# Medium-term Management Plan for FY2021 to FY2023



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- 02. Our Understanding of the Environment and Challenges
- 03. Outline of the Medium-term Management Plan & Key Measures

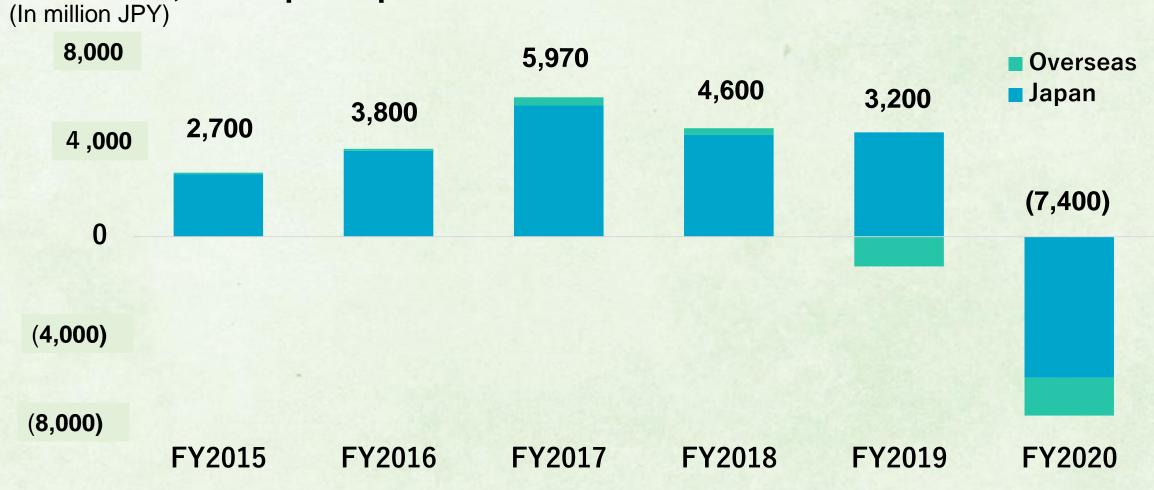
### Reflection: Operating Revenue

Sales reached 74,200M JPY (the record highest) in 2018, but declined due to the COVID-19 outbreak in 2019 4Q. In 2020, the impact of COVID-19 became apparent in all countries.

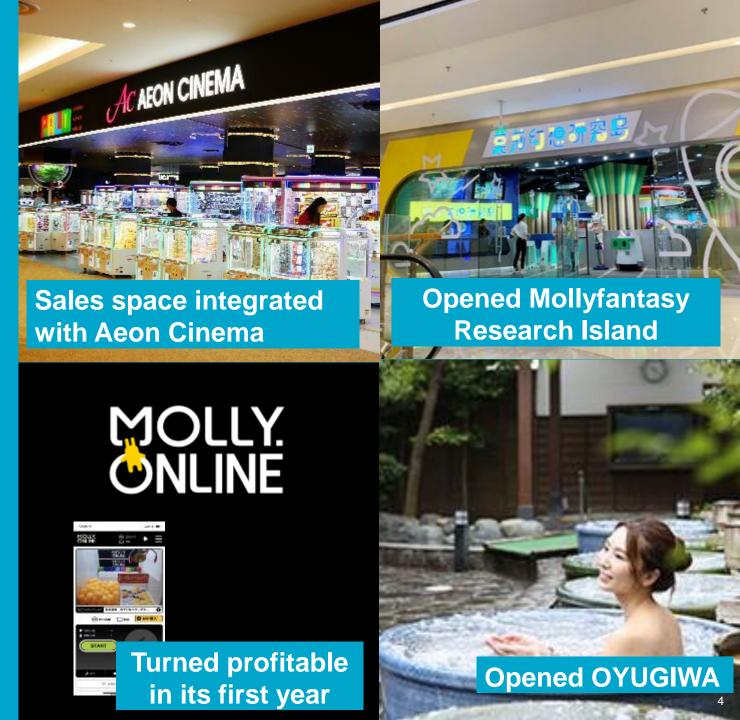


### **Reflection: Operating Income**

In 2019, the impact of COVID-19 spread starting from China in 4Q. The impact on operating income was (1,500M) JPY on a consolidated basis. In 2020, the impact spread to all countries from 1Q.



- Revitalized 43 stores of Japan AM business and achieved success in newly opened stores
- Turned MOLLY. ONLINE business profitable in its first year
- Opened a hot spring facilities OYUGIWA in Ebina City, Kanagawa Prefecture
- China
  Opened new theme parks:
  Mollyfantasy Research Island
  MOLLY WAKA





Opened LINKS UMEDA store (Introduced digital playground equipment and cashless system)



- LINKS UMEDA (Osaka)

  Opened as the first experimental cashless store
- Medal division: Same-store sales of 9.6% growth (Our own line of machines and price system review have been effective)
- China: Expanded the introduction of stores with redemption system
- China: Q4 results were impacted by the COVID-19 outbreak

- Long-term temporary closures, including 45 day closure of all stores in 1Q
- Thoroughly implemented the measures to prevent infection in stores after the operations resumed
- Expanded TOYS SPOT PALO, a space dedicated for Gacha
- The impact of COVID-19 on business performance in ASEAN countries varied depending on the degree of government regulation



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#### **Vision**

The only one edutainment company that provides joyful "playing and learning" to the world so that a lot of smiles are brought to the faces of children and their families



### **Strategic Targets: Figures**

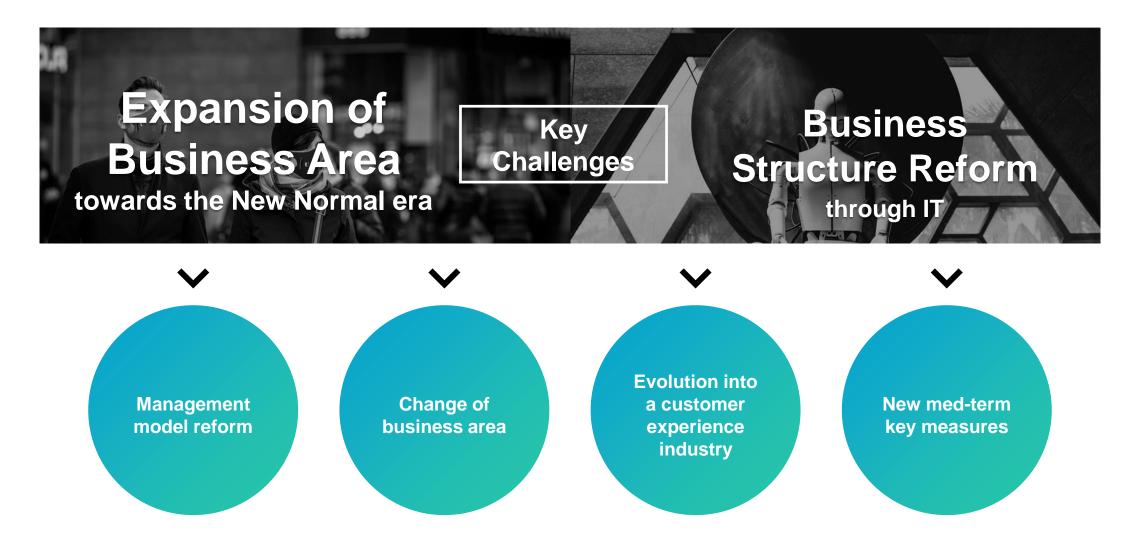
## We aim for recovery in 2022 and record high profits in 2023.

- Operating revenue (consolidated) will exceed the 2019 level in 2022, and enter a renewed growth phase from 2023.
- Reach record-high profits in 2023, and surpass 100,000M JPY in 2025.

2022

FY2023 (consolidated) Operating revenue 85,500MJPY Operating income 6,000M JPY

### **Company-wide Strategy: Summary**



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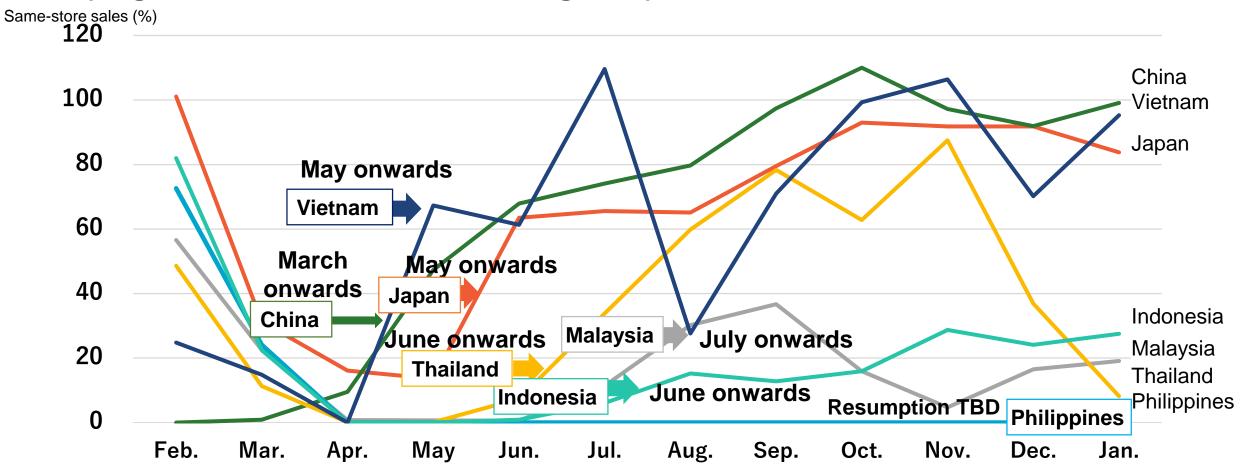
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- 1. Situation of the Company
- 2. Analysis of the External Environment
- 3. Challenges

## Impact of COVID-19 on Each Country (State of Sales Recovery)

Countries with large-scale businesses such as Japan and China are on a recovery track. There are disparities among the ASEAN countries. (Regulations are reflected in the figures.)

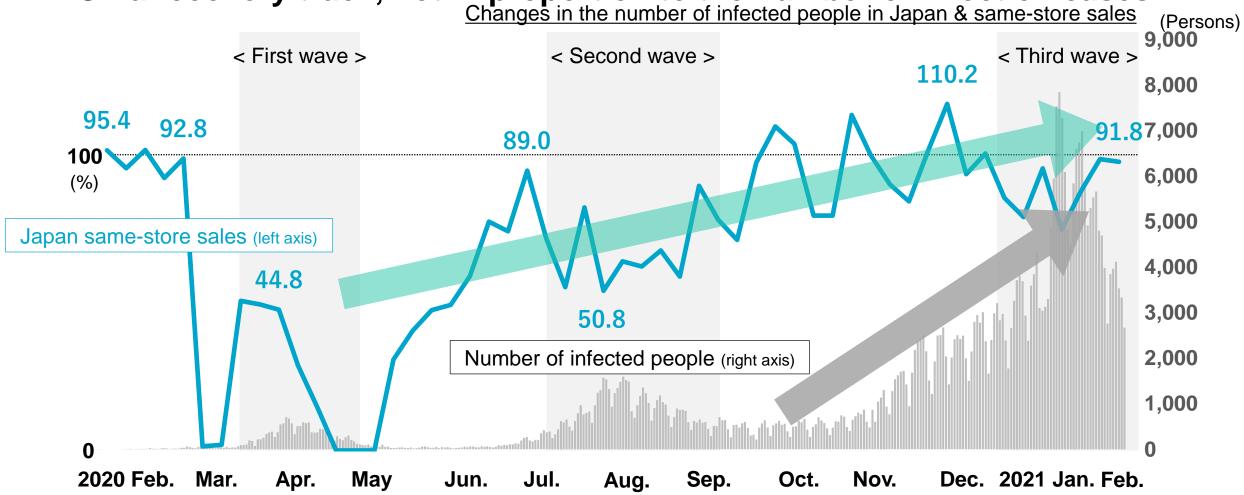


## Impact of COVID-19 in Japan

(Comparison between Same-Store Sales and the Spread of the Infection)

On a recovery track, not in proportion to the number of infection cases.

Changes in the number of infected people in Japan & same-store sales



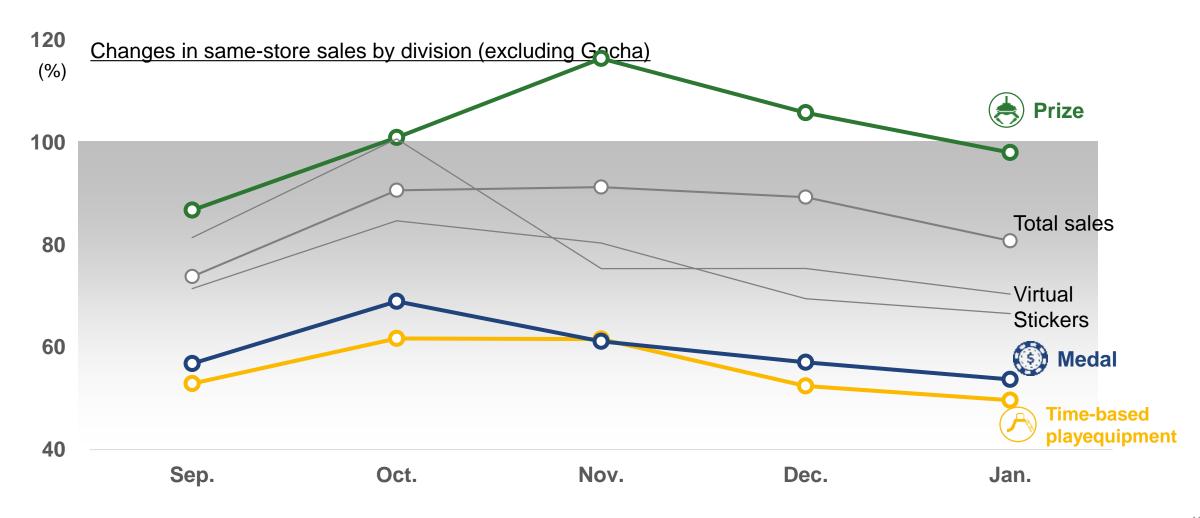
### Impact of COVID-19 in Japan (Changes in the Industry's Same-Store Sales)

All four companies in the industry have the same annual trend.



## Impact of COVID-19 in Japan (Changes by Division)

The prize division contributed greatly to the recovery of business performance.





- 1. Situation of the Company
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## **Analysis of the Environment (Macro)**

## Demographics and Economy

- Acceleration of birthrate decline in Japan
- Decline in the number of potential customers in children's market
- GDP growth in ASEAN economies

## Living Environment and Minds of People

- Changes in recreational activities (Indoor → Outdoor)
- Companies' ability to contribute to the environment and society is considered important
- Suburbanization of living areas
  - → Revitalization of rural areas



### **Analysis of the Environment (Macro)**

## **Demographics** and **Economy**

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  - → Revitalization of rural areas

### **Digital Shift**

- Acceleration of work automation and labor-saving in companies
- Digitization of customer data Expansion of data marketing
- Expansion of e-commerce
  - → Increase in vacant floor space ratio in shopping centers

## **Analysis of the Environment (Industry)**

#### Amusement

- Supplementing revenue is essential for the divisions impacted by COVID-19
- "Increase in vacant floor space in shopping centers"
   → More opportunities to open new stores
- Increase in bankruptcies of companies in the industry
   More opportunities for market survivors to take profit
- Acceleration of cashless system



## **Analysis of the Environment (Industry)**

#### **Amusement**

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## Online (Entertainment and Learning)

- Demand for claw crane business grew under the COVID-19 pandemic
- In the field of "learning," online classroom market is expanding



## **Analysis of the Environment (Industry)**

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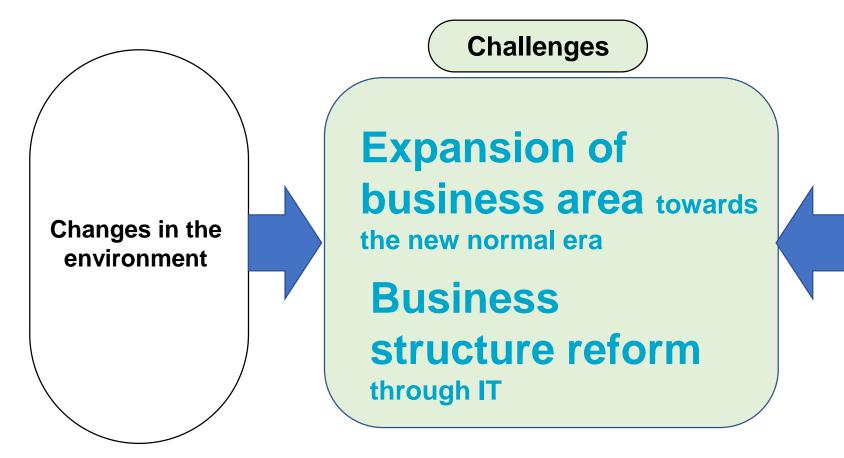
#### **Outdoor**

- Intention to avoid the 3Cs in "recreational activities"
   ⇒ Growth of outdoor market
- Growing demand for easy outdoor activities
   "Beginner's camping trip", etc.



- 1. Situation of the Company
- 2. Analysis of the <u>External</u> Environment
- 3. Challenges

### **Key Challenges Based on the Analysis of the Environment**



#### **Opportunities**

- Growth of new market for recreational activities (online and outdoor)
- Acceleration of digital innovation
- More vacant floor spaces
   ⇒ More opportunities to open new stores

#### Weaknesses

- Recovery of lost revenue
- Vulnerability of a single business



- 1. Strategic Directions> Quantitative Plan
- Medium-term KeyMeasures(Four Key Measures)

#### **Vision**

The only one **edutainment** company that provides joyful "Playing and Learning" to the world so that a lot of smiles are brought to the faces of children and their families

## **Strategic targets**

Achieve operating revenue of **85,500M** JPY and operating income of **6,000M** JPY in FY2023, and evolve into a one-of-a-kind edutainment company



## **Outline of the Medium-term Policies (Business Area)**

**Today** 

Single business



business \* Consolidated sales in

**Amusement** 

### **FY2023**

#### **Businesses in three areas**



**New business** 

9.6%

#### Online schools Indoor area

- Amusement
- Indoor PG
- Integrated GMS (general merchandise store)

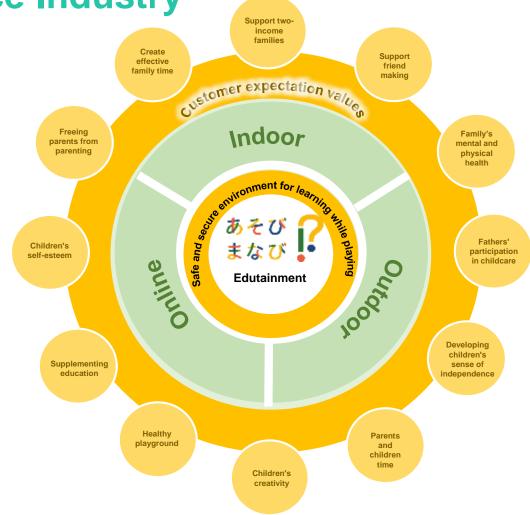
#### **Outdoor** area

Outdoor parks

FY2023 (plan)

**Becoming a Customer Experience Industry** 

- Integrate multiple businesses with edutainment at the core.
- Offer a variety of values and services to children and their families with convenience (location and payment) at high quality (customer experience).
- Invest in parallel to expand services and build infrastructure.



## **Quantitative Targets (Consolidated Sales and Operating Income)**

Exceed the FY2019 level (pre-COVID-19 level) in FY2022.

Achieve a record high in FY2023.

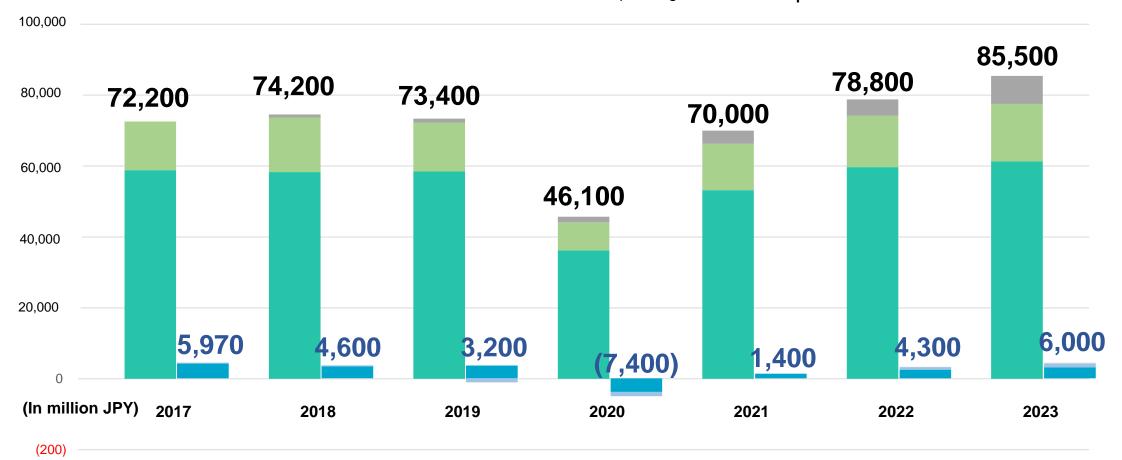
Sales:

Operating income:

Japan

Overseas

New



## **Quantitative Targets (Details)**

(In million JPY)

	Fiscal Year Ending February 28, 2019	Fiscal Year Ending February 29, 2020	Fiscal Year Ending February 28, 2021	Fiscal Year Ending February 28, 2022	Fiscal Year Ending February 28, 2023	Fiscal Year Ending February 28, 2024
	Actual	Actual	Actual*	Plan	Plan	Plan
Sales	74,243	73,492	46,116	70,000	78,800	85,500
Operating Income	4,651	3,211	<b>▲</b> 7,429	1,400	4,300	6,000
Ordinary Income	4,299	2,387	<b>▲</b> 7,719	630	3,500	5,200
Net Income Attributable to Parent Company	1,865	▲ 325	<b>▲</b> 9,277	<b>▲</b> 650	1,800	3,100
Operating Income to Net Sales Ratio	6.3%	4.4%	-16.1%	2.0%	5.5%	7.0%
ROE	6.5%	-1.2%	-41.8%	-3.9%	10.9%	16.8%
D/E Ratio (1)	0.3	0.5	1.4	1.5	1.3	1.1
D/E Ratio (2)	0.4	0.7	1.7	1.8	1.6	1.3
Capital Adequacy Ratio	58.5%	47.8%	30.9%	29.7%	31.8%	36.1%

<sup>\*</sup>DE ratio (1) (excluding lease obligations), DE ratio (2) (including lease obligations)

## **Quantitative Targets (by Segment)**

■ Sales In million JPY

	Fiscal Year Ending February 28, 2019	Fiscal Year Ending February 29, 2020	Fiscal Year Ending February 28, 2021	Fiscal Year Ending February 28, 2022	Fiscal Year Ending February 28, 2023	Fiscal Year Ending February 29, 2024
	Actual	Actual	Actual ※	Plan	Plan	Plan
Japan	59,153	59,856	38,227	57,200	64,300	69,400
Overseas	15,382	13,855	8,023	13,200	14,950	17,000
Consolidated Total	74,243	73,492	46,116	70,000	78,800	85,500

■ Operating Income In million JPY

	Fiscal Year Ending February 28, 2019	Fiscal Year Ending February 29, 2020	Fiscal Year Ending February 28, 2021	Fiscal Year Ending February 28, 2022	Fiscal Year Ending February 28, 2023	Fiscal Year Ending February 29, 2024
	Actual	Actual	Actual:	Plan	Plan	Plan
Japan	4,363	4,475	<b>▲</b> 6,079	1,700	3,400	4,800
Overseas	291	<b>▲</b> 1,279	<b>▲</b> 1,363	<b>▲</b> 275	900	1,200
Consolidated Total	4,651	3,211	<b>▲</b> 7,429	1,400	4,300	6,000

## **Quantitative Targets (Investment)**

### Focus on domestic IT and strategic investment

	Three-year average compared to FY2019	Japan breakdown	17 investment 5%	14%	
Japan	121%		2015	Up to 2023	
China	48%		to 2018		
ASEAN	43%				
Consolidated Total	84%				

T investment

### **Quantitative Targets (Number of Stores)**

## Shift from a policy of increasing the number of stores to a strategy of opening stores with emphasis on quality

•		•		
	2020	2021	2022	2023
Japan	431	432	435	436
China	205	200	195	195
Malaysia	98	91	92	95
Thailand	2.7	29	3.2	35
Philippines	53	51	50	49
Indonesia	28	31	36	41
Vietnam	14	16	19	24
SEAN	220	218	229	244
Consolidated total	859	853	862	878



- 1. Strategic Directions> Quantitative Plan
- Medium-term Key Measures (Four Key Measures)

#### Outline of the Medium-term Policies (Medium-term Key Measures)



**Evolution and expansion of playgrounds** 



Management based on portfolio management



Full digitalization



Reform of human resources, organization and culture to support growth

# 03

### Outline of the Medium-term Management Plan & Key Measures

Bringing big smiles to people's faces with small inconveniences.

Nowadays, children's playgrounds tends to be restricted. That is why we must continue to offer a space where children can play with a smile. In order to take all possible safety measures at each store, we would like to ask that you wear a face mask, disinfect your hands, and take other precautions. They may cause a little inconvenience, but we would appreciate it if we could work together to protect the safety and security of children.



- (1) Evolution and expansion of playgrounds
  - (i) Initiatives for safety and security
  - (ii) The form of edutainment to aim for (the integrated GMS edutainment floor model)
  - (iii) Reform of the amusement business
  - (iv) Reform of the indoor playground business
  - (v) New Businesses
  - (vi) Overseas business
- (2) Shift to portfolio management
- (3) Full digitalization
- (4) Reform of human resources, organization and culture to support growth

#### (i) Initiatives for safety and security

Addressing epidemic prevention protocols





Addressing epidemic prevention protocols



Establishing the epidemic prevention protocols for COVID-19

Initiatives at the new normal model stores



Antimicrobial and antiviral coating

Separating disinfected medal cups from used ones



Medal sterilization and washing machine

Initiatives on non-contact system



Gacha machines that can be operated without turning handles



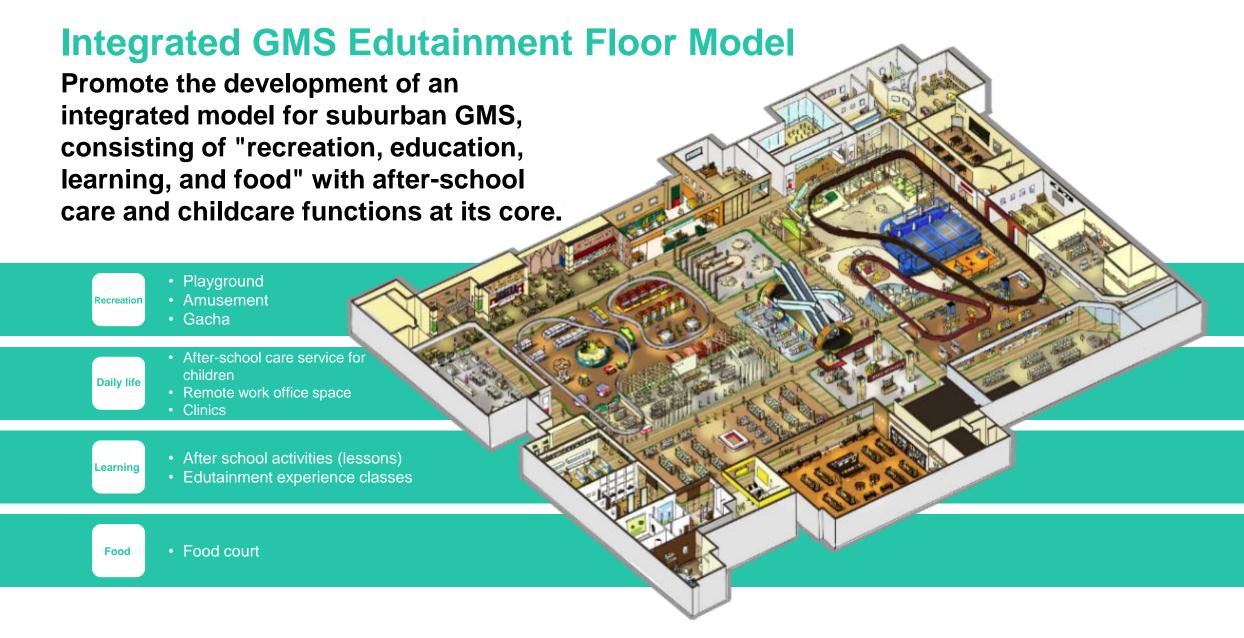
Shift from stamp cards to cards that can be held up and read

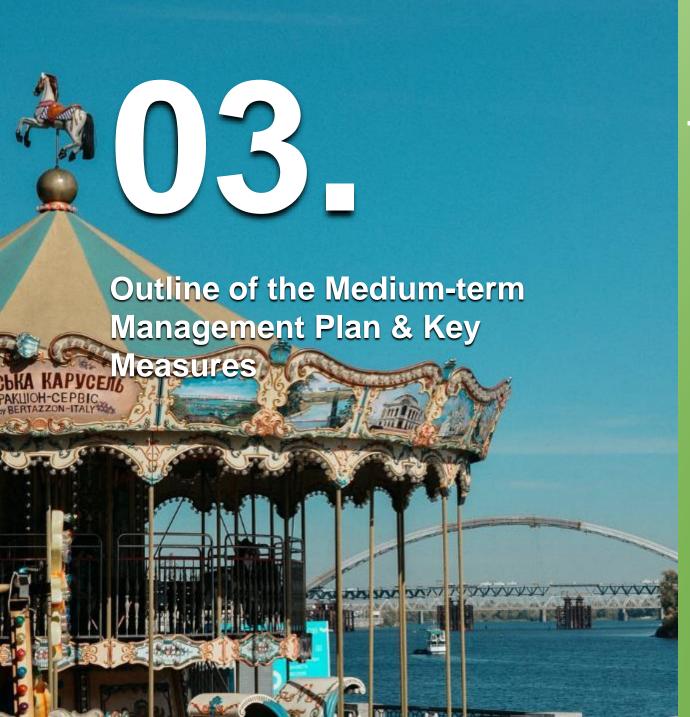


Claw crane game operated by hand motions



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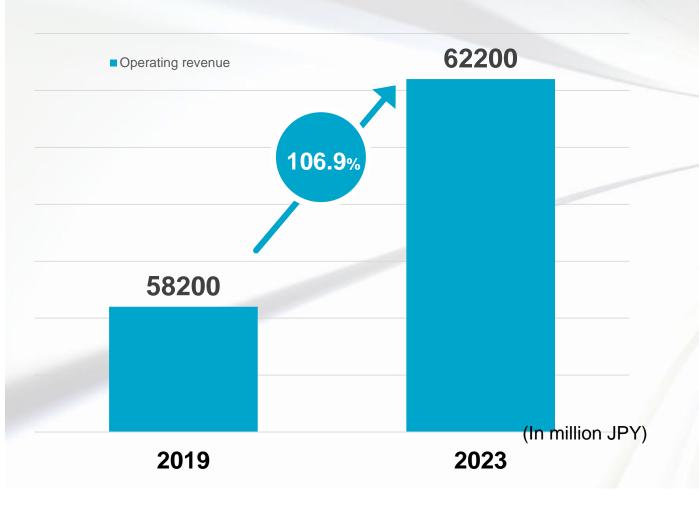




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### Reform of the Revenue Structure through the Total Utilization of Full Digitalization

Quantitative target (Japan: existing AM + indoor)





#### **Defense** and Offense

(Work saving and introduction of unattended entrance system)

(Digitalization of membership and introduction of cashless system)



Initiatives for safety and security
Improvement of costs

Continuation of safety and security initiatives

Labor-saving and introduction of unmanned operations through the use of IT

Cost reduction measures by the cost measures project

#### **Initiatives for safety and security**

**Addressing epidemic** prevention protocols





Addressing epidemic prevention protocols



**Establishing the** epidemic prevention protocols for COVID-19

Initiatives at the new normal model stores



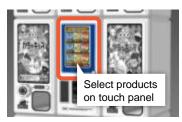
**Antimicrobial** and antiviral coating

Separating disinfected medal cups from used ones



Medal sterilization and washing machine

**Initiatives on** non-contact system



Gacha machines that can be operated without turning handles

Shift from stamp cards to cards that can be held up and read



Claw crane game operated by hand motions



#### **Cost Reduction**



Labor saving in store's back-office operation



Promotion of remote work



Management
by the cost measures
project

#### **Perspective of Offense**

**Increasing** the number of customers **Academic proof of** the power of recreation **Digital** marketing Integration with **AEON Group IDs** into one ID

Increasing customer spending

Subscription pricing system

Increasing the number of loyal customers using digital systems

Promoting cashless payment

**Expanding** sales area

Acquiring temporary spaces

Integrated GMS edutainment floor

Opening stores outside of the Group

## Increasing the Number of Customers: Academic Proof and Appeal of the "Power of Recreation"

Content related to edutainment, increase recognition, and learning effects of facilities



Offer services of new values

Information
dissemination
Increase
recognition

Provide

scientific
credibility to
existing
devices

#### Content

(business and services)









Edutainment Lab (research and information dissemination)





Scientifically prove the learning effect of recreation



Mr. Toru
Fujimoto,
Associate
Professor,
University of
Tokyo
Leading
researcher on
serious games



Mr. Hidekazu Shoto, English/ICT teacher at a private elementary school Top 10 Global Teachers of 2019





### Interoperation among our businesses







### Interoperation among the AEON Group services



#### **Increasing the Number of Customers: Introduction of Digital Marketing**

Promote marketing that utilizes IoT, omnichannel, and integration of IDs into one ID.

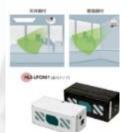
Introduction of IoT



volume survey in front of stores

Sales promotion & traffic

Digital signage & understanding traffic volume with application of sensors & investigation of advertising effectiveness



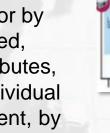


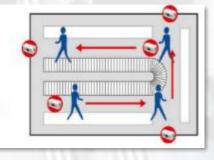
Introduction of omnichannel



Survey on traffic flow in stores

Understand customer behavior by identifying the traffic flows used, frequency, and customer attributes, and utilize the findings for individual store measures by arrangement, by customer service hour, and by period



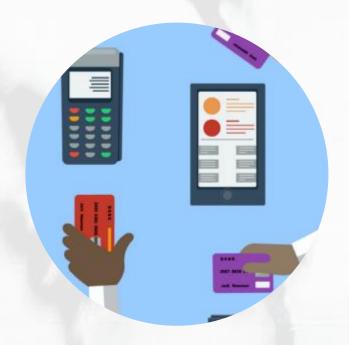


Integration of IDs into one

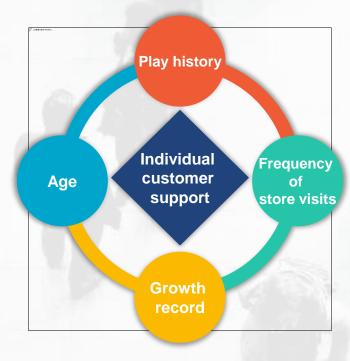




#### **Increasing Customer Spending**



**Cashless system** 



**One-to-one marketing** 



Subscription pricing strategy

# **Expanding Sales Area: Acquiring Vacant Floor Spaces in Shopping Centers**





> Less than 35 tsubo



Cashless gacha specialty stores

> 35 tsubo or more

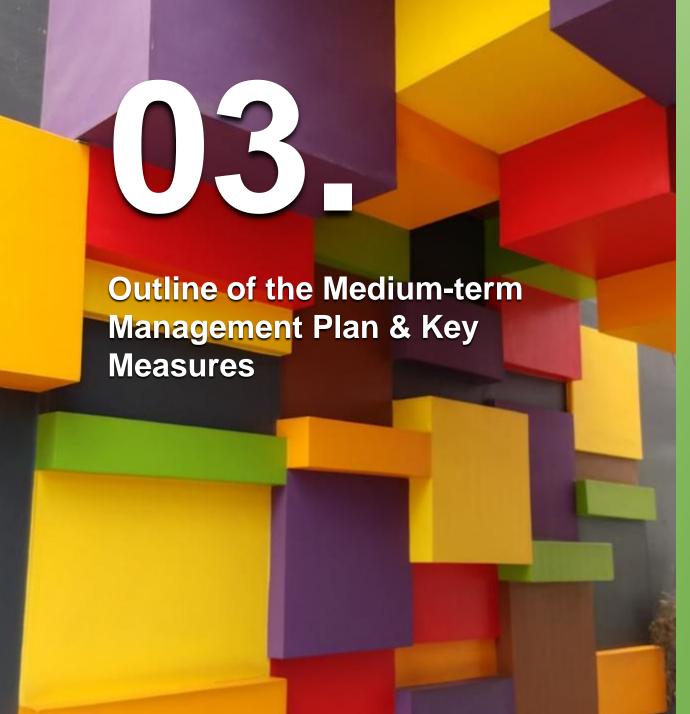


**Cashless prize stores** 

> SC requests



**Small amusement parks** 



- (1) Evolution and expansion of playgrounds
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### Making an inventory by business format

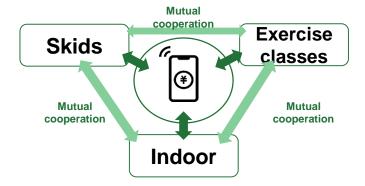
(Marketability, profitability, growth potential, and strategic intent)

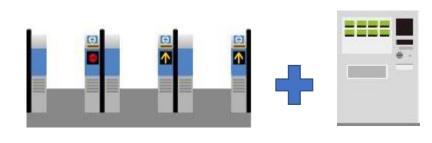
### Creating multiple layers of revenue patterns

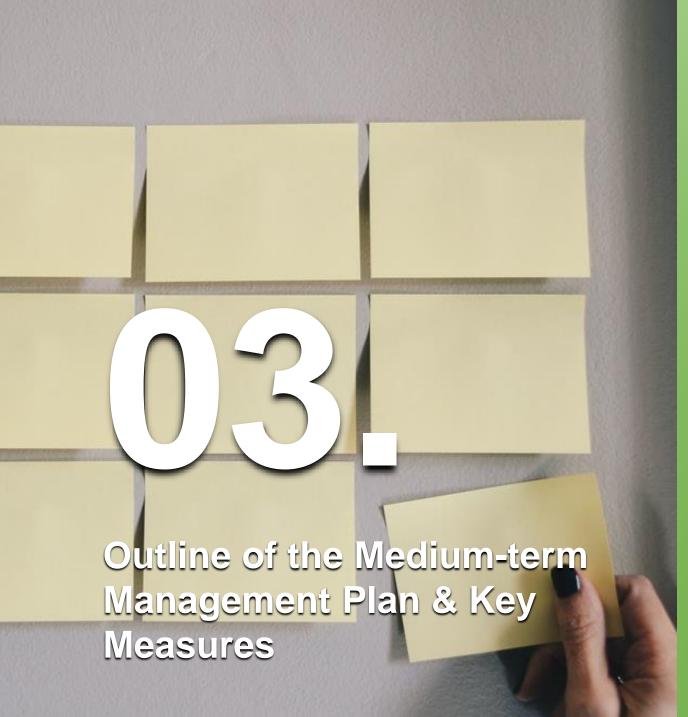
Introducing subscription and monthly membership model, and sales of goods

### Realizing low cost and labor saving

Introducing automated entrance and exit system, and reviewing investment criteria







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  - (v) New Businesses
    - Expansion of online business areas
    - Gacha business
    - Creation of outdoor business
    - Hot bath business
    - Advertisement business
  - (vi) Overseas business
- (2) Shift to portfolio management
- (3) Full digitalization
- (4) Reform of human resources, organization and culture to support growth

#### **New business**

#### Promote Seven new businesses for the new normal.



















#### **Online Claw Crane Business**

#### Increase touch points to expand sales



2023 Sales target

3,500
M JPY



#### **Online School Business**

Fully began in January 2021. In light of high support during the test operation, the annual target is set at 400 members.

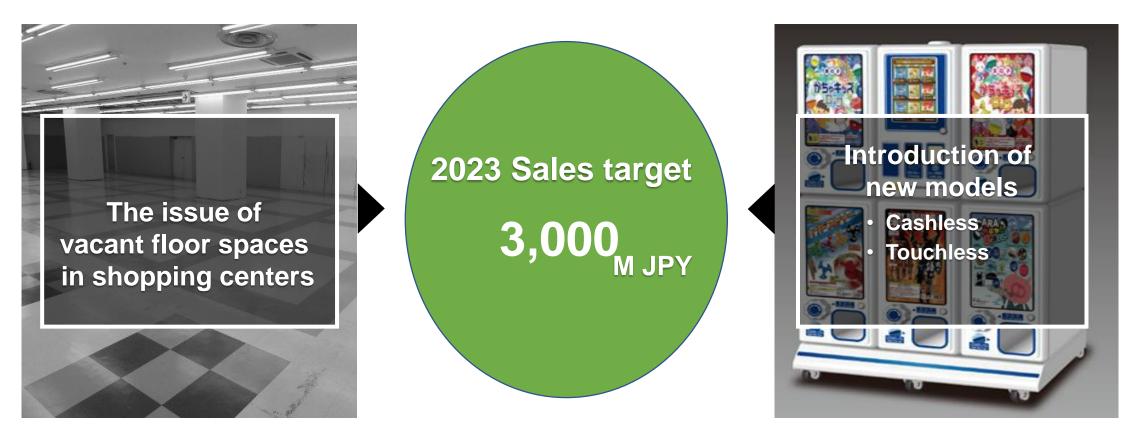






#### **Gacha Business**

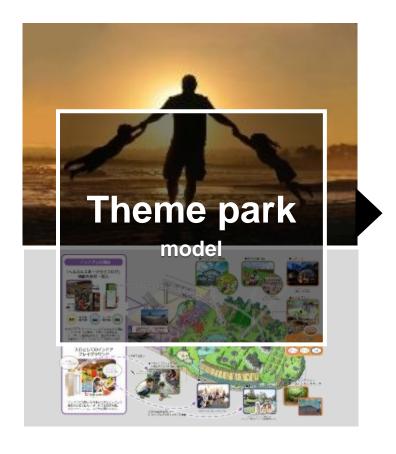
Expansion through "introducing next generation models" and "opening new stores in vacant floor spaces."



#### **Outdoor Business**

Demand is growing under the pandemic.

Two models that coexist with local governments will be rolled out.







#### **Advertisement Business**

Data of 2.3 million children under 12 years old & their families in FY2023 (plan)

Begun the initiative to generate revenue through advertisement business, with our membership specializing in "children and parents".



**Children & family related** companies



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#### **China Business**

"Shift to qualitative expansion" with emphasis on profitability and "taking on the challenge to expand into new business areas"

Aim for operating revenue of 10,000M by 2023



Break away from limited business portfolio

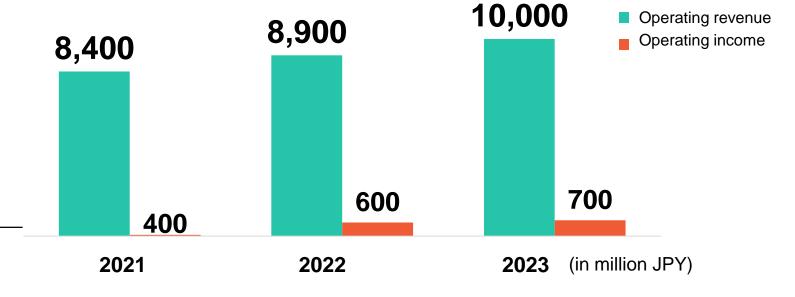


Create stores that emphasize profitability and review store opening strategy



Introduction of recreation that utilizes digital systems

- Return to profitability in operating income (FY2021)
- 2022: Achieve record high profits
- 2022: Return to profitability in net income for the fiscal year



#### **China Business: Business Strategy**





#### **Existing businesses**

#### (1) Diversification of profit models

- · Development of low-cost models
- Development of indoor models in properties with vacant floor space
- Promotion of event business

#### (2) Store opening policy

Towards dominating particular areas in key cities

#### **New business**

### (1) Business development on the theme of exercise and health (2022 onwards)

 Linked with apps, the results of "exercising through playing" will be fed back to customers

#### (2) Online business (2022 onwards)

- Link with AEON Group membership platform
- Reduce initial investment by collaborating with other companies

#### **ASEAN Business**

Aim for 7,000M in operating revenue by 2023 by addressing the changes in the environment and promoting a strategy of opening stores with varied levels of intensity and a qualitative localization model



Review of country-specific store opening strategies in light of the COVID-19 impacts



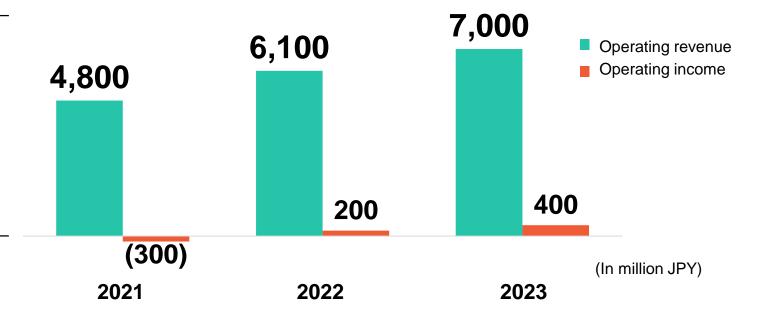
Localization of indoor models



Development of new businesses suitable to each country's condition

#### **Strategic policies**

- Country specific strategy for opening stores with varied levels of intensity
- Strengthen store opening capabilities through a store opening matrix
- Promotion of digitalization (automated entrance and exit, customer management system)



#### **ASEAN Business: Business Strategy**



✓ Existing business: Indoor playground

Opening new stores appropriate to the economic scale of the area

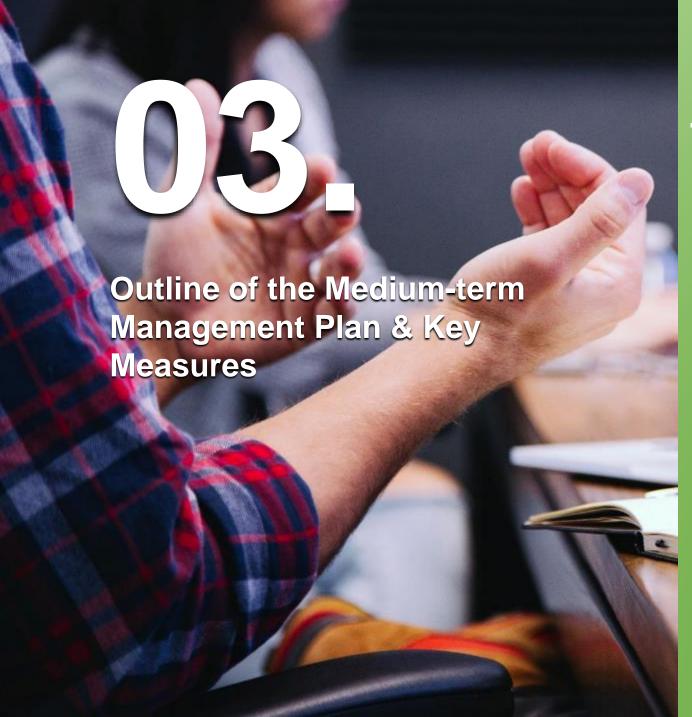
Existing business:Amusement

Introduction of redemption system and the ASEAN version of Yokubari Pass (flat-rate pass to play unlimited games for a certain period)

✓ New business

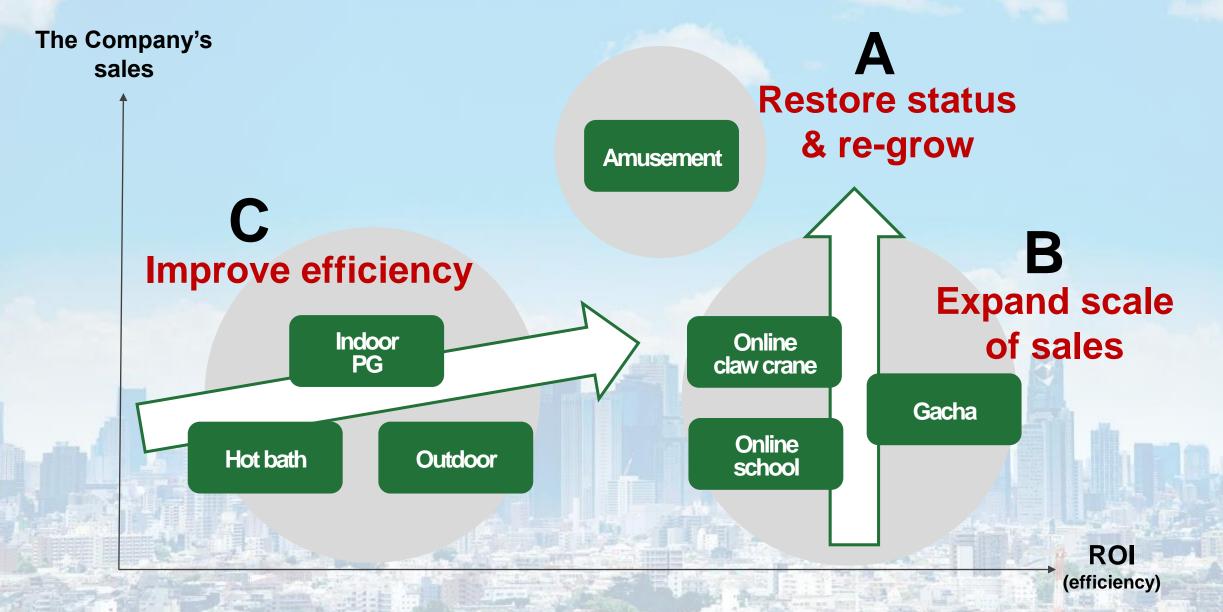
Development of new business on the theme of "online" and "education", with consideration to compatibility with the country's market and existing businesses

	(1000m and more)	Mediu (400 to 7000mí)	Sma (up to 4001hi)
Medium to high ncome demographics	FANPEKKA	KIDZOOONA 2.0-2.1	TINY KIDZOOONA
Low to medium ncome demographics	KIDZOOONA SAFARI	KIDZOOONA 1.5	TINY KIDZOOONA
Low income demographics	-	KIDZ BOX	KIDZ BOX
Kalzonan			

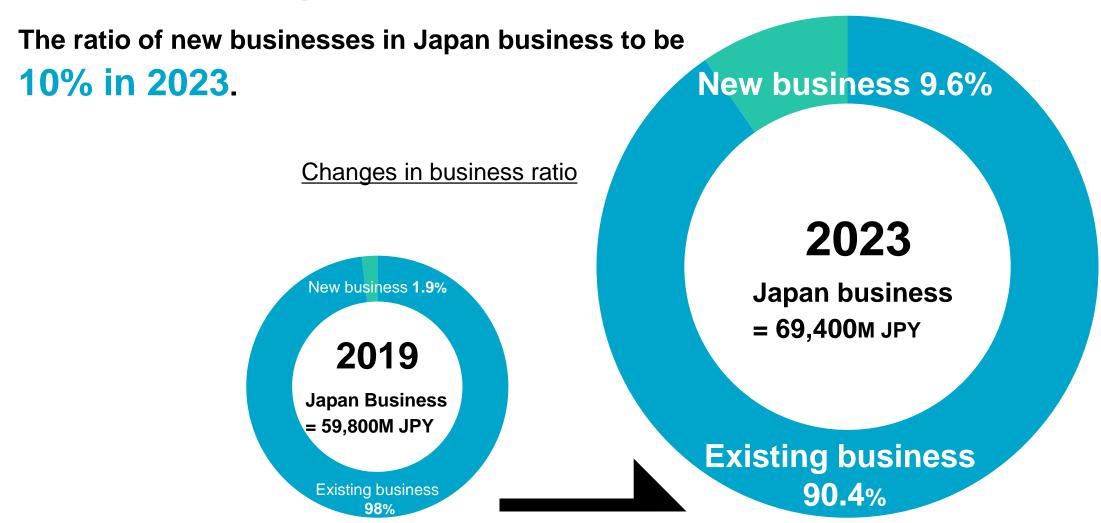


- (1) Evolution and expansion of playgrounds
  - (i) Initiatives for safety and security
  - (ii) The form of edutainment to aim for (the integrated GMS edutainment floor model)
  - (iii) Reform of the amusement business
  - (iv) Reform of the indoor playground business
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  - (vi) Overseas business
- (2) Shift to portfolio management
- (3) Full digitalization
- Reform of human resources, organization and cultur to support growth

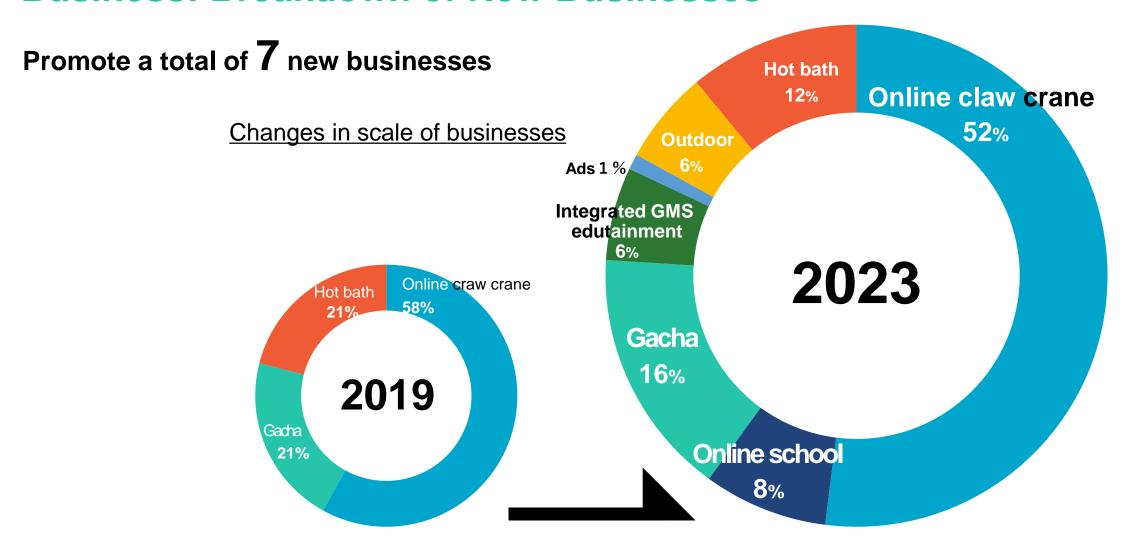
#### **Business: Japan by business**



#### Business: Changes in ratio of Japan Business (Existing and New)

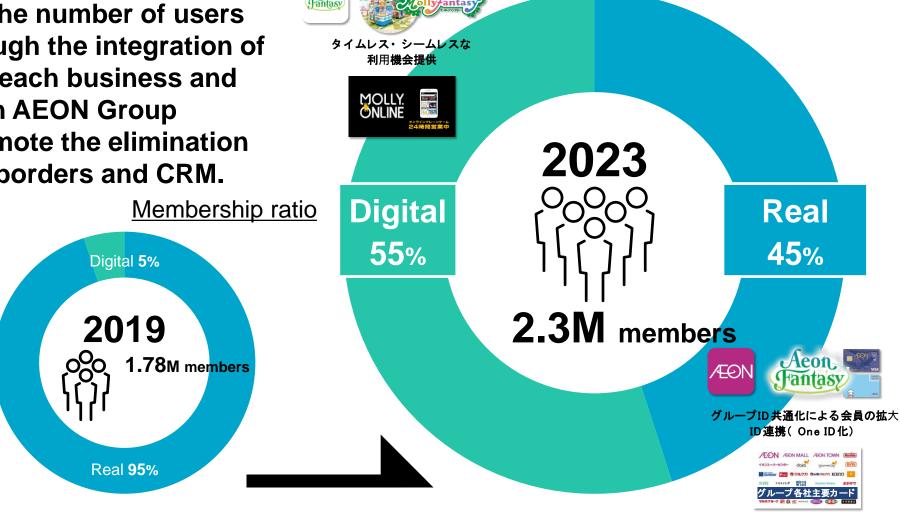


#### **Business: Breakdown of New Businesses**



#### **Customers: Membership**

Strive to increase the number of users and members through the integration of member data from each business and mutual linkage with AEON Group members, and promote the elimination of usage category borders and CRM.



# **Digital Shift**

Expand IT investment that supports both offense (increasing digital membership) and defense (reducing costs).

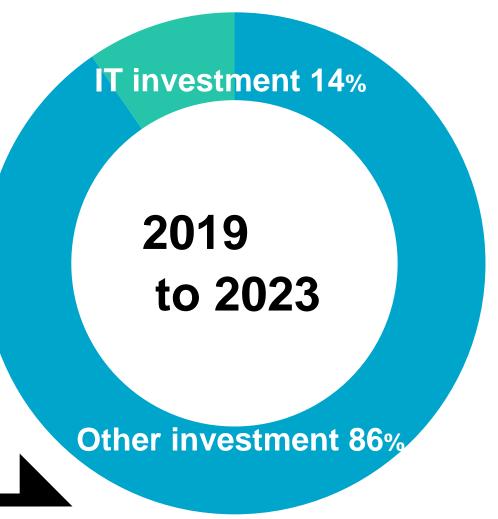
Ratio of IT investment (annual average)

2015 to 2018

Other investment 95%

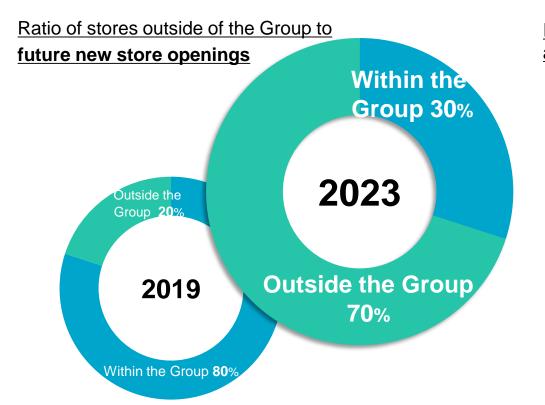
IT investment 5%





**Area: Accelerating the Opening of New Stores Outside the AEON Group** 

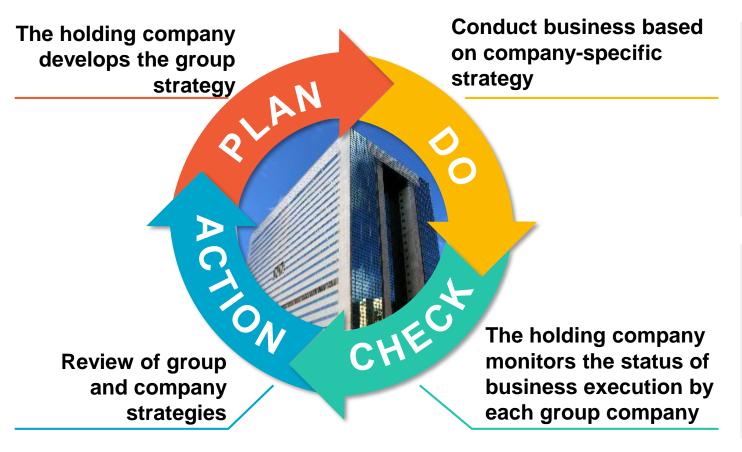
Promote the development of business formats in terminal-type commercial clusters and home center complexes. Accelerate the opening of new stores outside of the AEON Group.





# **Promotion of Corporate Governance**

#### PDCA cycle for group business management



#### **Strengthening of head office functions**

**Japan:** Appropriate allocation of management

resources

Addressing cross-cutting issues

(IT investment, new businesses, etc.)

Overseas: Build, operate and maintain internal control

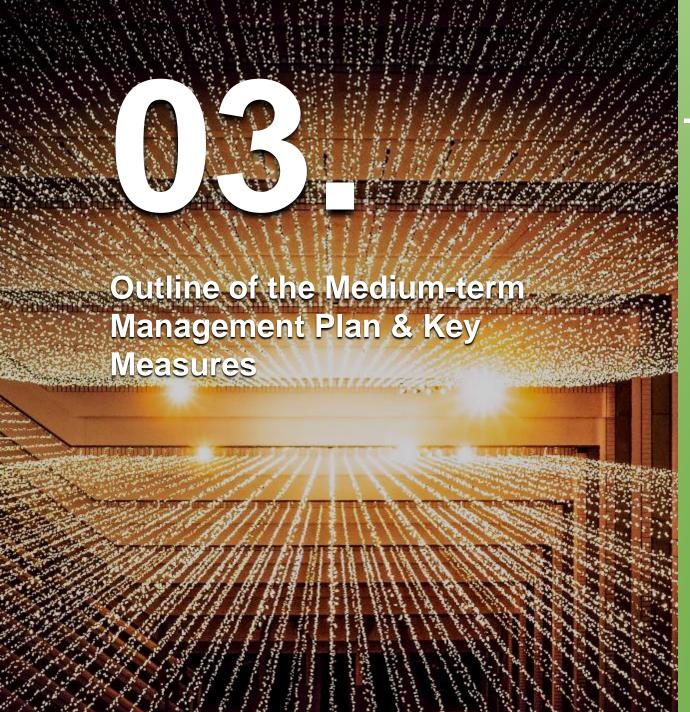
#### Support structure for overseas companies

- Newly established Business Format Development
- Newly established Playground Development Division
- Newly established Business Promotion under the business manager

# **Initiatives for a Sustainable Society**

Promote initiatives from a medium- to long-term perspective in line with the SDGs and ESG as the core of corporate activities





## - Medium-term Key Measures

- (1) Evolution and expansion of playgrounds
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## **Overview of Medium-term IT Plan**

Field	Policy on medium-term plan measures
Stores	Continue to focus on the full digitalization of operations.  - Labor saving (introduce unmanned operation, improve efficiency)  - Strengthen online systems (cashless)  - COVID-19 measures (non-contact system, etc.)  - Automation (system automation)
	Pursue operational FIT (HT smartphones, etc.)
Headqu arters	- Enhance efficiency of departments (improve operations, introduce IT) - Realize working styles and "officeless"
Overseas	- Refine collected information and make it real-time - Strengthen control
Security	- Take measures against evolving and unknown threats - Improve employees' IT literacy and mindsets about security







**Paperless** 













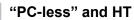


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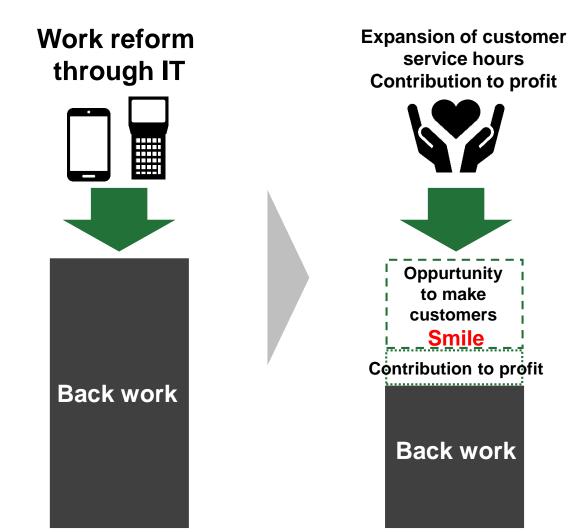




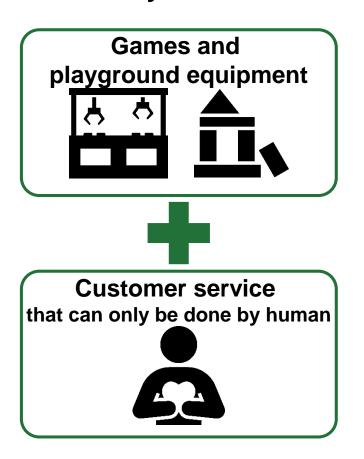
**Core system** 



# **Work Style Reform**



# Pursuit of stores loved by customers





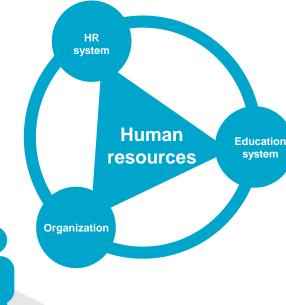
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## **Concept of the Reform**

Changes in the environment





### **Matters to transform**

#### **Business**

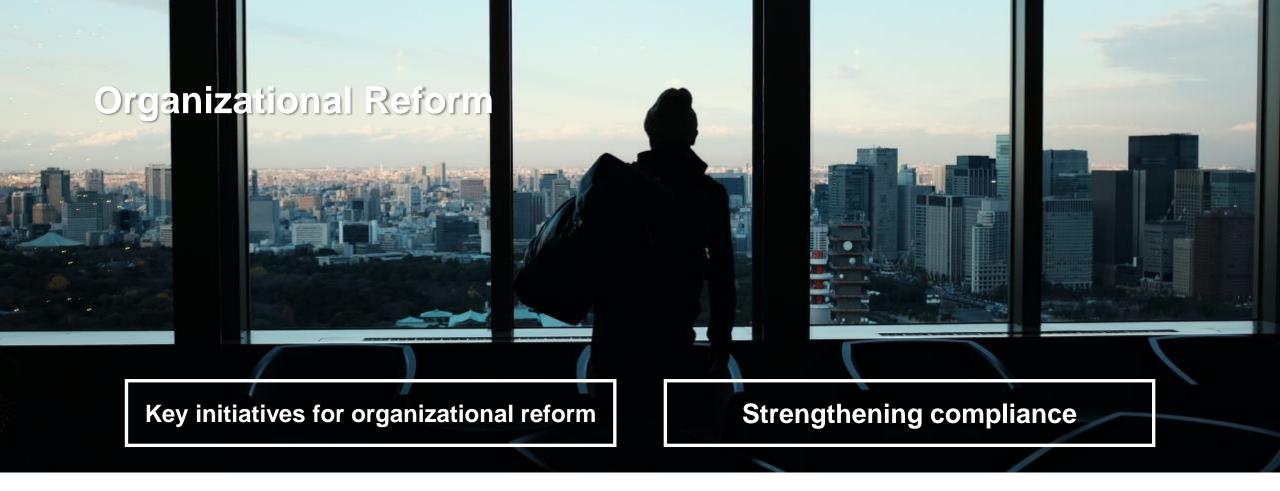
- Become an edutainment company
- Expand business area and cooperate seamlessly

#### **Management style**

- Manage by business, by area, and by store
- Digitalize work

#### Work style

- Shift to flexible work style to suit workers' living environment
- Promote diversity



- 1 Shift human resources to growth areas
- 2 Shift from a function-based organization to a business-based organization
- 1 Introduce systems for management of working hours and paid leave requests
- 2 Strengthen monitoring of overseas subsidiaries



# **FY 2023 Overall Company Quantitative Plan**

Sales

**Operating income** 

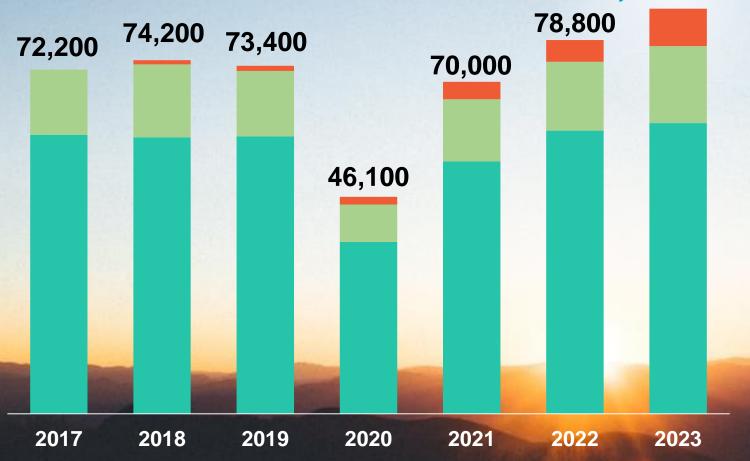
85,500

6,000

In million JPY

# Quantitative Targets (Consolidated Sales)

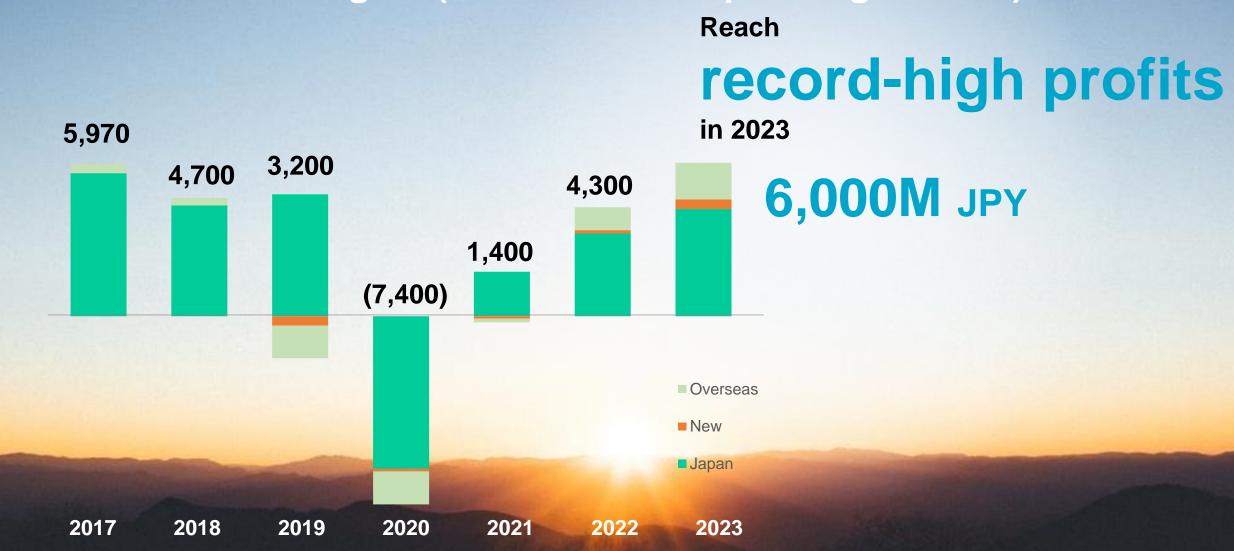




In FY2022, exceed the pre-pandemic level of FY2019. In FY2023, achieve

85,500M JPY.

# **Quantitative Targets (Consolidated Operating Income)**





Is it a game? Or, is it a learning experience? Children's abilities are brought out to the fullest when they are absorbed in fun.

As they move back and forth between wonder ("?") and surprise ("!"), children's hearts, minds, and body will grow.

We would like to pursue experiences that can only be created by Aeon Fantasy, which knows the power of playing better than anyone else.

We will turn not only subjects studied in school, but also unconventional fields that people may wonder, "Is that possible?" into edutainment.

Everything in this world can be played much more and learned much further. We invite you to encounter your children's expressions that you have never seen before.

エデュテイメント

[ edutainment = education + entertainment ]