

# SKY Perfect JSAT Group

## Earning Results Briefing of 2Q/FY2012

November 1, 2012

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 Highlights

# Regarding the new service name of SKY PerfecTV!

The service name is changed due to brand unification.

【former】

**スカパー!E2**

(BS/110-degree CS digital broadcasting)

**スカパー!HD**

(124/128-degree CS digital broadcasting)

**スカパー!光**

(FTTH Broadcasting)

【new】

**SKY PerfecTV!**

Premium Service\*  
Premium Service HIKARI\*

\* The users of standard definition tuners are included.

# Summary of operating income statements

Like the results for 1Q, sales increased and profits decreased from the same quarter of the previous year, mainly because the demand for satellite communication returned to the normal level from the level just after the earthquake disaster.

Consolidated (Units: ¥ millions)

	2Q/FY2011	2Q/FY2012	Comparison to 2Q/FY2011	vs. Full Year Forecast of FY2012
<b>Revenues</b>	77,056	<b>78,515</b>	+1.9%	47.9%
<b>Operating Income</b>	11,570	<b>8,187</b>	(29.2%)	51.2%
<b>Ordinary Income</b>	10,984	<b>7,952</b>	(27.6%)	51.3%
<b>Net Income</b>	6,461	<b>4,974</b>	(23.0%)	55.3%
<b>EBITDA*</b>	23,987	<b>20,889</b>	(12.9%)	-

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

# Indicators for Multichannel Pay TV Business

The number of new subscriptions decreased 6.5% from the same quarter of the previous year.  
It seems that the ratio of the shift to high definition will exceed the estimated level.

(Units: thousand)

	2Q/FY2011	2Q/FY2012	Full year Forecast of FY2012
Number of New Subscribers	316	<b>296</b>	683
Net Increase in Subscribers	43	<b>4</b>	106
Number of Cumulative Subscribers	3,768	<b>3,819</b>	3,920
Average Monthly Subscriber's Payment (units: yen)	3,252	<b>3,230</b>	-
ARPU (units: yen)	1,623	<b>1,751</b>	-
SAC (units: yen)	29,446	<b>30,155</b>	-
SKY PerfecTV! HD Subscribers Ratio*	25.2%	<b>43.2%</b>	54.7%

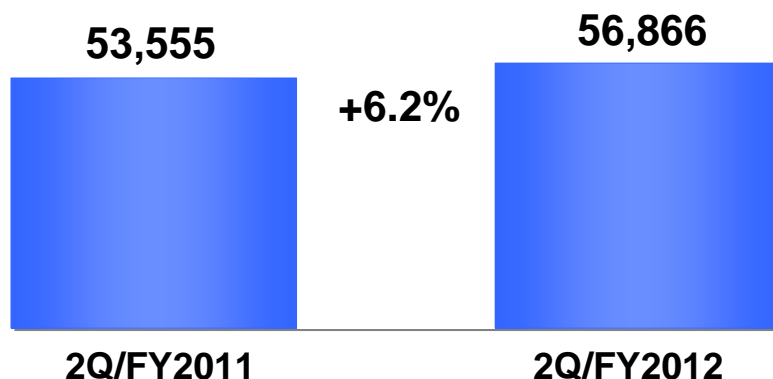
\* Ratio of the subscribers other than the users of standard definition tuners to all of the subscribers to Premium Service

# Analysis of Consolidated Business Performance

# Revenues (Increase/decrease factors in revenue by segment)

## Multichannel Pay TV Business

(Units: ¥ millions)



Compared with the same quarter of the previous year  
+3,300 million yen (+6.2%)\*

(Units: ¥ millions)

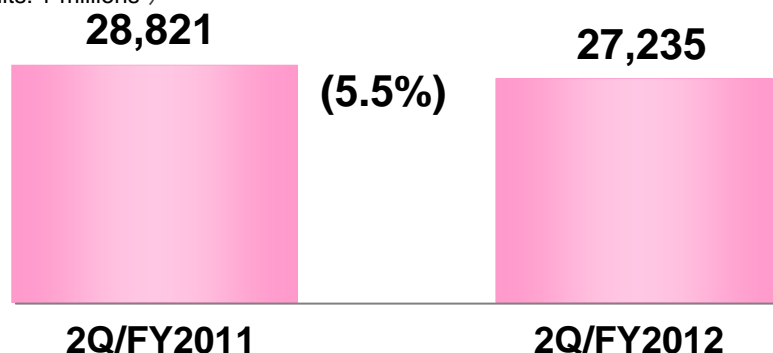
### <Main increase/decrease factors>

- Increase in the income from subscription fees: +4,100
- Decrease in the income from commission fees: -1,000
  - Income from commission fees of SKY PerfecTV! (including the former e2 service): +1,400
  - Income from commission fees of the standard definition service: -2,400
- Increase in the income from transmission fees: +600
- Others: -400

\* The inner transactions between segments, etc. are included.

## Space & Satellite Business

(Units: ¥ millions)



Compared with the same quarter of the previous year  
-1,600 million yen(-5.5%)\*

### <Main increase/decrease factors>

- Decrease in the income from the satellite business partly because of the decline in the use for coping with the earthquake disaster : -1,400
- Decrease in the income from broadcasting transponders: -500
- Others: +300

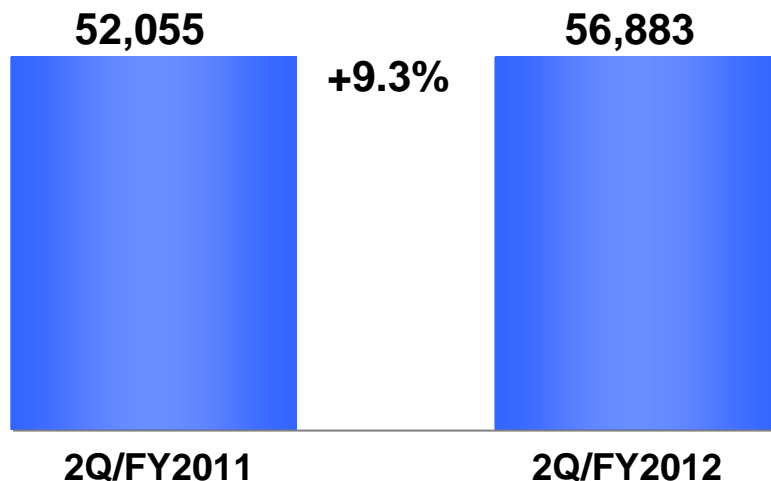
\* The inner transactions between segments, etc. are included.



# Operating Expenses (Increase/decrease factors in revenue by segment)

## Multichannel Pay TV Business

(Units: ¥ millions)



Compared with the same quarter of the previous year  
+4,800 million yen (+9.3%)\*

### <Main increase/decrease factors>

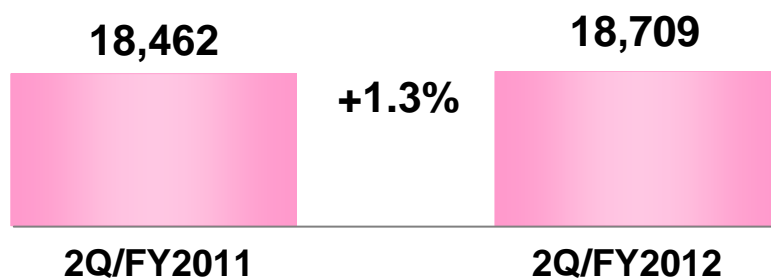
(Units: ¥ millions)

- Increase of programs : +2,000
- Increase in cost for the BS broadcasting: +1,300
- Increase in the cost for the measures for the shift to Premium Service: +700
- Antenna campaign, etc: +500
- Increase in advertisement expenses: +300

\* The inner transactions between segments, etc. are included.

## Space & Satellite Business

( Units: ¥ millions )



Compared with the same quarter of the previous year  
+200 million yen (+1.3%)\*

### <Main increase/decrease factors>

- Increase in depreciation : +400
- Others: -200

\* The inner transactions between segments, etc. are included.

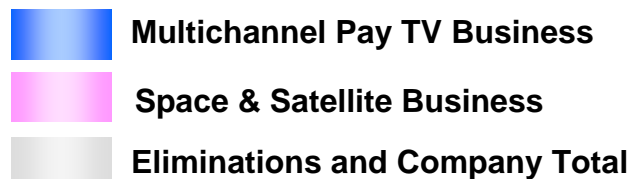
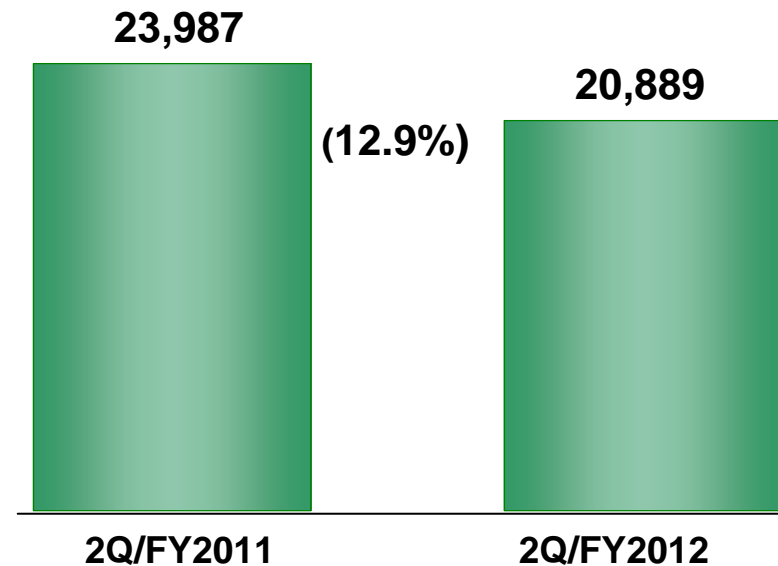
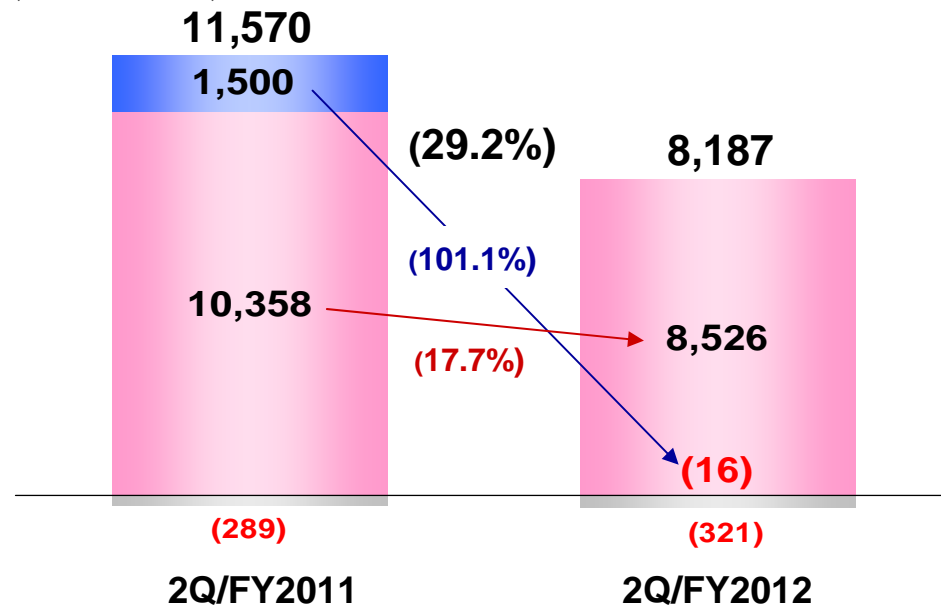
# Profit performances

As the sales of the Space & Satellite Business decreased and the cost for the Multichannel Pay TV Business increased, profits decreased about 30% from the same quarter of the previous year.

## Operating Income

## EBITDA\*

(Units: ¥ millions)



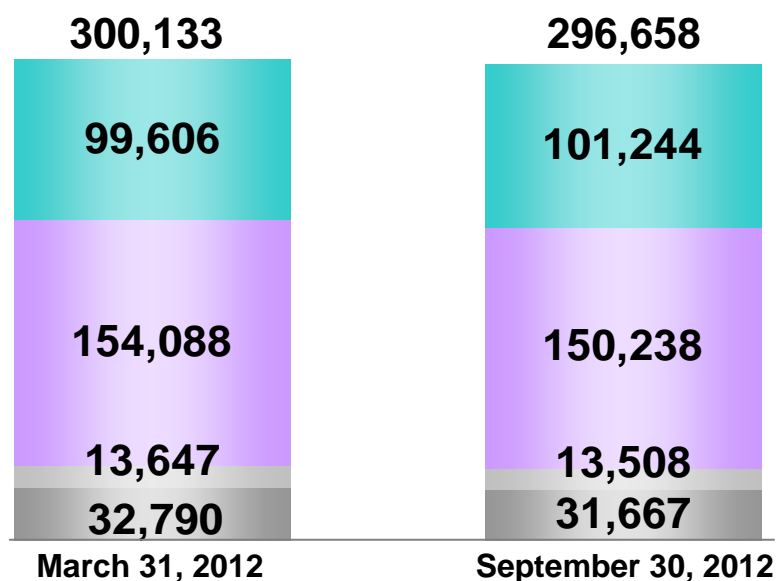
\* EBITDA = Net Income + Tax Expense + Depreciation Expense + Interest Expense

# Balance sheets

The stable financial base continues (equity ratio: 63.3%)

## Assets

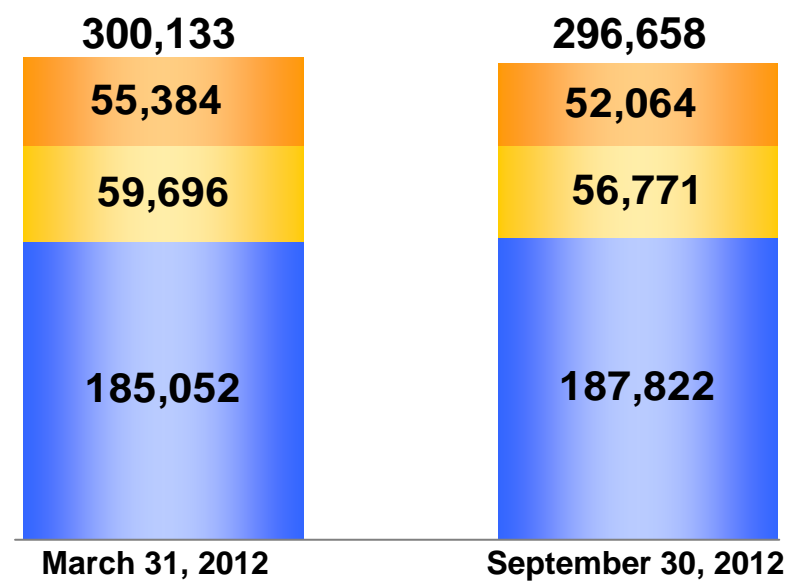
(Units: ¥ millions)



- Current Assets
- Net Property and Equipment
- Intangible Fixed Assets
- Investment and Others

## Liabilities and Equity

(Units: ¥ millions)



- Current Liabilities
- Long-Term Liabilities
- Total Equity

# Cash flows

(Units: ¥ millions)

	2Q/FY2011	2Q/FY2012
<b>Net Cash from Operating Activities</b>	26,231	24,835
<b>Net Cash from Investing Activities</b>	7,845	(9,000)
<b>Net Cash from Financing Activities</b>	(5,124)	(7,838)
<b>Cash and Cash Equivalents at Term-End (a)</b>	88,443	74,444
<b>Term-end balance of interest-bearing debt*<sup>1</sup> (b)</b>	89,516	57,832
<b>Term-end balance of net interest-bearing debt (b) – (a)</b>	1,073	(16,611)
<b>Capital Expenditures <sup>*2</sup></b>	5,556	9,000
<b>Free Cash Flows <sup>*3</sup></b>	20,674	15,834

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

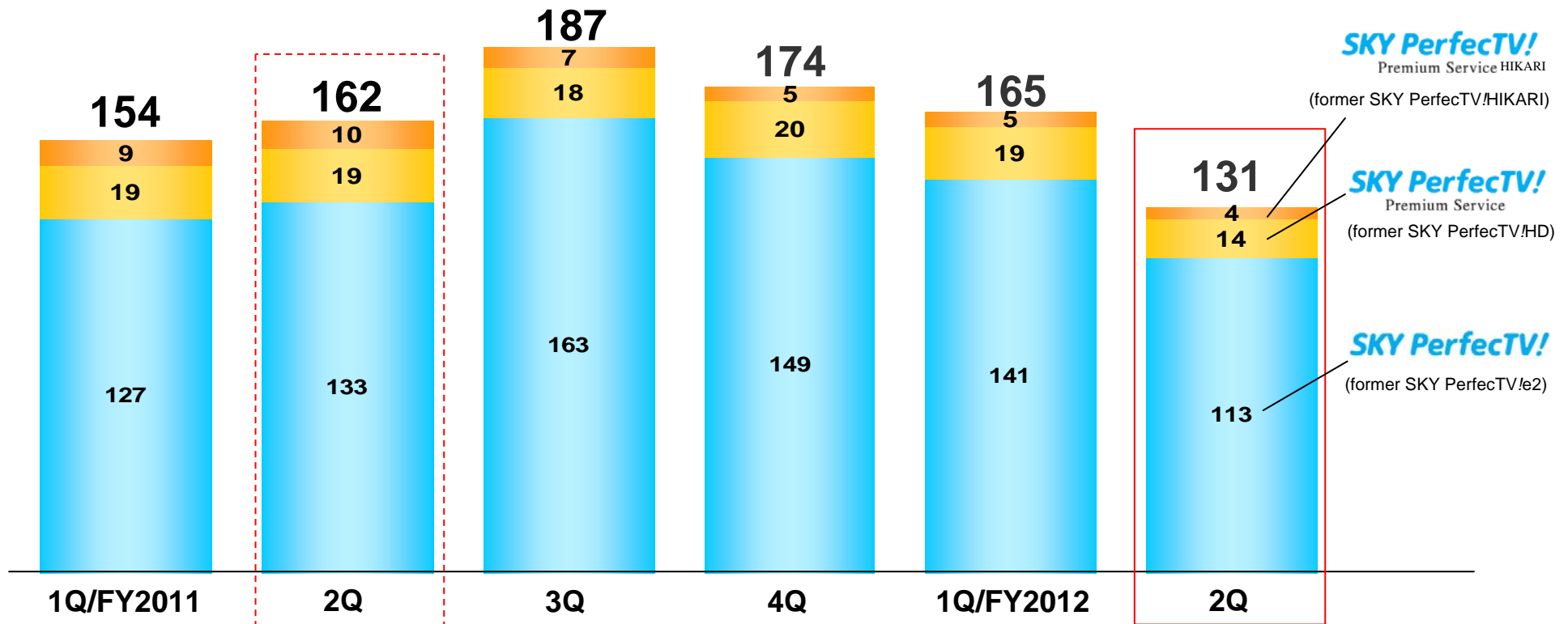
\*2 The acquisition and reimbursement, etc. of short-term securities for fund management are excluded from the cash flow from investing activities.

\*3 Free Cash Flows =(Cash Flows from Operating Activities )-(Capital Expenditures)

# Number of new subscribers

About 30,000 decrease in this second quarter from last year, in which there was the effect of the steep increase in the sales of digital TV sets

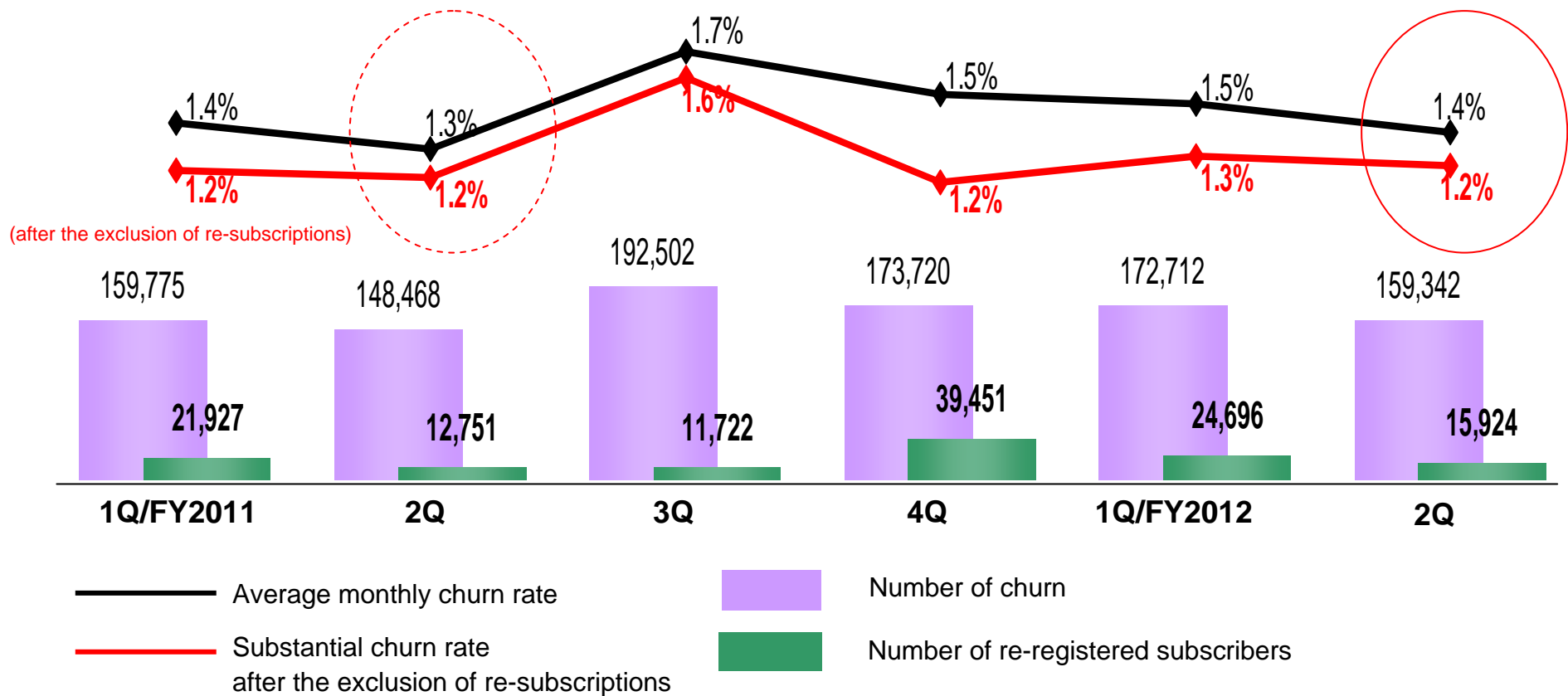
(Units : thousand)



Note: The subscribers to Premium Service include the users of standard definition tuners.

# Churn rate

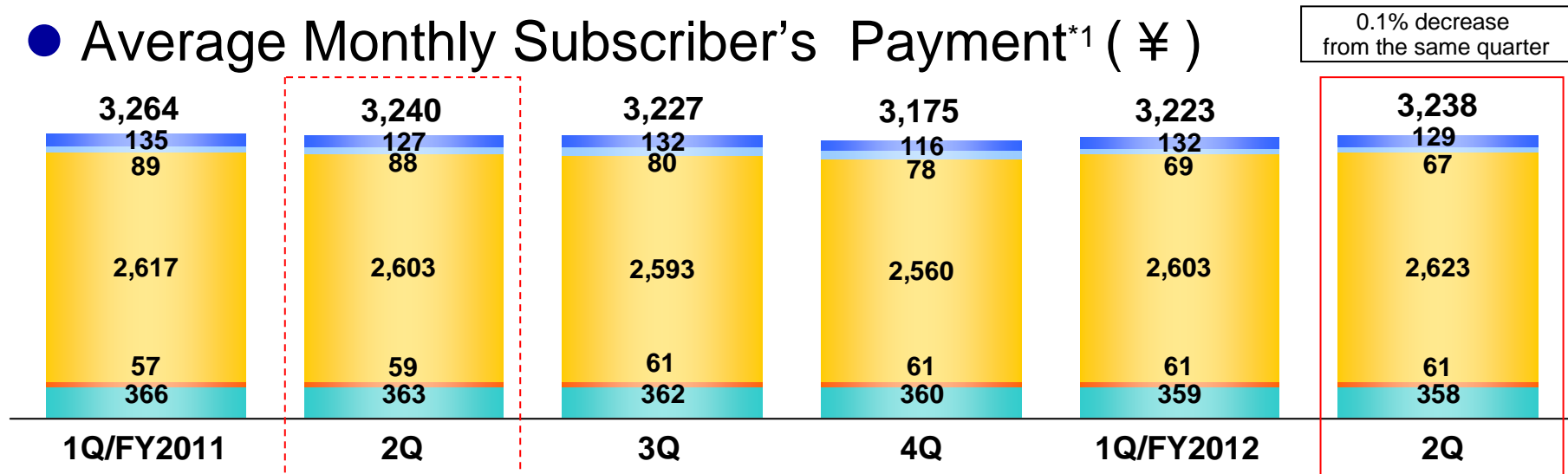
Average monthly churn rate for this second quarter is 1.4% (annual rate: 17.3%)  
The value obtained by subtracting the number of resubmissions is at the same level as the value for the same quarter of the previous year.



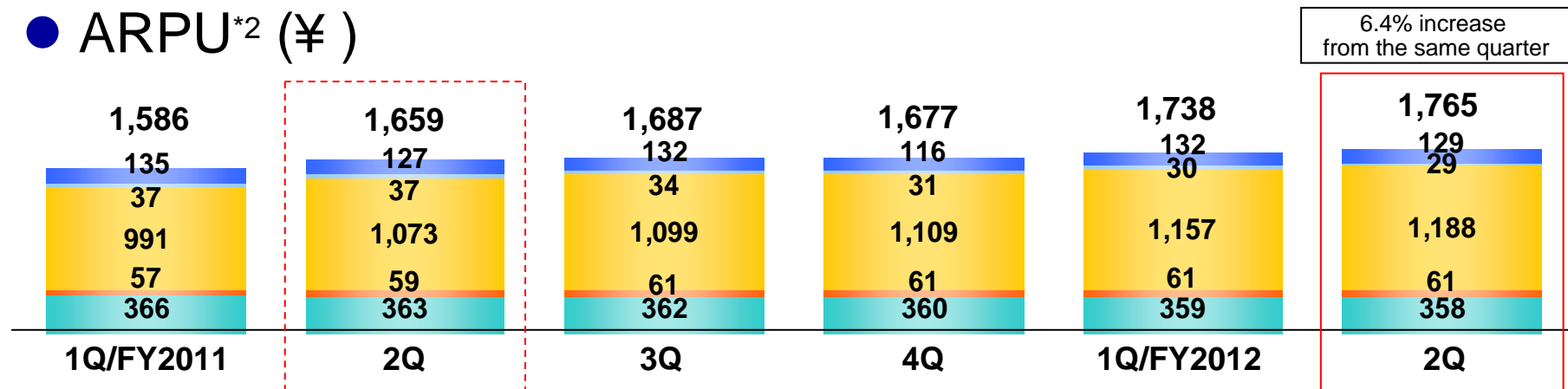
Note: Churn rate and subscriptions, etc. are the total values for SKY PerfecTV!

# ARPU

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



## ● ARPU\*2 ( ¥ )

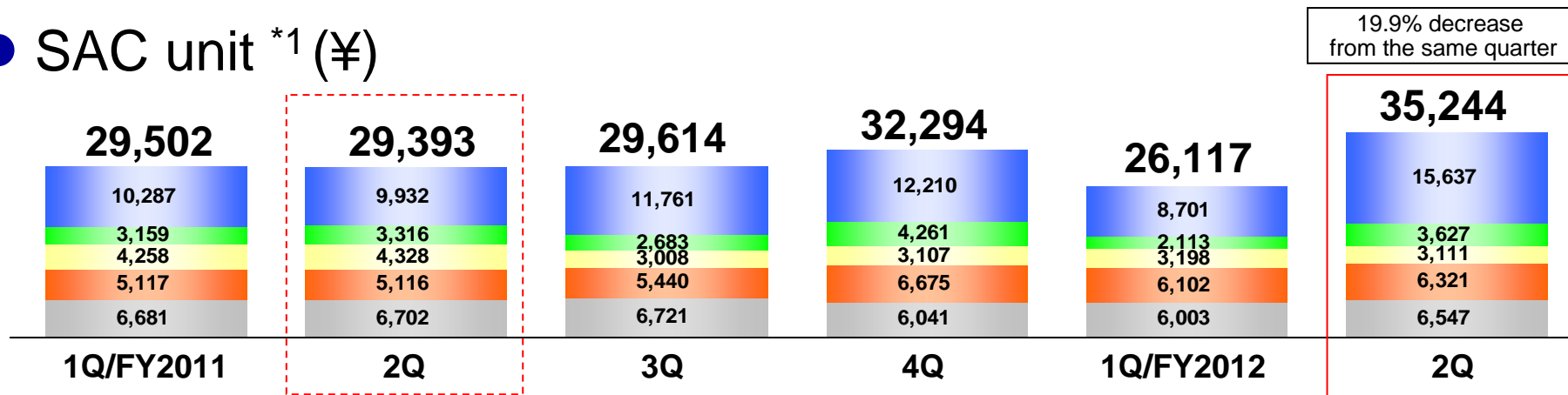


\*1 Average unit price of monthly viewing fees, etc. paid by subscribers

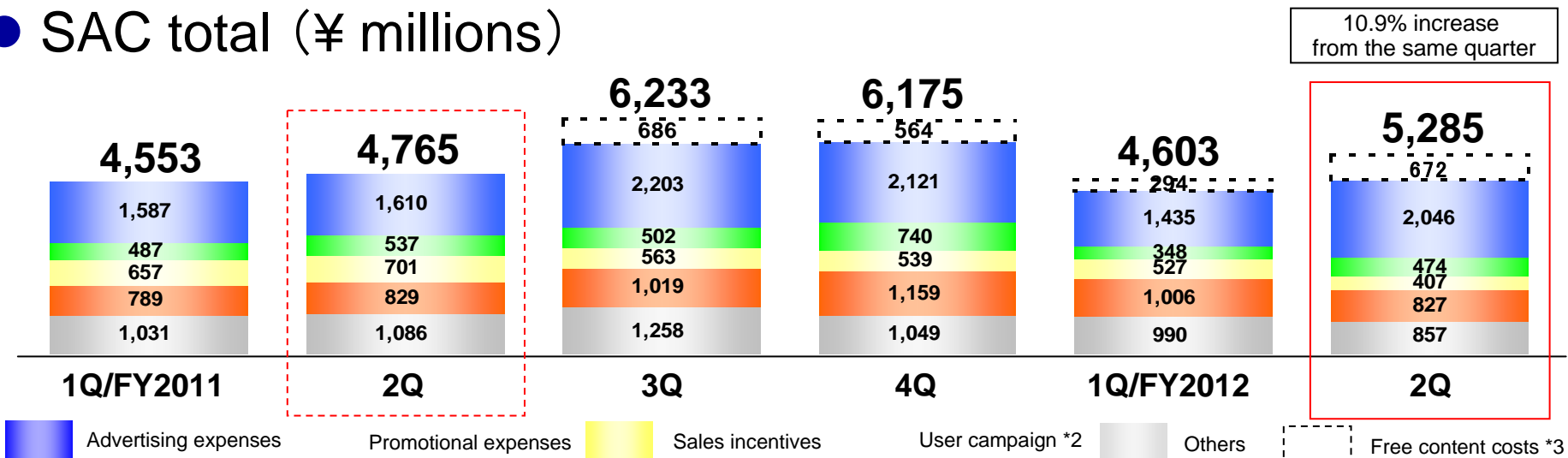
\*2 Revenue of our corporate group in the unit price of monthly viewing fees, etc. paid by subscribers

# SAC

## ● SAC unit <sup>\*1</sup> (¥)



## ● SAC total (¥ millions)



\*1 Sum of the 3 services of SKY PerfectTV! SAC unit price is calculated while excluding the costs for charge-free contents, such as the new BS broadcasting.

\*2 Expenses for campaigns, including "Campaign of providing and installing antennas" and "Limited-time discount." Indicated separately from sales promotion cost and sale incentives.

\*3 "Charge-free content cost" in the total amount of SAC includes the cost for program production.



# Operating results of major subsidiaries

The business results of subsidiaries are as planned as a whole.  
For SPCC, there emerged the extraordinary cost for the establishment of Okinawa Center (closing of Yokohama Center)

(Units: ¥ millions)

		SKY Perfect JSAT Corporation	SKY Perfect Customer-relations Corporation	SKY Perfect Broadcasting Corporation	OptiCast Inc.	Satellite Network, Inc.	JSAT International Inc.
Major Area of Business		Broadcasting platform, Satellite Operation	Customer management	Broadcasting	Content distribution via FTTH	Satellite communications	Satellite communications
% of Equity held by Holdings		100	100	100	100	92	100
Revenues	2Q/FY11	62,720	8,079	15,318	5,249	3,621	1,084
	2Q/FY12	<b>61,708</b>	<b>4,724</b>	<b>20,486</b>	<b>5,704</b>	<b>2,987</b>	<b>860</b>
Operating Income	2Q/FY11	10,778	65	119	556	342	471
	2Q/FY12	<b>8,234</b>	<b>(625)</b>	<b>126</b>	<b>585</b>	<b>258</b>	<b>292</b>
Ordinary Income	2Q/FY11	10,759	69	121	519	303	471
	2Q/FY12	<b>8,506</b>	<b>(620)</b>	<b>129</b>	<b>559</b>	<b>232</b>	<b>294</b>

Measures To Be Addressed  
~Multichannel Pay TV Business~

# Promotion in parallel with the brand unification of SKY PerfecTV!

■ On September 29, our services were renewed through the brand unification.

⇒ **Large-scale promotion for the second half of fiscal 2012**

## ◆ Promotion points

### ◇ SKY PerfecTV! Award 2012 on Sep. 27

⇒ Enhancement of media exposure at the start of the new brand promotion



### ◇ 10-day charge-free broadcasting of SKY PerfecTV! in autumn from Sep. 29 to Oct. 8

⇒ To provide digital TV set owners with the trial viewing opportunities, and promote them to make a habit of watching SKY PerfecTV!

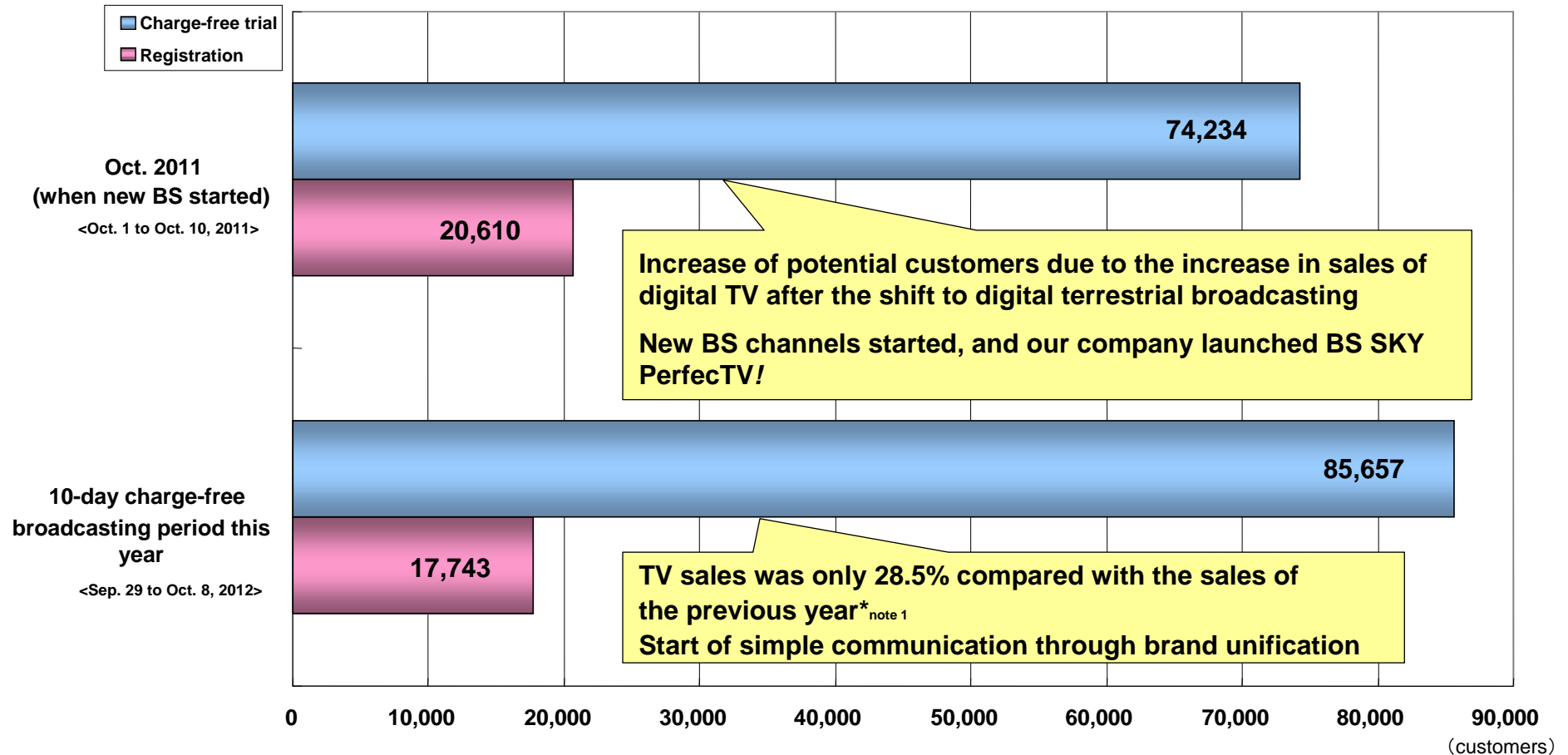
### ◇ Special Week of BS SKY PerfecTV! in Autumn

⇒ Differentiation of contents, and the strengthening of the relations with broadcasters



# Brand unification of SKY PerfecTV! Registration status flash

## ■ Comparison between charge-free trial views and registrations in Oct. 2011 and “10-day charge-free broadcasting period” this year

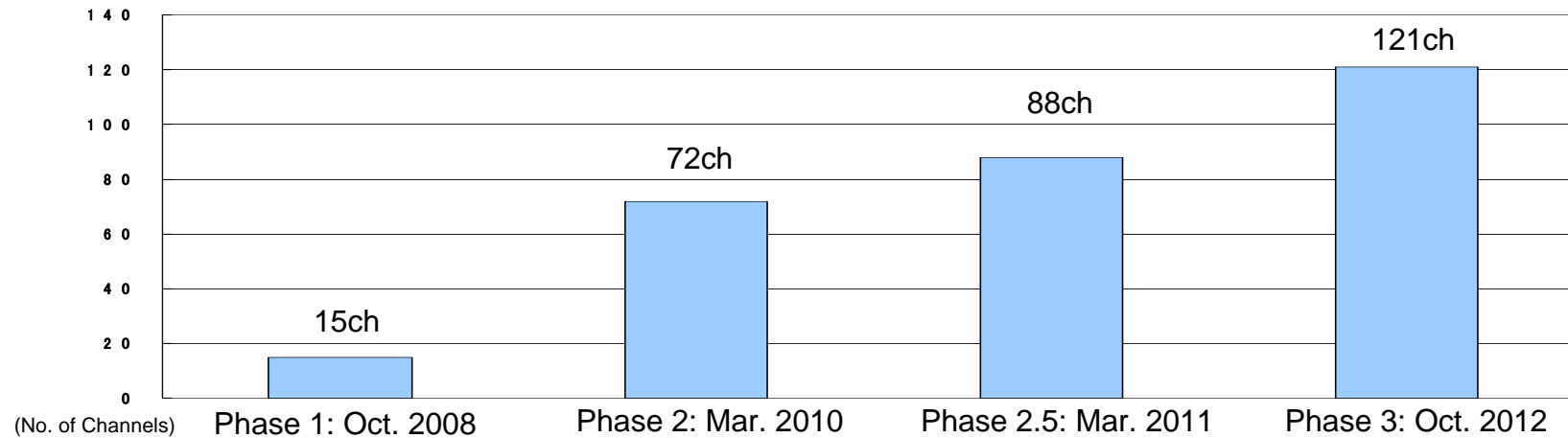


**We will promote charge-free trial viewers to subscribe!**

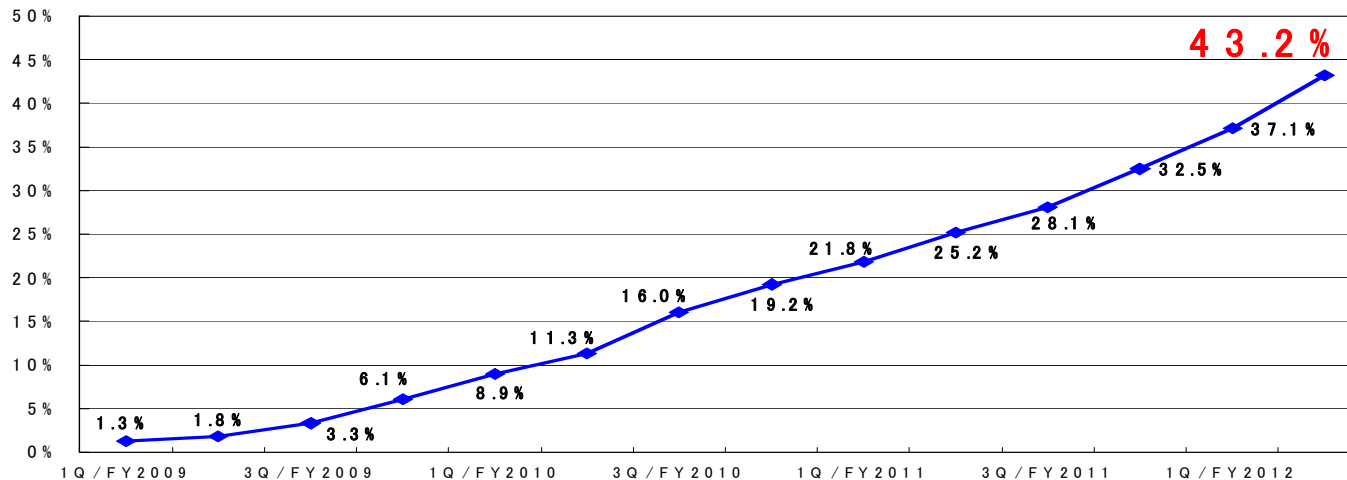
\*Note 1: Announced by JEITA; Sales of thin-screen TV sets for Jan.-Sep. compared with those for the previous year

# Premium Service, overview of the shift to HD

## ■ Become the largest in number of high definition channels in Japan



## ■ The shift to HD progressed steadily, increasing HD rate to 43.2%. 【No. of shifts to HD in 2012】



Jan., 2012	9,523
Feb., 2012	19,754
Mar., 2012	34,790
Apr., 2012	16,854
May, 2012	22,487
Jun., 2012	26,130
Jul., 2012	31,649
Aug., 2012	33,900
Sep., 2012	32,092

# Future contents

## ■ To increase charge-free trial registrations through charge-free broadcasting and promote subscriptions with a large amount of year-end contents

① Charge-free broadcasting dates: Dec. 1; Watch BS! Campaign hosted by Dpa Charge-free broadcasting of BS digital + Dec. 2; SKY PerfectTV! charge-free broadcasting date

② Year-end broadcasting of all episodes!! Theatrical anime, popular serial movies, historical plays, and overseas dramas, etc.



© 2008 "Aibou-movie version" Partners

**Movies and TV series of "Aibou" to be aired successively**

Toei Channel / TV Asahi Channel

**Chushingura to be featured TV series, movies, stage plays**



© 2010 "Last Chushingura" Production Committee  
Theatrical play channel "Last Chushingura"

**"Theatrical Pocket Monsters" 14 films to be aired successively**



劇場版ポケットモンスター「ミュウツーの逆襲」完全版

© Nintendo・Creatures・GAME FREAK・TV Tokyo・ShoPro・JR Kikaku  
© Pokémon © 1998 ビカチュウプロジェクト

Aired by Kids Station from Dec. 29 to Jan. 4.



© 2012 Nihon Eiga Satellite Broadcasting Corp. / Shochiku Co., Ltd.

SKY PerfectTV! Theatrical Play Channel presents  
**"Onihei-gaiden, guest on Jan. 4"**

Aired by BS SKY PerfectTV! on Nov. 17.

Original theatrical play aired for the first time

Contents linkage with broadcasters



# Enrichment of the video-on-demand (VOD) service

■  enables subscribers to watch TV anywhere

## “SKY PerfectTV! J-League Live Monthly Plan”

Live broadcasting of the major J-League games to PCs and mobile devices



“SKY PerfectTV! J-League Live for iPad” began on Sep. 28

【Differences from the smartphone version】

- ① Customers can select a game freely during live broadcasting
- ② Twitter function is mounted

Being broadcasted live  
(charge free for subscribers)

Sep. 2012: Rider Cup 2012



(Golf Network)

Oct. 2012  
Red Bull Stratos



(J SPORTS)  
※Top & relay of  
broadcasting  
with VOD

Oct. to Nov. 2012  
FIA WTCC International Touring Car  
Championship 2012

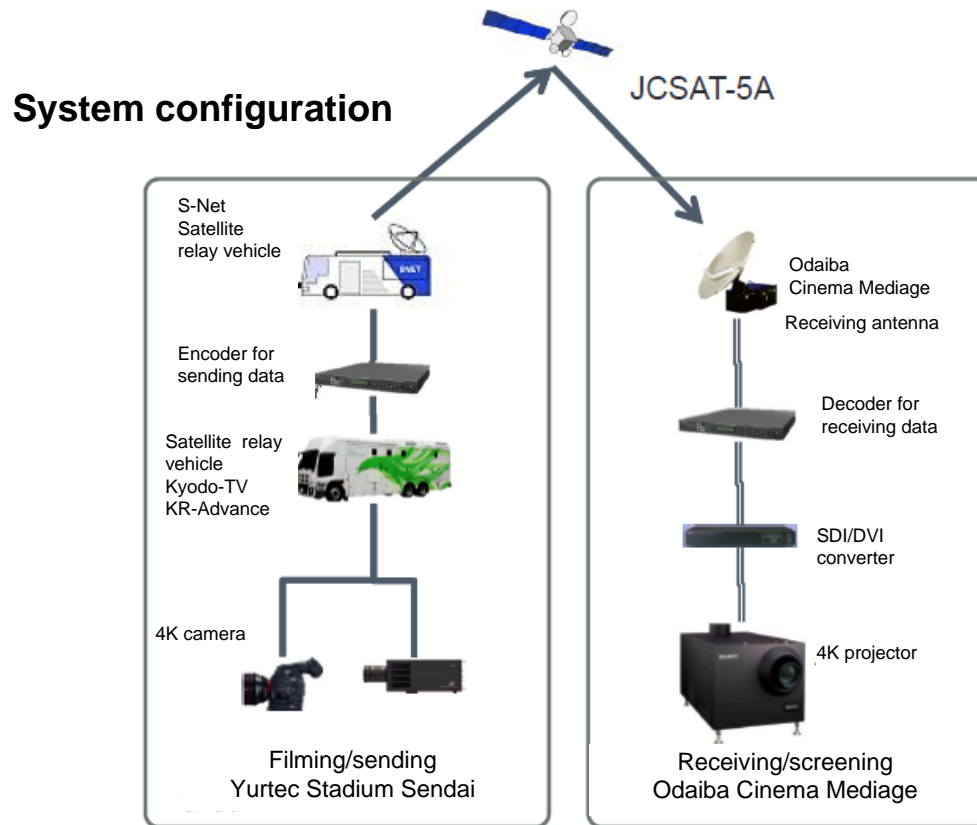


(GAORA)

# Measures for the new technology: 4K images

**The experiment of the live transmission of 4K images with a satellite was successful.**

Early measures for the new technology, and the reconfirmation of the advantages of communication satellite infrastructure



## = Advantages of satellite infrastructure use

- Realization of the high-speed transmission of real-time 4K images via satellite relay vehicles
- Ultrahigh-speed simultaneous transmission of large data to several sites



Aired on Oct. 20 【Site of the experiment of 4K image transmission】  
Live broadcasting of "2012 J-League, Vegalta Sendai vs Urawa Red Diamonds"



# Situation of the B-CAS problem

## ■ Fraudulent modification and falsification of B-CAS cards

## ■ Situation of arrest

A total of 15 violators have been arrested and indicted for:  
the violation of the Unfair Competition Prevention Act,  
the illegal creation of private electromagnetic records, and  
the use of illegally created private electromagnetic records.

## ■ Situation of arrested people

Two of them were convicted and sentenced to 2 years in prison with 3-4 years of probation.

One of them is preparing for a trial.

One of them is being indicted.

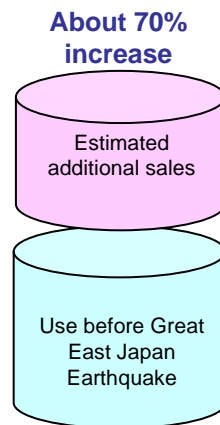
Measures to be Addressed  
~Space & Satellite Business~

# Measures for the BCP demand

## ■ Additional services for existing users

### ✓ Electric power providers

- ① Strengthening of communication lines between the head office, branches, and power plants
- ② Improvement of communication lines with governmental institutions



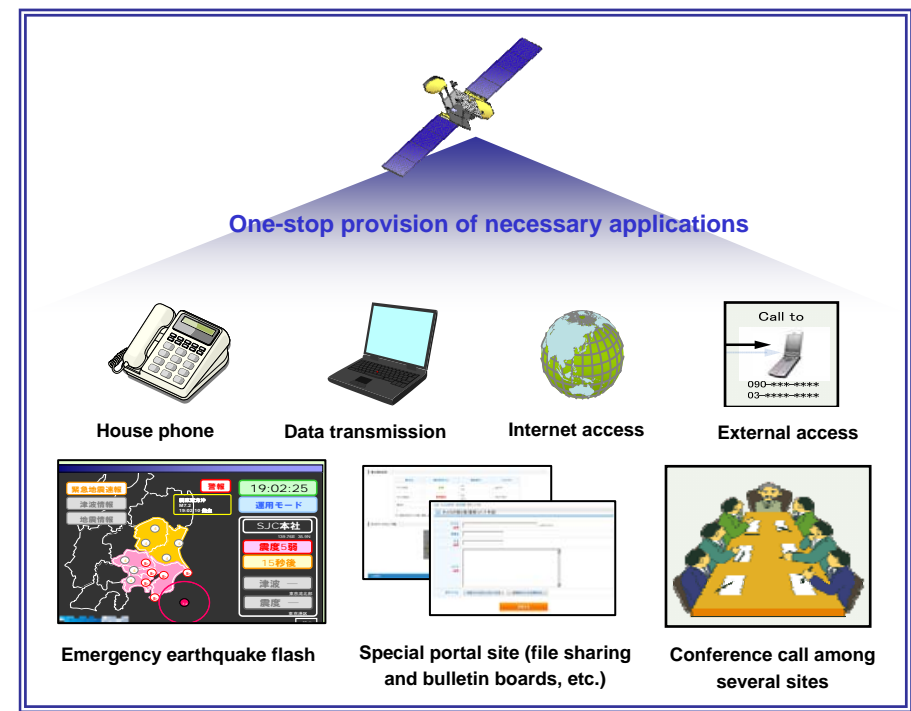
### ✓ Mobile-phone operators

- ① Improvement of satellite lines (transponder and EsBird service)
- ② Increase of portable base stations (relay vehicles) for satellites

## ■ Cultivation of new customers

Provision of new plans focused on BCP

- ⇒ Addition of “B Premier” and “B Standard” to ExBird service
- ⇒ Presale started at “Crisis Management Industry Exhibition 2012” (Oct. 17 – 19)



# Business expansion in Asia and the Pacific region

## ■ Global Business

- For the DTH business in Indonesia, PT Tecnoves International started tests in Oct.
- The demand for Horizons-1 in the North American market is healthy (increasingly used for the U.S. governmental institutions).
- The demand for C-band in the Russian market (Far East) (increasingly used for resource development companies).

## ■ Mobile Business

- The measures for the Radio Act in Japan have been completed for the airline-targeted service of Inmarsat (SwiftBroadband)  
⇒ JSAT MOBILE of our corporate group started license procedures.  
We aim to release it early.
- We offer the line for the Indian Ocean, in addition to the line for Southeast Asia, for the eXConnect service of Panasonic Avionics in the U.S.



Used in aircrafts

# Future measures for the demand for satellites

## ■ The plan of launching new satellites put into practice

- We started discussing the marketability of the successor satellites to the satellites to be replaced in fiscal 2015 or later, such as JCSAT-2A  
⇒ We pay attention to the demand in Asia and the Pacific area where markets are expected to grow.

## ■ Concluded a “multi-launch service agreement” with Arianespace SA in Sep.

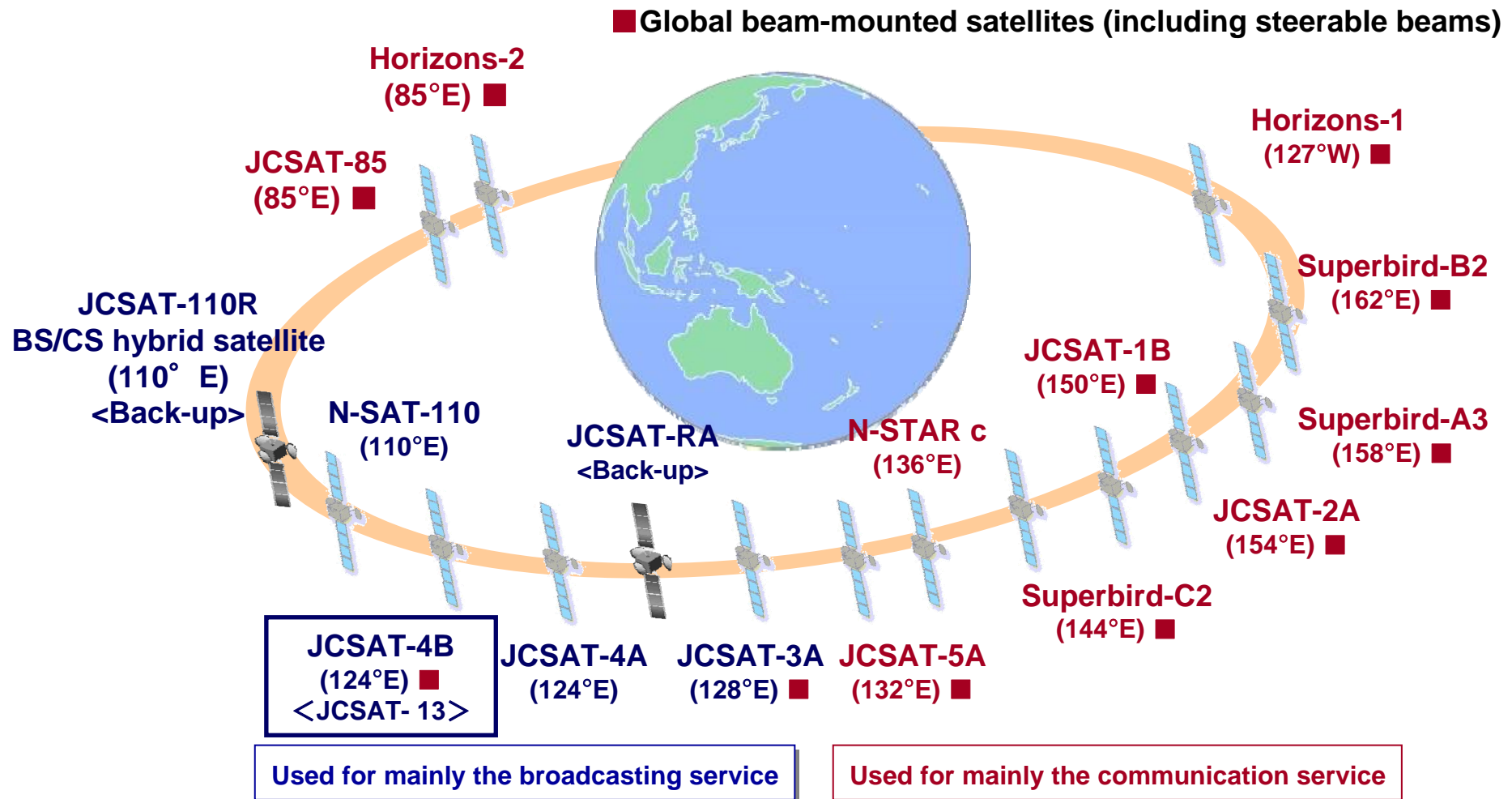
- For launching satellites from 2015, we signed a contract regarding “the framework for guaranteeing the launch of several satellites” with Arianespace in Paris in September.



Signing ceremony with Arianespace  
(left: Chairperson and CEO Le Gall)

# Reference: Satellite fleet

We own a total of 16 satellites covering North America to the Indian Ocean

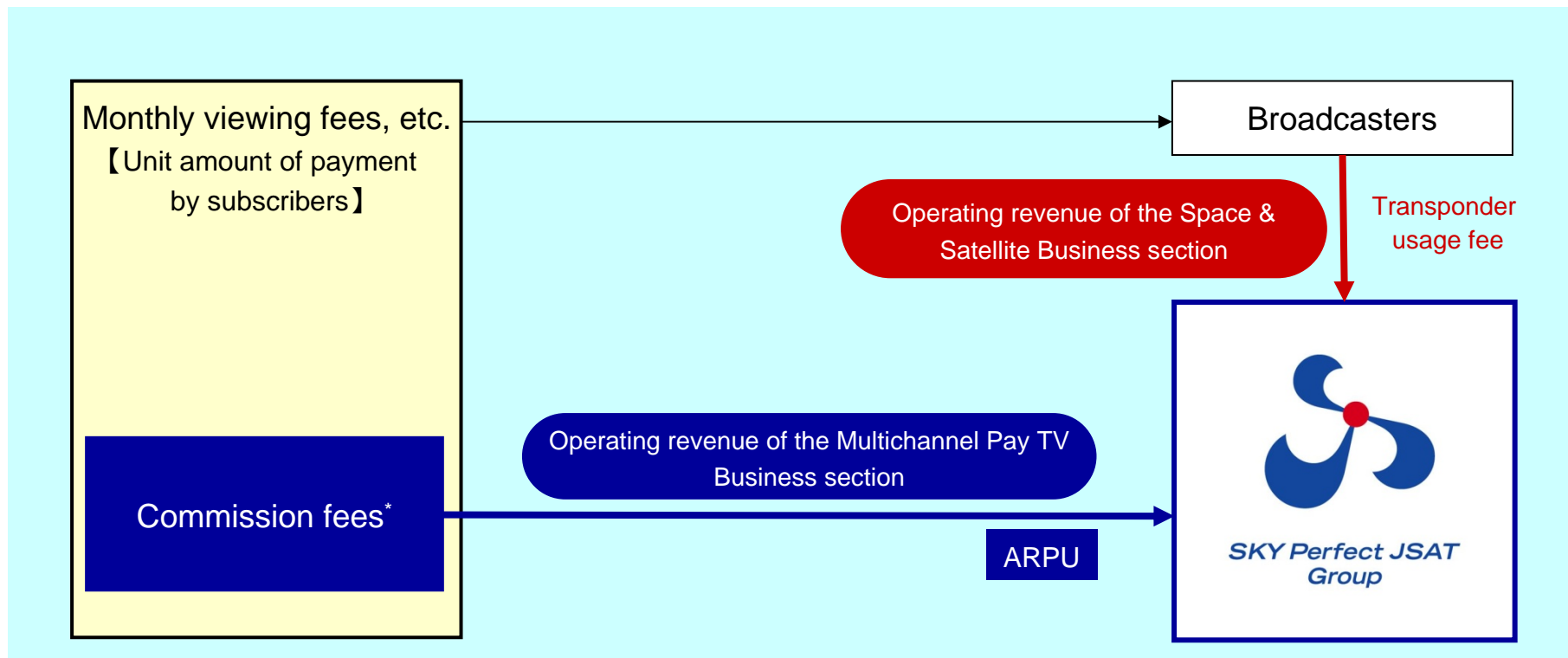


# Reference: Commission fee income model

- Revenue model in which our company receives a certain amount of commission fees in the monthly viewing fees, etc. paid by subscribers
- In addition to commission fees, our company receives the satellite transponder usage fee separately.  
⇒ SKY PerfectTV! Service (former SKY PerfectTV!e2)

Note: The commission fee income model is also used for the services of standard definition tuners (former SKY PerfectTV! SD).

**SKY PerfectTV!** (former SKY PerfectTV!e2)



\* Basic charges and original content viewing fees are included.

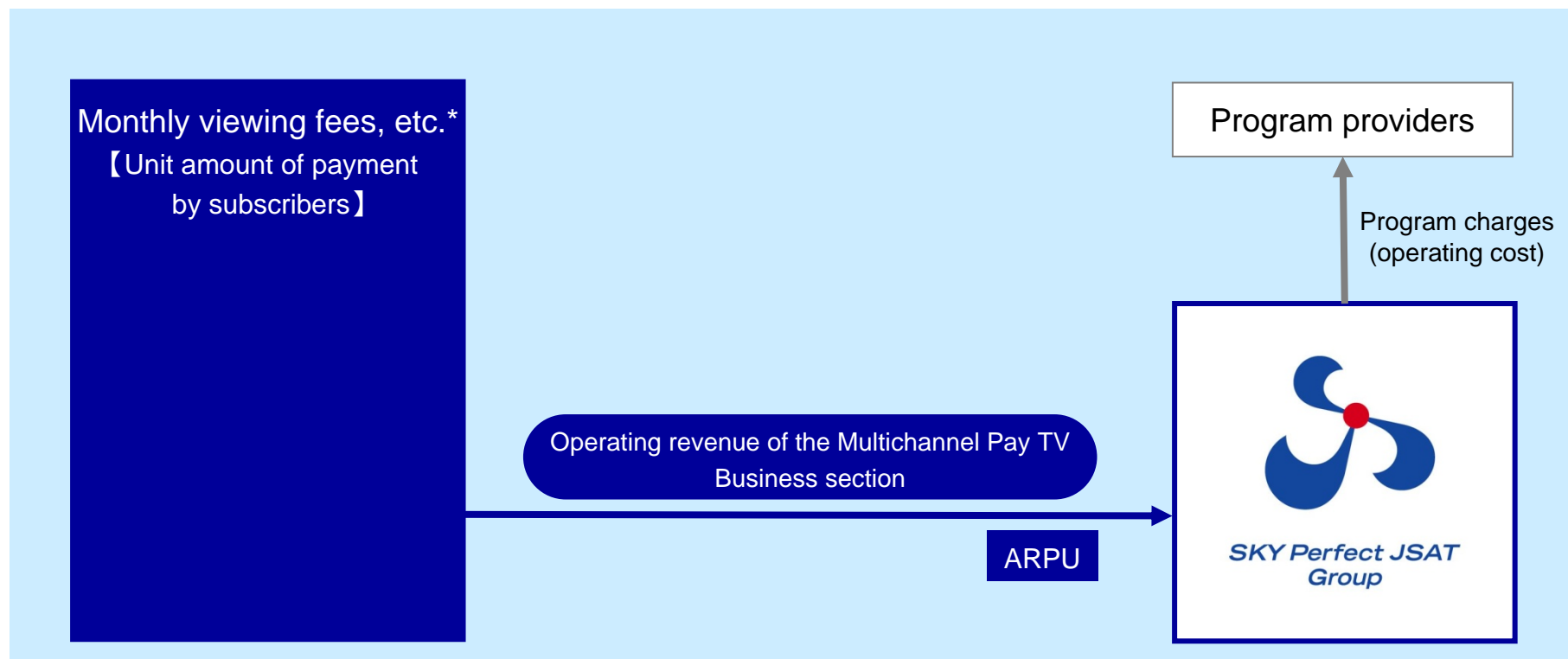
# Reference: Viewing fee income model

- Revenue model in which our corporate group posts the monthly viewing fees, etc. paid by subscribers as operating revenue.
- Our corporate group pays program charges to program providers.
  - ⇒ Premium Service (former SKY PerfecTV!/HD)/Premium Service HIKARI (former SKY PerfecTV!/HIKARI)

Note: The commission fee income model is used for the services of standard definition tuners (former SKY PerfecTV!/SD).

**SKY PerfecTV!**  
Premium Service  
(former SKY PerfecTV!/HD)

**SKY PerfecTV!**  
Premium Service HIKARI  
(former SKY PerfecTV!/Hikari)



\* Basic charges and original content viewing fees are included.



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**Corporate Communications & Investor Relations Div.**