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November 12, 2024

## ■ Earnings Presentation for the Semi-Annual Results of Fiscal Year Ending March 31, 2025: Q&A Session Summary

### TV Advertising Revenue

1. Spot advertising market conditions are favorable. What are your thoughts on the reasons for this and its sustainability?

Regarding the outlook for advertising revenue for the next fiscal year and the medium term, given the macro trends of the industry's decreasing viewer ratings and Japan's declining population, the bar of surpassing the level of broadcast advertising revenue YoY has been raised. What is your outlook for the next fiscal year and the medium term?

- Regarding the favorable spot advertising market conditions, although each company has its own reasons, the first is that as a whole, we hear from our customers that consumers and retailers are getting used to price increases. Although there are many concerns about price increases, there has been a change in the situation in that consumers have gotten used to the price increases, and advertisers are now able to launch and sell new products without fear of backlash, directing them to purchase commercials.
- Corporate performance and supply chains have also improved. The ability to produce goods as planned and deliver goods to stores and consumers has created an environment in which advertising is possible.
- We also often hear of shifts in corporate strategy due to wage increases. Given that the increase in personnel expenses is in the 6% range this year, and it is expected that this will continue into the next fiscal year and beyond, we see companies are shifting from cost-cutting management to business expansion. It appears that companies are looking to offset the increase in personnel expenses by increasing revenue through stronger sales, release of new products, and introduction of higher-priced products. We see some companies placing advertisements as a means of reinforcing this.

- There is also a growing need for corporate branding. Companies facing chronic shortages of human resources are changing their company names and strengthening their recruiting practices to secure human resources. This has resulted in advertisements being placed. Recently, we have received advertising placements from BtoB companies in the steel, printing, shipbuilding, and heavy machinery industries.
- And finally, we also hear about reconsidering online advertising. It seems that there are cases where reach can be expanded, but with limited sales results. Also, the situation appears to be that companies are shifting advertisements from the internet to terrestrial broadcasting for fear of online platform risks such as being associated with fakes, scams, illegally posted videos as has been reported recently.
- Next, regarding the sustainability of favorable market conditions, we are confident that they will remain favorable for the remainder of the year. It is also true that we are already witnessing significant demand for the beginning of the next year, and there are already signs of placements for February in some local areas. Given this situation, we believe the market will remain favorable at least through February. From a sensible perspective, we believe the current trend will continue in March.
- Finally, regarding the outlook for the next fiscal year and the medium term, we expect the market to continue to recover moderately for some time unless situations that drastically impact the economy occur. From the standpoint of investment efficiency, although the decline in viewer ratings and population changes that have been pointed out are negative factors that should not be underestimated, at present, our customers are taking the stance of utilizing advertising to promote and sustain their businesses, and TV advertising, which has a significant ripple effect on the mass, will continue to be a component of budget allocation.
- Furthermore, in the medium term, while the advertising market based on real-time viewing will inevitably shrink over time, we believe it can be supplemented by time-shifted viewing of video distribution. Moreover, as for our company, as the gap between us and the No. 1 TV station is still very significant at 47 billion yen, a 1% increase of our share of the spot advertising market will bring in an additional 4 billion yen in revenue, and a 2% increase will bring in 8 billion yen in revenue. We believe the right strategy is to continue to draw in commercial placements and increase our market share through our program production capabilities, sales capabilities, and internal collaborative solutions.

2. Spot advertising sales revenue for the second quarter (July-September) increased by 8.3% YoY, which was better than the 6.8% increase in the spot sales market in the Kanto region. What factors, such as unit price, inventory, sales efforts, etc., contributed to spot advertising sales revenue being better than that of the spot sales market?

Also, since the first quarter of FY23/3, the YoY share of spot advertising sales revenue has been on an upward trend. How much more room is there to increase the share?

- The basic factor is of course, viewer ratings. Since high viewer ratings means a large capacity for commercial placements, having high viewer ratings has great significance in the current situation of strong demand for commercials.
- Based on this, structurally, we expect our commercial inventory volume for the current fiscal year to be at the 99% level compared to the previous fiscal year. Given the current excess demand situation, we do not expect this to have a negative impact.
- On the other hand, regarding the unit price per transaction, April to July remained at approximately the same level YoY and then it rose sharply in August and September, reaching the mid-103% level for the first half of the fiscal year. Since then, prices have continued to rise, standing at the 104% level in both October and November.
- This price increase is partly due to supply and demand, but it is also due to our efforts to raise prices. Specifically, as a worthy approach, in August we started selling a new product, “Mirai Sales”, which are regular spot advertising products with added value. Specifically, we newly introduced spot advertising that guarantees spot broadcasting positions adjacent to specific programs, particular spot broadcasting positions, actual ratings, etc. These measures can only be launched with certain high viewer ratings, meaning a certain amount of commercial inventory, and we are in such position. Our thinking is “It’s our mission to do so. New products shall be purchased at new prices.” So far, the performance has been as expected and especially sales for this year-end season are very successful.
- As a measure to raise transaction prices, we have eliminated the off-peak rate. This has been applied traditionally in January, February, and August, making the off-peak months one or two tiers cheaper than regular months. We are also working on changing the business terms of annual contracts with major customers.
- Finally, as a result of these measures, our 1H spot advertising share was 23.3%, the highest level ever for the 1H. As for 2H, spot advertising share was 23.8% in

October, and we are continuing to target the upper half of the 23% range in November and December. We project that the results for the third quarter will certainly exceed the 1H results. We aim to achieve a record high of 23.5% or higher for the full year.

3. The continued tight supply-demand situation for spot advertising is likely to affect the supply and demand for time advertising slots. What is the sales outlook for regular slots from October onward and special slots during the year-end and New Year's holidays?

- If the problem of capacity relative to demand for spot advertising persists, it will have a positive impact on sales of time advertising. Specifically, one thing that will happen is that more customers will be oriented toward time advertising. This will lead to increases in the price of open slots of regular programs, or a faster pace of purchasing time slots that are sold on the spot.
- We can say that this is actually happening in our sales of time advertising. For the October programming season sales, the number of time slots sponsored has increased, and the number of open slots has decreased.
- The transaction price of open slots for regular programs has also been steadily increasing. These trends also apply to transactions for year-end special programs, and all year-end special programs are sold out with currently one program remaining. Transaction prices have also exceeded those of last fiscal year.

#### **Changes in Program Production**

4. Following the overall decline in viewer ratings and the increase in the number of views on TVer and other video distribution services, we see that viewers' content viewing patterns are changing from "time zones" to "program-by-program." Are there any changes occurring in the way programs are produced in response to changes in viewing habits?

- In the midst of diversifying viewing patterns, we started our 360-degree content distribution strategy early on, providing content widely not only on terrestrial broadcast but also on various internet platforms such as ABEMA, TELASA, TVer, and Teleasa Douga, and have flexibly responded to the needs of viewers to watch programs on a program-by-program basis.

- In terms of content, in 2020, we established a large time zone called “Barabara Daisakusen” late night on weekdays and are producing 15-minute programs, which are very short for terrestrial broadcast programs, led by up-and-coming young directors. A number of such programs are designed for internet distribution from the start.
- On the other hand, in All Day, the viewing habits that exist in each time zones are also a very important, and in Prime Time, the daily news show zone is comprised by *Hodo Station*, *Saturday Station*, and *Udo Times*. There are five daily news show zones, including *Good! Morning*, which expanded to Sundays in October, and *Hatori Shinichi Morning Show*, and all of these programs have secured stable viewing habits and continue to be among the top in terms of viewer ratings.
- We believe that the presence of these time zones situated with certain intervals creates a strong vertical flow for the day and supports our current strong viewer ratings. Therefore, we recognize that time zones are also an important issue.

### **Internet Business**

5. CyberAgent Inc. has explained that Abema TV is close to becoming profitable. If Abema TV becomes profitable, what will be the impact on consolidated results?

- ABEMA has grown to 25 million weekly active users (WAUs) in recent years, mainly due to its high-profile content.
- ABEMA NEWS, MLB, and foreign soccer broadcasts are contributing to the increasing number of users, advertising revenues are growing, and steady progress is being made to turn profitable.
- Since its establishment, ABEMA has continuously made upfront investments to grow its business, and this has been the driving force behind the expansion of its WAUs to 10 million, 20 million, and 25 million.
- The business will enter the stage of earning profits in the future, but we believe that the timing of recording investment gains on equity method will be after the elimination of cumulative losses.
- We have already recognized investment losses on equity method equivalent to our investment.

### **Tokyo Dream Park**

6. One year has passed since the start of construction of Tokyo Dream Park. Are there any concerns about progress in terms of rising material costs and personnel expenses? Also, regarding the business plan, what will be the expenses, events, profit contribution scale, etc.? When will detailed information be announced?

- Construction of Tokyo Dream Park is now well underway.
- Regarding the amount of investment, etc., although the recent economic climate is challenging with soaring construction material prices, depreciation of the yen, and labor environment issues in the construction industry, we believe that construction costs can be met within the strategic investment budget of 50 billion yen in our management plan.
- Regarding events, etc. that are being planned, based on the Media City concept and with a view to growing our revenue base, we are reaching out to producers of major entertainment companies and related companies, and are receiving good responses. For example, the theater which has a capacity of 1,500 people is about 70% booked. At the presentation of the multipurpose hall held for promoters in October, 264 people from 90 companies attended, and during the Q&A session, we received strong interest.
- We, as a company, are working to invite various events and to carry out major events such as large-scale music festivals.
- We have held many program-related events at our EX THEATER and other venues, and we will build on such successful experience to develop events on a larger scale.
- The waterfront area, including the Ariake district where development is taking place, is a major focus of the Tokyo Metropolitan Government as the future city of the Tokyo Bay area, and we have already established a cooperative relationship through events and other activities. This area has been undergoing continuous large-scale constructions by major developers, and the area is very suitable for entertainment, with a large arena such as the TOYOTA ARENA TOKYO and an international cruise terminal, which is expected to generate inbound demand. We expect to achieve stable earnings in this market by creating a new vibrant space, building on the experience we have accumulated over many years of program production, and producing events/concerts at EX THEATER.

- We have already established a dedicated company and are making daily progress on our business plan. We will provide a more detailed explanation at the appropriate time.

#### **New Partnership with Major Shareholders**

7. There was an announcement of a new partnership with TOEI COMPANY, LTD. which is a major shareholder. What is the direction of synergy and partnership with The Asahi Shimbun Company beyond the current situation?

- We recognize that cooperation with our partner companies, including our relationship with TOEI COMPANY, LTD., is very important for maximizing our profits.
- We also have a close relationship with The Asahi Shimbun Company, our major shareholder, with whom we have established a solid cooperative relationship, especially in the area of news and information.
- To cite a few examples, we have a long-standing collaborative and cooperative relationship in election coverage. In our coverage of the recent general election for the House of Representatives, we broadcast two programs *Senkyo Station 2024* and *Udo Times* back-to-back for a total of four hours on the day of the election, providing breaking news of the vote count. The programs recorded the highest viewer ratings among commercial broadcasters. Close cooperation with The Asahi Shimbun Company was behind this achievement. In addition, cooperation in aerial filming, which has become increasingly important in recent years, and cooperation in archived video, etc. have also been growing recently, both of which are starting to improve the quality and reduce the cost of news and information programs. There are always several people seconded from The Asahi Shimbun Company to our news division and other divisions, and they provide us with personal connections and know-how they have cultivated as newspaper reporters. Given that the spread of fake news, and adverse effect of only having access to biased information due to filter bubbles and echo chambers in the internet space have become social issues, we, as a news media, believe that trust will increasingly become the source of our value, and the strong cooperative relationship between the two trusted media are currently contributing significantly to our corporate value. We believe the contribution will further in the future.

### **Shareholder Returns**

8. While the full-year earnings forecast was revised upward, the dividend plan was unchanged and it has been noted that share buybacks are continued to be considered. What are your future return policies, such as dividend increases and share buybacks?

- There is no change to the current dividend policy. Our dividend policy is to consider commemorative dividends in milestone years and special dividends in response to performance trends, in addition to maintaining stable common dividends with an emphasis on continued growth, to enhance shareholder returns.
- The common dividend was increased by 10 yen to 50 yen for the last fiscal year. We intend to continue the common dividend of 50 yen for the current fiscal year.
- We will make appropriate decisions regarding dividends, taking into consideration future performance trends and other factors.
- Share buybacks were conducted in FY16/3 and FY21/3.
- Although there are voting rights restrictions on cross-shareholdings with major shareholders, we will continue to engage in dialogue, taking into account adjustments, with stakeholders to determine the timing of share buybacks.

### **Collaboration with ABEMA in Spot Advertising Sales**

9. Regarding the sales of spot advertising, is there a positive effect of collaboration with ABEMA?

- We would say that the collaboration has had a greater effect in the sales of time advertising than in spot advertising. For example, during the coverage of *FIFA World Cup Qatar 2022*, we worked quite closely with ABEMA to promote sales with external advertising companies.
- Partially because ABEMA is based around advertisers that are not easily accommodated in terrestrial broadcasting, such as tobacco and boat racing, we believe that the collaboration is more effective for time advertising for each content rather than spot advertising.



### **Use of Cash**

10. Looking at the difference between ordinary income and profit in the company's outlook for the current term, it is assumed that the gain on sale of investment securities is planned as extraordinary gains. How do you plan to use the cash after the gain on sale of investment securities?

- Extraordinary gains under ordinary income in the current outlook include the gain on sale of investment securities. Regarding the use of proceeds, there is no change in the policy of allocating them to investments that contribute to growth strategies and shareholder returns.

### **Future Outlook on TVer**

11. As the quality of internet media is becoming a topic, it is thought that the quality of TV programs on TVer, one such internet media, will be reevaluated. What is the future outlook of TVer, including your estimate of future growth rates?

- The TVer business, the core of our AVOD business, is growing steadily and has contributed significantly to the growth of TV Asahi Corporation's non-consolidated digital ads-related revenue (TVer, etc.), which grew 44% YoY.
- Basically, the market continues to grow, and we expect the growth to continue in the same manner in the next fiscal year. It has been predicted that sales of TVer for commercial broadcasters as a whole will reach 50 billion yen in the next fiscal year, and we intend to achieve growth that exceeds the market's growth.

### **Anime Business**

12. You have partnered with other companies such as BookLive Co., Ltd. and KOTOBUKIYA CO., LTD. and are focusing on your original anime and IP business. Do these efforts change your position or role in anime production committees?

- There are various forms of partnerships in the anime business, and our positions vary depending on the work.
- By partnering with BookLive Co., Ltd. and KOTOBUKIYA CO., LTD., in addition to Japan's nationally popular anime such as *Doraemon* and *Crayon Shin chan*, we intend to establish a style in the anime business that is more vertically

integrated, including the anime slot targeting young demographic that has been added in the late night.

- We also look forward to establishing a business model within our anime business where we create original IP within our Group in which we generate revenue through the production, broadcast and merchandising of the IP.

### **TELASA**

13. There seems to be a move toward increased investment in competing video distribution services. Do you intend to expand your content investments in TELASA as well? What are your plans for the future?

- TELASA has been recently increasing the number of spin-offs of our terrestrial programs and original content at a fairly rapid pace.
- While other video distribution platforms are strengthening their content in various ways, we are continuing discussions with our partner companies, KDDI CORPORATION and TELASA CORPORATION, on how to strengthen its content.

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