Asahi Broadcasting Group Holdings Corporation

Financial Results Briefing for the Fiscal Year Ended March 2019

May 20, 2019

[Venue]	Sapia Tower, 5F Station Conference 503AB 1-7-12 Marunouchi, Chiyoda-ku, Tokyo, 100-6790

[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), Executive Officer

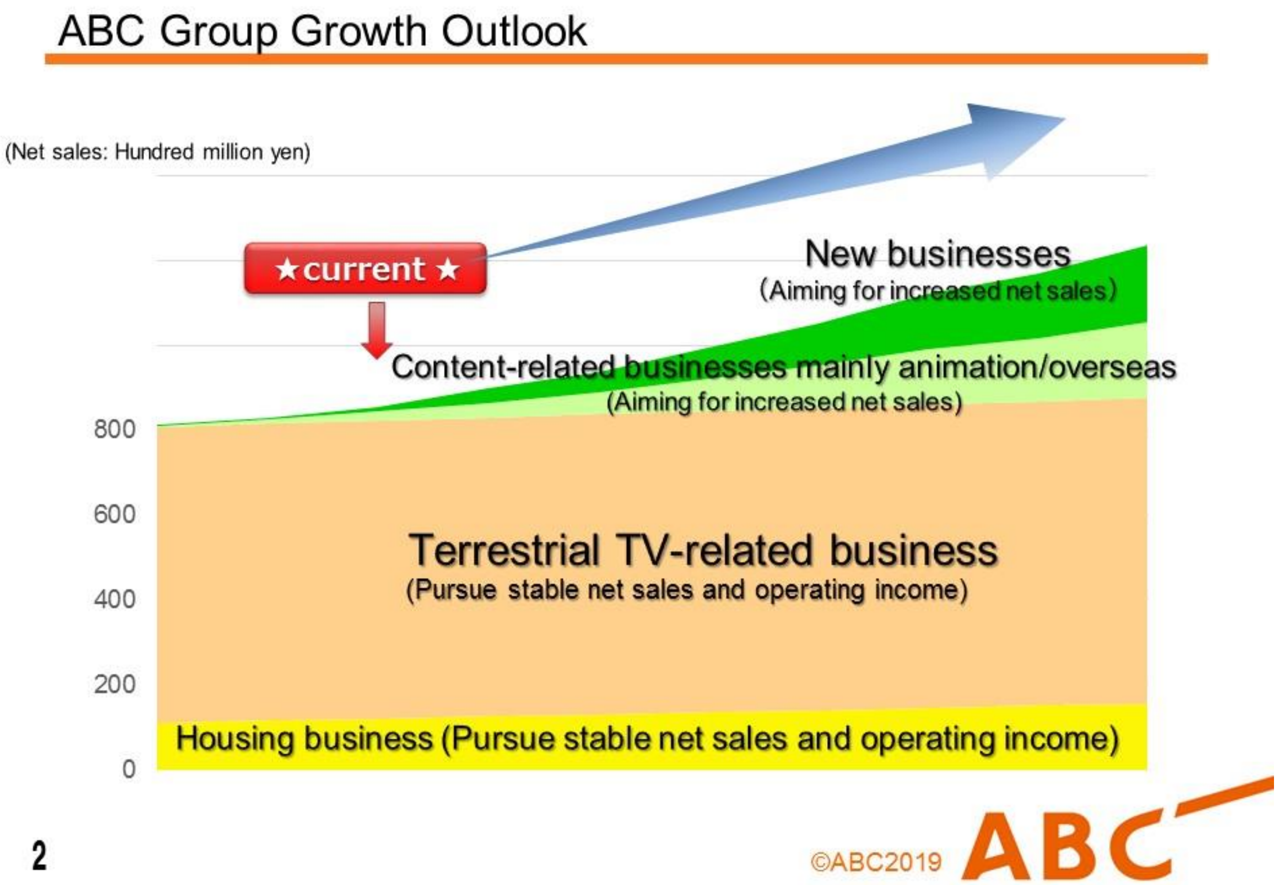
Presentation

Moderator: Starting now, we will hold a briefing on Asahi Broadcasting Group Holdings Corporation's financial results for fiscal 2018.

Let me begin by introducing today's attendees. From left, Representative Director and President of Asahi Broadcasting Group Holdings Corporation, Susumu Okinaka. Shinya Yamamoto, Representative Director and President of Asahi Television Broadcasting Corporation and Representative Director and Vice-President of Asahi Broadcasting Group Holdings Corporation. Masato Kadota, Director and in charge of accounting at Asahi Broadcasting Group Holdings Corporation.

Now, Okinaka, President of Holdings, will explain the outline of the financial results.

Okinaka: Okinaka. I would like to express my deepest gratitude to you for your continued support. Now, I would like to go ahead with the presentation.



First of all, this is our current growth expectation. The existing terrestrial TV-related business is stable. We aim to achieve sustained growth in new business fields, such as content-related businesses. I believe that we are beginning to see slight growth in the year since we became a holding company.

Consolidated Results

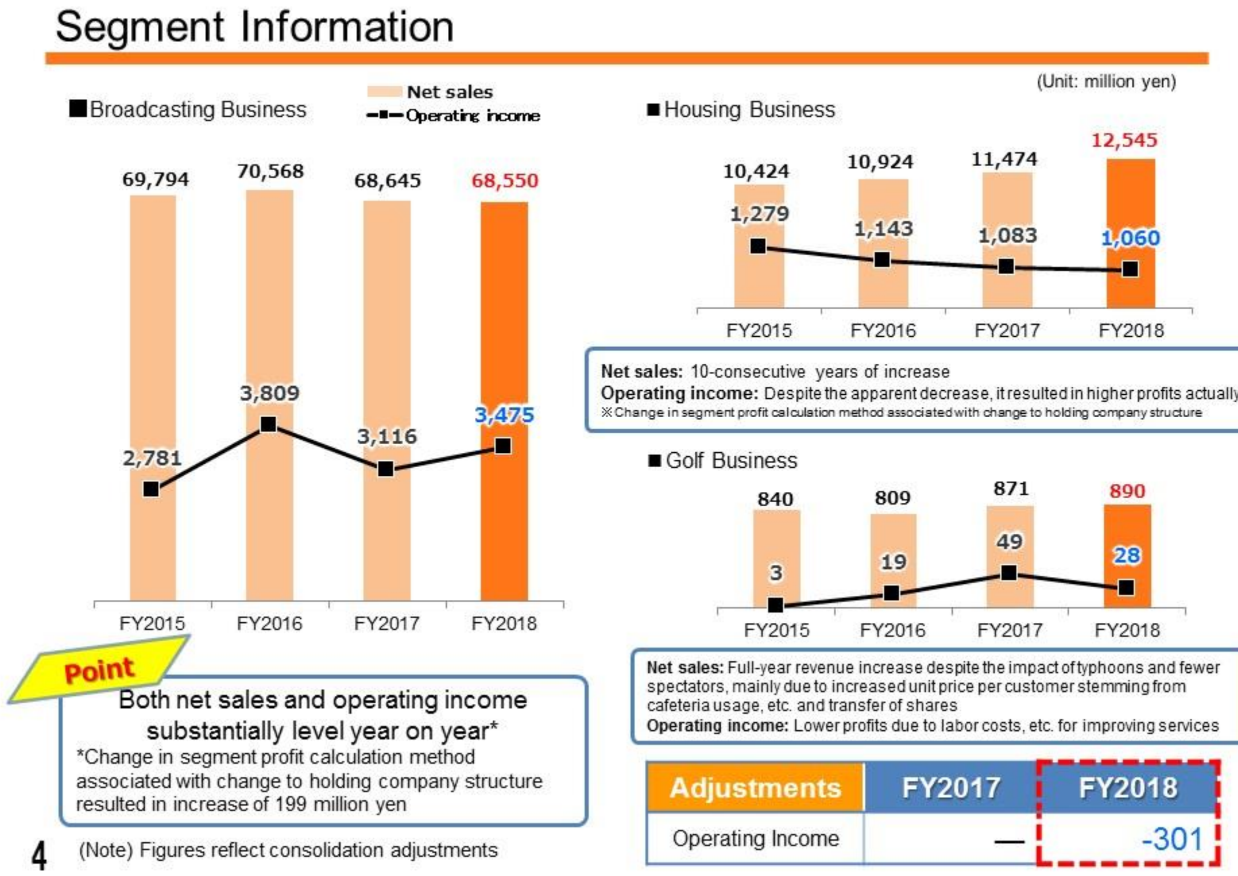
(Unit: million yen)

		FY2017	FY2018	YoY	% Change
Net Sales		80,991	81,986	995	1.2%
Operating Expenses		76,741	77,723	982	1.3%
Break down	Cost of Sales	53,005	53,463	457	0.9%
	Selling, General and Administrative Expenses	23,735	24,260	524	2.2%
Operating Income		4,250	4,262	12	0.3%
Ordinary Income		4,539	4,591	52	1.2%
Profit Attributable to Owners of Parent		2,691	3,742	1,050	39.0%

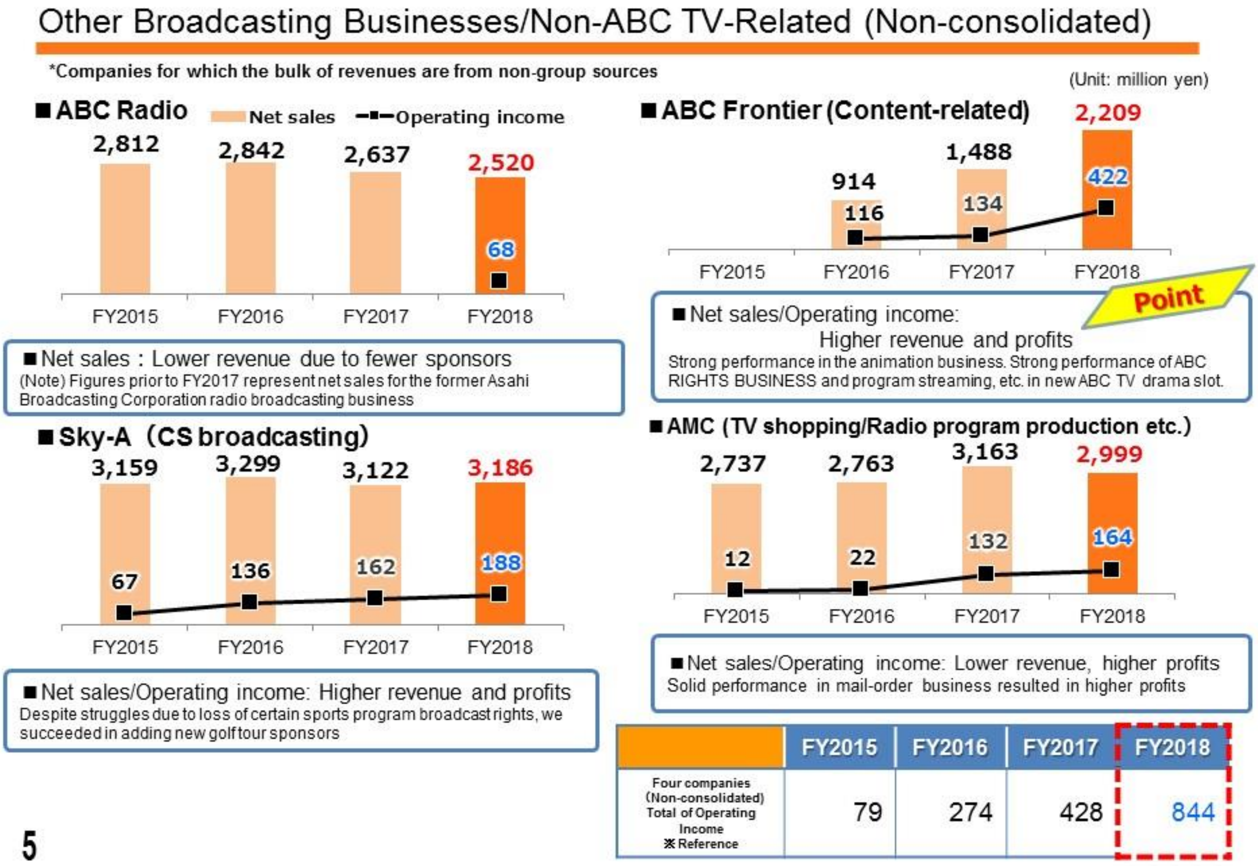
Higher revenue and profits due to strong content-related revenue and housing business

Note) Major increase in net profit due to tax effect accounting associated with change to holding company structure

Next, this is our results for fiscal 2018. Net sales increased. Operating profit and recurring profit are slightly higher. Net income surged. Both sales and profits were higher than in the previous fiscal year.



As for segments. The left is the broadcasting business. Profits in the broadcasting business increased. Although TV and advertising revenues declined, we were able to offset it with the increase in revenues, mainly from content-related businesses. In the housing business on the right, as a result of the change in the calculation method associated with the conversion to a holding company, the Company's profits appear to have declined, but actually net sales and profits increased. As for the golf business at the lower right, profits declined due to a decrease in the number of visitors due to the effects of hot weather and typhoons.



Next, I will explain the performances of major non-TV subsidiaries in the Broadcasting segment. As for Asahi Broadcasting Radio on the upper left of the screen, although sales declined and we were somewhat worried about performance because it was the first year of the spin-off, we were able to secure a profit.

As for Sky-A below that, despite the challenging CS business environment, we were able to increase sales and profits by developing new sponsors for golf programs.

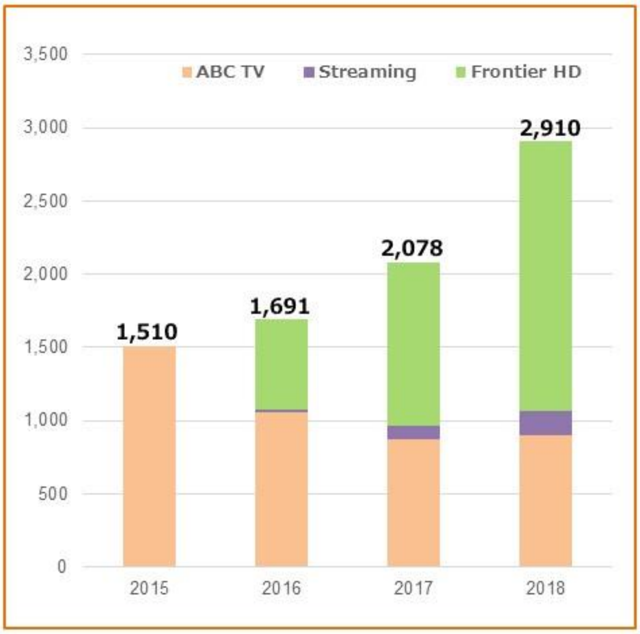
Regarding ABC Frontier Holdings on the upper right, this is a content-related activity. Overseas sales of animation and archival distribution revenues were favorable. Sales increased 1.5 times and profits tripled compared to the previous fiscal year, contributing to the broadcasting segment.

As for ABC Media Communications and AMC in the lower right, mail-order business profit increased due to a recovery in TV shopping.

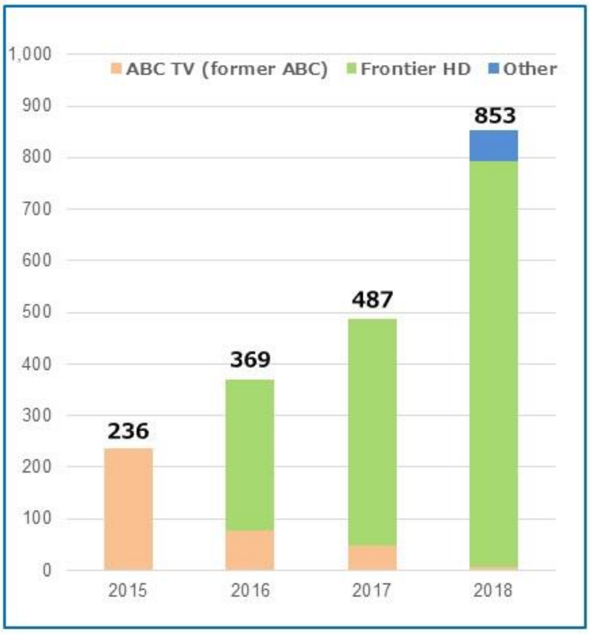
Sales Growth of Content/Overseas Businesses (Reference)

(Unit: million yen)

▼Sales Growth of Content-Related Businesses



▼ Sales Growth of Overseas Businesses



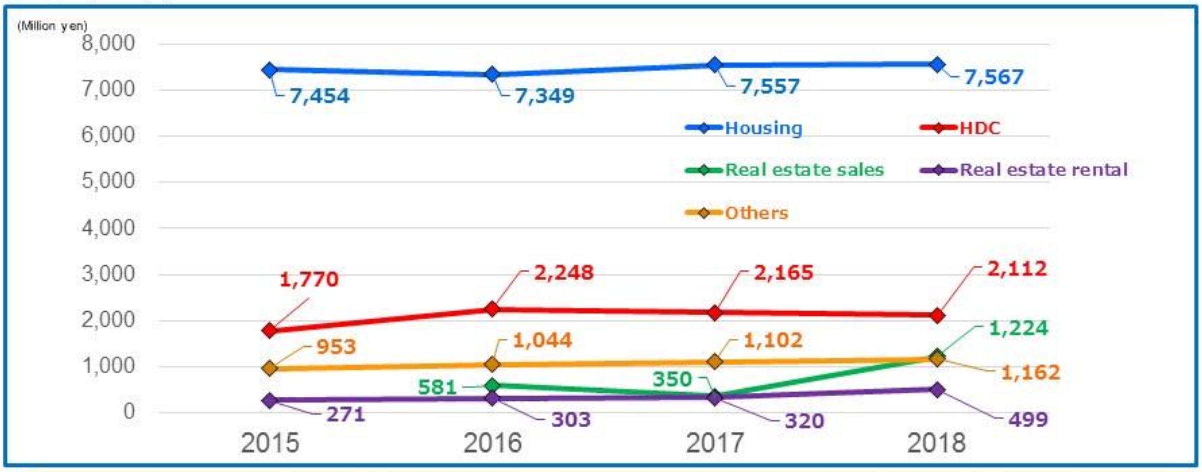
For reference, this section summarizes our content-related revenue and sales trends for our international operations. As you can see, content-related sales increased by about 800 million yen to 2.9 billion yen. Overseas, sales were 853 million yen, significantly higher than the previous year. I believe it is steadily growing.

Housing Business：ABC Development Corporation Growth in Revenue for the Tenth Consecutive Year

(Unit: million yen)

	FY2015	FY2016	FY2017	FY2018
Net Sales	10,424	10,924	11,474	12,545
Operating Income	1,279	1,143	1,083	1,060

<Sales by Category>



Net sales: Strong performance of Housing Exhibition business in Kansai region; significant increase in sale of rental condominiums
Operating Income: Despite the apparent decrease, it resulted in higher profits due to build-up of profits in rental condominiums sales
※Due to a change in the calculation method of segment profit in line with the transition to a certified broadcasting holding company

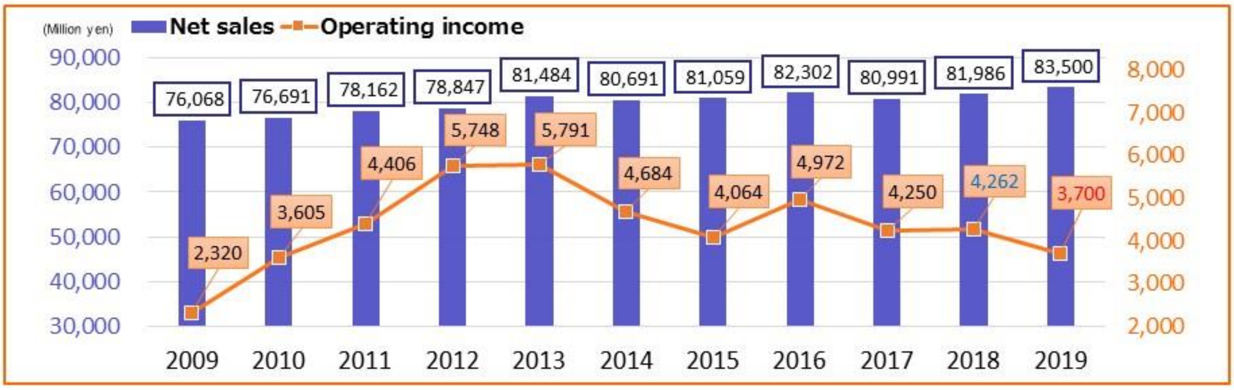
This is the housing business. The housing business is performing well. In addition to the strong performance of Housing Exhibition in the Kansai region, the sale of rental condominiums was completed, and revenue from real estate sales increased significantly, resulting in an increase in revenue.

As for operating income, as I mentioned earlier, profits appeared to decline, but actually increased.

FY2019 Consolidated Results
Forecasts for Higher Revenue and Lower Profits

	FY2018	FY2019 (forecast)	YoY	% Change
Net Sales	81,986	83,500	1,513	1.8%
Operating Income	4,262	3,700	-562	-13.2%
Ordinary Income	4,591	4,000	-591	-12.9%
Profit Attributable to Owners of Parent	3,742	2,500	-1,242	-33.2%

Note) Major decrease in net profit due to tax effect accounting associated with change to holding company structure in FY2018



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Consolidated results forecasts for fiscal 2019 are as shown. Sales and profits are expected to increase by 83.5 billion yen. Unfortunately, we expect operating income to decline. This is due to an increase in expenses for upgrading television programs and upfront investment. The TV business's facilities are being upgraded, and this peaks now, and depreciation burden is increasing. This is the main reason.

FY2019 Forecasts for Results by Segment

(Unit: million yen)

Broadcasting	FY2018	FY2019	YoY
Net Sales	68,550	70,130	1,579
Operating Income	3,475	2,910	-565

Housing	FY2018	FY2019	YoY
Net Sales	12,545	12,360	-185
Operating Income	1,060	1,060	0

Golf Club	FY2018	FY2019	YoY
Net Sales	890	1,010	119
Operating Income	28	80	51

Adjustments	FY2018	FY2019	YoY
Operating Income	-301	-350	-48

Point

■ Broadcasting: Higher Revenue and Lower Profits

-Higher revenue due to newly consolidated companies

-Lower profits, mainly due to costs involved in building a base for the animation business, overseas business, and other content-related businesses

■ Housing: Aiming for Profits

-Forecasting lower revenue in our housing exhibition business due to fewer facilities; however, we expect higher profits stemming from extension of high-profit facilities

-We forecast lower revenue and profits in our HDC business due to lower sales and withdrawal of certain exhibitors

■ Gold Club: Higher Revenue and Profits

-Higher revenue and profits due to attraction of large-scale competitions

This is a forecast of business results by segment for the current fiscal year. Regarding the broadcasting business, sales increased. We expect revenue to increase due to the addition of consolidated subsidiaries through M&A, while we expect profit to decline due to higher expenses for the reasons described above.

In the housing business, both sales and profits are expected to remain almost unchanged from the previous year.

In the golf business, at present, the number of visitors is steady. In addition, we anticipate increases in both sales and profits due to the recruitment of new members.

Forecasts for Other Broadcasting Businesses: Non-ABC TV-Related (Non-consolidated)

※Companies for which the bulk of revenues are from non-group sources

(Unit: million yen)

		FY2018	FY2019	YoY	% Change
ABC Radio	Net Sales	2,520	2,515	-5	-0.2%
	Operating Income	68	48	-20	-29.5%
Sky-A (CS Broadcasting)	Net Sales	3,186	3,126	-60	-1.9%
	Operating Income	188	150	-38	-20.4%
ABC FRONTIER HD (Content-related)	Net Sales	2,209	2,022	-187	-8.5%
	Operating Income	422	88	-335	-79.2%
AMC (TV shopping/Radio program production, etc.)	Net Sales	2,999	3,061	62	2.1%
	Operating Income	164	118	-47	-28.3%

	FY2018	FY2019	YoY	% Change
Four companies (Non-consolidated) Total of Operating Income *Reference	844	404	-440	-52.1%

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This section presents the forecasts for major non-TV subsidiaries companies in the Broadcasting segment. The AMC mail-order business at the bottom shows an increase in sales, but a decrease in profits. Sales and profits of the other three companies will decline due to severe conditions. In particular, the ABC Frontier Group, which is enclosed in red, is seeing the overseas sales of animations, which are the driving force for the Company's growth, with censorship becoming increasingly severe in the Chinese market this year, and we are now factoring in import restrictions. As a result, we expect significant declines in both sales and profits.

In addition, Sky-A has increased initial expenses for new initiatives, such as the launch of Sky-A's proprietary online distribution and a channel specializing in golf.

Yamamoto, the President of Asahi Television Broadcasting Corporation, will explain TV's business.

Moderator: Shinya Yamamoto, Representative Director and President of Asahi Television Broadcasting Corporation, will explain the details of the TV business.

Yamamoto: I am Yamamoto of Asahi Television Broadcasting Corporation. Thank you for your cooperation.

Let me explain now.

Results of ABC TV

(Unit: million yen)

	FY2018
Net Sales	58,947
Operating Expenses	57,173
Operating Income	1,774
Ordinary Income	1,807
Profit*	1,933

Point

Operating Income

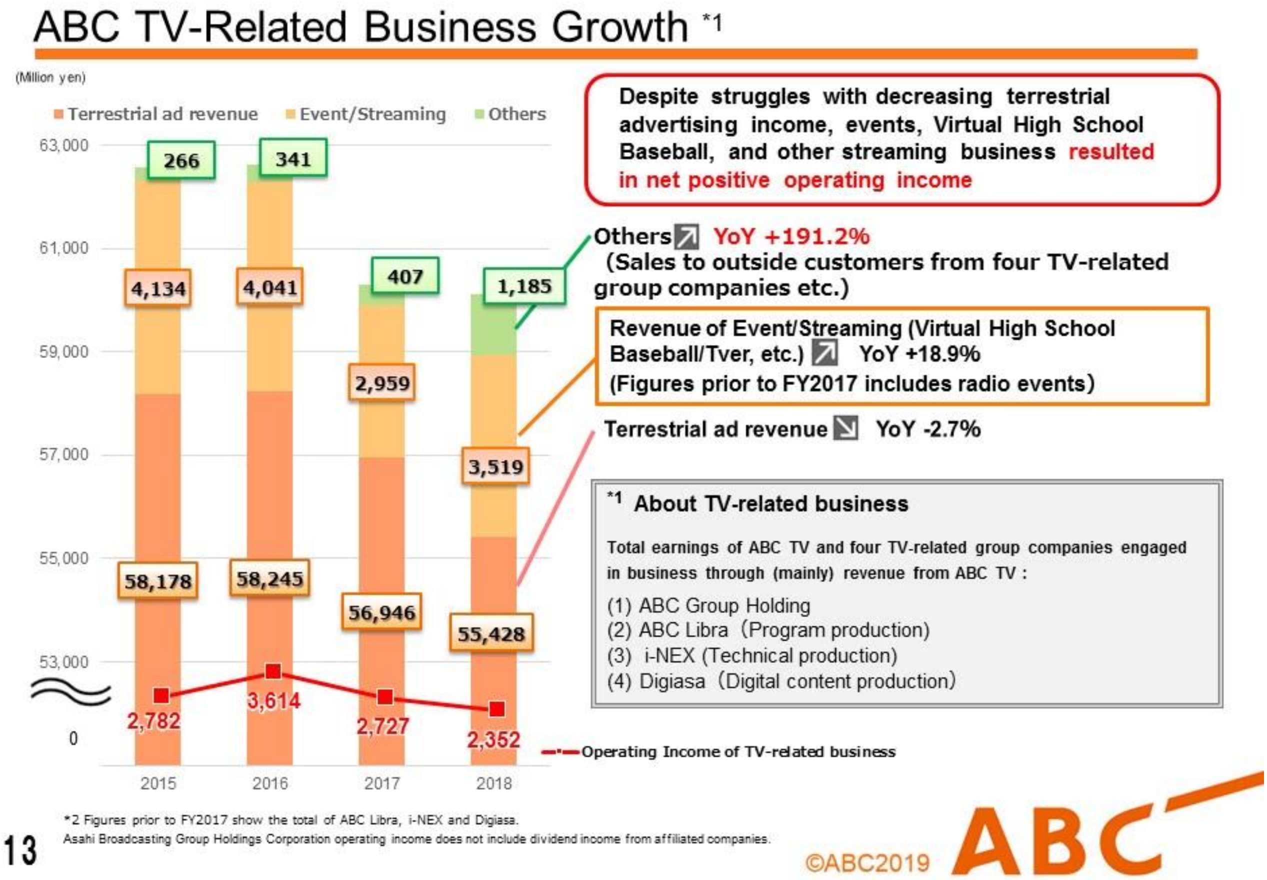
Negative as of our interim announcement ⇒ turned positive due to build-up of profits during the second half

Progress in moving away from dependence on spot markets, a long-standing issue

*Profit reflects additions from tax effect accounting due to transition to holding company format

Note) Percentage change from the previous fiscal year is not mentioned as ABC TV began operations from FY2018.

First, we look at results for the fiscal year under review of Asahi Television Broadcasting Corporation, which is the mainstay of our broadcasting business. As of the announcement of the interim financial results, it was negative. We made a big turnaround in the second half of the fiscal year. While the spot market is declining, other revenues are increasing, and we are beginning to move away from our long-standing issue of dependence on spot markets. Since it is difficult to compare with the previous year, due to the transition to a holding company, we have prepared the following graph.

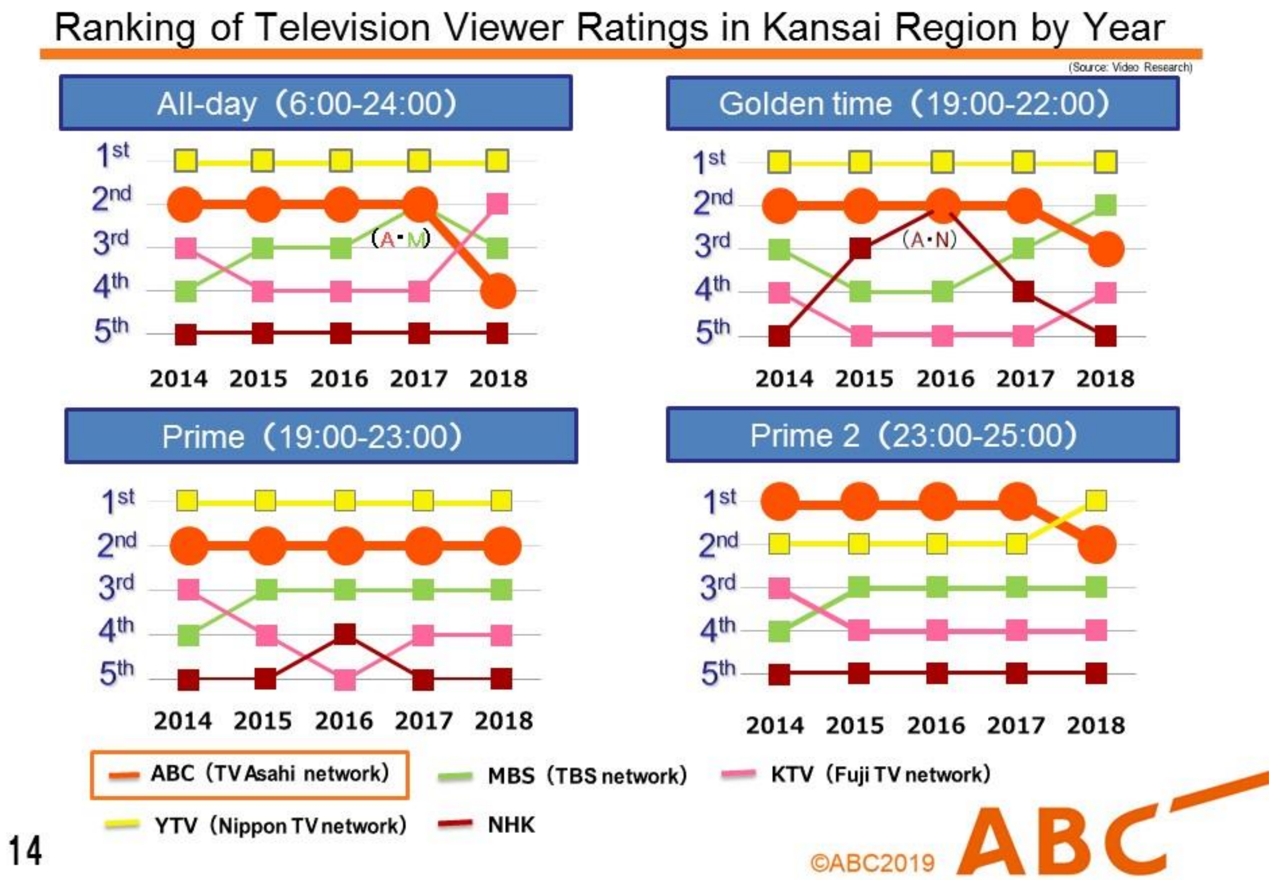


This graph is the sum of the results of Asahi Television Broadcasting Corporation and the four Group companies operating in the businesses with revenue mainly from Asahi Television Broadcasting Corporation. This is only a reference value. I think you will be able to confirm the overall trend of the TV-related business.

Advertising revenues declined, but events and streaming business, such as Virtual High School Baseball and TVer grew significantly. In addition to these efforts to secure revenue from sources other than advertising, cost-control measures were effective, and amid a significant decline in Spot sales revenue, we were able to secure profits and control the extent of the decline.

Although not shown in this figure, Group companies such as ABC Frontier are making money by using TV content.

As for individual Asahi Television Broadcasting Corporation, we will naturally aim to expand profits. I believe that TV companies’ role is to continue to create content as the core of the Group, to maximize the value of the content generated through this process for the Group as a whole, and to lead it to the growth of the Group.



I would like to explain the situation of TV companies on a case-by-case basis. First, the trend of our viewer ratings in a red-circle line. The overall result was severe. In the fiscal year under review, the ratings were ranked fourth in all-day, third in Golden, second in Prime and second in Prime 2.

Television Viewer Ratings for FY 2018 in 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 8.1%	YTV 11.9%	YTV 11.8%	YTV 7.7%
2	KTV 7.5%	MBS 10.9%	**ABC 11.3%** (±0)	**ABC 7.1%** (-0.5)
3	MBS 7.4%	**ABC 10.8%** (±0)	MBS 11.0%	MBS 5.9%
4	**ABC 7.3%** (-0.1)	KTV 10.1%	KTV 10.0%	KTV 5.3%
5	NHK 5.9%	NHK 10.0%	NHK 8.8%	NHK 2.9%

■ABC（TV Asahi network） ■MBS（TBS network） ■KTV（Fuji TV network）
■YTV（Nippon TV network） ■NHK

Please see the following table. All-day sales fell 0.1 percentage points, but the actual figures for the Golden and the Prime remained almost unchanged from the previous year. The problem is that the real value of Prime 2, which broadcasts late-night local variety, has dropped sharply to second place, due in part to the decline in HUT.

Television Viewer Ratings for 2nd Half of FY 2018 in 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 8.0%	YTV 11.9%	**ABC・YTV 11.8%**	YTV 7.6%
2	**ABC・KTV 7.4%**	**ABC 11.4%**	＊＊＊	**ABC 7.1%**
3	＊＊＊	MBS 10.9%	MBS 11.0%	MBS 5.8%
4	MBS 7.3%	KTV 10.3%	KTV 10.1%	KTV 5.2%
5	NHK 5.0%	NHK 9.6%	NHK 8.3%	NHK 2.5%

■ABC（TV Asahi network） ■MBS（TBS network） ■KTV（Fuji TV network）
■YTV（Nippon TV network） ■NHK

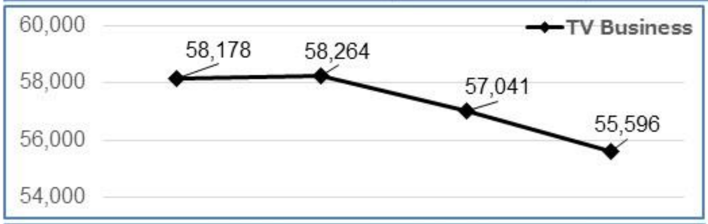
This is the ratings for the second half of the year. Prime is ranked number one with Yomiuri Telecasting Corporation (Nippon TV network). All-day and Golden are also ranked second. Although we were unable to compensate for the slump in the first half of the fiscal year and faced severe results for the full fiscal year, we believe that the overall situation has been improving since the second half of the fiscal year.

However, as I mentioned earlier, Prime 2, which has maintained its top position for many years, was unable to return to the top position in the second half of the fiscal year, continuing from the first half. I feel that we need to shore this up as soon as possible. The implementation plan for this purpose will be explained later.

Growth of Revenue of ABC TV (Former ABC)

(Unit: million yen)

	FY2015	FY2016	FY2017	FY2018
TV Business	58,178	58,264	57,041	55,596
Event*	2,198	2,497	1,506	1,623
Content-related	1,516	1,071	900	958
Others	420	454	458	769



FY2018 Outline

◆ **TV broadcasting**
-Significant decrease in revenue due to decrease in advertising revenue over the first half due to sluggish viewer ratings

◆ **Event**
-Real events linked to gourmet websites were firm
- Large-scale performances by popular theater companies were popular

◆ **Content-related**
- Virtual High School Baseball was firm

*Event revenue before FY2017 includes radio-related events.

Performance. First, I would like to explain the major trend from fiscal 2018 to fiscal 2019. In fiscal 2018, advertising revenues declined mainly in the first half of the fiscal year, and TV business revenues declined significantly. On the other hand, sales of real events linked to gourmet websites and food sonics were firm, and large-scale performances by popular theater companies were popular. As a result, event revenues increased.

Content-related revenue also increased, mainly due to a significant increase in revenues resulting from the transfer of online services for high school baseball, Virtual High School Baseball, to sports Internet media, SPORTS BULL. As a result, sales increased despite the transfer of the archive streaming business to the Group's Rights Business, INC. from July.

Forecast for Revenue of ABC TV

(Unit: million yen)

	FY2018	FY2019	YoY	% Change
TV Business	55,596	55,950	353	0.6%
Event*	1,623	1,400	-223	-13.8%
Content-related	958	900	-58	-6.1%
Others	769	750	-19	-2.5%

FY2019 Outline

◆TV Business Revenue **Point**

-Assuming advertising and promotion expense in the Kansai spot sales market is level with prior year
-Forecasting increased revenue driven by continued recovery from the second half of the prior year

◆Event Revenue

-Carefully study number and scope of events to identify cost vs. benefit

◆Content-related revenue

-Forecasting lower revenue due to lingering impact of moving the archive streaming business to ABC RIGHTS BUSINESS (new ABC TV production content not included here as it is also considered ABC RIGHTS BUSINESS product).

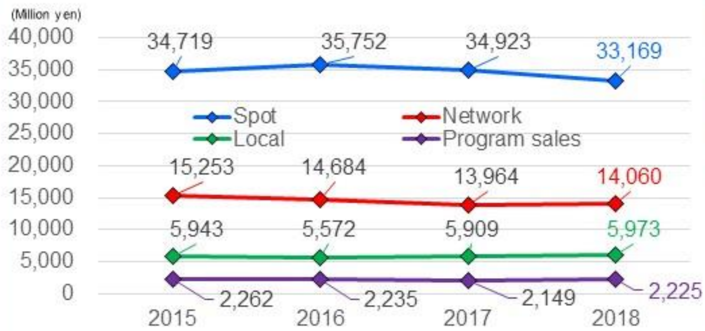
*Event revenue before FY2017 includes radio-related events.

In fiscal 2019, we forecast an increase in TV business revenues due to a trend toward a recovery in viewer ratings from the second half of the fiscal year. In content-related business, sales are expected to decline due to the impact of the transfer of archive distribution to the Group's Rights Business, INC. in September 2018.

Details of TV Business Revenue

(Unit: million yen)

		FY2015	FY2016	FY2017	FY2018
TV Business		58,178	58,264	57,041	55,596
Break down	Spot	34,719	35,752	34,923	33,169
	Network (Time)	15,253	14,684	13,964	14,060
	Local (Time)	5,943	5,572	5,909	5,973
	Program Sales (to affiliates)	2,262	2,235	2,149	2,225
	TV Program Streaming (TVer etc.)	—	19	95	168



◆Spot -1,754 million yen ↘5.0%

-Kansai Spot Sales decreased of 4.4% from the prior year

-Lower share due to struggling of the viewer ratings for the first half

◆Network (Time) +96 million yen ↗0.6%

-*A House in the Middle of Nowhere* (Sunday 8 p.m.), which began broadcasting in the second half of the fiscal year, has a high ratings and higher revenue.

◆Local (Time) +64 million yen ↗1.1%

-Performance was favorable due to popular Informational programming in the morning, including local time *Ohayo Asahi Desu* and *Ohayo Call*

-Program-linked event *Food and Smile* contributed

-High School Baseball 100th Commemorative Tournament generated a positive impact

◆Program sales +75 million yen ↗3.5%

-Program sales increased due to increased local slots

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The breakdown of TV business revenues is as follows. In the last two years, Spot sales revenue has fallen significantly. This is supported by time revenue and other revenue. In particular, “A House in the Middle of Nowhere,” which began broadcasting in the second half of the fiscal year, has a high ratings and sponsorship ratings, and its contributions have been highly evaluated from its sponsors. CM unit prices are also rising, contributing to improved profitability.

Performance was favorable due to popular Informational programming in the morning in the Kansai region, including local time “Ohayo Asahi Desu”.

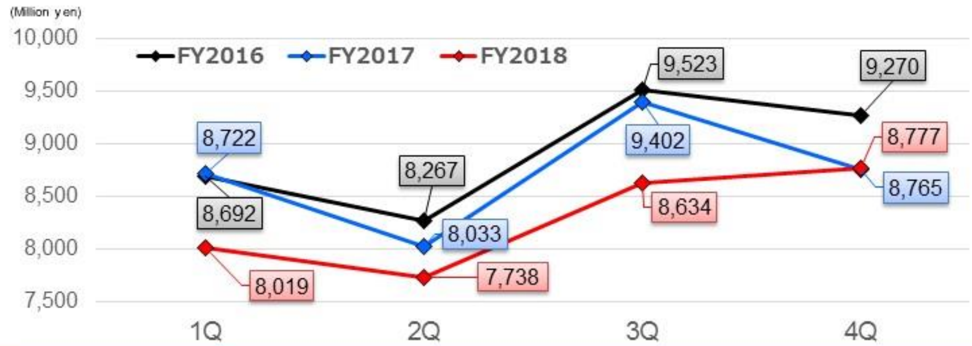
In addition to strong sales of programs to affiliated stations, program streaming in TVer also grew significantly in fiscal 2018. We intend to continue to expand this program streaming significantly in the future.

In addition, we believe that the creation of programs with this program streaming, in theory, will lead to the enhancement of the product lineup of the Group, such as the Rights Business, INC.

Spot Revenue of TV Business

(Unit: 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	8,634	8,777	33,169



Recovery beginning in the second half driven by recovery in viewer rates
4Q should rise to the same level as the prior year

On the other hand, Spot sales revenue has continued to struggle. Although there are signs of recovery from the second half of fiscal 2018, the first quarter of fiscal 2018 is still very uncertain. Looking at the trend of fiscal 2018, viewer ratings have been recovering in the second half, and returned to the same level as in the previous year in the fourth quarter.

Spot Revenue of TV Business (Terrestrial: By Top 20 Industries)

Industry	FY2017 YoY	FY2017 Composition rate	FY2018 YoY	FY2018 Composition rate
Transportation/Leisure/Restaurants & Fast Foods/Services	119.3%	9.5%	111.9%	11.2%
Foods	99.2%	9.8%	96.4%	10.0%
Information/Telecommunication	94.6%	10.8%	82.3%	9.4%
Automobiles	109.3%	8.1%	92.6%	7.9%
Pharmaceutical/Medical Products	95.5%	7.8%	96.1%	7.9%
Finance	85.6%	6.3%	109.1%	7.2%
Beverages/Liquors	94.7%	6.8%	98.7%	7.1%
Cosmetics/Toiletries	97.1%	7.3%	85.3%	6.5%
Hobby (Movie/Game/Music etc.)	90.8%	5.4%	104.7%	6.0%
Consumer Electronics/Computer	96.1%	5.5%	87.9%	5.1%
Housing/Real Estate/Construction	114.0%	4.5%	86.9%	4.1%
Fashion (Apparel/Jewelry etc.)	99.6%	2.9%	92.6%	2.8%
Publishing	114.2%	2.4%	106.6%	2.6%
Government/Political Organization	105.0%	2.3%	98.1%	2.5%
Energy/Machine/Material	71.3%	2.6%	83.1%	2.3%
Various Organizations (Law Office etc.)	80.0%	1.7%	87.6%	1.5%
Housewares	111.8%	1.6%	81.7%	1.4%
Mail Order Sales	98.7%	1.6%	80.3%	1.4%
Distribution	66.9%	1.5%	80.3%	1.4%
Logistics services/Businesses/Events	101.7%	1.4%	85.7%	1.3%
Other	69.3%	0.1%	73.0%	0.1%
Total		100.0%		100.0%

Lower TV advertising due to increased shift to digital advertising from key industries in the spot market (such as automobiles and telecommunications)
⇒Work toward linking programs to the website and contribute to increased spot sales revenues and group revenues.

*Year-on-year comparisons

Please refer to the section on Spot Business by Industry and Advertisement Status. The decline in revenues in fiscal 2018 was largely attributable to a decline in advertising from key industries in the spot market, such as telecommunications, consumer electronics and automobiles. We expect the shift to digital advertising to continue growing.

Conversely, we believe that if we are able to successfully capture sponsorship needs through such means as linking programs to the website and event planning, we will be able to secure new revenues as a group, in addition to increasing Spot sales revenues.

Details of Revenue Forecast for TV Business

(Unit: million yen)

		FY2018 (actual)	FY2019	YoY	% Change
TV Business		55,596	55,950	353	0.6%
Break down	Spot	33,169	33,420	250	0.8%
	Network (Time)	14,060	14,360	299	2.1%
	Local (Time)	5,973	5,760	-213	-3.6%
	Program Sales	2,225	2,230	4	0.2%
	TV Program Streaming (TVer etc.)	168	180	11	6.8%

◆Spot: Forecasting increased revenue **Point**

-Increased revenue driven by continued view rating recovery from the second half

◆Network (Time): Forecasting increased revenue

-Strong performance in sales revenue from *A House in the Middle of Nowhere* and full-year broadcasting, which started in the second half of FY2018

◆Local (Time): Forecasting decreased revenue

-Response to the effect of High School Baseball 100th Commemorative Tournament last year and other reasons

In fiscal 2019, we expect to increase in Spot sales revenue, reflecting a recovery in viewer ratings from the second half of the fiscal year. As for spot sales, we will strive to return our market share to 25% in the same period of the previous fiscal year. In addition, we expect net time revenue to increase due to synergies between the full-year broadcasting of “A House in the Middle of Nowhere”, which started broadcasting in the second half of the previous fiscal year, and higher commercials prices resulting from maintaining high ratings.

Forecasts for Results of ABC TV

(Unit: million yen)

	FY2018 (actual)	FY2019	YoY	% Change
Net Sales	58,947	59,000	52	0.1%
Operating Expenses	57,173	57,450	276	0.5%
Operating Income	1,774	1,550	-224	-12.6%
Ordinary Income	1,807	1,600	-207	-11.5%

■**Major Factors Behind Higher Revenue and Lower Profits**

We expect strong performance in spot/network (time) sales revenue to drive revenue higher. On the other hand, the transition to a holding company necessitated a shift of operations to group companies. This has resulted in higher program production expenses due to increased contracting production, resulting in our projection of lower profits.

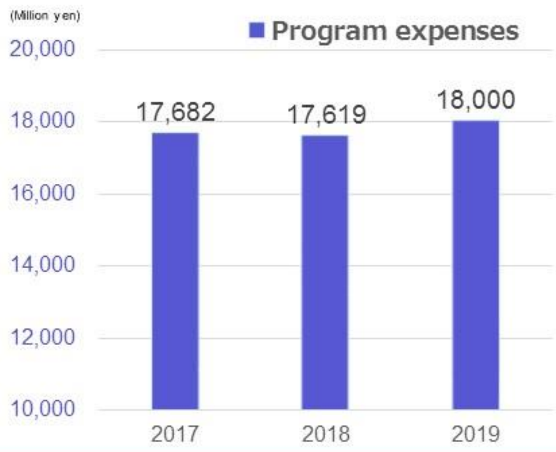
As a result, we expect to see an increase in sales in Asahi Television Broadcasting Corporation in fiscal 2019. Profits are expected to decrease due to an increase in program expenses and other factors.

Program Expenses of TV Business *

(Unit: million yen)

	FY2017	FY2018	FY2019 (forecast)
Program Expenses	17,682**	17,619 (YoY -62)	18,000 (YoY ＋380)

** FY2017 program expenses include contract production expenses.



FY2019 Point

Despite the apparent increase in outsourcing expenses due to the transfer of operations, this expense is actually essentially level with the prior year. We will increase programs, expand times, and engage in new program development, etc.

【FY2019 Reasons for Increase】
-Higher outsourcing expenses due to the transfer of operations to group companies following the conversion to a holding company. (about 360 million yen)
-Full-year broadcasting of the network program, which started in the second half of FY2018. (Increased programs)
-Expansion of one-hour slot of the evening news program *CAST*

【FY2019 Reasons for Decrease】
-Lower expense per program due to revisions on a program-by-program basis

*Approach to program production expense: Examine expenses while keeping an eye on profitability of terrestrial broadcasting and secondary use (program streaming, events, etc.)

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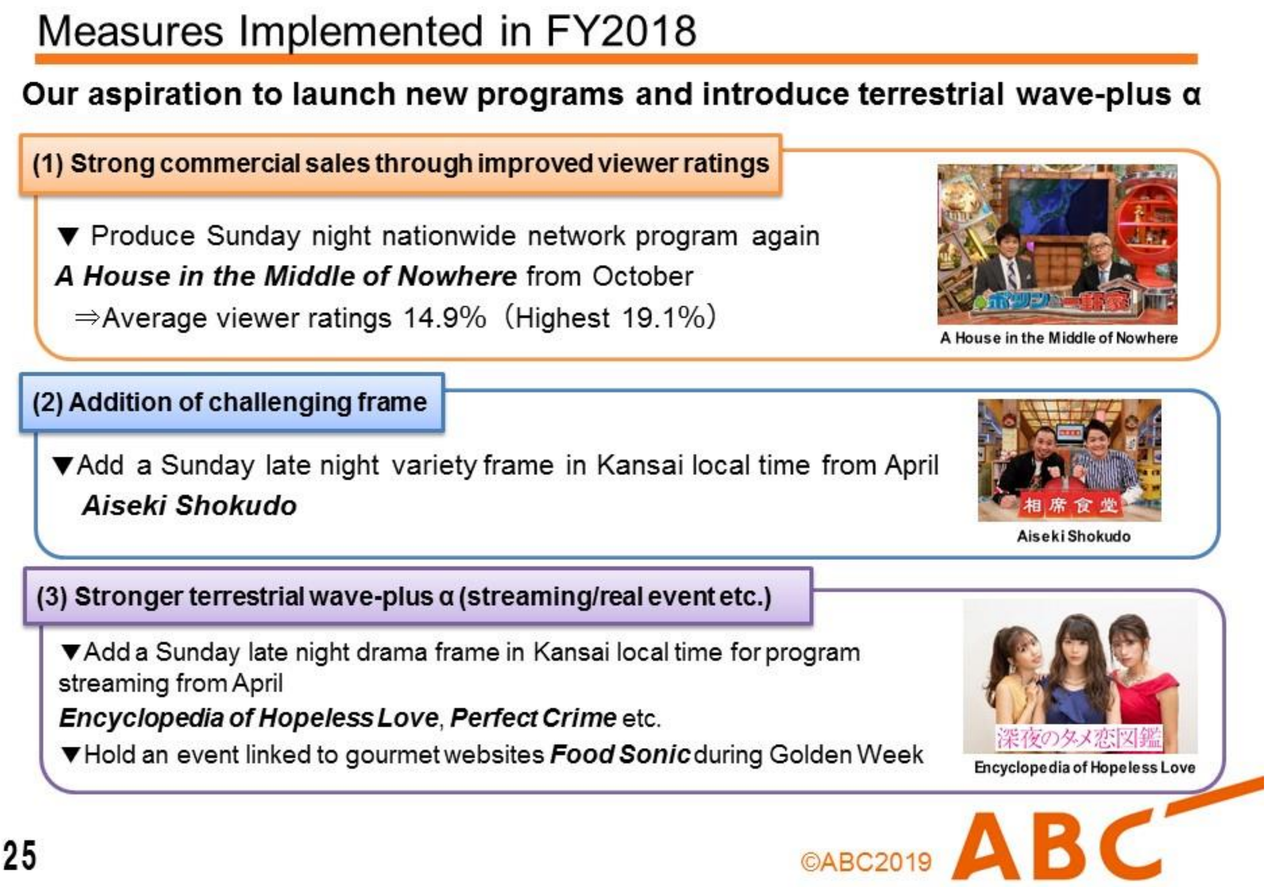
Programming costs. This figure includes an increase in outsourcing expenses, due to the transfer of operations to group companies following the conversion to a holding company. The effect of this change was extremely large, amounting to approximately 360 million yen.

On the other hand, for each program, we will optimize and control costs, taking account of revenues and expenditures from not only terrestrial advertising, but also secondary use.

As a result of the full-year broadcasting of the network program, which started in the second half of the previous year, the Network for the first half of the year increased compared to the previous year, and taking into account the increase in expenses related to the evening news program “CAST”, which were issues for the previous year, as well as the increase in expenses related to the development of new programs, there has been no substantial increase in program expenses, and we intend to continue to conduct selection and concentration in the future.

Looking ahead, we will continue to create programs that generate secondary revenue, such as program streaming and TV-linked events, while looking at the income and expenditures of programs that include secondary use.



These are measures implemented in fiscal 2018. We have adopted the slogan "everything for content." I believe that continuing to produce high-quality content will lead to profits and contribute to the Group as a whole.

To this end, we will create content for various devices, not only terrestrial platforms.

In fiscal 2018, the first year of our new holdings, we took on the challenge of developing new programs and planning for projects that gives something extra to terrestrial broadcasting. In the second half of the year, “A House in the Middle of Nowhere”, which began regular broadcasting nationwide, won acclaim on the Internet, and this led to higher ratings. We are also well received by our sponsors, and our sales are also favorable.

In the local framework, we added a variety frame and a drama at 23:00 on Sunday as a challenge frame. This drama is based on Internet distribution. Some of the dramas in this framework have won exclusive distribution contracts in TSUTAYA through Rights Businesses Inc., contributing significantly to the Group's performance.

In fiscal 2019, in addition to accelerating the challenges we have taken on since the previous year, we aim to improve viewer ratings through time table reforms.

Implementation Plan in FY2019

Increase viewer ratings by accelerating our aspiration to launch new programs and introduce terrestrial wave-plus α and redesigning timetables

(1) Aim for higher TV commercial unit prices through improved viewer rates

▼Launch new program in Tuesday evening 9:00PM national network slot
Sonna koto kangaeta koto nakatta Quizs! TORINIKU tte nanno niku!?
▼Recapture top ratings through stronger Prime 2 slot
Aiseki Shokudo: Promote programs from a Sunday Challenge slot to a Tuesday popular program slot
▼Increase all-day viewer ratings through stronger evening news programming
CAST: Expand one-hour slot and add more/stronger talent

TORINIKU tte nanno niku!?

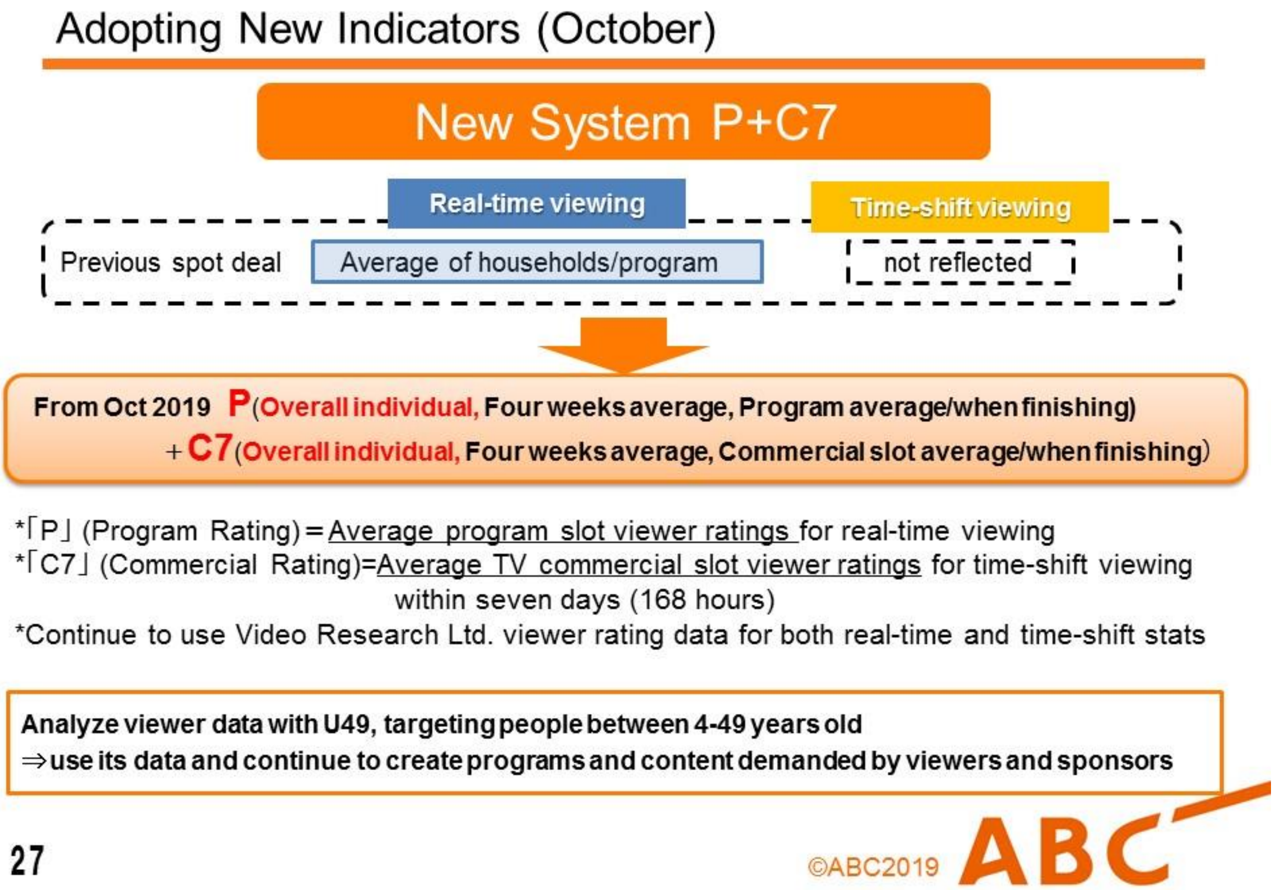
CAST

(2) Launch new programs in both Challenge slot and terrestrial wave program plus α drama slot

▼Sunday late night variety slot: Launch ***Mousukoshi, iyana yatsu***
▼Sunday late night drama slot: ***School Girls Rock!***

Mousukoshi, iyana yatsu

First, we started intergenerational quiz variety programs at a national network on Tuesday. On the other hand, in the local Prime 2, we expanded the "Aiseki shokudo", which began broadcasting in the challenging frame in February last year, and which is hosted by Chidori, a manzai combi, to a one-hour program, and organized it into the night-in-night frame on Tuesday. This Aiseki shokudo was awarded the Galaxy Prize and the Monthly Prize in January this year, and despite being Kansai Local program, it is becoming increasingly popular throughout the country via program streaming.



In October, we will introduce the P+C7 system, which will add up the overall ratings of individuals and the viewer ratings, including the commercial frames, within seven days after broadcasting. In the future, it will be crucial to see how many people are watching and who is watching, while household viewer ratings have been used to date.

TV broadcasters in Tokyo, which were introduced first, says there is no drastic change. However, one year after I became President of ABC TV, I experienced dramatic changes in viewer and sponsor needs. The pace of transition from households to individuals is accelerating, and the indicators that are needed for TV are becoming clearer. However, I feel that there are still high expectations for TV.

Prior to the introduction of P+C7, we created a unique indicator, U49, targeting people aged 49 or younger, which we share with program production sites and have begun to produce programs for.

In the future, we intend to further analyze viewer data and continue to create programs and content demanded by viewers and sponsors, while responding to changes.

Thank you very much.

Moderator: In closing, Okinaka, President of ABC Group Holdings, will explain the progress of the Medium-term management plan, which started in fiscal 2018, and the growth strategies of the entire Group.

Okinaka: Okinaka. Thank you for your continued support.

The progress of Medium-term management plan, which we began in fiscal 2018.

First of all, this plan is based on the assumption that the market for our mainstay TV spots will remain unchanged from fiscal 2018 to fiscal 2020. Nevertheless, in fiscal 2018, it was significantly negative. However, it was partially made up for by time revenues and non-broadcasting revenues.

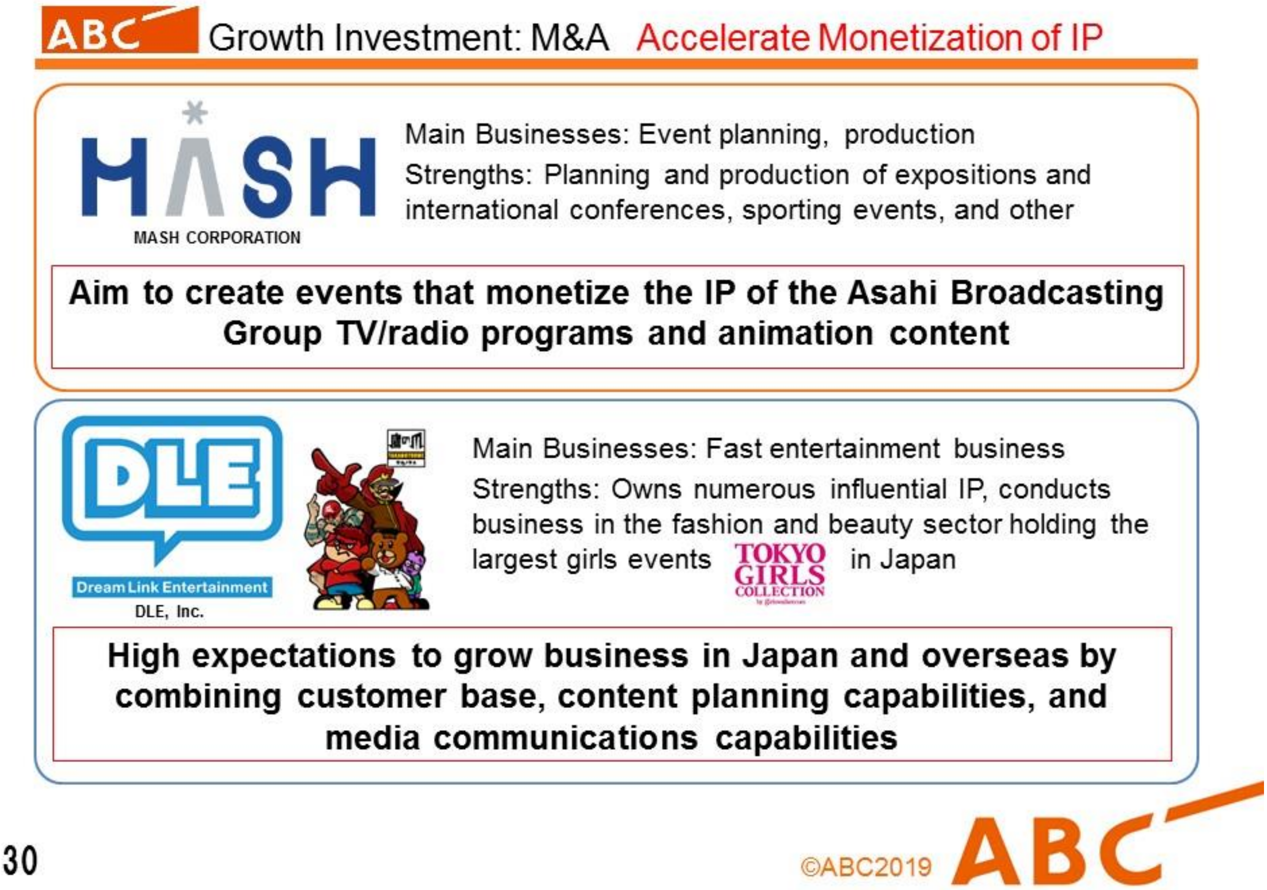
Our goals for fiscal 2020 are to achieve net sales of 89.0 billion yen and ordinary income of 6.0 billion yen. There is still a large gap between these targets and actual results. We will continue to work to bolster the broadcasting business as a whole and work to achieve our goals by combining growth investments such as M&A.

As for growth investment, so far, we plan to invest more than 3.0 billion yen in M&A contracts and acquisitions.

As stated in our policy, the dividend payout ratio was more than 30%.

As for ROE, it was 5.9% in FY2018, an increase of 1.4% from the previous year. I intend to continue to make improvements here as well.

As for sales from overseas businesses, we are aiming for 3% of consolidated net sales. In fiscal 2018, the total amount was about 850 million yen, still just under 1%. We will continue to actively focus on achieving this goal.



This is a brief explanation of the two M&A deals that have been concluded since the beginning of this fiscal year. In the Medium-term management plan, we aim to become a comprehensive content business group by acquiring content with strong IP. Currently, we conduct M&A as part of this effort.

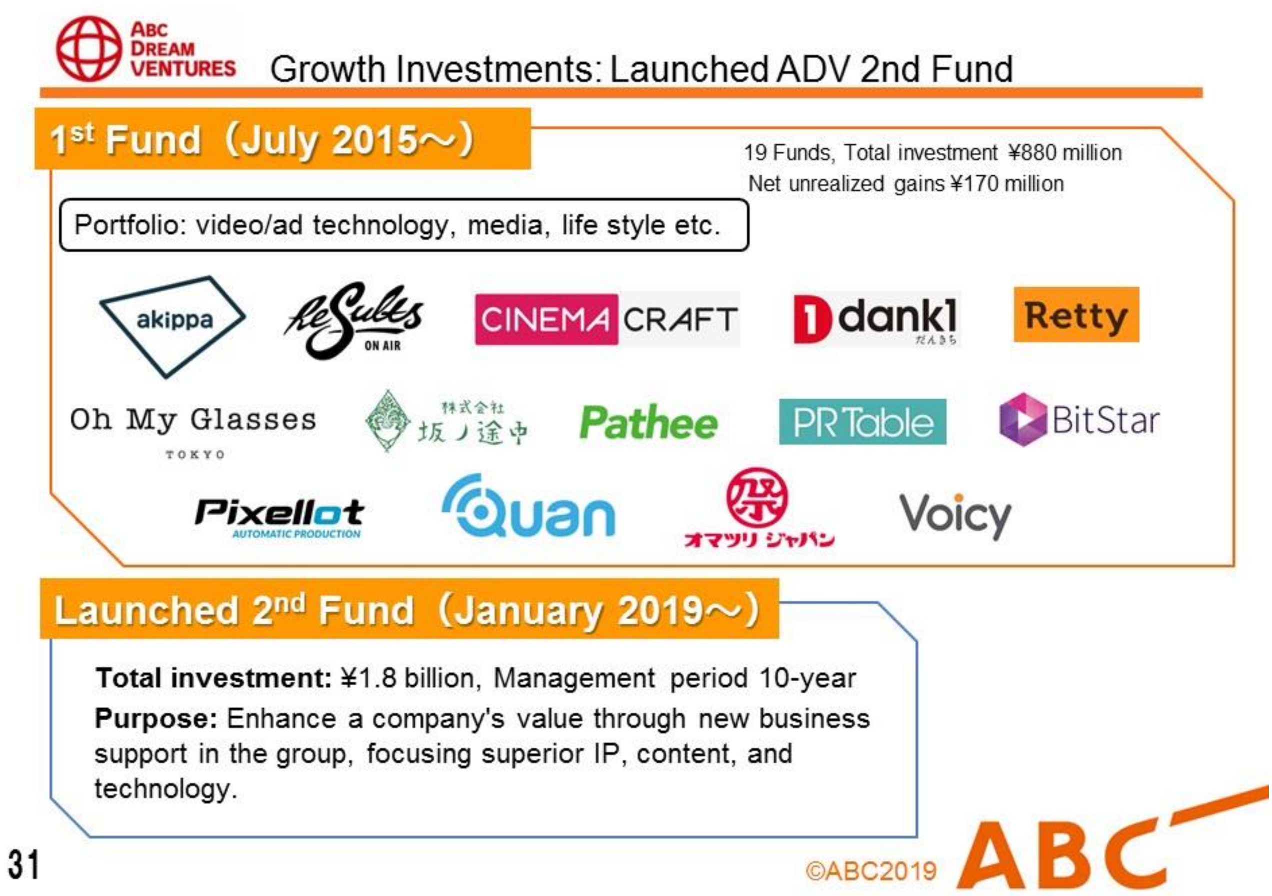
First, the upper row. It's MASH, an event planning and production company. MASH has been involved in the planning and production of many exhibitions, World Expos, symposia, and events, including the 2005 Expo in Nagoya, Aichi. In particular, as I just mentioned, the World Expo was extremely strong, and it will be a great benefit for our Group when we look ahead to 2025.

We have a variety of IP, such as our group's television and radio programs, as well as animation content. We intend to use this IP to develop our event business.

The second point is DLE Inc. The Company possesses a lot of powerful IP, such as flash animations and “Secret society Eagle Talon”. In addition, the Group operates apps and conducts game development, and its affiliated company operates Tokyo Girls Collection.

By combining our group with our customer base, content, planning capabilities, and media transmission capabilities, we intend to expand our business significantly.

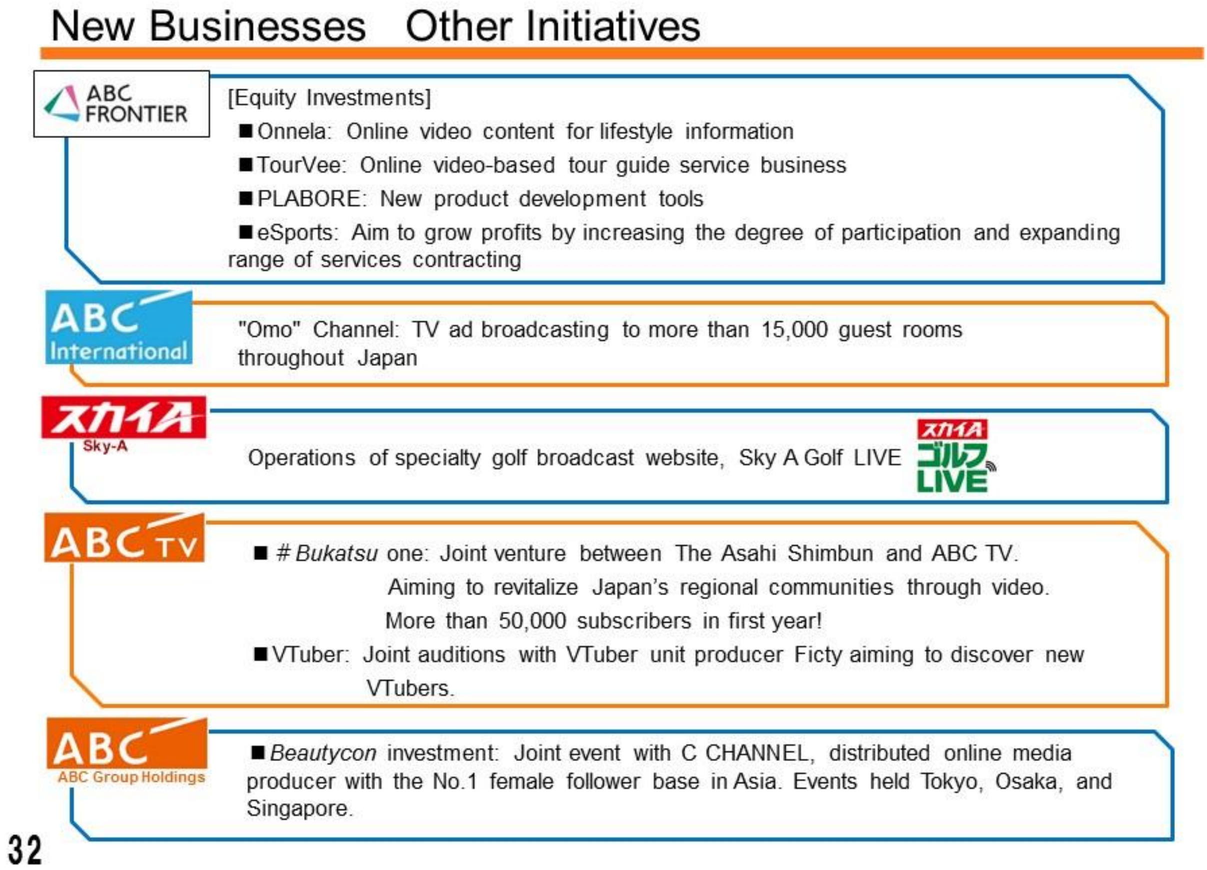
In September last year, DLE’s past inappropriate accounting was revealed, and the Company is now designated as a Special Caution Stock on the First Section of the Tokyo Stock Exchange. The third-party committee has already conducted investigations into the causes of such incidents. To prevent recurrence in the future, we will dispatch several directors to the Company to reform its management system and strengthen governance.



Regarding growth investments, I will explain a little about our venture capital. The first fund is described in the upper row. Total investment in 19 funds. The total investment amount is approximately 880 million yen. It's about 900 million yen, and it's almost complete.

At present, net unrealized gains of 170 million yen have been achieved. Looking at the top right-hand side of the table, Retty was partially sold, and realized gains were recorded. BitStar, below the Retty, a YouTube production company, brought synergies to our Group. Then, on the lower left, Pixellot is a start-up AI Camera company in Israel. We are currently in collaboration with this company.

Under these circumstances, in January 2019 we launched the second fund with a total investment amount of 1.8 billion yen and a 10-year management period. The Group will invest in a wide range of businesses, focusing on those with superior IP, content, and technology.



New businesses and other initiatives. In this way, ABC FRONTIER HOLDINGS, INC. and other companies are sowing a lot of seeds. I can't explain one by one, but I can say briefly that Onnela, a DIYs video media site with owned media, has achieved 360,000 followers, mostly from Instagram, in about a year. We hope to move toward monetization in the future.

Next, the third one from the top shows eSports businesses. We've been working on PAWAPURO LEAGUE with the NPB and Konami, and we are in charge of operations and program streaming.

Then, as described at the bottom, there is the Beautycon investment. This is a joint event with C CHANNEL. ABC HORIZON, an overseas subsidiary, is also contracting for C CHANNEL operations, and this business is taking shape in Singapore, Malaysia, and other countries. I have expectations for the future.

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 certified broadcasting holding company. We will do so while making appropriate investments for our future growth.

Finally, I would like to discuss the dividend. Based on our basic policy of ensuring stable dividends, we expect to pay a dividend of 28 yen per annum in fiscal 2018.

I have now explained the Company's performance and dividends for the fiscal year under review. Thank you very much.

Question & Answer

Moderator: That was the explanation. Now, we will move on to the question-and-answer session. Regarding your questions, we will prioritize analysts and institutional investors. In addition, this event is being recorded and transcribed in full. For this reason, if your company name or name is disclosed during your question, it will be recorded in the materials, so please note this fact. So, whoever has a question, please show your hand.

Questioner: I have several questions, so please answer one question at a time. First, ABC Frontier recorded sales of 2.2 billion yen in the previous fiscal year. Please tell us if you have any major breakdown.

You explained the impact of the tightening of regulations in China. Could you give us more details on the trend of regulations, and what is your view on the possibility of ease in the future?

Okinaka: I'll answer you. Frontier Holdings has sales of 2.2 billion yen. Anime has sales of around 1.2 billion yen, the Rights Business has sales of 3.0 billion yen, and International, which is also handling overseas editions, has sales of 3.0 billion yen. The remainder is the parent company, Frontier. It's about 4.0 billion yen. As a result, the majority of the 1.2 billion yen in sales come from overseas editions of animations or from overseas or domestic versions of PreCure.

As for censorship in China, I am sorry, but I don't know this. At the beginning of the year, the Chinese government was saying something very difficult. Now, the nuances have changed a little. I feel that it was loosened, but I don't know what will happen going forward.

Given the tightening of China's censorship, we have set our forecasts for exports to China to zero. For this reason, ABC Animation is currently thinking of creating so-called Maid-in-China titles with such as bilibili, an animation distribution company. That's all.

Questioner: Thank you very much. Secondly, in the explanation on page 21 of the presentation, it is described that you will undertake the programming of web-linked projects, and the spot sales revenue will increase. Please explain this in detail, based on concrete case examples. If you actually do this, what impact does it have?

Yamamoto: There is no project that has a linkage with programs to the point that it will have a significant impact, yet. However, it is a matter of course that TV broadcasts will not be completed solely by terrestrial broadcasting. So, as I mentioned earlier, the digital shift of sponsors is accelerating, so I think it is a matter of how digital and programs can be combined to make proposals.

Concretely, we are planning close events with each agency, so I will refrain from discussing the details here. However, by doing such things together with the advertising agencies, we are gathering and leveraging viewer data for programs. We plan to expand this considerably in the future.

Questioner: Thank you very much. Regarding the last question, I would like to ask about the TV program streaming section on page 22. I would like to ask about the breakdown of TVer and others out of the 168 million yen. What are the growth prospects for each of them for the next three to five years? What is your view on the potential?

Yamamoto: I will discuss the exact figures for TVer later, but I think you could see this before, when you looked at page 19. The growth rate has been as shown from fiscal 2016 to 2017 and from fiscal 2017 to 2018. In particular, from our perspective, TVer has been particularly growing since last autumn.

In addition, we provided content to SPORTS BULL, and as a result, sales have increased significantly even in Virtual High School Baseball.

I feel that the growth of TVer is quite remarkable, also for the key stations, so I expect that TVer will continue to grow in the coming fiscal year. But as for the budgets and forecasts for fiscal 2019, we took a fairly conservative view of TVer.

Therefore, I hope that TVer will grow a little more in real terms. Since Virtual High School Baseball grew steadily in the previous fiscal year, we intend to expand this a little more, from fiscal 2020 onwards.

Kadota: For the 168 million yen for TV program streaming in fiscal year 2018, the figures are the sum of the figures for TVer and GYAO!. Other distributions are not included herein.

Questioner: Understood. Thank you very much.

Moderator: Thank you very much. Are there any other questions?

Questioner: I have two questions. As individual viewer ratings will begin in the future, under what circumstances are the current trends in individual viewer ratings and how will they change?

Furthermore, if the production of programs that take individual viewer ratings into account is being promoted, what kind of audience do you think you are trying to reach? If you have any changes, please explain your policy. That is one.

Second, I would like to ask about the situation in the Kansai region of TV spots. Looking at the trend of the previous year, I would like to ask you about the weakness of the situation in the region as compared to the Tokyo region.

As a hypothesis, if advertisers are increasing their sales promotions on the Internet, if they are promoting them nationwide rather than in local spots, and if the budget would be more efficient if purchased nationwide, the situation for the spot will be more severe in local regions than in Tokyo. If you feel that the spot demand will be somewhat weaker than in the past due to advertisers' campaigns, please tell us your thoughts.

Yamamoto: First point is the individual viewer ratings trend for the Company?

Questioner: Yes.

Yamamoto: TV Asahi's affiliates have long been faced with individual viewer ratings problems, and we are aware of these problems. We often talk about the U49 target in the F1, M1, F2, and M2 categories. However, it is difficult to create programs targeting F1 and M1, so we basically set the target of 49 or less, which can be viewed by the family, as an indicator within our Company. So, in order to create programming, we will focus our efforts on this area.

It is still difficult to capture U49. As I mentioned earlier, in the Kansai and Nagoya regions P+C7 is planned to be introduced in October. From this April onwards, we will not be looking at households, but individuals. We were only looking at the household viewer ratings, and this was the big factor for the production of the programs.

The ranking of all-day, Golden, or Prime will be determined by households, but individual ratings will certainly be used for the spot business. So, in order to get people to understand this, programming and sales staff members go around to sites, and we are thoroughly enforcing the changes in the rules. In this way, we are aiming to create programs while using individual viewing ratings and perceiving the number of U49, and then raising awareness.

Regarding spot, have you mentioned the situation in the Kansai region since April of this fiscal year?

The key point of the budget is how to look at the spot in the current fiscal year. Last year, the income for the full fiscal year has fallen to about 95. We have placed 100 in the spot sales, and the market share dropped slightly in the previous fiscal year. We assume that the viewer rating will recover and the market share will be again recovered to 25%. By working to return to 25%, I think that the budget is about 100.8.

With this in mind, in April last year, there were 91 in Kansai alone, so we have been doing around 106 in response to this increase. In May, on the same basis as last year, there is a prospect that we will not go to 100. That's about 95.

This year, there was a special 10 consecutive holiday occurrence in May. I think the first quarter will be visible in June, the most important month, but it will be hard in June. Last June was 94.1 in the spot sales, but there is no expectation at present that it will be exceeded in opposition to this. In that sense, the spot for the last fiscal year dropped sharply, but it does not seem to have bottomed out in the current situation.

I think there are various factors. As you mentioned earlier, the situation is becoming increasingly severe every year in local areas other than Tokyo, Nagoya, and Osaka, and I believe that this trend is growing even in the current fiscal year.

I feel that the use of advertising budgets for such advertising expenditures is becoming quite different from the nationwide campaigns in the past and transitioning to the Internet advertising and online age.

We are working with sales companies in the Kansai area, rather than with clients in central Tokyo, with a deeper understanding of regional marketing.

The easiest example to understand this is the food sonic, which is linked to the events that I explained. Suntory has been providing this, and the cooperation with Osaka's sales companies is very strong. I forgot the exact number of affiliated stations this year, but I believe that the number of affiliated stations is from 8 to 10. It is expanding.

Suntory also holds events in cooperation with sales companies in each area, which lead to sales promotions. I believe that through the combination of such events with real events, the boundary between sales promotion expenses and advertising expenses will disappear. I believe that we must also carry out careful work, including in Osaka, in the local sense. This is all.

Questioner: Thank you very much.

Moderator: Thank you very much. Are there any other questions?

Questioner: First, regarding the trend of the viewer ratings, there are signs of recovery from the second half of the fiscal year, but what has happened since April? I believe that regular programming has already begun and has been stable within the program organization. Could you tell us the current situation?

Second, I believe that programming was being provided for AbemaTV in 2017 and 2018. Could you tell us about the circumstances of Abema and how it will be engaged in this fiscal year?

Third, DLE Inc. will be incorporated this time. Combined with how you look at the contribution of income and expenditures for the current fiscal year, you have explained this a little in page 30 but how do you intend to realize synergies in the future? These are my three points.

Yamamoto: Regarding the viewer ratings, Prime was the largest in April, which marked a significant change.

It was also the highest in March, and it is the second consecutive month that Prime has been at the top. All-day and Golden have not yet delivered results.

I mentioned earlier, our “A House in the Middle of Nowhere” has been performing very well and rated at around 19.8 yesterday in Tokyo and Osaka, contributing to Prime.

As for all-day, “Ohayo Call ABC” and “Ohayo Asahi Desu” are performing very well, and are even trending upward. However, the one-hour expansion in the evening zone, which I explained earlier, has not been very successful. As a result, it is difficult to raise all-day. As for Prime 2, the HUT has not risen much. All-day is struggling.

However, I feel that the situation has changed to a state in which the second and third places are almost the same. In terms of viewer ratings, Nippon Television Network Corporation and Yomiuri Telecasting Corporation are a little ahead in all-day. At any rate, I think it is urgent to recover the viewer ratings in all-day, and the biggest problem is to redouble our efforts in the evening zone.

It is not particularly true that we are considering any new initiatives for Abema this fiscal year. As in the past, we intend to continue to provide content that can be distributed through Abema.

Okinaka: DLE Inc. is also a listed company, and I would like to refrain from discussing it in detail here.

The Company's fiscal year ends in June. So, beginning in July, it will enter a new fiscal year. It announced results on May 10. How will we realize synergies with each other in the future? We are finally going to start the process of formulating a new business plan around this week.

As for the expected synergies, we support the joint development of content, or the development of the other party in the media. Or, there are fundamental issues such as having our order being made by the other party. In the sense of producing animated films, the Company has a good title of “Wakaokami wa Shougakusei! (The Young Innkeeper is an Elementary School Student!)”, which was awarded the Annecy International Animation Film Festival. We will also produce animation titles and films. We are also aiming for the same direction, so we at both companies would like to be lead managers or in effect main leaders.

In addition, we have more staff and other services than DLE Inc., such as overseas sales, so we are thinking of this as a matter of division of labor. On the other hand, DLE's expertise is in SNS, such as Instagram, and the development of SNS are also considered as a synergy.

I would also like to consider cross-sales from a sales perspective. So far, such things are expected. This is all.

Questioner: Thank you very much.

Moderator: Thank you very much. Are there any other questions? If you have any questions, please let me know your hands.

Questioner: Regarding the plan for the current fiscal year, I would like to ask you about the balance between the first half and the second half. Frontier's profits may decline from the previous fiscal year. Could you tell us if you have the expectation of achieving the plan for the current fiscal year if any progress is made?

Okinaka: Frontier is a company that manufactures and sells deals on an ever-growing scale. So, as I mentioned earlier, nothing can be expected in the Chinese business, so the budget is low.

Nevertheless, there are many new things that we are thinking about. However, since we cannot immediately budget what we are thinking about and are currently moving forward, it has become such a figure.

It is a severe number, but there will be new sales or a recovery from the end of the first half to the second half of the fiscal year, as there will be various initiatives and growth can be expected.

In addition, if the ABC TV is able to withstand the first half of the fiscal year, it will be able to maintain this momentum until 2020. However, there are some risks, and we have just announced conservative figures. This is all.

Questioner: Thank you very much. My second question concerns DLE. There was a company called FOI Corporation about 10 years ago, which had been juggling since the time of the listing. I think it would be a serious situation. With such a company as a subsidiary, could you please tell us how to actually change governance, if possible?

Okinaka: Yes. First, in underwriting our shares, we have spent a little less than one month in March for investigations with a law firm and an accounting firm, following the investigation by the third-party committee.

So, it's almost clear, including business due diligence. But I think there are many things I won't know, until I go there. I think that's going to happen.

In that sense, we announced last week, on May 10, that two employees are to be dispatched to DLE Inc. Of course, including a director. In the end, we intend to dispatch a CEO this autumn. Since the settlement is at the end of June, it is difficult to say more. The other party is a listed company, so I can't say anything more here, so I am sorry. The beginning is important and we will dispatch many employees. I would like to take this initiative firmly. This is all.

Moderator: Thank you very much. Does anyone have any other questions? We would like to conclude this briefing today. Thank you very much for visiting us during your busy schedule.

Okinaka, Yamamoto, Kadota: Thank you very much.

[END]