

**Summary of Consolidated Financial Results
for the First Quarter of the Fiscal Year Ending March 31, 2023
(Three Months Ended June 30, 2022)**

[Japanese GAAP]

Company name: AOKI Holdings Inc.

Listings: Tokyo Stock Exchange

Stock code: 8214

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

Representative: Hidekazu Azuma, President

Contact: Haruo Tamura, Executive Vice President

Tel: +81-45-941-1388

Scheduled date of filing of Quarterly Report:

August 8, 2022

Scheduled date of payment of dividend:

-

Preparation of supplementary materials for quarterly financial results: Yes

Holding of quarterly financial results meeting:

None

Note: The original disclosure in Japanese was released on August 5, 2022 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, 2022

(April 1, 2022 – June 30, 2022)

(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	%
Three months ended Jun. 30, 2022	39,227	19.2	1,547	-	1,390	-	1,255	-
Three months ended Jun. 30, 2021	32,905	25.6	(1,457)	-	(1,583)	-	(1,738)	-

Note: Comprehensive income (million yen) Three months ended Jun. 30, 2022: 1,465 (-%)

Three months ended Jun. 30, 2021: (1,699) (-%)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended Jun. 30, 2022	14.79	-
Three months ended Jun. 30, 2021	(20.51)	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Jun. 30, 2022	230,380	128,840	55.7
As of Mar. 31, 2022	233,008	127,641	54.5

Reference: Shareholders' equity (million yen)

As of Jun. 30, 2022: 128,231

As of Mar. 31, 2022: 127,082

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY3/22	-	5.00	-	5.00	10.00
FY3/23	-	-	-	-	-
FY3/23 (forecasts)	-	7.00	-	8.00	15.00

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

3. Consolidated Forecast for the Fiscal Year Ending March 31, 2023 (April 1, 2022 – March 31, 2023)

(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	166,100	7.2	7,700	41.5	7,000	60.5	3,250	26.8	38.28

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 shares) at the end of the period

As of Jun. 30, 2022:	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 Jun. 30, 2022:	2,746,610 shares	As of Mar. 31, 2022:	2,746,514 shares
----------------------	------------------	----------------------	------------------

3) Average number of shares outstanding during the period

Three months ended Jun. 30, 2022:	84,902,947 shares	Three months ended Jun. 30, 2021:	84,796,139 shares
-----------------------------------	-------------------	-----------------------------------	-------------------

Note 1: The current quarterly summary report is not subject to quarterly review by certified public accountants or auditing firms.

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

Cautionary statement with respect to forward-looking statements

Forecasts and forward-looking statements in these materials are based on assumptions judged to be valid and information available to the Company at the time the materials were created. These materials are not promises by the Company regarding future performance. Actual performance may differ significantly from these forecasts for a number of reasons. Please refer to “(3) Explanation of Consolidated Forecast and Other Forward-looking Statements” on page 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, August 5, 2022.

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	3
2. Quarterly Consolidated Financial Statements and Notes	4
(1) Quarterly Consolidated Balance Sheet	4
(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income	6
Quarterly Consolidated Statement of Income	6
Quarterly Consolidated Statement of Comprehensive Income	7
(3) Notes to Quarterly Consolidated Financial Statements	8
Going Concern Assumption	8
Significant Changes in Shareholders' Equity	8
Additional Information	8
Segment Information	8
Business Combinations	9

1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

In the first quarter of the current fiscal year, the Japanese economy was recovering during the first quarter of the current fiscal year as restrictions on economic activity were eased because the level of COVID-19 cases declined somewhat. However, the number of infections is now increasing rapidly due to a new variant. In addition, the cost of raw materials continues to climb. As a result, the outlook for the economy remains uncertain.

In these circumstances, the AOKI Holdings Group has implemented the following measures and net sales increased 19.2% year-on-year to 39,227 million yen, and operating profit was 1,547 million yen compared with a loss of 1,457 million yen one year earlier. There was an ordinary profit of 1,390 million yen compared with a loss of 1,583 million yen one year earlier and profit attributable to owners of parent was 1,255 million yen compared with a loss of 1,738 million yen one year earlier.

Operating results by segment are as follows.

Fashion Business

There were activities to strengthen the lineups of spring and summer functional apparel, such as Air Cool Suits, which are cool, light and easy to wash, and casual apparel such as the Pajama Suit and Pajama Shoes series and T-shirts with Business Suit Tailoring. In the women's apparel category, there were activities to increase sales of Set-Up with a Dress-like appearance apparel, 360° Pretty Pants and other fashions that are comfortable for work as well as leisure activities. Operating hours of the online Chat Styling Service, which started in 2021 and has been very popular, have been extended for greater customer convenience. During the first quarter, four AOKI stores and two 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 604 at the end of the first quarter.

Due to these activities, there were strong sales of suits, formal wear and other heavy clothing, and merchandise for women also posted strong sales. First quarter performance also benefited from a decline in the impact of the pandemic. As a result, sales increased 20.8% year on year to 20,981 million yen and there was an operating profit of 1,176 million yen compared with a loss of 1,169 million yen one year earlier.

Anniversaire and Bridal Business

This business is conducting many activities that utilize the internet and social networking services for efficiently attracting customers as one way to make sales activities even more effective. In addition, by listening to the wishes of customers, this business upgraded wedding styles and items for chapel weddings, family weddings, photo-only weddings and other types of weddings.

Despite of these activities, sales declined 12.0% year on year to 2,160 million yen and operating profit fell 58.9% to 39 million yen due to a decline in the number of facilities and other factors.

Entertainment Business

KAIKATSU CLUB café complexes continued its "An Office Anywhere in Japan" project with activities including the provision at cafés of information and very convenient tools for customers using cafés for their work. Cafés also upgraded their menu selections, such as by holding a Mixed Soba Fair and giving the Grand Menu a new look. COTE D'AZUR karaoke locations started offering new ways to use their karaoke facilities. One example is Sabusuku (subscription), a fixed-price package that allows customers to sing and drink as much as they want. FiT24 is continuing to open more fitness gyms and has started adding indoor golf as one more way to enjoy these gyms. During the first quarter, KAIKATSU CLUB opened four cafés and FiT24 opened 13 gyms. In addition, due to format conversions and measures to improve efficiency, three KAIKATSU CLUB cafés and five COTE D'AZUR karaoke stores were closed. As a result, the number of locations in this business increased from 708 at the end of the previous fiscal year to 717 at the end of the first quarter.

Segment sales and profit increased because of these measures and benefited from a decline in the negative effects of the pandemic. Sales in this segment increased 23.5% to 15,761 million yen and operating profit was 305 million yen compared with a loss of 553 million yen one year earlier.

Real Estate Leasing Business

Segment sales increased 11.6% to 1,176 million yen mainly because of an increase in the cost of some subleasing stores and other facilities. Operating profit decreased 18.7% to 201 million yen.

(2) Explanation of Financial Position

Balance sheet position

Assets

Total assets at the end of the first quarter decreased 2,627 million yen from the end of the previous fiscal year to 230,380 million yen, due to a decrease in accounts receivable-trade and other factors.

Current assets decreased 4,410 million yen from the end of the previous fiscal year mainly due to a decrease of 5,395 million yen in accounts receivable-trade caused by seasonal and other factors. Non-current assets increased 1,782 million yen from the end of the previous fiscal year as property, plant and equipment increased 826 million yen.

Liabilities

Current liabilities increased 295 million yen from the end of the previous fiscal year. There was a decrease of 3,202 million yen in accounts payable-trade mainly due to seasonal factors and 2,148 million yen in accrued income taxes due to the payment of income taxes, while there were increases of 5,331 million yen in current portion of long-term borrowings and accrued expenses and others. Non-current liabilities decreased 4,121 million yen due to a decrease of 3,371 million yen in long-term borrowings resulting from the transfer of long-term borrowings to the current portion.

Net assets

Net assets increased 1,198 million yen from the end of the previous fiscal year. There was an increase of 831 million yen in retained earnings due to a profit attributable to owners of parent and dividend from surplus.

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

Due to a decline in the impact of the pandemic and other factors, first quarter sales in the Fashion Business exceeded the pace needed to reach the fiscal year forecast and sales in other businesses sales were generally as planned. Operating profit in the first quarter was somewhat ahead of the pace needed to reach the fiscal year forecast because of sales growth, cost reductions and other reasons.

There are no revisions to the fiscal year forecast that was announced on May 12, 2022 because the outlook is unclear due to uncertainty about the pandemic, the rising cost of raw materials and other reasons.

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

(Millions of yen)

	FY3/22 (As of Mar. 31, 2022)	First quarter of FY3/23 (As of Jun. 30, 2022)
Assets		
Current assets		
Cash and deposits	37,937	39,254
Accounts receivable-trade	11,808	6,412
Inventories	18,330	17,049
Other	6,481	7,435
Allowance for doubtful accounts	(44)	(49)
Total current assets	74,513	70,103
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	66,804	67,696
Land	30,760	31,152
Other, net	15,857	15,399
Total property, plant and equipment	113,422	114,248
Intangible assets	5,538	6,273
Investments and other assets		
Guarantee deposits	6,970	6,918
Leasehold deposit	20,222	19,676
Other	12,381	13,217
Allowance for doubtful accounts	(40)	(56)
Total investments and other assets	39,534	39,755
Total non-current assets	158,495	160,277
Total assets	233,008	230,380

	(Millions of yen)	
	FY3/22 (As of Mar. 31, 2022)	First quarter of FY3/23 (As of Jun. 30, 2022)
Liabilities		
Current liabilities		
Accounts payable-trade	15,272	12,069
Current portion of long-term borrowings	10,844	16,176
Income taxes payable	2,508	360
Provision for bonuses	1,814	760
Provision for bonuses for directors (and other officers)	44	20
Other	13,930	15,322
Total current liabilities	44,415	44,710
Non-current liabilities		
Long-term borrowings	44,314	40,942
Retirement benefit liability	815	827
Asset retirement obligations	7,680	7,951
Other	8,140	7,107
Total non-current liabilities	60,951	56,830
Total liabilities	105,366	101,540
Net assets		
Shareholders' equity		
Share capital	23,282	23,282
Capital surplus	23,870	23,870
Retained earnings	82,821	83,652
Treasury shares	(3,489)	(3,490)
Total shareholders' equity	126,484	127,315
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	235	465
Remeasurements of defined benefit plans	362	343
Total accumulated other comprehensive income	598	808
Share acquisition rights	559	608
Non-controlling interests	-	107
Total net assets	127,641	128,840
Total liabilities and net assets	233,008	230,380

(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 FY3/22 (Apr. 1, 2021 – Jun. 30, 2021)	First three months of FY3/23 (Apr. 1, 2022 – Jun. 30, 2022)
Net sales	32,905	39,227
Cost of sales	21,588	24,338
Gross profit	11,316	14,888
Selling, general and administrative expenses	12,774	13,341
Operating profit (loss)	(1,457)	1,547
Non-operating profit		
Interest income	20	19
Dividend income	13	19
Other	37	53
Total non-operating profit	71	91
Non-operating expenses		
Interest expenses	92	90
Loss on retirement of non-current assets	15	27
Other	88	130
Total non-operating expenses	196	248
Ordinary profit (loss)	(1,583)	1,390
Extraordinary income		
Subsidies for employment adjustment	337	230
Total extraordinary income	337	230
Extraordinary losses		
Impairment loss	282	131
Loss due to temporary closure	590	-
Total extraordinary losses	873	131
Profit (loss) before income taxes	(2,118)	1,490
Income taxes – current	359	340
Income taxes – deferred	(739)	(106)
Total income taxes	(379)	234
Profit (loss)	(1,738)	1,255
Profit (loss) attributable to owners of parent	(1,738)	1,255

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

	(Millions of yen)	
	First three months of FY3/22 (Apr. 1, 2021 – Jun. 30, 2021)	First three months of FY3/23 (Apr. 1, 2022 – Jun. 30, 2022)
Profit (loss)	(1,738)	1,255
Other comprehensive income		
Valuation difference on available-for-sale securities	41	229
Remeasurements of defined benefit plans, net of tax	(2)	(19)
Total other comprehensive income	39	210
Comprehensive income	(1,699)	1,465
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(1,699)	1,465
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 FY3/23 (Apr. 1, 2022 – Jun. 30, 2022)

No reportable information.

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 “Section 5. Accounting, Notes (Significant Accounting Estimates)” in the Annual Securities Report for the fiscal year ended March 31, 2022.

Segment Information

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.

First three months of FY3/23 (Apr. 1, 2022 – Jun. 30, 2022)

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	20,981	-	-	-	20,981	-	20,981	-	20,981
Bridal	-	2,157	-	-	2,157	-	2,157	-	2,157
Café complex	-	-	12,331	-	12,331	-	12,331	-	12,331
Karaoke	-	-	2,306	-	2,306	-	2,306	-	2,306
Fitness	-	-	1,121	-	1,121	-	1,121	-	1,121
Other	-	-	-	-	-	5	5	-	5
Revenue from contracts with customers	20,981	2,157	15,758	-	38,898	5	38,903	-	38,903
Other revenues	-	-	-	324	324	-	324	-	324
External sales	20,981	2,157	15,758	324	39,222	5	39,227	-	39,227
Inter-segment sales and transfers	-	2	2	851	856	11	867	(867)	-
Total	20,981	2,160	15,761	1,176	40,078	16	40,095	(867)	39,227
Segment profit (loss)	1,176	39	305	201	1,723	(0)	1,723	(176)	1,547

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

2. The -176 million yen adjustment to segment profit (loss) includes 975 million yen in elimination for inter-segment transactions, and -1,151 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 profit 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 13 million yen, 113 million yen and 4 million yen were booked respectively in the first three months of FY3/23.

Business Combinations

Business Combination Through Acquisition

At the meeting of the Board of Directors held on May 23, 2022, AOKI Holdings has 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, only the balance sheet is consolidated in the first quarter of the current fiscal year, and the quarterly consolidated statement of income does not include the results of the acquired company.

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. Goodwill resulting from the acquisition

(1) Value of goodwill

777 million yen

The amount of goodwill is tentatively calculated since the allocation of acquisition cost has not been completed as of the end of the first quarter of the current fiscal year. The amortization method and period have not been determined at this time.

(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.

** 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.*