

Summary of Consolidated Financial Results
for the First Quarter of the Fiscal Year Ending March 31, 2021
(Three Months Ended June 30, 2020)

[Japanese GAAP]

Company name: AOKI Holdings Inc.

Listings: TSE First Section

Stock code: 8214

 URL: <https://www.aoki-hd.co.jp/>

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Scheduled date of filing of Quarterly Report:

August 11, 2020

Scheduled date of payment of dividend:

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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 August 7, 2020 at 15:00 (GMT +9).

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

1. Consolidated Financial Results for the Three Months Ended June 30, 2020

(April 1, 2020 – June 30, 2020)

(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	%
Three months ended Jun. 30, 2020	26,204	(39.5)	(7,566)	-	(7,767)	-	(6,429)	-
Three months ended Jun. 30, 2019	43,334	(3.9)	228	(66.1)	(125)	-	(288)	-

Note: Comprehensive income (million yen) Three months ended Jun. 30, 2020: (6,491) (-%)

Three months ended Jun. 30, 2019: (434) (-%)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended Jun. 30, 2020	(75.94)	-
Three months ended Jun. 30, 2019	(3.35)	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Jun. 30, 2020	245,152	130,826	53.2
As of Mar. 31, 2020	229,843	139,209	60.5

Reference: Shareholders' equity (million yen)

As of Jun. 30, 2020: 130,542

As of Mar. 31, 2020: 138,981

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY3/20	-	23.00	-	23.00	46.00
FY3/21	-	-	-	-	-
FY3/21 (forecasts)	-	-	-	-	-

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

Forecasts for the 2Q-end and year-end dividends for FY3/21 are undecided at this time.

3. Consolidated Forecast for the Fiscal Year Ending March 31, 2021 (April 1, 2020 – March 31, 2021)

There is no forecast for the fiscal year ending in March 2021 at this time. Determining a reliable forecast is not possible because of the difficulty of predicting the effects of the COVID-19 crisis on the performance of the AOKI Group.

An announcement will be made as soon as it becomes possible to determine a forecast.

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

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|---|------|
| 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 Jun. 30, 2020:	90,649,504 shares	As of Mar. 31, 2020:	90,649,504 shares
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2) Number of shares of treasury stock at the end of the period

As of Jun. 30, 2020:	5,974,148 shares	As of Mar. 31, 2020:	5,974,058 shares
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3) Average number of shares outstanding during the period

Three months ended Jun. 30, 2020:	84,675,379 shares	Three months ended Jun. 30, 2019:	85,925,130 shares
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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

Supplementary materials for quarterly financial results will be available on the Company's website immediately after the earnings announcement on Friday, August 7, 2020.

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1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

In the first quarter of the current fiscal year, the Japanese economy was confronted with a severe situation with the spread of the novel coronavirus disease (COVID-19). To contain the COVID-19 pandemic, economic activity was inhibited by factors such as the declaration of a State of Emergency and stay-at-home directives. This affected corporate earnings, the labor market, and personal income. In addition, it is not clear how soon the COVID-19 pandemic can be brought under control. Consequently, the outlook is uncertain.

The AOKI Group took actions to prevent the COVID-19 infection and implemented various measures as explained below. Sales decreased 39.5% year-on-year to 26,204 million yen, and operating loss was 7,566 million yen compared with a profit of 228 million yen one year earlier. There was an ordinary loss of 7,767 million yen compared with a loss of 125 million yen one year earlier. Loss attributable to owners of parent was 6,429 million yen compared with a loss of 288 million yen one year earlier.

Operating results by segment are as follows.

Fashion Business

In the Fashion Business, due to the spread of the COVID-19 pandemic and the declaration of a State of Emergency by the Japanese government on April 7, business hours for stores were shortened, and some stores were temporarily closed, but from June 1, all stores have now reopened for business. In terms of products, we are proposing a range of easy-to-mix-and-match apparel sets and jackets that go well with new business styles. Moreover, from May 1, the AOKI Group started pre-order sales of antibacterial and washable masks, to at our AOKI e-commerce shop in order to avoid Sanmitsu (Three Cs: Closed spaces, Crowded places, and Close-contact settings) conditions. These have been well received. In addition, as another measure for e-commerce shop, we have begun operating “STAFF START,” which strengthens links between physical stores and e-commerce and offers styling proposals online. Three ORIHICA stores were opened and two AOKI stores were closed due to examinations of stores from the standpoints of profitability. As a result, there were 639 stores at the end of the first quarter compared with 638 at the end of the previous fiscal year.

Although the AOKI Group implemented various measures, both the number of customers and unit selling prices decreased significantly mainly because of the temporary closure of some stores and more people staying home to prevent the spread of the COVID19. As a result, sales in this segment decreased 31.4% to 16,595 million yen and there was an operating loss of 2,944 million yen compared with a 395 million yen loss one year earlier.

Anniversaire and Bridal Business

In the Anniversaire and Bridal Business, weddings and receptions were postponed at all facilities after the State of Emergency was declared. However, from June 1 we restarted wedding services after taking measures in line with the “Guidelines for Preventing the Spread of COVID-19” published by the Japan Bridal Culture Promotion Association. We actively responded to our customers about issues such as schedule changes and cancellations that arose from the end of February and held online consultations with them. We have also developed some new strategies, such as special plans and online weddings, and strengthened our sales promotion activities.

However, many weddings and receptions were postponed and the number of couples married declined sharply. As a result, sales decreased 95.5% to 253 million yen and there was an operating loss of 1,324 million yen compared with a 35 million yen loss one year earlier.

Entertainment Business

In the Entertainment Business, many stores had to cut back normal operations because of temporary closures and shortened business hours in April and May following the declaration of a State of Emergency. From the end of April, we gradually resumed regular operations at our KAIKATSU CLUB chain of café complexes, after thoroughly implementing measures to avoid Sanmitsu conditions. At the same time, we are promoting the use of the KAIKATSU CLUB as shared space in response to the increasing business needs in areas such as teleworking and shared offices. During the first quarter, 27 KAIKATSU CLUBs and 5 Fit24 locations were opened and 5 locations were closed to improve efficiency. As a result, there were 629 stores in this business segment at the end of the first quarter compared with 602 at the end of the previous fiscal year.

Even though we implemented various measures, the number of customers decreased significantly mainly because of the temporary closures of stores after the declaration of a State of Emergency and more people staying home. Sales decreased 32.0% to 9,023 million yen and operating loss was 3,524 million yen compared with a 463 million yen profit one year earlier.

Real Estate Leasing Business

Segment sales increased 14.9% to 972 million yen mainly because of an increase in the subleasing of closed properties in all businesses. Operating profit increased 60.1% to 195 million yen.

(2) Explanation of Financial Position**Balance sheet position**

Assets

Total assets at the end of the first quarter increased 15,308 million yen from the end of the previous fiscal year to 245,152 million yen mainly due to an increase in cash in hand and in banks.

Current assets increased 8,352 million yen from the end of the previous fiscal year. There were a decrease of 3,027 million yen in accounts receivable-trade due to seasonal factors and an increase of 11,899 million yen in cash in hand and in banks due to proceeds from borrowings. Fixed assets increased 6,956 million yen from the end of the previous fiscal year as tangible fixed assets increased 3,437 million yen due to new store openings and other factors.

Liabilities

Current liabilities increased 14,248 million yen from the end of the previous fiscal year. There were a decrease of 3,650 million yen in accounts payable-trade mainly due to seasonal factors and proceeds from short-term borrowings of 14,000 million yen. Long-term liabilities increased 9,442 million yen mainly due to proceeds from long-term borrowings of 11,000 million yen.

Net assets

Net assets decreased 8,382 million yen from the end of the previous fiscal year. There was a decrease of 8,377 million yen in retained earnings due to a loss attributable to owners of parent and dividend from surplus.

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

The first quarter sales and earnings declined sharply mainly due to COVID-19.

Regarding business prospects going forward, it is difficult to reasonably forecast at this time when the COVID-19 pandemic will be contained and when economic activity is likely to return to the levels seen before the spread of the pandemic, or the impact of these factors on the performance of the AOKI Group. Given these difficulties and other factors, there is no forecast for the fiscal year ending in March 2021.

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

	(Millions of yen)	
	FY3/20 (As of Mar. 31, 2020)	First quarter of FY3/21 (As of Jun. 30, 2020)
Assets		
Current assets		
Cash in hand and in banks	23,843	35,743
Accounts receivable-trade	8,455	5,428
Inventories	24,181	23,090
Other current assets	8,851	9,422
Allowance for doubtful accounts	(36)	(36)
Total current assets	65,297	73,649
Fixed assets		
Tangible fixed assets		
Buildings and structures, net	66,501	69,519
Land	36,138	36,138
Other, net	14,893	15,312
Total tangible fixed assets	117,533	120,970
Intangible assets	5,631	5,505
Investments and other assets		
Guarantee deposits	7,740	7,714
Leasehold deposit	20,653	20,870
Other investments and other assets	13,028	16,482
Allowance for doubtful accounts	(40)	(40)
Total investments and other assets	41,382	45,026
Total fixed assets	164,546	171,502
Total assets	229,843	245,152

	(Millions of yen)	
	FY3/20 (As of Mar. 31, 2020)	First quarter of FY3/21 (As of Jun. 30, 2020)
Liabilities		
Current liabilities		
Accounts payable-trade	14,563	10,913
Short-term borrowings	-	14,000
Current portion of long-term borrowings	3,493	3,493
Accrued income taxes	407	360
Accrued bonuses for employees	1,357	908
Accrued bonuses for directors (and other officers)	39	23
Other current liabilities	12,727	17,138
Total current liabilities	32,587	46,836
Long-term liabilities		
Long-term borrowings	40,332	49,290
Accrued costs for customer point program	695	625
Retirement benefit liability	1,276	1,295
Asset retirement obligations	7,591	7,600
Other long-term liabilities	8,150	8,677
Total long-term liabilities	58,046	67,488
Total liabilities	90,634	114,325
Net assets		
Shareholders' equity		
Share capital	23,282	23,282
Capital surplus	27,823	27,823
Retained earnings	96,298	87,921
Treasury stock	(7,592)	(7,592)
Total shareholders' equity	139,812	131,435
Accumulated other comprehensive income		
Unrealized gain on securities	(726)	(804)
Remeasurements of defined benefit plans	(105)	(88)
Total accumulated other comprehensive income	(831)	(893)
Stock acquisition rights	228	284
Total net assets	139,209	130,826
Total liabilities and net assets	229,843	245,152

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

	(Millions of yen)	
	First three months of FY3/20 (Apr. 1, 2019 – Jun. 30, 2019)	First three months of FY3/21 (Apr. 1, 2020 – Jun. 30, 2020)
Sales	43,334	26,204
Cost of sales	26,101	20,165
Gross profit	17,233	6,038
Selling, general and administrative expenses	17,005	13,605
Operating profit (loss)	228	(7,566)
Non-operating profit		
Interest income	24	18
Dividend income	27	16
Other	49	46
Total non-operating profit	101	81
Non-operating expenses		
Interest expenses	68	82
Loss on disposal of fixed assets	222	121
Other	164	77
Total non-operating expenses	455	281
Ordinary loss	(125)	(7,767)
Extraordinary gains		
Gain on sale of fixed assets	50	-
Gain on reversal of stock acquisition rights	3	-
Subsidies for employment adjustment	-	273
Total extraordinary gains	53	273
Extraordinary losses		
Impairment loss	220	235
Loss due to temporary closure	-	1,976
Total extraordinary losses	220	2,212
Loss before income taxes	(292)	(9,705)
Current income taxes	112	84
Deferred income taxes	(116)	(3,359)
Total income taxes	(4)	(3,275)
Loss	(288)	(6,429)
Loss attributable to owners of parent	(288)	(6,429)

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

	(Millions of yen)	
	First three months of FY3/20 (Apr. 1, 2019 – Jun. 30, 2019)	First three months of FY3/21 (Apr. 1, 2020 – Jun. 30, 2020)
Loss	(288)	(6,429)
Other comprehensive income		
Unrealized gain on securities	(160)	(77)
Remeasurements of defined benefit plans, net of tax	13	16
Total other comprehensive income	(146)	(61)
Comprehensive income	(434)	(6,491)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(434)	(6,491)
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 three months of FY3/21 (Apr. 1, 2020 – Jun. 30, 2020)

No reportable information.

Additional Information

Accounting-based Estimates

At present, the COVID-19 pandemic is continuing to have a significant negative impact on the business operations of the AOKI Group.

The effects of COVID-19 are likely to continue to expand somewhat in all regions of Japan where the businesses of the AOKI Group operate stores and other facilities. The sales and operating profit of these stores and other facilities may decline due to restrictions on their operations, lower demand and other reasons until when the pandemic winds down and economic activity in Japan recovers. We expect sales in these businesses in the fiscal year ending in March 2021 to decline from the previous fiscal year's level due to the effects of the COVID-19 pandemic. Sales are likely to be down 5%-25% in the Fashion Business, approximately 20%-30% in the ANNIVERSAIRE and Bridal Business, and about 25% in the Entertainment Business.

There is no significant change in the Group's policy on assumptions, including how much the COVID-19 pandemic will continue to spread, when this crisis will end and other upcoming events. To establish the best possible estimates, based on the assumption that economic activity will return to the levels seen before the spread of the pandemic by the end of September 2020 at the soonest and at the end of March 2021 at the latest, the expected value method is used for some estimates for accounting purposes that are utilized for the impairment of fixed assets and the recoverability of deferred tax assets.

Segment Information

First three months of FY3/20 (Apr. 1, 2019 – Jun. 30, 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	24,181	5,588	13,261	302	43,334	-	43,334
Inter-segment sales and transfers	0	3	0	544	547	(547)	-
Total	24,181	5,592	13,261	846	43,882	(547)	43,334
Segment profit (loss)	(395)	(35)	463	122	154	73	228

Notes: 1. The 73 million yen adjustment to segment profit (loss) includes 1,052 million yen in elimination for inter-segment transactions, and -979 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 set to be closed or converted for which there is little expectation of recovery and subleasing stores expected to remain in the red; impairment losses of 167 million yen, 37 million yen and 14 million yen were booked respectively in the first three months of FY3/20.

First three months of FY3/21 (Apr. 1, 2020 – Jun. 30, 2020)

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

(Millions of yen)

	Reportable segment					Others (Note 1)	Total	Adjustment (Note 2)	Amounts shown on quarterly consolidated statement of income (Note 3)
	Fashion	Anniversaire and Bridal	Enter- tainment	Real Estate Leasing	Subtotal				
Sales									
External sales	16,594	253	9,023	290	26,161	42	26,204	-	26,204
Inter-segment sales and transfers	0	0	-	682	683	-	683	(683)	-
Total	16,595	253	9,023	972	26,844	42	26,887	(683)	26,204
Segment profit (loss)	(2,944)	(1,324)	(3,524)	195	(7,597)	32	(7,565)	(1)	(7,566)

Notes: 1. The “others” classification refers to businesses not included in reportable segments such as advertising-related business.

2. The -1 million yen adjustment to segment profit (loss) includes 1,083 million yen in elimination for inter-segment transactions, and -1,084 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.

3. Segment profit (loss) is adjusted with operating loss 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 set to be closed or converted for which there is little expectation of recovery and subleasing stores expected to remain in the red; impairment losses of 25 million yen and 210 million yen were booked respectively in the first three months of FY3/21.

** 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.*