

**Summary of Consolidated Financial Results**  
**for the First Quarter of the Fiscal Year Ending March 31, 2017**  
**(Three Months Ended June 30, 2016)**

[Japanese GAAP]

Company name: AOKI Holdings Inc.

Listings: TSE First Section

Stock code: 8214

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Scheduled date of filing of Quarterly Report:

August 8, 2016

Scheduled date of payment of dividend:

-

Preparation of supplementary materials for quarterly financial results: Yes

Holding of quarterly financial results meeting:

None

*Note: The original disclosure in Japanese was released on August 5, 2016 at 15:30 (GMT +9).*

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

**1. Consolidated Financial Results for the Three Months Ended June 30, 2016 (April 1, 2016 – June 30, 2016)**

(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, 2016	46,314	2.5	1,650	(36.6)	1,629	(37.7)	870	(52.9)
Three months ended Jun. 30, 2015	45,205	3.0	2,603	22.7	2,614	22.4	1,848	18.1

Note: Comprehensive income (million yen) Three months ended Jun. 30, 2016: 590 (down 71.1%)

Three months ended Jun. 30, 2015: 2,044 (up 17.2%)

	Net income per share		Diluted net income per share	
	Yen		Yen	
Three months ended Jun. 30, 2016	9.75		-	
Three months ended Jun. 30, 2015	20.32		-	

(2) Consolidated financial position

	Total assets		Net assets		Equity ratio	
	Million yen		Million yen		%	
As of Jun. 30, 2016	228,978		140,831		61.5	
As of Mar. 31, 2016	230,363		142,926		62.0	

Reference: Shareholders' equity (million yen)

As of Jun. 30, 2016: 140,744

As of Mar. 31, 2016: 142,838

**2. Dividends**

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY3/16	-	20.00	-	20.00	40.00
FY3/17	-	-	-	-	-
FY3/17 (forecasts)	-	21.00	-	22.00	43.00

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

**3. Consolidated Forecast for the Fiscal Year Ending March 31, 2017 (April 1, 2016 – March 31, 2017)**

(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	%	
First half	82,680	1.2	400	(89.1)	350	(90.3)	100	(95.4)	1.12
Full year	194,600	3.2	15,800	(11.2)	15,700	(10.9)	8,800	(9.4)	98.92

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 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 Jun. 30, 2016:  | 90,649,504 shares | As of Mar. 31, 2016:              | 90,649,504 shares |
| 2) Number of shares of treasury stock at the end of the period                      |                   |                                   |                   |
| As of Jun. 30, 2016:  | 1,839,592 shares  | As of Mar. 31, 2016:              | 984,762 shares    |
| 3) Average number of shares outstanding during the period                           |                   |                                   |                   |
| Three months ended Jun. 30, 2016:   | 89,301,220 shares | Three months ended Jun. 30, 2015: | 91,000,616 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 fiscal year, the Japanese economy remained lackluster as the yen's strength and other events created worries about declining corporate earnings and consumer spending was sluggish. Furthermore, due to instability overseas and other factors, the outlook is still uncertain.

During the first quarter, the AOKI Group implemented various measures in all business segments as discussed below. Sales increased 2.5% year-on-year to 46,314 million yen, but operating profit decreased 36.6% to 1,650 million yen. Ordinary income decreased 37.7% to 1,629 million yen and profit attributable to owners of parent decreased 52.9% to 870 million yen.

Operating results by segment are as follows.

#### **Fashion Business**

AOKI strengthened to offer customers ideas for new products with outstanding functions and significant added value in the Cool Biz category, including the lines of Truly Washable Suits and High-Spec No-Iron Shirts. There were also measures to further enlarge the selection of women's apparel. One example is a line of office-casual items for working women, such as jackets and pants that can be washed by hand at home. The number of customers increased due to a summer sale to prepare for major store renovations and to other activities. The number of stores was unchanged at 567 during the first quarter because three stores were opened, including locations at shopping centers, and three were closed.

ORIHICA's sales benefited from an expanded lineup for the well-received THE 3rd SUITS brand and the launch of Super No-Iron Shirts. To raise awareness of ORIHICA, a Pop Up Shop selling only shirts and blouses was operated for a limited time only at the Atré Kichijoji shopping center. During the first quarter, the number of stores remained at 144 because ORIHICA opened its first outlet store and closed one store.

In the first quarter, sales increased 4.4% to 28,236 million yen and operating profit was down 37.9% to 560 million yen mainly because of a lower gross profit margin and higher selling, general and administrative expenses resulting from a sale associated with store remodeling.

#### **Anniversaire and Bridal Business**

ANNIVERSAIRE INC. operates guesthouse-style wedding and reception facilities. There were numerous sales promotion and advertising activities that utilized the strength of each location and the strong public perception of the ANNIVERSAIRE brand. As a new way to attract customers, we increased activities involving the Proposal Plan service and weddings for couples who have one or more children. We also focused on improving operating efficiency by taking advantage of the new computer system that became fully operational in April. Despite all these activities, in part because of adverse market conditions, the number of couples married at ANNIVERSAIRE wedding facilities decreased.

Sales decreased 14.6% to 6,781 million yen and operating profit decreased 48.1% to 657 million yen.

#### **Karaoke Facility Operations Business**

VALIC Co., Ltd., which operates karaoke facilities, increased the selection of limited-time-only menu items, including new spring and summer dishes. We remodeled 10 locations, making improvements that included adding more "concept rooms." We also increased the number of locations that offer a private cinema service called CINEKARA, which was launched in the previous fiscal year. All these measures are aimed at invigorating existing karaoke facilities. During the first quarter, the number of locations increased by one to 184 as we opened two locations near railway stations and closed one location.

Although the new locations contributed to sales, intense competition impacted the performance of existing karaoke facilities. As a result, sales increased 1.7% to 4,205 million yen and there was an operating loss of 146 million yen compared with a profit of 85 million yen one year earlier.

### **Café Complex Operations Business**

VALIC Co., Ltd., which also operates café complexes, continued to work on improving the performance of existing locations. Nine facilities were renovated in order to expand the selection of amusement content, add sections exclusively for women, increased the number of food menus, and make other upgrades. We opened nine facilities during the first quarter, raising the number from 295 to 304.

Sales increased 16.5% to 7,098 million yen mainly due to the benefits from new facilities and ongoing strong sales at existing facilities. Operating profit also increased 25.0% to 393 million yen.

## **(2) Explanation of Financial Position**

### **Balance sheet position**

#### **Assets**

Total assets at the end of the first quarter under review decreased 1,385 million yen from the end of the previous fiscal year to 228,978 million yen.

Current assets decreased 1,377 million yen from the end of the previous fiscal year. Although cash in hand and in banks increased 1,971 million yen due to short-term debt among other factors, accounts receivable-trade decreased 3,528 million yen due to seasonal reasons and other factors. Fixed assets decreased 7 million yen from the end of the previous fiscal year as intangible fixed assets decreased 110 million yen and investments and other assets decreased 277 million yen, while tangible fixed assets increased 380 million yen due to new store openings and other factors.

#### **Liabilities**

Current liabilities increased 364 million yen from the end of the previous fiscal year. Although there was a decrease of 2,289 million yen in accrued income taxes due to the payment of income taxes, there was a 3,000 million yen increase in short-term debt. Long-term liabilities increased 345 million yen due to an increase of 214 million yen in other long-term liabilities including lease obligations.

#### **Net assets**

Net assets decreased 2,094 million yen from the end of the previous fiscal year. There was a decrease of 812 million yen in retained earnings due to a profit attributable to owners of parent and dividend from surplus, and an increase of 1,001 million yen in treasury stock due to the purchase.

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

We have maintained the forecast that was announced on May 12, 2016, because the results of operations in the first quarter under review were generally in line with the forecast.

## **2. Matters Related to Summary Information (Notes)**

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

#### **Changes in Accounting Policies**

The Company has adopted the “Implementation Guidance on Recoverability of Deferred Tax Assets” (Accounting Standards Board of Japan (ASBJ) Statement No. 26, March 28, 2016) starting with the first quarter of the current fiscal year and partially revised its accounting method for determining the recoverability of deferred tax assets.

The Company is applying this implementation guidance by using the transitional accounting treatments set forth in Paragraph 49 (4) of this implementation guidance. Accordingly, the differences between deferred assets and deferred liabilities when applying the applicable provisions of Paragraph 49 (3) a through c and deferred assets and deferred liabilities at the end of the previous fiscal year are added to retained earnings at the beginning of the first quarter of the current fiscal year.

The result was an increase of 110 million yen each in deferred tax assets (investments and other assets) and retained earnings at the beginning of the first quarter of the current fiscal year.

**3. Quarterly Consolidated Financial Statements****(1) Quarterly Consolidated Balance Sheet**

(Millions of yen)

	FY3/16 (As of Mar. 31, 2016)	First quarter of FY3/17 (As of Jun. 30, 2016)
<b>Assets</b>		
Current assets		
Cash in hand and in banks	27,560	29,531
Accounts receivable-trade	9,437	5,909
Inventories	27,835	27,749
Other current assets	9,111	9,369
Allowance for doubtful accounts	(45)	(38)
Total current assets	73,899	72,521
Fixed assets		
Tangible fixed assets		
Buildings and structures, net	58,900	58,923
Land	36,934	36,953
Other tangible fixed assets, net	12,010	12,350
Total tangible fixed assets	107,846	108,226
Intangible fixed assets	6,680	6,570
Investments and other assets		
Guarantee deposits	8,307	8,293
Leasehold deposit	20,576	20,679
Other investments and other assets	13,093	12,726
Allowance for doubtful accounts	(40)	(40)
Total investments and other assets	41,936	41,659
Total fixed assets	156,464	156,456
Total assets	230,363	228,978
<b>Liabilities</b>		
Current liabilities		
Accounts payable-trade	18,021	16,758
Short-term debt	-	3,000
Current portion of long-term debt	4,050	3,350
Accrued income taxes	2,669	380
Accrued bonuses for employees	1,708	936
Accrued bonuses for directors and statutory auditors	98	30
Other current liabilities	11,700	14,156
Total current liabilities	38,248	38,613
Long-term liabilities		
Long-term debt	36,275	36,275
Accrued retirement benefits for directors and statutory auditors	1,845	1,879
Accrued costs for customer point program	1,014	1,014
Net defined benefit liability	853	878
Asset retirement obligations	5,109	5,180
Other long-term liabilities	4,090	4,305
Total long-term liabilities	49,187	49,533
Total liabilities	87,436	88,146

	(Millions of yen)	
	FY3/16 (As of Mar. 31, 2016)	First quarter of FY3/17 (As of Jun. 30, 2016)
Net assets		
Shareholders' equity		
Common stock	23,282	23,282
Capital surplus	27,833	27,833
Retained earnings	92,929	92,117
Treasury stock	(1,436)	(2,438)
Total shareholders' equity	142,609	140,795
Accumulated other comprehensive income		
Unrealized gain on securities	612	303
Remeasurements of defined benefit plans	(383)	(354)
Total accumulated other comprehensive income	229	(51)
Stock acquisition rights	87	87
Total net assets	142,926	140,831
Total liabilities and net assets	230,363	228,978



**(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 FY3/16 (Apr. 1, 2015 – Jun. 30, 2015)	First three months of FY3/17 (Apr. 1, 2016 – Jun. 30, 2016)
Sales	45,205	46,314
Cost of sales	24,674	26,365
Gross profit	20,530	19,948
Selling, general and administrative expenses	17,926	18,298
Operating profit	2,603	1,650
Non-operating profit		
Interest income	28	27
Dividend income	91	59
Rental income on real estate	152	152
Other	70	46
Total non-operating profit	342	285
Non-operating expenses		
Interest expenses	82	78
Expenses on sub-leased real estate	142	126
Other	107	101
Total non-operating expenses	332	307
Ordinary income	2,614	1,629
Extraordinary gains		
Gain on sale of investment securities	-	29
Total extraordinary gains	-	29
Extraordinary losses		
Impairment loss	-	68
Loss on disaster	-	95
Total extraordinary losses	-	164
Profit before income taxes	2,614	1,494
Current income taxes	246	357
Deferred income taxes	518	266
Total income taxes	765	624
Profit	1,848	870
Profit attributable to owners of parent	1,848	870

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

(Millions of yen)

	First three months of FY3/16 (Apr. 1, 2015 – Jun. 30, 2015)	First three months of FY3/17 (Apr. 1, 2016 – Jun. 30, 2016)
Profit	1,848	870
Other comprehensive income		
Unrealized gain on securities	173	(309)
Remeasurements of defined benefit plans, net of tax	22	29
Total other comprehensive income	195	(280)
Comprehensive income	2,044	590
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,044	590
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 FY3/17 (Apr. 1, 2016 – Jun. 30, 2016)

Purchase of treasury stock

The Company has purchased 854,000 shares of its treasury stock pursuant to the resolution of the Board of Directors on February 15, 2016. As a result, treasury stock increased 1,001 million yen during the first three months of FY3/17 to 2,438 million yen.

**Segment and Other Information**

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.

First three months of FY3/17 (Apr. 1, 2016 – Jun. 30, 2016)

## 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	28,235	6,777	4,203	7,098	46,314	-	46,314
Inter-segment sales and transfers	1	4	1	-	6	(6)	-
Total	28,236	6,781	4,205	7,098	46,321	(6)	46,314
Segment profit (loss)	560	657	(146)	393	1,464	185	1,650

Notes: 1. The 185 million yen adjustment to segment profit includes 1,090 million yen in elimination for inter-segment transactions, and -905 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, impairment losses were recognized for operating stores set to be rebuilt for which there is little expectation of recovery. Impairment losses of 68 million yen was booked in the first three months of FY3/17.

\* 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.