

Consolidated Financial Report for the Second Quarter of Fiscal 2021
(The Fiscal Year Ended March 31, 2022 under Japanese GAAP)



November 8, 2021

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 Stock Exchange Listing: Tokyo Stock Exchange
 Securities Code: 9405 URL <https://corp.asahi.co.jp/en/>
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 Scheduled Date of Dividend Payment Commencement: December 1, 2021
 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 2021 (April 1, 2021 to September 30, 2021)

(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 2021	40,889	23.6	1,234	—	1,539	—	1,133	—
First Half of Fiscal 2020	33,077	(17.8)	(1,118)	—	(900)	—	(604)	—

Note: Comprehensive Income First half of fiscal 2021: ¥176 million (— %)
 First half of fiscal 2020: ¥-24 million (— %)

	Basic Earnings per Share	Diluted Earnings per Share
	¥	¥
First Half of Fiscal 2021	27.61	—
First Half of Fiscal 2020	(14.74)	—

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity-to-Asset Ratio
	¥ million	¥ million	%
September 30, 2021	118,127	69,543	55.9
March 31, 2021	119,079	69,700	55.5

(Reference) Shareholders' Equity September 30, 2021: ¥66,036 million
 March 31, 2021: ¥66,035 million

2. Dividends

	Annual Dividend per Share				
	1Q-End	2Q-End	3Q-End	Period-End	Total
	¥	¥	¥	¥	¥
Fiscal 2020	—	5.00	—	5.00	10.00
Fiscal 2021	—	7.00	—	—	—
Fiscal 2021 (Forecast)	—	—	—	6.00	13.00

Note: Revisions from recently announced dividend forecast: Yes

3. Consolidated Financial Results Forecasts for Fiscal 2021 (April 1, 2021 to March 31, 2022)

(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	84,000	7.2	2,900	7.6	3,200	5.5	2,100	—	51.14

Note: Revision from recently announced performance forecast: Yes

* 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.: Yes

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, 2021	41,833,000 shares	March 31, 2021	41,833,000 shares
2) Number of treasury shares as of the period-end	September 30, 2021	751,861 shares	March 31, 2021	802,674 shares
3) Average number of shares issued and outstanding for the period	September 30, 2021	41,051,407 shares	September 30, 2020	41,003,210 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 (online), scheduled for Monday, November 15, 2021. The document to be used at this briefing shall be published on the Company's website at 9:00 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 2021, which extended from April 1, 2021 to September 30, 2021, the Japanese economy remained under the prolonged influence of COVID-19 as the global economy did. Meanwhile, with the progress in vaccination, there emerged signs of a gradual resumption of economic activity.

Under these circumstances, net sales of the broadcasting and content business, where the Asahi Broadcasting Group (the Group) conducts its core business, increased mainly due to an increase in TV spot advertising sales, the mainstay of the business. Net sales of the lifestyle business were up due to revenue from real estate sales. As a result of these factors, the Group's net sales for the first half of fiscal 2021 increased ¥7,812 million, or 23.6%, compared to the same period of the previous fiscal year and amounted to ¥40,889 million.

From the cost standpoint, cost of sales increased ¥4,364 million (18.7%) compared with the same period of the previous fiscal year, to ¥27,723 million. Selling, general and administrative expenses increased ¥1,094 million (10.1%) compared with the same period of the previous fiscal year, to ¥11,930 million. As a result of the above, operating income increased ¥2,353 million to ¥1,234 million, while ordinary income totaled ¥1,539 million, an increase of ¥2,440 million. Additionally, ¥267 million of extraordinary income due to gain on sales of shares was recorded, while ¥56 million of extraordinary loss due to loss on valuation of investment securities was recorded.

As a result, income before income taxes were ¥1,750 million, an increase of ¥2,720 million, and profit attributable to owners of parent was ¥1,133 million, an increase of ¥1,737 million.

The Company resolved at a meeting of its Board of Directors held on May 12, 2021 to change the classification of its reportable segments.

From the first quarter of fiscal 2021, the classification has been changed from the previous segments of the broadcasting business, the housing business and the golf business in the previous fiscal year, to the broadcasting and content business and the lifestyle business.

Additionally, the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020; hereinafter, "Revenue Recognition Accounting Standard"), etc. have been applied from the beginning of the first quarter of fiscal 2021. For details, please refer to "2. Quarterly Consolidated Financial Statements and Primary Notes (3) Notes regarding Quarterly Consolidated Financial Statements (Changes in accounting policies) and (Segment Information, etc.)."

Results by business segment are as follows:

Broadcasting and Content Business

Net sales in the broadcasting and content business totaled ¥33,954 million, up ¥7,625 million, or 29.0%, compared to the same period of the previous fiscal year. The principal factor accounting for this increase in revenue was an increase in TV spot advertising sales, the mainstay of the business, which were largely affected by the spread of COVID-19 in the previous fiscal year. Additionally, operating expenses increased 19.3% from the same period of the previous fiscal year, due to factors including an increase in program expenses on account of the resumption of sport live broadcasting, which was cancelled or postponed in the previous fiscal year, and the relaxation of constraints on program production. As a result, operating income amounted to ¥962 million, an increase of ¥2,066 million, from the same period of the previous fiscal year.

Lifestyle Business

In the lifestyle business, revenue from real estate sales increased in the housing business. As a result, net sales amounted to ¥6,934 million, an increase of ¥187 million, or 2.8%, compared with the same period of the previous fiscal year. Operating income amounted to ¥412 million, an increase of ¥268 million, or 186.6%, from the same period of the previous fiscal year.

(2) Analysis of Financial Position

(Assets)

Total assets as of the end of the second quarter of fiscal 2021 were ¥118,127 million, ¥952 million lower than at the end of the previous fiscal year (March 31, 2021). This was primarily attributable to a decrease in investment securities as a result of a drop in the market value of shares the Company held.

(Liabilities)

Total liabilities were ¥48,583 million, ¥795 million lower than at the end of the previous fiscal year. The principal reason for the decrease in liabilities was a decrease in accounts payable for equipment.

(Net Assets)

Consolidated total net assets came to ¥69,543 million, ¥156 million lower than at the end of the previous fiscal year. This was attributable mainly to dividends from surplus and a decrease in valuation difference on available-for-sale securities, while profit was recorded.

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

The Company upwardly revised its full-year consolidated financial results forecasts for net sales, operating income, ordinary income and profit attributable to owners of parent since broadcasting sales, which mainly consist of TV spot advertising sales, increased from the previous forecast in the Company's mainstay broadcasting business, and also because of the effect of cost reductions.

Concerning the dividend forecasts for the full fiscal year, the interim dividend forecast (the end of the second quarter) was ¥5.00 and the year-end dividend forecast was ¥6.00 in the Consolidated Financial Report for Fiscal 2020 (The Fiscal Year Ended March 31, 2021 under Japanese GAAP) announced on May 12, 2021. The Company determined that the interim dividend (the end of the second quarter) would be ¥7.00, up ¥2.00 from ¥5.00. The year-end dividend forecast remains unchanged from the initial forecast at ¥6.00.

The Company positions the appropriate return of profits to shareholders as one of its most important measures for corporate management. Regarding the distribution of profits, we always consider the balance between strengthening and maintaining our financial position and investing toward improved corporate value and toward our growth strategies, comprehensively taking into account our financial results, dividend payout ratio, appropriate internal reserves, and other factors in light of our position of responsibility as a certified broadcasting holding company.

For details on the revision of financial results forecasts and dividend, please refer to the Notice of Revision of Financial Results Forecasts and Interim Dividend announced today (November 8, 2021).

The outlook presented above may significantly change due to external factors such as domestic and overseas economic trends, as well as when COVID-19 comes to an end and the range of its impact. Should any event arise that affects the financial results of the Group, the Company will promptly announce it.

Note: The forecasts presented above are based on information that is currently available to the Group and certain assumptions that are judged to be reasonable. Actual results may differ from the forecasts due to various factors.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheet

(Millions of Yen)

	March 31, 2021	September 30, 2021
Assets		
Current assets		
Cash and deposits	22,362	25,197
Notes and accounts receivable - trade	13,219	11,749
Short-term investment securities	5,621	3,320
Inventories	3,011	2,674
Income taxes receivable	173	84
Other	2,292	3,528
Allowance for doubtful accounts	(15)	(15)
Total current assets	46,664	46,539
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	19,454	19,046
Land	12,543	12,544
Other, net	7,762	7,727
Total property, plant and equipment	39,760	39,318
Intangible assets		
Software	1,145	1,219
Software in progress	503	367
Goodwill	1,203	1,139
Other	142	127
Total intangible assets	2,995	2,853
Investments and other assets		
Investment securities	18,606	18,179
Other	11,042	11,230
Allowance for doubtful accounts	(33)	(32)
Total investments and other assets	29,614	29,377
Total non-current assets	72,370	71,548
Deferred assets		
Bond issuance cost	44	39
Total deferred assets	44	39
Total assets	119,079	118,127

(Millions of Yen)

	March 31, 2021	September 30, 2021
Liabilities		
Current liabilities		
Current portion of long term loans payable	564	551
Current portion of bonds	26	26
Accounts payable-other	6,615	7,135
Income taxes payable	1,060	430
Provision	450	423
Other	6,395	5,179
Total current liabilities	15,112	13,746
Non-current liabilities		
Long term loans payable	1,200	2,099
Bonds payable	10,039	10,026
Net defined benefit liability	14,111	13,669
Other	8,915	9,042
Total non-current liabilities	34,266	34,837
Total liabilities	49,378	48,583
Net assets		
Shareholders' equity		
Capital stock	5,299	5,299
Capital surplus	5,862	5,874
Retained earnings	52,910	53,673
Treasury stock	(402)	(376)
Total shareholders' equity	63,670	64,471
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	3,320	2,415
Foreign currency translation adjustment	(129)	(128)
Remeasurements of defined benefit plans	(825)	(721)
Total valuation and translation adjustments	2365	1,565
Subscription rights to shares	-	8
Non-controlling interests	3,664	3,498
Total net assets	69,700	69,543
Total liabilities and net assets	119,079	118,127

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

Quarterly Consolidated Statement of Income
For the First Half of Fiscal 2020 and 2021

(Millions of Yen)

	First Half of Fiscal 2020 (April 1, 2020 to September 30, 2020)	First Half of Fiscal 2021 (April 1, 2021 to September 30, 2021)
Net sales	33,077	40,889
Cost of sales	23,358	27,723
Gross profit	9,718	13,165
Selling, general and administrative expenses	10,836	11,930
Operating income (loss)	(1,118)	1,234
Non-operating income		
Interest income	5	5
Dividends income	106	91
Subsidy income	47	190
Other	105	55
Total non-operating income	265	343
Non-operating expenses		
Interest expenses	12	16
Loss on disposal of non-current assets	24	13
Other	10	8
Total non-operating expenses	47	39
Ordinary income (loss)	(900)	1,539
Extraordinary income		
Gain on sales of investment securities	-	267
Gain on reversal of provision for loss on venue closing	22	-
Total extraordinary income	22	267
Extraordinary loss		
Loss on valuation of investment securities	-	56
Loss on valuation of stocks of subsidiaries and affiliates	33	-
Special retirement expenses	57	-
Total extraordinary loss	91	56
Income (loss) before income taxes	(970)	1,750
Income taxes	(235)	772
Profit (loss)	(734)	977
Profit (loss) attributable to non-controlling interests	(130)	(155)
Profit (loss) attributable to owners of parent	(604)	1,133

Quarterly Consolidated Statement of Comprehensive Income
For the First Half of Fiscal 2020 and 2021

(Millions of Yen)

	First Half of Fiscal 2020 (April 1, 2020 to September 30, 2020)	First Half of Fiscal 2021 (April 1, 2021 to September 30, 2021)
Profit (loss)	(734)	977
Other comprehensive income		
Valuation difference on available-for-sale securities, net of tax	648	(905)
Foreign currency translation adjustment	(89)	0
Remeasurements of defined benefit plans, net of tax	152	103
Total other comprehensive income	710	(800)
Comprehensive income	(24)	176
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	107	332
Comprehensive income attributable to non-controlling interests	(131)	(155)

(3) Notes regarding Quarterly Consolidated Financial Statements

(Going Concern Assumptions)

Not applicable.

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

Not applicable.

(Changes in accounting policies)

The Company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020; hereinafter “Revenue Recognition Accounting Standard”), etc. from the beginning of the first quarter of fiscal 2021. Accordingly, revenue is recognized when the control of promised goods or services is transferred to a customer at an amount that the Company expects to receive in exchange for transferring the goods or services to the customer. Major changes due to the application of the Revenue Recognition Accounting Standard, etc. are as follows:

(1) Revenue recognition for agent transactions

The Company previously recognized revenue in the gross amount of consideration to be received from customers. From fiscal 2021, for transactions in which the Group acts as an agent in the provision of goods or services to customers, revenue is recognized in the net amount of consideration to be received from customers, after deducting the costs payable to third parties.

(2) Revenue recognition for transactions that do not require refunds

The Company previously recognized revenue in a lump sum at the time of receiving payments. From fiscal 2021, if the Group’s performance obligation is considered to be for the transfer of goods or services in the future, revenue is recognized at the time of the provision of the goods or services in the future.

(3) Revenue recognition for transactions in which the Company grants licenses

For some transactions in which the Company grants licenses, the Company previously recognized revenue at the time of receiving payments or at the time of delivery, etc. From fiscal 2021, revenue is recognized (i) when a customer becomes able to obtain benefit from the license through the use of the license, in cases where a performance obligation is satisfied at a point in time based on each contract; (ii) over a period of time, such as the contract period, by following the method to measure the progress towards complete satisfaction of a performance obligation as determined by each contract, in cases where the performance obligation is satisfied over time; or (iii) at a time when a customer recognizes sales revenue, etc. or when a performance obligation is satisfied, whichever is later, in cases where the consideration to be received for the grant of licenses is related to sales-based or usage-based royalties.

The application of the Revenue Recognition Accounting Standard, etc. follows the provisional treatment stipulated in the proviso of Paragraph 84 of the Revenue Recognition Accounting Standard. The cumulative effect of retrospectively applying the new accounting policy to the periods prior to the beginning of the first quarter is added to or subtracted from retained earnings at the beginning of the first quarter, and the new accounting policy is applied from the said beginning balance. However, applying the method stipulated in Paragraph 86 of the Revenue Recognition Accounting Standard, the new accounting policy has not been retrospectively applied to the contracts in which almost all revenue was recognized under the previous accounting treatment prior to the beginning of the first quarter. Additionally, applying the method stipulated in item (1) of Paragraph 86 of the Revenue Recognition Accounting Standard, modifications to the contracts that had been made prior to the beginning of the first quarter were accounted for based on terms and conditions that reflect all the modifications, and the resulting cumulative effect is added to or subtracted from retained earnings at the beginning of the first quarter.

As a result, net sales for the first half of fiscal 2021 decreased ¥604 million, cost of sales decreased ¥478 million, and selling, general and administrative expenses decreased ¥277 million, while operating income, ordinary income and income before income taxes each increased ¥151 million. Additionally, the beginning balance of retained earnings decreased ¥165 million.

In addition, following the provisional treatment stipulated in Paragraph 28-15 of the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12, March 31, 2020), information on the disaggregation of revenue from contracts with customers for the first half of fiscal 2020 is not presented.

(Segment Information, etc.)

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

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 and Content	Lifestyle	Total		
Sales					
Revenues from external customers	26,329	6,747	33,077	—	33,077
Transactions with other segments	358	232	590	(590)	—
Total	26,687	6,979	33,667	(590)	33,077
Segment profit or loss	(1,104)	143	(960)	(157)	(1,118)

Notes:

1. The adjustment to transactions with other segments of negative ¥590 million represents the amount of intersegment transaction elimination.
2. The adjustment to segment profit or loss 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.

First Half of Fiscal 2021 (April 1, 2021 to September 30, 2021)

(Millions of Yen)

	Reportable Segment			Adjustments (Note 1, 2)	Amounts Recorded on Quarterly Consolidated Statement of Income (Note 3)
	Broadcasting and Content	Lifestyle	Total		
Sales					
Revenues from external customers	33,954	6,934	40,889	—	40,889
Transactions with other segments	174	271	446	(446)	—
Total	34,129	7,206	41,336	(446)	40,889
Segment profit or loss	962	412	1,374	(140)	1,234

Notes:

1. The adjustment to transactions with other segments of negative ¥446 million represents the amount of intersegment transaction elimination.
2. The adjustment to segment profit of negative ¥140 million represents the elimination of intersegment transactions of ¥12 million and the amount of expenses which do not belong to any reportable segment of negative ¥152 million, mainly regarding development of new business and market.
3. Segment profit refers to operating income recorded on the quarterly consolidated statement of income.

2. Matters regarding Changes in Reportable Segments, Etc.

The Company resolved at a meeting of its Board of Directors held on May 12, 2021 to change the classification of its reportable segments.

As announced in the 2021–2025 Medium-Term Management Strategy NEW HOPE, for the Group to grow as a comprehensive content business group that continues to evolve while adapting to changing social conditions and contributes to the development of society as a dynamic and creative corporate organization, the Group decided to change the classification of its reportable segments.

From the first quarter of fiscal 2021, the classification has been changed from the previous segments of the broadcasting business, the housing business and the golf business in the previous fiscal year, to the broadcasting and content business and the lifestyle business.

Additionally, as described in “Changes in accounting policies,” the Revenue Recognition Accounting Standard, etc. have been applied from the beginning of the first quarter of fiscal 2021, and the accounting treatment for revenue recognition has been changed. Accordingly, the calculation method of profit or loss for the business segments has been changed in the same manner.

As a result of this change, for the first half of fiscal 2021, net sales for the broadcasting and content business decreased ¥139 million and segment profit increased ¥169 million, while net sales for the lifestyle business decreased ¥464 million and segment profit decreased ¥18 million, when compared to the previous method.