News Release Dated February 17, 2014

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Disposal of Treasury Stock and Secondary Offering of Stock

AOKI Holdings Inc. hereby serves notice that the Board of Directors approved a resolution on February 17, 2014 to sell treasury stock and conduct a secondary offering of stock. Details are as follows.

Purpose of Financing

The AOKI Group bases operations on the concept of Enriching Peoples' Lives by providing assistance for people to lead enjoying and fulfilling lives at various stages of their lives. The AOKI Group operates a number of businesses that reach rank among the leaders in their respective industries. Operations as of February 17, 2014 include the Fashion Business, which has 642 AOKI and ORIHICA branded stores that sell mainly men's and women's clothing; the ANNIVERSAIRE and Bridal Business, which operates 14 wedding facilities and other facilities; the Karaoke Facility Operations Business, which has 156 COTE D'AZUR branded locations; and the Café Complex Operations Business, which has 228 locations that include KAIKATSU CLUB facilities that provide relaxing spaces with Internet access, comics, magazines, massage chairs and other amenities.

The operating environments for all of these businesses in the medium- and long-term are challenging. The Fashion Business faces challenges due to Japan's aging population, the popularity of Cool Biz and the increasing diversity of business styles. The ANNIVERSAIRE and Bridal Business must deal with a declining number of children and the tendency to marry at older ages. Challenges in the Karaoke Facility Operations Business and the Café Complex Operations Business include a decline in demand for nighttime entertainment and the growing diversity of ways that people spend their free time. Despite these difficulties, existing-store sales in all business segments have been strong. This success is the result of the group's skill in operations using chains of stores and the know-how to inspire customers, both of which originated from the men's apparel sales business, to create similar value chains in all other businesses.

Sustaining the growth of the Group's businesses will require the consistent growth of existing stores along with opening many new locations in Japan, including in regions where the Group does not currently operate, in order to increase market share. In the current fiscal year, the Fashion Business plans to open 91 stores, an all-time high for a fiscal year, and 34 new locations are planned in the Karaoke Facility Operations Business and Café Complex Operations Business. In the ANNIVERSAIRE and Bridal Business, operations started in February 2014 at ANNIVERSAIRE MINATO MIRAI YOKOHAMA, which is one of the largest wedding and reception facilities in Japan. In the fiscal year ending on March 31, 2015, more than 100 stores and other facilities of the Group are to be opened or renovated.

Funds procured from this sale of treasury stock will be used for measures aimed at achieving more growth in all of the Group's businesses. Specifically, expenditures are planned for new stores, renovations to adapt to changes in market conditions and IT systems for improving efficiency in the Fashion Business as this business grows. The objective is to further increase corporate value by building a sound foundation for raising the market share of each business and sustaining growth.

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1. Disposal of treasury stock by way of offering (the public offering)

(1)	Class and number of shares to be offered	Common stock of AOKI Holdings: 7,000,000 shares
(2)	Method of determination of amount to be paid	The amount to be paid to the Company will be determined on any day in the period from Tuesday, February 25, 2014, to Friday, February 28, 2014 (the "Determination Date"), pursuant to the method stated in Article 25 of the Regulations Concerning Underwriting of Securities, etc., established by the Japan Securities Dealers Association ("JSDA").
(3)	Offering method	The offering will be a public offering and the underwriting syndicate led by Nomura Securities Co., Ltd., as a lead manager (collectively, the "Underwriters") will purchase and underwrite all of the shares. The disposal price (the offer price) for the public offering will be determined based on the provisional range calculated by multiplying the closing price of the shares of the Company's common stock in regular trading on the Tokyo Stock Exchange on the Determination Date (or, if no closing price is quoted, the closing price of the immediately preceding date) by 0.90–1.00 (any amount less than one yen will be truncated) and taking market demand and other factors into account, in accordance with the method stated in Article 25 of the Regulations Concerning Underwriting of Securities, provided by the JSDA.
(4)	Compensation for underwriters	The Company will not pay an underwriting fee. Instead, the Underwriters will receive the aggregate amount of difference between the disposal price (the offer price) and the amount to be paid to the Company.
(5)	Subscription period	The subscription period will be from the business day immediately following the Determination Date until the second business day immediately following the Determination Date.
(6)	Payment date	The payment date will be any day in the period from Tuesday, March 4, 2014 to Friday, March 7, 2014, provided, however, that such day shall be the fifth business day following the Determination Date).
(7)	Subscription unit	100 shares

(8) All necessary decisions in connection with the disposal of treasury stock by ways of public offering, including the amount to be paid, will be made at the discretion of Akihiro Aoki, President.

(9) Each of the items above shall become effective when the relevant securities registration statement to be filed under the Financial Instruments and Exchange Law takes effect.

2. Secondary offering of stock (secondary offering by way of overallotment) (See Section 1 under Reference below.)

(1)	Class and number of shares to be sold	Common stock of AOKI Holdings: 1,050,000 shares The number of shares mentioned above is the maximum number of shares to be sold. The number may decrease, or the secondary offering by way of overallotment may not be carried out entirely, depending on market demand. The number of shares to be sold shall be determined on the Determination Date, taking into account market demand for the secondary offering.
(2)	Seller	Nomura Securities Co., Ltd.
(3)	Selling price	To be determined on the Determination Date. The selling price will be the same as the disposal price (the offer price) for the public offering.

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(4)	Method of secondary offering	Nomura Securities Co., Ltd. will sell a maximum of 1,050,000 shares of the Company's common stock borrowed from the Company's shareholders, in consideration of the demand situation of the public offering.
(5)	Subscription period	The subscription period will be the same as the subscription period for the public offering.
(6)	Delivery date	The delivery date shall be next business day following the payment date of the public offering.
(7)	Subscription unit	100 shares

(8) All necessary decisions in connection with the secondary offering, including the selling price, will be made at the discretion of Akihiro Aoki, President.

(9) Each of the items above shall become effective when the relevant securities registration statement to be filed under the Financial Instruments and Exchange Law takes effect.

3. Disposal of treasury stock by way of third-party allotment (See Section 1 under Reference below)

(1)	Class and number of shares to be offered	Common stock of AOKI Holdings: 1,050,000 shares
(2)	Method of determination of amount to be paid	The amount to be paid to the Company will be determined on the Determination Date and be the same as the disposal price for the public offering.
(3)	Allottee	Nomura Securities Co., Ltd.
(4)	Subscription period (subscription date)	Monday, March 24, 2014
(5)	Payment date	Tuesday, March 25, 2014
(6)	Subscription unit	100 shares

(7) The Company will discontinue the disposal of the shares that have not been subscribed to by the subscription period (subscription date) in Item (4) above.

(8) All necessary decisions in connection with the disposal of treasury stock by way of third-party allotment, including the amount to be paid, will be made at the discretion of Akihiro Aoki, President.

(9) Each of the items above shall become effective when the relevant securities registration statement to be filed under the Financial Instruments and Exchange Law takes effect.

Reference

1. Secondary offering by way of overallotment and other matters

The secondary offering by way of overallotment described under "2. Secondary offering of stock (secondary offering by way of overallotment)" is a secondary offering to be made in conjunction with the public offering described under "1. Disposal of treasury stock by way of offering (the public offering)" for shares of the Company's common stock in an amount not exceeding 1,050,000 shares, which will be borrowed by Nomura Securities, the lead manager of the public offering from a certain shareholder of the Company taking into account market demand and other conditions. It is estimated that the number of shares to be offered in the secondary offering by way of overallotment will be 1,050,000 shares, which represents the maximum number of shares to be offered, and the number may decrease or the secondary offering by way of overallotment may not be carried out in its entirety depending on market demand and other conditions.

In connection with the secondary offering by way of overallotment, the Board of Directors of the Company resolved, at the meeting held on Monday, February 17, 2014, that the Company will sell 1,050,000 shares of its common stock to Nomura Securities, the allottee, disposal of treasury stock by way of third-party

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allotment (the "Third-Party Allotment"), with a payment date of Tuesday, March 25, 2014, for the purpose of enabling Nomura Securities to procure the shares necessary for returning the shares it borrowed from a certain shareholder of the Company (the "Borrowed Shares").

In addition, Nomura Securities may purchase shares of the Company's common stock on the Tokyo Stock Exchange up to the number of shares to be offered in the secondary offering by way of overallotment (the "Syndicate Cover Transactions") during the period from the day immediately following the last day of the subscription period of the public offering and the secondary offering by way of overallotment to Monday, March 17, 2014 (the "Syndicate Cover Transaction Period") for the purpose of returning the Borrowed Shares. All shares obtained by Nomura Securities through the Syndicate Cover Transactions will be apportioned for the return of the Borrowed Shares. However, during the Syndicate Cover Transaction Period, Nomura Securities, at its sole discretion, may not conduct any Syndicate Cover Transactions or may terminate the Syndicate Cover Transactions before the number of shares purchased reaches the number of shares offered in the secondary offering by way of overallotment.

Furthermore, Nomura Securities may conduct stabilization transactions accompanying the public offering and the secondary offering by way of overallotment, and some or all of the shares of the Company's common stock obtained by those stabilization transactions may be used to return the Borrowed Shares.

Nomura Securities plans to accept the allotment under the Third-Party Allotment of an equivalent number of shares of the Company's common stock obtained by deducting (a) the number of shares acquired through stabilization transactions and the Syndicate Cover Transactions that are to be applied to return the Borrowed Shares from (b) the number of shares to be offered in the secondary offering by way of overallotment (the "Number of Shares to be Acquired"). Accordingly, all or part of shares to be sold under the Third-Party Allotment may not be subscribed for, which may result in a decrease in the maximum number of shares to be ultimately sold under the Third-Party Allotment, or in the cancellation of the entire disposal due to forfeiture.

In the event that Nomura Securities accepts the allotment under the Third-Party Allotment, it shall use the funds obtained from the secondary offering by way of overallotment as payment for the Number of Shares to be Acquired.

2. The public offering and the "Third-Party Allotment" will result in the following change in treasury stock

Number of shares of treasury stock at present	8,114,924	shares	(as of January 31, 2014)
Number of shares to be sold through the public offering	7,000,000	shares	
Number of shares of treasury stock after the public offering	1,114,924	shares	
Number of shares to be sold through the Third-Party Allotment	1,050,000	shares	(Note)
Number of shares of treasury stock after the Third-Party Allotment	64,924	shares	(Note)

Note: Number of shares in the event that Nomura Securities applies for all shares to be offered (sold) through the Third-Party Allotment described in Item "3. Disposal of treasury stock by way of third-party allotment."

3. Use of proceeds

(1) Current use of proceeds

The Group estimates that the net proceeds from the public offering and the Third-Party Allotment are a maximum of 11,592,753,000 yen. Of this amount, 11,500 million yen will be used for the AOKI Group's capital expenditures between now and March 2015. The remainder is to be used for part of the repayment of a loan due in September 2014 that was taken out in association with ANNIVERSAIRE MINATO MIRAI

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YOKOHAMA that started operations in February 2014.

In the Fashion Business, the Group plans to make capital expenditures of 4,632 million yen to open 62 stores, 1,406 million yen to refurbish 72 stores (including one store to be rebuilt), and 498 million yen for an IT system for the centralized processing of operating data. In the ANNIVERSAIRE and Bridal Business, the Group plans to make capital expenditures of 634 million yen for the renovation of nine locations. In the Karaoke Facility Operations Business, the Group plans to make capital expenditures of 1,308 million yen for 16 new locations and 457 million yen to refurbish 15 locations. In the Café Complex Operations Business, the Group plans to make capital expenditures of 2,344 million yen for 36 new locations and 221 million yen to refurbish 14 locations.

The AOKI Group's plans for capital expenditures are as follows as of February 17, 2014 (but as of December 31, 2013 for "paid in," payments that have already been made). The Company plans to extend loans to help fund the capital expenditures of subsidiaries in Japan. In addition, the financing method column includes this disposal of treasury stock.

Reporting company

Company name	Business site (location)	Segment	Facility	Investment amount (scheduled)		Financing method	Planned timing of launch and completion		Capacity to be increased
				Total (Million yen)	Paid in (Million yen)		Launch	Completion	
AOKI Holdings Inc.	Head office	Fashion	Software	498	-	Disposal of treasury stock	Undecided	Until March 2015	-

Subsidiaries in Japan

Company name	Business site (location)	Segment	Facility	Investment amount (scheduled)		Financing method	Planned timing of launch and completion		Capacity to be increased
				Total (Million yen)	Paid in (Million yen)		Launch	Completion	
AOKI Inc.	<AOKI> Hida Takayama Store (Takayama, Gifu)	Fashion	Store equipment	104	45	Own funds / disposal of treasury stock	December 2013	March 2014	(sales area (m^2)) 496
	Itabashi Yotsuba Store (Itabashi-ku, Tokyo)	Same as above	Same as above	113	30	Same as above	November 2013	March 2014	496
	Fukui Owada Store (Owada, Fukui)	Same as above	Same as above	85	28	Same as above	November 2013	March 2014	562
	Tohoku/Hokkaido area 2 stores	Same as above	Same as above	139	42	Same as above	October 2013 -March 2014	April 2014	893
	Kanto area 6 stores	Same as above	Same as above	521	87	Same as above	December 2013- March 2014	April 2014- June 2014	2,489
	Chubu area 4 stores	Same as above	Same as above	464	74	Same as above	December 2013- March 2014	April 2014	1,884
	Chugoku area 1 store	Same as above	Same as above	69	2	Same as above	February 2014	April 2014	529
	Kyushu area 2 stores	Same as above	Same as above	173	11	Same as above	January 2014 – June 2014	April 2014 – July 2014	926
	25 other stores (undecided)	Same as above	Same as above	2,667	84	Same as above	-	Until March 2015	-
	Renovation of 69 existing stores	Same as above	Same as above	1,316	-	Disposal of treasury stock	-	Until March 2015	-

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Company name	Business site (location)	Segment	Facility	Investment amount (scheduled)		Financing method	Planned timing of launch and completion		Capacity to be increased
				Total (Million yen)	Paid in (Million yen)		Launch	Completion	
AOKI Inc.	<ORIHICA> Abeno HOPP Store (Abeno-ku, Osaka)	Fashion	Store equipment	59	-	Disposal of treasury stock	February 2014	March 2014	(sales area (m^2)) 170
	FOLEO Otsu Ichiriyama Store (Otsu, Shiga)	Same as above	Same as above	50	6	Own funds / disposal of treasury stock	February 2014	March 2014	380
	VERSA WALK Nishio Store (Bisai, Aichi)	Same as above	Same as above	39	-	Disposal of treasury stock	January 2014	March 2014	199
	SEIYU Ofuna Store (Kamakura, Kanagawa)	Same as above	Same as above	49	-	Same as above	February 2014	March 2014	261
	Kanto area 2 stores	Same as above	Same as above	123	14	Own funds / disposal of treasury stock	February 2014 – April 2014	April 2014	448
	Kinki area 1 store	Same as above	Same as above	36	-	Disposal of treasury stock	March 2014	April 2014	195
	12 other stores (undecided)	Same as above	Same as above	859	-	Same as above	-	Until March 2015	-
	Renovation of 3 existing stores	Same as above	Same as above	90	-	Same as above	-	Until March 2015	-
ANNIVERSAIRE INC.	<ANNIVERSAIRE> Renovation of 9 facilities	ANNIVERSAIRE/ Bridal	Wedding facilities	634	-	Disposal of treasury stock	-	Until March 2015	-
VALIC Co., Ltd.	<COTE D'AZUR> Musashikosugi Kitaguchi Store (Nakahara-ku, Kawasaki)	Karaoke facility operations	Store equipment	116	42	Borrowings/ disposal of treasury stock	January 2014	March 2014	(No. of rooms) 25
	Kanto area 3 locations	Same as above	Same as above	217	-	Disposal of treasury stock	Undecided	April 2014 - June 2014	66
	Chubu area 1 location	Same as above	Same as above	92	6	Borrowings/ disposal of treasury stock	February 2014	April 2014	25
	Kinki area 1 location	Same as above	Same as above	92	18	Same as above	Undecided	May 2014	30
	10 other locations (undecided)	Same as above	Same as above	855	-	Disposal of treasury stock	-	Until March 2015	-
	Renovation of 15 existing facilities	Same as above	Same as above	457	-	Same as above	-	Until March 2015	-
	<KAIKATSU CLUB> Rokkomichi Store (Nada-ku, Kobe)	Café complex operations	Store equipment	47	-	Disposal of treasury stock	February 2014	March 2014	(sales area (m^2)) 436
	Tohoku area 1 location	Same as above	Same as above	65	-	Same as above	Undecided	April 2014	678
	Kanto area 1 location	Same as above	Same as above	61	-	Same as above	Undecided	June 2014	1,058
	33 other locations (undecided)	Same as above	Same as above	2,170	-	Same as above	-	Until March 2015	-
	Renovation of 14 existing facilities	Same as above	Same as above	221	-	Same as above	-	Until March 2015	-

Notes: 1. Investment amount (scheduled) includes guarantee deposits and leasehold deposits.
2. Investment amount (scheduled) does not include consumption taxes, etc.
3. Name of stores and facilities may change in the future.

(2) Change in the previous use of proceeds

Not applicable.

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(3) Effect on the results of operations

The Company believes that the use of funds will contribute to medium and long-term earnings growth by funding renovations that make existing stores more competitive and increasing the pace of new store openings.

4. Profit distribution to shareholders, etc.

(1) Basic profit allocation policy

The Company considers returning profits to shareholders to be an important management theme, and our basic policy is to maintain stable dividends while taking into consideration factors such as future business development, financial structure strengthening, and the payout ratio.

(2) Concept of determination of dividends

The Company's basic policy toward sharing profit with shareholders is to distribute dividends twice a year (interim and year-end), backed up by earnings. In addition, the Company may also distribute dividends from retained earnings to shareholders of record on a date specified by the Company. Its Articles of Incorporation include a provision allowing the Company to declare dividends from retained earnings without prior approval of the shareholders' meeting, but subject to approval by the Board of Directors as stipulated in Article 459 of the Companies Act.

(3) Use of retained earnings

In order to achieve sustainable growth into the future, retained earnings will be set aside for future business development including capital investments in each business, product development to meet consumer needs, and IT system investment.

(4) Dividends, etc., for the past three fiscal years

	FY3/11	FY3/12	FY3/13
Net income per share (consolidated)	83.78 yen	167.07 yen	236.51 yen
Annual dividend per share (of which interim dividend per share)	30.00 yen (15.00 yen)	35.00 yen (15.00 yen)	45.00 yen (20.00 yen)
Actual dividend payout ratio (consolidated)	35.8%	20.9%	19.0%
Return on equity (consolidated)	3.7%	7.0%	9.1%
Dividend on equity (consolidated)	1.3%	1.5%	1.7%

Notes: 1. The actual dividend payout ratio (consolidated) is a fraction, the numerator of which is the annual dividend per share and the denominator of which is the net income per share (consolidated).

2. The return on equity (consolidated) is a fraction, the numerator of which is the consolidated net income and the denominator of which is the shareholders' equity (shareholders' equity is calculated by averaging out total net assets less stock acquisition rights, from the beginning to the end of the relevant fiscal year).

3. The dividend on equity (consolidated) is a fraction, the numerator of which is the annual dividend per share and the denominator of which is the consolidated net assets per share (consolidated net assets per share is calculated by averaging out the consolidated net assets per share from the beginning to the end of the relevant fiscal year).

4. The Company conducted a 2-for-1 common stock split on January 1, 2014. Figures for the net income per share (consolidated) and the annual dividend per share are actual amount before the stock split.

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5. Others

(1) Designation of party to receive distribution

Not applicable.

(2) Information on dilutive shares

Not applicable.

(3) Information on past equity financings

1) Information on equity financings within past three years, etc.

Not applicable.

2) Change in share price for the past three fiscal years and immediately before the date hereof

(Yen)

	FY3/11	FY3/12	FY3/13	FY3/14
Opening price	1,259	1,338	1,540	2,458 *1,860
High price	1,554	1,596	2,468	3,555 *1,904
Low price	1,007	1,016	1,470	2,190 *1,530
Closing price	1,355	1,556	2,451	3,400 *1,555
Price earnings ratio	16.2x	9.3x	10.4x	-

Notes: 1. Share prices for FY3/14, are shown as of Friday, February 14, 2014.

2. The price/earnings ratio is a fraction, the numerator of which is the share price (closing price) as at the end of each fiscal year and the denominator of which is the consolidated net income per share for the relevant fiscal year.

3. The share price with asterisk (*) in FY3/14 is ex-rights price of shares after the 2-for-1 stock split on January 1, 2014.

3) Change in Allottees' holding policy for shares issued by way of Third-Party Allotment for the past five years

Not applicable.

(4) Lock-up period

In connection with the public offering, the Company's shareholders ANNIVERSAIRE HOLDINGS INC., Hironori Aoki, Takahisa Aoki, Masamitsu Aoki, Akihiro Aoki, Seiji Aoki, Mitsuko Aoki, and Aoki Information Development Co., Ltd. have agreed with Nomura Securities not to sell the Company's shares, in principle, during the period commencing on the Determination Date and ending on the day that falls on the 90th day after the delivery date for the public offering (the "Lock-up Period") without the prior written consent of Nomura Securities.

The Company also has agreed not to issue the Company's shares, not to issue securities that are convertible into or exchangeable for the Company's shares and not to issue any other securities that represent the right to acquire or receive the Company's shares (excluding the issuance of new shares by way of the public offering, by way of the Third-Party Allotment or the issuance of the shares in connection with stock splits, etc.) during the Lock-up Period without the prior written consent of Nomura Securities.

In any of the above cases, Nomura Securities has the authority to waive all or a part of the conditions of that agreement during the Lock-up Period at its own discretion.

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