

W O W O W

Summary of 1Q FY2018 Earnings

July 31, 2018
WOWOW INC.



- 1 1Q FY2018 Earnings (April-June)
- 2 FY2018 Results Forecasts
- 3 Supplementary Materials

1Q FY2018 Earnings Highlights

Net new subscriptions increased by 4,000. Revenue increased, income decreased.

New Subscription

- The performance on the final tour of Namie Amuro in Fukuoka, the live performance of *Tohoshinki* at Nissan Stadium, the French Open Tennis Championship with the comeback of Kei Nishikori and Renzoku Drama-W: Double Fantasy and other programs contributed to new subscriptions.

(Thousands)

	1Q FY2017	1Q FY2018	Difference	YoY
Gross New Subscriptions	104	152	48	146.4%
Cancellations	124	148	23	118.7%
Net New Subscriptions	-21	4	25	—

Income & Expenditure (Consolidated)

- Revenue increased year-on-year due to higher external revenue by consolidated subsidiaries.
- Ordinary income decreased year-on-year due in part to investment in major content.

(Millions of yen)

	1Q FY2017	1Q FY2018	Difference	YoY
Revenue	19,866	20,056	189	101.0%
Operating Income	3,454	2,281	-1,173	66.0%
Ordinary Income	3,649	2,387	-1,261	65.4%

Figures rounded down to millions of yen.

1Q FY2018 Subscription

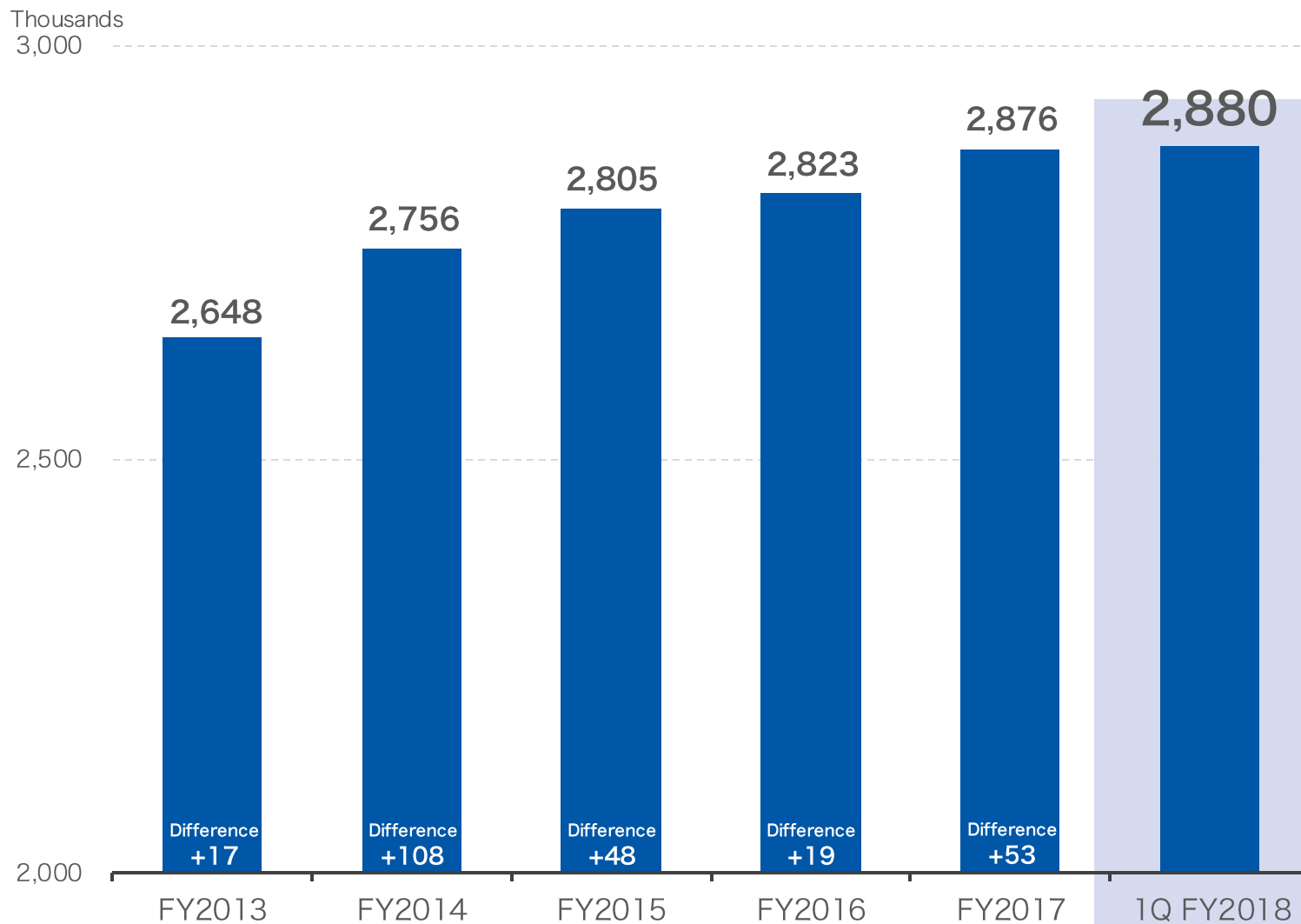
(Thousands)

	1Q FY2017	1Q FY2018	Previous Period Comparison	
			Difference	YoY
Gross New Subscriptions	104	152	48	146.4%
Cancellations	124	148	23	118.7%
Net New Subscriptions	-21	4	25	—
Net Cumulative Subscriptions	2,802	2,880	78	102.8%
Of these, multi-subscriptions*1	420	416	-4	99.1%
Of these, hotel subscriptions*2	13	61	48	476.5%

*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



1Q FY2018 Income & Expenditure

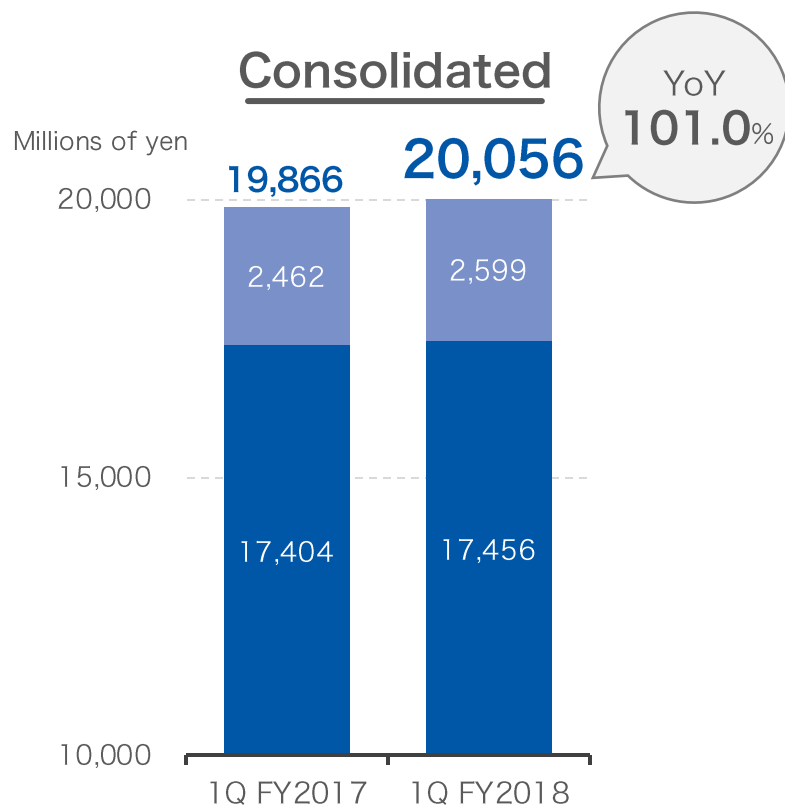
(Millions of yen)

		1Q FY2017		1Q FY2018		Previous Period Comparison	
		Result	Percent of Revenue	Result	Percent of Revenue	Difference	YoY
Consolidated	Revenue	19,866	100.0%	20,056	100.0%	189	101.0%
	Operating Income	3,454	17.4%	2,281	11.4%	-1,173	66.0%
	Ordinary Income	3,649	18.4%	2,387	11.9%	-1,261	65.4%
	Profit Attributable to Owners of Parent	2,469	12.4%	1,621	8.1%	-847	65.7%
Non-Consolidated	Revenue	17,698	100.0%	17,750	100.0%	52	100.3%
	Operating Income	3,493	19.7%	2,166	12.2%	-1,326	62.0%
	Ordinary Income	3,742	21.1%	2,439	13.7%	-1,302	65.2%
	Profit	2,588	14.6%	1,726	9.7%	-862	66.7%

Figures rounded down to millions of yen.

Revenue Compared to Previous Period

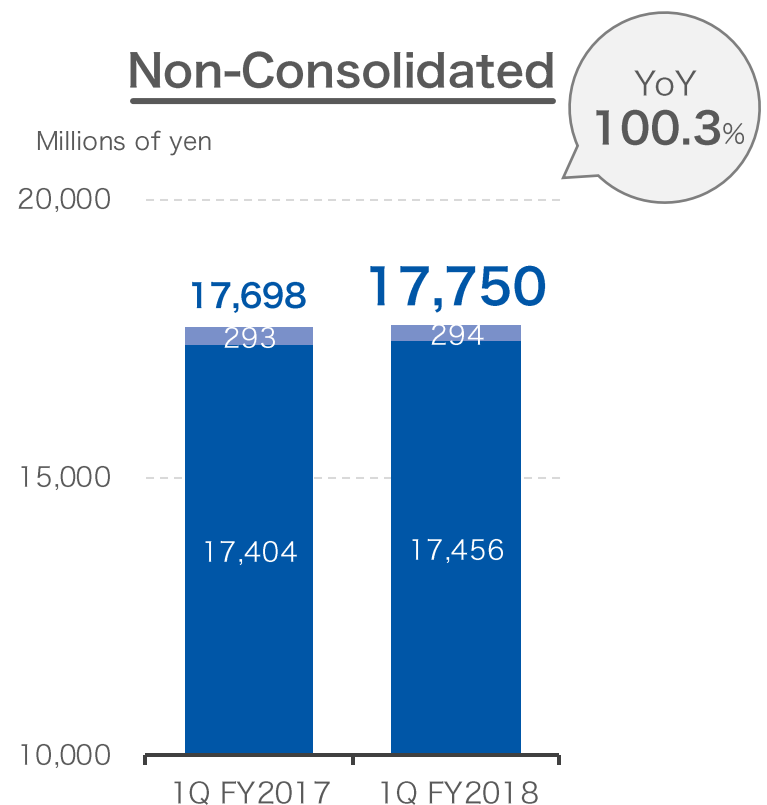
Consolidated



(Millions of yen)

Revenue Item	1Q FY2017	1Q FY2018	Difference
Broadcasting	17,404	17,456	52
Other	2,462	2,599	137
Total	19,866	20,056	189

Non-Consolidated

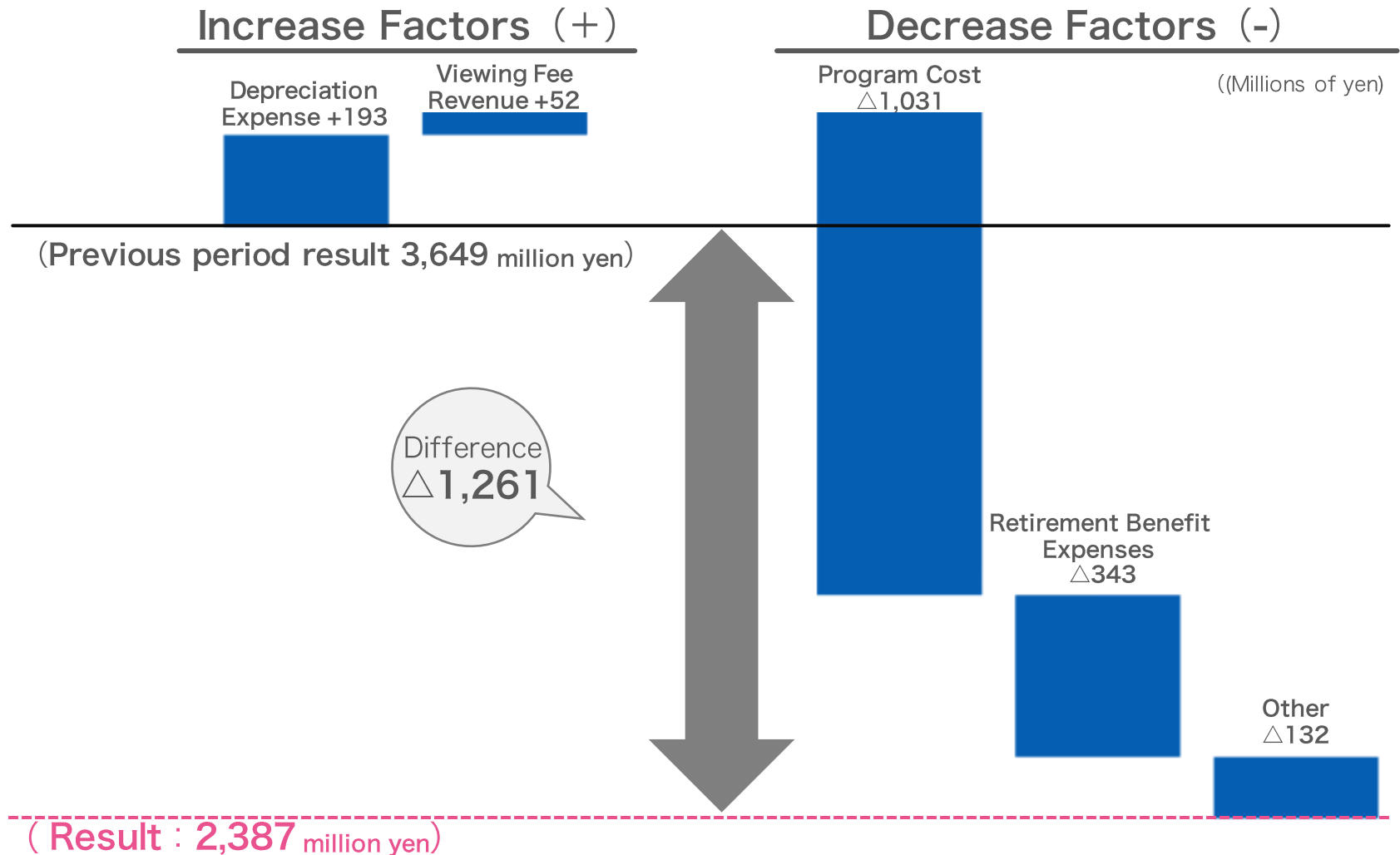


(Millions of yen)

Revenue Item	1Q FY2017	1Q FY2018	Difference
Broadcasting	17,404	17,456	52
Other	293	294	0
Total	17,698	17,750	52

Figures rounded down to millions of yen.

Consolidated Ordinary Income Factors in Difference from Previous Period

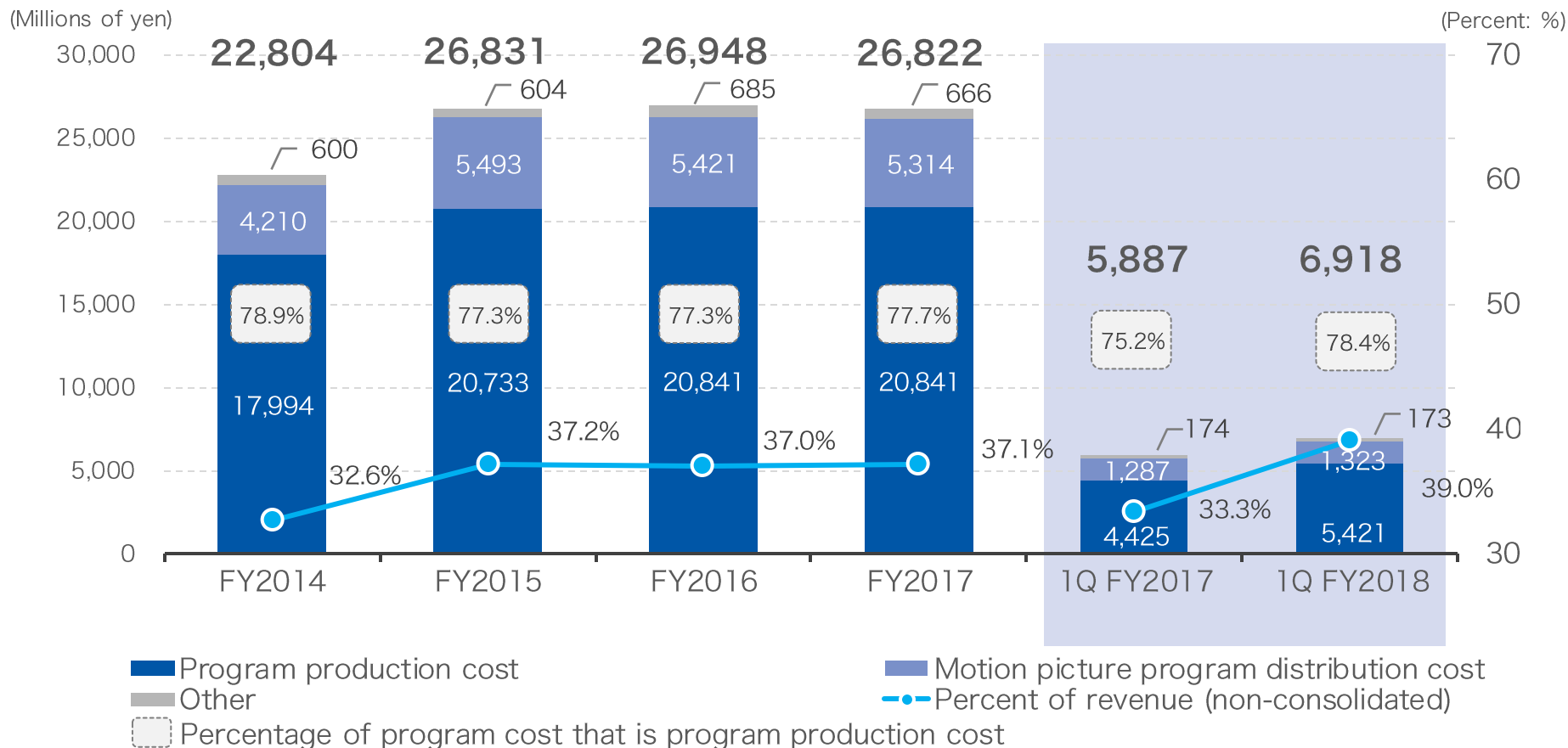


*The figure for each factor is the difference from the same period the previous year, with + representing an increase factor.

Figures rounded down to millions of yen.

Change in Program Cost

Program cost increased year-on-year due in part to investment in major content



***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 FY2017		1Q FY2018		Previous Period Difference	
	Result	Percent of Revenue	Result	Percent of Revenue	Difference	YoY
Revenue	1,628	100.0%	1,955	100.0%	326	120.1%
Operating Income	-94	-5.8%	65	3.4%	160	—
Ordinary Income	-94	-5.8%	65	3.4%	160	—
Profit	-65	-4.0%	44	2.3%	110	—

*WOWOW COMMUNICATIONS non-consolidated figures

■ WOWOW Plus Inc. (Broadcasting)

Revenue	1,277	100.0%	1,286	100.0%	8	100.7%
Operating Income	83	6.5%	54	4.2%	-29	64.8%
Ordinary Income	83	6.5%	54	4.2%	-28	65.1%
Profit	25	2.0%	25	2.0%	0	101.2%

*WOWOW Plus Inc. non-consolidated figures

Figures rounded down to millions of yen.

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FY2018 Subscription Plan(announced May 15, 2018)

(Thousands)

	FY2017	FY2018	Previous Period Comparison	
			Difference	YoY
Gross New Subscriptions	591	600	9	101.6%
Cancellations	537	570	33	106.1%
Net New Subscriptions	53	30	-23	56.4%
Net Cumulative Subscriptions	2,876	2,906	30	101.0%

FY2018 Income & Expenditure Plan (announced May 15, 2018)

(Millions of yen)

		FY2017		FY2018		Previous Period Comparison	
		Result	Percent of Revenue	Plan	Percent of Revenue	Difference	YoY
Consolidated	Revenue	81,574	100.0%	83,300	100.0%	1,725	102.1%
	Operating Income	9,875	12.1%	6,600	7.9%	-3,275	66.8%
	Ordinary Income	10,698	13.1%	7,100	8.5%	-3,598	66.4%
	Profit Attributable to Owners of Parent	7,360	9.0%	5,000	6.0%	-2,360	67.9%

Non-Consolidated	Revenue	72,202	100.0%	73,000	100.0%	797	101.1%
	Operating Income	9,588	13.3%	6,000	8.2%	-3,588	62.6%
	Ordinary Income	10,205	14.1%	6,500	8.9%	-3,705	63.7%
	Profit	7,025	9.7%	4,600	6.3%	-2,425	65.5%

Note: Program costs forecast to be approximately 40.0% of non-consolidated revenue.
Estimated foreign exchange rate: 1 USD = 115 yen

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	Previous Period 1Q (Cumulative)	Previous Period Comparison	
						Difference	YoY
Gross New Subscriptions	32,554	41,910	77,087	151,551	103,550	48,001	146.4%
Cancellations	55,978	44,220	47,542	147,740	124,455	23,285	118.7%
Net New Subscriptions	-23,424	-2,310	29,545	3,811	-20,905	24,716	—
Of these, multi-subscriptions*1	-1,973	-536	980	-1,529	-1,070	-459	—
Of these, hotel subscriptions*2	-64	20	40	-4	573	-577	—
Net Cumulative Subscriptions at End of Period	2,852,978	2,850,668	2,880,213	2,880,213	2,802,280	77,933	102.8%
Of these, multi-subscriptions*1	415,467	414,931	415,911	415,911	419,594	-3,683	99.1%
Of these, hotel subscriptions*2	60,588	60,608	60,648	60,648	12,729	47,919	476.5%

*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 (FY2017) Subscription

(Subscriptions)

	1Q Cumulative	2Q	2Q Cumulative	3Q	3Q Cumulative	4Q	Fiscal Year
Gross New Subscriptions	103,550	138,895	242,445	176,758	419,203	171,446	590,649
Cancellations	124,455	122,129	246,584	137,781	384,365	153,067	537,432
Net New Subscriptions	-20,905	16,766	-4,139	38,977	34,838	18,379	53,217
Of these, multi-subscriptions*1	-1,070	427	-643	-781	-1,424	-1,800	-3,224
Of these, hotel subscriptions*2	573	464	1,037	46,099	47,136	1,360	48,496
Net Cumulative Subscriptions at End of Period	2,802,280	2,819,046	2,819,046	2,858,023	2,858,023	2,876,402	2,876,402
Of these, multi-subscriptions*1	419,594	420,021	420,021	419,240	419,240	417,440	417,440
Of these, hotel subscriptions*2	12,729	13,193	13,193	59,292	59,292	60,652	60,652

*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)

	1Q FY2017		1Q FY2018		
	Results	Percent of Revenue	Results	Percent of Revenue	YoY
I. Revenue	19,866	100.0%	20,056	100.0%	101.0%
Broadcasting	17,404	87.6%	17,456	87.0%	100.3%
Other	2,462	12.4%	2,599	13.0%	105.6%
II. CoGS	10,115	50.9%	11,323	56.5%	111.9%
Gross Profit	9,751	49.1%	8,733	43.5%	89.6%
III. SG&A	6,296	31.7%	6,451	32.2%	102.5%
Operating Income	3,454	17.4%	2,281	11.4%	66.0%
IV. Non-Operating Income	194	1.0%	107	0.5%	55.1%
Interest Income	0	0.0%	0	0.0%	—
Equity in Earnings of Affiliates	92	0.5%	20	0.1%	21.8%
Exchange Rate Profit	66	0.3%	36	0.2%	55.3%
Other	34	0.2%	49	0.2%	142.8%
V. Non-Operating Expenses	0	0.0%	0	0.0%	251.9%
Other	0	0.0%	0	0.0%	251.9%
Ordinary Income	3,649	18.4%	2,387	11.9%	65.4%
VI. Extraordinary Income/Loss	-27	-0.1%	-3	-0.0%	—
Income before Income Tax and Minority Interests	3,621	18.2%	2,384	11.9%	65.8%
Income Taxes (Current and Deferred), etc.	1,152	5.8%	763	3.8%	66.2%
Profit Attributable to Owners of Parent	2,469	12.4%	1,621	8.1%	65.7%

Figures rounded down to millions of yen.

Income & Expenditure (Non-Consolidated)

(Millions of yen)

	1Q FY2017		1Q FY2018		
	Results	Percent of Revenue	Results	Percent of Revenue	YoY
I. Revenue	17,698	100.0%	17,750	100.0%	100.3%
Broadcasting	17,404	98.3%	17,456	98.3%	100.3%
Other	293	1.7%	294	1.7%	100.2%
II. CoGS	8,984	50.8%	10,080	56.8%	112.2%
Gross Profit	8,713	49.2%	7,670	43.2%	88.0%
III. SG&A	5,219	29.5%	5,504	31.0%	105.4%
Operating Income	3,493	19.7%	2,166	12.2%	62.0%
IV. Non-Operating Income	248	1.4%	272	1.5%	109.7%
Interest Income	0	0.0%	0	0.0%	87.2%
Exchange Rate Profit	66	0.4%	37	0.2%	55.4%
Other	181	1.0%	235	1.3%	129.7%
V. Non-Operating Expenses	0	0.0%	0	0.0%	2.9%
Other	0	0.0%	0	0.0%	2.9%
Ordinary Income	3,742	21.1%	2,439	13.7%	65.2%
VI. Extraordinary Income/Loss	-29	-0.2%	-3	-0.0%	—
Income before Income Tax and Minority Interests	3,712	21.0%	2,436	13.7%	65.6%
Income Taxes (Current and Deferred), etc.	1,123	6.4%	709	4.0%	63.2%
Profit	2,588	14.6%	1,726	9.7%	66.7%

Figures rounded down to millions of yen.

Expenditure Breakdown (Non-Consolidated)

(Millions of yen)

1Q FY2017	1Q FY2018	YoY
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(1) CoGS Items

Program Cost	5,887	6,918	117.5%
Moving Picture Program Cost	1,287	1,323	102.9%
Program Production Cost	4,425	5,421	122.5%
Other	174	173	99.4%
Broadcasting Technology Cost	667	680	101.9%
Expenses for Programming Guide	608	634	104.3%
Other	1,820	1,845	101.4%
Total	8,984	10,080	112.2%

(2) SG&A Items

Merchandising Expense	236	209	88.5%
Incentives Paid	43	68	157.2%
Retention Commission Paid	1,240	1,260	101.6%
Credit Collection Agency Fee Paid	371	366	98.8%
Advertisement Expenses	959	1,183	123.4%
Customer Center Expenses	526	527	100.2%
Other	1,841	1,886	102.4%
Total	5,219	5,504	105.4%

(3) Depreciation Expense

Depreciation Expense	686	503	73.3%
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Figures rounded down to millions of yen.

Extraordinary Income/Loss Breakdown

(Millions of yen)

1Q FY2017	1Q FY2018	YoY
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(Consolidated)

Extraordinary Income			
Income from Sale of Non-Current Assets	2	—	—
Total	2	—	—
Extraordinary Losses			
Loss from Elimination of Non-Current Assets	30	3	12.1%
Total	30	3	12.1%

(Non-Consolidated)

Extraordinary Losses			
Loss from Elimination of Non-Current Assets	29	3	12.3%
Total	29	3	12.3%

Figures rounded down to millions of yen.

Results by Consolidated Segment

(Millions of yen)

	Revenue			Segment Income (Operating Income)		
	1Q FY2017	1Q FY2018	YoY	1Q FY2017	1Q FY2018	YoY
Broadcasting	19,050	19,111	100.3%	3,558	2,215	62.2%
Telemarketing	1,628	1,955	120.1%	-94	65	—
Total	20,679	21,067	101.9%	3,463	2,281	65.9%
Adjusted*	-813	-1,011	—	-9	—	—
Consolidated	19,866	20,056	101.0%	3,454	2,281	66.0%

*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, 2018		As of June 30, 2018		Compared to End of Previous Period	
	Results	Share	Results	Share	Difference	Compared to End of Previous Period
Current Assets	56,761	65.2%	53,809	64.2%	-2,952	94.8%
Non-Current Assets	30,321	34.8%	29,973	35.8%	-348	98.9%
Current Liabilities	29,231	33.6%	26,006	31.0%	-3,225	89.0%
Non-Current Liabilities	2,857	3.3%	2,976	3.6%	118	104.2%
Capital Stock	5,000	5.7%	5,000	6.0%	—	100.0%
Capital Surplus	2,738	3.1%	2,738	3.3%	—	100.0%
Retained Earnings	49,741	57.1%	49,203	58.7%	-538	98.9%
Treasury Shares	-3,081	-3.5%	-3,081	-3.7%	—	100.0%
Shareholders' Equity	54,398	62.5%	53,860	64.3%	-538	99.0%
Accumulated Other Comprehensive Income	596	0.7%	939	1.1%	342	157.5%
Net Assets	54,994	63.2%	54,799	65.4%	-195	99.6%
Total Assets	87,083	100.0%	83,782	100.0%	-3,301	96.2%

Figures rounded down to millions of yen.

Balance Sheets (Non-Consolidated)

(Millions of yen)

	As of March 31, 2018		As of June 30, 2018		Compared to End of Previous Period	
	Results	Share	Results	Share	Difference	Compared to End of Previous Period
Current Assets	50,513	64.1%	47,573	62.9%	-2,940	94.2%
Non-Current Assets	28,239	35.9%	28,000	37.1%	-239	99.2%
Current Liabilities	27,895	35.4%	24,747	32.7%	-3,148	88.7%
Non-Current Liabilities	2,056	2.6%	2,194	2.9%	137	106.7%
Capital Stock	5,000	6.3%	5,000	6.6%	—	100.0%
Capital Surplus	2,738	3.5%	2,738	3.6%	—	100.0%
Retained Earnings	43,417	55.1%	42,984	56.9%	-432	99.0%
Treasury Shares	-3,081	-3.9%	-3,081	-4.1%	—	100.0%
Shareholders' Equity	48,073	61.0%	47,640	63.0%	-432	99.1%
Valuation and Translation	726	0.9%	990	1.3%	264	136.4%
Net Assets	48,800	62.0%	48,631	64.4%	-168	99.7%
Total Assets	78,753	100.0%	75,573	100.0%	-3,179	96.0%

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.

