AOKI Holdings

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Notice of Extraordinary loss and Revisions to Forecasts for the Fiscal Year Ended March 31, 2020

AOKI Holdings Inc. expects the extraordinary loss due to impairment losses on fixed assets to be higher than was originally expected. In addition, AOKI Holdings has revised its consolidated sales and earnings forecasts for the fiscal year ended March 31, 2020 that were announced on November 7, 2019.

1. Extraordinary loss

AOKI Holdings originally expected to record impairment losses of 2,450 million yen as an extraordinary loss in the fiscal year that ended on March 31, 2020 but now expects impairment losses to increase to approximately 4,000 million yen. In the Fashion Business, store closings have increased and the decision has been made to close more stores in order to improve efficiency. In addition, the Fashion Business has been negatively affected by warm winter weather and a change in business apparel styles and sales in all businesses of AOKI Holdings are lower because of the COVID-19 pandemic and other reasons.

2. Revisions to consolidated forecasts for the fiscal year ended 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)	192,500	12,300	11,300	5,400	63.03
Revised forecast (B)	180,200	6,600	5,450	450	5.26
Change (B - A)	(12,300)	(5,700)	(5,850)	(4,950)	
Percentage change (%)	(6.4)	(46.3)	(51.8)	(91.7)	
(Reference) Previous fiscal year (ended March 31, 2019)	195,054	13,491	11,890	4,602	53.34

Note: Beginning with the current fiscal year, rent income of real estate and the rent cost of real estate are reclassified from non-operating profit, selling, general and administrative expenses, and non-operating expenses to sales and cost of sales. Comparisons and analysis using results of operations in the previous fiscal year are based on figures that have been restated to conform with this change.

2. Reasons for revisions

(1) In the Fashion Business, warm winter weather, a change in business apparel styles and the October 2019 consumption tax hike all had a negative effect on sales. Furthermore, the COVID-19 outbreak had a significant impact on sales beginning in late February. Existing store sales in March were down 32.9% from one year earlier, including an estimated decline of more than 30% due to COVID-19. In the ANNIVERSAIRE and Bridal Business, sales in March were down 53.3% from one year earlier because of a smaller number of locations, adverse market conditions and wedding postponements starting in late February. COVID-19 is believed to be responsible for a March sales decline of more than 40% in this business. The Entertainment Business performed well during the fiscal year until around the second half of February when the number of customers started to fall rapidly. In March, existing store sales in this business were down 17.2% from one year earlier and almost all of this decrease is believed to be attributable to COVID-19.

The consolidated sales forecast was revised to reflect all of these changes.

(2) Despite efforts made to reduce costs in each of our businesses, operating profit and ordinary profit are both expected to be lower than the previous forecast mainly as a result of a decrease in sales and other factors.

(3) Forecast of profit attributable to owners of parent has been revised as shown above due to a decrease in ordinary profit and because the impairment losses and other extraordinary losses are expected to be higher than the previous forecast.

Information about the revisions for each segment will be provided in the consolidated financial results to be announced on Friday, May 8, 2020.

Note: Above forecasts are based on judgments made in accordance with information available to management at the time this release was prepared, and actual results may differ substantially from these forecasts for a number of reasons.