

# Becoming a Corporate Group that further “Enriches people’s lives” ten years hence



Akihiro Aoki  
AOKI Holdings Inc.  
Chairman and Representative Director

I would like to express my appreciation to all of our stakeholders for their continued support of the AOKI Group.

The AOKI Group's desire from our founding to make it possible for businesspersons to afford to own a variety of suits means that starting with specialty men's clothing stores, we have expanded our business into various sectors—the Fashion Business, Entertainment Business, and Anniversaire and Bridal Business.

In an era where the business environment changes day by day, we recognize that in order to sustainably enhance corporate value as a Group, it is essential that we persistently transform the business models of our three existing businesses and refine the value we offer, while using business portfolio management to maximize group synergies.

This means that while leveraging shared group assets such as human resources, store networks, IT infrastructure, and customer data, it is crucial to carefully grasp the rapidly changing needs and wants of our customers through attentive customer service, and to swiftly apply these insights

to the development of new products, services, and content.

So that we can move forward in alignment with this direction, we have formulated our “Desired 10-year (FY2033) State” and “Long-term policy” and in May 2024 we announced both internally and externally our Medium-Term Management Plan and our vision for the future of the AOKI Group. Based on the premise above, the core of this plan is to create new markets that cover a wider spectrum of customers' life stages. By developing new businesses that include collaborations with other companies and M&A, our aim is to increase the opportunities for customers to encounter AOKI Group products and services through the various stages of their lives, thereby expanding our reach not only within Japan but also overseas.

Based on the business concept of “Enriching people's lives,” the AOKI Group will continue to strengthen our connections with customers in various life scenarios through valuable goods and services. You can expect great things from the AOKI Group going forward.

## Desired 10-year (FY2033) State

Continue sustainable growth through  
the creation and transformation of businesses  
that encompass consumers' entire life stage

Operating profit target

¥30 billion

ROE target

10% or more

EPS target

¥180 or more

## Long-term policy

1. Establish new businesses in consideration of mergers and acquisitions, etc.
2. Achieve an overseas expansion of existing and new businesses
3. Achieve partnerships and collaborations in products and services



### Achieving a new growth story with our “DNA of taking on new challenges”

Haruo Tamura

AOKI Holdings Inc.  
President and  
Representative Director



#### Announcement of the first Medium-Term Management Plan

In May 2024, AOKI Holdings formulated our Medium-Term Management Plan FY2024-2026 (hereinafter the “New Management Plan”), covering the three fiscal years from 2024 to 2026, and publicly announced its contents for the first time.

Behind this was the need to widely communicate the direction and numerical targets for the growth of the AOKI Group, along with the status of efforts to strengthen our management foundation, including governance, so that we could resolve the governance issues that arose in 2022.

Furthermore, while the economy and society are gradually returning to how things were before COVID-19, energy costs and raw material prices continue to soar globally due to events such as the invasion of Ukraine and the worsening situation in the Middle East. Meanwhile in Japan, rising labor costs due to labor shortages are also increasing customers’ focus on protecting their livelihoods. Given these circumstances, I believe that clearly articulating the direction of our Group’s B to C businesses, which revolve around customer service, is crucial in maintaining and enhancing the motivation of our most important management resource, our “human resources,” and in ensuring that we can recruit and retain employees who can work with peace of mind over the long term.

With this in mind, the New Management Plan describes the “Desired 10-year (FY2033) State” while also reaffirming the changes in the business environment surrounding our company. Using a backcasting approach with this, we have outlined “Reforms of Existing Business Models in Each Business” and “Creation of New Businesses for New Growth.”

Before introducing the main strategies, I would like to share an episode related to the concept of the New Management Plan, “RISING 2026.” This concerns the reaction of young and mid-career employees to the question by the Board of Directors: “Can we call it RISING if the target numbers do not reach the highest profits of the past?” Indeed, while it is not wrong for management to define management plans in numerical terms, the majority opined that “Numbers are results. What truly represents RISING for the AOKI Group is the challenge of transforming business models and creating new business pillars.” Together with many employees who carry the will to inherit the AOKI Group’s DNA of taking on new challenges, we will create a new growth story that is not a mere extension of the past. This occurrence renewed our strong commitment to that resolution.

#### Our current business performance and recognition of the business environment

The fiscal year ended March 2024 was a year in which customers returned after the COVID-19 pandemic, which had impacted social life and the economy for nearly three years, had largely subsided. I feel that the karaoke business in particular, which had been slow to recover when compared to other businesses, showed significant improvement, strongly indicating progress toward the normalization of social and economic activities.

Under these circumstances, the performance for the fiscal year ended March 2024 showed an increase in revenue in our three core Fashion, Entertainment, and Anniversaire and Bridal businesses, with net sales of ¥187.7 billion and an operating profit of ¥13.8 billion, a year-on-year increase of 35.4%. We have always been conscious of the pre-COVID-19 numbers (net sales of ¥195 billion and operating profit of ¥13.4 billion in the fiscal year ended March 2019). Now that operating profit has surpassed those figures in the current fiscal year, we believe it is time to aim for the next growth stage in terms of both business and performance targets.

However, as I mentioned earlier, it is difficult to envision a positive situation regarding the future business environment given the increasing focus on cost-saving among customers. Additionally, although people’s social lives have returned to normal, their behavior patterns have changed significantly. For example, late-night activity has not returned to pre-pandemic levels, and the karaoke business continues to face challenges due to the decrease in demand for late-night after-parties. In the medium to long term, it is expected that the domestic market will continue to shrink due to factors such as the declining birthrate and aging population.

In the newly announced New Management Plan, we have set policies and targets based on objective decisions in order to confront these harsh business environments head on, with a long-term perspective of what the AOKI Group should look like in 10 years.

#### Outline of the Medium-Term Management Plan, and performance targets

The three-year planning period of the New Management Plan is positioned as a “stage for restructuring the business portfolio” through the “redesign and improved profitability of existing businesses” and the “development of new

businesses." Particularly in our three core businesses, we are working toward a fundamental review and refinement of the existing business models under the banner of "Conversion," "Redesign," and "Evolution." Moreover, in business reform and new business development, we will expand our Group's business by considering the life stages of various customers, including the young people, the elderly, and women, and by engaging in collaborations and M&A with other companies aiming to move closer to our vision of our "Desired 10-year (FY2033) State."

As a performance target, we aim to achieve an operating profit of ¥30 billion within 10 years, and by achieving annual profit growth of around 10% over three years, reach ¥18 billion in the fiscal year ending 2026. During the next Medium-Term Management Plan period, we envisage a growth curve that will see us reach record profits.

Meanwhile, as a financial indicator, we aim to achieve a PBR of 1.0 by the fiscal year ending 2026, and AOKI Holdings will take the lead in controlling the initiatives of each subsidiary aimed at improving capital efficiency and investment efficiency.

### Management base measures: "demonstrating synergies and strengthening governance"

In the New Management Plan, we have clearly stated the need to strengthen and utilize the management base necessary to support group growth including "human resources," "store network," "IT infrastructure," and "customer data," and we will pursue and realize synergies by utilizing shared know-how and assets, further strengthening governance.

First, in terms of "human resources," we position this as our Group's top priority and will work on the stable recruitment and development of talented individuals. For training, we will update education programs by utilizing the know-how accumulated over many years in various types of chain store operations, and implement flexible personnel placements between stores of different business types.

For our current Group "store network" of approximately 1,400 stores, we are working towards utilization that goes beyond existing business frameworks. For example, in some stores in the fashion business, we will seek to enhance profitability by expanding the customer base and customer numbers, as well as by improving store efficiency. This uses measures such as reducing the floor space used, and using that space to newly entice indoor golf operated by the AOKI Group's entertainment business, or other tenants

from external companies. Meanwhile, in the area of parking spaces, in addition to new solar power generation facilities, we also installed EV charging equipment in 2023, launching our charging service business.

Furthermore, the key to maximizing the effects of these measures lies in "IT infrastructure" and "customer data." Our Group considers the accumulated data on over 45 million members as an asset. Combined with marketing activities and related DX measures promoted by each business segment, we are considering building an information infrastructure foundation that allows for the data's effective use across the Group.

Meanwhile, enhancing governance based on the recommendations from the Corporate Governance Inspection and Reform Committee remains an important theme. We have been responding to each of the five major items and over 80 recommendations from the Committee, starting with a transition to a company with an Audit and Supervisory Committee. Looking forward, we will continue working to strengthen and optimize our governance structure, by enhancing the supervisory functions of External Directors, increasing the effectiveness and authority of the Nomination and Remuneration Committee, and conducting study sessions on issues identified from evaluations of the effectiveness of the Board of Directors, and reviewing its composition.

### Results and challenges of sustainability management

In December 2021, AOKI Group established a Sustainability Committee and identified materialities (important issues) and KPIs corresponding to our business characteristics. The Sustainability Promotion Department, newly established in the same year, is working with personnel in charge at the relevant departments of Group companies to carry out various activities to achieve these KPIs.

Regarding the pressing issue of reducing CO<sub>2</sub> emissions, we have set a challenging KPI aiming to halve per-store CO<sub>2</sub> emissions by FY2030 compared to FY2017. Achieving this will require considerable effort on our part. In readiness for this, in FY2023 we calculated and disclosed the CO<sub>2</sub> emissions of the entire supply chain, including Scope 3. We will also improve information disclosure on environmental initiatives, such as responding to climate change, in response to global environmental impact assessment organizations (NGOs) such as CDP.

### Financial strategy and measures for shareholder return policy

In the New Management Plan, we have for the first time announced a financial strategy targeting a PBR of 1.0 as part of our approach to realizing management that is conscious of capital costs and stock prices. One key point is our shareholder return policy, where we aim to maintain our basic policy while setting a total payout ratio of 70% or more by choosing the higher of either a dividend payout ratio of 50% or more or a Dividend on Equity (DOE) of 3% or more.

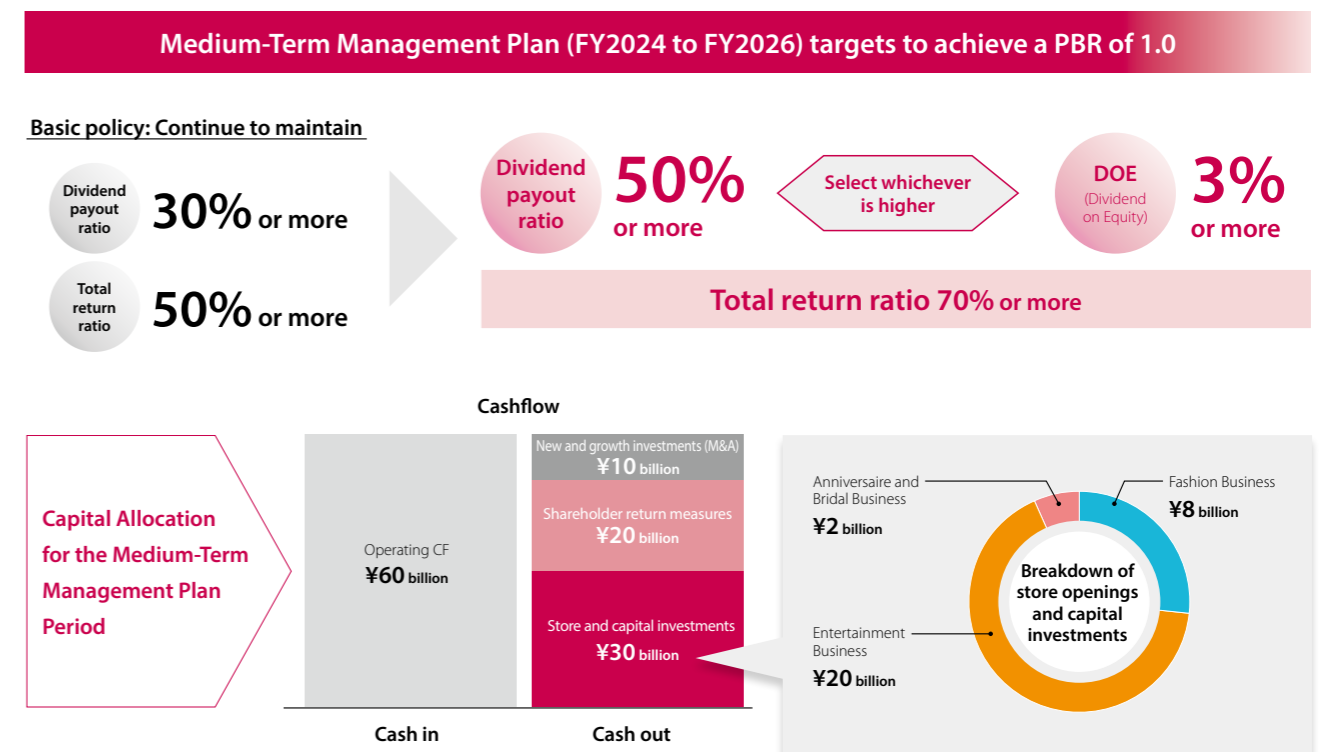
Regarding capital allocation for the three-year period of the New Management Plan, we have formulated a plan to generate ¥60 billion in cash without assuming any new borrowings, with ¥20 billion allocated for shareholder returns, ¥30 billion (half of the total) for new store openings and capital investments, and the remaining ¥10 billion for new and growth investments such as new businesses and M&A.

In addition to these basic measures, we will adapt as necessary and also consider taking additional measures, leveraging the experience of managing our Group's financial strategy and overall management operations for the last 20 years.

### Message to shareholders and investors

Finally, with the announcement of AOKI Group's first Medium-Term Management Plan, "RISING 2026," we have received more feedback than ever before from shareholders, investors, business partners, and employees. Regardless of whether or not you agree with our policies and measures, our commitment to constantly reviewing individual initiatives from short-, medium-, and long-term perspectives while aiming for the Desired 10-year (FY2033) State remains unchanged, while taking into account the feedback we have received. Furthermore, the governance that forms the basis of these initiatives is essential for the AOKI Group to promote collaboration with diverse stakeholders both inside and outside the company through business reforms and the creation of new businesses. As such, we pledge to continue with strengthening governance.

Through these initiatives, we will continue to strive to ensure that many stakeholders experience the DNA of the AOKI Group—Enriching people's lives.





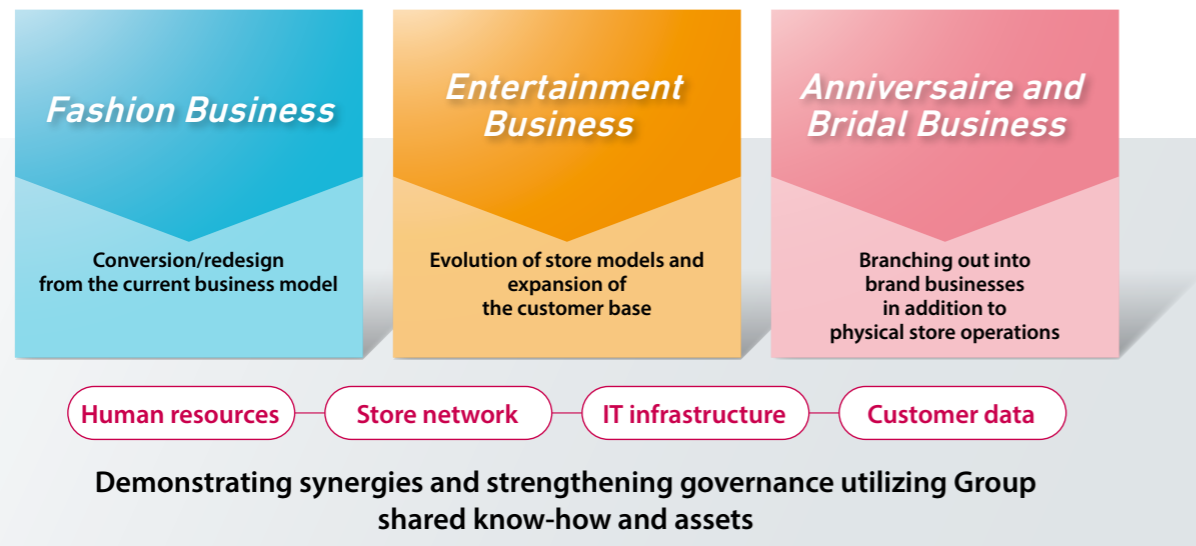
## Medium-Term Management Plan Concept

# RISING 2026

In response to changes in management structures and a focus on enhancing governance, we have again recognized the changing external environment surrounding us. During the period of this Medium-Term Management Plan, we aim to review our existing business models and, united as the AOKI Group, pursue business developments that contribute to growth for the next generation as well as the ten years ahead. This marks the first time since our founding that we are publicly announcing our Medium-Term Management Plan.

### Medium-Term Management Plan Framework Consolidated Earnings Plan for FY2024–2026

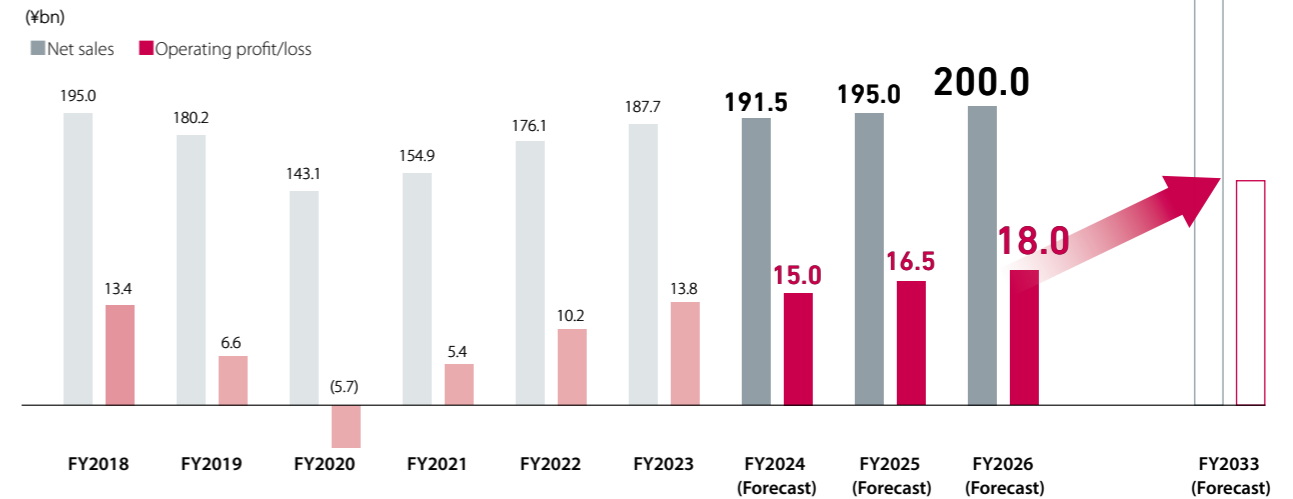
Taking this change in management structure as an opportunity, we will review our existing business models and develop businesses that contribute to future growth.



## Consolidated Earnings Plan

Grow profits by approximately 10% annually to achieve an operating profit of ¥18 billion in three years.

Review each business and develop new businesses to aim for an operating profit of ¥30 billion in ten years.



Reduced profitability, attributable to COVID-19

Recover to pre-COVID-19 levels on the back of its reduced impact

Achieve an operating profit of ¥18 billion in three years with approximately 10% annual profit growth

Operating profit of ¥30 billion in 10 years

## Management Targets

	FY2023 results	FY2026 target	FY 2023 ▶ 2026
Net sales	¥187.7 billion	¥200.0 billion	+2.2%/yr*
Operating profit	¥13.8 billion	¥18.0 billion	+10.0%/yr*
Operating margin	7.4%	9.0%	+1.6 pt
Return on invested capital (ROIC)	5.2%	6.7%	+1.5 pt
Return on equity (ROE)	5.6%	7.0%	+1.4 pt
Earnings per share (EPS)	90 yen	120 yen	+30 yen
Price book-value ratio (PBR)	0.7 ×	1.0 ×	+0.3 pt
Group overall store numbers (Directly managed stores)	1,334 stores	1,434 stores	+100 stores

\*Our company's shareholder cost of capital is assumed to be around 6.5%, and the weighted average cost of capital (WACC) to be around 4.5%. \*Compound Annual Growth Rate (CAGR)

### Group-wide Measures

#### Demonstrating synergies utilizing Group shared know-how and assets

Human resources	<b>Human resource development and utilization</b> <b>Human resource exchange between businesses</b>	<ul style="list-style-type: none"> <li>Implement job rotations between these three businesses (utilizing human resources in accordance with busy and slack periods)</li> <li>New ideas and discoveries gained from experience in different businesses</li> <li>Foster management candidates with the skills to manage the entire group</li> </ul>
Store network	<b>Create synergies and new revenue opportunities between businesses utilizing the national store network</b>	<ul style="list-style-type: none"> <li>Efficient management through utilization of development and operations data from around 1,400 stores</li> <li>Utilize idle space, and implement complex stores together with subleasing within the group</li> <li>Sublease to other companies, and effective use of parking lots</li> </ul>
IT infrastructure	<b>Improve IT infrastructure and operational efficiency across the group</b>	<ul style="list-style-type: none"> <li>Group-wide introduction of collaboration workflow system for taking core business operations online</li> <li>Streamline store operations through the utilization of digital transformation</li> </ul>
Customer data	<b>Acquire a broad customer base and data utilization through the development of the three businesses</b>	<ul style="list-style-type: none"> <li>Utilize data from all 45 million Group members</li> <li>Develop advertising business utilizing the Group directory</li> </ul>

#### Future measures to strengthen governance

Regarding the over 80 recommendations from the Corporate Governance Inspection and Reform Committee, the following actions are currently being addressed in addition to the already implemented measures.

<b>1.</b> <b>Reinforce oversight functions of External Directors</b>	<b>2.</b> <b>Improve effectiveness and authority of the Nomination and Remuneration Committee</b>	<b>3.</b> <b>Composition of the Board of Directors</b>
Improve operations concerning the Board of Directors' deliberations and the evaluation of external directors.	Formulate and execute a succession plan*.	Majority comprising external directors Female directors ≥25%
	<small>* Skill matrix, 360-degree evaluations, and nomination and development of next generation candidates</small>	

### Strategy Summary by Business

#### Current Profit and Growth Outlook of Each Business

	FY2023			Approximately 10% annual growth to reach operating profit in 3 years <b>¥18.0 billion</b>	FY2026 target		
	Number of stores/locations	Operating profit (¥bn)	Profit composition		Number of stores/locations	Operating profit (¥bn)	Profit composition
Fashion Business	593	8.0	54.2%		651	9.5	49.5%
Entertainment Business*	731	5.4	36.6%		773	7.0	36.5%
Anniversaire and Bridal Business	10	0.05	0.4%		10	1.0	5.2%
Real Estate Leasing Business	—	1.3	8.8%		—	1.7	8.8%

\* Including stores directly managed by JIYU KUKAN

#### Basic strategy for Medium-Term Management Plan

<b>Fashion Business</b> <b>Conversion/redesign from the current business model</b>	<b>FY2026 Strategic Targets</b> ( ) indicates FY2023 results
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	Percentage of stores located in shopping centers <b>28%</b> (22.7%)
	Sales floor efficiency (gross profit per square meter) <b>¥680,000</b> (¥650,000)
<b>Entertainment Business</b> <b>Evolution of store models and expansion of the customer base</b>	<b>FY2026 KAIKATSU CLUB Strategic Targets</b> ( ) indicates FY2023 results
Reduce store opening costs and improve investment efficiency for all businesses Consolidate and reorganize unprofitable stores in accordance with our standards	Utilization rate of KAIKATSU CLUB urban stores <b>60%</b> (50.2%)
	Ratio of KAIKATSU CLUB urban stores <b>21%</b> (8.9%)
	Female customer ratio at KAIKATSU CLUB urban stores <b>35%</b> (25.0%)
<b>Anniversaire and Bridal Business</b> <b>Branching out into brand businesses in addition to physical store operations</b>	<b>FY2026 Strategic Targets</b> ( ) indicates FY2023 results
Improve profit/loss through more refined and efficient investment in existing stores Take on the challenge of commissioned business without capital investment	Non-wedding sales ratio <b>7%</b> (2.6%)

## Continue sustainable growth through the creation and transformation of businesses that encompass consumers' entire life stage

Over the years, the AOKI Group has sought to develop new products and services befitting the business environment. That same ideal holds true today as we continue cultivating businesses that address social issues and help us make our desired state of "creation and transformation of businesses that encompass consumers' entire life stage" a reality. To this end, we leverage our four strengths of customer service capabilities and human resources, store development and operating capabilities, product and service planning capabilities, and customer base.

