

SKY Perfect JSAT Group  
Earning Results Briefing for 3Q/2018

February 7, 2019 (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 3Q/2018

# Summary of Income Statements

- Operating revenue increased 19.1 billion yen (17.4%) due to sales of satellite to Ministry of Defense
- Operating income increased 0.5 billion yen(4.4%) in both Media business and Space Business
- Quarterly profit attributable to owners of parent increased by 0.3 billion yen (3.2%) (Unit: ¥ millions)

	FY2017/3Q Cumulative	<b>FY2018/3Q Cumulative</b>	Year-On- Year Comparison	Progress on FY2018 Forecast	FY2018 Full-Year Forecast
Revenue	109,483	<b>128,555</b>	17.4%	76.3%	168,500
Operating Income	12,115	<b>12,648</b>	4.4%	76.7%	16,500
Ordinary Income	12,849	<b>13,659</b>	6.3%	80.3%	17,000
Profit Attributable to Owners of Parent	8,621	<b>8,900</b>	3.2%	77.3%	11,500
EBITDA <sup>*1</sup>	32,445	<b>32,239</b>	(0.6%)	76.8%	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 3Q)

- The Media Business had decreased revenue due to decreased subscription fee revenue, and decreased operating income due to increasing cost for promotion of new core product.
- The Space Business had decreased revenue, but increased operating income due to decreased depreciation expense of JCSAT-5A.

(Unit: ¥ millions)

	FY2017					FY2018		
	1Q	2Q	3Q	4Q	Full-Year	1Q	2Q	3Q
Revenue	37,195	36,525	<b>35,762</b>	36,018	145,501	58,772	35,066	<b>34,716</b>
Media Business	27,424	26,828	<b>25,925</b>	25,620	105,798	25,857	25,368	<b>25,160</b>
Space Business	12,524	12,428	<b>12,459</b>	12,987	50,400	35,541	12,266	<b>12,221</b>
Consolidated Eliminations	(2,754)	(2,731)	<b>(2,622)</b>	(2,589)	(10,697)	(2,626)	(2,569)	<b>(2,665)</b>
Operating Income	4,334	4,547	<b>3,233</b>	3,536	15,652	4,646	4,969	<b>3,033</b>
Media Business	1,005	1,448	<b>239</b>	541	3,233	797	2,055	<b>19</b>
Space Business	3,531	3,430	<b>3,034</b>	3,141	13,137	4,034	3,082	<b>3,170</b>
Consolidated Eliminations	(202)	(331)	<b>(40)</b>	(145)	(719)	(185)	(168)	<b>(156)</b>

# Key Performance Indicators for Media Business (\*)

- Number of new subscribers and re-subscribers increased due to good sales of core product
- ARPU decreased due to decreasing number of cumulative subscribers for SKY PerfectTV! Premium service, etc.
- Unit SAC decreased due to increasing new subscribers.

	FY2017/3Q Cumulative	FY2018/3Q Cumulative	FY2018 Full-Year Forecast
Number of New Subscribers and Re-subscribers(unit : thousands)	373	<b>444</b>	532
Net Increase in Subscribers (unit : thousands)	(81)	<b>(60)</b>	(52)
Number of Cumulative Subscribers (unit : thousands)	3,238	<b>3,203</b>	3,210
Average Monthly Subscriber Payment (unit : JPY)	3,237	<b>3,173</b>	-
ARPU (unit : JPY)	2,051	<b>1,989</b>	-
SAC (unit : JPY)	34,395	<b>25,717</b>	-

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

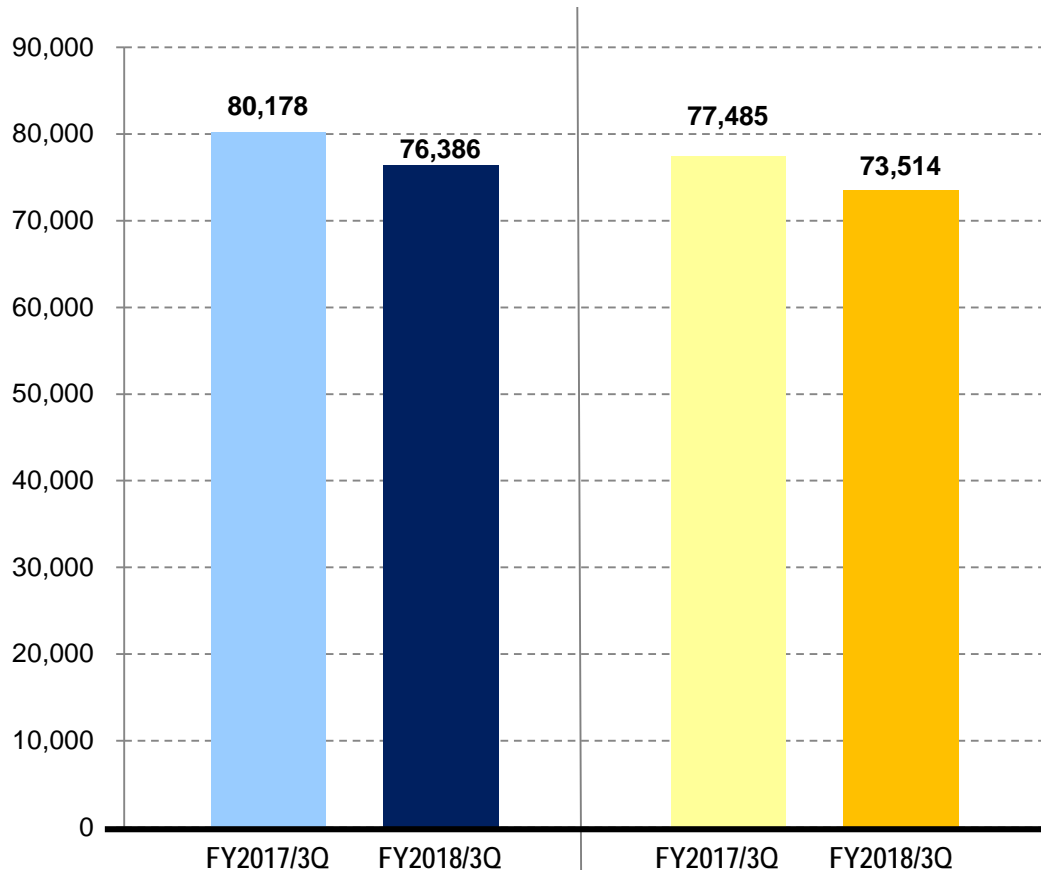
# Earnings Overview for Media Business (Year-on-Year Comparison)

## Media Business

### Revenues

### Operating Expenses

(Unit: in million Yen)



**Revenue (¥3.8B)\***

\* Inter-segment Transactions included.

<Main Factors for Increases or Decreases>

- Decrease in subscription fees:(¥3.3B)
- Decrease in other revenues (basic charges, registration fees and others):(¥0.5B)

**Operating Expenses (¥4.0B)\***

\* Inter-segment Transactions included.

<Main Factors for Increases or Decreases>

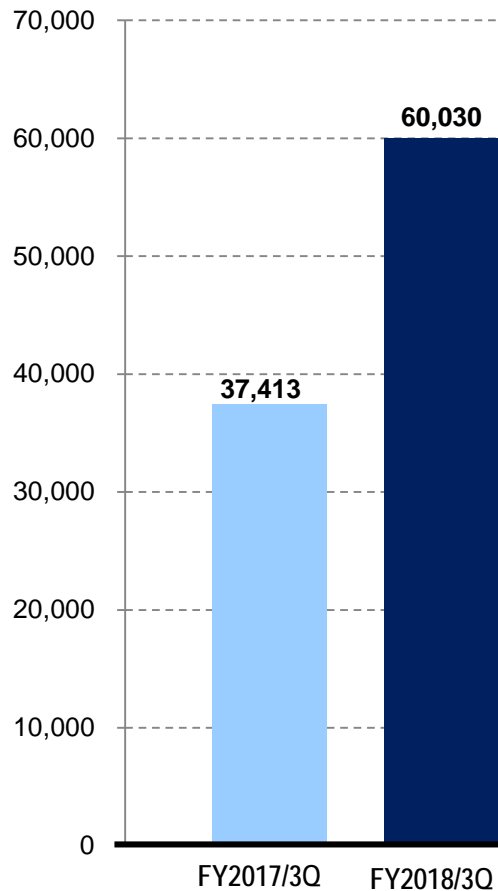
- Decrease in program provision expenses:(¥2.3B)
- Decrease in content costs:(¥1.9B)
- Decrease in other expenses : (¥0.2B)

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

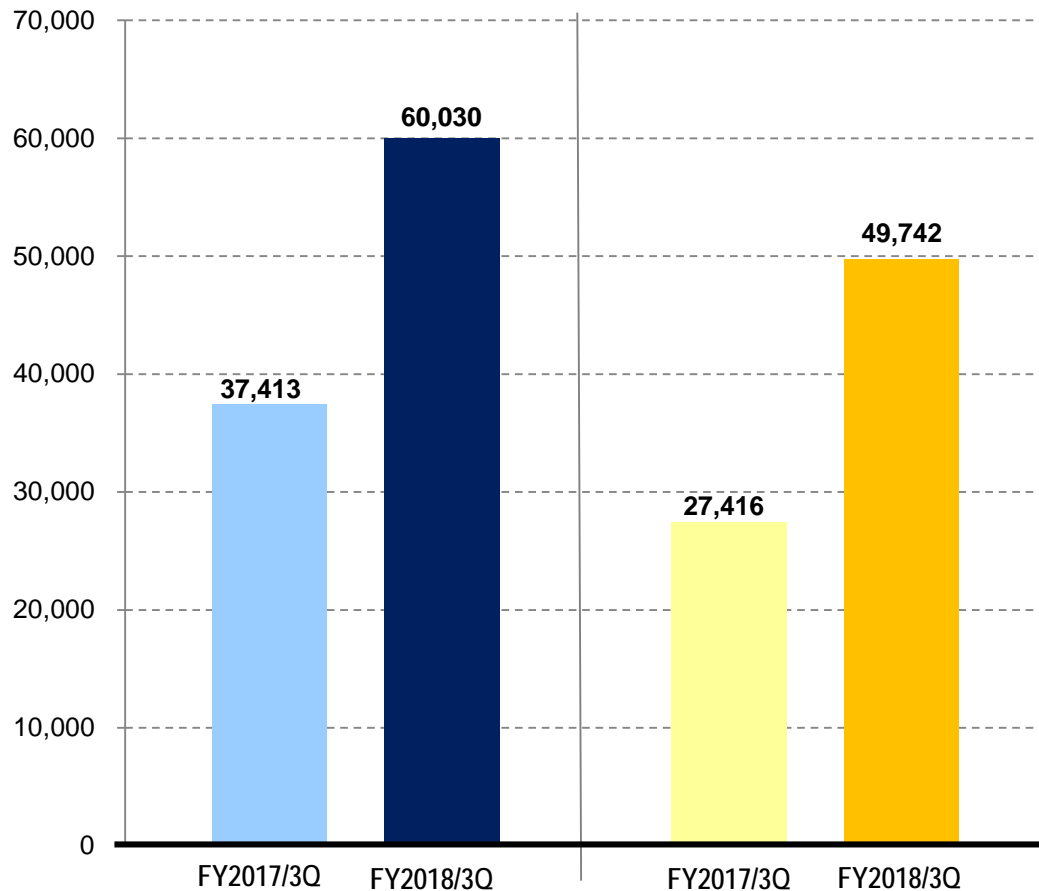
## Space Business

(Unit: ¥ millions)

### Revenues



### Operating Expenses



**Revenue: +¥22.6B\***

\* 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)
- Decrease in other revenues: (¥0.2B)

**Operating Expenses: +¥22.3B\***

\* Inter-segment Transactions included.

<Main Factors for Increases or Decreases>

- Increase in satellite business related cost: +¥23.4B
- Decrease in depreciation: (¥1.1B)



# Future Initiatives

## - Media Business -

# Pursue appealing content (1)

## ■ 2019 Professional Baseball Season Opening



SKY PerfectTV ! Professional Baseball Set



FOX Sports & Entertainment

2019 HAWKS BASEBALL PARK Professional baseball Official games

- Comprehensive broadcasting of professional baseball official games.
- **Starting this season, the official games for all 12 teams will be distributed on SKY PerfectTV! On demand Service(Being coordinated)**
- Enjoy the broadcasts from the February camps and preseason games.

**We are expanding services to satisfy our professional baseball fans.**

# Pursue appealing content (2)

## 2019 F1 Grand Prix

March 15 (Fri) Season Opening Fuji TV NEXT/Sukachan2 4K



©Hiroshi Kaneko

All 21 races from the free practice sessions to the championship will be broadcast live

**"Sukachan2 4K" will also have 4K live broadcasts**

Product  
Menu

**(1) 2019 F1 Grand Prix [4K]:**

**¥1,400/month (excluding tax)**

**(2) Championship only PPV (From April):**

**¥1,000 (excluding tax)**

## Asia Champions League 2019



4 clubs will complete  
Kawasaki Frontale  
Urawa Red Diamonds  
Kashima Antlers  
Sanfrecce Hiroshima

February 19 (Tue) - Nippon TV G+/Nippon TV NEWS24

## Original period drama "Yami no Haguruma"



©2019 "Yami no Haguruma" Production Committee

February 9 (Sat)


Jidaigeki Senmon Channel

# Increase the value of SKY PerfectTV! to subscribers

■ "SKY PerfectTV / Basic Plan" gained 260 thousands subscribers

in 4 months from the start of sales (including migration from old and new Basic pack)

スカパー!



基本

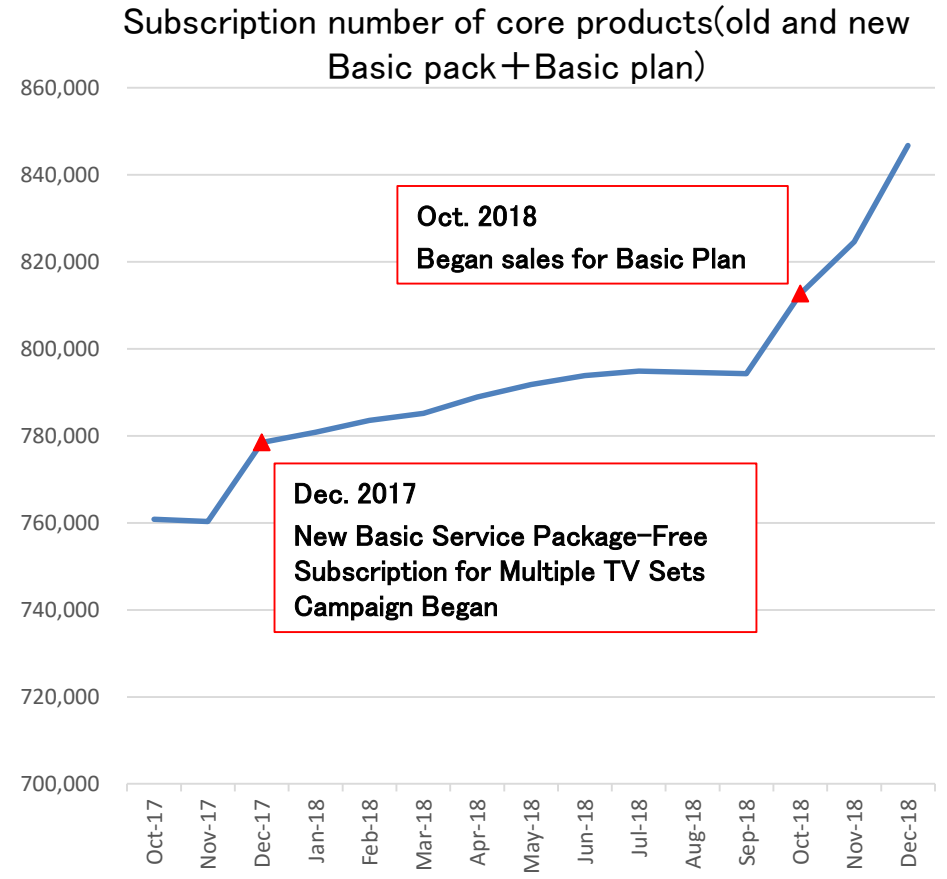
プラン

SKY PerfectTV / Basic plan

- Unlimited access to 11 genres on 50 channels
- ¥3,600 (not including tax)
- No additional fees for up to 3 televisions



**TV makes the home fun.**



Going forward we will continue to strive to increase the number of Basic Plan subscribers to increase the subscription revenue.

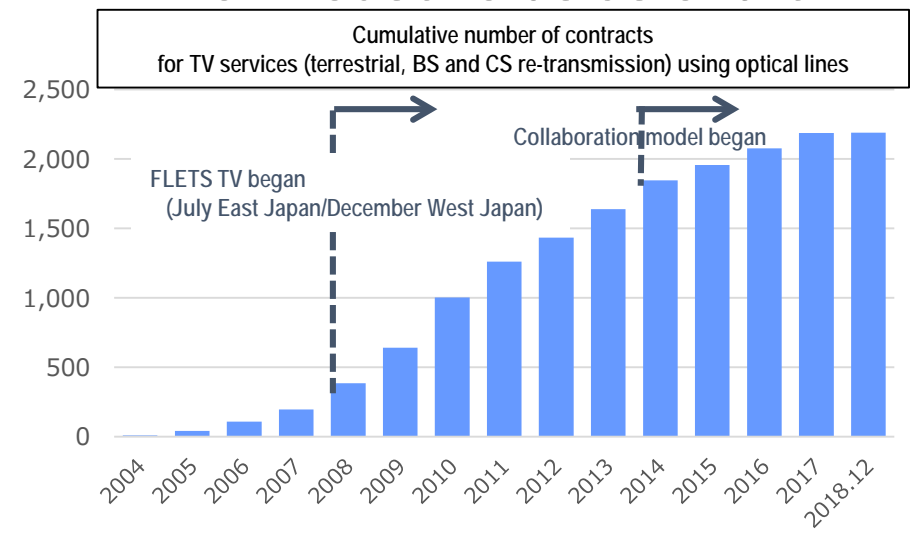
# Expansion of TV service (Terrestrial, BS and CS re-transmission) using optical lines

## Offering TV service using optical lines to 2.2 million households as of the end of December 2018



26 prefectures (including partial provision households)

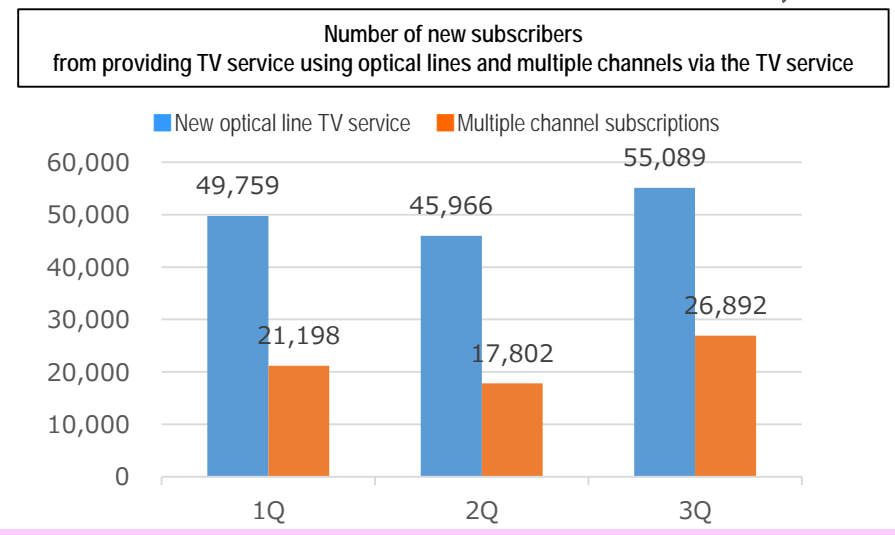
Approximately 30 million households covered



## New subscribers for also increasing during the current fiscal year

- 70% of the TV service is distributed from collaboration with mobile phone carrier (DoCoMo and Softbank)
- Multiple channel\* new subscribers are also increasing

\*SKY PerfecTV! via optical fiber network and SKY PerfecTV! Premium service Hikari

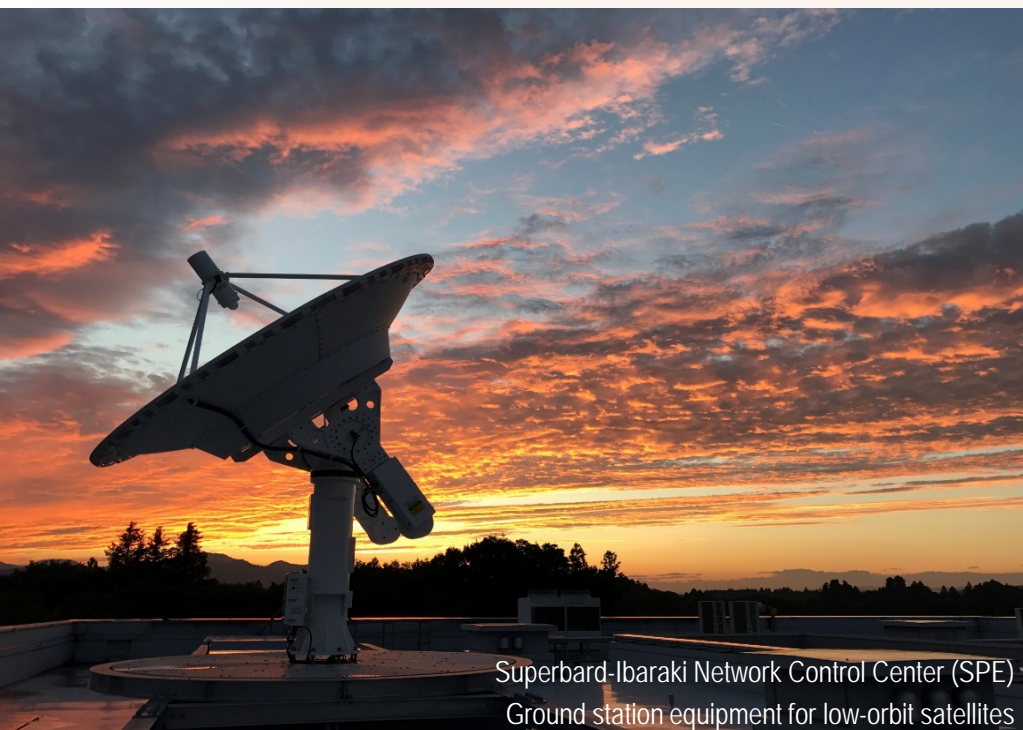


Service will be strengthened with the new 4K8K satellite broadcast (all channels including left-handed) from summer 2019. We are aiming for even further expansion.

Future Initiatives  
- Space Business -

# Terrestrial services for low-earth-orbit satellites

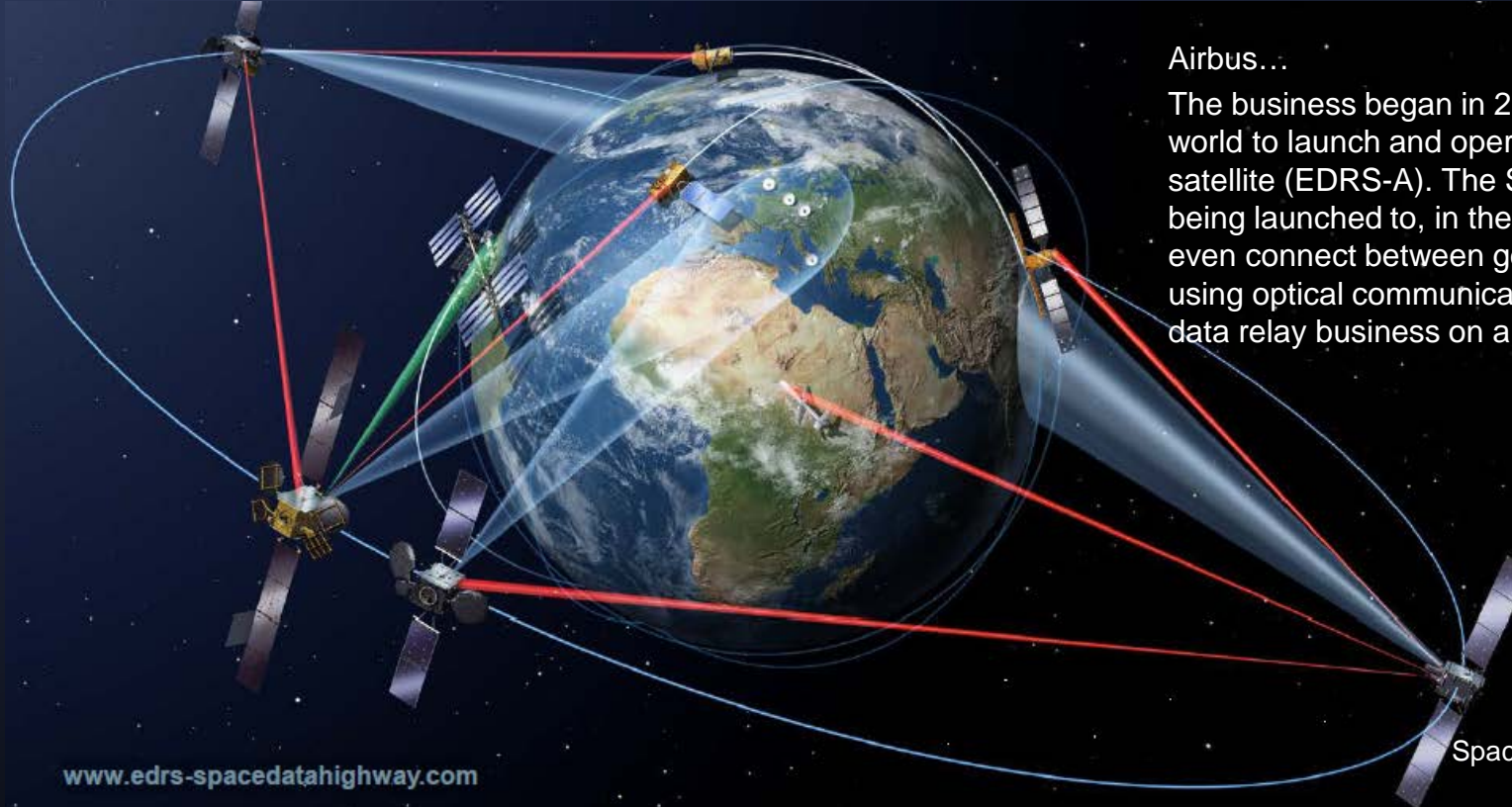
- Orders received for terrestrial service from Axelspace Corporation for low-earth-orbit satellites through collaboration with Kongsberg Satellite Services (KSAT).
  - An order was received from Axelspace Corporation for ground station service to transmit data (command to satellites, satellite imaging data and etc.) between the company's low-earth-orbit satellites and the ground.
  - Our ground station equipment (Ibaraki Prefecture) and KSAT's ground station in Svalbard will be used.



# Participation in optical data relay business

## ■ Memorandum concluded with Airbus Defense and Space GmbH to develop optical data relay business

- Optical data relay satellites in geostationary orbit will be used for optical communications to relay data captured by low-earth-orbit. Earth observation data, which has been rapidly increasing in recent years, and other data will be transmitted at high speed and quasi-real-time.
- Specific considerations have been started to develop the optical data relay business in the Asia-Pacific region by expanding Airbus's Space Data Highway.



Airbus...

The business began in 2016 by being the first in the world to launch and operate an optical data relay satellite (EDRS-A). The Space Data Highway Concept is being launched to, in the future, use multiple satellites to even connect between geostationary orbit satellites using optical communications to expand into the optical data relay business on a global scale.

[www.edrs-spacedatahighway.com](http://www.edrs-spacedatahighway.com)

Provided by Airbus  
Space Data Highway Concept illustration



# STRAPS (Stratospheric Platform Station) Business

- A memorandum for joint operation of Lockheed Martin developed STRAPS was signed with Elefante Group. A marketability study program has been started aiming to the service launch in fiscal 2023 in Japan.

## STRAPS: "Stratospheric Platform Station"

A Stratospheric based stationary platform providing stable, high-capacity, ultra-low latency communications and sensing capabilities.

Elefante is planning this service in the Americas, Asia and MEA with Airships developed by Lockheed Martin.

**Features** : Ultra-low latency/High-capacity/Persistent on-demand-upgradeable communications and sensor solutions combined with easy maintenance, location flexibility and industry disruptive economics.

**Applications:** Backhaul for mobile providers, Broadband communications, Sensing, Observation and Monitoring data collection, etc.

### US case planned in 2022



Deployment of up to 100 Airships covering major urban areas is planned to start in 2022/23.  
LTE, 5G backhaul, Fixed wireless and Enterprise WAN broadband and sensors.



### STRAPS Airship craft

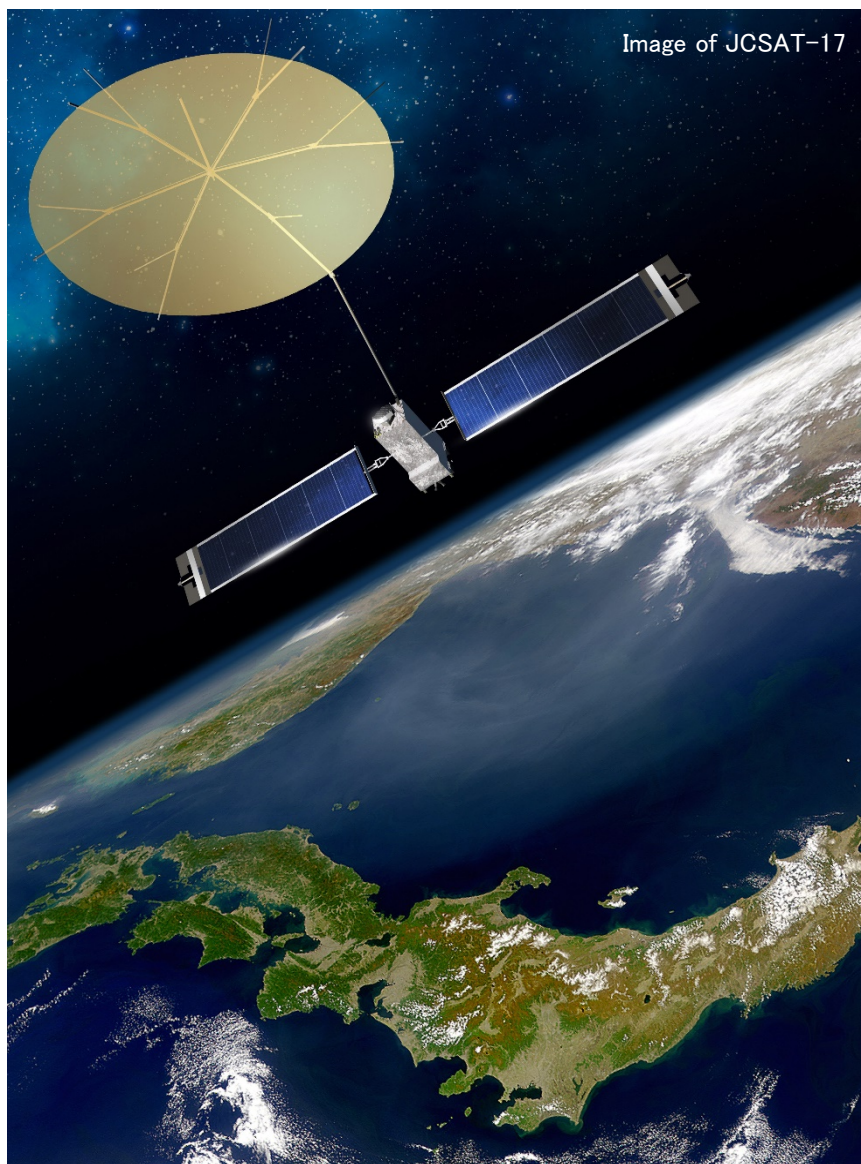


Size : Length 210m, Height 45m  
Weight : 20,000 kg, Operating Altitude: 20 km  
Communications capacity : 1 Tbps /Airship  
Coverage : Radius of 70 km for communications applications.

### Coverage Area (Japan Case)



# List of Schedule for Launch

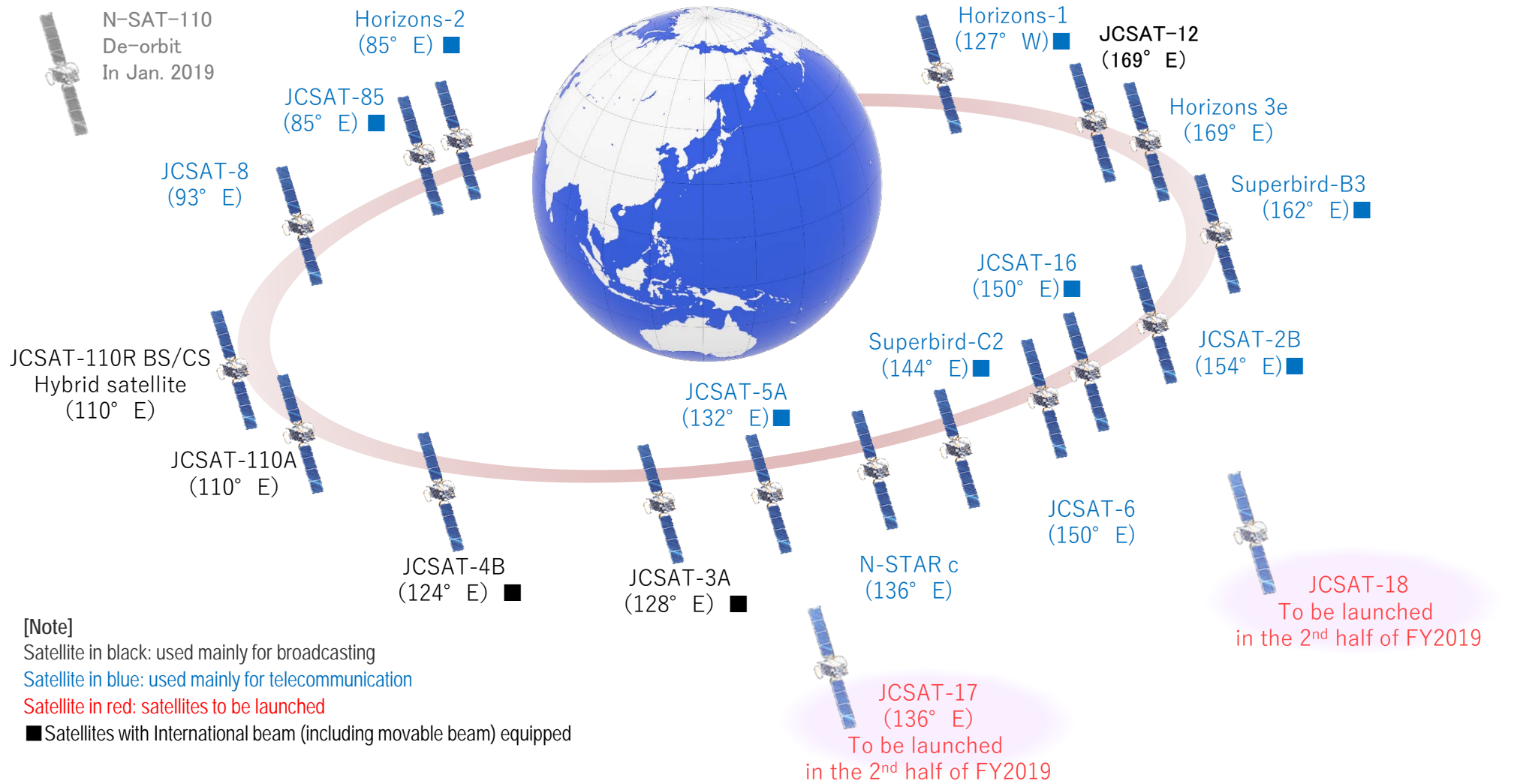


	JCSAT-17	JCSAT-18 (High Throughput Satellite)
Satellite bus	A2100	702MP
Manufacturer	Lockheed Martin	Boeing
Launch vehicle	Ariane5	Falcon9
Planned launch time	2 <sup>nd</sup> half of FY2019	2 <sup>nd</sup> half of FY2019
Orbit position	136 degrees east longitude	TBD
Satellite lifetime	Over 15 years	Over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

credit: Lockheed Martin

# Satellite Fleet Update

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



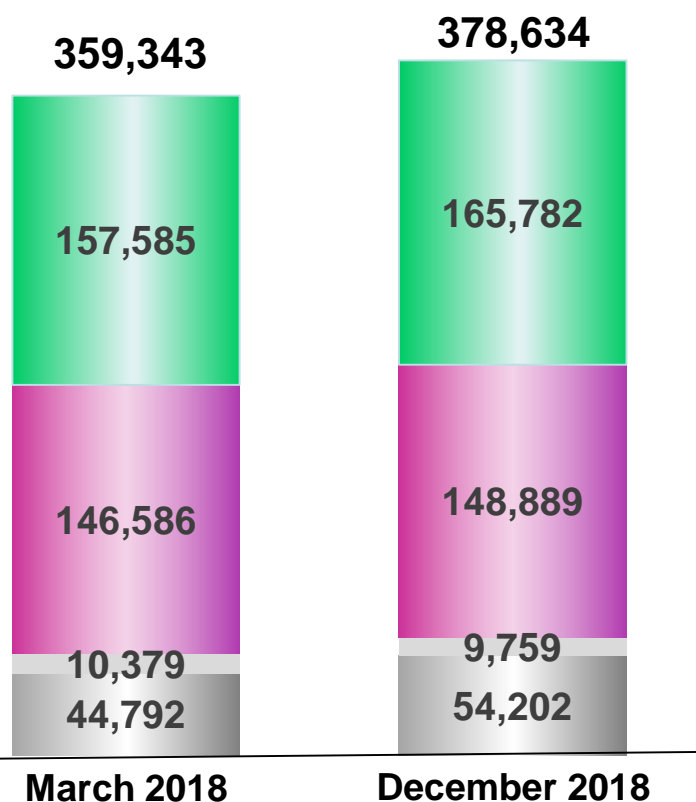
[Note]  
 Satellite in black: used mainly for broadcasting  
 Satellite in blue: used mainly for telecommunication  
 Satellite in red: satellites to be launched  
 ■ Satellites with International beam (including movable beam) equipped

(References)

# Consolidated Balance Sheets

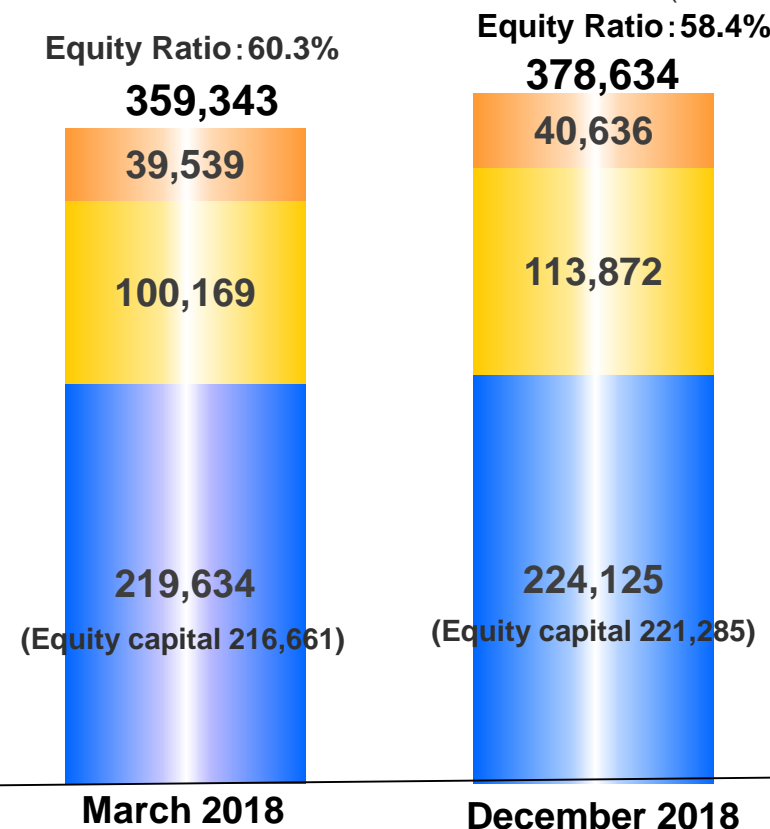
## Assets

(Unit: ¥ million)



## 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)

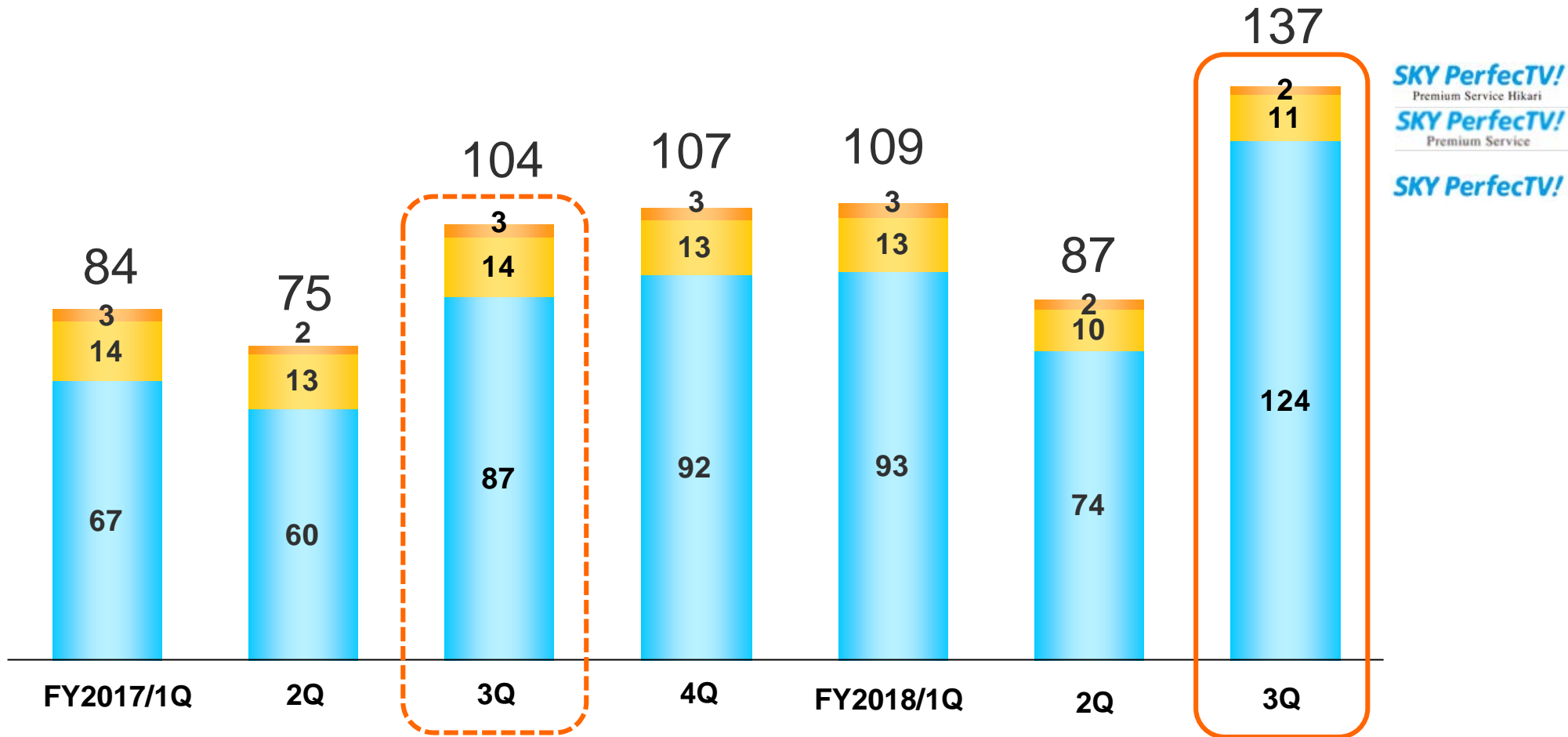
	FY2017/3Q Cumulative	<b>FY2018/3Q Cumulative</b>
Net Cash from Operating Activities	15,525	<b>22,146</b>
Net Cash from Investing Activities	(19,971)	<b>(24,837)</b>
Free Cash Flows* <sup>1</sup>	(4,445)	<b>(2,690)</b>
Net Cash from Financing Activities	2,771	<b>9,126</b>
Cash and Cash Equivalents at Term-End (a)	44,431	<b>52,760</b>
Term-end Balance of Interest-bearing Debt* <sup>2</sup> (b)	91,337	<b>107,991</b>
Term-end Balance of Net Interest-bearing Debt (b)-(a)	46,906	<b>55,230</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)

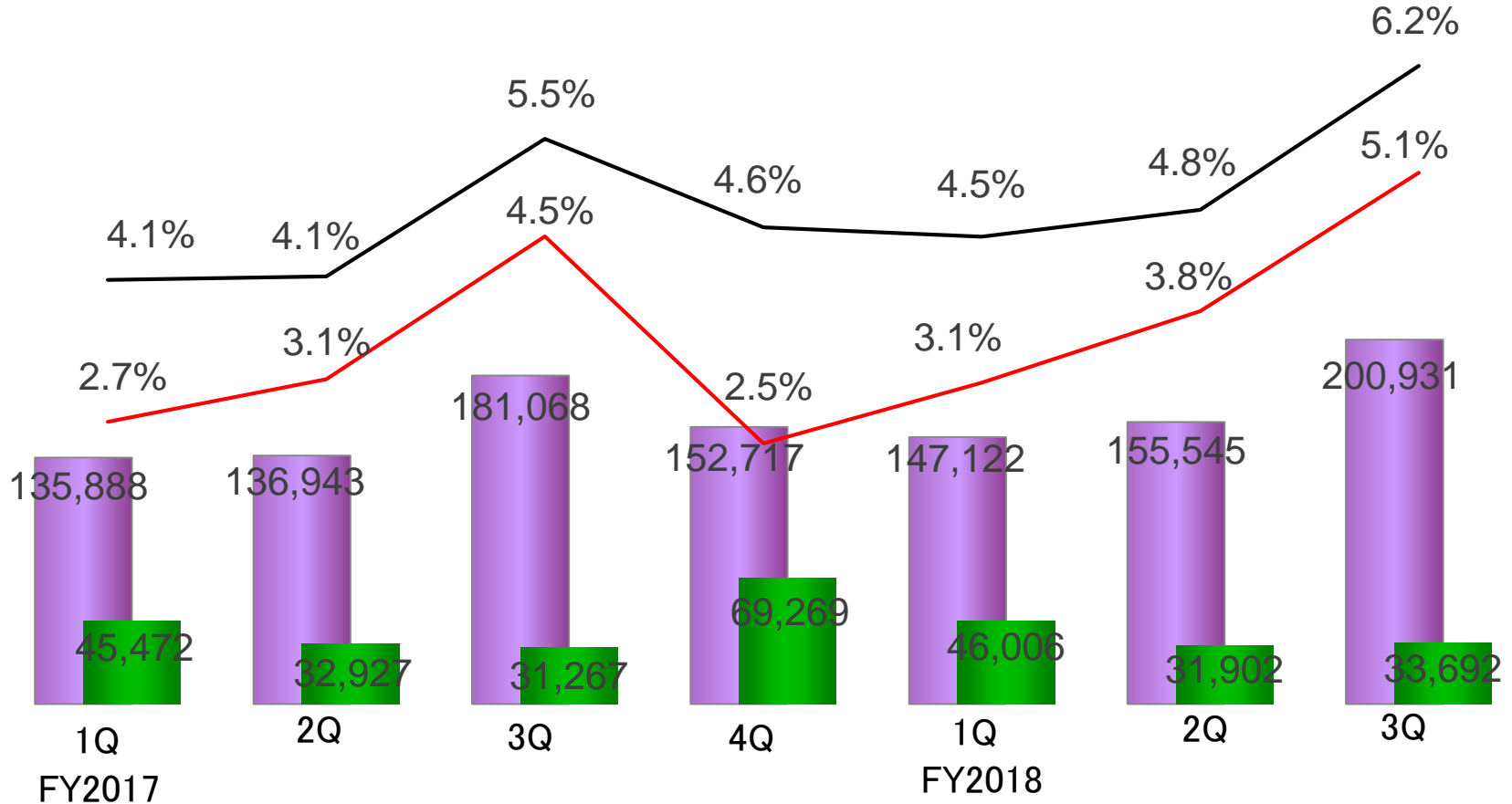


# Churn Rate

— 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.

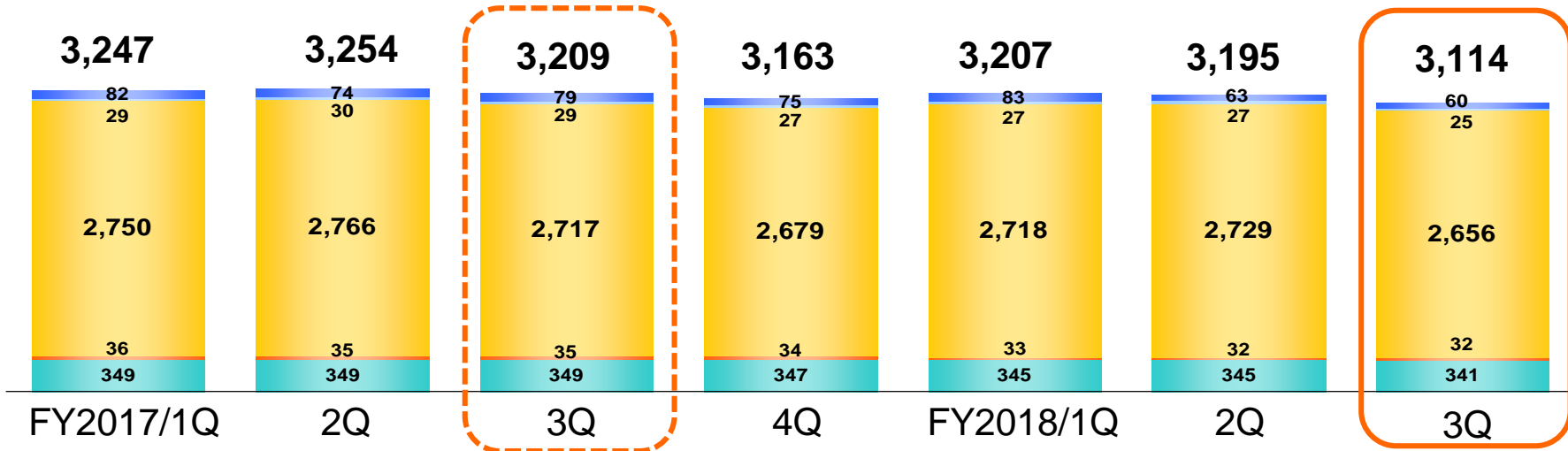
Number of churn      Number of re-registered subscribers



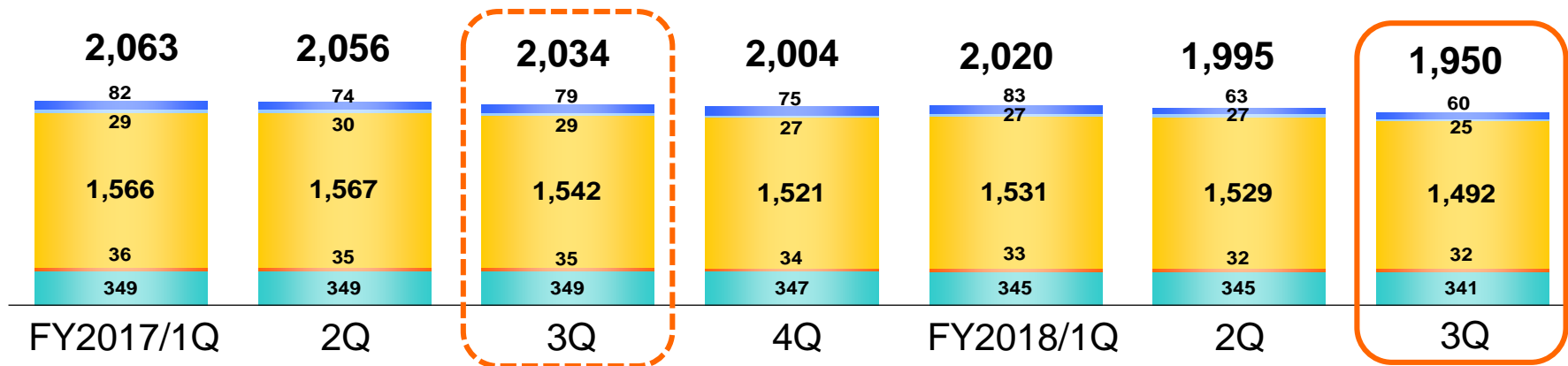
\*The churn rate is calculated by dividing the total number of churns for each quarter with the cumulative number of subscriptions at the end of the preceding fiscal year.



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



## ARPU (¥) (\*2)



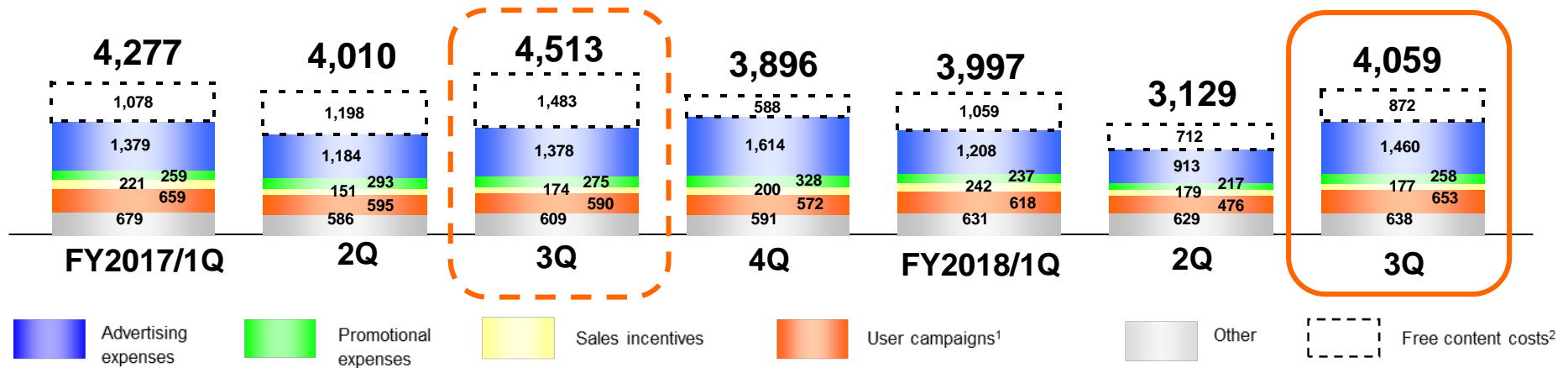
Basic Fee Rental Fee Monthly Subscription Fee PPV Subscription Fee Revenue From Original Content

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

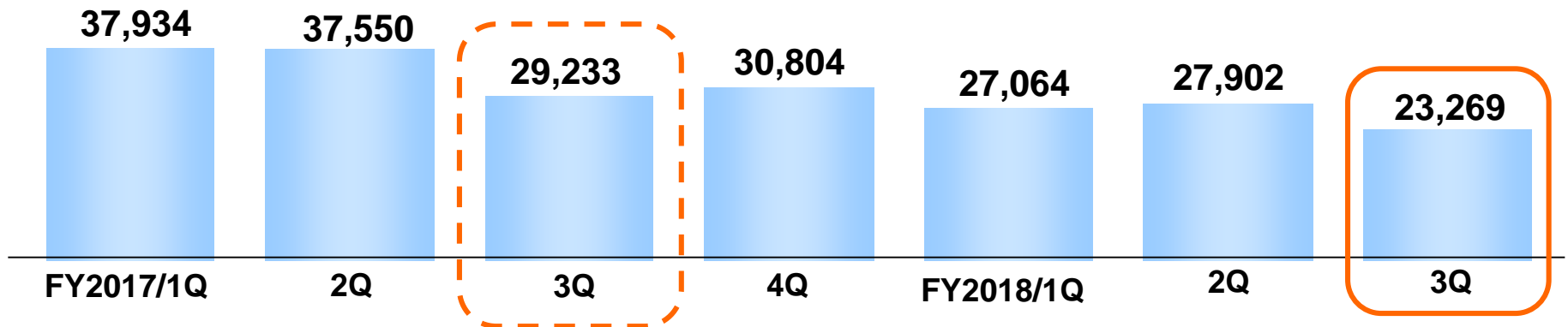
2. Of the average amount paid by subscribers in the form of monthly viewing fees, etc., the amount recorded as operating revenue by the SKY Perfect JSAT Group

# 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.

# **SKY Perfect JSAT Holdings Inc.**

Corporate Communications & Investor Relations Division