

Consolidated Financial Report for the Second Quarter of Fiscal 2019
(The Fiscal Year Ending March 31, 2020 under Japanese GAAP)



November 7, 2019

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 Stock Exchange Listing: Tokyo Stock Exchange
 Securities Code: 9405
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 Scheduled Date of Dividend Payment Commencement: December 2, 2019
 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 2019 (April 1, 2019 to September 30, 2019)

(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 2019	40,228	2.4	1,365	38.0	1,507	26.2	866	(42.5)
First Half of Fiscal 2018	39,280	0.9	990	19.4	1,194	17.0	1,508	145.5

Note: Comprehensive Income First half of fiscal 2019: ¥480 million (-77.1%)
 First half of fiscal 2018: ¥2,098 million (66.4%)

	Basic Earnings per Share	Diluted Earnings per Share
	¥	¥
First Half of Fiscal 2019	21.17	—
First Half of Fiscal 2018	36.91	—

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity-to-Asset Ratio
	¥ million	¥ million	%
September 30, 2019	117,295	69,211	55.4
March 31, 2019	107,788	67,049	60.5

(Reference) Shareholders' Equity September 30, 2019: ¥65,028 million
 March 31, 2019: ¥65,223 million

2. Dividends

	Annual Dividend per Share				
	1Q-End	2Q-End	3Q-End	Period-End	Total
	¥	¥	¥	¥	¥
Fiscal 2018	—	10.00	—	18.00	28.00
Fiscal 2019	—	9.00			
Fiscal 2019 (Forecast)			—	9.00	18.00

Note: Revisions from recently announced dividend forecast: None

3. Consolidated Financial Results Forecasts for Fiscal 2019 (April 1, 2019 to March 31, 2020)

(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	85,000	3.7	3,700	(13.2)	4,000	(12.9)	2,500	(33.2)	61.04

Note: Revisions from recently announced performance forecast: Yes

* Notes

(1) Changes in the number of important subsidiaries during the period: Yes

(changes in specified subsidiaries resulting in a change in the scope of consolidation)

Newly added: One company (Company name: DLE, Inc.)

(2) Application of special accounting treatment for the preparation of the 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, 2019	41,833,000 shares	March 31, 2019	41,833,000 shares
2) Number of treasury shares as of the period-end	September 30, 2019	850,018 shares	March 31, 2019	936,032 shares
3) Average number of shares issued and outstanding for the period	September 30, 2019	40,933,158 shares	September 30, 2018	40,862,655 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, scheduled for Monday, November 18, 2019. A summary of the presentation materials to be distributed at this briefing shall be published on the Company's website after 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 2019, which extended from April 1, 2019 to September 30, 2019, while the Japanese economy continued to show steady corporate earnings and employment trends, uncertainty grew in overseas economies amid issues such as prolonged U.S-China trade friction and Brexit.

Under these circumstances, net sales of the broadcasting field where the Asahi Broadcasting Group (the Group) conducts its core business, increased due to an increase in TV network sales and other factors despite a decrease in TV sport advertising sales. Net sales of the housing business were down due to a decrease in revenue from sales of real estate and other factors. Net sales of the golf business increased due to an increase in play revenue and other factors. As a result of these factors, the Group's net sales for the first half of fiscal 2019 increased ¥947 million, or 2.4%, compared to the same period of the previous fiscal year and amounted to ¥40,228 million. From the cost standpoint, cost of sales increased ¥281 million (1.1%) compared with the same period of the previous fiscal year, to ¥26,897million. Selling, general and administrative expenses increased ¥291 million (2.5%) compared with the same period of the previous fiscal year, to ¥11,965 million. As a result of the above, operating income for the period increased ¥375 million, or 38.0%, to ¥1,365 million, while ordinary income totaled ¥1,507 million, an increase of ¥312 million, or 26.2%. Additionally, as extraordinary loss, ¥80 million in special retirement expenses was recorded. As a result, income before income taxes were ¥1,426 million, an increase of ¥334 million, or 30.7%, while profit attributable to owners of parent was ¥866 million, a decrease of ¥641 million, or 42.5%, due to the lack of favorable effects from tax effect accounting regarding corporate division and other factors in the same period of the previous fiscal year.

Operating results by business segment are as follows:

Broadcasting Business

Net sales in the broadcasting business totaled ¥34,192 million, up ¥1,665 million, or 5.1%, compared to the same period of the previous fiscal year. The principal factor accounting for this increase in revenue is an increase in TV network sales. On the other hand, operating expenses increased 4.0% from the same period of the previous fiscal year, owing to factors including an increase in program expenses. As a result, operating income amounted to ¥100 million, an increase of ¥343 million, or 52.2%, from the same period of the previous fiscal year.

Housing Business

In the housing business, net sales amounted to ¥5,517 million, a decrease of ¥788 million, or 12.5%, compared with the same period of the previous fiscal year. The principal factor was the absence of sales of real estate in the period under review. Meanwhile, operating expenses dropped 13.6% mainly as a reaction to the cost price appropriation consequent upon the sales of real estate in the previous fiscal year. As a result, operating income amounted to ¥454 million, an increase of ¥8 million, or 2.0%, from the same period of the previous fiscal year.

Golf Business

Net sales in the golf business amounted to ¥518 million, an increase of ¥71 million, or 15.9%, compared with the same period of the previous fiscal year. Principal factors were an increase in play revenue from a higher number of visitors and an increase in registration fee income upon new membership recruitment. On the other hand, operating expenses rose 3.0% due to increased labor expenses and depreciation and amortization. As a result, operating income amounted to ¥60 million, an increase of ¥58 million 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 2019 were ¥117,295 million, ¥9,507 million higher than at the end of the previous fiscal year (March 31, 2019). This was primarily attributable to an increase in cash and deposits in line with the issuance of bonds and an increase in short-term loans payable.

(Liabilities)

Total liabilities were ¥48,083 million, ¥7,345 million higher than at the end of the previous fiscal year. The principal reason 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 ¥69,211 million, ¥2,161 million higher than at the end of the previous fiscal year. This was mainly attributable to an increase in non-controlling interests due to the consolidation of DLE, Inc. and MASH CORPORATION.

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

Taking into account factors such as the year-on-year increase in consolidated net sales for the first half of fiscal 2019 and the effects of newly consolidated subsidiaries, the Group has made an upward revision to its forecast for net sales for the full fiscal year. No revisions have been made to operating income, ordinary income or profit attributable to owners of parent of the previous forecasts because the Group expects negative impacts of the deteriorating TV spot advertising market on profit and other factors.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheet

(Millions of Yen)

	March 31, 2019	September 30, 2019
Assets		
Current assets		
Cash and deposits	16,337	27,454
Notes and accounts receivable - trade	13,550	12,076
Short-term investment securities	200	204
Inventories	5,114	5,207
Income taxes receivable	312	69
Other	2,345	2,194
Allowance for doubtful accounts	(9)	(16)
Total current assets	37,852	47,190
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	19,721	19,327
Land	10,769	10,769
Other, net	7,346	7,280
Total property, plant and equipment	37,837	37,378
Intangible assets		
Software	1,167	1,189
Software in progress	105	86
Goodwill	-	368
Other	109	123
Total intangible assets	1,381	1,767
Investments and other assets		
Investment securities	18,406	18,653
Other	12,320	12,314
Allowance for doubtful accounts	(10)	(36)
Total investments and other assets	30,716	30,932
Total non-current assets	69,935	70,078
Deferred assets		
Bond issuance cost	-	26
Total deferred assets	-	26
Total assets	107,788	117,295

(Millions of Yen)

	March 31, 2019	September 30, 2019
Liabilities		
Current liabilities		
Short-term loans payable	-	3,310
Current portion of long term loans payable	240	562
Current portion of bonds	-	23
Accounts payable - other	6,475	6,466
Income taxes payable	934	511
Provision	113	48
Other	5,365	4,445
Total current liabilities	13,129	15,367
Non-current liabilities		
Long term loans payable	740	962
Bonds payable	-	5,081
Net defined benefit liability	17,092	16,626
Other	9,777	10,047
Total non-current liabilities	27,609	32,716
Total liabilities	40,738	48,083
Net assets		
Shareholders' equity		
Capital stock	5,299	5,299
Capital surplus	5,775	5,793
Retained earnings	53,241	53,372
Treasury stock	(470)	(426)
Total shareholders' equity	63,846	64,039
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	3,018	2,523
Remeasurements of defined benefit plans	(1,641)	(1,533)
Total valuation and translation adjustments	1,377	989
Subscription rights to shares	-	0
Non-controlling interests	1,826	4,182
Total net assets	67,049	69,211
Total liabilities and net assets	107,788	117,295

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

Quarterly Consolidated Statement of Income

For the First Half of Fiscal 2018 and 2019

(Millions of Yen)

	First Half of Fiscal 2018 (April 1, 2018 to September 30, 2018)	First Half of Fiscal 2019 (April 1, 2019 to September 30, 2019)
Net sales	39,280	40,228
Cost of sales	26,616	26,897
Gross profit	12,664	13,331
Selling, general and administrative expenses	11,673	11,965
Operating income	990	1,365
Non-operating income		
Interest income	21	10
Dividends income	142	132
Other	63	83
Total non-operating income	227	225
Non-operating expenses		
Interest expenses	4	8
Loss on disposal of non-current assets	15	4
Loss on investments in silent partnership	-	64
Other	2	6
Total non-operating expenses	22	83
Ordinary income	1,194	1,507
Extraordinary loss		
Special retirement expenses	103	80
Total extraordinary loss	103	80
Income before income taxes	1,091	1,426
Income taxes	(445)	559
Profit	1,536	867
Profit attributable to non-controlling interests	28	1
Profit attributable to owners of parent	1,508	866

Quarterly Consolidated Statement of Comprehensive Income
For the First Half of Fiscal 2018 and 2019

(Millions of Yen)

	First Half of Fiscal 2018 (April 1, 2018 to September 30, 2018)	First Half of Fiscal 2019 (April 1, 2019 to September 30, 2019)
Profit	1,536	867
Other comprehensive income		
Valuation difference on available-for-sale securities, net of tax	257	(494)
Remeasurements of defined benefit plans, net of tax	304	107
Total other comprehensive income	561	(387)
Comprehensive income	2,098	480
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	2,069	479
Comprehensive income attributable to non-controlling interests	28	1

(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 and Loss for Each Reportable Segment

First Half of Fiscal 2018 (April 1, 2018 to September 30, 2018)

(Millions of Yen)

	Reportable Segment				Adjustments (Notes 1, 2)	Amounts Recorded on Quarterly Consolidated Statement of Income (Note 3)
	Broadcasting	Housing	Golf Club	Total		
Sales						
Revenues from external customers	32,527	6,305	447	39,280	—	39,280
Transactions with other segments	294	11	19	325	(325)	—
Total	32,821	6,317	467	39,605	(325)	39,280
Segment profit	657	446	2	1,105	(115)	990

Notes:

1. The adjustment to transactions with other segments of negative ¥325 million represents the amount of intrasegment transaction elimination.
2. The adjustment to segment profit of negative ¥115 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 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.