AOKI Holdings

May 9, 2014

Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2014

[Japanese GAAP]

Company name: AOKI Holdings Inc. Listings: TSE First Section
Stock code: 8214 URL: http://www.aoki-hd.co.jp/
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Scheduled date of Annual General Meeting of Shareholders: June 27, 2014
Scheduled date of filing of Annual Securities Report: June 30, 2014
Scheduled date of payment of dividend: June 9, 2014
Preparation of supplementary materials for financial results: Yes
Holding of financial results meeting: Yes (for institutional investors and analysts)

Note: The original disclosure in Japanese was released on May 9, 2014 at 14:15 (GMT +9).

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

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2014 (April 1, 2013 – March 31, 2014)

(1) Consolidated results of operations (Percentages shown for sales and incomes represent year-on-year changes)

	Sales		Operating profit		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY3/14	179,443	11.7	20,390	19.4	20,865	18.6	10,684	8.7
FY3/13	160,589	9.5	17,078	24.1	17,590	20.6	9,832	38.7

Note: Comprehensive income (million yen) FY3/14: 10,553 (up 0.4%) FY3/13: 10,511 (up 44.2%)

	Net income per share	Diluted net income per share	Return on equity	Ordinary income on total assets	Operating profit to sales
	Yen	Yen	%	%	%
FY3/14	127.70	-	8.8	10.3	11.4
FY3/13	118.26	117.91	9.1	9.5	10.6

Reference: Equity in income of affiliates (million yen) FY3/14: - FY3/13: -

Note: The Company conducted a 2-for-1 common stock split on January 1, 2014. Net income per share and diluted net income per share have been calculated as if this stock split had taken place at the beginning of the previous fiscal year.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2014	212,755	131,283	61.7	1,439.76
As of Mar. 31, 2013	193,664	111,484	57.5	1,349.49

Reference: Shareholders' equity (million yen) As of Mar. 31, 2014: 131,283 As of Mar. 31, 2013: 111,405

Note: The Company conducted a 2-for-1 common stock split on January 1, 2014. Net assets per share have been calculated as if this stock split had taken place at the beginning of the previous fiscal year.

(3) Consolidated cash flow position

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
FY3/14	15,613	(19,390)	4,000	22,619
FY3/13	16,665	(16,402)	(975)	22,396

2. Dividends

	Dividend per share					Total dividends	Dividend payout ratio (consolidated)	Dividend on equity (consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
FY3/13	-	20.00	-	25.00	45.00	1,865	19.0	1.7
FY3/14	-	30.00	-	18.00	-	2,888	25.8	2.4
FY3/15 (forecasts)	-	18.00	-	18.00	36.00		28.5	

Note: The year-end dividend per share for FY3/14 and the year-end dividend per share for FY3/15 (forecasts) have been adjusted to reflect the 2-for-1 stock split on January 1, 2014.

3. Consolidated Forecast for the Fiscal Year Ending March 31, 2015 (April 1, 2014 – March 31, 2015)

(Percentages represent year-on-year changes)

	Sales		Operating profit		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	80,530	9.7	3,100	(5.3)	3,050	(16.4)	1,300	(33.2)	14.26
Full year	192,970	7.5	21,300	4.5	21,200	1.6	11,500	7.6	126.12

*** Notes**

(1) Changes in consolidated subsidiaries during the period (changes in scope of consolidation): None

(2) 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: Yes

3) Changes in accounting-based estimates: Yes

4) Restatements: None

Note: Subject to "changes in accounting policies that are difficult to distinguish from changes in accounting-based estimates" since the Company has revised its depreciation method from the current fiscal year. Please refer to "4. Consolidated Financial Statements, (5) Notes to Consolidated Financial Statements" on page 19 of the attachments for further information.

(3) Number of shares outstanding (common shares)

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

As of Mar. 31, 2014: 91,249,504 shares As of Mar. 31, 2013: 91,249,504 shares

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

As of Mar. 31, 2014: 65,090 shares As of Mar. 31, 2013: 8,695,740 shares

3) Average number of shares outstanding during the period

Fiscal year ended Mar. 31, 2014: 83,670,248 shares Fiscal year ended Mar. 31, 2013: 83,142,569 shares

Note: The Company conducted a 2-for-1 common stock split on January 1, 2014. Number of shares has been calculated as if this stock split had taken place at the beginning of the previous fiscal year.

(For reference) Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2014 (April 1, 2013 – March 31, 2014)

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

	Sales		Operating profit		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY3/14	3,303	10.3	(473)	-	5,369	(3.6)	3,977	(28.2)
FY3/13	2,994	20.9	(652)	-	5,569	60.3	5,542	67.9

	Net income per share	Diluted net income per share
	Yen	Yen
FY3/14	47.53	-
FY3/13	66.66	66.47

Note: The Company conducted a 2-for-1 common stock split on January 1, 2014. Net income per share and diluted net income per share have been calculated as if this stock split had taken place at the beginning of the previous fiscal year.

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2014	145,033	111,483	76.9	1,222.62
As of Mar. 31, 2013	135,816	98,101	72.2	1,187.38

Reference: Shareholders' equity (million yen) As of Mar. 31, 2014: 111,483 As of Mar. 31, 2013: 98,022

Note: The Company conducted a 2-for-1 common stock split on January 1, 2014. Net assets per share have been calculated as if this stock split had taken place at the beginning of the previous fiscal year.

Note 1: Indication of audit procedure implementation status

The current summary report is not subject to the audit procedures based on the Financial Instruments and Exchange Law. At the time of disclosure, the audit procedures for the consolidated financial statements have not been completed.

Note 2: Cautionary statement with respect to forecasts and other matters

Cautionary statement with respect to forecasts

Forecasts regarding future performance 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 "(1) Analysis of Business Results, Forecasts for the new fiscal year" on page 3 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, May 23, 2014. Materials to be distributed at this event will be available on the Company's website immediately thereafter.

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1. Analysis of Business Results and Financial Position

(1) Analysis of Business Results

1) Business results in the fiscal year under review

In the fiscal year that ended on March 31, 2014, the Japanese economy recovered on a gradual path as corporate profits increased and there were improvements in employment and personal consumption. These improvements were the result of the yen's depreciation, higher share prices and other factors associated with economic stimulus programs and monetary measures. However, the outlook is still uncertain because of concerns about higher costs caused by the yen's depreciation and the impact on the economy of the April 2014 consumption tax hike.

In this environment, the AOKI Group implemented various measures in each business segment as discussed below. As a result, business performance in the fiscal year under review as follows:

Sales	179,443 million yen	(up 11.7% year-on-year)
Operating profit	20,390 million yen	(up 19.4% year-on-year)
Ordinary income	20,865 million yen	(up 18.6% year-on-year)
Net income	10,684 million yen	(up 8.7% year-on-year)

Sales and profits rose to new record highs at each level for three consecutive fiscal years.

Fashion Business

AOKI continued to strengthen its lineup and marketing of functional suits including "Premium Wash Suits" and "Premium Stretch Suits" and other core products. In response to the increasing diversity of fashions, AOKI started selling "Ultra Cross Suits" using the CAFÉ SOHO brand. These suits are centered on the concept of "unlimited mixing and matching" for a broad range of scenes ranging from the business to casual. In the market for ladies' suits, which is expanding steadily, a line of apparel for career women was introduced. AOKI strengthened its proposal for this new line to a broad range of age segments, using a new image character and media. Regarding the store network, AOKI aggressively opened a record 65 new stores, more than initially planned. These new stores include ten in prefectures where it previously had no stores. It closed four stores for relocation purposes. As a result, the AOKI store network consisted of 521 stores at the end of the fiscal year, up from 460 at the end of the previous fiscal year.

ORIHICA expanded its lineup of business-to-casual merchandise, which includes business suits, jackets, slacks, cut-and-sewn items and knitted cloths. These items feature stylish silhouettes and details and make it easy to combine slacks and inner wear, as well as make proposal of a new idea for mixing and matching called "One by Three Style (single-outfit, three-way styling)." Furthermore, ORIHICA continued to expand the lineup of ladies' products that match a variety of customers and places. ORIHICA also worked on establishing a dominant presence by opening 26 new stores and closed one. As a result, the ORIHICA store network consisted of 131 stores at the end of the fiscal year, up from 106 at the end of the previous fiscal year.

Overall sales increased 12.3% year-on-year to 116,722 million yen and operating profit rose 18.1% to 14,130 million yen thanks to new store openings, ongoing increase in average sales per suit and strong sales of ladies' products. The rush to make purchases in March prior to the April 2014 consumption tax hike is another reason for higher sales and profits.

Anniversaire and Bridal Business

ANNIVERSAIRE INC., which operates guesthouse-style wedding and reception facilities, opened ANNIVERSAIRE MINATO MIRAI YOKOHAMA in February 2014 in Yokohama Minato Mirai waterfront sightseeing and entertainment district. The facility has two chapels and seven banquet halls. The response from customers has been strong since the opening. This new location increased the number of facilities to 14 from 13 at the end of the previous fiscal year. In addition, it focused on revitalizing sales at existing facilities by renovating four wedding and reception facilities and the ANNIVERSAIRE OMOTESANTO Café and Restaurant.

Sales increased 7.3% year-on-year to 26,139 million yen thanks to a contribution from ANNIVERSAIRE MINATO MIRAI YOKOHAMA and increases in the number of couples married and average sales per couple at existing facilities. Operating profit decreased 10.2% to 2,619 million yen mainly due to preparation expenses for opening of ANNIVERSAIRE MINATO MIRAI YOKOHAMA.

Karaoke Facility Operations Business

VALIC Co., Ltd., which operates karaoke facilities, made proposals of year-end party, farewell/welcome party and other banquet party courses to meet the needs of corporate and group customers, and conducted promotion campaigns in collaboration with famous artists, popular characters and a woman's magazine, aiming to increase customer traffic. Many actions were taken to make karaoke facilities more appealing, such as the renovation of 19 locations and the introduction of “concept rooms.” It opened 16 new facilities mostly close to train stations. As a result, the network of karaoke facilities was 159 at the end of the fiscal year, up from 143 at the end of the previous fiscal year.

Sales increased 8.2% year-on-year to 16,458 million yen and operating profit rose 2.4% to 1,529 million yen, thanks to benefits from the opening of new karaoke facilities and other factors.

Café Complex Operations Business

VALIC Co., Ltd., which also operates café complexes, took steps to increase customer traffic such as strengthening seasonal menus and breakfast and lunch selections and holding events like Darts Grand Prix. In addition, it focused on revitalizing sales at existing facilities by refurbishing 39 locations in order to offer more amusement content and increase the amount of space exclusively for female customers. It opened 18 new facilities, including new areas and, for the first time, a facility near railway stations in central Tokyo, and closed one. As a result, the network of café complexes was 228 at the end of the fiscal year, up from 211 at the end of the previous fiscal year.

Sales increased 17.4% year-on-year to 20,089 million yen thanks to the benefits from the opening of new facilities and ongoing strong sales at existing facilities. Also, operating profit significantly increased 65.2% to 1,676 million yen.

2) Forecasts for the new fiscal year

In the fiscal year ending on March 31, 2015, the Japanese economy is expected to recover slowly as corporate profits and employment improve. But there are still concerns about the outlook for personal consumption because of higher costs, uncertain income situations and the possibility of slower economic growth following the April 2014 consumption tax hike. The AOKI Group will take a variety of actions in response to diversifying consumer needs associated with the changing times. In addition, businesses will be operated with flexibility and efficiency and the AOKI Group plans to open more than 100 locations. By taking these actions, we aim to become more profitable.

In the Fashion Business, AOKI will continue to enlarge its lineup of functional products. For the “Ultra Cross Suits” line of jackets and slacks that was launched in the spring of 2013, a new line with a fresh look will be added to offer an even more stylish silhouette. For ladies’ products, where demand is increasing year after year, we will strengthen to offer new ideas to women across a broad range of ages. AOKI plans to open about 40 stores during the fiscal year, both in prefectures where AOKI has no stores and to establish a dominant presence in areas where there are already stores. ORIHICA will continue to reinforce its lineup of products that embodies new proposals for style and use. Furthermore, ORIHICA plans to open about 15 stores during the fiscal year in shopping centers, train station buildings and fashion buildings.

In the ANNIVERSAIRE and Bridal Business, we will concentrate on refining the new ANNIVERSAIRE MINATO MIRAI YOKOHAMA which started operations in February 2014, while further improving operating efficiency and conducting renovations to revitalize facilities.

In the Karaoke Facility Operations Business, we will continue to use various collaboration campaigns as well as strengthen the course menu and add more “concept rooms.” In another move to revitalize existing facilities, amusement content other than karaoke will be expanded. Furthermore, we plan to open about 15 locations during the fiscal year.

In the Café Complex Operations Business, the goal is to create and expand markets by taking the KAIKATSU CLUB format to a higher level with initiatives like enlarging the selection of content and upgrading the menu. We plan to open about 35 facilities during the fiscal year and make more progress with raising recognition of our brand and establishing a dominant presence in targeted markets.

We will implement the aforementioned measures precisely and marshal all of our strengths to improve business performances in the new fiscal year. Our forecasts for the fiscal year ending March 31, 2015 are as follows.

Forecast by business segment for the fiscal year ending March 31, 2015

	Fashion	Anniversaire and Bridal	Karaoke Facility Operations	Café Complex Operations	Consolidated
Sales (Millions of yen)	122,000	31,200	17,750	22,050	192,970
YoY change (%)	104.5	119.4	107.9	109.8	107.5
Segment profit (Millions of yen)	13,870	3,900	1,600	1,700	21,300
YoY change (%)	98.2	148.9	104.6	101.4	104.5

Note: 1. Segment profit is generally operating profit figures. Difference between total segment profits and consolidated operating profit implies adjustments for consolidation purposes.

2. In the Fashion Business, profits are expected to decrease because of the anticipated decline in sales following the substantial increase in sales in the previous fiscal year as consumers rushed to make purchases before the April 2014 consumption tax hike.

(2) Analysis of Financial Position

1) Balance sheet position

Total assets at the end of the fiscal year under review increased 19,091 million yen over the end of the previous fiscal year. Inventories and tangible fixed assets increased mainly due to new store openings.

Current assets increased 7,735 million yen over the end of the previous fiscal year. Inventories increased 3,843 million yen and accounts receivable-trade increased 1,891 million yen mainly due to new store openings. Fixed assets increased 11,355 million yen over the end of the previous fiscal year. There was a 9,941 million yen increase in tangible fixed assets mainly due to acquisition of fixed assets for new store openings and a 1,036 million yen increase in leasehold deposits.

Current liabilities increased 1,471 million yen over the end of the previous fiscal year. It was mainly due to an increase in accounts payable-trade of 3,951 million yen, despite a decrease of 3,000 million yen for the repayment of short-term debt. Long-term liabilities decreased 2,178 million yen over the end of the previous fiscal year. It was mainly due to decreases in long-term debt of 3,086 million yen and accrued retirement benefits for employees of 849 million yen, despite the booking of net defined benefit liability of 1,534 million yen.

Net assets increased 19,798 million yen over the end of the previous fiscal year. There was an increase in capital surplus of 6,171 million yen and a decrease in treasury stock of 5,723 million yen due to the disposal of treasury stock, and there was an increase in retained earnings of 8,405 million yen from net income and other items.

2) Cash flow position

(Millions of yen)

	FY3/13	FY3/14
Cash flows from operating activities	16,665	15,613
Cash flows from investing activities	(16,402)	(19,390)
Cash flows from financing activities	(975)	4,000
Increase (decrease) in cash and cash equivalents	(712)	223
Cash and cash equivalents at beginning of period	23,108	22,396
Cash and cash equivalents at end of period	22,396	22,619

Cash and cash equivalents at the end of the fiscal year under review increased 223 million yen over the end of the previous fiscal year to 22,619 million yen due to an increase in net income before income taxes and other factors.

Net cash provided by operating activities decreased 1,052 million yen to 15,613 million yen on a year-on-year basis. The principal factor was the net of income tax payments and refunds of 9,717 million yen, while there were net income before income taxes of 18,422 million yen, depreciation of 6,085 million yen and impairment losses of 2,448 million yen.

Net cash used in investing activities increased 2,987 million yen to 19,390 million yen on a year-on-year basis. This was mainly due to the payments of 15,666 million yen for the acquisition of tangible fixed assets for capital investment and leasehold and guarantee deposits of 2,268 million yen.

Net cash provided by financing activities increased 4,975 million yen to 4,000 million yen on year-on-year basis. The principal factors were proceeds from disposal of treasury stock of 11,829 million yen and long-term debt of 5,000 million yen for investment in equipment, while there were repayments of short-term debt of 3,000 million yen, scheduled repayment of long-term debt of 5,696 million yen, repayments of lease obligations of 1,849 million yen, and cash dividends paid of 2,276 million yen.

Reference: Cash flow indicators

	FY3/10	FY3/11	FY3/12	FY3/13	FY3/14
Shareholders' equity ratio (%)	60.8	59.5	58.6	57.5	61.7
Shareholders' equity ratio based on market prices (%)	33.6	34.8	36.7	52.2	62.8
Interest-bearing debt to cash flow ratio (years)	3.6	2.6	2.0	2.3	2.2
Interest coverage ratio (times)	25.9	39.1	54.0	55.1	50.4

Notes: 1. Shareholders' equity ratio: Shareholders' equity / Total assets
2. Shareholders' equity ratio based on market prices: Market capitalization / Total assets
3. Interest-bearing debt to cash flow ratio: Interest-bearing debt / Cash flows
4. Interest coverage ratio: Cash flows / Interest payments
* All indicators are calculated based on consolidated figures.
* Market capitalization is calculated based on the number of shares outstanding (excluding treasury stock).
* Cash flows are calculated using the figures for operating cash flows.
* Interest-bearing debt includes all liabilities on the consolidated balance sheets that incur interest. Interest payments are calculated using the figures for interests paid in the consolidated statements of cash flows.

(3) Basic Profit Allocation Policy, and Dividends in the Current and Next Fiscal Years

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.

The Board of Directors, at a meeting held on May 9, 2014, approved a year-end dividend of 18 yen per share in light of the results of operations for the fiscal year ended on March 31, 2014 and the Company's basic policy regarding dividends. There was a two-for-one stock split on January 1, 2014. Dividend payments prior to the adjustment for this split were 30 yen per share for the interim dividend and the planned 36 yen per share for the year-end dividend. This results in an annual dividend of 66 yen per share.

For dividends applicable to the fiscal year ending on March 31, 2015, we plan to pay interim and year-end dividends of 18 yen each for a total of 36 yen per share. This outlook is based on the target of maintaining a 30% consolidated payout ratio in accordance with the policy of maintaining a stable dividend and on the outlook for results of operations.

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.

In addition, we plan to implement repurchasing and retiring share flexibly by taking into account our investment plans, cash on hands, the price of our stock and other factors.

(4) Business and Other Risks

Listed below are the risk factors that may affect operating results and financial position as well as the stock price and other performance indices of the AOKI Group.

1) Economic environment

The performance of the AOKI Group, and particularly the Fashion Business, is highly susceptible to changes in the economic trends and consumer spending in Japan.

2) Store network

a. The AOKI Group operates a chain of stores that consists primarily of directly operated stores. There were 1,053 stores as of March 31, 2014.

   If new stores cannot be opened as planned, there may be an effect on the Group's results of operations.

b. The AOKI Group pursues a dominant presence strategy (concentrating store openings in certain areas) for the purposes of raising consumer awareness of AOKI in targeted areas, using advertising expenses more efficiently and lowering administrative expenses. Currently, most stores are in the Kanto, Chubu and Kinki regions. We plan to continue opening stores in these three areas as well as in new areas. However, the inability to obtain locations for new stores or competition among our own stores that are too close to each other may affect results of operations.

3) Recruiting and training activities

The AOKI Group places priority on providing customers with excellent services by conducting a number of its own training programs for employees. For example, there is a stylist system in the Fashion Business that gives sales personnel the skills to offer ideas for coordinating apparel in order to meet customers' requirements.

Increasing market share by opening stores and taking other actions is vital to achieving the growth of business operations. If we are unable to recruit a sufficient number of human resources or provide sufficient training, there may be an effect on our results of operations.

4) Management of personal information

The AOKI Group collects personal information through sales at stores and other activities and uses this information for direct mail marketing and other operations. We have prepared a compliance manual, restrict activities of people who handle personal information to ensure compliance with laws and regulations, and take other actions to ensure the proper management of personal information. However, if there is a leak of personal information, the resulting loss of confidence in the AOKI Group may cause a drop in sales or other negative effects that would affect results of operations.

5) Seasonal changes in results of operations

Sales of the AOKI Group, particularly in the Fashion Business, tend to be higher each year in June, due to demand for summer item, November and December, due to demand for winter item, and March, when spring item sales are high and there is demand associated with the start of the new school year and the start of new jobs by recent graduates.

6) Manufacturing locations

Many products in the Fashion Business are made in China and other Asian countries and procured by using trading companies and other channels. Consequently, significant political, economic, legal or other changes in these countries, a major natural disaster, or some other significant event may affect the ability to procure products in these countries or may increase the cost of these products.

7) Market conditions in the ANNIVERSAIRE and Bridal Business

The number of marriages in Japan is declining gradually along with the country's demographics. Although the share of guesthouse-style weddings is increasing, competition is intense because of new competitors from other industries. Results of operations in this business may be affected by the shrinking bridal market, increasingly heated competition or a sudden shift in the style of weddings and receptions that couples prefer.

8) Food safety

The reception operations of the ANNIVERSAIRE and Bridal Business and food and beverage operations of the Karaoke Facility Operations Business and Café Complex Operations Business must comply with the Food Sanitation Act. We have prepared manuals for hygiene management in each business and ensure strict compliance with these manuals. We also perform internal audits, perform inspections using external firms and have other activities involving food safety. However, a food poisoning incident or other significant problem involving food quality may affect our results of operations.

9) Reliance on particular customers

In the Karaoke Facility Operations Business, all equipment is purchased from two suppliers: XING Inc. and Daiichikosho Co., Ltd. Although we have good relationships with these two companies, a change in contract terms with these companies or the termination of a contract may affect results of operations.

10) Asset impairment

The AOKI Group applies the Accounting Standard for Impairment of Fixed Assets. In the fiscal year that ended on March 31, 2014, there was an impairment loss of 2,448 million yen. If there are impairment losses in the future due to stores, subleased stores and other fixed assets that are consistently unprofitable due to changes involving their locations or other factors, there may be an effect on results of operations.

11) Natural disasters and epidemics

The AOKI Group has a dominant presence especially in the Kanto area. If there is a major natural disaster in this area, there may be a significant negative impact on the AOKI Group's results of operations and financial condition.

2. Corporate Group

The AOKI Group is comprised of AOKI Holdings Inc. (the Company), its three consolidated subsidiaries, four non-consolidated subsidiaries, one non-equity-method affiliate, and one related company, and primary involved in the Fashion Business, ANNIVERSAIRE and Bridal Business, Karaoke Facility Operations Business, and Café Complex Operations Business.

Details of the Group businesses, and the positioning of the Company and affiliated companies, are as follows.

(1) Fashion Business

AOKI Inc. operates a chain of fashion specialty store "AOKI," that are located primarily in suburban roadside locations and that sells men’s and women’s clothing, accessories, and fashion products, and "ORIHICA" chain of stores that propose new "business" and "business-to-casual" styles targeting men and women in their 20’s to 40’s.

(2) Anniversaire and Bridal Business

ANNIVERSAIRE INC. provides mansion house-style wedding facilities that offer dreamy and enchanting wedding ceremonies. ANNIVERSAIRE OMOTESANDO is a mixed-use facility geared to the needs of celebrations for all occasions, centered on the ANNIVERSAIRE WEDDING.

(3) Karaoke Facility Operations Business

VALIC Co., Ltd. operates COTE D’AZUR, a karaoke facility that draws inspiration from the famous upscale coastal region in the south of France to create a haven for relaxation.

(4) Café Complex Operations Business

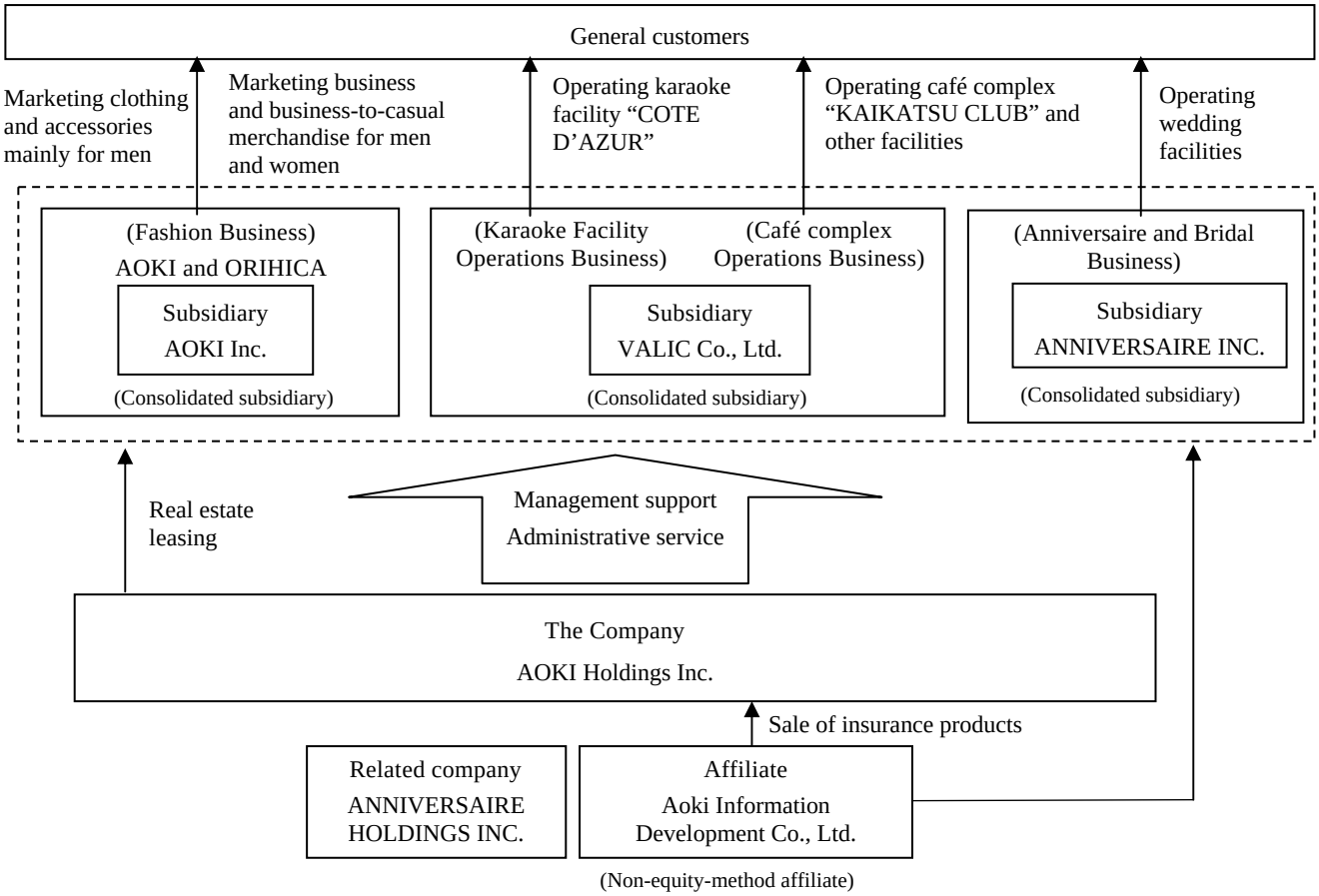
VALIC Co., Ltd. operates KAIKATSU CLUB, a "private-space" café complex modeled after the island of Bali which provides a relaxing and rejuvenating space to escape the stresses of modern life.

(5) Other Businesses

The fitness-related business that was operated by the Company has been terminated and the electricity sales business that uses the stores of AOKI and VALIC is included in the operations of AOKI and VALIC starting with the fiscal year ending on March 31, 2015.

Related company ANNIVERSAIRE HOLDINGS INC. is involved in real estate leasing and other businesses. Affiliate Aoki Information Development Co., Ltd. is involved in the sales agency business for non-life insurance.

An organizational chart of the AOKI Group is as follows.



Four other non-consolidated subsidiaries

3. Management Policies

(1) Basic Management Policy

The AOKI Group is guided in all of its pursuits by the three principles of business integrity, social responsibility, and community service. Our basic management policy is to promote systems of management and operation that enable us to adapt to changes in the business environment and allow the Company to continue to exist and prosper. This basic policy is founded on the following three pillars:

1) Response to customer needs

2) Self-reliance

3) Promotion of management efficiency

Based on this policy, we strive to earn the trust and meet the expectations of our customers and shareholders.

(2) Performance Targets

In the financial results for the fiscal year that ended on March 31, 2012, the AOKI Group stated that medium-term performance targets are an operating margin of at least 11%, a return of assets (ordinary income to total assets) of 10%, and net income per share of 250 yen. Since the targets were achieved in the fiscal year ended on March 31, 2014, and due to the two-for-one stock split on January 1, 2014, we have established new medium-term targets.

The new medium-term targets include achieving an operating margin of 12% while opening new stores, a return on equity (net income to shareholders' equity) of 10% (previous target was a return on assets), and current net income of 180 yen per share. Overall, we will work to improve capital and investment efficiency to maximize shareholder value.

(3) Medium to Long-term Business Strategy

We will invest in capital equipment basically within the scope of operating cash flow, and we will make an effort to achieve group synergies and stable, high-quality growth in the Fashion Business, ANNIVERSAIRE and Bridal Business, Karaoke Facility Operations Business, and Café Complex Operations Business.

In the Fashion Business, we aim to create new markets, evolve and differentiate business formats, and expand market share by continuing to open new stores, including in new areas, revising and strengthening our strategy for dominant area such as suburbs, metropolitan areas near train stations, and open malls, developing core products that can be fully coordinated to meet the changing needs of customers, and strengthening our merchandising through the integration of marketing, merchandise, sales promotions, and the store environment.

In the ANNIVERSAIRE and Bridal Business, we will strive to further improve ANNIVERSAIRE OMOTESANDO brand equity, evolve existing facilities into the ANNIVERSAIRE format to meet the changing times, and expand the scope of operations through the opening of new facilities.

In the Karaoke Facility Operations Business, we will work to improve business efficiency while evolving the business format, including renovations to meet the changing business environment, and open new facilities to promote the domination of our brand.

In the Café Complex Operations Business, we will expand operations by expanding the network of café complexes, and by evolving the business format including better meeting the needs of a wider range of ages and introducing new content to encourage users to spend more time in the facilities.

We will continuously evolve towards a "high-level services company" and enhance corporate value by improving Group flexibility, efficiency, and maximizing synergies.

(4) Challenges

As our operating environment changes and competition becomes more heated, we aim to differentiate ourselves from the competition in all aspects of our business from the planning and development of products and services, to sales promotions, store layouts, and customer service, in order to create and pursue customer satisfaction.

AOKI will strengthen proposals and sales promotions of suits and other core products to revitalize sales at existing stores, expand new markets by increasing our lineup of Cool Biz products and ladies' wear and by strengthening CAFÉ SOHO proposals, and accelerate new store openings, including in new areas, to expand market share. ORIHICA will continue to reinforce the ability to develop products for mixing and matching as a "lifestyle shop," improves store efficiency, and promote the ORIHICA brand while continuing to open new stores.

In the ANNIVERSAIRE and Bridal Business, we will focus on refining ANNIVERSAIRE MINATO MIRAI YOKOHAMA that started operations in February 2014, renovating existing facilities to meet the changing times and customers’ needs. We will also work to strengthen profitability by improving service levels through cultivating human resources.

In the Karaoke Facility Operations Business, we will continue to revitalize existing facilities through renovations and promotional activities (staging events, etc.), and will open new facilities.

In the Café Complex Operations Business, we will continue to reinvigorate existing facilities by remodeling and upgrading facilities while opening many new locations with the goal of enlarging this market.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	FY3/13 (As of Mar. 31, 2013)	FY3/14 (As of Mar. 31, 2014)
Assets		
Current assets		
Cash in hand and in banks	22,396	22,619
Accounts receivable-trade	8,235	10,127
Inventories	*1 18,908	*1 22,751
Deferred income tax assets	2,276	2,097
Other current assets	6,462	8,428
Allowance for doubtful accounts	(11)	(20)
Total current assets	58,267	66,003
Fixed assets		
Tangible fixed assets		
Buildings and structures	99,773	115,442
Accumulated depreciation	(55,685)	(58,512)
Buildings and structures, net	44,087	56,929
Machinery, vehicles, tools, furniture and fixtures	11,876	13,840
Accumulated depreciation	(6,050)	(6,440)
Machinery, vehicles, tools, furniture and fixtures, net	5,826	7,400
Land	*2 31,419	*2 31,394
Lease assets	8,278	9,885
Accumulated depreciation	(4,061)	(5,409)
Lease assets, net	4,216	4,476
Construction in progress	5,541	832
Total tangible fixed assets	91,091	101,032
Intangible fixed assets	6,497	5,675
Investments and other assets		
Investment securities	4,858	4,975
Guarantee deposits	8,399	8,588
Leasehold deposit	18,327	19,364
Deferred income tax assets	4,644	5,272
Other investments and other assets	1,620	1,883
Allowance for doubtful accounts	(44)	(40)
Total investments and other assets	37,807	40,043
Total fixed assets	135,396	146,752
Total assets	193,664	212,755

(Millions of yen)

	FY3/13 (As of Mar. 31, 2013)	FY3/14 (As of Mar. 31, 2014)
Liabilities		
Current liabilities		
Accounts payable-trade	16,273	20,224
Short-term debt	*4 3,000	*4 -
Current portion of long-term debt	5,696	8,086
Lease obligations	1,614	1,716
Accounts payable-other	5,619	5,022
Accrued income taxes	6,403	4,582
Accrued bonuses for employees	1,936	1,842
Accrued bonuses for directors and statutory auditors	200	167
Other current liabilities	4,464	5,036
Total current liabilities	45,207	46,678
Long-term liabilities		
Long-term debt	25,361	22,275
Lease obligations	2,941	3,049
Accrued retirement benefits for employees	849	-
Accrued retirement benefits for directors and statutory auditors	1,640	1,764
Net defined benefit liability	-	1,534
Accrued costs for customer point program	768	767
Asset retirement obligations	3,707	4,400
Negative goodwill	*3 694	*3 82
Other long-term liabilities	1,008	918
Total long-term liabilities	36,972	34,793
Total liabilities	82,179	81,472
Net assets		
Shareholders' equity		
Common stock	23,282	23,282
Capital surplus	22,586	28,757
Retained earnings	70,624	79,029
Treasury stock	(5,767)	(43)
Total shareholders' equity	110,725	131,026
Valuation and translation adjustments		
Unrealized gain on securities	680	549
Remeasurements of defined benefit plans	-	(292)
Total accumulated other comprehensive income	680	257
Stock acquisition rights	79	-
Total net assets	111,484	131,283
Total liabilities and net assets	193,664	212,755

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Consolidated Statements of Income

(Millions of yen)

	FY3/13 (Apr. 1, 2012 – Mar. 31, 2013)	FY3/14 (Apr. 1, 2013 – Mar. 31, 2014)
Sales	160,589	179,443
Cost of sales	82,589	91,651
Gross profit	77,999	87,792
Selling, general and administrative expenses	*1 60,921	*1 67,401
Operating profit	17,078	20,390
Non-operating profit		
Interest income	90	103
Dividend income	53	104
Rental income on real estate	764	654
Amortization of negative goodwill	972	625
Other	280	286
Total non-operating profit	2,162	1,774
Non-operating expenses		
Interest expenses	297	315
Expenses on sub-leased real estate	700	622
Other	651	361
Total non-operating expenses	1,649	1,299
Ordinary income	17,590	20,865
Extraordinary gains		
Gain on sale of fixed assets	*2 8	-
Gain on reversal of stock acquisition rights	185	5
Total extraordinary gains	194	5
Extraordinary losses		
Impairment loss	*3 1,164	*3 2,448
Other	2	0
Total extraordinary losses	1,166	2,449
Net income before income taxes	16,618	18,422
Current income taxes	7,391	7,950
Deferred income taxes	(604)	(212)
Total income taxes	6,786	7,738
Income before minority interests	9,832	10,684
Net income	9,832	10,684

Consolidated Statements of Comprehensive Income

(Millions of yen)

	FY3/13 (Apr. 1, 2012 – Mar. 31, 2013)	FY3/14 (Apr. 1, 2013 – Mar. 31, 2014)
Income before minority interests	9,832	10,684
Other comprehensive income		
Unrealized gain on securities	679	(130)
Total other comprehensive income	*1 679	*1 (130)
Comprehensive income	10,511	10,553
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	10,511	10,553
Comprehensive income attributable to minority interests	-	-

(3) Consolidated Statements of Changes in Shareholders' Equity

FY3/13 (Apr. 1, 2012 – Mar. 31, 2013)

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	23,282	22,586	63,252	(5,532)	103,588
Changes of items during the period					
Dividend from surplus			(1,666)		(1,666)
Net income			9,832		9,832
Purchase of treasury stock				(2,004)	(2,004)
Disposal of treasury stock		326		649	975
Retirement of treasury stock		(326)	(793)	1,119	
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	-	7,371	(234)	7,136
Balance at the end of current period	23,282	22,586	70,624	(5,767)	110,725

(Millions of yen)

	Accumulated other comprehensive income		Stock acquisition rights	Total net assets
	Unrealized gain on securities	Total accumulated other comprehensive income		
Balance at the beginning of current period	1	1	405	103,994
Changes of items during the period				
Dividend from surplus				(1,666)
Net income				9,832
Purchase of treasury stock				(2,004)
Disposal of treasury stock				975
Retirement of treasury stock				
Net changes of items other than shareholders' equity	679	679	(326)	352
Total changes of items during the period	679	679	(326)	7,489
Balance at the end of current period	680	680	79	111,484

FY3/14 (Apr. 1, 2013 – Mar. 31, 2014)

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	23,282	22,586	70,624	(5,767)	110,725
Changes of items during the period					
Dividend from surplus			(2,278)		(2,278)
Net income			10,684		10,684
Purchase of treasury stock				(6)	(6)
Disposal of treasury stock		6,171		5,730	11,902
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	6,171	8,405	5,723	20,300
Balance at the end of current period	23,282	28,757	79,029	(43)	131,026

(Millions of yen)

	Accumulated other comprehensive income			Stock acquisition rights	Total net assets
	Unrealized gain on securities	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of current period	680	-	680	79	111,484
Changes of items during the period					
Dividend from surplus					(2,278)
Net income					10,684
Purchase of treasury stock					(6)
Disposal of treasury stock					11,902
Net changes of items other than shareholders' equity	(130)	(292)	(422)	(79)	(502)
Total changes of items during the period	(130)	(292)	(422)	(79)	19,798
Balance at the end of current period	549	(292)	257	-	131,283

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	FY3/13 (Apr. 1, 2012 – Mar. 31, 2013)	FY3/14 (Apr. 1, 2013 – Mar. 31, 2014)
Cash flows from operating activities		
Net income before income taxes	16,618	18,422
Depreciation and amortization	6,573	6,085
Impairment loss	1,164	2,448
Amortization of goodwill	545	13
Amortization of negative goodwill	(972)	(625)
Increase (decrease) in accrued retirement benefits for employees	127	-
Increase (decrease) in net defined benefit liability	-	224
Increase (decrease) in accrued retirement benefits for directors and statutory auditors	129	123
Increase (decrease) in accrued costs for customer point program	51	(1)
Interest and dividend income	(144)	(208)
Interest expenses	297	315
Decrease (increase) in accounts receivable-trade	(1,255)	(1,891)
Decrease (increase) in inventories	(2,849)	(3,843)
Increase (decrease) in accounts payable-trade	1,219	3,951
Other	498	465
Subtotal	22,003	25,481
Interest and dividend income received	96	159
Interests paid	(302)	(310)
Income taxes paid	(5,837)	(10,691)
Income taxes refund	705	974
Net cash provided by operating activities	16,665	15,613
Cash flows from investing activities		
Payments for acquisition of tangible fixed assets	(11,908)	(15,666)
Payments for acquisition of intangible fixed assets	(1,859)	(1,121)
Payments for leasehold and guarantee deposits	(2,393)	(2,268)
Proceeds from collection of leasehold and guarantee deposits	462	435
Net decrease (increase) in trust beneficiary right	(118)	(410)
Other	(585)	(359)
Net cash used in investing activities	(16,402)	(19,390)
Cash flows from financing activities		
Net increase (decrease) in short-term debt	3,000	(3,000)
Proceeds from long-term debt	7,000	5,000
Repayments of long-term debt	(6,518)	(5,696)
Repayments of lease obligations	(1,628)	(1,849)
Proceeds from disposal of treasury stock	841	11,829
Payments for purchase of treasury stock	(2,004)	(6)
Dividends paid	(1,666)	(2,276)
Net cash provided by (used in) financing activities	(975)	4,000
Effect of exchange rate change on cash and cash equivalents	0	0
Increase (decrease) in cash and cash equivalents	(712)	223
Cash and cash equivalents at beginning of period	23,108	22,396
Cash and cash equivalents at end of period	*1 22,396	*1 22,619

(5) Notes to Consolidated Financial Statements

Going Concern Assumption

No reportable information.

Changes in Accounting Policies

Following the application of the “Accounting Standard for Retirement Benefits (Accounting Standards Board of Japan (ASBJ) Statement No. 26, May 17, 2012; excluding the provisions set forth in Clause 35) and “Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012; excluding the provisions set forth in Clause 67),” the Company has changed its accounting treatment to record the retirement benefit obligations as a net defined benefit liability after deducting plan assets, and recorded the unrecognized actuarial gain or loss and unrecognized past service cost as a net defined benefit liability from the end of the current fiscal year.

For the application of this accounting standard, in accordance with the transitional accounting treatments set forth in Clause 37 of the Accounting Standard for Retirement Benefits, the monetary effect of this change has been included in the remeasurements of defined benefit plans of accumulated other comprehensive income at the end of the current fiscal year.

The result was a net defined benefit liability of 1,534 million yen and a decrease of 292 million yen in accumulated other comprehensive income at the end of the current fiscal year.

The effect of these changes on per share information is shown in the corresponding section.

Changes in Accounting Policies That Are Difficult to Distinguish from Changes in Accounting-based Estimates

The Company and its consolidated subsidiaries changed the depreciation method for tangible fixed assets (excluding lease assets), but not for buildings (excluding attached structures), acquired on or after April 1, 1998, from the declining-balance method to the straight-line method beginning from the current fiscal year.

The Company reviewed the future usage of tangible fixed assets in light of the increase in store openings by subsidiaries, the format of stores opened, and changes in the business environment surrounding the Group including regions where the Group operates stores. As it now expects investment benefits to materialize stably over the long term, the switch in the depreciation method to the straight-line method will evenly distribute the acquisition costs of tangible fixed assets over the usage period, thereby optimizing the calculation of profits in each fiscal year.

The effect of this change was to increase operating profit by 1,315 million yen, and increase ordinary income and net income before income taxes by 1,319 million yen each in the current fiscal year, compared with the previous method.

Notes to Consolidated Balance Sheets

*1. Breakdown of inventories (Millions of yen)

	FY3/13 (As of Mar. 31, 2013)	FY3/14 (As of Mar. 31, 2014)
Merchandise	18,435	22,096
Raw materials and supplies	472	655
Total	18,908	22,751

*2. Land valued at 607 million yen was pledged as collateral under a store leasing agreement in FY3/13 and FY3/14.

*3. Presentation of goodwill and negative goodwill

Goodwill and negative goodwill are stated in net terms. The figures for each before netting are as follows.(Millions of yen)

	FY3/13 (As of Mar. 31, 2013)	FY3/14 (As of Mar. 31, 2014)
Goodwill	58	44
Negative goodwill	752	127
Goodwill, net	(694)	(82)

*4. The Company has current account overdraft agreements with major financial institutions in order to raise funds efficiently. The balance of unused credit lines under these agreements as of the end of the fiscal year is as follows.

(Millions of yen)

	FY3/13 (As of Mar. 31, 2013)	FY3/14 (As of Mar. 31, 2014)
Current account overdraft	22,500	22,500
Credit used	3,000	-
Credit available	19,500	22,500

Notes to Consolidated Statements of Income

*1. Major items of selling, general and administrative expenses (Millions of yen)

	FY3/13 (Apr. 1, 2012 – Mar. 31, 2013)	FY3/14 (Apr. 1, 2013 – Mar. 31, 2014)
Advertising expenses	11,452	12,099
Salaries and bonuses	15,223	17,595
Provision of accrued bonuses for employees	1,549	1,545
Provision of accrued bonuses for directors and statutory auditors	202	167
Retirement benefit expenses	558	664
Provision of accrued retirement benefits for directors and statutory auditors	136	139
Welfare expense	3,072	3,637
Rents	12,429	13,876
Depreciation and amortization	2,674	2,251

*2. Breakdown of gain on sale of fixed assets in FY3/13 (Millions of yen)

	FY3/13 (Apr. 1, 2012 – Mar. 31, 2013)
Buildings and structures	7
Machinery, vehicles, tools, furniture and fixtures	0
Land	0
Total	8

*3. Impairment loss

The Group recognized an impairment loss on the following groups of assets.

FY3/13 (Apr. 1, 2012 – Mar. 31, 2013)

Use	Item	Location
Operating stores	Buildings and structures, others	Yokkaichi City, Mie, etc.
Subleasing stores	Buildings and structures	Naka-ku, Nagoya City, etc.
Idle assets	Land	Fujiyoshida City, Yamanashi, etc.

The Group uses individual stores and idle asset items to group its assets.

Book value was impaired to recoverable value, and the resulting impairment loss (1,164 million yen) was recognized as an extraordinary loss, for idle assets whose recoverable value had fallen below book value, and operating stores and subleased stores set to be relocated or expected to remain in the red due to changes in conditions at the store location and other factors.

Breakdown of impairment losses: buildings and structures 822 million yen; land 88 million yen; others 253 million yen

The recoverable value of this category of assets is measured by net sales value or utility value. The net sales value is based on the appraisal of a real estate appraiser. The utility value is calculated by the discounted cash flow method. A discount rate of between 5.6 and 6.0% is used for calculating the utility value.

FY3/14 (Apr. 1, 2013 – Mar. 31, 2014)

Use	Item	Location
Operating stores	Buildings and structures, others	Nabari City, Mie, etc.
Subleasing stores	Buildings and structures	Hachioji City, Tokyo, etc.
Idle assets	Land and software	Turu-gun, Yamanashi, etc.

The Group uses individual stores and idle asset items to group its assets.

Book value was impaired to recoverable value, and the resulting impairment loss (2,448 million yen) was recognized as an extraordinary loss, for idle assets whose recoverable value had fallen below book value, and operating stores and subleased stores set to be relocated or expected to remain in the red due to changes in conditions at the store location and other factors.

Breakdown of impairment losses: land 38 million yen; buildings and structures 579 million yen; software 1,633 million yen; others 197 million yen

The recoverable value of this category of assets is measured by net sales value or utility value. The net sales value is based on the appraisal of a real estate appraiser. The utility value is calculated by the discounted cash flow method. A discount rate of between 6.2 and 6.4% is used for calculating the utility value.

Notes to Consolidated Statements of Comprehensive Income

*1. Re-classification adjustments and tax effect with respect to other comprehensive income (Millions of yen)

	FY3/13 (Apr. 1, 2012 – Mar. 31, 2013)	FY3/14 (Apr. 1, 2013 – Mar. 31, 2014)
Unrealized gain on securities		
Amount incurred during the year	982	(198)
Re-classification adjustments	-	-
Before tax effect adjustments	982	(198)
Tax effect	(303)	67
Unrealized gain on securities	679	(130)

Notes to Consolidated Statements of Changes in Shareholders' Equity

FY3/13 (Apr. 1, 2012 – Mar. 31, 2013)

1. Type of share and number of outstanding shares

Type of share	Number of shares as of Apr. 1, 2012	Increase	Decrease	Number of shares as of Mar. 31, 2013
Common shares (Thousand shares)	46,624	-	1,000	45,624

Note: 1. Decrease in the number of outstanding shares (Thousand shares)
Retirement of treasury stock pursuant to the Board of Directors' resolution of November 8, 2012: 1,000

2. Type and number of shares of treasury stock

Type of share	Number of shares as of Apr. 1, 2012	Increase	Decrease	Number of shares as of Mar. 31, 2013
Common shares (Thousand shares)	4,954	935	1,542	4,347

Notes: 1. Increase in the number of shares of treasury stock (Thousand shares)
Purchase of treasury stock pursuant to the Board of Directors' resolution of November 8, 2012: 933
Purchase of odd-lot shares: 2
2. Decrease in the number of shares of treasury stock (Thousand shares)
Retirement of treasury stock pursuant to the Board of Directors' resolution of November 8, 2012: 1,000
Exercise of stock options 542

3. Items related to acquisition rights for new shares

Company	Stock acquisition rights (itemized)	Type of shares under stock acquisition rights	Number of shares under stock acquisition rights (Thousand shares)				Balance as of Mar. 31, 2013 (Millions of yen)
			As of Apr. 1, 2012	Increase	Decrease	As of Mar. 31, 2013	
Reporting company	Stock acquisition rights by way of stock options (2007)	Common shares	342	-	342	-	-
	Stock acquisition rights by way of stock options (2008)	Common shares	887	-	567	320	79
Total			1,229	-	909	320	79

Notes: 1. Number of shares under stock acquisition rights: outstanding balance of unexercised stock options.
2. Outline of changes in the number of shares under stock acquisition rights
The decrease in stock acquisition rights by way of stock options (2007) is due to the expiration of the rights.
The decrease in stock acquisition rights by way of stock options (2008) is due to the exercise and expiration of the rights.

4. Dividends

(1) Dividend payment

Resolution	Type of share	Total amount of dividend (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Board of Directors' meeting on May 11, 2012	Common shares	833	20	Mar. 31, 2012	Jun. 11, 2012
Board of Directors' meeting on Nov. 8, 2012	Common shares	833	20	Sep. 30, 2012	Dec. 5, 2012

(2) Dividends with a record date in the current fiscal year but an effective date in the following fiscal year

Resolution	Type of share	Source of funds	Total amount of dividend (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Board of Directors' meeting on May 10, 2013	Common shares	Retained earnings	1,031	25	Mar. 31, 2013	Jun. 10, 2013

FY3/14 (Apr. 1, 2013 – Mar. 31, 2014)

1. Type of share and number of outstanding shares

Type of share	Number of shares as of Apr. 1, 2013	Increase	Decrease	Number of shares as of Mar. 31, 2014
Common shares (Thousand shares)	45,624	45,624	-	91,249

Note: 1. Increase in the number of outstanding shares (Thousand shares)
Stock split pursuant to the Board of Directors' resolution of November 13, 2013: 45,624

2. Type and number of shares of treasury stock

Type of share	Number of shares as of Apr. 1, 2013	Increase	Decrease	Number of shares as of Mar. 31, 2014
Common shares (Thousand shares)	4,347	4,059	8,342	65

Notes: 1. Increase in the number of shares of treasury stock (Thousand shares)
Stock split pursuant to the Board of Directors' resolution of November 13, 2013: 4,057
Purchase of odd-lot shares: 2
2. Decrease in the number of shares of treasury stock (Thousand shares)
Disposal of treasury stock pursuant to the Board of Directors' resolution of February 17, 2014: 8,050
Exercise of stock options 292

3. Items related to acquisition rights for new shares

Company	Stock acquisition rights (itemized)	Type of shares under stock acquisition rights	Number of shares under stock acquisition rights (Thousand shares)				Balance as of Mar. 31, 2014 (Millions of yen)
			As of Apr. 1, 2013	Increase	Decrease	As of Mar. 31, 2014	
Reporting company	Stock acquisition rights by way of stock options (2008)	Common shares	320	-	320	-	-

Notes: 1. Number of shares under stock acquisition rights: outstanding balance of unexercised stock options.
2. Outline of changes in the number of shares under stock acquisition rights
The decrease in stock acquisition rights by way of stock options (2008) is due to the exercise and expiration of the rights.

4. Dividends

(1) Dividend payment

Resolution	Type of share	Total amount of dividend (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Board of Directors' meeting on May 10, 2013	Common shares	1,031	25	Mar. 31, 2013	Jun. 10, 2013
Board of Directors' meeting on Nov. 7, 2013	Common shares	1,247	30	Sep. 30, 2013	Dec. 9, 2013

(2) Dividends with a record date in the current fiscal year but an effective date in the following fiscal year

Resolution	Type of share	Source of funds	Total amount of dividend (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Board of Directors' meeting on May 9, 2014	Common shares	Retained earnings	1,641	18	Mar. 31, 2014	Jun. 9, 2014

Note: The Company conducted a 2-for-1 common stock split on January 1, 2014. The dividend per share has been adjusted to reflect the stock split.

Notes to Consolidated Statements of Cash Flows

*1. Reconciliation of cash and cash equivalents of the statements of cash flows and account balances of balance sheets

(Millions of yen)

	FY3/13 (Apr. 1, 2012 – Mar. 31, 2013)	FY3/14 (Apr. 1, 2013 – Mar. 31, 2014)
Cash in hand and in banks	22,396	22,619
Cash and cash equivalents	22,396	22,619

2. Significant non-cash transactions

Assets and obligations applicable to the finance lease transaction

(Millions of yen)

	FY3/13 (Apr. 1, 2012 – Mar. 31, 2013)	FY3/14 (Apr. 1, 2013 – Mar. 31, 2014)
Assets and obligations applicable to the finance lease transaction	1,827	2,061

Segment and Other Information

Segment information

1. Overview of reportable segment

The Group defines reportable segments as businesses for which financial details can be compiled; the Board of Directors will review this information on a periodic basis in order to assist with decisions about allocating resources and evaluating the performance.

AOKI Holdings, as a pure holding company, supports the businesses of the various companies that comprise the Group, while each business company proposes and executes comprehensive strategies for the respective products and services they offer in the domestic market.

The products and services of each business company comprise different segments. The four reportable segments are the Fashion Business, the ANNIVERSAIRE and Bridal Business, the Karaoke Facility Operations Business, and the Café Complex Operations Business. AOKI and ORIHICA are both included in one business segment, the Fashion Business, because they fit all the conditions for grouping including similarities in economic characteristics and product content.

The Fashion Business plans and sells men’s and women’s wear; the ANNIVERSAIRE and Bridal Business operates wedding halls; the Karaoke Facility Operations Business operates karaoke facilities; and the Café Complex Operations Business provides relaxation space with magazines, comics, massage chairs, Internet access, etc.

2. Calculation methods for sales, profits/losses, assets, liabilities, and other items for each reportable segment

The accounting treatment methods for reportable segments are generally the same as those listed in the “Basis of Preparation of Consolidated Financial Statements.”

Profits for reportable segments are generally operating profit figures. Profits on and transfer amounts of inter-segment transactions within the Group are based on current market prices.

Change in depreciation method

As noted in the section on "4. (5) Notes to Consolidated Financial Statements, Changes in Accounting Policies That Are Difficult to Distinguish from Changes in Accounting-based Estimates," the Company has changed the method of depreciation of tangible fixed assets from the declining-balance method to the straight-line method beginning from the current fiscal year.

The effect of this change was to increase segment profits for the Fashion, the ANNIVERSAIRE and Bridal, the Karaoke Facility Operations, the Café Complex Operations Businesses, and others by 687 million yen, 81 million yen, 162 million yen, 251 million yen, and 18 million yen, respectively in the current fiscal year, compared with the previous method.

3. Information related to sales, profits/losses, assets, liabilities, and other items for each reportable segment

FY3/13 (Apr. 1, 2012 – Mar. 31, 2013) (Millions of yen)

	Reportable segment					Adjustment (Note 1)	Amounts shown on consolidated financial statements (Note 2)
	Fashion	Anniversaire and Bridal	Karaoke Facility Operations	Café Complex Operations	Total		
Sales							
External sales	103,929	24,337	15,209	17,112	160,589	-	160,589
Inter-segment sales and transfers	3	21	7	-	32	(32)	-
Total	103,932	24,359	15,216	17,112	160,621	(32)	160,589
Segment profits	11,968	2,917	1,493	1,014	17,395	(317)	17,078
Segment assets	98,372	40,265	12,531	16,066	167,236	26,427	193,664
Other items							
Depreciation and amortization	2,200	1,188	1,374	1,366	6,129	326	6,455
Amortization of goodwill	8	231	151	153	545	-	545
Increase in tangible fixed assets and intangible fixed assets	4,369	4,364	1,850	3,505	14,090	2,369	16,459

Notes: 1. The above adjustments to segment profits are as follows.

(1) The -317 million yen adjustment to segment profit includes 3,866 million yen in elimination for inter-segment transactions, goodwill amortization of -533 million yen, and -3,650 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) The 26,427 million yen adjustment to segment assets includes -22,685 million yen in elimination of the offsetting receivables from subsidiaries, and company-wide assets of 49,113 million yen that cannot be allocated to any specific reportable segments. Company-wide assets consist mainly of the Company's land, building and structures of the head office that cannot be attributed to reportable segments.

(3) The 2,369 million yen adjustment to an increase in tangible and intangible fixed assets includes investment in establishment of group systems.

2. Segment profit is adjusted to be consistent with operating profit on the consolidated statements of income.

FY3/14 (Apr. 1, 2013 – Mar. 31, 2014) (Millions of yen)

	Reportable segment					Others (Note 1)	Total	Adjustment (Note 2)	Amounts shown on consolidated financial statements (Note 3)
	Fashion	Anniversaire and Bridal	Karaoke Facility Operations	Café Complex Operations	Sub-total				
Sales									
External sales	116,714	26,120	16,454	20,089	179,378	64	179,443	-	179,443
Inter-segment sales and transfers	7	18	4	-	30	-	30	(30)	-
Total	116,722	26,139	16,458	20,089	179,409	64	179,474	(30)	179,443
Segment profits	14,130	2,619	1,529	1,676	19,955	(33)	19,921	468	20,390
Segment assets	104,155	44,095	14,775	16,868	179,894	601	180,495	32,259	212,755
Other items									
Depreciation and amortization	1,684	1,291	1,317	1,310	5,604	20	5,625	353	5,979
Amortization of goodwill	8	-	-	5	13	-	13	-	13
Increase in tangible fixed assets and intangible fixed assets	6,446	5,337	2,675	2,408	16,867	182	17,049	770	17,819

Notes: 1. The "others" classification refers to businesses not included in reportable segments such as electricity sales and the fitness-related business.

2. The above adjustments to segment profits are as follows.

(1) The 468 million yen adjustment to segment profits includes 4,177 million yen in elimination for inter-segment transactions, and -3,708 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) The 32,259 million yen adjustment to segment assets includes -26,207 million yen in elimination of the offsetting receivables from subsidiaries, and company-wide assets of 58,467 million yen that cannot be allocated to any specific reportable segments. Company-wide assets consist mainly of the Company's land, building and structures of the head office that cannot be attributed to reportable segments.

(3) The 770 million yen adjustment to an increase in tangible and intangible fixed assets includes investment in establishment of group systems.

3. Segment profit is adjusted to be consistent with operating profit on the consolidated statements of income.

Related information

FY3/13 (Apr. 1, 2012 – Mar. 31, 2013)

1. Information by product or service

This information is omitted because the same information is presented in segment information.

2. Information by region

(1) Sales

No reportable information because there are no external sales outside Japan.

(2) Tangible fixed assets

No reportable information since the Company has no tangible fixed assets other than Japan.

3. Information by major client

This information is omitted because no external client accounts for more than 10% of sales on the consolidated statements of income.

FY3/14 (Apr. 1, 2013 – Mar. 31, 2014)

1. Information by product or service

This information is omitted because the same information is presented in segment information.

2. Information by region

(1) Sales

No reportable information because there are no external sales outside Japan.

(2) Tangible fixed assets

No reportable information since the Company has no tangible fixed assets other than Japan.

3. Information by major client

This information is omitted because no external client accounts for more than 10% of sales on the consolidated statements of income.

Information related to impairment losses on fixed assets for each reportable segment

FY3/13 (Apr. 1, 2012 – Mar. 31, 2013) (Millions of yen)

	Reportable segment					Elimination or corporate	Total
	Fashion	Anniversaire and Bridal	Karaoke Facility Operations	Café Complex Operations	Sub-total		
Impairment losses	505	-	514	119	1,139	24	1,164

FY3/14 (Apr. 1, 2013 – Mar. 31, 2014) (Millions of yen)

	Reportable segment					Others	Elimination or corporate	Total
	Fashion	Anniversaire and Bridal	Karaoke Facility Operations	Café Complex Operations	Sub-total			
Impairment losses	2,098	-	76	261	2,436	11	-	2,448

Information related to goodwill amortization and the unamortized balance for each reportable segment

FY3/13 (Apr. 1, 2012 – Mar. 31, 2013) (Millions of yen)

	Reportable segment					Elimination or corporate	Total
	Fashion	Anniversaire and Bridal	Karaoke Facility Operations	Café Complex Operations	Sub-total		
Amortized for the period	8	231	151	153	545	-	545
Balance at end of period	34	-	-	23	58	-	58

Amortization for the period and unamortized balance of negative goodwill that was booked as a result of business combination before April 1, 2010 are as follows.

(Millions of yen)

	Reportable segment					Elimination or corporate	Total
	Fashion	Anniversaire and Bridal	Karaoke Facility Operations	Café Complex Operations	Sub-total		
Amortized for the period	972	-	-	-	972	-	972
Balance at end of period	752	-	-	-	752	-	752

FY3/14 (Apr. 1, 2013 – Mar. 31, 2014) (Millions of yen)

	Reportable segment					Others	Elimination or corporate	Total
	Fashion	Anniversaire and Bridal	Karaoke Facility Operations	Café Complex Operations	Sub-total			
Amortized for the period	8	-	-	5	13	-	-	13
Balance at end of period	26	-	-	18	44	-	-	44

Amortization for the period and unamortized balance of negative goodwill that was booked as a result of business combination before April 1, 2010 are as follows.

(Millions of yen)

	Reportable segment					Others	Elimination or corporate	Total
	Fashion	Anniversaire and Bridal	Karaoke Facility Operations	Café Complex Operations	Sub-total			
Amortized for the period	625	-	-	-	625	-	-	625
Balance at end of period	127	-	-	-	127	-	-	127

Information related to negative goodwill profits for each reportable segment

No reportable information.

Per Share Information

(Yen)

	FY3/13 (Apr. 1, 2012 – Mar. 31, 2013)	FY3/14 (Apr. 1, 2013 – Mar. 31, 2014)
Net assets per share	1,349.49	1,439.76
Net income per share	118.26	127.70
Diluted net income per share	117.91	Not presented since the Company has no outstanding dilutive securities.

Notes: 1. The Company conducted a 2-for-1 common stock split on January 1, 2014. Net assets per share, net income per share and diluted net income per share have been calculated as if this stock split had taken place at the beginning of FY3/13.

2. As noted in the section “Changes in Accounting Policies,” the Company has started to apply the Accounting Standard for Retirement Benefits, etc. based on the transitional accounting treatments set forth in Clause 37 of the Accounting Standard for Retirement Benefits. The result was a decrease of 3.21 yen in net assets per share in FY3/14.

3. The following is a reconciliation of net income per share and diluted net income per share

(Millions of yen)

Item	FY3/13 (Apr. 1, 2012 – Mar. 31, 2013)	FY3/14 (Apr. 1, 2013 – Mar. 31, 2014)
Net income per share		
Net income	9,832	10,684
Net income not available to common stock shareholders	-	-
Net income applicable to common stock	9,832	10,684
Average number of common shares outstanding during the period (Thousand shares)	83,142	83,670
Diluted net income per share		
Adjustment of net income	-	-
Increase in the number of common shares (Thousand shares)	241	-
(of which stock acquisition rights) (Thousand shares)	(241)	-
Potential shares not included in the calculation of diluted net income per share since it did not have dilutive effect.	-	-

4. The following is a reconciliation of net assets per share

(Millions of yen)

Item	FY3/13 (As of Mar. 31, 2013)	FY3/14 (As of Mar. 31, 2014)
Total net assets	111,484	131,283
Deduction on total net assets	79	-
(of which stock acquisition rights)	(79)	-
Net assets applicable to common shares	111,405	131,283
Number of common stock shares used in calculation of net assets per share (Thousand shares)	82,553	91,184

Subsequent Events

No reportable information.

5. Others

Change in Director

Candidate for director (Effective June 27, 2014)

Director: Minoru Inagaki

Note: Mr. Minoru Inagaki is a candidate for an external director, as he plans to resign his post as a standing corporate auditor)

** 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.*