AOKI Holdings

May 12, 2022

Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2022

[Japanese GAAP]

Company name: AOKI Holdings Inc. Listings: Tokyo Stock Exchange
Stock code: 8214 URL: https://www.aoki-hd.co.jp/
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Scheduled date of Annual General Meeting of Shareholders: June 29, 2022
Scheduled date of filing of Annual Securities Report: June 29, 2022
Scheduled date of payment of dividend: June 8, 2022
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 12, 2022 at 14:20 (GMT +9).

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

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2022 (April 1, 2021 – March 31, 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	%
FY3/22	154,916	8.2	5,443	-	4,360	-	2,563	-
FY3/21	143,169	(20.6)	(5,793)	-	(6,606)	-	(11,931)	-

Note: Comprehensive income (million yen) FY3/22: 2,838 (-%) FY3/21: (10,775) (-%)

	Net income per share	Diluted net income per share	Return on equity	Ordinary profit on total assets	Operating profit to sales
	Yen	Yen	%	%	%
FY3/22	30.21	-	2.0	1.9	3.5
FY3/21	(140.77)	-	(9.0)	(2.8)	(4.0)

Reference: Equity in income of affiliates (million yen) FY3/22: - FY3/21: -

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2022	233,008	127,641	54.5	1,496.80
As of Mar. 31, 2021	237,260	125,850	52.9	1,479.87

Reference: Shareholders' equity (million yen) As of Mar. 31, 2022: 127,082 As of Mar. 31, 2021: 125,487

(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
FY3/22	17,132	886	(10,023)	37,937
FY3/21	4,351	(11,518)	13,265	29,941

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	%	%
FY3/21	-	10.00	-	0.00	10.00	847	-	0.6
FY3/22	-	5.00	-	5.00	10.00	849	33.1	0.7
FY3/23 (forecasts)	-	7.00	-	8.00	15.00		39.2	

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

*** 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:	Yes
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, 2022:	87,649,504 shares	As of Mar. 31, 2021:	90,649,504 shares

2) Number of treasury shares at the end of the period

As of Mar. 31, 2022:	2,746,514 shares	As of Mar. 31, 2021:	5,853,274 shares

3) Average number of shares outstanding during the period

Fiscal year ended Mar. 31, 2022:	84,870,219 shares	Fiscal year ended Mar. 31, 2021:	84,759,153 shares

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 5 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 12, 2022.

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 26, 2022. 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 2022, the economy continued to recover, although the pickup of economic activity was sluggish due to the spread of mutant strains of the COVID-19 virus. The situation remained challenging due also to rising raw material prices. Furthermore, the outlook for the Japanese economy is uncertain because of uncertainty about overseas conditions and exchange rate volatility. 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	154,916 million yen	(up 8.2% year-on-year)
Operating profit	5,443 million yen	(loss of 5,793 million yen one year earlier)
Ordinary profit	4,360 million yen	(loss of 6,606 million yen one year earlier)
Profit attributable to owners of parent	2,563 million yen	(loss of 11,931 million yen one year earlier)

Business segment performance was as follows.

Fashion Business

In the Fashion Business, we held a Freshers Support Fair, featuring J-pop idol group Sexy Zone and actress Mio Imada as campaign characters, for freshers who are taking the next step in their lives amid the COVID-19 pandemic. The fair was very well received by the public. In terms of products, the line-up of the blockbuster pajama suits, of which a total of more than 100,000 pieces have been sold since its launch in November 2020, was expanded, and a new line of related products, pajama shoes, which combine both a relaxed and neat feel, was launched. In addition, there was an expansion in the range of various items in the women’s apparel category, including MeWORK Project products, and mix and match products. One AOKI store and one ORIHICA store were opened and 10 AOKI stores and 11 ORIHICA stores were closed to improve the efficiency of this business. There were 610 stores at the end of the fiscal year (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.

As a result, sales increased by 3.8% from the previous fiscal year to 88,642 million yen and operating profit by 219.9% to 4,795 million yen, mainly due to strong sales during the “freshers” season from late February to March and a slight decline in the impact of the COVID-19 pandemic throughout the year.

Anniversaire and Bridal Business

In the ANNIVERSAIRE and Bridal Business, the number of weddings held since the start of operations in 1998 surpassed 100,000. To mark this accomplishment, Anniversaire held the “Kiseki” 100,000 couples appreciation fair for about 10 months. The fair featured special plans. In addition, we developed new proposals for chapel weddings and family weddings to suit new lifestyles. At the end of the fiscal year, there were 10 locations in this business, down from 12 at the end of the previous fiscal year because two locations closed due to the end of the lease at the building they occupied and other reasons.

The performance of this segment improved because of these measures and the higher number of weddings during the fiscal year compared with one year earlier when there were no weddings and receptions between April 7 and May 31, 2020. This business also benefited from a small decline in the negative effects of the pandemic throughout the fiscal year. As a result, sales were 7,976 million yen and there was an operating loss of 580 million yen compared with a 3,088 million yen loss one year earlier. The year-on-year comparison is not shown because the application of revenue recognition standard will have a significant impact on sales.

Entertainment Business

In the Entertainment Business, operating hours were shortened in areas where priority measures to prevent the spread of the COVID-19 pandemic were in effect. All other formats of this business continued to operate along with strict measures for safety during the pandemic. KAIKATSU CLUB café complexes promoted the Japan Anywhere Office Project in response to rising demand for telework and telestudy, introduced completely private rooms with locks, improved convenience through a variety of payment methods and introduced new business and learning content. COTE D'AZUR karaoke locations introduced a student-only free-time plan and proposed new ways to enjoy karaoke through video streaming and a smartphone connection kit service, etc. FiT24 continued to perform well as 24-hour self-service fitness gyms against the backdrop of growing health consciousness. During the fiscal year, we opened 29 KAIKATSU CLUBs and 45 FiT24 locations. Twenty-one KAIKATSU CLUBs and four COTE D'AZURs were closed for conversions and other measures to improve efficiency. As a result, there were 708 locations in this segment at the end of the fiscal year 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 throughout the fiscal year. Sales in this segment increased 17.5% to 56,993 million yen and operating profit was 590 million yen compared with a loss of 5,190 million yen one year earlier.

Real Estate Leasing Business

Segment sales increased 14.3% to 4,429 million yen mainly because of an increase in the subleasing of stores and other facilities that were closed in the other three businesses. Operating profit increased 30.2% to 883 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 13 and "Segment and Other Information, 5. Information related to revisions for reportable segments" on page 18.

(2) Financial Position

Balance sheet position

Assets

Total assets at the end of the fiscal year decreased 4,251 million yen from the end of the previous fiscal year to 233,008 million yen.

Current assets increased 6,661 million yen from the end of the previous fiscal year. There was an increase of 7,995 million yen in cash and deposits, while there was a decrease of 1,782 million yen in inventories due to improved inventory management in the Fashion Business. Non-current assets decreased 10,912 million yen from the end of the previous fiscal year as property, plant and equipment decreased 9,346 million yen mainly due to sales of non-current assets and other factors.

Liabilities

Current liabilities decreased 3,426 million yen from the end of the previous fiscal year. There was a decrease of 11,000 million yen in repayments of short-term borrowings, while there were increases of 5,426 million yen in current portion of long-term borrowings and 1,829 million yen in income taxes payable. Non-current liabilities decreased 2,616 million yen. There were decreases of 1,599 million yen in long-term borrowings mainly due to a 10,000 million yen of new loan and scheduled repayment, 376 million yen in retirement benefit liability and 320 million yen in provision for point card certificates.

Net assets

Net assets increased 1,791 million yen from the end of the previous fiscal year. There was an increase of 1,249 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)

	FY3/21	FY3/22
Cash flows from operating activities	4,351	17,132
Cash flows from investing activities	(11,518)	886
Cash flows from financing activities	13,265	(10,023)
Increase (decrease) in cash and cash equivalents	6,098	7,995
Cash and cash equivalents at beginning of period	23,843	29,941
Cash and cash equivalents at end of period	29,941	37,937

Cash and cash equivalents at the end of the fiscal year under review increased 7,995 million yen from the end of the previous fiscal year to 37,937 million yen mainly due to an increase in profit before income taxes and decreases in proceeds from sales of property, plant and equipment and purchase of property, plant and equipment, while there were repayments of short-term borrowings.

Net cash provided by operating activities increased 12,780 million yen to 17,132 million yen on a year-on-year basis. The principal factors were profit before income taxes of 5,704 million yen, depreciation of 9,172 million yen and impairment loss of 2,881 million yen, while there was an increase in trade receivables of 1,122 million yen.

Net cash provided by investing activities increased 12,405 million yen to 886 million yen on a year-on-year basis. This was mainly due to proceeds from sales of property, plant and equipment of 9,323 million yen, while there were payments of 7,523 million yen for the purchase of property, plant and equipment for capital investment and the purchase of intangible assets of 854 million yen.

Net cash used in financing activities decreased 23,288 million yen to 10,023 million yen on a year-on-year basis. This was mainly due to the repayments of short-term borrowings of 11,000 million yen, long-term borrowings of 6,173 million yen and lease obligations of 2,418 million yen, while there were proceeds from long-term borrowings of 10,000 million yen for capital investment.

(4) Outlook

The outlook is expected to remain uncertain due to the spread of mutant strains of the COVID-19 virus and rising raw material prices. In this uncertain 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 match new life styles.

In the Fashion Business, as a provider of both life style and work fashions with the concept of “AOKI of Life & Work Style,” the Group will focus on the planning, development, and expansion of business apparel and product lines for casual and working women, centered on the pajama series.

In the ANNIVERSAIRE and Bridal Business we will continue to upgrade the wedding formats and reexamine the cost structure, including the sales strategy to lower expenses.

The Entertainment Business will introduce a variety of content and new services with the aim of expanding business demand, while at the same time focusing on improving the efficiency of store operations. New store openings, including those postponed from the previous fiscal year, are planned with four for KAIKATSU CLUB and 25 for FiT24.

By taking all of these actions, the AOKI Group is aiming to improve operations for higher efficiency in all business segments in the fiscal year ending in March 2023.

Business segment forecasts are as follows.

Business segment forecasts for the fiscal year ending March 31, 2023

(Millions of yen)

	Fashion	Anniversaire and Bridal	Entertainment	Real Estate Leasing	Consolidated
Sales	90,000	9,050	65,650	4,500	166,100
YoY change (%)	101.5	113.5	115.2	101.6	107.2
Segment profit	5,500	300	2,000	750	7,700
YoY change (%)	114.7	-	338.9	84.9	141.5

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	10.8	4.3	8.0	4.2	(1.1)	0.9	3.3
Entertainment	14.0	7.8	10.7	0.9	11.8	6.2	8.4

Note: The ANNIVERSAIRE and Bridal Business expects an increase of 121.7% year-on-year in the number of weddings for ANNIVERSAIRE weddings (excluding family weddings and photo weddings) at existing facilities.

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)

	FY3/21 (As of Mar. 31, 2021)	FY3/22 (As of Mar. 31, 2022)
Assets		
Current assets		
Cash and deposits	29,941	37,937
Accounts receivable-trade	10,686	11,808
Inventories	20,112	18,330
Other	7,152	6,481
Allowance for doubtful accounts	(40)	(44)
Total current assets	67,852	74,513
Non-current assets		
Property, plant and equipment		
Buildings and structures	147,565	143,481
Accumulated depreciation	(78,690)	(76,676)
Buildings and structures, net	68,875	66,804
Machinery, vehicles, tools, furniture and fixtures	19,318	19,452
Accumulated depreciation	(10,830)	(11,239)
Machinery, vehicles, tools, furniture and fixtures, net	8,487	8,212
Land	36,138	30,760
Lease assets	17,647	18,806
Accumulated depreciation	(10,684)	(12,234)
Lease assets, net	6,962	6,571
Construction in progress	2,305	1,073
Total property, plant and equipment	122,769	113,422
Intangible assets	5,505	5,538
Investments and other assets		
Investment securities	2,612	2,477
Guarantee deposits	7,409	6,970
Leasehold deposit	20,752	20,222
Deferred tax assets	8,538	8,243
Other	1,860	1,660
Allowance for doubtful accounts	(40)	(40)
Total investments and other assets	41,133	39,534
Total non-current assets	169,407	158,495
Total assets	237,260	233,008

(Millions of yen)

	FY3/21 (As of Mar. 31, 2021)	FY3/22 (As of Mar. 31, 2022)
Liabilities		
Current liabilities		
Accounts payable-trade	14,241	15,272
Electronically recorded obligations-operating	2,660	-
Short-term borrowings	11,000	-
Current portion of long-term borrowings	5,418	10,844
Lease obligations	2,200	1,864
Accounts payable-other	5,083	6,632
Income taxes payable	679	2,508
Contractual liability	-	1,130
Provision for bonuses	1,013	1,814
Provision for bonuses for directors (and other officers)	-	44
Other	5,545	4,303
Total current liabilities	47,842	44,415
Non-current liabilities		
Long-term borrowings	45,914	44,314
Lease obligations	5,144	4,946
Provision for point card certificates	320	-
Retirement benefit liability	1,192	815
Asset retirement obligations	7,560	7,680
Other	3,435	3,193
Total non-current liabilities	63,567	60,951
Total liabilities	111,409	105,366
Net assets		
Shareholders’ equity		
Share capital	23,282	23,282
Capital surplus	27,747	23,870
Retained earnings	81,571	82,821
Treasury shares	(7,438)	(3,489)
Total shareholders’ equity	125,162	126,484
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	251	235
Remeasurements of defined benefit plans	72	362
Total accumulated other comprehensive income	324	598
Share acquisition rights	363	559
Total net assets	125,850	127,641
Total liabilities and net assets	237,260	233,008

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

Consolidated Statement of Income

(Millions of yen)

	FY3/21 (Apr. 1, 2020 – Mar. 31, 2021)	FY3/22 (Apr. 1, 2021 – Mar. 31, 2022)
Net sales	143,169	154,916
Cost of sales	94,805	95,279
Gross profit	48,364	59,636
Selling, general and administrative expenses	54,157	54,193
Operating profit (loss)	(5,793)	5,443
Non-operating profit		
Interest income	67	69
Dividend income	27	26
Other	270	173
Total non-operating profit	365	269
Non-operating expenses		
Interest expenses	357	376
Loss on retirement of non-current assets	443	185
Loss on store closings	68	333
Other	309	456
Total non-operating expenses	1,178	1,351
Ordinary profit (loss)	(6,606)	4,360
Extraordinary income		
Gain on sale of non-current assets	-	3,994
Gain on sale of investment securities	4	-
Gain on reversal of share acquisition rights	70	-
Subsidies for employment adjustment	691	1,968
Total extraordinary income	767	5,962
Extraordinary losses		
Impairment loss	1,991	2,881
Loss on valuation of investment securities	1,369	153
Loss due to temporary closure	2,200	1,583
Business restructuring expenses	213	-
Total extraordinary losses	5,775	4,618
Profit (loss) before income taxes	(11,614)	5,704
Income taxes – current	786	3,028
Income taxes – deferred	(470)	112
Total income taxes	316	3,141
Profit	(11,931)	2,563
Profit (loss) attributable to owners of parent	(11,931)	2,563

Consolidated Statement of Comprehensive Income

(Millions of yen)

	FY3/21 (Apr. 1, 2020 – Mar. 31, 2021)	FY3/22 (Apr. 1, 2021 – Mar. 31, 2022)
Profit (loss)	(11,931)	2,563
Other comprehensive income		
Valuation difference on available-for-sale securities	977	(15)
Remeasurements of defined benefit plans, net of tax	177	290
Total other comprehensive income	1,155	274
Comprehensive income	(10,775)	2,838
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(10,775)	2,838
Comprehensive income attributable to non-controlling interests	-	-

(3) Consolidated Statement of Changes in Shareholders' Equity

FY3/21 (Apr. 1, 2020 – Mar. 31, 2021)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of period	23,282	27,823	96,298	(7,592)	139,812
Changes during period					
Dividend of surplus			(2,795)		(2,795)
Loss attributable to owners of parent			(11,931)		(11,931)
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		(76)		154	77
Net changes in items other than shareholders' equity					
Total changes during period	-	(76)	(14,726)	153	(14,649)
Balance at the end of period	23,282	27,747	81,571	(7,438)	125,162

	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	(726)	(105)	(831)	228	139,209
Changes during period					
Dividend of surplus					(2,795)
Loss attributable to owners of parent					(11,931)
Purchase of treasury shares					(0)
Disposal of treasury shares					77
Net changes in items other than shareholders' equity	977	177	1,155	135	1,290
Total changes during period	977	177	1,155	135	(13,359)
Balance at the end of period	251	72	324	363	125,850

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)
Loss 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)
Loss 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

(4) Consolidated Statement of Cash Flows

(Millions of yen)

	FY3/21 (Apr. 1, 2020 – Mar. 31, 2021)	FY3/22 (Apr. 1, 2021 – Mar. 31, 2022)
Cash flows from operating activities		
Profit (loss) before income taxes	(11,614)	5,704
Depreciation	9,380	9,172
Impairment loss	1,991	2,881
Loss due to temporary closure	2,200	1,583
Increase (decrease) in retirement benefit liability	184	62
Increase (decrease) in provision for point card certificates	(374)	(320)
Interest and dividend income	(94)	(96)
Interest expenses	357	376
Gain on sale of non-current assets	(1)	(3,994)
Subsidies for employment adjustment	(691)	(1,968)
Loss on valuation of investment securities	1,369	153
Decrease (increase) in trade receivables	(2,230)	(1,122)
Decrease (increase) in inventories	4,069	1,782
Increase (decrease) in trade payables	(322)	1,030
Increase (decrease) in contractual liability	-	1,130
Increase (decrease) in accrued consumption taxes	(160)	1,741
Other	634	(412)
Subtotal	4,699	17,705
Interest and dividend income received	120	70
Interests paid	(348)	(378)
Income taxes paid	(840)	(1,104)
Income taxes refund	1,869	263
Subsidies for employment adjustment received	691	1,968
Payments for loss due to temporary closure	(1,839)	(1,394)
Net cash provided by (used in) operating activities	4,351	17,132
Cash flows from investing activities		
Purchase of property, plant and equipment	(10,270)	(7,523)
Proceeds from sale of property, plant and equipment	4	9,323
Purchase of intangible assets	(670)	(854)
Payments for leasehold and guarantee deposits	(931)	(314)
Proceeds from collection of leasehold and guarantee deposits	551	894
Net decrease (increase) in trust beneficiary rights	334	(10)
Other	(535)	(629)
Net cash provided by (used in) investing activities	(11,518)	886
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	11,000	(11,000)
Proceeds from long-term borrowings	11,000	10,000
Repayments of long-term borrowings	(3,493)	(6,173)
Repayments of lease obligations	(2,446)	(2,418)
Purchase of treasury shares	(0)	(0)
Dividends paid	(2,795)	(431)
Net cash provided by (used in) financing activities	13,265	(10,023)
Effect of exchange rate change on cash and cash equivalents	(0)	(0)
Increase (decrease) in cash and cash equivalents	6,098	7,995
Cash and cash equivalents at beginning of period	23,843	29,941
Cash and cash equivalents at end of period	29,941	37,937

(5) Notes to Consolidated Financial Statements

Going Concern Assumption

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 fiscal year ended March 2022 (FY3/22). 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 revenue recognition accounting standard, 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 FY3/22, is added to or subtracted from retained earnings at the beginning of FY3/22. 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 FY3/22. In addition, due to the application of the method prescribed in paragraph 86-1 of the new standard, for contract revisions made prior to the beginning of FY3/22, an accounting treatment based on all contract revisions is used. The cumulative effect is added to or subtracted from retained earnings at the beginning of FY3/22.

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, beginning with FY3/22, included in the contractual liability under current liabilities. 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.

As a result, in the consolidated balance sheet for FY3/22, contractual liability increased 1,130 million yen, provision for point card certificates decreased 231 million yen and other under current liabilities decreased 465 million yen, compared to before the application of the revenue recognition accounting standard, etc. In the consolidated statement of income for FY3/22, net sales decreased 3,456 million yen, cost of sales decreased 3,833 million yen, selling, general and administrative expenses decreased 78 million yen and operating profit, ordinary profit and profit before income taxes increased 456 million yen each.

In the consolidated statement of cash flows for FY3/22, profit before income taxes increased 456 million yen and other (trade payables) decreased 465 million yen.

Due to the inclusion of the cumulative effect of these measures on net assets at the beginning of FY3/22, retained earnings at the beginning of this fiscal year in the consolidated statement of changes in shareholders’ equity decreased 889 million yen.

The effect on per share information is provided in the corresponding section of this report.

In accordance with the transitional treatment prescribed in paragraph 89-3 of the revenue recognition accounting standard, there is no note concerning “revenue recognition matters” for the previous fiscal year.

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

The Company has applied the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019), etc. from the beginning of FY3/22, and has applied the new accounting policies set forth by the Accounting Standard for Fair Value Measurement, etc. prospectively in accordance with the transitional treatment in the paragraph 19 of the Accounting Standard for Fair Value Measurement 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 consolidated financial statements.

Material Accounting-based Estimates

1. Impairment losses on non-current assets for stores

(1) Amounts shown on consolidated financial statements for FY3/22

(Millions of yen)

	FY3/22		
	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
Impairment loss	2,418	-	459

* 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 utilize 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 FY3/22 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.

Regarding the effects of the COVID-19 pandemic, although infections of the new variant of the coronavirus are expected to continue to spread to some extent, the AOKI Group expects that economic activity will slowly recover during the fiscal year ending in March 2023 to the pre-pandemic level due to the end of limitations on various activities, reduced store operating hours and other restrictions that were imposed for an extended period. However, this is based on the assumption that customer demand will not return to the pre-pandemic level due to changes in market conditions and other factors.

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. When estimating future sales and earnings, the assumption is that changes in lifestyles and other factors will continue to affect the Fashion Business although the impact of the COVID-19 pandemic will ease. Based on this view, the forecast for existing store sales in the fiscal year ending in March 2023 and afterward is between 85% and 88% of sales in the fiscal year that ended in March 2019, which was before this pandemic started.

Anniversaire and Bridal Business

The ANNIVERSAIRE and Bridal Business has been affected by the pandemic and by changes in wedding styles (increase in family weddings and photo weddings), resulting in a decrease in the number of weddings performed and a decline in the sales per couple. In estimating future earnings forecasts, it is assumed that, as economic activity returns, the number of previews will increase, the number of weddings will rise to a certain extent, and sales per couple will also rise. However, the diversification in wedding styles is continuing, and we have assumed that the number of weddings at existing facilities in the next fiscal year and afterward will be approximately 96% of the number in the fiscal year that ended in March 2019, which was not affected by the outbreak of the pandemic, and that sales per couple will be approximately 77% of sales in the fiscal year that ended in March 2019.

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 in the fiscal year ending in March 2023 and afterward will be between 87% and 92% (91% to 97% for café complex and 77% to 82% for karaoke) of sales in the fiscal year that ended in March 2019, which was before the pandemic started.

(3) Effect on the balance sheet in the fiscal year ending in March 2023

If actual results of operations differ significantly from the sales and operating profit forecasts for the fiscal year ending in March 2023 and afterward because of the spread of COVID-19 variants or some other reason, there may be an effect on the amount of the impairment loss in the fiscal year ending in March 2023.

The book values are as follows for non-current assets of stores where there was no impairment because FY3/22 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		
	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
Book value of non-current assets of stores with indications of the need for impairment but no impairment	2,952	2,302	* 15,686

* Café complex: 12,300 million yen; karaoke: 3,385 million yen

2. Recoverability of deferred tax assets

(1) Amounts shown on consolidated financial statements for FY3/22

(Millions of yen)

	FY3/22
Deferred tax assets	8,243

(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. These estimates use the assumptions that even after economic activities resume, demand for the AOKI Group's products and services will not return to the pre-pandemic level. An explanation of these assumptions is in "1. Impairment losses on non-current assets for stores." At consolidated subsidiary KAIKATSU FRONTIER, Inc., the business plan for the fiscal year ending in March 2023 and afterward includes the expected sales and earnings from the 49 locations planned to be opened during FY3/22 or from locations to be opened in the following fiscal years.

iii. Effect on the balance sheet in the fiscal year ending in March 2023

If actual results of operations differ significantly from the sales and operating profit forecasts for the fiscal year ending in March 2023 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 2023.

Reclassifications

Consolidated Statement of Income

"Loss on store closings," which was included in "other" under "non-operating expenses" in the previous fiscal year, is reclassified and presented as a separate line item in FY3/22 since the amount exceeded 10% of total non-operating expenses. To conform to this change, the consolidated financial statements for the previous fiscal year are reclassified.

As a result, "other" under "non-operating expenses" of 378 million yen in the previous fiscal year's consolidated statement of income is reclassified and divided into "loss on store closings" of 68 million yen and "other" of 309 million yen.

Consolidated Statement of Cash Flows

"Gain on sale of non-current assets" and "subsidies for employment adjustment" included in "other" under cash flows from operating activities in the previous fiscal year, is reclassified and presented as a separate line item in FY3/22, given the increase in the materiality of impact in the context of the consolidated financial statements. To conform to this change, the consolidated financial statements for the previous fiscal year are reclassified.

As a result, "other" under cash flows from operating activities of 633 million yen in the previous fiscal year's consolidated statement of cash flows is reclassified and divided into "gain on sale of non-current assets" of -1 million yen and "other" of 634 million yen, and "subsidies for employment adjustment" of -691 million yen and "subsidies for employment adjustment received" of 691 million yen are newly presented. The amount of subtotal was changed from 5,390 million yen to 4,699 million yen.

"Proceeds from sale of property, plant and equipment" included in "other" under cash flows from investing activities in the previous fiscal year, is reclassified and presented as a separate line item in FY3/22, given the increase in the materiality of impact in the context of the consolidated financial statements. To conform to this change, the consolidated financial statements for the previous fiscal year are reclassified.

As a result, "other" under cash flows from investing activities of -531 million yen in the previous fiscal year's consolidated statement of cash flows is reclassified and divided into "proceeds from sale of property, plant and equipment" of 4 million yen and "other" of -535 million yen.

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.

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

FY3/21 (Apr. 1, 2020 – Mar. 31, 2021) (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									
External sales	85,372	8,033	48,499	1,173	143,078	91	143,169	-	143,169
Inter-segment sales and transfers	15	0	-	2,703	2,719	-	2,719	(2,719)	-
Total	85,387	8,033	48,499	3,876	145,797	91	145,889	(2,719)	143,169
Segment profit (loss)	1,499	(3,088)	(5,190)	678	(6,101)	64	(6,036)	243	(5,793)
Segment assets	99,479	34,053	67,964	1,235	202,732	-	202,732	34,527	237,260
Other items									
Depreciation	2,578	1,309	5,117	26	9,031	-	9,031	272	9,303
Amortization of goodwill	-	-	3	-	3	-	3	-	3
Increase in property, plant and equipment and intangible assets	1,129	77	14,949	6	16,162	-	16,162	369	16,531

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 243 million yen adjustment to segment profit (loss) includes 4,190 million yen in elimination for inter-segment transactions, and -3,947 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 34,527 million yen adjustment to segment assets includes -57,867 million yen in elimination of the offsetting receivables from subsidiaries, and company-wide assets of 92,395 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 369 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 loss on the consolidated statement of income.

4. 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.

5. 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 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, sales increased 496 million yen and segment profit increased 485 million yen in the Fashion Business in FY3/22. Sales decreased 3,510 million yen and there was no effect on segment loss in the ANNIVERSAIRE and Bridal Business. In the Entertainment Business, sales decreased 441 million yen and segment profit decreased 29 million yen.

Per Share Information

(Yen)

	FY3/21 (Apr. 1, 2020 – Mar. 31, 2021)	FY3/22 (Apr. 1, 2021 – Mar. 31, 2022)
Net assets per share	1,479.87	1,496.80
Net income (loss) per share	(140.77)	30.21

Notes: 1. In FY3/21, diluted net income per share is not presented since the Company posted net loss, and has no potential stock with dilutive effects. In FY3/22, 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 (loss) per share

(Millions of yen)

Item	FY3/21 (Apr. 1, 2020 – Mar. 31, 2021)	FY3/22 (Apr. 1, 2021 – Mar. 31, 2022)
Net income per share		
Profit (loss) attributable to owners of parent	(11,931)	2,563
Profit not attributable to common shareholders	-	-
Profit (loss) attributable to owners of parent applicable to common shares	(11,931)	2,563
Average number of common shares outstanding during the period (Thousand shares)	84,759	84,870
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 Share Acquisition Rights No. 6 Number of stock acquisition rights: 10,465	Share acquisition rights issued pursuant to the Board of Directors' resolution on June 27, 2019 Share Acquisition Rights No. 6 Number of stock acquisition rights: 10,055

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

(Millions of yen)

Item	FY3/21 (As of Mar. 31, 2021)	FY3/22 (As of Mar. 31, 2022)
Total net assets	125,850	127,641
Deduction on total net assets	363	559
[of which share acquisition rights]	[363]	[559]
Net assets applicable to common shares	125,487	127,082
Number of common shares used in calculation of net assets per share (Thousand shares)	84,796	84,902

4. As described in Changes in Accounting Policies, the Company has applied the Accounting Standard for Revenue Recognition, etc. As a result, net assets per share decreased 6.93 yen and net income per share increased 3.55 yen in FY3/22.

Subsequent Events

No reportable information.

4. Other

Changes in Directors

Please see “Notice of Changes of Directors and Representative Directors” 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.*