

SKY Perfect JSAT Group Earning Results Briefing for 2Q/2014

October 30, 2014
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/2014

Summary of Income Statement

- Revenues was slightly down and Operating Income substantially increased from the same quarter of the previous year.

(units : ¥ millions)

	2Q/FY2013	2Q/FY2014	Comparison to 2Q/FY2013	Vs Full Year Forecast
Revenues	82,804	82,381	(0.5%)	50.4%
Operating Income	10,903	12,830	17.7%	71.3%
Ordinary Income	10,881	12,761	17.3%	72.9%
Net Income	6,527	10,056	54.1%	83.8%
EBITDA (*1)	23,797	25,212	5.9%	-

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

Indicators for Multichannel Pay TV Business (*)

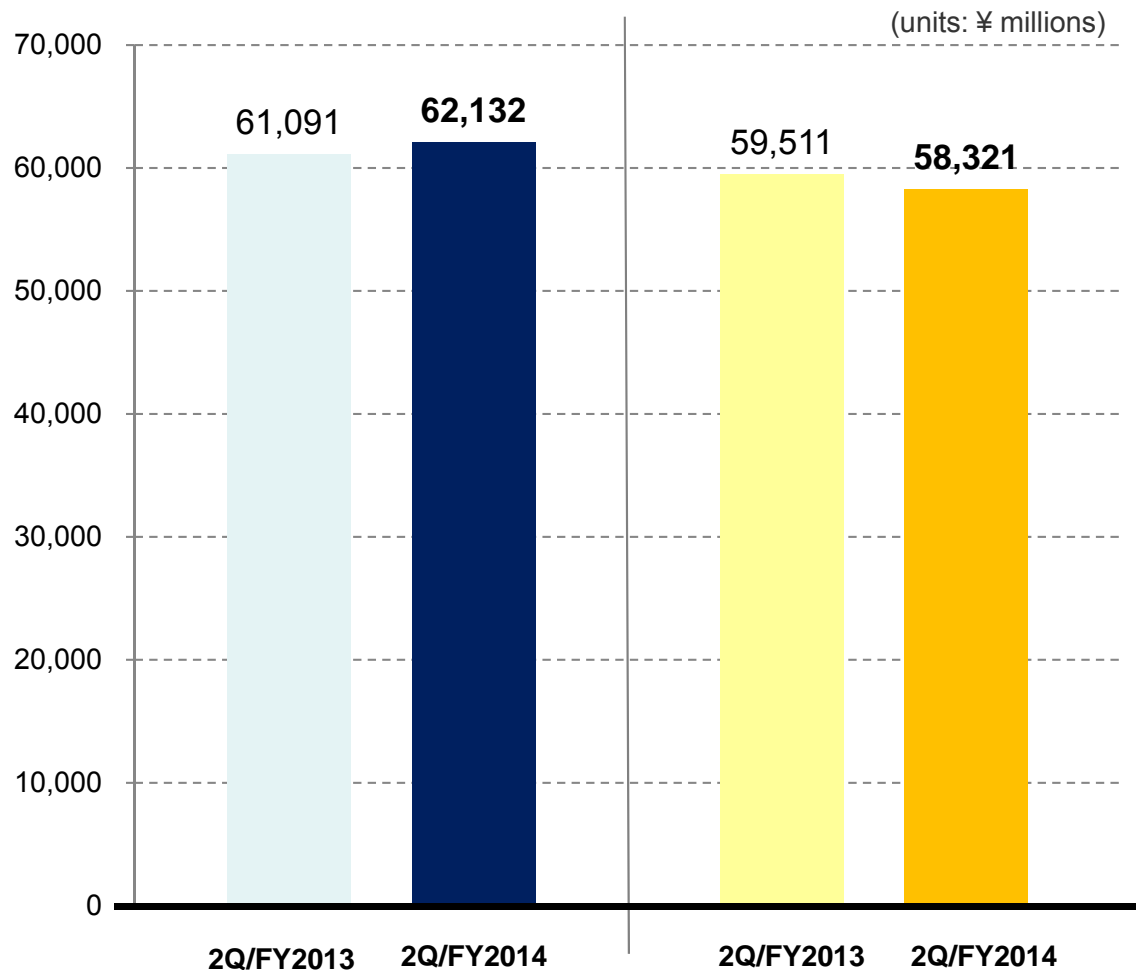
	2Q/FY2013	2Q/FY2014	FY2014 Target
Number of New Subscribers (units: thousands)	243	191	569
Net Increase in Subscribers (units: thousands)	(54)	(274)	(160)
Number of Cumulative Subscribers (units: thousands)	3,775	3,442	3,557
Average Monthly Subscribers Payment (units: yen)	3,194	3,311	-
ARPU (units: yen)	1,964	2,214	-
SAC (units: yen)	31,388	34,346	-

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

Detailed: Multichannel Pay TV Business

Revenues

Operating Expenses



Revenues +¥1.04B*

* Internal transactions between segments included.

- Increase in the income from subscription fees: +¥4.9B
- Decrease in the income from commission fees: (¥2.4B)
 - Commission from SKY PerfectTV!: +¥0.6B
 - Commission from SDTV: (¥2.5B)
 - Others: (¥0.4B)
- Decrease in the income from uplink fees: (¥0.6B)
- Decrease in the income from registration and basic fees: (¥0.6B)

Operating Expenses ▲¥1.19B*

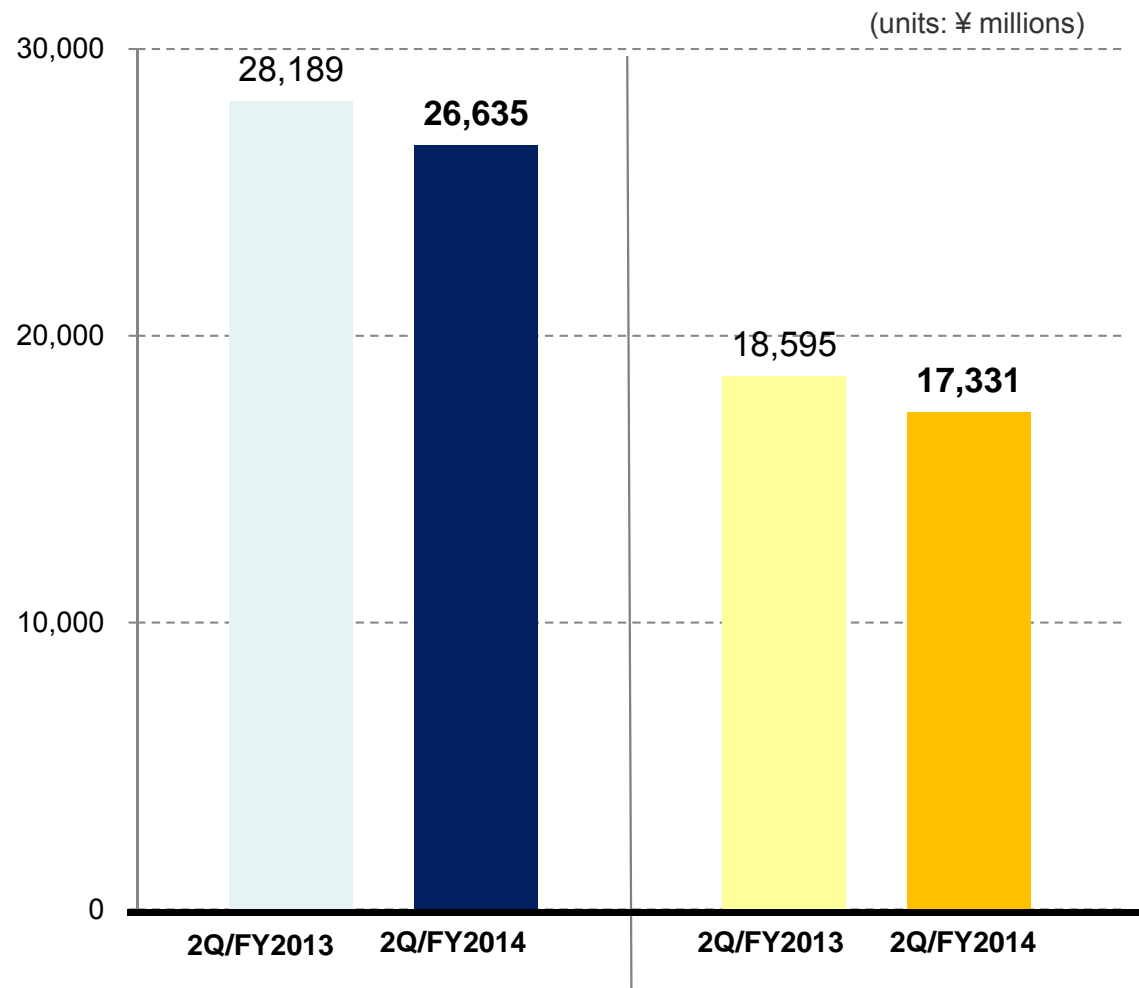
* Internal transactions between segments included.

- Increase in the HDTV-related program cost: +¥2.2B
- Decrease in the tuner purchase cost for accelerating HD migration: (¥1.2B)
- Decrease in the lease cost: (¥0.8B)

Detailed: Space & Satellite Business

Revenues

Operating Expenses



Revenues (¥1.55B)*

* Internal transactions between segments included.

- Increase in the income from overseas business: +¥0.7B
- Increase in the income from HD broadcasting transponders: +¥0.8B
- Decrease in the income from SD broadcasting transponders: (¥3.1B)

Operating Expenses (¥1.26B)*

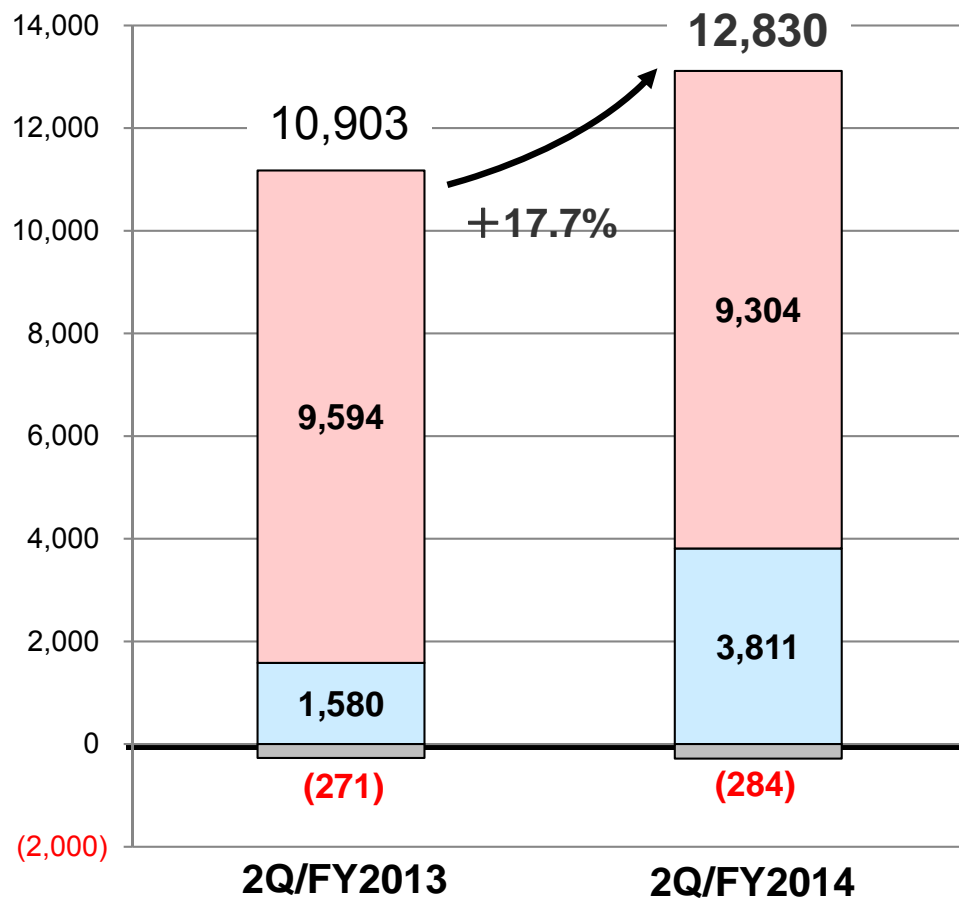
* Internal transactions between segments included.

- Decrease in the satellite depreciation cost: (¥0.7B)
- Decrease in the satellite life insurance cost: (¥0.1B)
- Decrease in the cost of internal transaction: (¥0.4B)

Profit Performances

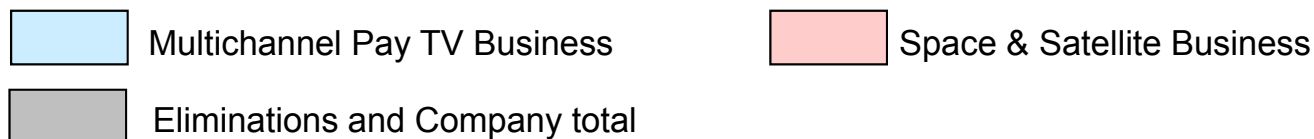
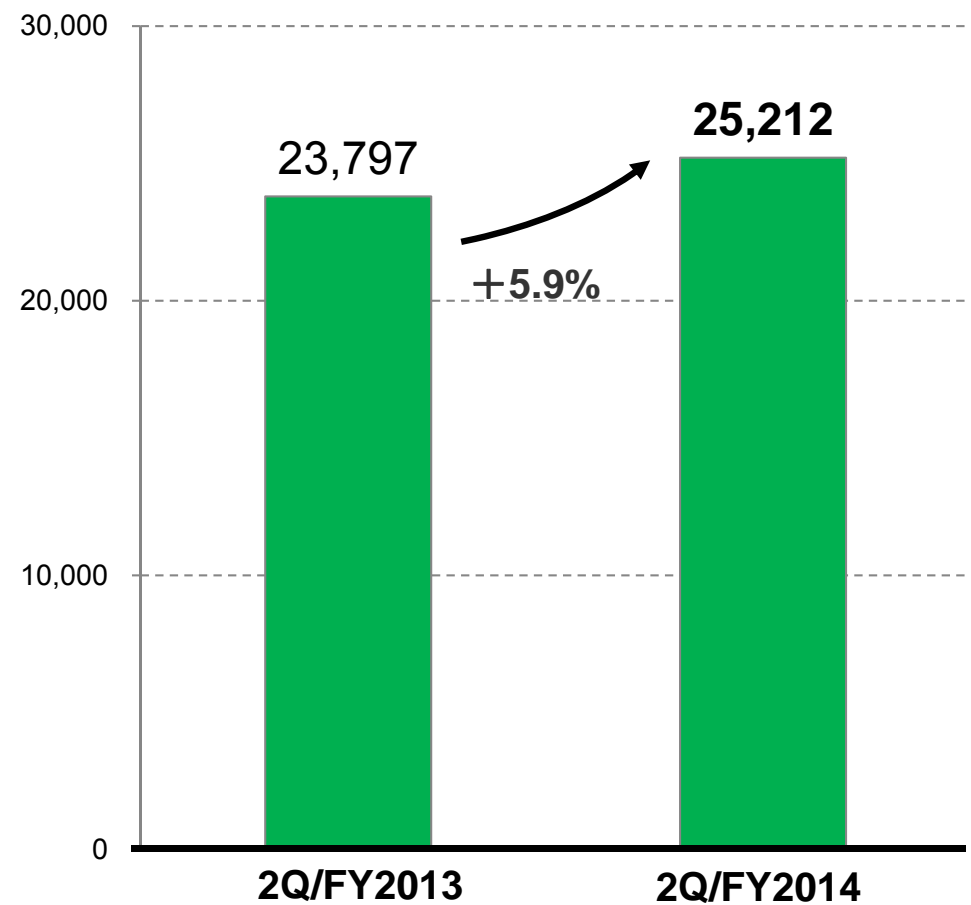
Consolidated OP

(units: ¥ millions)



EBITDA

(units: ¥ millions)



Future Initiatives

- Multichannel Pay TV Business -

Review of 1st-Half Performance

■ Summary

SKY PerfecTV!

The number of new subscribers has declined and the churn rate has improved compared with the figures of the same period last year. The net increase has been maintained.

**SKY PerfecTV!
Premium Service**

The discontinuation of MPEG2 broadcasting brought some 250,000 subscriber cancellations to process at the end of May, bringing a significant net decrease.

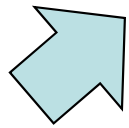
**SKY PerfecTV!
Premium Service HIKARI**

Net decrease margin has diminished. Processing of cancellations due to discontinuation of MPEG2 broadcasting the previous fiscal year caused a rise in subscriber cancellations.

■ Number of subscribers

Cumulative Total	Number of New Subscribers	Net Increase	Cumulative Total Subscribers
SKY PerfecTV!	165,583	19,068	2,074,640
SKY PerfecTV! Premium Service	21,086	—292,134	1,278,753
SKY PerfecTV! Premium Service HIKARI	4,739	—1,096	89,051
Total of the above three services	191,408	—274,160	3,442,444

■ Increase of ARPU

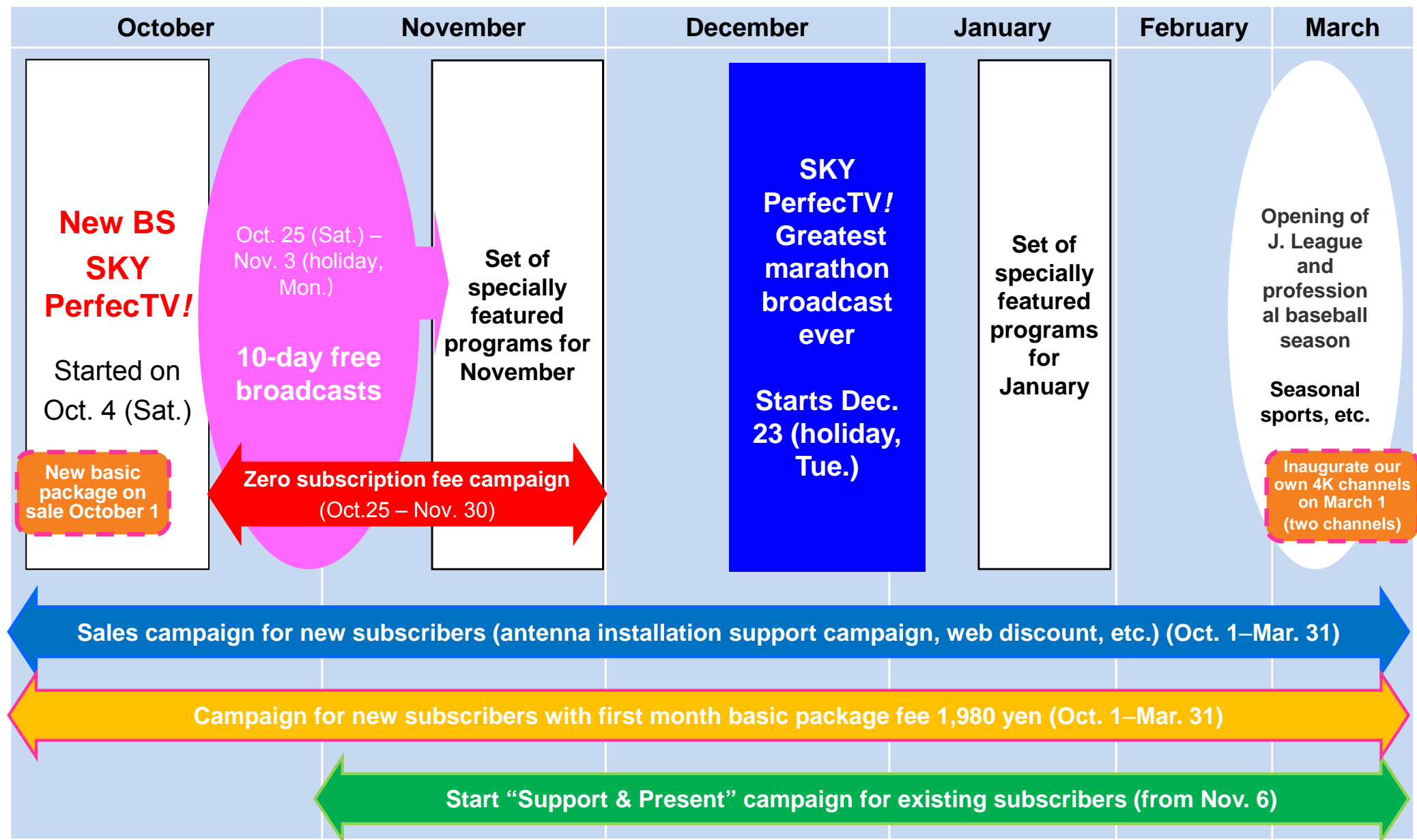
1st half of FY2013		1st half of FY2014
1,928 yen		2,214 yen
12.7% growth		

Main factors in ARPU increase

- Introduction of “Select 5” caused a decline in low ARPU single-channel subscribers as a percentage of new subscribers, and a rise in the percentage of subscribers to the Basic Package and other expensive products.
- Discontinuation of MPEG2 broadcasting caused subscribers who had been paying only the basic subscription fee to cancel their subscriptions.

Strategic Plans for 2nd Half of FY2014

- Take subscription-maximizing steps centered on 10-day free broadcasts, marathon broadcasts in the year-end to New Year season, and sports season openers



Renewal of BS SKY PerfecTV!

- Channel contents were renewed from Oct. 4 (Sat.) with improving line-up of original contents.
- Attractive programs including “Hamon” (Expulsion), etc., are broadcasting during “BS SKY PerfecTV! Golden Time” or from 21:00 to 23:00 every day.
- Original daily program “Zap!” shows specialized channels in our pay TV platform by switching quickly (zapping) to promote added subscriptions to pay channels.

BS SKY Perfec TV! Golden Time



151st Naoki Prize-winning work “Hamon” (Expulsion) chosen for serial drama (scheduled to broadcast in December)



Renewal of existing programs, too



Channel Nama-kaiten TV Zap!



Use original contents to expand the number of subscribers and promote channel subscriptions

Promotion of New Subscription for Premium Service

■ Conversion to HD in all channels completed in October

<Newly established Premium Service channels available from October>

- ☐ Regional horse racing channel Chiho Keiba Nine (starts in October)
- ☐ Dance Channel by Entermeitele (starts in October)



■ Built-in tuners supporting 4K Premium Services goes on sale from Toshiba and Sony in October

TOSHIBA



**4K ultra HD television
“Regza Z10X” (3 models)**



Remote control has a dedicated "SKY PerfecTV! Premium Service" button

SONY



**4K-compatible multi-media
player “FMP-X7”**

SHARP



4K-compatible recorder
“TU-UD1000”
* On sale June 2014

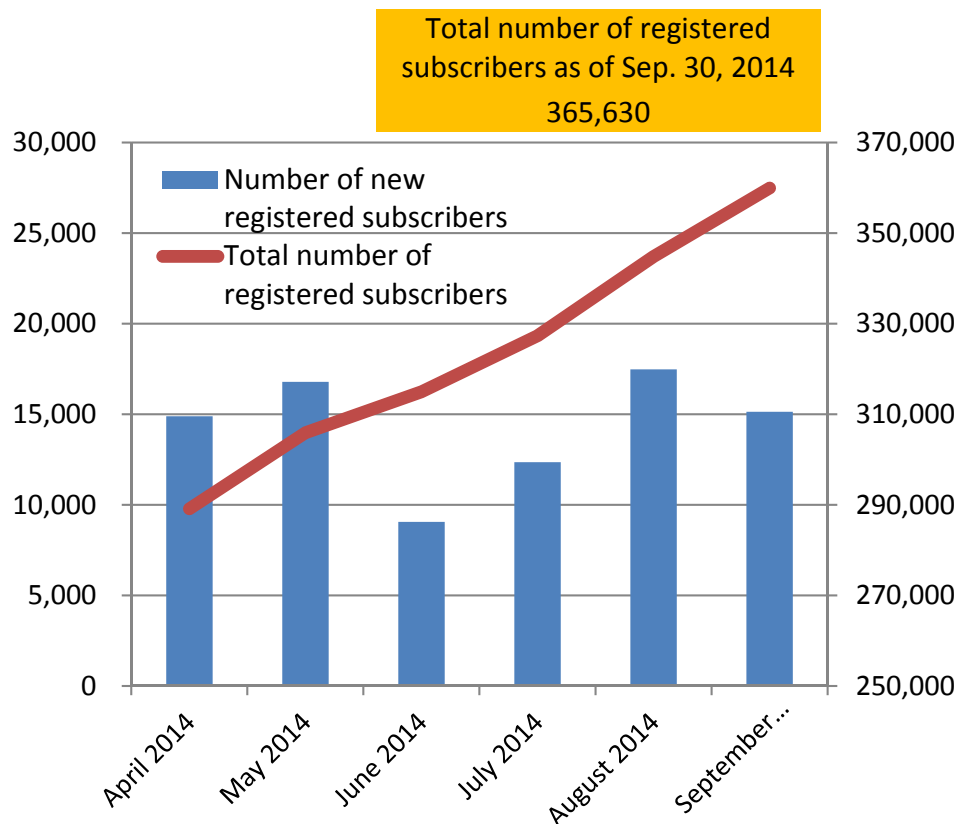
■ Next spring, two commercial 4K channels simultaneously start operation

- | | | |
|---|---|--------------------|
| <input type="checkbox"/> Scheduled start of service: | SKY PerfecTV! Premium Service | from March 1, 2015 |
| | SKY PerfecTV! Premium Service HIKARI | After April, 2015 |
| <input type="checkbox"/> Number of channels: | Two channels *With NexTV-F “Channel 4K,” 3 channels in total. | |
| <input type="checkbox"/> Scheduled broadcast content: | Sports (featured on J. League), movies, live music, etc. | |

Progress on SKY PerfecTV! On Demand

- Number of registered SKY PerfecTV! On Demand subscribers sets record for steady growth since start of service
- Number of available channels exceeds 60
- Dedicated channel apps are being added and steps taken to further differentiate SKY PerfecTV! by broadcast-linked services

Number of SKY PerfecTV! On Demand registered subscribers



More dedicated channel apps keep coming out: Original BS SKY PerfecTV! programs also see exclusive On Demand distribution

AXN Plus for SKY PerfecTV! (from Sept. 1)



AXN Mystery for SKY PerfecTV! (from Sept. 1)



Imagica BS for SKY PerfecTV! (from Sept. 1)



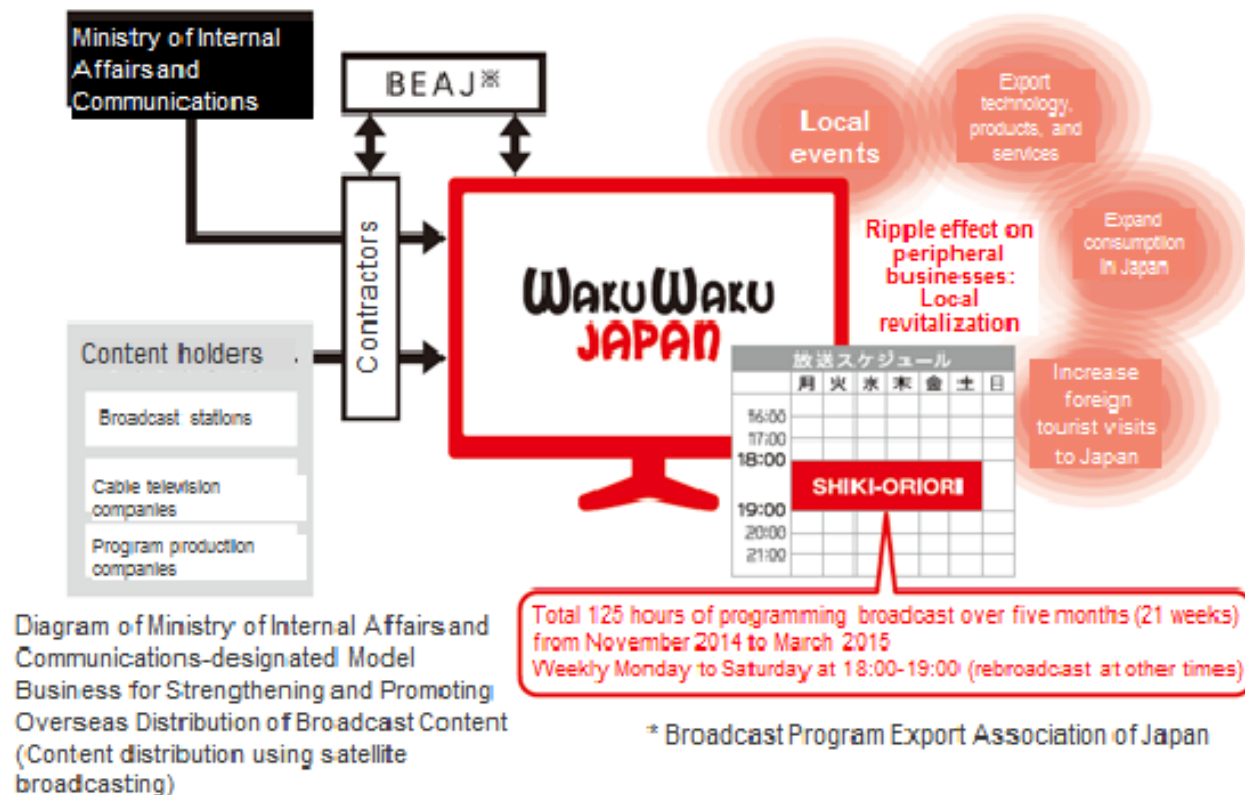
Original content also being distributed

- “Yami no Kariudo” (Hunter in the Dark Parts 1 and 2 will be distributed from the next day for viewers who missed the broadcast on the dedicated channel for samurai dramas Jidai-geki Senmon Channel



Progress on WAKUWAKU JAPAN -1-

- Designated a Ministry of Internal Affairs and Communications Model Business for Strengthening and Promoting Overseas Distribution of Broadcast Contents
 - Ministry of Internal Affairs and Communications supplementary budget project aiming to attract overseas tourists and revitalize local economies by means of Japan programs/contents.
 - WAKUWAKU JAPAN was selected as an optimal medium for disseminating information, and it will broadcast the program “Shiki Oriori”(Seasons and Occasions) introducing attractions around Japan to other countries.



Progress on WAKUWAKU JAPAN -2-

■ Second TV audience viewership survey held in July.

→Animation programs and Live action programs popular

Contact ratio by genre

	Average household contact ratio	Average individual contact ratio
Animation/ Live action	9.5%	5.4%
Cultural program	6.8%	4.0%
Drama	6.4%	3.6%
Music	6.1%	4.3%

<Details of the survey>

○Survey area: Jakarta, Indonesia

○Survey target: 888 persons aged 10 to 49 from 220 households with access to WAKUWAKU JAPAN extracted by quota sampling

○Survey method: Visit and placement method, diary method

○Period: July 7, 2014 – July 20, 2014

○Controlled by Video Research Ltd.

■ New Contents (from October)

【Drama】

: Latest drama “Hunter in the dark” (from November)

Produced with Nihon Eiga Satellite Broadcasting Corp

【Animation】

: “Chibi Maruko-chan” (from November)

【Sports】

: Japan vs. Brazil international friendly soccer match live broadcast
(in October)

【Music】

: Original music chart information program “Music Japan TV”
(from November)

■ Judgments on Civil Suits Relating to Unauthorized Viewing

A defendant found guilty of selling falsified B-CAS cards over the Internet was sued for damages, and the judgment of the first instance in May ordered full payment of 325,909,127 yen in compensation.

■ Import Suspension Petitions of Illegal Decoding B-CAS Cards

B-CAS* and pay-TV broadcasters filed a joint petition to suspend import of unauthorized B-CAS cards, the petition was accepted by the Tokyo Customs Office in August, and these items were added to the list of items for confiscation and other strict regulation by customs offices nationwide.

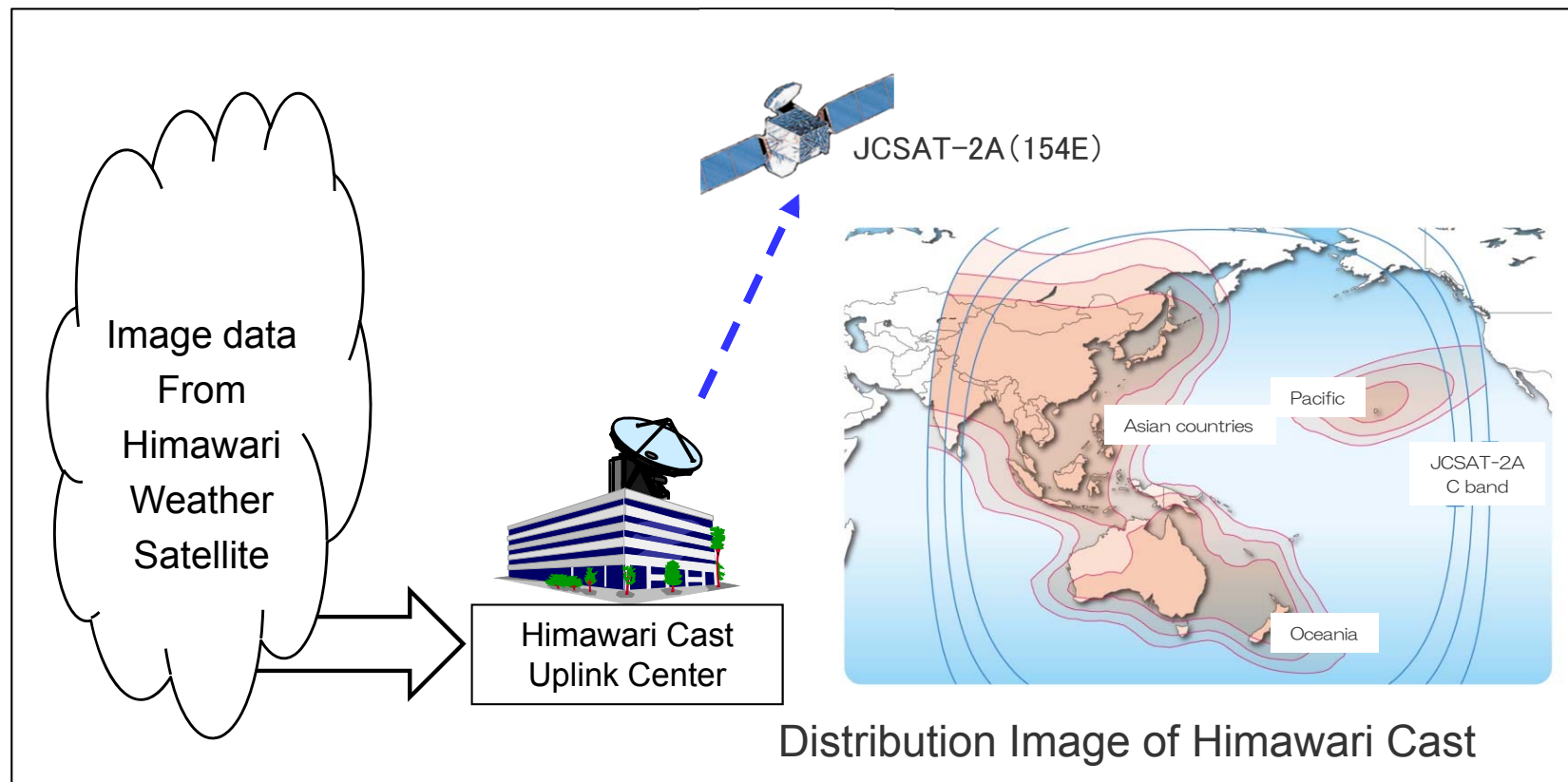
* BS Conditional Access Systems Co., Ltd

Future Initiatives

—Space and Satellite Business —

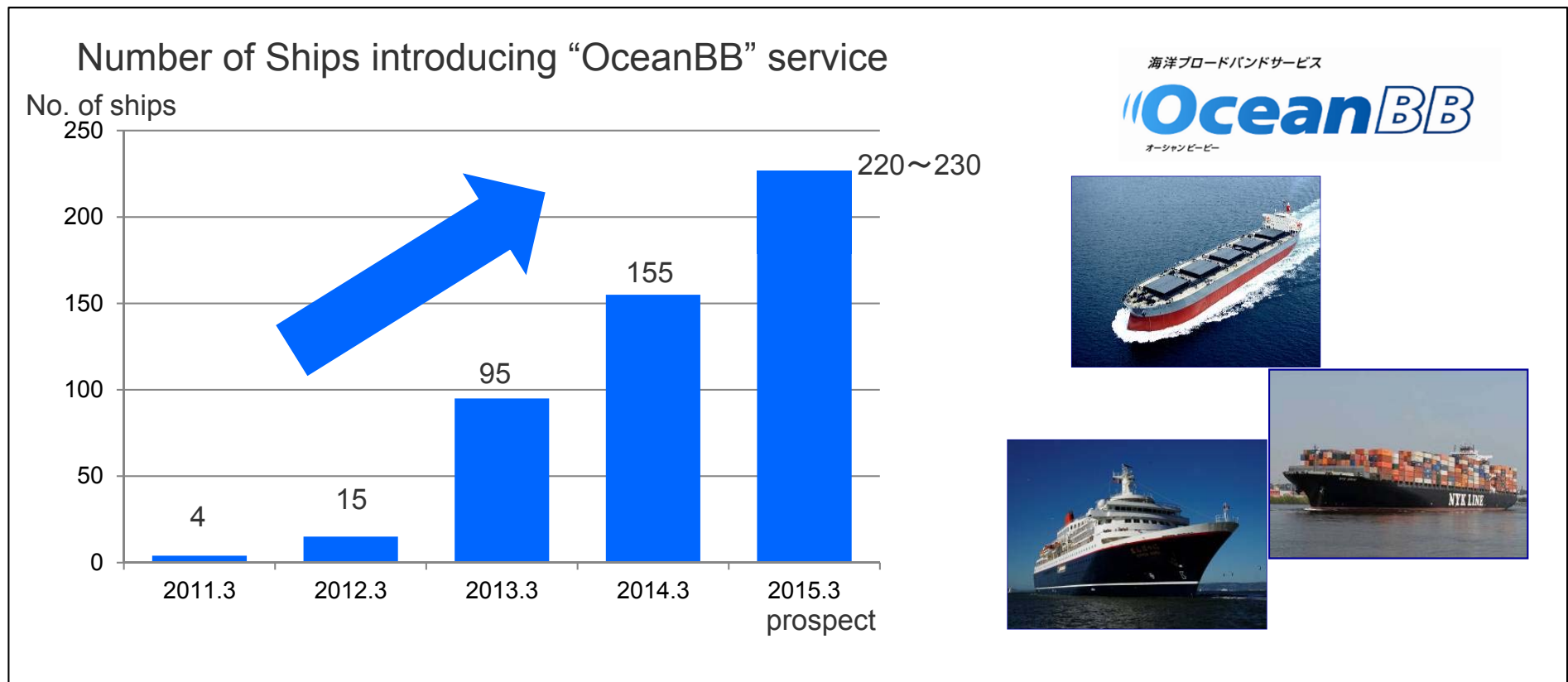
Sales/Marketing in Domestic Market

- Demand expanding from power companies as backup circuits between key locations
- JCSAT-2A (154E) satellite was selected for “Himawari Cast” that distributes weather image data from Himawari Weather Satellite to various Asian government agencies (available in January 2015)



Sales/Marketing in Global/Mobile Market

- Sales for DTH and mobile backhaul in Indonesia are steady.
- Sales of “OceanBB” maritime broadband service for Japan’s three major shipping companies and mid-tier shipping lines are expanding.



Strategy for the Demand for Satellites

■ JCSAT-15 and JCSAT-16 launch service contracts signed

- JCSAT-15: Contracted with Arianespace, will be launched on Ariane 5
Will serve as the successor to N-SAT-110 satellite for our SKY PerfectTV! Service
- JCSAT-16: Contracted with SpaceX, will be launched on Falcon 9
Will be an in-orbit back-up satellite with carrying Ku-band and Ka-band



JCSAT-15: Signed with Mr. Israel, CEO of Arianespace



JCSAT-16: Signed with Ms. Shotwell, COO of Space-X

Future Satellite Launch Plans (Scheduled)

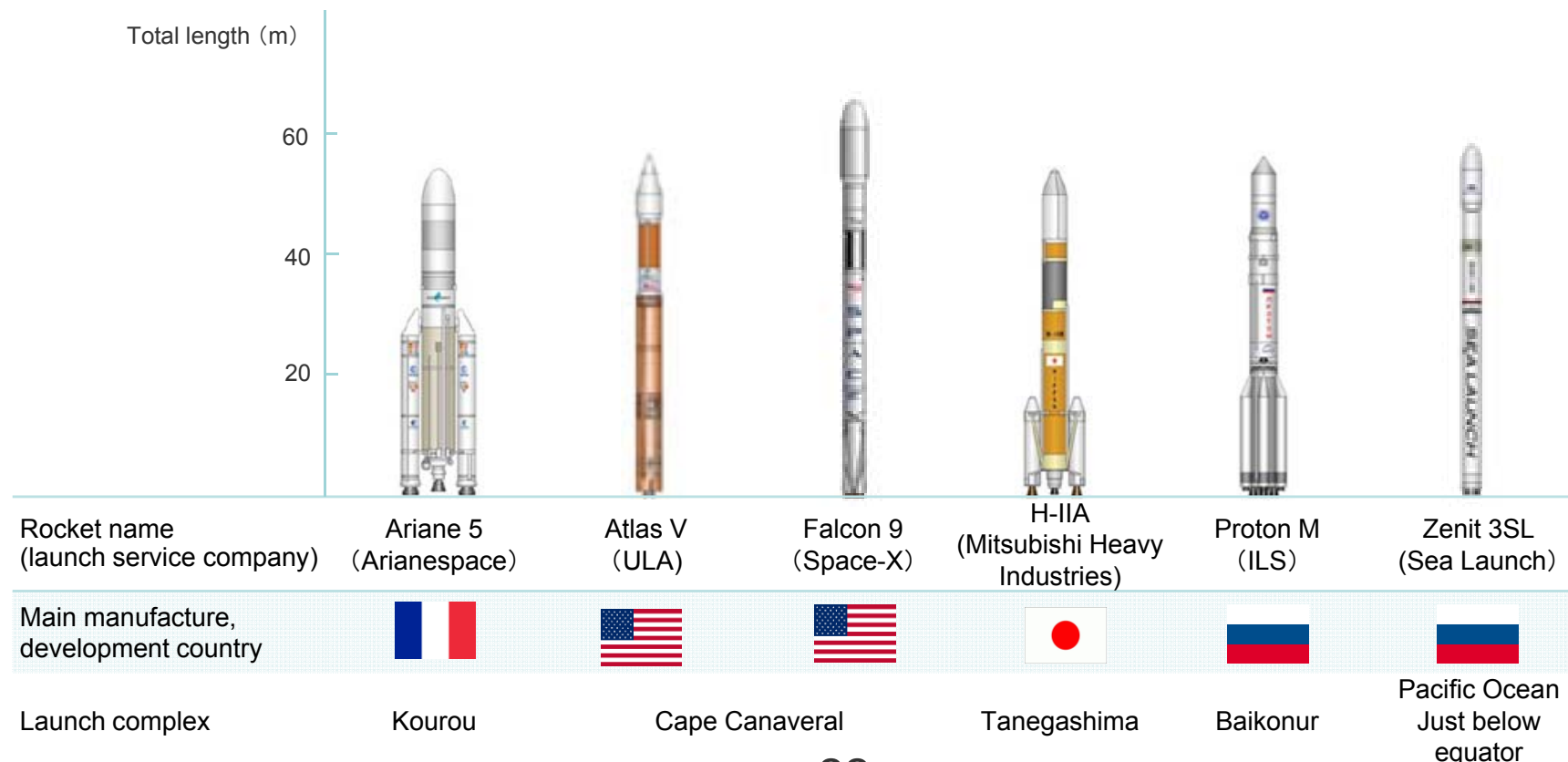
▪ JCSAT-14 (JCSAT-2A (154E) successor)	Falcon 9	1st half FY2015
▪ Superbird-8 (Superbird-B2 (162E) successor)	Ariane 5	2nd half FY2015
▪ JCSAT-15(N-SAT-110(110E) successor)	Ariane 5	1st half FY2016
▪ JCSAT-16 (in-orbit back-up satellite)	Falcon 9	1st half FY2016

Satellite Launch Services

- About 80 launches a year, some 20% of them commercial satellites
- Launching is the highest-risk event in the satellite business

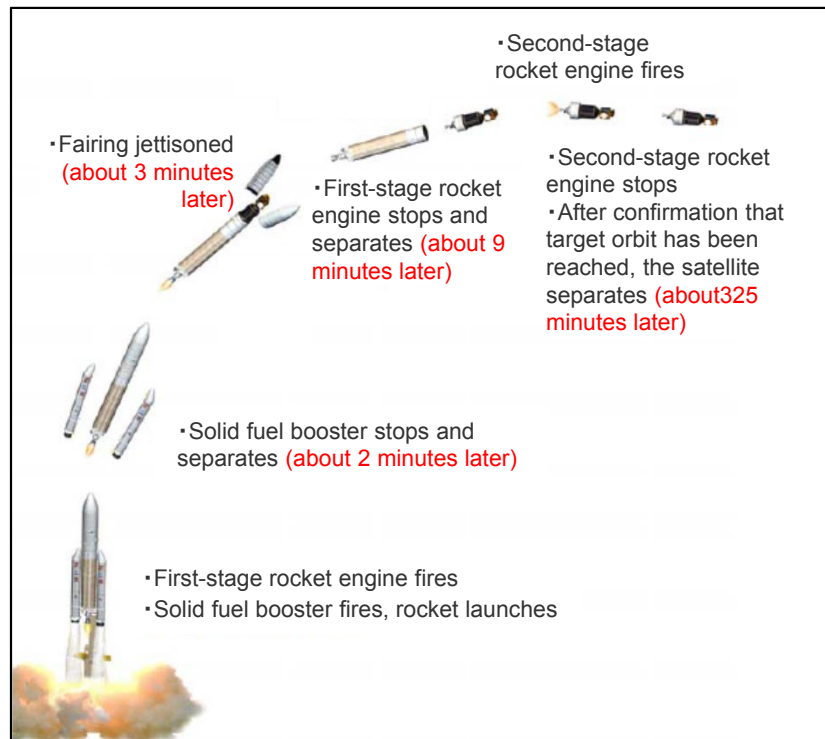
Various factors taken into account for each satellite and launch service choice, including reliability, performance, delivery, record of results in orbit, procurement price, etc.

Representative Commercial Rockets

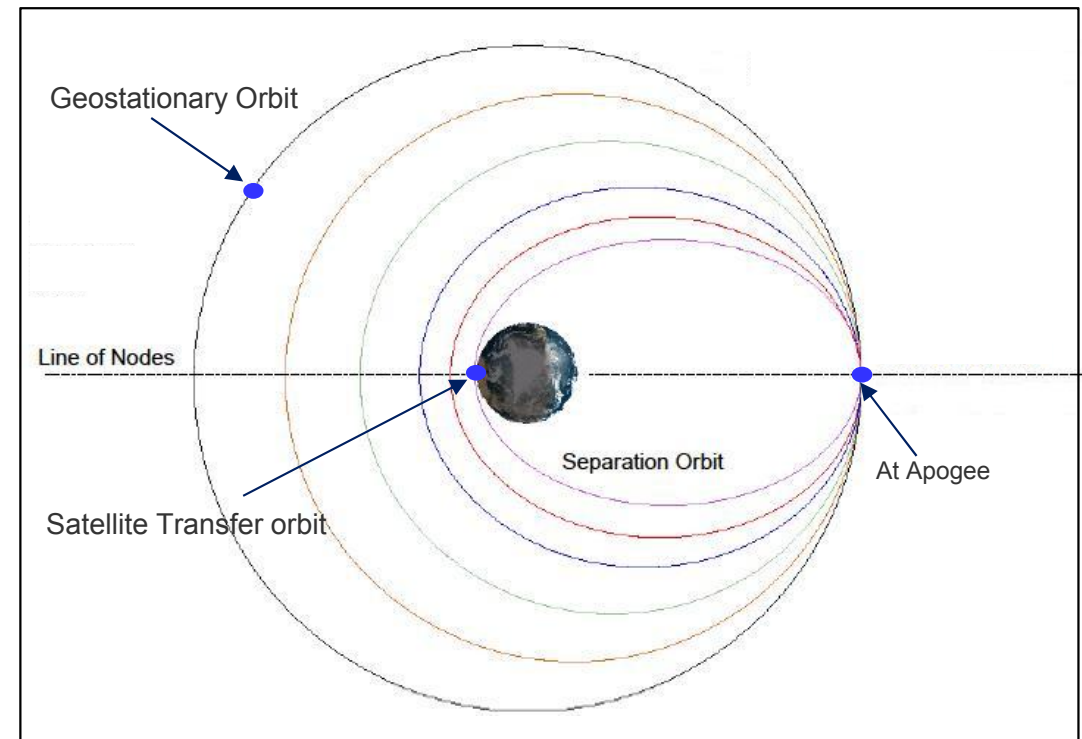


Example of Insertion into Geostationary Orbit (Ariane 5)

- Some 30 minutes after igniting first stage rocket engine, a satellite is inserted into the transfer orbit between the perigee with an altitude of around 250 kilometers and the apogee of 36,000km above sea level.
- At apogee, the satellite's engine is fired several times, increasing its velocity, and the satellite is inserted into a circular orbit (geostationary orbit) in 1 to 2 weeks.
- After around 2 months, orbital verification tests are conducted and operation begins.



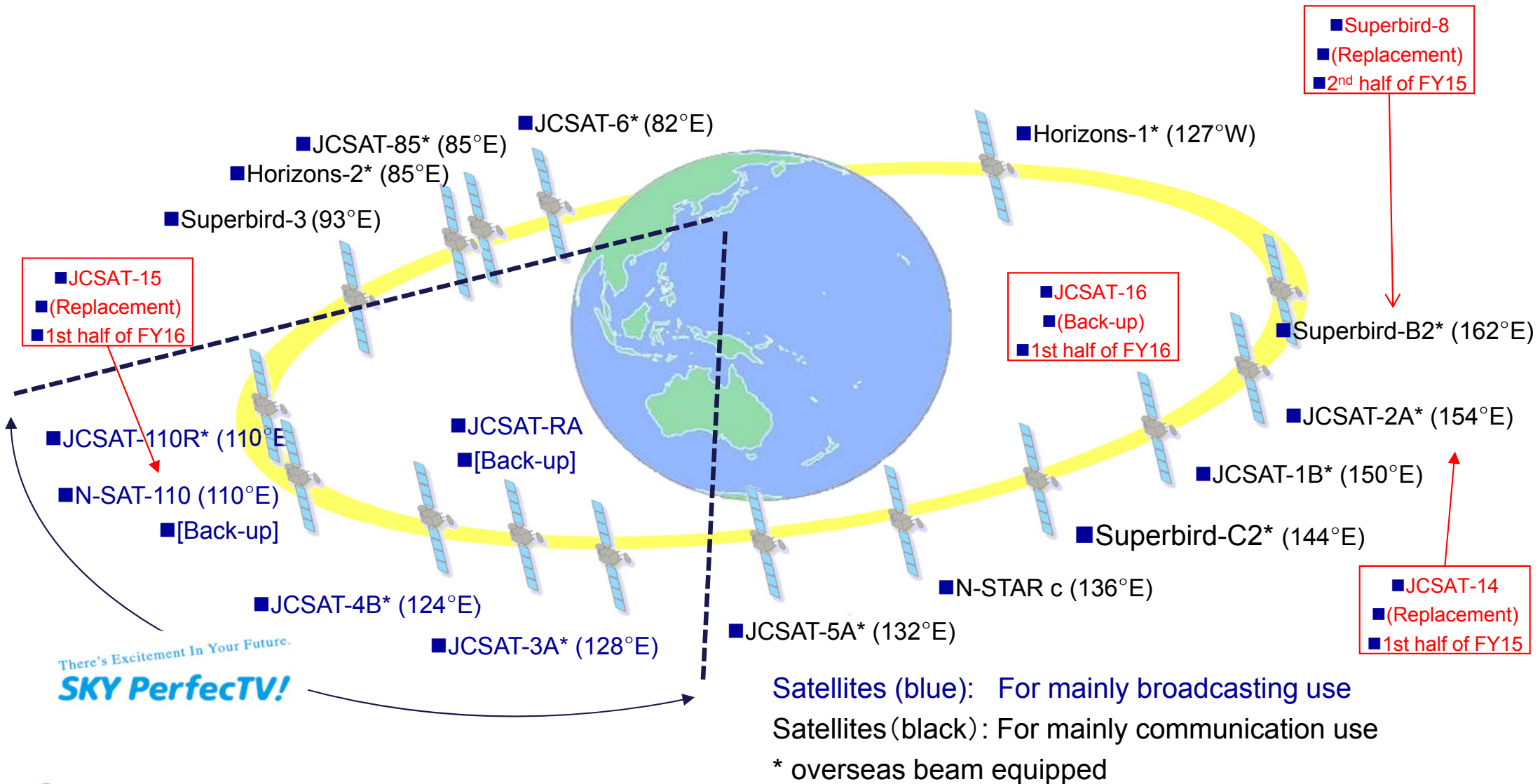
Rocket Launching Sequence



Satellite Transfer Orbit

Satellites Fleet Updated

- 16 satellites in total cover from the Indian Ocean through North America.
- 4 satellites are newly manufactured for replacements/back-up.

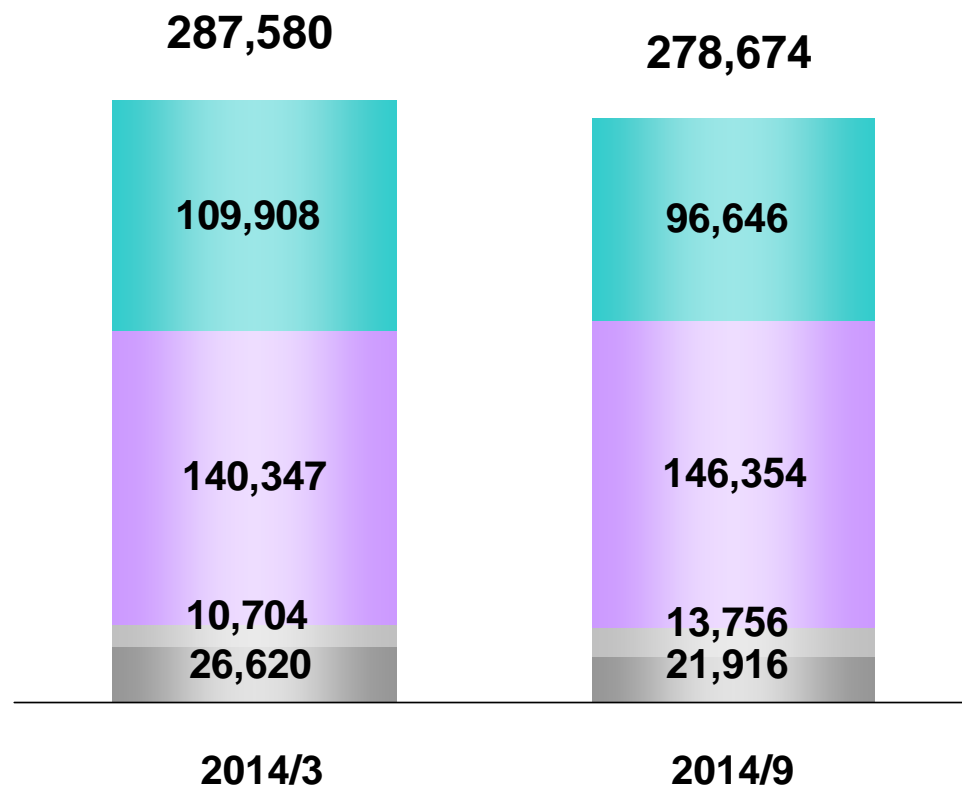


(References)

Consolidated Balance Sheets

Assets

(units : ¥ millions)

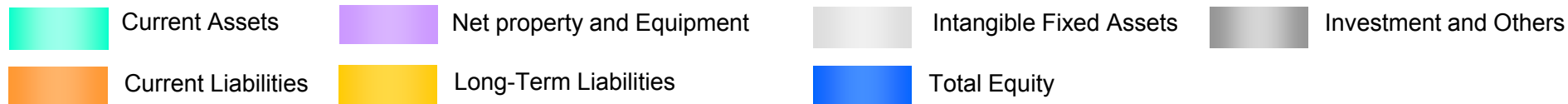
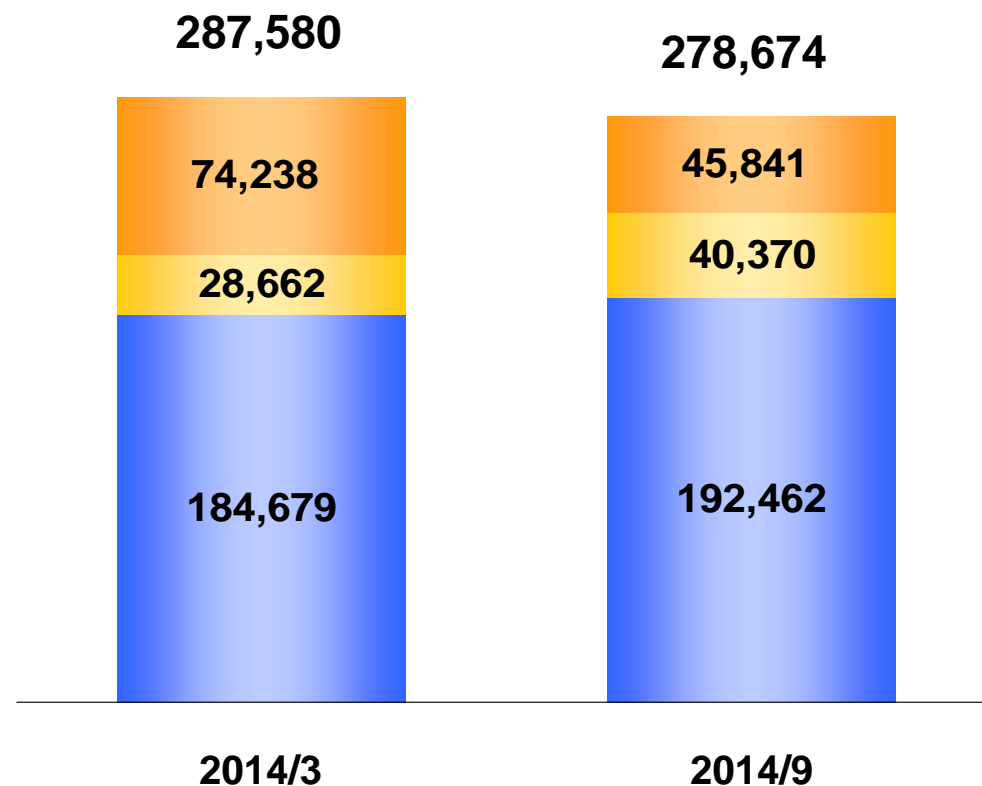


Liabilities and Equity

(units : ¥ millions)

Equity Ratio : 64.1%

Equity Ratio : 69.0%



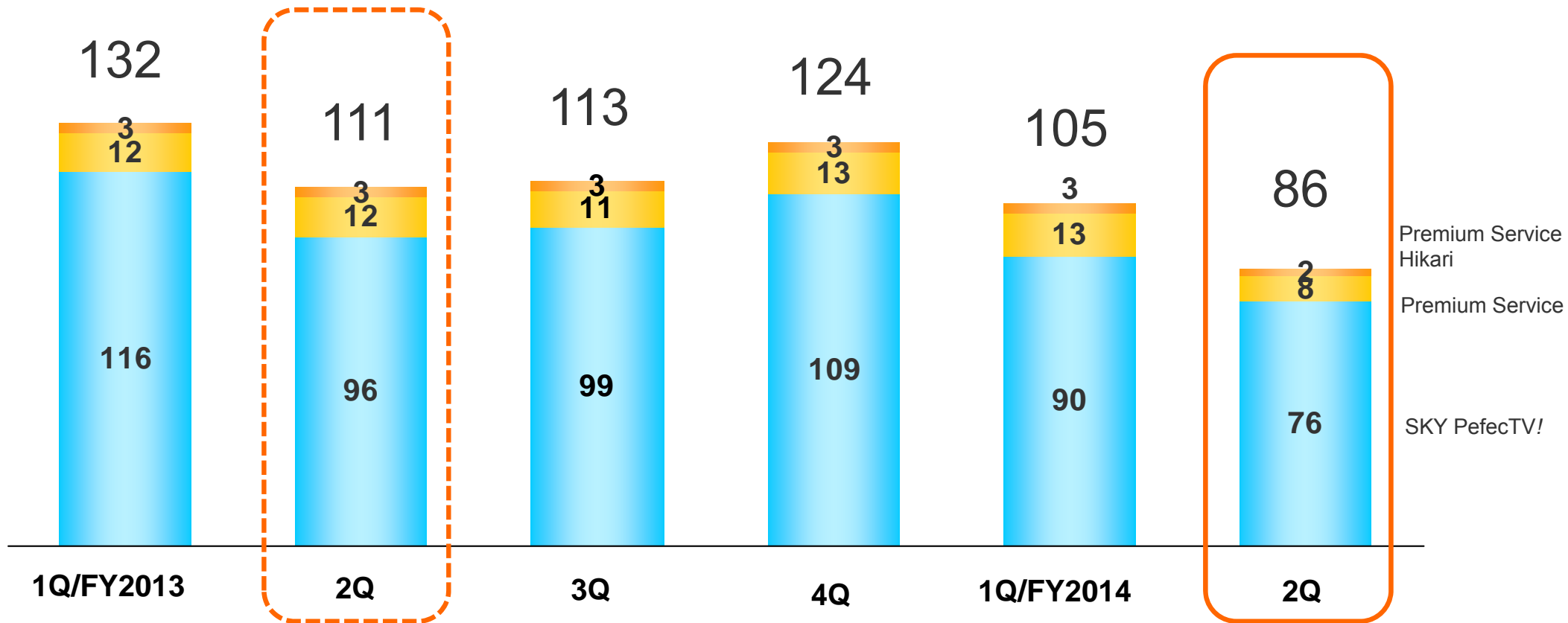
Consolidated Cash Flows

(units ; ¥ millions)

	2Q/FY2013	2Q/FY2014
Net Cash from Operating Activities	20,760	11,365
Net Cash from Investing Activities	△6,221	△13,212
Free Cash Flows	14,538	△1,846
Net Cash from Financing Activities	△2,871	△11,545
Cash and Cash Equivalent at Term-end (a)	86,392	50,334
Term-end balance of interest-bearing debt (b)	50,740	36,827
Term-end balance of net interest-bearing debt (b)－(a)	△35,651	△13,506

Number of New Subscribers

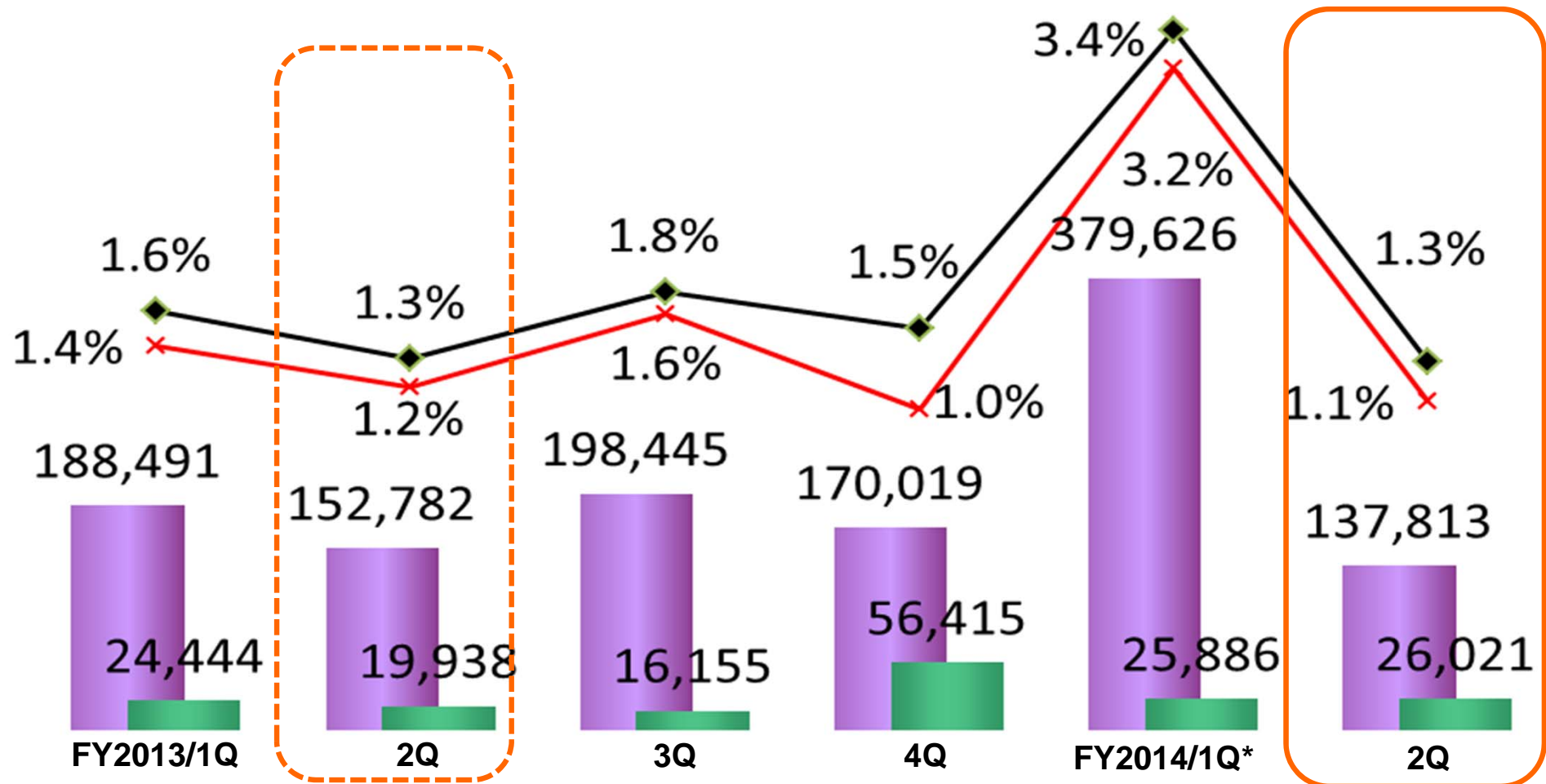
(units : thousands)



Average Monthly Churn Rate

— Average Monthly Churn Rate
— Substantial Churn Rate without re-subscribers
■ Number of Churn
■ Number of re-registered subscribers

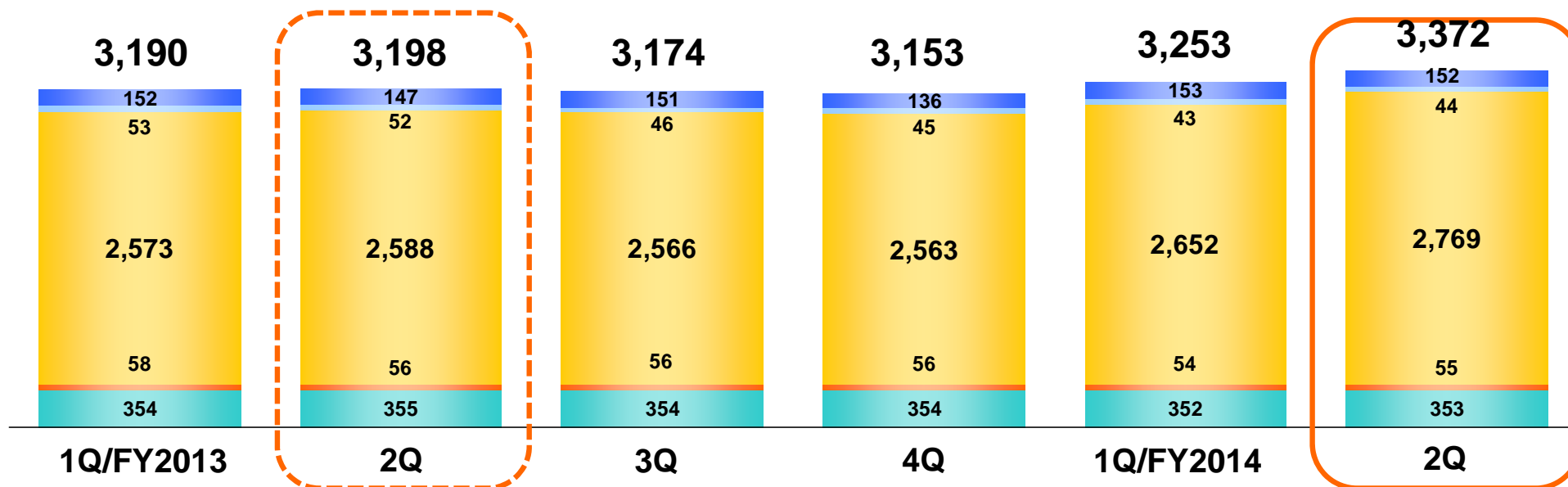
Note: Churn rate is total rate of all SKY PerfectTV! Services.



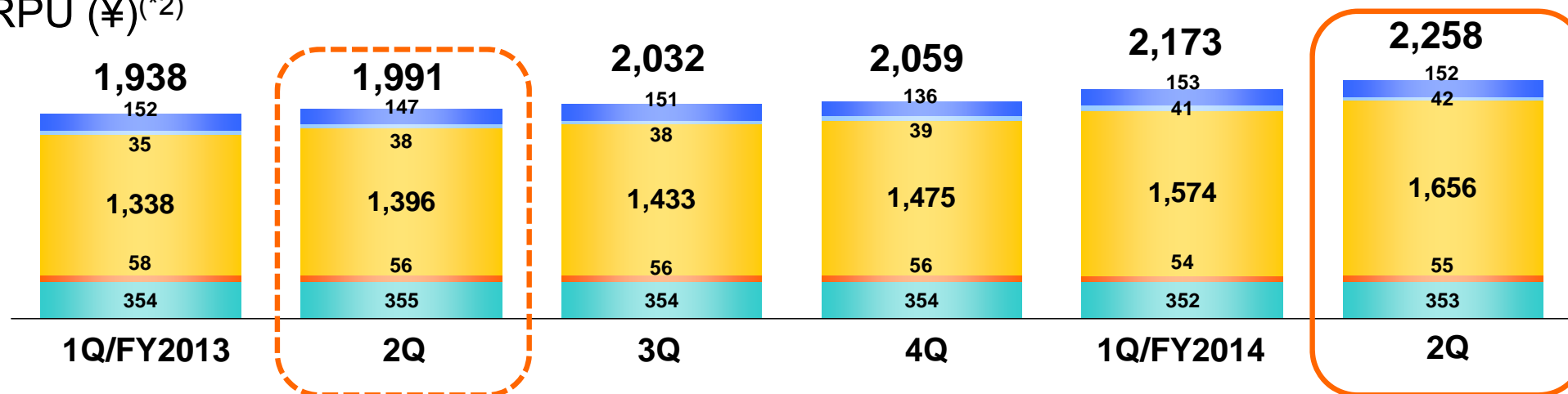
* Churn rate substantially increased in FY2014/1Q compared to the previous quarter because of termination of SD broadcasting at the end of May 2014.

ARPU

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



■ ARPU (¥)^(*2)



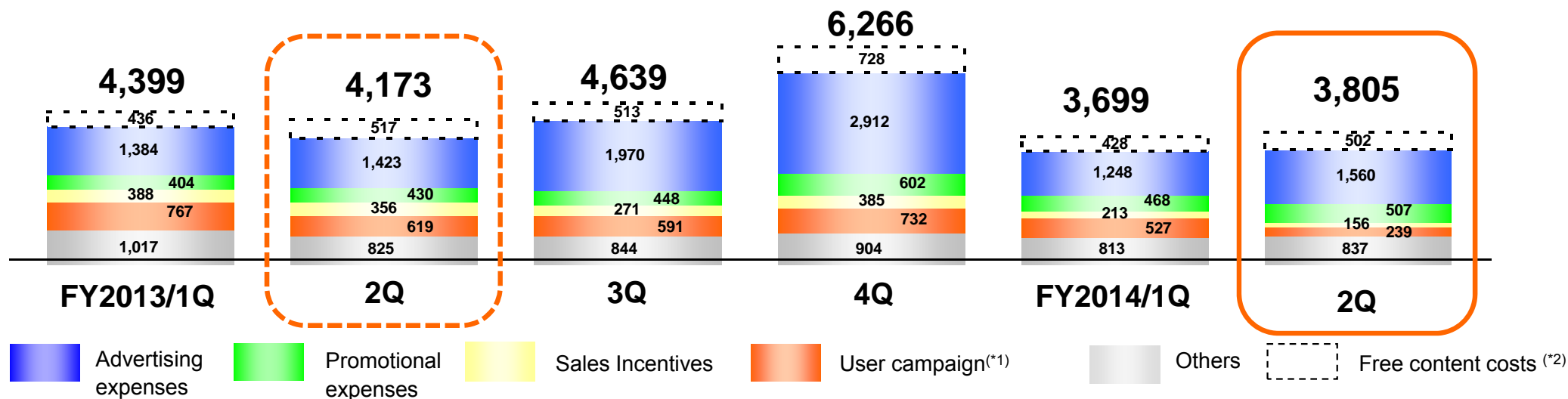
Basic fee
 Rental fee
 Monthly subscription fee
 PPV subscription fee
 Revenues from SKY Perfect's own content

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

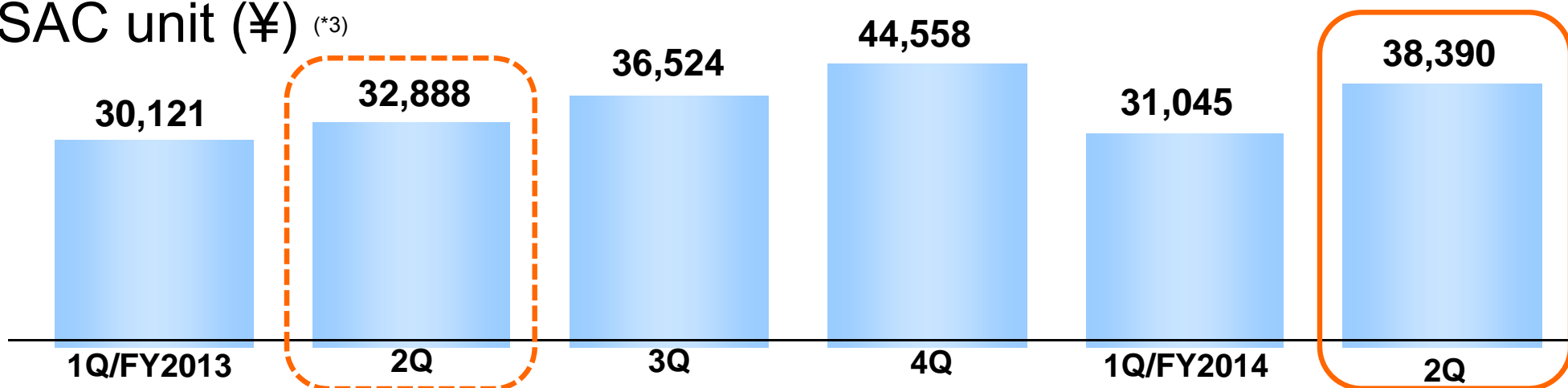
*2. Revenues of our corporate group in the unit price of monthly viewing fees, etc. paid by subscribers

Subscribers Acquisition Cost (SAC)

■ SAC total (¥ million)



■ SAC unit (¥) ^(*)



*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	Mobile Satellite Communications
% of Equity held by Holdings		100	100	100	100	92	100	53.3
Revenues	FY2013/2Q	62,399	3,921	28,302	5,553	2,081	1,296	830
	FY2014/2Q	64,332	3,741	33,762	-	1,877	1,293	1,145
Operating Income	FY2013/2Q	10,450	△268	503	195	241	624	94
	FY2014/2Q	11,883	312	788	-	135	599	89
Ordinary Income	FY2013/2Q	10,650	△266	505	185	232	633	104
	FY2014/2Q	11,954	314	790	-	128	604	96

SJC: SKY Perfect JSAT Corporation

SPBC: SKY Perfect Broadcasting Corporation

SNET: Satellite Network, Inc.

SPCC: SKY Perfect Customer-relations Corporation

OPTI: OptiCast Inc. (* OPTI was merged into SJC on April 1, 2014)

JII: JSAT International Inc.

JMC: JSAT MOBILE Communications Inc.

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