

# WOWOW

## Summary of 1Q FY2017 Earnings

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July 28, 2017  
WOWOW INC.



- 1 1Q FY2017 Earnings (April-June)
- 2 FY2017 Results Forecasts
- 3 Supplementary Materials

# 1Q FY2017 Earnings Highlights

Net new subscriptions changed in line with expectations and revenue and income increased.

## New Subscription

- The French Open, Wimbledon, ONE OK ROCK and L'Arc-en-Ciel concerts and *Hanzai Shokogun* ("Criminal Syndrome"), a WOWOW and Tokai Television Broadcasting co-production drama series, were some of the programs that contributed to new subscription.
- However, with no major programs broadcasted in comparison with 1Q FY2016, new subscription decreased year-on-year.

(Thousands)

	1Q FY2016	1Q FY2017	Difference	YoY
Gross New Subscriptions	175	104	-72	59.2%
Cancellations	127	124	-2	98.3%
Net New Subscriptions	48	-21	-69	—

## Income & Expenditure (Consolidated)

- Revenue increased year-on-year due to factors such as IMAGICA TV Corp. becoming a subsidiary.

(Millions of yen)

- Ordinary income increased year-on-year due to the absence of spending on major programs.

	1Q FY2016	1Q FY2017	Difference	YoY
Revenue	19,748	19,866	117	100.6%
Operating Income	1,980	3,454	1,474	174.5%
Ordinary Income	2,028	3,649	1,620	179.9%

Figures rounded down to millions of yen.

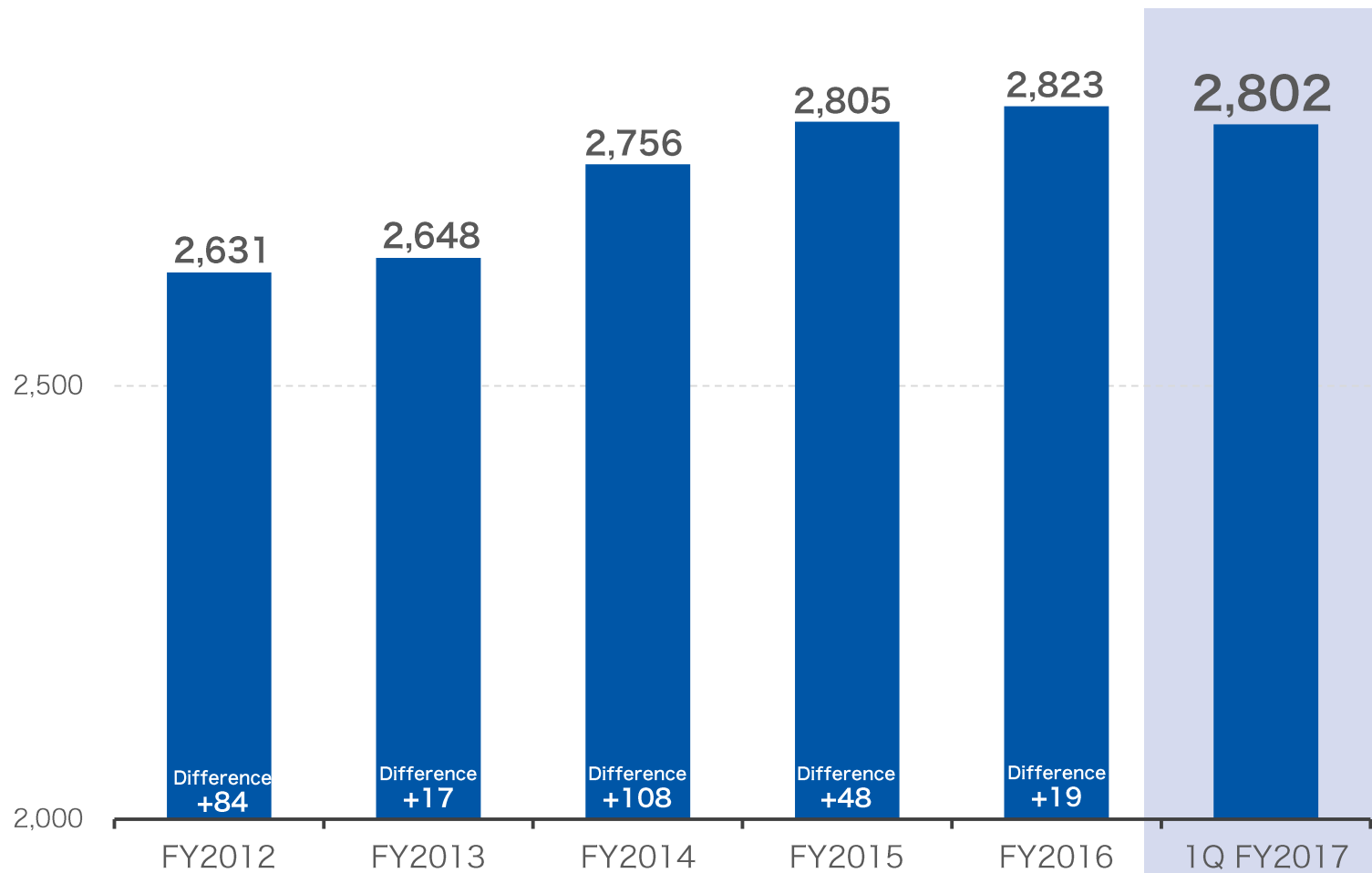
# 1Q FY2017 Subscription

(Thousands)

	1Q FY2016	1Q FY2017	Previous Period Comparison	
			Difference	YoY
Gross New Subscriptions	175	104	-72	59.2%
Cancellations	127	124	-2	98.3%
Net New Subscriptions	48	-21	-69	—
Net Cumulative Subscriptions	2,853	2,802	-51	98.2%

# Change in Net Cumulative Subscriptions

Thousands  
3,000



# 1Q FY2017 Income & Expenditure

(Millions of yen)

		1Q FY2016		1Q FY2017		Previous Period Comparison	
		Result	Percent of Revenue	Result	Percent of Revenue	Difference	YoY
Consolidated	Revenue	19,748	100.0%	19,866	100.0%	117	100.6%
	Operating Income	1,980	10.0%	3,454	17.4%	1,474	174.5%
	Ordinary Income	2,028	10.3%	3,649	18.4%	1,620	179.9%
	Profit Attributable to Owners of Parent	1,399	7.1%	2,469	12.4%	1,070	176.5%

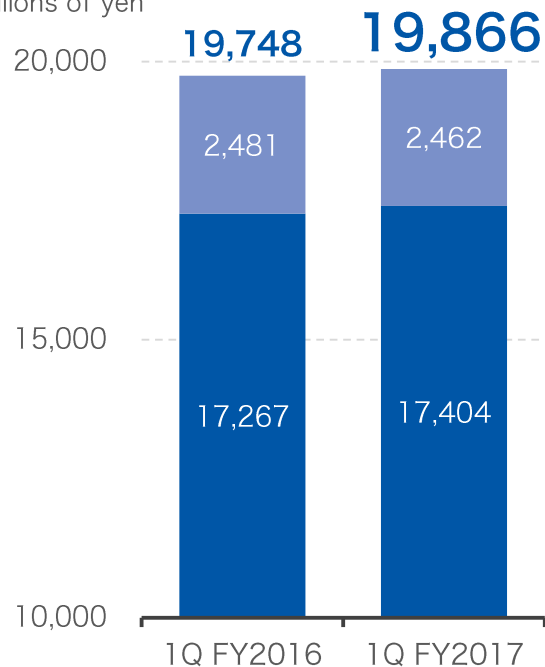
Non-Consolidated	Revenue	17,884	100.0%	17,698	100.0%	-186	99.0%
	Operating Income	1,822	10.5%	3,493	19.7%	1,611	185.6%
	Ordinary Income	2,057	11.5%	3,742	21.1%	1,684	181.9%
	Profit	1,451	8.1%	2,588	14.6%	1,137	178.4%

Figures rounded down to millions of yen.

# Revenue Compared to Previous Period

## Consolidated

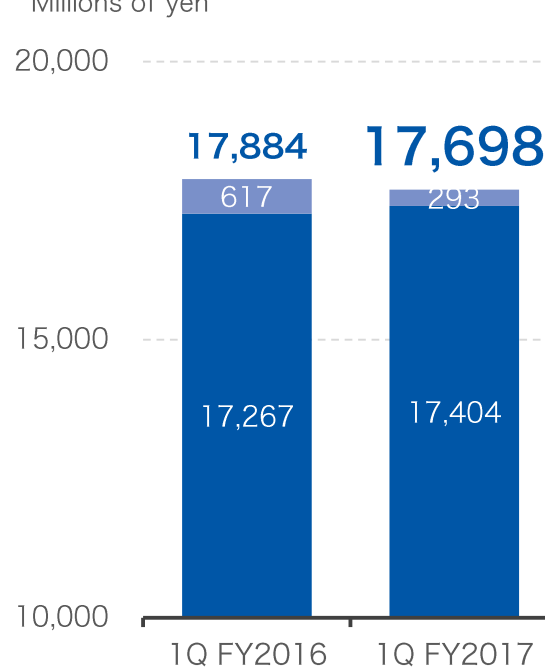
Millions of yen



YoY  
**100.6%**

## Non-Consolidated

Millions of yen



YoY  
**99.0%**

(Millions of yen)

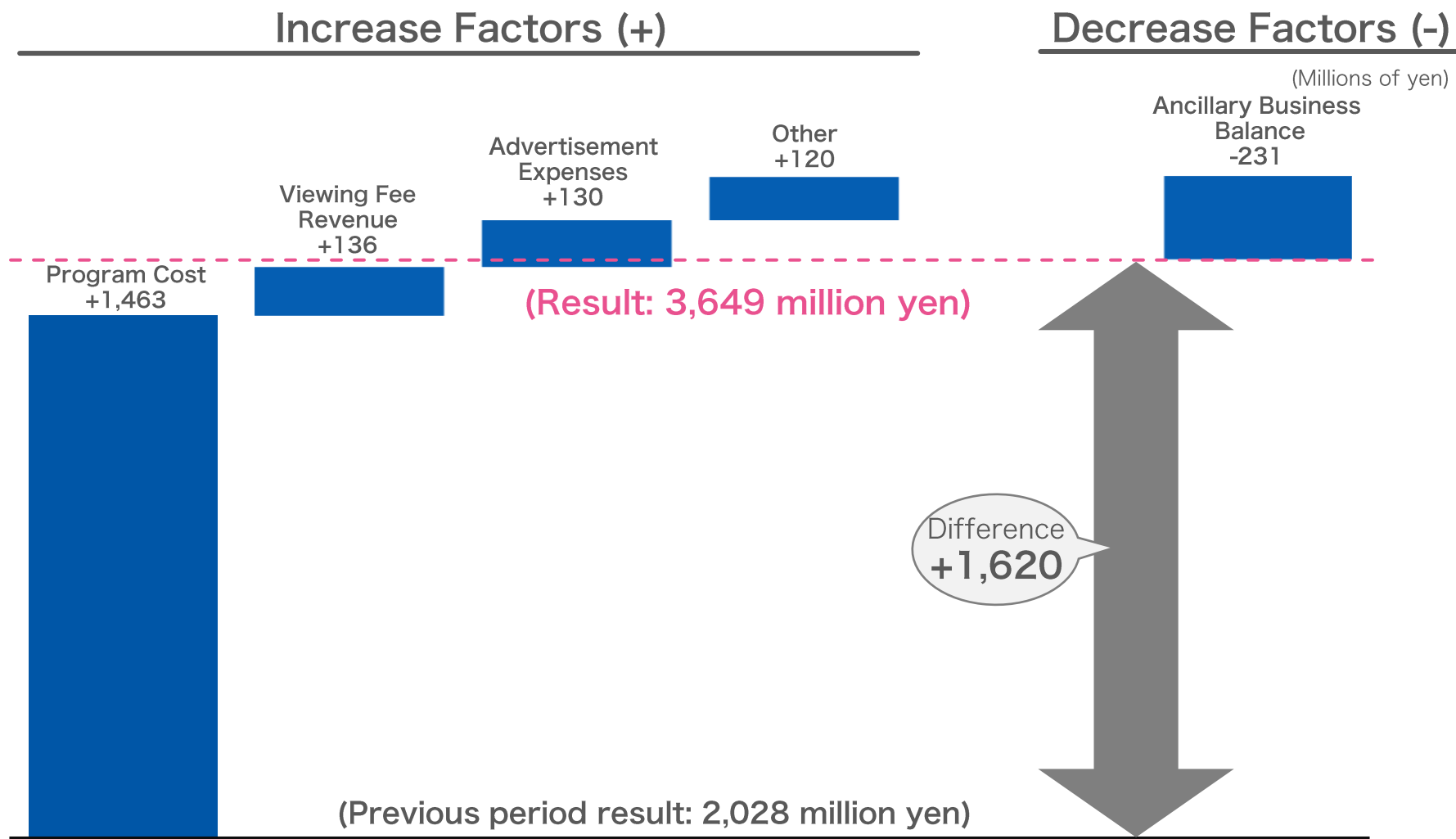
Revenue Item	1Q FY2016	1Q FY2017	Difference
Broadcasting	17,267	17,404	136
Other	2,481	2,462	-18
<b>Total</b>	<b>19,748</b>	<b>19,866</b>	<b>117</b>

(Millions of yen)

Revenue Item	1Q FY2016	1Q FY2017	Difference
Broadcasting	17,267	17,404	136
Other	617	293	-323
<b>Total</b>	<b>17,884</b>	<b>17,698</b>	<b>-186</b>

Figures rounded down to millions of yen.

# Consolidated Ordinary Income Factors in Difference from Previous Period



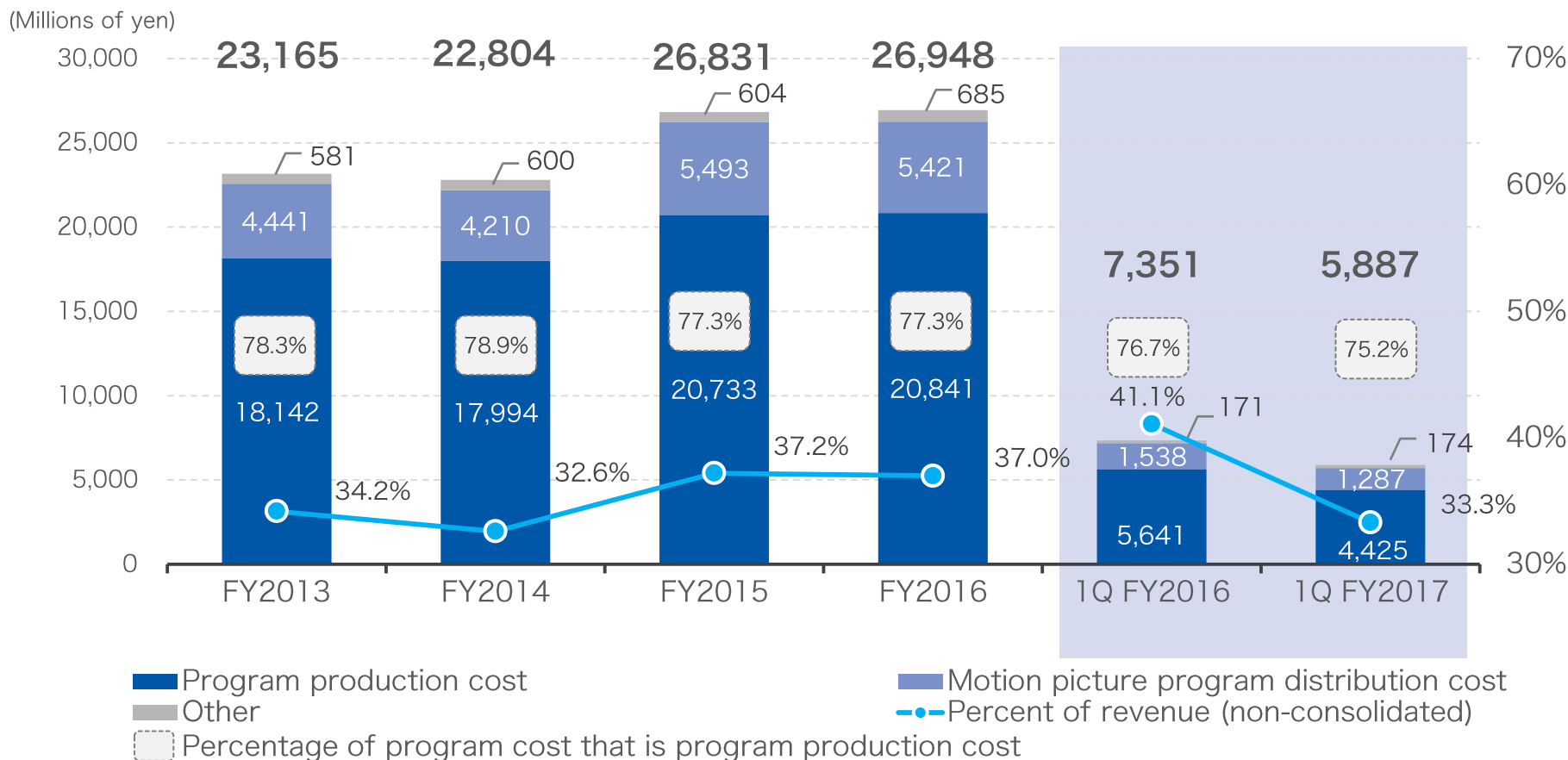
\*The figure for each factor is the difference from the same period the previous year, with + representing an increase factor.

Figures rounded down to millions of yen.



# Change in Program Cost

In 1Q FY2016, we spent strategically on the program costs of major programs.



\*Program production cost: Original dramas, movies (except movies produced by US major studios), sports, music, etc.  
 Motion picture program distribution cost: Movies produced by US major studios  
 Other: Data broadcasting, etc.

\*All figures are non-consolidated.  
 Figures rounded down to millions of yen.

# Income & Expenditure of Major Consolidated Earnings Companies

## ■WOWOW COMMUNICATIONS (Telemarketing)

(Millions of yen)

	1Q FY2016		1Q FY2017		Previous Period Difference	
	Result	Percent of Revenue	Result	Percent of Revenue	Difference	YoY
Revenue	2,631	100.0%	1,628	100.0%	-1,002	61.9%
Operating Income	53	2.0%	-94	-5.8%	-148	—
Ordinary Income	54	2.1%	-94	-5.8%	-148	—
Profit	38	1.4%	-65	-4.0%	-103	—

\*WOWOW COMMUNICATIONS non-consolidated figures

## ■IMAGICA TV Corp. (Broadcasting)

Revenue	—	—	1,277	100.0%	—	—
Operating Income	—	—	83	6.5%	—	—
Ordinary Income	—	—	83	6.5%	—	—
Profit	—	—	25	2.0%	—	—

\*IMAGICA TV Corp. non-consolidated figures

\*IMAGICA TV Corp. became a consolidated subsidiary on April 3, 2017.

Figures rounded down to millions of yen.

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# FY2017 Subscription Plan (announced May 15, 2017)

(Thousands)

	FY2016	FY2017	Previous Period Comparison	
			Difference	YoY
Gross New Subscriptions	578	560	-18	96.9%
Cancellations	560	530	-30	94.7%
Net New Subscriptions	19	30	11	162.1%
Net Cumulative Subscriptions	2,823	2,853	30	101.1%

# FY2017 Income & Expenditure Plan (announced May 15, 2017)

(Millions of yen)

		FY2016		FY2017		Previous Period Comparison	
		Result	Percent of Revenue	Plan	Percent of Revenue	Difference	YoY
Consolidated	Revenue	78,253	100.0%	82,500	100.0%	4,246	105.4%
	Operating Income	10,141	13.0%	9,000	10.9%	-1,141	88.7%
	Ordinary Income	10,282	13.1%	9,400	11.4%	-882	91.4%
	Profit Attributable to Owners of Parent	6,800	8.7%	6,500	7.9%	-300	95.6%

Non-Consolidated	Revenue	72,878	100.0%	72,300	100.0%	-578	99.2%
	Operating Income	9,924	13.6%	8,700	12.0%	-1,224	87.7%
	Ordinary Income	9,879	13.6%	9,000	12.4%	-879	91.1%
	Profit	6,463	8.9%	6,300	8.7%	-163	97.5%

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)

	April	May	June	1Q Cumulative
Gross New Subscriptions	26,242	37,150	40,158	103,550
Cancellations	43,477	40,978	40,000	124,455
Net New Subscriptions	-17,235	-3,828	158	-20,905
Of these, multi-subscriptions*	-848	-13	-209	-1,070
Net Cumulative Subscriptions at End of Period	2,805,950	2,802,112	2,802,280	2,802,280
Of these, multi-subscriptions*	419,816	419,803	419,594	419,594

Previous Period 1Q (Cumulative)	Previous Period Comparison	
	Difference	YoY
175,054	-71,504	59.2%
126,643	-2,188	98.3%
48,411	-69,316	—
1,969	-3,039	—
2,853,085	-50,805	98.2%
419,842	-248	99.9%

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

# Previous Period (FY2016) Subscription

(Subscriptions)

	1Q	2Q	2Q Cumulative	3Q	3Q Cumulative	4Q	Fiscal Year
Gross New Subscriptions	175,054	137,608	312,662	126,813	439,475	138,718	578,193
Cancellations	126,643	149,167	275,810	125,397	401,207	158,475	559,682
Net New Subscriptions	48,411	-11,559	36,852	1,416	38,268	-19,757	18,511
Of these, multi-subscriptions*	1,969	1,379	3,348	1,454	4,802	-2,011	2,791
Net Cumulative Subscriptions at End of Period	2,853,085	2,841,526	2,841,526	2,842,942	2,842,942	2,823,185	2,823,185
Of these, multi-subscriptions*	419,842	421,221	421,221	422,675	422,675	420,664	420,664

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



# Income & Expenditure (Consolidated)

(Millions of yen)

	1Q FY2016		1Q FY2017		
	Results	Percent of Revenue	Results	Percent of Revenue	YoY
I. Revenue	19,748	100.0%	19,866	100.0%	100.6%
Broadcasting	17,267	87.4%	17,404	87.6%	100.8%
Other	2,481	12.6%	2,462	12.4%	99.2%
II. CoGS	11,367	57.6%	10,115	50.9%	89.0%
Gross Profit	8,381	42.4%	9,751	49.1%	116.3%
III. SG&A	6,400	32.4%	6,296	31.7%	98.4%
Operating Income	1,980	10.0%	3,454	17.4%	174.5%
IV. Non-Operating Income	92	0.5%	194	1.0%	208.9%
Interest Income	0	0.0%	0	0.0%	6.9%
Equity in Earnings of Affiliates	62	0.3%	92	0.5%	147.3%
Exchange Rate Profit	—	—	66	—	—
Other	29	0.2%	34	0.2%	116.7%
V. Non-Operating Expenses	44	0.2%	0	0.0%	0.1%
Exchange Rate Loss	44	0.2%	—	—	—
Other	0	0.0%	0	0.0%	—
Ordinary Income	2,028	10.3%	3,649	18.4%	179.9%
VI. Extraordinary Income/Loss	-5	-0.0%	-27	-0.1%	—
Income before Income Tax and Minority Interests	2,023	10.2%	3,621	18.2%	179.0%
Income Taxes (Current and Deferred), etc.	624	3.2%	1,152	5.8%	184.7%
Profit Attributable to Owners of Parent	1,399	7.1%	2,469	12.4%	176.5%

Figures rounded down to millions of yen.

# Income & Expenditure (Non-Consolidated)

(Millions of yen)

	1Q FY2016		1Q FY2017		
	Results	Percent of Revenue	Results	Percent of Revenue	YoY
I. Revenue	17,884	100.0%	17,698	100.0%	99.0%
Broadcasting	17,267	96.5%	17,404	98.3%	100.8%
Other	617	3.5%	293	1.7%	47.6%
II. CoGS	10,516	58.8%	8,984	50.8%	85.4%
Gross Profit	7,368	41.2%	8,713	49.2%	118.2%
III. SG&A	5,486	30.7%	5,219	29.5%	95.1%
Operating Income	1,882	10.5%	3,493	19.7%	185.6%
IV. Non-Operating Income	220	1.2%	248	1.4%	112.8%
Interest Income	0	0.0%	0	0.0%	104.6%
Exchange Rate Profit	—	—	66	0.4%	—
Other	220	1.2%	181	1.0%	82.5%
V. Non-Operating Expenses	45	0.3%	0	0.0%	0.1%
Exchange Rate Loss	45	0.3%	—	—	—
Other	0	0.0%	0	0.0%	—
Ordinary Income	2,057	11.5%	3,742	21.1%	181.9%
VI. Extraordinary Income/Loss	-5	-0.0%	-29	-0.2%	—
Income before Income Tax and Minority Interests	2,052	11.5%	3,712	21.0%	180.9%
Income Taxes (Current and Deferred), etc.	600	3.4%	1,123	6.4%	187.0%
Profit	1,451	8.1%	2,588	14.6%	178.4%

Figures rounded down to millions of yen.

# Expenditure Breakdown (Non-Consolidated)

(Millions of yen)

	1Q FY2016	1Q FY2017	YoY
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## (1) CoGS Items

Program Cost	7,351	5,887	80.1%
Moving Picture Program Cost	1,538	1,287	78.4%
Program Production Cost	5,641	4,425	83.7%
Other	171	174	102.1%
Broadcasting Technology Cost	667	667	100.0%
Expenses for Programming Guide	609	608	99.8%
Other	1,887	1,820	96.5%
<b>Total</b>	<b>10,516</b>	<b>8,984</b>	<b>85.4%</b>

## (2) SG&A Items

Merchandising Expense	326	236	72.4%
Incentives Paid	86	43	50.6%
Retention Commission Paid	1,220	1,240	101.7%
Credit Collection Agency Fee Paid	372	371	99.6%
Advertisement Expenses	1,064	959	90.1%
Customer Center Expenses	610	526	86.2%
Other	1,804	1,841	102.1%
<b>Total</b>	<b>5,486</b>	<b>5,219</b>	<b>95.1%</b>

## (3) Depreciation Expense

Depreciation Expense	733	700	95.5%
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Figures rounded down to millions of yen.

# Extraordinary Income/Loss Breakdown

(Millions of yen)

1Q FY2016	1Q FY2017	YoY
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(Consolidated)

Extraordinary Income			
Income from Sale of Non-Current Assets	—	2	—
<b>Total</b>	<b>—</b>	<b>2</b>	<b>—</b>
Extraordinary Losses			
Loss from Elimination of Non-Current Assets	5	30	547.1%
<b>Total</b>	<b>5</b>	<b>30</b>	<b>547.1%</b>

(Non-Consolidated)

Extraordinary Losses			
Loss from Elimination of Non-Current Assets	5	29	538.3%
<b>Total</b>	<b>5</b>	<b>29</b>	<b>538.3%</b>

Figures rounded down to millions of yen.

# Results by Consolidated Segment

(Millions of yen)

	Revenue			Segment Income (Operating Income)		
	1Q FY2016	1Q FY2017	YoY	1Q FY2016	1Q FY2017	YoY
Broadcasting	18,003	19,050	105.8%	1,926	3,558	184.7%
Telemarketing	2,631	1,628	61.9%	53	-94	—
Total	20,635	20,679	100.2%	1,980	3,463	174.9%
Adjusted*	-886	-813	—	—	-9	—
Consolidated	19,748	19,866	100.6%	1,980	3,454	174.5%

\*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, 2017		As of June 30, 2017		Compared to End of Previous Period	
	Results	Share	Results	Share	Difference	Compared to End of Previous Period
Current Assets	57,747	70.9%	55,518	66.7%	-2,228	96.1%
Non-Current Assets	23,714	29.1%	27,738	33.3%	4,023	117.0%
Current Liabilities	29,947	36.8%	30,293	36.4%	345	101.2%
Non-Current Liabilities	1,782	2.2%	2,910	3.5%	1,127	163.2%
Capital Stock	5,000	6.1%	5,000	6.0%	—	100.0%
Capital Surplus	2,738	3.4%	2,738	3.3%	—	100.0%
Retained Earnings	44,540	54.7%	44,850	53.9%	309	100.7%
Treasury Shares	-3,081	-3.8%	-3,081	-3.7%	—	—
Shareholders' Equity	49,197	60.4%	49,507	59.5%	309	100.6%
Accumulated Other Comprehensive Income	533	0.7%	545	0.7%	12	102.3%
Net Assets	49,731	61.0%	50,053	60.1%	322	100.6%
Total Assets	81,461	100.0%	83,257	100.0%	1,795	102.2%

Figures rounded down to millions of yen.

# Balance Sheets (Non-Consolidated)

(Millions of yen)

	As of March 31, 2017		As of June 30, 2017		Compared to End of Previous Period	
	Results	Share	Results	Share	Difference	Compared to End of Previous Period
Current Assets	53,180	70.8%	49,710	65.8%	-3,469	93.5%
Non-Current Assets	21,957	29.2%	25,810	34.2%	3,853	117.5%
Current Liabilities	29,450	39.2%	29,103	38.5%	-347	98.8%
Non-Current Liabilities	1,780	2.4%	2,074	2.7%	293	116.5%
Capital Stock	5,000	6.7%	5,000	6.6%	—	100.0%
Capital Surplus	2,738	3.6%	2,738	3.6%	—	100.0%
Retained Earnings	38,551	51.3%	38,980	51.6%	429	101.1%
Treasury Shares	-3,081	-4.1%	-3,081	-4.1%	—	—
Shareholders' Equity	43,208	57.5%	43,637	57.8%	429	101.0%
Valuation and Translation	697	0.9%	706	0.9%	9	101.3%
Net Assets	43,905	58.4%	44,344	58.7%	438	101.0%
Total Assets	75,137	100.0%	75,521	100.0%	384	100.5%

Figures rounded down to millions of yen.



## 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.

WOWOW INC.



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