

3Q FY2021 Earnings Announcement (Teleconference)

Event Summary

Date : Jan 31, 2022 15:30-16:30

Speakers : Akira Tanaka Representative Director, President & CEO

Hitoshi Yamamoto Board Director, Executive Officer

Junichi Onoue Board Director, Executive Officer

Masanori Gunji Board Director, Executive Officer

Presentation

Moderator: It is now time to commence the financial result briefing for the third quarter of the fiscal year 2021 of WOWOW INC. Thank you very much for taking time out of your busy schedule to join us today.

Please note that the content of today's briefing and the question-and-answer session will be distributed in full via external organizations and posted on our corporate website. Please refer to the materials used in the briefing session, which are available on the Financial Results Briefing Materials page of our IR website.

Attendants for the today's telephone conference are: Akira Tanaka, Representative Director, President & CEO; Hitoshi Yamamoto, Board Director, Executive Officer; Junichi Onoue, Board Director, Executive Officer; and Masanori Gunji, Board Director, Executive Officer.

Tanaka will now explain the highlights of the financial results for the third quarter of FY2021. President Tanaka, please go ahead.

2021年10月～12月の主な取組み内容

| | |
|------------------------|---|
| <p>メディア・サービス</p> | <p>音楽：矢沢永吉や超特急×DISH//、BUCK-TICKなどのアーティストの音楽ライブを生中継。 スポーツ：当社初のラグビー日本代表戦の生中継を含む「オータム・ネーションズシリーズ」、古江彩佳選手や渋野日向子選手が挑戦した「LPGA女子ゴルフツアー 2022最終予選会」などを放送・配信 オリジナルドラマ：東海テレビとの共同製作連続ドラマ「准教授・高槻彰良の推察」や「連続ドラマW いりびと-異邦人-」、「キン肉マン THE LOST LEGEND」などを放送・配信</p> |
| <p>コミュニティ・サービス</p> | <p>エキサイトマッチファンクラブ：お客さまとのインタラクティブなやり取りの中で生まれた企画「エキサイトマッチ30周年SP～レジェンド名勝負選 黄金の中間級特集」を放送・配信 ドラマ：「連続ドラマW いりびと-異邦人-」でドラマコミュニティのトライアルを実施 新たなコミュニティを開設：2021年10月に「WOWOW MUSIC // POOL」と「WOWOW ライフ with シネマ」がオープン</p> |
| <p>エンターテインメント・サービス</p> | <p>ドラマ&映画：オリジナルドラマ「前科者 -新米保護司・阿川佳代-」を放送直後にWOWOWオンデマンドとAmazon Prime Videoで見逃し配信を実施。映画版「前科者」は2022年1月28日（金）より全国ロードショー</p> |

※ 3つのサービスについては中期経営計画（2021-2025年度）（17ページ）をご覧ください。

©2022 WOWOW INC. | 3

Tanaka: I am Tanaka. Thank you very much for participating in today's teleconference.

I will now explain the financial highlights for the third quarter of fiscal year 2021.

Please see page three. I would like to explain the highlights of our quarterly activities in the three business domains outlined in our medium-term management plan for FY2021 to FY2025.

In the media services business, Eikichi Yazawa's live broadcasts, Japan's national rugby team, and original dramas won the support of customers. Among them was the live broadcast of the final qualifying round of the LPGA Women's Golf Tour, which was broadcast live on WOWOW's own cameras to follow the Japanese players in the absence of local broadcasters. We had a great response.

In the community services business, in boxing, plans were born through interactive exchanges with customers. A special feature called *Golden Middleweight* was broadcasted and distributed. In addition to that, on January 14, we held a pay-per-view talk event at Korakuen Hall, the sacred ground of boxing, inviting Naoya Inoue, the champion, to reflect on the 30th anniversary of the Excite Match and the appeal of the Golden Middleweight program. The feedback on social media after the event was very positive, including calls for regular events.

In the entertainment services business, the original drama *Zenkamono - Newbie probation officer Kayo Agawa* was distributed on WOWOW On Demand and Amazon Prime Video immediately after its broadcast for those who missed it. At the end and beginning of the year, it was ranked in the top 20 of Amazon Prime Video's weekly popularity list, and attracted attention on Amazon's platform as well. The movie version of *Zenkamono* was

WOWOW

released last Friday, January 28, in a nationwide roadshow. We are developing a multifaceted project to link the drama and the movie.

加入

- 「UEFA EURO 2020™ サッカー欧州選手権」や矢沢永吉の音楽ライブ、WOWOW×東海テレビ共同製作連続ドラマ 准教授・高槻彰良の推察などが好評を得た。しかしながら、新型コロナウイルス感染症の影響により、映画や音楽コンテンツのラインナップに苦戦していることや、配信サービスとの競争激化、目的番組の終了による解約増の影響などにより、正味加入件数は純減に

(単位:千件)

| | 2020年度3Q | 2021年度3Q | 前年同期差 | 前年同期比 |
|----------|----------|----------|-------|--------|
| 新規加入件数 | 374 | 460 | 85 | 122.8% |
| 解約件数 | 448 | 555 | 107 | 123.8% |
| 正味加入件数 | △74 | △95 | △21 | — |
| 累計正味加入件数 | 2,781 | 2,696 | △84 | 97.0% |

©2022 WOWOW INC. | 4

Please refer to page four. Here are some highlights about new subscription.

The number of new subscriptions in the third quarter was 460,000. The number of cancellations was 555,000. Therefore, there was a net decrease of 95,000 in net subscriptions. As you can see from the figures, the number of new subscriptions is 122.8% compared to last year, which means that we are winning in terms of our ability to attract new customers, but the number of cancellations is higher than that. This is due to the impact of the expansion of video distribution services, as well as the decrease in the number of live music concerts due to the COVID-19 pandemic.

収支（連結）

- 売上高は前年同期と比べ有料放送収入が減少したものの、子会社の外部売上高増加に伴い、増収
- 経常利益は大型スポーツ番組への戦略的な費用投下等により、減益に

(単位:百万円)

| | 2020年度3Q | 2021年度3Q | 前年同期差 | 前年同期比 |
|------|----------|----------|--------|--------|
| 売上高 | 59,187 | 59,621 | 433 | 100.7% |
| 経常利益 | 10,401 | 4,948 | △5,452 | 47.6% |

※それぞれ百万円未満は切り捨てております。

Page five, please. This is the highlight of income and expenditure.

Revenue increased mainly due to an increase in external sales of subsidiaries, despite a decrease in viewing fee revenue compared to the same period of the previous fiscal year. Ordinary income decreased due to strategic investments in large-scale sports programming.

さらなる企業価値の向上を実現していくために「プライム市場」を選択

当社の対応

- 当社はプライム市場の上場基準のうち、流通株式比率（35.0%以上）を満たしていないことから、「自己株式の処分及び当社株式の売出し」を実施（2021年11月26日公表）。これにより流通株式比率は38%程度※まで増加する見込み

※2021年9月末時点の株主構成における流通株式比率

調達資金の使途

- 調達した約30億円の資金は、コンテンツ制作・配信のための放送設備、会員・サービス管理等のソフトウェア導入に充当することで、企業価値の向上を目指す

©2022 WOWOW INC. | 6

Please see page six.

We have recently submitted an application to select the Prime Market for the TSE's market reclassification scheduled for April 2022.

The Company did not meet the criteria for maintaining a listing on the TSE, which is a tradable share ratio of 35% or more. The Company has now disposed of its treasury stock and conducted a secondary offering of its shares. As a result, the tradable share ratio is expected to increase to about 38%.

The funds raised, approximately JPY3 billion, will be used for the broadcasting equipment for content production and distribution, and the introduction of software for membership and service management, with the aim of increasing corporate value.

Onoue, who is in charge of accounting, will now explain the details of the financial results for the third quarter of FY2021.

2021年度第3四半期決算 加入状況

WOWOW

(単位:千件)

| | 2020年度3Q | 2021年度3Q | 前年同期比較 | |
|-------------|----------|----------|--------|--------|
| | | | 前年同期差 | 前年同期比 |
| 新規加入件数 | 374 | 460 | 85 | 122.8% |
| 解約件数 | 448 | 555 | 107 | 123.8% |
| 正味加入件数 | △74 | △95 | △21 | — |
| 累計正味加入件数 | 2,781 | 2,696 | △84 | 97.0% |
| 内) 複数契約*1 | 400 | 384 | △16 | 96.0% |
| 内) 宿泊施設契約*2 | 75 | 77 | 2 | 103.3% |

※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2,530円の視聴料金を990円に割引。金額は税込)

※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

©2022 WOWOW INC. | 8

Onoue: My name is Onoue and I am in charge of accounting and IR. I will explain up to the FY2021 dividend plan on page 15.

Please see page eight, the subscription status.

The number of new subscriptions in the third quarter of FY2021 is 460,000. Compared to the same period of the previous year, there was an increase of 85,000 cases.

In addition, the number of cancellations was 555,000, an increase of 107,000 from the same period last year. As a result, net subscriptions declined by 95,000, a net decrease of 21,000 YoY. The cumulative total of net subscription was 2,696,000, a decrease of 84,000 YoY.

2021年度第3四半期決算 収入状況（連結）

WOWOW

(単位:百万円)

| | 2020年度3Q | | 2021年度3Q | | 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 | 59,187 | 100.0% | 59,621 | 100.0% | 433 | 100.7% |
| 営業利益 | 10,220 | 17.3% | 4,690 | 7.9% | △5,529 | 45.9% |
| 経常利益 | 10,401 | 17.6% | 4,948 | 8.3% | △5,452 | 47.6% |
| 親会社株主に帰属する 四半期純利益 | 6,999 | 11.8% | 3,520 | 5.9% | △3,478 | 50.3% |

※それぞれ百万円未満は切り捨てております。

©2022 WOWOW INC. | 9

Page nine shows income and expenditure.

Sales increased and profits decreased in the third quarter compared to the same period of the previous fiscal year. Revenue totaled JPY59.621 billion, an increase of JPY433 million YoY. Ordinary income was JPY4.948 billion, a decrease of JPY5.452 billion YoY. The details are explained in the following pages.

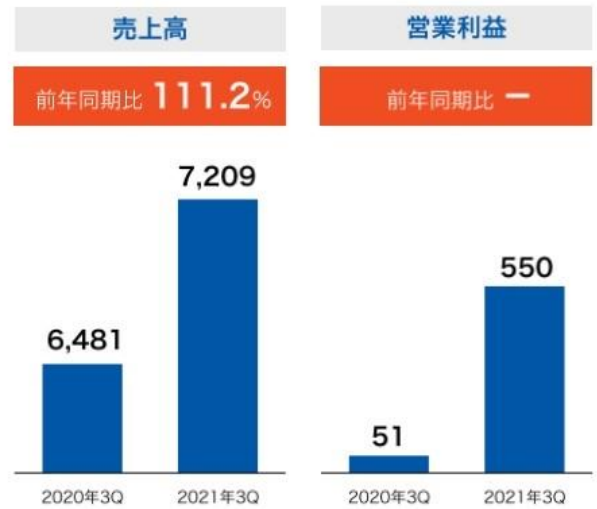
セグメント別連結売上高/営業利益対比

WOWOW

メディア・コンテンツ (旧・放送) (単位:百万円)



テレマーケティング (単位:百万円)



※それぞれ百万円未満は切り捨てております。
 ※各セグメントの金額は、セグメント間取引を含んでおります。

©2022 WOWOW INC. | 10

Page 10 shows the performance of each segment.

First is the media and content segment. Pay-per-view broadcasting revenue, which is the viewing fees from customers, accounts for the majority of our sales.

Other revenue increased due to an increase in ancillary services revenue. Viewing fee revenue decreased by JPY787 million YoY, mainly due to the impact of a decrease in net subscriptions. As a result, sales decreased by JPY728 million YoY.

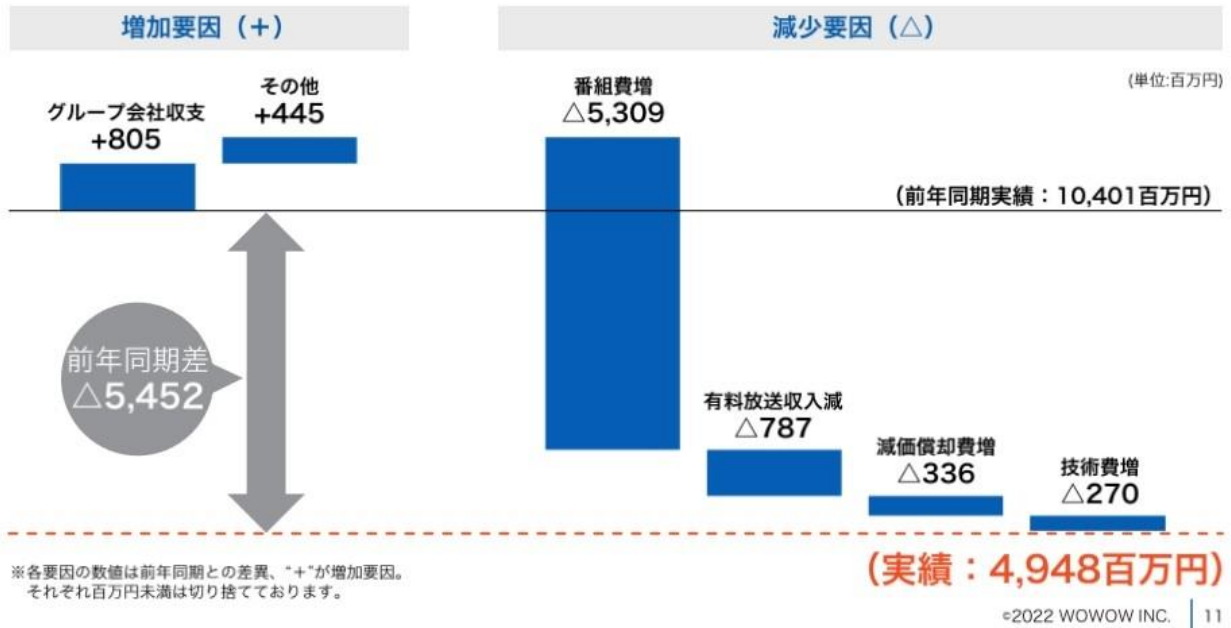
Operating income decreased by JPY6.028 billion YoY due to a decrease in viewing fee revenue as well as the impact of broadcasting and distribution of major sports content.

The telemarketing segment is the business of consolidated subsidiary WOWOW COMMUNICATIONS INC. Net sales increased by JPY728 million YoY, mainly due to an increase in telemarketing service contracts from external customers.

Operating income increased by JPY498 million YoY due to an increase in external sales.

連結経常利益 前年同期との差異要因

WOWOW



Page 11 shows the consolidated ordinary income factors in difference from previous period. The left part is the factor that increases profit and the right part is the factor that decreases profit.

Let's look at the increase factors. Group company profit increased by JPY805 million, mainly due to an increase in telemarketing service contracts from external customers in the telemarketing segment. The reason for the increase in other income of JPY445 million was due to a decrease in advertising expenses.

Next, about the decrease factors. Program cost increased by JPY5.309 billion. I will explain the details on the next page. Viewing fee revenue decreased by JPY787 million.

In addition, we started 4K broadcasting in March last year, and as related expenses, depreciation and amortization increased by JPY336 million and technical expenses by JPY270 million.

番組費の推移

WOWOW

大型スポーツコンテンツの放送・配信等により、番組費は前年同期と比べ増加



※数値はすべて単体。
※それぞれ百万円未満は切り捨てております。

©2022 WOWOW INC. | 12

Page 12 is the changes in program costs.

In the same period of the previous fiscal year, program costs decreased significantly due to the postponement or cancellation of sporting events as a result of the COVID-19 infection. During the nine months ended December 31, 2021, the Company broadcasted and distributed major sports content such as the European Championship and Champions League, resulting in a YoY increase of JPY5.309 billion.

2021年度 加入計画 (2021年10月28日公表値)

WOWOW

(単位:千件)

| | 2021年度 当初計画 | 2021年度 修正計画 | 当初計画比較 | |
|----------|----------------|----------------|--------|--------|
| | | | 当初計画差 | 当初計画比 |
| 新規加入件数 | 730 | 730 | — | 100.0% |
| 解約件数 | 710 | 720 | 10 | 101.4% |
| 正味加入件数 | 20 | 10 | △10 | 50.0% |
| 累計正味加入件数 | 2,811 | 2,801 | △10 | 99.6% |

©2022 WOWOW INC. | 13

Page 13 is the subscription plan for FY2021.

No change has been made to the subscription plan for FY2021. Based on the results of the third quarter, we recognize that we are in a difficult situation to achieve the fiscal year plan. We will be making efforts to get close to the planned target by offering strong contents such as the UEFA Champions League final tournament, as well as the original contents including dramas, and strengthening sales promotion measures including promotion of distribution subscriptions.

2021年度 収支計画(連結) (2021年10月28日公表値)

WOWOW

(単位:百万円)

| | 2021年度当初計画 | | 2021年度修正計画 | | 当初計画比較 | |
|---------------------|------------|--------|---------------|---------------|--------|--------|
| | 計画 | 収入比 | 計画 | 収入比 | 当初計画差 | 当初計画比 |
| 売上高 | 79,500 | 100.0% | 79,400 | 100.0% | △100 | 99.9% |
| 営業利益 | 2,900 | 3.6% | 2,800 | 3.5% | △100 | 96.6% |
| 経常利益 | 3,000 | 3.8% | 3,000 | 3.8% | — | 100.0% |
| 親会社株主に帰属する 当期純利益 | 2,000 | 2.5% | 2,000 | 2.5% | — | 100.0% |

※番組費：単体の売上高比として約41.0%を見込む（2021年度 単体売上高予想：69,700百万円）
 ※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。

©2022 WOWOW INC. | 14

Page 14 is the income and expenditure plan for FY2021.

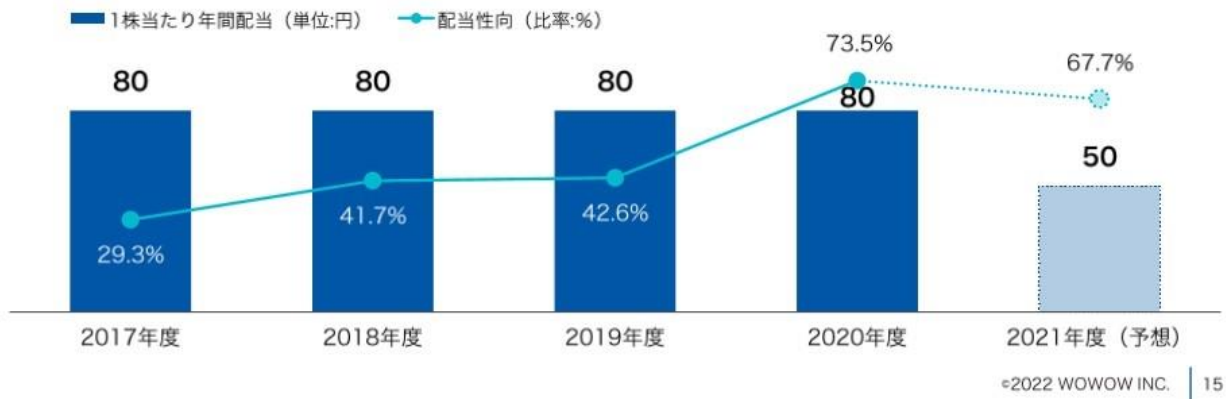
Profit in cumulative third quarter exceeds the FY2021 income and expenditure plan. However, based on the decrease in viewing fee revenue caused by the decline in subscriptions, and the planned investment in large-scale content such as the Champions League soccer tournament as I explained earlier and promotional measures until the end of the fiscal year, there is no change from the previous forecast.

2021年度 配当計画

配当方針

各事業年度の業績、財務体質の強化、中長期事業戦略などを総合的に勘案して、内部留保の充実を図りつつ、継続的に安定的な配当を目指しております。

5カ年配当推移/配当性向



Page 15, please.

There is no change in the dividend plan from the previous announcement. We plan to pay an annual dividend of JPY50 per share.

That is all for the explanation from me.

Moderator: Tanaka, President and CEO, will now explain the future initiatives for FY2021.

President Tanaka, please go ahead.

会員事業構造の再設計 「映像メディア業」から「コンテンツ・コミュニティ業」へ



©2022 WOWOW INC. | 17

Tanaka: Please see page 17.

In the medium-term management plan, we are working on redesigning our subscription business model from visual media business to a content and community business. We are working to expand each of our business areas. I will now introduce the topics for the third quarter and beyond.

UEFAチャンピオンズリーグ決勝トーナメントが開幕

WOWOW



**「UEFAチャンピオンズリーグ」
2021-22シーズン 決勝トーナメント開幕**

2月16日(水)、17日(木)、23日(水・祝)、24日(木)
2月16日(水)より全試合独占生中継・ライブ配信



**LPGA
女子ゴルフツアー**

1月20日(木)スタート



**生中継!
第94回アカデミー賞
授賞式**

3月28日(月)

※新型コロナウイルス感染症の状況によっては、変更の可能性がございます

©2022 WOWOW INC. | 18

Please turn to page 18.

As for the contents of interest, as mentioned earlier by Onoue, the UEFA Champions League, the competition to determine the number one club in Europe, will finally enter the final tournament on February 16. As for the Japanese players, I am looking forward to the performance of Minamino, a member of Liverpool in the England first division.

In the LPGA Women's Golf Tour, more than 30 tournaments including major championships will be broadcasted and distributed mainly through live broadcasts. At the just concluded Gainbridge LPGA at Boca Rio, Sasao finished in 3rd place. Furue, who is competing in her first tournament, also did well, finishing in a tie for 18th place. Another player to watch out for is Shibuno, who will be playing in the fourth round of the LPGA Tour, the HSBC Women's World Championship, which will be held in March, and it has been announced that this will be her first challenge of the season.

In addition, we will continue to set cameras dedicated to Japanese players and distribute their videos at major tournaments and other events this season.

The Grammy Awards were postponed due to the effects of COVID-19, but the Academy Awards will be held on March 28 as scheduled, and the Japanese director Hamaguchi's film *Drive My Car* is attracting attention.

オリジナルドラマが充実

WOWOW

| | | | |
|--|--|--|--|
| | <p>連続ドラマW 正体</p> <p>3月12日(土)スタート(全4話) 【第1話無料放送】</p> | | <p>WOWOWオリジナルドラマ 青野くんに触りたいから死にたい</p> <p>3月18日(金)スタート(全10話) 【第1話無料放送】</p> |
| | <p>連続ドラマW 邪神の天秤 公安分析班</p> <p>2月13日(日)スタート(全10話) 【第1話無料放送】</p> | | <p>WOWOWオリジナルドラマ ヒル</p> <p>3月4日(金)スタート(全12話) Season1:3月4日(金)～ 【第1話無料放送】 Season2:4月15日(金)～</p> |

©2022 WOWOW INC. | 19

We also have a great selection of original dramas. We will introduce strong works within the fiscal year. These are the four works as you can see.

The one on the upper left, *Shoutai*, will start on March 12 and stars Kazuya Kamenashi. On the right, *Aono-kun ni sawaritai kara shinitai* or *I want to die because I want to touch Aono-kun* will start on March 18 and stars Katsutoshi Sato of Sexy Zone.

Also on the bottom right is *Hill*, which will start on March 4, and here the double cast of Eji Akaso and Kentaro Sakaguchi will draw attention.

Also, on the bottom left, *Jashin no Tenbin*, *Public Security Analysis Team*, which will start on February 13, is a sequel to a popular series that is about to begin. I hope you will enjoy them.

コミュニティ・サービスの一覧

WOWOW

お客さまとの関係を双方向のコミュニケーションへと変え、その対話の中で、さまざまなサービスを開発・提供



©2022 WOWOW INC. | 20

Page 20 is the list of community services.

The community services related to the following seven genres of programs are now in operation: WOWOW Tennis World, Excite Match Fan Club, WOWOW Musical Lounge, WOWOW MUSIC//POOL, WOWOW Soccer Arena, HI-FIVE MAGAZINE, and WOWOW Life with Cinema.

WOWOWテニスワールドの取り組み



©2022 WOWOW INC. | 21

Let me introduce one of them, WOWOW Tennis World. Please turn to page 21.

Yesterday, the Australian Open tennis tournament came to an end. If any of you are the subscribers and watched it last night, you saw that the men's singles final was held, and Nadal won the title in a deadly battle that lasted nearly five and a half hours. Thank you very much for those who watched. In this Australian Open Tennis Tournament, WOWOW On Demand and WOWOW Tennis World provided for the first time the live streaming of all matches on all courts, 629 matches in total. In addition, for the streaming of the practice court, the commentators of WOWOW Tennis joined the chat function, which has been installed since this tournament, to increase the interaction with the fans.

In addition, the average number of unique users on WOWOW On Demand has increased by 30% compared to last year due to the distribution of all matches on all courts, which has been well received.

That's all from me for the presentation.

Question & Answer

Moderator [M]: We will now move on to the question-and-answer session. When it is your turn, please state your company name and your name before asking question. Please go ahead.

Kitaoka [Q]: This is Kitaoka from the Nihon Keizai Shimbun. Thank you. I have a few questions. First, in your explanation, you mentioned that your lineup of movie and music content suffered due to the effects of COVID-19. Now the Omicron strain has spread again in Japan as well. How do you think this will affect the securing of content and the filming of original dramas and movies?

Tanaka [A]: I think it is better to answer in order. The first point is the impact of COVID-19 on the content. We are concerned that there will be an impact on the reduction of domestic and international events, as shown in the postponement of Grammy Awards. As for our own productions, we are currently working on three dramas, but due to the fact that some of the actors and staff have tested positive, the production of all three dramas has been suspended. However, since all three films will not be aired for some time, we are hoping that we will be able to crank them up and start editing. We are hoping that the effects will not spread in the future.

Kitaoka [Q]: I understand. One more point, in the same explanation, you mentioned that competition with other distribution services is getting fierce. DAZN, which is also strong in sports distribution, is going to raise its prices drastically from the end of next month. It may be a positive thing for WOWOW, but how do you see the price increase of your competitor, DAZN, and how will it affect you?

Tanaka [A]: I, Tanaka, will answer this question as well. As for DAZN's price hike, we don't know the details about other companies, but we are watching closely to see how our customers will react to the contents that we have in common. One of them is the program for the soccer in Spanish Liga which both of us will distribute, and we are watching to see if there is any movement among the Liga customers. Other than that, we do not have contents in common, such as the J-League and professional baseball, so there is not much of a tailwind in terms of impact. That's what we recognize.

Kitaoka [Q]: I understand. Finally, the third point is that, although the distribution service may have some bearing on the situation, the total number of members is inevitably decreasing. How is president Tanaka going to address the current situation about the membership? In terms of strategies on how to stop the decrease and turn it into an increase, I think the same is true for the community, but I would like to know briefly about the strategies you are thinking of, including both short-term and long-term strategies.

Tanaka [A]: Thank you for this very difficult question. If we can easily answer this question,

WOWOW

the number of members will not decrease, and we will be able to keep increasing the number of members. Although we cannot change the major trends, we cannot deny the relative decline in the power of content. The relative power of purchased content, such as movies and foreign dramas, is declining due to the competition. The first measure is how to cover this decline with our original content.

The second measure is contract cancellation prevention. We will strengthen our measures to encourage customers to continue their contracts since there is the data that cancellation is increasing among the customers with the contract period between first and fifth year.

The other thing is our high price of the distribution service in comparison with other companies. In other words, it depends on whether we can provide value that matches the price. Therefore, our mid- to long-term strategic policy is to satisfy customers that the service is worthwhile for the price of JPY2,530 by improving the value of the customer's experience, including the community as set forth in the medium-term plan.

Kitaoka [M]: I understand. Thank you very much.

Inoue [Q]: I am Inoue from Toyo Keizai Inc. Please go ahead. In terms of the progress, operating income was JPY4.69 billion as of the end of the third quarter. In your current forecast, you will have a substantial loss in the fourth quarter. In the last 10 years, there was only one time when the operating income was close to this figure, in the fourth quarter of last year. At that time, program costs were close to JPY9 billion, and there was a kind of bias toward program costs. But looking at the current progress, program costs are being steadily spent, therefore it is hard to imagine that operating income will drop by half from here. Other than program costs, are there any other factors that would cause a sudden reduction in operating income on the scale of billions of yen?

Tanaka [M]: Thank you very much, Mr. Inoue. This will be answered by Onoue, the person in charge.

Onoue [A]: Thank you for your question. Onoue will answer the question. For one thing, as Mr. Inoue mentioned, the way we spend on content changes according to the season and the content of the program. This season, we have major content that we did not have last year, and we are also investing a lot of money in original dramas in March. This is the current situation with the program costs.

In addition, as I mentioned in my explanation, we will be investing in various sales promotional measures for this March, in order to lead to the new subscription in the next fiscal year. This is the reason we spend the cost in the fourth quarter based on our intention to weight the cost in the fourth quarter.

I explained that the depreciation was due to the start of the 4K broadcasting. Last year, 4K broadcasting started only in March but it is now on full-year basis. This is one of the reasons for the increase in expenses in January and February. In addition, we will be

WOWOW

developing community and other measures, so please understand that we will be investing money in various measures for the next fiscal year to achieve the goals of the medium-term management plan. That is all for my explanation.

Inoue [Q]: Thank you very much. I just want to confirm that, in that sense, the program cost will naturally change, but according to the initial forecast, it is about 41.0% of net sales alone. As of now, it is about 40.2%, and I don't think there will be that much of a bias in the fourth quarter, or if you do the calculations, there won't be that much of a bias on the scale of billions of yen or so. If that's the case, then the promo and sales promotion measures to be implemented in the fourth quarter will be quite large scale, amounting to more than JPY1 billion. Is that correct?

Onoue [A]: I, Onoue will explain. As for program costs, we have almost decided on the programs for March. Since it is the measure at end of the fiscal year, we are considering to increase the contents where the cost invested will lead to an increase in the subscription as much as possible. On the other hand, as I explained, there are positive and negative factors, including the fact that the Grammy Awards have been postponed to the next fiscal year. As a result, it is expected that the program cost will be less than originally planned, but at this point, we would like to proceed with effective cost investment.

Also, although I will refrain from stating the amount, please understand that we are planning to invest costs in February and March on promotion as well as measures that will lead to the next fiscal year. That is all for my explanation.

Inoue [Q]: I understand. Thank you very much. I just have one more point: WOWOW's distribution service started in earnest this year, and I would like to have the update on how it is progressing. What is the situation including the subscription ratio?

Tanaka [M]: Yes. This will be explained by the director in charge, Gunji.

Gunji [A]: Thank you for your question. Gunji will answer your question. As for the subscription status, it has been about a year since we started. In the current fiscal year of 2021, the overall ratio of subscriptions is 3:7. Of the total subscriptions, the ratio of distribution subscriptions is still around 30%. That is all.

Inoue [Q]: Thank you very much. For example, do you have a goal to increase this percentage to a certain level in the future?

Gunji [A]: Yes. I, Gunji will continue to answer your questions. We don't have a specific target for how far we want to go, but we would like to increase the overall volume and, if possible, reach a 50-50 split at an early stage.

Inoue [M]: I understand. Thank you very much. That's all.

Moderator [M]: Thank you for your question. Are there any other questions?

Umeda [Q]: My name is Umeda from Nikkan Sports News. Thank you as always. You mentioned earlier that the production of three dramas has been halted. Does this mean that these are three of the four dramas that you mentioned earlier? I just want to confirm.

W O W O W

Please go ahead.

Tanaka [A]: Yes. This is Tanaka. These three dramas are works that will be aired further down the line and have not yet been announced.

Umeda [M]: Thank you very much.

Moderator [M]: Thank you very much. If there is any other question, please go ahead. Since there are no other questions, we will conclude the question-and-answer session. Lastly, President Tanaka, please give us a few words.

Tanaka [M]: Once again, thank you very much for participating in today's briefing session. As you mentioned in your question, COVID-19 infections impacted us to certain extent. In addition to the production sites I mentioned earlier, we also operate customer centers in three locations around Japan, and COVID-19 has had an impact on the operators of those customer centers. However, all of these were within the expected level of preparedness, and we have backups and other preparations in place. There is no problem in continuing our business.

Nevertheless, there are some events that are beyond our control, and we can only hope that things will soon be under control and that domestic and international entertainment and sports events will be held as scheduled. Thank you very much for today.

Moderator [M]: This concludes the financial results briefing for the third quarter of the fiscal year 2021 of our company. Thank you very much for your participation today.

[END]