

W O W O W

FY2017 Earnings and FY2018 Business Plan Summary

May 15, 2018
WOWOW INC.



- 1 FY2017 Earnings (April-March)
- 2 Summary of FY2018 Business Plan
- 3 Supplementary Materials

FY2017 Earnings Highlights ①

Net new subscriptions increased for twelfth consecutive period

New Subscription

- Number of net cumulative subscriptions reached 2.876 million, marking a new year-end record.
- Sports programs like tennis and boxing and music programs of Namie Amuro and Tohoshinki drove new subscription, helped by drama series starring Gen Hoshino such as Plage and Wakeari Bakari no Sharehouse, as well as the drama series Akira to Akira.
- Partnership with Route Inn Hotels led to significant increase in number of hotel agreements.*

(Thousands)

	FY2016	FY2017	YoY
Gross New Subscriptions	578	591	102.2%
Cancellations	560	537	96.0%
Net New Subscriptions	19	53	287.5%
Number of Net Cumulative Subscriptions	2,823	2,876	101.9%

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

FY2017 Earnings Highlights ②

Revenue and income increased from previous period; revenue and ordinary income marked new records since listing

Income & Expenditure (Consolidated)

- Revenue increased from the previous period due to factors such as WOWOW PLUS (formerly IMAGICA TV*) becoming a consolidated subsidiary, etc.
- Ordinary income increased due to recording foreign exchange gains despite increased advertisement expenses.

(Millions of yen)

	FY2016	FY2017	YoY
Revenue	78,253	81,574	104.2%
Operating Income	10,141	9,875	97.4%
Ordinary Income	10,282	10,698	104.0%
Profit Attributable to Owners of Parent	6,800	7,360	108.2%

Dividends

- Annual dividend per share of 80 yen as initially forecast

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

Figures rounded down to millions of yen.

FY2017 Subscription

(Thousands)

	FY2016	FY2017	Previous Period Comparison	
			Difference	YoY
Gross New Subscriptions	578	591	12	102.2%
Cancellations	560	537	-22	96.0%
Net New Subscriptions	19	53	35	287.5%
Net Cumulative Subscriptions	2,823	2,876	53	101.9%
Of these, multi-subscriptions*1	421	417	-3	99.2%
Of these, hotel subscriptions*2	12	61	48	498.9%

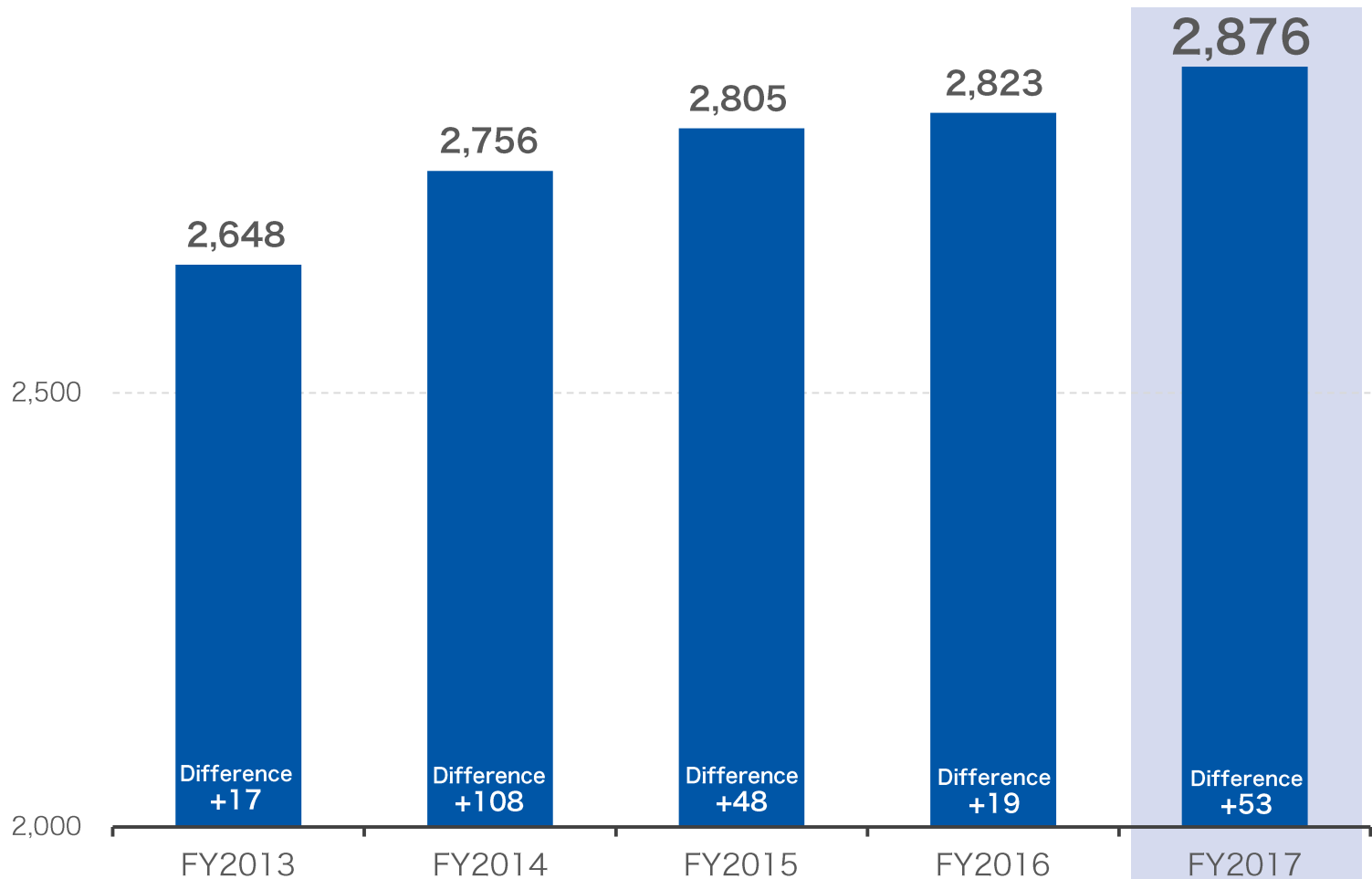
*1 Existing subscribers are granted two additional subscriptions for a discounted price (JPY900/month – the first subscription is JPY2,300/month, tax not included).

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

Change in Net Cumulative Subscriptions

(Thousands)

3,000



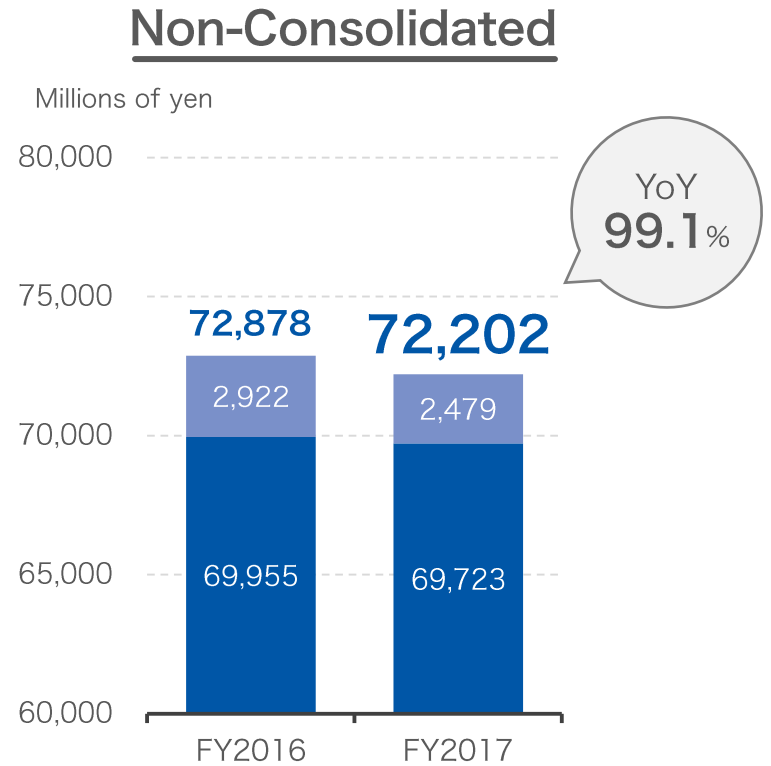
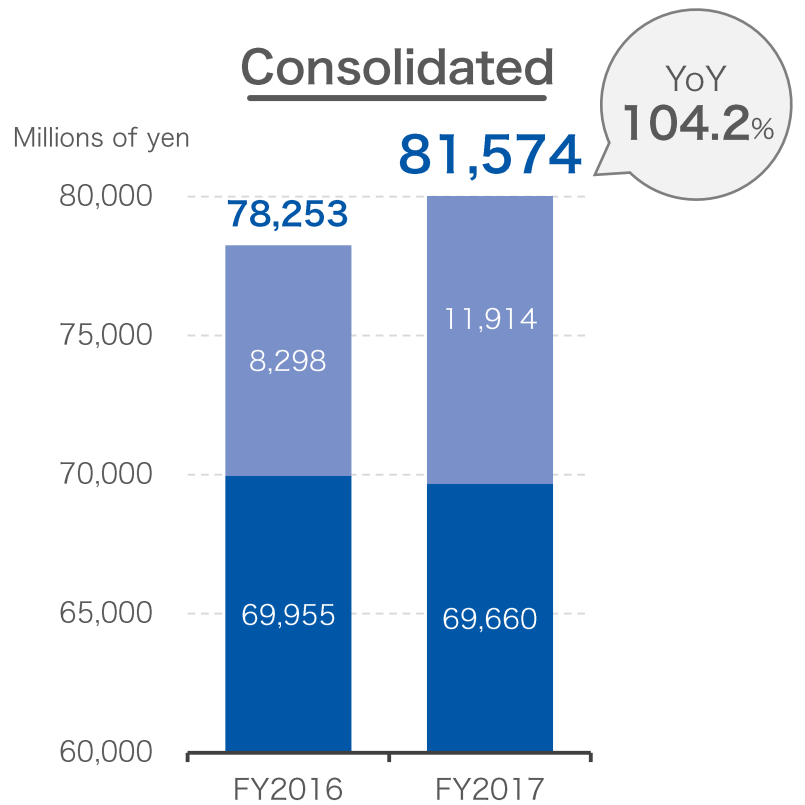
FY2017 Income & Expenditure

(Millions of yen)

		FY2016		FY2017		Previous Period Comparison	
		Result	Percent of Revenue	Result	Percent of Revenue	Difference	YoY
Consolidated	Revenue	78,253	100.0%	81,574	100.0%	3,320	104.2%
	Operating Income	10,141	13.0%	9,875	12.1%	-265	97.4%
	Ordinary Income	10,282	13.1%	10,698	13.1%	415	104.0%
	Profit Attributable to Owners of Parent	6,800	8.7%	7,360	9.0%	560	108.2%
Non-Consolidated	Revenue	72,878	100.0%	72,202	100.0%	-675	99.1%
	Operating Income	9,924	13.6%	9,588	13.3%	-336	96.6%
	Ordinary Income	9,879	13.6%	10,205	14.1%	325	103.3%
	Profit	6,463	8.9%	7,025	9.7%	561	108.7%
Annual Dividend		80 yen per share		80 yen per share		-	100.0%

Figures rounded down to millions of yen.

Revenue Compared to Previous Period



(Millions of yen)

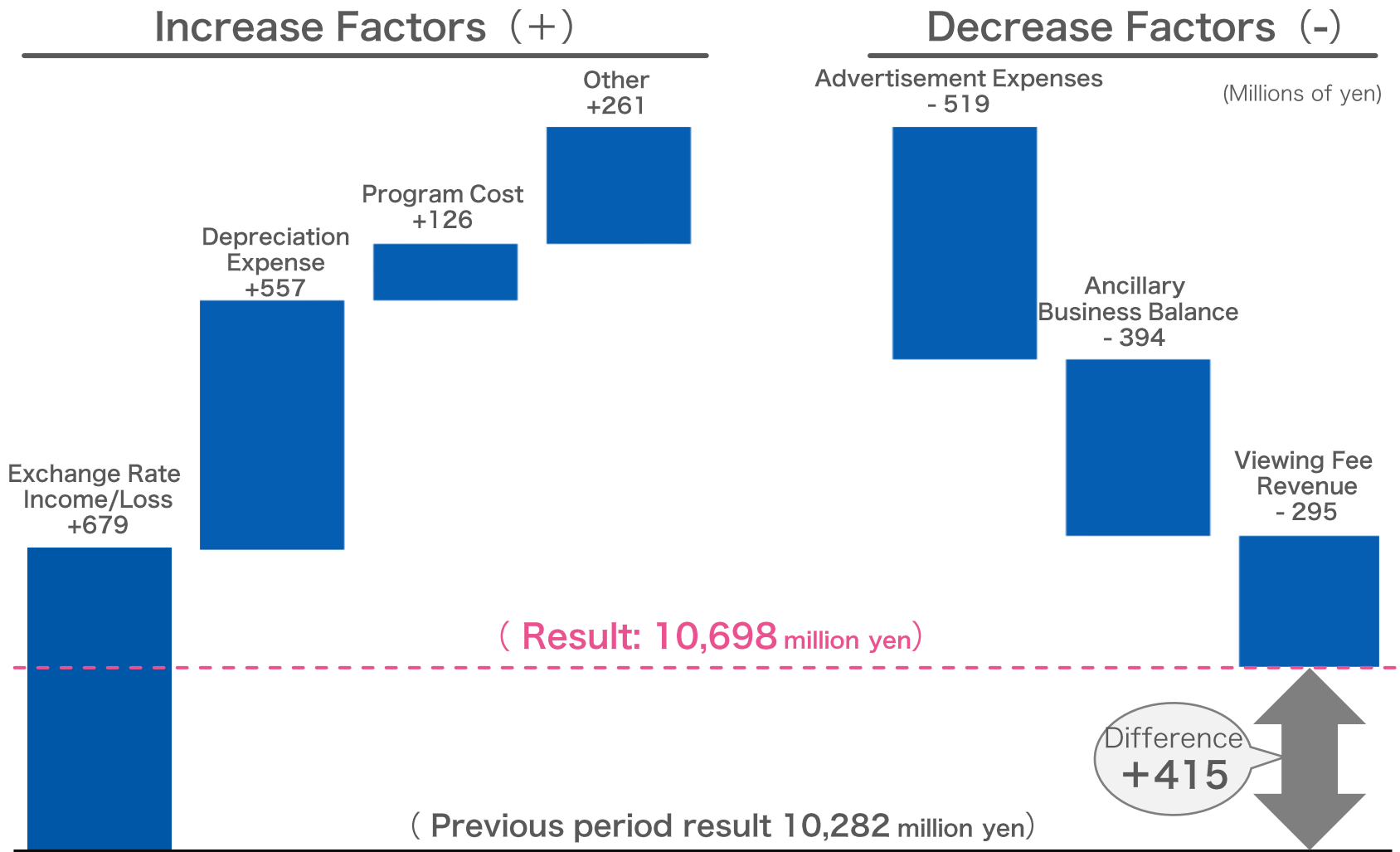
Revenue Item	FY2016	FY2017	Difference
Broadcasting	69,955	69,660	-295
Other	8,298	11,914	3,615
Total	78,253	81,574	3,320

(Millions of yen)

Revenue Item	FY2016	FY2017	Difference
Broadcasting	69,955	69,723	-232
Other	2,922	2,479	-442
Total	72,878	72,202	-675

Figures rounded down to millions of yen.

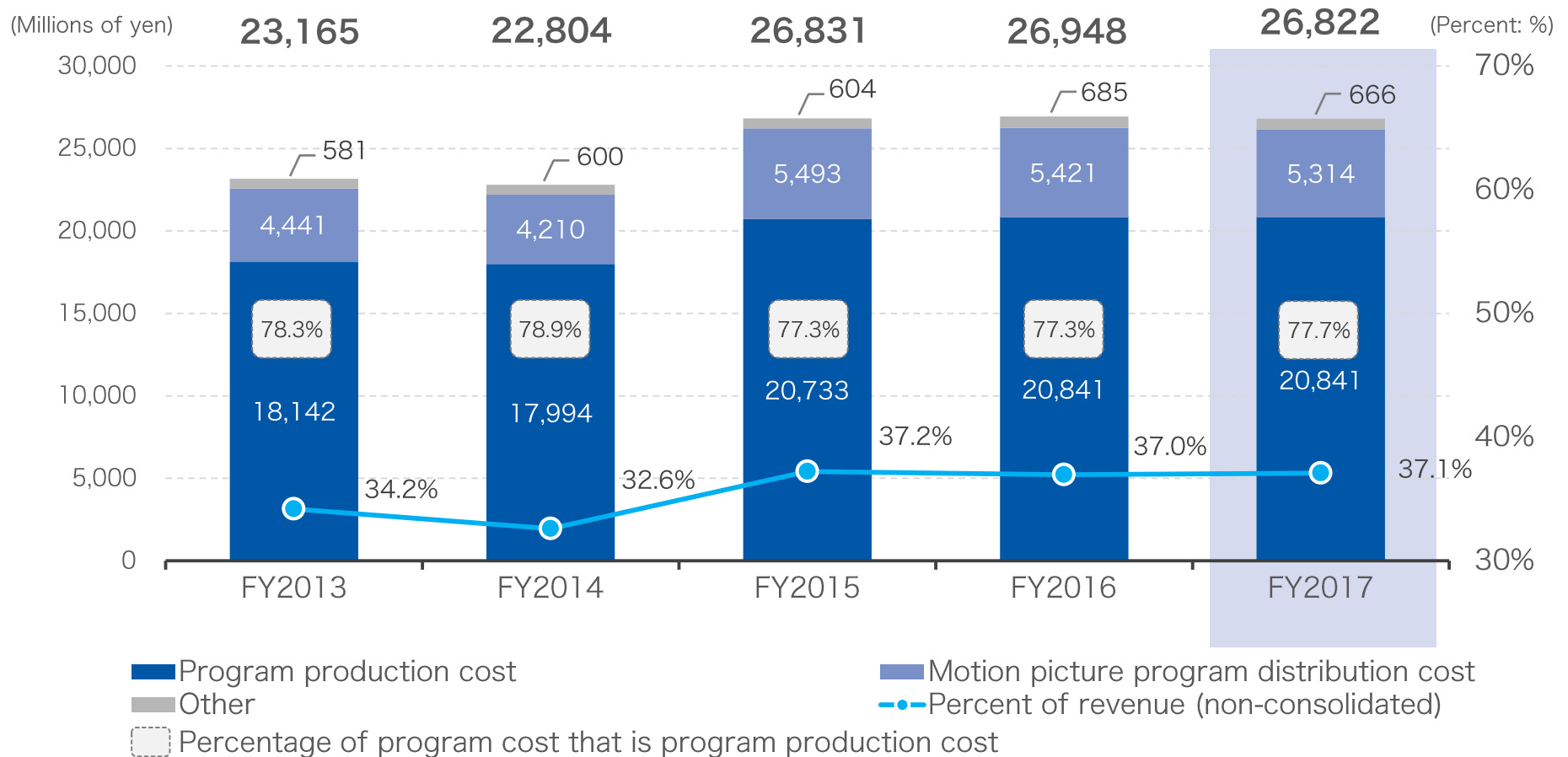
Consolidated Ordinary Income Factors in Difference from Previous Period



*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 remained nearly equivalent to the previous period due to effective and efficient investment



***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)

	FY2016		FY2017		Previous Period Difference	
	Result	Percent of Revenue	Result	Percent of Revenue	Difference	YoY
Revenue	8,474	100.0%	7,709	100.0%	-764	91.0%
Operating Income	57	0.7%	136	1.8%	78	237.4%
Ordinary Income	58	0.7%	134	1.7%	76	231.5%
Profit	42	0.5%	56	0.7%	14	134.2%

*WOWOW COMMUNICATIONS non-consolidated figures

■ WOWOW Plus Inc. (former IMAGICA TV Corp.) (Broadcasting)

Revenue	—	—	5,082	100.0%	—	—
Operating Income	—	—	195	3.8%	—	—
Ordinary Income	—	—	195	3.8%	—	—
Profit	—	—	117	2.3%	—	—

*WOWOW Plus Inc. (former IMAGICA TV Corp.) non-consolidated figures

Figures rounded down to millions of yen.

- 1 FY2017 Earnings (April-March)
- 2 Summary of FY2018 Business Plan
- 3 Supplementary Materials

Summary of FY2018 Business Plan

Becoming a Comprehensive Entertainment Media Group

1

Distinguish WOWOW from competitors with content that is wide-ranging and thoroughly unique to WOWOW

- ▶ Enrich original content and line up number-ones in each genre
- ▶ Aim to enhance the brand by procuring highly-newsworthy top content
- ▶ Consolidate customer data in a DMP,*¹ develop content based on analysis of preferences

2

Execute strategies in line with the Medium-Term Management Plan (FY2017-2020)

- ▶ Aim to tap new customers by working toward launching IP simulcast service in the second half of the period
- ▶ Aim to increase the number of WOWOW online members*² by stepping up digital marketing
- ▶ Strengthen Group company cooperation and make Group management efficient

*1 Data Management Platform

*2 Customers that have agreed to the online member terms and conditions and been given an ID (registration is free)

FY2018 Subscription Plan

(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

(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%

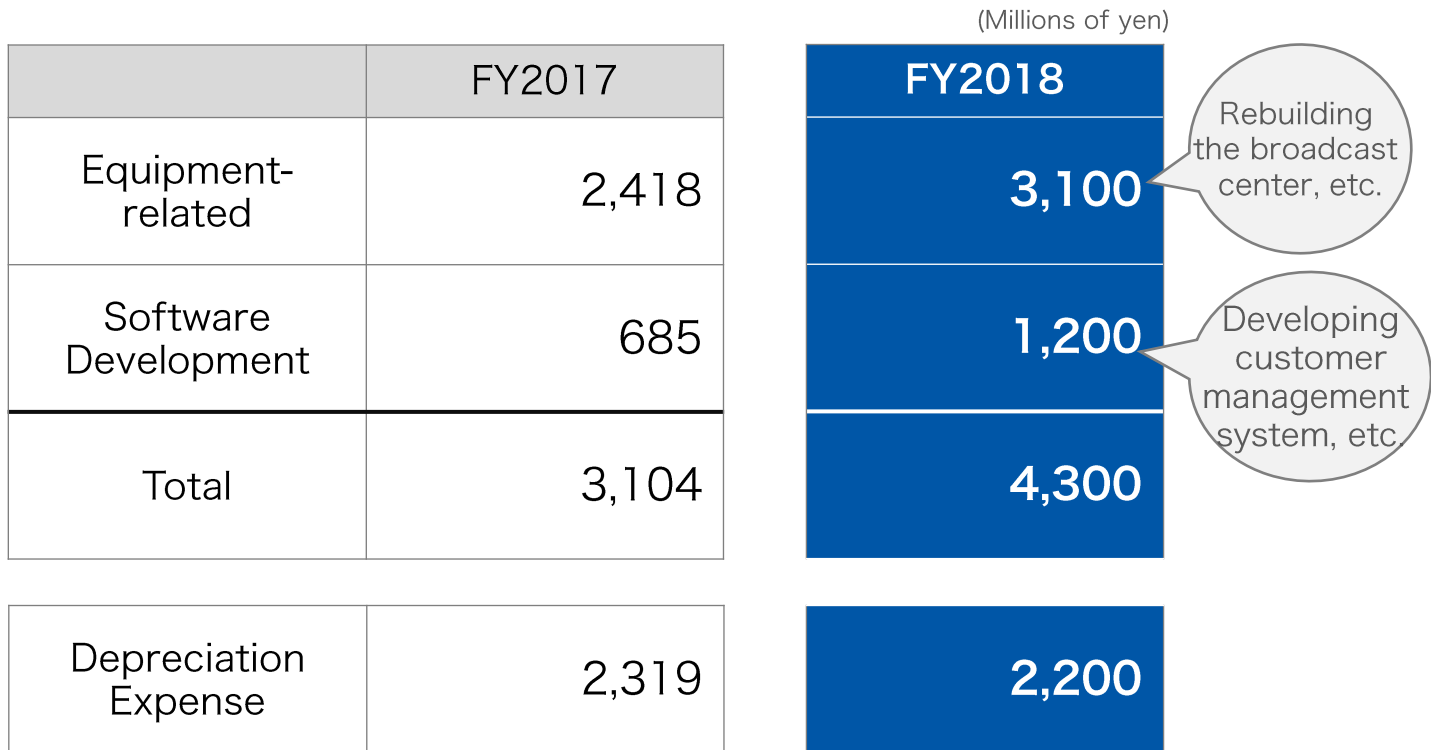
Non-Consolidated	Revenue	72,202	100.0%	73,000	100.0%	797	101.1%
	Operating Income	9,588	13.3%	6,000	8.2%	-3,588	62.6%
	Ordinary Income	10,205	14.1%	6,500	8.9%	-3,705	63.7%
	Profit	7,025	9.7%	4,600	6.3%	-2,425	65.5%

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%
------------------------	------------------	-------------------------	---	--------

FY2018 Investment Plan (Non-Consolidated)



Figures rounded down to millions of yen.

- 1 FY2017 Earnings (April-March)
- 2 Summary of FY2018 Business Plan
- 3 **Supplementary Materials**

Subscription

(Subscriptions)

	1Q	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.

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)

	FY2016		FY2017		
	Results	Percent of Revenue	Results	Percent of Revenue	YoY
I. Revenue	78,253	100.0%	81,574	100.0%	104.2%
Broadcasting	69,955	89.4%	69,660	85.4%	99.6%
Other	8,298	10.6%	11,914	14.6%	143.6%
II. CoGS	42,491	54.3%	45,224	55.4%	106.4%
Gross Profit	35,762	45.7%	36,350	44.6%	101.6%
III. SG&A	25,620	32.7%	26,474	32.5%	103.3%
Operating Income	10,141	13.0%	9,875	12.1%	97.4%
IV. Non-Operating Income	439	0.6%	823	1.0%	187.2%
Interest Income	14	0.0%	19	0.0%	133.0%
Equity in Earnings of Affiliates	341	0.4%	361	0.4%	105.8%
Exchange Rate Profit	–	–	381	0.5%	–
Other	83	0.1%	61	0.1%	73.7%
V. Non-Operating Expenses	298	0.4%	0	0.0%	0.3%
Exchange Rate Loss	297	0.4%	–	–	–
Other	0	0.0%	0	0.0%	298.7%
Ordinary Income	10,282	13.1%	10,698	13.1%	104.0%
VI. Extraordinary Income/Loss	-521	-0.7%	-68	-0.1%	–
Income before Income Tax and Minority Interests	9,761	12.5%	10,630	13.0%	108.9%
Income Taxes (Current and Deferred), etc.	2,961	3.8%	3,270	4.0%	110.4%
Profit Attributable to Owners of Parent	6,800	8.7%	7,360	9.0%	108.2%

Figures rounded down to millions of yen.

Income & Expenditure (Non-Consolidated)

(Millions of yen)

	FY2016		FY2017		
	Results	Percent of Revenue	Results	Percent of Revenue	YoY
I. Revenue	72,878	100.0%	72,202	100.0%	99.1%
Broadcasting	69,955	96.0%	69,723	96.6%	99.7%
Other	2,922	4.0%	2,479	3.4%	84.8%
II. CoGS	40,628	55.7%	40,062	55.5%	98.6%
Gross Profit	32,249	44.3%	32,140	44.5%	99.7%
III. SG&A	22,325	30.6%	22,551	31.2%	101.0%
Operating Income	9,924	13.6%	9,588	13.3%	96.6%
IV. Non-Operating Income	254	0.3%	618	0.9%	243.5%
Interest Income	14	0.0%	19	0.0%	137.9%
Exchange Rate Profit	—	—	381	0.5%	—
Other	239	0.3%	217	0.3%	90.7%
V. Non-Operating Expenses	298	0.4%	0	0.0%	0.3%
Exchange Rate Loss	298	0.4%	—	—	—
Other	0	0.0%	0	0.0%	820.6%
Ordinary Income	9,879	13.6%	10,205	14.1%	103.3%
VI. Extraordinary Income/Loss	-510	-0.7%	-35	-0.0%	—
Income before Income Tax and Minority Interests	9,369	12.9%	10,170	14.1%	108.5%
Income Taxes (Current and Deferred), etc.	2,905	4.0%	3,145	4.4%	108.2%
Profit	6,463	8.9%	7,025	9.7%	108.7%

Figures rounded down to millions of yen.

Expenditure Breakdown (Non-Consolidated)

(Millions of yen)

	FY2016	FY2017	YoY
--	--------	--------	-----

(1) CoGS Items

Program Cost	26,948	26,822	99.5%
Moving Picture Program Cost	5,421	5,314	98.0%
Program Production Cost	20,841	20,841	100.0%
Other	685	666	97.2%
Broadcasting Technology Cost	2,730	2,752	100.8%
Expenses for Programming Guide	2,468	2,443	99.0%
Other	8,481	8,044	94.8%
Total	40,628	40,062	98.6%

(2) SG&A Items

Merchandising Expense	1,246	1,077	86.5%
Incentives Paid	274	272	99.2%
Retention Commission Paid	4,933	4,992	101.2%
Credit Collection Agency Fee Paid	1,500	1,475	98.3%
Advertisement Expenses	4,113	5,040	122.5%
Customer Center Expenses	2,364	2,094	88.6%
Other	7,893	7,599	96.3%
Total	22,325	22,551	101.0%

(3) Depreciation Expense

Depreciation Expense	2,872	2,319	80.7%
----------------------	-------	-------	-------

Figures rounded down to millions of yen.

Extraordinary Income/Loss Breakdown

(Millions of yen)

	FY2016	FY2017	YoY
--	--------	--------	-----

(Consolidated)

Extraordinary Income			
Income from Sale of Non-Current Assets	0	2	—
Total	0	2	—
Extraordinary Losses			
Loss from Elimination of Non-Current Assets	521	39	7.5%
Loss from Valuation of Available-for-Sale Investment Securities	0	—	—
Impairment loss	—	32	—
Total	521	71	13.6%

(Non-Consolidated)

Extraordinary Income			
Income from Sale of Non-Current Assets	0	—	—
Total	0	—	—
Extraordinary Losses			
Loss from Elimination of Non-Current Assets	510	35	7.0%
Loss from Valuation of Available-for-Sale Investment Securities	0	—	—
Total	510	35	7.0%

Figures rounded down to millions of yen.

Results by Consolidated Segment

(Millions of yen)

	Revenue			Segment Income (Operating Income)		
	FY2016	FY2017	YoY	FY2016	FY2017	YoY
Broadcasting	73,432	77,651	105.7%	10,083	9,739	96.6%
Telemarketing	8,474	7,709	91.0%	57	136	237.4%
Total	81,906	85,361	104.2%	10,141	9,875	97.4%
Adjusted*	-3,653	-3,787	—	—	—	—
Consolidated	78,253	81,574	104.2%	10,141	9,875	97.4%

*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 March 31, 2018		Compared to End of Previous Period	
	Results	Share	Results	Share	Difference	Compared to End of Previous Period
Current Assets	57,747	70.9%	58,137	66.8%	390	100.7%
Non-Current Assets	23,714	29.1%	28,945	33.2%	5,230	122.1%
Current Liabilities	29,947	36.8%	29,231	33.6%	-716	97.6%
Non-Current Liabilities	1,782	2.2%	2,857	3.3%	1,074	160.3%
Capital Stock	5,000	6.1%	5,000	5.7%	—	100.0%
Capital Surplus	2,738	3.4%	2,738	3.1%	—	100.0%
Retained Earnings	44,540	54.7%	49,741	57.1%	5,201	111.7%
Treasury Shares	-3,081	-3.8%	-3,081	-3.5%	-0	—
Shareholders' Equity	49,197	60.4%	54,398	62.5%	5,200	110.6%
Accumulated Other Comprehensive Income	533	0.7%	596	0.7%	63	111.9%
Net Assets	49,731	61.0%	54,994	63.2%	5,263	110.6%
Total Assets	81,461	100.0%	87,083	100.0%	5,621	106.9%

Figures rounded down to millions of yen.

Balance Sheets (Non-Consolidated)

(Millions of yen)

	As of March 31, 2017		As of March 31, 2018		Compared to End of Previous Period	
	Results	Share	Results	Share	Difference	Compared to End of Previous Period
Current Assets	53,180	70.8%	51,713	65.7%	-1,466	97.2%
Non-Current Assets	21,957	29.2%	27,039	34.3%	5,082	123.1%
Current Liabilities	29,450	39.2%	27,895	35.4%	-1,554	94.7%
Non-Current Liabilities	1,780	2.4%	2,056	2.6%	276	115.5%
Capital Stock	5,000	6.7%	5,000	6.3%	—	100.0%
Capital Surplus	2,738	3.6%	2,738	3.5%	—	100.0%
Retained Earnings	38,551	51.3%	43,417	55.1%	4,866	112.6%
Treasury Shares	-3,081	-4.1%	-3,081	-3.9%	-0	—
Shareholders' Equity	43,208	57.5%	48,073	61.0%	4,865	111.3%
Valuation and Translation	697	0.9%	726	0.9%	28	104.2%
Net Assets	43,905	58.4%	48,800	62.0%	4,894	111.1%
Total Assets	75,137	100.0%	78,753	100.0%	3,615	104.8%

Figures rounded down to millions of yen.

Consolidated Statements of Cash Flows

(Millions of yen)

	FY2016	FY2017	Difference
I. Cash Flows from Operating Activities			
Income before Income Tax and Minority Interests	9,761	10,630	868
Depreciation Expenses, Reserves and Retirement Benefits	3,543	3,229	-314
Increase (Decrease) in Accounts Receivable ('-' signifies increase)	-454	-404	49
Increase (Decrease) in Inventory ('-' signifies increase)	-9,853	1,488	11,341
Increase (Decrease) in Accounts Payable ('-' signifies decrease)	13,209	-3,341	-16,550
Other	-1,082	658	1,740
Subtotal	15,124	12,259	-2,864
Payment of Income Taxes, etc.	-2,921	-2,837	83
Cash Flows from Operating Activities	12,202	9,421	-2,780
II. Cash Flows from Investing Activities			
Income/Expenditure due to Increase (Decrease) in Time Deposit ('-' signifies increase)	337	-105	-443
Income/Expenditure due to Increase (Decrease) in Property, Plant and Equipment ('-' signifies increase)	-1,314	-2,274	-960
Income/Expenditure due to Increase (Decrease) in Intangible Assets ('-' signifies increase)	-757	-738	19
Expenditure due to Acquisition of Subsidiary Shares ('-' signifies increase)	-795	-4,174	-3,379
Other	-13	54	68
Cash Flows from Investing Activities	-2,543	-7,238	-4,695
III. Cash Flows from Financing Activities			
Payment of Dividends	-1,889	-2,159	-269
Expenditure to Purchase Treasury Shares	-0	-0	-0
Other	-130	-183	-52
Cash Flows from Financing Activities	-2,020	-2,343	-323
IV. Effect of Exchange Rate Change on Cash and Cash Equivalents	-8	-5	3
V. Net Increase (Decrease) in Cash and Cash Equivalents	7,630	-165	-7,796
VI. Cash and Cash Equivalents at Beginning of Period	16,526	24,157	7,630
VII. Cash and Cash Equivalents at End of Period	24,157	23,991	-165

Figures rounded down to millions of yen.

WOWOW

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.



Inquiries concerning this document:
(Mass media) Public Relations Department TEL: 03 (4330) 8080 /
(IR) Investor Relations, Finance & Accounting Department TEL: 03 (4330) 8089