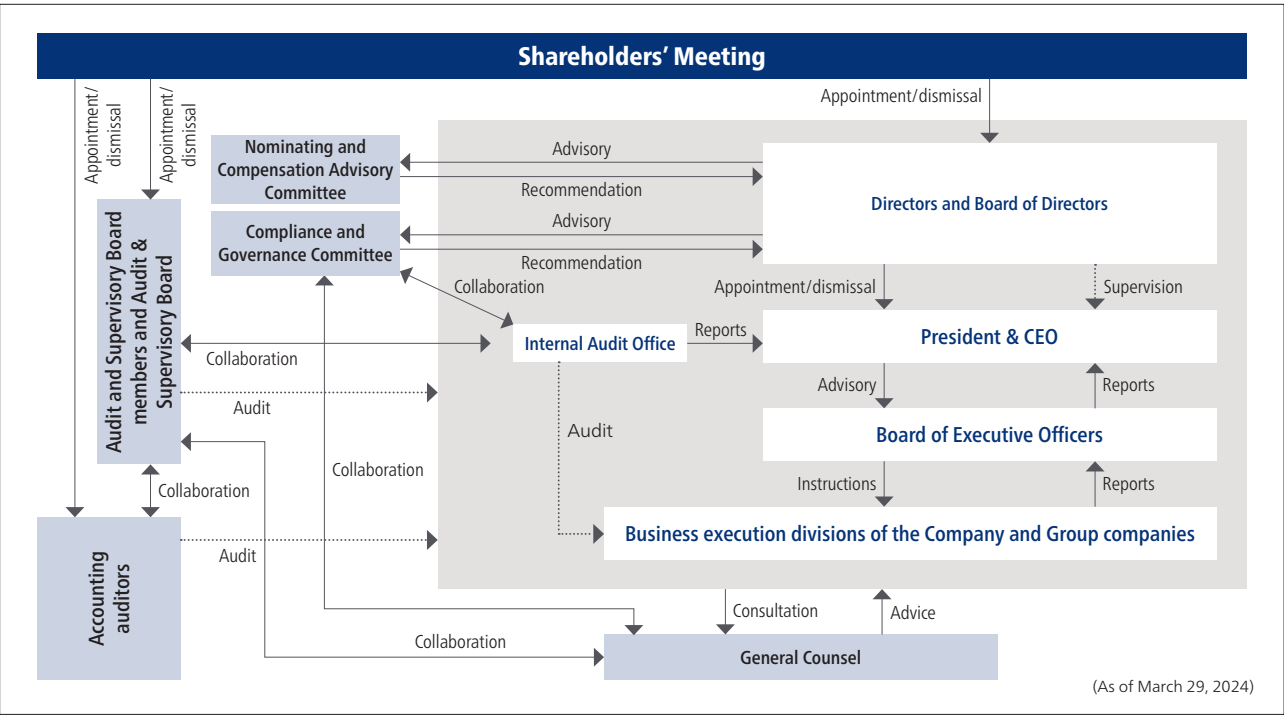
Column	Impressions upon participating in the Junior Board System (member feedback)
	<ul style="list-style-type: none">This system gave me an excellent opportunity to directly hear about the president’s thoughts regarding the management philosophy and strategies, for example, and to even ask questions.I was able to actually investigate management issues based on various types of information and data from my company and other Group companies, and was even able to experience taking action, which I felt helped me grow.Each of the Junior Board members learned how to think in ways that link their own area of expertise, whether it be planning, design, or sales, for example, to management. The system also increased my interest in the profitability and productivity of my affiliated department, and I felt it also deepened communication within my own department.

Fiscal 2023 Junior Board members

Corporate Governance

CL Holdings regards corporate governance as an important management issue and has focused on ensuring sound, transparent, and speedy management. Moreover, under the Group Management Philosophy, we have established a basic policy for internal control and are promoting the understanding of our management philosophy, which aligns with 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 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.

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 three auditors (of which two are outside auditors) and three outside directors. The committee responds to inquiries from the Board of Directors regarding the appointment and dismissal of directors, auditors, and executive officers; the succession plan for the Chief Executive Officer; director and auditor compensation limits to be discussed at the Shareholders’ Meeting; and compensation amounts for individual directors and executive officers.

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.

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.

Nominating and Compensation Advisory Committee

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

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 FY2023	
Observed Improvements	1. Discussions and initiatives related to governance and risk management 2. Discussions and initiatives regarding the appointment and dismissal of members of the management team with appropriate involvement and advice from the Nominating and Compensation Advisory Committee 3. Deeper understanding of matters raised by executives themselves
Divergent Evaluations	1. Ensuring the diversity of the executives’ backgrounds 2. Providing appropriate training opportunities for executives
Continuing Issues	1. Difference in information between outside directors and other directors and improvement of that situation 2. Stimulating communication between outside directors 3. Discussions and initiatives on sustainability and intangible assets

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, restricted stock compensation, and stock options, which are performance-linked compensation, where 1) fixed compensation and 2) performance-linked compensation are each determined based on independent criteria.

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, restricted stock compensation, and stock options, 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. Specifically, payment amounts are 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 (FY2023)

Executive classification	Total amount of compensation, etc. (thousands of yen)	Total amount of compensation by type (thousands of yen)				Number of directors and auditors covered by the plan
		Basic compensation	Performance-linked compensation	Non-monetary compensation, etc.	Restricted Stock Compensation Plan	
Directors (outside directors)	78,039 (19,806)	71,182 (19,806)	3,895 (—)	2,184 (—)	778 (—)	8 (3)
Audit and Supervisory Board members (outside Audit & Supervisory Board members)	20,100 (9,600)	20,100 (9,600)	— (—)	— (—)	— (—)	3 (2)

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

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.

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 <small>Outside Independent</small>			●	●	●				●		
	Takashi Watanabe <small>Outside Independent</small>	●			●	●		●				●
	Sachiyo Yasuda <small>Outside Independent</small>	●			●	●		●		●		●
Auditor	Hajime Kusuda			●	●			●	●			
	Hiroshi Magaribuchi <small>Outside Independent</small>		●	●	●	●						
	Motoo Kobayashi <small>Outside Independent</small>	●				●	●			●		

Policy on Constructive Dialogue with Shareholders and Investors

In order to promote constructive dialogue with shareholders and investors in Japan and abroad, the CL Holdings Group conducts IR activities led by the President & CEO and in close cooperation with the responsible directors, the department in charge of IR, and departments involved in accounting, finance, legal, and general affairs, among others. Along with actively responding to interviews with

investors, the Group holds biannual business results briefings and publishes an annual integrated report. The Group also explains its businesses to investors in a timely manner. The valuable opinions received from shareholders and investors are promptly reported to the management executives and Board of Directors in an effort to help improve management.

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 by promoting various types of education that are founded on education regarding our management and other philosophies. We also established the Compliance and Governance

Committee, consisting mainly of outside directors, which formulates and reviews various policies and systems, and prepares measures to respond to and remedy problems when they occur. This committee also investigates compliance measures intended to prevent misconduct before it occurs and to prevent its recurrence, and monitors the status of implementation.

We are also working to strengthen compliance from the two approaches of ethics (individual) and systems (organizational), which includes conducting compliance training for all directors and employees on an ongoing basis.

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	In addition to basic knowledge of compliance, we provide ongoing training via e-learning and other means 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.

Dialogue: Engaging in Human Capital Management in a Bid to Realize Our Management Philosophy

President & CEO, CL Holdings Inc.

Junichiro Uchikawa

Akio Ishida

Senior Partner, Vice Chairman
Nippon Sangyo Suishin Kiko Ltd.Junichiro Uchikawa
President & CEO, CL Holdings Inc.Akio Ishida
Senior Partner, Vice Chairman
Nippon Sangyo Suishin Kiko Ltd.

From Our First Encounter with Philosophy-Based Management to Today

Uchikawa We first met after I entered Seiwajyuku, which means we have known each other for more than 20 years now. You still often give me advice, and I truly appreciate everything you have done for me. As a current member of a management committee for a fund established to provide management assistance, you have led investments in a variety of small- and medium-sized enterprises, and have provided practical management assistance. When you were employed at Merrill Lynch Japan Securities, however, you were involved in every US expansion and M&A project undertaken by Kyocera Corporation under the leadership of Mr. Inamori.



Ishida I first met Mr. Inamori nearly 50 years ago when Kyocera was working to enter the US market. Mr. Inamori originally conceived philosophy-based management in response to a dozen or so young employees who threatened to quit the company if he did not meet their demands for a pay raise. This was just around the time he founded Kyocera. After spending three days and three nights successfully working to convince them to stay, Mr. Inamori began thinking about how he could lead the many employees that made up the company. Ultimately, he came to the conclusion that all employees must strive in the same direction (align their mental vectors). Mr. Inamori likened this concept to a four-person boat, often saying that if even one person rowed in the opposite direction, the boat would not travel forward in a straight line. In other words, everyone needs to move in the same direction. At the same time, companies must ensure that employees understand the significance of their work. If a person knows why they are working and understands who they are helping, they will engage in their work with all of their effort. As a result, they

will enjoy their work and become even more capable.

Uchikawa I am sure you have heard the phrase “believing is power.” I have in fact seen countless examples where even completely ordinary people have changed in every respect after encountering Mr. Inamori, coming to believe in the philosophy-based management he advocated, and engaging in their work based on that concept. I myself knew almost nothing about management and had no idea what to believe regarding the development of people and organizations, so the philosophy-based management taught by Mr. Inamori was truly a ray of light for me.

Ishida Although thinking about what is right to do as a person can seem simple, it is in fact the most difficult, yet extremely important, thing to do. When looking at the recent problems of fraud that have been discovered time and time again at large companies, it reminds me of the phrase “the path to hell is paved with good intentions.” Something an employee does under the belief that it might be good for the company can as a result end up betraying the company—and violating the law. One of the most noble things about Mr. Inamori is that he clearly indicated that acting upon the foundation of what is right to do as a person will reduce errors in judgement, and that even small efforts, for example, hold major significance. For example, when Mr. Inamori was involved in reorganizing the management of Japan Airlines Co., Ltd., he commended a young female office worker who devised her own changes that generated 2,000 yen in profit each month, even though there were also general managers who had generated hundreds of millions of yen in profit. Companies that become stronger are those that employ multiple individuals who recognize themselves as managers, constantly consider what is

right to do as a person, and have the ability to judge right from wrong as the basis for conduct.

Uchikawa I myself currently aim to build an empowerment-based organization founded on the concept of philosophy-based management. I am therefore working to create independent-minded

organizations in which employees see themselves in the lead role, and are able to engage in their work with vitality. And as the foundation for supporting the growth of this kind of Group, I believe that all Group employees must have a shared belief and act upon a philosophy that serves as the basis for judging conduct.

Philosophy-Based Management at CL Holdings

Uchikawa LEGS COMPANY, LTD., and CDG Co., Ltd. form the core of the CL Group. Yet LEGS and CDG initially had their own respective action guidelines. Under the desire to present one set of action guidelines for the Group, however, together with our employees I revised these two guidelines into the new CL Philosophy based on the philosophy taught by Mr. Inamori. Today, we have published this CL Philosophy as a handbook that all Group employees keep with them, reading in turn and in unison. The CL Philosophy also contains an article titled transparent management. I believe it is important for companies to open up internal information to their employees if they are to maximize their potential. And as a result of making profit and loss statements, overtime hours, entertainment expenses, and all manner of information from each department public, even our younger employees have become aware of problems, and have started to state their opinions more and more. Upon seeing this change take place, we launched the Junior Board System last year based

on my desire to create an environment in which promising young employees can play an ever-greater role.

Ishida That is truly wonderful. The origin of philosophy-based management lies in focusing our energies on expanding our network of colleagues. Conversely, this can also sometimes mean we must ask employees whose values do not match those of the company to leave. As I mentioned a moment ago, if there is even one person who rows the boat backwards, the rowers cannot align their strength.

Uchikawa I see our employees as colleagues with whom I strive, and therefore intend to build the organization and company together with them. This was also my way of thinking when I founded LEGS and built its organization, which is exactly why I feel those around me have kept apace. Company management might really be entirely about increasing our network of colleagues.



Human Resource Development and Organization Building in Support of Sustainable Growth

Ishida We must also commend and evaluate human resources in more ways than just recognizing the strength of their talents. For example, highly capable individuals might have the ability to point out problems, but in practice they also tend to fail to take action. Which is why it seems that, in most cases, success only arises when we place those who can actually take action—who have the ability to drive forward—in leadership positions within the Group, and position highly capable people at their sides. In other words, both types of human resources are essential to driving organizations forward.

Uchikawa It is far from easy to place a diverse range of human resources on the same boat and get it moving. So, I am honest during

recruitment activities, often saying that I only want those who sympathize with the Group’s philosophy to join the company. Although it is only natural for individuals to have differing value sets in this era of diversity, all I am saying is that I want their values to align with those of the organization. Despite the fact that this approach might also narrow the gateway to the organization, I believe it is a necessary part of preventing mismatches.

Ishida If managers cannot understand the concept of philosophy-based management in their own terms and convey it to those around them, they will not be able to lead everyone in the same direction. I think you have done an amazing job at putting this approach into practice.

What are the qualities required of successors?

Uchikawa Governance and compliance are the absolute minimum for ensuring companies exist as entities upon which society relies over the long term. And it is upon these which we must instill integrity as part of the corporate culture. For this purpose, I believe managers must take the initiative and speak of the philosophy on a regular basis, and must demonstrate this philosophy through concrete action. Moreover, it is my hope that my successor can give their all for their colleagues, and stand as an individual that is trusted and loved by their colleagues. A person who has talent built on virtue is the perfect fit for ensuring the organization maintains integrity while steadily generating profits as an operating company.

Ishida I believe a necessary quality for managers is first and foremost strict self-discipline. Without strict self-discipline, managers cannot have confidence in their speech and actions. Moreover, I would also hope my successor fully considers why they are doing this job, and whether the company’s businesses truly offer benefits to society. And I hope they are fully committed to management.

Uchikawa I feel exactly the same. And I must also ask myself in all honesty whether I am constantly following the same straight line in management. On the other hand, along with teaching future generations within the company about what I have learned to date, I also want to convey to them the dream and possibility that if I could do it, so can they.

Akio Ishida

Senior Partner and Vice Chairman of Nippon Sangyo Suishin Kiko Ltd. In 2001, he served as vice-chairman of Merrill Lynch Japan Securities Co., Ltd. In 2006, he served as vice-chairman of TPG Capital (Japan), Ltd. He established Nippon Sangyo Suishin Kiko Ltd. in 2014, and was appointed vice-chairman. In July 1992, he entered Seiwajyuku where he studied under Kazuo Inamori. From April 2016 to March 2018, he served as principal representative of Seiwajyuku, Tokyo.

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)
2024 February Director, Gifu Create Corporation (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 Executive 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 Japan, 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)
2023 December Outside Director, 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)
2023 October President & CEO, elCOCO.inc (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 Kiyoshi 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 Kiyoyuki Ichikawa
Executive Officer

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

4 Yasuhiro Furuse
Executive Officer

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

7 Kaname Sato
Executive Officer

Concurrently serving as Executive Officer, LEGS COMPANY, LTD.

10 Hiroaki Watanabe
Executive Officer

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

13 Taketo Isoda
Executive Officer

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

2 Jotaro Tani
Executive Officer

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

5 Go Kuwata
Executive Officer

Concurrently serving as Executive Officer, LEGS COMPANY, LTD.

8 Takuto Yamakawa
Executive Officer

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

11 Masaya Ueno
Executive Officer

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

3 Naoki Noda
Executive Officer

Concurrently serving as Executive Officer, LEGS COMPANY, LTD., Representative Director, REET Inc., Executive Officer, CDG Co., Ltd., Director, LTR.inc. and Director, elCOCO.inc

6 Satoshi Nishijima
Executive Officer

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

9 Hideyuki Yasujima
Executive Officer

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

12 Miwa Takahashi
Executive Officer

Concurrently serving as Executive Officer, LEGS COMPANY, LTD. and Executive Officer, CDG Co., 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* *Establishment date of LEGS COMPANY, LTD. before changing its corporate name to CL Holdings Inc. (January 1, 2022)
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 mar- keting solutions, planning and implementation of client’s overall business operation solutions
LTR.inc	Theme cafe planning and production, and store development and operation
elCOCO.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 pro- duction 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
Ex-Tainment	A term coined by combining the words “expe- rience” and “entertainment,” referring to the experiential value felt by consumers when consuming entertainment.
PMD service	Promotion & Merchandising service. A service that combines sales promotion and merchandise sales.
Limited distri- bution service	A distribution service that creates intangible goods demand and intangible goods consump- tion by offering limited edition services, such as limited time, limited area, and limited product.
Theme cafe service	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.
Event product sales	A service that provides planning for events with decorations, etc., utilizing IP content and sales of limited-edition goods.
Platform	Networks of stores in Japan and overseas run by retail distribution clients.

Stock information

Fiscal Year	From January 1 to December 31	
Ordinary General Meeting of Shareholders	March	
Shares (As of December 31, 2023)	Total number of authorized shares	39,200,000
	Total number of shares issued	10,840,000 (includes 683,150 shares of treasury stock)
	Number of shareholders	5,513
	Stock exchange listing	Standard Market of the Tokyo Stock Exchange
	Stock trading unit	100 shares

Major Shareholders

* As of December 31, 2023

Major shareholders (Top 10)	Number of shares held	Percentage of total number of shares issued (%)
1 JU Co., Ltd.	4,321,200	42.54
2 CL Holdings Inc. Employees’ Stockholding Association	737,400	7.26
3 The Master Trust Bank of Japan, Ltd. (Trust Account)	479,600	4.72
4 Custody Bank of Japan, Ltd. (Trust Account)	341,400	3.36
5 Junichiro Uchikawa	299,000	2.94
6 Kofu Soko Co., Ltd.	224,000	2.21
7 Norio Kabasawa	213,000	2.10
8 SMBC Nikko Securities Inc.	197,300	1.94
9 Masashi Hasegawa	116,300	1.15
10 Toshikazu Kobayashi	60,900	0.60

* The Company owns 683,150 shares of treasury stock.
* JU Co., Ltd. is an asset management company owned by a relative of CL Holdings Inc.’s President & CEO Junichiro Uchikawa.

Ownership Status



* Excluding 4,100 shares which are held in various accounts but in each account are less than one unit

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.

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 2023 (January 1 –
December 31, 2023)
(Where necessary, however, references are made
to dates before and after the period under review.)

Date of Publication: May 2024

Referenced Guidelines, etc.
International Integrated Reporting Framework
from the IFRS Foundation

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>