AOKI Holdings

August 6, 2010

Summary of Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2011 (Three Months Ended June 30, 2010)

[Japanese GAAP]

Company name: AOKI Holdings Inc. Listing: TSE/OSE, First Section
Stock code: 8214 URL: http://www.aoki-hd.co.jp/
Representative: Akihiro Aoki, President
Contact: Haruo Tamura, Executive Vice President Tel: +81-(0) 45-941-1388
Scheduled date of filing of Quarterly Report: August 12, 2010
Scheduled date of payment of dividend: -
Preparation of supplementary materials for quarterly financial results: None
Holding of quarterly financial results meeting: None

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

1. Consolidated Financial Results for the Three Months Ended June 30, 2010 (Apr. 1, 2010 – Jun. 30, 2010)

(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	%
Three months ended Jun. 30, 2010	33,116	(1.8)	2,127	15.1	2,412	15.7	425	(53.4)
Three months ended Jun. 30, 2009	33,741	(1.3)	1,847	(24.7)	2,085	(24.5)	914	(38.8)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended Jun. 30, 2010	9.98	-
Three months ended Jun. 30, 2009	21.43	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Jun. 30, 2010	158,514	97,132	60.9	2,260.70
As of Mar. 31, 2010	159,189	97,416	60.8	2,268.07

Reference: Shareholders' equity (million yen) Jun. 30, 2010: 96,469 Mar. 31, 2010: 96,785

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Yearend	Total
	Yen	Yen	Yen	Yen	Yen
FY3/10	-	15.00	-	15.00	30.00
FY3/11	-				
FY3/11 (forecasts)		15.00	-	15.00	30.00

Note: Revision of dividend forecast in the current quarter: None

3. Consolidated Forecast for the Fiscal Year Ending March 31, 2011 (Apr. 1, 2010 – Mar. 31, 2011)

(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
First half	57,700	(0.4)	1,450	16.0	1,950	14.1	50	(94.6)	1.17
Full year	129,600	(1.2)	10,300	3.5	11,200	4.2	4,000	10.5	93.74

Note: Revision of consolidated forecast in the current quarter: None

4. Others (Please refer to "Other Information" on pages 3 and 4 of the attached documents for further information)

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

Note: Changes in specified subsidiaries affecting the scope of consolidation during the period

(2) Application of simplified accounting methods and special accounting methods: Yes

Note: Application of simplified accounting methods and special accounting methods for presenting quarterly consolidated financial statements

(3) Changes in accounting principles, procedures and presentation methods

1) Changes caused by revision of accounting standards: Yes

2) Other changes: Yes

Note: Changes in accounting principles, procedures and presentation methods for presenting quarterly consolidated financial statements described in "Change in Basis of Preparation of the Quarterly Consolidated Financial Statements"

(4) Number of shares outstanding (common shares)

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

Jun. 30, 2010:	49,124,752 shares	Mar. 31, 2010:	49,124,752 shares

2) Number of treasury stock at end of period

Jun. 30, 2010:	6,452,216 shares	Mar. 31, 2010:	6,451,716 shares

3) Average number of shares outstanding during the period

Three months ended Jun. 30, 2010:	42,672,764 shares	Three months ended Jun. 30, 2009:	42,674,643 shares

*Information regarding the implementation of quarterly review procedures

The current quarterly financial statements are exempted from quarterly review procedures based on the Financial Instruments and Exchange Law. At the time of disclosure, we have not completed the review process for these consolidated statements.

* Cautionary statement with respect to forward-looking statements

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. Actual performance may differ significantly from these forecasts for a number of reasons. Please refer to "(3) Qualitative information regarding consolidated forecast" on page 3 of the attached documents regarding preconditions or other related matters for the forecast shown above.

Contents of Attachments

1. Qualitative Information on Consolidated Quarterly Financial Performance

(1) Qualitative Information Regarding Consolidated Results of Operations

In the first quarter of the current fiscal year, the overall Japanese economy continued to recover moderately, but private consumption stayed weak as employment and income conditions remained severe.

In this difficult environment, the AOKI Group implemented various measures in each business segment as discussed below. Sales declined 1.8% year-on-year to 33,116 million yen, operating profit increased 15.1% to 2,127 million yen, ordinary income increased 15.7% to 2,412 million yen, and net income declined 53.4% to 425 million yen due to the booking of an extraordinary loss of 1,466 million yen from the application of accounting standards for asset retirement obligations.

Operating results by reportable segment:

Fashion Business

AOKI focused on revitalizing existing-store sales by altering the sales organization, enriching the product lineup, implementing sales promotions, improving visual merchandising, and strengthening marketing centered on core products.

Regarding merchandise, we expanded our lineup of the “Premium Wash Series,” a type of functional suit that can be washed in a washing machine or shower, and further promoted “Deodorant Suits” and other functional products we developed in collaboration with academia. We also strengthened CAFÉ SOHO which offers total brand coordination centered on jackets and slacks. Regarding sales promotions, we conducted a good balance of advertising via television commercials, full-page newspaper advertisements, fliers, and direct mail to inform customers about sales particularly regarding our core products as described above. Regarding AOKI stores, we opened one new store and close two. As a result, the AOKI store network consisted of 430 stores at the end of the current first quarter, down from 431 at the end of the previous fiscal year.

As for ORIHICA, we focused on refining the standard store to meet the changing profile of shopping center customers. We opened five new stores, mostly in shopping centers, and closed one store. As a result, the ORIHICA store network consisted of 56 stores at the end of the current first quarter, up from 52 at the end of the previous fiscal year.

Sales were firm at existing stores, but sales and operating losses from the closure of specialty casual retailer M/X stores last fiscal year dropped out. As a result, sales in the Fashion Business declined 3.1% year-on-year to 21,773 million yen, but operating profit rose 90.1% to 1,542 million yen.

Anniversaire and Bridal Business

RAVIS Inc., which runs guesthouse style wedding and reception facilities, refined existing facilities by strengthening the development of human resources and implementing marketing measures tailored to each facility. Also, it launched an opening preparation office for ANNIVERSAIRE TOYOSU which is scheduled to open in spring 2011.

As a result of these efforts, but also due to the impact of the slumping economy and preparation expenses for new facility openings, sales in the ANNIVERSAIRE and Bridal Business declined 6.4% year-on-year to 5,734 million yen, and operating profit declined 41.8% to 499 million yen.

Karaoke Facility Operation Business

In karaoke facility operations, under the management of VALIC Co., Ltd., we worked to strengthen customer service, beautify existing facilities thoroughly, propose food and drink menus to match facility locations, times, and customer profiles, and strengthen the cultivation of local corporate customers. Regarding facilities, we opened four new facilities in train station retail buildings in Tokyo and Chiba. As a result, our network of karaoke facilities was 122 at the end of the current first quarter, up from 118 at the end of the previous fiscal year.

As a result of these efforts, including the opening of new stores, sales in the Karaoke Facility Operations Business increased 2.4% year-on-year to 2,885 million yen, but operating profit declined 42.5% to 106 million yen due to a decline in late-night adult customers resulting from the economic slump, and an increase in new store opening expenses.

Café Complex Operations Business

In café complex operations, under the management of VALIC Co., Ltd., we continued to enhance the equipment and environment of facilities, and food sales were strong as we renewed the grand menu and introduced seasonal menus. We also strove to encourage customers to visit more frequently through the use of point card services. Regarding facilities, we opened three new café complexes including the nation's first café complex in a highway rest area. As a result, our network of café complexes was 136 at the end of the current first quarter, up from 133 at the end of the previous fiscal year.

As a result of these efforts, sales were strong at newly opened facilities and existing facilities. Sales in the Café Complex Operations Business increased 16.6% year-on-year to 2,731 million yen, but operating profit declined 22.7% to 72 million yen due to last fiscal year's aggressive store openings, and an increase in store opening expenses in the current first quarter.

We have changed some segment classifications in line with the adoption of "Accounting Standards for the Disclosure of Segment Information" starting in the first quarter. The YoY changes of the aforementioned reportable segments are based on comparisons with the recalculated YoY figures using the new segment classifications.

(2) Qualitative Information Regarding Consolidated Financial Position

Assets

Current assets decreased 2,945 million yen over the end of the previous fiscal year. Inventories increased 345 million yen due to new store openings among other factors, but cash in hand and in banks decreased 4,053 million yen due to equipment investment, the scheduled repayment of debts, and income taxes paid. Fixed assets increased 2,270 million yen over the end of the previous fiscal year. Buildings and structures increased 1,052 million yen due to new store openings and the application of accounting standards for asset retirement obligations.

Liabilities

Current liabilities decreased 1,037 million yen over the end of the previous fiscal year. Notes and accounts payable-trade increased 1,032 million yen for seasonal reasons, but accrued income taxes decreased 1,919 million yen due to income taxes paid. Long-term liabilities increased 647 million yen over the end of the previous fiscal year. Long-term debts decreased 2,304 million yen, but asset retirement obligations increased 2,758 million yen from the application of accounting standards for asset retirement obligations.

Net assets

Net assets decreased 283 million yen over the end of the previous fiscal year. Retained earnings decreased 214 million yen due to dividends paid and other items.

(3) Qualitative Information Regarding Consolidated Forecast

We basically maintain the consolidated full-year forecasts we released on May 14, 2010 upon the announcement of financial results, as business performance is moving in line with plans.

2. Other Information

(1) Overview of Changes in Consolidated Subsidiaries

No reportable information.

(2) Overview of Application of Simplified Accounting Methods and Special Accounting Methods

Simplified accounting methods

(Valuation of inventories)

For inventories at some consolidated subsidiaries at the end of the first quarter of the current fiscal year, a valuation was determined by using a reasonable method based on actual inventories at the end of the previous fiscal year. No physical inventory count was performed.

(Calculation of depreciation expense for fixed assets)

For assets subject to the declining balance method, depreciation was calculated pro rata based on the amount for the fiscal year.

(Calculation of deferred tax assets and deferred tax liabilities)

Judgments about the recoverability of deferred tax assets are made based on earnings forecasts and tax planning, as in the previous fiscal year, as there have been no significant changes in the operating environment or in the occurrence of temporary differences since the end of the previous fiscal year.

(3) Overview of Changes in Accounting Principles, Procedures and Presentation Methods

1) Application of accounting standard for asset retirement obligations

Beginning with the first quarter of the current fiscal year, “Accounting Standard for Asset Retirement Obligations” (Accounting Standards Board of Japan (ASBJ) Statement No. 18, March 31, 2008) and “Guidance on Accounting Standard for Asset Retirement Obligations” (ASBJ Guidance No. 21, March 31, 2008) have been applied.

The effect of this change was to decrease operating profit, ordinary income and net income before income taxes by 40 million yen, 41 million yen and 1,510 million yen, respectively. The application of these standards increased the account balance of asset retirement obligations by 2,860 million yen.

2) Change in calculation of income taxes

Previously, for some consolidated subsidiaries, a quarterly-specific accounting method was adopted in which the tax expense was calculated by first estimating reasonably the effective tax rate after the application of tax effect accounting with respect to net income before income taxes for the fiscal year, and multiplying that rate by the quarterly income before income taxes. However, in order to more appropriately calculate the tax expense for the quarterly accounting period, the Company switched, starting from the first quarter of the current fiscal year, to apply the same standard accounting procedure as that used for the fiscal year. The effect of this change in profit/loss is insignificant.

3) Changes in presentation methods

(Quarterly Consolidated Statements of Income)

a. “Gain on reversal of stock acquisition rights,” included in “Other” under “Extraordinary gains” in the first quarter of the previous fiscal year, is reclassified and presented as a separate line item in the first quarter of the current fiscal year since it has increased materiality in the context of consolidated financial statements. “Gain on reversal of stock acquisition rights” included in “Other” under “Extraordinary gains” in the first quarter of the previous fiscal year totaled 0 million yen.

b. In the first quarter of the previous fiscal year, both “Current income taxes” and “Deferred income taxes” were presented as “Income taxes,” but starting from the first quarter of the current fiscal year, the Company switched to presenting “Current income taxes” and “Deferred income taxes” separately.

c. Following the application of “Cabinet Office Ordinance Partially Revising Regulation for Terminology, Forms and Presentation of Financial Statements” (Cabinet Office Ordinance No. 5, March 24, 2009) based on the “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, December 26, 2008,) an item “Income before minority interests” is presented in the first quarter of the current fiscal year.

3. Quarterly Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	First quarter of FY3/11 (As of Jun. 30, 2010)	FY3/10 Summary (As of Mar. 31, 2010)
Assets		
Current assets		
Cash in hand and in banks	12,944	16,997
Accounts receivable-trade	4,986	5,238
Inventories	16,029	15,684
Other current assets	6,526	5,511
Allowance for doubtful accounts	(7)	(7)
Total current assets	40,479	43,424
Fixed assets		
Tangible fixed assets		
Buildings and structures, net	40,292	39,239
Land	30,042	30,042
Other tangible fixed assets, net	8,722	7,886
Total tangible fixed assets	79,056	77,168
Intangible fixed assets	4,057	3,890
Investments and other assets		
Guarantee deposits	9,609	9,762
Leasehold deposit	15,778	15,587
Other investments and other assets	9,599	9,423
Allowance for doubtful accounts	(66)	(67)
Total investments and other assets	34,920	34,706
Total fixed assets	118,035	115,764
Total assets	158,514	159,189
Liabilities		
Current liabilities		
Notes and accounts payable-trade	13,372	12,340
Short-term debt	6,000	6,000
Current portion of corporate bonds	670	670
Current portion of long-term debt	6,983	7,503
Accrued income taxes	636	2,555
Accrued bonuses for employees	648	1,321
Accrued bonuses for directors and statutory auditors	28	94
Other current liabilities	9,126	8,017
Total current liabilities	37,465	38,503
Long-term liabilities		
Long-term debt	13,192	15,497
Accrued retirement benefits for employees	710	600
Accrued retirement benefits for directors and statutory auditors	1,307	1,313
Accrued costs for customer point program	647	645
Asset retirement obligations	2,758	-
Negative goodwill	1,872	1,967
Other long-term liabilities	3,426	3,245
Total long-term liabilities	23,916	23,269
Total liabilities	61,382	61,772

(Millions of yen)

	First quarter of FY3/11 (As of Jun. 30, 2010)	FY3/10 Summary (As of Mar. 31, 2010)
Net assets		
Shareholders' equity		
Common stock	23,282	23,282
Capital surplus	24,788	24,788
Retained earnings	55,478	55,692
Treasury stock	(7,078)	(7,078)
Total shareholders' equity	96,470	96,685
Valuation and translation adjustments		
Unrealized gain on securities	(0)	100
Total valuation and translation adjustments	(0)	100
Stock acquisition rights	662	630
Total net assets	97,132	97,416
Total liabilities and net assets	158,514	159,189

(2) Consolidated Statements of Income
(For the Three-month Period)

(Millions of yen)

	First three months of FY3/10 (Apr. 1, 2009 – Jun. 30, 2009)	First three months of FY3/11 (Apr. 1, 2010 – Jun. 30, 2010)
Sales	33,741	33,116
Cost of sales	18,282	17,739
Gross profit	15,458	15,377
Selling, general and administrative expenses	13,611	13,249
Operating profit	1,847	2,127
Non-operating profit		
Interest income	19	18
Dividend income	25	49
Rental income on real estate	209	230
Amortization of negative goodwill	243	243
Other	71	97
Total non-operating profit	568	638
Non-operating expenses		
Interest expenses	80	85
Expenses on sub-leased real estate	204	232
Other	45	35
Total non-operating expenses	330	353
Ordinary income	2,085	2,412
Extraordinary gains		
Gain on reversal of stock acquisition rights	-	2
Subsidy income	5	-
Other	0	0
Total extraordinary gains	6	3
Extraordinary losses		
Loss on cancellation of lease agreements	24	-
Loss on disposal of fixed assets	42	1
Impairment loss	22	53
Retirement benefit expenses for prior periods	48	-
Loss on adjustment for changes of accounting standard for asset retirement obligations	-	1,466
Other	8	0
Total extraordinary losses	146	1,522
Net income before income taxes	1,945	892
Income taxes	1,031	-
Current income taxes	-	634
Deferred income taxes	-	(167)
Total income taxes	1,031	466
Income before minority interests	-	425
Net income	914	425

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	First three months of FY3/10 (Apr. 1, 2009 – Jun. 30, 2009)	First three months of FY3/11 (Apr. 1, 2010 – Jun. 30, 2010)
Cash flows from operating activities		
Net income before income taxes	1,945	892
Depreciation and amortization	1,241	1,302
Impairment loss	22	53
Amortization of goodwill	146	138
Amortization of negative goodwill	(243)	(243)
Increase (decrease) in accrued retirement benefits for employees	62	110
Increase (decrease) in accrued retirement benefits for directors and statutory auditors	(10)	(5)
Increase (decrease) in accrued costs for customer point program	3	1
Interest and dividend income	(44)	(68)
Interest expenses	80	85
Loss on cancellation of lease agreements	24	-
Loss on disposal of fixed assets	24	0
Loss on adjustment for changes of accounting standard for asset retirement obligations	-	1,466
Decrease (increase) in accounts receivable-trade	(252)	252
Decrease (increase) in inventories	(914)	(345)
Increase (decrease) in accounts payable-trade	(68)	568
Other	308	118
Subtotal	2,326	4,327
Interest and dividend income received	31	54
Interests paid	(101)	(118)
Income taxes paid	(5,304)	(2,544)
Net cash provided by (used in) operating activities	(3,048)	1,719
Cash flows from investing activities		
Payments for acquisition of tangible fixed assets	(903)	(1,507)
Payments for acquisition of intangible fixed assets	(43)	(246)
Payments for leasehold and guarantee deposits	(302)	(274)
Net decrease (increase) in trust beneficiary right	(315)	(230)
Other	34	123
Net cash used in investing activities	(1,530)	(2,135)
Cash flows from financing activities		
Net increase (decrease) in short-term debt	4,900	-
Repayments of long-term debt	(2,387)	(2,824)
Payments for purchase of treasury stock	(0)	(0)
Dividends paid	(626)	(627)
Other	(87)	(184)
Net cash provided by (used in) financing activities	1,798	(3,637)
Effect of exchange rate change on cash and cash equivalents	(0)	(0)
Increase (decrease) in cash and cash equivalents	(2,780)	(4,053)
Cash and cash equivalents at beginning of period	14,310	16,997
Cash and cash equivalents at end of period	11,530	12,944

(4) Going Concern Assumption

First three months of FY3/11 (Apr. 1, 2010 – Jun. 30, 2010)

No reportable information.

(5) Segment Information

Operating segment information

First three months of FY3/10 (Apr. 1, 2009 – Jun. 30, 2009) (Millions of yen)

	Fashion business	Anniversaire and Bridal business	Entertainment business	Total	Elimination or corporate	Consolidated
Sales						
(1) External sales	22,460	6,121	5,159	33,741	-	33,741
(2) Inter-segment sales and transfers	2	2	0	5	(5)	-
Total	22,463	6,124	5,159	33,746	(5)	33,741
Operating profit	811	799	206	1,817	30	1,847

Notes: 1. Operations are categorized by the similarity of products, their characteristics and other factors.
2. Principal operating segments
Fashion business: Suits, primarily sales of men's clothing
ANNIVERSAIRE & Bridal business: Bridal services
Entertainment business: Operating karaoke and other entertainment facilities

Geographical segment information

First three months of FY3/10 (Apr. 1, 2009 – Jun. 30, 2009)

No reportable information since the Company has no consolidated subsidiaries or branch offices in countries and regions other than Japan.

Overseas sales

First three months of FY3/10 (Apr. 1, 2009 – Jun. 30, 2009)

No reportable information since the Company had no overseas sales.

Segment information

(Supplementary information)

Beginning with the first quarter of the current fiscal year, the "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Statement No. 17, March 27, 2009) and "Guidance on the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No. 20, March 21, 2008) have been applied.

1) Overview of reportable segment

The Group defines reportable segments as businesses for which financial details can be compiled; the Board of Directors will review this information on a periodic basis in order to assist with decisions about allocating resources and evaluating the performance.

AOKI Holdings, as a pure holding company, supports the businesses of the various companies that comprise the Group, while each business company proposes and executes comprehensive strategies for the respective products and services they offer in the domestic market.

The products and services of each business company comprise different segments. The four reportable segments are the Fashion Business, the ANNIVERSAIRE and Bridal Business, the Karaoke Facility Operations Business, and the Café Complex Operations Business. AOKI and ORIHICA are both included in one business segment, the Fashion Business, because they fit all the conditions for grouping including similarities in economic characteristics and product content.

The Fashion Business is involved in planning and selling men's and women' wear, the ANNIVERSAIRE and Bridal Business in operating wedding halls, the Karaoke Facility Operations Business in operating karaoke facilities, and the Café Complex Operations Business in providing relaxation space with magazines, comics, massage chairs, the Internet, etc.

2) Information related to sales and profit or loss for each reportable segment

First three months of FY3/11 (Apr. 1, 2010 – Jun. 30, 2010) (Millions of yen)

	Reportable segment					Adjustment (Note 1)	Amounts shown on quarterly consolidated statements of income (Note 2)
	Fashion business	Anniversaire and Bridal business	Karaoke Facility Operation business	Café Complex Operations business	Total		
Sales							
External sales	21,773	5,726	2,885	2,731	33,116	-	33,116
Inter-segment sales and transfers	0	7	-	-	7	(7)	-
Total	21,773	5,734	2,885	2,731	33,124	(7)	33,116
Segment profit	1,542	499	106	72	2,220	(92)	2,127

Note: 1. The (92) million yen adjustment to segment profit includes 261 million yen in elimination for inter-segment transactions, goodwill amortization of (133) million yen, and (220) 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 reportable segments.

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

3) Information related to impairment of fixed assets and goodwill, etc.

In the Fashion Business segment, impairment losses were mainly recognized for fixed assets with little expectation of recovery following a decision of store closure. Impairment losses of 53 million yen were booked in the first quarter of the current fiscal year.

(6) Significant Changes in Shareholders' Equity

First three months of FY3/11 (Apr. 1, 2010 – Jun. 30, 2010)

No reportable information.

** 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.*