

# **AOI TYO Holdings**

Earnings Presentation

FYE December 2020

March 3, 2021

AOI TYO Holdings Inc.

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# 1. Summary of Consolidated Financial Results

# Financial Highlights

- Cancellations and postponements of filming work and a decrease in advertising demand resulted in a significant decline in net sales, and losses were recorded for each profit measure.
- However, sales recovered during Q4, financial results outperformed expectations, and second-half operating income swung to positive figures.

| (million yen)                              | 1H FY2020 | 2H FY2020 | FY2020 | YoY Change | Vs.<br>Forecast<br><small>*Announced 8/24</small> |
|--|-----------|-----------|--------|------------|---|
| Net Sales                                  | 24,367    | 26,720    | 51,087 | -14,142    | +1,087  |
| Operating Income                           | -881      | 154       | -727   | -2,845     | +673  |
| Ordinary Income                            | -1,047    | -102      | -1,149 | -2,912     | +351  |
| Profit Attributable to<br>Owners of Parent | -956      | -1,596    | -2,552 | -1,272     | -1,052  |
| EBITDA                                     | -313      | 735       | 422    | -3,184     | +652  |

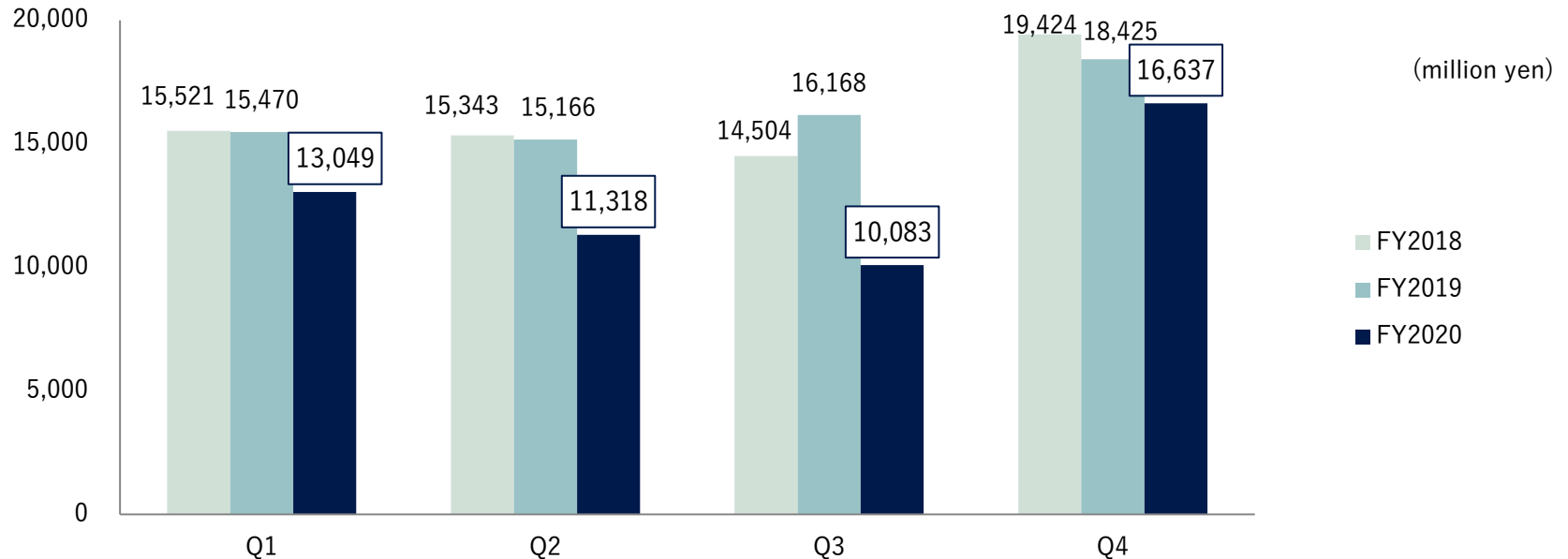
# Extraordinary Losses

- We recorded ¥946 million in business restructuring expenses as we made a major reduction in consolidated subsidiaries and consolidated/reduced offices as part of our ongoing work-from-home measures in line with our medium-term plan.
- We recorded impairment of goodwill in the amount of ¥300 million due for a consolidated subsidiary whose performance has varied from the business plan at the time of investment due to the spread of COVID-19.

|  | (million yen) | FY2020       | Comments   |
|--|---------------|--------------|--|
| Business restructuring expenses            |               | 946          | Loss on disposal of fixed assets, expenses for restoration work and rent for the period in question, other expenses associated with office consolidation and reduction |
| Impairment loss                            |               | 300          | Goodwill impairment related to consolidated subsidiary   |
| Loss on valuation of investment securities |               | 86           | Impairment loss on certain investment securities   |
| Other                                      |               | 53           |  |
| <b>Total</b>                               |               | <b>1,386</b> |  |

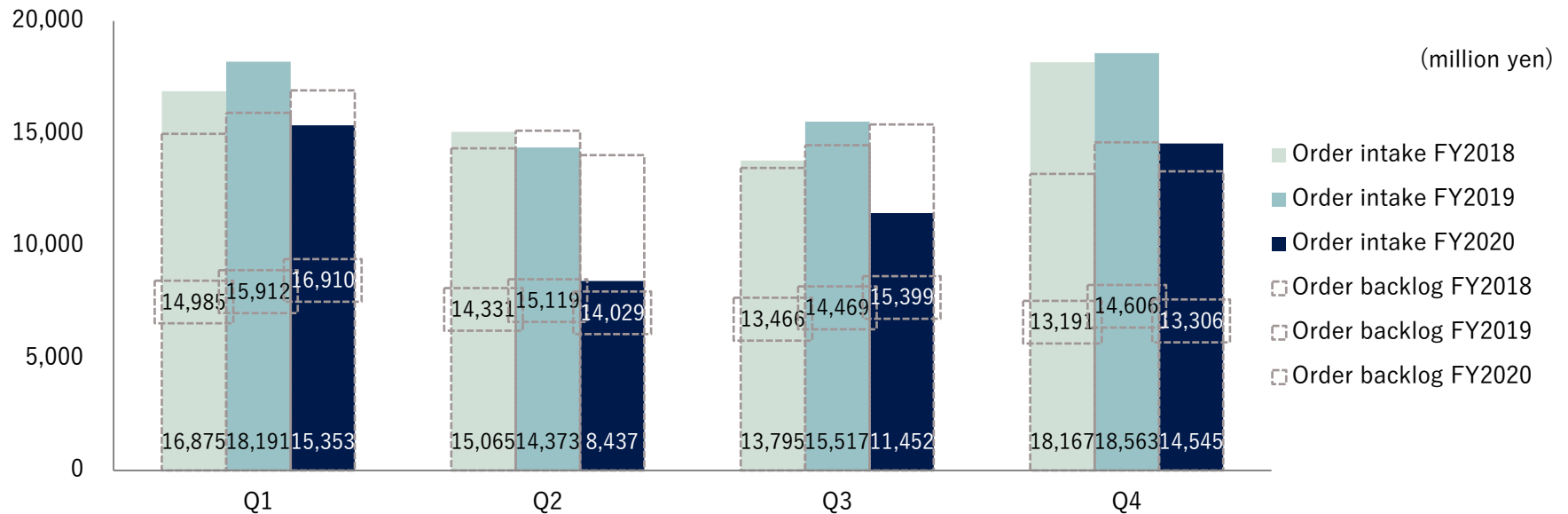
# Trend of Net Sales by Quarter

- After having fallen due to the impact of COVID-19, net sales recovered significantly in Q4.



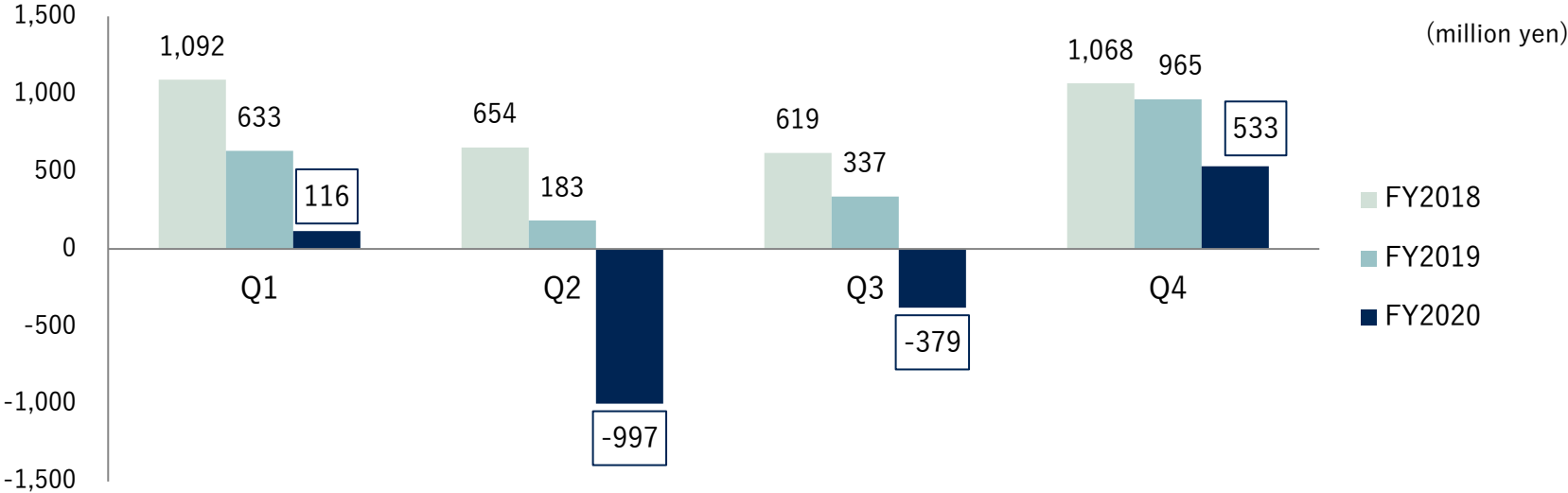
# Order Intake and Order Backlog by Quarter

- Orders began to increase in Q3 after the lifting of the state of emergency declaration; continued to grow in Q4.
- Order backlog as of the end of the fiscal year amounted to ¥13,306 million (8.9% lower year on year), maintaining a considerable balance, despite a year-on-year decrease.



# Trends of Operating Income by Quarter

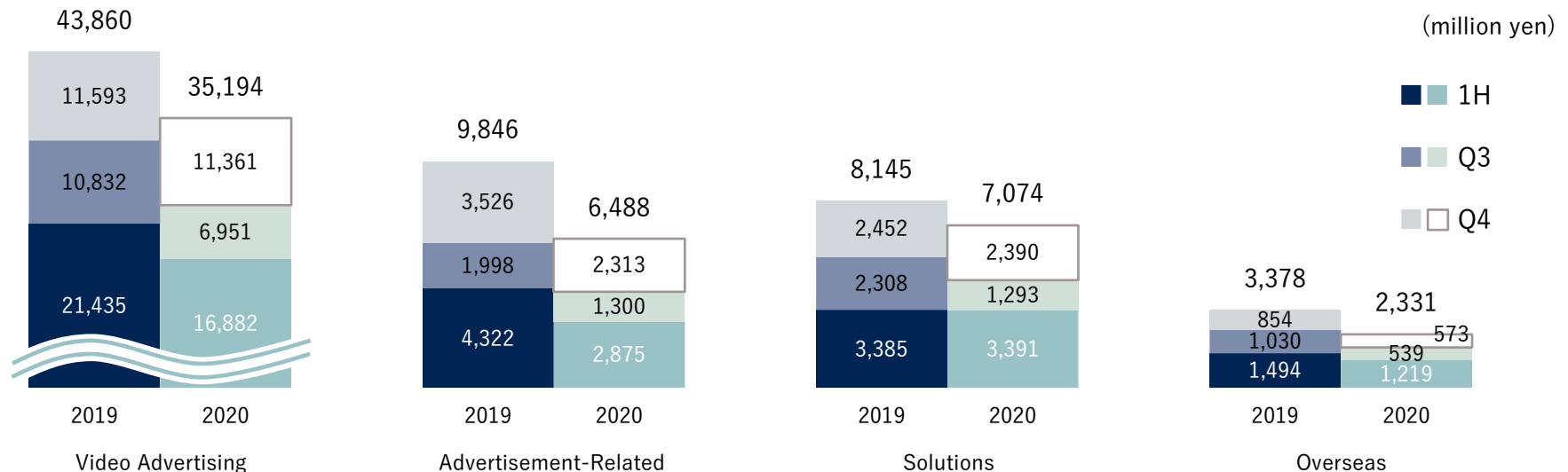
- Q4 operating income swung to positive figures, mainly due to a recovery in net sales, accelerated implementation of cost reduction measures, and improved effective profit margin.





# Net Sales by Business Segment

- Q4 sales for Advertisement-Related and Overseas businesses continued a pattern of decline year on year due to the ongoing impact of COVID-19.
- On the other hand, Video Advertising and Solutions business sales for Q4 recovered to nearly the same level as the year-ago period.

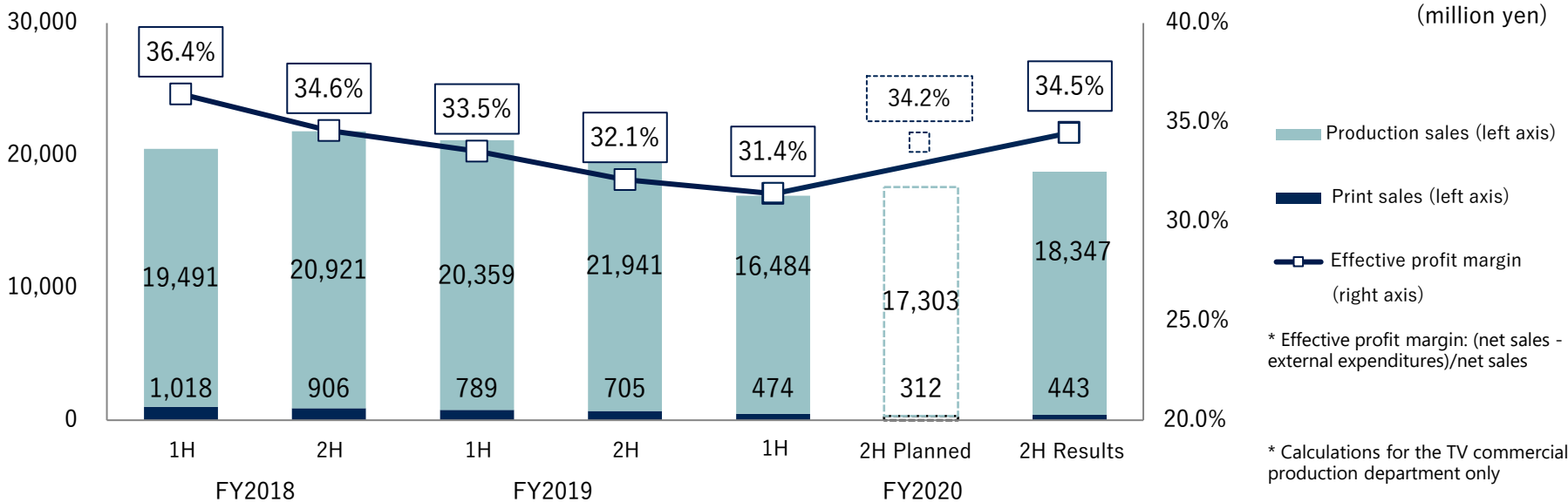


# Overview of Business Segments

| Business              | Overview   |
|-----------------------|--|
| Video Advertising     | Planning and production of TV commercials, online video, and other video advertising   |
| Advertisement-Related | Planning and production of movies, TV dramas, and events; production of digital content, promotional content, and music videos |
| Solutions             | Solutions that answer customer issues(direct business with advertisers, video content marketing, etc.)                         |
| Overseas              | Business in Southeast Asia and other locations overseas; video production orders received from overseas                        |

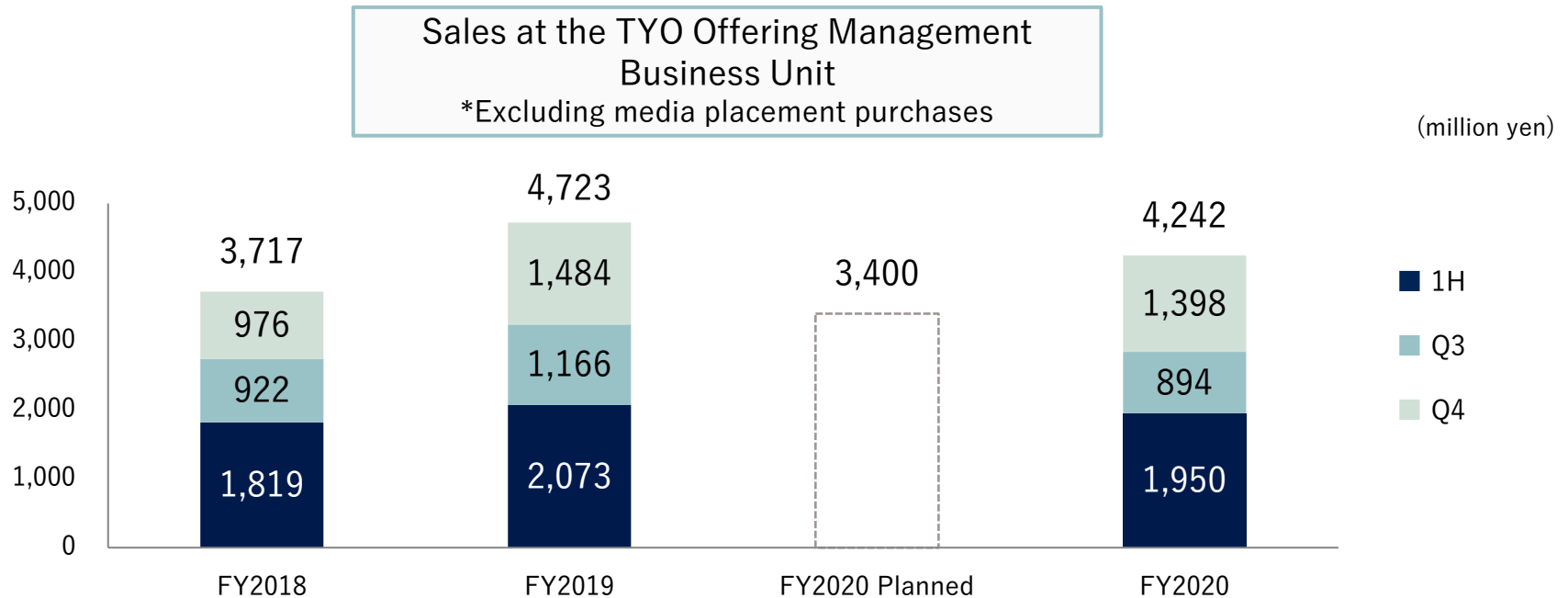
# Video Advertising Business

- Net sales recovered in the second half, exceeding our revised plan.
- Effective profit margin improved, due in part to decreased cost billings for projects that had been canceled or postponed due to the impact of COVID-19.



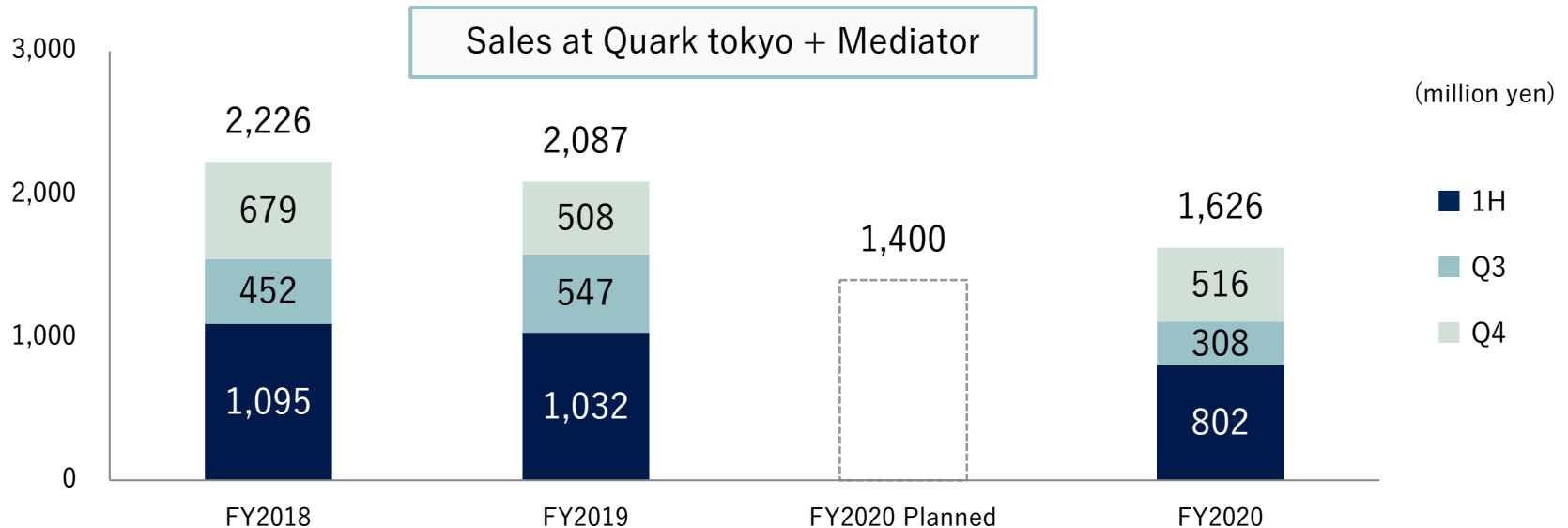
# Solutions Business (1) - TYO Offering Management Business Unit

- Despite lower Q3 sales due to voluntary restraints on face-to-face sales activities in Q2, sales recovered in Q4 significantly outperforming our revised plan.



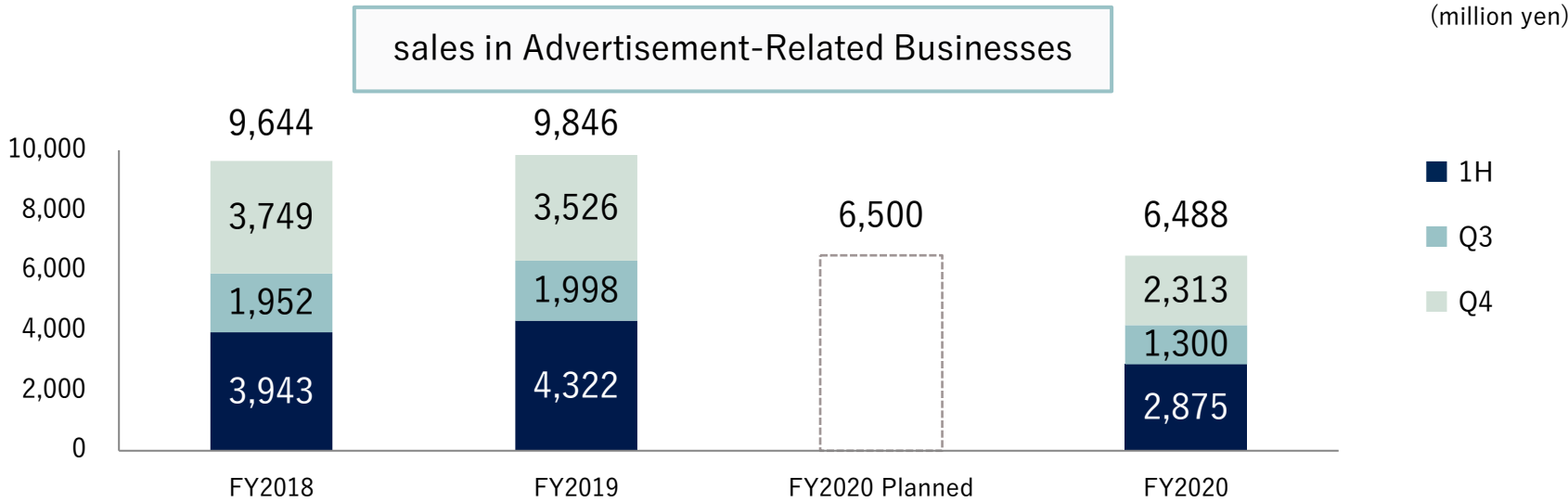
# Solutions Business (2) - Quark tokyo + Mediator

- Despite the negative impact of reduced budgets among advertisers, Q4 performance rose year on year, outperforming our revised plan.



# Advertisement-Related Business

- Despite the continuing impact of COVID-19 in the events business, sales recovered in Q4 as hybrid online/live events are becoming a new mainstream format and driving customer base expansion.
- Performance essentially in line with our revised plan.

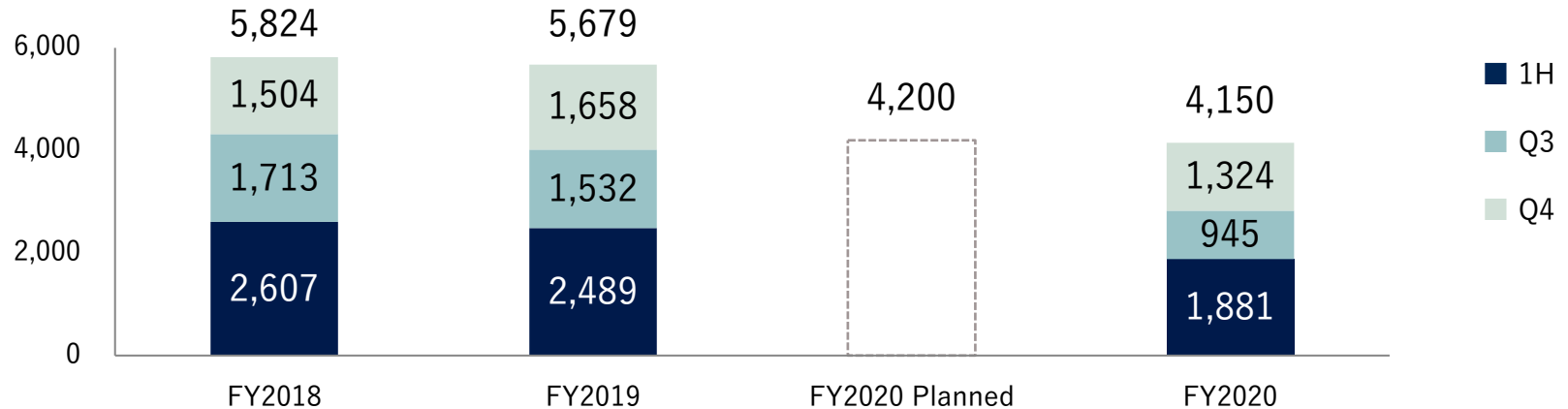


# Overseas Business

- The spread of COVID-19 has not resolved in certain areas of Southeast Asia, resulting in a continued negative impact on sales.
- Performance essentially in line with our revised plan.

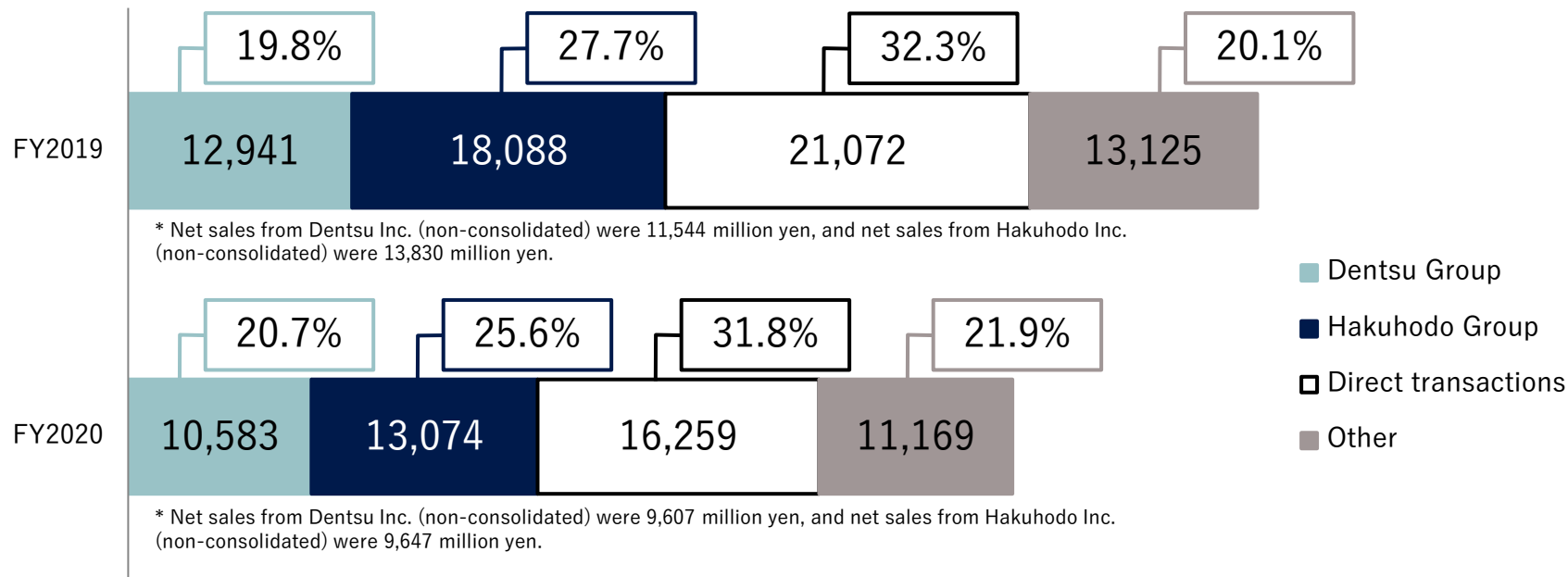
Scale of sales in Overseas Businesses  
\* Including equity-method affiliates

(million yen)



# Net Sales by Customer

(million yen)





# Net Sales by Medium

| (million yen)                | FY2019 | Component Ratio | FY2020 | Component Ratio | YoY Change |
|------------------------------|--------|-----------------|--------|-----------------|------------|
| TV commercial production     | 38,399 | 58.2%           | 29,379 | 56.8%           | -9,020     |
| TV commercial                | 36,795 | 55.8%           | 28,392 | 54.9%           | -8,403     |
| Printed commercial materials | 1,604  | 2.4%            | 987    | 1.9%            | -616       |
| Entertainment contents       | 2,579  | 3.9%            | 2,329  | 4.5%            | -251       |
| Digital contents             | 12,713 | 19.3%           | 11,878 | 23.0%           | -835       |
| Overseas                     | 2,915  | 4.4%            | 2,119  | 4.1%            | -796       |
| Other                        | 9,361  | 14.2%           | 5,981  | 11.6%           | -3,381     |
| Total                        | 65,968 | 100.0%          | 51,686 | 100.0%          | -14,282    |

\* The results are simple totals of the consolidated financial results of AOI Pro. Inc. and TYO Inc.

# Summary of Consolidated Balance Sheet

- Cash and cash equivalents amounted to ¥10,813 million, as we maintained a high 223.9% liquidity ratio.
- We closed commitment lines with a number of financial institutions for a combined ¥12 billion, securing sufficient liquidity. (¥0.0 billion outstanding as of December 2020)

| (million yen)                                    | FY2019            | FY2020            | Major Components   |
|--|-------------------|-------------------|--|
| Current Assets                                   | 36,003            | 33,014            | Cash and deposits (+1,702); notes and accounts receivable (-3,651); electronically recorded monetary claims (-850) |
| Non-current Assets                               | 17,348            | 15,667            |  |
| Total Assets                                     | 53,352            | 48,682            |  |
| Current Liabilities                              | 18,343            | 14,743            | Accounts payable (-1,552); short-term loans payable (-3,200)   |
| Non-current Liabilities                          | 11,645            | 13,707            | Long-term loans payable (+2,102)   |
| Total Liabilities                                | 29,988            | 28,451            |  |
| Total Net Assets<br>(percentage of total assets) | 23,363<br>(43.8%) | 20,231<br>(41.6%) | Retained earnings(-2,839)  |
| Total Liabilities and Net Assets                 | 53,352            | 48,682            |  |

# Consolidated Statement of Cash Flow

| (million yen)                                       | FY2020 | Major Components  |
|---|--------|---|
| Net cash provided by (used in) operating activities | 2,892  | Loss before income taxes (-2,457)<br>Depreciation (+826), impairment loss (+300)<br>Business restructuring expenses (+946)<br>Change in trade receivables (+4,484)<br>Change in trade payables (-1,532) |
| Net cash provided by (used in) investing activities | -843   | Purchases of PPE (-447)<br>Payments of leasehold and guarantee deposits (-283)<br>Investments in capital (-235)   |
| Net cash provided by (used in) financing activities | -397   | Change in short-term loans payable (-3,200)<br>Proceeds from long-term loans payable (+7,200)<br>Repayments of long-term loans payable (-3,793)   |
| Cash and cash equivalents at beginning of period    | 9,060  |   |
| Cash and cash equivalents at end of period          | 10,703 |   |

## 2. Medium-Term Plan Initiatives

# Reorganization and New Business Reclassification (January 2021)

- In line with our medium-term plan, we reorganized into a two-business structure, consisting of the Content Production Business and Communication Design Business.

| Prior                 |  | New                  | Overview   | Major Group Companies                  |
|-----------------------|--|----------------------|--|--|
| Video Advertising     |  | Content Production   | Production of various video content for domestic and overseas advertising, post-production business and xR content production                              | AOI Pro.<br>TYO<br>TREE Digital Studio |
| Advertisement-Related |  |                      |  |  |
| Solutions             |  | Communication Design | Providing omnidirectional execution from video, to digital solutions, PR, events, spatial design, and more in the advertising / marketing solutions domain | xpd                                    |
| Overseas              |  |                      |  |  |

# Management Structure 2021 (March 25, 2021~)

- We introduced an executive officer system to deepen and strengthen group management, including executive directors and executive officers as members of our Management Council to improve the efficiency of business execution.
- We plan to appoint a new female director.

## Board Members

\*Ippei Matsuo and Koiso Wada are scheduled for appointment at the ordinary general meeting of shareholders, scheduled for March 24

- Representative Director & Group CEO Yasuhito Nakae
- Representative Director & Group COO Hiroaki Uekubo
- Director & Group CFO Satoshi Yuzurihara
- Director Corporate Planning Department Ippei Matsuo
- Director Financial & Accounting Department Koiso Wada
- External Director \* Yoshiharu Hagiwara
- External Director \* Kazuki Takada
- External Director \* Takashi Kokubo
- \* Audit and Supervisory Committee Member

## Corporate Officers

- AOI Pro. Inc. Hajime Ushioda
- TYO Inc. Hiroshi Hayafune
- xpd Inc. Kazuyoshi Hayakawa
- TREE Digital Studio Inc. Shinichi Adachi
- Business Management Department Takaki Kawamori
- Human Resources Department Keiko Yoshida

# Changes in the Business Environment

- Future outlook of the video advertising production market
  - Acceleration of shift to digital spurs roughly 20% annual growth
  - While high-priced brand videos are expected to grow, low- to medium-priced videos will grow more
- Diversified advertiser needs
  - As advertisers continue to bring strategic advertising functions in-house, the need for direct business is growing

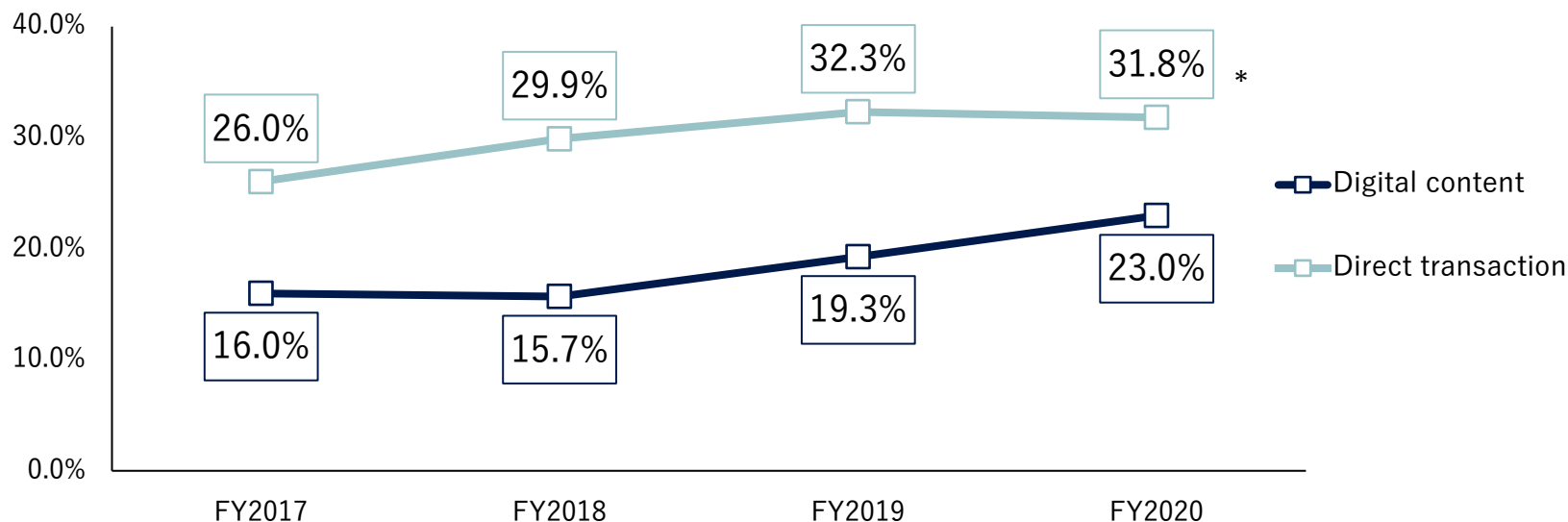
Order only the necessary functions (creative) to prevent inefficient communications caused by advertising company intervention



Desire for a production company to provide support for overall communications design and execution, including PR, digital advertising, etc.

# Direct Transaction, Digital Content Sales

- Direct business and digital content account for an increasing percentage of total sales, and we expect this share to grow further in the future.



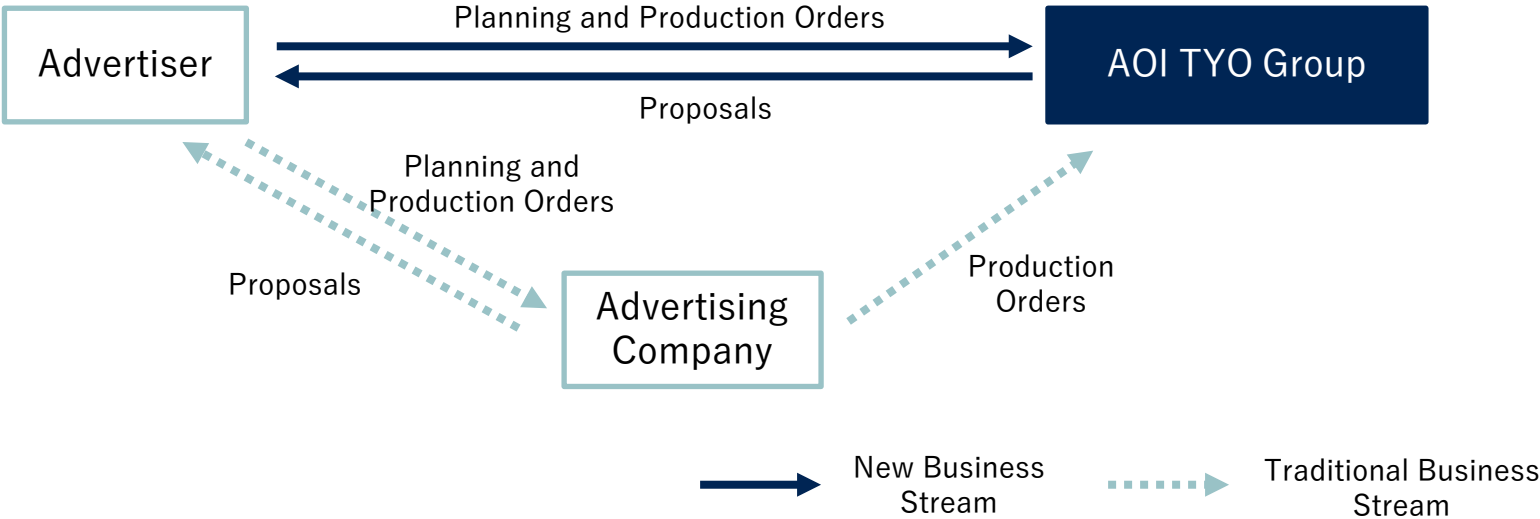
\*The decrease for the fiscal year ended December 2020 was mainly caused by a decrease in event sales due to COVID-19



# New Business Streams

- As an execution\* partner responding to advertiser needs, we are receiving an increasing number of direct business orders for online, events, PR, and other planning and production beyond commercials.

\*implementation



# Case study

## Mercari TV commercial /OOH/Web/PR

TV-CM CASTING

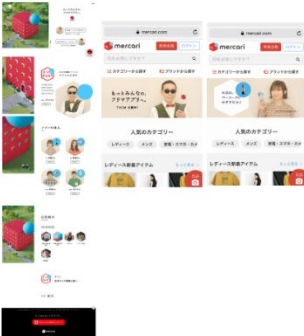


MAKING

OOH 渋谷道玄坂ハッピーボード 渋谷スクランブルスクエアビジョン



キャンペーンLP・WEB/app内バナー



## Amazon Amazon Prime Video TV commercial

ブランドCM



CD: 角田誠 PL: 松本義 Dir: 三木隆一郎 映像制作: MONSTER

作品CM



ブランドCM



CD: 角田誠 PL: 松本義 Dir: 三木隆一郎 映像制作: MONSTER

Amazon original (ドキュメンタルシリーズ) CM



ジャンル (映画) CM



CD/PL: 小幡役輔 Dir: 高崎 穂丈 映像制作: MONSTER

Amazon original (バチャレーシリーズ) CM

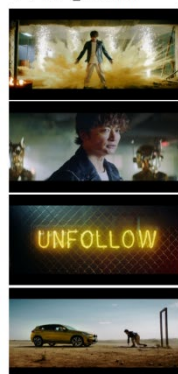


## LOTTE Painomi × Uber Eats Tie-in/Event



## BMW Web/Event/Graphic/SNS

WEB CASTING



EVENT



GRAPHIC



MAKING



SNS



# Response to COVID-19

FY2020

Under the declaration of a state of emergency, we temporarily suspended operations at filming/editing studios, and requested postponements from advertising companies/advertisers involved in filming projects.

After the declaration of the state of emergency was lifted, we moved to resume operations, taking a number of measures to prevent the spread of infection, after signing an advisory contract with a medical coordination company to resume operations and creating our own work guidelines.

FY2021

Although a second state of emergency was declared, we continued with filming and editing under the measures we had already put in place. Almost no projects were canceled or postponed.



We believe that we have finished putting measures in place for responding to COVID-19

# Action Plan for the Next Fiscal Year

## Content Production Business

- Secure stable orders from Dentsu and Hakuhodo
  - Expand targets for approach
  - Strengthen sales capacity
- Expand customer base
  - ADK, foreign advertising companies, online advertising companies, consulting firms, etc.
  - Direct orders from platform providers
- Prepare for full launch of low- to medium-priced video production (2022~)

## Communication Design Business

- Initiatives to strengthen coordination among departments
  - Build management system
  - Establish HR evaluation and pay systems
- Enhance functions in lacking areas
  - Collaborate and engage in secondments with PR firms and planning companies
  - Hire new strategic planners

# Cost Reduction Initiatives (1) Office-Related

- Between Q3 and Q4 (FY2020), we reduced the number of consolidated subsidiaries and continued to encourage employees to work from home, making the decision to reduce 17 offices\*  
(including relocations to reduce floor space and partial returns of space)
- Aim to achieve rent expense reduction of ¥490 million (FY2022 vs. FY2019)

| (million yen)                             | FY2019<br>Results | FY2020<br>Results | FY2021<br>Forecast | Vs. FY2019 |
|---|-------------------|-------------------|--------------------|------------|
| Land rent                                 | 1,978             | 1,964             | 1,630*             | -348       |
| Consumables expense, utilities<br>expense | 501               | 445               | 430                | -71        |

\*Includes ¥140 million in duplicate rent payments during move-out

## Cost Reduction Initiatives (2)

- In FY2021, in addition to a decrease in personnel expenses (linked strongly to performance), we will maintain the reduced levels of entertainment and travel expenses from the prior year; we also intend to reduce outsourcing, commissions expenses, and other.

| (million yen)                       | FY2019<br>Results | FY2020<br>Results | FY2021<br>Forecast | Vs. FY2019 |
|-------------------------------------|-------------------|-------------------|--------------------|------------|
| Personnel expense                   | 13,320            | 13,078            | 12,470             | -850       |
| Outsourcing and commission expenses | 1,343             | 1,269             | 1,150              | -193       |
| Entertainment and travel expenses   | 1,140             | 802               | 860                | -280       |
| Goodwill, depreciation expense      | 1,488             | 1,122             | 990                | -498       |

\*Includes internal labor costs and internal business expenses.

## 3. Consolidated Earnings Forecast

# Consolidated Earnings Forecast

- Despite expectations for recovery in the domestic advertising market, the recovery is likely to be gradual.
- Although we experienced almost no cancellations or postponements during the second declaration of a state of emergency, the advertising market may be slow in recovering.
- We forecast the following financial results for FY2021, based on a gradual recovery in net sales and steady cost reductions.

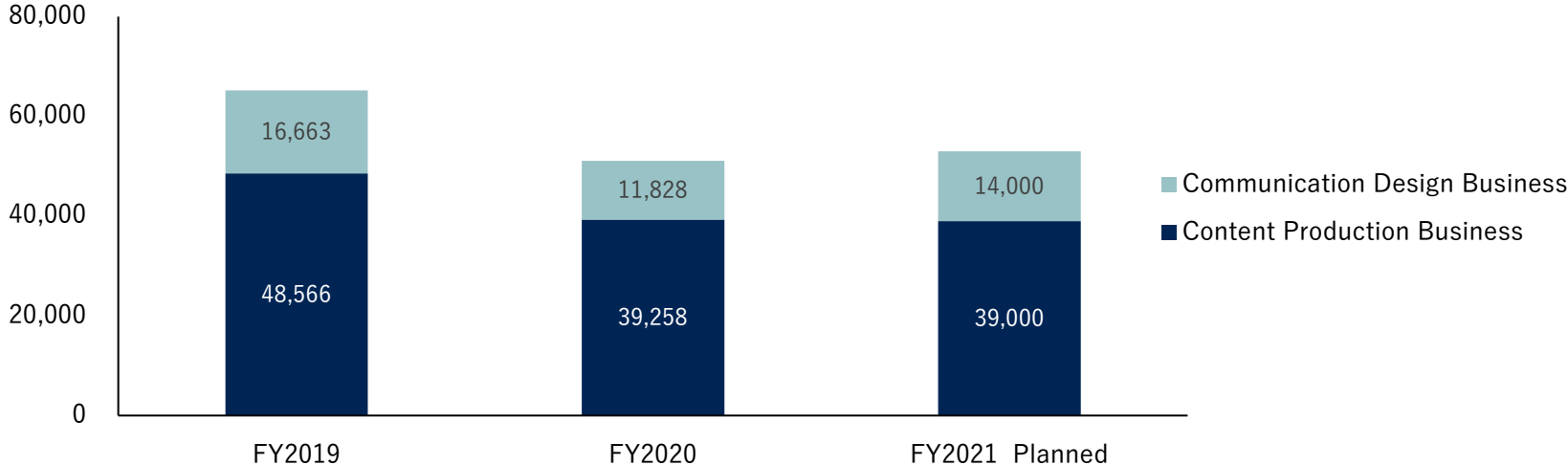
| (million yen)                           | FY2020 Results | FY2021 Forecast | YoY Change |
|---|----------------|-----------------|------------|
| Net Sales                               | 51,087         | 53,000          | +1,913     |
| Operating Income                        | -727           | 900             | +1,627     |
| Ordinary Income                         | -1,149         | 800             | +1,949     |
| Profit Attributable to Owners of Parent | -2,552         | 400             | +2,952     |
| EBITDA                                  | 422            | 1,900           | +1,478     |



# Net Sales Plan by Business Segment

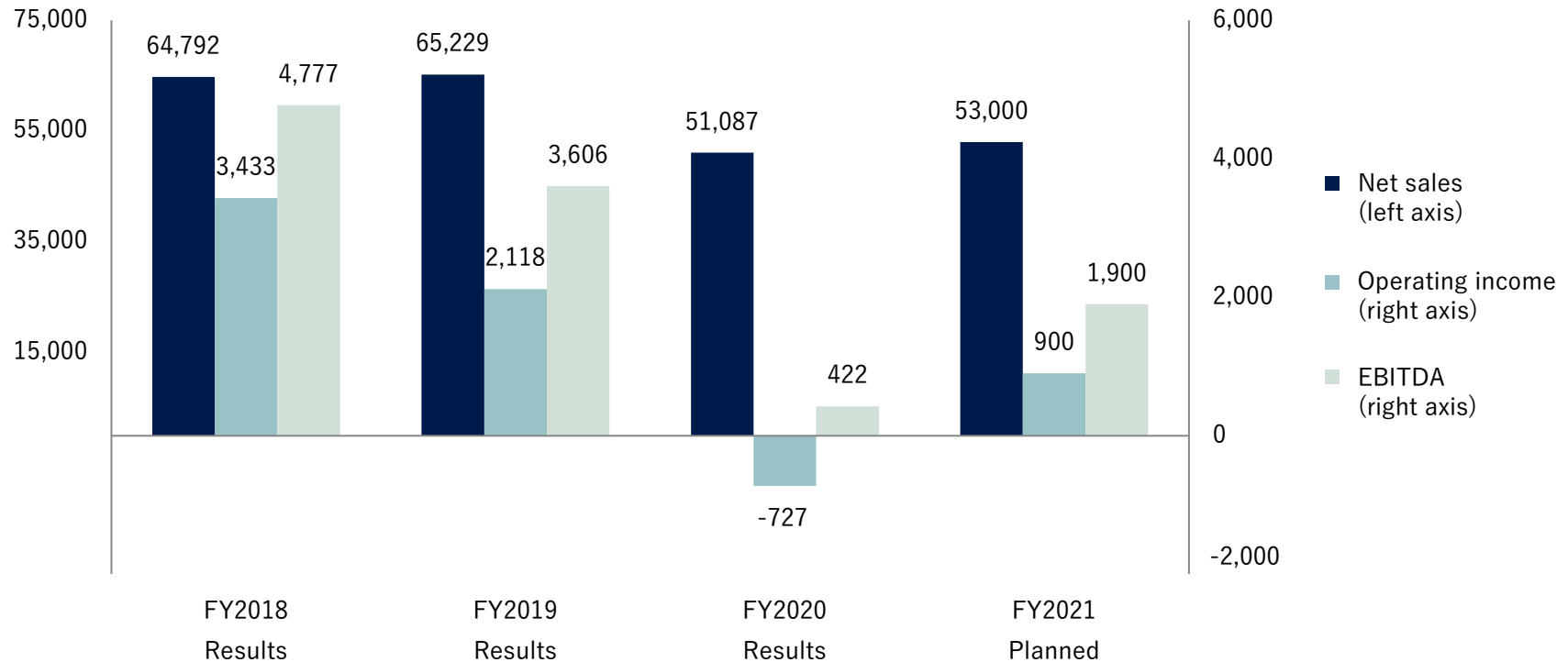
- We expect the Content Production Business to see a gradual recovery in the advertising market, but plan for performance to be essentially level with the prior year as we shift certain production staff to the Communication Design Business.
- We expect the Communication Design Business to record higher sales as the newly established xpd responds to changes in advertiser needs.

(million yen)



# Net Sales, Operating Income, and EBITDA Trends

(million yen)



# Shareholder Return

Basic policy : consolidated dividend payout ratio of **30%** or more

## ■ FY2020

- Although we expect to record a net loss, we plan to pay a ¥12 per share year-end dividend (equivalent to FY2019), reflecting our desire to maintain stable dividend levels to the greatest extent possible.

## ■ FY2021

- Taking our earnings forecasts into account, we forecast a FY2021 dividend of ¥12 per share, which will be the same amount as our FY2020 dividend.

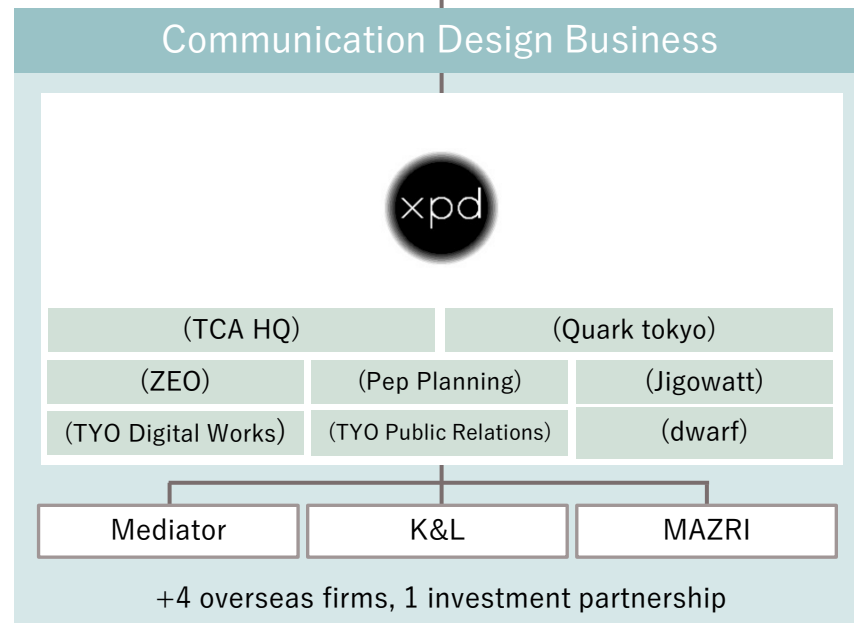
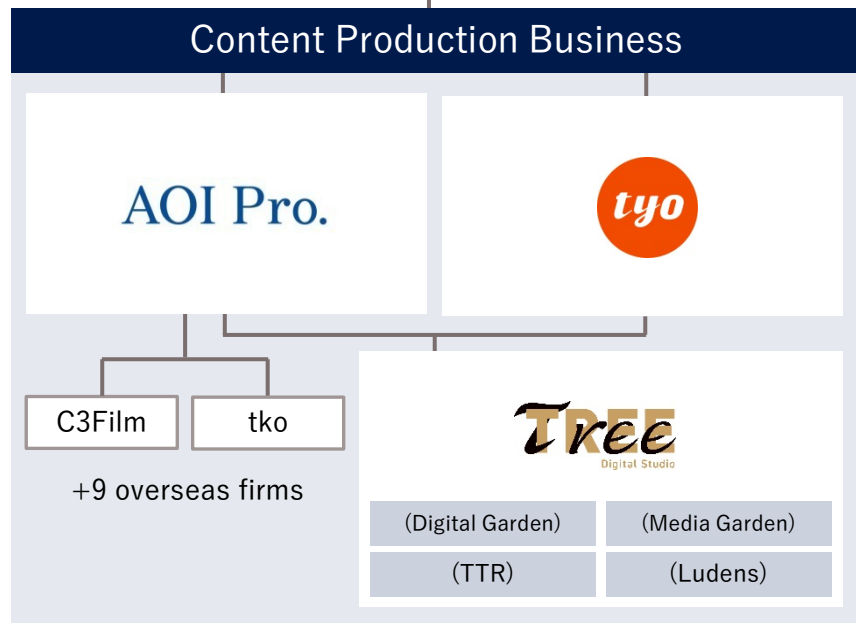
|                  | End of Q2 | End of FY | Total  | Dividend Payout Ratio |
|------------------|-----------|-----------|--------|-----------------------|
| FY2019(results)  | 8 yen     | 12 yen    | 20 yen | -                     |
| FY2020(plan)     | -         | 12 yen    | 20 yen | -                     |
| FY2021(forecast) | -         | 12 yen    | 20 yen | 73.7%                 |

## 4. Appendix - Stock Information, etc

# AOI TYO Group

**AOI TYO Holdings**  
 Consolidated subsidiaries: 23 total

\*As of Jan. 4, 2021.  
 \* ( ) : Company/business unit name before reorganization

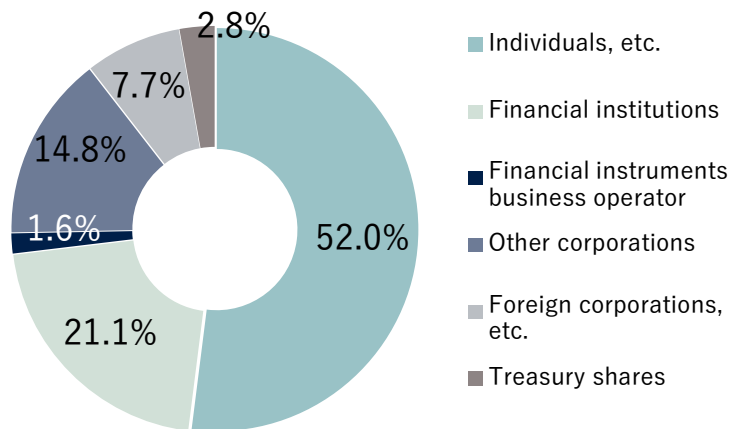


# Status of Stock and Shareholders (as of Dec. 31, 2020)

## Number of Shares and Shareholders

|                               |            |
|-------------------------------|------------|
| Total number of shares issued | 24,566,447 |
| Total number of shareholders  | 13,646     |

## Shareholder Composition by Type of Shareholder



## Status of Large Shareholders

|    | Shareholder Name                                     | Number of Shares Held | Shareholding Ratio |
|----|--|-----------------------|--------------------|
| 1  | The Master Trust Bank of Japan, Ltd. (Trust Account) | 1,357,900             | 5.68%              |
| 2  | Cosmo Channel  | 1,153,740             | 4.83%              |
| 3  | IMAGICA GROUP Inc.                                   | 1,018,000             | 4.26%              |
| 4  | Custody Bank of Japan, Ltd. (Trust Account)          | 849,500               | 3.56%              |
| 5  | Yoshihiro Takebayashi                                | 515,100               | 2.16%              |
| 6  | Fields Corporation                                   | 479,660               | 2.01%              |
| 7  | Sumitomo Realty & Development Co., Ltd.              | 452,600               | 1.89%              |
| 8  | Custody Bank of Japan, Ltd. (Trust Account E)        | 411,200               | 1.72%              |
| 9  | Hitoshi Hara   | 400,000               | 1.67%              |
| 10 | Employees' Stockholding                              | 367,035               | 1.54%              |

\* The shareholding ratios are calculated by subtracting treasury shares (677,098).

## 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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Contact (<http://aoityo.com/en/contact.html>)