

**Summary of Consolidated Financial Results
for the Third Quarter of the Fiscal Year Ending March 31, 2023
(Nine Months Ended December 31, 2022)**

[Japanese GAAP]

Company name:	AOKI Holdings Inc.	Listings:	Tokyo Stock Exchange
Stock code:	8214	URL:	https://www.aoki-hd.co.jp/
Representative:	Haruo Tamura, President	Tel:	+81-45-941-1388
Contact:	Tomoki Yanagi, Managing Executive Officer, General Manager of IR/PR Office		
Scheduled date of filing of Quarterly Report:		February 10, 2023	
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 February 9, 2023 at 15:30 (GMT +9).

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

**1. Consolidated Financial Results for the Nine Months Ended December 31, 2022
(April 1, 2022 – December 31, 2022)**

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine months ended Dec. 31, 2022	119,074	15.9	4,398	-	3,854	-	1,851	-
Nine months ended Dec. 31, 2021	102,713	8.5	(1,734)	-	(2,511)	-	(2,563)	-

Note: Comprehensive income (million yen) Nine months ended Dec. 31, 2022: 2,045 (-%)
 Nine months ended Dec. 31, 2021: (2,775) (-%)

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended Dec. 31, 2022	21.81	-
Nine months ended Dec. 31, 2021	(30.21)	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Dec. 31, 2022	224,424	128,761	57.1
As of Mar. 31, 2022	233,008	127,641	54.5

Reference: Shareholders' equity (million yen) As of Dec. 31, 2022: 128,070 As of Mar. 31, 2022: 127,082

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY3/22	-	5.00	-	5.00	10.00
FY3/23	-	7.00	-	-	-
FY3/23 (forecasts)	-	-	-	10.00	17.00

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

3. Consolidated Forecast for the Fiscal Year Ending March 31, 2023 (April 1, 2022 – March 31, 2023)

(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	172,700	11.5	8,800	61.7	8,150	86.9	4,100	59.9	48.29

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

- | | |
|---|------|
| 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 shares) at the end of the period | | | |
| As of Dec. 31, 2022: | 87,649,504 shares | As of Mar. 31, 2022: | 87,649,504 shares |
| 2) Number of treasury shares at the end of the period | | | |
| As of Dec. 31, 2022: | 2,746,806 shares | As of Mar. 31, 2022: | 2,746,514 shares |
| 3) Average number of shares outstanding during the period | | | |
| Nine months ended Dec. 31, 2022: | 84,902,825 shares | Nine months ended Dec. 31, 2021: | 84,860,387 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 3 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 Thursday, February 9, 2023.

Contents of Attachments

	Pages
1. Qualitative Information on Quarterly Consolidated Financial Performance	2
(1) Explanation of Results of Operations	2
(2) Explanation of Financial Position	3
(3) Explanation of Consolidated Forecast and Other Forward-looking Statements	3
2. Quarterly Consolidated Financial Statements and Notes	4
(1) Quarterly Consolidated Balance Sheet	4
(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income	6
Quarterly Consolidated Statement of Income	6
Quarterly Consolidated Statement of Comprehensive Income	7
(3) Notes to Quarterly Consolidated Financial Statements	8
Going Concern Assumption	8
Significant Changes in Shareholders' Equity	8
Additional Information	8
Segment Information	8

1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

In the first nine months of the current fiscal year, despite re-expansion of the new COVID-19 variant during the summer and starting in October, the Japanese economy continued to slowly recover as restrictions due to the pandemic were lifted in stages. However, the outlook for the economy remains uncertain because of rising prices of energy and raw materials caused by growing tension overseas, supply chain instability, inflation and other events.

Due to the measures of the AOKI Holdings Group explained in the following sections, net sales increased 15.9% from one year earlier to 119,074 million yen, and operating profit was 4,398 million yen compared with a loss of 1,734 million yen one year earlier. There was an ordinary profit of 3,854 million yen compared with a loss of 2,511 million yen one year earlier and profit attributable to owners of parent was 1,851 million yen compared with a loss of 2,563 million yen one year earlier.

Operating results by segment are as follows.

Fashion Business

The lineup of suits and other business and formal apparel was expanded due to the recovery in demand for this category of apparel and the lineup of apparel for cold weather, including ultra-lightweight coats, was enlarged. Pajama Suits, which have been very successful since the November 2020 launch, have become accepted as a type of business apparel too due to strong sales of these suits with collars. In the MeWORK Project for supporting working women, sales activities were centered on Relax-Jackets, which are easy to wash, resist wrinkling and are stretchable. At ORIHICA, all stores are now operating as “easy web shops” by using linkage between online shopping and purchases as physical stores. The aim of this OMO (online-merge-offline) is to make shopping at ORIHICA even more convenient. During the first nine months, seven AOKI stores and seven ORIHICA stores were closed to improve the efficiency of store operations. As a result, the number of stores decreased from 610 at the end of the previous fiscal year to 596 at the end of the third quarter.

These initiatives and other activities resulted in strong sales of formal and casual fashions along with other benefits. As a result, sales increased 10.1% year on year to 58,400 million yen and there was an operating profit of 1,025 million yen compared with a loss of 2,338 million yen one year earlier.

Anniversaire and Bridal Business

In this business, activities continued for efficiently attracting customers by using the internet and social networking services and for further refining all wedding formats. Prior to the start of a complete renovation of Anniversaire Omotesando to mark its 25th anniversary in 2023, a café with a Tiffany theme and a Tiffany pop-up store were operated during the holiday season (scheduled to be opened as a flagship store after renovation). These two additions greatly increased the number of customers that visited Anniversaire Omotesando.

Sales increased 9.8% year on year to 7,157 million yen and there was an operating profit of 576 million yen compared with a loss of 53 million yen one year earlier.

Entertainment Business

KAIKATSU CLUB café complexes are conducting the “An Office Anywhere in Japan” project that includes free access to the e-versions of selected newspapers and other content. As a trial of a new idea, some locations have a “Biz room” where customers can focus on their business tasks. At COTE D’AZUR karaoke stores, the Provence course and other party menus were upgraded and there were activities to attract more families and students. FiT24, which operates 24-hour self-service fitness gyms, is continuing to increase the number of gyms as planned, including locations with indoor golf. During the first nine months, KAIKATSU CLUB opened four cafés and FiT24 opened 23 gyms. In addition, due to format conversions and measures to improve efficiency, 12 KAIKATSU CLUB cafés and eight COTE D’AZUR karaoke facilities were closed. As a result, including the 111 JIYU KUKAN café complexes and other locations of RUNSYSTEM (including 60 franchised stores), the number of locations in this business increased from 708 at the end of the previous fiscal year to 826 at the end of the third quarter.

Segment sales and earnings increased because of these measures. Sales in this segment increased 24.9% to 52,711 million yen and operating profit was 2,737 million yen compared with a profit of 205 million yen one year earlier.

Real Estate Leasing Business

Segment sales increased 9.6% to 3,577 million yen mainly because of an increase in the cost of some subleased stores and other facilities. Operating profit decreased 6.8% to 628 million yen.

(2) Explanation of Financial Position**Balance sheet position****Assets**

Total assets at the end of the third quarter decreased 8,584 million yen from the end of the previous fiscal year to 224,424 million yen primarily because of seasonal and other factors.

Current assets decreased 6,338 million yen mainly due to decreases of 5,021 million yen in accounts receivable-trade caused by seasonal and other factors and 4,954 million yen in cash and deposits, while there was an increase of 1,708 million yen in inventories resulting from an increase in procurement. Non-current assets decreased 2,246 million yen as property, plant and equipment decreased 1,371 million yen mainly due to depreciation.

Liabilities

Current liabilities decreased 1,360 million yen from the end of the previous fiscal year. There were decreases of 1,350 million yen in accounts payable-trade mainly due to seasonal factors, 1,957 million yen in accrued income taxes due to the payment of income taxes and 1,034 million yen in provision for bonuses due to the payment of bonuses, while there were short-term borrowings of 4,000 million yen. Non-current liabilities decreased 8,343 million yen due to a decrease of 7,719 million yen in long-term borrowings for scheduled repayments.

Net assets

Net assets increased 1,119 million yen from the end of the previous fiscal year. There was an increase of 1,523 million yen in retained earnings due to a profit attributable to owners of parent and dividend from surplus.

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

In the Fashion Business, sales have been declining somewhat since the middle of October because of the end of the upturn in demand following the lifting of pandemic restrictions and the negative impact of rising prices of consumer necessities on sales of apparel. In all other businesses, sales have generally been consistently strong. Consequently, consolidated sales in the first nine months were slightly ahead of the pace needed to achieve the original fiscal year forecast.

There are no revisions to the fiscal year forecast that was announced on November 10, 2022. Inflation is negatively affecting consumer spending and is raising the cost of raw materials and other items. In addition, results of operations are significantly affected by the strength of specific markets, such as the “freshers” category (first-year students and employees) in the Fashion Business.

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

(Millions of yen)

	FY3/22 (As of Mar. 31, 2022)	Third quarter of FY3/23 (As of Dec. 31, 2022)
Assets		
Current assets		
Cash and deposits	37,937	32,983
Accounts receivable-trade	11,808	6,787
Inventories	18,330	20,038
Other	6,481	8,415
Allowance for doubtful accounts	(44)	(49)
Total current assets	74,513	68,175
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	66,804	66,345
Land	30,760	31,021
Other, net	15,857	14,683
Total property, plant and equipment	113,422	112,051
Intangible assets	5,538	6,226
Investments and other assets		
Guarantee deposits	6,970	6,721
Leasehold deposit	20,222	19,240
Other	12,381	12,064
Allowance for doubtful accounts	(40)	(55)
Total investments and other assets	39,534	37,971
Total non-current assets	158,495	156,248
Total assets	233,008	224,424

	(Millions of yen)	
	FY3/22 (As of Mar. 31, 2022)	Third quarter of FY3/23 (As of Dec. 31, 2022)
Liabilities		
Current liabilities		
Accounts payable-trade	15,272	13,921
Short-term borrowings	-	4,000
Current portion of long-term borrowings	10,844	11,477
Income taxes payable	2,508	550
Provision for bonuses	1,814	780
Provision for bonuses for directors (and other officers)	44	24
Other	13,930	12,300
Total current liabilities	44,415	43,054
Non-current liabilities		
Long-term borrowings	44,314	36,595
Retirement benefit liability	815	850
Asset retirement obligations	7,680	7,907
Other	8,140	7,254
Total non-current liabilities	60,951	52,608
Total liabilities	105,366	95,662
Net assets		
Shareholders' equity		
Share capital	23,282	23,282
Capital surplus	23,870	23,036
Retained earnings	82,821	84,344
Treasury shares	(3,489)	(3,490)
Total shareholders' equity	126,484	127,173
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	235	591
Remeasurements of defined benefit plans	362	305
Total accumulated other comprehensive income	598	896
Share acquisition rights	559	691
Non-controlling interests	-	-
Total net assets	127,641	128,761
Total liabilities and net assets	233,008	224,424

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

(Millions of yen)

	First nine months of FY3/22 (Apr. 1, 2021 – Dec. 31, 2021)	First nine months of FY3/23 (Apr. 1, 2022 – Dec. 31, 2022)
Net sales	102,713	119,074
Cost of sales	66,390	74,056
Gross profit	36,323	45,017
Selling, general and administrative expenses	38,058	40,618
Operating profit (loss)	(1,734)	4,398
Non-operating profit		
Interest income	49	48
Dividend income	26	36
Other	131	220
Total non-operating profit	207	305
Non-operating expenses		
Interest expenses	283	277
Loss on retirement of non-current assets	107	71
Other	593	500
Total non-operating expenses	984	849
Ordinary profit (loss)	(2,511)	3,854
Extraordinary income		
Subsidies for employment adjustment	1,643	255
Total extraordinary income	1,643	255
Extraordinary losses		
Impairment loss	636	849
Loss due to temporary closure	1,434	-
Total extraordinary losses	2,070	849
Profit (loss) before income taxes	(2,938)	3,260
Income taxes – current	534	714
Income taxes – deferred	(909)	798
Total income taxes	(374)	1,512
Profit (loss)	(2,563)	1,747
Loss attributable to non-controlling interests	-	(104)
Profit (loss) attributable to owners of parent	(2,563)	1,851

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

	(Millions of yen)	
	First nine months of FY3/22 (Apr. 1, 2021 – Dec. 31, 2021)	First nine months of FY3/23 (Apr. 1, 2022 – Dec. 31, 2022)
Profit (loss)	(2,563)	1,747
Other comprehensive income		
Valuation difference on available-for-sale securities	(203)	355
Remeasurements of defined benefit plans, net of tax	(7)	(57)
Total other comprehensive income	(211)	297
Comprehensive income	(2,775)	2,045
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(2,775)	2,149
Comprehensive income attributable to non-controlling interests	-	(104)

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

No reportable information.

Significant Changes in Shareholders' Equity

First nine months of FY3/23 (Apr. 1, 2022 – Dec. 31, 2022)

No reportable information.

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, 2022.

Although there are no significant changes, the following revisions have been made to major assumptions involving the impact of the pandemic on existing store sales in the current fiscal year as a percentage of results of operations in the fiscal year that ended on March 31, 2019: from 85% to 88% to 86% to 93% in the fashion business; from 87% to 92% (café complex 91% to 97% and karaoke 77% to 82%) to 89% to 92% (café complex 93% to 97% and karaoke 79% to 82%) in the entertainment business; and from 96% to 96% to 100% in the ANNIVERSAIRE and bridal business as well as a revision of estimated sales per couple in this business from 77% of the March 2019 fiscal year level to a range of 71% to 77%.

Segment Information

First nine months of FY3/22 (Apr. 1, 2021 – Dec. 31, 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	53,043	-	-	-	53,043	-	53,043	-	53,043
Bridal	-	6,514	-	-	6,514	-	6,514	-	6,514
Café complex	-	-	34,883	-	34,883	-	34,883	-	34,883
Karaoke	-	-	4,930	-	4,930	-	4,930	-	4,930
Fitness	-	-	2,377	-	2,377	-	2,377	-	2,377
Other	-	-	-	-	-	32	32	-	32
Revenue from contracts with customers	53,043	6,514	42,191	-	101,750	32	101,782	-	101,782
Other revenues	-	-	-	930	930	-	930	-	930
External sales	53,043	6,514	42,191	930	102,681	32	102,713	-	102,713
Inter-segment sales and transfers	0	3	-	2,331	2,335	-	2,335	(2,335)	-
Total	53,043	6,517	42,191	3,262	105,016	32	105,048	(2,335)	102,713
Segment profit (loss)	(2,338)	(53)	205	674	(1,511)	11	(1,500)	(234)	(1,734)

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

2. The -234 million yen adjustment to segment profit (loss) includes 2,689 million yen in elimination for inter-segment transactions, and -2,924 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 270 million yen, 363 million yen and 1 million yen were booked respectively in the first nine months of FY3/22.

First nine months of FY3/23 (Apr. 1, 2022 – Dec. 31, 2022)

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	58,399	-	-	-	58,399	-	58,399	-	58,399
Bridal	-	7,150	-	-	7,150	-	7,150	-	7,150
Café complex	-	-	40,774	-	40,774	-	40,774	-	40,774
Karaoke	-	-	7,297	-	7,297	-	7,297	-	7,297
Fitness	-	-	3,769	-	3,769	-	3,769	-	3,769
Other	-	-	625	-	625	15	641	-	641
Revenue from contracts with customers	58,399	7,150	52,467	-	118,018	15	118,033	-	118,033
Other revenues	-	-	40	999	1,040	-	1,040	-	1,040
External sales	58,399	7,150	52,508	999	119,058	15	119,074	-	119,074
Inter-segment sales and transfers	0	6	203	2,577	2,787	44	2,832	(2,832)	-
Total	58,400	7,157	52,711	3,577	121,846	59	121,906	(2,832)	119,074
Segment profit (loss)	1,025	576	2,737	628	4,968	(1)	4,967	(569)	4,398

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

2. The -569 million yen adjustment to segment profit (loss) includes 3,159 million yen in elimination for inter-segment transactions, -76 million yen in amortization of goodwill, and -3,651 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 profit 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 51 million yen, 692 million yen and 8 million yen were booked respectively in the first nine months of FY3/23. In addition, company-wide assets that cannot be allocated to reportable segments include impairment losses of 96 million yen for property, plant and equipment and other assets that are no longer used.

Significant change in goodwill

Goodwill was booked in the Entertainment Business segment as the Company has acquired the share of RUNSYSTEM CO., LTD. and included this company in the scope of consolidation. The event caused an increase of goodwill by 777 million yen for the first nine months of FY3/23.

* 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.