

W O W O W

Summary of 2Q FY2020 Earnings

Oct 30, 2020
WOWOW INC.



- 1 2Q FY2020 Earnings (April-September)
- 2 FY2020 Results Forecasts
- 3 Supplementary Materials

2Q FY2020 Earnings Highlights

Net new subscriptions decreased by 67,000, and revenue decreased while income increased

New Subscription

- Gaining new subscriptions was difficult until July due to the postponement and cancellation of sporting events caused by COVID-19.
- Net new subscriptions increased in August for the first time in half a year due to Naomi Osaka winning the US Open Tennis Championships for the second time. Due to the rescheduled Roland-Garros International Tennis Championships held in September, net new subscriptions continued to increase. However, as for the first half of the fiscal year, net new subscriptions decreased.

(Thousands)

	2Q FY2019	2Q FY2020	Difference	YoY
Gross New Subscriptions	282	241	-41	85.4%
Cancellations	303	308	5	101.7%
Net New Subscriptions	-21	-67	-46	—

Income & Expenditure (Consolidated)

- Revenue decreased due to decrease in number of net cumulative subscriptions year on year and other factors.
- Ordinary income increased year on year due to decrease in program costs and other factors.

(Millions of yen)

	2Q FY2019	2Q FY2020	Difference	YoY
Revenue	41,070	39,376	-1,693	95.9%
Operating Income	4,589	7,735	3,145	168.5%
Ordinary Income	4,955	8,104	3,148	163.5%

Figures rounded down to millions of yen.

2Q FY2020 Subscription

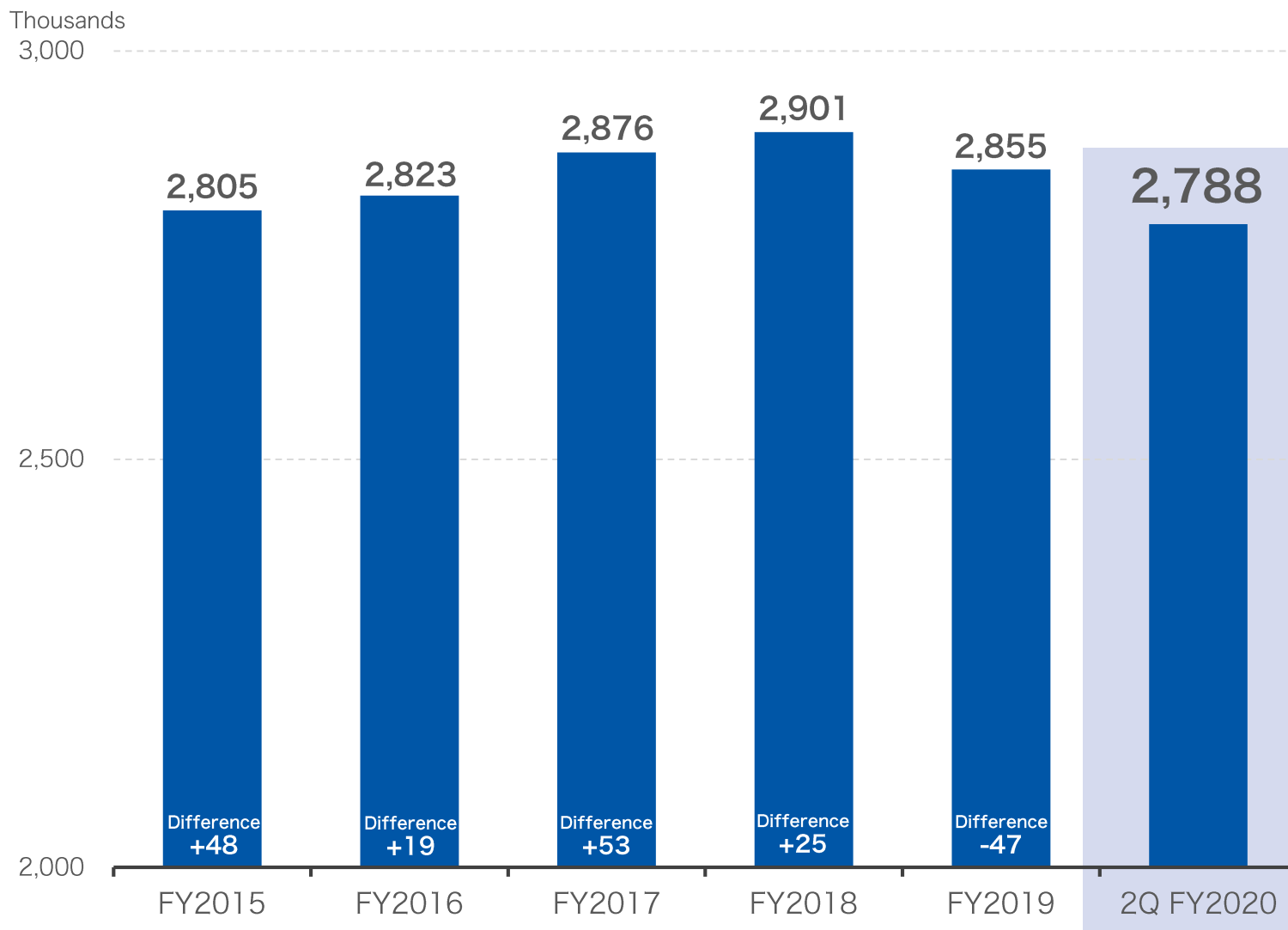
(Thousands)

	2Q FY2019	2Q FY2020	Previous Period Comparison	
			Difference	YoY
Gross New Subscriptions	282	241	-41	85.4%
Cancellations	303	308	5	101.7%
Net New Subscriptions	-21	-67	-46	—
Net Cumulative Subscriptions	2,881	2,788	-93	96.8%
Of these, multi-subscriptions*1	413	403	-10	97.6%
Of these, hotel subscriptions*2	68	74	6	109.0%

*1 Existing subscribers are granted two additional subscriptions for a discounted price (JPY900/month – the first subscription is JPY2,300/month, tax not included).

*2 Agreements with hotels and other accommodations for viewing in guest rooms.

Change in Net Cumulative Subscriptions



2Q FY2020 Income & Expenditure

(Millions of yen)

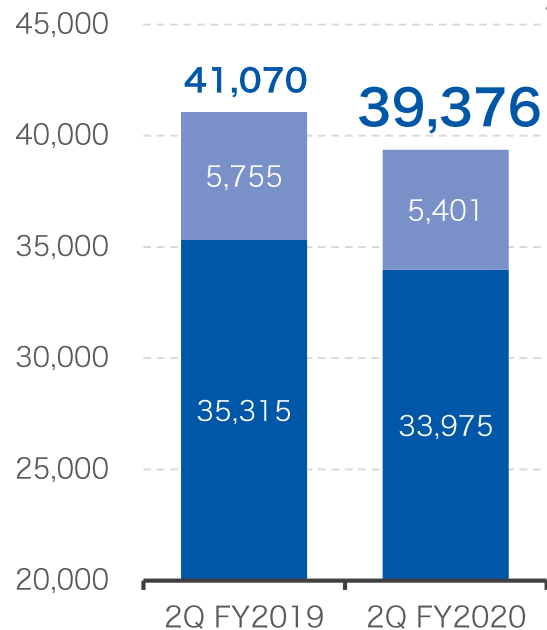
		2Q FY2019		2Q FY2020		Previous Period Comparison	
		Result	Percent of Revenue	Result	Percent of Revenue	Difference	YoY
Consolidated	Revenue	41,070	100.0%	39,376	100.0%	-1,693	95.9%
	Operating Income	4,589	11.2%	7,735	19.6%	3,145	168.5%
	Ordinary Income	4,955	12.1%	8,104	20.6%	3,148	163.5%
	Profit Attributable to Owners of Parent	3,460	8.4%	5,663	14.4%	2,203	163.7%
Non-Consolidated	Revenue	36,230	100.0%	34,739	100.0%	-1,491	95.9%
	Operating Income	4,289	11.8%	7,699	22.2%	3,409	179.5%
	Ordinary Income	4,790	13.2%	8,093	23.3%	3,303	169.0%
	Profit	3,373	9.3%	5,672	16.3%	2,299	168.1%

Figures rounded down to millions of yen.

Revenue Compared to Previous Period

Consolidated

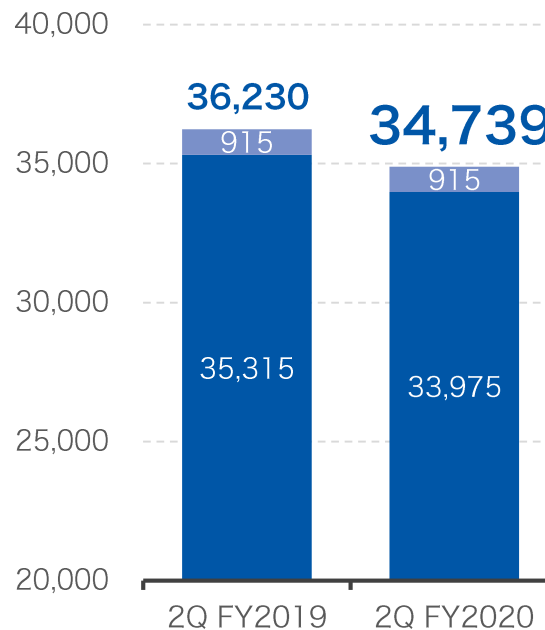
Millions of yen



YoY
95.9%

Non-Consolidated

Millions of yen



YoY
95.9%

(Millions of yen)

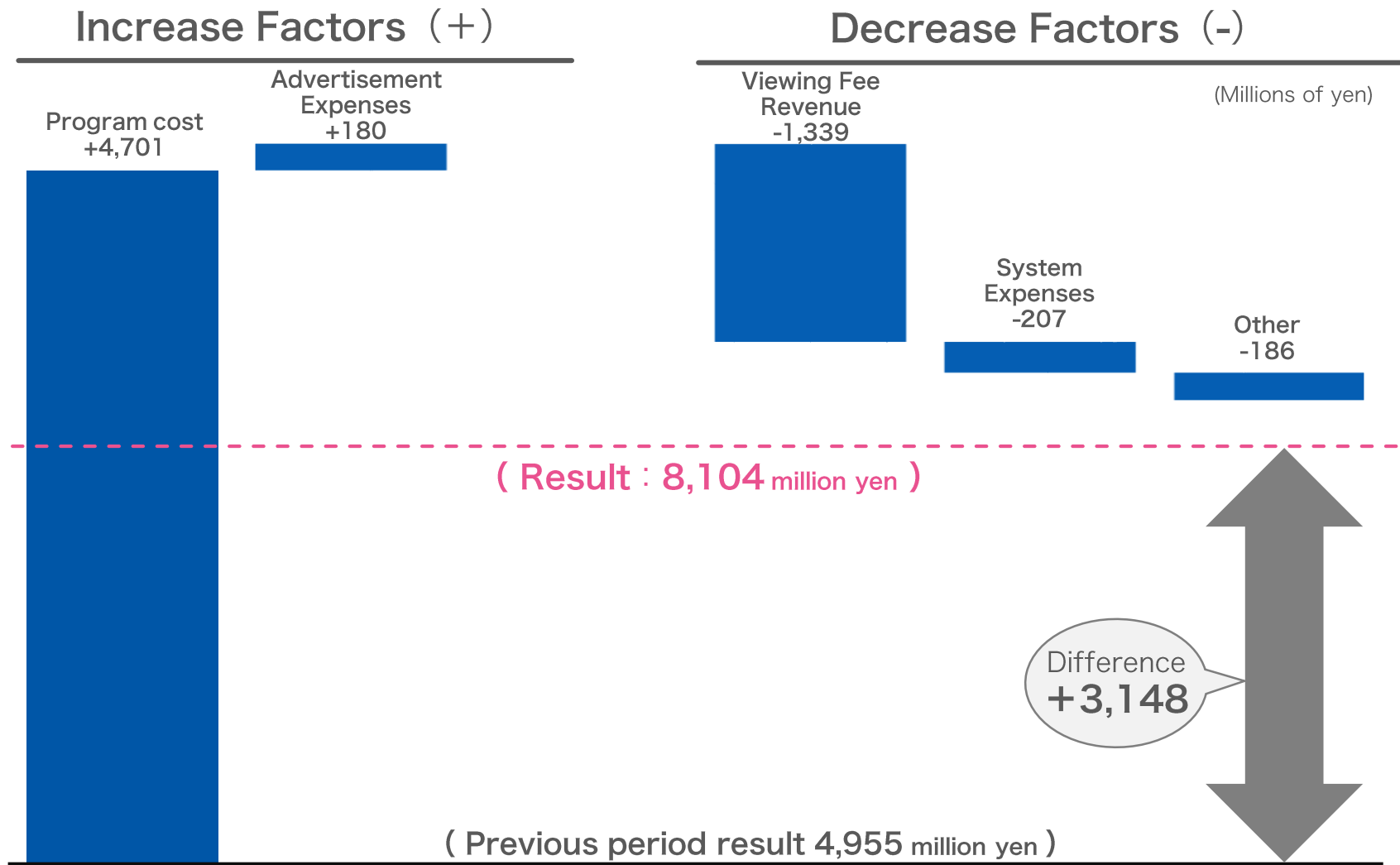
Revenue Item	2Q FY2019	2Q FY2020	Difference
Broadcasting	35,315	33,975	-1,339
Other	5,755	5,401	-353
Total	41,070	39,376	-1,693

(Millions of yen)

Revenue Item	2Q FY2019	2Q FY2020	Difference
Broadcasting	35,315	33,975	-1,339
Other	915	763	-151
Total	36,230	34,739	-1,491

Figures rounded down to millions of yen.

Consolidated Ordinary Income Factors in Difference from Previous Period

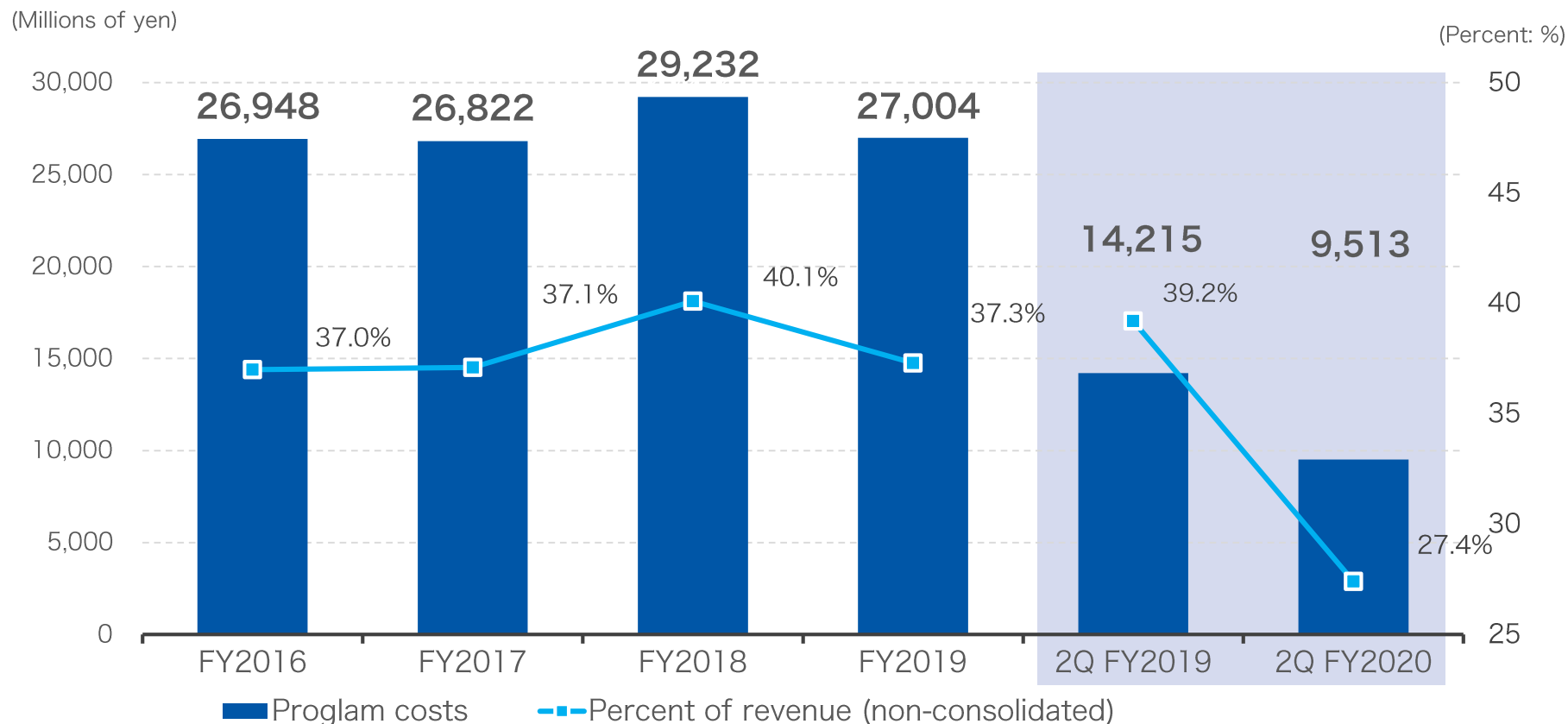


*The figure for each factor is the difference from the same period the previous year, with + representing an increase factor.

Figures rounded down to millions of yen.

Change in Program Costs

Program costs decreased year on year due to the postponement and cancellation of sporting events and live music events



*All figures are non-consolidated.

Figures rounded down to millions of yen.

* Program costs (FY2020) : Program costs forecast to be approximately 38% of non-consolidated revenue.

Income & Expenditure of Major Consolidated Earnings Companies

■WOWOW COMMUNICATIONS (Telemarketing)

(Millions of yen)

	2Q FY2019		2Q FY2020		Previous Period Difference	
	Result	Percent of Revenue	Result	Percent of Revenue	Difference	YoY
Revenue	4,409	100.0%	4,304	100.0%	-105	97.6%
Operating Income	123	2.8%	24	0.6%	-98	20.3%
Ordinary Income	125	2.8%	81	1.9%	-43	65.5%
Profit	83	1.9%	54	1.3%	-29	64.8%

*WOWOW COMMUNICATIONS non-consolidated figures

■WOWOW Plus Inc. (Broadcasting)

Revenue	2,573	100.0%	2,645	100.0%	71	102.8%
Operating Income	141	5.5%	145	5.5%	3	102.6%
Ordinary Income	142	5.5%	146	5.5%	3	102.6%
Profit	121	4.7%	120	4.6%	-0	99.6%

*WOWOW Plus Inc. non-consolidated figures

Figures rounded down to millions of yen.

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FY2020 Subscription Plan (announced May 15, 2020)

(Thousands)

	FY2019	FY2020	Previous Period Comparison	
			Difference	YoY
Gross New Subscriptions	564	630	66	111.7%
Cancellations	611	630	19	103.2%
Net New Subscriptions	-47	—	47	—
Net Cumulative Subscriptions	2,855	2,855	0	100.0%

FY2020 Income & Expenditure Plan (announced Oct. 23, 2020)

(Millions of yen)

		Initial FY2020 Plan		Revised FY2020 Plan		Comparison	
		Result	Percent of Revenue	Plan	Percent of Revenue	Difference	YoY
Consolidated	Revenue	80,700	100.0%	78,800	100.0%	-1,900	98.6%
	Operating Income	4,800	5.9%	4,800	5.9%	—	100.0%
	Ordinary Income	5,000	6.2%	5,000	6.2%	—	100.0%
	Profit Attributable to Owners of Parent	3,300	4.1%	3,300	4.1%	—	100.0%

Non-Consolidated	Revenue	70,500	100.0%	69,400	100.0%	-1,100	98.4%
	Operating Income	4,700	6.7%	4,700	6.7%	—	100.0%
	Ordinary Income	5,100	7.2%	5,100	7.2%	—	100.0%
	Profit	3,500	5.0%	3,500	5.0%	—	100.0%

Note: Program costs forecast to be approximately 38% of non-consolidated revenue.
Estimated foreign exchange rate: 1 USD = 110yen

Figures rounded down to millions of yen.

Annual Dividend	80 yen per share	80 yen per share	—	100.0%
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Subscription

(Subscriptions)

		1Q Cumulative	July	August	September	2Q	2Q Cumulative
Gross New Subscriptions		100,289	26,686	55,622	58,096	140,404	240,693
Cancellations		180,011	44,946	42,264	40,732	127,942	307,953
Net New Subscriptions		-79,722	-18,260	13,358	17,364	12,462	-67,260
	Of these, multi-subscriptions*1	-6,499	-1,413	510	686	-217	-6,716
	Of these, hotel subscriptions*2	667	1,878	186	950	3,014	3,681
Net Cumulative Subscriptions at End of Period		2,775,044	2,756,784	2,770,142	2,787,506	2,787,506	2,787,506
	Of these, multi-subscriptions*1	403,411	401,998	402,508	403,194	403,194	403,194
	Of these, hotel subscriptions*2	71,025	72,903	73,089	74,039	74,039	74,039

*1 Existing subscribers are granted two additional subscriptions for a discounted price(JPY900/month – the first subscription is JPY2,300/month, tax not included).

*2 Agreements with hotels and other accommodations for viewing in guest rooms.

Previous Period (FY2019) Subscription

(Subscriptions)

	1Q	2Q	2Q Cumulative	3Q	3Q Cumulative	4Q	Fiscal Year
Gross New Subscriptions	148,201	133,757	281,958	119,945	401,903	162,012	563,915
Cancellations	159,986	142,904	302,890	143,744	446,634	164,008	610,642
Net New Subscriptions	-11,785	-9,147	-20,932	-23,799	-44,731	-1,996	-46,727
Of these, multi-subscriptions*1	-1,886	-446	-2,332	-1,978	-4,310	-1,069	-5,379
Of these, hotel subscriptions*2	1,818	1,899	3,717	727	4,444	1,734	6,178
Net Cumulative Subscriptions at End of Period	2,889,708	2,880,561	2,880,561	2,856,762	2,856,762	2,854,766	2,854,766
Of these, multi-subscriptions*1	413,403	412,957	412,957	410,979	410,979	409,910	409,910
Of these, hotel subscriptions*2	65,998	67,897	67,897	68,624	68,624	70,358	70,358

*1 Existing subscribers are granted two additional subscriptions for a discounted price(JPY900/month – the first subscription is JPY2,300/month, tax not included).

*2 Agreements with hotels and other accommodations for viewing in guest rooms.

Income & Expenditure (Consolidated)

(Millions of yen)

	2Q FY2019		2Q FY2020		
	Results	Percent of Revenue	Results	Percent of Revenue	YoY
I. Revenue	41,070	100.0%	39,376	100.0%	95.9%
Broadcasting	35,315	86.0%	33,975	86.3%	96.2%
Other	5,755	14.0%	5,401	13.7%	93.9%
II. CoGS	23,821	58.0%	18,855	47.9%	79.2%
Gross Profit	17,248	42.0%	20,521	52.1%	119.0%
III. SG&A	12,658	30.8%	12,786	32.5%	101.0%
Operating Income	4,589	11.2%	7,735	19.6%	168.5%
IV. Non-Operating Income	370	0.9%	373	0.9%	100.7%
Interest Income	17	0.0%	7	0.0%	42.9%
Equity in Earnings of Affiliates	164	0.4%	211	0.5%	128.6%
Exchange Rate Profit	136	0.3%	41	0.1%	30.3%
Other	51	0.1%	112	0.3%	217.8%
V. Non-Operating Expenses	4	0.0%	4	0.0%	92.2%
Other	4	0.0%	4	0.0%	92.2%
Ordinary Income	4,955	12.1%	8,104	20.6%	163.5%
VI. Extraordinary Income/Loss	-2	△0.0%	-14	-0.0%	—
Income before Income Tax and Minority Interests	4,953	12.1%	8,089	20.5%	163.3%
Income Taxes (Current and Deferred), etc.	1,493	3.6%	2,425	6.2%	162.4%
Profit Attributable to Owners of Parent	3,460	8.4%	5,663	14.4%	163.7%

Figures rounded down to millions of yen.

Income & Expenditure (Non-Consolidated)

(Millions of yen)

	2Q FY2019		2Q FY2020		
	Results	Percent of Revenue	Results	Percent of Revenue	YoY
I. Revenue	36,230	100.0%	34,739	100.0%	95.9%
Broadcasting	35,315	97.5%	33,975	97.8%	96.2%
Other	915	2.5%	763	2.2%	83.4%
II. CoGS	20,748	57.3%	15,759	45.4%	76.0%
Gross Profit	15,481	42.7%	18,979	54.6%	122.6%
III. SG&A	11,192	30.9%	11,280	32.5%	100.8%
Operating Income	4,289	11.8%	7,699	22.2%	179.5%
IV. Non-Operating Income	505	1.4%	398	1.1%	78.9%
Interest Income	17	0.0%	7	0.0%	42.9%
Exchange Rate Profit	136	0.4%	41	0.1%	30.3%
Other	351	1.0%	349	1.0%	99.5%
V. Non-Operating Expenses	4	0.0%	4	0.0%	92.2%
Other	4	0.0%	4	0.0%	92.2%
Ordinary Income	4,790	13.2%	8,093	23.3%	169.0%
VI. Extraordinary Income/Loss	-1	-0.0%	-13	-0.0%	—
Income before Income Tax and Minority Interests	4,788	13.2%	8,079	23.3%	168.7%
Income Taxes (Current and Deferred), etc.	1,414	3.9%	2,406	6.9%	170.1%
Profit	3,373	9.3%	5,672	16.3%	168.1%

Figures rounded down to millions of yen.

Expenditure Breakdown (Non-Consolidated)

(Millions of yen)

2Q FY2019	2Q FY2020	YoY
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(1) CoGS Items

Program cost	14,215	9,513	66.9%
Broadcasting Technology Cost	1,455	1,496	102.8%
Expenses for Programming Guide	1,316	1,301	98.9%
Other	3,762	3,448	91.7%
Total	20,748	15,759	76.0%

(2) SG&A Items

Merchandising Expense	567	504	88.9%
Retention Commission Paid	2,605	2,542	97.5%
Credit Collection Agency Fee Paid	740	696	94.0%
Advertisement Expenses	2,268	2,124	93.6%
Customer Center Expenses	997	988	99.1%
Other	4,011	4,424	110.3%
Total	11,192	11,280	100.8%

(3) Depreciation Expense

Depreciation Expense	1,135	1,175	103.5%
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Figures rounded down to millions of yen.

Extraordinary Income/Loss Breakdown

(Millions of yen)

2Q FY2019	2Q FY2020	YoY
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(Consolidated)

Extraordinary Income			
Income from Sale of Non-Current Assets	0	—	—
Total	0	—	—
Extraordinary Losses			
Loss from Elimination of Non-Current Assets	1	14	960.5%
Loss from Sale of Fixed Assets	0	—	—
Loss on Valuation of Golf Memberships	0	—	—
Total	2	14	613.6%

(Non-Consolidated)

Extraordinary Income			
Income from Sale of Non-Current Assets	0	—	—
Total	0	—	—
Extraordinary Losses			
Loss from Elimination of Non-Current Assets	0	13	—
Loss from Sale of Fixed Assets	0	—	—
Loss on Valuation of Golf Memberships	0	—	—
Total	1	13	753.5%

Figures rounded down to millions of yen.

Results by Consolidated Segment

(Millions of yen)

	Revenue			Segment Income (Operating Income)		
	2Q FY2019	2Q FY2020	YoY	2Q FY2019	2Q FY2020	YoY
Broadcasting	38,912	37,406	96.1%	4,466	7,712	172.7%
Telemarketing	4,409	4,304	97.6%	123	22	18.5%
Total	43,322	41,710	96.3%	4,589	7,735	168.5%
Adjusted*	-2,251	-2,334	—	—	—	—
Consolidated	41,070	39,376	95.9%	4,589	7,735	168.5%

*Adjustment of revenue offsets transactions between segments, and adjustment of segment income is based on consolidation adjustment.

Figures rounded down to millions of yen.

Balance Sheets (Consolidated)

(Millions of yen)

	As of March 31, 2020		As of September 30, 2020		Compared to End of Previous Period	
	Results	Share	Results	Share	Difference	Compared to End of Previous Period
Current Assets	60,045	66.7%	62,963	65.2%	2,918	104.9%
Non-Current Assets	29,979	33.3%	33,608	34.8%	3,629	112.1%
Current Liabilities	26,617	29.6%	29,655	30.7%	3,037	111.4%
Non-Current Liabilities	2,850	3.2%	2,710	2.8%	-139	95.1%
Capital Stock	5,000	5.6%	5,000	5.2%	—	100.0%
Capital Surplus	2,738	3.0%	2,777	2.9%	38	101.4%
Retained Earnings	55,678	61.8%	59,183	61.3%	3,504	106.3%
Treasury Shares	-3,081	-3.4%	-3,002	-3.1%	79	97.4%
Shareholders' Equity	60,334	67.0%	63,957	66.2%	3,622	106.0%
Accumulated Other Comprehensive Income	220	0.2%	248	0.3%	27	112.5%
Net Assets	60,555	67.3%	64,206	66.5%	3,650	106.0%
Total Assets	90,024	100.0%	96,572	100.0%	6,547	107.3%

Figures rounded down to millions of yen.

Balance Sheets (Non-Consolidated)

(Millions of yen)

	As of March 31, 2020		As of September 30, 2020		Compared to End of Previous Period	
	Results	Share	Results	Share	Difference	Compared to End of Previous Period
Current Assets	53,090	65.5%	56,243	64.1%	3,152	105.9%
Non-Current Assets	27,928	34.5%	31,468	35.9%	3,540	112.7%
Current Liabilities	25,316	31.2%	28,461	32.4%	3,145	112.4%
Non-Current Liabilities	2,173	2.7%	2,065	2.4%	-107	95.0%
Capital Stock	5,000	6.2%	5,000	5.7%	—	100.0%
Capital Surplus	2,738	3.4%	2,777	3.2%	38	101.4%
Retained Earnings	48,595	60.0%	52,109	59.4%	3,513	107.2%
Treasury Shares	-3,081	-3.8%	-3,002	-3.4%	79	97.4%
Shareholders' Equity	53,252	65.7%	56,883	64.9%	3,631	106.8%
Valuation and Translation	277	0.3%	300	0.3%	23	108.5%
Net Assets	53,529	66.1%	57,184	65.2%	3,655	106.8%
Total Assets	81,019	100.0%	87,712	100.0%	6,692	108.3%

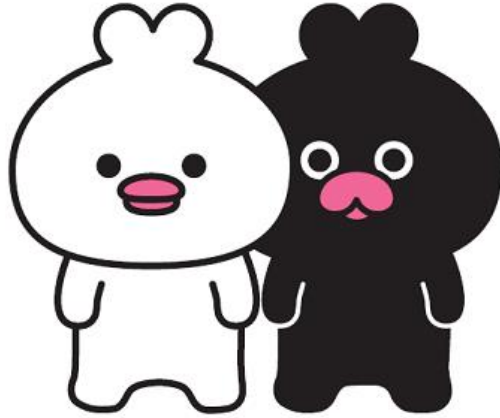
Figures rounded down to millions of yen.

Consolidated Statements of Cash Flows

(Millions of yen)

	2Q FY2019	2Q FY2020	YoY	FY2019
I. Cash Flows from Operating Activities				
Income before Income Tax and Minority Interests	4,953	8,089	3,136	7,996
Depreciation Expenses, Reserves and Retirement Benefits	1,259	1,225	-34	2,641
Increase (Decrease) in Accounts Receivable ('-' signifies increase)	246	567	321	34
Increase (Decrease) in Inventory ('-' signifies increase)	4,898	-2,267	-7,166	6,025
Increase (Decrease) in Accounts Payable ('-' signifies decrease)	-4,908	1,484	6,393	-5,267
Other	-1,617	-1,589	27	436
Subtotal	4,832	7,510	2,678	11,867
Payment of Income Taxes, etc.	-619	-1,417	-798	-1,885
Cash Flows from Operating Activities	4,213	6,093	1,880	9,982
II. Cash Flows from Investing Activities				
Income/Expenditure due to Increase (Decrease) in Time Deposit ('-' signifies increase)	—	-2,562	-2,562	—
Income/Expenditure due to Increase (Decrease) in Property, Plant and Equipment ('-' signifies increase)	-1,490	-2,074	-583	-2,314
Income/Expenditure due to Increase (Decrease) in Intangible Assets ('-' signifies increase)	-564	-373	191	-1,208
Income/Expenditure due to Acquisition of Subsidiary Shares ('-' signifies increase)	-35	—	35	-35
Other	-8	-247	-239	-21
Cash Flows from Investing Activities	-2,098	-5,257	-3,158	-3,580
III. Cash Flows from Financing Activities				
Payment of Dividends	-2,159	-2,159	—	-2,159
Other	-19	-19	0	-38
Cash Flows from Financing Activities	-2,178	-2,178	0	-2,198
IV. Effect of Exchange Rate Change on Cash and Cash Equivalents	-46	9	55	-45
V. Net Increase (Decrease) in Cash and Cash Equivalents('-' signifies decrease)	-110	-1,332	-1,222	4,159
VI. Cash and Cash Equivalents at Beginning of Period	24,129	28,288	4,159	24,129
VII. Cash and Cash Equivalents at End of Period	24,019	26,955	2,936	28,288

Figures rounded down to millions of yen.



WOWOW

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Cautionary Statement:

The earnings forecasts described in this document are made based on decisions and assumptions relying on information currently available to WOWOW INC. as of the date hereof and thus include risks and uncertainties.

The actual financial results may substantially differ due to various factors.

The factors that may influence actual financial results include, but are not limited to, economic conditions and market trends surrounding business sectors of WOWOW INC. and its group companies.

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