

Note: This document has been translated from a part of the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

Securities code: 6238
June 2, 2023

To: Shareholders

Takashi Mishima, President
FURYU Corporation
2-3 Uguisudani-cho, Shibuya-ku, Tokyo

Notice of the 17th Annual General Meeting of Shareholders

The Company would like to announce the holding of the 17th Annual General Meeting of Shareholders of FURYU Corporation (the “Company”) as follows.

When convening this general meeting of shareholders, the Company takes measures for providing information that constitutes the content of reference documents for the general meeting of shareholders, etc. (matters for which measures for providing information in electronic format are to be taken) in electronic format, and posts this information on the Company’s websites as shown below. Please access either of the websites shown below to review the information.

[The Company’s website]

<https://www.furyu.jp/>

(From the above website, select “Investor Relations,” “Stock Information” and then “General Meeting of Shareholders.”)

[Website where informational materials for the general meeting of shareholders are posted]

<https://d.sokai.jp/6238/teiji/>

[TSE website (Listed Company Search)]

<https://www2.jpx.co.jp/tseHpFront/JJK010010Action.do?Show=Show>

(Access the TSE website shown above, enter “FURYU” in “Issue name (company name)” or the Company’s securities code “6238” in “Code,” and click “Search.” Then, click “Basic information” and select “Documents for public inspection/PR information.” Under “Filed information available for public inspection,” click “Click here for access” under “[Notice of General Shareholders Meeting /Informational Materials for a General Shareholders Meeting].”)

In lieu of attending the meeting on the day, you can vote via the Internet or in writing. Accordingly, we would appreciate it if you would refer to the Reference Documents for the General Meeting of Shareholders below, and exercise your voting rights in accordance with the “Information on Exercise of Voting Rights” by Thursday, June 22, 2023, at 6 p.m. (JST).

- 1. Date and time:** Friday, June 23, 2023, at 10 a.m. (JST)
2. Venue: CERULEAN TOWER TOKYU HOTEL, Second Basement Floor, Ballroom
26-1 Sakuragaoka-cho, Shibuya-ku, Tokyo

3. Subjects

Reporting Items

1. Reporting of the 17th Fiscal Year (from April 1, 2022 to March 31, 2023) Business Report and Consolidated Financial Statements, as well as reports of the results of the audit of Consolidated Financial Statements by the Accounting Auditor and Board of Auditors.
2. Reporting of the 17th Fiscal Year (from April 1, 2022 to March 31, 2023) Non-consolidated Financial Statements

Resolutions

- Proposal No. 1:** Election of Six Directors
Proposal No. 2: Election of Three Auditors
Proposal No. 3: Election of Two Substitute Auditors

4. Items decided for convocation (Information on Exercise of Voting Rights)

- (1) To shareholders who have made a request for delivery of materials in paper-based format, the Company will send, along with this notice, written documents that contain matters subject to provision in electronic format. However, the documents do not include “Systems to Ensure Properness of Operations of the Company and Operation Status of the Systems” of the Business Report, “Notes to the Consolidated Financial Statements” of the Consolidated Financial Statements, and “Notes to the Non-Consolidated Financial Statements” of the Non-Consolidated Financial Statements, pursuant to the provisions of laws and regulations as well as Article 15 of the Company’s Articles of Incorporation. Accordingly, the Business Report, Consolidated Financial Statements and Non-consolidated Financial Statements contained herein are part of those documents that were audited by the Accounting Auditor or Auditor when they prepared the accounting audit report or the audit report.
- (2) In the case of duplicate voting done via the Internet and in writing (via postage), the vote placed via the Internet will be considered valid. In the case of duplicate voting done via the Internet, the last vote placed will be considered valid.
- (3) If you neglect to indicate your approval or disapproval for any proposal in writing (on the voting form submitted via postage), you will be assumed to have approved the proposal.

For those attending the meeting at the venue, please submit the voting form at the reception desk.

If revisions to the matters for which measures for providing information in electronic format are to be taken arise, a notice of the revisions and the details of the matters before and after the revisions will be posted on each of the aforementioned websites.

The resolutions of this meeting will be posted on the Company’s website in lieu of sending a written notice thereof. Shareholder newsletters, which have previously been sent together with the notice of resolutions, will also be posted on the Company’s website.

Information on Exercise of Voting Rights

You may exercise your voting rights using one of the following three methods.

Exercise of voting rights by attending the Annual General Meeting of Shareholders

You are kindly requested to exercise your voting rights by submitting the voting form to the reception desk at the meeting.

Date and time: Friday, June 23, 2023, at 10 a.m. (JST) (Reception to start at 9:30 a.m.)

Venue: CERULEAN TOWER TOKYU HOTEL, Second Basement Floor, Ballroom
26-1 Sakuragaoka-cho, Shibuya-ku, Tokyo

Exercise of voting rights in writing (mail)

You are kindly requested to indicate your vote of approval or disapproval of each proposal on the voting form, and return the completed voting form to the Company. You do not need to affix a stamp.

Deadline: to be received by Thursday, June 22, 2023, at 6 p.m. (JST)

Exercise of voting rights via the Internet

Please refer to the information on the following page to enter your approval or disapproval for each of the proposals.

Deadline: to be entered by Thursday, June 22, 2023, at 6 p.m. (JST)

Information on Exercise of Voting Rights via the Internet

How to scan the login QR code
“Smart Voting”

You can access the voting website without entering your voting rights exercise code and password.

1. Please scan the QR code printed on the bottom-right of the voting form.
- * “QR code” is a registered trademark of DENSO WAVE INCORPORATED.
2. Please follow the instructions on the screen to enter your vote for or against the proposals.

How to enter the voting rights exercise code and password

Voting website

<https://soukai.mizuho-tb.co.jp/>

1. Please access the website for the exercise of voting rights.
2. Please enter the “voting rights exercise code” printed on the voting form.
3. Please enter the “password” printed on the voting form.
4. Please follow the instructions on the screen to enter your vote for or against the proposals.

You can exercise your voting rights only once by “smart voting.”

If you wish to change your vote after exercising your voting rights, please access the website for PCs, log in to the website by entering your “voting rights exercise code” and “password” printed on the voting form, and exercise your voting rights again.

* Please scan the QR code again if you wish to be redirected to the website for PCs.

For inquiries about the operation of a personal computer, a smartphone or a mobile phone for the exercise of voting rights, please call the number on the right-hand side:

Stock Transfer Agency, Mizuho Trust &
Banking Co., Ltd.
Internet Help Dial
0120-768-524
(Toll Free, only in Japan)
(Business hours: 9 a.m. – 9 p.m. (JST),
excluding the New Year holidays)

Institutional investors may use the Electronic Voting Platform for Institutional Investors operated by ICJ, Inc.

*The cost of Internet access and use shall be borne by the shareholders.

(Reference Documents)

Business Report

(From April 1, 2022 to March 31, 2023)

1. The Current Status of the Corporate Group

(1) Business for the Fiscal Year under Review

1) Business Development and Outcome

During the fiscal year under review, the Japanese economy underwent changes brought about by increased relaxation of COVID-19 restrictions and progress toward the normalization of socioeconomic activities based on a live-with-COVID policy, and there were signs of personal consumption recovering gradually. However, the economic outlook remained uncertain, with the sharp yen depreciation caused by the Bank of Japan keeping policy accommodative despite increasingly aggressive tightening being undertaken by its global counterparts, and soaring prices of energy and raw materials caused by the prolongation of Russia-Ukraine situation.

Under these circumstances, with the Group's corporate philosophy "Create quality entertainment that brings happiness and fulfillment to people," the Group focused on expanding the Photo Sticker Business, diversifying monetization utilizing the customer base, which is young women, and selling products using character IPs (intellectual properties).

As a result, for the fiscal year under review, the Group saw net sales of ¥36,400 million (106.9% of the previous fiscal year), operating profit of ¥2,134 million (57.5% of the previous fiscal year), ordinary profit of ¥2,179 million (58.8% of the previous fiscal year), and profit attributable to owners of parent of ¥1,443 million (56.7% of the previous fiscal year).

Operating results by segment are as follows:

(Photo Sticker Business)

In the Photo Sticker Business, despite the current recovery of personal consumption as mentioned above, the slump in consumer sentiment caused by the spread of COVID-19 infections had a lingering effect, and the play count did not recover to pre-COVID levels. Amid the continuing severe market environment, we introduced the special mode featuring the collaboration with popular characters and popular artists, and undertook sales promotion measures, including advertisement on the LINE official account, etc., to recover play count. In addition, we launched new models, such as "rootme" in June 2022, "TODAYL" in October 2022, and "IDOLY studio" in January 2023. Under these circumstances, the play count in the fiscal year under review reached 33.75 million (31.97 million in the previous fiscal year).

As a result, for the fiscal year under review, the Group saw net sales of ¥8,689 million (114.7% of the previous fiscal year), and an operating profit of ¥506 million (operating loss of ¥252 million in the previous fiscal year).

(Content and Media Business)

In the Content and Media Business, the number of paying members for the photo sticker image acquisition and viewing service "Pictlink," which we consider an important KPI for the service, was on a gradual uptrend, and reached 1.49 million at the end of March 2023 (1.46 million at the end of March 2022).

In our sales of colored contact lenses, with an aim of improving profit margins, we focused on the sale of our private-label brands, such as "LuMia" and "ramurie," while reducing the costs for advertising other companies' products. In addition, we launched new products, such as "PURI ism" in August 2022, and "U.P.D." in October 2022. Concurrently, with an aim of improving customer convenience, we renewed our e-commerce site "Mew contact."

In the Programmatic Advertising Business, sales increased due to an increase in the volume of orders from existing customers.

As a result, for the fiscal year under review, the Group saw net sales of ¥8,569 million (102.9% of the previous fiscal year), and an operating profit of ¥3,290 million (103.7% of the previous fiscal year).

(Character Merchandizing Business)

In the Character Merchandizing Business, we acquired and commercialized numerous new character copyrights for popular manga works, popular artists, and games with worldwide popularity, etc.

Our products are manufactured mainly in China. As the manufacturing costs were settled in the US dollar, the Company was affected by the weak yen. Accordingly, the Company's profits remained under pressure.

The profitability of crane game prizes declined, as there were no IPs of the popularity as explosive as that seen in the previous fiscal year, and the scale merit declined. However, the Company managed to maintain sales volume due to the expansion of the crane game market and commercialization of numerous popular IPs.

Sales of products for overseas merchandise sales grew, as orders received remained robust, particularly in China and the US.

Sales of high-end hobby items rose due to an increase in the number of items and other factors. In addition, we launched "FURYU HOBBY MALL" in March 2023, an e-commerce site for hobby items, with an aim of further increasing sales by expanding the product range from high-end to middle-end items.

As a result, for the fiscal year under review, the Group saw net sales of ¥16,347 million (107.7% of the previous fiscal year), and an operating loss of ¥155 million (operating profit of ¥2,408 million in the previous fiscal year).

(Game and Anime Business)

In the Game and Anime Business, the Group's efforts by business category were as follows:

In the video game software business, a new original title, "TRINITY TRIGGER," was released in September 2022. We also released "Battle Spirits CONNECTED BATTLERS" and "LogiKing," new titles based on the IPs owned by other companies, in April and December 2022, respectively.

In the game application business, the market for romance simulation games designed for women, which is the Company's business area, was on a shrinking trend, and the Group's sales fell below the previous fiscal year's level.

The animation business performed well to drive the Game and Anime Business. The movie "LAID-BACK CAMP," premiered in July 2022, topped ¥1 billion in box-office revenue, and pamphlets and goods featuring movie characters, provided to coincide with the release of the movie, enjoyed robust sales. In addition, we worked on sales promotion of DVDs and Blu-ray discs for the movie "LAID-BACK CAMP," which are planned for release in the next fiscal year, and preparation for the third season of TV animation.

As a result, for the fiscal year under review, the Group saw net sales of ¥2,794 million (93.8% of the previous fiscal year), and an operating profit of ¥196 million (730.5% of the previous fiscal year).

2) Issues to Be Addressed

The Group recognizes the following items as major issues to be addressed.

(i) Impact of COVID-19

The impact of COVID-19 declined gradually, and socioeconomic activities are increasingly based on a live-with-COVID policy. However, the future consumption trend is unclear, as socioeconomic activities may be restricted if COVID-19 infections spread again. In the

amusement market to which the Group's Photo Sticker Business and Character Merchandizing Business belong, the number of visitors to amusement facilities is expected to decline due to changing consumer sentiment. Responding to these changes in the environment is one of important management issue.

(ii) Reinforcement of User Acquisition

In the Group's Photo Sticker Business, Content and Media Business, and Game and Anime Business, we believe it will be necessary to increase the number of users of the content provided in order to enhance earnings. Due to the impact of COVID-19, there was a marked decline in the number of users of the content provided in the Group's flagship Photo Sticker Business and Content and Media Business. The user count is recovering currently, but it has not recovered to pre-COVID levels. We believe there is an urgent need for the Group to add back users. To this end, we will need to improve the quality and added value of the contents provided, and implement new measures to make them recognized widely. To acquire users, compliance is also considered to be extremely important.

Taking these circumstances into consideration, the Group will strive to improve the acquisition rate and paid user rate and increase the number of users, by implementing effective measures such as enhancing the quality of content while being more conscious about compliance with laws, regulations and social norms going forward.

(iii) Initiatives for New Businesses for Diversification of Revenue Bases

The Group has been expanding its earnings by entering into various businesses and diversifying revenue bases since its establishment. From now on, in order to realize medium- and long-term and sustainable growth, the Group will continue to strengthen its revenue base and management base that can flexibly respond to changes in the markets, by launching businesses quickly and efficiently, utilizing the knowledge, know-how, etc., that it has accumulated in the existing businesses.

(iv) Stabilization of Revenue in the Game and Anime Business

For the game market in Japan and abroad, the environment is likely to become more competitive, as an increase in new competitors and integration are also expected going forward, while the whole market is growing moderately. Accordingly, it will become necessary to quickly develop an infrastructure to continuously create hit titles in order to stabilize revenue in the game market.

The Group will strive to ensure stable revenue by maximizing the value of IPs through synergies among titles, making titles into series and expanding international sales.

(v) Diversification of Characters and Rapid Changes in Customer Preferences

Belonging to a market with characteristics such as diversification of characters and rapid changes in customer preferences, the Group's Character Merchandizing Business and Game and Anime Business will need to acquire the copyrights of profitable characters and develop major characters in order to expand earnings. Accordingly, the Group will strive to develop further relationships with right holders.

(vi) Securing of Excellent Human Resources and Strengthening of the Organizational Structure

The Group recognizes that it is essential to secure excellent human resources in order to develop further going forward. In securing human resources, the Group has the policy of recruiting human resources who match its corporate culture, and have the qualifications it requires, by implementing mid-career recruitment as necessary, in addition to the planned recruitment of new graduates.

Moreover, considering employees as the most important embodiment of corporate philosophy, the Group will continuously implement initiatives for all employees to enable them to perform to their best, by implementing development programs for them.

(vii) Addressing foreign currency risk

In the Character Merchandizing Business, products are manufactured mainly in China. As the manufacturing costs are settled in the US dollar, the Company was affected by the weak yen. As the yen is currently depreciating against the US dollar, for the purpose of mitigating the impact on the purchasing costs, the Company enters into forward foreign exchange contracts as necessary.

(2) Capital Investment, Etc.

Not applicable.

(3) Financing

Not applicable.

(4) Business Transfer, Absorption-type Company Split or Incorporation-type Company Split

Not applicable.

(5) Receipt of Other Companies' Businesses

Not applicable.

(6) Succession to Rights and Obligations of Other Companies' Businesses by Absorption-type Merger or Absorption-type Company Split

Not applicable.

(7) Acquisition or Disposal of Other Companies' Shares and Other Interest or Share Acquisition Rights

Not applicable.

(8) Assets, Profit and Loss

1) Group Assets, Profit and Loss

(Millions of yen)

| | 14th Fiscal Year (from April 1, 2019 to March 31, 2020) | 15th Fiscal Year (from April 1, 2020 to March 31, 2021) | 16th Fiscal Year (from April 1, 2021 to March 31, 2022) | 17th Fiscal Year (Fiscal year under review) (From April 1, 2022 to March 31, 2023) |
|--|---|---|---|---|
| Net sales | — | — | 34,058 | 36,400 |
| Ordinary profit | — | — | 3,707 | 2,179 |
| Profit attributable to owners of parent | — | — | 2,544 | 1,443 |
| Earnings per share (yen) | — | — | 93.01 | 53.62 |
| Total assets | — | — | 28,146 | 25,932 |
| Net assets | — | — | 21,250 | 20,152 |

Note: Standards including the Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan [ASBJ] Statement No. 29, March 31, 2020) have been applied from the beginning of the 16th Fiscal Year. All figures for the 16th Fiscal Year and subsequent fiscal years are shown after the application of these accounting standards.

2) The Company's assets, profit and loss

(Millions of yen)

| | 14th Fiscal Year (from April 1, 2019 to March 31, 2020) | 15th Fiscal Year (from April 1, 2020 to March 31, 2021) | 16th Fiscal Year (from April 1, 2021 to March 31, 2022) | 17th Fiscal Year (Fiscal year under review) (From April 1, 2022 to March 31, 2023) |
|--------------------------|---|---|---|---|
| Net sales | 27,431 | 24,777 | 33,978 | 36,121 |
| Ordinary profit | 3,656 | 2,716 | 3,871 | 2,367 |
| Profit | 3,020 | 1,844 | 2,681 | 1,634 |
| Earnings per share (yen) | 108.54 | 67.42 | 97.99 | 60.72 |
| Total assets | 24,024 | 24,012 | 28,236 | 26,226 |
| Net assets | 18,994 | 19,764 | 21,472 | 20,570 |

Note: Standards including the Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan [ASBJ] Statement No. 29, March 31, 2020) have been applied from the beginning of the 16th Fiscal Year. All figures for the 16th Fiscal Year and subsequent fiscal years are shown after the application of these accounting standards.

(9) Important Parent Company and Subsidiaries

1) Parent Company

Not applicable.

2) Subsidiaries and Associates

| Company name | Share capital | The Company's ratio of shares owned | Main Businesses |
|--------------|----------------|--|-----------------|
| Olu.Inc. | 25 million yen | 100.0% | Apparel on D2C |

3) Other Important Business Combinations

Not applicable.

(10) Main Businesses (as of March 31, 2023)

1) Photo Sticker Business

- Planning, development and sale of photo sticker machines, etc.
- Operation of directly owned store "girls mignon," etc.

2) Content and Media Business

- Planning, development, operation and sale of photo sticker image acquisition and viewing service "Pictlink"
- Planning, development and operation of other contents and media
- Sale of colored contact lenses
- Planning, production and operation of programmatic advertisements
- Planning and sale of apparel on D2C

3) Character Merchandizing Business

- Planning and sale of amusement prizes
- Planning and sale of products for overseas merchandise sales
- Planning and sale of character lottery "MINNA NO KUJI"
- Planning and sale of high-end hobby products with the high-quality hobby brand "F:NEX"

4) Game and Anime Business

- Planning, development and sale of video game software
- Planning, development, operation and sale of game applications
- Planning and sale of movies including TV animations

(11) Main Offices (as of March 31, 2023)

1) The Company

Head office: Shibuya-ku, Tokyo

Branch: Kyoto City, Kyoto and Ichinomiya City, Aichi

2) Subsidiary

Olu.Inc., Shibuya-ku, Tokyo

(12) Employees (as of March 31, 2023)

| Category | Number of employees (change from the end of the previous fiscal year) | Average age | Average service years |
|------------------|---|-------------|-----------------------|
| Male | 236 (+5) | 39.8 | 9 years, 8 months |
| Female | 271 (+14) | 34.9 | 6 years, 8 months |
| Total or average | 507 (+19) | 37.4 | 8 years, 2 months |

Note: Number of employees does not include outsourcing, etc.

(13) Principal Lenders (as of March 31, 2023)

Not applicable.

2. Matters Related to Shares (as of March 31, 2023)

| | | |
|--|---------------|--------------------|
| (1) Total Number of Shares Authorized to Be Issued | Common Shares | 104,400,000 shares |
| (2) Total Number of Issued Shares | Common Shares | 28,296,000 shares |
| (3) Number of Shareholders | | 9,419 |

(4) Major Shareholders

| Name | Shares owned (shares) | Ratio of shares owned (%) |
|--|-----------------------|---------------------------|
| Furyu Shoji Corporation | 4,340,000 | 16.41 |
| The Master Trust Bank of Japan, Ltd. (Trust Account) | 2,252,800 | 8.52 |
| Custody Bank of Japan, Ltd. (Trust Account) | 2,150,700 | 8.13 |
| TM Corporation | 1,415,000 | 5.35 |
| FURYU Employee Shareholding Association | 912,300 | 3.45 |
| Yoshiro Tasaka | 840,000 | 3.18 |
| Masato Yoshida | 840,000 | 3.18 |
| Katsuyuki Inage | 750,000 | 2.84 |
| Shinji Nakamura | 525,800 | 1.99 |
| Koshi Mizoue | 467,900 | 1.77 |

Notes: 1. The Company holds 1,855,966 treasury shares but is excluded from the above major shareholders.

2. The ratio of shares owned is calculated excluding treasury shares.

3. SMBC Nikko Securities Inc. submitted a substantial shareholding report on April 7, 2023. While the substantial shareholding reports state that as of March 31, 2023, SMBC Nikko Securities Inc. held 867,800 shares of the Company stock (shareholding ratio of 3.07%), Sumitomo Mitsui DS Asset Management Company, Limited held 445,900 shares (shareholding ratio of 1.58%), and Sumitomo Mitsui Banking Corporation held 144,300 shares (shareholding ratio of 0.51%), they are not included among the above major shareholders because the Company could not confirm the number of shares actually held at the end of the fiscal year under review.

(5) Other Important Matters Related to Shares

The Company has introduced a share unit system with 100 shares as the share unit.

3. Matters Related to Share Acquisition Rights, Etc.

Not applicable.

4. Matters Related to Company Officers

(1) Position and Responsibility of Directors and Auditors (as of March 31, 2023)

| Position at the Company | Name | Responsibility and significant concurrent positions outside the Company |
|-----------------------------|--------------------|--|
| President | Takashi Mishima | Director of Olu.Inc. |
| Executive Managing Director | Masato Yoshida | Business Officer Director of Olu.Inc. |
| Managing Director | Katsuyuki Inage | Technical Officer |
| Director | Michinari Sasanuma | Corporate Management Officer |
| Director | Takako Kotake | Managing Director of Corporate Branding Department of Cookpad Inc. External Director of HOKUTO Corporation |
| Director | Kento Uno | CEO of Ironforge LLP |
| Full-Time Auditor | Takayuki Nakamura | |
| Auditor | Omou Yamazaki | Representative CPA of Yamazaki CPA office Representative Director of GG Partners Co., LTD. External Director (Audit and Supervisory Committee Member) of T-NET JAPAN Co., Ltd. External Auditor of STYLEM TAKISADA-OSAKA CO., LTD. |
| Auditor | Shinichiro Yoshiba | Partner of SHIOMIZAKA External Director (Audit and Supervisory Committee Member) of Wantedly, Inc. External Director (Audit and Supervisory Committee Member) of STUDIO ATAO Co., Ltd. External Director (Audit and Supervisory Committee Member) of HAMAI INDUSTRIES LTD. External Director (Audit and Supervisory Committee Member) of CyberBuzz, Inc. |

- Notes: 1. Among Directors, Takako Kotake and Kento Uno are External Directors.
2. Among Auditors, Omou Yamazaki and Shinichiro Yoshiba are External Auditors.
3. The Company has submitted notification to the Tokyo Stock Exchange that Directors Takako Kotake and Kento Uno as well as Auditors Omou Yamazaki and Shinichiro Yoshiba have been designated as independent officers as provided for by the aforementioned exchange.
4. Auditor Omou Yamazaki is qualified as a certified public accountant, with substantial insights into finance and accounting.
5. Auditor Shinichiro Yoshiba is qualified as an attorney at law, with substantial insights into laws.
6. Pursuant to the provisions of Article 427, paragraph (1) of the Companies Act, the Company has entered into agreements with External Directors Takako Kotake and Kento Uno as well as Auditor Takayuki Nakamura and External Auditors Omou Yamazaki and Shinichiro Yoshiba to limit their liability for damages under Article 423, paragraph (1) of the Companies Act. The maximum amount of liability for damages under these agreements is the minimum liability amount provided for by Article 425, paragraph (1) of the same Act.
7. The changes in positions, responsibilities and significant concurrent positions of Directors and Auditors during the fiscal year under review are as follows.

| Name | Before change | After change | Date of change |
|--------------------|--|--|-------------------|
| Masato Yoshida | Executive Managing Director Strategy Officer General Manager of SEKAIKAN Business HQs General Manager of Corporate Strategy HQs | Executive Managing Director Strategy Officer General Manager of SEKAIKAN Business HQs General Manager of Corporate Strategy HQs Director of Olu.Inc. | June 20, 2022 |
| | Executive Managing Director Strategy Officer General Manager of SEKAIKAN Business HQs General Manager of Corporate Strategy HQs Director of Olu.Inc. | Executive Managing Director Business Officer Director of Olu.Inc. | March 21, 2023 |
| Katsuyuki Inage | Managing Director Technical Officer General Manager of GIRLS Trend Business HQs in charge of GIRLS Research Institute | Managing Director Technical Officer | March 21, 2023 |
| Michinari Sasanuma | Director General Manager of Corporate Management HQs | Director Corporate Management Officer | March 21, 2023 |
| Shinichiro Yoshiba | External Auditor of CyberBuzz, Inc. | External Director (Audit and Supervisory Committee Member) of CyberBuzz, Inc. | December 14, 2022 |

(2) Summary of the Directors and Officers Limited Liability Agreement

The Company has entered into a directors and officers liability insurance policy with an insurance company, as stipulated in Article 430-3, paragraph (1) of the Companies Act. It indemnifies the insured for such costs as litigation expenses and monetary damages incurred from claims for damages arising from acts carried out by the insured in the course of his or her duties. However, measures are being taken to ensure that the appropriateness of the execution of duties by directors and officers is not impaired. These measures include the exclusion from coverage of cases in which illegal benefits or favors are obtained, and cases of criminal acts and willful violations of laws and regulations. Insurance premiums for them are fully borne by the Company.

The following describes the scope of eligibility as insured.

Directors, Auditors, executive officers, and employees in managerial or supervisory positions, etc. of the Company and its subsidiaries under the Companies Act

(3) Amount of Remuneration for Directors and Auditors

1) Policy for Deciding Remuneration for Officers

At the Board of Directors meeting held on February 12, 2021, the Company resolved the policy for determining the remuneration for individual Directors. At the Board of Directors meeting held on June 24, 2022, the Company revised the decision-making policy for determining the remuneration for

individual Directors, as a result of which the method of making the final decision on the amount of individual remuneration, as provided for in “c. Matters Concerning the Decision on Remuneration, etc.,” was changed from “delegated to the President” to “resolved by the Board of Directors.” For the resolution of the Board of Directors, the Company had consulted with the Nominating and Remuneration Committee about its content and received its report by return.

When deciding the remuneration for individual Directors, since the Nominating and Remuneration Committee conducts multifaceted examinations on the draft (calculated using the payment table by evaluation and formula stipulated in advance, based on their base amount and evaluation), including the consistency with the deciding policy, the Board of Directors basically respected its report to follow the deciding policy.

The contents of the policy for deciding the remuneration for individual Directors are as follows.

a. Basic Policy

It shall be the basic policy that the Company’s remuneration structure should encourage Directors’ contribution to not only short-term but also medium- to long-term corporate earnings, as well as clarifying their responsibility for earnings, and decisions on the remuneration for individual Directors should be at an appropriate level taking into consideration corporate earnings and individual Directors’ contribution to management (including actions for improving medium- to long-term earnings).

Moreover, in order to design the remuneration scheme and decide specific amounts of remuneration in accordance with objective and transparent procedures, the Company shall decide it by respecting the contents of the report by the Nominating and Remuneration Committee, mainly composed of independent External Directors, as much as possible.

b. Policy for Deciding Amount of Individual Monetary Remuneration

The base for the Company’s remuneration payment shall be determined while taking into consideration the maximum amount of existing employee’s salary, the general level of remuneration for officers such as data of surveys on the remuneration for officers by external research organizations, earnings of the Company and the discussions and examinations by the Nominating and Remuneration Committee.

The remuneration for Directors of the Company shall be calculated by combining the remuneration determined for each position, using difference coefficients between positions stipulated by rules of remuneration for officers, and the remuneration calculated in line with short-term corporate earnings and each Director’s contribution to management from medium- to long-term perspectives (calculations based on an eight-grade evaluation), within the limit on remuneration approved at the general meeting of shareholders.

The remuneration for an External Director shall be decided by comprehensively taking into consideration the External Director’s contribution to the Company, social status and circumstances of assuming office.

c. Matters Concerning the Decision on the contents of Remuneration, etc.

The final evaluation of each Director and the final decision on the amount of individual remuneration shall be made by the Board of Directors. The Board of Directors shall consult with the Nominating and Remuneration Committee, mainly composed of independent External Directors, about the draft to receive its report, and shall respect the content of the report as much as possible, and make a decision on the amount of individual remuneration.

d. Policies for Timing to Grant and Conditions for Remuneration (Including Policies for the Ratio of Remuneration)

The remuneration for officers shall be fixed monetary remuneration only.

2) Total Amount of Remuneration for the Fiscal Year under Review

| Category | Total amount of remuneration (thousands of yen) | Total amount of remuneration by type (thousands of yen) | | | Number of eligible officers |
|--|---|---|---------------------------------------|---------------------------------|-----------------------------|
| | | Basic remuneration | Performance-linked remuneration, etc. | Non-monetary remuneration, etc. | |
| Directors [of which, External Directors] | 125,832 [9,600] | 125,832 [9,600] | — | — | 6 [2] |
| Auditors [of which, External Auditors] | 24,804 [9,600] | 24,804 [9,600] | — | — | 3 [2] |
| Total [of which, external officers] | 150,636 [19,200] | 150,636 [19,200] | — | — | 9 [4] |

Notes: 1. The remuneration for officers of the Company is calculated within the limit on remuneration approved at the 9th Annual General Meeting of Shareholders held on June 29, 2015 (within the annual amount of ¥300 million for the remuneration of Directors (of which, within ¥20 million for External Directors) (two External Directors among eight Directors at the time of the resolution), and within the annual amount of ¥30 million for the remuneration of Auditors (three Auditors at the time of the resolution)).

2. From the perspective of evaluating responsible businesses of individual Directors, while overseeing earnings of the entire Company, the Board of Directors resolved at the meeting held on June 22, 2021 that President Takashi Mishima would be delegated with the final decision on the amount of remuneration for individual Directors until June 2022. In order for the President to exercise such authority appropriately, the Board of Directors determined the deciding method, policy, calculation method and its basis of the remuneration for Directors, consulted with the Nominating and Remuneration Committee, mainly composed of independent External Directors, about the draft and received its report. The final decisions made since July 2022 on the amount of remuneration for individual Directors were made at meetings of the Board of Directors based on the content of resolutions of the Board of Directors made on June 24, 2022, and calculated within the limit on remuneration approved at the general meeting of shareholders. The decisions were not delegated to Directors or a third party.

(4) Matters Related to External Officers

1) Significant Concurrent Positions at Other Corporations, etc., and Relationship of the Company with Such Corporations, Etc.

| Category | Name | Where the person is concurrently employed | Concurrent position |
|----------|--------------------|--|---|
| Director | Takako Kotake | Cookpad Inc. HOKUTO Corporation | Managing Director of Corporate Branding Department External Director |
| Director | Kento Uno | Ironforge LLP | CEO |
| Auditor | Omou Yamazaki | Yamazaki CPA office GG Partners Co., LTD. T-NET JAPAN Co., Ltd. STYLEM TAKISADA-OSAKA CO., LTD. | Representative CPA Representative Director External Director (Audit and Supervisory Committee Member) External Auditor |
| Auditor | Shinichiro Yoshiba | SHIOMIZAKA Wantedly, Inc. STUDIO ATAO Co., Ltd. HAMAI INDUSTRIES LTD. CyberBuzz, Inc. | Partner External Director (Audit and Supervisory Committee Member) External Director (Audit and Supervisory Committee Member) External Director (Audit and Supervisory Committee Member) External Director (Audit and Supervisory Committee Member) |

Note: There is no relationship to be disclosed between the Company and the above entities where external officers are concurrently employed.

2) Main Activities During the Fiscal Year Under Review

| Category | Name | Summary of attendance, statement, and duties conducted for the role expected as an External Director |
|----------|--------------------|---|
| Director | Takako Kotake | During the fiscal year under review, Takako Kotake attended all 14 meetings of the Board of Directors and provided active advice and recommendations utilizing insights into branding and public relations accumulated through business experience at other companies, while also offering recommendations from the perspectives of diversity and sustainability, as well as the fresh perspective as External Director, in order to play an appropriate role in ensuring the validity and appropriateness of decision-making. Moreover, as a member of the Nominating and Remuneration Committee, she attended all two meetings held during the fiscal year under review, providing the supervisory function, from an objective and neutral position, in the processes of selecting candidates for the Company's officers, and evaluating each Director and deciding on the amount of its individual remuneration. |
| Director | Kento Uno | During the fiscal year under review, Kento Uno attended all 14 meetings of the Board of Directors, providing advice and recommendations, utilizing deep insights into IT, experience in launching new businesses, and abundant knowledge from the perspectives of digital transformation strategies, and formulation of business development and growth strategies as a management consultant, in order to play an appropriate role in ensuring the validity and appropriateness of decision-making. Moreover, as a member of the Nominating and Remuneration Committee, he attended all two meetings held during the fiscal year under review, providing the supervisory function, from an objective and neutral position, in the processes of selecting candidates for the Company's officers, and evaluating each Director and deciding on the amount of its individual remuneration. |
| Auditor | Omou Yamazaki | During the fiscal year under review, Omou Yamazaki attended all 14 meetings of the Board of Directors and all 13 meetings of the Board of Auditors, and made necessary statements on proposals, etc., mainly from an accounting perspective. |
| Auditor | Shinichiro Yoshiba | During the fiscal year under review, Shinichiro Yoshiba attended all 14 meetings of the Board of Directors and all 13 meetings of the Board of Auditors, and made necessary statements on proposals, etc., mainly from a legal perspective. |

Note: In addition to the number of meetings of the Board of Directors shown in the above table, there was one written resolution deemed to be resolutions of the Board of Directors pursuant to the provisions of Article 370 of the Companies Act and the Articles of Incorporation.

5. Matters Related to Accounting Auditor

(1) Name of Accounting Auditor Deloitte Touche Tohmatsu LLC

(2) The Amount of Remuneration, etc., for the Accounting Auditor and Reasons for Auditors’ Consent to the Remuneration

| | Amount of remuneration, etc. |
|---|------------------------------|
| Amount of remuneration, etc., for the Accounting Auditor concerning the fiscal year under review | 37,000 thousand yen |
| Total amount of cash and economic benefits to be paid by the Company and its subsidiaries to the Accounting Auditor | 41,200 thousand yen |

Notes: 1. Since in the audit agreement entered into by the Accounting Auditor and the Company, there is no clear distinction between the amount of remuneration for audits pursuant to the Companies Act and audits pursuant to the Financial Instruments and Exchange Act, and since they cannot be practically distinguished either, the amount of remuneration, etc., for the Accounting Auditor concerning the fiscal year under review shows their total amount.

2. The Board of Auditors gave its consent to the amount of remuneration, etc., for the Accounting Auditor, after conducting the necessary verification on the appropriateness of the content of the audit plan of the Accounting Auditor, execution of the accounting audit and the grounds for calculating remuneration estimates.

(3) Details of Non-Audit Services

The Company pays consideration to Deloitte Touche Tohmatsu LLC for advisory services related to tasks we perform for organizing issues on human capital.

(4) Policy for Deciding Removal or Refusal of Reappointment of Accounting Auditor

If deemed necessary, including where there is a problem in the execution of duties by the Accounting Auditor, the Board of Auditors shall decide on a proposal for removal or refusal of reappointment of the Accounting Auditor to be submitted to the general meeting of shareholders.

Moreover, if the Accounting Auditor is deemed to fall under items stipulated by each item of Article 340, paragraph (1) of the Companies Act, the Company shall remove the Accounting Auditor, based on the consent of all Auditors. In such cases, an Auditor selected by the Board of Auditors shall report the removal of the Accounting Auditor and its reasons at the first general meeting of shareholders to be convened after the removal.

(5) Summary of the Limited Liability Agreement

Not applicable.

6. Policy on Decisions on Dividends of Surplus

The Company considers that it is for the benefit of shareholders' common interest to implement, on a priority basis, strategic investments that lead to sustainable growth and improved corporate value. In addition, recognizing the return of profit to shareholders as one of the important management measures, the Company has the basic policy of regarding stable and continuous dividends as its basic principle and conducting the return of profit by comprehensively considering the trends of earnings and the enhancement of internal reserves required for future growth investments, among others. Furthermore, in addition to this policy, the Company will place greater emphasis on the sound increase of profit and the return of profit to shareholders in addition to promoting the improvement of ROE to 15% or more as a target for capital efficiency. Therefore, future dividends will be determined based on a comprehensive judgment, using a dividend payout ratio of 40% or dividend on equity ratio (DOE) of 5.0% as a reference index, and taking into consideration the amount of medium- to long-term investments aimed at enhancement of corporate value in the future. At the same time, the Company will also consider a flexible position with regard to share repurchases, in response to the state of cash flow and the share price trends. The Board of Directors shall decide on dividends, etc., of surplus. In accordance with this basic policy, the Company proposes to pay a year-end dividend for the fiscal year under review of ¥38 per share. As a result, the dividend payout ratio for the fiscal year under review becomes 70.9%, with a DOE of 4.9%. Regarding a dividend for the next fiscal year, a year-end dividend of ¥38 per share is envisaged.

Dividends of Surplus for the Fiscal Year under Review

| Date of resolution | Total amount of dividends (Thousands of yen) | Dividend per share (Yen) |
|--|---|-----------------------------|
| May 12, 2023 Resolution of the Board of Directors | 1,004,721 | 38 |

Note: The amounts in this Business Report are shown by rounding off fractions less than the unit of display.

Consolidated Balance Sheet

(As of March 31, 2023)

(Thousands of yen)

| Assets | | Liabilities and net assets | |
|---|------------|---|-------------|
| Account item | Amount | Account item | Amount |
| Assets | | Liabilities | |
| Current assets | 20,861,156 | Current liabilities | 5,494,273 |
| Cash and deposits | 10,800,352 | Accounts payable - trade | 734,435 |
| Accounts receivable - trade | 4,250,802 | Electronically recorded obligations - operating | 1,565,204 |
| Electronically recorded monetary claims - operating | 1,293,139 | Lease liabilities | 127,356 |
| Merchandise and finished goods | 1,889,241 | Accounts payable - other | 718,142 |
| Work in process | 21,106 | Accrued expenses | 1,432,538 |
| Raw materials and supplies | 512,118 | Income taxes payable | 100,180 |
| Advance payments to suppliers | 1,255,756 | Accrued consumption taxes | 56,071 |
| Prepaid expenses | 275,063 | Contract liabilities | 349,998 |
| Accounts receivable - other | 335,275 | Provision for loss on orders received | 182,815 |
| Other | 233,723 | Other | 227,529 |
| Allowance for doubtful accounts | (5,422) | Non-current liabilities | 285,347 |
| Non-current assets | 5,071,005 | Retirement benefit liability | 278,350 |
| (Property, plant and equipment) | 2,665,613 | Other | 6,996 |
| Buildings | 197,563 | | |
| Tools, furniture and fixtures | 160,641 | Total liabilities | 5,779,620 |
| Leased assets | 2,244,187 | Net assets | |
| Other | 63,221 | Shareholders' equity | 20,278,255 |
| (Intangible assets) | 667,939 | Share capital | 1,639,216 |
| Software | 310,735 | Capital surplus | 1,614,716 |
| Other | 357,203 | Retained earnings | 19,024,692 |
| (Investments and other assets) | 1,737,452 | Treasury shares | (2,000,368) |
| Investment securities | 21,048 | Accumulated other comprehensive income | (125,713) |
| Distressed receivables | 18,332 | Deferred gains or losses on hedges | (59,116) |
| Long-term prepaid expenses | 61,268 | Remeasurements of defined benefit plans | (66,597) |
| Leasehold and guarantee deposits | 508,538 | | |
| Deferred tax assets | 1,135,620 | Total net assets | 20,152,541 |
| Other | 10,975 | | |
| Allowance for doubtful accounts | (18,332) | Total liabilities and net assets | 25,932,162 |
| Total assets | 25,932,162 | | |

Note: Amounts are shown by rounding off amounts less than 1,000 yen.

Consolidated Statement of Income
(From April 1, 2022 to March 31, 2023)

(Thousands of yen)

| Account item | Amount | |
|---|----------|------------|
| Net sales | | 36,400,530 |
| Cost of sales | | 21,265,612 |
| Gross profit | | 15,134,917 |
| Selling, general and administrative expenses | | 13,000,076 |
| Operating profit | | 2,134,841 |
| Non-operating income | | |
| Interest income | 6 | |
| Foreign exchange gains | 33,033 | |
| Subsidy income | 1,158 | |
| Subsidy income | 5,196 | |
| Gain on investments in investment partnerships | 6,628 | |
| Leasehold and guarantee deposits | 9,909 | |
| Other | 2,271 | 58,203 |
| Non-operating expenses | | |
| Interest expenses | 133 | |
| Commission expenses | 12,073 | |
| Other | 1,054 | 13,262 |
| Ordinary profit | | 2,179,782 |
| Extraordinary income | | |
| Gain on sale of non-current assets | 74 | 74 |
| Extraordinary losses | | |
| Loss on sale and retirement of non-current assets | 6,452 | |
| Impairment losses | 4,966 | 11,418 |
| Profit before income taxes | | 2,168,438 |
| Income taxes - current | 754,378 | |
| Income taxes - deferred | (29,499) | 724,878 |
| Profit | | 1,443,560 |
| Profit attributable to owners of parent | | 1,443,560 |

Note: Amounts are shown by rounding off amounts less than 1,000 yen.

Consolidated Statement of Changes in Equity

(From April 1, 2022 to March 31, 2023)

(Thousands of yen)

| | Shareholders' equity | | | | |
|--|----------------------|-----------------|-------------------|-----------------|----------------------------|
| | Share capital | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance on April 1, 2022 | 1,639,216 | 1,614,716 | 19,003,864 | (1,000,385) | 21,257,410 |
| Change during the fiscal year | | | | | |
| Dividends of surplus | | | (1,422,732) | | (1,422,732) |
| Profit attributable to owners of parent | | | 1,443,560 | | 1,443,560 |
| Purchase of treasury shares | | | | (999,983) | (999,983) |
| Net changes in items other than shareholders' equity | | | | | |
| Total changes during period | - | - | 20,828 | (999,983) | (979,155) |
| Balance on March 31, 2023 | 1,639,216 | 1,614,716 | 19,024,692 | (2,000,368) | 20,278,255 |

| | Accumulated other comprehensive income | | | Total net assets |
|--|--|---|--|------------------|
| | Deferred gains or losses on hedges | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | |
| Balance on April 1, 2022 | 54,328 | (60,762) | (6,434) | 21,250,976 |
| Change during the fiscal year | | | | |
| Dividends of surplus | | | | (1,422,732) |
| Profit attributable to owners of parent | | | | 1,443,560 |
| Purchase of treasury shares | | | | (999,983) |
| Net changes in items other than shareholders' equity | (113,444) | (5,834) | (119,279) | (119,279) |
| Total changes during period | (113,444) | (5,834) | (119,279) | (1,098,434) |
| Balance on March 31, 2023 | (59,116) | (66,597) | (125,713) | 20,152,541 |

Note: Amounts are shown by rounding off amounts less than 1,000 yen.

Balance Sheet
(As of March 31, 2023)

(Thousands of yen)

| Assets | | Liabilities and net assets | |
|---|-------------------|---|-------------------|
| Account item | Amount | Account item | Amount |
| Assets | | Liabilities | |
| Current assets | 20,664,599 | Current liabilities | 5,466,281 |
| Cash and deposits | 10,676,183 | Accounts payable - trade | 729,349 |
| Accounts receivable - trade | 4,227,719 | Electronically recorded obligations - operating | 1,565,204 |
| Electronically recorded monetary claims - operating | 1,293,139 | Lease liabilities | 127,204 |
| Merchandise and finished goods | 1,850,601 | Accounts payable - other | 701,078 |
| Work in process | 21,106 | Accrued expenses | 1,429,747 |
| Raw materials and supplies | 512,118 | Income taxes payable | 100,000 |
| Advance payments to suppliers | 1,254,732 | Accrued consumption taxes | 56,071 |
| Prepaid expenses | 274,273 | Contract liabilities | 349,998 |
| Accounts receivable - other | 326,202 | Provision for loss on orders received | 182,815 |
| Other | 233,943 | Other | 224,811 |
| Allowance for doubtful accounts | (5,422) | Non-current liabilities | 189,019 |
| Non-current assets | 5,561,690 | Provision for retirement benefits | 182,389 |
| (Property, plant and equipment) | 2,655,394 | Other | 6,629 |
| Buildings | 189,196 | | |
| Tools, furniture and fixtures | 159,271 | Total liabilities | 5,655,301 |
| Leased assets | 2,243,704 | Net assets | |
| Other | 63,221 | Shareholders' equity | 20,630,105 |
| (Intangible assets) | 654,275 | Share capital | 1,639,216 |
| Software | 297,071 | Capital surplus | 1,639,216 |
| Other | 357,203 | Legal capital surplus | 1,639,216 |
| (Investments and other assets) | 2,252,020 | Retained earnings | 19,352,041 |
| Investment securities | 21,048 | Other retained earnings | 19,352,041 |
| Distressed receivables | 18,332 | Retained earnings brought forward | 19,352,041 |
| Shares of subsidiaries and associates | 50,000 | Treasury shares | (2,000,368) |
| Long-term loans receivable from subsidiaries and associates | 500,000 | Valuation and translation adjustments | (59,116) |
| Long-term prepaid expenses | 61,268 | Deferred gains or losses on hedges | (59,116) |
| Leasehold and guarantee deposits | 502,471 | | |
| Deferred tax assets | 1,106,256 | Total net assets | 20,570,988 |
| Other | 10,975 | | |
| Allowance for doubtful accounts | (18,332) | Total liabilities and net assets | 26,226,289 |
| Total assets | 26,226,289 | | |

Note: Amounts are shown by rounding off amounts less than 1,000 yen.

Statement of Income

(From April 1, 2022 to March 31, 2023)

(Thousands of yen)

| Account item | Amount | |
|---|----------|------------|
| Net sales | | 36,121,909 |
| Cost of sales | | 21,126,530 |
| Gross profit | | 14,995,378 |
| Selling, general and administrative expenses | | 12,677,813 |
| Operating profit | | 2,317,565 |
| Non-operating income | | |
| Interest income | 2,504 | |
| Foreign exchange gains | 33,033 | |
| Subsidy income | 1,158 | |
| Subsidy income | 5,196 | |
| Gain on investments in investment partnerships | 6,628 | |
| Leasehold and guarantee deposits | 9,909 | |
| Other | 4,635 | 63,065 |
| Non-operating expenses | | |
| Interest expenses | 133 | |
| Commission expenses | 12,073 | |
| Other | 1,054 | 13,262 |
| Ordinary profit | | 2,367,367 |
| Extraordinary income | | |
| Gain on sale of non-current assets | 74 | 74 |
| Extraordinary losses | | |
| Loss on sale and retirement of non-current assets | 6,452 | |
| Impairment losses | 4,966 | 11,418 |
| Profit before income taxes | | 2,356,024 |
| Income taxes - current | 754,198 | |
| Income taxes - deferred | (32,832) | 721,365 |
| Profit | | 1,634,658 |

Note: Amounts are shown by rounding off amounts less than 1,000 yen.

Statement of Changes in Equity
(From April 1, 2022 to March 31, 2023)

(Thousands of yen)

| | Shareholders' equity | | | | |
|--|----------------------|-----------------------|-----------------------|--|-------------------------|
| | Share capital | Capital surplus | | Retained earnings | |
| | | Legal capital surplus | Total capital surplus | Other retained earnings Retained earnings brought forward | Total retained earnings |
| Balance on April 1, 2022 | 1,639,216 | 1,639,216 | 1,639,216 | 19,140,115 | 19,140,115 |
| Changes during period | | | | | |
| Dividends of surplus | | | | (1,422,732) | (1,422,732) |
| Profit | | | | 1,634,658 | 1,634,658 |
| Purchase of treasury shares | | | | | |
| Net changes in items other than shareholders' equity | | | | | |
| Total changes during period | - | - | - | 211,926 | 211,926 |
| Balance on March 31, 2023 | 1,639,216 | 1,639,216 | 1,639,216 | 19,352,041 | 19,352,041 |

| | Shareholders' equity | | Valuation and translation adjustments | | Total net assets |
|--|----------------------|----------------------------|---------------------------------------|---|------------------|
| | Treasury shares | Total shareholders' equity | Deferred gains or losses on hedges | Total valuation and translation adjustments | |
| Balance on April 1, 2022 | (1,000,385) | 21,418,162 | 54,328 | 54,328 | 21,472,490 |
| Changes during period | | | | | |
| Dividends of surplus | | (1,422,732) | | | (1,422,732) |
| Profit | | 1,634,658 | | | 1,634,658 |
| Purchase of treasury shares | (999,983) | (999,983) | | | (999,983) |
| Net changes in items other than shareholders' equity | | | (113,444) | (113,444) | (113,444) |
| Total changes during period | (999,983) | (788,057) | (113,444) | (113,444) | (901,501) |
| Balance on March 31, 2023 | (2,000,368) | 20,630,105 | (59,116) | (59,116) | 20,570,988 |

Note: Amounts are shown by rounding off amounts less than 1,000 yen.

This is the English translation of the audit report on consolidated financial statements which was originally issued in Japanese.

Accounting Audit Report on Consolidated Financial Statements

Audit Report of the Independent Auditor

May 17, 2023

To: Board of Directors of FURYU Corporation

Deloitte Touche Tohmatsu LLC

Tokyo Office

Designated Engagement Partner
Partner

Certified Public Accountant
Michiyuki Yamamoto

Designated Engagement Partner
Partner

Certified Public Accountant
Yuichiro Koga

Audit Opinions

Pursuant to the provisions of Article 444, paragraph (4) of the Companies Act, we have audited the consolidated financial statements for the fiscal year from April 1, 2022 to March 31, 2023 of FURYU Corporation, namely, the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in equity, and the related notes.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of FURYU Corporation and the corporate group comprising its consolidated subsidiary as of March 31, 2023 and its consolidated financial performance for the fiscal year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Audit Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in “Responsibilities of the Auditor in the Audit of the Consolidated Financial Statements.” In accordance with the provisions of the Code of Professional Ethics in Japan, we are independent of the company and its consolidated subsidiary, and we have fulfilled our other ethical responsibilities as the auditor. We believe that audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Other information consists of the business report and the supplementary schedules. Management is responsible for preparing and disclosing the other information. Auditors and the Board of Auditors are responsible for monitoring the execution of duties by Directors in the development and operation of the reporting process for the other information.

The scope of our opinion on the consolidated financial statements does not include the other information, and we do not provide our opinion on the other information.

Our responsibilities for the audit of the consolidated financial statements is to read through the other information, and in doing so, consider whether there are material differences between the other information and the consolidated financial statements or our knowledge acquired during the audit. This responsibility also includes paying attention to whether there are any other indications of material errors in the other information besides such material differences.

If we determine, based on the audit work performed, that there are material errors in the other information, we are required to report those facts.

We have no matters to report regarding the other information.

Responsibilities of Management, Auditors and the Board of Auditors for the Consolidated Financial Statements

Management is responsible for preparing and fairly presenting the consolidated financial statements in accordance with accounting principles generally accepted in Japan. This includes the development and operation of internal control that is deemed necessary by management in order to prepare and fairly present the consolidated financial statements that are free of material misstatement due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the consolidated financial statements with the assumption of the ability to continue as a going concern, and disclosing, as applicable, matters regarding the going concern in accordance with accounting principles generally accepted in Japan.

Auditors and the Board of Auditors are responsible for monitoring the execution of duties by Directors in the development and operation of the financial reporting process.

Responsibilities of Auditor for the Audit of the Consolidated Financial Statements

Our responsibilities are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion on the consolidated financial statements based on our audit from an independent point of view. Misstatements can arise from fraud or error, and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of the consolidated financial statements.

In accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement, whether due to fraud or error. Moreover, design and perform audit procedures in response to those risks of material misstatement. The selection and application of audit procedures depend on the auditor's judgement. Furthermore, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of auditing the consolidated financial statements to express an opinion on the

effectiveness of the internal control.

- Evaluate the appropriateness of accounting policies used by management and their method of application, as well as the reasonableness of accounting estimates made by management and the validity of related notes.
- Conclude on the appropriateness of management's use of the going concern basis for preparing the consolidated financial statements and, based on the audit evidence obtained, whether there are material uncertainties regarding events or situations that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related notes to the consolidated financial statements, or if the notes to the consolidated financial statements are inadequate, to express a qualified opinion with exceptions on the consolidated financial statements. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern.
- Evaluate whether the presentation of the consolidated financial statements and the notes are in accordance with accounting principles generally accepted in Japan, as well as the presentation, structure and content of the consolidated financial statements, including the related notes, whether the consolidated financial statements represent the underlying transactions and accounting events in a manner that achieve fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the company and its consolidated subsidiary to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the consolidated financial statements. We remain solely responsible for our audit opinion.

We communicate with Auditors and the Board of Auditors regarding the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit, and other matters required by audit standards.

We also provide Auditors and the Board of Auditors with a statement that we have complied with relevant ethical requirements in Japan regarding independence, and communicate with them matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards in order to eliminate or reduce obstruction factors.

Interests Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partner do not have any interest in the company and its consolidated subsidiary which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Audit Report of the Independent Auditor

May 17, 2023

To: Board of Directors of FURYU Corporation

Deloitte Touche Tohmatsu LLC

Tokyo Office

Designated Engagement Partner

Partner

Certified Public Accountant

Michiyuki Yamamoto

Designated Engagement Partner

Partner

Certified Public Accountant

Yuichiro Koga

Audit Opinions

Pursuant to the provisions of Article 436, paragraph (2), item (i) of the Companies Act, we have audited the non-consolidated financial statements for the 17th fiscal year from April 1, 2022 to March 31, 2023, of FURYU Corporation, namely, the balance sheet, statement of income, statement of changes in equity, the related notes and supplementary schedules thereof (“non-consolidated financial statements, etc.”).

In our opinion, the accompanying non-consolidated financial statements, etc., present fairly, in all material respects, the financial position as of March 31, 2023 and the financial performance for the fiscal year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Audit Opinions

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the “Responsibilities of the Auditor in the Audit of the Non-consolidated Financial Statements, etc.” In accordance with the provisions of the Code of Professional Ethics in Japan, we are independent of the company, and we have fulfilled our other ethical responsibilities as the auditor. We believe that audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Other Information

Other information consists of the business report and the supplementary schedules. Management is responsible for preparing and disclosing the other information. Auditors and the Board of Auditors are responsible for monitoring the execution of duties by Directors in the development and operation of the reporting process for the other information.

The scope of our opinion on the non-consolidated financial statements, etc., does not include the other information, and we do not provide our opinion on the other information.

Our responsibilities for the audit of the non-consolidated financial statements, etc., is to read through the

other information, and in doing so, consider whether there are material differences between the other information and the non-consolidated financial statements, etc., or our knowledge acquired during the audit. This responsibility also includes paying attention to whether there are any other indications of material errors in the other information besides such material differences.

If we determine, based on the audit work performed, that there are material errors in the other information, we are required to report those facts.

We have no matters to report regarding the other information.

Responsibility of the Management, Auditors and the Board of Auditors for the Non-consolidated Financial Statements, Etc.

Management is responsible for preparing and fairly presenting the non-consolidated financial statements, etc., in accordance with accounting principles generally accepted in Japan. This includes the development and operation of internal control that is deemed necessary by management in order to prepare the non-consolidated financial statements, etc., that are free of material misstatement due to fraud or error.

In preparing the non-consolidated financial statements, etc., management is responsible for assessing whether it is appropriate to prepare the non-consolidated financial statements, etc., with the assumption of the ability to continue as a going concern, and disclosing as applicable, matters regarding the going concern in accordance with accounting principles generally accepted in Japan.

Auditors and the Board of Auditors are responsible for monitoring the execution of duties by Directors in the development and operation of the financial reporting process.

Responsibilities of Auditor for the Audit of the Non-consolidated Financial Statements, Etc.

Our responsibilities are to obtain reasonable assurance about whether there the non-consolidated financial statements, etc., as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion on the non-consolidated financial statements, etc., based on our audit from an independent point of view. Misstatements can arise from fraud or error, and are considered material if, individually or in aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of the non-consolidated financial statements, etc.

In accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement, whether due to fraud or error. Moreover, design and perform audit procedures in response to those risks of material misstatement. The selection and application of audit procedures depend on the auditor's judgement. Furthermore, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of auditing the non-consolidated financial statements, etc., to express an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used by management and their method of

application, as well as the reasonableness of accounting estimates made by management and the validity of related notes.

- Conclude on the appropriateness of management's use of the going concern basis for preparing the non-consolidated financial statements, etc. and, based on the audit evidence obtained, whether there are material uncertainties regarding events or situations that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that material uncertainty exists, we are required to draw attention in our auditor's report to the related notes to the non-consolidated financial statements, etc., or if the notes to the non-consolidated financial statements, etc. are inadequate, to express a qualified opinion with exceptions on the non-consolidated financial statements, etc. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern.
- Evaluate whether the presentation of the non-consolidated financial statements, etc. are in accordance with accounting principles generally accepted in Japan, as well as the presentation, structure and content of the non-consolidated financial statements, etc., including the related notes, whether the non-consolidated financial statements, etc. represent the underlying transactions and accounting events in a manner that achieve fair presentation.

We communicate with Auditors and the Board of Auditors regarding the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit and other matters required by audit standards.

We also provide Auditors and the Board of Auditors with a statement that we have complied with relevant ethical requirements in Japan regarding independence, and communicate with them matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards in order to eliminate or reduce obstruction factors.

Interests Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partner do not have any interest in the company and its consolidated subsidiary which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Audit Report of the Board of Auditors

Audit Report

In regard to the director's performance of their duties for the 17th fiscal year from April 1, 2022 to March 31, 2023, the board of auditors has prepared this Audit Report after deliberations based on audit reports prepared by each auditors and reports as follows.

1. Method and Contents of Audits by Auditors and the Board of Auditors

- (1) The board of auditors determined the audit policies, the annual plan of audit, etc. and received reports from each auditor regarding the implementation status and results of their audits, in addition to which it received reports from directors, etc. and the accounting auditor regarding the status of performance of their duties and requested explanations as necessary.
- (2) In compliance with the audit standards for auditor established by the board of auditors and in accordance with the audit policies and division of duties, etc., each auditor communicated with the directors, the Internal Audit Office, and other employees, etc., endeavored to gather information and develop the audit environment, and conducted audits using the following methods.
 - 1) Auditors attended meetings of the board of directors and other important meetings, received reports from directors and employees, etc. regarding the status of the performance of their duties requested explanations as necessary, viewed important decision-making documents etc., and inspected the status of operations and assets at the head office and main business locations, and had interviews with the representative director and the director responsible for the Corporate Management HQs to exchange opinions and information concerning the issues regarding audits. Additionally, in regard to a subsidiary, the auditors communicated and exchanged information with the directors and auditors, etc. of the subsidiary, and received reports on business from the subsidiary as necessary.
 - 2) In regard to the content of resolutions of the board of directors regarding the development of system to ensure that the directors' performance of their duties complies with laws, regulations and the articles of incorporation and other systems provided for in Article 100, paragraphs (1) and (3) of the Ordinance for Enforcement of the Companies Act as systems necessary to ensure the appropriateness of operations of the corporate group composed of a stock company and its subsidiary, as well as the systems developed pursuant to those resolutions (i.e., internal control systems) stated in the business report, the auditors periodically received reports from directors and employees, etc. regarding the status of the establishment and operation of those systems and as necessary requested explanations and expressed opinions in regard thereto.
 - 3) The auditors oversaw and verified whether the accounting auditor maintained an independent position and conducted an appropriate audit, received reports from the accounting auditor on the status of the performance of its duties, and requested explanations as necessary. Additionally, the auditors received notification from the accounting auditor that, in accordance with the "Quality Control Standards for Audits" (Business Accounting Council, October 28, 2005), etc., it had developed systems in order to ensure that its duties are appropriately performed (i.e., notification of the matters stated in the items of Article 131 of the Ordinance on Accounting of Companies) and requested explanations as necessary.

Using the methods above, the auditors examined the business report, the supplementary schedules thereto, the non-consolidated financial statements (i.e., the balance sheet, statement of income, statement of changes in equity, and notes to non-consolidated financial statements), and the supplementary schedules to the non-consolidated financial statements, and the consolidated financial statements (i.e., the consolidated balance sheet, consolidated statement of income, consolidated statement of changes in equity, and notes to consolidated financial statements) for the fiscal year.

2. Audit Results

(1) Results of the Audit of the Business Report, Etc.

- 1) We find that the business report and the supplementary schedules thereto accurately present the status of the company in accordance with laws, regulations and the articles of incorporation.
- 2) We do not find any misconduct nor any material fact constituting a violation of any law, regulation, or the articles of incorporation in relation to the directors' performance of their duties.
- 3) We find the content of the resolutions of the board of directors regarding internal control systems to be reasonable. Additionally, we do not find any matters that should be commented upon in regard to the statements in the business report or the directors' performance of their duties regarding to the internal control system.

(2) Results of audit of non-consolidated financial statements and supplementary schedules thereto

We find the method and results of the audit by accounting auditor, Deloitte Touche Tohmatsu LLC, to be reasonable.

(3) Results of the audit of consolidated financial statements

We find the method and results of the audit by accounting auditor, Deloitte Touche Tohmatsu LLC, to be reasonable.

3. Scope and Method of Audit by Each Auditor

External Auditors (Two persons): Attendance at the board of directors meetings, attendance at the board of auditors meetings, interviews with the accounting auditor, and audit of reasonableness of the resolution of the board of directors on the internal control system through interviews with directors

*Refer to the minutes of the board of directors meetings and the board of auditors meetings.

Full-Time Auditor: Attendance at meetings of the board of directors, attendance at meetings of the board of auditors, attendance at the management meetings, observation of inventory count, inspection of internally approved documents and various rules, interviews with directors, and interviews with the accounting auditor, among others

*Refer to the minutes of the board of directors meetings and the board of auditors meetings, and the records of audits.

May 19, 2023

Board of Auditors of FURYU Corporation

Full-Time Auditor Takayuki Nakamura

Auditor (External Auditor) Omou Yamazaki

Auditor (External Auditor) Shinichiro Yoshiba

Reference Documents for the General Meeting of Shareholders

Proposal No. 1: Election of Six Directors

The terms of office of all six Directors will expire at the conclusion of this meeting. Therefore, the Company proposes the election of the following six Directors.

The candidates for Director are as follows:

| Candidate No. | Name | Current position and responsibility at the Company | Attributes |
|---------------|--------------------|---|--|
| 1 | Takashi Mishima | (Male) President | Re-election |
| 2 | Masato Yoshida | (Male) Executive Managing Director Business Officer | Re-election |
| 3 | Katsuyuki Inage | (Male) Managing Director Technical Officer | Re-election |
| 4 | Michinari Sasanuma | (Male) Director Corporate Management Officer | Re-election |
| 5 | Takako Kotake | (Female) External Director | Re-election External Independent |
| 6 | Kento Uno | (Male) External Director | Re-election External Independent |

Re-election: Candidate for Director to be re-elected

External: Candidate for External Director

Independent: Independent officer as defined by the securities exchange, etc.

| Candidate No. | Name (Date of birth) | Career summary, position and responsibility at the Company (Significant concurrent positions outside the Company) | Number of the Company's shares owned |
|--|--|---|--------------------------------------|
| 1 | Takashi Mishima (October 26, 1965) Re-election | Apr. 1988 Joined Tateishi Electric Corporation (current OMRON Corporation) July 2003 OMRON Entertainment Co., Ltd. General Manager of Business Strategy Department Mar. 2007 Director and General Manager of Corporate Planning & Management Department of the Company June 2010 Managing Director June 2014 Executive Managing Director Mar. 2015 General Manager of Corporate Management HQs Mar. 2016 General Manager of GIRLS Trend Business HQs June 2018 President (current position) Apr. 2021 Director of Olu.Inc. (current position) | 205,000 |
| [Reasons for nomination as candidate] Mr. Mishima reconstructed business strategies based on his experience of leading the corporate management and business divisions to improve earnings, actively implemented internal system reforms, and has exercised strong leadership as President since June 2018. | | | |
| 2 | Masato Yoshida (March 08, 1966) Re-election | Apr. 1989 Joined Tateishi Electric Corporation (current OMRON Corporation) July 2003 Joined OMRON Entertainment Co., Ltd. Sept. 2006 General Manager of Prize Div Apr. 2007 General Manager of Prize Div of the Company June 2010 Director June 2012 Managing Director Jan. 2014 Concurrently serving as General Manager of Game Software Div June 2014 Executive Managing Director (current position) Mar. 2016 General Manager of SEKAIKAN Business HQs June 2021 Strategy Officer Mar. 2022 General Manager of Corporate Strategy HQs June 2022 Director of Olu.Inc. (current position) Mar. 2023 Business Officer (current position) | 840,000 |
| [Reasons for nomination as candidate] In addition to having established character merchandizing, game and anime business operations, Mr. Yoshida has abundant experience in establishing a firm position in the industry, demonstrating leadership as a business manager and expanding business overseas. In addition, he has experience in designing business strategies as the Company's business strategy manager. | | | |

| Candidate No. | Name (Date of birth) | Career summary, position and responsibility at the Company (Significant concurrent positions outside the Company) | Number of the Company's shares owned |
|---|--|--|--------------------------------------|
| 3 | Katsuyuki Inage (September 12, 1966) Re-election | Apr. 1989 Joined Tateishi Electric Corporation (current OMRON Corporation) | 750,000 |
| | | July 2003 Joined OMRON Entertainment Co., Ltd. | |
| Apr. 2007 General Manager of Development, Amusement Arcade machine Div of the Company | | | |
| June 2013 Director | | | |
| Mar. 2016 General Manager of Photo Sticker Machine Div | | | |
| Mar. 2019 General Manager of GIRLS Trend Business HQs | | | |
| June 2019 Managing Director (current position) | | | |
| June 2021 Technical Officer (current position) | | | |
| [Reasons for nomination as candidate] Mr. Inage has abundant experience and deep insights in the technological area, and has proposed new business models utilizing his experience in the technological development of the Photo Sticker Business, in which he led technological innovation and promotion. Utilizing his experience and insights, he has demonstrated leadership in the Company's technological strategy as a Technical Officer. | | | |
| 4 | Michinari Sasanuma (April 23, 1964) Re-election | Apr. 1988 Joined The Fuji Bank, Limited (current Mizuho Bank, Ltd.) | 2,100 |
| | | Apr. 2013 General Manager of Tsurumi-Ekima Branch | |
| May 2016 Temporary transfer to the Company | | | |
| July 2016 General Manager of Finance & Accounting Department | | | |
| Mar. 2017 General Manager of Risk Management Department and Finance & Accounting Department | | | |
| May 2017 Joined the Company | | | |
| Mar. 2018 General Manager of Corporate Management HQs | | | |
| June 2018 Director (current position) | | | |
| Mar. 2023 Corporate Management Officer (current position) | | | |
| [Reasons for nomination as candidate] Mr. Sasanuma has abundant operational experience in the finance and accounting, compliance and risk management areas at a major financial institution, and possesses insights and ability to actively promote the enhancement of corporate value and sustainability through improving the Company's governance system. | | | |

| Candidate No. | Name (Date of birth) | Career summary, position and responsibility at the Company (Significant concurrent positions outside the Company) | Number of the Company's shares owned |
|--|--|---|--------------------------------------|
| 5 | Takako Kotake [Name in the family register: Takako Saito] (September 06, 1972) Re-election External Independent | May 2004 Joined Coin Ltd. (current Cookpad Inc.) July 2008 Executive Officer July 2010 Manager of President's Office Feb. 2012 Retired from Cookpad Inc. June 2013 HOKUTO Corporation Director (External Director) (current position) Nov. 2013 Established Kasumi Corporation Executive Director (current position) Apr. 2016 Joined Cookpad Inc. Managing Director of Corporate Branding Department and Editing Department June 2018 External Director of the Company (current position) Apr. 2023 Managing Director of Public Relations Department and Corporate Branding Department of Cookpad Inc. (current position) | — |
| [Reasons for nomination and summary of expected roles] Ms. Kotake actively provides recommendations and advice on management with insights into branding and public relations utilizing her business experience in other companies, and also makes recommendations from new perspectives of diversity and sustainability as an External Director. We have continued to nominate her as candidate for External Director, expecting that she will continue to provide advice and recommendations utilizing her experience and insights to play an appropriate role in ensuring the validity and appropriateness of decision-making, as well as continue to play a role as a member of the Nominating and Remuneration Committee so as to help ensure the transparency of management and enhance the supervisory function over management. | | | |
| 6 | Kento Uno (February 09, 1977) Re-election External Independent | May 1999 Joined Accenture Japan Ltd Aug. 2005 Joined transcocosmos inc. Jan. 2009 Joined M-OUT Inc. Sept. 2011 Founded Userus Inc. (current hacchu navi Inc.), CEO Oct. 2018 Founded Ironforge LLP, CEO (current position) June 2020 External Director of the Company (current position) | — |
| [Reasons for nomination and summary of expected roles] Mr. Uno has deep insights into IT, experience in launching new businesses, and abundant knowledge from the perspectives of digital transformation strategies, and formulation of business development and growth strategies as a management consultant, and actively provides advice and recommendations on management. We have continued to nominate him as candidate for External Director, expecting that he will continue to provide advice and recommendations utilizing his experience and insights to play an appropriate role in ensuring the validity and appropriateness of decision-making, as well as continue to play a role as a member of the Nominating and Remuneration Committee so as to help ensure the transparency of management and enhance the supervisory function over management. | | | |

- Notes: 1. There is no special interest between any of the candidates for Director and the Company.
2. Takako Kotake and Kento Uno are candidates for External Director.
3. Takako Kotake is currently an External Director of the Company, and at the conclusion of this meeting, her tenure as External Director will have been five years. Kento Uno is currently an External Director of the Company, and at the conclusion of this meeting, his tenure as External Director will have been three years.
4. Pursuant to the provisions of Article 427, paragraph (1) of the Companies Act, the Company has entered into agreements with External Directors Takako Kotake and Kento Uno to limit their liability for damages under Article 423, paragraph (1) of the Companies Act. The maximum amount of liability for damages under these agreements is the minimum liability amount provided for by Article 425, paragraph (1) of the same Act. If the re-election of Ms. Kotake and Mr. Uno is approved, the Company plans to renew the aforementioned agreements with them.

5. All candidates for Director are currently Directors of the Company, and the Company has entered into a directors and officers liability insurance policy, which includes all Directors as the insured with an insurance company. The insurance policy indemnifies the insured for such costs as litigation expenses and monetary damages incurred from claims for damages arising from acts carried out by the insured in the course of his or her duties. All premiums for the insured are fully borne by the Company, and if any of the Director candidates' re-election is approved, they will continue to be included in the policy as the insured. In addition, the Company plans to renew the policy with the same terms during their term of office.
6. The Company has submitted notification to Tokyo Stock Exchange, Inc. that Takako Kotake and Kento Uno have been designated as independent officers in accordance with the regulations set forth by the aforementioned exchange. If their re-election is approved, the Company plans for their designation as independent officers to continue.
7. The number of the Company's shares owned by each candidate is that at the end of the fiscal year under review (March 31, 2023).

[Reference] Director candidates' Skill Matrix

In order for the Board of Directors to effectively fulfill its roles and responsibilities, the Company selects candidates for Director who are well informed about the Company's business and its issues, and who possess a wealth of experience, a high level of insight, and a high degree of expertise and ability as required by the Company. The Company also ensures the diversity of knowledge, experience, and ability of the Board members.

In the table below, we have defined the skills that we specifically expect from our candidates for Director, and present the primary knowledge and experience possessed by each director candidate.

| Candidate No. | Name | Position and responsibility at the Company | Gender | Expertise/experience | | | | | | |
|---------------|--------------------|---|----------|-----------------------|-----------------------------|------------------------|--------------------------|------------------------------|-----------------------|-----------------------|
| | | | | Management | Company business operations | Information/Technology | New business development | Overseas business operations | Finance/Accounting | Sustainability |
| 1 | Takashi Mishima | President | (Male) | <input type="radio"/> | <input type="radio"/> | | <input type="radio"/> | | <input type="radio"/> | |
| 2 | Masato Yoshida | Executive Managing Director Business Officer | (Male) | <input type="radio"/> | <input type="radio"/> | | <input type="radio"/> | <input type="radio"/> | | |
| 3 | Katsuyuki Inage | Managing Director Technical Officer | (Male) | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | | | | |
| 4 | Michinari Sasanuma | Director Corporate Management Officer | (Male) | <input type="radio"/> | | | | | <input type="radio"/> | <input type="radio"/> |
| 5 | Takako Kotake | External Director (Independent officer) | (Female) | <input type="radio"/> | | | <input type="radio"/> | | | <input type="radio"/> |
| 6 | Kento Uno | External Director (Independent officer) | (Male) | <input type="radio"/> | | <input type="radio"/> | <input type="radio"/> | | | |

Note: This table does not represent all the skills possessed by each candidate for Director.

Proposal No. 2: Election of Three Auditors

The terms of office of all three Auditors will expire at the conclusion of this meeting. Therefore, the Company proposes the election of the following three Auditors.

The consent of the Board of Auditors has been obtained for this proposal.

The candidates for Auditor are as follows:

| Candidate No. | Name (Date of birth) | Career summary, position at the Company (Significant concurrent positions outside the Company) | Number of the Company's shares owned |
|--|---|---|--------------------------------------|
| 1 | Takayuki Nakamura (January 09, 1964) Re-election | Mar. 1987 Joined Seiyu Co., Ltd. Jan. 1997 Joined Nu Skin Japan Co., Ltd. Oct. 2001 Joined General Electric Capital Consumer Finance Co.,Ltd. (current Shinsei Financial Co.,Ltd.) July 2004 HR Client Management Director Oct. 2006 Joined Nu Skin Japan Co., Ltd. Manager of General Affairs and HR Department Dec. 2008 Joined the Company Mar. 2011 General Manager of HR and General Affairs Department June 2018 Full-Time Auditor (current position) | 15,300 |
| [Reasons for nomination as candidate] With his extensive experience and outstanding insights in the logistics, financial and various other business areas, Mr. Nakamura has served in the Company's overall administrative operations, such as in personnel labor management, legal, public relations, and information systems. In addition, he maintains high ethical standards. | | | |
| 2 | Omou Yamazaki (October 29, 1958) Re-election External Independent | Sept. 1985 Joined Minato Audit Corporation (current KPMG AZSA LLC) Oct. 1990 Joined Century Audit Corporation (current Ernst & Young ShinNihon LLC) Oct. 1995 Joined AGS Consulting Co., Ltd. Oct. 1998 Established Yamazaki CPA office Mar. 2004 Director of AGS Consulting Co., Ltd. Sept. 2009 CEO of AGS Certified Tax Co. Sept. 2012 External Auditor of T-NET JAPAN Co., Ltd. Mar. 2014 Representative Director of GG Partners Co., LTD. (current position) Representative CPA of Yamazaki CPA office (current position) Feb. 2015 External Auditor of TAKISADA-OSAKA CO., LTD. (current STYLEM TAKISADA-OSAKA CO., LTD.) (current position) June 2015 External Auditor of the Company (current position) Sept. 2015 External Director (Audit and Supervisory Committee Member) of T-NET JAPAN Co., Ltd. (current position) | — |
| [Reasons for nomination as candidate for External Auditor] We would like Mr. Yamazaki to provide supervision and guidance from the perspective of financial accounting and tax practices, utilizing his abundant experience and broad insights as a certified public accountant and tax accountant. | | | |

| Candidate No. | Name (Date of birth) | Career summary, position at the Company (Significant concurrent positions outside the Company) | Number of the Company's shares owned | |
|---|---|---|--|---|
| 3 | Shinichiro Yoshiba (November 04, 1973) Re-election External Independent | Oct. 2000 | Qualified as an attorney at law | - |
| | | Jan. 2009 | Partner of Mori Hamada & Matsumoto | |
| | | Jan. 2015 | Partner of SHIOMIZAKA (current position) | |
| | | Nov. 2015 | External Director (Audit and Supervisory Committee Member) of Wantedly, Inc. (current position) | |
| | | May 2017 | External Director (Audit and Supervisory Committee Member) of STUDIO ATAO Co., Ltd. (current position) | |
| | | June 2018 | External Auditor of CyberBuzz, Inc. | |
| | | Mar. 2019 | External Auditor of HAMAI INDUSTRIES LTD. | |
| | | June 2019 | External Auditor of the Company (current position) | |
| | | Mar. 2021 | External Director (Audit and Supervisory Committee Member) of HAMAI INDUSTRIES LTD. (current position) | |
| | | Dec. 2022 | External Director (Audit and Supervisory Committee Member) of CyberBuzz, Inc. (current position) | |
| <p>[Reasons for nomination as candidate for External Auditor] We would like Mr. Yoshiba to provide supervision and guidance in compliance matters, etc., utilizing his abundant experience and broad insights as an attorney at law. Mr. Yoshiba has no experience being involved in corporate management except as external officer, but due to the reasons provided above, he has been deemed capable of appropriately executing the duties as External Auditor.</p> | | | | |

Re-election: Candidate for Auditor to be re-elected

External: Candidate for External Auditor

Independent: Independent officer as defined by the securities exchange, etc.

- Notes:
1. There is no special interest between any of the candidates and the Company.
 2. Omou Yamazaki and Shinichiro Yoshiba are candidates for External Auditor.
 3. Pursuant to the provisions of Article 427, paragraph (1) of the Companies Act, the Company has entered into agreements with External Auditors Takayuki Nakamura, Omou Yamazaki and Shinichiro Yoshiba to limit their liability for damages under Article 423, paragraph (1) of the Companies Act. The maximum amount of liability for damages under these agreements is the minimum liability amount provided for by Article 425, paragraph (1) of the same Act. If the re-election of Mr. Nakamura, Mr. Yamazaki and Mr. Yoshiba is approved, the Company plans to renew the aforementioned agreements with them.
 4. All candidates for Auditor are currently Auditors of the Company, and the Company has entered into a directors and officers liability insurance policy, which includes all Auditors as the insured with an insurance company. The insurance policy indemnifies the insured for such costs as litigation expenses and monetary damages incurred from claims for damages arising from acts carried out by the insured in the course of his or her duties. All premiums for the insured are fully borne by the Company, and if any of the Auditor candidates' re-election is approved, they will continue to be included in the policy as the insured. In addition, the Company plans to renew the policy with the same terms during their term of office.
 5. Omou Yamazaki and Shinichiro Yoshiba are currently External Auditors of the Company, and at the conclusion of this meeting, their tenure as Auditor will have been eight years and four years, respectively.
 6. The Company has submitted notification to the Tokyo Stock Exchange that Auditors Omou Yamazaki and Shinichiro Yoshiba have been designated as independent officers in accordance with the regulations set forth by the aforementioned exchange. If their re-election is approved, the Company plans for their designation as independent officers to continue.
 7. The number of the Company's shares owned by each candidate is that at the end of the fiscal year under review (March 31, 2023).

Proposal No. 3: Election of two Substitute Auditors

The Company requests approval for the election of two substitute Auditors in advance to be ready to fill a vacant position should the number of Auditors fall below the number required by laws and regulations.

The Company requests approval for the election of Yukiyasu Takao as a substitute Auditor for Auditor Takayuki Nakamura, and Hidetake Kishimoto as a substitute Auditor for External Auditors Omou Yamazaki and Shinichiro Yoshiba.

Candidates for substitute Auditors shall assume office on condition that the number of Auditors falls below the number required by laws and regulations, and their tenure shall be until the expiration of the retiring Auditors' tenure. Moreover, this election shall be valid until the start of the next annual general meeting of shareholders.

In addition, the consent of the Board of Auditors has been obtained for this proposal.

The validity of this election can be nullified by resolution of the Board of Directors if the consent of the Board of Auditors has been obtained; provided, however, that this applies only at a time before assuming office.

The candidates for substitute Auditor are as follows:

| Candidate No. | Name (Date of birth) | Career summary (Significant concurrent positions outside the Company) | Number of the Company's shares owned |
|--|--|--|--------------------------------------|
| 1 | Yukiyasu Takao (March 16, 1967) | Apr. 1989 Joined MEITEC CORPORATION June 2010 Joined the Company Mar. 2017 GIRLS Trend Business HQs Photo Sticker Machine Div General Manager of Development Department Mar. 2018 GIRLS Trend Business HQs Vice General Manager of Photo Sticker Machine Div Mar. 2020 GIRLS Trend Business HQs Vice General Manager of Pictlink Div (current position) | 11,095 |
| [Reasons for nomination as candidate] Mr. Takao has abundant experience in manufacturing including product development in the Company's key business operations, and we would like to utilize his experience and knowledge as Auditor. | | | |
| 2 | Hidetake Kishimoto (December 8, 1974) | Oct. 2001 Joined ChuoAoyama PricewaterhouseCoopers Oct. 2006 Joined AGS Consulting Co., Ltd. June 2014 Opened Kishimoto CPA Firm (current position) Mar. 2016 External Auditor of ANTEPRIMA JAPAN LTD (current position) Feb. 2019 Established SHIN Consulting Ltd., Chief Executive Officer (current position) | — |
| [Reasons for nomination as candidate for External Auditor] We would like Mr. Kishimoto to provide supervision and guidance from the perspective of finance and accounting, utilizing his abundant experience and broad insights as a certified public accountant. | | | |

Notes: 1. There is no special interest between any of the candidates and the Company.

2. Hidetake Kishimoto is a candidate for substitute External Auditor.

3. If Yukiyasu Takao and Hidetake Kishimoto assume office, the Company plans to enter into limited liability agreements with them pursuant to the provisions of Article 427, paragraph (1) of the Companies Act to limit their liability for damages under Article 423, paragraph (1) of the same Act. The maximum amount of liability for damages under these agreements shall be the minimum liability amount provided for by Article 425, paragraph (1) of the same Act.

4. The Company has entered into a directors and officers liability insurance policy that includes all Auditors as the insured with an insurance company. The insurance policy indemnifies the insured for such costs as litigation expenses and monetary damages incurred from claims for damages arising from acts carried out by the insured in the course of his or her duties. All premiums for the insured are fully borne by the Company. When the policy is renewed, the Company plans to renew the policy with the

same terms. If Mr. Takao and Mr. Kishimoto assume office as Auditors, each of them will be included as an insured party in such insurance policy or an insurance policy with the same terms as such policy.

5. If Hidetake Kishimoto assumes office as Auditor, the Company plans to submit notification to Tokyo Stock Exchange, Inc. concerning his designation as an independent officer in accordance with the regulations set forth by the aforementioned exchange.
6. The number of the Company's shares owned by each candidate is that at the end of the fiscal year under review (March 31, 2023). The number of the Company's shares owned by Yukiyasu Takao is listed as his interest in the Furyu Employee Shareholding Association.