



Summary of Consolidated Financial Results (Japanese Accounting Standards) for the Second Quarter of the Fiscal Year Ending December 31, 2018

August 14, 2018

Company name: AOI TYO Holdings Inc.
 Stock Exchange: Tokyo Stock Exchange
 Code: 3975
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 Scheduled date of submission of quarterly report: August 14, 2018
 Scheduled date of commencement of dividend payment: September 14, 2018
 Supplementary documents for quarterly results: Yes
 Quarterly results briefing: Yes (For institutional investors/analysts)

(Rounded down to the nearest million yen)

1. Consolidated Financial Results for the First Quarter (from January 1, 2018 to June 30, 2018)

(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 | % |
| Q2 FY2018: | 30,864 | -8.5 | 1,746 | -26.0 | 1,680 | -27.1 | 1,170 | -1.6 |
| Q2 FY2017: | 33,729 | — | 2,358 | — | 2,305 | — | 1,189 | — |

(Note) Comprehensive income Q2 FY2018: 1,095 million yen (-9.5%) Q2 FY2017: 1,211 million yen (—%)

| | Net income per share | Diluted net income per share |
|------------|----------------------|------------------------------|
| | Yen | Yen |
| Q2 FY2018: | 49.22 | 48.57 |
| Q2 FY2017: | 50.15 | 49.40 |

(Note) No year-on-year change is stated for Q1 FY2017, as AOI TYO Holdings was established on January 4, 2017.

(2) Consolidated financial position

| | Total assets | Net assets | Equity ratio |
|------------|--------------|-------------|--------------|
| | Million yen | Million yen | % |
| Q2 FY2018: | 55,672 | 25,680 | 44.5 |
| FY2017 | 59,737 | 25,706 | 41.3 |

(For reference) Shareholders' equity Q2 FY2018: 24,788 million yen FY2017: 24,675 million yen

2. Dividends

| | Dividends per share | | | | |
|-------------------|---------------------|-----------|-----------|----------|--------|
| | End of Q1 | End of Q2 | End of Q3 | Year end | Annual |
| | Yen | Yen | Yen | Yen | Yen |
| FY2017 | — | 8.00 | — | 22.00 | 30.00 |
| FY2018 | — | 8.00 | — | — | — |
| FY2018 (forecast) | — | — | — | 22.00 | 30.00 |

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

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

(Percentages represent year-on-year change)

| | 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 |
| Full year | 64,000 | -9.2 | 3,800 | -17.7 | 3,700 | -15.8 | 2,300 | -17.3 | 96.70 |

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

* 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

| | | | |
|-----------|-------------------|--------|-------------------|
| Q2 FY2018 | 24,566,447 shares | FY2017 | 24,566,447 shares |
|-----------|-------------------|--------|-------------------|

(ii) Number of treasury stock at end of period

| | | | |
|-----------|------------------|--------|----------------|
| Q2 FY2018 | 1,066,767 shares | FY2017 | 745,627 shares |
|-----------|------------------|--------|----------------|

(iii) Average number of issued shares

| | | | |
|-----------|-------------------|-----------|-------------------|
| Q2 FY2018 | 23,785,594 shares | Q2 FY2017 | 23,729,742 shares |
|-----------|-------------------|-----------|-------------------|

(Note) Treasury stock includes 418,900 shares held by Trust & Customer Services Bank, Ltd. (trust account E) 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.

* Appropriate use of earnings forecasts and other notes to financial statements

- Earnings forecasts and other forward-looking statements in this document are based on information available and judgments deemed rational at the time of publication. Forward-looking statements are not a guarantee of future performance. Actual earnings may differ materially due to a variety factors. For more about assumptions underlying earnings forecasts and cautions regarding the use of earnings forecasts, see *1. Qualitative Information on Quarterly Financial Results (3) Description of Information on Outlook* on P.3 of Attachments.

- We will hold a financial results briefing with institutional investors and analysts on August 30, 2018. Materials distributed during this meeting will be published later the same day. Video from this session will be published on our corporate website as quickly as possible after the meeting. In addition to the above-mentioned briefing, we will hold a similar session for our individual investors.

Attachments

1. Qualitative Information on Quarterly Financial Results
 - (1) Description of Results of Operations
 - (2) Description of Financial Position
 - (3) Description of Information on Outlook
2. Quarterly Consolidated Financial Statements and Notes
 - (1) Quarterly Consolidated Balance Sheets
 - (2) Quarterly Consolidated Statements of Income and Statements of Comprehensive Income
 - (3) Consolidated Statements of Cash Flows
 - (4) Notes to Quarterly Consolidated Financial Statements
 - (Notes regarding assumption of going concern)
 - (Notes in the event of significant changes in shareholders' equity)

1. Qualitative Information on Results in the Second Quarter

(1) Discussion of operating results

Any forward-looking statements below are based on AOI TYO Group judgments as of the end of the consolidated second quarter of the current fiscal year.

The AOI TYO Group consists of AOI TYO Holdings Inc. and consolidated subsidiaries. Our mission is to bridge the gap between company and consumer through emotion, reaching across the barriers of media as we engage in our business activities. We are an *emotion creation company* that designs experiences which move people to emotion-based action through our mainstay business in advertising video production.

Our growth drivers consist of customer solutions (via business directly with advertisers and online video content marketing) and our overseas business, through which we aim for sustainable growth and corporate value improvement.

The Japanese economy continued to recover moderately throughout the first six months of the fiscal year ending December 2018, driven by improved corporate earnings and employment. Recovering consumer spending was also a positive factor. At the same time, concerns remain about trade issues and the potential negative impact of such risks on the global economy.

Within this environment, cumulative second quarter sales in our growth-oriented solutions business, particularly services directly to advertisers, were solid. Our Overseas Business outperformed the same quarter in the prior fiscal year, owing in part to the addition of a Malaysian advertising production agency as a consolidated subsidiary. On the other hand, our mainstay Advertising Video Production Business recorded results lower year on year, mainly due to stricter order acceptance (greater emphasis on profitability from early stages of order acceptance and work-style reform), a decline in print sales*, and a delay in recording sales for certain projects into the following quarter. However, Advertising Video Production Business sales for this accounting period were level with the same period in the prior fiscal year. Recent orders have been steady, reflected by an order backlog of ¥14,331 million as of the end of cumulative consolidated second quarter (increase of 2.3% year on year).

Despite incurring up-front costs associated with the formation of a new company, our ongoing efforts to instill management control of external expenditures related to advertising video production kept year-on-year profit declines smaller in scope than sales declines.

As a result, the AOI TYO Group recorded net sales of ¥30,864 million for the six-month period ending June 2018, representing an 8.5% decrease year on year. Operating profit amounted to ¥1,746 million (26.0% decrease), while ordinary profit and profit attributable to owners of parent amounted to ¥1,680 million and ¥1,170 million, representing decreases of 27.1% and 1.6%, respectively. Selling, general and administrative expenses included ¥160 million in amortization of goodwill associated with M&A activity.

*Historically, television commercial content had been copied to media (“printed”) and delivered to each broadcast station. The AOI TYO Group recognized the sales and profits of this activity in our accounting records. As of October 2017, this content can be delivered via online data transmission (printless format), leading us to expect a decline in related sales and profits over time.

AOI TYO Group reportable segments consist of our Advertising Business and our Video-Related Business. However, the Video-Related Business accounts for only a small portion of overall results. As this segment does not represent a significant source of material information, we have omitted disclosure of reportable segments.

(2) Discussion of financial position

Assets, Liabilities, and Net Assets

Total assets as of the end of the consolidated second quarter amounted to ¥55,672 million, a ¥4,065 million decrease compared to the end of the prior consolidated fiscal year. This decrease was mainly due to decreases in cash and deposits and notes and accounts receivable - trade of ¥2,111 million and ¥3,725 million respectively, offset in part due to an increase in work in process of ¥1,453 million.

Liabilities decreased ¥4,040 million to ¥29,991 million. Although long-term loans payable increased ¥2,015 million, short-term loans payable and accounts payable - trade decreased ¥4,620 million and ¥1,351 million, respectively.

Net assets amounted to ¥25,680 million, a decrease of ¥25 million compared to the end of the prior consolidated fiscal year. While retained earnings rose ¥1,170 million due to profit attributable to owners of parent, the AOI TYO Group paid ¥530 million in dividend payments and recorded an increase of ¥541 million in treasury stock.

Summary of Cash Flows

Cash and cash equivalents amounted to ¥10,267 million as of the end of the consolidated second quarter, representing a year-on-year decrease of ¥2,105 million.

The following paragraphs summarize cash flow activity for the six-month period ended June 2018.

Cash Flows From Operating Activities

Cash flows from operating activities amounted to ¥3,148 million, compared to cash used in operating activities of ¥325 million for the same period in the prior fiscal year. This result was mainly due to profit before income taxes of ¥2,166 million and a decrease in accounts receivable of ¥4,674 million. At the same time, we recorded an increase in inventories of ¥1,475 million and a decrease in notes and accounts payable-trade of ¥1,490 million.

Cash Flows From Investing Activities

Cash used in investing activities amounted to ¥1,309 million, compared to ¥944 million for the same period in the prior fiscal year. This result was mainly due to ¥774 million in outlays for property, plant, and equipment, ¥497 million in outlays for intangible assets, and ¥679 million in outlays for investment securities. At the same time, we recorded ¥1,331 million in proceeds from the sale of property, plant, and equipment.

Cash Flows From Financing Activities

Cash used in financing activities amounted to ¥3,895 million, compared to cash from financing activities of ¥433 million for the same period in the prior fiscal year. This result was mainly due to a ¥4,600 million decrease in short-term loans payable, ¥1,578 million in outlays for repayments of long-term loans payable, and ¥3,610 million in cash proceeds from long-term loans payable.

(3) Discussion of consolidated results forecasts

See *Notice Concerning Revisions to Second Quarter and Full-Year Consolidated Earnings Forecasts for the Fiscal Year Ending December 2018*, published on August 10, 2018 (Japanese only), for more about AOI TYO Group consolidated earnings forecasts for the fiscal year ending December 2018.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly consolidated balance sheets

(Thousands of yen)

| | FY2017 (December 31, 2017) | Q2 FY2018 (June 30, 2018) |
|---|-------------------------------|------------------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 12,573,956 | 10,462,152 |
| Notes and accounts receivable - trade | 17,813,558 | 14,087,663 |
| Electronically recorded monetary claims - operating | 6,208,110 | 5,381,635 |
| Merchandise and finished goods | 16,128 | 15,607 |
| Work in process | 3,629,657 | 5,083,382 |
| Other | 1,297,266 | 1,224,211 |
| Allowance for doubtful accounts | (35,271) | (38,497) |
| Total current assets | 41,503,406 | 36,216,155 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Land | 4,289,822 | 3,610,315 |
| Other | 3,390,024 | 3,681,559 |
| Total property, plant and equipment | 7,679,846 | 7,291,874 |
| Intangible assets | | |
| Software | 171,168 | 175,363 |
| Software in progress | 975,504 | 1,400,255 |
| Goodwill | 4,106,706 | 4,192,793 |
| Other | 15,723 | 15,853 |
| Total intangible assets | 5,269,103 | 5,784,265 |
| Investments and other assets | | |
| Investment securities | 2,787,996 | 3,359,593 |
| Lease and guarantee deposits | 1,318,377 | 1,615,210 |
| Other | 1,255,572 | 1,480,119 |
| Allowance for doubtful accounts | (76,430) | (75,202) |
| Total investments and other assets | 5,285,515 | 6,379,720 |
| Total non-current assets | 18,234,466 | 19,455,859 |
| Total assets | 59,737,872 | 55,672,015 |

(Thousands of yen)

| | FY2017 (December 31, 2017) | Q2 FY2018 (June 30, 2018) |
|---|-------------------------------|------------------------------|
| Liabilities | | |
| Current liabilities | | |
| Accounts payable - trade | 7,341,915 | 5,990,283 |
| Short-term loans payable | 10,443,335 | 5,823,135 |
| Current portion of long-term loans payable | 2,329,624 | 2,386,582 |
| Advances received | 758,125 | 1,350,522 |
| Income taxes payable | 1,175,623 | 952,798 |
| Provision for bonuses | 82,298 | 147,692 |
| Other | 3,144,339 | 2,640,984 |
| Total current liabilities | 25,275,262 | 19,291,998 |
| Non-current liabilities | | |
| Long-term loans payable | 3,465,280 | 5,480,692 |
| Long-term deposits received | 3,501,199 | 3,501,199 |
| Provision for directors' retirement benefits | 285,345 | 249,861 |
| Provision for management board incentive plan trust | 105,832 | 160,701 |
| Net defined benefit liability | 248,570 | 264,815 |
| Asset retirement obligations | 355,935 | 395,409 |
| Other | 794,392 | 646,599 |
| Total non-current liabilities | 8,756,557 | 10,699,278 |
| Total liabilities | 34,031,819 | 29,991,276 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 5,000,000 | 5,000,000 |
| Capital surplus | 12,074,353 | 12,178,266 |
| Retained earnings | 7,823,773 | 8,467,010 |
| Treasury shares | (711,360) | (1,252,488) |
| Total shareholders' equity | 24,186,766 | 24,392,788 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 444,466 | 397,907 |
| Foreign currency translation adjustment | 42,391 | (4,561) |
| Remeasurements of defined benefit plans | 1,884 | 2,345 |
| Total accumulated other comprehensive income | 488,742 | 395,692 |
| Subscription rights to shares | 140,824 | 117,071 |
| Non-controlling interests | 889,719 | 775,185 |
| Total net assets | 25,706,052 | 25,680,738 |
| Total liabilities and net assets | 59,737,872 | 55,672,015 |

(2) Quarterly consolidated statements of income and statements of comprehensive income

Quarterly consolidated statements of income

Cumulative consolidated second quarter

| | (Thousand of yen) | |
|---|---|---|
| | Q2 FY2017 (January 1, 2017 — June 30, 2017) | Q2 FY2018 (January 1, 2018 — June 30, 2018) |
| Net sales | 33,729,059 | 30,864,424 |
| Cost of sales | 26,885,548 | 24,713,361 |
| Gross profit | 6,843,510 | 6,151,063 |
| Selling, general and administrative expenses | 4,484,883 | 4,405,029 |
| Operating profit | 2,358,627 | 1,746,033 |
| Non-operating income | | |
| Interest income | 6,762 | 5,741 |
| Dividend income | 14,346 | 19,887 |
| Gain on investments in partnership | 30,781 | — |
| Other | 55,320 | 65,915 |
| Total non-operating income | 107,211 | 91,544 |
| Non-operating expenses | | |
| Interest expenses | 44,833 | 40,312 |
| Commission fee | 82,551 | 78,529 |
| Share of loss of entities accounted for using equity method | 2,587 | 3,683 |
| Other | 30,062 | 34,450 |
| Total non-operating expenses | 160,034 | 156,976 |
| Ordinary profit | 2,305,804 | 1,680,601 |
| Extraordinary income | | |
| Gain on sales of non-current assets | — | 401,336 |
| Gain on sales of investment securities | 18,142 | 83,875 |
| Gain on step acquisitions | 11,732 | — |
| Other | 1,059 | 288 |
| Total extraordinary income | 30,934 | 485,500 |
| Extraordinary losses | | |
| Impairment loss | 23,587 | — |
| Loss on liquidation of subsidiaries and associates | 12,979 | — |
| Loss on cancellation of rental contracts | 19,091 | — |
| Other | 2,835 | — |
| Total extraordinary losses | 58,493 | — |
| Profit before income taxes | 2,278,244 | 2,166,101 |
| Income taxes - current | 1,005,285 | 1,015,079 |
| Income taxes - deferred | 73,608 | (44,156) |
| Total income taxes | 1,078,893 | 970,922 |
| Profit | 1,199,351 | 1,195,178 |
| Profit attributable to non-controlling interests | 9,354 | 24,389 |
| Profit attributable to owners of parent | 1,189,996 | 1,170,789 |

Quarterly consolidated comprehensive statements of income
Cumulative consolidated second quarter

| | (Thousand of yen) | |
|--|---|---|
| | Q2 FY2017 (January 1, 2017 — June 30, 2017) | Q2 FY2018 (January 1, 2018 — June 30, 2018) |
| Profit | 1,199,351 | 1,195,178 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 8,555 | (46,558) |
| Foreign currency translation adjustment | 604 | (47,664) |
| Remeasurements of defined benefit plans, net of tax | (238) | 461 |
| Share of other comprehensive income of entities accounted for using equity method | 2,914 | (5,592) |
| Total other comprehensive income | 11,835 | (99,354) |
| Comprehensive income | 1,211,186 | 1,095,824 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 1,202,720 | 1,077,831 |
| Comprehensive income attributable to non-controlling interests | 8,466 | 17,992 |

(3) Consolidated statements of cash flows

| | (Unit: thousand yen) | |
|--|---|---|
| | Q2 FY2017 (January 1, 2017 — June 30, 2017) | Q2 FY2018 (January 1, 2018 — June 30, 2018) |
| Cash flows from operating activities | | |
| Profit before income taxes | 2,278,244 | 2,166,101 |
| Depreciation | 420,500 | 450,968 |
| Impairment loss | 23,587 | — |
| Amortization of goodwill | 152,934 | 160,709 |
| Increase (decrease) in allowance for doubtful accounts | 31,111 | 3,621 |
| Increase (decrease) in provision for bonuses | 15,240 | 65,474 |
| Increase (decrease) in provision for directors' retirement benefits | (67,328) | (35,484) |
| Increase (decrease) in provision for management board incentive plan trust | 19,896 | 54,868 |
| Increase (decrease) in net defined benefit liability | (35,234) | 16,557 |
| Interest and dividend income | (21,109) | (25,628) |
| Interest expenses | 44,833 | 40,312 |
| Commission fee | 82,551 | 78,529 |
| Loss (gain) on sales of investment securities | (18,142) | (83,875) |
| Loss (gain) on sales of non-current assets | 1,020 | (401,336) |
| Decrease (increase) in notes and accounts receivable - trade | (2,782,786) | 4,674,709 |
| Decrease (increase) in inventories | (1,070,133) | (1,475,939) |
| Increase (decrease) in notes and accounts payable - trade | (878,742) | (1,490,387) |
| Increase (decrease) in accounts payable - other | (336,652) | (231,749) |
| Increase (decrease) in accrued consumption taxes | 284,637 | (559,907) |
| Increase (decrease) in advances received | 1,354,951 | 595,923 |
| Decrease (increase) in other assets | 178,737 | 41,554 |
| Increase (decrease) in other liabilities | 336,308 | 102,181 |
| Other, net | 87,028 | 30,145 |
| Subtotal | 101,452 | 4,177,348 |
| Interest and dividend income received | 20,899 | 25,733 |
| Proceeds from insurance income | 4,797 | 7,095 |
| Interest expenses paid | (45,314) | (35,407) |
| Income taxes paid | (407,540) | (1,025,813) |
| Net cash provided by (used in) operating activities | (325,706) | 3,148,955 |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (459,021) | (774,463) |
| Proceeds from sales of property, plant and equipment | 3,658 | 1,331,515 |
| Purchase of intangible assets | (275,632) | (497,111) |
| Purchase of investment securities | (135,300) | (679,863) |
| Payments for lease and guarantee deposits | (119,694) | (324,939) |
| Purchase of shares of subsidiaries resulting in change in scope of consolidation | — | (319,161) |
| Other, net | 41,184 | (45,788) |
| Net cash provided by (used in) investing activities | (944,805) | (1,309,812) |

| | (Thousands of yen) | |
|---|---|---|
| | Q2 FY2017 (January 1, 2017 — June 30, 2017) | Q2 FY2018 (January 1, 2018 — June 30, 2018) |
| Cash flows from financing activities | | |
| Net increase (decrease) in short-term loans payable | 1,896,641 | (4,600,975) |
| Proceeds from long-term loans payable | 20,000 | 3,610,043 |
| Repayments of long-term loans payable | (976,512) | (1,578,399) |
| Repayments of lease obligations | (74,206) | (45,038) |
| Cash dividends paid | (274,617) | (527,725) |
| Proceeds from exercise of share options | 71,106 | 60,860 |
| Purchase of treasury shares | (14,028) | (537,764) |
| Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation | (120,958) | (183,225) |
| Commission fee paid | (85,449) | (78,529) |
| Other, net | (8,301) | (14,275) |
| Net cash provided by (used in) financing activities | 433,674 | (3,895,029) |
| Effect of exchange rate change on cash and cash equivalents | (5,132) | (49,328) |
| Net increase (decrease) in cash and cash equivalents | (841,969) | (2,105,215) |
| Cash and cash equivalents at beginning of period | 3,155,905 | 12,372,307 |
| Increase in cash and cash equivalents resulting from share transfer | 4,975,139 | — |
| Cash and cash equivalents at end of period | 7,289,075 | 10,267,091 |

(4) Notes to quarterly consolidated financial statements

(Notes on the premise of a going concern)

Not applicable.

(Notes in the event of significant changes in shareholders' equity)

Not applicable.