

NEWS RELEASE



AOI TYO Holdings Inc.
1-5-1, Osaki, Shinagawa-ku
Tokyo 141-8580

August 24, 2020

Notice Regarding Formulation of a Medium-Term Plan

AOI TYO Holdings hereby announces that it has formulated a medium-term plan for the AOI TYO Group, covering the five years from FY2021 to FY2025, as follows.

Current business results have been extremely severe due to the COVID-19 epidemic; impact reducing corporate advertising demand will likely be unavoidable going forward as well so long as there is no foreseeable resolution to the spread of the virus. 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 also present a business expansion opportunity for AOI TYO Holdings.

AOI TYO Holdings formulated medium-term policies in March 2019 with the fundamental policy to *be a powerful corporate group capable of responding to any era*. In order to accelerate our progress toward that state, this medium-term plan is themed on *updating our production functions*, broadly reorganizing the AOI TYO Group to respond to an era of transformation. We will consolidate into a dual-business structure of the Content Production Business and Communication Design Business, and Group employees will work in unison to improve corporate value.

1. Recognizing the Business Environment

In our TV commercial production, a core pillar for AOI TYO Holdings, the TV commercial production market is expected to shrink at a maximum annual rate of around 2% with decreases in TV advertising expenses. TV advertising expenses fell sharply around the time the Lehman Brothers filed for bankruptcy in 2008, and the current economic downturn caused by COVID-19 is expected to exert similar effects. However, with the accelerated shift to digital, the online video advertising market is expected to grow at a pace of around 20% per year. Of this growth, though some will be in high-priced brand videos, an area we are involved in, there is also to be significant growth in low to medium-priced videos.

Customer-by-customer, there is a growing number of advertisers who feel the need to directly transact with production companies, centered on venture companies and firms with annual advertising expenses

between in the ¥100 million to ¥1 billion range. These advertisers, a focus for AOI TYO Holdings, are more interested in the media mix rather than TV commercials alone, and have strong needs for production and marketing that understands the company's products and services. There is also a certain set of needs for supporting the design and operation of communication overall.

Based on these circumstances, we discussed the ideal future state of the AOI TYO 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 this medium-term plan.

2. Corporate Slogan

On the formulation of this medium-term plan, we established a new slogan that encapsulates the AOI TYO Group's mission and vision.

Our Slogan: *Produce the future. Produce emotion. Produce people.*

Producing *the future* is tackling growth areas; producing *emotion* is digging deeper into our strengths; producing *people* is creating a place where our people - our assets - can grow. These are the goals that our employees will take on together as we aim for corporate growth.

**"Produce" refers to creating the tangible and the intangible, as well as creating value.

3. Overview of the Medium-Term Plan's Theme and Priority Measures

Theme : Group-wide update of production functions

Key Measures: Restructuring Business Segments

- (1) Reforming business/organizational structures
- (2) Clarifying initiatives in each business
- (3) Deepening and strengthening Group management

- We will switch from our legacy business structure focusing on the Advertising Video Production Business to a dual-business structure. This structure will have the Content Production Business, handling traditional advertising video production primarily centered on orders from advertising companies, and the Communication Design Business, handling design and execution of communication and focused on directly transacting with advertisers
- In the Content Production Business, we will leverage our industry-leading share and cultivated expertise as strengths to pursue high quality and productivity to shore up our business. At the same time, we will expand the scope of our work to the low to medium-priced digital video market, where market growth is expected
- In the Communication Design Business, we will work to strengthen our customer base, provide higher value-added integrated marketing and communication services, and expand the range of our services to omnidirectional execution for promotion
- We will press forward with integrated Group management, reduce costs through joint purchasing, resource sharing, and operational efficiency, and unify our personnel structures and administrative systems

4. Key Measures (Restructuring Business Segments)

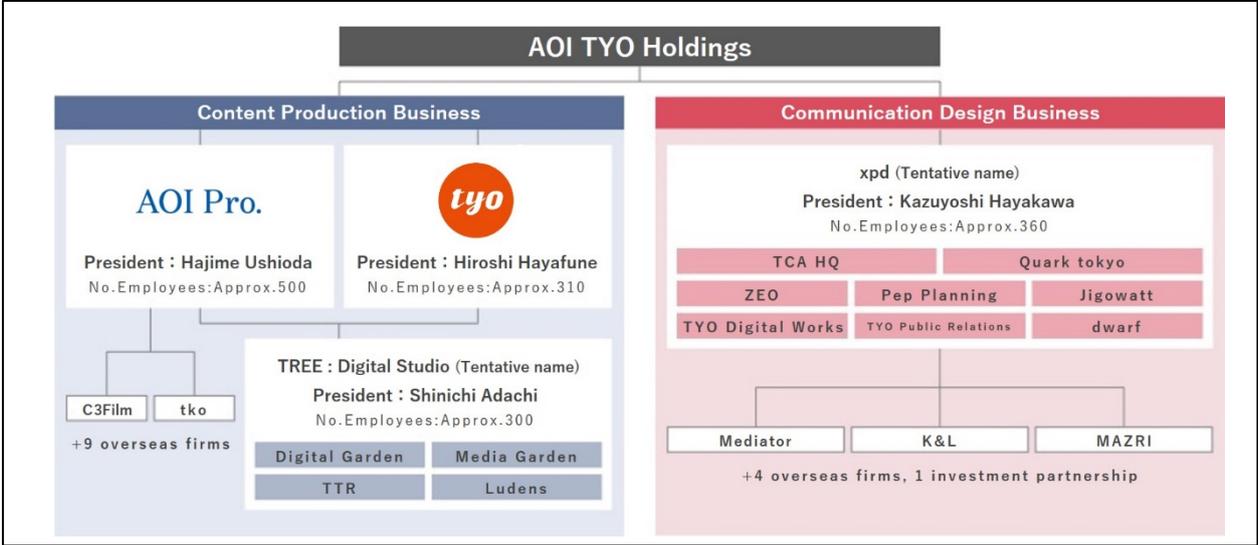
(1) Reforming business/organizational structures

We will aggregate our 33 consolidated subsidiaries (as of this document's issuance) into a dual-business structure of the Content Production Business and Communication Design Business, reducing the number of consolidated subsidiaries to 23. This change is to be completed by January 2021.

- Subsidiaries involved in advertising video production and post-production with advertising companies as their main clients will be deemed as the Content Production Business, consolidating four post-production subsidiaries into one company
- Subsidiaries and divisions involved in providing solutions and in PR, events, and similar services primarily in direct transactions with advertisers will be deemed as the Communication Design Business, and consolidated into one company

Content Production Business (14 consolidated subsidiaries)	Communication Design Business (9 consolidated subsidiaries)
Video Advertising Business (former) Production Overseas Business (former) subsidiaries Advertisement-related Business (former) (partial)	Solutions Business (former) Advertisement-related Business (former) Non-production Overseas Business (former) subsidiaries

New Organizational Structure after January 2021 (Tentative)



(2) Clarifying initiatives in each business

We will analyze the strengths and weaknesses of each business after reorganization into a dual-business structure and clarify initiatives for focus.

Content Production Business	Communication Design Business
<ul style="list-style-type: none">● Shoring up production businesses with advertising companies<ul style="list-style-type: none">– Boosting orders for new/digital projects– Reducing external production costs– Improving planning/proposal capabilities● Capturing low to medium-priced digital projects<ul style="list-style-type: none">– Unifying production flow, holding video production academies to discover talent● Diversifying post-production business<ul style="list-style-type: none">– Expanding audio editing, color grading, CG work● Planning, producing XR content (VR/AR)	<ul style="list-style-type: none">● Expanding repeat customer pool<ul style="list-style-type: none">– Clarifying targets and services provided● Contracting for total execution<ul style="list-style-type: none">– Strategic PR design, event promotion planning, advertising budget allocation planning that matches the advertisers' marketing strategy● Providing integrated marketing/planning<ul style="list-style-type: none">– Enhancing functions as an advertisers' marketing partner

(3) Deepening and strengthening Group management, reducing costs

We will press forward with integrated Group management, working to achieve major cost reductions of up to ¥2 billion (FY2022) centered on office consolidation and operational efficiency. Further, in order to fully leverage the power of our human resources under our dual-business structure, we will build a Group integrated personnel platform based on our human resources management policies, using internal recruitment and talent exchange systems to provide personnel places to grow within the Group. Otherwise, we will also integrate our core systems, implement electronic application/billing systems, promote work-from-home systems, and encourage remote work.

5. KPIs and FY2025 Business Results Plan

(1) Management Indicators (KPIs)

Financial

- EBITDA : ¥5.7 billion yen (FY2025) *FY2020 forecast: -¥230 million
- ROE : 10%+

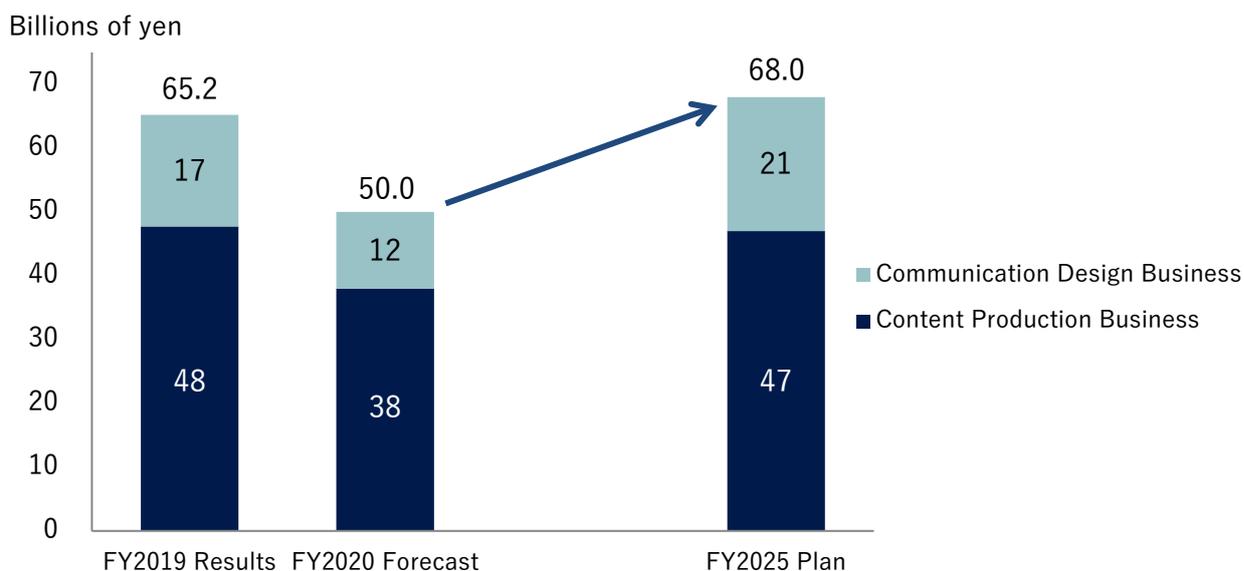
Non-financial

- Employee engagement improvement
- Contribution to of the SDGs

(2) Results Plan

	FY2019 Results (Reference)	FY2020 Forecast	FY2025 Plan
Consolidated Net Sales	¥65.2 billion	¥50.0 billion	¥68.0 billion
Consolidated operating income	¥2.1 billion	-¥1.4 billion	¥4.4 billion

Composition of Net Sales



6. Shareholder Return

We will continue to maintain our basic policy to achieve a consolidated dividend payout ratio of 30% or more, while constantly aim to improve corporate value and appropriately distribute profits based on our performance and in consideration of ongoing, stable distribution.

*Details of the measures in the medium-term plan will be listed in the Earnings Presentation - Second Quarter, FYE December 2020 release, scheduled to be published on September 2, 2020.

*The contents listed in this material are based on a variety of assumptions and presuppositions as determined by the Company, and do not constitute a guarantee or promise of the execution of measures or future planning or target figures described. Actual performance may vary from forecasts due to various factors that may occur in the future, such as changes in the business environment.