AOKI Holdings

August 7, 2015

Summary of Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2016 (Three Months Ended June 30, 2015)

[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
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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 August 7, 2015 at 15:00 (GMT +9).

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

1. Consolidated Financial Results for the Three Months Ended June 30, 2015 (April 1, 2015 – June 30, 2015)

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

	Sales		Operating profit		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended Jun. 30, 2015	45,205	3.0	2,603	22.7	2,614	22.4	1,848	18.1
Three months ended Jun. 30, 2014	43,870	5.1	2,121	(30.0)	2,135	(35.4)	1,565	(12.7)

Note: Comprehensive income (million yen) Three months ended Jun. 30, 2015: 2,044 (up 17.2%)
Three months ended Jun. 30, 2014: 1,744 (down 8.1%)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended Jun. 30, 2015	20.32	-
Three months ended Jun. 30, 2014	17.17	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Jun. 30, 2015	225,037	139,173	61.8
As of Mar. 31, 2015	230,166	139,675	60.7

Reference: Shareholders' equity (million yen) As of Jun. 30, 2015: 139,173 As of Mar. 31, 2015: 139,675

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY3/15	-	18.00	-	18.00	36.00
FY3/16	-				
FY3/16 (forecasts)		20.00	-	20.00	40.00

Note: Revisions to the most recently announced dividend forecast: None

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	16.73
Full year	192,620	4.8	20,000	5.1	19,900	5.2	11,300	10.9	124.49

Note: Revisions to the most recently announced consolidated forecast: None

*** Notes**

(1) Changes in consolidated subsidiaries during the period (changes in scope of consolidation): 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 3 for further information.

(4) Number of shares outstanding (common shares)

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

As of Jun. 30, 2015:	91,249,504 shares	As of Mar. 31, 2015:	91,249,504 shares

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

As of Jun. 30, 2015:	583,144 shares	As of Mar. 31, 2015:	66,492 shares

3) Average number of shares outstanding during the period

Three months ended Jun. 30, 2015:	91,000,616 shares	Three months ended Jun. 30, 2014:	91,184,217 shares

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 Act. 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.

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1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

In the first quarter of the current fiscal year, the Japanese economy continued to recover slowly as corporate earnings grew, the number of jobs and personal income increased. However, the outlook remains unclear because of worries of an overseas economic downturn and the rising cost of raw materials and consumer products.

In this environment, the AOKI Group implemented various measures in each business segment as discussed below. Sales increased 3.0% year-on-year to 45,205 million yen, operating profit increased 22.7% to 2,603 million yen, ordinary income increased 22.4% to 2,614 million yen and profit attributable to owners of parent increased 18.1% to 1,848 million yen.

Operating results by segment are as follows.

Fashion Business

AOKI offered Premium Wash Suits and Ultra Cool Suits, business wear with the best possible functions for the Cool Biz. There were also heightened emphasis on shirts and pants marketed using an actor as the new face of these items. In addition, AOKI sold New Recruit Cool Biz styles that reflect the change in the job interview schedule for new college graduates. Four new stores were opened during the first quarter, including AOKI's first store in Miyazaki prefecture, and one store was closed for relocation. As a result, there were 560 AOKI stores at the end of the first quarter compared with 557 at the end of the previous fiscal year.

ORIHICA increased activities to offer new ideas such as conducting marketing campaigns for Cool Biz jackets and pants style, navy jackets, shirts and other apparel. During the first quarter, ten stores were opened, including the NAMBA PARKS T-terrace Store, which is the largest in terms of sales area. Two stores were closed. As a result, there were 149 ORIHICA stores at the end of the first quarter compared with 141 at the end of the previous fiscal year.

First quarter sales and earnings benefited from the contributions of new stores, higher sales per item due to the reinforcing the proposal of functional products, and an improvement in the gross profit margin. Segment sales increased 1.5% to 27,048 million yen and operating profit was up 120.0% to 902 million yen.

Anniversaire and Bridal Business

ANNIVERSAIRE INC. operates guesthouse-style wedding and reception facilities. Sales promotion and public relations activities using the unique features of each location were strengthened. Furthermore, all locations have started selling ANNIVERSAIRE original wedding dresses with more than 300 combinations of fabric, designs and other characteristics in order to precisely match each bride's preferences.

Sales decreased 1.7% to 7,939 million yen. Operating profit increased 1.0% to 1,265 million yen.

Karaoke Facility Operations Business

At VALIC Co., Ltd., which operates karaoke facilities, there were many activities aimed at revitalizing existing locations. One step was the installation of karaoke systems with the latest features. Another was increasing seasonal menu items such as new selections for spring and early summer. In addition, 12 karaoke facilities were remodeled including the addition of more "concept rooms" and offering free Wi-Fi. Three karaoke facilities were opened during the first quarter, mainly at locations near railway stations. As a result, there were 172 karaoke facilities at the end of the first quarter compared with 169 at the end of the previous fiscal year.

Sales increased 4.2% to 4,133 million yen and operating profit decreased 24.8% to 85 million yen due to higher expenditures for renovations.

Café Complex Operations Business

The café complex operations business of VALIC also focused on revitalizing existing locations. Eight cafés were

remodeled to offer more amusement content and sections exclusively for women. Other actions included installing PCs for playing the latest popular online games and increasing the number of food menu items. Also, cafés started using the KAIKATSU CLUB app in order to increase the number of repeat customers. During the first quarter, 12 facilities, including VALIC's first facility in Saga prefecture, were opened. As a result, there were 272 café complexes at the end of the first quarter compared with 260 at the end of the previous fiscal year.

Sales increased 17.4% to 6,093 million yen mainly due to the benefits from new facilities and ongoing strong sales at existing facilities. Operating profit decreased 11.6% to 314 million yen due to an increase in expenses for new store openings.

(2) Explanation of Financial Position

Balance sheet position

Assets

Total assets at the end of the first quarter under review decreased 5,129 million yen from the end of the previous fiscal year to 225,037 million yen.

Current assets decreased 6,961 million yen from the end of the previous fiscal year. Although, inventories increased 1,752 million yen due to new store openings among other factors, cash in hand and in banks decreased 7,655 million yen due to capital investments and the payment of income taxes. Fixed assets increased 1,832 million yen from the end of the previous fiscal year as tangible fixed assets increased 1,154 million yen due to new store openings and other factors.

Liabilities

Current liabilities decreased 5,485 million yen from the end of the previous fiscal year. There were decreases of 3,367 million yen in accrued income taxes due to the payment of income taxes, and 1,710 million yen in accounts payable-trade due to seasonal reasons and other factors. Long-term liabilities increased 857 million yen. There were increases of 300 million yen in long-term debt due to borrowings and 121 million yen in asset retirement obligations.

Net assets

Net assets decreased 501 million yen from the end of the previous fiscal year. Although, retained earnings increased 207 million yen due to profit attributable to owners of parent and dividend from surplus, there was the 904 million yen purchase of treasury stock.

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

First quarter sales were slightly less than the forecast but segment profit (operating profit) was as planned. As a result, there are no revisions to the fiscal year forecast that was announced on May 8, 2015.

2. Matters Related to Summary Information (Notes)

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

Changes in Accounting Policies

Effective from the first quarter of the current fiscal year, the Company has adopted the "Accounting Standard for Business Combinations" (Accounting Standards Board of Japan (ASBJ) Statement No. 21, September 13, 2013), "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, September 13, 2013), "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, September 13, 2013) and other standards. In association with these changes, the presentation of net income and other items has been revised. For consistency with these changes, the consolidated financial statements for the first quarter of the previous fiscal year have been revised.

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheet

(Millions of yen)

	FY3/15 (As of Mar. 31, 2015)	First quarter of FY3/16 (As of Jun. 30, 2015)
Assets		
Current assets		
Cash in hand and in banks	29,226	21,570
Accounts receivable-trade	8,991	5,595
Inventories	26,476	28,229
Other current assets	9,112	11,455
Allowance for doubtful accounts	(37)	(42)
Total current assets	73,769	66,808
Fixed assets		
Tangible fixed assets		
Buildings and structures, net	58,959	59,887
Land	37,095	37,013
Other tangible fixed assets, net	12,253	12,562
Total tangible fixed assets	108,308	109,463
Intangible fixed assets	6,550	6,711
Investments and other assets		
Guarantee deposits	8,333	8,261
Leasehold deposit	20,176	20,212
Other investments and other assets	13,068	13,620
Allowance for doubtful accounts	(40)	(40)
Total investments and other assets	41,538	42,054
Total fixed assets	156,396	158,229
Total assets	230,166	225,037
Liabilities		
Current liabilities		
Accounts payable-trade	19,867	18,156
Current portion of long-term debt	4,450	4,250
Accrued income taxes	3,789	421
Accrued bonuses for employees	1,735	912
Accrued bonuses for directors and statutory auditors	105	30
Other current liabilities	13,450	14,140
Total current liabilities	43,397	37,912
Long-term liabilities		
Long-term debt	35,325	35,625
Accrued retirement benefits for directors and statutory auditors	1,838	1,749
Accrued costs for customer point program	958	959
Net defined benefit liability	382	441
Asset retirement obligations	4,773	4,894
Negative goodwill	54	47
Other long-term liabilities	3,761	4,233
Total long-term liabilities	47,093	47,951
Total liabilities	90,491	85,863

(Millions of yen)

	FY3/15 (As of Mar. 31, 2015)	First quarter of FY3/16 (As of Jun. 30, 2015)
Net assets		
Shareholders' equity		
Common stock	23,282	23,282
Capital surplus	28,757	28,757
Retained earnings	86,658	86,866
Treasury stock	(45)	(950)
Total shareholders' equity	138,654	137,956
Valuation and translation adjustments		
Unrealized gain on securities	1,229	1,402
Remeasurements of defined benefit plans	(208)	(186)
Total accumulated other comprehensive income	1,021	1,216
Total net assets	139,675	139,173
Total liabilities and net assets	230,166	225,037

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

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

(Millions of yen)

	First three months of FY3/15 (Apr. 1, 2014 – Jun. 30, 2014)	First three months of FY3/16 (Apr. 1, 2015 – Jun. 30, 2015)
Sales	43,870	45,205
Cost of sales	23,951	24,674
Gross profit	19,919	20,530
Selling, general and administrative expenses	17,797	17,926
Operating profit	2,121	2,603
Non-operating profit		
Interest income	27	28
Dividend income	99	91
Rental income on real estate	154	152
Amortization of negative goodwill	10	10
Other	74	60
Total non-operating profit	365	342
Non-operating expenses		
Interest expenses	70	82
Expenses on sub-leased real estate	136	142
Loss on disposal of fixed assets	22	77
Loss on cancellation of lease agreements	80	-
Other	41	29
Total non-operating expenses	351	332
Ordinary income	2,135	2,614
Extraordinary losses		
Impairment loss	18	-
Total extraordinary losses	18	-
Net income before income taxes	2,117	2,614
Current income taxes	301	246
Deferred income taxes	250	518
Total income taxes	552	765
Net income	1,565	1,848
Profit attributable to owners of parent	1,565	1,848

Quarterly Consolidated Statement of Comprehensive Income

(For the Three-month Period)

(Millions of yen)

	First three months of FY3/15 (Apr. 1, 2014 – Jun. 30, 2014)	First three months of FY3/16 (Apr. 1, 2015 – Jun. 30, 2015)
Net income	1,565	1,848
Other comprehensive income		
Unrealized gain on securities	152	173
Remeasurements of defined benefit plans, net of tax	26	22
Total other comprehensive income	179	195
Comprehensive income	1,744	2,044
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,744	2,044
Comprehensive income attributable to non-controlling interests	-	-

(3) Notes to Quarterly Consolidated Financial Statements

Going Concern Assumption

No reportable information.

Significant Changes in Shareholders' Equity

First three months of FY3/16 (Apr. 1, 2015 – Jun. 30, 2015)

Purchase of treasury stock

The Company has purchased 516 thousand shares of its treasury stock pursuant to the resolution of the Board of Directors on May 8, 2015. As a result, treasury stock increased 904 million yen to 950 million yen at the end of the first three months of FY3/16.

Segment and Other Information

First three months of FY3/15 (Apr. 1, 2014 – Jun. 30, 2014)

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

(Millions of yen)

	Reportable segment					Adjustment (Note 1)	Amounts shown on quarterly consolidated statement of income (Note 2)
	Fashion	Anniversaire and Bridal	Karaoke Facility Operations	Café Complex Operations	Total		
Sales							
External sales	26,642	8,072	3,966	5,188	43,870	-	43,870
Inter-segment sales and transfers	2	6	0	-	9	(9)	-
Total	26,645	8,078	3,967	5,188	43,880	(9)	43,870
Segment profit	410	1,253	113	356	2,134	(12)	2,121

Notes: 1. The -12 million yen adjustment to segment profit includes 1,082 million yen in elimination for inter-segment transactions, and -1,094 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. Segment profit is adjusted 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, impairment losses were recognized for operating stores set to be relocated for which there is little expectation of recovery. Impairment losses of 18 million yen were booked in the first three months of FY3/15.

First three months of FY3/16 (Apr. 1, 2015 – Jun. 30, 2015)

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	27,047	7,930	4,132	6,093	45,205	-	45,205
Inter-segment sales and transfers	0	9	0	-	9	(9)	-
Total	27,048	7,939	4,133	6,093	45,214	(9)	45,205
Segment profit	902	1,265	85	314	2,569	34	2,603

Notes: 1. The 34 million yen adjustment to segment profit includes 1,098 million yen in elimination for inter-segment transactions, and -1,064 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. Segment profit is adjusted 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

Not applicable.

** 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.*