

# Analysis of Financial Position and Business Results (MD&A)

## [Business Results]

### Performance Highlights

During FY2020, the Japanese economy experienced a significant impact from the COVID-19 pandemic worldwide, and business conditions deteriorated rapidly after the declaration of a state of emergency in April. After the declaration was lifted in May, the economy showed some signs of recovery supported by the Japanese government's financial measures. However, the infection spread again in January, and the state of emergency has been declared several times since then, thus the outlook still remains uncertain.

Under such circumstances, total advertising expenditures in Japan amounted to ¥6,159.4 billion (down 11.2% year on year), marking the first negative growth in nine years since 2011, the year of the Great East Japan Earthquake (based on "Japan's advertising expenditures for calendar 2020," released by Dentsu). Of which, terrestrial TV advertising expenditures accounted for ¥1,538.6 billion (down 11.3% year on year), satellite media-related expenditures accounted for ¥117.3 billion (down 7.4% year on year), and radio advertising expenditures accounted for ¥106.6 billion (down 15.4% year on year). On the other hand, online advertising expenditures increased from the previous year to ¥2,229 billion (up 5.9% year on year).

The TV advertising market remained very challenging, with spot advertising expenditures in the Kanto region at a year-on-year rate of 86.4%.

Against this backdrop, the TBS Group's consolidated net sales for FY2020 (Figure 1) totaled ¥325.682 billion (down 8.7% year on year) due to a significant decrease in time and spot commercial sales revenue. In addition, the infection spread of COVID-19 has led to the cancellation, postponement, and restricted admission of events, resulting in a decrease in box office sales.

Operating expenses (sum of cost of sales and selling, general and administrative expenses) totaled ¥314.840 billion (down 8.4% year on year) due to a reactionary decline in production costs and broadcasting rights fees related to one-off major sports events in the previous fiscal year and a decrease in advertising agency commissions.

As a result, operating profit (Figure 2) reached ¥10.841 billion (down 17.3% year on year). Ordinary income totaled ¥19.233 billion (down 9.6% year on year), mainly due to a decrease of dividends received, and net income attributable to owners of parent (Figure 3) totaled ¥28.072 billion (down 7.0% year on year), mainly due to a gain on sales of investment securities as extraordinary income.

Figure 1 Net sales

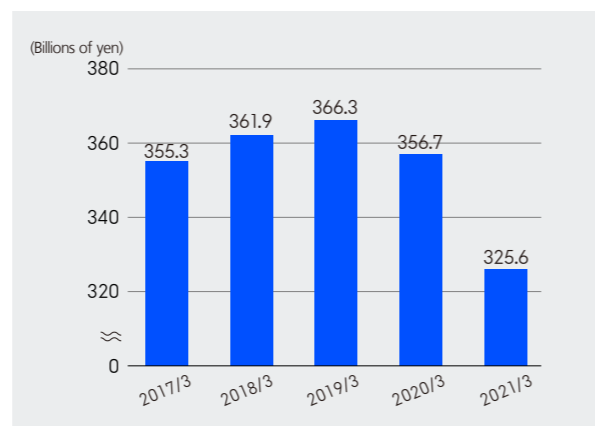


Figure 2 Operating profit/ Ratio of operating profit to net sales

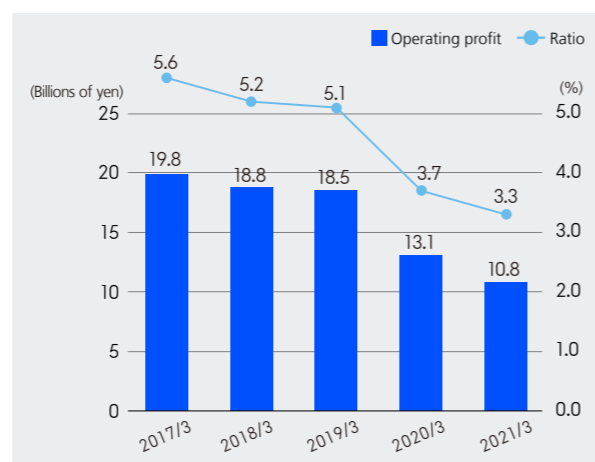
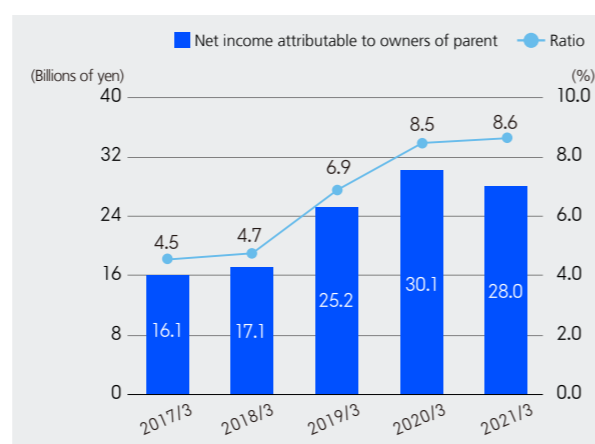


Figure 3 Net income attributable to owners of parent/ Ratio of net income to net sales



### Performance by Segment

#### Media Content Business Segment

The Media Content Business segment reported net sales of ¥253.778 billion (down 6.1% year on year) and operating profit of ¥2.881 billion (up 19.6% year on year) in FY2020 (Figure 4).

Net sales in the Television division of TOKYO BROADCASTING SYSTEM TELEVISION, INC. for FY2020 decreased ¥13.936 billion to ¥168.147 billion (down 7.7% year on year). Of these, time sales revenue totaled ¥78.467 billion (down 10.0% year on year), spot sales revenue totaled ¥69.879 billion (down 11.9% year on year), and content sales revenue, which advertising revenue earned through domestic broadcast syndication and free video streaming, totaled ¥15.870 billion (up 45.7% year on year). In terms of time revenue, in addition to the reaction to "IAAF World Championships Doha 2019" in the previous year, sales declined significantly due to a series of cancellations and postponements of large-scale one-off events, mainly sports programs, led by the postponement of "Tokyo 2020 Olympic Games" due to the spread of COVID-19, as well as sluggish regular sales. In the spot advertising market, the share of five stations increased to 19.7% (up 0.4 points year on year), but the market conditions remained harsh, as advertisers in the Kanto area dropped 13.6% from the previous year, resulting in a year-on-year decline. Content revenue saw a significant increase in both free and paid video streaming, capturing the demand for "stay-at-home" that has increased due to changes in lifestyles since the declaration of a state of emergency.

Net sales in the business division of TOKYO BROADCASTING SYSTEM TELEVISION, INC. for FY2020 decreased ¥6.862 billion to ¥18.441 billion (down 27.1% year on year).

For events, concerts and stage performances, sales decreased significantly due to continued admission restrictions as a measure against the spread of COVID-19 even after the declaration was lifted. In the film business, *Threads - Our Tapestry of Love* and the *Hinatazaka46 documentary Movie: Debut after 3 years* had a long run, but the sales fell short of the revenue scale compared to the year-ago period. In the overseas business, although there were some signs of improvement in market conditions, mainly in the Asian market, sales dropped as market conditions remained severe.

In the media business, sales increased in the CS business thanks to improved channel unit prices from various platforms, but, overall sales decreased due to the transfer of the streaming business to the Television division. The licensing business recorded an increase in sales thanks to strong demand for shopping programs and DVDs, and hit products related to high-rating dramas such as *MIU404*.

Net sales of BS-TBS, INC. for FY2020 decreased ¥1.475 billion to ¥15.374 billion (down 8.8% year on year) due to a decline in one-off sports event programs impacted by the spread of COVID-19 and sluggish regular sales.

Net sales of TBS RADIO, Inc. for FY2020 decreased ¥1.074 billion to ¥8.492 billion (down 11.2% year on year) in the midst of a difficult radio advertising market.

In terms of expenses, in addition to a significant decrease in production costs due to the cancellation or postponement of program recordings as a result of the spread of COVID-19, the business division also saw a decrease in expenses due to the cancellation of events and performances.

As a result, operating profit (Figure 4) in the segment increased ¥471 million to ¥2.881 billion (up 19.6% year on year).

Share of consolidated net sales by segment (FY2020)

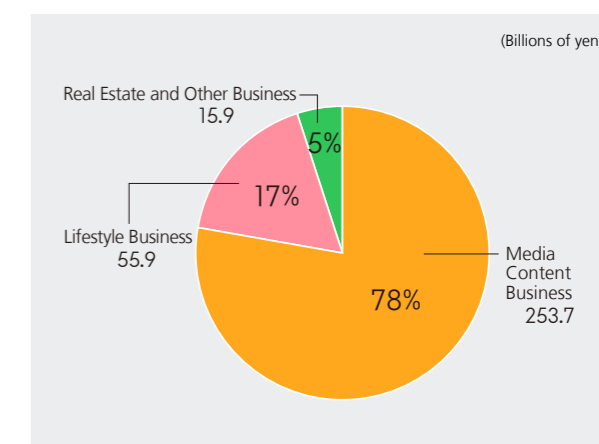
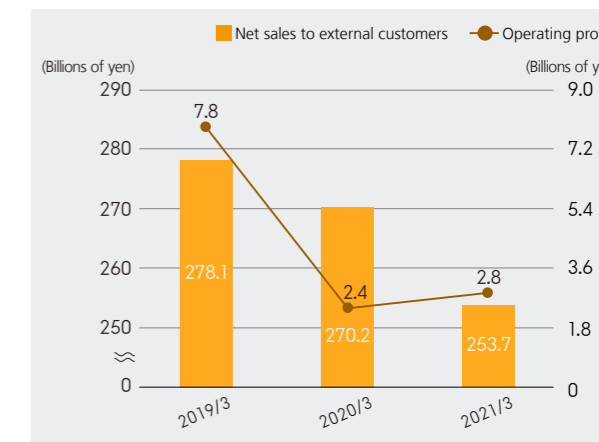


Figure 4 Net sales/Operating profit by segment (Media Content Business)



## Analysis of Financial Position and Business Results (MD&A)

### ◆ Lifestyle Business Segment

The Lifestyle Business segment reported **net sales** of ¥55.983 billion (down 20.0% year on year) and **operating profit** of ¥281 million (down 89.8% year on year) in FY2020 (Figure 5).

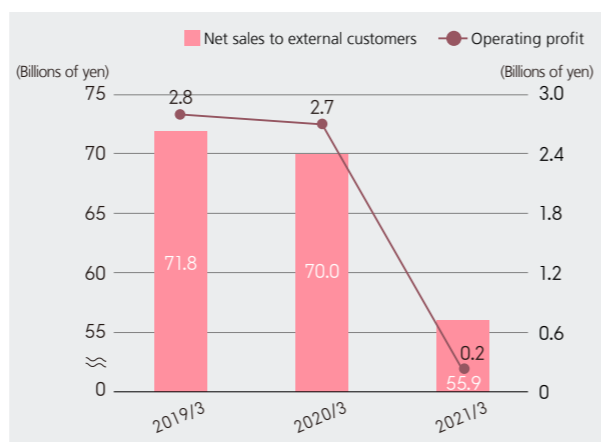
StylingLife Group saw increases in both sales and profit in the mail-order business LightUp Shopping Club Inc. thanks to the expansion of demand for stay-at-home. However, both sales and profits decreased significantly due to the significant impact of temporary closures and shortened business hours at stores in the core retail business, PLAZASTYLE COMPANY.

### ◆ Real Estate and Other Business Segment

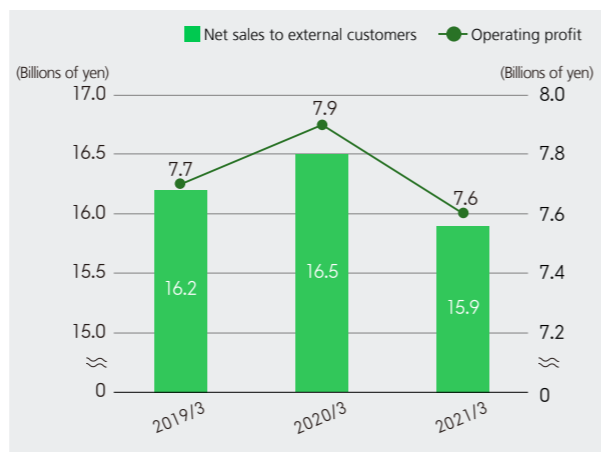
The Real Estate and Other Business segment reported **net sales** of ¥15.920 billion (down 3.6% year on year), and **operating profit** of ¥7.679 billion (down 3.3% year on year) in FY2020 (Figure 6).

Looking at income, sales decreased due to a drop in the occupancy of Akasaka Biz Tower caused by the infection spread of COVID-19. As for expenses, profit decreased although expenses remained under control by shortening business hours.

**Figure 5 Net sales/Operating profit by segment (Lifestyle Business)**



**Figure 6 Net sales/Operating profit by segment (Real Estate and Other Business)**



### [Financial Position]

**Total assets** at the end of FY2020 (Figure 7) stood at ¥1,100.223 billion, an increase of ¥317.199 billion compared to the end of FY2019. Factors were that cash and deposits increased by ¥30.702 billion, property, plant and equipment increased by ¥21.213 billion mainly due to an increase in land, while investment securities increased by ¥266.615 billion mainly due to an increase in unrealized gains on shares held.

**Total liabilities** stood at ¥305.338 billion, an increase of ¥114.245 billion compared to the end of FY2019. Factors were that income taxes payable increased by ¥5.891 billion, long-term loans payable (including the current portion) increased by ¥25.8 billion due to the financing and repayment of borrowings, and deferred tax liabilities increased by ¥83.731 billion due to an increase in the fair value of shares held, while accounts payable decreased by ¥2.071 billion.

**Total net assets** stood at ¥794.884 billion, an increase of ¥202.953 billion compared to the end of FY2019. Factors were that retained earnings increased by ¥22.572 billion because of the recording of net income attributable to owners of parent and payment of dividends as well as valuation difference on available-for-sale securities increased by ¥182.609 billion.

As a result, the **equity ratio** (Figure 8) reached 71.0%, and net assets per share equaled ¥4,575.61.

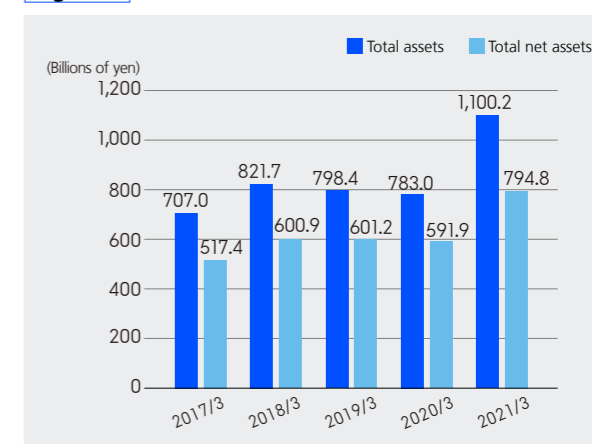
### [Cash Flows]

Cash and cash equivalents at the end of FY2020 totaled ¥116.061 billion, an increase of ¥31.002 billion compared to the end of FY2019. Each cash flow and their factors were as follows:

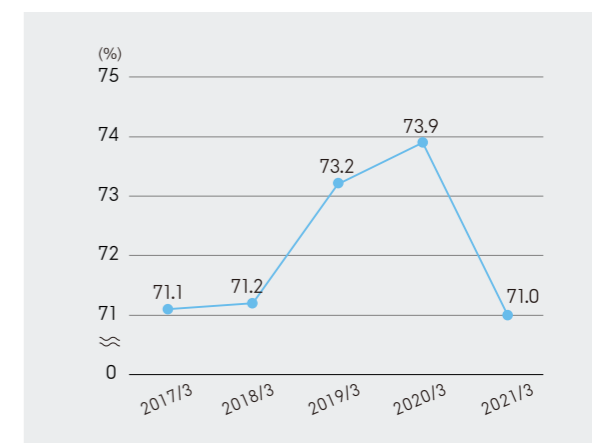
#### Cash Flows from Operating Activities

**Net cash provided by operating activities** (Figure 9) stood at ¥22.713 billion (compared to ¥21.406 billion provided in the previous fiscal year). Positive factors included income before income taxes of ¥44.176 billion, depreciation of ¥14.751 billion, and interest and dividend income of ¥8.872 billion, while negative factors included gain on sales of investment securities of ¥29.751 billion and income taxes paid of ¥14.062 billion.

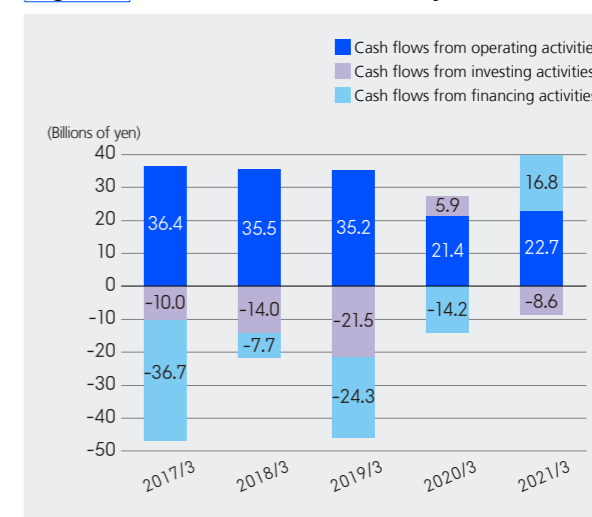
**Figure 7 Total assets/Net assets**



**Figure 8 Equity ratio**



**Figure 9 Cash flows from each activity**



## Analysis of Financial Position and Business Results (MD&A)

### Cash Flows from Investing Activities

**Net cash used in investing activities** (Figure 9) stood at ¥8.618 billion (compared to ¥5.962 billion provided in the previous fiscal year). Major factors included proceeds from sales of investment securities of ¥33.05 billion, purchase of property, plant and equipment of ¥38.814 billion, and purchase of shares in subsidiaries and associates of ¥3.026 billion.

### Cash Flows from Financing Activities

**Net cash provided by financing activities** (Figure 9) stood at ¥16.898 billion (compared to ¥14.202 billion used in the previous fiscal year). Major factors included proceeds from long-term loans payable of ¥27 billion, repayment of long-term loans payable of ¥1.2 billion, purchase of treasury shares of ¥2.605 billion, and cash dividends paid of ¥5.491 billion.

### [Financing]

Cash flows from operating activities for FY2020 exceeded that of the previous year by ¥1.3 billion, with ¥33 billion in proceeds from sales of investment securities and ¥27 billion in proceeds from long-term loans payable. In addition, cash on hand increased by ¥31 billion due to the posting of ¥38.8 billion in purchase of property, plant and equipment. Short-term capital expenditures and strategic investments are now expected to be financed by cash on hand and full-year operating cash flows.

### [Capital Expenditures]

**Capital expenditures** for FY2020 (Figure 10) which include intangible assets but exclude asset retirement obligations, totaled ¥39.946 billion. Capital expenditures by reportable segment were as follows:

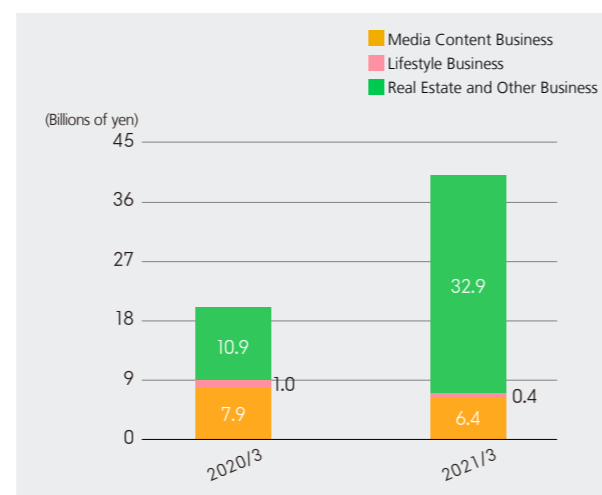
#### ◆ Media Content Business

Capital expenditures totaled ¥6.481 billion.

Major items included ¥2.243 billion in broadcasting equipment for TBS Broadcast Center, including studio equipment for TBS Television, ¥600 million in shopping system construction for TBS GLOWDIA, Inc., and renewal of other general facilities.

There was no disposal or sale of important facilities in FY2020.

Figure 10 Capital expenditures by segment



#### ◆Lifestyle Business

Capital expenditures totaled ¥480 million.

Major items included ¥362 million for store facilities of PLAZASTYLE COMPANY, and renewal of other general facilities.

There was no a disposal or sale of important facilities in FY2020.

#### ◆Real Estate and Other Business

Capital expenditures totaled ¥32.984 billion.

Major items include ¥29.61 billion related to TBS's Akasaka Entertainment City Plan, ¥2.003 billion for the renewal of TBS Broadcast Center access equipment, and renewal of other general facilities.

There was no disposal or sale of important facilities in FY2020.

### [Research & Development]

The TBS Group devotes its lifework to providing high-quality and diverse services to the people over the public airwaves. In addition, we are researching and developing new program production, transmission, and broadcasting technologies to contribute to the practical use of next-generation digital broadcasting.

The R&D activities by reportable segment for FY2020 were as follows:

#### ◆Media Content Business

Our main R&D activities include developing (1) a remote presence system using a conference system development framework, (2) a 3D/CG system and viewing web application using aerial photogrammetry, and (3) a live broadcasting subtitling system using voice recognition AI technology and touch panel operation. As for (1) in particular, the system provides real-time and highly flexible production for remote presence on programs. As such, we expect that it will be of great use in the future as a new type of entertainment solution for the With and Post COVID-19 era.

R&D expenses totaled ¥43 million.

#### ◆Lifestyle Business

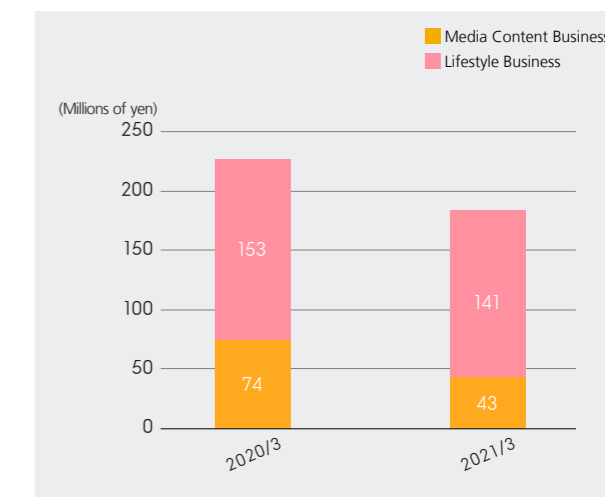
We endeavor to research ideal skincare for modern women, plan new product concepts from the perspective of consumer needs, marketability, and differentiation from competitors, and develop unique products based on the planned product concepts. As for basic research, we are primarily engaged in the development of new raw materials. We also conduct joint research with external research organizations to ensure the effective application of advanced research.

R&D expenses totaled ¥141 million.

#### ◆Real Estate and Other Business

There was no specific research and development activity.

### R&D expenses by segment



# Financial and Non-Financial Data for the Past 10 Years

Millions of yen

	2012/3	2013/3	2014/3	2015/3	2016/3	2017/3	2018/3	2019/3	2020/3	2021/3
<b>Consolidated Financial Data</b>										
<b>Fiscal Year:</b>										
Net sales	346,538	352,351	354,338	347,817	348,539	355,363	361,954	366,353	356,796	325,682
Gross profit	102,451	107,164	108,839	106,665	107,072	113,296	113,750	115,728	107,008	95,418
Selling, general and administrative expenses	90,288	90,975	93,142	90,936	89,893	93,417	94,949	97,156	93,904	84,576
Operating profit	12,162	16,188	15,696	15,728	17,179	19,878	18,800	18,572	13,103	10,841
Ordinary income	14,313	17,671	18,096	18,915	22,678	26,207	26,923	28,835	21,274	19,233
Net income attributable to owners of parent	11,671	9,173	9,644	12,811	14,497	16,136	17,182	25,205	30,174	28,072
Cash flows from operating activities	30,072	28,156	23,038	27,851	32,337	36,485	35,536	35,215	21,406	22,713
Cash flows from investing activities	(5,731)	(13,649)	(11,326)	(2,326)	(8,956)	(10,078)	(14,028)	(21,588)	5,962	(8,618)
Cash flows from financing activities	(16,993)	(25,475)	(23,567)	(25,242)	(5,326)	(36,718)	(7,730)	(24,387)	(14,202)	16,898
Free cash flows	24,341	14,507	11,712	25,525	23,381	26,407	21,508	13,627	27,368	14,095
<b>At year-end:</b>										
Total assets	555,159	559,626	579,039	653,732	649,970	707,063	821,737	798,481	783,024	1,100,223
Current assets	146,368	139,130	130,262	131,127	149,478	145,479	155,660	144,192	158,800	190,053
Cash and cash equivalents at end of period	78,801	68,031	56,312	56,728	74,734	67,391	81,129	72,033	85,059	116,061
Non-current assets	408,790	420,496	448,777	522,604	500,492	561,583	666,076	654,289	624,223	910,170
Liability	232,561	215,152	193,068	197,613	191,762	189,633	220,786	197,189	191,093	305,338
Current liabilities	95,156	96,090	83,117	63,072	95,278	77,231	93,382	80,099	81,021	86,176
Non-current liabilities	137,405	119,062	109,951	134,541	96,483	112,402	127,403	117,090	110,072	219,162
Net assets	322,597	344,473	385,971	456,118	458,208	517,430	600,950	601,291	591,931	794,884
<b>Key Performance Indicators (%)</b>										
Net sales growth rate	1.1	1.7	0.6	(1.8)	0.2	2.0	1.9	1.2	(2.6)	(8.7)
Operating profit growth rate	57.8	33.1	(3.0)	0.2	9.2	15.7	(5.4)	(1.2)	(29.4)	(17.3)
Ratio of operating profit to net sales	3.5	4.6	4.4	4.5	4.9	5.6	5.2	5.1	3.7	3.3
Net income attributable to owners of parent	3.4	2.6	2.7	3.7	4.2	4.5	4.7	6.9	8.5	8.6
ROE	3.6	2.9	2.8	3.2	3.3	3.4	3.2	4.3	5.2	4.1
ROA	2.5	3.2	3.2	3.1	3.5	3.9	3.5	3.6	2.7	2.0
Equity ratio	55.5	58.7	63.3	66.7	68.3	71.1	71.2	73.2	73.9	71.0
Total assets turnover	0.6	0.6	0.6	0.5	0.5	0.5	0.5	0.5	0.5	0.4
PER	16.5	23.4	19.5	19.2	21.0	21.5	22.9	14.0	8.7	13.2
Payout ratio	20.1	29.9	31.0	27.8	30.1	30.3	30.5	22.9	17.2	18.3
<b>Per Share Data (yen)</b>										
Annual dividend per share	15.00	18.00	19.00	22.00	25.00	28.00	30.00	33.00	30.00	30.00
EPS	74.71	60.27	61.22	79.12	83.12	92.46	98.38	144.31	173.28	164.32
BPS	2,025.89	2,158.00	2,263.65	2,689.56	2,545.60	2,878.29	3,349.52	3,347.03	3,356.30	4,575.61

## Non-financial Data

Number of employees (Year-end)	5,271	5,234	5,634	5,585	5,641	5,610	5,552	6,090	6,155	6,134
CO <sub>2</sub> emissions (tons)*	27,242	26,952	26,019	25,336	24,525	24,123	23,235	21,916	20,054	18,267
CO <sub>2</sub> reduction (tons)*	4,554	4,844	5,777	6,460	7,271	7,673	8,561	9,880	11,742	13,529
CO <sub>2</sub> reduction rate (%)*	14.3	15.2	18.2	20.3	22.9	24.1	26.9	31.1	36.9	42.5
Recycling rate (%)*	71.6	73.7	72.7	72.2	67.5	67.8	70.7	68.4	71.3	72.3
Tap water usage (m <sup>3</sup> )*	102,090	100,392	103,508	98,972	97,322	80,258	73,558	73,840	74,759	53,855
Groundwater usage (m <sup>3</sup> )*	118,840	109,322	115,897	102,169	106,967	102,376	96,064	99,032	96,254	75,526
Percentage of male employees taking childcare leave (%)**	—	—	—	—	—	—	—	7.5	18.2	—
Percentage of female employees taking childcare leave (%)**	—	—	—	—	—	—	—	100.0	100.0	—
Ratio of female managers (%)**	9.9	9.7	10.2	10.1	10.4	11.2	11.4	12.5	13.2	13.5

\*Only in TBS Broadcast Center (Broadcast Center + Cultural Facilities Building)

\*\* TBS HOLDINGS, INC. + TOKYO BROADCASTING SYSTEM TELEVISION, INC.

\*\*\* As of February 1, TOKYO BROADCASTING SYSTEM TELEVISION, INC.

# Company and Investor Information

## Company Profile (as of March 31, 2021)

Name	TBS HOLDINGS, INC.
Date Established	May 1951
Head Office	5-3-6 Akasaka, Minato-ku, Tokyo 107-8006 Japan (+81) 3-3746-1111 (main)
Number of Employees (consolidated)	6,134
Total Number of Shares Issued	174,709,837 shares (including treasury stock)
Minimum	100 Shares
Number of Shareholders	10,789
Listing	First Section of Tokyo Stock Exchange
Closing Date	March 31
Ordinary General Meeting of Shareholders	Held in June
Administrator of Shareholders' Registry	Mitsubishi UFJ Trust and Banking Corporation
Capital	¥ 54,986,892,896
Securities Code	9401
URL	<a href="https://www.tbsholdings.co.jp/en/">https://www.tbsholdings.co.jp/en/</a>
Accounting Auditor	KPMG AZSA LLC



## External Assessments

### Awards

Programs and Services	Name of Award
Mojiko (Transcription web editor)	Progress and Development Award, Institute of Image Information and Television Engineers Technical Development Award, Motion Picture and Television Engineering Society of Japan Minister of Economy, Trade and Industry Award; Motion Picture and Television Engineering Society of Japan Award 2020 Information Technology Award (Management Area)
The 61st Japan Record Awards, Staging with LiDAR Sensors	Content Technology Award, Institute of Image Information and Television Engineers
Development of the TBS MEDIABOX System	Technology Committee, Japan Commercial Broadcasters Association Award for excellence program
Harusuke (Digital signage software)	2020 Information Technology Award (Collaboration Area)
News documentary, SCRATCH: Discrimination in the Heisei era (TBS Radio, RKB Mainichi Broadcasting System)	Special Jury Award, Asia-Pacific Broadcasting Union (ABU)
Branding Initiatives at TBS	Japan Branding Awards 2020 Winners
Sunday Theater, NAOKI HANZAWA	AMD Award, Association of Media in Digital, AMD Chairman Award
Mojipa (Real-time subtitle broadcasting using voice recognition AI)	Content Technology Award, Institute of Image Information and Television Engineers
Senrigan (Video Preview System from Outside)	Progress and Development Award, Institute of Image Information and Television Engineers
JAPAN NEWS NETWORK, 40 Years of History and the Future	Press Activity Division Committee, The Galaxy Grand Prix for the best program
Friday Drama, Story of My Family (TBS Television, TBS SPARKLE, Inc.)	TV Division Committee, Galaxy Awards for outstanding programs
Friday Drama, MIU404 (TBS Television, TBS SPARKLE, Inc.)	TV Division Committee, Galaxy Awards for programs highly recommended

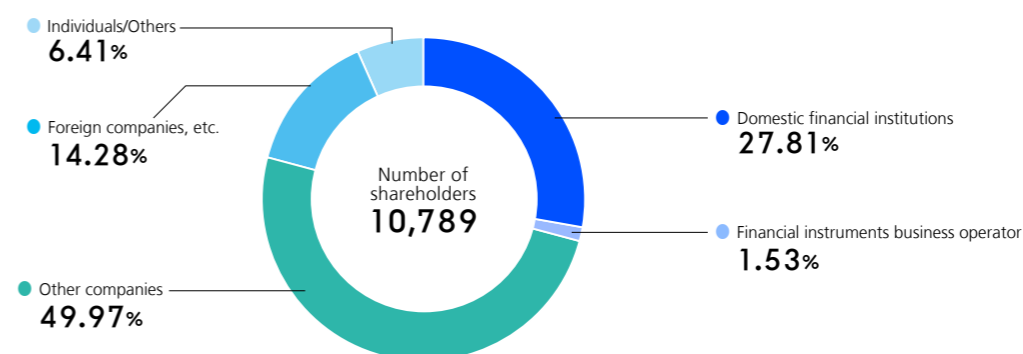
## Stock Information

### Major Shareholders (March 31, 2021)

Shareholder Name	Number of Shares Held (thousand)	Percentage (%)*
The Master Trust Bank of Japan, Ltd.	21,369	12.51
Custody Bank of Japan, Ltd.	15,384	9.00
MBS Media Holdings, Inc.	8,848	5.18
Mitsui Fudosan Co., Ltd.	5,713	3.34
NTT DOCOMO, INC.	5,713	3.34
Nippon Life Insurance Company (Standing agent: The Master Trust Bank of Japan, Ltd.)	5,006	2.93
Mitsui Fudosan Co., Ltd. (Standing agent: Custody Bank of Japan, Ltd.)	4,288	2.51
BIC CAMERA INC.	4,190	2.45
Panasonic Corporation	3,813	2.23
Kodansha Ltd.	3,771	2.20

\*Percentage of shares held to total number of shares issued (excluding treasury stock)

### Percentage of Shares Held



### Trends in Share Price (yen)



	2016	2017	2018	2019	2020
Total shareholder return (%)	115.6	132.7	121.4	93.2	133.2
Max. (yen)	2,106	2,920	2,573	2,183	2,470
Min. (yen)	1,265	1,825	1,612	1,232	1,390