



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

May 15, 2018

Company name: AOI TYO Holdings Inc.
 Stock Exchange: Tokyo Stock Exchange
 Code: 3975
 URL: <http://aoityo.com/en/>
 Representatives: Yasuhito Nakae, Representative Director
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 Scheduled date of submission of quarterly report: May 15, 2018
 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 the First Quarter (from January 1, 2018 to March 31, 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	%
Q1 FY2018	15,521	-16.0	1,092	-40.0	1,031	-41.9	842	-17.0
Q1 FY2017	18,472	—	1,820	—	1,776	—	1,016	—

(Note) Comprehensive income Q1 FY2018: 866 million yen (-15.0%) Q1 FY2017: 1,019 million yen (-%)

	Net income per share	Diluted net income per share
	Yen	Yen
Q1 FY2018	35.38	34.94
Q1 FY2017	42.92	42.22

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

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
Q1 FY2018	58,351	26,123	42.9
FY2017	59,737	25,706	41.3

(For reference) Shareholders' equity Q1 FY2018: 25,011 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	—	—	—	—	—
FY2018 (forecast)	—	8.00	—	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)

(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	35,000	3.8	2,000	-15.2	1,900	-17.6	1,300	9.2	54.73
Full year	70,000	-0.7	3,800	-17.7	3,700	-15.8	2,300	-17.3	96.83

(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)

Q1FY2018	24,566,447 shares	FY2017	24,566,447 shares
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(ii) Number of treasury stock at end of period

Q1FY2018	730,195 shares	FY2017	745,627 shares
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(iii) Average number of issued shares

Q1FY2018	23,826,837 shares	Q1 FY2017	23,672,830 shares
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(Note) 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 two of the Accompanying Materials.

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1. Qualitative Information on Results in the First Quarter

(1) Discussion of operating results

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

The Japanese economy continued to recover moderately during the first quarter under review. Corporate earnings and employment conditions improved. Consumer spending showed signs of recovery. Meanwhile, downside risks caused by factors such as uncertainty overseas remained evident.

AOI TYO Holdings Inc. and its consolidated subsidiaries (hereinafter the "AOI TYO Group") defines its mission as a <emotion creation company> by crossing borders between media and linking companies and consumers through <emotion>, and creating <emotion> that will touch people's hearts and encourage them to take action. AOI TYO Group sees advertising video production business as its mainstay, and is promoting operations with the aim of sustainable growth and improving corporate value as a group, considering both the solution business which offers solutions to customers including direct transactions with advertisers as well as video content marketing, and Overseas Business as its strategic areas.

In this environment, consolidated net sales decreased in the first quarter under review, reflecting factors such as the close inspection and selection of orders based on a profitability-oriented operation in the core Advertising Video Production Business, order controls for promoting working style reforms and a decline in sales of printing(*). Meanwhile, margins associated with video production improved as a result of strict cost controls which began in the previous fiscal year. In the strategic area of offering solutions to customers through direct transactions with advertisers, net sales expanded due to an increase in the number of new customers. Net sales rose for the Overseas Business, too, reflecting factors, including the acquisition of an advertising production firm in Malaysia. However, advance expenses that arose in connection with actions, such as the establishment of a new subsidiary, had an adverse impact on consolidated profits.

The backlog of orders increased 5.1% year on year, to 14,985 million yen at the end of the first quarter under review, and the order situation has been steady, with a carryover of some of the orders to the following quarter.

As a result, AOI TYO Group posted net sales of 15,521 million yen (decreased 16.0% year on year), operating income of 1,092 million yen (decreased 40.0% year on year), ordinary income of 1,031 million yen (decreased 41.9% year on year), and profit attributable to owners of parent of 842 million yen (decreased 17.0% year on year). Selling, general and administrative expenses include amortization of goodwill of 80 million yen associated with M&A.

* Television commercial materials have been delivered to broadcasting stations in printed format, and therefore sales and profit associated with the printing have been recognized. Such sales and profits are expected to decline in stages because online data transmission (delivery without duplication) became possible in October 2017.

AOI TYO Group has two reporting segments: Advertising Business and Video-Related Business. Because the Video Related 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 decreased by 1,386 million yen compared with the end of FY 2017 to 58,351 million yen. The primary cause was that although work in process increased by 1,219 million yen, electronically recorded monetary claims - operating decreased by 1,587 million yen, notes and accounts receivable - trade decreased by 946 million yen, and land decreased by 679 million yen, respectively.

Liabilities decreased by 1,803 million yen compared with the end of FY 2017 to 32,228 million yen. The primary cause was that although advances received increased by 1,028 million yen, short-term loans payable decreased by 1,083 million yen, accounts payable - trade decreased by 567 million yen, and income taxes payable decreased by 444 million yen, respectively.

Net assets increased by 417 million yen compared with the end of FY 2017 to 26,123 million yen. The primary cause was that although retained earnings decreased by 530 million yen due to the payment of dividends, net assets increased by 842 million yen due to recording profit attributable to owners of parent.

(3) Discussion of consolidated results forecasts

There are no changes to the consolidated results forecast for the first half and full year of the fiscal year ending December 31, 2018 announced on February 14, 2018.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly consolidated balance sheets

	(Unit: thousand yen)	
	FY2017 (December 31, 2017)	Q1 FY2018 (March 31, 2018)
Assets		
Current assets		
Cash and deposits	12,573,956	12,044,054
Notes and accounts receivable - trade	17,813,558	16,867,406
Electronically recorded monetary claims - operating	6,208,110	4,620,308
Merchandise and finished goods	16,128	15,658
Work in process	3,629,657	4,849,034
Other	1,297,266	1,374,248
Allowance for doubtful accounts	-35,271	-42,622
Total current assets	41,503,406	39,728,087
Non-current assets		
Property, plant and equipment		
Land	4,289,822	3,610,349
Other	3,390,024	3,557,130
Total property, plant and equipment	7,679,846	7,167,480
Intangible assets		
Software	171,168	190,751
Software in progress	975,504	1,182,254
Goodwill	4,106,706	4,275,303
Other	15,723	15,853
Total intangible assets	5,269,103	5,664,162
Investments and other assets		
Investment securities	2,787,996	2,995,119
Lease and guarantee deposits	1,318,377	1,431,981
Other	1,255,572	1,440,396
Allowance for doubtful accounts	-76,430	-75,701
Total investments and other assets	5,285,515	5,791,795
Total non-current assets	18,234,466	18,623,438
Total assets	59,737,872	58,351,526
Liabilities		
Current liabilities		
Accounts payable - trade	7,341,915	6,774,389
Short-term loans payable	10,443,335	9,359,987
Current portion of long-term loans payable	2,329,624	2,213,386
Advances received	758,125	1,787,063
Income taxes payable	1,175,623	730,908
Provision for bonuses	82,298	94,594
Other	3,144,339	2,872,819
Total current liabilities	25,275,262	23,833,148
Non-current liabilities		
Long-term loans payable	3,465,280	3,136,360
Long-term deposits received	3,501,199	3,501,199
Provision for directors' retirement benefits	285,345	277,165
Provision for management board incentive plan trust	105,832	112,009
Net defined benefit liability	248,570	255,511
Asset retirement obligations	355,935	400,196
Other	794,392	712,455
Total non-current liabilities	8,756,557	8,394,898
Total liabilities	34,031,819	32,228,046

(Unit: thousand yen)

	FY2017 (December 31, 2017)	Q1 FY2018 (March 31, 2018)
Net assets		
Shareholders' equity		
Capital stock	5,000,000	5,000,000
Capital surplus	12,074,353	12,077,975
Retained earnings	7,823,773	8,135,867
Treasury shares	-711,360	-697,729
Total shareholders' equity	24,186,766	24,516,114
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	444,466	495,285
Foreign currency translation adjustment	42,391	-1,577
Remeasurements of defined benefit plans	1,884	2,151
Total accumulated other comprehensive income	488,742	495,860
Subscription rights to shares	140,824	138,376
Non-controlling interests	889,719	973,128
Total net assets	25,706,052	26,123,479
Total liabilities and net assets	59,737,872	58,351,526

(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)	Q1 FY2018 (January 1, 2018 – March 31, 2018)
Net sales	18,472,525	15,521,703
Cost of sales	14,350,594	12,319,963
Gross profit	4,121,930	3,201,739
Selling, general and administrative expenses	2,301,164	2,109,491
Operating profit	1,820,765	1,092,247
Non-operating income		
Interest income	3,956	3,031
Dividend income	4,614	9,902
Share of profit of entities accounted for using equity method	7,139	—
Other	29,962	23,283
Total non-operating income	45,671	36,217
Non-operating expenses		
Interest expenses	20,532	21,032
Commission fee	40,838	39,978
Share of loss of entities accounted for using equity method	—	23,234
Other	28,568	12,651
Total non-operating expenses	89,939	96,897
Ordinary profit	1,776,498	1,031,567
Extraordinary income		
Gain on sales of non-current assets	—	385,099
Gain on sales of investment securities	17,859	—
Gain on step acquisitions	11,732	—
Other	823	216
Total extraordinary income	30,415	385,315
Extraordinary losses		
Loss on valuation of membership	1,900	—
Total extraordinary losses	1,900	—
Profit before income taxes	1,805,013	1,416,883
Income taxes - current	686,935	496,898
Income taxes - deferred	85,134	55,694
Total income taxes	772,070	552,593
Profit	1,032,943	864,290
Profit attributable to non-controlling interests	16,884	21,403
Profit attributable to owners of parent	1,016,058	842,886

Quarterly consolidated comprehensive statements of income
Consolidated first quarter

	(Unit: thousand yen)	
	Q1 FY2017 (January 1, 2017 – March 31, 2017)	Q1 FY2018 (January 1, 2018 – March 31, 2018)
Profit	1,032,943	864,290
Other comprehensive income		
Valuation difference on available-for-sale securities	-5,290	50,819
Foreign currency translation adjustment	-7,093	-28,587
Remeasurements of defined benefit plans, net of tax	-131	266
Share of other comprehensive income of entities accounted for using equity method	-837	-20,073
Total other comprehensive income	-13,352	2,424
Comprehensive income	1,019,590	866,715
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,005,261	850,096
Comprehensive income attributable to non-controlling interests	14,328	16,618

(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)

Not applicable

(Significant subsequent events)

At its Board of Directors meeting on May 15, 2018, AOI TYO Holdings resolved to dispose of treasury shares by means of third-party allotment with the introduction of "board benefit trust (BBT)", a performance-based stock awards system (hereinafter the "System") announced in a timely disclosure dated February 27, 2018 titled "Notice of the Introduction of the Performance-Based Stock Awards System"(only in Japanese language). Details are as follows.

1. Summary for the disposal

(1) Disposal date	Thursday, May 31, 2018
(2) Number of shares to be disposed of	144,400 shares of common stock
(3) Disposal value	1,606 yen per share
(4) Total disposal value	231,906,400 yen
(5) Party to obtain shares to be disposed of	Trust & Custody Services Bank, Ltd. (Trust E Account)
(6) Other matters	The disposal of treasury shares is subject to the effectiveness of the registration statement under the Financial Instruments and Exchange Act.

2. Purposes and reasons for the disposal

For the purpose of owning and disposing of its shares for operating the System, AOI TYO Holdings will dispose of treasury shares by means of third party allotment to Trust E Account of Mizuho Trust & Banking Co., Ltd., a trustee of Trust & Custody Services Bank, Ltd. (a trust AOI Pro. Inc. established on September 1, 2015 (hereinafter the "trust before succession")) through the disposal of treasury shares stated above by third party allotment.

AOI TYO Holdings plans to establish the trust on the disposal date in way to be transferred the contractual status of a trust or of the trust before succession.