



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

August 14, 2019

Company name: AOI TYO Holdings Inc.
 Stock Exchange: Tokyo Stock Exchange
 Code: 3975
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 Scheduled date of submission of quarterly report: August 14, 2019
 Scheduled date of commencement of dividend payment: September 17, 2019
 Supplementary documents for quarterly results: Yes
 Quarterly results briefing: Yes(for institutional investors and analysts)

(Rounded down to the nearest million yen)

1. Consolidated Financial Results for the Second Quarter (from January 1, 2019 to June 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	%
Q2 FY2019	30,636	-0.7	816	-53.2	637	-62.1	257	-78.0
Q2 FY2018	30,864	-8.5	1,746	-26.0	1,680	-27.1	1,170	-1.6

(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
Q2 FY2019	10.95	10.91
Q2 FY2018	49.22	48.57

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
Q2 FY2019	56,717	25,150	43.4
FY2018	55,631	25,679	45.1

(For reference) Shareholders' equity Q2 FY2019: 24,590 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

Q2 FY2019	24,566,447 shares	FY2018	24,566,447 shares
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(ii) Number of treasury stock at end of period

Q2 FY2019	1,109,191 shares	FY2018	1,013,157 shares
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(iii) Average number of issued shares

Q2 FY2019	23,528,173 shares	Q2 FY2018	23,785,594 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 First Quarter, (3) Description of Information on Outlook on page -three of the Accompanying Materials..

- AOI TYO Holdings will hold an earnings briefing for institutional investors and analysts on September 3, 2019. After the conclusion of this meeting, the group will publish the materials distributed on the AOI TYO Holdings corporate website as quickly as possible.

Attachments

1. Qualitative Information on Results in the First Quarter	2
(1) Description of Results of Operations	2
(2) Description of Financial Position	3
(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) Consolidated Statements of Cash Flows	8
(4) Notes to Quarterly Consolidated Financial Statements	10
(Notes regarding assumption of going concern)	10
(Notes in the event of significant changes in shareholders' equity)	10
(Segment Information)	10
(Supplementary Information)	10

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 signs of a standstill during the second quarter of the current consolidated fiscal year. While recovery in public works investment, personal consumption, and other internal demand experienced a gradual recovery, sluggish growth in external demand, mainly to Asia, has dampened business sentiment. Combined with intensifying U.S.-China trade friction, the future outlook of the Japanese economy is increasingly uncertain.

Operating in this environment, the AOI TYO Group recorded cumulative consolidated net sales essentially leveled the same period in the prior fiscal year. This result was mainly due to the industry transition to printless format for media (note) and a decrease in media handling for TV commercial slots, etc. in our Solutions Business. These factors outweighed an increase in orders/sales to major advertising agencies even under continued strict order acceptance for the benefit of work-style reform. Our order situation continues to be strong most recently, with order backlog up 5.4% year on year to ¥15,119 million as of the end of the consolidated second 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, despite recording extraordinary income stemming from the sale of strategic stock holdings, we also recorded extraordinary losses related to the - business reorganization of poorly performing subsidiaries.

Moreover, given our current business results, we have revised our fiscal year earnings forecast to reflect only the underperformance of the six-month period ending June 2019 from our initial earnings forecast published on February 19, 2019. See *Revisions to Second Quarter and Full-year Consolidated Performance Forecast*, published August 9, 2019, for more details.

As a result, the AOI TYO Group recorded net sales of ¥30,636 million for the consolidated second quarter, representing a 0.7% decrease compared to year-ago quarter. Operating profit amounted to ¥816 million (53.2% decrease), while ordinary profit and profit attributable to owners of parent amounted to ¥637 million and ¥257 million, representing decreases of 62.1% and 78.0%, respectively. Selling, general and administrative expenses included ¥152 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 second quarter amounted to ¥56,717 million, a ¥1,085 million increase compared to the end of the prior consolidated second year. This increase was mainly due to increases in cash and deposits of 2,024 million yen and electronically recorded monetary claims of 1,715 million yen, compared to a decrease in notes and accounts receivable of 2,696 million yen.

Liabilities increased by 1,615 million yen compared with the end of the prior fiscal year to 31,567 million yen. Although long-term loans payable increased ¥3,670 million, short-term loans payable and accounts payable decreased ¥1,277 million and ¥1,091 million, respectively.

Net assets amounted to ¥25,150 million, a decrease of ¥529 million compared to the end of the prior consolidated fiscal year. While retained earnings rose ¥257 million due to profit attributable to owners of parent, the AOI TYO Group paid ¥527 million in dividend payments and recorded a decrease of ¥138 million in valuation differences on available-for-sale securities.

Cash and cash equivalents amounted to ¥11,676 million as of the end of the consolidated second quarter, representing a year-on-year increase of ¥1,901 million.

The following paragraphs summarize cash flow activity through the six-month period ending June 2019.

Cash Flows From Operating Activities

Cash used in financing activities amounted to ¥259 million compared to cash from financing activities of ¥3,148 million in the year-ago period. This result was mainly due to outlays related to income taxes paid of ¥966 million and a decrease of ¥1,061 million in notes and accounts payable-trade, combined with proceeds of ¥566 million in profit before income taxes and a decrease of ¥881 million in notes and accounts receivable.

Cash Flows From Investing Activities

Cash used in investing activities amounted to ¥642 million, compared to ¥1,309 million in the year-ago period. This result was mainly due to ¥394 million in outlays for the purchase of property, plant and equipment, ¥398 million in purchases of investment securities. These outlays were offset in part by proceeds of ¥428 million in sales of investment securities.

Cash Flows From Financing Activities

Cash flows from financing activities amounted to ¥2,820 million, compared to cash used in financing activities of ¥3,895 million in the year-ago period. This result was mainly due to ¥5,800 million in proceeds from long-term loans payable, offset by a ¥1,039 million decrease in short-term loans payable and ¥1,225 million in repayments of long-term loans payable.

(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)	Q2 FY2019 (June 30, 2019)
Assets		
Current assets		
Cash and deposits	9,836,071	11,860,680
Notes and accounts receivable - trade	16,731,160	14,034,181
Electronically recorded monetary claims - operating	4,273,694	5,988,800
Merchandise and finished goods	7,544	7,444
Work in process	4,256,243	4,583,897
Other	876,667	855,770
Allowance for doubtful accounts	-43,407	-40,696
Total current assets	35,937,974	37,290,077
Non-current assets		
Property, plant and equipment		
Land	3,615,121	3,606,822
Other	3,619,949	3,599,085
Total property, plant and equipment	7,235,071	7,205,907
Intangible assets		
Software	1,590,986	1,429,746
Goodwill	4,117,710	4,026,414
Other	64,172	77,647
Total intangible assets	5,772,869	5,533,809
Investments and other assets		
Investment securities	3,147,176	3,045,397
Lease and guarantee deposits	1,619,387	1,492,837
Other	2,025,326	2,864,481
Allowance for doubtful accounts	-106,495	-715,347
Total investments and other assets	6,685,395	6,687,369
Total non-current assets	19,693,336	19,427,086
Total assets	55,631,310	56,717,164

(Unit: thousand yen)

	FY 2018 (December 31, 2018)	Q2 FY2019 (June 30, 2019)
Liabilities		
Current liabilities		
Accounts payable - trade	8,126,930	7,035,353
Short-term loans payable	5,777,154	4,500,000
Current portion of long-term loans payable	2,159,836	3,104,755
Advances received	1,136,482	1,401,041
Income taxes payable	1,055,553	342,699
Provision for bonuses	115,779	119,613
Other	1,742,279	1,747,389
Total current liabilities	20,114,017	18,250,853
Non-current liabilities		
Long-term loans payable	4,549,727	8,220,651
Long-term deposits received	3,501,199	3,501,199
Provision for directors' retirement benefits	253,770	261,132
Provision for management board incentive plan trust	197,115	221,853
Net defined benefit liability	280,118	285,828
Asset retirement obligations	509,156	491,258
Other	546,278	334,285
Total non-current liabilities	9,837,367	13,316,210
Total liabilities	29,951,385	31,567,063
Net assets		
Shareholders' equity		
Capital stock	5,000,000	5,000,000
Capital surplus	12,106,819	12,098,984
Retained earnings	9,055,601	8,785,904
Treasury shares	-1,190,097	-1,258,889
Total shareholders' equity	24,972,324	24,625,999
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	167,873	29,623
Foreign currency translation adjustment	-23,287	-63,372
Remeasurements of defined benefit plans	-2,393	-1,822
Total accumulated other comprehensive income	142,193	-35,572
Share acquisition rights	92,723	87,498
Non-controlling interests	472,685	472,174
Total net assets	25,679,925	25,150,100
Total liabilities and net assets	55,631,310	56,717,164

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

Quarterly consolidated statements of income

Consolidated second quarter

(Unit: thousand yen)

	Q2 FY2018 (January 1, 2018 - June 30, 2018)	Q2 FY2019 (January 1, 2019 - June 30, 2019)
Net sales	30,684,424	30,636,633
Cost of sales	24,713,361	24,900,706
Gross profit	6,151,063	5,735,926
Selling, general and administrative expenses	4,405,029	4,919,224
Operating profit	1,746,033	816,702
Non-operating income		
Interest income	5,741	4,699
Dividend income	19,887	13,847
Insurance return	7,095	28,688
Other	58,820	56,399
Total non-operating income	91,544	103,634
Non-operating expenses		
Interest expenses	40,312	36,957
Commission fee	78,529	81,190
Share of loss of entities accounted for using equity method	3,683	69,578
Other	34,450	94,842
Total non-operating expenses	156,976	282,568
Ordinary profit	1,680,601	637,768
Extraordinary income		
Gain on sales of non-current assets	401,336	-
Gain on sales of investment securities	83,875	281,355
Other	288	2,448
Total extraordinary income	485,500	283,803
Extraordinary losses		
Loss on sales of shares of subsidiaries and associates	-	11,235
Loss on liquidation of subsidiaries and associates	-	279,462
Loss on sales of investment securities	-	64,824
Total extraordinary losses	-	355,522
Profit before income taxes	2,166,101	566,049
Income taxes - current	1,015,079	378,826
Income taxes - deferred	-44,156	-48,042
Total income taxes	970,922	330,784
Profit	1,195,178	235,265
Profit (loss) attributable to non-controlling interests	24,389	-22,425
Profit attributable to owners of parent	1,170,789	257,691

Quarterly consolidated comprehensive statements of income

Consolidated second quarter

(Unit: thousand yen)

	Q2 FY2018 (January 1, 2018 - June 30, 2018)	Q2 FY2019 (January 1, 2019 - June 30, 2019)
Profit	1,195,178	235,265
Valuation difference on available-for-sale securities	-46,558	-138,250
Foreign currency translation adjustment	-47,664	-25,823
Remeasurements of defined benefit plans, net of tax	461	571
Share of other comprehensive income of entities accounted for using equity method	-5,592	-5,712
Total other comprehensive income	-99,354	-169,215
Comprehensive income	1,095,824	66,050
Comprehensive income attributable to owners of parent	1,077,831	87,094
Comprehensive income attributable to non-controlling interests	17,992	-21,043

(3) Consolidated statements of cash flows

	(Unit: thousand yen)	
	Q2 FY2018 (January 1, 2018 - June 30, 2018)	Q2 FY2019 (January 1, 2019 - June 30, 2019)
Cash flows from operating activities		
Profit before income taxes	2,166,101	566,049
Depreciation	450,968	562,430
Amortization of goodwill	160,709	152,724
Increase (decrease) in allowance for doubtful accounts	3,621	-5,227
Increase (decrease) in provision for bonuses	65,474	3,938
Increase (decrease) in provision for directors' retirement benefits	-35,484	7,362
Increase (decrease) in provision for management board incentive plan trust	54,868	24,737
Increase (decrease) in net defined benefit liability	16,557	5,709
Interest and dividend income	-25,628	-18,546
Interest expenses	40,312	36,957
Commission fee	78,529	81,190
Loss (gain) on sales of investment securities	-83,875	-216,531
Loss on liquidation of subsidiaries and associates	-	279,462
Loss (gain) on sales of shares of subsidiaries and associates	-	11,235
Loss (gain) on sales of non-current assets	-401,336	-
Decrease (increase) in notes and accounts receivable - trade	4,674,709	881,890
Decrease (increase) in inventories	-1,475,939	-351,671
Increase (decrease) in notes and accounts payable - trade	-1,490,387	-1,061,963
Increase (decrease) in accounts payable - other	-231,749	-16,321
Increase (decrease) in accrued consumption taxes	-559,907	33,028
Increase (decrease) in advances received	595,923	265,600
Decrease (increase) in other assets	41,554	-625,498
Increase (decrease) in other liabilities	102,181	68,718
Other, net	30,145	36,503
Subtotal	4,177,348	721,779
Interest and dividend income received	25,733	22,292
Proceeds from insurance income	7,095	4,804
Interest expenses paid	-35,407	-42,065
Income taxes paid	-1,025,813	-966,594
Net cash provided by (used in) operating activities	3,148,955	-259,783

	(Unit: thousand yen)	
	Q2 FY2018 (January 1, 2018 - June 30, 2018)	Q2 FY2019 (January 1, 2019 - June 30, 2019)
Cash flows from investing activities		
Purchase of property, plant and equipment	-774,463	-394,489
Proceeds from sales of property, plant and equipment	1,331,515	8,937
Purchase of intangible assets	-497,111	-27,795
Purchase of investment securities	-679,863	-398,445
Proceeds from sales of investment securities	114,738	428,455
Payments for investments in capital	-180,587	-161,900
Payments into time deposits	-6,980	-220,673
Payments for lease and guarantee deposits	-324,939	-37,605
Proceeds from collection of lease and guarantee deposits	21,503	136,033
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-319,161	-38,088
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	-	-38,614
Other, net	5,538	101,940
Net cash provided by (used in) investing activities	-1,309,812	-642,246
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	-4,600,975	-1,039,000
Proceeds from long-term loans payable	3,610,043	5,800,000
Repayments of long-term loans payable	-1,578,399	-1,225,543
Cash dividends paid	-527,725	-517,196
Purchase of treasury shares	-537,764	-79,650
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	-183,225	-
Commission fee paid	-78,529	-81,190
Other, net	1,545	-36,869
Net cash provided by (used in) financing activities	-3,895,029	2,820,549
Effect of exchange rate change on cash and cash equivalents	-49,328	-17,102
Net increase (decrease) in cash and cash equivalents	-2,105,215	1,901,417
Cash and cash equivalents at beginning of period	12,372,307	9,790,600
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	-	-16,011
Cash and cash equivalents at end of period	10,267,091	11,676,006

(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 Q2 FY2018 (January 1, 2108 - June 30, 2018)

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

II Q2 FY2019 (January 1, 2019 - June 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 first 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.