

# **m-up holdings, Inc.**

**3661**

Tokyo Stock Exchange First Section

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FISCO Ltd.

<https://www.fisco.co.jp>

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\*This is an English translation of a report issued on January 13,2021.

## Summary

**In 1H FY3/21, the EC Business grew greatly due to the impact of the coronavirus (cancellations and postponements of events, etc.) and sales and profits increased significantly. The online delivery service and VR video distribution platform also made steady starts**

### 1. Company outline

m-up holdings, Inc. <3661> (hereafter, also “the Company”) conducts integrated business development from delivery of various digital content, such as of anime characters, artists, stamps, music, and e-books, to e-commerce and electronic tickets on the axis of the fan club web site business that covers a wide range of genres centered on artists, including TV personalities, voice over actors, and anime. CEO and Representative Director Koichiro Mito previously worked in the music industry (a record company), so a strength lies in acquisitions of strong IP (intellectual property), including artists, TV personalities, athletes, and anime characters, and it is developing several official websites that cover a wide variety of categories and genres. The Company’s results, which are supported by a membership base of core fans, have trended stably, and alongside the major expansion of the business foundation through making EMTG Co., Ltd. a fully owned subsidiary in October 2018, it launched the Electronic Tickets Business, which is expected to grow. In April 2020, it transitioned to a holding company structure. Currently, some businesses are being affected by the novel coronavirus pandemic (hereafter, “the coronavirus”), but the VR video distribution platform (the VR business), long awaited by fans, has made a steady start, and the Company is also approaching a new phase in terms of evolving the business structure.

### 2. Summary of the 1H FY3/21 results

In the 1H FY3/21 results, sales and profits increased significantly, with net sales is rising 11.1% year on year (YoY) to ¥5,902mn and operating profit growing 63.2% to ¥554mn. Steady progress was also made toward achieving the forecasts for the full fiscal year. Due to the impact of the coronavirus, all live music performances and events were cancelled or postponed, which caused the growth of membership numbers to slump and a major decline in the handling of electronic tickets, etc. However, the EC Business grew significantly, including through sales of concert goods for events that had been cancelled and postponed, driving results growth. In the Content Business and Electronic Tickets Business, the Company can be highly prove ourselves for minimizing the impact of the coronavirus to within a certain range, including through launching online delivery services in response to the coronavirus. In profits, operating profit increased significantly because of the effects of higher sales and the growth of the EC Business, which has a high profit margin. In activities as well, the Group’s own online delivery services and VR video distribution platform made steady starts, so it achieved results toward business expansion in the future.

## Summary

### 3. FY3/21 forecasts

For the FY3/21 results, the Company has left its initial forecasts unchanged, which are for higher sales and profits to be secured after considering the impact of the coronavirus, with net sales to increase 8.5% YoY to ¥12,000mn and operating profit to rise 12.4% to ¥820mn. Due the impact of the coronavirus, sales will trend at a low level in the Electronic Tickets Business, but sales will grow in the EC Business and will also trend solidly in the Content Business through handling of online delivery services, so the outlook is for an increase in net sales as a whole to be secured. In profits, costs are expected to increase, including upfront investment costs for new businesses, but even so higher operating profit is forecast from improved earnings due to higher sales. The reason the Company has left its initial forecasts unchanged despite the steady progress made in the 1H results (particularly for profits) is that it is cautiously viewing the development of the coronavirus and its impact.

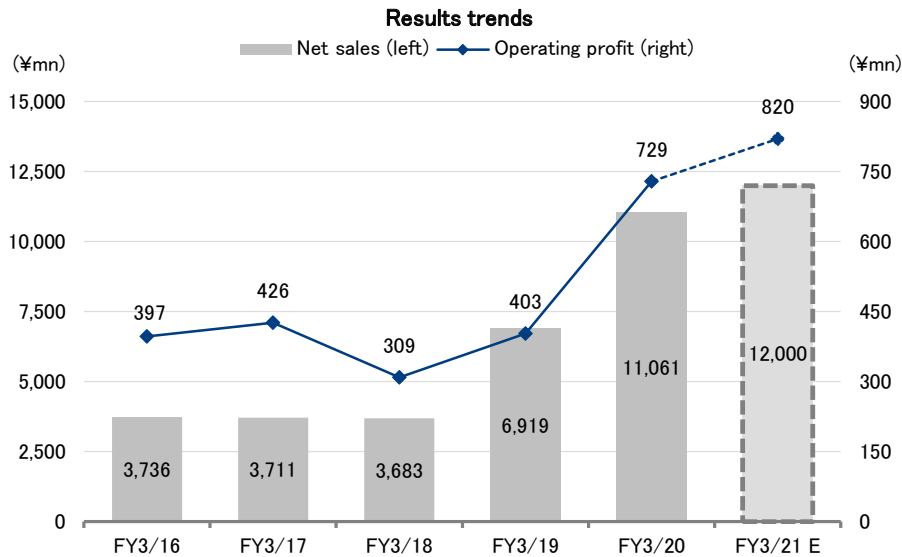
### 4. Future business strategy

The points for the business strategy in the future are 1) continuing to strengthen the foundation, 2) pursuing business synergies, and 3) accelerating growth through actively investing in businesses. Specifically, the plan is for continue activities toward acquiring strong IP (strengthening the foundation), while developing the proprietary VR business by utilizing its expertise in IP and video delivery and pursuing business synergies by developing official apps that combine IP and apps. In addition to introducing the electronic tickets service on its fan club web sites and in the VR live business, the Company will conduct OEM supply for the apps of other companies and create a secondary distribution market that utilizes ticket trade center functions. In such ways, the plan is to actively invest in new businesses to accelerate growth. At FISCO, we highly evaluate the launches of the VR business and Electronic Tickets Business, whose markets are expected to grow, as possibly connecting to the acceleration of growth in the medium to long term. In particular, for the VR business, the keys to success would seem to be the Company acquiring IP, providing VR experiences in ways unique to it, and its skill in creating payment points (monetization). In the Electronic Tickets Business as well, needless to say there is a competitive advantage from having a business model that can become the de facto standard, but various other possibilities also remain hidden, including cross-selling by capturing members and creating a secondary distribution market. So going forward, we shall be paying attention to developments and the speed of these developments.

### Key Points

- In 1H FY3/21, some businesses were struggled with the coronavirus (cancellations and postponements of events, etc.), but the EC Business grew greatly and sales and profits increased significantly
- Has achieved major results even during the coronavirus pandemic, including launching proprietary online delivery services and the VR video distribution platform
- Has left the FY3/21 initial forecasts unchanged, which call for increases in net sales and operating profit after considering the impact of the coronavirus
- Going forward, intends to accelerate growth by strengthening acquisitions of strong IP and creating business synergies, including with the VR business and Electronic Tickets Business

Summary



Source: Prepared by FISCO from the Company's financial results

## Company outline

**Provides fan club web sites and various types of content for smartphones. Has launched the Electronic Tickets Business and VR business, for which markets are expected to grow**

### 1. Business overview

The Group conducts integrated business development from delivery of various digital content, such as of anime characters, stamps, music, and e-books, to e-commerce and electronic tickets on the axis of the fan club web site business that covers a wide range of genres centered on artists, including TV personalities, voice over actors, and anime. The Company's provision of value is organically connecting fans through out various media, like users' smartphones and PCs, based on intellectual property rights (artists, music offices, record companies, character companies, etc.) while expanding this base of highly loyal members. At the same time, it entails providing a wide range of products and services, such as advance sales of concert tickets and provision of music, as well as digital content (CDs, DVDs, Blu-rays, etc.) and goods. By leveraging its expansive number of leading artists and content, the Company has created synergies throughout the Group and expanded and diversified its business foundation by mutually utilizing them.

The Company made a fully owned subsidiary of EMTG on October 1, 2018 with the aim of expanding its business foundation, including by launching the Electronic Tickets Business, which is expected to grow. It has the largest number of paying members of fan club web sites in Japan, with more than 2mn customers, and this number is continuing to grow. From April 1, 2020, the Company transitioned to a holding company structure in order to optimally allocate management resources, realize speedy decision-making, and pursue further Group synergies. In 2020, some businesses were struggled with the coronavirus, but the VR business, long awaited by fans, has made a steady start and the Company is approaching a new phase.

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Company outline

There are four business segments: the Content Business, EC Business, Electronic Tickets Business, and Other Businesses. The Content Business, which has been the main business since the foundation, provides a high percentage of total sales. However, the plan is to grow the EC Business and Electronic Tickets Business going forward, while mutually coordinating the businesses.

Summaries of each of the businesses are provided below.

**(1) Content Business**

This business mainly involves the management of fan club web sites for smartphones and PCs and the provision of various types of digitally delivered content and apps. In particular, for the mainstay fan club web sites, it manages official sites that deliver the latest information and exclusive content on artists and idols, as well as other celebrities such as actors, TV personalities, and athletes. This business also includes providing member-only content, delivery of music, and sales of goods. As the source of earnings, it has the largest number of paying members in Japan, with over 2mn customers. Also, by creating apps for fan clubs and adding various functions, it is responding to user needs and expanding opportunities to acquire earnings. From FY3/21, it launched an app exclusively for viewing live content equipped with comment and gifting functions, and a service to deliver live content in VR and various VR video content (details below). Conversely, regarding the delivery of various types of content, it provides a range of content on themes including popular anime characters and TV personalities, such as Shabette Concier (Shabette Characters)\*, kisekae (dress-up), stamps, and decorative email templates. In addition, it is actively providing content for all-you-can-use services developed by carriers for a monthly fee.

\* Shabette Concier (Shabette Characters) is a voice-activated concierge service for smartphones provided by NTT DoCoMo. By telling the character displayed on the smartphone what they want to do or search, the service can understand the user's intention and provide optimal answers on the screen using information, services and the device's functions.

**(2) EC Business**

This business involves sales of music video products; CDs, DVDs, and Blu-rays; and artists' goods related to these products, mainly through fan club web sites managed by the Group. Its features include targeting the core fan group (members of fan club web sites), developing a new distribution route to sell directly to fans, working with major artists to independent distribution artists, and effectively conducting sales promotions by providing original perks (artists' goods, etc.). It has also recently launched new services (advanced sales, a service for collecting items at venues, etc.) that can be used smoothly for sales of goods at live performances and event venues, and it is aiming to expand sales opportunities that go beyond the EC framework.

**(3) Electronic Tickets Business**

This business was launched through making EMTG a fully owned subsidiary, and it is comprised of earnings from the electronic tickets and ticket trade\* businesses and various peripheral services. In addition to live music, it provides an electronic tickets service for a wide variety of events, including so-called greeting events to meet members of idol groups, sporting events such as professional baseball and figure skating, and leisure facilities such as sports facilities and amusement parks. It has also started services including a platform for sales of viewing passes for online-delivered content in collaboration with the live content delivery implemented by the Content Business (details below). Conversely, it is also working to diversify its monetization methods through services ancillary to electronic tickets, including providing a card collection app (adopted by 8 professional baseball teams and all 36 B-League teams) and sales of commemorative content related to live performances (memory collections) and fee-based packages.

\* A service that allows members to sell tickets to other people at a fixed price when they are unable to go to a live performance or other event. Unlike conventional ticket resale sites, the parties involved are not able to communicate and prices are fixed, which prevents tickets from being resold at excessively high prices.

Company outline

(4) Other Businesses

These are not the only our businesses, we hope options as well. It includes the recording of earnings of consolidated subsidiaries that are mainly developing new businesses.

2. Transition to a holding company structure

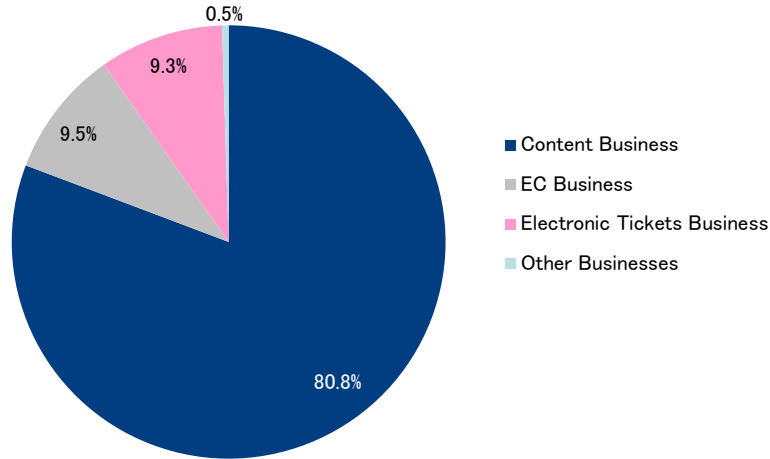
On April 1, 2020, the Company transitioned to a holding company structure. It changed its company name from m-up, Inc. to m-up holdings, Inc., and it now supervises its various operating companies as the holding company. The main points for the transition are the integration of EMTG and the fan club web site business into the new operating company Fanplus, Inc., and the establishment of Tixplus, inc. to conduct the ticket business and Creative Plus, Inc. to take over the Content Business. In other words, the aims of the transition are to accelerate growth by completing the integration of EMTG, while building a structure enabling Group synergies to be leveraged through the optimal allocation of management resources and speedy decision-making.



Source: From the Company's results briefing materials

Company outline

**Composition of net sales by business  
 (1H FY3/21 results)**



Source: Prepared by FISCO from the Company's financial results

### 3. History

The Company was established by CEO and Representative Director Koichiro Mito in December 2004 (Head Office: Shibuya Ward, Tokyo) in order to provide fee-based content and conduct online sales for mobile phones and PCs.

The mobile market expanded alongside the spread of mobile phones and the development of the IT environment, so the Company's results trended steadily, mainly for ring tones. In particular, the provision of carriers' new services greatly affected the Company's results. In October 2006, it opened Artists Official Call to provide melody calls, acting as the office site of the mobile phone carriers providing the content. Also, in February 2007, it opened and launched e-commerce business through ROYAL Roc, the official mobile phone carrier site for an exclusive shop handling mainly fashion related to artists and TV personalities. Moreover, in July 2007, it opened Artists Official Decome as an official mobile phone carrier site and thereby entered into content fields other than music.

A major turning point for the Company was in September 2008 when it opened the GLAY MOBILE official mobile phone carrier site and started to manage fan club web sites. As well as being in a field that utilizes the features of the Company, an expert in the entertainment industry, it was able to capture highly loyal fan groups as paying members and thereby establish a stable business foundation that was not easily affected by technological and market trends. In particular, by guiding visitors of fan club web sites to direct sales sites for CDs, DVDs, and artists' goods, it was able to generate synergies with the e-commerce business, and became the driver of the Company's growth.

The Company was listed on the Tokyo Stock Exchange (TSE) Mothers market in March 2012. In May 2012, it acquired from Adways Inc. <2489> all of the shares of Adways Entertainment, Co., Ltd., which mainly manages Korean wave websites, and made it a subsidiary (absorption merger in May 2013). In September 2013, its listing was upgraded to the TSE First section. Furthermore, in September 2018, it launched the Electronic Tickets Business by making EMTG a fully owned subsidiary. On April 1, 2020, it transitioned to a holding company structure.

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## ■ The Company's features

### Earnings model in which increases in the number of members drive results growth. Strengths include acquiring strong IP and integrated business development

The Company's earnings model proposes that increases in the number of members drive results growth. Therefore, the secret to its success can be said to be that it is acquiring strong IP (content) and has many sites with powerful customer appeal. Alongside this, it is building the member base by minimizing the member churn rate, and introducing a framework to increase the unit price per member, including through cooperation between the EC Business and Electronic Tickets Business. It is utilizing its strengths described below with the aim of differentiating itself from other companies and to effectively create value.

#### **(1) Framework to acquire strong IP and realize management of sites with powerful customer appeal**

With many of those involved coming from content holders in the music and other industries, such as record companies, the Company has used this experience of being involved in content production to its favor in acquiring artists, TV personalities, anime characters and others with powerful customer appeal, discovering content and planning sites. It also captures core fan groups as members by providing original perks on fan club web sites, and has a framework to minimize the member churn rate by offering benefits that get better the longer one is a member and continuously providing members with related content and original perks. In this way, it aims to build the member base.

#### **(2) Results from managing popular sites in various content fields**

Starting with the management of sites produced for members and e-commerce, the Company manages a wide range of official sites covering various categories and genres. This leads to the accumulation of expertise and building of trust, which as well as being a strength for when acquiring content from content holders, also serves to disperse risk. In addition, many sites are ranked among the top-ranking official mobile phone carrier sites.

#### **(3) Integrated business model that generates synergies**

Focusing on the Content Business and conducting integrated business development of the EC Business and Electronic Tickets Business, synergies are generated that produce mutually beneficial effects for each business. In particular, visitors to fan club web sites are guided to e-commerce sites, such as for sales of CDs, DVDs, and artists' goods, while the electronic tickets and ticket trade services cooperate, which creates a new channel to directly reach core fan groups and contributes to improving the unit price per customer. In addition, the Group is conducting effective measures to acquire members, including advanced ticket sales, offers, and premium ticket trade services exclusively for members. Moreover, in the future, we can also expect synergies with the VR business.

The Company's features

#### (4) Competitive advantages of the Electronic Tickets Business and VR business

The Electronic Tickets Business, which was launched in FY3/19, has competitive advantages with its electronic ticket app that offers a stamp to smartphone screens and ticket trade center functions. In particular, the creation of a secondary distribution market utilizing ticket trade center functions not only becomes an incentive for capturing members, but also contributes to countermeasures against unauthorized resales being promoted by the government and various industries. While aiming to coordinate with other companies, it is highly likely to become the de facto standard in the future. Furthermore, for the VR business, which started providing services from FY3/21, it is considered that its acquisitions of strong IP through relationships with various rights holders will become a powerful weapon. It also seems that the plan is to achieve differentiation through VR experiences unique to the Group. Moreover, by handling a consortium system through strategic partnerships with each company, we can expect dynamic developments (value creation) from collaborations with other companies.

## Industry environment

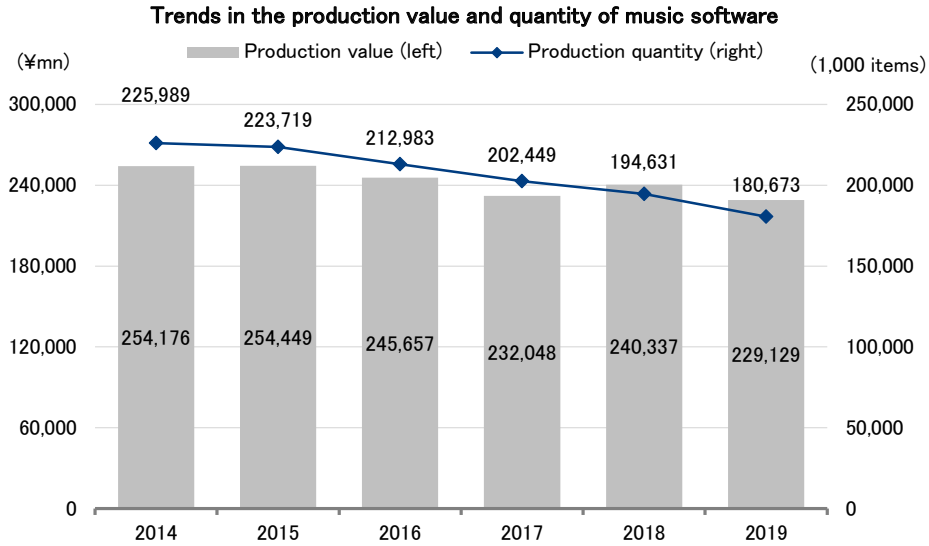
### While some markets have been struggled with the coronavirus, mainly the live concert market, music delivery continues to grow steadily

Looking at trends in markets related to music and artists, we see that they progressed solidly up to 2019. In particular, in music delivery, the use of streaming services grew rapidly, while the live concert market also grew. However, on entering 2020, they were greatly struggled with the coronavirus, and in 1H FY2020 (January to June), the production value of music software declined significantly to ¥83.2bn (down 27.7% YoY) mainly due to sales postponements. On the other hand, the music delivery sales amount continued to increase to ¥37.7bn (up 11.0%)\*1. Also, in the live concert market, there were many cancellations and postponements due to the coronavirus, and the market scale decreased greatly to ¥53.3bn (down 66.1%)\*2 in 1H FY2020 (January to June). However, since the current 2Q, we have started to see a movement toward the gradual resumption of live concerts, after implementing sufficient infection-prevention measures.

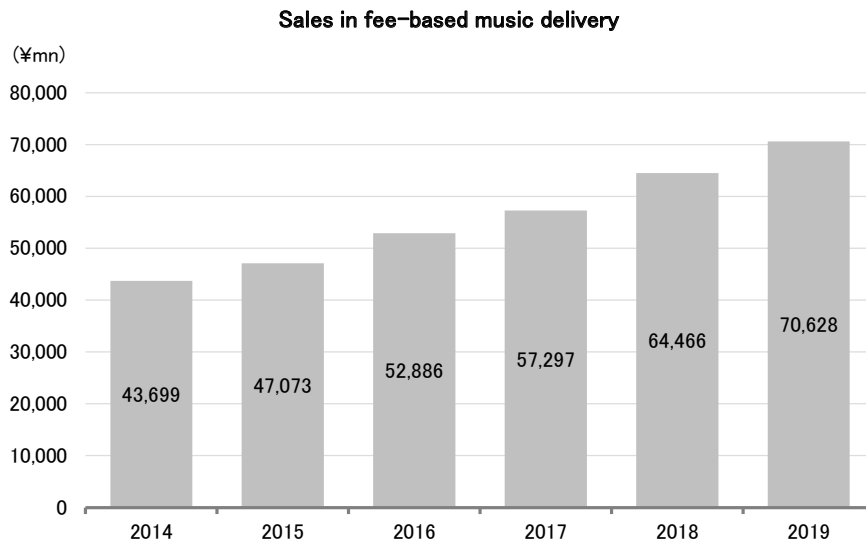
\*1 Source: Recording Industry Association of Japan

\*2 Source: All Japan Concert & Live Entertainment Promoter's Conference

Industry environment

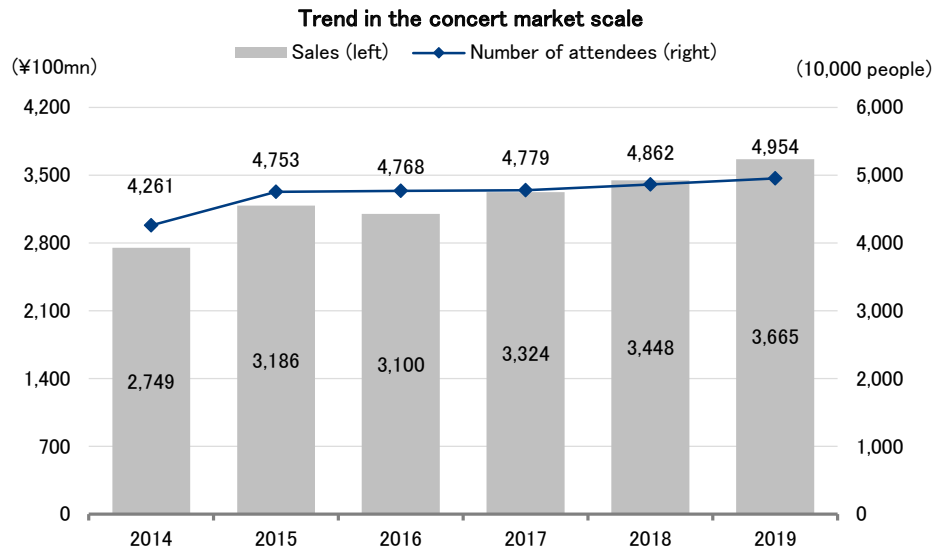


Source: Prepared by FISCO from the Recording Industry Association of Japan's website



Source: Prepared by FISCO from the Recording Industry Association of Japan's website

Industry environment



Source: Prepared by FISCO from the website of the All Japan Concert & Live Entertainment Promoter's Conference

## Results trends

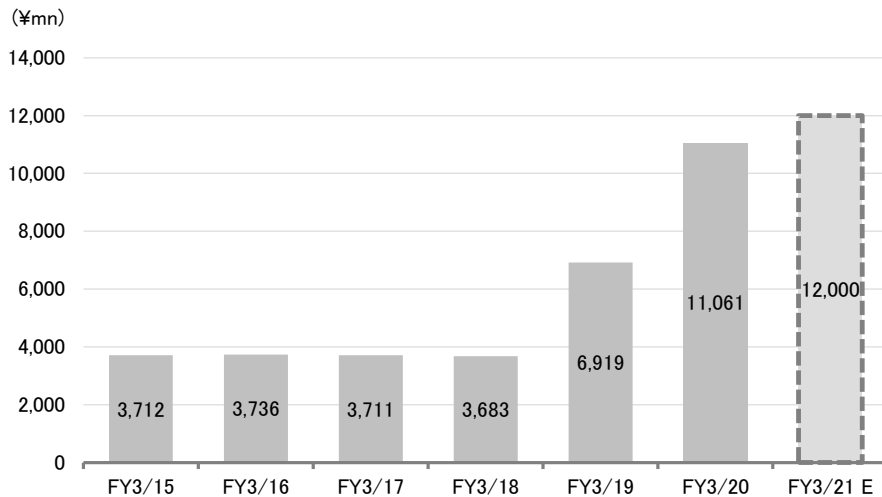
**Centered on fan club web sites, is stably maintaining results and the financial foundation. Is aiming to consolidate synergies from each Group company and expand the business foundation**

### 1. Past results trends

Looking back on past results, net sales growth was sluggish up to FY3/18. In the mainstay (mobile) Content Business, the main factors adversely impacting results included the shift from feature phones to smartphones and rapid contraction of music content, centered on ring tones. In this situation, the core member base, mainly for fan club web sites, that was supported to bottoming out of results massively. But the slow pace of acquisitions for new sites caused growth to be sluggish. However, results grew significantly for two consecutive fiscal years from FY3/19. This was because the number of fan club web sites and the member base practically doubled through making EMTG a fully owned subsidiary, which led to the bottoming out and improvement of results in the Content Business and EC Business. In addition, the new addition of the Electronic Tickets Business was a positive factor for results.

Results trends

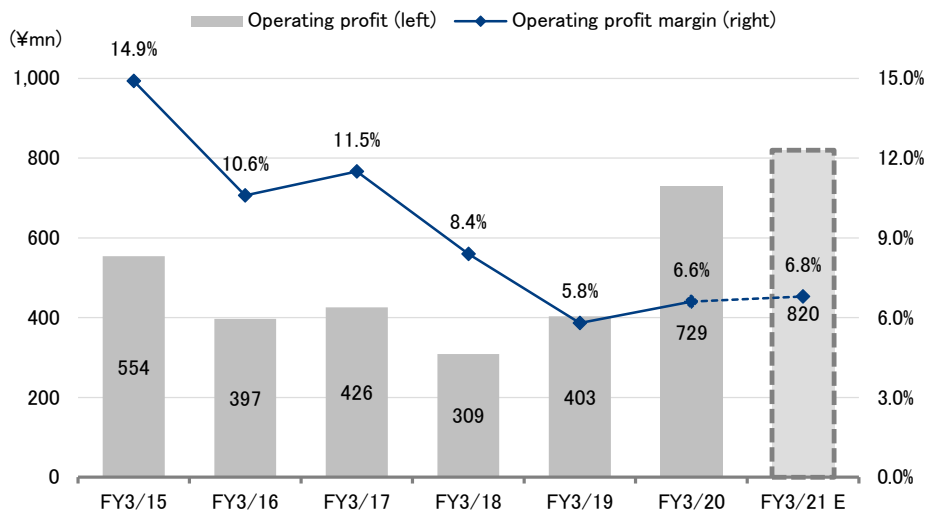
Trends in net sales



Source: Prepared by FISCO from the Company's financial results

In profit-loss as well, the operating profit margin trended around the high level of approximately 14% up to FY3/15. However, it fell in FY3/16 due to factors including a product-valuation reduction following a clearing of product inventory, head office relocation, and temporary costs such as those relating to warehouse transfers. The operating profit margin also trended at a low level from FY3/18 onwards, mainly due to upfront investments in new businesses (including the VR business and Electronic Tickets Business) and M&A expenses. However, in FY3/20 the operating profit margin improved to a certain extent, including as earnings bottomed out and improved because of higher sales and the elimination of temporary costs.

Trends in operating profit and the operating profit margin

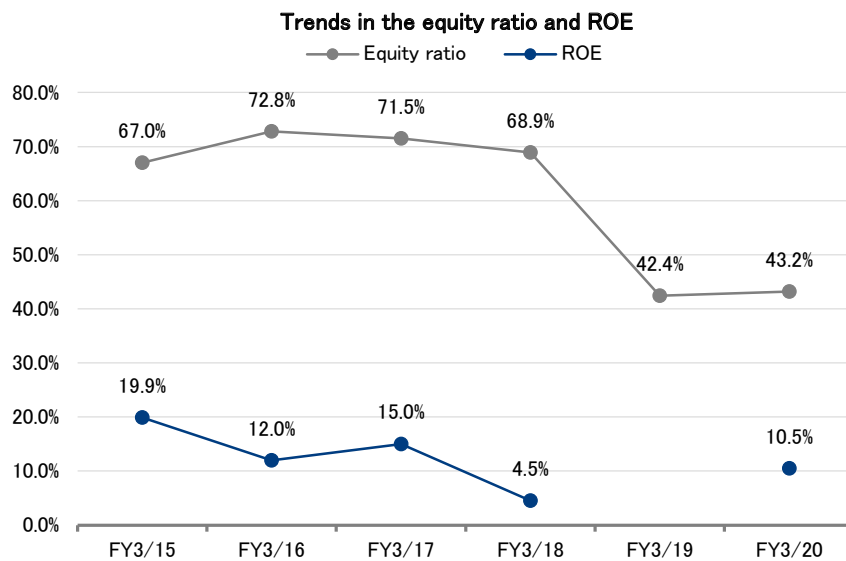


Source: Prepared by FISCO from the Company's financial results

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Results trends

Financially, the Company continues to practice debt-free management from its business characteristic of not requiring capital investment, and the equity ratio, which indicates the stability of the financial foundation, has trended at a high level. It fell significantly in FY3/19, but this was due to the expansion of total assets following EMTG being made a consolidated subsidiary. However, based on the Company being debt free with a current ratio at the high level of 140.3% at the end of FY3/20, there are no concerns about the stability of its financial foundation. ROE, which indicates capital efficiency, fell in FY3/18 due to a decline in the profit margin, but recovered to a level above 10% in FY3/20.



Note: In FY3/19, ROE could not be calculated rationally due to a special accounting technical factor, and is therefore not shown.  
 Source: Prepared by FISCO from the Company's financial results

**2. Summary of the 1H FY3/21 results**

In the 1H FY3/21 results, sales and profits increased significantly even while being struggled with the coronavirus, with net sales is rising 11.1% YoY to ¥5,902mn, operating profit growing 63.2% to ¥554mn, ordinary profit climbing 69.7% to ¥583mn, and profit attributable to owners of parent increasing 88.9% to ¥357mn. Steady progress was also made toward achieving forecasts for the full fiscal year.

Due to the impact of the coronavirus, all live music concerts and events were cancelled or postponed, which caused the growth in the number of members to be sluggish in the Content Business and the handling of electronic tickets and ticket trade to decrease significantly in the Electronic Tickets Business. Instead, the growth of results was driven by the increase in the handling of goods for concerts that were cancelled and postponed, and the significant expansion of the EC Business. However, both the Content Business and the Electronic Tickets Business were still able to secure an increase in sales, including through the provision of services in response to the coronavirus, and the Company can be highly prove ourselves for minimizing the impact of the coronavirus to within a certain range.

#### Results trends

In profits as well, operating profit increased significantly, because the effects of higher sales and the growth of the EC Business\*, which has a high profit margin, absorbed costs, including upfront costs for the Electronic Tickets Business, costs to introduce various services, and costs relating to the coronavirus. The operating profit margin also improved significantly to 9.4% (6.4% in the same period in the previous fiscal year).

\* Net sales in the EC Business are comprised of sales commissions, so cost prices are extremely low and the growth of net sales contributes greatly to the growth of profits.

Looking at the financial condition, total assets were up 13.4% on the end of the previous fiscal year to ¥12,090mn, mainly due to the increase in cash and deposits and acquisitions of investment securities. Furthermore, shareholders' equity was basically unchanged, down 0.3% to ¥4,657mn, as although internal reserves accumulated, there were dividend payments and other expenditures. Therefore, the equity ratio fell slightly to 38.5% (43.2% at the end of the previous period). However, the balance of interest-bearing debt continues to be zero and a current ratio of 127.5% was secured, so there are no concerns about the Company's financial stability.

Results for the main segments are described below.

#### (1) Content Business

Sales and profits increased, with net sales rising 7.9% YoY to ¥4,767mn and segment profit growing 11.3% to ¥568mn. The business worked to strengthen profitability, such as by opening new fan club web sites (12), including by acquiring artists, and creating fan club apps (5). However, due to the impact of the coronavirus, all live music performances and events were cancelled or postponed, and therefore the growth of acquisitions of paying members was sluggish, which seems to be the main reason why results were less than forecast. However, for new online delivery services in response to the coronavirus, it launched services including the FanSteam app exclusively for viewing live content and equipped with comment and gifting functions (details below) and the VR MODE service, which is the VR video distribution platform it had researched and developed up to the present time (details below). As a result, this business was able to secure increases in sales and profits.

#### (2) EC Business

Sales and profits increased greatly, with net sales growing 92.6% YoY to ¥557mn and segment profit rising 223.0% to ¥407mn. Handling increased of e-commerce goods planned for live music performances and events that were cancelled or postponed due to the coronavirus, and therefore results grew more than expected. Steady progress was also made for sales of a wide range of items, including live tour goods and delivery of live performance goods, and from the launches of new stores (8).

## Results trends

**(3) Electronic Tickets Business**

Net sales increased 2.3% YoY to ¥547mn and segment loss was ¥146mn (a loss of ¥93mn in the same period in the previous fiscal year). Due to the impact of the coronavirus, basically all public performances were cancelled or postponed from February 2020 onwards, so the handling of electronic tickets decreased significantly, and alongside this, the number of ticket trades also declined dramatically. The number of electronic tickets handled was 140,000 tickets (down 88% YoY) and the number of completed ticket trades was 9,000 tickets (down 81%). However, for new online delivery services in response to the coronavirus, the Group launched the StreamPass live content delivery sales platform (details below) in June of the same year, and through a collaboration with the Content Business, it sold tickets to view online live performances (in 2D and VR; number of tickets handled from June to September: 230,000 tickets). In addition, in September, it launched Meet Pass, an online service for events such as greeting events and giveaway meetings between fans and idols (virtual; details below; number of tickets handled in September alone: 50,000 tickets), which covered the decline in conventional ticket business. However, from around the end of August to September, face to face events (at actual venues) started to gradually resume with limited spectator capacity (less than 50%), and recovery to a certain extent for both electronic tickets and ticket trade was expected in 2H FY3/21. In addition, for the card collection apps for professional baseball and other cards, which are provided as services in peripheral areas, sales declined in 1Q because of the postponement of the reopening of the professional baseball league, but recovered in 2Q to achieve record-high sales on a single-month basis. In addition, through a collaboration with the previously mentioned StreamPass, the business is working on proposals for styles of new sports viewing and entertainment. However, in profits, the extent of the loss increased significantly due to upfront costs, including costs to develop and launch new services, but it seems that achieving profitability on a single-month basis is currently in sight.

**Summary of the 1H FY3/21 consolidated results**

	(¥mn)					
	1H FY3/20		1H FY3/21		Change	
	Result	% of sales	Result	% of sales	Value	Rate
Net sales	5,310		5,902		591	11.1%
Content Business	4,419	83.2%	4,767	80.8%	347	7.9%
EC Business	289	5.5%	557	9.5%	268	92.6%
Electronic Tickets Business	534	10.1%	547	9.3%	12	2.3%
Other Businesses	66	1.2%	29	0.5%	-36	-55.8%
Cost of sales	3,904	73.5%	4,119	69.8%	214	5.5%
SG&A expenses	1,066	20.1%	1,228	20.8%	162	15.2%
Operating profit	339	6.4%	554	9.4%	214	63.2%
Content Business	510	11.6%	568	11.9%	57	11.3%
EC Business	126	43.6%	407	73.1%	281	223.0%
Electronic Tickets Business	-93	-	-146	-	-52	-
Other Businesses	-16	-	-1	-	15	-
Adjustments	-187	-	-274	-	-86	-
Ordinary profit	343	6.5%	583	9.9%	239	69.7%
Profit attributable to owners of parent	189	3.6%	357	6.0%	168	88.9%
Depreciation	46		65		19	
Amortization of goodwill	109		109		-	

Source: Prepared by FISCO from the Company's financial results



## Results trends

**Financial condition at the end of 1H FY3/21**

	End of FY3/20	End of 1H FY3/21	Change	
			Value	Rate
				(¥mn)
Current assets	7,818	8,946	1,127	12.5%
Cash and deposits	4,870	5,896	1,025	21.1%
Accounts receivable - trade	1,564	1,590	26	1.7%
Non-current assets	2,841	3,144	302	10.7%
Property, plant and equipment	752	763	10	1.4%
Intangible assets	1,466	1,359	-107	-7.3%
Goodwill	983	874	-109	-11.1%
Investments and other assets	621	1,021	399	64.3%
<b>Total assets</b>	<b>10,660</b>	<b>12,090</b>	<b>1,430</b>	<b>13.4%</b>
Current liabilities	5,570	7,016	1,445	25.9%
Accounts payable - trade	2,805	3,322	517	18.4%
Accounts payable - other	799	566	-232	-29.1%
Non-current liabilities	280	259	-21	-7.6%
Net assets	4,808	4,815	6	0.1%
Shareholders' equity	4,610	4,774	163	3.5%
<b>Total liabilities and net assets</b>	<b>10,660</b>	<b>12,090</b>	<b>1,430</b>	<b>13.4%</b>

Source: Prepared by FISCO from the Company's financial results

### 3. Summary of 1H FY3/21

To summarize 1H FY3/21 from the above, in terms of results, the positive and negative effects of the coronavirus cancelled each other out, and overall the Company was able to realize major increases in sales and profits. This can be prove ourselves as demonstrating the strength of its integrated business development and earnings foundation. In particular, during the coronavirus pandemic, it captured new replacement demand by responsively working to enhance services by responding with StayHOME and strengthening the EC Business. In addition, it launched online delivery services, including VR, which will be the main pillar of its future strategy, and it can be confirmed that these services have made steady starts. Therefore, the Group can be said to have achieved some major results toward business expansion from FY3/22 onwards.

## ■ Main activities and results

### Achieved major results, such as providing services for the coronavirus (and post-coronavirus) period and launching the VR video distribution platform

#### 1. Responding with new online delivery services

Including its responses to the coronavirus, the Group has in its sights business development on the twin axes of “real” and “online” for the post-coronavirus period, and it has actively progressed the shift of business areas to online delivery services. As a result, it has achieved some major results for the future. These activities have the twin aspects of being activities to support artists and others who are struggling during the coronavirus pandemic and to maintain and improve fan loyalty, and they can be highly prove ourselves for contributing greatly to revitalizing the industry.

Main activities and results

**(1) Launch of a live content delivery and sales platform**

In June 2020, the Group launched StreamPass, which is a platform for delivery of live content and sales of tickets to view content delivered online. Artists can sell tickets, such as for live performances with no spectators or events streamed live from their homes, while fans (users) can enjoy live content delivered online, donate (support fund) and purchase memory collection goods (commemorative goods relating to the live performance or event) and other goods. Through cooperation, such as with FanStream and VR MODE (details below), it is selling tickets to view online live events in 2D and VR, which is supplementing the sales of the conventional ticket business.

**(2) Moving one-to-one communication online, such as greeting events**

In September 2020, the Company launched Meet Pass, an online service for one-to-one communication meetings, such as greeting events and giveaway meetings which are important venues for interactions between fans and idols and artists.

**(3) Moving services online, including a memory collection service linked to live performances**

The Company has launched a service for fans to enjoy online memory content, which is commemorative content for face to face events, and is contributing to artists earning income.

**(4) Launch of a viewing app equipped with comment and gifting functions**

The Group has started to provide FanStream, which is a dedicated viewing app equipped with functions for users to support artists, such as comment and gifting functions, while viewing the content delivered live.

**2. Launch of the VR MODE service, a VR video distribution platform**

On May 27, 2020, the Group finally launched the VR MODE service, a VR video distribution platform it performed R&D on for several years (including demonstration testing) and that has garnered a lot of interest. It has been developed mainly as VR LIVE, which offers a front-row-seat experience of live performances with 180° 3D stereoscopic video, and VR Photo Collection/Scenario, which makes possible an experience that is overwhelmingly close to that of being up close to a performance. The service is already delivering around 10 types of content (live performances, photo collections, etc.) and has made a steady start. Using a system to link shared fan club IDs, including for over 300 artists, idols, and TV personalities (linking content for fan club members, advanced deliveries for members, setting of special members-only prices for delivery of live performances, etc.) with shared IDs for the previously described StreamPass, the service makes a more seamless form of VR possible.

## Results outlook

### The FY3/21 results outlook is for higher sales and profits to be secured after considering the impact of the coronavirus

#### 1. FY3/21 results forecasts

For the FY3/21 results, the Company has left its initial forecasts unchanged, which are for higher sales and profits to be secured after considering the impact of the coronavirus, with net sales to increase 8.5% YoY to ¥12,000mn, operating profit to rise 12.4% to ¥820mn, ordinary profit to decrease 11.3% to ¥820mn, and profit attributable to owners of parent to increase 19.1% to ¥560mn. The reason why the Company has left its initial forecasts unchanged despite the steady progress made in the 1H results (particularly for profits) is that it cautiously viewing the development of the coronavirus and its impact.

Due to the impact of the coronavirus, sales will trend at a low level in the Electronic Tickets Business, but they will grow in the EC Business because of the coronavirus, and will also trend solidly in the Content Business through the development of online delivery services, including VR. So the outlook is for an increase in net sales as a whole to be secured.

In profits, increases are forecast of royalties generated in proportion to sales, upfront costs for new businesses, and costs related to human resources due to the strengthening of recruitment. However, it is anticipated that operating profit will still increase through earnings bottoming out and improving because of higher sales, and that the operating profit margin will improve slightly to 6.8% (6.6% in the previous period). The reason for the decline in ordinary profit was that a gain on sale of investment securities (non-operating profit) recorded in FY3/20 will not be recorded in this fiscal year.

#### FY3/21 consolidated results forecasts

	FY3/20		FY3/21		Change	
	Result	% of sales	Forecast	% of sales	Value	Rate
	(¥mn)					
Net sales	11,061		12,000		938	8.5%
Operating profit	729	6.6%	820	6.8%	90	12.4%
Ordinary profit	924	8.4%	820	6.8%	-104	-11.3%
Profit attributable to owners of parent	470	4.3%	560	4.7%	89	19.1%

Source: Prepared by FISCO from the Company's financial results

#### 2. Main planned activities

##### (1) Content Business

This business will aim to continue to acquire new projects and maintain existing projects, centered on the management of fan clubs and the development of apps, while also working on new businesses, including the construction of Fanpla Kit\*, a new fan club platform. It will also take on the challenge of entering genres it has not been involved in before, such as by developing fan businesses that utilize its strong anime and character IP, and implement collaborations with various companies (including Group companies) that leverage relationships with popular IP and aim to expand its collaboration areas. Moreover, its plan is to work to strengthen the production structure in a form that can directly meet clients' requests.

\* A platform that not only lets artists launch and operate their own fan clubs and regulate membership, but is also equipped with functions for official websites. For the Company, it is considered its aims include building relationships with artists who will be influential IP in the future, such as to expand sources of earnings.

## Results outlook

**(2) EC Business**

During the coronavirus pandemic, it will aim to progress sales methods that avoid sales at venue where people are in close contact with each other (sales measures linked to EC, including advanced sales and delivery, and collections at the venue at specified times), and cashless payments.

**(3) Electronic Tickets Business**

To implement virus infection prevention measures and to mitigate the impact of the coronavirus on live performances and events, the Company is progressing activities that utilize its strength in electronic tickets\*, while it also aiming for business expansion on the twin axes of “online” and “real” (including the creation of hybrid events). For services in peripheral areas as well, its policies are to develop card collection apps including for popular sports other than baseball and basketball, and horizontal business development into other fields, such as draws to win memory collection goods, live delivery of sports events, and Meet Pass for sports.

\* Includes the further promotion of contactless operations, for example event visitor data management in accordance with guidelines, secondary distribution measures for tickets with a premium through restrictions on the number of spectators, registrations of ticket-sale businesses for GO TO events, and smartphone facial verification and temperature sensing.

**(4) Group collaborations (VR, fan apps, etc.)**

The VR business is continuing to actively develop VR LIVE. In particular, on the one hand it is focusing on set sales of tickets for VR delivery and the VR viewing environment (original googles / glasses), thereby aiming to increase the scale of sales, while in the other hand it is further strengthening service cooperation with Group companies to maximize synergies. Its plan is also to expand functions for the VR delivery platform that has high usability. For the production of fan apps as well, it will develop them focused on artists IP and anime IP, while it is working on measures such to provide new experiences by integrating digital and face to face events (greeting events and fan meetings) through the fan apps.

**3. FISCO's opinion**

While it will be necessary to continue to pay attention to how the coronavirus develops, we at FISCO think that the Company's results forecasts are fully achievable on considering the progress made for the 1H results and the steady launches of its proprietary online delivery services, including VR. If the EC Business continues to perform strongly and the VR business and other new services generate earnings, it is possible that results will exceed the forecasts. However, the points to pay attention to will be, toward business expansion from FY3/22 onwards, how it will develop new axes of growth and in what specific forms will it monetize them, including the VR business and the Electronic Tickets Business that have major growth potential, and the processes for this.

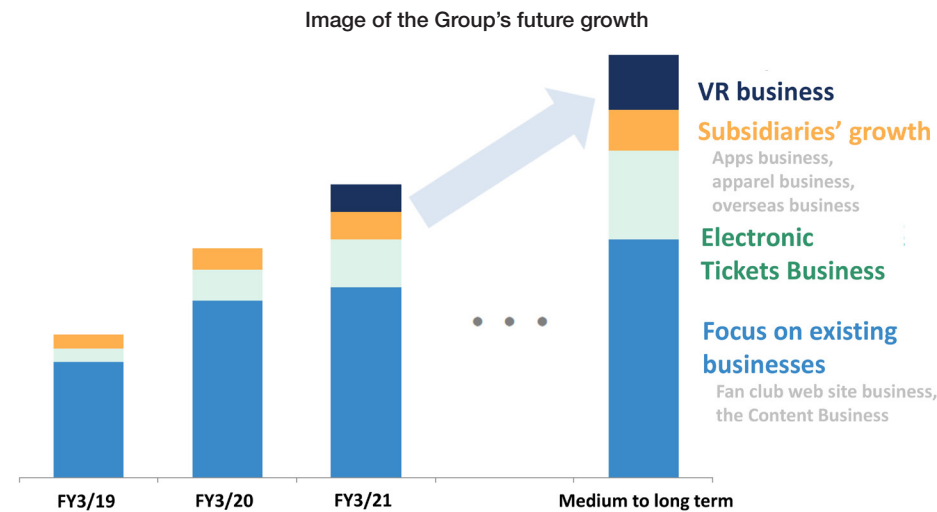
For FY3/22, uncertainties remain due to the coronavirus, but assuming that the coronavirus pandemic is approaching its end, we can expect positive effects from both the recovery of face to face events and the growth of online delivery services, including VR. Therefore, at the very least it seems possible that the double-digit sales growth will be maintained. For profits, it is necessary to be aware of the impact of a rebound decrease in the EC Business, which has benefited from the coronavirus. But as a round of upfront investment will have been completed, including in the VR business, as long as no special costs are incurred (for example, large-scale upfront investment, including for M&A), it seems that the profit margin will also improve due to the bottoming out and increase of earnings.

## Future direction

**Will continue to accelerate growth by aiming to acquire strong IP and through mutual cooperation, including between the Electronic Tickets Business and the VR business**

### 1. Image of future growth

The Company's basic strategy up to the present time has been to work to expand the base of highly loyal members, with fan club web sites as the starting point, and to increase synergies from related content and the EC Business. Moreover, going forward it is depicting a strategy of accelerating growth in the Group as whole by adding mutual coordination between the Electronic Tickets Business and the VR business.



Source: From the Company's results briefing materials

### 2. Points for the business strategy

The Company's points for its business strategy in the future are 1) continuing to strengthen the foundation, 2) pursuing business synergies, and 3) accelerating growth by actively investing in businesses. Specifically, it plans to continue with activities to acquire strong IP (strengthening the foundation), and at the same time, to develop the proprietary VR business by utilizing its IP and video-delivery expertise, and to pursue business synergies by developing official apps that combine IP and apps. It will also introduce the electronic tickets service into the Group's fan club web sites and VR live business, as well as conducting OEM supply for other companies' apps and creating a secondary distribution market by utilizing ticket trade center functions. In such ways, its plan is to actively invest in new businesses toward accelerating growth.

Future direction

### 3. FISCO's points to focus on in the medium to long-term

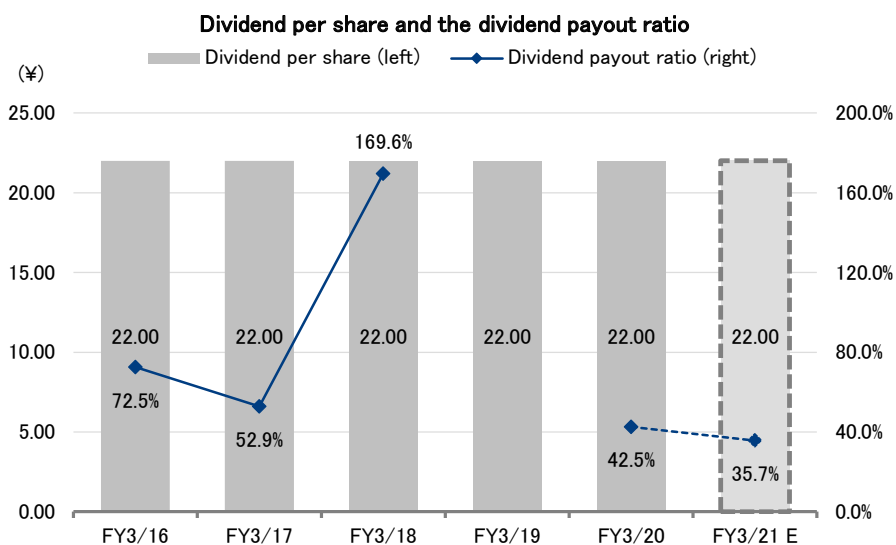
At FISCO, we highly evaluate the launches of the VR business and the Electronic Tickets Business, whose markets are expected to grow, as possibly connecting to the acceleration of growth in the medium to long-term. In particular, for the VR business, the key to success would seem to be the Company acquiring IP and providing VR experiences in ways unique to it, and its skill in creating payment points (monetization). In the Electronic Tickets Business as well, needless to say there is a competitive advantage from having a business model that can become the de facto standard, but also various other possibilities remain hidden, including cross-selling (sales of tickets and goods for other artists, various types of VR experiences, etc.) through capturing members on a cloud system, and by demonstrating initiative toward creating a secondary distribution market. So going forward, we shall be paying attention to developments and the speed of these developments.

## Returns to shareholders

**For FY3/21, is again forecasting an annual dividend of ¥22 (for the sixth consecutive period). In the medium term, plenty of room to increase the dividend alongside profit growth**

The Company's basic policy is to pay a dividend linked to results, targeting a dividend payout ratio of 30%. In FY3/21, it plans to pay a dividend per share of ¥22 for the sixth consecutive period (forecast dividend payout ratio, 35.7%).

The Company has continued to pay a stable dividend for a while. But when judged from its strong financial foundation and business characteristics, such as that it does not need to conduct capital investment, and from its potential for profit growth in the future, we at FISCO think there remains plenty of room for it to increase the dividend in the medium term.



Note: a dividend payout ratio for FY3/19 is not shown as a final loss was recorded  
 Source: Prepared by FISCO from the Company's financial results

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