

SKY Perfect JSAT Group

# Earning Results Briefing for 2Q/2013

October 31, 2013  
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
- 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 2Q/2013

# Summary of Income Statements

- Revenues and profits increased from the same quarter of the previous year

(Units: ¥ millions)

	2Q/FY2012	2Q/FY2013	Comparison to 2Q/FY2012	Vs Full Year Forecast
Revenues	78,515	<b>82,804</b>	+5.5%	50.5%
Operating Income	8,187	<b>10,903</b>	+33.2%	64.1%
Ordinary Income	7,952	<b>10,881</b>	+36.8%	65.9%
Net Income	4,974	<b>6,527</b>	+31.2%	65.3%
EBITDA <sup>(*1)</sup>	20,889	<b>23,797</b>	+13.9%	—
EBITDA Margin	26.6%	<b>28.7%</b>	—	—

\*1. EBITDA is calculated as Net Income + Tax Expense + Depreciation Expense + Interest Expense.

# Indicators for Multichannel Pay TV Business<sup>(\*)</sup>

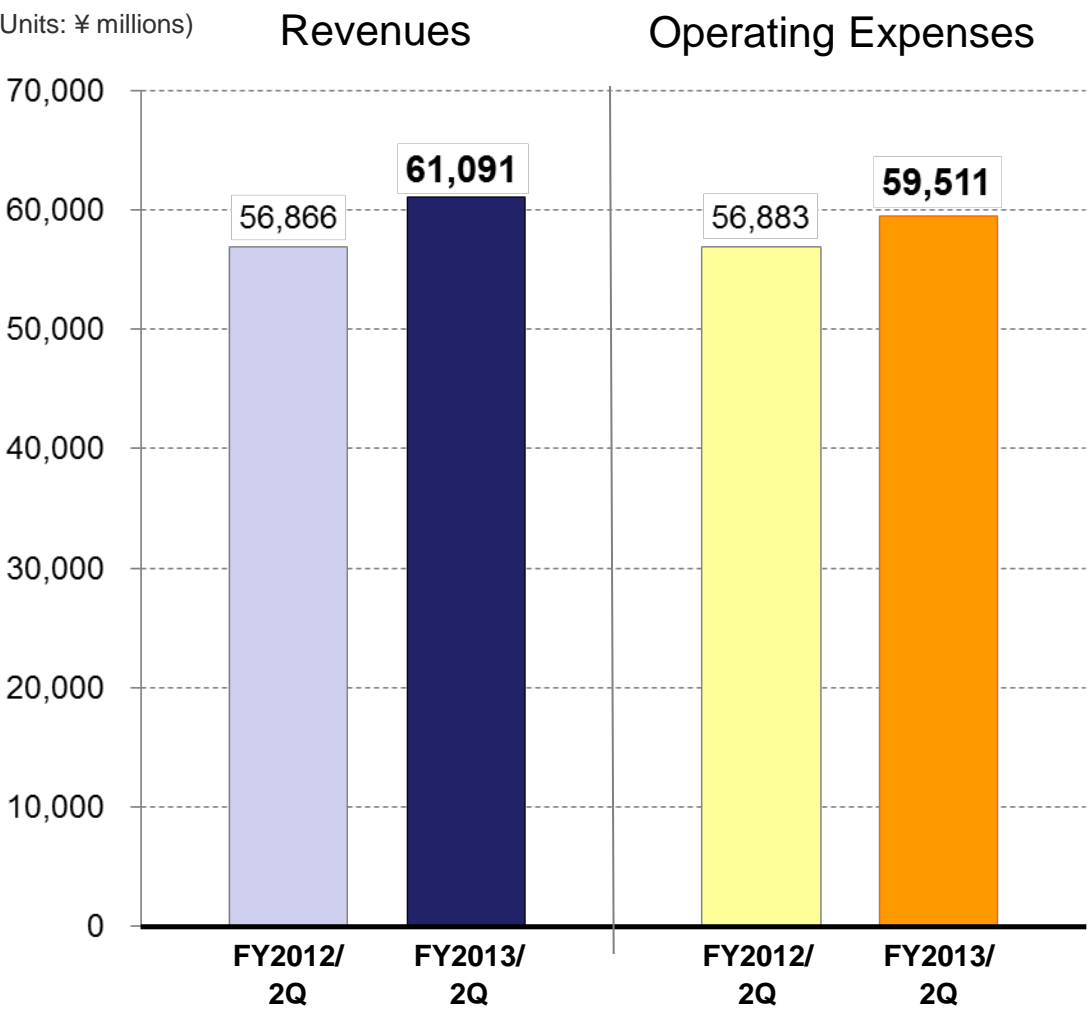
(Units: Thousands)

	FY2012/2Q	FY2013/2Q	FY2013 Target
Number of New Subscribers	296	<b>243</b>	640
Net Increase in Subscribers	4	<b>(54)</b>	36
Number of Cumulative Subscribers	3,819	<b>3,775</b>	3,865
Number of HD migration	163	<b>172</b>	246
Average Monthly Subscriber's Payment (units: yen)	¥3,230	<b>¥3,173</b>	-
ARPU (units: yen)	¥1,751	<b>¥1,928</b>	-
SAC (units: yen)	¥30,155	<b>¥32,888</b>	-

\* Sum of SKY PerfectTV !, Premium Service and Premium Service HIKARI

# Financial Performance of Multichannel Pay TV Business

## Multichannel Pay TV Business



**Revenues +¥4.2B\***

- Increase in the income from subscription fees: +7B
- Decrease in the income from commission fees:(2.6B)
  - Commission from SKY PerfectTV! +0.6B
  - Commission from SDTV (3.2B)

\* transactions among segments included.

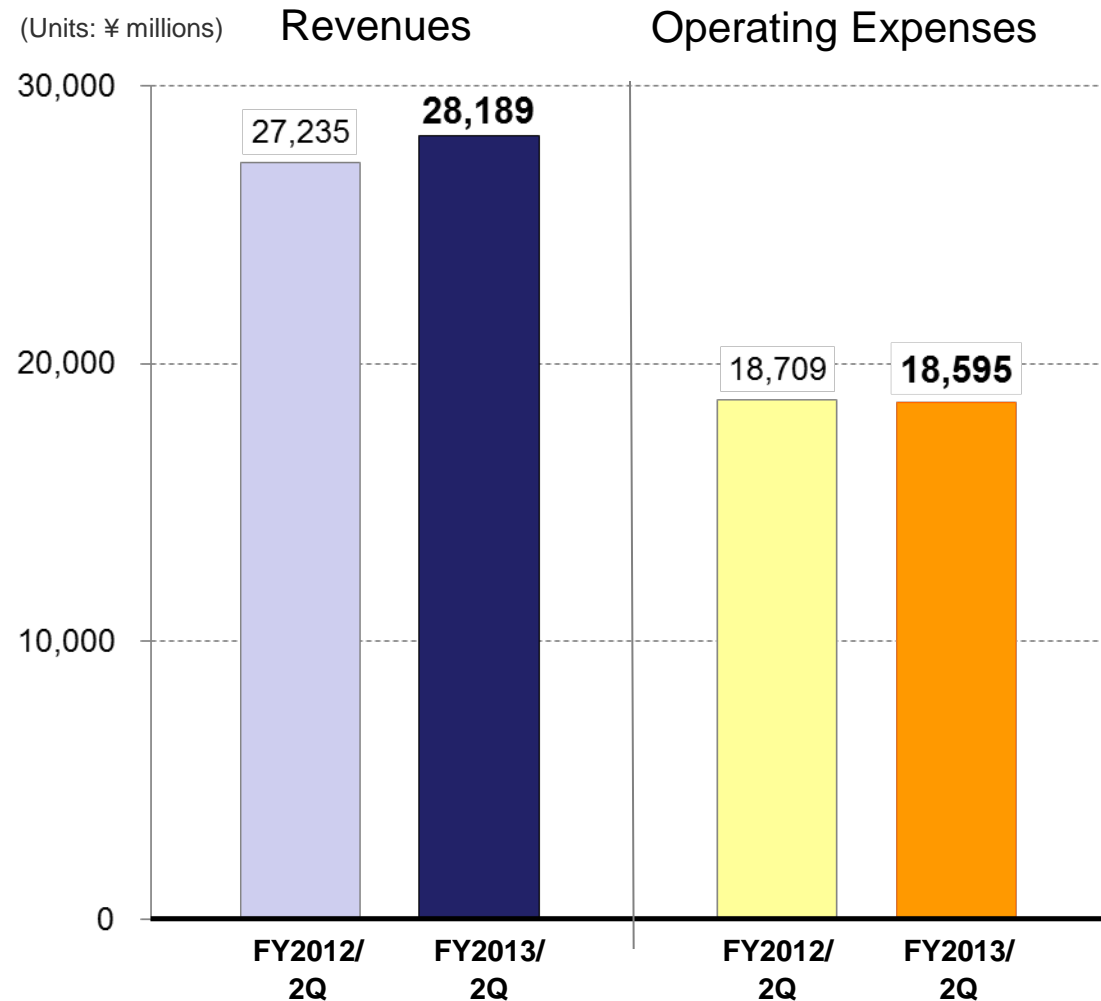
**Operating Expenses +¥2.6B\***

- Increase of HDTV-related program cost: +3.4B
- Decrease of advertisement expense: (0.7B)

\* transactions among segments included.

# Financial Performance of Space and Satellite Business

## Space and satellite Business



**Revenues +¥0.95B\***

- Increase in the income from overseas business: +0.5B
- Increase in the income from transponder fees for Broadcasting: +0.2B

\* transactions among segments included.

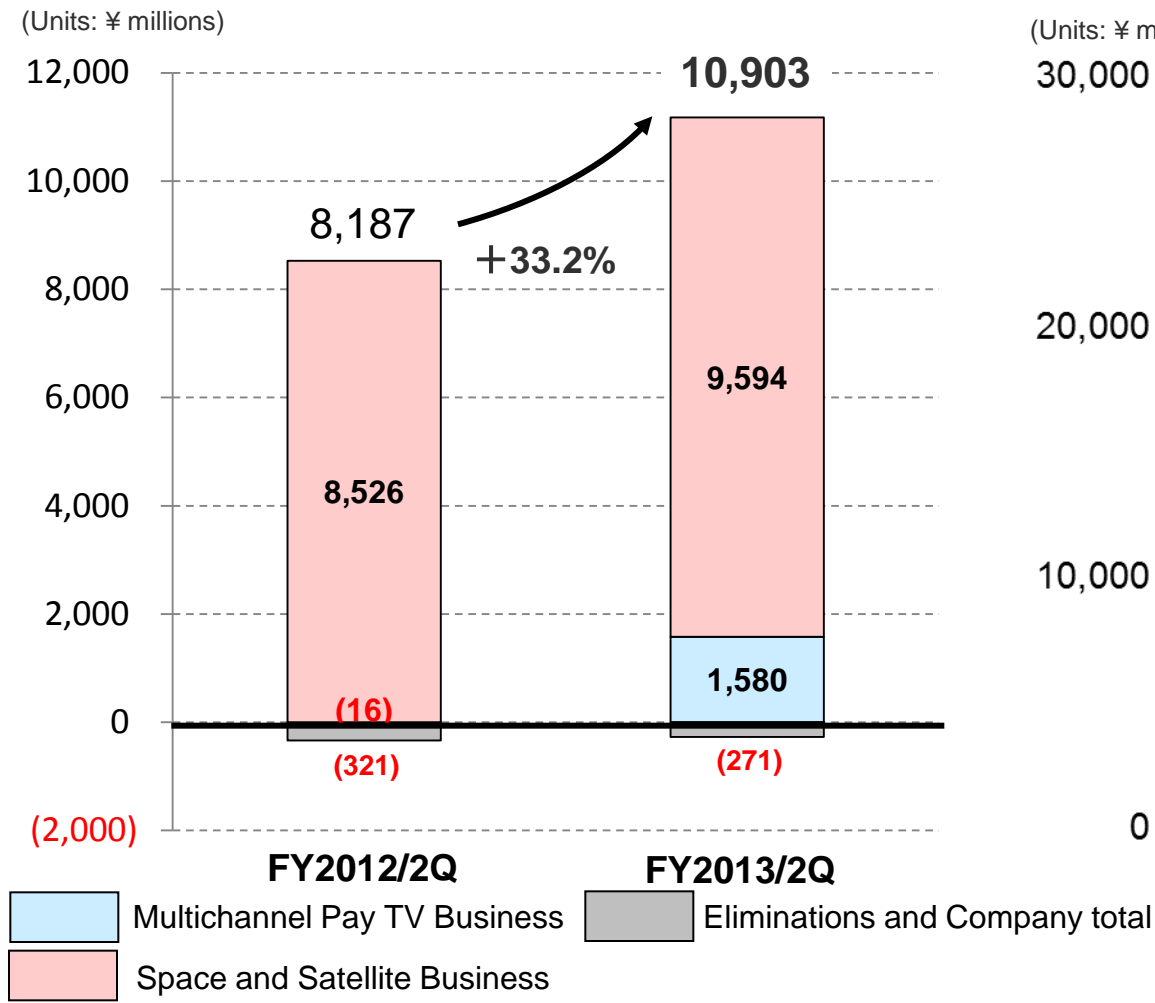
**Operating Expenses (¥0.1B)\***

- Decrease in the depreciation costs : (0.6B)
- Increase in the cost associated with satellite Business expenses: +0.4B

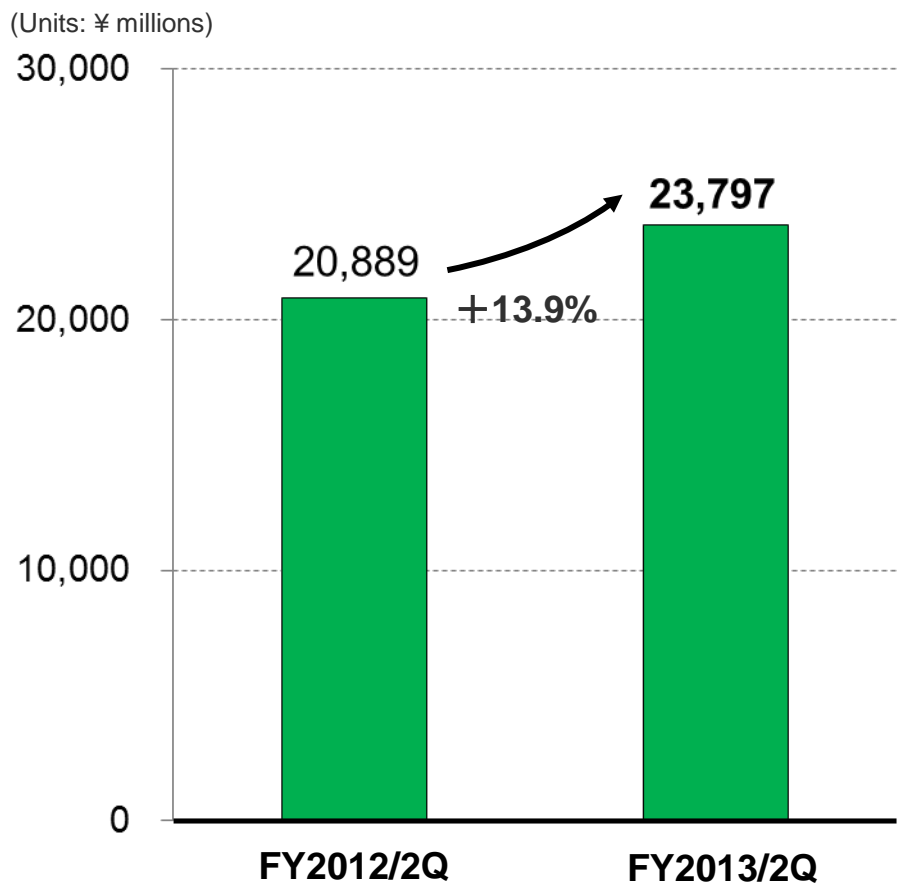
\* transactions among segments included.

# Profit Performances

## Consolidated OP



## EBITDA



# **Future Initiatives**

## **- Multichannel Pay TV Business -**

# Review of Subscriptions in the First Half of the Year

- **SKY PerfectTV!:** While the number of new subscriptions is slowing down, a net increase in subscribers was maintained. The number of cumulative subscribers reached two million at the end of July.
- **Premium Service:** Although the number of new subscriptions was weak, the shift to HDTV contracts was strong (moving at a pace exceeding the goal at the beginning of the year).
- **Premium Service HIKARI:** Broadcasting in MPEG-2 format was completed in June. At 10,000, the number of compulsory cancellations was less than envisioned.

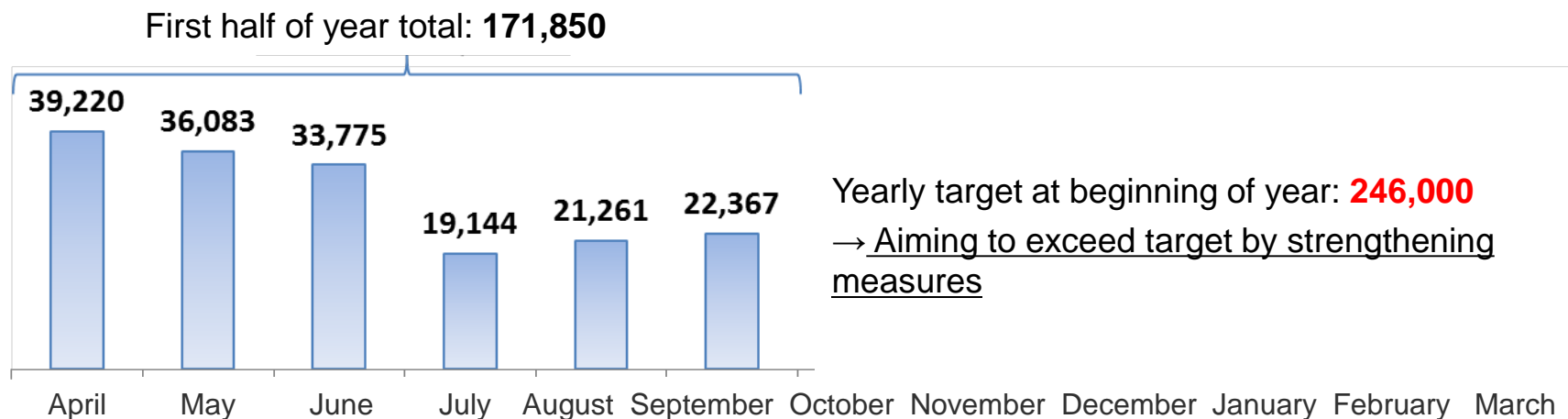
Cumulative (first half period)	New Subscribers	Net Increase	Cumulative Total
<b>SKY PerfectTV !</b>	212,024	50,857	2,013,567
<b>Premium Service</b>	24,129	(91,615)	1,670,749
Premium Service HIKARI	6,575	(13,405)	90,930
<b>Total for SKY PerfectTV!</b>	<b>242,728</b>	<b>(54,163)</b>	<b>3,775,246</b>

## ■ Premium Service in detail

	H.264	MPEG-2	Cumulative Total
<b>Premium Service</b>	<b>1,178,907</b>	<b>491,842</b>	<b>1,670,749</b>

# Premium Service: Progress in Shift to H.264

## ■ Shift to H.264 Progressing Smoothly



■ We will focus on the following measures in the second half of the year to further facilitate the shift to H.246, aiming for the end of May 2014.

(1) Automatically shift contracted products for customers who have finished changing their tuner

(2) Set-up on H.246 the same products as those that we have already stopped selling

(3) Strengthen in-program announcement of the shift in cooperation with broadcasters

# Content Programs in Second Half Period

Oct.                      Nov.                      Dec.                      Jan.                      Feb.                      Mar.

Christmas Sales  
(4K TV set and so on)

2014 Winter Olympic in Sochi  
2014 Winter Paralympic

Professional  
Baseball

## Experienced type marketing

10/5-14  
Ten-days Free broadcast



11/2~4  
Documentary  
35 HOUR For Free



11/2  
ALICE Concert LIVE

11/7~  
Disney channel  
10th YEAR Anniversary Event

← Basic Pack 50% OFF Campaign! →

## Reinforcing the approach to ex-subscribers/trial users

*From X'mas Season  
Through New Year Season*

【Animation】 【Movie】  
【Musical】 【Overseas / Japanese drama】  
【Sports】 【Korean programs】

- January
- Takarazuka Musical Centennial Anniversary New Year Day LIVE!
  - Rugby Games
  - CODE-V LIVE

**NEW SET Menu  
Under  
Consideration**

→ Seasonal Sports Start

## Purpose

- Expand acquisition of new subscriptions by winning over a new segment
  - Provision of a cheaper product than the basic pack (45 channels for 3,570 yen) to win over a customer segment that could not be acquired previously

## Product overview

- Selling price: 1,980 yen
- Choice of 5 out of more than 40 channels

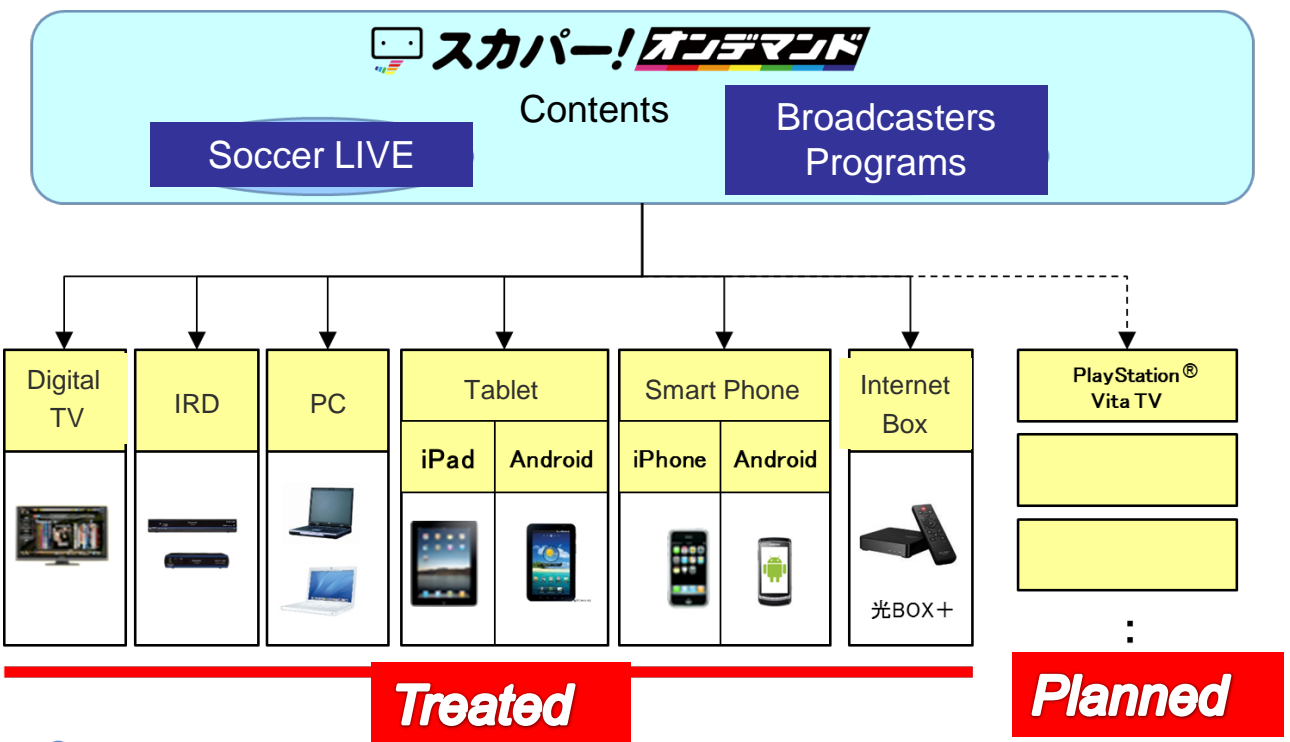
## Planned sales commencement day

- March 2014

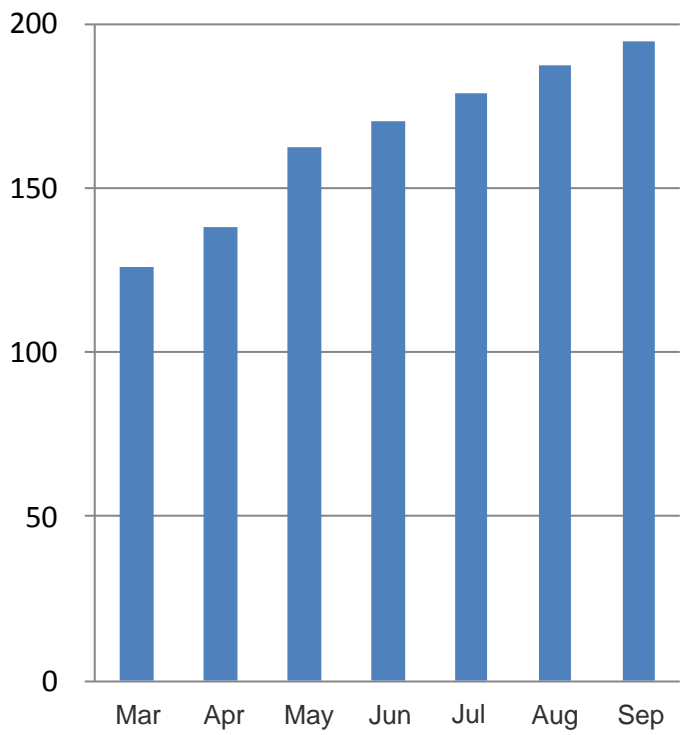
# SKY PerfecTV! On-Demand(VOD) Service

## Expanding Content Line-up

- On-demand service of new channels  
11 Types and 51 channels as of October 5
- LIVE Distribution  
J-League and European Soccer games, Cycle Road Race, Professional Baseball, Volleyball and Motor sports etc.



Registers Number (unit: thousands)



195 thousand in September and 200 thousand or more In October (forecast)

# Concept of Japan Channels for Asia

## ■ Preparing to start broadcasting “Japan Channels” for Asia

### Channel concept

1. 24-hours Japanese content in local languages
2. Japanese content aimed at the needs of Asian countries
3. Participation of Terrestrial, *SKY PerfecTV!*-based broadcasters and rights holders
4. Foothold for Japanese companies to expand overseas around broadcasting

### Distribution

#### Preparing to start full-scale broadcasting in fiscal 2013

★First Indonesia...and then expanding to several countries

Indovision → Finished trial broadcasting at the end of September; now making adjustments for full scale broadcasting

First Media, BiG TV (started broadcasting Sep. 9, 2013)

### ◆ Programing concept ◆

Morning

For children:  
anime and heroes

For housewives:  
cooking and travel  
programs

Afternoon

For housewives:  
Mainly reruns of dramas, cooking, and travel  
programs

Evening

18:00 –  
22:00

Mainly dramas and  
movies:  
Dramas: 3 to 4 series  
per week; movies: 3  
to 5 per week

Documentaries,  
anime for adults,  
variety shows,  
music programs,  
etc.

Late  
night  
22:00 –  
24:00

J League and other  
sports

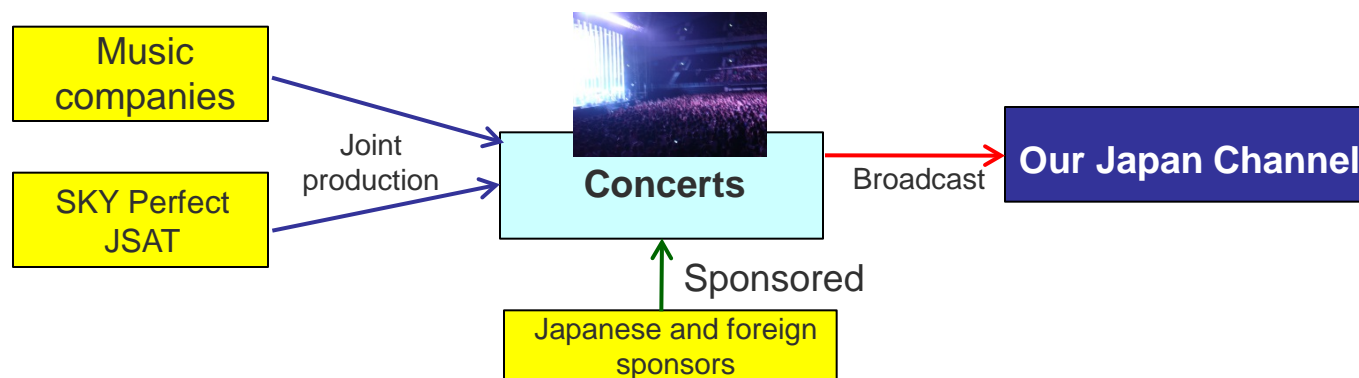
Fishing, idols,  
hobbies and  
amusements,  
etc.

- Finished survey on the need for Japanese contents in Indonesia  
High need for documentaries, anime, travel, movies, food, and dramas
- There are also plans to broadcast Indonesian channels in Japan.

# Japan Channels for Asia: Specific Development Image 2

## Event planning

Planning joint concerts in 2014 with music companies aiming for overseas expansion of their artists

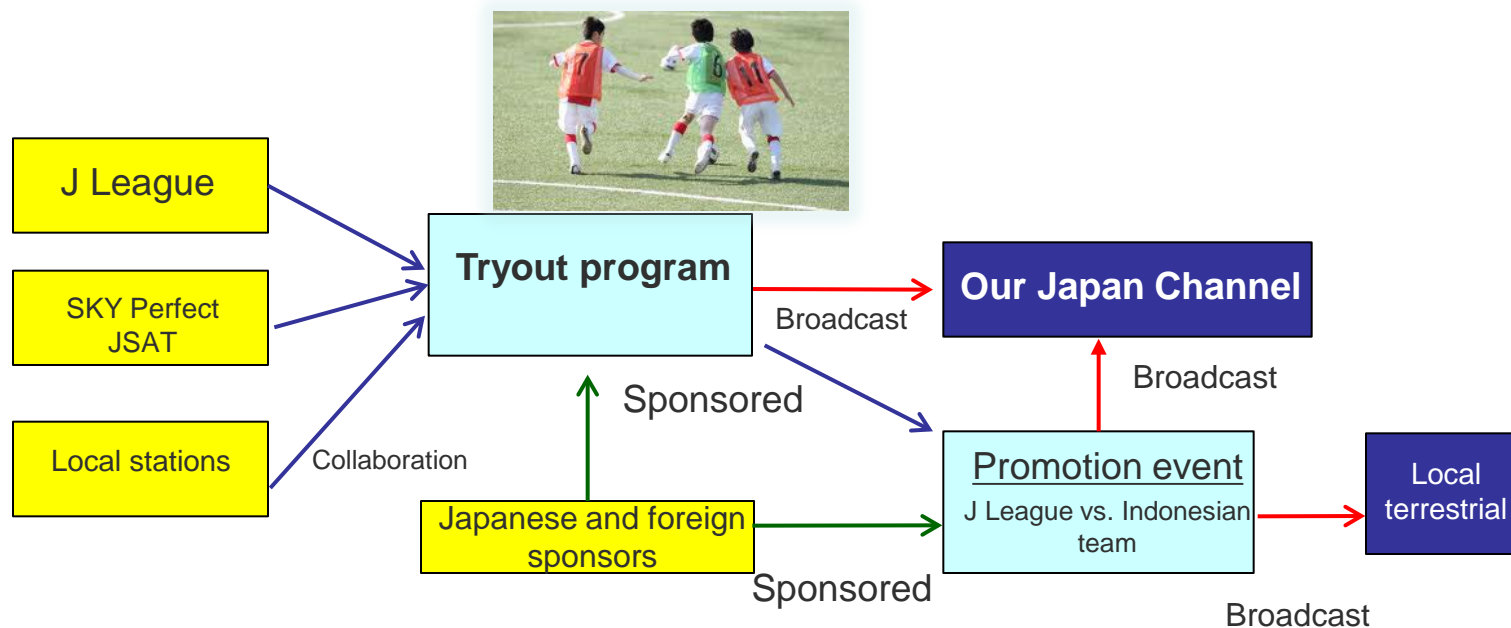


**In addition to the broadcast business, translate the increased recognition from broadcasts into new businesses/revenue expansion such as sale of related goods, staging of events, and the operation of event venues, etc.**

# Japan Channels for Asia: Specific Development Image 1

## Collaborative projects

Planning a tryout program in which young Indonesian soccer players try out for the J League  
(Also planning a J League Club vs. Indonesian Team match as a promotion event to be held in 2014)



In addition to the broadcast business, translate the increased recognition from broadcasts into new businesses/revenue expansion such as sale of related goods, staging of events, attraction of tourism, and promotion of sports, etc.

# Inviting Asian Star Players in J-League and collaboration



## CONSADOLE SAPPORO

Mr. Le Cong Vinh, star player in Vietnam, joined in Consadole Sapporo in August 2013.

⇒ Negotiating broadcasts for the game of Consadole Sapporo in Vietnam.



# 4K Content to be produced in NexTV-F members

J:COM

There's Excitement In Your Future.  
**SKY PerfectTV!**

 **tv asahi**



**0テレ**  
Go! Next 60



**WOWOW**

- **Occurrence of unauthorized fabrication and alteration of B-CAS Cards**
- **Unauthorized viewing Premium Service**

# **Future Initiatives**

## **- Space and Satellite Business -**

# Initiatives in the Japanese Market

## ■ Initiatives for disaster contingency measures in local authorities

- Accepted order to upgrade control station equipment for the Local Authorities Satellite Communication Organization (LASCOM)

- ☞ Disaster prevention network connecting approx. 4,000 local public authorities nationwide
- ☞ Secured important communication links using a satellite communications network during the Great East Japan Earthquake
- ☞ Upgrade control station equipment at Yamaguchi, Yamaguchi Prefecture (main station) and Bibai, Hokkaido (sub-station)
- ☞ Plan to do upgrade to be up and running in fiscal 2015

## ■ Initiatives in response to disaster countermeasures

- Studying the practical application of new VSATs

- ☞ Socialization experiment on results of R&D into small earth stations (VSAT) that can be set up easily during a disaster (research commissioned by Ministry of Internal Affairs and Communications in 2011)
- ☞ Demonstrations with actual equipment conducted at local authorities, including Yamamoto, Miyagi on April 25; Morioka, Iwate on September 11; and Tosa, Kochi on September 25
- ☞ Will pursue practical application as a useful system during disasters

## ■ Strong business expansion in Asia

### ■ **BiG TV by Indonesia's LIPPO Group started full-scale broadcasting on September 9**

- ☞ **BiG TV is a multichannel pay satellite TV broadcast by the LIPPO Group's Indonesia Media TV (IMTV).**
- ☞ **SKY Perfect JSAT provides a JCSAT-4B satellite connection to the LIPPO Group's PT Tecnoves International.**
- ☞ **In the future, we plan to broadcast Japanese programs translated into Indonesian on BiG TV in addition to providing a satellite connection.**



**Ceremony marking the start of full-scale broadcasting of BiG TV**

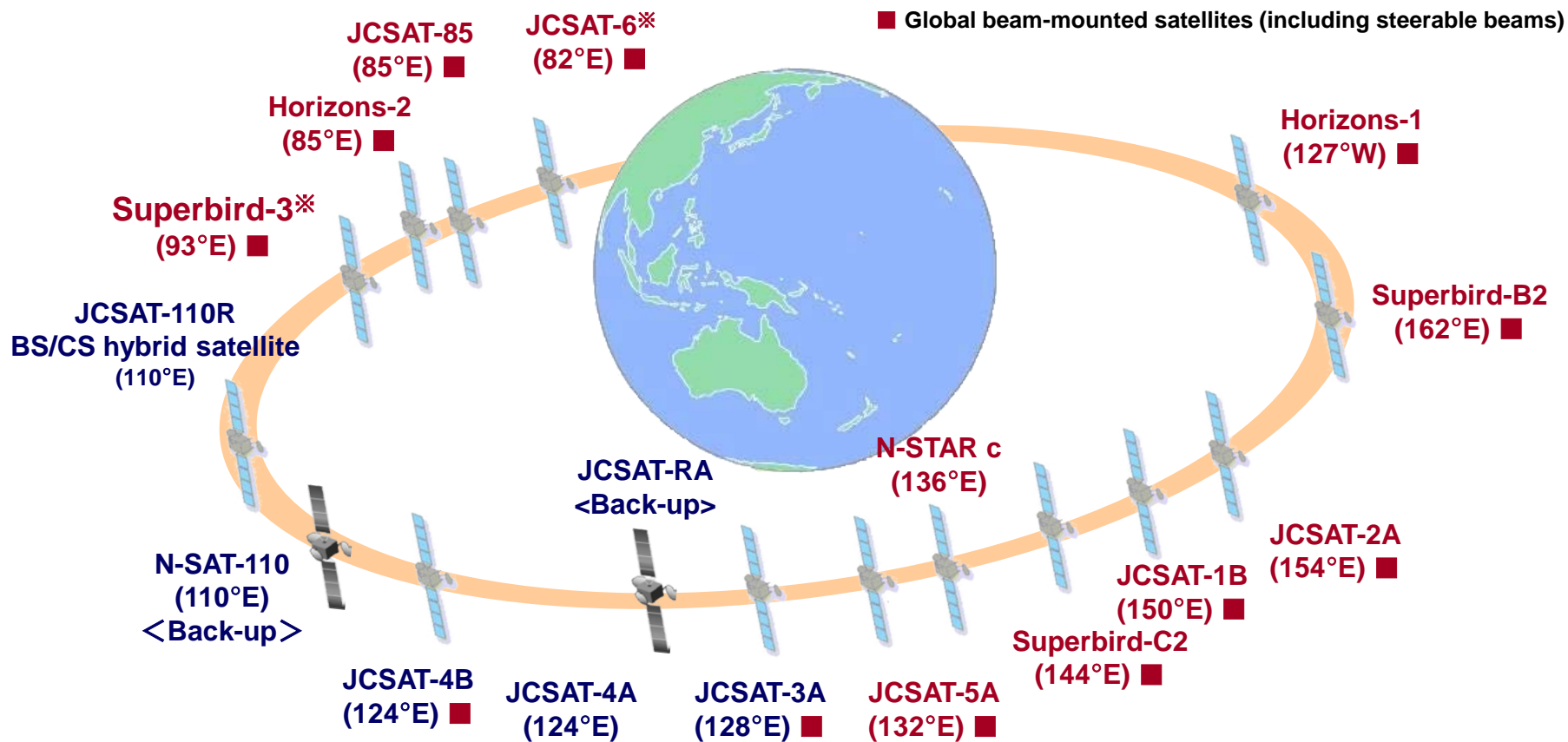
# Initiatives in the Defense Business

## ■ In a PFI program, SKY Perfect JSAT won a Minister of Defense Award in the Fiscal 2013 Space Development and Exploitation Awards

- The Space Development and Exploitation Awards are given for businesses that contribute to the promotion of space development and exploitation in order to encourage the “expansion of exploitation” in the Basic Plan for Space Policy.
- SKY Perfect JSAT won a Minister of Defense Award as the representative firm in a special purpose company involved in the “Program to Upgrade and Operate X-Band Satellite Communications Functions, etc.”



## 16 satellites in total covering North America to the Indian Ocean



Used for mainly the broadcasting service

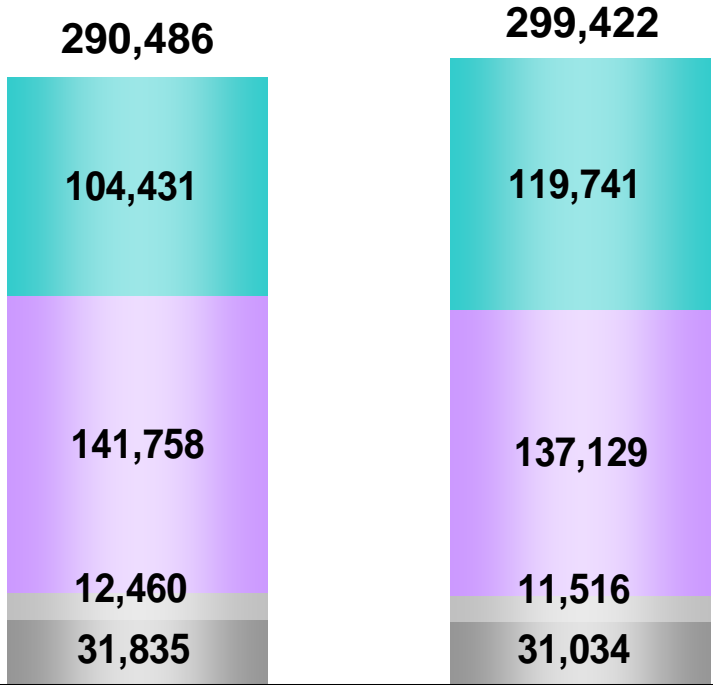
Used for mainly the communication service

# (References)

# Consolidated Balance Sheets

## Assets

(Units: ¥ millions)



2013/3

2013/9



Current Assets



Net Property and Equipment



Intangible Fixed Assets



Investment and Others



Current Liabilities



Long-Term Liabilities



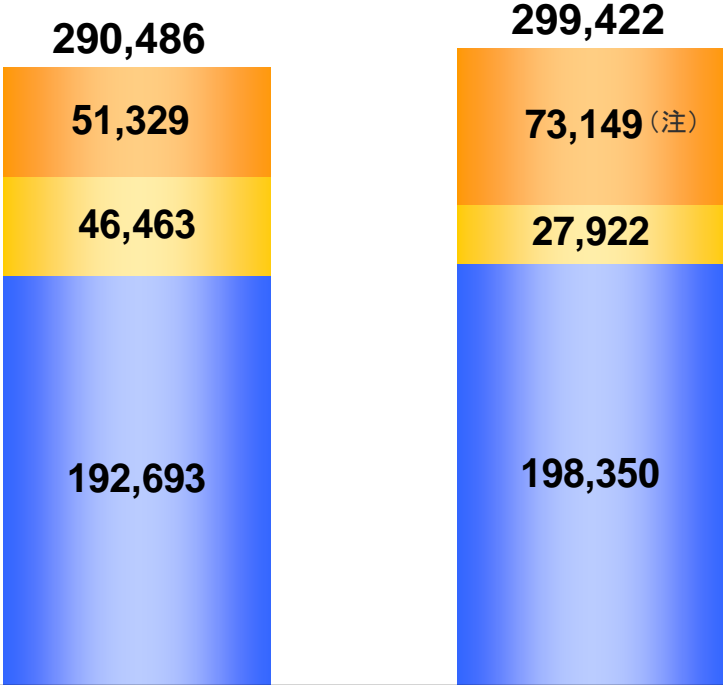
Total Equity

## Liabilities and Equity

Equity Ratio : 66.2%

Equity Ratio : 66.4%

(Units: ¥ millions)



2013/3

2013/9

# Consolidated Cash Flows

(Units: ¥ millions)

	FY2012 2Q	FY2013 2Q
<b>Net Cash from Operating Activities</b>	24,835	<b>20,760</b>
<b>Net Cash from Investing Activities</b>	(9,000)	<b>(6,221)</b>
<b>Free Cash Flows<sup>*1</sup></b>	15,834	<b>14,538</b>
<b>Net Cash from Financing Activities</b>	(7,838)	<b>(2,871)</b>
<b>Cash and Cash Equivalents at Term-End (a)</b>	74,444	<b>86,392</b>
<b>Term-end balance of interest-bearing debt<sup>*2</sup> (b)</b>	57,832	<b>50,740</b>
<b>Term-end balance of net interest-bearing debt (b) – (a)</b>	(16,611)	<b>(35,651)</b>

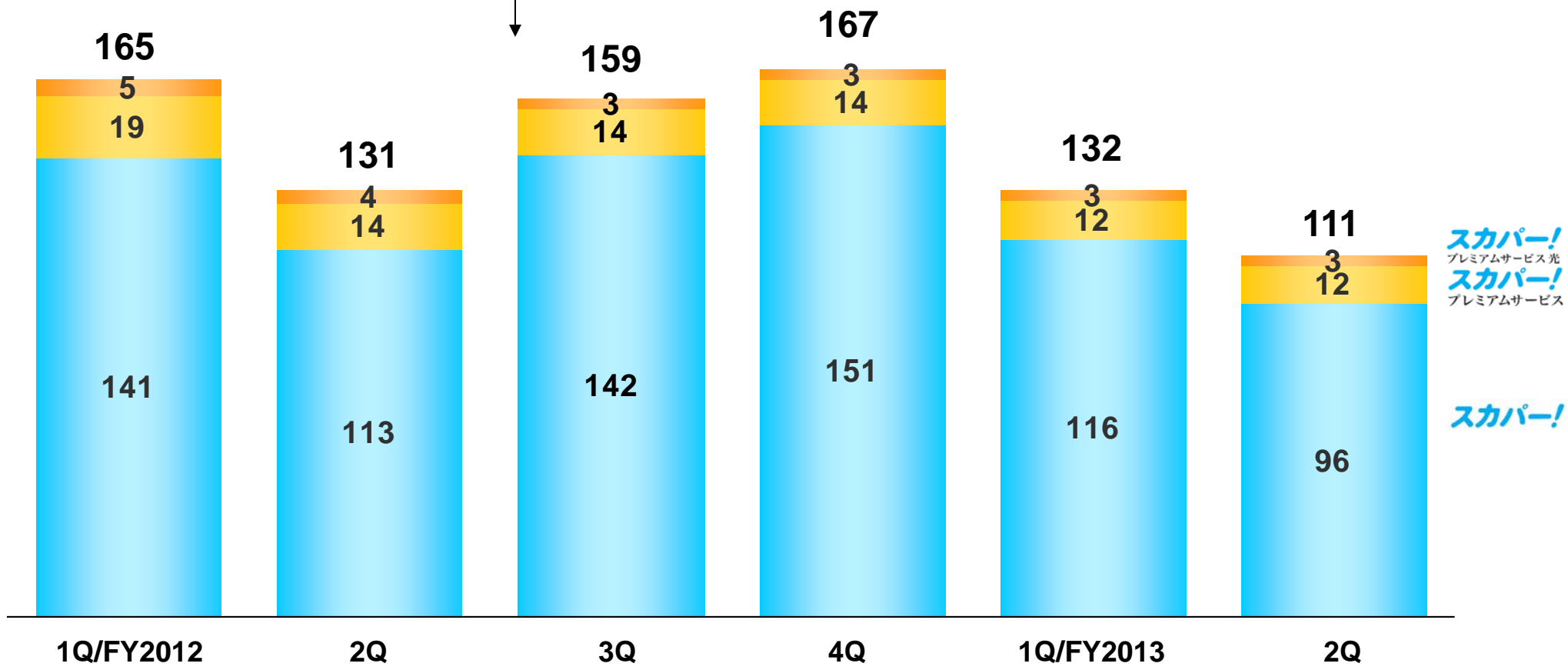
\*1 Term-end balance of debts and unsecured corporate bonds

\*2 The acquisition and reimbursement, etc. of short-term securities for fund management are excluded from the cash flow from investing activities.

# Number of New Subscribers

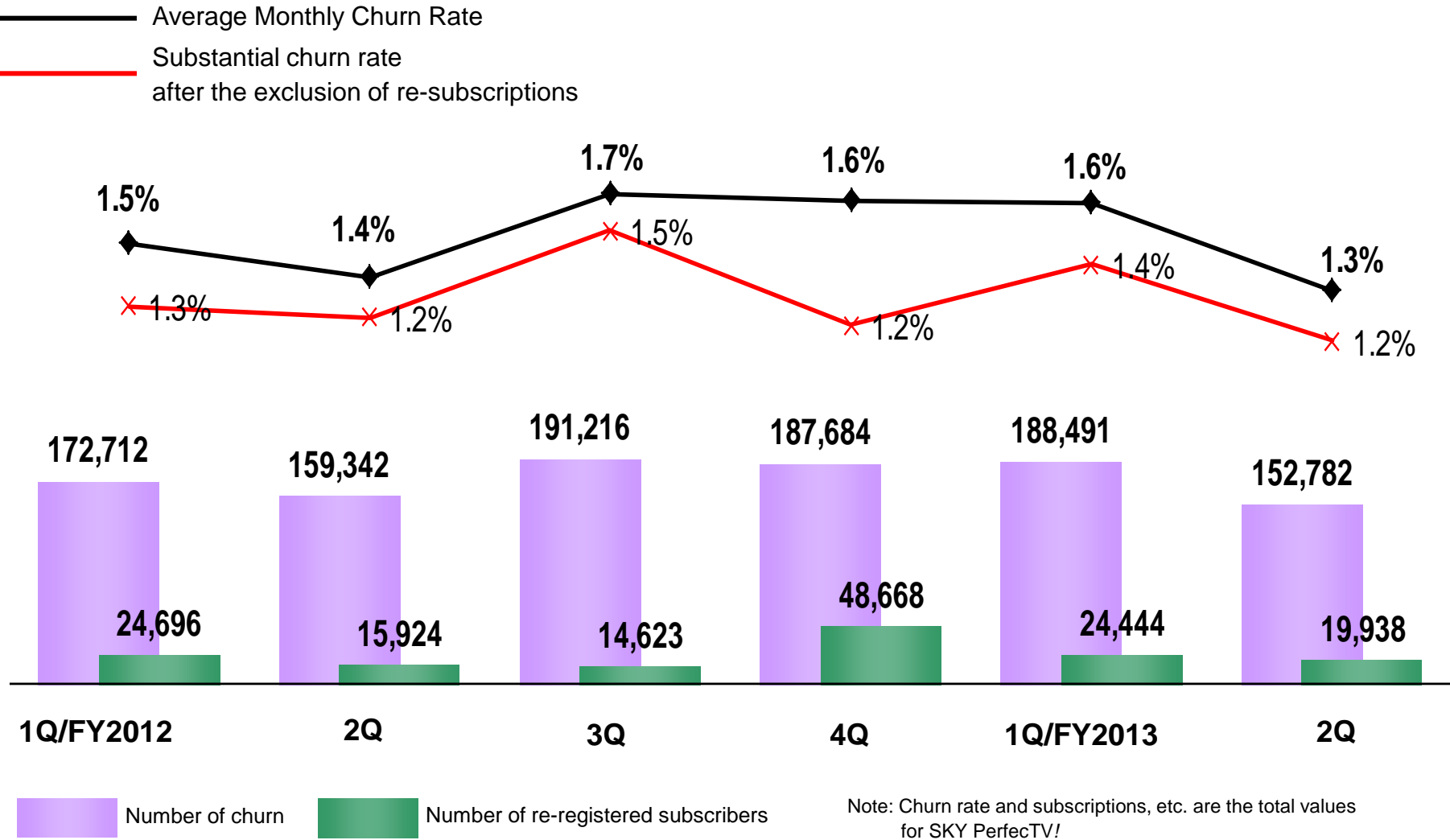
(Units: 千円)

New service brand started

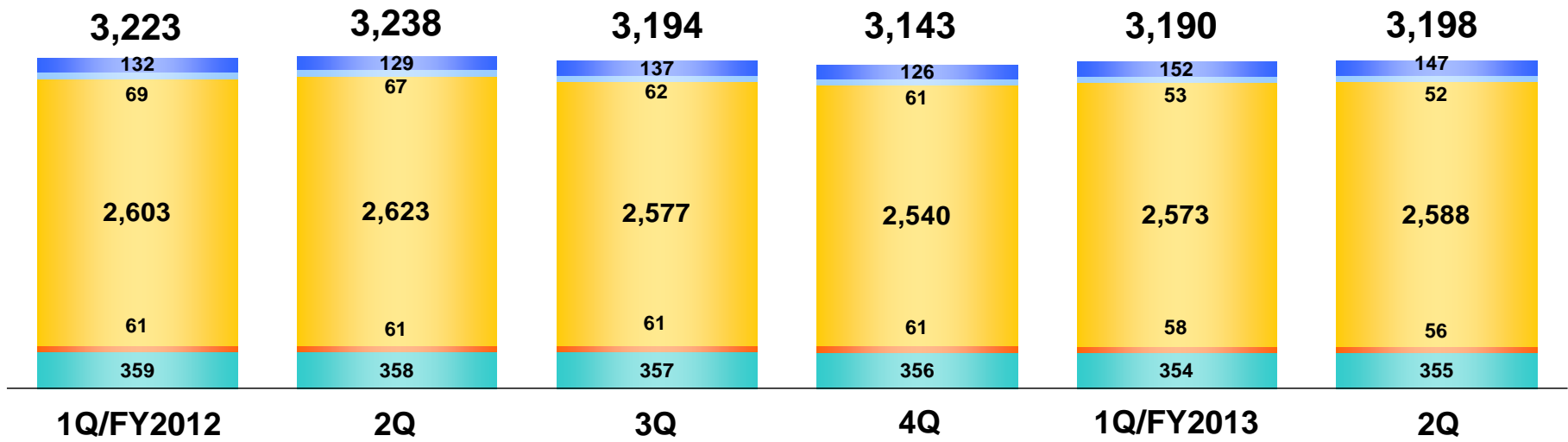


\* The number of new subscription to Premium Service includes the subscribers with SDTV tuners.

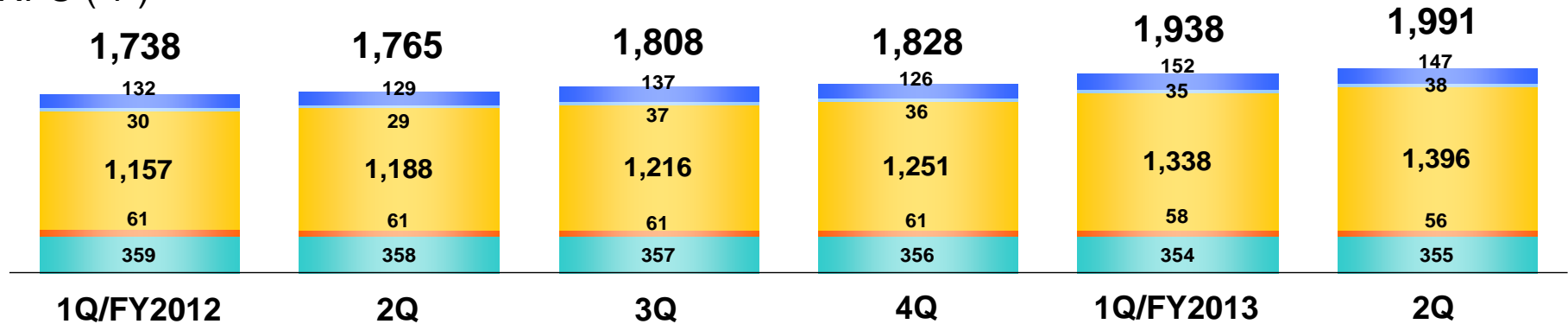
# Average Monthly Churn Rate



## ■ Average Monthly Subscriber's Payment ( ¥ ) \*1



## ■ ARPU ( ¥ ) \*2



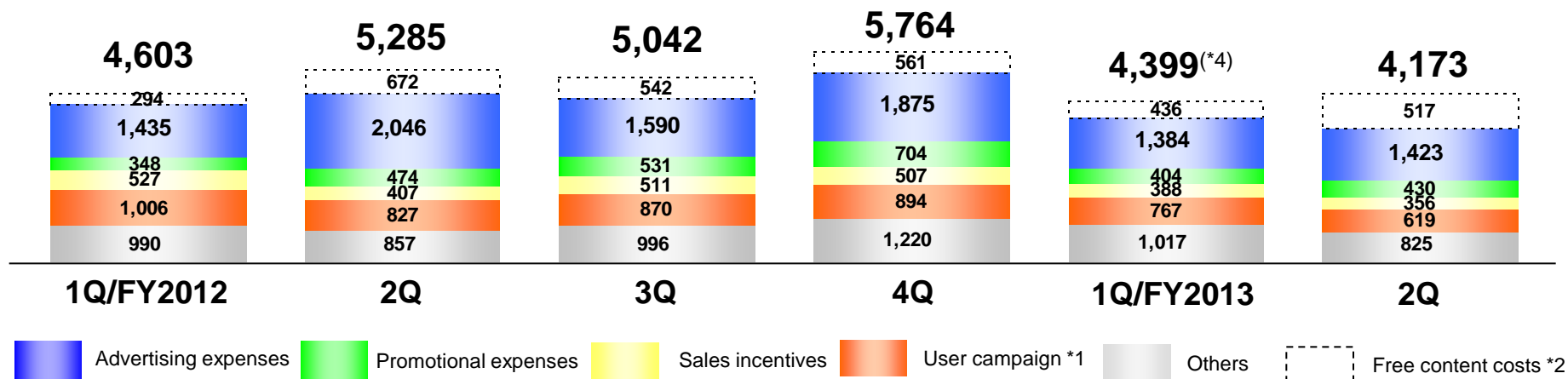
■ Basic fee 
 ■ Rental fee 
 ■ Monthly subscription fee 
 ■ PPV subscription fee 
 ■ Revenues from SKY Perfect's own content

\*1 Average unit price of monthly viewing fees, etc. paid by subscribers

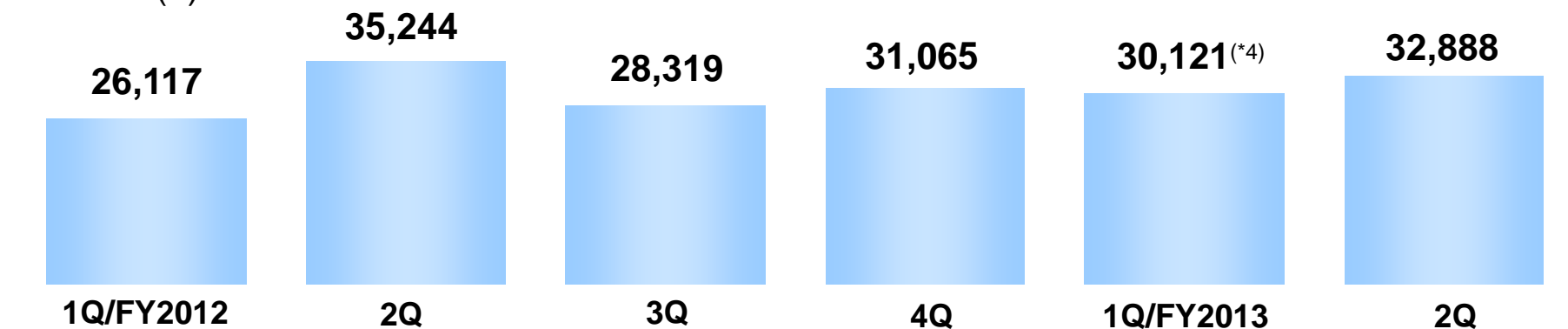
\*2 Revenue of our corporate group in the unit price of monthly viewing fees, etc. paid by subscribers

# Subscribers Acquisition Cost (SAC)

## ■ SAC total (¥ millions)



## ■ SAC unit (¥)<sup>\*3</sup>



\*1 Expenses for campaigns, including "Campaign of providing and installing antennas" and "Limited-time discount." Indicated separately from sales promotion cost and sale incentives.

\*2 "Charge-free content cost" in the total amount of SAC includes the cost for program production.

\*3 Unit cost figures are obtained by dividing the total SAC value (excluding "free content costs") by the number of new subscribers in each period.

# Operating results of major subsidiaries

(Units: ¥ millions)

		SJC	SPCC	SPBC	OPTI	SNET	JII	JMC
Major Area of Business		Broad-casting platform, Satellite Operation	Customer management	Broadcasting	Content distribution via FTTH	Satellite communications	Satellite communications	Major Area of Business
% of Equity held by Holdings		100	100	100	100	92	100	53.3
Revenues	FY2012/2Q	61,708	4,724	20,486	5,704	2,987	860	631
	<b>FY2013/2Q</b>	<b>62,399</b>	<b>3,921</b>	<b>28,302</b>	<b>5,553</b>	<b>2,081</b>	<b>1,296</b>	<b>830</b>
Operating Income	FY2012/2Q	8,234	(625)	126	585	258	292	80
	<b>FY2013/2Q</b>	<b>10,450</b>	<b>(268)</b>	<b>503</b>	<b>195</b>	<b>241</b>	<b>624</b>	<b>94</b>
Ordinary Income	FY2012/2Q	8,506	(620)	129	559	232	294	83
	<b>FY2013/2Q</b>	<b>10,650</b>	<b>(266)</b>	<b>505</b>	<b>185</b>	<b>232</b>	<b>633</b>	<b>104</b>

SJC : SKY Perfect JSAT Corporation

SPBC : SKY Perfect Broadcasting Corporation

SNET : Satellite Network, Inc.

SPCC : SKY Perfect Customer-relations Corporation

OPCT : OptiCast Inc.

JII : JSAT International Inc.

JMC : JSAT MOBILE Communications Inc.

**SKY Perfect JSAT Holdings Inc.**  
Corporate Communications & Investor Relations Dep.