

Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2018

[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, 2018
 Scheduled date of filing of Annual Securities Report: June 28, 2018
 Scheduled date of payment of dividend: June 6, 2018
 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, 2018 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, 2018 (April 1, 2017 – March 31, 2018)

(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	%
FY3/18	198,417	2.3	14,864	2.9	14,003	0.8	7,377	0.3
FY3/17	194,046	2.9	14,447	(18.8)	13,895	(21.2)	7,355	(24.3)

Note: Comprehensive income (million yen) FY3/18: 7,504 (up 1.4%)

FY3/17: 7,400 (down 17.0%)

	Net income per share	Diluted net income per share	Return on equity	Ordinary profit on total assets	Operating profit to sales
	Yen	Yen	%	%	%
FY3/18	84.87	-	5.1	5.9	7.5
FY3/17	83.38	-	5.1	6.0	7.4

Reference: Equity in income of affiliates (million yen) FY3/18: -

FY3/17: -

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2018	239,068	146,528	61.3	1,691.70
As of Mar. 31, 2017	234,681	143,906	61.3	1,648.44

Reference: Shareholders' equity (million yen)

As of Mar. 31, 2018: 146,440

As of Mar. 31, 2017: 143,818

(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
FY3/18	21,703	(8,855)	(9,280)	32,175
FY3/17	18,628	(10,582)	(6,998)	28,608

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	%	%
FY3/17	-	21.00	-	22.00	43.00	3,768	51.6	2.7
FY3/18	-	22.00	-	22.00	44.00	3,815	51.8	2.6
FY3/19 (forecasts)	-	29.00	-	31.00	60.00		70.2	

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

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

For details, please see "Notice of Commemorative Dividend to Celebrate 60th Founding Anniversary" released the same day.

3. Consolidated Forecast for the Fiscal Year Ending March 31, 2019 (April 1, 2018 – March 31, 2019)

(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	199,100	0.3	15,000	0.9	13,750	(1.8)	7,400	0.3	85.49

*** 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: None

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting-based estimates: Yes

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, 2018:	90,649,504 shares	As of Mar. 31, 2017:	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, 2018:	4,085,322 shares	As of Mar. 31, 2017:	3,404,290 shares
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3) Average number of shares outstanding during the period

Fiscal year ended Mar. 31, 2018:	86,920,380 shares	Fiscal year ended Mar. 31, 2017:	88,210,968 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 25, 2018. 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, 2018, the Japanese economy was in a moderate recovery phase as corporate earnings and employment conditions continued improving. Consumer spending was firm and recovered gradually, but consumers still want to hold down spending mainly because of concerns about growth in their expenses in the future. This environment, along with uncertainty about overseas events, makes the outlook for the Japanese economy unclear. 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	198,417 million yen	(up 2.3% year-on-year)
Operating profit	14,864 million yen	(up 2.9% year-on-year)
Ordinary profit	14,003 million yen	(up 0.8% year-on-year)
Profit attributable to owners of parent	7,377 million yen	(up 0.3% year-on-year)

Operating results by segment are as follows.

Fashion Business

There were various marketing activities at AOKI that targeted young people (“freshers”) who need apparel for college entrance or graduation ceremonies or for a new job following graduation. Advertising featured Sexy Zone, a group of singers belonging to the same age segment, and three young actresses. There were advertisements explaining the ease of movement and stretching of Rakudo Suits and advertisements featuring 360-degree Good Looking Suits, which feature tasteful designs. For the CAFÉ SOHO line of mix-and-match jackets and pants, AOKI increased the number of “set-up jacket and pants” variations. For working women in their 40s and 50s, AOKI has developed and launched “set-up suits” (set of jacket, pants and skirts) with ease of movement and an attractive silhouette. During the fiscal year, fourteen stores were opened and 13 stores were closed or relocated to improve the efficiency of AOKI’s operations. As a result, there were 574 stores at the end of the fiscal year, compared with 573 one year earlier.

ORIHICA conducted a number of promotional activities during the fiscal year. One was a Freshers Fair that used upgraded video marketing such as videos available only on the Internet. There was also a Pre-School Ceremony Fair to give parents ideas for coordinated apparel to wear at ceremonies to mark the beginning or completion of a child’s nursery school or kindergarten term. Six new stores were opened, and 14 were closed to improve the efficiency of operations. As a result, there were 137 stores at the end of the fiscal year compared with 145 one year earlier.

Sales in this segment increased 0.2% to 118,455 million yen and operating profit increased 4.4% to 8,526 million yen due to strong sales during the “freshers” selling season and decrease in the cost of major remodeling projects in FY3/17.

Anniversaire and Bridal Business

ANNIVERSAIRE INC. operates guesthouse-style wedding and reception facilities. To attract more customers, this company conducted marketing activities that emphasized the strengths of its guesthouses and clearly communicated the distinctive concepts of these facilities. There were also marketing initiatives using social networking services. In addition, marketing for the Proposal Plan, a new channel for attracting customers, was upgraded in order to make more people aware of ANNIVERSAIRE. Enhancing the public’s image of the ANNIVERSAIRE brand was another goal. A number of locations were remodeled during the fiscal year including two wedding and reception facilities in MINATO MIRAI YOKOHAMA.

Due to an increase in the number of couples married at ANNIVERSAIRE wedding facilities, sales increased 1.2% to 27,173 million yen and operating profit increased 1.7% to 2,809 million yen.

Karaoke Facility Operations Business

The karaoke business of VALIC Co., Ltd. purchased karaoke systems using the most advanced technology to reinvigorate existing karaoke locations. Measures to offer customers greater convenience included reliable Wi-Fi

connections and a digital system for placing orders for food. There were many activities to make existing locations more appealing, notably the remodeling of 25 locations to meet the increasingly diverse needs of customers. Six karaoke facilities were opened during the fiscal year, while 19 were closed or relocated to improve operating efficiency or to convert a karaoke facility into a café complex. As a result, there were 172 karaoke facilities at the end of the fiscal year compared with 185 one year earlier.

Sales increased 0.1% to 18,691 million yen. Due to an increase in the cost of sales caused by higher personnel and other expenses, operating profit decreased 13.8% to 765 million yen.

Café Complex Operations Business

The café complex business of VALIC Co., Ltd. took numerous actions to provide services that make cafés more appealing. Examples include limited-time-only menu items, such as a Snack Fair, and providing virtual reality to customers at all cafés. To reinvigorate existing cafés, 40 cafés were remodeled mainly by adding more sections exclusively for women and improving the configuration of booths. VALIC opened 22 locations and closed nine to improve operating efficiency. As a result, there were 359 café complexes at the end of the fiscal year compared with 346 at the end of the previous fiscal year.

Sales increased 12.8% to 34,129 million yen due to contributions from new cafés, and operating profit increased 9.4% to 2,071 million yen.

(2) Financial Position

Balance sheet position

Total assets at the end of the fiscal year under review increased 4,387 million yen from the end of the previous fiscal year to 239,068 million yen.

Current assets increased 5,362 million yen from the end of the previous fiscal year. There were increases of 3,567 million yen in cash in hand and in banks, and 1,151 million yen in accounts receivable-trade because the end of the fiscal year was a bank holiday. Fixed assets decreased 975 million yen from the end of the previous fiscal year as intangible fixed assets decreased 504 million yen due to amortization and other factors and leasehold deposit decreased 455 million yen due to return of deposits and other factors.

Current liabilities increased 1,552 million yen from the end of the previous fiscal year. There were increases of 989 million yen in accrued income taxes, 652 million yen in accounts payable-trade resulting from an increase in procurement, and 625 million yen in accounts payable-other, while there was a decrease of 1,500 million yen in current portion of long-term debt. Long-term liabilities increased 212 million yen. It was mainly due to increases of 519 million yen in asset retirement obligations mainly caused by changes in accounting-based estimates and 177 million yen in lease obligations, while there was a decrease of 650 million yen in long-term debt due to repayments and other factors.

Net assets increased 2,622 million yen from the end of the previous fiscal year. There was an increase of 3,546 million yen in retained earnings due to a profit attributable to owners of parent and dividend from surplus, and an increase of 1,051 million yen in treasury stock due to the purchase.

(3) Cash Flows

Cash flow position

(Millions of yen)

	FY3/17	FY3/18
Cash flows from operating activities	18,628	21,703
Cash flows from investing activities	(10,582)	(8,855)
Cash flows from financing activities	(6,998)	(9,280)
Increase (decrease) in cash and cash equivalents	1,047	3,567
Cash and cash equivalents at beginning of period	27,560	28,608
Cash and cash equivalents at end of period	28,608	32,175

Cash and cash equivalents at the end of the fiscal year under review increased 3,567 million yen from the end of the previous fiscal year to 32,175 million yen mainly due to decreases in acquisition of tangible fixed assets and income taxes paid.

Net cash provided by operating activities increased 3,074 million yen to 21,703 million yen on a year-on-year basis. The principal factors were profit before income taxes of 11,906 million yen, depreciation and amortization of 8,459 million yen, and impairment loss of 2,078 million yen, while there was income taxes paid of 3,774 million yen (the net of income tax payments and refunds).

Net cash used in investing activities decreased 1,726 million yen to 8,855 million yen on a year-on-year basis. This was mainly due to the payments of 6,942 million yen for the acquisition of tangible fixed assets for capital investment, 626 million yen in acquisition of intangible fixed assets, and leasehold and guarantee deposits of 488 million yen.

Net cash used in financing activities increased 2,282 million yen to 9,280 million yen on a year-on-year basis. This was mainly due to scheduled repayment of long-term debt of 4,150 million yen, repayments of lease obligations of 2,245 million yen, payments for purchase of treasury stock of 1,051 million yen, and cash dividends paid of 3,833 million yen, while there were proceeds from long-term debt of 2,000 million yen for capital expenditure.

(4) Outlook

In the fiscal year ending on March 31, 2019, we expect the Japanese economy to continue to recover slowly. But the outlook remains uncertain primarily because of overseas events, 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 expanding the line-up of woman's apparel to invigorate existing stores. Another goal is strengthening operations of Size MAX stores that specialize in plus-size apparel and increasing e-commerce sales. ORIHICA will continue to strengthen its lineup of merchandise and further enhance profitability by boosting operating efficiencies. We plan to open approximately five stores in the Fashion Business during the fiscal year ending on March 31, 2019.

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 and Café Complex Operations Business, operating facilities that reflect the wishes of customers is one of our priorities. We will also remodel or convert some facilities to upgrade operations in order to make them even more attractive and profitable. In total, we plan to open six 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	0.5	1.6	0.9	1.0	1.9	1.5	1.3
Anniversaire and Bridal (Note)			(2.4)			0.2	(1.1)
Karaoke Facility Operations	(0.3)	0.2	0.0	0.1	3.2	1.6	0.8
Café Complex Operations	0.0	0.4	0.2	0.2	2.8	1.5	0.8

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, 2019

	Fashion	Anniversaire and Bridal	Karaoke Facility Operations	Café Complex Operations	Consolidated
Sales (Millions of yen)	119,150	27,200	17,760	35,040	199,100
YoY change (%)	100.6	100.1	95.0	102.7	100.3
Segment profit (Millions of yen)	8,950	2,600	770	2,080	15,000
YoY change (%)	105.0	92.6	100.6	100.4	100.9

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)	
	FY3/17 (As of Mar. 31, 2017)	FY3/18 (As of Mar. 31, 2018)
Assets		
Current assets		
Cash in hand and in banks	28,608	32,175
Accounts receivable-trade	10,508	11,659
Inventories	*1 26,905	*1 26,007
Deferred income tax assets	1,792	2,087
Other current assets	7,181	8,431
Allowance for doubtful accounts	(32)	(35)
Total current assets	74,963	80,325
Fixed assets		
Tangible fixed assets		
Buildings and structures	130,359	132,709
Accumulated depreciation	(68,790)	(72,124)
Buildings and structures, net	61,568	60,585
Machinery, vehicles, tools, furniture and fixtures	16,094	16,477
Accumulated depreciation	(8,121)	(8,765)
Machinery, vehicles, tools, furniture and fixtures, net	7,973	7,712
Land	*2 36,953	*2 36,952
Lease assets	13,464	14,135
Accumulated depreciation	(8,600)	(8,982)
Lease assets, net	4,864	5,153
Construction in progress	327	1,265
Total tangible fixed assets	111,686	111,669
Intangible fixed assets	6,301	5,796
Investments and other assets		
Investment securities	*3 3,978	*3 4,361
Guarantee deposits	8,259	7,973
Leasehold deposit	21,066	20,610
Deferred income tax assets	6,564	6,490
Other investments and other assets	1,902	1,890
Allowance for doubtful accounts	(40)	(50)
Total investments and other assets	41,730	41,276
Total fixed assets	159,718	158,742
Total assets	234,681	239,068

	(Millions of yen)	
	FY3/17	FY3/18
	(As of Mar. 31, 2017)	(As of Mar. 31, 2018)
Liabilities		
Current liabilities		
Accounts payable-trade	19,159	19,812
Current portion of long-term debt	4,150	2,650
Lease obligations	1,852	1,864
Accounts payable-other	5,259	5,885
Accrued income taxes	1,603	2,593
Accrued bonuses for employees	1,647	1,978
Accrued bonuses for directors and statutory auditors	89	123
Other current liabilities	5,434	5,841
Total current liabilities	39,197	40,750
Long-term liabilities		
Long-term debt	37,125	36,475
Lease obligations	3,702	3,880
Accrued retirement benefits for directors and statutory auditors	1,949	2,018
Accrued costs for customer point program	1,069	1,059
Net defined benefit liability	976	1,054
Asset retirement obligations	5,513	6,032
Other long-term liabilities	1,241	1,269
Total long-term liabilities	51,577	51,789
Total liabilities	90,774	92,539
Net assets		
Shareholders' equity		
Common stock	23,282	23,282
Capital surplus	27,833	27,833
Retained earnings	96,753	100,299
Treasury stock	(4,325)	(5,376)
Total shareholders' equity	143,544	146,039
Accumulated other comprehensive income		
Unrealized gain on securities	576	588
Remeasurements of defined benefit plans	(302)	(187)
Total accumulated other comprehensive income	274	401
Stock acquisition rights	87	87
Total net assets	143,906	146,528
Total liabilities and net assets	234,681	239,068

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

	(Millions of yen)	
	FY3/17	FY3/18
	(Apr. 1, 2016 – Mar. 31, 2017)	(Apr. 1, 2017 – Mar. 31, 2018)
Sales	194,046	198,417
Cost of sales	107,730	111,552
Gross profit	86,315	86,864
Selling, general and administrative expenses	*1 71,868	*1 72,000
Operating profit	14,447	14,864
Non-operating profit		
Interest income	97	96
Dividend income	105	72
Rental income on real estate	605	571
Other	261	168
Total non-operating profit	1,070	908
Non-operating expenses		
Interest expenses	315	328
Expenses on sub-leased real estate	528	496
Loss on disposal of fixed assets	328	263
Loss on cancellation of lease agreements	176	211
Other	273	470
Total non-operating expenses	1,621	1,769
Ordinary profit	13,895	14,003
Extraordinary gains		
Gain on sale of fixed assets	-	20
Gain on sales of investment securities	545	-
Total extraordinary gains	545	20
Extraordinary losses		
Loss on sales of fixed assets	-	38
Impairment loss	*2 2,834	*2 2,078
Loss on disaster	102	-
Total extraordinary losses	2,937	2,117
Profit before income taxes	11,504	11,906
Current income taxes	4,746	4,822
Deferred income taxes	(597)	(293)
Total income taxes	4,149	4,528
Profit	7,355	7,377
Profit attributable to owners of parent	7,355	7,377

Consolidated Statement of Comprehensive Income

	(Millions of yen)	
	FY3/17	FY3/18
	(Apr. 1, 2016 – Mar. 31, 2017)	(Apr. 1, 2017 – Mar. 31, 2018)
Profit	7,355	7,377
Other comprehensive income		
Unrealized gain on securities	(36)	11
Remeasurements of defined benefit plans, net of tax	81	115
Total other comprehensive income	*1 44	*1 126
Comprehensive income	7,400	7,504
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	7,400	7,504
Comprehensive income attributable to non-controlling interests	-	-

(3) Consolidated Statement of Changes in Shareholders' Equity

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

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
Cumulative effects of changes in accounting policies					-
Restated balance	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
Cumulative effects of changes in accounting policies					-
Restated balance	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

(4) Consolidated Statement of Cash Flows

	(Millions of yen)	
	FY3/17	FY3/18
	(Apr. 1, 2016 – Mar. 31, 2017)	(Apr. 1, 2017 – Mar. 31, 2018)
Cash flows from operating activities		
Profit before income taxes	11,504	11,906
Depreciation and amortization	8,032	8,459
Impairment loss	2,834	2,078
Increase (decrease) in accrued retirement benefits for employees	245	255
Increase (decrease) in accrued retirement benefits for directors and statutory auditors	103	68
Increase (decrease) in accrued costs for customer point program	55	(10)
Interest and dividend income	(202)	(168)
Interest expenses	315	328
Loss (gain) on sales of investment securities	(545)	-
Decrease (increase) in accounts receivable-trade	(1,070)	(1,151)
Decrease (increase) in inventories	930	897
Increase (decrease) in accounts payable-trade	1,137	652
Increase (decrease) in accrued consumption taxes	(284)	1,103
Other	1,414	1,254
Subtotal	24,469	25,674
Interest and dividend income received	159	130
Interests paid	(314)	(326)
Income taxes paid	(6,922)	(4,670)
Income taxes refund	1,236	895
Net cash provided by (used in) operating activities	18,628	21,703
Cash flows from investing activities		
Payments for acquisition of tangible fixed assets	(10,487)	(6,942)
Payments for acquisition of intangible fixed assets	(550)	(626)
Payments for leasehold and guarantee deposits	(1,545)	(488)
Proceeds from collection of leasehold and guarantee deposits	490	536
Proceeds from sales of investment securities	2,079	-
Net decrease (increase) in short-term loans receivable	(47)	(440)
Net decrease (increase) in trust beneficiary rights	(297)	(204)
Other	(222)	(688)
Net cash used in investing activities	(10,582)	(8,855)
Cash flows from financing activities		
Proceeds from long-term debt	5,000	2,000
Repayments of long-term debt	(4,050)	(4,150)
Repayments of lease obligations	(1,904)	(2,245)
Payments for purchase of treasury stock	(2,888)	(1,051)
Dividends paid	(3,645)	(3,833)
Other	490	0
Net cash used in financing activities	(6,998)	(9,280)
Effect of exchange rate change on cash and cash equivalents	0	(0)
Increase (decrease) in cash and cash equivalents	1,047	3,567
Cash and cash equivalents at beginning of period	27,560	28,608
Cash and cash equivalents at end of period	28,608	32,175

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

No reportable information.

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

The Company 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 525 million yen are added to asset retirement obligations before the change. The effect of this change in profit/loss is insignificant.

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

(Millions of yen)

	FY3/17 (As of Mar. 31, 2017)	FY3/18 (As of Mar. 31, 2018)
Merchandise	26,110	25,270
Raw materials and supplies	794	736
Total	26,905	26,007

***2. Collateralized assets**

(Millions of yen)

	FY3/17 (As of Mar. 31, 2017)	FY3/18 (As of Mar. 31, 2018)
Land	284	284

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

(Millions of yen)

	FY3/17 (As of Mar. 31, 2017)	FY3/18 (As of Mar. 31, 2018)
Investment securities (stocks)	514	514

4. Guarantee liabilities**(1) The Company guarantees following bank loans for a company that is not consolidated.**

(Millions of yen)

	FY3/17 (As of Mar. 31, 2017)	FY3/18 (As of Mar. 31, 2018)
AOKI HOLDINGS N.Y. INC.	323	276

(2) The Company guarantees the following rent payments for the remaining terms of rental contracts of a company that is not consolidated.

(Millions of yen)

	FY3/17 (As of Mar. 31, 2017)	FY3/18 (As of Mar. 31, 2018)
Sukit Labo Inc.	-	22

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)

	FY3/17 (As of Mar. 31, 2017)	FY3/18 (As of Mar. 31, 2018)
Current account overdraft	25,000	26,000
Credit used	-	-
Credit available	25,000	26,000

Notes to Consolidated Statement of Income***1. Major items of selling, general and administrative expenses**

(Millions of yen)

	FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)	FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)
Advertising expenses	12,997	13,079
Salaries and bonuses	18,766	18,976
Provision of accrued bonuses for employees	1,372	1,670
Provision of accrued bonuses for directors and statutory auditors	89	122
Retirement benefit expenses	746	818
Provision of accrued retirement benefits for directors and statutory auditors	134	112
Welfare expense	3,768	3,850
Rents	15,403	15,251
Depreciation and amortization	3,307	3,480

***2. Impairment loss**

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

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.

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.

Notes to Consolidated Statement of Comprehensive Income

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

	FY3/17	FY3/18
	(Apr. 1, 2016 – Mar. 31, 2017)	(Apr. 1, 2017 – Mar. 31, 2018)
Unrealized gain on securities		
Amount incurred during the year	(46)	22
Re-classification adjustments	(33)	-
Before tax effect adjustments	(79)	22
Tax effect	43	(11)
Unrealized gain on securities	(36)	11
Remeasurements of defined benefit plans, net of tax		
Amount incurred during the year	(52)	18
Re-classification adjustments	175	158
Before tax effect adjustments	123	176
Tax effect	(41)	(61)
Remeasurements of defined benefit plans, net of tax	81	115
Total other comprehensive income	44	126

Notes to Consolidated Statement of Changes in Shareholders' Equity

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

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 outstanding shares (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)	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 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

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)

	FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)	FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)
Cash in hand and in banks	28,608	32,175
Cash and cash equivalents	28,608	32,175

2. Significant non-cash transactions

Assets and obligations applicable to the finance lease transaction

	FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)	FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)
Assets and obligations applicable to the finance lease transaction	2,781	2,435

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

FY3/17 (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.

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 to segment profits are as follows.

- (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, 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.

Related information

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.

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.

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

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

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

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

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.

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.

Information related to negative goodwill profits for each reportable segment

No reportable information.

Per Share Information

(Yen)

	FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)	FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)
Net assets per share	1,648.44	1,691.70
Net income per share	83.38	84.87

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	FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)	FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)
Net income per share		
Profit attributable to owners of parent	7,355	7,377
Net income not available to common stock shareholders	-	-
Profit attributable to owners of parent applicable to common stock	7,355	7,377
Average number of common shares outstanding during the period (Thousand shares)	88,210	86,920
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	FY3/17 (As of Mar. 31, 2017)	FY3/18 (As of Mar. 31, 2018)
Total net assets	143,906	146,528
Deduction on total net assets	87	87
[of which stock acquisition rights]	[87]	[87]
Net assets applicable to common shares	143,818	146,440
Number of common stock shares used in calculation of net assets per share (Thousand shares)	87,245	86,564

Subsequent Events

Not applicable.

* 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.