

Summary of Consolidated Financial Results
for the Second Quarter of the Fiscal Year Ending March 31, 2023
(Six Months Ended September 30, 2022)

[Japanese GAAP]

Company name: AOKI Holdings Inc.

Listings: Tokyo Stock Exchange

Stock code: 8214

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Scheduled date of filing of Quarterly Report:

November 11, 2022

Scheduled date of payment of dividend:

December 2, 2022

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 10, 2022 at 15:30 (GMT +9).

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

1. Consolidated Financial Results for the Six Months Ended September 30, 2022
(April 1, 2022 – September 30, 2022)

(1) Consolidated results of operations

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended Sep. 30, 2022	75,595	21.2	2,017	-	1,676	-	586	-
Six months ended Sep. 30, 2021	62,382	11.5	(3,094)	-	(3,436)	-	(3,776)	-

Note: Comprehensive income (million yen) Six months ended Sep. 30, 2022: 724 (-%)

Six months ended Sep. 30, 2021: (3,732) (-%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Sep. 30, 2022	6.91	-
Six months ended Sep. 30, 2021	(44.51)	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Sep. 30, 2022	220,765	127,989	57.7
As of Mar. 31, 2022	233,008	127,641	54.5

Reference: Shareholders' equity (million yen)

As of Sep. 30, 2022: 127,343

As of Mar. 31, 2022: 127,082

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY3/22	-	5.00	-	5.00	10.00
FY3/23	-	7.00	-	-	-
FY3/23 (forecasts)	-	-	-	10.00	17.00

Note: Revisions to the most recently announced dividend forecast: Yes

For more information, please see "Revisions to Consolidated Earnings Forecasts and Year-end Dividend Forecast for the Fiscal Year Ending March 31, 2023" that was announced today (November 10, 2022).

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	172,700	11.5	8,800	61.7	8,150	86.9	4,100	59.9	48.29

Note: Revisions to the most recently announced consolidated forecast: Yes

For more information, please see "Revisions to Consolidated Earnings Forecasts and Year-end Dividend Forecast for the Fiscal Year Ending March 31, 2023" that was announced today (November 10, 2022).

*** Notes**

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

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

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

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

(4) Number of shares outstanding (common shares)

- | | | | |
|--|-------------------|---------------------------------|-------------------|
| 1) Number of shares outstanding (including treasury shares) at the end of the period | | | |
| As of Sep. 30, 2022: | 87,649,504 shares | As of Mar. 31, 2022: | 87,649,504 shares |
| 2) Number of treasury shares at the end of the period | | | |
| As of Sep. 30, 2022: | 2,746,746 shares | As of Mar. 31, 2022: | 2,746,514 shares |
| 3) Average number of shares outstanding during the period | | | |
| Six months ended Sep. 30, 2022: | 84,902,871 shares | Six months ended Sep. 30, 2021: | 84,842,039 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.

Supplementary materials for quarterly financial results

Supplementary materials for quarterly financial results will be available on the Company’s website immediately after the earnings announcement on Thursday, November 10, 2022.

Disclosure of the information meeting materials

The Company plans to hold a financial results meeting for institutional investors and analysts by telephone conference on Thursday, November 24, 2022. Materials to be distributed at this event will be available on the Company’s website on the morning of the meeting.

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1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

In the first half of the current fiscal year, the recovery of the Japanese economy continued primarily with the support of consumer spending. The main reasons are the absence of any restrictions on economic activity despite a rapid increase in COVID-19 cases that started in July and the subsequent decline in the number of cases that started in September. However, the outlook for the economy remains uncertain because of the negative impact on household budgets of the yen's rapid depreciation and inflation, the increase in the cost of raw materials, and other events.

Due to the measures of the AOKI Holdings Group explained in the following sections, net sales increased 21.2% from one year earlier to 75,595 million yen, and operating profit was 2,017 million yen compared with a loss of 3,094 million yen one year earlier. There was an ordinary profit of 1,676 million yen compared with a loss of 3,436 million yen one year earlier and profit attributable to owners of parent was 586 million yen compared with a loss of 3,776 million yen one year earlier.

Operating results by segment are as follows.

Fashion Business

There were many activities to strengthen the lineups of casual apparel. These activities included Cool Biz apparel, which is designed for comfort on hot summer days, Pajama Suits, Active Work Suits and T-shirts with Business Suit Tailoring. In the women's apparel category, there were measures to further enlarge selections of apparel that are comfortable for work as well as leisure activities. One significant event was the launch of an office casual set-up apparel created by fashion designer Akiko Ogawa as part of AOKI's MeWORK Project for supporting working women. During the first half, seven AOKI stores and six ORIHICA stores were closed to improve the efficiency of store operations. As a result, the number of stores decreased from 610 at the end of the previous fiscal year to 597 at the end of the first half.

All of these measures generated strong sales of summer formal and other Cool Biz apparel and women's and casual apparel. Furthermore, the number of customers visiting stores has increased because of the easing of pandemic restrictions. As a result, sales increased 18.9% year on year to 36,190 million yen and there was an operating profit of 218 million yen compared with a loss of 3,242 million yen one year earlier.

Anniversaire and Bridal Business

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

Sales declined 2.2% year on year to 4,208 million yen and there was an operating loss of 29 million yen compared with a loss of 148 million yen one year earlier.

Entertainment Business

KAIKATSU CLUB café complexes continued to provide guests with original Terashima Bunko videos and promote the "An Office Anywhere in Japan" project, which includes free access to the e-versions of selected newspapers and other content that is useful for business activities. For new menu items, cafés launched a new KAIKATSU Autumn Gourmet menu, added "abura soba (oiled ramen noodles)" by Mita Seimenjo, and used other measures. COTE D'AZUR karaoke facilities upgraded services for families with measures such as all-you-can-eat soft serve ice cream and a special campaign for children. FiT24 continued to add new locations as planned, chiefly fitness gyms that are not combined with other AOKI Group businesses. RUNSYSTEM CO., LTD., a new consolidated subsidiary, is continuing to work on fully automated self-service store systems and sharing many other types of know-how. During the first half, KAIKATSU CLUB opened four cafés and FiT24 opened 20 gyms. In addition, due to format conversions and measures to improve efficiency, six KAIKATSU CLUB cafés and eight COTE D'AZUR karaoke facilities were closed. As a result, including the 120 JIYU KUKAN café complexes and other locations of RUNSYSTEM (including 63 franchised stores), the number of locations in this business increased from 708 at the end of the previous fiscal year to 838 at the end of the first half.

Segment sales and earnings increased because of these measures and benefited from a decline in the negative effects of the pandemic. Sales in this segment increased 27.9% to 34,555 million yen and operating profit was 1,846 million yen compared with a profit of 29 million yen one year earlier.

Real Estate Leasing Business

Segment sales increased 11.4% to 2,362 million yen mainly because of an increase in the cost of some subleasing stores and other facilities. Operating profit decreased 6.1% to 407 million yen.

(2) Explanation of Financial Position

1) Balance sheet position

Assets

Total assets at the end of the second quarter decreased 12,243 million yen from the end of the previous fiscal year to 220,765 million yen primarily because of seasonal and other factors.

Current assets decreased 11,251 million yen mainly due to decreases of 6,690 million yen in accounts receivable-trade caused by seasonal and other factors and 4,119 million yen in cash and deposits. Non-current assets decreased 992 million yen as property, plant and equipment decreased 712 million yen mainly due to depreciation.

Liabilities

Current liabilities decreased 5,368 million yen from the end of the previous fiscal year. There were decreases of 4,677 million yen in accounts payable-trade mainly due to seasonal factors and 1,944 million yen in accrued income taxes due to the payment of income taxes. Non-current liabilities decreased 7,222 million yen due to a decrease of 6,947 million yen in long-term borrowings for scheduled repayments.

Net assets

Net assets increased 347 million yen from the end of the previous fiscal year due to an increase of 259 million yen in valuation difference on available-for-sale securities.

2) Cash flow position

Cash and cash equivalents (hereafter “net cash”) at the end of the second quarter decreased 4,119 million yen from the end of the previous fiscal year to 33,817 million yen.

Cash flows from operating activities

Net cash provided by operating activities increased 2,006 million yen from one year earlier to 3,208 million yen. The principal factors were profit before income taxes of 1,296 million yen, depreciation of 4,577 million yen, and income taxes paid of 2,703 million yen.

Cash flows from investing activities

Net cash used in investing activities decreased 4,596 million yen from one year earlier to 606 million yen. This was mainly due to the payments of 2,403 million yen for the purchase of property, plant and equipment for new store openings, renewals and other activities and proceeds from collections of leasehold and guarantee deposits and other proceeds of 1,582 million yen.

Cash flows from financing activities

Net cash used in financing activities increased 5,082 million yen from one year earlier to 6,721 million yen. This was mainly due to a net increase in short-term borrowings of 2,899 million yen and scheduled repayments of long-term borrowings of 7,996 million yen and repayments of lease obligations of 1,070 million yen.

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

First half sales, operating profit, ordinary profit and profit attributable to owners of parent were all higher than anticipated in relation to the forecasts for the fiscal year.

Based on results of operations in the first half and revisions to the second half outlook to reflect changes in foreign exchange rates, the higher cost of raw materials and other items, the fiscal year forecast announced on May 12, 2022 has been revised. For more information, please see “Revisions to Consolidated Earnings Forecasts and Year-end Dividend Forecast for the Fiscal Year Ending March 31, 2023” that was announced on November 10, 2022.

Our business segment forecasts were also revised as follows.

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

	Fashion	Anniversaire and Bridal	Entertainment	Real Estate Leasing	Consolidated
	Million yen	Million yen	Million yen	Million yen	Million yen
Sales	93,200	8,800	69,400	4,600	172,700
YoY change (%)	105.1	110.3	121.8	103.8	111.5
Segment profit	6,400	300	2,330	700	8,800
YoY change (%)	133.4	-	394.9	79.2	161.7

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

* These forecasts are based on judgments made in accordance with information available to the management at the time these materials were prepared. 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)

	FY3/22 (As of Mar. 31, 2022)	Second quarter of FY3/23 (As of Sep. 30, 2022)
Assets		
Current assets		
Cash and deposits	37,937	33,817
Accounts receivable-trade	11,808	5,118
Inventories	18,330	18,001
Other	6,481	6,370
Allowance for doubtful accounts	(44)	(46)
Total current assets	74,513	63,262
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	66,804	66,685
Land	30,760	31,022
Other, net	15,857	15,002
Total property, plant and equipment	113,422	112,710
Intangible assets	5,538	6,192
Investments and other assets		
Guarantee deposits	6,970	6,735
Leasehold deposit	20,222	19,400
Other	12,381	12,518
Allowance for doubtful accounts	(40)	(55)
Total investments and other assets	39,534	38,599
Total non-current assets	158,495	157,502
Total assets	233,008	220,765

	(Millions of yen)	
	FY3/22 (As of Mar. 31, 2022)	Second quarter of FY3/23 (As of Sep. 30, 2022)
Liabilities		
Current liabilities		
Accounts payable-trade	15,272	10,594
Short-term borrowings	-	3,000
Current portion of long-term borrowings	10,844	12,304
Income taxes payable	2,508	563
Provision for bonuses	1,814	1,680
Provision for bonuses for directors (and other officers)	44	31
Other	13,930	10,871
Total current liabilities	44,415	39,046
Non-current liabilities		
Long-term borrowings	44,314	37,367
Retirement benefit liability	815	840
Asset retirement obligations	7,680	7,889
Other	8,140	7,632
Total non-current liabilities	60,951	53,729
Total liabilities	105,366	92,776
Net assets		
Shareholders' equity		
Share capital	23,282	23,282
Capital surplus	23,870	23,036
Retained earnings	82,821	83,673
Treasury shares	(3,489)	(3,490)
Total shareholders' equity	126,484	126,503
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	235	495
Remeasurements of defined benefit plans	362	324
Total accumulated other comprehensive income	598	819
Share acquisition rights	559	645
Non-controlling interests	-	20
Total net assets	127,641	127,989
Total liabilities and net assets	233,008	220,765

(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 FY3/22 (Apr. 1, 2021 – Sep. 30, 2021)	First six months of FY3/23 (Apr. 1, 2022 – Sep. 30, 2022)
Net sales	62,382	75,595
Cost of sales	41,337	47,704
Gross profit	21,044	27,890
Selling, general and administrative expenses	24,139	25,873
Operating profit (loss)	(3,094)	2,017
Non-operating profit		
Interest income	33	32
Dividend income	13	19
Other	70	117
Total non-operating profit	117	168
Non-operating expenses		
Interest expenses	188	188
Loss on retirement of non-current assets	74	52
Other	196	268
Total non-operating expenses	459	509
Ordinary profit (loss)	(3,436)	1,676
Extraordinary income		
Subsidies for employment adjustment	484	254
Total extraordinary income	484	254
Extraordinary losses		
Impairment loss	546	634
Loss due to temporary closure	1,434	-
Total extraordinary losses	1,980	634
Profit (loss) before income taxes	(4,931)	1,296
Income taxes – current	432	529
Income taxes – deferred	(1,587)	263
Total income taxes	(1,154)	793
Profit (loss)	(3,776)	503
Loss attributable to non-controlling interests	-	(83)
Profit (loss) attributable to owners of parent	(3,776)	586

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

(Millions of yen)

	First six months of FY3/22 (Apr. 1, 2021 – Sep. 30, 2021)	First six months of FY3/23 (Apr. 1, 2022 – Sep. 30, 2022)
Profit (loss)	(3,776)	503
Other comprehensive income		
Valuation difference on available-for-sale securities	48	259
Remeasurements of defined benefit plans, net of tax	(4)	(38)
Total other comprehensive income	43	221
Comprehensive income	(3,732)	724
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(3,732)	724
Comprehensive income attributable to non-controlling interests	-	-

(3) Quarterly Consolidated Statement of Cash Flows

(Millions of yen)

	First six months of FY3/22 (Apr. 1, 2021 – Sep. 30, 2021)	First six months of FY3/23 (Apr. 1, 2022 – Sep. 30, 2022)
Cash flows from operating activities		
Profit (loss) before income taxes	(4,931)	1,296
Depreciation	4,649	4,577
Impairment loss	546	634
Loss due to temporary closure	1,434	-
Increase (decrease) in retirement benefit liability	24	(33)
Interest and dividend income	(47)	(51)
Interest expenses	188	188
Decrease (increase) in trade receivables	6,910	6,923
Decrease (increase) in inventories	129	486
Increase (decrease) in trade payables	(4,935)	(4,776)
Increase (decrease) in accrued consumption taxes	278	(1,330)
Other	(987)	(1,856)
Subtotal	3,258	6,058
Interest and dividend income received	36	41
Interests paid	(189)	(188)
Income taxes paid	(800)	(2,703)
Income taxes refund	169	-
Payments for loss due to temporary closure	(1,272)	-
Net cash provided by (used in) operating activities	1,202	3,208
Cash flows from investing activities		
Purchase of property, plant and equipment	(5,330)	(2,403)
Purchase of intangible assets	(496)	(262)
Payments for leasehold and guarantee deposits	(212)	(70)
Net decrease (increase) in trust beneficiary rights	652	465
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	-	82
Other	184	1,582
Net cash provided by (used in) investing activities	(5,202)	(606)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(5,000)	2,899
Proceeds from long-term borrowings	9,000	-
Repayments of long-term borrowings	(4,409)	(7,996)
Repayments of lease obligations	(1,224)	(1,070)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	-	(125)
Purchase of treasury shares	(0)	(0)
Dividends paid	(4)	(428)
Net cash provided by (used in) financing activities	(1,638)	(6,721)
Effect of exchange rate change on cash and cash equivalents	(0)	(0)
Increase (decrease) in cash and cash equivalents	(5,639)	(4,119)
Cash and cash equivalents at beginning of period	29,941	37,937
Cash and cash equivalents at end of period	24,302	33,817

(4) Notes to Quarterly Consolidated Financial Statements**Going Concern Assumption**

No reportable information.

Significant Changes in Shareholders' Equity

First six months of FY3/23 (Apr. 1, 2022 – Sep. 30, 2022)

No reportable information.

Additional Information

Accounting estimates for the impact of COVID-19

There have been no significant changes to the key assumptions used in the accounting estimates for the impact of COVID-19 described in “Notes (Significant Accounting Estimates)” in the Annual Securities Report for the fiscal year ended March 31, 2022.

Although there are no significant changes, the following revisions have been made to major assumptions involving the impact of the pandemic on existing store sales in the current fiscal year as a percentage of results of operations in the fiscal year that ended on March 31, 2019: from 85% to 88% to 86% to 90% in the fashion business; from 87% to 92% (café complex 91% to 97% and karaoke 77% to 82%) to 89% to 92% (café complex 92% to 97% and karaoke 80% to 82%) in the entertainment business; and from 96% to 96% to 100% in the ANNIVERSAIRE and bridal business as well as a revision of estimated sales per couple in this business from 77% of the March 2019 fiscal year level to a range of 70% to 77%.

Segment Information

First six months of FY3/22 (Apr. 1, 2021 – Sep. 30, 2021)

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

(Millions of yen)

	Reportable segment					Others (Note 1)	Total	Adjustment (Note 2)	Amounts shown on quarterly consolidated statement of income (Note 3)
	Fashion	Anniversaire and Bridal	Enter- tainment	Real Estate Leasing	Subtotal				
Sales									
Fashion	30,433	-	-	-	30,433	-	30,433	-	30,433
Bridal	-	4,300	-	-	4,300	-	4,300	-	4,300
Café complex	-	-	23,273	-	23,273	-	23,273	-	23,273
Karaoke	-	-	2,220	-	2,220	-	2,220	-	2,220
Fitness	-	-	1,517	-	1,517	-	1,517	-	1,517
Other	-	-	-	-	-	23	23	-	23
Revenue from contracts with customers	30,433	4,300	27,010	-	61,744	23	61,768	-	61,768
Other revenues	-	-	-	614	614	-	614	-	614
External sales	30,433	4,300	27,010	614	62,358	23	62,382	-	62,382
Inter-segment sales and transfers	0	1	-	1,506	1,508	-	1,508	(1,508)	-
Total	30,433	4,302	27,010	2,120	63,866	23	63,890	(1,508)	62,382
Segment profit (loss)	(3,242)	(148)	29	433	(2,927)	9	(2,917)	(177)	(3,094)

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

2. The -177 million yen adjustment to segment profit (loss) includes 1,792 million yen in elimination for inter-segment transactions, and -1,970 million yen in company-wide costs that cannot be allocated to any specific reportable segments. Company-wide costs mainly include administration expenses of the Company that cannot be attributed to reportable segments.

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

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

Material impairment losses related to non-current assets

In the Fashion Business, the Entertainment Business and the Real Estate Leasing Business, impairment losses were recognized for operating stores set to be closed or converted, or expected to remain in the red, for which there is little expectation of recovery; impairment losses of 256 million yen, 288 million yen and 1 million yen were booked respectively in the first six months of FY3/22.

First six months of FY3/23 (Apr. 1, 2022 – Sep. 30, 2022)

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

(Millions of yen)

	Reportable segment					Others (Note 1)	Total	Adjustment (Note 2)	Amounts shown on quarterly consolidated statement of income (Note 3)
	Fashion	Anniversaire and Bridal	Enter- tainment	Real Estate Leasing	Subtotal				
Sales									
Fashion	36,190	-	-	-	36,190	-	36,190	-	36,190
Bridal	-	4,202	-	-	4,202	-	4,202	-	4,202
Café complex	-	-	27,054	-	27,054	-	27,054	-	27,054
Karaoke	-	-	4,698	-	4,698	-	4,698	-	4,698
Fitness	-	-	2,428	-	2,428	-	2,428	-	2,428
Other	-	-	330	-	330	12	342	-	342
Revenue from contracts with customers	36,190	4,202	34,512	-	74,904	12	74,917	-	74,917
Other revenues	-	-	20	657	677	-	677	-	677
External sales	36,190	4,202	34,532	657	75,582	12	75,595	-	75,595
Inter-segment sales and transfers	-	6	23	1,704	1,734	28	1,762	(1,762)	-
Total	36,190	4,208	34,555	2,362	77,316	40	77,357	(1,762)	75,595
Segment profit (loss)	218	(29)	1,846	407	2,443	1	2,444	(427)	2,017

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

2. The -427 million yen adjustment to segment profit (loss) includes 2,015 million yen in elimination for inter-segment transactions, -38 million yen in amortization of goodwill, and -2,405 million yen in company-wide costs that cannot be allocated to any specific reportable segments. Company-wide costs mainly include administration expenses of the Company that cannot be attributed to reportable segments.

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

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

Material impairment losses related to non-current assets

In the Fashion Business, the Entertainment Business and the Real Estate Leasing Business, impairment losses were recognized for operating stores set to be closed or converted, or expected to remain in the red, for which there is little expectation of recovery; impairment losses of 31 million yen, 595 million yen and 8 million yen were booked respectively in the first six months of FY3/23.

Significant change in goodwill

Goodwill was booked in the Entertainment Business segment as the Company has acquired the share of RUNSYSTEM CO., LTD. and included this company in the scope of consolidation. The event caused an increase of goodwill by 777 million yen for the first six months of FY3/23.

** 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.*