

Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2017

[Japanese GAAP]

Company name: AOKI Holdings Inc. Listings: TSE First Section
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 Scheduled date of Annual General Meeting of Shareholders: June 28, 2017
 Scheduled date of filing of Annual Securities Report: June 29, 2017
 Scheduled date of payment of dividend: June 7, 2017
 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 11, 2017 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, 2017 (April 1, 2016 – March 31, 2017)

(1) Consolidated results of operations (Percentages shown for sales and incomes represent year-on-year changes)

	Sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY3/17	194,046	2.9	14,447	(18.8)	13,895	(21.2)	7,355	(24.3)
FY3/16	188,594	2.6	17,789	(6.5)	17,627	(6.8)	9,711	(4.7)

Note: Comprehensive income (million yen) FY3/17: 7,400 (down 17.0%) FY3/16: 8,919 (down 18.5%)

	Net income per share	Diluted net income per share	Return on equity	Ordinary profit on total assets	Operating profit to sales
	Yen	Yen	%	%	%
FY3/17	83.38	-	5.1	6.0	7.4
FY3/16	107.55	-	6.9	7.7	9.4

Reference: Equity in income of affiliates (million yen) FY3/17: - FY3/16: -

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2017	234,681	143,906	61.3	1,648.44
As of Mar. 31, 2016	230,363	142,926	62.0	1,593.03

Reference: Shareholders' equity (million yen) As of Mar. 31, 2017: 143,818 As of Mar. 31, 2016: 142,838

(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
FY3/17	18,628	(10,582)	(6,998)	28,608
FY3/16	12,610	(6,969)	(7,306)	27,560

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	Million yen	%	%
FY3/16	-	20.00	-	20.00	40.00	3,592	37.2	2.6
FY3/17	-	21.00	-	22.00	43.00	3,768	51.6	2.7
FY3/18 (forecasts)	-	22.00	-	22.00	44.00		50.5	

3. Consolidated Forecast for the Fiscal Year Ending March 31, 2018 (April 1, 2017 – March 31, 2018)

(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	200,550	3.4	14,500	0.4	14,000	0.8	7,600	3.3	87.11

*** 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: | None |
| 4) Restatements: | None |

Note: Please refer to “3. Consolidated Financial Statements and Notes, (5) Notes to Consolidated Financial Statements” 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, 2017:	90,649,504 shares	As of Mar. 31, 2016:	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, 2017:	3,404,290 shares	As of Mar. 31, 2016:	984,762 shares
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3) Average number of shares outstanding during the period

Fiscal year ended Mar. 31, 2017:	88,210,968 shares	Fiscal year ended Mar. 31, 2016:	90,297,252 shares
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Note 1: The current financial report is not subject to audit procedures.

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 “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 26, 2017. 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, 2017, the Japanese economy continued to recover slowly along with improvements in jobs and personal income. However, the outlook for the economy is unclear because of uncertainty about overseas economies and sluggish consumer spending in Japan caused in part by slowing growth in real income. In this environment, 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	194,046 million yen	(up 2.9% year-on-year)
Operating profit	14,447 million yen	(down 18.8% year-on-year)
Ordinary profit	13,895 million yen	(down 21.2% year-on-year)
Profit attributable to owners of parent	7,355 million yen	(down 24.3% year-on-year)

Fashion Business

There were several activities at AOKI to serve a larger number of young customers (“freshers”) who need apparel for college entrance or graduation ceremonies or for a new job following graduation. TV commercials featuring Sexy Zone, a group of singers belonging to the same age segment, were used to promote this apparel. For apparel for women in this “freshers” category, AOKI introduced fashions created in collaboration with the CanCam fashion magazine. Another major theme of the fiscal year was apparel for students’ job hunting market. Activities to find jobs are becoming longer and more diversified. For this market, AOKI has a line of Kyukyoku no Shukatsu series that was created jointly with Mynavi Student, a service that provides job hunting (“shukatsu”) information to students who will soon graduate. Major remodeling projects had been completed at about 120 AOKI stores by January 2017 in order to improve the store environment for the standpoint of medium to long-term growth. Fourteen new stores were opened, while eight stores were closed for relocation and other reasons. As a result, there were 573 stores at the end of the fiscal year, compared with 567 one year earlier.

ORIHICA used TV commercials and other activities for THE 3rd SUITS, a line of jacket-and-pants apparel that reflects the growing diversity of styles of business apparel. In addition, ORIHICA continued to enlarge the lineups of functional apparel, such as Super No-Iron Shirts and Hashireru Pumps (“pumps that let you run”). Five new stores were opened while four stores were closed to improve operating efficiency. As a result, there were 145 stores at the end of the fiscal year compared with 144 one year earlier.

Overall, segment sales increased because of higher sales at existing stores, primarily the result of sales at stores reopened after remodeling, the opening of new stores and brisk sales of apparel to “freshers.” However, a decline in gross profit margins due partly to store remodeling sales and store remodeling expenses brought down earnings. As a result, sales increased 3.7% to 118,264 million yen and operating profit decreased 16.8% to 8,167 million yen.

Anniversaire and Bridal Business

ANNIVERSAIRE INC. operates guesthouse-style wedding and reception facilities. To add more ways to attract customers, we are strengthening activities involving the Proposal Plan and conducting marketing activities that utilize the powerful ANNIVERSAIRE brand. We also increased the number of benefits for members of the ANNIVERSAIRE Members Club, which provides a variety of services to couples after a wedding. In addition, we replaced our core IT system to improve operating efficiency and reduce costs. Despite all these activities, affected in part by adverse market conditions, the number of couples married at ANNIVERSAIRE wedding facilities decreased. Sales decreased 8.4% to 26,860 million yen and operating profit decreased 23.1% to 2,760 million yen.

Karaoke Facility Operations Business

VALIC Co., Ltd., which operates karaoke facilities, installed the most advanced karaoke system to make current locations even more appealing. In other moves to attract more customers, a variety of party packages were introduced to meet a diverse range of customer needs and there were marketing campaigns using tie-ups with

popular artists and characters. Nine karaoke facilities were opened during the fiscal year, while seven facilities were closed to improve operating efficiency. As a result, there were 185 karaoke facilities at the end of the fiscal year compared with 183 one year earlier.

Although the new locations contributed to sales, market conditions and intense competition impacted the performance of existing karaoke facilities. As a result, sales increased 2.4% to 18,676 million yen and operating profit decreased 40.4% to 887 million yen.

Café Complex Operations Business

At VALIC Co., Ltd., which also operates café complexes, there were many activities aimed at improving the performance of existing locations. Cafés increased the selection of limited-time-only menu items, installed PCs with the latest technology, upgraded the KAIKATSU CLUB app and took other actions to increase the number of customers. Furthermore, 19 facilities were renovated mainly by adding sections exclusively for women and improving the booth configuration. VALIC actively opened 52 facilities, including its first locations in Tottori, Okinawa and Fukui, and café complexes near railway stations. One facility was closed due to the termination of a contract during the fiscal year. As a result, there were 346 café complexes at the end of the fiscal year compared with 295 one year earlier.

Sales increased 11.9% to 30,264 million yen due to the newly opened cafés, but operating profit decreased 17.4% to 1,893 million yen because of higher expenses for new café openings.

(2) Financial Position

Balance sheet position

Total assets at the end of the fiscal year under review increased 4,318 million yen from the end of the previous fiscal year to 234,681 million yen.

Current assets increased 1,064 million yen from the end of the previous fiscal year. Although inventories decreased 930 million yen due to increase in sales among other factors, there were increases of 1,047 million yen in cash in hand and in banks mainly due to long-term debt, and 1,070 million yen in accounts receivable-trade due to increase in sales among other factors. Fixed assets increased 3,254 million yen from the end of the previous fiscal year as tangible fixed assets increased 3,840 million yen due to new store openings, renewals and other factors.

Current liabilities increased 948 million yen from the end of the previous fiscal year. There were increases of 1,137 million yen in accounts payable-trade resulting from an increase in procurement, and 281 million yen in lease obligations, while there was a decrease of 1,065 million yen in accrued income taxes. Long-term liabilities increased 2,389 million yen. It was mainly due to increases of 850 million yen in long-term debt due to capital investments, 585 million yen in lease obligations and 404 million yen in asset retirement obligations.

Net assets increased 980 million yen from the end of the previous fiscal year. There was an increase of 3,823 million yen in retained earnings due to a profit attributable to owners of parent and dividend from surplus, and an increase of 2,888 million yen in treasury stock due to the purchase.

(3) Cash Flows

Cash flow position

(Millions of yen)

	FY3/16	FY3/17
Cash flows from operating activities	12,610	18,628
Cash flows from investing activities	(6,969)	(10,582)
Cash flows from financing activities	(7,306)	(6,998)
Increase (decrease) in cash and cash equivalents	(1,665)	1,047
Cash and cash equivalents at beginning of period	29,226	27,560
Cash and cash equivalents at end of period	27,560	28,608

Cash and cash equivalents at the end of the fiscal year under review increased 1,047 million yen from the end of the previous fiscal year to 28,608 million yen mainly due to a decrease in income taxes paid.

Net cash provided by operating activities increased 6,018 million yen to 18,628 million yen on a year-on-year basis. The principal factors were profit before income taxes of 11,504 million yen, depreciation and amortization of 8,032 million yen, and impairment loss of 2,834 million yen, while there was income taxes paid of 5,685 million yen (the net of income tax payments and refunds).

Net cash used in investing activities increased 3,612 million yen to 10,582 million yen on a year-on-year basis. This was mainly due to the payments of 10,487 million yen for the acquisition of tangible fixed assets for capital investment, and leasehold and guarantee deposits of 1,545 million yen, while there was proceeds from sales of investment securities of 2,079 million yen.

Net cash used in financing activities decreased 307 million yen to 6,998 million yen on a year-on-year basis. This was mainly due to scheduled repayment of long-term debt of 4,050 million yen, repayments of lease obligations of 1,904 million yen, payments for purchase of treasury stock of 2,888 million yen, and cash dividends paid of 3,645 million yen, while there were proceeds from long-term debt of 5,000 million yen for capital expenditure.

(4) Outlook

In the fiscal year ending on March 31, 2018, we expect the Japanese economy to continue to recover slowly. But the outlook remains uncertain primarily because of overseas political and economic events and exchange rate movements. The AOKI Group will use a variety of actions to respond to diversifying consumer needs as well as to operate with even greater efficiency. There will also be many initiatives to revitalize existing locations and build a more powerful infrastructure.

In the Fashion Business, AOKI will continue remodeling stores, developing new products and reinforcing its team of stylists to invigorate existing stores. Another goal is strengthening operations of Size MAX stores that specialize in plus-size apparel. ORIHICA will continue to strengthen its lineup of merchandise and further enhance profitability by boosting operating efficiencies. We plan to open approximately 14 stores in the Fashion Business during the fiscal year ending on March 31, 2018.

In the ANNIVERSAIRE and Bridal Business, our goals are to make the ANNIVERSAIRE brand more powerful and offer more wedding services by using activities that emphasize the strengths of our wedding and reception facilities and clearly communicate the central concept for ANNIVERSAIRE. Another goal is more progress with improving operating efficiency.

In the Karaoke Facility Operations Business, we will continue to revitalize existing locations. Actions include aggressive marketing campaigns using tie-ups with popular characters, introduction of the latest karaoke systems, and renovation of facilities.

In the Café Complex Operations Business, one goal is taking this business model to a higher level. We are enlarging the lineup of content, upgrading the food and beverage selection and enlarging café sections exclusively for women. In addition, we plan to continue opening café complexes near railway stations. In total, we plan to open 27 new karaoke facilities and café complexes.

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	0.4	3.3	1.4	1.6	0.2	0.8	1.0
Anniversaire and Bridal (Note)			1.8			0.3	1.0
Karaoke Facility Operations	(1.1)	(0.4)	(0.7)	(1.3)	2.4	0.5	(0.1)
Café Complex Operations	(1.3)	(0.8)	(1.0)	(0.6)	2.6	1.0	0.0

Note: The percentages for the ANNIVERSAIRE and Bridal business are expected changes in the number of couples married.

Our business segment forecasts are as follows.

Business segment forecasts for the fiscal year ending March 31, 2018

	Fashion	Anniversaire and Bridal	Karaoke Facility Operations	Café Complex Operations	Consolidated
Sales (Millions of yen)	119,900	27,800	19,000	33,900	200,550
YoY change (%)	101.4	103.5	101.7	112.0	103.4
Segment profit (Millions of yen)	8,500	2,800	900	1,900	14,500
YoY change (%)	104.1	101.4	101.4	100.4	100.4

Note: Segment profit is operating profit. The total segment profits differ from consolidated operating profit because of consolidation adjustments.

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)	
	FY3/16 (As of Mar. 31, 2016)	FY3/17 (As of Mar. 31, 2017)
Assets		
Current assets		
Cash in hand and in banks	27,560	28,608
Accounts receivable-trade	9,437	10,508
Inventories	*1 27,835	*1 26,905
Deferred income tax assets	1,953	1,792
Other current assets	7,157	7,181
Allowance for doubtful accounts	(45)	(32)
Total current assets	73,899	74,963
Fixed assets		
Tangible fixed assets		
Buildings and structures	124,107	130,359
Accumulated depreciation	(65,206)	(68,790)
Buildings and structures, net	58,900	61,568
Machinery, vehicles, tools, furniture and fixtures	15,171	16,094
Accumulated depreciation	(7,467)	(8,121)
Machinery, vehicles, tools, furniture and fixtures, net	7,703	7,973
Land	*2 36,934	*2 36,953
Lease assets	11,754	13,464
Accumulated depreciation	(7,531)	(8,600)
Lease assets, net	4,223	4,864
Construction in progress	84	327
Total tangible fixed assets	107,846	111,686
Intangible fixed assets	6,680	6,301
Investments and other assets		
Investment securities	*3 5,328	*3 3,978
Guarantee deposits	8,307	8,259
Leasehold deposit	20,576	21,066
Deferred income tax assets	5,694	6,564
Other investments and other assets	2,070	1,902
Allowance for doubtful accounts	(40)	(40)
Total investments and other assets	41,936	41,730
Total fixed assets	156,464	159,718
Total assets	230,363	234,681

	(Millions of yen)	
	FY3/16	FY3/17
	(As of Mar. 31, 2016)	(As of Mar. 31, 2017)
Liabilities		
Current liabilities		
Accounts payable-trade	18,021	19,159
Current portion of long-term debt	4,050	4,150
Lease obligations	1,570	1,852
Accounts payable-other	5,130	5,259
Accrued income taxes	2,669	1,603
Accrued bonuses for employees	1,708	1,647
Accrued bonuses for directors and statutory auditors	98	89
Other current liabilities	4,999	5,434
Total current liabilities	38,248	39,197
Long-term liabilities		
Long-term debt	36,275	37,125
Lease obligations	3,117	3,702
Accrued retirement benefits for directors and statutory auditors	1,845	1,949
Accrued costs for customer point program	1,014	1,069
Net defined benefit liability	853	976
Asset retirement obligations	5,109	5,513
Other long-term liabilities	973	1,241
Total long-term liabilities	49,187	51,577
Total liabilities	87,436	90,774
Net assets		
Shareholders' equity		
Common stock	23,282	23,282
Capital surplus	27,833	27,833
Retained earnings	92,929	96,753
Treasury stock	(1,436)	(4,325)
Total shareholders' equity	142,609	143,544
Accumulated other comprehensive income		
Unrealized gain on securities	612	576
Remeasurements of defined benefit plans	(383)	(302)
Total accumulated other comprehensive income	229	274
Stock acquisition rights	87	87
Total net assets	142,926	143,906
Total liabilities and net assets	230,363	234,681

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

	(Millions of yen)	
	FY3/16	FY3/17
	(Apr. 1, 2015 – Mar. 31, 2016)	(Apr. 1, 2016 – Mar. 31, 2017)
Sales	188,594	194,046
Cost of sales	101,424	107,730
Gross profit	87,170	86,315
Selling, general and administrative expenses	*1 69,380	*1 71,868
Operating profit	17,789	14,447
Non-operating profit		
Interest income	108	97
Dividend income	134	105
Rental income on real estate	607	605
Other	340	261
Total non-operating profit	1,191	1,070
Non-operating expenses		
Interest expenses	328	315
Expenses on sub-leased real estate	536	528
Loss on disposal of fixed assets	254	328
Loss on cancellation of lease agreements	21	176
Other	212	273
Total non-operating expenses	1,353	1,621
Ordinary profit	17,627	13,895
Extraordinary gains		
Gain on sales of investment securities	68	545
Total extraordinary gains	68	545
Extraordinary losses		
Impairment loss	*2 1,917	*2 2,834
Loss on disaster	-	102
Litigation settlement	439	-
Total extraordinary losses	2,356	2,937
Profit before income taxes	15,339	11,504
Current income taxes	5,881	4,746
Deferred income taxes	(253)	(597)
Total income taxes	5,628	4,149
Profit	9,711	7,355
Profit attributable to owners of parent	9,711	7,355

Consolidated Statement of Comprehensive Income

	(Millions of yen)	
	FY3/16	FY3/17
	(Apr. 1, 2015 – Mar. 31, 2016)	(Apr. 1, 2016 – Mar. 31, 2017)
Profit	9,711	7,355
Other comprehensive income		
Unrealized gain on securities	(616)	(36)
Remeasurements of defined benefit plans, net of tax	(175)	81
Total other comprehensive income	*1 (791)	*1 44
Comprehensive income	8,919	7,400
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	8,919	7,400
Comprehensive income attributable to non-controlling interests	-	-

(3) Consolidated Statement of Changes in Shareholders' Equity

FY3/16 (Apr. 1, 2015 – Mar. 31, 2016)

(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	28,757	86,658	(45)	138,654
Cumulative effects of changes in accounting policies					-
Restated balance	23,282	28,757	86,658	(45)	138,654
Changes of items during period					
Dividend from surplus			(3,440)		(3,440)
Profit attributable to owners of parent			9,711		9,711
Purchase of treasury stock				(2,315)	(2,315)
Retirement of treasury stock		(923)		923	-
Net changes of items other than shareholders' equity					
Total changes of items during period	-	(923)	6,270	(1,391)	3,955
Balance at the end of current period	23,282	27,833	92,929	(1,436)	142,609

	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	1,229	(208)	1,021	-	139,675
Cumulative effects of changes in accounting policies					-
Restated balance	1,229	(208)	1,021	-	139,675
Changes of items during period					
Dividend from surplus					(3,440)
Profit attributable to owners of parent					9,711
Purchase of treasury stock					(2,315)
Retirement of treasury stock					-
Net changes of items other than shareholders' equity	(616)	(175)	(791)	87	(704)
Total changes of items during period	(616)	(175)	(791)	87	3,251
Balance at the end of current period	612	(383)	229	87	142,926

FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)

(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	92,929	(1,436)	142,609
Cumulative effects of changes in accounting policies			110		110
Restated balance	23,282	27,833	93,039	(1,436)	142,719
Changes of items during period					
Dividend from surplus			(3,641)		(3,641)
Profit attributable to owners of parent			7,355		7,355
Purchase of treasury stock				(2,888)	(2,888)
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-	3,713	(2,888)	824
Balance at the end of current period	23,282	27,833	96,753	(4,325)	143,544

	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	612	(383)	229	87	142,926
Cumulative effects of changes in accounting policies					110
Restated balance	612	(383)	229	87	143,036
Changes of items during period					
Dividend from surplus					(3,641)
Profit attributable to owners of parent					7,355
Purchase of treasury stock					(2,888)
Net changes of items other than shareholders' equity	(36)	81	44	-	44
Total changes of items during period	(36)	81	44	-	869
Balance at the end of current period	576	(302)	274	87	143,906

(4) Consolidated Statement of Cash Flows

(Millions of yen)

	FY3/16 (Apr. 1, 2015 – Mar. 31, 2016)	FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)
Cash flows from operating activities		
Profit before income taxes	15,339	11,504
Depreciation and amortization	7,677	8,032
Impairment loss	1,917	2,834
Increase (decrease) in accrued retirement benefits for employees	210	245
Increase (decrease) in accrued retirement benefits for directors and statutory auditors	6	103
Increase (decrease) in accrued costs for customer point program	55	55
Interest and dividend income	(242)	(202)
Interest expenses	328	315
Loss (gain) on sales of investment securities	(68)	(545)
Decrease (increase) in accounts receivable-trade	(445)	(1,070)
Decrease (increase) in inventories	(1,368)	930
Increase (decrease) in accounts payable-trade	(1,845)	1,137
Increase (decrease) in accrued consumption taxes	(1,951)	(284)
Other	684	1,414
Subtotal	20,296	24,469
Interest and dividend income received	193	159
Interests paid	(331)	(314)
Income taxes paid	(8,352)	(6,922)
Income taxes refund	1,243	1,236
Litigation settlement paid	(439)	-
Net cash provided by operating activities	12,610	18,628
Cash flows from investing activities		
Payments for acquisition of tangible fixed assets	(5,777)	(10,487)
Payments for acquisition of intangible fixed assets	(784)	(550)
Payments for leasehold and guarantee deposits	(1,089)	(1,545)
Proceeds from collection of leasehold and guarantee deposits	375	490
Proceeds from sales of investment securities	114	2,079
Net decrease (increase) in trust beneficiary rights	747	(297)
Other	(556)	(249)
Net cash used in investing activities	(6,969)	(10,582)
Cash flows from financing activities		
Proceeds from long-term debt	5,000	5,000
Repayments of long-term debt	(4,450)	(4,050)
Repayments of lease obligations	(1,899)	(1,904)
Payments for purchase of treasury stock	(2,315)	(2,888)
Dividends paid	(3,439)	(3,645)
Proceeds from issuance of subscription rights to shares	87	-
Other	(290)	490
Net cash used in financing activities	(7,306)	(6,998)
Effect of exchange rate change on cash and cash equivalents	(0)	0
Increase (decrease) in cash and cash equivalents	(1,665)	1,047
Cash and cash equivalents at beginning of period	29,226	27,560
Cash and cash equivalents at end of period	*1 27,560	*1 28,608

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

No reportable information.

Changes in Accounting Policies

The Company has adopted the “Implementation Guidance on Recoverability of Deferred Tax Assets” (Accounting Standards Board of Japan (ASBJ) Statement No. 26, March 28, 2016) starting with the fiscal year that ended on March 31, 2017 and partially revised its accounting method for determining the recoverability of deferred tax assets.

The Company has applied this implementation guidance in accordance with the transitional accounting treatments set forth in Paragraph 49 (4) of this implementation guidance. Accordingly, the differences between deferred tax assets and deferred tax liabilities determined by the applicable provisions of Paragraph 49 (3), Items 1 through 3 of the implementation guidance at the beginning of the fiscal year and deferred tax assets and deferred tax liabilities at the end of the fiscal year that ended on March 31, 2016 are added to retained earnings at the beginning of the fiscal year that ended on March 31, 2017.

The result was an increase of 110 million yen each in deferred tax assets (investments and other assets) and retained earnings at the beginning of the fiscal year that ended on March 31, 2017.

Retained earnings, as shown in the consolidated statement of changes in shareholders' equity, increased 110 million yen at the beginning of the fiscal year due to the incorporation of the effect of this accounting policy change on net assets at the beginning of the fiscal year.

Notes to Consolidated Balance Sheet***1. Breakdown of inventories**

(Millions of yen)

	FY3/16 (As of Mar. 31, 2016)	FY3/17 (As of Mar. 31, 2017)
Merchandise	27,119	26,110
Raw materials and supplies	715	794
Total	27,835	26,905

***2. Collateralized assets**

(Millions of yen)

	FY3/16 (As of Mar. 31, 2016)	FY3/17 (As of Mar. 31, 2017)
Land	284	284

***3. The following items are applicable to non-consolidated subsidiaries and affiliates**

(Millions of yen)

	FY3/16 (As of Mar. 31, 2016)	FY3/17 (As of Mar. 31, 2017)
Investment securities (stocks)	414	514

4. Guarantee liabilities**The Company guarantees following bank loans for a company that is not consolidated.**

(Millions of yen)

	FY3/16 (As of Mar. 31, 2016)	FY3/17 (As of Mar. 31, 2017)
AOKI HOLDINGS N.Y. INC.	369	323

5. 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.

(Millions of yen)

	FY3/16 (As of Mar. 31, 2016)	FY3/17 (As of Mar. 31, 2017)
Current account overdraft	25,000	25,000
Credit used	-	-
Credit available	25,000	25,000

Notes to Consolidated Statement of Income

*1. Major items of selling, general and administrative expenses

(Millions of yen)

	FY3/16 (Apr. 1, 2015 – Mar. 31, 2016)	FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)
Advertising expenses	12,202	12,997
Salaries and bonuses	18,319	18,766
Provision of accrued bonuses for employees	1,382	1,372
Provision of accrued bonuses for directors and statutory auditors	98	89
Retirement benefit expenses	634	746
Provision of accrued retirement benefits for directors and statutory auditors	134	134
Welfare expense	3,675	3,768
Rents	15,360	15,403
Depreciation and amortization	3,074	3,307

*2. Impairment loss

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

FY3/16 (Apr. 1, 2015 – Mar. 31, 2016)

Use	Item	Location
Operating stores	Buildings and structures, others	Kawasaki City, Kanagawa, etc.
Subleasing stores	Buildings and structures	Suwa City, Nagano
Idle assets	Land	Fujiyoshida City, Yamanashi, 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 (1,917 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, relocated 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 1,836 million yen (including buildings and structures 1,499 million yen and others 337 million yen), subleasing stores 0 million yen (buildings and structures), and idle assets 79 million yen (land).

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 5.6% and 5.9% is used for calculating the utility value.

FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)

Use	Item	Location
Operating stores	Buildings and structures, others	Ueda City, Nagano, etc.
Subleasing stores	Buildings and structures, others	Nabari City, Mie, 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 (2,834 million yen) was recognized as an extraordinary loss, for 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 2,833 million yen (including buildings and structures 2,344 million yen and others 488 million yen), and subleasing stores 0 million yen (buildings and structures 0 million yen and others 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 the appraisal of a real estate appraiser. The utility value is calculated by the discounted cash flow method. A discount rate of between 4.9% and 5.5% is used for calculating the utility value.

Notes to Consolidated Statement of Comprehensive Income

	(Millions of yen)	
	FY3/16 (Apr. 1, 2015 – Mar. 31, 2016)	FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)
*1. Re-classification adjustments and tax effect with respect to other comprehensive income		
Unrealized gain on securities		
Amount incurred during the year	(822)	(46)
Re-classification adjustments	(68)	(33)
Before tax effect adjustments	(890)	(79)
Tax effect	274	43
Unrealized gain on securities	(616)	(36)
Remeasurements of defined benefit plans, net of tax		
Amount incurred during the year	(396)	(52)
Re-classification adjustments	136	175
Before tax effect adjustments	(260)	123
Tax effect	84	(41)
Remeasurements of defined benefit plans, net of tax	(175)	81
Total other comprehensive income	(791)	44

Notes to Consolidated Statement of Changes in Shareholders' Equity

FY3/16 (Apr. 1, 2015 – Mar. 31, 2016)

1. Type of share and number of outstanding shares

Type of share	Number of shares as of Apr. 1, 2015	Increase	Decrease	Number of shares as of Mar. 31, 2016
Common shares (Thousand shares)	91,249	-	600	90,649

Note: Decrease in the number of outstanding shares (Thousand shares)

Retirement of treasury stock pursuant to the Board of Directors' resolution on May 8, 2015: 600

2. Type and number of shares of treasury stock

Type of share	Number of shares as of Apr. 1, 2015	Increase	Decrease	Number of shares as of Mar. 31, 2016
Common shares (Thousand shares)	66	1,518	600	984

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 May 8, 2015: 1,200

Purchase of treasury stock pursuant to the Board of Directors' resolution on February 15, 2016: 317

Purchase of odd-lot shares: 0

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

Retirement of treasury stock pursuant to the Board of Directors' resolution on May 8, 2015: 600

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, 2016 (Millions of yen)
			As of Apr. 1, 2015	Increase	Decrease	As of Mar. 31, 2016	
Reporting company	Stock acquisition rights by way of stock options (2015)	Common shares	-	905	-	905	87

Notes: 1. Number of shares under stock acquisition rights: the number of shares assuming that all stock options have been exercised.

2. Outline of changes in the number of shares under stock acquisition rights

The increase in the number of shares is due to the issuance of the stock acquisition rights.

3. Stock acquisition rights by way of stock options (2015) have yet to be in the exercise period.

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 8, 2015	Common shares	1,641	18	Mar. 31, 2015	Jun. 8, 2015
Board of Directors' meeting on Nov. 6, 2015	Common shares	1,799	20	Sep. 30, 2015	Dec. 7, 2015

(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 12, 2016	Common shares	Retained earnings	1,793	20	Mar. 31, 2016	Jun. 8, 2016

FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)

1. Type of share and number of outstanding shares

Type of share	Number of shares as of Apr. 1, 2016	Increase	Decrease	Number of shares as of Mar. 31, 2017
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, 2016	Increase	Decrease	Number of shares as of Mar. 31, 2017
Common shares (Thousand shares)	984	2,419	-	3,404

Note: Increase in the number of outstanding shares (Thousand shares)

Purchase of treasury stock pursuant to the Board of Directors' resolution on February 15, 2016: 2,182

Purchase of treasury stock pursuant to the Board of Directors' resolution on February 9, 2017: 236

Purchase 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, 2017 (Millions of yen)
			As of Apr. 1, 2016	Increase	Decrease	As of Mar. 31, 2017	
Reporting company	Stock acquisition rights by way of stock options (2015)	Common shares	905	-	-	905	87

Note: Number of shares under stock acquisition rights: the number of shares assuming that all stock options have been exercised.

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 12, 2016	Common shares	1,793	20	Mar. 31, 2016	Jun. 8, 2016
Board of Directors' meeting on November 10, 2016	Common shares	1,848	21	Sep. 30, 2016	Dec. 5, 2016

(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 11, 2017	Common shares	Retained earnings	1,919	22	Mar. 31, 2017	Jun. 7, 2017

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)

	FY3/16 (Apr. 1, 2015 – Mar. 31, 2016)	FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)
Cash in hand and in banks	27,560	28,608
Cash and cash equivalents	27,560	28,608

2. Significant non-cash transactions

Assets and obligations applicable to the finance lease transaction

	FY3/16 (Apr. 1, 2015 – Mar. 31, 2016)	FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)
Assets and obligations applicable to the finance lease transaction	2,162	2,781

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, 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, and other items for each reportable segment

FY3/16 (Apr. 1, 2015 – Mar. 31, 2016)

(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	114,010	29,291	18,238	27,053	188,594	-	188,594
Inter-segment sales and transfers	4	29	2	0	37	(37)	-
Total	114,015	29,321	18,240	27,054	188,632	(37)	188,594
Segment profit	9,818	3,591	1,489	2,291	17,191	598	17,789
Segment assets	111,656	41,983	14,612	21,975	190,227	40,135	230,363
Other items							
Depreciation and amortization	2,387	1,760	1,312	1,629	7,090	468	7,559
Amortization of goodwill	8	-	1	5	15	-	15
Increase in tangible fixed assets and intangible fixed assets	2,107	1,114	1,768	4,099	9,089	371	9,461

Notes: 1. The above adjustments to segment profits are as follows.

- (1) The 598 million yen adjustment to segment profit includes 4,586 million yen in elimination for inter-segment transactions, and -3,987 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 40,135 million yen adjustment to segment assets includes -32,753 million yen in elimination of the offsetting receivables from subsidiaries, and company-wide assets of 72,888 million yen that cannot be allocated to any specific reportable segments. Company-wide assets consist mainly of the Company's land, building and structures of the head office that cannot be attributed to reportable segments.
- (3) The 371 million yen adjustment to an increase in tangible and intangible fixed assets mainly includes investment in software to be used by the Group.

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

FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)

(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	118,262	26,847	18,671	30,264	194,046	-	194,046
Inter-segment sales and transfers	1	13	4	-	20	(20)	-
Total	118,264	26,860	18,676	30,264	194,066	(20)	194,046
Segment profit	8,167	2,760	887	1,893	13,709	737	14,447
Segment assets	111,083	41,604	14,112	26,565	193,365	41,315	234,681
Other items							
Depreciation and amortization	2,599	1,779	1,225	1,876	7,481	436	7,917
Amortization of goodwill	5	-	21	5	32	-	32
Increase in tangible fixed assets and intangible fixed assets	5,970	549	1,834	5,849	14,204	362	14,567

Notes: 1. The above adjustments to segment profits are as follows.

- (1) The 737 million yen adjustment to segment profit includes 4,459 million yen in elimination for inter-segment transactions, and -3,721 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 41,315 million yen adjustment to segment assets includes -32,723 million yen in elimination of the offsetting receivables from subsidiaries, and company-wide assets of 74,038 million yen that cannot be allocated to any specific reportable segments. Company-wide assets consist mainly of the Company's land, building and structures of the head office that cannot be attributed to reportable segments.
- (3) The 362 million yen adjustment to an increase in tangible and intangible fixed assets mainly includes investment in building and structures to be used by the Group.

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

Related information

FY3/16 (Apr. 1, 2015 – Mar. 31, 2016)

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.

FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)

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

FY3/16 (Apr. 1, 2015 – Mar. 31, 2016)

(Millions of yen)

	Reportable segment					Elimination or corporate	Total
	Fashion	Anniversaire and Bridal	Karaoke Facility Operations	Café Complex Operations	Sub-total		
Impairment losses	1,116	-	620	169	1,906	10	1,917

FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)

(Millions of yen)

	Reportable segment					Elimination or corporate	Total
	Fashion	Anniversaire and Bridal	Karaoke Facility Operations	Café Complex Operations	Sub-total		
Impairment losses	1,333	289	824	386	2,833	0	2,834

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

FY3/16 (Apr. 1, 2015 – Mar. 31, 2016)

(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	8	-	106	7	123	-	123

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

FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)

(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	0	-	67	1	68	-	68

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

Information related to negative goodwill profits for each reportable segment

No reportable information.

Per Share Information

(Yen)

	FY3/16 (Apr. 1, 2015 – Mar. 31, 2016)	FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)
Net assets per share	1,593.03	1,648.44
Net income per share	107.55	83.38

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	FY3/16 (Apr. 1, 2015 – Mar. 31, 2016)	FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)
Net income per share		
Profit attributable to owners of parent	9,711	7,355
Net income not available to common stock shareholders	-	-
Profit attributable to owners of parent applicable to common stock	9,711	7,355
Average number of common shares outstanding during the period (Thousand shares)	90,297	88,210
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: 9,050

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

(Millions of yen)

Item	FY3/16 (As of Mar. 31, 2016)	FY3/17 (As of Mar. 31, 2017)
Total net assets	142,926	143,906
Deduction on total net assets	87	87
[of which stock acquisition rights]	[87]	[87]
Net assets applicable to common shares	142,838	143,818
Number of common stock shares used in calculation of net assets per share (Thousand shares)	89,664	87,245

Subsequent Events

Not applicable.

4. Change in Director

Promoted Director (effective June 28, 2017)

Executive Vice President: Akira Shimizu (current Managing Director)

** 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.*