

SKY Perfect JSAT Group  
Earning Results Briefing for 2Q/2018

November 1, 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 2Q/2018

# Summary of Income Statements

- Operating revenue increased 20.1 billion yen (27.3%) due to sales of satellite to Ministry of Defense
- Operating income increased 0.7 billion yen(8.3%) in both Media business and Space Business
- Quarterly profit attributable to owners of parent increased by 0.4 billion yen (5.5%)

(Unit: ¥ millions)

	FY2017/2Q Cumulative	<b>FY2018/2Q Cumulative</b>	Year-On- Year Comparison	Progress on FY2018 Forecast	FY2018 Full-Year Forecast
Revenue	73,720	<b>93,838</b>	27.3%	55.7%	168,500
Operating Income	8,881	<b>9,615</b>	8.3%	58.3%	16,500
Ordinary Income	9,453	<b>10,345</b>	9.4%	60.9%	17,000
Profit Attributable to Owners of Parent	6,407	<b>6,760</b>	5.5%	58.8%	11,500
EBITDA <sup>*1</sup>	22,531	<b>22,644</b>	0.5%	53.9%	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 2Q)

- The Media Business had decreased revenue due to decreased subscription fee revenue, but increased operating income due to saving operating cost
- The Space Business had decreased revenue and operating income due to decreased broadcasting transponder-related revenues

(Unit: ¥ millions)

	FY2017					FY2018	
	1Q	2Q	3Q	4Q	Full Year	1Q	2Q
Revenue	37,195	<b>36,525</b>	35,762	36,018	145,501	58,772	<b>35,066</b>
Media Business	27,424	<b>26,828</b>	25,925	25,620	105,798	25,857	<b>25,368</b>
Space Business	12,524	<b>12,428</b>	12,459	12,987	50,400	35,541	<b>12,266</b>
Consolidated Eliminations	(2,754)	<b>(2,731)</b>	(2,622)	(2,589)	(10,697)	(2,626)	<b>(2,569)</b>
Operating Income	4,334	<b>4,547</b>	3,233	3,536	15,652	4,646	<b>4,969</b>
Media Business	1,005	<b>1,448</b>	239	541	3,233	797	<b>2,055</b>
Space Business	3,531	<b>3,430</b>	3,034	3,141	13,137	4,034	<b>3,082</b>
Consolidated Eliminations	(202)	<b>(331)</b>	(40)	(145)	(719)	(185)	<b>(168)</b>

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 ended in September contributed to increase of new subscribers.

	FY2017/2Q Cumulative	FY2018/2Q Cumulative	FY2018 Full-Year Forecast
Number of New Subscribers and Re-subscribers(unit : thousands)	238	<b>273</b>	532
Net Increase in Subscribers (unit : thousands)	(35)	<b>(30)</b>	(52)
Number of Cumulative Subscribers (unit : thousands)	3,285	<b>3,233</b>	3,210
Average Monthly Subscriber Payment (unit : JPY)	3,251	<b>3,201</b>	-
ARPU (unit : JPY)	2,059	<b>2,008</b>	-
SAC (unit : JPY)	37,753	<b>27,436</b>	-

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

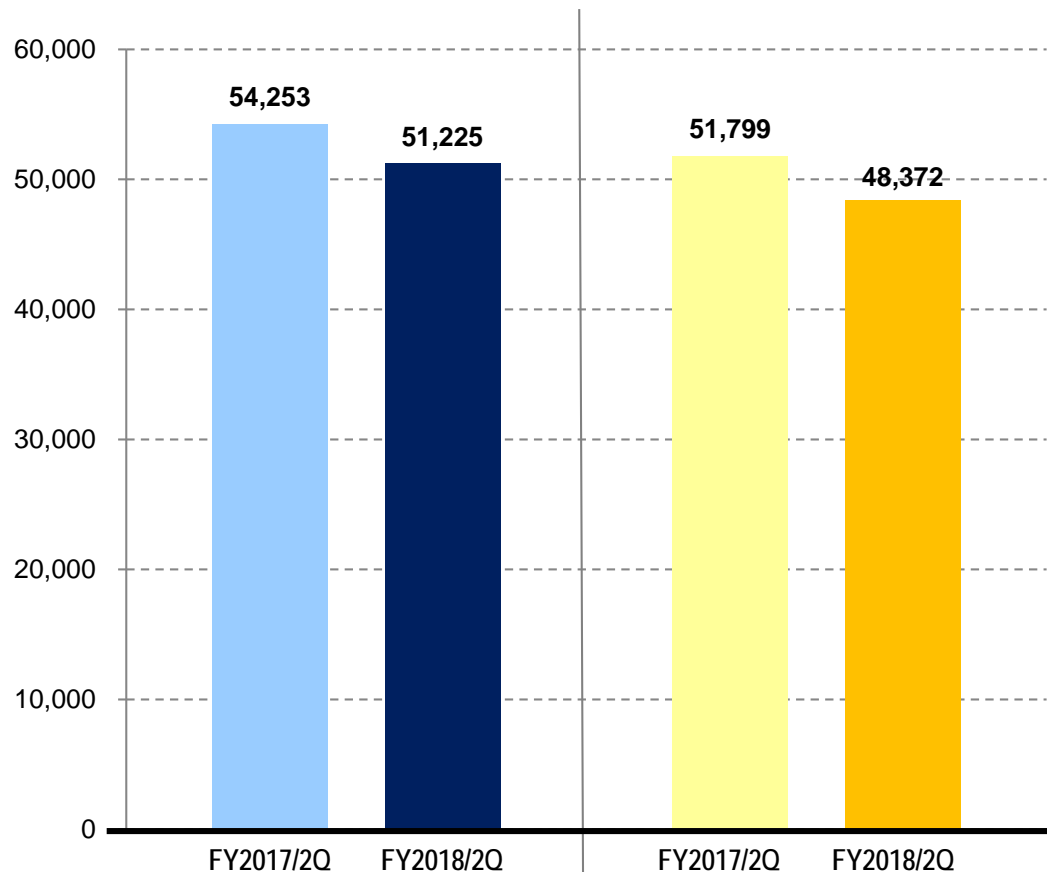
# Earnings Overview for Media Business (Year-on-Year Comparison)

## Media Business

### Revenues

### Operating Expenses

(Unit: in million Yen)



## Revenue (¥3.0B)\*

\* Inter-segment Transactions included.

<Main Factors for Increases or Decreases>

- Decrease in subscription fees:(¥2.3B)
- Decrease in basic charges, registration fees and others(¥0.7B)

## Operating Expenses (¥3.4B)\*

\* Inter-segment Transactions included.

<Main Factors for Increases or Decreases>

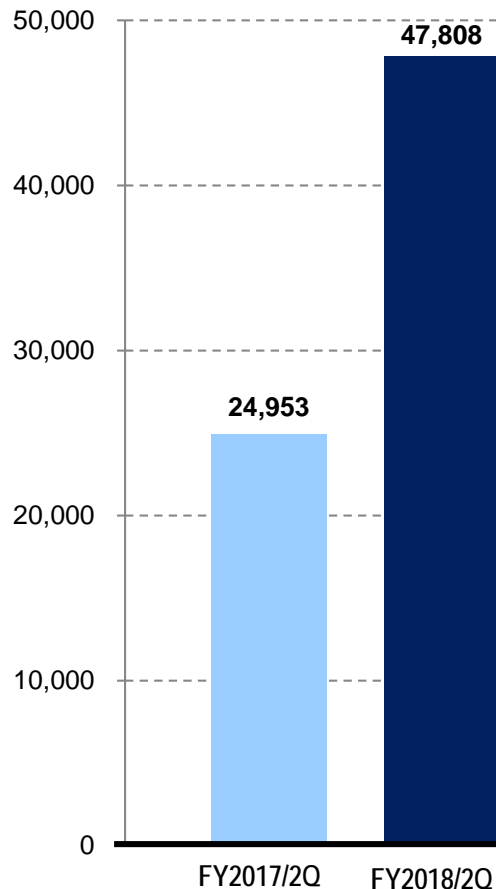
- Decrease in program provision expenses:(¥1.8B)
- Decrease in content costs:(¥1.1B)
- Decrease in other expenses : (¥0.5B)

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

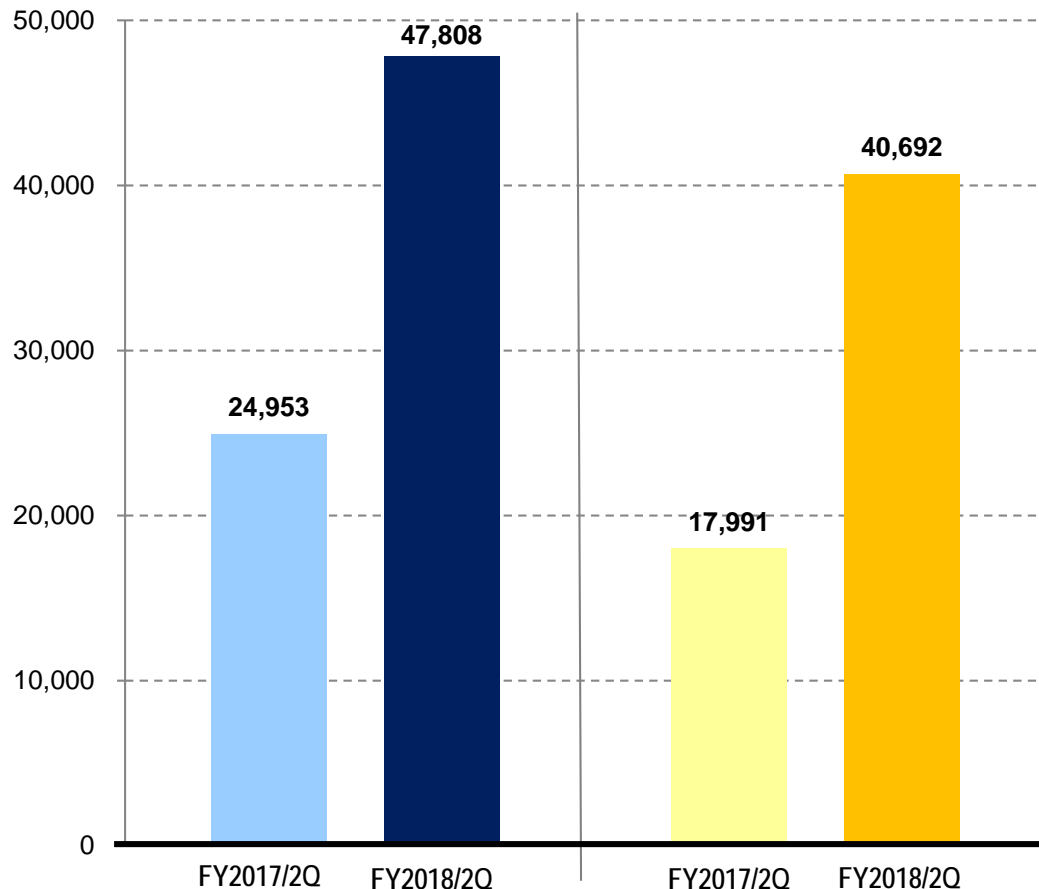
## Space Business

(Unit: ¥ millions)

### Revenues



### Operating Expenses



**Revenue: +¥22.9B\***

\* 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: (¥0.2B)

**Operating Expenses: +¥22.7B\***

\* Inter-segment Transactions included.

<Main Factors for Increases or Decreases>

- Increase in satellite business related cost: +¥23.3B
- Decrease in depreciation: (¥0.6B)



# Future Initiatives

## - Media Business -

# Increase the value of SKY PerfectTV! to customers 1

## October 1 (Monday) Three new channels added



© Entermei Tele

Entermei Tele in November  
*Tenku Mahjong 20*



Licensed by KBSJAPAN© changcompany, All rights reserved

In November Japan's First Variety Show  
*JAEJOONG Photo People in Tokyo*



(C)STUDIO DRAGON CORPORATION

New Drama Series on Mnet in November  
*Familiar Wife*

## SKY PerfectTV! Service Expands to 69 Channels

\*Except Promotion channels \*HD channels increased from 35 channels to 56 channels



# Increased value of SKY PerfecTV! to customers 2

■ 160 thousands of new contracts in the first month of the new core product "SKY PerfecTV! Basic Plan"



**TV makes the home fun.**

- October 10 (Wednesday) New core product "Basic Plan" released
- Unlimited access to 11 genres on 50 channels
- The current New Basic Pack plus Toei Channel, Entermei Tele, and KBS World for ¥3,600 (excluding tax) by ¥200 up
- No additional fees for up to 3 televisions

**Approximately 160 thousands of contracts acquired as of October 28**

# Pursue appealing content

**Hikaru Utada** Laughter in the Dark Tour 2018 On BS SKY PerfectTV! in January 2019



Hikaru Utada's first tour in 12 years exclusively on BS SKY PerfectTV! and Music On! TV  
Plus a ticket giveaway campaign

## European Soccer



Full broadcasting of games with Japanese players who are active in overseas leagues  
SKY PerfectTV! Soccer Set

## B-League



Broadcasting all regular season games  
All games broadcast live on-demand  
SKY PerfectTV! B-League Set

# Initiatives for advancement of broadcasting (new 4K/8K satellite broadcasting)

In December 2018,  
 nine new 4K channels will be added to SKY PerfecTV! service



(Set Price for JSPORTS 1~4)  
 ¥2,286



¥900



¥2,300

※Set price with BS200~202



ザ・シネマ4K

¥900

※All prices are per month  
 and excluding tax



Free charge for subscribers of 4K product



Promoter of 4K/8K: Kyoko Fukada

## Full lineup of 4K content

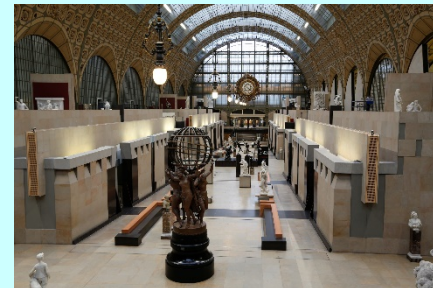


(C)Hashimoto Production/Toho Pictures, Inc.  
 /Shinano Art & Culture Consultant Co., Ltd.

Japanese movies + Jidaigeki 4K  
 Mount Hakkoda  
 4K digital re-master edition



Skachan1 4K  
 Joe Hisaishi & World Dream Orchestra  
 2017



Skachan1 4K  
 Traveling the World's Art Museums  
 with the Five Senses

# Future Initiatives

## - Space Business -

# Strengthening of Efforts in the Russian Region Memorandum Signed with Rostelecom

- On September 10, 2018, we signed a Memorandum of Understanding (MOU) Regarding Collaboration to Eliminate the Digital Divide in the Russian Far East Using Satellite Communications with Rostelecom, Russia's leading telecommunications provider, at a document exchange ceremony conducted in conjunction with the Eastern Economic Forum 2018 held in Vladivostok.
- We are already providing satellite lines to mobile service providers, etc., in the Russia Region. In the future, we will work to expand the provision of service further in collaboration with Rostelecom.



↑ The red area is scheduled to be covered by a new satellite. We will work to eliminate the digital divide.

Figure: "Far Eastern Federal District" from Wikipedia

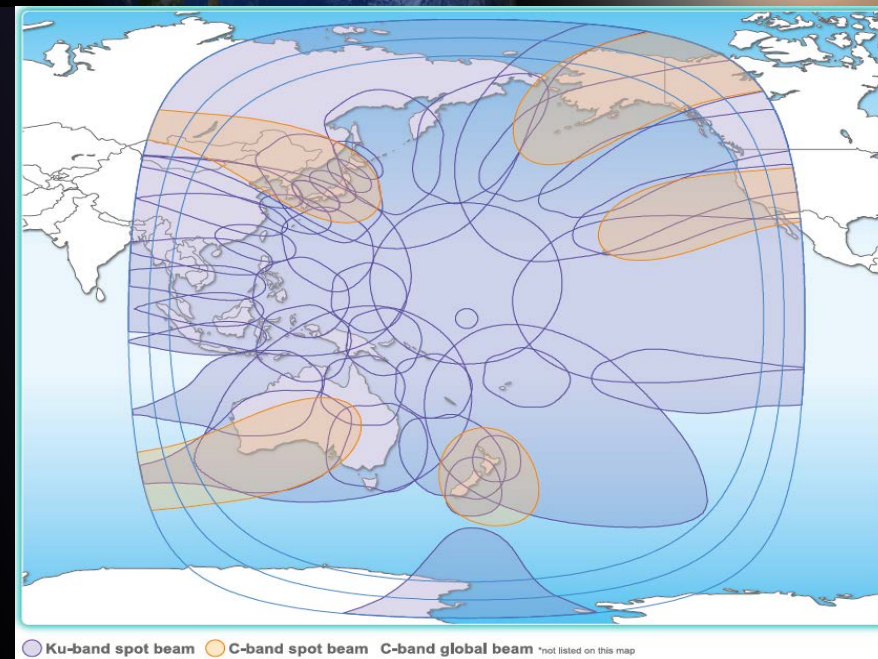
← Representative Director and Senior Executive Vice President Eiichi Yonekura (left) and Rostelecom President Mikhail Oseevskiy (right) shake hands as Prime Minister Abe and Russian President Putin look on.

© Cabinet Public Relations Office, Cabinet Secretariat

# Horizons 3e Successfully Launched

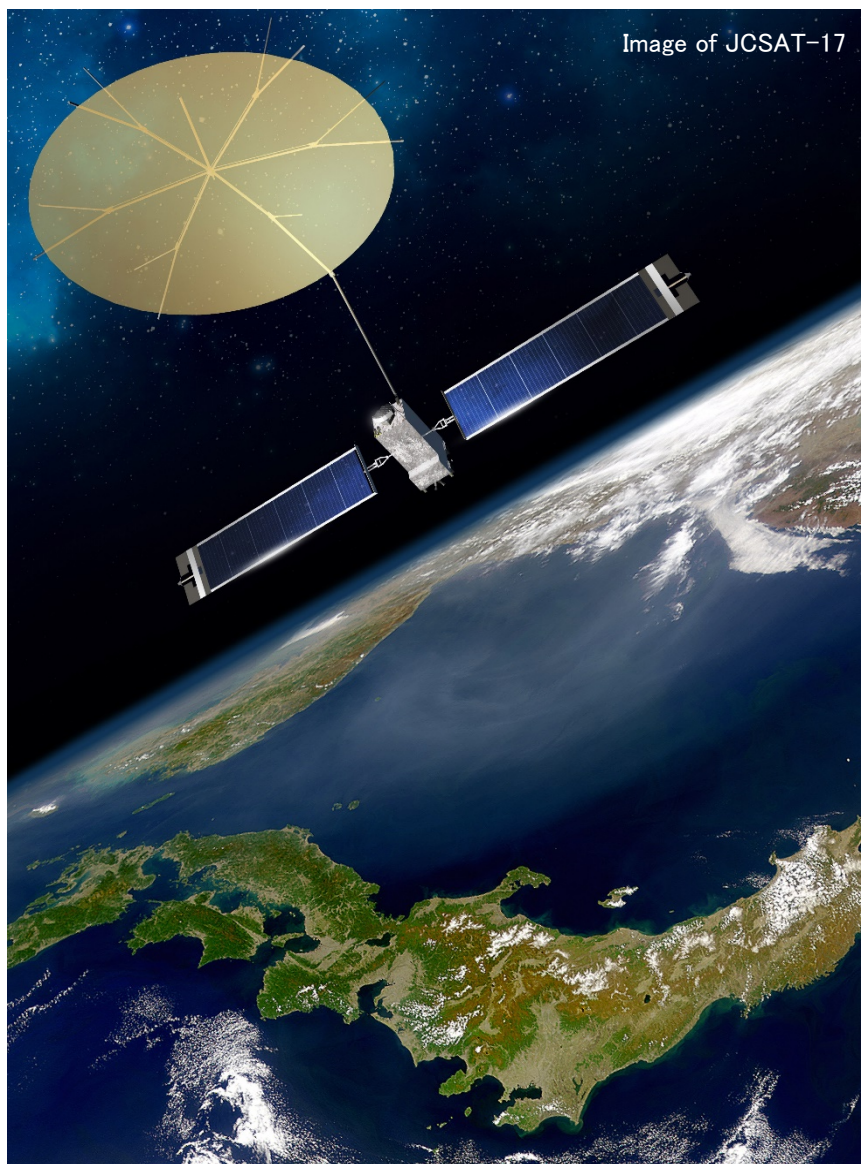
- On Wednesday, September 26 (Japan time), Horizons 3e, our first HTS, was successfully launched from the Guiana Space Centre.
- Future Schedule
  - Service is scheduled to be launched in mid-January 2019, after testing has been conducted.
- Satellite Information
  - Start of use: Scheduled for January 2019
  - Orbital position: 169 degrees east longitude
  - Satellite bus: Boeing 702MP type
  - Repeater: Ku-band HTS steerable beam  
C-band Global Alaska beam
- Anticipated Use
  - Mobile phone backhaul and other large-volume communication
  - Vessels, aircraft, and other mobile communication

\* Abbreviation of "High Throughput Satellite". It refers to a satellite with a communication capacity that is increased far above that of conventional satellites by repeatedly using the same frequency by using beams separate by multiple spot beams.





# List of Schedule for Launch

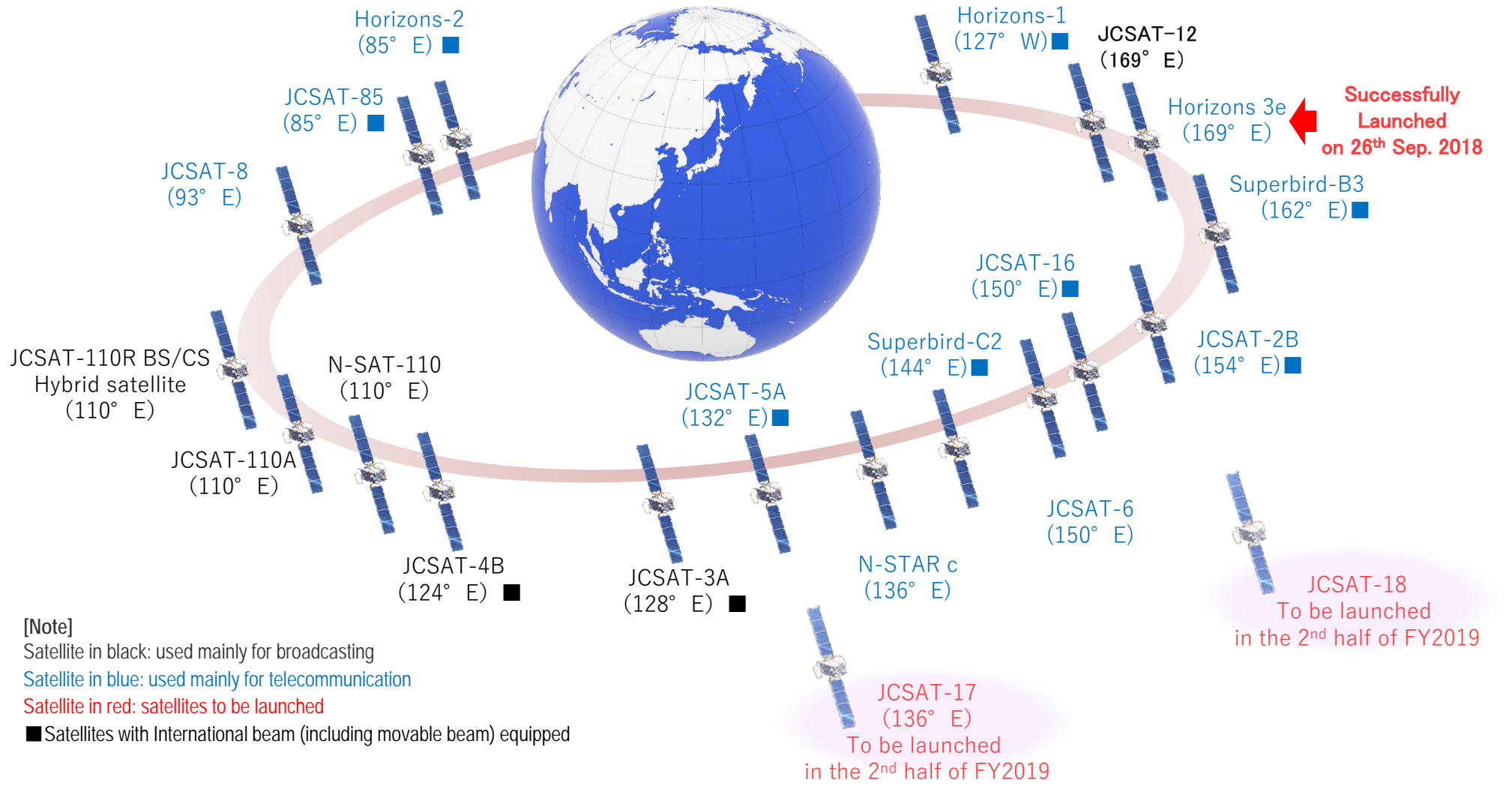


	JCSAT-17	JCSAT-18 (High Throughput Satellite)
Satellite bus	A2100	702MP
Manufacturer	Lockheed Martin	Boeing
Launch vehicle	Ariane5	Falcon9
Planned launch time	2 <sup>nd</sup> half of FY2019	2 <sup>nd</sup> half of FY2019
Orbit position	136 degrees east longitude	TBD
Satellite lifetime	Over 15 years	Over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

credit: Lockheed Martin

# Satellite Fleet Update

Total of **18** satellites covering from North America to the Indian Ocean



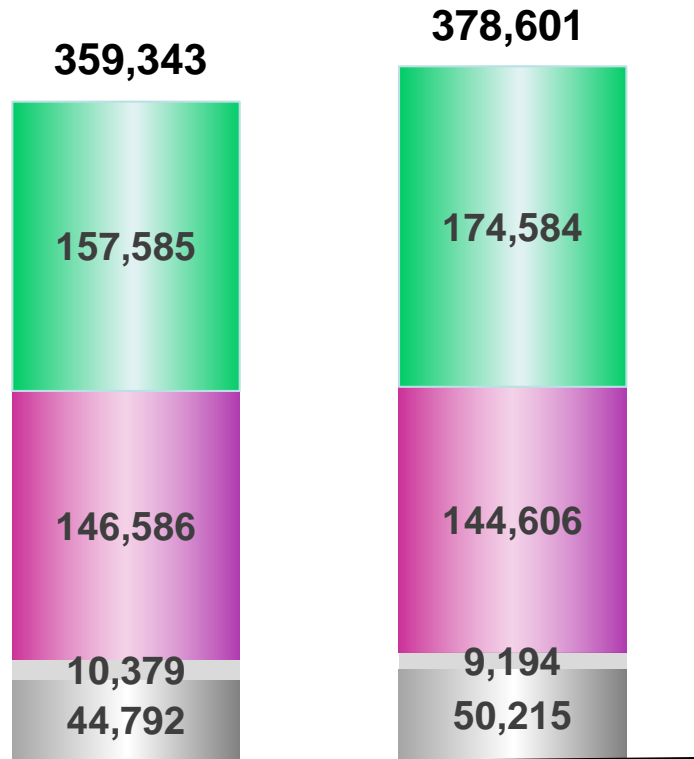
[Note]  
 Satellite in black: used mainly for broadcasting  
 Satellite in blue: used mainly for telecommunication  
 Satellite in red: satellites to be launched  
 ■ Satellites with International beam (including movable beam) equipped

(References)

# Consolidated Balance Sheets

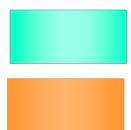
## Assets

(Unit: ¥ million)



March 2018

September 2018



Current Assets

Net Property and Equipment

Intangible Fixed Assets

Investment and Others

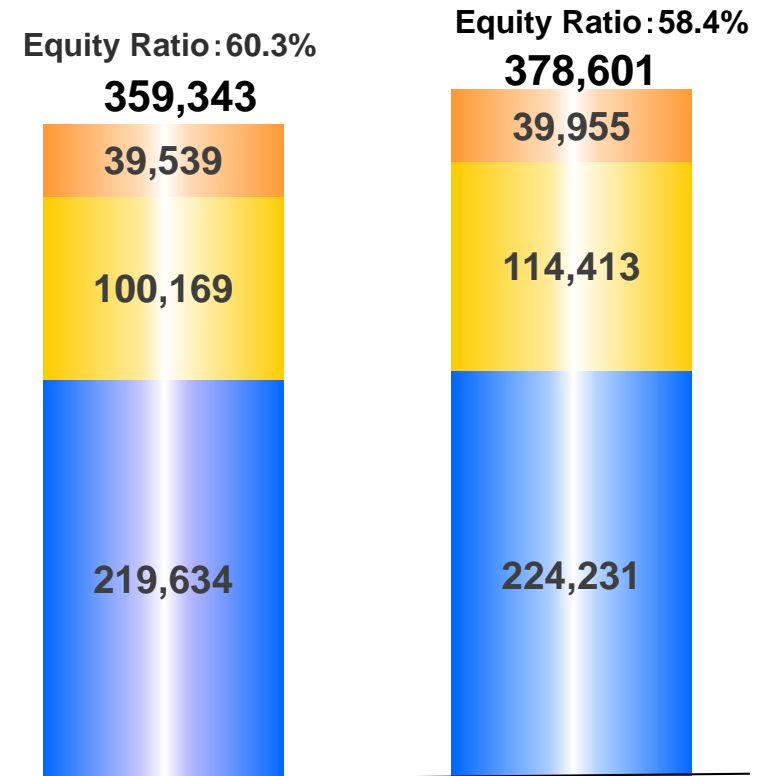
Current Liabilities

Long-Term Liabilities

Total Equity

## Liabilities and Equity

(Unit: ¥ million)



March 2018

September 2018



\*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)

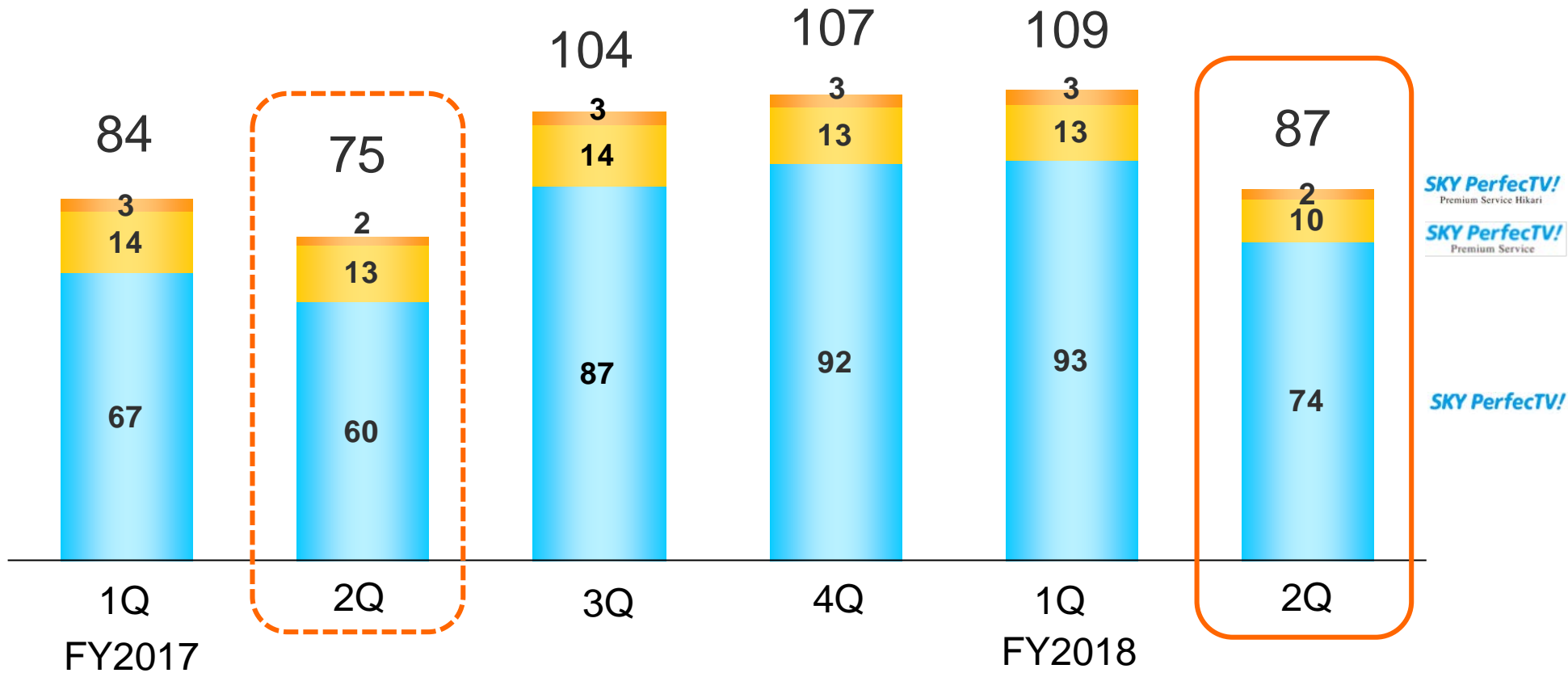
	FY2017/2Q Cumulative	<b>FY2018/2Q Cumulative</b>
Net Cash from Operating Activities	8,010	<b>12,234</b>
Net Cash from Investing Activities	(11,766)	<b>(14,878)</b>
Free Cash Flows* <sup>1</sup>	(3,756)	<b>(2,643)</b>
Net Cash from Financing Activities	5,091	<b>12,971</b>
Cash and Cash Equivalents at Term-End (a)	47,438	<b>56,619</b>
Term-end Balance of Interest-bearing Debt* <sup>2</sup> (b)	90,901	<b>109,427</b>
Term-end Balance of Net Interest-bearing Debt (b)-(a)	43,462	<b>52,807</b>

\*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)

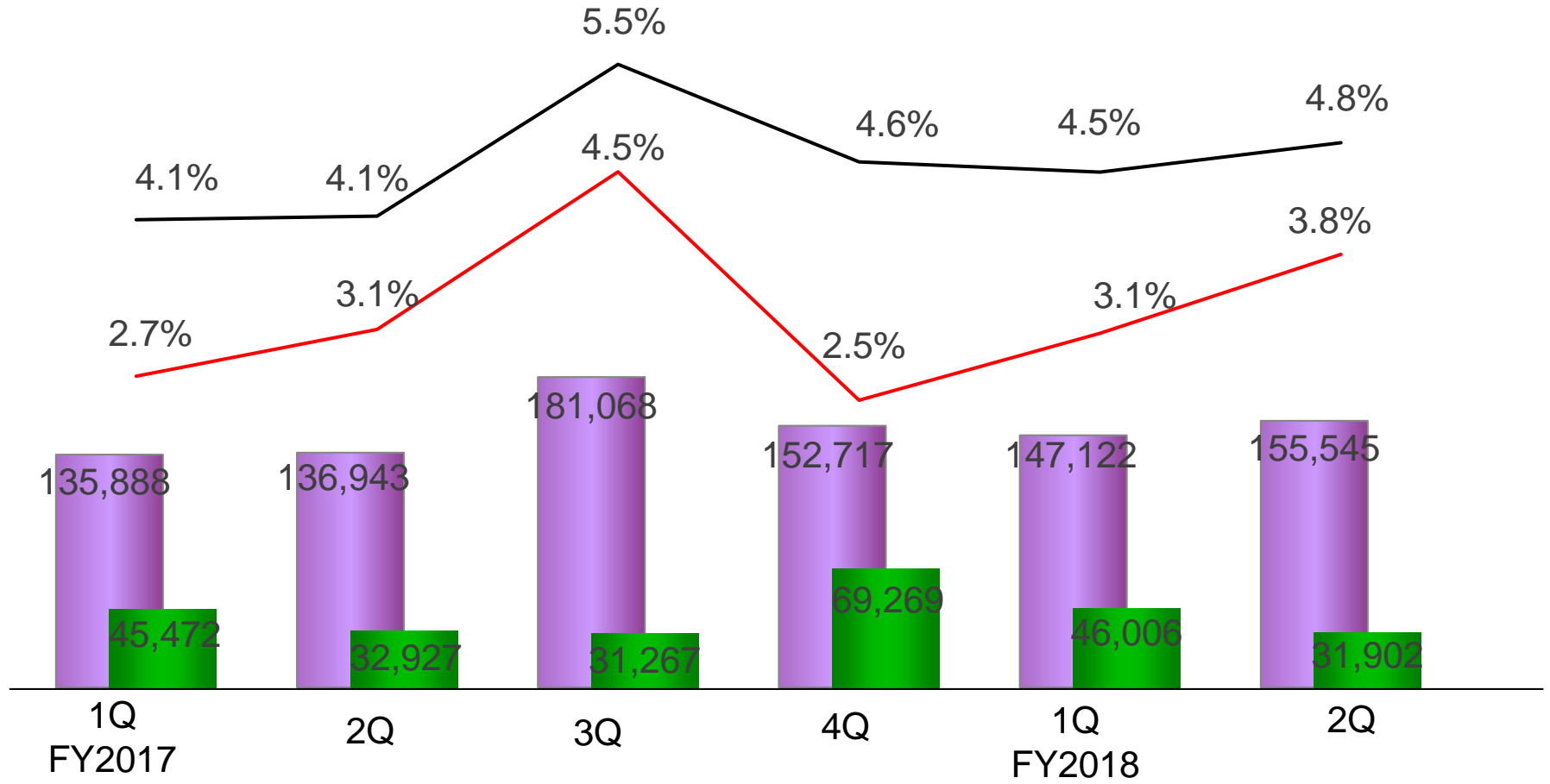


# Churn Rate

— 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.

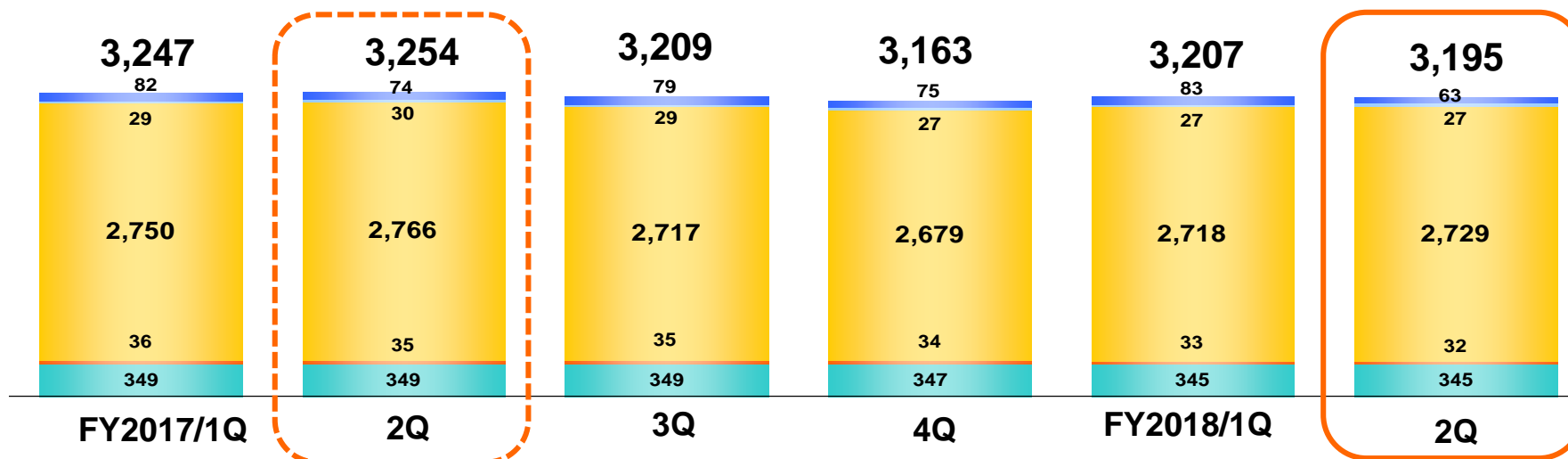
■ Number of churn  
■ Number of re-registered subscribers



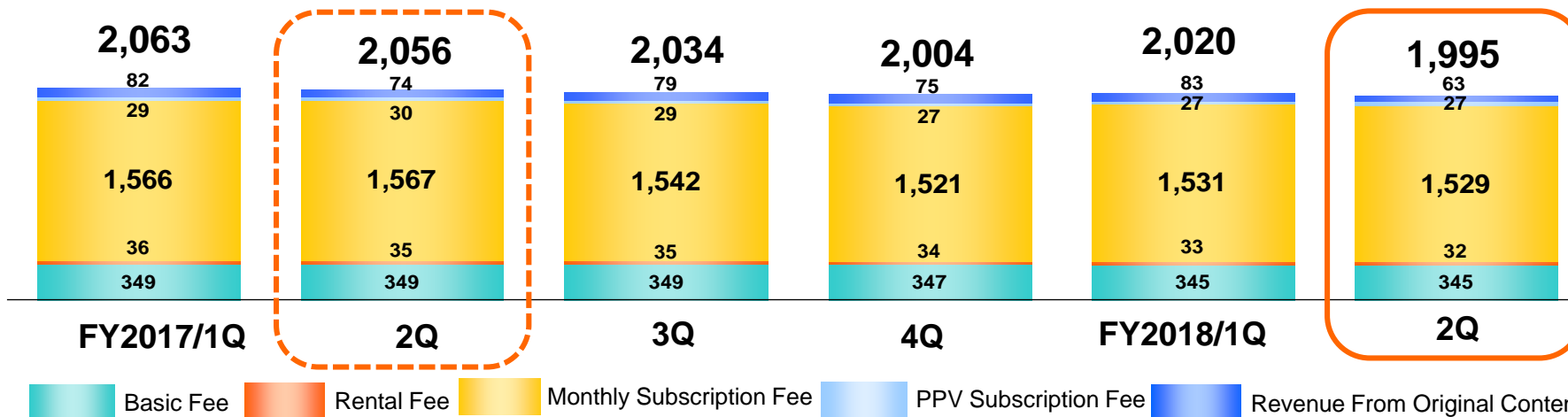
\*The churn rate is calculated by dividing the total number of churns for each quarter with the cumulative number of subscriptions at the end of the preceding fiscal year.

# ARPU

## Subscriber Payments (¥)<sup>1</sup>



## ARPU (¥) (\*2)



Basic Fee Rental Fee Monthly Subscription Fee PPV Subscription Fee Revenue From Original Content

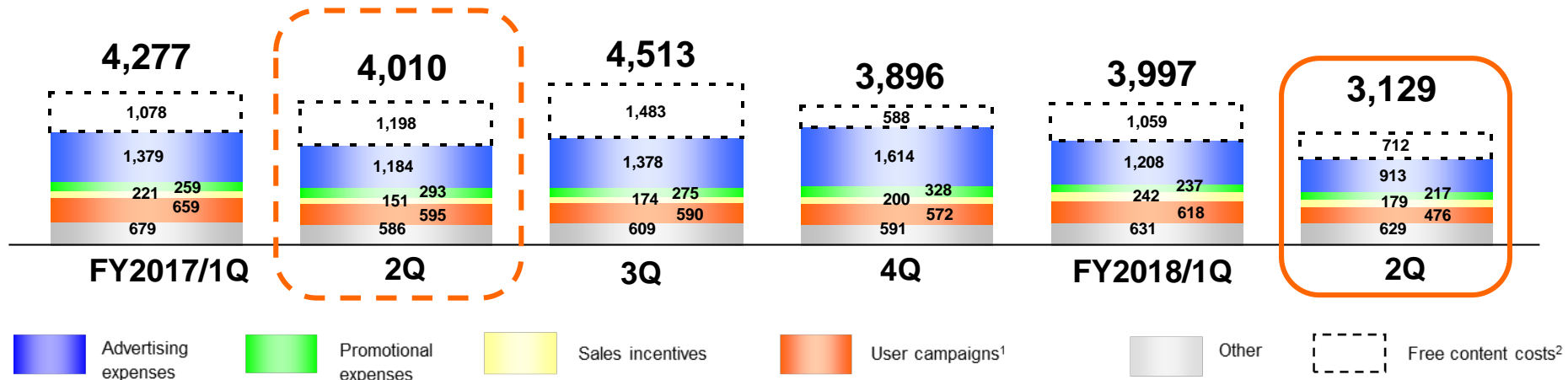
1. Average amount paid by subscribers in the form of monthly viewing fees, etc.

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

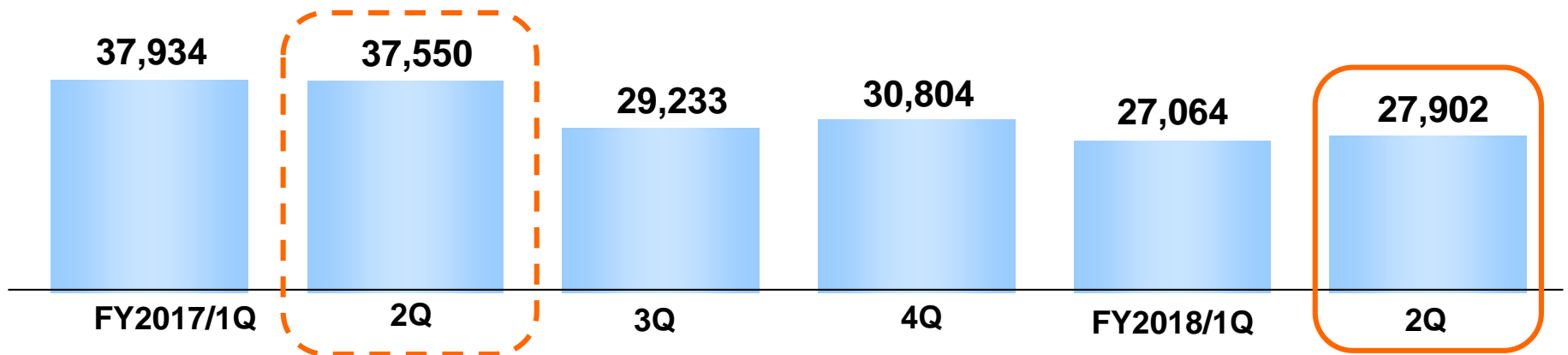


# Subscribers Acquisition Cost (SAC)

## ■ Total SAC (million ¥)



## ■ Unit SAC (¥)<sup>3</sup>



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.

# Results for Subsidiaries

		SJC	SPCC	SPET	SPBC	SNET	JII	JMC	WWJ	ENR
Nature of Business		Provision of satellite communications and Media Business	Customer center operation for multichannel pay TV broadcast and other services	Licensed broadcaster providing multichannel pay TV services via CS-110/124/128 degrees platform	Production of content, a provider of programs	A major Type II telecommunications carrier and a systems integrator for satellite communications and broadcasting services	U.S subsidiary working with joint venture partner, Intelsat, to market capacity on satellites in North America	Provider of mobile satellite communications (Inmarsat) services	Operation of overseas channels related business activities	Design, manufacturing and sales of industrial drones
Ownership Ratio (%)		100	100	100	100	92	100	53.3	60	100
Revenue	FY2017/2Q	57,662	3,011	29,895	1,933	1,366	961	1,226	92	199
	<b>FY2018/2Q</b>	<b>78,667</b>	<b>3,267</b>	<b>27,035</b>	<b>2,016</b>	<b>1,713</b>	<b>918</b>	<b>1,265</b>	<b>86</b>	<b>199</b>
Operating Income	FY2017/2Q	9,457	189	1,070	200	(11)	189	149	(1,147)	(240)
	<b>FY2018/2Q</b>	<b>8,705</b>	<b>216</b>	<b>994</b>	<b>251</b>	<b>171</b>	<b>130</b>	<b>187</b>	<b>(504)</b>	<b>(321)</b>
Ordinary Income	FY2017/2Q	10,076	190	1,072	200	(8)	240	148	(1,144)	(224)
	<b>FY2018/2Q</b>	<b>9,193</b>	<b>218</b>	<b>997</b>	<b>252</b>	<b>170</b>	<b>166</b>	<b>213</b>	<b>(506)</b>	<b>(316)</b>

SJC: SKY Perfect JSAT Corporation  
 SPCC: SKY Perfect Customer-relations Corporation  
 SPET: SKY Perfect Entertainment Corporation  
 SPBC: SKY Perfect Broadcasting Corporation

SNET: Satellite Network, Inc.  
 JII: JSAT International Inc.  
 JMC: JSAT MOBILE Communications Inc.  
 WWJ: WAKUWAKU JAPAN CORPORATION

ENR: enRoute Co., Ltd.

# **SKY Perfect JSAT Holdings Inc.**

Corporate Communications & Investor Relations Division