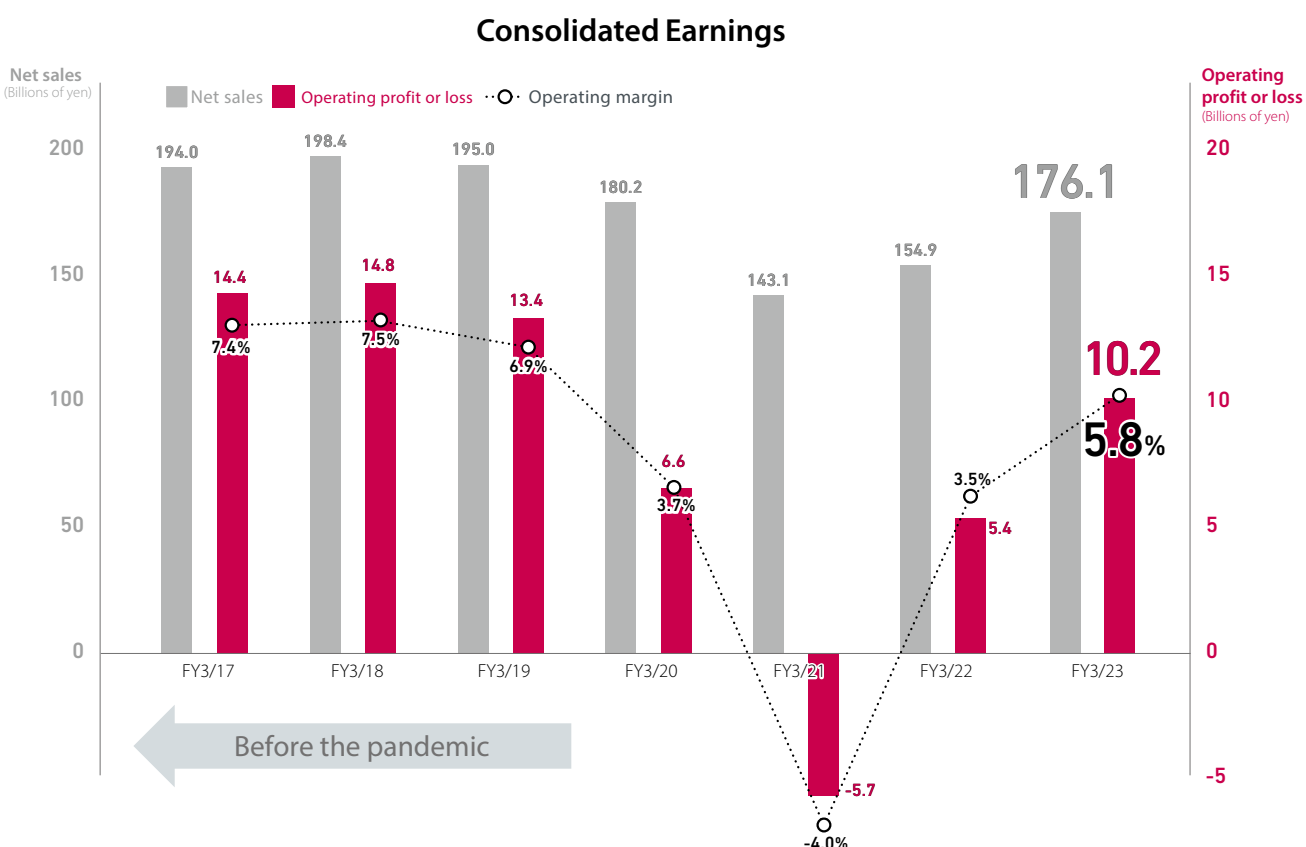
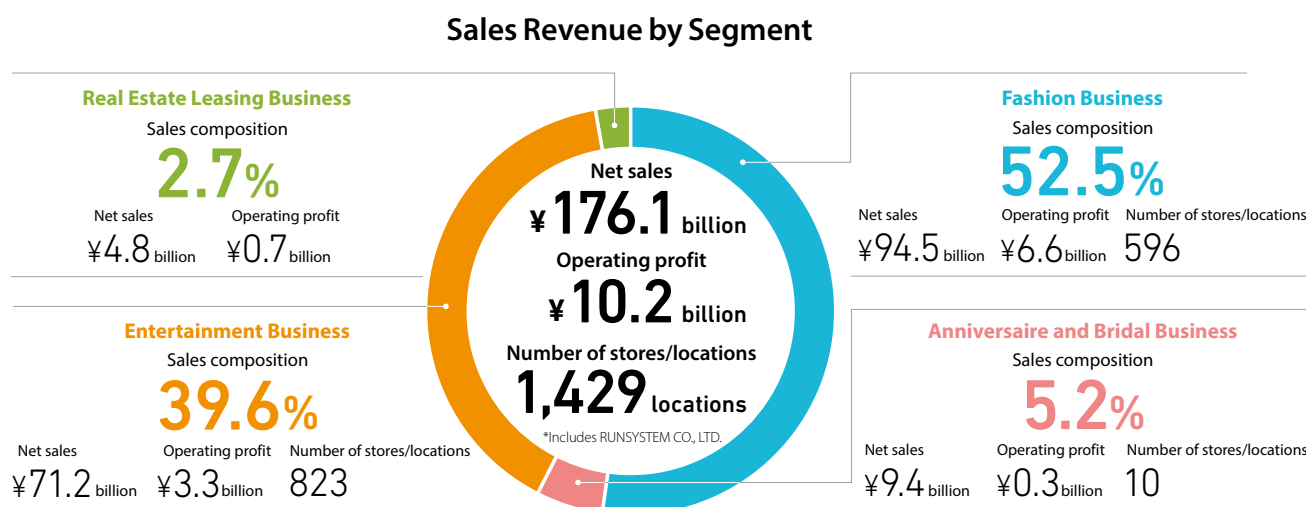


Business Overview

Highlights

Sales and earnings were up due primarily to an increase in the number of customers, which owes the implementation of various measures in response to market environment and lifestyle changes, as well as a relaxation of restrictions on people's movement.



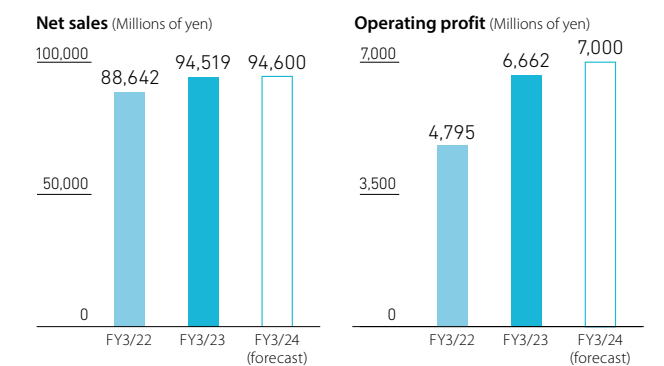
Fashion Business: Performance Overview

(Forecast as of May 11, 2023)

Initiatives in fiscal year ended March 31, 2023

As people begin to return to wearing suits and formal attire, we have told consumers about the benefits and appeal of wearing suits and launched a successful Freshers Support Fair for the people in the freshers segment, which is young people starting college or a new job. For our casual apparel category, we have expanded our Pajamas Suit® product lineup and rolled out apparel such as T-Shirts with Business Suit Tailoring. For the women's apparel category, we have also expanded the range of items, including MeWORK Project products centered on mix-and match apparel. In addition, at our ORIHICA stores, we have seen a large number of customers visit our newly opened pop-up stores, which deal exclusively in women's apparel. These moves have resulted in increased sales and profits.

Results for FY3/2023 and Forecasts for FY3/2024



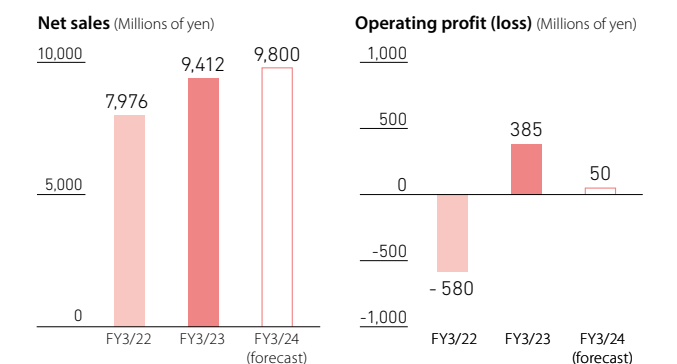
Anniversaire and Bridal Business: Performance Overview

Initiatives in fiscal year ended March 31, 2023

We have continued to conduct efficient Web and social media-based programs aimed at attracting more customers, while further refining all wedding formats. This has resulted in a greater number of bookings, driving up sales and profits.

Prior to finishing a complete renovation of ANNIVERSAIRE OMOTESANDO, which celebrates its 25th anniversary in 2023, we opened a holiday season-limited collab café and pop-up store carrying products from Tiffany & Co., a global luxury jewelry retailer. While ANNIVERSAIRE OMOTESANDO closed on December 29, 2022 in preparation for renovations, it reopened in September 2023 as an anniversary celebration place.

Results for FY3/2023 and Forecasts for FY3/2024



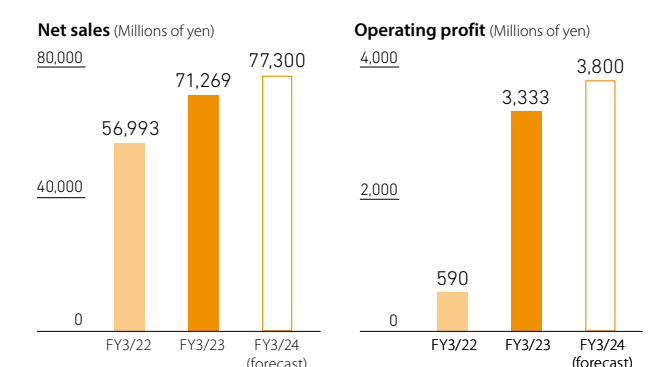
Entertainment Business: Performance Overview

Initiatives in fiscal year ended March 31, 2023

At our KAIKATSU CLUB café complex, we continue to provide services such as personal rooms with locks, free classes for earning professional qualifications and content such as viewing of TV Tokyo BiZ On Demand programs. We have also expanded our food and beverage selections, which includes conducting the limited-time Turkish Rice Fair. We have also made a number of changes to the COTE D'AZUR karaoke facilities, including adding more food options through a menu produced in collaboration with a famous ramen restaurant, and rolling out an unlimited singing and food plan for students. For our FIT24, which operates 24-hour self-service fitness gyms, we have opened more locations as planned, including locations with attached Indoor Golf facilities.

This business has seen sales and profits rise due to factors that include the measures we have taken and the impact from COVID-19 that has diminished throughout the year.

Results for FY3/2023 and Forecasts for FY3/2024



*This figure includes results from the consolidated second quarter of fiscal 2022 due to the subsidiary acquisition of RUNSYSTEM CO., LTD. in June, 2022.



Fashion Business

“Customer-centric” Life & Work Style from AOKI

Providing products and services for a changing market

Beginning with a 2005 campaign by the Ministry of the Environment that saw “Cool Biz” become a buzzword and office workers eschew the suit-and-tie style, formal business attire has fallen further out of fashion in recent years as workers have increasingly started working from home since the outbreak of COVID-19. Neckties are out and T-shirts are replacing collared shirts as business attire diversifies and more casual styles take hold. I think the top priority for the company now is to provide new products and services to accommodate these changes in the business attire market.

At the same time, such a rapid diversification of business attire styles has driven growth in the market for slacks and other casual attire for men. The market for women’s business attire has also been invigorated by changes to legislation aimed at supporting greater female

labor force participation, which also presents significant opportunities for this business.

Manufacturing to provide customers with what they want

Amid these circumstances, we will be bringing changes to our product mix according to market needs as part of the basic policy of this business. To increase overall sales, we will first focus on both the growing casual wear and women’s wear categories, improving their contribution to total sales, while keeping business and formal attire sales at their current level. As numerical targets, we are targeting a 5:2:3 sales ratio for business, formal, casual, and women’s wear categories, which is currently 7:1:2, and will eventually get this to 4:3:3.

Our core strategy for achieving this centers on product planning and a marketing mix that will satisfy customers’ new needs and wants. To do this, we will re-examine all possible opportunities, from when customers enter a store to when they leave, whether brick-and-mortar or online. This includes looking at not only products and services but also how we display products and handle customers, as well as how to get customers to come back to pick up products we have tailored for them. Our prime focus will be on manufacturing from the perspective of the customer, with an eye to the entire value chain. Among other things, this means elevating our two-way communication with customers through the use of tools like social media and the Web in our promotional activities, which has largely consisted of one-way advertising.

Action plan for proposing new value

We have three new concrete measures aimed at achieving manufacturing from the perspective of the customer. The first involves growing both the casual wear and women’s wear categories. For this, we have recruited fashion industry experts who will help us boost our product competitiveness and marketing capabilities. We expect the fruits of these



Hirotaka Mori
AOKI Inc.
President and
Representative Director

Risks and opportunities

- Accelerating loss of interest in suits that began during the pandemic
- Growing diversity of business attire styles as more people telecommute
- Invigorated market for women’s business attire prompted by changes to legislation

Measures and strategies

- Product planning and a marketing mix that will satisfy customers’ new needs and wants
- Promoting casual wear and women’s wear category growth while taking new approaches in the business and formal attire category
- Enhancing customer convenience by merging our online and brick-and-mortar stores

efforts to appear in the fall and winter of 2023, or spring and summer of 2024 at the latest. Meanwhile, we have launched operations that include enhancing product development by swiftly incorporating customer feedback gleaned from our members-only mobile app.

The second measure involves new undertakings in the business and formal category, a core category for the Company. For business attire, we will increase the number of stores offering Quick Order Suits (QOS), which are currently available at about 200 stores (as of July 2023). Providing a service that gets customers a perfectly-fitted suit in as little as four days will allow us to capture some of the demand for custom suits. For formal attire, we have leveraged the fact that AOKI is a renowned name in this market and expanded to all of our stores the AOKI Rental Service (ARS), which enables customers to rent items such as morning coats and tuxedos for weddings.

Our third measure is aimed at enhancing customer convenience by carrying out an OMO* strategy involving both our online and brick-and-mortar stores. This business continues to focus on satisfying customers’ myriad needs by bringing together our online and brick-and-mortar stores in seamless fashion. For example, through a service we call the Easy Web Shop (EWS), offered through ORIHICA and other retailers, customers can choose products from among an extensive inventory that encompasses our brick-and-mortar and online stores, and do not need to come back to pick up tailored products. This allows us to provide customers with a shopping experience that fits their working style and lifestyle. To take this effort to the next level, we will continue leveraging the strengths of this business through means that include making expansion investments in our warehouses and making system investments to reduce management costs and improve work efficiency.

*OMO: Online Merges with Offline

Achieving sustained growth by creating a virtuous cycle to improve customer satisfaction

Achieving medium- to long-term business growth will require that we focus foremost on recruiting, training, and

utilizing human resources, while also maintaining a strong regard for environmental conservation and human rights. An important part of this will be boosting employee engagement as a necessary step to increase customer satisfaction, which is central to our growth strategy. We have therefore launched an organization solely dedicated to boosting employee engagement that will focus on improving employee motivation by defining roles, responsibilities, and authorities and by instituting HR system reforms concerning matters such as compensation, appraisal, and working styles. This should drive further improvements to customer satisfaction and ultimately lead to further fashion business growth. With the belief that employee satisfaction and customer satisfaction are two sides of the same coin, we continue to pursue our “Life & Work Style from AOKI” concept of providing high-value products and services.

TOPIC

Reducing “fashion loss” and making more effective use of resources



In 1996, we launched the “AOKI Wool Eco Cycle” project for collecting and recycling wool products, the first such initiative in Japan. Now, our OKAERI Eco Project, which seeks to reduce fashion loss and effectively utilize resources, has seen us expand the scope of the products we collect to include polyester products. It is through efforts such as these that we work with our customers to achieve a more sustainable society.



Anniversaire and Bridal Business

Establishing a new business paradigm that goes beyond just weddings

Accommodating wedding trend changes

Although there has been a gradual recovery in the number of weddings held following a precipitous drop during the COVID-19 pandemic, brides and grooms now view the prospect of weddings much differently than before. Weddings with only 20 or so guests, as well as photo weddings attended only by the bride and groom, came about out of necessity during the pandemic but have since become a new style of wedding. Meanwhile, average sales per couple continues to decline as aging and depopulation inevitably lead to fewer marriages, while fewer coworkers are getting invited to these events.

For the Anniversaire and Bridal business, responding to these environmental changes has involved a significant amount of trial and error. What has become crystal clear is that there is still plenty of room to provide further “products and services” to complement the “experience” that is a wedding. We need a new business blueprint to be able to propose and provide high-value weddings that the bride and groom, as well

as their family and friends, will all have great things to say about.

Providing a combination of products, services, and experiences

Since the launch of ANNIVERSAIRE, which aims to create a “theme plaza for celebrations and ceremonies,” we have produced anniversary events around the world by providing products, services, and experiences. Conducting so many weddings has seen our wedding locations (an experience) become widely renowned. That alone is a strength. However, to hedge against the risk of market contraction and achieve sustained growth into the future, we will go back to the basics and provide a combination of products, services, and experiences with the goal of achieving a groundbreaking business that caters to more than just weddings—that is, making ANNIVERSAIRE the go-to destination for all anniversary events.

We hope to be able to show an example of this with ANNIVERSAIRE OMOTESANDO when renovations are completed in September 2023, marking the facility’s 25th anniversary. This flagship location in a prime area of Omotesando, Tokyo has generally been mainly used by wedding attendees. However, the renovations will see the addition of a café and restaurant available to even walk-up customers, as well as a coffee shop with takeout service, a candy shop and flower shop with great gift options, and more. The new ANNIVERSAIRE OMOTESANDO will serve as an open area offering high quality products and services to anyone out for a stroll in Omotesando. Tiffany & Co. will also be opening a new store within ANNIVERSAIRE OMOTESANDO. Tiffany, whose slogan is “A lifetime of Tiffany,” shares a strong affinity with the ANNIVERSAIRE concept, and the synergy that results should bring greater joy to people’s special days. Additions to the venue itself will further enhance wedding guests’ experience and include a redesigned chapel, where the vows are exchanged, as well as a party room for small weddings or business use. These renovations will see



Kenichi Matsuda
ANNIVERSAIRE INC.
President and
Representative Director

Risks and opportunities

- The advent of new wedding styles such as small-group weddings and photo weddings
- Declining number of weddings and average sales per couple
- Room to provide existing products and services alongside the experience that is a wedding

Measures and strategies

- Strengthening brand power and generating synergy across all locations through concentrated investment in the two flagship locations in Omotesando and Minato Mirai Yokohama
- Achieving a groundbreaking business that provides a combination of products, services, and experiences
- Appropriate advertising and marketing activities that utilize our own media and digital technologies, including our stores

ANNIVERSAIRE OMOTESANDO remade into the perfect place to celebrate an anniversary with friends and loved ones.

A unique marketing strategy reliant on no single advertising medium

In order to reduce expenses during the COVID-19 pandemic, we explored different ways of attracting customers while keeping advertising costs as low as possible. We learned that we could count on a certain number of customers to visit our two flagship stores in well-situated Omotesando and Minato Mirai Yokohama without any advertising. The buildings themselves were the advertising media. This led us to a strategy of focusing investment on our flagship stores, for which we have renovated our Omotesando location and are currently making concentrated investments aimed at sprucing up our Minato Mirai Yokohama location, as well.

In addition, as a COVID-19 countermeasure, we have put together a special team to handle social media and increase our interactions with customers, an effort that has dramatically increased our wedding bookings. Moreover, our advertising costs are only 70% of what they were before the pandemic, despite our bookings having almost completely returned to pre-pandemic levels. With regard to our “Omotte” members-only app, we have begun using it as a means to keep customers informed about follow-up services and events after their ceremonies. This has been well-received by our members, and we are now thinking about strategies that make use of our high customer loyalty. To achieve further growth in the steadily recovering bridal market, we will continue to implement a unique marketing strategy involving the use of all kinds of media while using our own media, including our stores, and digital technologies.

Achieving sustainable growth through further improvements to our customer service skills and service capabilities

The people in charge of these strategies and measures are an important managerial resource, so we will train and make effective use of them. As a measure to improve our customer service skills, which are key to developing the ANNIVERSAIRE brand, since 2015 we have recruited customer service experts

who have won international competitions in restaurant customer service to impart to our employees the knowledge and skills needed to provide world-class hospitality.

Furthermore, since the Anniversaire and Bridal business has a high proportion of female employees when compared to other organizations in the AOKI Group, we are taking the lead in making organizational changes with an eye to developing female managers while singling out certain individuals for important positions. One of our goals is to increase the percentage of female leaders, who have the potential to be female managers, from 27.6% (FY2022) to eventually 40%. We will also continue to provide workplace environments and programs that facilitate women coming back to work for the long-term even after reaching a new life stage. More women in management will ultimately achieve sustained growth for the business as women’s feedback will be more effectively incorporated into the services we provide, leading to a virtuous cycle whereby our customers will support us even further.

TOPIC

Complete renovation of ANNIVERSAIRE OMOTESANDO



Aimed at being a perfect place to celebrate an anniversary or special day with friends and loved ones, ANNIVERSAIRE OMOTESANDO will be remade into a venue for holding all manner of receptions and parties, including weddings. Shops inside the facility, which include a café, coffee shop, and candy shop, make those special days even more joyful. For wedding services, the chapel where vows are exchanged has also been renovated with an eye to providing “a new style of wedding only possible at an anniversary celebration venue.” For a special day to give thanks and celebrate, ANNIVERSAIRE OMOTESANDO provides.



Entertainment Business

A business model that satisfies newly emerging needs and wants

Seeking an even larger customer base as our business recovers

The AOKI Group's Entertainment Business comprises KAIKATSU CLUB café complexes, COTE D'AZUR karaoke facilities, and FIT24 24/7 fitness gyms. Although our COTE D'AZUR facilities were hit the hardest by COVID-19, sales have roared back since the disease was reclassified as a Category V infectious disease, as customers no longer need to take the previously required precautions. This puts the business on track for a return to pre-pandemic sales levels for the fiscal year ending March 31, 2024. For the same reason, our FIT24 facilities are also seeing demand begin to recover. Sales have grown beyond expectations at our KAIKATSU CLUB locations, which were impacted relatively little by COVID-19, due to demand for the usual services but also to a surge in demand among both Japanese and foreign customers looking for a place to relax.

While the business is making a strong recovery, we see

risks in the fact that there are few barriers to entry with this business model and that competition is heating up throughout the industry as Japan's population ages and declines. These factors will require us to approach this changing market with flexibility while evolving the business into one supported by a growing base of passionate repeat customers, which we will achieve in part by capturing demand from foreign customers, a number we expect will grow.

Improving profit ratios by evolving business models

While our KAIKATSU CLUB, COTE D'AZUR, and FIT24 businesses all evolved according to the needs and wants of customers prior to COVID-19, the pandemic changed how those businesses were used. At our KAIKATSU CLUB locations, for example, the number of people wanting to use these spaces for business use jumped as teleworking became more prevalent during the pandemic. Customers' needs have also shifted from our open-air booths to private rooms. This trend continues even now, and is extending to even our foreign customers of late. We therefore see solid growth in the future for our KAIKATSU CLUB business as the business model comes to center more on private rooms. Meanwhile, although we continue to explore business models for our COTE D'AZUR and FIT24 businesses in these post COVID-19 times, we are unsure about how to proceed in developing a concrete plan. As a short-term strategy, in the fiscal year ending March 31, 2024, we will provide new content and services informed by recent changes in society as a means to grow our customer base, while also improving the efficiency of and undertaking operational reforms at our existing stores.

One of our medium-term objectives is improving our operating profit ratio. While the Entertainment Business currently accounts for less than 10% of our operating profit margin, our goal is to increase this to 15%. As one means to this end, we are considering implementing a dynamic



Fumiaki Takeshima
KAIKATSU FRONTIER Inc.
President and
Representative Director

Risks and opportunities

- Concerns about crowded market spaces and dwindling customers in the domestic market due to aging and population decline
- Gradual recovery in demand for our business categories and locations due to COVID-19 having been reclassified as a Category V infectious disease
- Special demand arising from foreign customers and customers using our KAIKATSU CLUB locations for leisure

Measures and strategies

- Having customers help themselves and making store operations more efficient to boost our operating profit margin
- Cultivating new customers by leveraging synergies across our different businesses and companies
- Introducing dynamic pricing to allow for changing prices according to demand and market conditions

pricing scheme that will allow us to change prices according to demand and market conditions. Given the recent rises in energy and labor costs, we believe our customers will appreciate this move if we are able to set prices with good timing.

Promoting customer self-service, realizing greater efficiencies, and achieving synergy across all our locations

As efforts to boost our operating profit margin, we will be promoting customer self-service while improving store management efficiencies. Amid a shortage of workers, we will be improving the efficiency of employees' operations at our stores by adopting a customer self-help approach with regard to the services and content we will be developing going forward. We are also building a system powered by digital technologies to enable customers to handle everything on their own, which includes developing a mobile app. We will further improve operational efficiency by implementing a "superintendent" system whereby one store manager will oversee multiple stores, and will provide incentives to these managers based on the number of stores they manage. We are currently in the process of making the necessary HR program changes.

In addition, we will be cultivating new customers by leveraging the synergy among our different business categories. In our FIT24 business, although we have received high praise from intermediate and advanced users, beginners tell us that they don't feel comfortable at our FIT24 locations. To address this, we have launched a test run for a gym geared towards beginners inside of our KAIKATSU CLUB locations. Beginners enjoy these gyms for how they're able to work out without worrying about more experienced onlookers. We will therefore be using these locations as a way to prepare beginners for coming to our FIT24 locations.

Furthermore, we are leveraging the synergy among all of the stores in the AOKI Group in ways that include providing indoor golf by using the unused spaces in the AOKI facilities we operate as part of the Fashion Business. Golf is a good activity for the age and type of lifestyle of

AOKI's main customers, and making use of synergy in this way is a strength unique to the AOKI Group's portfolio management.

"Satisfying," rather than "catering to," customers' wants and needs

As the locations in this business operate 24 hours a day, our staff have frequent face-to-face interaction with customers. This is why we work hard to ensure safe and secure store environments for customers, both during the day and at night. We have made numerous improvements to our security measures, which includes installing a store control system and the latest security equipment based on antitheft advice from experts, and have also made use of outside security services. This ensures the safety and security of not only our customers but also the staff who work in our stores.

Customers use our KAIKATSU CLUB locations, for example, in many different ways, including as places to work, study, or pass the leisure time. Our aim going forward is to make this business and these facilities a continually necessary part of our changing society by working to develop versatile services and content that will satisfy the needs and wants of every customer.

TOPIC

KAIKATSU CLUB Biz Rooms: Built for business users wanting to get more done than when at home

In October 2022, we created the Biz Room for business people. Designed based on user feedback, these private rooms are tailored specifically for business use and feature movable monitors and gaming chairs. Over the next five years, we plan to deploy Biz Rooms at 100 locations that will be opening in three prefectures and one metropolis and small cities mainly located in Aichi and Osaka.

