

Consolidated Financial Report for the Second Quarter of Fiscal 2020
(The Fiscal Year Ended March 31, 2021 under Japanese GAAP)



November 6, 2020

Company Name: Asahi Broadcasting Group
Holdings Corporation

Stock Exchange Listing: Tokyo Stock Exchange

Securities Code: 9405

URL <https://corp.asahi.co.jp/en/>

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Scheduled Date of Securities Report Filing: November 12, 2020

Scheduled Date of Dividend Payment Commencement: December 1, 2020

Preparation of Quarterly Supplementary Explanatory Materials: Yes

Quarterly Results Briefing Held: Yes (for institutional investors and analysts)

(Figures are rounded down to the nearest million yen unless otherwise stated.)

1. Consolidated Financial Results for the First Half of Fiscal 2020 (April 1, 2020 to September 30, 2020)

(1) Consolidated Operating Results (Cumulative)

(Percentage figures show the year-on-year increase (decrease) for each corresponding period.)

	Net Sales		Operating Income		Ordinary Income		Profit attributable to owners of parent	
	¥ million	%	¥ million	%	¥ million	%	¥ million	%
First Half of Fiscal 2020	33,077	(17.8)	(1,118)	—	(900)	—	(604)	—
First Half of Fiscal 2019	40,228	2.4	1,365	38.0	1,507	26.2	866	(42.5)

Note: Comprehensive Income First half of fiscal 2020: ¥-24 million (—%)
First half of fiscal 2019: ¥480 million (-77.1%)

	Basic Earnings per Share	Diluted Earnings per Share
	¥	¥
First Half of Fiscal 2020	(14.74)	—
First Half of Fiscal 2019	21.17	—

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity-to-Asset Ratio
	¥ million	¥ million	%
September 31, 2020	119,631	68,726	54.3
March 31, 2020	114,786	69,091	56.8

(Reference) Shareholders' Equity September 30, 2020: ¥65,007 million
March 31, 2020: ¥65,230 million

2. Dividends

	Annual Dividend per Share				
	1Q-End	2Q-End	3Q-End	Period-End	Total
	¥	¥	¥	¥	¥
Fiscal 2019	—	9.00	—	9.00	18.00
Fiscal 2020	—	5.00	—	—	—
Fiscal 2020 (Forecast)	—	—	—	5.00	10.00

Note: Revisions from recently announced dividend forecast: Yes

3. Consolidated Financial Results Forecasts for Fiscal 2020 (April 1, 2020 to March 31, 2021)

(Percentage figures show the year-on-year increase (decrease) for each corresponding period.)

	Net Sales		Operating Income		Ordinary Income		Profit attributable to owners of parent		Basic Earnings per Share
	¥ million	%	¥ million	%	¥ million	%	¥ million	%	¥
Full Fiscal Year	72,500	(12.6)	200	(94.1)	500	(86.2)	300	(86.8)	7.31

Note: Revision from recently announced performance forecast: None

* Notes

(1) Changes in the number of important subsidiaries during the period: None

(2) Application of special accounting treatment for the preparation of quarterly consolidated financial statements: None

(3) Changes in accounting policies, accounting estimates and restatements

1) Changes in accounting policies in accordance with changes in accounting standards, etc.: None

2) Changes in accounting policies other than 1): None

3) Changes in accounting estimates: None

4) Restatements: None

(4) Number of shares issued and outstanding (common shares)

1) Number of shares issued and outstanding as of the period-end (including treasury shares)	September 30, 2020	41,833,000 shares	March 31, 2020	41,833,000 shares
2) Number of treasury shares as of the period-end	September 30, 2020	802,674 shares	March 31, 2020	850,078 shares
3) Average number of shares issued and outstanding for the period	September 30, 2020	41,003,210 shares	September 30, 2019	40,933,158 shares

* This financial report is exempt from the quarterly review procedure.

* Explanation concerning the appropriate use of forecasts and other special instructions

(Caution regarding forward-looking statements, etc.)

Results forecasts and other forward-looking statements contained in this report are based on the assumptions, beliefs, and uncertainties in light of information available to the Company's management as of the publication date and do not represent promises by the Company or its management that these performance figures will be attained. Actual results may differ materially from forecasts due to a variety of factors. Please refer to "1. Analysis of Operating Results and Financial Position (3) Explanation of Forward-Looking Statements, including the Outlook for Consolidated Performance" on page 3 of the attached supplementary materials for information regarding the underlying assumptions for financial results forecasts, as well as explanatory and other notes regarding the use of financial results forecasts. The Company will hold a briefing for institutional investors and analysts (teleconference), scheduled for Friday, November 13, 2020. The document to be used at this briefing shall be published on the Company's website at 10:00 a.m. on the day of the event.

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1. Analysis of Operating Results and Financial Position

(1) Analysis of Operating Results

In the first half of fiscal 2020, which extended from April 1, 2020 to September 30, 2020, the Japanese economy showed a significant downturn due to the spread of COVID-19, as with economies overseas. Though there were signs of resumption of economic activity, the economy failed to recover fully as it was still difficult to forecast when COVID-19 would recede.

Under these circumstances, net sales of the broadcasting field where the Asahi Broadcasting Group (the Group) conducts its core business decreased due to a large decrease in TV spot advertising sales, the mainstay of the business. Net sales of the housing business were down due to the reduction of exhibition fees during the period of facility closures as a measure against COVID-19 and other factors. Net sales of the golf business decreased due to a decrease in play revenue owing to a decrease in the number of visitors attributable to the spread of COVID-19 and other factors. As a result of these factors, the Group's net sales for the first half of fiscal 2020 decreased ¥7,151 million, or 17.8%, compared to the same period of the previous fiscal year and amounted to ¥33,077 million.

From the cost standpoint, cost of sales decreased ¥3,538 million (13.2%) compared with the same period of the previous fiscal year, to ¥23,358 million. Selling, general and administrative expenses decreased ¥1,128 million (9.4%) compared with the same period of the previous fiscal year, to ¥10,836 million. As a result of the above, operating income decreased ¥2,484 million to an operating loss of ¥1,118 million, while ordinary income decreased ¥2,408 million to an ordinary loss of ¥900 million. Additionally, as extraordinary loss, ¥57 million in special retirement expenses and other losses were recorded. As a result, income before income taxes decreased ¥2,397 million to a loss before income taxes of ¥970 million, and profit attributable to owners of parent decreased ¥1,470 million to a loss attributable to owners of parent of ¥604 million.

Results by business segment are as follows:

Broadcasting Business

Net sales in the broadcasting business totaled ¥27,740 million, down ¥6,452 million, or 18.9%, compared to the same period of the previous fiscal year. The principal factor accounting for this decrease in revenue was a large decrease in TV spot advertising sales, the mainstay of the business, due to the impact of the spread of COVID-19. On the other hand, operating expenses decreased 13.6% from the same period of the previous fiscal year, due to factors including a decrease in program expenses. As a result, operating income decreased ¥2,008 million from the previous fiscal year to an operating loss of ¥1,008 million.

Housing Business

In the housing business, net sales amounted to ¥4,970 million, a decrease of ¥546 million, or 9.9%, compared with the same period of the previous fiscal year. The principal factor was the reduction of exhibition fees during the period of facility closures due to the spread of COVID-19. Meanwhile, operating expenses dropped 4.1% due to the impact of reduced sales promotion activities during the self-restraint period to prevent the spread of COVID-19. As a result, operating income amounted to ¥116 million, a decrease of ¥338 million, or 74.4%, from the same period of the previous fiscal year.

Golf Business

Net sales in the golf business amounted to ¥366 million, a decrease of ¥152 million, or 29.4%, compared with the same period of the previous fiscal year. The principal factor was a large decrease in the number of visitors attributable to the impact of COVID-19. On the other hand, operating expenses dropped a mere 8.1%, and as a result operating income decreased ¥129 million from the previous fiscal year to an operating loss of ¥68 million.

(2) Analysis of Financial Position

(Assets)

Total assets as of the end of the second quarter of fiscal 2020 were ¥119,631million, ¥4,845 million higher than at the end of the previous fiscal year (March 31, 2020). This was primarily attributable to the impact of the acquisition of investment securities in line with the issuance of bonds.

(Liabilities)

Total liabilities were ¥50,905 million, ¥5,210 million higher than at the end of the previous fiscal year. The principal reasons for the increase in liabilities were the issuance of bonds and an increase in short-term loans payable.

(Net Assets)

Consolidated total net assets came to ¥68,726 million, ¥365 million lower than at the end of the previous fiscal year. This was attributable to recognition of loss attributable to owners of parent and payment of dividends from surplus, despite increases in valuation difference on available-for-sale securities and other account items.

(3) Explanation of Forward-Looking Statements, including the Outlook for Consolidated Performance

The forecasts for net sales, operating income, ordinary income, and profit attributable to owners of parent remain unchanged from the previous consolidated financial forecasts for the full fiscal year.

On October 22, 2020, Quibi Holdings, LLC, whose securities are held as investment securities by Pegasus Tech Ventures Company III, L.P., a specified subsidiary of the Company, announced that it would suspend its business in the United States. The impact of this event on the consolidated financial results is currently under examination and it is difficult to calculate it in a reasonable manner at present. Therefore, the consolidated financial forecasts for the full fiscal year will be announced later when the detailed amounts are known and revisions become necessary.

The dividend forecasts for the full fiscal year were undetermined in the Consolidated Financial Report for Fiscal 2019 (The Fiscal Year Ended March 31, 2020 under Japanese GAAP) announced on May 22, 2020. The Board of Directors held on November 6, 2020 resolved that the interim dividend for the current fiscal year (the end of the second quarter) would be ¥5.00, down ¥4.00 from the previous year's interim dividend of ¥9.00. The year-end dividend forecast is ¥5.00, down ¥4.00 from the previous year's year-end dividend, resulting in an annual dividend of ¥10.00 per share, down ¥8.00 from the previous fiscal year.

The Company positions the return of profits to shareholders as one of its important measures for corporate management. Therefore, it is important to deliver stable shareholder returns over the medium- to long-term, taking into comprehensive consideration business performance and the level of equity required in the future.

For details on the dividend forecasts, please refer to the Notice of Dividends from Surplus and Revisions of Dividends Forecasts announced today (November 6, 2020).

*The forecasts presented above were prepared based on the assumptions, beliefs, and uncertainties in light of information available to the Group's management as of the publication date. Actual results may turn out to be different from the forecasts due to a variety of factors in the future.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheet

(Millions of Yen)

	March 31, 2020	September 30, 2020
Assets		
Current assets		
Cash and deposits	27,048	25,733
Notes and accounts receivable - trade	12,825	10,029
Short-term investment securities	204	5,206
Inventories	4,668	4,755
Income taxes receivable	262	103
Other	2,314	2,345
Allowance for doubtful accounts	(15)	(15)
Total current assets	47,307	48,157
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	18,396	17,996
Land	10,363	10,363
Other, net	8,185	7,898
Total property, plant and equipment	36,944	36,259
Intangible assets		
Software	1,195	1,153
Software in progress	144	364
Goodwill	22	20
Other	122	116
Total intangible assets	1,485	1,655
Investments and other assets		
Investment securities	17,299	21,091
Other	11,760	12,452
Allowance for doubtful accounts	(35)	(34)
Total investments and other assets	29,024	33,509
Total non-current assets	67,454	71,424
Deferred assets		
Bond issuance cost	24	49
Total deferred assets	24	49
Total assets	114,786	119,631

(Millions of Yen)

	March 31, 2020	September 30, 2020
Liabilities		
Current liabilities		
Short-term loans payable	-	3,003
Current portion of long term loans payable	586	484
Current portion of bonds	26	26
Accounts payable-other	5,970	6,015
Income taxes payable	567	446
Provision	724	91
Other	5,773	4,339
Total current liabilities	13,647	14,406
Non-current liabilities		
Long term loans payable	931	974
Bonds payable	5,065	10,052
Net defined benefit liability	16,512	16,058
Other	9,538	9,413
Total non-current liabilities	32,047	36,498
Total liabilities	45,694	50,905
Net assets		
Shareholders' equity		
Capital stock	5,299	5,299
Capital surplus	5,847	5,862
Retained earnings	54,415	53,441
Treasury stock	(426)	(402)
Total shareholders' equity	65,135	64,201
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	1,941	2,589
Foreign currency translation adjustment	-	(88)
Remeasurements of defined benefit plans	(1,846)	(1,694)
Total valuation and translation adjustments	94	806
Subscription rights to shares	0	0
Non-controlling interests	3,860	3,718
Total net assets	69,091	68,726
Total liabilities and net assets	114,786	119,631

(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income

Quarterly Consolidated Statement of Income
For the First Half of Fiscal 2019 and 2020

(Millions of Yen)

	First Half of Fiscal 2019 (April 1, 2019 to September 30, 2019)	First Half of Fiscal 2020 (April 1, 2020 to September 30, 2020)
Net sales	40,228	33,077
Cost of sales	26,897	23,358
Gross profit	13,331	9,718
Selling, general and administrative expenses	11,965	10,836
Operating income (loss)	1,365	(1,118)
Non-operating income		
Interest income	10	5
Dividends income	132	106
Other	83	153
Total non-operating income	225	265
Non-operating expenses		
Interest expenses	8	12
Loss on disposal of non-current assets	4	24
Loss on investments in silent partnership	64	-
Other	6	10
Total non-operating expenses	83	47
Ordinary income (loss)	1,507	(900)
Extraordinary income		
Gain on reversal of provision for loss on venue closing	-	22
Total extraordinary income	-	22
Extraordinary loss		
Special retirement expenses	80	57
Loss on valuation of stocks of subsidiaries and affiliates	-	33
Total extraordinary loss	80	91
Income (loss) before income taxes	1,426	(970)
Income taxes	559	(235)
Profit (loss)	867	(734)
Profit (loss) attributable to non-controlling interests	1	(130)
Profit (loss) attributable to owners of parent	866	(604)

Quarterly Consolidated Statement of Comprehensive Income
For the First Half of Fiscal 2019 and 2020

(Millions of Yen)

	First Half of Fiscal 2019 (April 1, 2019 to September 30, 2019)	First Half of Fiscal 2020 (April 1, 2020 to September 30, 2020)
Profit (loss)	867	(734)
Other comprehensive income		
Valuation difference on available-for-sale securities, net of tax	(494)	648
Foreign currency translation adjustment	-	(89)
Remeasurements of defined benefit plans, net of tax	107	152
Total other comprehensive income	(387)	710
Comprehensive income	480	(24)
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	479	107
Comprehensive income attributable to non-controlling interests	1	(131)

(3) Notes regarding Quarterly Consolidated Financial Statements

(Going Concern Assumptions)

Not applicable.

(Any Major Change in the Amount of Consolidated Shareholders' Equity)

Not applicable.

(Segment Information, etc.)

Explanation of Measurements of Sales, Profit or Loss for Each Reportable Segment

First Half of Fiscal 2019 (April 1, 2019 to September 30, 2019)

(Millions of Yen)

	Reportable Segment				Adjustments (Note 1, 2)	Amounts Recorded on Quarterly Consolidated Statement of Income (Note 3)
	Broadcasting	Housing	Golf Club	Total		
Sales						
Revenues from external customers	34,192	5,517	518	40,228	—	40,228
Transactions with other segments	256	10	20	287	(287)	—
Total	34,448	5,528	539	40,516	(287)	40,228
Segment profit	1,000	454	60	1,516	(150)	1,365

Notes:

1. The adjustment to transactions with other segments of negative ¥287 million represents the amount of intrasegment transaction elimination.
2. The adjustment to segment profit of negative ¥150 million represents the amount of expenses which do not belong to any reportable segment, mainly regarding development of new business and market.
3. Segment profit refers to operating income recorded on the quarterly consolidated statement of income.

First Half of Fiscal 2020 (April 1, 2020 to September 30, 2020)

(Millions of Yen)

	Reportable Segment				Adjustments (Note 1, 2)	Amounts Recorded on Quarterly Consolidated Statement of Income (Note 3)
	Broadcasting	Housing	Golf Club	Total		
Sales						
Revenues from external customers	27,740	4,970	366	33,077	—	33,077
Transactions with other segments	155	8	4	169	(169)	—
Total	27,895	4,979	371	33,246	(169)	33,077
Segment profit or loss	(1,008)	116	(68)	(960)	(157)	(1,118)

Notes:

1. The adjustment to transactions with other segments of negative ¥169 million represents the amount of intrasegment transaction elimination.
2. The adjustment to segment profit of negative ¥157 million represents the amount of expenses which do not belong to any reportable segment, mainly regarding development of new business and market.
3. Segment profit or loss refers to operating income or loss recorded on the quarterly consolidated statement of income.

(Significant Events after Reporting Period)

I. Share acquisition

As stated in the Consolidated Financial Report for the First Quarter of Fiscal 2020 (The Fiscal Year Ending March 31, 2021 under Japanese GAAP) announced on August 3, 2020, the Company resolved to acquire all shares of SILVER LINK., Inc. to make it a subsidiary and concluded a share transfer agreement on July 14, 2020.

Based on the agreement, payment of the share price was completed on October 1, 2020.

(1) Summary of the business combination

i) Name of the acquired company and description of its business

Name of the acquired company	SILVER LINK., Inc.
Description of its business	Production of animations and others

ii) Primary reasons for the business combination

Under the Medium-term Management Plan, the Company aims to become a comprehensive content business group through possessing content with strong IPs and monetizing those content. The Company has determined that acquiring the shares of SILVER LINK., Inc. to make it a subsidiary will contribute to strengthening the animation business, which is one of the Company's core businesses, and lead to an increase in the corporate value of both parties. The Company thus concluded the share transfer agreement.

iii) Date of the business combination

October 1, 2020 (To be scheduled)

iv) Legal form of the business combination

Acquisition of shares in exchange for cash

v) Name of the company after the business combination

SILVER LINK., Inc.

vi) Ratio of voting rights acquired

Ratio of voting rights acquired	100%
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vii) Primary ground for determining the acquiring company

Due to the fact that the Company concluded a share transfer agreement to acquire 100% of the voting rights of SILVER LINK., Inc. through share acquisition in exchange for cash.

(2) Acquisition cost of the acquired company and the breakdown of considerations by type

Considerations for the acquisition	Cash	¥250 million
Acquisition Costs		¥250 million

(3) Breakdown and amounts of major acquisition-related expenses

Advisory fees, commissions, etc.	¥29 million
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(4) Amount of goodwill arising from the business combination, reason for recognizing goodwill, and the method and the period of amortization

They have not been confirmed at present.

(5) Amounts of assets acquired and liabilities assumed on the day of the business combination and their primary items
They have not been confirmed at present.

II. Valuation loss on investment securities held by Pegasus Tech Ventures Company III, L.P.

On October 22, 2020, Quibi Holdings, LLC, whose securities are held as investment securities by Pegasus Tech Ventures Company III, L.P., a specified subsidiary of the Company, announced that it would suspend its business in the United States. Due to this event, the Company may record a valuation loss on investment securities held by Pegasus Tech Ventures Company III, L.P. (investment of US\$25 million in Quibi Holdings, LLC).