AOKI Holdings

November 7, 2014

Summary of Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2015 (Six Months Ended September 30, 2014)

[Japanese GAAP]

Company name: AOKI Holdings Inc. Listings: TSE First Section
Stock code: 8214 URL: http://www.aoki-hd.co.jp/
Representative: Akihiro Aoki, President
Contact: Haruo Tamura, Executive Vice President Tel: +81-45-941-1388
Scheduled date of filing of Quarterly Report: November 10, 2014
Scheduled date of payment of dividend: December 8, 2014
Preparation of supplementary materials for quarterly financial results: Yes
Holding of quarterly financial results meeting: Yes (for institutional investors and analysts)

Note: The original disclosure in Japanese was released on November 7, 2014 at 14:15(GMT +9).

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

1. Consolidated Financial Results for the Six Months Ended September 30, 2014 (April 1, 2014 – September 30, 2014)

(1) 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	%
Six months ended Sep. 30, 2014	78,213	6.6	2,515	(23.1)	2,504	(31.4)	1,449	(25.5)
Six months ended Sep. 30, 2013	73,381	8.8	3,272	6.2	3,648	11.8	1,946	2.4

Note: Comprehensive income (million yen) Six months ended Sep. 30, 2014: 2,052 (up 0.6%)
Six months ended Sep. 30, 2013: 2,040 (up 15.2%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Sep. 30, 2014	15.90	-
Six months ended Sep. 30, 2013	23.46	-

Note: The Company conducted a 2-for-1 common stock split on January 1, 2014. Net income per share has 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
	Million yen	Million yen	%
As of Sep. 30, 2014	215,246	132,420	61.5
As of Mar. 31, 2014	212,755	131,283	61.7

Reference: Shareholders' equity (million yen) As of Sep. 30, 2014: 132,420 As of Mar. 31, 2014: 131,283

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY3/14	-	30.00	-	18.00	-
FY3/15	-	18.00			
FY3/15 (forecasts)			-	18.00	36.00

Notes: 1. Revisions to the most recently announced dividend forecast: None
2. The Company conducted a 2-for-1 common stock split on January 1, 2014. Dividend per share for 2Q-end of FY3/14 is the actual amount before the stock split.

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
Full year	183,970	2.5	18,000	(11.7)	17,950	(14.0)	9,800	(8.3)	107.48

Note: Revisions to the most recently announced consolidated forecast: Yes
Please refer to "(3) Explanation of Consolidated Forecast and Other Forward-looking Statements" on page 4 for further information.

*** Notes**

(1) Changes in consolidated subsidiaries during the period: None

(2) Application of special accounting methods for presenting quarterly consolidated financial statements: None

(3) Changes in accounting policies and accounting-based estimates, and restatements

1) Changes in accounting policies due to revisions in accounting standards, others:	Yes
2) Changes in accounting policies other than 1) above:	None
3) Changes in accounting-based estimates:	None
4) Restatements:	None

Note: Please refer to "2. Matters Related to Summary Information (Notes)" on page 5 for further information.

(4) Number of shares outstanding (common shares)

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

As of Sep. 30, 2014:	91,249,504 shares	As of Mar. 31, 2014:	91,249,504 shares

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

As of Sep. 30, 2014:	65,970 shares	As of Mar. 31, 2014:	65,090 shares

3) Average number of shares outstanding during the period

Six months ended Sep. 30, 2014:	91,183,996 shares	Six months ended Sep. 30, 2013:	82,979,043 shares

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

Note 1: Information regarding the implementation of quarterly review procedures

The current quarterly summary report is not subject to the quarterly review procedures based on the Financial Instruments and Exchange Law. At the time of disclosure, the review procedures for the quarterly 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 "(3) Explanation of Consolidated Forecast and Other Forward-looking Statements" on page 4 of the attachments regarding preconditions or other related matters for the forecast shown above.

Disclosure of the information meeting materials

The Company plans to hold a financial results meeting for institutional investors and analysts on Friday, November 21, 2014. Materials to be distributed at this event will be available on the Company’s website immediately thereafter.

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1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

In the first half of the current fiscal year, the slow recovery of the Japanese economy continued along with improving corporate earnings and growth in the number of jobs. However, the consumption tax hike is impacting the economy and prices of raw materials and consumer products are climbing. In the fashion industry, there are concerns about the shrinking market for business suits associated with changes in life styles and other reasons. As a result, the outlook for consumer spending is becoming increasingly uncertain.

In this environment, the AOKI Group implemented various measures in each business segment as discussed below. Sales increased 6.6% year-on-year to 78,213 million yen but operating profit decreased 23.1% to 2,515 million yen due in part to the falloff in the Fashion Business following the rush to make purchases prior to the April 2014 consumption tax hike. Ordinary income decreased 31.4% to 2,504 million yen and net income decreased 25.5% to 1,449 million yen.

Operating results by segment are as follows.

Fashion Business

AOKI continued to strengthen its lineup of Cool Biz item, such as functional suits and Premium Cool Jackets that were developed jointly with the Faculty of Textile Science and Technology of Shinshu University. In the steadily growing category of women's apparel, AOKI added to the lineup of suits by offering formal wear and stepped up sales promotion activities. There were also additions to the selection of blouses, cut-and-sewn and other items for mixing and matching. Regarding AOKI stores, it opened 17 new stores and closed one for relocation purpose. As a result, the AOKI store network consisted of 537 stores at the end of the second quarter, up from 521 at the end of the previous fiscal year.

ORIHICA upgraded its ability to offer customers new ideas involving three-quarter sleeve shirts, polo shirts and other items. With outstanding functions, these items can be used as Cool Biz style that allows using different combinations of suits, jackets and slacks. Five new ORIHICA stores were opened during the first half. As a result, the ORIHICA store network consisted of 136 stores at the end of the second quarter, up from 131 at the end of the previous fiscal year.

Overall sales increased 0.3% year-on-year to 43,660 million yen and there was an operating loss of 969 million yen, compared with an operating profit of 639 million yen one year earlier. The new stores and brisk sales of women's apparel supported sales. But these positive factors were offset by lower existing-store sales caused mainly by the large drop in demand following the rush to make purchases prior to the April 2014 consumption tax hike and by unfavorable weather.

Anniversaire and Bridal Business

At ANNIVERSAIRE INC., which operates guesthouse-style wedding and reception facilities, ANNIVERSAIRE MINATO MIRAI YOKOHAMA, which opened in February 2014, continues to perform well and is attracting a large volume of orders. To revitalize sales at other existing facilities, there were more sales promotion and public relations activities that utilized the unique features of each location. In addition, two locations were remodeled to reflect the increasing diversity of needs and preferences concerning weddings.

Sales increased 26.2% year-on-year to 15,090 million yen thanks to a contribution from ANNIVERSAIRE MINATO MIRAI YOKOHAMA and an increase in average sales per couple. Operating profit significantly increased 99.4% to 1,778 million yen.

Karaoke Facility Operations Business

VALIC Co., Ltd., which operates karaoke facilities, focused on revitalizing sales at existing facilities by using following initiatives: conducting promotion campaigns in collaboration with famous artists, popular characters

and others; offering more seasonal menu items that are available for only a limited time and refurbishing nine locations. Seven new karaoke facilities were opened during the first half. As a result, there were 166 karaoke facilities at the end of the second quarter, up from 159 at the end of the previous fiscal year.

Sales increased 6.4% year-on-year to 8,359 million yen and operating profit increased 8.1% to 547 million yen.

Café Complex Operations Business

VALIC Co., Ltd., which also operates café complexes, focused on revitalizing sales at existing locations by taking many actions, such as offering more seasonal menu items that are available for only a limited time. In addition, 13 locations were remodeled for improvements such as a larger selection of amusement content and the complete separation of smoking and non-smoking areas. VALIC opened 17 new locations including its first café complexes in Kagoshima and Miyazaki prefectures. As a result, there were 245 café complexes at the end of the second quarter, up from 228 at the end of the previous fiscal year.

Sales increased 10.5% year-on-year to 11,119 million yen mainly due to the benefits from new facilities and strong sales at existing facilities. Operating profit decreased 1.3% to 1,063 million yen mainly due to an increase in expenses for new store openings.

(2) Explanation of Financial Position

1) Balance sheet position

Assets

Total assets at the end of the second quarter under review increased 2,490 million yen over the end of the previous fiscal year to 215,246 million yen.

Current assets decreased 6,343 million yen over the end of the previous fiscal year. Although inventories increased 2,278 million yen due to new store openings among other factors, accounts receivable-trade decreased 6,949 million yen due to seasonal reasons and other factors, and other current assets which include other accounts receivable decreased 2,398 million yen. Fixed assets increased 8,834 million yen over the end of the previous fiscal year as tangible fixed assets increased 7,754 million yen due to the purchase of land and new store openings.

Liabilities

Current liabilities decreased 12,283 million yen over the end of the previous fiscal year. Accounts payable-trade decreased 5,057 million yen due to seasonal reasons and other factors, current portion of long-term debt decreased 3,823 million yen due to repayment, and accrued income taxes decreased 3,088 million yen due to the payment of income taxes. Long-term liabilities increased 13,637 million yen over the end of the previous fiscal year. Although net defined benefit liability decreased 1,161 million yen due to changes in accounting policies, long-term debt increased 14,775 million yen due to the raising funds for capital investments.

Net assets

Net assets increased 1,136 million yen over the end of the previous fiscal year. There was an increase in retained earnings of 535 million yen from net income and dividends from surplus.

2) Cash flow position

Cash and cash equivalents (hereafter “net cash”) at the end of the second quarter under review increased 732 million yen over the end of the previous fiscal year to 23,351 million yen.

Cash flows from operating activities

Net cash provided by operating activities was 1,946 million yen (compared with net cash used of 1,848 million

yen one year earlier). The principal factors were net income before income taxes of 2,086 million yen, depreciation and amortization of 3,538 million yen, and an impairment loss of 417 million yen, while there was an income taxes paid of 5,738 million yen.

Cash flows from investing activities

Net cash used in investing activities was 9,587 million yen (compared with net cash used of 7,204 million yen one year earlier). This was mainly due to the payments of 8,897 million yen for the acquisition of tangible fixed assets related to lands and new store openings, and leasehold and guarantee deposits of 844 million yen.

Cash flows from financing activities

Net cash provided by financing activities was 8,373 million yen (compared with net cash provided of 4,666 million yen one year earlier). The principal factor was the proceeds from long-term debt of 16,000 million yen, while there were scheduled repayment of long-term debt of 5,048 million yen and cash dividends paid of 1,637 million yen.

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

Sales and segment profit (operating profit) in the first half under review were below initial estimates. Based on this results, we have reviewed our store-opening plans in light of economic trends, market environment and the current performance trends and revised the full-year consolidated forecast for the fiscal year ending March 31, 2015, which was announced on May 9, 2014, as described in the table below. We have changed the store-opening plans from 55 at the beginning of the fiscal year to 50 stores for the Fashion Business.

Consolidated forecasts for the fiscal year ending March 31, 2015 (April 1, 2014 – March 31, 2015)

	Sales	Operating profit	Ordinary income	Net income	Net income per share
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Yen)
Previous forecast (A) (announced on May 9, 2014)	192,970	21,300	21,200	11,500	126.12
Revised forecast (B)	183,970	18,000	17,950	9,800	107.48
Change (B - A)	(9,000)	(3,300)	(3,250)	(1,700)	
Percentage change (%)	(4.7)	(15.5)	(15.3)	(14.8)	
Previous fiscal year (ended Mar. 31, 2014)	179,443	20,390	20,865	10,684	127.70

Our business segment forecasts 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
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)
Sales	113,200	30,800	17,600	22,400	183,970
YoY change (%)	96.9	117.8	106.9	111.5	102.5
Segment profit	10,400	4,000	1,630	1,740	18,000
YoY change (%)	73.5	152.7	106.5	103.7	88.3

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

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

2. Matters Related to Summary Information (Notes)

Changes in Accounting Policies and Accounting-based Estimates, and Restatements

Changes in Accounting Policies

The Company has applied the “Accounting Standard for Retirement Benefits (Accounting Standards Board of Japan (ASBJ) Statement No. 26, May 17, 2012)” and the “Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012)” from the first quarter of the current fiscal year, for provisions set forth in the main clauses of Paragraph 35 of the Accounting Standard for Retirement Benefits and Paragraph 67 of the Guidance on Accounting Standard for Retirement Benefits. Accordingly, the Company reviewed the methods for calculating retirement benefit obligations and service costs, and revised the method of attributing estimated retirement benefit obligations to periods from the straight-line basis to the benefit formula basis, and revised the method of determining the discount rate, for the period of bonds used for the basis of determining the discount rate, from the method using the approximate number of years of expected average length of remaining service period of employees to the method using a single weighted average discount rate reflecting the estimated period and amount of benefit payment.

For the application of this accounting standard, etc. in accordance with the transitional accounting treatments set forth in Paragraph 37 of the Accounting Standard for Retirement Benefits, the adjustments associated with the change in calculation methods of retirement benefit obligations and service costs are recorded in retained earnings at the beginning of the first half of the current fiscal year.

The result was a decrease of 1,144 million yen in net defined benefit liability and an increase of 726 million yen in retained earnings at the beginning of the first half. The effect of this change on operating profit, ordinary income, and net income before income taxes in the first half is insignificant.

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheet

(Millions of yen)

	FY3/14 (As of Mar. 31, 2014)	Second quarter of FY3/15 (As of Sep. 30, 2014)
Assets		
Current assets		
Cash in hand and in banks	22,619	23,351
Accounts receivable-trade	10,127	3,178
Inventories	22,751	25,030
Other current assets	10,525	8,127
Allowance for doubtful accounts	(20)	(28)
Total current assets	66,003	59,660
Fixed assets		
Tangible fixed assets		
Buildings and structures, net	56,929	58,370
Land	31,394	37,177
Other tangible fixed assets, net	12,708	13,237
Total tangible fixed assets	101,032	108,786
Intangible fixed assets	5,675	6,219
Investments and other assets		
Guarantee deposits	8,588	8,506
Leasehold deposit	19,364	19,789
Other investments and other assets	12,130	12,324
Allowance for doubtful accounts	(40)	(40)
Total investments and other assets	40,043	40,580
Total fixed assets	146,752	155,586
Total assets	212,755	215,246
Liabilities		
Current liabilities		
Accounts payable-trade	20,224	15,167
Current portion of long-term debt	8,086	4,263
Accrued income taxes	4,582	1,494
Accrued bonuses for employees	1,842	1,692
Accrued bonuses for directors and statutory auditors	167	65
Other current liabilities	11,775	11,712
Total current liabilities	46,678	34,395
Long-term liabilities		
Long-term debt	22,275	37,050
Accrued retirement benefits for directors and statutory auditors	1,764	1,789
Accrued costs for customer point program	767	778
Net defined benefit liability	1,534	373
Asset retirement obligations	4,400	4,587
Negative goodwill	82	68
Other long-term liabilities	3,968	3,783
Total long-term liabilities	34,793	48,430
Total liabilities	81,472	82,826

(Millions of yen)

	FY3/14 (As of Mar. 31, 2014)	Second quarter of FY3/15 (As of Sep. 30, 2014)
Net assets		
Shareholders' equity		
Common stock	23,282	23,282
Capital surplus	28,757	28,757
Retained earnings	79,029	79,564
Treasury stock	(43)	(44)
Total shareholders' equity	131,026	131,560
Accumulated other comprehensive income		
Unrealized gain on securities	549	1,098
Remeasurements of defined benefit plans	(292)	(238)
Total accumulated other comprehensive income	257	859
Total net assets	131,283	132,420
Total liabilities and net assets	212,755	215,246

(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income

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

(Millions of yen)

	First six months of FY3/14 (Apr. 1, 2013 – Sep. 30, 2013)	First six months of FY3/15 (Apr. 1, 2014 – Sep. 30, 2014)
Sales	73,381	78,213
Cost of sales	39,507	43,645
Gross profit	33,874	34,567
Selling, general and administrative expenses	30,601	32,052
Operating profit	3,272	2,515
Non-operating profit		
Interest income	49	52
Dividend income	77	110
Rental income on real estate	338	309
Amortization of negative goodwill	486	21
Other	75	129
Total non-operating profit	1,026	622
Non-operating expenses		
Interest expenses	155	146
Expenses on sub-leased real estate	330	270
Other	163	216
Total non-operating expenses	650	633
Ordinary income	3,648	2,504
Extraordinary gains		
Gain on reversal of stock acquisition rights	5	-
Total extraordinary gains	5	-
Extraordinary losses		
Impairment loss	388	417
Total extraordinary losses	388	417
Net income before income taxes	3,265	2,086
Current income taxes	1,095	1,225
Deferred income taxes	223	(589)
Total income taxes	1,318	636
Income before minority interests	1,946	1,449
Net income	1,946	1,449

Quarterly Consolidated Statement of Comprehensive Income

(For the Six-month Period)

(Millions of yen)

	First six months of FY3/14 (Apr. 1, 2013 – Sep. 30, 2013)	First six months of FY3/15 (Apr. 1, 2014 – Sep. 30, 2014)
Income before minority interests	1,946	1,449
Other comprehensive income		
Unrealized gain on securities	93	548
Remeasurements of defined benefit plans, net of tax	-	53
Total other comprehensive income	93	602
Comprehensive income	2,040	2,052
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,040	2,052
Comprehensive income attributable to minority interests	-	-

(3) Quarterly Consolidated Statement of Cash Flows

(Millions of yen)

	First six months of FY3/14 (Apr. 1, 2013 – Sep. 30, 2013)	First six months of FY3/15 (Apr. 1, 2014 – Sep. 30, 2014)
Cash flows from operating activities		
Net income before income taxes	3,265	2,086
Depreciation and amortization	2,875	3,538
Impairment loss	388	417
Amortization of goodwill	6	6
Amortization of negative goodwill	(486)	(21)
Increase (decrease) in accrued retirement benefits for employees	121	-
Increase (decrease) in accrued retirement benefits for directors and statutory auditors	57	24
Increase (decrease) in accrued costs for customer point program	(7)	10
Increase (decrease) in net defined benefit liability	-	67
Interest and dividend income	(126)	(162)
Interest expenses	155	146
Decrease (increase) in accounts receivable-trade	5,242	6,949
Decrease (increase) in inventories	(2,754)	(2,278)
Increase (decrease) in accounts payable-trade	(2,607)	(5,057)
Other	(1,629)	711
Subtotal	4,502	6,440
Interest and dividend income received	103	136
Interests paid	(141)	(145)
Income taxes paid	(7,286)	(5,738)
Income taxes refund	974	1,253
Net cash provided by (used in) operating activities	(1,848)	1,946
Cash flows from investing activities		
Payments for acquisition of tangible fixed assets	(6,046)	(8,897)
Payments for acquisition of intangible fixed assets	(761)	(779)
Payments for leasehold and guarantee deposits	(1,136)	(844)
Net decrease (increase) in trust beneficiary right	479	902
Other	261	31
Net cash used in investing activities	(7,204)	(9,587)
Cash flows from financing activities		
Net increase (decrease) in short-term debt	4,000	-
Proceeds from long-term debt	5,000	16,000
Repayments of long-term debt	(2,848)	(5,048)
Repayments of lease obligations	(904)	(940)
Proceeds from disposal of treasury stock	453	-
Payments for purchase of treasury stock	(3)	(1)
Dividends paid	(1,030)	(1,637)
Net cash provided by financing activities	4,666	8,373
Effect of exchange rate change on cash and cash equivalents	0	0
Increase (decrease) in cash and cash equivalents	(4,386)	732
Cash and cash equivalents at beginning of period	22,396	22,619
Cash and cash equivalents at end of period	18,009	23,351

(4) Notes to Quarterly Consolidated Financial Statements

Going Concern Assumption

No reportable information.

Significant Changes in Shareholders' Equity

First six months of FY3/15 (Apr. 1, 2014 – Sep. 30, 2014)

No reportable information.

Segment and Other Information

First six months of FY3/14 (Apr. 1, 2013 – Sep. 30, 2013)

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

(Millions of yen)

	Reportable segment					Others (Note 1)	Total	Adjustment (Note 2)	Amounts shown on quarterly consolidated statement of income (Note 3)
	Fashion	Anniversaire and Bridal	Karaoke Facility Operations	Café Complex Operations	Subtotal				
Sales									
External sales	43,525	11,940	7,853	10,058	73,377	4	73,381	-	73,381
Inter-segment sales and transfers	3	13	3	-	19	-	19	(19)	-
Total	43,528	11,954	7,856	10,058	73,397	4	73,401	(19)	73,381
Segment profit (loss)	639	892	506	1,077	3,115	(36)	3,078	193	3,272

Notes: 1. The "others" classification refers to businesses not included in reportable segments such as fitness-related business.
2. The 193 million yen adjustment to segment profit (loss) includes 2,017 million yen in elimination for inter-segment transactions and -1,823 million yen in company-wide costs that cannot be allocated to reportable segments. Company-wide costs mainly include administration expenses of the Company that cannot be attributed to any specific reportable segments.
3. Segment profit (loss) is adjusted to be consistent with operating profit on the quarterly consolidated statement of income.

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

Material impairment losses related to fixed assets

In the Fashion Business, the Karaoke Facility Operations Business and the Café Complex Operations Business, impairment losses were mainly recognized for idle assets whose recoverable value had fallen below book value, and operating stores and subleased stores had remained in the red; impairment losses of 258 million yen, 8 million yen and 122 million yen were booked respectively in the first six months of FY3/14.

First six months of FY3/15 (Apr. 1, 2014 – Sep. 30, 2014)

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

(Millions of yen)

	Reportable segment					Adjustment (Note 1)	Amounts shown on quarterly consolidated statement of income (Note 2)
	Fashion	Anniversaire and Bridal	Karaoke Facility Operations	Café Complex Operations	Total		
Sales							
External sales	43,656	15,080	8,357	11,119	78,213	-	78,213
Inter-segment sales and transfers	4	10	2	-	17	(17)	-
Total	43,660	15,090	8,359	11,119	78,230	(17)	78,213
Segment profit (loss)	(969)	1,778	547	1,063	2,419	95	2,515

Notes: 1. The 95 million yen adjustment to segment profit (loss) includes 2,161 million yen in elimination for inter-segment transactions and -2,065 million yen in company-wide costs that cannot be allocated to reportable segments. Company-wide costs mainly include administration expenses of the Company that cannot be attributed to any specific reportable segments.

2. Segment profit (loss) is adjusted to be consistent with operating profit on the quarterly consolidated statement of income.

2. Revision to reportable segments

In the first three months of FY3/15, the electricity sales business, included in “others” in prior period, was reclassified and included in each reportable segment in association with revisions to administrative divisions.

The segment information for the first six months of FY3/14 is prepared and disclosed based on the reportable segment categories after the revision.

3. Information related to impairment losses on fixed assets, or goodwill, etc. for each reportable segment

Material impairment losses related to fixed assets

In the Fashion Business, the Karaoke Facility Operations Business and the Café Complex Operations Business, impairment losses were recognized for operating stores set to be relocated for which there is little expectation of recovery and had remained in the red, and idle assets whose recoverable value had fallen below book value; impairment losses of 26 million yen, 269 million yen and 120 million yen were booked respectively in the first six months of FY3/15.

** 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.*