

**Summary of Consolidated Financial Results**  
**for the Second Quarter of the Fiscal Year Ending March 31, 2018**  
**(Six Months Ended September 30, 2017)**

[Japanese GAAP]

Company name: AOKI Holdings Inc. Listings: TSE First Section  
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 Scheduled date of filing of Quarterly Report: November 10, 2017  
 Scheduled date of payment of dividend: December 5, 2017  
 Preparation of supplementary materials for quarterly financial results: Yes  
 Holding of quarterly financial results meeting: Yes (for institutional investors and analysts)

Note: The original disclosure in Japanese was released on November 9, 2017 at 14:15 (GMT +9).

(All amounts are rounded down to the nearest million yen)

**1. Consolidated Financial Results for the Six Months Ended September 30, 2017**

**(April 1, 2017 – September 30, 2017)**

(1) Consolidated results of operations (Percentages represent year-on-year changes)

	Sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended Sep. 30, 2017	85,675	3.7	1,359	105.8	959	88.7	163	6.7
Six months ended Sep. 30, 2016	82,656	1.2	660	(82.1)	508	(86.0)	152	(92.9)

Note: Comprehensive income (million yen) Six months ended Sep. 30, 2017: 217 (up 64.9%)  
 Six months ended Sep. 30, 2016: 132 (down 93.8%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Sep. 30, 2017	1.87	-
Six months ended Sep. 30, 2016	1.72	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Sep. 30, 2017	227,993	141,687	62.1
As of Mar. 31, 2017	234,681	143,906	61.3

Reference: Shareholders' equity (million yen) As of Sep. 30, 2017: 141,599 As of Mar. 31, 2017: 143,818

**2. Dividends**

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY3/17	-	21.00	-	22.00	43.00
FY3/18	-	22.00	-	-	-
FY3/18 (forecasts)	-	-	-	22.00	44.00

Note: Revisions to the most recently announced dividend forecast: None

**3. Consolidated Forecast for the Fiscal Year Ending March 31, 2018 (April 1, 2017 – March 31, 2018)**

(Percentages represent year-on-year changes)

	Sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	199,850	3.0	14,500	0.4	14,000	0.8	7,600	3.3	87.40

Note: Revisions to the most recently announced consolidated forecast: Yes

The sales forecast has been revised. Please refer to "(3) Explanation of Consolidated Forecast and Other Forward-looking Statements" on page 4 for further information.

**\* Notes**

- (1) Changes in consolidated subsidiaries during the period (changes in scope of consolidation): None
- (2) Application of special accounting methods for presenting quarterly consolidated financial statements: None
- (3) Changes in accounting policies and accounting-based estimates, and restatements
- |   |      |
|---|------|
| 1) Changes in accounting policies due to revisions in accounting standards, others: | None |
| 2) Changes in accounting policies other than 1) above:                              | None |
| 3) Changes in accounting-based estimates:   | None |
| 4) Restatements:  | None |

(4) Number of shares outstanding (common shares)

1) Number of shares outstanding (including treasury stock) at the end of the period			
As of Sep. 30, 2017:	90,649,504 shares	As of Mar. 31, 2017:	90,649,504 shares
2) Number of shares of treasury stock at the end of the period			
As of Sep. 30, 2017:	3,768,212 shares	As of Mar. 31, 2017:	3,404,290 shares
3) Average number of shares outstanding during the period			
Six months ended Sep. 30, 2017:	87,018,467 shares	Six months ended Sep. 30, 2016:	88,824,724 shares

Note 1: The current quarterly summary report is not subject to quarterly review procedures.

Note 2: Cautionary statement with respect to forecasts and other matters

Cautionary statement with respect to forecasts

Forecasts regarding future performance in these materials are based on assumptions judged to be valid and information available to the Company at the time the materials were created. These materials are not promises by the Company regarding future performance. Actual performance may differ significantly from these forecasts for a number of reasons. Please refer to “(3) Explanation of Consolidated Forecast and Other Forward-looking Statements” on page 4 of the attachments regarding preconditions or other related matters for the forecast shown above.

Disclosure of the information meeting materials

The Company plans to hold a financial results meeting for institutional investors and analysts on Friday, November 17, 2017. Materials to be distributed at this event will be available on the Company’s website immediately thereafter.

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## **1. Qualitative Information on Quarterly Consolidated Financial Performance**

### **(1) Explanation of Results of Operations**

In the first half of the current fiscal year, the Japanese economy continued to recover slowly with improvements in jobs and personal income. But consumer spending is somewhat sluggish because of concerns about overseas political and economic events and the unclear outlook for the economy.

During the first half, the AOKI Group implemented various measures in all business segments as discussed below. Sales increased 3.7% year-on-year to 85,675 million yen, operating profit increased 105.8% to 1,359 million yen, ordinary profit increased 88.7% to 959 million yen and profit attributable to owners of parent increased 6.7% to 163 million yen.

Operating results by segment are as follows.

#### **Fashion Business**

At AOKI, there were strong sales of functional suits for both men and women, including the lineup of Truly Washable Suits. Although the completion of remodeling work at some stores was pushed back to the second half, work has been completed at about 60 stores. These stores have a much better shopping environment for customers. During the first half, AOKI opened eight stores including two stand-alone Size MAX stores, which specialize in plus-size apparel. Eight stores were closed or relocated to improve the efficiency of AOKI's operations. As a result, there were 573 stores at the end of the second quarter compared with 573 stores at the end of the previous fiscal year.

At ORIHICA, two major activities of the first half were sales of business and business-to-casual style wear, centered on THE 3rd SUITS brand of apparel that can be mixed and matched, and sales of an enlarged selection of items associated with formal wear for various types of ceremonies. Two new stores were opened and five were closed to improve the efficiency of operations during the first half. As a result, there were 142 stores at the end of the second quarter compared with 145 stores at the end of the previous fiscal year.

As a result, sales increased 1.1% to 46,298 million yen. The operating loss decreased to 1,057 million yen from 1,816 million yen in the first half of the previous fiscal year when there were major remodeling projects.

#### **Anniversaire and Bridal Business**

ANNIVERSAIRE INC. operates guesthouse-style wedding and reception facilities. Sales promotion and other marketing activities emphasize the distinctive strengths and themes of each location. Remodeling projects took place during the first half to reflect current trends in the wedding market and meet the increasingly diverse needs of customers. There were also measures to expand the provision of products and services associated with weddings. In addition, wedding and reception facilities continued to improve efficiency with the goal of lowering the cost of sales and selling, general and administrative expenses.

Sales increased 2.2% to 13,187 million yen and operating profit increased 14.0% to 947 million yen.

#### **Karaoke Facility Operations Business**

The karaoke business of VALIC Co., Ltd. conducted a marketing campaign using tie-ups with popular characters. To reinvigorate existing karaoke facilities, 19 locations were remodeled by installing the most advanced karaoke equipment, increasing the number of "concept rooms" and making other improvements. During the first half, the number of locations decreased by two to 183 as we opened four karaoke facilities and closed six to improve operating efficiency.

As a result, sales increased 0.9% to 8,939 million yen. Due to an increase in the cost of sales caused by higher personnel and other expenses, there was an operating loss of 26 million yen compared with a profit of 38 million yen one year earlier.

## **Café Complex Operations Business**

In the café complex business, VALIC Co., Ltd. upgraded its cafés to improve customer convenience by replacing computers with new, high-performance models and providing high-speed Wi-Fi at all locations. In addition, to make existing cafés more appealing, 18 locations were remodeled to add more sections exclusively for women and make other improvements. VALIC opened 19 facilities, including its first locations in Ehime, and closed three facilities to improve operating efficiency during the first half. As a result, there were 362 café complexes at the end of the second quarter compared with 346 at the end of the previous fiscal year.

Sales increased 14.4% to 17,273 million yen, but operating profit decreased 13.7% to 1,099 million yen because of higher cost of sales including depreciation, personnel and other expenses.

### **(2) Explanation of Financial Position**

#### **1) Balance sheet position**

##### **Assets**

Total assets at the end of the second quarter under review decreased 6,687 million yen from the end of the previous fiscal year to 227,993 million yen.

Current assets decreased 7,387 million yen from the end of the previous fiscal year. Accounts receivable-trade decreased 6,404 million yen due to seasonal reasons and cash in hand and in banks decreased 1,171 million yen mainly due to capital expenditures and payment of income taxes. Fixed assets increased 700 million yen from the end of the previous fiscal year as tangible fixed assets increased 1,633 million yen due to new store openings, renewals and other factors.

##### **Liabilities**

Current liabilities decreased 4,954 million yen from the end of the previous fiscal year. Short-term debt increased 4,000 million yen, while there were decreases of 3,500 million yen in current portion of long-term debt and 4,672 million yen in accounts payable-trade due to seasonal reasons. Long-term liabilities increased 486 million yen due to an increase of 663 million yen in other long-term liabilities including lease obligations, while there was a decrease of 325 million yen in long-term debt for the scheduled repayment and other reasons.

##### **Net assets**

Net assets decreased 2,219 million yen from the end of the previous fiscal year. There was a decrease of 1,756 million yen in retained earnings due to a profit attributable to owners of parent and dividend from surplus, and an increase of 517 million yen in treasury stock due to the purchase.

#### **2) Cash flow position**

Cash and cash equivalents (hereafter “net cash”) at the end of the second quarter under review decreased 1,171 million yen over the end of the previous fiscal year to 27,436 million yen.

##### **Cash flows from operating activities**

Net cash provided by operating activities increased 3,522 million yen to 5,897 million yen on a year-on-year basis. The principal factors include depreciation and amortization of 4,195 million yen and a decrease of 6,404 million yen in accounts receivable-trade, while there was a decrease of 4,672 million yen in accounts payable-trade.

##### **Cash flows from investing activities**

Net cash used in investing activities increased 1,250 million yen to 3,674 million yen on a year-on-year basis. This was mainly due to the payments of 3,637 million yen for the acquisition of tangible fixed assets related to new store openings, renewals and other factors.

### Cash flows from financing activities

Net cash used in financing activities decreased 1,679 million yen to 3,395 million yen on a year-on-year basis. This was mainly due to scheduled repayment of long-term debt of 3,825 million yen, cash dividends paid of 1,920 million yen, repayments of lease obligations of 1,132 million yen, while there was an increase of 4,000 million yen in short-term debt.

### (3) Explanation of Consolidated Forecast and Other Forward-looking Statements

First half sales were slightly below the pace needed to reach the fiscal year forecast and operating profit was somewhat higher in relation to the fiscal year forecast.

We have reexamined the fiscal year forecast primarily to reflect several factors. In the Fashion Business, the completion of store remodeling has been delayed to the second half at some locations and, due to seasonal changes in earnings, the majority of earnings in this business are normally in the second half of each fiscal year. Our forecast reexamination also incorporated a review of plans for store openings, operating expenses and other aspects of operations in all business segments based on the outlook for the economy and market conditions. We have changed the store-opening plan from 14 at the beginning of the fiscal year to 19 stores in the Fashion Business and from 21 to 22 facilities in the Café Complex Operations Business. As a result, we have revised the sales forecast that was announced on May 11, 2017 but are making no change to the earnings forecast.

Consolidated forecast for the fiscal year ending March 31, 2018 (April 1, 2017 – March 31, 2018)

	Sales	Operating profit	Ordinary profit	Profit attributable to owners of parent	Net income per share
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Yen)
Previous forecast (A) (announced on May 11, 2017)	200,550	14,500	14,000	7,600	87.34
Revised forecast (B)	199,850	14,500	14,000	7,600	87.40
Change (B - A)	(700)	-	-	-	
Percentage change (%)	(0.3)	-	-	-	
Previous fiscal year (ended Mar. 31, 2017)	194,046	14,447	13,895	7,355	83.38

Our business segment forecasts were also revised as follows.

Forecast by business segment for the fiscal year ending March 31, 2018

	Fashion	Anniversaire and Bridal	Karaoke Facility Operations	Café Complex Operations	Consolidated
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)
Sales	119,200	27,700	18,800	34,200	199,850
YoY change (%)	100.8	103.1	100.7	113.0	103.0
Segment profit	8,500	2,800	900	1,900	14,500
YoY change (%)	104.1	101.4	101.4	100.4	100.4

Note: Segment profit is operating profit. The total segment profits differ from consolidated operating profit because of consolidation adjustments.

\* Above forecasts are based on judgments made in accordance with information available to the management at the time these materials were prepared, and actual results may differ substantially from these forecasts for a number of reasons.

**2. Quarterly Consolidated Financial Statements and Notes****(1) Quarterly Consolidated Balance Sheet**

	(Millions of yen)	
	FY3/17 (As of Mar. 31, 2017)	Second quarter of FY3/18 (As of Sep. 30, 2017)
<b>Assets</b>		
Current assets		
Cash in hand and in banks	28,608	27,436
Accounts receivable-trade	10,508	4,103
Inventories	26,905	27,071
Other current assets	8,974	8,994
Allowance for doubtful accounts	(32)	(30)
Total current assets	74,963	67,575
Fixed assets		
Tangible fixed assets		
Buildings and structures, net	61,568	62,148
Land	36,953	36,952
Other tangible fixed assets, net	13,164	14,218
Total tangible fixed assets	111,686	113,320
Intangible fixed assets	6,301	5,901
Investments and other assets		
Guarantee deposits	8,259	8,209
Leasehold deposit	21,066	20,890
Other investments and other assets	12,444	12,136
Allowance for doubtful accounts	(40)	(40)
Total investments and other assets	41,730	41,196
Total fixed assets	159,718	160,418
Total assets	234,681	227,993
<b>Liabilities</b>		
Current liabilities		
Accounts payable-trade	19,159	14,486
Short-term debt	-	4,000
Current portion of long-term debt	4,150	650
Accrued income taxes	1,603	760
Accrued bonuses for employees	1,647	1,898
Accrued bonuses for directors and statutory auditors	89	56
Other current liabilities	12,546	12,390
Total current liabilities	39,197	34,242
Long-term liabilities		
Long-term debt	37,125	36,800
Accrued retirement benefits for directors and statutory auditors	1,949	1,998
Accrued costs for customer point program	1,069	982
Net defined benefit liability	976	1,029
Asset retirement obligations	5,513	5,645
Other long-term liabilities	4,943	5,607
Total long-term liabilities	51,577	52,063
Total liabilities	90,774	86,306

	(Millions of yen)	
	FY3/17 (As of Mar. 31, 2017)	Second quarter of FY3/18 (As of Sep. 30, 2017)
Net assets		
Shareholders' equity		
Common stock	23,282	23,282
Capital surplus	27,833	27,833
Retained earnings	96,753	94,996
Treasury stock	(4,325)	(4,842)
Total shareholders' equity	143,544	141,270
Accumulated other comprehensive income		
Unrealized gain on securities	576	578
Remeasurements of defined benefit plans	(302)	(249)
Total accumulated other comprehensive income	274	328
Stock acquisition rights	87	87
Total net assets	143,906	141,687
Total liabilities and net assets	234,681	227,993



**(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income****Quarterly Consolidated Statement of Income  
(For the Six-month Period)**

	(Millions of yen)	
	First six months of FY3/17 (Apr. 1, 2016 – Sep. 30, 2016)	First six months of FY3/18 (Apr. 1, 2017 – Sep. 30, 2017)
Sales	82,656	85,675
Cost of sales	48,313	50,669
Gross profit	34,342	35,006
Selling, general and administrative expenses	33,681	33,646
Operating profit	660	1,359
Non-operating profit		
Interest income	49	46
Dividend income	71	39
Rental income on real estate	305	283
Other	150	74
Total non-operating profit	576	444
Non-operating expenses		
Interest expenses	158	173
Expenses on sub-leased real estate	256	237
Other	314	432
Total non-operating expenses	728	844
Ordinary profit	508	959
Extraordinary gains		
Gain on sales of investment securities	542	-
Total extraordinary gains	542	-
Extraordinary losses		
Impairment loss	391	337
Loss on sales of fixed assets	-	38
Loss on disaster	102	-
Total extraordinary losses	494	376
Profit before income taxes	556	582
Current income taxes	1,097	725
Deferred income taxes	(693)	(305)
Total income taxes	403	419
Profit	152	163
Profit attributable to owners of parent	152	163

**Quarterly Consolidated Statement of Comprehensive Income****(For the Six-month Period)**

	(Millions of yen)	
	First six months of FY3/17 (Apr. 1, 2016 – Sep. 30, 2016)	First six months of FY3/18 (Apr. 1, 2017 – Sep. 30, 2017)
Profit	152	163
Other comprehensive income		
Unrealized gain on securities	(79)	2
Remeasurements of defined benefit plans, net of tax	58	52
Total other comprehensive income	(20)	54
Comprehensive income	132	217
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	132	217
Comprehensive income attributable to non-controlling interests	-	-

**(3) Quarterly Consolidated Statement of Cash Flows**

(Millions of yen)

	First six months of FY3/17 (Apr. 1, 2016 – Sep. 30, 2016)	First six months of FY3/18 (Apr. 1, 2017 – Sep. 30, 2017)
Cash flows from operating activities		
Profit before income taxes	556	582
Depreciation and amortization	3,898	4,195
Impairment loss	391	337
Increase (decrease) in accrued retirement benefits for directors and statutory auditors	37	49
Increase (decrease) in accrued costs for customer point program	(68)	(86)
Increase (decrease) in accrued retirement benefits for employees	112	132
Interest and dividend income	(120)	(85)
Interest expenses	158	173
Loss (gain) on sales of fixed assets	-	38
Loss (gain) on sales of investment securities	(542)	-
Decrease (increase) in accounts receivable-trade	6,179	6,404
Decrease (increase) in inventories	(812)	(165)
Increase (decrease) in accounts payable-trade	(3,899)	(4,672)
Increase (decrease) in accrued consumption taxes	(646)	73
Other	(337)	590
Subtotal	4,906	7,568
Interest and dividend income received	97	65
Interests paid	(159)	(172)
Income taxes paid	(3,706)	(2,459)
Income taxes refund	1,236	895
Net cash provided by operating activities	2,375	5,897
Cash flows from investing activities		
Payments for acquisition of tangible fixed assets	(3,907)	(3,637)
Payments for acquisition of intangible fixed assets	(212)	(202)
Payments for leasehold and guarantee deposits	(865)	(266)
Proceeds from sales of investment securities	2,068	-
Net decrease (increase) in trust beneficiary rights	258	716
Other	234	(282)
Net cash used in investing activities	(2,424)	(3,674)
Cash flows from financing activities		
Net increase (decrease) in short-term debt	-	4,000
Repayments of long-term debt	(1,025)	(3,825)
Repayments of lease obligations	(894)	(1,132)
Payments for purchase of treasury stock	(1,848)	(517)
Dividends paid	(1,795)	(1,920)
Other	490	0
Net cash used in financing activities	(5,074)	(3,395)
Effect of exchange rate change on cash and cash equivalents	(0)	0
Increase (decrease) in cash and cash equivalents	(5,123)	(1,171)
Cash and cash equivalents at beginning of period	27,560	28,608
Cash and cash equivalents at end of period	22,436	27,436

**(4) Notes to Quarterly Consolidated Financial Statements****Going Concern Assumption**

No reportable information.

**Significant Changes in Shareholders' Equity**

First six months of FY3/18 (Apr. 1, 2017 – Sep. 30, 2017)

Purchase of treasury stock

The Company has purchased 363,000 shares of its treasury stock pursuant to the resolution of the Board of Directors on February 9, 2017. As a result, treasury stock increased 516 million yen during the first six months of FY3/18 to 4,842 million yen at the end of the second quarter of FY3/18.

**Segment and Other Information**

First six months of FY3/17 (Apr. 1, 2016 – Sep. 30, 2016)

1. Information related to sales and profit/loss for each reportable segment

(Millions of yen)

	Reportable segment					Adjustment (Note 1)	Amounts shown on quarterly consolidated statement of income (Note 2)
	Fashion	Anniversaire and Bridal	Karaoke Facility Operations	Café Complex Operations	Total		
Sales							
External sales	45,810	12,899	8,852	15,094	82,656	-	82,656
Inter-segment sales and transfers	1	8	4	-	14	(14)	-
Total	45,811	12,908	8,856	15,094	82,671	(14)	82,656
Segment profit (loss)	(1,816)	831	38	1,274	327	333	660

Notes: 1. The 333 million yen adjustment to segment profit (loss) includes 2,177 million yen in elimination for inter-segment transactions, and -1,844 million yen in company-wide costs that cannot be allocated to any specific reportable segments. Company-wide costs mainly include administration expenses of the Company that cannot be attributed to reportable segments.

2. Segment profit (loss) is adjusted with operating profit on the quarterly consolidated statement of income.

2. Information related to impairment losses on fixed assets, or goodwill, etc. for each reportable segment

Material impairment losses related to fixed assets

In the Fashion Business, the Karaoke Facility Operations Business and the Café Complex Operations Business, impairment losses were recognized for operating stores set to be closed or rebuilt for which there is little expectation of recovery and had remained in the red; impairment losses of 147 million yen, 172 million yen and 71 million yen were booked respectively in the first six months of FY3/17.

First six months of FY3/18 (Apr. 1, 2017 – Sep. 30, 2017)

1. Information related to sales and profit/loss for each reportable segment

(Millions of yen)

	Reportable segment					Adjustment (Note 1)	Amounts shown on quarterly consolidated statement of income (Note 2)
	Fashion	Anniversaire and Bridal	Karaoke Facility Operations	Café Complex Operations	Total		
Sales							
External sales	46,287	13,177	8,936	17,273	85,675	-	85,675
Inter-segment sales and transfers	10	10	2	-	23	(23)	-
Total	46,298	13,187	8,939	17,273	85,698	(23)	85,675
Segment profit (loss)	(1,057)	947	(26)	1,099	963	396	1,359

Notes: 1. The 396 million yen adjustment to segment profit (loss) includes 2,126 million yen in elimination for inter-segment transactions, and -1,730 million yen in company-wide costs that cannot be allocated to any specific reportable segments. Company-wide costs mainly include administration expenses of the Company that cannot be attributed to reportable segments.

2. Segment profit (loss) is adjusted with operating profit on the quarterly consolidated statement of income.

2. Information related to impairment losses on fixed assets, or goodwill, etc. for each reportable segment

Material impairment losses related to fixed assets

In the Fashion Business, the ANNIVERSAIRE and Bridal Business, the Karaoke Facility Operations Business and the Café Complex Operations Business, impairment losses were recognized for operating stores set to be closed or rebuilt for which there is little expectation of recovery; impairment losses of 144 million yen, 10 million yen, 104 million yen and 77 million yen were booked respectively in the first six months of FY3/18.

*\* This financial report is solely a translation of "Kessan Tanshin" (in Japanese, including attachments), which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.*