

Note: The following document is an English translation of the Japanese-language original.

# Asahi Broadcasting Group Holdings Corporation Earnings Reference for the Second Quarter of FISCAL 2018

(The fiscal year ending March 31, 2019)

November 16, 2018

The ABC logo consists of the letters 'ABC' in a white, bold, sans-serif font, set against a solid orange rectangular background. The logo is positioned in the lower right quadrant of the image, partially overlapping the building's facade and the street scene below.

**ABC**

Securities Code: 9405

# Outline of Business Results

# Consolidated Results and Expenses (1H)

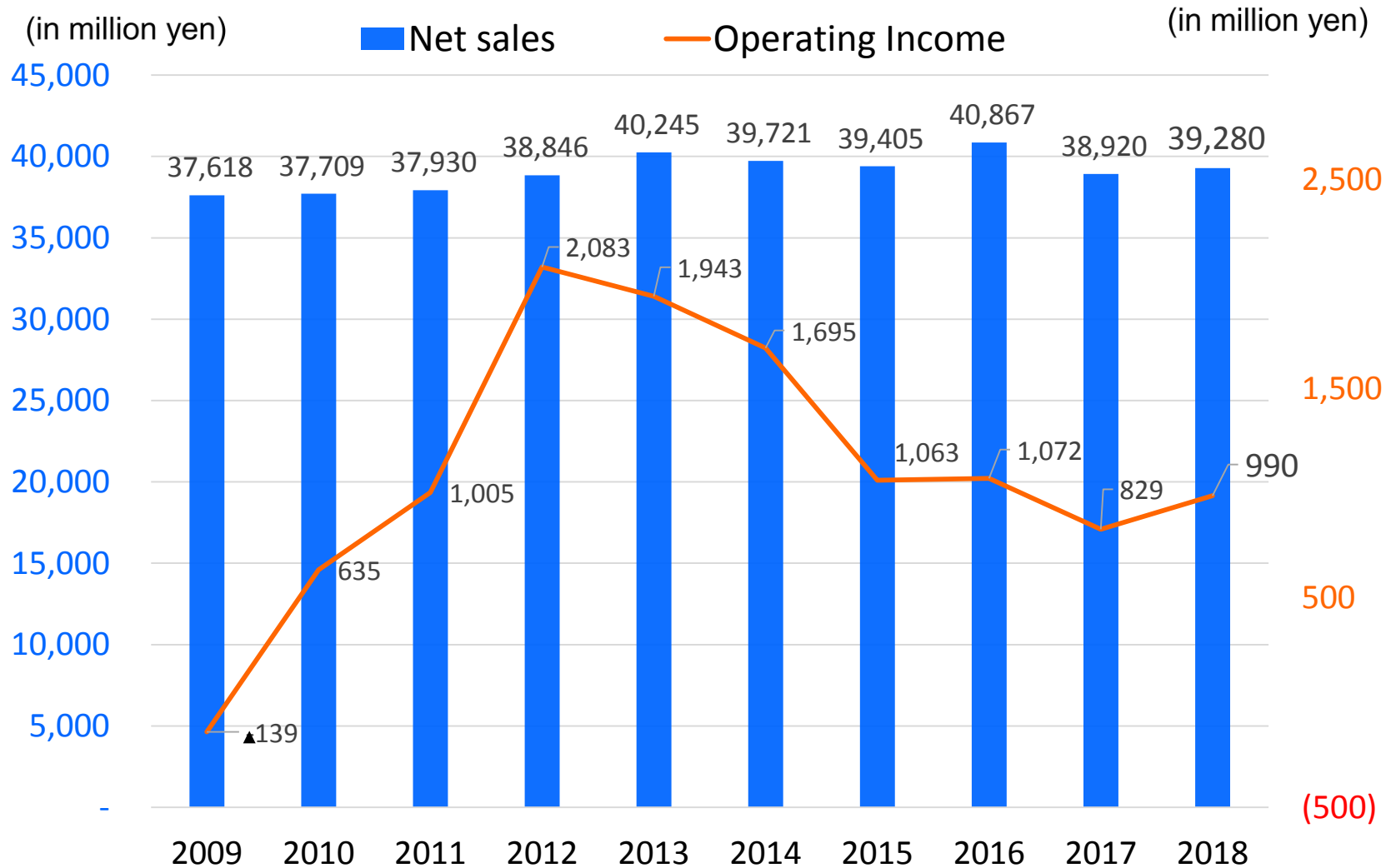
(in million yen)

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

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

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

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



# Results by Segment

(in million yen)

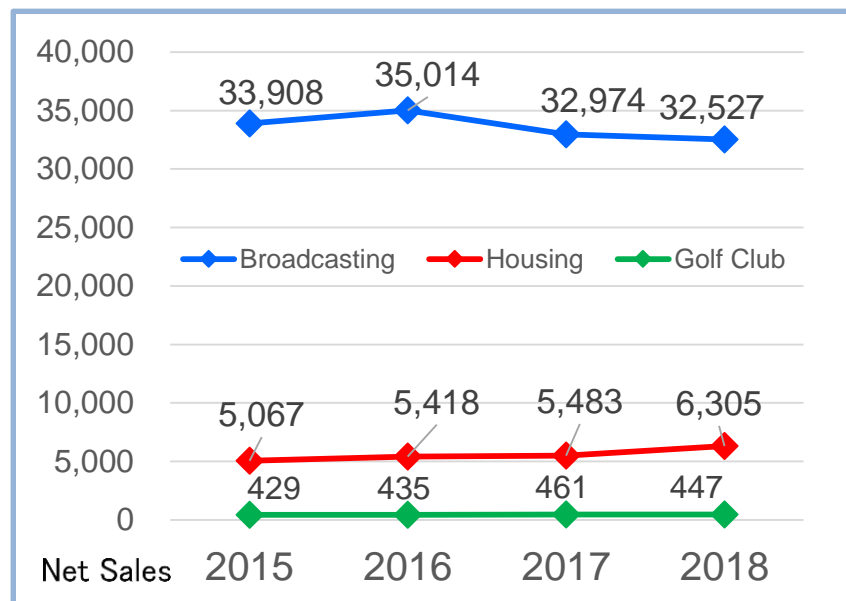
Broadcasting	FY2018 1H	FY2017 1H
Net Sales	32,527	32,974
Operating Income	657	412

Housing	FY2018 1H	FY2017 1H
Net Sales	6,305	5,483
Operating Income	446	397

Golf Club	FY2018 1H	FY2017 1H
Net Sales	447	461
Operating Income	2	18

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

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



- In the broadcasting business, revenue declined slightly but profit increased due to strong anime, TV shopping, and CS sales, despite sluggish TV spot sales.

- Housing business performed well.      - Golf club business was solid.

# ABC TV's Results and Full-year Forecast

# ABC TV Results and Expenses (1H)

(in million yen)

## <Results>

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

## <Expenses>

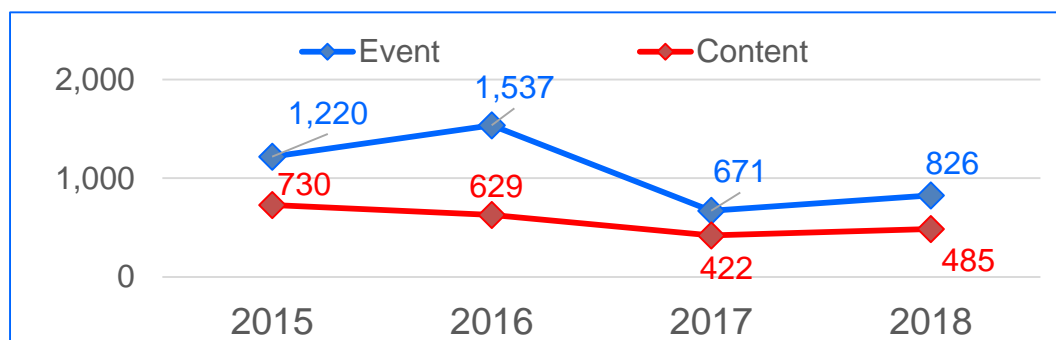
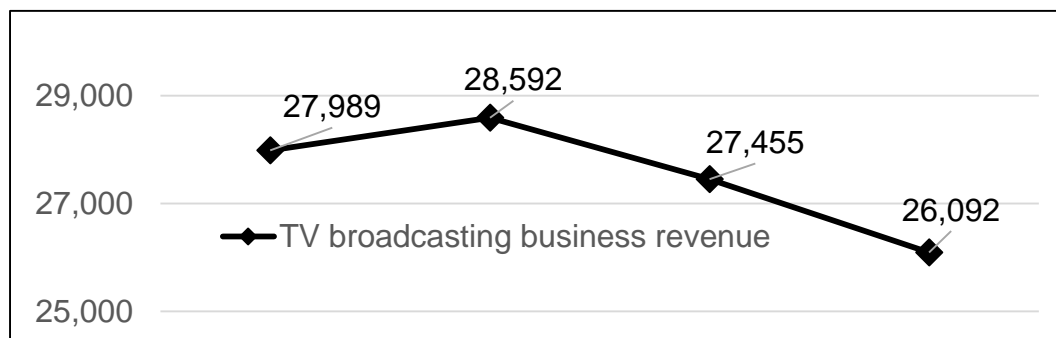
1H	ABC TV FY 2018
Cost of Sales	17,616
Selling, General and Administrative Expenses	10,338
Total Operating Expenses	27,954

- Operating and ordinary income deficit.
- Tax accounting associated with move to a holding company structure resulted in profits surplus.

# ABC TV Main Revenues (1H)

(in million yen)

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



## First Half Observation

### - TV broadcasting business revenue

TV advertising revenue was slowing down and in a slump.

### - Event revenue

Classic concerts business was solid.

Gourmet website-related events held nationwide contributed to revenue.

### - Content related revenue

Archive distribution was transferred to ABC Frontier Holdings from July.

Revenue was almost flat.

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

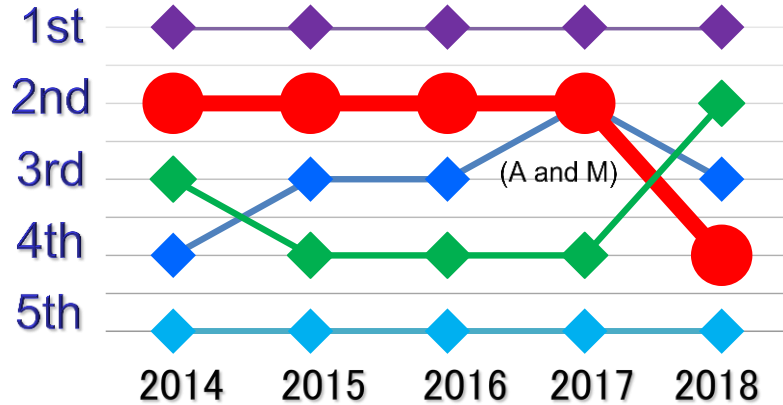
Note: Event revenue before FY2017 includes radio-related events.



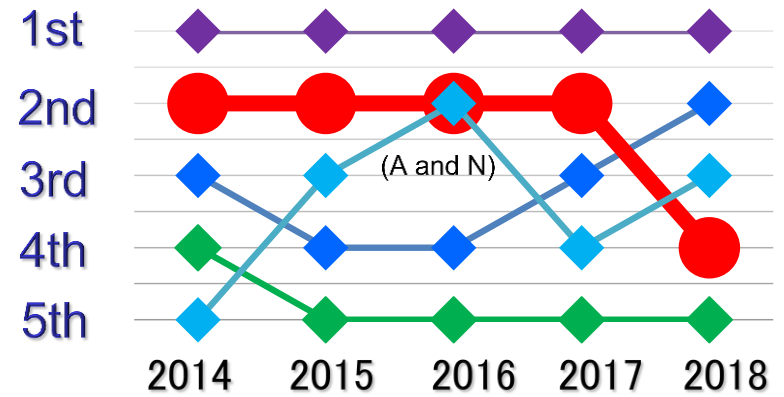
# Television Viewer Ratings in the Kansai Region (Note: FY2018 = 1st half)

All-day (6:00-24:00)

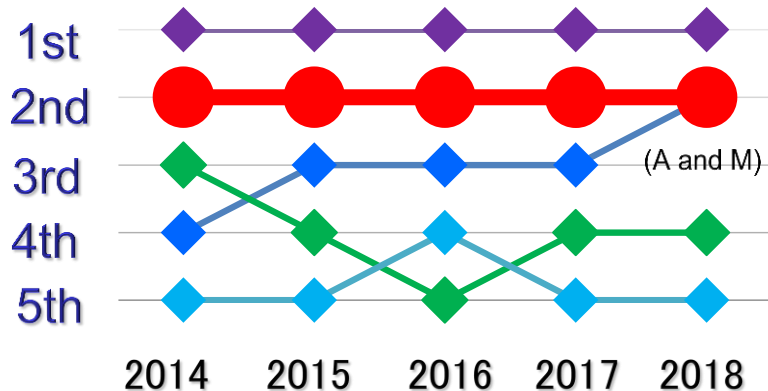
(Source: Video Research)



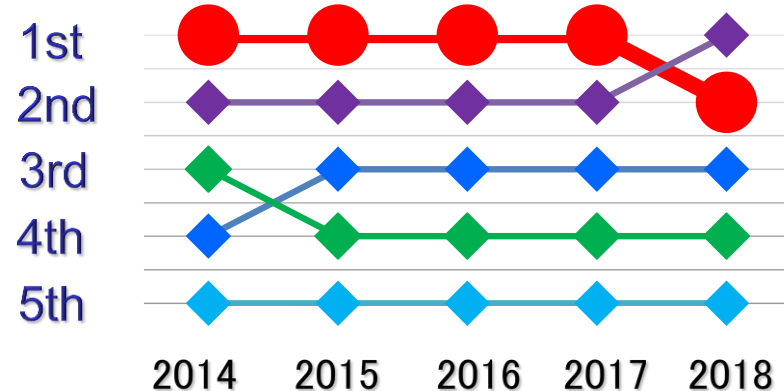
Golden time (19:00-22:00)



Prime (19:00-23:00)



Prime 2 (23:00-25:00)



● ABC TV (ANN)

◆ KTV (FNS)

◆ NHK

◆ MBS (JNN)

◆ YTV (NNN)

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

(Source: Video Research) (%)

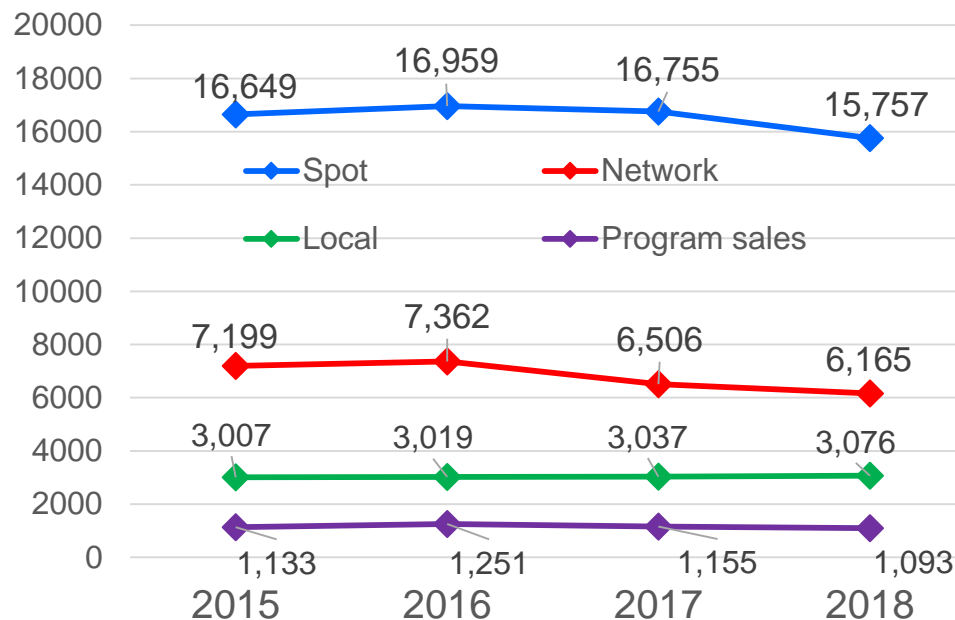
	All-day (6:00-24:00)	Golden time (19:00-22:00)	Prime (19:00-23:00)	Prime 2 (23:00-25:00)
1	YTV 8.2	YTV 11.9	YTV 11.8	YTV 7.8
2	KTV 7.6	MBS 10.9	<b>ABC・MBS</b> <b>10.9(+0.1)</b>	<b>ABC</b> <b>7.1(-0.7)</b>
3	MBS 7.4	NHK 10.4	* * * * * *	MBS 6.0
4	<b>ABC</b> <b>7.1(-0.2)</b>	<b>ABC</b> <b>10.2(-0.1)</b>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

# Terrestrial Television Broadcasting Business Revenue (1H)

(in million yen)

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

## Breakdown



◆ **Spot Sales: 5.9%** ⬇️

- Second lowest regional investment ever (lowest was in FY2011), second lowest sales ever (lowest was in FY2009, after the Lehman Brothers collapse)

- Deterioration of viewer rating

◆ **Network Time Sales: 5.2%** ⬇️

- One less regular slot compared with same period in previous year (Sunday 20:00)

- Still feeling impact of ending *Saturday Night at the Mysteries*

◆ **Local Time Sales: 1.2%** ⬆️

- *Ohayo Asahi Desu* continues to perform well

- One-off programs such as special programs linked to events during the Golden Week performed well

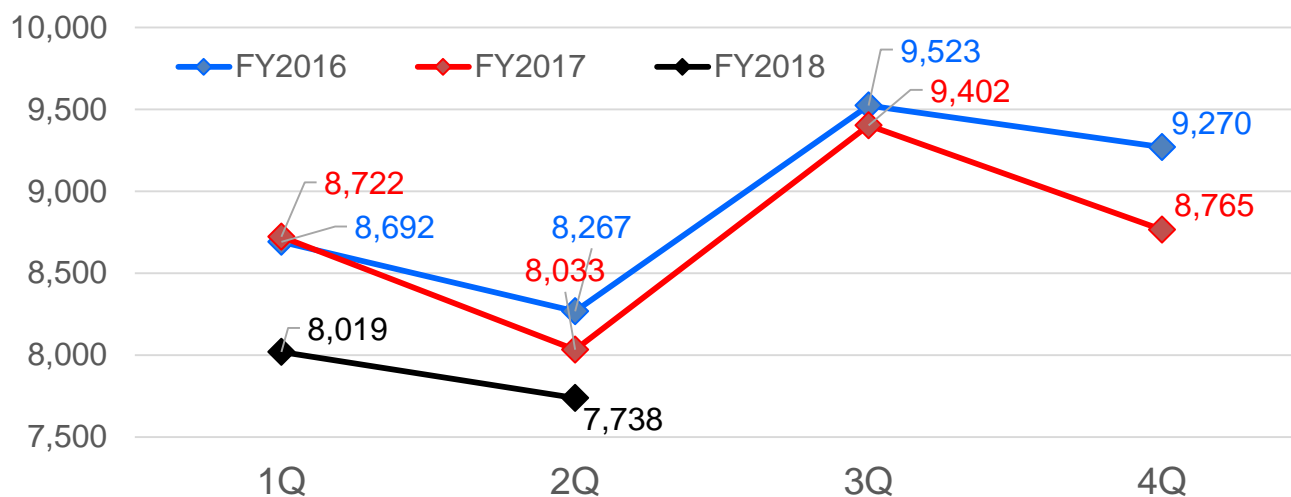
◆ **Program Sales: 5.3%** ⬇️

\*FY2018 network time advertising revenue excludes contract production revenue.

# Terrestrial Television Spot Sales Revenue

(in million yen)

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



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

# Terrestrial Television Spot Sales Revenue (By Top 20 industries)

Industry sector	FY2018 1H		FY2017 1H	
	YoY	Composition rate	YoY	Composition rate
Foods	99.3%	11.7%	106.0%	11.1%
Transportation/Leisure/Restaurants & Fast foods/Services	106.4%	10.9%	116.1%	9.7%
Alcoholic and other beverages	110.0%	8.9%	88.8%	7.6%
Information/Telecommunication	73.6%	8.0%	91.8%	10.2%
Cosmetics/Toiletries	97.6%	7.7%	93.2%	7.4%
Automobile	90.1%	7.7%	108.8%	8.0%
Pharmaceutical/Medical products	92.6%	7.5%	97.3%	7.6%
Finance	107.8%	6.7%	88.4%	5.9%
Hobby(Movie/Game/Music etc.)	107.9%	6.2%	92.0%	5.4%
Consumer electronics/Computer	75.1%	4.8%	108.0%	6.0%
Housing/Real estate/Construction	90.4%	4.1%	138.9%	4.3%
Fashion(Apparel/Jewelry etc.)	86.2%	2.5%	100.2%	2.7%
Publishing	104.6%	2.2%	110.7%	2.0%
Government/Political organization	90.0%	2.0%	83.5%	2.1%
Energy/Machine/Material	80.2%	1.8%	72.0%	2.1%
Retail/Distribution	119.5%	1.8%	57.7%	1.4%
Various organizations(Law office etc.)	93.6%	1.7%	93.5%	1.7%
Mail order sales	61.5%	1.4%	122.9%	2.1%
Logistics services/Events	89.0%	1.2%	101.8%	1.3%
Homeware	79.3%	1.2%	117.7%	1.4%
Other	20.1%	0.0%	58.0%	0.1%
Total		100.0%		100.0%

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

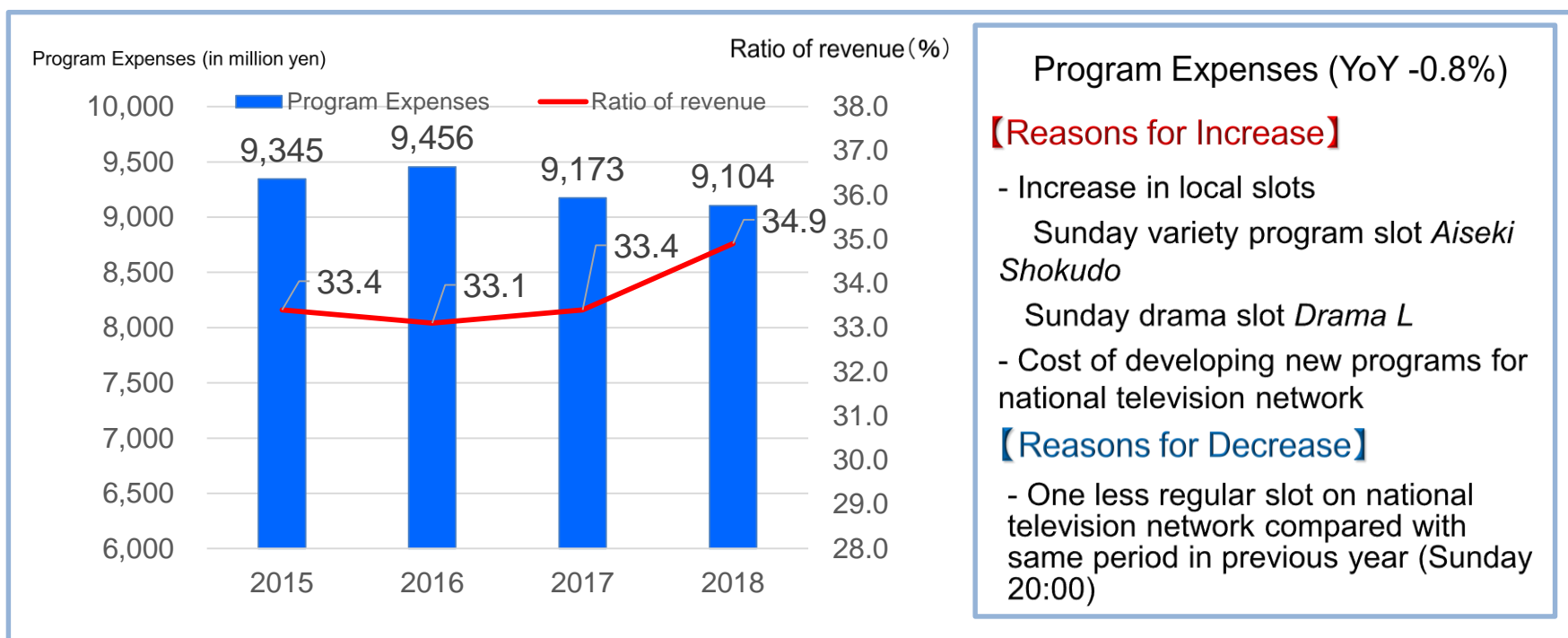
\*Year-on-year comparisons

# Terrestrial Television Broadcasting Business Expenses (1H)

(in million yen)

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

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



# TV Broadcasting Business: Countermeasures and Efforts

## 1. Sluggish viewer rating

- Our viewer rating is weak while importance of news programs has increased
- The top rating in Prime 2 slot was lost to competitors



## Countermeasures

- «Strengthen All-day/Prime 2 viewer ratings»
- Prop-up and renewal programs
- Rebuild channel appeal



## Specific Efforts

- Prop-up early evening news program
- Renewal Prime 2 variety programs
- Develop new program for variety slot on Sunday late night

## 2. Changing Advertising Market

- Sponsors are buying less TV advertising and more digital advertising



## Countermeasures

- «Strengthen sales and monetization»
- Improve additional planning capability of terrestrial wave
  - ⇒ Aim to increase spot sales revenue, non-broadcasting revenue



## Specific Efforts

- Add drama slots, enhance video distribution
  - ⇒ Increased drama slots this fiscal year
- Terrestrial program-related projects (events, etc.) ⇒ Organized events related to gourmet website and terrestrial program this fiscal year
- Set up "IP Business Office"

# TV Broadcasting Business: Efforts for Second Half



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

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

[Weekday early evening news program: CAST]

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



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



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





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

(in million yen)

## <Results>

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

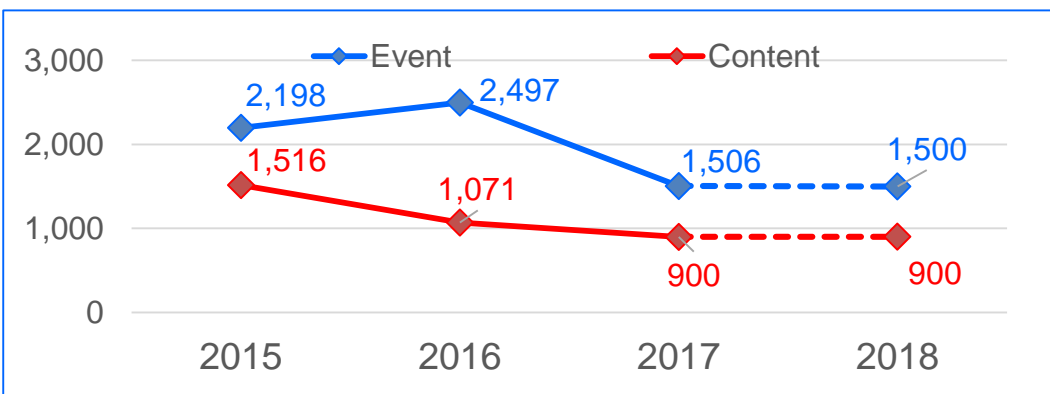
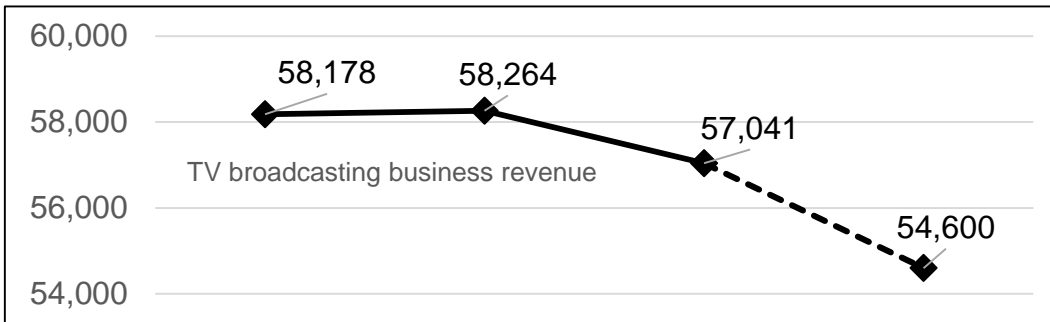
## <Expenses>

Full-year	ABC TV FY2018
Operating Expenses	57,180

# ABC TV Forecast for Main Revenues (Full-year)

(in million yen)

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



## Full-year Observations

### - TV broadcasting business revenue

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

### - Event revenue

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

### - Content-related revenue

Almost flat from the last fiscal year

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

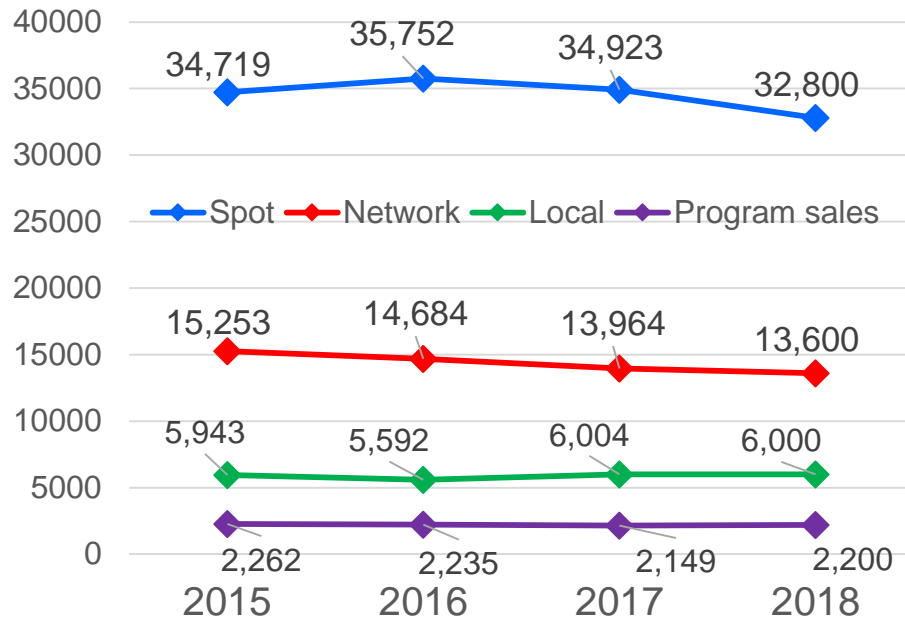
# Forecast for Revenue of Television Broadcasting Business (Full-year)

<Revenue>

(in million yen)

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

## Breakdown



\*FY2018 network time advertising revenue excludes contract production revenue.

### ◆ Spot Sales: ↓

- In Oct-Nov, revenue fell below 100% compared to previous year ⇒ Outlook for full-year is expected to be lower than originally anticipated

### ◆ Network Time Sales: ↓

- In second half, add one slot more than last year for Sunday 20:00 but unit price declines  
- No more contract production revenue

### ◆ Local Time Sales: →

- Expected to be almost the same as previous year

### ◆ Program Sales: 5.3% →

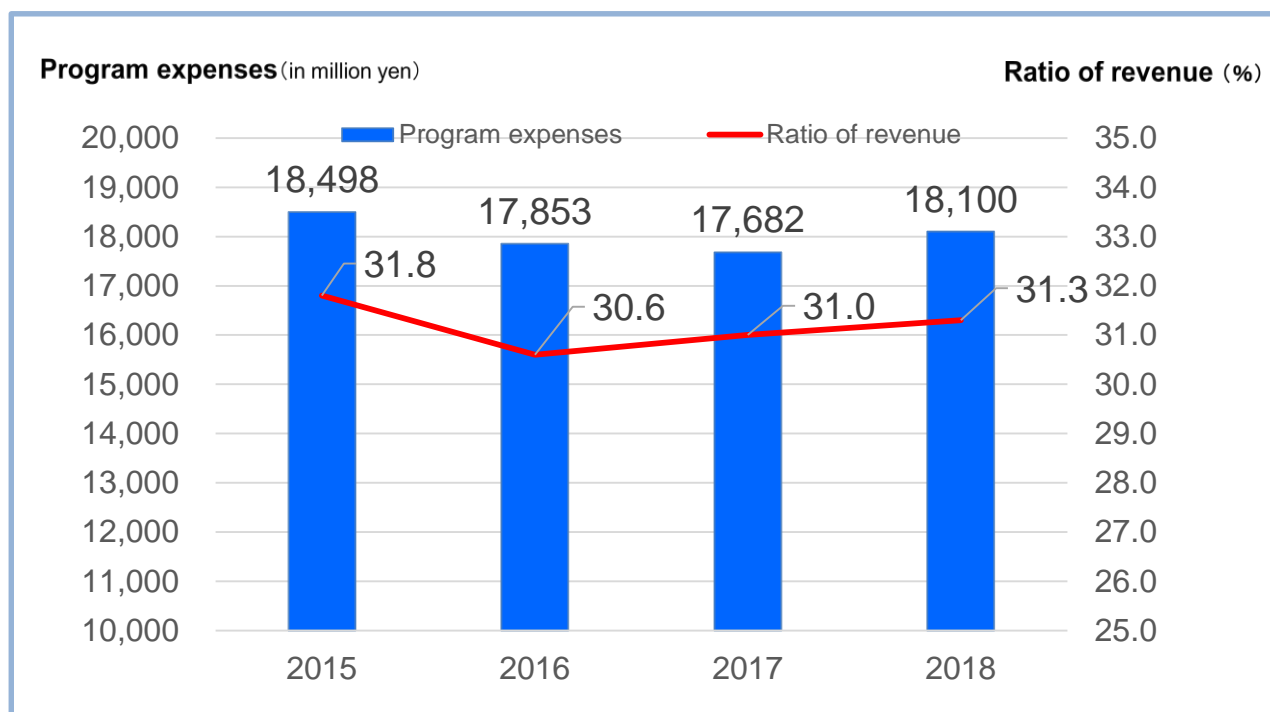
- Expected to be almost the same as previous year

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

(in million yen)

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

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

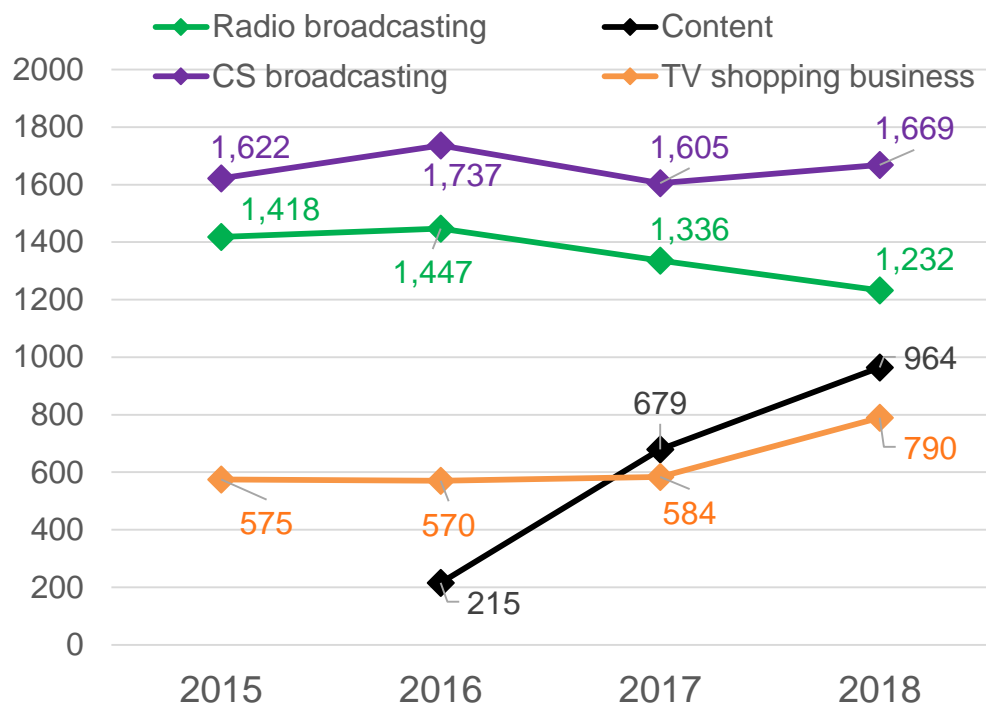


# Group Company's Results and Full-year Forecast

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

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

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



## First Half Observation

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



- Revenue of secondary usage of *HUGTTO! PRECURE* which started in February continues to be favorable
- Content sales to overseas for late night anime programs continue to be strong



©ABC-A, Toei Animation



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



《First Half Performance》

- Overseas program sales and program sales for domestic hotels and in-flight screening are solid, as expected, and continue to increase



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

《Issues》

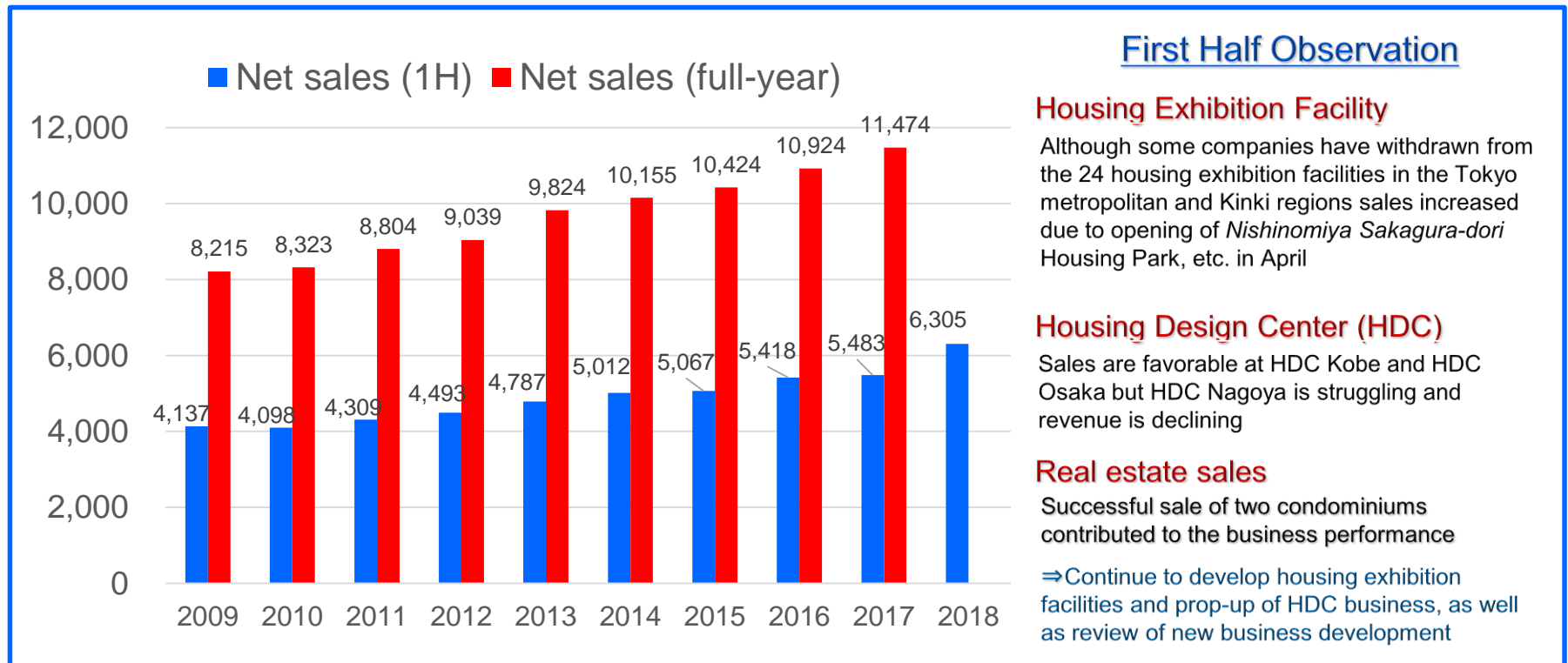
- Product shortage and increase in rights processing costs
- Product shortage

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

# Housing Business Revenue (1H)

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

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



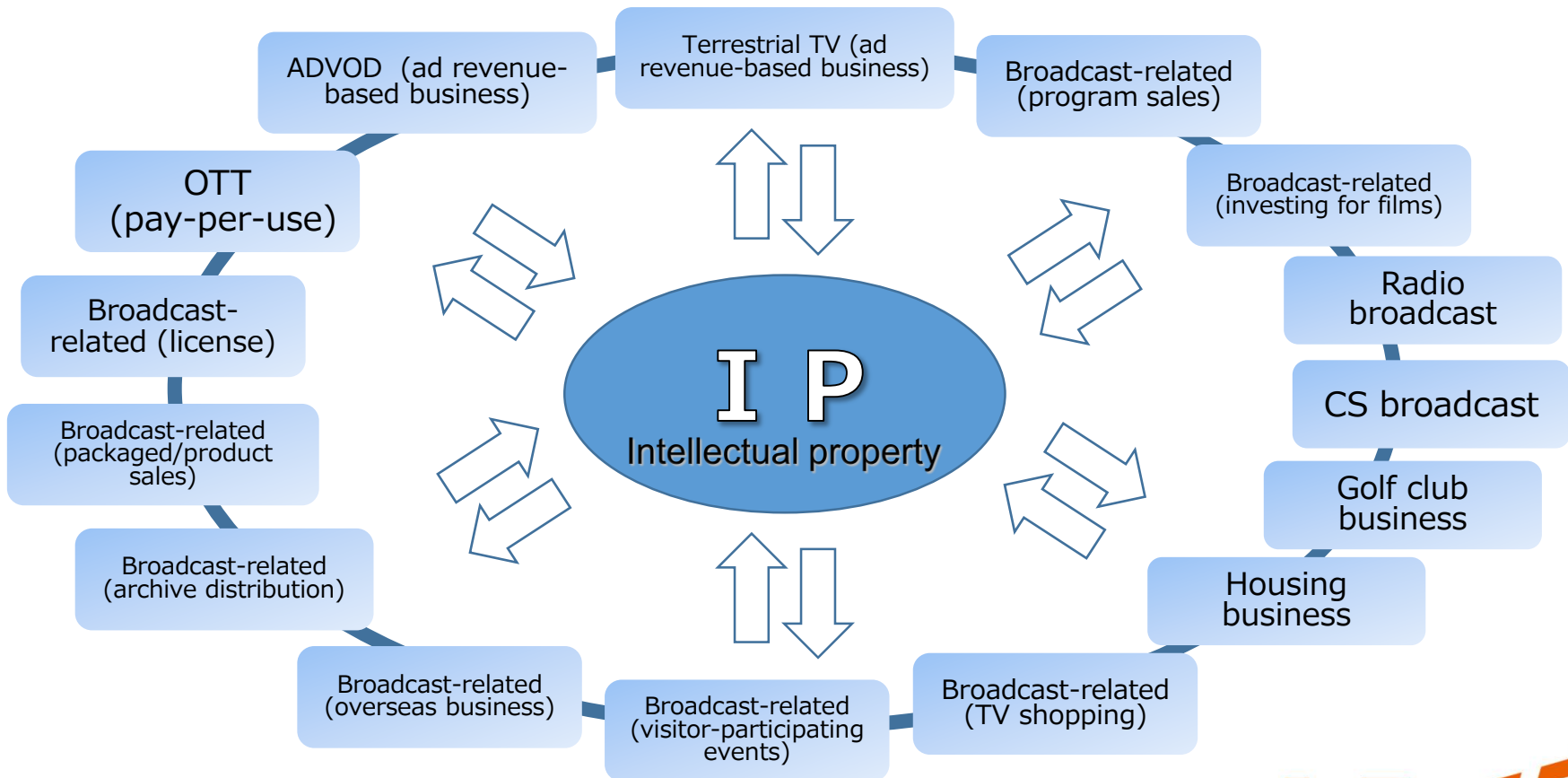


# Group's Growth Vision

“Consolidated Sales of 100 billion yen and Ordinary Income Margin of 8.0%”

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

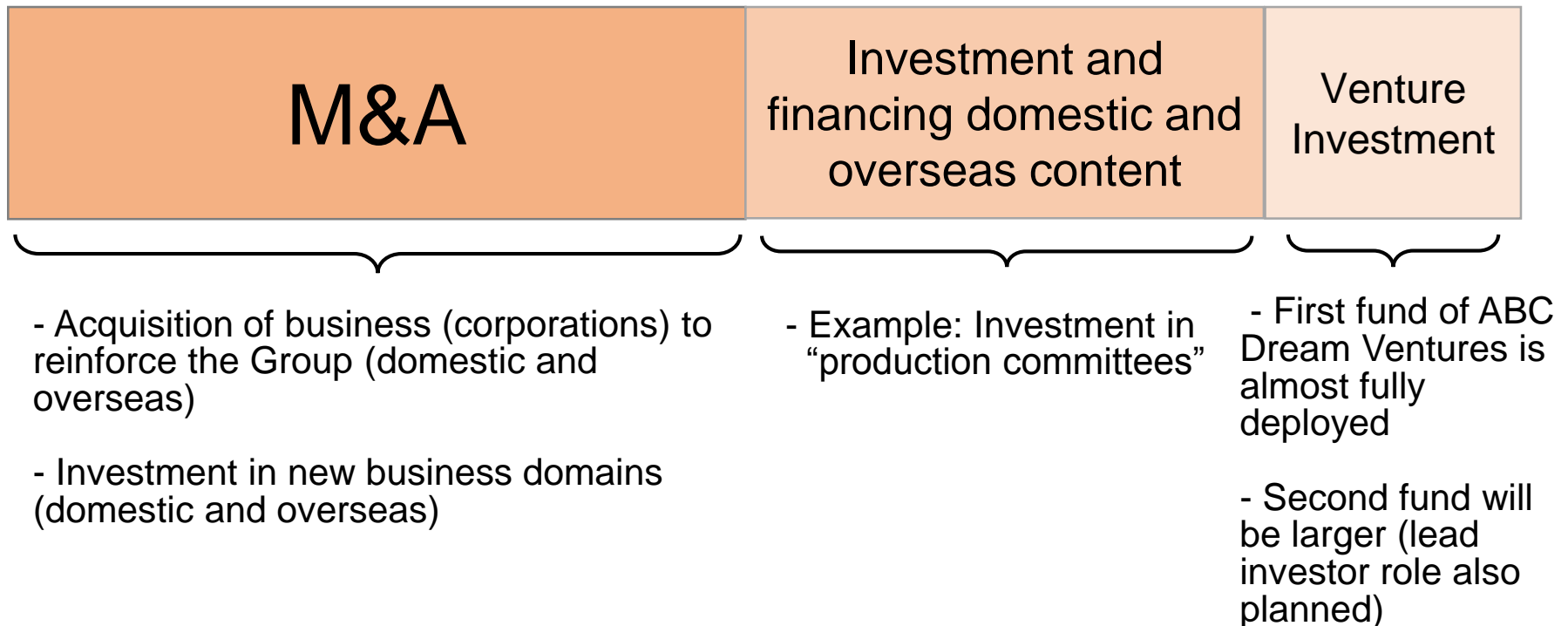
<Means of Monetization>



## Group's Growth Vision

“Consolidated Sales of 100 billion yen and Ordinary Income Margin of 8.0%”

### Allocation Model of Investment Ceiling 20 billion Yen





© matoba/ SQUARE ENIX, “Beel Mama” Production Committee

- As *Miss Beelzebub Likes It* which was invested for late night time animation slot started to broadcast from October.
- Strong overseas sales such as the *Free!* series of July period will continue in second half. Revenue from secondary use of *Precure* remains strong.
- Develop and invest in new content for next fiscal year onward.



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



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



© Ira Ozaki / Shogakukan

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

# Future Efforts by Each Group Company



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



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



<Develop New Content>

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

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



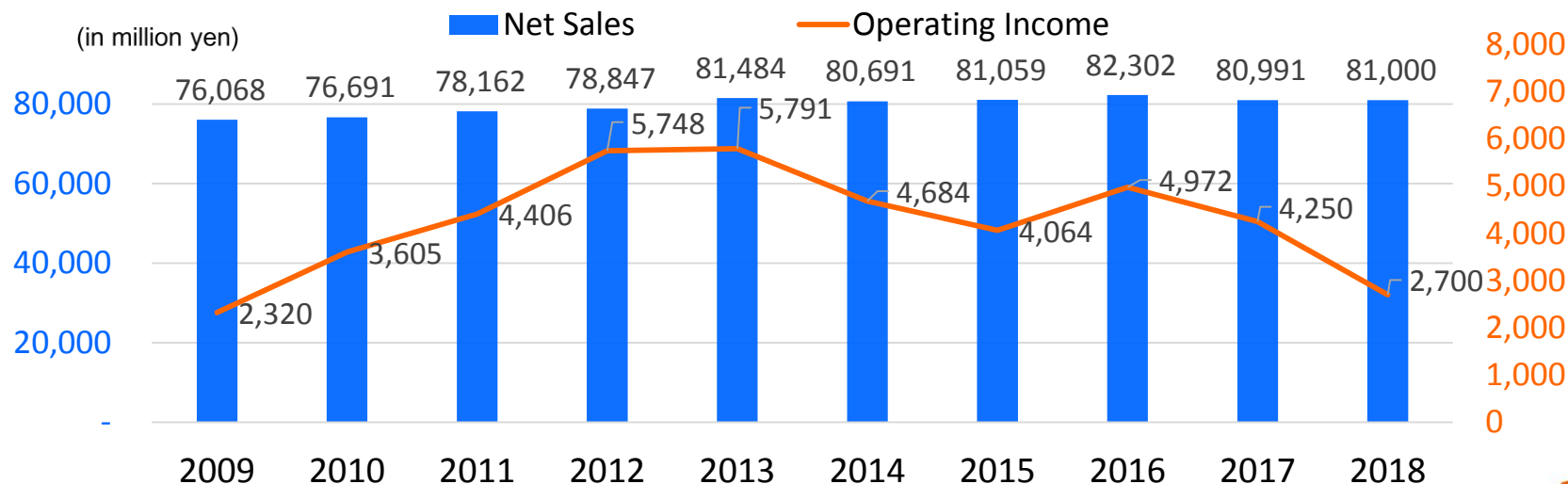
Enhance content production and technical skills, and strengthen our order system from outside the Group (including other stations, distribution companies)



# Forecast for Consolidated Results (Full-year)

(in million yen)

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



# Forecast for Results by Segment (Full-year)

(in million yen)

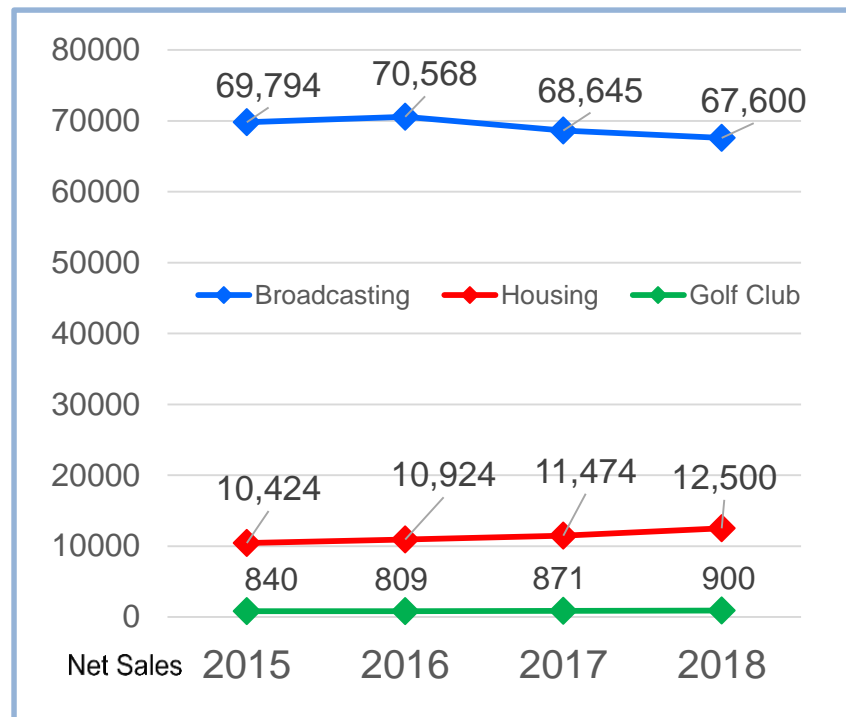
Broadcasting	FY2018	FY2017
Net Sales	67,600	68,645
Operating Income	1,980	3,116

Adjustments	FY2018	FY2017
Operating Income	-250	—

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

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

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

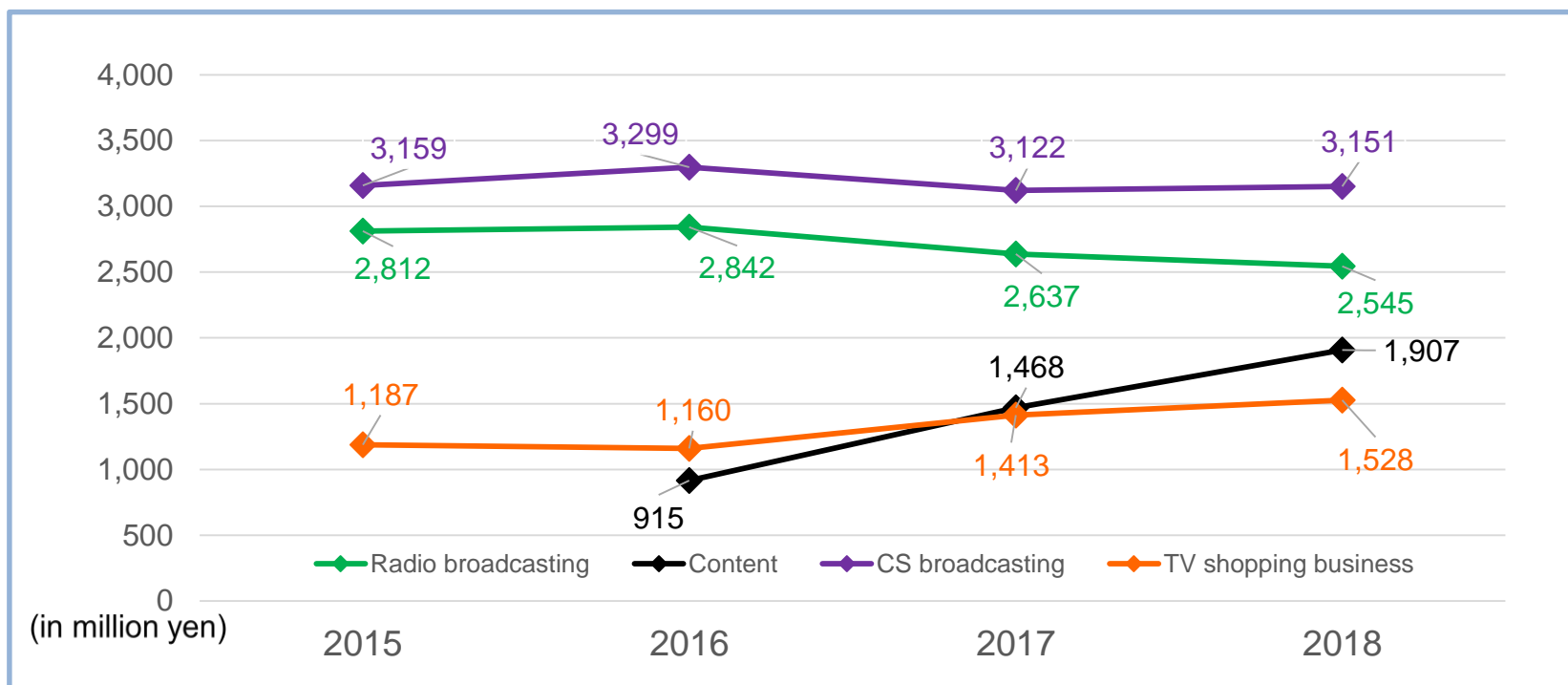


# Forecast for Non-TV Broadcasting Business Revenue (Full-year)

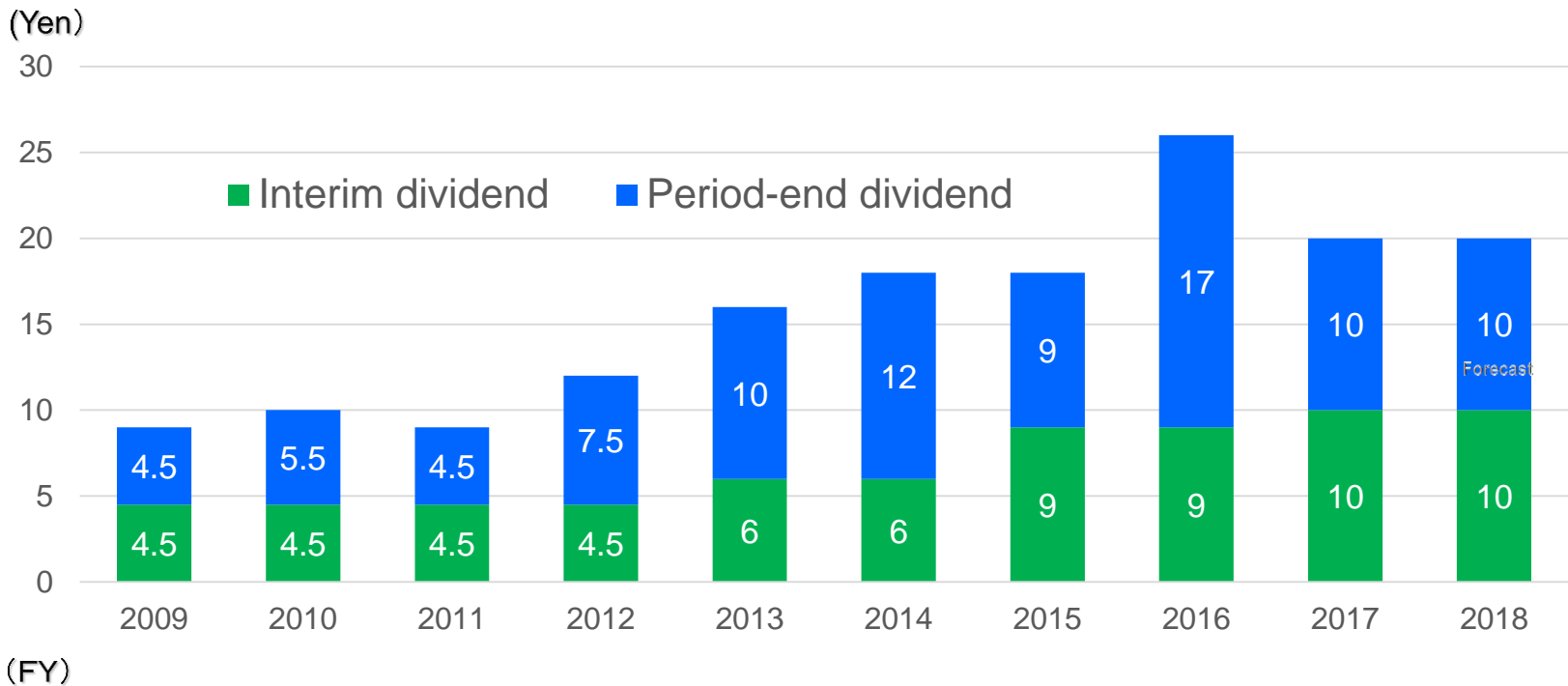
(in million yen)

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

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



# Dividends



## <Profit distribution policy>

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



# Contact / Disclaimer

This presentation is intended to provide information on our business etc., not to recommend the investment in our company. And, this presentation contains forecasts and the other forward-looking statements relating to the plans, outlook, targets, and forecasts of Asahi Broadcasting Corporation and its affiliated companies. These forecasts and other forward-looking statements are based on assumptions and beliefs that draw on information that is available as of the date of this presentation. As a result, the information in this presentation contains inherent risks and uncertainties. Accordingly, readers are advised that actual results may differ materially from forecasts due to a variety of factors.

## Corporate Information Website

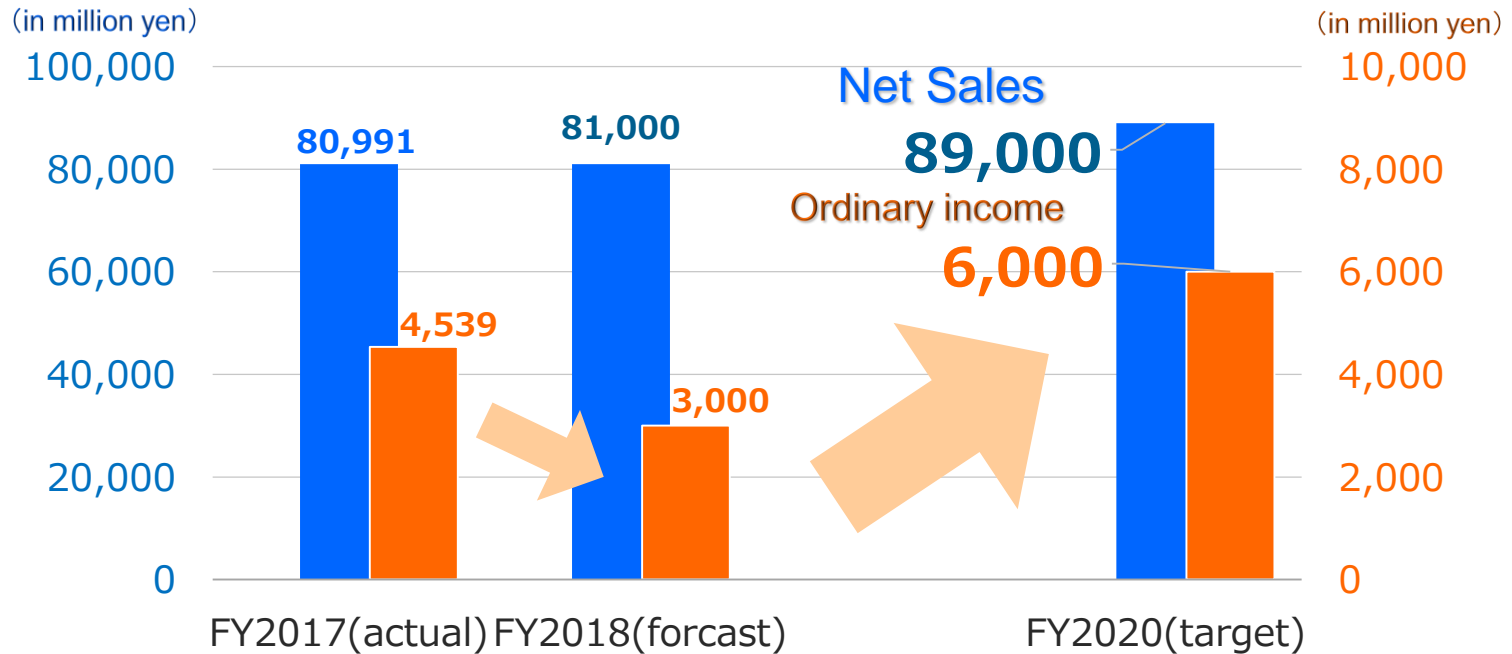


<https://corp.asahi.co.jp/en/>

For all shareholders, more detailed information such as consolidated financial reports and annual securities reports can be found on the website.

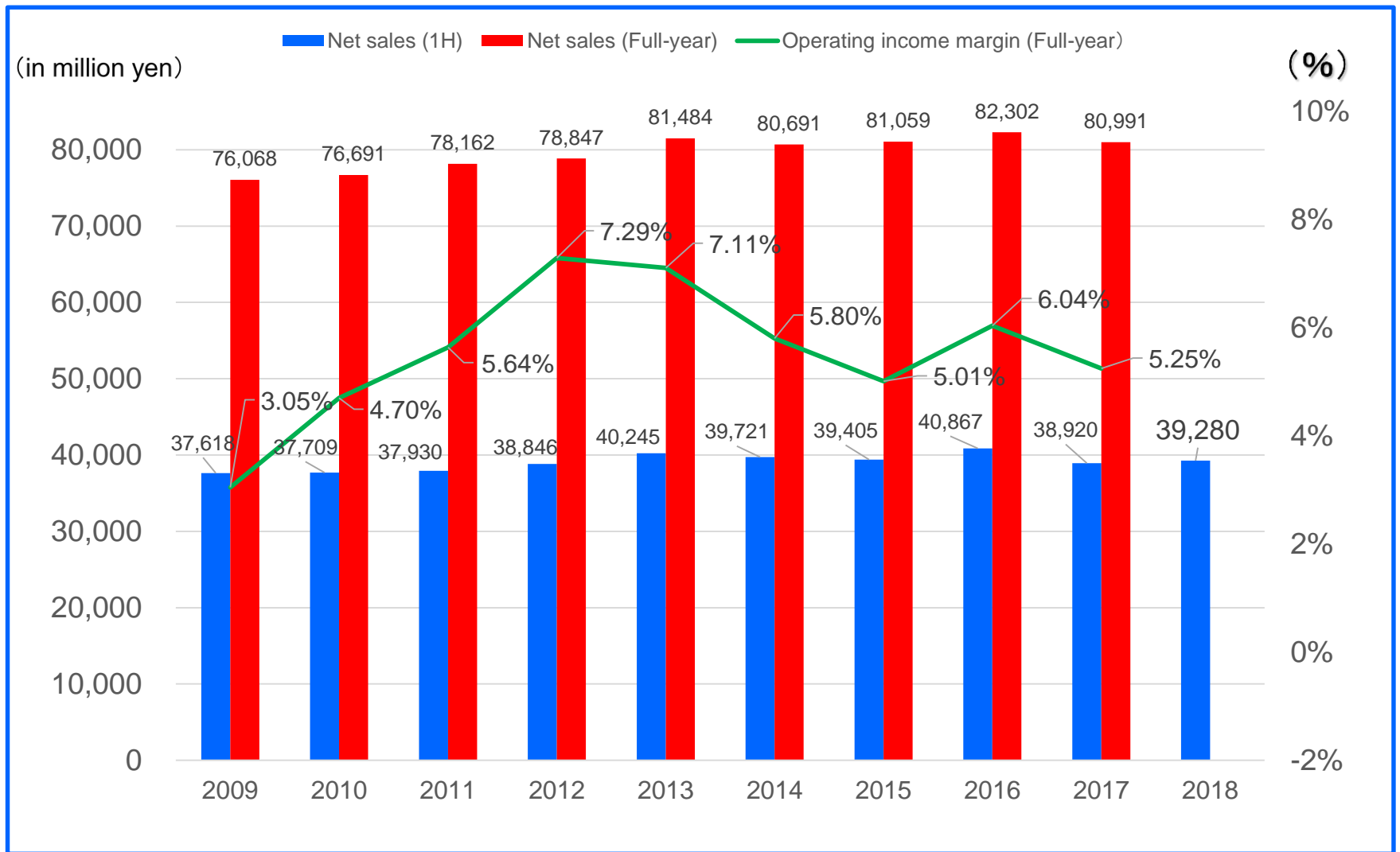
# Reference Materials

# 2018-2020 Medium-term Management Plan “SUNRISE”



- Definitely achieve our target of “consolidated sales of 89 billion yen and ordinary income of 6 billion yen” in FY2020
- Invest in growth areas (investment ceiling of 20 billion yen) to achieve the Group’s Growth Vision
- Pursue a dividend payout ratio of 30% or higher
- Strive to improve ROE
- Target an overseas business sales ratio to consolidated sales of 3% or more

# Growth of Net Sales and Operating Income Margin (Consolidated)



# Capital Investments / Depreciation and Amortization

	FY2018 1H		FY2017	
	Consolidated	ABC TV	Consolidated	Non-consolidated
Capital Investments	¥1.9 billion	¥1.3 billion	¥3.9 billion	¥2.6 billion
Depreciation and Amortization	¥1.5 billion	¥0.7 billion	¥2.8 billion	¥2.2 billion

(Amounts less than 0.1 billion yen are rounded to the nearest whole unit)

# List of Group Companies

★ Consolidated subsidiary

- |                                                                                       |                                                                                                                                                                                                                                             |                                                                                         |                                                                                                                                                         |
|---------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------|
| ★    | <b>Asahi Television Broadcasting Corporation</b><br>TV broadcasting business                                                                                                                                                                | ★    | <b>ABC RIGHTS BUSINESS, INC.</b><br>Package sales, product sales business,<br>licensing business, character business                                    |
| ★    | <b>Asahi Radio Broadcasting Corporation</b><br>Radio broadcasting business                                                                                                                                                                  | ★    | <b>Digiasa Inc.</b><br>Digital content production, subtitles production                                                                                 |
| ★    | <b>Sky-A, Inc.</b><br>CS broadcasting                                                                                                                                                                                                       | ★    | <b>i-NEX corporation</b><br>Technical production, post production                                                                                       |
| ★    | <b>ABC Media Communications</b><br>Mail-order business, radio program<br>production and music publisher                                                                                                                                     | ★    | <b>ABC Development Corporation</b><br>Housing exhibition management,<br>management of Housing Design Center,<br>insurance agency and advertising agency |
| ★    | <b>ABC Libra Co., Ltd.</b><br>TV program planning and production, video<br>archive                                                                                                                                                          | ★    | <b>ABC GOLF CLUB INCORPORATED</b><br>Golf course management                                                                                             |
| ★    | <b>ABC FRONTIER HOLDINGS, INC.</b><br>Business management, rights management,<br>and development of new business for<br>Group companies,<br><b>ABC ANIMATION, INC.</b><br><b>ABC INTERNATIONAL INC.</b><br><b>ABC RIGHTS BUSINESS, INC.</b> | ★    | <b>ABC DREAM VENTURES, Inc.</b><br>Management of corporate venture capital                                                                              |
| ★  | <b>ABC ANIMATION, INC.</b><br>Planning/production, sales of videogram,<br>overseas sales, product sales and<br>secondary-use business in events etc,<br>regarding animated content                                                          | ★  | <b>ABC HORIZON PTE. LTD.</b><br>(Headquarters : Republic of Singapore)<br>Research, development and support<br>related to international business        |
| ★  | <b>ABC INTERNATIONAL INC.</b><br>Overall profit-generating business related to<br>overseas markets, such as program<br>and format sales                                                                                                     | ★  | <b>ABC Kosan Co., Ltd.</b><br>Safety and security services and<br>facility management operations                                                        |

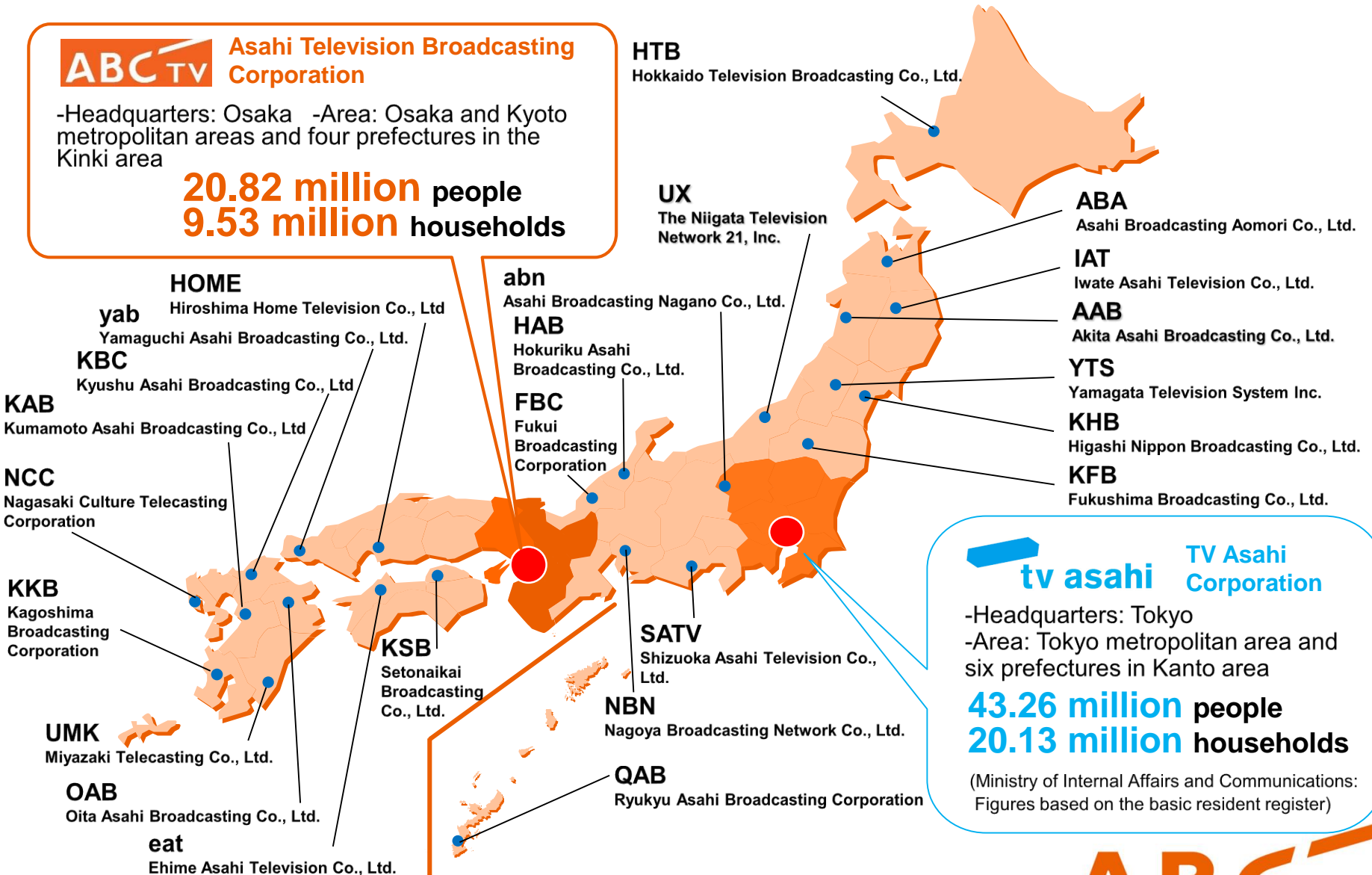
# TV Network



**Asahi Television Broadcasting Corporation**

-Headquarters: Osaka -Area: Osaka and Kyoto metropolitan areas and four prefectures in the Kinki area

**20.82 million people**  
**9.53 million households**



# Major Programs Broadcasted by ABC TV



Nationwide net programs produced by ABC TV



Local programs produced by ABC TV



Programs produced by TV Asahi and other companies

ABC TV's production ratio : 34.0%



# Types and Structure of TV Business Revenue

	<b>Time</b> Sales are those to sponsors offering programs "This program was sponsored by so-and-so"	<b>Spot</b>
<b>Time period</b>	<b>As a rule two seasons (6-month contract)</b>	<b>Can set up freely</b>
<b>Units</b>	<b>From 30 seconds</b>	<b>From 15 seconds</b>
<b>Broadcasting area</b>	<b>Nationwide or local network (areas of each station)</b>	<b>Local</b>
<b>Budget</b>	<b>Fixed fees for two seasons (6-month)</b>	<b>According to campaign</b>

**(Note 1) Regarding time sales revenue of the nationwide network**

Although the revenue per program on a national network is high, expenditures mount due to payments for "airtime fees" which we are required to pay to the affiliated broadcasting stations, along with "program production costs".

**(Note 2) Regarding spot sales revenue**

It is often the case that we adjust airtime to the needs of our sponsors at any given time due to the high degree of freedom exercised concerning airtime.

The spot price is calculated by multiplying the number of viewers (Households Using Television, HUT) and ratings, and sharply varies according to viewer ratings.

It makes a large contribution to "profit".