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March 14, 2023

■ New Management Plan Presentation: Q&A Session Summary

Investment in Growth

1. Could you please provide investment figures for each of the five strategies in “Specific Strategies”? Also, what are your thoughts on and the expected return for each?

- Of the 50 billion yen budgeted for strategic investment, roughly half will go into the Tokyo Dream Park development, and the other half into strategic investments (including M&A).
- We will primarily pursue strategic investments that lead to development of new businesses and intellectual property, and will distribute 360° the product created from the investments to grow profits.
- The first step is our investment in BookLive, which we will convert into an equity-method affiliate in April. We are confident our collaboration in the intellectual property development field will demonstrate our growth strategy.

Numerical Targets

2. The numerical targets seem somewhat modest and give an impression that higher profits can be achieved. Are you expecting particular increase in costs?

- We are currently facing an adverse operating environment. PUT is declining, internet advertising is growing, and in effect television advertising is dropping.
- Despite such environment, we are aiming to achieve the same level of operating income (20 billion yen) as our highest-ever result (21.4 billion yen in FY22/3) through building on the various initiatives set forth in our management plan.
- We are not expecting any particular increase in costs. We intend to continue with appropriate cost control measures during the period of the plan.

3. Could you please provide us with the TV advertising market forecast figures you based your numerical targets on?

- We based our forecasts for the next three years on the latest simulations by the Japan Commercial Broadcasters Association and other data.

- For FY24/3, we are expecting a shrinkage of about 3%. We forecast approximately 2% growth in FY25/3, and around 1% growth in FY26/3. So, we are expecting the TV advertising market to remain relatively flat over the period.
- Those are our assumptions for market growth, but we're aiming for the "triple crown" (top in All-Day, Golden Time and Prime Time viewer ratings), and will further promote our sales promotion services, which are proving successful, and work to boost our market share to increase revenue.

4. You are expecting significant revenue growth in the Internet Business, but how much growth are you expecting in each individual service (e.g., TELASA, TVer and ABEMA)?

- We will be increasing our efforts in our Internet Business which is one of the major pillars of our 360° strategy.
- We do not disclose revenue targets for each platform, but we aim to achieve revenue growth on all platforms. For our ABEMA business, we will leverage the experience gained through the successful FIFA World Cup live streaming and strengthen our collaboration with CyberAgent to take on major projects.
- We expect TELASA to achieve two million subscribers during FY24/3 and going forward, the service will achieve further growth by collaborating with terrestrial broadcasting and enhancing content, including original productions.
- As for our advertising-based video on-demand services centered on TVer, the market is expected to continue growing rapidly. We are working on programming and production aimed at maximizing the number of programs on catch-up streaming.
- We are aiming for revenue growth that surpasses that of the market through digital promotion that targets viewers who cannot be reached via terrestrial broadcasting, and efficient monetization leveraging UltraImpression.
- We are looking forward to next month's full-scale launch of real-time streaming service sales. We will also be enhancing content on our YouTube news channel in order to increase membership and revenue.

Internet

5. The merger of U-NEXT and Paravi was announced the other day. Could you please explain in detail your future plans for TELASA?

- We intend to grow TELASA as a platform. The service will soon be marking its third anniversary. It achieved profitability in its first year, and has continued to grow steadily.
- After achieving the membership target of two million in FY24/3, we will be working to achieve further growth through enhancing content.

Shareholder Return Policy (Dividends)

6. Regarding shareholder returns, can past special dividends linked to business performance, and the commemorative dividends marking every fifth anniversary, be factored in as a given?

- We position dividend payments as an important part of shareholder returns.
- Our policy on shareholder returns has been to pay commemorative dividends and performance-linked special dividends in addition to stable common dividend payments.
- We will continue to deliberate on dividend payments based on this policy to maximize shareholder returns.

Enhancement of Capital Efficiency and Price-to-Book Ratio (PBR)

7. The Tokyo Stock Exchange is considering requiring listed companies with PBR below 1.0 to make improvements. What are your thoughts on improving your PBR and ROE performance? Do you intend to establish definitive improvement measures?

- We are aware that the Tokyo Stock Exchange is considering a range of matters including requiring PBR improvement measures. We also acknowledge that our low ROE and PBR are issues that need to be addressed.
- In our new management plan, we have set numerical targets for net sales and on all profit lines. To improve ROE, we will steadily implement our management plan to boost profitability.
- We will also consider reducing net assets as appropriate through measures such as enhancing shareholder returns with dividend increases and other means.
- With regards to measures to improve PBR and ROE, we intend to deliberate and disclose in a timely manner our plan on such matters in light of the direction set forth by the Tokyo Stock Exchange.