AOKI Holdings

May 11, 2023

# Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2023

**[Japanese GAAP]**

Company name: AOKI Holdings Inc. Listings: Tokyo Stock Exchange
Stock code: 8214 URL: https://www.aoki-hd.co.jp/
Representative: Haruo Tamura, President
Contact: Tomoki Yanagi, Managing Executive Officer, General Manager of IR/PR Office Tel: +81-45-941-1388

Scheduled date of Annual General Meeting of Shareholders: June 29, 2023
Scheduled date of filing of Annual Securities Report: June 29, 2023
Scheduled date of payment of dividend: June 8, 2023
Preparation of supplementary materials for financial results: Yes
Holding of financial results meeting: Yes (for institutional investors and analysts)

*Note: The original disclosure in Japanese was released on May 11, 2023 at 15:00 (GMT +9).*

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

## 1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2023 (April 1, 2022 – March 31, 2023)

(1) Consolidated results of operations (Percentages represent year-on-year changes)

| | Net sales | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | |
|---|---|---|---|---|---|---|---|---|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % |
| FY3/23 | 176,170 | 13.7 | 10,235 | 88.0 | 8,430 | 93.3 | 5,632 | 119.7 |
| FY3/22 | 154,916 | 8.2 | 5,443 | - | 4,360 | - | 2,563 | - |

Note: Comprehensive income (million yen) FY3/23: 5,845 (up 105.9%) FY3/22: 2,838 (-%)

| | Net income per share | Diluted net income per share | Return on equity | Ordinary profit on total assets | Operating profit to sales |
|---|---|---|---|---|---|
| | Yen | Yen | % | % | % |
| FY3/23 | 66.34 | - | 4.3 | 3.6 | 5.8 |
| FY3/22 | 30.21 | - | 2.0 | 1.9 | 3.5 |

Reference: Equity in income of affiliates (million yen) FY3/23: - FY3/22: -

(2) Consolidated financial position

| | Total assets | Net assets | Equity ratio | Net assets per share |
|---|---|---|---|---|
| | Million yen | Million yen | % | Yen |
| As of Mar. 31, 2023 | 233,416 | 132,251 | 56.5 | 1,554.37 |
| As of Mar. 31, 2022 | 233,008 | 127,641 | 54.5 | 1,496.80 |

Reference: Shareholders' equity (million yen) As of Mar. 31, 2023: 131,969 As of Mar. 31, 2022: 127,082

(3) Consolidated cash flow position

| | Cash flows from operating activities | Cash flows from investing activities | Cash flows from financing activities | Cash and cash equivalents at end of period |
|---|---|---|---|---|
| | Million yen | Million yen | Million yen | Million yen |
| FY3/23 | 17,475 | (3,026) | (14,091) | 38,295 |
| FY3/22 | 17,132 | 886 | (10,023) | 37,937 |

## 2. Dividends

| | Dividend per share | | | | | Total dividends | Dividend payout ratio (consolidated) | Dividend on equity (consolidated) |
|---|---|---|---|---|---|---|---|---|
| | 1Q-end | 2Q-end | 3Q-end | Year-end | Total | | | |
| | Yen | Yen | Yen | Yen | Yen | Million yen | % | % |
| FY3/22 | - | 5.00 | - | 5.00 | 10.00 | 849 | 33.1 | 0.7 |
| FY3/23 | - | 7.00 | - | 13.00 | 20.00 | 1,698 | 30.1 | 1.3 |
| FY3/24 (forecasts) | - | 13.00 | - | 14.00 | 27.00 | | 39.5 | |

## 3. Consolidated Forecast for the Fiscal Year Ending March 31, 2024 (April 1, 2023 – March 31, 2024)

(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 | 180,500 | 2.5 | 10,800 | 5.5 | 10,300 | 22.2 | 5,800 | 3.0 | 68.31 |

*** Notes**

(1) Changes in consolidated subsidiaries during the period (changes in scope of consolidation): None

(2) Changes in accounting policies and accounting-based estimates, and restatements

| | |
|---|---|
| 1) Changes in accounting policies due to revisions in accounting standards, others: | None |
| 2) Changes in accounting policies other than 1) above: | None |
| 3) Changes in accounting-based estimates: | None |
| 4) Restatements: | None |

(3) Number of shares outstanding (common shares)

| | | | |
|---|---|---|---|
| 1) Number of shares outstanding (including treasury shares) at the end of the period | | | |
| As of Mar. 31, 2023: | 87,649,504 shares | As of Mar. 31, 2022: | 87,649,504 shares |
| 2) Number of treasury shares at the end of the period | | | |
| As of Mar. 31, 2023: | 2,746,866 shares | As of Mar. 31, 2022: | 2,746,514 shares |
| 3) Average number of shares outstanding during the period | | | |
| Fiscal year ended Mar. 31, 2023: | 84,902,782 shares | Fiscal year ended Mar. 31, 2022: | 84,870,219 shares |

**(For reference) Summary of Non-consolidated Financial Results**

**1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2023 (April 1, 2022 – March 31, 2023)**

(1) Non-consolidated results of operations (Percentages represent year-on-year changes)

| | Net sales | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | |
|---|---|---|---|---|---|---|---|---|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % |
| FY3/23 | 8,141 | 16.7 | (95) | - | 694 | (30.8) | 1,651 | (49.0) |
| FY3/22 | 6,973 | 1.7 | 554 | (45.7) | 1,003 | (68.3) | 3,239 | 69.6 |

| | Net income per share | Diluted net income per share |
|---|---|---|
| | Yen | Yen |
| FY3/23 | 19.45 | - |
| FY3/22 | 38.17 | - |

(2) Non-consolidated financial position

| | Total assets | Net assets | Equity ratio | Net assets per share |
|---|---|---|---|---|
| | Million yen | Million yen | % | Yen |
| As of Mar. 31, 2023 | 167,114 | 118,322 | 70.8 | 1,393.63 |
| As of Mar. 31, 2022 | 179,430 | 117,792 | 65.3 | 1,380.80 |

Reference: Shareholders' equity (million yen) As of Mar. 31, 2023: 118,322 As of Mar. 31, 2022: 117,233

Note 1: This financial report is not subject to audit by certified public accountants or auditing firms.

Note 2: Cautionary statement with respect to forecasts and other matters

Cautionary statement with respect to forward-looking statements

Forecasts and forward-looking statements in these materials are based on assumptions judged to be valid and information available to the Company at the time the materials were created. These materials are not promises by the Company regarding future performance. Actual performance may differ significantly from these forecasts for a number of reasons. Please refer to "1. Overview of Results of Operations, etc. (4) Outlook" on page 4 of the attachments regarding preconditions or other related matters for the forecast shown above.

Supplementary materials for financial results

Supplementary materials for financial results will be available on the Company's website immediately after the earnings announcement on Thursday, May 11, 2023.

Disclosure of the information meeting materials

The Company plans to hold a financial results meeting for institutional investors and analysts by web conference on Thursday, May 25, 2023. Materials to be distributed at this event will be available on the Company's website on the morning of the meeting.

Contents of Attachments

## 1. Overview of Results of Operations, etc.

### (1) Results of Operations

In the fiscal year that ended in March 2023, the slow recovery of the Japanese economy continued as restrictions involving the pandemic ended. However, the outlook for the economy remains uncertain because of the high cost of energy and raw materials caused by global events, the yen's depreciation and other reasons. The AOKI Group implemented numerous measures in all business segments as explained below in response to this challenging business climate and lifestyle changes. The results for the fiscal year were as follows.

| | | |
|---|---|---|
| Net sales | 176,170 million yen | (up 13.7% year-on-year) |
| Operating profit | 10,235 million yen | (up 88.0% year-on-year) |
| Ordinary profit | 8,430 million yen | (up 93.3 % year-on-year) |
| Profit attributable to owners of parent | 5,632 million yen | (up 119.7 % year-on-year) |

Business segment performance was as follows.

**Fashion Business**

As people begin to return to wearing suits and formal attire, AOKI used TV commercials to once again tell consumers about the benefits and appeal of wearing suits. There was also a successful Freshers Support Fair featuring campaign celebrities for men's and women's apparel for the people in the freshers segment, which is young people starting college or a new job. Other activities include the expansion of the lineup of Pajama Suits in the casual apparel category and a large selection of coordinated items, such as T-shirts with Business Suit Tailoring. For women's fashions, stores sold a diverse array of merchandise including apparel of the MeWORK Project for working women, which is centered on mix-and-match apparel. ORIHICA operated pop-up shops for a limited time that sell only women's fashions and attracted a large number of customers. Three ORIHICA stores were opened, and seven AOKI stores and 10 ORIHICA stores were closed to improve the efficiency of store operations. As a result, the number of stores decreased from 610 at the end of the previous fiscal year to 596 at the end of the current fiscal year.

Sales remained brisk in both the formal and casual apparel categories because of these activities and other measures, including strong sales during the Freshers campaign from late February through March. As a result, sales increased 6.6% year on year to 94,519 million yen and there was an operating profit increased 38.9% year on year to 6,662 million yen.

**Anniversaire and Bridal Business**

In this business, activities continued for efficiently attracting customers by using the internet and social networking services and for further refining all wedding formats. ANNIVERSAIRE Omotesando closed on December 29, 2022 for renovations. Work is proceeding as planned and the reopening with a new look is scheduled for September 2023.

Sales increased 18.0% year on year to 9,412 million yen and there was an operating profit of 385 million yen compared with a loss of 580 million yen one year earlier.

**Entertainment Business**

KAIKATSU CLUB café complexes are continuing to provide services such as personal rooms with locks, free classes for earning professional qualifications and content such as unlimited viewing of TV Tokyo BiZ. On Demand programs. To enlarge food and beverage selections, cafés held a Turkish Rice Fair for a limited time. At COTE D'AZUR karaoke facilities, there were special food events, such as a collaboration with a well-known ramen restaurant, an unlimited singing and food plan for students, and other promotions. FiT24, which operates 24-hour self-service fitness gyms, is continuing to increase the number of gyms as planned, including locations with indoor golf. During the current fiscal year, KAIKATSU CLUB opened four cafés and FiT24 opened 23 gyms. In addition, due to format conversions and measures to improve efficiency, 15 KAIKATSU CLUB cafés and 16 COTE D'AZUR karaoke facilities were closed. As a result, including the 106 JIYU KUKAN café complexes and other locations of RUNSYSTEM (including 59 franchised stores), the number of locations in this business increased from 708 at the end of the previous fiscal year to 810 at the end of the current fiscal year.

Segment sales and earnings increased because of these measures and the declining impact of the pandemic during the fiscal year. Sales in this segment increased 25.0% to 71,269 million yen and operating profit increased 465.0% to 3,333 million yen.

**Real Estate Leasing Business**

Segment sales increased 8.5% to 4,807 million yen mainly because of the leasing of stores and other AOKI Group locations that were closed and an increase in the cost of some subleased stores and other facilities. Operating profit decreased 15.5% to 746 million yen.

## (2) Financial Position

### Balance sheet position

Assets

Total assets at the end of the current fiscal year increased 407 million yen from the end of the previous fiscal year to 233,416 million yen.

Current assets increased 4,323 million yen mainly due to increases of 1,306 million yen in accounts receivable-trade caused by higher sales, 1,135 million yen in inventories resulting from an increase in procurement and 1,533 million yen in other current assets which include other accounts receivable. Non-current assets decreased 3,915 million yen as property, plant and equipment decreased 4,123 million yen mainly due to depreciation.

Liabilities

Current liabilities increased 4,489 million yen from the end of the previous fiscal year. There were increases of 2,691 million yen in accounts payable-trade mainly due to higher procurement and 1,535 million yen in provision for bonuses. Non-current liabilities decreased 8,691 million yen due to a decrease of 8,107 million yen in long-term borrowings for scheduled repayments.

Net assets

Net assets increased 4,609 million yen from the end of the previous fiscal year. There was an increase of 4,613 million yen in retained earnings due to a profit attributable to owners of parent and dividend from surplus.

## (3) Cash Flows

### Cash flow position

(Millions of yen)

| | FY3/22 | FY3/23 |
|---|---|---|
| Cash flows from operating activities | 17,132 | 17,475 |
| Cash flows from investing activities | 886 | (3,026) |
| Cash flows from financing activities | (10,023) | (14,091) |
| Increase (decrease) in cash and cash equivalents | 7,995 | 358 |
| Cash and cash equivalents at beginning of period | 29,941 | 37,937 |
| Cash and cash equivalents at end of period | 37,937 | 38,295 |

Cash and cash equivalents at the end of the current fiscal year increased 358 million yen from the end of the previous fiscal year to 38,295 million yen mainly due to an increase in profit before income taxes and a decrease in purchase of property, plant and equipment, while there were repayments of long-term borrowings.

Net cash provided by operating activities increased 342 million yen to 17,475 million yen on a year-on-year basis. The principal factors were profit before income taxes of 7,760 million yen, depreciation of 9,171 million yen and impairment loss of 1,973 million yen.

Net cash used in investing activities increased 3,913 million yen to 3,026 million yen on a year-on-year basis. This was mainly due to proceeds from repayment for leasehold and guarantee deposits of 1,378 million yen and payments of 4,568 million yen for the purchase of property, plant and equipment for capital investment.

Net cash used in financing activities increased 4,067 million yen to 14,091 million yen on a year-on-year basis. This was mainly due to repayments of long-term borrowings of 10,943 million yen, repayments of lease obligations of 2,026 million yen and dividends paid of 1,024 million yen.

### (4) Outlook

The outlook is expected to remain uncertain due to the high cost of energy and resources, the yen's weakness, and other reasons. In this difficult environment, we will continue to take numerous measures in each of our businesses for the creation of new forms of value by providing products and services that reflect changes in market conditions and life styles. We will also increase synergies among all businesses of the AOKI Group. Our objective is the growth of the corporate value of the entire group.

In the Fashion Business, we are reinforcing AOKI's identity as a provider of Life & Work Style fashions. One priority is the planning and development of casual apparel, such as the pajama series, and fashions for working women and offering larger selections of these fashions. Utilizing idle space is another goal in order to increase the efficiency of business operations. AOKI plans to open new stores steadily, but we also plan to close inefficient stores, and the number of stores at the end of the fiscal year is expected to remain generally unchanged.

In the ANNIVERSAIRE and Bridal Business, we will upgrade all wedding formats and use the remodeled Omotesando location, scheduled to open in September 2023, to make the ANNIVERSAIRE brand even stronger and increase synergies with other ANNIVERSAIRE locations.

The Entertainment Business will continue to add a variety of content and services and raise the efficiency of operations by reducing the number of people required at each location. We are also installing indoor golf facilities at a faster pace, mainly at FiT24 fitness gyms and AOKI stores, in order to improve efficiency. We plan to open 10 KAIKATSU CLUB and FiT24 locations during the fiscal year.

Business segment forecasts are as follows.

Business segment forecasts for the fiscal year ending March 31, 2024

(Millions of yen)

| | Fashion | Anniversaire and Bridal | Entertainment | Real Estate Leasing | Consolidated |
|---|---|---|---|---|---|
| Sales | 94,600 | 9,800 | 77,300 | 5,300 | 180,500 |
| YoY change (%) | 100.1 | 104.1 | 108.5 | 110.2 | 102.5 |
| Segment profit | 7,000 | 50 | 3,800 | 900 | 10,800 |
| YoY change (%) | 105.1 | 13.0 | 114.0 | 120.5 | 105.5 |

Note: Segment profit is operating profit. Total segment profit differs from consolidated operating profit because of other business and consolidation adjustments.

Business segment forecasts are based on the following assumptions for changes in existing-store sales.

(%)

| | 1Q | 2Q | 1H | 3Q | 4Q | 2H | Full year |
|---|---|---|---|---|---|---|---|
| Fashion | (3.0) | (0.9) | (2.1) | (0.8) | 1.5 | 0.6 | (0.4) |
| Entertainment | 3.8 | 4.1 | 3.9 | 2.9 | 1.3 | 2.1 | 3.0 |

Note: The ANNIVERSAIRE and Bridal Business expects an decrease of 98.4% year-on-year in the number of weddings (including chapel weddings, family weddings and photo weddings) at existing facilities (excluding the Omotesando location which is currently closed for renovations).

## 2. Basic Approach for the Selection of Accounting Standards

The AOKI Group's operations are located in Japan and the Group has little or no need of raising funds in overseas markets. Moreover, the percentage of shares held by foreign shareholders is relatively small. In view of the above factors the Company currently uses Japanese accounting standards for its financial statements.

The Company will consider using International Financial Reporting Standards (IFRS) if considered necessary by the future direction of the Group's business development, the use of IFRS by other companies in Japan and other factors.

## 3. Consolidated Financial Statements and Notes

### (1) Consolidated Balance Sheet

(Millions of yen)

| | FY3/22 (As of Mar. 31, 2022) | FY3/23 (As of Mar. 31, 2023) |
|---|---|---|
| Assets | | |
| Current assets | | |
| Cash and deposits | 37,937 | 38,295 |
| Accounts receivable-trade | 11,808 | 13,114 |
| Inventories | 18,330 | 19,465 |
| Other | 6,481 | 8,015 |
| Allowance for doubtful accounts | (44) | (54) |
| Total current assets | 74,513 | 78,836 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures | 143,481 | 142,955 |
| Accumulated depreciation | (76,676) | (79,056) |
| Buildings and structures, net | 66,804 | 63,898 |
| Machinery, vehicles, tools, furniture and fixtures | 19,452 | 21,466 |
| Accumulated depreciation | (11,239) | (13,060) |
| Machinery, vehicles, tools, furniture and fixtures, net | 8,212 | 8,406 |
| Land | 30,760 | 31,021 |
| Lease assets | 18,806 | 17,612 |
| Accumulated depreciation | (12,234) | (11,992) |
| Lease assets, net | 6,571 | 5,619 |
| Construction in progress | 1,073 | 352 |
| Total property, plant and equipment | 113,422 | 109,299 |
| Intangible assets | 5,538 | 7,007 |
| Investments and other assets | | |
| Investment securities | 2,477 | 2,249 |
| Guarantee deposits | 6,970 | 6,628 |
| Leasehold deposit | 20,222 | 19,013 |
| Deferred tax assets | 8,243 | 8,687 |
| Other | 1,660 | 1,744 |
| Allowance for doubtful accounts | (40) | (53) |
| Total investments and other assets | 39,534 | 38,272 |
| Total non-current assets | 158,495 | 154,579 |
| Total assets | 233,008 | 233,416 |

(Millions of yen)

| | FY3/22 (As of Mar. 31, 2022) | FY3/23 (As of Mar. 31, 2023) |
|---|---|---|
| Liabilities | | |
| Current liabilities | | |
| Accounts payable-trade | 15,272 | 17,963 |
| Current portion of long-term borrowings | 10,844 | 10,647 |
| Lease obligations | 1,864 | 1,734 |
| Accounts payable-other | 6,632 | 7,020 |
| Income taxes payable | 2,508 | 2,012 |
| Contractual liability | 1,130 | 1,788 |
| Provision for bonuses | 1,814 | 3,349 |
| Provision for bonuses for directors (and other officers) | 44 | 65 |
| Other | 4,303 | 4,322 |
| Total current liabilities | 44,415 | 48,904 |
| Non-current liabilities | | |
| Long-term borrowings | 44,314 | 36,206 |
| Lease obligations | 4,946 | 4,111 |
| Retirement benefit liability | 815 | 895 |
| Asset retirement obligations | 7,680 | 7,855 |
| Other | 3,193 | 3,190 |
| Total non-current liabilities | 60,951 | 52,260 |
| Total liabilities | 105,366 | 101,164 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 23,282 | 23,282 |
| Capital surplus | 23,870 | 23,795 |
| Retained earnings | 82,821 | 87,434 |
| Treasury shares | (3,489) | (3,490) |
| Total shareholders' equity | 126,484 | 131,022 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 235 | 682 |
| Remeasurements of defined benefit plans | 362 | 265 |
| Total accumulated other comprehensive income | 598 | 947 |
| Share acquisition rights | 559 | - |
| Non-controlling interests | - | 281 |
| Total net assets | 127,641 | 132,251 |
| Total liabilities and net assets | 233,008 | 233,416 |

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

### Consolidated Statement of Income

(Millions of yen)

| | FY3/22<br>(Apr. 1, 2021 – Mar. 31, 2022) | FY3/23<br>(Apr. 1, 2022 – Mar. 31, 2023) |
|---|---|---|
| Net sales | 154,916 | 176,170 |
| Cost of sales | 95,279 | 106,614 |
| Gross profit | 59,636 | 69,556 |
| Selling, general and administrative expenses | 54,193 | 59,320 |
| Operating profit | 5,443 | 10,235 |
| Non-operating profit | | |
| Interest income | 69 | 68 |
| Dividend income | 26 | 53 |
| Other | 173 | 282 |
| Total non-operating profit | 269 | 404 |
| Non-operating expenses | | |
| Interest expenses | 376 | 362 |
| Loss on retirement of non-current assets | 185 | 996 |
| Special survey costs, etc. | - | 264 |
| Other | 789 | 585 |
| Total non-operating expenses | 1,351 | 2,209 |
| Ordinary profit | 4,360 | 8,430 |
| Extraordinary income | | |
| Gain on sales of non-current assets | 3,994 | 97 |
| Gain on sales of investment securities | - | 231 |
| Gain on reversal of share acquisition rights | - | 738 |
| Subsidies for employment adjustment | 1,968 | 257 |
| Total extraordinary income | 5,962 | 1,324 |
| Extraordinary losses | | |
| Impairment loss | 2,881 | 1,973 |
| Loss on sale of investment securities | - | 21 |
| Loss on valuation of investment securities | 153 | - |
| Loss due to temporary closure | 1,583 | - |
| Total extraordinary losses | 4,618 | 1,994 |
| Profit (loss) before income taxes | 5,704 | 7,760 |
| Income taxes – current | 3,028 | 2,705 |
| Income taxes – deferred | 112 | (440) |
| Total income taxes | 3,141 | 2,264 |
| Profit | 2,563 | 5,496 |
| Profit attributable to non-controlling interests | - | (136) |
| Profit attributable to owners of parent | 2,563 | 5,632 |

**Consolidated Statement of Comprehensive Income**

(Millions of yen)

| | FY3/22<br>(Apr. 1, 2021 – Mar. 31, 2022) | FY3/23<br>(Apr. 1, 2022 – Mar. 31, 2023) |
|---|---|---|
| Profit | 2,563 | 5,496 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | (15) | 446 |
| Remeasurements of defined benefit plans, net of tax | 290 | (97) |
| Total other comprehensive income | 274 | 349 |
| Comprehensive income | 2,838 | 5,845 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 2,838 | 5,981 |
| Comprehensive income attributable to non-controlling interests | - | (136) |

### (3) Consolidated Statement of Changes in Shareholders' Equity

FY3/22 (Apr. 1, 2021 – Mar. 31, 2022)

(Millions of yen)

| | Shareholders' equity | | | | |
|---|---|---|---|---|---|
| | Share capital | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at the beginning of period | 23,282 | 27,747 | 81,571 | (7,438) | 125,162 |
| Cumulative effects of changes in accounting policies | | | (889) | | (889) |
| Restated balance | 23,282 | 27,747 | 80,681 | (7,438) | 124,273 |
| Changes during period | | | | | |
| Dividend of surplus | | | (424) | | (424) |
| Profit attributable to owners of parent | | | 2,563 | | 2,563 |
| Purchase of treasury shares | | | | (0) | (0) |
| Disposal of treasury shares | | (64) | | 136 | 71 |
| Cancellation of treasury shares | | (3,812) | | 3,812 | |
| Net changes in items other than shareholders' equity | | | | | |
| Total changes during period | - | (3,876) | 2,139 | 3,948 | 2,210 |
| Balance at the end of period | 23,282 | 23,870 | 82,821 | (3,489) | 126,484 |

| | Accumulated other comprehensive income | | | Share acquisition rights | Total net assets |
|---|---|---|---|---|---|
| | Unrealized gain on securities | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | | |
| Balance at the beginning of period | 251 | 72 | 324 | 363 | 125,850 |
| Cumulative effects of changes in accounting policies | | | | | (889) |
| Restated balance | 251 | 72 | 324 | 363 | 124,961 |
| Changes during period | | | | | |
| Dividend of surplus | | | | | (424) |
| Profit attributable to owners of parent | | | | | 2,563 |
| Purchase of treasury shares | | | | | (0) |
| Disposal of treasury shares | | | | | 71 |
| Cancellation of treasury shares | | | | | |
| Net changes in items other than shareholders' equity | (15) | 290 | 274 | 195 | 469 |
| Total changes during period | (15) | 290 | 274 | 195 | 2,680 |
| Balance at the end of period | 235 | 362 | 598 | 559 | 127,641 |

FY3/23 (Apr. 1, 2022 – Mar. 31, 2023)

(Millions of yen)

| | Shareholders' equity | | | | |
|---|---|---|---|---|---|
| | Share capital | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at the beginning of period | 23,282 | 23,870 | 82,821 | (3,489) | 126,484 |
| Changes during period | | | | | |
| Dividend of surplus | | | (1,018) | | (1,018) |
| Profit attributable to owners of parent | | | 5,632 | | 5,632 |
| Purchase of treasury shares | | | | (0) | (0) |
| Disposal of treasury shares | | | | | |
| Cancellation of treasury shares | | | | | |
| Change in ownership interest of parent due to transactions with non-controlling interests | | (75) | | | (75) |
| Net changes in items other than shareholders' equity | | | | | |
| Total changes during period | - | (75) | 4,613 | (0) | 4,537 |
| Balance at the end of period | 23,282 | 23,795 | 87,434 | (3,490) | 131,022 |

| | Accumulated other comprehensive income | | | Share acquisition rights | Non-controlling interests | Total net assets |
|---|---|---|---|---|---|---|
| | Unrealized gain on securities | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | | | |
| Balance at the beginning of period | 235 | 362 | 598 | 559 | - | 127,641 |
| Changes during period | | | | | | |
| Dividend of surplus | | | | | | (1,018) |
| Profit attributable to owners of parent | | | | | | 5,632 |
| Purchase of treasury shares | | | | | | (0) |
| Disposal of treasury shares | | | | | | |
| Cancellation of treasury shares | | | | | | |
| Change in ownership interest of parent due to transactions with non-controlling interests | | | | | | (75) |
| Net changes in items other than shareholders' equity | 446 | (97) | 349 | (559) | 281 | 71 |
| Total changes during period | 446 | (97) | 349 | (559) | 281 | 4,609 |
| Balance at the end of period | 682 | 265 | 947 | - | 281 | 132,251 |

**(4) Consolidated Statement of Cash Flows**

(Millions of yen)

| | FY3/22 (Apr. 1, 2021 – Mar. 31, 2022) | FY3/23 (Apr. 1, 2022 – Mar. 31, 2023) |
|---|---|---|
| Cash flows from operating activities | | |
| Profit before income taxes | 5,704 | 7,760 |
| Depreciation | 9,172 | 9,171 |
| Impairment loss | 2,881 | 1,973 |
| Amortization of goodwill | - | 61 |
| Loss due to temporary closure | 1,583 | - |
| Increase (decrease) in retirement benefit liability | 62 | (67) |
| Increase (decrease) in provision for bonuses | 801 | 1,535 |
| Interest and dividend income | (96) | (121) |
| Interest expenses | 376 | 362 |
| Gain on sales of non-current assets | (3,994) | (97) |
| Subsidies for employment adjustment | (1,968) | (257) |
| Loss (gain) on sales of investment securities | - | (209) |
| Gain on reversal of share acquisition rights | - | (738) |
| Decrease (increase) in trade receivables | (1,122) | (1,064) |
| Decrease (increase) in inventories | 1,782 | (976) |
| Increase (decrease) in trade payables | 1,030 | 2,591 |
| Increase (decrease) in contract liabilities | 1,130 | 657 |
| Increase (decrease) in accrued consumption taxes | 1,741 | (282) |
| Other | (1,381) | 2,567 |
| Subtotal | 17,705 | 22,865 |
| Interest and dividend income received | 70 | 100 |
| Interests paid | (378) | (365) |
| Income taxes paid | (1,104) | (4,094) |
| Income taxes refund | 263 | 4 |
| Payments for retirement benefits for directors (and other officers) | - | (1,292) |
| Subsidies for employment adjustment received | 1,968 | 257 |
| Payments for loss due to temporary closure | (1,394) | - |
| Net cash provided by (used in) operating activities | 17,132 | 17,475 |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (7,523) | (4,568) |
| Proceeds from sale of property, plant and equipment | 9,323 | 362 |
| Purchase of intangible assets | (854) | (780) |
| Payments for leasehold and guarantee deposits | (314) | (305) |
| Proceeds from refund of leasehold deposits and guarantee deposits | 894 | 1,378 |
| Proceeds from sales of investment securities | - | 895 |
| Net decrease (increase) in trust beneficiary rights | (10) | (493) |
| Payments for purchase of investments in subsidiaries resulting in change in scope of consolidation | - | 76 |
| Other | (629) | 409 |
| Net cash provided by (used in) investing activities | 886 | (3,026) |

(Millions of yen)

| | FY3/22<br>(Apr. 1, 2021 – Mar. 31, 2022) | FY3/23<br>(Apr. 1, 2022 – Mar. 31, 2023) |
|---|---|---|
| Cash flows from financing activities | | |
| Net increase (decrease) in short-term borrowings | (11,000) | (100) |
| Proceeds from long-term borrowings | 10,000 | 130 |
| Repayments of long-term borrowings | (6,173) | (10,943) |
| Repayments of lease obligations | (2,418) | (2,026) |
| Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation | - | (125) |
| Purchase of treasury shares | (0) | (0) |
| Dividends paid | (431) | (1,024) |
| Net cash provided by (used in) financing activities | (10,023) | (14,091) |
| Effect of exchange rate change on cash and cash equivalents | (0) | (0) |
| Increase (decrease) in cash and cash equivalents | 7,995 | 358 |
| Cash and cash equivalents at beginning of period | 29,941 | 37,937 |
| Cash and cash equivalents at end of period | 37,937 | 38,295 |

## (5) Notes to Consolidated Financial Statements

### Going Concern Assumption

No reportable information.

### Material Accounting-based Estimates

1. Impairment losses on non-current assets for stores

(1) Amounts shown on consolidated financial statements for FY3/23

(Millions of yen)

| | FY3/22 | | | FY3/23 | | |
|---|---|---|---|---|---|---|
| | Fashion | Anniversaire and Bridal | Entertainment | Fashion | Anniversaire and Bridal | Entertainment |
| Book value of non-current assets by segment at end of period (After recording impairment losses)* | 54,669 | 28,787 | 61,477 | 52,907 | 27,130 | 61,986 |
| Impairment loss | 2,418 | - | 459 | 728 | - | 1,142 |

* Includes non-current assets for stores and corporate assets

(2) Information concerning significant accounting estimates for identifiable items

i. Calculation method for estimates

The identification of the need for impairment and the recognition and measurement of impairment losses utilizes estimates of budgets in the following fiscal year and future cash flows for individual stores.

Individual stores are the smallest unit used for sources of independent cash flows. Indications of the need for impairment are monitored primarily at stores that have an operating loss for two consecutive years, stores that were unprofitable in the fiscal year that ended in March 2023 and are expected to remain unprofitable in the following fiscal year, stores where the fair value of non-current assets has decreased significantly, and stores that are to be closed. At stores where there is a need for impairment, future cash flows are estimated and if total cash flows before discounting are less than the book value of the store's non-current assets, the book value is reduced to the amount that can be recovered and this reduction is recognized as an impairment loss. The amount that can be recovered is the higher of the net sales proceeds and the utilization value.

ii. Major assumptions

Future cash flows are based on forecasts of future sales and operating profit at individual stores in accordance with business plans that have been approved by executives with the appropriate authority. Total cash flows before discounting and utilization value are determined by using a period of 20 years for stores where operations are expected to continue, the length of a contract for stores where a contract cannot be renewed, and the remaining time of operations for stores that are to be closed.

The pandemic is not expected to have a significant effect on economic activity, although there may be a brief seasonal upturn in the number of cases.

Fashion Business

New stores normally have an operating loss in the first year because of start-up expenses. As a result, the first year is not included in the monitoring period used to identify indications of the need for impairment. Furthermore, we believe that the business model of the Fashion Business needs to be revised to reflect changes in life styles, the increasing use of casual apparel at work and other trends. Based on this view, the forecast for existing store sales in the fiscal year ending in March 2024 and afterward is between 99% and 102% of sales in the fiscal year that ended in March 2023.

Anniversaire and Bridal Business

The ANNIVERSAIRE and Bridal Business has been affected by the gradual lifting of pandemic restrictions and by changes in wedding styles (family weddings and photo weddings), resulting in changes in the number of weddings performed and the sales per couple. We believe that wedding styles will continue to change. For estimates of future sales and earnings, due to these changes, we assume that the number of weddings will decrease slightly or remain about the same and that sales per couple will increase slightly. Starting in the fiscal year ending in March 2024, we assume that the number of weddings at existing locations will be between 92% and 100% of the number in the fiscal year that ended in March 2023 and sales per couple will be between 100% and 114%

Entertainment Business

Due to the characteristics of this business, the number of customers at a new location normally increases for about the first three years as awareness of the location increases. Furthermore, there is usually an operating loss in the first year because of start-up expenses. As a result, the first year is not included in the impairment monitoring period. When estimating future sales and earnings, it is assumed that total existing store sales (excluding RUNSYSTEM sales) in the fiscal year ending in March 2024 and afterward will be between 99% and 103% (99 % to 103% for café complex, 101% to 109% for karaoke and 97% to 99% for fitness) of sales in the fiscal year that ended in March 2023.

(3) Effect on the balance sheet in the fiscal year ending in March 2024

If actual results of operations differ significantly from the sales and operating profit forecasts for the fiscal year ending in March 2024 and afterward because of changes in market conditions, there may be an effect on the amount of the impairment loss in the fiscal year ending in March 2024.

The book values are as follows for non-current assets of stores where there was no impairment because the fiscal year that ended in March 2023 was the store's first year of operation or indications of the need for impairment were identified but assets were not impaired on the basis of the sales and operating profit forecasts.

(Millions of yen)

| | FY3/22 | | | FY3/23 | | |
|---|---|---|---|---|---|---|
| | Fashion | Anniversaire and Bridal | Entertainment | Fashion | Anniversaire and Bridal | Entertainment |
| Book value of non-current assets of stores exempt from impairment monitoring due to the first year of operation | 118 | - | 6,268 | 55 | - | 2,245 |
| Book value of non-current assets of stores with indications of the need for impairment but no impairment | 2,952 | 2,302 | Note 1 15,686 | 2,720 | 1,636 | Note 2 15,280 |

Notes: 1. Café complex: 12,191 million yen; karaoke: 3,385 million yen and fitness: 108 million yen
2. Café complex: 12,249 million yen; karaoke: 1,516 million yen and fitness: 1,514 million yen

2. Recoverability of deferred tax assets

(1) Amounts shown on consolidated financial statements for FY3/23

(Millions of yen)

| | FY3/22 | FY3/23 |
|---|---|---|
| Deferred tax assets | 8,243 | 8,687 |

(2) Information concerning significant accounting estimates for identifiable items

i. Calculation method for estimates

Each business of the AOKI Group is operated by a consolidated subsidiary. Deferred tax assets are recognized to the extent that these assets can reduce future tax payments. Recognition is based on the schedule for the elimination of future addition differences at each consolidated subsidiary, the outlook for future taxable income in accordance with the profitability of the group's businesses, tax planning, and other factors. The outlook for the taxable income of consolidated subsidiaries, which reflects expectations concerning future profitability, is based on business plans that have been approved by executives with the appropriate authority.

ii. Major assumptions

The business plans prepared by consolidated subsidiaries incorporate forecasts concerning changes in demand, sales and other items. An explanation of primary assumptions is in "1. Impairment losses on non-current assets for stores." At consolidated subsidiary, the business plan includes the expected sales and earnings from locations planned to be opened during the fiscal year that ending in March 2024 and afterward.

iii. Effect on the balance sheet in the fiscal year ending in March 2024

If actual results of operations differ significantly from the sales and operating profit forecasts for the fiscal year ending in March 2024 and afterward because of the spread of COVID-19 variants or some other reason, there may be an effect on the amount of the deferred tax assets and income taxes – deferred in the fiscal year ending in March 2024.

**Reclassifications**

Notes to Consolidated Statements of Income

“Loss on store closings,” which was a separate line item in the previous fiscal year, is included in “other” in the current fiscal year due to a decrease in its monetary materiality. To conform to this change, the consolidated financial statements for the previous fiscal year are reclassified.

As a result, “Loss on store closings” of 333 million yen in the previous fiscal year’s consolidated statement of income is reclassified as “other” of 789 million yen.

Notes to Consolidated Statement of Cash Flows

“Increase (decrease) in provision for bonuses” included in “Other” under cash flows from operating activities in the previous fiscal year, is presented separately from the current fiscal year due to an increase in their monetary materiality. To conform to this change, the consolidated financial statements for the previous fiscal year are reclassified.

As a result, “Other” of 801 million yen under cash flows from operating activities presented in the previous fiscal year’s consolidated statement of cash flows has been reclassified as “Increase (decrease) in provision for bonuses.”

**Segment and Other Information**

Segment information

1. Overview of reportable segment

The Group defines reportable segments as businesses for which financial details can be compiled; the Board of Directors will review this information on a periodic basis in order to assist with decisions about allocating resources and evaluating the performance.

AOKI Holdings, as a pure holding company, supports the businesses of the various companies in the Group. AOKI Holdings and each business company proposes and executes comprehensive strategies for the products and services they sell in Japan.

The products and services of AOKI Holdings and the business companies are divided into segments. The four reportable segments are the Fashion Business, the ANNIVERSAIRE and Bridal Business, the Entertainment Business, and the Real Estate Leasing Business.

The Fashion Business plans and sells men’s and women’s wear; the ANNIVERSAIRE and Bridal Business operates wedding halls; the Entertainment Business operates KAIKATSU CLUB, which provides services and spaces for a variety of experiences that match the current needs and preferences of consumers, fitness centers, and karaoke facilities; and the Real Estate Leasing Business leases real estate of the AOKI Group, including space previously occupied by stores and other businesses that were closed, within the Group and to other companies.

RUNSYSTEM Co., Ltd., which became a subsidiary through stock acquisition is included in the Entertainment Business in FY3/23.

2. Calculation methods for sales, profits/losses, assets, liabilities and other items for each reportable segment

The accounting treatment methods for reportable segments are generally the same as accounting principles and procedures used for the preparation of the consolidated financial statements.

Profits for reportable segments are generally operating profit figures. Profits on and transfer amounts of inter-segment transactions within the Group are based on current market prices.

3. Information related to sales, profits/losses, assets, liabilities and other items for each reportable segment and breakdown of revenue

FY3/22 (Apr. 1, 2021 – Mar. 31, 2022) (Millions of yen)

| | Reportable segment | | | | | Others (Note 1) | Total | Adjustment (Note 2) | Amounts shown on consolidated financial statements (Note 3) |
|---|---|---|---|---|---|---|---|---|---|
| | Fashion | Anniversaire and Bridal | Entertainment | Real Estate Leasing | Subtotal | | | | |
| Net sales | | | | | | | | | |
| Fashion | 88,642 | - | - | - | 88,642 | - | 88,642 | - | 88,642 |
| Bridal | - | 7,973 | - | - | 7,973 | - | 7,973 | - | 7,973 |
| Café complex | - | - | 46,929 | - | 46,929 | - | 46,929 | - | 46,929 |
| Karaoke | - | - | 6,635 | - | 6,635 | - | 6,635 | - | 6,635 |
| Fitness | - | - | 3,425 | - | 3,425 | - | 3,425 | - | 3,425 |
| Other | - | - | - | - | - | 50 | 50 | - | 50 |
| Revenue from contracts with customers | 88,642 | 7,973 | 56,990 | - | 153,606 | 50 | 153,656 | - | 153,656 |
| Other revenues | - | - | - | 1,259 | 1,259 | - | 1,259 | - | 1,259 |
| External sales | 88,642 | 7,973 | 56,990 | 1,259 | 154,865 | 50 | 154,916 | - | 154,916 |
| Inter-segment sales and transfers | 0 | 3 | 3 | 3,170 | 3,177 | - | 3,177 | (3,177) | - |
| Total | 88,642 | 7,976 | 56,993 | 4,429 | 158,042 | 50 | 158,093 | (3,177) | 154,916 |
| Segment profit (loss) | 4,795 | (580) | 590 | 883 | 5,688 | 18 | 5,707 | (264) | 5,443 |
| Segment assets | 98,167 | 30,092 | 69,408 | 1,115 | 198,784 | - | 198,784 | 34,224 | 233,008 |
| Other items | | | | | | | | | |
| Depreciation | 2,384 | 942 | 5,618 | 46 | 8,990 | - | 8,990 | 308 | 9,299 |
| Increase in property, plant and equipment and intangible assets | 2,013 | 61 | 6,156 | 2 | 8,233 | - | 8,233 | 334 | 8,567 |

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

2. The above adjustments include the following items.

(1) The -264 million yen adjustment to segment profit (loss) includes 3,617 million yen in elimination for inter-segment transactions, and -3,881 million yen in company-wide costs that cannot be allocated to any specific reportable segments. Company-wide costs mainly include administration expenses of the Company that cannot be attributed to reportable segments.

(2) The 34,224 million yen adjustment to segment assets includes -54,503 million yen in elimination of the offsetting receivables from subsidiaries, and company-wide assets of 88,728 million yen that cannot be allocated to any specific reportable segments. Company-wide assets consist mainly of the Company's land and building and structures of the head office that cannot be attributed to reportable segments.

(3) The 334 million yen adjustment to an increase in property, plant and equipment and intangible assets mainly includes investment in company-wide systems.

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

FY3/23 (Apr. 1, 2022 – Mar. 31, 2023) (Millions of yen)

| | Reportable segment | | | | | Others (Note 1) | Total | Adjustment (Note 2) | Amounts shown on consolidated financial statements (Note 3) |
|---|---|---|---|---|---|---|---|---|---|
| | Fashion | Anniversaire and Bridal | Entertainment | Real Estate Leasing | Subtotal | | | | |
| Net sales | | | | | | | | | |
| Fashion | 94,519 | - | - | - | 94,519 | - | 94,519 | - | 94,519 |
| Bridal | - | 9,405 | - | - | 9,405 | - | 9,405 | - | 9,405 |
| Café complex | - | - | 54,915 | - | 54,915 | - | 54,915 | - | 54,915 |
| Karaoke | - | - | 9,870 | - | 9,870 | - | 9,870 | - | 9,870 |
| Fitness | - | - | 5,114 | - | 5,114 | - | 5,114 | - | 5,114 |
| Other | - | - | 901 | - | 901 | 38 | 940 | - | 940 |
| Revenue from contracts with customers | 94,519 | 9,405 | 70,802 | - | 174,727 | 38 | 174,766 | - | 174,766 |
| Other revenues | - | - | 61 | 1,342 | 1,404 | - | 1,404 | - | 1,404 |
| External sales | 94,519 | 9,405 | 70,863 | 1,342 | 176,131 | 38 | 176,170 | - | 176,170 |
| Inter-segment sales and transfers | 0 | 6 | 405 | 3,464 | 3,877 | 60 | 3,937 | (3,937) | - |
| Total | 94,519 | 9,412 | 71,269 | 4,807 | 180,008 | 98 | 180,107 | (3,937) | 176,170 |
| Segment profit | 6,662 | 385 | 3,333 | 746 | 11,129 | 5 | 11,134 | (899) | 10,235 |
| Segment assets | 105,247 | 29,308 | 71,234 | 1,002 | 206,792 | - | 206,792 | 26,623 | 233,416 |
| Other items | | | | | | | | | |
| Depreciation | 2,212 | 818 | 5,696 | 24 | 8,752 | - | 8,752 | 373 | 9,125 |
| Amortization of goodwill | - | - | 61 | - | 61 | - | 61 | - | 61 |
| Increase in property, plant and equipment and intangible assets | 1,948 | 104 | 7,118 | 13 | 9,185 | - | 9,185 | 239 | 9,424 |

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

2. The above adjustments include the following items.

(1) The -899 million yen adjustment to segment profit includes 4,159 million yen in elimination for inter-segment transactions, -61 million yen in amortization of goodwill, and -4,997 million yen in company-wide costs that cannot be allocated to any specific reportable segments. Company-wide costs mainly include administration expenses of the Company that cannot be attributed to reportable segments.

(2) The 26,623 million yen adjustment to segment assets includes -48,861 million yen in elimination of the offsetting receivables from subsidiaries, and company-wide assets of 75,484 million yen that cannot be allocated to any specific reportable segments. Company-wide assets consist mainly of the Company’s land and building and structures of the head office that cannot be attributed to reportable segments.

(3) The 239 million yen adjustment to an increase in property, plant and equipment and intangible assets mainly includes investment in company-wide systems.

3. Segment profit is adjusted to be consistent with operating profit on the consolidated statement of income.

Significant change in goodwill

Goodwill was booked in the “Entertainment Business” segment as AOKI Holdings has acquired the shares of RUNSYSTEM Co., Ltd. and included this company in the scope of consolidation. The event caused the amount of goodwill to increase by 407 million yen in FY3/23.

**Business Combinations**

Business Combination Through Acquisition

At the meeting of the Board of Directors held on May 23, 2022, AOKI Holdings decided to establish a capital and business alliance with RUNSYSTEM CO., LTD. and, in conjunction with this alliance, to acquire RUNSYSTEM stock from ANNIVERSAIRE HOLDINGS INC., a current shareholder of RUNSYSTEM, and purchase RUNSYSTEM stock issued by using a third-party allotment, making RUNSYSTEM a subsidiary. On June 8, 2022, RUNSYSTEM became a subsidiary of AOKI Holdings through the acquisition of stock of this company.

1. Summary of business combination

(1) Acquired company and its business activities

Acquired company: RUNSYSTEM CO., LTD.

Business activities: Operation of complex cafés, sales of business systems and other external sales activities, and real estate leasing

(2) Main reasons for acquisition

The objective is to maximize synergies through the mutual sharing of the café complex operational know-how of AOKI Holdings and RUNSYSTEM. This is expected to enlarge the complex café market in Japan by attracting new customer segments. One example is the increasing use in recent years of cafés as workplaces. Another expected benefit is the ability to speed up the expansion of the café business by upgrading and refining the business model with activities such as developing new types of content and operating cafés more efficiently.

(3) Acquisition date

June 30, 2022 (assumed acquisition date)

(4) Legal form of acquisition

Acquisition of shares with cash consideration

(5) Company’s name after acquisition

There is no change in the company’s name.

(6) Percentage of voting rights acquired

50.71%

(7) Basis for choosing the company to acquire

AOKI Holdings acquired the shares in exchange for consideration in cash.

2. Period of the acquired companies’ performance included in the quarterly consolidated statement of income for the period under review

Since the assumed acquisition date of the acquired company is June 30, 2022, the results of the acquired company from July 1, 2022 to March 31, 2023 are included.

3. Acquisition cost of acquired company and break down by type of consideration

| | | |
|---|---|---|
| Payment for the acquisition: | Cash | 887 million yen |
| Acquisition cost: | | 887 million yen |

4. Major acquisition-related expenses

Advisory fees, etc.: 11 million yen

5. Goodwill resulting from the acquisition

(1) Value of goodwill

407 million yen

In the first quarter of the current fiscal year, provisional accounting methods were used for the allocation of the acquisition cost, based on reasonable information that was available when the quarterly consolidated financial statements were prepared. The allocation of the acquisition cost was finalized in the fourth quarter.

(2) Source of goodwill

The excess earning power expected from the development of new types of content and the efficiency of operations, mainly through the mutual sharing of the café complex operational know-how of AOKI Holdings and RUNSYSTEM.

(3) Amortization method and amortization period

Goodwill is amortized over five years by the straight-line method.

6. Summary of assets acquired and liabilities assumed on the acquisition date

| | | |
|---|---|---|
| Current assets | 1,524 | million yen |
| Non-current assets | 3,254 | million yen |
| Total assets | 4,778 | million yen |
| Current liabilities | 700 | million yen |
| Non-current liabilities | 3,130 | million yen |
| Total liabilities | 3,831 | million yen |

7. Amounts allocated to intangible assets other than goodwill, their breakdown by major categories, and weighted average amortization period for the total amount and major categories

(1) Amounts allocated to intangible assets other than goodwill: 1,142 million yen

(2) Breakdown by major categories: Trade mark rights

(3) Weighted average amortization period for the total amount and major categories:
Over 20 years by the straight-line method

**Per Share Information**

(Yen)

| | FY3/22<br>(Apr. 1, 2021 – Mar. 31, 2022) | FY3/23<br>(Apr. 1, 2022 – Mar. 31, 2023) |
|---|---|---|
| Net assets per share | 1,496.80 | 1,554.37 |
| Net income per share | 30.21 | 66.34 |

Notes: 1. Diluted net income per share is not presented since the Company has no potential stock with dilutive effects.

2. The following is a reconciliation of net income per share

(Millions of yen)

| Item | FY3/22<br>(Apr. 1, 2021 – Mar. 31, 2022) | FY3/23<br>(Apr. 1, 2022 – Mar. 31, 2023) |
|---|---|---|
| Net income per share | | |
| Profit attributable to owners of parent | 2,563 | 5,632 |
| Profit not attributable to common shareholders | - | - |
| Profit attributable to owners of parent applicable to common shares | 2,563 | 5,632 |
| Average number of common shares outstanding during the period (Thousand shares) | 84,870 | 84,902 |
| Summary of potential stock not included in the calculation of diluted net income per share since there was no dilutive effect | Share acquisition rights issued pursuant to the Board of Directors' resolution on June 27, 2019<br>Share Acquisition Rights No. 6<br>Number of stock acquisition rights: 10,055 | - |

3. The following is a reconciliation of net assets per share

(Millions of yen)

| Item | FY3/22<br>(As of Mar. 31, 2022) | FY3/23<br>(As of Mar. 31, 2023) |
|---|---|---|
| Total net assets | 127,641 | 132,251 |
| Deduction on total net assets | 559 | 281 |
| [of which share acquisition rights] | [559] | - |
| [of which non-controlling interests] | - | [281] |
| Net assets applicable to common shares | 127,082 | 131,969 |
| Number of common shares used in calculation of net assets per share (Thousand shares) | 84,902 | 84,902 |

**Subsequent Events**

No reportable information.

**4. Other**

**Changes in Directors**

Please see "Notice of Changes of Directors and Other Executives in Connection with the Transition to a Company with Supervisory Committee System" released today.

* *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.*