

AOI TYO Holdings

Consolidated Financial Results
for Fiscal Year Ended December 31, 2017

March 2018

AOI TYO Holdings Inc.

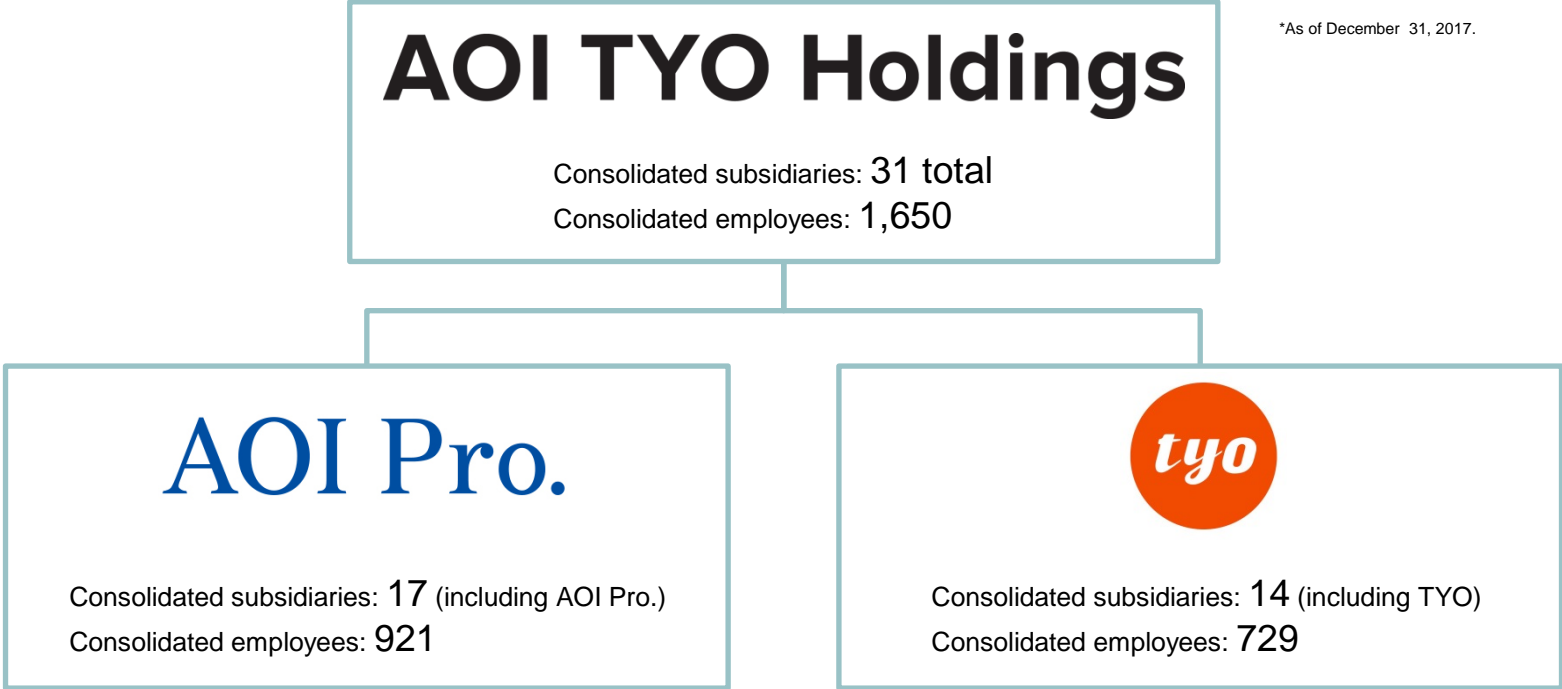
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1. Business Environment

Founding of AOI TYO Holdings

- Founded in January 2017, following the management integration of AOI Pro. and TYO.



Handling changes in the business environment

Print-less (*)

Work style reform

Diversification of media and devices

Internet advertisement

Expanding the business fields surrounding advertisement

Improved profitability results

- Building a management structure that stresses profitability
- Print-less operation has not progressed at the rate expected, and the changes are expected to accelerate from April of this year.

Expanding sales for our Solutions Business

- Providing a framework to allow one-stop shopping for appropriate solutions for our customers' problem-solving needs

* To date, reproduction (printing) to TV material storage media has been used for posting materials to each broadcast media, and this reproduction has generated both sales and profits. From October 2017, however, the system began gradually shifting to online data delivery, and print sales are expected to decline as a result.

Post merger integration

- The following initiatives are being pursued for quick realization of the management integration effect.



From
November 2017

Reorganization of group business

- Divestment of subsidiaries (TYO Animations, REAL-T, Business Architects)
- Consolidation of lighting equipment rental business

January 2018

Consolidation of the Corporate Department

- Function consolidation of AOI Pro. and TYO in the Management Department

March 2018

Relocation of the head offices, office merger

- Head offices moved from Shirokane to Osaki as part of the Corporate Department's function consolidation
- TYO head offices (Meguro) sold to optimize assets

2. Summary of Consolidated Financial Results

Financial Highlights

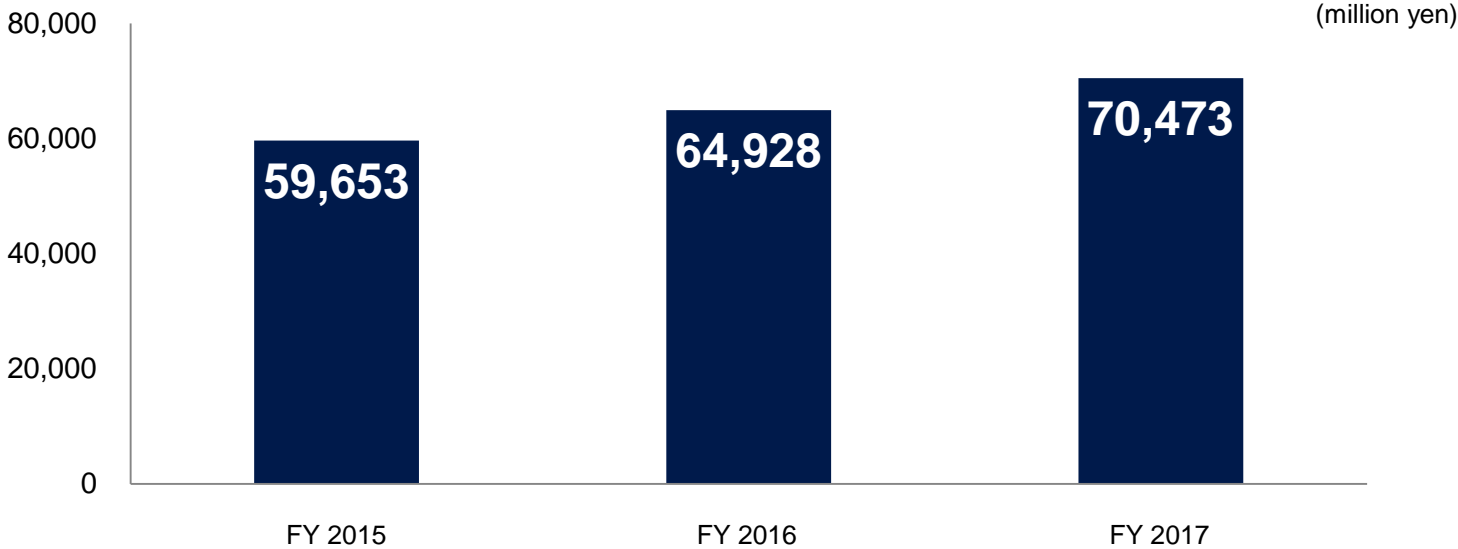
- Significantly exceeded the forecast, thanks primarily to increased sales in the Solutions Business, the higher profitability of the Advertising Video Production Business as the company's core business, a slowdown in the shift to Print-less, online product delivery, and the reorganization of group businesses.

(million yen)	FY 2016	FY 2017	YoY Change	Ref. Initial Forecasts
Net Sales	64,928	70,473	+8.5%	65,000
Operating Income	3,422	4,619	+35.0%	3,500
Ordinary Income	2,963	4,394	+48.3%	3,200
Profit Attributable to Owners of Parent	1,095	2,781	+154.0%	1,400
EBITDA	4,389	5,755	+31.1%	4,630
ROE	6.1%	11.3%	+5.2%	-

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

Trend of Net Sales

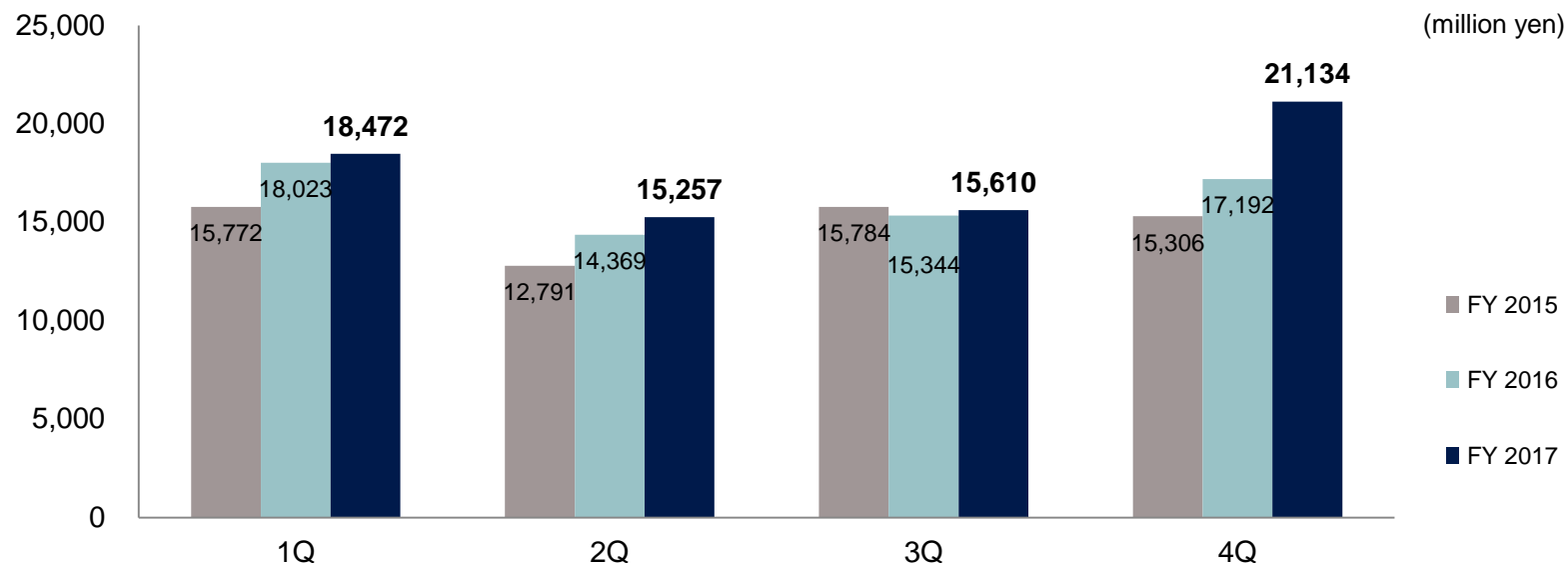
- In addition to steady sales in the Advertising Video Production Business, sales in the Solutions Business, which is positioned as a growth segment, increased and contributed to strong net sales of the entire group.



* The results for 2015 and 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

- Net sales in the fourth quarter of the fiscal year under review increased substantially thanks to growth in orders received.
(Order backlog in 4Q-end 13,631 million yen, down 614 million yen year on year)



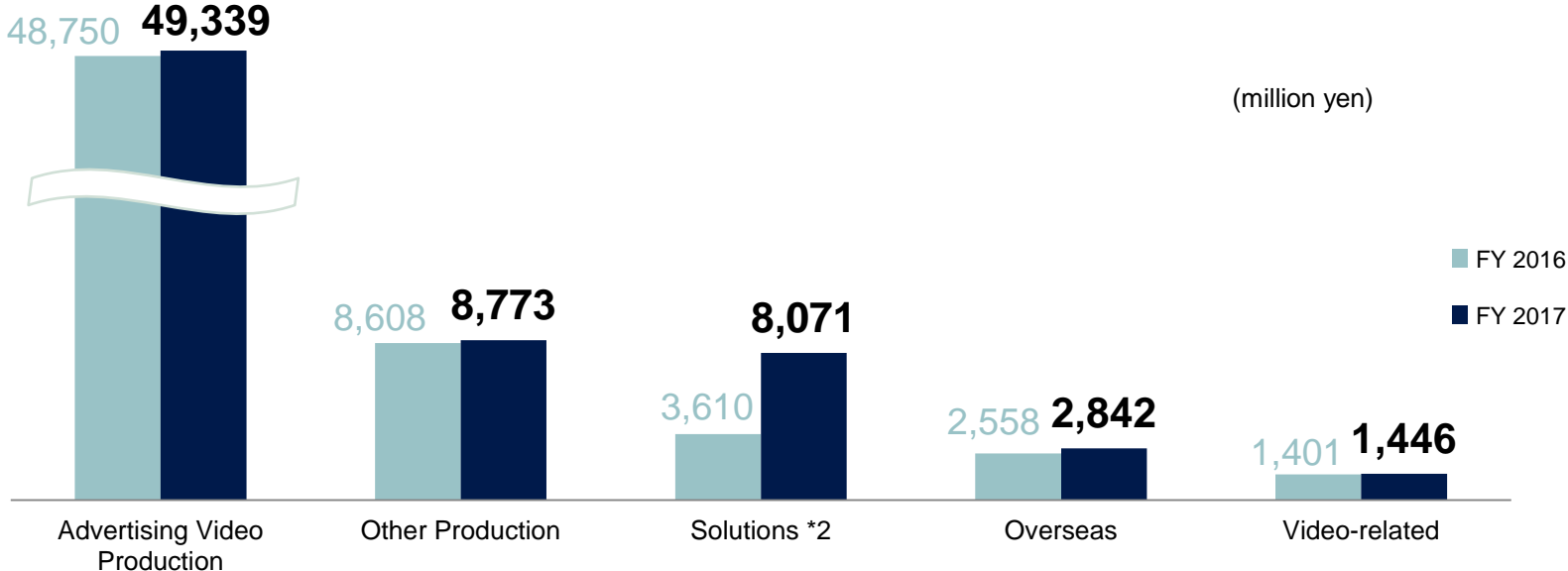
* The results for 2015 and 2016 are simple totals of the consolidated financial results of AOI Pro. Inc. and TYO Inc. for the calendar years (based on pro forma statements for the end of the fiscal year ending December 31).

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, website production and promotional materials.
Solutions	Delivery of measures to solve customer issues, which includes direct business with advertisers, one-stop services from the planning and production of video ads and data analysis to media distribution, and VR projects. Positioned as a growth segment and focusing efforts.
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.

Net Sales by Business Segment*1

■ All segments generally remained strong, and net sales of the Solutions Business, which is positioned as a growth segment, increased 123.6% year on year.

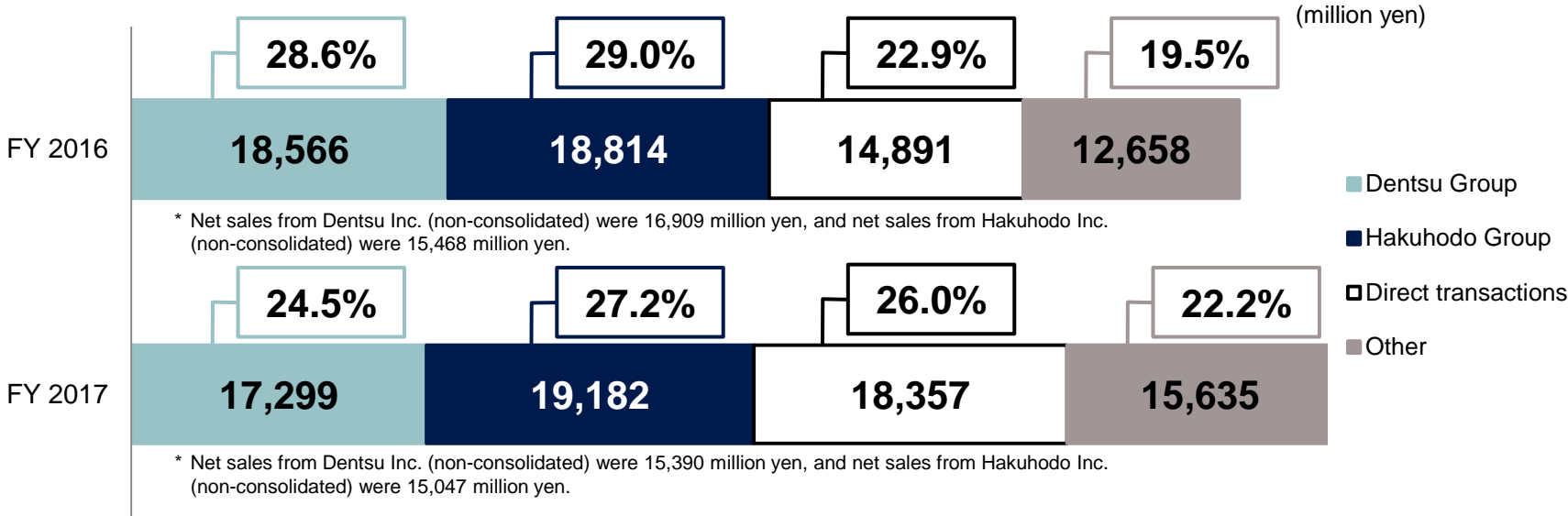


*1: The Advertising Business Segment includes Advertising Video Production, Other Production, Solutions, and Overseas Business. The Video-related Business Segment includes Video-related Businesses.

*2: Solution Business: provides measures to solve customer issues (total of Experience Design Dept. of AOI Pro, TYO General Business Division Headquarters, and Quark tokyo Inc.)

Net Sales by Customer

■ Growth of sales in the Solutions Business contributed to a significant increase in direct transactions with advertisers.



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

Summary of Consolidated Balance Sheet

(million yen)	FY 2017	Major Components
Current Assets	41,503	Cash and deposits (12,573 million yen), notes and accounts receivable (17,813 million yen), electronically recorded monetary claims (6,208 million yen), and work in process (3,629 million yen)
Non-current Assets	18,234	Property, plant, and equipment (7,679 million yen), intangible assets (5,269 million yen), and investments and other assets (5,285 million yen)
Total Assets	59,737	
Current Liabilities	25,275	Accounts payable (7,341 million yen), short-term loans payable including current portion of long-term loans payable (12,772 million yen), and accounts payable (1,290 million yen)
Non-current Liabilities	8,756	Long-term loans payable (3,465 million yen) and long-term deposits received (3,501 million yen)
Total Liabilities	34,031	
Total Net Assets (percentage of total assets)	25,706 (43.0%)	Capital stock (5,000 million yen), capital surplus (12,074 million yen), and retained earnings (7,823 million yen)
Total Liabilities and Net Assets	59,737	

Consolidated Statement of Cash Flow

(million yen)	FY 2017	Major Components
Net cash provided by (used in) operating activities	1,393	Profit before income taxes (4,318 million yen), decrease (increase) in notes and accounts receivable and inventories (-5,440 million yen), and depreciation (845 million yen)
Net cash provided by (used in) investing activities	-2,632	Purchase of property, plant, and equipment and intangible assets (-1,628 million yen) and purchase of investment securities (-1,121 million yen)
Net cash provided by (used in) financing activities	5,445	Net increase in short-term loans payable (6,336 million yen) and cash dividends paid (-467 million yen)
Cash and cash equivalents at beginning of period	3,155	
Increase in cash and cash equivalents resulting from share transfer	4,975	
Cash and cash equivalents at end of period	12,372	

3. Consolidated Earnings Forecast

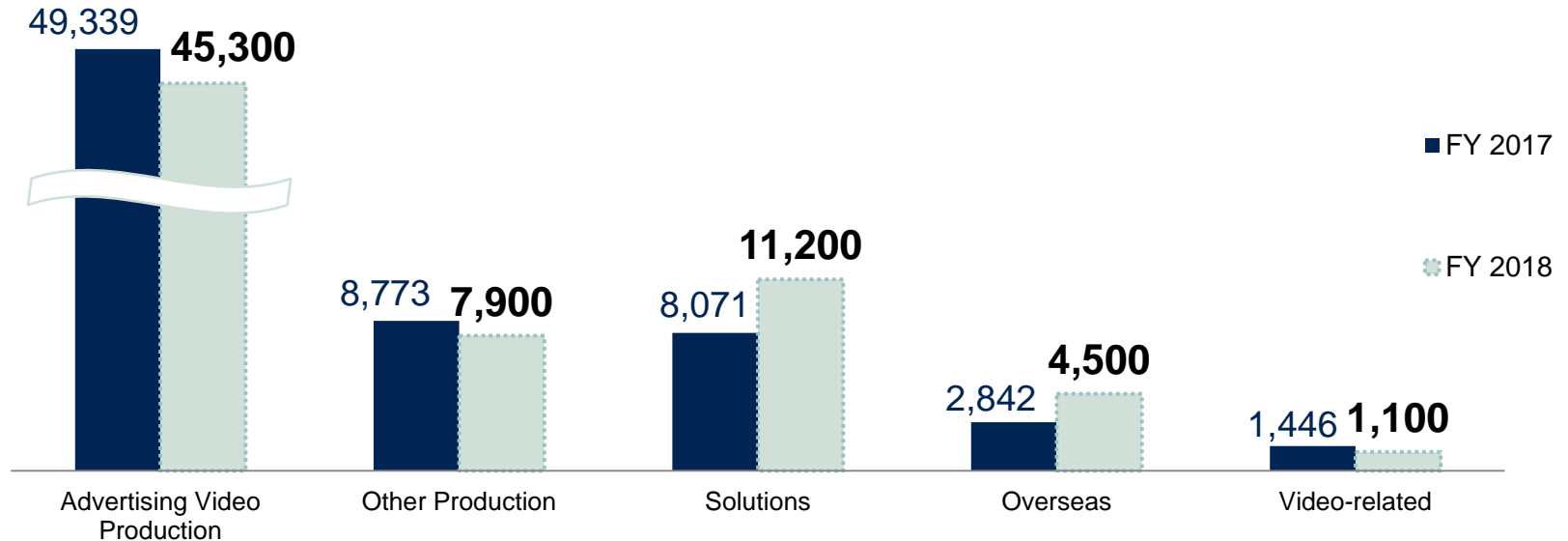
Consolidated Earnings Forecast

- Temporary stagnation in financial results is expected, due chiefly to the increased profitability of Advertising Video Production in FY2017 ahead of the shift to online product delivery that is expected to accelerate from 2018, the control of orders received for work style reform, and prior investment in growth segments.

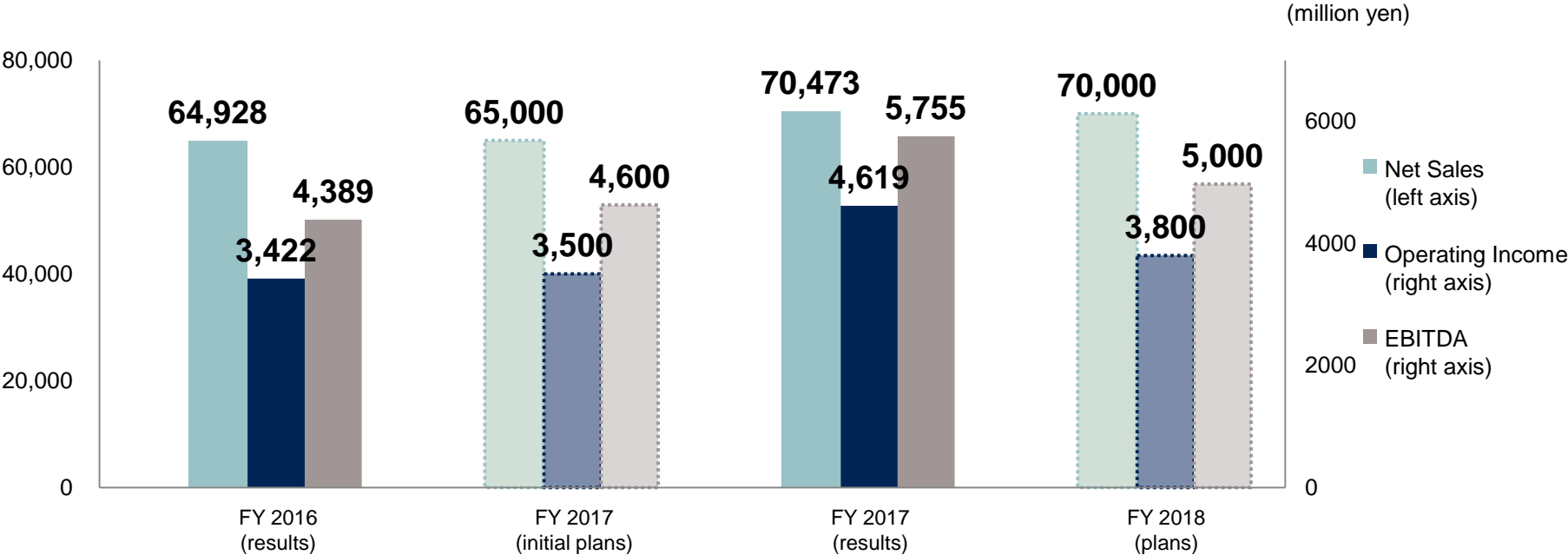
(million yen)	FY 2017	FY 2018 (Plans)	YoY Change
Net Sales	70,473	70,000	-473
Operating Income	4,619	3,800	-819
Ordinary Income	4,394	3,700	-694
Profit Attributable to Owners of Parent	2,781	2,300	-481
EBITDA	5,755	4,974	-755
ROE	11.3%	8.8%	-2.5%

Net Sales Plan by Business Segment

- Advertising Video Production is likely to be affected by the shift to online product delivery and work style reform. The Solutions Business, being a growth segment, and Overseas Business promoted through M&A are expected to expand.
- Other Production will decrease, mainly due to the reorganization of group businesses.



Trends of Net Sales, Operating Income, and EBITDA



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

KPI Targeted in Fiscal Year 2021: Maximization of Shareholder Value

- Maximize shareholder value, through striving to increase capital efficiency (ROE) and shareholder returns.
- Maximize EBITDA through active investment in projects whose rate of return can exceed the cost of shareholders' equity.

ROE

12% or higher

EBITDA
(Earnings before interest, taxes,
depreciation, and amortization)

8.0 billion yen

Shareholder Dividend Policy

- The consolidated dividend payout ratio set to be 30% or higher, aiming to increase dividends associated with actual profit growth.
- Use dividend on equity (DOE) as an indicator and work to increase the ratio, in view of providing continuous and stable dividends.

**Consolidated Dividend
Payout Ratio**

30% or higher

DOE

Approx. 4%
(FY 2021)

Dividend Payment

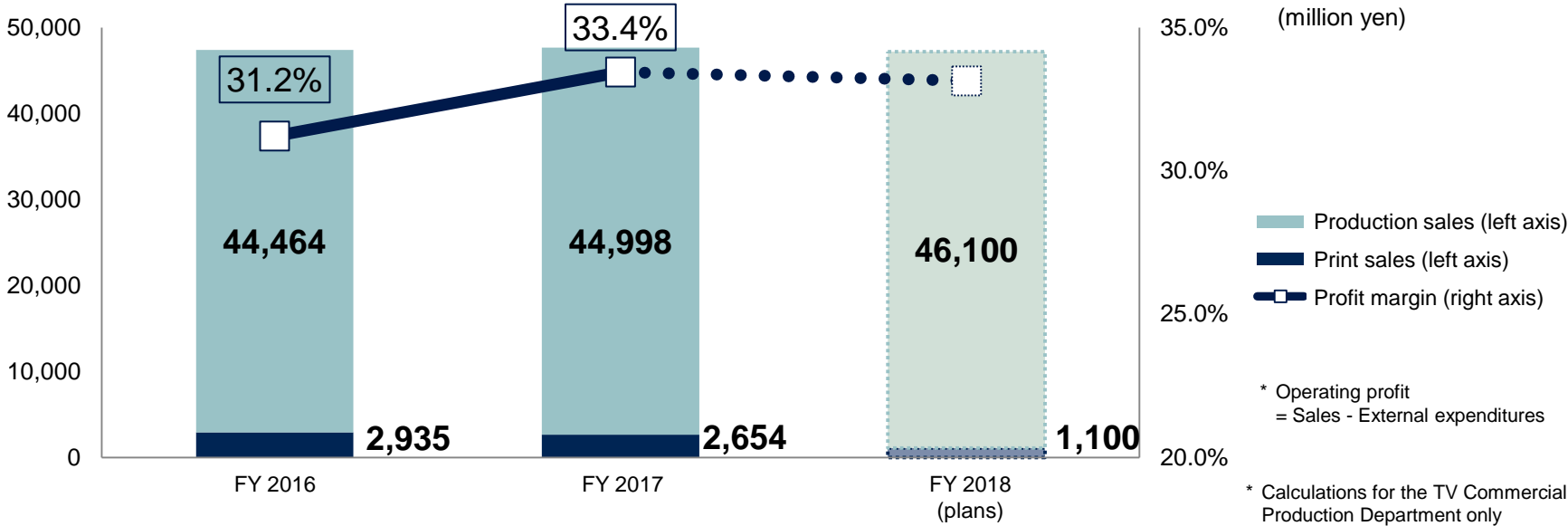
- The dividend forecast has been raised from 28 yen at the beginning of the fiscal year to 30 yen a year in response to the results for FY2017 that exceeded the initial forecasts.
- One of the contributors to the profit growth in FY2017 was a decrease in taxes paid, due primarily to the reorganization of group businesses.
 - The dividend payout ratio (actual) after deducting this impact is 30.5%
- The company purchased a total of 289 million yen of treasury shares during FY2017.
 - The total return ratio is 36.1%
- The company plans to pay a dividend of 30 yen per share (ordinary dividends) for the fiscal year ending December 31, 2018.

	End of 2nd Qtr.	End of FY	Total	Dividend Payout Ratio	DOE
FY 2017 (plan)	8 yen	22 yen (incl. commemorative dividend of 10 yen)	30 yen (incl. commemorative dividend of 10 yen)	25.6%	2.9%
FY 2018 (forecast)	8 yen	22 yen	30 yen	31.4%	2.8%

4. Current Initiatives for Various Businesses

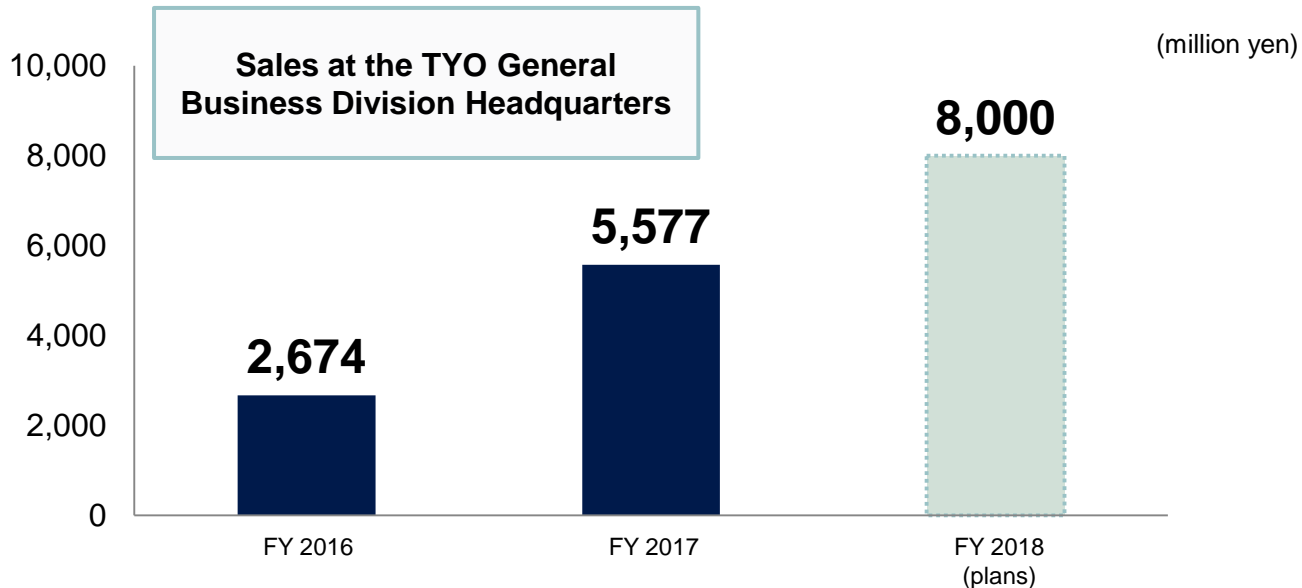
Initiatives for Advertising Video Production Business

- Improved profit margins due to the development of a management structure that stresses profitability
- In the fiscal year ending December 2018, the print-less movement is expected to accelerate, and although we will continue working to improve profitability, the overall profit margin is expected to decline slightly.



Initiatives in the Solutions Business (1)

- Sales have increased dramatically from a year earlier through large orders from new advertisers and expanded scale for the projects of existing advertiser clients, in direct transactions with advertising sponsors.



Case study

Investment achievements for the "Ad Hack Ventures" fund targeting venture companies

TYO established the "Ad Hack Ventures" fund targeted to venture companies in August 2017 as a joint project with FIELD MANAGEMENT.

This fund will be targeted to venture companies and is scheduled to have a total asset under management of 1.8 billion yen (with several hundred million yen appropriated to each case).

■ Logbar Inc. (October 2017, 517 million yen invested)

Logbar is conducting development and sales for the world's first wearable audio translation device, "ili."

The company's business is expected to grow rapidly, by fulfilling the needs of people traveling overseas and the inbound tourist market in Japan.

■ every, Inc. (January 2018, 100 million yen invested)

every's main business is providing four different types of video media sites, one of which is one of the largest video recipe sites in Japan, "DELISH KITCHEN."

It reaches over 44 million users per month, and has continued to grow rapidly ever since its founding in September 2015.

Further growth is expected due to their initiatives to improve video production quality, develop contents in a wide range of categories, and expand their business in other ways.

■ Sumally (January 2018, 100 million yen invested)

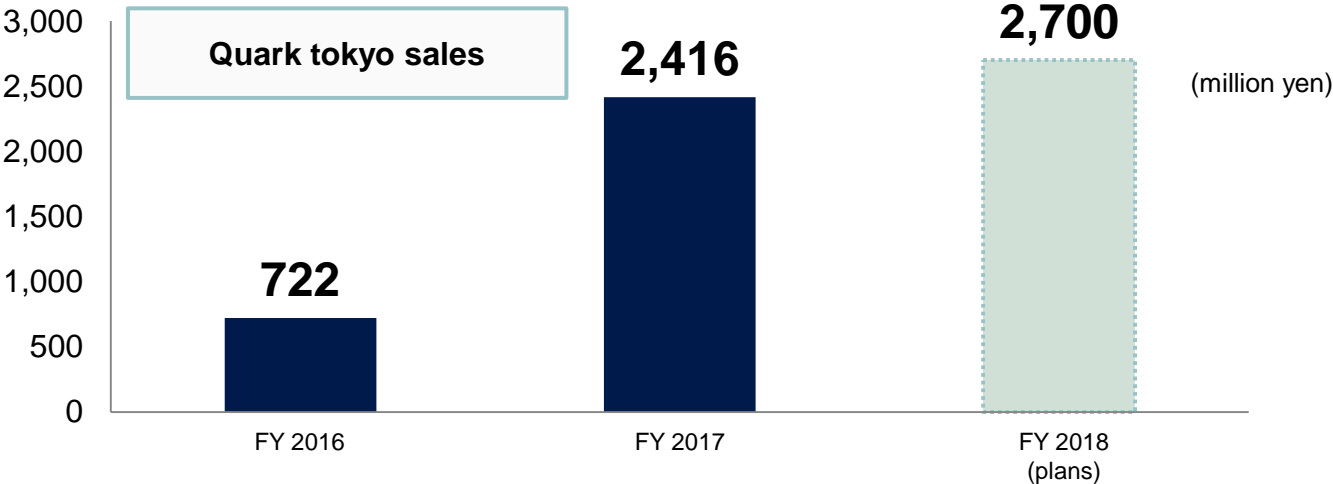
Sumally provides "Sumally Pocket," a cloud storage service which allows users to store things they aren't using right now into a dedicated box, manage these items on their PC or using a smartphone app, and easily add or remove single items.

Business growth is expected due to the expansion of the storage market, which has more than doubled in size in the past 10 years.



Initiatives for our Solutions Business (2)

■ At Quark tokyo, due to a favorable transition in project orders, sales increased to 334.6%, year on year.



Quark tokyo

The company has collected specialists in various fields and uses a one-stop framework to provide Plan-Do-Check-Act (PDCA) solutions for all stages of video materials, with a special focus on online content, ranging from strategy drafting, planning, production, and data analysis, to media distribution.

Case study

Quark tokyo launches “QT by quark tokyo,” a specialized team dedicated to new marketing strategies.

Quark tokyo launched “QT by quark tokyo,” a specialized team within Quark tokyo that develops optimized marketing strategies for clients needing new marketing communication with a focus on millennials*, while providing creative direction and production. The team launched the vertical video media Q16GiRL in December 2017.

Based on insights into consumers derived from its consulting and analysis of media management as well as from diverse data on media targeting young demographics, the team provides the kind of marketing and communication that’s truly necessary for brands and companies.

The concept of Q16GiRL is “vertical video media for girls, by girls.” This media label provides vertical video media targeting girls in their teens and 20s who don’t watch TV or read magazines. Our group is a leader in TV commercial production, and our subsidiary Quark tokyo has greatest strengths at high-level creativity and optimized cost-effectiveness, which goes beyond media posting by advertising professionals and collaborations with the goal of designing and achieving communication design.

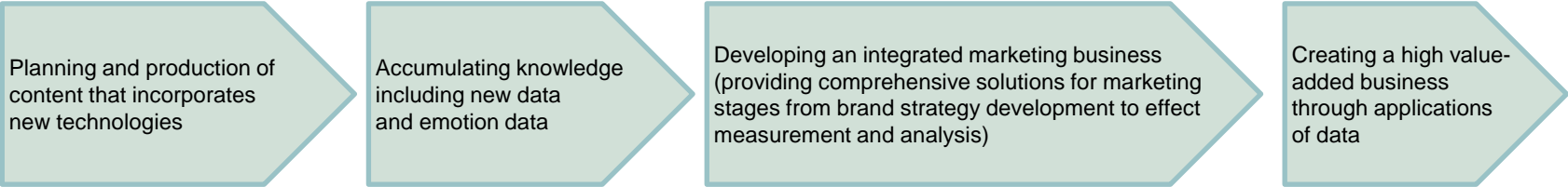
The 1st content project is a collaboration with Lotte Co., Ltd. for Fit’s chewing gum. Further collaborations are planned with a variety of companies, artists and brands.

* Millennials: The generation born from 1980 to 2000. As a generation for which digital technology is native, communication through social media and other methods is also well-established among millennials. There is a strong sense of valuing experiences, shared feelings and praise of others over material possessions, and a high level of affinity for the sharing economy in which places and possessions are shared among people. This generation is attracting considerable attention for the influence they will have on society and consumption.



Initiatives in the Solutions Business (3)

- SOOTH Inc. Founded in February 1, 2018
- This company is aiming for further development of the VR business and experience design consulting, etc. started by the AOI Pro. Experience Design Department.



New company overview

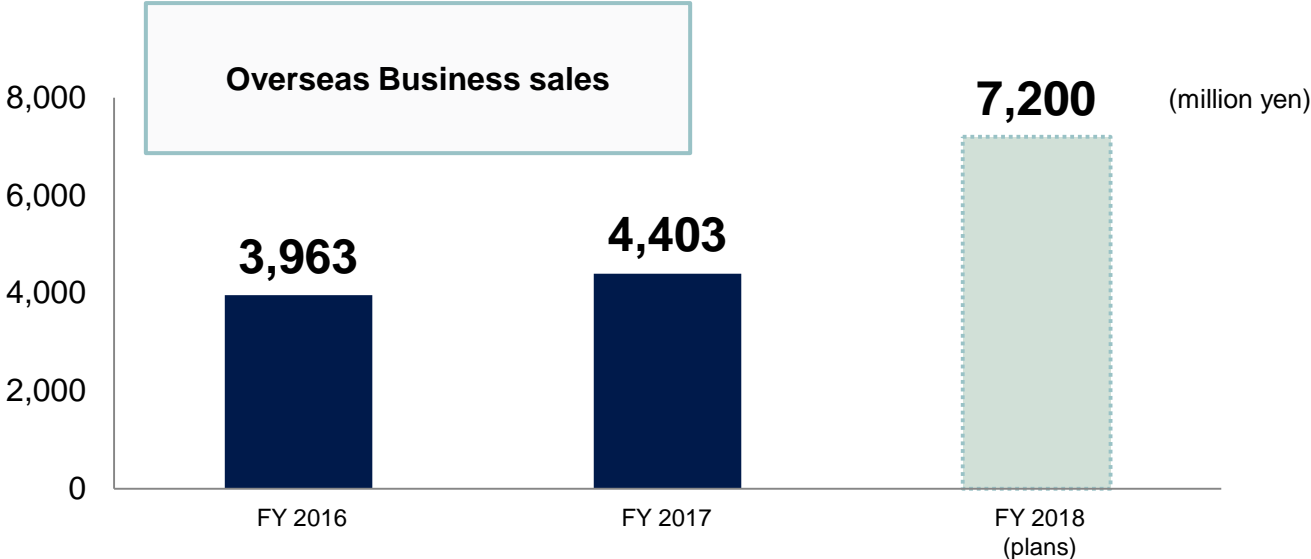
Name: SOOTH Inc.
Address: 1-4-5 Roppongi, Minato-ku, Tokyo
Representatives: President Yasutoshi Nukada
President Yusuke Imaoka
Business content: Experience design consulting / planning and production of content which includes data collection and applications / provision of data platform services / development of services and solutions

SOOTH



Initiatives for Overseas Business

- Sales are expected to increase in 2018, through promotion and project expansion of mergers and acquisitions (M&A) in Southeast Asia,.



* The sales figures above include affiliated companies accounted for by the equity method.

Case study

Adding "VIEWFINDER MEDIA," Vietnam's largest video production company, to the group

In October 2017, AOI TYO Group acquired 36% of the stock of "VF INVESTMENT JOINT STOCK COMPANY (VF INVESTMENT)," the holding company of "VIEWFINDER MEDIA JOINT STOCK COMPANY (VF MEDIA)," and added both companies to the group.

The advertising market in Vietnam has expanded by more than 10% per year on average since 2005, and when calculating by media type, TV advertising accounts for more than 85% of the budget.

* According to data from Statista and Kantar Media.

VF MEDIA is the video production company with the highest sales in the industry in Vietnam and has a strong level of trust among both clients and advertising companies within the country due to the scope of its business and experience. With a close cooperation with the company through stock acquisition, we aim to further expand our business projects in the Southeast Asia marketplace.

Overview of VF MEDIA

- Name: VIEWFINDER MEDIA JOINT STOCK COMPANY
- Address: Ho Chi Minh City, Vietnam
- Representative: Truong Minh Tuan
- Business content: Video production and advertising business focused on planning and production of TV commercials
- Capital: 4 billion Vietnamese dong (about 20 million yen)
- Founded: August 23, 2008
- Holding ratio: VF INVESTMENT JOINT STOCK COMPANY 99.995%
(the remaining 0.005% is held by two individual investors)
- Total assets: 32 billion Vietnamese dong (approximately 156 million yen) (as of the end of December 2016)



Case study

Investment in the SPIRAL VENTURES "ASIA FUND I"

In January 2018, AOI TYO Group invested 5 million US dollars in the SPIRAL VENTURES ASIA FUND I.

This investment is considered a part of the growth strategy for both the solutions and the overseas businesses. By building relationships with Asian venture companies with high growth potential in the early stages, and by developing cooperative business with the companies in which we invest, we aim to further expand our presence in overseas markets. In addition, through this process, we anticipate business expansion opportunities that will leverage our group's knowledge and experience in the fields of advertising and video production.

Since its founding in February 2013, Spiral Ventures Pte. Ltd. (Head offices: Singapore), investment manager, has set mainly early to growth stage developing companies in Southeast Asia and India, areas with high economic growth rate goals, as its investment targets. In addition to management advice, it provides services such as business matching opportunities with Japanese companies support for business development and project launches in Japan, with the goal of increasing the value of the companies in which it invests.

SPIRAL VENTURES ASIA FUND I overview

- Fund name: Spiral Ventures Asia Fund I
- Fund format: Cayman Islands fund denominated in US dollars
- General partner: Spiral Ventures Asia Ltd.
- Investment manager: Spiral Ventures Pte. Ltd.
- Members: Operating companies and institutional investors, etc. in Japan and Singapore.
- Investment outlet: Mainly IT companies in the early to growth stage in Southeast Asia and India



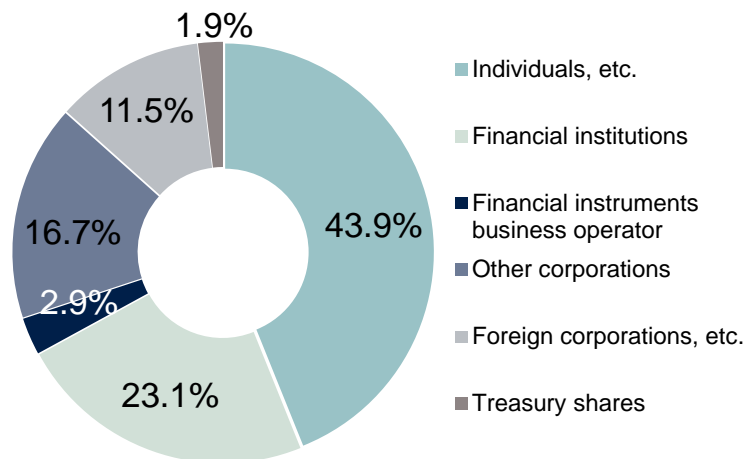
5. Stock Information

Status of Stock and Shareholders (as of December 31, 2017)

Number of Shares and Shareholders

Total number of shares issued	24,566,447
Total number of shareholders	12,534

Shareholder Composition by Type of Shareholder



Status of Large Shareholders

	Shareholder Name	Number of Shares Held	Shareholding Ratio
1	Japan Trustee Services Bank, Ltd. (Trust Account)	1,963,800	8.15%
2	Cosmo Channel	1,153,740	4.79%
3	Imagica Robot Holdings Inc.	1,018,000	4.22%
4	Fields Corporation	879,660	3.65%
5	The Master Trust Bank of Japan, Ltd. (Trust Account)	719,100	2.98%
6	The Bank of New York Mellon (International) Limited 131800	663,000	2.75%
7	Trust & Custody Services Bank Ltd. (Securities Investment Trust Account)	415,600	1.72%
8	Hitoshi Hara	400,000	1.66%
9	Fumiko Hara	328,000	1.36%
10	Japan Trustee Services Bank, Ltd. (Trust Account 5)	306,700	1.27%

* The shareholding ratios are calculated by subtracting treasury shares (471,127).

Company Profile

Company Name	AOI TYO Holdings Inc.
Representatives	Hiroaki Yoshida, Representative Director, Chairman & CEO Yasuhito Nakae, Representative Director, President & COO
Establishment	January 4, 2017
Capital	5.0 billion yen
Fiscal Year-end	December 31
Location of Head Office*	Shirokane Takanawa Station Bldg. 7F, 1-27-6 Shirokane, Minato-ku, Tokyo 108-0072, Japan +81 3-5475-7121 (main)
Securities Code	3975 First Section of the Tokyo Stock Exchange
URL	http://aoityo.com/

* The head office will be relocated on March 28, 2018. New location: 1-5-1 Osaki, Shinagawa-ku, Tokyo 141-8580, Japan

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.

Please contact the following for any questions:
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