

FY2019 3Q Earnings Announcement

Event Summary

Date : January 31, 2020 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

Moderator: We will hold WOWOW's (WOWOW INC.) briefing on the results for the third quarter of FY2019 as per schedule. Thank you for attending today. Please note that the content, questions, and answers that were discussed at today's briefing will be distributed in full through an external organization and posted on our website.

First of all, I would like to introduce the participants here today. From the left, Mr. Akira Tanaka, President and Representative Director; Mr. Noriaki Kuromizu, Director and Executive Vice President; Mr. Junichi Onoue, Director of IR Accounting. The President, Mr. Tanaka, will explain the financial highlights for the third quarter of FY2019.

2019年度第3四半期決算 ハイライト

正味加入件数は45千件の純減だが、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や氣志團万博などの音楽ライブ、連続ドラマW「ミラー・ツインズ Season2」などが新規加入を牽引
- 前年同期は大坂なおみ選手の「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
- 有料動画配信サービスの普及によりお客さまの視聴の選択肢が増えていることなどから、正味加入件数は厳しい結果に

(単位：千件)

	2018年度3Q	2019年度3Q	前年同期差	前年同期比
新規加入件数	489	402	△87	82.2%
解約件数	465	447	△18	96.2%
正味加入件数	25	△45	△69	—

収支(連結)

- 売上高は前年同期と比べ子会社の外部売上高が増加したこと等により、増収
- 経常利益は番組費の減少等により、前年同期と比べ増益に

(単位：百万円)

	2018年度3Q	2019年度3Q	前年同期差	前年同期比
売上高	61,378	61,640	261	100.4%
営業利益	6,764	7,755	991	114.7%
経常利益	7,315	8,218	902	112.3%

それぞれ、百万円未満は切り捨てております。

Tanaka: Thank you everyone for coming here today. I will explain the highlights from the third quarter of FY2019 up to the end of last year.

Please take a look at the materials on hand and the slide in front of you and ensure that you have first signed up. As can be seen from this, there were 402,000 new subscribers and 447,000 cancellations, resulting in a net decrease of 45,000 subscribers.

As shown here, in the third quarter, new subscriptions were driven by boxing by Naoya Inoue and musical live shows by Southern All Stars, as well as continuous drama W, among others. Compared with the same period in the previous fiscal year, the number of new subscribers decreased considerably YoY. The difference between the number of new subscribers exceeded 0.1 million in the previous year when tennis player Naomi Osaka won the championship last year and in the previous fiscal year.

In the same period of the previous fiscal year, although there were some special factors, the net decrease in the number of subscribers led to severe results. This is undoubtedly attributable to the significant increase in the number of options in viewing content as a result of the spread of paid video distribution services.

Net sales increased by JPY261 million, mainly because of an increase in external sales of subsidiaries compared with the same period of the previous fiscal year. Ordinary income increased by JPY902 million as a result of decrease in program expenses.

Mr. Onoue, the IR Accounting Representative, will explain the details of the figures.

2019年度第3四半期 加入状況

(単位：千件)

	2018年度3Q	2019年度3Q	前年同期比較	
			前年同期差	前年同期比
新規加入件数	489	402	△87	82.2%
解約件数	465	447	△18	96.2%
正味加入件数	25	△45	△69	—
累計正味加入件数	2,901	2,857	△44	98.5%
内) 複数契約*1	417	411	△6	98.6%
内) 宿泊施設契約*2	63	69	6	109.5%

*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

WOWOW

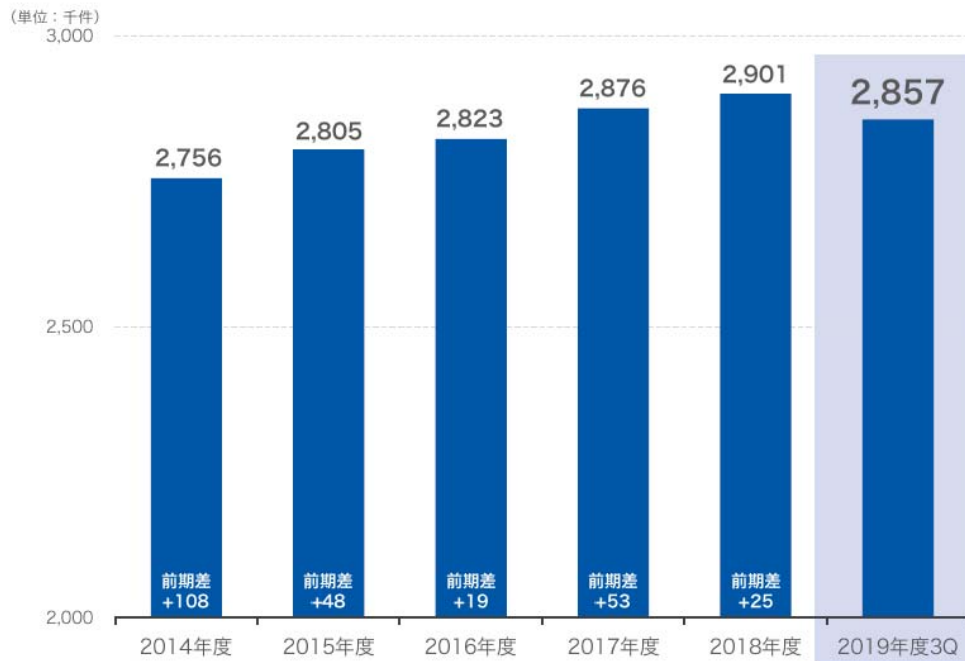
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Onoue: I will explain the income and expenditure of the major consolidated companies on page nine. Firstly, the status of subscriptions: the number of new subscribers totaled 402,000, a decrease of 87,000 from the same period in the previous fiscal year. The number of cancellations was 447,000, a decrease of 18,000 from the previous year. The net number of subscribers decreased by 69,000 compared with the same period of the previous fiscal year, to a net decrease of 45,000.

The cumulative net number of subscribers was 2.85 million, a decrease of 44,000 from the same period in the previous fiscal year. As Mr. Tanaka explained earlier, the net number of subscribers and the cumulative number of subscribers have declined compared to the previous year, resulting in a very difficult situation for our Company.

累計正味加入件数の推移



This is the change in the cumulative net number of subscribers since FY2014, which marked the 13th consecutive year of net increase from FY2006 to the previous year.

2019年度第3四半期 収支状況

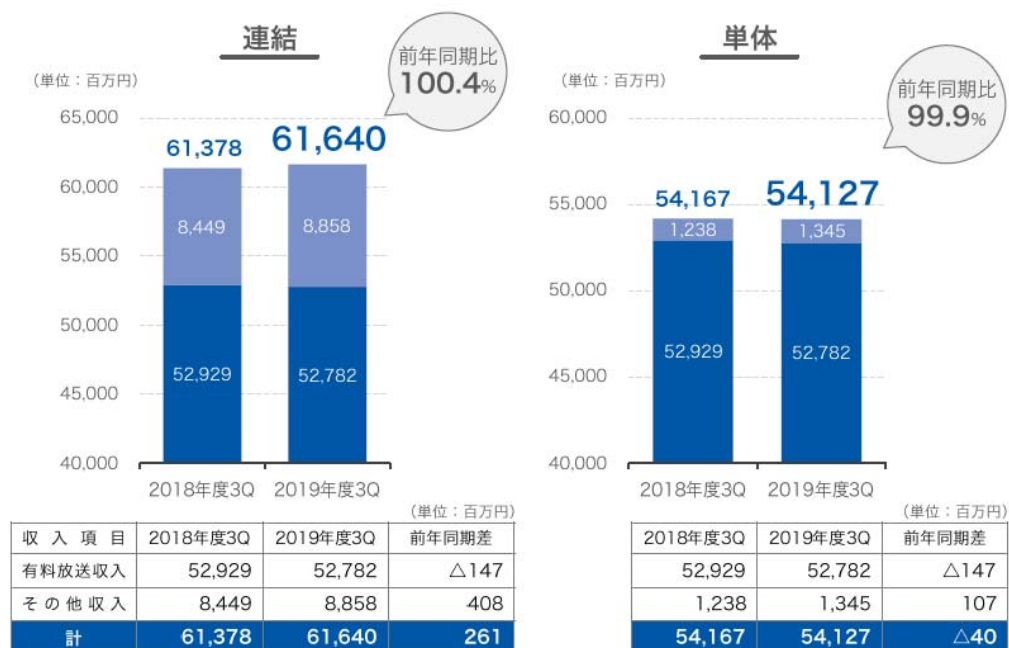
(単位：百万円)

		2018年度3Q		2019年度3Q		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	61,378	100.0%	61,640	100.0%	261	100.4%
	営 業 利 益	6,764	11.0%	7,755	12.6%	991	114.7%
	経 常 利 益	7,315	11.9%	8,218	13.3%	902	112.3%
	親会社株主に帰属する 四 半 期 純 利 益	5,006	8.2%	5,719	9.3%	712	114.2%
単 体	売 上 高	54,167	100.0%	54,127	100.0%	△40	99.9%
	営 業 利 益	6,343	11.7%	7,286	13.5%	943	114.9%
	経 常 利 益	7,025	13.0%	7,838	14.5%	812	111.6%
	四 半 期 純 利 益	4,867	9.0%	5,482	10.1%	615	112.6%

それぞれ、百万円未満は切り捨てております。

This is the income and expenditure. I would like to explain the status of the consolidated income and expenditures. Both sales and profits increased YoY. Net sales increased by JPY261 million to JPY61,640 million, and ordinary income increased by JPY902 million to JPY8.21 billion compared to the same period of the previous fiscal year.

売上高 前年同期対比

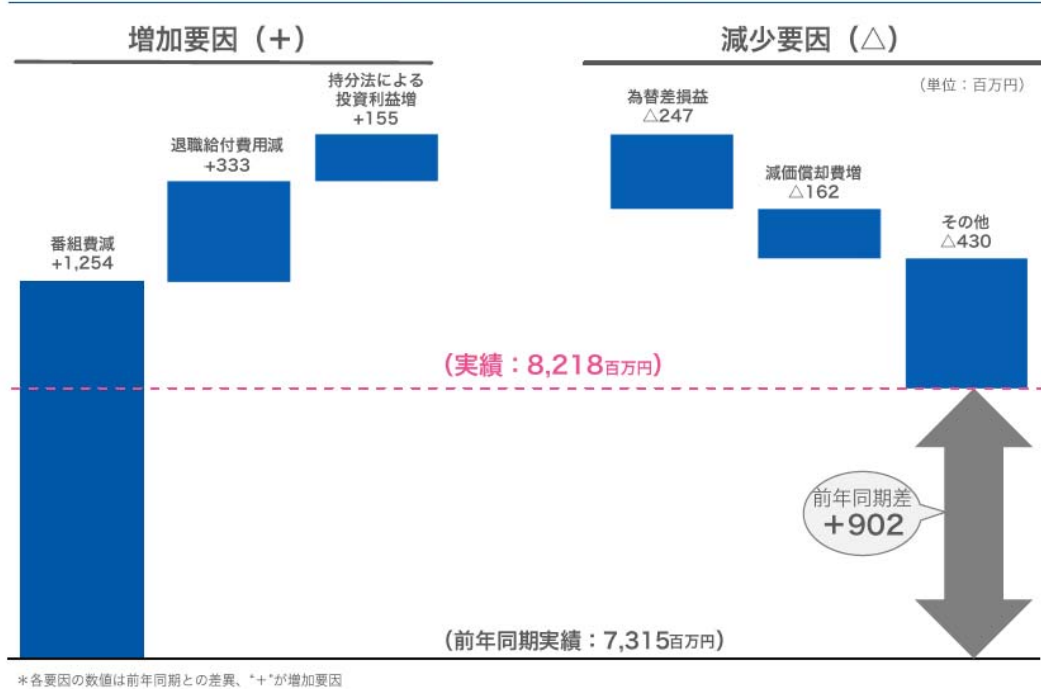


それぞれ、百万円未満は切り捨てております。

The reasons for the differences will be explained on the following pages. Comparing net sales with the same period of the previous year, I would like to explain the consolidated sales on the left. This represents an increase of JPY261 million from the same period of the previous fiscal year.

This is a breakdown. In the lower part of the graph, paid broadcasting revenue decreased by JPY147 million because of a decrease in the number of subscribers compared with the same period of the previous fiscal year. Other revenues increased by JPY408 million YoY, mainly because of an increase in incidental business revenues, such as revenues from the events by WOWOW itself, and an increase in non-group revenues of consolidated subsidiaries.

連結経常利益 前年同期との差異要因



This is a factor behind the difference in the consolidated ordinary income. The left side represents factors for increasing profits, and the right side represents factors for decreasing profits. The main reason for the increase is that program expenses decreased by JPY1.25 billion. The details will be explained on the next page.

Retirement benefit expenses decreased by JPY333 million. In the same period of the previous fiscal year, one-time expenses were recorded because of the change from the simplified method to the principle method for calculating retirement benefits. This year, the difference is due to the absence of such incidents. The share of profit of entities accounted for using equity method increased by JPY155 million, which was attributable to an increase in earnings of entities accounted for using the equity method of the Broadcasting & Satellite Systems Corporation.

This was followed by a major negative factor. Foreign exchange gains and losses decreased by JPY247 million YoY. Depreciation and amortization increased by JPY162 million from the previous year.

Depreciation and amortization increased because of the impact of the reconstruction of some broadcasting centers in the previous fiscal year to prepare for the launch of BS4K broadcasting, which is scheduled for December of this year. Lower revenues from viewing due to a decrease of JPY430 million in others, an increase in incidental expenses due to the rebuilding of the broadcasting centers mentioned earlier, and an increase in system

WOWOW

expenses due to an increase in expenses related to WOWOW members on demand are included in this.

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。

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This is the change in program expenses and the difference from the same period of the previous year in the third quarter. Program expenses decreased by JPY1.25 billion YoY. The main breakdown of program expenses is shown with dark blue; the fee-based program expenses are for programs other than major Hollywood companies.

In the same period of the previous fiscal year, there were large-scale musical live shows such as that of Amuro Namie. However, in the current fiscal year, there were no programs of the same scale, and as a result, there was a decrease of JPY1.1 billion compared to the same period of the previous fiscal year.

Picture distribution expenses, which are in light blue, are expenses related to movie programs procured from major Hollywood companies. This was a decrease of JPY36 million from the same period of the previous fiscal year, mainly due to differences in program titles.

As shown at the top, other program expenses are expenses such as data broadcasting. This represents a decrease of JPY116 million from the previous year because of the decrease in costs and other factors.

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3Q		2019年度3Q		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	6,472	100.0%	6,634	100.0%	161	102.5%
営業利益	281	4.3%	181	2.7%	△99	64.7%
経常利益	283	4.4%	186	2.8%	△97	65.7%
四半期純利益	183	2.8%	112	1.7%	△71	61.1%

*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	3,791	100.0%	3,899	100.0%	108	102.9%
営業利益	122	3.2%	187	4.8%	64	152.7%
経常利益	123	3.2%	187	4.8%	64	152.7%
四半期純利益	87	2.3%	155	4.0%	68	178.1%

*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。

This is the status of the income and expenditure of the major consolidated companies. WOWOW COMMUNICATIONS, Inc. is a telemarketing firm. Net sales and ordinary income are JPY6.63 billion and JPY186 million, respectively. Revenues increased because of an increase in orders for telemarketing services from existing external customers. However, profits decreased because of an increase in costs associated with the incurrence of initial costs for new orders.

Here is WOWOW PLUS INC. This Company is developing basic channels such as BS, 110 degrees CS, and cable television. Net sales and ordinary income were JPY3.89 billion and JPY187 million, respectively. Revenues and profits rose because of an increase in viewing fees and other factors.

Thank you for your attention.

Moderator: Now, Mr. Tanaka, President of our Company, will explain our earnings forecasts for FY2019.

徹底的なコンテンツの差別化①

🏉 生中継を中心にスポーツ番組をお届け



**生中継！ラグビー欧州6カ国対抗戦
シックス・ネーションズ**
2月1日(土)スタート【開幕戦無料放送】



**日本代表出場！
ワールドラグビー セブンスシリーズ
-7人制ラグビー代表戦- オーストラリア大会**
2月3日(月)



**全豪
オープンテニス**
1月20日(月)～2月2日(日)連日生中継



**LPGA女子ゴルフツアー
2020**
1月16日(木)スタート

👤 オリジナルドラマが続々登場



連続ドラマW
**パレートの誤算
～ケースワーカー殺人事件**
3月7日(土)スタート(全5話)【第1話無料放送】



連続ドラマW
**オペレーションZ
～日本破壊、待ったなし～**
3月15日(日)スタート(全6話)【第1話無料放送】

Tanaka: First, I will provide a supplementary explanation about the VTR and its contents. Needless to say, the Olympics and Paralympics are approaching this year, and there is no doubt that sports will attract much attention. We at WOWOW will deliver the excitement of several sports.

First of all, Six Nations Rugby, the game of the six European rivals of rugby, will open tomorrow, and we will start broadcasting it tomorrow night.

Last year, the Rugby World Cup in Japan was very exciting. England won the first championship, Wales won the Best Four, and Scotland and Ireland competed with Japan and the preliminary pool. All of these teams will appear on this program.

Furthermore, we have been broadcasting rugby since December, and we have also been broadcasting the Olympic events and rugby sevens since December. What we would like to pay attention to here is that Kenki Fukuoka, who has played a major role in the 15-member system of rugby, has announced that he will concentrate on the 7-member system, aiming toward the Olympic Games; so we are very excited to see him enter the competition and to broadcast it.

Furthermore, as for Olympic-related events other than rugby, it has been reported that we plan to acquire the right to participate in golf in the Olympics, which we will broadcast, and Hinako Shibuyo will participate in LPGA to acquire the right to participate in the Olympics, following Naho Hataoka.

WOWOW

The representative for tennis has not yet been decided. However, I heard that Kei Nishikoro missed the Australian opening because of injury, but he has scheduled to participate in the ATP tour from February next month with the right to participate.

In addition, on February 1st, free broadcasting will be carried out over a period of 17 hours from 08:00 to 08:00 in the prime channel in WOWOW. As for free broadcasting during this period, I would like you to see the Australian Open Tennis Women's Final tomorrow and the opening game of the Six Nations Rugby that will finally start tomorrow, as I mentioned earlier, free of charge. In addition to this prime channel, we will also simultaneously deliver WOWOW online, except for a few programs, but not to the public. There are also talks about how to do this, but I would like as many people as possible to experience the outstanding contents of WOWOW.

徹底的なコンテンツの差別化②

🎬 世界最高峰の映画の祭典



生中継! 第92回アカデミー賞 授賞式

2月10日(月)

案内役: ジョン・カビラ、高島彩
スペシャルゲスト: 中島健人 (Sexy Zone)
レッドカーペットリポーター: 河北麻友子
スタジオゲスト: 白石和彌、町山智浩

<関連番組>

中島健人 ハリウッドの風を探して
3月1日(日)

制作: 日本テレビ放送網株式会社 / TOKI WOWOW / KAN Nishio / GAMPASS

🎵 大型アーティストのライブを放送



EXILE ATSUSHI SPECIAL NIGHT IN OKINAWA

2月2日(日)



氷川きよし スペシャルコンサート2019 ~きよしこの夜 Vol.19~

2月29日(土)



生中継! 福山雅治 30th ANNIVERSARY KICK-OFF LIVE 三十祭!!『序』

3月21日(土)



ONE OK ROCK 3カ月連続 WOWOWスペシャル

3月放送予定 ほか

In terms of other content, ATSUSHI is featured on the VCR, and Masaharu Fukuyama is planning to hold a live show to celebrate the 30th anniversary of his debut as well.

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%

First of all, the application plan in FY2019. Please refer to the documents.

As I mentioned earlier, one of the reasons for the net decrease in the third quarter was the increase in video content viewing options for customers, because of the widespread use of pay-per-view video distribution services. I would like to say that the impact of this has greatly increased. Although we are not able to disclose the full-year projected number of new subscribers, as we are currently in the process of careful examination, we are aware that the net increase of 30,000 new subscribers, which was originally planned, is a very difficult situation for us.

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 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%
年間配当		80円/株		80円/株		—	100.0%

(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。

In terms of the revenue and expenditure plan, although we are prepared to see a decline in viewing revenue in the full fiscal year because of a net decrease in the cumulative net number of subscribers, we expect the profit outlook to remain unchanged as we will thoroughly control and grip costs.

This is the outline of our plan.

Question & Answer

Moderator: We will move on to the Q&A session. If you have any questions, please raise your hand. Does anyone have any questions? Please raise your hand.

Questioner A: Thank you for your explanation. I have two questions. The first one is this: you talked about yearly instruction in January, enhancing two original products, and developing new categories that you talked about at the scheduled briefing on the other day, and also about creating a strong axis for distribution. If possible, I would like you to explain more specifically about the focus points for this year.

Second, you mentioned the cost grip earlier. What is the specific cost item? Although it may be good if you look at it from this fiscal year, I would like to see if it is possible to explain whether it will have an impact from the medium-term perspectives. Thank you.

Tanaka: I'll answer your questions. First of all, I would like to talk about two main issues that I mentioned in my comments at a press conference at the beginning of this year, 2020. As for the first question, we regard the strengthening of the original content and development of new categories as the main issues.

Specifically, we are currently in the process of introducing specific content; we believe that we can achieve this within some time, but we would like to limit this to the present day.

We are now preparing to do this, so I hope that we will be able to introduce specific contents after a while, but I cannot say any more today.

As for your second question, with regards to creating a strong axis for distribution, we refer to this at the press conference; we are now preparing it for next year's announcement by December. We are now preparing to increase the number of entrances to subscribe to WOWOW without registering the CAS, which is a Web-ID.

Of course, WOWOW's services can be seen on the three-channel broadcast, the web, or on the same axis, either through radio or cable stations, but we are developing services that allow these services to be seen on the internet as well.

The entry point for subscribers is virtually the entry point for CAS registration, but I would like to create an entry point where the simultaneous distribution of these three channels can be seen even in the registration of net IDs. Rather than simply launching an entirely new OTT service, we are aiming to increase the number of subscribers to a single service that we are currently offering.

In terms of costs, the biggest factor with regards to monetary value is to thoroughly manage production costs and program costs, although there are general issues.

In the medium term, we are focusing on enhancing original content and cultivating new

genres, so I think it would be better to refer to this as a scrap-and-build strategy, including strategic investment. However, I would like you to understand that we will have a firm grip on both the portion that we invest in and the portion that we control.

Moderator: Does anyone have other questions?

Questioner B: I would like to ask about two points. The first point is whether or not the business was started in cooperation with SKY PerfecTV! during the current fiscal year and whether the two companies have begun referring customers to each other. How much of this fiscal year's effects, do you think, have come from this? Although the figures are somewhat difficult to obtain, the first point is the extent to which they are expected to have an impact.

Another point is that the spread of paid video distribution services was the cause of the current net decline and the decline in the number of best-selling video subscribers. So far, two points have been raised. Do you think that WOWOW will grow amid the growth of paid video distribution services based on these two points? In addition to these two points, is there anything else that you are thinking about?

Tanaka: The first point is the cooperation with SKY PerfecTV. Currently, it is still in the process, and SKY PerfecTV! has not announced it, so we will refrain from the number of transactions through SKY PerfecTV!, but we have been able to achieve a certain effect.

Although we have a good deal, we believe that we will be able to do more, and that we will be able to cooperate with SKY PerfecTV! or with other broadcasters in SKY PerfecTV! through SKY PerfecTV! We recognize that we will need to expand this further.

In addition, I think that there will be measures for the distribution of paid videos, but I do not think that there are any weaknesses in WOWOW, and I would like to make full use of WOWOW's strengths.

It only delivers pay-for-video content, but we have both broadcasting and distribution, so I believe that doing this thoroughly will undoubtedly be one of our strengths.

In that sense, the entry point for video distribution is still weak, so I would like to build a user-friendly system towards December, which should not be subordinated to distribution, while enhancing usability and services.

In addition to this, I believe that we can leverage WOWOW's strengths to compete in the creation of original content by strengthening the relationships with producers and rights-holder's organizations that WOWOW has accumulated over the past 20 to 30 years.

Moderator: Does anyone else have a question? Please raise your hand.

There seems to be no more questions, so we will finish here. Finally, we have a message

from Mr. Tanaka, the President of our Company.

Tanaka: Thank you very much for your participation taking time from your busy schedule today. Finally, I repeat the same thing: we recognize that our assets and strengths have not yet been fully leveraged.

As I have said, broadcasting and distribution is a great route, but it is no longer user-friendly, so it is certainly going to be a strength if we get it right.

From that point on, the relationship with creators and rights holders, which has been built so far, will undoubtedly be positive by continuing to build good relations. Above all, we have 2.85 million in assets, and while we have these assets, we would like to advance a variety of reforms as we subscribe to them. I would like to ask for your continued support.

I wish you continued success.

Moderator: Accordingly, we are closing the financial results briefing for the third quarter of FY2019.

We would like to thank you for attending the financial results briefing today.

[END]