SKY Perfect JSAT Group

SKY Perfect JSAT Group
Earning Results Briefing for FY 2015

May 12, 2016

SKY Perfect JSAT Holdings Inc.

Forward-looking Statements

Statements about the SKY Perfect JSAT Group's forecasts, strategies, management policies, and targets contained in this presentation that are not based on historical facts constitute forward-looking statements. These statements are based on management's assumptions, plans, expectations and judgments in light of information available at the time. These forward-looking statements are subject to a variety of risks and uncertainties. Therefore, actual results may differ materially from forecasts. The primary risks and uncertainties currently assumed by the SKY Perfect JSAT Group include, but are not limited to, the following:

<General Management Risks>

- **Risks related to constraints imposed on the Group's business due to legal regulations related to Group's business operations**
- **Risks related to customer information security and trouble of customer information management system**
- **Risks related to major equipment failures due to large-scale disasters**

<Risks related to Satellite Infrastructure>

- **Risks related to communications satellite malfunctions and/or impaired operations**
- **Risks related to communications satellite acquisition**
- **Risks related to securing satellite insurance**

<Risks related to Multichannel Pay TV Broadcast Platform Services>

- **Risks related to subscriber acquisition/retention**
- **Risks related to broadcasters**
- **Risks related to IC card security, etc.**

Consolidated Business Performance for FY2015

Summary of Income Statements

- Revenue decreased 0.2% from the previous fiscal year.
- Revenue, Operating Income and Net Income record the highest past achievement

(Unit: ¥ millions)

	FY2014	FY2015	Comparison to FY2014	Vs. full-year Forecast	FY2015 Full-year forecast
Revenue	163,294	162,905	(0.2%)	97.0%	168,000
Operating Income	19,627	24,210	23.3%	105.3%	23,000
Ordinary Income	19,580	24,012	22.6%	106.7%	22,500
Profit attributable to owners of parent	13,515	16,867	24.8%	116.3%	14,500
EBITDA *1,2	44,502	46,669	4.9%	–	–

*1: EBITDA is calculated as Net Income + Tax Expense + Goodwill Amortization + Depreciation Expense+ Interest Expense
*2: EBITDA is adjusted by adding Goodwill Amortization Since 1Q FY2014

Summary of Income Statements (FY2014 1Q – FY2015 4Q)

■Operating Income, Ordinary Income and Net Income of 4Q significantly increased compared to the same quarter of previous fiscal year.

(Unit: ¥ millions)

	FY2014					FY2015				
	1Q	2Q	3Q	4Q	Full year	1Q	2Q	3Q	4Q	Full year
Revenue	42,239	40,141	40,187	40,725	163,294	**41,122**	**40,633**	**41,710**	**39,438**	**162,905**
Operating Income	7,015	5,814	4,761	2,034	19,627	**5,855**	**5,015**	**7,689**	**5,650**	**24,210**
Ordinary Income	7,067	5,694	4,820	1,999	19,580	**5,792**	**5,091**	**7,670**	**5,457**	**24,012**
Profit attributable to owners of parent	6,587	3,469	2,880	579	13,515	**3,788**	**3,246**	**5,099**	**4,733**	**16,867**
EBITDA *1,2	13,917	11,733	10,787	8,063	44,502	**11,563**	**11,003**	**13,362**	**10,741**	**46,669**

*1: EBITDA is calculated as Net Income + Tax Expense + Goodwill Amortization + Depreciation Expense+ Interest Expense
*2: EBITDA is adjusted by adding Goodwill Amortization Since 1Q FY2014

Summary of Income Statements by Business Segment (FY2014 1Q – FY2015 4Q)

- Multichannel Pay TV Business : Revenue decreased Operating Income increased from the previous fiscal year.
- Space & Satellite Business : Revenue and Operating Income increased from the previous fiscal year.

(Unit: ¥ millions)

	FY2014					FY2015				
	1Q	2Q	3Q	4Q	Full year	1Q	2Q	3Q	4Q	Full year
Revenue	42,239	40,141	40,187	40,725	163,294	**41,122**	**40,633**	**41,710**	**39,438**	**162,905**
Multichannel Pay TV Business	31,675	30,456	30,338	29,773	122,245	**30,904**	**30,636**	**29,690**	**29,184**	**120,415**
Space & Satellite Business	13,954	12,681	12,824	13,927	53,388	**13,320**	**13,098**	**14,992**	**13,187**	**54,599**
Consolidated Eliminations	(3,390)	(2,996)	(2,975)	(2,975)	(12,338)	**(3,102)**	**(3,101)**	**(2,972)**	**(2,932)**	**(12,109)**
Operating Income	7,015	5,814	4,761	2,034	19,627	**5,855**	**5,015**	**7,689**	**5,650**	**24,210**
Multichannel Pay TV Business	1,881	1,930	698	(2,076)	2,432	**1,307**	**772**	**3,087**	**1,074**	**6,241**
Space & Satellite Business	5,274	4,029	4,258	4,266	17,829	**4,714**	**4,407**	**4,752**	**4,738**	**18,611**
Consolidated Eliminations	(139)	(144)	(195)	(154)	(634)	**(166)**	**(164)**	**(150)**	**(162)**	**(643)**

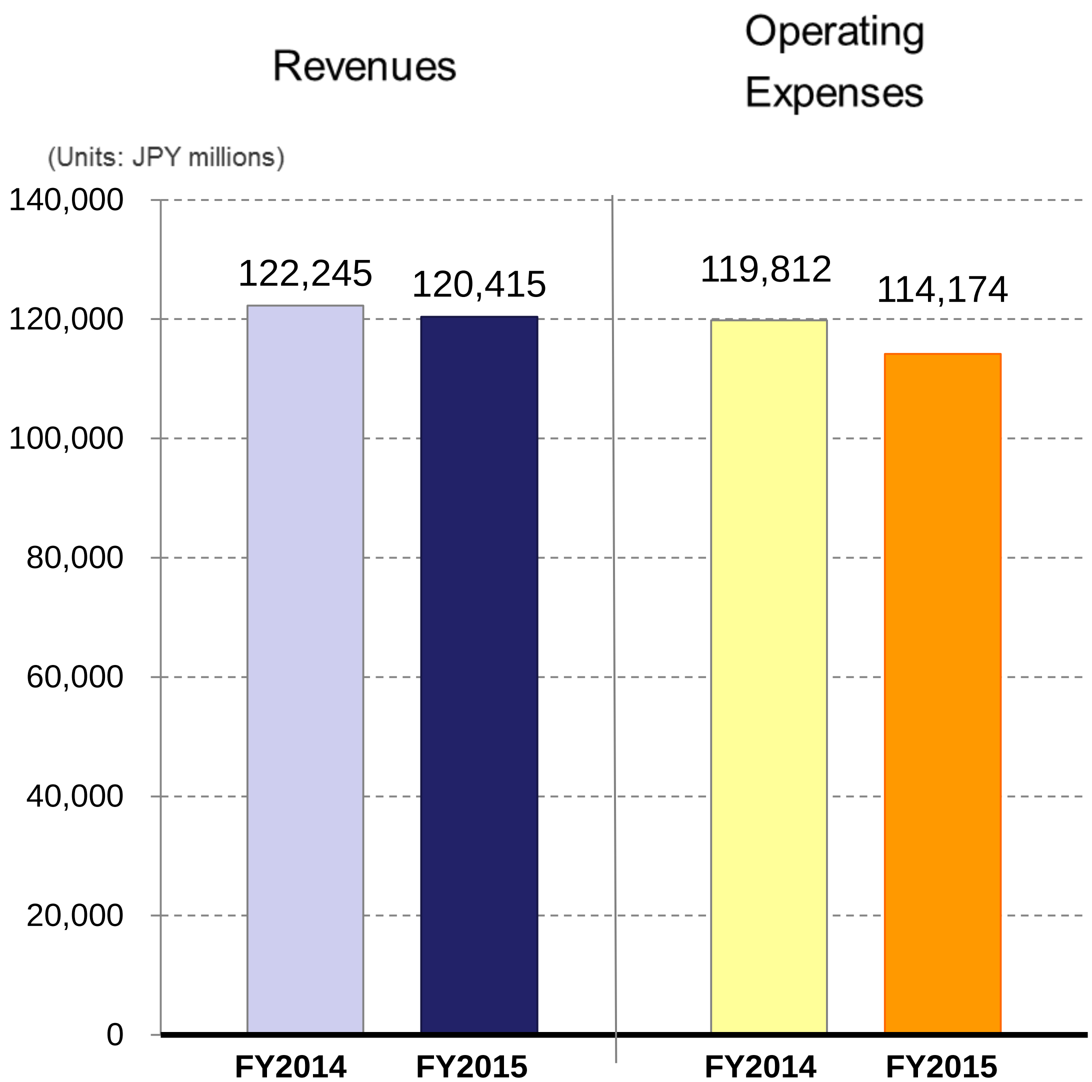
Key Performance Indicators for Multichannel Pay TV Business (*)

- Net increase achievement of the first time in three years since FY 2012
- Number of New Subscribers increase 18 thousands from FY2014

	FY2014	**FY2015**	**FY2015 full-year forecast**
Number of New Subscribers (unit: thousands)	425	**443**	482
Net Increase in Subscribers (unit: thousands)	(255)	**21**	75
Number of Cumulative Subscribers (unit: thousands)	3,462	**3,482**	3,537
Average Monthly Subscriber Payment (unit: JPY)	3,326	**3,335**	-
ARPU (unit: JPY)	2,217	**2,191**	-
SAC (unit: JPY)	39,412	**33,018**	-

* Sum of SKY PerfecTV*!*, SKY PerfecTV*!* Premium Service and SKY PerfecTV*!* Premium Service HIkari

Detailed: Multichannel Pay TV Business



Revenue: (¥1.83B)*

* Internal transactions between segments included

< Main increases or decreases>

- Increase of SKY PerfecTV*!* business consignment income: ¥1.0B
- Decrease of business consignment income and transmission income of standard definition (SD) service: (¥0.5B)
- Decrease of income from high-definition (HD) service subscription fee: (¥2.5B)

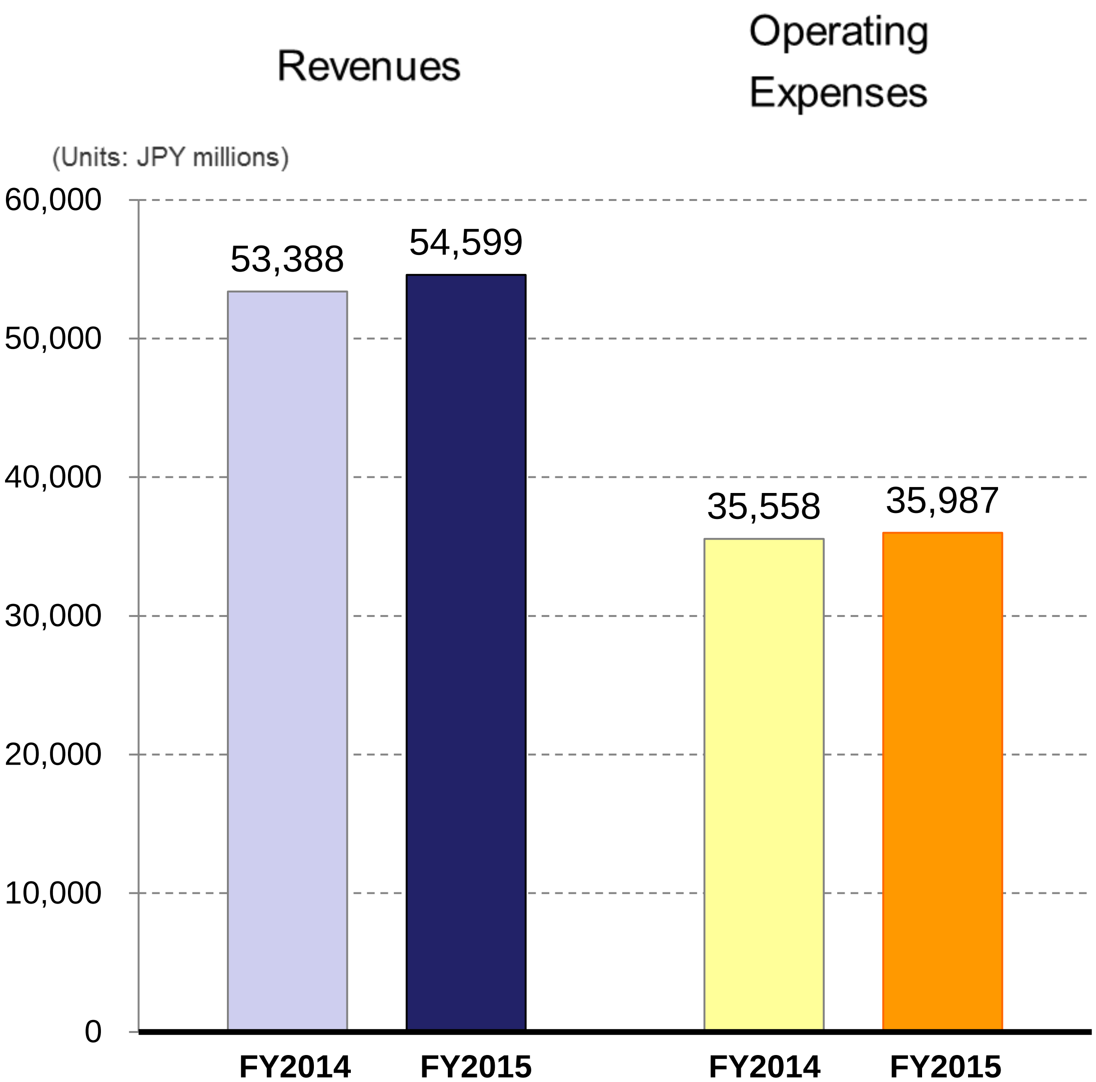
Operating Expense: (¥5.63B)*

* Internal transactions between segments included

< Main increases or decreases>

- Increase in content cost：¥3.4B
- Decrease of the HD service migration cost: (¥0.6B)
- Decrease in program provision expense：(¥1.8B)
- Decrease in advertising expense: (¥2.0B)
- Decrease in other expense: (¥4.6B)

Detailed: Space & Satellite Business



Revenue: +¥1.21B*

* Internal transactions between segments included

< Main increases or decreases>

- Decrease in sales of broadcasting transponders for SD services: (¥1.5B)
- Increase in sales of broadcasting transponders : ¥0.4B
- Increase in sales of maritime Internet services : ¥0.7B
- Increase in sales of control center facilities for disaster response: ¥2.0B

Operating Expense: +¥0.42B*

* Internal transactions between segments included

< Main increases or decreases>

- Decrease in satellite depreciation expense: (¥1.5B)
- Increase in satellite business expenses: ¥1.8B

Review of Mid-term Business Plan (2011-2015)

Review of Mid-term Business Plan Announced in Fiscal 2011

Consolidated results	Targets for FY2015 at time of Mid-term Business Plan announcement in FY2011	Results for FY2015	Main reasons for disparity
Revenue	At least 200 billion yen	162.9 billion yen	Missed subscriber goal in the Multichannel Pay TV Business and postponement of a Ministry of Defense project in the Space and Satellite Business
Operating income	At least 20 billion yen	24.2 billion yen	Cost-cutting and completion of shift to HD in the Multichannel Pay TV Business plus solid performance and reduced satellite depreciation in the Space and Satellite Business
Operating margin	At least 10%	14.9%	–
EBITDA	At least 50 billion yen	46.7 billion yen	Smaller than expected revenue and expected satellite depreciation
Number of multichannel pay TV subscribers	At least 4 million	3.52 million (including SPOD)	Missed goal for new subscribers and loss of premium service subscribers (including cancelations when MPEG2 was terminated)

Forecast for FY2016

Earning Forecasts for FY2016

Forecasting Revenue increase Operating Income decrease from the Fiscal Year 2015.

(Unit: ¥ millions)

	FY2015 Full-year result	FY2016 Full-year forecast	Percentage change
Revenue	162,905	**221,500**	36.0%
Operating Income	24,210	**22,500**	(7.1%)
Ordinary Income	24,012	**23,000**	(4.2%)
Profit attributable to owners of parent	16,867	**15,000**	(11.1%)
EBITDA *1	46,669	**47,600**	2.0%

*1: EBITDA is calculated as Net Income + Tax Expense + Goodwill Amortization + Depreciation Expense+ Interest Expense

Earning Forecasts by the segments for FY2016

- Multi-channel Pay TV Business　Revenue increase slightly Operating Income decrease from the Fiscal Year 2015. Cost increase due to FTTH market expansion
- Space & Satellite Business　Revenue increase Operating Income decrease from the Fiscal Year 2015. Revenue increase for Ministry of Defense PFI projects, Satellite depreciation increase and Profitability deterioration in the global business

(Unit: ¥ millions)

Italic Font = FY2015

	FY2016（Forecast）			
	Multichannel Pay TV	Space & Satellite	Eliminations and Company Total	Consolidated Total
Revenues	120,600 *120,415*	112,800 *54,599*	(11,900) *(12,109)*	**221,500** *162,905*
Operating Expenses	115,700 *114,174*	94,500 *35,987*	(11,200) *(11,466)*	**199,000** *138,695*
Operating Income	4,900 *6,241*	18,300 *18,611*	(700) *(643)*	**22,500** *24,210*

FY2016 Targets for Increase in Subscriptions

(Unit: thousands)

	FY2015	FY2016 Target
Cumulative number of subscribers as of end of previous year (Number of subscriptions)	3,462	3,482
Total of new subscriptions	**443**	**430**
SKY PerfecTV!	*387*	*371*
SKY PerfecTV! Premium Service	*48*	*48*
SKY PerfecTV! Premium Service HIKARI	*8*	*12*
Churn rate	**16.6%**	**16.3%**
Net increase	**21**	**20**
Cumulative number of subscribers as of end of Year (Number of subscriptions)	**3,482**	**3,502**

SKY PerfecTV! On Demand

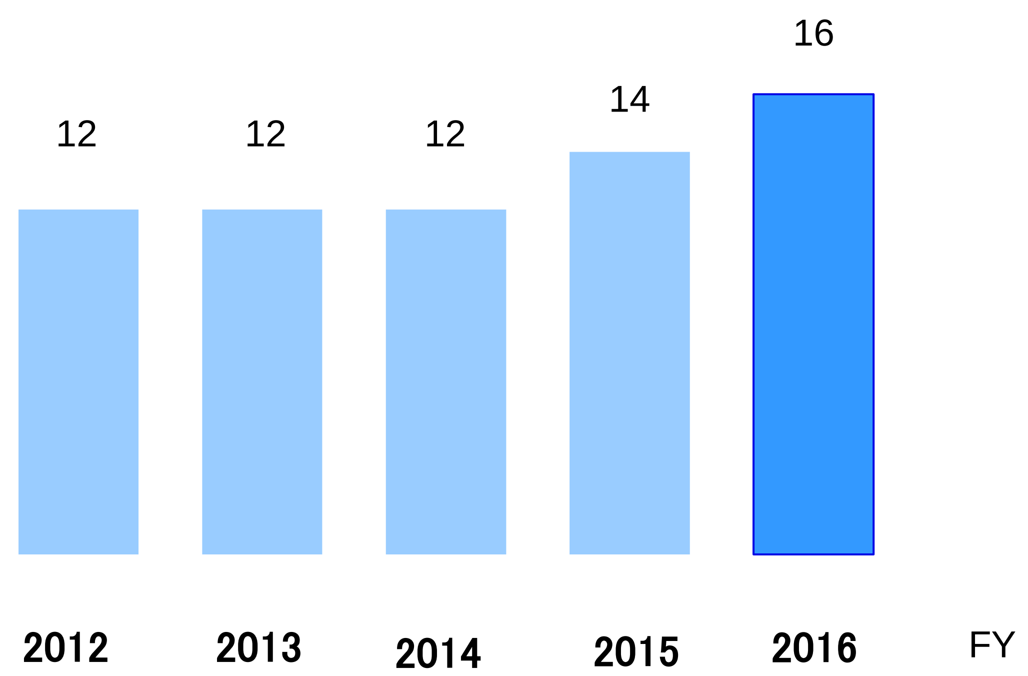
Number of pay subscribers in March	**43***	**72**
Cumulative number of subscribers at the end of year	**687**	**850**

*The number contains free subscribers who has Pay TV contracts is 134thousands.

Dividend Forecast

■Select higher amount from annual 16 yen per share or dividend calculated by 30% pay out ratio

Dividend per share (yen)*



*On October 1, 2013, the company split shares into 100 shares per 1 share.
The dividend up to FY2013 has been recalculated into the current dividend per share.

Mid-term Business Plan 2020

Business environment heading toward 2020

- Japan's population will continue to decrease as **fewer children are born and the population ages (shrinking of the domestic market).** Meanwhile, there are plans to significantly increase the number of tourists to Japan as an important industrial policy.

- Encroachment from large Internet-related companies centered on **smartphones** plus technological progress, including developments in the IoT, AI will lead to the appearance of new players and new services in various fields, including communications, broadcasting, and space, and disrupt existing industries **(intensification of competition in existing business domains).**

- **Use and application of 4K/8K** is anticipated in both broadcast and non-broadcast areas as the communications environment expands in the run up to the **2020 Tokyo Olympics and Paralympics (expansion of 110 degree BS/CS left-handed circular polarization infrastructure).**

- **Expansion of the space industry** with the development of plans and systems such as the Basic Plan on Space Policy and the Space Activities Act.

Essentials of the Mid-term Business Plan 2020

Under the new Mid-term Business Plan, the company aims to establish a foundation for new growth, including aggressive capital investment and business domain expansion through business investment.

Multi-channel Pay TV Business

- Differentiating content as a platform in partnership with broadcasters.
- Moving subscriber growth from reliance on DTH to OTT and FTTH.
- Aim for next-generation upgrade of DTH (4K/8K)
- . Also, expand overseas content business, pursuing business growth not bound by the domestic market.

Space and Satellite Business

- Introduce new types of satellites, such as High Throughput Satellites (HTS), targeting the expanding global mobile market. Strengthen competitive edge, making it a base for growth.
- Expand the space business in line with the Basic Plan on Space Policy and pioneer new satellite use, including non-geostationary satellites.
- Streamline the company’s satellite fleet.

Business domain expansion

- Accelerate the overseas expansion and build a strong foothold with a focus on Asia
- Actively pursue M&As and business tie-ups in an effort to expand business domains and adapt to the new competitive environment.

Important measures in the Multichannel Pay TV Business

- **Differentiate content/services.**
  - **Promote platform-wide content differentiation through coordination between broadcasters and SKY PerfecTV*!*'s original content.**
  - **Maintain the scope of premium services through leading initiatives in areas such as 4K broadcasting and HDR.**

- **Acquire subscribers through FTTH (fiber collaboration) and expand retransmission business.**
  - Acquire subscribers through new sales channels opened by fiber collaboration (to begin full-scale in FY2016).
  - Increase Revenue through terrestrial retransmission and ancillary business.

- **Develop new OTT platforms.**
  - Linear IP streaming for multiple devices / on-demand services for television sets (FY2016～)

- **Establish foundation for next-generation DTH business.**
  - Achieve 4K/HDR broadcasting using 110-degree CS left-handed circular polarization and introduce new CAS (FY2018).
  - Extensively update equipment at the SKY PerfecTV*!* Tokyo Media Center (FY2018-2019).

- **Move overseas content business (WAKUWAKU JAPAN) into the black.**
  - Move the business into the black with 40 million households in 32 countries.

- **Create new businesses.**
  - Consider new businesses in peripheral and related domains.

Important measures in the Space and Satellite Business

- **Cultivate global mobile demand by introducing new types of satellites.**
  - **Introduce JCSAT-14 and JCSAT-15 for mobile communications demand.**
  - **Introduce High Throughput Satellites (HTS) through tie-ups with other operators, such as Horizons 3e.**
  - **Introduce new S-band satellite.**

- **Expand space and satellite business domain in line with the Basic Plan on Space Policy.**
  - Procurement of and control services for government satellites based on the Basic Plan on Space Policy
  - Operation of non-geostationary satellites and space business using those satellites

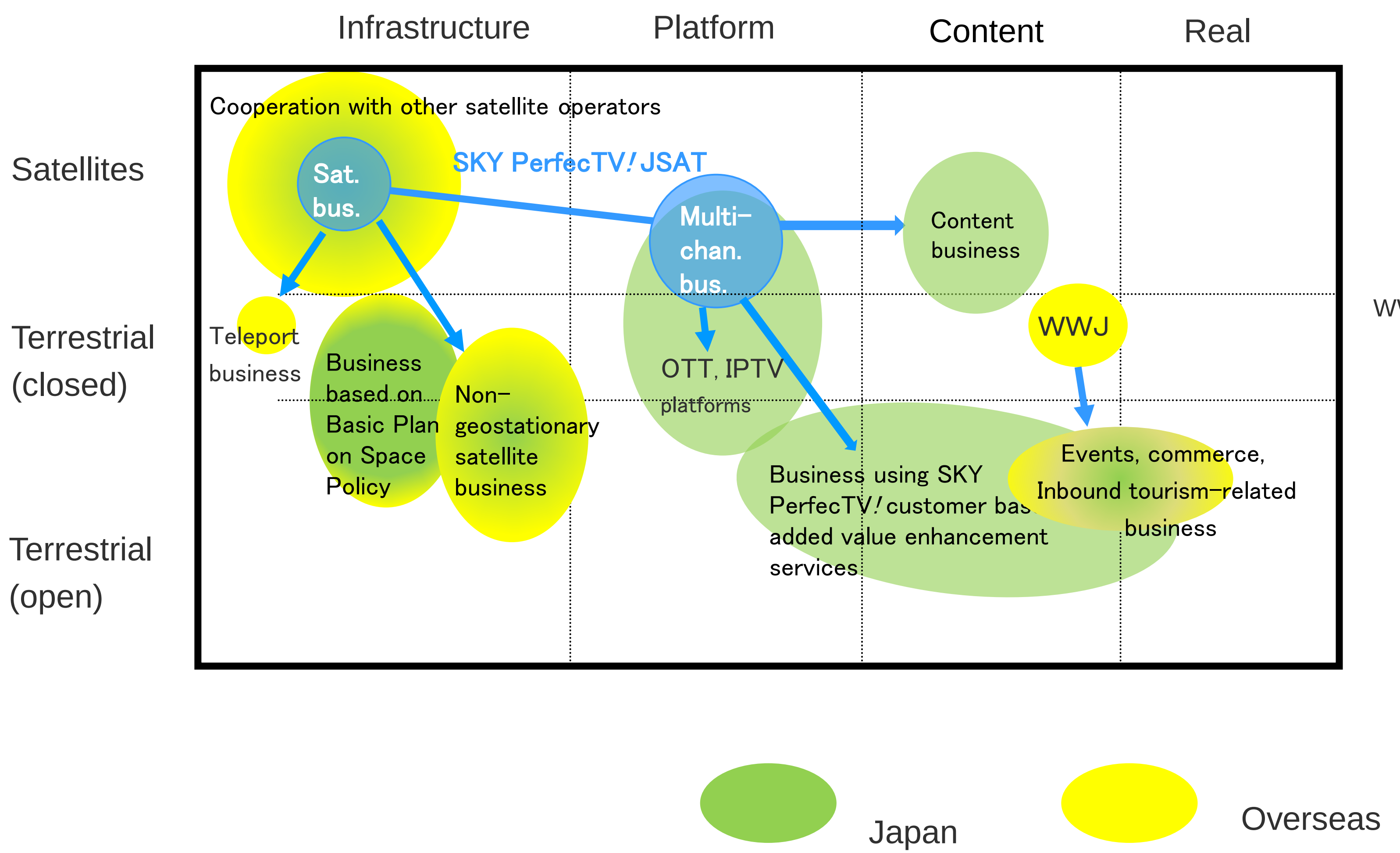
- **Develop new areas for satellite use.**
  - Disaster medicine VSAT, 4K/8K video streaming, information streaming to vehicles using planar antennas, etc.

- **Streamline the company's satellite fleet.**
  - Streamline the timing of procurement of replacement satellites with the introduction of the new JCSAT-16 back-up satellite and make use of old back-up satellites.
  - Streamline fleet through satellite sharing with other operators and piggyback missions in satellite procurement.
  - Reduce satellite and rocket procurement costs.

- **Create new businesses.**
  - Information provision business using low-earth-orbit satellites, etc.

Course of business domain expansion, including M&As and business tie-ups

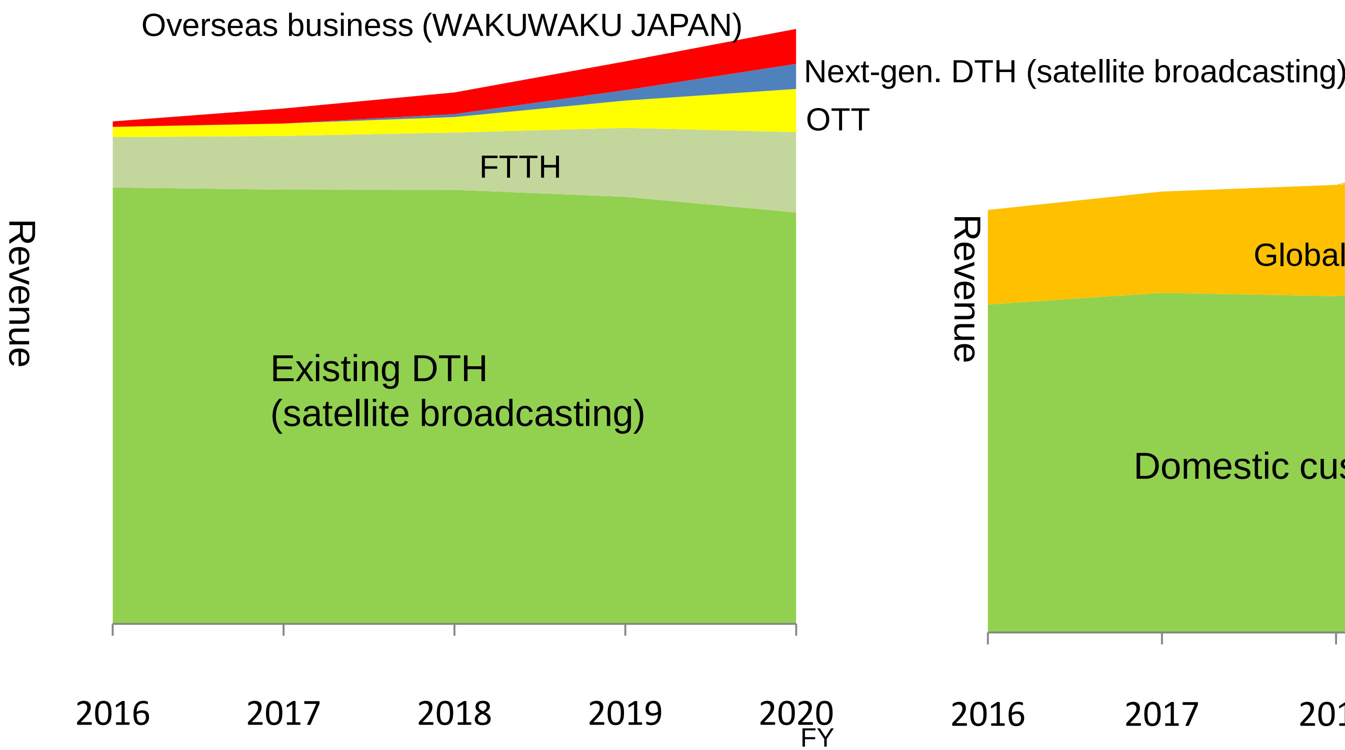
The company will aggressively make business investments during the period covered by the current plan and expand its business domains in pursuit of further growth.



WWJ : WAKUWAKU JAPAN

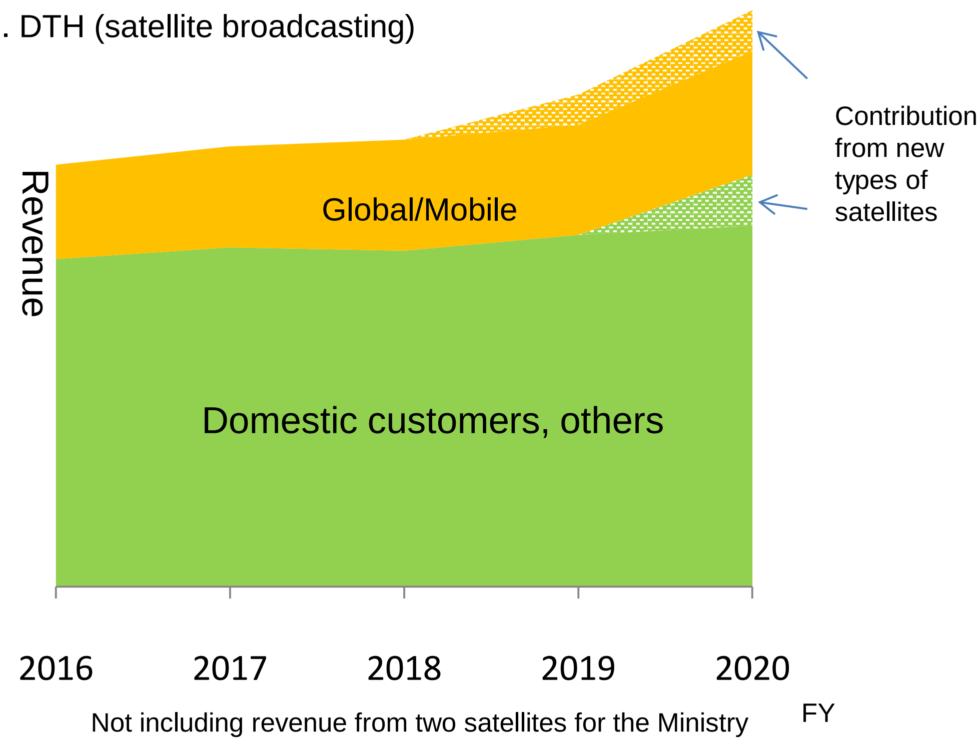
Changing earnings structure in both segments

Multichannel Pay TV Business



Operating income: Operating income will gradually increase heading toward FY20 after an initial small reduction with sales channel development, next-generation DTH investment, OTT investment, investment in broadcast center equipment updates, and development/expansion of overseas business.

Space and Satellite Business



Not including revenue from two satellites for the Ministry of Defense in FY2016

Operating income: FY17-FY18 will be a difficult period due to increased satellite depreciation. The economic situations in Asia and Russia will be variation factors for the time being. New types of satellites will contribute to income starting in FY19.

Numerical targets (FY2020)

Group consolidated Revenue:	**200+ billion yen**
Group consolidated operating income:	**30+ billion yen**
EBITDA:	**60+ billion yen**
Multichannel pay TV subscribers:	**4+ million***

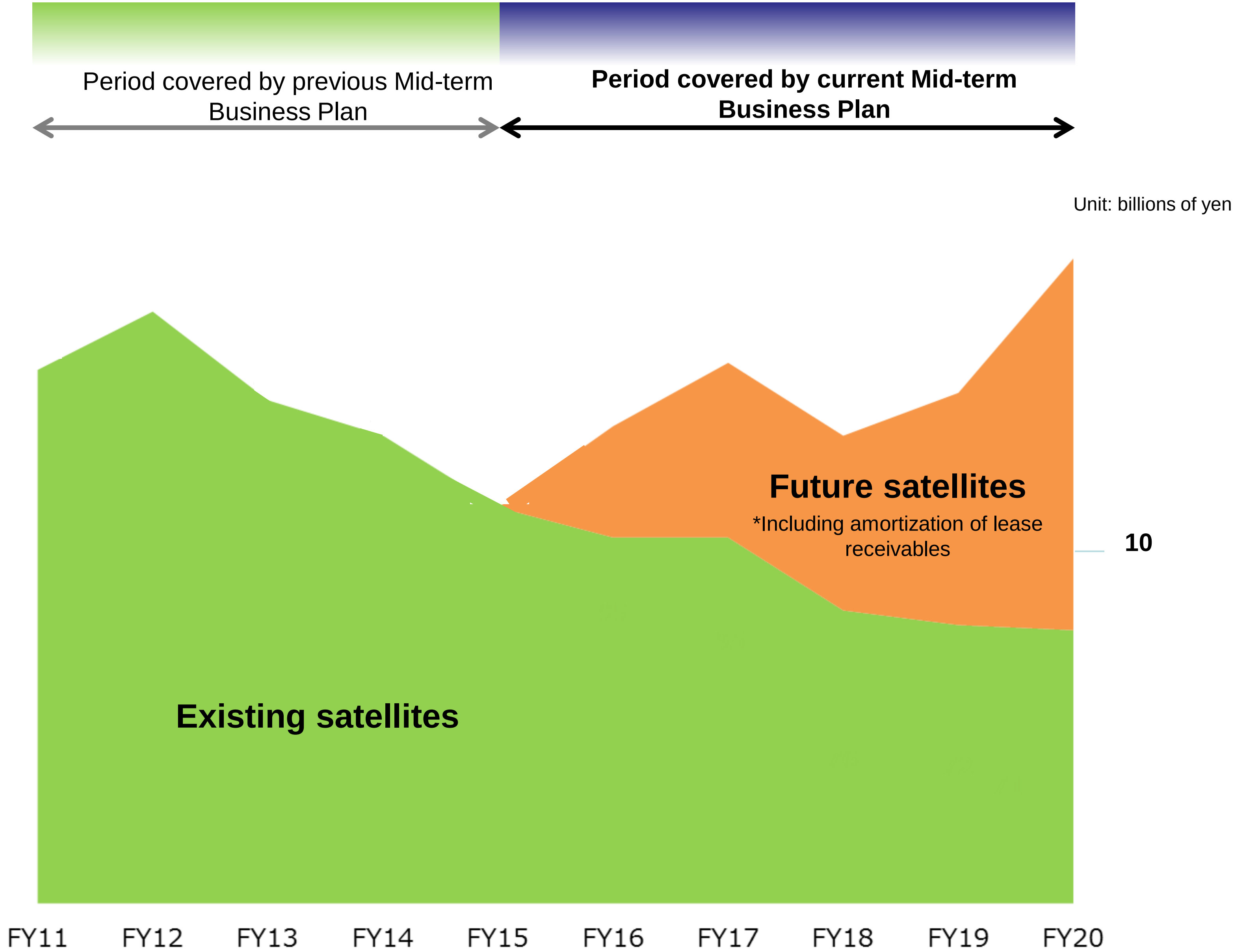
Including subscribers to SKY PerfecTV!*
On Demand's paid products

Shareholder return (dividend policy)

The higher of either a 16 yen dividend per share or a dividend calculated at a 30% dividend payout ratio throughout the period covered by the Mid-term Business Plan

SKY Perfect JSAT Group

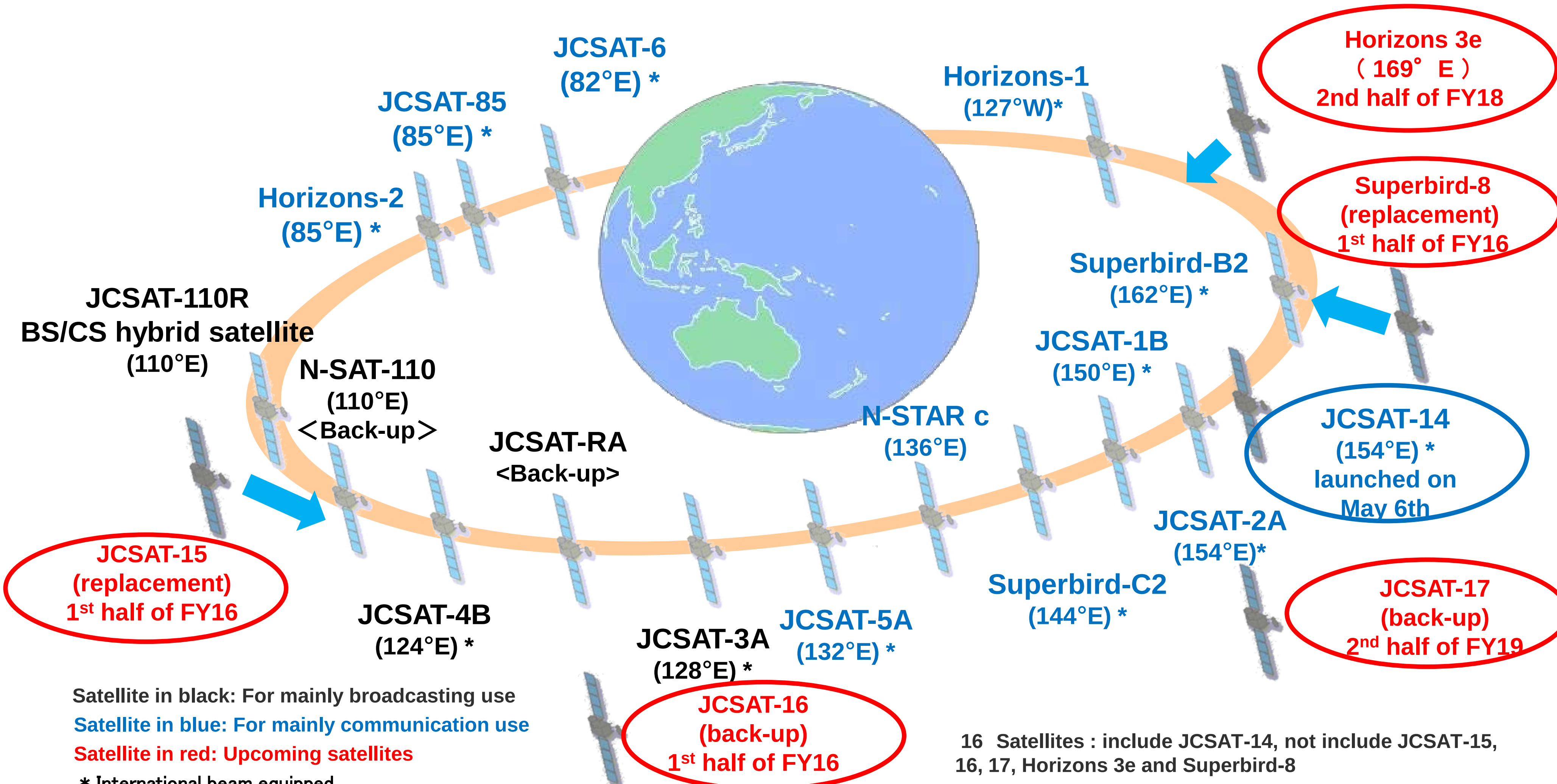
Reference: Satellite depreciation over time



(References)

Satellite fleet

16 satellites covering an area from North America to the Indian Ocean



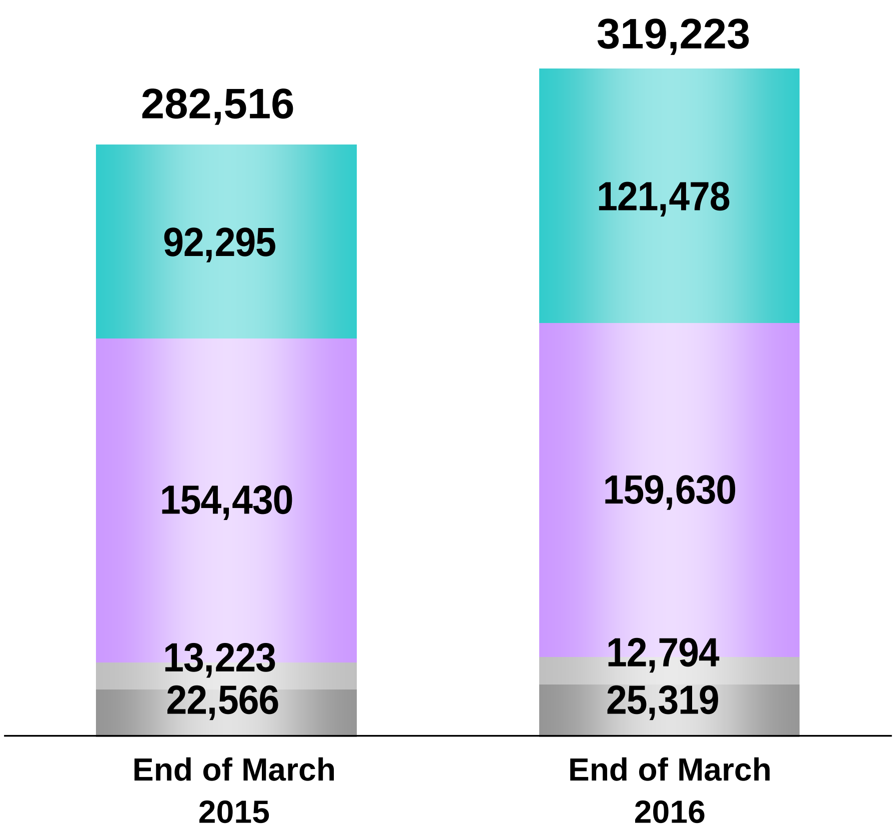
Satellite in black: For mainly broadcasting use
Satellite in blue: For mainly communication use
Satellite in red: Upcoming satellites
* International beam equipped

16 Satellites : include JCSAT-14, not include JCSAT-15, 16, 17, Horizons 3e and Superbird-8

Consolidated Income Statement

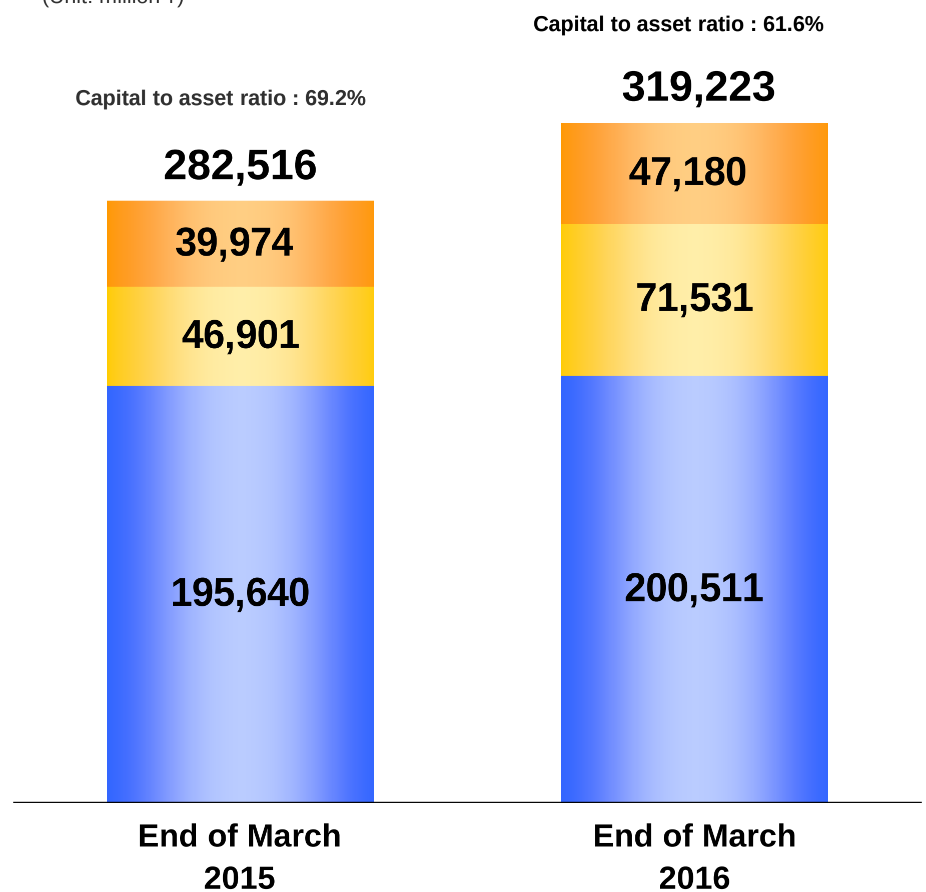
Assets

(Unit: million ¥)



Liabilities and net assets

(Unit: million ¥)



Liquid assets
Tangible fixed assets
Intangible fixed assets
Investments and other assets
Current liabilities
Long-term liabilities
Net assets

Consolidated Cash Flows

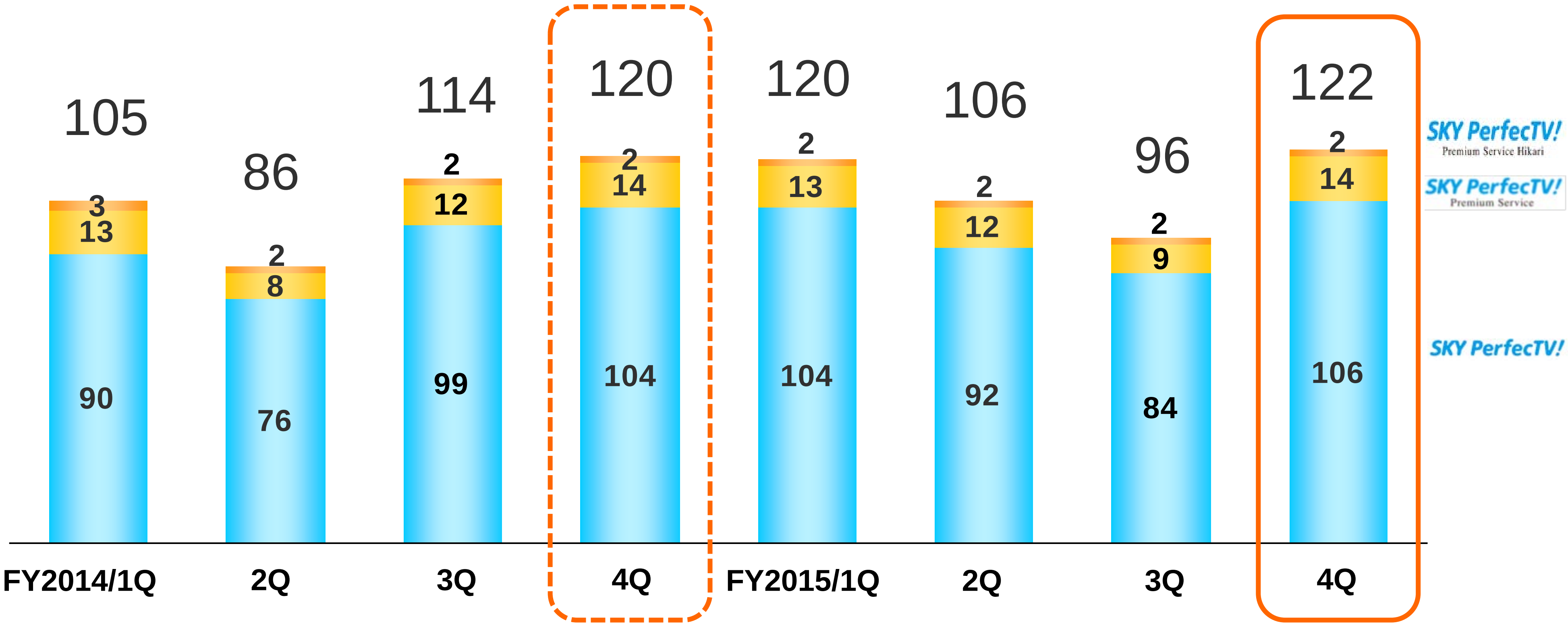
(Unit: million ¥)

	FY2014/4Q cumulative total	**FY2015/4Q cumulative total**
Cash flows from operating activities	16,633	**24,806**
Cash flows from investment activities	(34,746)	**(28,804)**
Free cash flows[1]	(18,113)	**(3,997)**
Cash flows from financing activities	(12,078)	**18,586**
Cash and cash equivalents at term end (a)	33,963	**48,557**
Term-end balance of interest-bearing debt[2] (b)	38,366	**64,137**
Term-end balance of net interest-bearing debt (b)-(a)	4,403	**15,579**

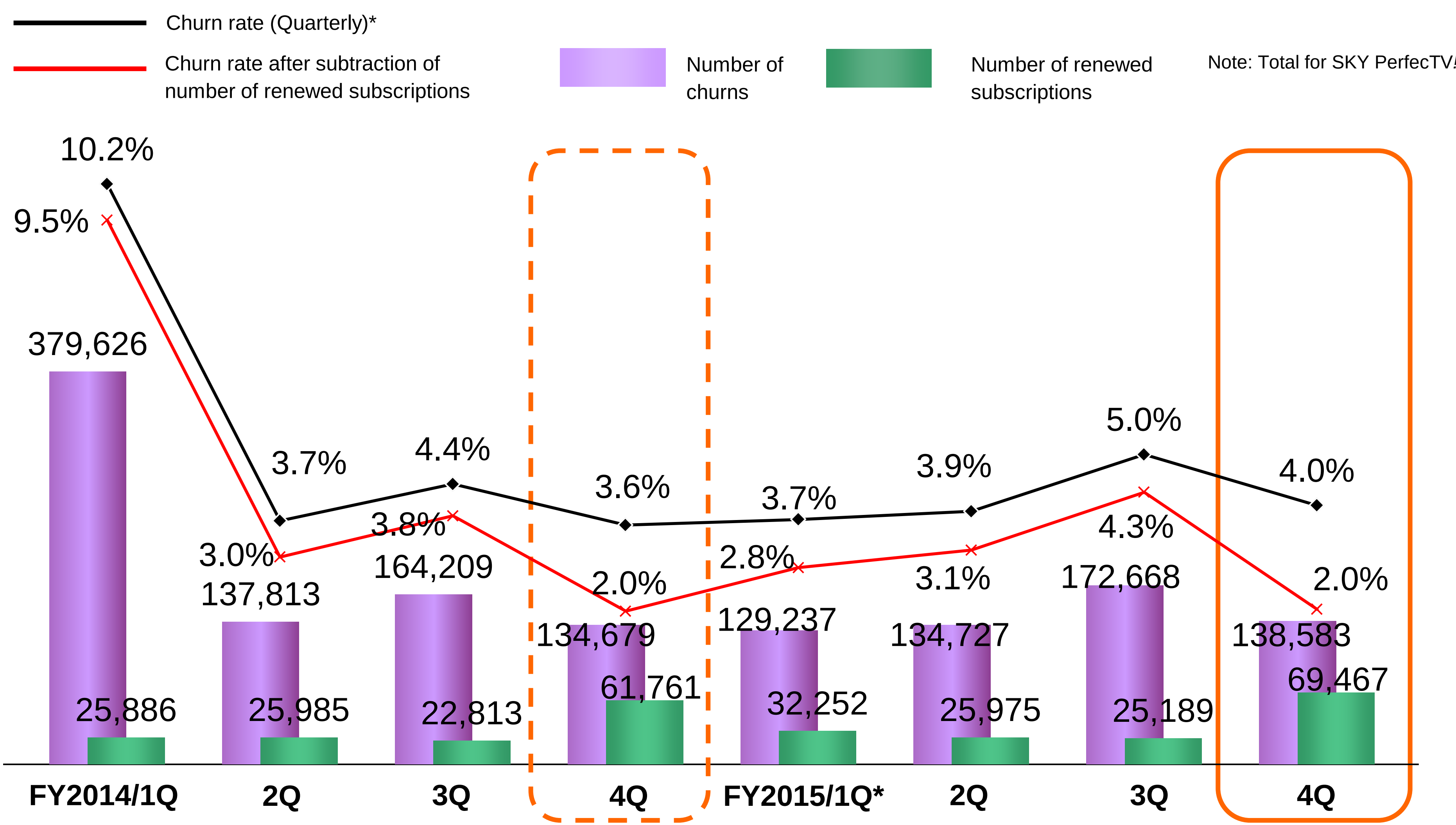
1. Cash flows from business activities + cash flows from investment activities
2. Debts + unsecured corporate bonds

Numbers of New Subscriptions

(Unit: 1,000 subscriptions)



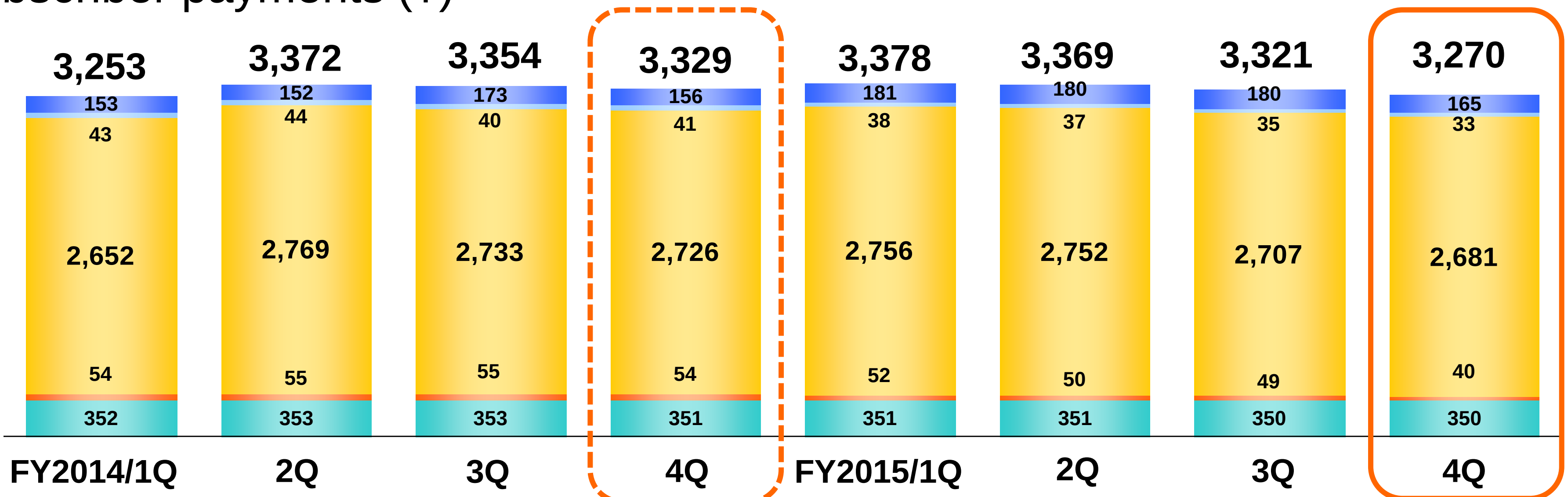
Churn Rates



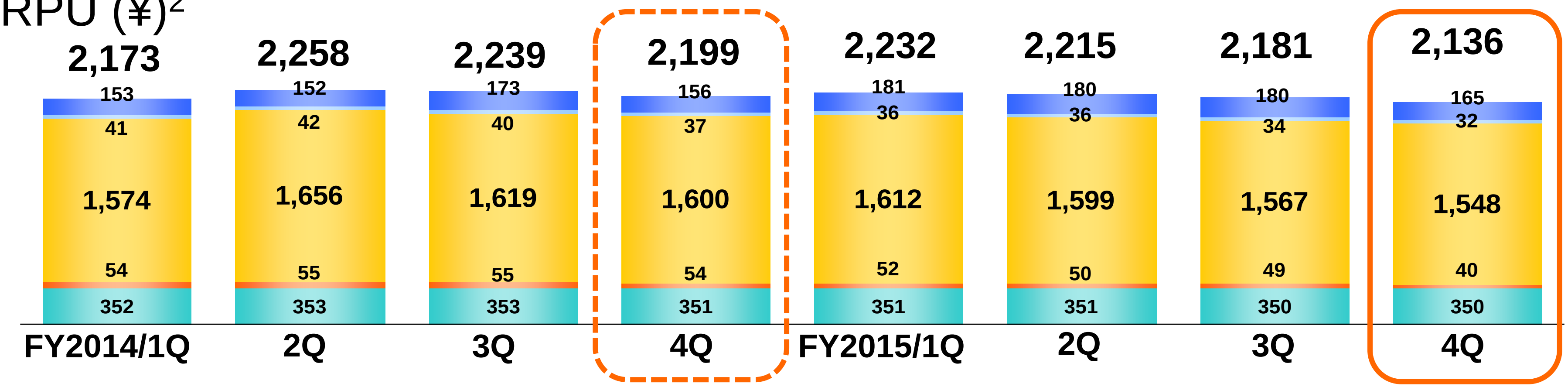
*The substantial increases in number of churns, average monthly churn rate, and churn rate after subtraction of number of renewed subscriptions for FY2014.1Q were due to the inclusion of churns resulting from the termination of standard definition services at the end of May 2014.
Up to the FY2015.3Q Earning Results Briefing, the churn rate was given as the average of the monthly churn rates for each quarter.
From this Earning Results Briefing onwards, the churn rate will be calculated by dividing the total number of churns for each quarter by the cumulative number of subscriptions at the end of the preceding fiscal year.

ARPU

■Subscriber payments (¥)[1]



■ ARPU (¥)[2]

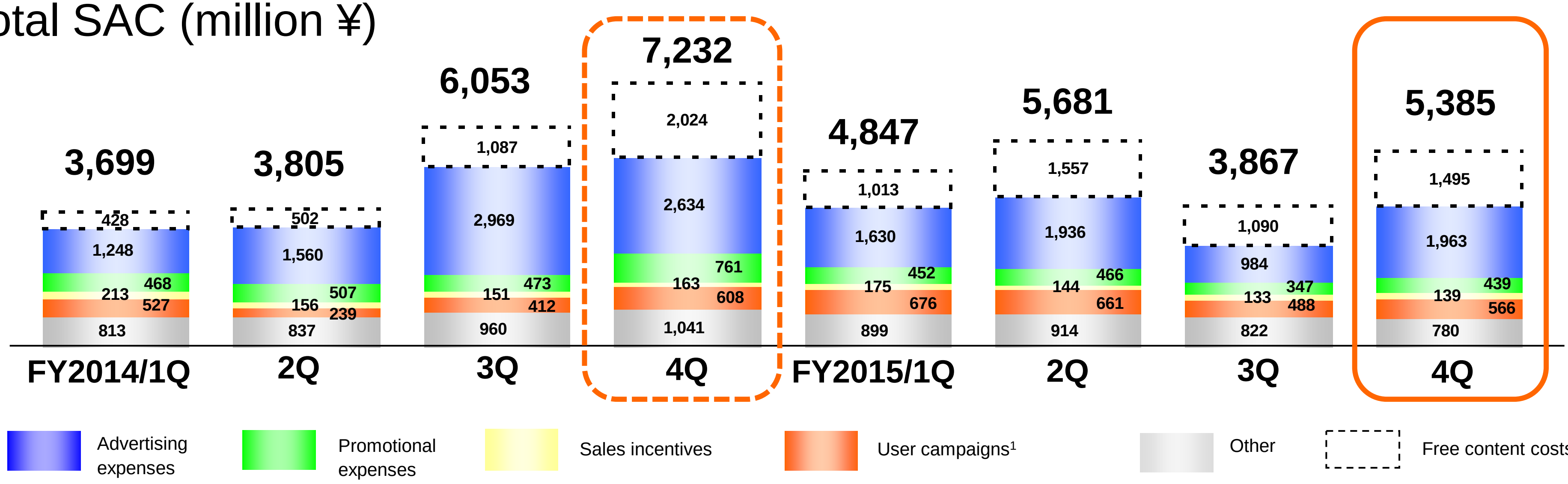


Basic fee | Rental fee | Monthly subscription fee | PPV subscription fee | Revenue from original content

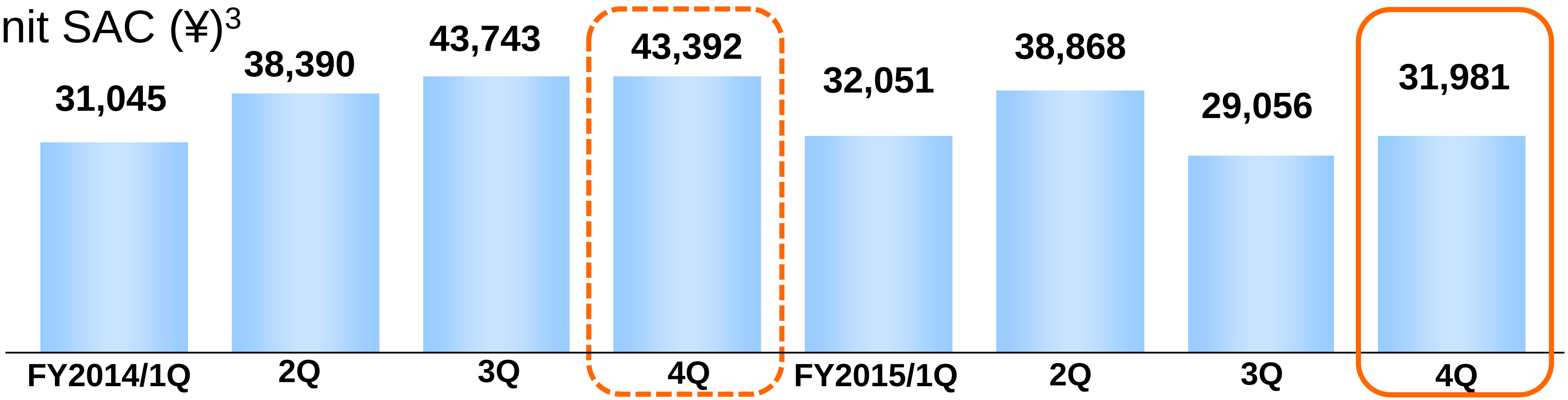
1. Average amount paid by subscribers in the form of monthly viewing fees, etc.
2. Of the average amount paid by subscribers in the form of monthly viewing fees, etc., the amount recorded as operating revenue by the SKY Perfect JSAT Group

Subscriber Acquisition Costs (SAC)

■Total SAC (million ¥)



■Unit SAC (¥)[3]



1. Cost of campaigns to acquire new subscribers.
2. "Free content costs" includes costs associated with the production of programs for BS SKY PerfecTV!.
3. The unit SAC cost is the total SAC value (excluding free content costs) divided by the number of new subscriptions in the period under review.

Results for Subsidiaries

(Unit: million ¥)

		SJC	SPCC	SPBC	SNET	JII	JMC	WWJ
Nature of business		Broadcasting platforms/satellite communications	Customer management	Broadcasting business	Satellite communications channel resale, etc.	Satellite communications channel resale in the US	Mobile satellite communications services	Delivery of Japanese content for overseas markets
Ownership ratio (%)		100	100	100	92	100	53.3	60
Operating income	FY2014/4Q	127,638	7,623	66,215	4,159	2,618	2,484	—
	FY2015/4Q	**129,431**	**7,063**	**64,485**	**3,810**	**2,222**	**2,938**	**259**
Operating income	FY2014/4Q	17,772	695	1,573	207	1,196	259	—
	FY2015/4Q	**24,418**	**659**	**1,559**	**162**	**628**	**444**	**(1,748)**
Ordinary income	FY2014/4Q	17,972	697	1,587	193	1,206	303	—
	FY2015/4Q	**24,782**	**662**	**1,584**	**164**	**532**	**435**	**(1,640)**

SJC: SKY Perfect JSAT Corporation
SPCC: SKY Perfect Customer-relations Corporation
SPBC: SKY Perfect Broadcasting Corporation
SNET: Satellite Network, Inc.

JII: JSAT International Inc.
JMC: JSAT MOBILE Communications Inc.
WWJ: WAKUWAKU JAPAN CORPORATION

SKY Perfect JSAT Holdings, Inc.

Corporate Communications & Investor Relations Division