

**Summary of Consolidated Financial Results**  
**for the Third Quarter of the Fiscal Year Ending March 31, 2021**  
**(Nine Months Ended December 31, 2020)**

[Japanese GAAP]

Company name: AOKI Holdings Inc.

Listings: TSE First Section

Stock code: 8214

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Scheduled date of filing of Quarterly Report:

February 8, 2021

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 February 5, 2021 at 15:30 (GMT +9).

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

**1. Consolidated Financial Results for the Nine Months Ended December 31, 2020****(April 1, 2020 – December 31, 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	%
Nine months ended Dec. 31, 2020	94,673	(25.5)	(12,141)	-	(12,857)	-	(11,441)	-
Nine months ended Dec. 31, 2019	127,111	(5.5)	937	(79.4)	(99)	-	(1,339)	-

Note: Comprehensive income (million yen) Nine months ended Dec. 31, 2020: (10,872) (-%)

Nine months ended Dec. 31, 2019: (1,605) (-%)

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended Dec. 31, 2020	(135.00)	-
Nine months ended Dec. 31, 2019	(15.62)	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Dec. 31, 2020	238,838	125,779	52.5
As of Mar. 31, 2020	229,843	139,209	60.5

Reference: Shareholders' equity (million yen)

As of Dec. 31, 2020: 125,390

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	-	10.00	-	-	-
FY3/21 (forecasts)	-	-	-	13.00	23.00

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

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

(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	151,300	(16.0)	(2,000)	-	(3,000)	-	(5,350)	-	(63.12)

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, 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 Dec. 31, 2020:	5,853,214 shares	As of Mar. 31, 2020:	5,974,058 shares
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3) Average number of shares outstanding during the period

Nine months ended Dec. 31, 2020:	84,748,030 shares	Nine months ended Dec. 31, 2019:	85,784,575 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

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 3 of the attachments regarding preconditions or other related matters for the forecast shown above.

Supplementary materials for quarterly financial results

Supplementary materials for quarterly financial results will be available on the Company’s website immediately after the earnings announcement on Friday, February 5, 2021.

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## 1. Qualitative Information on Quarterly Consolidated Financial Performance

### (1) Explanation of Results of Operations

In the first nine months of the current fiscal year, the number of COVID-19 infections in Japan increased during the summer and then started climbing rapidly late in November. The resulting impact on economic activities due to requests to limit outings and for other reasons makes the business climate very challenging. The outlook for the economy remains uncertain because there are still no signs of when this crisis will end.

The AOKI Group took the actions explained in the business segment section to prevent the COVID-19 infection during the first nine months, but this crisis still had a big negative impact on sales and earnings. Sales decreased 25.5% year-on-year to 94,673 million yen, and operating loss was 12,141 million yen compared with a profit of 937 million yen one year earlier. There was an ordinary loss of 12,857 million yen compared with a loss of 99 million yen one year earlier. Loss attributable to owners of parent was 11,441 million yen compared with a loss of 1,339 million yen one year earlier.

Operating results by segment are as follows.

#### **Fashion Business**

Several new lines of apparel were launched during the current fiscal year. One is highly functional mix-and-match suits that feature sharp styling and comfort. Another is knit apparel, cardigans and other apparel for use when working at home. The new line of mix-and-match “pajama suits” combine the relaxing sensation of pajamas with the styling of suits. The result is a single outfit for business, remote work, casual occasion, staying home and exercise. To meet demand for products that prevent infections, we started selling washable antimicrobial masks and antiviral masks as well as shirts and handkerchiefs with antiviral and antibacterial finishing. For women with active life styles, we started selling a line of apparel using the SUITS BY JUNKO SHIMADA brand. In addition, we further increased links between e-commerce and physical stores by using staff snap services to strengthen a digital approach to customers. Three ORIHICA stores were opened and five AOKI stores and three ORIHICA stores were closed following examinations of the profitability of stores. As a result, there were 633 stores at the end of the third quarter compared with 638 at the end of the previous fiscal year.

Although sales in October were higher than one year earlier, when sales were impacted by a consumption tax hike, sales were slow in November and December as people stayed home in response to the increase in COVID-19 infections. As a result, sales in this segment decreased 18.6% to 53,148 million yen and there was an operating loss of 4,878 million yen compared with a 1,940 million yen loss one year earlier.

#### **Anniversaire and Bridal Business**

There were many activities to attract customers, including new ideas for weddings that match today’s new life styles and marketing activities using Instagram and other social networking services. In addition, the Anniversaire Café Omotesando began operating for a limited time the FENDI CAFFE by ANNIVERSAIRE through a collaboration with the prestigious Fendi brand of Italy. The new café significantly increased the number of customers.

Despite numerous activities to attract customers as well as cost cutting measures, the number of weddings decreased due to wedding and reception postponements. As a result, sales fell 70.1% to 5,329 million yen and there was an operating loss of 2,603 million yen compared with a 747 million yen profit one year earlier.

#### **Entertainment Business**

All locations of this business continued to operate while taking many steps to protect customers from COVID-19. KAIKATSU CLUB has rooms with locks for individual use and is providing a variety of services to promote the use of cafés as a shared working space. KAIKATSU CLUB café complexes also offer customers a broad range of content. Two examples are the classes of LEC, a school for earning professional qualifications, and original videos of Terashima Bunko. Innovative menu items are another initiative, such as the Yaki-Curry (curry casserole) Fair and the addition of a corn potage flavor version of the popular KAIKATSU French fries using thin-cut potatoes. At all COTE D’AZUR karaoke locations, customers can watch the DAZN sports channel, which gives people a new way to enjoy live sporting events in private rooms. During the first nine months, we opened 50 KAIKATSU CLUBS, 18

FiT24 locations and nine locations were closed to improve the efficiency of this business. As a result, there were 661 locations in this segment at the end of the third quarter compared with 602 at the end of the previous fiscal year.

Despite these activities, the performance of this business was affected by the need to stay home as much as possible due to the rapid spread of COVID-19 and by higher expenses because of the addition of new locations. Sales decreased 18.3% to 35,264 million yen and operating loss was 5,517 million yen compared with a 1,692 million yen profit one year earlier.

### **Real Estate Leasing Business**

Segment sales increased 9.4% to 2,898 million yen mainly because of an increase in the subleasing of stores and other facilities that were closed in the other three businesses. Operating profit increased 14.4% to 586 million yen.

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

### **Balance sheet position**

#### Assets

Total assets at the end of the third quarter increased 8,994 million yen from the end of the previous fiscal year to 238,838 million yen mainly due to new store openings and other factors.

Current assets decreased 1,689 million yen from the end of the previous fiscal year. There were decreases of 3,361 million yen in accounts receivable-trade due to seasonal factors, 2,688 million yen in inventories due to a decrease in procurement and other factors and 1,858 million yen in other current assets which include other accounts receivable. There was an increase of 6,224 million yen in cash in hand and in banks due to proceeds from borrowings. Fixed assets increased 10,683 million yen from the end of the previous fiscal year as there were increases of 5,667 million yen in tangible fixed assets due to new store openings and other factors and 5,203 million yen in other investment and other assets including deferred tax assets.

#### Liabilities

Current liabilities increased 15,308 million yen from the end of the previous fiscal year. There were a decrease of 4,387 million yen in accounts payable-trade mainly due to seasonal factors and proceeds from short-term borrowings of 15,000 million yen and an increase of 4,059 million yen in electronically recorded obligations-operating. Long-term liabilities increased 7,115 million yen. There was an increase of 6,624 million yen in long-term borrowings mainly due to a 11,000 million yen of new loan and scheduled repayment.

#### Net assets

Net assets decreased 13,430 million yen from the end of the previous fiscal year. There was a decrease of 14,236 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**

In the first nine months of the current fiscal year, sales and operating profit were generally consistent with the fiscal year forecasts. Performance was in line with expectations despite the greater than anticipated negative impact on the Entertainment Business resulting mainly from increasing requests for people to stay home as the COVID-19 began to spread rapidly in late November. However, there were extraordinary losses mainly caused by valuation losses on investment securities as stock prices declined and by other items.

Sales in every business of the AOKI Group have been challenging even at this point because of the declarations of a state of emergency in January in response to the increasing number of COVID-19 infections and for other reasons. Please refer to subsequent events on page 10 of the attachments for further information. There are concerns about the effect of the COVID-19 pandemic on sales and earnings if this crisis does not end soon. Nevertheless, there are no revisions to the fiscal year forecast announced on November 6, 2020 because the fourth quarter (mainly late February and March) accounts for a large share of fiscal year sales and earnings in the Fashion Business. An announcement will be made promptly if there is new information concerning this forecast.

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

	(Millions of yen)	
	FY3/20 (As of Mar. 31, 2020)	Third quarter of FY3/21 (As of Dec. 31, 2020)
Assets		
Current assets		
Cash in hand and in banks	23,843	30,068
Accounts receivable-trade	8,455	5,094
Inventories	24,181	21,493
Other current assets	8,851	6,993
Allowance for doubtful accounts	(36)	(41)
Total current assets	65,297	63,607
Fixed assets		
Tangible fixed assets		
Buildings and structures, net	66,501	71,501
Land	36,138	36,138
Other, net	14,893	15,560
Total tangible fixed assets	117,533	123,200
Intangible assets	5,631	5,537
Investments and other assets		
Guarantee deposits	7,740	7,465
Leasehold deposit	20,653	20,834
Other investments and other assets	13,028	18,231
Allowance for doubtful accounts	(40)	(40)
Total investments and other assets	41,382	46,491
Total fixed assets	164,546	175,230
Total assets	229,843	238,838

	(Millions of yen)	
	FY3/20 (As of Mar. 31, 2020)	Third quarter of FY3/21 (As of Dec. 31, 2020)
<b>Liabilities</b>		
Current liabilities		
Accounts payable-trade	14,563	10,176
Electronically recorded obligations-operating	-	4,059
Short-term borrowings	-	15,000
Current portion of long-term borrowings	3,493	5,418
Accrued income taxes	407	310
Accrued bonuses for employees	1,357	708
Accrued bonuses for directors (and other officers)	39	62
Other current liabilities	12,727	12,161
Total current liabilities	<u>32,587</u>	<u>47,896</u>
Long-term liabilities		
Long-term borrowings	40,332	46,956
Accrued costs for customer point program	695	535
Retirement benefit liability	1,276	1,333
Asset retirement obligations	7,591	7,565
Other long-term liabilities	8,150	8,771
Total long-term liabilities	<u>58,046</u>	<u>65,162</u>
Total liabilities	<u>90,634</u>	<u>113,058</u>
<b>Net assets</b>		
Shareholders' equity		
Share capital	23,282	23,282
Capital surplus	27,823	27,747
Retained earnings	96,298	82,061
Treasury stock	(7,592)	(7,438)
Total shareholders' equity	<u>139,812</u>	<u>125,653</u>
Accumulated other comprehensive income		
Unrealized gain on securities	(726)	(206)
Remeasurements of defined benefit plans	(105)	(56)
Total accumulated other comprehensive income	<u>(831)</u>	<u>(263)</u>
Stock acquisition rights	228	389
Total net assets	<u>139,209</u>	<u>125,779</u>
Total liabilities and net assets	<u>229,843</u>	<u>238,838</u>

**(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 FY3/20 (Apr. 1, 2019 – Dec. 31, 2019)	First nine months of FY3/21 (Apr. 1, 2020 – Dec. 31, 2020)
Sales	127,111	94,673
Cost of sales	77,375	67,238
Gross profit	49,735	27,435
Selling, general and administrative expenses	48,797	39,576
Operating profit (loss)	937	(12,141)
Non-operating profit		
Interest income	59	50
Dividend income	56	27
Other	158	178
Total non-operating profit	274	256
Non-operating expenses		
Interest expenses	209	267
Loss on disposal of fixed assets	629	405
Other	472	299
Total non-operating expenses	1,311	972
Ordinary loss	(99)	(12,857)
Extraordinary gains		
Gain on sale of fixed assets	55	-
Gain on sales of investment securities	100	4
Gain on reversal of stock acquisition rights	4	-
Subsidies for employment adjustment	-	637
Total extraordinary gains	160	642
Extraordinary losses		
Impairment loss	1,359	1,242
Loss on disaster	169	-
Loss on valuation of investment securities	72	919
Loss due to temporary closure	-	1,990
Business structure improvement expenses	-	202
Total extraordinary losses	1,601	4,355
Loss before income taxes	(1,540)	(16,569)
Current income taxes	565	448
Deferred income taxes	(765)	(5,576)
Total income taxes	(200)	(5,128)
Loss	(1,339)	(11,441)
Loss attributable to owners of parent	(1,339)	(11,441)



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

	(Millions of yen)	
	First nine months of FY3/20 (Apr. 1, 2019 – Dec. 31, 2019)	First nine months of FY3/21 (Apr. 1, 2020 – Dec. 31, 2020)
Loss	(1,339)	(11,441)
Other comprehensive income		
Unrealized gain on securities	(307)	519
Remeasurements of defined benefit plans, net of tax	41	48
Total other comprehensive income	(266)	568
Comprehensive income	(1,605)	(10,872)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(1,605)	(10,872)
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 FY3/21 (Apr. 1, 2020 – Dec. 31, 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 increase 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 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 due to the effects of the COVID-19. Sales are likely to be down 5%-30% in the Fashion Business, approximately 40%-60% in the ANNIVERSAIRE and Bridal Business, and about 10%-40% in the Entertainment Business.

There is no significant change in the AOKI Group's policy for assumptions, including how much the COVID-19 pandemic will continue to spread, when this crisis will end and other upcoming events. Our best estimate is that a recovery of economic activity in Japan to pre-pandemic levels may not be completed until March 2022 at the latest. We will use the outlook for the fiscal year ending in March 2021 as the basis for decisions about the need for the impairment of fixed assets. For some accounting estimates, including estimates for the recognition and determination of fixed asset impairment charges and the recoverability of deferred tax assets, amounts posted on the financial statements are calculated by using the expected value method.

**Segment Information**

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.

First nine months of FY3/21 (Apr. 1, 2020 – Dec. 31, 2020)

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

	Reportable segment					Others (Note 1)	Total	Adjustment (Note 2)	Amounts shown on quarterly consolidated statement of income (Note 3)
	Fashion	Anniversaire and Bridal	Entertainment	Real Estate Leasing	Subtotal				
Sales									
External sales	53,132	5,329	35,264	869	94,595	78	94,673	-	94,673
Inter-segment sales and transfers	15	0	-	2,029	2,045	-	2,045	(2,045)	-
Total	53,148	5,329	35,264	2,898	96,640	78	96,719	(2,045)	94,673
Segment profit (loss)	(4,878)	(2,603)	(5,517)	586	(12,413)	58	(12,354)	213	(12,141)

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

2. The 213 million yen adjustment to segment profit (loss) includes 3,247 million yen in elimination for inter-segment transactions, and -3,033 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, Anniversaire and Bridal, 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 expected to remain in the red; impairment losses of 185 million yen, 601 million yen and 455 million yen were booked respectively in the first nine months of FY3/21.

## Subsequent Events

Effects of the January 2021 declarations of a state of emergency due to the COVID-19 pandemic, reduced store operating hours starting in January and other events

Due to the COVID-19 pandemic and the declarations of a state of emergency on January 7 and 13, 2021, the Japanese government has increased requests for people to stay home as much as possible. In response to these events, stores of the Fashion Business and karaoke locations of the Entertainment Business have been temporarily closed or reduced operating hours and sales are decreasing as a result even at this time.

In the Fashion Business, approximately 100 stores in 11 prefectures have reduced operating hours. In the Anniversaire and Bridal Business, approximately 370 couples have rescheduled weddings and receptions. In addition, 15 COTE D'AZUR karaoke locations have been temporarily closed and 59 locations have reduced operating hours in 11 prefectures.

Extension of the declaration of a state of emergency in ten prefectures, which was decided on February 2, 2021, will negatively affect demand in the Fashion Business for apparel which is normally high in late February and March because of the large number of ceremonies for starting a new school or job. More weddings and receptions will be rescheduled in the Anniversaire and Bridal Business and operating hours will be reduced at karaoke locations. This crisis is expected to have a significant effect on the AOKI Group's financial condition and results of operations in the fiscal year ending in March 2021. However, it is not possible to determine a reliable estimate of the monetary impact of this crisis at this time.

At present, we have determined that the effect of this crisis on the accounting estimates at the end of the third quarter will not be significant.

*\* 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.*