



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

November 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: November 14, 2018
Scheduled date of commencement of dividend payment: —
Supplementary documents for quarterly results: Yes
Quarterly results briefing: No

(Rounded down to the nearest million yen)

1. Consolidated Financial Results for the Third Quarter (from January 1, 2018 to September 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 | % |
| Q3 FY2018: | 45,368 | -8.0 | 2,365 | -32.8 | 2,374 | -29.6 | 1,520 | -19.9 |
| Q3 FY2017: | 49,339 | — | 3,519 | — | 3,372 | — | 1,897 | — |

(Note) Comprehensive income Q3 FY2018: 1,424 million yen (-30.5%) Q3 FY2017: 2,048 million yen (-%)

| | Net income per share | Diluted net income per share |
|------------|----------------------|------------------------------|
| | Yen | Yen |
| Q3 FY2018: | 64.15 | 63.32 |
| Q3 FY2017: | 79.88 | 78.80 |

(Note) No year-on-year change is stated for Q3 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 | % |
| Q3 FY2018: | 55,260 | 25,798 | 45.0 |
| FY2017 | 59,737 | 25,706 | 41.3 |

(For reference) Shareholders' equity Q3 FY2018: 24,853 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 | 97.04 |

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

* Notes

(1) Important changes in subsidiaries for the third 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

| | | | |
|-----------|-------------------|--------|-------------------|
| Q3 FY2018 | 24,566,447 shares | FY2017 | 24,566,447 shares |
|-----------|-------------------|--------|-------------------|

(ii) Number of treasury stock at end of period

| | | | |
|-----------|------------------|--------|----------------|
| Q3 FY2018 | 1,053,813 shares | FY2017 | 745,627 shares |
|-----------|------------------|--------|----------------|

(iii) Average number of issued shares

| | | | |
|-----------|-------------------|-----------|-------------------|
| Q3 FY2018 | 23,701,594 shares | Q3 FY2017 | 23,757,656 shares |
|-----------|-------------------|-----------|-------------------|

(Note) The number of treasury stock includes the shares that Trust & Custody Services Bank, Ltd. (trust account E) holds as trust property related to a Board Benefit Trust system (274,500 shares as of FYE December 2017; 418,900 shares as of Q3, FYE December 2018).

* 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.

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1. Qualitative Information on Results in the Third 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 third 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 nine 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 consolidated third quarter sales in our solutions business and other productions (events, PR, etc.) that provide 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) and a decline in print sales*. Advertising Video Production Business sales in the second quarter and beyond have been nearly level with the same period in the prior fiscal year. However, order backlog for the cumulative consolidated third quarter fell to ¥13,466 million (decrease of 22.3% year on year). Note, however, that order backlog at the end of the same period in the prior fiscal year included a large-scale movie project and major long-term contracts recognized in the subsequent fiscal year.

Despite an increase in expenses associated with the formation of a new company and an office relocation, our ongoing efforts to instill management control of external expenditures related to our advertising video production business kept year-on-year profit declines smaller in scope than sales declines for the first nine months of the current fiscal year.

As a result, the AOI TYO Group recorded net sales of ¥45,368 million for the nine-month period ending September 2018, representing an 8.0% decrease year on year. Operating profit amounted to ¥2,365 million (32.8% decrease), while ordinary profit and profit attributable to owners of parent amounted to ¥2,374 million and ¥1,520 million, representing decreases of 29.6% and 19.9%, respectively. Selling, general and administrative expenses included ¥250 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 third quarter amounted to ¥55,260 million, a ¥4,477 million decrease compared to the end of the prior consolidated fiscal year. This decrease was mainly due to decreases in notes and accounts receivable and cash and deposits of ¥4,269 million and ¥2,159 million respectively, offset in part due to an increase in work in process of ¥1,900 million.

Liabilities decreased ¥4,570 million to ¥29,461 million. Although long-term loans payable increased ¥1,543 million, short-term loans payable and accounts payable decreased ¥4,155 million and ¥1,543 million, respectively.

Net assets amounted to ¥25,798 million, an increase of ¥92 million compared to the end of the prior consolidated fiscal year. While retained earnings rose ¥1,520 million due to profit attributable to owners of parent, the AOI TYO Group paid ¥721 million in dividend payments and recorded an increase of ¥526 million in treasury stock.

(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) | Q3 FY2018 (September 30, 2018) |
|---|-------------------------------|-----------------------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 12,573,956 | 10,414,403 |
| Notes and accounts receivable - trade | 17,813,558 | 13,544,008 |
| Electronically recorded monetary claims | 6,208,110 | 4,544,560 |
| Merchandise and finished goods | 16,128 | 15,380 |
| Work in process | 3,629,657 | 5,529,725 |
| Other | 1,297,266 | 1,425,447 |
| Allowance for doubtful accounts | (35,271) | (37,176) |
| Total current assets | 41,503,406 | 35,436,348 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Land | 4,289,822 | 3,610,212 |
| Other | 3,390,024 | 3,775,436 |
| Total property, plant and equipment | 7,679,846 | 7,385,649 |
| Intangible assets | | |
| Software | 171,168 | 178,612 |
| Software in progress | 975,504 | 1,544,954 |
| Goodwill | 4,106,706 | 4,205,986 |
| Other | 15,723 | 15,853 |
| Total intangible assets | 5,269,103 | 5,945,407 |
| Investments and other assets | | |
| Investment securities | 2,787,996 | 3,465,388 |
| Lease and guarantee deposits | 1,318,377 | 1,623,902 |
| Other | 1,255,572 | 1,478,600 |
| Allowance for doubtful accounts | (76,430) | (74,991) |
| Total investments and other assets | 5,285,515 | 6,492,900 |
| Total non-current assets | 18,234,466 | 19,823,956 |
| Total assets | 59,737,872 | 55,260,305 |

(Thousands of yen)

| | FY2017 (December 31, 2017) | Q3 FY2018 (September 30, 2018) |
|---|-------------------------------|-----------------------------------|
| Liabilities | | |
| Current liabilities | | |
| Accounts payable | 7,341,915 | 5,798,798 |
| Short-term loans payable | 10,443,335 | 6,288,308 |
| Current portion of long-term loans payable | 2,329,624 | 2,269,450 |
| Advances received | 758,125 | 1,701,207 |
| Income taxes payable | 1,175,623 | 593,299 |
| Provision for bonuses | 82,298 | 100,582 |
| Other | 3,144,339 | 2,450,002 |
| Total current liabilities | 25,275,262 | 19,201,648 |
| Non-current liabilities | | |
| Long-term loans payable | 3,465,280 | 5,008,805 |
| Long-term deposits received | 3,501,199 | 3,501,199 |
| Provision for directors' retirement benefits | 285,345 | 251,932 |
| Provision for management board incentive plan trust | 105,832 | 173,109 |
| Net defined benefit liability | 248,570 | 274,371 |
| Asset retirement obligations | 355,935 | 404,597 |
| Other | 794,392 | 646,071 |
| Total non-current liabilities | 8,756,557 | 10,260,087 |
| Total liabilities | 34,031,819 | 29,461,736 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 5,000,000 | 5,000,000 |
| Capital surplus | 12,074,353 | 12,121,145 |
| Retained earnings | 7,823,773 | 8,624,690 |
| Treasury shares | (711,360) | (1,237,628) |
| Total shareholders' equity | 24,186,766 | 24,508,208 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 444,466 | 328,792 |
| Foreign currency translation adjustment | 42,391 | 13,486 |
| Remeasurements of defined benefit plans | 1,884 | 2,540 |
| Total accumulated other comprehensive income | 488,742 | 344,819 |
| Subscription rights to shares | 140,824 | 115,631 |
| Non-controlling interests | 889,719 | 829,909 |
| Total net assets | 25,706,052 | 25,798,568 |
| Total liabilities and net assets | 59,737,872 | 55,260,305 |

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

Quarterly consolidated statements of income

Cumulative consolidated third quarter

(Thousands of yen)

| | Q3 FY2017 (January 1, 2017 – September 30, 2017) | Q3 FY2018 (January 1, 2018 – September 30, 2018) |
|---|--|--|
| Net sales | 49,339,133 | 45,368,825 |
| Cost of sales | 39,377,002 | 36,368,273 |
| Gross profit | 9,962,131 | 9,000,551 |
| Selling, general and administrative expenses | 6,442,922 | 6,635,183 |
| Operating profit | 3,519,208 | 2,365,367 |
| Non-operating income | | |
| Interest income | 9,600 | 7,907 |
| Dividend income | 20,464 | 25,096 |
| Share of profit of entities accounted for using equity method | 3,344 | — |
| Gain on investments in partnership | 29,482 | 168,567 |
| Other | 73,819 | 79,557 |
| Total non-operating income | 136,711 | 281,128 |
| Non-operating expenses | | |
| Interest expenses | 66,984 | 59,483 |
| Commission fee | 178,686 | 120,521 |
| Share of loss of entities accounted for using equity method | — | 54,119 |
| Other | 37,833 | 37,851 |
| Total non-operating expenses | 283,503 | 271,976 |
| Ordinary profit | 3,372,416 | 2,374,519 |
| Extraordinary income | | |
| Gain on sales of non-current assets | — | 401,336 |
| Gain on sales of investment securities | 18,142 | 90,661 |
| Gain on step acquisitions | 11,732 | — |
| Other | 3,722 | 288 |
| Total extraordinary income | 33,597 | 492,285 |
| Extraordinary losses | | |
| Impairment loss | 23,587 | — |
| Business structure improvement expenses | 23,498 | — |
| Loss on cancellation of rental contracts | 19,091 | — |
| Other | 21,696 | — |
| Total extraordinary losses | 87,873 | — |
| Profit before income taxes | 3,318,140 | 2,866,805 |
| Income taxes - current | 1,287,303 | 1,284,424 |
| Income taxes - deferred | 60,824 | 7,952 |
| Total income taxes | 1,348,128 | 1,292,376 |
| Profit | 1,970,012 | 1,574,428 |
| Profit attributable to non-controlling interests | 72,179 | 53,898 |
| Profit attributable to owners of parent | 1,897,832 | 1,520,529 |

Quarterly consolidated comprehensive statements of income

Cumulative consolidated third quarter

| | (Thousands of yen) | |
|--|--|--|
| | Q3 FY2017 (January 1, 2017 – September 30, 2017) | Q3 FY2018 (January 1, 2018 – September 30, 2018) |
| Profit | 1,970,012 | 1,574,428 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 50,341 | (115,673) |
| Foreign currency translation adjustment | 20,480 | (35,170) |
| Remeasurements of defined benefit plans, net of tax | (345) | 655 |
| Share of other comprehensive income of entities accounted for using equity method | 8,346 | (12) |
| Total other comprehensive income | 78,822 | (150,200) |
| Comprehensive income | 2,048,834 | 1,424,227 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 1,972,757 | 1,375,469 |
| Comprehensive income attributable to non-controlling interests | 76,076 | 48,758 |

(3) 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.