

AOI TYO Holdings

Earnings Presentation

Second Quarter, FYE December 2019

September 3, 2019

AOI TYO Holdings Inc.

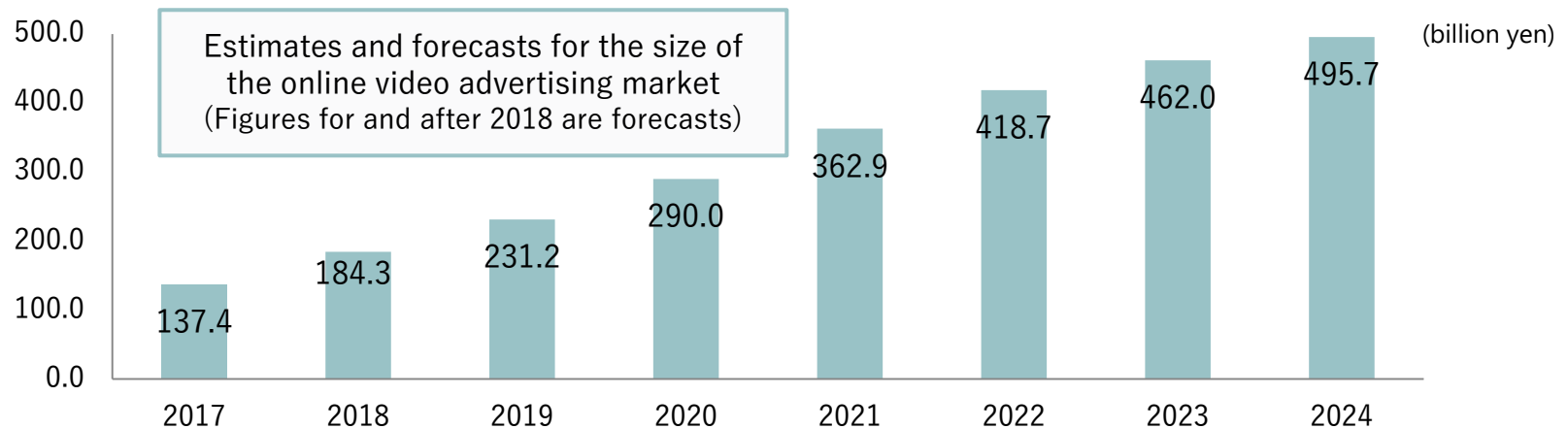
Contents

1. Business Environment
2. Summary of Consolidated Financial Results
3. Consolidated Earnings Forecast
4. Current Initiatives for Various Businesses
5. Next Fiscal Year and Beyond
6. Appendix – Company Profile, Stock Information, etc.

1. Business Environment

Business Environment (1): Expanding Online Video Advertising Market

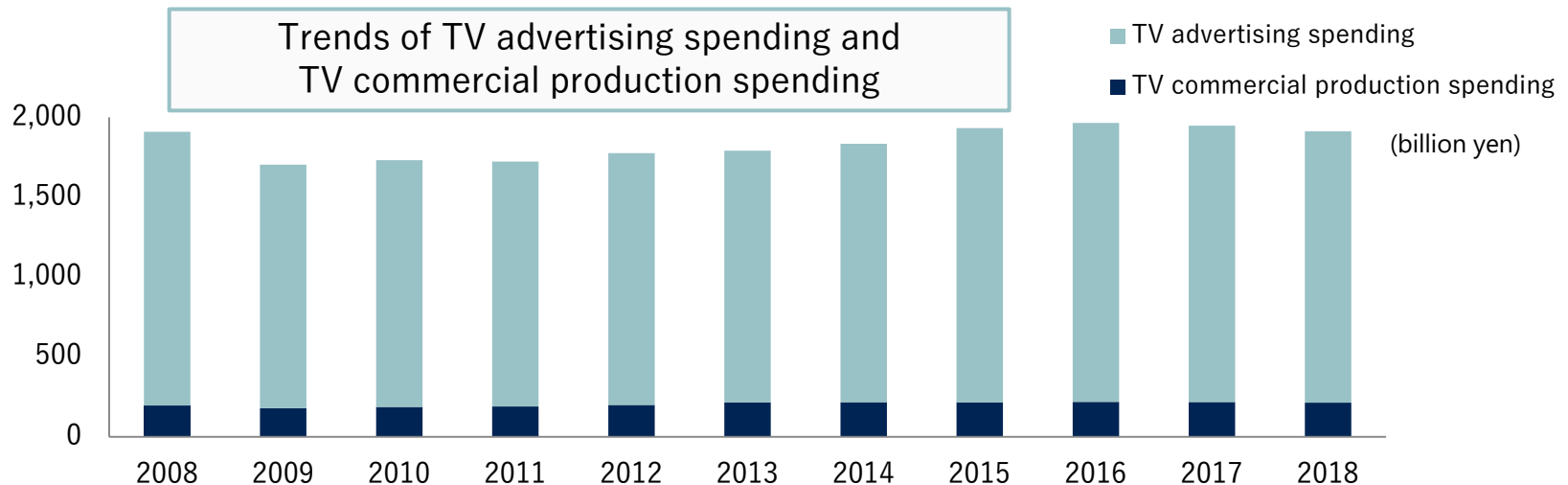
- The size of the online video Ad market was 184.3 billion yen in 2018 after growing 134% from the previous year.
- Expected to exceed 290 billion yen by 2020 and 495.7 billion yen by 2024.
- Healthy demand for brand video advertising among major advertising sponsors.
- Despite being an “every-person-a-camera-person” era in which anyone can make videos, very few videos are high-quality productions capable of generating profits.



Source: Online Video Research Institute, by CyberAgent, Inc., and Digital InFact, Inc.

Business Environment (2): TV Commercial Production Spending

- Since 2009, TV advertising costs and TV commercial production costs have transitioned from slight gains to level year-on-year performance.
- TV advertising spending amounted to 1,912 billion yen in 2018 (98.2% of the previous year); TV commercial production spending were 213 billion yen (98.4% of the previous year).
- Despite growth in internet advertising spending, advertisers are reassessing the reach of TV.



Source: "Advertising Expenditures in Japan 2018," Dentsu Inc.

2. Summary of Consolidated Financial Results

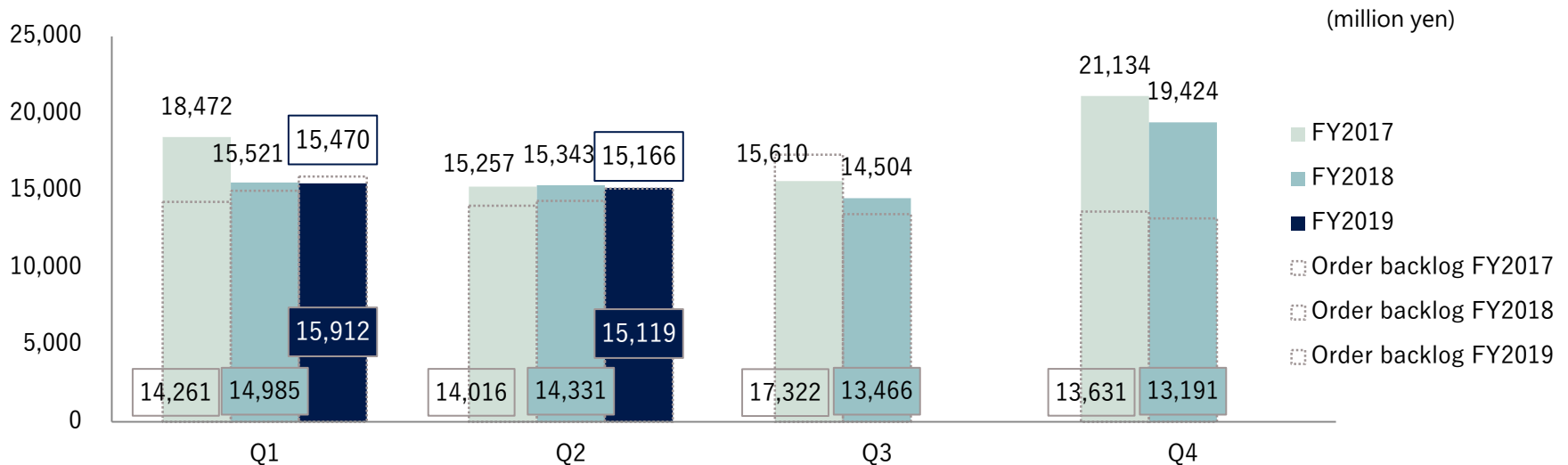
Financial Highlights

- Net sales were essentially level year on year. However, sales at certain subsidiaries underperformed plan. As a result, performance was 4% below earnings projections and operating income results were also below plan.
- Although we recorded an extraordinary losses in connection with the business reorganization of underperforming subsidiaries, we also posted extraordinary income due to the sales of strategic stock holdings that had unrealized gains.

(million yen)	Q2 FY2017	Q2 FY2018	Q2 FY2019	YoY Change	Vs. Forecast (Beginning of Period)
Net Sales	33,729	30,864	30,636	- 227	- 1,364
Operating Income	2,358	1,746	816	- 929	- 284
Ordinary Income	2,305	1,680	637	- 1,042	- 363
Profit Attributable to Owners of Parent	1,189	1,170	257	- 913	- 243
EBITDA	2,932	2,357	1,531	- 825	- 299

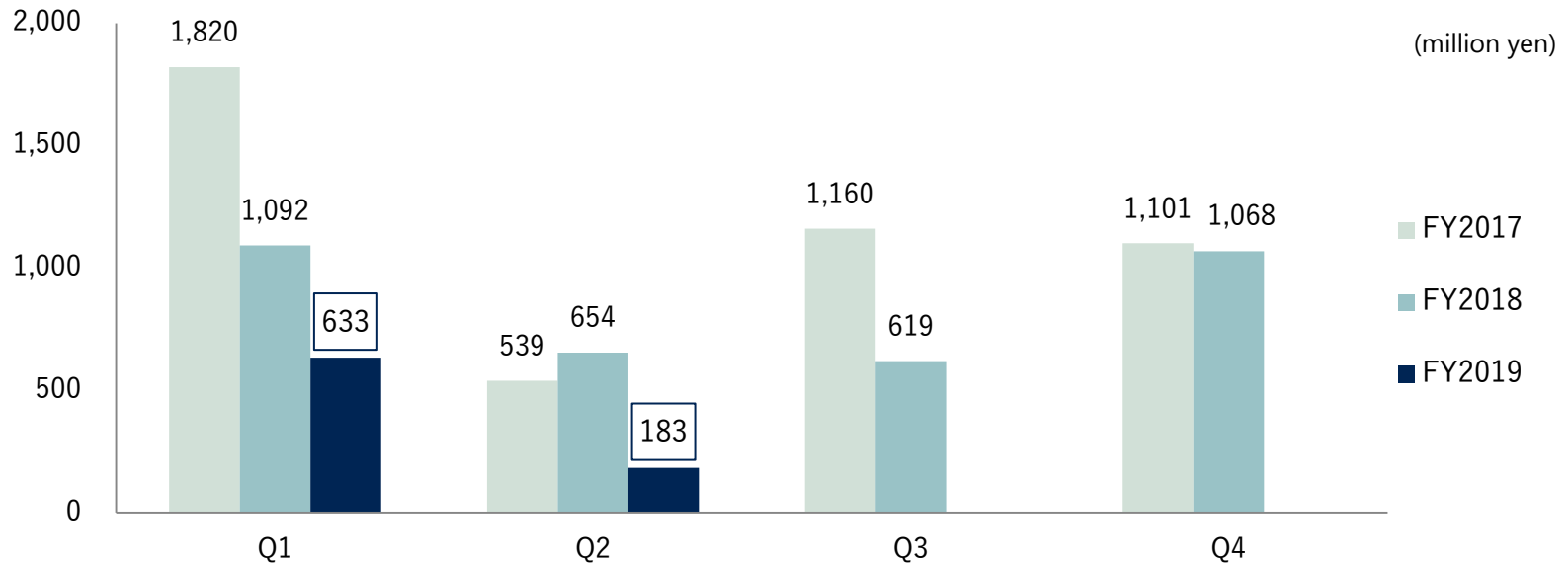
Trend of Net Sales by Quarter and Order Backlog

- Increases in orders/sales from major advertising agencies even under continued strict order acceptance for the benefit of work-style reform were offset by advances in printless delivery and media volume decreases in our Solutions Business, etc. As a result, Q1 and Q2 net sales were level year on year.
- Order backlog as of the end of Q2 amounted to 15,119 million yen (5.4% increase year on year), signaling strong orders of late.



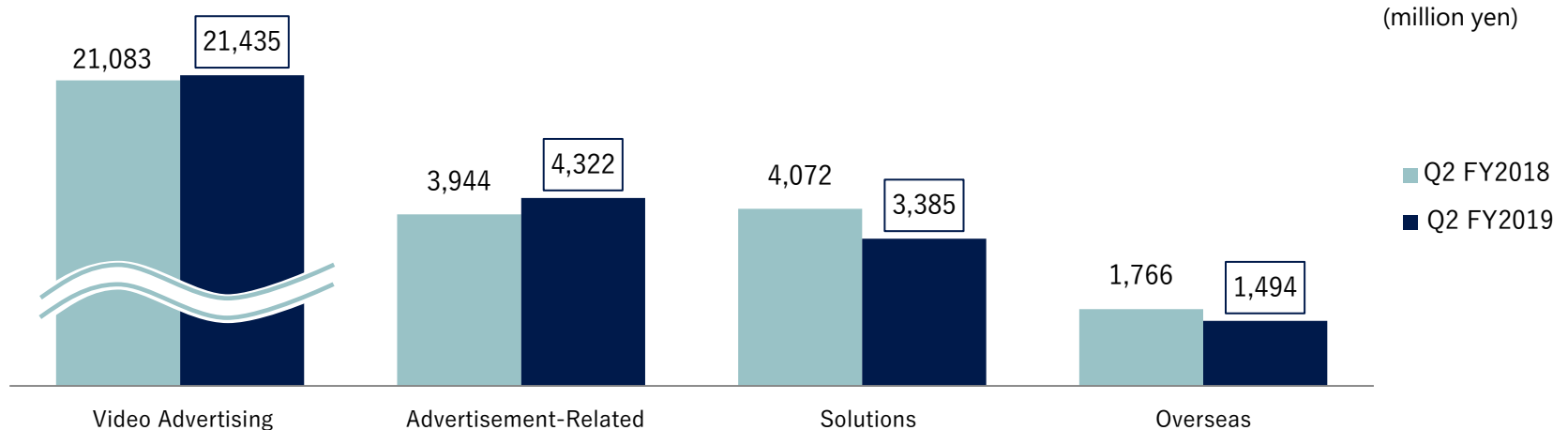
Trends of Operating Income by Quarter

- Increased costs stemming from work-style reform and new enterprise systems implementations at subsidiaries, as well as decreased sales of high-margin print sales, have resulted in lower Q1 and Q2 operating income year on year.



Net Sales by Business Segment

- Video Advertising Business recorded sales level year on year due to increased sales from major advertising agencies, even though print sales decreased.
- Advertisement-Related Business recorded higher sales year on year, mainly due to the contribution of event-related sales by newly consolidated subsidiaries.
- Solutions Business recorded lower year-on-year sales, mainly due to lower media placement purchases; Overseas Business recorded lower sales due to the business reorganization of a local entity in Beijing.

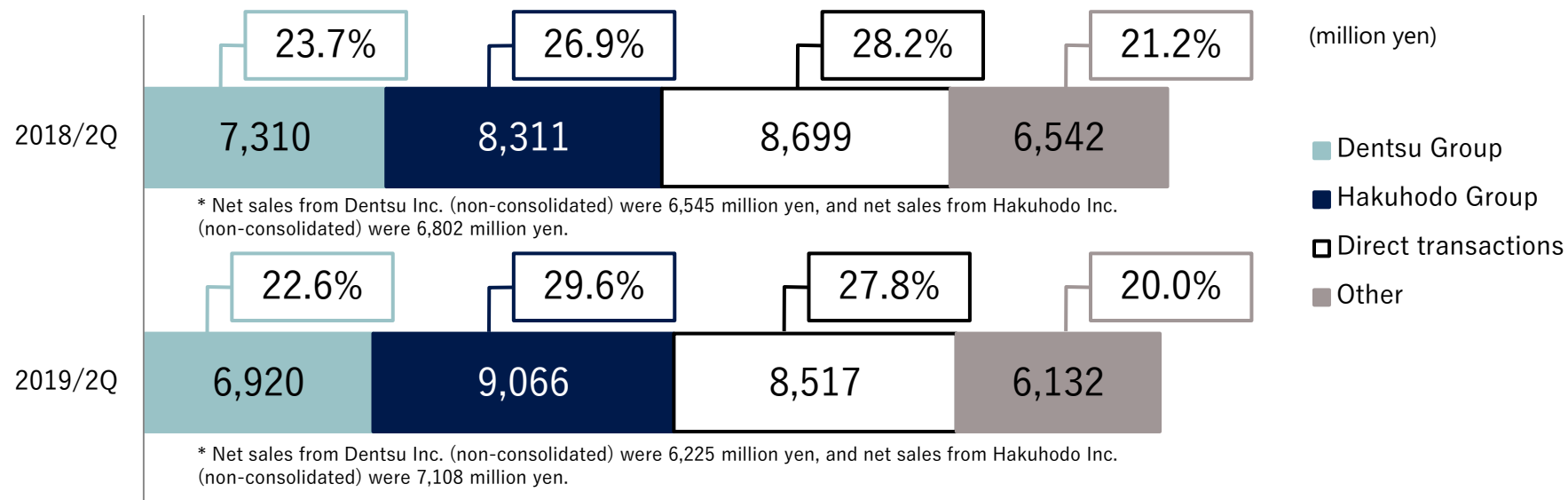


Overview of Business Segments

Business	Overview
Video Advertising	Planning and production of TV commercials, online video, and other video advertising
Advertisement-Related	Planning and production of movies, TV dramas, and events; production of digital content, promotional content, and music videos
Solutions	Solutions that answer customer issues(direct business with advertisers, video content marketing, etc.)
Overseas	Business in Southeast Asia and other locations overseas; video production orders received from overseas

Net Sales by Customer

- Net sales from major advertising agencies were higher year on year.
- Sales from direct transactions also rose, after excluding the decrease in media placement purchases.



Net Sales by Medium

(million yen)

Medium	Q2 FY2018	Component Ratio	Q2 FY2019	Component Ratio	YoY Change
TV commercial production	18,565	58.5%	18,169	58.6%	- 396
TV commercial	17,506	55.2%	17,367	56.0%	- 139
Printed commercial materials	1,059	3.3%	803	2.6%	- 257
Entertainment contents	1,355	4.3%	1,046	3.4%	- 309
Digital contents	5,477	17.3%	6,402	20.6%	+ 925
Overseas	1,751	5.5%	1,491	4.8%	- 259
Other	4,583	14.4%	3,908	12.6%	- 675
Total	31,731	100.0%	31,017	100.0%	- 713

* The results are simple totals of the consolidated financial results of AOI Pro. Inc. and TYO Inc.

Summary of Consolidated Balance Sheet

(million yen)	FY2018	Q2 FY2019	Major Components
Current Assets	35,937	37,290	Cash and deposits (+2,024); notes and accounts receivable (-2,696); electronically recorded monetary claims (+1,715); work in process (+327)
Non-current Assets	19,693	19,427	Property, plant, and equipment (-29); intangible assets (-239)
Total Assets	55,631	56,717	
Current Liabilities	20,114	18,250	Accounts payable (-1,091); short-term loans payable (-1,277)
Non-current Liabilities	9,837	13,316	Long-term loans payable (+3,670)
Total Liabilities	29,951	31,567	
Total Net Assets (percentage of total assets)	25,679 (46.2%)	25,150 (44.3%)	Retained earnings(-269)
Total Liabilities and Net Assets	55,631	56,717	

* AOI TYO Holdings adopted Partial Amendment to Accounting Standard for Tax-Effect Accounting (ASBJ Statement No.28, February 16, 2018) as of the beginning of Q1 of the current consolidated fiscal year.

3. Consolidated Earnings Forecast

Revised Consolidated Earnings Forecast

- As the recent order situation remains strong, we revised our full-year earnings projections, reflecting only the underperformance of the first half.

(million yen)	FY2019 Previous Forecast	FY2019 Latest Revised Forecast
Net Sales	65,000	63,600
Operating Income	2,600	2,300
Ordinary Income	2,500	2,150
Profit Attributable to Owners of Parent	1,300	1,050
EBITDA	4,060	3,760

*Published February 19, 2019

*Published August 9, 2019

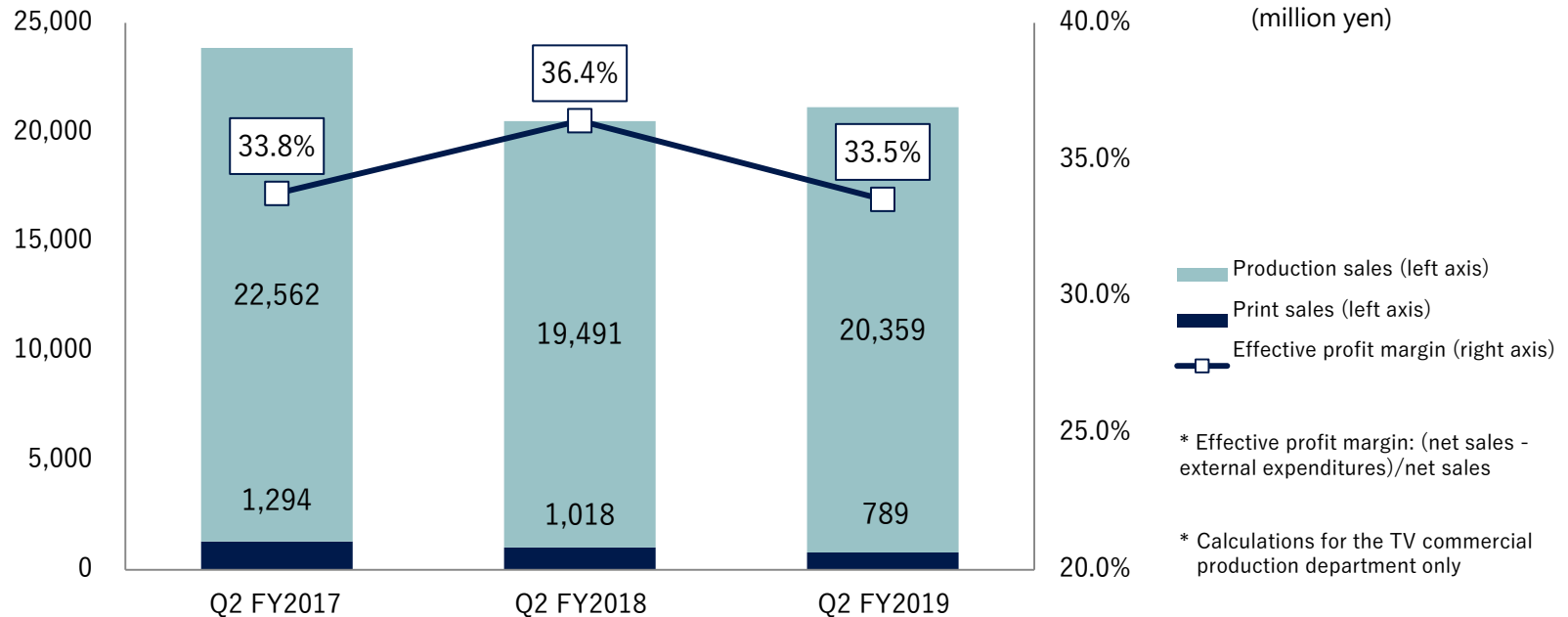
Progress in Consolidated Earnings Forecast

(million yen)	FY2019	FY2019		FY2019		
	Q2 Result	Fiscal Year Forecast	YoY Change	Amount Req'd in Second Half	YoY Change	First Half Change
Net Sales	30,636	63,600	- 1,192	32,964	- 964	+2,328
Operating Income	816	2,300	- 1,133	1,484	- 203	+668
Operating margin	2.7%	3.6%	-	-	-	-
Ordinary Income	637	2,150	- 1,175	1,513	- 132	+876
Profit Attributable to Owners of Parent	257	1,050	- 902	793	11	+536
EBITDA	1,531	3,760	- 1,996	-	-	-

4. Current Initiatives for Various Businesses

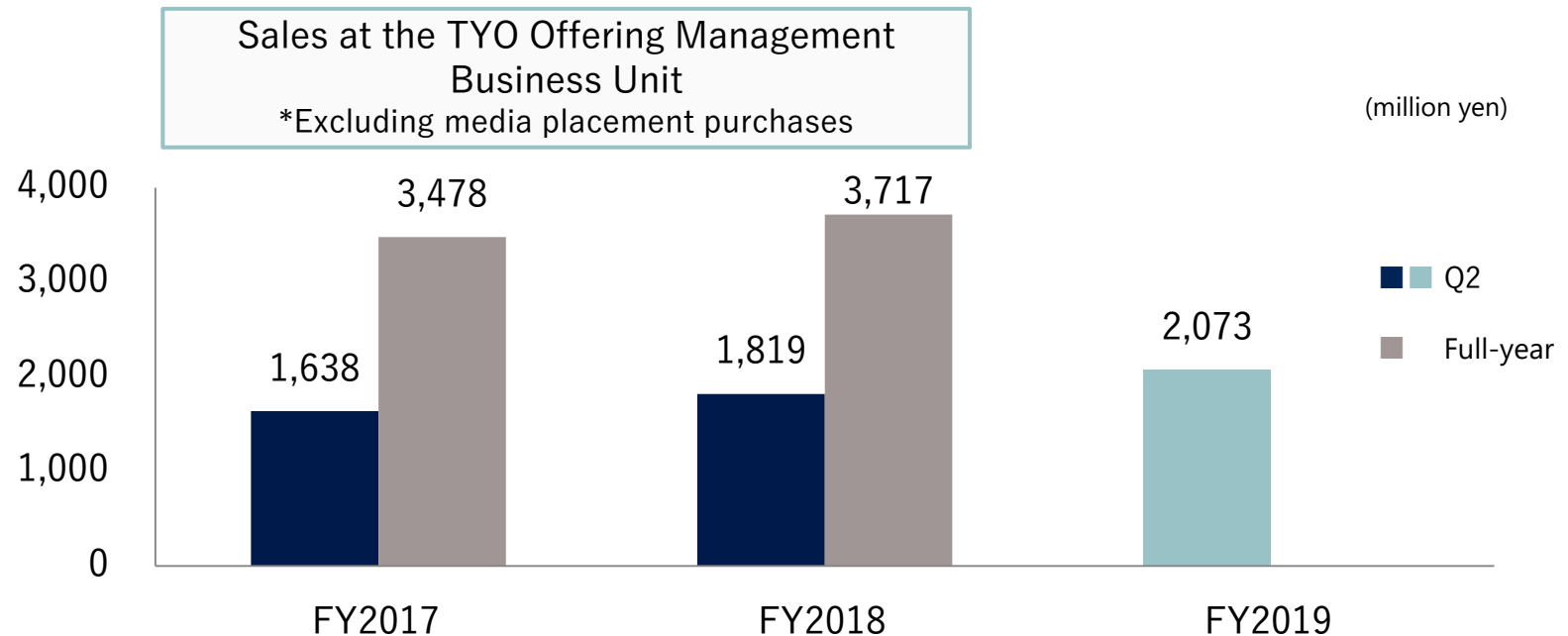
Initiatives in the Video Advertising Business

- Overall effective profit margin decreased, even as we continue to focus on cost control over external expenditures. Negative factors included receiving orders for major projects with low effective profit margins and a decrease in print sales.



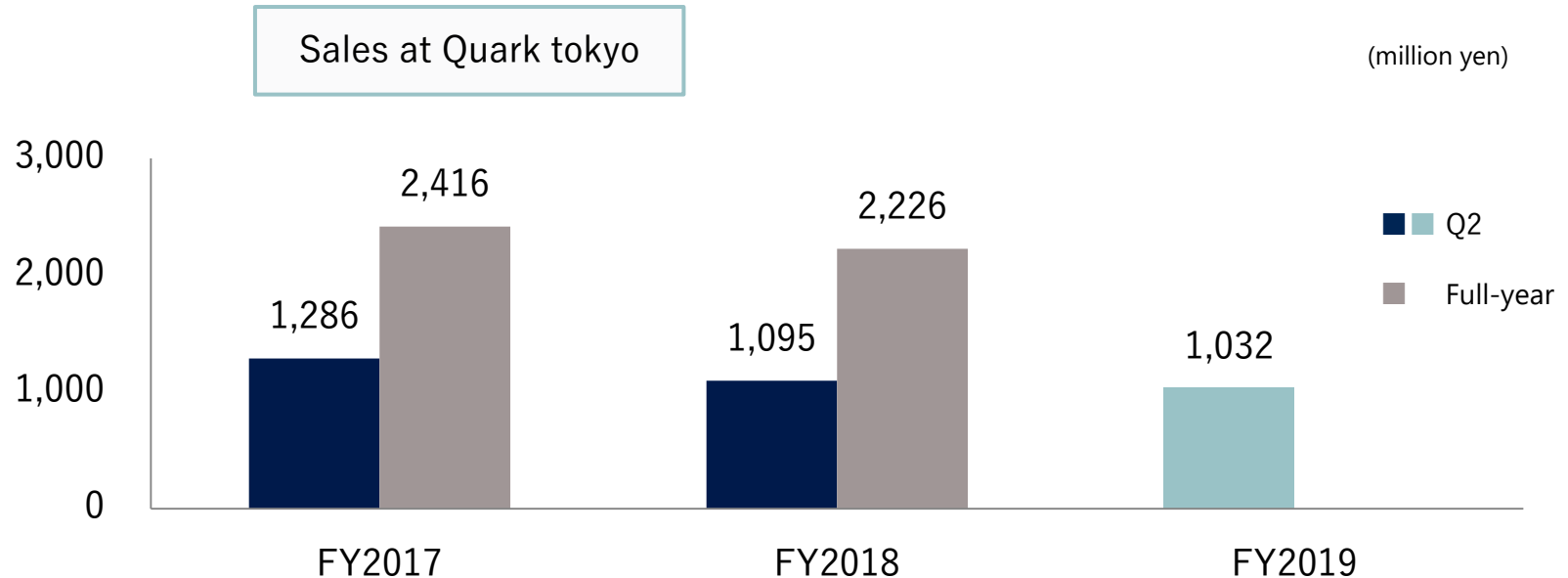
Initiatives in the Solutions Business (1)

- Sales increased, mainly owing to an increase in orders for TV commercials, events for new customers, etc.



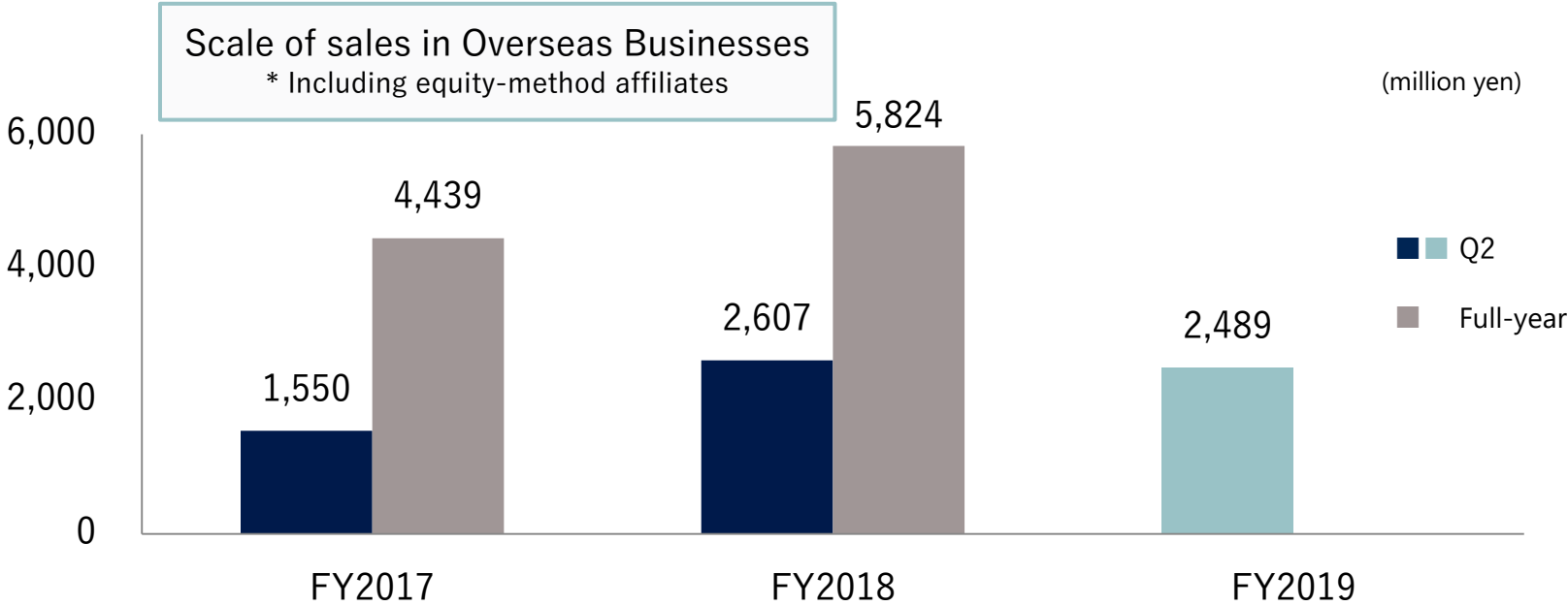
Initiatives in the Solutions Business (2)

- Contraction in the size of existing major projects has resulted in lower net sales year on year. However, online video production and promotion planning sales increased.



Initiatives in the Overseas Business

- Slight decrease in the scope of sales due to the business reorganization of a local entity in Beijing.



Case study

Equity Tie-Up With Design Incubation Team AnyProjects

TYO signed a capital and business alliance agreement with AnyProjects Inc., launching full-scale operations in August 2019.

AnyProjects is a design incubation team consisting of five partners. The company's members perform design consulting, new business development, architecture and urban design, communications media strategy, branding strategy, investments, art event production, and more on a global basis, offering integrated consulting and new business support based on cross-discipline expertise. TYO engaged in this alliance to create new business value that integrates ideal design consciousness with TYO's long-held video creative capacity and the ability to anticipate latent issues and demand based on changes in people's minds and behavior.

The entities are already working on several joint projects, building synergies through the skills and experience of both companies. In the future, the companies will conduct joint development of design consulting and services supporting business growth and innovation through new methods that extend beyond traditional frameworks and applications of visual communications.

《New Office *There*》

Co-creation space spanning across size and disciplines, gathering major corporations, start-ups, creators, designers, artists, chefs, engineers, and other professionals and organizations. The space will host a variety of programs intended to maximize conceptual and creative abilities.

Location: Qiz Hiroo 2F, 5-1-11 Minami Azabu, Minato-ku, Tokyo



*Logo Design

This logo was designed through a collaboration of Theseus Chan, a world-class creator known as a national treasure of Singapore. Chan has gained global attention through his work with a variety of brands and other artists.

Case study

Joint Venture Established With Cyber Communications

Quart tokyo established Mediator Inc. as a joint venture on August 20, 2019 with Cyber Communications Inc. (CCI)

Mediator provides communications planning and content production for differing media attributes, advertising formats, and targets, providing consulting services between clients and media.

CCI, which knows everything about digital media, and Quark tokyo, which boasts strengths in digital-age communications planning and creative direction. Demonstrating to the maximum the strengths of both companies, Mediator aims to become a media communications agency offering one-stop services in communications and creative, ad distribution plan design and implementation for the benefit of both media and clients.

《Overview of Mediator Inc.》

Name:	Mediator Inc.
Location:	Duo Omotesando 102, 3-32-6 Jingumae, Shibuya-ku, Tokyo
Representative:	Takaki Onoda, representative director
Capital:	¥50 million
Ownership:	Quark tokyo (66.6%); CCI (33.4%)
Business Lines:	<ol style="list-style-type: none">1. Media-based communications and creative planning2. Media consulting based on client needs and target insights3. Creative (content production), media operations, and other execution
URL:	https://mediator.tokyo/



5. Next Fiscal Year and Beyond

Stepping Stones for Future Corporate Value Growth

Work-Style Reform

- Completed implementation of measures
- Accelerate hiring and enhance training based on medium-term management policies

Printless

- Impact will be minor on next-period earnings and beyond

Business reorganization, cost revisions, etc.

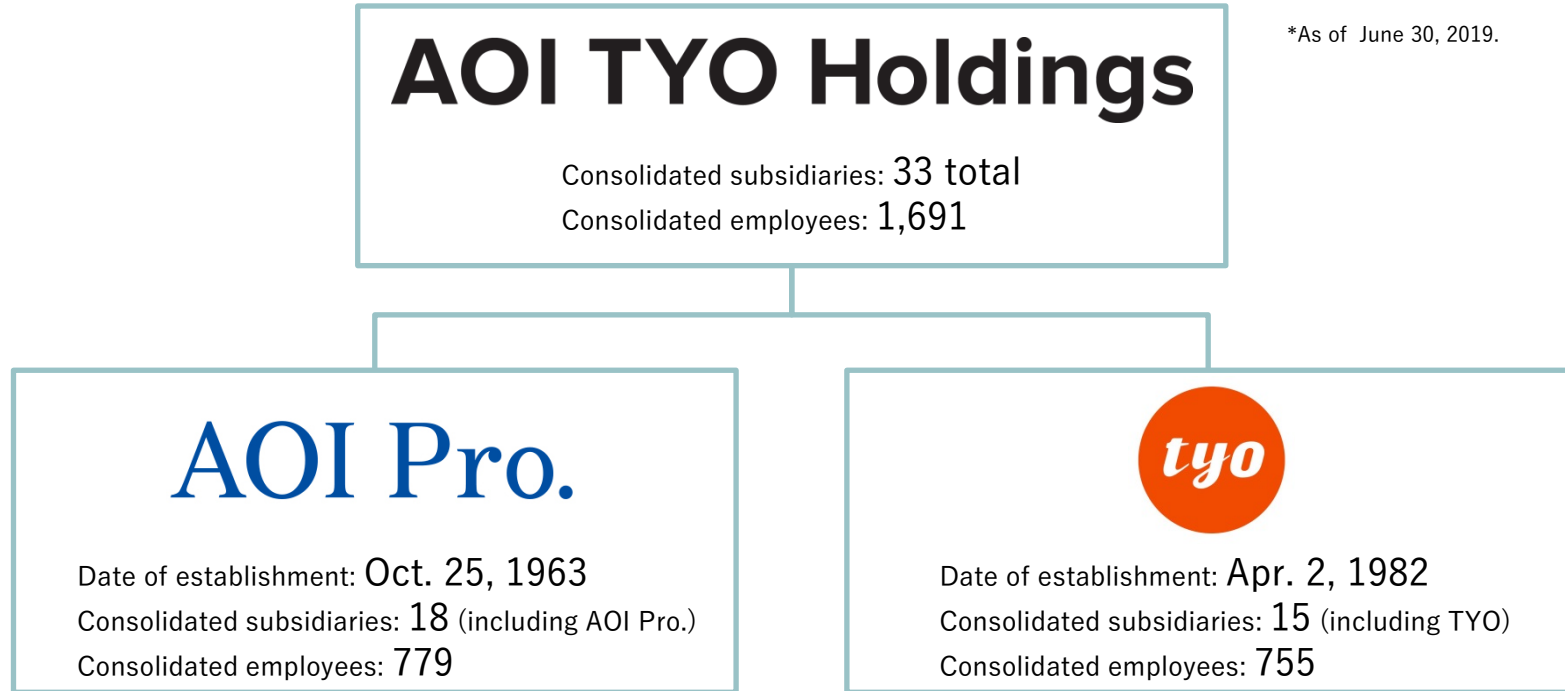
- Implement measures this fiscal year
- Focus on delving deeper and expanding wider in business fields defined under our medium-term management policy

6. Appendix – Company Profile, Stock Information, etc.

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	1-5-1 Osaki, Shinagawa-ku, Tokyo 141-8580, Japan +81 3-6893-5005 (main)
Securities Code	3975 First Section of the Tokyo Stock Exchange
URL	http://aoityo.com/en/

Founding of AOI TYO Holdings



Shareholder Return

■ Dividends

- Policy: 30%-plus consolidated payout ratio
- FY2019: Forecast dividend of 20 yen per share

	End of Q2	End of FY	Total	Dividend Payout Ratio
FY2018	8 yen	22 yen	30 yen	36.4%
FY2019 (forecast)	8 yen	12 yen	20 yen	44.8%

■ Purchase of treasury shares

	Period of Purchase	Type of Shares	Total Number of Shares Purchased	Total Value of Shares purchased
Previous Purchase	Jun. 1, 2018 – Jun. 7, 2018	Common Stock	400,000 shares	531 million yen
(Plan) Current Purchase	Mar. 1, 2019 – Feb. 29, 2020	Common Stock	Maximum: 500,000 shares Completed: 105,000 shares	Maximum: 600 million yen Completed: 79 million yen

Shareholder Benefit Program

- The following shareholder benefits are provided to investors with 500 or more shares of AOI TYO Holdings, who are listed on the share register as of June 30, 2019.

Shareholder Gifts

500 shares or more	Original Quo Card	3,000 yen
1,000 shares or more	Original Quo Card	5,000 yen
2,000 shares or more	Original Catalog	value of 10,000 yen

*Original catalog allows shareholders to choose from original products, Quo Cards, or charitable donations

Animation Studio Tour

500 shares or more (randomly selected from those who enter the draw)

Studio tour of AOI TYO Group character development and stop-motion animation division TYO/dwarf



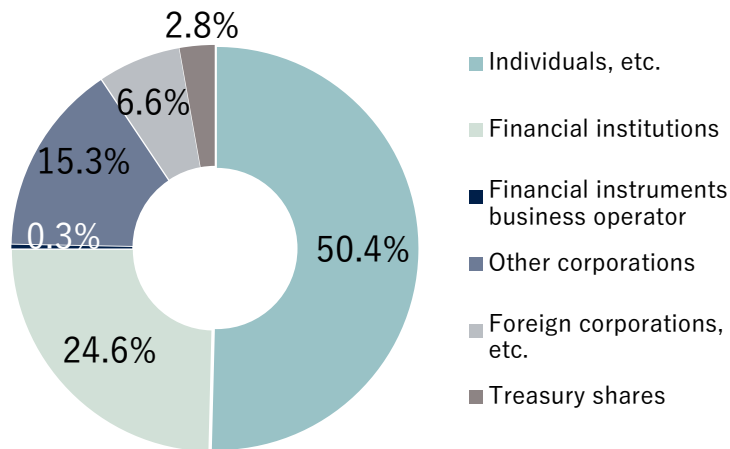
©NHK・TYO

Status of Stock and Shareholders (as of June 30, 2019)

Number of Shares and Shareholders

Total number of shares issued	24,566,447
Total number of shareholders	13,489

Shareholder Composition by Type of Shareholder



Status of Large Shareholders

	Shareholder Name	Number of Shares Held	Shareholding Ratio
1	The Master Trust Bank of Japan, Ltd. (Trust Account)	1,629,900	6.83%
2	Cosmo Channel	1,153,740	4.83%
3	IMAGICA GROUP Inc.	1,018,000	4.26%
4	Japan Trustee Services Bank, Ltd. (Trust Account 9)	810,800	3.40%
5	Japan Trustee Services Bank, Ltd. (Trust Account)	806,200	3.38%
6	Fields Corporation	479,660	2.01%
7	Trust & Custody Services Bank, Ltd. (Trust Account E)	418,900	1.75%
8	Japan Trustee Services Bank, Ltd. (Trust Account 5)	418,000	1.75%
9	Hitoshi Hara	400,000	1.68%
10	Fumiko Hara	328,000	1.37%

* The shareholding ratios are calculated by subtracting treasury shares (690,291).

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:
Financial & Accounting Department (+81 3-3779-8415)