

# WOWOW

## Summary of 2Q FY2017 Earnings

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October 27, 2017  
WOWOW INC.



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

# 2Q FY2017 Earnings Highlights

Revenue and income increased, however net new subscriptions were slightly below the target.

## New Subscription

- The French Open, Wimbledon, the boxer Naoya Inoue's U.S. debut fight and other sports programs as well as drama series such as *Plage* (starring Gen Hoshino) and *Akira to Akira* ("Akira and Akira") contributed to new subscription.
- However, factors such as Kei Nishikori withdrawing from all of his matches in and after August brought net new subscriptions slightly below the target.

(Thousands)

	2Q FY2016	2Q FY2017	Difference	YoY
Gross New Subscriptions	313	242	-70	77.5%
Cancellations	276	247	-29	89.4%
Net New Subscriptions	37	-4	-41	—

## Income & Expenditure (Consolidated)

- Revenue increased year-on-year due to factors such as WOWOW PLUS INC. (formerly IMAGICA TV Corp.\*) becoming a subsidiary.
- Ordinary income increased year-on-year due to the absence of spending on major programs.

(Millions of yen)

	2Q FY2016	2Q FY2017	Difference	YoY
Revenue	39,240	40,204	963	102.5%
Operating Income	5,173	5,824	651	112.6%
Ordinary Income	5,529	6,211	681	112.3%

\*IMAGICA TV Corp. changed its name to WOWOW PLUS INC. as of October 1, 2017.

Figures rounded down to millions of yen.

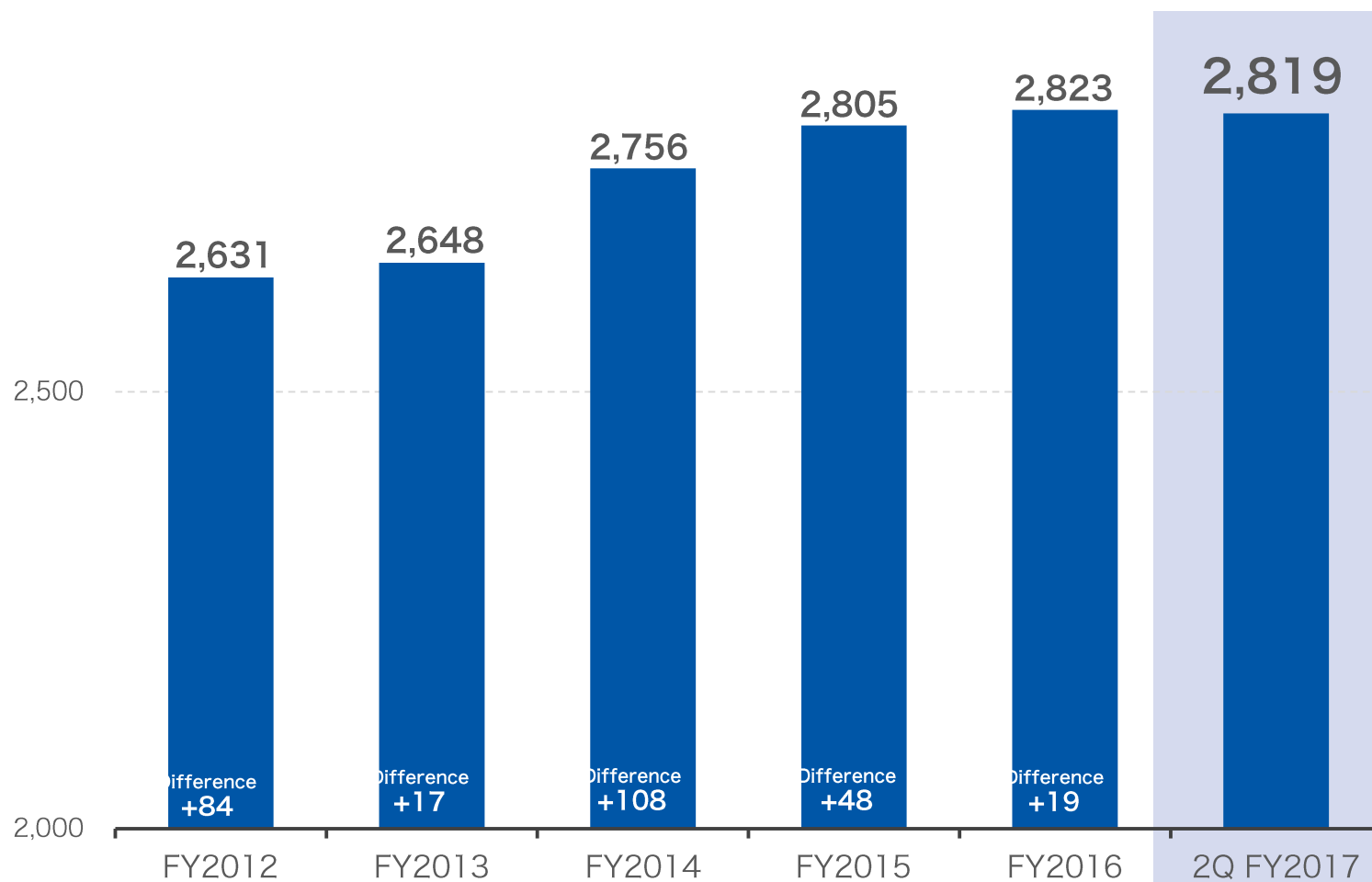
## 2Q FY2017 Subscription

(Thousands)

	2Q FY2016	2Q FY2017	Previous Period Comparison	
			Difference	YoY
Gross New Subscriptions	313	242	-70	77.5%
Cancellations	276	247	-29	89.4%
Net New Subscriptions	37	-4	-41	—
Net Cumulative Subscriptions	2,842	2,819	-22	99.2%

# Change in Net Cumulative Subscriptions

Thousands  
3,000



# 2Q FY2017 Income & Expenditure

(Millions of yen)

		2Q FY2016		2Q FY2017		Previous Period Comparison	
		Result	Percent of Revenue	Result	Percent of Revenue	Difference	YoY
Consolidated	Revenue	39,240	100.0%	40,204	100.0%	963	102.5%
	Operating Income	5,173	13.2%	5,824	14.5%	651	112.6%
	Ordinary Income	5,529	14.1%	6,211	15.4%	681	112.3%
	Profit Attributable to Owners of Parent	3,827	9.8%	4,285	10.7%	457	112.0%

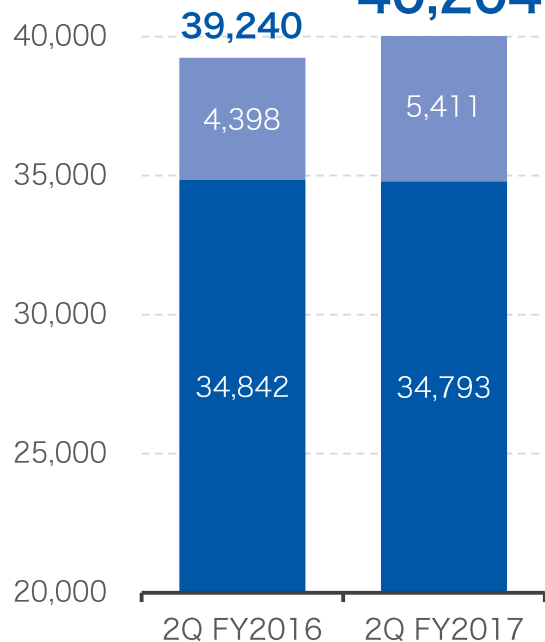
Non-Consolidated	Revenue	36,163	100.0%	35,579	100.0%	-584	98.4%
	Operating Income	5,210	14.4%	5,632	15.8%	421	108.1%
	Ordinary Income	5,598	15.5%	5,939	16.7%	340	106.1%
	Profit	3,862	10.7%	4,100	11.5%	237	106.2%

Figures rounded down to millions of yen.

# Revenue Compared to Previous Period

## Consolidated

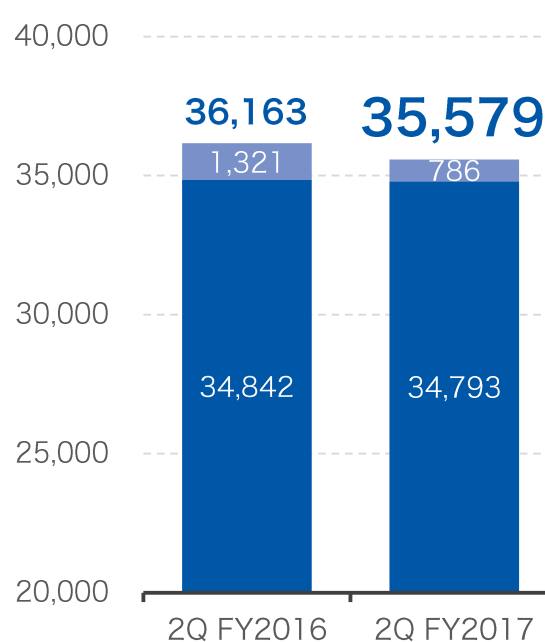
Millions of yen



YoY  
**102.5%**

## Non-Consolidated

Millions of yen



YoY  
**98.4%**

(Millions of yen)

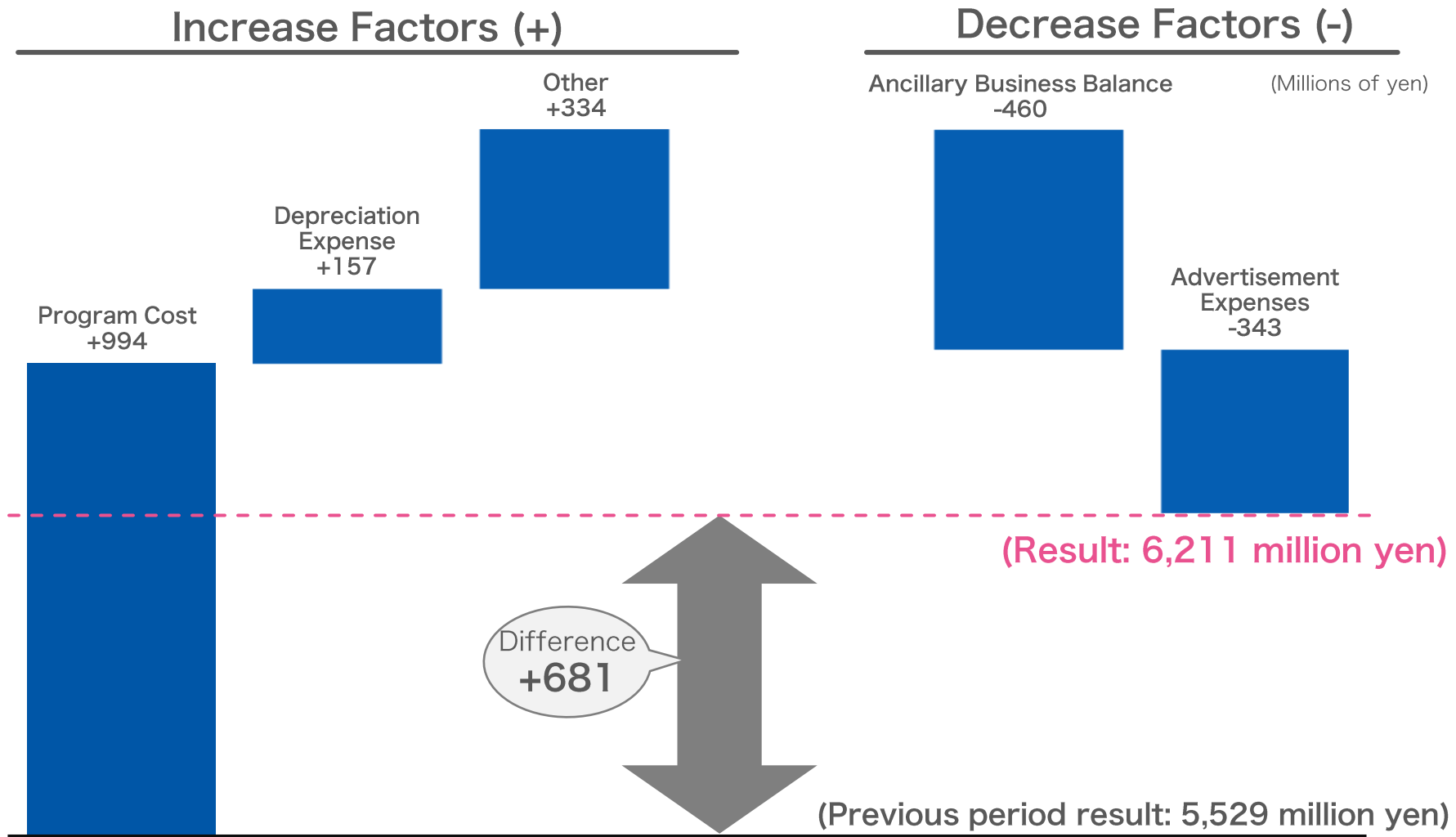
Revenue Item	2Q FY2016	2Q FY2017	Difference
Broadcasting	34,842	34,793	-49
Other	4,398	5,411	1,013
<b>Total</b>	<b>39,240</b>	<b>40,204</b>	<b>963</b>

(Millions of yen)

2Q FY2016	2Q FY2017	Difference
34,842	34,793	-49
1,321	786	-534
<b>36,163</b>	<b>35,579</b>	<b>-584</b>

Figures rounded down to millions of yen.

# Consolidated Ordinary Income Factors in Difference from Previous Period



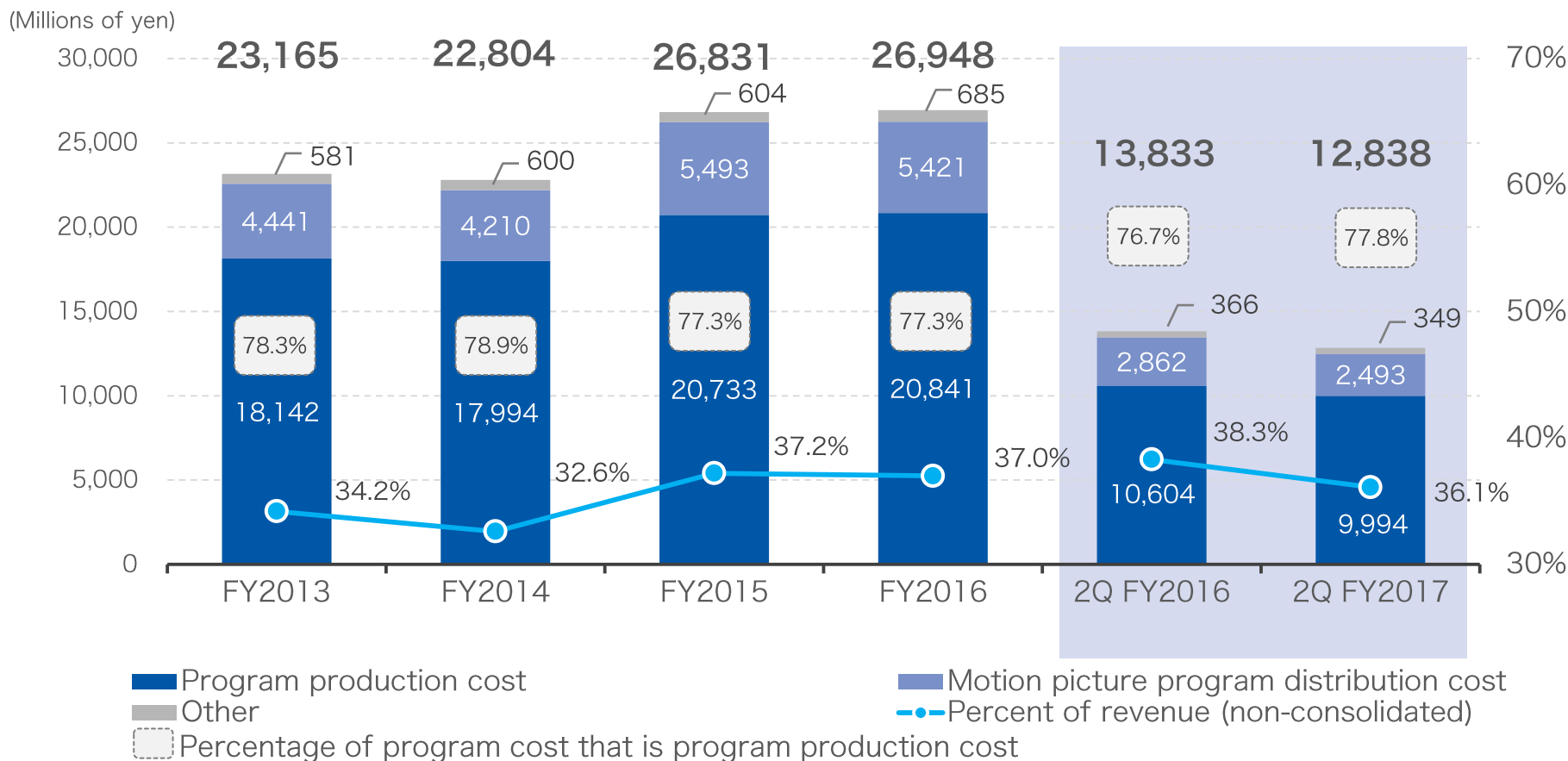
\*The figure for each factor is the difference from the same period the previous year, with + representing an increase factor.

Figures rounded down to millions of yen.



# Change in Program Cost

In 2Q 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)

	2Q FY2016		2Q FY2017		Previous Period Difference	
	Result	Percent of Revenue	Result	Percent of Revenue	Difference	YoY
Revenue	4,587	100.0%	3,580	100.0%	-1,006	78.1%
Operating Income	-126	-2.8%	36	1.0%	163	—
Ordinary Income	-125	-2.7%	36	1.0%	162	—
Profit	-82	-1.8%	24	0.7%	106	—

\*WOWOW COMMUNICATIONS non-consolidated figures

## ■IMAGICA TV Corp. (Broadcasting)

Revenue	—	—	2,560	100.0%	—	—
Operating Income	—	—	143	5.6%	—	—
Ordinary Income	—	—	142	5.6%	—	—
Profit	—	—	70	2.7%	—	—

\*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)

		1Q	July	August	September	2Q	2Q Cumulative
Gross New Subscriptions		103,550	46,623	43,007	49,265	138,895	242,445
Cancellations		124,455	38,807	39,598	43,724	122,129	246,584
Net New Subscriptions		-20,905	7,816	3,409	5,541	16,766	-4,139
	Of these, multi-subscriptions*	-1,070	86	-237	578	427	-643
Net Cumulative Subscriptions at End of Period		2,802,280	2,810,096	2,813,505	2,819,046	2,819,046	2,819,046
	Of these, multi-subscriptions*	419,594	419,680	419,443	420,021	420,021	420,021

\*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)

	2Q FY2016		2Q FY2017		
	Results	Percent of Revenue	Results	Percent of Revenue	YoY
I. Revenue	39,240	100.0%	40,204	100.0%	102.5%
Broadcasting	34,842	88.8%	34,793	86.5%	99.9%
Other	4,398	11.2%	5,411	13.5%	123.0%
II. CoGS	21,426	54.6%	21,448	53.3%	100.1%
Gross Profit	17,814	45.4%	18,755	46.7%	105.3%
III. SG&A	12,641	32.2%	12,931	32.2%	102.3%
Operating Income	5,173	13.2%	5,824	14.5%	112.6%
IV. Non-Operating Income	356	0.9%	386	1.0%	108.5%
Interest Income	6	0.0%	9	0.0%	157.6%
Equity in Earnings of Affiliates	171	0.4%	230	0.6%	134.5%
Exchange Rate Profit	141	0.4%	105	0.3%	74.9%
Other	37	0.1%	40	0.1%	108.3%
V. Non-Operating Expenses	0	0.0%	0	0.0%	711.8%
Other	0	0.0%	0	0.0%	711.8%
Ordinary Income	5,529	14.1%	6,211	15.4%	112.3%
VI. Extraordinary Income/Loss	-24	-0.1%	-27	-0.1%	—
Income before Income Tax and Minority Interests	5,505	14.0%	6,183	15.4%	112.3%
Income Taxes (Current and Deferred), etc.	1,677	4.3%	1,898	4.7%	113.1%
Profit Attributable to Owners of Parent	3,827	9.8%	4,285	10.7%	112.0%

Figures rounded down to millions of yen.

# Income & Expenditure (Non-Consolidated)

(Millions of yen)

	2Q FY2016		2Q FY2017		
	Results	Percent of Revenue	Results	Percent of Revenue	YoY
I. Revenue	36,163	100.0%	35,579	100.0%	98.4%
Broadcasting	34,842	96.3%	34,793	97.8%	99.9%
Other	1,321	3.7%	786	2.2%	59.5%
II. CoGS	20,202	55.9%	19,095	53.7%	94.5%
Gross Profit	15,961	44.1%	16,484	46.3%	103.3%
III. SG&A	10,750	29.7%	10,852	30.5%	100.9%
Operating Income	5,210	14.4%	5,632	15.8%	108.1%
IV. Non-Operating Income	387	1.1%	306	0.9%	79.2%
Interest Income	6	0.0%	10	0.0%	169.2%
Exchange Rate Profit	140	0.4%	106	0.3%	75.4%
Other	240	0.7%	190	0.5%	79.1%
V. Non-Operating Expenses	0	0.0%	0	0.0%	711.8%
Other	0	0.0%	0	0.0%	711.8%
Ordinary Income	5,598	15.5%	5,939	16.7%	106.1%
VI. Extraordinary Income/Loss	-15	-0.0%	-29	-0.1%	—
Income before Income Tax and Minority Interests	5,582	15.4%	5,909	16.6%	105.8%
Income Taxes (Current and Deferred), etc.	1,720	4.8%	1,808	5.1%	105.1%
Profit	3,862	10.7%	4,100	11.5%	106.2%

Figures rounded down to millions of yen.

# Expenditure Breakdown (Non-Consolidated)

(Millions of yen)

	2Q FY2016	2Q FY2017	YoY
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## (1) CoGS Items

Program Cost	13,833	12,838	92.8%
Moving Picture Program Cost	2,862	2,493	87.1%
Program Production Cost	10,604	9,994	94.3%
Other	366	349	95.4%
Broadcasting Technology Cost	1,363	1,371	100.6%
Expenses for Programming Guide	1,224	1,215	99.3%
Other	3,781	3,670	97.1%
<b>Total</b>	<b>20,202</b>	<b>19,095</b>	<b>94.5%</b>

## (2) SG&A Items

Merchandising Expense	617	479	77.6%
Incentives Paid	146	121	82.6%
Retention Commission Paid	2,457	2,488	101.2%
Credit Collection Agency Fee Paid	749	737	98.4%
Advertisement Expenses	1,858	2,293	123.4%
Customer Center Expenses	1,192	1,036	86.9%
Other	3,727	3,696	99.2%
<b>Total</b>	<b>10,750</b>	<b>10,852</b>	<b>100.9%</b>

## (3) Depreciation Expense

Depreciation Expense	1,427	1,268	88.9%
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Figures rounded down to millions of yen.

# Extraordinary Income/Loss Breakdown

(Millions of yen)

2Q FY2016	2Q 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	24	30	124.2%
<b>Total</b>	<b>24</b>	<b>30</b>	<b>124.2%</b>

(Non-Consolidated)

Extraordinary Losses			
Loss from Elimination of Non-Current Assets	15	29	197.9%
<b>Total</b>	<b>15</b>	<b>29</b>	<b>197.9%</b>

Figures rounded down to millions of yen.

# Results by Consolidated Segment

(Millions of yen)

	Revenue			Segment Income (Operating Income)		
	2Q FY2016	2Q FY2017	YoY	2Q FY2016	2Q FY2017	YoY
Broadcasting	36,419	38,328	105.2%	5,299	5,821	109.8%
Telemarketing	4,587	3,580	78.1%	-126	36	—
Total	41,006	41,908	102.2%	5,173	5,858	113.2%
Adjusted*	-1,765	-1,704	—	—	-33	—
Consolidated	39,240	40,204	102.5%	5,173	5,824	112.6%

\*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 September 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%	55,671	66.8%	-2,075	96.4%
Non-Current Assets	23,714	29.1%	27,631	33.2%	3,916	116.5%
Current Liabilities	29,947	36.8%	28,403	34.1%	-1,544	94.8%
Non-Current Liabilities	1,782	2.2%	2,880	3.5%	1,098	161.6%
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%	46,666	56.0%	2,126	104.8%
Treasury Shares	-3,081	-3.8%	-3,081	-3.7%	-0	—
Shareholders' Equity	49,197	60.4%	51,323	61.6%	2,126	104.3%
Accumulated Other Comprehensive Income	533	0.7%	693	0.8%	160	130.1%
Net Assets	49,731	61.0%	52,017	62.4%	2,286	104.6%
Total Assets	81,461	100.0%	83,302	100.0%	1,840	102.3%

Figures rounded down to millions of yen.

# Balance Sheets (Non-Consolidated)

(Millions of yen)

	As of March 31, 2017		As of September 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%	49,585	65.9%	-3,594	93.2%
Non-Current Assets	21,957	29.2%	25,651	34.1%	3,694	116.8%
Current Liabilities	29,450	39.2%	27,177	36.1%	-2,272	92.3%
Non-Current Liabilities	1,780	2.4%	2,071	2.8%	290	116.3%
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%	40,492	53.8%	1,941	105.0%
Treasury Shares	-3,081	-4.1%	-3,081	-4.1%	-0	—
Shareholders' Equity	43,208	57.5%	45,149	60.0%	1,940	104.5%
Valuation and Translation	697	0.9%	837	1.1%	140	120.1%
Net Assets	43,905	58.4%	45,986	61.1%	2,081	104.7%
Total Assets	75,137	100.0%	75,236	100.0%	99	100.1%

Figures rounded down to millions of yen.

# Consolidated Statements of Cash Flows

(Millions of yen)

	2Q FY2016	2Q FY2017	YoY	FY2016
<b>I. Cash Flows from Operating Activities</b>				
Income before Income Tax and Minority Interests	5,505	6,183	678	9,761
Depreciation Expenses, Reserves and Retirement Benefits	1,640	1,684	44	3,543
Increase (Decrease) in Accounts Receivable ('-' signifies increase)	23	-73	-97	-454
Increase (Decrease) in Inventory ('-' signifies increase)	-6,140	-12	6,127	-9,853
Increase (Decrease) in Accounts Payable ('-' signifies decrease)	6,569	-2,843	-9,413	13,209
Other	-1,704	-226	1,478	-1,082
Subtotal	5,893	4,712	-1,181	15,124
Payment of Income Taxes, etc.	-1,427	-1,405	21	-2,921
<b>Cash Flows from Operating Activities</b>	<b>4,466</b>	<b>3,306</b>	<b>-1,159</b>	<b>12,202</b>
<b>II. Cash Flows from Investing Activities</b>				
Income/Expenditure due to Increase (Decrease) in Time Deposit ('-' signifies increase)	-4	—	4	337
Income/Expenditure due to Increase (Decrease) in Property, Plant and Equipment ('-' signifies increase)	-344	-353	-8	-1,314
Income/Expenditure due to Increase (Decrease) in Intangible Assets ('-' signifies increase)	-405	-357	47	-757
Income/Expenditure due to Acquisition of Subsidiary Shares ('-' signifies increase)	—	-4,174	-4,174	-795
Other	-55	55	111	-13
<b>Cash Flows from Investing Activities</b>	<b>-809</b>	<b>-4,829</b>	<b>-4,019</b>	<b>-2,543</b>
<b>III. Cash Flows from Financing Activities</b>				
Payment of Dividends	-1,889	-2,159	-269	-1,889
Expenditure to Purchase Treasury Shares	—	-0	-0	-0
Other	-63	-102	-39	-130
<b>Cash Flows from Financing Activities</b>	<b>-1,953</b>	<b>-2,262</b>	<b>-309</b>	<b>-2,020</b>
<b>IV. Effect of Exchange Rate Change on Cash and Cash Equivalents</b>	<b>-10</b>	<b>0</b>	<b>10</b>	<b>-8</b>
<b>V. Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>1,693</b>	<b>-3,784</b>	<b>-5,478</b>	<b>7,630</b>
<b>VI. Cash and Cash Equivalents at Beginning of Period</b>	<b>16,526</b>	<b>24,157</b>	<b>7,630</b>	<b>16,526</b>
<b>VII. Cash and Cash Equivalents at End of Period</b>	<b>18,219</b>	<b>20,372</b>	<b>2,152</b>	<b>24,157</b>

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.



Inquiries concerning this document:  
(Mass media) Public Relations Department TEL: 03 (4330) 8080 /  
(IR) Investor Relations, Finance & Accounting Department TEL: 03 (4330) 8089