



**Summary of Consolidated Financial Results (Japanese Accounting Standards)
for the Third Quarter of the Fiscal Year Ending December 31, 2019**

November 14, 2019

Company name: AOI TYO Holdings Inc.
 Stock Exchange: Tokyo Stock Exchange
 Code: 3975
 URL: <http://aoityo.com/en/>
 Representatives: Yasuhito Nakae, Representative Director
 Inquiries: Satoshi Yuzurihara, Executive Director Tel: +81-3-3779-8415
 Scheduled date of submission of quarterly report: November 14, 2019
 Scheduled date of commencement of dividend payment: -
 Supplementary documents for quarterly results: Yes
 Quarterly results briefing: No

(Rounded down to the nearest million yen)

1. Consolidated Financial Results for the Second Quarter (from January 1, 2019 to September 30 2019)

(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	%
Q3 FY2019	46,804	3.2	1,153	-51.3	921	-61.2	348	-77.1
Q3 FY2018	45,368	-8.0	2,365	-32.8	2,374	-29.6	1,520	-19.9

(Note) Comprehensive income Q2 FY2019: 66 million yen (-94.0%) Q2 FY2018: 1,095 million yen (-9.5%)

	Net income per share	Diluted net income□ per share
	Yen	Yen
Q3 FY2019	14.81	14.76
Q3 FY2018	64.15	63.32

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
Q3 FY2019	54,616	25,016	44.7
FY2018	55,631	25,679	45.1

(For reference) Shareholders' equity Q3 FY2019: 24,437 million yen FY2018 25,114 million yen

2. Dividends

	Dividends per share				
	End of Q1	End of Q2	End of Q3	Year end	Annual
	Yen	Yen	Yen	Yen	Yen
FY2018	—	8.00	—	22.00	30.00
FY2019	—	8.00			
FY2019 (forecast)				12.00	20.00

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

3. Consolidated Financial Forecast for FY2019 (January 1, 2019 to December 31, 2019)

(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	63,600	-1.8	2,300	-33.0	2,150	-35.3	1,050	-46.2	44.63

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

* Notes

(1) Important changes in subsidiaries for the third 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)

Q3 FY2019	24,566,447 shares	FY2018	24,566,447 shares
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- (ii) Number of treasury stock at end of period

Q3 FY2019	1,109,246 shares	FY2018	1,013,157 shares
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- (iii) Average number of issued shares

Q3 FY2019	23,506,884 shares	Q3 FY2018	23,701,594 shares
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(Note) The number of treasury stock includes the 418,900 shares that Trust & Custody Services Bank, Ltd. (trust account E) holds as trust property related to a Board Benefit Trust system.

- * This summary of quarterly financial results is not included in the scope of the quarterly review.
- * 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 the assumptions of results forecasts and notes on the use of results forecasts, please refer to 1. Qualitative Information on Results in the Third Quarter, (3) Description of Information on Outlook on page -two of the Accompanying Materials..

Attachments

1. Qualitative Information on Results in the Third Quarter	2
(1) Description of Results of Operations	2
(2) Description of Financial Position	2
(3) Description of Information on Outlook	3
2. Quarterly Consolidated Financial Statements and Major Notes	4
(1) Quarterly consolidated balance sheets	4
(2) Quarterly consolidated statements of income and statements of comprehensive income	6
(3) Notes to Quarterly Consolidated Financial Statements	8
(Notes regarding assumption of going concern)	8
(Notes in the event of significant changes in shareholders' equity)	8
(Segment Information)	8
(Supplementary Information)	8

1. Qualitative Information on Results in the First Quarter

(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.

The Japanese economy showed positive signs during the consolidated third quarter. Capital investment increased, mainly in non-manufacturing industries, and internal demand experienced a gradual rise, even in the face of fluctuating consumer sentiment. Meanwhile, sluggish external demand and concerns of a drop-off in Japanese consumption due to increased consumption taxes have been a weight on business sentiment, leading to an ongoing sense of stagnation in the economy.

Operating in this environment, the AOI TYO Group experienced strong orders from and sales to major advertising agencies, while direct transactions with clients grew. In addition to online video and promotional event production, a growth area defined in our medium-term policies, sales of mainstay TV commercial production rose, resulting in a 3.2% increase in net sales year on year. Our order situation continues to be strong of recent, with order backlog up 7.4% year on year to ¥14,469 million as of the end of the consolidated third quarter.

Meanwhile, operating profit, ordinary profit, and net profit all underperformed year on year. This result was due to several negative factors, including our adoption of work-style reform, cost increases accompanying new enterprise systems implementations at subsidiary companies, and lower print sales, which has been a high-margin business for the company. Further, the company saw a decline in margins associated with an increase in orders this year in our Video Advertising Business, which had experienced improving margins to date. Looking to grow corporate value in the next period and beyond, we have been reorganizing the businesses of poorly performing subsidiaries. Despite recording extraordinary losses for these reorganizations, we recorded an extraordinary gain due to the sale of strategic stock holdings.

As a result, the AOI TYO Group recorded net sales of ¥46,804 million for the consolidated third quarter, representing a 3.2% decrease compared to year-ago quarter. Operating profit amounted to ¥1,153 million (51.3% decrease), while ordinary profit and profit attributable to owners of parent amounted to ¥921 million and ¥348 million, representing decreases of 51.3% and 61.2%, respectively. Selling, general and administrative expenses included ¥235 million in amortization of goodwill associated with M&A activity.

(Note) Historically, television commercial content had been copied to media (“printed”) and delivered to each broadcast station. The AOI TYO Group recognizes the sales and profits of this activity in our accounting records. As of October 2017, this content can be delivered via online data transmission (“printless” format), leading to a decline in related sales and profits.

As of the first quarter of the current fiscal year, the AOI TYO Group initiated disclosure as a single segment. Accordingly, we do not provide data by individual segment herein.

(2) Discussion of financial position

Total assets as of the end of the consolidated third quarter amounted to ¥54,616 million, a ¥1,014 million increase compared to the end of the prior consolidated second year. This increase was mainly due to increases in cash and deposits of 1,118 million yen and electronically recorded monetary claims of 1,424 million yen, compared to a decrease in notes and accounts receivable of 3,819 million yen.

Liabilities decreased by 351 million yen compared with the end of the prior fiscal year to 25,016 million yen. Although long-term loans payable increased ¥2,898 million, short-term loans payable and accounts payable decreased ¥2,277 million and ¥878 million, respectively.

Net assets amounted to ¥25,016 million, a decrease of ¥663 million compared to the end of the prior consolidated fiscal year. While retained earnings rose ¥348 million due to profit attributable to owners of parent, the AOI TYO Group paid ¥718 million in dividend payments and recorded a decrease of ¥181 million in valuation differences on available-for-sale securities.

(3) Discussion of consolidated results forecasts

See *Revisions to Second Quarter and Full-Year Consolidated Performance Forecasts*, published on August 9, 2019, for more about AOI TYO Group consolidated earnings forecasts for the fiscal year ending December 2019.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly consolidated balance sheets

	(Unit: thousand yen)	
	FY 2018 (December 31, 2018)	Q3 FY2019 (September 30, 2019)
Assets		
Current assets		
Cash and deposits	9,836,071	10,954,558
Notes and accounts receivable - trade	16,731,160	12,911,478
Electronically recorded monetary claims - operating	4,273,694	5,698,257
Merchandise and finished goods	7,544	7,301
Work in process	4,256,243	4,429,775
Other	876,667	1,220,485
Allowance for doubtful accounts	(43,407)	(40,666)
Total current assets	35,937,974	35,181,190
Non-current assets		
Property, plant and equipment		
Land	3,615,121	3,606,822
Other	3,619,949	3,632,121
Total property, plant and equipment	7,235,071	7,238,944
Intangible assets		
Software	1,590,986	1,367,954
Goodwill	4,117,710	4,087,111
Other	64,172	94,655
Total intangible assets	5,772,869	5,549,721
Investments and other assets		
Investment securities	3,147,176	2,932,245
Lease and guarantee deposits	1,619,387	1,521,915
Other	2,025,326	2,955,940
Allowance for doubtful accounts	(106,495)	(763,366)
Total investments and other assets	6,685,395	6,646,736
Total non-current assets	19,693,336	19,435,401
Total assets	55,631,310	54,616,592

(Unit: thousand yen)

	FY 2018 (December 31, 2018)	Q3 FY2019 (September 30, 2019)
Liabilities		
Current liabilities		
Accounts payable - trade	8,126,930	7,551,634
Short-term loans payable	5,777,154	3,500,000
Current portion of long-term loans payable	2,159,836	3,090,340
Advances received	1,136,482	1,062,623
Income taxes payable	1,055,553	176,869
Provision for bonuses	115,779	91,474
Other	1,742,279	1,552,075
Total current liabilities	20,114,017	17,025,017
Non-current liabilities		
Long-term loans payable	4,549,727	7,448,016
Long-term deposits received	3,501,199	3,501,199
Provision for directors' retirement benefits	253,770	263,175
Provision for management board incentive plan trust	197,115	233,039
Net defined benefit liability	280,118	286,440
Asset retirement obligations	509,156	488,938
Other	546,278	353,888
Total non-current liabilities	9,837,367	12,574,698
Total liabilities	29,951,385	29,599,715
Net assets		
Shareholders' equity		
Capital stock	5,000,000	5,000,000
Capital surplus	12,106,819	12,098,923
Retained earnings	9,055,601	8,685,408
Treasury shares	(1,190,097)	(1,258,867)
Total shareholders' equity	24,972,324	24,525,465
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	167,873	(13,592)
Foreign currency translation adjustment	(23,287)	(73,097)
Remeasurements of defined benefit plans	(2,393)	(1,536)
Total accumulated other comprehensive income	142,193	(88,226)
Share acquisition rights	92,723	86,922
Non-controlling interests	472,685	492,715
Total net assets	25,679,925	25,016,876
Total liabilities and net assets	55,631,310	54,616,592

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

Quarterly consolidated statements of income

Consolidated second quarter

(Unit: thousand yen)

	Q3 FY2018 (January 1, 2018 - September 30, 2018)	Q3 FY2019 (January 1, 2019 - September 30, 2019)
Net sales	45,368,825	46,804,296
Cost of sales	36,368,273	38,458,276
Gross profit	9,000,551	8,346,020
Selling, general and administrative expenses	6,635,183	7,192,968
Operating profit	2,365,367	1,153,052
Non-operating income		
Interest income	7,907	5,577
Dividend income	25,096	17,633
Gain on investments in partnership	168,567	—
Insurance return	12,045	29,600
Other	67,512	103,705
Total non-operating income	281,128	156,517
Non-operating expenses		
Interest expenses	59,483	56,833
Commission fee	120,521	132,892
Share of loss of entities accounted for using equity method	54,119	98,389
Other	37,851	100,296
Total non-operating expenses	271,976	388,410
Ordinary profit	2,374,519	921,158
Extraordinary income		
Gain on sales of non-current assets	401,336	—
Gain on sales of investment securities	90,661	323,073
Other	288	3,024
Total extraordinary income	492,285	326,097
Extraordinary losses		
Loss on sales of shares of subsidiaries and associates	—	34,146
Loss on liquidation of subsidiaries and associates	—	279,462
Loss on sales of investment securities	—	65,374
Total extraordinary losses	—	378,983
Profit before income taxes	2,866,805	868,271
Income taxes - current	1,284,424	623,595
Income taxes - deferred	7,952	(72,982)
Total income taxes	1,292,376	550,613
Profit	1,574,428	317,658
Profit (loss) attributable to non-controlling interests	53,898	(30,546)
Profit attributable to owners of parent	1,520,529	348,205

Quarterly consolidated comprehensive statements of income

Consolidated second quarter

(Unit: thousand yen)

	Q3 FY2018 (January 1, 2018 - September 30, 2018)	Q3 FY2019 (January 1, 2019 - September 30, 2019)
Profit	1,574,428	317,658
Valuation difference on available-for-sale securities	(115,673)	(181,466)
Foreign currency translation adjustment	(35,170)	(34,615)
Remeasurements of defined benefit plans, net of tax	655	856
Share of other comprehensive income of entities accounted for using equity method	(12)	4,088
Total other comprehensive income	(150,200)	(211,136)
Comprehensive income	1,424,227	106,521
Comprehensive income attributable to owners of parent	1,375,469	138,489
Comprehensive income attributable to non-controlling interests	48,758	(31,967)

(3) 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

(Segment Information)

Business Segment Information

I Q3 FY2018 (January 1, 2108 - September 30, 2018)

As disclosed under (Notes related to changes in reportable segments, etc.) for the third quarter of the current consolidated fiscal year.

II Q3 FY2019 (January 1, 2019 - September 30, 2019)

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

(Notes related to changes in reportable segments, etc.)

The AOI TYO Group had consisted of two reportable segments: Advertising Business and Video-Related Business. However, as of the first quarter of the current consolidated fiscal year, the group consists of a single business segment.

This change is due to the fact that sales and profits in the Video-Related Business have become of only minor importance to the group after the transfer of consolidated subsidiary Hollyhock Inc. shares, resulting in the removal of said company from consolidation. Further, after reconsidering the AOI TYO Group business, management asset allocation, the state of business management systems, etc., we made the rational decision to manage our whole business under a single segment defined as Advertising Business.

With this change, the AOI TYO Group now consists of a single Advertising Business segment. Accordingly, we have omitted reporting of segment information for the third quarters of the prior and current consolidated fiscal years.

(Supplementary Information)

The company adopted Partial Amendment to Accounting Standard for Tax-Effect Accounting (ASBJ Statement No.28, February 16, 2018) at the beginning of the first quarter of the current consolidated fiscal year. Under this standard, the company presents deferred tax assets under investments and other assets and deferred tax liabilities under non-current liabilities.