AOKI Holdings

November 6, 2015

Summary of Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2016 (Six Months Ended September 30, 2015)

[Japanese GAAP]

Company name: AOKI Holdings Inc. Listings: TSE First Section
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Scheduled date of filing of Quarterly Report: November 9, 2015
Scheduled date of payment of dividend: December 7, 2015
Preparation of supplementary materials for quarterly financial results: Yes
Holding of quarterly financial results meeting: Yes (for institutional investors and analysts)
Note: The original disclosure in Japanese was released on November 6, 2015 at 14:15 (GMT +9).

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

1. Consolidated Financial Results for the Six Months Ended September 30, 2015 (April 1, 2015 – September 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	%
Six months ended Sep. 30, 2015	81,704	4.5	3,681	46.4	3,620	44.6	2,157	48.8
Six months ended Sep. 30, 2014	78,213	6.6	2,515	(23.1)	2,504	(31.4)	1,449	(25.5)

Note: Comprehensive income (million yen) Six months ended Sep. 30, 2015: 2,135 (up 4.0%)
Six months ended Sep. 30, 2014: 2,052 (up 0.6%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Sep. 30, 2015	23.80	-
Six months ended Sep. 30, 2014	15.90	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Sep. 30, 2015	221,370	138,263	62.5
As of Mar. 31, 2015	230,166	139,675	60.7

Reference: Shareholders' equity (million yen) As of Sep. 30, 2015: 138,263 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	-	20.00			
FY3/16 (forecasts)			-	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
Full year	191,050	3.9	20,000	5.1	19,900	5.2	11,300	10.9	125.09

Note: Revisions to the most recently announced consolidated forecast: None
Please refer to "(3) Explanation of Consolidated Forecast and Other Forward-looking Statements" on page 4 for further information.

*** Notes**

(1) Changes in consolidated subsidiaries during the period (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 4 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 Sep. 30, 2015:	90,649,504 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 Sep. 30, 2015:	666,960 shares	As of Mar. 31, 2015:	66,492 shares

3) Average number of shares outstanding during the period

Six months ended Sep. 30, 2015:	90,635,763 shares	Six months ended Sep. 30, 2014:	91,183,996 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 4 of the attachments regarding preconditions or other related matters for the forecast shown above.

Disclosure of the information meeting materials

The Company plans to hold a financial results meeting for institutional investors and analysts on Friday, November 13, 2015. Materials to be distributed at this event will be available on the Company's website immediately thereafter.

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1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

In the first half of the current fiscal year, the Japanese economy continued to recover slowly as corporate earnings grew and the number of jobs increased. However, the outlook remains unclear because of worries of an overseas economic downturn and other factors. In addition, consumer spending is sluggish mainly because of soft spending in some sectors caused mainly by weakness in personal income and the rising cost of consumer products.

In this environment, the AOKI Group implemented various measures in each business segment as discussed below. Sales increased 4.5% year-on-year to 81,704 million yen. Earnings also increased significantly. Operating profit increased 46.4% to 3,681 million yen, ordinary income increased 44.6% to 3,620 million yen and profit attributable to owners of parent increased 48.8% to 2,157 million yen.

Operating results by segment are as follows.

Fashion Business

AOKI strengthened the lineup of functional summer apparel, particularly the line of Truly Washable Suits that can really be machine washed and Ultra Cool Suits, which were developed jointly with the Faculty of Textile Science and Technology of Shinshu University. There were also measures to reinforce the lineup of women's apparel. For example, all stores sold Office Casual Items, which allow mixing and matching just like business suits, and summer formal apparel that feature outstanding designs and functions. Four new stores were opened during first half of the fiscal year, including AOKI's first store in Miyazaki prefecture, and two stores were closed for relocation and other reasons. As a result, there were 559 AOKI stores at the end of the second quarter compared with 557 at the end of the previous fiscal year.

ORIHICA stores offered customers a variety of new style ideas for jackets and slacks for lightweight summer apparel. In September, stores started selling THE 3rd SUITS, an original ORICHICA line of apparel that matches the increasing diversity of business apparel. During first half, ten stores were opened, and six stores were closed to improve operating efficiency. As a result, there were 145 ORIHICA stores at the end of the second quarter compared with 141 at the end of the previous fiscal year.

Overall sales benefited mainly from the contributions of new stores and increased 2.4% to 44,697 million yen. There was an operating loss of 137 million yen due mainly to cost control, compared with an operating loss of 969 million yen one year earlier.

Anniversaire and Bridal Business

ANNIVERSAIRE INC. operates guesthouse-style wedding and reception facilities. In a step to increase the vitality of existing locations, two locations were remodeled to reflect the increasing diversity of wedding needs and styles in Japan. There were also sales promotion and public relations activities using the distinctive features of each location. In addition, this business strengthened sales activities that include original jewelry and custom-made dresses and reinforced wedding items such as rental tiaras with original designs.

Sales decreased 0.7% to 14,978 million yen. Operating profit increased 3.5% to 1,841 million yen due to an improvement in the gross profit margin and cost control.

Karaoke Facility Operations Business

At VALIC Co., Ltd., which operates karaoke facilities, there were marketing campaigns that used tie-ups with famous artists and well-known animated characters. Furthermore, there were investments to reinvigorate existing locations. For example, the selection of seasonal menu items was expanded and 17 locations were remodeled to add more "concept rooms" and make other improvements. In September, this business started the new Private Cinema service that provides private rooms where guests can watch the latest movies. Six karaoke facilities were opened during the first half. As a result, there were 175 karaoke facilities at the end of the second quarter compared with 169 at the end of the previous fiscal year.

Sales increased 4.4% to 8,730 million yen and operating profit decreased 11.8% to 482 million yen.

Café Complex Operations Business

At the café complex operations of VALIC, the seasonal menu selection was enlarged, there was a dart game marketing campaign and the KAIKATSU CLUB app was created. Furthermore, VALIC concentrated on revitalizing existing locations and 11 facilities were remodeled. During the first half, VALIC actively opened 21 new facilities that include a station-front location with a separate section exclusively for women. As a result, there were 281 café complexes at the end of the second quarter compared with 260 at the end of the previous fiscal year.

Sales sharply increased 19.8% to 13,322 million yen mainly due to the benefits from new facilities and ongoing strong sales at existing facilities. Operating profit also increased 27.2% to 1,351 million yen.

(2) Explanation of Financial Position

1) Balance sheet position

Assets

Total assets at the end of the second quarter under review decreased 8,795 million yen from the end of the previous fiscal year to 221,370 million yen.

Current assets decreased 10,253 million yen from the end of the previous fiscal year. Although inventories increased 2,683 million yen due to new store openings among other factors, cash in hand and in banks decreased 6,933 million yen due to capital investments and the payment of income taxes, and accounts receivable-trade decreased 5,660 million yen due to seasonal reasons and other factors. Fixed assets increased 1,457 million yen from the end of the previous fiscal year as tangible fixed assets increased 1,186 million yen due to new store openings and other factors.

Liabilities

Current liabilities decreased 7,957 million yen from the end of the previous fiscal year. While there was a 3,000 million yen increase in short-term debt, accounts payable-trade decreased 5,320 million yen due to seasonal reasons and other factors. In addition, there were decreases of 2,409 million yen in accrued income taxes due to the payment of income taxes, and 3,012 million yen in other current liabilities. Long-term liabilities increased 573 million yen due to an increase of 499 million yen in other long-term liabilities including lease obligations.

Net assets

Net assets decreased 1,411 million yen from the end of the previous fiscal year. Although retained earnings increased 516 million yen due to profit attributable to owners of parent and dividend from surplus, there were a decrease of 923 million yen in capital surplus and an increase of 981 million yen in treasury stock due to the purchase and retirement of treasury stock.

2) Cash flow position

Cash and cash equivalents (hereafter “net cash”) at the end of the second quarter under review decreased 6,933 million yen over the end of the previous fiscal year to 22,292 million yen.

Cash flows from operating activities

Net cash used in operating activities was 2,113 million yen (compared with net cash provided of 1,946 million yen one year earlier). The principal factors was a decrease of 5,320 million yen in accounts payable-trade and income taxes paid of 4,937 million yen, while there were net income before income taxes of 3,272 million yen, depreciation and amortization of 3,803 million yen, and an impairment loss of 347 million yen.

Cash flows from investing activities

Net cash used in investing activities was 3,053 million yen (compared with net cash used of 9,587 million yen one year earlier). This was mainly due to the payments of 3,009 million yen for the acquisition of tangible fixed assets related to new store openings.

Cash flows from financing activities

Net cash used in financing activities was 1,767 million yen (compared with net cash provided of 8,373 million yen one year earlier). The principal factors were scheduled repayment of long-term debt of 1,225 million yen, payments for purchase of treasury stock of 1,905 million yen, and cash dividends paid of 1,641 million yen, while there was a 3,000 million yen increase in short-term debt.

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

Sales in the first half were less than the forecast, but operating profit, ordinary income and profit attributable to owners of parent were more than as planned.

As was announced on October 29, 2015, the fiscal year sales forecast has been lowered. There are several reasons for this revision: economic and market conditions in Japan, the tendency for the Fashion Business to record the majority of its earnings in the second half of each fiscal year, a somewhat challenging environment for capturing new orders in the ANNIVERSAIRE and Bridal Business, and a reexamination of the fiscal year store opening plan and expense plan in each business. There are no revisions to operating profit, ordinary income and profit attributable to owners of parent. We have changed the store-opening plans from 25 at the beginning of the fiscal year to 24 stores for the Fashion Business and from 30 to 36 facilities for the Café Complex Operations Business.

Our business segment forecasts were also revised 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
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)
Sales	116,100	30,300	18,250	26,430	191,050
YoY change (%)	103.0	98.0	104.1	116.4	103.9
Segment profit	11,800	4,100	1,580	2,170	20,000
YoY change (%)	109.5	97.5	92.3	120.1	105.1

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

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

2. Matters Related to Summary Information (Notes)

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

Changes in Accounting Policies

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 quarterly consolidated financial statements for the first half 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)	Second quarter of FY3/16 (As of Sep. 30, 2015)
Assets		
Current assets		
Cash in hand and in banks	29,226	22,292
Accounts receivable-trade	8,991	3,330
Inventories	26,476	29,159
Other current assets	9,112	8,779
Allowance for doubtful accounts	(37)	(46)
Total current assets	73,769	63,516
Fixed assets		
Tangible fixed assets		
Buildings and structures, net	58,959	59,811
Land	37,095	37,013
Other tangible fixed assets, net	12,253	12,669
Total tangible fixed assets	108,308	109,494
Intangible fixed assets	6,550	6,617
Investments and other assets		
Guarantee deposits	8,333	8,194
Leasehold deposit	20,176	20,293
Other investments and other assets	13,068	13,294
Allowance for doubtful accounts	(40)	(40)
Total investments and other assets	41,538	41,741
Total fixed assets	156,396	157,854
Total assets	230,166	221,370
Liabilities		
Current liabilities		
Accounts payable-trade	19,867	14,546
Short-term debt	-	3,000
Current portion of long-term debt	4,450	4,250
Accrued income taxes	3,789	1,379
Accrued bonuses for employees	1,735	1,764
Accrued bonuses for directors and statutory auditors	105	60
Other current liabilities	13,450	10,438
Total current liabilities	43,397	35,439
Long-term liabilities		
Long-term debt	35,325	35,300
Accrued retirement benefits for directors and statutory auditors	1,838	1,783
Accrued costs for customer point program	958	903
Net defined benefit liability	382	421
Asset retirement obligations	4,773	4,958
Negative goodwill	54	40
Other long-term liabilities	3,761	4,260
Total long-term liabilities	47,093	47,667
Total liabilities	90,491	83,107

(Millions of yen)

	FY3/15 (As of Mar. 31, 2015)	Second quarter of FY3/16 (As of Sep. 30, 2015)
Net assets		
Shareholders' equity		
Common stock	23,282	23,282
Capital surplus	28,757	27,833
Retained earnings	86,658	87,174
Treasury stock	(45)	(1,026)
Total shareholders' equity	138,654	137,264
Accumulated other comprehensive income		
Unrealized gain on securities	1,229	1,162
Remeasurements of defined benefit plans	(208)	(163)
Total accumulated other comprehensive income	1,021	998
Total net assets	139,675	138,263
Total liabilities and net assets	230,166	221,370

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

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

(Millions of yen)

	First six months of FY3/15 (Apr. 1, 2014 – Sep. 30, 2014)	First six months of FY3/16 (Apr. 1, 2015 – Sep. 30, 2015)
Sales	78,213	81,704
Cost of sales	43,645	45,517
Gross profit	34,567	36,187
Selling, general and administrative expenses	32,052	32,505
Operating profit	2,515	3,681
Non-operating profit		
Interest income	52	52
Dividend income	110	103
Rental income on real estate	309	305
Amortization of negative goodwill	21	21
Other	129	137
Total non-operating profit	622	620
Non-operating expenses		
Interest expenses	146	166
Expenses on sub-leased real estate	270	277
Other	216	237
Total non-operating expenses	633	681
Ordinary income	2,504	3,620
Extraordinary losses		
Impairment loss	417	347
Total extraordinary losses	417	347
Net income before income taxes	2,086	3,272
Current income taxes	1,225	1,176
Deferred income taxes	(589)	(61)
Total income taxes	636	1,115
Net income	1,449	2,157
Profit attributable to owners of parent	1,449	2,157

Quarterly Consolidated Statement of Comprehensive Income

(For the Six-month Period)

(Millions of yen)

	First six months of FY3/15 (Apr. 1, 2014 – Sep. 30, 2014)	First six months of FY3/16 (Apr. 1, 2015 – Sep. 30, 2015)
Net income	1,449	2,157
Other comprehensive income		
Unrealized gain on securities	548	(66)
Remeasurements of defined benefit plans, net of tax	53	44
Total other comprehensive income	602	(22)
Comprehensive income	2,052	2,135
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,052	2,135
Comprehensive income attributable to non-controlling interests	-	-

(3) Quarterly Consolidated Statement of Cash Flows

(Millions of yen)

	First six months of FY3/15 (Apr. 1, 2014 – Sep. 30, 2014)	First six months of FY3/16 (Apr. 1, 2015 – Sep. 30, 2015)
Cash flows from operating activities		
Net income before income taxes	2,086	3,272
Depreciation and amortization	3,538	3,803
Impairment loss	417	347
Amortization of goodwill	6	6
Amortization of negative goodwill	(21)	(21)
Increase (decrease) in accrued retirement benefits for directors and statutory auditors	24	(54)
Increase (decrease) in accrued costs for customer point program	10	(55)
Increase (decrease) in accrued retirement benefits for employees	67	107
Interest and dividend income	(162)	(156)
Interest expenses	146	166
Decrease (increase) in accounts receivable-trade	6,949	5,660
Decrease (increase) in inventories	(2,278)	(2,683)
Increase (decrease) in accounts payable-trade	(5,057)	(5,320)
Increase (decrease) in accrued consumption taxes	570	(2,610)
Other	140	(846)
Subtotal	6,440	1,616
Interest and dividend income received	136	131
Interests paid	(145)	(166)
Income taxes paid	(5,738)	(4,937)
Income taxes refund	1,253	1,243
Net cash provided by (used in) operating activities	1,946	(2,113)
Cash flows from investing activities		
Payments for acquisition of tangible fixed assets	(8,897)	(3,009)
Payments for acquisition of intangible fixed assets	(779)	(460)
Payments for leasehold and guarantee deposits	(844)	(417)
Net decrease (increase) in trust beneficiary rights	902	780
Other	31	52
Net cash used in investing activities	(9,587)	(3,053)
Cash flows from financing activities		
Net increase (decrease) in short-term debt	-	3,000
Proceeds from long-term debt	16,000	1,000
Repayments of long-term debt	(5,048)	(1,225)
Repayments of lease obligations	(940)	(995)
Payments for purchase of treasury stock	(1)	(1,905)
Dividends paid	(1,637)	(1,641)
Net cash provided by (used in) financing activities	8,373	(1,767)
Effect of exchange rate change on cash and cash equivalents	0	(0)
Increase (decrease) in cash and cash equivalents	732	(6,933)
Cash and cash equivalents at beginning of period	22,619	29,226
Cash and cash equivalents at end of period	23,351	22,292

(4) Notes to Quarterly Consolidated Financial Statements

Going Concern Assumption

No reportable information.

Significant Changes in Shareholders' Equity

First six months of FY3/16 (Apr. 1, 2015 – Sep. 30, 2015)

Purchase and retirement of treasury stock

The Company has purchased 1,200,000 shares of its treasury stock and retired 600,000 shares of its treasury stock pursuant to the resolution of the Board of Directors on May 8, 2015. As a result, capital surplus decreased 923 million yen to 27,833 million yen, and treasury stock increased 981 million yen to 1,026 million yen at the end of the second quarter of FY3/16.

Segment and Other Information

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

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

(Millions of yen)

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

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

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

First six months of FY3/16 (Apr. 1, 2015 – Sep. 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	44,693	14,960	8,728	13,321	81,704	-	81,704
Inter-segment sales and transfers	4	17	1	0	23	(23)	-
Total	44,697	14,978	8,730	13,322	81,727	(23)	81,704
Segment profit (loss)	(137)	1,841	482	1,351	3,539	142	3,681

Notes: 1. The 142 million yen adjustment to segment profit (loss) includes 2,195 million yen in elimination for inter-segment transactions, and -2,052 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 (loss) 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, the Karaoke Facility Operations Business and the Café Complex Operations Business, impairment losses were recognized for operating stores set to be closed for which there is little expectation of recovery and had remained in the red; impairment losses of 66 million yen, 133 million yen and 147 million yen were booked respectively in the first six months of FY3/16.

** 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.*