

Summary of Consolidated Financial Results
for the First Quarter of the Fiscal Year Ending March 31, 2022
(Three Months Ended June 30, 2021)

[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 6, 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 August 5, 2021 at 15:30 (GMT +9).

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

1. Consolidated Financial Results for the Three Months Ended June 30, 2021

(April 1, 2021 – June 30, 2021)

(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, 2021	32,905	25.6	(1,457)	-	(1,583)	-	(1,738)	-
Three months ended Jun. 30, 2020	26,204	(39.5)	(7,566)	-	(7,767)	-	(6,429)	-

Note: Comprehensive income (million yen) Three months ended Jun. 30, 2021: (1,699) (-%)

Three months ended Jun. 30, 2020: (6,491) (-%)

	Net income per share		Diluted net income per share	
	Yen		Yen	
Three months ended Jun. 30, 2021	(20.51)		-	
Three months ended Jun. 30, 2020	(75.94)		-	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Jun. 30, 2021	231,349	123,312	53.1
As of Mar. 31, 2021	237,260	125,850	52.9

Reference: Shareholders' equity (million yen)

As of Jun. 30, 2021: 122,897

As of Mar. 31, 2021: 125,487

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen				
FY3/21	-	10.00	-	0.00	10.00
FY3/22	-	-	-	-	-
FY3/22 (forecasts)	-	5.00	-	5.00	10.00

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

3. Consolidated Forecast for the Fiscal Year Ending March 31, 2022 (April 1, 2021 – March 31, 2022)

(Percentages represent year-on-year changes)

	Net 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	169,350	18.3	5,000	-	4,100	-	1,300	-	15.33

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: | Yes |
| 2) Changes in accounting policies other than 1) above: | None |
| 3) Changes in accounting-based estimates: | None |
| 4) Restatements: | None |

Note: Please refer to “Changes in Accounting Policies” on page 9 of the attachments for further information.

(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, 2021:	87,649,504 shares	As of Mar. 31, 2021:	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, 2021:	2,853,484 shares	As of Mar. 31, 2021:	5,853,274 shares
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3) Average number of shares outstanding during the period

Three months ended Jun. 30, 2021:	84,796,139 shares	Three months ended Jun. 30, 2020:	84,675,379 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 4 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 Thursday, August 5, 2021.

Contents of Attachments

	Pages
1. Qualitative Information on Quarterly Consolidated Financial Performance	2
(1) Explanation of Results of Operations	2
(2) Explanation of Financial Position	3
(3) Explanation of Consolidated Forecast and Other Forward-looking Statements	4
2. Quarterly Consolidated Financial Statements and Notes	5
(1) Quarterly Consolidated Balance Sheet	5
(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income	7
Quarterly Consolidated Statement of Income	7
Quarterly Consolidated Statement of Comprehensive Income	8
(3) Notes to Quarterly Consolidated Financial Statements	9
Going Concern Assumption	9
Significant Changes in Shareholders' Equity	9
Changes in Accounting Policies	9
Additional Information	10
Segment Information	10

1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

In the first quarter of the current fiscal year, the COVID-19 pandemic continued to have an impact on the Japanese economy. Economic activity was restricted somewhat by a state of emergency, measures to prevent infections and other activities involving this crisis. Some businesses were required to suspend operations or reduce operating hours. Although there is progress with vaccinations in Japan, the outlook for the economy remains uncertain because there are still no signs of when this crisis will end.

Due to the activities explained in the following section that were accompanied by measures to prevent the spread of infections, the impact of the pandemic was less than one year earlier in all business segments. Net sales increased 25.6% year-on-year to 32,905 million yen, and operating loss was 1,457 million yen compared with a loss of 7,566 million yen one year earlier. There was an ordinary loss of 1,583 million yen compared with a loss of 7,767 million yen one year earlier. Loss attributable to owners of parent was 1,738 million yen compared with a loss of 6,429 million yen one year earlier.

The Company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the first quarter of the current fiscal year. The application of this standard reduced first quarter net sales by 1,015 million yen and decreased operating loss and ordinary loss by 247 million yen each.

Operating results by segment are as follows.

Fashion Business

At AOKI and ORIHICA, there have been consistently strong sales of pajama suits and Active Work Suits since the launch of these products. This apparel belongs to the new home and working style sector, which is a new category of merchandise for AOKI and ORIHICA. In addition, there were activities to expand the lineups of anti-microbial washable masks and washable suits for the spring and summer, both products needed during the pandemic, and of Biz Polo shirts, which is a summer fashion easily matched with other apparel. Another highlight of the first quarter was the full-scale start of activities to strengthen sales promotions, sales areas and customer services involving apparel for working women. Activities were linked with innovative apparel such as the Functional Jacket & Set-up lineup and 360° Kirei Pants. For more progress with the online/offline merger (OMO), all stores have started to offer the Take Out Service that allows customers to use the internet to review at any time product information that was received at a store and purchase items smoothly. One ORIHICA store was opened and three AOKI stores and three ORIHICA stores were closed to improve the efficiency of this business. There were 624 stores at the end of the first quarter (one combined AOKI/Size MAX store has been changed to counting each format separately) compared with 628 at the end of the previous fiscal year.

The performance of this segment improved because of these measures and benefited from a small decline in the negative effects of the pandemic. As a result, sales in this segment increased 4.6% to 17,364 million yen and operating loss was 1,169 million yen compared with a loss of 2,944 million yen one year earlier.

Anniversaire and Bridal Business

At all locations in this business, employees focused on working closely with customers who revised their wedding plans due to the pandemic and on rigorous activities to prevent infections. These activities made it possible for customers to hold weddings and receptions with confidence about the safety of these events. To reflect new life styles, this business offers chapel weddings, family weddings, photo weddings and other services. In addition, Anniversaire and Takami Bridal announced a new line of original dresses in the Arève collection jointly developed by these two companies.

Due to these activities, the number of weddings during the first quarter was much higher than one year earlier when there were no weddings and receptions between April 7 and May 31. As a result, sales were 2,455 million yen compared with 253 million yen one year earlier and there was an operating profit of 97 million yen compared with a 1,324 million yen loss one year earlier.

Entertainment Business

All locations of this business continued to operate while taking many steps to protect customers during the pandemic. The opening of the first café in Kochi prefecture completed the expansion of the network of KAIKATSU CLUB café complexes to all 47 prefectures of Japan. This business continues to use its strategy of establishing a dominant presence in targeted areas to increase its market share. There were many activities for the invigoration of existing cafés. Content was expanded, such as by distributing original Terashima Bunko videos, and the convenience of the KAIKATSU CLUB app was increased. Other activities included the launch of a new grand menu and menu items created jointly with other companies. In the COTE D'AZUR karaoke business, locations started providing a food serving service for safety during the pandemic along with the launch of a new grand menu. FiT24 self-service fitness clubs performed well as this business continued to add new locations while using its distinctive strengths to attract customers. During the first three months, we opened three KAIKATSU CLUBs and 14 FiT24 locations. Six KAIKATSU CLUBs and three COTE D'AZURs were closed for conversions and other measures to improve efficiency. As a result, there were 667 locations in this segment at the end of the first quarter compared with 659 at the end of the previous fiscal year.

The performance of this segment improved because of these measures and benefited from a decline in the negative effects of the pandemic. Sales in this segment increased 41.4% to 12,761 million yen and operating loss was 553 million yen compared with a loss of 3,524 million yen one year earlier.

Real Estate Leasing Business

Segment sales increased 8.3% to 1,053 million yen mainly because of an increase in the subleasing of stores and other facilities that were closed. Operating profit increased 27.1% to 248 million yen.

Information about the application of the accounting standard for revenue recognition, etc. and the effect of this standard for each business segment is shown in “Changes in Accounting Policies” on page 9 and “Segment Information, First three months of FY3/22, 3. Information related to revisions for reportable segments on page 11.

(2) Explanation of Financial Position

Balance sheet position

Assets

Total assets at the end of the first quarter decreased 5,910 million yen from the end of the previous fiscal year to 231,349 million yen mainly due to a decrease in accounts receivable-trade.

Current assets decreased 6,530 million yen from the end of the previous fiscal year. There was a decrease of 5,791 million yen in accounts receivable-trade due to seasonal factors. Non-current assets increased 620 million yen from the end of the previous fiscal year as there was an increase of 724 million yen in other under investments and other assets which includes deferred tax assets.

Liabilities

Current liabilities decreased 10,800 million yen from the end of the previous fiscal year. There was a decrease of 3,358 million yen in accounts payable-trade mainly due to seasonal factors and repayments of short-term borrowings of 5,000 million yen. Non-current liabilities increased 7,428 million yen due to long-term borrowings of 9,000 million yen.

Net assets

Net assets decreased 2,538 million yen from the end of the previous fiscal year. There was a decrease of 2,628 million yen in retained earnings due to a loss attributable to owners of parent and the application of the accounting standard for revenue recognition, etc.

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

In the first quarter of the current fiscal year, sales in all business segments were somewhat below the expected pace used for the fiscal year sales forecast. The main causes are the state of emergency and measures to prevent infections due to the pandemic. First quarter operating profit was also slightly below the expected quarterly pace. There are no revisions to the fiscal year forecast because of progress with vaccinations, the current level of economic activity in Japan, and uncertainty about the recovery of sales and earnings in all business segments.

For significant accounting estimates for the impact of COVID-19, there are no significant revisions to the information about assumptions for the end of this crisis and other items. However, the pace of the recovery in sales and earnings is currently slower than originally expected.

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

	(Millions of yen)	
	FY3/21 (As of Mar. 31, 2021)	First quarter of FY3/22 (As of Jun. 30, 2021)
Assets		
Current assets		
Cash and deposits	29,941	30,829
Accounts receivable-trade	10,686	4,894
Inventories	20,112	19,028
Other	7,152	6,607
Allowance for doubtful accounts	(40)	(38)
Total current assets	67,852	61,321
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	68,875	68,361
Land	36,138	36,138
Other, net	17,755	18,365
Total property, plant and equipment	122,769	122,866
Intangible assets	5,505	5,466
Investments and other assets		
Guarantee deposits	7,409	7,382
Leasehold deposit	20,752	20,616
Other	13,011	13,736
Allowance for doubtful accounts	(40)	(40)
Total investments and other assets	41,133	41,695
Total non-current assets	169,407	170,027
Total assets	237,260	231,349

	(Millions of yen)	
	FY3/21 (As of Mar. 31, 2021)	First quarter of FY3/22 (As of Jun. 30, 2021)
Liabilities		
Current liabilities		
Accounts payable-trade	14,241	10,882
Electronically recorded obligations-operating	2,660	1,085
Short-term borrowings	11,000	6,000
Current portion of long-term borrowings	5,418	4,528
Income taxes payable	679	142
Provision for bonuses	1,013	675
Provision for bonuses for directors (and other officers)	-	20
Other	12,829	13,707
Total current liabilities	47,842	37,041
Non-current liabilities		
Long-term borrowings	45,914	53,652
Provision for point card certificates	320	-
Retirement benefit liability	1,192	1,205
Asset retirement obligations	7,560	7,590
Other	8,580	8,548
Total non-current liabilities	63,567	70,996
Total liabilities	111,409	108,037
Net assets		
Shareholders' equity		
Share capital	23,282	23,282
Capital surplus	27,747	23,934
Retained earnings	81,571	78,942
Treasury shares	(7,438)	(3,626)
Total shareholders' equity	125,162	122,534
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	251	293
Remeasurements of defined benefit plans	72	70
Total accumulated other comprehensive income	324	363
Share acquisition rights	363	414
Total net assets	125,850	123,312
Total liabilities and net assets	237,260	231,349

(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 FY3/21 (Apr. 1, 2020 – Jun. 30, 2020)	First three months of FY3/22 (Apr. 1, 2021 – Jun. 30, 2021)
Net sales	26,204	32,905
Cost of sales	20,165	21,588
Gross profit	6,038	11,316
Selling, general and administrative expenses	13,605	12,774
Operating loss	(7,566)	(1,457)
Non-operating profit		
Interest income	18	20
Dividend income	16	13
Other	46	37
Total non-operating profit	81	71
Non-operating expenses		
Interest expenses	82	92
Loss on retirement of non-current assets	121	15
Other	77	88
Total non-operating expenses	281	196
Ordinary loss	(7,767)	(1,583)
Extraordinary income		
Subsidies for employment adjustment	273	337
Total extraordinary income	273	337
Extraordinary losses		
Impairment loss	235	282
Loss due to temporary closure	1,976	590
Total extraordinary losses	2,212	873
Loss before income taxes	(9,705)	(2,118)
Income taxes - current	84	359
Income taxes - deferred	(3,359)	(739)
Total income taxes	(3,275)	(379)
Loss	(6,429)	(1,738)
Loss attributable to owners of parent	(6,429)	(1,738)

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

	(Millions of yen)	
	First three months of FY3/21 (Apr. 1, 2020 – Jun. 30, 2020)	First three months of FY3/22 (Apr. 1, 2021 – Jun. 30, 2021)
Loss	(6,429)	(1,738)
Other comprehensive income		
Valuation difference on available-for-sale securities	(77)	41
Remeasurements of defined benefit plans, net of tax	16	(2)
Total other comprehensive income	(61)	39
Comprehensive income	(6,491)	(1,699)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(6,491)	(1,699)
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 FY3/22 (Apr. 1, 2021 – Jun. 30, 2021)

No reportable information.

Changes in Accounting Policies

Application of the Accounting Standard for Revenue Recognition, etc.

The Company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the first quarter of the current fiscal year. Based on this standard, revenue expected to be received in exchange for the provision of goods and services is recognized when the control of the promised goods and services is transferred to customers. In the Fashion Business, in prior years expected expenses for the future exchanges of loyalty points concerning products and services were recorded as an allowance. Due to this new accounting standard, in cases where these points give customers a significant right, the points are categorized as a performance obligation to provide goods or services and the recognition of revenue is deferred. For apparel and other items in the ANNIVERSAIRE and Bridal Business and gift cards and other items in the Entertainment Business, the total amounts of these items were recognized as revenue in prior years. Due to this new accounting standard, these are classified as items that perform a role in the provision of goods and services to customers (directly or to an agent). As a result, the net rather than gross amounts of these items are now recognized as revenue.

For the application of the accounting standard for revenue recognition, etc., in accordance with the transitional treatment in the proviso to paragraph 84 of this standard, the cumulative effect of the retrospective application of the new accounting standard, if it is applied prior to the first quarter of the current fiscal year, is added to or subtracted from retained earnings at the beginning of the first quarter of the current fiscal year. The new standard is then applied beginning with this amount of retained earnings. However, the Company has applied the method prescribed in paragraph 86 of this standard and has not retrospectively applied the new accounting policy to contracts in which almost all revenue were recognized in accordance with the previous treatment prior to the beginning of the first quarter of the current fiscal year.

As a result, net sales decreased 1,015 million yen, cost of sales decreased 1,250 million yen, and selling, general and administrative expenses decreased 12 million yen. Operating loss, ordinary loss and loss before income taxes declined 247 million yen each in the first three months of the current fiscal year. In addition, there was a decrease of 889 million yen in retained earnings at the beginning of the current fiscal year.

Due to the application of the revenue recognition accounting standard, etc., the provision for point card certificates that was presented in the non-current liabilities section of the consolidated balance sheet in the previous fiscal year is, from the first quarter of the current fiscal year, presented as an option to acquire additional goods or services, with a portion of the transaction price allocated to the option and the contractual liability included in the other under current liabilities until expired due to use or expiration. In accordance with the transitional treatment prescribed in paragraph 89-2 of the accounting standard for revenue recognition, no reclassification has been made to the prior year's consolidated financial statements to conform to the new presentation. Furthermore, in accordance with the transitional treatment prescribed in paragraph 28-15 of the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12, March 31, 2020), the Company has not presented information on revenue from contracts with customers broken down for the first quarter of the previous fiscal year.

Application of the Accounting Standard for Measurement of Fair Value, etc.

The Company has applied the Accounting Standard for Measurement of Fair Value (ASBJ Statement No. 30, July 4, 2019), etc. from the beginning of the first quarter of the current fiscal year, and has applied the new accounting policies set forth by the Accounting Standard for Measurement of Fair Value, etc. prospectively in accordance with the transitional treatment in the paragraph 19 of the Accounting Standard for Measurement of Fair Value and paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019). There is no effect of the application of these standards on the quarterly consolidated financial statements.

Additional Information

Accounting estimates for the impact of COVID-19

There have been no significant changes to the key assumptions used in the accounting estimates for the impact of COVID-19 described in Notes (Significant Accounting Estimates) in the Annual Securities Report for the fiscal year ended March 31, 2021.

Segment Information

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	Entertainment	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 non-current assets, or goodwill, etc. for each reportable segment

Material impairment losses related to non-current 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; impairment losses of 25 million yen and 210 million yen were booked respectively in the first three months of FY3/21.

First three months of FY3/22 (Apr. 1, 2021 – Jun. 30, 2021)

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

(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									
Fashion	17,364	-	-	-	17,364	-	17,364	-	17,364
Bridal	-	2,453	-	-	2,453	-	2,453	-	2,453
Café complex	-	-	10,812	-	10,812	-	10,812	-	10,812
Karaoke	-	-	1,264	-	1,264	-	1,264	-	1,264
Fitness	-	-	684	-	684	-	684	-	684
Other	-	-	-	-	-	20	20	-	20
Revenue from contracts with customers	17,364	2,453	12,761	-	32,580	20	32,600	-	32,600
Other revenues	-	-	-	304	304	-	304	-	304
External sales	17,364	2,453	12,761	304	32,885	20	32,905	-	32,905
Inter-segment sales and transfers	-	1	-	748	750	-	750	(750)	-
Total	17,364	2,455	12,761	1,053	33,635	20	33,655	(750)	32,905
Segment profit (loss)	(1,169)	97	(553)	248	(1,377)	10	(1,367)	(90)	(1,457)

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

2. The -90 million yen adjustment to segment profit (loss) includes 897 million yen in elimination for inter-segment transactions, and -987 million yen in company-wide costs that cannot be allocated to any specific reportable segments. Company-wide costs mainly include administration expenses of the Company that cannot be attributed to reportable segments.

3. Segment profit (loss) is adjusted with operating loss on the quarterly consolidated statement of income.

2. Information related to impairment losses on non-current assets, or goodwill, etc. for each reportable segment

Material impairment losses related to non-current 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; impairment losses of 58 million yen, 222 million yen and 1 million yen were booked respectively in the first three months of FY3/22.

3. Information related to revisions for reportable segments

As described in Changes in Accounting Policies, the Company has applied the Accounting Standard for Revenue Recognition, etc. from the beginning of the first quarter of FY3/22 and changed the accounting method for revenue recognition. Accordingly, the method for calculating segment profit or loss has been changed as well.

Compared with the previous method, net sales increased 183 million yen and segment loss decreased 265 million yen in the Fashion Business in the first three months of FY3/22. Net sales decreased 1,081 million and there were no effect on segment profit in the Anniversaire and Bridal Business. In the Entertainment Business, net sales decreased 117 million yen and segment loss increased 18 million yen.

** 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.*