Summary of Financial Results for the Fiscal Year Ending July 31, 2016
(Japanese accounting standards)

September 12, 2016
Listing Exchange: Tokyo Stock Exchange

Listed Company Name: TYO Inc.
Securities Code: 4358 URL: http://group.tyo.jp/en/
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Scheduled date for the Ordinary General Meeting of Shareholders to approve results: October 27, 2016
Scheduled date to commence dividend payments: October 28, 2016
Date to submit the Securities Report: October 28, 2016

(Rounded down to million yen)

1. Consolidated Financial Results for FY2016 (August 1, 2015 through July 31, 2016)

(1) Consolidated Business Results (% change from the previous corresponding period)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY2016	29,898	5.3	1,464	-22.3	1,296	-28.3	516	-53.9
FY2015	28,393	6.9	1,884	10.0	1,806	19.7	1,119	87.8

(Note) Comprehensive income: FY2016 426 million yen (-62.7%) FY2015 1,142 million yen (83.0%)

	Net income per share	Net income per share fully diluted	Return on equity (ROE)	Ordinary income as percentage of total assets	Operating income on sales
	Yen	Yen	%	%	%
FY2016	8.27	8.07	9.2	8.8	4.9
FY2015	17.96	17.52	21.6	13.2	6.6

(2) Consolidated financial position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY2016	14,873	6,151	38.4	91.48
FY2015	14,590	5,759	38.2	89.31

(Reference) Owned capital: FY 2016 5,708 million yen FY 2015 5,572 million yen

(3) Consolidated cash flow

	Cash flow from business activities	Cash flow from investing activities	Cash flow from financing activities	Balance at the end of the year in cash and cash equivalents
	Million yen	Million yen	%	Yen
FY2016	576	30	-716	4,112
FY2015	1,680	-155	-1,013	4,388

2. Dividends

	Annual dividend					Total dividends	Payout ratio (consolidated)	Ratio of dividends to net assets (consolidated)
	End Q1	End Q2	End Q3	End Q4	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
FY2015	—	0.00	—	6.00	5.00	311	27.8	6.0
FY2016	—	0.00	—	5.00	5.00	311	60.4	5.5

We plan to change its fiscal year end date from the current July 31 to December 31 assuming approval of "Partial Amendment to the Articles of Incorporation" at an Extraordinary General Meeting of Shareholders scheduled for September 27, 2016. Accompanying this, dividends from surplus of 2 yen per share will be provided with December 31, 2016 as the base date.

3. Forecast of Consolidated Financial Results for FY 2016 (August 1, 2015 to July 31, 2016)

As stated in the "*Notice Regarding Execution of an Integration Agreement Between TYO Inc. and AOI Pro. Inc. and the Creation of a Share Transfer Plan*" dated July 29, 2016, the Company plans to establish a joint holding company through a management integration (share transfer) with AOI Pro. Inc. as of January 4, 2017. Also, we plan to change its fiscal year end date from the current July 31 to December 31 assuming approval of "Partial Amendment to the Articles of Incorporation" at an Extraordinary General Meeting of Shareholders scheduled for September 27, 2016. Because it is difficult to reasonably calculate the impact of the above at this point in time, the forecast of financial results for the next fiscal year is undetermined. However, we will promptly disclose the forecast of financial results once it becomes possible to release them.

Notes

(1) Changes at major subsidiaries during the period
(changes in designated subsidiaries resulting from changes to the scope of consolidated accounts)
(New company name) K&L Inc., K&L CREATIVE ASIA PTE.LTD.

(2) Changes in accounting policy, changes in accounting estimates, corrections and restatements and retrospective restatements

1. Changes in accounting policy resulting from revisions to accounting standards	Yes
2. Changes in accounting policy other than above	None
3. Changes in accounting estimates	None
4. Retrospective restatements	None

(3) Shares outstanding (common shares)

1. Shares outstanding at fiscal year-end (including own shares)	FY 2016	62,398,930 shares	FY 2015	62,388,930 shares
2. Number of own shares at fiscal year-end	FY 2016	608 shares	FY 2015	608 shares
3. Average number of shares during the period	FY 2016	62,396,273 shares	FY 2015	62,360,729 shares

* Notice regarding audit procedures

This earnings announcement is excluded from audit procedures based on the Financial Instruments and Exchange Act. As of the time of disclosure of this earnings announcement, TYO Inc. had not completed the financial statements audit procedure based on the Financial Instruments and Exchange Act.

* Explanation regarding appropriate use of operating results projections and other special notes

Forward-looking statements including projected operating results contained in this report and supplementary materials arebased on information currently available to the Company and on certain assumptions deemed rational, and actual results may differ significantly from such projections due to various factors. Please refer to “Analysis of Business Results” on page 2 of the Attachments for the conditions used as assumptions and matters to note when using the projected operating results.

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1. Business Results

(1) Analysis of Business Results

For the Japanese economy in the current consolidated financial period, the outlook became increasingly uncertain despite strong personal spending thanks to a robust employment and wage environment as high yen and low stock prices continued due to factors including uncertainty towards political systems in Europe as typified by the Brexit and a slowdown in the economies of China and other emerging countries. Meanwhile, the domestic advertising market in which our firm operates (*1) has expanded compared to the previous year since August 2015, and there has been particularly strong growth for Internet advertising and SP, PR, event planning, etc. year on year since entering FY 2016.

In such environment, our Group has continued to develop business proactively with the aim of further development as a "creative agency with all advertising production functions" as our unique business model in the domestic advertising industry, in line with our Mid-Term Management Plan that will be completed in the fiscal year ending July 31, 2018. During the consolidated cumulative first quarter, major losses were recorded for each level of profits due to the combination of sales falling below expectations, the coincidental concentration of projects with low margins and projects with changes in acceptance inspection timings, and an operating loss recorded at a consolidated subsidiary in Indonesia where economic growth continues to stagnate. As a result of proactive sales activities and measures to strengthen coordination between each brand in order to recover from this poor business performance, business performance has recovered and sales have been strong since the consolidated cumulative second quarter, thanks in part to the contribution by newly consolidated subsidiaries. While there were several major projects with the acceptance inspection timing changed to the following fiscal year, sales have increased consecutively for the past five terms as of the current consolidated financial period. Furthermore, the volume of orders in the current financial period increased by 1,607 million yen compared with the same period in the previous fiscal year to 30,850 million yen (up 5.5% year on year).

On the other hand, in terms of profits, although fundamental reforms to the management system including thorough sales cost management and strengthened control over the SG&A expenses of overseas subsidiaries were implemented, it was not possible to recover from the late start during the consolidated cumulative first quarter, and operating income and ordinary income decreased year on year as a result. In addition, profit attributable to owners parent fell year on year due to factors including the recording of a provision of Director's retirement benefits accompanying the abolishment of the retirement benefit scheme for Directors (*2).

As a result of the above, the consolidated financial results for the fiscal year are as follows: sales were 29,898 million yen (up 5.3 % year-on-year), operating profit was 1,464 million yen (down 22.3% year-on-year), ordinary profit was 1,296 million yen (down 28.3% year-on-year), and profit attributable to owners of parent was 516 million yen (down 53.9% year-on-year). Note that selling and general administrative expenses include a goodwill amortization charge of 82 million yen due to mergers and acquisitions.

*1 According to "Monthly Report on the Current Survey of Selected Service Industries" (METI)

*2 See the "*Notification on the Abolition of the Directors' Retirement Benefits Plan and the Posting of Extraordinary Loss, and the Difference Between Non-consolidated Results for FY2016 and FY2015*" published September 12, 2016 for details.

An overview by business segment is presented below.

①Advertising Operations (Unit: 1,000 yen)

	FY 2016	Increase/decrease	% increase/decrease compared with previous fiscal year
Net sales	28,626,102	1,700,504	6.3
Of which external net sales	28,602,685	1,696,352	6.3
Of which net sales between segments	23,416	4,152	21.6
Operating expenses	25,324,462	1,909,352	8.2
Operating income	3,301,639	-208,847	-5.9

In this segment, we carry out the strategizing, planning and production of all advertising content.

In this segment, we have been aiming to continue strengthening our advertisement agency mediated business, and we have deployed aggressive marketing activities with the goal of future breakthroughs in the direct advertiser business, which is positioned as a growth area of our Group.

In transactions with advertising agencies in this segment, orders were strong mainly for the electrical & telecommunications, beverage, automobile and entertainment industries, and sales grew year on year. In terms of profits, thanks to strict inspection and screening and thorough profit management from the project ordering stage, the operating margin improved from the consolidated cumulative second quarter and it was possible to recover from projects with low margins, etc. during the consolidated cumulative first quarter as operating income increased year on year.

In direct transactions with advertisers, sales increased year on year as the wide range of orders received for advertising projects including video contents, experience-based events, and store design compensated for the impact of the change in acceptance inspection timing to the next fiscal year for several major projects. Newly consolidated subsidiaries also contributed to sales in this business. While profits fell year on year due to being weighed down by the poor business performance during the consolidated cumulative first quarter, profit margins have been strong in the General Business Division Headquarters that plays a central role in direct transactions with advertisers and it is expected that this will contribute to improvements in profit margins for this business overall going forward.

As a result of the above, sales for the segment under review were 28,602 million yen (up 6.3% year-on-year) and operating profits were 3,301 million yen (down 5.9% year-on-year). Note that selling and general administrative expenses include a goodwill amortization charge of 82 million yen due to mergers and acquisitions.

②Video-related Operations (Unit: 1,000 yen)

	FY 2016	Increase/decrease	% increase/decrease compared with previous fiscal year
Net sales	1,344,821	-260,645	-16.2
Of which external net sales	1,295,761	-191,790	-12.9
Of which net sales between segments	49,059	-68,854	-58.4
Operating expenses	1,263,989	-190,157	-13.1
Operating income	80,831	-70,488	-46.6

In this segment, we carry out the planning and production of animation and music videos.

In the production of animation in this segment, while sales decreased year on year due to factors including a contraction in the scale of projects, profits took a turn from the better from the first six months of the consolidated fiscal year ended July 31, 2016 thanks to the acquisition of high-profit-margin projects and the completion of work on low-profit-margin projects that occurred during first six months of the consolidated fiscal year ended July 31, 2016. In music video production, although sales and profits were down compared to the previous fiscal year when an order was received for a major live video project, orders including projects for live video have been strong ahead of the next fiscal year.

As a result of the above, sales for the segment under review were 1,295 million yen (down 12.9% year-on-year) and operating profits were 80 million yen (down 46.6% year-on-year).

《Forecast for the Coming Fiscal Year》

With regard to the advertising industry in which our firm is developing business, the Nikkei Advertising Research Institute's "Forecast for Advertising Expenditure for FY2016" forecasts that total advertising in the 2016 fiscal year will rise 2.0% compared to the previous fiscal year. By media, advertising expenditure for TV is expected to maintain strong growth of 1.1% year on year, while that for the Internet will see double-digit growth of 14.0% and continue to lead overall industry growth. We also believe that demand will continue to show steady growth as the expansion of the advertising video market and the hosting of the 2020 Tokyo Olympics will act as a boost for the advertising industry as a whole as well as our firm.

Outstanding orders of our Group at the end of the consolidated accounting period under review is 7,404 million yen, an increase of 952 million yen (up 14.8% year-on-year) compared to the previous fiscal year-end, demonstrating steady growth.

As stated in the "*Notice Regarding Execution of an Integration Agreement Between TYO Inc. and AOI Pro. Inc. and the Creation of a Share Transfer Plan*" dated July 29, 2016, we plan to establish a joint holding company through a Management Integration (share transfer) with AOI Pro. Inc. as of January 4, 2017. We also plans to change its fiscal year end date from the current July 31 to December 31 assuming approval of "Amendment in Part of Articles of Incorporation" at an Extraordinary General Meeting of Shareholders scheduled for September 27, 2016.

Because it is difficult to reasonably calculate the impact of the Management Integration as described above at this point in time, the forecast of financial results for the next fiscal year is undetermined. However, we will promptly disclose the forecast of financial results once it becomes possible to release them.

(2) Explanations Concerning Financial Position

① Assets, Liabilities and Net Assets State

1. Current Assets

   Current assets decreased by 213 million yen compared with the end of the previous consolidated fiscal year to 11,021 million yen. This was mainly the result of decreases in cash on hand and in bank by 275 million yen and work in progress by 262 million yen outweighing increases in bills receivable and accounts receivable by 281 million yen.

2. Non-current Assets

   Non-current assets increased by 497 million yen compared with the end of the previous consolidated fiscal year to 3,852 million yen. This was mainly the result of an increase in investments in securities by 443 million yen outweighing a decrease in goodwill by 135 million yen.

3. Current Liabilities

   Current liabilities decreased by 466 million yen compared with the end of the previous consolidated fiscal year to 5,360 million yen. This was mainly the result of decreases in accounts payable by 238 million yen, unpaid corporation tax, etc. by 182 million yen, and unpaid consumption tax, etc. by 72 million yen outweighing an increase in planned repayments within one year of long-term loans by 100 million yen.

4. Non-current Liabilities

   Non-current liabilities increased by 359 million compared with the end of the previous consolidated fiscal year to 3,362 million. This was mainly the result of increases in provisions for Director's retirement benefits by 266 million yen, net defined benefit liability by 131 million yen, and assets retirement obligations by 77 million yen outweighing a decrease in long-term loans by 175 million yen.

5. Net Assets

   Net assets increased by 391 million yen compared with the end of the previous consolidated fiscal year to 6,151 million yen. This was mainly the result of increases in profit attributable to owners parent by 516 million yen and non-controlling interest by 193 million yen outweighing a decrease in cash dividends paid by 311 million yen.

②Consolidated Cash Flow Statement of Account (Unit: 1,000 yen)

	FY 2015	FY 2016	increase/decrease compared with previous fiscal year
Cash flow from business activities	1,680,434	576,254	-1,104,179
Cash flow from investing activities	-155,959	30,470	186,430
Cash flow from financing activities	-1,013,347	-716,175	297,172
Convension balance concerning cash and cash equivalents	-1,436	-165,934	-164,498
Increase/decrease in cash and cash equivalent	509,690	-275,384	-785,074
Balance in the beginning of the period in cash and cash equivalent	3,878,433	4,388,123	509,690
Balance at the end of the year in cash and cash equivalent	4,388,123	4,112,739	-275,384

Cash and cash equivalents (hereinafter referred to as "cash") in the current consolidated fiscal year grew by 275 million yen compared to the end of the previous consolidated fiscal year to 4,112 million yen.

(Cash flow from business activities)

Capital acquired as a result of operating activities was 576 million yen (acquisition of 1,680 million yen in the previous fiscal year). The main reasons for income are 1,025 million yen in income before taxes and other adjustments and a decrease of 287 million yen in shelf wholesale assets. The main reason for expenditure was an increase of 458 million yen in payable advances.

(Cash flow from investing activities)

Capital acquired as a result of investing activities was 30 million yen (use of 155 million yen in the previous fiscal year). The main reason for income is 787 million yen in income from the acquisition of share of subsidiaries resulting from changes to the scope of consolidated accounts. The main reasons for expenditures are 423 million yen used for the acquisition of investments securities and 237 million yen used for the acquisition of tangible fixed assets.

(Cash flow from financing activities)

Capital used as a result of investing activities was 716 million yen (use of 1,013 million yen in the previous fiscal year). The main reason for income is 500 million yen in income from long-term borrowing. The main reasons for expenditures are 685 million yen used for repayment of long-term loans and 311 million yen used for payment of dividends.

	FY 2015	FY 2016
Equity ratio (%)	38.2	38.4
Market value equity ratio (%)	85.1	69.2
Years of debt redemption	1.9	5.2
Interest coverage ratio	32.7	11.6

Equity ratio: Equity/Total assets

Market value equity ratio: Total market capitalization/Total assets

Years of debt redemption: Interest-bearing loans/Operating cash flow

Interest coverage ratio: Operating cash flow/Interest payment

*Each indicator was calculated by a financial index on a consolidated basis.

*Cash flows from operations are used as "Cash flow" for calculation purposes. Interest-bearing loans include all of those debts reported on the consolidated balance sheet on which interest is paid.

(3) Basic Policy on Distribution of Dividends and Distribution in the Fiscal Year under Review and Following Fiscal Year

Our firm places importance on providing returns to the shareholders who are the owners of our firm. As such we recognize that return of profits is a key management issue for shareholders and we aim for consolidated dividend ratio of 25% or more, with the dividend payout ratio being calculated via profit attributable to owners of parent.

With regard to the fiscal year ended July 31, 2016, our firm continued to stably grow sales and profits in transactions with advertising agencies. Furthermore, we were also able to expand sales and generate steady profits in the Group's growth field of direct transactions with advertisers by improving our ability to support projects in a broad range of creative areas.

In consideration of such circumstances, we plan to issue a dividend of 5 yen per share (ordinary dividend of 5.00 yen) based on our judgment that we are in a financial position where we can return more profit to our shareholders while securing internal reserves needed for our Group to execute its growth strategy. The payment of dividends is dependent on the approval of the 35th term Annual Meeting of Shareholders to be held on October 27, 2016.

In addition, we plan to change its fiscal year end date from the current July 31 to December 31 assuming approval of "Amendment in Part of Articles of Incorporation" at an Extraordinary General Meeting of Shareholders scheduled for September 27, 2016. Accompanying this, dividends from surplus of up to 2 yen per share will be provided with December 31, 2016 as the base date for the next consolidated fiscal year (August 1, 2016 to December 31, 2016).

2. Management Policy

(1) Basic Management Policy of the Company

Corporate Philosophy

We at TYO work for the world's most outstanding companies, we are extremely grateful that we can create advertising for the world's most prosperous consumers, and we shall endeavor to make use of our originality and inventiveness in building a good relationship between companies and consumers in which both parties acknowledge each other's value and provide mutual benefits.

(2) Target in Management Indices

While the Group aimed to become an enterprise with consolidated sales of 50 billion by July 2018 as its mid-term business objective under the TYO Group 2013 Mid-Term Management Plan, the Group plans to reconsider and release future targets in management indices in response to the planned establishment of a joint holding company through a Management Integration (share transfer) with AOI Pro. Inc. on January 4, 2017(*).

*See the "*Notice Regarding Execution of an Integration Agreement Between TYO Inc. and AOI Pro. Inc. and the Creation of a Share Transfer Plan*" published July 29, 2016 for details.

(3) Mid-to-Long-term Management Strategy

Through the Management Integration by the Group and AOI Pro. Inc. we aim to establish a pioneering business model while providing attractive services in an aim to become a company that contributes to stakeholders including business partners, shareholders, employees, and society as both Japan and Asia's number one advertising related service provider that focuses on video.

In order to achieve this, the Group will proactively promote business development in all advertising creative markets excluding media transactions as a creative agency.

1. Advertising Firm Mediated Business
   Backed by the trend towards oligopolization by major production companies including our firm, focus on "expanding our surface" by expanding human resources and points of contact for business. At the same time, "expand our territory upstream" via the supplementation of advertising firm creative functions and "strengthening our influence downstream" with the goal of securing profit by reducing outflow costs.
2. Direct Advertiser Business
   Strengthen sales capabilities by increasing human resources and expanding points of contact for business, strive to further strengthen branding and marketing capabilities, and leverage synergies with the newly starting PR business to acquire new advertisers and expand existing advertiser projects and aim to acquire vast markets.
3. Overseas Business
   Support the advertising activities of Japanese companies overseas as a creative agency in Southeast Asia, South Asia, and the Near and Middle East.

Note that our core investment fields for the medium term are human resources acquisition, mergers and acquisitions, and new technologies (*). Our Group will strive to acquire and cultivate human resources in order to strengthen our scale, actively consider mergers and acquisitions such as business partnerships and capital alliances, and strengthen our ability to support the diversification of media including digital media, the diversification of devices as typified by smartphones and tablet devices, and new technologies.

* Refers to technologies that are achieving dramatic progress as represented by VR (virtual reality) and AR (augmented reality).

(4) Issues which Should Be Address by Our Firm

In recent years, the environment surrounding the advertisement industry has been changing at a substantial and rapid pace through factors including diversification of media such as digital media primarily based on the internet, diversification of devices such as smartphones and tablet devices, and considerable advancement of technology, such as communication speed, data analysis, VR (virtual reality), and AR (augmented reality). Furthermore, the method of providing TV commercial materials to broadcast stations is expected to shift to online data transfer from 2017 and onwards, and print sales will accordingly decrease. Based on the above factors, it is thought that, while it would be difficult to expect significant mid- to long-term growth for the TV commercial production market, which is currently the core market for both companies, business domains related to advertising will continue to expand with potential changes in their methods and structure.

As a result of a comprehensive assessment of the above-noted circumstances surrounding the advertising business, as well as the visions, operational policies, business strategies, etc. of both companies, we have concluded that it is essential to the mid- to long-term growth of both companies to integrate their operations based on a spirit of equality and form a new group that leads the industry and to maintain “greater share”, “stronger negotiation power”, and “healthier capital” through consolidating and utilizing operational resources under common ideas and strategies, and that this will lead to gaining stronger competitiveness by building even more advanced business models.

(5) Other important matters regarding management of the Company

The Company has reached an agreement with AOI Pro. Inc. (hereinafter, "AOI Pro.") to establish a joint holding company (hereinafter, the "Management Integration") through a joint share transfer (hereinafter, the "Share Transfer"). At each company's Board of Directors held on July 29, 2016 it was resolved to enter a business integration agreement, and both companies entered this agreement and jointly created a share transfer plan. Note that this Management Integration assumes the approval, etc. of Extraordinary General Meeting of Shareholders of each company and the relevant authorities.

An overview of the Management Integration follows below.

1. Purposes

Both companies will, as new industry-leading group companies established through Management Integration, build advanced business models and provide appealing services, and aim to become companies that can contribute to all stakeholders including clients, shareholders, employees, and society, as the leading Japanese and Asian providers of video-focused advertisement-related services.

2. Overview of the Share Transfer

(1) Schedule for the Share Transfer

Board of directors meeting to approve the Integration Agreement and the Share Transfer Plan (both companies)	July 29, 2016
Execution of the Integration Agreement and creation of the Share Transfer Plan (both companies)	July 29, 2016
Record date for an extraordinary shareholders meeting (both companies)	July 31, 2016
Extraordinary shareholders meeting to approve the Share Transfer Plan (both companies)	September 27, 2016 (planned)
Date of delisting from the Tokyo Stock Exchange (both companies)	December 28, 2016 (planned)
Planned date of integration (date of registration of the establishment of the joint holding company)	January 4, 2017 (planned)
Date of listing of the joint holding company	January 4, 2017 (planned)

The schedule above is the current plan and is subject to change through mutual consultation between both companies if necessary for proceeding with the Management Integration or due to other reasons. In addition, if circumstances arise in the future during the course of proceeding and consultation for Management Integration that delay or create difficulties in the Management Integration due to reasons such as applications to the related authorities including the Japan Fair Trade Commission, we will promptly make such circumstances known to the public.

(2) Format of the Share Transfer

This will be a joint share transfer with TYO and AOI Pro. as the wholly-owned subsidiaries in share transfer and

the newly established joint holding company as wholly owning parent company in the share transfer.

(3) Content of allocation through the Share Transfer (share transfer ratio)

	TYO	AOI Pro.
Share transfer ratio	0.18	1

(Note 1) Share allocation ratio

0.18 share(s) of the joint holding company will be assigned for each TYO common share, and one share of the joint holding company will be assigned for each AOI Pro. common share. It should be noted that the number of shares constituting one unit of the joint holding company is planned to be 100.

In the event the Share Transfer results in a fraction of one common share of the joint holding company being issued to the shareholders of either company, an amount in accordance with the fraction not constituting one share shall be paid to such shareholders, pursuant to the provisions of Article 234 of the Companies Act and other relevant

laws and regulations.

It should be noted that in the event that, in the period from the creation of the share transfer plan until the establishment date of the joint holding company, a situation arises which may have a significant negative effect on the business, financial situation, or rights and obligations of TYO or AOI Pro., and the achievement of the purposes of the share transfer plan becomes impossible or unduly difficult, the aforementioned share transfer ratio may be amended upon consultation between the companies.

(Note 2) Number of new shares to be issued by the joint holding company through the Share Transfer (planned)

Common shares: 24,566,447 shares

The above has been calculated based on the number of outstanding common shares of TYO as of April 30, 2016 (62,398,930 shares) and the number of outstanding common shares of AOI Pro. as of March 31, 2016 (13,334,640 shares).

It should be noted that in cases where a shareholder of TYO or AOI Pro. exercises a right to claim purchase of shares, etc., the number of new shares actually issued by the joint holding company may change.

(Note 3) Regarding the handling of shares constituting less than one unit

With regard to shareholders of both companies that are to be assigned common shares of the joint holding company constituting less than one unit (100 shares) by the Share Transfer (hereinafter, “Shares Constituting Less than One Unit”), such shareholders may not sell the Shares Constituting Less than One Unit that they hold on the Tokyo Stock Exchange or other financial instruments exchange. Shareholders that come to hold such Shares Constituting Less than One Unit, based on Article 192 Paragraph 1 of the Companies Act, may issue are quest to the joint holding company for the purchase of the Shares Constituting Less than One Unit that they hold. In addition, based on the provisions of Article 194 Paragraph 1 of the Companies Act and the Articles of Incorporation, such shareholders may issue a request to the joint holding company for the sale of shares which, combined with the Shares Constituting Less than One Unit that they hold, will result in a number of shares constituting one unit.

3. Status of Joint Holding Company to be Founded as a Result of the Share Transfer

Trade name	AOI TYO Holdings Inc.
Address	Minato City, Tokyo
Names of representative directors	Representative Director: Hiroaki Yoshida Representative Director: Yasuhito Nakae
Capital	5,000 million yen
Net assets	To be determined.
Total assets	To be determined.
Main Businesses	The new company will be a company with an audit and supervisory committee, and will be set up with directors and the general meeting of shareholders as well as the board of directors, the audit and supervisory committee, and accounting auditors.

3. Basic Approach to the Selection of Accounting Standards

The Group prepares its consolidated financial statements based on Japanese accounting standards to secure the comparability of financial data over different periods.

Concerning the adoption of International Financial Reporting Standards (IFRS), the Group intends to advance the examination of its impact on the Group.

4.Consolidated Financial Statement

(1) Consolidated Balance Sheet

(Unit: 1,000yen)

	FY 2015 (July 31, 2015)	FY 2016 (July 31, 2016)
Assets		
Current assets		
Cash and deposits	4,388,123	4,112,739
Notes and accounts receivable - trade	4,736,145	5,017,674
Work in process	1,633,911	1,371,826
Raw materials and supplies	5,623	6,378
Other	481,146	523,873
Allowance for doubtful accounts	-9,498	-11,030
Total current assets	11,235,451	11,021,461
Non-current assets		
Property, plant and equipment		
Buildings	1,588,880	1,753,596
Accumulated depreciation	-888,350	-965,751
Buildings, net	700,529	787,845
Land	862,611	870,698
Leased assets	976,855	856,704
Accumulated depreciation	-677,990	-603,263
Leased assets, net	298,864	253,441
Other	532,648	551,750
Accumulated depreciation	-409,042	-422,906
Other, net	123,606	128,843
Total property, plant and equipment	1,985,612	2,040,829
Intangible assets		
Goodwill	242,334	106,823
Other	78,111	73,250
Total intangible assets	320,446	180,074
Investments and other assets		
Investment securities	145,355	589,034
Deferred tax assets	51,910	150,305
Other	912,526	895,263
Allowance for doubtful accounts	△60,851	-2,981
Total investments and other assets	1,048,940	1,631,622
Total non-current assets	3,354,999	3,852,526
Total assets	14,590,450	14,873,988

(Unit: 1,000yen)

	FY 2015 (July 31, 2015)	FY 2016 (July 31, 2016)
Liabilities		
Current liabilities		
Accounts payable - trade	3,288,804	3,049,986
Current portion of long-term loans payable	500,000	600,000
Accounts payable - other	659,428	669,551
Income taxes payable	597,615	415,507
Accrued consumption taxes	306,381	233,732
Provision for bonuses	1,250	2,705
Other	473,778	388,860
Total current liabilities	5,827,258	5,360,343
Non-current liabilities		
Long-term loans payable	2,300,000	2,125,000
Lease obligations	206,446	167,263
Provision for directors' retirement benefits	327,896	594,067
Net defined benefit liability	18,425	149,534
Asset retirement obligations	143,829	221,145
Other	6,716	105,581
Total non-current liabilities	3,003,315	3,362,592
Total liabilities	8,830,574	8,722,936
Net assets		
Shareholders' equity		
Capital stock	1,850,109	1,850,482
Capital surplus	846,241	846,615
Retained earnings	2,851,329	3,055,546
Treasury shares	-109	-109
Total shareholders' equity	5,547,570	5,752,534
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	26,296	35,272
Foreign currency translation adjustment	-1,856	-78,454
Remeasurements of defined benefit plans	—	-1,306
Total accumulated other comprehensive income	24,440	-44,489
Subscription rights to shares	86,656	148,606
Non-controlling interests	101,209	294,400
Total net assets	5,759,876	6,151,052
Total liabilities and net assets	14,590,450	14,873,988

(2) Consolidated Profit and Loss Statement and Consolidated Statement of Comprehensive Income

Consolidated Profit and Loss Statement

(Unit: 1,000yen)

	FY 2015 (July 31, 2015)	FY 2016 (July 31, 2016)
Net sales	28,393,885	29,898,447
Cost of sales	23,425,404	24,835,800
Gross profit	4,968,480	5,062,646
Selling, general and administrative expenses		
Directors' compensations	703,421	810,125
Salary and bonus	789,561	870,283
Business consignment expenses	412,547	467,237
Provision for directors' retirement benefits	25,874	35,841
Provision of allowance for doubtful accounts	1,362	355
Provision for bonuses	–	7,580
Retirement benefit expenses	6,254	12,013
Other	1,145,417	1,394,669
Total selling, general and administrative expenses	3,084,439	3,598,107
Operating income	1,884,040	1,464,538
Non-operating income		
Interest income	1,292	27,594
Dividends of partnership investment	12,041	16,130
Insurance return	32,350	11,110
Reversal of provision for directors' retirement benefits	–	16,708
Other	17,303	19,609
Total non-operating income	62,987	91,153
Non-operating expenses		
Interest expenses	51,360	49,697
Loss on sales of accounts receivable	28,422	45,874
Share of loss of entities accounted for using equity method	–	24,454
Commission fee	20,000	20,833
Commission for syndicate loan	10,570	27,312
Foreign exchange losses	15,231	75,030
Other	14,777	16,250
Total non-operating expenses	140,362	259,453
Ordinary income	1,806,665	1,296,238
Extraordinary income		
Gain on reversal of subscription rights to shares	56	181
Insurance income	103,311	–
Other	101	12
Total extraordinary income	103,469	194
Extraordinary losses		
Loss on retirement of non-current assets	64,380	7,581
Impairment loss	–	62,545
Loss on valuation of golf club membership	14,242	–
Provision for directors' retirement benefits	–	194,713
Other	278	6,144
Total extraordinary losses	78,900	270,984
Profit before income taxes	1,831,234	1,025,447
Income taxes - current	706,688	580,929
Income taxes - deferred	△9,319	△68,501
Total income taxes	697,368	512,427
Profit	1,133,866	513,020
Profit (loss) attributable to non-controlling interests	14,117	△3,138
Profit attributable to owners of parent	1,119,749	516,158

Consolidated Statement of Comprehensive Income

(Unit: 1,000yen)

	FY 2015 (July 31, 2015)	FY 2016 (July 31, 2016)
Profit	1,133,866	513,020
Other comprehensive income		
Valuation difference on available-for-sale securities	13,060	8,975
Foreign currency translation adjustment	-4,110	-94,107
Remeasurements of defined benefit plans, net of tax	—	-1,306
Total other comprehensive income	8,950	-86,437
Comprehensive income	1,142,816	426,582
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,130,953	447,229
Comprehensive income attributable to non-controlling interests	11,863	-20,646

(3) Consolidated Statements of Changes in Net Assets

Previous Consolidated Fiscal Year (July 31, 2015)

(Unit: 1,000yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained surplus	Treasury stock	Total shareholder capital
Balance at the end of the previous period	1,848,895	845,027	2,105,715	-109	4,799,528
Changes in this period					
Issuance of stocks (Exercise of share warrants)	1,213	1,213			2,427
Dividends from surplus			-374,134		-374,134
Current net income			1,119,749		1,119,749
Changes in this period in items except for than shareholder capital (net amount)					
Total changes in this period	1,213	1,213	745,614	—	748,042
Balance at the end of this period	1,850,109	846,241	2,851,329	-109	5,547,570

	Accumulated other comprehensive income				Share warrants	Minority interest	Total net assets
	Valuation difference on a available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at the end of the previous period	13,235	—	—	13,235	49,576	83,578	4,945,919
Changes in this period							
Issuance of stocks (Exercise of share warrants)							2,427
Dividends from surplus							-374,134
Current net income							1,119,749
Changes in this period in items except for than shareholder capital (net amount)	13,060	-1,856	—	11,204	37,080	17,630	65,915
Total changes in this period	13,060	-1,856	—	11,204	37,080	17,630	813,957
Balance at the end of this period	26,296	-1,856	—	24,440	86,656	101,209	5,759,876

Previous Consolidated Fiscal Year (July 31, 2016)

(Unit: 1,000yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained surplus	Treasury stock	Total shareholder capital
Balance at the end of the previous period	1,850,109	846,241	2,851,329	-109	5,547,570
Changes in this period					
Issuance of stocks (Exercise of share warrants)	373	373			746
Dividends from surplus			-311,941		-311,941
Current net income			516,158		516,158
Changes in this period in items except for than shareholder capital (net amount)					
Total changes in this period	373	373	204,216	—	204,963
Balance at the end of this period	1,850,482	846,615	3,055,546	-109	5,752,534

	Accumulated other comprehensive income				Share warrants	Minority interest	Total net assets
	Valuation difference on a available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at the end of the previous period	26,296	-1,856	—	24,440	86,656	101,209	5,759,876
Changes in this period							
Issuance of stocks (Exercise of share warrants)							746
Dividends from surplus							-311,941
Current net income							516,158
Changes in this period in items except for than shareholder capital (net amount)	8,975	-76,598	-1,306	-68,929	61,949	193,191	186,211
Total changes in this period	8,975	-76,598	-1,306	-68,929	61,949	193,191	391,175
Balance at the end of this period	35,272	-78,454	-1,306	-44,489	148,606	294,400	6,151,052

(4) Consolidated Cash Flow Statement of Account

(Unit: 1,000yen)

	FY 2015 (July 31, 2015)	FY 2016 (July 31, 2016)
Cash flows from operating activities		
Profit before income taxes	1,831,234	1,025,447
Depreciation	278,255	310,724
Impairment loss	–	62,545
Amortization of goodwill	66,466	82,138
Loss on retirement of non-current assets	64,380	7,581
Increase (decrease) in allowance for doubtful accounts	834	-1,139
Increase (decrease) in provision for bonuses	650	-12,987
Increase (decrease) in net defined benefit liability	1,352	-43,687
Increase (decrease) in provision for directors' retirement benefits	22,812	164,271
Interest and dividend income	-4,666	-33,743
Gain on maturity of insurance contract	-31,826	-11,110
Interest expenses	51,360	49,697
Amortization of equity investment	6,804	5,241
Share of (profit) loss of entities accounted for using equity method	–	24,454
Decrease (increase) in notes and accounts receivable - trade	-953,158	17,799
Decrease (increase) in inventories	-152,335	287,503
Increase (decrease) in notes and accounts payable - trade	542,897	-458,694
Increase (decrease) in accounts payable - other	66,646	-26,514
Increase (decrease) in accrued consumption taxes	74,469	-73,701
Increase (decrease) in advances received	180,455	-244,288
Other, net	-148,412	249,870
Subtotal	1,898,219	1,381,410
Interest and dividend income received	4,666	33,743
Interest expenses paid	-51,360	-48,988
Proceeds from insurance income	150,523	2,075
Income taxes paid	-321,614	-791,986
Net cash provided by (used in) operating activities	1,680,434	576,254
Cash flows from investing activities		
Purchase of property, plant and equipment	-85,813	-237,651
Purchase of investment securities	-108	-423,906
Payments of loans receivable	–	-95,587
Purchase of intangible assets	-13,388	-21,083
Proceeds from collection of guarantee deposits	10,164	74,505
Payments for guarantee deposits	-32,188	-46,709
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	–	787,813
Dividend income from such as Production Committee	11,635	18,769
Purchase of insurance funds	-43,277	-36,005
Proceeds from maturity of insurance funds	90,872	14,983
Other, net	-93,857	-4,657
Net cash provided by (used in) investing activities	-155,959	30,470
Cash flows from financing activities		
Proceeds from long-term loans payable	–	500,000
Repayments of long-term loans payable	-500,000	-685,344
Commission for syndicate loan	-10,570	-27,312
Repayments of lease obligations	-117,572	-123,630
Net increase (decrease) in short-term loans payable	–	-32,138
Cash dividends paid	-372,662	-311,591
Other, net	-12,542	-36,158
Net cash provided by (used in) financing activities	-1,013,347	-716,175
Effect of exchange rate change on cash and cash equivalents	-1,436	-165,934
Net increase (decrease) in cash and cash equivalents	509,690	-275,384
Cash and cash equivalents at beginning of period	3,878,433	4,388,123
Cash and cash equivalents at end of period	4,388,123	4,112,739

(5) Notes to the Consolidated Financial Statements

(Notes Relating to the Going Concern Assumption)

No applicable notes.

(Changes in Accounting Policies)

The Accounting Standard for Business Combinations (Corporate Accounting Standards No. 21, September 13, 2013; hereinafter, the "Accounting Standard for Business Combinations"), the Accounting Standard for Consolidated Financial Statements (Corporate Accounting Standards No. 22, September 13, 2013; hereinafter, the "Accounting Standard for Consolidated Financial Statements"), the Accounting Standard for Business Divestitures (Corporate Accounting Standards No. 7, September 13, 2013; hereinafter, the "Accounting Standard for Business Divestitures"), etc. have been applied from the current consolidated fiscal year. Accordingly, a treatment has been adopted in which differences caused from changes in the Company's ownership of a subsidiary if control is maintained will be recorded as capital surplus and acquisition-related costs will be recorded as expenses during the consolidated fiscal year incurred. In addition, for business combinations conducted since the beginning of the current consolidated fiscal year, a treatment will be adopted in which the revision of the allocated amount of acquisition cost from the finalization of a provisional accounting treatment is reflected in the consolidated financial statements for consolidated fiscal year that the business combination date falls in. Furthermore, there will be changes in the presentation of current net income, etc., and a change in presentation from minority shareholder interests to non-controlling interests. The financial statements from the previous consolidated fiscal year have been reclassified to reflect this change in presentation.

For the application of Accounting Standard for Business Combinations, etc., transitional treatment as stipulated in Article 58－2 (4) of the Accounting Standard for Business Combinations, Article 44－5 (4) of the Accounting Standard for Consolidated Financial Statements, and Article 57-4 (4) of the Accounting Standard for Business Divestitures has been followed, and application will be conducted going forward from the beginning of the current consolidated fiscal year.

As a result, operating income, ordinary income, and income before income taxes have each decreased by 25,900 thousand yen in the current consolidated fiscal year.

In the Consolidated Cash Flow Statement of Account for the current consolidated fiscal year, cash flows related to the acquisition or sale of shares of subsidiaries that don't result in a change in the scope of consolidation are stated under "Cash flow from financing activities," and cash flows related to expenses for the acquisition of shares of subsidiaries that result from changes to the scope of consolidated accounts or expenses incurred from the acquisition or sale of shares of subsidiaries that don't result from changes to the scope of consolidated accounts are stated under "Cash flow from business activities."

This has a minimal impact on per share information.

(Segment Information)

1. Outline of Reporting Segments

The Company's reporting segments are business units for which separate information can be obtained periodically and are reviewed by the Company's Board of Directors in the determination of resource allocation as well as the evaluation of business performance.

Our Group classifies its business into two segments: "Advertising Operations" and "Video-related Operations."

In "Advertising Operations", we carry out the strategizing, planning and production of all advertising content.

In "Video-related Operations", we carry out the planning and production of animation and music videos.

2. Measurement of Sales, Income (loss), Assets, Liabilities and Other Material Items of Reportable Segments

The accounting policies for the reportable segments are the same as those described in "Basis of Presenting the Consolidated Financial Statements".

Figures of segment profit (loss) are based on operating income. Figures of intersegment sales and transfers are based on current market prices.

3. Information on amount of sales and profit (or loss) according to reporting segment

FY 2015 (August 1, 2014 to July 31, 2015)

(Unit: 1,000yen)

	Reporting segment			Adjustment *1	Consolidated Income *2
	Advertising Operations	Video-related Operations	In total		
Sales					
Sales to external customer	26,906,333	1,487,552	28,393,885	—	28,393,885
Inter-segmental sales and transfers	19,264	117,914	137,178	-137,178	—
In total	26,925,597	1,605,466	28,531,064	-137,178	28,393,885
Segmental profit	3,510,487	151,319	3,661,807	-1,777,766	1,884,040
Segmental assets	8,700,964	701,491	9,402,455	5,187,995	14,590,450
Others					
Depreciation costs	224,674	12,324	236,998	41,257	278,255
Amortization of goodwill	66,466	0	66,466	—	66,466
Impairment losses	—	—	—	—	—
Increase in tangible and intangible fixed assets	239,648	34,754	274,402	27,880	302,282

*1: (1) The segment profit and loss adjustment of -1,777,766 thousand yen includes an inter-segment transaction deletion of 1,913 thousand yen and company-wide expenses of -1,779,680 thousand yen. Company-wide expenses are mainly composed of personnel expenses and other expenditures related to management departments.

(2) Adjustments of segment assets of 5,187,995 thousand yen included -644,961 thousand yen of the elimination of transactions within segments and 5,832,956 thousand yen in corporate assets that could not be allocated to any reportable segment. Corporate assets mainly consisted of cash and cash equivalent, the building of the head office and investment assets which were not attributable to any reportable segment.

(3) Adjustments of depreciation in other items of 41,257 thousand yen included depreciation of the building of the head office which was not attributable to any reportable segment. In addition, adjustments of increase in property, plant and equipment and intangible assets of 27,880 thousand yen mainly consisted of property, plant and equipment and intangible assets in the administrative department, which were not attributable to any reportable segment.

*2: Segment profit and loss is adjusted with operating profit from the Consolidated Profit Statement.

FY 2016 (August 1, 2015 to July 31, 2016)

(Unit: 1,000yen)

	Reporting segment			Adjustment *1	Consolidated Income *2
	Advertising Operations	Video-related Operations	In total		
Sales					
Sales to external customer	28,602,685	1,295,761	29,898,447	—	29,898,447
Inter-segmental sales and transfers	23,416	49,059	72,476	-72,476	—
In total	28,626,102	1,344,821	29,970,923	-72,476	29,898,447
Segmental profit	3,301,639	80,831	3,382,471	-1,917,932	1,464,538
Segmental assets	9,781,484	643,424	10,424,908	4,449,079	14,873,988
Others					
Depreciation costs	247,193	13,768	260,962	49,761	310,724
Amortization of goodwill	82,138	—	82,138	—	82,138
Impairment losses	62,545	—	62,545	—	62,545
Increase in tangible and intangible fixed assets	295,748	19,370	315,118	60,811	375,929

*1: (1) The segment profit and loss adjustment of -1,917,932 thousand yen includes an inter-segment transaction deletion of 2,600 thousand yen and company-wide expenses of -1,920,532 thousand yen. Company-wide expenses are mainly composed of personnel expenses and other expenditures related to management departments.

(2) Adjustments of segment assets of 4,449,079 thousand yen included -524,496 thousand yen of the elimination of transactions within segments and 4,973,575 thousand yen in corporate assets that could not be allocated to any reportable segment. Corporate assets mainly consisted of cash and cash equivalent, the building of the head office and investment assets which were not attributable to any reportable segment.

(3) Adjustments of depreciation in other items of 49,761 thousand yen included depreciation of the building of the head office which was not attributable to any reportable segment. In addition, adjustments of increase in property, plant and equipment and intangible assets of 60,811 thousand yen mainly consisted of property, plant and equipment and intangible assets in the administrative department, which were not attributable to any reportable segment.

*2: Segment profit and loss is adjusted with operating profit from the Consolidated Profit Statement.

(Per Share Information)

Previous Consolidated Fiscal Year (August 1, 2014 to July 31, 2015)		This Consolidated Fiscal Year (August 1, 2015 to July 31, 2016)	
BPS	89.31 yen	BPS	91.48 yen
EPS	17.96 yen	EPS	8.27 yen
Fully Diluted EPS	17.52 yen	Fully Diluted EPS	8.07 yen

(Note) The basis for calculating EPS and fully diluted EPS is shown below.

Items	FY 2015 (July 31, 2015)	FY 2016 (July 31, 2016)
EPS		
Net Income (thousand yen)	1,119,749	516,158
Amount not Attributable to Common Shareholders (thousand yen)	—	—
Net Income Associated with Common Stock (thousand yen)	1,119,749	516,158
Average Number of Shares during the Period (thousand shares)	62,360	62,396
Fully Diluted EPS		
Net Income Adjustments (thousand yen)	—	—
Increase in the Number of Shares (thousand shares)	1,570	1,527
(Subscription rights to shares of these)	1,570	1,527
Summary of Potential Shares not Used in the Calculation of Fully Diluted EPS since Potential Shares have no Dilutive Effect	The 10th subscription rights to shares (resolved at the Ordinary General Meeting of Shareholders held on October 28, 2014) Number of subscription rights to shares: 750,000 The 11th Subscription rights to shares (resolved at the Ordinary General Meeting of Shareholders held on October 28, 2014) Number of subscription rights to shares: 1,250,000	The 10th subscription rights to shares (resolved at the Ordinary General Meeting of Shareholders held on October 28, 2014) Number of subscription rights to shares: 750,000 The 11th Subscription rights to shares (resolved at the Ordinary General Meeting of Shareholders held on October 28, 2014) Number of subscription rights to shares: 1,250,000

(Material Subsequent Event)

No applicable notes.

5. Others

Changes to executives

(1) Changes to the Representative Directors

Name	New Positions	Current Positions
Hiroaki Yoshida	Chairman	Representative Director and President
Kazuyoshi Hayakawa	Representative Director and President	Senior Executive Director
Hiroaki Uekubo	Representative Director and Vice President	Executive Director

* Hiroaki Yoshida is scheduled to be appointed as Representative Director of AOI TYO Holdings Inc. that will be established on January 4, 2017 assuming the share transfer plan is approved at the Company's Extraordinary General Meeting of Shareholders scheduled for September 27, 2016.
Hiroaki Uekubo is scheduled to be appointed as Managing Director of AOI TYO Holdings Inc. that will be established on January 4, 2017 assuming the share transfer plan is approved at the Company's Extraordinary General Meeting of Shareholders scheduled for September 27, 2016.

(2) Other changes to executives

Newly appointed director

Name	New Positions	Current Positions
Takayoshi Kishimoto	Director	Executive Officer

(3) Scheduled date of appointment

October 27, 2016

* See the "*Notice Regarding Changes to the Representative Director and the New Management Structure*" published August 29, 2016 for details.