AOKI Holdings

May 8, 2015

Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2015

[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 26, 2015
Scheduled date of filing of Annual Securities Report: June 29, 2015
Scheduled date of payment of dividend: June 8, 2015
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 8, 2015 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, 2015 (April 1, 2014 – March 31, 2015)

(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	%
FY3/15	183,805	2.4	19,028	(6.7)	18,914	(9.4)	10,185	(4.7)
FY3/14	179,443	11.7	20,390	19.4	20,865	18.6	10,684	8.7

Note: Comprehensive income (million yen) FY3/15: 10,949 (up 3.7%) FY3/14: 10,553 (up 0.4%)

	Net income per share	Diluted net income per share	Return on equity	Ordinary income on total assets	Operating profit to sales
	Yen	Yen	%	%	%
FY3/15	111.70	-	7.5	8.5	10.4
FY3/14	127.70	-	8.8	10.3	11.4

Reference: Equity in income of affiliates (million yen) FY3/15: - FY3/14: -

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	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2015	230,166	139,675	60.7	1,531.81
As of Mar. 31, 2014	212,755	131,283	61.7	1,439.76

Reference: Shareholders' equity (million yen) As of Mar. 31, 2015: 139,675 As of Mar. 31, 2014: 131,283

(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
FY3/15	18,685	(16,324)	4,245	29,226
FY3/14	15,613	(19,390)	4,000	22,619

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	%	%
FY3/14	-	30.00	-	18.00	-	2,888	25.8	2.4
FY3/15	-	18.00	-	18.00	36.00	3,282	32.2	2.4
FY3/16 (forecasts)	-	20.00	-	20.00	40.00		32.3	

Note: 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, 2016 (April 1, 2015 – March 31, 2016)

(Percentages represent year-on-year changes)

	Sales		Operating profit		Ordinary income		Profit attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	82,980	6.1	2,650	5.4	2,560	2.2	1,520	4.8	16.67
Full year	192,620	4.8	20,000	5.1	19,900	5.2	11,300	10.9	123.93

*** 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:	None
3) Changes in accounting-based estimates:	None
4) Restatements:	None

Note: Please refer to "5. 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, 2015:	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 Mar. 31, 2015:	66,492 shares	As of Mar. 31, 2014:	65,090 shares

3) Average number of shares outstanding during the period

Fiscal year ended Mar. 31, 2015:	91,183,616 shares	Fiscal year ended Mar. 31, 2014:	83,670,248 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.

(For reference) Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2015 (April 1, 2014 – March 31, 2015)

(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	%
FY3/15	3,578	8.4	(363)	-	6,460	20.3	6,086	53.0
FY3/14	3,303	10.3	(473)	-	5,369	(3.6)	3,977	(28.2)

	Net income per share	Diluted net income per share
	Yen	Yen
FY3/15	66.75	-
FY3/14	47.53	-

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2015	158,246	114,979	72.7	1,260.97
As of Mar. 31, 2014	145,033	111,483	76.9	1,222.62

Reference: Shareholders' equity (million yen) As of Mar. 31, 2015: 114,979 As of Mar. 31, 2014: 111,483

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 22, 2015. 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, 2015, the Japanese economy recovered slowly because of economic stimulus measures, monetary measures and other actions. However, consumer spending is still sluggish due to the higher cost of raw materials and consumer products caused by the weaker yen, the prolonged negative effects of the April 2014 consumption tax hike, and other signs of weakness. As a result, the outlook for the Japanese economy remains uncertain.

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	183,805 million yen	(up 2.4% year-on-year)
Operating profit	19,028 million yen	(down 6.7% year-on-year)
Ordinary income	18,914 million yen	(down 9.4% year-on-year)
Net income	10,185 million yen	(down 4.7% year-on-year)

Fashion Business

During the fiscal year, AOKI strengthened proposals of value-added apparel, through TV commercials and other marketing activities, such as products developed jointly with the Faculty of Textile Science and Technology of Shinshu University and lady's formal wear as the number of female customers at AOKI continues to increase. In addition, the New Recruit Style created jointly with Mynavi Student was created in conjunction with the change in Japan's job interview season for new graduates. To strengthen sales activities, there were measures to reinforce the stylist system by telling customers that "AOKI is your stylist." There were 39 new stores during the fiscal year, including AOKI's first store in Yamagata prefecture, and three stores were closed due to relocations and other reasons. As a result, there were 557 AOKI stores at the end of the fiscal year compared with 521 one year earlier.

ORIHICA upgraded its core products for business and business-to-casual styles for men and women. Marketing activities emphasize the high quality and large variety of these products. To attract more customers, stores offered collaboration merchandise with unique ORIHICA features accompanied by marketing campaigns. There were 11 new stores during the fiscal year, mainly at shopping centers, and one store was closed. As a result, there were 141 ORIHICA stores at the end of the fiscal year compared with 131 one year earlier.

Sales benefited from the new stores, higher average sales per suit and strong sales of lady's products. However, the drop in demand after the April 2014 consumption tax hike along with negative consumer sentiment caused segment sales to decrease 3.5% to 112,675 million yen. Operating profit was down 23.9% to 10,773 million yen.

Anniversaire and Bridal Business

ANNIVERSAIRE INC. operates guesthouse-style wedding and reception facilities. In February 2014, it opened ANNIVERSAIRE MINATO MIRAI YOKOHAMA in the Minato Mirai 21 district of Yokohama, which is a popular tourism and entertainment destination. The response of customers has been positive and this facility has hosted a large number of weddings. To reinvigorate existing locations, three wedding and reception facilities were renovated in order to increase the number of customers, raise the ratio of successful contracts, and boost food and beverage sales. In addition, there were sales promotions and public relations activities that utilized the unique features of each location.

Sales increased 18.3% to 30,917 million yen thanks to a contribution from ANNIVERSAIRE MINATO MIRAI YOKOHAMA and an increase in average sales per couple. Operating profit significantly increased 60.5% to 4,205 million yen.

Karaoke Facility Operations Business

At VALIC Co., Ltd., which operates karaoke facilities, there were a number of activities aimed at increasing the number of customers. More seasonal menu items were offered and there were marketing activities for a variety of party plans (year-end/new year party, farewell/welcome party, etc.) to meet the needs of companies and other organizations. There were also marketing campaigns using tie-ups with popular artists and characters. Ten karaoke facilities were opened during the fiscal year, mainly at locations near railway stations. As a result, there were 169 karaoke facilities at the end of the fiscal year compared with 159 one year earlier.

Sales increased 6.5% to 17,523 million yen and operating profit increased 11.9% to 1,712 million yen.

Café Complex Operations Business

VALIC Co., Ltd., which also operates café complexes, took numerous actions to attract more customers. One way was a heightened focus on menu items offered for a limited time only. A ramen fair and Turkish rice (a Japanese local style of Western-taste plate) fair are two examples. There were also marketing campaigns using tie-ups with other companies and a variety of services were upgraded. For revitalizing existing locations, 16 facilities were renovated. Improvements included the addition of more amusement content and sections exclusively for women. During the fiscal year, VALIC opened 32 facilities, including the first one in Kyushu and café complexes near railway stations. As a result, there were 260 café complexes at the end of the fiscal year compared with 228 one year earlier.

Sales increased 13.0% to 22,714 million yen mainly due to the benefits from new facilities and ongoing strong sales at existing facilities. Also, operating profit increased 7.6% to 1,806 million yen.

2) Forecasts for the new fiscal year

In the fiscal year ending on March 31, 2016, the Japanese economy is expected to recover slowly as corporate earnings and personal income improve. But there will still be concerns about the outlook for consumer spending. Prices in Japan are increasing, chiefly for household necessities, and there are worries about the prolonged effects of consumption tax hike. The AOKI Group will use a variety of actions in response to diversifying consumer needs to respond to the changing times and operate with speed and efficiency. In addition, we will continue to open more stores and revitalize existing locations to increase our market share and become more profitable.

In the Fashion Business, AOKI will concentrate on satisfaction and memorable experiences for customers by taking accurate and speedy actions to meet customers' increasingly diverse needs. With demand in Japan for business suits expected to decline, AOKI will enact reforms aimed at establishing a business structure that can achieve consistent growth. More stores will be opened and the stylist system will be strengthened. At the same time, existing stores will be reinvigorated to reflect changes in market conditions. The goal of these actions is to increase market share. ORIHICA will continue to strengthen its lineup of merchandise while remodeling or closing existing stores and becoming more efficient for higher earnings. The Fashion Business plans to open approximately 25 stores during the fiscal year ending on March 31, 2016.

In the ANNIVERSAIRE and Bridal Business, we will make the ANNIVERSAIRE brand more powerful with activities that emphasize the strengths of our wedding and reception facilities and clearly communicate the central concept for ANNIVERSAIRE. To become more profitable, we will further improve operating efficiency and renovate facilities.

In the Karaoke Facility Operations Business, we will continue to revitalize existing locations. Actions include offering more seasonal menu items and course menu selections, joint marketing campaigns with other companies, and the addition of more "concept rooms." We plan to open about 10 locations during the fiscal year.

In the Café Complex Operations Business, one goal is to use renovations of facilities and business model refinements to meet customers' needs. Actions will include enlarging the selection of content and upgrading the menu. Another goal is establishing a dominant presence in targeted markets. To accomplish this, we plan to open

about 30 locations during the fiscal year, including ones in prefectures where we do not yet have a presence.
We will implement these 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, 2016 are as follows.

Forecast by business segment for the fiscal year ending March 31, 2016

	Fashion	Anniversaire and Bridal	Karaoke Facility Operations	Café Complex Operations	Consolidated
Sales (Millions of yen)	117,700	31,000	18,450	25,500	192,620
YoY change (%)	104.5	100.3	105.3	112.3	104.8
Segment profit (Millions of yen)	11,800	4,250	1,730	1,870	20,000
YoY change (%)	109.5	101.1	101.0	103.5	105.1

Note: Segment profit is operating profit. The total segment profits are differ from consolidated operating profit because of consolidation adjustments.

(2) Analysis of Financial Position

1) Balance sheet position

Total assets at the end of the fiscal year under review increased 17,410 million yen over the end of the previous fiscal year to 230,166 million yen.

Current assets increased 7,765 million yen over the end of the previous fiscal year. Although accounts receivable-trade decreased 1,135 million yen, inventories increased 3,724 million yen due to new store openings among other factors, and cash in hand and in banks increased 6,606 million yen. Fixed assets increased 9,644 million yen over the end of the previous fiscal year as tangible fixed assets increased 7,276 million yen due to the purchase of land and new store openings.

Current liabilities decreased 3,281 million yen over the end of the previous fiscal year. It was mainly due to a decrease in current portion of long-term debt of 3,636 million yen and other factors. Long-term liabilities increased 12,300 million yen over the end of the previous fiscal year. It was mainly due to an increase in long-term debt of 13,050 million yen due to capital investments.

Net assets increased 8,391 million yen over the end of the previous fiscal year. There was an increase in retained earnings of 7,629 million yen from net income and other items.

2) Cash flow position

(Millions of yen)

	FY3/14	FY3/15
Cash flows from operating activities	15,613	18,685
Cash flows from investing activities	(19,390)	(16,324)
Cash flows from financing activities	4,000	4,245
Increase (decrease) in cash and cash equivalents	223	6,606
Cash and cash equivalents at beginning of period	22,396	22,619
Cash and cash equivalents at end of period	22,619	29,226

Cash and cash equivalents at the end of the fiscal year under review increased 6,606 million yen over the end of the previous fiscal year to 29,226 million yen mainly due to the proceeds from long-term debt.

Net cash provided by operating activities increased 3,072 million yen to 18,685 million yen on a year-on-year basis. The principal factor was the net of income tax payments and refunds of 8,182 million yen, while there were net income before income taxes of 16,972 million yen, depreciation and amortization of 7,188 million yen and an impairment loss of 1,942 million yen.

Net cash used in investing activities decreased 3,065 million yen to 16,324 million yen on a year-on-year basis. This was mainly due to the payments of 13,210 million yen for the acquisition of tangible fixed assets for capital investment and leasehold and guarantee deposits of 1,549 million yen.

Net cash provided by financing activities increased 245 million yen to 4,245 million yen on year-on-year basis. This was mainly due to the proceeds from long-term debt of 17,500 million yen for capital expenditure, while there were scheduled repayment of long-term debt of 8,086 million yen, repayments of lease obligations of 1,888 million yen, and cash dividends paid of 3,278 million yen.

Reference: Cash flow indicators

	FY3/11	FY3/12	FY3/13	FY3/14	FY3/15
Shareholders' equity ratio (%)	59.5	58.6	57.5	61.7	60.7
Shareholders' equity ratio based on market prices (%)	34.8	36.7	52.2	62.8	67.3
Interest-bearing debt to cash flow ratio (years)	2.6	2.0	2.3	2.2	2.4
Interest coverage ratio (times)	39.1	54.0	55.1	50.4	59.7

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

Distributing earnings to shareholders is one of our highest priorities. Our basic policy is to pay a stable dividend while taking into consideration factors such as future business activities, our financial soundness and the payout ratio.

The Board of Directors, at a meeting held on May 8, 2015, approved a year-end dividend of 18 yen per share based on the results of operations for the fiscal year that ended on March 31, 2015 and the basic policy regarding dividends. Including the interim dividend of 18 yen per share, this resulted in a dividend of 36 yen per share during the fiscal year that ended on March 31, 2015.

We announced a number of medium-term goals when earnings for the previous fiscal year were announced on May 9, 2014. Our goals were an operating margin of 12%, a return on equity of 10% and earnings per share of 180 yen. We also stated that our basic target for the dividend payout ratio is 30%, based on the payment of a stable dividend. In the fiscal year that ended on March 31, 2015, due to the weak sales following the April 2014 consumption tax hike and other challenges in the Fashion Business, operating margin was 10.4%, a return on equity 7.5% and earnings per share 111.7 yen.

We intend to reach the medium-term goals by continuing to open stores in each business segment in order to capture market share while increasing earnings by making our operations more efficient. Our plans also include making substantial capital expenditures. There will be no change in the policy for distributing earnings to shareholders.

For the fiscal year ending on March 31, 2016, based on the dividend payout ratio, the need for funds and other items, we forecast a dividend of 40 yen per share, which is 4 yen higher than dividends paid during the previous fiscal year. This is the sum of a year-end dividend of 20 yen and an interim dividend of 20 yen per share.

Our policy for the repurchase and retirement of treasury stock is to make repurchases with flexibility based on funding requirements, the amount of balance sheet liquidity, the stock price and other factors. In the fiscal year ending on March 31, 2016, due to the relatively small volume of capital expenditures planned and for other reasons, as was announced separately, we plan to repurchase up to 1.2 million shares and retire half of these shares.

In order to achieve sustainable growth into the future, retained earnings will be set aside for future business

development including capital investments in each business, product development to meet consumer needs, and IT system investment.

(4) 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 1,141 stores as of March 31, 2015.

   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 specific business partners

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, 2015, there was an impairment loss of 1,942 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, five non-consolidated subsidiaries, one non-equity-method affiliate, and one related company, and primarily 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.

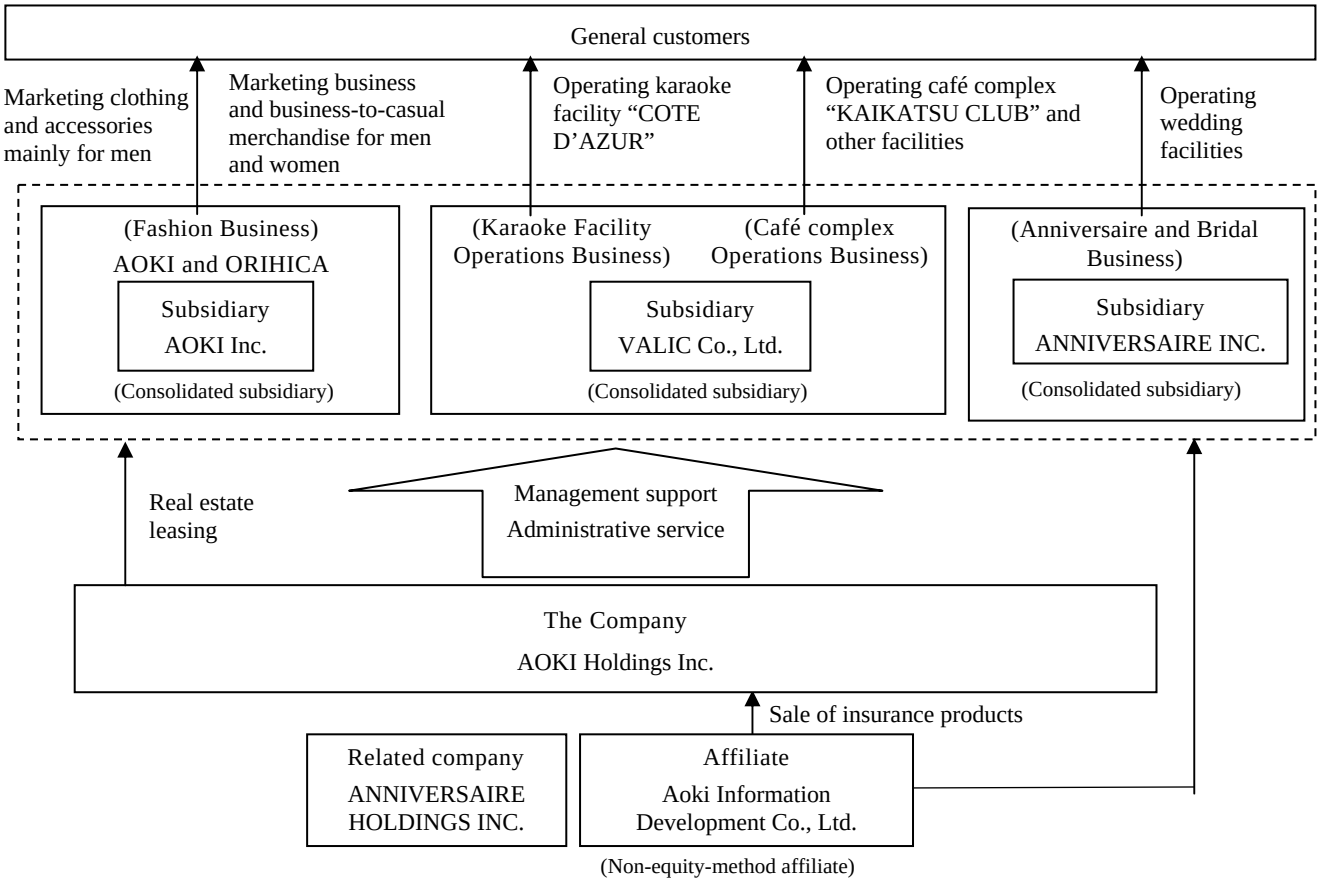
(4) Café Complex Operations Business

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

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.



Five 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, (3) Medium to Long-term Business Strategy

Information on these subjects is not presented since there are no significant changes from the financial results for the fiscal year ended on March 31, 2014 (released on May 9, 2014).

Financial results are available on the following URLs.

AOKI Holdings website: http://ir.aoki-hd.co.jp/en/IRFiling/Results.html

Tokyo Stock Exchange website (company search): http://www.jpx.co.jp/english/listing/co-search/index.html

In addition, please refer to “(3) Basic Profit Allocation Policy, and Dividends in the Current and Next Fiscal Years” on page 5 for further information regarding performance targets.

(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.

At AOKI, the priority is building a more powerful infrastructure. One objective is to stimulate new growth in its market sectors by opening stores and offering customers more innovative ideas that reflect changes in the business climate. Cool Biz products and lady’s wear are two examples of categories for new ideas. In addition, we will revitalize existing stores with remodeling to improve sales areas and sell functional merchandise. ORIHICA will reinforce its ability to develop its core products for mixing and matching as a “lifestyle shop.” Furthermore, we will improve efficiency with measures that include remodeling or closing stores. We will also continue to open stores while using various activities to heighten the appeal of the ORIHICA brand.

In the ANNIVERSAIRE and Bridal Business, we will focus on promoting the unique features of each location, while renovating existing facilities to reflect changes of the times and customers’ needs. We also aim to become more profitable by training human resources so that we can provide our customers services of an even higher quality.

In the Karaoke Facility Operations Business, we plan to reinvigorate existing locations with sales promotion activities, such as more party plans and joint events with other companies, and renovations of existing locations. We will also continue to open new facilities.

In the Café Complex Operations Business, we will reinvigorate existing facilities by using renovations and other measures to upgrade content and expanding and by improving the selection of food and beverages. Opening many new locations to enlarge the café complex market is another goal.

4. Basic Approach for the Selection of Accounting Standards

The AOKI Group's operations are located in Japan and the Group has little or no need of raising funds in overseas markets. Moreover, the percentage of shares held by foreign shareholders is relatively small. In view of the above factors the Company currently uses Japanese accounting standards for its financial statements.

The Company will consider using International Financial Reporting Standards (IFRS) if considered necessary by the future direction of the Group's business development, the use of IFRS by other companies in Japan and other factors.

5. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	FY3/14 (As of Mar. 31, 2014)	FY3/15 (As of Mar. 31, 2015)
Assets		
Current assets		
Cash in hand and in banks	22,619	29,226
Accounts receivable-trade	10,127	8,991
Inventories	*1 22,751	*1 26,476
Deferred income tax assets	2,097	2,008
Other current assets	8,428	7,104
Allowance for doubtful accounts	(20)	(37)
Total current assets	66,003	73,769
Fixed assets		
Tangible fixed assets		
Buildings and structures	115,442	120,623
Accumulated depreciation	(58,512)	(61,664)
Buildings and structures, net	56,929	58,959
Machinery, vehicles, tools, furniture and fixtures	13,840	14,408
Accumulated depreciation	(6,440)	(6,846)
Machinery, vehicles, tools, furniture and fixtures, net	7,400	7,561
Land	*2 31,394	*2 37,095
Lease assets	9,885	10,672
Accumulated depreciation	(5,409)	(6,585)
Lease assets, net	4,476	4,086
Construction in progress	832	605
Total tangible fixed assets	101,032	108,308
Intangible fixed assets	5,675	6,550
Investments and other assets		
Investment securities	*3 4,975	*3 6,172
Guarantee deposits	8,588	8,333
Leasehold deposit	19,364	20,176
Deferred income tax assets	5,272	5,027
Other investments and other assets	1,883	1,867
Allowance for doubtful accounts	(40)	(40)
Total investments and other assets	40,043	41,538
Total fixed assets	146,752	156,396
Total assets	212,755	230,166

(Millions of yen)

	FY3/14 (As of Mar. 31, 2014)	FY3/15 (As of Mar. 31, 2015)
Liabilities		
Current liabilities		
Accounts payable-trade	20,224	19,867
Current portion of long-term debt	8,086	4,450
Lease obligations	1,716	1,578
Accounts payable-other	5,022	6,748
Accrued income taxes	4,582	3,789
Accrued bonuses for employees	1,842	1,735
Accrued bonuses for directors and statutory auditors	167	105
Other current liabilities	5,036	5,123
Total current liabilities	46,678	43,397
Long-term liabilities		
Long-term debt	22,275	35,325
Lease obligations	3,049	2,846
Accrued retirement benefits for directors and statutory auditors	1,764	1,838
Accrued costs for customer point program	767	958
Net defined benefit liability	1,534	382
Asset retirement obligations	4,400	4,773
Negative goodwill	*4 82	*4 54
Other long-term liabilities	918	914
Total long-term liabilities	34,793	47,093
Total liabilities	81,472	90,491
Net assets		
Shareholders' equity		
Common stock	23,282	23,282
Capital surplus	28,757	28,757
Retained earnings	79,029	86,658
Treasury stock	(43)	(45)
Total shareholders' equity	131,026	138,654
Valuation and translation adjustments		
Unrealized gain on securities	549	1,229
Remeasurements of defined benefit plans	(292)	(208)
Total accumulated other comprehensive income	257	1,021
Total net assets	131,283	139,675
Total liabilities and net assets	212,755	230,166

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

Consolidated Statements of Income

(Millions of yen)

	FY3/14 (Apr. 1, 2013 – Mar. 31, 2014)	FY3/15 (Apr. 1, 2014 – Mar. 31, 2015)
Sales	179,443	183,805
Cost of sales	91,651	97,019
Gross profit	87,792	86,785
Selling, general and administrative expenses	*1 67,401	*1 67,757
Operating profit	20,390	19,028
Non-operating profit		
Interest income	103	107
Dividend income	104	138
Rental income on real estate	654	616
Amortization of negative goodwill	625	42
Other	286	270
Total non-operating profit	1,774	1,173
Non-operating expenses		
Interest expenses	315	316
Expenses on sub-leased real estate	622	527
Other	361	444
Total non-operating expenses	1,299	1,287
Ordinary income	20,865	18,914
Extraordinary gains		
Gain on reversal of stock acquisition rights	5	-
Total extraordinary gains	5	-
Extraordinary losses		
Impairment loss	*2 2,448	*2 1,942
Other	0	-
Total extraordinary losses	2,449	1,942
Net income before income taxes	18,422	16,972
Current income taxes	7,950	7,209
Deferred income taxes	(212)	(422)
Total income taxes	7,738	6,787
Income before minority interests	10,684	10,185
Net income	10,684	10,185

Consolidated Statements of Comprehensive Income

(Millions of yen)

	FY3/14 (Apr. 1, 2013 – Mar. 31, 2014)	FY3/15 (Apr. 1, 2014 – Mar. 31, 2015)
Income before minority interests	10,684	10,185
Other comprehensive income		
Unrealized gain on securities	(130)	679
Remeasurements of defined benefit plans, net of tax	-	84
Total other comprehensive income	*1 (130)	*1 763
Comprehensive income	10,553	10,949
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	10,553	10,949
Comprehensive income attributable to minority interests	-	-

(3) Consolidated Statements of Changes in Shareholders' Equity

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
Cumulative effects of changes in accounting policies					-
Restated balance	23,282	22,586	70,624	(5,767)	110,725
Changes of items during 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 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
Cumulative effects of changes in accounting policies					-
Restated balance	680	-	680	79	111,484
Changes of items during 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 period	(130)	(292)	(422)	(79)	19,798
Balance at the end of current period	549	(292)	257	-	131,283

FY3/15 (Apr. 1, 2014 – Mar. 31, 2015)

(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	28,757	79,029	(43)	131,026
Cumulative effects of changes in accounting policies			726		726
Restated balance	23,282	28,757	79,756	(43)	131,753
Changes of items during period					
Dividend from surplus			(3,282)		(3,282)
Net income			10,185		10,185
Purchase of treasury stock				(1)	(1)
Disposal of treasury stock		0		0	0
Net changes of items other than shareholders' equity					
Total changes of items during period	-	0	6,902	(1)	6,900
Balance at the end of current period	23,282	28,757	86,658	(45)	138,654

(Millions of yen)

	Accumulated other comprehensive income			Total net assets
	Unrealized gain on securities	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at the beginning of current period	549	(292)	257	131,283
Cumulative effects of changes in accounting policies				726
Restated balance	549	(292)	257	132,010
Changes of items during period				
Dividend from surplus				(3,282)
Net income				10,185
Purchase of treasury stock				(1)
Disposal of treasury stock				0
Net changes of items other than shareholders' equity	679	84	763	763
Total changes of items during period	679	84	763	7,664
Balance at the end of current period	1,229	(208)	1,021	139,675

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	FY3/14 (Apr. 1, 2013 – Mar. 31, 2014)	FY3/15 (Apr. 1, 2014 – Mar. 31, 2015)
Cash flows from operating activities		
Net income before income taxes	18,422	16,972
Depreciation and amortization	6,085	7,188
Impairment loss	2,448	1,942
Amortization of goodwill	13	13
Amortization of negative goodwill	(625)	(42)
Increase (decrease) in accrued retirement benefits for employees	224	133
Increase (decrease) in accrued retirement benefits for directors and statutory auditors	123	73
Increase (decrease) in accrued costs for customer point program	(1)	190
Interest and dividend income	(208)	(245)
Interest expenses	315	316
Decrease (increase) in accounts receivable-trade	(1,891)	1,135
Decrease (increase) in inventories	(3,843)	(3,724)
Increase (decrease) in accounts payable-trade	3,951	(357)
Increase (decrease) in accrued consumption taxes	(710)	2,440
Other	1,175	949
Subtotal	25,481	26,987
Interest and dividend income received	159	193
Interests paid	(310)	(312)
Income taxes paid	(10,691)	(9,435)
Income taxes refund	974	1,253
Net cash provided by (used in) operating activities	15,613	18,685
Cash flows from investing activities		
Payments for acquisition of tangible fixed assets	(15,666)	(13,210)
Payments for acquisition of intangible fixed assets	(1,121)	(1,351)
Payments for leasehold and guarantee deposits	(2,268)	(1,549)
Proceeds from collection of leasehold and guarantee deposits	435	362
Net decrease (increase) in trust beneficiary right	(410)	(170)
Other	(359)	(405)
Net cash used in investing activities	(19,390)	(16,324)
Cash flows from financing activities		
Net increase (decrease) in short-term debt	(3,000)	-
Proceeds from long-term debt	5,000	17,500
Repayments of long-term debt	(5,696)	(8,086)
Repayments of lease obligations	(1,849)	(1,888)
Proceeds from disposal of treasury stock	11,829	0
Payments for purchase of treasury stock	(6)	(1)
Dividends paid	(2,276)	(3,278)
Net cash provided by financing activities	4,000	4,245
Effect of exchange rate change on cash and cash equivalents	0	0
Increase (decrease) in cash and cash equivalents	223	6,606
Cash and cash equivalents at beginning of period	22,396	22,619
Cash and cash equivalents at end of period	*1 22,619	*1 29,226

(5) Notes to Consolidated Financial Statements

Going Concern Assumption

No reportable information.

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, March 26, 2015)” from 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 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 current fiscal year. The effect of this change on operating profit, ordinary income, and net income before income taxes in the current fiscal year is insignificant.

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

Notes to Consolidated Balance Sheets

*1. Breakdown of inventories (Millions of yen)

	FY3/14 (As of Mar. 31, 2014)	FY3/15 (As of Mar. 31, 2015)
Merchandise	22,096	25,869
Raw materials and supplies	655	606
Total	22,751	26,476

*2. Land valued at 607 million yen was pledged as collateral under a store leasing agreement in FY3/14 and FY3/15.

*3. The following items are applicable to non-consolidated subsidiaries and affiliates (Millions of yen)

	FY3/14 (As of Mar. 31, 2014)	FY3/15 (As of Mar. 31, 2015)
Investment securities (stocks)	315	315

*4. 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)

	FY3/14 (As of Mar. 31, 2014)	FY3/15 (As of Mar. 31, 2015)
Goodwill	44	30
Negative goodwill	127	85
Goodwill, net	(82)	(54)

5. Guarantee liabilities

The Company guarantees following bank loans for a company that is not consolidated. (Millions of yen)

	FY3/14 (As of Mar. 31, 2014)	FY3/15 (As of Mar. 31, 2015)
AOKI HOLDINGS N.Y. INC.	461	415

6. 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)

	FY3/14 (As of Mar. 31, 2014)	FY3/15 (As of Mar. 31, 2015)
Current account overdraft	22,500	23,500
Credit used	-	-
Credit available	22,500	23,500

Notes to Consolidated Statements of Income

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

	FY3/14 (Apr. 1, 2013 – Mar. 31, 2014)	FY3/15 (Apr. 1, 2014 – Mar. 31, 2015)
Advertising expenses	12,099	11,781
Salaries and bonuses	17,595	17,901
Provision of accrued bonuses for employees	1,545	1,312
Provision of accrued bonuses for directors and statutory auditors	167	104
Retirement benefit expenses	664	622
Provision of accrued retirement benefits for directors and statutory auditors	139	133
Welfare expense	3,637	3,704
Rents	13,876	14,883
Depreciation and amortization	2,251	2,670

*2. Impairment loss

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

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	Tsuru-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: operating stores 753 million yen (including buildings and structures 555 million yen and others 197 million yen), subleasing stores 23 million yen (including buildings and structures 23 million yen), and idle assets 1,671 million yen (including land 38 million yen and software 1,633 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.

FY3/15 (Apr. 1, 2014 – Mar. 31, 2015)

Use	Item	Location
Operating stores	Buildings and structures, others	Aizuwakamatsu City, Fukushima, etc.
Idle assets	Land , buildings and structures	Tsuru-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 (1,942 million yen) was recognized as an extraordinary loss, for idle assets whose recoverable value had fallen below book value, and operating 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: operating stores 1,837 million yen (including buildings and structures 1,425 million yen and others 412 million yen) and idle assets 104 million yen (including land 86 million yen and buildings and structures 17 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 6.0 and 6.3% 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)

	FY3/14 (Apr. 1, 2013 – Mar. 31, 2014)	FY3/15 (Apr. 1, 2014 – Mar. 31, 2015)
Unrealized gain on securities		
Amount incurred during the year	(198)	961
Re-classification adjustments	-	-
Before tax effect adjustments	(198)	961
Tax effect	67	(281)
Unrealized gain on securities	(130)	679
Remeasurements of defined benefit plans, net of tax		
Amount incurred during the year	-	(28)
Re-classification adjustments	-	169
Before tax effect adjustments	-	140
Tax effect	-	(56)
Remeasurements of defined benefit plans, net of tax	-	84
Total other comprehensive income	(130)	763

Notes to Consolidated Statements of Changes in Shareholders' Equity

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.

FY3/15 (Apr. 1, 2014 – Mar. 31, 2015)

1. Type of share and number of outstanding shares

Type of share	Number of shares as of Apr. 1, 2014	Increase	Decrease	Number of shares as of Mar. 31, 2015
Common shares (Thousand shares)	91,249	-	-	91,249

2. Type and number of shares of treasury stock

Type of share	Number of shares as of Apr. 1, 2014	Increase	Decrease	Number of shares as of Mar. 31, 2015
Common shares (Thousand shares)	65	1	0	66

Notes: 1. Increase in the number of shares of treasury stock (Thousand shares)
Purchase of odd-lot shares: 1
2. Decrease in the number of shares of treasury stock (Thousand shares)
Sales of odd-lot shares: 0

3. 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 9, 2014	Common shares	1,641	18	Mar. 31, 2014	Jun. 9, 2014
Board of Directors' meeting on Nov. 7, 2014	Common shares	1,641	18	Sep. 30, 2014	Dec. 8, 2014

(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 8, 2015	Common shares	Retained earnings	1,641	18	Mar. 31, 2015	Jun. 8, 2015

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)

	FY3/14 (Apr. 1, 2013 – Mar. 31, 2014)	FY3/15 (Apr. 1, 2014 – Mar. 31, 2015)
Cash in hand and in banks	22,619	29,226
Cash and cash equivalents	22,619	29,226

2. Significant non-cash transactions

Assets and obligations applicable to the finance lease transaction

(Millions of yen)

	FY3/14 (Apr. 1, 2013 – Mar. 31, 2014)	FY3/15 (Apr. 1, 2014 – Mar. 31, 2015)
Assets and obligations applicable to the finance lease transaction	2,061	1,546

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.

Revision to reportable segments

In 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 FY3/14 is prepared and disclosed based on the reportable segment categories after the revision.

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.

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

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	116,762	26,120	16,456	20,092	179,431	12	179,443	-	179,443
Inter-segment sales and transfers	7	18	4	-	30	-	30	(30)	-
Total	116,770	26,139	16,460	20,092	179,462	12	179,474	(30)	179,443
Segment profit (loss)	14,149	2,619	1,530	1,678	19,977	(55)	19,921	468	20,390
Segment assets	104,697	44,095	14,791	16,890	180,476	19	180,495	32,259	212,755
Other items									
Depreciation and amortization	1,701	1,291	1,318	1,311	5,623	2	5,625	353	5,979
Amortization of goodwill	8	-	-	5	13	-	13	-	13
Increase in tangible fixed assets and intangible fixed assets	6,614	5,337	2,675	2,408	17,035	14	17,049	770	17,819

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

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

(1) The 468 million yen adjustment to segment profit (loss) 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 (loss) is adjusted to be consistent with operating profit on the consolidated statements of income.

FY3/15 (Apr. 1, 2014 – Mar. 31, 2015) (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	112,669	30,902	17,518	22,714	183,805	-	183,805
Inter-segment sales and transfers	5	14	4	-	25	(25)	-
Total	112,675	30,917	17,523	22,714	183,830	(25)	183,805
Segment profit	10,773	4,205	1,712	1,806	18,497	531	19,028
Segment assets	108,592	43,989	14,753	19,258	186,593	43,572	230,166
Other items							
Depreciation and amortization	2,029	1,785	1,352	1,474	6,641	434	7,075
Amortization of goodwill	8	-	-	5	13	-	13
Increase in tangible fixed assets and intangible fixed assets	5,175	968	1,737	3,186	11,067	6,105	17,173

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

(1) The 531 million yen adjustment to segment profit includes 4,469 million yen in elimination for inter-segment transactions, and -3,937 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 43,572 million yen adjustment to segment assets includes -27,419 million yen in elimination of the offsetting receivables from subsidiaries, and company-wide assets of 70,992 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 6,105 million yen adjustment to an increase in tangible and intangible fixed assets includes investment in land to be used by the Group.

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

Related information

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.

FY3/15 (Apr. 1, 2014 – Mar. 31, 2015)

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

FY3/14 (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

FY3/15 (Apr. 1, 2014 – Mar. 31, 2015) (Millions of yen)

	Reportable segment					Elimination or corporate	Total
	Fashion	Anniversaire and Bridal	Karaoke Facility Operations	Café Complex Operations	Sub-total		
Impairment losses	962	-	567	382	1,913	28	1,942

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

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

FY3/15 (Apr. 1, 2014 – Mar. 31, 2015) (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	-	-	5	13	-	13
Balance at end of period	17	-	-	12	30	-	30

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	42	-	-	-	42	-	42
Balance at end of period	85	-	-	-	85	-	85

Information related to negative goodwill profits for each reportable segment

No reportable information.

Per Share Information

(Yen)

	FY3/14 (Apr. 1, 2013 – Mar. 31, 2014)	FY3/15 (Apr. 1, 2014 – Mar. 31, 2015)
Net assets per share	1,439.76	1,531.81
Net income per share	127.70	111.70

Notes: 1. Diluted net income per share is not presented since the Company has no outstanding dilutive securities.

2. The Company conducted a 2-for-1 common stock split on January 1, 2014. Net assets per share, net income per share have been calculated as if this stock split had taken place at the beginning of FY3/14.

3. 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 an increase of 7.97 yen in net assets per share in FY3/15.

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

(Millions of yen)

Item	FY3/14 (Apr. 1, 2013 – Mar. 31, 2014)	FY3/15 (Apr. 1, 2014 – Mar. 31, 2015)
Net income per share		
Net income	10,684	10,185
Net income not available to common stock shareholders	-	-
Net income applicable to common stock	10,684	10,185
Average number of common shares outstanding during the period (Thousand shares)	83,670	91,183

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

(Millions of yen)

Item	FY3/14 (As of Mar. 31, 2014)	FY3/15 (As of Mar. 31, 2015)
Total net assets	131,283	139,675
Deduction on total net assets	-	-
Net assets applicable to common shares	131,283	139,675
Number of common stock shares used in calculation of net assets per share (Thousand shares)	91,184	91,183

Subsequent Events

The Company decided at a Board of Directors meeting held on May 8, 2015 to purchase and retire its own shares to adopt timely and flexible financial strategies in response to changes in the operating environment and to increase shareholder value.

For details, please see "Notice of Decision to Acquire and Retire Shares" released the same day.

6. Others

Change in Director (Effective June 26, 2015)

1. Candidates for directors

Director: Wataru Araki (currently Senior Managing Director of AOKI Inc.)

Director: Yoko Ohara (currently Representative Director of Women's Empowerment in Fashion)

Note: Ms. Yoko Ohara is a candidate for an external director.

2. Retiring director

Director: Kenji Nakamura (to be appointed as Auditor of AOKI Holdings)

3. Candidates for auditors

Auditor: Kenji Nakamura (currently Director of AOKI Holdings)

Auditor: Toshio Hotchi (currently certified public accountant)

Note: Mr. Toshio Hotchi is a candidate for an external auditor.

4. Retiring auditor

Auditor: Kazuo Kuribayashi

** 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.*