

WOWOW

Summary of 3Q FY2017 Earnings

January 31, 2018
WOWOW INC.



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

3Q FY2017 Earnings Highlights

Net new subscriptions increased by 35,000 due to increase in the number of hotel subscriptions*1.

New Subscription

- Sport programs such as tennis and boxing as well as drama series such as Plage (starring Gen Hoshino) and Akira to Akira (“Akira and Akira”) contributed to new subscriptions in the first half of the fiscal year. However factors such as Ken Nishikori withdrawing from all of his matches in and after August brought net new subscriptions slightly below the target.
- Music programs such as concert programs of Namie Amuro, V6 and etc. contributed to new subscriptions in and after October. In December, through the partnership with Route Inn Hotels, hotel subscriptions increased significantly.

(Thousands)

*1 Agreements with hotels and other accommodations for viewing in guest rooms.

	3Q FY2016	3Q FY2017	Difference	YoY
Gross New Subscriptions	439	419	-20	95.4%
Cancellations	401	384	-17	95.8%
Net New Subscriptions	38	35	-3	91.0%

Income & Expenditure (Consolidated)

- Revenue increased year-on-year due to factors such as WOWOW PLUS INC. (formerly IMAGICA TV Corp.*2) becoming a subsidiary.

(Millions of yen)

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

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

	3Q FY2016	3Q FY2017	Difference	YoY
Revenue	58,459	60,635	2,176	103.7%
Operating Income	8,858	9,396	538	106.1%
Ordinary Income	8,728	9,912	1,183	113.6%

Figures rounded down to millions of yen.

3Q FY2017 Subscription

(Thousands)

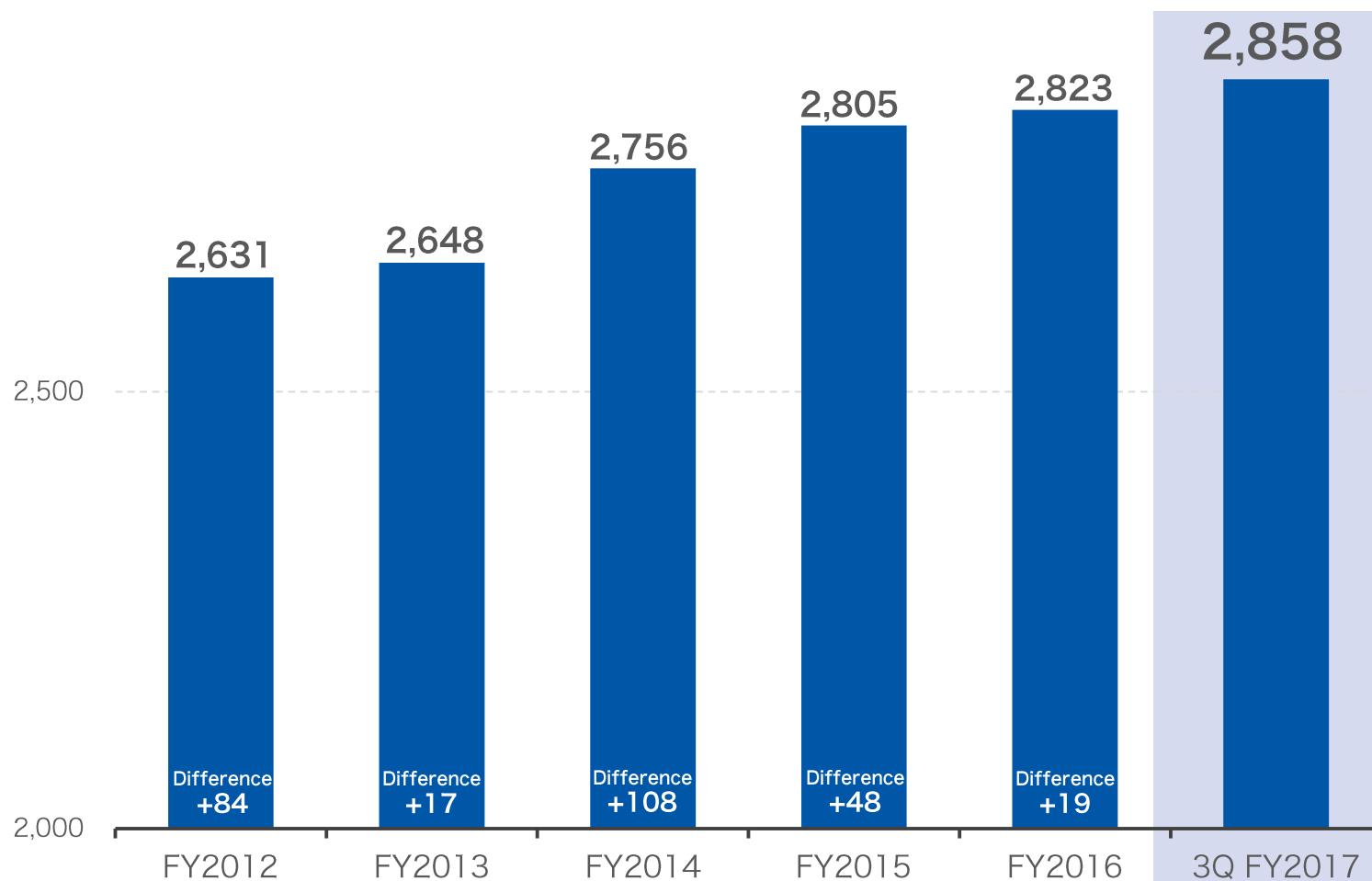
	3Q FY2016	3Q FY2017	Previous Period Comparison	
			Difference	YoY
Gross New Subscriptions	439	419	-20	95.4%
Cancellations	401	384	-17	95.8%
Net New Subscriptions	38	35	-3	91.0%
Net Cumulative Subscriptions	2,843	2,858	15	100.5%
Of these, multi-subscriptions*1	423	419	-3	99.2%
Of these, hotel subscriptions*2	12	59	47	495.7%

*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

Thousands
3,000



3Q FY2017 Income & Expenditure

(Millions of yen)

		3Q FY2016		3Q FY2017		Previous Period Comparison	
		Result	Percent of Revenue	Result	Percent of Revenue	Difference	YoY
Consolidated	Revenue	58,459	100.0%	60,635	100.0%	2,176	103.7%
	Operating Income	8,858	15.2%	9,396	15.5%	538	106.1%
	Ordinary Income	8,728	14.9%	9,912	16.3%	1,183	113.6%
	Profit Attributable to Owners of Parent	6,048	10.3%	6,870	11.3%	821	113.6%

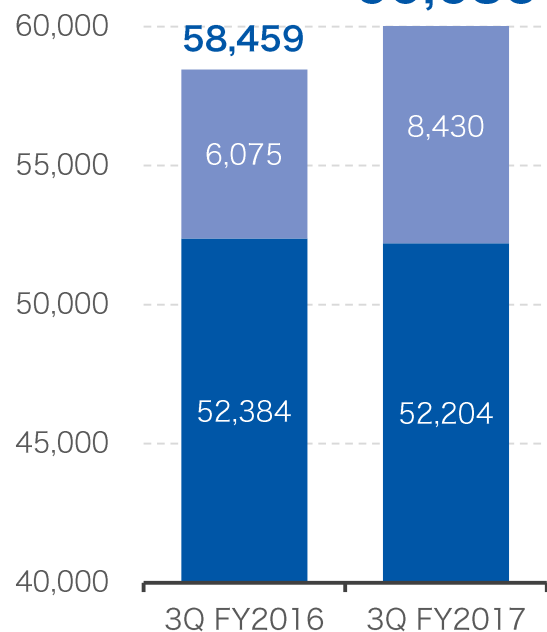
Non-Consolidated	Revenue	54,197	100.0%	53,590	100.0%	-606	98.9%
	Operating Income	8,736	16.1%	9,039	16.9%	303	103.5%
	Ordinary Income	8,600	15.9%	9,397	17.5%	797	109.3%
	Profit	5,928	10.9%	6,486	12.1%	557	109.4%

Figures rounded down to millions of yen.

Revenue Compared to Previous Period

Consolidated

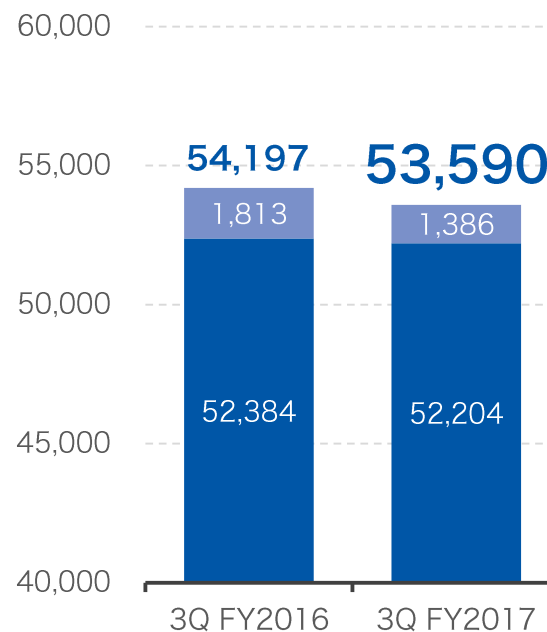
Millions of yen



YoY
103.7%

Non-Consolidated

Millions of yen



YoY
98.9%

(Millions of yen)

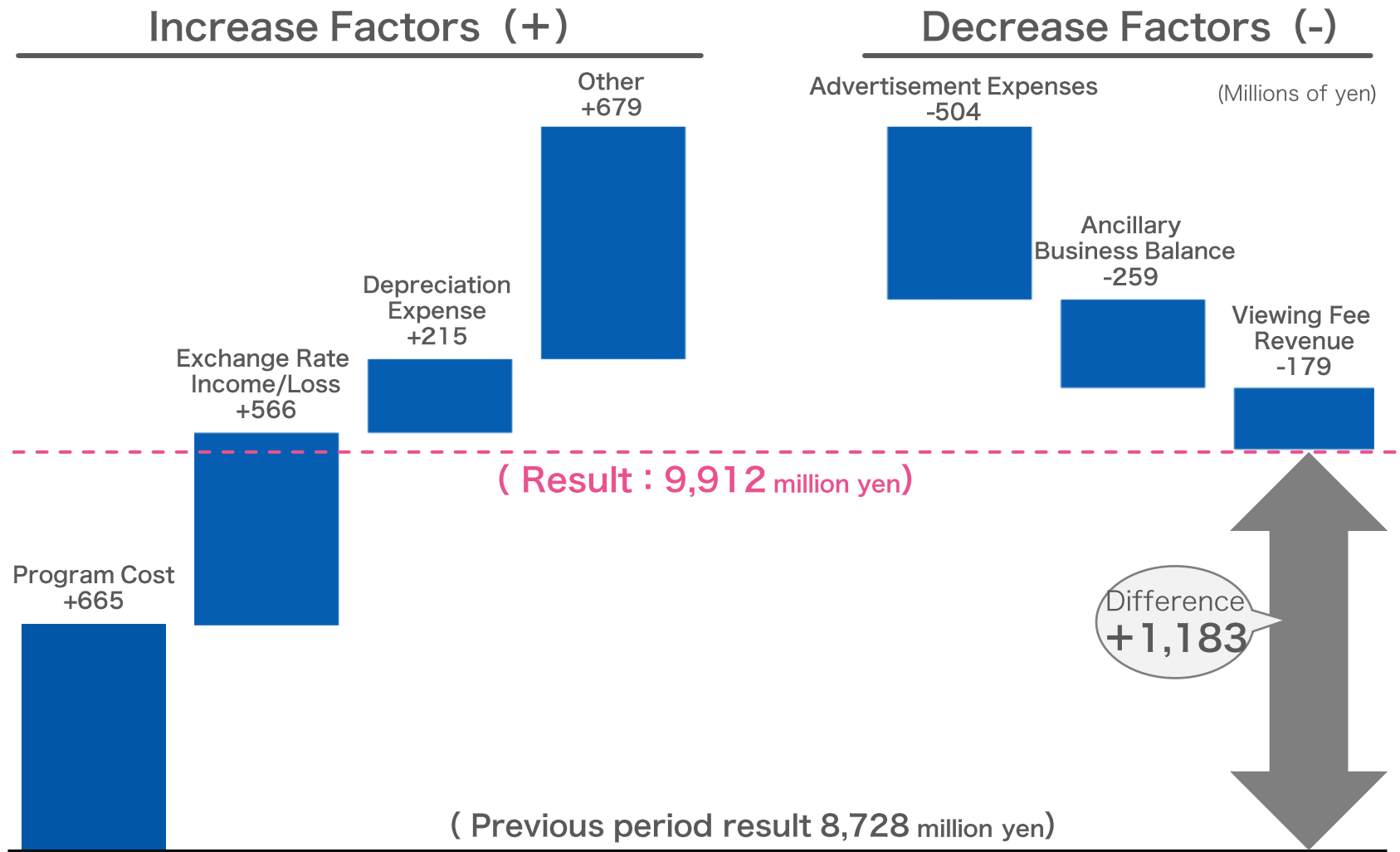
Revenue Item	3Q FY2016	3Q FY2017	Difference
Broadcasting	52,384	52,204	-179
Other	6,075	8,430	2,355
Total	58,459	60,635	2,176

(Millions of yen)

Revenue Item	3Q FY2016	3Q FY2017	Difference
Broadcasting	52,384	52,204	-179
Other	1,813	1,386	-427
Total	54,197	53,590	-606

Figures rounded down to millions of yen.

Consolidated Ordinary Income Factors in Difference from Previous Period

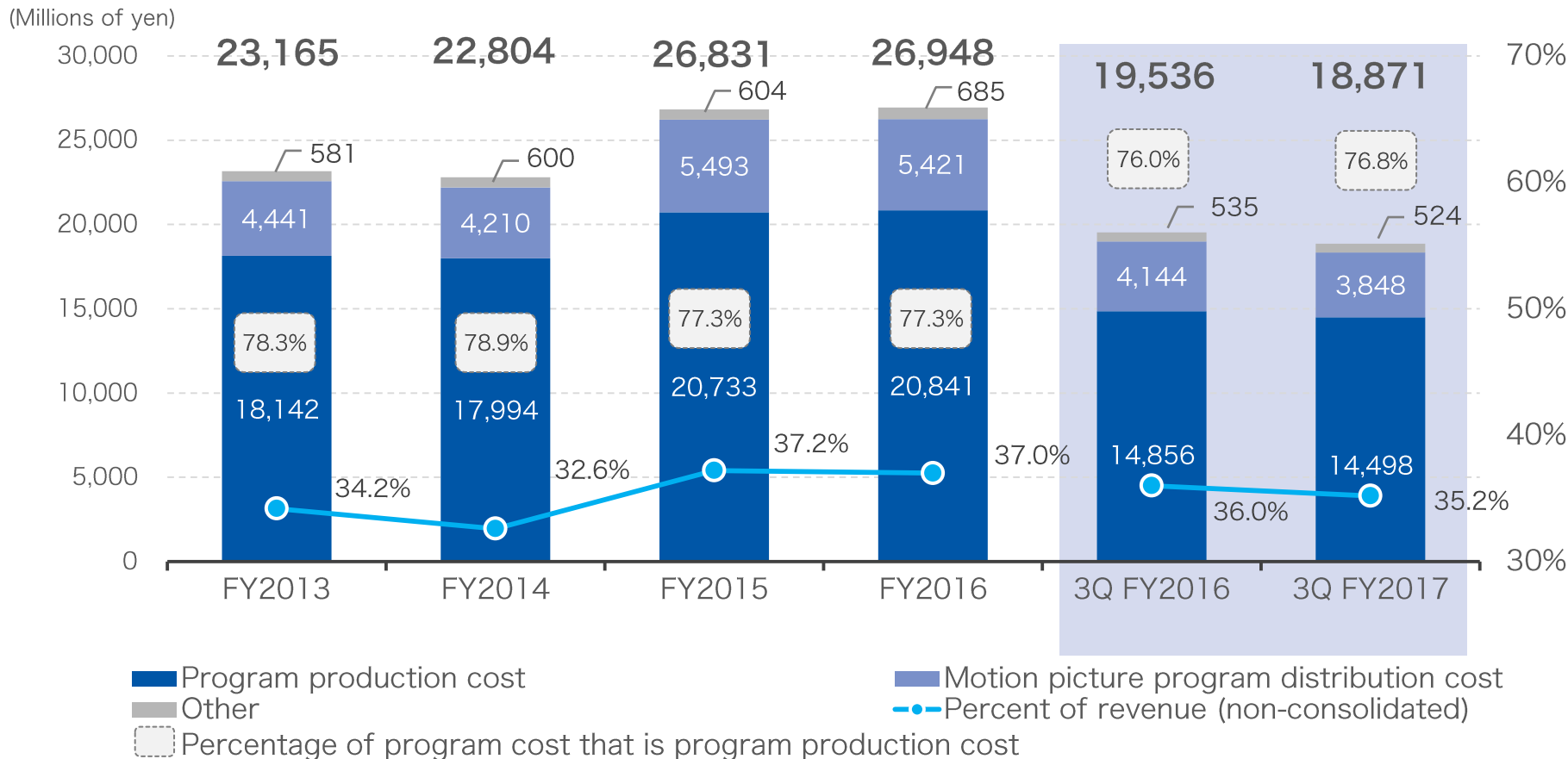


*The figure for each factor is the difference from the same period the previous year, with + representing an increase factor.

Figures rounded down to millions of yen.

Change in Program Cost

In 3Q 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)

	3Q FY2016		3Q FY2017		Previous Period Difference	
	Result	Percent of Revenue	Result	Percent of Revenue	Difference	YoY
Revenue	6,584	100.0%	5,528	100.0%	-1,056	84.0%
Operating Income	-45	-0.7%	143	2.6%	189	—
Ordinary Income	-44	-0.7%	143	2.6%	188	—
Profit	-23	-0.4%	97	1.8%	121	—

*WOWOW COMMUNICATIONS non-consolidated figures

■IMAGICA TV Corp. (Broadcasting)

Revenue	—	—	3,786	100.0%	—	—
Operating Income	—	—	157	4.2%	—	—
Ordinary Income	—	—	157	4.2%	—	—
Profit	—	—	88	2.3%	—	—

*IMAGICA TV Corp. non-consolidated figures

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)

	2Q Cumulative	October	November	December	3Q	3Q Cumulative
Gross New Subscriptions	242,445	48,520	37,814	90,424	176,758	419,203
Cancellations	246,584	51,970	44,863	40,948	137,781	384,365
Net New Subscriptions	-4,139	-3,450	-7,049	49,476	38,977	34,838
Of these, multi-subscriptions*1	-643	-967	-632	818	-781	-1,424
Of these, hotel subscriptions*2	1,037	-388	483	46,004	46,099	47,136
Net Cumulative Subscriptions at End of Period	2,819,046	2,815,596	2,808,547	2,858,023	2,858,023	2,858,023
Of these, multi-subscriptions*1	420,021	419,054	418,422	419,240	419,240	419,240
Of these, hotel subscriptions*2	13,193	12,805	13,288	59,292	59,292	59,292

*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 (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	1,969	1,379	3,348	1,454	4,802	-2,011	2,791
Of these, hotel subscriptions*2	1,354	624	1,978	58	2,036	195	2,231
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*1	419,842	421,221	421,221	422,675	422,675	420,664	420,664
Of these, hotel subscriptions*2	11,279	11,903	11,903	11,961	11,961	12,156	12,156

*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)

	3Q FY2016		3Q FY2017		
	Results	Percent of Revenue	Results	Percent of Revenue	YoY
I. Revenue	58,459	100.0%	60,635	100.0%	103.7%
Broadcasting	52,384	89.6%	52,204	86.1%	99.7%
Other	6,075	10.4%	8,430	13.9%	138.8%
II. CoGS	30,759	52.6%	31,806	52.5%	103.4%
Gross Profit	27,699	47.4%	28,828	47.5%	104.1%
III. SG&A	18,841	32.2%	19,431	32.0%	103.1%
Operating Income	8,858	15.2%	9,396	15.5%	106.1%
IV. Non-Operating Income	301	0.5%	516	0.9%	171.4%
Interest Income	6	0.0%	10	0.0%	161.9%
Equity in Earnings of Affiliates	229	0.4%	310	0.5%	135.6%
Exchange Rate Profit	—	—	135	0.2%	—
Other	65	0.1%	59	0.1%	90.5%
V. Non-Operating Expenses	430	0.7%	0	0.0%	0.2%
Exchange Rate Loss	430	0.7%	—	—	—
Other	0	0.0%	0	0.0%	425.1%
Ordinary Income	8,728	14.9%	9,912	16.3%	113.6%
VI. Extraordinary Income/Loss	-24	-0.0%	-28	-0.0%	—
Income before Income Tax and Minority Interests	8,704	14.9%	9,883	16.3%	113.6%
Income Taxes (Current and Deferred), etc.	2,655	4.5%	3,013	5.0%	113.5%
Profit Attributable to Owners of Parent	6,048	10.3%	6,870	11.3%	113.6%

Figures rounded down to millions of yen.

Income & Expenditure (Non-Consolidated)

(Millions of yen)

	3Q FY2016		3Q FY2017		
	Results	Percent of Revenue	Results	Percent of Revenue	YoY
I. Revenue	54,197	100.0%	53,590	100.0%	98.9%
Broadcasting	52,384	96.7%	52,204	97.4%	99.7%
Other	1,813	3.3%	1,386	2.6%	76.4%
II. CoGS	29,198	53.9%	28,205	52.6%	96.6%
Gross Profit	24,998	46.1%	25,384	47.4%	101.5%
III. SG&A	16,262	30.0%	16,345	30.5%	100.5%
Operating Income	8,736	16.1%	9,039	16.9%	103.5%
IV. Non-Operating Income	294	0.5%	359	0.7%	121.8%
Interest Income	6	0.0%	10	0.0%	173.4%
Exchange Rate Profit	—	—	136	0.3%	—
Other	288	0.5%	212	0.4%	73.5%
V. Non-Operating Expenses	430	0.8%	0	0.0%	0.2%
Exchange Rate Loss	430	0.8%	—	—	—
Other	0	0.0%	0	0.0%	—
Ordinary Income	8,600	15.9%	9,397	17.5%	109.3%
VI. Extraordinary Income/Loss	-15	-0.0%	-30	-0.1%	—
Income before Income Tax and Minority Interests	8,585	15.8%	9,367	17.5%	109.1%
Income Taxes (Current and Deferred), etc.	2,656	4.9%	2,881	5.4%	108.5%
Profit	5,928	10.9%	6,486	12.1%	109.4%

Figures rounded down to millions of yen.

Expenditure Breakdown (Non-Consolidated)

(Millions of yen)

	3Q FY2016	3Q FY2017	YoY
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(1) CoGS Items

Program Cost	19,536	18,871	96.6%
Moving Picture Program Cost	4,144	3,848	92.9%
Program Production Cost	14,856	14,498	97.6%
Other	535	524	97.9%
Broadcasting Technology Cost	2,025	2,044	100.9%
Expenses for Programming Guide	1,847	1,828	98.9%
Other	5,788	5,461	94.4%
Total	29,198	28,205	96.6%

(2) SG&A Items

Merchandising Expense	920	760	82.5%
Incentives Paid	211	189	89.8%
Retention Commission Paid	3,684	3,727	101.2%
Credit Collection Agency Fee Paid	1,122	1,106	98.5%
Advertisement Expenses	2,863	3,544	123.8%
Customer Center Expenses	1,791	1,557	86.9%
Other	5,668	5,460	96.3%
Total	16,262	16,345	100.5%

(3) Depreciation Expense

Depreciation Expense	2,188	1,793	82.0%
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Figures rounded down to millions of yen.

Extraordinary Income/Loss Breakdown

(Millions of yen)

3Q FY2016	3Q FY2017	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	24	31	125.6%
Total	24	31	125.6%

(Non-Consolidated)

Extraordinary Losses			
Loss from Elimination of Non-Current Assets	15	30	200.7%
Total	15	30	200.7%

Figures rounded down to millions of yen.

Results by Consolidated Segment

(Millions of yen)

	Revenue			Segment Income (Operating Income)		
	3Q FY2016	3Q FY2017	YoY	3Q FY2016	3Q FY2017	YoY
Broadcasting	54,593	57,698	105.7%	8,903	9,303	104.5%
Telemarketing	6,584	5,528	84.0%	-45	143	—
Total	61,178	63,226	103.4%	8,858	9,447	106.7%
Adjusted*	-2,719	-2,591	—	—	-50	—
Consolidated	58,459	60,635	103.7%	8,858	9,396	106.1%

*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 December 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%	57,138	66.7%	-608	98.9%
Non-Current Assets	23,714	29.1%	28,462	33.3%	4,747	120.0%
Current Liabilities	29,947	36.8%	27,836	32.5%	-2,111	93.0%
Non-Current Liabilities	1,782	2.2%	2,850	3.3%	1,067	159.9%
Capital Stock	5,000	6.1%	5,000	5.8%	—	100.0%
Capital Surplus	2,738	3.4%	2,738	3.2%	—	100.0%
Retained Earnings	44,540	54.7%	49,251	57.5%	4,710	110.6%
Treasury Shares	-3,081	-3.8%	-3,081	-3.6%	-0	—
Shareholders' Equity	49,197	60.4%	53,908	63.0%	4,710	109.6%
Accumulated Other Comprehensive Income	533	0.7%	1,005	1.2%	471	188.4%
Net Assets	49,731	61.0%	54,913	64.2%	5,182	110.4%
Total Assets	81,461	100.0%	85,600	100.0%	4,138	105.1%

Figures rounded down to millions of yen.

Balance Sheets (Non-Consolidated)

(Millions of yen)

	As of March 31, 2017		As of December 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%	50,749	65.7%	-2,430	95.4%
Non-Current Assets	21,957	29.2%	26,493	34.3%	4,536	120.7%
Current Liabilities	29,450	39.2%	26,494	34.3%	-2,956	90.0%
Non-Current Liabilities	1,780	2.4%	2,069	2.7%	288	116.2%
Capital Stock	5,000	6.7%	5,000	6.5%	—	100.0%
Capital Surplus	2,738	3.6%	2,738	3.5%	—	100.0%
Retained Earnings	38,551	51.3%	42,878	55.5%	4,326	111.2%
Treasury Shares	-3,081	-4.1%	-3,081	-4.0%	-0	—
Shareholders' Equity	43,208	57.5%	47,534	61.5%	4,326	110.0%
Valuation and Translation	697	0.9%	1,144	1.5%	446	164.1%
Net Assets	43,905	58.4%	48,679	63.0%	4,773	110.9%
Total Assets	75,137	100.0%	77,242	100.0%	2,105	102.8%

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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