



## Summary of Financial Results for the First Quarter of the Year Ending December 31, 2016 (Japanese accounting standards)

December 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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Date to submit the Securities Report: December 13, 2016

Scheduled date of dividend payments: -

Supplementary material: None

*(Rounded down to million yen)*

### 1. Consolidated Financial Results for FY2016 ended December 31, Q1 (August 1, 2016 through October 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 ended December 31, Q1	6,073	11.3	308	-	248	-	116	-
FY2016 ended July 31, Q1	5,454	2.9	-92	-	-113	-	-133	-

(Note) Comprehensive income: FY2016 ended December 31, Q1 71 million yen (- %)   
 FY2016 ended July 31, Q1 -161 million yen (- %)

	Net income per share	Net income per share fully diluted
	Yen	Yen
FY2016 ended December 31, Q1	1.87	1.83
FY2016 ended July 31, Q1	-2.14	-

(Note) While there were dilutive shares, net income per share fully diluted for the first quarter of the year ended July 31, 2016 is not stated because a net loss per share was recorded.

#### (2) Consolidated financial position

	Total assets	Net assets	Capital adequacy ratio
	Million yen	Million yen	%
FY2016 ended December 31, Q1	14,948	5,918	36.6
FY2016 ended July 31	14,873	6,151	38.4

(Reference) Owned capital: October 31, 2016 5,474 million yen July 31, 2016 5,708 million yen

### 2. Dividends

	Annual dividend				
	End Q1	End Q2	End Q3	End Q4	Total
	Yen	Yen	Yen	Yen	Yen
FY2016 ended July 31	-	0.00	-	5.00	5.00
FY2016 ended December 31	-				
FY2016 ended December 31 (forecast)		0.00	-	2.00	2.00

(Note) We changed 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, 2016 to December 31, 2016)

*"%" indicates the rates of increase or decrease compared with the preceding fiscal year.*

	Net sales		Operating income		Ordinary income		Profit attributable to owners parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full fiscal year	10,800	-	320	-	240	-	110	-	1.76

(Note) The end date of the fiscal year has been changed from July 31 to December 31 as a result of the approval of "Partial Amendment to the Articles of Incorporation" at the extraordinary general meeting of shareholders held on September 27, 2016.

See the "Full-Year Consolidated Earnings Forecasts for the Fiscal Year Ending December 31, 2016" published December 12, 2016 for details.

Notes

(1) Changes at major subsidiaries during the period: None  
(Changes in designated subsidiaries resulting from changes to the scope of consolidated accounts)

(2) Specific accounting procedures: None

(3) 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: None
2. Changes in accounting policy other than above: None
3. Changes in accounting estimates: None
4. Retrospective restatements: None

(4) Shares outstanding (common shares)

1. Shares outstanding at fiscal year-end  
(including own shares)

FY 2016 ended December 31, Q1	62,398,930 shares	FY 2016 ended July 31	62,388,930 shares
FY 2016 ended December 31, Q1	608 shares	FY 2016 ended July 31	608 shares
FY 2016 ended December 31, Q1	62,398,322 shares	FY 2016 ended July 31, Q1	62,390,170 shares

2. Number of own shares at fiscal year-end

3. Average number of shares during the period

\* 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 are based 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 "Explanations Concerning Future Predicted Information from Consolidated Financial Results Forecasts, Etc." on page 4 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

The Japanese economy in the current consolidated cumulative first quarter maintained while consumer spending was solid as a result of a robust employment and wage environment, the outlook remains uncertain as a result of potential risks that could trigger further yen appreciation, including future policy under the newly appointed President of the US from January 2017 and general elections in various countries in Europe. On the other hand, in the domestic advertising market (\*) in which our firm operates, advertising operations sales were mostly stable during 2016. In particular, Internet advertising continued to show high levels of growth.

In such an environment, our Group—aiming to further develop as a “creative agency with all advertising production functions,” continued active business development. In the current consolidated cumulative first quarter, rapid progress in the direct advertiser business including the acquisition of new large-scale projects and the expansion of existing projects drove operations overall and sales increased year on year. On the other hand, in the advertisement agency mediated business, because there were several large project with acceptance inspections delayed to the next quarter or afterwards during the previous consolidated cumulative first quarter due to overlapping contingent factors, outstanding orders at the end of current consolidated cumulative first quarter decreased by 211 million yen to 7,857 million yen year on year (down 2.6% year on year), while the volume of orders for the current consolidated cumulative first quarter decreased by 544 million yen to 6,525 million yen year on year (down 7.7% year on year).

In terms of profits, although an operating loss was recorded for the Group overall during the previous consolidated cumulative first quarter as a result of factors including multiple projects with low margins and an operating losses by an overseas consolidated subsidiary, we securely ensured profits thanks to the success of the establishment of a sales structure more focused on profitability through efforts such as strict inspection and screening and thorough cost of sales management from the project ordering stage for the current consolidated cumulative first quarter.

We fully initiated our PR business from October 2016 as the trade name of the dormant consolidated subsidiary Lin Films Inc. was changed to TYO Public Relations, Inc. For the said business, we will aim at sales of 3.0 billion yen and operating income of about 300 million yen (operating margin of 10%) in the medium term.

As a result of the above, the consolidated financial results for the current consolidated cumulative first quarter are as follows: sales were 6,073 million yen (up 11.3% year-on-year), operating profit was 308 million yen (operating losses of 92 million yen for the same quarter in the previous year), ordinary profit was 248 million yen (ordinary losses of 113 million yen for the same quarter in the previous year), and profit attributable to shareholders of the parent company was 116 million yen (losses attributable to shareholders of the parent company of 133 million yen for the same quarter in the previous year). Note that selling and general administrative expenses include a goodwill amortization charge of 17 million yen due to mergers and acquisitions.

\* According to “Monthly Report on the Current Survey of Selected Service Industries” (METI)

An overview by business segment is presented below.

#### 1. Advertising Operations

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 the advertisement agency mediated business, while orders were strong mainly for the electrical & telecommunications, apparel, automobile, and leisure & entertainment industries, sales decreased year on year due to temporary stagnation in orders received from some major clients during the current consolidated cumulative first quarter. On the other hand, in the direct advertiser business, sales increased significantly year on year due to strong orders received as a result of factors including the acquisition of new large-scale projects such as events and the expansion of existing projects.

In terms of profits, operating income increased year on year and the profit margin was also greatly improved as a result of strict inspection and screening and thorough profit management from the project ordering stage.

As a result of the above, sales for the segment under review were 5,820 million yen (up 12.3% year-on-year) and operating profits were 790 million yen (up 90.9% year-on-year). Note that selling and general administrative expenses include a goodwill amortization charge of 17 million yen due to mergers and acquisitions

#### 2. Video-related Operations

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

In the production of music videos in this segment, sales increased year on year thanks to an order received for a major promotion video project as well as a growth trend in the number of orders received and project unit prices. Meanwhile, in the production of animation, sales decreased from the previous year in which multiple orders were received for animation series projects. In terms of profits, operating income was secured for the business overall as a result of improvements in the profit margin for music video production.

As a result of the above, sales for the segment under review were 252 million yen (down 7.0% year-on-year) and operating profits were 13 million yen (operating losses of 10 million yen for the same quarter in the previous year).

## **(2) Explanations Concerning Financial Position**

### **1. Current Assets**

Current assets increased by 206 million yen compared with the end of the previous consolidated fiscal year to 11,227 million yen. This was mainly the result of an increase in work-in-progress by 707 million yen outweighing decreases in bills receivable and accounts receivable by 369 million yen and cash and deposits by 99 million yen.

### **2. Non-current Assets**

Non-current assets decreased by 132 million yen compared with the end of the previous consolidated fiscal year to 3,720 million yen. This was mainly the result of decreases in deferred tax assets by 104 million yen and investment securities by 30 million yen.

### **3. Current Liabilities**

Current liabilities increased by 817 million yen compared with the end of the previous consolidated fiscal year to 6,178 million yen. This was mainly the result of an increase in short-term loans payable by 1,000 million yen outweighing decreases in unpaid corporation tax, etc. by 358 million yen and accounts payable - other by 224 million yen.

### **4. Non-current Liabilities**

Non-current liabilities decreased by 510 million yen compared with the end of the previous consolidated fiscal year to 2,852 million yen. This was mainly the result of decreases in provision for directors' retirement benefits by 323 million yen and long-term loans payable by 150 million yen.

### **5. Net Assets**

Net assets decreased by 233 million yen compared with the end of the previous consolidated fiscal year to 5,918 million yen. This was mainly the result of a decrease from 311 million yen used for payment of dividends outweighing an increase in profit attributable to owners of the parent company by 116 million yen.

## **(3) Explanations Concerning Future Predicted Information from Consolidated Financial Results Forecasts, Etc.**

Refer to "Full-Year Consolidated Earnings Forecasts for the Fiscal Year Ending December 31, 2016" that was separately released on December 12, 2016 for the consolidated earnings forecasts for the fiscal year ending December 31, 2016 (irregular accounting period of five months accompanying a change in the accounting period).

## **2. Other Information**

### **(1) Changes at major subsidiaries during the current consolidated cumulative quarter**

There are no applicable items.

### **(2) Specific accounting procedures**

There are no applicable items.

### **(3) Changes in accounting policy; changes in accounting estimates; corrections, restatements, and retrospective restatements**

There are no applicable items.

### **(4) Additional Information**

(Application of Implementation Guidance on Recoverability of Deferred Tax Assets)

The Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26, March 28, 2016) was applied from the current consolidated cumulative first quarter.

**3. Consolidated Financial Statement**  
**(1) Consolidated Balance Sheet**

(Unit: 1,000yen)

	FY 2016 ended July 31	FY 2016 ended December 31, Q1
<b>Assets</b>		
Current assets		
Cash and deposits	4,112,739	4,013,493
Notes and accounts receivable - trade	5,017,674	4,648,652
Work in process	1,371,826	2,078,981
Raw materials and supplies	6,378	4,865
Other	523,873	486,472
Allowance for doubtful accounts	-11,030	-4,524
<b>Total current assets</b>	<b>11,021,461</b>	<b>11,227,940</b>
Non-current assets		
Property, plant and equipment	2,040,829	2,041,283
Intangible assets		
Goodwill	106,823	89,803
Other	73,250	68,761
<b>Total intangible assets</b>	<b>180,074</b>	<b>158,564</b>
Investments and other assets		
Investment securities	589,034	558,167
Deferred tax assets	150,305	45,895
Other	895,263	926,465
Allowance for doubtful accounts	-2,981	-10,177
<b>Total investments and other assets</b>	<b>1,631,622</b>	<b>1,520,351</b>
<b>Total non-current assets</b>	<b>3,852,526</b>	<b>3,720,200</b>
<b>Total assets</b>	<b>14,873,988</b>	<b>14,948,141</b>
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	3,049,986	3,180,624
Short-term loans payable	-	1,000,000
Current portion of long-term loans payable	600,000	600,000
Accounts payable - other	669,551	445,359
Income taxes payable	415,507	56,956
Accrued consumption taxes	233,732	126,757
Provision for bonuses	2,705	7,183
Other	388,860	761,233
<b>Total current liabilities</b>	<b>5,360,343</b>	<b>6,178,113</b>
Non-current liabilities		
Long-term loans payable	2,125,000	1,975,000
Lease obligations	167,263	140,210
Provision for directors' retirement benefits	594,067	270,556
Net defined benefit liability	149,534	154,024
Asset retirement obligations	221,145	212,409
Other	105,581	99,822
<b>Total non-current liabilities</b>	<b>3,362,592</b>	<b>2,852,022</b>
<b>Total liabilities</b>	<b>8,722,936</b>	<b>9,030,136</b>
<b>Net assets</b>		
Shareholders' equity		
Capital stock	1,850,482	1,850,482
Capital surplus	846,615	846,615
Retained earnings	3,055,546	2,859,996
Treasury shares	-109	-109
<b>Total shareholders' equity</b>	<b>5,752,534</b>	<b>5,556,984</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	35,272	25,100
Foreign currency translation adjustment	-78,454	-106,575
Remeasurements of defined benefit plans	-1,306	-1,241
<b>Total accumulated other comprehensive income</b>	<b>-44,489</b>	<b>-82,716</b>
Subscription rights to shares	148,606	164,648
Non-controlling interests	294,400	279,087
<b>Total net assets</b>	<b>6,151,052</b>	<b>5,918,004</b>
<b>Total liabilities and net assets</b>	<b>14,873,988</b>	<b>14,948,141</b>



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

*(Unit: 1,000yen)*

	FY 2016 ended July 31, Q1	FY 2016 ended December 31, Q1
Net sales	5,454,720	6,073,101
Cost of sales	4,687,258	4,864,659
Gross profit	767,461	1,208,441
Selling, general and administrative expenses	859,792	899,822
Operating income (loss)	-92,330	308,618
Non-operating income		
Interest income	7,203	567
Dividends of partnership investment	-	18,904
Reversal of provision for directors' retirement benefits	-	8,354
Other	9,492	8,933
Total non-operating income	16,696	36,759
Non-operating expenses		
Interest expenses	11,263	11,578
Share of loss of entities accounted for using equity method	-	62,062
Foreign exchange losses	13,203	-
Other	13,104	23,132
Total non-operating expenses	37,572	96,773
Ordinary income (loss)	-113,206	248,605
Extraordinary income		
Gain on sales of shares of subsidiaries and associates	-	4,099
Other	546	353
Total extraordinary income	546	4,453
Extraordinary losses		
Loss on retirement of non-current assets	153	150
Loss on valuation of golf club membership	-	700
Other	12	324
Total extraordinary losses	165	1,175
Profit (loss) before income taxes	-112,825	251,883
Income taxes - current	15,340	46,765
Income taxes - deferred	11,198	92,325
Total income taxes	26,539	139,090
Profit (loss)	-139,364	112,793
Loss attributable to non-controlling interests	-5,543	-3,648
Profit (loss) attributable to owners of parent	-133,820	116,441

**Consolidated Statement of Comprehensive Income***(Unit: 1,000yen)*

	FY 2016 ended July 31, Q1	FY 2016 ended December 31, Q1
Profit (loss)	-139,364	112,793
Other comprehensive income		
Valuation difference on available-for-sale securities	-12,556	-10,171
Foreign currency translation adjustment	-9,204	-25,261
Remeasurements of defined benefit plans, net of tax	-	65
Share of other comprehensive income of entities accounted for using equity method	-	-5,787
Total other comprehensive income	-21,760	-41,155
Comprehensive income	-161,125	71,637
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	-159,148	78,214
Comprehensive income attributable to non-controlling interests	-1,976	-6,576

**(3) Notes to the Consolidated Financial Statements**  
**(Notes Relating to the Going Concern Assumption)**

No applicable notes.

**(Note the case of the change amount of capital stock)**

No applicable notes.

**(Segment Information)**

. FY 2016 ended July 31, Q1 (August 1, 2015 to October 31, 2015)

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

*(thousand yen)*

	Advertising Operations	Video-related Operations	In total	Adjustment	Consolidated Income
Sales					
Sales to external customer	5,183,383	271,336	5,454,720	-	5,454,720
Inter-segmental sales and transfers	9,765	11,109	20,875	-20,875	-
In total	5,193,149	282,446	5,475,595	-20,875	5,454,720
Segmental profit	413,817	-10,743	403,074	-495,404	-92,330

\*1: The segment profit and loss adjustment of 495,404 thousand yen includes an inter-segment transaction deletion of 655 thousand yen and company-wide expenses of 496,060 thousand yen. Company-wide expenses are mainly composed of personnel expenses and other expenditures related to management departments.

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

2. Information on fixed asset impairment losses or goodwill according to reporting segment

No applicable notes

. FY 2016 ended December 31, Q1 (August 1, 2016 to October 31, 2016)

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

*(thousand yen)*

	Advertising Operations	Video-related Operations	In total	Adjustment	Consolidated Income
Sales					
Sales to external customer	5,820,744	252,357	6,073,101	-	6,073,101
Inter-segmental sales and transfers	4,184	8,085	12,269	-49,941	-
In total	5,824,928	260,442	6,085,370	-49,941	6,073,101
Segmental profit	790,115	13,266	803,381	-494,762	308,618

\*1: The segment profit and loss adjustment of -494,762 thousand yen includes an inter-segment transaction deletion of -848 thousand yen and company-wide expenses of -493,914 thousand yen. Company-wide expenses are mainly composed of personnel expenses and other expenditures related to management departments.

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

2. Information on fixed asset impairment losses or goodwill according to reporting segment

No applicable notes