

AOI TYO Holdings

Consolidated Financial Results for the Third Quarter
of the Fiscal Year Ending December 31, 2018

November 2018

AOI TYO Holdings Inc.

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1. Summary of Consolidated Financial Results

Financial Highlights

- Lower net sales year on year due to (1) Consistent profit management emphasizing profitability and (2) strict order acceptance associated with work-style reform. However, profit margin improved, limiting the decline in operating income.

(million yen)	Q3 FY2016	Q3 FY2017	Q3 FY2018	YoY Change
Net Sales	47,736	49,339	45,368	- 3,970
Operating Income	2,965	3,519	2,365	- 1,153
Ordinary Income	2,597	3,372	2,374	- 997
Profit Attributable to Owners of Parent	1,126	1,897	1,520	- 377
EBITDA	3,692	4,389	3,231	- 1,158

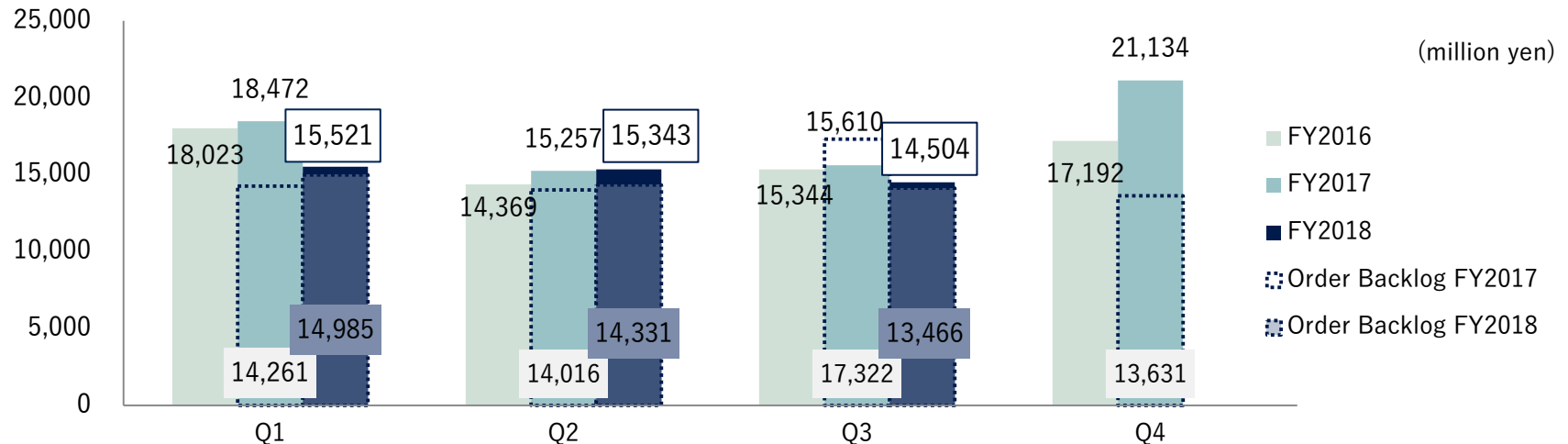
* Operating profit: Sales - external expenditures

* The results for 2016 are simple totals of the consolidated financial results of AOI Pro. Inc. and TYO Inc. for the calendar years (based on pro forma statements for the end of the fiscal year ending December 31).

Trend of Net Sales by Quarter and Order Backlog

- While Q1 sales fell significantly year on year, sales for Q2 and beyond were level with the prior year.
- Order backlog as of the end of Q3 amounted to 13,466 million yen (22.3% lower year on year).

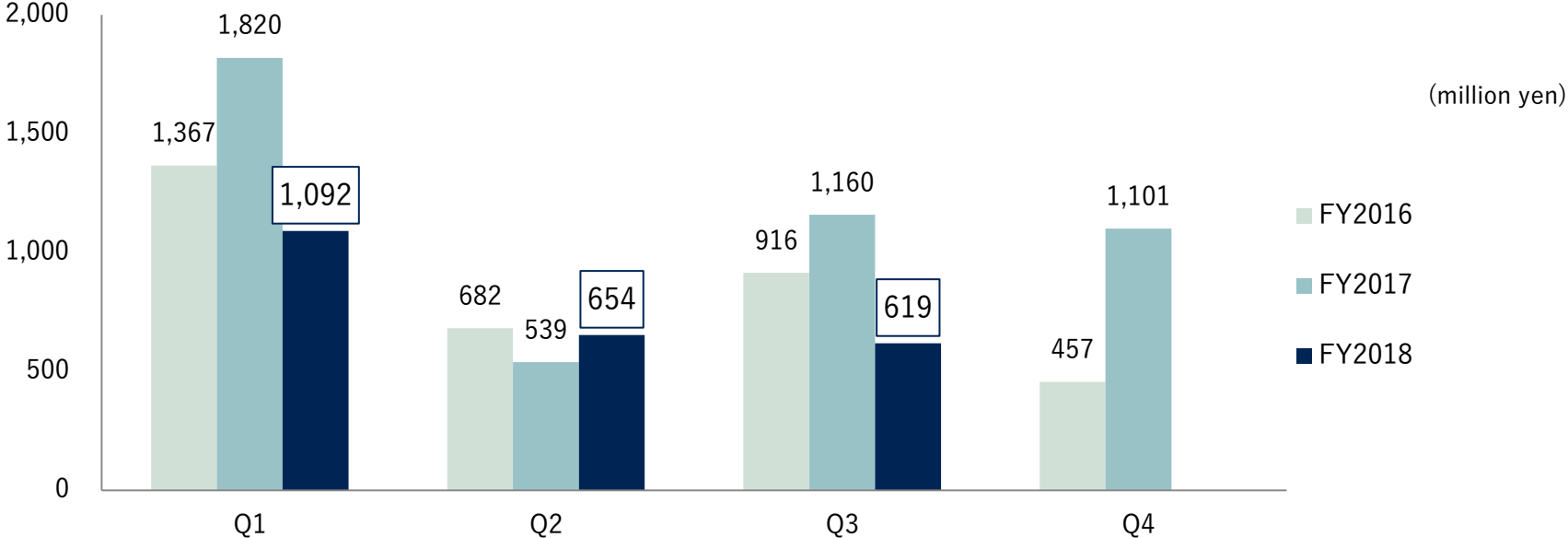
However, prior year order backlog included about 2,300 million yen in large-scale movie projects and major, long-term contracts recognized in the subsequent fiscal year.



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Trends of Operating Income by Quarter

- Q3 operating income fell year on year, due to lower sales and overhead expenses mainly related to office relocation.

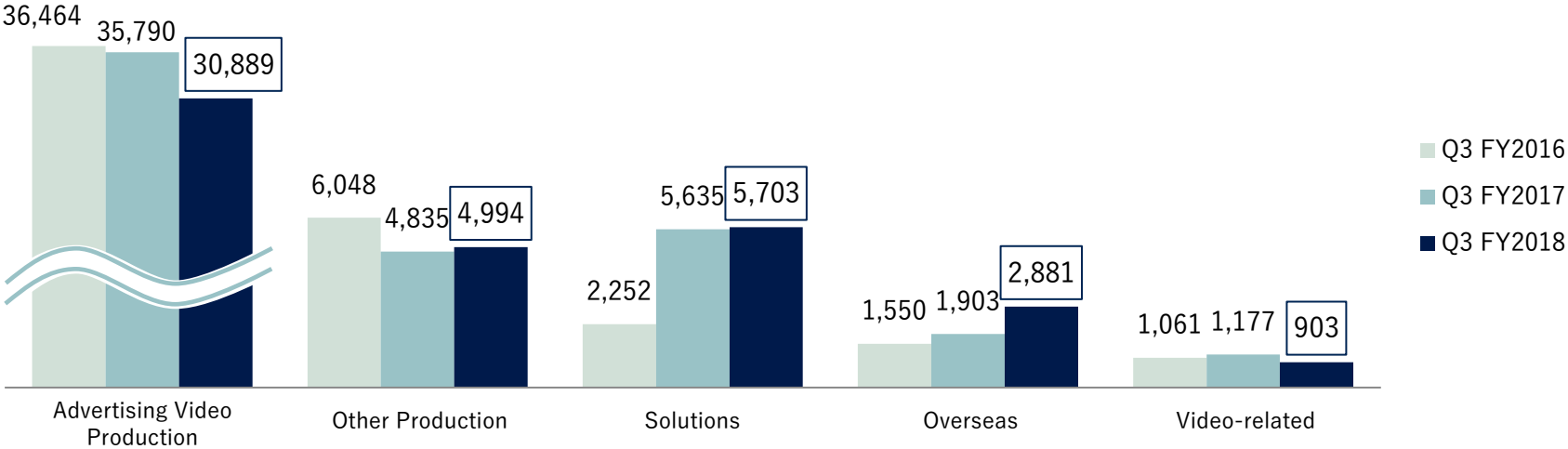


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Net Sales by Business Segment

- Advertising Video Production Business sales fell.
- Overseas Business sales rose, mainly due to the addition of a newly consolidated advertising production subsidiary in Malaysia.

(million yen)



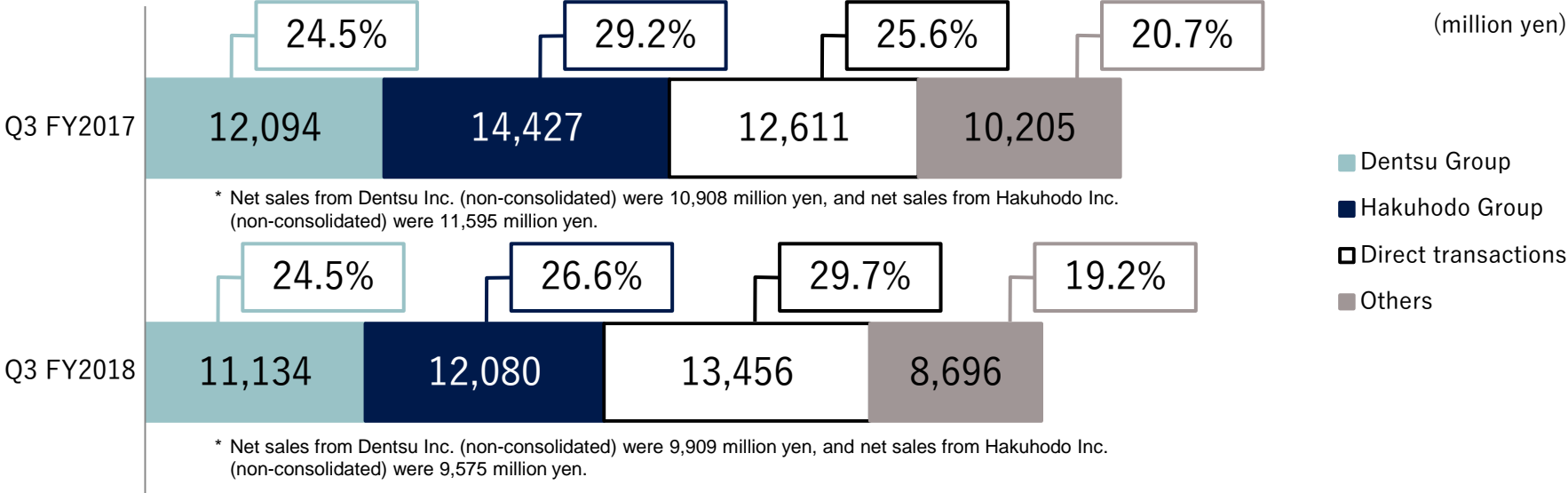
Overview of Business Segments

Business	Overview
Advertising Video Production	Planning and production of advertising videos such as television commercials. The core business of AOI Pro. and TYO, whose merger resulted in the largest share in the industry of the business.
Other Production	Production of materials other than advertising videos, which includes the planning and production of movies, TV dramas, events, digital contents production and promotional materials.
Solutions	Delivers solutions that solve customer issues. Services include direct engagement with advertisers and one-stop online video advertising solutions (planning, production, media distribution, data analysis). Experience design and marketing support based on vital sign data collected during VR experiences.
Overseas	Offices in China and Southeast Asia working to grow business with Japan-based and local companies. Promoting M&As in this segment.
Video-related	Projects other than advertising, including the operation of photo studios and the production of music videos.

* The Advertising Business Segment includes Advertising Video Production, Other Production, Solutions, and Overseas Business.
The Video-related Business Segment includes Video-related Businesses.

Net Sales by Customer

- Sales to advertising agencies declined.
- As with our Solution Business, direct business with advertisers rose, driven by other productions (events, PR, etc.).



Net Sales by Medium

(million yen)

Medium	FY2017	Component Ratio	Q3 FY2018	Component Ratio	YoY Change
TV commercial production	44,119	63.2%	27,037	58.9%	- 4,676
Original work	38,360	54.2%	23,109	50.3%	- 4,323
Printed commercial materials	2,745	3.9%	1,467	3.2%	- 556
Other	3,014	4.3%	2,461	5.4%	203
Entertainment contents	3,865	5.5%	1,650	3.6%	- 281
Digital contents	11,312	16.0%	7,336	16.0%	- 792
Overseas	2,801	4.0%	3,097	6.7%	1,746
Other	8,727	12.3%	6,781	14.8%	774
Total	70,825	100.0%	45,901	100.0%	- 3,228

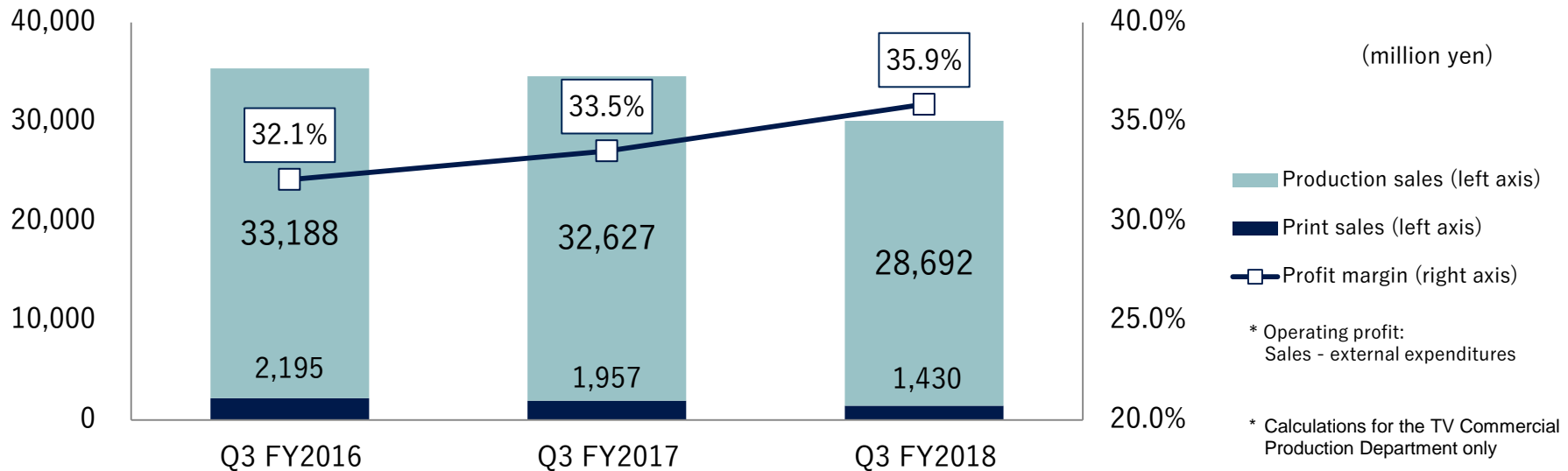
* The results are simple totals of the consolidated financial results of AOI Pro. Inc. and TYO Inc. We have made a partial revision to aggregation classifications beginning this period.

Summary of Consolidated Balance Sheet

(million yen)	FY2017	Q3 FY2018	Major Components
Current Assets	41,503	35,436	Cash and deposits (-2,159); notes and accounts receivable (-4,269); electronically recorded monetary claims (-1,663); work in process (+1,900)
Non-current Assets	18,234	19,823	Property, plant, and equipment (-294); intangible assets (+676); investments and other assets (+1,207)
Total Assets	59,737	55,260	
Current Liabilities	25,275	19,201	Accounts payable (-1,543); short-term loans payable (-4,155); advances received (+943); income taxes payable (-582)
Non-current Liabilities	8,756	10,260	Long-term loans payable (+1,543)
Total Liabilities	34,031	29,461	
Total Net Assets (percentage of total assets)	25,706 (43.0%)	25,798 (46.7%)	Retained earnings (+800); treasury stock (-526)
Total Liabilities and Net Assets	59,737	55,260	

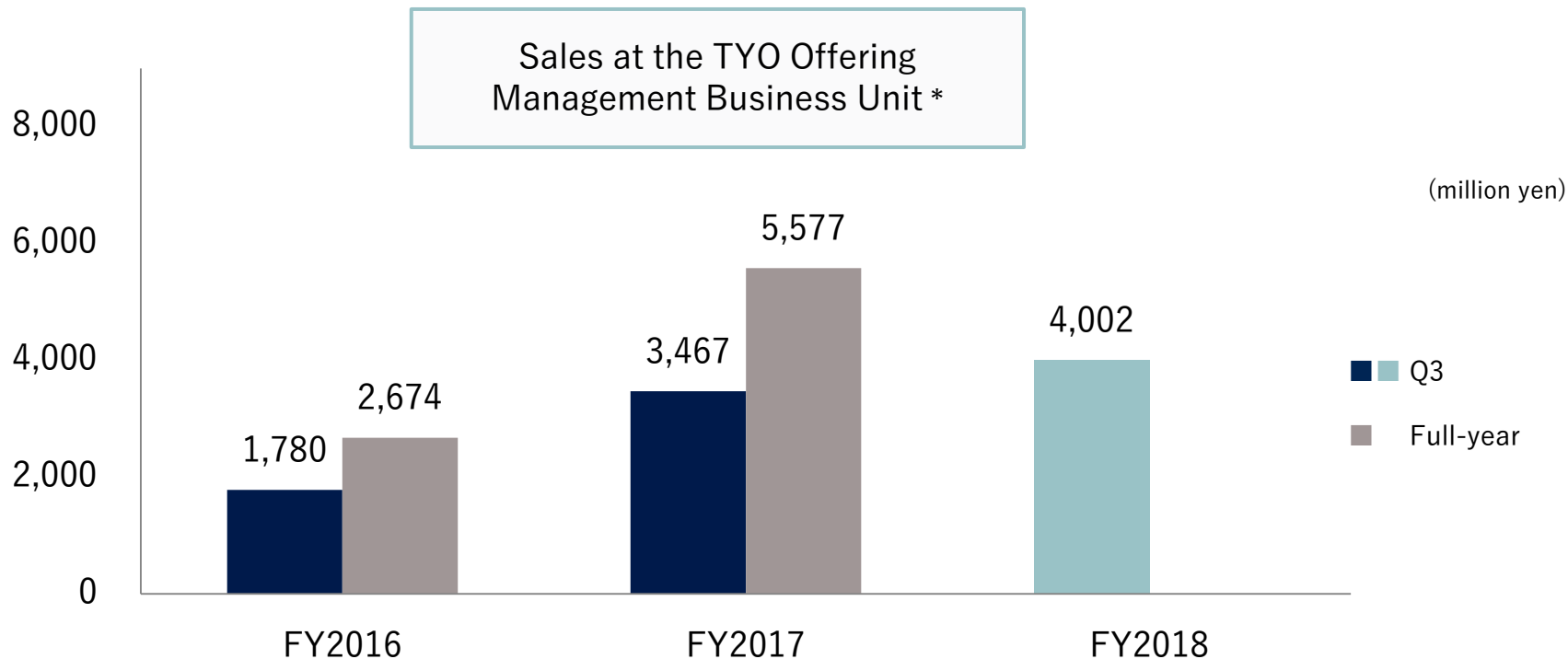
Initiatives in the Advertising Video Production Business

- While net sales fell 27% due to the advancement of printless methods, profit margin continues to improve with greater focus on cost control over external expenditures.



*Printless: 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, delivery of this content has been gradually shifting to online data transmission, resulting in a decline in print sales.

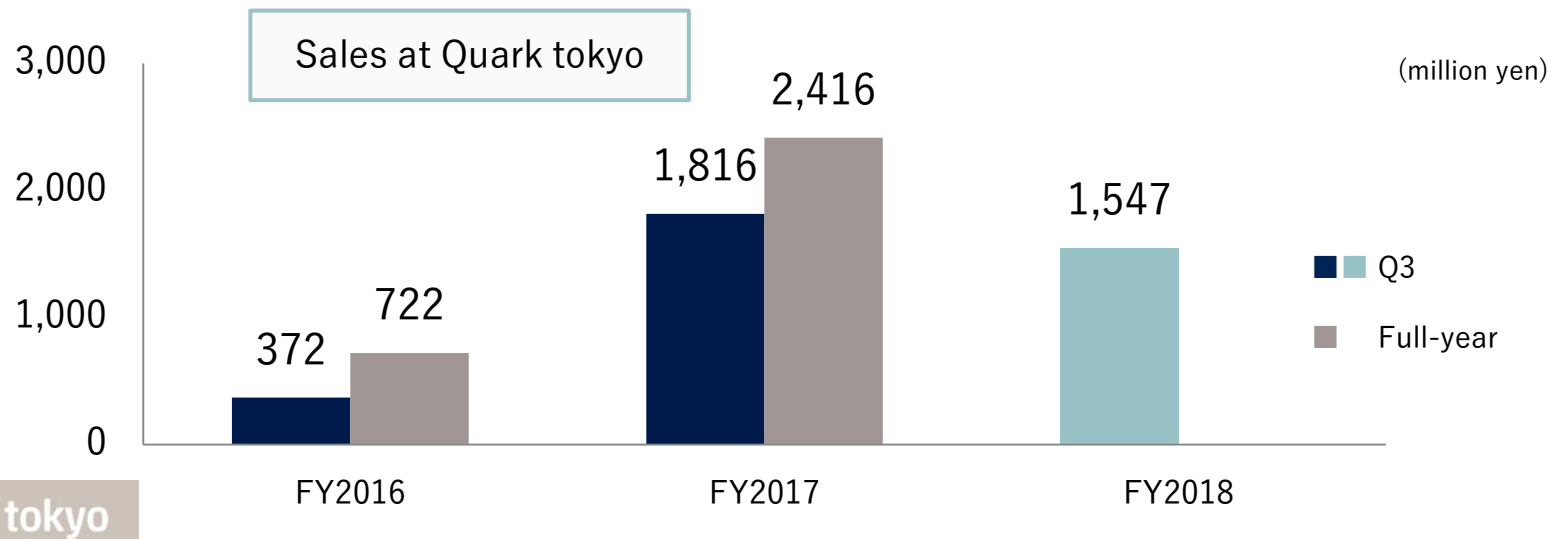
Initiatives in the Solutions Business (1)



* Renamed from TYO General Business Division Headquarters

Initiatives in the Solutions Business (2)

- While Quark tokyo recorded higher online video advertising production revenues year on year, sales were lower overall, mainly due to a major planning and consulting project in the same period of the prior fiscal year.

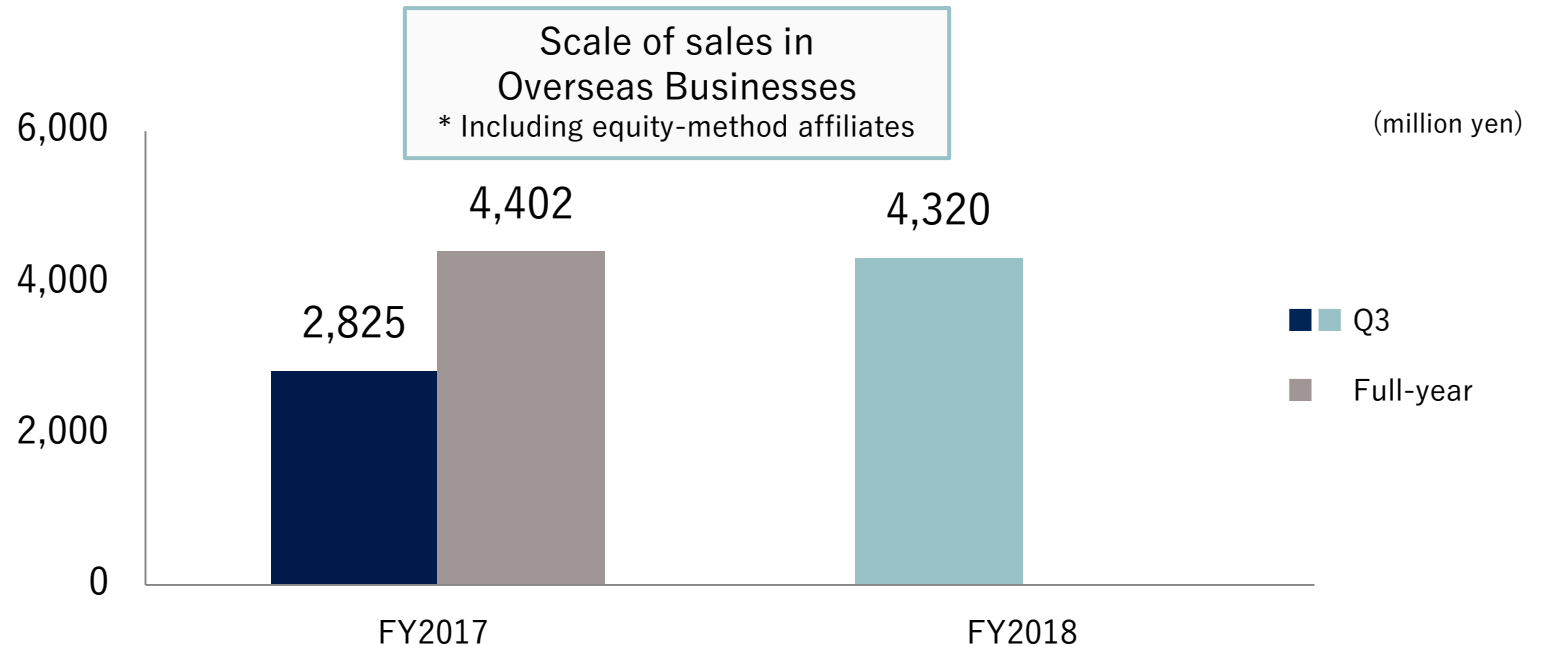


Specialists from each discipline form teams to offer a one-stop PDCA solution, from strategic proposals and planning to production, data analysis, and media distribution.

Initiatives in the Overseas Business

- Sales grew significantly, mainly due to converting the DTT Group (Malaysia) to a subsidiary.

※ DTT : DIRECTORS THINK TANK



2. Consolidated Earnings Forecast

Progress in Consolidated Earnings Forecast

(million yen)	FY2018	FY2018		FY2018	
	Q3 Result	Fiscal Year Forecast	YoY Change	Q4 Requirement	YoY Change
Net Sales	45,368	64,000	- 6,473	18,632	- 2,502
Operating Income	2,365	3,800	- 819	1,435	335
Operating Margin	5.2%	5.9%	-	-	-
Ordinary Income	2,374	3,700	- 694	1,326	304
Profit Attributable to Owners of Parent	1,520	2,300	- 481	780	- 104
EBITDA	3,231	5,230	- 526	-	-

Shareholder Return

- Dividend: AOI TYO Holdings plans to pay a dividend of 30 yen per share (ordinary dividends) for the fiscal year ending December 31, 2018.

	End of Q2	End of FY	Total	Dividend Payout Ratio	DOE
FY 2017	8 yen	22 yen (incl. commemorative dividend of 10 yen)	30 yen (incl. commemorative dividend of 10 yen)	25.6%	2.9%
FY 2018	8 yen	22 yen (forecast)	30 yen (forecast)	31.4%	2.8%

- Purchase of treasury shares: AOI TYO Holdings made the following decisions concerning the purchase of treasury shares.

	Period of Purchase	Type of Shares	Total Number of Shares Purchased	Total Value of Shares purchased
FY 2017	May 16, 2017 - Feb. 27, 2018	Common Stock	261,400 shares	289,631,200 yen
FY 2018	Jun. 1, 2018 – May 31, 2019	Common Stock	400,000 shares	531,200,000 yen

Disclaimer

This document includes future forecasts that reflect the plans and outlook of AOI TYO Holdings.

The future forecasts and related descriptions are based on information available to the company at the time of the preparation of this document, and the forecasts are affected by the economic environment of the company's businesses, competition, the results of new services provided, and other factors that involve uncertainties. Please acknowledge, therefore, that the actual business results may deviate significantly from the forecasts and related information provided in this document.

In addition, the company does not have any obligation to update and publish the information concerning future forecasts in this document after its publication.

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