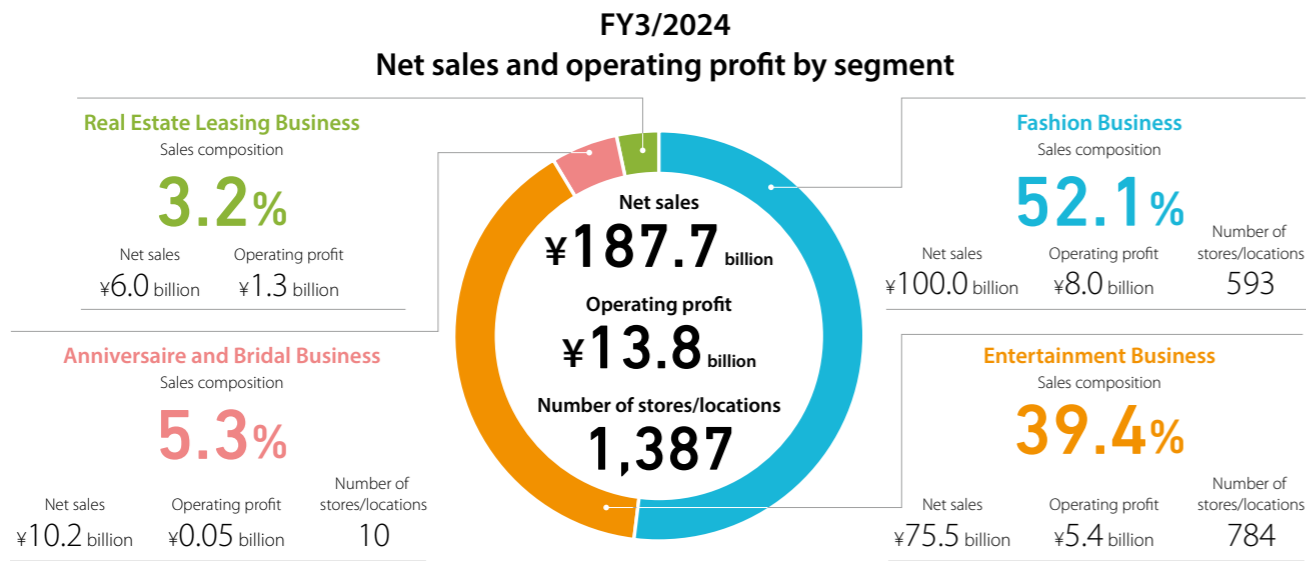


Business Overview

Highlights

Sales and income increased for the third consecutive year on strong performance at existing stores in all businesses as a result of various measures taken in response to market environment and lifestyle changes, and of the normalization of socioeconomic activities.



Consolidated Earnings



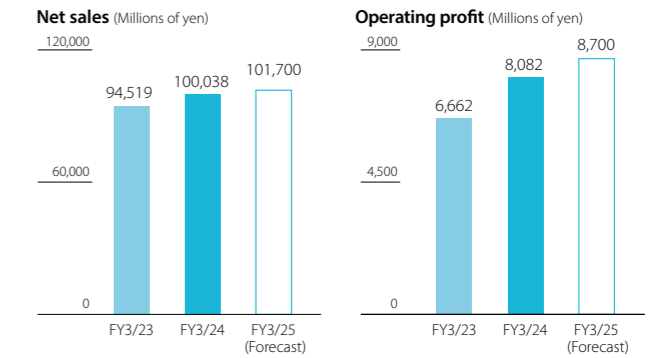
Performance Review for Each Business

Fashion Business

Initiatives in fiscal year ended March 31, 2024

In addition to promoting sales of Quick Order Suits (QOS) and high value-added products such as "Kin-no-Suits" Premium Suits, AOKI held the Freshers Support Fair. The fair featured various spokespeople and was held for "freshers," who are young people starting college or a new job. In casual products, we strengthened our lineup in the Pajama Suits® series and launched a new "Sporty Casual" line of sporty styles that can also be worn in business situations. In women's products, we improved on our MeWORK brand of products, which are comfortable styles tailored to working women. ORIHICA introduced Radio Frequency Identification (RFID), a system that wirelessly reads from and writes to IC tags, at all its stores to improve customer service and operational efficiency. It also developed "BIZSPO®," a line of sporty business casual wear. These moves have led to increased sales and profits.

Results for FY3/2024 and Forecasts for FY3/2025

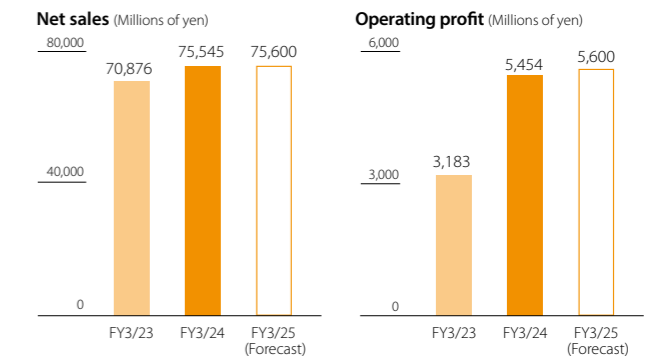


Entertainment Business

Initiatives in fiscal year ended March 31, 2024

Along with expanding the number of fully private rooms with locks and remodeling interiors for better comfort, KAIKATSU CLUB enhanced its services for business and study and offered limited-time collab menus in partnership with renowned restaurants and manufacturers. COTE D'AZUR refined its food and beverage menu through various campaigns, collab menus overseen by renowned restaurants, and sales of its core product: "Kin-no-Potato." FIT24, a 24/7 self-directed fitness gym, continued rolling out indoor golf facilities and ran special promotions. These measures, combined a normalization of socioeconomic activity, resulted in strong sales and profit growth at existing stores.

Results for FY3/2024 and Forecasts for FY3/2025



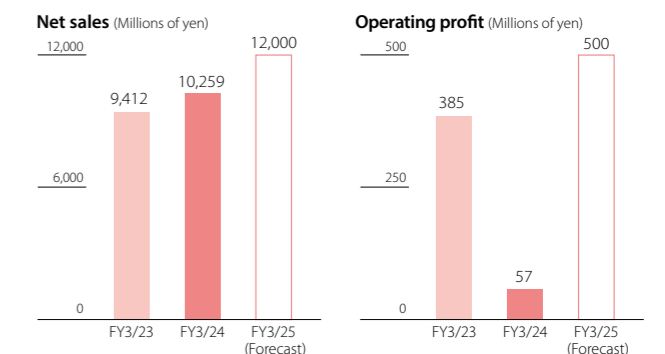
* This figure includes results from the consolidated second quarter of FY2022 due to the subsidiary acquisition of RUNSYSTEM CO., LTD. in June, 2022.

Anniversaire and Bridal Business

Initiatives in fiscal year ended March 31, 2024

In the Anniversaire and Bridal Business, we reviewed sales promotion strategies in light of the bridal market's recovery, and focused on sales activities. Celebrating its 25th anniversary, "ANNIVERSAIRE OMOTESANDO" reopened on September 8, 2023 as a place offering products, services, and experiences related to anniversaries based on the concept of TOKI MAKE: a location for making memories with the people who mean the most to each other. At ANNIVERSAIRE OMOTESANDO, which has reopened following a major renovation, there were larger numbers of events featuring the products of high-end brands and orders for hosting parties. During the period leading up to Valentine's Day, ANNIVERSAIRE Cafés sold ANNIVERSAIRE chocolate products and added special menu items.

Results for FY3/2024 and Forecasts for FY3/2025



Fashion Business

Basic strategy for the Medium-Term Management Plan

Conversion/redesign from the current business model



Hirotaka Mori

AOKI Inc.
President and Representative Director

Business strategy for the Medium-Term Management Plan

Store initiatives

Improve sales floor efficiency and strengthen store openings in regions where ORIHICA is not yet established

Product initiatives

Expand into the wellness and sportswear market, and increase collaboration partners

Digital transformation initiatives

Strengthen e-commerce by utilizing AI, and promote the standardization of store operations

In the Fashion Business, the basic strategy of the Medium-Term Management Plan is to “conversion/redesign the current business model” by formulating priority measures for each area, which includes stores, products, and DX. First, as measures for our stores, we will improve sales floor efficiency and strengthen store openings in areas where ORIHICA stores have not yet opened. We will also relocate AOKI stores to places such as shopping centers and GMS that are more efficient for attracting customers. Next, our product-related measures will focus on entering the wellness and sportswear markets while stepping up collaboration with partners, aiming to expand our sales mix for women’s

Business Environment Awareness and Themes

We acknowledge that the shrinking market for suits, which owes to population decline in recent years and the growth of telecommuting brought on by the COVID-19 pandemic, is a business risk. However, business wear is becoming more diversified, with many people now opting for T-shirts over dress shirts, and forgoing the tie, in business settings. This increased demand for men’s business casual wear is the result of greater freedom in business attire choices. Meanwhile, the market for women’s business fashions is expanding due to legal reforms that encourage women to play a more active role in business. Both of these present new business opportunities for the Fashion Business. Amid these sweeping changes in the market, our prime focus needs to be on speeding up reform and growth with a renewed awareness that “status quo = decline.”

FY2026 Strategic Targets

() indicates FY2023 results

Percentage of stores located in shopping centers

28%

(22.7%)

Sales floor efficiency (gross profit per square meter)

¥680,000

(¥650,000)

products and casual products, while also developing new items such as Business x Sports. Finally, our DX measures will see us working to improve operational efficiency through means that include utilizing AI technologies and RFID, and strengthening our e-commerce business.

Our focus on “reviewing our existing business model and establishing a foothold for our next growth initiatives” over the last two years has brought to light the business challenges we face. In FY2024, we will speed up efforts to reform and grow by using selection and concentration to become “LIFE&WORK STYLE AOKI and ORIHICA.”



Stores

Move away from the suburban store model (create a role model for expansion in shopping centers and GMS)

Merchandise

Expand the sales composition of ladies’ and casual wear, and expand into the wellness and sportswear market

Digital transformation

Actively use AI to support operations and to boost e-commerce



Stores

Aggressively introduce additional stores in underserved areas and examine new store formats (classify stores according to location and size)

Merchandise

Increase collaboration partners, and trial new items (e.g. business x sports)

Digital transformation

Further standardize logistics and inventory management using RFID, and of store operations

Business Topics

Launching new products for a wide range of occasions

In February 2024, AOKI launched “Pajama Suits® Recovery,” which has the potential to relieve fatigue when worn, as part of the Pajama Suits® series. This product uses a fabric made of a special highly-dense ceramic fiber that absorbs and radiates far-infrared energy emitted from the body, the potential benefits of which are improved blood circulation and reduced stiffness and fatigue. In addition, in response to the growing interest in wellness and athleisure prompted by the COVID-19 pandemic, AOKI launched “Sporty Casual” in March 2024 as a line of sporty styles leveraging one of AOKI’s strengths: clothing that works in both business and casual settings. Sporty Casual was designed for excellent compatibility with our Pajama Suits® and can be worn in a wide range of settings from business to casual, depending on the outfit.



Deployment of RFID system at all ORIHICA stores

We have deployed RFID systems at all of our ORIHICA stores to further enhance customer service. Using radio frequency (RF) for identification, RFID systems store product data in IC chips embedded in tags and can wirelessly scan multiple tags at once as long as they are within radio range. These systems will enable batch reading of RFID tags at the cash register, reducing customer wait times. Stores can also streamline traditional inspection and inventory operations, allowing staff to spend more time serving customers. Through initiatives like this, we will continue to make every effort to improve customer satisfaction by further enhancing customer service.



Entertainment Business



Basic strategy for the Medium-Term Management Plan

Evolution of store models and expansion of the customer base



Fumiaki Takeshima
KAIKATSU FRONTIER Inc.
President and Representative Director

Business Environment Awareness and Themes

Since the reclassification of COVID-19 as a Class 5 infectious disease in May 2023, the leisure market has been on a rebound. In addition, the depreciation of the yen has also stimulated leisure activities in Japan, including inbound tourism. In 2023, outdoor leisure activities were more popular than indoor leisure activities due to revenge consumption, and there is likely to be further growth in “low-cost, close by, short duration” leisure activities going forward.

However, we expect to see a decline in our main customer base and changes in demand for suburban stores in rural areas over the medium- to long-term due to a declining domestic population, falling birthrate, aging population, and growing concentration of populations in urban areas and depopulation in rural areas. We therefore acknowledge that transitioning away from our traditional business model, such as by expanding our customer base through a re-examination of the value we provide, will be an extremely important management issue for all our businesses.

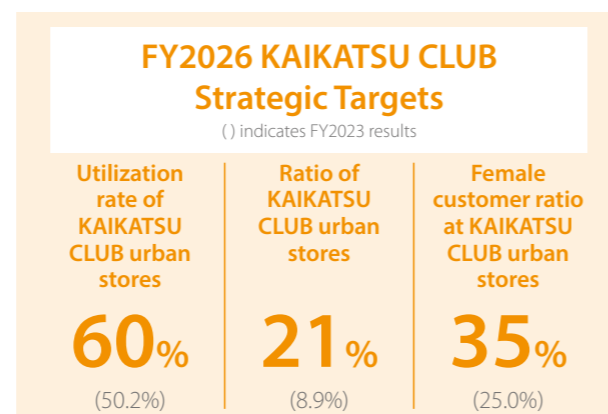
Business strategy for the Medium-Term Management Plan

Reduce store opening costs and improve investment efficiency for all businesses

Consolidate and reorganize unprofitable stores in accordance with our standards

For this business, we will steadily implement the measures described in our Medium-Term Management Plan to reduce store opening costs, improve investment efficiency, and close unprofitable stores. On top of that, we will respond to price hikes and labor shortages in recent years by making productivity improvements through DX and other measures to make our human capital more efficient. We will target different businesses with different initiatives. For KAIKATSU CLUB, we will develop a new station-front café model and open cafés in front of major stations in metropolitan areas, while in the suburbs we will develop a shopping mall-style model aimed at attracting a wider range of customers. We are also considering café openings overseas.

For the COTE D'AZUR, to accommodate changing usage patterns with respect to karaoke places, we will streamline store operations by optimizing room sizes



and improving interior design and amenities so as not to set limits on the type of customer and their reasons for dropping by. We will also differentiate the business by reviewing our COTE D'AZUR concept and strengthening product development. Our focus for FIT24, meanwhile, will be on gaining support from a wider range of customers and differentiating it within the industry. This will involve developing a store model whereby each location has different training areas and machines for customers with different attributes, from beginners to more advanced users, encouraging customers to establish a gym-going habit.



KAIKATSU CLUB

Expansion of stores in prime locations such as city centers and near train stations

Evolution of the store model to broaden the new customer base, including wider age ranges and women



COTE D'AZUR

Evolution of the store model in response to changes in consumer patterns

Improved promotions to expand the customer base centered around families



FIT24

Optimized store environments for each level, focusing on intermediate to high-end customers

Expanding the customer base through mutual use among customers within the group

Business Topics

KAIKATSU CLUB new concept location opened

In July 2024, KAIKATSU CLUB opened its Shibuya Center location under the concept of a “KEY PLACE to spend spare time.”

This is KAIKATSU CLUB’s first location in Shibuya Ward and a further step toward growing its business by expanding its customer base. This location also represents a new concept focused on “shifting from consuming goods and services to enjoying experiences.”

Until now, KAIKATSU CLUB has mainly served customers who spend their leisure time relaxing. However, in the process of creating new value to further expand our customer base, we have come to focus on spare time. Various factors such as the proliferation of online tools, technological advancements, and lifestyle changes following the COVID-19 pandemic are changing the way we spend our spare time. These changes can be seen in KAIKATSU CLUB locations downtown, where fully private rooms with locks are increasingly being used by business people during the daytime.

Against this backdrop, we conducted research on places where people spend their spare time. Leveraging these findings, and using cafés popular with a wide range of customers as a benchmark, we revamped the logo, interior and exterior design, and amenities for the Shibuya Center location. This café is unlike other cafés in that it will generate new demand by leveraging its strengths of

being open 24 hours a day and allowing people to use its spacious lounge, which features fully private rooms with locks as well as comics and magazines, at an hourly rate.

With the goal of enriching people’s lives, we plan to open approximately 60 new stores under this concept over the next three years starting in FY2024, and we will continue to expand KAIKATSU CLUB as a “KEY PLACE to spend spare time” and as a place that contributes to the value of enjoying experiences.



Anniversaire and Bridal Business

Basic strategy for the Medium-Term Management Plan

Branching out into brand businesses in addition to physical store operations



Kenichi Matsuda
ANNIVERSAIRE INC.
President and Representative Director

Business Environment Awareness and Themes

The diversification of wedding ceremonies and the shrinking wedding market caused by COVID-19 has led to a decline in ceremony-and-reception-style weddings. However, the number of ceremonies has begun to grow year over year since 2023, with medium and larger weddings once again coming to account for the majority of market demand. Meanwhile, there are concerns that the number of previews for guesthouse weddings will decline as more luxury hotels open in the three major metropolitan areas and more people consider weddings at luxury hotels, even though the two are not direct competitors. From a medium- to long-term perspective, the bridal market is shrinking due to a decrease in the number of marriages and a decline in the rate of wedding receptions. However, the number of bridal facilities is also decreasing accordingly, presenting what we believe will be a good opportunity for ANNIVERSAIRE, whose brand is well-known, to easily earn “survivor profits.”

Business strategy for the Medium-Term Management Plan

Improve profit/loss through more refined and efficient investment in existing stores

Take on the challenge of commissioned business without capital investment

In the Bridal Business, we sought to offer weddings that better fit market needs at the ANNIVERSAIRE OMOTESANDO, which reopened in September 2023. At ANNIVERSAIRE MINATO MIRAI YOKOHAMA, we renovated the banquet room and entrance hall in preparation for improving occupancy rates in September 2024. At our other eight existing locations, we will also improve management efficiency by increasing market share and sales through appropriate investments tailored to the characteristics of each area and location, and by further

standardizing operations. In 2023, we launched the Project for Moving Weddings as a collaborative effort among all departments and locations. We will continue striving to provide truly great weddings to our customers. At the same time, we will make the most of ANNIVERSAIRE's high profile and well-located facilities to devise a new brand business. We will collaborate with top-shelf brands, strengthen MICE promotions such as corporate meetings, exhibitions, and events, and develop a business utilizing our accumulated bridal know-how and grow it into a new revenue source.

FY2026 Strategic Targets

() indicates FY2023 results

Non-wedding sales ratio

7%

(2.6%)



Bridal Business



Review resource allocation and intensify efforts at two main stores*

Improve management efficiency with further streamlining and standardization by reviewing operations at 8 other stores

* OMOTESANDO and MINATO MIRAI YOKOHAMA locations

Core Store Brand Business



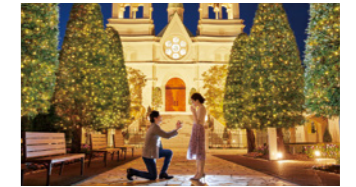
Promotion of collaboration projects with high-end brands leveraging prime locations

Expand sales channels through gift sales of original menu items

Strengthen promotions for MICE* and changes in interior and facilities

* Abbreviation for Meetings, Incentives, Conventions, and Exhibitions/Events

Production Business



New utilization of accumulated bridal operation know-how (soft skills)

Promotion of bridal outsourcing business not reliant on existing store assets (hardware)

Business Topics

Complete renovation of ANNIVERSAIRE OMOTESANDO

Celebrating its 25th anniversary, ANNIVERSAIRE OMOTESANDO reopened in September 2023 based on the concept of TOKI MAKE: a location for making memories with the people who mean the most to each other. ANNIVERSAIRE OMOTESANDO has a rooftop restaurant, café, and flower shop, in addition to a wedding facility, and Tiffany & Co., Inc., a global luxury jeweler, has opened a new store, the Tiffany & Co. Omotesando, to provide value worthy of an “anniversary venue.”

This renovation further strengthens our MICE business, and facilities and plans have been revamped to make them more suitable for events and party use. Thanks to facilities

and fixtures for use in situations other than weddings, the facility can be used for a variety of purposes, including corporate welcome and farewell parties, award ceremonies, and exhibitions and pop-up stores for apparel and cosmetics manufacturers.

In addition, the 25-year-old ANNIVERSAIRE Café OMOTESANDO has been reborn after a complete renovation, content expansion, and menu makeover. Customers can now enjoy a coffee bar specializing in carefully selected coffee and a sweets store offering high-quality sweets, choosing from full-service, self-service, and takeout options.

