AOKI Holdings

February 6, 2015

Summary of Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending March 31, 2015 (Nine Months Ended December 31, 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: February 9, 2015
Scheduled date of payment of dividend: -
Preparation of supplementary materials for quarterly financial results: None
Holding of quarterly financial results meeting: None

Note: The original disclosure in Japanese was released on February 6, 2015 at 15:30 (GMT +9).

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

1. Consolidated Financial Results for the Nine Months Ended December 31, 2014 (April 1, 2014 – December 31, 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	%
Nine months ended Dec. 31, 2014	127,405	3.5	8,584	(6.9)	8,520	(11.5)	5,006	(8.8)
Nine months ended Dec. 31, 2013	123,067	9.0	9,224	(4.0)	9,627	(3.1)	5,491	(6.2)

Note: Comprehensive income (million yen) Nine months ended Dec. 31, 2014: 5,697 (up 3.0%)
Nine months ended Dec. 31, 2013: 5,533 (down 3.3%)

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended Dec. 31, 2014	54.90	-
Nine months ended Dec. 31, 2013	66.14	-

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 Dec. 31, 2014	218,583	134,423	61.5
As of Mar. 31, 2014	212,755	131,283	61.7

Reference: Shareholders' equity (million yen) As of Dec. 31, 2014: 134,423 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: None

*** 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 4 for further information.

(4) Number of shares outstanding (common shares)

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

As of Dec. 31, 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 Dec. 31, 2014:	66,318 shares	As of Mar. 31, 2014:	65,090 shares

3) Average number of shares outstanding during the period

Nine months ended Dec. 31, 2014:	91,183,784 shares	Nine months ended Dec. 31, 2013:	83,025,977 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 3 of the attachments regarding preconditions or other related matters for the forecast shown above.

Contents of Attachments

1. Qualitative Information on Quarterly Consolidated Financial Performance 2
(1) Explanation of Results of Operations 2
(2) Explanation of Financial Position 3
(3) Explanation of Consolidated Forecast and Other Forward-looking Statements 3

2. Matters Related to Summary Information (Notes) 4
Changes in Accounting Policies and Accounting-based Estimates, and Restatements 4

3. Quarterly Consolidated Financial Statements 5
(1) Quarterly Consolidated Balance Sheet 5
(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income 7
Quarterly Consolidated Statement of Income 7
Quarterly Consolidated Statement of Comprehensive Income 8
(3) Notes to Quarterly Consolidated Financial Statements 9
Going Concern Assumption 9
Significant Changes in Shareholders' Equity 9
Segment and Other Information 9

1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

In the first nine months of the current fiscal year, the Japanese economy continued to recover slowly along with improving corporate earnings and growth in the number of jobs. However, consumer spending is still sluggish due to the prolonged effects of the April 2014 consumption tax hike and the higher cost of raw materials and household products caused by the weaker yen. As a result, the outlook for the Japanese economy remains uncertain.

In this environment, the AOKI Group implemented various measures segment as discussed below. Sales increased 3.5% year-on-year to 127,405 million yen but operating profit decreased 6.9% to 8,584 million yen due in part to the falloff in the Fashion Business affected by the April 2014 consumption tax hike. Ordinary income decreased 11.5% to 8,520 million yen and net income decreased 8.8% to 5,006 million yen.

Operating results by segment are as follows.

Fashion Business

AOKI continued to add innovative products to its lineup of core products. New value-added products include the Bishitto Fuwari Haoru Suit (a stylish and comfortable drape suit) developed jointly with Shinshu University and the Nukumori coat (a warm comfort coat), which is water repellant and has a special film coating. AOKI also expanded the lineups of ladies' products and other categories where sales are strong. For bolstering sales activities, there were sales promotion activities centered on merchandise and greater use of the stylist system with the aim of becoming more profitable. Regarding AOKI stores, it opened 33 new stores since the start of the fiscal year and closed two for relocation purpose. As a result, the AOKI store network consisted of 552 stores at the end of the third quarter, up from 521 at the end of the previous fiscal year.

ORIHICA upgraded and promoted the high quality and valuations of its core products for business and business-to-casual styles for men and women. Ten new ORIHICA stores were opened since the start of the fiscal year as this business continues to establish dominant positions in its targeted markets. As a result, the ORIHICA store network consisted of 141 stores at the end of the third quarter, up from 131 at the end of the previous fiscal year.

Overall sales decreased 4.2% year-on-year to 73,437 million yen and operating profit decreased 55.6% to 2,168 million yen. The new stores and brisk sales of ladies' formal wear supported sales, but these positive factors were offset by deteriorating consumer sentiment after the April 2014 consumption tax hike and by a late start in Japan's job hunting season.

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, expertise on customer service was shared among these facilities in order to increase food and beverage sales and achieve higher ratio of successful contracts. In addition, there were sales promotion and public relations activities that utilized the unique features of each location.

Sales increased 25.9% year-on-year to 24,191 million yen thanks to a contribution from ANNIVERSAIRE MINATO MIRAI YOKOHAMA and an increase in average sales per couple. Operating profit significantly increased 97.5% to 3,742 million yen.

Karaoke Facility Operations Business

VALIC Co., Ltd., which operates karaoke facilities, is concentrating on increasing the number of customers. One initiative is offering a variety of party courses, such as year-end party, to match the needs of a broad spectrum of

customer segments. Other activities include offering menus with numerous seasonal items and marketing campaigns using tie-ups with popular characters. Nine new karaoke facilities were opened since the start of the fiscal year. As a result, there were 168 karaoke facilities at the end of the third quarter, up from 159 at the end of the previous fiscal year.

Sales increased 6.5% year-on-year to 13,108 million yen and operating profit increased 18.5% to 1,190 million yen.

Café Complex Operations Business

VALIC Co., Ltd., which also operates café complexes, focused on revitalizing sales at existing locations by offering more seasonal menu items, such as by holding a winter ramen fair, and using a variety of marketing campaigns using tie-ups with other companies. VALIC focused on opening new locations mainly near railway stations and introducing an exclusive area for women. Since the start of the fiscal year, 29 new locations were opened including its first café complex in Oita prefecture. As a result, there were 257 café complexes at the end of the third quarter, up from 228 at the end of the previous fiscal year.

Sales increased 12.3% year-on-year to 16,688 million yen mainly due to the benefits from new facilities and ongoing strong sales at existing facilities. Also, operating profit increased 6.0% to 1,268 million yen.

(2) Explanation of Financial Position

1) Balance sheet position

Assets

Total assets at the end of the third quarter under review increased 5,828 million yen over the end of the previous fiscal year to 218,583 million yen.

Current assets decreased 4,213 million yen over the end of the previous fiscal year. Although inventories increased 5,635 million yen due to new store openings among other factors, cash in hand and in banks decreased 5,426 million yen mainly due to capital investments and the payment of income taxes, and accounts receivable-trade decreased 4,800 million yen due to seasonal factors, etc. Fixed assets increased 10,041 million yen over the end of the previous fiscal year as tangible fixed assets increased 8,551 million yen due to the purchase of land and new store openings.

Liabilities

Current liabilities decreased 8,162 million yen over the end of the previous fiscal year. Accounts payable-trade decreased 1,181 million yen due to seasonal reasons and other factors, current portion of long-term debt decreased 2,636 million yen due to repayment, and accrued income taxes decreased 3,469 million yen due to the payment of income taxes. Long-term liabilities increased 10,850 million yen over the end of the previous fiscal year. Although net defined benefit liability decreased 1,173 million yen due to changes in accounting policies, long-term debt increased 11,875 million yen due to the raising funds for capital investments.

Net assets

Net assets increased 3,139 million yen over the end of the previous fiscal year. There was an increase in retained earnings of 2,450 million yen from net income and dividends from surplus.

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

We maintain the full-year consolidated forecast that we announced on November 7, 2014, as our performance remain generally in line with our projection.

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 nine months 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 nine months. The effect of this change on operating profit, ordinary income, and net income before income taxes in the first nine months is insignificant.

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheet

(Millions of yen)

	FY3/14 (As of Mar. 31, 2014)	Third quarter of FY3/15 (As of Dec. 31, 2014)
Assets		
Current assets		
Cash in hand and in banks	22,619	17,192
Accounts receivable-trade	10,127	5,326
Inventories	22,751	28,387
Other current assets	10,525	10,911
Allowance for doubtful accounts	(20)	(27)
Total current assets	66,003	61,790
Fixed assets		
Tangible fixed assets		
Buildings and structures, net	56,929	60,074
Land	31,394	37,134
Other tangible fixed assets, net	12,708	12,375
Total tangible fixed assets	101,032	109,583
Intangible fixed assets	5,675	6,344
Investments and other assets		
Guarantee deposits	8,588	8,433
Leasehold deposit	19,364	19,974
Other investments and other assets	12,130	12,497
Allowance for doubtful accounts	(40)	(40)
Total investments and other assets	40,043	40,864
Total fixed assets	146,752	156,793
Total assets	212,755	218,583
Liabilities		
Current liabilities		
Accounts payable-trade	20,224	19,043
Current portion of long-term debt	8,086	5,450
Accrued income taxes	4,582	1,113
Accrued bonuses for employees	1,842	955
Accrued bonuses for directors and statutory auditors	167	98
Other current liabilities	11,775	11,856
Total current liabilities	46,678	38,516
Long-term liabilities		
Long-term debt	22,275	34,150
Accrued retirement benefits for directors and statutory auditors	1,764	1,818
Accrued costs for customer point program	767	778
Net defined benefit liability	1,534	361
Asset retirement obligations	4,400	4,728
Negative goodwill	82	61
Other long-term liabilities	3,968	3,746
Total long-term liabilities	34,793	45,643
Total liabilities	81,472	84,160

(Millions of yen)

	FY3/14 (As of Mar. 31, 2014)	Third quarter of FY3/15 (As of Dec. 31, 2014)
Net assets		
Shareholders' equity		
Common stock	23,282	23,282
Capital surplus	28,757	28,757
Retained earnings	79,029	81,479
Treasury stock	(43)	(44)
Total shareholders' equity	131,026	133,475
Accumulated other comprehensive income		
Unrealized gain on securities	549	1,159
Remeasurements of defined benefit plans	(292)	(211)
Total accumulated other comprehensive income	257	948
Total net assets	131,283	134,423
Total liabilities and net assets	212,755	218,583

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

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

(Millions of yen)

	First nine months of FY3/14 (Apr. 1, 2013 – Dec. 31, 2013)	First nine months of FY3/15 (Apr. 1, 2014 – Dec. 31, 2014)
Sales	123,067	127,405
Cost of sales	64,614	68,879
Gross profit	58,452	58,526
Selling, general and administrative expenses	49,228	49,941
Operating profit	9,224	8,584
Non-operating profit		
Interest income	75	78
Dividend income	93	127
Rental income on real estate	501	463
Amortization of negative goodwill	555	31
Other	119	199
Total non-operating profit	1,345	899
Non-operating expenses		
Interest expenses	237	233
Expenses on sub-leased real estate	483	397
Other	220	333
Total non-operating expenses	942	964
Ordinary income	9,627	8,520
Extraordinary gains		
Gain on reversal of stock acquisition rights	5	-
Total extraordinary gains	5	-
Extraordinary losses		
Impairment loss	476	662
Other	0	-
Total extraordinary losses	476	662
Net income before income taxes	9,157	7,857
Current income taxes	2,654	2,301
Deferred income taxes	1,010	549
Total income taxes	3,665	2,851
Income before minority interests	5,491	5,006
Net income	5,491	5,006

Quarterly Consolidated Statement of Comprehensive Income

(For the Nine-month Period)

(Millions of yen)

	First nine months of FY3/14 (Apr. 1, 2013 – Dec. 31, 2013)	First nine months of FY3/15 (Apr. 1, 2014 – Dec. 31, 2014)
Income before minority interests	5,491	5,006
Other comprehensive income		
Unrealized gain on securities	41	610
Remeasurements of defined benefit plans, net of tax	-	80
Total other comprehensive income	41	691
Comprehensive income	5,533	5,697
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	5,533	5,697
Comprehensive income attributable to minority interests	-	-

(3) Notes to Quarterly Consolidated Financial Statements

Going Concern Assumption

No reportable information.

Significant Changes in Shareholders' Equity

First nine months of FY3/15 (Apr. 1, 2014 – Dec. 31, 2014)

No reportable information.

Segment and Other Information

First nine months of FY3/14 (Apr. 1, 2013 – Dec. 31, 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	76,688	19,202	12,300	14,865	123,057	9	123,067	-	123,067
Inter-segment sales and transfers	5	14	3	-	23	-	23	(23)	-
Total	76,694	19,216	12,303	14,865	123,081	9	123,090	(23)	123,067
Segment profit (loss)	4,881	1,895	1,005	1,197	8,978	(44)	8,934	289	9,224

Notes: 1. The "others" classification refers to businesses not included in reportable segments such as fitness-related business.
2. The 289 million yen adjustment to segment profit (loss) includes 3,027 million yen in elimination for inter-segment transactions and -2,737 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 318 million yen, 8 million yen and 149 million yen were booked respectively in the first nine months of FY3/14.

First nine months of FY3/15 (Apr. 1, 2014 – Dec. 31, 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	73,432	24,179	13,105	16,688	127,405	-	127,405
Inter-segment sales and transfers	4	11	3	-	19	(19)	-
Total	73,437	24,191	13,108	16,688	127,425	(19)	127,405
Segment profit	2,168	3,742	1,190	1,268	8,370	214	8,584

Notes: 1. The 214 million yen adjustment to segment profit includes 3,241 million yen in elimination for inter-segment transactions and -3,027 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 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 nine 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 246 million yen, 269 million yen and 120 million yen were booked respectively in the first nine 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.*