

## FY2019 2Q Earnings Announcement

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### Event Summary

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Date : October 31, 2019 15:30-16:30

Venue : Akasaka Park Building 21F, 5-2-20 Akasaka, Minato-ku, Tokyo 107-6121

Speakers : Akira Tanaka President

Noriaki Kuromizu Vice President

Junichi Onoue Board Director

### Presentation

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**Moderator:** Well, it's about time to begin. So, let's start the financial results briefing of WOWOW INC. for the second quarter of fiscal year 2019. Thank you all for taking time out of your busy schedule to be here today.

Please note that the entire text of today's briefing and question-and-answer session will be distributed through external organizations and posted on our website.

First of all, let us introduce to you our representatives joining the session today from left to right. Akira Tanaka, President and Representative Director of our company; Noriaki Kuromizu, Executive Vice President; and Junichi Onoue, Executive Officer and General Manager of Investor Relations, Finance, and Accounting.

Now, President Tanaka will report the financial results highlights for the second quarter of fiscal 2019.

## 2019年度第2四半期決算 ハイライト

正味加入件数は21千件の純減だが、収支は増収増益に

### 加入

- 井上尚弥選手のボクシング世界タイトルマッチやテニス、サザンオールスターズ40周年ライブ、連続ドラマW「ミラー・ツインズ Season2」などが新規加入を牽引
- 昨年9月、大坂なおみ選手の「全米オープンテニス」優勝により、10万件を超える新規加入があったため、前年同期と比べ新規加入件数は減少

(単位：千件)

|        | 2018年度2Q | 2019年度2Q | 前年同期差 | 前年同期比  |
|--------|----------|----------|-------|--------|
| 新規加入件数 | 347      | 282      | △65   | 81.3%  |
| 解約件数   | 290      | 303      | 13    | 104.5% |
| 正味加入件数 | 57       | △21      | △78   | —      |

### 収支(連結)

- 売上高は前年同期と比べ視聴料収入が増加したこと等により、増収
- 経常利益は増収要因等により、前年同期と比べ増益に

(単位：百万円)

|      | 2018年度2Q | 2019年度2Q | 前年同期差 | 前年同期比  |
|------|----------|----------|-------|--------|
| 売上高  | 40,684   | 41,070   | 386   | 100.9% |
| 営業利益 | 4,155    | 4,589    | 433   | 110.4% |
| 経常利益 | 4,454    | 4,955    | 500   | 111.2% |

それぞれ、百万円未満は切り捨てております。

**Tanaka:** Thank you very much for coming here in spite of your busy schedule. I am Tanaka. I will give you a brief overview of the financial results in the form of highlights. After that, Mr. Onoue, our General Manager of Investor Relations, Finance, and Accounting, will provide you with more information.

Please see the handout given to you or the slide shown on the screen in front of you. First, look at the number of subscribers. The total number of new subscribers in the second quarter was 282,000, and the number of customers who cancelled their subscriptions was 303,000, resulting in a net decrease of 21,000 in the total number of subscriptions.

As can be seen from the handout, there are several major factors that prompted the new subscriptions, including the boxing matches featuring Naoya Inoue. In addition, you can see that the year-to-year difference in the number of new subscribers is quite large. This difference was caused by the US Open Tennis Championships in September of last year, in which Naomi Osaka seized the impressive victory. Because of this dramatic event, we gained over 100,000 new subscribers last year which we didn't have this year.

Now, let's move on to the revenue and expenses and the consolidated financial results. We posted a sales growth of 386 million yen compared with the same period of the previous fiscal year due to several factors, including an increase in revenue from viewing fees. This

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quarter's ordinary income increased by 500 million yen due to factors that promoted an increase in sales. The first half of the fiscal year resulted in an increase in sales and profits. Next, Mr. Onoue, who is in charge of Investor Relations, Finance, and Accounting, will explain the numbers in detail.

**Onoue:** Let me go over the details of the status of revenue and expenditures of our consolidated companies on page nine of the handout.

## 2019年度第2四半期 加入状況

(単位：千件)

|             | 2018年度2Q | 2019年度2Q | 前年同期比較 |        |
|-------------|----------|----------|--------|--------|
|             |          |          | 前年同期差  | 前年同期比  |
| 新規加入件数      | 347      | 282      | △65    | 81.3%  |
| 解約件数        | 290      | 303      | 13     | 104.5% |
| 正味加入件数      | 57       | △21      | △78    | —      |
| 累計正味加入件数    | 2,934    | 2,881    | △53    | 98.2%  |
| 内) 複数契約*1   | 418      | 413      | △5     | 98.8%  |
| 内) 宿泊施設契約*2 | 62       | 68       | 6      | 110.4% |

\*1 同一契約者による2契約目と3契約目のデジタル契約に割引制度を適用（月額2,300円の視聴料金を900円に割引。金額は税抜き）

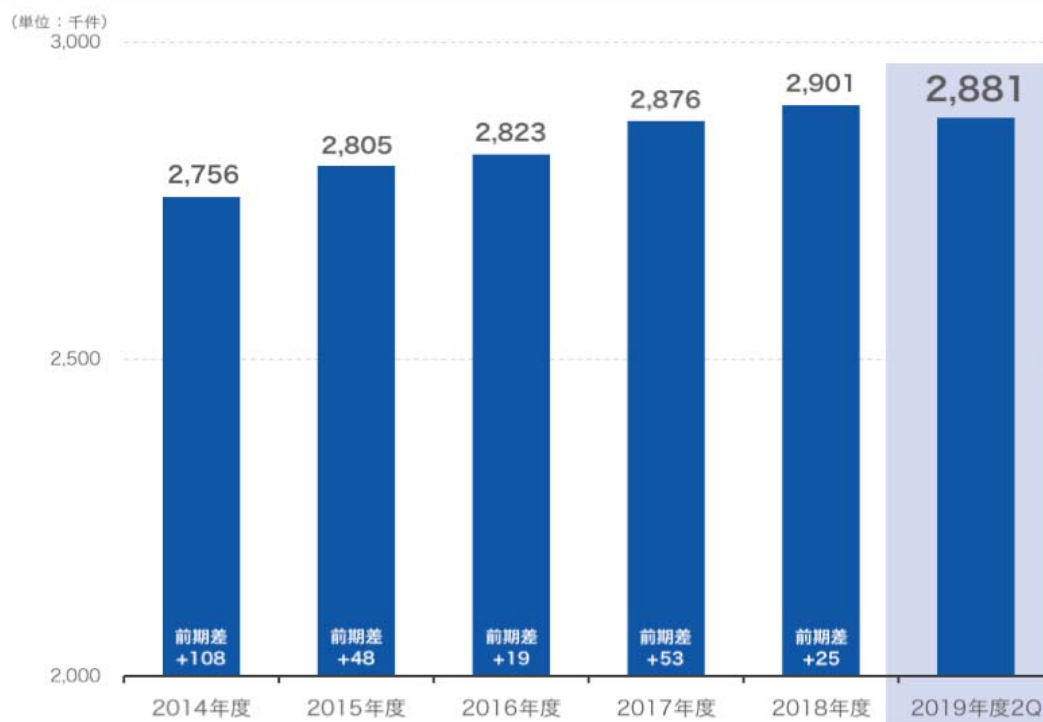
\*2 宿泊施設の客室で視聴するための宿泊施設事業者との個別契約

First, let's look at the subscription status. The number of new subscribers in this second quarter was 282,000, which was a year-on-year drop of 65,000. Sports content, such as boxing and tennis, has helped gain new subscriptions, but the number of new subscribers was significantly smaller than the same period of the previous year.

As President Tanaka explained earlier, this difference resulted from the fact that in the last year we gained over 100,000 subscribers in September alone, prompted by Naomi Osaka's victory in the US Open Tennis Championships.

The number of cancellations in this quarter was 303,000, which was an increase of 13,000 from the same period of the previous year. As a result, the net number of subscribers dropped by 21,000, and the total number of subscribers decreased by 78,000 compared to the same period of the previous year. The cumulative total number of subscribers in this quarter is 2.881 million, down 53,000 from the same period of the previous fiscal year.

## 累計正味加入件数の推移



This slide shows the changes in the cumulative total number of subscribers since FY2014. Including the fiscal years not shown on this slide, our subscribers increased continuously for 13 consecutive periods from FY2006 to FY2018.

## 2019年度第2四半期 収支状況

(単位：百万円)

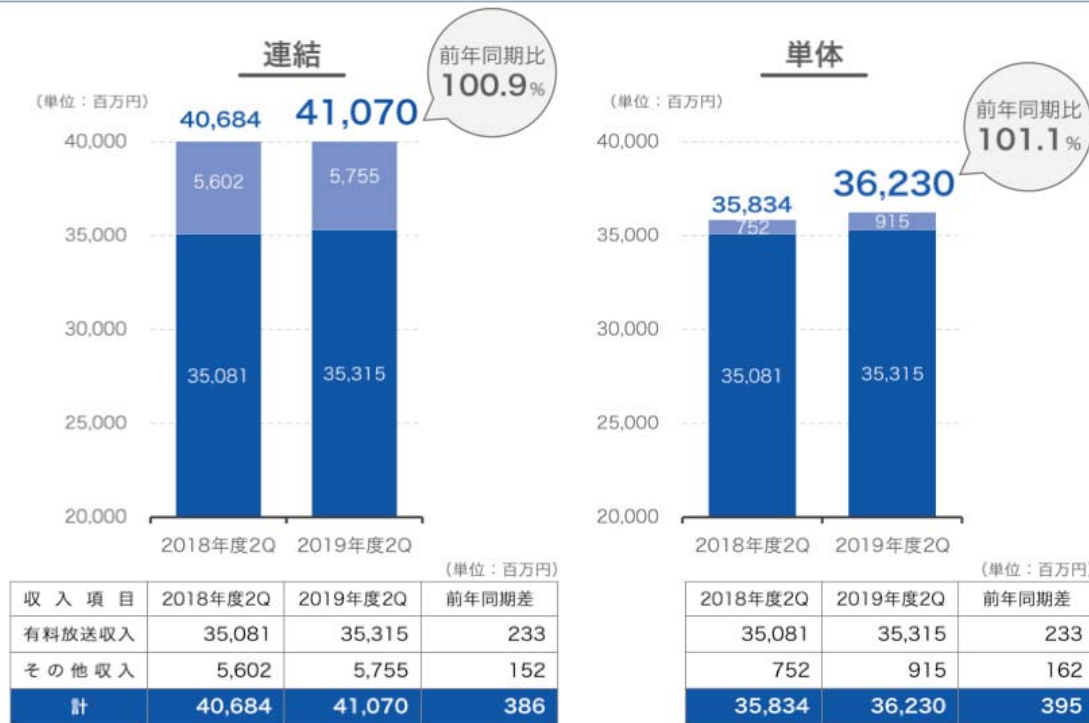
|     |                           | 2018年度2Q |        | 2019年度2Q |        | 前年同期比較 |        |
|-----|---------------------------|----------|--------|----------|--------|--------|--------|
|     |                           | 実 績      | 収入比    | 実 績      | 収入比    | 前年同期差  | 前年同期比  |
| 連 結 | 売 上 高                     | 40,684   | 100.0% | 41,070   | 100.0% | 386    | 100.9% |
|     | 営 業 利 益                   | 4,155    | 10.2%  | 4,589    | 11.2%  | 433    | 110.4% |
|     | 経 常 利 益                   | 4,454    | 10.9%  | 4,955    | 12.1%  | 500    | 111.2% |
|     | 親会社株主に帰属する<br>四 半 期 純 利 益 | 3,064    | 7.5%   | 3,460    | 8.4%   | 395    | 112.9% |

|     |             |        |        |        |        |     |        |
|-----|-------------|--------|--------|--------|--------|-----|--------|
| 単 体 | 売 上 高       | 35,834 | 100.0% | 36,230 | 100.0% | 395 | 101.1% |
|     | 営 業 利 益     | 3,869  | 10.8%  | 4,289  | 11.8%  | 419 | 110.8% |
|     | 経 常 利 益     | 4,319  | 12.1%  | 4,790  | 13.2%  | 470 | 110.9% |
|     | 四 半 期 純 利 益 | 3,016  | 8.4%   | 3,373  | 9.3%   | 356 | 111.8% |

それぞれ、百万円未満は切り捨てております。

Now, let's move on to the status of revenue and expenditures. Please look at the upper half of the table, showing the state of consolidated revenues and expenditures. This quarter's net sales were 41.070 billion yen, up 386 million yen from the same period of the previous fiscal year. Ordinary income of this quarter was 4.955 billion yen, which was a year-on-year increase of 500 million. We will go over these differences in sales and ordinary income next.

## 売上高 前年同期対比



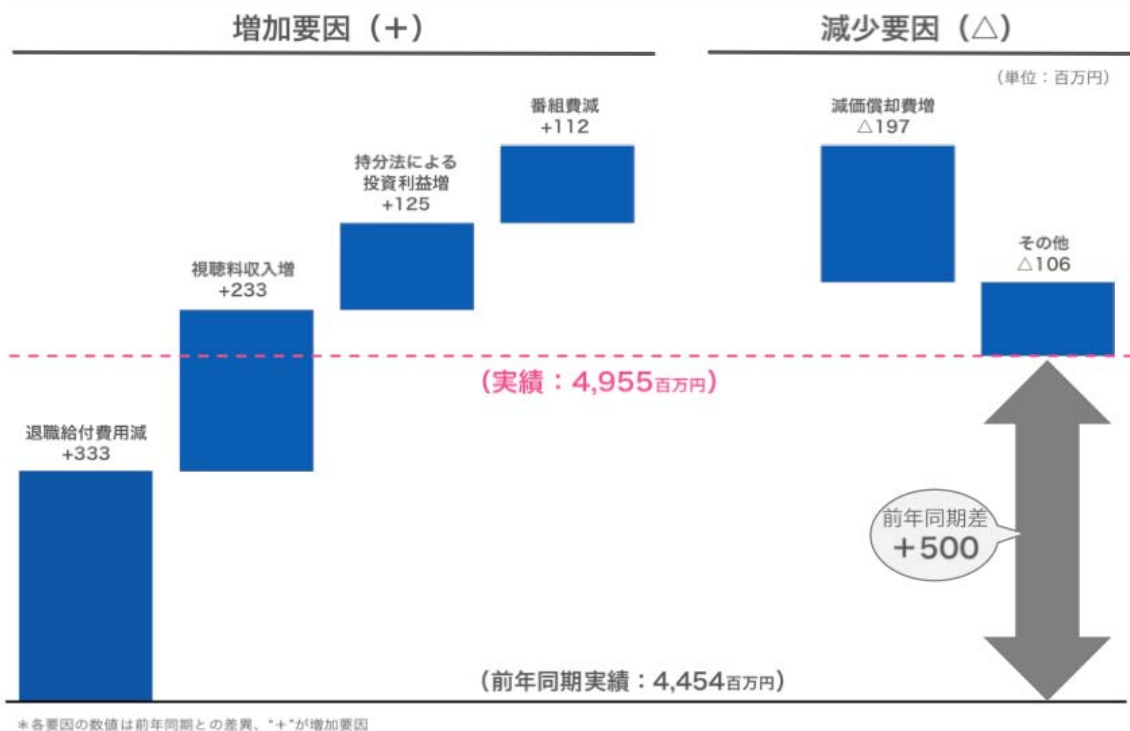
それぞれ、百万円未満は切り捨てております。

First, let's look at the difference in sales. I will go over the consolidated sales figures shown on the left chart. This quarter's sales increased by 386 million yen from the same period of the previous fiscal year. As for the sales breakdown, the dark blue areas in the lower parts of the bars stand for the revenues from viewing fees and pay television services. This revenue increased by 233 million yen in this quarter because the cumulative total number of subscribers was generally larger than the same period of the previous fiscal year.

Then, look at the lower item of the chart. On the bar graph, it's the light blue parts of the bars. The figures stand for other income, which includes non-consolidated revenues from WOWOW's secondary businesses including those from events and our subsidiaries' non-group sales. Such other income increased by 152 million yen, mainly due to an increase in the revenues from events, etc., from the previous year.



## 連結経常利益 前年同期との差異要因



Now, let me go over what brought the difference in the consolidated ordinary income. The left half of the graph shows factors that brought an increase in profits. The right half shows factors that brought a decrease in profits. I'll first talk about the major factors that brought an increase. The first such factor is retirement benefit expenses, which decreased by 333 million yen. In the same period of the previous year, one-off expenses were recorded because the method for calculating the severance benefits was changed from the simplified method to the principle method in the last year. The increase in profit was brought about because such one-off expenses were not recorded in this quarter.

As for the increase in viewing fee revenue, we have explained the factors earlier.

The return on investments resulted from the equity method of accounting also increased by 125 million yen. This was due to an increase in the profits of B-SAT or Broadcasting Satellite System Corporation.

Program-related expenses also decreased by 112 million yen. We will explain this on the next page.

The right half of the chart shows main factors that contributed to the profit decline. The first such factor is depreciation expense that increased by 197 million yen in this quarter. This is for the partial rebuilding of our broadcasting center in Tatsumi currently underway



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in preparation for the launch of BS4K broadcasting scheduled to begin in December of next year. The increase in depreciation costs was mainly due to this rebuilding work. In addition, the loss of profits increased by about 106 million yen. The factors for this loss include the increase in building management costs associated with the rebuilding of the broadcasting center mentioned earlier.

## 番組費の推移

番組費はタイトル差等により、前年同期と比べ減少



※有料放送番組費：オリジナルドラマ、映画（ハリウッドメジャー以外）、スポーツ、音楽など  
映画番組配給費：ハリウッドメジャーの映画 その他番組費：データ放送など

※数値はすべて単体  
それぞれ、百万円未満は切り捨てております。

Let's move on to the difference in program-related expenses, which decreased by 112 million yen from the same period of the previous fiscal year. The main part of the program-related expenses is shown by the dark blue areas of the bars in the graph, which we call the expenses for pay television programs other than the ones by Hollywood's major studios. We had large-scale music live programs, including the one by Namie Amuro in the same period of the last year but didn't have any programs of the same scale in this quarter, resulting in the reduction of 53 million yen in the program-related expenses.

The light blue areas in the middle of the bars stand for movie program distribution expenses that we pay for production studios. Specifically, these are the fees we pay to major studios in Hollywood for their movies, which increased by about 15 million yen mainly because of the difference in program titles distributed.

The top parts of the bars, which are very narrow and hard to see, show the expenses for data broadcasting, etc., which decreased by 74 million yen from the previous year.

## 主要な連結決算会社の収支状況

### ■WOWOWコミュニケーションズ（テレマーケティング）

（単位：百万円）

|        | 2018年度2Q |        | 2019年度2Q |        | 前年同期比較 |        |
|--------|----------|--------|----------|--------|--------|--------|
|        | 実績       | 収入比    | 実績       | 収入比    | 前年同期差  | 前年同期比  |
| 売上高    | 4,262    | 100.0% | 4,409    | 100.0% | 147    | 103.5% |
| 営業利益   | 152      | 3.6%   | 123      | 2.8%   | △29    | 80.7%  |
| 経常利益   | 152      | 3.6%   | 125      | 2.8%   | △27    | 82.0%  |
| 四半期純利益 | 93       | 2.2%   | 83       | 1.9%   | △9     | 89.5%  |

\*WOWOWコミュニケーションズ単体の数値です。

### ■WOWOWプラス（放送）

|        |       |        |       |        |    |        |
|--------|-------|--------|-------|--------|----|--------|
| 売上高    | 2,562 | 100.0% | 2,573 | 100.0% | 11 | 100.5% |
| 営業利益   | 97    | 3.8%   | 141   | 5.5%   | 44 | 146.1% |
| 経常利益   | 97    | 3.8%   | 142   | 5.5%   | 45 | 146.4% |
| 四半期純利益 | 77    | 3.0%   | 121   | 4.7%   | 44 | 157.3% |

\*WOWOWプラス単体の数値です。

それぞれ、百万円未満は切り捨てております。

Next, let's look at the revenues and expenditures of our major consolidated subsidiaries. The upper part of the table shows the figures of WOWOW COMMUNICATIONS INC.. The company's main business is telemarketing. Its net sales in this quarter were 4.409 billion yen, and its ordinary income was 125 million yen. The sales increased due to an increase in orders from its existing external customers, but the cost has increased because of the initial and other costs necessitated by the new orders. As a result, this quarter recorded a decline in profits.

The lower table shows the numbers of WOWOW PLUS INC., a company engaging in the operation of basic channels for broadcasting platforms including BS, CS110-degree, and cable televisions. Its sales in this quarter reached 2.573 billion yen, and ordinary income was 142 million yen. The sales are almost the same as the previous year, but the ordinary income has increased by 45 million yen due to factors including a decline in the cost of sales compared to the previous year.

That's all from me.

**Moderator:** Now we're showing you a video summary of the programs we're going to broadcast on the screen in front of you.

**Moderator:** Now, President Tanaka will talk about the earnings outlook for fiscal 2019.

## 徹底的なコンテンツの差別化①

### 🏆 世界最高峰のスポーツをお届け



**渋野日向子出場! LPGA女子ゴルフツアー  
スイング・スカートズLPGA台湾選手権**  
10月31日(木)～11月3日(日・祝)連日生中継  
[第1日無料放送]

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**男子テニス国別対抗戦  
デビスカップ 決勝ラウンド**  
11月18日(月)～25日(月)連日生中継

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### 🎬 オリジナルドラマが続々登場



**連続ドラマW  
引き抜き屋  
～ヘッドハンターの流儀～**  
11月16日(土)スタート(全5話)[第1話無料放送]



**スペインサッカー  
ラ・リーガ&ラ・リーガ2部**  
ラ・リーガ 毎節最大5試合生中継  
ラ・リーガ2部 毎節最大3試合放送&配信

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**ラグビー欧州6カ国対抗戦  
シックス・ネーションズ**  
2020年2月放送予定

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**連続ドラマW  
蝶の力学 殺人分析班**  
11月17日(日)スタート(全6話)  
[第1話無料放送]

**Tanaka:** Let me explain a little about the VTR we've just watched. Please see this video first. Taiwan Swinging Skirts LPGA championship is currently held in Taiwan and introduced in the video. The championship has gone on-air today live on the WOWOW.

This video here is taken by the UniCamera set in close proximity with Hinako Shibuno and has gone on-air on WOWOW Members' On-Demand at 11 am today. We've been following her from the first hall. She has just finished the 15th hall, and it's two under, four strokes behind the top player.

It's very unfortunate that we can only see her nose now in this critical timing. She was playing just now, right? Unfortunately, they can't hear what I am saying here. So, she may appear on video at any moment while I speak. When that happens, please ignore me and focus on her play. Oh, here she comes! WOWOW Members' On-Demand is broadcasting not only global contents but also closely following and broadcasting Miss Shibuno's play. As explained in the narration for the VTR, this tournament features superstar players who won the first-rated golf tournaments across the world. For instance, the lady over there is Hannah Green, an Australian golfer who won the US Women's PGA Championship. The other one is Jeongeun Lee6, who won the US Women's Open this year. This is the kind of thing we've started broadcasting from today.

This event will continue until November 3, Sunday. Another fun point you should look for

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when watching these golf tournaments is that the rankings in the tournaments will partly determine if the players will be able to participate in the Tokyo Olympic Games.



## 徹底的なコンテンツの差別化②

| 🎵 大型音楽ライブやフェスを放送  | 🎭 オリジナルドラマと舞台、初の連動企画   | 🎪 主催イベント   |
|---|--|--|
|  <p><b>吉川晃司</b><br/><b>35th Anniversary Live TOUR FINAL</b><br/>11月2日(土)</p> |  <p>WOWOWオリジナルドラマ<br/><b>ワケあって火星に住みました</b><br/>～エラバreshi4ニン～</p> <p>WOWOWオリジナルドラマと舞台が連動したプロジェクトの制作が決定。オリジナルドラマと舞台の連動企画を手掛けるのは、本プロジェクトが初。</p> <p>■ドラマ<br/>2020年1月放送予定(全6話)<br/>総勢24名のキャストについては随時発表<br/>※舞台共通キャストは発表済み</p> <p>■舞台<br/>【東京】2020年5月16日(土)～5月24日(日)<br/>サンシャイン劇場<br/>【大阪】2020年5月30日(土)、5月31日(日)<br/>サンケイホールブリーゼ<br/>出演：三浦翔平、矢本悠馬、崎山つばさ、須賀健太</p> |  <p><b>ディズニー・ブロードウェイ・ヒッツ</b></p> <p>2020年1月30日(木)、31日(金)<br/>会場：東京国際フォーラム ホールA</p> <p>2019年に日本初上陸をはたした『ディズニー・ブロードウェイ・ヒッツ』が早くも再演決定</p> <p>世界で大注目を集め、最高レベルのクオリティを誇るブロードウェイスター達の圧倒的な歌唱力が堪能できるスペシャルなコンサート</p> |
|  <p><b>気志團万博2019</b><br/>～房総ロックンロール 最高びんぶん物語～<br/>11月16日(土)・17日(日)</p>       |  |  |

Let's move on to the next screen. I would like to introduce a few new initiatives of ours. In the middle, the title says "I Started Living on Mars for Some Reason." This program was not introduced in the VTR, but it is our original program linking the drama and the stage play. The scripts for both TV drama and stage drama segments were written by Mr. Osamu Suzuki, who has produced a number of hit TV shows.

The drama segment will go on-air on WOWOW in January of next year. The drama segment will be played in two theaters in two places in May, in the Sunshine Theatre in Tokyo and the Sankei Hall Breeze in Osaka. This is a new type of project we are pursuing that combines TV broadcasting and stage play.

And then, on the right is Disney Broadway Hits. Some of you may have seen and remembered this event held last year. It was enthusiastically received by the audience. We are rerunning that program. This event will offer a very attractive performance, in which Broadway stars sing and dance to a number of Disney musical songs with their outstanding singing skills. This year, WOWOW will invite the stars once again and present a wonderful opportunity for them to show their great performance and singing skills. The event will be held on January 30 and 31 next year in the Tokyo International Forum.

These are two examples of events WOWOW presents along with broadcasting programs.

## 収益拡大施策の推進

### 10月25日(金)よりスカパー!でWOWOW放送提供開始



#### 《概要》

- 放送開始・販売開始：2019年10月25日(金)
- 視聴料金：2,300円/月(税抜)  
※別途、基本料(390円/月・税抜)が必要となります

#### 《キャンペーン概要》

- 名称：「スカパー! サッカーセット+WOWOW」  
期間限定組み合わせ割引キャンペーン
- 期間：2019年10月25日(金)～2019年12月31日(火)受付分まで
- 適用条件：スカパー! サービスで「スカパー! サッカーセット(2,759円/月・税抜)」と「WOWOW(2,300円/月・税抜)」を両方で契約いただいた方
- 料金：契約翌月から最大3カ月間、2商品あわせて3,635円/月(税抜)

You may have already seen our release, but I'd like to let you know once again that we began offering the WOWOW broadcasting service at the major 110-degree broadcasting services, Sky Perfect! from October 25 of last week.

We have been already offering WOWOW broadcasting services since 2006 in other satellite waves of Sky Perfect!, such as 124-degree and 128-degree CS services. But this is the first time for us to offer our service the main services of Sky Perfect!, 110-degree BS, and CS broadcasting. This allows more than 2.2 million Sky Perfect! customers to subscribe to WOWOW service through customer centers or online on a one-stop basis, making it easier for us to introduce new initiatives.

In addition to that, we work with various content providers for Sky Perfect! and WOWOW, including Golf Networks and J SPORTs, a sports channel. We can work with these providers to develop new products and services that are useful and convenient for our customers.



## 2019年度 加入計画 (2019年5月15日公表値)

(単位：千件)

|          | 2018年度 実績 | 2019年度 計画 | 前期比較 |        |
|----------|-----------|-----------|------|--------|
|          |           |           | 前期差  | 前期比    |
| 新規加入件数   | 660       | 610       | △50  | 92.4%  |
| 解約件数     | 635       | 580       | △55  | 91.3%  |
| 正味加入件数   | 25        | 30        | 5    | 119.6% |
| 累計正味加入件数 | 2,901     | 2,931     | 30   | 101.0% |

Then, for our plans for subscription including the future ones, the numbers we have are the same as the ones we released in May.

## 2019年度 収支計画 (2019年5月15日公表値)

(単位：百万円)

|    |                     | 2018年度 |        | 2019年度 |        | 前期比較 |        |
|----|---------------------|--------|--------|--------|--------|------|--------|
|    |                     | 実績     | 収入比    | 計画     | 収入比    | 前期差  | 前期比    |
| 連結 | 売上高                 | 82,623 | 100.0% | 83,500 | 100.0% | 876  | 101.1% |
|    | 営業利益                | 6,779  | 8.2%   | 7,600  | 9.1%   | 820  | 112.1% |
|    | 経常利益                | 7,531  | 9.1%   | 8,000  | 9.6%   | 468  | 106.2% |
|    | 親会社株主に帰属する<br>当期純利益 | 5,182  | 6.3%   | 5,600  | 6.7%   | 417  | 108.0% |

|    |       |        |        |        |        |     |        |
|----|-------|--------|--------|--------|--------|-----|--------|
| 単体 | 売上高   | 72,951 | 100.0% | 73,400 | 100.0% | 448 | 100.6% |
|    | 営業利益  | 6,237  | 8.6%   | 7,100  | 9.7%   | 862 | 113.8% |
|    | 経常利益  | 7,048  | 9.7%   | 7,600  | 10.4%  | 551 | 107.8% |
|    | 当期純利益 | 4,883  | 6.7%   | 5,400  | 7.4%   | 516 | 110.6% |

(注) 番組費：単体の売上高比として約40%を見込む。  
想定為替レート：1ドル115円

それぞれ、百万円未満は切り捨てております。

|      |       |       |   |        |
|------|-------|-------|---|--------|
| 年間配当 | 80円/株 | 80円/株 | — | 100.0% |
|------|-------|-------|---|--------|

Then, for the performance forecast, we've already made an upward revision in the consolidated performance forecast for Q2 on October 25. The ordinary income rose by approximately 1.7 billion yen compared with the initially announced figure. However, this revision was made because it became certain that the accrual of program-related expenses and other factors will be carried forward in Q3 or afterwards. Therefore, the performance forecast for the current year has not been changed from the original forecast.

That's all from me.

## Question & Answer

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**Moderator:** We'll now move on to the question-and-answer session. If you have any questions, please raise your hand. So, please let me know if you have any questions.

**Questioner A:** Thank you for your briefing. I want to ask you two questions.

The first question is about the number of subscribers in the second-half period. To achieve the stated goal in your plan, I believe that you will probably need to acquire more than 50,000 new subscribers during the period. In the fourth quarter, you have tended to gain more subscribers in years that saw not only weak but also negative growth. So, I think that the third quarter will hold a key in achieving this goal. In order to get a net subscription count, please tell us your programs or points you would like to promote to gain the necessary number of subscribers. This is my first question.

The second question is related to medium-to-long-term plans. I think that 4K, 8K, and other costs will be incurred in the medium-to-long term. What kinds of expenses do you think will be incurred? Could you go over the costs and update on them?

Please kindly answer my two questions.

**Tanaka:** I will answer the first question, and Mr. Onoue will answer the second question.

As you said, the number of subscribers declined by 20,000 in the first-half period, so we are planning to obtain a fairly large number to achieve our goal of adding 30,000 subscribers. Some of the specific programs we have in mind to promote this goal are not yet announced, but to give you some examples, we are planning to promote the Australian Open in January and the Rugby World Cup that has captured the attention of people in Japan. We will be broadcasting the Rugby World Cup in the third season, I think. Rugby will be in the third season. We will also be broadcasting the Six Nations Championship and other rugby events. So, we are planning to offer contents like these that we have been showing every year, plus some content of large-scale music events.

The number 50,000 is not an easy goal to accomplish. We recognize that it will be tough but would like to achieve it by harnessing these contents and combining marketing initiatives and the like with Sky Perfect! with whom we became partners. This is our plan.

Mr. Onoue, please answer the second question

**Onoue:** You want to know what our expenses will be like for 4K broadcasting, right?

**Questioner A:** Yes, I want to know the expenses for mid-term, 4K, and 8K services. Can you go over the figures you already announced and, if possible, update on them?

**Onoue:** We are still in the middle of considering the contents to broadcast and what the entire services will be like, so we can't give you specific figures yet. For now, I'd like to give you some general ideas on your question, including what costs we are expecting.

The most important thing for us is to offer content. For this purpose, we need to give them

in 4K or upconvert them into 4K, which will necessitate the expenses including such production and editing costs.

In addition, relating to the partial reconstruction plan for our broadcasting center, etc., that we talked about when giving you an overview of revenue and expenditures, we are planning to introduce such 4K facilities, etc., as part of the reconstruction project. We have already finished the rebuilding and now are working on the facility introduction. This has increased the costs for managing the building and depreciation that we talked about earlier.

In the future, we will introduce programming and other systems for 4K broadcasting along with transmission facilities. Once introduced and used, depreciation costs will be incurred, which will affect the costs. That's all we can say now.

**Questioner A:** Thank you very much.

**Moderator:** Does anyone else have questions?

**Questioner B:** I remember that you said in the past that you were starting to see great potential of WOWOW Members' On-Demand for young users. I would like to know what your current views are in regard to this point.

Probably relating to it, you saw the video of Ms. Shibuno distributed exclusively to WOWOW Members' On-Demand subscribers. I also want to know your company's content-related policies including the reasons for producing the original contents like Ms. Shibuno's and providing initiatives that incorporate your original contents and broadcasting programs and if you intend to increase this kind of content in the future. I would like to ask for further suggestions and policies regarding such content.

**Tanaka:** I will answer that question. WOWOW Members' On-Demand is not exclusively intended for young people but for all age segments. I believe that you are already familiar with the details of our On-Demand program, but since December of last year, we started operating three channels simultaneously along with broadcasting. In addition to that, we now provide missed-program webcast, catch-up TV services, and an archive of broadcasted programs.

These services enable WOWOW customers to see any program they like in their WOWOW-installed devices anywhere and see any program they missed last week.

Among these initiatives, I will give you some examples of what we have done in the past for young people. We've broadcasted some lives of musicians popular among young people before any other platform based on the approval from the musicians or as appropriate through WOWOW Members' On-Demand, edit the content, and broadcast it a few months after that on a regular WOWOW channel. We hope to continue doing this through consultation with musicians in ways that young people would find convenient and easy to use.

And about your question concerning the young people's response, I would like to introduce one such example. It's called Paravi, a platform used for this kind of simultaneous

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distribution. This is more like a simultaneous program delivery platform rather than a membership-based on-demand service, making Paravi an entry point for customers to subscribe to WOWOW service by simply concluding subscription contracts online with no need for obtaining B-CAS cards.

I can't give you precise figures for the Paravi service, but an overwhelmingly large percentage of the customers coming from there belongs to the young age group. This trend was particularly strongly seen when, for instance, we broadcasted boxing matches featuring Naoya Inoue this May.

Therefore, we can say that video distribution system tends to attract young customers. We will continue to actively promote WOWOW Members' On-Demand.

**Moderator:** Does anybody else have questions?

It seems like nobody else has questions, so we will finish here. President Tanaka, please conclude the session.

**Tanaka:** Thank you for gathering here in spite of your busy schedule. I believe that the hottest topic on television recently is the Rugby World Cup. It is a pity that we are not a broadcaster for this championship but Nippon television network, a commercial broadcaster; NHK, the public broadcaster; and J SPORTS, a pay television broadcaster, have broadcasted the event by fully harnessing their respective strengths in ways that contribute to viewers and society. These efforts by them have culminated and turned the Rugby World Cup into such a hugely popular and successful event.

In other words, the recent surge in the popularity of rugby was brought about by the power of television. It has resulted from the powers of television or broadcasting being fully harnessed. As one of the broadcasters, we are very happy that the value of broadcasting has been fully demonstrated through this event.

WOWOW, as a part of the broadcasting industry, is determined to provide attractive content, like the Rugby World Cup, continuously. I believe that whatever we do, it all comes down to this attitude.

I would like to finish this session now. Thank you for coming today.

**Moderator:** With this, we are concluding the financial results briefing session of WOWOW INC. for the second quarter of fiscal 2019.

In the end, let me add that the book titled, "Who Am I?" based on WOWOW's documentary series on Paralympic Games has been published for the first time. The materials about the documentary series and its behind-the-scenes stories are provided to you in the handouts. We hope that you will enjoy reading it.

Thank you again for attending the financial results briefing session today.

[END]