

W O W O W

FY2019 Earnings and FY2020 Business Plan Summary

May 15, 2020
WOWOW INC.



- 1 FY2019 Earnings (April-March)
- 2 Summary of FY2020 Business Plan
- 3 Supplementary Materials

FY2019 Earnings Highlights ①

Net new subscription decreased for the first time in 14 periods

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, in addition to the spread of video streaming services offering viewers more options, COVID-19 caused sports and music performances scheduled for broadcast in February and March to be postponed or cancelled.

(Thousands)

	FY2018	FY2019	YoY
Gross New Subscriptions	660	564	85.4%
Cancellations	635	611	96.1%
Net New Subscriptions	25	-47	—
Number of Net Cumulative Subscriptions	2,901	2,855	98.4%

FY2019 Earnings Highlights ②

Revenue decreased while ordinary income increased from the previous period

Income & Expenditure (Consolidated)

- Revenue decreased from the previous period due to factors such as decline in subscription fee revenue
- Ordinary income increased from the previous period due to factors such as reduced program cost
- 1,229 million yen in extraordinary loss was recorded due in part to loss on devaluation of investment securities

(Millions of yen)

	FY2018	FY2019	YoY
Revenue	82,623	82,450	99.8%
Operating Income	6,779	8,489	125.2%
Ordinary Income	7,531	9,225	122.5%
Profit Attributable to Owners of Parent	5,182	5,072	97.9%

Dividends

- Annual dividend per share of 80 yen as initially forecast

Figures rounded down to millions of yen.

FY2019 Subscription

(Thousands)

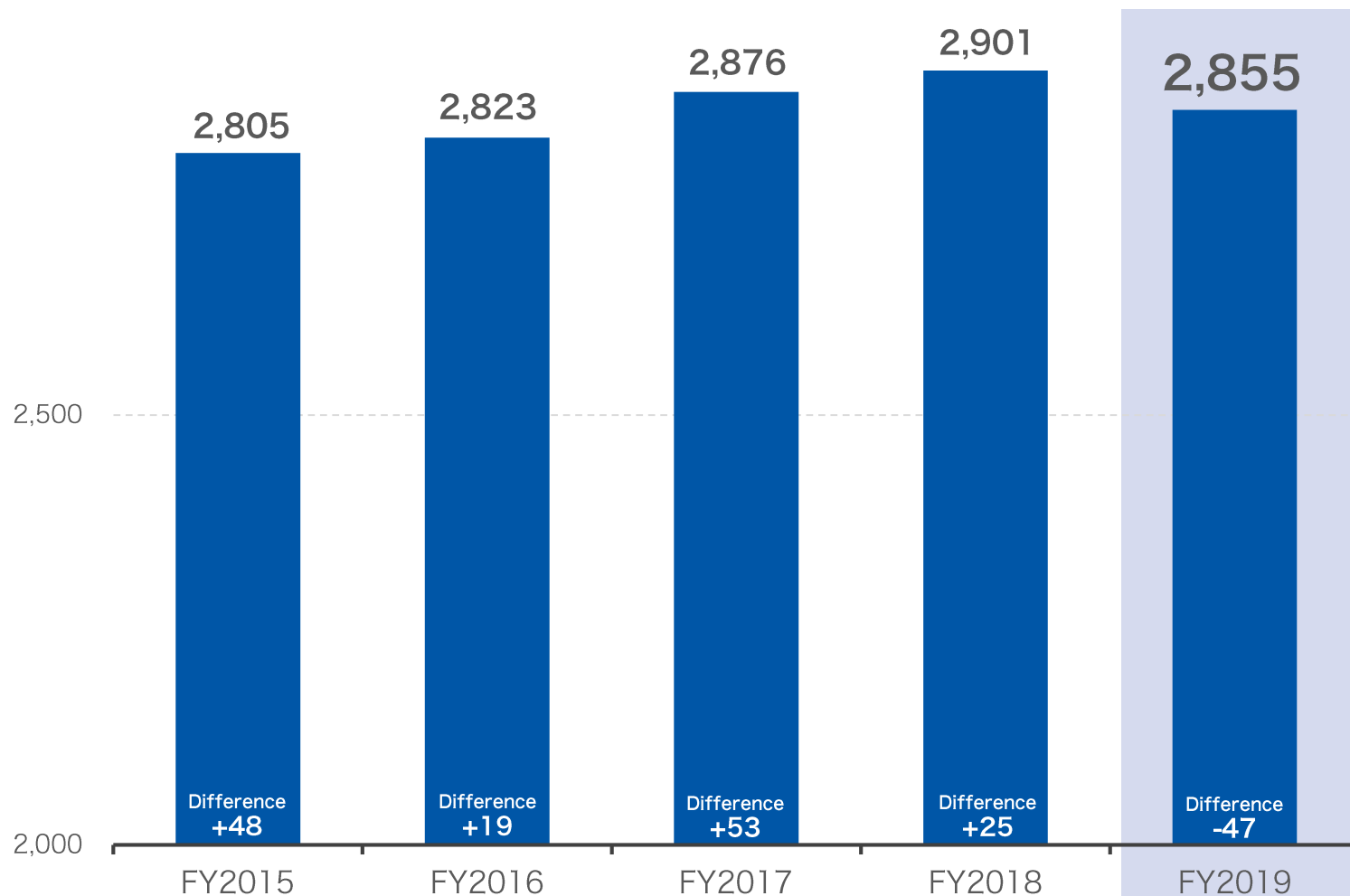
	FY2018	FY2019	Previous Period Comparison	
			Difference	YoY
Gross New Subscriptions	660	564	-96	85.4%
Cancellations	635	611	-24	96.1%
Net New Subscriptions	25	-47	-72	—
Net Cumulative Subscriptions	2,901	2,855	-47	98.4%
Of these, multi-subscriptions*1	415	410	-5	98.7%
Of these, hotel subscriptions*2	64	70	6	109.6%

*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



FY2019 Income & Expenditure

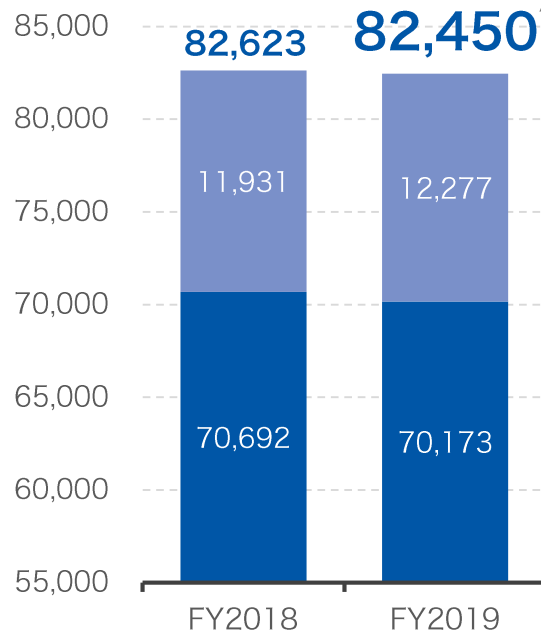
(Millions of yen)

		FY2018		FY2019		Previous Period Comparison	
		Result	Percent of Revenue	Result	Percent of Revenue	Difference	YoY
Consolidated	Revenue	82,623	100.0%	82,450	100.0%	-172	99.8%
	Operating Income	6,779	8.2%	8,489	10.3%	1,710	125.2%
	Ordinary Income	7,531	9.1%	9,225	11.2%	1,694	122.5%
	Profit Attributable to Owners of Parent	5,182	6.3%	5,072	6.2%	-110	97.9%
Non-Consolidated	Revenue	72,951	100.0%	72,489	100.0%	-461	99.4%
	Operating Income	6,237	8.6%	7,932	10.9%	1,695	127.2%
	Ordinary Income	7,048	9.7%	8,580	11.8%	1,531	121.7%
	Profit	4,883	6.7%	4,613	6.4%	-269	94.5%
Figures rounded down to millions of yen.							
Annual Dividend		80 yen per share		80 yen per share		—	100.0%

Revenue Compared to Previous Period

Consolidated

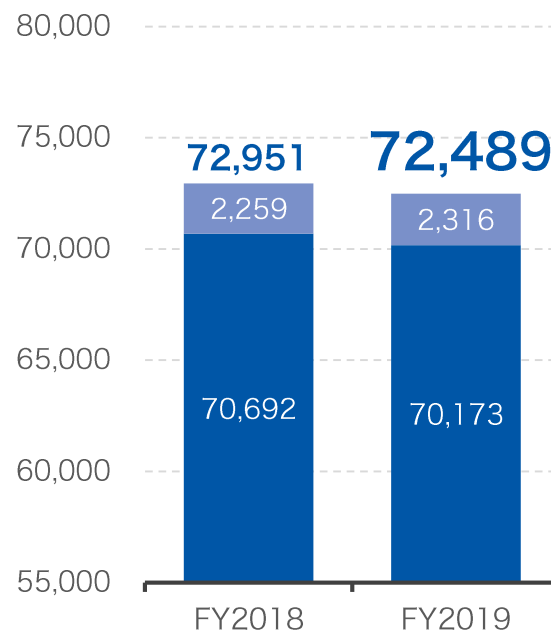
Millions of yen



YoY
99.8%

Non-Consolidated

Millions of yen



YoY
99.4%

(Millions of yen)

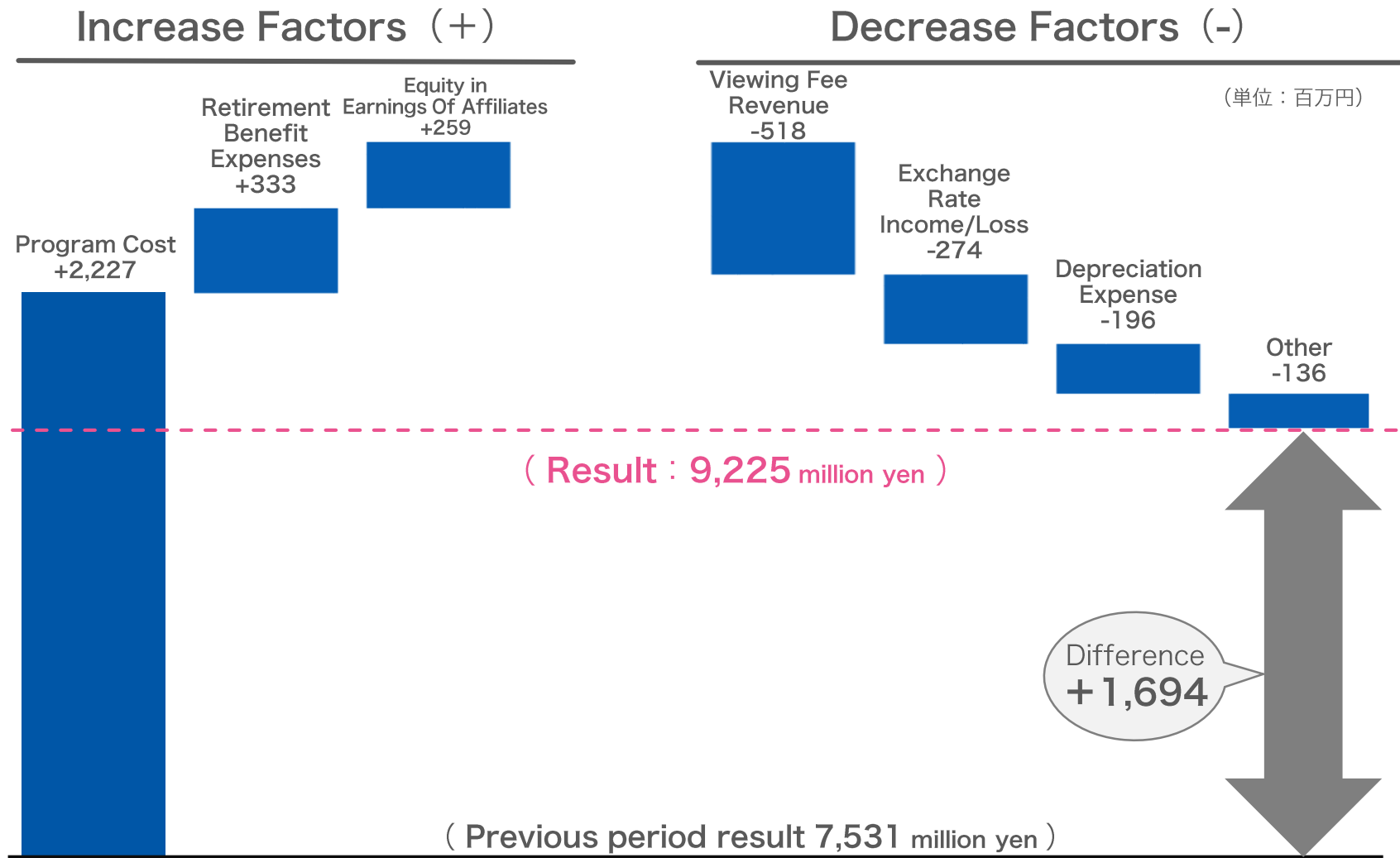
Revenue Item	FY2018	FY2019	Difference
Broadcasting	70,692	70,173	-518
Other	11,931	12,277	346
Total	82,623	82,450	-172

(Millions of yen)

	FY2018	FY2019	Difference
Broadcasting	70,692	70,173	-518
Other	2,259	2,316	56
Total	72,951	72,489	-461

Figures rounded down to millions of yen.

Consolidated Ordinary Income Factors in Difference from Previous Period

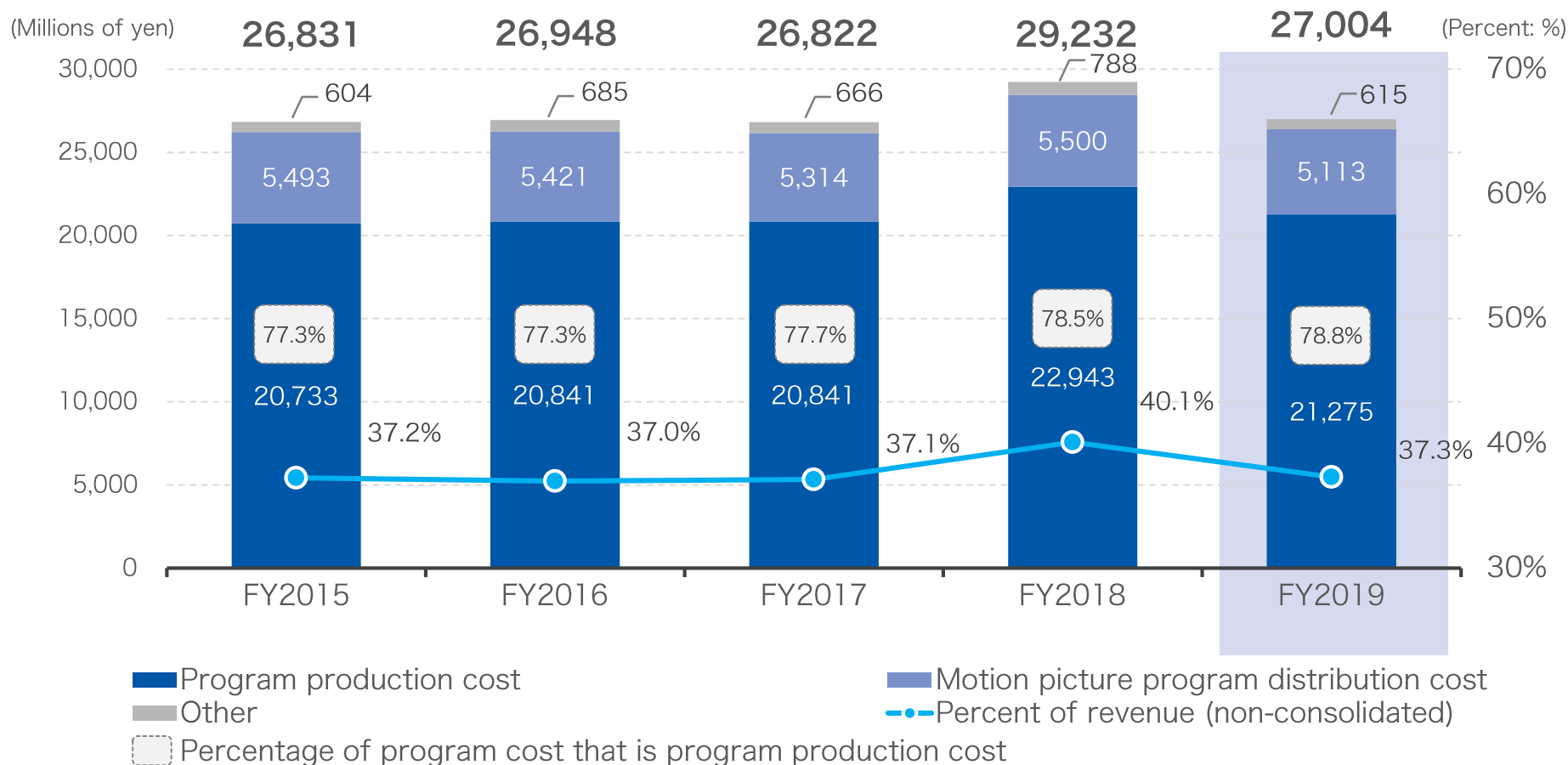


*The figure for each factor is the difference from the same period the previous year, with + representing an increase factor.

Figures rounded down to millions of yen.

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)

	FY2018		FY2019		Previous Period Difference	
	Result	Percent of Revenue	Result	Percent of Revenue	Difference	YoY
Revenue	8,917	100.0%	9,067	100.0%	149	101.7%
Operating Income	358	4.0%	266	2.9%	-92	74.3%
Ordinary Income	369	4.1%	271	3.0%	-98	73.4%
Profit	244	2.7%	177	2.0%	-67	72.4%

*WOWOW COMMUNICATIONS non-consolidated figures

■WOWOW Plus Inc. (Broadcasting)

Revenue	5,060	100.0%	5,233	100.0%	172	103.4%
Operating Income	177	3.5%	220	4.2%	42	123.9%
Ordinary Income	178	3.5%	220	4.2%	42	123.5%
Profit	135	2.7%	156	3.0%	21	115.5%

*WOWOW Plus Inc. non-consolidated figures

Figures rounded down to millions of yen.

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Impact of COVID-19

- Major sports programs (UEFA EURO 2020™, Roland-Garros International Tennis Championships, Wimbledon, world boxing title match, etc.) and music performances scheduled for broadcast/streaming in the first half of FY2020 were postponed or cancelled, original content production is suspended and business events hosted by WOWOW have been postponed or cancelled, resulting in a massive impact on our business.
- FY2020 results forecasts have been calculated assuming business activities gradually return to normal from August onward. If it becomes necessary to revise the results forecast due to the COVID-19 pandemic, such revisions will be disclosed promptly.

Summary of FY2020 Business Plan

Achieve new growth by strengthening our business foundation through strategic investment in broadcast and streaming content and infrastructure

1 Thoroughly distinguish content

- ▶ Provide content unique to WOWOW by capitalizing on the respective characteristics of broadcast and streaming
- ▶ Develop rare, exclusive original content together with creators and artists

2 Enhance digital services

- ▶ Enhance WOWOW Members On Demand service to increase customer convenience
- ▶ Develop a new, smart device-based member service that can be used as a single stop for multiple services

3 Respond to advances in broadcasting

- ▶ In addition to our current three channels, scheduled to launch a BS 4K broadcast channel in December

FY2020 Subscription Plan

(Thousands)

	FY2019	FY2020	Previous Period Comparison	
			Difference	YoY
Gross New Subscriptions	564	630	66	111,7%
Cancellations	611	630	19	103.2%
Net New Subscriptions	-47	—	47	—
Net Cumulative Subscriptions	2,855	2,855	0	100.0%

FY2020 Income & Expenditure Plan

(Millions of yen)

		FY2019		FY2020		Previous Period Comparison	
		Result	Percent of Revenue	Plan	Percent of Revenue	Difference	YoY
Consolidated	Revenue	82,450	100.0%	80,700	100.0%	-1,750	97.9%
	Operating Income	8,489	10.3%	4,800	5.9%	-3,689	56.5%
	Ordinary Income	9,225	11.2%	5,000	6.2%	-4,225	54.2%
	Profit Attributable to Owners of Parent	5,072	6.2%	3,300	4.1%	-1,772	65.1%

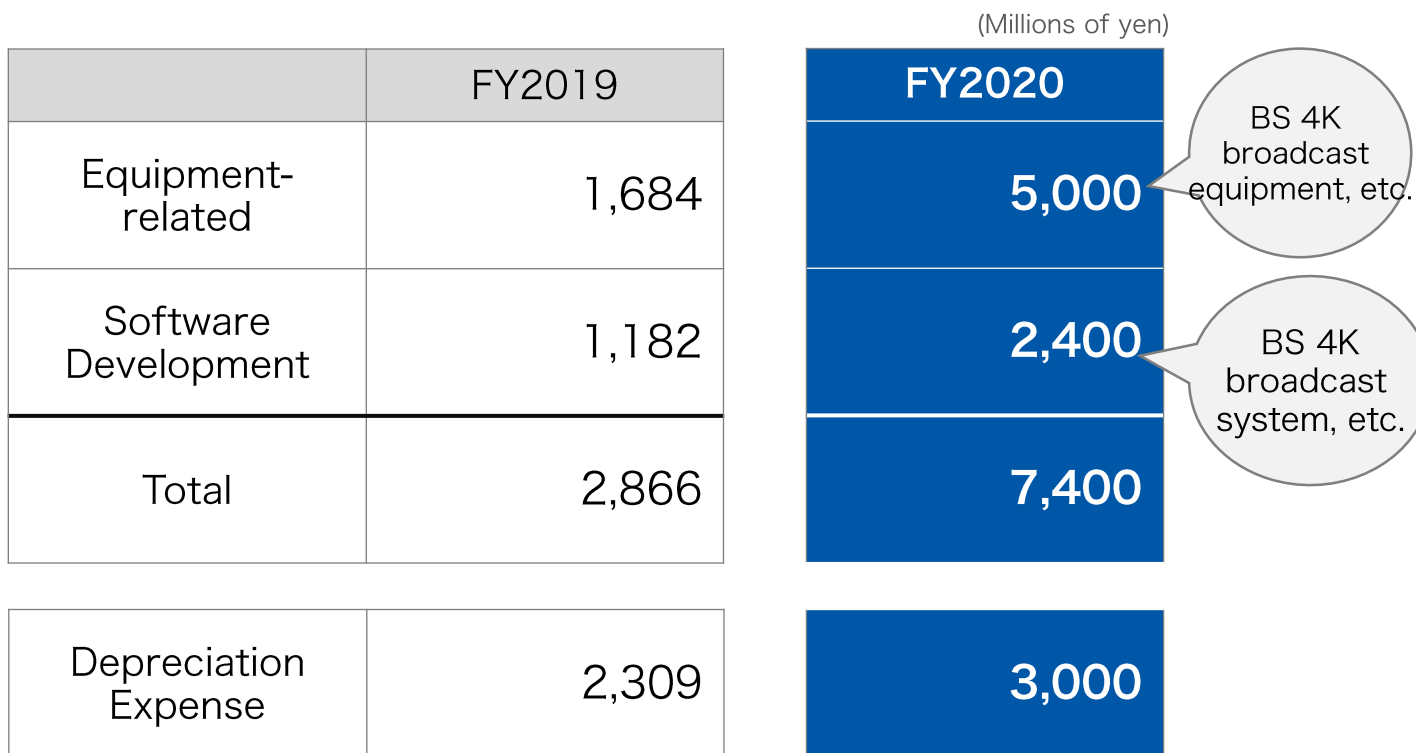
Non-Consolidated	Revenue	72,489	100.0%	70,500	100.0%	-1,989	97.3%
	Operating Income	7,932	10.9%	4,700	6.7%	-3,232	59.3%
	Ordinary Income	8,580	11.8%	5,100	7.2%	-3,480	59.4%
	Profit	4,613	6.4%	3,500	5.0%	-1,113	75.9%

Note: Program costs forecast to be approximately 38% of non-consolidated revenue.
Estimated foreign exchange rate: 1 USD = 110yen

Figures rounded down to millions of yen.

Annual Dividend	80 yen per share	80 yen per share	—	100.0%
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FY2020 Investment Plan (Non-Consolidated)



Figures rounded down to millions of yen.

Gap from Mid-Term Management Plan (FY2017-20)

■ Reasons for not achieving MTMP targets

- The spread of video streaming services offering viewers more options
- Subsidiary synergy was less than expected

	MTMP (FY2020 Targets)	FY2020 Business Plan	Business Plan Comparison	
			Difference	Percentage
Number of Net Cumulative Subscriptions (Unit: Thousands)	3,000	2,855	-145	95.2%
Consolidated Revenue (Unit: 100 million yen)	925	807	-118	87.2%
Consolidated Ordinary Income (Unit: 100 million yen)	100	50	-50	50.0%

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Subscription

(Subscriptions)

	1Q	2Q	2Q Cumulative	3Q	3Q Cumulative	4Q	Fiscal Year
Gross New Subscriptions	148,201	133,757	281,958	119,945	401,903	162,012	563,915
Cancellations	159,986	142,904	302,890	143,744	446,634	164,008	610,642
Net New Subscriptions	-11,785	-9,147	-20,932	-23,799	-44,731	-1,996	-46,727
Of these, multi-subscriptions*1	-1,886	-446	-2,332	-1,978	-4,310	-1,069	-5,379
Of these, hotel subscriptions*2	1,818	1,899	3,717	727	4,444	1,734	6,178
Net Cumulative Subscriptions at End of Period	2,889,708	2,880,561	2,880,561	2,856,762	2,856,762	2,854,766	2,854,766
Of these, multi-subscriptions*1	413,403	412,957	412,957	410,979	410,979	409,910	409,910
Of these, hotel subscriptions*2	65,998	67,897	67,897	68,624	68,624	70,358	70,358

*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)

	FY2018		FY2019		
	Results	Percent of Revenue	Results	Percent of Revenue	YoY
I. Revenue	82,623	100.0%	82,450	100.0%	99.8%
Broadcasting	70,692	85.6%	70,173	85.1%	99.3%
Other	11,931	14.4%	12,277	14.9%	102.9%
II. CoGS	49,616	60.1%	46,803	56.8%	94.3%
Gross Profit	33,006	39.9%	35,647	43.2%	108.0%
III. SG&A	26,227	31.7%	27,158	32.9%	103.5%
Operating Income	6,779	8.2%	8,489	10.3%	125.2%
IV. Non-Operating Income	755	0.9%	746	0.9%	98.8%
Interest Income	34	0.0%	31	0.0%	89.2%
Equity in Earnings of Affiliates	134	0.2%	394	0.5%	292.5%
Exchange Rate Profit	500	0.6%	226	0.3%	45.2%
Other	85	0.1%	94	0.1%	110.6%
V. Non-Operating Expenses	3	0.0%	9	0.0%	294.4%
Other	3	0.0%	9	0.0%	294.4%
Ordinary Income	7,531	9.1%	9,225	11.2%	122.5%
VI. Extraordinary Income/Loss	-63	-0.1%	-1,228	-1.5%	—
Income before Income Tax and Minority Interests	7,467	9.0%	7,996	9.7%	107.1%
Income Taxes (Current and Deferred), etc.	2,284	2.8%	2,924	3.5%	128.0%
Profit Attributable to Owners of Parent	5,182	6.3%	5,072	6.2%	97.9%

Figures rounded down to millions of yen.

Income & Expenditure (Non-Consolidated)

(Millions of yen)

	FY2018		FY2019		
	Results	Percent of Revenue	Results	Percent of Revenue	YoY
I. Revenue	72,951	100.0%	72,489	100.0%	99.4%
Broadcasting	70,692	96.9%	70,173	96.8%	99.3%
Other	2,259	3.1%	2,316	3.2%	102.5%
II. CoGS	43,641	59.8%	40,329	55.6%	92.4%
Gross Profit	29,310	40.2%	32,160	44.4%	109.7%
III. SG&A	23,072	31.6%	24,227	33.4%	105.0%
Operating Income	6,237	8.6%	7,932	10.9%	127.2%
IV. Non-Operating Income	813	1.1%	656	0.9%	80.6%
Interest Income	34	0.0%	31	0.0%	89.2%
Exchange Rate Profit	500	0.7%	226	0.3%	99.4%
Other	278	0.4%	399	0.6%	72.4%
V. Non-Operating Expenses	3	0.0%	8	0.0%	283.0%
Other	3	0.0%	8	0.0%	283.0%
Ordinary Income	7,048	9.7%	8,580	11.8%	121.7%
VI. Extraordinary Income/Loss	-47	-0.1%	-1,222	-1.7%	—
Income before Income Tax and Minority Interests	7,000	9.6%	7,357	10.2%	105.1%
Income Taxes (Current and Deferred), etc.	2,117	2.9%	2,744	3.8%	129.6%
Profit	4,883	6.7%	4,613	6.4%	94.5%

Figures rounded down to millions of yen.

Expenditure Breakdown (Non-Consolidated)

(Millions of yen)

	FY2018	FY2019	YoY
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(1) CoGS Items

Program Cost	29,232	27,004	92.4%
Moving Picture Program Cost	5,500	5,113	93.0%
Program Production Cost	22,943	21,275	92.7%
Other	788	615	78.1%
Broadcasting Technology Cost	2,867	2,852	99.5%
Expenses for Programming Guide	2,613	2,643	101.1%
Other	8,927	7,829	87.7%
Total	43,641	40,329	92.4%

(2) SG&A Items

Merchandising Expense	1,000	868	86.8%
Incentives Paid	320	355	110.8%
Retention Commission Paid	5,136	5,184	100.9%
Credit Collection Agency Fee Paid	1,477	1,466	99.3%
Advertisement Expenses	5,234	5,450	104.1%
Customer Center Expenses	2,127	2,001	94.1%
Other	7,776	8,901	114.5%
Total	23,072	24,227	105.0%

(3) Depreciation Expense

Depreciation Expense	2,134	2,312	108.3%
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Figures rounded down to millions of yen.

Extraordinary Income/Loss Breakdown

(Millions of yen)

FY2018	FY2019	YoY
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(Consolidated)

Extraordinary Income			
Income from Sale of Non-Current Assets	0	0	66.2%
Total	0	0	66.2%
Extraordinary Losses			
Loss from Elimination of Non-Current Assets	57	9	15.9%
Loss from Sale of Fixed Assets	—	0	—
Loss on devaluation of investment securities	—	634	—
Loss on valuation of stocks of subsidiaries and affiliates	—	585	—
Loss on Valuation of Golf Memberships	7	0	10.7%
Total	64	1,229	—

(Non-Consolidated)

Extraordinary Income			
Income from Sale of Non-Current Assets	0	0	66.2%
Total	0	0	66.2%
Extraordinary Losses			
Loss from Elimination of Non-Current Assets	41	2	5.4%
Loss from Sale of Fixed Assets	—	0	—
Loss on devaluation of investment securities	—	634	—
Loss on valuation of stocks of subsidiaries and affiliates	—	585	—
Loss on Valuation of Golf Memberships	7	0	10.7%
Total	48	1,222	—

Figures rounded down to millions of yen.

Results by Consolidated Segment

(Millions of yen)

	Revenue			Segment Income (Operating Income)		
	FY2018	FY2019	YoY	FY2018	FY2019	YoY
Broadcasting	78,250	78,085	99.8%	6,420	8,222	128.1%
Telemarketing	8,917	9,067	101.7%	358	266	74.3%
Total	87,168	87,152	100.0%	6,779	8,489	125.2%
Adjusted*	-4,545	-4,701	—	—	—	—
Consolidated	82,623	82,450	99.8%	6,779	8,489	125.2%

*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 March 31, 2020		Compared to End of Previous Period	
	Results	Share	Results	Share	Difference	Compared to End of Previous Period
Current Assets	61,488	66.4%	60,045	66.7%	-1,443	97.7%
Non-Current Assets	31,066	33.6%	29,979	33.3%	-1,087	96.5%
Current Liabilities	31,611	34.2%	26,617	29.6%	-4,993	84.2%
Non-Current Liabilities	2,912	3.1%	2,850	3.2%	-61	97.9%
Capital Stock	5,000	5.4%	5,000	5.6%	—	100.0%
Capital Surplus	2,738	3.0%	2,738	3.0%	—	100.0%
Retained Earnings	52,765	57.0%	55,678	61.8%	2,912	105.5%
Treasury Shares	-3,081	-3.3%	-3,081	-3.4%	—	100.0%
Shareholders' Equity	57,421	62.0%	60,334	67.0%	2,912	105.1%
Accumulated Other Comprehensive Income	609	0.7%	220	0.2%	-388	36.3%
Net Assets	58,030	62.7%	60,555	67.3%	2,524	104.4%
Total Assets	92,555	100.0%	90,024	100.0%	-2,530	97.3%

Figures rounded down to millions of yen.

Balance Sheets (Non-Consolidated)

(Millions of yen)

	As of March 31, 2019		As of March 31, 2020		Compared to End of Previous Period	
	Results	Share	Results	Share	Difference	Compared to End of Previous Period
Current Assets	54,779	65.3%	53,090	65.5%	-1,688	96.9%
Non-Current Assets	29,160	34.7%	27,928	34.5%	-1,231	95.8%
Current Liabilities	30,246	36.0%	25,316	31.2%	-4,929	83.7%
Non-Current Liabilities	2,233	2.7%	2,173	2.7%	-60	97.3%
Capital Stock	5,000	6.0%	5,000	6.2%	—	100.0%
Capital Surplus	2,738	3.3%	2,738	3.4%	—	100.0%
Retained Earnings	46,141	55.0%	48,595	60.0%	2,454	105.3%
Treasury Shares	-3,081	-3.7%	-3,081	-3.8%	—	100.0%
Shareholders' Equity	50,797	60.5%	53,252	65.7%	2,454	104.8%
Valuation and Translation	662	0.8%	277	0.3%	-385	41.8%
Net Assets	51,460	61.3%	53,529	66.1%	2,068	104.0%
Total Assets	83,940	100.0%	81,019	100.0%	-2,920	96.5%

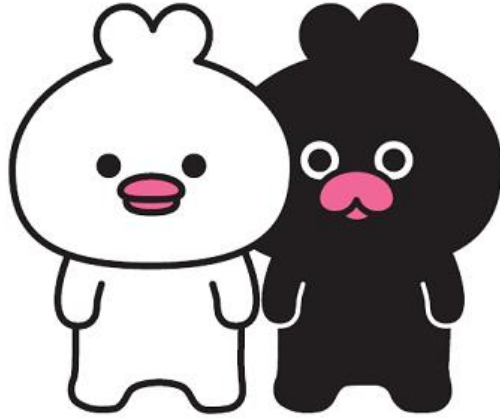
Figures rounded down to millions of yen.

Consolidated Statements of Cash Flows

(Millions of yen)

	FY2018	FY2019	Difference
I. Cash Flows from Operating Activities			
Income before Income Tax and Minority Interests	7,467	7,996	529
Depreciation Expenses, Reserves and Retirement Benefits	3,055	2,641	-413
Increase (Decrease) in Accounts Receivable ('-' signifies increase)	203	34	-168
Increase (Decrease) in Inventory ('-' signifies increase)	-4,785	6,025	10,810
Increase (Decrease) in Accounts Payable ('-' signifies decrease)	3,338	-5,267	-8,605
Other	-582	436	1,019
Subtotal	8,697	11,867	3,170
Payment of Income Taxes, etc.	-3,680	-1,885	1,794
Cash Flows from Operating Activities	5,017	9,982	4,965
II. Cash Flows from Investing Activities			
Income/Expenditure due to Increase (Decrease) in Time Deposit ('-' signifies increase)	-2	-	2
Income/Expenditure due to Increase (Decrease) in Property, Plant and Equipment ('-' signifies increase)	-2,103	-2,314	-211
Income/Expenditure due to Increase (Decrease) in Intangible Assets ('-' signifies increase)	-658	-1,208	-550
Expenditure due to Acquisition of Subsidiary Shares ('-' signifies increase)	-2	-35	-33
Other	-90	-21	68
Cash Flows from Investing Activities	-2,856	-3,580	-724
III. Cash Flows from Financing Activities			
Payment of Dividends	-2,159	-2,159	-
Expenditure to Purchase Treasury Shares	-	-	-
Other	-77	-38	38
Cash Flows from Financing Activities	-2,236	-2,198	38
IV. Effect of Exchange Rate Change on Cash and Cash Equivalents	213	-45	-258
V. Net Increase (Decrease) in Cash and Cash Equivalents	137	4,159	4,021
VI. Cash and Cash Equivalents at Beginning of Period	23,991	24,129	137
VII. Cash and Cash Equivalents at End of Period	24,129	28,288	4,159

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.

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