

Summary of Consolidated Financial Results
for the First Quarter of the Fiscal Year Ending March 31, 2019
(Three Months Ended June 30, 2018)

[Japanese GAAP]

Company name: AOKI Holdings Inc.

Listings: TSE First Section

Stock code: 8214

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Scheduled date of filing of Quarterly Report: August 6, 2018

Scheduled date of payment of dividend: -

Preparation of supplementary materials for quarterly financial results: Yes

Holding of quarterly financial results meeting: None

Note: The original disclosure in Japanese was released on August 3, 2018 at 15:30 (GMT +9).

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

1. Consolidated Financial Results for the Three Months Ended June 30, 2018 (April 1, 2018 – June 30, 2018)

(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	%
Three months ended Jun. 30, 2018	44,834	(3.1)	640	(30.0)	165	(80.8)	(296)	-
Three months ended Jun. 30, 2017	46,254	(0.1)	914	(44.6)	862	(47.1)	325	(62.6)

Note: Comprehensive income (million yen) Three months ended Jun. 30, 2018: (289) (-%)

Three months ended Jun. 30, 2017: 418 (down 29.1%)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended Jun. 30, 2018	(3.43)	-
Three months ended Jun. 30, 2017	3.74	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Jun. 30, 2018	234,407	144,190	61.5
As of Mar. 31, 2018	239,068	146,528	61.3

Reference: Shareholders' equity (million yen) As of Jun. 30, 2018: 144,109 As of Mar. 31, 2018: 146,440

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY3/18	-	22.00	-	22.00	44.00
FY3/19	-	-	-	-	-
FY3/19 (forecasts)	-	29.00	-	31.00	60.00

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

Breakdown of 2Q-end dividends for FY3/19 (forecasts): Ordinary dividends: 22.00 yen; Commemorative dividends: 7.00 yen

Breakdown of Year-end dividends for FY3/19 (forecasts): Ordinary dividends: 23.00 yen; Commemorative dividends: 8.00 yen

3. Consolidated Forecast for the Fiscal Year Ending March 31, 2019 (April 1, 2018 – March 31, 2019)

(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	199,100	0.3	15,000	0.9	13,750	(1.8)	7,400	0.3	85.56

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

*** 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

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|---|------|
| 1) Changes in accounting policies due to revisions in accounting standards, others: | Yes |
| 2) Changes in accounting policies other than 1) above: | None |
| 3) Changes in accounting-based estimates: | None |
| 4) Restatements: | None |

Note: Please refer to “Changes in Accounting Policies” on page 8 for further information.

(4) Number of shares outstanding (common shares)

1) Number of shares outstanding (including treasury stock) at the end of the period

As of Jun. 30, 2018:	90,649,504 shares	As of Mar. 31, 2018:	90,649,504 shares
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2) Number of shares of treasury stock at the end of the period

As of Jun. 30, 2018:	4,169,006 shares	As of Mar. 31, 2018:	4,085,322 shares
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3) Average number of shares outstanding during the period

Three months ended Jun. 30, 2018:	86,501,449 shares	Three months ended Jun. 30, 2017:	87,121,313 shares
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Note 1: The current quarterly summary report is not subject to quarterly review by certified public accountants or auditing firms.

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

Cautionary statement with respect to forward-looking statements

Forecasts and forward-looking statements 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 3 of the attachments regarding preconditions or other related matters for the forecast shown above.

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1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

In the first quarter of the current fiscal year, the Japanese economy continued to recover slowly with the support of positive trends such as improvements in the labor market and personal income. Consumer spending remained firm but continues to be somewhat lackluster mainly because rising prices of necessities are making consumers more budget minded.

In this environment, the AOKI Group implemented various measures in all business segments as explained below. Sales decreased 3.1% year-on-year to 44,834 million yen, operating profit decreased 30.0% to 640 million yen, ordinary profit decreased 80.8% to 165 million yen and loss attributable to owners of parent was 296 million yen compared with profit attributable to owners of parent of 325 million yen in the same period of the previous fiscal year.

Operating results by segment are as follows.

Fashion Business

In one step to meet the demand for new spring and summer apparel and for Cool Biz apparel, AOKI sells the Rakudo Series of suits, jackets, shirts and trousers that are easy to wash and facilitate easy movement. In addition, AOKI started selling spring and summer apparel in the Hatarakufuku line of working clothes for women. This apparel is easy to wash, wrinkle resistant, stretches easily and now also features a large variety of variations for mixing and matching different items. Also, AOKI has started suitsbox, Japan's first business suit delivery subscription service. Customers pay a monthly subscription fee to receive one or more complete business outfits (jacket, pants, shirt, necktie) that match their preferences. During the first quarter, one store was closed. As a result, there were 573 stores at the end of the first quarter compared with 574 stores at the end of the previous fiscal year.

ORIHICA enlarged the lineup of Cool Biz suits and pants in its No-Iron Series. Two new stores were opened, and two were closed during the first quarter. As a result, there were 137 stores at the end of the first quarter compared with 137 stores at the end of the previous fiscal year.

Overall, first quarter sales were firm for women's apparel but existing store sales were negatively affected by a shift in business apparel styles and by unfavorable weather. As a result, sales in this segment decreased 4.8% to 25,852 million yen and there was an operating loss of 215 million yen compared with operating profit of 157 million yen in the same period of the previous fiscal year.

Anniversaire and Bridal Business

ANNIVERSAIRE INC. operates guesthouse-style wedding and reception facilities. There were marketing and PR activities centered on the distinctive concept of each location as well as the public's image of the ANNIVERSAIRE brand, which are key strengths of this business. In addition, social networking services were used to attract more customers. Despite these actions, the number of weddings decreased mainly because of market conditions for the bridal business in Japan.

Sales decreased 5.1% to 6,553 million yen and operating profit decreased 34.9% to 417 million yen.

Karaoke Facility Operations Business

In the karaoke business of VALIC Co., Ltd., there were many activities to make existing locations more appealing. The new grand menu was expanded and more summer menu items were added. VALIC also strengthened activities for increasing the number of members of the Platinum Club for seniors. During the first quarter, seven karaoke facilities were closed for conversion into a café complex. As a result, there were 165 karaoke facilities at the end of the first quarter compared with 172 at the end of the previous fiscal year.

Sales decreased 5.5% to 3,973 million yen and there was an operating loss of 202 million yen compared with an operating loss of 192 million yen in the same period of the previous fiscal year.

Café Complex Operations Business

In the café complex business of VALIC Co., Ltd., cafés introduced a new grand menu and increased activities involving the Hiyashimen (cold ramen) Fair. In July, cafés started installing high-performance personal computers. VALIC opened one location and closed one location during the first quarter. As a result, there were 359 café complexes at the end of the first quarter compared with 359 at the end of the previous fiscal year.

Sales increased 6.1% to 8,466 million yen due to increase in existing-store sales, and operating profit increased 332.3% to 387 million yen.

(2) Explanation of Financial Position

Balance sheet position

Starting with the beginning of the first quarter of the current fiscal year, AOKI Holdings is applying “Partial Amendments to Accounting Standard for Tax Effect Accounting” (Accounting Standards Board of Japan (ASBJ) Statement No. 28, February 16, 2018). Prior-year figures have been adjusted retroactively to conform with this accounting standard in order to facilitate comparisons and analysis.

Assets

Total assets at the end of the first quarter under review decreased 4,660 million yen from the end of the previous fiscal year to 234,407 million yen due to seasonal factors.

Current assets decreased 4,914 million yen from the end of the previous fiscal year. There was a decrease of 5,414 million yen in accounts receivable-trade due to seasonal factors. Fixed assets increased 253 million yen. Tangible fixed assets decreased 249 million yen due to amortization and other factors and guarantee deposits and leasehold deposit decreased 220 million yen due to the return of deposits and other factors. There was an increase of 764 million yen in other under deferred tax assets (investments and other assets).

Liabilities

Current liabilities decreased 828 million yen from the end of the previous fiscal year. There was a decrease of 2,708 million yen in accounts payable-trade due to seasonal factors and an increase of 2,500 million yen in short-term debt. Long-term liabilities decreased 1,493 million yen mainly due to a decrease of 1,000 million yen in long-term debt resulting from the transfer of long-term debt to the current portion.

Net assets

Net assets decreased 2,338 million yen from the end of the previous fiscal year. There was a decrease of 2,200 million yen in retained earnings due to a loss attributable to owners of parent and dividend from surplus, and an increase of 137 million yen in treasury stock due to stock repurchases.

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

In the first quarter of the current fiscal year, sales were less than planned because of slow existing store sales in the fashion business. But the operating profit was generally consistent with the forecast due to cost cutting measures in all businesses. In addition, business format changes to improve efficiency, closings of selected locations and other actions in the karaoke facility operations business and café complex operations business have resulted in increases in non-operating expenses and, due to asset impairment charges, in extraordinary losses. However, there are no changes to the forecast that was announced on May 10, 2018.

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

	(Millions of yen)	
	FY3/18 (As of Mar. 31, 2018)	First quarter of FY3/19 (As of Jun. 30, 2018)
Assets		
Current assets		
Cash in hand and in banks	32,175	30,687
Accounts receivable-trade	11,659	6,244
Inventories	26,007	26,172
Other current assets	8,431	10,256
Allowance for doubtful accounts	(35)	(37)
Total current assets	78,238	73,323
Fixed assets		
Tangible fixed assets		
Buildings and structures, net	60,585	59,313
Land	36,952	36,952
Other tangible fixed assets, net	14,131	15,153
Total tangible fixed assets	111,669	111,420
Intangible fixed assets	5,796	5,756
Investments and other assets		
Guarantee deposits	7,973	7,889
Leasehold deposit	20,610	20,473
Other investments and other assets	14,830	15,594
Allowance for doubtful accounts	(50)	(50)
Total investments and other assets	43,364	43,907
Total fixed assets	160,829	161,083
Total assets	239,068	234,407
Liabilities		
Current liabilities		
Accounts payable-trade	19,812	17,104
Short-term debt	-	2,500
Current portion of long-term debt	2,650	3,650
Accrued income taxes	2,593	216
Accrued bonuses for employees	1,978	941
Accrued bonuses for directors and statutory auditors	123	27
Other current liabilities	13,592	15,481
Total current liabilities	40,750	39,921
Long-term liabilities		
Long-term debt	36,475	35,475
Accrued retirement benefits for directors and statutory auditors	2,018	-
Accrued costs for customer point program	1,059	955
Net defined benefit liability	1,054	1,075
Asset retirement obligations	6,032	5,949
Other long-term liabilities	5,149	6,840
Total long-term liabilities	51,789	50,296
Total liabilities	92,539	90,217

	(Millions of yen)	
	FY3/18 (As of Mar. 31, 2018)	First quarter of FY3/19 (As of Jun. 30, 2018)
Net assets		
Shareholders' equity		
Common stock	23,282	23,282
Capital surplus	27,833	27,833
Retained earnings	100,299	98,098
Treasury stock	(5,376)	(5,513)
Total shareholders' equity	146,039	143,701
Accumulated other comprehensive income		
Unrealized gain on securities	588	578
Remeasurements of defined benefit plans	(187)	(170)
Total accumulated other comprehensive income	401	408
Stock acquisition rights	87	80
Total net assets	146,528	144,190
Total liabilities and net assets	239,068	234,407

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

(Millions of yen)

	First three months of FY3/18 (Apr. 1, 2017 – Jun. 30, 2017)	First three months of FY3/19 (Apr. 1, 2018 – Jun. 30, 2018)
Sales	46,254	44,834
Cost of sales	26,937	26,473
Gross profit	19,316	18,360
Selling, general and administrative expenses	18,402	17,720
Operating profit	914	640
Non-operating profit		
Interest income	27	28
Dividend income	25	26
Rental income on real estate	141	137
Other	44	39
Total non-operating profit	239	231
Non-operating expenses		
Interest expenses	86	78
Expenses on sub-leased real estate	114	114
Loss on disposal of fixed assets	16	289
Other	73	223
Total non-operating expenses	291	706
Ordinary profit	862	165
Extraordinary gains		
Gain on reversal of stock acquisition rights	-	7
Total extraordinary gains	-	7
Extraordinary losses		
Impairment loss	197	643
Total extraordinary losses	197	643
Profit (loss) before income taxes	664	(470)
Current income taxes	298	190
Deferred income taxes	40	(364)
Total income taxes	338	(173)
Profit (loss)	325	(296)
Profit (loss) attributable to owners of parent	325	(296)

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

	(Millions of yen)	
	First three months of FY3/18 (Apr. 1, 2017 – Jun. 30, 2017)	First three months of FY3/19 (Apr. 1, 2018 – Jun. 30, 2018)
Profit (loss)	325	(296)
Other comprehensive income		
Unrealized gain on securities	66	(9)
Remeasurements of defined benefit plans, net of tax	26	16
Total other comprehensive income	92	7
Comprehensive income	418	(289)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	418	(289)
Comprehensive income attributable to non-controlling interests	-	-

(3) Notes to Quarterly Consolidated Financial Statements

Going Concern Assumption

No reportable information.

Significant Changes in Shareholders' Equity

First three months of FY3/19 (Apr. 1, 2018 – Jun. 30, 2018)

Purchase of treasury stock

AOKI Holdings has purchased 83,000 shares of its treasury stock pursuant to the resolution of the Board of Directors on January 31, 2018. As a result, treasury stock increased 137 million yen during the first three months of FY3/19 to 5,513 million yen at the end of the first quarter of FY3/19.

Changes in Accounting Policies

AOKI Holdings has decided to apply “Practical Solution on Transactions Granting Employees and Others Stock Acquisition Rights, which Involve Considerations, with Vesting Conditions, etc.” (ASBJ Practical Issues Task Force (PITF) No. 36, January 12, 2018) from April 1, 2018 and to account for transactions granting employees and others stock acquisition rights, which involve considerations, with vesting conditions in accordance with the “Accounting Standard for Stock Options” (ASBJ Statement No. 8, December 27, 2005) and related guidance.

However, when applying PITF No. 36, the Company complies with the transitional provisions in Paragraph 10, Item (3) of PITF No. 36 and continues to account for transactions that granted employees and others stock acquisition rights, which involve considerations, with vesting conditions prior to the date of application of PITF No. 36 in accordance with the previously adopted accounting procedures.

Additional Information

Application of Partial Amendments to Accounting Standard for Tax Effect Accounting

AOKI Holdings has applied “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018) at the beginning of the first quarter of the current fiscal year. Accordingly, deferred tax assets are reclassified and included in the investments and other assets section.

Termination of Directors' Retirement Benefits

At the AOKI Holdings shareholders meeting in June 2018, shareholders approved a resolution to make final retirement payments in conjunction with the termination of the retirement benefit program for directors and statutory auditors of AOKI Holdings and its consolidated subsidiaries.

As a result, all accrued retirement benefits for directors and statutory auditors were reversed and eliminated at the end of the first quarter of the current fiscal year. The planned retirement benefit program termination payments of 1,700 million yen are included in other long-term liabilities.

Segment and Other Information

First three months of FY3/18 (Apr. 1, 2017 – Jun. 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	27,168	6,899	4,202	7,983	46,254	-	46,254
Inter-segment sales and transfers	1	2	0	-	4	(4)	-
Total	27,169	6,902	4,203	7,983	46,259	(4)	46,254
Segment profit (loss)	157	640	(192)	89	695	218	914

Notes: 1. The 218 million yen adjustment to segment profit (loss) includes 1,063 million yen in elimination for inter-segment transactions, and -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 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 87 million yen, 4 million yen, 99 million yen and 6 million yen were booked respectively in the first three months of FY3/18.

First three months of FY3/19 (Apr. 1, 2018 – Jun. 30, 2018)

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	25,851	6,542	3,973	8,466	44,834	-	44,834
Inter-segment sales and transfers	1	10	0	-	11	(11)	-
Total	25,852	6,553	3,973	8,466	44,846	(11)	44,834
Segment profit (loss)	(215)	417	(202)	387	387	252	640

Notes: 1. The 252 million yen adjustment to segment profit (loss) includes 1,103 million yen in elimination for inter-segment transactions, and -850 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, rebuilt or converted for which there is little expectation of recovery and subleasing stores expected to remain in the red; impairment losses of 81 million yen, 297 million yen, and 264 million yen were booked respectively in the first three months of FY3/19.

* 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.