



Summary of Consolidated Financial Results (Japanese Accounting Standards) for the First Quarter of the Fiscal Year Ending December 31, 2020

May 19, 2020

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 Stock Exchange: Tokyo Stock Exchange
 Code: 3975
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 Scheduled date of submission of quarterly report: May 19, 2020
 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 First Quarter (from January 1, 2020 to March 31, 2020)

(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 FY2020 | 13,049 | -15.7 | 116 | -81.6 | 5 | -99.1 | -32 | — |
| Q1 FY2019 | 15,470 | -0.3 | 633 | -42.0 | 564 | -45.3 | 263 | -68.7 |

(Note) Comprehensive income Q1 FY2020: -226 million yen (-%) Q1 FY2019: 356million yen (-58.8%)

| | Net income per share | Diluted net income□ per share |
|-----------|----------------------|----------------------------------|
| | Yen | Yen |
| Q1 FY2020 | -1.40 | — |
| Q1 FY2019 | 11.20 | 11.15 |

(2) Consolidated financial position

| | Total assets | Net assets | Equity ratio |
|---------|--------------|-------------|--------------|
| | Million yen | Million yen | % |
| Q1 FY20 | 52,349 | 22,849 | 42.9 |
| FY2019 | 53,352 | 23,363 | 43.0 |

(For reference) Shareholders' equity Q1 FY2020: 22,433 million yen FY2019: 22,935 million yen

2. Dividends

| | Dividends per share | | | | |
|-------------------|---------------------|-----------|-----------|----------|--------|
| | End of Q1 | End of Q2 | End of Q3 | Year end | Annual |
| | Yen | Yen | Yen | Yen | Yen |
| FY2019 | — | 8.00 | — | 12.00 | 20.00 |
| FY2020 | — | | | | |
| FY2020 (forecast) | | 8.00 | — | 12.00 | 20.00 |

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

3. Consolidated Financial Forecast for FY2020 (January 1, 2020 to December 31, 2020)

The consolidated forecast for the fiscal year ending December 31, 2020 has not been determined as it is difficult to make a reasonable calculation. We will promptly announce the earnings forecast when it becomes possible to calculate it.

* 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)

| | | | | | |
|----|--------|-------------------|----|--------|-------------------|
| Q1 | FY2020 | 24,566,447 shares | Q1 | FY2019 | 24,566,447 shares |
|----|--------|-------------------|----|--------|-------------------|

(ii) Number of treasury stock at end of period

| | | | | | |
|----|--------|------------------|----|--------|------------------|
| Q1 | FY2020 | 1,100,062 shares | Q1 | FY2019 | 1,109,564 shares |
|----|--------|------------------|----|--------|------------------|

(iii) Average number of issued shares

| | | | | | |
|----|--------|-------------------|----|--------|-------------------|
| Q1 | FY2020 | 23,456,609 shares | Q1 | FY2019 | 23,553,340 shares |
|----|--------|-------------------|----|--------|-------------------|

(Note)

The number of treasury stock includes the 418,900 shares that Trust & Custody Services Bank, Ltd. (trust account E) holds as trust property related to a Board Benefit Trust system.

* This summary of financial results is not subject to review by a certified public accountant or certified public accounting firm.

* 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 more about assumptions underlying earnings forecasts and cautions regarding the use of earnings forecasts, see 1. *Qualitative Information on Results* (3) *Description of Information on Outlook* on P.3 of Attachments.

Attachments

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1. Qualitative Information on Results in the First Quarter

(1) Discussion of operating results

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

During the consolidated first quarter, the spread of COVID-19 caused a dramatic global slowdown in economic activities. The Japanese economy saw a sharp decline in inbound demand, as well as temporary business closures and shortened hours of operations across a wide variety of businesses beginning in March in conjunction with voluntary restraints on non-essential travel outside the home. This and other factors have pushed the Japanese economy into a significant decline.

The AOI TYO Group began implementing anti-infection measures in the middle of February, canceling or postponing travel to Asia, including travel for filming. In late February, we restricted meetings to 20 or fewer people and limited domestic and international business trips (any trips required the approval of a director). Responding to the government's request to cancel events and the declaration of emergency in Hokkaido, we implemented a complete ban on domestic and international business trips. As film production falls under the Three C's (avoid closed, crowded, close-contact spaces), we have adopted measures to change production details and limit the scope of production in the planning stages. In late March, we began asking advertising agencies and advertisers to postpone filming.

Under these circumstances, the AOI TYO Group recorded net sales of ¥13,049 million, ¥2,421 million lower than the same period in the prior fiscal year. This performance reflected delays in filming and editing of video advertising production projects from major advertising agencies, cancellations and postponements of events in our advertisement-related business, and the drop-off in sales from underperforming subsidiaries that we restructured in the prior fiscal year. Of this decrease in sales, we can identify ¥1,850 million related to postponements or cancellations of projects due to COVID-19. On the other hand, order backlog for the consolidated first quarter amounted to ¥16,910 million, up ¥998 million year on year.

Sales declines had a significant impact on profits. Operating profit, ordinary profit, and profit all underperformed year on year, despite having recorded impairment loss related to software and costs related to restructuring at poorly performing subsidiaries in the prior year.

As a result, the AOI TYO Group recorded net sales of ¥13,049 million for the consolidated first quarter, representing a 15.7% decrease compared to year-ago quarter. Operating profit amounted to ¥116 million (81.6% decreases), while ordinary profit amounted to ¥5 million representing decreases of 99.1%, and loss attributable to owners of parent amounted to ¥32 million (¥263 million of profit attributable to owners of parent in the same period of prior fiscal year). Selling, general and administrative expenses included ¥85 million in amortization of goodwill associated with M&A activity.

(2) Discussion of financial position

Total assets as of the end of the consolidated first quarter amounted to ¥52,349 million, a ¥1,002 million decrease compared to the end of the prior consolidated fiscal year. This decrease was mainly due to a decrease in notes and accounts receivable of 3,277 million yen, compared to increases in work in process of ¥1,514 million and electronically recorded monetary claims of ¥697 million.

Liabilities decreased by 487 million yen compared with the end of the prior fiscal year to 29,500 million yen. Although short-term loans payable increased ¥2,300 million, accounts payable and long-term loans payable decreased ¥1,431 million and ¥742 million, respectively.

Net assets amounted to ¥22,849 million, a decrease of ¥514 million compared to the end of the prior consolidated fiscal year, mainly due to decrease in retained earnings of ¥286 million by dividend payments.

(3) Discussion of consolidated results forecasts

As stated in the *Notice Regarding Delay of Consolidated Financial Results Announcement for the First Quarter of the Fiscal Year Ending December 2020 and Revision to Second Quarter and Full-year Consolidated Performance Forecast* on April 28, 2020, the AOI TYO Group has retracted its forecasts announced on February 19, 2020, and has not yet determined its forecasts for the first half and full year of the fiscal year ending December 31, 2020.

① Response to and Impact of COVID-19

AOI TYO Group is strengthening our response to prevent the spread of COVID-19. For the time being, we are requiring employees to work from home as a rule and restricting access to our physical facilities. Placing the highest priority on the safety and health of our business partners and employees, as well as to respond to social demand for preventing the spread of COVID-19, we have asked those involved in filming and editing advertising production projects that require interactions between two or more people to postpone their work.

Even if the declaration of emergency is lifted in the future, measures are still likely to be required to prevent the spread of COVID-19. The degree of such requirements has not been clarified at this time, so it is difficult to determine the extent to which the AOI TYO Group and our video and event production operations will be affected. Even in such a situation, we are adopting planning and production methods that avoid the Three C's (closed spaces, crowded spaces, close contact) to minimize the risk of infection. We are also talking with advertising agencies and advertisers, continuing advertising communications activities as appropriate while ensuring production set safety.

Furthermore, the stagnation of economic activity caused by COVID-19 may exacerbate the economic situation and dampen corporate earnings in Japan and overseas, resulting in lower demand for advertising. However, it is difficult to provide a rational calculation of this impact on orders for group services at this time.

Our consolidated cash and deposits as of March 2020 amounted to ¥9,142 million and we maintain a high current ratio of 188.7%. Besides, we have closed commitment lines with a number of financial institutions for a combined ¥12 billion (¥3.2 billion outstanding as of March 2020). We also plan to secure long-term loans during the second quarter of fiscal 2020 to ensure sufficient liquidity.

② Future Outlook

Given the current situation, we will continue leave our results forecast undecided until we are able to calculate projections, at which point we will make an announcement.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly consolidated balance sheets

| | (Unit: thousand yen) | |
|---|--------------------------------|-------------------------------|
| | FY 2019 (December 31, 2019) | Q1 FY2020 (March 31, 2020) |
| Assets | | |
| Current assets | | |
| Cash and deposits | 9,111,122 | 9,142,175 |
| Notes and accounts receivable - trade | 16,873,978 | 13,596,093 |
| Electronically recorded monetary claims - operating | 4,413,564 | 5,110,573 |
| Merchandise and finished goods | 7,301 | 7,202 |
| Work in process | 4,510,288 | 6,024,878 |
| Other | 1,125,296 | 1,261,056 |
| Allowance for doubtful accounts | (37,727) | (38,536) |
| Total current assets | 36,003,823 | 35,103,442 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Land | 3,606,822 | 3,593,652 |
| Other | 3,477,826 | 3,377,906 |
| Total property, plant and equipment | 7,084,649 | 6,971,559 |
| Intangible assets | | |
| Software | 161,589 | 234,213 |
| Goodwill | 4,010,215 | 3,911,018 |
| Other | 103,479 | 15,994 |
| Total intangible assets | 4,275,284 | 4,161,225 |
| Investments and other assets | | |
| Investment securities | 1,787,051 | 1,514,978 |
| Deferred tax assets | 1,328,303 | 1,521,338 |
| Lease and guarantee deposits | 1,522,658 | 1,535,995 |
| Other | 2,125,874 | 2,307,360 |
| Allowance for doubtful accounts | (775,409) | (766,195) |
| Total investments and other assets | 5,988,478 | 6,113,477 |
| Total non-current assets | 17,348,413 | 17,246,262 |
| Total assets | 53,352,237 | 52,349,704 |

(Unit: thousand yen)

| | FY 2019 (December 31, 2019) | Q1 FY2020 (March 31, 2020) |
|---|--------------------------------|-------------------------------|
| Liabilities | | |
| Current liabilities | | |
| Accounts payable - trade | 8,697,200 | 7,265,565 |
| Short-term loans payable | 3,200,000 | 5,500,000 |
| Current portion of long-term loans payable | 3,073,876 | 3,038,947 |
| Advances received | 899,779 | 1,162,813 |
| Income taxes payable | 428,710 | 190,009 |
| Provision for bonuses | 72,660 | 71,377 |
| Other | 1,970,931 | 1,378,058 |
| Total current liabilities | 18,343,158 | 18,606,771 |
| Non-current liabilities | | |
| Long-term loans payable | 6,672,675 | 5,930,281 |
| Long-term deposits received | 3,501,199 | 3,501,199 |
| Provision for directors' retirement benefits | 261,883 | 249,112 |
| Provision for management board incentive plan trust | 254,811 | 261,208 |
| Net defined benefit liability | 267,504 | 281,584 |
| Asset retirement obligations | 491,279 | 480,215 |
| Other | 195,809 | 190,260 |
| Total non-current liabilities | 11,645,165 | 10,893,862 |
| Total liabilities | 29,988,323 | 29,500,634 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 5,000,000 | 5,000,000 |
| Capital surplus | 12,172,896 | 12,173,895 |
| Retained earnings | 7,056,711 | 6,737,248 |
| Treasury shares | (1,259,085) | (1,259,417) |
| Total shareholders' equity | 22,970,523 | 22,651,726 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 10,693 | (140,301) |
| Foreign currency translation adjustment | (44,141) | (75,891) |
| Remeasurements of defined benefit plans | (1,945) | (1,624) |
| Total accumulated other comprehensive income | (35,393) | (217,818) |
| Share acquisition rights | 86,274 | 85,698 |
| Non-controlling interests | 342,508 | 329,463 |
| Total net assets | 23,363,913 | 22,849,070 |
| Total liabilities and net assets | 53,352,237 | 52,349,704 |

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

Quarterly consolidated statements of income

Consolidated first quarter

(Unit: thousand yen)

| | Q1 FY 2019 (January 1, 2019 – March 31, 2019) | Q1 FY2020 (January 1, 2020 – March 31, 2020) |
|---|---|--|
| Net sales | 15,470,991 | 13,049,745 |
| Cost of sales | 12,332,885 | 10,916,463 |
| Gross profit | 3,138,105 | 2,133,282 |
| Selling, general and administrative expenses | 2,504,341 | 2,016,880 |
| Operating profit | 633,764 | 116,402 |
| Non-operating income | | |
| Interest income | 2,296 | 1,419 |
| Dividend income | 5,268 | 2,886 |
| Insurance return | 27,379 | 1,710 |
| Other | 27,712 | 45,435 |
| Total non-operating income | 62,656 | 51,453 |
| Non-operating expenses | | |
| Interest expenses | 16,240 | 18,568 |
| Commission fee | 41,675 | 40,369 |
| Share of loss of entities accounted for using equity method | 43,305 | 42,108 |
| Other | 31,146 | 61,474 |
| Total non-operating expenses | 132,369 | 162,521 |
| Ordinary profit | 564,051 | 5,334 |
| Extraordinary income | | |
| Gain on sales of non-current assets | — | 6,038 |
| Other | 1,152 | 576 |
| Total extraordinary income | 1,152 | 6,614 |
| Extraordinary losses | | |
| Loss on change in equity | — | 4,452 |
| Other | — | 45 |
| Total extraordinary losses | — | 4,497 |
| Profit before income taxes | 565,203 | 7,451 |
| Income taxes - current | 230,234 | 167,264 |
| Income taxes - deferred | 89,311 | (132,635) |
| Total income taxes | 319,545 | 34,629 |
| Profit (loss) | 245,658 | (27,178) |
| Profit (loss) attributable to non-controlling interests | (18,100) | 5,774 |
| Profit (loss) attributable to owners of parent | 263,758 | (32,953) |

Quarterly consolidated comprehensive statements of income
 Consolidated first quarter

(Unit: thousand yen)

| | Q1 FY 2019 (January 1, 2019 – March 31, 2019) | Q1 FY2020 (January 1, 2020 – March 31, 2020) |
|--|---|--|
| Profit (loss) | 245,658 | (27,178) |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 98,261 | (150,995) |
| Foreign currency translation adjustment | 7,907 | (37,864) |
| Remeasurements of defined benefit plans, net of tax | 285 | 320 |
| Share of other comprehensive income of entities accounted for using equity method | 4,626 | (10,821) |
| Total other comprehensive income | 111,080 | (199,360) |
| Comprehensive income | 356,738 | (226,539) |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 371,582 | (225,369) |
| Comprehensive income attributable to non-controlling interests | (14,843) | (1,169) |

(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.