



**Summary of Consolidated Financial Results (Japanese Accounting Standards)  
for Fiscal Year Ended December 31, 2020**

February 19, 2021

Company name: AOI TYO Holdings Inc.  
 Stock Exchange: Tokyo Stock Exchange  
 Code: 3975  
 URL: <http://aoityo.com/en/>  
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 Scheduled date of General Shareholders' Meeting: March 25, 2021  
 Scheduled date of commencement of dividend payment: March 26, 2021  
 Scheduled date of filing of securities report: March 25, 2021  
 Supplementary documents for quarterly results: Yes  
 Quarterly results briefing: Yes (for institutional investors and analysts)

(Rounded down to the nearest million yen)

**1. Consolidated Financial Results for Fiscal Year Ended December 31, 2020 (January 1, 2020 to December 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	%
FY2020	51,087	-21.7	-727	-	-1,149	-	-2,552	-
FY2019	65,229	0.7	2,118	-38.3	1,763	-47.0	-1,280	-

(Note) Comprehensive income FY2020: -2,727 million yen ( -%) FY2019: -1,433 million yen ( -%)

	Net income per share	Diluted net income per share	Return on equity (ROE)	Ordinary income as percentage of total assets	Operating income on sales
	Yen	Yen	%	%	%
FY2020	-108.81	-	-11.9	-2.3	-1.4
FY2019	-54.50	-	-5.3	3.2	3.2

(Reference) Equity in earnings of affiliates FY2020: -440 million yen FY2019: -159 million yen

**(2) Consolidated financial position**

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY2020	48,682	20,231	40.9	848.70
FY2019	53,352	23,363	43.0	977.76

(Reference) Shareholders' equity FY2020: 19,925 million yen FY2019: 22,935 million yen

**(3) Consolidated cash flow**

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
FY2020	2,892	-843	-397	10,703
FY2019	1,198	-1,561	-336	9,060

**2. Dividends**

	Dividends per share					Total dividends	Payout ratio (consolidated)	Ratio of dividends to net assets (consolidated)
	End of Q1	End of Q2	End of Q3	Year end	Annual			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
FY2019	-	8.00	-	12.00	20.00	477	-	2.0
FY2020	-	0.00	-	12.00	12.00	286	-	1.3
FY2021 (forecast)	-	0.00	-	12.00	12.00		73.7	

### 3. Consolidated Financial Forecast for FY2021 (January 1, 2021 to December 31, 2021)

(The percentages are year-on-year changes.)

	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	53,000	3.7	900	—	800	—	400	—	17.05

#### \* Notes

(1) Important changes in subsidiaries for FY2020 under review : No

(Changes is specified subsidiaries resulting in change in scope of consolidation)

New: — companies Excluded: — companies

(2) 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

(3) Number of issued shares (common stock)

(i) Number of issued shares (including treasury stock)

FY2020 24,566,447 shares FY2019 24,566,447 shares

(ii) Number of treasury stock at end of period

FY2020 1,088,298 shares FY2019 1,109,564 shares

(iii) Average number of issued shares

FY2020 23,462,748 shares FY2019 23,495,396 shares

(Note)

Treasury stock includes shares that Custody Bank of Japan, Ltd. (trust account E) holds as trust property related to a Board Benefit Trust system (FY2020: 411,200 shares; FY2019: 418,900 shares).

\* 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 (4) Future Outlook* on P.4 of Attachments.

- AOI TYO Holdings will hold an earnings briefing for institutional investors and analysts on March 3, 2021. After the conclusion of this meeting, the group will publish the materials distributed on the AOI TYO Holdings corporate website as quickly as possible.

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## 1. Qualitative Information on Results

### (1) Discussion of operating results

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

During the consolidated fiscal year under review, restrictions on travel outside the home and business activities were imposed in Japan and overseas intermittently to prevent the spread of COVID-19. In Japan, production shifted in an upward trend, mainly in production machinery, as external demand continued to pick up beginning in the summer. In addition, business confidence in the non-manufacturing sector experienced a temporary recovery at the beginning of autumn in response to increased consumer movement stemming from eased attitudes toward travel outside the home. The pace of economic recovery is expected to slow, as the level of activity remains sluggish due to the reemergence of COVID-19 infections. The advertising market in Japan declined overall as corporations reduced their advertising expenditures. We saw a significant decrease in TV commercials, while we expect internet advertising to decline only marginally.

In response to the spread of COVID-19, the AOI TYO Group began implementing anti-infection measures in February 2020. Under the declaration of a state of emergency between April and May 2020, we closed our filming and editing studios temporarily and requested advertising companies and advertisers to postpone filming. After the declaration of the state of emergency was lifted, we moved to resume operations, signing an advisory contract with a medical coordination company to resume operations and creating our own work guidelines. In this way, we have continued to conduct filming and editing operations while taking measures to prevent the spread of infection.

Amid these circumstances, the AOI TYO Group 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, which we have moved quickly to implement.

Net sales for the consolidated fiscal year in each group business were significantly lower year on year. In addition to the direct impact of the suspensions and postponements of filming and editing operations under the declaration of a state of emergency, Video Advertising Business orders from major advertising companies experienced a notable decrease. Further, continued cancellations and postponements of various events in the Advertisement-Related Business and a decrease in orders in the Solutions Business due to restraints on sales activities under the emergency declaration. These factors combined to drive full-year performance lower. However, although net sales for the stand-alone 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, net sales in the Video Advertising and Solutions Businesses were nearly level with the same period in the prior fiscal year.

In terms of profits, 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 our medium-term plan. Further, the company improved effective profit margin which had declined temporarily 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.

We organized our consolidated subsidiaries into the Content Production Business and the Communication Design Business based on our medium-term plan, engaging in a major reorganization that eliminated 10 consolidated subsidiaries. At the same time, we 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 recorded ¥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. 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 recorded an impairment of goodwill in the amount of ¥300 million.

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

As a result, the AOI TYO Group recorded net sales of ¥51,087 million for the consolidated fiscal year ended December 2020, representing a 21.7% decrease compared to the prior year. Operating loss amounted to ¥727 million (¥2,118 million of operating profit in the same period of prior fiscal year), while ordinary loss amounted to ¥1,149 million (¥1,763 million of ordinary profit in the same period of prior fiscal year) and loss attributable to owners of parent amounted to ¥2,552 million (¥1,280 million of loss attributable to owners of parent in the same period of prior fiscal year). Selling, general and administrative expenses included ¥323 million in amortization of goodwill associated with M&A activity.

## (2) Discussion of financial position

Total assets at the end of the consolidated fiscal year decreased by ¥4,669 million compared with the end of the prior fiscal year to ¥48,682 million. This decrease was mainly due to decreases in notes and accounts receivable of ¥3,651 million, electronically recorded monetary claims of ¥850 million and total property, plant and equipment of ¥827 million, although cash and deposits increased ¥1,702 million.

Liabilities decreased by ¥1,537 million compared with the end of the prior fiscal year to ¥28,451 million. Although long-term loans payable and current portion of long-term loans payable increased ¥2,102 million and ¥1,300 million, respectively, short-term loans payable decreased ¥3,200 million.

Net assets amounted to ¥20,231 million, a decrease of ¥3,132 million compared to the end of the prior consolidated fiscal year. Retained earnings decreased ¥2,552 million due to loss attributable to owners of parent. At the same time, the AOI TYO Group paid ¥286 million in dividend payments.

## (3) Discussion of cash flows

Cash and cash equivalents (“Cash”) amounted to ¥10,703 million as of the end of the consolidated fiscal year, representing an increase of ¥1,642 million compared to the prior consolidated fiscal year.

The state of cash flow by segment for the fiscal year under review is as follows.

### Cash Flows From Operating Activities

Cash flows from operating activities amounted to ¥2,892 million, compared to cash from operating activities of ¥1,198 million for the prior fiscal year. This result was mainly due to decrease in trade receivables of ¥4,484 million, decrease in trade payables of ¥1,532 and loss before income taxes of ¥2,457.

### Cash Flows From Investing Activities

Cash used in investing activities amounted to ¥843 million, compared to ¥1,561 million for the prior fiscal year. The main cash inflow was ¥144 million in proceeds from refund of leasehold and guarantee deposits, while the main cash outflow was due to ¥447 million in purchase of property, plant and equipment, ¥283 million in payments of leasehold and guarantee deposits, and ¥235 million in payments for investments in capital.

### Cash Flows From Financing Activities

Cash used in financing activities amounted to ¥397 million compared to cash from financing activities of ¥336 million for the prior fiscal year. This result was mainly due to ¥7,200 million in cash proceeds from long-term loans payable, ¥3,200 million decrease in short-term loans payable, and ¥3,793 million in outlays for repayments of long-term loans payable.

#### (4) Future outlook

##### ① External environment (including the impact of COVID-19) and group initiatives

After the state of emergency was lifted on May 25, we applied new standards for safety in production work, and, in addition to a series of information from national and local governments and various domestic and overseas film production guideline examples, we have entered into an advisory contract with a medical coordination company, drafting our own guidelines for production work. During filming, we have also required attendance of a hygiene management team which includes healthcare professionals, and we are taking a number of other measures to prevent the spread of COVID-19 in filming and editing work, such as health checks, and regularly conducting and checking disinfection and ventilation. Further, we are implementing remote video editing methods as another means to normalize operations. We continue to encourage employees to work from home and are reducing the size of our office space. In January 2021, a second state of emergency was declared due to a third wave COVID-19 infections. Since we already had measures in place to prevent the spread of infection in filming, editing, and other operations as described above, almost no projects were canceled or postponed as had been the previous case.

While the domestic advertising market fell sharply in 2020 due to the impact of COVID-19, we expect moderate positive growth in 2021 and beyond. However, GDP growth rate will remain low and it will take a considerable amount of time for the market to recover to pre-COVID-19 levels. In addition, the reinstatement of the emergency declaration will continue to slow personal consumption due to restraints on unnecessary travel and requests for shortened business hours. There are also concerns that worsening employment income will weigh down the market, which may be another factor delaying recovery in the advertising market.

Amid these circumstances, on August 24, 2020, we published the AOI TYO Group medium-term plan covering the five year period from fiscal 2021 through fiscal 2025. The plan defines three key measures: (1) Reforming business/organizational structures; (2) Clarifying initiatives in each business; and (3) Deepening and strengthening group management. Our earnings plan for fiscal 2025 calls for net sales of ¥68 billion, operating income of ¥4.4 billion, and KPIs of ¥5.7 billion in EBITDA and 10% or greater ROE. In January 2021, we restructured our organizations into two businesses, the Content Production Business and the Communication Design Business, and we have accelerated our efforts to reduce costs.

During the fiscal year ending December 2021, our Content Production Business will increase the frequency of proposals and strengthen sales to secure stable orders from major advertising companies. In addition, the business will engage in new sales activities to strengthen our customer base, targeting foreign advertising companies, online advertising companies, consulting firms, platform providers, etc. At the same time, the Content Production Business will focus on developing a structure for low- to medium-unit price digital video production, which is a segment we expect will grow in the future. Meanwhile, the Communication Design Business will establish new management and human resources systems to strengthen coordination among the departments that have been consolidated in our organizational restructuring. At the same time, the business will enhance lacking functions to grow our direct business with advertisers.

##### ② Future outlook

Based on the preceding, we forecast FY2021 consolidated earnings to be ¥53,000 million in net sales, ¥900 million in operating profit, ¥800 million in ordinary profit, and ¥400 million in profit attributable to owners of parent. These forecasts reflect a gradual recovery in net sales and cost reduction efforts.

Given the current declaration of a state of emergency and the uncertain outlook for the timing of a slow-down in the spread of COVID-19, it is difficult to calculate a reasonable short-term earnings forecast. Accordingly, we have left our consolidated earnings forecast for the first half of the fiscal year ending December, 2021, as undecided. We will announce our forecasts as soon as a reasonable calculation becomes possible.

Based on the earnings forecast above, we have established a dividend forecast for the fiscal year ending December, 2021, at ¥12 per share (interim dividend of ¥0 per share and year-end dividend of ¥12 per share), which is the same amount as in the prior fiscal year. This dividend amounts to a consolidated dividend payout ratio of 73.7%, reflecting a stable

dividend to the greatest extent possible while maintaining our policy of a 30% or greater consolidated dividend payout ratio.

## 2. Basic Policy Regarding Selection of Accounting Standards

AOI TYO Group prepares consolidated financial statements according to the Japanese accounting standards in consideration of comparability between fiscal years and between companies. We will consider the adoption of the International Financial Reporting Standards (IFRS) as appropriate, taking into account conditions in Japan and abroad.

### 3. Consolidated Financial Statements and Major Notes

#### (1) Consolidated balance sheets

(Unit: thousand yen)

	FY2019 (December 31, 2019)	FY2020 (December 31, 2020)
<b>Assets</b>		
Current assets		
Cash and deposits	9,111,122	10,813,819
Notes and accounts receivable - trade	16,873,978	13,222,465
Electronically recorded monetary claims - operating	4,413,564	3,562,775
Merchandise and finished goods	7,301	8,267
Work in process	4,510,288	4,331,475
Other	1,125,296	1,108,034
Allowance for doubtful accounts	(37,727)	(31,847)
Total current assets	36,003,823	33,014,989
Non-current assets		
Property, plant and equipment		
Buildings and structures	5,142,068	4,791,118
Accumulated depreciation	(2,773,935)	(3,075,909)
Buildings and structures, net	2,368,133	1,715,208
Machinery, equipment and vehicles	1,024,383	1,001,381
Accumulated depreciation	(846,805)	(877,518)
Machinery, equipment and vehicles, net	177,577	123,862
Tools, furniture and fixtures	2,854,794	2,373,860
Accumulated depreciation	(2,046,931)	(1,740,608)
Tools, furniture and fixtures, net	807,862	633,252
Land	3,606,822	3,593,652
Leased assets	717,898	620,208
Accumulated depreciation	(658,957)	(585,182)
Leased assets, net	58,940	35,025
Construction in progress	65,312	156,459
Total property, plant and equipment	7,084,649	6,257,460
Intangible assets		
Goodwill	4,010,215	3,375,272
Software	161,589	210,209
Other	103,479	15,994
Total intangible assets	4,275,284	3,601,476



(Unit: thousand yen)

	FY2019 (December 31, 2019)	FY2020 (December 31, 2020)
Investments and other assets		
Investment securities	1,787,051	1,081,036
Deferred tax assets	1,328,303	1,533,026
Leasehold and guarantee deposits	1,522,658	1,661,033
Other	2,125,874	2,303,819
Allowance for doubtful accounts	(775,409)	(770,326)
Total investments and other assets	5,988,478	5,808,588
Total non-current assets	17,348,413	15,667,526
Total assets	53,352,237	48,682,515

(Unit: thousand yen)

	FY2019 (December 31, 2019)	FY2020 (December 31, 2020)
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	8,697,200	7,144,690
Short-term borrowings	3,200,000	0
Current portion of long-term borrowings	3,073,876	4,374,787
Accounts payable - other	661,603	832,283
Income taxes payable	428,710	172,515
Accrued consumption taxes	551,961	356,049
Advances received	899,779	720,753
Provision for bonuses	72,660	218,448
Other	757,366	924,210
Total current liabilities	18,343,158	14,743,739
Non-current liabilities		
Long-term borrowings	6,672,675	8,774,895
Long-term deposits received	3,501,199	3,501,199
Deferred tax liabilities	46,098	22,630
Provision for retirement benefits for directors (and other officers)	261,883	259,435
Provision for share-based remuneration for directors (and other officers)	254,811	247,750
Retirement benefit liability	267,504	343,303
Asset retirement obligations	491,279	442,737
Other	149,711	115,407
Total non-current liabilities	11,645,165	13,707,359
Total liabilities	29,988,323	28,451,099
Net assets		
Shareholders' equity		
Share capital	5,000,000	5,000,000
Capital surplus	12,172,896	12,111,198
Retained earnings	7,056,711	4,217,210
Treasury shares	(1,259,085)	(1,233,609)
Total shareholders' equity	22,970,523	20,094,798
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	10,693	(109,116)
Foreign currency translation adjustment	(44,141)	(59,597)
Remeasurements of defined benefit plans	(1,945)	(231)
Total accumulated other comprehensive income	(35,393)	(168,945)

(Unit: thousand yen)

	FY2019 (December 31, 2019)	FY2020 (December 31, 2020)
Share acquisition rights	86,274	42,855
Non-controlling interests	342,508	262,707
Total net assets	23,363,913	20,231,415
Total liabilities and net assets	53,352,237	48,682,515

## (2) Consolidated statements of income and statements of comprehensive income

## Consolidated statements of income

(Unit: thousand yen)

	FY2019 (January 1, 2019- December 31, 2019)	FY2020 (January 1, 2020- December 31, 2020)
Net sales	65,229,849	51,087,544
Cost of sales	53,514,621	43,867,259
Gross profit	11,715,227	7,220,284
Selling, general and administrative expenses		
Remuneration for directors (and other officers)	1,484,604	1,307,296
Salary and bonus	2,718,118	2,387,323
Retirement benefit expenses	54,385	49,026
Provision for share-based remuneration for directors (and other officers)	57,696	6,749
Outsourcing expenses	560,977	670,376
Commission expenses	577,609	151,768
Provision of allowance for doubtful accounts	15,203	6,865
Depreciation	250,382	218,023
Amortization of goodwill	320,115	323,332
Other	3,557,688	2,826,727
Total selling, general and administrative expenses	9,596,781	7,947,490
Operating profit (loss)	2,118,445	(727,206)
Non-operating income		
Interest income	7,234	2,467
Dividend income	21,886	16,279
Subsidy income	—	279,784
Insurance return	42,061	42,385
Other	108,807	124,729
Total non-operating income	179,989	465,646
Non-operating expenses		
Interest expenses	76,310	83,327
Commission expenses	170,381	164,824
Share of loss of entities accounted for using equity method	159,466	440,406
Loss on retirement of non-current assets	23,676	124,546
Other	105,243	74,610
Total non-operating expenses	535,078	887,714
Ordinary profit (loss)	1,763,356	(1,149,274)

(Unit: thousand yen)

	FY2019 (January 1, 2019- December 31, 2019)	FY2020 (January 1, 2020- December 31, 2020)
<b>Extraordinary income</b>		
Gain on sales of non-current assets	—	6,279
Gain on sales of investment securities	323,073	3,321
Gain on sales of shares of subsidiaries and associates	—	34,201
Gain on reversal of share acquisition rights	3,672	34,560
<b>Total extraordinary income</b>	<b>326,745</b>	<b>78,362</b>
<b>Extraordinary losses</b>		
Impairment loss	1,207,313	300,209
Loss on sales of investment securities	65,374	—
Loss on valuation of investment securities	1,157,265	86,439
Loss on liquidation of subsidiaries and associates	279,462	—
Business restructuring expenses	—	946,707
Loss on sales of shares of subsidiaries and associates	34,635	—
Other	12,916	53,588
<b>Total extraordinary losses</b>	<b>2,756,967</b>	<b>1,386,944</b>
Loss before income taxes	(666,865)	(2,457,856)
Income taxes - current	1,200,964	289,252
Income taxes - deferred	(600,476)	(177,710)
<b>Total income taxes</b>	<b>600,487</b>	<b>111,542</b>
Loss	(1,267,352)	(2,569,398)
Profit (loss) attributable to non-controlling interests	13,139	(16,406)
Loss attributable to owners of parent	(1,280,492)	(2,552,992)

Consolidated statements of comprehensive income

(Unit: thousand yen)

	FY2019 (January 1, 2019- December 31, 2019)	FY2020 (January 1, 2020- December 31, 2020)
Profit (loss)	(1,267,352)	(2,569,398)
Other comprehensive income		
Valuation difference on available-for-sale securities	(157,171)	(119,809)
Foreign currency translation adjustment	(12,002)	(30,911)
Remeasurements of defined benefit plans, net of tax	448	1,713
Share of other comprehensive income of entities accounted for using equity method	2,737	(8,885)
Total other comprehensive income	(165,987)	(157,893)
Comprehensive income	(1,433,340)	(2,727,292)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(1,448,017)	(2,706,290)
Comprehensive income attributable to non-controlling interests	14,676	(21,002)

## (3) Consolidated statements of changes in shareholders' equity

FY 2019 (January 1, 2019–December 31, 2019)

(Unit: thousand yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	5,000,000	12,106,819	9,055,601	(1,190,097)	24,972,324
Changes of items during period					
Dividends of surplus			(718,397)		(718,397)
Profit (loss) attributable to owners of parent			(1,280,492)		(1,280,492)
Purchase of treasury shares				(79,943)	(79,943)
Disposal of treasury shares		(7,905)		10,955	3,049
Change in ownership interest of parent due to transactions with non-controlling interests		73,982			73,982
Net changes of items other than shareholders' equity					
Total changes of items during period	—	66,076	(1,998,889)	(68,988)	(2,001,800)
Balance at end of current period	5,000,000	12,172,896	7,056,711	(1,259,085)	22,970,523

	Accumulated other comprehensive income				Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	167,873	(23,287)	(2,393)	142,193	92,723	472,685	25,679,925
Changes of items during period							
Dividends of surplus							(718,397)
Profit (loss) attributable to owners of parent							(1,280,492)
Purchase of treasury shares							(79,943)
Disposal of treasury shares							3,049
Change in ownership interest of parent due to transactions with non-controlling interests							73,982
Net changes of items other than shareholders' equity	(157,180)	(20,853)	448	(177,586)	(6,449)	(130,176)	(314,211)
Total changes of items during period	(157,180)	(20,853)	448	(177,586)	(6,449)	(130,176)	(2,316,012)
Balance at end of current period	10,693	(44,141)	(1,945)	(35,393)	86,274	342,508	23,363,913

FY2020 (January 1, 2020-December 31, 2020)

(Unit: thousand yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	5,000,000	12,172,896	7,056,711	(1,259,085)	22,970,523
Changes of items during period					
Dividends of surplus			(286,509)		(286,509)
Profit (loss) attributable to owners of parent			(2,552,992)		(2,552,992)
Purchase of treasury shares				(728)	(728)
Disposal of treasury shares		(3,394)		26,204	22,809
Change in ownership interest of parent due to transactions with non-controlling interests		(58,303)			(58,303)
Net changes of items other than shareholders' equity					
Total changes of items during period	—	(61,698)	(2,839,501)	25,475	(2,875,724)
Balance at end of current period	5,000,000	12,111,198	4,217,210	(1,233,609)	20,094,798

	Accumulated other comprehensive income				Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	10,693	(44,141)	(1,945)	(35,393)	86,274	342,508	23,363,913
Changes of items during period							
Dividends of surplus							(286,509)
Profit (loss) attributable to owners of parent							(2,552,992)
Purchase of treasury shares							(728)
Disposal of treasury shares							22,809
Change in ownership interest of parent due to transactions with non-controlling interests							(58,303)
Net changes of items other than shareholders' equity	(119,809)	(15,455)	1,713	(133,552)	(43,419)	(79,801)	(256,773)
Total changes of items during period	(119,809)	(15,455)	1,713	(133,552)	(43,419)	(79,801)	(3,132,497)
Balance at end of current period	(109,116)	(59,597)	(231)	(168,945)	42,855	262,707	20,231,415



## (4) Consolidated statements of cash flows

(Unit: thousand yen)

	FY 2019 (January 1, 2019- December 31, 2019)	FY 2020 (January 1, 2020- December 31, 2020)
<b>Cash flows from operating activities</b>		
Loss before income taxes	(666,865)	(2,457,856)
Depreciation	1,167,950	826,004
Impairment loss	1,207,313	300,209
Amortization of goodwill	320,115	323,332
Increase (decrease) in allowance for doubtful accounts	52,044	(10,052)
Increase (decrease) in provision for bonuses	(34,332)	145,788
Increase (decrease) in provision for retirement benefits for directors (and other officers)	8,113	(2,448)
Increase (decrease) in provision for share-based remuneration for directors (and other officers)	57,696	(7,061)
Increase (decrease) in retirement benefit liability	(5,160)	75,801
Interest and dividend income	(29,120)	(18,747)
Interest expenses	76,310	83,327
Share of loss (profit) of entities accounted for using equity method	159,466	440,406
Commission expenses	170,381	164,824
Loss (gain) on sales of investment securities	(257,698)	(3,321)
Loss (gain) on valuation of investment securities	1,157,265	86,439
Loss (gain) on sales of shares of subsidiaries and associates	34,635	(34,201)
Loss on liquidation of subsidiaries and associates	279,462	-
Business restructuring expenses	-	946,707
Decrease (increase) in trade receivables	(485,653)	4,484,610
Decrease (increase) in inventories	(295,780)	187,113
Increase (decrease) in trade payables	666,645	(1,532,639)
Increase (decrease) in accounts payable - other	86,332	94,037
Increase (decrease) in accrued consumption taxes	173,678	(194,023)
Increase (decrease) in advances received	(224,755)	(167,536)
Decrease (increase) in other assets	(599,979)	(239,417)
Increase (decrease) in other liabilities	96,053	(4,793)
Other, net	(4,691)	(310,816)
Subtotal	3,109,426	3,175,686
Interest and dividends received	36,344	18,747
Proceeds from insurance income	6,532	7,511
Interest paid	(80,967)	(81,723)
Income taxes paid	(1,873,019)	(227,364)
Net cash provided by (used in) operating activities	1,198,316	2,892,857

(Unit: thousand yen)

	FY 2019 (January 1, 2019- December 31, 2019)	FY 2020 (January 1, 2020- December 31, 2020)
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(813,431)	(447,805)
Proceeds from sales of property, plant and equipment	12,617	83,022
Purchase of intangible assets	(84,578)	(76,992)
Purchase of investment securities	(399,333)	(23,630)
Proceeds from sales of investment securities	503,208	12,546
Payments into time deposits	(189,869)	(87,115)
Payments of leasehold and guarantee deposits	(54,128)	(283,303)
Proceeds from refund of leasehold and guarantee deposits	138,806	144,761
Proceeds from maturity of insurance funds	81,778	96,648
Payments for investments in capital	(266,382)	(235,971)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(188,141)	-
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	(181,819)	-
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	-	1,096
Other, net	(119,865)	(26,447)
Net cash provided by (used in) investing activities	(1,561,137)	(843,190)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term borrowings	(2,318,500)	(3,200,000)
Proceeds from long-term borrowings	5,850,000	7,200,000
Repayments of long-term borrowings	(2,786,830)	(3,793,841)
Purchase of treasury shares	(80,086)	(728)
Dividends paid	(705,122)	(280,416)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	-	(117,110)
Commission fee paid	(170,381)	(164,824)
Other, net	(125,633)	(40,445)
Net cash provided by (used in) financing activities	(336,555)	(397,366)
Effect of exchange rate change on cash and cash equivalents	(14,803)	(9,503)
Net increase (decrease) in cash and cash equivalents	(714,181)	1,642,797
Cash and cash equivalents at beginning of period	9,790,600	9,060,407
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(16,011)	-
Cash and cash equivalents at end of period	9,060,407	10,703,205

(5) Notes on the consolidated financial statements

(Notes regarding assumption of going concern)

Not applicable

(Segment information)

As the AOI TYO Group consists of a single Advertising Business segment, we have omitted separate disclosure herein.

(Per-share indicators)

FY 2019 (January 1, 2019-December 31, 2019)		FY 2020 (January 1, 2020-December 31, 2020)	
Net assets per share	977.76yen	Net assets per share	848.70yen
Net income per share	(54.50)yen	Net income (loss) per share	(108.81)yen
Diluted net income per share	—	Diluted net income per share	—

(Note 1) Although the Company has dilutive shares, we have not presented diluted net income per share for the current consolidated fiscal year, since the Company has a diluted net loss per share.

(Note 2) Basis for calculating net income per share and fully diluted net income per share is as shown below.

	FY 2019 (January 1, 2019– December 31, 2019)	FY 2020 (January 1, 2020– December 31, 2020)
Net income per share		
Profit (loss) attributable to owners of parent (thousand yen)	(1,280,492)	(2,552,992)
Amount not attributable to common shareholders (thousand yen)	—	—
Net income (loss) attributable to owners of parent pertaining to common shares (thousand yen)	(1,280,492)	(2,552,992)
Average number of common shares issued (thousand shares)	23,495	23,462

\*To calculate net income per share, those AOI TYO Holdings shares remaining in trust that are posted as treasury shares are included in treasury shares deducted in the calculation of average number of shares during the term. To calculate net assets per share, these same shares are also included in the number of treasury shares deducted from the year-end number of shares issued. A total of 418,900 shares and 413,569 shares of treasury stock noted above were deducted for the purpose of calculating net income per share for the prior consolidated fiscal year and current consolidated fiscal year, respectively. At total of 418,900 shares and 411,200 shares of treasury stock noted above were deducted for the purpose of calculating net assets per share for the prior consolidated fiscal year and current consolidated fiscal year, respectively.

(Significant subsequent events)

(Transactions involving entities under common control, etc.)

Pursuant to a resolution passed at a board of directors meeting held October 19, 2020, the company split off certain operations (incorporation-type company split) of consolidated subsidiary TYO Inc. ("Former TYO"), transferring the operations in question to the newly established TYO Inc. on January 4, 2021. The company also conducted an absorption-type merger between consolidated subsidiaries and name change, with Former TYO becoming the surviving company. The company also conducted an absorption-type merger between consolidated subsidiaries and name change, with consolidated subsidiary Digital Garden, Inc. becoming the surviving company.

1. Overview and purpose of transaction

In line our medium-term plan covering the five-year period from fiscal 2021 through fiscal 2025, the AOI TYO Group has engaged in a major organizational restructuring. We have shifted from our legacy business structure focusing on the Advertising Video Production Business to a dual-business structure with clear initiatives assigned to each. This structure will consist of the Content Production Business, which will handle traditional advertising

video production focused primarily on orders from advertising companies, and the Communication Design Business, which will handle the design and execution of communications, focusing on directly transacting with advertisers. In addition, we will consolidate post-production subsidiaries within the Content Production Business into one company, with Digital Garden serving as the surviving company. We will consolidate subsidiaries within the Communications Design Business that conduct solutions, PR, and events into one company, with Former TYO serving as the surviving company. In this way, we intend to deepen and strengthen group management while reducing costs.

## 2. Reorganization summary

### (1) Incorporation-type split

#### ① Name of company to be split and business lines/scope businesses involved in the split

Name	Former TYO
Business lines	Advertising video production services for advertising companies, etc.
Net sales	¥13,560 million (FYE December 2020)

#### ② Date of company split

January 4, 2021

#### ③ Legal form of company split

Incorporation-type split with Former TYO as the split company and TYO, Inc. serving as the successor company

#### ④ Details of allocations related to the incorporation-type split

At the time of the incorporation-type split, the newly established company issued 1,000 shares of common stock, all of which were allocated to Former TYO. At the same time, Former TYO delivered all allocated shares to 100% parent company AOI TYO Holdings as dividends from surplus.

### (2) Absorption-type merger with the Former TYO as the surviving company

#### ① Name and description of business of the combined companies; assets and liabilities to be taken over

Name	Former TYO	Quark tokyo Inc.	ZEO Corporation	TYO Digital Works, Inc.	TYO Public Relations, Inc.
Business lines	Creative planning and production of all advertising content	Marketing solutions, content planning and production	Marketing communications	Web advertising production	General services related to public relations and PR activities
Assets to be taken over	-	¥978million	¥1,245 million	¥303 million	¥97 million
Liabilities to be taken over	-	¥182 million	¥1,147 million	¥114 million	¥166 million

#### ② Date of business combination

January 4, 2021

#### ③ Legal form of business combination

An absorption-type merger, with Former TYO as the surviving company and consolidated subsidiaries Quark tokyo Inc., ZEO Corporation, TYO Digital Works, Inc., TYO Public Relations, Inc. becoming the absorbed companies. Quark tokyo Inc., ZEO Corporation, TYO Digital Works, Inc., TYO Public Relations, Inc. have been dissolved.

#### ④ Name of the company after the merger

Former TYO changed its corporate name to xpd, Inc. on January 4, 2021.

(3) Absorption-type merger with Digital Garden, Inc. as the surviving company

① Name and description of business of the combined companies; assets and liabilities to be taken over

Name	Digital Garden, Inc.	Media Garden, Inc.	TTR, Inc.
Business lines	Planning and production of digital editing and CG	Filming studio and equipment rental	Video post-production business
Assets to be taken over	—	¥926 million	¥2,005 million
Liabilities to be taken over	—	¥330 million	¥655 million

② Date of business combination

January 4, 2021

③ Legal form of business combination

An absorption-type merger with Digital Garden, Inc. as the surviving company and consolidated subsidiaries Media Garden, Inc. and TTR Inc. becoming the absorbed companies. Media Garden, Inc. and TTR, Inc. have been dissolved.

④ Name of the company after the merger

Digital Garden, Inc. changed its corporate name to TREE Digital Studio, Inc. on January 4, 2021.

3. Overview of accounting treatment

These transactions will be treated as transactions under common control in accordance with *Accounting Standard for Business Combinations* (ASBJ Statement No. 21, January 16, 2019) and *Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures* (ASBJ Guidance No. 10, January 16, 2019).