

SKY Perfect JSAT Group  
Earning Results Briefing for 2Q/2015

November 5, 2015  
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 2Q/2015

# Summary of Income Statements

- Revenue and Net Income decreased from the same quarter of the previous fiscal year due to the termination of standard definition broadcasting service.
- Results for 2Q are as planned.

(unit: ¥ millions)

	2Q/ FY2014	2Q/ FY2015	Comparison to 2Q/FY2014	Vs Full-Year Forecast	FY2015 Full-Year Forecast
Revenue	82,381	81,756	(0.8%)	48.7%	168,000
Operating Income	12,830	10,871	(15.3%)	47.3%	23,000
Ordinary Income	12,761	10,884	(14.7%)	48.4%	22,500
Profit attributable to owners of parent	10,056	7,035	(30.0%)	48.5%	14,500
EBITDA* <sup>1</sup>	25,212	22,127	(12.2%)	—	—

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

# Summary of Income Statements(FY2014 1Q ~FY2015 2Q)

(unit: ¥ millions)

	FY2014				FY2015	
	1Q	2Q	3Q	4Q	1Q	2Q
Revenue	42,239	40,141	40,187	40,725	<b>41,122</b>	<b>40,633</b>
Operating Income	7,015	5,814	4,761	2,034	<b>5,855</b>	<b>5,015</b>
Ordinary Income	7,067	5,694	4,820	1,999	<b>5,792</b>	<b>5,091</b>
Profit attributable to owners of parent	6,587	3,469	2,880	579	<b>3,788</b>	<b>3,246</b>
EBITDA* <sup>1</sup>	13,698	11,514	10,567	7,843	<b>11,343</b>	<b>10,783</b>

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

# Summary of Income Statements by Business Segment (FY2014 1Q ~ FY2015 2Q)

(unit: ¥ millions)

	FY2014				FY2015	
	1Q	2Q	3Q	4Q	1Q	2Q
Revenue	42,239	40,141	40,187	40,725	<b>41,122</b>	<b>40,633</b>
Multichannel Pay TV Business	31,675	30,456	30,338	29,773	<b>30,904</b>	<b>30,636</b>
Space & Satellite Business	13,954	12,681	12,824	13,927	<b>13,320</b>	<b>13,098</b>
Consolidated Eliminations	(3,390)	(2,996)	(2,975)	(2,975)	<b>(3,102)</b>	<b>(3,101)</b>
Operating Income	7,015	5,814	4,761	2,034	<b>5,855</b>	<b>5,015</b>
Multichannel Pay TV Business	1,881	1,930	698	(2,076)	<b>1,307</b>	<b>772</b>
Space & Satellite Business	5,274	4,029	4,258	4,266	<b>4,714</b>	<b>4,407</b>
Consolidated Eliminations	(139)	(144)	(195)	(154)	<b>(166)</b>	<b>(164)</b>

# Key Performance Indicators for Multichannel Pay TV Business(\*)

	FY2014/2Q	FY2015/2Q	FY2015 Full-Year Forecast
Number of New Subscribers (unit: thousands)	19.1	<b>22.6</b>	48.2
Net Increase in Subscribers (unit: thousands)	(27.4)	<b>2.0</b>	7.5
Number of Cumulative Subscribers (unit: thousands)	344.2	<b>348.2</b>	353.7
Average Monthly Subscriber Payment (unit: JPY)	3,311	<b>3,373</b>	-
ARPU (unit: JPY)	2,214	<b>2,223</b>	-
SAC (unit: JPY)	34,346	<b>35,255</b>	-

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

# Detailed: Multichannel Pay TV Business

**Revenue: (¥0.59B)\***

\* Internal transactions between segments included.

<Main increases or decreases>

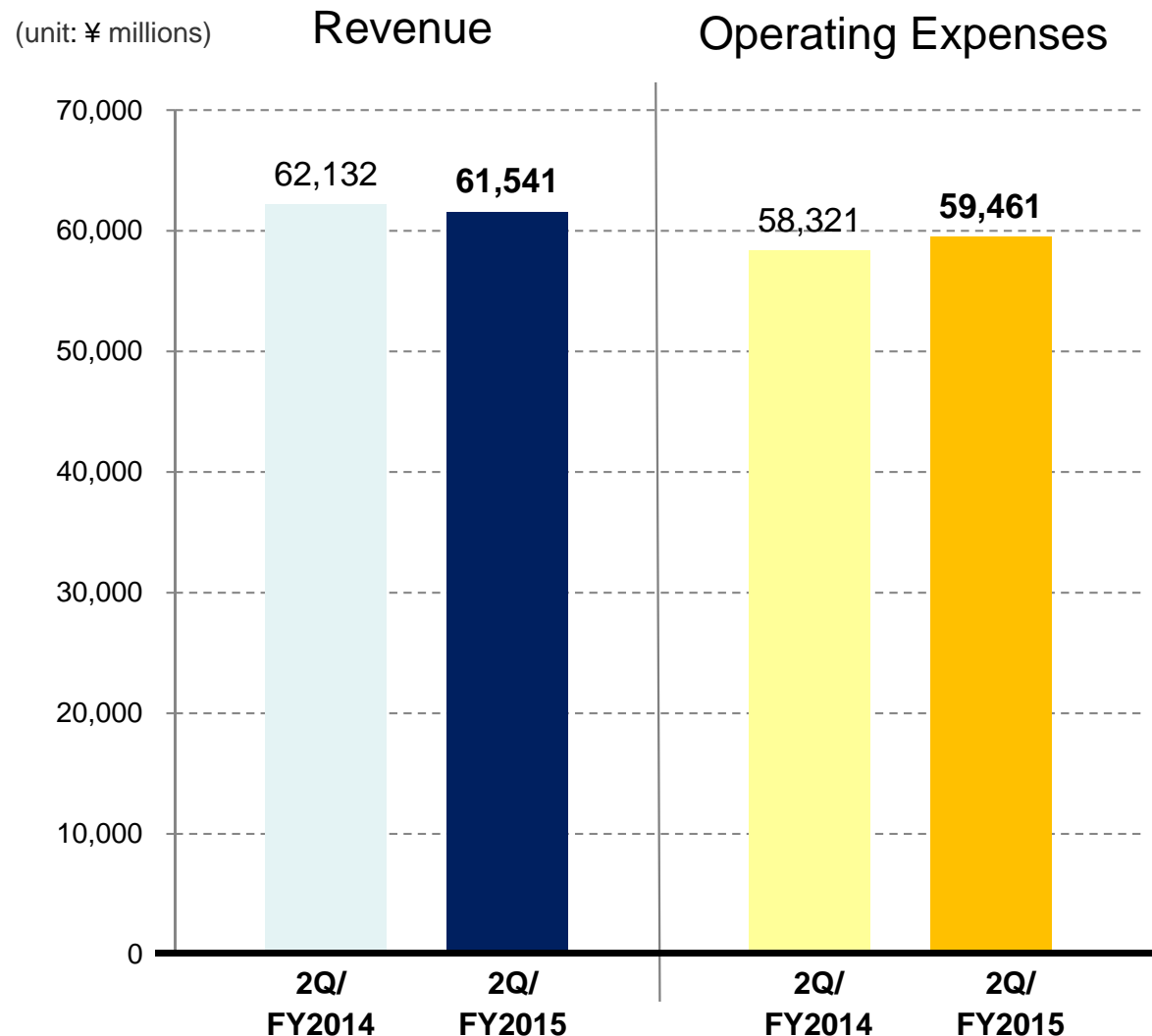
- Increase of SKY PerfectTV! business consignment income: ¥0.6B
- Decrease of business consignment income and transmission income of standard definition (SD) service: (¥0.5B)
- Decrease of income from high-definition (HD) service subscription fee: (¥1.0B)

**Operating Expenses: (¥1.13B)\***

\* Internal transactions between segments included.

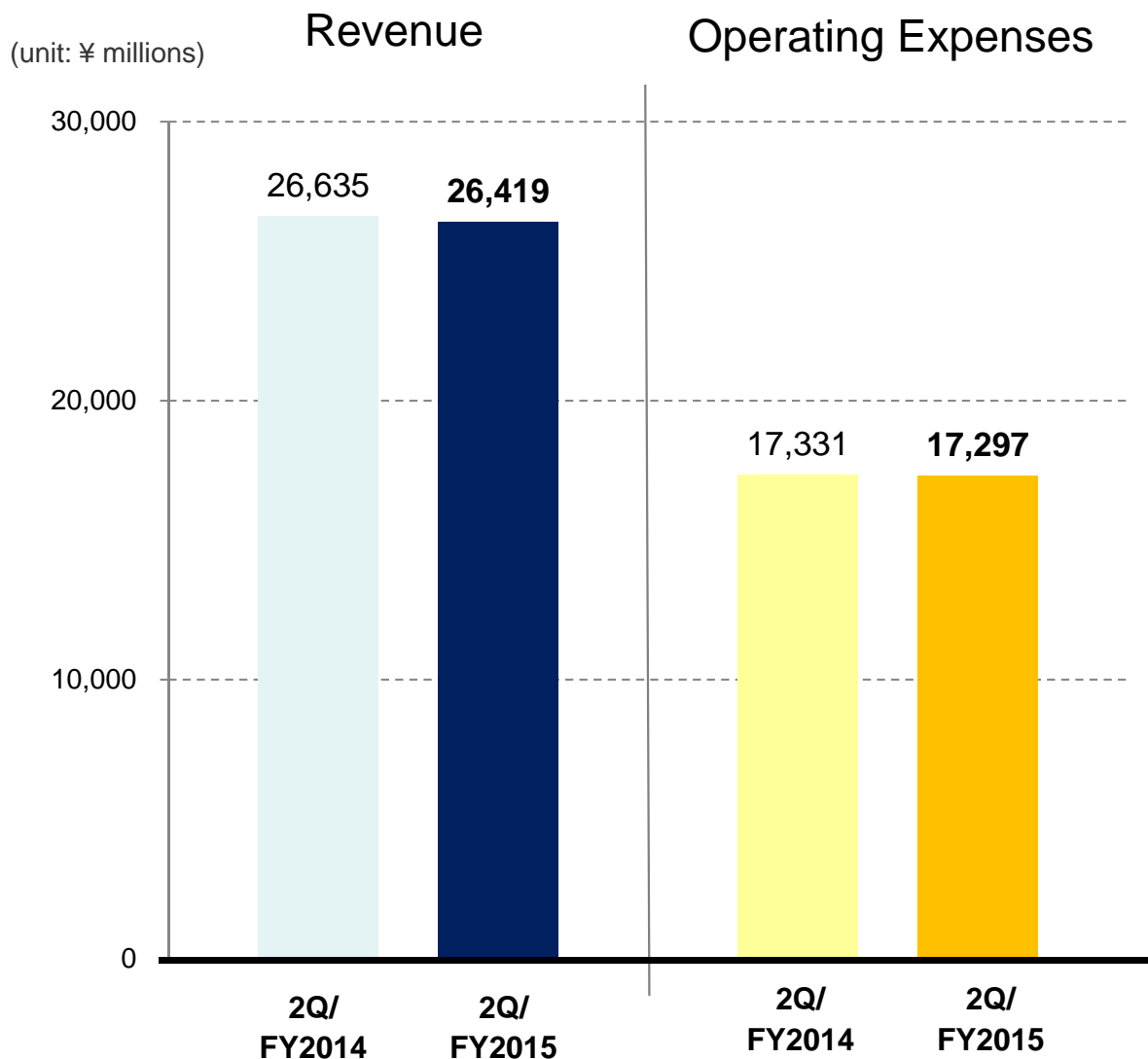
<Main increases or decreases>

- Increase in content costs: ¥2.7B
- Decrease of the HD service migration costs: (¥0.6B)
- Decrease in other expenses: (¥1B)





# Detailed: Space & Satellite Business



**Revenue: (¥0.21B)\***

\* Internal transactions between segments included.

<Main increases or decreases>

- Decrease in sales of broadcasting transponders for SD services: (¥1.4B)
- Increase in sales of broadcasting transponders : ¥0.4B
- Increase in sales of maritime Internet services: ¥0.6B

**Operating Expenses: (¥0.03B)\***

\* Internal transactions between segments included.

<Main increases or decreases>

- No major changes

# Corporate Governance Report

- Submitted a Corporate Governance Report to Tokyo Stock Exchange on November 5, 2015.
- Complied with all, except for the following two principles.

## Supplementary Principle 3.1 (v)

Appointment of board directors and corporate auditors is subject to the resolution at a general meeting of shareholders. Reasons for appointment of candidates for outside directors and corporate auditors and job history of directors and corporate auditor are provided in the reference materials of a notice of convocation of a general meeting of shareholders. A notice of convocation will include reasons for appointment of all directors and corporate auditors in the future.

## Supplementary Principle 4.11.3

The Board of Directors has not analyzed and evaluated its effectiveness as a whole. The Board will analyze and evaluate its effectiveness annually through self-evaluations of each director, and review its operations in order to function more effectively. The results of the analysis and evaluation for FY2015 will be disclosed in June 2016.

## Future Initiatives

- Multichannel Pay TV Business -

# Strategies for Increase in Total Number of Subscribers

## Pushing ahead with differentiation strategies using SKY PerfectTV! Channels' strengths

### ■ Measure 1: Increase subscriber base through exclusive content

- ✓ Exclusive broadcast of Paul McCartney's Out There Tour 2015 at Nippon Budokan and others
- ✓ Original dramatization and broadcast of the popular manga, *Akagi*.



© 2015 MPL Communications / MJ Kim



© Nobuyuki Fukumoto/TAKESHOB0 Co., Ltd.

### ■ Measure 2: Increase subscriber base through live sport content

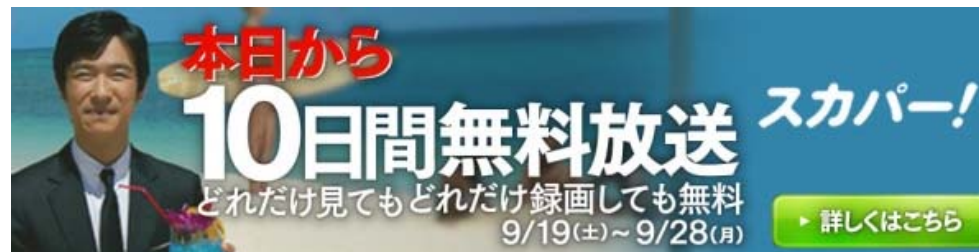
- ✓ Live broadcast of all matches in the Rugby World Cup
- ✓ Various international soccer leagues and UEFA Champions League



写真: アフロ

Photo: Afro

### ■ Measure 3: Increase subscriber base through 10-day free broadcast

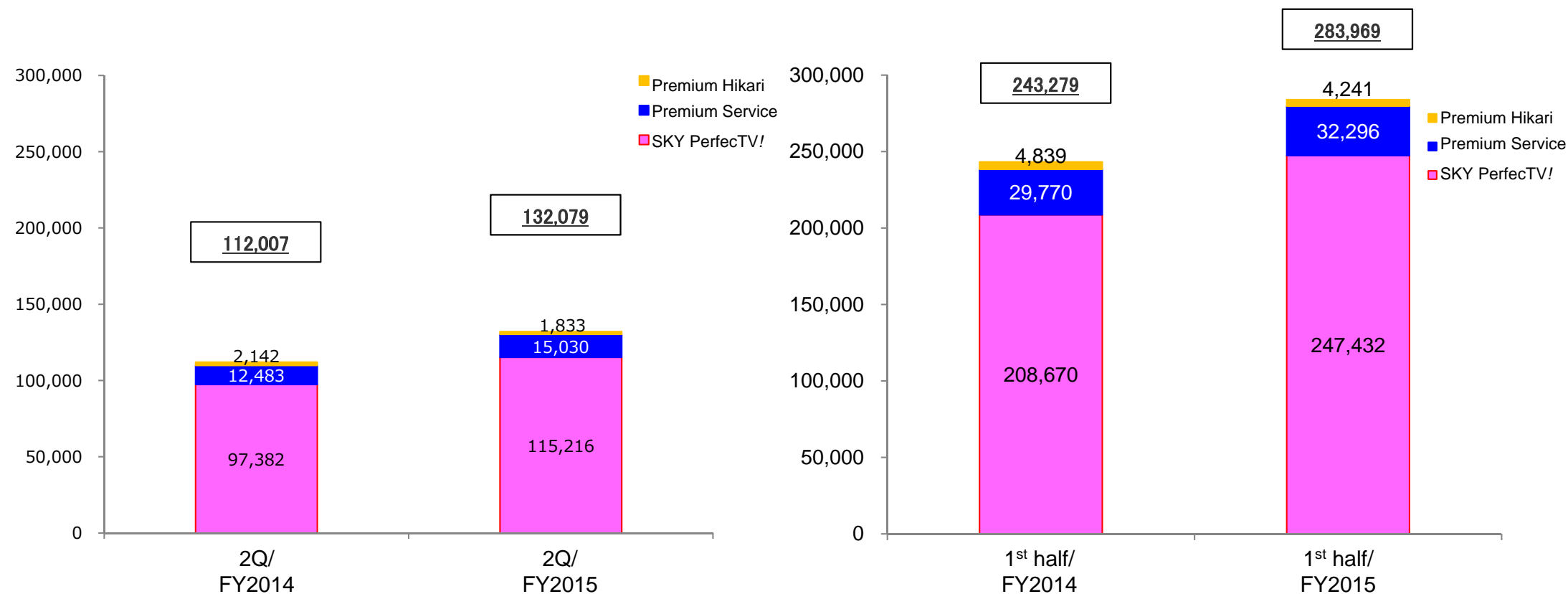


# 2Q/2015 Results

**New and returning subscribers exceed results for 2Q/FY2014 while the first-half results also exceeded the results of the same period in the previous year.**

■ Results for number of new and returning subscribers

✓ 2Q/FY2015: 132,079 (+20,072 year on year) ✓ 1<sup>st</sup> half/FY2015: 283,969 (+40,690 year on year)



# Differentiation through content

Continue to promote differentiation through original content and topical content

## Featured content

### (1) Original period dramas



©2015 Jidaigeki Senmon Channel/SKY PerfectTV//Shochiku

October: First installment – *Hatashiai*  
(Starring Tatsuya Nakadai – BS SKY PerfectTV!)



©2015 Jidaigeki Senmon Channel/Shochiku

November: Second installment – *Osoi Shiawase*  
(Starring Rei Dan – Jidaigeki Senmon Channel)

### (2) Sports



©2015, JRFU Photo by S.IDA

Rugby Top League Super League (J SPORTS)



photo: Getty Images

Barclays ATP World Tour Finals (GAORA SPORTS)

### (3) Anime



©Sotsu, Sunrise

SKY PerfectTV! On Demand exclusive advance preview of *Mobile Suit Gundam: The Origin II*, and TV broadcast of *Mobile Suit Gundam: The Origin I*

## 4K content

### [SKY PerfectTV! 4K GENERAL]



© Japanese Olympic Committee

Kon Ichikawa's *Tokyo Olympiad* (4K digital edition)



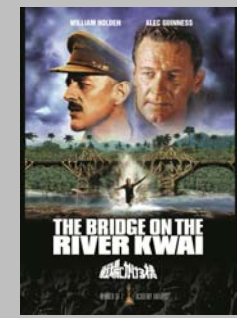
Toshinobu Kubota Concert Tour 2015 "L.O.K Supa Dupa"



(c) Copyright MMXV by Journey to Space L.L.C. All Rights Reserved

International documentary – *Journey to Space*

### [SKY PerfectTV! 4K Movies]



© 1957, renewed 1985 Columbia Pictures Industries, Inc. All Rights Reserved.

*THE BRIDGE ON THE RIVER KWAI*

## Maintaining favorable growth through tie-ups with the TV service

- Total number of registered subscribers for SKY PerfectTV! On Demand**

As of the end of September 2015: 536,651

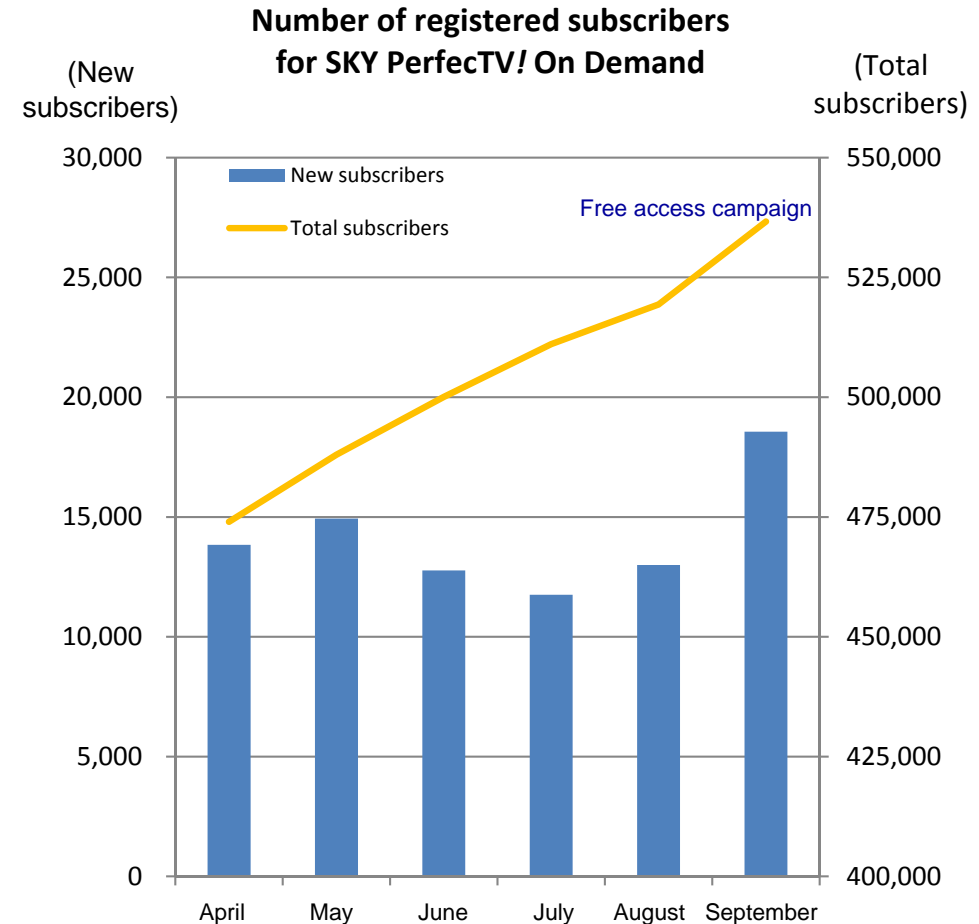
- Free access to coincide with 10-day free trial of the TV service**

In conjunction with the 10-day free broadcast, we also provided On Demand for free.

We also aired our first TV commercial for the On Demand service. As a result, subscriptions increased.



- In the future, we will provide even more channels to access content simultaneously with broadcast.**

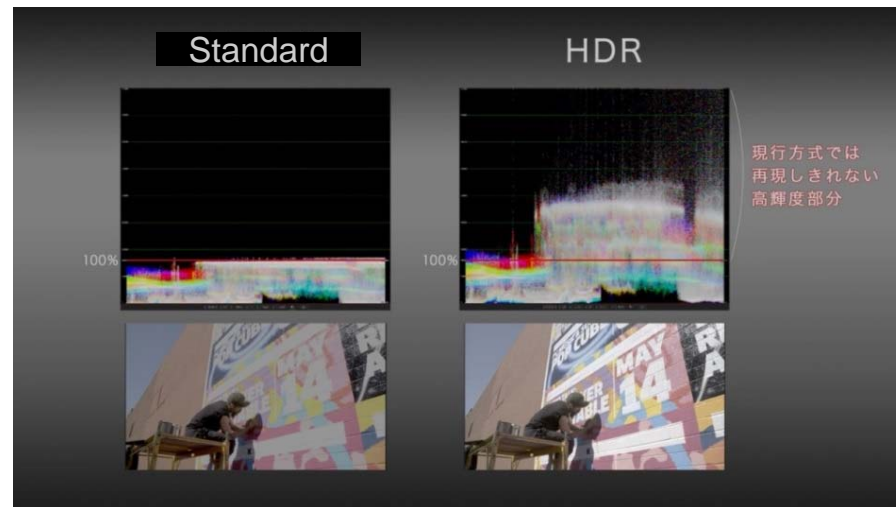


## In addition to 4K broadcasting, we are also working towards HDR for even higher image quality

### ■ What is HDR (High Dynamic Range)?

- ✓ HDR is a technique used in imaging to reproduce a greater dynamic range (comparison between light and darkness) of luminosity than standard digital imaging techniques.
- ✓ HDR has a similar dynamic range of the human eye, producing more natural and realistic images.

#### ■ Standard technique vs HDR technique



#### ■ Reproduction of natural light and darkness



#### ■ Clearer luminance



現行方式



HDR

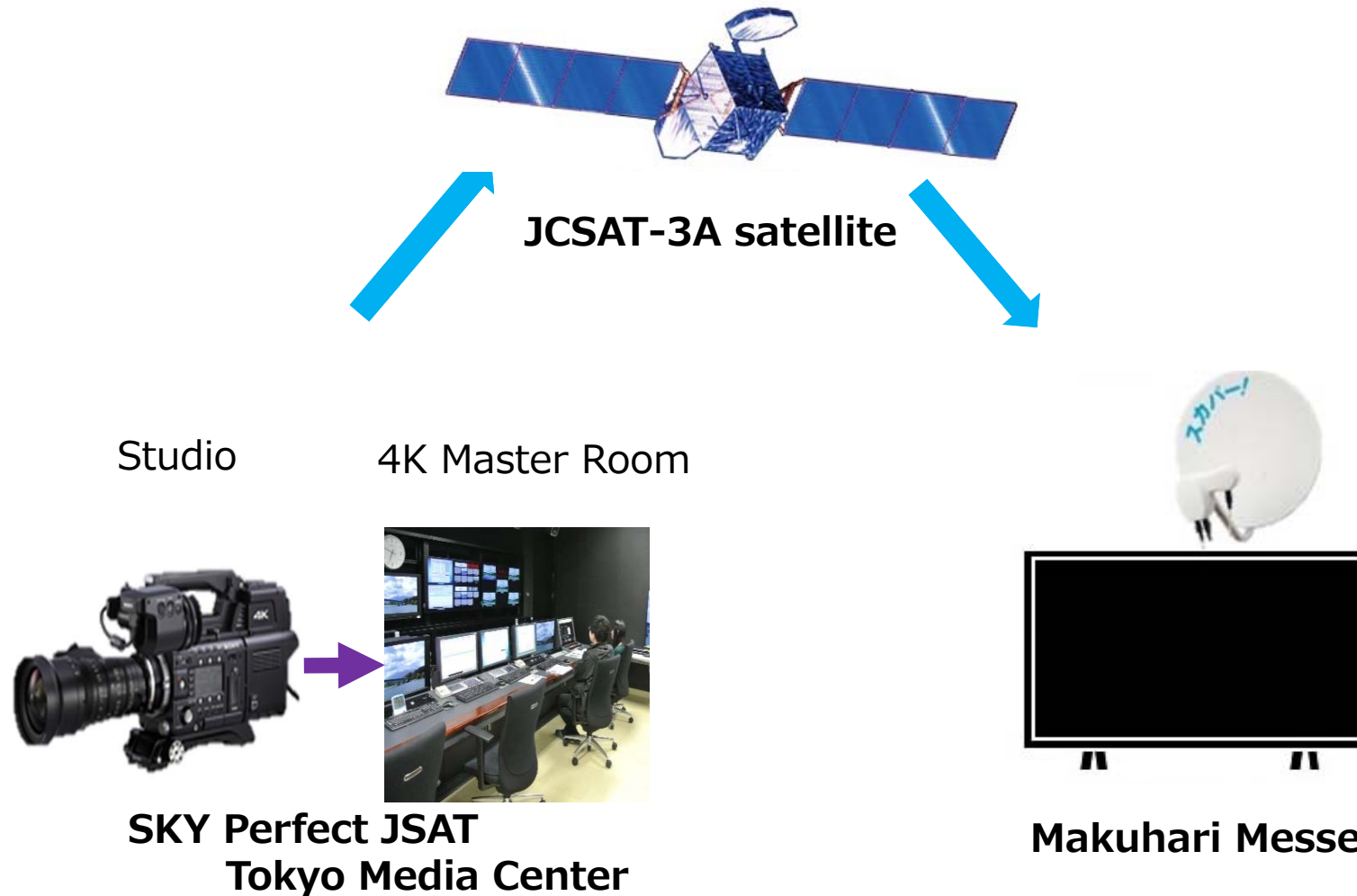
#### ■ Reproduction of music live illumination





# HDR Demonstration at InterBEE 2015

HDR live transmission demonstration at InterBEE 2015\*



\*InterBEE 2015: International Broadcasting Equipment Exhibition held at Makuhari Messe during Nov 18-20, 2015

## Improving international content competitiveness through exclusive programs that showcase the appeal of Japan

### ■ Original show *QUIZ SURPRISE!! JAPAN* commenced on Saturday, October 31

#### ✓ Program content

- *QUIZ SURPRISE!! JAPAN* is a quiz show based around the theme of Japanese tourist destinations. The prize is a holiday in Japan. The show introduces tourist destinations from all over Japan such as Asakusa, Mt. Fuji, Kyoto, Osaka and Akihabara



<Program logo>



<Studio set image>

- Airing times: Saturdays 8:00-9:00 PM

#### ✓ Joint promotion with Indovision, which is the largest platform in Indonesia

- Public qualifying event held at Indovision's 21<sup>st</sup> anniversary event *Simply Number One*.
- *QUIZ SURPRISE!! JAPAN* promoted in the Indovision magazine



<Indovision magazine>

#### Launch Information

##### Broadcast on the Singapore's IPTV – Singtel TV – commenced on July 6

##### • What is Singtel TV?

This IPTV service is provided by Singtel TV, which is a major Asian telecommunication company, and broadcasts over 170 channels. It increases its subscriber base each year, and at present approximately 420,000 households subscribe. WAKUWAKU JAPAN is available as part of the basic package, which allows viewing by the maximum number of subscribers.

# Future Initiatives

- Space & Satellite Business -

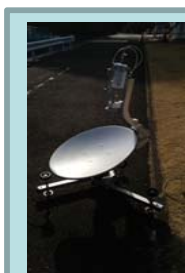
# Japan's Domestic Market

## ■ Involvement with the support of medical services in the event of a large-scale earthquake

On September 1, 2015, we participated in the “medical services in the event of a large-scale earthquake drill at the 2015 Government Disaster Drill” held by the Ministry of Health, Labour and Welfare’s DMAT (Japan Disaster Medical Assistance Team) office.

- We confirmed the utility of the connection to the EMIS (Emergency Medical Information System), which utilizes the “ExBird Service” developed through the cooperation of various companies to respond to a large-scale disaster, during which it is anticipated that terrestrial communication lines will become congested.
- From October 20, we aim to become even more involved with the field of disaster medicine by developing a satellite communication system for the provision of the most effective medical treatment in regional disasters, as well as investigation and testing with regard to its application, in collaboration with the relevant organizations.

■ Tokyo Women's Medical University  
Medical Center East  
Portable manual-pointing antenna system  
(Nippon Antenna)



■ Self Defense Forces  
Central Hospital  
Portable auto-pointing  
antenna system  
(Mitsubishi Electric)



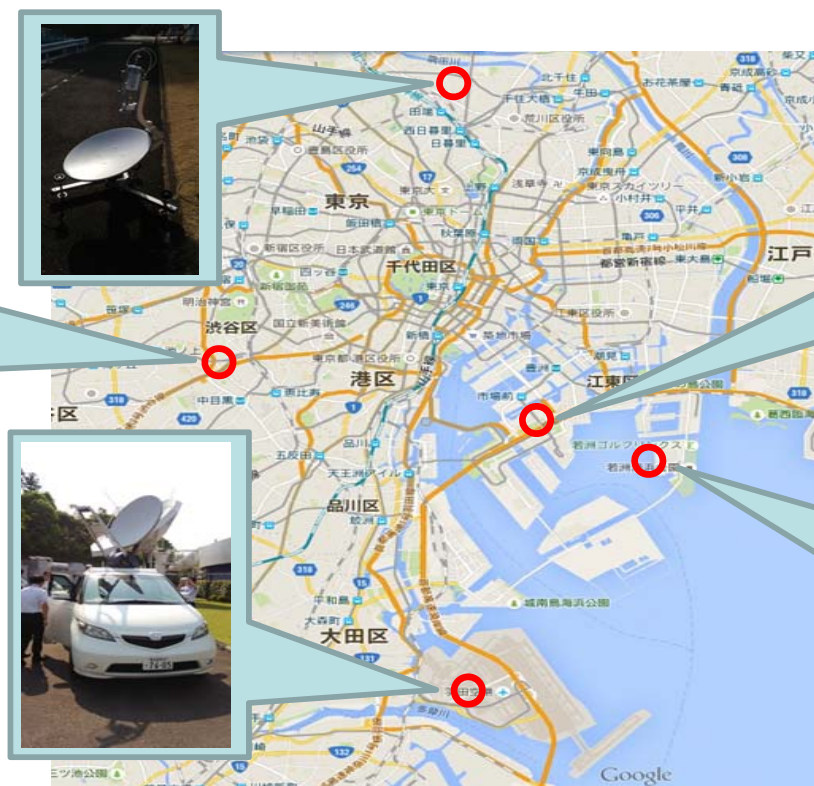
■ Haneda Airport  
Auto-pointing  
antenna  
system on vehicle  
(C-COM)



■ Ariake no Oka  
Portable manual-pointing  
antenna system  
(Toshiba)



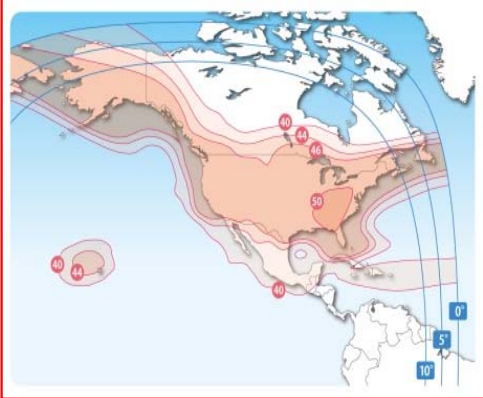

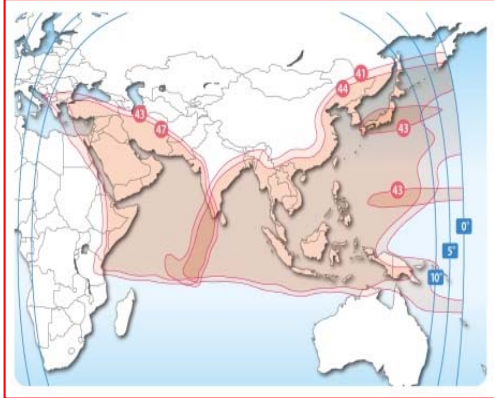
■ JMSDF escort ship Izumo  
Auto-pointing antenna  
system on vehicle  
(Japan Radio)



# Initiatives in the Global Market (1)

## ■ Another JV “Horizons 3e” with Intelsat

- ✓ Current JVs with Intelsat

	Horizons-1	Horizons-2	JCSAT-85
Orbital position	127 west	85 east	85 east
Launch date	September 30, 2003	December 21, 2007	December 1, 2009
Users/applications	Government, VSAT	DTH	Government, Mobility
Coverage			

## ✓ Orbital Position

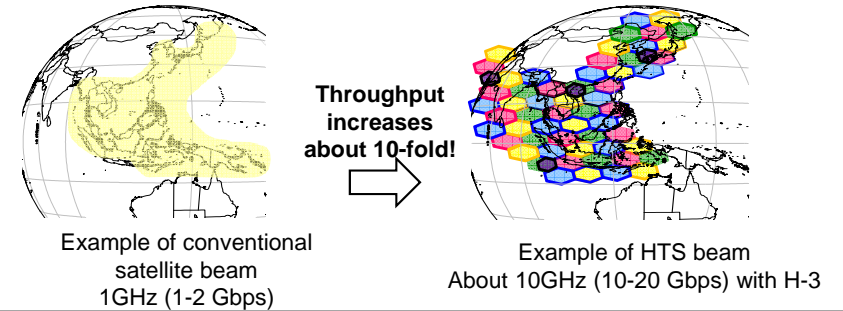
- The satellite is to be positioned at 169 east longitude, where its can cover from west cost of CONUS, through entire Pacific Ocean, to Asia region.

# Initiatives in the Global Market (2)

## ✓ “Horizons 3e” satellite

### The difference between conventional satellites and HTS (High Throughput Satellites)

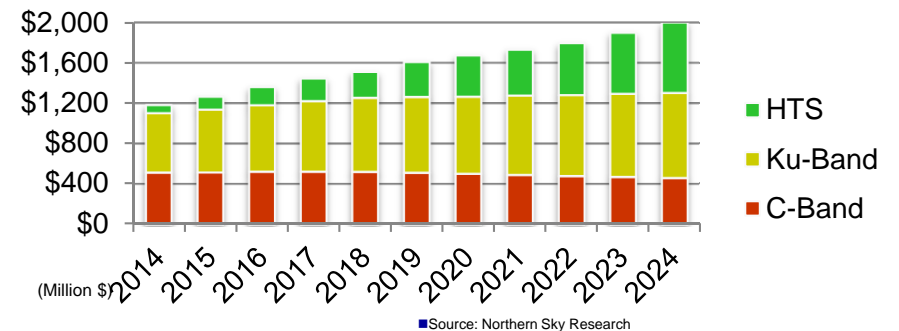
With the HTS system, it is possible to use frequencies highly efficiently, through the use of different frequencies for adjacent spot beams and the same frequency for non-adjacent spot beams. Because of this, it is possible to provide a throughput of approximately 10 times that of conventional satellites.



## ✓ Potential customers and market

- Government, aero and maritime mobility and cellular backhaul
- The HTS can meet the growing demands in satellite telecommunications in the Asia and Pacific region.

### ■ Growth Forecast for the Asian and Pacific Markets (2014–2024)



## ✓ Launch: Second half of 2018

## ■ International market for LEO / Micro-satellite business

- ✓ Not only satellite operators but players from other industries have entered the market.

### Earth observation field

#### Skybox Imaging (US)

- Approx. 20 SkySat (110 kg) small earth observation satellites are planning to be launched by 2018, obtaining high-resolution images (<1m) and videos with high frequency.
- June 2014, Google acquired the company at USD500 million.

#### Planet Labs (US)

- High-resolution images (< 3m) can be taken by its multiple micro-satellites with high frequency.
- 50 satellites under operation as of the end of 2015, and 150 satellites under operation by 3Q 2016.

#### Axelspace (Japan)

- Commercial small satellite start-up venture initiated by the University of Tokyo.
- Real-time Earth observation network is planning to be established through its multiple micro-satellites.

### Telecommunications field

#### One Web (US)

- Covering every corner of globe with broadband network, approx. 700 small satellites is planning to be operated at LEO.
- Expected project cost is USD1.5 – 2.0 billion. Qualcomm (US) and Virgin Galactic (UK) have invested in the company.
- A large satellite constellation will be established with Ku-band frequency. Each satellite weighs around 125kg.

#### SpaceX Projects (US)

- Approx. 4,000 small satellites are planning to be launched at LEO, establishing high-speed communication network worldwide.
- The company financed USD1.0 billion from various investors including Google.

## ■ Our current status and initiatives

### ✓ Investment in Axelspace Corporation

- In addition to capital investment, SKY Perfect JSAT concluded a business partnership agreement in September 2015 with Axelspace as to collaboration of satellite operation. Other Investors such as Mitsui & Co., Ltd. and the SBI Group also invested.
- Axelspace is going to establish its Earth observation network on a real-time basis through multiple Earth observation satellites “GRUS” and to launch the first three satellites in 2017.



GRUS (Image)

### ✓ Initiatives of Satellite Network Inc. (SNET), a group company of SKY Perfect JSAT

- SNET was granted the satellite image distribution right by Planet Labs Inc. (USA) and commenced its distribution in Japan.
- Also, SNET has the exclusive right for the distribution to Japan's potential customers for a certain time period.
- Planet Labs Inc. is developing a new technology to detect, within a second, a change(s) or a difference(s) from over a million of satellite images daily taken by its satellites.



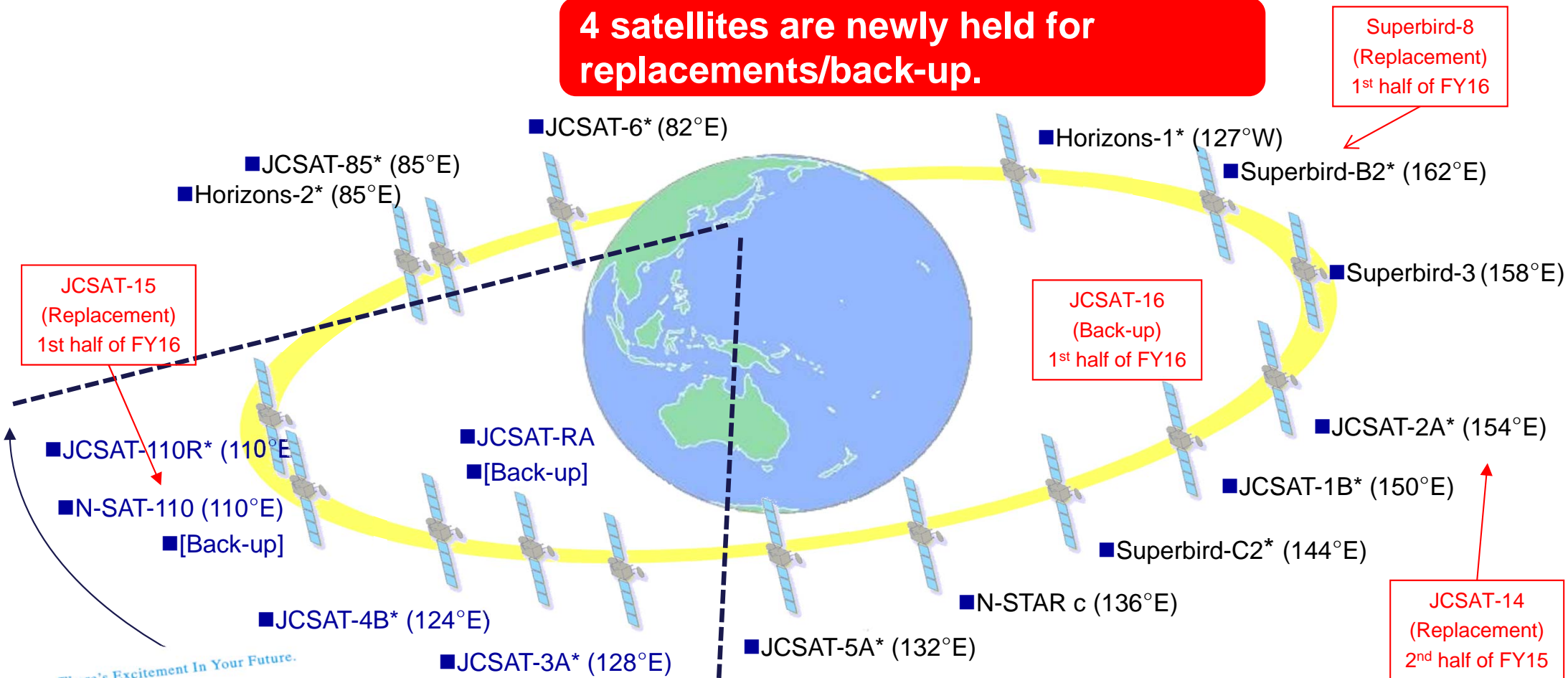
Planet Labs' satellite (Image)



# Satellites Fleet Updated

16 satellites in total cover from the Indian Ocean through North America.

**4 satellites are newly held for replacements/back-up.**



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

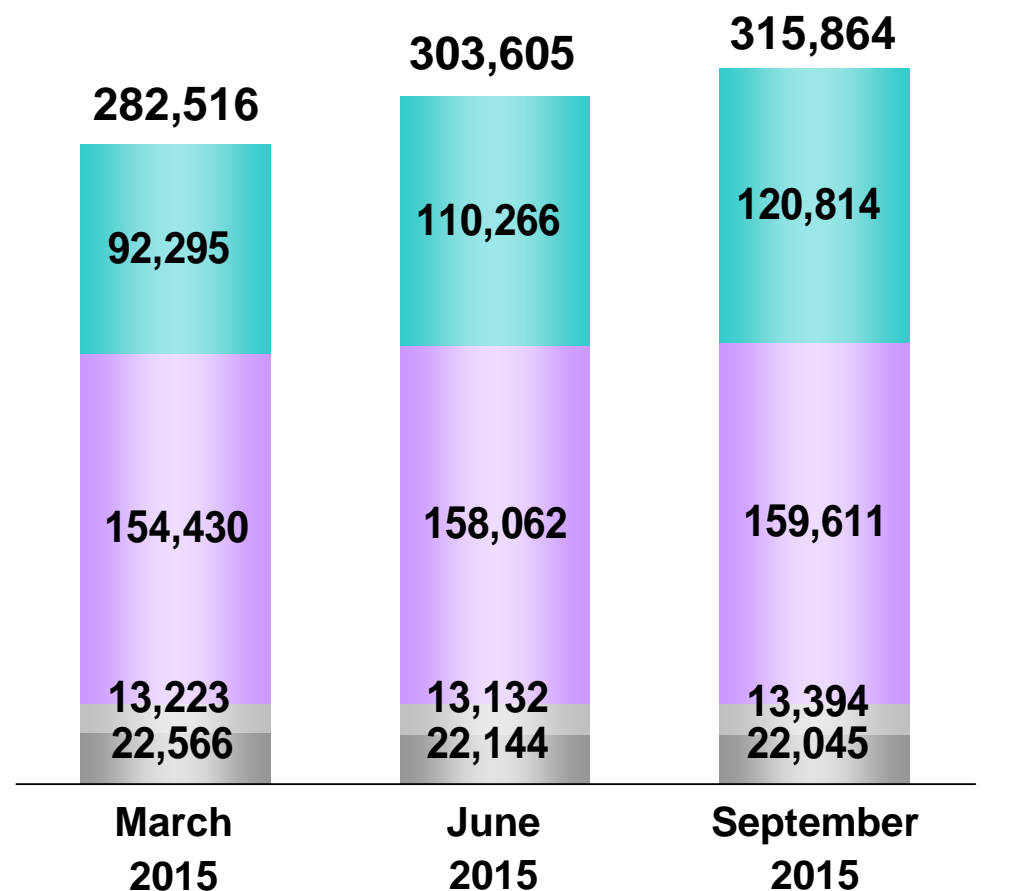
Satellites (blue): For mainly broadcasting use  
 Satellites (black): For mainly communication use  
 \* overseas beam equipped

(References)

# Consolidated Balance Sheets

## Assets

(Units: ¥ millions)



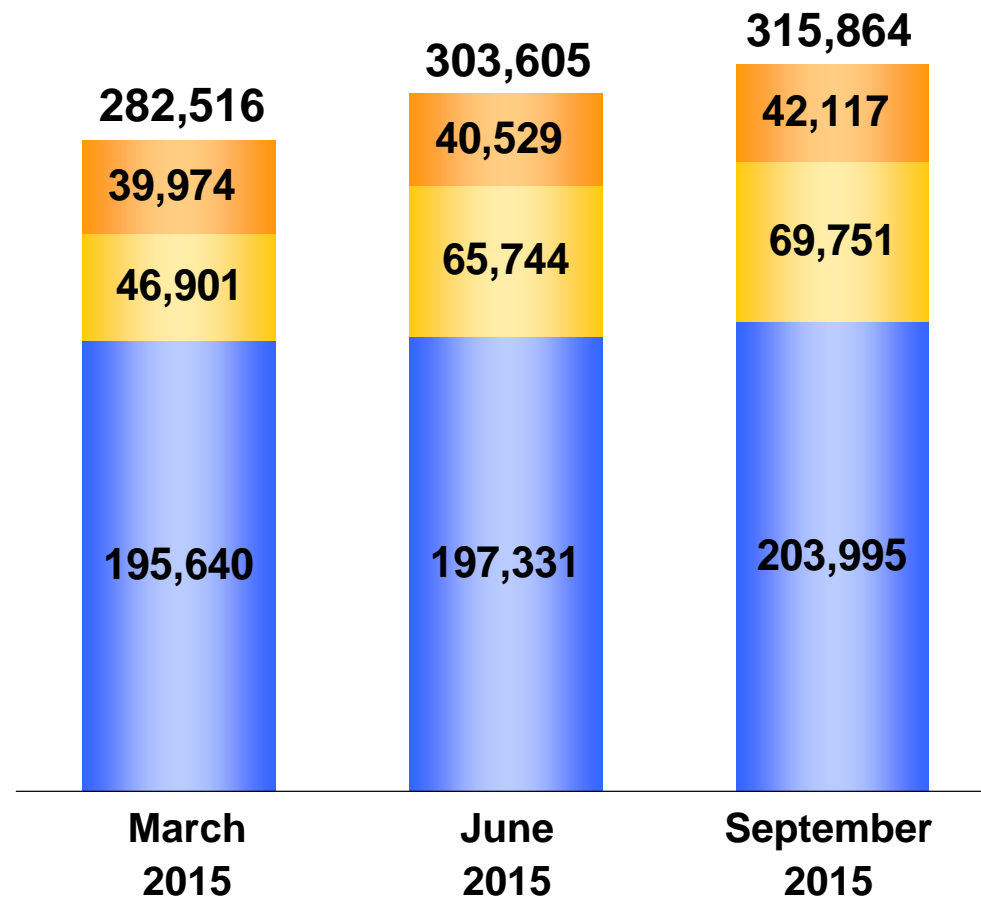
## Liabilities and Equity

(Units: ¥ millions)

Equity Ratio :69.2%

Equity Ratio :64.9%

Equity Ratio :63.2%



# Consolidated Cash Flows

(Units: ¥ millions)

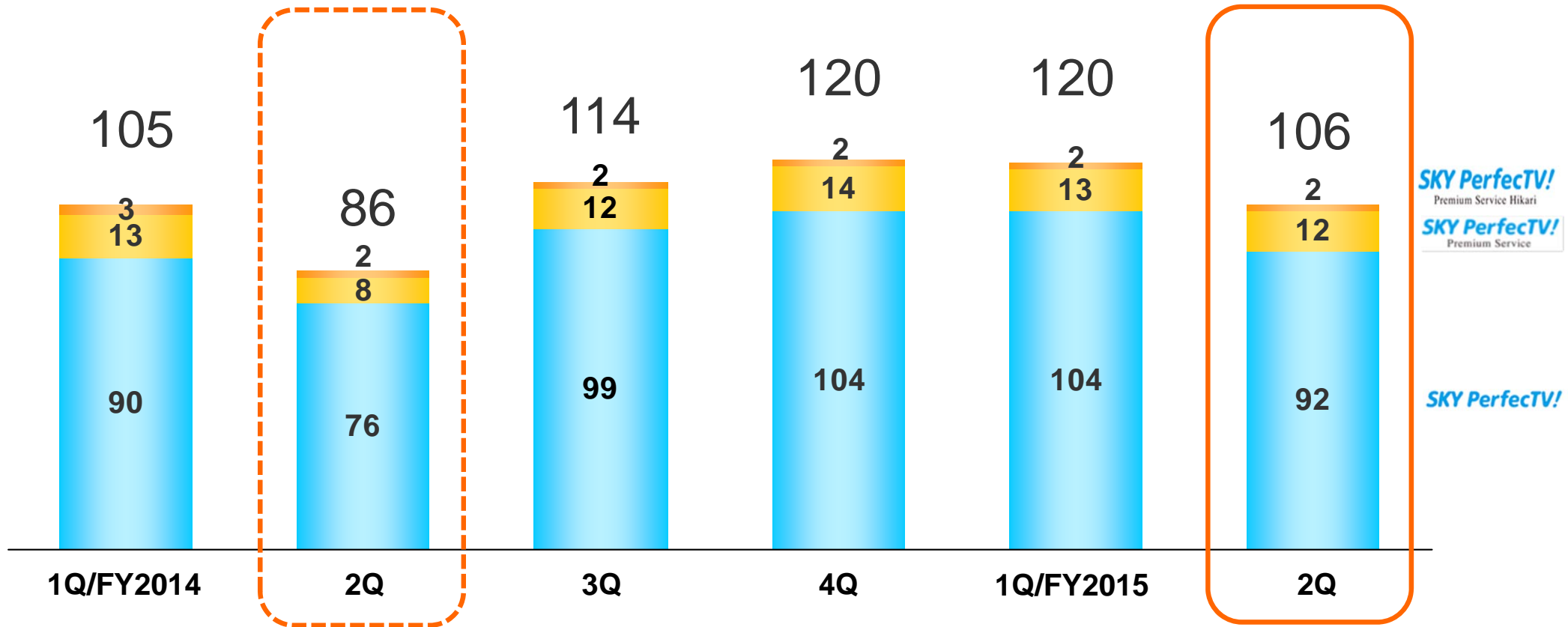
	2Q/FY2013	2Q/FY2014	2Q/FY2015
<b>Net Cash from Operating Activities</b>	20,760	11,365	<b>14,069</b>
<b>Net Cash from Investing Activities</b>	(6,221)	(13,212)	<b>(16,470)</b>
<b>Free Cash Flows<sup>*1</sup></b>	14,538	(1,846)	<b>(2,401)</b>
<b>Net Cash from Financing Activities</b>	(2,871)	(11,545)	<b>25,541</b>
<b>Cash and Cash Equivalents at Term-End (a)</b>	86,392	50,334	<b>57,174</b>
<b>Term-end balance of interest-bearing debt<sup>*2</sup> (b)</b>	50,740	36,827	<b>61,721</b>
<b>Term-end balance of net interest-bearing debt (b)-(a)</b>	(35,651)	(13,506)	<b>4,547</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

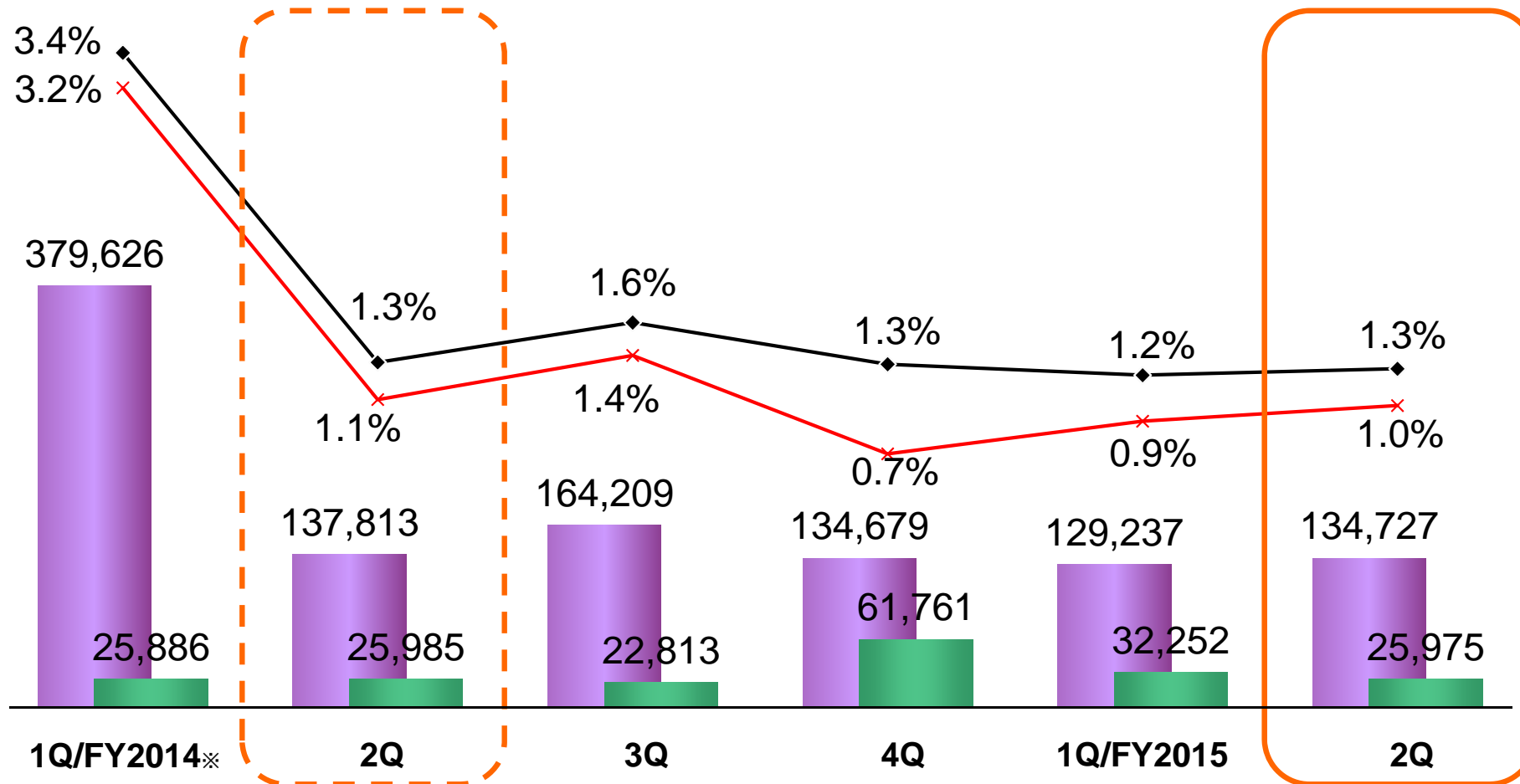
(Unit: thousands)



# Average Monthly Churn Rate

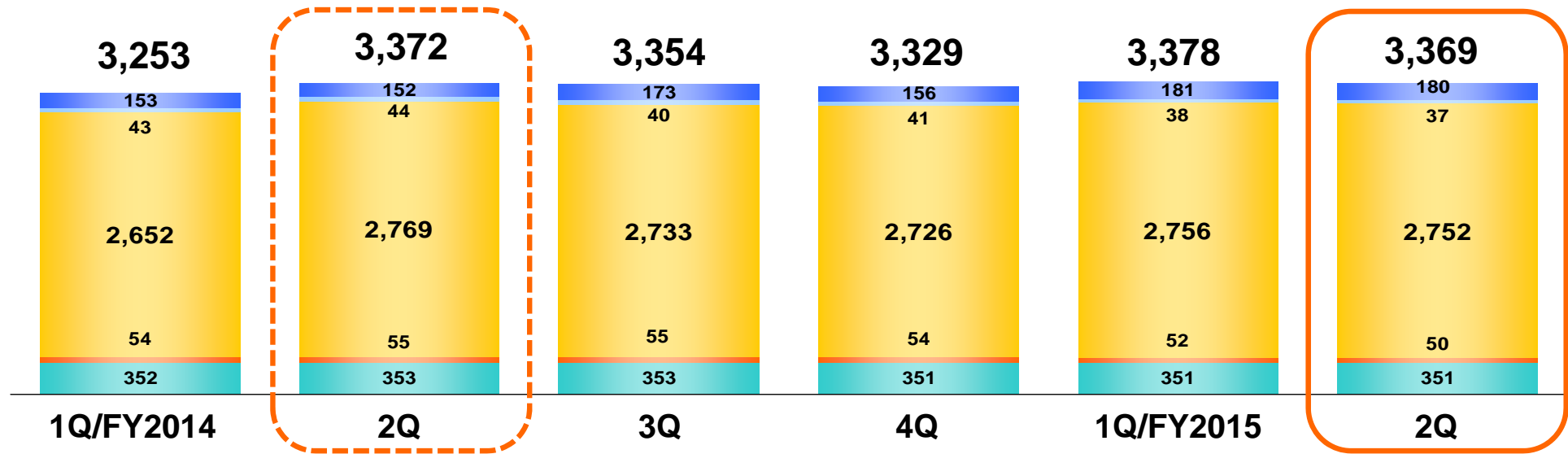
—◆— Average Monthly Churn Rate  
—×— Substantial churn rate after the exclusion of re-subscriptions  
■ Number of churn  
■ Number of re-registered subscribers

Note: Churn rate and subscriptions, etc. are the total values for SKY PerfecTV!

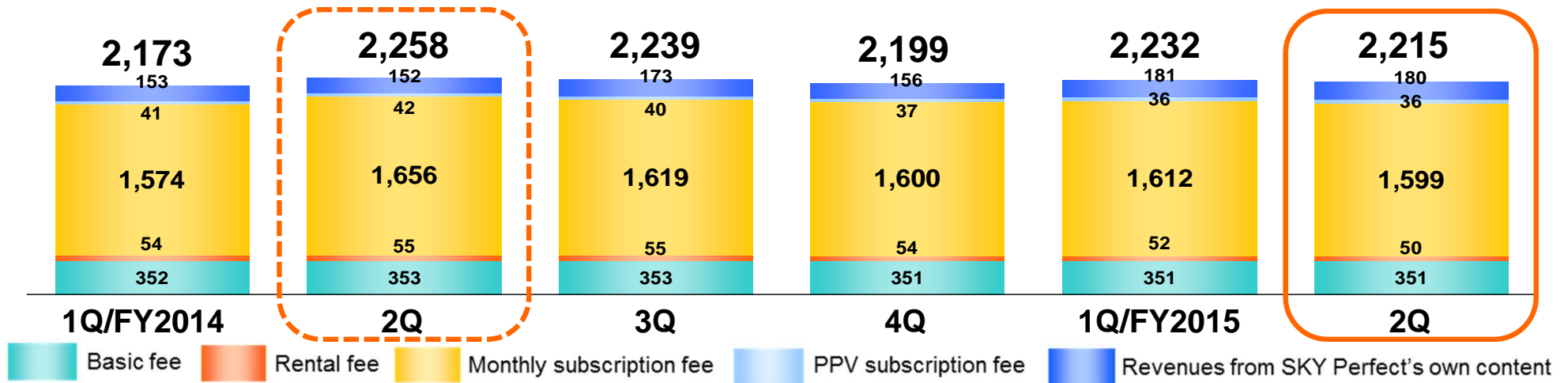


\*Due to the termination of the SD services at the end of May, 2014.

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



## ■ ARPU ( ¥ ) \*2

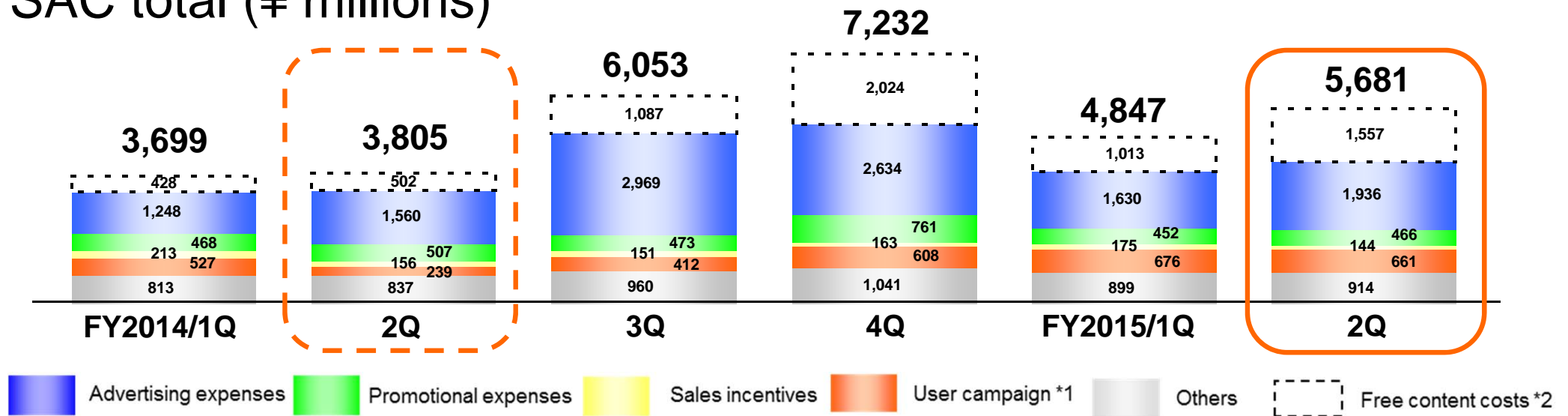


\*1 Average unit price of monthly viewing fees, etc. paid by subscribers

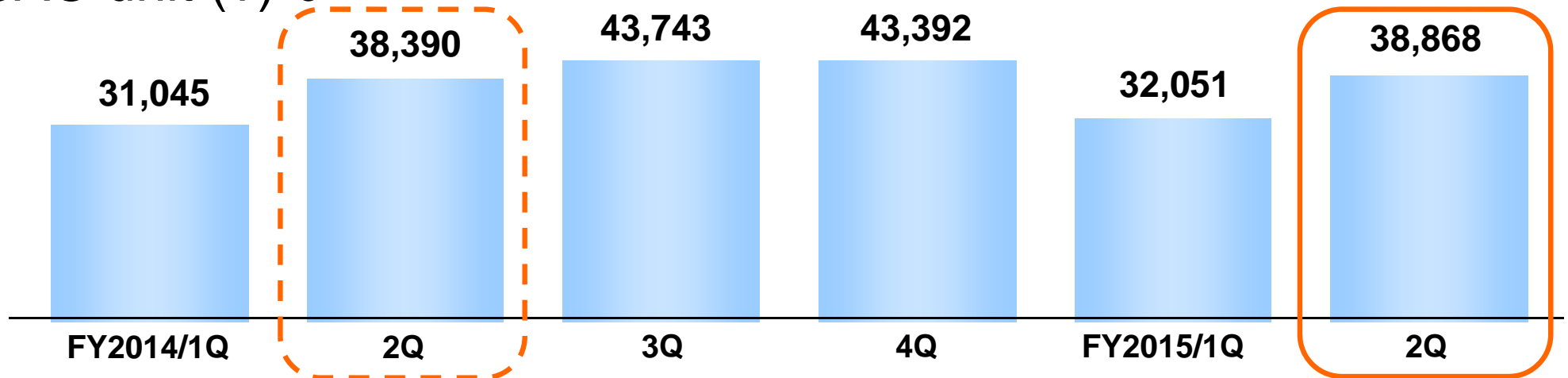
\*2 Revenue of our corporate group in the unit price of monthly viewing fees, etc. paid by subscribers

# Subscribers Acquisition Cost (SAC)

## SAC total (¥ millions)



## SAC unit (¥)\*3



\*1. "User campaign" is expenses for the campaign to acquire the new subscribers.

\*2. "Change-free content cost" in the total amount of SAC includes the cost for program production fees for SKY PerfectTV! BS.

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



# Major Subsidiaries

(Unit: yen, millions)

		<b>SJC</b>	<b>SPCC</b>	<b>SPBC</b>	<b>SNET</b>	<b>JII</b>	<b>JMC</b>
<b>Main business</b>		Multi-channel platform/satellite transmission	Subscribers management	Broadcast/production	Re-sale of satellite transmissions	Re-sale of satellite transmission	Mobile services
<b>Shares (%)</b>		100	100	100	92	100	53.3
<b>Revenue</b>	FY2014/2Q	64,332	3,741	33,762	1,877	1,293	1,145
	<b>FY2015/2Q</b>	<b>64,779</b>	<b>3,614</b>	<b>33,405</b>	<b>2,189</b>	<b>1,168</b>	<b>1,521</b>
<b>Operating Income</b>	FY2014/2Q	11,883	312	788	135	599	89
	<b>FY2015/2Q</b>	<b>10,775</b>	<b>303</b>	<b>803</b>	<b>144</b>	<b>362</b>	<b>207</b>
<b>Ordinary Income</b>	FY2014/2Q	11,954	314	790	128	604	96
	<b>FY2015/2Q</b>	<b>10,928</b>	<b>305</b>	<b>807</b>	<b>153</b>	<b>369</b>	<b>221</b>

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.

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