May 16, 2023

■ Earnings Presentation for Fiscal Year Ended March 31, 2023: Q&A Session Summary

TV Advertising Revenue

1. What are your assumptions for individual viewer ratings and the Tokyo area advertising volume for this fiscal year, respectively? Individual viewer ratings are on the decline. What can you tell us about your sales approach?

- For the Tokyo area, the assumptions are 98.4% for the first half, 105.2% for the second half and 102% for the full year.
- Changes in Persons Using Television ("PUT") affect sales after approximately six months to a year, and the drop in PUT, which has been occurring since the second half of FY22/3, has been affecting sales from October 2022. On the other hand, we have been taking a very successful programming strategy in terms of content, and sustained high viewer ratings over a significant amount of time has mitigated the decline. As a result, we increased our market share in the Tokyo area and were able to maintain second position in Tokyo in terms of sales.
- In the current fiscal year, we expect the effects of the decline to continue for a little longer, but the degree of impact will gradually ease, and this has been incorporated into our plans.
- Our policy of enhancing our content lineup remains unchanged, and we will continue to sell this lineup. The demand for high-quality content that terrestrial broadcasting delivers has increased, and special programs such as *Tamori Station* and special two-part drama *Kitchen Revolution* have been valued highly not only in terms of viewer ratings but also the content itself, resulting in high sales.
- Great importance is also placed on dramas that are watched on TVer, and a trend is emerging in which dramas are bought with the expectation of also gaining high viewership numbers on TVer.
- In addition, we will continue to focus on providing solutions, making use of internet tie-up projects, commercial tie-ups with TV programs, and one-off and mini-slot projects, in order to sell and secure sales even as PUT drops.

TV Advertising Revenue: Spot

2. Spot advertising revenue for this fiscal year is expected to be +2.9%, and although there will be an impact from the return of one-off time slots to spot slots, is a +2.9% plan reasonable in a weak market? Can you tell us if there are any recent signs of a market recovery, and when you expect the market to recover?

- Our spot advertising revenue for the current fiscal year are expected to be 98.6% in the first half and 106.7% in the second half, which shows a considerable gap between the first and second half. While the need for advertising has steadily increased, there are also some areas where advertisers' supply-side issues, such as production, distribution, inventory, and human resources, do not seem to have fully recovered, and thus, we have a somewhat cautious outlook for the first half. We expect the situation to normalize in the latter half of the second quarter or later.
- We also intend to increase our share in the Tokyo area, and have set a benchmark that is on par with the previous year for the first half of the year, and +0.4 points, resulting in a share of 22.7%, for the second half.
- As for signs of recovery, transportation and leisure advertising volume have increased significantly. In addition, we expect growth in temporary staffing and job change services in the post-COVID-19 era, and signs of recovery are also being seen in the beverage and automobile markets across April and May. All of this suggests that we may have hit bottom.
- As for price increases, we achieved 103% in the first half and 104% in the second half of FY23/3, compared to the same period last year, and they rose to nearly 108% this April. This May, we are experiencing a level that is likely to reach 109%, and we believe that +2.9% is reasonable because of the recent price increase and the emergence of industries that are on track to recovery.

Sports Content

3. In FY23/3, there was a lot of talk about the FIFA World Cup and WBC getting high ratings. On the other hand, as sports broadcasting rights are likely to continue to soar, how does TV Asahi think about repositioning its sports content?

- Since the turn of the century, sports content, such as the World Swimming Championships, AFC Soccer and the ISU Grand Prix of Figure Skating Series have been catalysts that have boosted our viewership. These content not only contribute to sales, but also are instrumental in improving the brand image of "TV Asahi Sports."
- Furthermore, the historically high viewership ratings of last year's soccer World Cup and this March's WBC, have had a ripple effect of boosting our network affiliates and group companies and have literally fostered a sense of unity.
- Amidst the decline of PUT, the overwhelming appeal of television enhances TV Asahi’s reputation and leads also to high appreciation of television as a media. TV Asahi and ABEMA jointly acquired rights to and provided live coverage of the World Cup Soccer Tournament,

and I have heard that the recognition of ABEMA increased dramatically as a result of this tournament, leading to a surge in inquiries about various projects, which has also had a positive effect on ABEMA’s sales.

- On the other hand, as you pointed out, broadcasting rights are soaring, and there is no doubt it is a major management issue. Our basic policy is to acquire broadcasting rights for new productions as long as they are favorable, but we will make careful decisions in consideration of overall program production costs.
- There may also be unprofitable production for which broadcasting rights have been acquired, and we intend to make clear decisions to withdraw from such productions at contract junctures. It is our hope to focus on sales efficiency and make appropriate decisions.

<u>Internet Business</u>

4. Regarding the sales growth rate of the Internet Business, sales for the previous fiscal year were +10.6%, but the plan for the current fiscal year is expected to re-accelerate to +17.0%. How much growth do you anticipate for each service (ABEMA, SVOD, AVOD, etc.)?

- Internet Business includes ABEMA, SVOD and AVOD. AVOD, which includes TVer, has grown significantly, especially the catch-up viewership of drama episodes. Our plan is to contribute to further growth of TVer as a platform, while expanding viewership and increasing our share of video ad revenue by enhancing our content, marketing and promotions.
- And UltraImpression, the only video ad distribution platform operated by a TV station, saw revenue and profit increase in the last fiscal year, and we expect further growth in the current fiscal year.
- As for ABEMA, its service has increased penetration as its recognition increased due to last year's soccer World Cup broadcast. We are also focusing on new business development, and sales are improving. While we will continue to focus on growing the platform this fiscal year, we will also focus on gaining commission from ABEMA, which will serve to further increase sales.
- SVOD's TELASA, now in its fourth year, has been profitable since the first year and is on track to achieve its immediate goal of 2 million members this fiscal year. We will continue to enhance content lineup, including original and spin-off content which generate revenue for us, with the aim of increasing further revenue and profit.
- We also expect content offerings for external platforms to contribute to revenue growth this fiscal year.

- In terms of news distribution, “ANNnewsCH” on YouTube currently has 3.13 million subscribers. In addition, “Tele-Asa news” at its peak recorded more than 3 million subscribers, both of which are the largest subscribers of any Japanese media and contribute to sales. We will continue to increase the number of subscribers over this fiscal year with the aim of increasing revenue.
- We believe that our Internet Business will continue to grow, and as a key area of management, we will not only expand existing businesses that center on the aforementioned video streaming services, but will also make upfront investments and strengthen operational structure, including the reinforcement of business operations as symbolized by the capital and business alliance with BookLive, in order to increase sales.

Shopping Business

5. The Shopping Business is expected to increase in both sales and profits this fiscal year, and your earnings report states that you will be "actively expanding business." What specific measures are planned?

- Our Shopping Business posted record-high sales and profits in FY22/3 at the height of the pandemic due to so-called stay-at-home demand, but in FY23/3, sales and profits declined due to sudden changes in the environment, such as a weak yen, price increases in resources and products, as well as the fact that the COVID-19 pandemic was beginning to come to an end.
- For the current fiscal year, we plan to work more closely with our group companies, Ropping Life and Itty. Specifically, based on regular TV shopping programs and a number of special TV shopping programs a year, we aim to increase sales by strengthening our EC digital structure and expanding sales channels by linking tv asahi iD and ID points for Ropping and actively promoting digital measures such as mall sales, advertising, SNS, and CRM on Rakuten and other sites.
- We have already launched new TV shopping programs, *Nippon Meshiagare* and *Rumiko no Shokutaku*, in April, and hope to increase sales by expanding product range to include food products.
- In April, we seconded a new president to Itty, an affiliate with expertise in product development. Under the new president, we have divided our development genre into four categories: sleep (bedding related), wellness (health related), kitchen (kitchen related), and beauty (beauty related), with a greater focus on developing new products.

Other Businesses

6. In your forecast for the current fiscal year, you expect sales in Other Businesses to increase by 1.8 billion yen (+5.9%) from the previous fiscal year, but what is the driving force? Tell us about the direction (likely to grow significantly, decrease, etc.) of music publication, special events and movies.

- Other Businesses include music publication, special events, investment in motion pictures and equipment sales/leasing, and DVDs.
- In terms of music publication, we expect sales to be similar to the previous fiscal year, with concerts by affiliated artists scheduled for this fiscal year as well.
- As for investment in motion pictures, we expect a slight decrease in the number of films this fiscal year. However, we have high expectations for high profile films such as the theatrical version of *Emergency Interrogation Room: THE FINAL* and the film *Totto-Chan*.
- As for special events, we expect to return to a largely pre-COVID-19 environment this fiscal year and hope to outperform the previous fiscal year.
- In addition, several successful examples have emerged in the development of program-linked events, and we are gaining a positive momentum. These are events based on popular late-night TV programs targeting the younger generation, where PR is run on terrestrial broadcasting to attract customers to the real event, and tickets are also sold for online distribution of the event to attract more participants and increase revenues. These are multi-deployment of content through the fusion of terrestrial, digital and real events, and we have high expectations for the future as it embodies the 360° deployment of content that we have set forth in our management plan.

Shareholder Returns

7. The concept of shareholder returns has already been set out in the New Management Plan 2023 - 2025. Please explain your response to the request from the TSE for a response from management concerning capital efficiency and stock price awareness.

- There is no change in the policy of continuing to strive for shareholder returns through commemorative and special dividends in addition to stable common dividends.
- In addition, we understand that the TSE's announcement at the end of March requires the implementation of initiatives after conducting an analysis, taking into account capital efficiency and stock prices, and formulating and disclosing plans.

- We regard ROE (return on equity) and cost of capital as important management indicators, and in addition to expanding the profit level of our core business, we plan to appropriately control our capital by investing in growth areas, selling cross-shareholdings whose significance has declined, and returning profits to shareholders.
- Against this backdrop, we have raised our dividend forecast for this fiscal year by 10 yen per share to 50 yen per share, the same as last year, and will continue to strive to maintain the 50 yen dividend as the base amount going forward.