

# W O W O W

## Summary of 3Q FY2018 Earnings

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January 31, 2019  
WOWOW INC.



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

# 3Q FY2018 Earnings Highlights

Net cumulative subscriptions reached a record 2.901 million. Revenue increased, income decreased.

## New Subscription

- The US Open Tennis Championships, at which Naomi Osaka became the first Japanese to win a Grand Slam, and live music program of Namie Amuro, *Tohoshinki*, and *B'z* first TV broadcast ever, contributed to new subscriptions.

(Thousands)

	3Q FY2017	3Q FY2018	Difference	YoY
Gross New Subscriptions	419	489	70	116.7%
Cancellations	384	465	80	120.9%
Net New Subscriptions	35	25	-10	70.9%

## Income & Expenditure (Consolidated)

- Revenue increased year-on-year due to the increase in net cumulative subscriptions, among other factors.
- Ordinary income decreased year-on-year due in part to investment in major content.

(Millions of yen)

	3Q FY2017	3Q FY2018	Difference	YoY
Revenue	60,635	61,378	743	101.2%
Operating Income	9,396	6,764	-2,632	72.0%
Ordinary Income	9,912	7,315	-2,596	73.8%

Figures rounded down to millions of yen.

# 3Q FY2018 Subscription

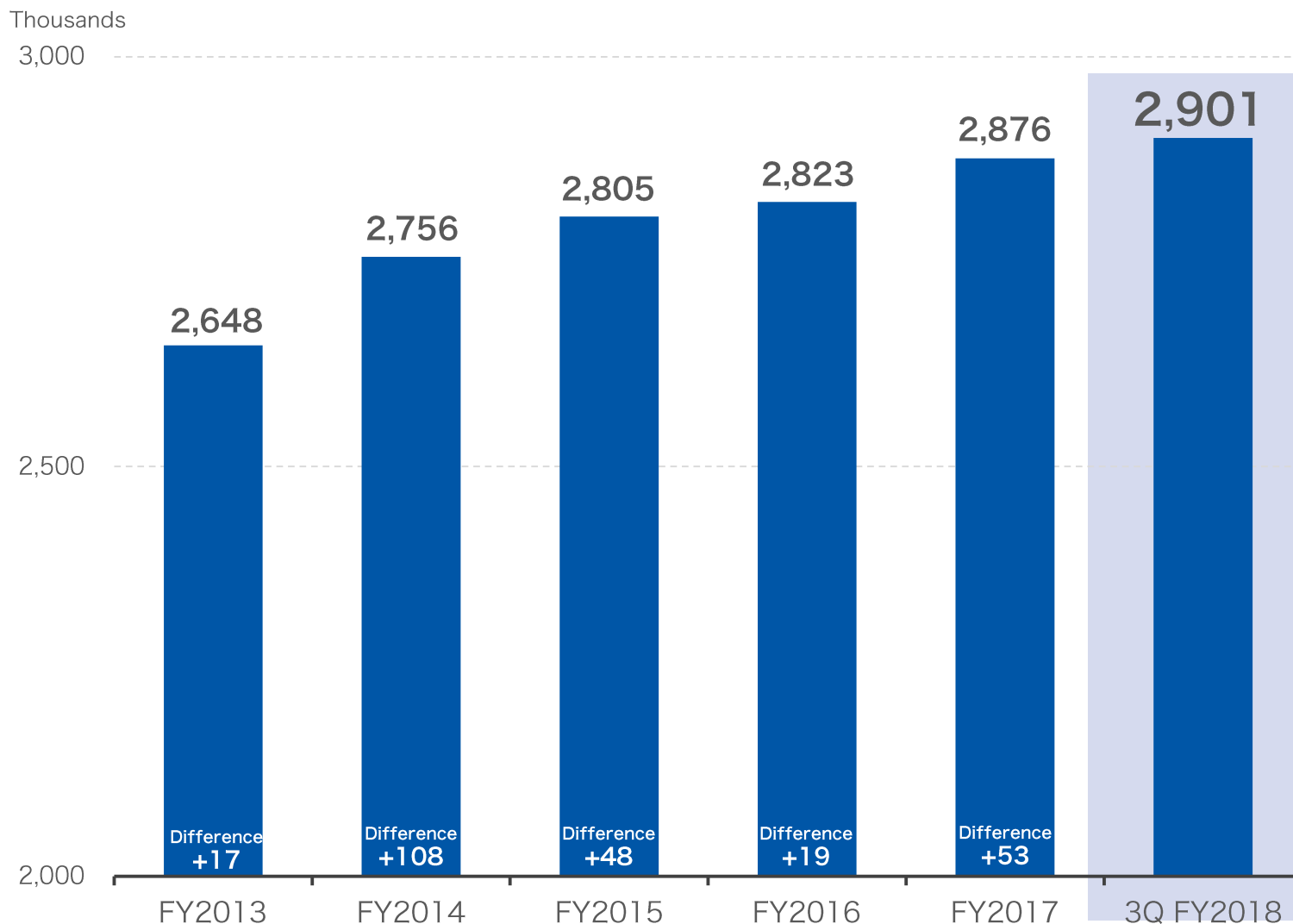
(Thousands)

	3Q FY2017	3Q FY2018	Previous Period Comparison	
			Difference	YoY
Gross New Subscriptions	419	489	70	116.7%
Cancellations	384	465	80	120.9%
Net New Subscriptions	35	25	-10	70.9%
Net Cumulative Subscriptions	2,858	2,901	43	101.5%
Of these, multi-subscriptions*1	419	417	-3	99.4%
Of these, hotel subscriptions*2	59	63	3	105.7%

\*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



# 3Q FY2018 Income & Expenditure

(Millions of yen)

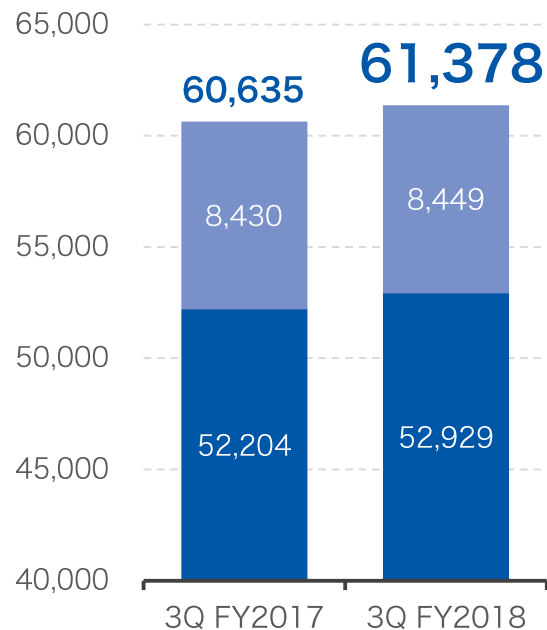
		3Q FY2017		3Q FY2018		Previous Period Comparison	
		Result	Percent of Revenue	Result	Percent of Revenue	Difference	YoY
Consolidated	Revenue	60,635	100.0%	61,378	100.0%	743	101.2%
	Operating Income	9,396	15.5%	6,764	11.0%	-2,632	72.0%
	Ordinary Income	9,912	16.3%	7,315	11.9%	-2,596	73.8%
	Profit Attributable to Owners of Parent	6,870	11.3%	5,006	8.2%	-1,863	72.9%
Non-Consolidated	Revenue	53,590	100.0%	54,167	100.0%	576	101.1%
	Operating Income	9,039	16.9%	6,343	11.7%	-2,696	70.2%
	Ordinary Income	9,397	17.5%	7,025	13.0%	-2,371	74.8%
	Profit	6,486	12.1%	4,867	9.0%	-1,618	75.1%

Figures rounded down to millions of yen.

# Revenue Compared to Previous Period

## Consolidated

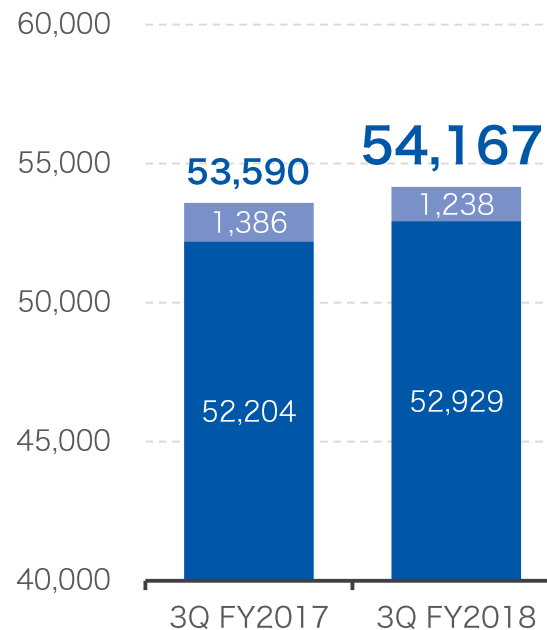
Millions of yen



YoY  
101.2%

## Non-Consolidated

Millions of yen



YoY  
101.1%

(Millions of yen)

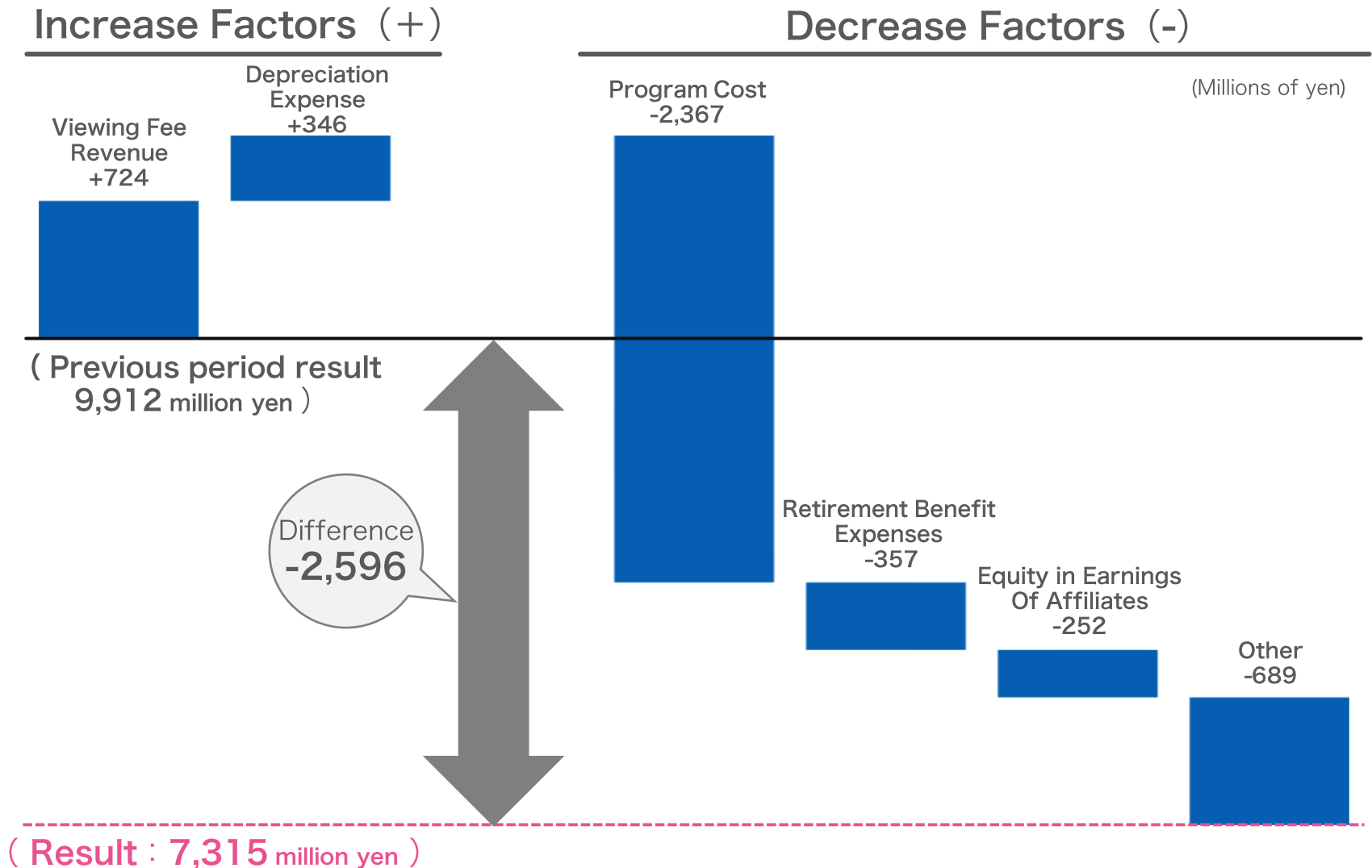
Revenue Item	3Q FY2017	3Q FY2018	Difference
Broadcasting	52,204	52,929	724
Other	8,430	8,449	19
<b>Total</b>	<b>60,635</b>	<b>61,378</b>	<b>743</b>

(Millions of yen)

Revenue Item	3Q FY2017	3Q FY2018	Difference
Broadcasting	52,204	52,929	724
Other	1,386	1,238	-147
<b>Total</b>	<b>53,590</b>	<b>54,167</b>	<b>576</b>

Figures rounded down to millions of yen.

# Consolidated Ordinary Income Factors in Difference from Previous Period

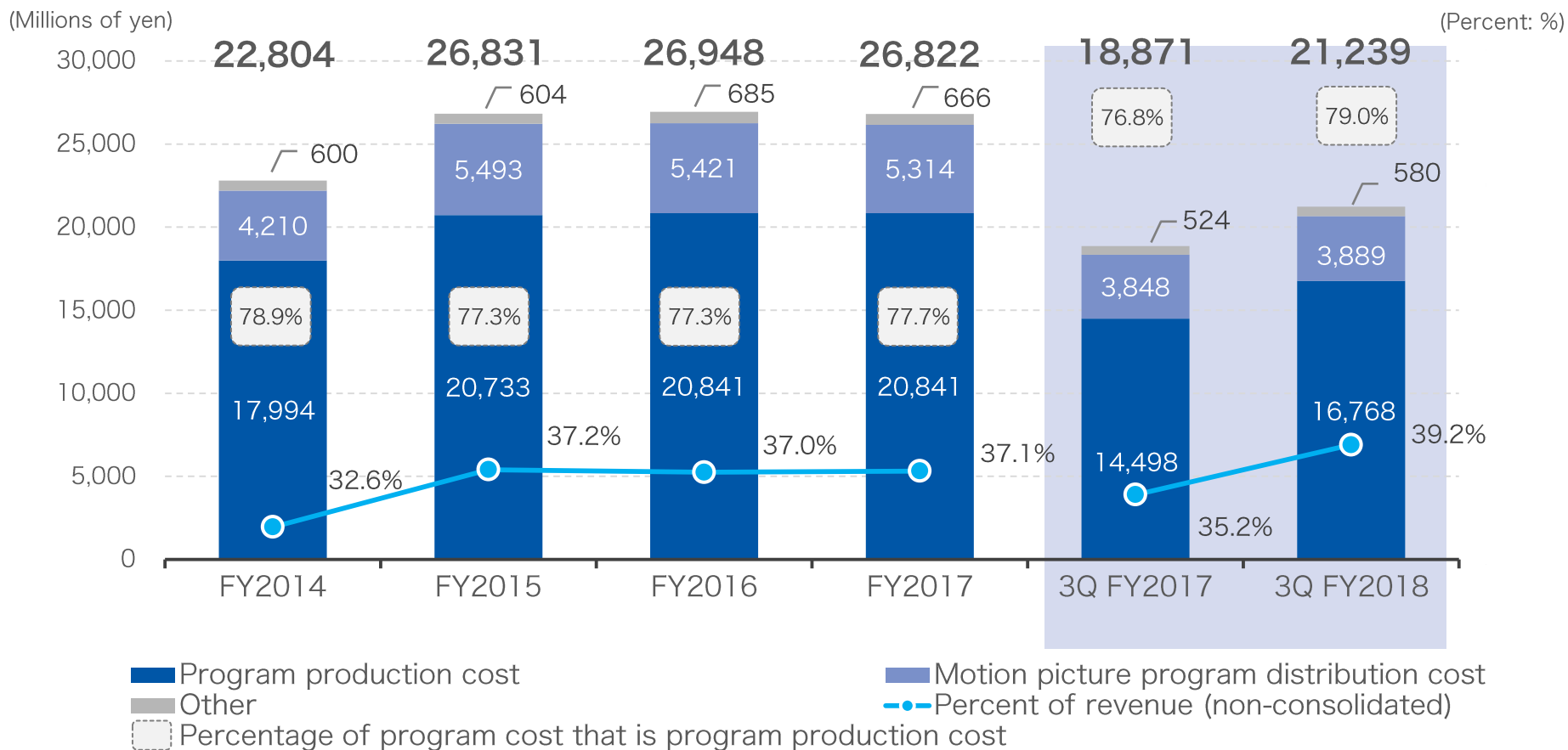


\*The figure for each factor is the difference from the same period the previous year, with + representing an increase factor.



# 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)

	3Q FY2017		3Q FY2018		Previous Period Difference	
	Result	Percent of Revenue	Result	Percent of Revenue	Difference	YoY
Revenue	5,528	100.0%	6,472	100.0%	944	117.1%
Operating Income	143	2.6%	281	4.3%	137	195.6%
Ordinary Income	143	2.6%	283	4.4%	140	197.4%
Profit	97	1.8%	183	2.8%	86	188.4%

\*WOWOW COMMUNICATIONS non-consolidated figures

## ■WOWOW Plus Inc. (Broadcasting)

Revenue	3,786	100.0%	3,791	100.0%	4	100.1%
Operating Income	157	4.2%	122	3.2%	-35	77.8%
Ordinary Income	157	4.2%	123	3.2%	-34	78.3%
Profit	88	2.3%	87	2.3%	-0	98.9%

\*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)

	2Q Cumulative	October	November	December	3Q	3Q Cumulative
Gross New Subscriptions	346,967	47,219	48,113	46,913	142,245	489,212
Cancellations	289,752	64,883	54,483	55,398	174,764	464,516
Net New Subscriptions	57,215	-17,664	-6,370	-8,485	-32,519	24,696
Of these, multi-subscriptions*1	451	-789	-377	-81	-1,247	-796
Of these, hotel subscriptions*2	860	662	319	159	1,140	2,000
Net Cumulative Subscriptions at End of Period	2,933,617	2,915,953	2,909,583	2,901,098	2,901,098	2,901,098
Of these, multi-subscriptions*1	417,891	417,102	416,725	416,644	416,644	416,644
Of these, hotel subscriptions*2	61,512	62,174	62,493	62,652	62,652	62,652

\*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.

# 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)

	3Q FY2017		3Q FY2018		
	Results	Percent of Revenue	Results	Percent of Revenue	YoY
I. Revenue	60,635	100.0%	61,378	100.0%	101.2%
Broadcasting	52,204	86.1%	52,929	86.2%	101.4%
Other	8,430	13.9%	8,449	13.8%	100.2%
II. CoGS	31,806	52.5%	35,724	58.2%	112.3%
Gross Profit	28,828	47.5%	25,653	41.8%	89.0%
III. SG&A	19,431	32.0%	18,889	30.8%	97.2%
Operating Income	9,396	15.5%	6,764	11.0%	72.0%
IV. Non-Operating Income	516	0.9%	552	0.9%	107.1%
Interest Income	10	0.0%	17	0.0%	171.7%
Equity in Earnings of Affiliates	310	0.5%	57	0.1%	18.6%
Exchange Rate Profit	135	0.2%	399	0.7%	294.2%
Other	59	0.1%	77	0.1%	130.1%
V. Non-Operating Expenses	0	0.0%	1	0.0%	151.3%
Other	0	0.0%	1	0.0%	151.3%
Ordinary Income	9,912	16.3%	7,315	11.9%	73.8%
VI. Extraordinary Income/Loss	-28	-0.0%	-54	-0.1%	—
Income before Income Tax and Minority Interests	9,883	16.3%	7,261	11.8%	73.5%
Income Taxes (Current and Deferred), etc.	3,013	5.0%	2,255	3.7%	74.8%
Profit Attributable to Owners of Parent	6,870	11.3%	5,006	8.2%	72.9%

Figures rounded down to millions of yen.

# Income & Expenditure (Non-Consolidated)

(Millions of yen)

	3Q FY2017		3Q FY2018		
	Results	Percent of Revenue	Results	Percent of Revenue	YoY
I. Revenue	53,590	100.0%	54,167	100.0%	101.1%
Broadcasting	52,204	97.4%	52,929	97.7%	101.4%
Other	1,386	2.6%	1,238	2.3%	89.3%
II. CoGS	28,205	52.6%	31,252	57.7%	110.8%
Gross Profit	25,384	47.4%	22,915	42.3%	90.3%
III. SG&A	16,345	30.5%	16,571	30.6%	101.4%
Operating Income	9,039	16.9%	6,343	11.7%	70.2%
IV. Non-Operating Income	359	0.7%	683	1.3%	190.4%
Interest Income	10	0.0%	17	0.0%	160.5%
Exchange Rate Profit	136	0.3%	400	0.7%	293.9%
Other	212	0.4%	266	0.5%	125.6%
V. Non-Operating Expenses	0	0.0%	1	0.0%	131.9%
Other	0	0.0%	1	0.0%	131.9%
Ordinary Income	9,397	17.5%	7,025	13.0%	74.8%
VI. Extraordinary Income/Loss	-30	-0.1%	-40	-0.1%	—
Income before Income Tax and Minority Interests	9,367	17.5%	6,985	12.9%	74.6%
Income Taxes (Current and Deferred), etc.	2,881	5.4%	2,117	3.9%	73.5%
Profit	6,486	12.1%	4,867	9.0%	75.1%

Figures rounded down to millions of yen.

# Expenditure Breakdown (Non-Consolidated)

(Millions of yen)

	3Q FY2017	3Q FY2018	YoY
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## (1) CoGS Items

Program Cost	18,871	21,239	112.5%
Moving Picture Program Cost	3,848	3,889	101.1%
Program Production Cost	14,498	16,768	115.7%
Other	524	580	110.8%
Broadcasting Technology Cost	2,044	2,114	103.5%
Expenses for Programming Guide	1,828	1,950	106.6%
Other	5,461	5,948	108.9%
<b>Total</b>	<b>28,205</b>	<b>31,252</b>	<b>110.8%</b>

## (2) SG&A Items

Merchandising Expense	760	734	96.6%
Incentives Paid	189	221	116.9%
Retention Commission Paid	3,727	3,830	102.8%
Credit Collection Agency Fee Paid	1,106	1,105	99.9%
Advertisement Expenses	3,544	3,518	99.3%
Customer Center Expenses	1,557	1,603	102.9%
Other	5,460	5,557	101.8%
<b>Total</b>	<b>16,345</b>	<b>16,571</b>	<b>101.4%</b>

## (3) Depreciation Expense

Depreciation Expense	1,793	1,559	86.9%
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Figures rounded down to millions of yen.

# Extraordinary Income/Loss Breakdown

(Millions of yen)

3Q FY2017	3Q FY2018	YoY
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(Consolidated)

Extraordinary Income			
Income from Sale of Non-Current Assets	2	—	—
<b>Total</b>	<b>2</b>	<b>—</b>	<b>—</b>
Extraordinary Losses			
Loss from Elimination of Non-Current Assets	31	47	152.4%
Loss on Valuation of Golf Memberships	—	7	—
<b>Total</b>	<b>31</b>	<b>54</b>	<b>174.9%</b>

(Non-Consolidated)

Extraordinary Losses			
Loss from Elimination of Non-Current Assets	30	33	109.5%
Loss on Valuation of Golf Memberships	—	7	—
<b>Total</b>	<b>30</b>	<b>40</b>	<b>132.5%</b>

Figures rounded down to millions of yen.

# Results by Consolidated Segment

(Millions of yen)

	Revenue			Segment Income (Operating Income)		
	3Q FY2017	3Q FY2018	YoY	3Q FY2017	3Q FY2018	YoY
Broadcasting	57,698	58,176	100.8%	9,303	6,483	69.7%
Telemarketing	5,528	6,472	117.1%	143	281	195.6%
Total	63,226	64,648	102.2%	9,447	6,764	71.6%
Adjusted*	-2,591	-3,269	—	-50	—	—
Consolidated	60,635	61,378	101.2%	9,396	6,764	72.0%

\*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 December 31, 2018		Compared to End of Previous Period	
	Results	Share	Results	Share	Difference	Compared to End of Previous Period
Current Assets	56,761	65.2%	61,290	67.1%	4,528	108.0%
Non-Current Assets	30,321	34.8%	30,076	32.9%	-245	99.2%
Current Liabilities	29,231	33.6%	30,674	33.6%	1,442	104.9%
Non-Current Liabilities	2,857	3.3%	2,940	3.2%	83	102.9%
Capital Stock	5,000	5.7%	5,000	5.5%	—	100.0%
Capital Surplus	2,738	3.1%	2,738	3.0%	—	100.0%
Retained Earnings	49,741	57.1%	52,588	57.6%	2,847	105.7%
Treasury Shares	-3,081	-3.5%	-3,081	-3.4%	—	100.0%
Shareholders' Equity	54,398	62.5%	57,245	62.7%	2,847	105.2%
Accumulated Other Comprehensive Income	596	0.7%	506	0.6%	-89	84.9%
Net Assets	54,994	63.2%	57,752	63.2%	2,757	105.0%
Total Assets	87,083	100.0%	91,366	100.0%	4,283	104.9%

Figures rounded down to millions of yen.

# Balance Sheets (Non-Consolidated)

(Millions of yen)

	As of March 31, 2018		As of December 31, 2018		Compared to End of Previous Period	
	Results	Share	Results	Share	Difference	Compared to End of Previous Period
Current Assets	50,513	64.1%	54,838	66.0%	4,325	108.6%
Non-Current Assets	28,239	35.9%	28,249	34.0%	9	100.0%
Current Liabilities	27,895	35.4%	29,481	35.5%	1,585	105.7%
Non-Current Liabilities	2,056	2.6%	2,260	2.7%	203	109.9%
Capital Stock	5,000	6.3%	5,000	6.0%	—	100.0%
Capital Surplus	2,738	3.5%	2,738	3.3%	—	100.0%
Retained Earnings	43,417	55.1%	46,125	55.5%	2,708	106.2%
Treasury Shares	-3,081	-3.9%	-3,081	-3.7%	—	—
Shareholders' Equity	48,073	61.0%	50,782	61.1%	2,708	105.6%
Valuation and Translation	726	0.9%	563	0.7%	-162	77.6%
Net Assets	48,800	62.0%	51,346	61.8%	2,546	105.2%
Total Assets	78,753	100.0%	83,087	100.0%	4,334	105.5%

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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