

AOI TYO Holdings

Earnings Presentation

Third Quarter, FYE December 2020

November 2020

AOI TYO Holdings Inc.

Contents

1. Summary of Consolidated Financial Results
2. Consolidated Earnings Forecast
3. Medium-Term Plan Progress
4. Appendix - Stock Information, etc.

1. Summary of Consolidated Financial Results

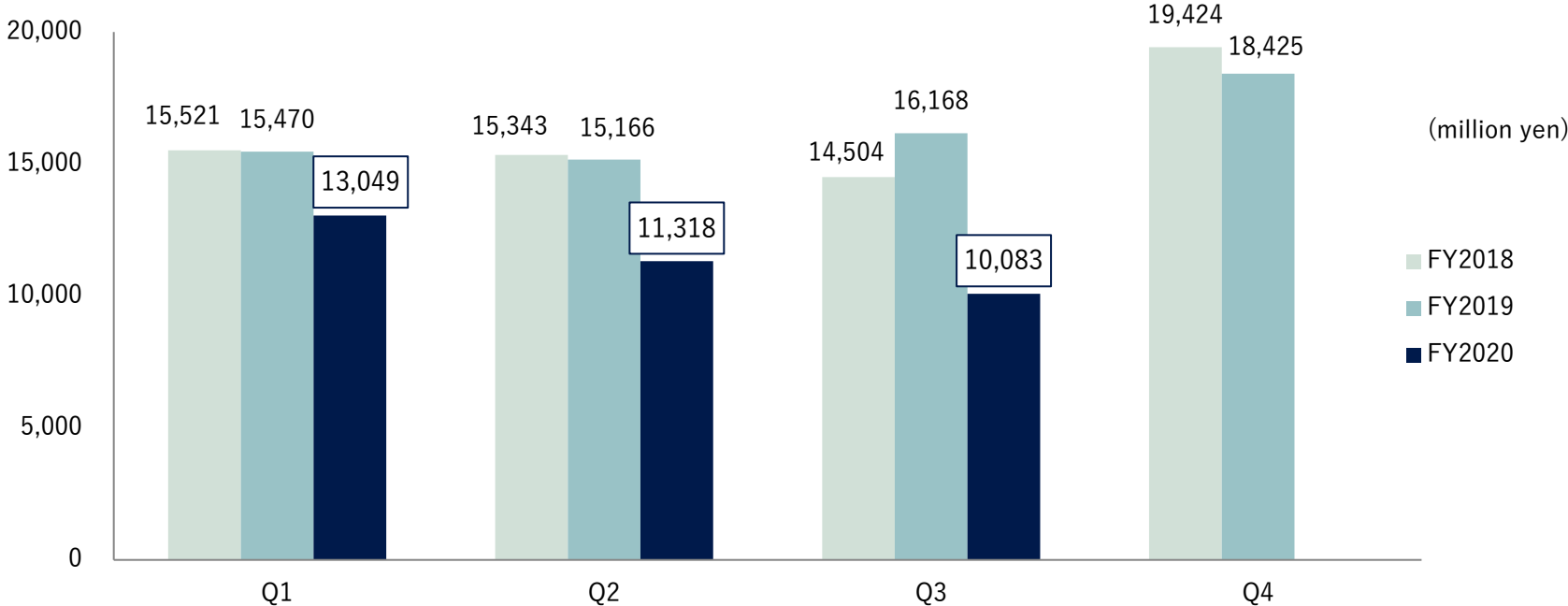
Financial Highlights

- Cancellations and postponements of filming work and a decrease in advertising demand resulted in significant decline in net sales and losses were recorded for each profit measure.
- We recorded ¥311 million in extraordinary loss after relocating seven offices and reducing floor space in pursuit of cost reduction measures implemented ahead of the schedule developed in August.

(million yen)	Q3 FY2018	Q3 FY2019	Q3 FY2020	YoY Change
Net Sales	45,368	46,804	34,450	-12,354
Operating Income	2,365	1,153	-1,260	-2,413
Ordinary Income	2,374	921	-1,325	-2,246
Profit Attributable to Owners of Parent	1,520	348	-1,368	-1,716
EBITDA	3,231	2,245	-415	-2,660

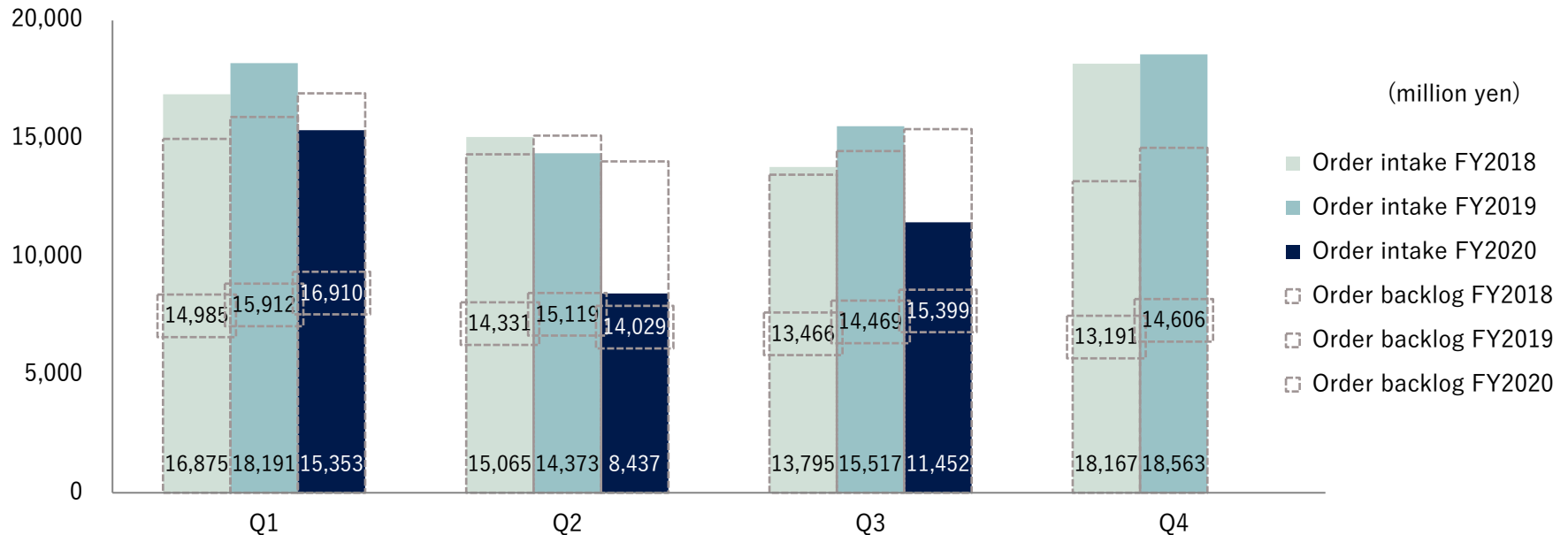
Trend of Net Sales by Quarter

■ Sales continued to be sluggish through Q3, mainly due to a significant drop in Q2 order backlog stemming from suspended economic activities under the state of emergency declaration and uncertainty about the future.



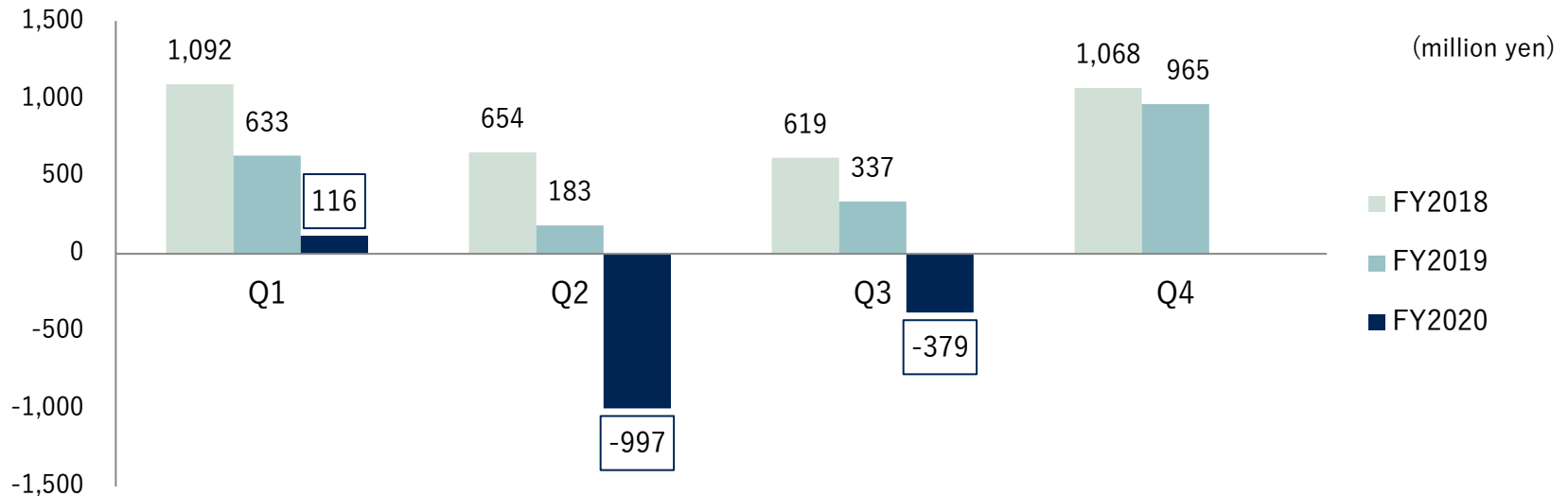
Order Intake and Order Backlog by Quarter

- As economic activity resumed gradually after the lifting of the state of emergency declaration, Q3 order backlog began to increase, amounting to ¥15,399 million as of the end of Q3 (up 6.4% year on year) .



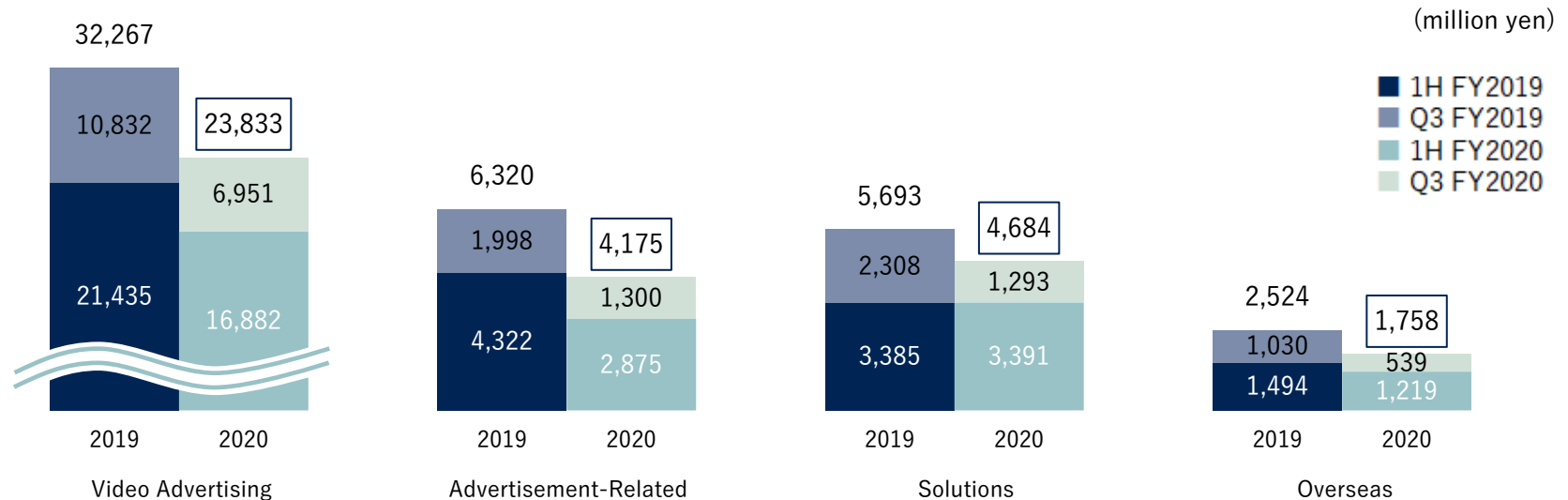
Trends of Operating Income by Quarter

- Although we recorded a net operating loss for Q3 due to lower sales, we reduced the size of the loss compared to Q2 through cost reductions ahead of schedule and improved effective profit margin.



Net Sales by Business Segment

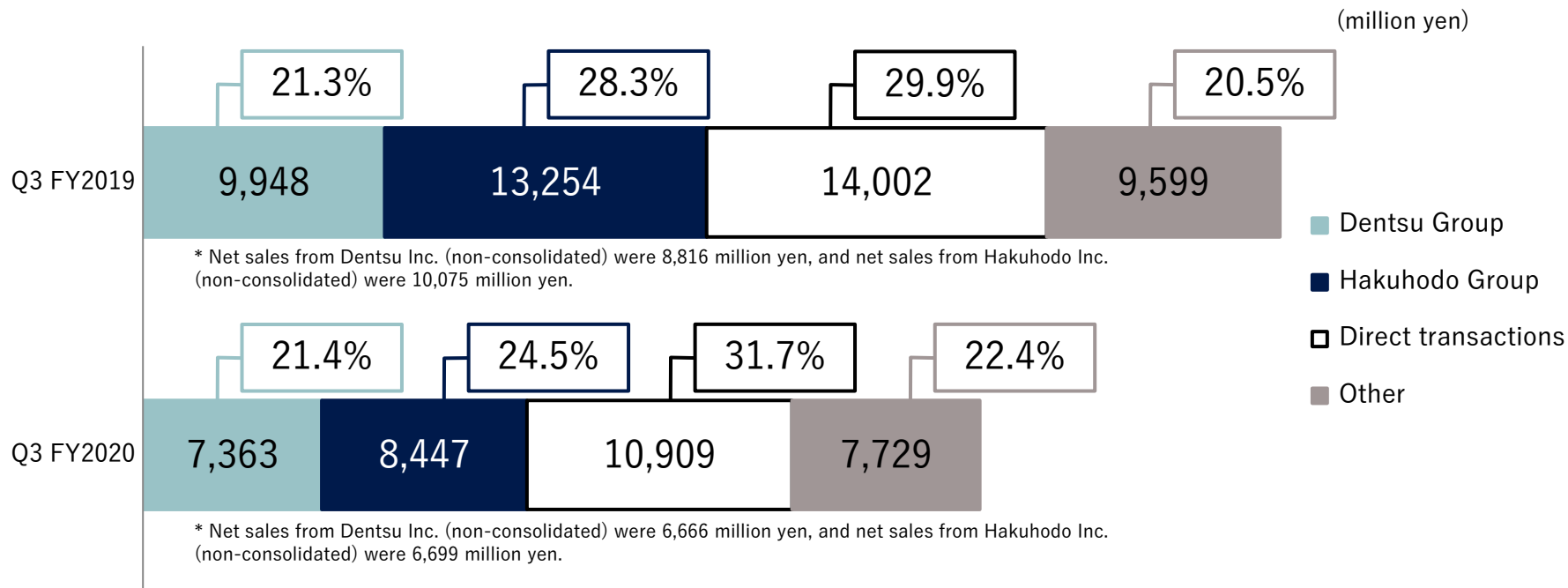
- Video Advertising Business recorded lower sales from major advertising agencies.
- Advertisement-Related Business continued to see cancellations and postponements of events.
- Solutions Business, which performed roughly level year on year through Q2, recorded lower Q3 results due to voluntary restraints on in-person sales activities during the state of emergency.



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 by Medium

(million yen)	Q3 FY2019	Component Ratio	Q3 FY2020	Component Ratio	YoY Change
TV commercial production	27,916	59.0%	19,794	56.7%	-8,122
TV commercial	26,731	56.5%	19,048	54.6%	-7,683
Printed commercial materials	1,185	2.5%	746	2.1%	-439
Entertainment contents	1,359	2.9%	1,658	4.8%	+299
Digital contents	9,513	20.1%	8,030	23.0%	-1,483
Overseas	2,522	5.3%	1,575	4.5%	-948
Other	6,030	12.7%	3,825	11.0%	-2,205
Total	47,341	100.0%	34,882	100.0%	-12,459

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

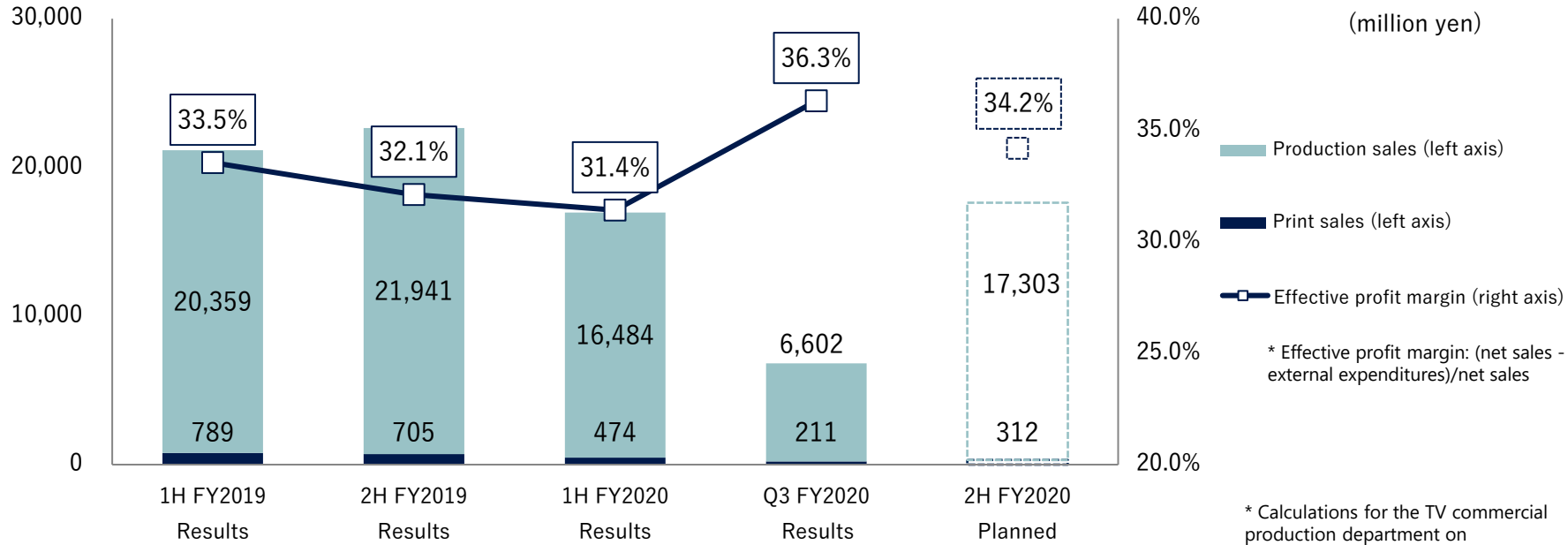
Summary of Consolidated Balance Sheet

- Cash and cash equivalents amounted to ¥14,238 million, as we maintained a high 246.6% liquidity ratio.
- We closed commitment lines with a number of financial institutions for a combined ¥12 billion, securing sufficient liquidity. (¥0.0 billion outstanding as of June 2020)

(million yen)	FY2019	Q3 FY2020	Major Components
Current Assets	36,003	32,547	Cash and deposits (+5,127); notes and accounts receivable (-8,028); electronically recorded monetary claims (-2,091)
Non-current Assets	17,348	16,891	
Total Assets	53,352	49,438	
Current Liabilities	18,343	13,196	Accounts payable (-3,159); short-term loans payable (-3,200)
Non-current Liabilities	11,645	14,663	Long-term loans payable (+3,190)
Total Liabilities	29,988	27,859	
Total Net Assets (percentage of total assets)	23,363 (43.8%)	21,578 (43.6%)	Retained earnings(-1,654)
Total Liabilities and Net Assets	53,352	49,438	

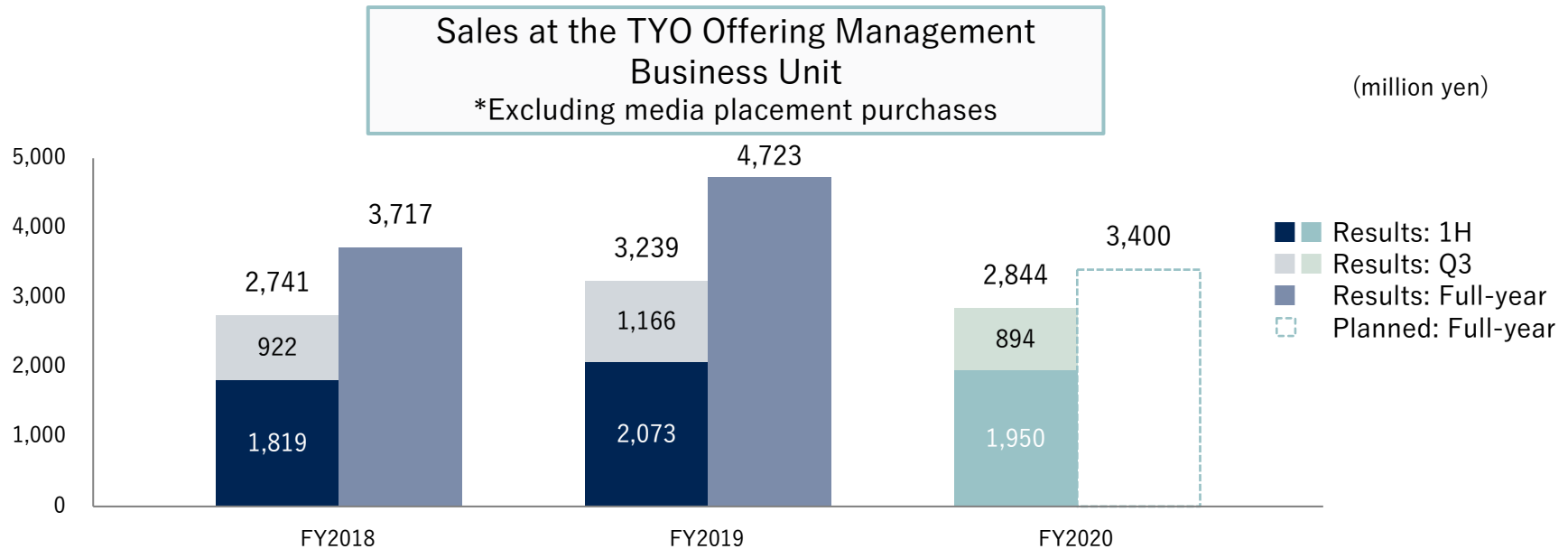
Video Advertising Business

- Effective profit margin rose significantly, due in part to decreased cost billings for projects that had been canceled or postponed due to the impact of COVID-19.
- Orders heading into Q4 are increasing, leading us to expect a recovery in sales.



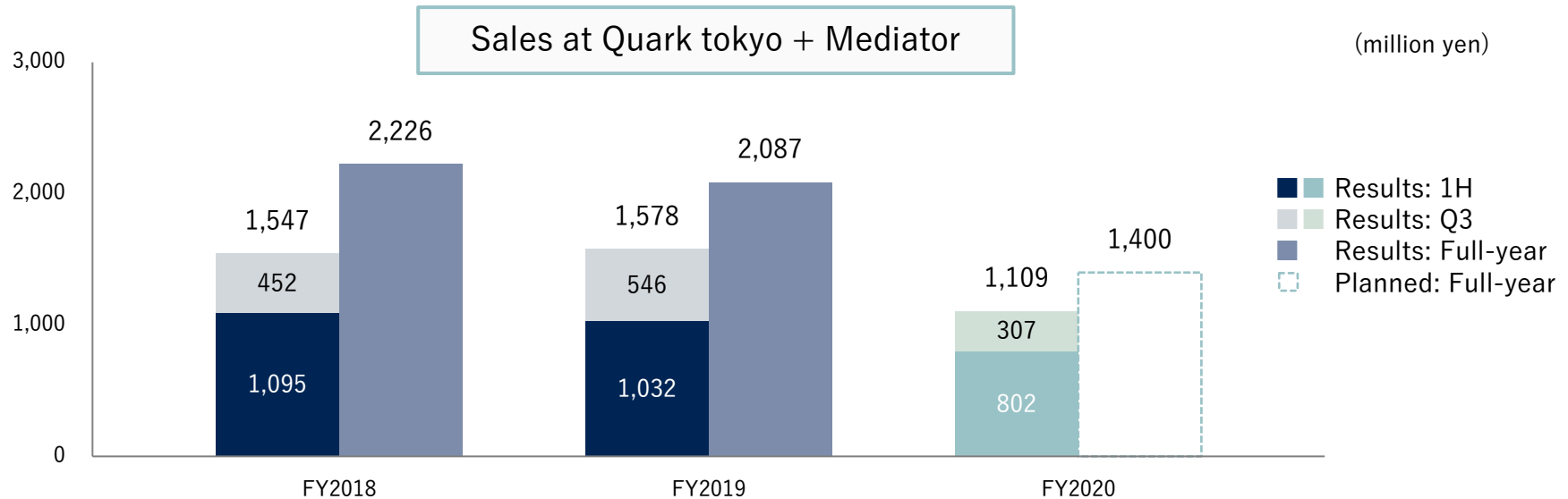
Solutions Business (1) - TYO Offering Management Business Unit

- The impact of Q2 voluntary restraints on face-to-face sales activities contributed to lower Q3 sales; however, the resumption of sales activities have resulted in strong Q4 orders, leading to expectations for sales that outperform the revised plan.



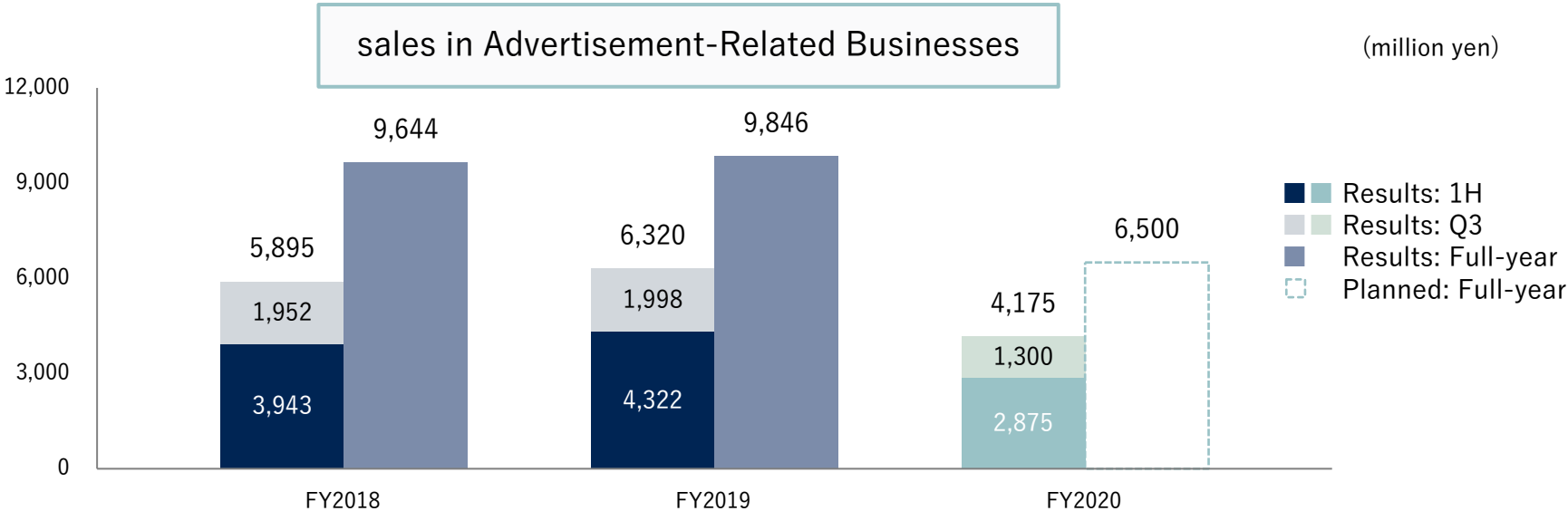
Solutions Business (2) - Quark tokyo + Mediator

- Despite the impact of advertiser budget cuts, orders began to return in Q3, and we also expect to book sales for major projects in Q4, projecting Q4 performance to outperform revised plan.



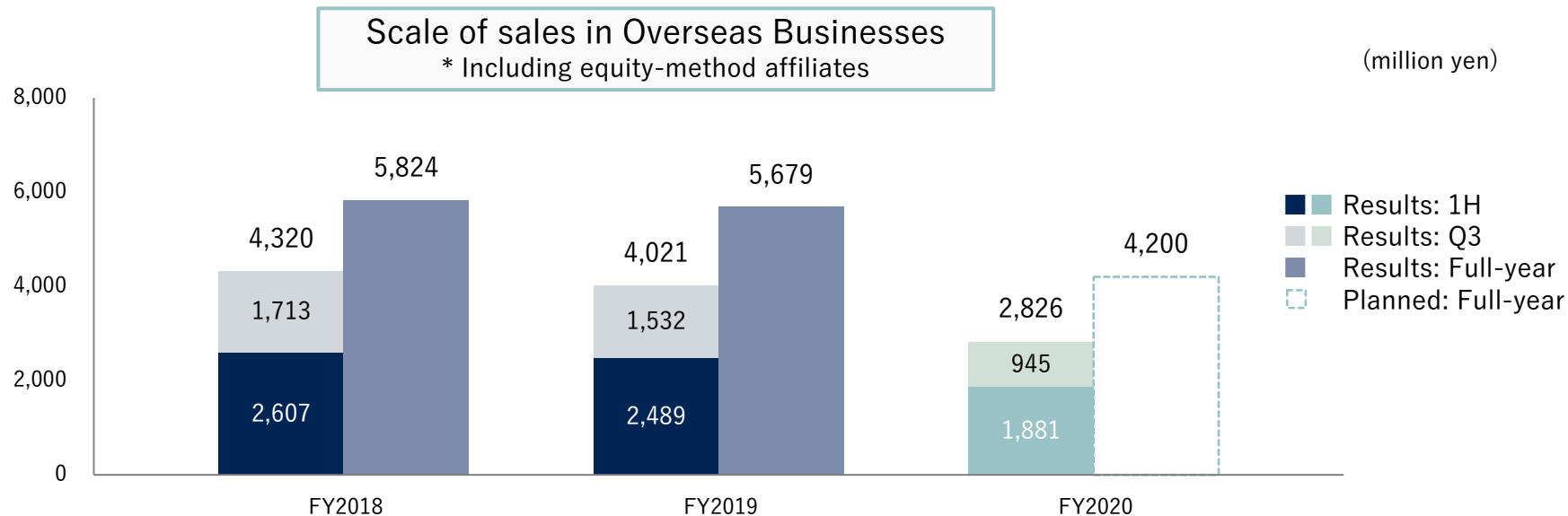
Advertisement-Related Business

- While Q3 continued to experience the negative impact of event cancellations and postponements, we received orders for major live events in Q4.
- Hybrid online/live events are becoming a new mainstream format and driving our customer base expansion.



Overseas Business

- The spread of COVID-19 has not resolved in certain areas of Southeast Asia, resulting in a continued negative impact on sales.



2. Consolidated Earnings Forecast

Progress in Consolidated Earnings Forecast

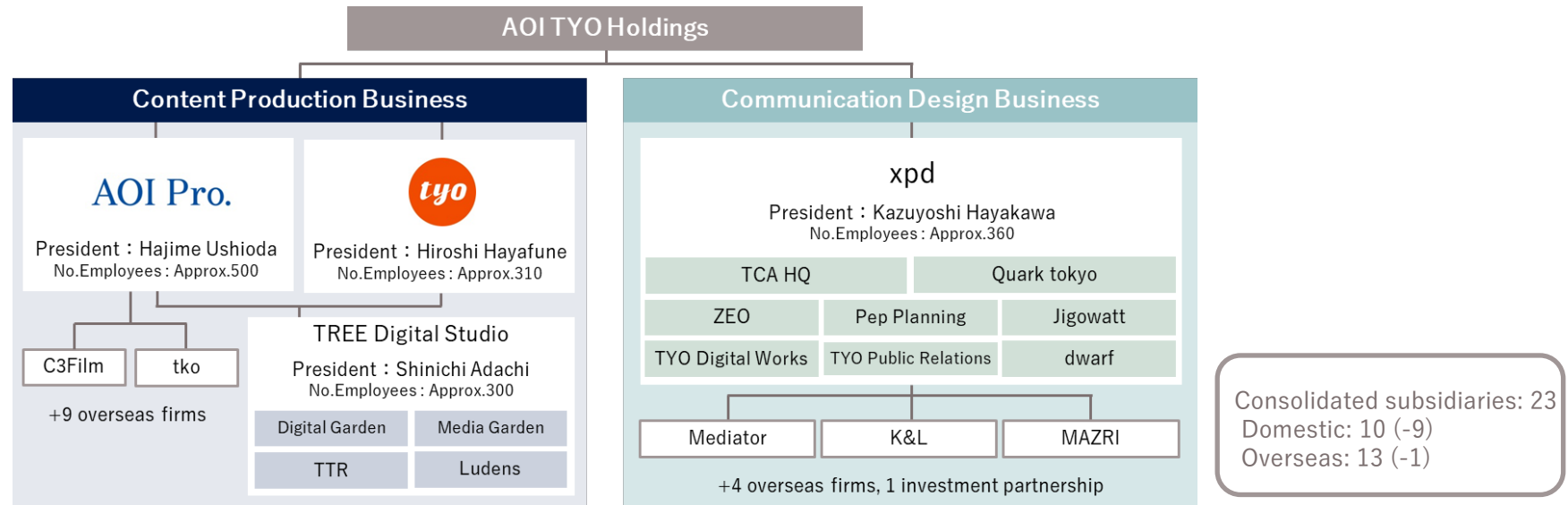
- After a significant decline in orders in Q2, orders began to increase in Q3 and we expect to see sales growth in Q4.

(million yen)	FY2020	FY2020		FY2020	
	Q3 Result	Fiscal Year Forecast	YoY Change	Amount Required for Q4	YoY Change
Net Sales	34,450	50,000	-15,229	15,550	-2,875
Operating Income	-1,260	-1,400	-3,518	-140	-1,105
Operating Margin	-3.7%	-2.8%	-	-	-
Ordinary Income	-1,325	-1,500	-3,263	-175	-1,017
Profit Attributable to Owners of Parent	-1,368	-1,500	-220	-132	+1,496
EBITDA	-415	-230	-3,836	-	-

3. Medium-Term Plan Progress

New Organizational Structure after January 2021 (Tentative)

- In line with our medium-term plan, we formalized intentions for a reorganization on October 19.
- Beginning January 2021, we will operate under two businesses: Content Production and Communications Design.



Status of Cost Reduction Measures

Implement cost reduction measures described in our medium-term plan ahead of schedule

■ Office consolidation and reduction

Planned Cost Reductions -¥0.48 billion

- Finalized Q3 office reductions (below), considering additional cost reduction measures for Q4

No. of offices reduced	Extraordinary loss	FY2021 rent savings
7 offices	¥0.31 billion	¥0.42 billion*

*Comparison excludes move-out rent payments (duplicate rent payments)

■ Reduced expenses:

Advertising/entertainment/travel/meeting expenses, etc.

Planned savings -¥0.45 billion

Q3 FY2019	Q3 FY2020	YoY reduction
¥1.42 billion	¥1.01 billion	¥0.41 billion

4. Appendix - Stock Information, etc

AOI TYO Group

AOI TYO Holdings

*As of Sep. 30, 2020.

Consolidated subsidiaries: 32 total
Consolidated employees: 1,742

AOI Pro.

Date of establishment: Oct. 25, 1963
Consolidated subsidiaries: 17 (including AOI Pro.)
Consolidated employees: 800



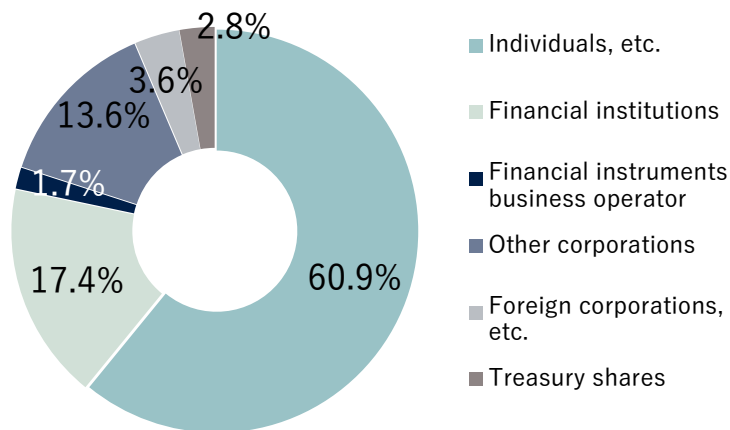
Date of establishment: Apr. 2, 1982
Consolidated subsidiaries: 15 (including TYO)
Consolidated employees: 782

Status of Stock and Shareholders (as of Jun. 30, 2020)

Number of Shares and Shareholders

Total number of shares issued	24,566,447
Total number of shareholders	16,170

Shareholder Composition by Type of Shareholder



Status of Large Shareholders

	Shareholder Name	Number of Shares Held	Shareholding Ratio
1	Cosmo Channel	1,153,740	4.83%
2	IMAGICA GROUP Inc.	1,018,000	4.26%
3	The Master Trust Bank of Japan, Ltd. (Trust Account)	807,400	3.38%
4	Japan Trustee Services Bank, Ltd. (Trust Account)	669,900	2.81%
5	Fields Corporation	479,660	2.01%
6	Yoshihiro Takebayashi	478,100	2.00%
7	Japan Trustee Services Bank, Ltd. (Trust Account 5)	417,500	1.75%
8	Trust & Custody Services Bank, Ltd. (Trust Account E)	411,200	1.72%
9	Hitoshi Hara	400,000	1.68%
10	Credit Suisse Securities (Japan) Limited	340,500	1.43%

* The shareholding ratios are calculated by subtracting treasury shares (691,252).

*The number of shares held by Cosmo Channel Co., Ltd. includes 320,000 shares under a stock loan agreement with Japan Securities Finance Co., Ltd.

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.

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Contact (<http://aoityo.com/en/contact.html>)