Asahi Broadcasting Group Holdings Corporation

Q2 Financial Results Briefing

November 18, 2019

[Venue]	Gran Tokyo North Tower, 18F Daiwa Conference Hall B, 1-9-1 Marunouchi, Chiyoda-ku, Tokyo 100-6718

[Speakers]

Susumu Okinaka	Representative Director and President
Shinya Yamamoto	Asahi Television Broadcasting Corporation Representative Director and President
Masato Kadota	Director, Executive Officer

Presentation

Moderator: Now, we will hold a Financial Results Briefing for the Second Quarter of the Fiscal Year Ending March 31, 2020 for Asahi Broadcasting Group Holdings Corporation.

First, let me introduce you today's attendees. Susumu Okinaka, Representative Director and President of Asahi Broadcasting Group Holdings Corporation. Shinya Yamamoto, Representative Director and Vice-President of Asahi Broadcasting Group Holdings Corporation, and Representative Director and President of Asahi Television Broadcasting Corporation. Masato Kadota, Director of Asahi Broadcasting Group Holdings Corporation, in charge of accounting.

Now, Mr. Okinaka, the president of the Holdings Corporation, will explain the outline of the financial results.

Okinaka: Thanks for coming today, on your busy schedule. We would like to express our sincere gratitude for your continued support. I am Okinaka, President. Thanks for your support today.

Consolidated Results

ABC
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(Millions of yen)

		19/3 1H	20/3 1H	YoY	% Change
Net Sales		39,280	40,228	947	2.4%
Operating Expenses		38,290	38,862	572	1.5%
Details	Cost of Sales	26,616	26,897	281	1.1%
	Selling, General and Administrative Expenses	11,673	11,965	291	2.5%
Operating Income		990	1,365	375	38.0%
Ordinary Income		1,194	1,507	312	26.2%
Profit Attributable to Owners of Parent		1,508	866	-641*	-42.5%*

* Major decrease was due to tax effect accounting associated with change to holding company structure in FY2018 (19/3)

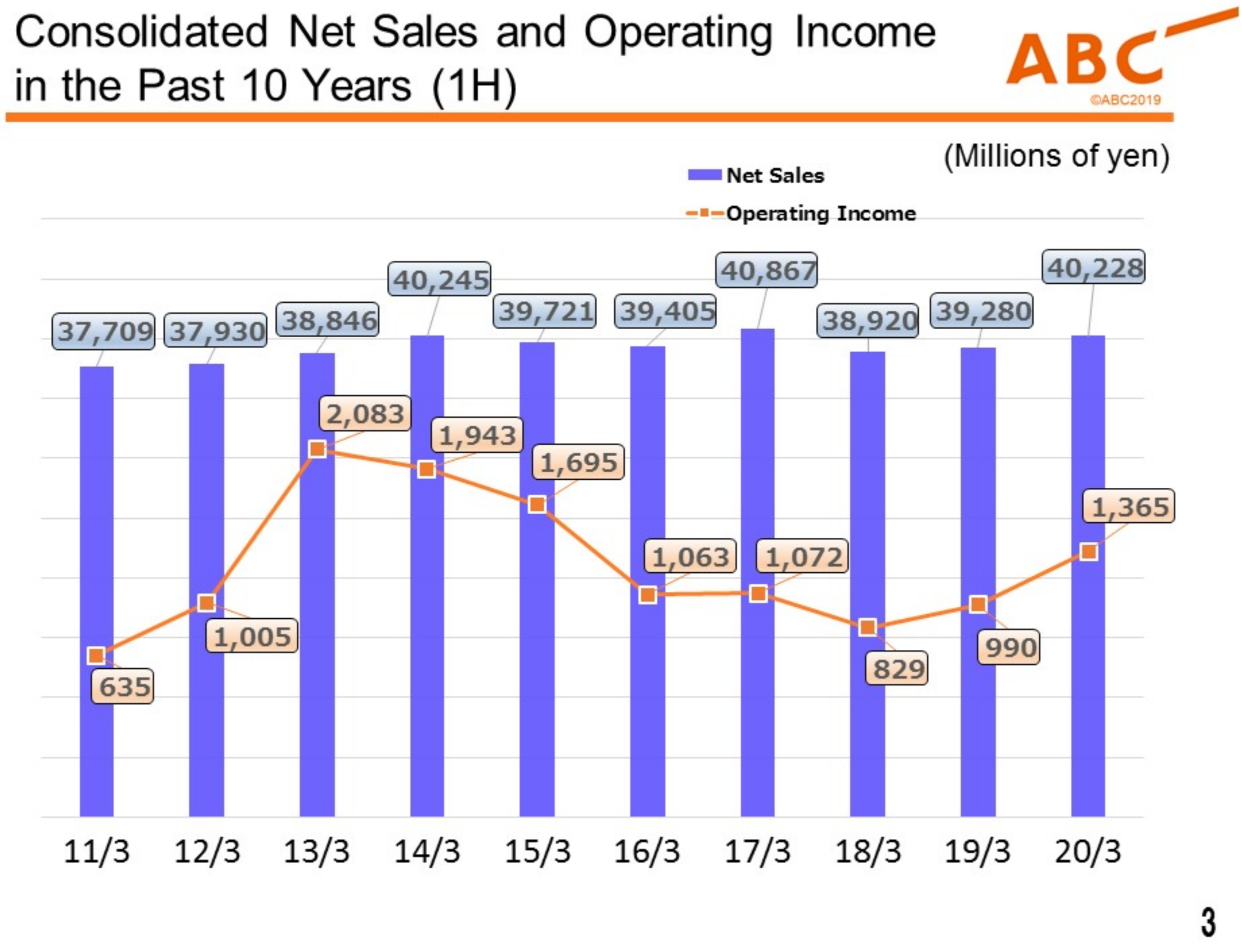
Despite weakness in spot revenue, strong time revenues and group company performance resulted in higher sales and profits

2

First, on the second half of the fiscal year, with sales of 40.2 billion yen, operating income of 1.3 billion yen, and ordinary income of 1.5 billion yen, we have been able to raise sales and profits. Sales exceeded the previous year by approximately 900 million yen, and operating income and ordinary income by more than 300 million yen.

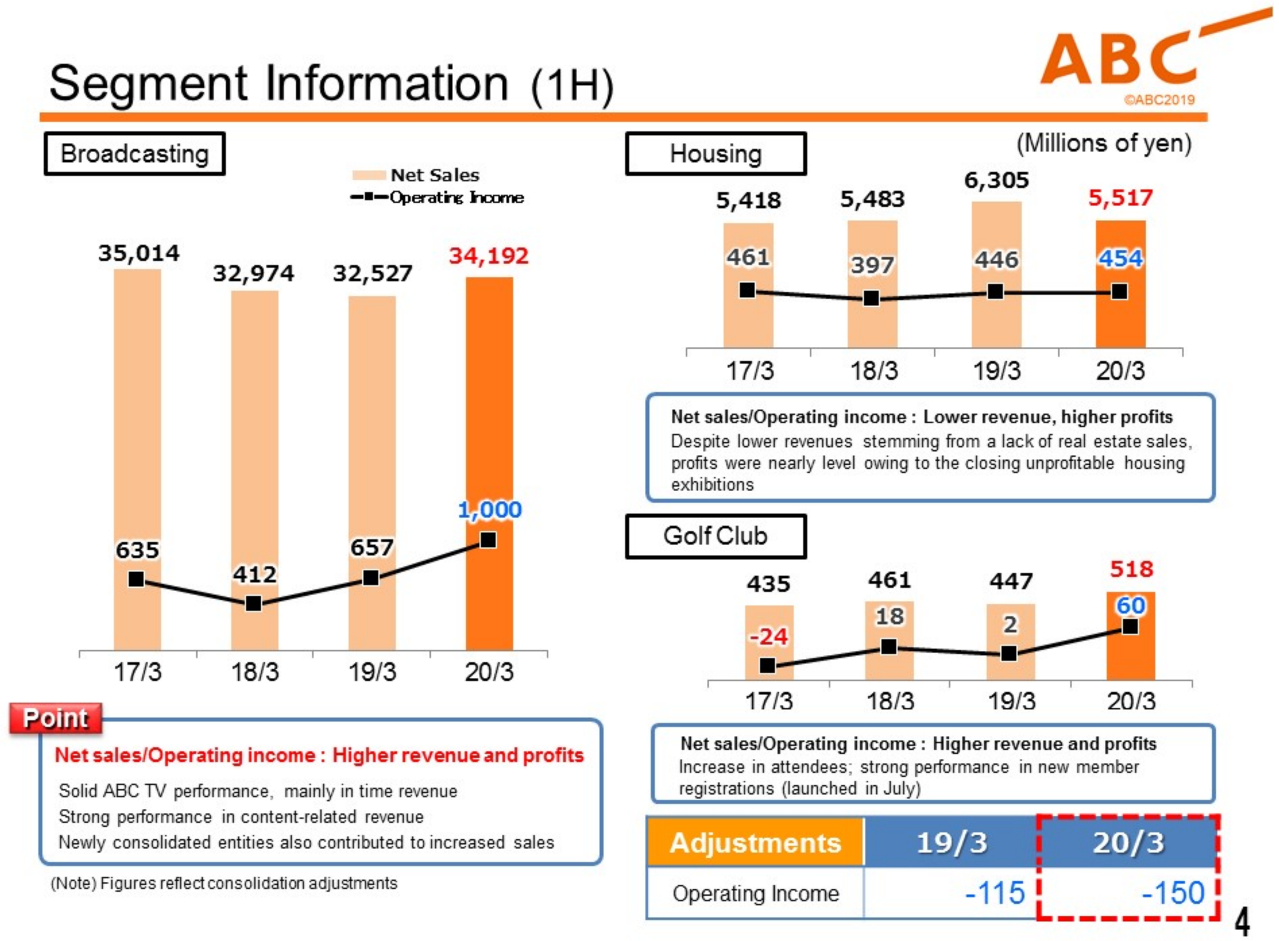
As for topics, Sunday’s "A House in the Middle of Nowhere", has been making a strong showing and viewing rates have been improving as a whole. Group companies also performed well, mainly in the content-related business.

Nevertheless, up until the second quarter, the commercial spot business did not perform well, and this was compensated by the programming time revenue, or by taking other several measures.



This table shows net sales and operating income in the second quarter (cumulative), for the past 10 years. This year, net sales were 40.2 billion yen, which was slightly short of the 40.8 billion yen recorded three years ago, but it is steadily rising.

Operating income was 1.365 billion yen, which was better than the past two years. In the first half of the fiscal year, we had high school baseball and other events, which often entailed high costs. However, we have been able to make improvements and came to achieve this amount.

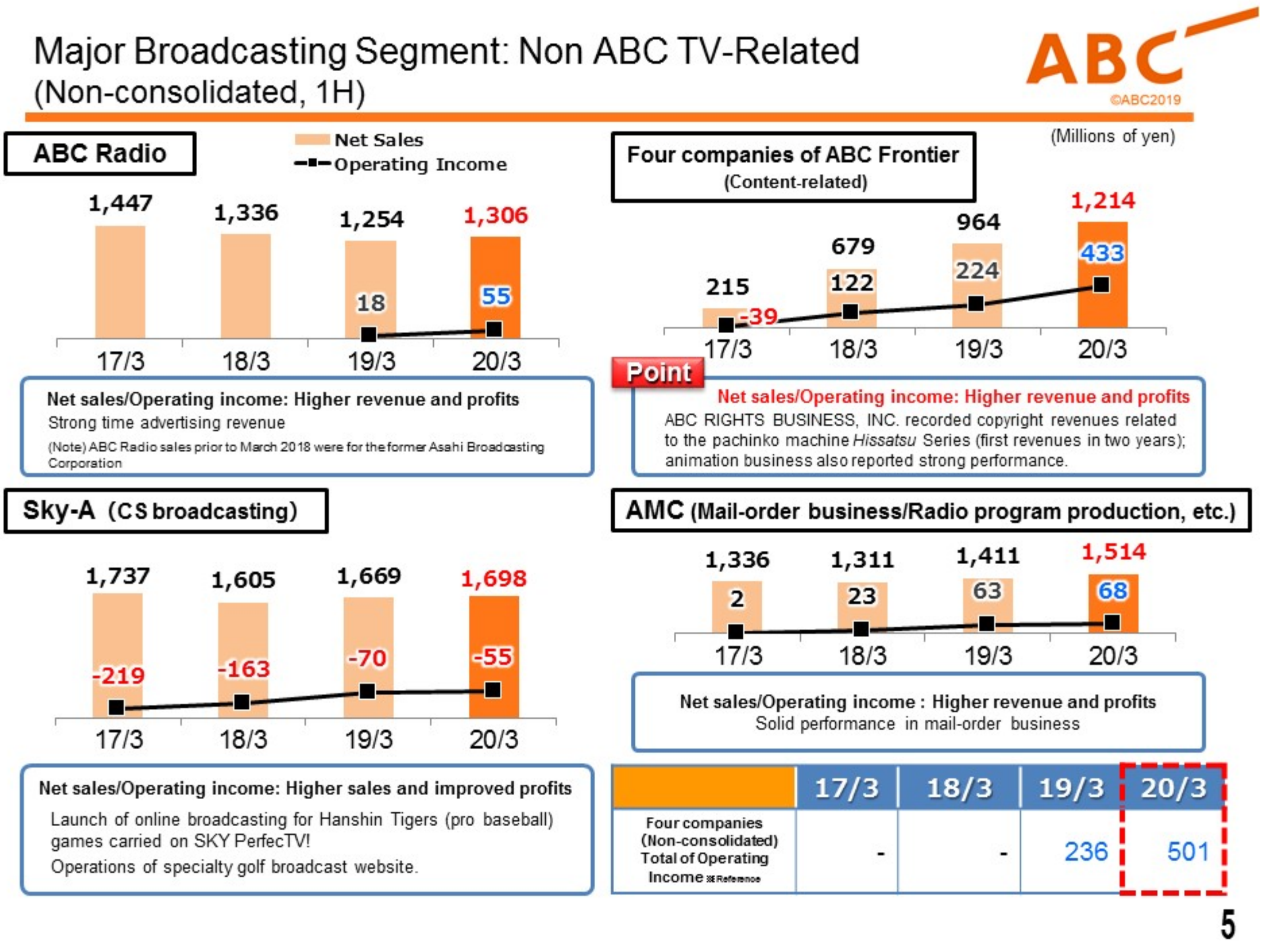


This is segment information. As you can see in the left table, revenue from the broadcasting segment increased year-on-year. Operating income in particular rose significantly, from 657 million yen in the previous fiscal year to 1 billion yen in the fiscal year under review.

As I mentioned earlier, the sluggishness of the commercial spot segment was recovered mainly by the programming time revenue, and content-related companies performed well.

Regarding housing, which is shown on the upper right, the revenue decreased, but profits increased slightly.

In the golf club segment, on the lower right, both sales and profits increased. This was due to the recruitment of new memberships.



Let me elaborate on the broadcasting segment. Results for each company in the broadcasting segment. ABC TV will be explained later by Mr. Yamamoto.

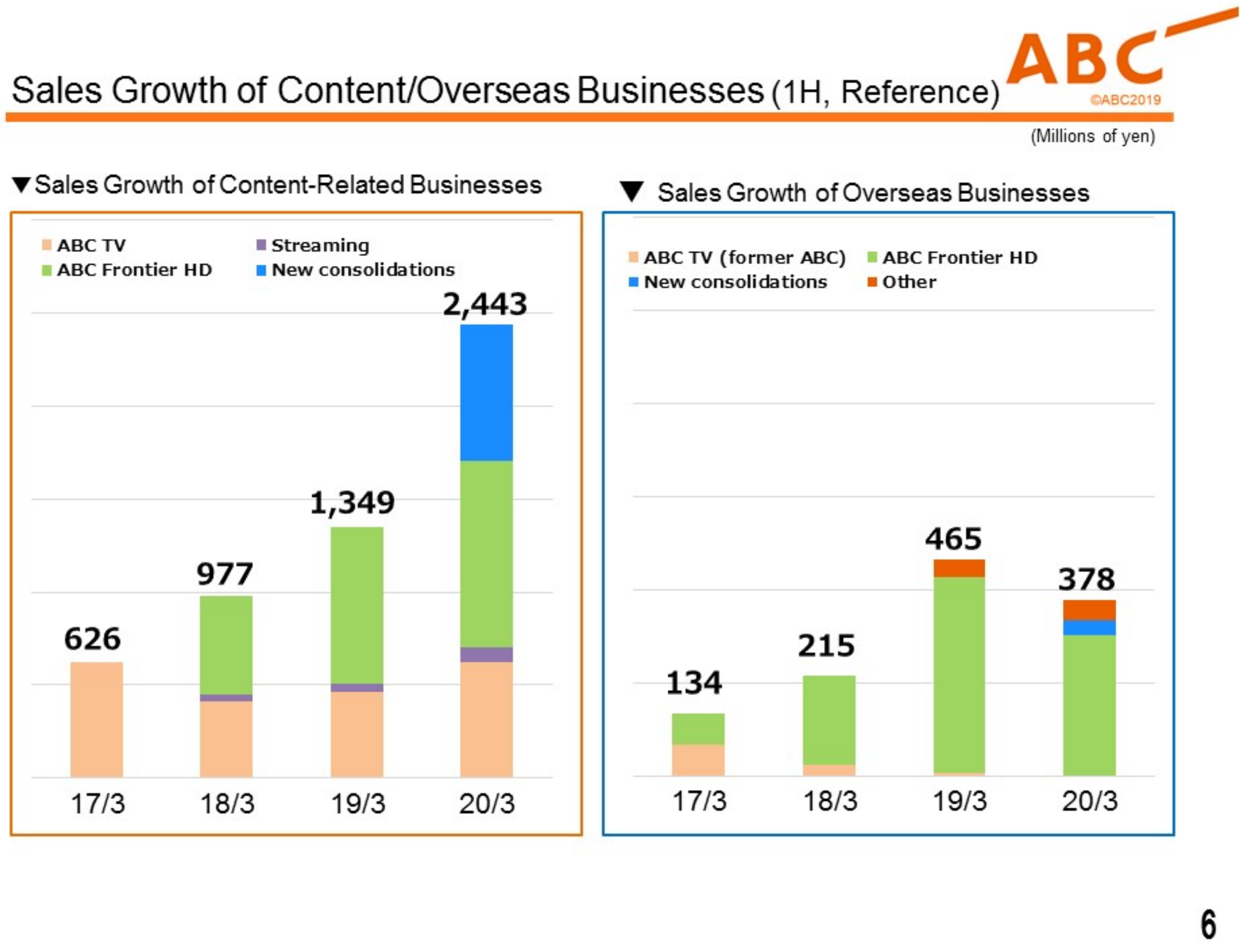
As for other companies, regarding radio, shown on the top left, sales and profits increased. We have developed new programs for young people, and this has resulted in strong growth in revenues for programming time advertising.

Regarding Sky-A, which is on the lower left, sales increased slightly, and profits also increased, even when the figure is negative. This was mainly due to the launch of Internet distribution for Hanshin Tigers games at SKY PerfecTV.

The ABC Frontier Holdings Group, on the upper right, is a company that deals content-related products, and as you can see, both sales and profits have grown significantly. This was due to the big hit in animation, in which we had invested, and sales of copyright revenues from the pachinko machine "Shin Hissatsu Shiokinin" in ABC Rights Business. We had very strong sales to Detective Knight Scoop and other OTTs, as well as archival distribution.

AMC, on the lower right, is a mail order company. Its sales continue to be favorable.

Sales Growth of Content/Overseas Businesses (1H, Reference)



Let's see the situation of our content and overseas businesses. Content-related business sales for the first half of the year are growing significantly. We newly acquired two companies in April and May in the first half of the year, MASH, an event company, and DLE, a content company. As these two consolidated companies have been added from the second quarter, sales are far above the previous year's level.

The graph on the right shows the overseas business. Sales in the overseas business declined slightly from the previous year. This is attributable to the fact that sales of Chinese animations were not as high as last year due to the censorship in China.

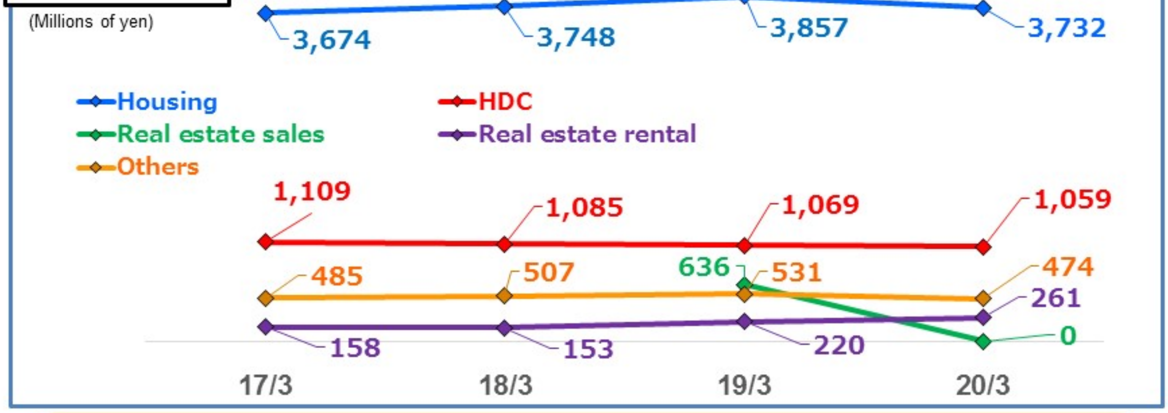
Housing Business：ABC Development Corporation (1H)
Lower Revenue, Higher Profits

(Millions of yen)

	2017/3	2018/3	2019/3	2020/3
Net Sales	5,418	5,483	6,305	5,517
Operating Income	461	397	446*	454*

*Reflects subtracted amount due to change in segment profit calculation method beginning with the fiscal year ended March 2019 due to transition to a holding company structure.

Sales by Category



Net sales: No real estate sales this period as compared to the prior period; closed certain housing exhibitions upon the conclusion of contracts

Operating Income: Closing of housing exhibitions with declining profits resulted in higher profitability and increased profits

Point

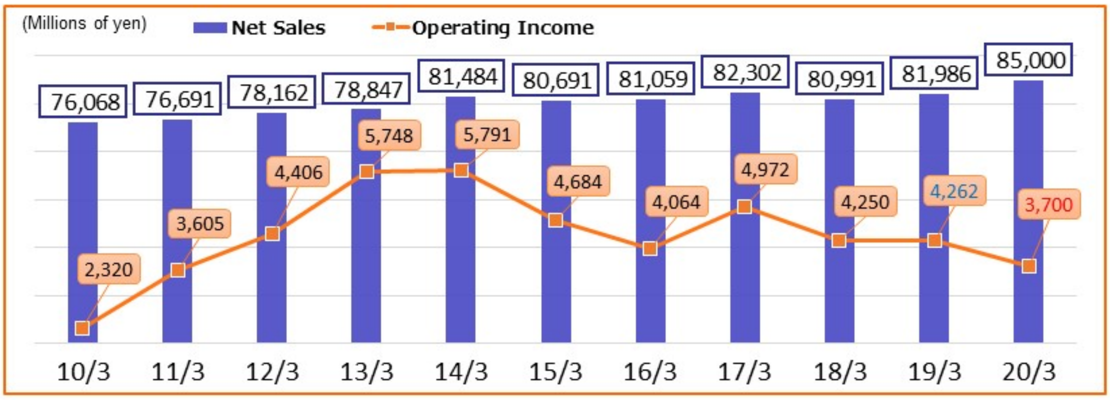
Let's look at the housing business. The housing business recorded lower sales and higher profits. Since there were no real estate sales this year, sales declined. In addition, the number of venues has decreased because some housing exhibitions were closed. However, because income from the closed housing exhibitions had been declining, profit improved slightly, even though sales declined.

FY2019 Consolidated Results Forecasts
Higher Revenue and Lower Profits

(Millions of yen)

	19/3 (Actual)	20/3	YoY	% Change
Net Sales	81,986	85,000	3,013	3.7%
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%*

* Major decrease was due to tax effect accounting associated with change to holding company structure in 19/3



8

The full-year forecast for the current fiscal year is shown by the dotted line in red. Net sales are expected to be 85.0 billion yen, and operating income and ordinary income to be 3.7 billion yen and 4.0 billion yen, respectively.

As sales have grown compared to the previous announcement and we are now on a new consolidated basis, we want to grow our top line, as shown. However, operating income and ordinary income remain unchanged. In fact, the situation surrounding the commercial spot revenue in the television business in the second half of the fiscal year is not very clear. I think that if it catches up with the previous year's level, the figures will become higher. However, since we cannot witness the situation, we have left the figures unchanged.

Net income declined significantly to 2.5 billion yen. This was due to a significant increase in the previous fiscal year due to tax effect accounting treatment accompanying the conversion to a holding company system, which resulted in a year-on-year decrease of 1.2 billion yen this year.

FY2019 Forecasts for Results by Segment

(Millions of yen)

Broadcasting	19/3 (Actual)	20/3	YoY
Net Sales	68,550	71,720	3,169
Operating Income	3,475	2,930	-545

Housing	19/3 (Actual)	20/3	YoY
Net Sales	12,545	12,220	-325
Operating Income	1,060	1,010	-50

Golf Club	19/3 (Actual)	20/3	YoY
Net Sales	890	1,060	169
Operating Income	28	110	81

Adjustments	19/3 (Actual)	20/3	YoY
Operating Income	-301	-350	-48

Broadcasting: Forecasting higher revenue and lower profits

■ Reason for higher revenue **Point**

- Despite deceleration in the second half, we forecast increased sales for the period due to the impact of first-half growth and newly consolidated entities (DLE, MASH)

■ Reasons for lower profits

- We expect the second-half spot market to be even more challenging.
- We project a delay in the release of a movie in which ABC ANIMATION, INC. invested.

Housing: Forecasting lower revenue and profits

■ Reason for lower revenue

- We forecast lower year-on-year real estate sales.
- The number of housing exhibitions will be lower than prior year.

■ Reason for lower profits

- Closure of unprofitable housing exhibitions should result in higher profitability; however we expect lower profits for the year due to lower rent revenue in the HDC business.

Golf Club: Higher revenue and profits

■ We expect to see continued sales increases and growing memberships from the first half.

Let's look at the forecasts for each segment. The broadcasting segment is expected to record higher sales but lower profit. As explained above, although there is an increase in sales due to new consolidation and other factors, the outlook shown is for a decline in earnings due to a slight uncertainty regarding television commercial spots.

In the housing segment, we expect sales and profits to decline for the full year. In the first half of the fiscal year, we were able to secure a profit increase. However, while we are recruiting tenants in the housing design center business, there was a collapse of some major tenants' performance and rents declined, therefore we expect profits to decline.

In the golf club segment, as I mentioned earlier, we expect sales and profit to increase due to new membership recruitment.

This is all. I have explained our consolidated results.

Results of ABC TV

©ABC2019

(Millions of yen)

	19/3 1H	20/3 1H	YoY	% Change
Net Sales	27,887	28,311	423	1.5%
Operating Expenses	27,954	28,185	230	0.8%
Operating Income	-67	125	192	—
Ordinary Income	-45	158	204	—
Profit	668*	14	-653	-97.8%

*Profit in FY 2018 (19/3) reflects additions from tax effect accounting due to transition to holding company format

Point

Secured higher sales and profits*, even as spot advertising declined

Time advertising revenue and content-related revenue were strong; cost controls contributed to profits

⇒Continuing to separate from a reliance on spot advertising

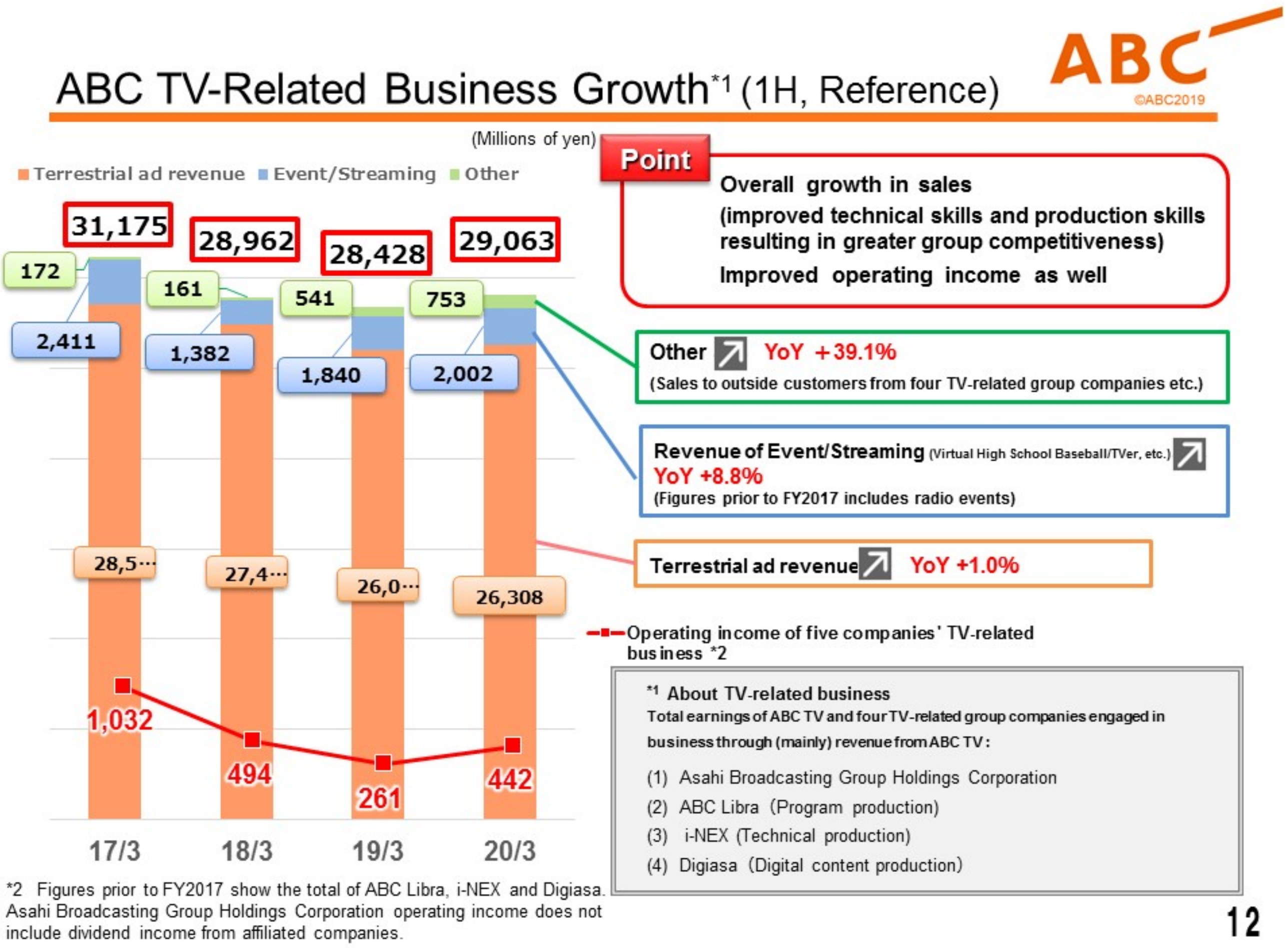
11

Moderator: Next, Mr. Shinya Yamamoto, Representative Director and President of Asahi Television Broadcasting Corporation will explain the Television business in detail.

Yamamoto: I am Yamamoto from Asahi Television Broadcasting Corporation. Thanks for your support. I would like to explain the television related business.

First, I would like to talk about a major topic for the fiscal year under review, which Mr. Okinawa mentioned earlier. The biggest issue for television is that "A House in the Middle of Nowhere", broadcasted on Sunday at 20:00, which became a regular program in October last year, has received a very favorable viewer reception. I believe that this has given, not only ABC TV but also the television industry, a great self-assurance.

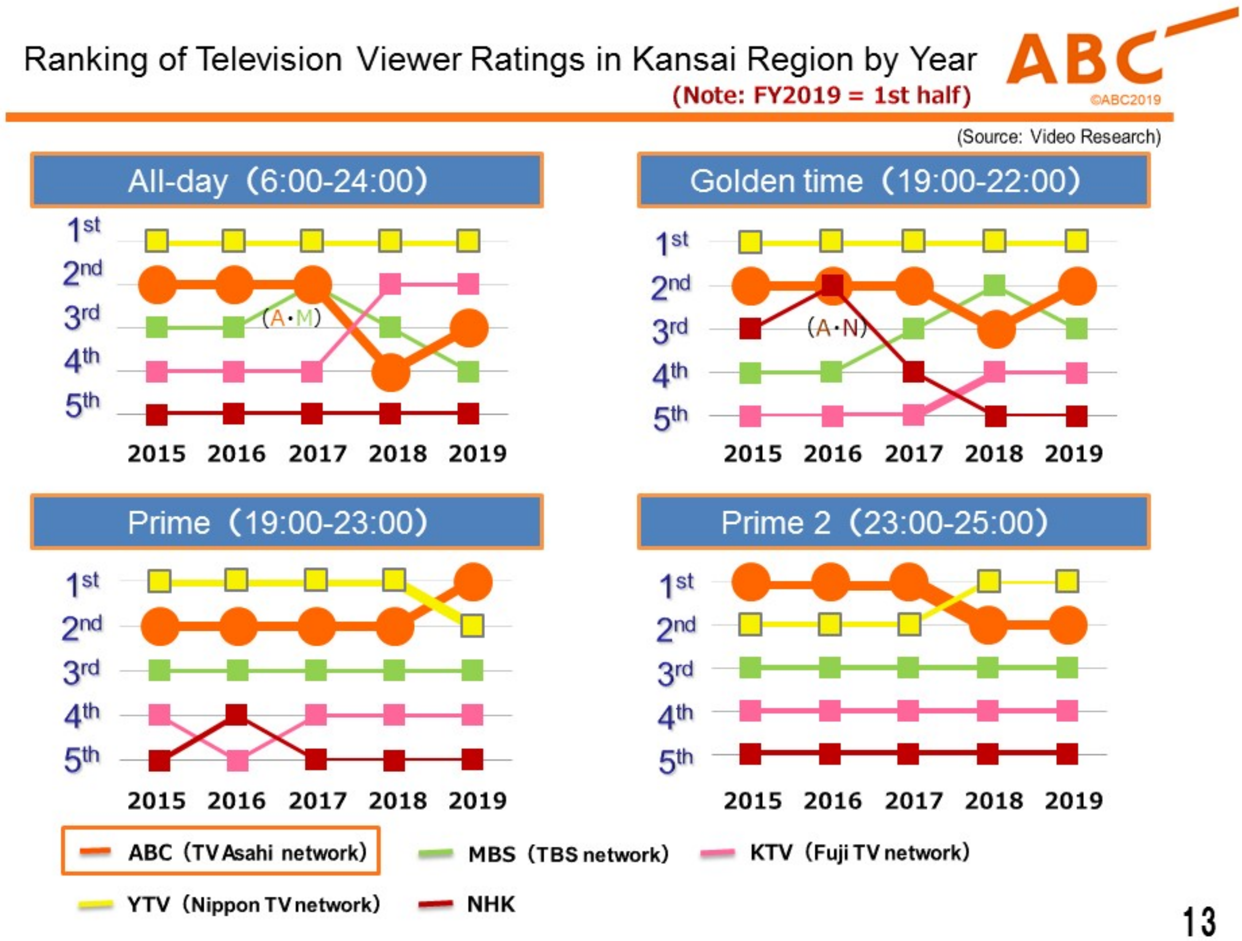
In the first half of the fiscal year, we managed to secure increases in both sales and profits. Revenue from commercial spot advertising was unfortunately sluggish, but programming time advertising revenue was robust, the overall television business remained strong, and content-related revenue was fairly good, resulting in an increase in net sales. In addition, cost control of expenses contributed to an increase in profits.



This slide summarizes the performance of television-related group companies, including Asahi Television Broadcasting Corporation and other television production companies, in order to give an image of the overall trends in the television-related business.

Because we are transferring operations to group companies, it is becoming increasingly difficult to measure the ABC TV's performance on a non-consolidated basis. In this graph, the results shown for the four group of companies, including the production companies to which the operations are transferred, are combined to show a more realistic trend.

In the first half of the fiscal year under review, as you can see, revenues other than terrestrial advertising grew steadily, resulting in an overall increase in revenues. Operating income also improved as a whole, thanks to the progress made in optimizing operations through the transfer of operations.



This is a trend of television viewer ratings. Our ratings are shown in a red-circle line. As you can see, we raised our rankings in All-day, in Golden, and in Prime. The aforementioned favorable performance of "A House in the Middle of Nowhere" has had a positive impact on the whole. "A House in the Middle of Nowhere" is broadcasted in the highly competitive Golden time on Sunday, and the average viewer ratings for the first half of the year were extremely high, at 19.3% in the Kansai region and 18.8% in the Kanto region.

"TORINIKU tte nanno niku!?", broadcasted on Tuesday at 21:00, which started in April, has gradually increased recognition, and the average viewer ratings of September were two-digit figures, both in the Kanto and Kansai regions. We look forward to the further growth.

"Hodo Station", our affiliate for TV Asahi, is also performing well, contributing to the top of the Prime since the first half of 2013.

Television Viewer Ratings in Kansai Region for Apr-Sep 2019

©ABC2019

(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 11.2%	**ABC 11.2%(+0.3)**	YTV 7.5%
2	KTV 7.4%	**ABC 10.5%(+0.3)**	YTV 11.0%	**ABC 6.5%(-0.6)**
3	**ABC 7.1%(±0)**	MBS 9.9%	MBS 10.1%	MBS 5.4%
4	MBS 6.8%	KTV 9.6%	KTV 9.5%	KTV 5.0%
5	NHK 5.5%	NHK 9.3%	NHK 8.2%	NHK 2.4%

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

14

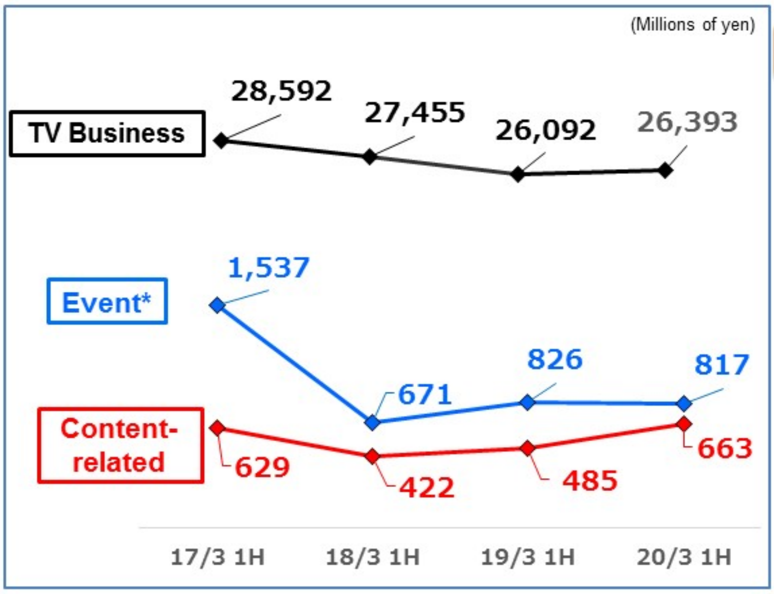
Looking at the actual ratings, both the Golden and Prime ratings have improved.

However, the figure has been greatly lowered for Prime 2. Recently, the decline in HUT has continued for a long time. Viewer ratings for late-night on Saturdays and Sundays are particularly severe. We intend to raise the individual-viewer ratings rate for Prime 2, particularly for people under 49 years old.

As for the evening news programming, which has a major impact on All-day, we expanded the time frame by one hour starting this spring. Currently, we are conducting a trial-and-error analysis while analyzing viewers on an hourly basis. As viewer ratings are gradually rising, we will strive to further strengthen these ratings.

ABC TV (Former ABC) 1H Revenue Growth

ABC
©ABC2019



FY2019 1H Outline

◆ **TV Business↑ 1.1%**
-Time advertising revenue covered the decrease in spot revenue under terrestrial TV advertising
-Sales of online video were also strong

◆ **Event↓ 1.0%**
-Real events linked to gourmet websites were firm

◆ **Content-related↑ 36.7%**
-Strong performance in the Virtual High School Baseball

*Event revenue before FY2017 includes radio-related events.

	17/3	18/3	19/3	20/3
Other	244	251	482	436

In this section, I will explain our revenues for the fiscal year under review. This shows revenue changes for the first half of the fiscal year. First, sales in the television business increased year-on-year for the first time in three years. This was mainly due to strong revenues in programming time advertising, video delivery and program streaming. I will explain this in detail later.

The revenues for the event segment remained almost unchanged, reflecting a steady performance of real events linked to gourmet websites, as it was in the previous fiscal year.

Content-related revenue increased due mainly to strong sales in Virtual High School Baseball.

ABC TV Full-Year Forecast

©ABC2019

(Millions of yen)

	19/3 (Actual)	20/3	YoY	% Change
TV Business	55,596	54,850	-746	-1.3%
Event*	1,623	1,500	-123	-7.6%
Content-related	958	1,000	41	4.4%
Other	769	750	-19	-2.5%

Full-Year Forecast Outline

◆TV Business **Point**

-The commercial spot market condition in Kansai Region has become extremely challenging in the second half of the fiscal year. We will not be able to compensate through firm time revenue (local and nationwide net). Accordingly, we anticipate a decline in revenue.

◆Event

-We are carefully studying event frequency and scope to identify costs versus benefits, which will lead to expected declines in sales.

◆Content-related

-The impact of sales growth during the first half outpaced the shift of the archive distribution business to ABC RIGHTS BUSINESS, resulting in our forecast of higher sales for the year.

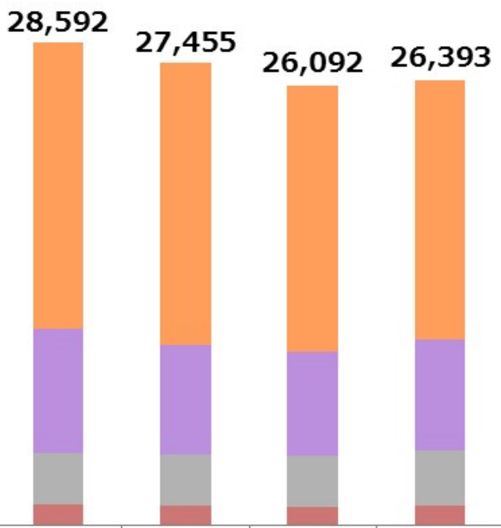
*Event revenue before FY2017 includes radio-related events.

This is the full-year forecast. Unfortunately, for the full fiscal year, we expect to see a decline in revenues other than content-related revenue. First, in the television business, which is our main business, commercial spot market condition has become extremely difficult in the second half of the fiscal year. We will not be able to compensate it by the robust programming time revenue, and therefore we anticipate a decline in revenue.

Since we are carefully examining the number and scale of events, we expect the revenue from events to decrease slightly compared to the previous year.

The content-related business is expected to remain solid.

Details of TV Business Revenue (1H)



	17/3	18/3	19/3	20/3
Spot	16,959	16,755	15,757	15,340
Network (Time)	7,362	6,506	6,165	6,581
Local (Time)	3,019	3,037	3,030	3,251
Program Sales (to affiliates)	1,251	1,155	1,093	1,135
TV Program Streaming (TVer etc.)			45	84

Spot
-YoY 2.6%↓
-Although share remains level, performance in the Kansai local market was lower than the year prior.
-In the Nagoya local market, we are putting up a good fight for the top share among TV stations in Osaka.

Network (Time) Point
-YoY 6.7% ↑
-Strong viewer ratings of *A House in the Middle of Nowhere*, *TORINIKU tte nano niku!?*, and other nationwide network programs has driven unit price up.
-Increase in regular program frames compared to the same period in the prior fiscal year.

Local (Time) Point
-YoY 7.3% ↑
-Strong sales performance for *Ohayo Asahi Desu* and other weekday morning programs
-Strong sales of mini-frame contributed to year-on-year increase in program frames

Program Sales (to affiliates)
-YoY 3.8% ↑
-Increase in nationwide network programs resulted in higher revenues from affiliated stations

TV Program Streaming (TVer etc.)
-YoY 86.4% ↑
-Secured promotional campaign advertising from major sponsors due to increased popularity and recognition of programs

This is a breakdown of the revenue for the television business in the first half of the fiscal year. While commercial spot sales revenue was sluggish as mentioned earlier, programming time sales were strong both in local programming and nationwide net programming. Video delivery and program streaming grew strongly, contributing to our performance.

In nationwide net programming, we succeeded in raising the unit price of commercials against the backdrop of a year-on-year increase in the number of regular programs and high ratings.

In local programming, sales rose due to favorable sales of information programming during the morning hours on weekdays, as well as the sales of a mini-frame, against the backdrop of favorable viewer ratings.

Spot Revenue of TV Business (Quarterly Growth)

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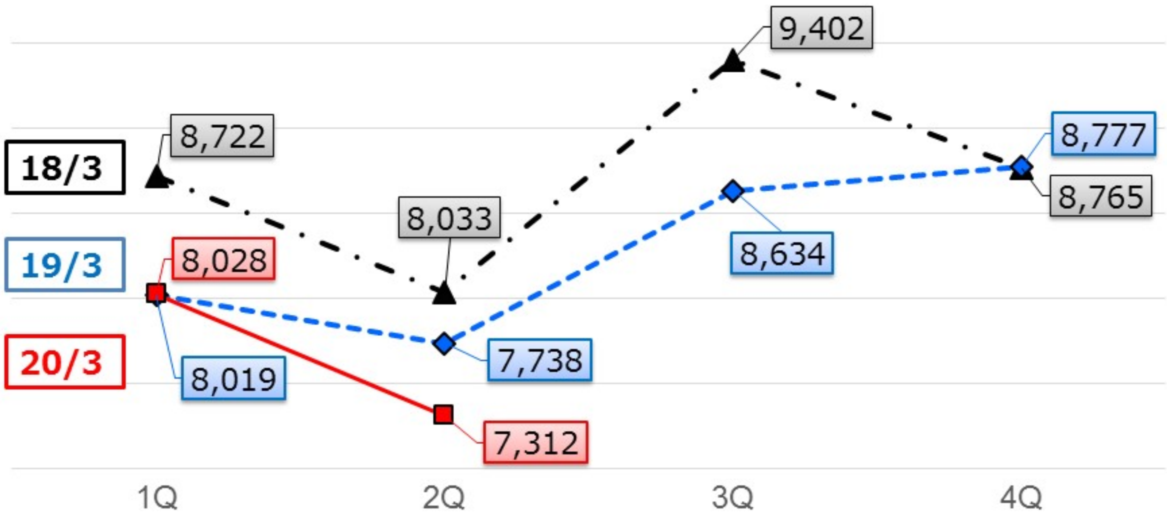
(Millions of yen)



-In conjunction with a recovery in viewer ratings, we saw an upward trend from January through the first quarter; however, performance once again fell below prior year during the second quarter.

-Shares of commercial broadcasters in the Kansai region is essentially level with the prior year, and the Osaka local spot market showed the same trend in general.

The quarterly commercial spot sales revenue is as shown. Revenue in the first quarter of the fiscal year has remained almost unchanged from the same period of the previous fiscal year. However, in the second quarter, the rush demand before the consumption tax hike, which was expected, was not seen, and on the contrary, revenue has been negative.

Since the shares of commercial broadcasters in the Kansai region have remained almost unchanged from the previous year, our commercial spot sales revenue has moved roughly in line with spot sales in the local market .

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

ABC ©ABC2019

Industry	19/3 1H YoY	19/3 1H Composition rate	20/3 1H YoY	20/3 1H Composition rate
Transportation/Leisure/Restaurants & Fast Foods/Services	106.4%	10.9%	108.3%	12.2%
Foods	99.3%	11.7%	88.3%	10.6%
Beverages/Liquors	110.0%	8.9%	93.8%	8.6%
Automobiles	90.1%	7.7%	95.3%	7.5%
Information/Telecommunication	73.6%	8.0%	88.3%	7.3%
Pharmaceutical/Medical Products	92.6%	7.5%	89.9%	6.9%
Cosmetics/Toiletries	97.6%	7.7%	81.8%	6.5%
Finance	107.8%	6.7%	91.6%	6.3%
Consumer Electronics/Computer	75.1%	4.8%	125.9%	6.2%
Hobby (Movie/Game/Music etc.)	107.9%	6.2%	78.9%	5.0%
Housing/Real Estate/Construction	90.4%	4.1%	87.2%	3.7%
Government/Political Organization	90.0%	2.0%	152.5%	3.1%
Energy/Machine/Material	80.2%	1.8%	160.6%	2.9%
Fashion (Apparel/Jewelry etc.)	86.2%	2.5%	112.8%	2.9%
Publishing	104.6%	2.2%	113.8%	2.6%
Distribution	119.5%	1.8%	93.2%	1.7%
Various Organizations (Law Office etc.)	93.6%	1.7%	96.4%	1.7%
Mail Order Sales	61.5%	1.4%	121.7%	1.7%
Logistics services/Businesses/Events	89.0%	1.2%	109.0%	1.3%
Housewares	79.3%	1.2%	94.9%	1.2%
Other	20.1%	0.0%	691.7%	0.1%
Total		100.0%		100.0%

Despite firm performance in advertisements from reliable Kansai local market advertisers in response to strong viewer ratings, the nationwide decline in spot advertising had a significant impact in driving local market performance down

⇒We must develop programs that will be well-received by viewers and advertisers based on more detailed target analysis

*Year-on-year comparisons

Let's look at advertising by industry in the commercial spot business. Revenues from advertisers in leisure, restaurant, home appliance, and fashion industries were solid, but we could not enjoy the rush demand we had expected.

Revenue declined significantly from advertisements for foods, as well as cosmetics and pharmaceuticals targeting women and young people, which are our challenges. We believe it is important to develop programs that are highly evaluated by viewers and advertisers based on more detailed targets.

Details of TV Business Revenue (Full-Year Forecast)

(Millions of yen)

		19/3 (Actual)	20/3	YoY	% Change
TV Business		55,596	54,850	-746	-1.3%
Break down	Spot	33,169	31,890	-1,279	-3.9%
	Network (Time)	14,060	14,500	439	3.1%
	Local (Time)	5,973	6,000	26	0.4%
	Program Sales	2,225	2,280	54	2.5%
	TV Program Streaming (TVer etc.)	168	180	11	6.8%

◆**Spot: Forecasting decreased revenue**

-We forecast even greater challenges for the spot market in the second half of the year

◆**Network (Time): Forecasting increased revenue** **Point**

-In addition to the impact of higher sales during the first half, we forecast viewer ratings driving firm performance in the second half as well

◆**Local (Time): Forecasting increased revenue**

-While we do not expect the second half to outperform year on year, we forecast higher comparable fiscal year sales due to first-half sales growth

This is the full-year forecast for the television business. Full-year sales are expected to decline. Revenues other than commercial spot sales revenue are robust, but as I mentioned earlier, the current situation has become extremely severe in October and November, so we expect the extent of the decline in commercial spot sales to increase again in the second half of the fiscal year.

As a result, we expect that programming time revenues will not be able to compensate for the commercial spot segment, so we expect a decline in revenues for the full fiscal year.

As I mentioned the similar things earlier, regarding the nationwide net program, when viewer ratings improve, the unit price per commercial will also rise. Therefore, in the second half of the fiscal year, we expect net sales to increase mainly on 8:00 PM Sundays.

As for local (time), we expect it to be difficult to surpass the extremely strong performance in the second half of the previous fiscal year. However, we anticipate an increase in sales for the full fiscal year due to the substantial increase in sales in the first half of the fiscal year.

We expect sales on video delivery and program streaming to increase for the full year, against the backdrop of favorable viewer ratings.

Forecasts for Full-Year Results of ABC TV
Lower Revenue and Profits

(Millions of yen)

	19/3 (Actual)	20/3	YoY	% Change
Net Sales	58,947	58,100	-847	-1.4%
Operating Income	57,173	56,700	-473	-0.8%
Ordinary Income	1,774	1,400	-374	-21.1%
Profit Attributable to Owners of Parent	1,807	1,450	-357	-19.8%

■ Major Reasons for Revenue, Profit Declines

In addition to the significant impact of TV business sales declines, we transferred operations to group companies in conjunction with the conversion to a holding company structure. The resulting increase in outsourcing expenses will lead to higher programming costs and an expected decline in profit.

As a result, Asahi Television Broadcasting Corporation forecasts lower sales and profits for the full fiscal year.

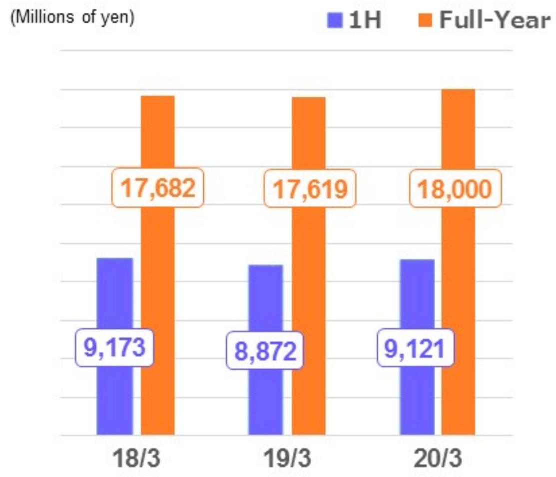
Program Expenses of TV Business *

ABC ©ABC2019

(Millions of yen)

	18/3	19/3	20/3 (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 to group companies, expense is actually essentially level with the prior year. We have been successful in controlling program unit prices by increasing programs, expanding times, and engaging in new program development, etc.

【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 the prior year. (Increased programs)

-Expansion of one-hour slot of the evening news program *CAST*

【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.)

You can see the programming costs. The outsourcing expenses to Group companies increased due to the operations transfer, etcetera; the cost appears to have increased, although it has remained virtually unchanged.

Against this backdrop, the number of programs and programming time have increased year-on-year. Cost control per program unit progressed steadily, as planned at the beginning of the fiscal year, and contributed to securing operating income.

The increase in the number of programs has also led to an increase in products such as the Group's Internet distribution, which has also contributed to consolidated results.

FY2019 Notable First Half Results

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Our aspiration to improve viewer ratings and introduce terrestrial wave-plus α
⇒Both viewer ratings and plus-α revenues higher

(1) Higher TV commercial unit prices through improved viewer rates

【National network slot】
- ***A House in the Middle of Nowhere*** (Sunday night)
Average viewer ratings 19.3% (Kansai), 18.8% (Kanto)
- ***TORINIKU tte nanno niku!?***
Average viewer ratings 10.7% (Kansai), 8.9% (Kanto)
⇒Positive impact on overall viewership and time revenues

【Local slot】
-**Strong time-shift viewing** for ***Aiseki Shokudo***, a late-night variety program in Prime 2 moved to the Tuesday frame this spring.
-In the weekday morning frame, ***Oyaho Asahi Desu*** **continues to attract high viewer ratings, owing in part to its 40th anniversary campaign.**

(2) Drama frame initiatives to strengthen terrestrial wave Plus α

【Sunday late-night drama slot】
-Apr-Jun: **Drama L *School Girls Rock!*** Successful in program-linked events
-Jul-Sep: **Drama L *RUNWAY 24*** Implemented projects tied to online streaming

This report summarizes the results for the first half of the fiscal year. Firstly, due to the improvement in viewer ratings, the unit price per commercial, which I mentioned earlier, has been rising mainly for "A House in the Middle of Nowhere."

In the local (time), in the late-night varieties, which is the driving force behind Prime 2, the time-shifts and catch-up TV distribution for "Aiseki Shokudo", which in Spring shifted from the challenge frame to Tuesday, are performing very well. The weekday morning frame remains strong.

As part of our efforts to strengthen the terrestrial wave Plus α, we held a series of events in conjunction with the drama broadcasted on Sunday late-night between April and June; in such, the Ebisu Junior High Private School played the leading role, and they were on a high note.

For the drama broadcasted between July and September, we have worked to increase video delivery and program streaming revenues and attract younger generations through Internet-linked planning, which in turn led to an increment on sales for video delivery and program streaming for the Group.

FY2019 Second Half Plans

ABC

Adopting P+C7* from October

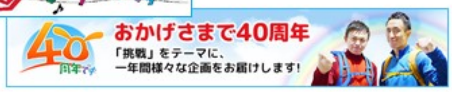
*(Refer to Reference Materials)

Analyze viewer data with U49, targeting people between 4-49 years old
⇒We will leverage accumulated data to create programs and content in demand by viewers and sponsors to strengthen our reach and win more younger viewers

(1) Longstanding programs have entered a new era; numerous initiatives planned for classic programs

▼Change in department chief for Prime 2 *Detective Knight Scoop* moves program into a new era. New breath of life for a legendary program that has aired since 1988. Third-generation chief of detectives is *Hitoshi Matsumoto* of the *Downtown* comedy duo!

▼Weekday morning *Ohayo Asahi Desu* continues initiatives in its 40th anniversary campaign.



(2) Terrestrial wave program plus α: New programs in both Challenge slot and drama slot

▼Sunday late-night variety slot: ***Yasutomo no Renaijima***
▼Sunday late-night drama slot: **Drama L: *Re: Follower***
(Live performance scheduled for June 2020)

This is the plan for the second half of the fiscal year. Starting in October, based on individual-viewer ratings, P+C7 was finally introduced in Osaka and then in Nagoya, as an index for measuring program value. Naturally, the requests from the sponsors are becoming more detailed, and the effects of these efforts are becoming clearly demanded.

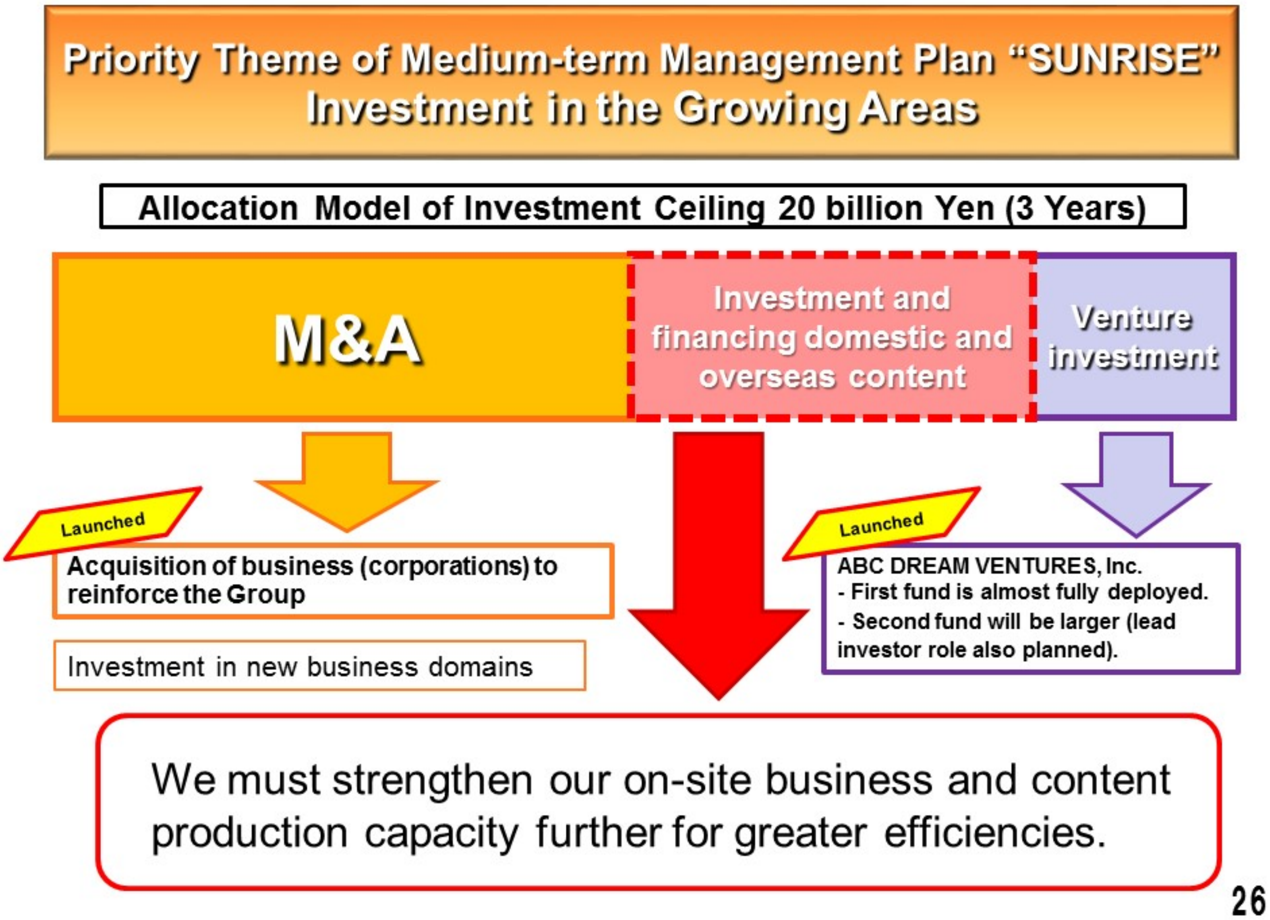
In advance of this trend, since in the last two years, we have been measuring and analyzing U49, a unique indicator targeting the 49-or-under age group. Currently, we are working to separate programming targeted to specific segments and programming targeted to all generations on the timetable. Starting in October, we will naturally strengthen these initiatives.

As for program-like topics, as one of the major topics in the second half of this fiscal year, "Detective Knight Scoop", one of our signature programs, is attracting attention with the change of MC. Leveraging it as a positive boost, we intend to work even harder.

"Ohayo Asahi Desu", the morning face of the Kansai weekday, which celebrated its 40th anniversary, has broadcasted a variety of plans throughout the year featuring the challenge theme. Through the month of March, during the second half of the fiscal year, we would like to do our best with this theme.

We will add initiatives within the drama framework, such as the late-night challenge frame and terrestrial wave Plus α.

I have explained Asahi Television Broadcasting Corporation's performance and business development.



Moderator: Lastly, Mr. Okinaka, President of Holdings Corporation, will explain the growth strategy for the entire Group.

Okinawa: I will explain our investment in the growing areas, which is the subject of medium-term management plan.

This is our second year of investing in growth areas as a priority theme. We are about halfway through. To date, we have established a division called Business Development Division to take on the challenge of corporate venture capital. Currently, two M&A deals have been completed.

Last month, we established an office called Content Development Office in order to invigorate content production and investment and financing, including content that is not necessarily based on television.

Establish Content Development Office

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Outline

Establish in Tokyo Office of the Asahi Broadcasting Group Holdings Corporation.

Comprise more than 10 members, including those who also serve as members of the Group's content-related companies.

Roles

- **Planning and development**
- **Pre-sales**
- **Business model creation**
- **Orders to production division**
- **Sales, collections**

Aims

- **Grow business through joint productions, joint sales with group companies**

  Strengthen coordination among group companies, aiming for joint content planning and production with broadcast platforms in Japan and overseas

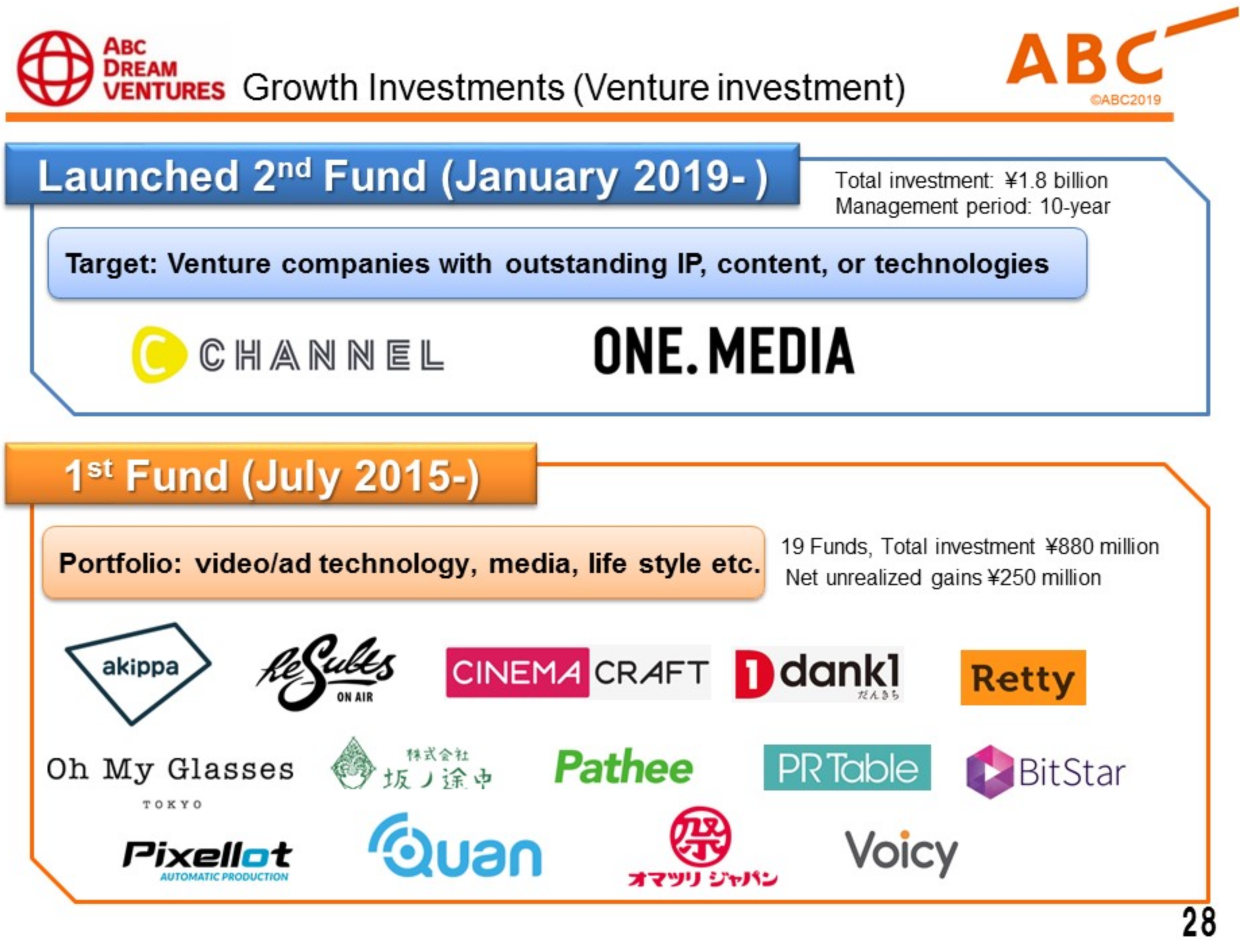
- **Recruit and train more content producers**

27

The Content Development Office has been established in the Holdings Corporation and comprises more than 10 members, including those who also serve as members of the Group's content-related companies. The role is to start with planning and development, conduct pre-sales, form a business scheme in the form of pre-sales, attract investors, request orders to the production department, and then initiate production. Finally, it will sell and collect content, and launch a full-fledged cycle of conventional content production that differs from what is seen of television.

As described here, we are aiming to expand our business through joint production and joint sales with other Group companies. Of course, we think that we will also be able to find resources outside the Group, and we will expand our content business.

At the same time, we don't have many content producers within the Group. We have operated in television business for a long time, and television producers are found only in the production department. Therefore, we need to train content producers who can make sales. We will use this opportunity to greatly increase the number of content producers.



Venture capital investment has been steady since the past. The second fund was established in January 2019.

The first fund has a total budget of 1.2 billion yen, of which approximately 900 million yen has been used, and it has been halted for some time. Currently, there are approximately 250 million yen of unrealized gains.

We intend to steadily count with excellent IP content and new technologies incorporated into the second fund, and we are currently investing in two companies, C CHANNEL and One Media.

New Business: Establish production company for regional co-creation/area development

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ABC Glamp & Outdoors

Establishment: October 2019 / Capital: ¥ 50 million

Shareholders/Number of Shares Held

-Asahi Broadcasting Group Holdings Corporation	51%
-DENTSU	34%
-GLAMP	10%
-CAPSULA	5%

[Main Business]

Outdoors, Glamping Related…

- ■Production business addressing everything from facilities planning and development to design, construction, operations, and management
- ■Business for facilities consulting and PR
- ■Media business for portal websites, programs, magazines, etc.
- ■Business to plan, develop, and sell related products
- ■Business to plan and manage events and promotions

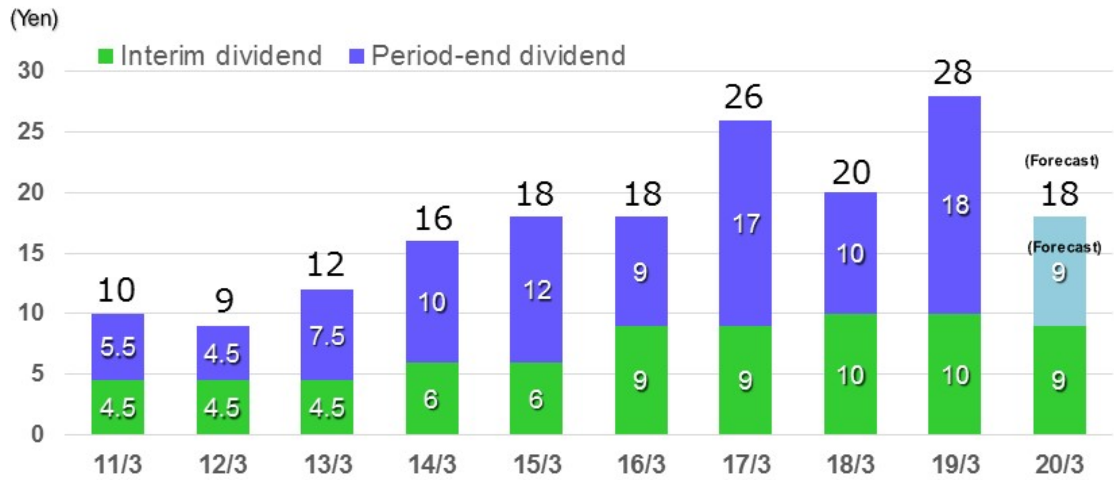
This is not a big story, but we have also launched a new business. In the middle of October, in anticipation of the OSAKA-KANSAI JAPAN EXPO in 2025, and the increase in the number of tourists visiting Japan, we established a new company in collaboration with Dentsu and others to undertake area development business.

The company's name is ABC Glamp&Outdoors, and we are considering proposals and plans for various outdoor lifestyles centered on glamping, which are easier to enter than camping.

Basically, we are planning, drafting, and producing the development of glamping, including idle land use, in collaboration with Dentsu, and are working with various municipalities, companies, and other entities.

In addition, we will propose new lifestyles by making use of digital media.

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, regarding the dividend. The company's basic policy is to maintain a present dividend payout ratio not too far below 30%, therefore, the dividends' forecast is 18 yen annually.

We have explained our business results and dividends for the fiscal year under review.

Question & Answer

Moderator: We will move on to the question-and-answer session. If you have any questions, please raise your hand.

Questioner: I have two questions.

First, regarding the commercial spot section, what are your expectations for the recovery timing in the future? The question is, what kind of opportunity will trigger a recovery?

In addition, in which industry do you expect clients to increase?

Yamamoto: First, when it comes to commercial spots, as I mentioned earlier, the revenue came to a 97.4% in the first half of the fiscal year. The first quarter was almost 100%, but the second quarter went down to 97.4%. In fact, it was 106.5% in April due to a reaction to last year, and it has been falling since May. As I mentioned earlier, not only for us, but also for other key stations, October and November were very severe as well. Currently, the actual figure is expected to be about 90%.

In this sense, it is honest to say that we have no expectation of a recovery at all. In particular, it is declining to 90% since October, where commercial spots should generate the largest revenue. We have not fully analyzed this drop, but we really don’t know the reason. It is very difficult situation, and this is probably also the case with key stations.

Last year, the fourth quarter starting on January, remained at a level of 100.1%, compared to the previous year. If this situation continues, I expect this year’s fourth quarter to struggle considerably. For the second half of the fiscal year, we forecast a total of 95%. However, since we had the same conditions in October and November, this 95% also should be challenging.

I think there are a variety of circumstances. The first one, I think, is the Tokyo Olympics, while it is naturally impossible to analyze the economy based solely on the Olympics. It was said that the economy condition will be good until the Tokyo Olympics, and it will gradually worsen. But now, there is an opinion that the impact of the Tokyo Olympics has already been brought forward.

There is no reason for this, but the impact of the Tokyo Olympics is likely to be seen in the next fiscal year. In particular, as money is flowing in the programming time segment. For example, there was a considerable amount of money flowing into the World Championships in Athletics and Rugby World Cup. So, I think that the commercial spot segment is actually affected by this.

So, we don't see any opportunity of recovery. Furthermore, there was also a considerable decline in the listed companies’ profits, in the first half of the fiscal year. Amid the sluggish economy, we must consider what kind of effort we will make in the future.

In the past, new digital-related clients had been compensated with the industries that had supported television, but their business started to deteriorate, and the portion is declining. In the second quarter, there has been a considerable decline in revenues from clients such as Google, LINE, and Amazon. In the future, how will digital companies use television?

Especially for app-related industry, if there is an increase in the number of apps downloaded, they will not use television for advertising next year. Looking at a variety of situations, we will make our efforts.

Questioner: Thank you.

Second, how do you look at programming time's income and expenditure situation in the coming fiscal year? For key stations, for example, there are sporting events this year, and there will be Tokyo 2020 next year, and programming time sales revenue increases or decreases depending on them. In your case, how do you see programming time sales revenue in the next fiscal year?

Yamamoto: Unlike key stations, we do not have such a large sporting event, so there is no difference between this year and the next year. The only question we have is how to do with regular basis frameworks.

In this sense, viewer ratings are dramatically good during 8:00 PM on Sundays, so the unit price has risen compared to past income. Sales in the second half of this year have ended, and we would like to raise the price even higher in April next year.

The rest is cost control. Even as a station in Osaka, there is an urgent need to improve the commercial spot revenue for nationwide net programs, so, we have been implementing various initiatives over the past two years or so. In this sense, we will continue to control production costs from April onwards, instead of lowering the quality of our programs. We will also create programs that can raise unit prices by converting them into better ones. By doing so, we are aiming to improve our profitability from April onwards.

Moderator: Thank you. So, are there more questions?

With that, we will close today's briefing session. Thank you for visiting us during your busy schedule. We ask for your continuing support.

[END]