

WOWOW

Q&A for Briefing on FY2016 Earnings, FY2017 Business Plan and Medium-Term Management Plan

Q What is the reason for the approximately 500 million yen decrease in non-consolidated revenue year-on-year despite the estimated increase in number of subscriptions by 30,000 in FY2017?

A The main reason is the decrease of advertising revenue in FY2016, we gained more advertising revenue due to special factors such as broadcasting the UEFA EURO 2016™ European soccer tournament, which is held every four years.

Q Can you explain the strategy to achieve the medium-term management plan, which involves increasing subscriptions by 50,000 each year?

A Due to changes in customer viewing habits and the media industry, we anticipate it being difficult to sustain net increase in subscriptions by simply continuing to promote our content to customers as in the past. To remain competitive over the next 10 years while maintaining continuous growth, we need to distinguish ourselves from competitors with wide-ranging content that is thoroughly unique to WOWOW and revise communication with customers. Specifically, we plan to have customers become WOWOW online members* and to improve our communication with them utilizing digital media. This will allow us to better understand our customers and help us meet their needs, thus achieving net increase in subscriptions.

*Customers that have agreed to the online member terms and conditions and been given an ID

Q What is the reason for the significant decline in ordinary income in FY2018 according to the medium-term management plan?

A We plan to increase investment about 2 to 4 billion yen per year from FY2018 to enhance our content, including by producing original content and launching an IP simulcast service. Further, we also expect 500 million to 1 billion yen in marketing tool revision costs. These are the main reasons for the decline in ordinary income.

Q Please explain the pricing strategy of the 4K broadcast service scheduled to be launched in 2020.

A We would like to refrain from answering that question at this time for we are still in the process of developing the service.

Q

Can you explain the changes in depreciation expense from FY2017?

A

We plan to make capital investment toward launching the IP simulcast service in FY2018 and 4K broadcasting service in FY2020. While we are currently not disclosing detailed schedules and expense breakdowns, we expect depreciation expense to increase gradually over the medium-term management plan and be around 3 billion yen in FY2020.

