NEWS RELEASE

AOI TYO Holdings Inc.
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Notice Regarding Recognition of Extraordinary Loss (Consolidated) and Revision to Full-year Consolidated Performance Forecast

AOI TYO Holdings, Inc. has announced the recording of an extraordinary loss for the fiscal year ended December 2020, as described below. The company has also revised its consolidated earnings forecast, originally announced on August 24, 2020.

1. Recording of extraordinary loss (consolidated)

The AOI TYO Group has discussed the ideal future state of the group from the dual perspectives of (1) integrated Group management and (2) businesses and organizations following our business development policy to *dig deeper, expand wider*. These discussions led to the formulation of a medium-term plan, published on August 24, 2020. Based on this plan, the group organized its consolidated subsidiaries into the Content Production Business and the Communication Design Business, engaging in a major reorganization that eliminated 10 consolidated subsidiaries. At the same time, the group decided to continue encouraging employees to work from home, first implemented in February 2020, supporting diverse work styles while protecting the health and safety of employees. In connection with this policy, the group has also moved forward with office consolidations and reductions*. As a result, the AOI TYO Group decided to record ¥946 million in business restructuring expenses, consisting of a related loss on disposal of property, plant and equipment, restoration costs, and rent expenses, etc., for the period in question.

*Number of locations to be eliminated: 17 (including relocations to reduce floor space and partial returns of space)

Further, due to the impact of the spread of COVID-19 at an AOI TYO Holdings consolidated subsidiary, a discrepancy has occurred between the business plan at the time of investment and actual results. Therefore, the company has decided to record an impairment of goodwill in the amount of ¥300 million.

2. Revised forecast of consolidated financial results for January 1 – December 31, 2020

Millions of yen, excepting net income per share

	Net sales	Operating income	Ordinary income	Net income attributable to owners of the parent	Net income per share (¥)
Earlier forecast (A)	50,000	−1,400	−1,500	−1,500	−63.94
Revised forecast (B)	51,080	-720	-1,140	-2,550	-108.68
(B) – (A)	1,080	680	360	-1,050	-
Percentage of changes	2.2	-	-	-	-
Reference (FY2019 results)	65,229	2,118	1,763	−1,280	−54.50

3. Reasons for revisions to consolidated earnings forecast

In light of the impact of the COVID-19 pandemic, on April 28, 2020, AOI TYO Holdings stated that the company would leave its consolidated earnings forecast for the fiscal year ended December 2020 undecided. On August 24, 2020, the company announced its full-year earnings forecasts based on first half earnings and after conducting an analysis of the current business environment and order trends.

As stated in *Summary of Consolidated Financial Results (Japanese Accounting Standards) for the Third Quarter of the Fiscal Year Ending December 31, 2020*, published on November 13, 2020, order backlog decreased significantly under the declaration of a state of emergency during the second quarter. This and other factors combined to decrease net sales significantly year on year for the consolidated third quarter. However, order backlog has started to increase as production operations in the company's mainstay Video Advertising Business have begun to stabilize in response to measures introduced to prevent the spread of COVID-19 infection. As a result, net sales for the consolidated fourth quarter continued to decrease year on year in the company's Advertisement-Related Business (including events business sales which continue to be impacted negatively by COVID-19) and Overseas Business. However, net sales in the company's Video Advertising and Solutions Businesses were nearly level with the same period in the prior fiscal year, and full-year net sales outperformed the company's earnings forecasts.

In addition, AOI TYO Holdings engaged in strict cost reductions related to travel expenses, entertainment expenses, and other costs to achieve up to ¥2.0 billion in cost reductions ahead of schedule as described in the medium-term plan announced on August 24, 2020. Further, the company improved effective profit margin which had declined due to the impact of cost billings for projects that had been canceled or postponed due to the impact of COVID-19. As a result of these and other factors, the company recorded net operating income for the second half, as opposed to a net operating loss during the first half of the fiscal year. Therefore, full-year operating loss and ordinary loss were less than forecast in the company's full-year earnings forecast.

On the other hand, loss attributable to owners of parent was greater than the company's earnings forecast, mainly due to the recording of extraordinary loss, business restructuring expenses, and impairment loss as described in 1., above.

4. Dividends forecast for the fiscal year ended December 2020

AOI TYO Holdings canceled interim dividends for the fiscal year ended December 2020 given the uncertainty of full-year consolidated earnings due to the COVID-19 pandemic. Despite the company's projections of a loss attributable to owners of parent, AOI TYO Holdings believes that earnings have begun to recover after reaching a bottom during the consolidated second quarter, and from the perspective of maintaining stable dividends while observing a basic policy of a 30% or greater in consolidated dividend payout ratio, the company has determined that year-end dividends will be ¥12 per share, the same level as in the prior fiscal year, projecting an annual dividend of ¥12 per share (compared to an annual dividend of ¥20 per share in the prior fiscal year, consisting of an interim and year-end dividend of ¥8 per share and ¥12 per share, respectively). While net income attributable to owners of parent will be lower than the company's forecast, AOI TYO Holdings remains committed to the aforementioned policy and has not made changes to the company's dividends forecast.

*The forecasts above are based on information available at the time. Actual performance may vary from forecasts due to various factors that may occur in the future.