

W O W O W

FY2018 Earnings and FY2019 Business Plan Summary

May 15, 2019
WOWOW INC.



- 1 FY2018 Earnings (April-March)
- 2 Summary of FY2019 Business Plan
- 3 Supplementary Materials

FY2018 Earnings Highlights ①

Net new subscriptions increased for the thirteenth consecutive period

New Subscription

- The number of net cumulative subscriptions reached 2.901 million, marking a new year-end record.
- Tennis, in which Naomi Osaka won her second consecutive Grand Slam title, and music programs such as live performances by Namie Amuro, Tohoshinki and B'z, contributed to new subscriptions.
- We launched IP simulcast in December 2018 and began Paravi for WOWOW in February 2019.

(Thousands)

	FY2017	FY2018	YoY
Gross New Subscriptions	591	660	111.8%
Cancellations	537	635	118.2%
Net New Subscriptions	53	25	47.1%
Number of Net Cumulative Subscriptions	2,876	2,901	100.9%

FY2018 Earnings Highlights ②

Revenue increased while income decreased from the previous period; revenue hit a new record

Income & Expenditure (Consolidated)

- Revenue increased from the previous period due to factors such as growth in net cumulative subscriptions.
- Ordinary income decreased from the previous period due to increased program cost based on strategic content enhancement.

(Millions of yen)

	FY2017	FY2018	YoY
Revenue	81,574	82,623	101.3%
Operating Income	9,875	6,779	68.6%
Ordinary Income	10,698	7,531	70.4%
Profit Attributable to Owners of Parent	7,360	5,182	70.4%

Dividends

- Annual dividend per share of 80 yen as initially forecast

Figures rounded down to millions of yen.

FY2018 Subscription

(Thousands)

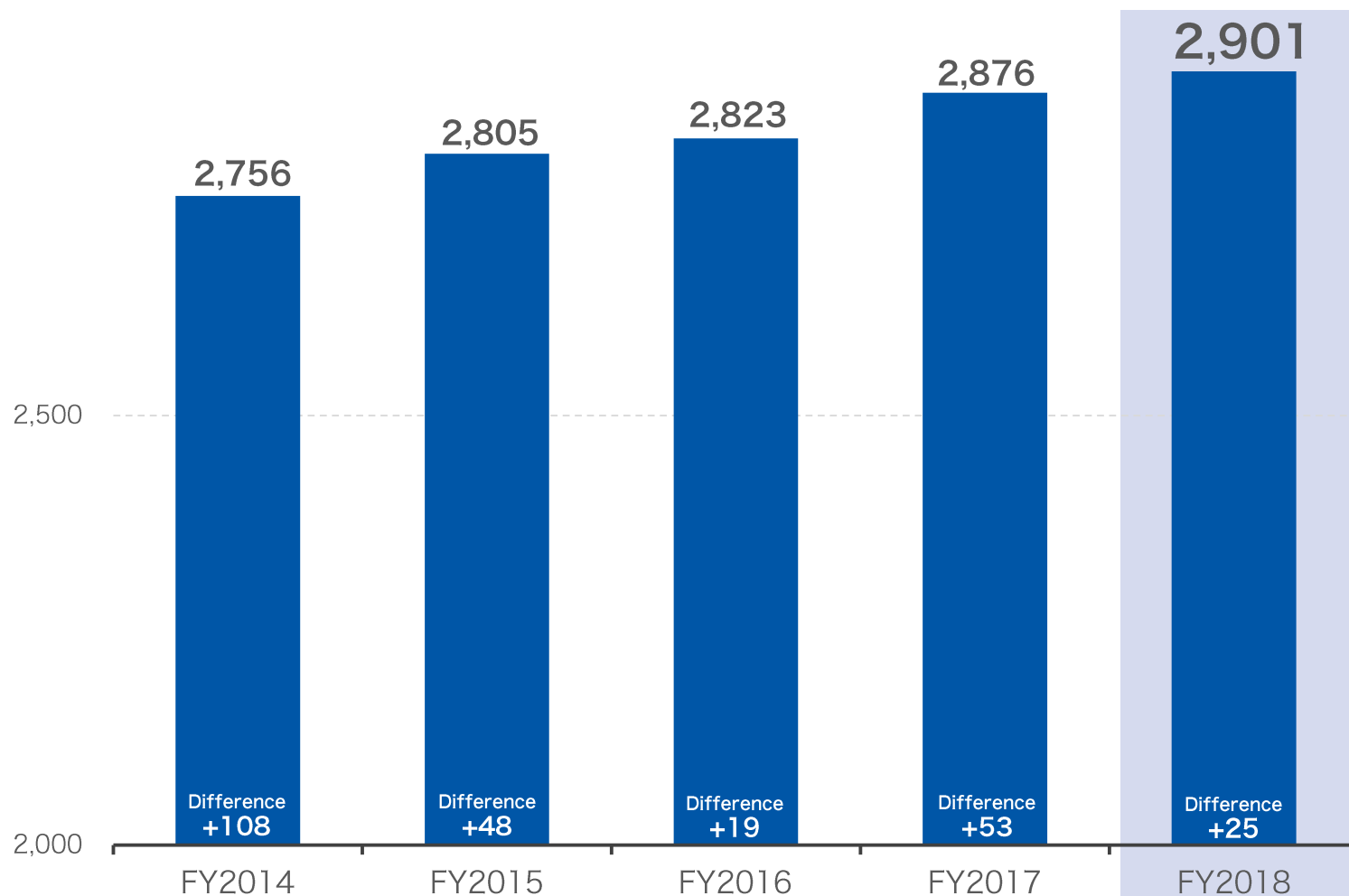
	FY2017	FY2018	Previous Period Comparison	
			Difference	YoY
Gross New Subscriptions	591	660	70	111.8%
Cancellations	537	635	98	118.2%
Net New Subscriptions	53	25	-28	47.1%
Net Cumulative Subscriptions	2,876	2,901	25	100.9%
Of these, multi-subscriptions*1	417	415	-2	99.5%
Of these, hotel subscriptions*2	61	64	4	105.8%

*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



FY2018 Income & Expenditure

(Millions of yen)

		FY2017		FY2018		Previous Period Comparison	
		Result	Percent of Revenue	Result	Percent of Revenue	Difference	YoY
Consolidated	Revenue	81,574	100.0%	82,623	100.0%	1,049	101.3%
	Operating Income	9,875	12.1%	6,779	8.2%	-3,096	68.6%
	Ordinary Income	10,698	13.1%	7,531	9.1%	-3,167	70.4%
	Profit Attributable to Owners of Parent	7,360	9.0%	5,182	6.3%	-2,177	70.4%
Non-Consolidated	Revenue	72,202	100.0%	72,951	100.0%	748	101.0%
	Operating Income	9,588	13.3%	6,237	8.6%	-3,350	65.1%
	Ordinary Income	10,205	14.1%	7,048	9.7%	-3,157	69.1%
	Profit	7,025	9.7%	4,883	6.7%	-2,141	69.5%

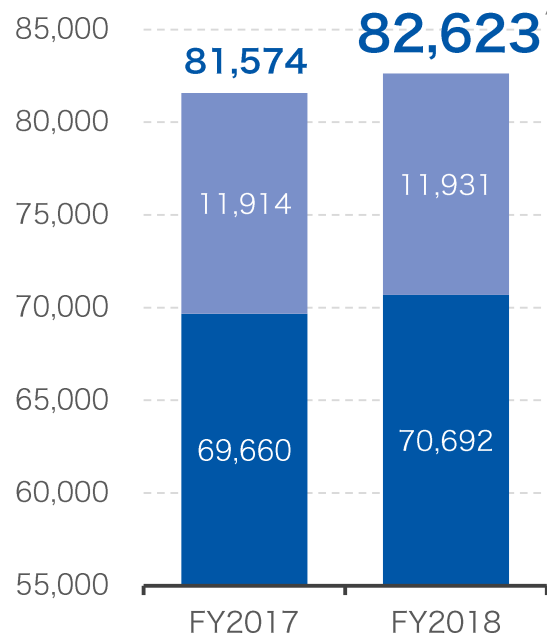
Figures rounded down to millions of yen.

Annual Dividend	80 yen per share	80 yen per share	—	100.0%
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Revenue Compared to Previous Period

Consolidated

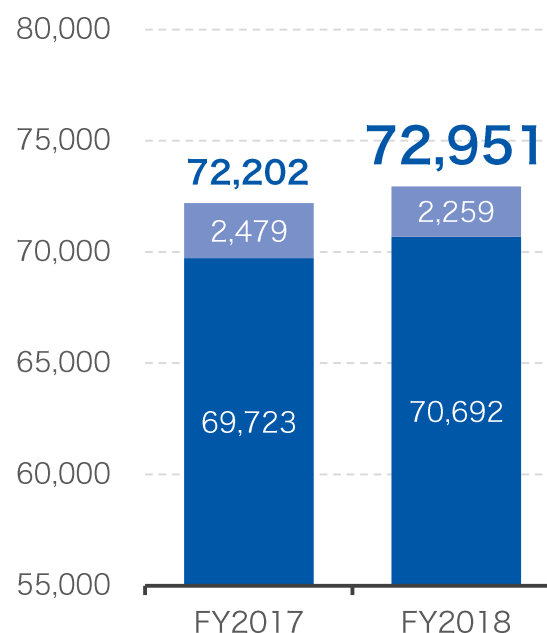
Millions of yen



YoY
101.3%

Non-Consolidated

Millions of yen



YoY
101.0%

(Millions of yen)

Revenue Item	FY2017	FY2018	Difference
Broadcasting	69,660	70,692	1,032
Other	11,914	11,931	16
Total	81,574	82,623	1,049

(Millions of yen)

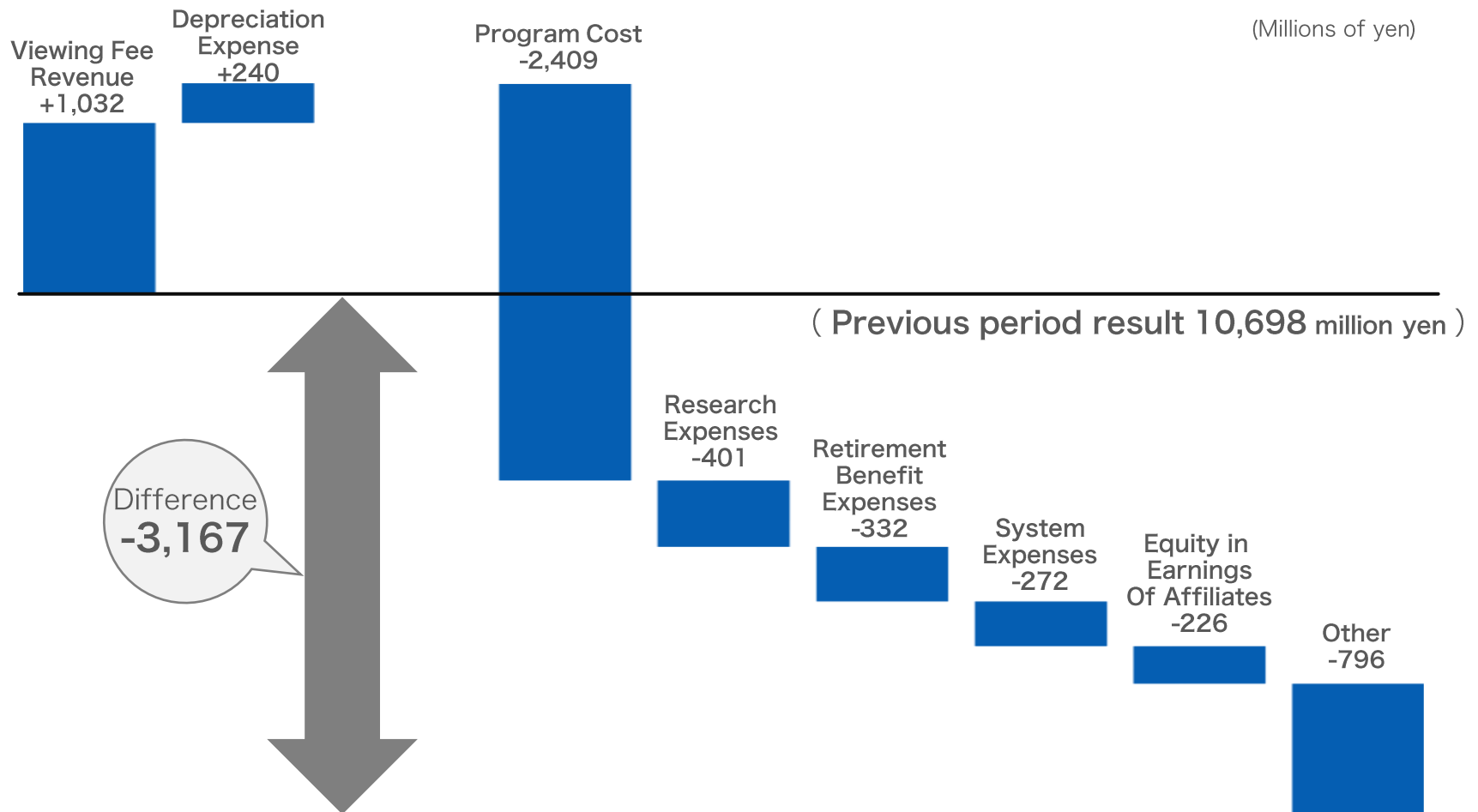
	FY2017	FY2018	Difference
Broadcasting	69,723	70,692	969
Other	2,479	2,259	-220
Total	72,202	72,951	748

Figures rounded down to millions of yen.

Consolidated Ordinary Income Factors in Difference from Previous Period

Increase Factors (+)

Decrease Factors (-)



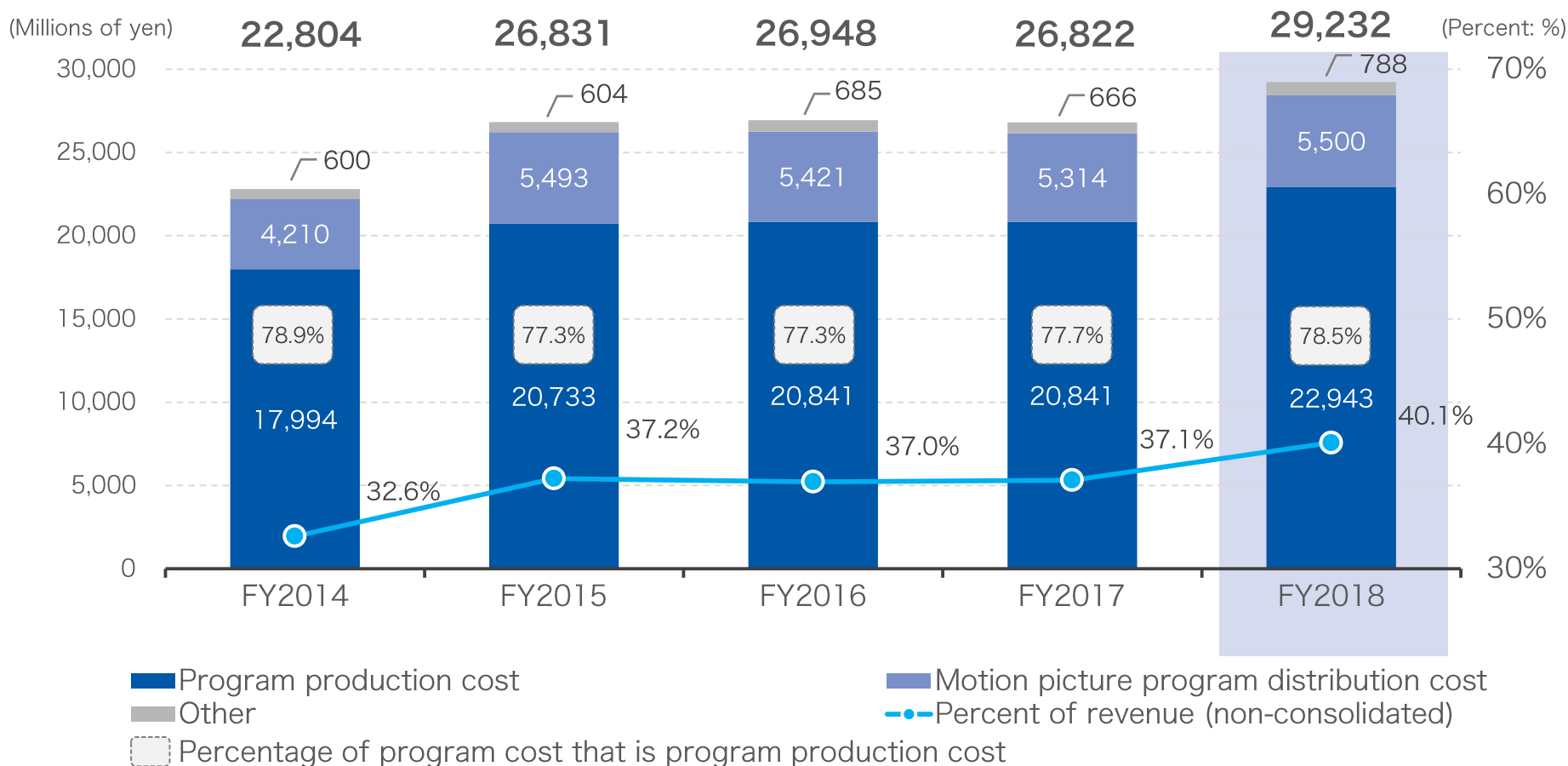
Figures rounded down to millions of yen.

(Result : 7,531 million yen)

*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 strategic 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 numbers are non-consolidated.
 Figures rounded down to millions of yen.

Income & Expenditure of Major Consolidated Earnings Companies

■WOWOW COMMUNICATIONS (Telemarketing)

(Millions of yen)

	FY2017		FY2018		Previous Period Difference	
	Result	Percent of Revenue	Result	Percent of Revenue	Difference	YoY
Revenue	7,709	100.0%	8,917	100.0%	1,207	115.7%
Operating Income	136	1.8%	358	4.0%	222	263.4%
Ordinary Income	134	1.7%	369	4.1%	235	275.0%
Profit	56	0.7%	244	2.7%	187	431.3%

*WOWOW COMMUNICATIONS non-consolidated figures

■WOWOW Plus Inc. (Broadcasting)

Revenue	5,082	100.0%	5,060	100.0%	-22	99.6%
Operating Income	195	3.8%	177	3.5%	-17	90.9%
Ordinary Income	195	3.8%	178	3.5%	-16	91.6%
Profit	117	2.3%	135	2.7%	18	115.9%

*WOWOW Plus Inc. non-consolidated figures

Figures rounded down to millions of yen.

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Summary of FY2019 Business Plan

Becoming a Comprehensive Entertainment Media Group

1 Thoroughly distinguish content

- ▶ **Enrich original content in quality and quantity**
- ▶ **Line up content that contributes to obtaining and maintaining new subscription**

2 Promote measures to expand profits

- ▶ **Increase viewing fee revenue by developing new subscription routes**
- ▶ **Promote content multi-use and expand ancillary business**

3 Promote information communication technology (ICT) measures

- ▶ **Aim to enhance WOWOW Members On Demand, centering on IP simulcast**

4 Enhance WOWOW Group synergy

- ▶ **Rebuild group management structure by promoting operational reform**
- ▶ **Advance group-wide communication reform by promoting work-style reform**

FY2019 Subscription Plan

(Thousands)

	FY2018	FY2019	Previous Period Comparison	
			Difference	YoY
Gross New Subscriptions	660	610	△50	92.4%
Cancellations	635	580	△55	91.3%
Net New Subscriptions	25	30	5	119.6%
Net Cumulative Subscriptions	2,901	2,931	30	101.0%

FY2019 Income & Expenditure Plan

(Millions of yen)

		FY2018		FY2019		Previous Period Comparison	
		Result	Percent of Revenue	Plan	Percent of Revenue	Difference	YoY
Consolidated	Revenue	82,623	100.0%	83,500	100.0%	876	101.1%
	Operating Income	6,779	8.2%	7,600	9.1%	820	112.1%
	Ordinary Income	7,531	9.1%	8,000	9.6%	468	106.2%
	Profit Attributable to Owners of Parent	5,182	6.3%	5,600	6.7%	417	108.0%

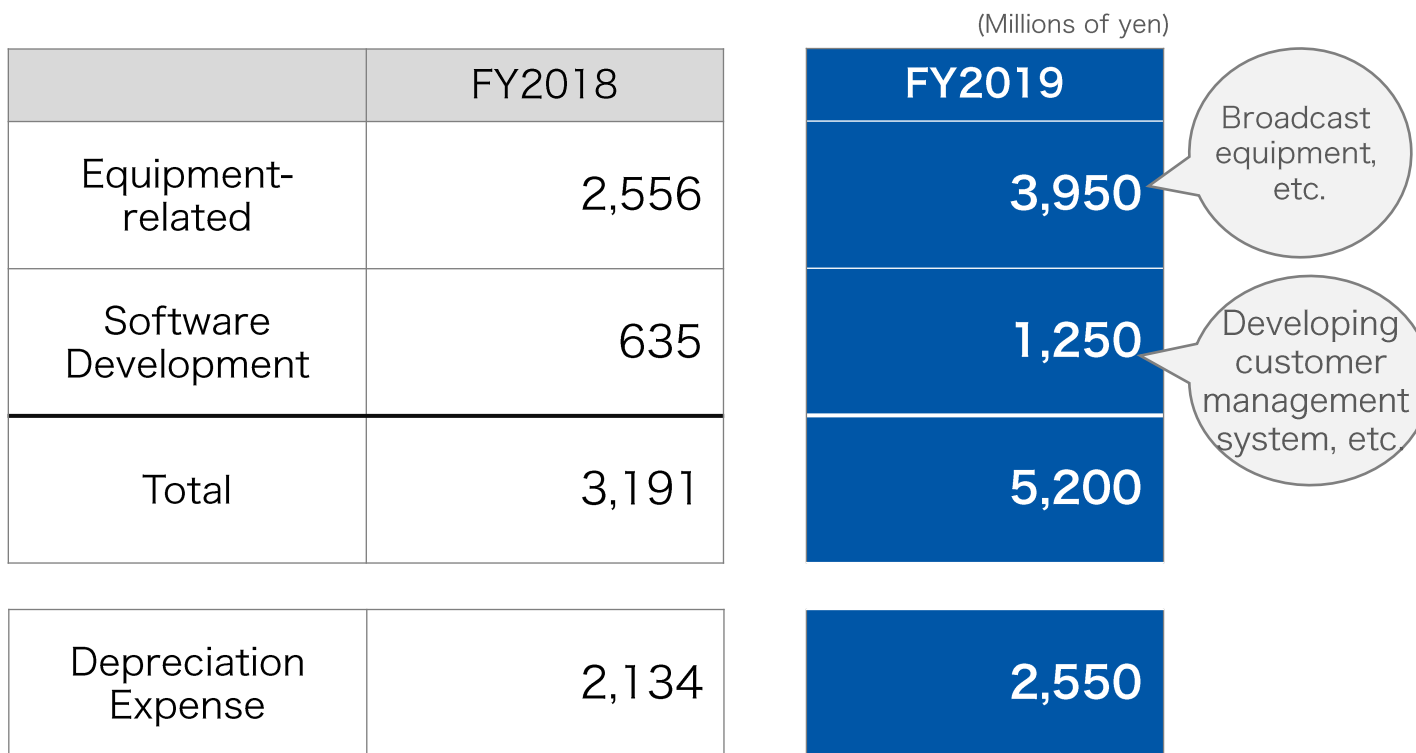
Non-Consolidated	Revenue	72,951	100.0%	73,400	100.0%	448	100.6%
	Operating Income	6,237	8.6%	7,100	9.7%	862	113.8%
	Ordinary Income	7,048	9.7%	7,600	10.4%	551	107.8%
	Profit	4,883	6.7%	5,400	7.4%	516	110.6%

Note: Program costs forecast to be approximately 40% of non-consolidated revenue.
Estimated foreign exchange rate: 1 USD = 115yen

Figures rounded down to millions of yen.

Annual Dividend	80 yen per share	80 yen per share	—	100.0%
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FY2019 Investment Plan (Non-Consolidated)



Figures rounded down to millions of yen.

- 1 FY2018 Earnings (April-March)
- 2 Summary of FY2019 Business Plan
- 3 **Supplementary Materials**

Subscription

(Subscriptions)

	1Q	2Q	2Q Cumulative	3Q	3Q Cumulative	4Q	Fiscal Year
Gross New Subscriptions	151,551	195,416	346,967	142,245	489,212	170,979	660,191
Cancellations	147,740	142,012	289,752	174,764	464,516	170,584	635,100
Net New Subscriptions	3,811	53,404	57,215	-32,519	24,696	395	25,091
Of these, multi-subscriptions*1	-1,529	1,980	451	-1,247	-796	-1,355	-2,151
Of these, hotel subscriptions*2	-4	864	860	1,140	2,000	1,528	3,528
Net Cumulative Subscriptions at End of Period	2,880,213	2,933,617	2,933,617	2,901,098	2,901,098	2,901,493	2,901,493
Of these, multi-subscriptions*1	415,911	417,891	417,891	416,644	416,644	415,289	415,289
Of these, hotel subscriptions*2	60,648	61,512	61,512	62,652	62,652	64,180	64,180

*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)

	FY2017		FY2018		
	Results	Percent of Revenue	Results	Percent of Revenue	YoY
I. Revenue	81,574	100.0%	82,623	100.0%	101.3%
Broadcasting	69,660	85.4%	70,692	85.6%	101.5%
Other	11,914	14.6%	11,931	14.4%	100.1%
II. CoGS	45,224	55.4%	49,616	60.1%	109.7%
Gross Profit	36,350	44.6%	33,006	39.9%	90.8%
III. SG&A	26,474	32.5%	26,227	31.7%	99.1%
Operating Income	9,875	12.1%	6,779	8.2%	68.6%
IV. Non-Operating Income	823	1.0%	755	0.9%	91.7%
Interest Income	19	0.0%	34	0.0%	180.6%
Equity in Earnings of Affiliates	361	0.4%	134	0.2%	37.4%
Exchange Rate Profit	381	0.5%	500	0.6%	131.3%
Other	61	0.1%	85	0.1%	137.6%
V. Non-Operating Expenses	0	0.0%	3	0.0%	390.8%
Other	0	0.0%	3	0.0%	390.8%
Ordinary Income	10,698	13.1%	7,531	9.1%	70.4%
VI. Extraordinary Income/Loss	-68	-0.1%	-63	-0.1%	—
Income before Income Tax and Minority Interests	10,630	13.0%	7,467	9.0%	70.2%
Income Taxes (Current and Deferred), etc.	3,270	4.0%	2,284	2.8%	69.9%
Profit Attributable to Owners of Parent	7,360	9.0%	5,182	6.3%	70.4%

Figures rounded down to millions of yen.

Income & Expenditure (Non-Consolidated)

(Millions of yen)

	FY2017		FY2018		
	Results	Percent of Revenue	Results	Percent of Revenue	YoY
I. Revenue	72,202	100.0%	72,951	100.0%	101.0%
Broadcasting	69,723	96.6%	70,692	96.9%	101.4%
Other	2,479	3.4%	2,259	3.1%	91.1%
II. CoGS	40,062	55.5%	43,641	59.8%	108.9%
Gross Profit	32,140	44.5%	29,310	40.2%	91.2%
III. SG&A	22,551	31.2%	23,072	31.6%	102.3%
Operating Income	9,588	13.3%	6,237	8.6%	65.1%
IV. Non-Operating Income	618	0.9%	813	1.1%	131.6%
Interest Income	19	0.0%	34	0.0%	174.4%
Exchange Rate Profit	381	0.5%	500	0.7%	131.3%
Other	217	0.3%	278	0.4%	128.2%
V. Non-Operating Expenses	0	0.0%	3	0.0%	366.2%
Other	0	0.0%	3	0.0%	366.2%
Ordinary Income	10,205	14.1%	7,048	9.7%	69.1%
VI. Extraordinary Income/Loss	-35	-0.0%	-47	-0.1%	—
Income before Income Tax and Minority Interests	10,170	14.1%	7,000	9.6%	68.8%
Income Taxes (Current and Deferred), etc.	3,145	4.4%	2,117	2.9%	67.3%
Profit	7,025	9.7%	4,883	6.7%	69.5%

Figures rounded down to millions of yen.

Expenditure Breakdown (Non-Consolidated)

(Millions of yen)

	FY2017	FY2018	YoY
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(1) CoGS Items

Program Cost	26,822	29,232	109.0%
Moving Picture Program Cost	5,314	5,500	103.5%
Program Production Cost	20,841	22,943	110.1%
Other	666	788	118.4%
Broadcasting Technology Cost	2,752	2,867	104.2%
Expenses for Programming Guide	2,443	2,613	107.0%
Other	8,044	8,927	111.0%
Total	40,062	43,641	108.9%

(2) SG&A Items

Merchandising Expense	1,077	1,000	92.8%
Incentives Paid	272	320	117.9%
Retention Commission Paid	4,992	5,136	102.9%
Credit Collection Agency Fee Paid	1,475	1,477	100.1%
Advertisement Expenses	5,040	5,234	103.8%
Customer Center Expenses	2,094	2,127	101.6%
Other	7,599	7,776	102.3%
Total	22,551	23,072	102.3%

(3) Depreciation Expense

Depreciation Expense	2,319	2,134	92.0%
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Figures rounded down to millions of yen.

Extraordinary Income/Loss Breakdown

(Millions of yen)

FY2017	FY2018	YoY
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(Consolidated)

Extraordinary Income			
Income from Sale of Non-Current Assets	2	0	20.6%
Total	2	0	20.6%
Extraordinary Losses			
Loss from Elimination of Non-Current Assets	39	57	146.1%
Loss on Valuation of Golf Memberships	—	7	—
Impairment loss	32	—	—
Total	71	64	90.1%

(Non-Consolidated)

Extraordinary Income			
Income from Sale of Non-Current Assets	—	0	—
Total	—	0	—
Extraordinary Losses			
Loss from Elimination of Non-Current Assets	35	41	115.9%
Loss on Valuation of Golf Memberships	—	7	—
Total	35	48	135.6%

Figures rounded down to millions of yen.

Results by Consolidated Segment

(Millions of yen)

	Revenue			Segment Income (Operating Income)		
	FY2017	FY2018	YoY	FY2017	FY2018	YoY
Broadcasting	77,651	78,250	100.8%	9,739	6,420	65.9%
Telemarketing	7,709	8,917	115.7%	136	358	263.4%
Total	85,361	87,168	102.1%	9,875	6,779	68.6%
Adjusted*	-3,787	-4,545	—	—	—	—
Consolidated	81,574	82,623	101.3%	9,875	6,779	68.6%

*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, 2018		As of March 31, 2019		Compared to End of Previous Period	
	Results	Share	Results	Share	Difference	Compared to End of Previous Period
Current Assets	56,761	65.2%	61,488	66.4%	4,726	108.3%
Non-Current Assets	30,321	34.8%	31,066	33.6%	745	102.5%
Current Liabilities	29,231	33.6%	31,611	34.2%	2,380	108.1%
Non-Current Liabilities	2,857	3.3%	2,912	3.1%	55	101.9%
Capital Stock	5,000	5.7%	5,000	5.4%	—	100.0%
Capital Surplus	2,738	3.1%	2,738	3.0%	—	100.0%
Retained Earnings	49,741	57.1%	52,765	57.0%	3,023	106.1%
Treasury Shares	-3,081	-3.5%	-3,081	-3.3%	—	100.0%
Shareholders' Equity	54,398	62.5%	57,421	62.0%	3,023	105.6%
Accumulated Other Comprehensive Income	596	0.7%	609	0.7%	12	102.1%
Net Assets	54,994	63.2%	58,030	62.7%	3,035	105.5%
Total Assets	87,083	100.0%	92,555	100.0%	5,471	106.3%

Figures rounded down to millions of yen.

Balance Sheets (Non-Consolidated)

(Millions of yen)

	As of March 31, 2018		As of March 31, 2019		Compared to End of Previous Period	
	Results	Share	Results	Share	Difference	Compared to End of Previous Period
Current Assets	50,513	64.1%	54,779	65.3%	4,266	108.4%
Non-Current Assets	28,239	35.9%	29,160	34.7%	920	103.3%
Current Liabilities	27,895	35.4%	30,246	36.0%	2,350	108.4%
Non-Current Liabilities	2,056	2.6%	2,233	2.7%	176	108.6%
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%	46,141	55.0%	2,724	106.3%
Treasury Shares	-3,081	-3.9%	-3,081	-3.7%	—	100.0%
Shareholders' Equity	48,073	61.0%	50,797	60.5%	2,724	105.7%
Valuation and Translation	726	0.9%	662	0.8%	△64	91.2%
Net Assets	48,800	62.0%	51,460	61.3%	2,660	105.5%
Total Assets	78,753	100.0%	83,940	100.0%	5,187	106.6%

Figures rounded down to millions of yen.

Consolidated Statements of Cash Flows

(Millions of yen)

	FY2017	FY2018	Difference
I. Cash Flows from Operating Activities			
Income before Income Tax and Minority Interests	10,630	7,467	-3,162
Depreciation Expenses, Reserves and Retirement Benefits	3,229	3,055	-173
Increase (Decrease) in Accounts Receivable ('-' signifies increase)	-404	203	608
Increase (Decrease) in Inventory ('-' signifies increase)	1,488	-4,785	-6,273
Increase (Decrease) in Accounts Payable ('-' signifies decrease)	-3,341	3,338	6,679
Other	658	-582	1,240
Subtotal	12,259	8,697	-3,562
Payment of Income Taxes, etc.	-2,837	-3,680	-842
Cash Flows from Operating Activities	9,421	5,017	-4,404
II. Cash Flows from Investing Activities			
Income/Expenditure due to Increase (Decrease) in Time Deposit ('-' signifies increase)	-105	-2	103
Income/Expenditure due to Increase (Decrease) in Property, Plant and Equipment ('-' signifies increase)	-2,274	-2,103	171
Income/Expenditure due to Increase (Decrease) in Intangible Assets ('-' signifies increase)	-738	-658	79
Expenditure due to Acquisition of Subsidiary Shares ('-' signifies increase)	-4,174	-2	4,172
Other	54	-90	-144
Cash Flows from Investing Activities	-7,238	-2,856	4,382
III. Cash Flows from Financing Activities			
Payment of Dividends	-2,159	-2,159	0
Expenditure to Purchase Treasury Shares	-0	-	0
Other	-183	-77	106
Cash Flows from Financing Activities	-2,343	-2,236	106
IV. Effect of Exchange Rate Change on Cash and Cash Equivalents	-5	213	218
V. Net Increase (Decrease) in Cash and Cash Equivalents	-165	137	303
VI. Cash and Cash Equivalents at Beginning of Period	24,157	23,991	-165
VII. Cash and Cash Equivalents at End of Period	23,991	24,129	137

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.

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