



Japan

GROWTH AND INNOVATION

Putting his stamp of approval on investing in Japan, billionaire Warren Buffett labelled his firm's substantial investments in Japan over the past three years as "revealing" and "exceeding expectations". Since Buffett announced his largest bet outside the USA in August 2020, Berkshire Hathaway's shares in Japan's five biggest trading houses have skyrocketed by an average of 94%. Meanwhile, last November, the Nikkei index registered a new 33-year-high.

Crucially, what sets Japan's current equity market apart from its previous highs is its significantly increased affordability. As per Goldman Sachs Research, 46% of equities on the Tokyo Stock Exchange's (TSE) Prime Market are presently trading below their book value, a stark contrast to just 5% of their S&P 500 counterparts. Coupled with the TSE's incentives for companies to enhance valuations and earnings, in tandem with Japan's exceptionally low borrowing costs and interest rates, this renders it an attractive playing field for investors.

Such an opportunity is one the government is keen to seize. At the opening of the 212th Session of the Diet in October 2023, Prime Minister Fumio Kishida declared that "the Japanese economy is facing a unique and unprecedented opportunity to achieve a transformation not seen in 30 years." Kishida highlighted various accomplishments, such as a 3.58% wage increase, a record-level capital investment totaling 100 trillion yen, and the substantial closure of a 50 trillion-yen GDP gap.

However, the lingering question persists: is Japan's resurgence a long-term narrative? Encouragingly, Japan's resurgence is rooted in factors that extend beyond short-term windows like a weak yen – a "series of extraordinary transformations," as described by Larry Fink, CEO of BlackRock, reshaping the economy.

One of these transformations is the reassessment of global supply chains

amid geopolitical crises like the War in Ukraine. Most recently, amidst US-China tensions, Japan has emerged as an ideal proxy for overseas investors seeking exposure to China's growth and a production hub for multinationals looking to secure their supply chains. Beyond businesses, Japan's tourism industry is thriving, witnessing over 2 million international visitors in September 2023 – close to levels seen in 2019 – according to the Japan National Tourism Organization (JNTO).

Another crucial aspect is the remarkable transformation in the management of Japanese companies. Once considered untouchable corporate traditions like cross-shareholding, which previously slowed decision-making, have been replaced with a greater emphasis on ROE and shareholders in Japan's largest companies. These advancements underscore a generational shift underway, with the younger generation dismantling age and gender-based hierarchies and opening industry C-suites to new possibilities – the average age of CEOs in the Nikkei Index has plummeted by 12 years in the past decade.

Lastly, and perhaps most crucially, is the fact that Japan's new generation is also its most globally minded. Keisuke Miyoshi, president and CEO of JAFCO – Japan's oldest venture capital firm – explains: "Japan is currently at a historic juncture. The new generation of Japanese entrepreneurs and leaders is far more globally connected than their predecessors. Japan is ripe for foreign investment."

Echoing Miyoshi's sentiments in a recent press conference, Kishida stated, "we are finally at a turning point where we can seize an opportunity to exit from this "cold temperature economy" and shift to a new "suitable temperature economy" with its economic energy felt by realizing a virtuous economic cycle through active capital investment, wage increases, and investment in people."

Fumio Kishida
Prime Minister
of Japan



Sanyo Shokai

PIONEERING QUALITY, PRESTIGE, AND SUSTAINABILITY IN LUXURY FASHION

Synonymous with tradition, excellence in craftsmanship, and time-honored design practices, Japan's textile industry is one of the top global players in high-end fashion, with a projected market size of USD 13.9 billion in 2023, according to Statista. In the world of global luxury brands and fashion retailers, Japan's upscale market shines as a beacon of stability and high-potential investment, a leading choice for international expansion, as noted by McKinsey. Japanese consumers' dedication to monozukuri, the art of crafting, is synonymous with their pursuit of premium quality, and a growing commitment to sustainable fashion. This trend has enabled luxury apparel manufacturers to thrive in recent years.

Celebrating its 80th anniversary, Sanyo Shokai stands as a distinguished high-end apparel manufacturer, overseeing a brand portfolio comprising seven luxury fashion labels, which notably include MACKINTOSH LONDON, Paul Stuart, and BLUE LABEL/BLACK LABEL CRESTBRIDGE.

Sanyo Shokai's President, Shinji Oe, shares a resolute commitment to quality, class, and prestige since the company's inception. He proudly states, "Our dedication to product quality sets us apart from competitors." Sanyo Shokai's core mission revolves around enhancing the intrinsic value of their products, whether they are privately crafted or licensed brands. With licensed brands, Sanyo Shokai's strategy encompasses all stages, from meticulous product planning to creation, precision manufacturing, seamless distribution, and effective sales strategies. Oe emphasizes, "As a collective of creators, we offer a lot more than simple distribution. Our aim is to consistently infuse innovation and expertise into global brands through creative partnerships, taking the lead in the development of timeless products."

Over the past two years, Oe has steered the company through a profound

restructuring and revitalization project, meticulously optimizing revenue, cost-cutting strategies, and a finely-tuned inventory management system. He affirms, "This mission became not only a company directive but a personal commitment. Ultimately, the project has been a resounding success." In the first half of the fiscal year ending February 29, 2024, Sanyo Shokai's gross profit margin experienced a noteworthy 0.6% year-over-year (YOY) growth, surpassing initial projections, primarily attributable to their enhanced inventory management. Furthermore, the company's operating profit margin exceeded its projection by a substantial 1.9%.

Presently, Oe envisions leveraging the company's financially robust position to attain sustainable profitability, deliver high shareholder returns, and explore the future possibility of a strategic regional expansion into Asia. Notably, approximately 5% of sales in the first half of fiscal year 2024 originated from inbound tourists. Regarding dividends, Sanyo Shokai forecasts a remarkable 60% YOY increase to JPY 88 for fiscal year 2024, followed by a substantial 43% YOY rise to JPY 126 in fiscal year 2025. Additionally, the company foresees triple-digit YOY increases for fiscal year 2024 in terms of net sales (106%), gross profit (107%), and operating income (139%).

Sanyo Shokai also demonstrates its dedication to the sustainability of Japan's luxury fashion industry, particularly through its CSR procurement initiatives aimed at promoting respect for human rights throughout the supply chain, in addition to its collaboration with ECOALF, which champions environmentally-friendly materials in clothing manufacturing. By taking the lead in advocating ESG principles within Japanese luxury fashion, Sanyo Shokai exemplifies how industry leaders contribute to Japan's broader sustainability vision.

Sanyo Shokai's unwavering commitment to quality, innovation, and sustainability, coupled with their portfolio of prestigious brands and exceptional management, positions them as a visionary leader, shaping a more sustainable and prosperous future for Japan and beyond.



Shinji Oe
President

TIMELESS WORK.
SANYO



Daito Trust Construction

PIONEERING EXCELLENCE AND SUSTAINABILITY FOR 50 YEARS

In the second quarter of 2023, Japan's economy surpassed its pre-pandemic peak, underscoring the country's robust recovery from the global recession. A recent commentary by the global professional services company Deloitte noted that the external sector and the central bank's accommodative monetary policy have played a crucial role in supporting this growth.

This economic rebound is having a positive impact on the construction sector, which is expected to grow by 4.6% in 2023, reaching a total value of JPY 35.5 trillion, according to Research and Markets. This momentum is expected to continue, driving an industry compound annual growth rate (CAGR) of 3.8% through 2027, outpacing broader economic growth.

As one of Japan's largest construction and real estate conglomerates, Daito Trust Construction marks its 50th anniversary this year, having been established in 1974. It commands an impressive portfolio comprising a staggering 1.259 million units housing over 2.2 million residents. Moreover, this Tokyo-listed industry giant serves as a compelling magnet for foreign investors seeking opportunities in the thriving Japanese market.

Kei Takeuchi, CEO of Daito Trust Construction, emphasizes the company's international performance, stating, "More than 50% of our shareholders are overseas institutional investors. We recently had an investor relations meeting with a major shareholder in the United States. Delayed rent on our properties is just 0.1%. Our investments are very secure, making us the preferred choice for overseas investors. We offer a long-term investment opportunity for investors from the US and around the world."

Daito Trust Construction's financial results demonstrate the value it provides to its shareholders. In fiscal year 2022, the company generated a profit attributable to owners of the parent amounting to JPY 70.3 billion on net sales of JPY 1.658 trillion and operating income of JPY 100 billion. The return on equity was an impressive 18.2%, and notably, the company has maintained a consistent payout ratio of 50%, delivering real value to its investors.

Daito Trust Construction is renowned for its expertise in various construction segments, including residential, commercial, and industrial projects. The company has been involved in numerous high-profile projects in Japan, solidifying its reputation for quality and reliability.

Daito Trust Construction goes beyond traditional construction and real estate. Its mission is to support property owners' diverse needs related to valuable land



and asset successions through reliable, secure, and stable management support of the rental housing business that adapts to changing times. Their unique model involves the management and maintenance of buildings, including guaranteed rent for owners when units are unoccupied. A portion of the rent (15%) is allocated to a fund covering maintenance and management.

Founded as a rental property business to support landowners, the company has undergone significant transformations. In 1992, it marked a crucial turning point by listing on the Tokyo Stock Exchange (having been listed in Nagoya since 1989) and moving towards the rental housing market. The timing was ideal, with declining demand for commercial rental properties and expanding housing rental due to amendments in the production green land law in 1992. Daito established a strong position in the housing rental market with its popular low-rise apartment buildings launched in 1995.

In 2006, the company implemented its lease management trust system, aiming to optimize landowners' asset value while safeguarding their land by considering social changes and other factors. This system covers all aspects of lease management, from planning and design to tenant recruitment services and property management. It not only supports landowners but also provides reassurance regarding the various risks they face by flexibly adapting to social changes.



Kei Takeuchi
CEO

Since 2019, the company has been transitioning towards becoming a "total lifestyle support company" centered around comprehensive leasing. In 2023, Takeuchi assumed the role of CEO, and his wealth of experience and visionary leadership are now taking center stage as he guides Daito toward its next chapter.

The company is already pivoting towards a fresh strategy, involving the construction of residential condominiums in metropolitan Tokyo that are subsequently sold to funds, which, in turn, offer them to investors. "This approach allows us to secure our projects through a real estate fund model," says Takeuchi. "This innovative format reflects our readiness for the future, considering demographic shifts such as a declining working population and a growing aging demographic. Daito views these social changes as opportunities for growth."

Under Takeuchi's leadership, the company is actively spearheading the development of its sustainability strategy. Daito is deeply committed to bolstering its sustainability efforts, with a particular focus on various areas where it can significantly contribute to the betterment of the environment and society. This includes taking proactive steps to combat climate change through its core business operations, promoting fairness in society, and establishing a top-tier governance framework. Remarkably, approximately 90% of the properties offered by Daito are zero-carbon, and in 2020, the company launched a dedicated business unit that has successfully delivered 10,000 carbon-neutral units through the construction process, exemplifying their strong commitment to sustainability.

As the company enters its latest stage of growth and evolution, it remains open to forming partnerships with local and international counterparts. Takeuchi says, "We are open to strategic partnerships with leading companies. In order to prepare for natural disasters, we collaborate with Japan's large companies and work with local governments to conclude disaster-related agreements. Looking ahead, our strategic vision includes comprehensive disaster-proofing for all rental facilities, ensuring their resilience or, at a minimum, disaster prevention. Additionally, we are considering the adaptation of our standard apartments into specialized care facilities for the elderly, which may necessitate collaborations with medical institutions to cultivate this emerging market. Simultaneously, we express our gratitude for the government's ongoing support provided to Daito, which empowers us to enhance our product distribution to a wider audience."

Daito's impressive track record of excellence foreshadows a promising future, underpinned by its unwavering commitment to long-standing values. Takeuchi eloquently summarizes this vision, expressing, "Our objective is to foster the expansion of our company's business growth, enhance shareholder returns, and support the personal growth of individuals. We are dedicated to witnessing the growth and development of people. Our ability to adapt to the ever-changing requirements of our customers has been a defining feature of our journey since the beginning."



**DAITO TRUST
CONSTRUCTION CO., LTD.**

PURSuing EFFECTIVE USE OF LAND



Japanet Holdings

A JOURNEY OF EVOLUTION: FROM MAIL-ORDER PIONEER TO GLOBAL VENTURES

DRIVING SOCIAL IMPACT

Japan's economic landscape boasts a record current account surplus of JPY 12.71 trillion in the first half of FY23, alongside a significant fifteenfold increase in the travel surplus to JPY 1.65 trillion. Driven by substantial foreign investment and a weakened yen, this signifies Japan's escalating globalization and revival as a global tourism hub post-pandemic.

To sustain robust economic growth amidst a declining workforce, Japan prioritizes enhancing female employment and regional revitalization. The 2016 Regional Revitalization Law offers subsidies to bolster local areas through government-led or independent projects. Japan aims to attract people and businesses to rural regions, leveraging its scenic beauty and exceptional infrastructure to spur local economies via increased inbound and domestic tourism, including cruise tours and sports events.

Japan's top-notch infrastructure favors mail-order and e-commerce retailers, with FY21's e-commerce market hitting JPY 11 trillion, growing at an average annual rate of 8% over the last decade. Concurrently, the mail-order market doubled since 2012, standing at JPY 11.46 trillion, driven by a multi-channel approach embraced by numerous businesses.

Founded in 1986 by the visionary businessman and marketing pioneer Akira Takata, Japanet, through its group company Japanet Takata, has become synonymous with mail order in Japan. The company is famous for its "selective focus" approach, which refines quality and service by narrowing down products to provide customers with the best options on the market. Over the past decade, Japanet has successfully diversified its business portfolio by applying its "selective focus" approach cultivated through mail-order sales to cruise travel and sports businesses, resulting in a revenue growth up to 248.7 billion yen in 2022.

Notably, a significant initiative in this diversification is the private sector-driven sports-centric regional revitalization project in Nagasaki. At its heart lies Nagasaki Stadium City—a sprawling complex set to encompass a soccer stadium, arena, offices, hotels, and commercial facilities across a 7-hectare site, brimming with innovative concepts.

"Our mission is to harmonize the needs of our business partners and the talented individuals within local communities, who craft exceptional products, centered on the purpose of enriching our customers' lives and delivering the joy of living in the present moment," explains Japanet's President & CEO, Akito Takata.

Japanet originated as a single camera store in Nagasaki, where Akito's father, Akira, specialized in selling cameras and providing photo development services. Adopting a genuinely customer-oriented approach, Akira became a prominent figure in the community, known for his expertise in cameras and his hands-on involvement in all aspects of the business, including marketing. In 1990, showcasing his entrepreneurial spirit, Akira served as MC on a radio shopping program on NBC Nagasaki Broadcasting, a move that laid the foundation for the launch of Japanet's mail-order business.

Building on this momentum, in 1994, Akira made appearances on a series of TV shopping programs produced by Japanet, expanding the company's reach to a larger audience. Further evolution occurred in 2000 when Japanet expanded its operations to include an e-commerce site and in 2001, established a large-scale logistics center to cope with growing sales demands. They have grown the business by constantly imagining the lives of customers such as selling sets of accessories so that they can be used immediately when they arrive, and covering fees for installment plans



Akito Takata
President & CEO

In 2015, Akira stepped down, passing the reins to Akito. Reflecting on this transition, Akito shares, "My time working with my father was exciting, but it was also overwhelming. Inheriting my father's love and passion for our products, I have worked hard to ensure that our customers have confidence in our products. Refine the products and services that we can deliver. As a call center manager, I focused my efforts on the fundamental purpose of the business: providing the highest quality customer service possible."

One of Akito's initial initiatives was to establish after-sales service, including repairs for home appliances sold on Japanet Takata, making it one of the pioneers in the mail-order industry to offer such a service. "Our dedicated repair team handles everything, from initially addressing customers' phone calls reporting issues to the actual repair process," notes Akito. He emphasizes that Japanet Takata's strong position in the market is due to its in-house approach, where it takes responsibility for all aspects of quality, from product purchasing to after-sales service. This allows the company to swiftly address customer inquiries. He also mentioned

that their "selective focus" style, which involves narrowing down products and handling them in large quantities, enables them to further refine quality. Typically, repairs are directed to the manufacturer, but by managing repairs within Japanet, they can accurately pinpoint areas requiring improvement in future product versions and continue enhancing products in collaboration with the manufacturer.

Furthermore, not only does the company provide after-sales services, but it also handles installations for large household appliances within its own group. Particularly notable is its performance in air conditioners, with sales reaching approximately 493,000 units in 2022, accounting for approximately 5.4% of the market share. Mr. Akito emphasizes that customer satisfaction can be immensely improved through selective focus measures.

Japanet continues to evolve into a new business entity, with mail-order business at its core. One notable initiative that has already been undertaken is the cruise business. Venturing into travel in 2017, the company secured a Class 1 Travel Business License, enabling the planning and execution of comprehensive Japan-exclusive tours. Akito emphasized, "In our cruise business, our enduring "selective focus" philosophy remains intact. We are elevating service quality by exclusively chartering large cruise ships and refining our tour offerings to provide a tailored experience."

This entrepreneurial leap into the cruise business reflects Akito's visionary leadership and commitment to innovation. The inspiration for this endeavor originated from an employee's suggestion, showcasing Akito's openness to fresh ideas and his willingness to explore unconventional paths. This strategic diversification underscores not only Akito's entrepreneurial spirit but also Japanet's proactive approach to exploring innovative avenues for growth and community impact. Akito's leadership style is characterized by a dynamic and forward-thinking approach that continues to drive Japanet toward exciting and diverse ventures.

"We recently partnered with MSC Cruises, a European cruise company, to charter a large cruise ship," says Akito. "In the past year, we conducted 13 charters of MSC Bellissima, attracting around 44,000 passengers. By organizing multiple tours with the same ship and itinerary, we've significantly enhanced our staff's expertise and skills. Swift resolution of identified issues in subsequent tours has notably improved our product's quality and appeal. Every detail matters, from boarding procedures to onboard information displays and even the flavor of the miso soup, tailored to satisfy Japanese tastes on a foreign vessel.



Our success stems from our "selective focus" and in-house approach, prioritizing and adapting to our customers' expectations and needs. Initially achieving a 70% satisfaction rate on our maiden tour in 2023, we diligently listened to feedback. With continual enhancements, we achieved a remarkable 95% satisfaction rate by the 10th tour."

Approximately 80% of the participants on the company's cruise offerings are first-time cruisers, indicating an indisputable expansion of Japanet's presence in the domestic cruise market. Mr. Akito unveiled the group's aspirations to extend its cruise business to the United States. As part of a strategic initiative to introduce Japanet's cruise business to a broader global audience, the company is progressing with plans to debut its inaugural tour in late March of the current year.

Apart from the mail-order business, Akito has established another cornerstone of the company known as the "sports and regional revitalization business". In 2017, Japanet acquired full ownership, stepping in to resolve the business crisis faced by V. Varen Nagasaki, a J2 professional soccer club that the company had sponsored for eight years. Akito serves as the representative director and president of this club. Moreover, with ambitions to join the B League by 2021, Akito spearheaded the establishment of Nagasaki Velca, marking Nagasaki's inaugural professional basketball club. Notably, construction is underway for Nagasaki Stadium City, an elaborate complex centered around the home stadium and arena for both clubs.



Nagasaki Stadium City is located a 10-minute walk from Nagasaki Station and consists of facilities centered around a soccer stadium. It includes a versatile arena suitable for basketball games, concerts, and other events, open layout offices, commercial facilities, hotels, and other surrounding amenities. It is a state-of-the-art soccer stadium designed allowing fans to sit 5 meters from the pitch, close to the action. The entire project has been meticulously crafted from the visitor's perspective, emphasizing an immersive and enjoyable experience.



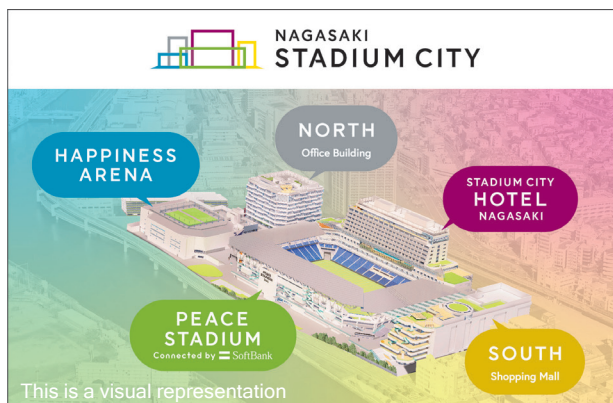
Mr. Akito emphasized that this Japanet project is a rare initiative led by the private sector. This initiative is being promoted through partnerships with prominent companies such as Softbank and Coca-Cola, and represents Japanet's innovative, forward-thinking, and in-house approach to revitalizing Nagasaki. "Normally in Japan, projects of this nature are supervised and completed by the government, but we have confidence in our ability to overcome

this challenge," stated Mr. Akito. As there are only about 20 home soccer matches annually, this project is strategically designed to host various other events. This includes unique attractions such as a zip line above the stadium, captivating laser shows, and projection mapping inspired by the famous Bellagio fountains in Las Vegas, offering enchanting views visible from hotel rooms to guests.

Moreover, with convenient access from Nagasaki Airport and the newly inaugurated West Kyushu Shinkansen, enhancing its appeal as a hub for tourism and shopping, the plan aims to further elevate the attractiveness of Nagasaki as visitors to Nagasaki Stadium City also explore the city, contributing to the revitalization of the entire region.

As of November 2023, the project is over halfway complete, with less than a year until the grand opening on October 14, 2024. The opening of Nagasaki Stadium City stands as a significant milestone in Japanet's ambitious endeavors.

Mr. Akito reportedly realized during his inspection that the sports business



is thriving in overseas clubs, where many spectators visit stadiums in small towns, contributing to regional vitality, education, and cultural formation. He mentioned, "I don't see a reason why things achieved abroad cannot be done in Japan. If everyone says it's difficult, then let's take on the challenge ourselves."

This statement was made while considering Nagasaki, situated at the western edge of Japan, with a total project cost exceeding 90 billion yen.

The success of regional revitalization through Nagasaki Stadium City may pave the way for similar initiatives in other regions. Japanet is a crucial contributor to the revitalization of Japan as a whole and aims to actively disseminate information about this project.

Additionally, Akito has been devoted to organizational development to accelerate this business growth. Succeeding his father, Akito has evolved the work environment into a balanced, comfortable space that fosters self-driven project management among employees, emphasizing both productivity-enhancing discipline and the desire for a fulfilling life. Japanet recognizes adaptability as the key to success and has consistently embraced change. His presidency not only reflects industry transformations but also emphasizes initiatives for employee well-being.

"We have aimed to create an atmosphere where employees can enjoy self-improvement while maximizing productivity," states Mr. Akito. Notably, Japanet holds a leading position in the industry concerning maternity leave. "One-third of our managerial positions are held by women, doubling the national average. We support maternity and childcare leave for employees, including executives. Japanet hopes that passionate employees will continue to work with us for an extended period. When considering many years of service, the perception of maternity and childcare leave as tough persists, despite the relatively short duration. We believe that the experience of raising children contributes significantly to the personal growth of our employees."

Overall, Japanet's philosophy and commitment to the in-house, "selective focus" approach and employee inclusivity are the roots of its success. Under Akito Takata's visionary leadership, Japanet stands as an emblem of innovation and community revitalization, setting an inspiring standard for forward-thinking businesses in today's dynamic global landscape.





JAFCO

HALF A CENTURY OF FUELING JAPAN'S STARTUP AMBITIONS

With continuous investments from international investors, robust corporate earnings, and long-awaited inflation, Japan's TOPIX index reached a 33-year milestone on September 1, 2023, when it hit 2352.58, breaking a record set back in July 1990. Impressively, the index appreciated by 27.06% within the year's initial eight months, supported by the yen's depreciation, which enhanced Japan's export advantage. Core inflation in Japan has exceeded the Bank of Japan's 2% goal for the 17th consecutive month, as reported by Reuters. This signals that 2023 is a pivotal juncture in Japan's economic trajectory.

Over the past decade, Japanese venture capitalists have transformed the country into a leading regional – and global – hub for startups, providing solutions to some of the biggest social and environmental challenges. In 2022, despite a global slowdown in venture capital activities, Japanese startups bucked the trend with a record JPY 877.4 billion in funding – ten times the amount recorded in 2013 – according to the Japanese startup platform INITIAL. Japan also led the global leaderboard in the number of fundraising deals per GDP, reaching 757 for every USD 1 trillion.

Established in 1973, JAFCO stands as a pioneering venture capital firm in Japan, playing a pivotal role in the nation's startup surge. As of March 31, 2023, JAFCO has channeled investments into an impressive 4,142 companies, guiding 1,024 of them to successful IPOs.

JAFCO's rich history charts Japan's economic journey over the past half a century, from the company's expansion into the US and Asia during the bubble economy of the late twentieth century to its focus on adding value during the economic downturn in the 2000s. Since 2010, JAFCO shifted its strategy to be a highly selective, intensive investment in response to the rapid growth of Japan's startup ecosystem. This approach focused on funneling funds and resources into startups that showed significant promise, leading to the creation of impactful new businesses. JAFCO went from investing in various startups in a broad range of business categories to focusing on high-potential targets, taking on the risk of making bold investments.

As it marks its 50th anniversary, JAFCO remains driven by its purpose: "Fueling perpetual growth; investing in bold visions." This drive is exemplified through its strategic investments in innovative ventures. For instance, JAFCO holds stakes in Kyoto Fusionering, a cutting-edge nuclear fusion startup affiliated with Kyoto University; LegalOn Technologies, a company offering AI-enabled contract review software; Zeals, a provider of Conversational Commerce solutions; and Timee, which operates a one-off job matching app. These investments showcase JAFCO's commitment to supporting pioneering ideas and fostering continuous growth.



Keisuke Miyoshi
President and CEO

About 97% of JAFCO's new venture investments are directed towards seed or early-stage companies with high-growth potential. While the company is known for making substantial investments ranging from several hundred million to several billion yen, JAFCO also offers on-the-ground operational expertise. This assistance is tailored to meet the specific needs of each startup, depending on its growth stage.

This includes an HR support team providing recruitment support and organization building, a marketing and sales support team; and a back-office support team specializing in administrative structure developments, SaaS selection, and IPO preparation. Central to JAFCO's distinct business model is the 'Co-Founder' principle. This emphasizes a commitment to working proactively alongside entrepreneurs as a true 'insider'.

Over the span of the past year, JAFCO raised a JPY 97.8 billion fund for venture and buyout investments. Comprising financial institutions, institutional investors, and business corporations, the fund not only facilitates fundraising through portfolio companies' ROI but stands as a testament to the trust and reputation it has established in the private equity industry.

With its powerful platform in Japan, JAFCO stands as the perfect partner for inbound investors looking to venture into the Japanese market. "Recently, we've seen an increase in outreach from investors from the US, Europe, and Asia. Our aim is to foster a cycle where we attract investments and, in return, export products and services," Miyoshi highlights. "JAFCO's position today, after half a century, is due to our steadfast dedication to venture investment. Our organization continues to adapt, and we've engaged and networked with a wider array of entrepreneurs than any other local venture capital firm. Many of our entrepreneurs have successfully gone public or exited through M&A, and later returned to collaborate with us in their subsequent ventures as serial entrepreneurs. We warmly welcome anyone interested in Japanese startups to reach out to JAFCO," Miyoshi further states.

JAFCO is committed to building strong companies that advance Japan's investment landscape. Looking ahead, Miyoshi is confident in Japan's future: "From now on, the speed of social transformation will accelerate rapidly. There's a new generation of Japanese companies and entrepreneurs today who are open to communication with overseas investors, which we're encouraging. Japan is ready to accept foreign investment; now is the time to put it into practice."

JAFCO



Noritsu Koki

GLOBAL DOMINANCE DRIVEN BY JAPANESE MONOZUKURI EXCELLENCE

According to the IMF, Japan is anticipated to be one of the fastest-growing economies in the advanced economies in 2023 and 2024. Encouragingly, global investors and multinationals are increasingly acknowledging Japan's economic potential, exemplified by its ascent to third place on Kearney's FDI Confidence Index, up from fourth. Japan's commitment to innovation significantly contributes to its economic resurgence. The nation's emphasis on technological advancements, research and development, and fostering a culture of innovation has not only enhanced Japan's economic competitiveness but also positioned it as a hub for cutting-edge technologies and creative solutions.

With its meticulous approach to detail and fine-tuned manufacturing techniques, Japan has always been an attractive proposition for global manufacturers. Underscored by their monozukuri spirit of craftsmanship, Japanese firms have received international acclaim in detail-oriented global markets like the audio equipment industry—where exports reached a value of JPY 29.68 billion in 2022, according to Statista—finding their way through some of the industry's most entrenched obstacles with a flawless approach combining tradition and innovation.

Founded in 1951, Noritsu Koki boasts an impressive ecosystem of world-leading companies, bringing together advanced technologies and manufacturing precision in three core business areas: professional audio equipment (AlphaTheta), consumer audio devices (JLab), and pen-nib and MIM components (Teibow).

Noritsu Koki's roots trace back to photo processing equipment, where the Group secured the largest global market share by pioneering a series of world-firsts. This includes the introduction of the first automated black-and-white film processing system in 1961 and the groundbreaking MiniLab QSS-1 machine in 1976. The latter innovation allowed retailers worldwide to offer on-site photo finishing services. However, faced with the market contraction caused by digitalization in the early 2000s, the Group underwent a strategic shift. It reimaged its core businesses through a merger and acquisition-driven approach to explore new business opportunities, showcasing remarkable adaptability in a rapidly changing technological landscape. "Since my arrival in 2018, we've realigned our portfolio by either withdrawing or selling various businesses, which has resulted in the remaining segments being very productive," says the Group's CEO, Ryukichi Iwakiri, underscoring the importance of adaptability in steering the company towards sustained success.

Noritsu Koki's portfolio is now centered around unparalleled market dominance, flexibility, and unique technologies cultivated through incremental improvements and in-house research and development (R&D). The Group's oldest company, Teibow, commands over a 50% share in the global market for pens nibs and distributes its extensive product lineup in over 45 countries. Leveraging the same technology that has made its marker products renowned for their smooth writing experience, Teibow has become a mainstay in the worldwide liquid liner cosmetics market through eyeliner applicator nibs, having shipped over 200 million brushes since 2014. Additionally, Teibow boasts one of Japan's largest Metal Injection Molding (MIM) production capacities, providing metal parts, including



Ryukichi Iwakiri
Representative Director and CEO

complex shapes, to transport equipment, medical equipment, semiconductor, and hardware industries.

Iwakiri emphasizes that the Group takes pride in establishing 'Number 1/Only 1' businesses. Perhaps the most successful in this category is AlphaTheta, which commands a substantial 70% share of the global DJ-related equipment market under the renowned Pioneer DJ brand. The company made its debut in 1994 with the introduction of the world's first top-loading CD player – the CDJ-500. Since then, AlphaTheta has consistently innovated to create impactful technology designed to "surprise and inspire" its customers, as evidenced by its latest music production and software products.

Simultaneously, the Group's US-based consumer audio devices company, JLab, claims the leading position in the US market for affordable true wireless and wireless headphones. Its diverse product lineup also includes accessories for iPhone, Google, and Android products, as well as PCs, featuring

items such as mice, keyboards, and webcams. Looking ahead, Iwakiri reveals an ambitious goal for the company: "We don't just want to be number one in the USA; we're pushing for JLab to be the global number one, just like AlphaTheta and Teibow." He further notes that the company is expanding its business into Europe and Asia. "If the opportunity arises to partner up, as long as it aligns with our vision, we're open to it. As a Group, the strategy we're working on is creating a perfect circle from downstream to middle stream and upstream."

The 'management vision' Iwakiri refers to is the group's 'medium-term management plan FY25.' Within this plan, the vision is an integral component among various strategic elements. It revolves around harnessing Noritsu Koki's established heritage and robust financial position, aiming primarily to secure the leading position in specific niche global markets. Fortunately, we're in an incredibly stable financial position," says Iwakiri, "our operating EBITDA margin, for example, is consistently around 20%, excluding the pandemic years, which is quite high for a JPY 80-100 billion market cap company." In numerical terms, the medium-term plan for FY25 sets ambitious goals: aiming for a revenue of ¥87.0 billion, an Operating EBITDA of ¥17.5 billion, and an Operating profit of ¥12.5 billion. The plan also targets achieving a Return on Invested Capital (ROIC) within the range of 5%-6%, while striving for an Earnings Per Share (EPS) of ¥220 and maintaining a dividend payout ratio of over 40%. For investors, Noritsu Koki represents the ideal entry point into Japan's poised equity market: In the first ten months of 2023, Noritsu Koki's share price surged by a remarkable 41.63%.

A success story of Japanese monozukuri for the modern age, Noritsu Koki exemplifies why global investors are returning to Japan and why more Japanese firms should seek inspiration from their heritage. "The unparalleled level of craftsmanship and perfectionism is unmatched anywhere else; it's absolutely key to why global companies continue to invest in Japan. We aim to showcase this entrepreneurial to the world," says Iwakiri.

NORITSU



Bushiroad

SPREADING THE JOY OF JAPANESE ENTERTAINMENT AROUND THE WORLD

Following a remarkable year of flourishing business and surging stocks, Japan has become the preferred choice for global investors seeking to strengthen their exposure to Asian markets outside China. Indeed, in October of last year, Japanese investment banks saw their revenues from equity fees surpass China's for the first time in 25 years, as a rush in equity business raised Japan's contribution to Asia-Pacific's total banker fees to 30%. To translate the high global appetite for Japanese investments into long-term economic growth, the government announced eased residency requirements for April this year, allowing foreign entrepreneurs to live in the country for two years, even if they do not have a place of business or investment.

Over the past two decades, the global entertainment industry has witnessed the astronomical rise in the popularity of Japanese contemporary pop culture, often referred to as 'Cool Japan.' According to the World Population Review, 72% of people in the USA regularly watch anime, surpassing Japan's overall viewership. Japanese collective card games (CCG), also known as trading card games (TCG), have garnered a substantial player base both at home and around the world. In FY22, Japan's card game market size amounted to JPY 212 billion, according to Bushiroad's mid-term business plan, nearly doubling from two years ago. This growth has been driven by pent-up demand for in-person experiences, such as tournaments where players compete against each other for honor and special prizes. It's also fueled by the enjoyment of everyday life.

As the owner of one of the most coveted TCG IPs – 'Cardfight!! Vanguard' – Bushiroad has made a name for itself as a pioneer of mixed-media entertainment formats and TCG IPs in Japan and around the world.

In 2007, Bushiroad was established as a company focused on creating character-based TCGs and later expanded its business into content production. Bushiroad has carved out an enviable position within one of Japan's most saturated markets through its unique 'IP DEVELOPER Strategy.' From developing original character IPs to nurturing them through manga, anime, merchandise, games, and other entertainment mediums, Bushiroad continually enriches the value of its IP catalog through various revenue streams and collaborations. For example, in 2008, Bushiroad created the now incredibly popular 'Weiß Schwarz' IP, a platform-based TCG encompassing over a hundred manga titles and anime-related IPs, serving both Bushiroad IPs and third-party IPs.

To capitalize on the monumental rise in the value of anime-related IPs worldwide, Bushiroad now aims to consolidate its presence in Asia, North America, and Europe. "The main pillar of our business is TCG," says Bushiroad's founder, president, and CEO, Mr. Takaaki Kidani. "Since our inception, we've sought to leverage the popularity of Japanese pop culture overseas. Currently, 17% of our overall business and 40% of our TCG business comes from overseas operations. Our main markets are the US and China, and we also have a presence in Singapore, Malaysia, the UK, and Canada, among others."

Apart from TCGs, Bushiroad's other IP-based ventures include a digital and gaming content business, a merchandise and e-commerce business, a publishing business, an advertising business, and even health products such as protein bars. Bushiroad also owns 'New Japan Pro-Wrestling,' Japan's largest pro-wrestling promotion franchise, and 'STARDOM,' the world's largest women's pro-wrestling franchise. In addition, in 2015, Bushiroad expanded upon its pioneering girl band project, 'BanG Dream!' This successful project combines animated characters and voice actresses in live concerts and has led to the creation of various other works from Bushiroad.



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Ultimately, TCG-related IPs remain the core engine of growth for Bushiroad, with 'Cardfight!! Vanguard' being one of the most popular. Released by Bushiroad in Japan in 2011 and available in seven languages and over 40 countries, 'Cardfight!! Vanguard' is now one of Japan's biggest TCG franchises and a global TCG icon, with tens of thousands of players worldwide participating in tournaments and championships held by Bushiroad every year.

The latest addition to Bushiroad's TCG portfolio is its Nippon Professional Baseball TCG, set to be launched in 2024 to capitalize on Japan's most popular sport. Mr. Kidani says the company's strategy is to expand this category of trading card games to the USA: "The USA is certainly our priority market, and we see huge potential there. Not only is baseball incredibly popular in the USA, but it's also the perfect TCG sport – it's almost the only one where the offense and defense sides rotate each round." For Mr. Kidani, Bushiroad's overseas success will depend on its ability and powerful action to create a grassroots network of TCG shops and distributors to support tournament events. "We visited about 300 stores worldwide to attract new players, and more than 5,000 people joined our global TCG lecture event "Demo Caravan" to learn how to play the brand-new TCG 'Shadowverse: EVOLVE,'" he says.

Going forward, Bushiroad is perfectly poised to take advantage of the post-pandemic demand for in-person events and entertainment: "We cherish real-life, face-to-face communication. In the digital era, it's something people around the world are searching for, and something we, and the wider TCG market, offer," says Mr. Kidani.

As Japan continues to unleash its creative energy on the global entertainment stage and bolster its 'Cool Japan' brand, companies like Bushiroad are undoubtedly its most significant assets. For Mr. Kidani, the future is very promising: "My vision is for Bushiroad to be the number one trading card game company in the world. There's no doubt this sector will continue to grow."



Takaaki Kidani
President and CEO



ITbook Holdings

PIONEERING DIGITAL TRANSFORMATION AND GROUNDING SOLUTIONS
FOR SOCIETAL CHALLENGES IN JAPAN

Fueled by a sustained growth trajectory and a decade-long transformation in corporate governance, the remarkable ascent of Japanese stocks in 2023 is poised for long-term continuation, according to JP Morgan. One of Japan's most notable recent transformations is the shift from a stakeholder-focused to a shareholder-driven corporate landscape, embracing foreign investment and innovative management strategies. The Financial Times reports that the percentage of Japanese firms disclosing investor materials in English has surged to 97% from 80% in 2020. Simultaneously, legacy cross-shareholding models have reached a historic low, and approximately 99% of companies now have two or more independent directors, a significant increase from just 22% in 2014.

Since establishing the Digital Agency in 2021 under the slogan 'Government as a Startup,' Japan has made digital transformation (DX) a strategic anchor for its economic reforms. Under the Integrated Innovation Strategy 2022, Japan aims to strengthen its human resources, promote advanced and emerging technologies, and build an "innovation ecosystem." This multifaceted strategy comprises three crucial pillars: the creation of smart cities, the development of a robust platform for public-private collaborations, and the provision of agile solutions for disaster.

This paradigm shift is not just a response to Japan's shrinking population but a resounding call to action. Businesses across all industries are compelled to embrace DX, and the demand for those offering advanced digital solutions has never been higher. DX is not just an option; it's a necessity. It also plays a pivotal role in Japan's regional revitalization plan, a visionary initiative aimed at tackling pressing societal challenges through the innovative application of digital technologies and strategic public-private partnerships (PPPs).

At the forefront of Japan's DX revolution stands ITbook Holdings, an industry leader with a diverse portfolio of subsidiary companies. Of these, ITbook spearheads the charge in consulting, system development, and HR solutions, while SOMETHING excels in state-of-the-art disaster-prevention groundwork services, utilizing the latest technologies.

"We've always been committed to solving social issues," says Toshimori Mae, President of ITbook Holdings. "We leverage IT and DX technologies to maintain and enhance social infrastructure." As a partner to local government agencies and private enterprises, ITbook actively contributes to municipal DX. The company achieves this through the standardization of municipal systems, the facilitation of PPPs, and the provision of invaluable human resources to regional industries such as manufacturing, distribution, and education.

ITbook further accelerates the private sector's transition away from legacy systems by offering a range of DX solutions. Notable among them is the 'Smart Tool' product, a dynamic solution that empowers organizations to adapt to the changing digital landscape. The company also offers comprehensive consulting and digital services, including software development, IT infrastructure management, business system optimization, project management support, and IT governance.

When it comes to revitalization initiatives like smart cities, SOMETHING enables the Group to operate as a total solutions provider through its synergy with ITbook technology. SOMETHING offers a wide array of services, ranging from ground surveying and inspection to warranties, subsidence correction work, and soil investigation. All of these services are conducted with an unwavering focus on disaster prevention, sustainability, and the creation of a comfortable and resilient lifestyle. SOMETHING's multifaceted approach



Toshimori Mae
President

provides the ITbook Group with a significant competitive advantage, enabling it to cover the entire regional revitalization supply chain.

Supporting SOMETHING's efforts are two additional Group subsidiaries: Earth Prime, which specializes in soil quality analysis, and Tomei, a provider of excavation services. These subsidiary companies bolster the Group's operational capabilities, enabling it to streamline operations and complete everything required in-house.

"Looking towards the long-term, we want to continue improving and investing in our subsidiaries to expand their market," says Mae. As part of this, ITbook Holdings is eager to form strategic partnerships, particularly with tech firms specializing in

system development. These partnerships will be instrumental in advancing the digitization of the company's construction services. Given Japan's susceptibility to natural disasters, the ITbook Group's unique set of skills and its strong connections to local government entities present a significant opportunity for inbound investors looking to enter one of Japan's most promising markets. "We possess the knowledge and experience," Mae asserts, "and with the right partnerships, we could, for example, build a data and monitoring system to predict and prevent landslides. The market is substantial, and any business interested in coming to Japan and pioneering such technology would be an ideal fit for us."

By enhancing its strengths through strategic partnerships, Mae is confident that ITbook Holdings can evolve into a JPY 100 billion company. "We are a highly specialized group of experts. We aspire to be the leading advanced specialist company in all aspects related to groundwork," he affirms, adding, "This extends not only to Japan but also to our operations in Vietnam. The environmental conditions in the Mekong Delta are remarkably similar to those in Japan, particularly concerning soil quality. Our expertise is equally applicable there."

Financially, ITbook Holdings has made significant strides toward realizing Mae's vision. The company's recent strong performance has set it on the path to achieving JPY 100 billion in sales. In FY 2023, the Group's consolidated sales reached JPY 30.52 billion, with the majority coming from its ground investigation business, accounting for 56.2% of total sales. This marked an impressive 16.27% year-over-year increase. Moreover, the Group's operating income surged by 210% year-over-year to JPY 739 million. Promisingly, in the first quarter of FY24, the Group's sales and ordinary income surpassed the figures recorded in the same period of the previous fiscal year. These positive financial trends underscore the company's strength and resilience in a rapidly evolving economic landscape.

As Japan actively seeks to revamp its rural economy, companies like ITbook Holdings hold the key to unlocking its full potential. These businesses serve as a testament to the fact that, armed with the right digital tools and innovative approaches, Japan can transform its most significant societal challenges into opportunities for growth and leadership. ITbook Holdings is at the forefront of this transformative wave, shaping the future of Japan's business landscape.





SPRIX

PIONEERING EDUCATIONAL EXCELLENCE GLOBALLY - BRIDGING GAPS,
BREAKING BARRIERS

Japan's education system ranks among the top ten globally, according to the World Population Review, serving as a global role model for countries with declining populations in developing future generations. Since 2014, the government has focused on globalizing Japan's education system, forging partnerships with leading international universities. More recently, the emphasis has shifted towards constructing a national ICT education infrastructure. Initiatives encompass the implementation of digital textbooks, the goal of 'one device per one student,' and an ambitious 'smart school scheme' utilizing academic and administrative data to facilitate schools in adapting to 'Society 5.0.'

Private education organizations are prevalent throughout Japan, and it is commonplace for parents to enroll their children in after-school supplementary classes, commonly referred to as cram schools or 'juku,' aiming to achieve improved grades or prepare for challenging entrance examinations. In 2022, the country hosted nearly 6,000 cram schools, generating a sales revenue of JPY 1.1 trillion, as reported by Statista. These institutions primarily operate through word of mouth, relying on their established reputation for delivering results and providing individual attention to students. Remarkably, despite Japan's declining population, the annual enrollment of students in juku has risen over the past decade, exceeding 14 million.

Founded in 1997 in Nagaoka, SPRIX—derived from 'spring,' symbolizing the commencement of the Japanese school year—is an international education organization dedicated to helping students from all backgrounds become confident learners. Renowned for its commitment to excellence, SPRIX stands out as a beacon of educational prowess, consistently delivering outstanding support and fostering a positive learning environment for students worldwide.

"Our mission is to realize a new stage of life for people through education. It's why we took our name from 'spring,'" says the company's president, Hiroyuki Tsuneishi, emphasizing, "We are committed to lowering the barriers to education by striving to reduce the number of children whose parents face challenges affording tutoring classes due to high fees."

SPRIX is most prominently recognized for its MoriJUKU cram schools, pioneering the industry by introducing a unique guaranteed grade increase or refund policy. Currently achieving an impressive 90% success rate, MoriJUKU's success is attributed to its teaching system of 'one teacher per two students,' as explained by Tsuneishi: "This approach allows us to



Hiroyuki Tsuneishi
President

deliver personalized tutoring services tailored to each student's abilities and personality. In just two semesters, we guarantee students a remarkable improvement of 20 points in standard Japanese tests, with a perfect score being 100."

Another distinctive aspect of MoriJUKU is its commitment to data-driven teaching methodologies. Through extensive research and technological analysis, MoriJUKU has optimized every aspect of its juku, down to the nuanced movements of teachers within the classroom. Annually, the school receives and considers 60,000 new improvement suggestions. Tsuneishi notes, "The second strength of MoriJUKU is the technology behind our teaching, ensuring consistent quality and preventing fatigue among our staff. This contributes to maintaining a fun and enjoyable atmosphere for the students."

In total, MoriJUKU has provided education to over 700,000 students nationwide, and this number continues to grow. Presently, it operates 221 individual classes—each with about 235 students, a rarity for juku—spanning across ten prefectures.

While MoriJUKU has gained widespread popularity and constitutes 51% of SPRIX's sales, the company has also embarked on a global mission. Developed at SPRIX's FAS Laboratory, TOFAS—the Test of Fundamental Academic Skills—is the inaugural global online test designed to assess Fundamental Academic Skills (FASs). Serving as the bedrock of all academic abilities, TOFAS empowers educators, parents, and students to gauge learning progress and receive detailed feedback on areas for improvement. Administered internationally, in over 40 countries, with 3.5 million cumulative examinees, SPRIX now possesses an extensive data pool for comparing and analyzing the proficiency of basic academic skills on a global scale.

In a bid to broaden TOFAS's reach, SPRIX is actively pursuing expansion into overseas markets. "There has been a notable rise in global cooperation and collaboration among leading companies in this sector, and the demand for globally standardized measurements of academic achievements is on the rise. The reception of TOFAS has been exceptionally positive thus far."

Tsuneishi envisions SPRIX as a globally recognized educational institute. Already one of Japan's largest private tutoring schools in terms of student numbers, MoriJUKU stands out. Furthermore, SPRIX's comprehensive portfolio boasts ten number-one brands in Japan. In the short term, the company aims to strengthen and further expand MoriJUKU. Looking ahead, SPRIX plans to channel profits into TOFAS and other ventures, such as SoraJUKU, the online iteration of MoriJUKU, with the ultimate goal of pioneering in Fundamental Academic Skills (FASs).

Ultimately, SPRIX's primary objective has consistently been to bridge the education gap, addressing challenges arising from economic disparities or regional differences. As part of this commitment, SPRIX actively supports charities such as Chance for Children, dedicated to breaking the cycle of poverty in Japan and fostering educational equity. Additionally, SPRIX is a supporter of CIESF, contributing to education initiatives in developing countries like Cambodia. This reflects the company's dedication to making a positive impact on education both locally and globally. Through these initiatives, SPRIX underscores its pivotal role in advancing educational equality and its impressive track record of excellence in creating meaningful, positive impacts within diverse communities.





ESCRIT Inc.

REDEFINING THE WEDDING BUSINESS IN JAPAN AND BEYOND

Highlighting Japan's robust structural foundations, its impressive growth trajectory, and a narrowing fiscal deficit, Fitch, the ratings agency, reaffirmed the nation's esteemed investment-grade 'A' rating in October 2023, maintaining a stable outlook. Describing Japan as an 'advanced, affluent economy with robust governance standards and esteemed public institutions,' Fitch forecasted a 2% growth for 2023, signaling an optimistic trend for business investment. Notably, Fitch underscored the economy's resilience, attributing its strength to strong private-sector balance sheets, thriving corporate profitability, and a remarkable resurgence in inbound tourism.

Japan's considerable wealth and the immense cultural significance placed on marriage and wedding ceremonies contribute to a wedding market valued at JPY1 trillion annually, according to the Yano Research Institute Ltd. Some estimates even suggest figures higher than this.

ESCRIT holds a pivotal position in this market, which is undergoing a strong recovery from the COVID-19 pandemic. ESCRIT is led by Morihiro Shibutani, the fourth president of SHIBUTANI & Co., which was established 113 years ago. ESCRIT is capitalizing on its rich history of success to consider a carefully planned global expansion strategy.

"We've resumed our inbound business, welcoming customers from Taiwan seeking marriage ceremonies in Japan," says Morihiro Shibutani, president, and CEO of ESCRIT. "Our aspirations include expansion to all of Asia. We believe that these countries appreciate and embrace our cultural essence and modern approach. Subsequently, we will consider developing markets in Europe, the U.S., and other regions. Our distinctive business model revolves around providing comprehensive services within our company, setting us apart not just in Japan but on a global scale. Rather than solely expanding overseas, our goal is to allure more clients to choose Japan as their ultimate wedding destination. Similar to the worldwide popularity of Japanese manga, we aspire to make ESCRIT weddings renowned globally. My dream is to share our expertise and establish a wedding franchise business in the future."

ESCRIT presents a truly distinctive business proposition, operating as a comprehensive 'one-stop service' for all wedding necessities. This includes wedding chapels, reception venues, dress shops, and flower shops, all conveniently housed under a single roof. Situated in close proximity to Shinkansen (high-speed bullet train) stations, ESCRIT's venues prioritize accessibility, especially catering to elderly and disabled guests. Furthermore, ESCRIT benefits from synergies with its subsidiary, Shibutani Corporation, which holds extensive expertise in the construction sector, particularly in the construction of chapels and wedding facilities.

ESCRIT takes pride in its leading-edge technology, being the only company in the wedding industry to be certified as a "DX Certified Business" by the Ministry of Economy, Trade and Industry, as highlighted by Shibutani. The company has seamlessly integrated technology into its services and traditional Japanese wedding customs. For instance, ESCRIT's clients can digitally present monetary gifts traditionally given in envelopes to the bride and groom through the company's website. Moreover, ESCRIT introduced an online conference system called



Morihiro Shibutani
President and CEO

"anicrit," facilitating live-streaming of weddings for remote attendees and enabling remote meetings to plan the wedding. Additionally, the company's online shop specializes in wedding-themed gifts, streamlining the process for event attendees.

ESCRIT primarily caters to the large and moderately affluent middle-class market, while acknowledging that the wealthiest individuals often opt for expensive international brands. The company customizes its services, pricing, venues, and food menus to specifically meet the needs of its middle-class clientele. With this strategic positioning, ESCRIT doesn't aim for a specific lower or upper limit; rather, it strives to attract support from a broad spectrum of customers.

Additionally, ESCRIT has forged partnerships with airlines such as ANA and JAL, enabling attendees to accumulate air miles. Moreover, the company collaborates with various entities to incorporate beloved characters such as Pokémon, ONE PIECE, Rilakkuma, and other animations into

the wedding experience.

SBI Group a leading Japanese financial services corporation, and TKP Corporation, a leading Japanese conference room business hold the largest stake in ESCRIT. The presence of both companies plays a crucial role in reinforcing ESCRIT's shareholding structure. Looking ahead, ESCRIT aims to attract both international and domestic investors eager to align with its growth trajectory and distinctive competitive advantages.

"We welcome overseas investors interested in acquiring equity," states Shibutani. "In our forward-looking approach, we are focusing on devising a post-COVID strategy. Rather than expanding internationally to establish chapels in locations like Hawaii, our focus is on leveraging digital transformation (DX) to further develop our comprehensive services. Looking ahead, our aspiration is to extend these services globally in the future. Given Japan's shifting demographics and declining population, smaller companies might face challenges sustaining themselves if demand decreases. Thus, we are enthusiastic about engaging in Investor Relations (IR) activities to highlight our premium-quality one-stop wedding services."

Shibutani expresses confidence in the company's share price rebound post-COVID, while also keeping a focus on expanding overseas. Leveraging its robust competitive advantages, the company is poised to expand into new markets while preserving the cultural and business values inherent to its homeland. ESCRIT capitalizes on its unique strengths to achieve synergies across all wedding-related services, facilitating its growth.

"Japan prides itself on a distinctive and cherished wedding culture, emphasizing the integration of extended families in the union of two individuals," remarks Shibutani. "At the core of Japanese wedding ceremonies lies the expression of gratitude to our parents for granting us life and fostering new societal connections. It's an exceptional opportunity to honor our parents. We embrace this tradition while adapting to modern trends. Our innovative business model was a calculated risk that has earned widespread recognition."

Escrit



Miroku Jyoho Service

MEETING THE DIGITAL ACCOUNTING
NEEDS OF JAPAN'S SMES

In the heart of Japan's resurging economy, a digital transformation wave is sweeping across businesses, promising remarkable growth. Japan's government is steering this wave with a nationwide digital transformation (DX) strategy, projected to add a staggering JPY 78 trillion to the economy by the end of this decade, as per McKinsey's predictions.

Among the sectors poised for innovation, the world of accounting, home to 31,200 tax accountant firms stands at the forefront of this transformative journey. Japan's digital transformation (DX) initiatives present a substantial opportunity. Promisingly, the findings from a series of 2023 surveys of business executives by the IMD's Global Center for Digital Business Transformation revealed that Japan currently leads in DX momentum compared to Europe and North America, particularly in terms of the percentage of businesses embracing a unified digital strategy.

Miroku Jyoho Service (MJS), established in 1977, stands as a beacon of excellence in the accounting industry. Renowned as one of the sector's most trusted DX vendors and consultants, MJS boasts an extensive array of cutting-edge enterprise resource planning (ERP) solutions, meticulously designed to cater to businesses of all sizes.

"Our main customers are accounting firms that support Japanese SMEs in the consolidation of financial results and tax-related services. This core customer base has remained constant throughout our 47-year history," explains MJS' president, Hiroki Koreeda. MJS is currently undergoing a transformation to become a cloud-based service provider, with the aim of addressing the digital transformation (DX) needs of both its existing and potential new customers. This user base comprises 8,400 accounting firms, and over 100,000 SMEs, of which 17,000 are mid-sized enterprises.

A prime example of this transformation is the recent launch of Galileopt DX, an ERP system that empowers businesses to efficiently streamline their day-to-day operations. Following the success of this product, which is also available in a cloud environment, MJS plans to further expand its offerings with authentic cloud-based ERP services.

As MJS continues to expand, Koreeda emphasizes, "We aim to deliver stable profits to our shareholders." MJS transitioned to the Tokyo Stock Exchange's Prime Market in 2022 and enjoyed a 14% increase in its share price from January 2023 to the end of September 2023.

Long-standing clients comprise 99% of MJS' customer base, reflecting the trust and loyalty they've shown the company. With its bold vision for cloud-based accounting and, in line with its corporate philosophy that places the well-being of all employees and the happiness of all stakeholders at the core of its values, MJS is not only dedicated to serving its clients exceptionally but is also well-prepared to take the lead as Japan's premier integrated DX platform provider, actively shaping the future of accounting and digital solutions. As part of this new challenge, MJS is offering an online DX platform featuring seven categorized sets of DX services that can be utilized by SOHOs and freelancers.

As Japan's SME-dominated economy persists in its drive towards digitalization and AI integration, companies like MJS play a pivotal role in unlocking its full potential. Additionally, with the government's ongoing commitment to bolstering corporate governance, they are poised to gain significantly from the growing demand for digitalization in the business landscape.



Hiroki Koreeda
President and CEO



HARD OFF

CHAMPIONING JAPAN'S SUSTAINABILITY
MISSION ON A GLOBAL SCALE

As the world's third-largest economy, Japan not only stands as an economic powerhouse with a GDP of 4.23 trillion USD, as cited by the World Bank, but also boasts a vast consumer base. In this prosperous and eco-conscious nation, the value of the reuse market is comparable to the GDP of many countries, reaching nearly \$20 billion, as indicated by Statista in 2023. This growth is driven by a shift in consumer preferences towards secondhand goods and the expansion of B2C and C2C secondhand retailers.

With an extensive network of 931 stores across all 47 prefectures in Japan and international locations in the USA, Taiwan, Thailand, and Cambodia, HARD OFF stands as a dominant player in the secondhand goods sector. Based in Niigata, the company envisions a self-reliant global reuse market.

Founded in 1972 by Yoshimasa Yamamoto as an audio and PC enterprise, HARD OFF transitioned to the secondhand market in the early 1990s during Japan's economic downturn. Remarkably, within a year of opening its first store, the company had rapidly expanded, consistently launching a successful franchise venture with multiple outlets year after year. In 2000, HARD OFF became the first reuse enterprise to be publicly traded on the Tokyo Stock Exchange (TSE). "Our listing generated global interest in the reuse market. With public endorsement, our growth trajectory accelerated," states HARD OFF's president, Taro Yamamoto.

Yamamoto attributes HARD OFF's distinct edge to its divisional store strategy. The company segments its stores into six categories, from musical instruments and audio gear to outdoor, sports equipment and tools. This approach fosters a unique character and identity and keeps customers coming back. "The strength of this method lies in each shop manager's expertise in their specific

retail category. This ensures comprehensive knowledge to guide customers and set item prices," Yamamoto elaborates. Yamamoto also highlights HARD OFF's "Re"NK CHANNEL, a unique omnichannel strategy linking physical stores with various online channels, including e-commerce, a pick-up service, and an offer app facilitating C2B transactions.

In 2014, HARD OFF opened its first store in Okinawa, and it quickly became a destination for many American visitors. This positive response led us

to firmly believe that our stores would be embraced by American consumers. In 2016, the company made its debut in Hawaii with Eco Town, featuring high-quality secondhand products curated for the American market. Going forward, HARD OFF's goal is to open 30x0 Eco Town stores, including franchises in Hawaii and the West Coast, and ultimately to operate 3,000 stores worldwide. For Yamamoto, franchise partnerships will be key: "We successfully operate 523 franchise stores in Japan. Our shared profit model, corporate philosophy, and style make it a win-win strategy. Our model is simple and highly effective, eliminating the need for a distribution hub or warehouse since we procure locally."

Companies like HARD OFF have been instrumental in shaping Japan's thriving reuse culture and in promoting its Sustainable Development Goals (SDGs). By consistently challenging and transforming the way consumers think about second-hand goods, they not only showcase the success of reuse within Japan but also set a clear example, proving that a global society focused on reuse and sustainability is achievable.



Taro Yamamoto
President





SocioFuture

ENVISIONING THE FUTURE OF JAPANESE SOCIETY

Designing future society for our lives' - the slogan of next year's World Expo, which is being held in Osaka, is also the co-creative vision driving Japan's top businesses to solve its most urgent social issues. According to a recent Bloomberg Global FDI survey, Japan leads the developed world in terms of R&D capabilities and early technology adoption in infrastructure.

Japan's population is one of the region's most cash-loving. In a 2021 survey by Statista during the peak of the pandemic, 90% of respondents still named cash as their most-used payment method. As such, ATMs are ubiquitous across cities and towns, with banks continually making upgrades to make their machines smarter and cash withdrawals easier.

Founded in 1999, SocioFuture is a leading ATM operator and provides related services to the financial, administrative, and healthcare sectors, underlined by a mission to revitalise Japan, enhance its workforce, and bridge the digital divide between cities and rural areas.

SocioFuture's ATM-related services encompass everything from on-site ATM monitoring to maintenance and cash-loading and planning assistance, including technology to prevent ATMs from running out of cash or overflowing. The company also provides human-centred online banking solutions to help introduce older people to digitalisation.

At the core of SocioFuture's business model is its regional high-touch operation centre (HOC), which monitors the operating status of all ATMs 24/7 and is tailored to each client. "Our goal is to simplify and streamline day-to-day bank operations and create a smoother banking environment in Japan," says the company's representative director, chairman, and CEO,

Hiroshi Nakano.

Initially named 'ATM Japan,' the company was renamed 'SocioFuture' in 2022 to reflect its expansion into government and healthcare services, says Nakano: "We're diversifying our operations beyond just ATMs. We want to contribute to Japanese society and improve the lives of citizens." For example, SocioFuture now offers a 'remote medical service' which urges people to go in for health checks, all based on its HOC know-how. In the future, the company plans to expand this service through cameras installed in ATMs, allowing users to talk to healthcare professionals via webcam.

Over the past two years, SocioFuture has successfully expanded to Indonesia and Thailand. Given the prevalence of ATMs and smartphones, Nakano says SocioFuture's global potential is huge - an opportunity he hopes to take advantage of through partnerships. "We welcome collaboration with foreign companies, both in Asia and beyond, where we have an exceptional track record. We want to introduce the spirit of 'omotenashi' - traditional Japanese hospitality - to the world; it's how we conduct business."

A shining example to others, SocioFuture is helping to lead the landmark opening up of Japan's business community, and for Nakano, now is the ideal time for foreign investors to capitalise: "Japan currently has more SMEs than ever before, especially technology companies. I believe their products and projects would benefit significantly from foreign investments and expansion."



Hiroshi Nakano
Chairman & CEO

SocioFuture
Advanced Technology
& Management Japan



Wadakohsan

SHAPING KOBE'S REAL ESTATE HORIZON

According to the Economist Intelligence Unit (EIU), Japan's economy is poised to sustain its expansion in 2024, driven by a convergence of positive trends. These encompass the alleviation of inflation, a resurgence in inbound tourism, and a heightened demand for Japanese products bolstered by a two-decade low yen. Additionally, the EIU suggests that the country "is on track for continued growth in the upcoming years."

The real estate sector in Japan stands out as a significant beneficiary of the low yen, drawing in JPY 513 billion from international investors in the initial half of 2023. This marks a substantial 41.6% year-over-year (YOY) increase, as reported by Jones Lang LaSalle. Beyond the currency advantage, Japan's real estate market is bolstered by factors like political stability and the accessibility of low-cost borrowing, solidifying its position as a high-potential and secure investment destination.

Established in 1899 in Kobe, Wadakohsan has been a pioneering force in the regional real estate industry, emphasizing community development and making significant contributions to the region's socio-economic growth. Widely acclaimed for its extensive portfolio, the company possesses properties situated in some of Kobe's most desirable residential areas.

Under its flagship "WAKOHRE" brand, Wadakohsan has successfully developed and provided over 20,000 units in the last three decades. This diverse range includes small to medium condominiums, all prominently showcased across its ten market-leading condominium showrooms in Kobe and the surrounding areas. Furthermore, the company specializes in crafting distinctive wooden detached houses for families of all sizes under the brand "WAKOHRE-Noise." Apart from its prowess in property development, Wadakohsan boasts a rich century-long legacy in the management and operation of lease properties. This encompasses a wide spectrum, from condominiums and retail spaces to

offices and parking facilities, strategically located within prime city center locations.

"Our primary goal is to enhance the lives of people in Kobe. That's why we concentrate on constructing condominiums designed to endure for over 100 years, tailored to meet residents' needs and harmonize with the land's unique attributes," remarks Takenao Wada, Chairman of Wadakohsan, whose great-grandfather laid the foundation of the company. Looking ahead,

Wadakohsan aims to broaden its presence to neighboring cities such as Osaka and international markets in the Asia-pacific region through strategic partnerships.

According to its president, Toshiya Mizomoto, the cornerstone of the company's enduring success is its commitment to stable and dependable growth: "While we pursue expansion, we do so steadily and with a profound connection to the local community. Our strategy isn't overly aggressive; we honor our commitments and ensure the sustainability of our achievements." During the six months ending on August 31, 2023, Wadakohsan recorded a robust year-over-year increase of 7.3% in net sales, reaching JPY 20.789 billion, and a notable 18.5% rise in operating profit to JPY 2.502 billion. Simultaneously, its basic earnings per share surged to JPY 133.47, marking a 16.6% year-over-year increase, while the company's share price rose by 17.2%.

In Wadakohsan's pursuit of extending its legacy in Kobe, Mizomoto expresses confidence in Japan's conducive environment for such endeavors. He notes, "A new generation is stepping in, introducing fresh perspectives and entrepreneurial spirit. Japan's stability in both economics and politics is what renders it an appealing and promising destination."



Toshiya Mizomoto
President

Takenao Wada
Chairman

WADAKOHSAN



Donut Robotics

REVOLUTIONIZING TOMORROW: THE POWER OF GENERATIVE AI,
QUANTUM COMPUTERS, AND ROBOTICS

Japan's economy has exceeded analyst expectations, achieving a remarkable 6% annualized growth rate in the second quarter of 2023, resulting in a GDP of \$3.85 trillion, its highest-ever level. The impressive growth was primarily driven by net exports, a testament to Japan's robust manufacturing industry, with tourism also playing a significant role.

Japan has long been recognized as a global leader in the robotics industry, with its high-tech manufacturers and demographic factors contributing to its success. In fact, nearly half of the world's industrial robots are produced in Japan, as reported by the US International Trade Administration.

Established in 2014, Donut Robotics epitomizes Japan's pioneering role in the robotics sector and is on a trajectory to elevate Japan's robotics brand to new heights. Combining high-quality hardware and software powered by AI and automation, Donut Robotics has successfully developed three innovative products and is starting to prepare for an IPO on the Tokyo Stock Exchange or NASDAQ in the future. This strategic move aligns with their ambition to become the world's leading company in personal appliance robots, often referred to as "the Apple of robotics."

Taisuke Ono, the group CEO of Donut Robotics, underlines the numerous compelling reasons for investors to consider their company. "The Japanese robotics industry is renowned for its track record in producing highly successful products," he affirms. "Japan possesses a unique blend of software and hardware capabilities. As robotics permeate various sectors, the demand for our products is expected to surge in the coming years. The integration of quantum computers and in-house AI generation is bound to captivate both customers and investors, generating substantial interest in this burgeoning industry."

Ono emphasizes two pivotal aspects that set Donut Robotics apart from other global robotics companies. First and foremost, their agility in swiftly delivering products to a rapidly evolving market. Their relatively modest size allows for prompt decision-making. Unlike larger companies, which may hesitate to commit to R&D due to uncertainty, Donut is unreservedly dedicated to the pursuit of merging hardware and software to deliver exceptional products and is not afraid of taking calculated risks. Secondly, Ono takes immense pride in the "human aspect" of the company, showcasing a team of highly skilled engineers and AI specialists.

Donut Robotics' product portfolio centers around improving people's lives. Their current offerings include Cinnamon, a versatile monitoring robot, a Customer service robot with creative functions, as well as a Communication system using generative AI. Cinnamon, a versatile robot designed to care for people, serves various functions. It can serve as both a receptionist and a caretaker for children and the elderly, providing health diagnostics work with smart devices. Cinnamon also facilitates video calls and engages in conversations with those who may live alone. All these functions are controllable through a smartphone, allowing users to check the well-being of their relatives.

The customer-service robot is mobile, equipped with the ability to speak, translate into up to 100 languages during a conversation, and guide people to their desired destinations.



Finally, the communication system is an innovative solution featuring real-time speaker separation, translation, summarization of conversational content, and active participation in conversations through generative AI.

In less than a decade, Donut Robotics has come a long way, originating in a garage in Fukuoka. The company's founder, Taisuke Ono, son of a successful businessman, and his

two associates initially faced challenges in gaining traction due to the innovative nature of their product propositions. However, in 2017, the company's selection for a robot project at Tokyo's Haneda Airport marked a turning point, leading to increased media coverage, though securing funding remained a significant undertaking.

Donut Robotics successfully developed its products through fruitful partnerships and remains committed to seeking new partners as it embarks on its journey of global expansion. The company has appointed a University of Tokyo graduate as a technical advisor, focusing on projects such as advancing quantum computing to seamlessly integrate a new generation of AI into Donut Robotics' hardware. On a global scale, there are not many companies with experience in working with the Chat GPT platform because the product is new to the market, and we see ourselves as more advanced in that regard. There is significant potential for hardware improvements as well, and if you can enhance that aspect, we would be open to partnerships. Additionally, major companies like Amazon possess server systems crucial for data transfers and securing personal data of our device users. Collaboration with such companies is a priority for us in the near future."

Ono predicts that AI and robotics will experience widespread adoption across various industries over the next century, with Donut Robotics taking a prominent role in this transformative landscape. By merging AI and automation and seamlessly integrating software and hardware, the company is poised to build upon and lead Japan's industry-leading strengths in the field.

Ono reflects, "We live in a compact space in Japan, and our people have grown accustomed to living in limited surroundings. This intrinsic connection to precision and humility has significantly impacted the quality of our industries. Within the realm of robotics, Japan is a country where various companies are making great strides in developing innovative products to assist individuals. Japan also excels in quantum computer technology, and we hope to enhance our generative AI with quantum computers and effectively integrate them with our newly developed robots. There is a wealth of companies capable of achieving this synergy. Now is the prime moment for investment in this emerging field, as technology and innovation are currently reaching their zenith."



Taisuke Ono
CEO



donut
robotics



RYUUSS

INVESTING IN THE GLOBAL FUTURE OF ROBOTICS

Small- and medium-sized businesses are the backbone of Japan's economy, accounting for 99.7% of all enterprises and numbering over 3.5 million, as reported by the OECD. These businesses prioritize fostering human capital, technological advances, sustainability, and, most recently, expanding internationally, making Japanese SMEs among the world's most resilient.

As the Japanese labor force experiences rapid shrinkage, manufacturers in Japan are embracing automation and Industry 4.0-related technologies at an unprecedented rate to enhance the resilience of complex supply chains, such as semiconductor manufacturing. According to Statista, Japan ranks second globally for the density of robot workers, with 399 robots per 10,000 employees, trailing only behind South Korea. In the manufacturing sector alone, Japan's robot density amounted to 631 robots per 10,000 employees in 2021, more than double that of the USA, which had 274 robots, as reported by the International Trade Administration (ITA). On the other hand, leveraging its strengths in craftsmanship and monozukuri manufacturing, Japan is playing a pivotal role in automating factories worldwide. In 2022, the ITA reported that 45% of all industrial robots worldwide were either produced or designed by Japanese companies.

Founded in 1953, Ryu Seisakusho (RYUUSS) is a leading manufacturer of custom-made, bespoke machines for various industrial fields, including the automotive and aerospace sectors, semiconductor and medical equipment manufacturing. RYUUSS is also at the cutting edge of AI robotics and works on an OEM basis with Silicon Valley startups, supplying ready-to-use automation products to domestic and global corporations.

An exemplar of Japan's 'art of manufacturing,' RYUUSS embraces every stage of machine production, from design and development to prototyping and final assembly, all from scratch. This approach gives it complete control over its value chain and ensures that each customer order is made to the most exacting standards. "Our strength lies in our highly developed and diverse engineering capabilities," says RYUUSS' president, Kyoichiro Ishida. "Every day is like a festival because we love what we do."

Around 80% of the company's total revenue is derived from its custom machines, including assembly, quality control inspection, carrier, and automation machines. These machines find specific use in cleanrooms for automotive and semiconductor manufacturers. Ishida highlights, "We also provide unique maintenance services tailored to our customer's needs, which sets us apart."

Factory automation and lean production are two of the biggest manufacturing trends of this decade, and the company's overwhelming

track record in creating labor-saving machines ensures it has a constant pipeline of new clients. "Using our engineering know-how and creativity, we're able to turn underlying trends into tangible products," explains Ishida, who says the company's private ownership allows it to move quickly and stay ahead of the curve. In addition to custom machines, RYUUSS

pursues its strategy through its OEM business. Leveraging its position as a gateway into Japan and Asia, RYUUSS is currently invested in five Silicon Valley robotics startups, including LUUM, a revolutionary AI-powered beauty service that uses robots to perfectly apply lash extensions, OhmniClean, a cost-saving UV-disinfectant service using fully automated UV-C robots capable of disinfecting large and small spaces in a single cycle, and inVia.

Integrating seamlessly with RYUUSS' strengths in designing dedicated machines, inVia has developed a fleet of AI-powered, self-driving robots for warehouses to manage inventory and workflow as efficiently and accurately as possible. With the global e-commerce market size projected to reach a market volume of USD 5.5 trillion by 2027, according to Statista, RYUUSS' OEM partnership with inVia, signed in June 2020, represents a lucrative opportunity to support growing e-commerce businesses. The company now has an AI robotics showroom in Midori-ku, Nagoya, showcasing inVia robots in action. "This is the future of RYUUSS," says Ishida, adding, "right now, we're a made-to-order machinery company, but our next domain will be the robotics business."

Backed by a distinctive portfolio of AI-powered robots and with offices in China, the USA, and Indonesia, RYUUSS is actively seeking entry into the US, European, and Asian markets. President Ishida underscores the importance of expanding strategic partnerships, both domestically and internationally, with a particular focus on companies experienced in manufacturing or robotics. He emphasizes, "We are enthusiastic about collaborating with companies that recognize the quality of engineering we offer, especially when our goals align. We provide more than mere distribution; we serve as strategic partners."

Located in Aichi Prefecture, the heart of Japan's largest automotive cluster and a major hub for robot manufacturing, RYUUSS stands as an exemplary "hidden gem." Such companies are abundant in opportunities for innovation, creativity, and game-changing solutions for global industries. RYUUSS exemplifies why Japan's manufacturing sector, the world's third-largest, garners international acclaim. President Ishida notes, "Historically, Japanese manufacturers excel at tailoring products to meet the specific needs of local areas and industries. Japan's meticulous attention to detail in complex manufacturing, combined with its investment in human capital, sets us apart."



Kyoichiro Ishida
President

