



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

August 14, 2020

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 Stock Exchange: Tokyo Stock Exchange
 Code: 3975
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 Scheduled date of submission of quarterly report: August 14, 2020
 Scheduled date of commencement of dividend payment: -
 Supplementary documents for quarterly results: Yes
 Quarterly results briefing: Yes

(Rounded down to the nearest million yen)

1. Consolidated Financial Results for the Second Quarter (from January 1, 2020 to June 30 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	%
Q2 FY2020	24,367	-20.5	-881	—	-1,047	—	-956	—
Q2 FY2019	30,636	-0.7	816	-53.2	637	-62.1	257	-78.0

(Note) Comprehensive income Q2 FY2020: -1,133 million yen (-%) Q2 FY2019: 66 million yen (-94.0%)

	Net income per share	Diluted net income□ per share
	Yen	Yen
Q2 FY2020	-40.76	—
Q2 FY2019	10.95	10.91

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
Q2 FY2020	49,573	21,951	43.5
FY2019	53,352	23,363	43.0

(For reference) Shareholders' equity Q2 FY2020: 21,560 million yen FY2019: 22,935 million yen

2. Dividends

	Dividends per share				
	End of Q1	End of Q2	End of Q3	Year end	Annual
	Yen	Yen	Yen	Yen	Yen
FY2019	—	8.00	—	12.00	20.00
FY2020	—	0.00	—	—	—
FY2020 (forecast)	—	—	—	—	—

(Note) 1. Revisions to dividends forecast published most recently: No
 2. The Company's Articles of Incorporation stipulate that the record dates for dividends are the end of the second quarter and the end of the fiscal year; however, the dividend forecast for the end of the fiscal year has not yet been determined.

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

Though the full-year results forecast for the fiscal year ending December 2020 remain undecided, we are currently in the final adjustment stage, analyzing the current business environment and order trends as we assess the impact of COVID-19. We will promptly announce our results forecasts once their calculations are completed.

* Notes

(1) Important changes in subsidiaries for the second quarter under review (Changes is specified subsidiaries resulting in change in scope of consolidation): No

New: — companies Excluded: — companies

(2) Application of accounting treatment specific to the preparation of quarterly consolidated financial statements:

Not applicable

(3) Changes in accounting policies, and changes or restatements of accounting estimates

(i) Changes in accounting policies due to revisions to accounting standards etc. : Not applicable

(ii) Changes in accounting policies other than (i) : Not applicable

(iii) Changes in accounting estimates: : Not applicable

(iv) Restatements of accounting estimates: : Not applicable

(4) Number of issued shares (common stock)

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

Q2	FY2020	24,566,447 shares	FY2019	24,566,447 shares
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(ii) Number of treasury stock at end of period

Q2	FY2020	1,102,452 shares	FY2019	1,109,564 shares
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(iii) Average number of issued shares

Q2	FY2020	23,459,787 shares	Q2 FY2019	23,528,173 shares
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(Note)

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

(Q2 FY2020: 411,200 shares, Q2 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* (3) *Discussion of consolidated results forecasts* on P.3 of Attachments.

* AOI TYO Holdings will hold an earnings briefing for institutional investors and analysts on September 2, 2020. After the conclusion of this meeting, the group will publish the materials distributed on the AOI TYO Holdings corporate website as quickly as possible.

Attachments

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1. Qualitative Information on Results in the Second Quarter

(1) Discussion of operating results

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

During the consolidated second quarter, COVID-19 became a global epidemic, bringing constraints on domestic and overseas economic activities and leading to an extremely severe economic state.

As much of the AOI TYO Group's film production and editing processes for commercial production fall under the Three C's (closed, crowded, close-contact spaces that are to be avoided), we have begun as of February to adopt measures in a stepwise fashion to prevent the spread of infection. Under the Japanese government's state of emergency declaration, we took measures such as shifting employees to working from home in principle, temporarily suspending operations at filming and editing studios, requesting postponements to advertising companies and advertisers involved in filming projects. Further, a number of projects were postponed, and some were suspended. 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. We also restarted filming and editing operations, taking a number of measures to prevent the spread of COVID-19. For example, during filming, we have required attendance of a hygiene management team which includes healthcare professionals, mandated health checks, and are regularly conducting and checking disinfection and ventilation. However, we were unable to catch up to work delays with only the month of June remaining, and many projects were delayed to the third quarter.

Under these circumstances, though net sales for the second consolidated quarter of the current fiscal year were nearly unchanged year-on-year in the Solutions Business, net sales fell dramatically in the Video Advertising Business, with decreases also in Advertising-Related Businesses due to the suspension and postponement of various events. As a result, consolidated net sales were ¥24,367 million, a decrease of ¥6,269 million compared to the prior year. Of this decrease in sales, we can identify ¥5,400 million (of which approximately 70% was postponed to the third quarter or later) related to postponements or cancellations of projects due to COVID-19. Order volumes also fell sharply during the consolidated second quarter due to future uncertainty from the spread of COVID-19 and suspension of economic activity during the state of emergency. The balance of order volumes as of the end of the consolidated second quarter was ¥14,029 million, down ¥1,090 million year-on-year.

Sales declines had a significant impact on profits. Operating losses, ordinary losses, and net losses were all recorded for the quarter, despite elimination of costs related to restructuring at poorly performing subsidiaries and software recorded as impairment loss in the prior year.

As a result, the AOI TYO Group recorded net sales of ¥24,367 million for the consolidated second quarter, representing a 20.5% decrease compared to year-ago quarter. Operating loss amounted to ¥881 million (¥816 million of operating profit in the same period of prior fiscal year), while ordinary loss amounted to ¥1,047 million (¥637 million of ordinary profit in the same period of prior fiscal year), and loss attributable to owners of parent amounted to ¥956 million (¥257 million of profit attributable to owners of parent in the same period of prior fiscal year). Selling, general and administrative expenses included ¥169 million in amortization of goodwill associated with M&A activity.

(2) Discussion of financial position

Total assets as of the end of the consolidated second quarter amounted to ¥49,573 million, a ¥3,778 million decrease compared to the end of the prior consolidated fiscal year. This decrease was mainly due to a decrease in notes and accounts receivable of 8,846 million yen, compared to increases in cash and deposits of ¥4,196 million and electronically recorded monetary claims of ¥1,628 million.

Liabilities decreased by 2,365 million yen compared with the end of the prior fiscal year to 27,622 million yen. Although long-term loans payable increased ¥4,281 million, short-term loans payable and accounts payable decreased ¥3,200

million and ¥4,637 million, respectively.

Net assets amounted to ¥21,951 million, a decrease of ¥1,412 million compared to the end of the prior consolidated fiscal year, mainly due to decrease in retained earnings of ¥956 million by the net loss attributable to shareholders of the parent company and ¥286 million by dividend payments

Cash and cash equivalents amounted to ¥13,225 million as of the end of the consolidated second quarter, a ¥4,164 million increase compared to the end of the prior consolidated fiscal year.

The following paragraphs summarize cash flow activity through the six-month period ending June 2020.

Cash Flows from Operating Activities

Cash used in operating activities amounted to ¥2,494 million compared to net cash used of ¥259 million in the same period of the previous fiscal year. This result was mainly due to a decrease of ¥7,201 million in trade receivable, combined with a decrease of ¥4,624 million in trade payable and ¥1,161 million of the net loss attributable to shareholders of the parent company

Cash Flows from Investing Activities

Cash used in investing activities amounted to ¥365 million, compared to ¥642 million in the year-ago period. This result was mainly due to ¥262 million in outlays for the purchase of property, plant and equipment and ¥155 million in payments for investments in capital. These outlays were offset in part by proceeds of ¥81 million in sales of investment securities.

Cash Flows from Financing Activities

Cash flows from financing activities amounted to ¥2,057 million, compared to ¥2,820 million in the year-ago period. This result was mainly due to ¥7,200 million in proceeds from long-term loans payable, offset by a ¥3,200 million decrease in short-term loans payable and ¥1,544 million in repayments of long-term loans payable.

(3) Discussion of consolidated results forecasts

① Response to and Impact of COVID-19

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 also implementing remote video editing methods.

However, while there is still uncertainty as to when the spread of COVID-19 will subside, it is assumed that efforts to prevent the spread of infection, such as voluntary closures of commercial facilities and voluntary at-home quarantine, will continue to suppress economic activity in the future. Also, with deterioration of corporate profits and the economy both in Japan and overseas, there is significant potential for an immediate reduction in corporate demand for advertising; therefore, though order volumes will be lowest in the consolidated second quarter, we believe it would be difficult to expect a broad recovery in order volumes in the consolidated third and fourth quarters.

On the other hand, as the pace of change accelerates over the medium term in the evolution of information and communication technologies, diversification of media, and transformation of behavior patterns in a post-corona society, it is certain that there will be growing needs for planning and production of video-centric communication tools in order to deepen engagement between companies and consumers. These changes present an opportunity for expansion of what the AOI TYO Group is asked to handle, and we are presently exploring a medium-term business strategy that includes cost

reductions.

As of the end of June 2020, AOI TYO Holdings maintains a high level of consolidated cash and deposits, at ¥13,307 million, and a high current ratio of 277.2%. Further, we have concluded commitment lines with a number of financial institutions for a combined ¥12 billion (¥0 billion outstanding as of June 2020). We have also secured long-term loans of ¥7,200 million during the second consolidated quarter for the fiscal year to ensure sufficient liquidity.

② Future Outlook

In the *Notice Regarding Delay of Financial Results Announcement for Q1 of FY2020 and Revision to Q2 and Full-year Forecast*, announced on April 28, 2020, we had temporarily retracted our full-year consolidated results forecast and set the forecast as undecided. However, we are now, as stated above, in the final adjustment stage and are analyzing the current business environment and order trends, as well as formulating medium to long-term business strategies. As soon as the calculations for our consolidated results forecast are completed, we plan to make another announcement, which will include medium to long-term business planning.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly consolidated balance sheets

	(Unit: thousand yen)	
	FY 2019 (December 31, 2019)	Q2 FY2020 (June 30, 2020)
Assets		
Current assets		
Cash and deposits	9,111,122	13,307,381
Notes and accounts receivable - trade	16,873,978	8,027,285
Electronically recorded monetary claims - operating	4,413,564	6,042,472
Merchandise and finished goods	7,301	7,162
Work in process	4,510,288	4,344,798
Other	1,125,296	875,017
Allowance for doubtful accounts	(37,727)	(31,424)
Total current assets	36,003,823	32,572,693
Non-current assets		
Property, plant and equipment		
Land	3,606,822	3,593,652
Other	3,477,826	3,243,452
Total property, plant and equipment	7,084,649	6,837,105
Intangible assets		
Software	161,589	204,465
Goodwill	4,010,215	3,711,847
Other	103,479	15,994
Total intangible assets	4,275,284	3,932,307
Investments and other assets		
Investment securities	1,787,051	1,530,951
Deferred tax assets	1,328,303	1,679,914
Lease and guarantee deposits	1,522,658	1,536,489
Other	2,125,874	2,250,632
Allowance for doubtful accounts	(775,409)	(766,445)
Total investments and other assets	5,988,478	6,231,541
Total non-current assets	17,348,413	17,000,954
Total assets	53,352,237	49,573,647

(Unit: thousand yen)

	FY 2019 (December 31, 2019)	Q2 FY2020 (June 30, 2020)
Liabilities		
Current liabilities		
Accounts payable - trade	8,697,200	4,059,792
Short-term loans payable	3,200,000	-
Current portion of long-term loans payable	3,073,876	4,444,085
Advances received	899,779	1,,704,247
Income taxes payable	428,710	168,407
Provision for bonuses	72,660	82,339
Other	1,970,931	1,292,445
Total current liabilities	18,343,158	11,751,317
Non-current liabilities		
Long-term loans payable	6,672,675	10,953,762
Long-term deposits received	3,501,199	3,501,199
Provision for directors' retirement benefits	261,883	253,293
Provision for management board incentive plan trust	254,811	241,000
Net defined benefit liability	267,504	290,884
Asset retirement obligations	491,279	468,177
Other	195,809	162,954
Total non-current liabilities	11,645,165	15,871,271
Total liabilities	29,988,323	27,622,589
Net assets		
Shareholders' equity		
Capital stock	5,000,000	5,000,000
Capital surplus	12,172,896	12,173,895
Retained earnings	7,056,711	5,814,067
Treasury shares	(1,259,085)	(1,249,840)
Total shareholders' equity	22,970,523	21,738,122
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	10,693	(98,643)
Foreign currency translation adjustment	(44,141)	(77,409)
Remeasurements of defined benefit plans	(1,945)	(1,304)
Total accumulated other comprehensive income	(35,393)	(177,357)
Share acquisition rights	86,274	85,410
Non-controlling interests	342,508	304,882
Total net assets	23,363,913	21,951,058
Total liabilities and net assets	53,352,237	49,573,647

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

Quarterly consolidated statements of income

Consolidated second quarter

(Unit: thousand yen)

	Q2 FY 2019 (January 1, 2019 – June 30, 2019)	Q2 FY2020 (January 1, 2020 – June 30, 2020)
Net sales	30,636,633	24,367,278
Cost of sales	24,900,706	21,163,971
Gross profit	5,735,926	3,203,306
Selling, general and administrative expenses	4,919,224	4,084,431
Operating profit	816,702	(881,125)
Non-operating income		
Interest income	4,699	1,541
Dividend income	13,847	7,448
Insurance return	28,688	32,971
Other	56,399	93,155
Total non-operating income	103,634	135,117
Non-operating expenses		
Interest expenses	36,957	41,605
Commission fee	81,190	80,649
Share of loss of entities accounted for using equity method	69,578	90,577
Other	94,842	88,763
Total non-operating expenses	282,568	301,595
Ordinary profit (loss)	637,768	(1,047,603)
Extraordinary income		
Gain on sales of non-current assets	-	6,038
Gain on sales of investment securities	281,355	3
Other	2,448	864
Total extraordinary income	283,803	6,905
Extraordinary losses		
Loss on sales of shares of subsidiaries and associates	11,235	-
Impairment loss	-	116,673
Loss on liquidation of subsidiaries and associates	279,462	-
Loss on sales of investment securities	64,824	-
Other	-	4,496
Total extraordinary losses	355,522	121,170
Profit (loss) before income taxes	566,049	(1,161,867)
Income taxes - current	378,826	126,735
Income taxes - deferred	(48,042)	(312,841)
Total income taxes	330,784	(186,106)
Profit (loss)	235,265	(975,761)
Loss attributable to non-controlling interests	(22,425)	(19,626)
Profit (loss) attributable to owners of parent	257,691	(956,134)

Quarterly consolidated comprehensive statements of income
 Consolidated second quarter

	(Unit: thousand yen)	
	Q2 FY 2019 (January 1, 2019 – June 30, 2019)	Q2 FY2020 (January 1, 2020 – June 30, 2020)
Profit (loss)	235,265	(975,761)
Other comprehensive income		
Valuation difference on available-for-sale securities	(138,250)	(109,336)
Foreign currency translation adjustment	(25,823)	(43,387)
Remeasurements of defined benefit plans, net of tax	571	640
Share of other comprehensive income of entities accounted for using equity method	(5,712)	(5,533)
Total other comprehensive income	(169,215)	(157,617)
Comprehensive income	66,050	(1,133,378)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	87,094	(1,108,089)
Comprehensive income attributable to non-controlling interests	(21,043)	(25,289)

(3) Quarterly consolidated statements of cash flows

	(Unit: thousand yen)	
	Q2 FY2019 (January 1, 2019 - June 30, 2019)	Q2 FY2020 (January 1, 2020 - June 30, 2020)
Cash flows from operating activities		
Profit (loss) before income taxes	566,049	(1,161,867)
Depreciation	562,430	398,219
Impairment loss	-	116,673
Amortization of goodwill	152,724	169,174
Increase (decrease) in allowance for doubtful accounts	(5,227)	(13,967)
Increase (decrease) in provision for bonuses	3,938	9,706
Increase (decrease) in provision for directors' retirement benefits	7,362	(8,590)
Increase (decrease) in provision for share-based remuneration for directors	24,737	(13,811)
Increase (decrease) in net defined benefit liability	5,709	23,380
Interest and dividend income	(18,546)	(8,990)
Interest expenses	36,957	41,605
Commission fee	81,190	80,649
Loss (gain) on sales of investment securities	(216,531)	(3)
Loss on liquidation of subsidiaries and associates	279,462	-
Loss (gain) on sales of shares of subsidiaries and associates	11,235	-
Decrease (increase) in trade receivables	881,890	7,201,404
Decrease (increase) in inventories	(351,671)	162,236
Increase (decrease) in trade payables	(1,061,963)	(4,624,825)
Increase (decrease) in accounts payable - other	(16,321)	(283,270)
Increase (decrease) in accrued consumption taxes	33,028	(297,112)
Increase (decrease) in advances received	265,600	810,368
Decrease (increase) in other assets	(625,498)	49,496
Increase (decrease) in other liabilities	68,718	(154,224)
Other, net	36,503	131,343
Subtotal	721,779	2,627,595
Interest and dividend received	22,292	8,990
Proceeds from insurance income	4,804	5,070
Interest expenses paid	(42,065)	(39,140)
Income taxes paid	(966,594)	(107,827)
Net cash provided by (used in) operating activities	(259,783)	2,494,688

	(Unit: thousand yen)	
	Q2 FY2019 (January 1, 2019 - June 30, 2019)	Q2 FY2020 (January 1, 2020 - June 30, 2020)
Cash flows from investing activities		
Purchase of property, plant and equipment	(394,489)	(262,084)
Proceeds from sales of property, plant and equipment	8,937	81,771
Purchase of intangible assets	(27,795)	(13,863)
Purchase of investment securities	(398,445)	(150)
Proceeds from sales of investment securities	428,455	3
Payments for investments in capital	(161,900)	(155,407)
Payments into time deposits	(220,673)	(37,317)
Payments for leasehold and guarantee deposits	(37,605)	(46,263)
Proceeds from refund of leasehold and guarantee deposits	136,033	32,072
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(38,088)	-
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	(38,614)	-
Other, net	101,940	35,267
Net cash provided by (used in) investing activities	(642,246)	(365,972)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(1,039,000)	(3,200,000)
Proceeds from long-term loans payable	5,800,000	7,200,000
Repayments of long-term loans payable	(1,225,543)	(1,544,555)
Cash dividends paid	(517,196)	(278,868)
Purchase of treasury shares	(79,650)	(394)
Commission fee paid	(81,190)	(80,649)
Other, net	(36,869)	(38,025)
Net cash provided by (used in) financing activities	2,820,549	2,057,506
Effect of exchange rate change on cash and cash equivalents	(17,102)	(21,608)
Net increase (decrease) in cash and cash equivalents	1,901,417	4,164,613
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	11,676,006	13,225,021

(4) Notes to quarterly consolidated financial statements

(Notes on the premise of a going concern)

Not applicable.

(Notes in the event of significant changes in shareholders' equity)

Not applicable