AOKI Holdings

November 7, 2019

Summary of Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2020 (Six Months Ended September 30, 2019)

[Japanese GAAP]

Company name: AOKI Holdings Inc. Listings: TSE First Section
Stock code: 8214 URL: http://www.aoki-hd.co.jp/
Representative: Akihiro Aoki, President
Contact: Haruo Tamura, Executive Vice President Tel: +81-45-941-1388

Scheduled date of filing of Quarterly Report: November 8, 2019
Scheduled date of payment of dividend: December 4, 2019
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 7, 2019 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, 2019 (April 1, 2019 – September 30, 2019)

(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, 2019	82,795	(2.0)	377	(75.8)	(496)	-	(988)	-
Six months ended Sep. 30, 2018	84,476	(2.0)	1,563	10.9	533	(44.5)	(1,056)	-

Note: Comprehensive income (million yen) Six months ended Sep. 30, 2019: (1,176) (-%)
Six months ended Sep. 30, 2018: (974) (-%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Sep. 30, 2019	(11.51)	-
Six months ended Sep. 30, 2018	(12.22)	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Sep. 30, 2019	226,857	141,759	62.4
As of Mar. 31, 2019	232,056	145,671	62.7

Reference: Shareholders' equity (million yen) As of Sep. 30, 2019: 141,648 As of Mar. 31, 2019: 145,595

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY3/19	-	29.00	-	31.00	60.00
FY3/20	-	23.00			
FY3/20 (forecasts)			-	23.00	46.00

Note: Revisions to the most recently announced dividend forecast: None
Breakdown of 2Q-end dividends for FY3/19: Ordinary dividends: 22.00 yen; Commemorative dividends: 7.00 yen
Breakdown of Year-end dividends for FY3/19: Ordinary dividends: 23.00 yen; Commemorative dividends: 8.00 yen

3. Consolidated Forecast for the Fiscal Year Ending March 31, 2020 (April 1, 2019 – March 31, 2020)

(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	192,500	(1.3)	12,300	(8.8)	11,300	(5.0)	5,400	17.3	62.88

Note: Revisions to the most recently announced consolidated forecast: Yes
The sales and ordinary profit forecasts have 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, 2019:	90,649,504 shares	As of Mar. 31, 2019:	90,649,504 shares

2) Number of shares of treasury stock at the end of the period

As of Sep. 30, 2019:	4,829,270 shares	As of Mar. 31, 2019:	4,724,330 shares

3) Average number of shares outstanding during the period

Six months ended Sep. 30, 2019:	85,926,755 shares	Six months ended Sep. 30, 2018:	86,511,757 shares

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 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 22, 2019. Materials to be distributed at this event will be available on the Company's website immediately thereafter.

Contents of Attachments

1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

In prior years, rent income of real estate and the rent cost of real estate were included in non-operating profit, selling, general and administrative expenses, and non-operating expenses. Beginning with the first quarter of the current fiscal year, rent income of real estate and the rent cost of real estate are instead included in sales and cost of sales. Comparisons and analysis using results of operations in the first half of the previous fiscal year are based on figures that have been restated to conform with this change.

In the first half of the current fiscal year, the Japanese economy continued to recover slowly due to improvements in the labor market and personal income and other reasons. However, the economic outlook remains unclear, in part due to signs of an economic slowdown in some sectors, amid uncertainty caused by the U.S.-China trade friction and other global events.

The AOKI Group implemented various measures in all business segments as explained below. Sales decreased 2.0% year-on-year to 82,795 million yen, operating profit decreased 75.8% to 377 million yen. There was an ordinary loss of 496 million yen compared with a profit of 533 million yen one year earlier. Loss attributable to owners of parent was 988 million yen compared with a loss of 1,056 million yen one year earlier.

Operating results by segment are as follows.

As AOKI revised its reportable segments in the first quarter of the current fiscal year, a comparative analysis of segment performance is presented based on the revised segments.

Fashion Business

AOKI continued to enlarge the lineups of men’s and women’s Cool Biz apparel, which features a variety of functions for comfort as summer heat becomes more intense year after year. There were also actions to increase sales of personal order suits, including the full-scale launch of a website for purchasing these suits. During the first half, six stores were opened, including two stores exclusively for Size MAX. During the same period, 49 stores were closed due to examinations of stores from the standpoints of profitability and AOKI’s dominant areas. These closings include stores closed for relocation and conversions to a café complex or other business format. As a result, there were 523 AOKI stores at the end of the first half compared with 566 at the end of the previous fiscal year.

ORIHICA increased its lineup of Cool Biz apparel and apparel using THE THIRD SUITS brand, adding new items for men and women. Functional products were another highlight of the first half, including original ORIHICA products like white shirts with a light-blocking fabric, shirts with a fabric that is resistant to soiling and stains, and 3-way (briefcase, shoulder bag, backpack) business bags. Following the closure of six stores in order to improve the efficiency of operations, ORIHICA had 125 stores at the end of the first half compared with 131 at the end of the previous fiscal year.

First half sales in this segment decreased 4.6% from one year earlier to 42,580 million yen. Although sales benefited from a rush to make purchases prior to Japan’s October 2019 consumption tax increase, existing store sales were slow mainly because of the ongoing shift in the types of business apparel people prefer and the negative impact of weather. The first half operating loss was 1,377 million yen compared with a 1,558 million yen loss one year earlier.

Anniversaire and Bridal Business

ANNIVERSAIRE INC., which operates guesthouse-style wedding and reception facilities, took many actions to attract more customers. One step was a major redesign of the website of every location in order to communicate more clearly the unique characteristics of these wedding and reception facilities. Another measure was the promotion at four locations of TREND COLLECTIONS in the Tokyo area, a stylish and glamorous wedding format that incorporates current trends in the wedding market as much as possible. Despite these actions, the number of weddings was lower than one year earlier mainly because of the smaller number of wedding and reception locations and changing market conditions.

Sales decreased 9.7% to 11,282 million yen and there was an operating loss of 34 million yen compared with a profit of 649 million yen one year earlier.

Entertainment Business

KAIKATSU CLUB, a chain of café complexes, completed renovations of 37 locations during the first half. Improvements include a reconfigured booth layout, the addition of karaoke rooms, no-smoking booths and showers, and other changes. In addition, cafés increased activities for meeting customers' needs, such as by holding a Hiyashimen (cold noodles) and Donburi (rice bowl dishes) Fair. This business has started a new format that combines a KAIKATSU CLUB with a FiT24 fitness center, which uses a self-service format and is open 24 hours. The new format has been performing well by enabling customers to utilize the services and equipment of both a café club and fitness center.

In the COTE D'AZUR karaoke business, 12 locations were remodeled during the first half, including the installation of karaoke units with the latest technologies and expansion of space for children. In addition, a Summer Menu Fair was held through a collaboration with KAIKATSU CLUB, more locations added ice cream machines to their beverage bars, and other improvements were made in order to make existing locations more appealing.

During the first half, 46 KAIKATSU CLUBs and 20 FiT24 fitness centers were opened, and one COTE D'AZUR was closed. This business segment had 564 locations at the end of the first half compared with 499 at the end of the previous fiscal year.

Sales increased 5.7% to 28,327 million yen due to contributions from new facilities and strong existing-store sales. Operating profit decreased 26.5% to 1,427 million yen due to higher expenses related to new store openings.

Real Estate Leasing Business

Segment sales increased 12.3% to 1,727 million yen mainly because of an increase in the subleasing of closed properties in the fashion business and COTE D'AZUR karaoke business. Operating profit decreased 7.3% to 322 million yen due in part to an increase in subleasing expenses.

(2) Explanation of Financial Position

1) Balance sheet position

Assets

Total assets at the end of the second quarter under review decreased 5,198 million yen from the end of the previous fiscal year to 226,857 million yen due to seasonal factors.

Current assets decreased 8,846 million yen from the end of the previous fiscal year. There was a decrease of 7,054 million yen in accounts receivable-trade due to seasonal factors. Fixed assets increased 3,647 million yen from the end of the previous fiscal year as tangible fixed assets increased 3,935 million yen due to new store openings and other factors.

Liabilities

Current liabilities decreased 1,824 million yen from the end of the previous fiscal year. Short-term borrowings increased 5,000 million yen, while there were decreases of 6,000 million yen in accounts payable-trade mainly due to seasonal factors and 1,423 million yen in other current liabilities including accounts payable-other. Long-term liabilities increased 537 million yen mainly due to an increase of 713 million yen in other long-term liabilities including lease obligations.

Net assets

Net assets decreased 3,911 million yen from the end of the previous fiscal year. There was a decrease of 3,652 million yen in retained earnings due to a loss attributable to owners of parent and dividend from surplus.

2) Cash flow position

Cash and cash equivalents (hereafter "net cash") at the end of the second quarter under review decreased 259 million yen over the end of the previous fiscal year to 26,298 million yen.

Cash flows from operating activities

Net cash provided by operating activities increased 3,949 million yen to 4,153 million yen on a year-on-year basis. The principal factors were depreciation and amortization of 4,246 million yen and a decrease of 7,054 million yen in accounts receivable-trade, while there were a loss before income taxes of 1,153 million yen and a decrease of 6,000 million yen in accounts payable-trade.

Cash flows from investing activities

Net cash used in investing activities increased 3,215 million yen to 5,996 million yen on a year-on-year basis. This was mainly due to the acquisition of tangible fixed assets of 5,900 million yen for new store openings, renewals and other factors.

Cash flows from financing activities

Net cash provided by financing activities increased 5,401 million yen to 1,583 million yen on a year-on-year basis. This was mainly due to a short-term borrowings of 5,000 million yen and long-term borrowings of 2,000 million yen, while there were cash dividends paid of 2,662 million yen, scheduled repayment of long-term borrowings of 1,325 million yen, and repayments of lease obligations of 1,029 million yen.

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

First half sales and ordinary profit were somewhat below the pace needed to reach these forecasts.

We have reexamined the fiscal year forecast based on first half performance. This reexamination incorporated business plans and other items as well as a review by each business unit of its plans to open and close stores or other facilities. This process resulted in the decision to revise the forecasts for sales and ordinary profit that were announced on May 10, 2019. The entertainment business has increased its fiscal year new store plan from the initial 100 to 130 stores.

Consolidated forecast for the fiscal year ending March 31, 2020 (April 1, 2019 – March 31, 2020)

	Sales	Operating profit	Ordinary profit	Profit attributable to owners of parent	Net income per share
	(Million yen)	(Million yen)	(Million yen)	(Million yen)	(Yen)
Previous forecast (A) (announced on May 10, 2019)	194,050	12,300	11,750	5,400	62.85
Revised forecast (B)	192,500	12,300	11,300	5,400	62.88
Change (B - A)	(1,550)	-	(450)	-	
Percentage change (%)	(0.8)	-	(3.8)	-	
Previous fiscal year (ended Mar. 31, 2019)	195,054	13,491	11,890	4,602	53.34

Note: Figures reflect the reclassification of real estate leasing.

Our business segment forecasts were also revised as follows.

Forecast by business segment for the fiscal year ending March 31, 2020

	Fashion	Anniversaire and Bridal	Entertainment	Real Estate Leasing	Consolidated
	(Million yen)	(Million yen)	(Million yen)	(Million yen)	(Million yen)
Sales	108,000	24,700	58,500	3,530	192,500
YoY change (%)	94.4	97.1	108.1	113.3	98.7
Segment profit	7,500	1,500	2,800	790	12,300
YoY change (%)	103.3	69.1	88.0	123.8	91.2

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)

	FY3/19 (As of Mar. 31, 2019)	Second quarter of FY3/20 (As of Sep. 30, 2019)
Assets		
Current assets		
Cash in hand and in banks	26,558	26,298
Accounts receivable-trade	11,793	4,738
Inventories	25,574	25,855
Other current assets	9,061	7,242
Allowance for doubtful accounts	(38)	(33)
Total current assets	72,948	64,102
Fixed assets		
Tangible fixed assets		
Buildings and structures, net	60,933	64,294
Land	36,941	36,941
Other, net	12,083	12,658
Total tangible fixed assets	109,958	113,893
Intangible fixed assets	5,932	6,005
Investments and other assets		
Guarantee deposits	7,881	7,813
Leasehold deposit	20,536	20,451
Other investments and other assets	14,838	14,631
Allowance for doubtful accounts	(40)	(40)
Total investments and other assets	43,216	42,856
Total fixed assets	159,107	162,755
Total assets	232,056	226,857

(Millions of yen)

	FY3/19 (As of Mar. 31, 2019)	Second quarter of FY3/20 (As of Sep. 30, 2019)
Liabilities		
Current liabilities		
Accounts payable-trade	18,162	12,161
Short-term borrowings	-	5,000
Current portion of long-term borrowings	2,650	3,650
Accrued income taxes	579	349
Accrued bonuses for employees	2,078	1,945
Accrued bonuses for directors and statutory auditors	83	46
Other current liabilities	13,624	12,200
Total current liabilities	37,177	35,352
Long-term liabilities		
Long-term borrowings	34,825	34,500
Accrued costs for customer point program	872	733
Retirement benefit liability	1,094	1,134
Asset retirement obligations	6,466	6,714
Other long-term liabilities	5,949	6,663
Total long-term liabilities	49,208	49,745
Total liabilities	86,385	85,098
Net assets		
Shareholders' equity		
Share capital	23,282	23,282
Capital surplus	27,846	27,823
Retained earnings	100,488	96,836
Treasury stock	(6,302)	(6,387)
Total shareholders' equity	145,315	141,555
Accumulated other comprehensive income		
Unrealized gain on securities	370	154
Remeasurements of defined benefit plans	(89)	(61)
Total accumulated other comprehensive income	280	92
Stock acquisition rights	75	110
Total net assets	145,671	141,759
Total liabilities and net assets	232,056	226,857

(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 FY3/19 (Apr. 1, 2018 – Sep. 30, 2018)	First six months of FY3/20 (Apr. 1, 2019 – Sep. 30, 2019)
Sales	84,476	82,795
Cost of sales	50,283	50,563
Gross profit	34,192	32,231
Selling, general and administrative expenses	32,628	31,854
Operating profit	1,563	377
Non-operating profit		
Interest income	45	39
Dividend income	41	44
Other	106	88
Total non-operating profit	193	173
Non-operating expenses		
Interest expenses	155	138
Loss on disposal of fixed assets	316	551
Expenses for events to celebrate AOKI’s 60th anniversary	458	-
Other	294	356
Total non-operating expenses	1,223	1,047
Ordinary profit (loss)	533	(496)
Extraordinary gains		
Gain on sale of fixed assets	-	55
Gain on sales of investment securities	27	145
Gain on reversal of stock acquisition rights	7	4
Total extraordinary gains	35	205
Extraordinary losses		
Impairment loss	1,524	789
Loss on liquidation of subsidiaries and associates	444	-
Loss on disaster	48	-
Loss on valuation of investment securities	-	72
Total extraordinary losses	2,017	861
Loss before income taxes	(1,448)	(1,153)
Current income taxes	325	323
Deferred income taxes	(717)	(487)
Total income taxes	(391)	(164)
Loss	(1,056)	(988)
Loss attributable to owners of parent	(1,056)	(988)

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

(Millions of yen)

	First six months of FY3/19 (Apr. 1, 2018 – Sep. 30, 2018)	First six months of FY3/20 (Apr. 1, 2019 – Sep. 30, 2019)
Loss	(1,056)	(988)
Other comprehensive income		
Unrealized gain on securities	49	(215)
Remeasurements of defined benefit plans, net of tax	32	27
Total other comprehensive income	82	(188)
Comprehensive income	(974)	(1,176)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(974)	(1,176)
Comprehensive income attributable to non-controlling interests	-	-

(3) Quarterly Consolidated Statement of Cash Flows

(Millions of yen)

	First six months of FY3/19 (Apr. 1, 2018 – Sep. 30, 2018)	First six months of FY3/20 (Apr. 1, 2019 – Sep. 30, 2019)
Cash flows from operating activities		
Loss before income taxes	(1,448)	(1,153)
Depreciation and amortization	4,089	4,246
Impairment loss	1,524	789
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(2,018)	-
Increase (decrease) in accrued costs for customer point program	(208)	(138)
Increase (decrease) in retirement benefit liability	89	81
Interest and dividend income	(86)	(84)
Interest expenses	155	138
Loss (gain) on sales of investment securities	(27)	(145)
Loss on liquidation of subsidiaries and associates	444	-
Decrease (increase) in accounts receivable-trade	7,429	7,054
Decrease (increase) in inventories	(1,672)	(280)
Increase (decrease) in accounts payable-trade	(5,328)	(6,000)
Increase (decrease) in accrued consumption taxes	(1,228)	(676)
Other	1,515	478
Subtotal	3,228	4,308
Interest and dividend income received	71	81
Interests paid	(154)	(137)
Income taxes paid	(3,818)	(1,564)
Income taxes refund	875	1,465
Net cash provided by operating activities	203	4,153
Cash flows from investing activities		
Payments for acquisition of tangible fixed assets	(2,699)	(5,900)
Payments for acquisition of intangible fixed assets	(294)	(672)
Payments for leasehold and guarantee deposits	(481)	(880)
Proceeds from sales of investment securities	-	836
Net decrease (increase) in trust beneficiary rights	769	787
Other	(75)	(167)
Net cash used in investing activities	(2,780)	(5,996)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	-	5,000
Proceeds from long-term borrowings	-	2,000
Repayments of long-term borrowings	(325)	(1,325)
Repayments of lease obligations	(1,450)	(1,029)
Payments for purchase of treasury stock	(138)	(194)
Dividends paid	(1,903)	(2,662)
Other	-	(205)
Net cash provided by (used in) financing activities	(3,818)	1,583
Effect of exchange rate change on cash and cash equivalents	(0)	0
Increase (decrease) in cash and cash equivalents	(6,395)	(259)
Cash and cash equivalents at beginning of period	32,175	26,558
Cash and cash equivalents at end of period	25,780	26,298

(4) Notes to Quarterly Consolidated Financial Statements

Going Concern Assumption

No reportable information.

Significant Changes in Shareholders' Equity

First six months of FY3/20 (Apr. 1, 2019 – Sep. 30, 2019)

Purchase of treasury stock

AOKI Holdings has purchased 183,000 shares of its treasury stock pursuant to the resolution of the Board of Directors on August 13, 2019, and sold 82,000 shares for restricted stock compensation for directors pursuant to the resolution of the Board of Directors on June 27, 2019. As a result, treasury stock increased 84 million yen including shares resulting from purchase of odd-lot shares during the first six months of FY3/20 to 6,387 million yen at the end of the second quarter of FY3/20.

Additional Information

Reclassifications

In prior years, rent income of real estate and the rent cost of real estate were included in non-operating profit, selling, general and administrative expenses, and non-operating expenses. Beginning with the first quarter of the current fiscal year, rent income of real estate and the rent cost of real estate are instead included in sales and cost of sales.

This change was made to more properly incorporate the real estate leasing business in the financial statements. Real estate leasing is now positioned as one of the major businesses of AOKI Holdings. Rent income of real estate is a consistent source of earnings and more growth of this income is expected as the number of leased properties increases. In addition, the profitability of this business has been properly managed by the relevant department. Consolidated financial statements for the first six months of the previous fiscal year have been restated to reflect these reclassifications.

Accordingly, "rental income of real estate" under "non-operating profit" of 260 million yen, "rent cost of real estate" under "non-operating expenses" of 196 million yen and real estate-related expenses, which was included in "selling, general and administrative expenses," of 16 million yen in the consolidated statement of income for the first six months of the previous fiscal year has been reclassified. As a result, sales and cost of sales increased 562 million yen and 515 million yen, respectively.

Segment and Other Information

First six months of FY3/19 (Apr. 1, 2018 – Sep. 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	Entertainment	Real Estate Leasing	Total		
Sales							
External sales	44,642	12,481	26,788	562	84,476	-	84,476
Inter-segment sales and transfers	1	16	0	975	993	(993)	-
Total	44,644	12,497	26,788	1,538	85,469	(993)	84,476
Segment profit (loss)	(1,558)	649	1,940	347	1,378	185	1,563

Notes: 1. The 185 million yen adjustment to segment profit (loss) includes 1,777 million yen in elimination for inter-segment transactions, and -1,592 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 Entertainment Business, impairment losses were recognized for operating stores and subleasing stores set to be closed, relocated or converted, or expected to remain in the red; impairment losses of 168 million yen and 1,356 million yen were booked respectively in the first six months of FY3/19.

First six months of FY3/20 (Apr. 1, 2019 – Sep. 30, 2019)

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	Entertainment	Real Estate Leasing	Total		
Sales							
External sales	42,578	11,278	28,327	611	82,795	-	82,795
Inter-segment sales and transfers	1	3	0	1,115	1,120	(1,120)	-
Total	42,580	11,282	28,327	1,727	83,916	(1,120)	82,795
Segment profit (loss)	(1,377)	(34)	1,427	322	337	40	377

Notes: 1. The 40 million yen adjustment to segment profit (loss) includes 2,105 million yen in elimination for inter-segment transactions, and -2,065 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 Entertainment Business and the Real Estate Leasing Business, impairment losses were recognized for operating stores set to be closed or converted for which there is little expectation of recovery and subleasing stores expected to remain in the red; impairment losses of 278 million yen, 404 million yen and 106 million yen were booked respectively in the first six months of FY3/20.

3. Information related to revisions for reportable segments

In the first quarter of FY3/20, the Karaoke Facility Operations Business and Café Complex Operations Business were combined to reflect the reorganization of management and the increasing diversity of the operations. The combined business was renamed the Entertainment Business.

As noted in the section “Additional Information, Reclassifications,” the business related to real estate leasing is reclassified and presented as a separate segment titled “Real Estate Leasing Business.”

The segment information for the first six months of FY3/19 is prepared and disclosed based on the reportable segments after the revision.

** 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.*