

# W O W O W

## Summary of 2Q FY2019 Earnings

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October 31, 2019  
WOWOW INC.



- 1 2Q FY2019 Earnings (April-September)
- 2 FY2019 Results Forecasts
- 3 Supplementary Materials

# 2Q FY2019 Earnings Highlights

Net new subscription decreased by 21,000, however, revenue and income increased.

## New Subscription

- Boxer Naoya Inoue's world title match, Southern All Stars' 40th anniversary live performance, the drama series Renzoku Drama-W: Mirror Twins Season 2 and other programs drove new subscription.
- New subscription fell year on year as a result of the more than 100,000 new subscriptions last September due to Naomi Osaka winning the U.S. Open Tennis Championship.

(Thousands)

	2Q FY2018	2Q FY2019	Difference	YoY
Gross New Subscriptions	347	282	-65	81.3%
Cancellations	290	303	13	104.5%
Net New Subscriptions	57	-21	-78	—

## Income & Expenditure (Consolidated)

- Revenue increased year on year due to an increase in revenue from subscription fees.
- Ordinary income increased year on year due to increased revenue and other factors.

(Millions of yen)

	2Q FY2018	2Q FY2019	Difference	YoY
Revenue	40,684	41,070	386	100.9%
Operating Income	4,155	4,589	433	110.4%
Ordinary Income	4,454	4,955	500	111.2%

Figures rounded down to millions of yen.

# 2Q FY2019 Subscription

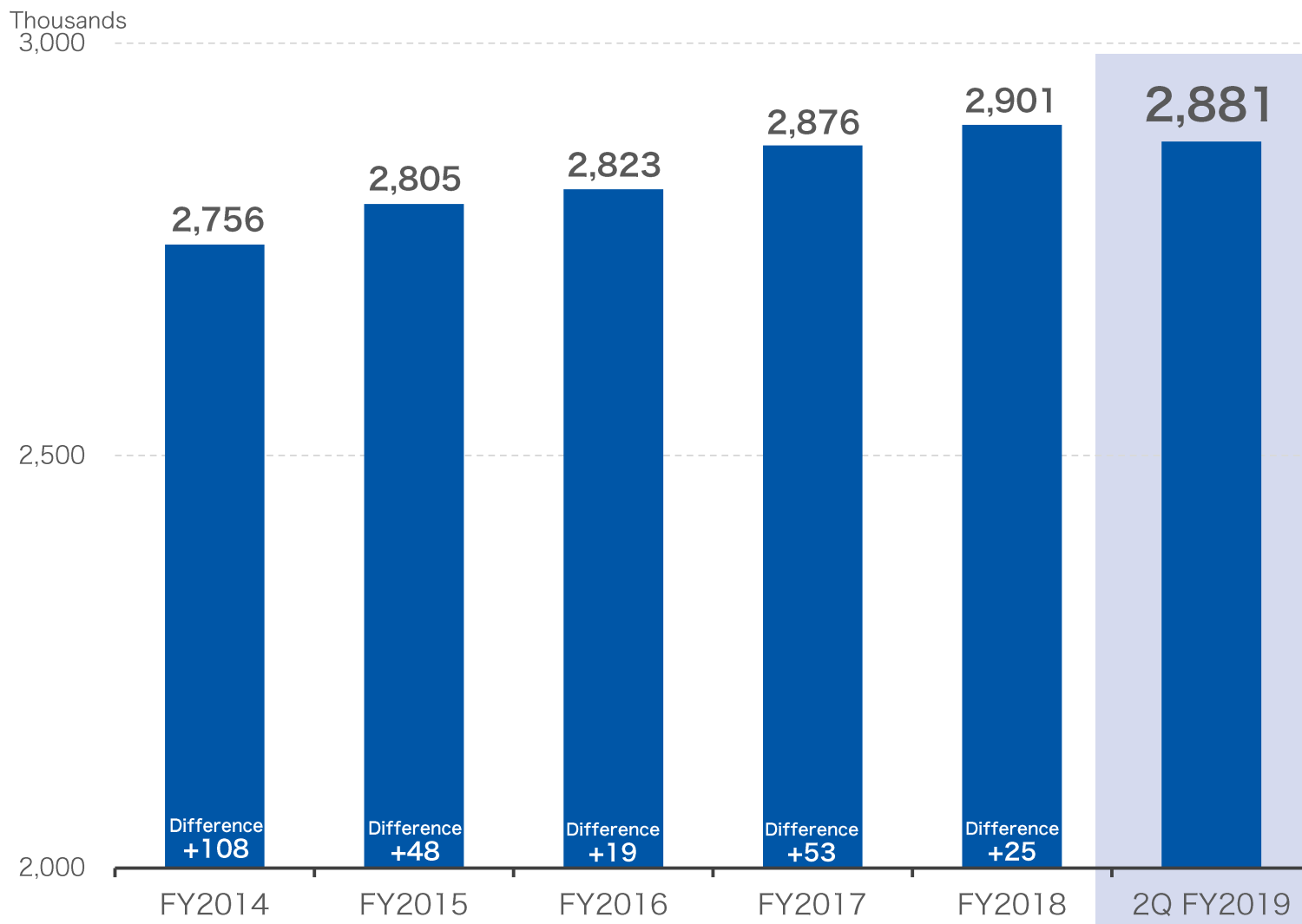
(Thousands)

	2Q FY2018	2Q FY2019	Previous Period Comparison	
			Difference	YoY
Gross New Subscriptions	347	282	-65	81.3%
Cancellations	290	303	13	104.5%
Net New Subscriptions	57	-21	-78	—
Net Cumulative Subscriptions	2,934	2,881	-53	98.2%
Of these, multi-subscriptions*1	418	413	-5	98.8%
Of these, hotel subscriptions*2	62	68	6	110.4%

\*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



# 2Q FY2019 Income & Expenditure

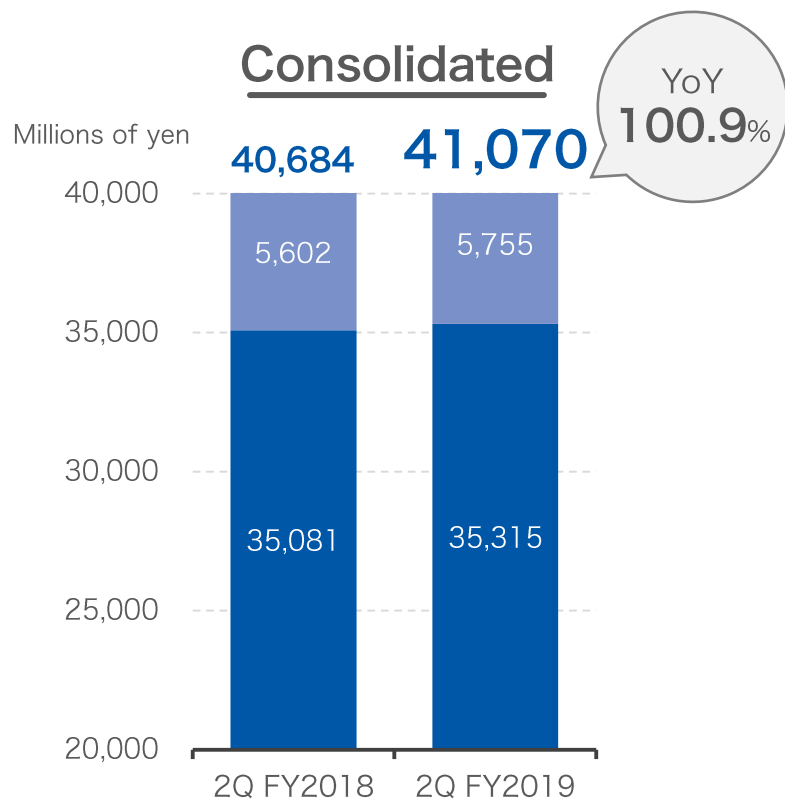
(Millions of yen)

		2Q FY2018		2Q FY2019		Previous Period Comparison	
		Result	Percent of Revenue	Result	Percent of Revenue	Difference	YoY
Consolidated	Revenue	40,684	100.0%	41,070	100.0%	386	100.9%
	Operating Income	4,155	10.2%	4,589	11.2%	433	110.4%
	Ordinary Income	4,454	10.9%	4,955	12.1%	500	111.2%
	Profit Attributable to Owners of Parent	3,064	7.5%	3,460	8.4%	395	112.9%
Non-Consolidated	Revenue	35,834	100.0%	36,230	100.0%	395	101.1%
	Operating Income	3,869	10.8%	4,289	11.8%	419	110.8%
	Ordinary Income	4,319	12.1%	4,790	13.2%	470	110.9%
	Profit	3,016	8.4%	3,373	9.3%	356	111.8%

Figures rounded down to millions of yen.

# Revenue Compared to Previous Period

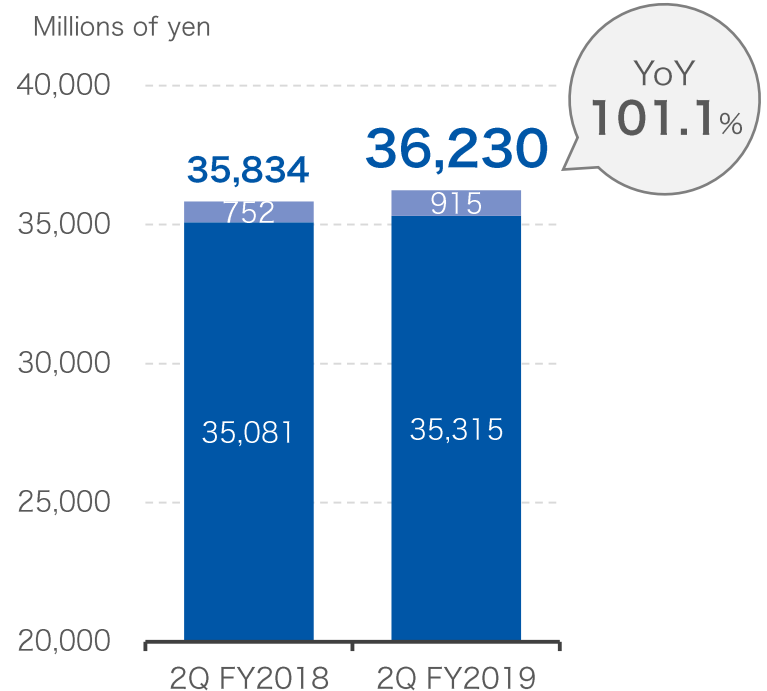
## Consolidated



(Millions of yen)

Revenue Item	2Q FY2018	2Q FY2019	Difference
Broadcasting	35,081	35,315	233
Other	5,602	5,755	152
<b>Total</b>	<b>40,684</b>	<b>41,070</b>	<b>386</b>

## Non-Consolidated

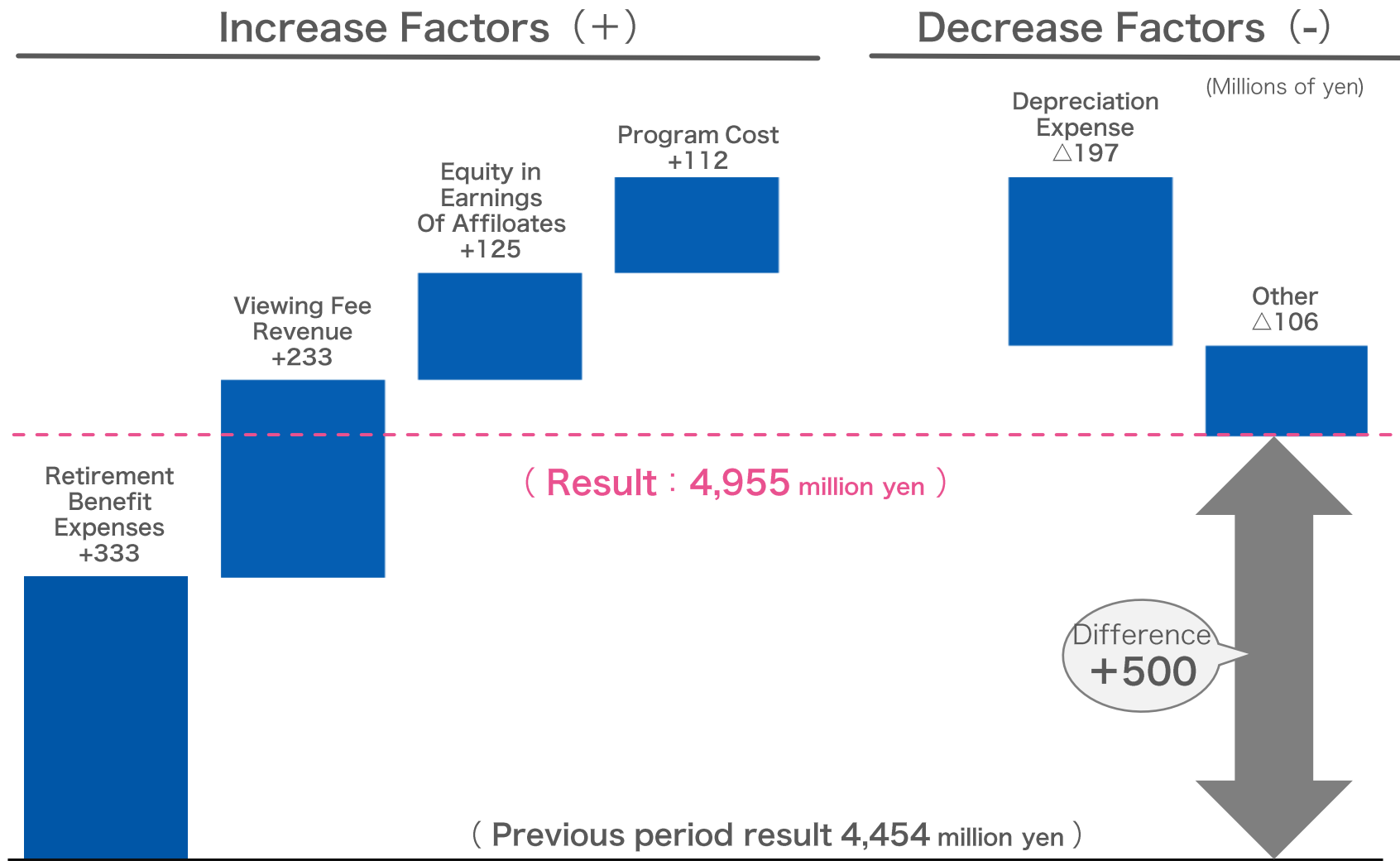


(Millions of yen)

Revenue Item	2Q FY2018	2Q FY2019	Difference
Broadcasting	35,081	35,315	233
Other	752	915	162
<b>Total</b>	<b>35,834</b>	<b>36,230</b>	<b>395</b>

Figures rounded down to millions of yen.

# Consolidated Ordinary Income Factors in Difference from Previous Period



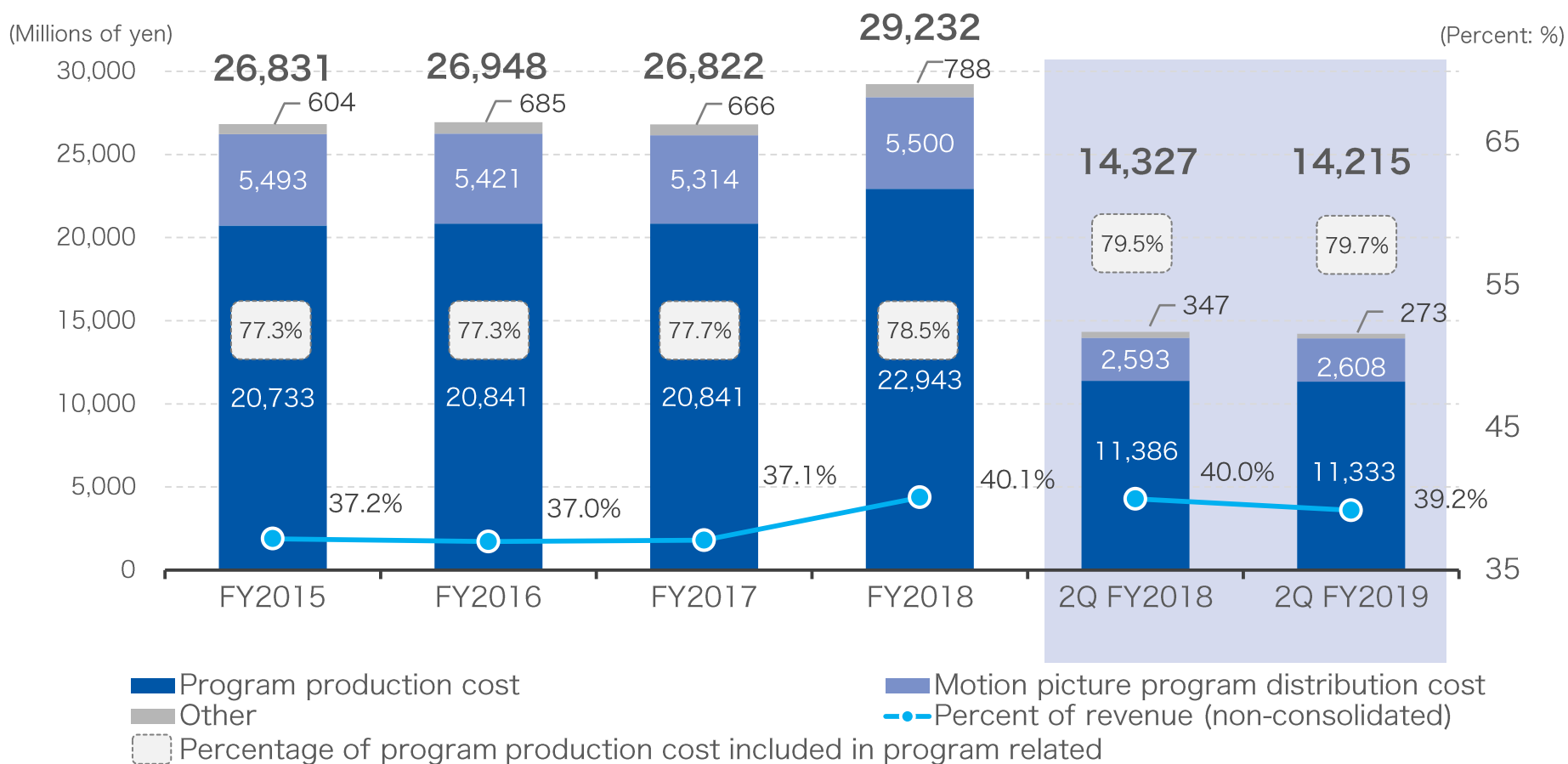
Figures rounded down to millions of yen.

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



# Change in Program-Related Cost

Program-related cost decreased year on year due to difference of licensed titles



\*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)

	2Q FY2018		2Q FY2019		Previous Period Difference	
	Result	Percent of Revenue	Result	Percent of Revenue	Difference	YoY
Revenue	4,262	100.0%	4,409	100.0%	147	103.5%
Operating Income	152	3.6%	123	2.8%	-29	80.7%
Ordinary Income	152	3.6%	125	2.8%	-27	82.0%
Profit	93	2.2%	83	1.9%	-9	89.5%

\*WOWOW COMMUNICATIONS non-consolidated figures

## ■WOWOW Plus Inc. (Broadcasting)

Revenue	2,562	100.0%	2,573	100.0%	11	100.5%
Operating Income	97	3.8%	141	5.5%	44	146.1%
Ordinary Income	97	3.8%	142	5.5%	45	146.4%
Profit	77	3.0%	121	4.7%	44	157.3%

\*WOWOW Plus Inc. non-consolidated figures

Figures rounded down to millions of yen.

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# FY2019 Subscription Plan(announced May 15, 2019)

(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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# Subscription

(Subscriptions)

		1Q Cumulative	July	August	September	2Q	2Q Cumulative
Gross New Subscriptions		148,201	42,761	50,702	40,294	133,757	281,958
Cancellations		159,986	48,129	41,023	53,752	142,904	302,890
Net New Subscriptions		-11,785	-5,368	9,679	-13,458	-9,147	-20,932
	Of these, multi-subscriptions*1	-1,886	-2	240	-684	-446	-2,332
	Of these, hotel subscriptions*2	1,818	660	386	853	1,899	3,717
Net Cumulative Subscriptions at End of Period		2,889,708	2,884,340	2,894,019	2,880,561	2,880,561	2,880,561
	Of these, multi-subscriptions*1	413,403	413,401	413,641	412,957	412,957	412,957
	Of these, hotel subscriptions*2	65,998	66,658	67,044	67,897	67,897	67,897

\*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 (FY2018) 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.



# Income & Expenditure (Consolidated)

(Millions of yen)

	2Q FY2018		2Q FY2019		
	Results	Percent of Revenue	Results	Percent of Revenue	YoY
I. Revenue	40,684	100.0%	41,070	100.0%	100.9%
Broadcasting	35,081	86.2%	35,315	86.0%	100.7%
Other	5,602	13.8%	5,755	14.0%	102.7%
II. CoGS	23,559	57.9%	23,821	58.0%	101.1%
Gross Profit	17,125	42.1%	17,248	42.0%	100.7%
III. SG&A	12,969	31.9%	12,658	30.8%	97.6%
Operating Income	4,155	10.2%	4,589	11.2%	110.4%
IV. Non-Operating Income	300	0.7%	370	0.9%	123.4%
Interest Income	16	0.0%	17	0.0%	103.9%
Equity in Earnings of Affiliates	38	0.1%	164	0.4%	427.0%
Exchange Rate Profit	190	0.5%	136	0.3%	71.9%
Other	54	0.1%	51	0.1%	94.9%
V. Non-Operating Expenses	1	0.0%	4	0.0%	350.9%
Other	1	0.0%	4	0.0%	350.9%
Ordinary Income	4,454	10.9%	4,955	12.1%	111.2%
VI. Extraordinary Income/Loss	-26	-0.1%	-2	-0.0%	—
Income before Income Tax and Minority Interests	4,428	10.9%	4,953	12.1%	111.9%
Income Taxes (Current and Deferred), etc.	1,363	3.4%	1,493	3.6%	109.5%
Profit Attributable to Owners of Parent	3,064	7.5%	3,460	8.4%	112.9%

Figures rounded down to millions of yen.

# Income & Expenditure (Non-Consolidated)

(Millions of yen)

	2Q FY2018		2Q FY2019		
	Results	Percent of Revenue	Results	Percent of Revenue	YoY
I. Revenue	35,834	100.0%	36,230	100.0%	101.1%
Broadcasting	35,081	97.9%	35,315	97.5%	100.7%
Other	752	2.1%	915	2.5%	121.6%
II. CoGS	20,912	58.4%	20,748	57.3%	99.2%
Gross Profit	14,921	41.6%	15,481	42.7%	103.8%
III. SG&A	11,051	30.8%	11,192	30.9%	101.3%
Operating Income	3,869	10.8%	4,289	11.8%	110.8%
IV. Non-Operating Income	450	1.3%	505	1.4%	112.2%
Interest Income	16	0.0%	17	0.0%	103.9%
Exchange Rate Profit	190	0.5%	136	0.4%	71.8%
Other	243	0.7%	351	1.0%	144.4%
V. Non-Operating Expenses	1	0.0%	4	0.0%	402.4%
Other	1	0.0%	4	0.0%	402.4%
Ordinary Income	4,319	12.1%	4,790	13.2%	110.9%
VI. Extraordinary Income/Loss	-12	-0.0%	-1	-0.0%	—
Income before Income Tax and Minority Interests	4,307	12.0%	4,788	13.2%	111.2%
Income Taxes (Current and Deferred), etc.	1,290	3.6%	1,414	3.9%	109.7%
Profit	3,016	8.4%	3,373	9.3%	111.8%

Figures rounded down to millions of yen.

# Expenditure Breakdown (Non-Consolidated)

(Millions of yen)

	2Q FY2018	2Q FY2019	YoY
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## (1) CoGS Items

Program Cost	14,327	14,215	99.2%
Moving Picture Program Cost	2,593	2,608	100.6%
Program Production Cost	11,386	11,333	99.5%
Other	347	273	78.6%
Broadcasting Technology Cost	1,405	1,455	103.5%
Expenses for Programming Guide	1,286	1,316	102.3%
Other	3,892	3,762	96.6%
<b>Total</b>	<b>20,912</b>	<b>20,748</b>	<b>99.2%</b>

## (2) SG&A Items

Merchandising Expense	502	390	77.7%
Incentives Paid	153	176	115.1%
Retention Commission Paid	2,526	2,605	103.2%
Credit Collection Agency Fee Paid	733	740	101.0%
Advertisement Expenses	2,379	2,268	95.3%
Customer Center Expenses	1,065	997	93.6%
Other	3,690	4,011	108.7%
<b>Total</b>	<b>11,051</b>	<b>11,192</b>	<b>101.3%</b>

## (3) Depreciation Expense

Depreciation Expense	1,008	1,135	112.6%
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Figures rounded down to millions of yen.

# Extraordinary Income/Loss Breakdown

(Millions of yen)

2Q FY2018	2Q FY2019	YoY
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(Consolidated)

Extraordinary Income			
Income from Sale of Non-Current Assets	—	0	—
<b>Total</b>	<b>—</b>	<b>0</b>	<b>—</b>
Extraordinary Losses			
Loss from Elimination of Non-Current Assets	19	1	7.8%
Loss from Sale of Fixed Assets	—	0	—
Loss on Valuation of Golf Memberships	7	0	10.7%
<b>Total</b>	<b>26</b>	<b>2</b>	<b>9.0%</b>

(Non-Consolidated)

Extraordinary Income			
Income from Sale of Non-Current Assets	—	0	—
<b>Total</b>	<b>—</b>	<b>0</b>	<b>—</b>
Extraordinary Losses			
Loss from Elimination of Non-Current Assets	5	0	18.9%
Loss from Sale of Fixed Assets	—	0	—
Loss on Valuation of Golf Memberships	7	0	10.7%
<b>Total</b>	<b>12</b>	<b>1</b>	<b>15.1%</b>

Figures rounded down to millions of yen.

# Results by Consolidated Segment

(Millions of yen)

	Revenue			Segment Income (Operating Income)		
	2Q FY2018	2Q FY2019	YoY	2Q FY2018	2Q FY2019	YoY
Broadcasting	38,571	38,912	100.9%	4,003	4,466	111.6%
Telemarketing	4,262	4,409	103.5%	152	123	80.7%
Total	42,833	43,322	101.1%	4,155	4,589	110.4%
Adjusted*	-2,148	-2,251	104.8%	—	—	—
Consolidated	40,684	41,070	100.9%	4,155	4,589	110.4%

\*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, 2019		As of September 30, 2019		Compared to End of Previous Period	
	Results	Share	Results	Share	Difference	Compared to End of Previous Period
Current Assets	61,488	66.4%	56,565	64.4%	-4,922	92.0%
Non-Current Assets	31,066	33.6%	31,248	35.6%	182	100.6%
Current Liabilities	31,611	34.2%	25,888	29.5%	-5,723	81.9%
Non-Current Liabilities	2,912	3.1%	2,828	3.2%	-83	97.1%
Capital Stock	5,000	5.4%	5,000	5.7%	—	100.0%
Capital Surplus	2,738	3.0%	2,738	3.1%	—	100.0%
Retained Earnings	52,765	57.0%	54,066	61.6%	1,300	102.5%
Treasury Shares	-3,081	-3.3%	-3,081	-3.5%	—	100.0%
Shareholders' Equity	57,421	62.0%	58,722	66.9%	1,300	102.3%
Accumulated Other Comprehensive Income	609	0.7%	374	0.4%	-234	61.6%
Net Assets	58,030	62.7%	59,097	67.3%	1,066	101.8%
Total Assets	92,555	100.0%	87,814	100.0%	-4,740	94.9%

Figures rounded down to millions of yen.

# Balance Sheets (Non-Consolidated)

(Millions of yen)

	As of March 31, 2019		As of September 30, 2019		Compared to End of Previous Period	
	Results	Share	Results	Share	Difference	Compared to End of Previous Period
Current Assets	54,779	65.3%	49,965	63.0%	-4,814	91.2%
Non-Current Assets	29,160	34.7%	29,354	37.0%	194	100.7%
Current Liabilities	30,246	36.0%	24,684	31.1%	-5,561	81.6%
Non-Current Liabilities	2,233	2.7%	2,181	2.8%	-52	97.7%
Capital Stock	5,000	6.0%	5,000	6.3%	—	100.0%
Capital Surplus	2,738	3.3%	2,738	3.5%	—	100.0%
Retained Earnings	46,141	55.0%	47,355	59.7%	1,214	102.6%
Treasury Shares	-3,081	-3.7%	-3,081	-3.9%	—	100.0%
Shareholders' Equity	50,797	60.5%	52,012	65.6%	1,214	102.4%
Valuation and Translation	662	0.8%	441	0.6%	-221	66.6%
Net Assets	51,460	61.3%	52,453	66.1%	993	101.9%
Total Assets	83,940	100.0%	79,319	100.0%	-4,620	94.5%

Figures rounded down to millions of yen.

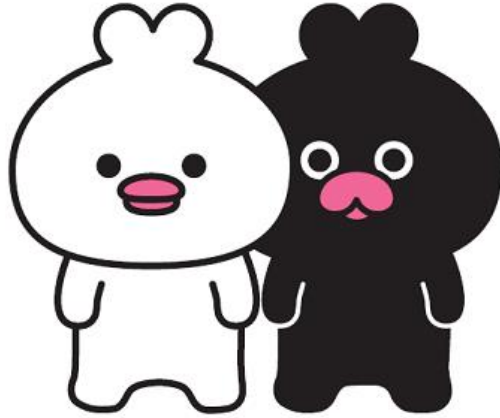
# Consolidated Statements of Cash Flows

(Millions of yen)

	2Q FY2018	2Q FY2019	YoY	FY2018
<b>I. Cash Flows from Operating Activities</b>				
Income before Income Tax and Minority Interests	4,428	4,953	525	7,467
Depreciation Expenses, Reserves and Retirement Benefits	1,593	1,259	△334	3,055
Increase (Decrease) in Accounts Receivable ('-' signifies increase)	501	246	△254	203
Increase (Decrease) in Inventory ('-' signifies increase)	-5,279	4,898	10,178	△4,785
Increase (Decrease) in Accounts Payable ('-' signifies decrease)	5,526	△4,908	△10,435	3,338
Other	-1,092	△1,617	△524	△582
Subtotal	5,677	4,832	△845	8,697
Payment of Income Taxes, etc.	-1,989	△619	1,369	△3,680
<b>Cash Flows from Operating Activities</b>	<b>3,688</b>	<b>4,213</b>	<b>524</b>	<b>5,017</b>
<b>II. Cash Flows from Investing Activities</b>				
Income/Expenditure due to Increase (Decrease) in Time Deposit ('-' signifies increase)	-2	—	2	-2
Income/Expenditure due to Increase (Decrease) in Property, Plant and Equipment ('-' signifies increase)	-1,455	-1,490	-34	-2,103
Income/Expenditure due to Increase (Decrease) in Intangible Assets ('-' signifies increase)	-370	-564	-193	-658
Income/Expenditure due to Acquisition of Subsidiary Shares ('-' signifies increase)	—	-35	-35	-2
Other	0	-8	-8	-90
<b>Cash Flows from Investing Activities</b>	<b>-1,828</b>	<b>-2,098</b>	<b>-270</b>	<b>-2,856</b>
<b>III. Cash Flows from Financing Activities</b>				
Payment of Dividends	-2,159	-2,159	—	-2,159
Other	-49	-19	30	-77
<b>Cash Flows from Financing Activities</b>	<b>-2,209</b>	<b>-2,178</b>	<b>30</b>	<b>-2,336</b>
<b>IV. Effect of Exchange Rate Change on Cash and Cash Equivalents</b>	<b>315</b>	<b>-46</b>	<b>-361</b>	<b>213</b>
<b>V. Net Increase (Decrease) in Cash and Cash Equivalents('-' signifies decrease)</b>	<b>-33</b>	<b>-110</b>	<b>-77</b>	<b>137</b>
<b>VI. Cash and Cash Equivalents at Beginning of Period</b>	<b>23,991</b>	<b>24,129</b>	<b>137</b>	<b>23,991</b>
<b>VII. Cash and Cash Equivalents at End of Period</b>	<b>23,958</b>	<b>24,019</b>	<b>60</b>	<b>24,129</b>

Figures rounded down to millions of yen.





# WOWOW

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## 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.

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