



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

February 14, 2018

Company name: AOI TYO Holdings Inc.
 Stock Exchange: Tokyo Stock Exchange
 Code: 3975
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 Scheduled date of General Shareholders' Meeting: March 28, 2018
 Scheduled date of commencement of dividend payment: March 29, 2018
 Scheduled date of filing of securities report: March 28, 2018
 Supplementary documents for quarterly results: Yes
 Quarterly results briefing: Yes (for institutional investors and analysts)
 (Rounded down to the nearest million yen)

1. Consolidated Financial Results for Fiscal Year Ending December 31, 2017 (from January 1, 2017 to December 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 | % |
| FY2017 | 70,473 | — | 4,619 | — | 4,394 | — | 2,781 | — |
| FY2016 | — | — | — | — | — | — | — | — |

(Note) Comprehensive income FY2017: 3,103 million yen (— %) FY2016: — million yen (— %)

| | Net income per share | Diluted net income per share | Return on equity (ROE) | Ordinary income as percentage of total assets | Operating income on sales |
|--------|----------------------|------------------------------|------------------------|---|---------------------------|
| | Yen | Yen | % | % | % |
| FY2017 | 117.10 | 115.63 | 11.3 | 7.4 | 6.6 |
| FY2016 | — | — | — | — | — |

(For reference) Equity in earnings of affiliates FY2017: -3 million yen FY2016: — million yen

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

(2) Consolidated financial position

| | Total assets | Net assets | Equity ratio | Net assets per share |
|--------|--------------|-------------|--------------|----------------------|
| | Million yen | Million yen | % | Yen |
| FY2017 | 59,737 | 25,706 | 41.3 | 1,035.88 |
| FY2016 | — | — | — | — |

(For reference) Shareholders' equity FY2017: 24,675 million yen FY2016: — million yen

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

(3) Consolidated cash flow

| | 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 |
| FY2017 | 1,393 | -2,632 | 5,445 | 12,372 |
| FY2016 | — | — | — | — |

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

2. Dividends

| | Dividends per share | | | | | Total dividends | Payout ratio (consolidated) | Ratio of dividends to net assets (consolidated) |
|-------------------|---------------------|-----------|-----------|----------|--------|-----------------|-----------------------------|---|
| | End of Q1 | End of Q2 | End of Q3 | Year end | Annual | | | |
| | Yen | Yen | Yen | Yen | Yen | Million yen | % | % |
| FY2016 | — | — | — | — | — | — | — | — |
| FY2017 | — | 8.00 | — | 22.00 | 30.00 | 722 | 25.6 | 5.8 |
| FY2018 (forecast) | — | 8.00 | — | 22.00 | 30.00 | | 31.4 | |

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

(Note) FY2017 Breakdown of dividends: Ordinary dividend per share: 20.00 yen, commemorative dividend per share: 10.00 yen

3. Consolidated Financial Results Forecast for FY2018 (from January 1, 2018 to December 31, 2018)

(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 |
| Q2 | 35,000 | 3.8 | 2,000 | -15.2 | 1,900 | -17.6 | 1,300 | 9.2 | 54.73 |
| Full year | 7,000 | -0.7 | 3,800 | -17.7 | 3,700 | -15.8 | 2,300 | -17.3 | 96.83 |

* Notes

(1) Important changes in subsidiaries for FY2017 under review (Changes is specified subsidiaries resulting in change in scope of consolidation): No

New: – companies

Excluded: – companies

(2) 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

(3) Number of issued shares (common stock)

(i) Number of issued shares (including treasury stock)

FY2017 24,566,447 shares FY2016 – shares

(ii) Number of treasury stock at end of period

FY2017 745,627 shares FY2016 – shares

(iii) Average number of issued shares

FY2017 23,753,191 shares FY2016 – shares

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

* This summary of financial results is not included in the scope of the 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, (4) Future outlook on page three of the Accompanying Materials.

-AOI TYO Holdings will hold the earnings briefing for institutional investors and analysts on Thursday, March 1, 2018. The materials to be distributed at the briefing will be published on the website of AOI TYO Holdings on the date of the briefing and the video will be made available on the website of AOI TYO Holdings promptly after the briefing.

-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.

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1. Qualitative Information on Results

(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.

In the domestic advertising market^{*1}, 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. Based on the experience acquired from the advertising video production business, AOI TYO Group defines its mission as crossing borders between media and linking companies and consumers through emotion, and it creates emotion as a group that will touch people's hearts and encourage them to take action. AOI TYO Group is promoting operations with the aim of achieving sustainable growth and improving corporate value as a group, considering the solution business as a strategic area.

Consequently, during the consolidated fiscal year under review, orders for the advertising video production business, AOI TYO Group's core business, remained steady, margins increased mainly due to the establishment of a profitability-oriented operation management system, and sales of the solution business, which is positioned as a growth area, also rose. Furthermore progress in sales of *printless* commercial materials^{*2}, which launched in October 2017, was slower than expected and any impact is not likely to be reflected until fiscal 2018, besides taxes declined due to the streamlining of AOI TYO Group's businesses. As a result, in the consolidated fiscal year under review, AOI TYO Group posted net sales of 70,473 million yen, operating income of 4,619 million yen and ordinary income of 4,394 million yen, as well as profit attributable to owners of parent amounting to 2,781 million yen. Selling, general and administrative expenses include amortization of goodwill of 290 million yen associated with joint share transfer about mentioned.

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

*2. Television commercial materials have been delivered to broadcasting stations in printed format, and therefore sales and profit associated with the printing have been recognized. However, sales of printed television commercial materials are expected to decline over next few years from October 2017 because measures were being taken step by step to send more data online.

AOI TYO Group has two reporting segments: Advertising Business and Video-related Business. The reporting segments of AOI TYO Group are its Advertising Business and Video-related Business. However, the Video-related Business accounted for a very small percentage of the entire segment and was immaterial in terms of disclosure information. Segment information has therefore been omitted.

(2) Discussion of financial position

Total assets as of the fiscal year end under review was 59,737 million yen with current assets 41,503 million yen, including cash and deposits of 12,573 million yen, and notes and accounts receivable of 24,021 million yen. Non-current assets was 18,234 million yen, of which property, plant and equipment 7,679 million yen, intangible assets 5,269 million yen, and investments and other assets 5,285 million yen.

Liabilities was 34,031 million yen with current liabilities 25,275 million yen, including accounts payable of 7,341 million yen and short-term loans payable of 10,443 million yen. Non-current liabilities was 8,756 million yen, including long-term loans payable of 3,465 million yen.

Net assets was 25,706 million yen. The main part of them was total shareholders' equity of 24,186 million yen, including capital stock of 5,000 million yen, capital surplus of 12,074 million yen, and retained earnings of 7,823 million yen.

(3) Discussion of cash flows

Cash and cash equivalents (hereinafter referred to as “net cash”) for the fiscal year under review was 12,372 million yen.

The state of cash flow by segment for the fiscal year under review is as follows.

Net cash provided by operating activities was 1,393 million yen. The main factors in outflows were increases in notes and accounts receivable of 6,552 million yen. The main factors in inflows were profit before income taxes of 4,318 million yen and an increase in inventories of 1,112 million yen.

Net cash used in investment activities was 2,632 million yen. The main factors in outflows were purchase of property, plant and equipment of 802 million yen, purchase of intangible assets of 826 million yen and purchase of investment securities of 1,121 million yen.

Net cash provided by financing activities was 5,445 million yen. The main factors in inflows were an increase in short-term loans payable of 6,366 million yen long-term loans payable of 3,720 million yen. The main factors in outflows were payments of long-term loans payable of 3,532 million yen and cash dividends paid of 467 million yen.

(4) Future outlook

In the advertising industry where AOI TYO Group operates, total advertising spending is expected to increase 1.5% year on year in fiscal 2018. Looking at increases on a by-media basis, internet advertising spending is expected to show growth of 12.1%, which will be driven primarily by smartphone-based video advertising, an area with high growth potential ^{*1}. AOI TYO Group expects that the business area associated with advertising, while undergoing changes in its method and structure, is forecast to expand gradually, reflecting the diversification of media including internet-oriented digital media and the diversification of devices, notably smartphones and tablets.

In this environment, AOI TYO Group seeks to accomplish the stable growth of its advertising video production business (including the production of television commercials) on a medium- to long-term basis, while at the same time, make investment in new businesses proactively to further expand the solution business, a business positioned as a growth area, such as direct transactions with advertisers and video content marketing, as well as overseas business.

Meanwhile, with *printless* delivery for television commercials started in October 2017, sales of printed commercial materials, which account for approximately 4% of AOI TYO Group’s sales, is forecast to decrease gradually going forward. In 2018, the trend is expected to accelerate.

AOI TYO Group has been working on a profitability-oriented operation, which includes the implementation of scrutinizing and selection of orders and strict cost control. In the consolidated results for the fiscal year ended December 31, 2017, profitability improved more than expected, while *printless* delivery expanded slower than expected. While, from the perspective of the promotion of work style reform, orders should be controlled. Given these background, looking at the fiscal year ending December 31, 2018, AOI TYO Group expects that its sales and profit will decline temporarily because the decline in sales and profit attributable to *printless* commercial materials will not be fully offset in the fiscal year alone.

In addition, reflecting the posting of extraordinary income associated with the gain on sale of non-current assets amounting to 334 million yen, AOI TYO Group expects to post net sales of 70,000 million yen, operating income of 3,800 million yen, and ordinary income of 3,700 million yen as well as profit attributable to owners of parent that will amount to 2,300 million yen.

*1. According to the Review of Advertising Spending Forecasts for Fiscal 2018 by Nikkei Advertising Research Institute

*2. For details, please refer to the Significant subsequent events described on a subsequent page.

2. Basic Policy Regarding Selection of Accounting Standards

AOI TYO Group will prepare its consolidated financial statements according to the Japanese accounting standards, taking into account the year-on-year comparability and intercompany comparability of consolidated financial statements. Meanwhile, it will consider the adoption of the International Financial Reporting Standards (IFRS) as appropriate, factoring in the situations in Japan and abroad.

3. Consolidated Financial Statements and Major Notes

(1) Consolidated balance sheets

(Unit: thousand yen)

| | FY2017 (December 31, 2017) |
|--|-------------------------------|
| Assets | |
| Current assets | |
| Cash and deposits | 12,573,956 |
| Notes and accounts receivable - trade | 24,021,668 |
| Merchandise and finished goods | 16,128 |
| Work in process | 3,629,657 |
| Deferred tax assets | 321,354 |
| Other | 975,911 |
| Allowance for doubtful accounts | -35,271 |
| Total current assets | 41,503,406 |
| Non-current assets | |
| Property, plant and equipment | |
| Buildings | 5,075,750 |
| Accumulated depreciation | -2,796,128 |
| Buildings, net | 2,279,622 |
| Machinery, equipment and vehicles | 1,148,880 |
| Accumulated depreciation | -893,968 |
| Machinery, equipment and vehicles, net | 254,912 |
| Tools, furniture and fixtures | 2,500,415 |
| Accumulated depreciation | -1,840,406 |
| Tools, furniture and fixtures, net | 660,008 |
| Land | 4,289,822 |
| Leased assets | 854,104 |
| Accumulated depreciation | -658,623 |
| Leased assets, net | 195,481 |
| Total property, plant and equipment | 7,679,846 |
| Intangible assets | |
| Goodwill | 4,106,706 |
| Other | 1,162,396 |
| Total intangible assets | 5,269,103 |
| Investments and other assets | |
| Investment securities | 2,787,996 |
| Net defined benefit asset | 143,388 |
| Deferred tax assets | 106,863 |
| Lease and guarantee deposits | 1,318,377 |
| Other | 1,005,320 |
| Allowance for doubtful accounts | -76,430 |
| Total investments and other assets | 5,285,515 |
| Total non-current assets | 18,234,466 |
| Total assets | 59,737,872 |

| | (Unit: thousand yen) |
|---|-------------------------------|
| | FY2017 (December 31, 2017) |
| Liabilities | |
| Current liabilities | |
| Accounts payable - trade | 7,341,915 |
| Short-term loans payable | 10,443,335 |
| Current portion of long-term loans payable | 2,329,624 |
| Accounts payable - other | 1,290,271 |
| Income taxes payable | 1,175,623 |
| Accrued consumption taxes | 868,768 |
| Advances received | 758,125 |
| Provision for bonuses | 82,298 |
| Other | 985,299 |
| Total current liabilities | 25,275,262 |
| Non-current liabilities | |
| Long-term loans payable | 3,465,280 |
| Long-term deposits received | 3,501,199 |
| Lease Obligations | 117,997 |
| Deferred tax liabilities | 391,086 |
| Provision for directors' retirement benefits | 285,345 |
| Provision for management board incentive plan trust | 105,832 |
| Net defined benefit liability | 248,570 |
| Asset retirement obligations | 355,935 |
| Other | 285,308 |
| Total non-current liabilities | 8,756,557 |
| Total liabilities | 34,031,819 |
| Net assets | |
| Shareholders' equity | |
| Capital stock | 5,000,000 |
| Capital surplus | 12,074,353 |
| Retained earnings | 7,823,773 |
| Treasury shares | -711,360 |
| Total shareholders' equity | 24,186,766 |
| Accumulated other comprehensive income | |
| Valuation difference on available-for-sale securities | 444,466 |
| Foreign currency translation adjustment | 42,391 |
| Remeasurements of defined benefit plans | 1,884 |
| Total accumulated other comprehensive income | 488,742 |
| Subscription rights to shares | 140,824 |
| Non-controlling interests | 889,719 |
| Total net assets | 25,706,052 |
| Total liabilities and net assets | 59,737,872 |

(2) Consolidated statements of income and statements of comprehensive income

Consolidated statements of income

| | (Unit: thousand yen) |
|---|---|
| | FY2017 |
| | (January 1, 2017- December 31, 2017) |
| Net sales | 70,473,898 |
| Cost of sales | 56,788,855 |
| Gross profit | 13,685,042 |
| Selling, general and administrative expenses | |
| Directors' compensations | 1,504,422 |
| Salary and bonus | 2,539,623 |
| Retirement benefit expenses | 38,734 |
| Provision for management board incentive plan trust | 46,624 |
| Business consignment expenses | 379,090 |
| Commission fee | 685,004 |
| Provision of allowance for doubtful accounts | 45,985 |
| Depreciation | 231,940 |
| Amortization of goodwill | 290,678 |
| Other | 3,303,248 |
| Total selling, general and administrative expenses | 9,065,352 |
| Operating profit | 4,619,689 |
| Non-operating income | |
| Interest income | 12,387 |
| Dividend income | 24,840 |
| Insurance return | 63,969 |
| Gain on investments in partnership | 29,482 |
| Other | 92,264 |
| Total non-operating income | 222,944 |
| Non-operating expenses | |
| Interest expenses | 89,810 |
| Commission fee | 231,126 |
| Share of loss of entities accounted for using equity method | 3,253 |
| Other | 124,357 |
| Total non-operating expenses | 448,548 |
| Ordinary profit | 4,394,085 |

| | (Unit: thousand yen) |
|--|---|
| | FY2017 |
| | (January 1, 2017- December 31, 2017) |
| Extraordinary income | |
| Gain on sales of non-current assets | 20,200 |
| Gain on sales of investment securities | 27,287 |
| Gain on step acquisitions | 11,732 |
| Other | 5,794 |
| Total extraordinary income | 65,014 |
| Extraordinary losses | |
| Impairment loss | 23,587 |
| Loss on valuation of investment securities | 17,817 |
| Loss on cancellation of rental contracts | 19,091 |
| Business structure improvement expenses | 23,498 |
| Loss on sales of shares of subsidiaries and associates | 28,325 |
| Other | 28,737 |
| Total extraordinary losses | 141,058 |
| Profit before income taxes | 4,318,041 |
| Income taxes - current | 1,414,894 |
| Income taxes - deferred | 25,197 |
| Total income taxes | 1,440,091 |
| Profit | 2,877,949 |
| Profit attributable to non-controlling interests | 96,371 |
| Profit attributable to owners of parent | 2,781,578 |

Consolidated statements of comprehensive income

| | (Unit: thousand yen) |
|---|---|
| | FY2017 |
| | (January 1, 2017- December 31, 2017) |
| Profit | 2,877,949 |
| Other comprehensive income | |
| Valuation difference on available-for-sale securities | 172,524 |
| Foreign currency translation adjustment | 41,692 |
| Remeasurements of defined benefit plans, net of tax | 272 |
| Share of other comprehensive income of entities accounted for using equity method | 10,748 |
| Total other comprehensive income | 225,238 |
| Comprehensive income | 3,103,188 |
| Comprehensive income attributable to | |
| Comprehensive income attributable to owners of parent | 2,999,837 |
| Comprehensive income attributable to non-controlling interests | 103,351 |

(3) Consolidated statements of changes in shareholders' equity

FY 2017 (January 1, 2017 – December 31, 2017)

(Unit: thousand yen)

| | Shareholders' equity | | | | |
|---|----------------------|-----------------|-------------------|-----------------|----------------------------|
| | Capital stock | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of current period | 3,323,900 | 3,972,436 | 5,497,681 | -637,954 | 12,156,063 |
| Changes of items during period | | | | | |
| Dividends of surplus | | | -470,863 | | -470,863 |
| Increase by share transfers | 1,676,100 | 8,178,692 | | -144,710 | 9,710,081 |
| Profit attributable to owners of parent | | | 2,781,578 | | 2,781,578 |
| Purchase of treasury shares | | | | -319,154 | -319,154 |
| Disposal of treasury shares | | -42,921 | | 390,458 | 347,536 |
| Change in ownership interest of parent due to transactions with non-controlling interests | | -33,853 | | | -33,853 |
| Increase in retained earnings due to exclusion of subsidiaries from consolidation | | | 15,377 | | 15,377 |
| Net changes of items other than shareholders' equity | | | | | |
| Total changes of items during period | 1,676,100 | 8,101,916 | 2,326,092 | -73,405 | 12,030,703 |
| Balance at end of current period | 5,000,000 | 12,074,353 | 7,823,773 | -711,360 | 24,186,766 |

(Unit: thousand yen)

| | Total accumulated other comprehensive income | | | | Subscripti on rights to shares | Non-controlli ng interests | Total net assets |
|--|---|--|--|--|--------------------------------------|-------------------------------|---------------------|
| | Valuation difference on available-for-s ale securities | Foreign currency translatio n adjustme nt | Remea- suremen ts of defined benefit plans | Total accumu - lated other compre - hensive income | | | |
| Balance at beginning of current period | 271,941 | -3,100 | 1,612 | 270,45 2 | 67,782 | 610,130 | 13,099,4 28 |
| Changes of items during period | | | | | | | |
| Dividends of surplus | | | | | | | -470,863 |
| Increase by share transfers | | | | | | | 9,710,08 1 |
| Profit attributable to owners of parent | | | | | | | 2,781,57 8 |
| Purchase of treasury shares | | | | | | | -319,154 |
| Disposal of treasury shares | | | | | | | 347,536 |
| Change in ownership interest of parent due to transactions with non-controlling interests | | | | | | | -33,853 |
| Increase in retained earnings due to exclusion of subsidiaries from consolidation | | | | | | | 15,377 |
| Net changes of items other than shareholders' equity | 172,524 | 45,491 | 272 | 218,28 9 | 78,042 | 279,589 | 575,920 |
| Total changes of items during period | 172,524 | 45,491 | 272 | 218,28 9 | 78,042 | 279,589 | 12,606,6 24 |
| Balance at end of current period | 444,466 | 42,391 | 1,884 | 488,742 | 140,824 | 889,719 | 25,706,0 52 |

(4) Consolidated statements of cash flows

| | (Unit: thousand yen) |
|--|---|
| | FY2017 |
| | (January 1, 2017- December 31, 2017) |
| Cash flows from operating activities | |
| Profit before income taxes | 4,318,041 |
| Depreciation | 845,461 |
| Impairment loss | 23,587 |
| Amortization of goodwill | 290,678 |
| Increase (decrease) in allowance for doubtful accounts | 45,103 |
| Increase (decrease) in provision for bonuses | 19,076 |
| Increase (decrease) in provision for directors' retirement benefits | (62,718) |
| Increase (decrease) in provision for management board incentive plan trust | 46,624 |
| Increase (decrease) in net defined benefit liability | (39,187) |
| Interest and dividend income | -37,228 |
| Interest expenses | 89,810 |
| Commission fee | 231,126 |
| Loss (gain) on sales of investment securities | 23,905 |
| Decrease (increase) in notes and accounts receivable - trade | (6,552,905) |
| Decrease (increase) in inventories | 1,112,578 |
| Increase (decrease) in notes and accounts payable - trade | 308,054 |
| Increase (decrease) in accounts payable - other | 163,754 |
| Increase (decrease) in accrued consumption taxes | 706,258 |
| Increase (decrease) in advances received | (100,830) |
| Decrease (increase) in other assets | 255,439 |
| Increase (decrease) in other liabilities | 371,315 |
| Other, net | 207,082 |
| Subtotal | 2,217,215 |
| Interest and dividend income received | 37,228 |
| Interest expenses paid | -94,147 |
| Income taxes paid | -790,359 |
| Proceeds from insurance income | 23,148 |
| Net cash provided by (used in) operating activities | 1,393,085 |

(Unit: thousand yen)

| FY2017 (January 1, 2017- December 31, 2017) | |
|---|------------|
| Cash flows from investing activities | |
| Purchase of property, plant and equipment | -802,021 |
| Purchase of intangible assets | -826,008 |
| Purchase of investment securities | -1,121,206 |
| Payments for lease and guarantee deposits | -325,973 |
| Proceeds from collection of lease and guarantee deposits | 231,790 |
| Proceeds from maturity of insurance funds | 295,810 |
| Other, net | -85,326 |
| Net cash provided by (used in) investing activities | -2,632,934 |
| Cash flows from financing activities | |
| Net increase (decrease) in short-term loans payable | 6,366,059 |
| Proceeds from long-term loans payable | 3,720,000 |
| Repayments of long-term loans payable | -3,532,149 |
| Repayments of lease obligations | -137,176 |
| Purchase of treasury shares | -319,154 |
| Cash dividends paid | -467,259 |
| Proceeds from exercise of share options | 180,280 |
| Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation | -120,958 |
| Commission fee paid | -236,921 |
| Other, net | -7,628 |
| Net cash provided by (used in) financing activities | 5,445,093 |
| Effect of exchange rate change on cash and cash equivalents | 36,018 |
| Net increase (decrease) in cash and cash equivalents | 4,241,262 |
| Cash and cash equivalents at beginning of period | 3,155,905 |
| Increase in cash and cash equivalents resulting from share transfer | 4,975,139 |
| Cash and cash equivalents at end of period | 12,372,307 |

(5) Notes on the consolidated financial statements

(Notes on the premise of a going concern)

Not applicable

(Segment Information)

The reporting segments of AOI TYO Group are its Advertising Business and Video-related Business. However, the Video-related Business accounted for a very small percentage of the entire segment and was immaterial in terms of disclosure information. Segment information has therefore been omitted.

(Per-share indicators)

| FY 2017 (January 1, 2017 – December 31, 2017) | |
|--|--------------|
| Net assets per share | 1,035.88 yen |
| Net income per share | 117.10yen |
| Diluted net income per share | 115.63yen |

* The basis for calculating net income per share and fully diluted net income per share is shown below.

| Items | FY 2017 (January 1, 2017 – December 31, 2017) |
|---|--|
| Net income per share | |
| Profit attributable to owners of parent (thousand yen) | 2,781,578 |
| Amount not attributable to common shareholders (thousand yen) | — |
| Net income attributable to owners of parent pertaining to common shares (thousand yen) | 2,781,578 |
| Average number of issued shares (thousand yen) | 23,753 |
| Diluted net income per share | |
| Net income adjustments attributable to owners of parent (thousand yen) | — |
| Number of common shares increased (thousand yen) | 302 |
| (Subscription rights to shares (thousand yen)) | 302 |
| Summary of fully diluted shares not included in the calculation of fully diluted net income per share due to their anti-dilutive effect | <ul style="list-style-type: none"> • 4th subscription rights to shares (Common stock: 306,000 shares) • 7th subscription rights to shares (Common stock: 135,000 shares) • 8th subscription rights to shares (Common stock: 179,694 shares) |

* AOI TYO Holdings shares remaining in the trust that are posted as treasury shares are included in treasury shares that are deducted in the calculation of the average number of shares during the term for the purpose of calculating net income per share. They are also included in the number of treasury shares that are deducted from the year-end number of shares issued for the purpose of calculating net assets per share. The average number of such treasury shares during the term that were deducted for the purpose of calculating net income per share was 274,500 shares in the consolidated fiscal year under review, and the year-end number of such treasury shares that were deducted for the purpose of net assets per share was 274,500 shares in the consolidated fiscal year under review.

(Significant subsequent events)

Transfer of non-current assets

AOI TYO Holdings made a resolution regarding the transfer of the non-current assets of TYO Inc., its consolidated subsidiary, at a meeting of the Board of Directors held on January 10, 2018.

(1) Outline of the subsidiary

| | |
|---------------|--|
| Company name | TYO Inc. |
| Head office | 2-21-7, Kami-Osaki, Shinagawa-ku, Tokyo |
| CEO | Kazuyoshi Hayakawa |
| Main Business | Creative planning and production of all advertising contents |
| Capital | 1,850 million yen |
| Shareholder | AOI TYO Holdings Inc. (100%) |

(2) Reason for the transfer

In January 2018, AOI TYO Holdings organized the Corporate Department, a new department, to further accelerate the efficiency and streamlining of operations in the AOI TYO Group that was established in January 2017, and is moving forward with the consolidation of the staff of the administrative departments of AOI Pro. Inc. and TYO Inc. as well as office integration. In conjunction with these initiatives, AOI TYO Holdings has decided to transfer land and a building owned by TYO Inc.

(3) Description of the transferred assets

| | |
|--|---|
| Name of assets | TYO Inc. head office |
| Location of assets | 2-21-7, Kami-Osaki, Shinagawa-ku, Tokyo |
| Details of assets | Land and buildings |
| Gain on transfer (approximate amount) | 334 million yen |

*1. We refrain from disclosing the transfer value and book value for operational reasons on the part of the transferee.

2. The gain on transfer is an approximate amount in which the book value and transfer-related expenses are deducted from the transfer value.

(4) Schedule

| | |
|-------------------------------------|------------------|
| Date of conclusion of the contract: | January 10, 2018 |
| Date of delivery of the property: | March 30, 2018 |

(5) Impact on profitability

The capital gain of approximately 334 million yen due to the transfer of the non-current assets will be posted in the extraordinary income as gains on sale of non-current assets in the consolidated financial results for the fiscal year ending in December 31, 2018.