AOKI Holdings

May 10, 2024

Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2024

[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
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Tel: +81-45-941-1388
Scheduled date of Annual General Meeting of Shareholders: June 27, 2024
Scheduled date of filing of Annual Securities Report: June 27, 2024
Scheduled date of payment of dividend: June 6, 2024
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 10, 2024 at 15:30 (GMT +9).

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

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2024 (April 1, 2023 – March 31, 2024)

(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	%
FY3/24	187,716	6.6	13,860	35.4	13,235	57.0	7,574	34.5
FY3/23	176,170	13.7	10,235	88.0	8,430	93.3	5,632	119.7

Note: Comprehensive income (million yen) FY3/24: 7,756 (up 32.7%) FY3/23: 5,845 (up 105.9%)

	Net income per share	Diluted net income per share	Return on equity	Ordinary profit on total assets	Operating profit to sales
	Yen	Yen	%	%	%
FY3/24	90.03	-	5.6	5.6	7.4
FY3/23	66.34	-	4.3	3.6	5.8

Reference: Equity in income of affiliates (million yen) FY3/24: - FY3/23: -

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2024	236,327	137,056	57.9	1,627.63
As of Mar. 31, 2023	233,416	132,251	56.5	1,554.37

Reference: Shareholders' equity (million yen) As of Mar. 31, 2024: 136,757 As of Mar. 31, 2023: 131,969

(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
FY3/24	17,593	(10,886)	(9,344)	35,657
FY3/23	17,475	(3,026)	(14,091)	38,295

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	%	%
FY3/23	-	7.00	-	13.00	20.00	1,698	30.1	1.3
FY3/24	-	13.00	-	37.00	50.00	4,201	55.5	3.1
FY3/25 (forecasts)	-	15.00	-	40.00	55.00		57.8	

3. Consolidated Forecast for the Fiscal Year Ending March 31, 2025 (April 1, 2024 – March 31, 2025)

(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	191,500	2.0	15,000	8.2	14,600	10.3	8,000	5.6	95.21

*** 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, 2024:	86,649,504 shares	As of Mar. 31, 2023:	87,649,504 shares
2) Number of treasury shares at the end of the period			
As of Mar. 31, 2024:	2,626,986 shares	As of Mar. 31, 2023:	2,746,866 shares
3) Average number of shares outstanding during the period			
Fiscal year ended Mar. 31, 2024:	84,128,272 shares	Fiscal year ended Mar. 31, 2023:	84,902,782 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 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 Friday, May 10, 2024.

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 23, 2024. 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 2024, there was a recovery of the Japanese economy at a moderate pace backed by firm consumer spending as social and economic activities returned to normal after the pandemic and the labor market and personal income improved. However, the outlook for the Japanese economy remains uncertain. The main reasons are concerns about the prolonged uncertain overseas situation, the negative effect of inflation caused by the high cost of energy and raw materials due to the yen's depreciation, and Japan's serious labor shortage. 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	187,716 million yen	(up 6.6% year-on-year)
Operating profit	13,860 million yen	(up 35.4% year-on-year)
Ordinary profit	13,235 million yen	(up 57.0% year-on-year)
Profit attributable to owners of parent	7,574 million yen	(up 34.5% year-on-year)

Business segment performance was as follows.

Fashion Business

AOKI stores conducted a very successful Freshers Support Fair accompanied by a marketing campaign featuring well-known people. The freshers segment is young people who are starting college or a new job. One highlight of the fiscal year involving merchandise includes further strengthening the lineup of Pajama Suits, an apparel category with cumulative sales of more than 470,000 units. Another highlight is the use of AOKI's strength as a retailer specializing in business suits for the launch of Sporty Casual apparel that has a combination of sporty and somewhat business-like appearance to enable use when at work too. At ORIHICA stores, RFID tags (ICs that wirelessly send data to a reader) are now used at all stores to improve customer service and make store operations more efficient. In addition, ORIHICA operated pop-up shops specializing in a specific line of apparel such as THE THIRD SUITS, a line of next-generation suits, BIZSPO apparel that features business casual and sporty styling, and apparel for special events like school entrance and graduation ceremonies. Five AOKI stores, including those after conversion from a different format, and one ORIHICA store were opened, and four AOKI stores and five ORIHICA stores were closed to improve the efficiency of store operations and make conversion to a different format. As a result, the number of stores decreased from 596 at the end of the previous fiscal year to 593 at the end of the current fiscal year.

Due to these activities and an increase in sales per customer, existing stores sales remained firm and sales during the Freshers campaign from late February through March were strong. As a result, sales in this segment increased 5.8% year on year to 100,038 million yen and operating profit increased 21.3% year on year to 8,082 million yen.

Entertainment Business

KAIKATSU CLUB café complexes were remodeled for greater customer convenience and comfort by increasing the number of locations that have personal rooms with locks. In addition, cafés served a variety of limited time only menu items through tie-ups with famous restaurants and manufacturers. One example is menu items of Spaghetti House Yokoi, which first created ankake spaghetti (spaghetti with a thick sauce combining a tomato base and vegetables). At COTE D'AZUR karaoke stores, there were several marketing campaigns, including a spring campaign offering special rates to people starting a new phase of their lives (new school or job) and a campaign that allows customers to borrow BEYBLADE X tops at no cost. FiT24, which operates 24-hour self-service fitness gyms, is continuing to add indoor golf facilities at gyms and conducted several discount campaigns that included discounts to customers who bring in new members. During the current fiscal year, KAIKATSU CLUB opened seven cafés and FiT24 opened six gyms while 15 KAIKATSU CLUB café, seven COTE D'AZUR karaoke facilities and three FiT24 gyms were closed due to measures to improve efficiency. As a result, including the 92 JIYU KUKAN café complexes and other locations of RUNSYSTEM (including 53 franchised stores), the number of locations in this business decreased from 810 at the end of the previous fiscal year to 784 at the end of the current fiscal year.

Segment sales and earnings increased because of the implementation of these measures and firm sales at existing locations. Sales in this segment increased 6.6% to 75,545 million yen and operating profit increased 71.4% to 5,454 million yen.

Anniversaire and Bridal Business

There were many activities to receive orders for weddings as marketing operations were revised to match the recovery of Japan’s wedding market. At ANNIVERSAIRE Omotesando, which has reopened following a major renovation, there were larger numbers of events featuring the products of high-end brands and orders for hosting parties. During the period leading up to Valentine’s Day, ANNIVERSAIRE cafés sold ANNIVERSAIRE chocolate products and added special menu items.

As a result, sales increased 9.0% to 10,259 million yen and operating profit decreased 85.0% to 57 million yen.

Real Estate Leasing Business

Segment sales increased 25.9% to 6,051 million yen and operating profit increased 75.7% to 1,312 million yen mainly because of the leasing of properties outside the AOKI Group.

(2) Financial Position

Balance sheet position

Assets

Total assets at the end of the current fiscal year increased 2,911 million yen from the end of the previous fiscal year to 236,327 million yen.

Current assets increased 2,963 million yen mainly due to an increase of 2,328 million yen in accounts receivable-trade caused by higher sales and other factors, and an increase of 2,781 million yen in inventories resulting from an increase in procurement, while there was a decrease of 2,638 million yen in cash and deposits. Non-current assets decreased 52 million yen due to a decrease of 236 million yen in intangible assets and a decrease of 1,558 million yen in investments and other assets, including deferred tax assets, while property, plant and equipment increased 1,743 million yen due to new store openings and other activities.

Liabilities

Current liabilities increased 2,953 million yen from the end of the previous fiscal year. There were an increase of 749 million yen in accounts payable-trade mainly due to an increase in procurement, an increase of 550 million yen in lease obligations and an increase of 1,566 million yen in others including accrued expenses, while there was a decrease of 805 million yen in current portion of long-term borrowings. Non-current liabilities decreased 4,847 million yen due to a decrease of 3,519 million yen in long-term borrowings for scheduled repayments and a decrease of 708 million yen in lease obligations.

Net assets

Net assets increased 4,805 million yen from the end of the previous fiscal year. Although there was a decrease of 1,197 million yen in capital surplus mainly due to the retirement of treasury shares, treasury shares decreased 443 million yen as a result of repurchase and retirement and retained earnings increased 5,378 million yen due to a profit attributable to owners of parent and dividend from surplus.

(3) Cash Flows

Cash flow position

(Millions of yen)

	FY3/23	FY3/24
Cash flows from operating activities	17,475	17,593
Cash flows from investing activities	(3,026)	(10,886)
Cash flows from financing activities	(14,091)	(9,344)
Increase (decrease) in cash and cash equivalents	358	(2,638)
Cash and cash equivalents at beginning of period	37,937	38,295
Cash and cash equivalents at end of period	38,295	35,657

Cash and cash equivalents at the end of the current fiscal year decreased 2,638 million yen from the end of the previous fiscal year to 35,657 million yen mainly due to an increase in purchase of property, plant and equipment, while there was an increase in profit before income taxes.

Cash flows from operating activities

Net cash provided by operating activities increased 118 million yen from one year earlier to 17,593 million yen. The principal factors were profit before income taxes of 12,441 million yen, depreciation of 9,635 million yen and impairment losses of 1,798 million yen.

Cash flows from investing activities

Net cash used in investing activities increased 7,860 million yen from one year earlier to 10,886 million yen. This was mainly due to the payments of 11,186 million yen for the purchase of property, plant and equipment for capital investment.

Cash flows from financing activities

Net cash used in financing activities decreased 4,746 million yen from one year earlier to 9,344 million yen. This was mainly due to repayments of long-term borrowings of 10,213 million yen, repayments of lease obligations of 2,057 million yen and dividends paid of 2,196 million yen, while there were proceeds from long-term borrowings of 6,000 million yen.

(4) Outlook

The outlook is expected to remain uncertain due to the high cost of energy and raw materials, the resulting inflation 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 and ORIHICA's identity as a provider of LIFE & WORK STYLE fashions. Creating and enlarging lineups of products that match customers' needs is one goal. We will use IT systems to provide even greater convenience for customers while operating stores more efficiently. Utilizing idle space is another goal in order to increase the efficiency of business operations. During the fiscal year, we plan to open 20 stores using the AOKI or ORIHICA brand.

The Entertainment Business is adding a variety of content and services and conducting many types of marketing campaigns to attract a broader range of customers. Stores are also continuing to take steps to use a smaller staff to make store operations more efficient. During the fiscal year, we plan to open 22 locations using the KAIKATSU CLUB or FiT24 brand.

In the ANNIVERSAIRE and Bridal Business, major activities planned for the fiscal year include measures to receive more orders, upgrades at the flagship ANNIVERSAIRE locations at Omotesando in Tokyo and Minatomirai in Yokohama. To improve efficiency, standardized and more efficient store operations and other measures will be used.

Business segment forecasts are as follows.

Business segment forecasts for the fiscal year ending March 31, 2025

(Millions of yen)

	Fashion	Entertainment	Anniversaire and Bridal	Real Estate Leasing	Consolidated
Sales	101,700	75,600	12,000	6,700	191,500
YoY change (%)	101.7	100.1	117.0	110.7	102.0
Segment profit	8,700	5,600	500	1,600	15,000
YoY change (%)	107.6	102.7	865.4	121.9	108.2

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	3.1	0.9	2.1	2.1	(0.7)	0.3	1.0
Entertainment	0.4	(0.3)	0.0	0.4	(0.6)	(0.1)	0.0

Notes: 1. The ANNIVERSAIRE and Bridal Business expects an increase of 1.9% year-on-year in the number of weddings (including chapel weddings, family weddings and photo weddings) at existing facilities (excluding the Omotesando location which was closed for renovations in the previous fiscal year).

2. The Entertainment Business does not include RUNSYSTEM.

* AOKI has disclosed today on its website its three-year Medium-term Business Plan which starts in the fiscal year ending March 31, 2025. Please take a look.

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)

	FY3/23 (As of Mar. 31, 2023)	FY3/24 (As of Mar. 31, 2024)
Assets		
Current assets		
Cash and deposits	38,295	35,657
Accounts receivable-trade	13,114	15,442
Inventories	19,465	22,247
Other	8,015	8,496
Allowance for doubtful accounts	(54)	(42)
Total current assets	78,836	81,800
Non-current assets		
Property, plant and equipment		
Buildings and structures	142,955	145,798
Accumulated depreciation	(79,056)	(81,391)
Buildings and structures, net	63,898	64,406
Machinery, vehicles, tools, furniture and fixtures	21,466	24,673
Accumulated depreciation	(13,060)	(14,345)
Machinery, vehicles, tools, furniture and fixtures, net	8,406	10,327
Land	31,021	30,693
Lease assets	17,612	16,723
Accumulated depreciation	(11,992)	(11,286)
Lease assets, net	5,619	5,437
Construction in progress	352	176
Total property, plant and equipment	109,299	111,042
Intangible assets	7,007	6,771
Investments and other assets		
Investment securities	2,249	2,199
Guarantee deposits	6,628	6,446
Leasehold deposit	19,013	18,873
Deferred tax assets	8,687	7,785
Other	1,744	1,461
Allowance for doubtful accounts	(53)	(52)
Total investments and other assets	38,272	36,713
Total non-current assets	154,579	154,526
Total assets	233,416	236,327

(Millions of yen)

	FY3/23 (As of Mar. 31, 2023)	FY3/24 (As of Mar. 31, 2024)
Liabilities		
Current liabilities		
Accounts payable-trade	17,963	18,713
Current portion of long-term borrowings	10,647	9,842
Lease obligations	1,734	2,284
Accounts payable-other	7,020	7,114
Income taxes payable	2,012	2,106
Contractual liabilities	1,788	1,876
Provision for bonuses	3,349	3,790
Provision for bonuses for directors (and other officers)	65	240
Other	4,322	5,889
Total current liabilities	48,904	51,857
Non-current liabilities		
Long-term borrowings	36,206	32,687
Lease obligations	4,111	3,402
Retirement benefit liability	895	607
Asset retirement obligations	7,855	7,914
Other	3,190	2,800
Total non-current liabilities	52,260	47,412
Total liabilities	101,164	99,270
Net assets		
Shareholders’ equity		
Share capital	23,282	23,282
Capital surplus	23,795	22,597
Retained earnings	87,434	92,813
Treasury shares	(3,490)	(3,047)
Total shareholders’ equity	131,022	135,645
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	682	741
Remeasurements of defined benefit plans	265	369
Total accumulated other comprehensive income	947	1,111
Non-controlling interests	281	299
Total net assets	132,251	137,056
Total liabilities and net assets	233,416	236,327

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

Consolidated Statement of Income

(Millions of yen)

	FY3/23 (Apr. 1, 2022 – Mar. 31, 2023)	FY3/24 (Apr. 1, 2023 – Mar. 31, 2024)
Net sales	176,170	187,716
Cost of sales	106,614	110,786
Gross profit	69,556	76,929
Selling, general and administrative expenses	59,320	63,069
Operating profit	10,235	13,860
Non-operating profit		
Interest income	68	70
Dividend income	53	37
Gain on insurance claims	37	49
Other	244	172
Total non-operating profit	404	329
Non-operating expenses		
Interest expenses	362	286
Loss on retirement of non-current assets	996	94
Special survey costs, etc.	264	-
Loss on store closings	153	372
Other	431	200
Total non-operating expenses	2,209	954
Ordinary profit	8,430	13,235
Extraordinary income		
Gain on sale of non-current assets	97	28
Gain on sale of investment securities	231	154
Gain on sale of shares of subsidiaries and associates	-	320
Settlements received	-	500
Gain on reversal of share acquisition rights	738	-
Subsidies for employment adjustment	257	-
Total extraordinary income	1,324	1,003
Extraordinary losses		
Impairment loss	1,973	1,798
Loss on sale of investment securities	21	-
Total extraordinary losses	1,994	1,798
Profit before income taxes	7,760	12,441
Income taxes – current	2,705	4,028
Income taxes – deferred	(440)	820
Total income taxes	2,264	4,849
Profit	5,496	7,592
Profit (loss) attributable to non-controlling interests	(136)	17
Profit attributable to owners of parent	5,632	7,574

Consolidated Statement of Comprehensive Income

(Millions of yen)

	FY3/23 (Apr. 1, 2022 – Mar. 31, 2023)	FY3/24 (Apr. 1, 2023 – Mar. 31, 2024)
Profit	5,496	7,592
Other comprehensive income		
Valuation difference on available-for-sale securities	446	59
Remeasurements of defined benefit plans, net of tax	(97)	104
Total other comprehensive income	349	164
Comprehensive income	5,845	7,756
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	5,981	7,738
Comprehensive income attributable to non-controlling interests	(136)	17

(3) Consolidated Statement of Changes in Shareholders' Equity

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)
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)
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

FY3/24 (Apr. 1, 2023 – Mar. 31, 2024)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of period	23,282	23,795	87,434	(3,490)	131,022
Changes during period					
Dividend of surplus			(2,196)		(2,196)
Profit attributable to owners of parent			7,574		7,574
Purchase of treasury shares				(877)	(877)
Disposal of treasury shares		(32)		155	123
Cancellation of treasury shares		(1,165)		1,165	
Net changes in items other than shareholders' equity					
Total changes during period	-	(1,197)	5,378	443	4,623
Balance at the end of period	23,282	22,597	92,813	(3,047)	135,645

	Accumulated other comprehensive income			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	682	265	947	281	132,251
Changes during period					
Dividend of surplus					(2,196)
Profit attributable to owners of parent					7,574
Purchase of treasury shares					(877)
Disposal of treasury shares					123
Cancellation of treasury shares					
Net changes in items other than shareholders' equity	59	104	164	17	181
Total changes during period	59	104	164	17	4,805
Balance at the end of period	741	369	1,111	299	137,056

(4) Consolidated Statement of Cash Flows

(Millions of yen)

	FY3/23 (Apr. 1, 2022 – Mar. 31, 2023)	FY3/24 (Apr. 1, 2023 – Mar. 31, 2024)
Cash flows from operating activities		
Profit before income taxes	7,760	12,441
Depreciation	9,171	9,635
Impairment loss	1,973	1,798
Amortization of goodwill	61	81
Increase (decrease) in retirement benefit liability	(67)	(141)
Increase (decrease) in provision for bonuses	1,535	440
Interest and dividend income	(121)	(108)
Interest expenses	362	286
Gain on sale of non-current assets	(97)	(28)
Subsidies for employment adjustment	(257)	-
Loss (gain) on sales of investment securities	(209)	(154)
Gain on sale of affiliate stock	-	(320)
Settlements received	-	(500)
Gain on reversal of share acquisition rights	(738)	-
Decrease (increase) in trade receivables	(1,064)	(2,420)
Decrease (increase) in inventories	(976)	(2,781)
Increase (decrease) in trade payables	2,591	750
Increase (decrease) in contract liabilities	657	87
Increase (decrease) in accrued consumption taxes	(282)	(663)
Other	2,567	2,521
Subtotal	22,865	20,923
Interest and dividend income received	100	93
Interests paid	(365)	(301)
Settlements received	-	500
Income taxes paid	(4,094)	(4,495)
Income taxes refund	4	873
Payments for retirement benefits for directors (and other officers)	(1,292)	-
Subsidies for employment adjustment received	257	-
Net cash provided by (used in) operating activities	17,475	17,593
Cash flows from investing activities		
Purchase of property, plant and equipment	(4,568)	(11,186)
Proceeds from sale of property, plant and equipment	362	977
Purchase of intangible assets	(780)	(707)
Payments for leasehold and guarantee deposits	(305)	(589)
Proceeds from refund of leasehold and guarantee deposits	1,378	462
Proceeds from sales of investment securities	895	323
Net decrease (increase) in trust beneficiary rights	(493)	(406)
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	-	311
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	76	-
Other	409	(71)
Net cash provided by (used in) investing activities	(3,026)	(10,886)

(Millions of yen)

	FY3/23 (Apr. 1, 2022 – Mar. 31, 2023)	FY3/24 (Apr. 1, 2023 – Mar. 31, 2024)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(100)	-
Proceeds from long-term borrowings	130	6,000
Repayments of long-term borrowings	(10,943)	(10,213)
Repayments of lease obligations	(2,026)	(2,057)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(125)	-
Purchase of treasury shares	(0)	(877)
Dividends paid	(1,024)	(2,196)
Net cash provided by (used in) financing activities	(14,091)	(9,344)
Effect of exchange rate change on cash and cash equivalents	(0)	0
Increase (decrease) in cash and cash equivalents	358	(2,638)
Cash and cash equivalents at beginning of period	37,937	38,295
Cash and cash equivalents at end of period	38,295	35,657

(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 the consolidated financial statements

(Millions of yen)

	FY3/23			FY3/24		
	Fashion	Entertainment	Anniversaire and Bridal	Fashion	Entertainment	Anniversaire and Bridal
Book value of non-current assets by segment at end of period (After recording impairment losses)Note	46,504	58,686	12,548	44,877	58,046	13,194
Impairment loss	714	1,135	-	273	1,180	-

Notes: 1. Includes non-current assets for stores and corporate assets

2. As described in “Segment information, 5. Information related to revisions for reportable segments,” the method of measuring reportable segment profits/losses and assets has been changed from the current fiscal year, and the book value of non-current assets by segment at the end of the previous fiscal year and impairment loss are presented based on the measurement method after the change.

(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 the fiscal year that ended in March 2024 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.

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. When estimating future sales and earnings, it is assumed that total existing store sales in the fiscal year ending in March 2025 and afterward will be between 99% and 101% of sales in the fiscal year that ended in March 2024.

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 of operation 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 sales of RUNSYSTEM and its subsidiaries) in the fiscal year ending in March 2025 and afterward will be between 99% and 100% (99% to 100% for café complex, 100% to 101% for karaoke and 99% to 100% for fitness) of sales in the fiscal year that ended in March 2024.

Anniversaire and Bridal Business

The number of weddings in Japan and sales per couple are changing as there are changes in the styles of weddings that many couples prefer, such as family weddings and photograph-only weddings. Although we believe that the changes in the styles of weddings will continue, the performance of this business is showing signs of returning to the pre-pandemic level. For estimates of future sales and earnings, due to these changes, we assume that the number of weddings and sales per couple will increase slightly. Starting in the fiscal year ending in March 2025, we assume that the number of weddings at existing locations will be between 100% and 102% of the number in the fiscal year that ended in March 2024 and sales per couple will be between 100% and 104%.

(3) Effect on the consolidated financial statements in the fiscal year ending in March 2025

If actual results of operations differ significantly from the sales and operating profit forecasts for the fiscal year ending in March 2025 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 2025.

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 2024 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)

	FY3/23			FY3/24		
	Fashion	Entertainment	Anniversaire and Bridal	Fashion	Entertainment	Anniversaire and Bridal
Book value of non-current assets of stores exempt from impairment monitoring due to the first year of operation	55	2,245	-	72	1,604	-
Book value of non-current assets of stores with indications of the need for impairment but no impairment	2,720	Note 1 15,280	1,636	2,801	Note 2 10,856	2,068

Notes: 1. Café complex: 12,249 million yen; karaoke: 1,516 million yen and fitness: 1,514 million yen
2. Café complex: 8,269 million yen; karaoke: 934 million yen and fitness: 1,652 million yen

2. Recoverability of deferred tax assets

(1) Amounts shown on consolidated financial statements

(Millions of yen)

	FY3/23	FY3/24
Deferred tax assets	8,687	7,785

(2) Information concerning significant accounting estimates for identifiable items

i. Calculation method for estimates

Deferred tax assets are recognized for the Company and its consolidated subsidiaries, 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 the Company and its 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 the Company and its consolidated subsidiaries incorporate forecasts concerning changes in demand, sales and other items. An explanation of primary assumptions on the businesses of the consolidated subsidiaries is in "1. Impairment losses on non-current assets for stores." At consolidated subsidiaries, the business plan includes the expected sales and earnings from locations planned to be opened during the fiscal year that ending in March 2025 and afterward.

iii. Effect on the consolidated financial statements in the fiscal year ending in March 2025

If actual results of operations differ significantly from the sales and operating profit forecasts for the fiscal year ending in March 2025 and afterward because of changes in market conditions or some other reason, there may be an effect on the amounts of the deferred tax assets and income taxes – deferred in the fiscal year ending in March 2025.

Reclassifications

Notes to Consolidated Statements of Income

“Gain on insurance claims” included in “Other” under “Non-operating profit” in the previous fiscal year, is reclassified and presented as a separate line item in the current fiscal year since the amount exceeded 10% of total non-operating profit. To conform to this change, the consolidated financial statements for the previous fiscal year are reclassified.

As a result, “Other” of 282 million yen under “Non-operating profit” presented in the previous fiscal year’s consolidated statement of income has been reclassified as “Gain on insurance claims” of 37 million yen and “Other” of 244 million yen.

“Loss on store closings” included in “Other” under “Non-operating expenses” in the previous fiscal year, is reclassified and presented as a separate line item in current fiscal year 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” of 585 million yen under “Non-operating expenses” presented in the previous fiscal year’s consolidated statement of income has been reclassified as “Loss on store closings” of 153 million yen and “Other” of 431 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 Entertainment Business, the ANNIVERSAIRE and Bridal Business, and the Real Estate Leasing Business.

The Fashion Business plans and sells men’s and women’s wear; the Entertainment Business operates KAIKATSU CLUB and JIYU KUKAN, which provide services and spaces for a variety of experiences that match the current needs and preferences of consumers, fitness centers, and karaoke facilities; the ANNIVERSAIRE and Bridal Business operates wedding halls; 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, assets, and other items for each reportable segment and breakdown of revenue

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	Entertainment	Anniversaire and Bridal	Real Estate Leasing	Subtotal				
Net sales									
Fashion	94,519	-	-	-	94,519	-	94,519	-	94,519
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
Bridal	-	-	9,405	-	9,405	-	9,405	-	9,405
Revenue from contracts with customers	94,519	70,802	9,405	-	174,727	38	174,766	-	174,766
Other revenues	-	61	-	1,342	1,404	-	1,404	-	1,404
External sales	94,519	70,863	9,405	1,342	176,131	38	176,170	-	176,170
Inter-segment sales and transfers	0	12	6	3,464	3,483	60	3,544	(3,544)	-
Total	94,519	70,876	9,412	4,807	179,615	98	179,714	(3,544)	176,170
Segment profit	6,662	3,183	385	746	10,978	5	10,983	(748)	10,235
Segment assets	98,981	68,067	14,798	25,586	207,433	-	207,433	25,982	233,416
Other items									
Depreciation	2,015	5,666	748	164	8,595	-	8,595	530	9,125
Amortization of goodwill	-	61	-	-	61	-	61	-	61
Increase in property, plant and equipment and intangible assets	2,120	6,746	100	236	9,203	-	9,203	220	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 -748 million yen adjustment to segment profit includes 4,332 million yen in elimination for inter-segment transactions, and -5,080 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 25,982 million yen adjustment to segment assets includes -48,691 million yen in elimination of the offsetting receivables from subsidiaries, and company-wide assets of 74,674 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 220 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.

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

FY3/24 (Apr. 1, 2023 – Mar. 31, 2024) (Millions of yen)

	Reportable segment					Others (Note 1)	Total	Adjustment (Note 2)	Amounts shown on consolidated financial statements (Note 3)
	Fashion	Entertainment	Anniversaire and Bridal	Real Estate Leasing	Subtotal				
Net sales									
Fashion	100,035	-	-	-	100,035	-	100,035	-	100,035
Café complex	-	58,946	-	-	58,946	-	58,946	-	58,946
Karaoke	-	10,377	-	-	10,377	-	10,377	-	10,377
Fitness	-	5,197	-	-	5,197	-	5,197	-	5,197
Other	-	926	-	-	926	104	1,031	-	1,031
Bridal	-	-	10,255	-	10,255	-	10,255	-	10,255
Revenue from contracts with customers	100,035	75,448	10,255	-	185,739	104	185,843	-	185,843
Other revenues	-	81	-	1,791	1,872	-	1,872	-	1,872
External sales	100,035	75,530	10,255	1,791	187,611	104	187,716	-	187,716
Inter-segment sales and transfers	2	15	4	4,260	4,282	65	4,348	(4,348)	-
Total	100,038	75,545	10,259	6,051	191,894	170	192,064	(4,348)	187,716
Segment profit/loss	8,082	5,454	57	1,312	14,907	(1)	14,906	(1,045)	13,860
Segment assets	103,162	67,093	15,411	25,201	210,869	-	210,869	25,458	236,327
Other items									
Depreciation	2,033	6,153	724	174	9,086	-	9,086	504	9,590
Amortization of goodwill	-	81	-	-	81	-	81	-	81
Increase in property, plant and equipment and intangible assets	2,912	8,087	1,343	688	13,030	-	13,030	233	13,264

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 -1,045 million yen adjustment to segment profit/loss includes 3,888 million yen in elimination for inter-segment transactions and -4,934 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 25,458 million yen adjustment to segment assets includes -45,696 million yen in elimination of the offsetting receivables from subsidiaries, and company-wide assets of 71,154 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 233 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

Change in the method of measuring reportable segment sales, profit/loss, and assets

The Company reexamined the method of measuring segment profit/loss and assets in order to manage operating results by reportable segment and control investment efficiency more properly, and changed the method of measuring reportable segment sales, profits/losses, assets, depreciation, and increase in property, plant and equipment and intangible assets from FY3/24.

The segment information for FY3/23 is prepared and reported based on the measurement method after the change.

Per Share Information

(Yen)

	FY3/23 (Apr. 1, 2022 – Mar. 31, 2023)	FY3/24 (Apr. 1, 2023 – Mar. 31, 2024)
Net assets per share	1,554.37	1,627.63
Net income per share	66.34	90.03

Notes: 1. Diluted net income per share is not presented for FY3/23 as there were no potential stock with dilutive effects and for FY3/24 as there were no potential stock.

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

(Millions of yen)

Item	FY3/23 (Apr. 1, 2022 – Mar. 31, 2023)	FY3/24 (Apr. 1, 2023 – Mar. 31, 2024)
Net income per share		
Profit attributable to owners of parent	5,632	7,574
Profit not attributable to common shareholders	-	-
Profit attributable to owners of parent applicable to common shares	5,632	7,574
Average number of common shares outstanding during the period (Thousand shares)	84,902	84,128
Summary of potential stock not included in the calculation of diluted net income per share since there was no dilutive effect	-	-

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

(Millions of yen)

Item	FY3/23 (As of Mar. 31, 2023)	FY3/24 (As of Mar. 31, 2024)
Total net assets	132,251	137,056
Deduction on total net assets	281	299
[of which non-controlling interests]	[281]	[299]
Net assets applicable to common shares	131,969	136,757
Number of common shares used in calculation of net assets per share (Thousand shares)	84,902	84,022

Subsequent Events

No reportable information.

** 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.*