

## 1Q FY2020 Earnings Announcement (Teleconference)

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### Event Summary

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Date : July 31, 2020 15:30-16:30

Speakers : Akira Tanaka Representative Director, President & CEO

Noriaki Kuromizu Representative Director, Executive Vice President

Junichi Onoue Board Director, Executive Officer

### Presentation

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**Moderator:** It is now time to start the teleconference of financial results briefing of WOWOW INC. for the first quarter of FY2020. Thank you very much for your participation today, despite your busy schedule.

At this teleconference, Akira Tanaka, Representative Director, President, and CEO; Noriaki Kuromizu, Representative Director, Executive, and Vice President; Junichi Onoue, Board Director and Executive Officer, are present.

Now, Tanaka, the president, will explain the highlights of the financial results for the first quarter of FY2020. Thank you.

## 2020年度第1四半期決算 ハイライト

正味加入件数は80千件の純減、収支は減収増益に

### 加入

- リモートで制作したショート連続ドラマ「2020年 五月の恋」や、サザンオールスターズ・桑田佳祐さんのライブ12時間無料放送、GLAYのオリジナル無観客ライブなど、クリエイターやアーティストとタッグを組み、加入獲得や維持に努めた
- しかしながら、新型コロナウイルス感染症の影響により、スポーツイベントが延期・中止となったことなどから、加入獲得が苦戦 (単位：千件)

	2019年度1Q	2020年度1Q	前年同期差	前年同期比
新規加入件数	148	100	△48	67.7%
解約件数	160	180	20	112.5%
正味加入件数	△12	△80	△68	—

### 収支(連結)

- 売上高は前年同期と比べ累計正味加入件数が減少したこと等より、減収
- 経常利益は番組費の減少等により、前年同期と比べ増益に (単位：百万円)

	2019年度1Q	2020年度1Q	前年同期差	前年同期比
売上高	20,277	19,640	△637	96.9%
営業利益	2,585	4,262	1,677	164.9%
経常利益	2,756	4,408	1,652	159.9%

それぞれ、百万円未満は切り捨てております。

Tanaka: This is Tanaka. Thank you very much for attending the telephone conference today. I would like to explain the highlights of our financial results for the first quarter of FY2020. I think you have the material at hand. Please turn to page two.

In the first quarter, the number of new subscribers was 100,000, the number of cancellations was 180,000, and the net number of subscribers was negative 80,000.

Due to the impact of COVID-19, in the first quarter, the business climate for entertainment was extremely challenging. Despite this situation, we had wonderful projects, such as "Romance in May 2020," a remotely-produced drama series originated by an idea generated by Yo Yoshida, an actress, a 12-hour free live broadcasts of Southern All Stars, Keisuke Kuwata, and GLAY's original behind-closed-doors live broadcast. These initiatives, in collaboration with creators and artists, were much talked about.

However, the impact of the postponement or cancellation of sporting events was very significant, with a net subscription of negative 80,000. Net sales decreased by JPY637 million YoY due to a decrease in the cumulative net number of subscribers and other factors. Ordinary income increased due to a decrease in program expenses resulting from the postponement or cancellation of broadcasting of sports programs.

The details of the figures will be explained by Onoue, the person in charge of IR accounting.

## 2020年度第1四半期 加入状況

(単位：千件)

	2019年度1Q	2020年度1Q	前年同期比較	
			前年同期差	前年同期比
新規加入件数	148	100	△48	67.7%
解約件数	160	180	20	112.5%
正味加入件数	△12	△80	△68	—
累計正味加入件数	2,890	2,775	△115	96.0%
内) 複数契約*1	413	403	△10	97.6%
内) 宿泊施設契約*2	66	71	5	107.6%

\*1 同一契約者による2契約目と3契約目のデジタル契約に割引制度を適用（月額2,300円の視聴料金を900円に割引。金額は税抜き）

\*2 宿泊施設の客室で視聴するための宿泊施設事業者との個別契約

**Onoue:** I am Onoue and am in charge of IR accounting. Hello.

I will explain until the status of income and expenditures of the major consolidated companies listed on page nine.

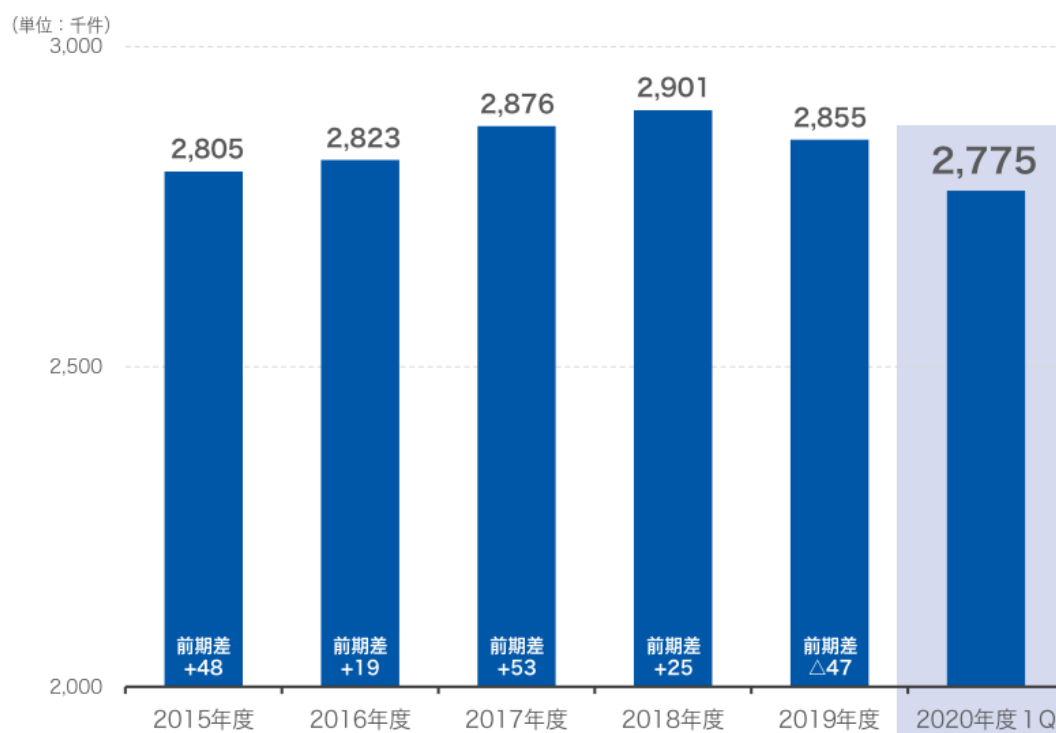
Page three shows subscription status.

The number of new subscribers in the first quarter was 100,000, a decrease of 48,000 YoY. The number of cancellations was 180,000, an increase of 20,000 YoY. As a result, the net number of subscribers decreased by 68,000 YoY, to a net decrease of 80,000. The cumulative net number of subscribers decreased by 115,000 YoY to 2.775 million.

In the same quarter of the previous fiscal year, new subscriptions were driven by sporting content, such as boxing and tennis. However, in the first quarter of the current fiscal year, the impact of COVID-19 resulted in the postponement or cancellation of sporting and live-music events, which was a major factor behind the decrease in new subscriptions and cancellations.

Also, in addition to the impact of COVID-19, the spread of video streaming services has increased the choice of viewers, resulting in a very challenging result, a net decrease in subscribers.

## 累計正味加入件数の推移



Turn to page four. This page shows the cumulative net number of subscribers since FY2015.

In the first half of FY2020, we expect the acquisition of new subscribers to be a struggle. However, from August onward, we expect the number of net subscribers, which declined in the first half of the fiscal year, to recover in the second half of the fiscal year, by actively launching contents such as sports, music, and original dramas, including the planned holding of the tennis grand slam tournament.

## 2020年度第1四半期 収支状況

(単位：百万円)

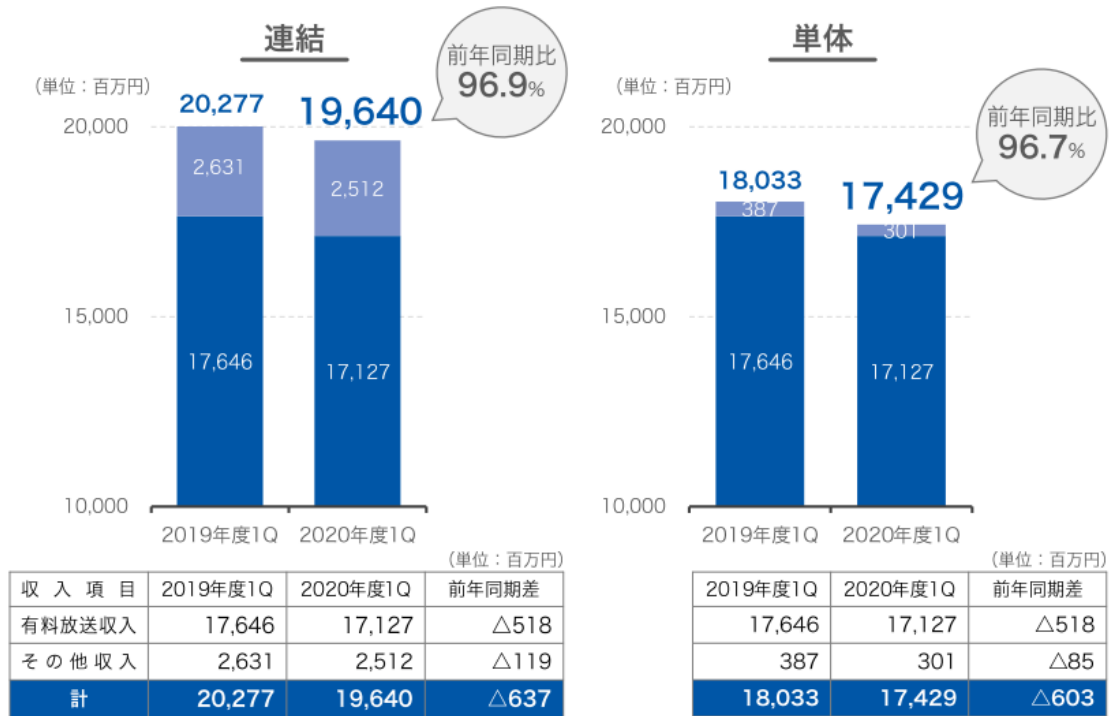
		2019年度1Q		2020年度1Q		前年同期比較	
		実績	収入比	実績	収入比	前年同期差	前年同期比
連結	売上高	20,277	100.0%	19,640	100.0%	△637	96.9%
	営業利益	2,585	12.7%	4,262	21.7%	1,677	164.9%
	経常利益	2,756	13.6%	4,408	22.4%	1,652	159.9%
	親会社株主に帰属する 四半期純利益	1,888	9.3%	3,065	15.6%	1,176	162.3%
単体	売上高	18,033	100.0%	17,429	100.0%	△603	96.7%
	営業利益	2,509	13.9%	4,336	24.9%	1,827	172.8%
	経常利益	2,915	16.2%	4,694	26.9%	1,779	161.0%
	四半期純利益	2,080	11.5%	3,328	19.1%	1,247	159.9%

それぞれ、百万円未満は切り捨てております。

Page five shows the status of income and expenditure.

The top row shows the consolidated balance sheet. In the first quarter of this fiscal year, sales and profit decreased YoY. Net sales were JPY19.64 billion, a decrease of JPY637 million YoY. Ordinary income was JPY4.408 billion, an increase of JPY1.652 billion YoY. The factors behind the difference YoY are explained on the next page.

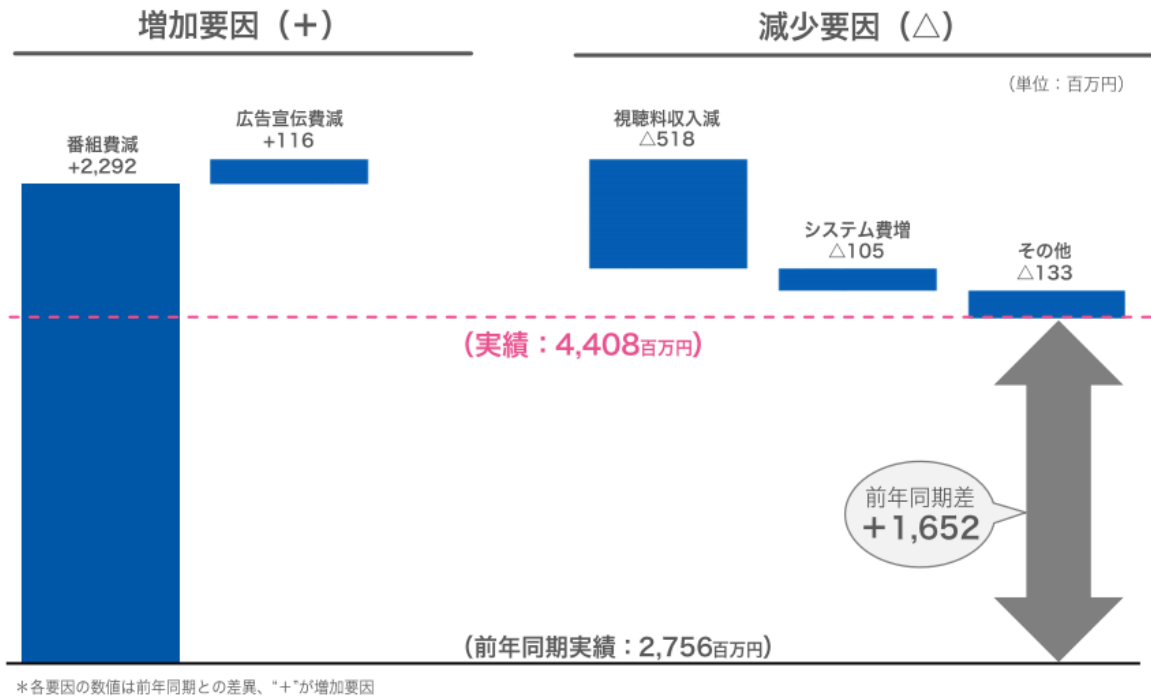
## 売上高 前年同期対比



それぞれ、百万円未満は切り捨てております。

Page six shows comparison with the corresponding quarter of the previous fiscal year. Consolidated net sales on the left-hand side are as follows. Consolidated net sales decreased by JPY637 million YoY. Revenue from paid broadcasting decreased by JPY518 million, due to a decrease YoY in the cumulative net number of subscribers. Other revenues include non-group revenues from consolidated subsidiaries, as well as incidental business revenues, such as event revenues from WOWOW on a non-consolidated basis. Although there were large-scale events in the same quarter of the previous fiscal year, there were no events in the first quarter of the current fiscal year, and sales outside the group of consolidated subsidiaries decreased. As a result, net sales decreased by JPY119 million.

## 連結経常利益 前年同期との差異要因



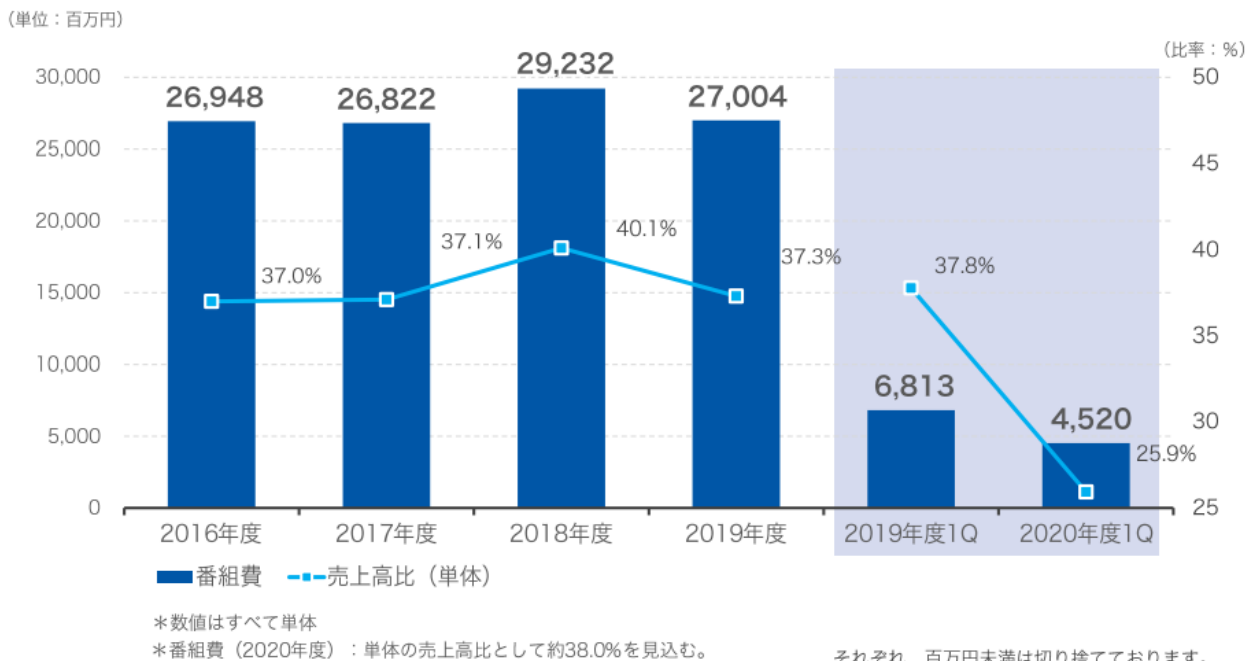
The factors behind the difference YoY in consolidated ordinary income are shown on page seven. The left-hand side of the chart shows factors contributing to profit growth, and the right-hand side shows factors contributing to profit decline.

First, for factors behind increase, programming costs decreased by JPY2.292 billion. Details will be provided on the following page. Advertising expenses decreased by JPY116 million.

Next, for factors behind the decline, viewing fees decreased by JPY518 million. System costs increased by JPY105 million. This was mainly due to increased use of WOWOW members on demand. For other factors, there was a decrease of JPY133 million. This decrease was mainly due to a decrease in revenues from incidental businesses and a decrease in foreign exchange gains. As a result, operating income increased by JPY1.652 billion.

## 番組費の推移

スポーツイベントの延期・中止等により、番組費は前年同期と比べ減少



それぞれ、百万円未満は切り捨てております。

Page eight shows the transition of the program cost.

Program expenses decreased by JPY2.292 billion YoY, mainly due to the postponement or cancellation of sporting events as results of the impact of COVID-19.

Although the ratio to net sales decreased significantly YoY to 25.9%, we expect to spend as much as 38% of non-consolidated net sales as planned to aggressively launch contents, such as sports, music, and original drama.

Until now, the breakdown of the cost of distribution of movies, which is the cost of procurement for Hollywood major movies, other paid broadcasting programs, and other program costs, such as data broadcasting, has been disclosed. However, starting this financial results briefing, only the total amount will be disclosed.

As a result of our strategy of comprehensively compiling contents from a variety of genres, the ratio of movie distribution expenses has decreased, falling below 20% in the previous fiscal year. Also, the amount of other programming costs will be disclosed in total, due to the fact that the amount is negligible.



## 主要な連結決算会社の収支状況

### ■WOWOWコミュニケーションズ（テレマーケティング）

（単位：百万円）

	2019年度1Q		2020年度1Q		前年同期比較	
	実績	収入比	実績	収入比	前年同期差	前年同期比
売上高	2,077	100.0%	2,035	100.0%	△41	98.0%
営業利益	15	0.8%	△28	△1.4%	△44	—
経常利益	17	0.8%	△28	△1.4%	△45	—
四半期純利益	10	0.5%	△20	△1.0%	△30	—

\*WOWOWコミュニケーションズ単体の数値です。

### ■WOWOWプラス（放送）

売上高	1,230	100.0%	1,352	100.0%	122	109.9%
営業利益	45	3.7%	74	5.5%	29	164.6%
経常利益	45	3.7%	75	5.6%	29	163.6%
四半期純利益	27	2.2%	56	4.2%	29	206.4%

\*WOWOWプラス単体の数値です。

それぞれ、百万円未満は切り捨てております。

Page nine shows the income and expenditure of major consolidated companies.

The upper panel of the chart shows WOWOW COMMUNICATIONS INC., which is engaged mainly in telemarketing.

Net sales were JPY2.035 billion, and ordinary income was negative JPY28 million. Both sales and profits decreased due to a decline in non-group sales with the impact of COVID-19.

In the bottom row of the table, WOWOW Plus INC. offers basic channels, such as BSs, CS110°C, and cable televisions.

Net sales were JPY1.352 billion, and ordinary income was JPY75 million. The company provides programming services and installs facilities to hotels. Orders increased due to rising demand for accommodation facilities, such as hotel openings, resulting in higher sales and profits.

That is all from me.

**Moderator:** Tanaka, the president, will now explain our performance outlook for FY2020.

## 徹底的なコンテンツの差別化

スポーツイベントや音楽ライブなどが続々と再開

 <p><b>全米オープンテニス</b> 8月31日(月)～9月14日(月) 連日生中継</p>	 <p><b>全仏オープンテニス</b> 9月27日(日)～10月11日(日) 連日生中継 [第1日無料放送]</p>	 <p><b>生中継! 超特急 BULLET TRAIN 8th Anniversary Special 「超フェス 2020」</b> 8月8日(土)</p>
 <p><b>スペインサッカー ラ・リーガ 2020-21シーズン</b> 9月12日(土)開幕予定</p>	 <p><b>メジャー! LPGA女子ゴルフツアー 全英AIG女子オープン</b> 8月20日(木)～8月23日(日)</p>	 <p><b>劇場の灯を消すな! サンシャイン劇場編 劇団☆新感線40周年!～勝手に? われら青春のサンシャイン!</b> 8月1日(土)</p>

\*新型コロナウイルス感染症の状況によっては、番組に変更の可能性があります

Tanaka: Please turn to page 11.

We have raised several points for thorough content differentiation. COVID-19 has not been calmed down at all. Today, 463 people, the largest number of infections in Tokyo, was announced, but professional sports events, mainly overseas, are gradually being resumed. I would like to introduce some overseas sporting events that we broadcast. The US Open tennis will be held for two weeks starting August 31, on schedule as originally planned. However, unlike in normal years, it has been announced that it will take all possible measures to prevent infections, such as thorough inspection and the limitation of the number of persons concerned. Kei Nishikori and Naomi Osaka have shown their intention to participate in this competition, so we hope that the two players who are good at playing hard-court will be able to play well in the competition, and we would like to see Japanese viewers light up their cheerful hopes in society amid this blocked feeling of today.

In addition, the French Open tennis, which had been postponed, will begin its finals on September 27. They have announced their policy of aiming to hold the event with gallery. In addition, the men's tennis ATP tour, which was distributed only for WOWOW members on demand, is also expected to resume on August 22.

Other than tennis, the LPGA women's golf tour and a new season for Spanish soccer, La

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liga, will start. Although there is also a strong possibility that they will be held without the audience, there are signs of a resumption of live music broadcasting. I believe that the spread of infections and the resumption of such entertainment will coincide with the simultaneous progress. In tandem with this, we will work toward a turnaround in the acquisition of new subscribers in the second half of the fiscal year.

## 2020年度 加入計画 (2020年5月15日公表値)

(単位：千件)

	2019年度 実績	2020年度 計画	前期比較	
			前期差	前期比
新規加入件数	564	630	66	111.7%
解約件数	611	630	19	103.2%
正味加入件数	△47	—	47	—
累計正味加入件数	2,855	2,855	0	100.0%

Next, please turn to page 12.

The plan for participation in FY2020 remains unchanged from the figures announced in May.

## 2020年度 収支計画 (2020年5月15日公表値)

(単位：百万円)

		2019年度		2020年度		前期比較	
		実績	収入比	計画	収入比	前期差	前期比
連結	売上高	82,450	100.0%	80,700	100.0%	△1,750	97.9%
	営業利益	8,489	10.3%	4,800	5.9%	△3,689	56.5%
	経常利益	9,225	11.2%	5,000	6.2%	△4,225	54.2%
	親会社株主に帰属する 当期純利益	5,072	6.2%	3,300	4.1%	△1,772	65.1%
単体	売上高	72,489	100.0%	70,500	100.0%	△1,989	97.3%
	営業利益	7,932	10.9%	4,700	6.7%	△3,232	59.3%
	経常利益	8,580	11.8%	5,100	7.2%	△3,480	59.4%
	当期純利益	4,613	6.4%	3,500	5.0%	△1,113	75.9%
年間配当		80円/株		80円/株		-	100.0%

(注) 番組費：単体の売上高比として約38.0%を見込む。  
想定為替レート：1ドル110円

それぞれ、百万円未満は切り捨てております。

Please turn to page 13.

There is no change in the forecast for the balance of payments from the figures announced in May, at this time.

That is all from me.

## Question & Answer

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**Moderator:** With that, we would like to conclude our presentation. Now, we will move on to the question and answer session.

If you have any questions, please go ahead.

**Questioner A:** Hello. I would like to ask how the figures of 1Q were compared with the initial forecasts for the current fiscal year, and what do you see would be the shifts in 2Q, 3Q, and 4Q toward the outlook of full year?

**Onoue:** I will answer this question. How the results of program cost in the first quarter were compared to the plan, and what progress we expect to see for the full-year outlook—are these your questions?

**Questioner A:** Yes. Please.

**Onoue:** For the first quarter, we assumed at the time of the initial plan that there would be no sports contents, and so, it was pretty much what we expected. In addition, as I explained earlier, we expect a recovery in sports and live events from August onward, and so, as planned, we assume that sales will be weighted in the second half of the fiscal year.

These are my answers.

**Moderator:** Do you have further questions?

**Questioner A:** No. Thank you.

**Moderator:** Does anyone have a question?

**Questioner B:** The first point is about the launch of this project, BS4K, and the depreciation costs will naturally be delayed in the current fiscal year. The first question is to what extent you expect this impact.

**Onoue:** Please let me answer this question. To begin with, BS4K's broadcasting was postponed for three months, which would naturally result in a reduction in depreciation expenses for the three months compared to the initial forecast. However, we do not disclose the depreciation amount individually, and so, we will refrain from answering this question.

As disclosed in the Annual Report and the Annual Securities Report, the total amount invested in 4K is JPY3.8 billion, and so, please refer to the relevant figures. That is all. Anything else?

**Questioner B:** No. Thank you very much.

**Moderator:** Does anyone have a question?

**Questioner A:** I have already asked some questions, but may I ask again?

**Moderator:** Yes, please.

**Questioner A:** As for the program cost for the rest of the current fiscal year, I have an additional question. For example, if you look on a quarterly basis, can you give a rough

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outlook on when the figures will be recovered to the pre-COVID-19 figures? Will they probably be recovered to the previous fiscal year's level sometime in the second quarter to some extent?

**Onoue:** Please let me answer this question. We do not disclose the amount of the program cost on a quarterly-basis, and so, we will refrain from disclosing the specific amount. However, even under the original assumption, we planned to spend on programs as the sporting events were expected to be recovered from August. As I explained earlier, the Grand Slam Tournament of tennis is also scheduled to be held. From September onward to the second half of the fiscal year, we assume that the figures will gradually be recovered to the same level as the previous fiscal year, and we plan to invest up to 38% of our initial forecast of non-consolidated net sales.

Does that make sense?

**Questioner A:** I see. Thank you very much.

**Moderator:** Does anyone have a question? Now that there seem to be no one with questions, we would like to conclude the question and answer session. Lastly, Tanaka, the president, will say a few words.

**Tanaka:** This is Tanaka. Once again, thank you for participating today. Lastly, I would like to inform you. Do you have a press release that we released today? We released materials relating to organizational reforms and personnel transfers. Organizational revisions and personnel transfers will be implemented on August 1.

In recent years, the business climate and competitive landscape surrounding WOWOW have undergone major changes, and the lifestyles and mindsets of consumers are also changing dramatically due to COVID-19. Under such circumstances, we will carry out organizational revision with the aim of becoming an entity that will increase its presence, become the customer's first choice, and provide society with value that is unique to WOWOW.

Accordingly, personnel transfers will be made. Please look at the organizational chart. Please let me explain here the distinctive point only. In terms of the number of stations, we have had nine, which will be increased by two to 11. Then, the number of departments will be increased to 31 from 27. Approximately 60% of these management positions of the Director General and the Department Manager will be new positions or transfers. Including this, 35% of all employees will be transferred this time, which is a substantial organizational and personnel change.

I would like to point out the major points among them. In the past, broadcasting distribution was regarded as the pillar of our business, but we will change the sections in charge of it and will name the station in charge of broadcasting distribution as Media Business Station.

In addition to broadcasting new contents, we will also create the Community Production



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Station to produce interactive communities that customers can participate in, experience, and support, in addition to viewing.

At any rate, we would like to work hard with the idea that we will redesign our membership businesses by pursuing WOWOW's distinctiveness and focusing again on contents.

Thank you very much for your continued support. Thank you.

**Moderator:** With that, we would like to conclude the financial results briefing for the first quarter of FY2020.

Thank you very much for attending the teleconference today.

[END]