



Asahi Broadcasting Group Holdings Corporation

Q2 Financial Results Briefing for the Fiscal Year Ending March 2019

November 16, 2018

[Venue] Nihon Seimei Hamamatsucho Claire Tower 6F
Hamamatsucho Convention Hall Conference Room A
2-3-1 Hamamatsucho, Minato-ku, Tokyo 105-0013

[Speakers]

Susumu Okinaka	Representative Director and President
Shinya Yamamoto	Asahi Television Broadcasting Corporation Representative Director and President 【Asahi Broadcasting Group Holdings Corporation Representative Director and Vice President】
Masato Kadota	Director (Accounting)

Presentation

Moderator: Thank you for waiting, ladies and gentlemen. We'd like to start the results briefing of Asahi Broadcasting Group Holdings Corporation 2Q of fiscal year 2018.

Let me introduce the attendee of the briefing. From the right, Mr. Susumu Okinaka, Representative Director and President of Asahi Broadcasting Group Holdings Corporation. Next, Mr. Shinya Yamamoto, Asahi Broadcasting Group Holdings Corporation Representative Director and Vice President and Asahi Television Broadcasting Corporation Representative Director and President. Mr. Masato Kadota, Director and in charge of accounting of Asahi Broadcasting Group Holdings Corporation.

Mr. Okinaka will explain about the summary of financial results.

Okinaka: Thank you for taking time to attend our briefing today. I am Okinaka of Asahi Broadcasting Group Holdings Corporation. We appreciate your constant patronage to our company.

Let me start the explanation using the slides.

Consolidated Results and Expenses (1H)

(in million yen)

	FY2018 1H	FY2017 1H	YoY	% Change	
Net sales	39,280	38,920	360	0.9%	
Operating expenses	38,290	38,090	199	0.5%	
Breakdown	Cost of sales	26,616	26,484	132	0.5%
	Selling, general and administrative expenses	11,673	11,606	67	0.6%
Operating income	990	829	160	19.4%	
Ordinary income	1,194	1,021	173	17.0%	
Profit attributable to owners of parent	1,508	614	894	145.5%	

- TV broadcasting business revenue declined, but group companies' revenues and profits increased favorably.

- Tax accounting associated with move to a holding company structure resulted in a significant increase in net profit.

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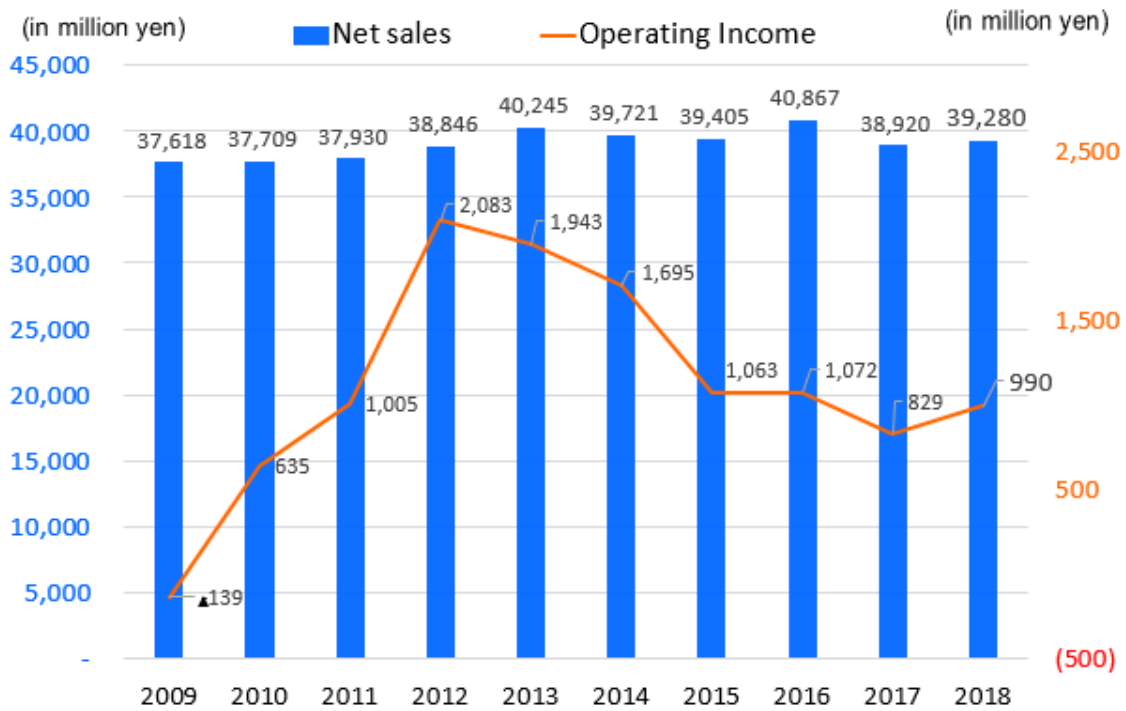
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First, summary of consolidated financial results. We posted increase in revenues and profits in the first half of the current fiscal year. Revenue from TV broadcasting business was sluggish. However, due to revenue increase from housing business and increased earnings from ABC Frontier Holdings that engages in content business and CS broadcasting Sky-A, we posted increase in revenues and profits as a total.

Net income attributable to the parent company shareholders had significant increase. This is due to tax accounting associated with changing to a holding company.

Consolidated Net Sales and Operating Income in the Past 10 Years (1H)



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Please look at this graph. Historical performance of consolidated net sales and operating income of 2Q for the last 10 years. Both operating income and profit margin were able to exceed the previous first half of the last fiscal year.

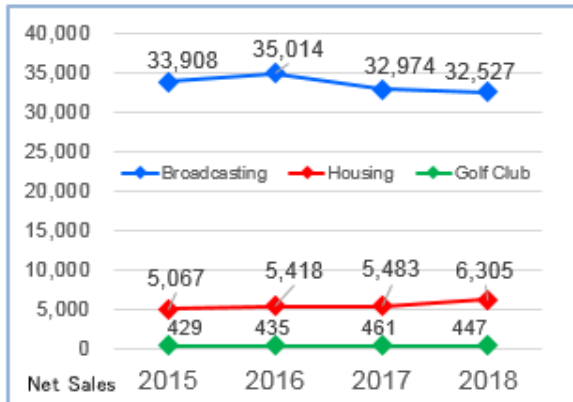
Results by Segment

(in million yen)

Broadcasting	FY2018 1H	FY2017 1H
Net Sales	32,527	32,974
Operating Income	657	412
Housing	FY2018 1H	FY2017 1H
Net Sales	6,305	5,483
Operating Income	446	397
Golf Club	FY2018 1H	FY2017 1H
Net Sales	447	461
Operating Income	2	18

Adjustments	FY2018 1H	FY2017 1H
Operating Income	-115	—

*Percentage change from the previous fiscal year is not mentioned due to reviewing the allocation of business management expenses etc. according to transition to a holding company structure.



- In the broadcasting business, revenue declined slightly but profit increased due to strong anime, TV shopping, and CS sales, despite sluggish TV spot sales.
- Housing business performed well.
- Golf club business was solid.

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Next, this is a graph of sales performance by segment and I'd like to explain about the trend and the entire picture. Please look at the graph on the lower right of the screen. Broadcasting business has been on a declining trend for the last couple of years and slight increase in housing business and flat on golf business.

Broadcasting business posted decrease in revenues in the first half of the current fiscal year, but earnings were able to exceed the level of the last fiscal year. This is because sluggish TV spot advertising revenue was offset by content business such as animation and CS broadcasting Sky-A and led to the increase in earnings. Housing business also contributed to revenue increase.

Now, Mr. Yamamoto, President of Asahi Television Broadcasting Corporation will explain about the television business, main business of the broadcasting business.

Moderator: Mr. Shinya Yamamoto, President of Asahi Television Broadcasting Corporation will explain about the details of television business.

ABC TV Results and Expenses (1H)

(in million yen)

<Results>

1H	ABC TV FY 2018
Net Sales	27,887
Operating Income	- 67
Ordinary Income	- 45
Profit	668

<Expenses>

1H	ABC TV FY 2018
Cost of Sales	17,616
Selling, General and Administrative Expenses	10,338
Total Operating Expenses	27,954

- Operating and ordinary income deficit.

- Tax accounting associated with move to a holding company structure resulted in profits surplus.

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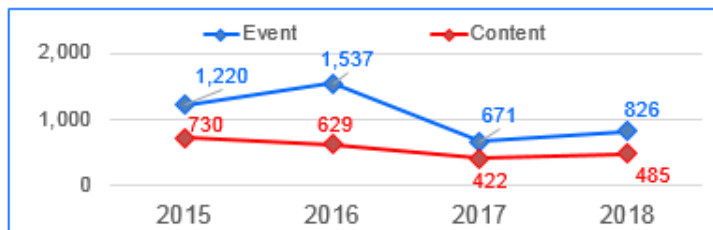
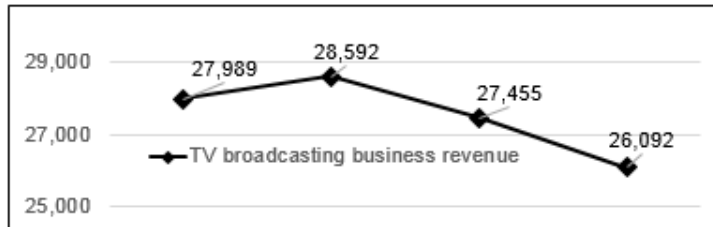


Yamamoto: Hello, I am Yamamoto, President of Asahi Television Broadcasting Corporation. Thank you for coming today. Now, I'll explain about the financial results and expenses of the first half of the current fiscal year. The first interim results since becoming a holding company were unfortunately decrease in operating profits and ordinary profits. We had a very difficult start. The reason for profit on the net income level was due to tax accounting process associated with changing to a holding company. As we were the Split Preparatory Company in the last fiscal year, we do not make comparison with the last fiscal year.

ABC TV Main Revenues (1H)

(in million yen)

	2015	2016	2017	2018
TV broadcasting business revenue	27,989	28,592	27,455	26,092
Event revenue	1,220	1,537	671	826
Content-related revenue	730	629	422	485



Note: Event revenue before FY2017 includes radio-related events.

First Half Observation

- TV broadcasting business revenue

TV advertising revenue was slowing down and in a slump.

- Event revenue

Classic concerts business was solid.

Gourmet website-related events held nationwide contributed to revenue.

- Content related revenue

Archive distribution was transferred to ABC Frontier Holdings from July.

Revenue was almost flat.

* Content-related revenue: Part of business transferred to ABC Frontier Holdings from July 2016.

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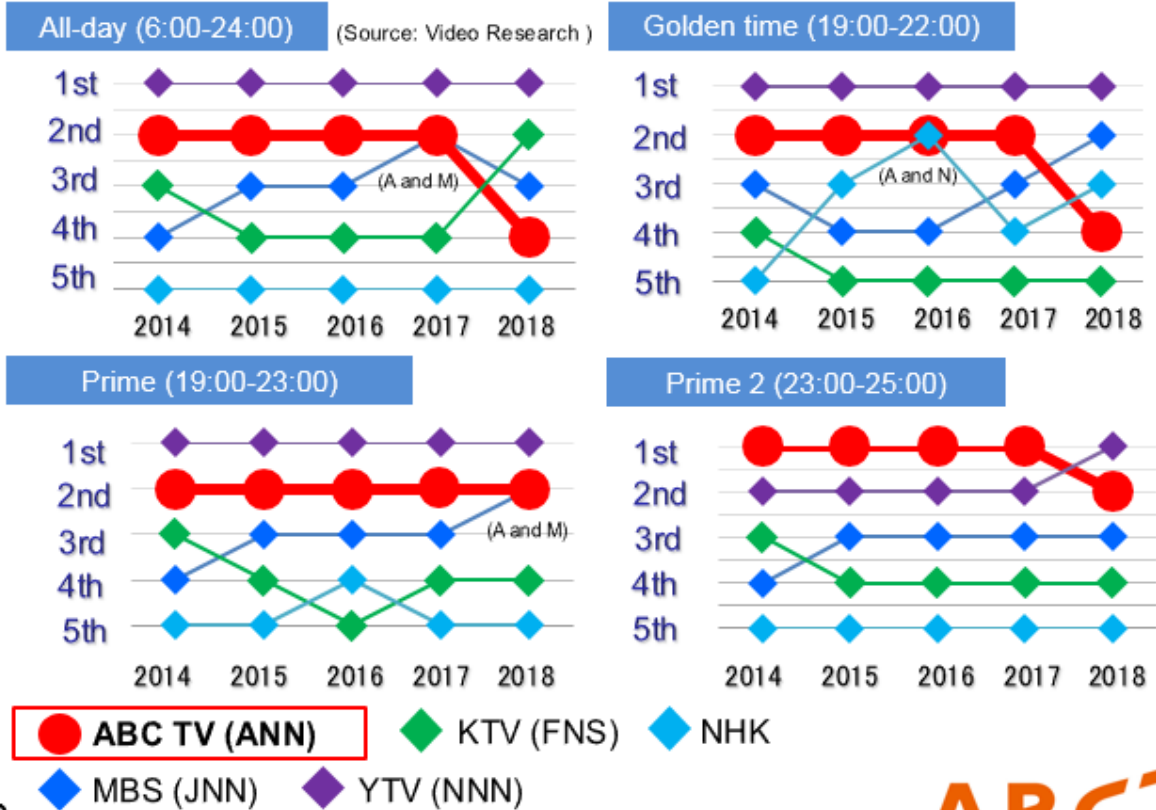


Now, I'll explain the main revenue of our company in the next slide. There are three main revenues. Television broadcasting revenue, event revenue, and content related revenue such as virtual high school baseball.

As you can see, the cause of the severe results in the first half was due to the slump in our main television broadcasting revenue. Events such as classic concert was solid, gourmet website-related events and nationwide development of food sonic, event business posted revenue increase.

Regarding content-related revenue, archive distribution was transferred to the group ABC Frontier Holdings from July, but the revenue from virtual high school baseball had increased from last fiscal year and content related revenue was almost flat year-on-year.

Television Viewer Ratings in the Kansai Region (Note: FY2018 = 1st half)



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Let me explain about the details of our mainstay television broadcasting business. Regarding the viewer rating, the red line chart is our company. We ranked fourth in the all-day time and the golden time. Fourth ranking in the all-day time is the lowest since the first half of 1996. We were able to maintain second ranking in the prime time, lost the first ranking in the prime 2 time. Fall from the first ranking in the prime 2 time is the first time since the first half of 2016 and we had unfortunate results in all time slots.

Television Viewer Ratings for Apr-Sep 2018 (Kansai region)

(Source: Video Research) (%)

	All-day (6:00-24:00)	Golden time (19:00-22:00)	Prime (19:00-23:00)	Prime 2 (23:00-25:00)
1	YTV 8.2	YTV 11.9	YTV 11.8	YTV 7.8
2	KTV 7.6	MBS 10.9	ABC・MBS 10.9(+0.1)	ABC 7.1(-0.7)
3	MBS 7.4	NHK 10.4	* * * * * *	MBS 6.0
4	ABC 7.1(-0.2)	ABC 10.2(-0.1)	KTV 9.9	KTV 5.5
5	NHK 6.2	KTV 9.9	NHK 9.2	NHK 3.3

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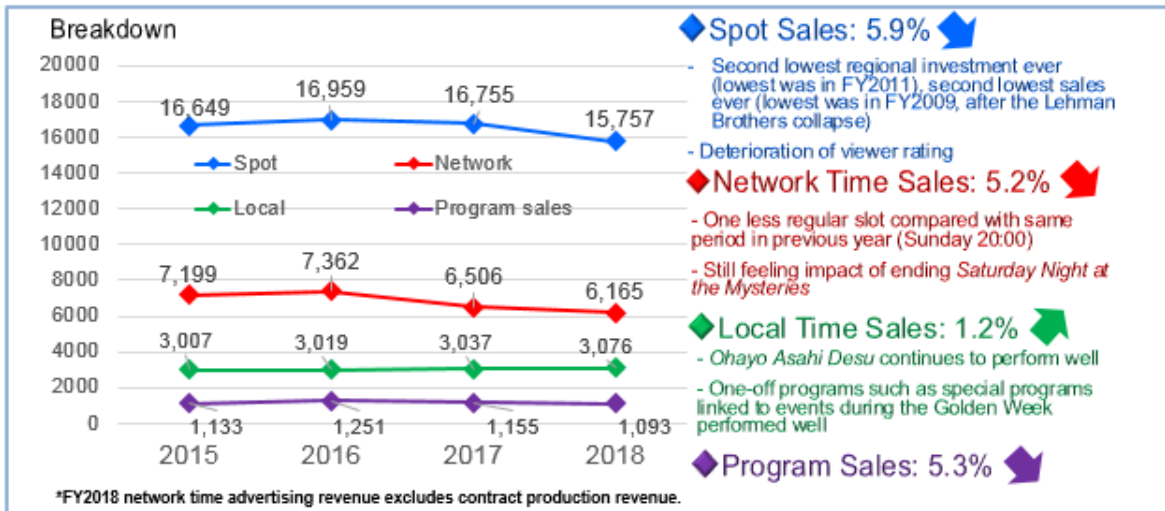
Viewer rating figure of each time slot is as you can see on the handouts. This year the needs for the news and information programs were rising as a result of disasters and harassment problems of the sports world. A number of TV stations increased viewer rating while HUT climbed upward, NHK, that has similar audiences to our company, increased viewer rating especially, on the contrary, we decreased viewer rating.

Among them, the evening time and our competitor stations broadcast news programs had significant impact on the prime 2 time when we broadcast variety shows. I'll explain about this later, but the fact that we cannot grab audience needs to the news information program is a very important issue for us.

Terrestrial Television Broadcasting Business Revenue (1H)

(in million yen)

	FY 2018 1H	FY 2017 1H	YoY	% Change
Television broadcasting business revenue	26,092	27,455	-1,363	-5.0%



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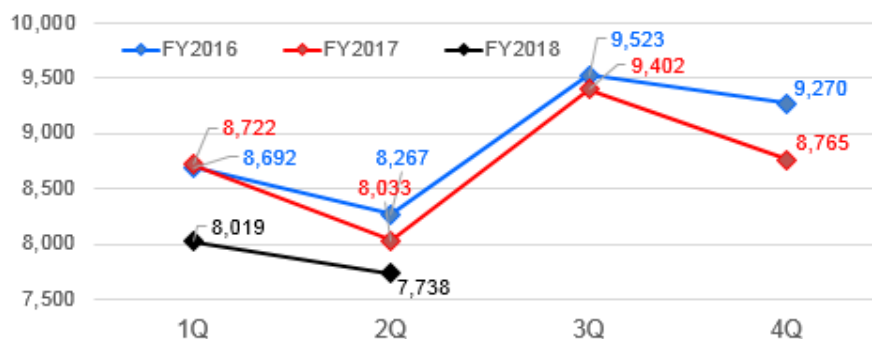
ABC

Next, the breakdown of revenue from the television broadcasting business is as you can see on the handout. Apart from time revenue of local programs, we had negative growth.

Terrestrial Television Spot Sales Revenue

(in million yen)

	1Q	2Q	3Q	4Q	Full-year
FY2016	8,692	8,267	9,523	9,270	35,752
FY2017	8,722	8,033	9,402	8,765	34,923
FY2018	8,019	7,738			15,757



Compared to same period in previous year, share was negative in the 1Q, positive in the 2Q, and was minus 0.1 point overall. The impact of decline of spot sales in the regional market was big and had significant decrease in revenue.

First, regarding spot revenue. Spot sales in the local market in the first half of the current fiscal year was the lowest since fiscal year 2011. Our revenues were the second lowest since fiscal year 2009, after the Lehman Shock. Decrease in spot sales in the local market combined with deterioration of viewer rating caused earnings decline.

Time revenue from nationwide TV programs declined year-on-year due to the impact of decreased regular slots at 8:00 p.m. on Sunday night.

Time revenue from local programs had revenue increase as regular program "Ohayo Asahi Desu (Good morning Asahi)" was strong and the event-related special program which was held during the Golden Week was also strong.

Quarterly results are as you can see on the handouts. Our spot share among four TV stations based in Osaka on year-on-year basis is minus 0.3 point in 1Q, plus 0.2 point in 2Q, total of minus 0.1 point to 24.8%. However, on a monetary basis, the impact of decline of spot sales in the local market was big and had significant decrease in revenue.

Terrestrial Television Spot Sales Revenue (By Top 20 industries)

Industry sector	FY2018 1H		FY2017 1H	
	YoY	Composition rate	YoY	Composition rate
Foods	99.3%	11.7%	108.0%	11.1%
Transportation/Leisure/Restaurants & Fast foods/Services	108.4%	10.9%	118.1%	9.7%
Alcoholic and other beverages	110.0%	8.0%	88.8%	7.6%
Information/Telecommunication	73.6%	8.0%	91.8%	10.2%
Cosmetics/Toiletries	97.6%	7.7%	93.2%	7.4%
Automobile	90.1%	7.7%	108.8%	8.0%
Pharmaceutical/Medical products	92.6%	7.5%	97.3%	7.6%
Finance	107.8%	6.7%	88.4%	5.9%
Hobby(Movie/Game/Music etc.)	107.9%	6.2%	92.0%	5.4%
Consumer electronics/Computer	75.1%	4.8%	108.0%	6.0%
Housing/Real estate/Construction	90.4%	4.1%	138.9%	4.3%
Fashion(Apparel/Jewelry etc.)	88.2%	2.5%	100.2%	2.7%
Publishing	104.6%	2.2%	110.7%	2.0%
Government/Political organization	90.0%	2.0%	83.5%	2.1%
Energy/Machine/Material	80.2%	1.8%	72.0%	2.1%
Retail/Distribution	118.5%	1.8%	57.7%	1.4%
Various organizations(Law office etc.)	93.6%	1.7%	93.5%	1.7%
Mail order sales	61.5%	1.4%	122.9%	2.1%
Logistics services/Events	89.0%	1.2%	101.8%	1.3%
Homeware	79.3%	1.2%	117.7%	1.4%
Other	20.1%	0.0%	58.0%	0.1%
Total		100.0%		100.0%

Shift to digital advertisement from key industries (such as automobiles, telecommunications) in spot advertising market increased while television advertisement placement decreased. ⇒ **Work on cooperation with programs and web-related projects, but cannot quite cope with the change of needs.**

*Year-on-year comparisons

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Looking by the industry, advertisement placement from beverage, insurance and finance increased while advertisement placement from key industries in the spot market such as automobile, telecommunication and consumer electronics decreased.

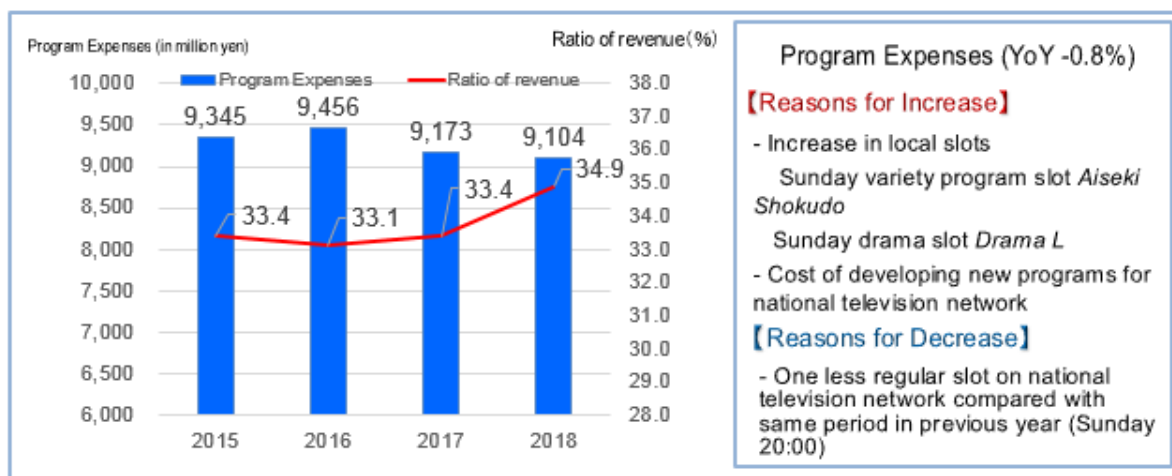
Increasing shift to digital advertisement from sponsor companies had significant impact. We are working on cooperation with programs and video distribution, but we cannot quite cope with the change of needs and I believe this is a sales issue.

Terrestrial Television Broadcasting Business Expenses (1H)

(in million yen)

	FY 2018 1H	FY 2017 1H	YoY	% Change
ABC TV Program Expenses	9,104	9,173	-69	-0.8%

*FY2018 program expenses are the sum of program expenses and contract program production expenses.
(Contract business from ABC Radio has been added.)

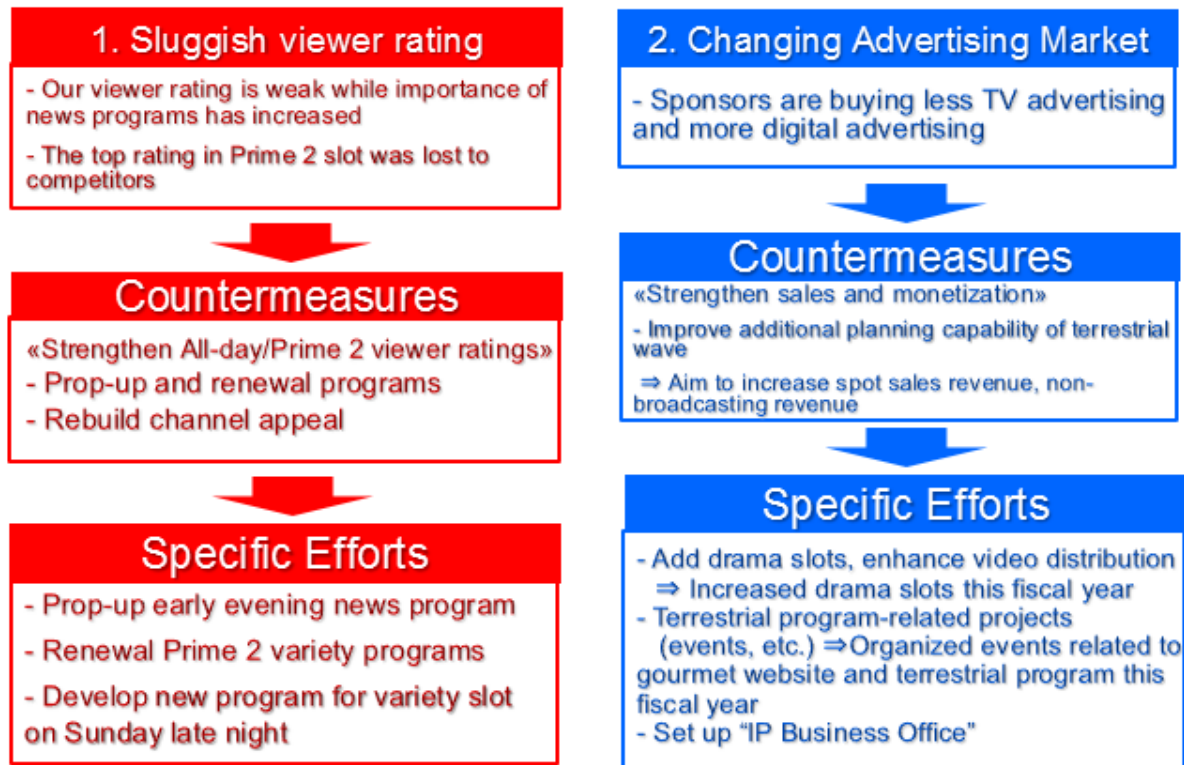


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Program expense of the first half was minus 0.8% year-on-year. We started the local variety show and drama on Sunday midnight and we worked on development of new programs for nationwide broadcasting contributed to expense increase, but as we had no regular slot of nationwide regular broadcasting on Sunday 8 p.m., program expense was flat. Also, as a result of deteriorating business performance, we worked on cost control including the program guide from the mid-term resulted in reduction in the negative range of profits as a whole.

TV Broadcasting Business: Countermeasures and Efforts



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Now, I'd like to explain our efforts to each issue from here. As I've mentioned, spot advertisement is struggling, we think it's absolutely necessary to strengthen our TV broadcasting business to improve and increase group results.

First of all, regarding sluggish viewer rating, news and information programs which are essentially our strengths are struggling. We're especially struggling in the evening time. In addition, the fact that we lost the top rating in the variety slot during the prime 2 slot had huge damage to our corporate image of being strong with programs at 11:00 p.m. and we have to rebuild the appealing power of the channel.

As a countermeasure against all-day's viewer rating, prop-up to the evening's local news programs, development of new program for variety slot on Sunday midnight which we newly started in April, we are thinking about renewal of midnight variety shows. We aim to rebuild the image of ABC being strong with news and midnight variety shows.

On the other hand, we think we have to urgently respond to changes in the advertising market as a sales strategy. We aim to raise spot revenue by improving additional planning capability of terrestrial wave and incorporating sponsors' needs. In addition, we aim to increase non-broadcasting revenue in the medium to long-term.

Specifically, we increased highly-demanded drama slots for Internet video distribution and held terrestrial program-related events in the current year. In addition, we set up IP Development Office as of November 1 and accelerated production of content that can be deployed with multiple devices.

TV Broadcasting Business: Efforts for Second Half



Potsun to ikkenya (7:58 p.m. on Sunday night)

- Put a special program that became popular in a regular slot.
- Average television viewer rating in October:
Kanto: 13.0%, Kansai: 11.8%
- Special program aired in November:
Kanto: 15.4%, Kansai: 16.8%

[Weekday early evening news program: CAST]

- Revamp a studio set.
- Further enhance our efforts going forward.



- Create a regular Sunday late-night slot *Drama L.*
- Produce a drama with the idea of distribution. It performs well.



- Broadcast late night on Wednesdays. Produce a drama together with video distribution service "GYAO" and ad agency.
- "GYAO" distributes spin-off episodes that link to main story.



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As efforts in the second half, we made a comeback of ABC nationwide broadcasting slot on Sunday night first. We aired as a special program "Potsun to ikkenya (A house in the middle of nowhere)" that became popular in October last year, we organized as a regular program. We created the program that can be enjoyed by all generations which inherited the previous program "Nani kore chin hyakkei (What is this strange scenery?)" produced by TV Asahi and gained average viewer rating at 13% in the Kanto area and 11.8% in the Kansai area in October. The average viewer rating was raised in November at 15.4% in the Kanto area and 16.8% in the Kansai area when two hours and a half special program was aired the other day and posted highest viewer rating of the program.

We gained top rating in the prime time in October for the first time in the current fiscal year and in the fourth week of October, we are on the rising trend, gained the top rating in the golden, prime and prime 2.

We revamped a studio of the evening news in October and conducted research and analysis of audience's needs and we intend to further revamp going forward.

In addition, as additional efforts toward terrestrial wave, we broadcast newly started live-action drama based on the comic popular among young ladies and provide video distribution and produce drama in cooperation with an advertising agency. We are expecting a return to TV viewing as a result of watching videos familiar among young generations.

ABC TV Forecast for Results and Expenses (Full-year)

(in million yen)

<Results>

Full-year	ABC TV FY2018
Net sales	57,800
Operating Income	620
Ordinary Income	650

<Expenses>

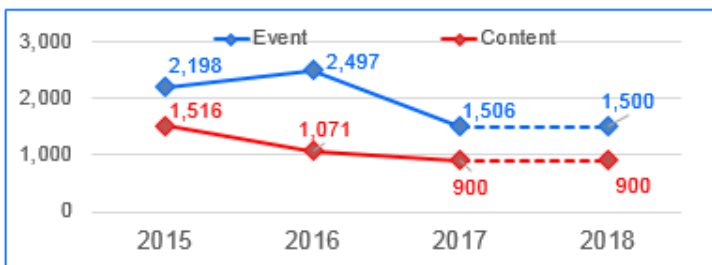
Full-year	ABC TV FY2018
Operating Expenses	57,180

Next, our full-year forecast is as follows. We tend to have higher earnings in the second half, therefore, we expect operating income and recurring income to offset the minus in the first half and achieve profits on full-year basis.

ABC TV Forecast for Main Revenues (Full-year)

(in million yen)

	2015	2016	2017	2018
TV broadcasting business revenue	58,178	58,264	57,041	54,600
Event revenue	2,198	2,497	1,506	1,500
Content-related revenue	1,516	1,071	900	900



Full-year Observations

- TV broadcasting business revenue

Slump in spots sales revenue is expected to continue and revenue is expected to decrease

- Event revenue

Will not hold major event in second half that we held last year and thus will set off plus in first half and revenue will be in line with previous year

- Content-related revenue

Almost flat from the last fiscal year

* Content-related revenue: Part of business transferred to ABC Frontier Holdings from July 2016

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Note: Event revenue before FY2017 includes radio-related events.

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The outlook for main revenue is as you can see on the slide. We assume sluggish spot revenue to continue in the second half. We think it'll take some time to have effects from the countermeasures I've mentioned, therefore, we expect broadcasting revenue to decrease by 2.4 billion yen.

Regarding event revenue, we do not have large-scale events in the second half as we had in the last fiscal year, offsetting surplus in the first half and is expected to be almost flat in the full-year.

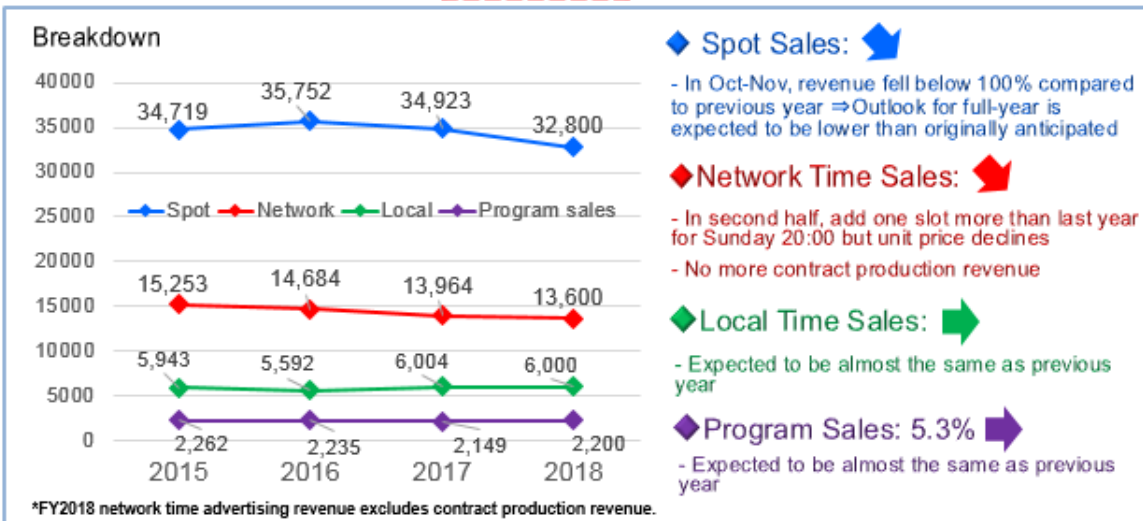
We expect content-related revenue to be almost flat from the last fiscal year.

Forecast for Revenue of Television Broadcasting Business (Full-year)

<Revenue>

(in million yen)

	FY2018 (forecast)	FY2017	YoY	% Change
Television broadcasting business revenue	54,600	57,041	-2,441	-4.3%



Spot revenue is still below 100% in October and November. Therefore, we have estimated severely and expect full-year spot revenue to be 32.8 billion yen or 94% year-on-year. We've had increase in time revenue from nationwide broadcasting programs on Sunday at 8 p.m., but we still had impact from declining unit price in other time slots and we expect spot revenue to decrease.

We expect local revenue to be almost the same as the last fiscal year.

Forecast for Expenses of Television Broadcasting Business (Terrestrial, Full-year)

(in million yen)

	FY2018 (forecast)	FY2017	YoY	% Change
ABC TV Program Expenses	18,100	17,682	417	2.4%

*Program expenses for FY 2018 add "the outsourcing expense to the group company" to the program expenses



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Next, program expense forecast. The program cost seems to increase significantly because the outsourcing expense is increasing due to partial transfer of program production work to the group company as part of strengthening group management. Excluding that expense, program expense is expected to be almost flat.

While we increased program content such as additional setup of midnight variety shows, and dramas compared to the last fiscal year, we are working on cost control by lowering production unit cost for the nationwide broadcasting on Sunday at 8 p.m. and cost review of local programs.

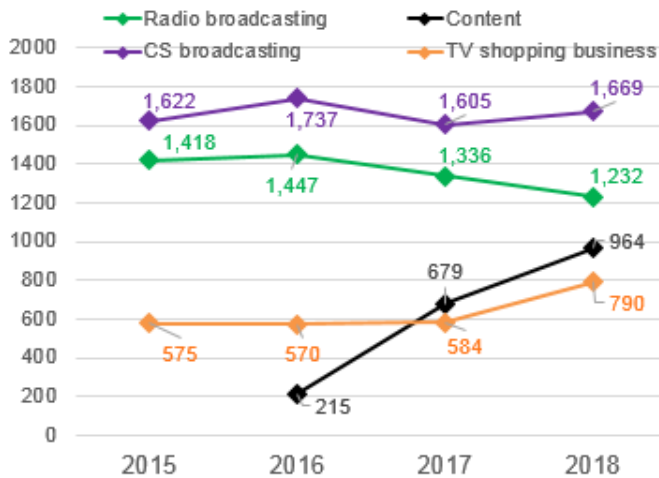
This concludes my presentation.

Moderator: Next, Mr. Okinaka, President of the Asahi Broadcasting Holdings Corporation, will explain about the overall financial results except television.

Non-TV Broadcasting Business Revenue (Non-consolidated, 1H)

		2015	2016	2017	2018
ABC Radio	Broadcasting revenue	1,418	1,447	1,336	1,232
ABC FRONTIER HOLDINGS	Content related revenue	—	*215	679	964
Sky-A	CS broadcasting revenue	1,622	1,737	1,605	1,669
AMC	TV shopping business revenue	575	570	584	790

*ABC FRONTIER HOLDINGS began operations in July 2016, so the FY2016 figures are for July to September 2016.



First Half Observation

- **Radio Broadcasting revenue (ABC Radio)**
Revenue is lower than the last fiscal year but have secured a surplus
⇒ collaborate with the digital domain to acquire young listeners and new sponsors going forward
- **Content related revenue (ABC FRONTIER HD)**
⇒ See next page for more details
- **CS broadcasting revenue (Sky-A)**
Acquire new sponsors and increase revenue through Step Up Tour (golf)
⇒ Work on new content development
- **TV shopping business revenue (AMC)**
Increase revenue and profits through steady sale of staple items and effect of special programs on national holidays
⇒ Develop new products and aim to expand earnings

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Okinaka: Hello, Okinaka again. I'll explain about revenue of broadcasting business except television. First, please look at the green line. This is radio broadcasting revenue. This is lower than the last fiscal year, but ABC Radio itself keeps surplus.

ABC Radio is actively pursuing collaboration with the digital domain to acquire young listeners and new sponsors. The purple line is CS broadcasting Sky-A. As we acquired new sponsors in the golf event, we had revenue increase.

At the same time, we are currently seeking various explorations for new content development. This orange line, this is a mail order company that AMC is managing. TV shopping business. We had increase in revenue thanks to the effect of special programs and stable popularity of stable items. We aim to improve results further by developing new products while keeping the current line.

This black line which had significant increase is ABC Frontier Holdings that engages in content business. I'll explain about this in the next slide.



- Revenue of secondary usage of HUGTTO! PRECURE which started in February continues to be favorable

- Content sales to overseas for late night anime programs continue to be strong



©ABC-A, Toei Animation



© Ooji Kouji, Kyoto Animation / Iwatobi-cho Supporter's Association



《First Half Performance》
- Overseas program sales and program sales for domestic hotels and in-flight screening are solid, as expected, and continue to increase



- Expanded sales channels and added sales staff to video distribution business that began on a full-scale from July

《Issues》
- Product shortage and increase in rights processing costs

- Product shortage

[Issues Going Forward] - Develop original content not limited to TV secondary use
- Expand profit outside the animation business

Frontier Group continued to perform strongly in the first half of the current fiscal year following the last fiscal year. Animation is driving the performance. Revenue of secondary usage of “Precure” is significantly strong. Also, regarding midnight animation broadcasting in the Kansai region, content sales to overseas continue to be strong such as “Free!” series of July period was sold to China and the program aired in January period.

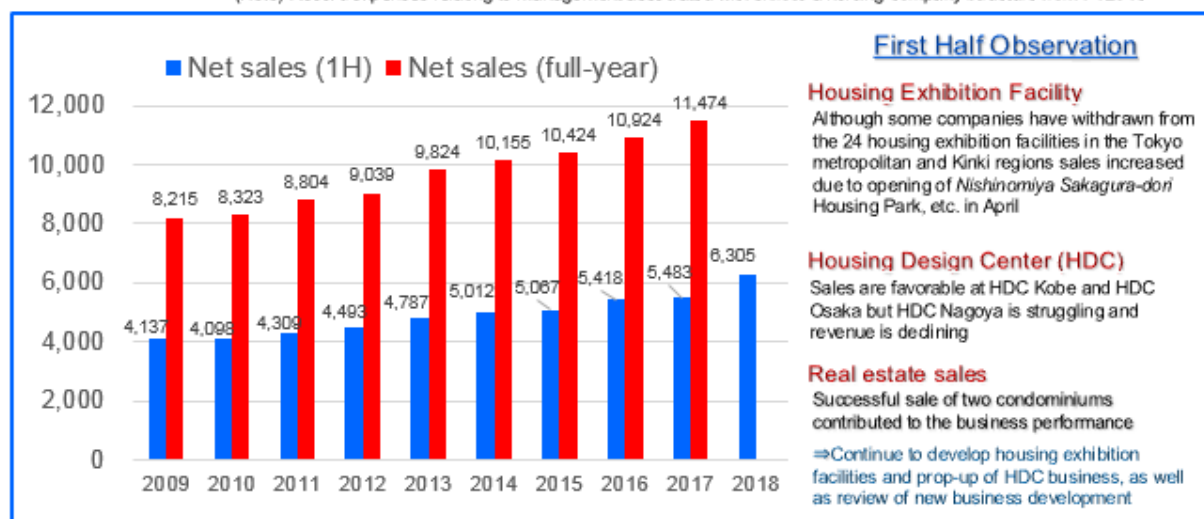
ABC International, which engages in overseas business, is also increasing sales. ABC Rights Business started video distribution business on a full-scale from July in the current fiscal year and actively engaged in sales to various distribution platforms. While both companies are expanding channels, product shortage is the issue.

Frontier Group’s issue going forward is to develop original content that does not rely solely on secondary usage of ABC TV, and we would like to further expand profits outside the animation business. In overseas business, efforts toward the Chinese market will be key going forward.

Housing Business Revenue (1H)

Housing	FY2018	FY2017(actual)
Net Sales	6,305	5,483
Operating Income	446 (Note)	397

(Note) Record expenses relating to management associated with shift to a holding company structure from FY2018



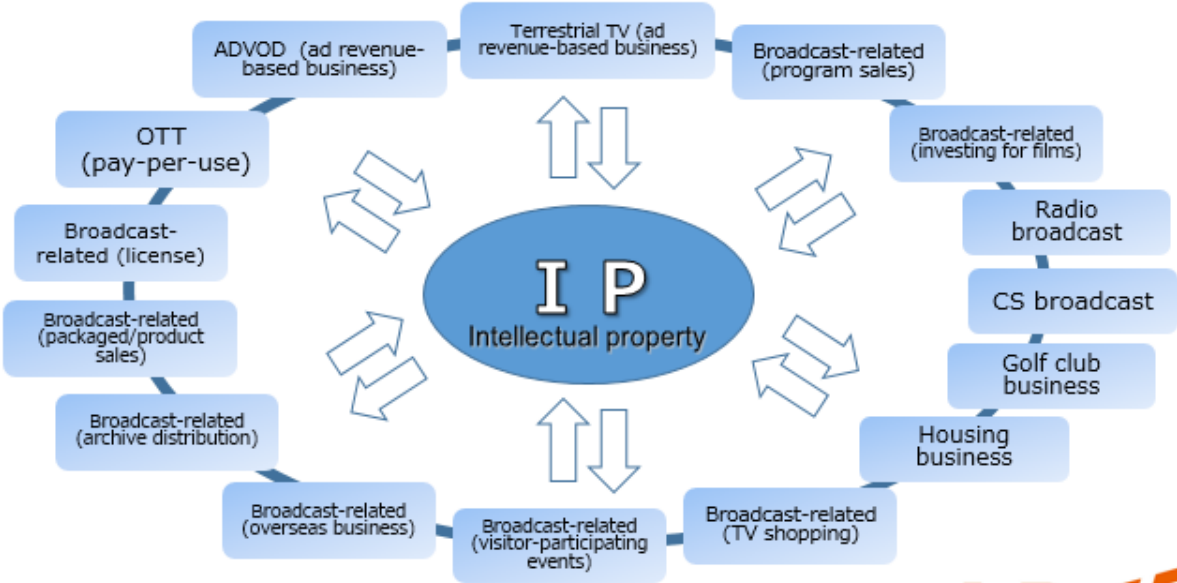
Housing business is the second major pillar after broadcasting business in our group and had increase in revenues and profits. Although there was a withdrawal from some of the main residential exhibition facility businesses, both sales and profits increased due to the opening effect of the new venue.

Real estate sales signed a contract of selling two buildings which contributed to the business performance. As housing business overall, we continue to develop residential exhibition facilities and prop-up of HDC business, as well as review of new business development.

Group's Growth Vision
 "Consolidated Sales of 100 billion yen and Ordinary Income Margin of 8.0%"

Shift our focus to "monetization of intellectual property (IP) -based initiatives including broadcasting" from "development of content business based on broadcasting"

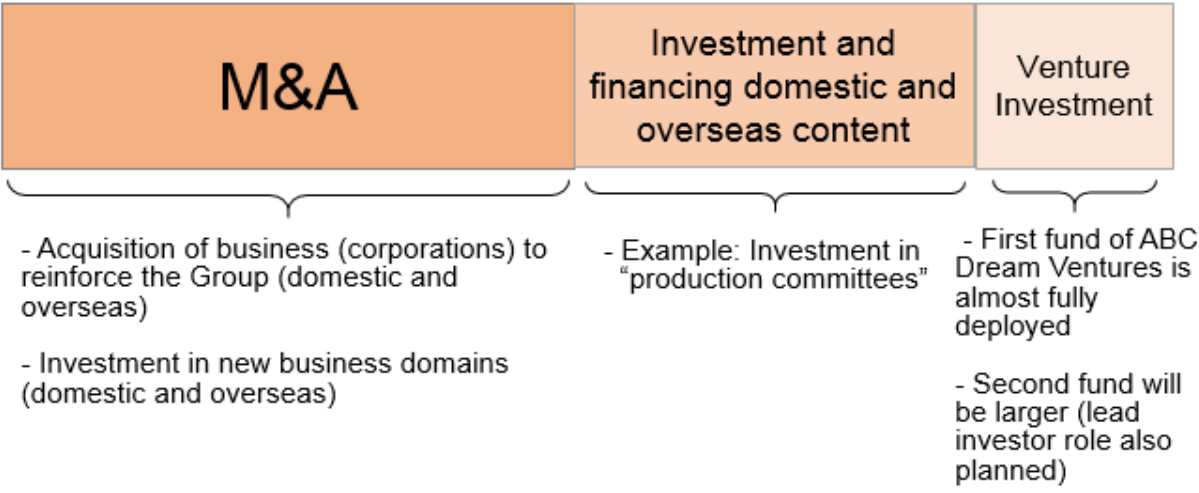
<Means of Monetization>



I'll talk about the future story from now. Our Group intends to shift its focus to monetization of IP-based initiatives towards a growth vision of consolidated net sales of 100 billion yen and ordinary income of 8% as a long-term vision. This is the image of the business structure we are aiming at.

Group's Growth Vision
 "Consolidated Sales of 100 billion yen and Ordinary Income Margin of 8.0%"

Allocation Model of Investment Ceiling 20 billion Yen



In order to ensure this transformation, we intend to actively invest in using an investment funds of 20 billion yen. This is the image of the rough allocation of 20 billion yen investment funds, M&A, investment in domestic and overseas content, and venture investment. These are the three areas we're considering. For M&A, the target area is to reinforce the business of each Group Company and new business domain.

Regarding investment in domestic and overseas content, content investment, we're considering investing in production committee and joint production.

As for venture investment, we are about to finish the number one fund with ABC Dream Ventures soon and we would like to increase the budget and launch the number two fund in a short while.

We would like to focus on venture investment that has synergies with our Group. Regarding this fund of 20 billion yen, we would like to consider raising funds while being conscious of capital cost.

© matoba / SQUARE ENIX, "Beel Mama" Production Committee

© Ooji Kouji, Kyoto Animation / Iwatobi-cho Supporter's Association

- As *Miss Beelzebub Likes* which was invested for late night time animation slot started to broadcast from October.

- Strong overseas sales such as the *Free!* series of July period will continue in second half. Revenue from secondary use of *Precure* remains strong.

- Develop and invest in new content for next fiscal year onward.

- Launched a distribution style DIY video media "LYKKE" with Viibar Inc., started joint investment and management.

- Newly set up "Content Innovation Office" in November. Develop e-Sports-related business such as player management.

© Ira Ozaki / Shogakukan

- Enhance program archive distribution. ⇒ Set up distribution of late night drama to TSUTAYA TV in second half.

Next is our efforts in the Group Company going forward. ABC Frontier Group is leading the IP business in the Group Company. Strong ABC animation will focus on the overseas sales of midnight animation and will continue to develop new content and investment for domestic and overseas markets in and after the next fiscal year.

ABC Frontier Holdings launched the video media LYKKE as a new business development. The number of registrants already exceeded 170,000 people in the four months since July. Regarding e-sports related business, which is expected to grow in the future, we have already started player management, planning, video production, live distribution, etc.

ABC Rights Business focuses on archive distribution business of programs broadcasted in the past and transferred from ABC TV. In the second half they succeeded in concluding big business of exclusive distribution of the midnight local drama currently broadcasting in TSUTAYA TV.

Future Efforts by Each Group Company

ABC Radio

<Special Programs **Linked to niconico Live/LINE LIVE**>
- Broadcasted *TV no Mikata Radio no Lalala* on October 18



<Started **SNS-Linked Live Broadcast**>
- SNS-linked live discussion program *Real wo Butsukero! Hashtag Z* from October



スカイA
sky-A

<Develop New Content>

[From September]
Started live coverage of High School Dance Club Competitions

[From November]
Live coverage of e-Sports and professional table tennis T. League matches



ABC LIBRA

Enhance content production and technical skills, and strengthen our order system from outside the Group (including other stations, distribution companies)



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ABC

In addition, other Group Companies will also work on new content development. Sky-A started the live coverage of the high school dance club that became famous as bubbly dance from September. In addition, we'll start the live coverage of e-sports from November as I've mentioned earlier. In addition, we'll broadcast T League where top world players for ping pong gather.

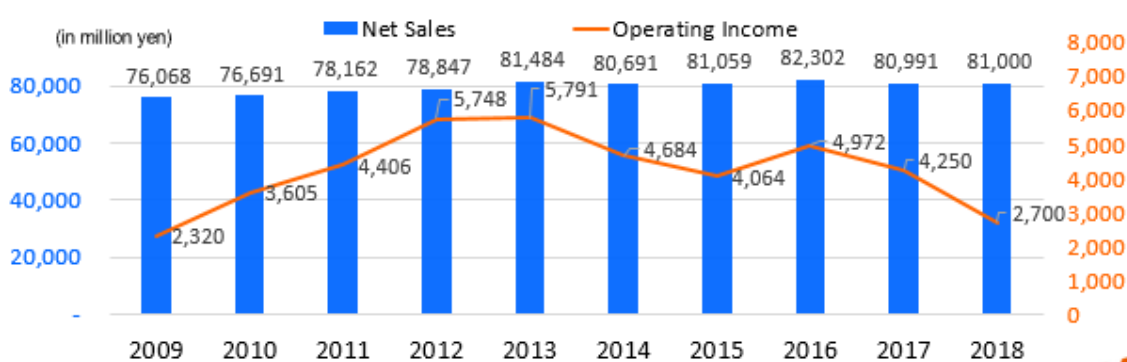
ABC Radio will work to improve value as a reach media by producing programs in collaboration with video distribution "Niko nama", LINE LIVE and SNS in order to capture young listeners.

In addition, in order to strengthen the function as a content maker, we would like to enhance the Group Companies' production and technical capabilities and strengthen our order system from outside the Group.

Forecast for Consolidated Results (Full-year)

(in million yen)

	FY2018	FY2017	YoY	% Change
Net sales	81,000	80,991	9	0.0%
Operating Income	2,700	4,250	-1,550	-36.5%
Ordinary Income	3,000	4,539	-1,539	-33.9%
Profit attributable to owners of parent	2,700	2,691	9	0.3%



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Now, forecast of the full-year consolidated results. Total revenue is 81 billion yen, operating income is 2.7 billion yen, ordinary income is 3.0 billion yen and profit attributable to owners of parent is 2.7 billion yen. We haven't changed our forecast.

We wanted to have a slightly stronger forecast, but as spot revenue is unclear, we have not changed the forecast.

Forecast for Results by Segment (Full-year)

Broadcasting	FY2018	FY2017
Net Sales	67,600	68,645
Operating Income	1,980	3,116

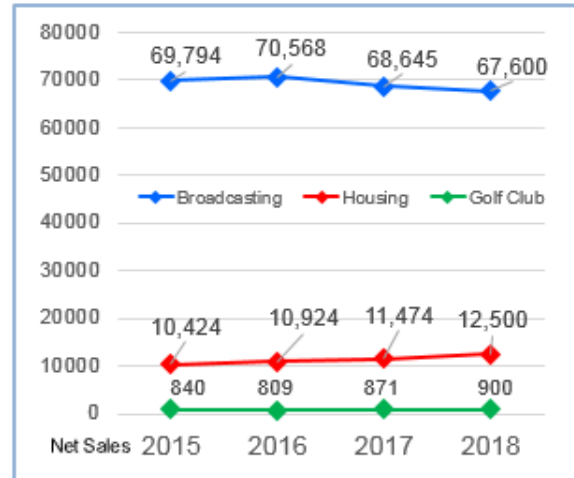
Housing	FY2018	FY2017
Net Sales	12,500	11,474
Operating Income	950	1,083

Golf Club	FY2018	FY2017
Net Sales	900	871
Operating Income	20	49

(in million yen)

Adjustments	FY2018	FY2017
Operating Income	-250	—

*Percentage change from the previous fiscal year is not mentioned due to reviewing the allocation of business management expenses etc. according to transition to a holding company structure.



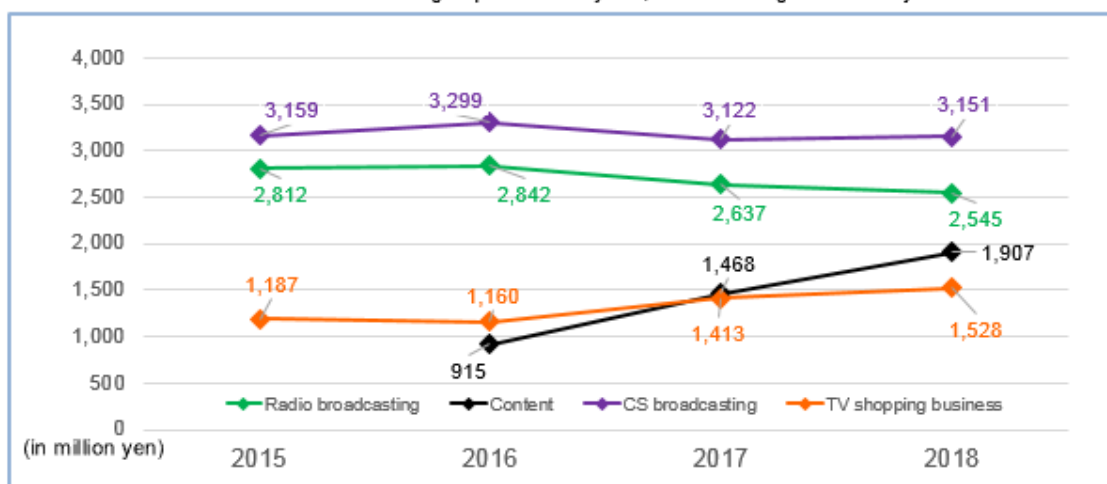
Outlook by the segment is as you can see on the slide. We expect profit to decline from the previous fiscal year.

Forecast for Non-TV Broadcasting Business Revenue (Full-year)

(in million yen)

		2015	2016	2017	2018
ABC Radio	Broadcasting revenue	2,812	2,842	2,637	2,545
ABC FRONTIER HOLDINGS	Content related revenue	—	*914	1,488	1,907
Sky-A	CS broadcasting revenue	3,159	3,299	3,122	3,151
AMC	TV shopping business revenue	1,187	1,160	1,413	1,528

*ABC FRONTIER HOLDINGS began operations in July 2016, so the FY2016 figures are for July 2016 to March 2017.



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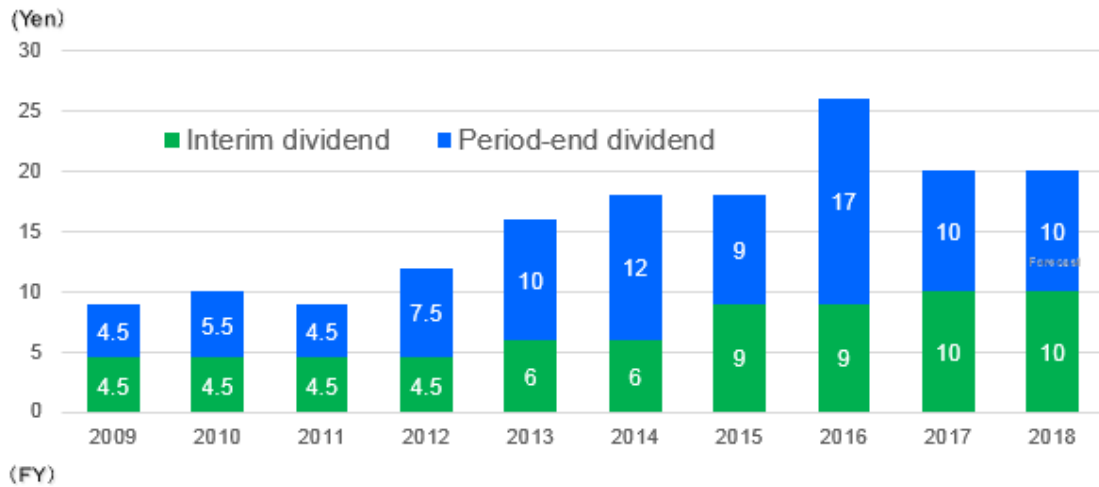
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ABC

Next, outlook of non-television business revenue. We have made partial revisions reflecting the results in the first half.

Looking at this black line, ABC Frontier Holdings is expected to grow significantly in the second half as well, aiming for 2 billion yen in annual revenue. The orange line is mail order business and aiming to increase in revenue totally by 500 million yen compared to last fiscal year.

Dividends



<Profit distribution policy>

The Company places one of its highest management priorities on shareholder return. With respect to profit distribution, we strive to continuously provide steady dividends and maintain a dividend payout ratio (consolidated) that does not fall below 30% as well as strengthen and maintain our financial structure from the standpoint of a responsible broadcaster. We will do so while making appropriate investments for our future growth.

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Lastly, I'd like to talk about dividend. We haven't changed the figure from our announcement in May. Based on our basic policy of stable dividend, we decided the forecast of dividend as 20 yen annually in the current fiscal year.

This concludes my presentation on the forecast and dividend in the current fiscal year.

Question & Answer

Moderator: Now, we'd like to move on to Q&A session. This Q&A session is covered by a transcription service distribution today. Please be reminded that your name and the name of your company will be described in the materials if you state them.

Please raise your hand if you have any question.

Questioner: Thank you for your presentation. I have three questions.

First question is about broadcasting business. When I calculated operating income of companies excluding ABC TV, it was 20 million yen in the last fiscal year. In the first half of the current fiscal year, operating income after deducting ABC TV is 700 million yen. Can you tell us the factors of this significant increase and your outlook in the second half, please?

Second question is about sport market. You've mentioned it shows a sign of slight recovery in the Kanto while in the Kansai is still sluggish. Can you give us the background? Is it client factors or still wait-and-see due to weather factor, or any other analysis you might have, please?

Lastly about how to measure viewer rating. I remember you mentioned that P+C7 will be introduced from next fiscal year. Can you tell us the current situation? If it's introduced, do you have any idea about the impact to the earnings? I'd be grateful if you can answer these three questions.

Okinaka: I'll answer the first question regarding broadcasting business excluding television. Mr. Yamamoto will answer the second and the third question regarding spot revenue and viewer rating later.

Broadcasting business revenue excluding television in the current year is 700 million yen. The reason for the strength is ABC Frontier Holdings, increase in revenue of over 100 million yen against the last fiscal year. Also, Sky-A had an increase in revenue of 100 million yen. Also, AMC, the mail order company had increase in revenue of 50 million yen against the last fiscal year.

Total of 250 million yen is the real growth and the rest is from newly consolidated companies. We consolidated two companies: Digiassa Inc. that engages in digital business and i-NEX corporation that engages in broadcasting technology. Due to the effect of consolidation, earnings were boosted up by 100 million yen. These are the factors of the first half.

Also, non-broadcasting business in the second half, we have an image of about the same level of the first half. Animation business is in the middle of rapid growth at the moment, but in the second half, we have high level of investment, therefore on the earnings level, we cannot expect that much. All in all, second half is expected to be about the same level as the first half.

Kadota: Regarding broadcasting business, we had 657 million yen in earnings in the 2Q. In the previous quarter, it was 412 million yen, of which 390 million yen in operating income were from former Asahi Broadcasting Corporation. In contrast, ABC TV had negative earnings; it is a huge gap.

Reasons for the negative earnings, as the President has mentioned, spot revenue of television is really depressing, and ABC TV had revenue decrease of 1 billion yen compared to the last fiscal year. And also due to the effect of newly consolidated companies and Sky-A that had heavy expenses in the first half and they're usually in the red. But thanks to the efforts of broadcasting revenue, deficit was significantly decreased. Also,

Frontier Holdings has good performance with animation. Factor of significant increase in profits was contribution from subsidiary companies.

Yamamoto: As for spot in November and December, we were expecting to recover from November, but it's still below 100 in November. Kansai spot sales market is of course below 100.

A strange thing is happening in December. Especially bad in the Kansai area. Tokyo has not reached to 100, but significantly bad in Kansai, which is a rare case. Nagoya is better than Kansai. We do not know why Tokyo and Nagoya are good but not Osaka. I've been hearing from the field that some client is doing test marketing, but I don't think there are so many test marketing in Nagoya and Kyushu. December is really bad.

In addition, it happens a lot, but a rumor that Nippon Television gets into close investigation to stop the selling, then spot tends to be stopped. I've been hearing this happens in November and December.

Also, I assume it's related to costs in the Kansai area, but share competition in Kansai is severe among four stations. Therefore, if cost decreases slightly, then spot sales in the local market tends to decrease. However, we haven't had clear analysis. Anyhow, current sport market is truly severe for sure.

Going back to the benchmark of viewer rating, stations in Tokyo started first and clients are becoming familiar with results. So, we're making adjustment to introduce probably in the autumn next year. However, it's not finalized yet, but we're in the middle of discussion.

As far as we heard from a key station TV Asahi in the same network, we haven't heard any big drawbacks with P+C7, so we do not expect big changes basically, but we should be careful with the introduction.

Moderator: Does anyone have any other questions?

Questioner: Broadcasting business and housing business had increase in revenues and profits in the first half, but in the full-year, broadcasting and housing are expected to decrease in earnings. Can you tell us the reason behind this?

Okinaka: Broadcasting business is expected to post decrease in earnings as in the mainstay television, spot is not likely to recover and uncertain. Housing business is expected to post slight decrease in earnings at this moment.

We sold condominiums in the first half in the housing business. This was not within our budget but posted one-time profit. If the same thing happens in the second half, it'll post a profit again, but I do not expect that at the moment. Therefore, as for the second half, due to uncertainty of television business, although we had increase in revenues and profits in the first half, our forecast revenue of 2.7 billion yen and ordinary income of 3 billion yen, as the minimum level we are aiming to achieve. Thank you very much.

Moderator: Please raise your hand if you have any other question.

Questioner: I have two questions.

First is, can you tell us the number of clients for spot and attributes of clients, please? Looking at the trend of television spot, it seems to be significantly related to the movement of advertisement costs of sponsors previously. However, the recent movement of television spot and the overall movement are not related. Ultimately sponsors buying the spot is limited or I was wondering if you're in a situation that the clients of spot are increasing or not. Can you tell us if the number of client and attribute is increasing in the current situation?

Second question is how we look at the next fiscal year. Do you have an idea that broadcasting revenue as a total, the basic idea is it's going to recover? If you think it's difficult to recover, can you tell us how you manage costs such as production cost and other fixed costs? This concludes my question.

Yamamoto: I do not remember the number of clients correctly, but I don't think the number of clients is significantly decreasing. It's rather that clients are doing cross marketing between digital and terrestrial wave advertisement as you know, therefore, certain percentage of television advertisement is shifting to digital, this is the part of the decline mostly. On the flip side, based on the calculation of addition of Internet advertisement, 3% to 4% is shifting to digital, this is only my assumption. Based on the assumption of this calculation, Kansai spot sales market in the first half was 94, dropped 6%. Out of 6%, 4% might have shifted to the Internet.

As we showed on the handout, by the industry, the industry that declined the most in the first half is telecommunications. Four telecom carriers had big drop as smartphone is already penetrated, and that was the big factor of the decline.

In local terms, the competition of liberalization between gas and electricity has slowed down, and there had been quite a few advertisements so far is a factor for local and Osaka clients.

In addition, outlook for the next fiscal year is not certain, but as I have mentioned, we are no longer in a situation that TV spot is related to economic sentiment anymore. I believe we are in the new stage.

In that sense, first half of the current fiscal year was 94.3 and first half of the last fiscal year was 98 compared to the FY2016, that 100 becomes 94. It's been below 100 since the 2Q of FY2017. We're in the declining trend from around then. So, have we bottomed out in the first half? We're going to have a tax hike. Therefore, we can't be optimistic. If it's flat, then I think it's an optimistic scenario.

We have to work on cost control as you have mentioned as we have to work on the budget of the next fiscal year at the year-end. Of course, we're working on generating profits from many measures as ABC TV not relying on spot while we're working on cost control. We have to work on cost control excluding production cost of the programs. Regarding program cost, this is the last one to work regarding cost control.

As I have mentioned earlier, I have set up IP Development Office on November 1 under my supervision, directly under the President not just to secure production cost on a monetary basis.

The objective is to penetrate the idea of producing in different way to the field. For example, existing program creates IP with some modification, or changes to a different program within the same genre. Current model of trying to get good viewer rating combined with advertisement revenue is becoming outdated. It's not just getting good viewer rating, so we would like to control production cost as we change production.

We lowered production costs to improve profits in the severe environment for the slot of Sunday 8 p.m. Do we get lower viewer rating from lowering the production cost? No. We created soft content such as "Potsun to ikkenya (A house in the middle of nowhere)". High production cost does not lead to quality program. Therefore, we changed the way we create the program while working on cost control and try not just advertisement revenue.

We're still working on cost control in the second half, but we intend to increase cost for drama slots that will be necessary going forward for video distribution and development of new variety shows. How are we going to control costs in other areas and improve profits?

As I have explained, ABC TV itself is difficult to generate earnings these days. We have to come up with a different way of thinking.

In any case, we have to work hard on cost control, not just production cost, but including labor cost. We will be in a difficult position if we won't be able to generate profit, so we've started early for cost control for the next fiscal year.

Moderator: Does anyone have any question?

Questioner: Thank you for your explanation. I have three questions.

On page 21 of the handout, you disclosed sales of ABC Frontier Holdings. Can you tell us operating income of ABC Frontier Holdings in the first half in comparison with the last fiscal year, please? This is the first question.

Second question is viewer rating of TV Asahi is getting better recently mainly in all-day time. You mentioned you're struggling in September. Can you tell us your situation since October? If you're different from TV Asahi, what about your situation for your local time?

Third question is about page 25 of the handout. You have a target of investment of 20 billion yen. In the current year ending in March 2019, how much out of 20 billion yen did you use?

Kadota: ABC Frontier Holding's consolidated basis, operating income in 2Q FY2017 was 122 million yen, operating income in 2Q of the current year was 224 million yen.

Yamamoto: Regarding viewer rating of all-day time, all-day time includes local zone, so we are quite different from TV Asahi. TV Asahi is about to capture top ranking stopping Nippon Television's top ranking, but we were struggling in the first half. It's getting better in October. So how different are we from TV Asahi? In the morning time, we have local programs such as "Ohayo call ABC (Good morning Call)" and "Ohayo Asahi Desu (Good morning Asahi)" where we get top rating. Then until "Shinichi Hatori's Morning Show", our rating is good. And after that the TV shopping program of our Group Company AMC is where we drop viewer rating and the drop does not come back up till "Wide scramble". This is a serious problem. In that time, TV Asahi broadcasts "Jun Sanpo (Jun's walk)" where they do not drop viewer rating. The biggest reason is once the viewer rating drops, it's difficult to come back up.

I don't know why, but after "Kaminuma Emiko no oshaberi cooking (Emiko's cooking)", we broadcast repeat programs and so does TV Asahi. We have a big drop in viewer rating in repeat programs, but not TV Asahi. Once viewer rating drops in repeat program, it does not go back up till evening time.

We're struggling badly in the evening time, that's our weak point. So, all-day time is a tough competition. Therefore, it's hard to tell what we do with the evening time now, but we have to review repeat time and do something to raise all-day time.

Okinaka: Lastly about the investment funds, we come up with this 20 billion yen as investment funds in the medium-term business plan. We set up Business Development Division in April in Tokyo. There are 11 staff of which 3 are from ABC and the rest 8 are mid-hires including finance professionals.

The team started its activity from June or July and had discussions with Management Strategy Division in July and August. We finally decided on the policy and decision made by the company was in October. We haven't spent anything yet.

As an alternative, we had an approval of how we spend the investment funds, I mean the rule of spending the investment funds. We decided to spend the funds with mobility, so we'll accelerate the speed from now. We secured 1 billion yen for investment overseas, mainly in content. I've already given discretion to my staff, so that they can act.

1 billion yen is the added amount of the projects we're currently working. Therefore, some of them will be gone and there may be a case that money will be out in the next fiscal year. I have a feeling that around 100 million yen should be out, there might be investments made within the current fiscal year.

Also, regarding number two venture capital fund, we have been rapidly moving forward with number one venture capital fund since this early summer and we are about to finish the use of it soon.

We're working on the number two fund at the moment, the launch will be early next year. The size of the fund is about 150% of the number one fund and it will not be out in total, but it's a capital call method, so I assume the size is lower than 1 billion yen.

Things did not go smoothly in the first year, but we don't have much time left. So, there are quite a few small size investments, but we'll accelerate our investment considering scaling and speed. Thank you.

Moderator: Are you OK with the answers? Thank you very much. Does anyone have any more question?

This concludes our results briefing today. Thank you very much for attending our meeting during busy schedule.

Okinaka, Yamamoto, Kadota: Thank you very much.

[END]