

SKY Perfect JSAT Group

Earning Results Briefing for 1Q/2018

August 2, 2018 (Thursday)

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 subscriber management system
- Risks related to IC card security, etc.

Consolidated Business Performance for 1Q/2018

Summary of Income Statements

- Operating revenue increased 21.6 billion yen (58.0%) due to sales of 23.0 billion yen through handover of satellite to Ministry of Defense
- Quarterly profit attributable to owners of parent increased by 380 million yen (12.9%)

(Unit: ¥ millions)

	FY2017/1Q Cumulative	FY2018/1Q Cumulative	Year-On- Year Comparison	Progress on FY2018 Forecast	FY2018 Full-Year Forecast
Revenue	37,195	58,772	58.0%	34.9%	168,500
Operating Income	4,334	4,646	7.2%	28.2%	16,500
Ordinary Income	4,535	5,090	12.2%	29.9%	17,000
Profit Attributable to Owners of Parent	2,941	3,321	12.9%	28.9%	11,500
EBITDA ^{*1}	10,942	11,346	3.7%	27.0%	42,000

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

Summary of Income Statements by Business Segment (FY2017 1Q – FY2018 1Q)

- The Media Business had decreased revenue and operating income due to decreased subscription fee revenue caused by a reduced total number of cumulative subscribers
- The Space Business had increased revenue and operating income due to handover of satellite to Ministry of Defense

(Unit: ¥ millions)

	FY2017					FY2018
	1Q	2Q	3Q	4Q	Full Year	1Q
Revenue	37,195	36,525	35,762	36,018	145,501	58,772
Media Business	27,424	26,828	25,925	25,620	105,798	25,857
Space Business	12,524	12,428	12,459	12,987	50,400	35,541
Consolidated Eliminations	(2,754)	(2,731)	(2,622)	(2,589)	(10,697)	(2,626)
Operating Income	4,334	4,547	3,233	3,536	15,652	4,646
Media Business	1,005	1,448	239	541	3,233	797
Space Business	3,531	3,430	3,034	3,141	13,137	4,034
Consolidated Eliminations	(202)	(331)	(40)	(145)	(719)	(185)

In July, 2018, the naming for business segment "Space & Satellite Business" has changed to "Space Business." There is no affect on the result by business segment..

Key Performance Indicators for Media Business (*)

- SKY PerfectTV! New Basic Service Package-Free Subscription for Multiple TV Sets Campaign contributed to increase of new subscribers.

	FY2017/1Q Cumulative	FY2018/1Q Cumulative	FY2018 Full-Year Forecast
Number of New Subscribers and Re-subscribers(unit : thousands)	130	155	532
Net Increase in Subscribers (unit : thousands)	(6)	7	(52)
Number of Cumulative Subscribers (unit : thousands)	3,314	3,270	3,210
Average Monthly Subscriber Payment (unit : JPY)	3,247	3,207	-
ARPU (unit : JPY)	2,063	2,020	-
SAC (unit : JPY)	37,934	27,064	-

* Sum of SKY PerfectTV!, SKY PerfectTV! Premium Service and SKY PerfectTV! Premium Service Hikari

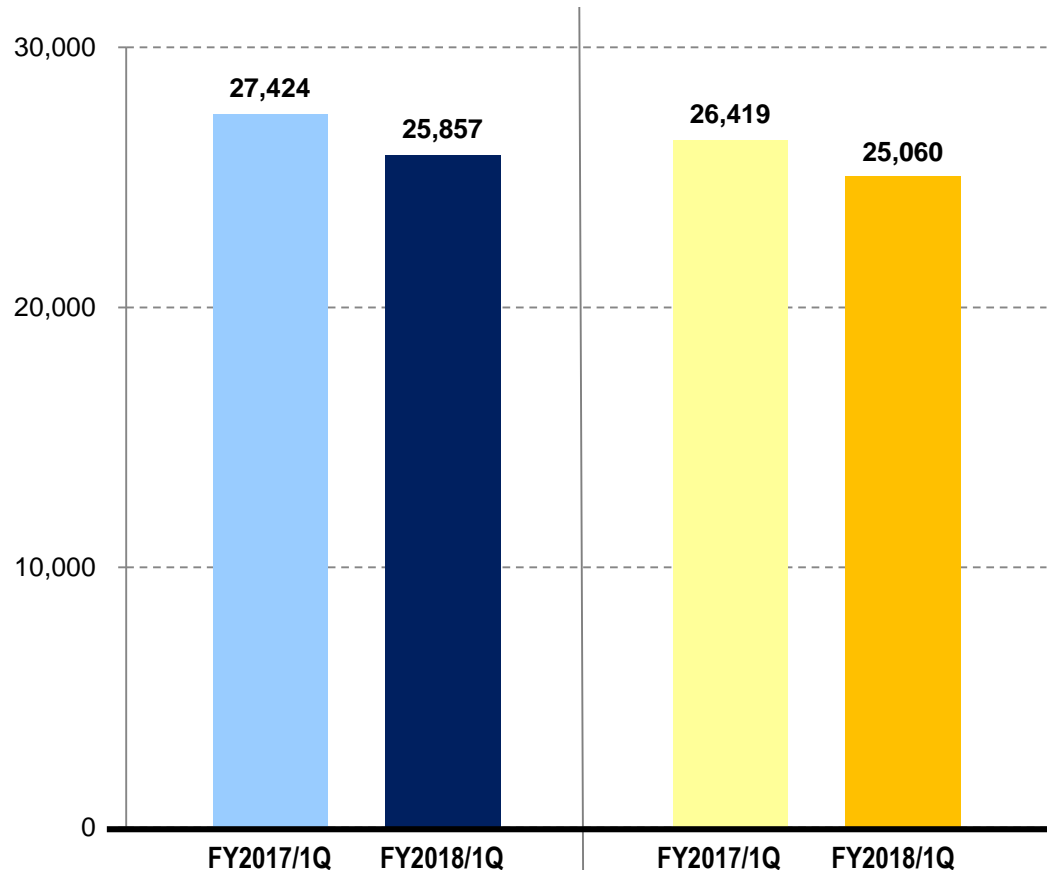
Earnings Overview for Media Business (Year-on-Year Comparison)

Media Business

Revenues

Operating Expenses

(Unit: in million Yen)



Revenue (¥1.6B)*

* Inter-segment Transactions included.

<Main Factors for Increases or Decreases>

- Decrease in subscription fees:(¥1.1B)
- Decrease in basic charges and others(¥0.5B)

Operating Expenses (¥1.4B)*

* Inter-segment Transactions included.

<Main Factors for Increases or Decreases>

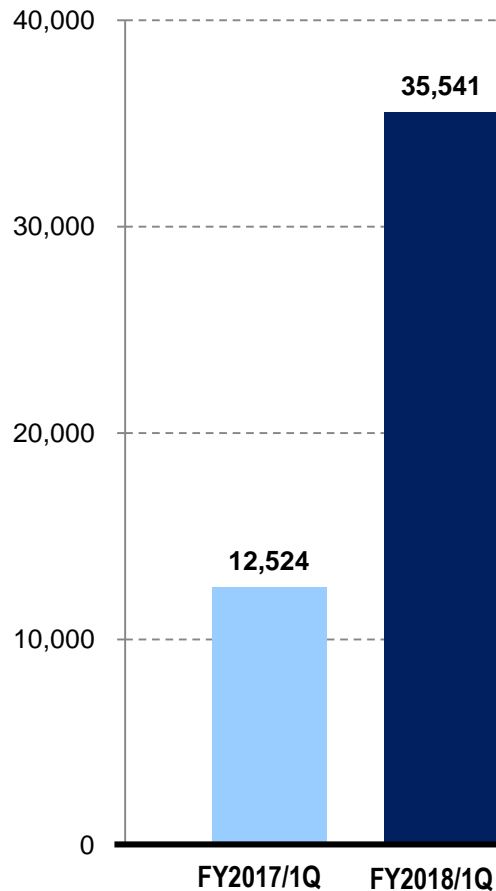
- Decrease in program provision expenses:(¥0.9B)
- Decrease in content costs and other expenses:(¥0.5B)

Earning Overview for Space Business (Year-on-Year Comparison)

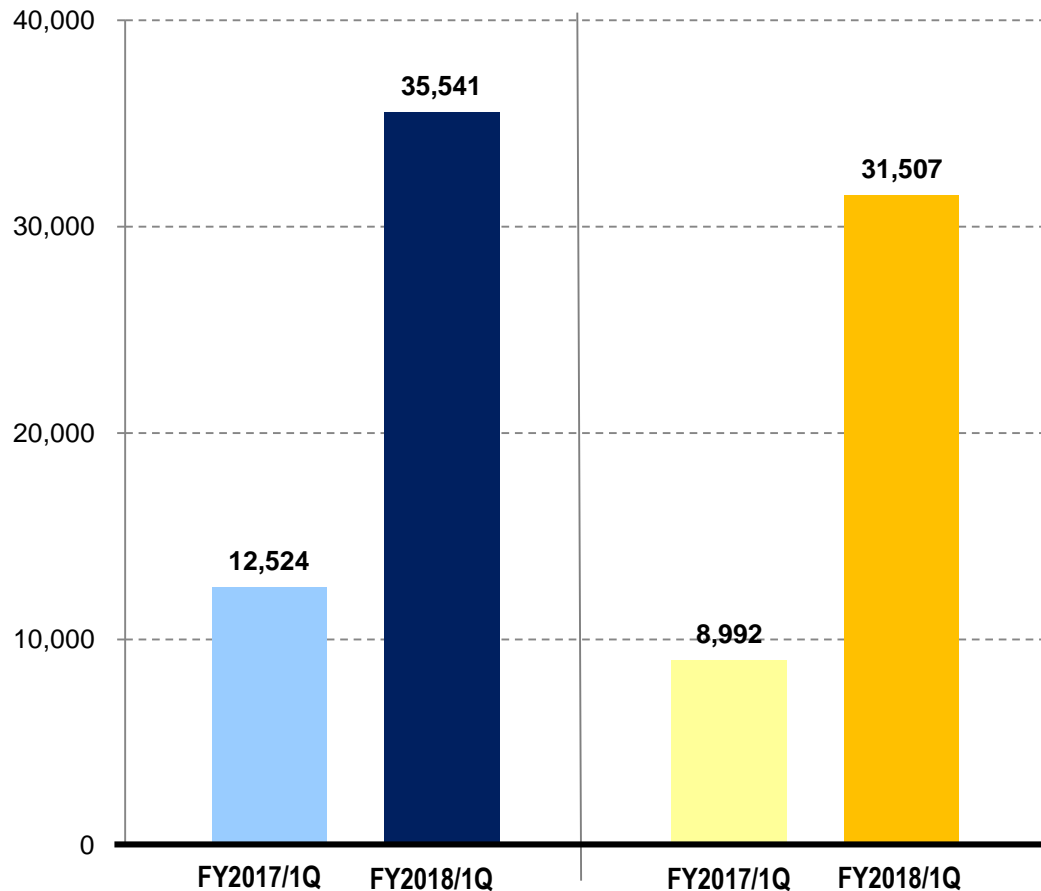
Space Business

(Unit: ¥ millions)

Revenues



Operating Expenses



Revenue: +¥23.0B*

* Inter-segment Transactions included.

<Main Factors for Increases or Decreases>

- Sellout of communication satellite and related properties: +¥23.0B
- Decrease in broadcasting transponder-related revenues: (¥0.1B)
- Increase in other revenues: +¥0.1B

Operating Expenses: +¥22.5B*

* Inter-segment Transactions included.

<Main Factors for Increases or Decreases>

- Increase in satellite business related cost: +¥22.7B
- Decrease in depreciation: (¥0.2B)

SKY Perfect JSAT Group Mission and Business Vision

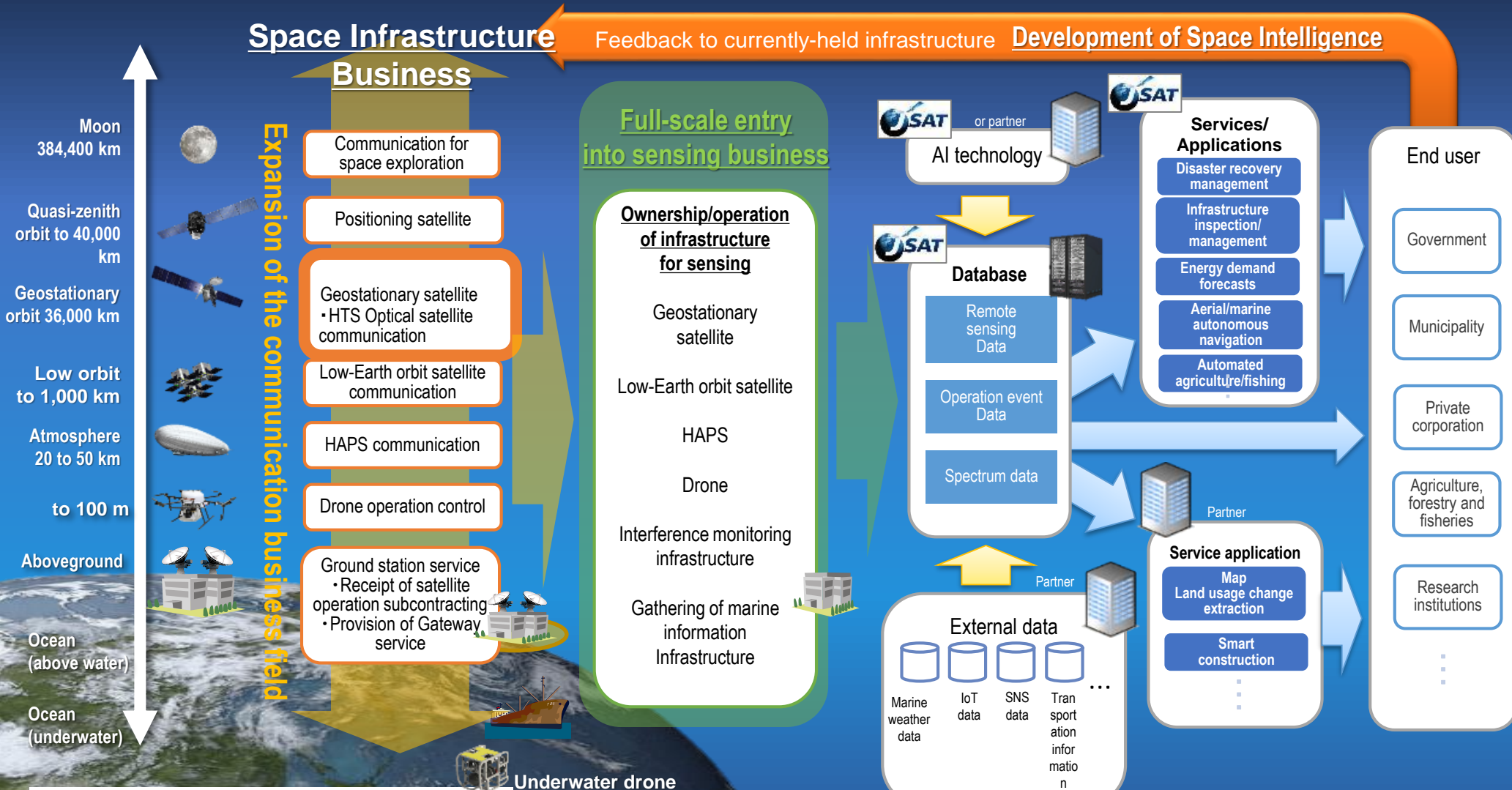
Space for your Smile

Toward a world where
uncertainty turns to peace of mind,
difficulty turns to ease,
and interest turns to passion

“Space for your Smile” captures our core vision for the future, where spaces of all kinds—outer space, land, air and sea, as well as communities, family living rooms and other places people call their own—beam with smiles. From the glints of everyday happiness to the happiness that awaits in the future, we strive to create a world that leads to a brighter tomorrow for each and all.

Space Business Vision

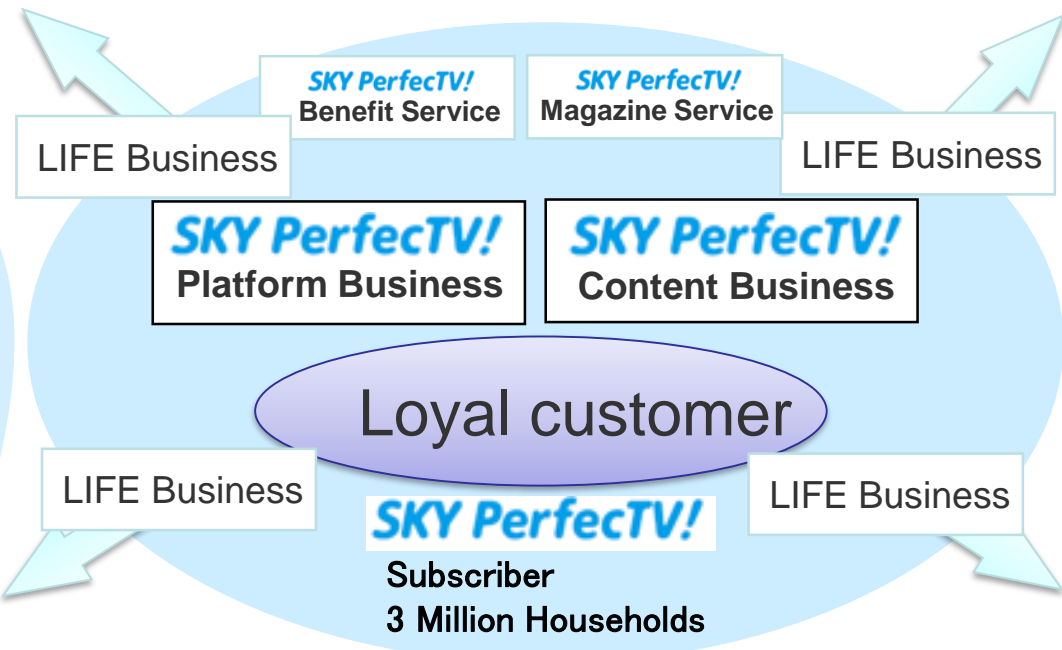
Diversifying in **space**, from outer space to the ocean + Creating businesses that utilize space data



Media Business Vision

■ In addition to the platform business and content business, expanding into new LIFE business for changing lifestyle time (Time & **Space**).

Changing Time & Space



Future Initiatives

- Media Business -

Future Contents Lineup

European Soccer Opening

To be broadcasted
on SKY PerfectTV! Soccer set etc.

on 24th of Aug.

1. Bundesliga All games

+

2. Bundesliga, Liga NOS (Portugal)
and Jupiller Pro League(Belgian)
Starts Exclusive broadcasting

All games Japanese players participate are to be broadcasted.



Live Music

a-nation 2018

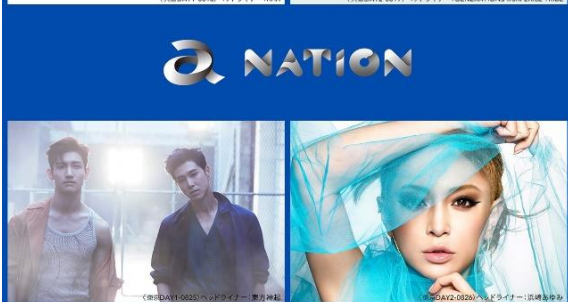
Exclusive Live coverage !

On BS SKY PerfectTV ! /MUSIC ON TV!



On-Air
on 18th of Aug. etc.

AAA
GENERATIONS from
EXILE TRIBE
Dong Bang Shin Ki
Ayumi Hamasaki
And more amazing
artists



Original Animation

Muhyo and Rosie's Bureau of supernatural Investigation

Starts on 3rd of August
on

BS SKY PerfectTV ! /Animax

Popular comic series on Weekly
Shonen Jump
are finally animated beyond a
decade



New Measures (1)

(1) New 4K/8K Satellite Broadcasting Via TV Service Using Optical Lines

Developing a mechanism capable of transmitting 4K/8K broadcasts to 30 million households.

(Service Provision Status)

- Service area : 26 prefectures (including partial service)
- Number of households in the service area to which Flets TV can be provided*1 : approx. 30 million households (approx. 60% of all households)
- Number of contracted households: approx. 2.21 million households

Flets TV: approx. 1.63 million households

Condominium type*2: approx. 580,000 households

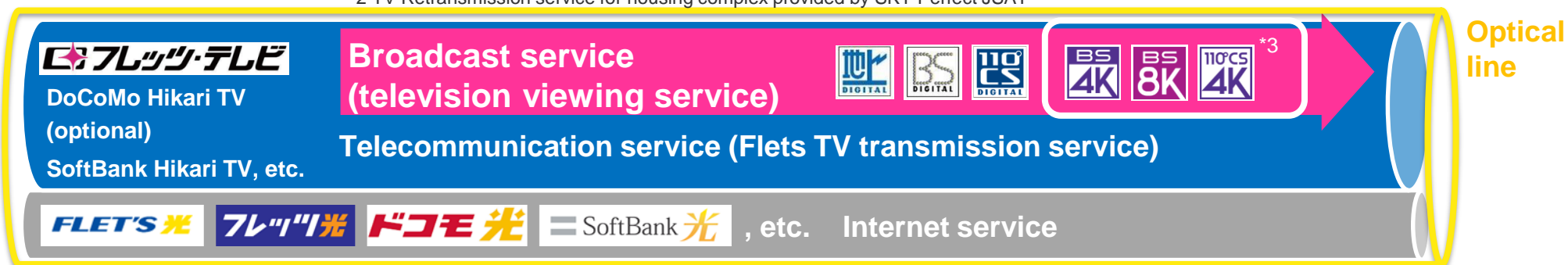
New promoter of 4K/8K: Kyoko Fukada



(Format of Provision)

*1 Depending on demand, separate facilities investment may be necessary by NTT East and West.

*2 TV Retransmission service for housing complex provided by SKY Perfect JSAT



(Provision Schedule (subject to change))

- December 2018: Start of provision for new 4K satellite broadcast (right-hand circular polarization)
- Around summer 2019: Start of provision for new 4K/8K satellite broadcast (left-hand circular polarization)

*3 It is necessary to obtain rebroadcasting agreement from each television station. Moving forward, we will engage in cooperation and negotiation with each television station. We are currently negotiating the channels which will be provided.

New initiatives (2)/(3)

(2) Founding of THRee entertainment Corporation



- Planning/production related to live music content and sales of broadcasting rights/distribution rights for Japan and overseas

*Example of acquiring broadcasting rights for live events



Fuji Rock Festival '18



Alexandros VIP Party 2018

- Development and provision of fan communication applications in sports and music

Cooperation with THRee entertainment, which handles overseas distribution and application development

Strengthened initiatives for new business fields

(3) Start provision of SKY PerfectTV! contents via Amazon Prime Video Channel, a service for Amazon Prime members



- First stage started from July 3 (Tues.)

Start provision of SKY PerfectTV! Anime Set for Prime Video

Price: 700 yen (tax not included)



*Included channels:

- Animax for SKY PerfectTV! Anime Set
- Kid's Station for SKY PerfectTV! Anime Set
- Special Voice Actor Channel ST-X for SKY PerfectTV! Anime Set
- BS SKY PerfectTV! for SKY PerfectTV! Anime Set

Seek expansion for fields in which contents provision is possible

Future Initiatives

- Space Business -

Entry into the low-earth orbit commercial radio wave observation satellite service



SNET has executed a distributor agreement (a portion of which is exclusive) in Japan with HawkEye³⁶⁰, a U.S. Space venture corporation that develops the world's first commercial services which use radio wave observation satellites. Entry into the geospatial information provision service for sea, land, and air.



2018	2019	2020
<ul style="list-style-type: none"> ● Satellite Launch (Space X) ● Operation Commencement 	<ul style="list-style-type: none"> --- Demonstration --- Launching satellites sequentially 	<ul style="list-style-type: none"> ▶ By 2020, planning to establish the 10 clusters (30 satellites) fleet and to circle around in about 20 minutes

Received outsourced R&D projects from the Ministry of Internal Affairs and Communications

Our company was selected as the subcontractor for “R&D of quantum cryptography technology* in satellite communications,” which is part of the “FY2018 Proposal for R&D of Information Communication Technology,” a project of the Ministry of Internal Affairs and Communications

*Quantum cryptography technology: A communication technology expected to remain safe from deciphering even if computation technology advances

Research themes

- (1) Quantum cryptography technology that can be loaded in ultra compact satellites
- (2) Free-space optical communication for flying objects
- (3) Development of portable optical ground station
- (4) Demonstration experiment via integration, aircraft, etc.

Scheduled participants

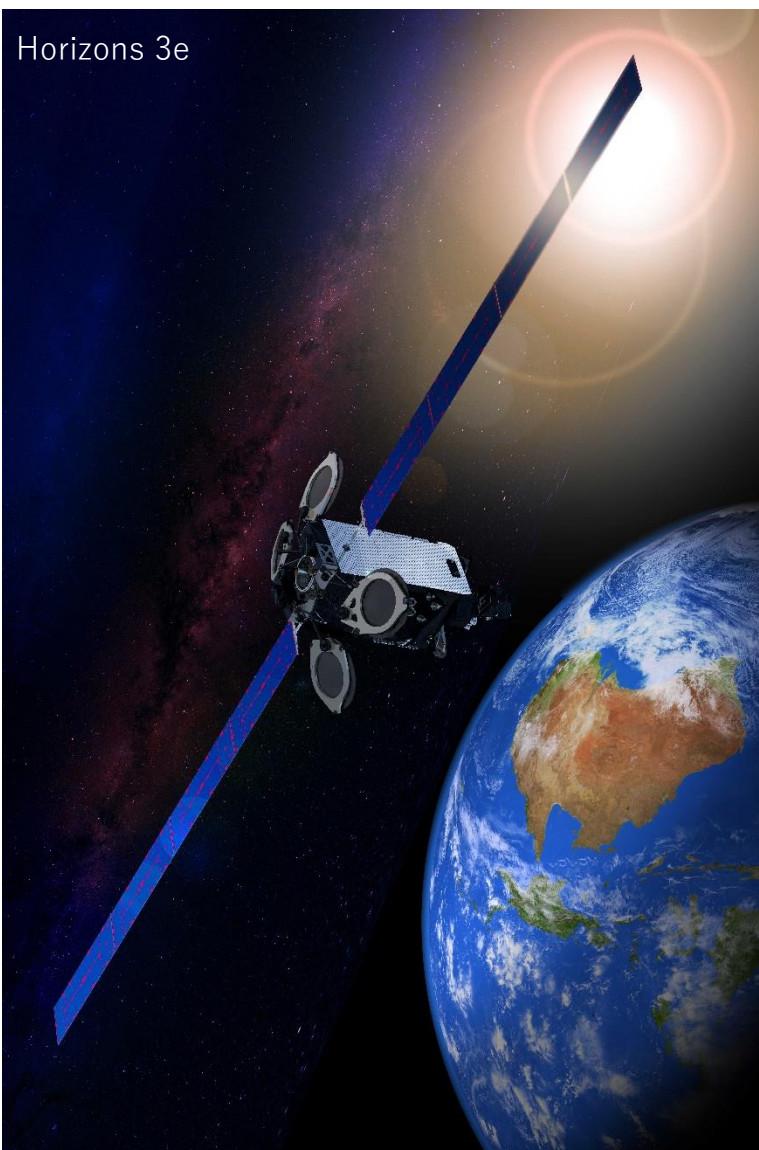
- Next generation Space system Technology Research Association (NESTRA) (prime contractor/in charge of Theme 4)
- National Institute of Information and Communications Technology (in charge of Theme 1 to 4)
- University of Tokyo (in charge of Theme 1)
- Sony Computer Science Laboratories (in charge of Theme 3)
- SKY Perfect JSAT (in charge of Themes 2 and 4)

Research schedule

FY2018	FY2019	FY2020	FY2021	FY2022
Development of quantum cryptography technology between aircraft and portable optical ground stations (all participating organizations)				
Discussions with potential customers, market trend surveys (organizations in charge of Theme 4)			Business model design (organizations in charge of Theme 4)	
			Creation of draft documents for standardization (organizations in charge of Theme 1)	



List of Schedule for Launch



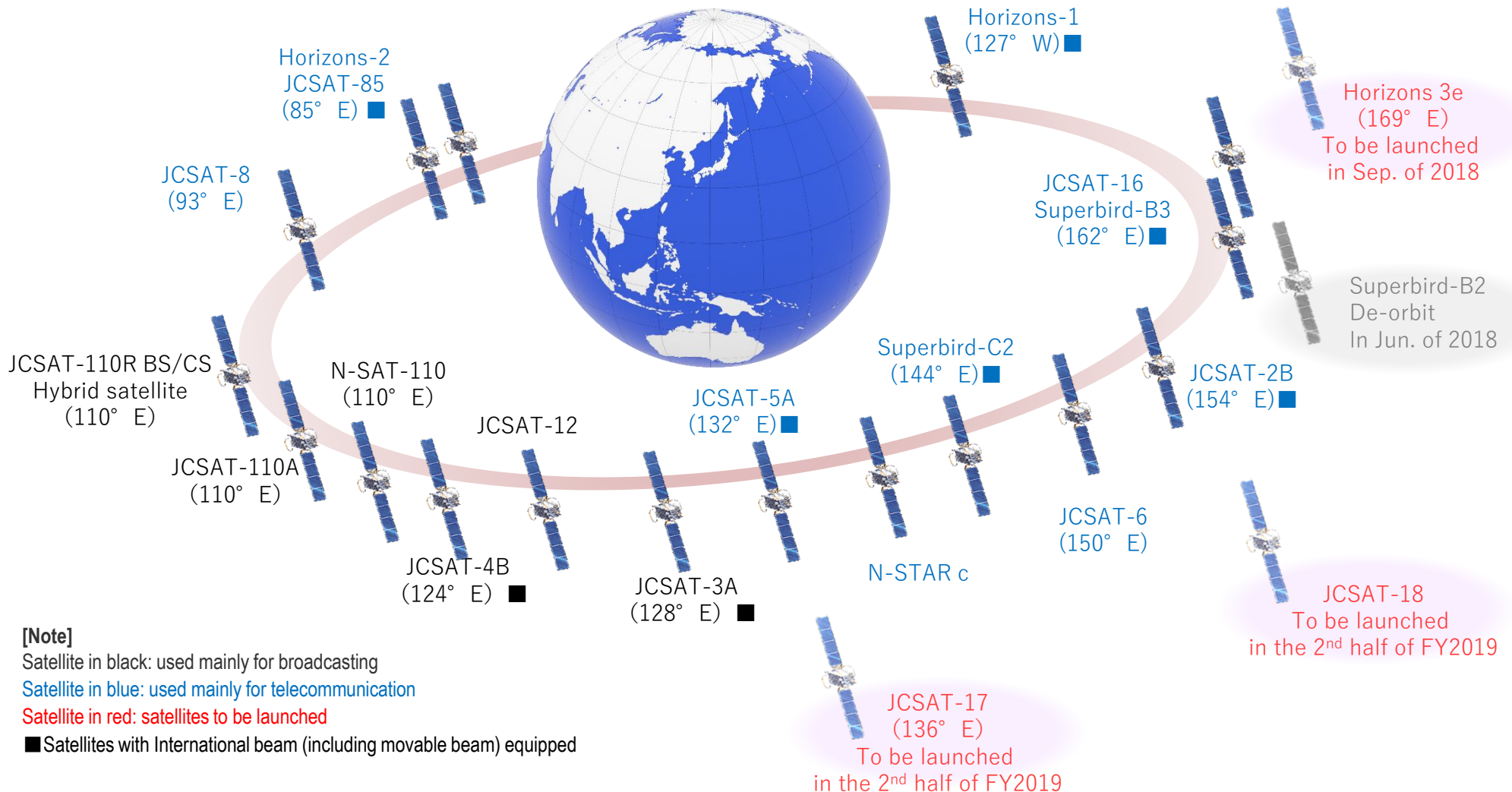
Horizons 3e

	Horizons 3e (High Throughput Satellite)	JCSAT-17	JCSAT-18 (High Throughput Satellite)
Satellite bus	702MP	A2100	702MP
Manufacturer	Boeing	Lockheed Martin	Boeing
Launch vehicle	Ariane5	Ariane5	Falcon9
Planned launch time	September 2018	2 nd half of FY2019	2 nd half of FY2019
Orbit position	169 degrees east longitude	136 degrees east longitude	TBD
Satellite lifetime	Over 15 years	Over 15 years	Over 15 years
Purpose	Overseas/Mobile (Joint satellite with Intelsat)	Provision of telecommunication in Japan	Overseas/Mobile (Joint satellite with Kacific)

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Satellite Fleet Update

Total of **17** satellites covering from North America to the Indian Ocean

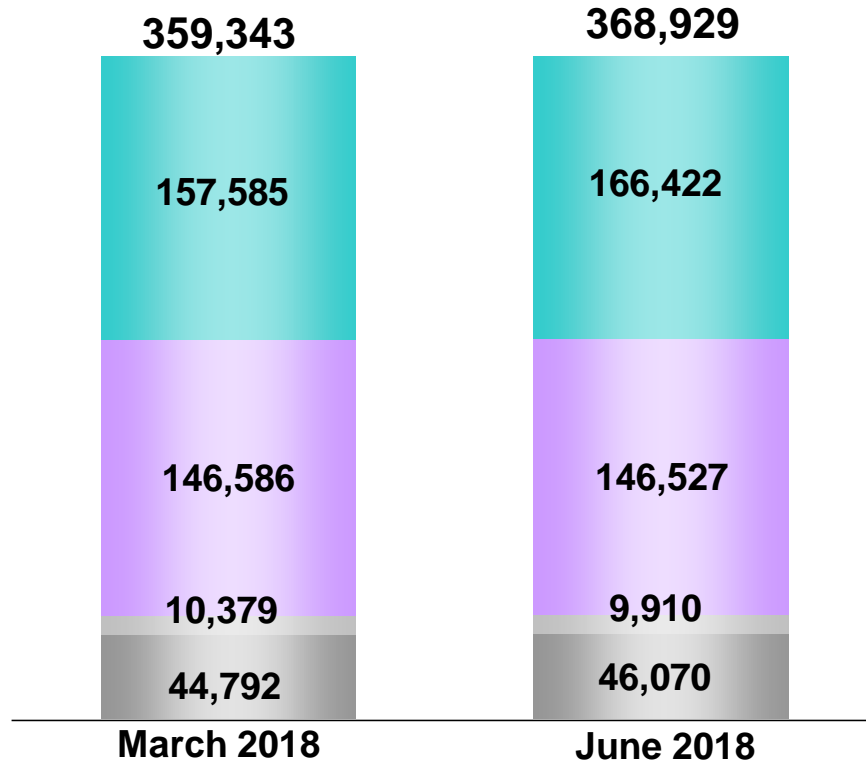


(References)

Consolidated Balance Sheets

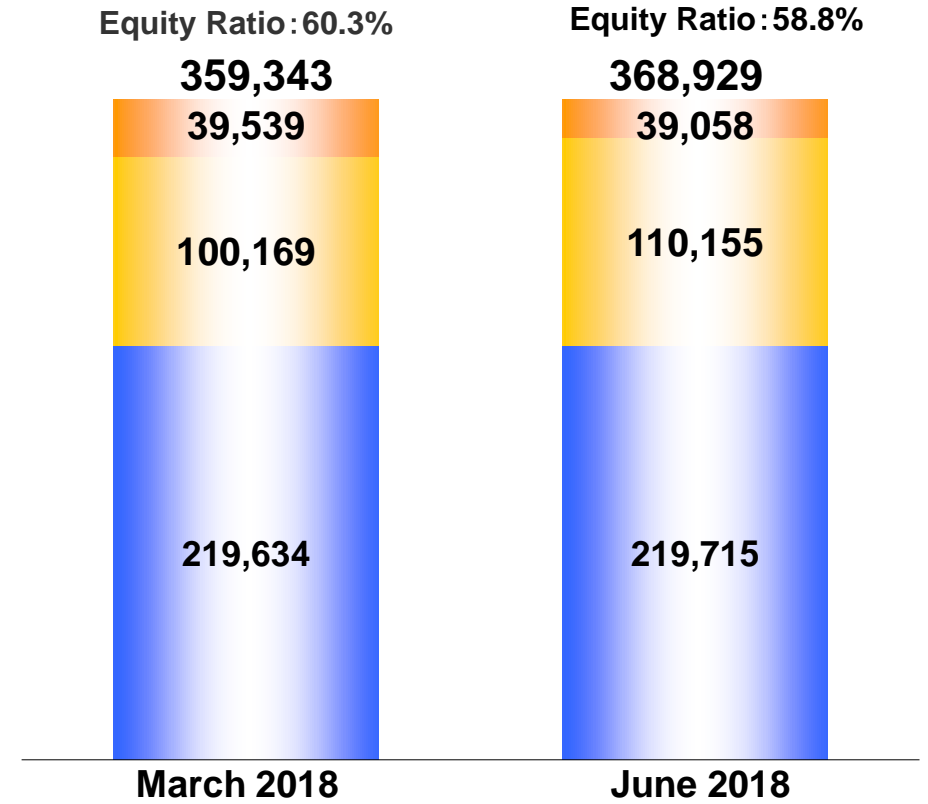
Assets

(Unit: ¥ million)



Liabilities and Equity

(Unit: ¥ million)



*From fiscal 2018, we apply "Partial Amendment to Accounting Standards for Tax Effect Accounting," etc. Accordingly, deferred tax assets are categorized as "investments and other assets," and deferred tax liabilities are categorized as "fixed liabilities." Equity is calculated by subtracting minority interests from net assets.

Consolidated Cash Flows

(Unit: ¥ million)

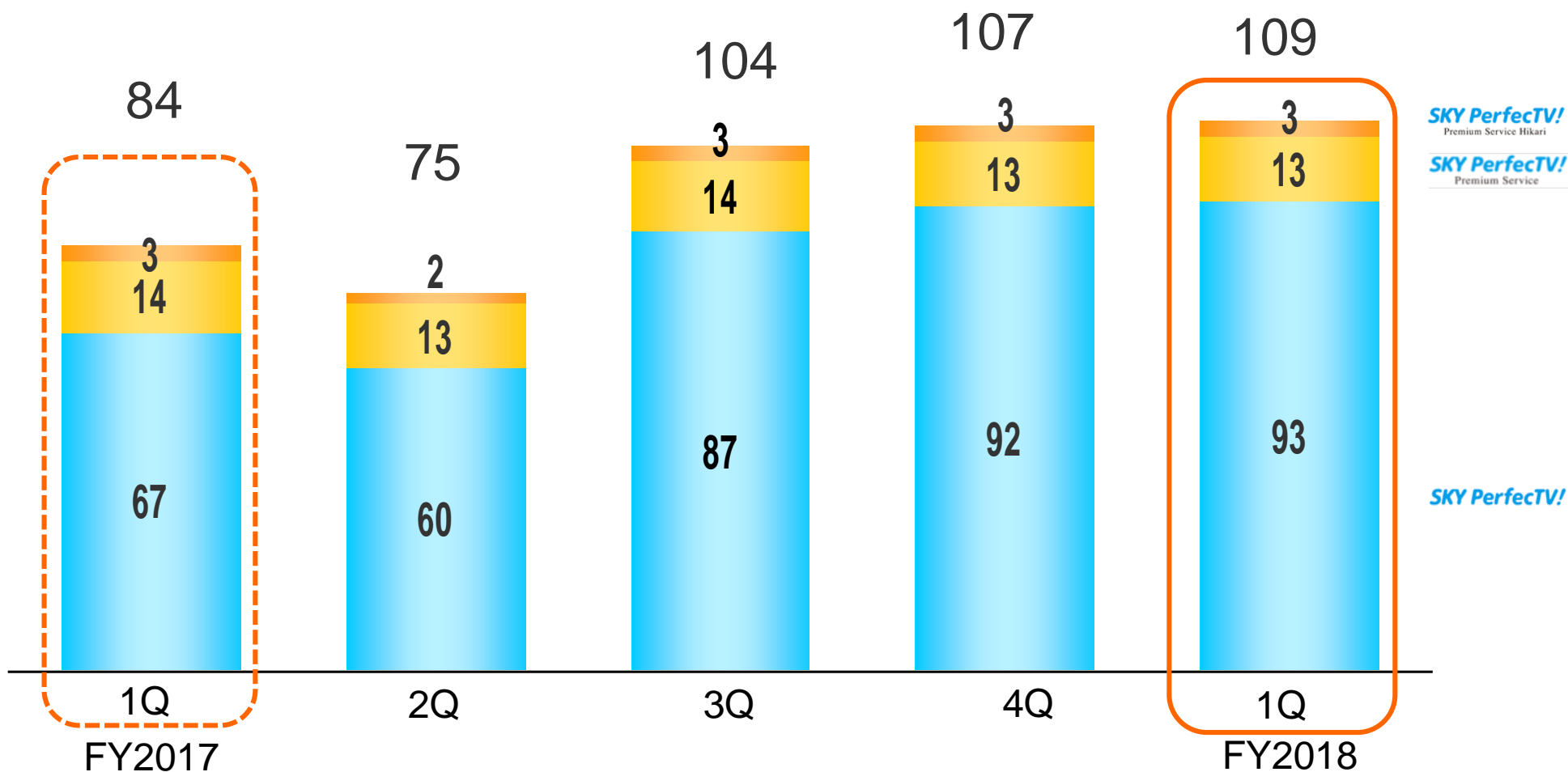
	FY2017/1Q Cumulative	FY2018/1Q Cumulative
Net Cash from Operating Activities	11,892	7,877
Net Cash from Investing Activities	(4,845)	(10,139)
Free Cash Flows* ¹	7,046	(2,261)
Net Cash from Financing Activities	3,966	9,076
Cash and Cash Equivalents at Term-End (a)	57,118	53,072
Term-end Balance of Interest-bearing Debt* ² (b)	89,649	104,841
Term-end Balance of Net Interest-bearing Debt (b)-(a)	32,530	51,768

*1. Sum of Net Cash Flows from Operating and Investing Activities

*2. Term end balance of debts and unsecured corporate bonds

Number of New Subscribers

(Unit: thousand)

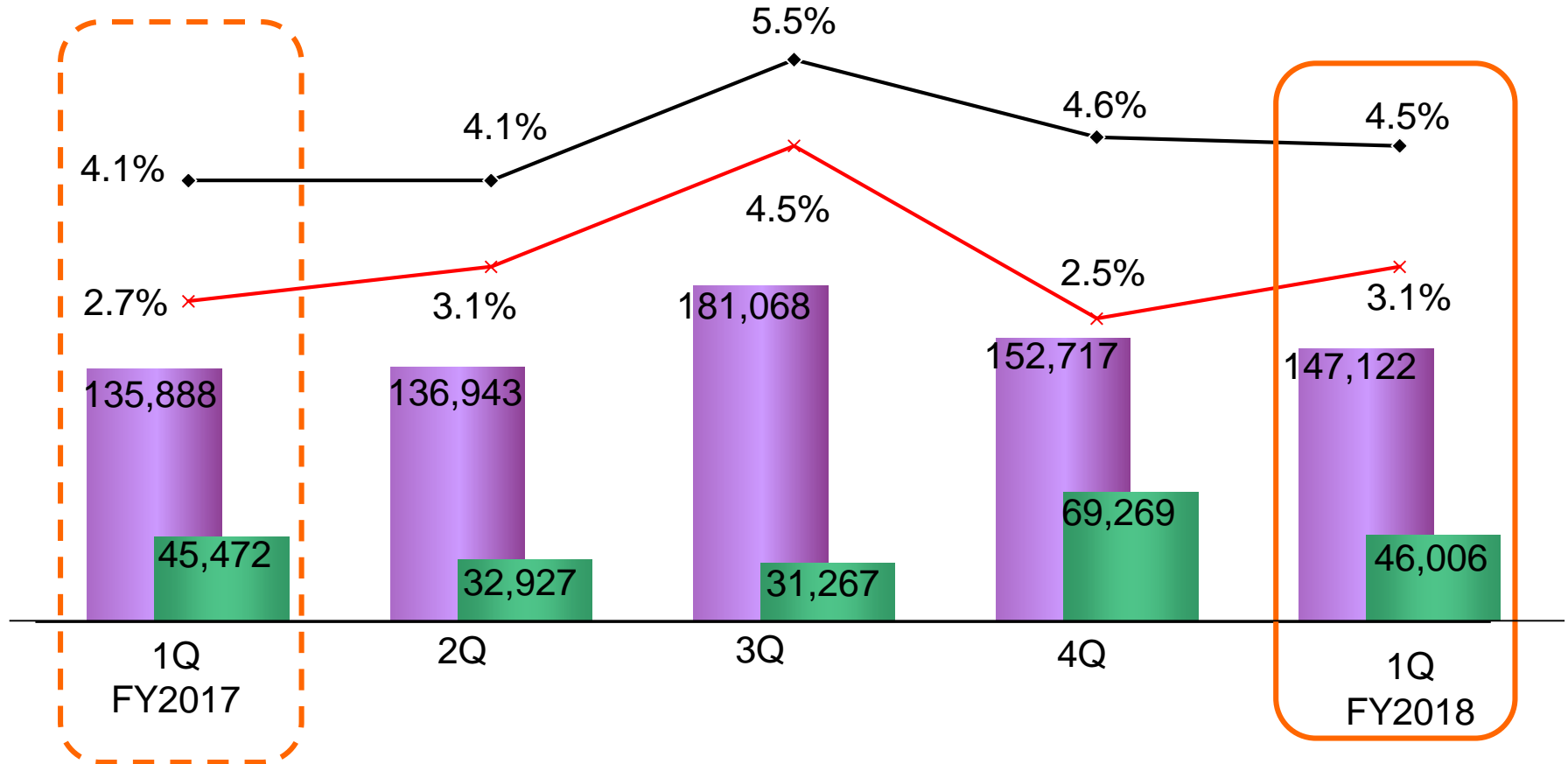


Churn Rate

— Churn Rate (Quarterly Basis)
 — Substantial Churn Rate after exclusion of re-subscriptions

Note: Churn rate and subscriptions, etc., are the total value for SKY PerfectTV! Service.

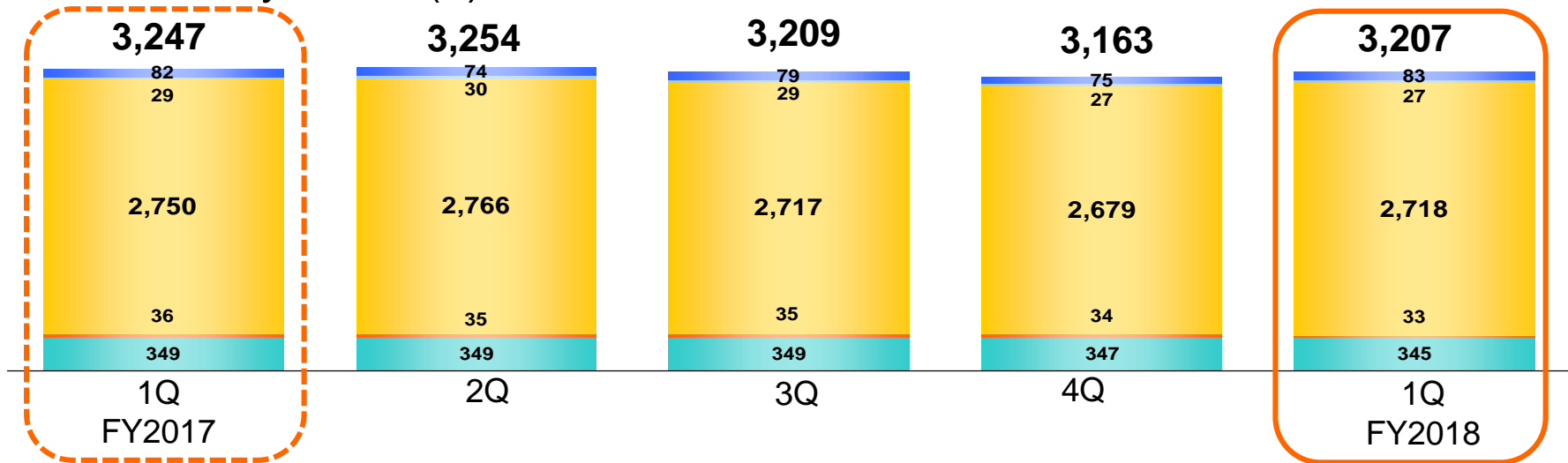
Number of churn Number of re-registered subscribers



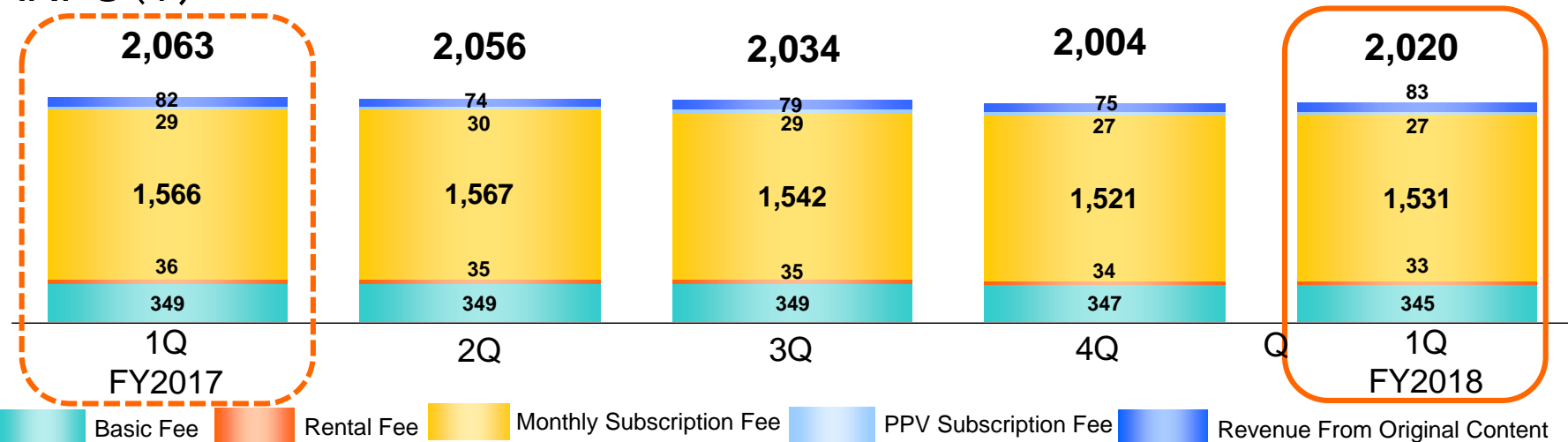
*The churn rate is calculated by dividing the total number of churns for each quarter with the cumulative number of subscriptions at the end of the preceding fiscal year.

ARPU

Subscriber Payments (¥)¹



ARPU (¥) (*2)

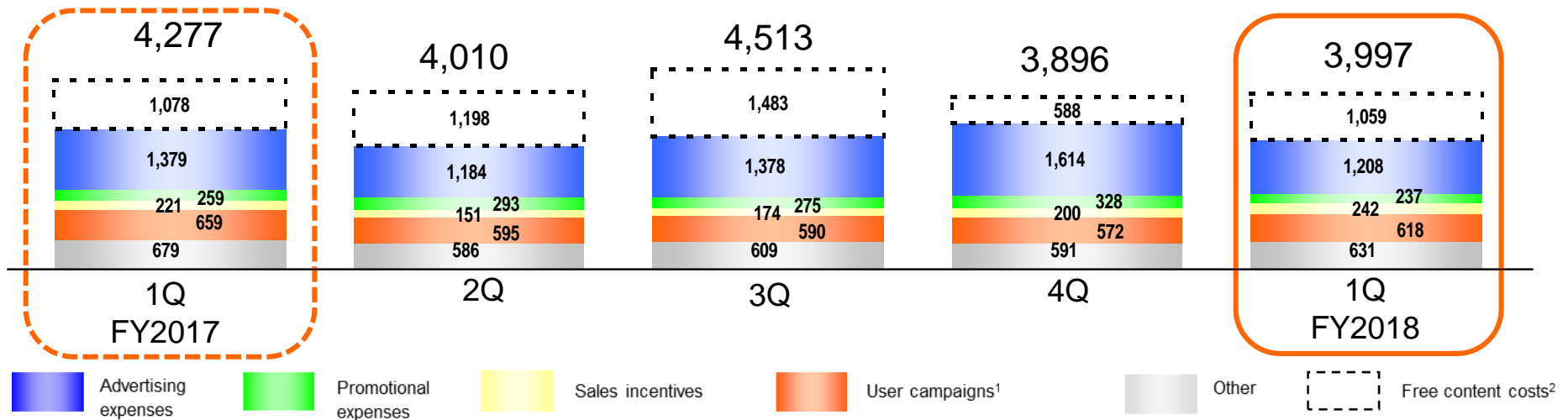


1. Average amount paid by subscribers in the form of monthly viewing fees, etc.

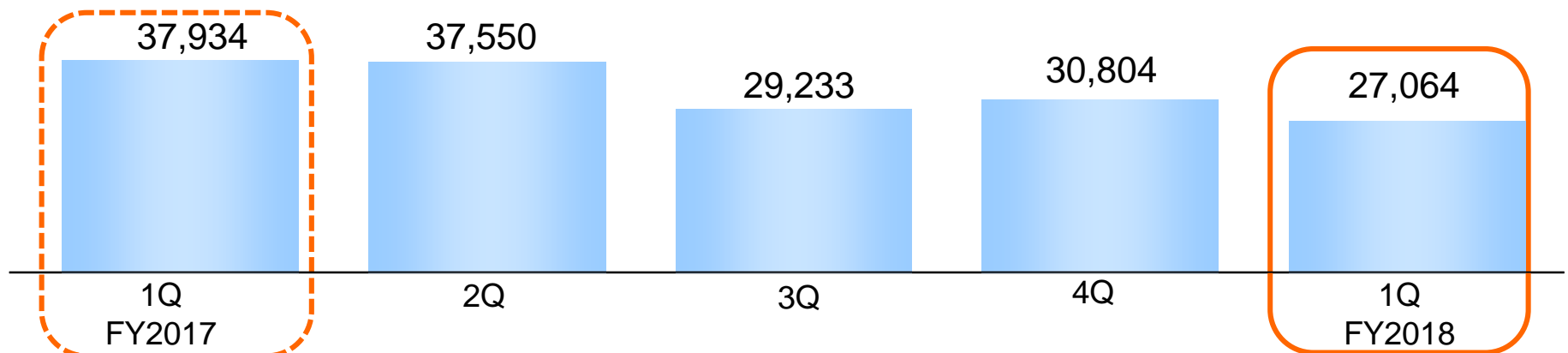
2. Of the average amount paid by subscribers in the form of monthly viewing fees, etc., the amount recorded as operating revenue by the SKY Perfect JSAT Group

Subscribers Acquisition Cost (SAC)

■ Total SAC (million ¥)



■ Unit SAC (¥)³



1. Cost of campaigns to acquire new subscribers.

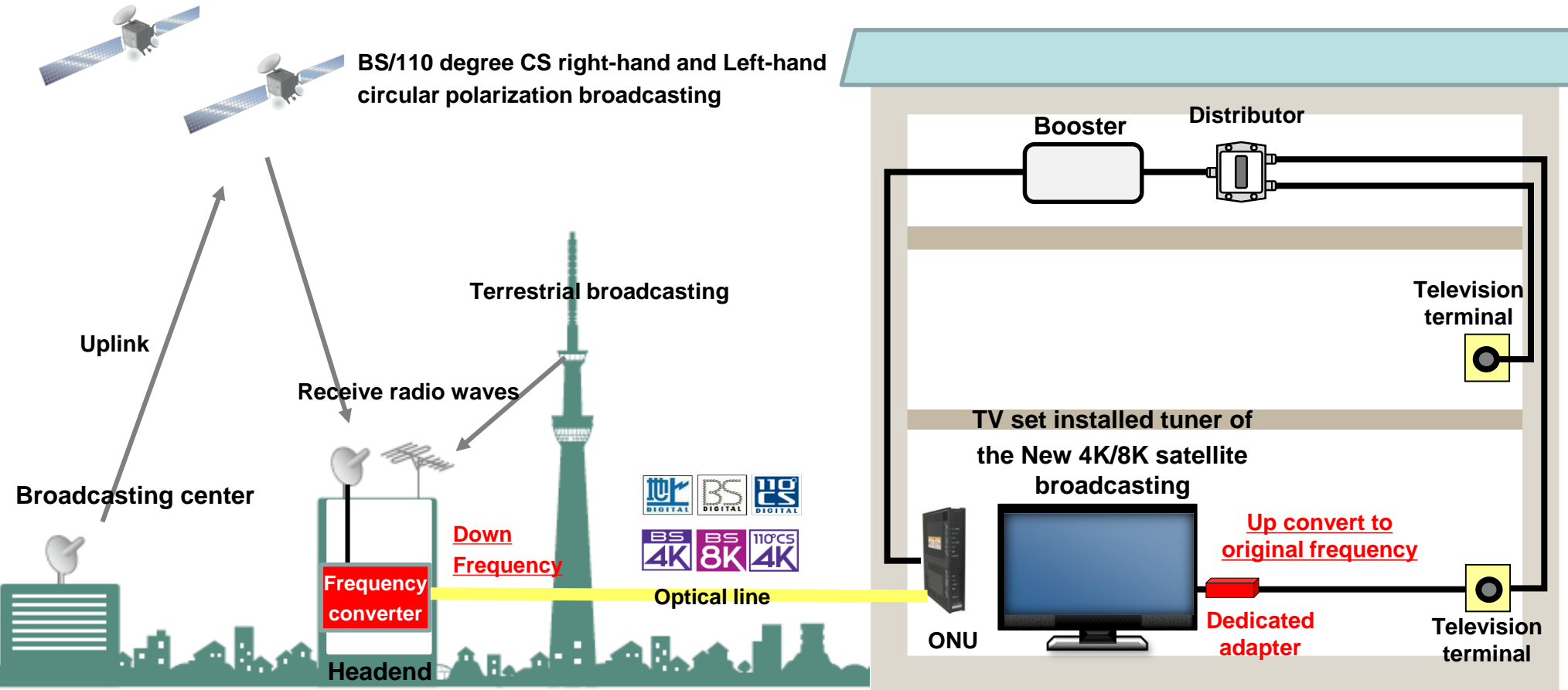
2. "Free content costs" includes costs associated with the production of programs for BS SKY PerfectTV!.

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.

Reference for New Measures (1)

Provision of the New 4K/8K satellite broadcasting Via TV Service Using Optical Lines

【Image of Service】



SKY Perfect JSAT Holdings Inc.

Corporate Communications & Investor Relations Division