

**Summary of Consolidated Financial Results**  
**for the Third Quarter of the Fiscal Year Ending March 31, 2020**  
**(Nine Months Ended December 31, 2019)**

[Japanese GAAP]

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 Scheduled date of filing of Quarterly Report: February 7, 2020  
 Scheduled date of payment of dividend: -  
 Preparation of supplementary materials for quarterly financial results: Yes  
 Holding of quarterly financial results meeting: None

Note: The original disclosure in Japanese was released on February 6, 2020 at 15:00 (GMT +9).

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

**1. Consolidated Financial Results for the Nine Months Ended December 31, 2019**

**(April 1, 2019 – December 31, 2019)**

**(1) Consolidated results of operations**

(Percentages represent year-on-year changes)

	Sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine months ended Dec. 31, 2019	127,111	(5.5)	937	(79.4)	(99)	-	(1,339)	-
Nine months ended Dec. 31, 2018	134,453	(2.5)	4,553	(13.2)	3,259	(28.5)	238	(89.3)

Note: Comprehensive income (million yen) Nine months ended Dec. 31, 2019: (1,605) (-%)

Nine months ended Dec. 31, 2018: (36) (-%)

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended Dec. 31, 2019	(15.62)	-
Nine months ended Dec. 31, 2018	2.76	-

**(2) Consolidated financial position**

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Dec. 31, 2019	229,099	138,837	60.5
As of Mar. 31, 2019	232,056	145,671	62.7

Reference: Shareholders' equity (million yen) As of Dec. 31, 2019: 138,667 As of Mar. 31, 2019: 145,595

**2. Dividends**

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY3/19	-	29.00	-	31.00	60.00
FY3/20	-	23.00	-	-	-
FY3/20 (forecasts)	-	-	-	23.00	46.00

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

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

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

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

(Percentages represent year-on-year changes)

	Sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	192,500	(1.3)	12,300	(8.8)	11,300	(5.0)	5,400	17.3	63.03

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

**\* Notes**

- (1) Changes in consolidated subsidiaries during the period (changes in scope of consolidation): None
- (2) Application of special accounting methods for presenting quarterly consolidated financial statements: None
- (3) Changes in accounting policies and accounting-based estimates, and restatements
- |   |      |
|---|------|
| 1) Changes in accounting policies due to revisions in accounting standards, others: | None |
| 2) Changes in accounting policies other than 1) above:                              | None |
| 3) Changes in accounting-based estimates:   | None |
| 4) Restatements:  | None |

(4) Number of shares outstanding (common shares)

1) Number of shares outstanding (including treasury stock) at the end of the period			
As of Dec. 31, 2019:	90,649,504 shares	As of Mar. 31, 2019:	90,649,504 shares
2) Number of shares of treasury stock at the end of the period			
As of Dec. 31, 2019:	5,345,666 shares	As of Mar. 31, 2019:	4,724,330 shares
3) Average number of shares outstanding during the period			
Nine months ended Dec. 31, 2019:	85,784,575 shares	Nine months ended Dec. 31, 2018:	86,395,860 shares

Note 1: The current quarterly summary report is not subject to quarterly review 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 “(3) Explanation of Consolidated Forecast and Other Forward-looking Statements” on page 4 of the attachments regarding preconditions or other related matters for the forecast shown above.

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## 1. Qualitative Information on Quarterly Consolidated Financial Performance

### (1) Explanation of Results of Operations

In prior years, rent income of real estate and the rent cost of real estate were included in non-operating profit, selling, general and administrative expenses, and non-operating expenses. Beginning with the first quarter of the current fiscal year, rent income of real estate and the rent cost of real estate are instead included in sales and cost of sales. Comparisons and analysis using results of operations in the first nine months of the previous fiscal year are based on figures that have been restated to conform with this change.

In the first nine months of the current fiscal year, the Japanese economy continued to recover slowly due to improvements in the labor market and personal income and other reasons. However, the economic outlook remains unclear, in part due to signs of an economic slowdown, mainly because of uncertainty about global events and impact of the October 2019 consumption tax hike.

The AOKI Group implemented various measures in all business segments as explained below. Sales decreased 5.5% year-on-year to 127,111 million yen, operating profit decreased 79.4% to 937 million yen. There was an ordinary loss of 99 million yen compared with a profit of 3,259 million yen one year earlier. Loss attributable to owners of parent was 1,339 million yen compared with a profit of 238 million yen one year earlier.

Operating results by segment are as follows.

#### Fashion Business

As a new idea for a style of business apparel, AOKI launched a high-performance set-up suit called Active-Tech The High Stretch Setup through collaboration with ORIHICA, and the Active-Tech series of business coats for men and women. In addition, AOKI redesigned the online shop for stronger links between e-commerce and physical stores. During the first nine months, seven stores were opened and 51 stores were closed due to examinations of stores from the standpoints of profitability and AOKI's dominant areas. These closings include stores closed for relocation and conversions to a café complex or other business format. As a result, there were 522 AOKI stores at the end of the third quarter compared with 566 at the end of the previous fiscal year.

ORIHICA has started using the STAFF START app for the first time in the business suit industry in order to allow personnel at stores to use the Internet to give people ideas about business apparel styles. During the first nine months, one ORIHICA store was opened and nine stores were closed. As a result, ORIHICA had 123 stores at the end of the third quarter compared with 131 at the end of the previous fiscal year.

Although many actions were taken during the first nine months, existing store sales were sluggish because of the change in business apparel styles in Japan, the negative impact of the October 2019 consumption tax hike and unfavorable weather, including a warm winter. As a result, sales in this segment decreased 11.0% to 65,265 million yen and there was an operating loss of 1,940 million yen compared with a 713 million yen loss one year earlier.

#### Anniversaire and Bridal Business

ANNIVERSAIRE INC., which operates guesthouse-style wedding and reception facilities, promoted TREND COLLECTIONS, a stylish and glamorous wedding format, and used Instagram and other social networking services in order to attract customers. Despite these actions, the number of weddings was lower than one year earlier mainly because of the smaller number of wedding and reception locations at this company and changing market conditions.

Sales decreased 10.7% to 17,802 million yen and operating profit decreased 58.0% to 747 million yen.

#### Entertainment Business

KAIKATSU CLUB, a chain of café complexes, completed renovations of 70 locations during the first nine months. Improvements include a reconfigured booth layout, the addition of karaoke rooms, no-smoking booths and showers, and other changes. In addition, cafés increased activities for meeting customers' needs, such as by holding a Yaki-Curry (curry casserole) Fair consisting of seasonal menu items. This business has started a new format that

combines a KAIKATSU CLUB with a FiT24 fitness center, which uses a self-service format and is open 24 hours. The new format has been performing well by enabling customers to utilize the services and equipment of both a café club and fitness center.

In the COTE D'AZUR karaoke business, 16 locations were remodeled, karaoke units with the latest technologies were installed and there were many special event campaigns in order to make existing locations more appealing. For greater convenience, KAIKATSU CLUB and COTE D'AZUR customers can now use QR codes and bar codes when paying for merchandise and services.

During the first nine months, 69 KAIKATSU CLUBs and 24 FiT24 locations were opened as activities continue with the goal of establishing café complexes as one of the AOKI Group's core businesses. One COTE D'AZUR karaoke location was closed. As a result, there were 591 stores in this business segment at the end of the third quarter compared with 499 at the end of the previous fiscal year.

Sales increased 6.9% to 43,140 million yen due to contributions from new facilities and strong existing-store sales. Operating profit decreased 40.3% to 1,692 million yen due to higher expenses related to new store openings.

### **Real Estate Leasing Business**

Segment sales increased 14.5% to 2,648 million yen mainly because of an increase in the subleasing of closed properties in the fashion business and COTE D'AZUR karaoke business. Operating profit increased 2.1% to 512 million yen.

## **(2) Explanation of Financial Position**

### **Balance sheet position**

#### Assets

Total assets at the end of the third quarter under review decreased 2,956 million yen from the end of the previous fiscal year to 229,099 million yen due to seasonal factors.

Current assets decreased 10,028 million yen from the end of the previous fiscal year. There were decreases of 4,351 million yen in cash in hand and in banks due to the payment of income taxes among other reasons, and 5,988 million yen in accounts receivable-trade due to seasonal factors. Fixed assets increased 7,071 million yen from the end of the previous fiscal year as tangible fixed assets increased 7,157 million yen due to new store openings and other factors.

#### Liabilities

Current liabilities decreased 1,712 million yen from the end of the previous fiscal year. Short-term borrowings increased 4,500 million yen, while there were decreases of 4,997 million yen in accounts payable-trade mainly due to seasonal factors and 1,107 million yen in accrued bonuses for employees due to the payment of bonuses to employees among other reasons. Long-term liabilities increased 5,588 million yen. There was an increase of long-term borrowings of 3,591 million yen mainly due to a 6,000 million yen of new loan and scheduled repayment, and an increase of 1,744 million yen in other long-term liabilities including lease obligations.

#### Net assets

Net assets decreased 6,833 million yen from the end of the previous fiscal year. There was a decrease of 5,977 million yen in retained earnings due to a loss attributable to owners of parent and dividend from surplus, and an increase of 662 million yen in treasury stock due to stock repurchases.

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

In the first nine months, sales were somewhat less than planned because of slow existing store sales in the fashion business. Although there were cost-cutting measures at every AOKI Group business, operating profit in the first nine months is behind the pace needed to achieve the fiscal year forecast. Despite this performance in the first nine months, there are no revisions to the fiscal year forecast announced on November 7, 2019 mainly because the fourth quarter is a large share of fiscal year sales and earnings in the fashion business. In the fashion business, there are non-operating expenses for the disposal of fixed assets and other actions and an extraordinary loss for the impairment of assets. These items are chiefly the result of a reexamination of dominant areas, a review of the efficiency of individual stores, and existing store business format conversions and closings.

**2. Quarterly Consolidated Financial Statements and Notes****(1) Quarterly Consolidated Balance Sheet**

	(Millions of yen)	
	FY3/19 (As of Mar. 31, 2019)	Third quarter of FY3/20 (As of Dec. 31, 2019)
<b>Assets</b>		
Current assets		
Cash in hand and in banks	26,558	22,206
Accounts receivable-trade	11,793	5,804
Inventories	25,574	26,104
Other current assets	9,061	8,840
Allowance for doubtful accounts	(38)	(35)
Total current assets	72,948	62,920
Fixed assets		
Tangible fixed assets		
Buildings and structures, net	60,933	66,517
Land	36,941	37,032
Other, net	12,083	13,565
Total tangible fixed assets	109,958	117,116
Intangible fixed assets	5,932	5,828
Investments and other assets		
Guarantee deposits	7,881	7,758
Leasehold deposit	20,536	20,560
Other investments and other assets	14,838	14,955
Allowance for doubtful accounts	(40)	(40)
Total investments and other assets	43,216	43,234
Total fixed assets	159,107	166,179
Total assets	232,056	229,099

	(Millions of yen)	
	FY3/19 (As of Mar. 31, 2019)	Third quarter of FY3/20 (As of Dec. 31, 2019)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable-trade	18,162	13,164
Short-term borrowings	-	4,500
Current portion of long-term borrowings	2,650	3,734
Accrued income taxes	579	103
Accrued bonuses for employees	2,078	971
Accrued bonuses for directors and statutory auditors	83	68
Other current liabilities	13,624	12,924
<b>Total current liabilities</b>	<b>37,177</b>	<b>35,465</b>
<b>Long-term liabilities</b>		
Long-term borrowings	34,825	38,416
Accrued costs for customer point program	872	704
Retirement benefit liability	1,094	1,150
Asset retirement obligations	6,466	6,830
Other long-term liabilities	5,949	7,694
<b>Total long-term liabilities</b>	<b>49,208</b>	<b>54,796</b>
<b>Total liabilities</b>	<b>86,385</b>	<b>90,262</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Share capital	23,282	23,282
Capital surplus	27,846	27,823
Retained earnings	100,488	94,511
Treasury stock	(6,302)	(6,965)
<b>Total shareholders' equity</b>	<b>145,315</b>	<b>138,652</b>
<b>Accumulated other comprehensive income</b>		
Unrealized gain on securities	370	62
Remeasurements of defined benefit plans	(89)	(48)
<b>Total accumulated other comprehensive income</b>	<b>280</b>	<b>14</b>
<b>Stock acquisition rights</b>	<b>75</b>	<b>170</b>
<b>Total net assets</b>	<b>145,671</b>	<b>138,837</b>
<b>Total liabilities and net assets</b>	<b>232,056</b>	<b>229,099</b>



**(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income****Quarterly Consolidated Statement of Income  
(For the Nine-month Period)**

	(Millions of yen)	
	First nine months of FY3/19 (Apr. 1, 2018 – Dec. 31, 2018)	First nine months of FY3/20 (Apr. 1, 2019 – Dec. 31, 2019)
Sales	134,453	127,111
Cost of sales	78,828	77,375
Gross profit	55,625	49,735
Selling, general and administrative expenses	51,071	48,797
Operating profit	4,553	937
Non-operating profit		
Interest income	69	59
Dividend income	62	56
Other	171	158
Total non-operating profit	302	274
Non-operating expenses		
Interest expenses	227	209
Loss on disposal of fixed assets	474	629
Expenses for events to celebrate AOKI's 60th anniversary	450	-
Other	444	472
Total non-operating expenses	1,596	1,311
Ordinary profit (loss)	3,259	(99)
Extraordinary gains		
Gain on sale of fixed assets	160	55
Gain on sales of investment securities	27	100
Gain on reversal of stock acquisition rights	12	4
Total extraordinary gains	200	160
Extraordinary losses		
Impairment loss	2,284	1,359
Loss on liquidation of subsidiaries and associates	444	-
Loss on disaster	49	169
Loss on valuation of investment securities	-	72
Total extraordinary losses	2,777	1,601
Profit (loss) before income taxes	682	(1,540)
Current income taxes	483	565
Deferred income taxes	(39)	(765)
Total income taxes	444	(200)
Profit (loss)	238	(1,339)
Profit (loss) attributable to owners of parent	238	(1,339)

**Quarterly Consolidated Statement of Comprehensive Income**  
**(For the Nine-month Period)**

	(Millions of yen)	
	First nine months of FY3/19 (Apr. 1, 2018 – Dec. 31, 2018)	First nine months of FY3/20 (Apr. 1, 2019 – Dec. 31, 2019)
Profit (loss)	238	(1,339)
Other comprehensive income		
Unrealized gain on securities	(324)	(307)
Remeasurements of defined benefit plans, net of tax	49	41
Total other comprehensive income	(275)	(266)
Comprehensive income	(36)	(1,605)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(36)	(1,605)
Comprehensive income attributable to non-controlling interests	-	-

**(3) Notes to Quarterly Consolidated Financial Statements****Going Concern Assumption**

No reportable information.

**Significant Changes in Shareholders' Equity**

First nine months of FY3/20 (Apr. 1, 2019 – Dec. 31, 2019)

Purchase of treasury stock

AOKI Holdings has purchased 700,000 shares of its treasury stock pursuant to the resolution of the Board of Directors on August 13, 2019, and sold 82,000 shares for restricted stock compensation for directors pursuant to the resolution of the Board of Directors on June 27, 2019. As a result, treasury stock increased 662 million yen including shares resulting from purchase of odd-lot shares during the first nine months of FY3/20 to 6,965 million yen at the end of the third quarter of FY3/20.

**Additional Information****Reclassifications**

In prior years, rent income of real estate and the rent cost of real estate were included in non-operating profit, selling, general and administrative expenses, and non-operating expenses. Beginning with the first quarter of the current fiscal year, rent income of real estate and the rent cost of real estate are instead included in sales and cost of sales.

This change was made to more properly incorporate the real estate leasing business in the financial statements. Real estate leasing is now positioned as one of the major businesses of AOKI Holdings. Rent income of real estate is a consistent source of earnings and more growth of this income is expected as the number of leased properties increases. In addition, the profitability of this business has been properly managed by the relevant department. Consolidated financial statements for the first nine months of the previous fiscal year have been restated to reflect these reclassifications.

Accordingly, “rental income of real estate” under “non-operating profit” of 389 million yen, “rent cost of real estate” under “non-operating expenses” of 307 million yen and real estate-related expenses, which was included in “selling, general and administrative expenses,” of 22 million yen in the consolidated statement of income for the first nine months of the previous fiscal year has been reclassified. As a result, sales and cost of sales increased 846 million yen and 787 million yen, respectively.

**Segment and Other Information**

First nine months of FY3/19 (Apr. 1, 2018 – Dec. 31, 2018)

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

	Reportable segment					Adjustment (Note 1)	(Millions of yen) Amounts shown on quarterly consolidated statement of income (Note 2)
	Fashion	Anniversaire and Bridal	Entertainment	Real Estate Leasing	Total		
Sales							
External sales	73,311	19,926	40,370	846	134,453	-	134,453
Inter-segment sales and transfers	2	17	0	1,468	1,488	(1,488)	-
Total	73,313	19,944	40,370	2,314	135,942	(1,488)	134,453
Segment profit (loss)	(713)	1,778	2,833	501	4,399	154	4,553

Notes: 1. The 154 million yen adjustment to segment profit (loss) includes 2,723 million yen in elimination for inter-segment transactions, and -2,569 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. Segment profit (loss) is adjusted with operating profit on the quarterly consolidated statement of income.

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

## Material impairment losses related to fixed assets

In the Fashion Business and the Entertainment Business, impairment losses were recognized for operating stores and subleasing stores set to be closed, relocated or converted, or expected to remain in the red; impairment losses of 423 million yen and 1,859 million yen were booked respectively in the first nine months of FY3/19.

First nine months of FY3/20 (Apr. 1, 2019 – Dec. 31, 2019)

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

	Reportable segment					Adjustment (Note 1)	Amounts shown on quarterly consolidated statement of income (Note 2)
	Fashion	Anniversaire and Bridal	Entertainment	Real Estate Leasing	Total		
Sales							
External sales	65,263	17,793	43,140	913	127,111	-	127,111
Inter-segment sales and transfers	1	8	0	1,735	1,745	(1,745)	-
Total	65,265	17,802	43,140	2,648	128,856	(1,745)	127,111
Segment profit (loss)	(1,940)	747	1,692	512	1,011	(74)	937

Notes: 1. The -74 million yen adjustment to segment profit (loss) includes 3,158 million yen in elimination for inter-segment transactions, and -3,232 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. Segment profit (loss) is adjusted with operating profit on the quarterly consolidated statement of income.

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

## Material impairment losses related to fixed assets

In the Fashion Business, the Entertainment Business and the Real Estate Leasing Business, impairment losses were recognized for operating stores and subleasing stores set to be closed, or converted, or expected to remain in the red; impairment losses of 717 million yen, 434 million yen and 206 million yen were booked respectively in the first nine months of FY3/20.

## 3. Information related to revisions for reportable segments

In the first quarter of FY3/20, the Karaoke Facility Operations Business and Café Complex Operations Business were combined to reflect the reorganization of management and the increasing diversity of the operations. The combined business was renamed the Entertainment Business.

As noted in the section “Additional Information, Reclassifications,” the business related to real estate leasing is reclassified and presented as a separate segment titled “Real Estate Leasing Business.”

The segment information for the first nine months of FY3/19 is prepared and disclosed based on the reportable segments after the revision.

*\* 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.*