AOKI Holdings

February 7, 2014

Summary of Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending March 31, 2014 (Nine Months Ended December 31, 2013)

[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 filing of Quarterly Report: February 10, 2014
Scheduled date of payment of dividend: -
Preparation of supplementary materials for quarterly financial results: None
Holding of quarterly financial results meeting: None

Note: The original disclosure in Japanese was released on February 7, 2014 at 15:30 (GMT +9).

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

1. Consolidated Financial Results for the Nine Months Ended December 31, 2013 (April 1, 2013 – December 31, 2013)

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

	Sales		Operating profit		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine months ended Dec. 31, 2013	123,067	9.0	9,224	(4.0)	9,627	(3.1)	5,491	(6.2)
Nine months ended Dec. 31, 2012	112,878	8.5	9,605	23.2	9,935	16.9	5,852	39.4

Note: Comprehensive income (million yen) Nine months ended Dec. 31, 2013: 5,533 (down 3.3%)
Nine months ended Dec. 31, 2012: 5,723 (up 41.9%)

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended Dec. 31, 2013	66.14	-
Nine months ended Dec. 31, 2012	70.29	70.15

Note: The Company conducted a 1-to-2 common stock split on January 1, 2014. Net income per share and diluted net income per share have been calculated as if this stock split had taken place at the beginning of the fiscal year ended March 31, 2013.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Dec. 31, 2013	200,743	115,179	57.4
As of Mar. 31, 2013	193,664	111,484	57.5

Reference: Shareholders' equity (million yen) As of Dec. 31, 2013: 115,179 As of Mar. 31, 2013: 111,405

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY3/13	-	20.00	-	25.00	45.00
FY3/14	-	30.00	-		
FY3/14 (forecasts)				18.00	-

Note: Revisions to the most recently announced dividend forecast: Yes

- The year-end dividend per share forecast for FY3/14 has been adjusted to reflect the 1-to-2 stock split on January 1, 2014. Prior to this adjustment, the forecast was a year-end dividend of 36 yen and an annual dividend of 66 yen per share.
- Please refer to "Revision to Year-end Dividend Forecast for the Fiscal Year Ending March 31, 2014" disclosed on February 7, 2014 regarding revision to the year-end dividend forecast.

3. Consolidated Forecast for the Fiscal Year Ending March 31, 2014 (April 1, 2013 – March 31, 2014)

(Percentages represent year-on-year changes)

	Sales		Operating profit		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	177,450	10.5	19,300	13.0	19,800	12.6	10,850	10.4	130.64

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

The net income per share forecast for FY3/14 has been adjusted to reflect the 1-to-2 common stock split on January 1, 2014. Prior to this adjustment, the forecast was 261.28 yen.

*** Notes**

(1) Changes in consolidated subsidiaries during the period: None

(2) Application of special accounting methods for presenting quarterly consolidated financial statements: None

(3) Changes in accounting policies and accounting-based estimates, and restatements

1) Changes in accounting policies due to revisions in accounting standards, others:	None
2) Changes in accounting policies other than 1) above:	Yes
3) Changes in accounting-based estimates:	Yes
4) Restatements:	None

Note: Subject to "changes in accounting policies that are difficult to distinguish from changes in accounting-based estimates" since the Company has revised its depreciation method from the first quarter. Please refer to "2. Matters Related to Summary Information (Notes)" on page 4 of the attachments for further information.

(4) Number of shares outstanding (common shares)

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

As of Dec. 31, 2013:	91,249,504 shares	As of Mar. 31, 2013:	91,249,504 shares

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

As of Dec. 31, 2013:	8,114,728 shares	As of Mar. 31, 2013:	8,695,740 shares

3) Average number of shares outstanding during the period

Nine months ended Dec. 31, 2013:	83,025,977 shares	Nine months ended Dec. 31, 2012:	83,267,885 shares

Note: The Company conducted a 1-to-2 common stock split on January 1, 2014. Number of shares has been calculated as if this stock split had taken place at the beginning of the fiscal year ended March 31, 2013.

Note 1: Information regarding the implementation of quarterly review procedures

The current quarterly summary report is not subject to the quarterly review procedures based on the Financial Instruments and Exchange Law. At the time of disclosure, the review procedures for the quarterly consolidated financial statements have not been completed.

Note 2: Cautionary statement with respect to forecasts and other matters

Cautionary statement with respect to forecasts

Forecasts regarding future performance in these materials are based on assumptions judged to be valid and information available to the Company at the time the materials were created. These materials are not promises by the Company regarding future performance. Actual performance may differ significantly from these forecasts for a number of reasons. Please refer to "(3) Explanation of Consolidated Forecast and Other Forward-looking Statements" on page 3 of the attachments regarding preconditions or other related matters for the forecast shown above.

Stock split

Following the resolution of the Board of Directors on November 13, 2013, the Company conducted a 1-to-2 common stock split effective January 1, 2014. Please refer to the applicable section regarding the effect on the dividend and earnings forecasts for the fiscal year ending March 31, 2014.

Contents of Attachments

1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

In the first nine months of the current fiscal year, the Japanese economy remained on a gradual recovery path supported by the recovery in the US economy, yen depreciation, higher share prices, an improvement in corporate profits particularly in the export sector, and a pick-up in personal consumption. However, the outlook for the economy remained uncertain due to delays in the recovery of personal incomes, rising purchase costs from the yen's depreciation, and concerns about an impact from the scheduled hike of the consumption tax rate.

In this environment, the AOKI Group implemented various measures in each business segment as discussed below and recorded higher sales and lower profits due to an increase in new store openings and other factors. Sales increased 9.0% year-on-year to 123,067 million yen, operating profit decreased 4.0% to 9,224 million yen, ordinary income decreased 3.1% to 9,627 million yen, and net income decreased 6.2% to 5,491 million yen.

Operating results by segment are as follows.

Fashion Business

AOKI strengthened its lineup and marketing of functional suits including "Premium Stretch Suits" and "Temperature-adjustable suits" and other core products, as well as to meet growing demand for business-to-casual styles, it further expanded its offerings of CAFÉ SOHO series allowing for total coordination centered on jackets and slacks. AOKI also expanded its lineup of ladies' suits, formal wear and other products, and strengthened proposals to a wider customer base utilizing a new character and media. Regarding AOKI stores, it aggressively opened 59 new stores since the start of the fiscal year, more than initially planned. These new stores include nine in Akita, Nagasaki and Kagoshima prefectures where it previously had no stores. It closed four stores for relocation purposes. As a result, the AOKI store network consisted of 515 stores at the end of the third quarter, up from 460 at the end of the previous fiscal year.

ORIHICA continued to expand its lineup of jackets, slacks, cut-and-sewn items, and knitted clothes to strengthen business-to-casual proposals, and strengthened its lineup of ladies' wear to match different customer targets. It worked to establish a dominant presence in core areas to open 22 new stores since the start of the fiscal year, and closed one. As a result, the ORIHICA store network consisted of 127 stores at the end of the third quarter, up from 106 at the end of the previous fiscal year.

Overall sales in the Fashion Business rose 9.0% year-on-year to 76,662 million yen thanks to new store openings, ongoing increase in average sales per suit, and strong sales of ladies' products. However, operating profit declined 16.4% to 4,866 million yen mainly due to an increase in expenses for new store openings.

Anniversaire and Bridal Business

ANNIVERSAIRE INC., which runs guesthouse-style wedding and reception facilities, implemented various measures to revitalize existing facilities, and focused on making preparations for the scheduled opening of ANNIVERSAIRE MINATO MIRAI YOKOHAMA in February 2014. Also, in December 2013, it opened its second ANNIVERSAIRE CAFÉ, which has proved popular in Omotesando, ahead of the grand opening of this facility.

Sales increased 2.3% year-on-year to 19,216 million yen due to increases in the number of couples married and average sales per couple, but operating profit decreased 28.5% to 1,895 million yen mainly due to preparation expenses for opening of ANNIVERSAIRE MINATO MIRAI YOKOHAMA.

Karaoke Facility Operations Business

VALIC Co., Ltd., which runs karaoke facilities, made proposals of year-end party and other banquet party courses to meet the needs of corporate and group customers, and conducted promotion campaigns in collaboration with popular characters and a woman's magazine. Regarding the network of karaoke facilities, it opened 13 new facilities since the start of the fiscal year, mostly close to train stations. As a result, the network of karaoke facilities was 156 at the end of the third quarter, up from 143 at the end of the previous fiscal year.

Sales increased 9.4% year-on-year to 12,303 million yen, and operating profit rose 11.0% to 1,005 million yen thanks to benefits from the opening of new karaoke facilities and other factors.

Café Complex Operations Business

VALIC Co., Ltd., which is also in charge of café complex operations, focused on revitalizing sales at existing facilities by strengthening seasonal menu proposals, and by refurbishing 31 café complexes since the start of the fiscal year to introduce online darts and other amusement content and to offer an exclusive area for women. Regarding the network of café complexes, it opened 15 new facilities since the start of the fiscal year, including our first café complexes in Tokushima and Nagasaki prefectures. As a result, the network of café complexes was 226 at the end of the third quarter, up from 211 at the end of the previous fiscal year.

As a result of these efforts, we saw benefits from the opening of new stores, and sales remained firm at existing facilities. Sales in the Café Complex Operations Business increased 18.4% year-on-year to 14,864 million yen, and operating profit significantly increased 71.3% to 1,196 million yen.

(2) Explanation of Financial Position

Balance sheet position

Assets

Total assets at the end of the third quarter under review increased 7,079 million yen over the end of the previous fiscal year to 200,743 million yen.

Current assets decreased 4,372 million yen over the end of the previous fiscal year. Although inventories increased 4,845 million yen due to new store openings among other factors, cash in hand and in banks decreased 8,667 million yen mainly due to capital investments and the payment of income taxes. Fixed assets increased 11,451 million yen over the end of the previous fiscal year as tangible fixed assets increased 9,429 million yen due to new store openings and leasehold deposit increased 802 million yen.

Liabilities

Current liabilities increased 4,862 million yen over the end of the previous fiscal year. Although accrued income taxes decreased 5,853 million yen due to the payment of income taxes and other items, short-term debt increased 9,000 million yen and accounts payable-trade increased 2,026 million yen due to seasonal reasons and other factors. Long-term liabilities decreased 1,477 million yen over the end of the previous fiscal year. It was mainly due to decreases of 1,761 million yen in long-term debt, 545 million yen in amortization of negative goodwill and other items, while there were increases of 381 million yen in asset retirement obligations due to new store openings and other items, 173 million yen in accrued retirement benefits for employees, and other items.

Net assets

Net assets increased 3,694 million yen over the end of the previous fiscal year. There was an increase in retained earnings of 3,212 million yen from net income and dividends from surplus.

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

Results of operations in the first nine months under review were slightly below our initial plan but we have maintained the full-year consolidated forecast given the particularly strong weighting in the fourth quarter (especially in March) and the current performance trends.

2. Matters Related to Summary Information (Notes)

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

Changes in accounting policies that are difficult to distinguish from changes in accounting-based estimates

The Company and its consolidated subsidiaries changed the depreciation method for tangible fixed assets (excluding lease assets), but not for buildings (excluding attached structures), acquired on or after April 1, 1998, from the declining-balance method to the straight-line method beginning from the first quarter of the current fiscal year.

The Company reviewed the future usage of tangible fixed assets in light of the increase in store openings by subsidiaries, the format of stores opened, and changes in the business environment surrounding the Group including regions where the Group operates stores. As it now expects investment benefits to materialize stably over the long term, the switch in the depreciation method to the straight-line method will evenly distribute the acquisition costs of tangible fixed assets over the usage period, thereby optimizing the calculation of profits in each fiscal year.

The effect of this change was to increase operating profit by 929 million yen, and increase ordinary income and net income before income taxes by 933 million yen each in the first nine months of the current fiscal year, compared with the previous method.

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	FY3/13 (As of Mar. 31, 2013)	Third quarter of FY3/14 (As of Dec. 31, 2013)
Assets		
Current assets		
Cash in hand and in banks	22,396	13,728
Accounts receivable-trade	8,235	5,585
Inventories	18,908	23,753
Other current assets	8,739	10,846
Allowance for doubtful accounts	(11)	(17)
Total current assets	58,267	53,895
Fixed assets		
Tangible fixed assets		
Buildings and structures, net	44,087	49,749
Land	31,419	31,429
Other, net	15,584	19,341
Total tangible fixed assets	91,091	100,521
Intangible fixed assets	6,497	6,926
Investments and other assets		
Guarantee deposits	8,399	8,553
Leasehold deposit	18,327	19,130
Other investments and other assets	11,123	11,756
Allowance for doubtful accounts	(44)	(40)
Total investments and other assets	37,807	39,399
Total fixed assets	135,396	146,847
Total assets	193,664	200,743
Liabilities		
Current liabilities		
Accounts payable-trade	16,273	18,300
Short-term debt	3,000	12,000
Current portion of long-term debt	5,696	7,097
Accrued income taxes	6,403	549
Accrued bonuses for employees	1,936	883
Accrued bonuses for directors and statutory auditors	200	103
Other current liabilities	11,697	11,135
Total current liabilities	45,207	50,069
Long-term liabilities		
Long-term debt	25,361	23,600
Accrued retirement benefits for employees	849	1,023
Accrued retirement benefits for directors and statutory auditors	1,640	1,733
Accrued costs for customer point program	768	816
Asset retirement obligations	3,707	4,089
Negative goodwill	694	149
Other long-term liabilities	3,949	4,082
Total long-term liabilities	36,972	35,494
Total liabilities	82,179	85,563

(Millions of yen)

	FY3/13 (As of Mar. 31, 2013)	Third quarter of FY3/14 (As of Dec. 31, 2013)
Net assets		
Shareholders' equity		
Common stock	23,282	23,282
Capital surplus	22,586	22,724
Retained earnings	70,624	73,836
Treasury stock	(5,767)	(5,385)
Total shareholders' equity	110,725	114,457
Accumulated other comprehensive income		
Unrealized gain on securities	680	721
Total accumulated other comprehensive income	680	721
Stock acquisition rights	79	-
Total net assets	111,484	115,179
Total liabilities and net assets	193,664	200,743

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

Quarterly Consolidated Statements of Income

(For the Nine-month Period)

(Millions of yen)

	First nine months of FY3/13 (Apr. 1, 2012 – Dec. 31, 2012)	First nine months of FY3/14 (Apr. 1, 2013 – Dec. 31, 2013)
Sales	112,878	123,067
Cost of sales	59,252	64,614
Gross profit	53,625	58,452
Selling, general and administrative expenses	44,019	49,228
Operating profit	9,605	9,224
Non-operating profit		
Interest income	65	75
Dividend income	43	93
Rental income on real estate	584	501
Amortization of negative goodwill	729	555
Other	234	119
Total non-operating profit	1,657	1,345
Non-operating expenses		
Interest expenses	225	237
Expenses on sub-leased real estate	535	483
Other	567	220
Total non-operating expenses	1,328	942
Ordinary income	9,935	9,627
Extraordinary gains		
Gain on sale of fixed assets	8	-
Gain on reversal of stock acquisition rights	185	5
Total extraordinary gains	194	5
Extraordinary losses		
Impairment loss	159	476
Other	2	0
Total extraordinary losses	161	476
Net income before income taxes	9,967	9,157
Current income taxes	3,591	2,654
Deferred income taxes	523	1,010
Total income taxes	4,115	3,665
Income before minority interests	5,852	5,491
Net income	5,852	5,491

Quarterly Consolidated Statements of Comprehensive Income

(For the Nine-month Period)

(Millions of yen)

	First nine months of FY3/13 (Apr. 1, 2012 – Dec. 31, 2012)	First nine months of FY3/14 (Apr. 1, 2013 – Dec. 31, 2013)
Income before minority interests	5,852	5,491
Other comprehensive income		
Unrealized gain on securities	(128)	41
Total other comprehensive income	(128)	41
Comprehensive income	5,723	5,533
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	5,723	5,533
Comprehensive income attributable to minority interests	-	-

(3) Notes to Quarterly Consolidated Financial Statements

Going Concern Assumption

No reportable information.

Significant Changes in Shareholders' Equity

First nine months of FY3/14 (Apr. 1, 2013 – Dec. 31, 2013)

No reportable information.

Segment and Other Information

First nine months of FY3/13 (Apr. 1, 2012 – Dec. 31, 2012)

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 statements of income (Note 2)
	Fashion	Anniversaire and Bridal	Karaoke Facility Operations	Café Complex Operations	Total		
Sales							
External sales	70,325	18,761	11,241	12,548	112,878	-	112,878
Inter-segment sales and transfers	2	15	6	-	24	(24)	-
Total	70,327	18,777	11,248	12,548	112,902	(24)	112,878
Segment profit	5,823	2,650	905	698	10,078	(472)	9,605

Notes: 1. The -472 million yen adjustment to segment profit includes 2,484 million yen in elimination for inter-segment transactions, goodwill amortization of -400 million yen, and -2,556 million yen in company-wide costs that cannot be allocated to reportable segments. Company-wide costs mainly include administration expenses of the Company that cannot be attributed to any specific reportable segments.

2. Segment profit is adjusted to be consistent with operating profit on the quarterly consolidated statements 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 and Karaoke Facility Operations Business, impairment losses were mainly recognized for stores set to be relocated and fixed assets that have continuously produced losses and for which there is little expectation of recovery; impairment losses of 148 million yen, and 7 million yen were booked, respectively, in the first nine months of the current fiscal year.

First nine months of FY3/14 (Apr. 1, 2013 – Dec. 31, 2013)

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

(Millions of yen)

	Reportable segment					Others (Note 1)	Total	Adjustment (Note 2)	Amounts shown on quarterly consolidated statements of income (Note 3)
	Fashion	Anniversaire and Bridal	Karaoke Facility Operations	Café Complex Operations	Subtotal				
Sales									
External sales	76,657	19,202	12,299	14,864	123,023	43	123,067	-	123,067
Inter-segment sales and transfers	5	14	3	-	23	-	23	(23)	-
Total	76,662	19,216	12,303	14,864	123,046	43	123,090	(23)	123,067
Segment profit	4,866	1,895	1,005	1,196	8,963	(29)	8,934	289	9,224

Notes: 1. The "others" classification refers to businesses not included in reportable segments such as electricity sales and the fitness-related business.
2. The 289 million yen adjustment to segment profit includes 3,027 million yen in elimination for inter-segment transactions and -2,737 million yen in company-wide costs that cannot be allocated to reportable segments. Company-wide costs mainly include administration expenses of the Company that cannot be attributed to any specific reportable segments.
3. Segment profit is adjusted to be consistent with operating profit on the quarterly consolidated statements of income.

2) Information related to impairment losses on fixed assets, or goodwill, etc. for each reportable segment

Material impairment losses related to fixed assets

In the Fashion Business, the Karaoke Facility Operations Business and the Café Complex Operations Business, impairment losses were mainly recognized for idle assets whose recoverable value had fallen below book value, and operating stores and subleased stores had remained in the red; impairment losses of 318 million yen, 8 million yen and 149 million yen were booked respectively in the first nine months of the current fiscal year.

3) Revisions to reportable segments

As noted in the section on “2. Matters Related to Summary Information (Notes), Changes in Accounting Policies and Accounting-based Estimates, and Restatements,” the Company has changed the method of depreciation of tangible fixed assets from the declining-balance method to the straight-line method beginning from the first quarter of the current fiscal year.

The effect of this change was to increase segment profits for the Fashion Business, the ANNIVERSAIRE and Bridal Business, the Karaoke Facility Operations Business, and the Café Complex Operations Business by 491 million yen, 42 million yen, 117 million yen, and 182 million yen, respectively in the first nine months of the current fiscal year, compared with the previous method.

Subsequent Events

Following the resolution of the Board of Directors on November 13, 2013, the Company conducted a stock split effective January 1, 2014.

1. Purposes of the stock split

The stock split reduces the amount of investment required per share, and enhances the liquidity of the Company's shares thus helping to expand the shareholder base.

2. Overview of the stock split

(1) Method of the stock split

Shareholders listed or recorded in the final shareholder register on the record date of Tuesday, December 31, 2013 (effectively Monday, December 30, 2013) have received 2 shares of common stock for each share held on the same day.

(2) Increase in the number of shares due to the stock split

1) Total number of shares outstanding before the stock split	45,624,752 shares
2) Increase in the number of shares due to the stock split	45,624,752 shares
3) Total number of shares outstanding after the stock split	91,249,504 shares
4) Total number of shares authorized after the stock split	133,679,900 shares

* There was no change to the total number of shares authorized resulting from the stock split.

3. Schedule

(1) Announcement date	December 12, 2013 (Thursday)
(2) Record date	December 31, 2013 (Tuesday)

* Effectively December 30, 2013 (Monday) because the record date was a holiday for the transfer agent.

(3) Effective date	January 1, 2014 (Wednesday)

* *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.*