



Summary of Consolidated Financial Results (Japanese Accounting Standards)
for the Second Quarter of the Fiscal Year Ending December 31, 2017

August 14, 2017

Company name: AOI TYO Holdings Inc.
Stock Exchange: Tokyo Stock Exchange
Code: 3975
URL: <http://aoityo.com/>
Representatives: Hiroaki Yoshida, Representative Director
Yasuhito Nakae, Representative Director
Inquiries: Satoshi Yuzurihara, Executive Director Tel: +81-3-3779-8415
Scheduled date of submission of quarterly report: August 14, 2017
Scheduled date of commencement of dividend payment: September 14, 2017
Supplementary documents for quarterly results: Yes
Quarterly results briefing: Yes (For institutional investors/analysts)

(Rounded down to the nearest million yen)

1. Consolidated Financial Results for Second Quarter (from January 1, 2017 to June 30, 2017)

(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 FY2017	33,729	—	2,358	—	2,305	—	1,189	—
Q2 FY2016	—	—	—	—	—	—	—	—

(Note) Comprehensive income Q2 FY2017: 1,211 million yen (—%)

Q2 FY2016: — million yen (—%)

	Net income per share	Diluted net income per share
	Yen	Yen
Q2 FY2017	50.15	49.40
Q2 FY2016	—	—

(Note) AOI TYO Holdings was established on January 4, 2017, and there are no amounts or year-on-year changes for Q2 FY2016.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
Q2 FY2017	52,269	24,193	44.4
FY2016	—	—	—

(For reference) Shareholders' equity Q2 FY2017: 23,218 million yen

FY2016: — million yen

(Note) AOI TYO Holdings was established on January 4, 2017, and there are no amounts for FY2016.

2. Dividends

	Dividends per share				
	End of Q1	End of Q2	End of Q3	Year end	Annual
	Yen	Yen	Yen	Yen	Yen
FY2016	—	—	—	—	—
FY2017	—	8.00	—	—	—
FY2017 (forecast)	—	—	—	20.00	28.00

(Note) Revisions to dividends forecast published most recently: No

3. Consolidated Financial Results Forecast for FY2017 (from January 1, 2017 to December 31, 2017)

(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	66,000	—	4,100	—	3,800	—	1,850	—	77.96

(Note) Revisions to earnings forecast published most recently: Yes

AOI TYO Holdings was established on January 4, 2017, and there are no year-on-year changes.

Contents of Accompanying Materials

1. Qualitative Information on Results in the Second Quarter.....	2
(1) Discussion of operating results.....	2
(2) Discussion of financial position	2
(3) Discussion of consolidated results forecasts.....	2
2. Quarterly Consolidated Financial Statements and Major Notes.....	3
(1) Quarterly consolidated balance sheets.....	3
(2) Quarterly consolidated statements of income and statements of comprehensive income.....	5
Quarterly consolidated statements of income	
Consolidated second quarter	5
Quarterly consolidated comprehensive statements of income	
Consolidated second quarter	6
(3) Quarterly consolidated cash flow statement	7
(4) Notes to quarterly consolidated financial statements.....	9
(Notes on the premise of a going concern).....	9
(Notes if there is a considerable change to shareholders' equity).....	9

1. Qualitative Information on Results in the Second Quarter

(1) Discussion of operating results

AOI TYO Holdings was established on January 4, 2017 as the wholly owning parent company of AOI Pro. Inc. and TYO Inc. through a joint share transfer. Since the consolidated fiscal year under review is the first term of AOI TYO Holdings, there are no comparisons with the previous fiscal year or the second quarter of the previous fiscal year.

The forward-looking statements below are based on AOI TYO Group's judgments at the end of the second quarter under review.

During the first half of the fiscal year under review, the Japanese economy continued to recover moderately with an improvement in corporate earnings and the employment situation together with robust stock prices and a pickup in consumer sentiment. Meanwhile, downside risks continued to be felt due to the uncertainty of the overseas economy, among other causes.

In the domestic advertising market*, where AOI TYO Group operates, revenue in the advertising industry has been steady overall in 2017. While advertising revenue through conventional media, including television, remains flat or is declining slightly, revenue from Internet advertising continues to show high growth.

In this environment, AOI TYO Holdings was founded on January 4, 2017 through the management integration described above to generate synergies from business expansion and the combination of the companies' strengths. AOI TYO Group defines its mission as crossing borders between media and linking companies and consumers through excitement. AOI TYO Group is promoting operations, aiming to achieve sustainable growth and improve corporate value as a group that will create excitement, a group that will touch people's hearts and encourage them to take action.

Under the new organizational structure, AOI TYO Group, especially its advertising video production business, the core business, received orders steadily. Its experience design business (including the digital-related), which it positions in its growth strategy, performed steadily. Together with that, initiatives to ensure strict close examination/screening from the stage of securing orders for projects and earnings management led to an improvement in the profits of the core business. As a result, in the second quarter under review, AOI TYO Group posted net sales of 33,729 million yen, operating income of 2,358 million yen, ordinary income of 2,305 million yen, and profit attributable to owners of parent of 1,189 million yen. Selling, general and administrative expenses include amortization of goodwill of 152 million yen associated with M&A.

* According to "Monthly Report on the Current Survey of Selected Service Industries" (METI)

AOI TYO Group has two reporting segments: Advertising Business and Video Related Business. Because the Video Related Business accounts for only a small percentage of its overall results and is not very important as disclosure information, it does not state segment information.

(2) Discussion of financial position

(Assets, Liabilities and Net Assets Statement)

Total assets at the end of the second quarter under review stood at 52,269 million yen. Current assets were 35,025 million yen, which included cash and deposits of 7,584 million yen and notes and accounts receivable – trade of 20,369 million yen. Non-current assets were 17,244 million yen, of which property, plant and equipment was 8,085 million yen, intangible assets were 4,886 million yen, and investments and other assets were 4,272 million yen.

Liabilities came to 28,075 million yen. Current liabilities were 20,371 million yen, including accounts payable – trade of 6,169 million yen and short-term loans payable of 6,259 million yen. Non-current liabilities were 7,704 million yen, including long-term loans payable of 2,374 million yen.

Net assets were 24,193 million yen. The main part of them was total shareholders' equity of 22,935 million yen, including capital stock of 5,000 million yen, capital surplus of 12,107 million yen, and retained earnings of 6,410 million yen.

(Cash Flow Statement)

Cash and cash equivalents (hereinafter referred to as "net cash") for the first half of the fiscal year under review were 7,289 million yen.

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

Net cash used in operating activities was 325 million yen. The main factors in outflows were increases in notes and accounts receivable - trade of 2,782 million yen and inventories of 1,070 million yen. The main factors in inflows were profit before income taxes of 2,278 million yen and an increase in advances received of 1,354 million yen.

Net cash used in investment activities was 944 million yen. The main factors in outflows were purchase of property, plant and equipment of 459 million yen, purchase of intangible assets of 275 million yen and purchase of investment securities of 135 million yen.

Net cash provided by financing activities was 433 million yen. The main factors in inflows were an increase in short-term loans payable of 1,896 million yen. The main factors in outflows were payments of long-term loans payable of 976 million yen and cash dividends paid of 274 million yen.

(3) Discussion of consolidated results forecasts

For the consolidated results forecasts for full year of the fiscal year ending December 31, 2017, please refer to the Notice on a Revision to the Consolidated Results Forecasts for Full Year of FY2017*, which has been disclosed separately on August 14, 2017.

* Only available in Japanese.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly consolidated balance sheets

	(Unit: thousand yen)
	Q2 FY2017
	(June 30, 2017)
Assets	
Current assets	
Cash and deposits	7,584,774
Notes and accounts receivable - trade	20,369,984
Merchandise and finished goods	21,564
Work in process	5,861,742
Other	1,214,661
Allowance for doubtful accounts	-27,226
Total current assets	<u>35,025,500</u>
Non-current assets	
Property, plant and equipment	
Land	4,414,822
Other	3,670,691
Total property, plant and equipment	<u>8,085,514</u>
Intangible assets	
Goodwill	4,218,184
Other	667,993
Total intangible assets	<u>4,886,178</u>
Investments and other assets	
Investment securities	1,594,040
Lease and guarantee deposits	1,313,337
Other	1,429,294
Allowance for doubtful accounts	-64,028
Total investments and other assets	<u>4,272,643</u>
Total non-current assets	<u>17,244,336</u>
Total assets	<u>52,269,836</u>
Liabilities	
Current liabilities	
Accounts payable - trade	6,169,462
Short-term loans payable	6,259,560
Current portion of long-term loans payable	2,223,320
Advances received	2,227,885
Income taxes payable	1,088,379
Provision for bonuses	77,677
Other	2,324,865
Total current liabilities	<u>20,371,149</u>
Non-current liabilities	
Long-term loans payable	2,374,424
Long-term deposits received	3,501,199
Provision for directors' retirement benefits	280,735
Provision for management board incentive plan trust	79,105
Net defined benefit liability	287,651
Asset retirement obligations	404,128
Other	777,543
Total non-current liabilities	<u>7,704,788</u>
Total liabilities	<u>28,075,937</u>

	(Unit: thousand yen)
	Q2 FY2017
	(June 30, 2017)
Net assets	
Shareholders' equity	
Capital stock	5,000,000
Capital surplus	12,107,824
Retained earnings	6,410,284
Treasury shares	-582,999
Total shareholders' equity	22,935,109
Accumulated other comprehensive income	
Valuation difference on available-for-sale securities	280,496
Foreign currency translation adjustment	1,306
Remeasurements of defined benefit plans	1,373
Total accumulated other comprehensive income	283,176
Subscription rights to shares	172,693
Non-controlling interests	802,919
Total net assets	24,193,899
Total liabilities and net assets	52,269,836

(2) Quarterly consolidated statements of income and statements of comprehensive income
Quarterly consolidated statements of income
Consolidated second quarter

	(Unit: thousand yen)
	Q2 FY2017
	(January 1, 2017 — June 30, 2017)
Net sales	33,729,059
Cost of sales	26,885,548
Gross profit	6,843,510
Selling, general and administrative expenses	4,484,883
Operating income	2,358,627
Non-operating income	
Interest income	6,762
Dividend income	14,346
Gain on investments in partnership	30,781
Other	55,320
Total non-operating income	107,211
Non-operating expenses	
Interest expenses	44,833
Commission fee	82,551
Share of loss of entities accounted for using equity method	2,587
Other	30,062
Total non-operating expenses	160,034
Ordinary income	2,305,804
Extraordinary income	
Gain on sales of investment securities	18,142
Gain on step acquisitions	11,732
Other	1,059
Total extraordinary income	30,934
Extraordinary losses	
Impairment loss	23,587
Loss on liquidation of subsidiaries and associates	12,979
Loss on cancellation of rental contracts	19,091
Other	2,835
Total extraordinary losses	58,493
Profit before income taxes	2,278,244
Income taxes - current	1,005,285
Income taxes - deferred	73,608
Total income taxes	1,078,893
Profit	1,199,351
Profit attributable to non-controlling interests	9,354
Profit attributable to owners of parent	1,189,996

Quarterly consolidated comprehensive statements of income
Consolidated second quarter

	(Unit: thousand yen)
	Q2 FY2017
	(January 1, 2017 — June 30, 2017)
Profit	1,199,351
Other comprehensive income	
Valuation difference on available-for-sale securities	8,555
Foreign currency translation adjustment	604
Remeasurements of defined benefit plans, net of tax	-238
Share of other comprehensive income of entities accounted for using equity method	2,914
Total other comprehensive income	11,835
Comprehensive income	1,211,186
Comprehensive income attributable to	
Comprehensive income attributable to owners of parent	1,202,720
Comprehensive income attributable to non-controlling interests	8,466

(3) Quarterly consolidated cash flow statement

	(Unit: thousand yen)
	Q2 FY2017
	(January 1, 2017 – June 30, 2017)
Cash flows from operating activities	
Profit before income taxes	2,278,244
Depreciation	420,500
Impairment loss	23,587
Amortization of goodwill	152,934
Increase (decrease) in allowance for doubtful accounts	31,111
Increase (decrease) in provision for bonuses	15,240
Increase (decrease) in provision for directors' retirement benefits	-67,328
Increase (decrease) in provision for management board incentive plan trust	19,896
Increase (decrease) in net defined benefit liability	-35,234
Interest and dividend income	-21,109
Interest expenses	44,833
Commission fee	82,551
Loss (gain) on sales of investment securities	-18,142
Decrease (increase) in notes and accounts receivable - trade	-2,782,786
Decrease (increase) in inventories	-1,070,133
Increase (decrease) in notes and accounts payable - trade	-878,742
Increase (decrease) in accounts payable - other	-336,652
Increase (decrease) in accrued consumption taxes	284,637
Increase (decrease) in advances received	1,354,951
Decrease (increase) in other assets	178,737
Increase (decrease) in other liabilities	336,308
Other, net	88,048
Subtotal	101,452
Interest and dividend income received	20,899
Proceeds from insurance income	4,797
Interest expenses paid	-45,314
Income taxes paid	-407,540
Net cash provided by (used in) operating activities	-325,706
Cash flows from investing activities	
Purchase of property, plant and equipment	-459,021
Purchase of intangible assets	-275,632
Purchase of investment securities	-135,300
Payments for lease and guarantee deposits	-119,694
Proceeds from collection of lease and guarantee deposits	63,998
Other, net	-19,155
Net cash provided by (used in) investing activities	-944,805

(Unit: thousand yen)	
Q2 FY2017	
(January 1, 2017 — June 30, 2017)	
Cash flows from financing activities	
Net increase (decrease) in short-term loans payable	1,896,641
Proceeds from long-term loans payable	20,000
Repayments of long-term loans payable	-976,512
Repayments of lease obligations	-74,206
Cash dividends paid	-274,617
Proceeds from exercise of share options	71,106
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	-120,958
Commission fee paid	-85,449
Other, net	-22,330
Net cash provided by (used in) financing activities	433,674
Effect of exchange rate change on cash and cash equivalents	-5,132
Net increase (decrease) in cash and cash equivalents	-841,969
Cash and cash equivalents at beginning of period	3,155,905
Increase in cash and cash equivalents resulting from share transfer	4,975,139
Cash and cash equivalents at end of period	7,289,075

(4) Notes to quarterly consolidated financial statements
(Notes on the premise of a going concern)
Not applicable

(Notes if there is a considerable change to shareholders' equity)

AOI TYO Holdings was established on January 4, 2017 as the wholly owning parent company of AOI Pro. Inc. and TYO Inc. through a joint share transfer.

At the end of the second quarter under review, capital stock, capital surplus, and retained earnings stood at 5,000 million yen, 12,107 million yen, and 6,410 million yen, respectively. Treasury shares were minus 582 million yen.