

Summary of Consolidated Financial Results
for the Second Quarter of the Fiscal Year Ending March 31, 2022
(Six Months Ended September 30, 2021)

[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:

November 8, 2021

Scheduled date of payment of dividend:

December 2, 2021

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 5, 2021 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, 2021**(April 1, 2021 – September 30, 2021)****(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, 2021	62,382	11.5	(3,094)	-	(3,436)	-	(3,776)	-
Six months ended Sep. 30, 2020	55,952	(32.4)	(11,885)	-	(12,397)	-	(9,661)	-

Note: Comprehensive income (million yen) Six months ended Sep. 30, 2021: (3,732) (-%)

Six months ended Sep. 30, 2020: (9,694) (-%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Sep. 30, 2021	(44.51)	-
Six months ended Sep. 30, 2020	(114.04)	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Sep. 30, 2021	223,816	121,398	54.0
As of Mar. 31, 2021	237,260	125,850	52.9

Reference: Shareholders' equity (million yen)

As of Sep. 30, 2021: 120,936

As of Mar. 31, 2021: 125,487

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY3/21	-	10.00	-	0.00	10.00
FY3/22	-	5.00	-	-	-
FY3/22 (forecasts)	-	-	-	5.00	10.00

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

3. Consolidated Forecast for the Fiscal Year Ending March 31, 2022 (April 1, 2021 – March 31, 2022)

(Percentages represent year-on-year changes)

	Net 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	156,500	9.3	5,000	-	4,100	-	1,300	-	15.32

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 of the attachments 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: | 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 10 of the attachments for further information.

(4) Number of shares outstanding (common shares)

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

As of Sep. 30, 2021:	87,649,504 shares	As of Mar. 31, 2021:	90,649,504 shares
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2) Number of treasury shares at the end of the period

As of Sep. 30, 2021:	2,746,304 shares	As of Mar. 31, 2021:	5,853,274 shares
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3) Average number of shares outstanding during the period

Six months ended Sep. 30, 2021:	84,842,039 shares	Six months ended Sep. 30, 2020:	84,727,303 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 4 of the attachments regarding preconditions or other related matters for the forecast shown above.

Supplementary materials for quarterly financial results

Supplementary materials for quarterly financial results will be available on the Company’s website immediately after the earnings announcement on Friday, November 5, 2021.

Disclosure of the information meeting materials

The Company plans to hold a financial results meeting for institutional investors and analysts by telephone conference on Friday, November 19, 2021. Materials to be distributed at this event will be available on the Company’s website on the morning of the meeting.

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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 COVID-19 pandemic continued to have an impact on the Japanese economy. Extensions and expansions of states of emergency and measures to prevent infections restricted economic activity. Some businesses were required to suspend operations or reduce operating hours. Although the severity of the pandemic is currently declining as more people are vaccinated, the outlook for the economy remains uncertain due to the risk of another wave of infections.

Due to the activities explained in the following section that were accompanied by measures to prevent the spread of infections, the impact of the pandemic was less than one year earlier. Net sales increased 11.5% year-on-year to 62,382 million yen, and operating loss was 3,094 million yen compared with a loss of 11,885 million yen one year earlier. There was an ordinary loss of 3,436 million yen compared with a loss of 12,397 million yen one year earlier. Loss attributable to owners of parent was 3,776 million yen compared with a loss of 9,661 million yen one year earlier.

The Company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the first quarter of the current fiscal year. The application of this standard reduced first half net sales by 1,917 million yen and decreased operating loss and ordinary loss by 281 million yen each.

Operating results by segment are as follows.

Fashion Business

One major activity in this business was the expansion of the men's and women's lineups of pajama suits, which combining the comfort of pajamas and fashionable styling of suits. Pajama suits have been very popular since their launch. This business also expanded operations involving innerwear and other apparel associated with pajama suits. For working women, activities in this business focused on mix-and-match apparel sets, jackets and pants, which are comfortable as well as easy to wash, wrinkle resistant and stretchable. We also strengthened the lineup of innerwear items for many uses that can also be mixed and matched. During the first half of the fiscal year, one ORIHICA store was opened and six AOKI stores and four ORIHICA stores were closed to improve the efficiency of this business. There were 620 stores at the end of the first half (one combined AOKI/Size MAX store has been changed to counting each format separately) compared with 628 at the end of the previous fiscal year.

Although there were many activities during the fiscal year's first half in this business, performance was affected by states of emergency and other responses to the pandemic expanded to more areas of Japan. As a result, sales in this segment decreased 3.3% to 30,433 million yen and operating loss was 3,242 million yen, compared with a loss of 4,797 million yen one year earlier, mainly due to reduction in SG&A expenses.

Anniversaire and Bridal Business

At all locations in this business, employees continued to focus on rigorous activities to prevent infections. These activities made it possible for customers to hold weddings and receptions with confidence about the safety of these events. This business offers weddings and services to reflect new life styles. During the first half, the number of weddings held by this business since the start of operations in 1998 surpassed 100,000. To mark this accomplishment, Anniversaire started the "Kiseki" 100,000 couples appreciation fair. At the end of the first half, there were 11 locations in this business, down from 12 at the end of the previous fiscal year because the Tokyo Bay location closed in September due to the end of the lease at the building it occupied.

The performance of this segment improved because of these measures and the higher number of weddings during the first half compared to one year earlier when there were no weddings and receptions between April 7 and May 31, 2020. First half performance also benefited from a small decline in the negative effects of the pandemic. As a result, sales increased 156.2% to 4,302 million yen and there was an operating loss of 148 million yen compared with a 2,640 million yen loss one year earlier.

Entertainment Business

This business continued to operate while taking many steps to protect customers during the pandemic although some locations temporarily closed. KAIKATSU CLUB café complexes used numerous measures to attract a broader

spectrum of customers and give people reasons to visit more frequently. Cafés continued to enlarge the types of content provided to customers and stepped up joint campaigns with other companies and public relations activities. FiT24 continued to open many new self-service fitness clubs. Growth is also backed by the ability to give customers access to KAIKATSU CLUB cafés, a benefit no other fitness club can match. During the first half, we opened 19 KAIKATSU CLUBs and 18 FiT24 locations. 17 KAIKATSU CLUBs and four COTE D'AZURs were closed for conversions and other measures to improve efficiency. As a result, there were 675 locations in this segment at the end of the first half compared with 659 at the end of the previous fiscal year.

The performance of this segment improved because of these measures and benefited from a decline in the negative effects of the pandemic. Sales in this segment increased 21.9% to 27,010 million yen and operating profit was 29 million yen compared with a loss of 4,984 million yen one year earlier.

Real Estate Leasing Business

Segment sales increased 9.8% to 2,120 million yen mainly because of an increase in the subleasing of stores and other facilities that were closed. Operating profit increased 16.5% to 433 million yen.

Information about the application of the accounting standard for revenue recognition, etc. and the effect of this standard for each business segment is shown in “Changes in Accounting Policies” on page 10 and “Segment Information, First six months of FY3/22, 3. Information related to revisions for reportable segments” on page 12.

(2) Explanation of Financial Position

1) Balance sheet position

Assets

Total assets at the end of the second quarter decreased 13,444 million yen from the end of the previous fiscal year to 223,816 million yen mainly due to seasonal factors.

Current assets decreased 14,183 million yen from the end of the previous fiscal year. There was a decrease of 6,910 million yen in accounts receivable-trade due to seasonal factors and 5,639 million yen in cash and deposits. Non-current assets increased 739 million yen from the end of the previous fiscal year as there was an increase in other under investments and other assets which includes deferred tax assets.

Liabilities

Current liabilities decreased 9,010 million yen from the end of the previous fiscal year. There was decreases of 4,935 million yen in accounts payable-trade mainly due to seasonal factors and electronically recorded obligations-operating of 2,660 million yen. Non-current liabilities increased 18 million yen. There was an increase of 431 million yen in long-term borrowings mainly due to a 9,000 million yen of long-term new loan and scheduled repayment.

Net assets

Net assets decreased 4,452 million yen from the end of the previous fiscal year. There was a decrease of 4,666 million yen in retained earnings due to a loss attributable to owners of parent and the application of the accounting standard for revenue recognition, etc.

2) Cash flow position

Cash and cash equivalents (hereafter “net cash”) at the end of the second quarter decreased 5,639 million yen over the end of the previous fiscal year to 24,302 million yen.

Cash flows from operating activities

Net cash provided by operating activities was 1,202 million yen (compared with net cash used of 8,719 million yen one year earlier). The principal factors were loss before income taxes of 4,931 million yen and a decrease in trade payables of 4,935 million yen, while there were depreciation of 4,649 million yen and a decrease in trade receivables of 6,910 million yen.

Cash flows from investing activities

Net cash used in investing activities increased 2,362 million yen to 5,202 million yen on a year-on-year basis. This was mainly due to the payments of 5,330 million yen for the purchase of property, plant and equipment for new store openings, renewals and other factors.

Cash flows from financing activities

Net cash used in financing activities was 1,638 million yen (compared with net cash provided of 21,496 million yen one year earlier). This was mainly due to proceeds from long-term borrowings of 9,000 million yen, while there were repayments of short-term borrowings of 5,000 million yen, scheduled repayment of long-term borrowings of 4,409 million yen and repayments of lease obligations of 1,224 million yen.

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

First half sales were somewhat low in relation to the fiscal year forecast and the loss attributable to owners of parent was slightly high in relation to this forecast.

The fiscal year sales forecast announced on May 13, 2021 has been revised based on first half performance and a review of store openings and closings in all businesses, plans for expenses and other items. There are no revisions to the forecasts for operating profit, ordinary profit and profit attributable to owners of parent. The decision to leave these forecasts unchanged reflects current market conditions and the uncertain outlook about the effects of the pandemic on business operations of the AOKI Group and economic activity in Japan. The initial fiscal year store opening plan has been revised by reducing from three to two the number of new locations in the fashion business and reducing from 93 to 74 the number of new locations in the entertainment business.

Consolidated forecasts for the fiscal year ending March 31, 2022 (April 1, 2021 – March 31, 2022)

	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 13, 2021)	169,350	5,000	4,100	1,300	15.33
Forecast (B)	156,500	5,000	4,100	1,300	15.32
Change (B - A)	(12,850)	0	0	0	
Percentage change (%)	(7.6)	0.0	0.0	0.0	
(Reference) Previous fiscal year (ended March 31, 2021)	143,169	(5,793)	(6,606)	(11,931)	(140.77)

In our business segment, sales forecasts were also revised as follows.

Business segment forecasts for the fiscal year ending March 31, 2022

	Fashion	Anniversaire and Bridal	Entertainment	Real Estate Leasing	Consolidated
	Million yen	Million yen	Million yen	Million yen	Million yen
Sales	85,400	9,700	60,000	4,270	156,500
YoY change (%)	100.0	120.7	123.7	110.1	109.3
Segment profit	3,000	300	1,500	850	5,000
YoY change (%)	200.1	-	-	125.2	-

Note: Segment profit is operating profit. Total segment profit differs from consolidated operating profit because of consolidation adjustments.

* These forecasts are based on judgments made in accordance with information available to the management at the time these materials were prepared. 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)

	FY3/21 (As of Mar. 31, 2021)	Second quarter of FY3/22 (As of Sep. 30, 2021)
Assets		
Current assets		
Cash and deposits	29,941	24,302
Accounts receivable-trade	10,686	3,775
Inventories	20,112	19,982
Other	7,152	5,645
Allowance for doubtful accounts	(40)	(37)
Total current assets	67,852	53,669
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	68,875	68,556
Land	36,138	36,117
Other, net	17,755	17,380
Total property, plant and equipment	122,769	122,054
Intangible assets	5,505	5,624
Investments and other assets		
Guarantee deposits	7,409	7,350
Leasehold deposit	20,752	20,580
Other	13,011	14,576
Allowance for doubtful accounts	(40)	(40)
Total investments and other assets	41,133	42,467
Total non-current assets	169,407	170,146
Total assets	237,260	223,816

	(Millions of yen)	
	FY3/21 (As of Mar. 31, 2021)	Second quarter of FY3/22 (As of Sep. 30, 2021)
Liabilities		
Current liabilities		
Accounts payable-trade	14,241	9,305
Electronically recorded obligations-operating	2,660	-
Short-term borrowings	11,000	6,000
Current portion of long-term borrowings	5,418	9,577
Income taxes payable	679	234
Provision for bonuses	1,013	1,268
Provision for bonuses for directors (and other officers)	-	40
Other	12,829	12,405
Total current liabilities	<u>47,842</u>	<u>38,831</u>
Non-current liabilities		
Long-term borrowings	45,914	46,345
Provision for point card certificates	320	-
Retirement benefit liability	1,192	1,224
Asset retirement obligations	7,560	7,653
Other	8,580	8,363
Total non-current liabilities	<u>63,567</u>	<u>63,585</u>
Total liabilities	<u>111,409</u>	<u>102,417</u>
Net assets		
Shareholders' equity		
Share capital	23,282	23,282
Capital surplus	27,747	23,870
Retained earnings	81,571	76,905
Treasury shares	(7,438)	(3,489)
Total shareholders' equity	<u>125,162</u>	<u>120,568</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	251	300
Remeasurements of defined benefit plans	72	67
Total accumulated other comprehensive income	<u>324</u>	<u>367</u>
Share acquisition rights	<u>363</u>	<u>462</u>
Total net assets	<u>125,850</u>	<u>121,398</u>
Total liabilities and net assets	<u>237,260</u>	<u>223,816</u>

(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 FY3/21 (Apr. 1, 2020 – Sep. 30, 2020)	First six months of FY3/22 (Apr. 1, 2021 – Sep. 30, 2021)
Net sales	55,952	62,382
Cost of sales	42,187	41,337
Gross profit	13,765	21,044
Selling, general and administrative expenses	25,651	24,139
Operating loss	(11,885)	(3,094)
Non-operating profit		
Interest income	32	33
Dividend income	16	13
Other	123	70
Total non-operating profit	172	117
Non-operating expenses		
Interest expenses	173	188
Loss on retirement of non-current assets	317	74
Other	193	196
Total non-operating expenses	685	459
Ordinary loss	(12,397)	(3,436)
Extraordinary income		
Gain on sale of investment securities	4	-
Subsidies for employment adjustment	563	484
Total extraordinary income	568	484
Extraordinary losses		
Impairment loss	539	546
Loss on valuation of investment securities	70	-
Loss due to temporary closure	1,989	1,434
Total extraordinary losses	2,599	1,980
Loss before income taxes	(14,429)	(4,931)
Income taxes - current	268	432
Income taxes - deferred	(5,035)	(1,587)
Total income taxes	(4,767)	(1,154)
Loss	(9,661)	(3,776)
Loss attributable to owners of parent	(9,661)	(3,776)

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

(Millions of yen)

	First six months of FY3/21 (Apr. 1, 2020 – Sep. 30, 2020)	First six months of FY3/22 (Apr. 1, 2021 – Sep. 30, 2021)
Loss	(9,661)	(3,776)
Other comprehensive income		
Valuation difference on available-for-sale securities	(64)	48
Remeasurements of defined benefit plans, net of tax	32	(4)
Total other comprehensive income	(32)	43
Comprehensive income	(9,694)	(3,732)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(9,694)	(3,732)
Comprehensive income attributable to non-controlling interests	-	-

(3) Quarterly Consolidated Statement of Cash Flows

(Millions of yen)

	First six months of FY3/21 (Apr. 1, 2020 – Sep. 30, 2020)	First six months of FY3/22 (Apr. 1, 2021 – Sep. 30, 2021)
Cash flows from operating activities		
Loss before income taxes	(14,429)	(4,931)
Depreciation	4,381	4,649
Impairment loss	539	546
Loss due to temporary closure	1,989	1,434
Increase (decrease) in retirement benefit liability	85	24
Interest and dividend income	(49)	(47)
Interest expenses	173	188
Loss (gain) on sales of investment securities	(4)	-
Decrease (increase) in trade receivables	4,359	6,910
Decrease (increase) in inventories	1,528	129
Increase (decrease) in trade payables	(5,268)	(4,935)
Increase (decrease) in accrued consumption taxes	(664)	278
Other	(886)	(987)
Subtotal	(8,244)	3,258
Interest and dividend income received	39	36
Interests paid	(164)	(189)
Income taxes paid	(616)	(800)
Income taxes refund	1,933	169
Payments for loss due to temporary closure	(1,667)	(1,272)
Net cash provided by (used in) operating activities	(8,719)	1,202
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,641)	(5,330)
Purchase of intangible assets	(321)	(496)
Payments for leasehold and guarantee deposits	(709)	(212)
Proceeds from sales of investment securities	69	-
Net decrease (increase) in trust beneficiary rights	1,050	652
Other	(287)	184
Net cash provided by (used in) investing activities	(2,839)	(5,202)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	16,000	(5,000)
Proceeds from long-term borrowings	11,000	9,000
Repayments of long-term borrowings	(2,409)	(4,409)
Repayments of lease obligations	(1,148)	(1,224)
Purchase of treasury shares	(0)	(0)
Dividends paid	(1,945)	(4)
Net cash provided by (used in) financing activities	21,496	(1,638)
Effect of exchange rate change on cash and cash equivalents	0	(0)
Increase (decrease) in cash and cash equivalents	9,937	(5,639)
Cash and cash equivalents at beginning of period	23,843	29,941
Cash and cash equivalents at end of period	33,781	24,302

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

No reportable information.

Significant Changes in Shareholders' Equity

First six months of FY3/22 (Apr. 1, 2021 – Sep. 30, 2021)

No reportable information.

Changes in Accounting Policies

Application of the Accounting Standard for Revenue Recognition, etc.

The Company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the first quarter of the current fiscal year. Based on this standard, revenue expected to be received in exchange for the provision of goods and services is recognized when the control of the promised goods and services is transferred to customers. In the Fashion Business, in prior years expected expenses for the future exchanges of loyalty points concerning products and services were recorded as an allowance. Due to this new accounting standard, in cases where these points give customers a significant right, the points are categorized as a performance obligation to provide goods or services and the recognition of revenue is deferred. For apparel and other items in the ANNIVERSAIRE and Bridal Business and gift cards and other items in the Entertainment Business, the total amounts of these items were recognized as revenue in prior years. Due to this new accounting standard, these are classified as items that perform a role in the provision of goods and services to customers (directly or to an agent). As a result, the net rather than gross amounts of these items are now recognized as revenue.

For the application of the accounting standard for revenue recognition, etc., in accordance with the transitional treatment in the proviso to paragraph 84 of this standard, the cumulative effect of the retrospective application of the new accounting standard, if it is applied prior to the first quarter of the current fiscal year, is added to or subtracted from retained earnings at the beginning of the first quarter of the current fiscal year. The new standard is then applied beginning with this amount of retained earnings. However, the Company has applied the method prescribed in paragraph 86 of this standard and has not retrospectively applied the new accounting policy to contracts in which almost all revenue were recognized in accordance with the previous treatment prior to the beginning of the first quarter of the current fiscal year.

As a result, net sales decreased 1,917 million yen, cost of sales decreased 2,175 million yen, and selling, general and administrative expenses decreased 22 million yen. Operating loss, ordinary loss and loss before income taxes declined 281 million yen each in the first half of the current fiscal year. In addition, there was a decrease of 889 million yen in retained earnings at the beginning of the current fiscal year.

Due to the application of the revenue recognition accounting standard, etc., the provision for point card certificates that was presented in the non-current liabilities section of the consolidated balance sheet in the previous fiscal year is, from the first quarter of the current fiscal year, presented as an option to acquire additional goods or services, with a portion of the transaction price allocated to the option and the contractual liability included in the other under current liabilities until expired due to use or expiration. In accordance with the transitional treatment prescribed in paragraph 89-2 of the accounting standard for revenue recognition, no reclassification has been made to the prior year's consolidated financial statements to conform to the new presentation. Furthermore, in accordance with the transitional treatment prescribed in paragraph 28-15 of the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12, March 31, 2020), the Company has not presented information on revenue from contracts with customers broken down for the first half of the previous fiscal year.

Application of the Accounting Standard for Fair Value Measurement, etc.

The Company has applied the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019), etc. from the beginning of the first quarter of the current fiscal year, and has applied the new accounting policies set forth by the Accounting Standard for Fair Value Measurement, etc. prospectively in accordance with the transitional treatment in the paragraph 19 of the Accounting Standard for Fair Value Measurement and paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019). There is no effect of the application of these standards on the quarterly consolidated financial statements.

Additional Information

Accounting estimates for the impact of COVID-19

There have been no significant changes to the key assumptions used in the accounting estimates for the impact of COVID-19 described in Notes (Significant Accounting Estimates) in the Annual Securities Report for the fiscal year ended March 31, 2021.

Assumptions for existing store sales in the current fiscal year in relation to sales in the fiscal year ended March 31, 2019, when there was no pandemic, are among the major assumptions in this Annual Securities Report. We have revised the lower end of these sales assumptions to 81% of March 2019 fiscal year sales in the fashion business and the entertainment business. There is no change in the assumption for sales per couple in the Anniversaire and bridal business.

Segment Information

First six months of FY3/21 (Apr. 1, 2020 – Sep. 30, 2020)

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

(Millions of yen)

	Reportable segment					Others (Note 1)	Total	Adjustment (Note 2)	Amounts shown on quarterly consolidated statement of income (Note 3)
	Fashion	Anniversaire and Bridal	Enter- tainment	Real Estate Leasing	Subtotal				
Sales									
External sales	31,480	1,678	22,156	575	55,891	61	55,952	-	55,952
Inter-segment sales and transfers	0	0	-	1,355	1,355	-	1,355	(1,355)	-
Total	31,480	1,679	22,156	1,930	57,247	61	57,308	(1,355)	55,952
Segment profit (loss)	(4,797)	(2,640)	(4,984)	372	(12,049)	46	(12,002)	116	(11,885)

Notes: 1. The "others" classification refers to businesses not included in reportable segments such as advertising-related business.

2. The 116 million yen adjustment to segment profit (loss) includes 2,164 million yen in elimination for inter-segment transactions, and -2,047 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.

3. Segment profit (loss) is adjusted with operating loss 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 and the Entertainment Business, impairment losses were recognized for operating stores set to be closed or converted, or expected to remain in the red, for which there is little expectation of recovery and expected to remain in the red; impairment losses of 117 million yen and 422 million yen were booked respectively in the first six months of FY3/21.

First six months of FY3/22 (Apr. 1, 2021 – Sep. 30, 2021)

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

(Millions of yen)

	Reportable segment					Others (Note 1)	Total	Adjustment (Note 2)	Amounts shown on quarterly consolidated statement of income (Note 3)
	Fashion	Anniversaire and Bridal	Enter- tainment	Real Estate Leasing	Subtotal				
Sales									
Fashion	30,433	-	-	-	30,433	-	30,433	-	30,433
Bridal	-	4,300	-	-	4,300	-	4,300	-	4,300
Café complex	-	-	23,273	-	23,273	-	23,273	-	23,273
Karaoke	-	-	2,220	-	2,220	-	2,220	-	2,220
Fitness	-	-	1,517	-	1,517	-	1,517	-	1,517
Other	-	-	-	-	-	23	23	-	23
Revenue from contracts with customers	30,433	4,300	27,010	-	61,744	23	61,768	-	61,768
Other revenues	-	-	-	614	614	-	614	-	614
External sales	30,433	4,300	27,010	614	62,358	23	62,382	-	62,382
Inter-segment sales and transfers	0	1	-	1,506	1,508	-	1,508	(1,508)	-
Total	30,433	4,302	27,010	2,120	63,866	23	63,890	(1,508)	62,382
Segment profit (loss)	(3,242)	(148)	29	433	(2,927)	9	(2,917)	(177)	(3,094)

Notes: 1. The “others” classification refers to businesses not included in reportable segments such as advertising-related business.

2. The -177 million yen adjustment to segment profit (loss) includes 1,792 million yen in elimination for inter-segment transactions, and -1,970 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.

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

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

Material impairment losses related to non-current 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, or expected to remain in the red, for which there is little expectation of recovery; impairment losses of 256 million yen, 288 million yen and 1 million yen were booked respectively in the first six months of FY3/22.

3. Information related to revisions for reportable segments

As described in Changes in Accounting Policies, the Company has applied the Accounting Standard for Revenue Recognition, etc. from the beginning of the first quarter of FY3/22 and changed the accounting method for revenue recognition. Accordingly, the method for calculating segment profit or loss has been changed as well.

Compared with the previous method, net sales increased 280 million yen and segment loss decreased 330 million yen in the Fashion Business in the first six months of FY3/22. Net sales decreased 1,940 million yen and there were no effect on segment loss in the Anniversaire and Bridal Business. In the Entertainment Business, net sales decreased 256 million yen and segment profit decreased 49 million yen.

* 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.