

NH The C Forum (2025.05) FAQs

Q1. Summary of 1Q25 Earnings

- A1. – Earnings declined due to reduced episode count, lower global pre-sales, and underperformance of new titles
- Revenue mix remained stable, supported by genre diversification, original deliveries, and regional sales

Q2. 2Q25 and Full-Year Lineup Outlook

- A2. – Original deliveries to help offset the impact of a lighter linear lineup in 2Q
- Over 60% of the 2025 slate is concentrated in 2H25
 - On track to produce 25+ titles, supported by the resumption of the Wed–Thu slot, expansion into Japan, and increased original supply
 - Content competitiveness to be enhanced by participation of top-tier creators/actors

Q3. Strategy for Improving Production Cost Efficiency

- A3. – Cost-efficiency measures underway through data-driven budgeting, bid-based contracts, and broader application of actual-cost reimbursement
- Targeting margin improvement by expanding efficiency measures from 8 titles in 2024 to most titles in 2025, with full adoption by 2026

Q4. Global Projects: Japan & U.S.

- A4. – Japanese remake of *Marry My Husband* to launch on Amazon Prime Video in June, followed by *Hatsukoi Dogs* (TBS) and *Soul Mate* (Netflix Japan)
- Continuing to strengthen local partnerships in Japan, leveraging Korea's proven drama production system
 - In the U.S., 20 titles+ are in development with subsidiaries and local partners

Q5. Rationale and Expected Synergies of Skydance Equity Acquisition

- A5. – A strategic move to secure global growth, expanding beyond co-production to restructure the partnership model and enhance U.S. distribution infrastructure via the Skydance–Paramount merged entity
- Successful co-production of Apple TV+ original series *The Big Door Prize* (Season 1 & 2) with Skydance → equity investment aims to amplify synergies in development and production, enhance local production capabilities, and accelerate transition into a global studio
 - U.S. series production budgets are 3–5 times higher than Korean shows, offering strong potential for top-line growth and margin expansion

Q6. Outlook for Re-entry into China

- A6. – No confirmed developments yet, but ongoing communication with local platforms
- Preparing multiple scenarios to respond flexibly to potential policy shift
 - If the ban is lifted, monetization opportunities include:
 - ① recognition of deferred revenue from unreleased titles, ② sales of existing IPs,
 - ③ simultaneous releases of new titles, ④ local co-production opportunities

Q7. New Talent Discovery Plans via Wed-Thu TV Slot

- A7. – Wed-Thu dramas to resume in 2H25, with a focus on discovering emerging talent
- Aims to offset rising actor fees by fostering next-generation stars
 - Plans to connect talent development with IP-driven commerce with CJ ENM

Q8. New Business Initiatives (e.g., Short-Form Content)

- A8. – Carefully exploring expansion into short-form content while maintaining premium storytelling identity
- Despite limited profitability in the domestic short-form market, open to collaboration with Tving and CJ ENM
 - Pursuing new revenue streams including AI, with phased disclosure as initiatives progress

Q9. Mid-to-Long-Term Operating Margin Target

- A9. – OPM declined due to industry-wide slowdown and underperformance of select titles
- Nonetheless, high-profile hits like *Queen of Tears* delivered strong profitability
 - Targeting ~10% operating margin mid-term through improved hit ratio, expanded global sales, and greater production efficiency
 - Over the long term, aiming for ~20% margin through business portfolio diversification

Q10. Shareholder Return Policy

- A10. – Shareholder return policy to be considered upon achieving targets for FCF, OPM, and CAPEX
- While CAPEX and FCF are stable, current OPM falls short due to industry weakness
 - SD aims to establish clear milestones for shareholder return by rebuilding fundamentals and securing new growth drivers in 2025