AOKI Holdings

November 8, 2018

Summary of Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2019 (Six Months Ended September 30, 2018)

[Japanese GAAP]

Company name: AOKI Holdings Inc. Listings: TSE First Section
Stock code: 8214 URL: http://www.aoki-hd.co.jp/
Representative: Akihiro Aoki, President
Contact: Haruo Tamura, Executive Vice President Tel: +81-45-941-1388

Scheduled date of filing of Quarterly Report: November 9, 2018
Scheduled date of payment of dividend: December 5, 2018
Preparation of supplementary materials for quarterly financial results: Yes
Holding of quarterly financial results meeting: Yes (for institutional investors and analysts)

Note: The original disclosure in Japanese was released on November 8, 2018 at 14:15 (GMT +9).

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

1. Consolidated Financial Results for the Six Months Ended September 30, 2018 (April 1, 2018 – September 30, 2018)

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

	Sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended Sep. 30, 2018	83,913	(2.1)	1,499	10.2	533	(44.5)	(1,056)	-
Six months ended Sep. 30, 2017	85,675	3.7	1,359	105.8	959	88.7	163	6.7

Note: Comprehensive income (million yen) Six months ended Sep. 30, 2018: (974) (-%)
Six months ended Sep. 30, 2017: 217 (up 64.9%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Sep. 30, 2018	(12.22)	-
Six months ended Sep. 30, 2017	1.87	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Sep. 30, 2018	225,827	143,576	63.5
As of Mar. 31, 2018	239,068	146,528	61.3

Reference: Shareholders' equity (million yen) As of Sep. 30, 2018: 143,496 As of Mar. 31, 2018: 146,440

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY3/18	-	22.00	-	22.00	44.00
FY3/19	-	29.00			
FY3/19 (forecasts)			-	31.00	60.00

Note: Revisions to the most recently announced dividend forecast: None
Breakdown of 2Q-end dividends for FY3/19: Ordinary dividends: 22.00 yen; Commemorative dividends: 7.00 yen
Breakdown of Year-end dividends for FY3/19 (forecasts): Ordinary dividends: 23.00 yen; Commemorative dividends: 8.00 yen

3. Consolidated Forecast for the Fiscal Year Ending March 31, 2019 (April 1, 2018 – March 31, 2019)

(Percentages represent year-on-year changes)

	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	196,280	(1.1)	15,000	0.9	13,750	(1.8)	7,000	(5.1)	80.91

Note: Revisions to the most recently announced consolidated forecast: Yes
Please refer to "(3) Explanation of Consolidated Forecast and Other Forward-looking Statements" on page 4 for further information.

*** Notes**

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

(2) Application of special accounting methods for presenting quarterly consolidated financial statements: None

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

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

Note: Please refer to “Changes in Accounting Policies” on page 10 for further information.

(4) Number of shares outstanding (common shares)

1) Number of shares outstanding (including treasury stock) at the end of the period			
As of Sep. 30, 2018:	90,649,504 shares	As of Mar. 31, 2018:	90,649,504 shares
2) Number of shares of treasury stock at the end of the period			
As of Sep. 30, 2018:	4,124,002 shares	As of Mar. 31, 2018:	4,085,322 shares
3) Average number of shares outstanding during the period			
Six months ended Sep. 30, 2018:	86,511,757 shares	Six months ended Sep. 30, 2017:	87,018,467 shares

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

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

Cautionary statement with respect to forward-looking statements

Forecasts and forward-looking statements in these materials are based on assumptions judged to be valid and information available to the Company at the time the materials were created. These materials are not promises by the Company regarding future performance. Actual performance may differ significantly from these forecasts for a number of reasons. Please refer to “(3) Explanation of Consolidated Forecast and Other Forward-looking Statements” on page 4 of the attachments regarding preconditions or other related matters for the forecast shown above.

Disclosure of the information meeting materials

The Company plans to hold a financial results meeting for institutional investors and analysts on Thursday, November 22, 2018. Materials to be distributed at this event will be available on the Company’s website immediately thereafter.

Contents of Attachments

1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

In the first half of the current fiscal year, the Japanese economy was in a moderate recovery phase as the labor market and personal income continued improving. However, the outlook is still unclear mainly because of uncertainty about overseas economies mainly caused by U.S.-China trade friction and other issues.

In this environment, the AOKI Group implemented various measures in all business segments as explained below. Sales decreased 2.1% year-on-year to 83,913 million yen, operating profit increased 10.2% to 1,499 million yen, ordinary profit decreased 44.5% to 533 million yen mainly due to expenses for events to celebrate AOKI's 60th anniversary and an increase in loss on disposal of fixed assets for the replacement of computers. Loss attributable to owners of parent was 1,056 million yen compared with profit attributable to owners of parent of 163 million yen in the same period of the previous fiscal year. An impairment loss increased mainly due to store relocations and closures, and conversion of store formats.

Operating results by segment are as follows.

Fashion Business

AOKI stepped up activities involving its Rakudo Series of suits, jackets and trousers that are easy to wash and facilitate easy movement, characteristics that make this apparel ideal for Cool Biz. In the women's apparel category, AOKI further enhanced the ease of washing, wrinkle resistance and stretchability of the Hatarakufuku line of working clothes, making these clothes perfect for hot summer days. In addition, there were more new ideas for the Summer Formal line of formal apparel that features fabrics made in Japan for high quality as well as an outstanding feeling of coolness and comfort. During the first half, three stores were closed including locations closed for conversion into Size MAX stores. As a result, there were 571 stores at the end of the second quarter compared with 574 stores at the end of the previous fiscal year.

ORIHICA started selling Spot Fit Running brand shoes with a sense of lightness and ease of walking that is normally found only in sneakers. This company also added more styles to its selection of coordinated items created for the increasingly diverse range of outings and events that require formal wear. Two new stores were opened, and three were closed to improve efficiency during the first half. As a result, there were 136 stores at the end of the second quarter compared with 137 stores at the end of the previous fiscal year.

Overall, existing store sales were negatively affected by a shift in business apparel styles and by unfavorable weather. As a result, sales in this segment decreased 3.6% to 44,644 million yen and there was an operating loss of 1,581 million yen compared with a loss of 1,057 million yen in the same period of the previous fiscal year.

Anniversaire and Bridal Business

ANNIVERSAIRE INC. operates guesthouse-style wedding and reception facilities. This company increased measures to attract customers by conducting marketing and public relations activities that clearly communicated the strengths and distinctive concept of each location. Social networking services were also used for these activities. Two wedding and reception locations were remodeled to reflect the increasing diversity of needs and other trends in Japan's wedding market. Despite these actions, the number of weddings decreased mainly because of market conditions for the bridal business in Japan.

Sales decreased 5.2% to 12,497 million yen and operating profit decreased 31.5% to 649 million yen.

Karaoke Facility Operations Business

In the karaoke business of VALIC Co., Ltd., there were many activities to make existing locations more appealing. This included marketing campaigns that used tie-ups with popular characters, promotions for the discounted morning rates and more summer menu items. During the first half, 11 karaoke facilities were closed including those closed for conversion into café complexes to improve efficiency. As a result, there were 161 karaoke facilities at the end of the second quarter compared with 172 at the end of the previous fiscal year.

Sales decreased 5.9% to 8,411 million yen and operating profit was 192 million yen compared with an operating loss of 26 million yen in the same period of the previous fiscal year due to reduced cost of sales and selling, general and administrative expenses.

Café Complex Operations Business

In the café complex business of VALID Co., Ltd., there was a Hiyashimen (cold ramen) Fair and more joint marketing campaigns with social networking services. Another highlight was the installation of personal computers with very high performance. To reinvigorate existing locations, 13 cafés were remodeled by adding open seating areas, karaoke and other amenities. VALIC opened seven locations including karaoke facilities converted into café complexes and closed seven locations to improve efficiency during the first half. As a result, there were 359 café complexes at the end of the second quarter compared with 359 at the end of the previous fiscal year.

Sales increased 6.4% to 18,377 million yen due to increase in existing-store sales, and operating profit increased 59.0% to 1,747 million yen.

(2) Explanation of Financial Position

1) Balance sheet position

Starting with the beginning of the first quarter of the current fiscal year, AOKI Holdings is applying "Partial Amendments to Accounting Standard for Tax Effect Accounting" (Accounting Standards Board of Japan (ASBJ) Statement No. 28, February 16, 2018). Prior-year figures have been adjusted retroactively to conform with this accounting standard in order to facilitate comparisons and analysis.

Assets

Total assets at the end of the second quarter under review decreased 13,240 million yen from the end of the previous fiscal year to 225,827 million yen due to seasonal factors.

Current assets decreased 13,159 million yen from the end of the previous fiscal year. There were decreases of 7,429 million yen in accounts receivable-trade due to seasonal factors, and 6,395 million yen in cash in hand and in banks due to the payment of income taxes among other reasons. Fixed assets decreased 81 million yen. Tangible and intangible fixed assets decreased 1,004 million yen mainly due to depreciation and amortization. There was an increase of 956 million yen in other under deferred tax assets (investments and other assets).

Liabilities

Current liabilities decreased 7,981 million yen from the end of the previous fiscal year. There were decreases of 5,328 million yen in accounts payable-trade due to seasonal factors and 2,178 million yen in accrued income taxes due to the payment of income taxes among other reasons. Long-term liabilities decreased 2,307 million yen mainly due to a decrease of 1,325 million yen in long-term debt for the scheduled repayment and other reasons.

Net assets

Net assets decreased 2,952 million yen from the end of the previous fiscal year. There was a decrease of 2,961 million yen in retained earnings due to a loss attributable to owners of parent and dividend from surplus, and an increase of 77 million yen in treasury stock due to stock repurchases.

2) Cash flow position

Cash and cash equivalents (hereafter "net cash") at the end of the second quarter under review decreased 6,395 million yen over the end of the previous fiscal year to 25,780 million yen.

Cash flows from operating activities

Net cash provided by operating activities decreased 5,694 million yen to 203 million yen on a year-on-year basis.

The principal factors include a decrease of 7,429 million yen in accounts receivable-trade and depreciation and amortization of 4,089 million yen, while there was a decrease of 5,328 million yen in accounts payable-trade, income taxes paid of 2,942 million yen (the net of income tax payments and refunds), and an increase in inventories of 1,672 million yen.

Cash flows from investing activities

Net cash used in investing activities decreased 893 million yen to 2,780 million yen on a year-on-year basis. This was mainly due to the payments of 2,699 million yen for the acquisition of tangible fixed assets related to new store openings, renewals and other factors.

Cash flows from financing activities

Net cash used in financing activities increased 422 million yen to 3,818 million yen on a year-on-year basis. This was mainly due to cash dividends paid of 1,903 million yen, repayments of lease obligations of 1,450 million yen, and scheduled repayment of long-term debt of 325 million yen.

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

First half operating profit and ordinary profit were somewhat ahead of the fiscal year forecasts but sales and profit attributable to owners of parent were somewhat below the pace needed to reach these forecasts.

We have reexamined the fiscal year forecast based on first half performance. This reexamination incorporated business plans and other items as well as a review by each business unit of its plans to open and close stores or other facilities. This process resulted in the decision to revise the forecasts for sales and profit attributable to owners of parent that were announced on May 10, 2018. The fashion business has increased its fiscal year new store plan from the initial five to seven stores and the karaoke facility operations and café complex businesses have increased the new store plan from six to 16 locations. Plans for closing stores and other facilities have also been revised.

Consolidated forecast for the fiscal year ending March 31, 2019 (April 1, 2018 – March 31, 2019)

	Sales	Operating profit	Ordinary profit	Profit attributable to owners of parent	Net income per share
	(Million yen)	(Million yen)	(Million yen)	(Million yen)	(Yen)
Previous forecast (A) (announced on May 10, 2018)	199,100	15,000	13,750	7,400	85.56
Revised forecast (B)	196,280	15,000	13,750	7,000	80.91
Change (B - A)	(2,820)	-	-	(400)	
Percentage change (%)	(1.4)	-	-	(5.4)	
Previous fiscal year (ended Mar. 31, 2018)	198,417	14,864	14,003	7,377	84.87

Our business segment forecasts were also revised as follows.

Forecast by business segment for the fiscal year ending March 31, 2019

	Fashion	Anniversaire and Bridal	Karaoke Facility Operations	Café Complex Operations	Consolidated
	(Million yen)	(Million yen)	(Million yen)	(Million yen)	(Million yen)
Sales	117,100	26,320	17,460	35,440	196,280
YoY change (%)	98.9	96.9	93.4	103.8	98.9
Segment profit	8,750	2,400	950	2,200	15,000
YoY change (%)	102.6	85.4	124.2	106.2	100.9

Note: Segment profit is operating profit. The total segment profits differ from consolidated operating profit because of consolidation adjustments.

* Above forecasts are based on judgments made in accordance with information available to the management at the time these materials were prepared, and actual results may differ substantially from these forecasts for a number of reasons.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheet

(Millions of yen)

	FY3/18 (As of Mar. 31, 2018)	Second quarter of FY3/19 (As of Sep. 30, 2018)
Assets		
Current assets		
Cash in hand and in banks	32,175	25,780
Accounts receivable-trade	11,659	4,229
Inventories	26,007	27,680
Other current assets	8,431	7,430
Allowance for doubtful accounts	(35)	(40)
Total current assets	78,238	65,079
Fixed assets		
Tangible fixed assets		
Buildings and structures, net	60,585	58,504
Land	36,952	36,952
Other tangible fixed assets, net	14,131	15,394
Total tangible fixed assets	111,669	110,851
Intangible fixed assets	5,796	5,609
Investments and other assets		
Guarantee deposits	7,973	7,877
Leasehold deposit	20,610	20,663
Other investments and other assets	14,830	15,787
Allowance for doubtful accounts	(50)	(40)
Total investments and other assets	43,364	44,287
Total fixed assets	160,829	160,748
Total assets	239,068	225,827
Liabilities		
Current liabilities		
Accounts payable-trade	19,812	14,483
Current portion of long-term debt	2,650	3,650
Accrued income taxes	2,593	415
Accrued bonuses for employees	1,978	1,840
Accrued bonuses for directors and statutory auditors	123	43
Other current liabilities	13,592	12,335
Total current liabilities	40,750	32,768
Long-term liabilities		
Long-term debt	36,475	35,150
Accrued retirement benefits for directors and statutory auditors	2,018	-
Accrued costs for customer point program	1,059	850
Net defined benefit liability	1,054	1,094
Asset retirement obligations	6,032	5,939
Other long-term liabilities	5,149	6,447
Total long-term liabilities	51,789	49,482
Total liabilities	92,539	82,251

(Millions of yen)

	FY3/18 (As of Mar. 31, 2018)	Second quarter of FY3/19 (As of Sep. 30, 2018)
Net assets		
Shareholders' equity		
Common stock	23,282	23,282
Capital surplus	27,833	27,846
Retained earnings	100,299	97,338
Treasury stock	(5,376)	(5,454)
Total shareholders' equity	146,039	143,013
Accumulated other comprehensive income		
Unrealized gain on securities	588	637
Remeasurements of defined benefit plans	(187)	(154)
Total accumulated other comprehensive income	401	483
Stock acquisition rights	87	80
Total net assets	146,528	143,576
Total liabilities and net assets	239,068	225,827

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

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

(Millions of yen)

	First six months of FY3/18 (Apr. 1, 2017 – Sep. 30, 2017)	First six months of FY3/19 (Apr. 1, 2018 – Sep. 30, 2018)
Sales	85,675	83,913
Cost of sales	50,669	49,768
Gross profit	35,006	34,144
Selling, general and administrative expenses	33,646	32,645
Operating profit	1,359	1,499
Non-operating profit		
Interest income	46	45
Dividend income	39	41
Rental income on real estate	283	276
Other	74	91
Total non-operating profit	444	454
Non-operating expenses		
Interest expenses	173	155
Expenses on sub-leased real estate	237	230
Loss on disposal of fixed assets	129	316
Expenses for events to celebrate AOKI’s 60th anniversary	105	458
Other	197	260
Total non-operating expenses	844	1,420
Ordinary profit	959	533
Extraordinary gains		
Gain on sales of investment securities	-	27
Gain on reversal of stock acquisition rights	-	7
Total extraordinary gains	-	35
Extraordinary losses		
Impairment loss	337	1,524
Loss on sales of fixed assets	38	-
Loss on liquidation of subsidiaries and associates	-	444
Loss on disaster	-	48
Total extraordinary losses	376	2,017
Profit (loss) before income taxes	582	(1,448)
Current income taxes	725	325
Deferred income taxes	(305)	(717)
Total income taxes	419	(391)
Profit (loss)	163	(1,056)
Profit (loss) attributable to owners of parent	163	(1,056)

Quarterly Consolidated Statement of Comprehensive Income

(For the Six-month Period)

(Millions of yen)

	First six months of FY3/18 (Apr. 1, 2017 – Sep. 30, 2017)	First six months of FY3/19 (Apr. 1, 2018 – Sep. 30, 2018)
Profit (loss)	163	(1,056)
Other comprehensive income		
Unrealized gain on securities	2	49
Remeasurements of defined benefit plans, net of tax	52	32
Total other comprehensive income	54	82
Comprehensive income	217	(974)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	217	(974)
Comprehensive income attributable to non-controlling interests	-	-

(3) Quarterly Consolidated Statement of Cash Flows

(Millions of yen)

	First six months of FY3/18 (Apr. 1, 2017 – Sep. 30, 2017)	First six months of FY3/19 (Apr. 1, 2018 – Sep. 30, 2018)
Cash flows from operating activities		
Profit (loss) before income taxes	582	(1,448)
Depreciation and amortization	4,195	4,089
Impairment loss	337	1,524
Increase (decrease) in accrued retirement benefits for directors and statutory auditors	49	(2,018)
Increase (decrease) in accrued costs for customer point program	(86)	(208)
Increase (decrease) in accrued retirement benefits for employees	132	89
Interest and dividend income	(85)	(86)
Interest expenses	173	155
Loss (gain) on sales of fixed assets	38	-
Loss (gain) on sales of investment securities	-	(27)
Loss on liquidation of subsidiaries and associates	-	444
Decrease (increase) in accounts receivable-trade	6,404	7,429
Decrease (increase) in inventories	(165)	(1,672)
Increase (decrease) in accounts payable-trade	(4,672)	(5,328)
Increase (decrease) in accrued consumption taxes	73	(1,228)
Other	590	1,515
Subtotal	7,568	3,228
Interest and dividend income received	65	71
Interests paid	(172)	(154)
Income taxes paid	(2,459)	(3,818)
Income taxes refund	895	875
Net cash provided by (used in) operating activities	5,897	203
Cash flows from investing activities		
Payments for acquisition of tangible fixed assets	(3,637)	(2,699)
Payments for acquisition of intangible fixed assets	(202)	(294)
Payments for leasehold and guarantee deposits	(266)	(481)
Net decrease (increase) in trust beneficiary rights	716	769
Other	(282)	(75)
Net cash used in investing activities	(3,674)	(2,780)
Cash flows from financing activities		
Net increase (decrease) in short-term debt	4,000	-
Repayments of long-term debt	(3,825)	(325)
Repayments of lease obligations	(1,132)	(1,450)
Payments for purchase of treasury stock	(517)	(138)
Dividends paid	(1,920)	(1,903)
Other	0	-
Net cash used in financing activities	(3,395)	(3,818)
Effect of exchange rate change on cash and cash equivalents	0	(0)
Increase (decrease) in cash and cash equivalents	(1,171)	(6,395)
Cash and cash equivalents at beginning of period	28,608	32,175
Cash and cash equivalents at end of period	27,436	25,780

(4) Notes to Quarterly Consolidated Financial Statements

Going Concern Assumption

No reportable information.

Significant Changes in Shareholders’ Equity

First six months of FY3/19 (Apr. 1, 2018 – Sep. 30, 2018)

Purchase of treasury stock

AOKI Holdings has purchased 83,000 shares of its treasury stock pursuant to the resolution of the Board of Directors on January 31, 2018, and sold 45,000 shares for restricted stock compensation for directors pursuant to the resolution of the Board of Directors on June 27, 2018. As a result, treasury stock increased 77 million yen during the first six months of FY3/19 to 5,454 million yen at the end of the second quarter of FY3/19.

Changes in Accounting Policies

AOKI Holdings has decided to apply “Practical Solution on Transactions Granting Employees and Others Stock Acquisition Rights, which Involve Considerations, with Vesting Conditions, etc.” (Accounting Standards Board of Japan (ASBJ) Practical Issues Task Force (PITF) No. 36, January 12, 2018) from April 1, 2018 and to account for transactions granting employees and others stock acquisition rights, which involve considerations, with vesting conditions in accordance with the “Accounting Standard for Stock Options” (ASBJ Statement No. 8, December 27, 2005) and related guidance.

However, when applying PITF No. 36, the Company complies with the transitional provisions in Paragraph 10, Item (3) of PITF No. 36 and continues to account for transactions that granted employees and others stock acquisition rights, which involve considerations, with vesting conditions prior to the date of application of PITF No. 36 in accordance with the previously adopted accounting procedures.

Additional Information

Application of Partial Amendments to Accounting Standard for Tax Effect Accounting

AOKI Holdings has applied “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018) at the beginning of the first quarter of the current fiscal year. Accordingly, deferred tax assets are reclassified and included in the investments and other assets section.

Termination of Directors’ Retirement Benefits

At the AOKI Holdings shareholders meeting in June 2018, shareholders approved a resolution to make final retirement payments in conjunction with the termination of the retirement benefit program for directors and statutory auditors of AOKI Holdings and its consolidated subsidiaries.

As a result, all accrued retirement benefits for directors and statutory auditors were reversed and eliminated. The planned retirement benefit program termination payments of 1,680 million yen are included in other long-term liabilities.

Segment and Other Information

First six months of FY3/18 (Apr. 1, 2017 – Sep. 30, 2017)

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

(Millions of yen)

	Reportable segment					Adjustment (Note 1)	Amounts shown on quarterly consolidated statement of income (Note 2)
	Fashion	Anniversaire and Bridal	Karaoke Facility Operations	Café Complex Operations	Total		
Sales							
External sales	46,287	13,177	8,936	17,273	85,675	-	85,675
Inter-segment sales and transfers	10	10	2	-	23	(23)	-
Total	46,298	13,187	8,939	17,273	85,698	(23)	85,675
Segment profit (loss)	(1,057)	947	(26)	1,099	963	396	1,359

Notes: 1. The 396 million yen adjustment to segment profit (loss) includes 2,126 million yen in elimination for inter-segment transactions, and -1,730 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. Segment profit (loss) is adjusted with operating profit on the quarterly consolidated statement of income.

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

Material impairment losses related to fixed assets

In the Fashion Business, the ANNIVERSAIRE and Bridal Business, the Karaoke Facility Operations Business and the Café Complex Operations Business, impairment losses were recognized for operating stores set to be closed or rebuilt for which there is little expectation of recovery; impairment losses of 144 million yen, 10 million yen, 104 million yen and 77 million yen were booked respectively in the first six months of FY3/18.

First six months of FY3/19 (Apr. 1, 2018 – Sep. 30, 2018)

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

(Millions of yen)

	Reportable segment					Adjustment (Note 1)	Amounts shown on quarterly consolidated statement of income (Note 2)
	Fashion	Anniversaire and Bridal	Karaoke Facility Operations	Café Complex Operations	Total		
Sales							
External sales	44,642	12,481	8,411	18,377	83,913	-	83,913
Inter-segment sales and transfers	1	16	0	-	18	(18)	-
Total	44,644	12,497	8,411	18,377	83,931	(18)	83,913
Segment profit (loss)	(1,581)	649	192	1,747	1,007	491	1,499

Notes: 1. The 491 million yen adjustment to segment profit (loss) includes 2,201 million yen in elimination for inter-segment transactions, and -1,710 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. Segment profit (loss) is adjusted with operating profit on the quarterly consolidated statement of income.

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

Material impairment losses related to fixed assets

In the Fashion Business, the Karaoke Facility Operations Business and the Café Complex Operations Business, impairment losses were recognized for operating stores and subleasing stores set to be closed, relocated or converted, or expected to remain in the red; impairment losses of 168 million yen, 1,013 million yen, and 342 million yen were booked respectively in the first six months of FY3/19.

** 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.*