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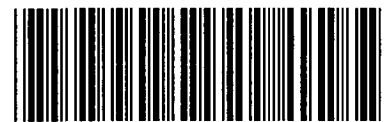
Financial Statements

Fujisankei Communications International, Inc.
(A Wholly-Owned Subsidiary of Fuji Media Holdings, Inc.)

Years Ended December 31, 2020 and 2019
with Independent Auditor's Review Report



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Fujisankei Communications International, Inc.
(A Wholly-Owned Subsidiary of Fuji Media Holdings, Inc.)

Financial Statements

Years Ended December 31, 2020 and 2019

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Independent Accountant's Review Report

The Board of Directors
Fujisankei Communications International, Inc.:

We have reviewed the accompanying financial statements of Fujisankei Communications International, Inc., which comprise the balance sheets as of December 31, 2020 and 2019 and the related statements of income and retained earnings, and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements, which, as described in note 1(b) to the financial statements, have been prepared in accordance with accounting principles generally accepted in Japan; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in Japan. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in Japan.

Basis of Accounting

We draw attention to note 1(b) of the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with accounting principles generally accepted in Japan, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our conclusion is not modified with respect to this matter.

EOS Accountants LLP

February 22, 2021

Fujisankei Communications International, Inc.
(A Wholly-Owned Subsidiary of Fuji Media Holdings, Inc.)

Balance Sheets

December 31, 2020 and 2019

Assets	2020	2019
Current assets:		
Cash and cash equivalents (notes 1(c) and 10)	\$ 24,029,601	\$ 23,164,324
Accounts receivable, net of allowance for doubtful accounts of \$675 in 2020 and \$0 in 2019 (note 10)	119,909	494,025
Due from Parent and affiliates (note 10)	354,515	569,192
Prepaid income taxes	1,022,756	200,037
Prepaid expenses	465,445	204,913
Other current assets	155,697	78,249
Total current assets	26,147,923	24,710,740
Property and equipment, net (note 2)	733,879	788,876
Deferred tax assets, non-current (note 5)	284,215	307,503
Other assets (note 3)	381,800	389,230
Total non-current assets	1,399,894	1,485,609
Total assets	\$ 27,547,817	\$ 26,196,349
Liabilities and Net Assets		
Current liabilities:		
Accounts payable (note 10)	\$ 236,650	\$ 269,163
Accrued expenses	250,607	279,625
Due to Parent and affiliates (note 10)	919,796	866,290
Advance receipts	158,100	38,210
Other current liabilities	67,695	59,725
Total current liabilities	1,632,848	1,513,013
Deferred rent liabilities	698,177	339,868
Total non-current liabilities	698,177	339,868
Total liabilities	2,331,025	1,852,881
Net assets:		
Stockholder's equity		
Common stock, \$100,000 par value, authorized, issued, and outstanding 75 shares	7,500,000	7,500,000
Retained earnings	17,716,792	16,843,468
Total stockholder's equity	25,216,792	24,343,468
Total net assets	25,216,792	24,343,468
Total liabilities and net assets	\$ 27,547,817	\$ 26,196,349

See independent accountant's review report and accompanying notes.

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Fujisankei Communications International, Inc.
(A Wholly-Owned Subsidiary of Fuji Media Holdings, Inc.)

Statements of Income and Retained Earnings

Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Revenues (note 4):		
News services	\$ 6,061,610	\$ 6,372,132
Broadcasting	<u>2,754,740</u>	<u>3,659,531</u>
Total revenues	8,816,350	10,031,663
Costs (note 4):		
News services	4,873,399	5,068,481
Broadcasting	<u>2,937,339</u>	<u>3,662,116</u>
Total costs	<u>7,810,738</u>	<u>8,730,597</u>
Gross profit	1,005,612	1,301,066
Service fee income (note 4)	<u>7,721,133</u>	<u>7,591,075</u>
	8,726,745	8,892,141
Selling, general, and administrative expenses (notes 6, 7 and 11)		
Personnel expense	2,850,479	2,853,321
Office rent expense	2,978,093	2,900,755
Others	<u>1,584,572</u>	<u>1,809,877</u>
Total selling, general and administrative expenses	<u>7,413,144</u>	<u>7,563,953</u>
Operating income	<u>1,313,601</u>	<u>1,328,188</u>
Other income (expenses):		
Interest income	75,707	319,463
Gain (Loss) on foreign currency transactions, net	365,443	(146,200)
Loss on sale and disposal of property and equipment	—	(11,970)
Others	<u>171,737</u>	<u>156,106</u>
	<u>612,887</u>	<u>317,399</u>
Income before income taxes	1,926,488	1,645,587
Income taxes (note 5)	<u>600,164</u>	<u>515,788</u>
Net income	1,326,324	1,129,799
Retained earnings at beginning of year	16,843,468	15,928,169
Cash dividend (note 9)	<u>(453,000)</u>	<u>(214,500)</u>
Retained earnings at end of year	\$ <u>17,716,792</u>	\$ <u>16,843,468</u>

See independent accountant's review report and accompanying notes.

Fujisankei Communications International, Inc.
(A Wholly-Owned Subsidiary of Fuji Media Holdings, Inc.)

Statements of Cash Flows

Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Income before income taxes	\$ 1,926,488	\$ 1,645,587
Adjustments to reconcile income before income taxes to net cash provided by operating activities:		
Depreciation and amortization	137,711	224,839
Allowance for doubtful accounts	675	—
Loss on sale and disposal of property and equipment	—	11,970
(Gain) Loss on foreign currency transactions, net	(396,220)	66,112
Interest income	(75,707)	(319,463)
Changes in assets and liabilities:		
Accounts receivable	373,441	(243,933)
Due from Parent and affiliates	214,677	249,628
Prepaid expenses	(260,532)	57,030
Other current assets	(77,448)	9,862
Other assets	(10,299)	93,541
Accounts payable and accrued expenses	(61,531)	81,516
Due to Parent and affiliates	53,506	110,008
Advance receipts and other current liabilities	127,860	5,203
Deferred rent liabilities	358,309	104,986
Subtotal	2,310,930	2,096,886
Interest received	75,707	319,463
Income taxes paid	(1,399,595)	(344,945)
Net cash provided by operating activities	987,042	2,071,404
Cash flows from investing activity:		
Additions to property and equipment	(64,985)	(142,436)
Cash used in investing activity	(64,985)	(142,436)
Cash flows from financing activity:		
Dividend paid	(453,000)	(214,500)
Cash used in financing activity	(453,000)	(214,500)
Effect of exchange rate changes on cash and cash equivalents	396,220	(66,112)
Net increase in cash and cash equivalents	865,277	1,648,356
Cash and cash equivalents at beginning of year	23,164,324	21,515,968
Cash and cash equivalents at end of year	\$ 24,029,601	\$ 23,164,324

See independent accountant's review report and accompanying notes.

Fujisankei Communications International, Inc.
(A Wholly-Owned Subsidiary of Fuji Media Holdings, Inc.)

Notes to Financial Statements

December 31, 2020 and 2019

(1) Organization and Summary of Significant Accounting Policies

(a) Organization

On October 1, 2008, the former Parent, Fuji Television Network, Inc. transferred its broadcasting business to a newly established subsidiary and switched over to a certified broadcast holding company Fuji Media Holdings, Inc. ("the Parent"). Therefore, effective October 1, 2008, Fujisankei Communications International, Inc. ("the Company") became a wholly-owned subsidiary of Fuji Media Holdings, Inc.

The Company was incorporated in the State of New York on October 1, 1986 to gather overseas news for the Parent and affiliated companies and to undertake program production and broadcasting, international program sales and acquisitions, public relations, and the analysis of overseas investment opportunities in the areas of film, music, publishing, and art. In addition, the Company works very closely with the Parent, providing integral cooperation in the fields of marketing, event planning, and overseas filming coordination.

(b) Principles of Presentation

The accompanying financial statements have been prepared on the basis of accounting principles generally accepted in Japan. The primary difference from those prepared on the basis of accounting principles generally accepted in the United States of America is accounting for the translation of the financial position and results of operations of the foreign branches, which are denominated in foreign currencies (see note 1(g)).

(c) Cash Equivalents

Cash equivalents of \$14,900,000 and \$14,800,000 at December 31, 2020 and 2019, respectively, consist of time deposits. For purposes of the statements of cash flows, the Company considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents.

(d) Allowance for Doubtful Account

An allowance for doubtful accounts is recorded when it is probable that amount will not be collected based on historical collection trends, age of outstanding receivables, specific customer circumstances, and existing economic conditions. Accounts receivable are written off when it becomes apparent that such amounts will not be collected.

(e) Depreciation and Amortization

Depreciation of property and equipment is provided over the estimated useful lives, which range from 3 to 18 years, using the straight-line method. Leasehold improvements are amortized on a straight-line basis over the lease term or estimated useful lives of the assets, whichever is shorter.

Fujisankei Communications International, Inc.
(A Wholly-Owned Subsidiary of Fuji Media Holdings, Inc.)

Notes to Financial Statements (continued)

(f) *Impairment of Fixed Assets*

The Company follows the accounting standard, “Impairment of Fixed Assets”. The standard requires that tangible and intangible fixed assets be carried at cost less depreciation and be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Companies would be required to recognize an impairment loss in their statements of income and retained earnings if certain indicators of asset impairment exist and the book value of an asset exceeds the undiscounted sum of future cash flows generated by the assets.

(g) *Foreign Currency Translation*

All assets and liabilities denominated in foreign currencies are translated into U.S. dollars at year-end rates of exchange except for noncurrent assets and liabilities, which are translated at historical rates. Income and expense accounts are translated at exchange rates prevailing at the time the income was earned or expense was incurred.

(h) *Income Taxes*

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

(i) *Deferred Rent Liabilities*

Rent expense is recognized on the straight-line basis. The differences between cash payments under the lease agreements and straight-lined rent have been recognized as deferred rent in the accompanying balance sheets.

(j) *Revenue Recognition*

Revenue is recognized from services when performed and from sales when products are shipped.

(k) *Use of Estimates*

Management of the Company has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with generally accepted accounting principles in Japan. Actual results could differ from those estimates.

Fujisankei Communications International, Inc.
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Notes to Financial Statements (continued)

In addition, the Company has considered the potential impact of the COVID-19 pandemic on the business operations. Although no material impairment or other effects have been identified to date related to the COVID-19 pandemic, there is substantial uncertainty in the nature and degree of its continued effects over time. This uncertainty affects management's accounting estimates and assumptions, could result in greater variability in variety of areas that depend on these estimates and assumptions as additional events and information are known.

(2) Property and Equipment

A summary of property and equipment, at cost, as of December 31, 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Buildings and land	\$ 1,750,000	\$ 1,750,000
Building improvements	439,921	439,921
Studio and technical equipment	4,225,280	4,549,331
Furniture and fixtures	1,059,847	1,030,446
Leasehold improvements	3,569,570	3,555,437
	<u>11,044,618</u>	<u>11,325,135</u>
Less accumulated depreciation and amortization	<u>(10,310,739)</u>	<u>(10,536,259)</u>
Property and equipment, net	<u>\$ 733,879</u>	<u>\$ 788,876</u>

(3) Other Assets

Other assets consist of the followings at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Deposits	\$ 341,342	\$ 335,029
Others	<u>40,458</u>	<u>54,201</u>
	<u>\$ 381,800</u>	<u>\$ 389,230</u>

Fujisankei Communications International, Inc.
(A Wholly-Owned Subsidiary of Fuji Media Holdings, Inc.)

Notes to Financial Statements (continued)

(4) Related Party Transactions

The Company collects, produces, and provides news and other information to the Parent and affiliated companies, coming from various countries. The Company produces television programs for the Parent and affiliated companies. Based on the service agreements, the Company receives service fee income from the Parent and affiliated companies for the services it provides on behalf of them (see note 1(a)). In addition, the Company purchases goods and receives services from the Parent and affiliated companies.

Because of extensive transactions with the Parent and affiliated companies, the accompanying financial statements may not be indicative of the financial position or the results of operations if the Company had operated without the Parent and affiliated companies.

Revenues and costs relating to the Company's transactions with the Parent and affiliated companies for the years ended December 31, 2020 and 2019 are summarized as follows:

	<u>2020</u>	<u>2019</u>
Revenues:		
News services	\$ 5,926,145	\$ 6,270,762
Broadcasting	<u>1,870,163</u>	<u>2,334,386</u>
	\$ <u>7,796,308</u>	\$ <u>8,605,148</u>
Costs:		
News services	\$ 4,200	\$ 3,786
Broadcasting	<u>152,135</u>	<u>172,825</u>
	\$ <u>156,335</u>	\$ <u>176,611</u>
Selling Expense:		
Broadcasting	\$ <u>1,495</u>	\$ <u>—</u>
General and Administrative Expense:		
New services	\$ <u>102,401</u>	\$ <u>—</u>
Service fee income	\$ <u>7,721,133</u>	\$ <u>7,591,075</u>

Fujisankei Communications International, Inc.
(A Wholly-Owned Subsidiary of Fuji Media Holdings, Inc.)

Notes to Financial Statements (continued)

(5) Income Taxes

The difference between the actual total income tax expenses and Federal income taxes computed at the U.S. statutory rate of 21% for the years ended December 31, 2020 and 2019 is accounted for as follows:

	2020		2019	
	<u>Amount</u>	<u>% of pretax income</u>	<u>Amount</u>	<u>% of pretax income</u>
Computed "expected" tax expenses	\$ 404,562	21.0%	\$ 345,573	21.0%
Increase (decrease) in income taxes resulting from:				
States and local taxes, net of Federal income tax benefit	37,731	2.0	32,221	2.0
Foreign taxes	118,942	6.2	82,986	5.0
Expenses not deductible for tax purpose	32,487	1.7	48,017	2.9
Other	6,442	0.3	6,991	0.4
	<u>\$ 600,164</u>	<u>31.2%</u>	<u>\$ 515,788</u>	<u>31.3%</u>

Components of income tax expense (benefit) are as follows:

	2020			2019		
	<u>Current</u>	<u>Deferred</u>	<u>Total</u>	<u>Current</u>	<u>Deferred</u>	<u>Total</u>
Federal	\$ 378,517	\$ 23,327	\$ 401,844	\$ 350,651	\$ 19,306	\$ 369,957
States and local	47,800	(39)	47,761	37,233	3,553	40,786
Foreign	150,559	—	150,559	105,045	—	105,045
	<u>\$ 576,876</u>	<u>\$ 23,288</u>	<u>\$ 600,164</u>	<u>\$ 492,929</u>	<u>\$ 22,859</u>	<u>\$ 515,788</u>

Fujisankei Communications International, Inc.
(A Wholly-Owned Subsidiary of Fuji Media Holdings, Inc.)

Notes to Financial Statements (continued)

The tax effects of temporary differences that give rise to significant portions of deferred tax assets and deferred tax liabilities are presented below:

	<u>2020</u>	<u>2019</u>
Deferred tax assets:		
Accrued vacation	\$ 38,591	\$ 19,859
Property and equipment, principally due to differences in depreciation and amortization	169,582	174,093
Investment in security, principally due to write-down on impairment	127,322	126,499
Deferred rent liabilities	163,886	90,437
Foreign exchange loss	—	15,145
Other	<u>12,041</u>	<u>7,969</u>
Total deferred tax assets	511,422	434,002
Less: valuation allowance	<u>(127,322)</u>	<u>(126,499)</u>
Net	384,100	307,503
Deferred tax liabilities:		
Foreign exchange gain	<u>(99,885)</u>	<u>—</u>
Net deferred tax assets	<u>\$ 284,215</u>	<u>\$ 307,503</u>

The valuation allowance was fully recorded against the deferred tax assets from impairment on investment in security of a non-public entity at December 31, 2020 and 2019. Total valuation allowance increased \$823 and decreased \$481 for the years ended December 31, 2020 and 2019, respectively. In assessing the likelihood of realization of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Based upon the level of historical taxable income and the projections for future taxable income over the periods in which deferred tax assets are deductible, management believes it is more likely than not that the Company will realize the benefits of these deductible differences, net of existing valuation allowance as of December 31, 2020 and 2019.

Fujisankei Communications International, Inc.
(A Wholly-Owned Subsidiary of Fuji Media Holdings, Inc.)

Notes to Financial Statements (continued)

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) was enacted in response to the COVID-19 pandemic. The CARES Act, among other things, permits NOLs incurred in 2018, 2019 and 2020 to offset 100% of future taxable income while only 80% of taxable income was allowed to be reduced prior to enactment of the CARES Act. In addition, the CARES Act allows NOLs incurred in 2018, 2019 and 2020 to be carried back to each of the five preceding taxable years to generate a refund of previously paid income taxes. The Company is currently evaluating the impact of the CARES Act, but at present does not expect that the NOL carryback provision of the CARES Act would result in a cash benefit to the Company.

(6) Commitments

Office rent expense was \$2,978,093 and \$2,900,755 for the years ended December 31, 2020 and 2019, respectively.

The Company has non-cancelable operating leases principally for office space. Future minimum lease payments are as follows:

	<u>Amount</u>
Year Ending December 31	
2021	\$ 2,411,582
Thereafter	<u>11,262,695</u>
	<u>\$ 13,674,277</u>

(7) Pension Plan

On January 1, 1993, the Company established a contributory 401(k) savings plan. The plan covers substantially all employees except those who are transferred from the Parent on temporary assignments in the U.S. Under the plan, participants may contribute a portion of their salary and are immediately vested for the employee portion. The Company’s contribution to the plan includes a matching contribution (generally 50% of the first 7% of compensation deferred under the plan). The Company’s contribution charged to operating expenses amounted to \$62,635 and \$62,838 for the years December 31, 2020 and 2019, respectively.

Fujisankei Communications International, Inc.
(A Wholly-Owned Subsidiary of Fuji Media Holdings, Inc.)

Notes to Financial Statements (continued)

(8) Net Income and Net Assets Per Share

Net income per share for the years ended December 31, 2020 and 2019 and net assets per share at December 31, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Earnings per share	\$ 17,684	\$ 15,064
Net assets per share	336,224	324,580

(9) Dividends

Cash dividends were declared and approved by the meeting of the board of directors of the Company as follows:

Declared date:	March 23, 2020
Aggregate cash dividend amount:	\$ 453,000
Source of cash dividend:	Retained earnings
Cash dividend per stock:	\$ 6,040
Measurement date:	December 31, 2019
Effective date:	April 1, 2020

Declared date:	March 25, 2019
Aggregate cash dividend amount:	\$ 214,500
Source of cash dividend:	Retained earnings
Cash dividend per stock:	\$ 2,860
Measurement date:	December 31, 2018
Effective date:	April 1, 2019

Fujisankei Communications International, Inc.
(A Wholly-Owned Subsidiary of Fuji Media Holdings, Inc.)

Notes to Financial Statements (continued)

(10) Fair Value of Financial Instruments

The amounts on the balance sheets, fair values and the variance between them of financial instruments as of December 31, 2020 and 2019 are shown in the followings:

		2020		
	Balance Sheet	Fair Value	Variance	
Cash and cash equivalents	\$ 24,029,601	\$ 24,029,601	\$	—
Accounts receivable	119,909	119,909		—
Due from Parent and affiliates	354,515	354,515		—
Asset items total	<u>\$ 24,504,025</u>	<u>\$ 24,504,025</u>	<u>\$</u>	<u>—</u>
Accounts payable	\$ 236,650	\$ 236,650	\$	—
Due to Parent and affiliates	919,796	919,796		—
Liability items total	<u>\$ 1,156,446</u>	<u>\$ 1,156,446</u>	<u>\$</u>	<u>—</u>
		2019		
	Balance Sheet	Fair Value	Variance	
Cash and cash equivalents	\$ 23,164,324	\$ 23,164,324	\$	—
Accounts receivable	494,025	494,025		—
Due from Parent and affiliates	569,192	569,192		—
Asset items total	<u>\$ 24,227,541</u>	<u>\$ 24,227,541</u>	<u>\$</u>	<u>—</u>
Accounts payable	\$ 269,163	\$ 266,163	\$	—
Due to Parent and affiliates	866,290	866,290		—
Liability items total	<u>\$ 1,135,453</u>	<u>\$ 1,135,453</u>	<u>\$</u>	<u>—</u>

The Company holds an investment security in equity of a non-public entity. The investment was written off in prior years due to its full impairment (See note 5 for deferred tax effect). The above list omits such financial instruments as the investment has no market price, and its fair value is not estimable.

The carrying values of cash and cash equivalents, accounts receivable, accounts payable approximate their fair market values due to the short-term maturities/settlements of these instruments.

Fujisankei Communications International, Inc.
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Notes to Financial Statements (continued)

The contractual maturities of financial assets at December 31, 2020 and 2019 were as follows:

		2020			
		Due within 1 year	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Cash and cash equivalents	\$	24,029,601	\$ —	\$ —	\$ —
Accounts receivable		119,909	—	—	—
Due from Parent and affiliates		354,515	—	—	—
Total	\$	24,504,025	\$ —	\$ —	\$ —

		2019			
		Due within 1 year	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Cash and cash equivalents	\$	23,164,324	\$ —	\$ —	\$ —
Accounts receivable		494,025	—	—	—
Due from Parent and affiliates		569,192	—	—	—
Total	\$	24,227,541	\$ —	\$ —	\$ —

(11) Selling, General and Administrative Expenses

Selling expenses accounted for 3.5% and 4.1% of total selling, general and administrative expenses in the accompanying statements of income and retained earnings for the years ended December 31, 2020 and 2019, respectively. General and administrative expenses accounted for 96.5% and 95.9% of total selling, general and administrative expenses in the accompanying statements of income and retained earnings for the years ended December 31, 2020 and 2019, respectively.

(12) Subsequent Events

None