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Ai Holdings Corporation

Business Results Summary for the First Quarter of Fiscal Year Ending June 30, 2012

The following is a summary of a Trias Corporation interview with Ai Holdings Corporation (hereinafter Ai HD or the Company) following its earnings briefing for Q1 FY6/12 business results.

Summary of Q1 FY6/12 Consolidated Business Results

As seen in Table 1, the Company's consolidated business results in terms of net sales and income increased on a year-on-year basis. While sales and income of Imaging Equipment Business operated by Graphtec Corporation (hereinafter GT) fell versus the same quarter last year as a result of the inventory adjustment of OEM products and declining overseas sales due to the strong yen, DODWELL B.M.S. LTD. (hereinafter DW BMS) saw robust sales of its card issuing systems to Toppan Printing Co., Ltd. Sales of high-margin security systems to condominium management associations and corporate clients also great.

Sales of condo security systems have been driven in large part by replacement demand. Traditionally, it takes considerable marketing effort to persuade management associations to install these systems in existing condos, but DW BMS has adopted a unique business model in which its products are leased rather than sold, to third-party condo management agencies by partnering with major lease providers. Under DW BMS's service contract, individual tenants only pay several hundred yen for maintenance as part of their monthly management fee; in addition, additional costs as tubing, wiring and installation are factored in the lease, thereby greatly alleviate the expense and risks involved for the leaser should the condo association choose to terminate the contract.

● **Table 1: Q1 FY6/12 Consolidated Business Results**

| Consolidated (¥million) | Q1 FY6/11 | | Q1 FY6/12 | | Y/Y Change | |
|----------------------------|-----------|-----------------------|-----------|-----------------------|------------|-------|
| | Actual | Ratio to Net Sales | Actual | Ratio to Net Sales | Amount | Ratio |
| Net Sales | 6,785 | 100.0% | 7,291 | 100.0% | 506 | 7.5% |
| Operating Income | 718 | 10.6% | 883 | 12.1% | 165 | 23.0% |
| Ordinary Income | 833 | 12.3% | 1,007 | 13.8% | 174 | 20.9% |
| Net Income | 515 | 7.6% | 589 | 8.1% | 74 | 14.4% |

Note: All tables prepared by Trias Corp. with the data disclosed by Ai Holdings Corporation.

Given Ai HD management's emphasis on improving its balance sheets, the Company remained debt-free while maintaining a high equity ratio of 68.2% at the end of Q1 FY6/12. In P/L terms, it booked ¥93 million in valuation losses on investment securities and ¥98 million in extraordinary losses. Ai HD plans to eliminate the impact of appraisal losses on its net income as quickly as possible because it is currently working to minimize its holdings of investment securities, which are susceptible to market volatility.

Q1 FY6/12 Business Results by Segment

Table 2 shows Ai Holdings' business results by segment, with trends of the respective segments as follows:

● Security Systems (Year-on-Year Change: 0.3% Decline in Net Sales; 26.0% Increase in Operating Income)

Security system sales to condo associations and corporate clients fared well, leading to a double-digit increase in income. Replacement demand expected from the current fiscal year and beyond is projected to take off from the second half of the year. The segment's y/y decrease in net sales was attributed to the Company no longer supplying large-scale security systems to the Ministry of Defense. Still, given that these defense contracts yielded relatively low margins, their termination actually contributed to the Ai Holdings' y/y income growth. With regard to corporate clients, Fuji Xerox Co., Ltd. began selling the Company's security systems from January 2011 and the results are gradually becoming manifest. Sales to financial institutions and securities brokerages only logged a modest increase due to the ongoing economic uncertainty, despite the launch of its "Multi-Eye" System.

● IC Card Issuing Systems and Other Office Equipment (Y/Y Change: 41.8% Increase in Net Sales; 89.4% Increase in Operating Income)

Sales of IC card issuing systems to medical institutions remained brisk. Having secured a large sales contract to a financial institution that was brokered by Toppan Printing, sales of card systems, excluding that generated from office equipment, reached ¥643 million, climbing 57.1% y/y, while operating income jumped 120.1% to ¥146 million.

● Imaging Equipment (Y/Y Change: 13.8% Decline in Net Sales; 19.9% Decline in Operating Income)

Hurt by the strong yen, sales of the segment's core cutting plotters and PC scanner products in Europe and Asia declined. Domestic sales also fell due to the inventory adjustment of OEM scanners. At GT, imaging equipment sales decreased 18.1% to ¥1,194 million, with domestic sales

falling 20.4% to ¥638 million and foreign sales also falling 15.3% to ¥556 million. Meanwhile, Silhouette AMERICA Inc., a GT subsidiary, is expected to contribute to consolidated income through its web-based business from the second half of the fiscal year.

● **Measurement Instruments and Environmental Testing Systems (Y/Y Change: 18.7% Decline in Net Sales; 49.9% Decline in Operating Income)**

Although sales of the segment's core data logger products (which can measure and store a broad array of data, including voltage, temperature, humidity and logic) remained strong, its net sales and income declined due to slumping sales of optical measurement instruments and environmental testing systems. At GT, measurement instrument sales decreased 8.1% y/y, with domestic sales of ¥256 million (down 5.1%) and overseas sales of ¥91 million (down 15.6%).

● **Architectural Design (Y/Y Change: 14.7% Increase in Net Sales; 530.7% Increase in Operating Income)**

Ai HD posted a significant sales increase in this segment, buoyed chiefly by seismic resistance diagnostic testing and seismic structural integrity design services, a trend that has carried over from the previous fiscal year. Compared to seismic structural integrity design services, seismic resistance diagnostic testing services requires less effort and resources, allowing the segment's business model to achieve a satisfactory level of productivity.

● Table 2: Q1 FY6/12 Business Results by Segment

| (¥ million) | | Q1 FY6/11 | Q1 FY6/12 | | Y/Y Change | |
|--|------------------|-----------|-----------|-----------------|------------|--------|
| | | Actual | Actual | Component Ratio | Amount | Ratio |
| Security Systems ※DODWELL B·M·S LTD. (DODWELL B·M·S) | Net Sales | 1,359 | 1,355 | 18.6% | -4 | -0.3% |
| | Operating Income | 202 | 254 | 28.8% | 52 | 26.0% |
| | Operating Mgn | 14.9% | 18.7% | n.a. | - | - |
| Card Issuing Systems & Other Office Equipment ※DODWELL B·M·S | Net Sales | 573 | 812 | 11.1% | 239 | 41.8% |
| | Operating Income | 94 | 179 | 20.3% | 85 | 89.4% |
| | Operating Mgn | 16.4% | 22.0% | n.a. | - | - |
| Maintenance Services ※DODWELL B·M·S | Net Sales | 489 | 454 | 6.2% | -35 | -7.2% |
| | Operating Income | 66 | 68 | 7.7% | 2 | 3.0% |
| | Operating Mgn | 13.5% | 15.0% | n.a. | - | - |
| Imaging Equipment ※GRAPHTEC Corporation (GT) | Net Sales | 1,766 | 1,510 | 20.7% | -256 | -14.8% |
| | Operating Income | 147 | 117 | 13.3% | -30 | -19.9% |
| | Operating Mgn | 8.3% | 7.7% | n.a. | - | - |
| Measurement Instruments & Environmental Testing Systems ※GT | Net Sales | 668 | 543 | 7.4% | -125 | -18.7% |
| | Operating Income | 123 | 61 | 6.9% | -62 | -49.9% |
| | Operating Mgn | 18.4% | 11.2% | n.a. | - | - |
| Architectural Design Services ※AI SEKKEI Corporation | Net Sales | 816 | 936 | 12.8% | 120 | 14.7% |
| | Operating Income | 21 | 133 | 15.1% | 112 | 530.7% |
| | Operating Mgn | 2.6% | 14.2% | n.a. | - | - |
| Leasing & Installment Services ※DODWELL B·M·S | Net Sales | 1,013 | 1,549 | 21.2% | 536 | 52.9% |
| | Operating Income | 32 | 39 | 4.4% | 7 | 21.9% |
| | Operating Mgn | 3.2% | 2.5% | n.a. | - | - |
| Other Business | Net Sales | 123 | 139 | 1.9% | 16 | 13.0% |
| | Operating Income | -3 | 3 | 0.3% | 6 | n.a. |
| | Operating Mgn | -2.4% | 2.2% | n.a. | - | - |
| Elimination | Net Sales | -67 | -31 | -0.4% | 36 | -53.7% |
| | Operating Income | 32 | 24 | 2.7% | -8 | -25.0% |
| Grand Total | Net Sales | 6,785 | 7,291 | 100.0% | 506 | 7.5% |
| | Operating Income | 718 | 883 | 100.0% | 165 | 23.0% |
| | Operating Mgn | 10.6% | 12.1% | n.a. | - | - |

Note: Net sales by segment include internal sales or sales transfer.

Summary of FY6/12 Consolidated Financial Forecast

As Table 3 shows, Ai HD aims to increase both net sales and income. Business performance trends should become more apparent following Q3 with the end of negative goodwill beyond the quarter.

The Company expects the following business segments to contribute to earnings in 2H FY6/12: First, it projects that condo security system sales in the security system segment will pick up from 2H onward, spurred by demand for replacement systems. Similarly, demand for the segment's "Multi-Eye" System, which provides 360-degree coverage with mega-pixel clarity, has begun taking shape and the Company is projecting sales will increase in the near future.

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Secondly, in the imaging equipment segment, Ai HD anticipates that Silhouette AMERICA Inc., a GT subsidiary, will be contributing to earnings shortly. The Company expects to generate sales not only through hardware (cutting plotters), but also through the Silhouette website, which markets downloadable design content. There are two major advantages of design content—the costs associated with it are minimal, and it yields a high profit margin. Silhouette is already generating more than ¥10 million in design content income every month.

● **Table 3: FY6/12 Consolidated Financial Forecast**

| Consolidated (¥million) | FY6/11 Actual | | | FY6/12 Fcst. | | | Y/Y Change | |
|----------------------------|---------------|-----------|--------|--------------|-----------|--------|------------|-------|
| | 1H | Full Year | Ratio | 1H | Full Year | Ratio | Amount | Ratio |
| Net Sales | 12,847 | 26,006 | 100.0% | 13,700 | 27,700 | 100.0% | 1,694 | 6.5% |
| Operating Income | 1,311 | 2,980 | 11.5% | 1,350 | 3,100 | 11.2% | 120 | 4.0% |
| Ordinary Income | 1,548 | 3,462 | 13.3% | 1,550 | 3,500 | 12.6% | 38 | 1.1% |
| Net Income | 1,015 | 2,254 | 8.7% | 1,000 | 2,200 | 7.9% | -54 | -2.4% |



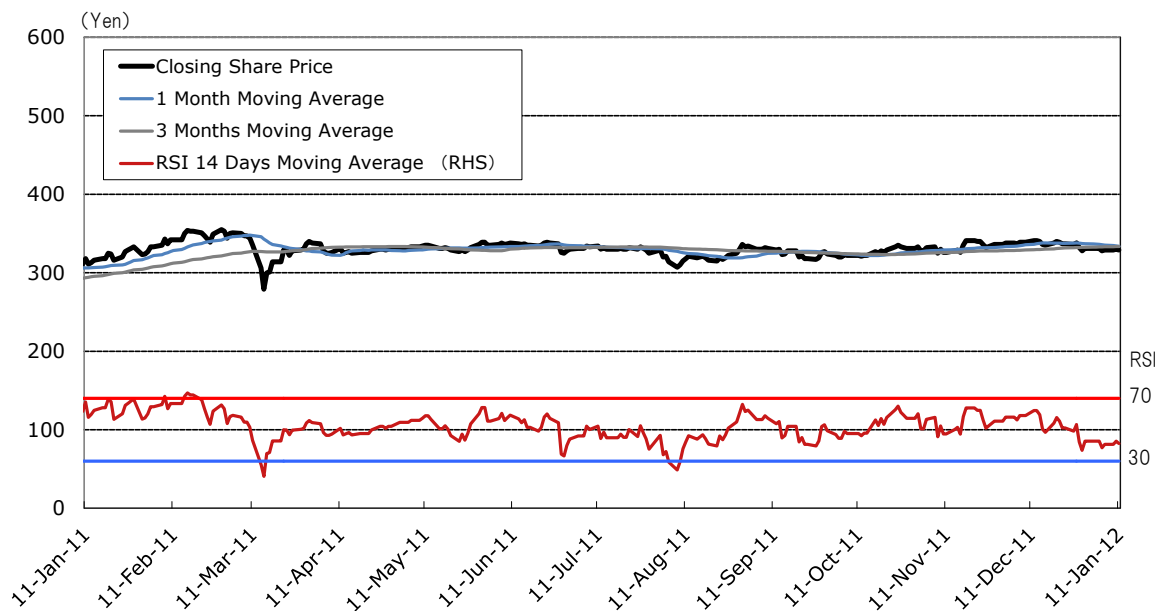
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Reference
● Key Financial Data and Business Results (Consolidated)

| | | | | | |
|----------------------------|---------------|-----------|--|----------|--------|
| No. of Shares Issued | Sep 2011 | ##### | Total Assets (¥mn) | Jun 2011 | 31,814 |
| No. of Treasury Stock | Sep 2011 | 1,871,312 | Shareholders' Equity (¥mn) | Jun 2011 | 22,760 |
| Market Value (¥mn) | 11-Jan-12 | 18,618 | Interest-Bearing Debt (¥mn) | Jun 2011 | 0 |
| BPS (¥) | Jun 2011 | 415.93 | Equity Ratio (%) | Jun 2011 | 68.2 |
| ROE (%) | Jun 2011 | 9.9 | Ratio of Interest-Bearing Debt (%Jun 2011) | Jun 2011 | 0 |
| ROA (%) | Jun 2011 | 7.1 | Free Cash Flows (¥mn) | Jun 2011 | 4,157 |
| PER (X) | Jun 2012 fcst | 8.2 | ROE=Current Net Income÷Shareholders' Equity | | |
| PCFR(X) | Jun 2011 | 7.2 | ROA=Current Net Income÷Total Assets | | |
| PBR (X) | Jun 2011 | 0.8 | PCFR=Market Value÷(Current Net Income+Depreciation) | | |
| Share Price (¥) | 11-Jan-12 | 329 | Ave. Daily Vol. =Ave. Daily Vol. for previous 12m/s | | |
| Unit Share (shs) | Sep 2011 | 100 | Interest-Bearing Debts Ratio=I.B.D.÷Shareholders' Equity | | |
| Average Daily Volume (shs) | 11-Jan-12 | 91,017 | Free Cash Flows=Operating CF+Investment CF | | |

| Consolidated (¥million) | Net Sales | Operating Income | Ordinary Income | Net Income | EPS (¥) | DPS (¥) |
|-------------------------|-----------|------------------|-----------------|------------|---------|---------|
| FY6/07 | 7,588 | -1,175 | -988 | 996 | 18 | 8.00 |
| FY6/08 | 23,674 | 1,797 | 1,934 | 609 | 11.10 | 20.00 |
| FY6/09 | 23,308 | 1,548 | 2,076 | 966 | 17.60 | 20.00 |
| FY6/10 | 25,855 | 2,312 | 2,915 | 2,132 | 38.85 | 16.00 |
| FY6/11 | 26,006 | 2,980 | 3,462 | 2,254 | 41.16 | 16.00 |
| 1H FY6/12 fcst. | 13,700 | 1,350 | 1,550 | 1,000 | 18.28 | 8.00 |
| FY6/12 fcst. | 27,700 | 3,100 | 3,500 | 2,200 | 40.21 | 16.00 |

Note: FY6/12 forecasts announced on August 19, 2011.

● Stock Price Charts and RSI


Source: Prepared by Trias Corp. with Bloomberg data.

Note: RSI, Relative Strength Index, is the index representing the ratio of overbought or oversold share prices. In general, over 70 in RSI shows overbought share price range, while below 30 shows oversold share price range.

$$RSI = \frac{\text{averaged share price appreciation for N days}}{\text{averaged share price appreciation for N days} + \text{averaged share price decline for N days}} \times 100$$

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