



Summary of Consolidated Financial Results (Japanese Accounting Standards) for the First Quarter of the Fiscal Year Ending December 31, 2017

May 15, 2017

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 Stock Exchange: Tokyo Stock Exchange
 Code: 3975
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 Scheduled date of submission of quarterly report: May 15, 2017
 Scheduled date of commencement of dividend payment: –
 Supplementary documents for quarterly results: Yes
 Quarterly results briefing: No

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(Rounded down to the nearest million yen)

1. Consolidated Financial Results for First Quarter (from January 1, 2017 to March 31, 2017)

(1) Consolidated operating results (The percentages are year-on-year changes.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Q1 FY2017	18,472	–	1,820	–	1,776	–	1,016	–
Q1 FY2016	–	–	–	–	–	–	–	–

(Note) Comprehensive income Q1 FY2017: 1,019 million yen (–%)

Q1 FY2016: – million yen (–%)

	Net income per share	Diluted net income per share
	Yen	Yen
Q1 FY2017	42.92	42.22
Q1 FY2016	–	–

(Note) AOI TYO Holdings was established on January 4, 2017, and there are no amounts or year-on-year changes for Q1 FY2016.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
Q1 FY2017	53,662	24,059	42.6
FY2016	–	–	–

(For reference) Shareholders' equity Q1 FY2017: 22,876 million yen

FY2016: – million yen

(Note) AOI TYO Holdings was established on January 4, 2017, and there are no amounts for FY2016.

2. Dividends

	Dividends per share				
	End of Q1	End of Q2	End of Q3	Year end	Annual
	Yen	Yen	Yen	Yen	Yen
FY2016	–	–	–	–	–
FY2017	–	–	–	–	–
FY2017 (forecast)	–	8.00	–	20.00	28.00

(Note) Revisions to dividends forecast published most recently: No

3. Consolidated Financial Results Forecast for FY2017 (from January 1, 2017 to December 31, 2017)

(The percentages are year-on-year changes.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	33,000	–	2,200	–	2,100	–	1,200	–	50.69
Full year	65,000	–	3,500	–	3,200	–	1,400	–	59.15

(Note) Revisions to earnings forecast published most recently: Yes

AOI TYO Holdings was established on January 4, 2017, and there are no year-on-year changes.

* Notes

- (1) Important changes in subsidiaries for the first quarter under review (Changes is specified subsidiaries resulting in change in scope of consolidation): No
 New: – companies Excluded: – companies

- (2) Application of accounting treatment specific to the preparation of quarterly consolidated financial statements: Not applicable

- (3) Changes in accounting policies, and changes or restatements of accounting estimates
 (i) Changes in accounting policies due to revisions to accounting standards etc.: Not applicable
 (ii) Changes in accounting policies other than (i): Not applicable
 (iii) Changes in accounting estimates: Not applicable
 (iv) Restatements of accounting estimates: Not applicable

- (4) Number of issued shares (common stock)
 (i) Number of issued shares (including treasury stock)
 Q1 FY2017 24,566,447 shares FY2016 – shares
 (ii) Number of treasury stock at end of period
 Q1 FY2017 875,413 shares FY2016 – shares
 (iii) Average number of issued shares
 Q1 FY2017 23,672,830 shares Q1 FY2016 – shares
 (Note) AOI TYO Holdings was established on January 4, 2017, and there are no numbers in FY2016. The number of treasury stock includes the 274,500 shares that Trust & Custody Services Bank, Ltd. (trust account E) holds as trust property related to a Board Benefit Trust system.

* This summary of quarterly financial results is not included in the scope of the quarterly review.

* Explanation on the proper use of results forecasts and other notes

- The forward-looking statements, including results forecasts, in this document are based on information that AOI TYO Holdings has obtained at the time of publication and certain assumptions that it believes to be reasonable. Actual results may differ materially from the forecasts due to a variety of reasons. For the assumptions of results forecasts and notes on the use of results forecasts, please refer to 1. Qualitative Information on Results in the First Quarter, (3) Discussion of consolidated results forecasts on page three of the Accompanying Materials.
- AOI TYO Holdings was established on January 4, 2017 as the wholly owning parent company of AOI Pro. Inc. and TYO Inc. through a joint share transfer. Since the consolidated fiscal year under review is the first term of AOI TYO Holdings, there are no results in the previous fiscal year or the same quarter of the previous fiscal year.

Contents of Accompanying Materials

1. Qualitative Information on Results in the First Quarter.....	4
(1) Discussion of operating results.....	4
(2) Discussion of financial position.....	4
(3) Discussion of consolidated results forecasts.....	4
2. Quarterly Consolidated Financial Statements and Major Notes	5
(1) Quarterly consolidated balance sheets.....	5
(2) Quarterly consolidated statements of income and statements of comprehensive income	7
Quarterly consolidated statements of income	
Consolidated first quarter	7
Quarterly consolidated comprehensive statements of income	
Consolidated first quarter	8
(3) Notes to quarterly consolidated financial statements.....	9
(Notes on the premise of a going concern).....	9
(Notes if there is a considerable change to shareholders' equity).....	9
(Management integration).....	9

1. Qualitative Information on Results in the First Quarter

(1) Discussion of operating results

AOI TYO Holdings was established on January 4, 2017 as the wholly owning parent company of AOI Pro. Inc. and TYO Inc. through a joint share transfer. Since the consolidated fiscal year under review is the first term of AOI TYO Holdings, there are no comparisons with the previous fiscal year or the first quarter of the previous fiscal year.

The forward-looking statements below are based on AOI TYO Group's judgments at the end of the first quarter under review.

During the first quarter under review, the Japanese economy continued to recover moderately despite weakness in certain aspects. Corporate earnings and employment were steady overall, and individual incomes were firm. Meanwhile, downside risks in the global economy continued to be felt, reflecting the effect of uncertainty associated with geopolitical risks and policies.

In the domestic advertising market*, where AOI TYO Group operates, revenue in the advertising industry has been steady overall in 2017. While advertising revenue through conventional media, including television, remains flat or is declining slightly, revenue from Internet advertising continues to show high growth.

In this environment, AOI TYO Holdings was founded on January 4, 2017 through the management integration described above to generate synergies from business expansion and the combination of the companies' strengths. AOI TYO Group defines its mission as crossing borders between media and linking companies and consumers through excitement. AOI TYO Group is promoting operations, aiming to achieve sustainable growth and improve corporate value as a group that will create excitement, a group that will touch people's hearts and encourage them to take action.

Under the new organizational structure, AOI TYO Group, especially its advertising video production business, the core business, received orders steadily. Its experience design business (including the digital-related), which it positions in its growth strategy, performed steadily. Meanwhile, AOI TYO Group examined and selected projects carefully and conducted comprehensive management of profits from the order acceptance stage. As a result, in the first quarter under review, AOI TYO Group posted net sales of 18,472 million yen, operating income of 1,820 million yen, and ordinary income of 1,776 million yen. Profit attributable to owners of parent stood at 1,016 million yen. Selling, general and administrative expenses include amortization of goodwill of 76 million yen associated with M&A.

* According to "Monthly Report on the Current Survey of Selected Service Industries" (METI)

AOI TYO Group has two reporting segments: Advertising Business and Video Related Business. Because the Video Business accounts for only a small percentage of its overall results and is not very important as disclosure information, it does not state segment information.

(2) Discussion of financial position

Total assets at the end of the first quarter under review stood at 53,662 million yen. Current assets were 36,737 million yen, which included cash and deposits of 8,730 million yen and notes and accounts receivable – trade of 22,370 million yen. Non-current assets were 16,924 million yen, of which property, plant and equipment was 7,953 million yen, intangible assets were 4,814 million yen, and investments and other assets were 4,156 million yen.

Liabilities came to 29,603 million yen. Current liabilities were 20,980 million yen, including accounts payable – trade of 7,667 million yen and short-term loans payable of 7,092 million yen. Non-current liabilities were 8,623 million yen, including long-term loans payable of 3,370 million yen.

Net assets were 24,059 million yen. The main part of them was total shareholders' equity of 22,617 million yen, including capital stock of 5,000 million yen, capital surplus of 12,145 million yen, and retained earnings of 6,236 million yen.

(3) Discussion of consolidated results forecasts

For the consolidated results forecasts for the first half and full year of the fiscal year ending December 31, 2017, please refer to the Notice on a Revision to the Consolidated Results Forecasts for the First Half and Full Year of FY2017*, which has been disclosed separately on May 15, 2017.

* Only available in Japanese.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly consolidated balance sheets

	(Unit: thousand yen)
	Q1 FY2017
	(March 31, 2017)
Assets	
Current assets	
Cash and deposits	8,730,439
Notes and accounts receivable - trade	22,370,767
Merchandise and finished goods	22,039
Work in process	4,861,926
Other	783,142
Allowance for doubtful accounts	-30,501
Total current assets	36,737,812
Non-current assets	
Property, plant and equipment	
Land	4,414,822
Other	3,538,747
Total property, plant and equipment	7,953,570
Intangible assets	
Goodwill	4,294,554
Other	520,109
Total intangible assets	4,814,663
Investments and other assets	
Investment securities	1,498,636
Lease and guarantee deposits	1,297,052
Other	1,424,684
Allowance for doubtful accounts	-63,986
Total investments and other assets	4,156,386
Total non-current assets	16,924,621
Total assets	53,662,434
Liabilities	
Current liabilities	
Accounts payable - trade	7,667,179
Short-term loans payable	7,092,176
Current portion of long-term loans payable	1,714,828
Income taxes payable	736,381
Provision for bonuses	135,354
Other	3,634,253
Total current liabilities	20,980,172
Non-current liabilities	
Long-term loans payable	3,370,373
Long-term deposits received	3,501,199
Provision for directors' retirement benefits	277,883
Provision for management board incentive plan trust	80,064
Net defined benefit liability	323,824
Asset retirement obligations	407,245
Other	662,528
Total non-current liabilities	8,623,120
Total liabilities	29,603,292

	(Unit: thousand yen)
	Q1 FY2017
	(March 31, 2017)
Net assets	
Shareholders' equity	
Capital stock	5,000,000
Capital surplus	12,145,523
Retained earnings	6,236,347
Treasury shares	764,838
Total shareholders' equity	22,617,032
Accumulated other comprehensive income	
Valuation difference on available-for-sale securities	266,650
Foreign currency translation adjustment	8,475
Remeasurements of defined benefit plans	1,481
Total accumulated other comprehensive income	259,655
Subscription rights to shares	283,332
Non-controlling interests	899,121
Total net assets	24,059,141
Total liabilities and net assets	53,662,434

(2) Quarterly consolidated statements of income and statements of comprehensive income
Quarterly consolidated statements of income
Consolidated first quarter

	(Unit: thousand yen)
	Q1 FY2017
	(January 1, 2017 – March 31, 2017)
Net sales	18,472,525
Cost of sales	14,350,594
Gross profit	4,121,930
Selling, general and administrative expenses	2,301,164
Operating income	1,820,765
Non-operating income	
Interest income	3,956
Dividend income	4,614
Share of profit of entities accounted for using equity method	7,139
Other	29,962
Total non-operating income	45,671
Non-operating expenses	
Interest expenses	20,532
Commission fee	40,838
Other	28,568
Total non-operating expenses	89,939
Ordinary income	1,776,498
Extraordinary income	
Gain on sales of investment securities	17,859
Gain on step acquisitions	11,732
Other	823
Total extraordinary income	30,415
Extraordinary losses	
Loss on valuation of membership	1,900
Total extraordinary losses	1,900
Profit before income taxes	1,805,013
Income taxes - current	686,935
Income taxes - deferred	85,134
Total income taxes	772,070
Profit	1,032,943
Profit attributable to non-controlling interests	16,884
Profit attributable to owners of parent	1,016,058

Quarterly consolidated comprehensive statements of income
Consolidated first quarter

	(Unit: thousand yen)
	Q1 FY2017 (January 1, 2017 – March 31, 2017)
Profit	1,032,943
Other comprehensive income	
Valuation difference on available-for-sale securities	-5,290
Foreign currency translation adjustment	-7,093
Remeasurements of defined benefit plans, net of tax	-131
Share of other comprehensive income of entities accounted for using equity method	-837
Total other comprehensive income	-13,352
Comprehensive income	1,019,590
Comprehensive income attributable to	
Comprehensive income attributable to owners of parent	1,005,261
Comprehensive income attributable to non-controlling interests	14,328

(3) Notes to quarterly consolidated financial statements

(Notes on the premise of a going concern)

Not applicable

(Notes if there is a considerable change to shareholders' equity)

AOI TYO Holdings was established on January 4, 2017 as the wholly owning parent company of AOI Pro. Inc. and TYO Inc. through a joint share transfer.

At the end of the first quarter under review, capital stock, capital surplus, and retained earnings stood at 5,000 million yen, 12,145 million yen, and 6,236 million yen, respectively. Treasury shares were minus 764 million yen.

(Management integration)

Management integration through acquisition

1. Overview of the management integration

(1) Names of AOI TYO Holdings acquired and its business

Acquired company: TYO Inc.

Business: Advertising production etc.

(2) Main reason of the management integration

AOI TYO Holdings was established through management integration to build an advanced business model as a new corporate group leading the industry. It aims to provide attractive services and become a company that will contribute to all stakeholders, including business partners, shareholders, employees, and society, as the No. 1 advertising service provider not only in Japan but in Asia, focusing on advertising video.

(3) Date of the management integration

January 4, 2017

(4) Legal form of the management integration

Establishment of a joint holding company through share transfer

(5) Company name after the management integration

AOI TYO Holdings Inc.

(6) Ratio of voting rights acquired

100%

(7) Main reason of the decision of the acquiring company

In comprehensive consideration of acquisition determinant factors under management integration accounting standards and other factors, AOI TYO Holdings has decided to make AOI Pro. Inc. the acquiring company.

2. Period when the results of the acquired company are included in the quarterly consolidated statements of income for the first quarter under review

From January 1, 2017 to March 31, 2017

3. Acquisition cost and consideration

Consideration for acquisition	Common shares in AOI TYO Holdings delivered on the date of management integration (market value)	9,782,905,000 yen
Acquisition cost		9,782,905,000 yen

4. Share transfer ratio by class of stock, calculation method, and the number of shares delivered

(1) Share transfer ratio by class of stock

AOI TYO Holdings delivered one common share of its stock for one common share in AOI Pro. Inc. and 0.18 common share for one common share in TYO Inc.

(2) Calculation method

AOI Pro. Inc. and TYO Inc. appointed KPMG FAS and Mizuho Securities respectively as an independent calculation agent. Based on the share transfer ratios calculated by the calculation agents, the parties discussed and determined the ratios.

(3) Number of shares delivered

24,566,447

5. Amount of goodwill, reason for goodwill, amortization method, and amortization period

(1) Amount of goodwill

4,219,091,000 yen

(2) Reason for goodwill

The acquisition cost exceeded the amount of assets accepted and liabilities assumed, and the amount in excess is posted as goodwill.

(3) Amortization method and amortization period

Amortization by the straight-line method for 20 years