Integrity & Sustainability

March 18, 2025

Sector: **Information and Communication**

Asahi Broadcasting Group Holdings (9405)

Long Report

GIR View

ABC Asahi Broadcasting Group Holdings Corporation

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Company Profile
Business Overview

Leading Certified Broadcasting Holding Company in the Kansai Region

Asahi Broadcasting Group Holdings ("the company") is a leading certified broadcasting holding company and the only publicly listed company in the Kansai region. Subsidiary Asahi Television Broadcasting Corp. belongs to the same TV Network affiliated stations as TV Asahi Corporation.

The ABC Group is transforming itself into a "comprehensive content business group" by maximizing its content production capabilities under the business philosophy of "The ABC Group continues to evolve as a dynamic and creative corporate organization, adapting to social change and contributing to the development of society."

The company's business consists of broadcasting and content business and lifestyle business. Of the former, the company is currently focusing on the content business.

Medium-Term Management Strategy 2021-2025 "NEW HOPE"

The company's core TV Broadcasting Business continues to face a challenging environment due to the uncertain outlook for the TV advertising market and the growing dominance of Internet Content.

In response to these changes in the business environment, in May 2021, the company announced its medium-term management strategy, 2021-2025 "NEW HOPE," aiming for net sales of 100 billion yen, operating profit of 5.7 billion yen, and ROE of at least 5% by FY03/2026. *(for reference: FY03/2024 results- net sales of 90.4 billion yen, operating profit of 800 million yen, ordinary profit of 700 million yen, and ROE of -1.2%)*.

The company plans to grow both of the above two segments to achieve its goals. A key priority is to strengthen its content business, and the company focuses on the animation business and its own IP business, including drama productions.

Business Environment
and
Medium-term
Management Strategy
"NEW HOPE"

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Continuation of GIR View

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Financial Strategy

Financial Strategies to Support the Execution of the Medium-Term Management Strategy

The company aims to enhance ROE (Return on Equity) and PBR (Price-to-Book Ratio) through management that is conscious of the cost of capital. In addition to improving asset efficiency through business portfolio optimization and disciplined growth investments, the company seeks to boost ROE from multiple angles, including effective asset utilization and prudent liability management, such as through the strategic sale of cross-shareholdings.

Amid uncertainties in the business environment, it is crucial to steadily implement structural reforms at the appropriate time. During the reform process, significant fluctuations in extraordinary gains and losses in the short term cannot be ruled out.

To mitigate investor concerns, the company has adopted a stable dividend policy, maintaining a payout ratio of 30% of deemed net profit (defined as consolidated operating profit after income taxes), with a minimum annual dividend of 12 yen per share as a baseline principle.

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Strengthening the Broadcasting and Content Business

Expansion in Animation and Increased Focus on Drama

The key to the growth of the Broadcasting and Content Businesses lies in the Content Business.

Net sales from the Content Business have been on a steady upward trajectory, supported by both organic growth and M&A activity. The company is on track to achieve 21 billion yen in net sales for FY03/2025, progressing toward its medium-term management strategy target of 25 billion yen in FY03/2026. *(For reference: FY03/2022: 15.1 billion yen, FY03/2023: 17.3 billion yen, FY03/2024: 20.6 billion yen.)* Within this segment, the Animation Business is projected to reach 6 billion yen in FY03/2024 and further expand to 8 billion yen by FY03/2026.

Furthermore, to establish TV drama production as a new pillar of growth, the company has been producing serial dramas for the nationwide terrestrial television network airing in prime time (19:00–23:00) since April 2023. This led to new content revenue streams, such as increased rights income from hit theme songs. There have also been successful cases of Kansai-local variety shows being developed into a nationwide streaming platform, and the company is now transforming its business model to one that is appropriate for the era of Internet Content.

The group is undergoing organizational restructuring within both the

Continuation of GIR View

Animation and Live-Action Businesses, establishing a framework to further accelerate growth and enhance operational efficiency.

Additionally, advertiser sentiment in the Broadcasting Business has shown signs of recovery, with an increased willingness to place advertisements. This positive trend is expected to support earnings growth, creating a more favorable environment for the company to proactively strengthen its content production capabilities.

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Medium-Term Performance Trends and Outlook

While current performance trends are diverging from the targets set in the "NEW HOPE" strategy, there are positive signs of improvement

Recent Performance: Challenges Persist, but Signs of Recovery

For the fiscal year ended March 31, 2024, the company reported revenue of 90.4 billion yen (a year-on-year increase of 3.9%), operating profit of 830 million yen (a year-on-year decrease of 67.9%), ordinary profit of 720 million yen (a year-on-year decrease of 72.8%), and a net loss attributable to owners of the parent of 880 million yen, reflecting a challenging financial outcome. The decline in profitability reflects a challenging business environment, with lower TV spot advertising revenue and rising content development costs. The poor performance of the Lifestyle Business and delays in new business expansion, combined with growth in the Animation Business and Internet streaming, were insufficient to offset these negative impacts.

Financial performance for the fiscal year ending March 2025 faced challenges through the interim period but showed a strong recovery in Q3. Cumulative results indicate revenue of 66.8 billion yen (a year-on-year increase of 1.4%), operating profit of 1.09 billion yen (returning to profitability), ordinary profit of 1.3 billion yen (significant profit growth), and net profit attributable to owners of the parent of 1.23 billion yen (returning to profitability).

Both the Broadcasting/Content Business and the Lifestyle Business saw growth in both revenue and profit. In the Broadcasting and Content Business, both recorded revenue increases. Notably, the television business, the company's current core revenue driver, maintained its top position in viewer ratings while effectively managing programming costs. This led to higher spot advertising revenue and a significant improvement in profitability. The company's full-year forecast for the fiscal year ending March 2025 remains unchanged, with projections of revenue at 91 billion yen (a year-on-year increase of 0.6%), operating profit at 2.2 billion yen (a year-on-year increase of 164.2%), ordinary profit at 2.3 billion (a year-on-year increase of 218.1%), and net profit attributable to owners of the parent at 1.5 billion yen, marking a return

Continuation of GIR View

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to profitability. Given the progress made so far, these targets appear achievable. Based on the company's progress to date, the full-year forecasts appear achievable. However, it is important to note that current projections deviate significantly from the financial targets set in the "NEW HOPE" medium-term management strategy.

Additionally, the company has lowered its revenue forecast for the Content Business, which is expected to be a key driver of future growth. Despite this adjustment, the strong performance of the TV Broadcasting Business is expected to contribute positively to ongoing management reforms and long-term growth strategies.

Leadership Change in October 2024: Accelerating Reforms with a Dual-Executive Structure

In October 2024, former President and Representative Director, Mr. Okinaka, was appointed Director, Chairman while Mr. Nishide assumed the role of President, Executive Officer. The company is transitioning to a dual-executive leadership structure, with Mr. Imamura, who also serves as President of Asahi Broadcasting Television —the core of the group— and Director, Managing Executive Officer supporting Mr. Nishide. Mr. Nishide will be appointed President and Representative Director and Mr. Imamura will be appointed Vice President and Representative Director at the Ordinary General Meeting of Shareholders and Board of Directors Meeting in June 2025. Mr. Nishide, previously responsible for the Content Business (mainly in charge of animation and events) and overseas operations, will now oversee the entire group, while Mr. Imamura will continue to lead the Broadcasting Business.

This unusual mid-term leadership change aims to thoroughly implement reforms in response to the company's severe profit-and-loss situation, while also accelerating the launch of new projects and reforms with a long-term perspective. It should be viewed positively as a demonstration of management's sense of urgency and commitment to structural improvements.

Progress to date includes the completion of group reorganization, including subsidiaries in the animation and live-action segments, to improve efficiency and create synergies, the early identification of group-wide operating results and the identification of issues to improve profitability, and the establishment of new investment guidelines.

Leadership change during the period, with a focus on reinforcing current reforms and launching future initiatives

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Continuation of GIR View

After October 2024, as the next step, the company will be taking a deeper look at business reform measures and formulating a vision for the future. It can be said that the company is preparing for the future beyond the current medium-term management strategy.

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7 Stock Price Trends

Gradual Depreciation Trend, but Signs of Rebound Amid Improving Visibility on ROE

In recent years, the company's share price has experienced a gradual decline, falling from the 700-yen level and briefly dipping to 600 yen in January 2025. However, following the Q3 FY03/2025 results announcement on February 10, 2025, which showed an earnings recovery, the stock rebounded, closing at 677 yen on March 17, 2025, just shy of the 700-yen mark.

Despite this recovery, the price-to-book (P/B) ratio remains low at approximately 0.4x, well below 1x. This continued undervaluation likely reflects the fact that ROE has remained in the low single-digit range, even during profitable periods, and that the impact of management reforms has yet to be fully reflected in financial performance.

That said, recent movements in the share price suggest growing expectations for a recovery in TV advertising, confidence in the new management structure, and broader structural improvements in the broadcast media industry, partly influenced by compliance issues at a different station.

Strengthening Compliance as a Competitive Advantage

Since year-end 2024, compliance issues at a major Tokyo broadcaster have been in the spotlight, prompting strong reactions from advertisers. Failing to meet the compliance standards expected by modern advertisers poses a significant revenue risk, potentially weakening the core foundation of the business. Conversely, by upholding higher compliance standards than its competitors, the company has an opportunity to strengthen its position in the advertising market and capture a larger share of ad revenue. This shift marks the emergence of a new competitive axis, distinct from traditional viewership ratings. Moving forward, the key question will be whether the company can leverage its compliance initiatives to strengthen its market position.

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Next Catalysts:

Ensuring a compliance system, executing the final year of the medium-term management strategy (FY03/2026), advancing post-plan growth strategies, and enhancing ROE through balance sheet optimization

Continuation of GIR View

Path to Sustainable ROE Improvement

As previously noted, the company is committed to management conscious of cost of capital and aims to eliminate its low P/B ratio. However, current performance has deviated significantly from the final-year targets of the medium-term management strategy, and progress in improving profitability within the Content Business-a key strategic focus-has been slower than anticipated.

A critical question remains: how will ongoing initiatives-including profit improvement, New Investment Guideline Formulation, Business Reform, and Future Vision Formulation-translate into tangible results and future expectations? The company's ability to optimize its business portfolio, utilize assets effectively (such as through the sale of cross share-holdings), and promote growth investments will be key to improving ROE and setting the next target level for return on equity. We look forward to the announcement of future policies under the new management structure.

As the company continues to build a track record of developing deeply integrated IP content across multiple distribution channels, both domestically and internationally, it presents a promising opportunity. Greater involvement across these channels could significantly enhance corporate value. Encouragingly, the Q3 FY03/2025 results, the first financial report since the new organizational structure was established, showed an earnings recovery. This, combined with the tailwind of increasing TV spot revenues, has raised expectations for a positive cycle of sustained growth.

Leading companies in Japan's broadcast media industry have begun setting ROIC (Return on Invested Capital) targets based on capital costs, business portfolio optimization, core business growth strategies, and capital allocation. Moving forward, attention will be on how effectively the company can align with this trend and close the gap with industry leaders.

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Next Catalysts:

Strengthening compliance, executing the final year of the medium-term plan (FY03/2026), advancing post-plan growth strategies, and enhancing ROE through balance sheet optimization

Consolidated Results										Share Price ¥677 (03/17/2025)
Fiscal Year	Net Sales (￥mn)	YoY (%)	Operating Profit (￥mn)	YoY (%)	Ordinary Profit (￥mn)	YoY (%)	Profit (￥mn)	YoY (%)	EPS (￥)	PER (X)
FY03/2020	82,937	1.2	3,388	-20.5	3,633	-20.9	2,278	-39.1	55.6	12.2
FY03/2021	78,344	-5.5	2,694	-20.5	3,033	-16.5	(930)	Loss	(22.7)	n.a.
FY03/2022	85,100	8.6	4,203	56.0	4,792	58.0	2,671	Profit	65.0	10.4
FY03/2023	87,028	2.3	2,594	-38.3	2,661	-44.5	1,354	-49.3	32.4	20.9
FY03/2024	90,452	3.9	832	-67.9	723	-72.8	(884)	Loss	(21.1)	n.a.
FY03/2025 (Est.)	91,000	0.6	2,200	164.2	2,300	218.1	1,500	Profit	35.9	18.9

Source: Prepared by Global IR, Inc. based on company's securities report
Note: Numbers are rounded to one decimal place. Calculated by Global IR, Inc.

FAQs from Meetings with Investor

Asahi Broadcasting Group Holdings (9405) regularly holds meetings with domestic and international institutional investors. Below is a summary of the key concerns raised during these discussions, along with the company's responses, supplemented by analyst commentary and additional insights. The responses are presented in order of investor interest, reflecting the most frequently discussed topics.

Q1:
Perception of low PBR, ROE
The course of improvement

In the Japanese stock market, there has been a lot of attention recently not only on raising capital efficiency but also on improving PBR. What is your company's perception of ROE and PBR, and how do you plan to improve them?

The company recognizes ROE and PBR as critical financial priorities and aims to raise ROE to 5% by FY03/2026. To achieve this, the company is leveraging its core strengths in content production, particularly in the Animation and Drama Businesses, to deliver high-quality content across domestic and international markets through multiple distribution channels.

To support this strategy, the company has reorganized its animation and live-action segments to improve operational efficiency and strengthen business synergies. However, as the company expands its portfolio of in-house produced content and explores mergers and acquisitions, it anticipates that upfront investment costs will continue to weigh on financial performance in the near term. While there are positive signs in the TV advertising market, a significant improvement in ROE may take time.

Entering FY03/2025, the company has strengthened its management control framework by setting key performance indicators (KPIs) for each group company, allowing for more precise monitoring of business performance and the identification of key management issues. This initiative has established a foundation for improving profitability and driving business reforms.

Additionally, the company has revamped its investment guidelines, placing greater emphasis on capital costs and investment profitability to ensure disciplined capital allocation. At the same time, the company is developing a future vision beyond its current medium-term management strategy. Once these initiatives are consolidated, the company will be able to drive transformation with greater confidence and discipline, shaping its business portfolio into a more desirable form.

To accelerate business portfolio transformation and growth investments, the company plans to reduce cross-shareholdings where feasible and will also consider the flexible use of debt as appropriate. By effectively communicating these initiatives to investors, the company expects its outlook for improved ROE to gain traction among investors, ultimately leading to a higher P/B ratio.

Q2:
Animation Business
Growth strategy and
progress

You said that you will focus on the animation business. How do you see the business opportunities? What are your company's unique characteristics and competitive strengths? How are you progressing with your medium-term management strategy?

The company believes that the shift from a business structure that relies on the broadcasting business, whose main source of income is advertising revenue, to a content-based business model with multi-development will lead to improved ROE over the medium to long term.

Among these, the animation business is an area where the market continues to grow on a global scale, with Japan maintaining a strong competitive edge. For the company, this is a field that fits just right with the direction the company is heading because it is a business that can be developed in multiple ways, including broadcasting, streaming, overseas sales, merchandise sales, and the holding of events. The company has been developing the Precure series for 20 years, and have accumulated knowledge in the aforementioned multi-development. Also, unlike Tokyo-based broadcasters, the Kansai location and collaborative corporate culture enable the company to build strong relationships with Kansai-based production companies as a broadcaster in Osaka. This has allowed the company to build a very good relationship with Kyoto Animation, an animation production company that is very popular overseas, and to obtain overseas contact rights as a member of the production committee for the *Free!* and *Violet Evergarden* series, leading to the growth of the animation business. In addition, by carefully proposing partnerships with publishers and others of original works for each content, the company believes it can make steady progress in acquiring IP. At the same time, the company is focusing on creating original works that do not originate from manga, novels, etc.

Lycoris Recoil, an original work created in collaboration with A-1 Pictures and Aniplex, aired in the late-night slot during the July 2022 season and is well received on the Internet streaming, demonstrating the company's capabilities. It is one of the finest recent examples showcasing its capabilities. Further to our current "Japan originated=>Global markets" business model, we aim to explore commercial streaming using the "Overseas-originated=> Global markets" business model in the future.

The company plans to increase overall sales of its content business from 15.1 billion yen in FY03/2022 to 25 billion yen in FY03/2026. The animation business is expected to play a crucial role in this growth, with a sales target of 8 billion yen in FY03/2026 and 10 billion yen in FY03/2031.

The company is confident in the direction of the animation business expansion, following a positive response. To maximize synergies and enhance earnings management further, it reorganized its related entities in October 2023. Specifically, SILVER LINK., which handles animation production, Zero G Act, which handles merchandising, and CGCG Studio, which handles CG image production, have been placed under the umbrella of ABC ANIMATION, and are being operated as a single entity. Additionally, in August 2024, the company made Toydium a subsidiary, a company specializing in game and application development.

Management recognizes profitability challenges in the Animation Business, particularly as rising production and labor costs have led to a higher break-even point. To address this, the company is implementing stricter earnings management to improve cost efficiency.

As the results of these efforts emerge, we believe that the potential of this business can be envisioned more concretely.

Q3:
Strengthening live-action content

In terms of content-related activities, the company intends to strengthen its live-action content business, including drama, in addition to its animation business. Is it possible to develop content into multifaceted use on par with the animation business?

The company takes pride in its ability to accurately grasp the changing needs of viewers and has been providing high-quality programming for many years. The fundamental competence lies in its ability to produce content. Today, as monetization channels for video content expand to the Internet and overseas, the company believes that it can expand commercial opportunities for non-animated content, including dramas, by demonstrating its ability to produce content with originality.

From April 2023 onward, the company has begun production of a nationally televised drama series in the 22:00 slot on Sunday nights. By working on original productions with original scripts, the company aims to make this the second pillar of growth after the animation business. Furthermore, in April 2024, the company established a Content Strategy Headquarters in Asahi Television Broadcasting and incorporated ABC Frontier (involved in sales and marketing of live-action content), which was a fellow subsidiary of Asahi Television Broadcasting, into a subsidiary of Asahi Television Broadcasting. This structural shift enables the company to seamlessly develop and repurpose high-revenue content that aligns with market needs through an integrated production and sales model.

Currently, revenues from TVer streaming and other sources are on an increasing trend year after year, with strong contributions from both variety programs and the drama series mentioned above, demonstrating tangible progress in the company's initiatives.

Furthermore, in November 2024, the company entered into a business alliance with IMAGINUS, a global content production studio in South Korea, to jointly develop drama productions for both domestic and international markets. This partnership is expected to further strengthen the company's live-action content strategy and broaden its global and domestic reach.

Q4:
Cross-shareholdings

The company has stated that it will proceed with business portfolio optimization and that it will review its assets as a source of activity for its growth strategy. Will there be an unwinding of cross-shareholdings?

To successfully transition to a content-first business model, the company must ensure sufficient financial resources while maintaining the financial stability expected of a broadcaster. To achieve this, in addition to generating revenue from core operations and securing external funding, the company plans to proceed with the sale of cross-shareholdings. A structured sales policy has already been established, and the company has begun executing this plan from the second half of the fiscal year ending March 31, 2025.

Q5:
Involvement in
Expo 2025 in Osaka, Japan

What is your policy on the Expo 2025 Osaka, Kansai, Japan?

The Expo 2025 Osaka, Kansai, Japan will be held on Yumeshima, Osaka, from April 13 to October 13, 2025, the final year of the current medium-term management strategy.

The company will first televise the “ACN EXPO EKIDEN 2025” on March 16, just before the EXPO, on a nationwide network. Various events are scheduled to be held both inside and outside the venue during the event. The company plans to actively participate in these events as business opportunities.

Q6:
Risk Factors

Please list risk factors.

The size of the broadcast advertising revenue market itself depends on the business sentiment of advertisers, so a certain degree of volatility must be taken into account. While recent trends indicate a recovery, with major industries returning to pre-downturn levels, further improvements are expected in sectors such as telecommunications carriers, the beer industry, and B2B companies engaged in employee recruitment.

Regarding the content business, both for animation and drama creation, an upfront investment is necessary to build up content libraries, and a certain rate of failure is unavoidable. The company will maintain disciplined investment and risk management practices. Investors' patience is greatly appreciated as the company works towards building a substantial content library.

In the lifestyle business, customers' consumption behavior may cool down due to the declining birthrate, aging population, inflation, and rising interest rates.

Additionally, compliance issues, particularly regarding employee human rights, have become a growing concern in the broadcasting industry. The company has identified respect for human rights as one of its eight materialities and has been enhancing its compliance policies and internal reporting system. However, ongoing vigilance and reinforcement of compliance measures are necessary.

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About the Company

Company and Business Overview

About the Company

Leading certified broadcast holding company in Kansai

Asahi Broadcasting Group Holdings ("the company") is a leading certified broadcast holding company and is the only certified broadcast holding company listed on the stock exchange in the Kansai region.

The company's television broadcasting business ranks first in the Kansai region and in all day (06:00-24:00) slot in both household viewer ratings and individual (all) viewer ratings, at 6.2% and 3.5% respectively (according to the company's FY03/2024 results materials, based upon Video Research data). The company is strong in the prime time slot (19:00-23:00) and has a reputation for its content production capabilities, as it produces programs that are well known nationwide.

The company's consolidated business scale for the fiscal year ended March 2024 is 90.4 billion yen in net sales, 832 million yen in operating profit, and 884 million yen in loss attributable to shareholders of the parent company, with a market capitalization of approximately 28 billion yen and its common stock is listed on the Tokyo Stock Exchange (TSE) Prime Market.

History

Belongs to the same network affiliate as TV Asahi Corp.

Founded in 1951, the company developed radio and television broadcasting and was listed on the Second Section of the Osaka Securities Exchange in 1961. Later, following the merger of the Osaka and Tokyo Stock Exchanges, the company was listed on the Second Section of the Tokyo Stock Exchange and then the First Section of the Tokyo Stock Exchange, and has been listed on the Prime Market since April 2022.

Asahi Television Broadcasting Corp., a subsidiary of the company has been a member of the same TV network affiliated stations as its TV Asahi Corp., a subsidiary of TV Asahi Holdings Corp. (9409). In terms of TV program production and broadcast content, the company airs programs produced by TV Asahi and others in the Kansai region, provides programs produced by the company to TV Asahi's TV network, and airs programs produced by the company in the Kansai region. The company's in-house production ratio (hours of programming produced by each company in the group divided by total broadcast hours)—stood at 39.7% as of April 2024, reflecting a long-term trend of steady growth.

The company's largest shareholder is The Asahi Shimbun Company, holding 14.91% of shares as of September 30, 2024, followed by TV Asahi Holdings Corporation, which owns 9.29%. In turn, the company held 1,572,000 shares of TV Asahi Holdings stock at the end of March 2024, representing approximately 1.5% of TV Asahi Holdings' outstanding shares (excluding treasury stock), based on estimates from end-of-March 2024 figures.

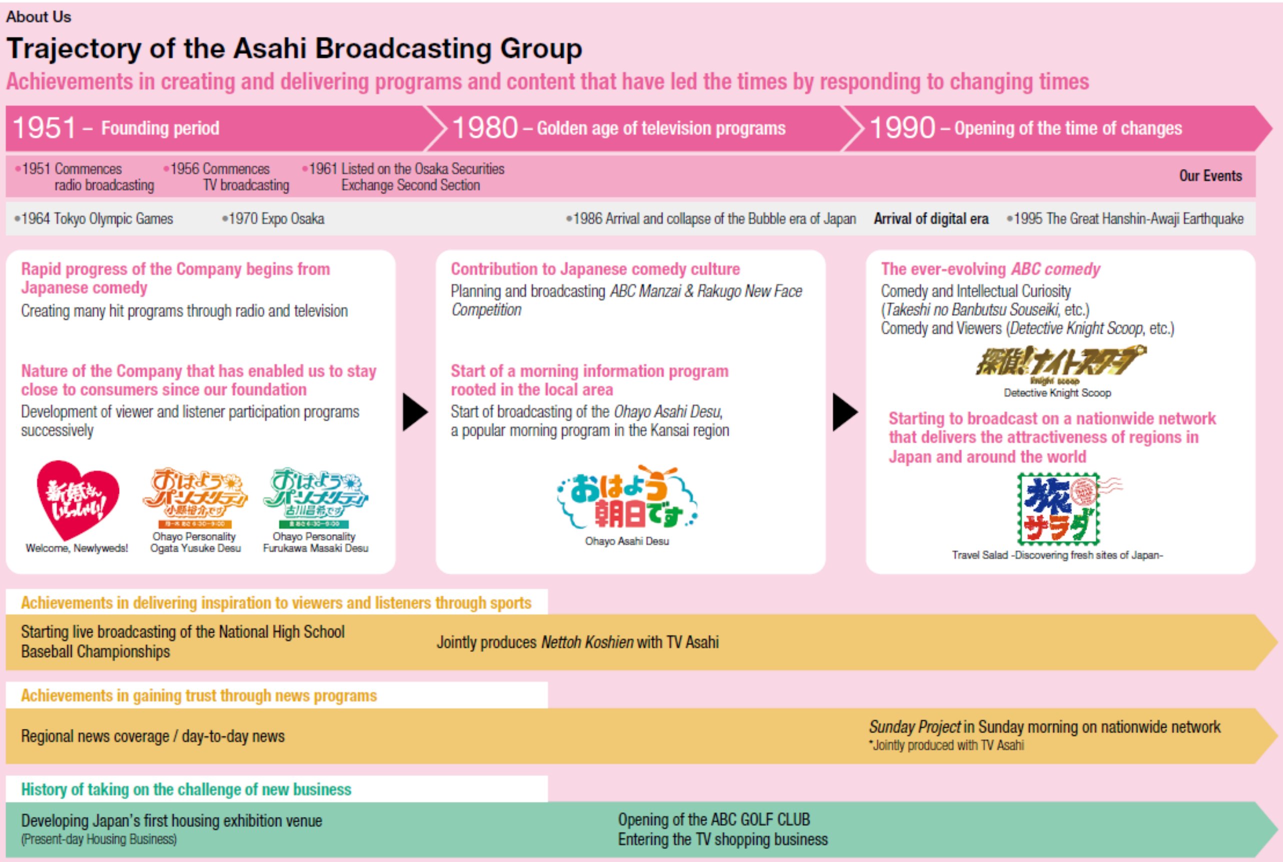
In 2018, the company transitioned to a certified broadcast holding company, transferring its TV and radio broadcasting licenses to its subsidiaries Asahi Television Broadcasting Corp. and Asahi Radio Broadcasting Corp. respectively. As a certified broadcast holding company, the company must be an entity with the broadcasting business as its core business. On the other hand, the company is subject to foreign capital controls (e.g., foreign shareholders are not allowed to hold more than 20% of voting rights), which means that the management team has relatively large discretion in its decision-making.

Core Competence

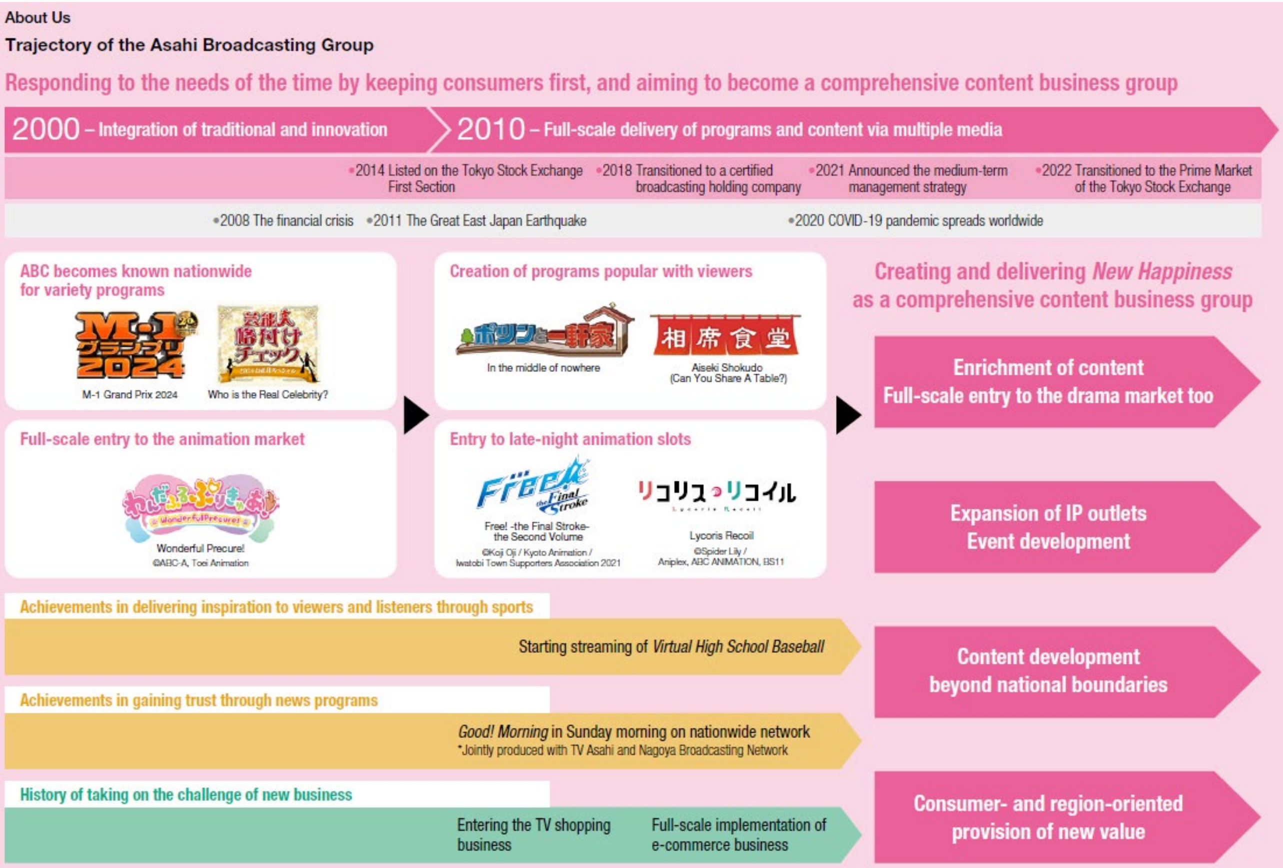
Core competence in content production

The core competence of the company, rooted in its long history, lies in its consistent production of quality content that meets the evolving needs of the times. The historical transition of the company is shown below.

Figure 1. ABC Trajectory



Source: Company's IR materials



Source: Company's IR materials

The company's strength lies not only in its ability to produce content of high commercial value but also in its ability to produce quality content of high social significance. Here are some recent examples.

Figure 2. Examples of High-Quality Content with High Social Significance

The passion of high school researchers ignites in
Q-1 A show where U-18 changes the future with their research and presentation

Q-1 A show where U-18 changes the future with their research and presentation showcases high school students (18 and under) tackling self-chosen research questions based on their interests. In a nine-minute presentation, they share their findings, driven by curiosity. Since its debut in 2022, the event has won the 60th Galaxy Awards for Programs Highly Recommended and the JBA (The Japan Commercial Broadcasters Association) Awards 2023 for Outstanding TV Cultural Program Div.

This year's third competition saw a record-high participation, with 120 teams from 18 prefectures, and four finalists presenting research on diverse topics, including an English learning app, weather forecasting for Southern Kyoto's "Tanabe Goro" cumulonimbus cloud, mathematical modeling to reduce food court wait times, and in vitro rearing of Bombus ignitus.

A panel of experts, including a former Kyoto University president and Google's head of marketing, led a dynamic Q&A. Next year's event will take place at the venue of Expo 2025 Osaka, Kansai, Japan, continuing to inspire the future of education by showcasing the passion of high school students for exploration and inquiry.

Source: Report on the Company's 98th Interim Business Period (April 1, 2024 – September 30, 2024)

Management Philosophy and Materiality

A strong creative group that continues to evolve while responding to change

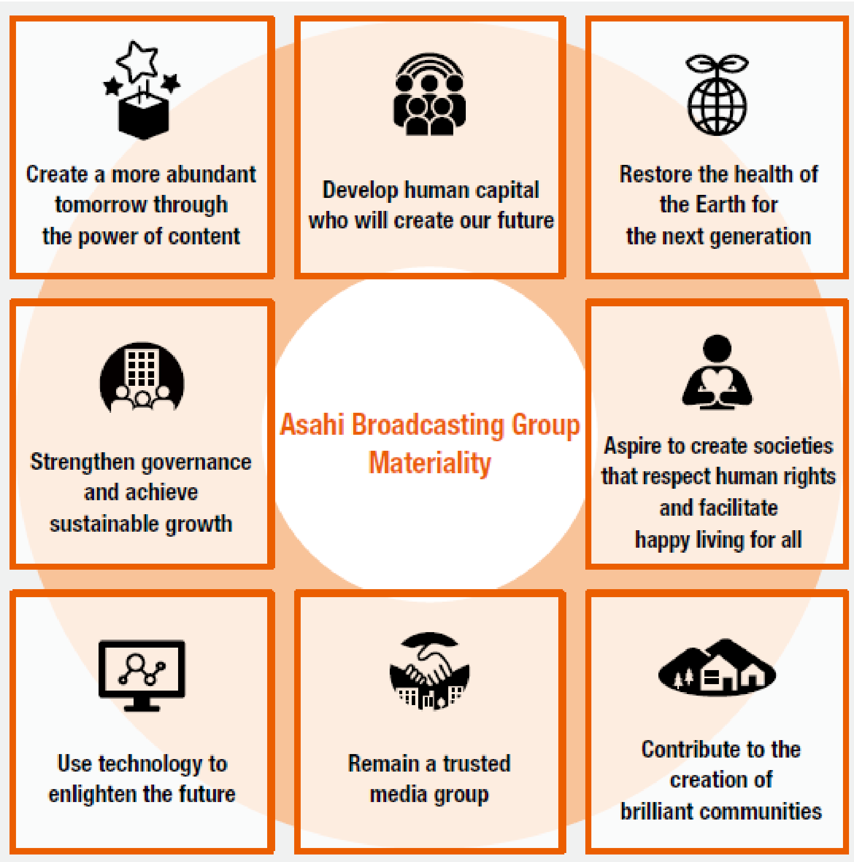
The company's business philosophy is
"The ABC Group continues to evolve as a dynamic and creative corporate organization, adapting to social change and contributing to the development of society,"
and it can be evaluated that the company is accurately orienting itself to the business environment and management issues it faces.

To a "Comprehensive Content Business Group"

As we will see later, although the company boasts a solid business foundation in the broadcasting business in the Kansai region, the environment surrounding television broadcasting is becoming increasingly difficult. Therefore, the company is in a position to leverage its strength in production to steadily increase profitability in the content business and evolve into a "comprehensive content business group," thereby solidifying its broadcasting business base and improving capital efficiency. The company's policy of being an evolving creative group is a response to these demands.

The company has identified the following Materiality.

Figure 3. Asahi Broadcasting Group Materiality

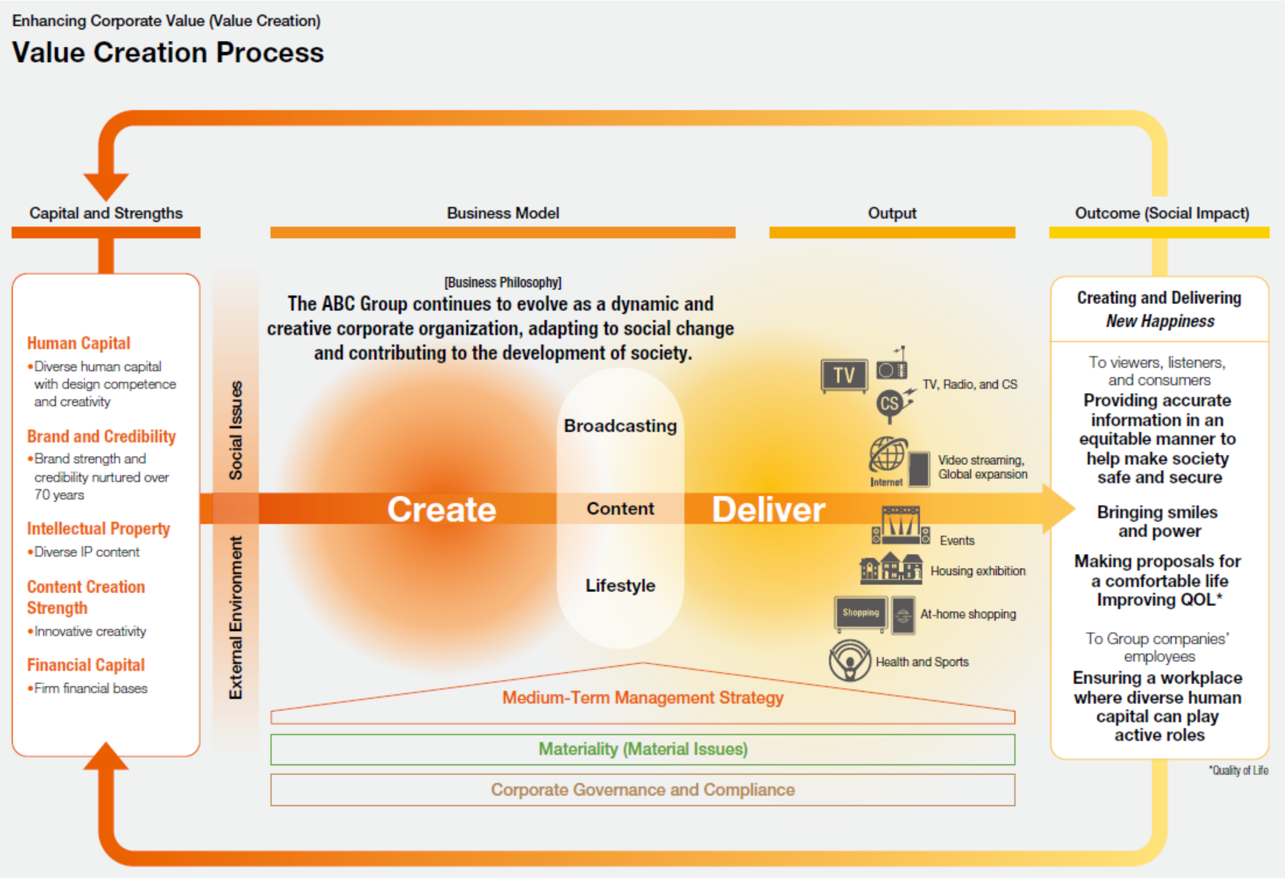


Source: Company's Integrated Report 2024

Value Creation Process and Business Segments

The company's business is divided into two segments: broadcasting and content business and lifestyle business. First, the company's overall value creation process is shown below.

Figure 4. ABC Value Creation Process



Source: Company's Integrated Report 2024

Broadcasting and Content Business

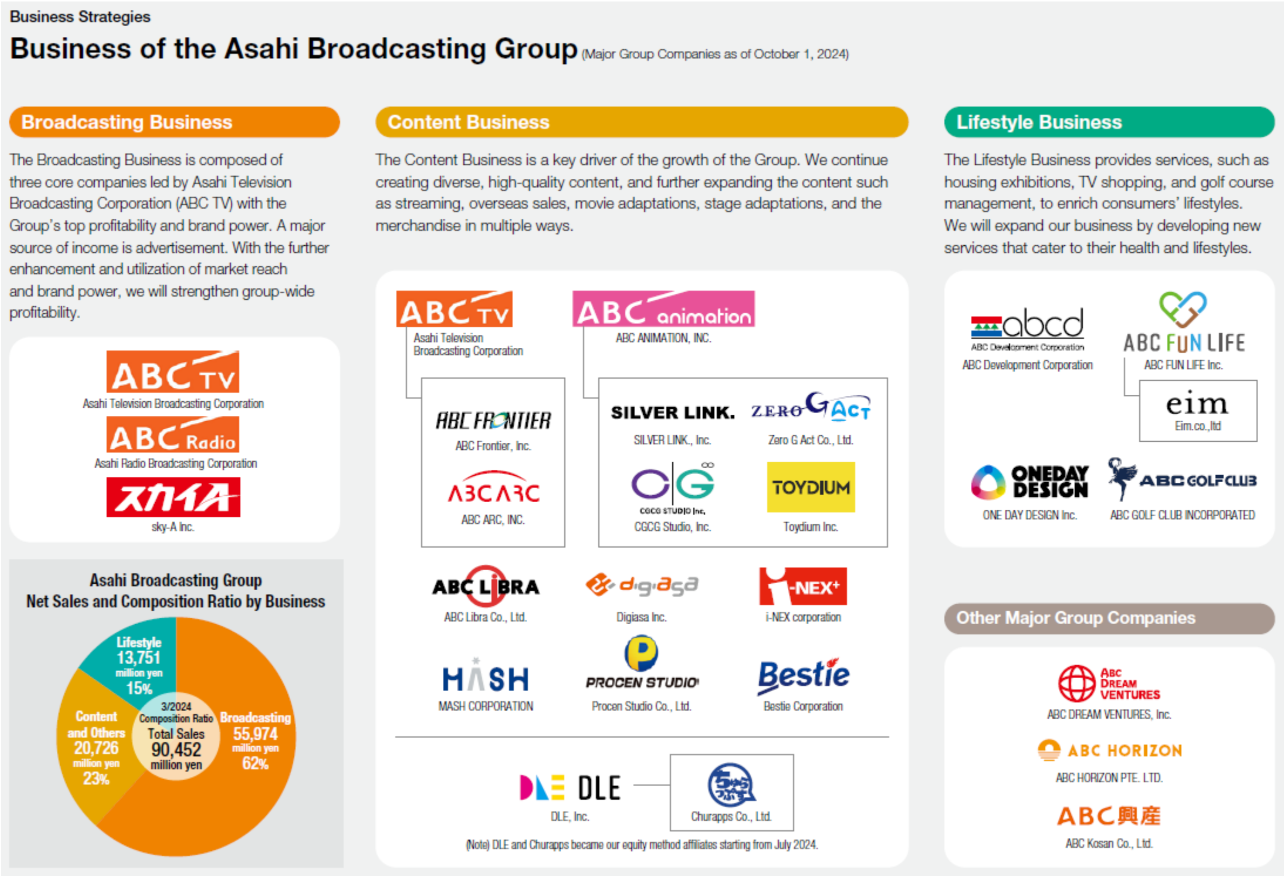
The broadcasting and content business is the company's core business, and in addition to TV broadcasting, radio broadcasting, CS broadcasting, program and other content production, and sports content planning and production, the company is expanding into animation content planning, creation, and production, copyright management, and theater and event planning and provision. The company's expansion into these content areas is relatively new, having only begun in earnest in 2016. Since then, the company acquired a number of companies and made them subsidiaries, resulting in sales to external customers of 76.7 billion yen, segment income of 0.9 billion yen (before adjustments), and segment assets of 72.1 billion yen in FY03/2024, accounting for 84%, 110%, and 58% of consolidated figures, respectively.

The breakdown of sales between Broadcasting and Content was 55.9 billion yen for the former and 20.6 billion yen for the latter.

Lifestyle Business

The Lifestyle Business is developing in an area adjacent to the Broadcasting and Content Business with the objective of planning and providing experiential value. Specifically, the company plans, operates, and manages housing exhibitions, operates a golf course, and operates an at-home shopping business, with FY03/2024 results of 13.7 billion yen in sales to external customers, 0.3 billion yen in segment income (before adjustments), and 29.8 billion yen in segment assets.

Figure 5. Business of the Asahi Broadcasting Group



Source: Company's Integrated Report 2024

Business Environment

Business Environment Surrounding the Broadcasting Business

Mass Media Advertising Expenses

Gradual decline in TV media advertising spending

The company's core business is terrestrial TV broadcasting. We will summarize two aspects of the business environment related to this business.
First is the trend of advertising expenditures, the main source of revenue.
As is widely known, advertising expenditures for TV media are beginning to fall below those for Internet media, and the absolute amount is on a slight downward trend. This is a common trend in Japan, including the Kansai region, and should be taken into account when analyzing the company's broadcasting revenue base.
However, it is believed that the TV media still plays a certain important role for sponsors, and there is a strong possibility that the TV media will recover in monetary terms through the expansion of sponsors' earnings as the economy expands and exit from deflation takes hold. Rather than being a short-term risk factor for the company, it should be recognized as one that will force the company to diversify its sources of income over the medium to long term.

Internet Content

Establishment of Internet Content

Second, Internet Content has taken root.

It is needless to point out once again that viewing paid and free video streaming services through smartphones, PCs, and tablet devices has taken root among individuals, and it can be inferred that the structure of competing for viewers' time share is strengthening.

Netflix, YouTube, and Amazon Prime Video offer a wide range of content, much of which is available on demand. They have a large global user base and can maximize the lifetime value of each piece of content by recurring use as stock content. This makes it possible to spend a great deal of money on content production. Furthermore, productivity improvement through the use of generative AI is also expected in the future.

In this way, the establishment of Internet Content is an existence that the company cannot ignore as it competes for viewers' time.

However, TV and radio broadcasting maintains a certain advantage over Internet-streamed content in terms of breaking news, accuracy, and objectivity. In addition, broadcasters with production capabilities such as the company can position themselves as beneficiaries of such a global video platform by providing content that can be stocked and globally streamed. This is a point to keep in mind in predicting the company's future.

Long-Term Performance Trends

Long-Term Performance Trends

What the Long-Term Performance Table Reveals

The highlights of the consolidated financial data for the 11-year period are as follows.

Figure 6. 11 Years Consolidated Financial Data Highlights

(Unit: million yen)

(Fiscal Year)	3/2014	3/2015	3/2016	3/2017	3/2018	3/2019	3/2020	3/2021	3/2022	3/2023	3/2024
Profit and loss											
Net sales	81,484	80,691	81,059	82,302	80,991	81,986	82,937	78,344	85,100	87,028	**90,452**
Gross profit	29,131	27,823	27,104	28,514	27,985	28,522	27,977	25,951	29,518	28,961	**27,546**
Selling, general and administrative expenses	23,339	23,138	23,039	23,541	23,735	24,260	24,588	23,256	25,315	26,366	**26,714**
Operating profit	5,791	4,684	4,064	4,972	4,250	4,262	3,388	2,694	4,203	2,594	**832**
Ordinary profit	6,025	4,830	4,407	5,261	4,539	4,591	3,633	3,033	4,792	2,661	**723**
Profit (loss) attributable to owners of parent	3,254	2,203	2,372	3,416	2,691	3,742	2,278	(930)	2,671	1,354	**(884)**
Cash flows											
Cash flows from operating activities	7,350	5,947	(126)	6,806	4,803	3,286	4,546	5,952	4,689	2,951	**5,658**
Cash flows from investing activities	(3,934)	(6,562)	209	(579)	(5,113)	(2,394)	2,655	(10,311)	(4,276)	(5,046)	**(5,659)**
Free cash flow	3,415	(615)	83	6,226	(309)	892	7,201	(4,359)	412	(2,095)	**(1)**
Cash flows from financing activities	(1,576)	(1,757)	(1,860)	(1,202)	(2,260)	(53)	3,203	4,583	543	(1,610)	**1,145**
Financial position (as of the end of fiscal year)											
Total assets	97,833	103,116	99,596	101,979	102,680	107,788	114,786	119,079	123,788	122,305	**123,225**
Interest-bearing liabilities	2,975	1,946	1,014	592	495	981	6,674	11,910	12,518	12,187	**14,125**
Shareholders' equity	58,625	54,554	53,279	56,750	61,625	65,223	65,230	66,035	66,975	69,259	**73,022**
Per-share data											
Profit (loss) attributable to owners of parent (EPS) (JPY)	79.70	53.95	58.11	83.66	65.92	91.55	55.63	(22.69)	64.97	32.42	**(21.19)**
Net assets per share (BPS) (JPY)	1,435.60	1,335.91	1,304.70	1,389.70	1,509.06	1,594.83	1,591.64	1,609.44	1,604.91	1,659.63	**1,748.02**
Dividend (JPY)	16	18	18	26	20	28	18	10	24	16	**12**
Dividend payout ratio	20.1%	33.4%	31.0%	31.1%	30.3%	30.6%	32.4%	–	36.9%	49.4%	**–**
Financial indicators											
Operating profit margin ratio	7.1%	5.8%	5.0%	6.0%	5.2%	5.2%	4.1%	3.4%	4.9%	3.0%	**0.9%**
Ordinary profit margin ratio	7.4%	6.0%	5.4%	6.4%	5.6%	5.6%	4.4%	3.9%	5.6%	3.1%	**0.8%**
Return on equity (ROE)	5.7%	4.2%	4.4%	6.2%	4.5%	5.9%	3.5%	(1.4%)	4.0%	2.0%	**(1.2%)**
Equity-to-asset ratio	59.9%	52.9%	53.5%	55.6%	60.0%	60.5%	56.8%	55.5%	54.1%	56.6%	**59.3%**
Capital investment	2,960	2,641	4,474	3,900	5,477	2,689	2,585	5,116	8,468	7,991	**4,094**
Depreciation and amortization	3,394	3,347	3,299	2,841	2,971	3,031	3,223	3,088	3,246	3,740	**3,613**
Non-financial data											
Number of Group employees (consolidated basis)	850	869	883	907	918	1,167	1,356	1,456	1,509	1,561	**1,722**
Television viewer ratings [Household] According to Video Research surveys (Kansai)											
All Day (6:00-24:00) [Ranking]	7.8% [3rd]	7.5% [2nd]	7.4% [2nd]	7.6% [2nd]	7.4% [2nd]	7.3% [4th]	7.3% [3rd]	7.5% [3rd]	7.0% [2nd]	6.4% [2nd]	**6.2% [1st]**
Golden Time (19:00-22:00) [Ranking]	12.2% [1st]	11.3% [2nd]	11.1% [2nd]	11.1% [2nd]	10.8% [2nd]	10.8% [3rd]	10.9% [2nd]	10.8% [3rd]	10.1% [3rd]	9.7% [1st]	**8.8% [1st]**
Prime Time (19:00-23:00) [Ranking]	12.8% [1st]	12.1% [2nd]	11.7% [2nd]	11.7% [2nd]	11.3% [2nd]	11.3% [2nd]	11.5% [1st]	11.4% [1st]	10.6% [1st]	10.0% [1st]	**9.3% [1st]**
Prime 2 (23:00-25:00*) *1:00 on the next day [Ranking]	9.5% [1st]	8.8% [1st]	8.4% [1st]	8.2% [1st]	7.6% [1st]	7.1% [2nd]	6.5% [2nd]	6.0% [2nd]	5.5% [2nd]	5.2% [2nd]	**4.8% [2nd]**
Television viewer ratings [Individual All] *According to Video Research surveys (Kansai)											
All Day (6:00-24:00) [Ranking]	–	–	–	–	3.9% [2nd]	3.9% [3rd]	3.9% [3rd]	4.0% [3rd]	3.8% [2nd]	3.6% [2nd]	**3.5% [1st]**
Prime Time (19:00-23:00) [Ranking]	–	–	–	–	6.3% [2nd]	6.5% [2nd]	6.6% [2nd]	6.6% [2nd]	6.1% [2nd]	5.9% [2nd]	**5.5% [1st]**
In-house production ratio *1	34.0%	34.1%	35.0%	34.9%	34.0%	33.8%	36.9%	38.0%	37.6%	38.8%	**39.7%**
Total waste volume *2	179.9t	206.2t	210.9t	207.9t	192.4t	178.2t	195.9t	161.7t	157.5t	173.1t	**158.1t**
Recycle rate	65.7%	68.4%	68.0%	68.0%	67.2%	70.8%	72.2%	71.2%	69.7%	74.0%	**70.5%**

Note 1: In-house production ratio is calculated by the number of program hours produced by the Group companies divided by the total number of broadcasting hours (based on TV listings as of April)
Note 2: Total waste generated at the head office in Osaka (headquarters of the Company, ABC TV, and ABC Radio) and annex building

Source: Company's Integrated Report 2024

Steady expansion of scale while maintain financial soundness

On a positive note, it can be pointed out that total assets have generally increased steadily and sales have been building up, while the equity ratio has been maintained at a high level in the mid-50% range. The company's cash outlay for capital expenditures and investment activities is also commendable.

Profitability Challenges

On the other hand, the company's issues include sluggish growth in operating profit, etc.; a decline in the operating margin from the previous high single-digit percentage (7.3% in FY03/2013) to the low single-digit percentage (3.0% in FY03/2023 and 0.9% in FY03/2024); a general downward trend in ROE since achieving 6.2% in FY03/2017, which was 2.0% in FY03/2023 and -1.2% in FY03/2024. Although there is a minimum dividend per share, the actual dividend is linked to net income and cannot be considered a stable dividend. (Recent trends in dividend policy are discussed in a later section.)

Medium-Term Management Strategy “NEW HOPE”

Medium-Term Management Strategy “NEW HOPE”

Based on the above overview of the company's financial challenges, we will now review the company's management strategy.

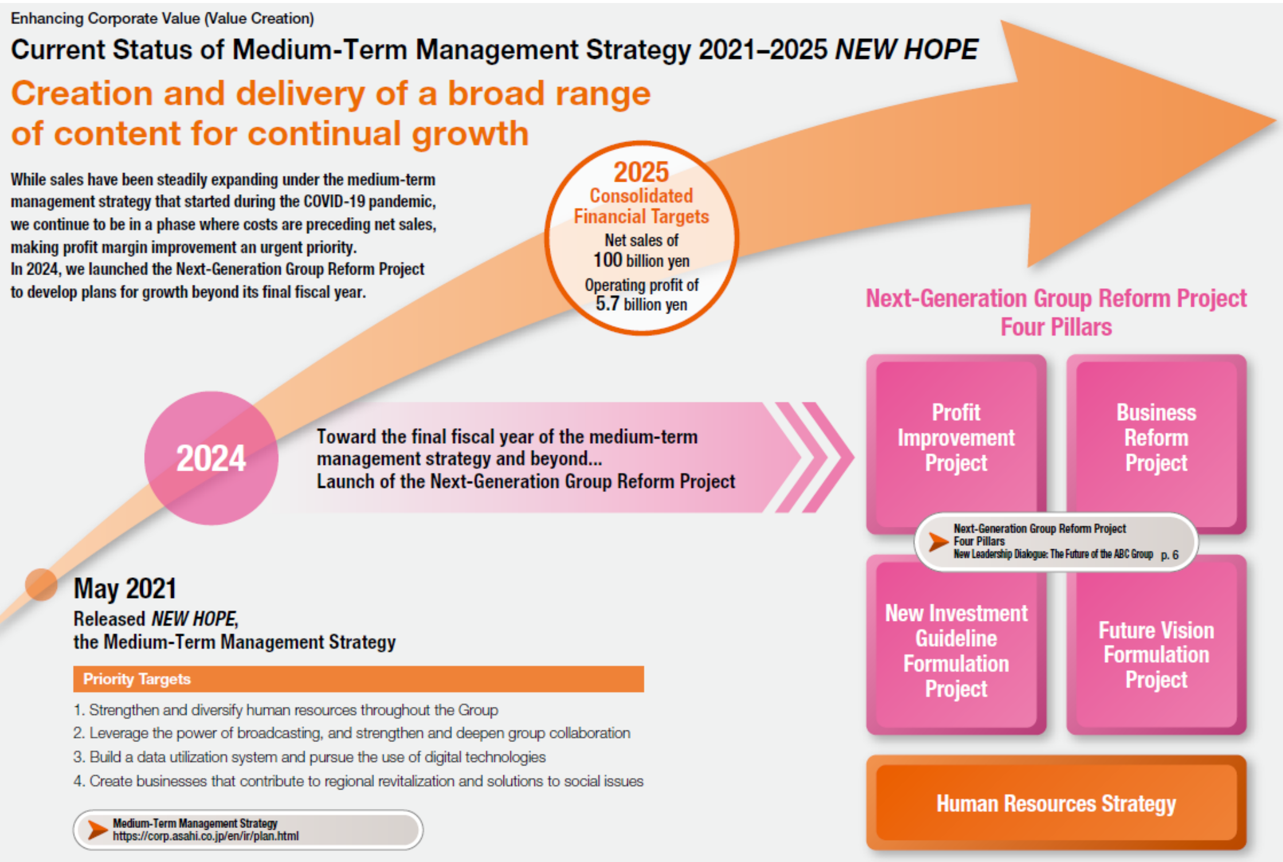
Medium-Term Management Strategy 2021-2025 “NEW HOPE”

In May 2021, the company announced its medium-term management strategy, “NEW HOPE.” This is a five-year plan covering the period from 2021 to 2025.
The company's priority targets for the five-year period are as follows.

Medium-Term Management Strategy 2021-2025 Priority targets of “NEW HOPE”

In the first fiscal year, FY03/2022, the company achieved net sales of 85.1 billion yen and operating profit of 4.2 billion yen, but the financial target is to increase net sales to 100 billion yen in FY03/2026.

Figure 7. Current Status of Medium-Term Management Strategy 2021–2025 “NEW HOPE”



Source: Company's Integrated Report 2024

The company positions the group's greatest strengths as its “diverse content” and “human resources that create content,” and it aims to maximize these strengths to achieve further growth. Details of the numerical targets are as follows.

1. Aiming for net sales of 100 billion yen and operating profit of 5.7 billion yen in FY03/2026.

2. This would be an increase of approximately 15 billion yen in net sales and an increase of approximately 1.5 billion yen in operating profit compared to the FY03/2022 results of 85.1 billion yen in net sales and 4.2 billion yen in operating profit.

3. The targets for FY03/2026 by segment are as follows, with each of the two segments aiming to steadily increase sales and profits.

    a. Broadcasting and Content Business:
    Net sales 81 billion yen (approximately 10 billion yen increase from FY03/2022), operating profit 4.5 billion yen (approximately 900 million yen increase from FY03/2022)

    b. Lifestyle Business:
    Net sales 19 billion yen (up approximately 5.2 billion yen from FY03/2022), operating profit 1.65 billion yen (up approximately 800 million yen from FY03/2022)

Figure 8. Financial Plan to 2025

(Millions of yen)

Reportable Segment	FY2021 (actual)		FY2022 (actual)		FY2023		FY2024		FY2025	
	Net Sales	Operating Profit	Net Sales	Operating Profit	Net Sales	Operating Profit	Net Sales	Operating Profit	Net Sales	Operating Profit
Broadcasting and Content	71,348	3,654	72,967	2,602	75,400	2,300	77,700	3,300	81,000	4,500
Lifestyle	13,751	874	14,061	433	14,600	600	16,300	1,050	19,000	1,650
Total	85,100	4,203	87,028	2,594	90,000	2,500	94,000	3,900	100,000	5,700

The financial plan announced in May 2024

Reportable Segment	FY2021 (actual)		FY2022 (actual)		FY2023		FY2024		FY2025	
	Net Sales	Operating Profit	Net Sales	Operating Profit	Net Sales	Operating Profit	Net Sales	Operating Profit	Net Sales	Operating Profit
Broadcasting and Content	71,348	3,654	72,967	2,602	76,701	917	77,000	2,200	81,000	4,500
Lifestyle	13,751	874	14,061	433	13,751	373	14,000	600	19,000	1,650
Total	85,100	4,203	87,028	2,594	90,452	832	91,000	2,200	100,000	5,700

Source: Company's IR materials

Top Management Transition and the Current Status of the Medium-Term Business Strategy 2021–2025 "NEW HOPE"

As the gap between actual performance trends through FY03/2024 and the numerical targets for FY03/2026 grew larger, the company, under former President Okinaka, initiated a comprehensive group-wide restructuring. This effort focused on reviewing and optimizing the income and expenditure structure, enhancing the value-added potential of the business, and improving labor productivity.

In October 2024, former President and Representative Director, Mr. Okinaka, was appointed Director, Chairman while Mr. Nishide assumed the role of President, Executive Officer. The company has transitioned to a dual-executive leadership structure, with Mr. Imamura, who also serves as President of Asahi Broadcasting Television—the core of the group—and Director, Managing Executive Officer, supporting Mr. Nishide.

Mr. Nishide will be appointed President and Representative Director, and Mr. Imamura will be appointed Vice President and Representative Director at the Ordinary General Meeting of Shareholders and Board of Directors Meeting in June 2025. Mr. Nishide, who has been mainly in charge of animation and events, will be in charge of the entire group and Lifestyle Business, while Mr. Imamura will mainly be in charge of Broadcasting and Content Business.

The aim of this project is to thoroughly reform the current medium-term management strategy in light of the severe profit-and-loss situation and to accelerate the initiation of projects and reforms with a view to subsequent years. It should be viewed positively as a sign of management tension.
Progress to date includes the completion of group reorganization, including subsidiaries in the animation and live-action segments, to improve efficiency and create synergies, the early identification of group-wide operating results and the identification of issues to improve profitability, and the establishment of new investment guidelines.
After October 2024, as the next step, the company will be taking a deeper look at business reform measures and formulating a vision for the future. It can be said that the company is preparing for the future beyond the current medium-term management strategy.

Financial Strategy

The key points of the financial strategy are as follows

1. Optimize the business portfolio by allocating management resources with a conscious of the cost of capital for investments.
2. Increase corporate value as a comprehensive content business group through ongoing investment in growth to achieve our medium-term management strategy.
3. Aim to maximize optimal funding sources and efficiencies to maintain an appropriate balance between financial health and financial leverage.
4. The sale of cross-shareholdings will also begin in the second half of the fiscal year ending March 31, 2025.
5. The company aims to achieve its medium-term management strategy and achieve ROE of 5% or more in the fiscal year ending March 31, 2026.
6. In principle, the company sets the minimum annual dividend per share at 12 yen in order to realize stable dividends, and has adopted a dividend policy of a

payout ratio of 30% based on deemed net profit (consolidated operating profit after deducting corporate tax), rather than net income.

Ongoing Reorganization	From the fiscal year ended March 31, 2024, the company is aggressively reorganizing its Animation and Live-Action Businesses to create synergies and improve efficiency.

Progress of Focused Businesses

Progress in Broadcasting and Content Business

Content Business, the Core of Growth

As mentioned earlier, the company's strategy is to grow both its Broadcasting/Content and Lifestyle Businesses. Especially growth in the Broadcasting and Content Business is the key to the company's medium- to long-term business upside.
The following is a summary of the company's progress in this business.

Content Business Overview

Content Business to drive growth

Sales in this business are steadily increasing.
The company achieved net sales of 15.1 billion yen in FY03/2022, 17.3 billion yen in FY03/2023, 20.6 billion yen in FY03/2024, and forecasts 21 billion yen in FY03/2025, putting it within reach of the 25 billion yen target for FY03/2026, the landing point for the company's medium-term management strategy.
This business consists of live-action content (dramas, variety shows, documentaries, etc.), Animation Business, and stage and event business.
Among these, the Animation Business is positioned as a key driver for growth.

Animation Business

Key driver of growth
The animation business

It is assumed that the Animation Business generated sales of approximately 5.5 billion yen in FY03/2022, 6 billion yen in FY03/2024, and is expected to reach 8 billion yen in FY03/2026, the landing point for the medium-term management strategy.

Animation market continues to grow worldwide

According to the company, the Japanese animation industry market continues to grow, driven by growth in overseas markets, and the global animation market is expected to exceed a CAGR of 5% during the 10-year period from 2021 to 2030, reaching $587 billion in 2030. Furthermore, the 3D animation market is expected to grow rapidly.

Driven by
ABC ANIMATION, INC.

The company has used the multifaceted development of the Precure series, now celebrating its 20th anniversary, as one model case. Currently, ABC ANIMATION, established in 2016, is the driving force behind the company's aggressive business expansion through new business launches and M&As.

The group's animation-related businesses now employ more than 300 employees, and the company plans to move beyond acquiring domestic IP, strengthening multi-use, and expanding overseas. The company aims to originate creation overseas for global marketing, with the goal of reaching 10 billion yen in sales by 2030.
To enhance operational efficiency and strengthen its business foundation, the company reorganized its animation-related subsidiaries under ABC ANIMATION in October 2023. In August 2024, it further expanded its capabilities through the acquisition of Toydium, a company specializing in game and application development. These moves have established a solid framework for efficient and diversified monetization of its animation IP.

Once this business exceeds a certain size, it will become a stock-type recurring business with a high margin profit ratio, and it has the potential to transform the company's entire profit structure. Although there is a high degree of uncertainty as to whether or not each creation will be a hit, it has the potential to transform the company's medium-term performance with just one major hit, and therefore the stock market is likely to pay increasing attention. However, there is a trend toward a higher break-even point due to higher labor and other costs. For this reason, the company intends to place even greater emphasis on profit margins.

Figure 9. Business Portfolio Optimization: Animation Business Initiatives

Source: Company's IR materials

Drama as a New Pillar

Establishing drama and other live-action content as a new pillar of the business

The company has maintained strong TV ratings, demonstrating its ability to produce high-quality content. In the first half of FY2024, it secured the top TV ratings in the Kansai region across all time slots for both individual viewers overall and households. This includes All-Day and Prime Time ranking first for four consecutive half-years, Golden Time ranking first for two consecutive half-years, and Prime 2 achieving the top rank for the first time since the second half of FY2017.

The company is beginning to leverage its live-action content production capabilities with a focus on multi-platform utilization. The company is away from the TV program listings and toward content-driven production with TVer and various other streaming platforms in mind. As a result, the company will be able to monetize nationwide its unique and challenging content production capabilities, which have been cultivated in Kansai, Japan's second largest metropolitan area, and which are different from those of the Tokyo key stations. It also has the potential to enhance content.

An example of such success is the Kansai local variety show *Aiseki Shokudo* on TVer. The show consistently ranks as the most-viewed variety program produced in the Kansai region and has received widespread recognition. Since the inaugural TVer Awards in 2020, established to honor programs that are widely loved by users and contribute to the growth of TVer, *Aiseki Shokudo* has won a special prize for four consecutive years.

Additionally, the 20th edition of the *M-1 Grand Prix*, a nationally broadcast special program hosted by the company and broadcast nationwide in collaboration with a major entertainment production company known for its roster of comedians, achieved remarkable viewership in December 2024. According to Video Research Inc., the program attracted 1.15 million real-time viewers, making it the most-watched program in real-time across all users since TVer launched its real-time streaming service in April 2022.

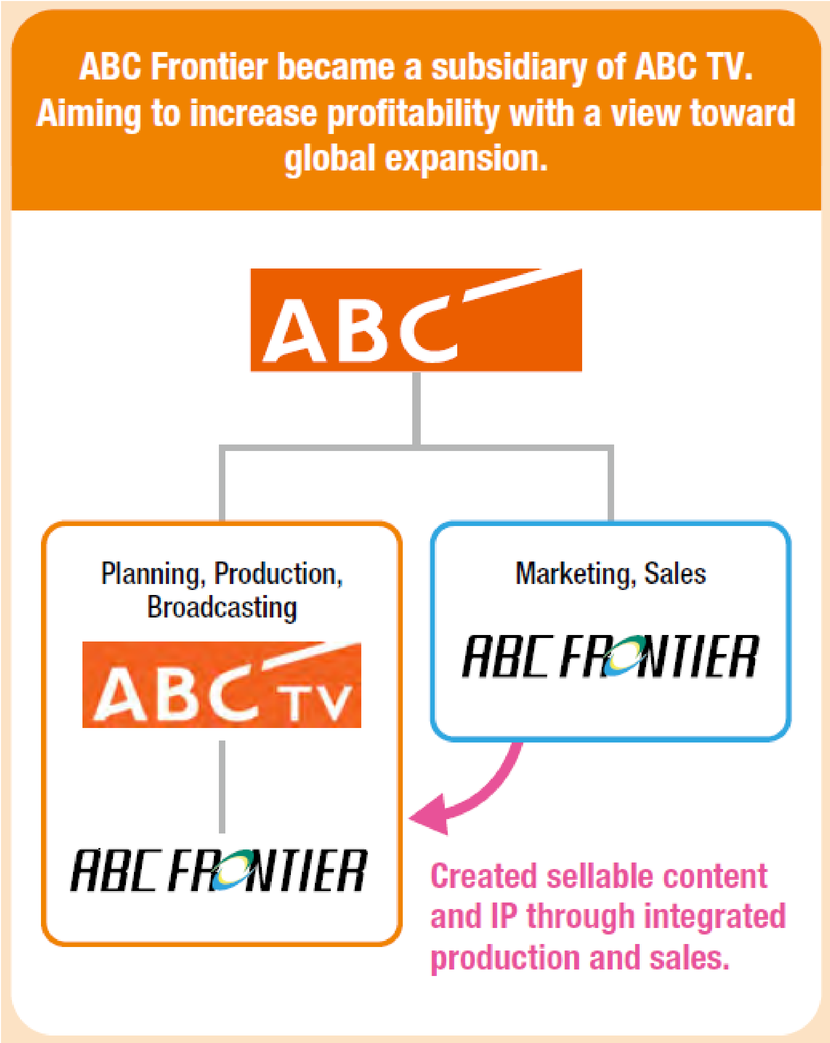
In the spring of 2023, the company launched “ABC TV's first independent, nationally televised drama series” in 28 years. This movement was driven by structural shifts in the business environment, as the rise of domestic and international video platformers has significantly enhanced the monetization potential of drama content. As a result, producers with strong planning and production capabilities can now enter the market without being constrained by their own financial resources.

In April 2024, Asahi Television Broadcasting established a Content Strategy Headquarters and incorporated ABC Frontier, previously a subsidiary fellow involved in sales and marketing of live-action content, as a subsidiary.

Furthermore, in November 2024, the company entered into a business alliance with South Korean creator group IMAGINUS.

As a result, from the planning stage of live-action content, the production team will work closely with the sales and marketing team, aiming to create 'sellable content and IP' through a wide range of channels.

Figure 10. Business Portfolio Optimization: Reorganization of Live-action Content Domain



Source: Company's IR materials

Current Performance Trends

Performance Trends for FY03/2024

FY03/2024 financial results showed fragility in the midst of transformation

For the fiscal year ended March 31, 2024, the company posted a challenging performance, with net sales of 90.4 billion yen (+3.9% YoY), operating profit of 832 million yen (-67.9% YoY), ordinary profit of 723 million yen (-72.8% YoY), and loss attributable to shareholders of the parent company of 884 million yen (turning into a loss for the year).

The Broadcasting and Content business posted higher sales and lower profits, while the Lifestyle business posted lower sales and profits.

TV spot advertising revenue declined in the market as a whole at a time when content development costs were rising. This downturn was further exacerbated by the poor performance of the Lifestyle Business and delays in new business development, which could not be fully offset by growth in animation and Internet streaming. Those events hit a weak point in the earnings structure.

The company posted an extraordinary loss of 1,251 million yen due to impairment loss, loss on investment business, and loss on valuation of investment securities, which contributed to the net loss.

Figure 11. Segment Information

Results by Segment

ABC

(Millions of yen)

	Net Sales	FY23/3	FY24/3	YoY	% Change
Broadcasting and Content		72,967	76,701	3,734	5.1%
By business	Broadcasting	55,516	55,974	458	0.8%
	Content	17,387	20,655	3,268	18.8%
	Other	63	71	7	12.5%
Lifestyle		14,061	13,751	-310	-2.2%
By business	Housing	9,770	9,516	-253	-2.6%
	At-home shopping	2,954	2,930	-23	-0.8%
	Golf	939	975	36	3.9%
	Other	397	328	-68	-17.3%

Operating Income	FY23/3	FY24/3	YoY	% Change
Broadcasting and Content	2,602	917	-1,684	-64.7%
Lifestyle	433	373	-60	-13.8%
Adjustments	-441	-458	-16	–

Source: FY03/2024 Earnings Presentation

Performance Trends for FY03/2025

The business was difficult until the interim period but recovered in the third quarter

Financial performance for the fiscal year ending March 2025 faced challenges through the interim period but showed a strong recovery in Q3. Cumulative results indicate revenue of 66.8 billion yen (a year-on-year increase of 1.4%), operating profit of 1.09 billion yen (returning to profitability), ordinary profit of 1.3 billion yen (significant profit growth), and net profit attributable to owners of the parent of 1.23 billion yen (returning to profitability).

Both the Broadcasting/Content Business and the Lifestyle Business saw growth in both revenue and profit. In the Broadcasting and Content Business, both recorded revenue increases. Notably, the television business, the company's current core revenue driver, maintained its top position in viewer ratings while effectively managing programming costs. This led to higher spot advertising revenue and a significant improvement in profitability. Meanwhile, the Content Business experienced steady growth, particularly in anime-related and streaming revenue.
The company's full-year forecast for the fiscal year ending March 2025 remains unchanged, with projections of revenue at 91 billion yen (a year-on-year increase of 0.6%), operating profit at 2.2 billion yen (a year-on-year increase of 164.2%), ordinary profit at 2.3 billion yen (a year-on-year increase of 218.1%), and net profit attributable to owners of the parent at 1.5 billion yen, marking a return to profitability. Given the progress made so far, these targets appear achievable.

It is also worth noting that while the revenue forecast for the Content Business, which is expected to be a key driver of future growth, has been revised downward, the strong and steady performance of the television business is expected to play a positive role in supporting ongoing business reforms and long-term growth strategies.

Figure 12. Forecast for FY03/2025 by Segment

FY25/3 Financial Results Forecasts by Segment

(Millions of yen)

	Net Sales	FY24/3 (actual)	FY25/3 (revised in Feb*)	YoY	% Change
	Broadcasting and Content	**76,701**	**77,500**	**798**	**1.0%**
By business	Broadcasting	55,974	58,000	2,025	3.6%
By business	Content	20,655	19,400	-1,255	-6.1%
By business	Other	71	100	28	39.6%
	Lifestyle	**13,751**	**13,500**	**-251**	**-1.8%**
By business	Housing	9,516	8,800	-716	-7.5%
By business	At-home shopping	2,930	3,300	369	12.6%
By business	Golf	975	1,000	24	2.5%
By business	Other	328	400	71	21.6%

Operating Profit	FY24/3 (actual)	FY25/3 (revised in Feb*)	YoY	% Change
Broadcasting and Content	**917**	**2,300**	**1,382**	**150.7%**
Lifestyle	**373**	**350**	**-23**	**-6.4%**
Adjustments	-458	-450	8	–

*Considering the financial results of Q3 and recent trends in segment performance, we are revising the breakdown of net sales and operating profit by segment.

Source: Company's Earnings for Third Quarter of FY03/2025 Presentation material

Stock Price Trends

Stock Price Trends

Long-Term Stock Price Trends

The stock price remains range-bound, showing no benefit from TOPIX gains

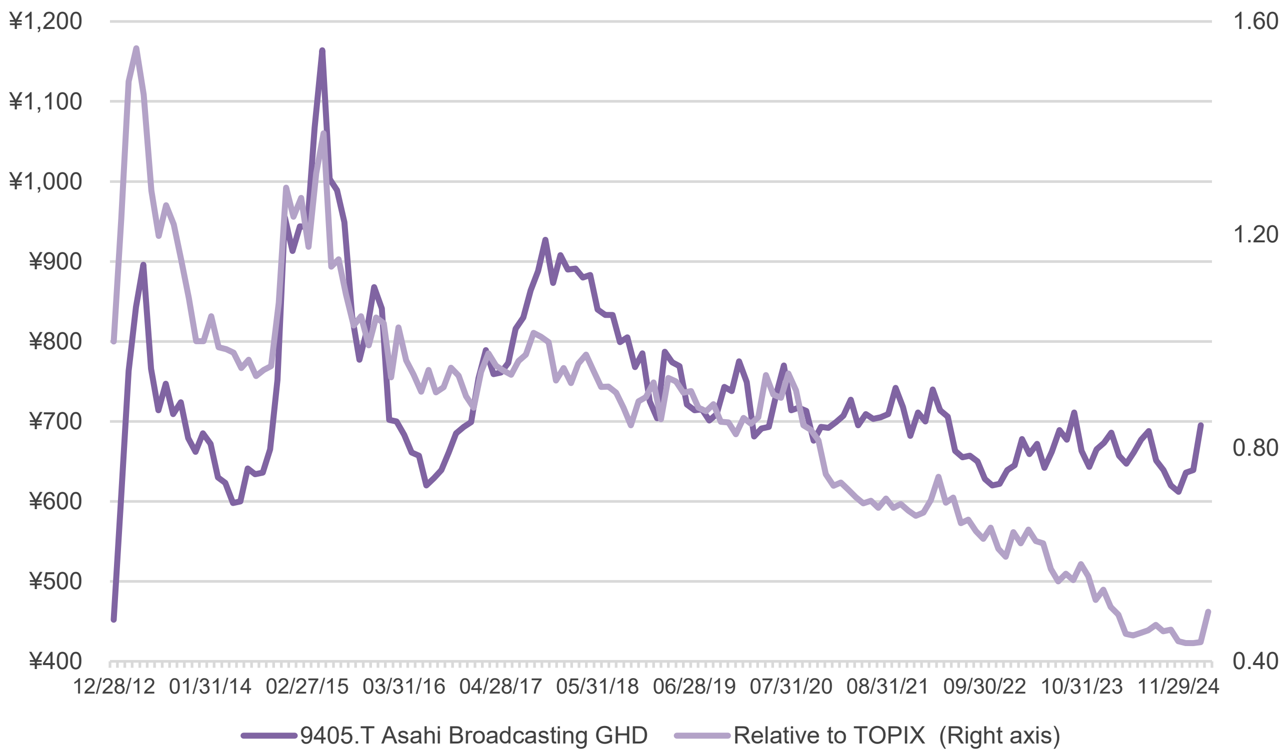
The long-term trends of the company's stock price and its relative performance against TOPIX are shown through the end of January 2025.

The stock price experienced significant fluctuations until 2019, but after 2020, it entered a gradual downward trend, starting from the 700 level. By January 2025, the stock had declined to 600, before rebounding to 639 by the end of the month.

On the other hand, the relative stock price against TOPIX has been declining since 2020. This is because the company's stock has not met the rising expectations of earnings growth, management reforms, and capital efficiency improvements in the Japanese stock market as a whole.

Following the Q3 FY2025 earnings release on February 10, 2025, which showed improved earnings, the stock price rose to 677 yen by March 17, 2025, approaching the 700-yen mark.

Figure 13. Long-Term Stock Price Trends



Note: Prepared by Global IR, Inc. based on month-end closing prices

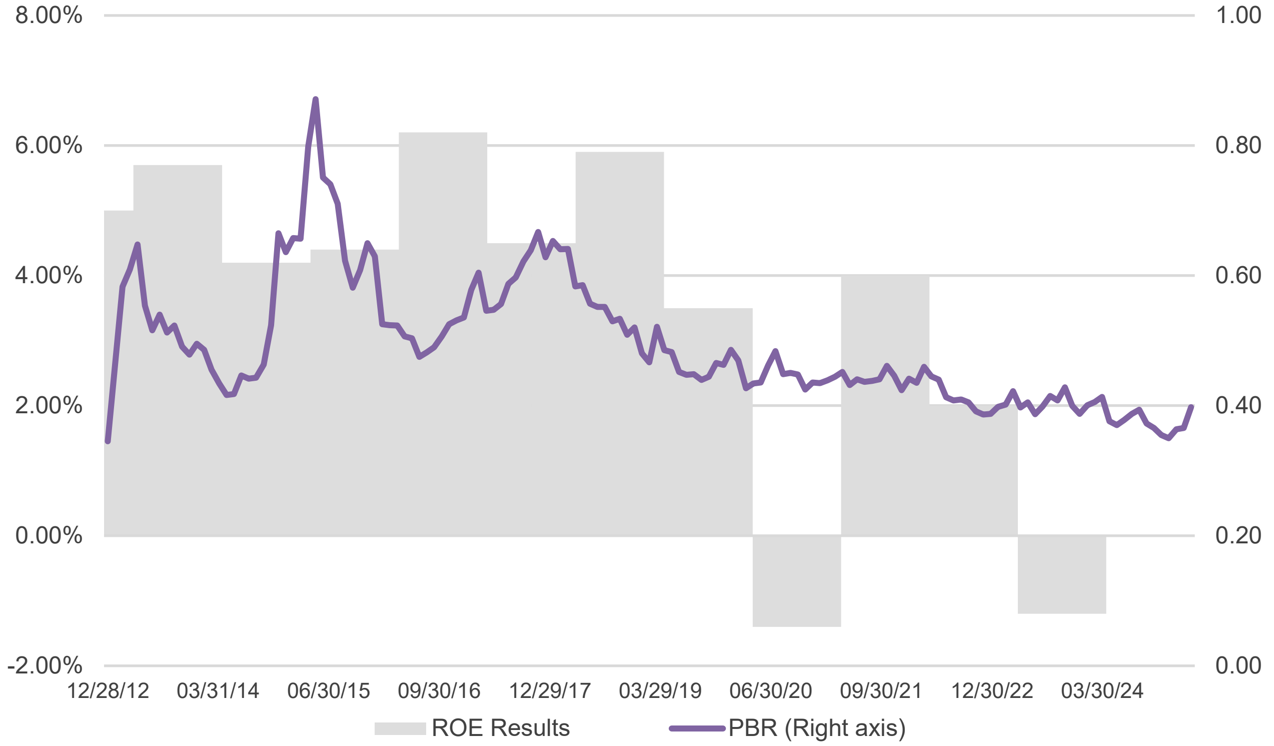
ROE and PBR Over Time

Declining ROE
PBR to remain low

Next, we will review the company's ROE and P/B ratios, with data through the end of January 2025.

Over the long term, ROE has been on a downtrend in recent years, and consequently, PBR has fallen to around 0.4x. The company has yet to find a catalyst for improving its PBR.

Figure 14. Long-Term Trends in ROE and PBR



Note: Based on month-end closing prices, Global IR, Inc.

Future Highlights

Catalyst for Future Stock Price Movement

Expectations for Accelerated Reforms with Revamped Management Structure

Weak performance to be reversed by renewal of top management

The description above is a summary of the company's trends.

The company's shift toward becoming a "comprehensive content business group", as outlined in its medium-term management strategy, represents a step in the right direction. Additionally, given the recent decline in performance and its divergence from final-year targets of the medium-term management strategy, the leadership transition—along with efforts to accelerate profit improvement, new investment guideline formulation, business reform, and future vision formulation— should be seen as a positive development, reflecting a shareholder-focused commitment to reform.

However, the company's ROE and other earnings levels are not high enough to compare with those of the average Japanese listed company. Improving these indicators will require a clear path for the Content Business to build up its pipeline, as well as more rigorous revenue management and synergy creation. Additionally, to accelerate its transformation, the company must prioritize portfolio restructuring and maximize balance sheet efficiency, ensuring that capital cost considerations play a central role.

Additionally, as the company itself recognizes, the profitability of the Content Business is under increasing pressure due to rising production costs, which have exceeded initial expectations. To address this, it will be essential to enhance value creation and improve capital efficiency through all available means. This includes optimizing the balance sheet by divesting cross-shareholdings and making disciplined use of debt.

There are high expectations for the company's two top management structure to successfully drive these reforms forward.

Ensure a compliance system

However, recent compliance issues at a major Tokyo-based broadcaster underscore the importance of ensuring that all strategic initiatives are built on a strong compliance framework, maintaining trust among viewers and advertisers.

Failing to meet the compliance standards expected by modern advertisers poses a significant revenue risk, potentially weakening the core foundation of the business. Conversely, by upholding higher compliance standards than its competitors, the company has an opportunity to strengthen its position in the advertising market and capture a larger share of ad revenue. This shift marks the emergence of a new competitive axis, distinct from traditional viewership ratings. Moving forward, the key question will be whether the company can leverage its compliance initiatives to strengthen its market position.

A new competitive axis has emerged, distinct from the traditional viewership ratings race. The key focus will be whether the company can turn this into an advantage.

Have Stock Prices Factored in Negative Factors?

At a P/B ratio of 0.4x, chances are that negatives have already been priced in

At current levels, the stock price appears to have already factored in structural challenges, including the company's business model transition. With a P/B ratio of approximately 0.4x and an EV/EBITDA ratio of around 5x, the stock is trading at a valuation that suggests limited downside risk as long as there is no loss of confidence in compliance and management continues to execute reforms effectively. Additionally, with cash and deposits exceeding interest-bearing debt, the company maintains a solid financial position, further reinforcing stability.

In other words, it is necessary to recognize that the stock is now in a phase where it is likely to respond to positive developments. If a favorable catalyst emerges—such as increased confidence in the company's ability to achieve its ROE target of 5% in FY03/2026 or a well-defined pathway for further ROE improvement beyond that—the stock price can be expected to rebound and enter an upward trend.

What to Expect as a Positive Catalyst for Stock Prices

Scope for positive catalysts

The following is a list of the positive catalysts expected from the company. Continued leadership from the two top management under the new leadership structure and timely disclosure of information to shareholders could also be key drivers.

[Catalyst to look forward to]

- Ensuring a compliance system.
- Improved financial performance for FY03/2025, reflecting the recovery of the advertising market and the impact of profit improvement.
- The positioning of FY03/2026 as the final year of the current medium-term management strategy and the establishment of financial targets that are both realistic and ambitious.
- Clear disclosure of the company's future vision for 2031, particularly regarding financial targets such as ROE goals, along with an explanation of the following:
    - A new investment guideline that considers the appropriate cost of capital, with a structured system for investment execution and post-investment management
    - Explanation of the specific level of cost of capital and the level of return (ROIC, ROE, etc.) to be aimed for in the long term and the basis for that return
    - Mapping of business portfolios, evaluation of synergies among businesses, and stepping in to concentrate and select businesses based on this assessment
    - Proactively redeem cross-shareholdings and non-core business assets and use the proceeds for business investments
    - Make sufficient investments in the content business, manage progress after investments, and accelerate the timeline for monetization of these businesses
    - Enhance content pipeline, expand disclosure, and build on best practices
    - Clearly state capital allocation policy
    - Adoption of a more downwardly rigid and progressive dividend policy than before

Key Management Metrics

Consolidated Statement of Income (Millions of yen)

Accounting period	FY03/2018	FY03/2019	FY03/2020	FY03/2021	FY03/2022	FY03/2023	FY03/2024	FY03/2025 (Forecast)
Net Sales	80,991	81,986	82,937	78,344	85,100	87,028	90,452	91,000
YoY	-1.6%	1.2%	1.2%	-5.5%	8.6%	2.3%	3.9%	0.6%
Gross Profit	27,985	28,522	27,977	25,951	29,518	28,961	27,546	
YoY	-1.9%	1.9%	-1.9%	-7.2%	13.7%	-1.9%	-4.9%	
Gross Profit Margin	34.6%	34.8%	33.7%	33.1%	34.7%	33.3%	30.5%	
SG&A	23,735	24,260	24,588	23,256	25,315	26,366	26,714	
YoY	0.8%	2.2%	1.4%	-5.4%	8.9%	4.2%	1.3%	
Operating Profit	4,250	4,262	3,388	2,694	4,203	2,594	832	2,200
YoY	-14.5%	0.3%	-20.5%	-20.5%	56.0%	-38.3%	-67.9%	164.4%
Operating Profit Margin	5.2%	5.2%	4.1%	3.4%	4.9%	3.0%	0.9%	2.4%
Ordinary Profit	4,539	4,591	3,633	3,033	4,792	2,661	723	2,300
YoY	-13.7%	1.2%	-20.9%	-16.5%	58.0%	-44.5%	-72.8%	218.1%
Profit Attributable to Owners of Parent	2,691	3,742	2,278	(930)	2,671	1,354	(884)	1,500
YoY	-21.2%	39.0%	-39.1%	Loss	Profit	-49.3%		
Net Profit Margin	3.3%	4.6%	2.7%	-1.2%	3.1%	1.6%	-1.0%	1.6%

Per-share data (￥)

Accounting period	FY03/2018	FY03/2019	FY03/2020	FY03/2021	FY03/2022	FY03/2023	FY03/2024
Total Shares Outstanding (thousands)	40,837	40,897	40,983	41,030	41,732	41,732	41,774
EPS	65.9	91.6	55.6	(22.7)	65.0	32.4	(21.2)
EPS Adjusted							
BPS	1,509.1	1,594.8	1,591.6	1,609.4	1,604.9	1,659.6	1,748.0
DPS	20.0	28.0	18.0	10.0	24.0	16.0	12.0

Consolidated Balance Sheets (Millions of yen)

Accounting period	FY03/2018	FY03/2019	FY03/2020	FY03/2021	FY03/2022	FY03/2023	FY03/2024
Current assets	33,379	37,852	47,307	46,664	49,744	46,385	45,393
Cash & Deposits, Marketable Securities	16,513	16,537	27,252	27,983	28,301	24,459	25,553
Tangible Fixed Assets	38,928	37,837	36,944	39,760	41,550	41,181	41,759
Intangible Fixed Assets	1,184	1,381	1,485	2,995	3,472	3,229	2,292
Investments & Other Assets	29,186	30,716	29,024	29,614	28,985	31,483	33,763
Investment Securities	18,376	18,406	17,299	18,606	16,900	17,928	19,293
Deferred Assets			24	44	34	25	16
Total Assets	102,680	107,788	114,786	119,079	123,788	122,305	123,225
Total Current Liabilities	12,496	13,129	13,647	15,112	18,520	19,601	22,665
Total Long-Term Liabilities	26,820	27,609	32,047	34,266	34,770	30,257	24,406
Total Liabilities	39,316	40,738	45,694	49,378	53,290	49,859	47,072
Shareholders' Equity	61,625	65,223	65,230	66,035	66,975	69,259	73,022
Total Net Assets	63,363	67,049	69,091	69,700	70,497	72,445	76,153
Interest-Bearing Debt	495	981	6,674	11,910	12,518	12,187	14,122

Cash Flows (Millions of yen)

Accounting period	FY03/2018	FY03/2019	FY03/2020	FY03/2021	FY03/2022	FY03/2023	FY03/2024
Capital Expenditures	5,477	2,689	2,585	5,116	8,468	7,991	4,094
Depreciation & Amortization	2,971	3,031	3,263	3,140	3,373	3,854	3,743
Cash Flow from Operating Activities	4,803	3,286	4,546	5,952	4,689	2,951	5,658
Cash Flow from Investing Activities	(5,113)	(2,394)	2,655	(10,311)	(4,276)	(5,046)	(5,659)
Cash Flow from Financing Activities	(2,260)	(53)	3,203	4,583	543	(1,610)	1,145

Financial Data (%)

Accounting period	FY03/2018	FY03/2019	FY03/2020	FY03/2021	FY03/2022	FY03/2023	FY03/2024
Return on Assets (ROA)	4.4%	4.4%	3.3%	2.6%	3.9%	2.2%	0.6%
Return on Equity (ROE)	4.5%	5.9%	3.5%	-1.4%	4.0%	2.0%	-1.2%
Equity-to-Asset Ratio	60.0%	60.5%	56.8%	55.5%	54.1%	56.6%	59.3%

Source: Prepared by Global IR, Inc. based on company securities reports and company IR materials.

Note: Rounded to the nearest million yen, rounded to one decimal place *Calculated by Global IR, Inc.

Shareholder Information

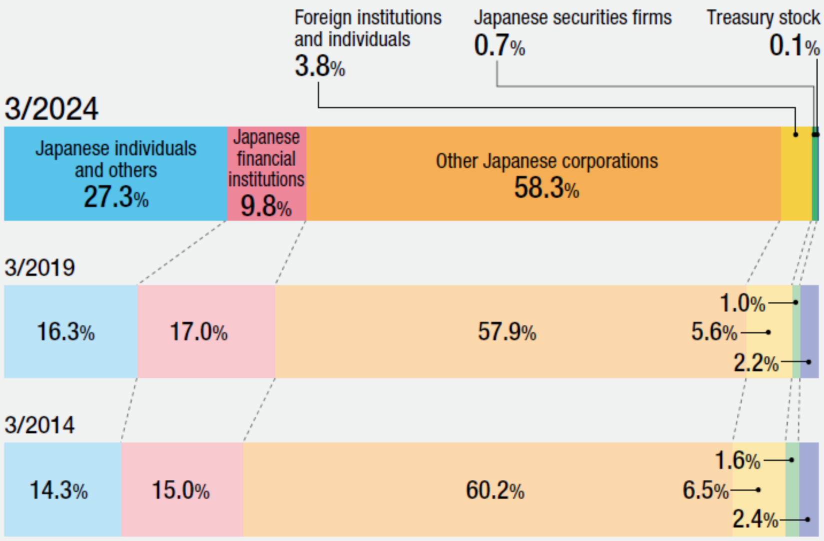
Figure 15. Shareholder Information

Major Shareholders (Top 10 Shareholders)

Name of Shareholders	Number of Shares Held	Shareholding Ratio (%)
The Asahi Shimbun Company	6,224,900	14.90
TV Asahi Holdings Corporation	3,877,600	9.28
Kosetsu Museum of Art Public-interest Incorporated Foundation	2,930,000	7.01
Teikyo University	1,571,000	3.76
Asahishimbun Credit Cooperative	1,500,000	3.59
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,450,711	3.47
Osaka Gas Co., Ltd.	1,065,000	2.55
Shimamura Yoshihiro Eiga Kikaku Co., Ltd.	801,000	1.92
Kintetsu Bus Co., Ltd.	800,000	1.92
Takenaka Corporation	776,600	1.86

Note: The Company owns 58,521 shares of treasury stock. Further, calculations of shareholding ratios do not take treasury stock into account.

Distribution by Shareholder Type



Source: Company's Integrated Report 2024

Governance

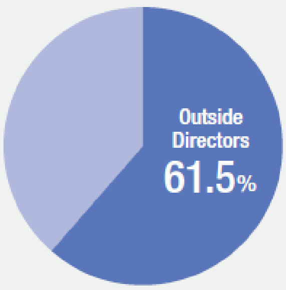
Figure 16. Trends in Governance Enhancement

The Trends of Governance Enhancement

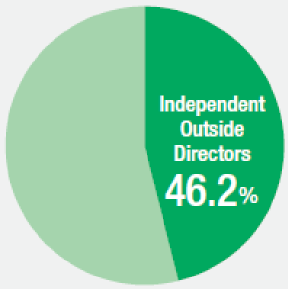
(People)

		FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
Board of Directors	Board of Directors	15	14	13	12	12	13	13
	Outside Directors	6	6	6	6	7	8	8
	Independent Outside Directors	4	4	4	4	5	6	6
Audit and Supervisory Committee	Audit and Supervisory Committee	5	5	5	5	4	4	4
	Outside Directors	3	3	3	3	3	3	3
Nomination and Compensation Committee	Nomination and Compensation Committee		4	4	5	5	5	5
	Independent Outside Directors		2	2	3	3	3	3
Initiatives for Governance Enhancement		Transition to a Company With the Audit and Supervisory Committee →						
		Implementation of the Restricted Stock (RS) Compensation Plan →						
			Implementation of the Executive Officer system →					
			Establishment of the Nomination and Compensation Committee →					
						Establishment of the Sustainability Promotion Committee →		
Stock Listing Market		Tokyo Stock Exchange First Section →				Tokyo Stock Exchange Prime Market →		

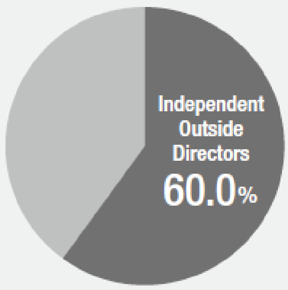
Ratio of the Outside Directors on the Board of Directors



Ratio of the Independent Outside Directors on the Board of Directors



Ratio of the Independent Outside Directors on the Nomination and Compensation Committee



Source: Company's Integrated Report 2024

Figure 17. Skills Matrix

Skills Matrix

The following table outlines the top four skills expected on the basis of each director's experience and does not represent all the knowledge they possess.

Position	Name	Outside	Independent	Newly elected / Re-elected	Years serving as Director	Number of Board of Directors meetings attended	Number of Audit and Supervisory Committee meetings attended	Nomination and Compensation Committee	Corporate management	Media industry knowledge	Finance and accounting	DX / Technology	Organizational structures and human resources development	Diversity	Governance	Sustainability and ESG
Director, Chairman	Susumu Okinaka			Re-elected	13 years	10 / 10 times			●		●	●			●	
Representative Director	Shinya Yamamoto			Re-elected	13 years	10 / 10 times		●	●	●			●			●
Director and Managing Executive Officer	Toshiaki Imamura			Newly elected	—	—			●	●		●	●			
Director and Executive Officer	Hironobu Nakamura			Re-elected	1 year	10 / 10 times				●	●		●		●	
Directors	Takehiro Honjo	●	●	Re-elected	3 years	10 / 10 times		●	●		●				●	●
	Akihiro Kuroda	●	●	Re-elected	6 years	9 / 10 times		●	●					●	●	●
	Hiroshi Shinozuka	●		Re-elected	2 years	9 / 10 times			●	●		●			●	
	Reiko Horikoshi	●		Re-elected	1 year	10 / 10 times			●	●			●	●		
	Senko Ikenobo	●	●	Re-elected	1 year	9 / 10 times							●	●	●	●
Directors (Audit and Supervisory Committee Members)	Natsuto Tanaka			Re-elected	4 years	10 / 10 times	10 / 10 times				●		●		●	●
	Misako Fujioka	●	●	Re-elected	4 years	9 / 10 times	10 / 10 times		●		●			●	●	
	Junko Okawa	●	●	Re-elected	2 years	10 / 10 times	10 / 10 times		●				●	●		●
	Haruhiko Kato	●	●	Newly elected	—	—	—	●	●		●			●	●	

Note 1: This table is based on the general meetings of shareholders held between June 28, 2023, and June 26, 2024.
Note 2: Hironobu Nakamura served as Director (Audit and Supervisory Committee Member) from June 2020 to June 2022.
Note 3: The positions of directors and information about the Nomination and Compensation Committee are current as of October 1, 2024.

(Note on the Independence of Outside Directors)
Our Outside Directors satisfy the standards for the independence of outside directors specified by the Company and the standards for independent directors and auditors required by the Tokyo Stock Exchange (TSE) to ensure general shareholder protection.

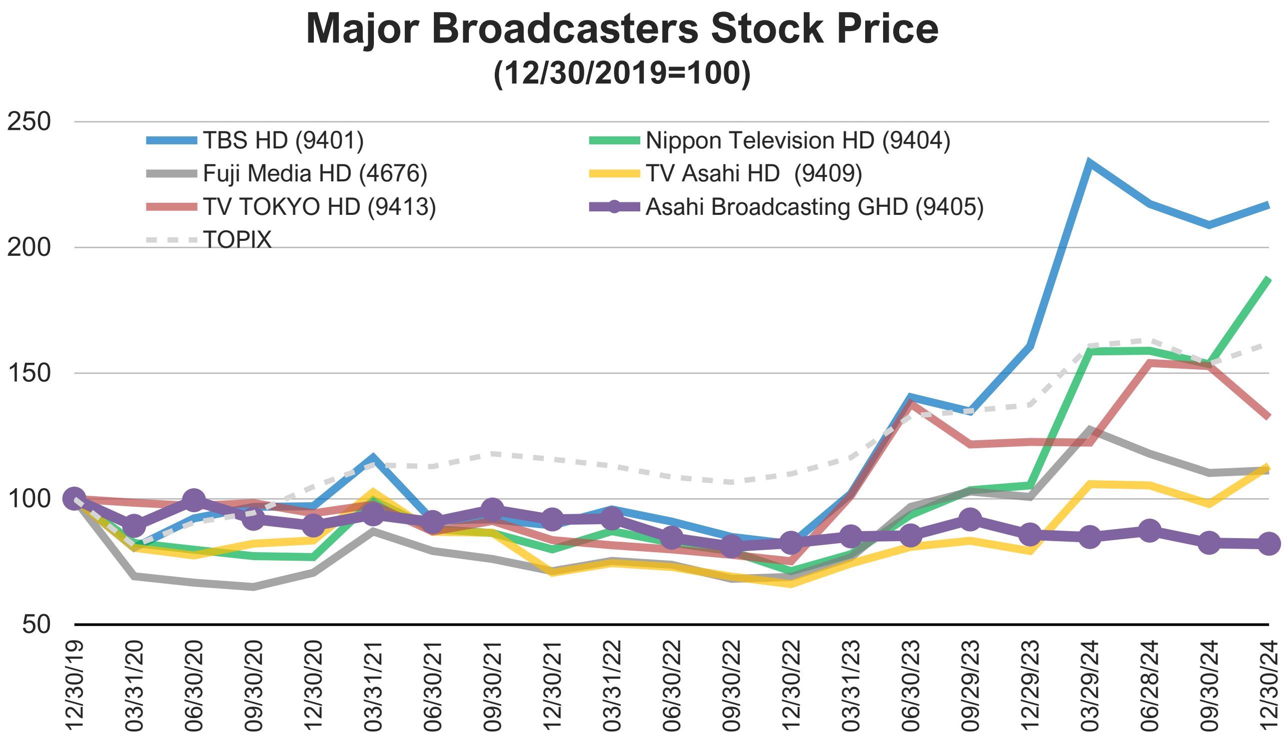
Independence Standards for Outside Directors
https://corp.asahi.co.jp/en/ir/governance/standard.html

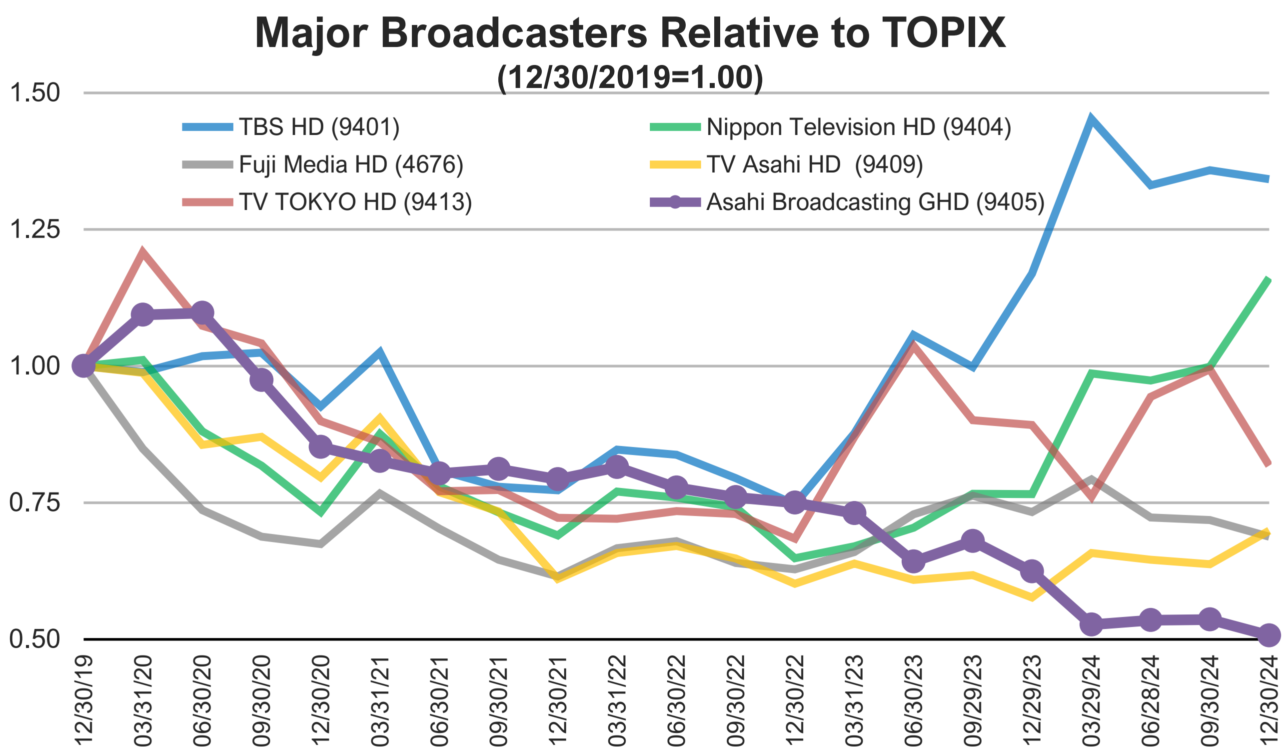
The Company has implemented an executive officer system.
The following table outlines the four main skills concerning business execution possessed by each executive officer other than those concurrently serving on the Board of Directors.

Position	Name	Management strategy and financial accounting	Media industry knowledge	Content business	Lifestyle business	Organizational structures and human resources development	DX / Technology	Marketing	Risk management
President, Executive Officer	Masayuki Nishide	●		●			●	●	
Managing Executive Officer	Yoshiki Mato	●	●		●				●
Executive Officers	Naohiko Takeda		●	●		●		●	
	Tomoaki Asano	●			●		●		●
	Hiroshi Noshita	●		●			●		●
	Jun Iwata		●	●		●		●	
	Yoko Kumada	●	●	●		●			
	Hiroshi Komagano	●				●	●		●

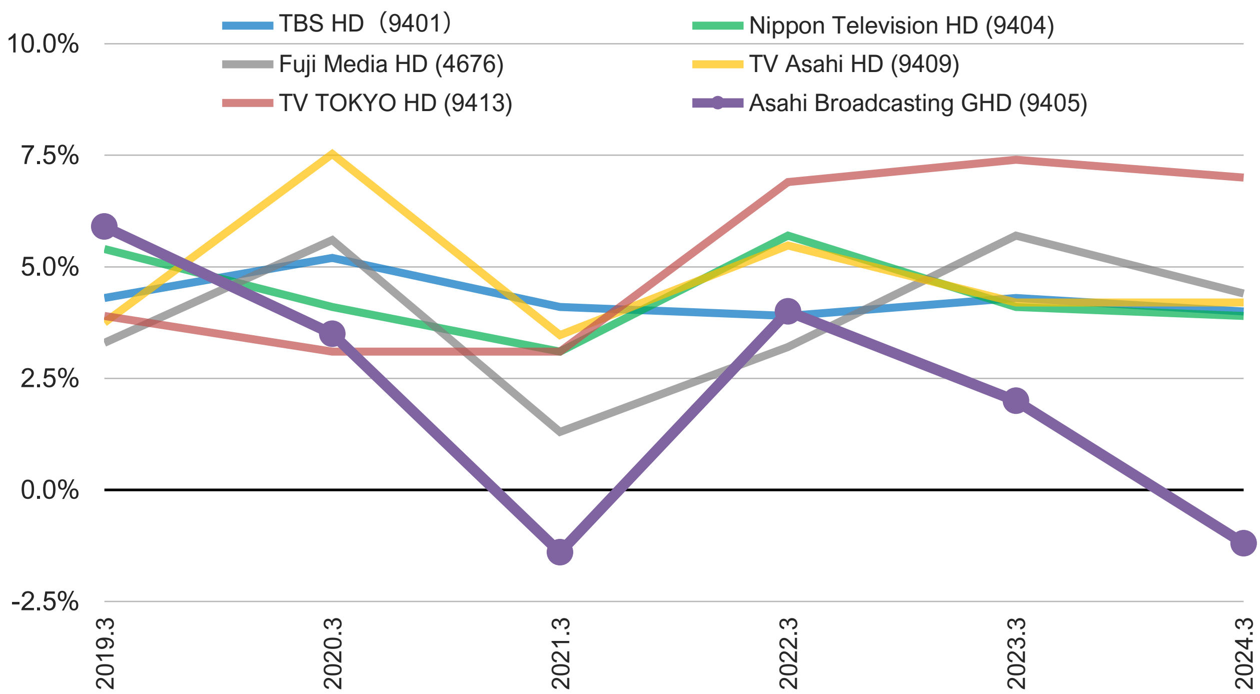
Source: Company's Integrated Report 2024

Figure 18. Comparative Data of Major Broadcasters

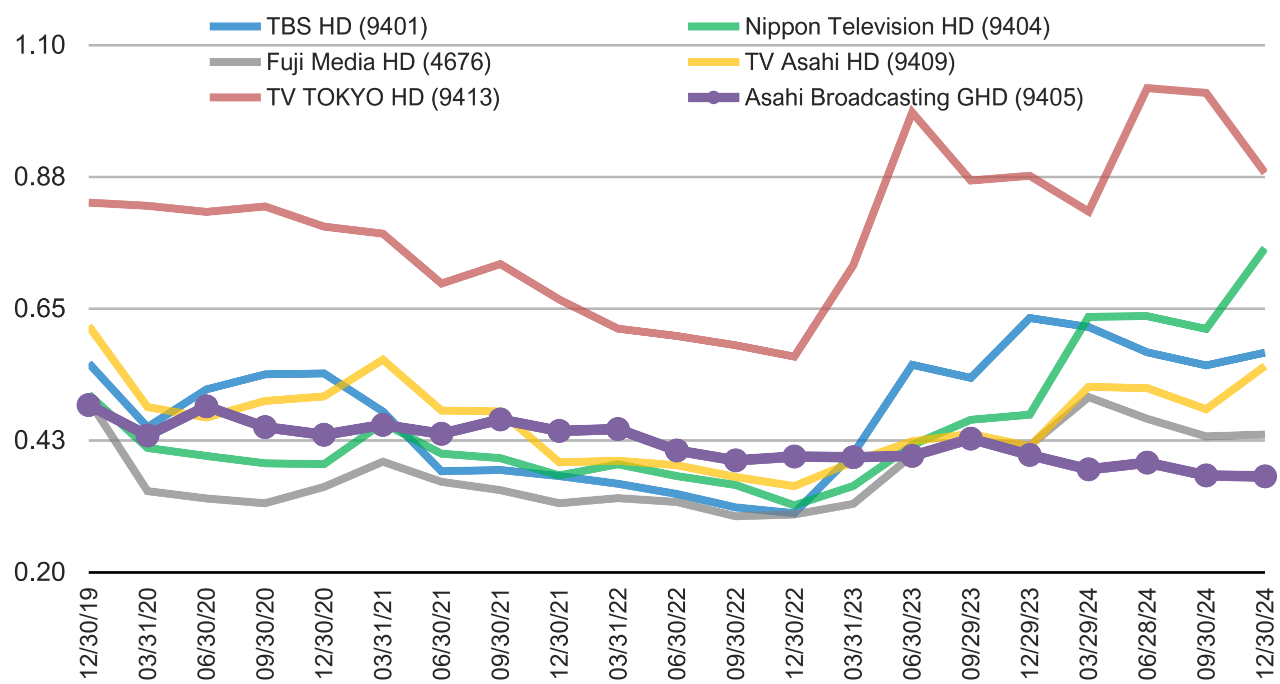




Major broadcasters ROE



Major broadcasters PBR



Note: Prepared by Global IR, Inc. based on Full-year results BPS and quarter-end closing prices

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