

2Q FY2020 Earnings Announcement (Teleconference)

Event Summary

Date : Oct 30, 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

Moderator: As the scheduled time has arrived, we will now start the teleconference of the financial results briefing of WOWOW INC. for 2Q of FY2020. Thank you very much for taking time out of your busy schedule today.

Please note that the content discussed in the presentation and the question-and-answer session will be distributed in full and posted on our corporate website through an external organization. In addition, the financial results briefing materials used in the telephone conference can be found on our IR website and on the page of the financial results briefing materials.

This telephone conference is attended by Akira Tanaka, Representative Director, President, and CEO; Noriaki Kuromizu, Representative Director and Executive Vice President; Junichi Onoue, Board Director and Executive Officer in charge of Accounting.

Now, Tanaka will explain the highlights of our financial results for 2Q of FY2020. Please go ahead, Mr. Tanaka.

2020年度第2四半期決算 ハイライト

正味加入件数は67千件の純減、収支は減収増益に

加入

- 新型コロナウイルス感染症の影響により、スポーツイベント等が延期・中止となったことから7月までは苦戦
- 「全米オープンテニス」で大坂なおみ選手が二度目の優勝をしたことなどにより、8月は半年ぶりに正味加入件数が純増に転じた。9月には延期となっていた「全仏オープンテニス」の再開などにより、正味加入件数は純増となったが、結果として上期の正味加入件数は純減となった

(単位：千件)

	2019年度2Q	2020年度2Q	前年同期差	前年同期比
新規加入件数	282	241	△41	85.4%
解約件数	303	308	5	101.7%
正味加入件数	△21	△67	△46	—

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2Q	2020年度2Q	前年同期差	前年同期比
売上高	41,070	39,376	△1,693	95.9%
営業利益	4,589	7,735	3,145	168.5%
経常利益	4,955	8,104	3,148	163.5%

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 start by explaining the highlights of financial results for 2Q of FY2020. Please see page two of the slides.

First, we will discuss about subscriptions. In 2Q, the number of new subscriptions was 241,000, the number of cancellations was 308,000, and the net number of subscriptions was 67,000. Due to the impact of COVID-19, the net number of subscriptions turned negative and struggled until July, as sporting events, live music events, and other events were postponed or cancelled.

However, the net number of subscriptions turned to a net increase in August for the first time in six months, due to the US Open Tennis, where Naomi Osaka won the second time, a broadcast of the “Southern All Stars” non-audience live concert, and others. In September, the net number of subscriptions turned positive due to the holding of the French Open, which had been postponed, the “X JAPAN” live concert, and others.

However, as a result, the net number of subscriptions declined significantly in the first half of the fiscal year.

Here it shows the consolidated revenues and expenditures. Net sales decreased by JPY1.693 billion, due to a decrease in the cumulative net number of subscriptions YoY.

WOWOW

Ordinary income increased, due to a decrease in program expenses YoY, which was mainly caused by the postponement or cancellation of broadcasting of sports programs and other broadcasts.

Now, Onoue, who is in charge of accounting, will explain the details of the figures.

2020年度第2四半期 加入状況

(単位：千件)

	2019年度2Q	2020年度2Q	前年同期比較	
			前年同期差	前年同期比
新規加入件数	282	241	△41	85.4%
解約件数	303	308	5	101.7%
正味加入件数	△21	△67	△46	—
累計正味加入件数	2,881	2,788	△93	96.8%
内) 複数契約*1	413	403	△10	97.6%
内) 宿泊施設契約*2	68	74	6	109.0%

*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

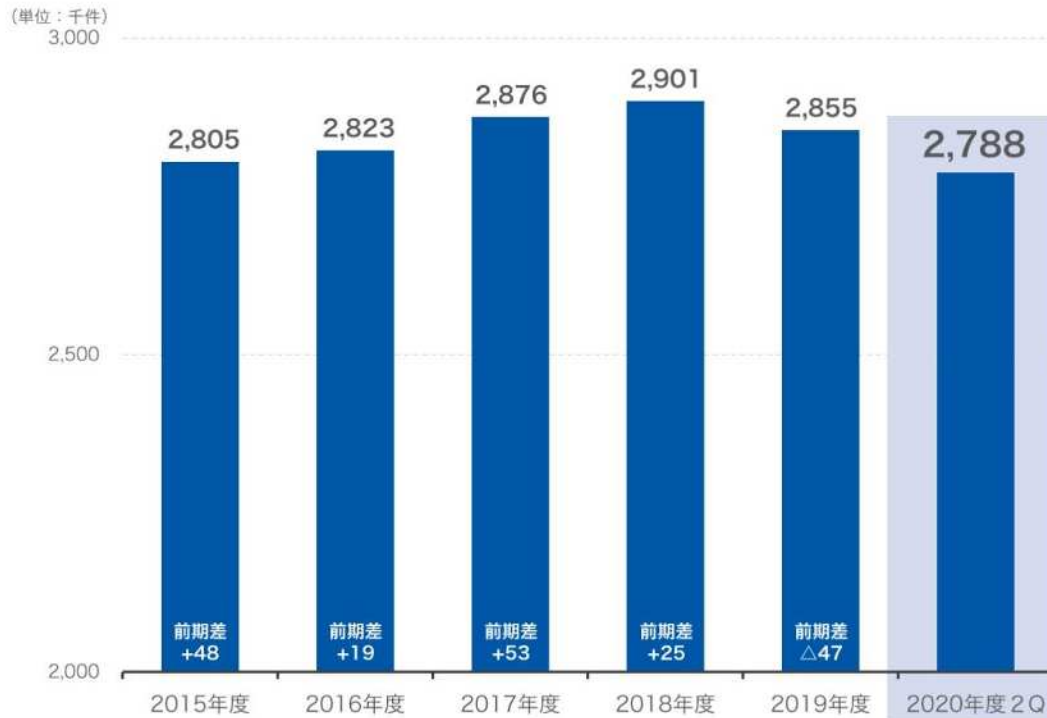
Onoue: I will explain until the status of revenues and expenditures of major companies for consolidated financial settlement.

First, page three of the slides shows the status of subscriptions.

The number of new subscriptions in 2Q was 241,000, a decrease of 41,000 YoY. The number of cancellations was 308,000, an increase of 5,000 YoY. For the net number of subscriptions, the net loss was 67,000, or the decrease YoY was 46,000. As a result, the cumulative number of net subscriptions was 2.788 million, a decrease of 93,000 YoY.

As Mr. Tanaka explained earlier, until July, the net number of subscriptions was negative, due to postponement and cancellation of sports and live music events, which were caused by the impact of COVID-19, but in August and September, the net number of subscriptions began to increase with the resumption of sports and live music events.

累計正味加入件数の推移



This is page four of the slides. It shows the transition of cumulative net number of subscriptions since FY2015.

As explained on the previous page, in 2Q of FY2020, the net number of subscriptions declined, due to the impact of COVID-19 and other factors. However, in the second half of the fiscal year, we will aggressively introduce contents, such as sporting events, live music events, and 30th anniversary commemorative content.

In this way, we will recover the net number of subscriptions, which was negative as of the end of 2Q, in the second half of the fiscal year, and we aim to balance out the numbers of subscriptions in the full year, as originally planned.

2020年度第2四半期 収支状況

(単位：百万円)

		2019年度2Q		2020年度2Q		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	41,070	100.0%	39,376	100.0%	△1,693	95.9%
	営業利益	4,589	11.2%	7,735	19.6%	3,145	168.5%
	経常利益	4,955	12.1%	8,104	20.6%	3,148	163.5%
	親会社株主に帰属する 四半期純利益	3,460	8.4%	5,663	14.4%	2,203	163.7%
単 体	売上高	36,230	100.0%	34,739	100.0%	△1,491	95.9%
	営業利益	4,289	11.8%	7,699	22.2%	3,409	179.5%
	経常利益	4,790	13.2%	8,093	23.3%	3,303	169.0%
	四半期純利益	3,373	9.3%	5,672	16.3%	2,299	168.1%

それぞれ、百万円未満は切り捨てております。

On page five of the slides, we will explain the status of consolidated revenues and expenditures.

In 2Q of this fiscal year, both sales and profits decreased YoY. Sales were JPY39.376 billion, which decreased by JPY1.693 billion YoY. Ordinary income was JPY8.104 billion, which increased by JPY3.148 billion YoY.

Details of the factors behind the differences in net sales and ordinary income from the previous year are described on the next page and beyond.

On October 23, we announced the revision to our earnings forecasts. Consolidated ordinary income in 2Q was higher than initially announced by approximately JPY3.4 billion, but this was mainly due to the delay in the incurrence of program-related expenses to 3Q and onward.

At the same time, the Company announced revision to net sales in the full-year earnings forecast. Because of COVID-19, net sales have been revised downward in anticipation of a decline in sales to external customers in the Event Business and Telemarketing operations of consolidated subsidiaries.

Earnings in the full-year forecast remained unchanged, due to factors such as the decline in sales and the postponement of program-related expenses to 3Q and beyond.

売上高 前年同期対比



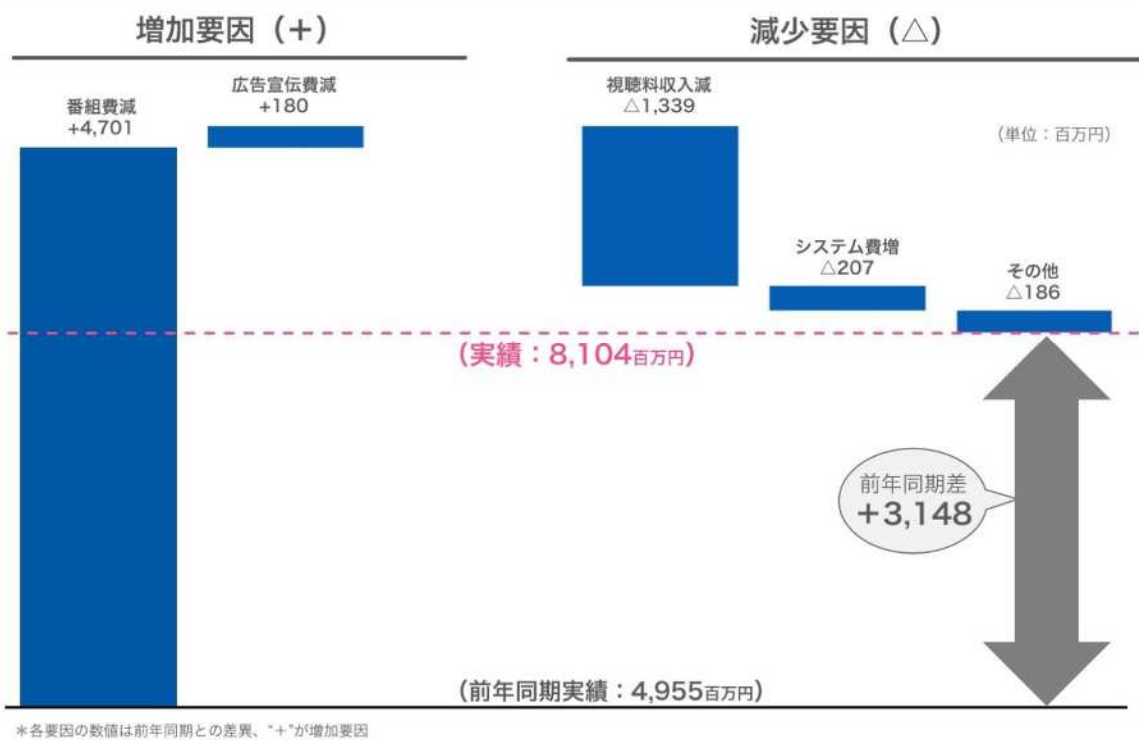
それぞれ、百万円未満は切り捨てております。

Please see page six of the slides. This is the comparison of consolidated and non-consolidated net sales with the same period of the previous fiscal year.

I'll explain the consolidated net sales on the left-hand side. Consolidated net sales decreased by JPY1.693 billion YoY.

Breaking this down, paid broadcasting income decreased by JPY1.339 billion, due to a decrease in the cumulative net number of subscriptions YoY. Other incomes include incomes from sales of consolidated subsidiaries to non-Group companies, in addition to ancillary businesses, such as event incomes from WOWOW on a non-consolidated basis. Net sales decreased by JPY353 million in 2Q. This was mainly due to a decline in event income YoY and a decline in sales to external customers in the Telemarketing Business, which were caused by the impact of COVID-19.

連結経常利益 前年同期との差異要因



Next is page seven of the slides.

This page describes the factors contributing to the differences in consolidated ordinary income. 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, the left-hand side of this page shows major factors behind the increase in profits. Program expenses decreased by JPY4.701 billion YoY. Advertising expenses decreased by JPY180 million.

The right-hand side of this page shows the main factors behind the decline. Viewer fees decreased by JPY1.339 billion. As I explained earlier, this means a decrease in the cumulative net number of subscriptions YoY.

The system expenses increased by JPY207 million. This was mainly due to increased use of “WOWOW Members’ On-Demand”.

In addition, there are factors behind the decrease of JPY186 million in profits. This was mainly due to a decrease in foreign exchange gains and deterioration in earnings at consolidated subsidiaries.

As a result of these factors, operating income increased by JPY3.148 billion YoY.

番組費の推移

スポーツイベントや音楽ライブの延期・中止等により、番組費は前年同期と比べ減少



Page eight of the slides shows the transition of program expenses.

Program expenses decreased by JPY4.701 billion YoY, mainly due to the postponement or cancellation of sporting events and live music events, due to the impact of COVID-19.

As mentioned earlier, we have upwardly revised profits in the first half of the fiscal year due to factors such as the postponement of program-related expenses to 3Q and onward. However, since we will actively introduce contents such as sports, music, and original dramas from the second half, we expect to spend approximately 38% of non-consolidated sales as program expenses for the full fiscal year.

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2Q		2020年度2Q		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	4,409	100.0%	4,304	100.0%	△105	97.6%
営業利益	123	2.8%	24	0.6%	△98	20.3%
経常利益	125	2.8%	81	1.9%	△43	65.5%
四半期純利益	83	1.9%	54	1.3%	△29	64.8%

*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	2,573	100.0%	2,645	100.0%	71	102.8%
営業利益	141	5.5%	145	5.5%	3	102.6%
経常利益	142	5.5%	146	5.5%	3	102.6%
四半期純利益	121	4.7%	120	4.6%	△0	99.6%

*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 of the slides shows the status of revenues and expenditures for major consolidated subsidiaries.

The top part of the table shows WOWOW COMMUNICATIONS INC. This company is engaged in Telemarketing. Net sales were JPY4.304 billion, and ordinary income was JPY81 million.

Sales and profits declined, due to a decline in sales to customers outside the Group, such as Telemarketing operations from existing external customers, which were caused by the impact of COVID-19.

The bottom of the table shows WOWOW PLUS INC. This company is engaged in the Broadcasting Business. It is developing basic-type channels such as BS, 110-degree CS, and cable TVs. Net sales were JPY2.645 billion, and ordinary income was JPY146 million. This company is involved in program distribution services and installation of facilities at hotels. Both sales and profits increased due to an increase in orders for the opening of new hotels and such.

This is all from me.

Moderator: Next, Tanaka, CEO, will present the performance outlook for FY2020. Please go ahead, Mr. Tanaka.

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、新作オリジナルドラマが続々と再開

		
<p>生中継! エキサイトマッチSP 「井上尚弥」 ラスベガス防衛戦! 11月1日(日)</p>	<p>生中継!エキサイトマッチSP 「マイク・タイソン vs ロイ・ジョーンズ」 11月29日(日)</p>	<p>6カ月連続特集! THE YELLOW MONKEY 30th Anniversary WOWOWスペシャル 11月3日(火・祝)ほか</p>
		
<p>LPGA女子ゴルフツアー2020 畑岡・渋野 出場! メジャー 全米女子オープン 12月10日(木)~13日(日)</p>	<p>連続ドラマW 夜がどれほど暗くても 11月22日(日)スタート(全4話) [第1話無料放送]</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 see page 11 of the slides.

As you know, we have not yet seen any signs of this COVID-19 crisis cooling down, but sporting events and live music events have gradually resumed, and the newest production of “Drama W” has also been broadcast since October.

Please let me introduce up-and-coming contents. First, in Japan time, on the morning of November 1, we will broadcast the boxing defense match of Naoya Inoue, WBA/IBF world Bantam-class champion, against Jason Moloney, the world champion of the same class of WBO. We broadcasted the games of Inoue on September 2017 and May 2019, which received a very strong response from customers.

For boxing, on November 29, we will be broadcasting the dream match between former heavyweight champion, Mike Tyson, who retired in 2005, and former fourth-class champion, Roy Jones.

By the way, Mike Tyson is 54 years old, and Roy Jones is 51 years old.

WOWOW開局30周年記念コンテンツを展開

<p>当社は2021年4月1日に開局30周年を迎えます。開局30周年を変革の機として、戦略的な費用投下、投資を実施していきます。</p> <p>開局30周年に先立ち、2020年12月からは「連続ドラマW コールドケース3 ～真実の扉～」を放送し、その後も開局30周年にふさわしい大型コンテンツを続々と投入していきます。</p>	 <p>WOWOW開局30周年記念 連続ドラマW コールドケース3 ～真実の扉～ 12月5日(土)スタート(全10話)[第1話無料放送]</p>	 <p>WOWOW開局30周年記念 連続ドラマW 華麗なる一族 2021年放送予定(全12話)</p>
	 <p>WOWOW開局30周年記念 連続ドラマW トッカイ～不良債権特別回収部～ 2021年1月スタート(全12話)[第1話無料放送]</p>	 <p>WOWOW開局30周年記念 UEFA EURO 2020™ サッカー欧州選手権 2021年6月開幕</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

Please see page 12 of the slides.

We celebrate the 30th anniversary of the Station's opening on April 1, 2021. Taking the 30th anniversary of the opening of the Station as an opportunity for change, we will strategically make investments.

From December 2020, we will broadcast the "Drama W- Cold Case 3" and will continue to launch large-scale content suitable for the 30th anniversary of the opening of the Station. In dramas, in addition to this "Cold Case 3," we will produce "Tokkai", the original work of Hidetoshi Kiyotake, starring Hideaki Ito; and also "Kareinaru Ichizoku", by Toyoko Yamasaki, starring Kiichi Nakai.

For sporting events, we will broadcast EURO 2020™, the European soccer championship, and other events that have been postponed due to the impact of COVID-19.

WOWOW FILMS最新作が劇場公開



WOWOW FILMS

『罪の声』

2020年10月30日(金)

小栗旬×星野源。人気と実力を併せ持つ
今の日本エンタメ界を牽引する2人が
映画初共演となるこの秋最大の注目作『罪の声』。
原作は、2016年の「週刊文春」
ミステリーベスト10で第1位を獲得するなど
高い評価を得た塩田武士のベストセラー小説

©2020 映画『罪の声』製作委員会

*新型コロナウイルス感染症の状況によっては、劇場公開日に変更の可能性があります



WOWOW開局30周年記念 WOWOW FILMS

『太陽は動かない』

2021年3月5日(金)全国ロードショー

人気小説家・吉田修一のサスペンス巨編を
『MOZU』『暗殺教室』の羽住英一郎監督が完全実写化。
主演に「カイジ」シリーズをはじめ
出演作の大ヒットが続く藤原竜也。
その相棒役に「テセウスの船」で
名実ともに若手No.1の呼び声が高い竹内涼真。

©2021 映画『太陽は動かない』製作委員会

WOWOW

©2020 WOWOW INC.

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Please see page 13 of the slides.

Next, I would like to introduce secretarial works and films of WOWOW FILMS.

From today, "Tsumi no Koe", WOWOW FILMS's newest work, will be released in theaters, with Mr. Shun Oguri and Mr. Gen Hoshino. This is the biggest noteworthy film of the Fall, featuring two people who are the driving force of the current Japanese entertainment world, both popular and talented, as the co-stars of the film. The original work is a best-selling novel by Takeshi Shiota, who won the top rating in "Mystery Best 10" of "Shukan Bunshu" in 2016. The quality of this work is very high. Please check it out.

In addition, we decided to release the production of WOWOW FILMS, "Taiyo ha Ugokanai", on March 5, 2021, which had been postponed to be released due to the impact of COVID-19.

We introduced contents and movies, but in addition to content, in the second half, we will expand our services so that subscription and viewing will be available without registering the CAS numbers, which had been announced in our business plan. With the launch of BS4K broadcasting in March 2021, we plan to recover in the second half the net number of subscriptions decreased in the first half and recover the net number of subscriptions to the point of breaking even by the end 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%

Please see page 14.

As I mentioned earlier, the subscription plan for FY2020 remains unchanged from the announced value.

2020年度 収支計画 (2020年10月23日公表値)

(単位：百万円)

		2020年度当初計画		2020年度修正計画		当初計画比較	
		実績	収入比	計画	収入比	当初計画差	当初計画比
連 結	売上高	80,700	100.0%	78,800	100.0%	△1,900	98.6%
	営業利益	4,800	5.9%	4,800	5.9%	—	100.0%
	経常利益	5,000	6.2%	5,000	6.2%	—	100.0%
	親会社株主に帰属する 当期純利益	3,300	4.1%	3,300	4.1%	—	100.0%
単 体	売上高	70,500	100.0%	69,400	100.0%	△1,100	98.4%
	営業利益	4,700	6.7%	4,700	6.7%	—	100.0%
	経常利益	5,100	7.2%	5,100	7.2%	—	100.0%
	当期純利益	3,500	5.0%	3,500	5.0%	—	100.0%
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 see page 15.

On October 23, we announced revisions to our earnings forecasts.

The initial plan for FY2020 called for a plan to gradually normalize business activities from August this year onward. At present, some of the tennis and other sporting events are being held without an audience, but for live music events and stage events, the ways to hold events under these circumstances have been sought out.

Due to the impact of COVID-19, sales to external customers in the Telemarketing Business are expected to continue to decline during this fiscal year.

There is no change in the forecast figures for subscription plans, and so, there is no change in the forecast for incomes from charging broadcast. However, due to the expected decrease in the Event Business and sales to external customers of consolidated subsidiaries, we have revised the forecast for net sales in the consolidated and non-consolidated results.

The earnings and dividend forecasts remain unchanged from the previously announced figures.

Moderator: With that, we would like to conclude our presentation.

Question & Answer

Moderator: We will move on to the question-and-answer session. Thank you.

Questioner A: I would like to ask one question. Regarding program expenses, I would like to ask about the outlook for broadcast rights fees. Are there any differences in the trend of sporting and other-content broadcast rights fees before and after COVID-19?

In addition, I would like to hear your thoughts on the medium-to long-term outlook for broadcast rights fees.

Tanaka: I, Tanaka, will answer this question. This COVID-19 is a state of emergency or crisis, and so, we are not yet at the stage of being able to say anything about how the rights fees will change as a trend. Thus, we don't know how the impact of COVID-19 will be going forward, and the rights holders have not yet determined any directions. Therefore, it will be difficult for a while to make judgments. Therefore, I think that plans will be formulated based on the past. This is all from me.

Questioner A: Thank you. Before COVID-19, I think the broadcast rights for sports tended to be soaring. Can I understand that it is based on the level before COVID-19 at the present, and the outlook will be changed depending on the judgments of the right holders?

Tanaka: This is a matter of negotiation, and so, if the requests from rights owners are formed, given the financial situation on the side of purchasing the rights, taking everything into account, the decision will be made, of course. Once again, my answer is that we are not in the situation to make any outlook, including speculations that the rights fees may become lower as overall trend is shrinking, or rather, those may become higher as the worldwide competition remains unchanged.

Questioner A: That was a very clear explanation. Thank you very much. This is all from me.

Moderator: Does anyone have a question? It seems that there are no other questions. With that, we would like to conclude here.

Tanaka: Once again, thank you very much for joining us today.

As I mentioned in the explanation, I would like to point out once again that with the first half of the fiscal year ended, the number of subscriptions declined significantly to 67,000.

We saw a net increase in 2Q, but due to the impact of COVID-19, the decline in 1Q had a significant impact.

In the second half of the fiscal year, as I mentioned earlier, we plan to invest heavily in content, services, and promotions, and for the full fiscal year, we plan to break even as we originally planned. Especially, the measures in 4Q are intended to be a trial that has not been done before. We will have an opportunity to announce it, and I hope to see you there. Until then, please look forward to and pay attention to the boxing match of Inoue, which will be held the day after tomorrow. Thank you very much.

W O W O W

Moderator: With that, we would like to conclude the financial results briefing for the Q of FY2020. Thank you very much for attending the telephone conference today.

[END]