



Asahi Broadcasting Group Holdings Corporation

Q2 Financial Results Briefing for the Fiscal Year Ending March 2021

November 13, 2020

[Venue] Dial-in

[Speakers]	Susumu Okinaka	Representative Director and President
	Shinya Yamamoto	Representative Director and Vice President, Asahi Television Broadcasting Corporation
		Representative Director and President

Presentation

Moderator: Analysts and investors, thank you very much for waiting. It is time, so we would now like to begin the financial results briefing for H1 of the fiscal year ending March 2021 of Asahi Broadcasting Group Holdings Corporation.

Now, Mr. Okinaka, Representative Director and President of Asahi Broadcasting Group Holdings Corporation, and Mr. Yamamoto, Representative Director and Vice-President in charge of Broadcasting Business and Content Business and President of Asahi Television Broadcasting Corporation, will give an explanation. The explanation is scheduled to be about 20 minutes. After that, we will have a question-and-answer session. The overall conference is scheduled to last about 50 minutes.

Now, Mr. Okinaka will first explain the financial results of the overall Group.

Okinaka: This is Okinaka. Thank you very much for your time today despite your busy schedules. I express my sincere gratitude for your continued support.

I will now explain the financial results for H1 of the fiscal year ending March 2021.

Consolidated Results



(Millions of yen)

		FY20/3 1H (Apr-Sep 2019)	FY21/3 1H (Apr-Sep 2020)	YoY	% Change
Net Sales		40,228	33,077	-7,151	-17.8%
Operating Expenses		38,862	34,195	-4,666	-12.0%
Details	Cost of Sales	26,897	23,358	-3,538	-13.2%
	Selling, General and Administrative Expenses	11,965	10,836	-1,128	-9.4%
Operating Income		1,365	-1,118	-2,484	-
Ordinary Income		1,507	-900	-2,408	-
Profit Attributable to Owners of Parent		866	-604	-1,470	-

Lower revenues and profits due to the significant impact of COVID-19 on ad revenue

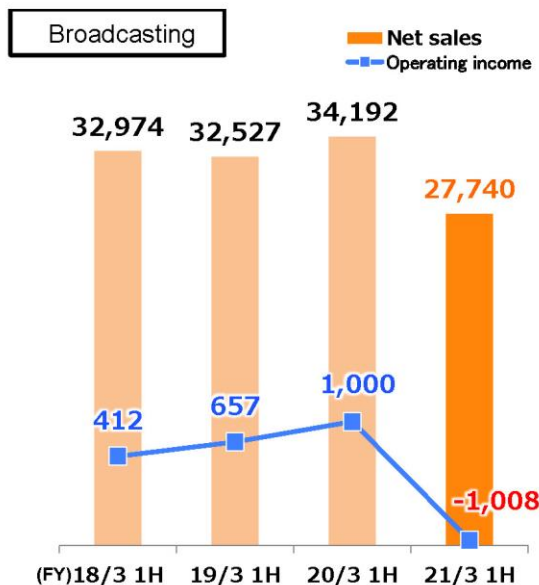
(Note) FY21/3 refers to the fiscal year ending March 31, 2021 and all other fiscal years are referred to in the same manner.

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Please see page three of the slides.

The spread of the novel coronavirus infections has reduced sales revenue centered on advertising revenue. As a result, consolidated net sales were JPY33,077 million, down JPY7,151 million YoY. The operating loss was JPY1,118 million, mainly due to a substantial decrease in spot sales revenue. The ordinary loss was JPY900 million, and the loss attributable to owners of parent was JPY604 million.

Results by Segment

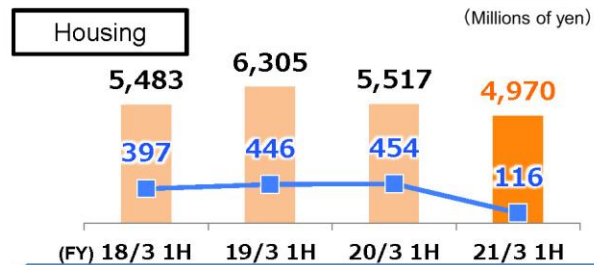


Point

Net sales / Operating income : Lower revenue and profits

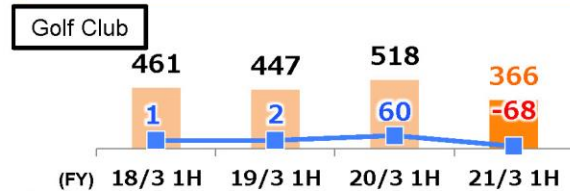
Although content-related and mail order sales business results were strong, our mainstay TV business experienced fewer ad placements from advertisers and significantly lower spot revenue, resulting in a net loss for the segment.

(Note) Figures reflect consolidation adjustments



Net sales / Operating income : Lower revenue and profits

Negative impact of temporary decreases in housing exhibitions, HDC exhibit fees, etc.



Net sales / Operating income : Lower revenue and profits

Negative impact of the lack of member recruitment in the prior fiscal year, as well as a decrease in group tours stemming from the dramatic decrease in competitions, etc., due to the COVID-19 pandemic.

Adjustments	FY20/3 1H (Apr-Sep 2019)	FY21/3 1H (Apr-Sep 2020)
Operating Income	-150	-157

Next, on page four is the segment information.

As you can see, all segments recorded a decrease in sales and income, with a particularly sharp decline in sales and income in the Broadcasting Business. Afterward, Vice President Yamamoto will give a detailed explanation.

The Content-related and Mail-Order Businesses showed a solid performance. However, sponsors had a marked tendency to refrain from placing advertisements in the mainstay TV Business.

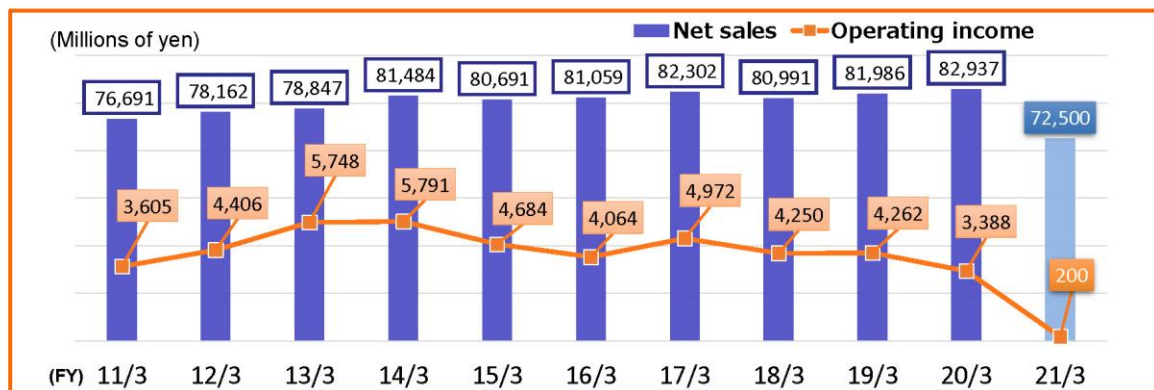
The Housing Business also posted a decrease in sales and income. The decline was mainly attributable to reduced exhibition fees and other revenue during the period when housing exhibitions and the housing design center were temporarily closed in response to the state-of-emergency declaration due to the spread of the novel coronavirus infections.

The Golf Club Business posted a decrease in sales and income because there was no new member recruitment, which took place last year, and the holding of golf competitions plummeted due to the coronavirus pandemic.

FY21/3 Consolidated Financial Results Forecasts

(Millions of yen)

	FY20/3 (actual)	FY21/3	YoY	% Change
Net Sales	82,937	72,500	-10,437	-12.6%
Operating Income	3,388	200	-3,188	-94.1%
Ordinary Income	3,633	500	-3,133	-86.2%
Profit Attributable to Owners of Parent	2,278	300	-1,978	-86.8%



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Please see the next page.

This is the full-year consolidated financial results forecast.

There has been no change from the figures disclosed in August.

Possibility of the Loss Related to Quibi's Business Suspension in the U.S.

We invested in Quibi Holdings, LLC (Quibi Holdings) via Pegasus Tech Ventures Company III, L.P. (Pegasus Fund), a specified subsidiary in March. However, Quibi Holdings announced on October 22 (Japan Time) that it would suspend its future business operations in the United States.

Due to this event, we may record a valuation loss on investment securities held by the specified subsidiary (investment of US\$25 million in Quibi Holdings).

The impact of this event on our results is currently under examination and this is not reflected in the forecast for the full fiscal year at present. If any matter to be disclosed arises, such information shall be immediately disclosed.

Objectives for the Quibi Investment

We invested in the short content platform business of the U.S. company Quibi in pursuit the ABC Group growth strategy as a comprehensive content business group. Our aim here was to build a relationship with the company by supplying our animation products to the U.S. market, and to then help expand Quibi's video broadcasting platform business in Japan in the future as a joint partner.

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There is one point to keep in mind regarding the information on the future forecast. Please see the next page.

Quibi Holdings, LLC, whose securities are held as investment securities by Pegasus Fund, a specified subsidiary of the Company, announced on October 22 that it would suspend its future business operations in the US. Due to this event, the Company may record a valuation loss on investment securities held by the specified subsidiary.

The impact of this event on the Company's results is currently under examination. We will promptly announce if a revision becomes necessary.

The investments were made in Quibi's Short Video Platform Business in the US, based on the growth strategy as a Comprehensive Content Business Group. We aimed to develop the Platform Business in Japan as a joint business partner when Quibi enters Japan in the future, while building a relationship by supplying to the US market the Group's works, such as animation. However, unfortunately, the Business was suspended in the stage before that. Regarding our platform strategy and other matters in the future, we would like to make considerations once again.

Next Medium-Term Management Plan

- The Broadcasting business will take measures to improve media value further.
- The Content business will drive growth, mainly through animation and dramas.
- We will strive to create new businesses, mainly through the Lifestyle business.
 - The ABC Group will engage in business unique to our group that solves social issues. (Support for seniors, health promotion, regional revitalization, etc.)
- **Future Investments**
 - Invest steadily for the medium to long term, keeping an eye toward the future.

Aim for strong, sustainable growth through the trinity of Broadcasting business, Content business, and Lifestyle business.

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Next, I will explain the approach that will be the core of the growth strategy in the next medium-term management plan starting from April of next year.

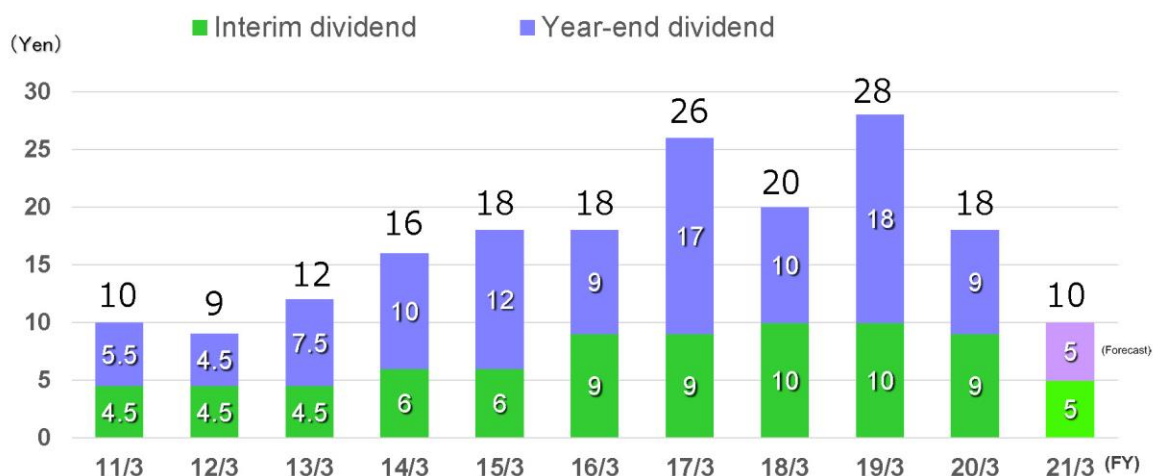
First, in the Broadcasting Business, we will work to improve the media value through measures such as strengthening sales activities through new methods. In the Content Business, we will achieve growth centered on anime and live-action dramas. In the Lifestyle Business, we will work to create new businesses that are unique to the Group under the theme of solving social issues.

As for future investments, we will steadily carry out investments from a medium- to long-term perspective with an eye on the future. We will especially work on strengthening investments in human resource development, R&D division, marketing, Data Business, and strategy. We will carry out these activities with a priority focus. Of course, we plan to continue growth investments such as M&A.

Under the next medium-term management plan, we aim to realize powerful growth through the coordinated efforts of these three businesses of Broadcasting, Content, and Lifestyle, according to such a strategy. We intend to continue to challenge ourselves toward significant growth in the future.

We are scheduled to announce the next medium-term management plan in the Spring of next year.

Dividends



<Dividends for FY21/3>

The Company positions the return of profits to shareholders as one of its important measures for corporate management. Therefore, it is important to deliver stable shareholder returns over the medium- to long-term, taking into comprehensive consideration business performance and the level of equity required in the future. The Company may record a valuation loss on investment securities held by a specified subsidiary and it is still difficult to predict when the COVID-19 pandemic will be brought under control. However, the Company expects to pay a ¥10 per share annual distribution, consisting of an interim dividend of ¥5 per share and a year-end dividend of ¥5 per share.

Finally, please see page 8 about dividends during the current period.

At the Company, we position the return of profits to shareholders as an important management policy. We believe it is important for shareholder returns to be carried out stably and continuously over the medium- to long-term.

For this reason, despite the difficulty presented in the full-year financial forecast, we project an interim dividend of JPY5 and a year-end dividend of JPY5 for a full-year dividend of JPY10 per share during the current fiscal year.

That’s all from me.

ABC TV Results



(Millions of yen)

		FY20/3 1H (Apr-Sep 2019)	FY21/3 1H (Apr-Sep 2020)	YoY	% Change
Net Sales		28,311	21,726	-6,585	-23.3%
Operating Expenses		28,185	23,354	-4,830	-17.1%
Details	Cost of Sales	17,930	14,596	-3,333	-18.6%
	Selling, General and Administrative Expenses	10,255	8,757	-1,497	-14.6%
Operating Income		125	-1,628	-1,753	-
Ordinary Income		158	-1,590	-1,748	-
Profit		14	-1,070	-1,085	-

Point

- The scope of the decrease in spot ad revenue was considerable, resulting in lower revenue and profit.
- Impact of the cancellations of high school baseball tournaments, etc., due to the COVID-19 pandemic.

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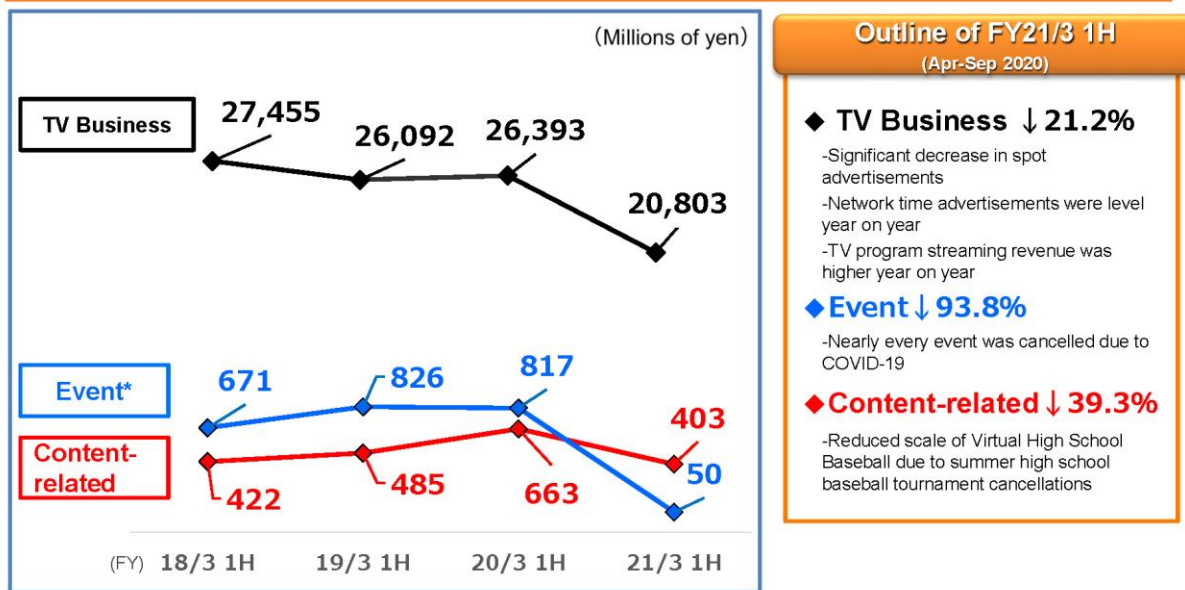
Yamamoto: I will explain about the Broadcasting and Content Business.

First, on page 10 is the individual financial results of ABC TV.

Net sales were JPY21.7 billion, down roughly 23% YoY. Both the operating loss and ordinary loss were around JPY1.6 billion, and the loss was JPY 1.07 billion, indicating a significant decline in sales and income and severe results.

This was mainly attributable to the coronavirus pandemic, with a marked trend for sponsors to refrain from placing advertisements, resulting in a substantial decline in spot commercial revenue. Likewise, there was an impact from planned events being canceled one after another due to the coronavirus.

ABC TV Revenue Performance (1H)



Outline of FY21/3 1H
(Apr-Sep 2020)

- ◆ **TV Business ↓ 21.2%**
 - Significant decrease in spot advertisements
 - Network time advertisements were level year on year
 - TV program streaming revenue was higher year on year
- ◆ **Event ↓ 93.8%**
 - Nearly every event was cancelled due to COVID-19
- ◆ **Content-related ↓ 39.3%**
 - Reduced scale of Virtual High School Baseball due to summer high school baseball tournament cancellations

*Event revenue in FY18/3 includes radio-related events.

	FY18/3	FY19/3	FY20/3	FY21/3
Other	251	482	436	469

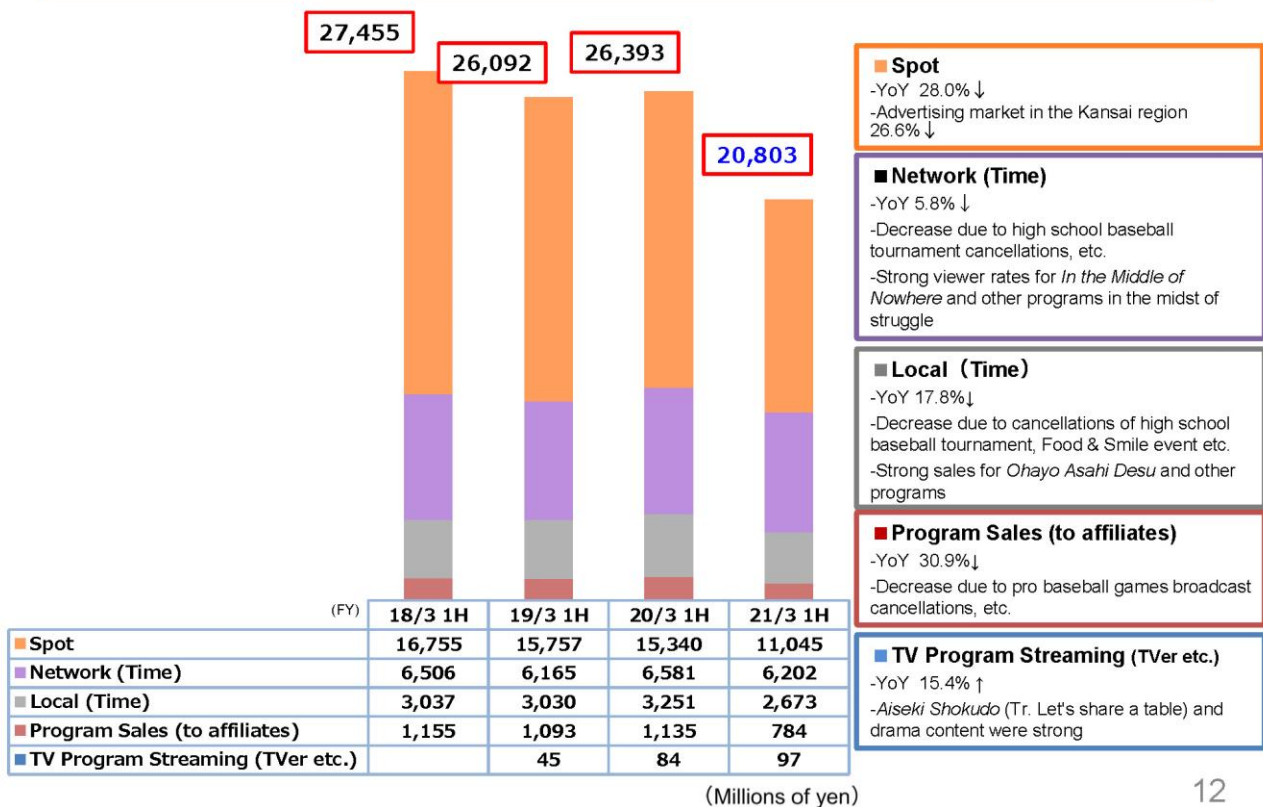
On the next page is the situation of each business.

As you can see, there was a sharp decrease in TV Business revenue, most of which was attributable to a decline in spot sales revenue. Despite the coronavirus pandemic, we maintained network time advertisement roughly flat with video delivery exceeding last year's results.

As for Event revenue, unfortunately, almost all planned events were canceled, and there was no revenue.

The decline in Content-related revenue was due to the reduced scale of virtual high school baseball as the summer high school baseball tournament was canceled. Although the independent tournaments in each prefecture and exchanged matches at Koshien stadium were held, we didn't reach the previous year's results because there was no main tournament.

Details of TV Business Revenue



On page 12 is the breakdown of TV Business revenue in H1.

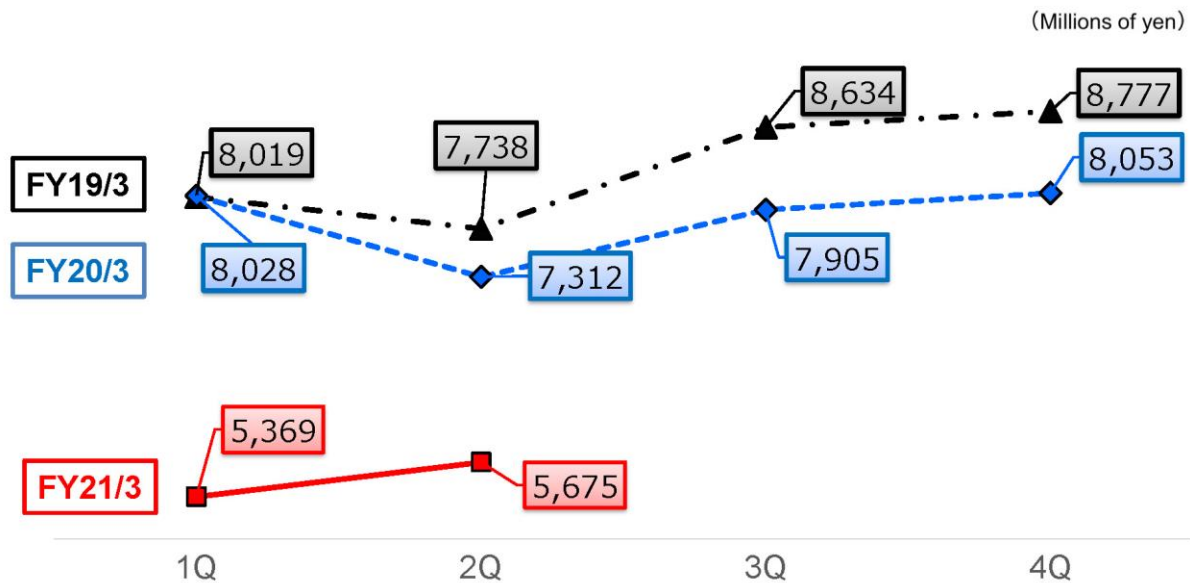
The heaviest impact came from the decline in spot sales revenue, as I have been explaining. Spot ad placement in the Kansai region decreased 26.6% YoY owing to an extremely harsh environment. Time sales revenue also ended up below the previous year due to negative impacts, such as the cancellation of the summer high school baseball tournament.

On the other hand, even under these circumstances, regular programs with deep-rooted popularity, such as *In the Middle of Nowhere* on network, and *Ohayo Asahi Desu* on local, performed robustly.

Program sales revenue decreased due to the impact of the cancellation of high school baseball tournament and the suspension period of professional baseball.

Program streaming revenue increased owing to the solid performance of the late-night variety, *Let's Share a Table*, and drama content, such as *Furin wo Kokai Shitemasu*. We believe this was attributable to the spread of TVer and the so-called nesting demand.

Spot Revenue of TV Business (Quarterly performance)



➤ The impact of the COVID-19 pandemic was a significant factor in advertiser reluctance, resulting in a challenging result underperforming prior year by a wide margin. Q1, in particular, showed a sharp year on year decline of 66.9%.
 ➤ We saw signs of a slight recovery in September with a stronger Q2 than Q1; however, overall market conditions continued to be difficult, including advertising expense reductions due to the postponement of the Olympics.

Next, on page 13, the quarterly trend of spot sales revenue is as you see here.

While there is no doubt the overall market conditions have remained severe, there have been some signs of recovery since September. As a result, Q2 has picked up slightly compared to Q1.

Spot Revenue of TV Business (By Top 20 Industries)



Industry	FY20/3 1H (Apr-Sep 2019)		FY21/3 1H (Apr-Sep 2020)	
	YoY*	Composition rate	YoY*	Industry
Foods	88.3%	10.6%	79.3%	11.7%
Transportation/Leisure/Restaurants & Fast Foods/Services	108.3%	12.2%	59.7%	10.1%
Beverages/Liquors	93.8%	8.6%	75.6%	9.0%
Pharmaceutical/Medical Products	89.9%	6.9%	88.6%	8.5%
Information/Telecommunication	88.3%	7.3%	69.6%	7.0%
Automobiles	95.3%	7.5%	62.9%	6.6%
Cosmetics/Toiletries	81.8%	6.5%	66.2%	5.9%
Finance	91.6%	6.3%	66.6%	5.8%
Consumer Electronics/Computer	125.9%	6.2%	66.7%	5.7%
Hobby (Movie/Game/Music etc.)	78.9%	5.0%	69.7%	4.9%
Government/Political Organization	152.5%	3.1%	101.8%	4.4%
Mail Order Sales	121.7%	1.7%	185.1%	4.3%
Housing/Real Estate/Construction	87.2%	3.7%	53.5%	2.7%
Publishing	113.8%	2.6%	67.2%	2.4%
Energy/Machine/Material	160.6%	2.9%	58.6%	2.4%
Fashion (Apparel/Jewelry etc.)	112.8%	2.9%	56.5%	2.3%
Housewares	94.9%	1.2%	126.4%	2.0%
Distribution	93.2%	1.7%	63.4%	1.5%
Logistics services/Businesses/Events	109.0%	1.3%	67.7%	1.3%
Various Organizations (Law Office etc.)	96.4%	1.7%	46.9%	1.1%
Other	691.7%	0.1%	120.1%	0.2%
Total		100.0%		100.0%

*Year-on-year comparisons

- Many industries, the leisure industry in particular, reduced advertisements significantly due to the impact of COVID-19.
- COVID-19-related factors were noticeable for industries that increased advertisements, including government agencies dealing with infection control, mail/online sales, meal delivery services, telework support services, disinfection/antibacterial services, etc.

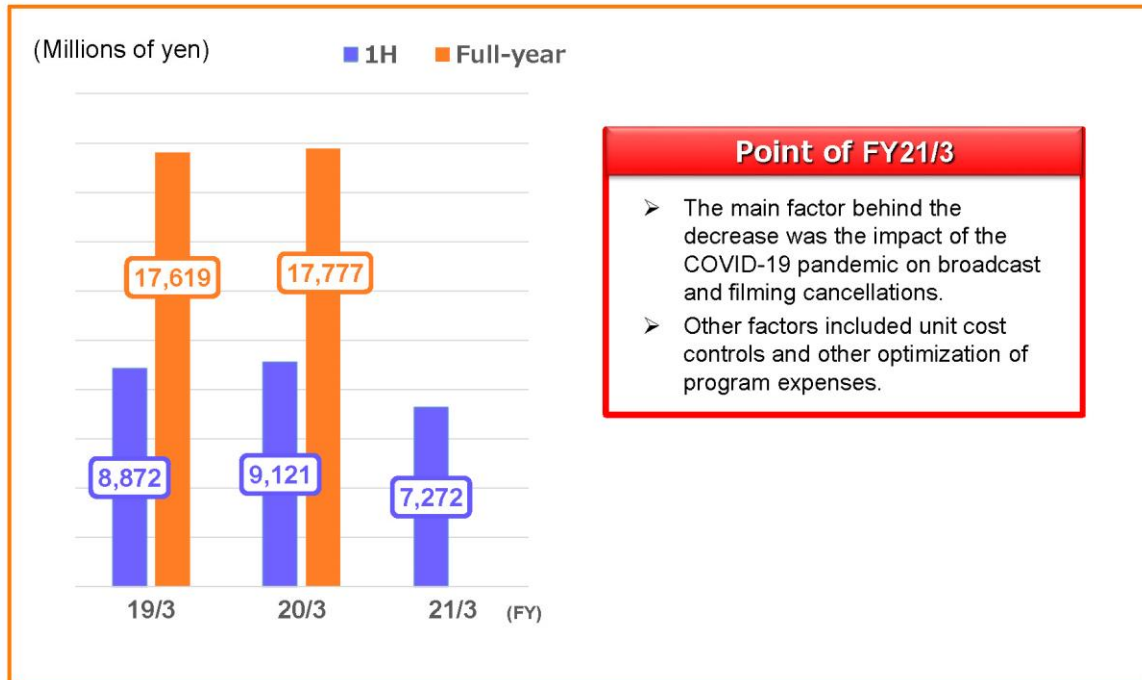
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Please see the next page for changes in spot sales revenue by industry.

Most industries, including leisure, which was greatly affected by the coronavirus, saw a significant decline.

On the other hand, there were some industries in which coronavirus-related advertisement placements increased. These included government and political organization with noticeable placements to raise awareness of measures against the coronavirus, mail-order sales, food delivery service as represented by Uber Eats, telework-supporting services, and sterilization and antibacterial related products.

Program expenses of TV Business*



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

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Next, on page 15, is the program cost for the current period.

Although the program cost decreased by about JPY1.8 billion from the previous year, the main reason was that we were forced to cancel broadcasting and recording due to restrictions on going out caused by the coronavirus. We are also continuously working on optimizing the program cost based on the recent status of cancellations, and the fruit of those efforts has manifested.

Television Viewer Ratings in Kansai Region for Apr-Sep 2020
(Overall individual)



(Source: Video Research)

Individual (ALL)	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 4.7%	YTV 7.4%	YTV 7.1%	YTV 4.0%
2	KTV 4.3%	NHK 6.6%	ABC 6.8%(+0.5)*	ABC 3.2%(-0.3)*
3	ABC 4.2%(+0.5)*	ABC 6.4%(+0.4)*	KTV 6.0%	MBS 2.7%
4	MBS 3.8%	KTV 6.1%	MBS 5.9%	KTV 2.5%
5	NHK 3.2%	MBS 5.9%	NHK 5.6%	NHK 1.3%

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

*Figures in parentheses represent year-on-year change.

Next, on page 16 and 17, we show the all-individuals viewer ratings and household viewer ratings during H1 of the period.

In H1 of the period, due to the impact of the coronavirus, the viewer ratings of news and information programs were high across the board. As a result, NHK ranked second among all individuals and first among households for golden time, indicating unusual results.

In addition, except for Prime 2, the PUT of all-individuals and the HUT of households both increased. Thus, it seems that many stations increased their numbers from the previous fiscal year. For all day, the Company increased the number the most for both all-individuals and households.

Television Viewer Ratings in Kansai Region for Apr-Sep 2020
(Household)



(Source: Video Research)

Household	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 8.4%	NHK 11.8%	ABC 11.9%(+0.7)*	YTV 7.4%
2	KTV 8.0%	YTV 11.6%	YTV 11.2%	ABC 6.1%(-0.4)*
3	ABC 7.8%(+0.7)*	ABC 11.0%(+0.5)*	NHK 10.1%	MBS 5.2%
4	MBS 7.1%	KTV 10.0%	KTV 10.0%	KTV 4.9%
5	NHK 6.1%	MBS 9.7%	MBS 9.8%	NHK 2.7%

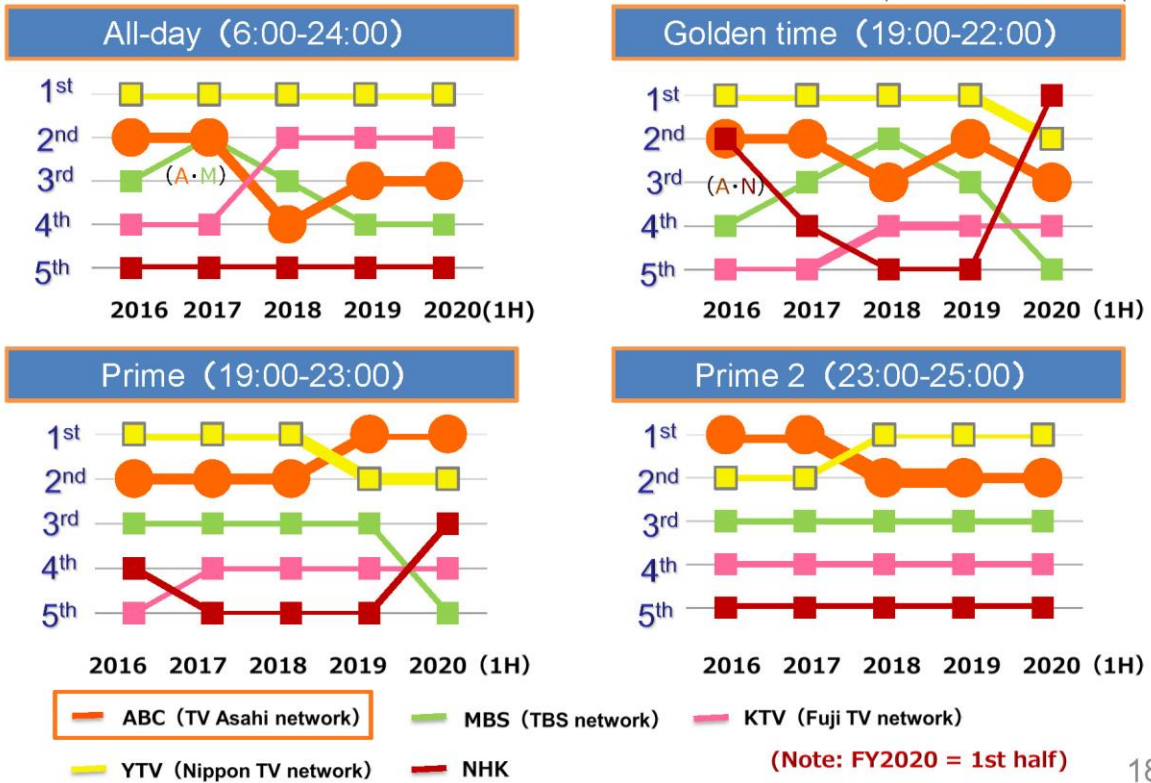
■ABC (TV Asahi network) ■MBS (TBS network) ■KTV (Fuji TV network) ■YTV (Nippon TV network) ■NHK

*Figures in parentheses represent year-on-year change.

Ranking of Television Viewer Ratings in Kansai Region by Year (Household)



(Source: Video Research)



Next, on page 18, we show the changes in the ranking of household viewer ratings.

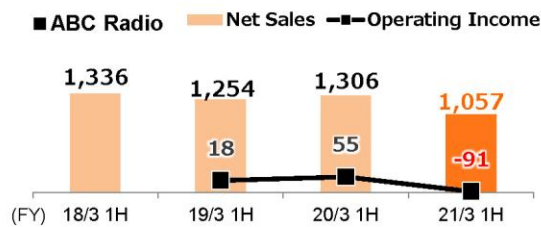
The orange circle is the Company. We have maintained the top position in prime time shown on the lower left since H2 of 2018. Due to the coronavirus during the current period, *Hodo Station*, produced by TV Asahi, gained high viewer ratings, and we were able to widen the gap with YTV, which ranked second.

Other Broadcasting Businesses (Non-ABC TV-Related (1))

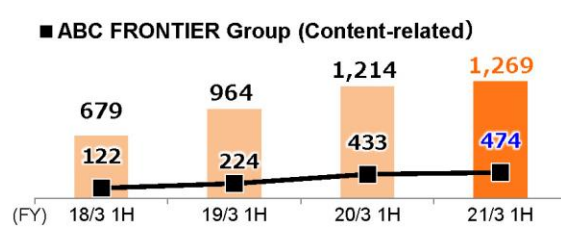


*Companies for which the bulk of revenues are from non-group sources

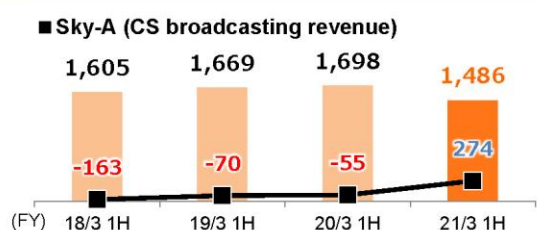
(Non-consolidated, Millions of yen)



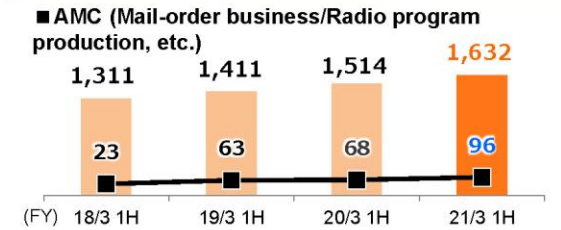
Net sales/Operating income : Lower revenue and profits
 Impact of the advertiser reluctance due to COVID-19 pandemic
 (Note) ABC Radio sales prior to FY18/3 were for formerly, Asahi Broadcasting Corporation.



Net sales/Operating income: Higher revenue and profits
 Sales, etc., of drama DVDs and other products were strong.
 Impact of the transfer of the music publishing business.



Net sales/Operating income : Lower revenue, higher profits
 Impact of fewer pro baseball games and cancellation of golf tournaments.
 Decrease in expenses outpaced decrease in sales, leading to an increase in profit.



Net sales/Operating income: Higher revenue and profits
 Mail order sales business was strong due to demand for at-home consumption in conjunction with COVID-19.
 (Note) Outsourcing music publisher business from AMC to ABC Frontier Holdings in April, 2020

Next, on page 19, I will explain the results for Other Broadcasting Businesses.

ABC Radio posted a decline in sales and income due to sponsors refraining from advertising placements, similar to the situation for ABC TV.

ABC Frontier Group posted higher sales and income due to the robust performance of product sales revenue, such as DVDs of terrestrial TV dramas, and the transfer of the Music Publishing Business from AMC from this fiscal year.

While AMC posted lower sales corresponding to the Music Publishing Business that was transferred, which I just stated, sales increased for the Mail-Order Business driven by at-home demand due to the coronavirus. As a result, AMC recorded an increase in sales and income.

I will omit an explanation due to time constraints, but you can see the description of financial results and topics for each of the other companies. I hope you will take a look at the material later on.

Our Social Mission as a Broadcaster During the COVID-19 Pandemic

- We continued with news and programming, conducting filming, interviews, editing, etc., by remote to the greatest extent possible in the midst of many restrictions and voluntary restraints on travel outside the home.
- High school student support project *Ame Nochi Hare* (Tr. Rain, Followed by Clear Skies): Implemented programs and broadcasts to support high school students who missed out on big moments such as inter-high, Koshien, etc., due to COVID-19.

Accelerate Growth and Earnings Capacity of Terrestrial + α

- Sunday late-night *Drama L* slot:
 - *Toshishita Kareshi* (Tr. Baby Boyfriends) from April: Love story featuring Kansai Johnny's Jr. talents became popular; videogram sales after the broadcast became a major hit.
 - *Furin wo Kokai Shitemasu* in September: experienced strong results in TVer, GYAO, and others.

Offer Virtual Conferencing Services Leveraging VR Technology

- In group company collaboration, operations are managed by Mash and VR technology is provided by i-NEX.
- Conducted on September 10, linking 30 locations across Italy, Tokyo, Osaka, and other distributors throughout Japan. CFO joined from Italy, unable to travel to Japan due to COVID-19.
- New orders received in the second half of the year owing to high quality and other positive reviews by clients.

Next, on page 21, I will explain the activities and results in H1.

First, we continued our broadcasting operations by leveraging remote response even amidst many restrictions caused by the coronavirus pandemic, such as for interviews and recording.

In addition to fulfilling our mission of disseminating the correct information, we implemented projects to support high school students who lost their stage to shine due to the coronavirus pandemic during the summer, such as *Ame Nochi Hare*.

As for the Sunday midnight drama content, the videogram released after broadcasting became a hit, and strong results were also posted in distribution, indicating an acceleration of activities that are not limited to terrestrial broadcasting.

We also started providing a corporate virtual conference service by leveraging the Group's VR technology and even management know-how as a new development engendered from the coronavirus pandemic. The service has been very well received by clients, and I have heard that it has already led to the next orders.

Expand *Ohayo Asahi Desu* to three-hour live broadcast!

- Expand *Ohayo Asahi Desu*, the “Good Morning Face of Kansai”, to a three-hour format beginning at 5:00 AM.
 - Deliver content more tailored to the viewer, including important news and information to start the day.
 - Use the refresh as an opportunity for new challenges and developments. Sponsored the *OHA-1 Grand Prix* to choose a theme song; selected *Mabushii Asahi* (Tr. Dazzling Morning Sun) by Yurika. Adding a third character in addition to Okita Kun and Mezame Chan characters.
- Develop measures toward non-broadcasting revenues.



Establish new strategic broadcast frame for dramas, short content, etc.

- Establish a new **Drama+** frame for Sunday late-night, broadcast dramas following the existing *Drama L*. First drama in October: *Bokura wa Koi ga Hetasugiru* (Tr. We are too clumsy about love), starring Umika Kawashima, Jin Shirasu.
- Programme two frames for Johnny's talents: *Anata no Kawari ni Mitekimasu! Riatotsu WEST*, starring Johnny's WEST (premiered on October 4, Saturday late-night) and *THE GREATEST SHOW-NEN*, starring Â! group (premiered on November 7).
- Establish new short content frame **Fastrike!** during weekday late night. Roll out short content, YouTube videos by young directors.
- Increase frames strategically for multi-purpose content targeting teens, youth.

Next, on page 22, we describe our activities for H2.

First, we have renewed *Ohayo Asahi Desu*, one of our flagship programs, by extending it to a three-hour live broadcast. This is, of course, aimed at delivering content that is close to consumers, but we also started taking action with an eye on Non-Broadcasting revenue, such as through a theme song and the creation of new characters.

In addition, we increased a new drama slot on Sunday midnight called *Drama+*. Also, we started two new programs by young Johnny's artists, *Johnny's WEST* and *Â! group*.

Furthermore, we newly established slots during weekday midnights for short content produced by young programming directors, and the content is also distributed on YouTube.

We will steadily execute our strategy, aiming for content that can also target the younger generation and be delivered on multiple channels beyond TV.

Release of New Blockbuster

- *Violet Evergarden: the Movie* produced by Kyoto Animation
- Delayed nearly six months due to COVID-19; already more than 1.18 million tickets sold (released September 18).



- Movie still being shown as audience continues to grow.

©Kana Akatsuki-Kyoto Animation/ Violet Evergarden Production Committee

Establish late-night anime frame on nationwide network

- Start new anime frame **ANIMAZING!!!** on nationwide network for Saturday late-night.
- Lineup scheduled to include works sure to attract anime fans from across Japan.
 - New foothold to expand Animation business
- First sport climbing animation *IWAKAKERU!- Sport Climbing Girls -*

Bring animation production company into the group to strengthen our value chain

- Company name: **SILVER LINK.**
- Business: Planning/production of animated cartoons of TV, video and others
- Acquired all shares on October 1, bringing our first animation production company into the Group.
- Striving to create a value chain allowing existing group companies (ABC Animation, ABC TV, Procen Studio and others) to conduct integrated planning, production, and distribution.



Finally, we describe the activities for H2 in the Animation Business on page 23.

The release of the *Violet Evergarden: the Movie* produced by Kyoto Animation was delayed for about half a year due to the coronavirus. However, it continues to be a major hit title in movie theaters even now since its release in mid-September.

In addition, we newly established a nationwide network animation slot for the first time at Saturday midnight on ABC TV. We hope to use this as a stepping stone to further expand the Animation Business, which is a growth area.

Additionally, we have acquired 100% of shares in the animation production company SILVER LINK, Inc., as of October 1 and added them into the Group. This addition aims to strengthen the construction of a value chain that would enable the planning, production, and distribution of animation under one roof, together with existing Group companies such as ABC Animation, ABC TV, and Procen Studio.

This concludes my explanation.

Question & Answer

Moderator: We will now move on to the Q&A session. We would like to prioritize answering the questions of analysts and institutional investors.

Questioner: Broadly, I would like to ask three points. This is my first point. Please tell me about how you currently view spot advertisement demand from H2 onward?

The second point is about program production costs. The trend has continued for costs to shrink significantly. Although this will depend on sales, what are your current thoughts on the appropriate level of production costs for the next fiscal year?

This is my third and last question. Please comment to the extent possible about what kind of connection the Company has with the movies of Kyoto Animation?

Those are my three points. Thank you.

Okinaka: Vice President Yamamoto will answer the first and second questions. I will answer the third question about Kyoto Animation.

Yamamoto: Thank you. First, about the situation of spot advertisements in H2, we see a recovery trend in spot advertisements, albeit gradually, since around September as explained earlier.

Although regional placements had not reached 90 (% of previous year) yet as of September, they have mostly exceeded 100 (% of previous year) at the stage of October and November. Although we would still have to see how it goes for December, we have seen a sudden rush of a significant number of spot advertising placements over the past several days. We are starting to gain confidence that spot advertisements are steadily recovering, especially in Tokyo.

During H1, all major industries declined significantly. However, since October, industries that account for the most substantial share of TV spot advertisements, such as cosmetics and toiletries, automobiles, and beverages and alcohol, have been recovering with considerable growth rates. I have heard that the trend will be similar in November and December.

We still do not know clearly about the trend in Q4 after January. Our biggest concern has been the reports over the last few days regarding a third wave of the coronavirus. Unless this third wave worsens, we think that the prevailing trend will continue in Q4.

The spot budget in H2 was roughly 92%. The results for October and November are already considerably exceeding the spot amount in the initial budget. In that respect, we hope that results will recover even a little from the severe results during H1.

That's all with regard to our outlook for H2.

As for program costs, as I stated earlier, there was a significant decrease in H1. However, this was largely due to being unable to produce programs at all during April and May. We could not broadcast the usual regular programs, resulting in a substantial decline, especially in golden time.

The cancellation of the main tournament for high school baseball also reduced the cost. In that respect, a major portion for professional baseball was delayed to H2. Because the cost of rights and other costs related

to professional baseball were not incurred around April, May, and June, the program costs during H1 were reduced significantly.

On the contrary, we have discovered many new things this time, taking the coronavirus as an opportunity, such as new ways of creating programs that are different from how programs were created in the past, and wisdom, such as having cast participate remotely, as you see on TV screens and others. We are considering new ways of creating programs. While many companies are implementing work style reforms due to the coronavirus, we are thinking of reviewing the appropriate program cost one more time by requesting on-the-ground staff to reform the way of creating programs.

Based on that, in the next fiscal year, there will, of course, be a return of regular programs that could not be produced around April and May in H1, so there will naturally be an uptick in the program costs to a certain extent. However, we hope to conduct cost controls within the overall budget, and continue to pursue the appropriate value of the program costs.

That's all regarding the program costs.

Okinaka: Next, I will talk about our relationship with Kyoto Animation. With Kyoto Animation, from about five to six years ago, there was an animation about a high school boy swimmer, called *Free!*, which was a late-night animation. That was the starting point of our relationship. They are now the largest production in terms of our animation production partners.

After *Free!*, a movie called *A Silent Voice* was released in 2016. This movie became a major hit, and from that point on, our relationship became much stronger.

Last year, there was a very unfortunate incident, but even at that point, we had two titles running at the same time, including the movie *Violet Evergarden - Eternity and the Auto Memory Doll* - and *Free!*. Also, we did several titles in parallel, such as the late-night animation *Miss Kobayashi's Dragon Maid*.

As for the roles, we conducted planning and production together. That said, even though ABC Animation of the Company is closely involved in planning, they are mainly done by Kyoto Animation. The production, or so-called studio part, is done by Kyoto Animation. Also, the so-called sales part, the part related to overseas sales was mostly done singlehandedly by ABC Animation. For the other parts, such as the so-called OTT or program sales, we functioned as the so-called window. Thus, we had such kind of hand-in-hand relationship.

That's all. Is that fine?

Moderator: Is that fine?

Questioner: Yes. Although it's hidden in the background of *Demon Slayer*, I personally think it's probably the best work in the history of Kyoto Animation.

Sorry, I didn't know that the Company had the rights to be the window in this way, because of my lack of study. It was very helpful. Thank you.

Okinaka: We have recently heard that the box office revenue of *Violet Evergarden: the Movie* was roughly JPY1.6 to JPY1.7 billion.

Questioner: Thank you.

Moderator: Thank you. Is there anyone else who would like to ask questions?

There seem to be no other questions, so we would now like to close today's financial results briefing for H1 of the fiscal year ending March 2021 of Asahi Broadcasting Group Holdings Corporation.

Thank you, everyone.

[END]