



Summary of Consolidated Financial Results (Japanese Accounting Standards)
for the First Quarter of the Fiscal Year Ending December 31, 2021

May 14, 2021

Company name: AOI TYO Holdings Inc.
Stock Exchange: Tokyo Stock Exchange
Code: 3975
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Scheduled date of submission of quarterly report: May 14, 2021
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 First Quarter (from January 1, 2021 to March 31, 2021)

(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	%
Q1 FY2021	14,193	8.8	923	693.2	923	—	403	—
Q1 FY2020	13,049	-15.7	116	-81.6	5	-99.1	-32	—

(Note) Comprehensive income Q1 FY2021: 593 million yen (-%) Q1 FY2020: -226 million yen (-%)

	Net income per share	Diluted net income <input type="checkbox"/> per share
	Yen	Yen
Q1 FY2021	17.17	17.13
Q1 FY2020	-1.40	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
Q1 FY2021	51,300	20,513	39.4
FY2020	48,682	20,231	40.9

(For reference) Shareholders' equity Q1 FY2021: 20,217 million yen FY2020: 19,925 million yen

2. Dividends

	Dividends per share				
	End of Q1	End of Q2	End of Q3	Year end	Annual
	Yen	Yen	Yen	Yen	Yen
FY2020	—	—	—	12.00	12.00
FY2021	—	—	—	—	—
FY2021 (forecast)	—	0.00	—	0.00	0.00

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

3. Consolidated Financial Forecast for FY2021 (January 1, 2021 to December 31, 2021)

(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	56,500	10.3	1,600	—	1,500	—	700	—	29.81

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

* Notes

(1) Important changes in subsidiaries for the first 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)

Q1	FY2021	24,566,447 shares	FY2020	24,566,447 shares
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(ii) Number of treasury stock at end of period

Q1	FY2021	1,086,556 shares	FY2020	1,088,298 shares
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(iii) Average number of issued shares

Q1	FY2021	23,479,650 shares	Q1	FY2020	23,456,609 shares
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(Note)

The number of treasury stock includes the 411,200 shares that Trust & Custody Services Bank, Ltd. (trust account E) holds as trust property related to a Board Benefit Trust system.

* This summary of financial results is not subject to review by a certified public accountant or certified public accounting firm.

* 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 more about assumptions underlying earnings forecasts and cautions regarding the use of earnings forecasts, see *1. Qualitative Information on Results (3) Description of Information on Outlook* on P.3 of Attachments.

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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 first quarter of the current consolidated fiscal year.

During the consolidated first quarter, the Japanese economy faced challenges with no sign to the end of COVID-19. However, the overall tone of the economy has begun to recover. While business sentiment in the manufacturing industry improved due to the increase in exports and the depreciation of the yen, business sentiment in industries related to consumer spending, including accommodations, restaurants, and personal services, weakened again due to another declaration of a state of emergency in January of this year.

The AOI TYO Group began measures to prevent the spread of COVID-19 in filming, editing, and other production operations in the previous year. As a result, we experienced almost no projects that were postponed or canceled in the first quarter of the current fiscal year, in contrast to April and May of last year. Our trend toward business recovery, beginning in the fourth quarter of the fiscal year ending December 31, 2020, has continued.

As a result, the AOI TYO Group recorded net sales of ¥14,193 million for the consolidated first quarter, representing an 8.8% increase compared to year-ago quarter. Operating profit amounted to ¥923 million (693.2% increases), while ordinary profit amounted to ¥923 million representing increases of 17,216.5%, and profit attributable to owners of parent amounted to ¥403 million (¥32 million of loss attributable to owners of parent in the same period of prior fiscal year). Selling, general and administrative expenses included ¥52 million in amortization of goodwill associated with M&A activity.

Until recently, the AOI TYO Group operated as a single segment, the Advertising Video Production Business. In January of this year, the group conducted a major organizational restructuring based on our medium-term plan. We reduced the number of consolidated subsidiaries by 10, and we changed our reportable segments into the Content Production Business (responsible for traditional advertising video production) and the Communication Design Business (responsible for the design and execution of communications based on direct transactions with advertisers).

Operating results by segment were as follows.

(1) Content Production Business

The Content Production Business recorded net sales of ¥10,235 million (up 4.4% year on year) for the current consolidated first quarter. Segment profit was ¥1,360 million (up 95.0%).

This result was due to signs of recovery in project orders from major advertising companies in connection with the gradual recovery in the Japanese advertising market. Another contributing factor was the postponed and canceled projects that occurred in the year-ago quarter. Segment profit also rose year on year. This increase was due to the increase in net sales, a decrease in cost of sales stemming from an increase in the period-end balance of labor costs and expenses recorded in relation to work in process compared to the beginning of the period, and a decrease in various expenses as a result of cost reduction measures implemented under our medium-term plan, which we began implementing ahead of schedule in the prior fiscal year.

(2) Communication Design Business

The Communication Design Business recorded net sales of ¥3,958 million (up 21.9% year on year) for the current consolidated first quarter. Segment profit was ¥236 million (up 199.6%).

Sales and profits rose in the advertising and marketing solutions domain through an increase in direct transactions with advertisers and media sales. Here, we merged five companies in January of this year, establishing xpd Inc. to provide

better all-around execution of services, from video to digital solutions, PR, events, space design, and more.

(2) Discussion of financial position

Total assets as of the end of the consolidated first quarter amounted to ¥51,300 million, a ¥2,617 million increase compared to the end of the prior consolidated fiscal year. This increase was mainly due to increases in cash and deposits of ¥2,697 million, notes and accounts receivable of ¥251 million and property, plant and equipment of ¥274 million, compared to decrease in electronically recorded monetary claims of ¥310 million.

Liabilities increased by ¥2,336 million compared with the end of the prior fiscal year to ¥30,787 million. Although long-term loans payable decreased ¥890 million, accounts payable and advances received increased ¥3,000 million and ¥407 million, respectively.

Net assets amounted to ¥20,513 million, an increase of ¥281 million compared to the end of the prior consolidated fiscal year. This was mainly due to an increase of ¥403 million in retained earnings by the posting of net income attributable to shareholders of the parent company, despite a decrease of ¥286 million by the payment of dividends.

(3) Discussion of consolidated results forecasts

See *Revisions to Full-Year Consolidated Performance Forecasts*, published on May 14, 2021, for more about AOI TYO Group consolidated earnings forecasts for the fiscal year ending December 2021.

Our earnings forecast for the consolidated second quarter of the fiscal year ending December 31, 2021, remains undecided, as it is difficult to make a reasonable calculation at this time due to another declaration and subsequent extension of a state of emergency in Japan. This development raises the possibility of the postponements or cancellations of projects due to COVID-19.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly consolidated balance sheets

	(Unit: thousand yen)	
	FY 2020 (December 31, 2020)	Q1 FY2021 (March 31, 2021)
Assets		
Current assets		
Cash and deposits	10,813,819	13,510,900
Notes and accounts receivable - trade	13,222,465	13,473,508
Electronically recorded monetary claims - operating	3,562,775	3,252,466
Merchandise and finished goods	8,267	8,219
Work in process	4,331,475	4,451,437
Other	1,108,034	1,112,492
Allowance for doubtful accounts	(31,847)	(25,628)
Total current assets	33,014,989	35,783,397
Non-current assets		
Property, plant and equipment		
Land	3,593,652	3,593,652
Other	2,663,808	2,938,398
Total property, plant and equipment	6,257,460	6,532,050
Intangible assets		
Software	210,209	213,114
Goodwill	3,375,272	3,322,534
Other	15,994	15,994
Total intangible assets	3,601,476	3,551,643
Investments and other assets		
Investment securities	1,081,036	1,201,467
Deferred tax assets	1,533,026	1,200,744
Lease and guarantee deposits	1,661,033	1,536,458
Other	2,303,819	2,263,116
Allowance for doubtful accounts	(770,326)	(768,615)
Total investments and other assets	5,808,588	5,433,172
Total non-current assets	15,667,526	15,516,866
Total assets	48,682,515	51,300,263

(Unit: thousand yen)

	FY 2020 (December 31, 2020)	Q1 FY2021 (March 31, 2021)
Liabilities		
Current liabilities		
Accounts payable - trade	7,144,690	6,870,957
Short-term loans payable	—	3,000,000
Current portion of long-term loans payable	4,374,787	4,170,417
Advances received	720,753	1,127,953
Income taxes payable	172,515	269,354
Provision for bonuses	218,448	144,773
Other	2,112,543	2,374,234
Total current liabilities	14,743,739	17,957,690
Non-current liabilities		
Long-term loans payable	8,774,895	7,884,200
Long-term deposits received	3,501,199	3,501,199
Provision for directors' retirement benefits	259,435	259,899
Provision for management board incentive plan trust	247,750	265,768
Net defined benefit liability	343,303	355,917
Asset retirement obligations	442,737	463,433
Other	138,037	99,005
Total non-current liabilities	13,707,359	12,829,424
Total liabilities	28,451,099	30,787,115
Net assets		
Shareholders' equity		
Capital stock	5,000,000	5,000,000
Capital surplus	12,111,198	12,110,691
Retained earnings	4,217,210	4,333,656
Treasury shares	(1,233,609)	(1,231,386)
Total shareholders' equity	20,094,798	20,212,962
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(109,116)	35,575
Foreign currency translation adjustment	(59,597)	(31,460)
Remeasurements of defined benefit plans	(231)	66
Total accumulated other comprehensive income	(168,945)	4,181
Share acquisition rights	42,855	15,850
Non-controlling interests	262,707	280,154
Total net assets	20,231,415	20,513,148
Total liabilities and net assets	48,682,515	51,300,263

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

Quarterly consolidated statements of income

Consolidated first quarter

(Unit: thousand yen)

	Q1 FY2020 (January 1, 2020 – March 31, 2020)	Q1 FY2021 (January 1, 2021 – March 31, 2021)
Net sales	13,049,745	14,193,929
Cost of sales	10,916,463	11,424,496
Gross profit	2,133,282	2,769,432
Selling, general and administrative expenses	2,016,880	1,846,186
Operating profit	116,402	923,246
Non-operating income		
Interest income	1,419	2,396
Dividend income	2,886	2,581
Insurance return	1,710	55,642
Other	45,435	26,669
Total non-operating income	51,453	87,289
Non-operating expenses		
Interest expenses	18,568	20,912
Commission fee	40,369	38,551
Share of loss of entities accounted for using equity method	42,108	3,478
Other	61,474	23,859
Total non-operating expenses	162,521	86,801
Ordinary profit	5,334	923,735
Extraordinary income		
Gain on sales of non-current assets	6,038	—
Other	576	25,670
Total extraordinary income	6,614	25,670
Extraordinary losses		
Loss on change in equity	4,452	—
Other	45	—
Total extraordinary losses	4,497	—
Profit before income taxes	7,451	949,406
Income taxes - current	167,264	257,867
Income taxes - deferred	(132,635)	276,883
Total income taxes	34,629	534,751
Profit (loss)	(27,178)	414,654
Profit (loss) attributable to non-controlling interests	5,774	11,535
Profit (loss) attributable to owners of parent	(32,953)	403,118

Quarterly consolidated comprehensive statements of income
 Consolidated first quarter

(Unit: thousand yen)

	Q1 FY2020 (January 1, 2020 – March 31, 2020)	Q1 FY2021 (January 1, 2021 – March 31, 2021)
Profit (loss)	(27,178)	414,654
Other comprehensive income		
Valuation difference on available-for-sale securities	(150,995)	144,691
Foreign currency translation adjustment	(37,864)	34,500
Remeasurements of defined benefit plans, net of tax	320	298
Share of other comprehensive income of entities accounted for using equity method	(10,821)	(454)
Total other comprehensive income	(199,360)	179,036
Comprehensive income	(226,539)	593,691
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(225,369)	576,245
Comprehensive income attributable to non-controlling interests	(1,169)	17,445

(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)

I. FY2020 (January 1, 2020 to December 31, 2020)

1. Information on operating revenue and operating profits or loss by reported segment

(Unit: thousand yen)

	Reported segment			Adjustments (Note 1)	Amount posted in the quarterly consolidated statement of income (Note 2)
	Contents Production	Communication Design	Total		
Operating Revenue					
Outside customers	9,801,430	3,248,315	13,049,745	—	13,049,745
Inter-segment internal revenue or transfers	253,146	72,860	326,006	(326,006)	—
Total	10,054,576	3,321,175	13,375,752	(326,006)	13,049,745
Segment profit	697,710	78,953	776,664	(660,261)	116,402

(Note 1) Adjustments in segment profit of -¥660,261,000 include the elimination of inter-segment transactions of ¥26,726,000 and corporate expenses of -¥686,988,000. Corporate expenses are mainly personnel expenses and expenses related to administrative departments.

(Note 2) Segment profit has been adjusted with operating profit recorded in the quarterly consolidated statements of income.

2. Information on impairment loss on non-current assets by reported segment

Not applicable.

II. FY2021 (January 1, 2021 to December 31, 2021)

1. Information on operating revenue and operating profits or loss by reported segment

(Unit: thousand yen)

	Reported segment			Adjustments (Note 1)	Amount posted in the quarterly consolidated statement of income (Note 2)
	Contents Production	Communication Design	Total		
Operating Revenue					
Outside customers	10,235,759	3,958,170	14,193,929	—	14,193,929
Inter-segment internal revenue or transfers	359,291	39,438	398,729	(398,729)	—
Total	10,595,050	3,997,608	14,592,659	(398,729)	14,193,929
Segment profit	1,360,272	236,538	1,596,811	(673,564)	923,246

(Note 1) Adjustments in segment profit of -¥673,564,000 include the elimination of inter-segment transactions of -¥967,000 and corporate expenses of -¥672,597,000. Corporate expenses are mainly personnel expenses and expenses related to administrative departments.

(Note 2) Segment profit has been adjusted with operating profit recorded in the quarterly consolidated statements of income.

2. Information on changes in reported segment

The AOI TYO Group conducted a major reorganization on January 4, 2021. Under this reorganization, the group split off a portion of the business of TYO Inc., a consolidated subsidiary, and conducted an absorption-type merger and trade name change among consolidated subsidiaries, with TYO Inc. and Digital Garden Inc. as the surviving entities. As a result of this reorganization, we have shifted from a single Advertising Video Production Business segment to a dual-segment structures. This structure consists of the Content Production Business, handling traditional advertising video production primarily for orders from advertising companies, and the Communication Design Business, handling design and execution of communication and focused on directly transacting with advertisers. Segment information for the first quarter of the previous consolidated fiscal year reflects the new reporting segment classifications.

3. Information on impairment loss on non-current assets by reported segment

Not applicable.

(Significant Subsequent Events)

Tender Offer for the company

At a meeting held on May 14, 2021, the AOI TYO Holdings Inc. (“Company”) board of directors expressed an opinion in support of a tender offer (“Tender Offer”) for Company common stock (“AOI TYO Stock,” below) and Stock Acquisition Rights (Stock Acquisition Rights No. 2, Stock Acquisition Rights No.7, and Stock Acquisitions Rights No.8 referred to collectively below as “Stock Acquisition Rights”) by Studio Cruise Co., Ltd. (“Offeror”). Said tender offer is part of a management buyout (MBO) as described below. At the same time, the Company’s board of directors recommended that AOI TYO Holdings shareholders accept the Tender Offer, while leaving the decision of acceptance of the Tender Offer for Stock Acquisition Rights to the owners of Stock Acquisition Rights.

The board of director resolution in question presumes that the Tender Offer by Offeror and subsequent procedures will result in the delisting of AOI TYO Holdings stock.

(Note) A management buyout (MBO) is a tender offer in which the Offeror is an officer of the target entity (including a tender offer in which the Offeror conducts the Tender Offer based on a request by an officer of the target entity and shares common interests with the officer of the target entity).

1. Overview of Offeror

(1)	Name	Studio Cruise Co., Ltd.	
(2)	Head Office	5-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo	
(3)	Representative Name and Title	Kazuhiro Yamada, representative director	
(4)	Business Lines	Control and management of the Company’s business activities through the acquisition and ownership of Company stock	
(5)	Capital Stock (as of May 14, 2021)	25,000 yen	
(6)	Established	April 16, 2021	
(7)	Major Shareholders and Ownership Ratio (as of May 14, 2021)	Studio Cruise, L.P.	100.00%
(8)	Relationship between AOI TYO Holdings and Offeror		
	Equity Relationship	Not applicable.	
	Personal Relationships	Not applicable.	
	Business Relationship	Not applicable.	
	Related Party Status	Not applicable.	

2. Tender Offer price

Cash in the amount of 900 yen per share of common stock

Cash in the amount of 1 yen per share of each individual Stock Acquisition Rights No.2

Cash in the amount of 1 yen per share of each individual Stock Acquisition Rights No.7

Cash in the amount of 1 yen per share of each individual Stock Acquisition Rights No.8

3. Tender Offer Period

Monday, May 17, 2021 to Monday, July 5, 2021 (36 business days)

4. Number of Shares Scheduled to be Purchased

Number of Shares to be Purchased : 23,767,317 shares

Minimum Number of Shares to be Purchased : 15,844,900 shares

Maximum Number of Shares to be Purchased : - shares

(Note)

In the Tender Offer, the Offeror has set 15,844,900 shares (ownership ratio: 65.50%) as the minimum number of shares to be purchased because the Offeror aims to make the Company's shares go private.

If the total number of shares tendered in the Tender Offer is less than the minimum number of shares to be purchased, all of the tendered shares will be purchased.

If the total number of shares tendered in the Tender Offer is less than the minimum number of shares to be purchased, the Offeror will not purchase any of the tendered shares.

5. Settlement Commencement Date

Scheduled on Monday, July 12, 2021