

Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2019

[Japanese GAAP]

Company name: AOKI Holdings Inc. Listings: TSE First Section
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 Scheduled date of Annual General Meeting of Shareholders: June 27, 2019
 Scheduled date of filing of Annual Securities Report: June 28, 2019
 Scheduled date of payment of dividend: June 6, 2019
 Preparation of supplementary materials for financial results: Yes
 Holding of financial results meeting: Yes (for institutional investors and analysts)

Note: The original disclosure in Japanese was released on May 10, 2019 at 14:15 (GMT +9).

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

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2019 (April 1, 2018 – March 31, 2019)

(1) Consolidated results of operations

(Percentages represent year-on-year changes)

	Sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY3/19	193,918	(2.3)	13,382	(10.0)	11,890	(15.1)	4,602	(37.6)
FY3/18	198,417	2.3	14,864	2.9	14,003	0.8	7,377	0.3

Note: Comprehensive income (million yen) FY3/19: 4,482 (down 40.3%)

FY3/18: 7,504 (up 1.4%)

	Net income per share	Diluted net income per share	Return on equity	Ordinary profit on total assets	Operating profit to sales
	Yen	Yen	%	%	%
FY3/19	53.34	-	3.2	5.0	6.9
FY3/18	84.87	-	5.1	5.9	7.5

Reference: Equity in income of affiliates (million yen) FY3/19: -

FY3/18: -

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2019	232,056	145,671	62.7	1,694.45
As of Mar. 31, 2018	239,068	146,528	61.3	1,691.70

Reference: Shareholders' equity (million yen)

As of Mar. 31, 2019: 145,595

As of Mar. 31, 2018: 146,440

(3) Consolidated cash flow position

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
FY3/19	13,066	(9,152)	(9,532)	26,558
FY3/18	21,703	(8,855)	(9,280)	32,175

2. Dividends

	Dividend per share					Total dividends	Dividend payout ratio (consolidated)	Dividend on equity (consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen			
FY3/18	-	22.00	-	22.00	44.00	3,815	51.8	2.6
FY3/19	-	29.00	-	31.00	60.00	5,172	112.5	3.5
FY3/20 (forecasts)	-	23.00	-	23.00	46.00		73.2	

Note: Breakdown of 2Q-end dividends for FY3/19: Ordinary dividends: 22.00 yen; Commemorative dividends: 7.00 yen

Breakdown of Year-end dividends for FY3/19: Ordinary dividends: 23.00 yen; Commemorative dividends: 8.00 yen

3. Consolidated Forecast for the Fiscal Year Ending March 31, 2020 (April 1, 2019 – March 31, 2020)

(Percentages represent year-on-year changes)

	Sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	194,050	(0.5)	12,300	(8.8)	11,750	(1.2)	5,400	17.3	62.85

Note: In prior years, rent income of real estate was included in non-operating income and the rent cost of real estate was included in non-operating expenses and selling, general and administrative expenses. Beginning with the fiscal year ending March 31, 2020, this real estate rent income and the associated cost are expected to be classified as sales and cost of sales, respectively, instead. Year-on-year changes are based on the revised income statement for the fiscal year ended March 31, 2019.

*** Notes**

(1) Changes in consolidated subsidiaries during the period (changes in scope of consolidation): None

(2) 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: | Yes |
| 4) Restatements: | None |

Note: Please refer to “Changes in Accounting Policies” and “Changes in Accounting-based Estimates” on page 13 for further information.

(3) Number of shares outstanding (common shares)

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

As of Mar. 31, 2019:	90,649,504 shares	As of Mar. 31, 2018:	90,649,504 shares
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2) Number of shares of treasury stock at the end of the period

As of Mar. 31, 2019:	4,724,330 shares	As of Mar. 31, 2018:	4,085,322 shares
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3) Average number of shares outstanding during the period

Fiscal year ended Mar. 31, 2019:	86,287,266 shares	Fiscal year ended Mar. 31, 2018:	86,920,380 shares
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Note 1: This financial report is not subject to audit by certified public accountants or auditing firms.

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

Cautionary statement with respect to forward-looking statements

Forecasts and forward-looking statements 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 “1. Overview of Results of Operations, etc., (4) Outlook” 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, May 24, 2019. Materials to be distributed at this event will be available on the Company’s website immediately thereafter.

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1. Overview of Results of Operations, etc.

(1) Results of Operations

In the fiscal year that ended on March 31, 2019, the Japanese economy was in a moderate recovery phase with improvements in corporate earnings and employment conditions. However, global economic growth began to slow late in the fiscal year due to U.S.-China trade friction and other issues. In Japan, consumers continued to be budget-minded in response to rising prices and slowing growth of real income. Due to this situation, the economic outlook remained unclear. The AOKI Group implemented various measures in each business segment as discussed below. As a result, business performance in the fiscal year under review is as follows:

Sales	193,918 million yen	(down 2.3% year-on-year)
Operating profit	13,382 million yen	(down 10.0% year-on-year)
Ordinary profit	11,890 million yen	(down 15.1% year-on-year)
Profit attributable to owners of parent	4,602 million yen	(down 37.6% year-on-year)

Operating results by segment are as follows.

Fashion Business

At AOKI, there were numerous activities to target the so-called “freshers (freshman) market,” which consists mainly of new university graduates starting their first jobs. AOKI used advertising featuring Sexy Zone, a group of singers belonging to the same generation, and Ms. Wakana Aoi, an actress who has participated in many TV drama. Major products are *New Navy & Black Suits* for men and for women the *360-degree Good Looking Suits*, which feature an attractive silhouette and design. There were also activities to strengthen the lineup of personal-order suits and AOKI Women’s Style apparel for women in their 40s and 50s. During the fiscal year, seven stores were opened and 15 stores were closed, including stores closed for relocation or conversion to a different format. New stores include the Ginza and Ikebukuro locations of Aoki Tokyo, an urban store format exclusively for order-made suits. As a result, there were 566 stores at the end of the fiscal year compared with 574 stores at the end of the previous fiscal year.

ORIHICA conducted a Freshers Fair with upgraded video marketing, such as videos available only on the Internet. Another highlight was a Pre-School Ceremony Fair to give parents ideas for coordinated apparel to wear at ceremonies for the beginning or completion of a child’s nursery school or kindergarten term. Two new stores were opened and eight stores were closed to improve the efficiency of operations. As a result, there were 131 stores at the end of the fiscal year compared with 137 stores at the end of the previous fiscal year.

Although there were numerous initiatives during the fiscal year, existing store sales were sluggish because of a shift in preferences for styles of business apparel, the diversification of sales channels for suits, unfavorable weather and other reasons. As a result, sales in this segment decreased 3.4% to 114,404 million yen and there was an operating profit decreased 15.3% to 7,222 million yen.

Anniversaire and Bridal Business

ANNIVERSAIRE INC., which operates guesthouse-style wedding and reception facilities, took many actions during the fiscal year to attract more customers. Major initiatives included sales activities that clearly communicated the core concept of ANNIVERSAIRE, a redesigned website, and the increased use of social networking services. ANNIVERSAIRE also took actions aimed at increasing sales of peripheral products and services primarily involving anniversaries, such as jewelry and photographs. Despite these actions, the number of weddings decreased mainly because of market conditions for the bridal business in Japan. ANNIVERSAIRE FUKUOKA was closed to improve operating efficiency. As a result, there were 13 locations at the end of the fiscal year compared with 14 at the end of the previous fiscal year.

Sales decreased 6.4% to 25,433 million yen and operating profit decreased 22.7% to 2,169 million yen.

Karaoke Facility Operations Business

VALIC Co., Ltd., which operates karaoke facilities, used early morning operating hours and discounted morning rates to attract new customers. To operate karaoke locations more efficiently, operating hours were shortened and locations were closed on certain days. There were also activities to make existing locations more appealing, such as by remodeling 13 locations to meet the increasingly diverse needs of customers. One karaoke facility was opened and 42 were closed, including 18 closed for conversion into café complexes. As a result, there were 131 karaoke locations at the end of the fiscal year compared with 172 at the end of the previous fiscal year.

There was steady progress in improving operating efficiency. Sales decreased 7.4% to 17,305 million yen and operating profit increased 33.6% to 1,022 million yen.

Café Complex Operations Business

VALIC Co., Ltd., which also operates café complexes, renovated 56 cafés primarily by reconfiguring the layout of booths and adding karaoke, no-smoking booths and showers. In other measures to invigorate existing locations, this business offered free showers with unlimited towels, free breakfast, and other services. VALIC opened 20 locations and closed 11 to improve operating efficiency. As a result, there were 368 café complexes at the end of the fiscal year compared with 359 at the end of the previous fiscal year.

Sales increased 7.8% to 36,797 million yen due to contributions from new cafés and a steady increase in existing-store sales, and operating profit increased 4.2% to 2,158 million yen.

(2) Financial Position

Balance sheet position

Starting with the beginning of the current fiscal year, AOKI Holdings has applied “Partial Amendments to Accounting Standard for Tax Effect Accounting” (Accounting Standards Board of Japan (ASBJ) Statement No. 28, February 16, 2018). Prior-year figures have been adjusted retroactively to conform with this accounting standard in order to facilitate comparisons and analysis.

Total assets at the end of the fiscal year under review decreased 7,011 million yen from the end of the previous fiscal year to 232,056 million yen.

Current assets decreased 5,289 million yen from the end of the previous fiscal year. There was a decrease of 5,617 million yen in cash in hand and in banks. Fixed assets decreased 1,722 million yen from the end of the previous fiscal year as tangible fixed assets decreased 1,711 million yen due to depreciation and impairment loss.

Current liabilities decreased 3,572 million yen from the end of the previous fiscal year. There were decreases of 1,649 million yen in accounts payable-trade resulting from a decrease in procurement, and 2,013 million yen in accrued income taxes. Long-term liabilities decreased 2,581 million yen. It was mainly due to decreases of 1,650 million yen in long-term debt due to repayments and other factors, and 664 million yen in lease obligations, while there was an increase of 433 million yen in asset retirement obligations due to changes in estimates and other factors.

Net assets decreased 857 million yen from the end of the previous fiscal year. There was increases of 188 million yen in retained earnings due to a profit attributable to owners of parent and dividend from surplus, and 926 million yen in treasury stock due to stock purchases.

(3) Cash Flows**Cash flow position**

(Millions of yen)

	FY3/18	FY3/19
Cash flows from operating activities	21,703	13,066
Cash flows from investing activities	(8,855)	(9,152)
Cash flows from financing activities	(9,280)	(9,532)
Increase (decrease) in cash and cash equivalents	3,567	(5,617)
Cash and cash equivalents at beginning of period	28,608	32,175
Cash and cash equivalents at end of period	32,175	26,558

Cash and cash equivalents at the end of the fiscal year under review decreased 5,617 million yen from the end of the previous fiscal year to 26,558 million yen mainly due to a decrease in profit before income taxes and an increase in income taxes paid.

Net cash provided by operating activities decreased 8,636 million yen to 13,066 million yen on a year-on-year basis. The principal factors were profit before income taxes of 7,436 million yen, depreciation and amortization of 8,229 million yen, and impairment loss of 4,153 million yen, while there was income taxes paid of 5,295 million yen (the net of income tax payments and refunds).

Net cash used in investing activities increased 296 million yen to 9,152 million yen on a year-on-year basis. This was mainly due to the payments of 7,035 million yen for the acquisition of tangible fixed assets for capital investment, 1,206 million yen in acquisition of intangible fixed assets, and leasehold and guarantee deposits of 965 million yen.

Net cash used in financing activities increased 251 million yen to 9,532 million yen on a year-on-year basis. This was mainly due to scheduled repayment of long-term debt of 2,650 million yen, repayments of lease obligations of 2,484 million yen, payments for purchase of treasury stock of 986 million yen, and cash dividends paid of 4,411 million yen, while there were proceeds from long-term debt of 1,000 million yen for capital expenditure.

(4) Outlook

In the fiscal year ending on March 31, 2020, the outlook is expected to remain uncertain primarily because of the planned consumption tax hike, overseas events, economic events, and exchange rate movements. The AOKI Group will use a variety of actions to respond to changing market conditions as well as to operate with even greater efficiency. There will be many activities to build an even stronger foundation for business operations, including by renovating or closing existing stores.

In the Fashion Business, AOKI will concentrate on invigorating existing stores by developing products that match changes in the needs of consumers, expanding the lineup of women's apparel and strengthening sales activities for personal-order suits. There will also be an extensive reexamination of store operations, including closures of unprofitable stores, relocations or conversions to different formats, in order to improve efficiency. ORIHICA will continue to strengthen its lineup of merchandise and further enhance profitability by boosting operating efficiencies. We plan to open nine stores including relocations or conversions in the Fashion Business during the fiscal year ending on March 31, 2020.

The Karaoke Facility Operations Business and Café Complex Operations Business of VALIC will be combined in the fiscal year ending on March 31, 2020 to reflect the reorganization of VALIC and the increasing diversity of the operations of the café complex business. The combined business will be renamed the Entertainment Business. Operating stores in a manner that closely reflects consumers' needs is the priority of this business. Other major initiatives of the Entertainment Business are store renovations and format conversions for the evolution of store formats to match anticipated future market trends and the opening of new locations. During the fiscal year ending on

March 31, 2020, the Entertainment Business plans to open 100 new locations and renovate existing 100 locations.

By implementing all of these measures, we expect our performance to improve in the coming fiscal year.

Business segment forecasts are based on the following assumptions for changes in existing-store sales.

(%)

	1Q	2Q	1H	3Q	4Q	2H	Full year
Fashion	(0.7)	3.2	0.9	(3.1)	1.2	(0.5)	0.0
Anniversaire and Bridal (Note)			(6.0)			4.4	(0.7)
Karaoke Facility Operations	2.4	(0.7)	0.7	(0.5)	(2.1)	(1.3)	(0.3)
Café Complex Operations	4.5	0.6	2.4	1.9	0.7	1.3	1.8

Note: The percentages for the ANNIVERSAIRE and Bridal business are expected changes in the number of couples married excluding ANNIVERSAIRE FUKUOKA, which was closed last year.

Our business segment forecasts are as follows.

Business segment forecasts for the fiscal year ending March 31, 2020

	Fashion	Anniversaire and Bridal	Entertainment	Others	Consolidated
Sales (Millions of yen)	110,250	25,000	57,500	3,530	194,050
Year-on year change (%)	96.4	98.3	106.3	-	99.5
Segment profit (Millions of yen)	7,500	1,500	2,800	790	12,300
Year-on year change (%)	103.3	69.1	88.0	-	91.2

- Notes:
1. Segment profit is operating profit. The total segment profits differ from consolidated operating profit because of consolidation adjustments.
 2. Beginning with the fiscal year ending March 31, 2020, business profit or loss related to real estate leasing, which was included in non-operating income or expenses, is expected to be included in operating profit or loss. Year-on-year changes are based on the reclassified figures for rent income of real estate and the rent cost of real estate for the fiscal year ended March 31, 2019.
 3. Others mainly consist of real estate leasing and other businesses. The expected amount of consolidation adjustments is -2,200 million yen for sales and -690 million yen for segment profit.

2. Basic Approach for the Selection of Accounting Standards

The AOKI Group's operations are located in Japan and the Group has little or no need of raising funds in overseas markets. Moreover, the percentage of shares held by foreign shareholders is relatively small. In view of the above factors the Company currently uses Japanese accounting standards for its financial statements.

The Company will consider using International Financial Reporting Standards (IFRS) if considered necessary by the future direction of the Group's business development, the use of IFRS by other companies in Japan and other factors.

3. Consolidated Financial Statements and Notes

(1) Consolidated Balance Sheet

	(Millions of yen)	
	FY3/18	FY3/19
	(As of Mar. 31, 2018)	(As of Mar. 31, 2019)
Assets		
Current assets		
Cash in hand and in banks	32,175	26,558
Accounts receivable-trade	11,659	11,793
Inventories	*1 26,007	*1 25,574
Other current assets	8,431	9,061
Allowance for doubtful accounts	(35)	(38)
Total current assets	78,238	72,948
Fixed assets		
Tangible fixed assets		
Buildings and structures	132,709	134,265
Accumulated depreciation	(72,124)	(73,332)
Buildings and structures, net	60,585	60,933
Machinery, vehicles, tools, furniture and fixtures	16,477	16,947
Accumulated depreciation	(8,765)	(9,366)
Machinery, vehicles, tools, furniture and fixtures, net	7,712	7,581
Land	*2 36,952	*2 36,941
Lease assets	14,135	13,841
Accumulated depreciation	(8,982)	(9,473)
Lease assets, net	5,153	4,367
Construction in progress	1,265	134
Total tangible fixed assets	111,669	109,958
Intangible fixed assets	5,796	5,932
Investments and other assets		
Investment securities	*3 4,361	*3 4,209
Guarantee deposits	7,973	7,881
Leasehold deposit	20,610	20,536
Deferred income tax assets	8,577	8,442
Other investments and other assets	1,890	2,186
Allowance for doubtful accounts	(50)	(40)
Total investments and other assets	43,364	43,216
Total fixed assets	160,829	159,107
Total assets	239,068	232,056

	(Millions of yen)	
	FY3/18	FY3/19
	(As of Mar. 31, 2018)	(As of Mar. 31, 2019)
Liabilities		
Current liabilities		
Accounts payable-trade	19,812	18,162
Current portion of long-term debt	2,650	2,650
Lease obligations	1,864	1,709
Accounts payable-other	5,885	5,903
Accrued income taxes	2,593	579
Accrued bonuses for employees	1,978	2,078
Accrued bonuses for directors and statutory auditors	123	83
Other current liabilities	5,841	6,010
Total current liabilities	40,750	37,177
Long-term liabilities		
Long-term debt	36,475	34,825
Lease obligations	3,880	3,216
Accrued retirement benefits for directors and statutory auditors	2,018	-
Accrued costs for customer point program	1,059	872
Net defined benefit liability	1,054	1,094
Asset retirement obligations	6,032	6,466
Other long-term liabilities	1,269	2,733
Total long-term liabilities	51,789	49,208
Total liabilities	92,539	86,385
Net assets		
Shareholders' equity		
Common stock	23,282	23,282
Capital surplus	27,833	27,846
Retained earnings	100,299	100,488
Treasury stock	(5,376)	(6,302)
Total shareholders' equity	146,039	145,315
Accumulated other comprehensive income		
Unrealized gain on securities	588	370
Remeasurements of defined benefit plans	(187)	(89)
Total accumulated other comprehensive income	401	280
Stock acquisition rights	87	75
Total net assets	146,528	145,671
Total liabilities and net assets	239,068	232,056

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

	(Millions of yen)	
	FY3/18	FY3/19
	(Apr. 1, 2017 – Mar. 31, 2018)	(Apr. 1, 2018 – Mar. 31, 2019)
Sales	198,417	193,918
Cost of sales	111,552	110,325
Gross profit	86,864	83,592
Selling, general and administrative expenses	*1 72,000	*1 70,209
Operating profit	14,864	13,382
Non-operating profit		
Interest income	96	91
Dividend income	72	78
Rental income on real estate	571	556
Other	168	185
Total non-operating profit	908	912
Non-operating expenses		
Interest expenses	328	299
Expenses on sub-leased real estate	496	471
Loss on disposal of fixed assets	263	558
Expenses for events to celebrate AOKI's 60th anniversary	119	450
Other	561	624
Total non-operating expenses	1,769	2,404
Ordinary profit	14,003	11,890
Extraordinary gains		
Gain on sale of fixed assets	20	175
Gain on sales of investment securities	-	27
Gain on reversal of stock acquisition rights	-	12
Total extraordinary gains	20	215
Extraordinary losses		
Loss on sales of fixed assets	38	-
Impairment loss	*2 2,078	*2 4,153
Loss on liquidation of subsidiaries and associates	-	444
Loss on disaster	-	71
Total extraordinary losses	2,117	4,669
Profit before income taxes	11,906	7,436
Current income taxes	4,822	2,670
Deferred income taxes	(293)	163
Total income taxes	4,528	2,834
Profit	7,377	4,602
Profit attributable to owners of parent	7,377	4,602

Consolidated Statement of Comprehensive Income

	(Millions of yen)	
	FY3/18	FY3/19
	(Apr. 1, 2017 – Mar. 31, 2018)	(Apr. 1, 2018 – Mar. 31, 2019)
Profit	7,377	4,602
Other comprehensive income		
Unrealized gain on securities	11	(218)
Remeasurements of defined benefit plans, net of tax	115	97
Total other comprehensive income	*1 126	*1 (120)
Comprehensive income	7,504	4,482
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	7,504	4,482
Comprehensive income attributable to non-controlling interests	-	-

(3) Consolidated Statement of Changes in Shareholders' Equity

FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	23,282	27,833	96,753	(4,325)	143,544
Changes of items during period					
Dividend from surplus			(3,830)		(3,830)
Profit attributable to owners of parent			7,377		7,377
Purchase of treasury stock				(1,051)	(1,051)
Disposal of treasury stock		0		0	0
Net changes of items other than shareholders' equity					
Total changes of items during period	-	0	3,546	(1,051)	2,495
Balance at the end of current period	23,282	27,833	100,299	(5,376)	146,039

	Accumulated other comprehensive income			Stock acquisition rights	Total net assets
	Unrealized gain on securities	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of current period	576	(302)	274	87	143,906
Changes of items during period					
Dividend from surplus					(3,830)
Profit attributable to owners of parent					7,377
Purchase of treasury stock					(1,051)
Disposal of treasury stock					0
Net changes of items other than shareholders' equity	11	115	126	-	126
Total changes of items during period	11	115	126	-	2,622
Balance at the end of current period	588	(187)	401	87	146,528

FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	23,282	27,833	100,299	(5,376)	146,039
Changes of items during period					
Dividend from surplus			(4,413)		(4,413)
Profit attributable to owners of parent			4,602		4,602
Purchase of treasury stock				(986)	(986)
Disposal of treasury stock		12		59	72
Net changes of items other than shareholders' equity					
Total changes of items during period	-	12	188	(926)	(724)
Balance at the end of current period	23,282	27,846	100,488	(6,302)	145,315

	Accumulated other comprehensive income			Stock acquisition rights	Total net assets
	Unrealized gain on securities	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of current period	588	(187)	401	87	146,528
Changes of items during period					
Dividend from surplus					(4,413)
Profit attributable to owners of parent					4,602
Purchase of treasury stock					(986)
Disposal of treasury stock					72
Net changes of items other than shareholders' equity	(218)	97	(120)	(12)	(132)
Total changes of items during period	(218)	97	(120)	(12)	(857)
Balance at the end of current period	370	(89)	280	75	145,671

(4) Consolidated Statement of Cash Flows

(Millions of yen)

	FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)	FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)
Cash flows from operating activities		
Profit before income taxes	11,906	7,436
Depreciation and amortization	8,459	8,229
Impairment loss	2,078	4,153
Increase (decrease) in accrued retirement benefits for employees	255	183
Increase (decrease) in accrued retirement benefits for directors and statutory auditors	68	(2,018)
Increase (decrease) in accrued costs for customer point program	(10)	(186)
Interest and dividend income	(168)	(170)
Interest expenses	328	299
Loss on liquidation of subsidiaries and associates	-	444
Decrease (increase) in accounts receivable-trade	(1,151)	(134)
Decrease (increase) in inventories	897	432
Increase (decrease) in accounts payable-trade	652	(1,649)
Increase (decrease) in accrued consumption taxes	1,103	(892)
Other	1,254	2,394
Subtotal	25,674	18,523
Interest and dividend income received	130	139
Interests paid	(326)	(300)
Income taxes paid	(4,670)	(6,170)
Income taxes refund	895	875
Net cash provided by operating activities	21,703	13,066
Cash flows from investing activities		
Payments for acquisition of tangible fixed assets	(6,942)	(7,035)
Payments for acquisition of intangible fixed assets	(626)	(1,206)
Payments for leasehold and guarantee deposits	(488)	(965)
Proceeds from collection of leasehold and guarantee deposits	536	737
Net decrease (increase) in short-term debt	(440)	170
Net decrease (increase) in trust beneficiary rights	(204)	(36)
Other	(688)	(817)
Net cash used in investing activities	(8,855)	(9,152)
Cash flows from financing activities		
Proceeds from long-term debt	2,000	1,000
Repayments of long-term debt	(4,150)	(2,650)
Repayments of lease obligations	(2,245)	(2,484)
Payments for purchase of treasury stock	(1,051)	(986)
Dividends paid	(3,833)	(4,411)
Other	0	-
Net cash used in financing activities	(9,280)	(9,532)
Effect of exchange rate change on cash and cash equivalents	(0)	(0)
Increase (decrease) in cash and cash equivalents	3,567	(5,617)
Cash and cash equivalents at beginning of period	28,608	32,175
Cash and cash equivalents at end of period	*1 32,175	*1 26,558

(5) Notes to Consolidated Financial Statements**Going Concern Assumption**

No reportable information.

Changes in Accounting Policies

AOKI Holdings has decided to apply “Practical Solution on Transactions Granting Employees and Others Stock Acquisition Rights, which Involve Considerations, with Vesting Conditions, etc.” (ASBJ Practical Issues Task Force (PITF) No. 36, January 12, 2018) from April 1, 2018 and to account for transactions granting employees and others stock acquisition rights, which involve considerations, with vesting conditions in accordance with the “Accounting Standard for Stock Options” (ASBJ Statement No. 8, December 27, 2005) and related guidance.

However, when applying PITF No. 36, the Company complies with the transitional provisions in Paragraph 10, Item (3) of PITF No. 36 and continues to account for transactions that granted employees and others stock acquisition rights, which involve considerations, with vesting conditions prior to the date of application of PITF No. 36 in accordance with the previously adopted accounting procedures.

Reclassifications**Application of Partial Amendments to Accounting Standard for Tax Effect Accounting**

AOKI Holdings has applied “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018) at the beginning of the current fiscal year. Accordingly, deferred tax assets are reclassified and included in the investments and other assets section.

Changes in Accounting-based Estimates**Changes in Accounting-based Estimates for Asset Retirement Obligations**

AOKI Holdings has recorded asset retirement obligations for returning leased space to its original condition in association with real estate leasing contracts for stores and other properties. According to the store closure and other information, the Company changed its accounting-based estimates for restoration expenses which will be required for store closures. As a result of this change, an increase of 575 million yen is added to asset retirement obligations before the change. The effect of this change on profit/loss is insignificant.

Additional Information**Termination of Directors’ Retirement Benefits**

At the AOKI Holdings shareholders meeting in June 2018, shareholders approved a resolution to make final retirement payments in conjunction with the termination of the retirement benefit program for directors and statutory auditors of AOKI Holdings and its consolidated subsidiaries.

As a result, all accrued retirement benefits for directors and statutory auditors were reversed and eliminated. The planned retirement benefit program termination payments of 1,680 million yen are included in other long-term liabilities.

Notes to Consolidated Balance Sheet***1. Breakdown of inventories** (Millions of yen)

	FY3/18 (As of Mar. 31, 2018)	FY3/19 (As of Mar. 31, 2019)
Merchandise	25,270	24,954
Raw materials and supplies	736	620
Total	26,007	25,574

***2. Collateralized assets** (Millions of yen)

	FY3/18 (As of Mar. 31, 2018)	FY3/19 (As of Mar. 31, 2019)
Land	284	284

***3. The following items are applicable to non-consolidated subsidiaries and affiliates** (Millions of yen)

	FY3/18 (As of Mar. 31, 2018)	FY3/19 (As of Mar. 31, 2019)
Investment securities (stocks)	514	315

4. The Company has current account overdraft agreements with major financial institutions in order to raise funds efficiently. The balance of unused credit lines under these agreements as of the end of the fiscal year is as follows.

	FY3/18 (As of Mar. 31, 2018)	FY3/19 (As of Mar. 31, 2019)
Current account overdraft	26,000	26,000
Credit used	-	-
Credit available	26,000	26,000

Notes to Consolidated Statement of Income

*1. Major items of selling, general and administrative expenses (Millions of yen)

	FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)	FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)
Advertising expenses	13,079	12,349
Salaries and bonuses	18,976	18,642
Provision of accrued bonuses for employees	1,670	1,677
Provision of accrued bonuses for directors and statutory auditors	122	83
Retirement benefit expenses	818	764
Provision of accrued retirement benefits for directors and statutory auditors	112	20
Welfare expense	3,850	3,742
Rents	15,251	14,737
Depreciation and amortization	3,480	3,478

*2. Impairment loss

The Group recognized an impairment loss on the following groups of assets.

FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)

Use	Item	Location
Operating stores	Buildings and structures, others	Toyama City, Toyama, etc.
Idle assets	Land	Joetsu City, Niigata

The Group uses individual stores and idle asset items to group its assets.

Book value was impaired to recoverable value, and the resulting impairment loss (2,078 million yen) was recognized as an extraordinary loss, for idle assets whose recoverable value had fallen below book value, and operating stores set to be closed, rebuilt or expected to remain in the red due to changes in conditions at the store location and other factors.

Breakdown of impairment losses: operating stores 2,078 million yen (including buildings and structures 1,673 million yen and others 405 million yen) and idle assets 0 million yen (land 0 million yen).

The recoverable value of this category of assets is measured by net sales value or utility value. The net sales value is based on roadside land prices. The utility value is calculated by the discounted cash flow method. A discount rate of between 5.3% and 5.7% is used for calculating the utility value.

FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)

Use	Item	Location
Operating stores	Buildings and structures, others	Chiba City, Chiba, etc.
Subleasing stores	Buildings and structures, others	Atsugi City, Kanagawa, etc.
Idle assets	Land	Joetsu City, Niigata, etc.

The Group uses individual stores and idle asset items to group its assets.

Book value was impaired to recoverable value, and the resulting impairment loss (4,153 million yen) was recognized as an extraordinary loss, for idle assets whose recoverable value had fallen below book value, and operating stores and subleasing stores set to be closed, rebuilt or expected to remain in the red due to changes in conditions at the store location and other factors.

Breakdown of impairment losses: operating stores 4,090 million yen (including buildings and structures 3,247 million yen and others 843 million yen), subleasing stores 51 million yen (including buildings and structures 50 million yen and others 1 million yen) and idle assets (land) 11 million yen.

The recoverable value of this category of assets is measured by net sales value or utility value. The net sales value is based on the appraisal of a real estate appraiser. The utility value is calculated by the discounted cash flow method. A discount rate of between 5.4% and 5.8% is used for calculating the utility value.

Notes to Consolidated Statement of Comprehensive Income

*1. Re-classification adjustments and tax effect with respect to other comprehensive income (Millions of yen)

	FY3/18	FY3/19
	(Apr. 1, 2017 – Mar. 31, 2018)	(Apr. 1, 2018 – Mar. 31, 2019)
Unrealized gain on securities		
Amount incurred during the year	22	(292)
Re-classification adjustments	-	-
Before tax effect adjustments	22	(292)
Tax effect	(11)	74
Unrealized gain on securities	11	(218)
Remeasurements of defined benefit plans, net of tax		
Amount incurred during the year	18	45
Re-classification adjustments	158	98
Before tax effect adjustments	176	144
Tax effect	(61)	(46)
Remeasurements of defined benefit plans, net of tax	115	97
Total other comprehensive income	126	(120)

Notes to Consolidated Statement of Changes in Shareholders' Equity

FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)

1. Type of share and number of outstanding shares

Type of share	Number of shares as of Apr. 1, 2017	Increase	Decrease	Number of shares as of Mar. 31, 2018
Common shares (Thousand shares)	90,649	-	-	90,649

2. Type and number of shares of treasury stock

Type of share	Number of shares as of Apr. 1, 2017	Increase	Decrease	Number of shares as of Mar. 31, 2018
Common shares (Thousand shares)	3,404	681	0	4,085

Notes: 1. Increase in the number of shares of treasury stock (Thousand shares)

Purchase of treasury stock pursuant to the Board of Directors' resolution on February 9, 2017: 363

Purchase of treasury stock pursuant to the Board of Directors' resolution on January 31, 2018: 316

Purchase of odd-lot shares: 1

2. Decrease in the number of shares of treasury stock (Thousand shares)

Sales of odd-lot shares: 0

3. Items related to acquisition rights for new shares

Company	Stock acquisition rights (itemized)	Type of shares under stock acquisition rights	Number of shares under stock acquisition rights (Thousand shares)				Balance as of Mar. 31, 2018 (Millions of yen)
			As of Apr. 1, 2017	Increase	Decrease	As of Mar. 31, 2018	
Reporting company	Stock acquisition rights by way of stock options (2015)	-	-	-	-	-	87

4. Dividends

(1) Dividend payment

Resolution	Type of share	Total amount of dividend (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Board of Directors' meeting on May 11, 2017	Common shares	1,919	22	Mar. 31, 2017	Jun. 7, 2017
Board of Directors' meeting on November 9, 2017	Common shares	1,911	22	Sep. 30, 2017	Dec. 5, 2017

(2) Dividends with a record date in the current fiscal year but an effective date in the following fiscal year

Resolution	Type of share	Source of funds	Total amount of dividend (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Board of Directors' meeting on May 10, 2018	Common shares	Retained earnings	1,904	22	Mar. 31, 2018	Jun. 6, 2018

FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)

1. Type of share and number of outstanding shares

Type of share	Number of shares as of Apr. 1, 2018	Increase	Decrease	Number of shares as of Mar. 31, 2019
Common shares (Thousand shares)	90,649	-	-	90,649

2. Type and number of shares of treasury stock

Type of share	Number of shares as of Apr. 1, 2018	Increase	Decrease	Number of shares as of Mar. 31, 2019
Common shares (Thousand shares)	4,085	684	45	4,724

Notes: 1. Increase in the number of shares of treasury stock (Thousand shares)

Purchase of treasury stock pursuant to the Board of Directors' resolution on January 31, 2018: 683

Purchase of odd-lot shares: 0

2. Decrease in the number of shares of treasury stock (Thousand shares)

Decrease due to disposals of restricted stock compensation for directors: 45

3. Items related to acquisition rights for new shares

Company	Stock acquisition rights (itemized)	Type of shares under stock acquisition rights	Number of shares under stock acquisition rights (Thousand shares)				Balance as of Mar. 31, 2019 (Millions of yen)
			As of Apr. 1, 2018	Increase	Decrease	As of Mar. 31, 2019	
Reporting company	Stock acquisition rights by way of stock options (2015)	-	-	-	-	-	75

4. Dividends

(1) Dividend payment

Resolution	Type of share	Total amount of dividend (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Board of Directors' meeting on May 10, 2018	Common shares	1,904	22	Mar. 31, 2018	Jun. 6, 2018
Board of Directors' meeting on November 8, 2018	Common shares	2,509	29	Sep. 30, 2018	Dec. 5, 2018

(2) Dividends with a record date in the current fiscal year but an effective date in the following fiscal year

Resolution	Type of share	Source of funds	Total amount of dividend (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Board of Directors' meeting on May 10, 2019	Common shares	Retained earnings	2,663	31	Mar. 31, 2019	Jun. 6, 2019

Notes to Consolidated Statement of Cash Flows

*1. Reconciliation of cash and cash equivalents of the statement of cash flows and account balances of balance sheet
(Millions of yen)

	FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)	FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)
Cash in hand and in banks	32,175	26,558
Cash and cash equivalents	32,175	26,558

2. Significant non-cash transactions

Assets and obligations applicable to the finance lease transaction

	FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)	FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)
Assets and obligations applicable to the finance lease transaction	2,435	1,665

Segment and Other Information

Segment information

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 plans and sells men's and women's wear; the Anniversaire and Bridal Business operates wedding halls; the Karaoke Facility Operations Business operates karaoke facilities; and the Café Complex Operations Business provides relaxation space with magazines, comics, massage chairs, Internet access, etc.

2. Calculation methods for sales, profits/losses, assets, liabilities and other items for each reportable segment

The accounting treatment methods for reportable segments are generally the same as accounting principles and procedures used for the preparation of the consolidated financial statements.

Profits for reportable segments are generally operating profit figures. Profits on and transfer amounts of inter-segment transactions within the Group are based on current market prices.

3. Information related to sales, profits/losses, assets, liabilities and other items for each reportable segment

FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)

(Millions of yen)

	Reportable segment					Adjustment (Note 1)	Amounts shown on consolidated financial statements (Note 2)
	Fashion	Anniversaire and Bridal	Karaoke Facility Operations	Café Complex Operations	Total		
Sales							
External sales	118,442	27,157	18,687	34,129	198,417	-	198,417
Inter-segment sales and transfers	13	15	4	-	32	(32)	-
Total	118,455	27,173	18,691	34,129	198,450	(32)	198,417
Segment profit	8,526	2,809	765	2,071	14,172	691	14,864
Segment assets	112,819	41,161	13,287	28,837	196,105	42,962	239,068
Other items							
Depreciation and amortization	2,768	1,653	1,232	2,260	7,915	433	8,348
Amortization of goodwill	0	-	15	1	16	-	16
Increase in tangible fixed assets and intangible fixed assets	2,831	390	1,738	3,825	8,786	1,267	10,053

Notes: 1. The above adjustments include the following items.

- (1) The 691 million yen adjustment to segment profit includes 4,286 million yen in elimination for inter-segment transactions, and -3,594 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) The 42,962 million yen adjustment to segment assets includes -29,673 million yen in elimination of the offsetting receivables from subsidiaries, and company-wide assets of 72,636 million yen that cannot be allocated to any specific reportable segments. Company-wide assets consist mainly of the Company's land and building and structures of the head office that cannot be attributed to reportable segments.
- (3) The 1,267 million yen adjustment to an increase in tangible and intangible fixed assets mainly includes investment in building and structures related to extension and reconstruction of the head office.

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

FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)

(Millions of yen)

	Reportable segment					Adjustment (Note 1)	Amounts shown on consolidated financial statements (Note 2)
	Fashion	Anniversaire and Bridal	Karaoke Facility Operations	Café Complex Operations	Total		
Sales							
External sales	114,401	25,413	17,305	36,797	193,918	-	193,918
Inter-segment sales and transfers	2	19	0	-	22	(22)	-
Total	114,404	25,433	17,305	36,797	193,940	(22)	193,918
Segment profit	7,222	2,169	1,022	2,158	12,572	809	13,382
Segment assets	112,762	39,451	11,487	31,977	195,678	36,377	232,056
Other items							
Depreciation and amortization	2,917	1,508	990	2,388	7,804	335	8,140
Amortization of goodwill	-	-	13	-	13	-	13
Increase in tangible fixed assets and intangible fixed assets	4,374	542	741	4,614	10,273	1,133	11,406

Notes: 1. The above adjustments include the following items.

- (1) The 809 million yen adjustment to segment profit includes 4,614 million yen in elimination for inter-segment transactions, and -3,804 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) The 36,377 million yen adjustment to segment assets includes -33,229 million yen in elimination of the offsetting receivables from subsidiaries, and company-wide assets of 69,607 million yen that cannot be allocated to any specific reportable segments. Company-wide assets consist mainly of the Company's land and building and structures of the head office that cannot be attributed to reportable segments.
- (3) The 1,133 million yen adjustment to an increase in tangible and intangible fixed assets mainly includes investment in building and structures related to extension and reconstruction of the head office.

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

Related information

FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)

1. Information by product or service

This information is omitted because the same information is presented in segment information.

2. Information by region

(1) Sales

No reportable information because there are no external sales outside Japan.

(2) Tangible fixed assets

No reportable information since the Company has no tangible fixed assets other than Japan.

3. Information by major client

This information is omitted because no external client accounts for more than 10% of sales on the consolidated statement of income.

FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)

1. Information by product or service

This information is omitted because the same information is presented in segment information.

2. Information by region

(1) Sales

No reportable information because there are no external sales outside Japan.

(2) Tangible fixed assets

No reportable information since the Company has no tangible fixed assets other than Japan.

3. Information by major client

This information is omitted because no external client accounts for more than 10% of sales on the consolidated statement of income.

Information related to impairment losses on fixed assets for each reportable segment

FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)

(Millions of yen)

	Reportable segment					Elimination or corporate	Total
	Fashion	Anniversaire and Bridal	Karaoke Facility Operations	Café Complex Operations	Sub-total		
Impairment losses	866	262	791	157	2,078	0	2,078

FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)

(Millions of yen)

	Reportable segment					Elimination or corporate	Total
	Fashion	Anniversaire and Bridal	Karaoke Facility Operations	Café Complex Operations	Sub-total		
Impairment losses	1,190	-	1,702	1,255	4,148	5	4,153

Information related to goodwill amortization and the unamortized balance for each reportable segment

FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)

(Millions of yen)

	Reportable segment					Elimination or corporate	Total
	Fashion	Anniversaire and Bridal	Karaoke Facility Operations	Café Complex Operations	Sub-total		
Balance at end of period	-	-	38	-	38	-	38

Note: Goodwill amortization is omitted because the same information is presented in segment information.

FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)

(Millions of yen)

	Reportable segment					Elimination or corporate	Total
	Fashion	Anniversaire and Bridal	Karaoke Facility Operations	Café Complex Operations	Sub-total		
Balance at end of period	-	-	7	-	7	-	7

Note: Goodwill amortization is omitted because the same information is presented in segment information.

Information related to gain on negative goodwill for each reportable segment

No reportable information.

Per Share Information

(Yen)

	FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)	FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)
Net assets per share	1,691.70	1,694.45
Net income per share	84.87	53.34

Notes: 1. Diluted net income per share is not presented since the Company has no potential stock with dilutive effects.

2. The following is a reconciliation of net income per share

(Millions of yen)

Item	FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)	FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)
Net income per share		
Profit attributable to owners of parent	7,377	4,602
Net income not available to common stock shareholders	-	-
Profit attributable to owners of parent applicable to common stock	7,377	4,602
Average number of common shares outstanding during the period (Thousand shares)	86,920	86,287
Summary of potential stock not included in the calculation of diluted net income per share since there was no dilutive effect	Stock acquisition rights issued pursuant to the Board of Directors' resolution on November 18, 2015 Stock Acquisition Rights No. 5 Number of stock acquisition rights: 9,050	Stock acquisition rights issued pursuant to the Board of Directors' resolution on November 18, 2015 Stock Acquisition Rights No. 5 Number of stock acquisition rights: 7,750

3. The following is a reconciliation of net assets per share

(Millions of yen)

Item	FY3/18 (As of Mar. 31, 2018)	FY3/19 (As of Mar. 31, 2019)
Total net assets	146,528	145,671
Deduction on total net assets	87	75
[of which stock acquisition rights]	[87]	[75]
Net assets applicable to common shares	146,440	145,595
Number of common stock shares used in calculation of net assets per share (Thousand shares)	86,564	85,925

Subsequent Events

Not applicable.

4. Other

Changes in Directors

(1) Changes of Aoki Holdings' Directors (to be effective June 27, 2019)

1) Candidate for directors

Director Keita Nagemoto (Current Managing Executive Officer)

Director Terumitsu Noguchi (Current Managing Executive Officer)

Director Hidekazu Azuma (Current Executive Vice President of VALIC Co., Ltd.)

2) Retiring directors

Director Masatake Hirai

Director Shingo Tanii

Note: Mr. Shingo Tanii will remain the President of VALIC Co., Ltd.

(2) Changes of Representative Directors of consolidated subsidiaries (ANNIVERSAIRE INC.) (to be effective June 26, 2019)

1) Candidate for representative director

Kenichi Matsuda (Current Managing Executive Officer)

2) Retiring representative director

Masatake Hirai

Note: Mr. Masatake Hirai will be appointed as Chairman of ANNIVERSAIRE INC.

** 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.*