February 5, 2020

Flash Report [Japanese GAAP] (Consolidated Basis)

Results for the nine months ended December 31, 2019

Company name: Fuji Media Holdings, Inc.

Stock listing: Tokyo Stock Exchange Code number: 4676 URL: https://www.fujimediahd.co.jp/en
Representative: Osamu Kanemitsu, President and Representative Director
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Scheduled date of filing quarterly securities report: February 13, 2020
Scheduled date of commencing dividend payments: —
Availability of supplementary briefing material on quarterly financial results: Available
Schedule of quarterly financial results briefing session: No

(Figures less than ¥1 million have been omitted.)

1. Consolidated Financial Results

(1) Business Performance

Nine months ended December 31 — Percentages indicate year-on-year increases/(decreases).

	Net sales		Operating income		Recurring profit		Net income attributable to owners of the parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
2019	477,936	6.6	24,717	14.0	30,891	12.1	34,466	123.2
2018	448,529	(6.5)	21,679	7.2	27,562	2.8	15,444	(19.1)

(Note) Comprehensive income: Nine months ended December 31, 2019: ¥42,462 million, 165.7%,
Nine months ended December 31, 2018: ¥15,979 million, (67.6)%

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
2019	148.89	—
2018	66.69	—

(2) Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
December 31, 2019	1,280,744	770,931	59.4
March 31, 2019	1,290,484	743,348	56.5

(Reference) Total shareholders' equity: December 31, 2019:¥760,738 million,
March 31, 2019: ¥729,354 million

2. Dividends

Year ended March 31, 2019/ Year ending March 31, 2020

	Dividends per share				
	1Q	2Q	3Q	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
2019	—	22.00	—	22.00	44.00
2020	—	22.00	—		
2020 (Forecast)				22.00	44.00

(Note) Revision to the most recently announced dividends forecast: None

Breakdown of dividends per share for the year ended March 31, 2019:

2Q: Ordinary dividend: ¥20.00, Commemorative dividend: ¥2.00

Year-end: Ordinary dividend: ¥20.00, Commemorative dividend: ¥2.00

3. Forecasts of Consolidated Financial Results for the Fiscal Year Ending March 31, 2020

Percentages indicate year-on-year increases/(decreases).

	Net sales		Operating income		Recurring profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year	639,500	(4.4)	28,500	(17.9)	34,000	(19.0)

	Net income attributable to owners of the parent		Basic earnings per share
	Millions of yen	%	Yen
Fiscal year	33,900	43.5	146.44

(Note) Revision to the most recently announced earnings forecast: None

Notes:

1. Significant changes in subsidiaries (changes in specific subsidiaries involving a change in the scope of consolidation) during the subject period: None

   Additions: None Deletions: None

2. Adoption of special accounting treatment in preparing the quarterly consolidated financial statements: None

3. Changes in accounting policies, changes in accounting estimates, and modifications and restatements:
   1) Changes in accounting policies based on revision of accounting standards: None
   2) Changes in accounting policies other than 1) above: Yes
   3) Changes in accounting estimates: Yes
   4) Modifications and restatements: None

   (Note) The Company has changed the method of depreciation and years of useful life as from the three months ended June 30, 2019, and this is applicable under “Change in Accounting Policy Difficult to be Distinguished from Change in Accounting Estimates, and Change in Accounting Estimates.” For details, please refer to “2. CONSOLIDATED FINANCIAL STATEMENTS AND PRIMARY NOTES, (3) Notes to Consolidated Financial Statements, (Change in Accounting Policy Difficult to be Distinguished from Change in Accounting Estimates, and Change in Accounting Estimates)” on page 13.

4. Number of issued shares (Common stock)

	Nine months ended December 31, 2019	Year ended March 31, 2019
1) Number of issued shares (including treasury stock) at end of the period (shares)	234,194,500	234,194,500
2) Number of treasury stock at end of the period (shares)	2,706,481	2,695,505
		Nine months ended December 31, 2018
3) Average number of issued shares during the period (shares)	231,488,960	231,576,289

This flash report is outside the scope of quarterly review by certified public accountants or an audit firm.

Explanation of appropriate use of forecasts of financial results; other important items

The forward-looking statements made in this document, including the aforementioned forecasts, are based on all information available to the management at the time of this document's release and certain assumptions considered rational. Actual results may differ materially from the forecasts due to various factors in the future. Regarding the assumptions forming the forecast of financial results, please refer to "1. QUALITATIVE INFORMATION ON CONSOLIDATED FINANCIAL RESULTS FOR THE THIRD QUARTER OF THE FISCAL YEAR ENDING MARCH 31, 2020: (3) Explanation of Consolidated Financial Results Forecasts and Other Future Projections" on page 8.

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1. QUALITATIVE INFORMATION ON CONSOLIDATED FINANCIAL RESULTS FOR THE THIRD QUARTER OF THE FISCAL YEAR ENDING MARCH 31, 2020

(1) Explanation of Business Results

The Japanese government's Monthly Economic Report on the Japanese economy for the nine months ended December 31, 2019 (April 1, 2019 to December 31, 2019) states, "Concerning short-term prospects, weakness remains for the time being, but the economy is expected to continue recovering moderately, supported by the effects of various government policy measures, while the employment and income situation is improving. However, attention should be given to the situations in overseas economies, including the tension over trade issues, the prospect of the Chinese economy and Brexit, the effects of fluctuations in the financial and capital markets, as well as trends in consumer sentiment after the consumption tax rate hike." It also states that firms' judgments on business conditions "show increasing cautiousness, mainly among manufacturers."

Amid this economic environment, the consolidated net sales of Fuji Media Holdings Group (the "Group") increased during the nine months ended December 31, 2019, up 6.6% from the same period of the previous fiscal year to ¥477,936 million, as increases in the Urban Development, Hotels & Resorts segment offset slight decreases in the Media & Content segment.

In terms of earnings, operating income also increased 14.0% year-on-year to ¥24,717 million, as significant increases in the Urban Development, Hotels & Resorts segment offset decreases in the Media Content segment. Recurring profit increased 12.1% year-on-year to ¥30,891 million, and net income attributable to owners of the parent increased 123.2% year-on-year to ¥34,466 million due to the posting of a gain on return of substitutional portion of employees' pension fund as an extraordinary gain during the first quarter.

Results by operating segment are as follows.

Nine months ended December 31

	Net sales			Operating income		
	2018	**2019**	Change	2018	**2019**	Change
	Millions of yen	**Millions of yen**	%	Millions of yen	**Millions of yen**	%
Media & Content	392,370	**392,096**	(0.1)	17,209	**12,490**	(27.4)
Urban Development, Hotels & Resorts	52,116	**81,671**	56.7	4,383	**13,267**	202.7
Other	14,200	**14,733**	3.8	417	**379**	(9.1)
Eliminations	(10,158)	**(10,565)**	—	(330)	**(1,419)**	—
Total	448,529	**477,936**	6.6	21,679	**24,717**	14.0

Media & Content

Fuji Television Network, Inc. saw a decrease in broadcasting revenue due to a decrease in spot advertising revenue from the Kanto region as its market underperformed the previous year results despite an increase in its share, and a drop in network time advertising sales as a result of the struggling sales of regular programs. Revenue from other businesses overall decreased due to a reactionary drop in the event business after major events in the previous fiscal year, despite the contributions made by distribution revenue mainly from “ONE PIECE STAMPEDE,” “Tonde Saitama (Fly Me to the Saitama),” “Hit Me Anyone One More Time” and “THE CONFIDENCE MAN JP -The Movie-” and the secondary use of “SHOPLIFTERS” and “CODE BLUE The Movie” and other projects. As a result of the above, decreases in both revenue and earnings were recorded.

Fuji Satellite Broadcasting, Inc. saw a decline in broadcasting revenue overall due to sluggish growth in time advertising revenue despite strong spot advertising revenue. Along with an increase in expenses from BS 4K-resolution broadcasts, decreases in both revenue and earnings were recorded.

Nippon Broadcasting System, Inc. recorded increases in both revenue and earnings due to a strong performance mainly in the event business despite sluggish broadcasting revenue.

Pony Canyon Inc. posted an increase in revenue as a result of strong performances in streaming, events and goods revenues, in addition to a strong performance in the music division. As a result, an operating income was secured compared with an operating loss in the same period of the previous fiscal year.

Fujipacific Music Inc. recorded increases in both revenue and earnings as a result of strong performances in royalty and artists management revenues.

The Dinos business of Dinos Cecile Co., Ltd. recorded an increase in revenue due to continued strong performance particularly of beauty and health products in television shopping. However, in the Cecile business, revenue decreased as growth in the catalog business was sluggish. As a result, the entire business of Dinos Cecile Co., Ltd. posted decreases in both revenue and earnings.

Quaras Inc. posted an increase in revenue due to strong performances in web advertising, events and service contracts and sales of goods derived therefrom. However, as revenue mainly from television advertising fell below that of the same period of the previous fiscal year, earnings decreased.

Fuji Games, Inc. posted a decrease in revenue as fee revenue from new and existing titles struggled, resulting in the posting of an operating loss.

As a result, for the Media & Content segment overall, net sales decreased 0.1% from the same period of the previous fiscal year to ¥392,096 million, and segment operating income decreased 27.4% from the same period of the previous fiscal year to ¥12,490 million.

Urban Development, Hotels & Resorts

The Sankei Building Co., Ltd. recorded increases in both revenue and earnings, due to sales of some of the development properties of the asset development business, despite a decrease in revenue in the building business.

GRANVISTA Hotels & Resorts Co., Ltd. posted increases in both revenue and earnings, due mainly to the continued growth of foreign visitors to Japan.

As a result of the above, the Urban Development, Hotels & Resorts segment recorded net sales of ¥81,671 million, up 56.7% from the same period of the previous fiscal year, with segment operating income up 202.7% from the same period of the previous fiscal year to ¥13,267 million, recording a significant increase in earnings.

Other

Net sales in the Other segment overall increased 3.8% from the same period of the previous fiscal year to ¥14,733 million, and segment operating income decreased 9.1% from the same period of the previous fiscal year to ¥379 million.

The Fuji TV network affiliates, along with SANKEI SHIMBUN CO., LTD., WOWOW Inc. and ITOCHU Fuji Partners, Inc. contributed to the equity in earnings of affiliates.

(2) Explanation of Financial Position

Total assets at the end of the third quarter of the fiscal year under review (December 31, 2019) amounted to ¥1,280,744 million, a decrease of ¥9,740 million (0.8%) from the end of the previous fiscal year (March 31, 2019).

Total current assets amounted to ¥399,692 million, a decrease of ¥7,914 million (1.9%) from the end of the previous fiscal year. This was due mainly to decreases of ¥8,663 million in marketable securities and ¥8,476 million in cash and deposits; against an increase of ¥12,262 million in inventories.

Total noncurrent assets amounted to ¥880,581 million, a decrease of ¥1,737 million (0.2%) from the end of the previous fiscal year. This was due mainly to decreases of ¥8,429 million in deferred tax assets included in the “Other” line item under investments and other assets and ¥6,465 million in land; against an increase of ¥9,262 million in investment securities.

Total liabilities amounted to ¥509,812 million, a decrease of ¥37,323 million (6.8%) from the end of the previous fiscal year.

Total current liabilities amounted to ¥173,568 million, a decrease of ¥17,214 million (9.0%) from the end of the previous fiscal year. This was due mainly to decreases of ¥8,286 million in notes and accounts payable-trade, as well as ¥7,945 million in accrued income taxes and ¥5,583 million in accrued expenses, both included in the “Other” line item.

Total noncurrent liabilities amounted to ¥336,244 million, a decrease of ¥20,109 million (5.6%) from the end of the previous fiscal year. This was due mainly to a decrease of ¥28,530 million in net defined benefit liability resulting from the return of the substitutional portion of the Employees’ Pension Fund; against an increase of ¥6,789 million in long-term loans payable.

Total net assets amounted to ¥770,931 million, an increase of ¥27,583 million (3.7%) from the end of the previous fiscal year. This was due mainly to the recording of ¥34,466 million in net income attributable to owners of the parent; against the payment of ¥10,304 million in dividends of surplus.

(3) Explanation of Consolidated Financial Results Forecasts and Other Future Projections

Consolidated financial results during the nine months ended December 31, 2019 comprised slight decreases in revenue and earnings in the Media & Content segment, as well as an increase in revenue and a significant increase in earnings in the Urban Development, Hotels & Resorts segment. Overall consolidated performance has been mainly in line with the plan. Accordingly, the Company has made no changes to its full-year consolidated financial results forecasts for the fiscal year ending March 31, 2020 from those announced on May 15, 2019.

2. CONSOLIDATED FINANCIAL STATEMENTS AND PRIMARY NOTES

(1) Consolidated Balance Sheets

	Millions of yen	
	March 31, 2019	**December 31, 2019**
ASSETS		
Current assets:		
Cash and deposits	75,655	**67,179**
Notes and accounts receivable-trade	112,994	**105,882**
Marketable securities	107,300	**98,637**
Inventories	74,192	**86,454**
Other	38,179	**42,480**
Allowance for doubtful accounts	(715)	**(941)**
Total current assets	407,606	**399,692**
Noncurrent assets:		
Property, plant and equipment		
Buildings and structures, net	134,005	**128,914**
Land	266,168	**259,703**
Other, net	38,023	**44,944**
Total property, plant and equipment	438,197	**433,562**
Intangible assets		
Goodwill	923	**869**
Other	17,112	**18,321**
Total intangible assets	18,035	**19,191**
Investments and other assets		
Investment securities	378,036	**387,299**
Other	49,856	**42,292**
Allowance for doubtful accounts	(1,807)	**(1,764)**
Total investments and other assets	426,085	**427,827**
Total noncurrent assets	882,319	**880,581**
Deferred assets	558	**470**
Total assets	1,290,484	**1,280,744**

	Millions of yen	
	March 31, 2019	**December 31, 2019**
LIABILITIES		
Current liabilities:		
Notes and accounts payable-trade	47,796	**39,509**
Electronically recorded obligations-operating	15,218	**18,082**
Short-term loans payable	41,924	**43,814**
Provision for sales returns	990	**755**
Provision for directors' bonuses	392	**227**
Provision for point card certificates	448	**488**
Provision for environmental measures	—	**46**
Other	84,012	**70,641**
Total current liabilities	190,782	**173,568**
Noncurrent liabilities:		
Bonds payable	20,000	**20,000**
Long-term loans payable	157,063	**163,852**
Provision for directors' retirement benefits	2,272	**2,405**
Provision for environmental measures	46	**—**
Provision for loss on guarantees	37	**—**
Net defined benefit liability	65,747	**37,216**
Other	111,185	**112,769**
Total noncurrent liabilities	356,353	**336,244**
Total liabilities	547,136	**509,812**
NET ASSETS		
Shareholders' equity:		
Capital stock	146,200	**146,200**
Capital surplus	173,680	**173,794**
Retained earnings	315,956	**339,867**
Treasury stock	(3,808)	**(3,824)**
Total shareholders' equity	632,029	**656,037**
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	107,804	**108,027**
Deferred gains or losses on hedges	(205)	**(203)**
Revaluation reserve for land	616	**1,465**
Foreign currency translation adjustment	(995)	**(1,598)**
Remeasurements of defined benefit plans	(9,893)	**(2,990)**
Total accumulated other comprehensive income	97,325	**104,700**
Non-controlling interests	13,993	**10,193**
Total net assets	743,348	**770,931**
Total liabilities and net assets	1,290,484	**1,280,744**

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Consolidated Statements of Income

Nine months ended December 31

	Millions of yen	
	2018	**2019**
Net sales	448,529	**477,936**
Cost of sales	307,343	**335,579**
Gross profit	141,185	**142,356**
Selling, general and administrative expenses	119,506	**117,639**
Operating income	21,679	**24,717**
Non-operating income:		
Dividends income	2,622	**2,986**
Equity in earnings of affiliates	2,437	**3,006**
Other	2,179	**1,570**
Total	7,238	**7,564**
Non-operating expenses:		
Interests	875	**873**
Other	479	**517**
Total	1,355	**1,390**
Recurring profit	27,562	**30,891**
Extraordinary gain:		
Gain on return of substitutional portion of employees' pension fund	—	**18,832**
Other	1,014	**607**
Total	1,014	**19,440**
Extraordinary loss:		
Impairment loss	3,640	**2,185**
Other	596	**419**
Total	4,236	**2,604**
Income before income taxes	24,340	**47,728**
Income taxes-current	6,991	**7,019**
Income taxes-deferred	1,223	**5,894**
Total	8,214	**12,913**
Net income	16,125	**34,814**
Net income attributable to non-controlling interests	680	**347**
Net income attributable to owners of the parent	15,444	**34,466**

Consolidated Statements of Comprehensive Income

Nine months ended December 31

	Millions of yen	
	2018	**2019**
Net income	16,125	**34,814**
Other comprehensive income:		
Valuation difference on available-for-sale securities	(1,136)	**609**
Deferred gains or losses on hedges	26	**(8)**
Revaluation reserve for land	—	**875**
Foreign currency translation adjustment	83	**(554)**
Remeasurements of defined benefit plans	1,028	**7,065**
Share of other comprehensive income of affiliates accounted for using equity method	(147)	**(340)**
Total other comprehensive income	(146)	**7,647**
Comprehensive income	15,979	**42,462**
Comprehensive income attributable to:		
Comprehensive income attributable to owners of the parent	15,346	**41,840**
Comprehensive income attributable to non-controlling interests	633	**621**

(3) Notes to Consolidated Financial Statements

(Note on Assumptions for Going Concern)

Not applicable

(Notes in the Event of Major Change in Shareholders' Equity)

Not applicable

(Change in Accounting Policy Difficult to be Distinguished from Change in Accounting Estimates, and Change in Accounting Estimates)

(Change in Method of Depreciation and Change in Years of Useful Life)

Although the declining balance method has been used for some of the property, plant and equipment of the Company and some of its consolidated subsidiaries, it has been changed to the straight-line method as from the three months ended June 30, 2019.

As the result of the consideration of the use status of property, plant and equipment at the time of renewal of broadcasting transmission and other facilities, which are the main assets, the change was made because it was judged that the straight-line method in which the benefits of use are allocated to expense on an average basis would appropriately reflect the status of use thereof, on the grounds that renewal investments would basically continue stably and regularly for the maintenance of the facilities based on the medium-term business plan, that there would be a low risk of technical obsolescence and that the stable use thereof is expected in the future.

In addition, although some of the broadcasting machinery and equipment owned by some of the consolidated subsidiaries has been depreciated based on a useful life of 6 years, the useful life thereof has been revised to 10 years as from the three months ended June 30, 2019 because by carrying out regular maintenance and the like, renewal investments are expected to be made about every 10 years. The useful life will prospectively be changed.

As a result, in comparison with those under the previous method, operating income, recurring profit and income before income taxes each increased by ¥701 million for the nine months ended December 31, 2019.

(Segment Information)

I. Nine months ended December 31, 2018

1. Information on Amounts of Net Sales and Profit or Loss by Reported Segment

(Millions of yen)

	Reported segment			Other (Note 1)	Total	Adjustment (Note 2)	Consolidated statement of income (Note 3)
	Media & Content	Urban Development, Hotels & Resorts	Total				
Net sales:							
Net sales to third parties	391,991	51,749	443,740	4,788	448,529	—	448,529
Inter-segment net sales and transfers	379	367	746	9,411	10,158	(10,158)	—
Total net sales	392,370	52,116	444,487	14,200	458,687	(10,158)	448,529
Segment operating income	17,209	4,383	21,592	417	22,010	(330)	21,679

Notes: 1. The “Other” category is a business segment not included in reported segments. It includes such operations as temporary agency services, movables leasing and software development.

2. The segment operating income adjustment of minus ¥330 million mainly comprises ¥2,953 million in eliminations of inter-segment business, together with minus ¥3,284 million in Group-wide expenses not allocated to a particular reported segment. Group-wide expenses are the expenses of the parent company as a certified broadcast holding company.

3. Segment operating income is adjusted to the operating income figure on the Consolidated Statement of Income.

2. Information on Impairment Loss on Noncurrent Assets and Goodwill, etc. by Reported Segment

(Material Impairment Loss on Noncurrent Assets)

In the “Media & Content” segment, an impairment loss is recorded for assets in the Cecile business of Dinos Cecile Co., Ltd. because the amount invested is no longer expected to be recoverable due to a deterioration in profitability. The impairment loss recorded during the nine months ended December 31, 2018 is ¥3,630 million.

II. Nine months ended December 31, 2019

1. Information on Amounts of Net Sales and Profit or Loss by Reported Segment

(Millions of yen)

	Reported segment			Other (Note 1)	Total	Adjustment (Note 2)	Consolidated statement of income (Note 3)
	Media & Content	Urban Development, Hotels & Resorts	Total				
Net sales:							
Net sales to third parties	391,683	81,317	473,001	4,934	477,936	—	477,936
Inter-segment net sales and transfers	413	353	766	9,798	10,565	(10,565)	—
Total net sales	392,096	81,671	473,767	14,733	488,501	(10,565)	477,936
Segment operating income	12,490	13,267	25,757	379	26,137	(1,419)	24,717

Notes: 1. The “Other” category is a business segment not included in reported segments. It includes such operations as temporary agency services, movables leasing and software development.

2. The segment operating income adjustment of minus ¥1,419 million mainly comprises ¥2,162 million in eliminations of inter-segment business, together with minus ¥3,582 million in Group-wide expenses not allocated to a particular reported segment. Group-wide expenses are the expenses of the parent company as a certified broadcast holding company.

3. Segment operating income is adjusted to the operating income figure on the Consolidated Statement of Income.

2. Matters concerning Changes of the Reported Segment

(Change in Method of Depreciation and Change in Years of Useful Life)

As stated in “Change in Accounting Policy Difficult to be Distinguished from Change in Accounting Estimates, and Change in Accounting Estimates,” although the declining balance method has been used for some of the property, plant and equipment of the Company and some of its consolidated subsidiaries, it has been changed to the straight-line method as from the three months ended June 30, 2019. In addition, the useful life has been revised from 6 years to 10 years for some of the broadcasting machinery and equipment owned by some of the consolidated subsidiaries and the useful life will prospectively be changed as from the three months ended June 30, 2019.

As a result of the change, segment operating income for the nine months ended December 31, 2019 increased ¥697 million in the Media & Content segment. In addition, Group-wide expenses not allocated to a particular reported segment decreased ¥4 million.

3. Information on Impairment Loss on Noncurrent Assets and Goodwill, etc. by Reported Segment

(Material Impairment Loss on Noncurrent Assets)

In the “Urban Development, Hotels & Resorts” segment, an impairment loss of ¥2,182 million is recorded. This impairment loss comprised ¥1,533 million due to a change of the purpose of ownership of real estate from renting to sale by The Sankei Building Co., Ltd. and ¥648 million due to the decision to sell the real estate held by GRANVISTA Hotels & Resorts Co., Ltd.

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