

# W O W O W

## Summary of 3Q FY2019 Earnings

---

January 31, 2020  
WOWOW INC.



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

# 3Q FY2019 Earnings Highlights

Net new subscription decreased by 45,000, however, revenue and income increased.

## New Subscription

- Boxer Naoya Inoue's world title match, tennis, live performances of artists such as Southern All Stars and Kishidan Banpaku, the drama series Renzoku Drama-W: Mirror Twins Season 2 and other programs drove new subscription.
- 3Q FY2018 saw more than 100,000 new subscriptions due to Naomi Osaka winning the US Open Tennis Championships.
- Net new subscription faces challenges as the spread of subscription-based streaming services offers viewers more options.

(Thousands)

	3Q FY2018	3Q FY2019	Difference	YoY
Gross New Subscriptions	489	402	-87	82.2%
Cancellations	465	447	-18	96.2%
Net New Subscriptions	25	-45	-69	—

## Income & Expenditure (Consolidated)

- Revenue increased year on year due to an increase in external revenue of the subsidiary companies.
- Ordinary income increased year on year due to decreased program related cost and other factors.

(Millions of yen)

	3Q FY2018	3Q FY2019	Difference	YoY
Revenue	61,378	61,640	261	100.4%
Operating Income	6,764	7,755	991	114.7%
Ordinary Income	7,315	8,218	902	112.3%

Figures rounded down to millions of yen.

# 3Q FY2019 Subscription

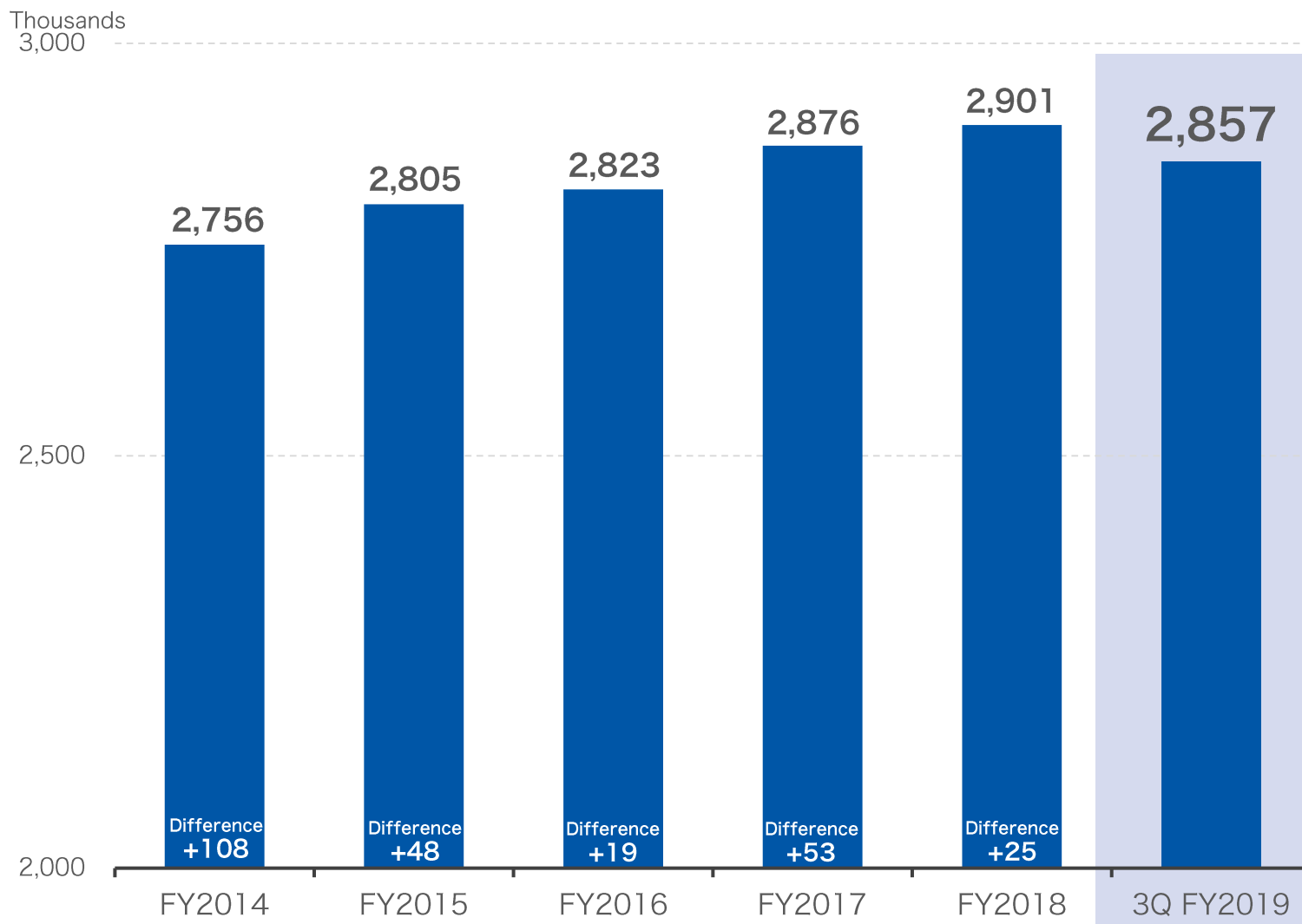
(Thousands)

	3Q FY2018	3Q FY2019	Previous Period Comparison	
			Difference	YoY
Gross New Subscriptions	489	402	-87	82.2%
Cancellations	465	447	-18	96.2%
Net New Subscriptions	25	-45	-69	—
Net Cumulative Subscriptions	2,901	2,857	-44	98.5%
Of these, multi-subscriptions*1	417	411	-6	98.6%
Of these, hotel subscriptions*2	63	69	6	109.5%

\*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 FY2019 Income & Expenditure

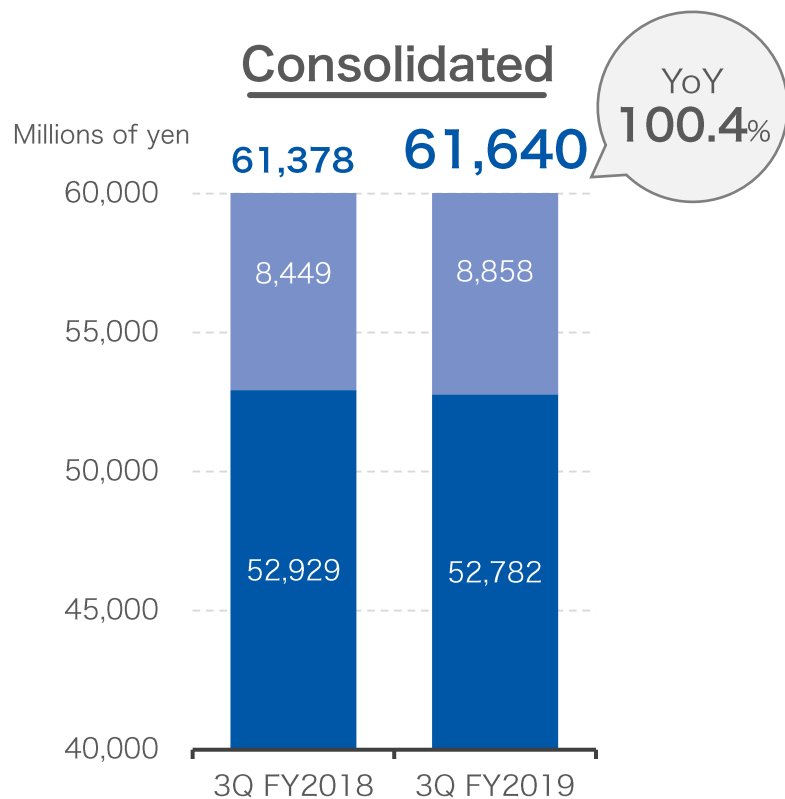
(Millions of yen)

		3Q FY2018		3Q FY2019		Previous Period Comparison	
		Result	Percent of Revenue	Result	Percent of Revenue	Difference	YoY
Consolidated	Revenue	61,378	100.0%	61,640	100.0%	261	100.4%
	Operating Income	6,764	11.0%	7,755	12.6%	991	114.7%
	Ordinary Income	7,315	11.9%	8,218	13.3%	902	112.3%
	Profit Attributable to Owners of Parent	5,006	8.2%	5,719	9.3%	712	114.2%
Non-Consolidated	Revenue	54,167	100.0%	54,127	100.0%	-40	99.9%
	Operating Income	6,343	11.7%	7,286	13.5%	943	114.9%
	Ordinary Income	7,025	13.0%	7,838	14.5%	812	111.6%
	Profit	4,867	9.0%	5,482	10.1%	615	112.6%

Figures rounded down to millions of yen.

# Revenue Compared to Previous Period

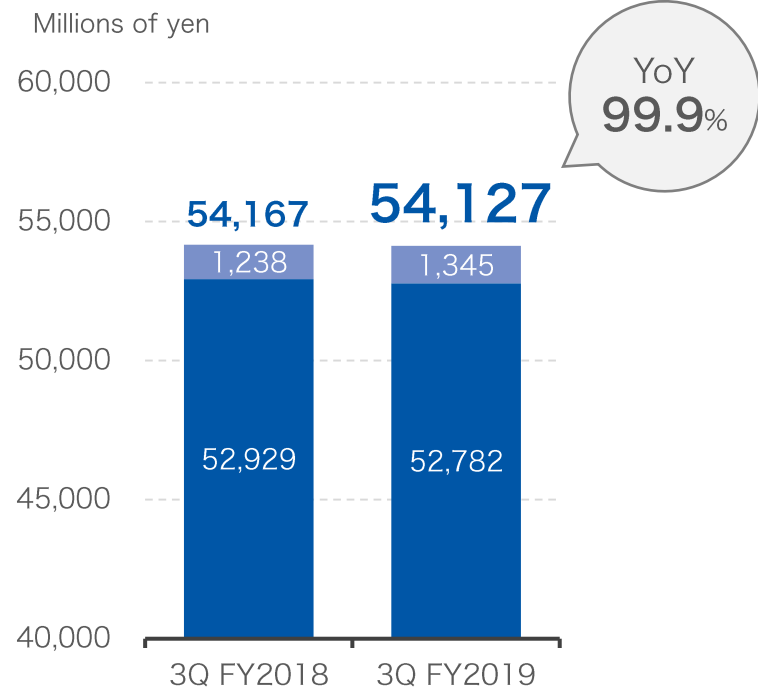
## Consolidated



(Millions of yen)

Revenue Item	3Q FY2018	3Q FY2019	Difference
Broadcasting	52,929	52,782	-147
Other	8,449	8,858	408
<b>Total</b>	<b>61,378</b>	<b>61,640</b>	<b>261</b>

## Non-Consolidated

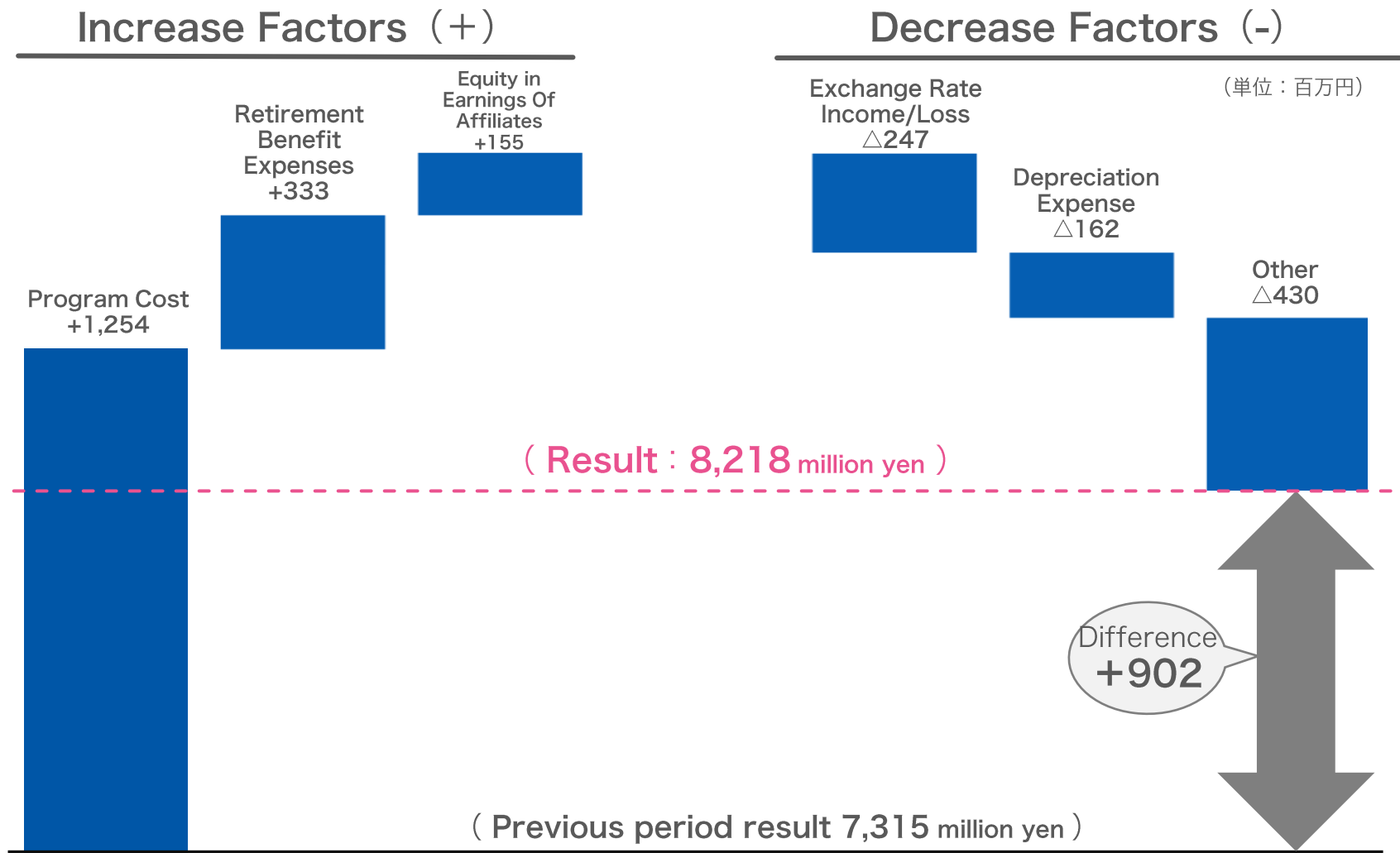


(Millions of yen)

Revenue Item	3Q FY2018	3Q FY2019	Difference
Broadcasting	52,929	52,782	-147
Other	1,238	1,345	107
<b>Total</b>	<b>54,167</b>	<b>54,127</b>	<b>-40</b>

Figures rounded down to millions of yen.

# Consolidated Ordinary Income Factors in Difference from Previous Period

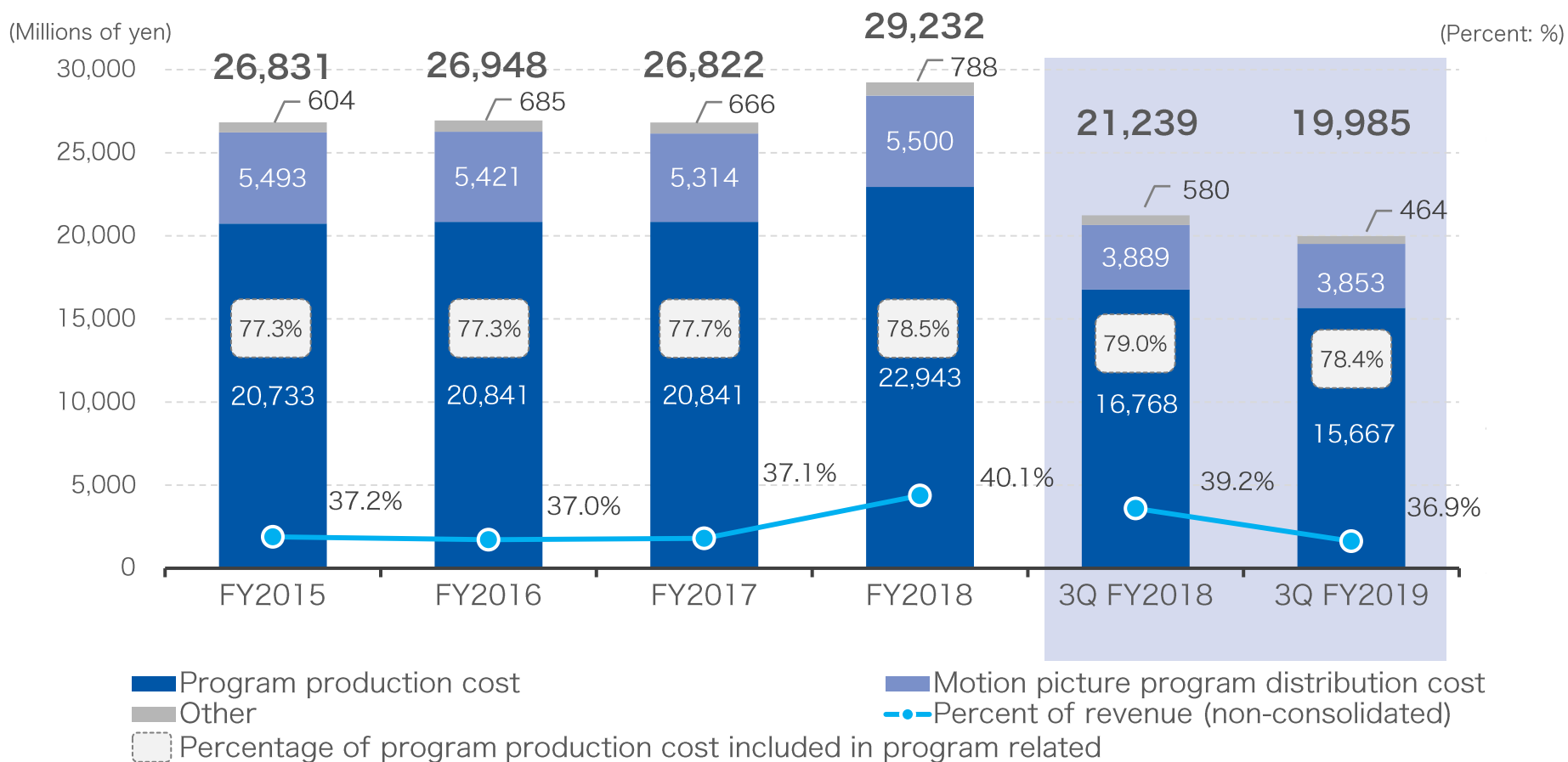


Figures rounded down to millions of yen.

\*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)

	3Q FY2018		3Q FY2019		Previous Period Difference	
	Result	Percent of Revenue	Result	Percent of Revenue	Difference	YoY
Revenue	6,472	100.0%	6,634	100.0%	161	102.5%
Operating Income	281	4.3%	181	2.7%	-99	64.7%
Ordinary Income	283	4.4%	186	2.8%	-97	65.7%
Profit	183	2.8%	112	1.7%	-71	61.1%

\*WOWOW COMMUNICATIONS non-consolidated figures

## ■WOWOW Plus Inc. (Broadcasting)

Revenue	3,791	100.0%	3,899	100.0%	108	102.9%
Operating Income	122	3.2%	187	4.8%	64	152.7%
Ordinary Income	123	3.2%	187	4.8%	64	152.7%
Profit	87	2.3%	155	4.0%	68	178.1%

\*WOWOW Plus Inc. non-consolidated figures

Figures rounded down to millions of yen.

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

# 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%
-----------------	------------------	------------------	---	--------

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

# Subscription

(Subscriptions)

	2Q Cumulative	October	November	December	3Q	3Q Cumulative
Gross New Subscriptions	281,958	37,229	33,687	49,029	119,945	401,903
Cancellations	302,890	57,252	45,307	41,185	143,744	446,634
Net New Subscriptions	-20,932	-20,023	-11,620	7,844	-23,799	-44,731
Of these, multi-subscriptions*1	-2,332	-1,665	-699	386	-1,978	-4,310
Of these, hotel subscriptions*2	3,717	66	602	59	727	4,444
Net Cumulative Subscriptions at End of Period	2,880,561	2,860,538	2,848,918	2,856,762	2,856,762	2,856,762
Of these, multi-subscriptions*1	412,957	411,292	410,593	410,979	410,979	410,979
Of these, hotel subscriptions*2	67,897	67,963	68,565	68,624	68,624	68,624

\*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)

	3Q FY2018		3Q FY2019		
	Results	Percent of Revenue	Results	Percent of Revenue	YoY
I. Revenue	61,378	100.0%	61,640	100.0%	100.4%
Broadcasting	52,929	86.2%	52,782	85.6%	99.7%
Other	8,449	13.8%	8,858	14.4%	104.8%
II. CoGS	35,724	58.2%	34,501	56.0%	96.6%
Gross Profit	25,653	41.8%	27,138	44.0%	105.8%
III. SG&A	18,889	30.8%	19,382	31.4%	102.6%
Operating Income	6,764	11.0%	7,755	12.6%	114.7%
IV. Non-Operating Income	552	0.9%	469	0.8%	85.1%
Interest Income	17	0.0%	18	0.0%	104.6%
Equity in Earnings of Affiliates	57	0.1%	213	0.3%	368.1%
Exchange Rate Profit	399	0.7%	152	0.2%	38.2%
Other	77	0.1%	86	0.1%	111.1%
V. Non-Operating Expenses	1	0.0%	7	0.0%	582.8%
Other	1	0.0%	7	0.0%	582.8%
Ordinary Income	7,315	11.9%	8,218	13.3%	112.3%
VI. Extraordinary Income/Loss	-54	-0.1%	-8	-0.0%	—
Income before Income Tax and Minority Interests	7,261	11.8%	8,209	13.3%	113.1%
Income Taxes (Current and Deferred), etc.	2,255	3.7%	2,490	4.0%	110.4%
Profit Attributable to Owners of Parent	5,006	8.2%	5,719	9.3%	114.2%

Figures rounded down to millions of yen.

# Income & Expenditure (Non-Consolidated)

(Millions of yen)

	3Q FY2018		3Q FY2019		
	Results	Percent of Revenue	Results	Percent of Revenue	YoY
I. Revenue	54,167	100.0%	54,127	100.0%	99.9%
Broadcasting	52,929	97.7%	52,782	97.5%	99.7%
Other	1,238	2.3%	1,345	2.5%	108.6%
II. CoGS	31,252	57.7%	29,677	54.8%	95.0%
Gross Profit	22,915	42.3%	24,449	45.2%	106.7%
III. SG&A	16,571	30.6%	17,163	31.7%	103.6%
Operating Income	6,343	11.7%	7,286	13.5%	114.9%
IV. Non-Operating Income	683	1.3%	558	1.0%	81.7%
Interest Income	17	0.0%	17	0.0%	104.7%
Exchange Rate Profit	400	0.7%	152	0.3%	38.2%
Other	266	0.5%	387	0.7%	145.5%
V. Non-Operating Expenses	1	0.0%	6	0.0%	607.9%
Other	1	0.0%	6	0.0%	607.9%
Ordinary Income	7,025	13.0%	7,838	14.5%	111.6%
VI. Extraordinary Income/Loss	-40	-0.1%	-1	-0.0%	—
Income before Income Tax and Minority Interests	6,985	12.9%	7,836	14.5%	112.2%
Income Taxes (Current and Deferred), etc.	2,117	3.9%	2,353	4.3%	111.1%
Profit	4,867	9.0%	5,482	10.1%	112.6%

Figures rounded down to millions of yen.

# Expenditure Breakdown (Non-Consolidated)

(Millions of yen)

	3Q FY2018	3Q FY2019	YoY
--	-----------	-----------	-----

## (1) CoGS Items

Program Cost	21,239	19,985	94.1%
Moving Picture Program Cost	3,889	3,853	99.1%
Program Production Cost	16,768	15,667	93.4%
Other	580	464	80.0%
Broadcasting Technology Cost	2,114	2,145	101.5%
Expenses for Programming Guide	1,950	1,978	101.5%
Other	5,948	5,568	93.6%
<b>Total</b>	<b>31,252</b>	<b>29,677</b>	<b>95.0%</b>

## (2) SG&A Items

Merchandising Expense	734	579	78.9%
Incentives Paid	221	245	110.7%
Retention Commission Paid	3,830	3,883	101.4%
Credit Collection Agency Fee Paid	1,105	1,103	99.9%
Advertisement Expenses	3,518	3,599	102.3%
Customer Center Expenses	1,603	1,494	93.2%
Other	5,557	6,257	112.6%
<b>Total</b>	<b>16,571</b>	<b>17,163</b>	<b>103.6%</b>

## (3) Depreciation Expense

Depreciation Expense	1,559	1,715	110.0%
----------------------	-------	-------	--------

Figures rounded down to millions of yen.

# Extraordinary Income/Loss Breakdown

(Millions of yen)

3Q FY2018	3Q FY2019	YoY
-----------	-----------	-----

(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	47	8	17.0%
Loss from Sale of Fixed Assets	—	0	—
Loss on Valuation of Golf Memberships	7	0	10.7%
<b>Total</b>	<b>54</b>	<b>8</b>	<b>16.4%</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	33	1	3.7%
Loss from Sale of Fixed Assets	—	0	—
Loss on Valuation of Golf Memberships	7	0	10.7%
<b>Total</b>	<b>40</b>	<b>2</b>	<b>5.1%</b>

Figures rounded down to millions of yen.

# Results by Consolidated Segment

(Millions of yen)

	Revenue			Segment Income (Operating Income)		
	3Q FY2018	3Q FY2019	YoY	3Q FY2018	3Q FY2019	YoY
Broadcasting	58,176	58,363	100.3%	6,483	7,573	116.8%
Telemarketing	6,472	6,634	102.5%	281	181	64.6%
Total	64,648	64,997	100.5%	6,764	7,755	114.7%
Adjusted*	-3,269	-3,357	—	—	—	—
Consolidated	61,378	61,640	100.4%	6,764	7,755	114.7%

\*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 December 31, 2019		Compared to End of Previous Period	
	Results	Share	Results	Share	Difference	Compared to End of Previous Period
Current Assets	61,488	66.4%	60,294	65.9%	-1,193	98.1%
Non-Current Assets	31,066	33.6%	31,204	34.1%	137	100.4%
Current Liabilities	31,611	34.2%	27,182	29.7%	-4,429	86.0%
Non-Current Liabilities	2,912	3.1%	2,792	3.1%	-119	95.9%
Capital Stock	5,000	5.4%	5,000	5.5%	—	100.0%
Capital Surplus	2,738	3.0%	2,738	3.0%	—	100.0%
Retained Earnings	52,765	57.0%	56,325	61.6%	3,559	106.7%
Treasury Shares	-3,081	-3.3%	-3,081	-3.4%	—	100.0%
Shareholders' Equity	57,421	62.0%	60,981	66.6%	3,559	106.2%
Accumulated Other Comprehensive Income	609	0.7%	541	0.6%	-67	88.9%
Net Assets	58,030	62.7%	61,523	67.2%	3,492	106.0%
Total Assets	92,555	100.0%	91,499	100.0%	-1,056	98.9%

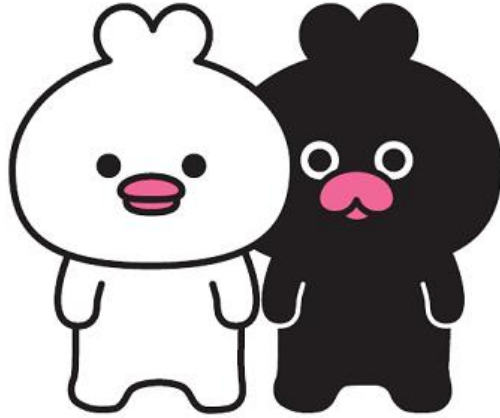
Figures rounded down to millions of yen.

# Balance Sheets (Non-Consolidated)

(Millions of yen)

	As of March 31, 2019		As of December 31, 2019		Compared to End of Previous Period	
	Results	Share	Results	Share	Difference	Compared to End of Previous Period
Current Assets	54,779	65.3%	53,346	64.5%	-1,433	97.4%
Non-Current Assets	29,160	34.7%	29,341	35.5%	181	100.6%
Current Liabilities	30,246	36.0%	25,809	31.2%	-4,436	85.3%
Non-Current Liabilities	2,233	2.7%	2,156	2.6%	-77	96.5%
Capital Stock	5,000	6.0%	5,000	6.0%	—	100.0%
Capital Surplus	2,738	3.3%	2,738	3.3%	—	100.0%
Retained Earnings	46,141	55.0%	49,465	59.8%	3,323	107.2%
Treasury Shares	-3,081	-3.7%	-3,081	-3.7%	—	100.0%
Shareholders' Equity	50,797	60.5%	54,121	65.5%	3,323	106.5%
Valuation and Translation	662	0.8%	600	0.7%	-61	90.7%
Net Assets	51,460	61.3%	54,722	66.2%	3,262	106.3%
Total Assets	83,940	100.0%	82,687	100.0%	-1,252	98.5%

Figures rounded down to millions of yen.



# WOWOW

©WOWOW • aki kondo/dwarf

## 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