

# SKY Perfect JSAT Group

## Earning Results Briefing for 3Q/FY2016

February 2, 2017

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 3Q/FY2016

# Summary of Income Statements

- Revenue and Operating Income decreased compared with the same period of the previous fiscal year.

(unit: ¥ millions)

	3Q/ FY2015 *2	3Q/ FY2016 *2	Comparison to 3Q/FY2015	vs Full-Year Forecast	FY2016 Full-Year Forecast
Revenue	123,466	<b>118,124</b>	(4.3%)	60.6%	195,000
Operating Income	18,560	<b>15,530</b>	(16.3%)	74.0%	21,000
Ordinary Income	18,554	<b>15,870</b>	(14.5%)	77.4%	20,500
Profit attributable to owners of parent	12,134	<b>10,283</b>	(15.3%)	79.1%	13,000
EBITDA *1	35,928	<b>32,507</b>	(9.5%)	73.5%	44,200

\*1. EBITDA is calculated as net profit + tax expense + depreciation expense + amortization of goodwill + interest expense.

\*2: 3Q values are cumulative 1Q, 2Q and 3Q.

# Summary of Income Statements by Business Segment (FY2015 1Q ~FY2016 3Q)

- Multichannel Pay TV Business : Revenue and Operating Income decreased from the same quarter of the previous fiscal year.
- Space&Satellite Business: Revenue and Operating Income decreased from the same quarter of the previous fiscal year.

(unit: ¥ millions)	FY2015					FY2016		
	1Q	2Q	3Q	4Q	Full year	1Q	2Q	3Q
Revenue	41,122	40,633	41,710	39,438	162,905	<b>39,707</b>	<b>39,610</b>	<b>38,806</b>
Multichannel Pay TV Business	30,904	30,636	29,690	29,184	120,415	<b>30,095</b>	<b>29,882</b>	<b>29,130</b>
Space & Satellite Business	13,320	13,098	14,992	13,187	54,599	<b>12,626</b>	<b>12,718</b>	<b>12,580</b>
Consolidated Eliminations	(3,102)	(3,101)	(2,972)	(2,932)	(12,109)	<b>(3,013)</b>	<b>(2,990)</b>	<b>(2,905)</b>
Operating Income	5,855	5,015	7,689	5,650	24,210	<b>6,266</b>	<b>4,795</b>	<b>4,468</b>
Multichannel Pay TV Business	1,307	772	3,087	1,074	6,241	<b>1,861</b>	<b>1,023</b>	<b>1,135</b>
Space & Satellite Business	4,714	4,407	4,752	4,738	18,611	<b>4,585</b>	<b>3,937</b>	<b>3,488</b>
Consolidated Eliminations	(166)	(164)	(150)	(162)	(643)	<b>(180)</b>	<b>(165)</b>	<b>(155)</b>

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

	FY2015/3Q (cumulative)	<b>FY2016/3Q (cumulative)</b>	FY2016 Full- Year Forecast
Number of New Subscribers (unit: thousands)	321	<b>260</b>	430
Net Increase in Subscribers (unit: thousands)	(32)	<b>(134)</b>	20
Number of Cumulative Subscribers (unit: thousands)	3,430	<b>3,348</b>	3,502
Average Monthly Subscriber Payment (unit: JPY)	3,356	<b>3,317</b>	-
ARPU (unit: JPY)	2,209	<b>2,153</b>	-
SAC (unit: JPY)	33,411	<b>39,722</b>	-

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

\*\* 3Q values are cumulative 1Q , 2Q and 3Q

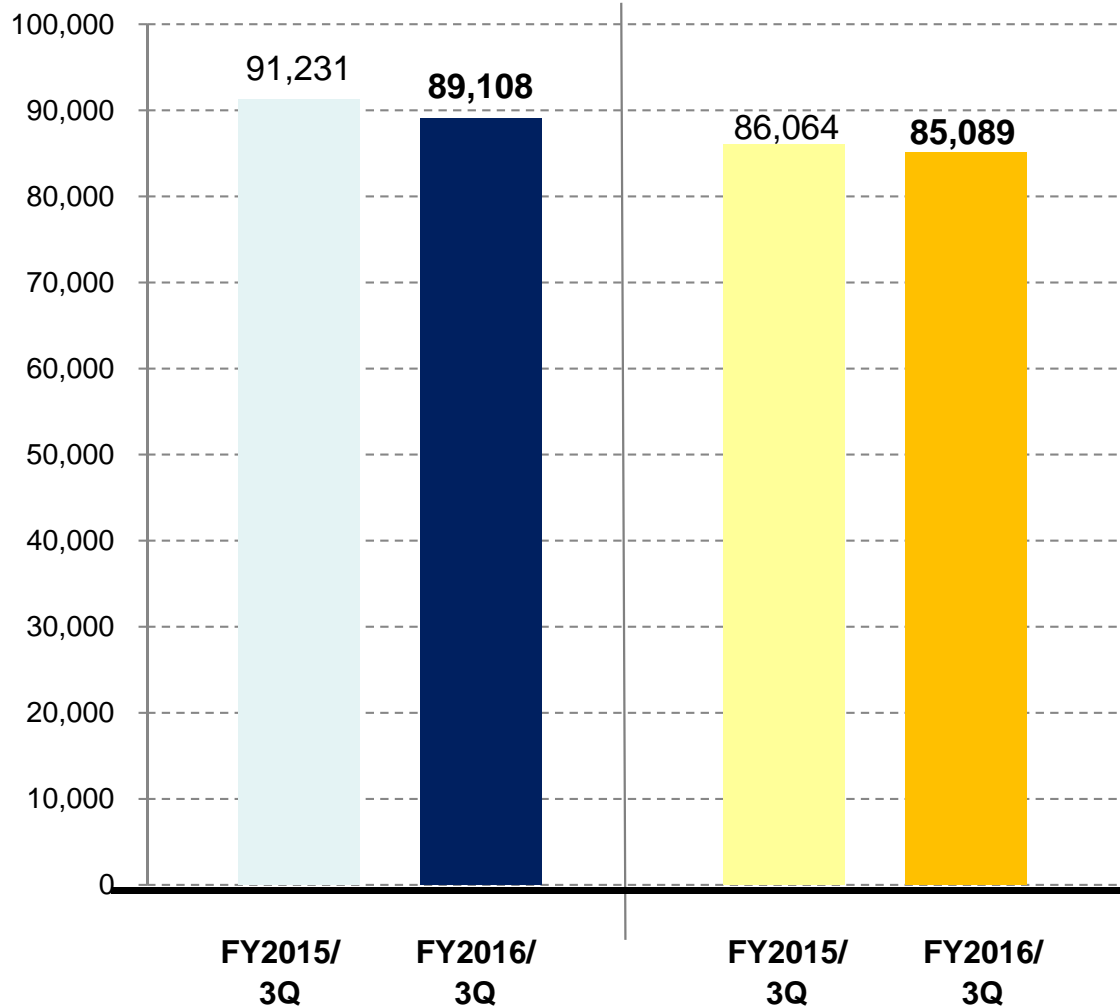
# Detailed: Multichannel Pay TV Business (Comparison with 3Q/FY2015)

3Q values are cumulative 1Q, 2Q and 3Q

(Unit: ¥ millions)

## Revenues

## Operating Expenses



Revenue ¥ -2.12B\*

\* Internal transactions between segments included.

### <Main increases or decreases>

- Increase in SKY PerfectTV! business consignment income : ¥ +0.6B
- Decrease in income from Premium service subscription fee : ¥ -2.0B
- Others : ¥ -0.7B

Operating Expenses ¥ -0.98B\*

\* Internal transactions between segments included.

### <Main increases or decreases>

- Decrease in programming expense: ¥ -0.9B
- Decrease in advertising expense: ¥ -0.3B
- Decrease in depreciation expense: ¥ -0.3B
- Increase in contents procurement: +¥0.7B
- Decrease in other expense : ¥ -0.2B

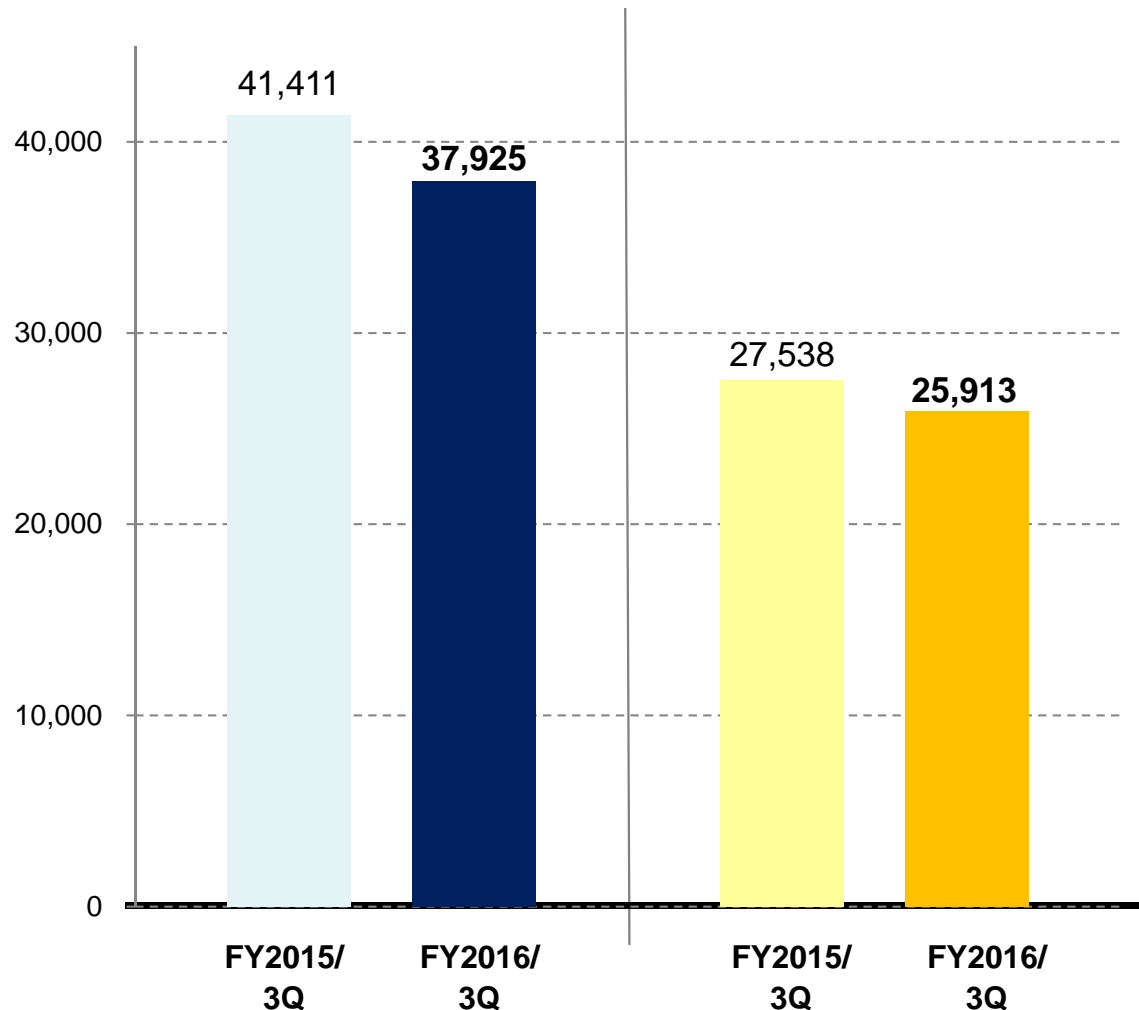
# Detailed: Space & Satellite Business (Comparison with 3Q/FY2015)

3Q values are cumulative 1Q, 2Q and 3Q

(Unit: ¥ millions)

## Revenue

## Operating Expenses



Revenue: ¥ -3.48B\*

\* Internal transactions between segments included

### <Main increases or decreases>

- Decrease in a Earth station equipment sales (Contingency planning purpose) : ¥-2.0B
- Increase in VSAT(Very Small Aperture Terminal) communication service: ¥ +0.2B
- Decrease in sales from overseas customers: ¥ -1.5B
- Other decreases: ¥ -0.2B

Operating Expenses: ¥ -1.62B\*

\* Internal transactions between segments included

### <Main increases or decreases>

- Increase in satellite depreciation expense: ¥ +0.4B
- Decrease in satellite business expenses: ¥ -2.0B



Future Initiatives  
~Multichannel Pay TV business~

# Differentiation of Contents

## 4K broadcast van

- ✓ [4K live broadcast] Operations started at the 2016 Badminton S/J League Finals in Tokyo (Sky PerfecTV! 4K General ch, broadcast on February 12)
- ✓ WBC 4KHDR production scheduled for February 28 to March 5  
(「WBC2017」 is planning to be broadcast on JSPTS1+2+3+4. All games are to be live coverage )



©(公財)日本バドミントン協会



## Sports



写真:AFP/アフロ

- ✓ 2016/2017 UEFA Champions League (SUKACHAN ch, broadcast on February 15)



©金子博

- ✓ Full live broadcasting of F1 Grand Prix (TV exclusive)  
(Fuji TV Next ch, broadcast in March)

## Music



©DCT entertainment, Inc.

- ✓ Dreams Come True  
URA Dreams Wonderland 2016  
(BS Sky PerfecTV!, ch broadcast in March)



- ✓ Keyakizaka46 First Solo Live Concert at Ariake Colosseum  
(TV Asahi Channel 1, broadcast on March 26)

# Soccer Set reorganization

## ■ Launch of the “Sky PerfectTV! Soccer Set” on Feb. 1

- ✓ Overview: In addition to the UEFA Champions League and Europa League, Serie A, and European World Cup qualifiers, this new soccer set also lets viewers watch Japanese soccer such as the J-League Levain-Cup, Emperor’s Cup and youth and junior league games!
- ✓ Price: 2,980 yen/month (tax included)
- ✓ Sales launch: February 1, 2017



Photo: Nikkan Sports/Aflo

## ■ Launch of the new “Sky Perfect Soccer!” channel

- ✓ Overview: This a 24-hour dedicated soccer channel. In addition to live games and highlight programs from both Japan and overseas, there are plans to also broadcast many carefully-prepared original programs, such as discussion program among the Sky PerfectTV! team of commentators, the “J League Laboratory” and “Future of J League”!
- ✓ Channel CS800/Ch.580
- ✓ How to watch: Sky PerfectTV! Soccer Set
- ✓ Time of start of the new channel: February 4 (Saturday) 20:00



# More Advanced Broadcasting (4K)

## ■ Status of 110 degrees satellite 4K broadcasting certification

- ✓ Certification for left rotation circularly polarized waves for 8 channels (8 channels of a total of 19 channels certified to SKY Perfect Entertainment Corporation)

\*1. As there are 120 slots for 1 transponder, 60 slots is equivalent to 1/2 a transponder.

No.	Applicant	Program name	Number of slots, etc.*
1	SKY Perfect Entertainment Corporation	SKACHAN 4K 1	60 slots, 4K
2		SKACHAN 4K 2	60 slots, 4K
3		SKACHAN 4K 3	60 slots, 4K
4		SKACHAN 4K 4	60 slots, 4K
5		SKACHAN 4K 5	60 slots, 4K
6		SKACHAN 4K 6	60 slots, 4K
7		SKACHAN 4K 7	60 slots, 4K
8		SKACHAN 4K 8	60 slots, 4K

Excerpt from “Response from Radio Regulatory Council Regarding Certification of 4K/8K Actual Broadcasting Services Through BS/East Longitude 110-Degree CS” of the Ministry of Internal Affairs and Communications website

## ■ Future initiatives

- ✓ Sales launch of 4K/8K supporting Sky PerfecTV! multi-antenna (April 2017)
- ✓ Start of 4K broadcasting with CS left rotation on 110 sat. in December 2018 (scheduled)



SKY PerfecTV! Multi-Antenna SP-SHV100D



# Wakuwaku Japan Initiatives

■ Broadcasting began in Vietnam from December, and broadcasting scheduled to begin in Mongolia from February! It will be possible to watch by 9.650 million HHs in a total of eight countries and regions!

Broadcasting began  
from December 2016



Vietnam



VIETNAM TELEVISION CABLE CORPORATION

Broadcasting scheduled to  
begin from February 2017



Mongolia



Univision



DDish TV

Broadcast in a time block  
(Total of three hours every day)



## ■ Broadcasting of new original program started from November

- ✓ Comprehensive support project for overseas expansion of broadcast content by the Ministry of Internal Affairs and Communications: Catch Your Dream! -Study in JAPAN-



## ■ Introduction of premium travel in Japan

- ✓ Japan Travel Maestro



# Future Initiatives

## -Space & Satellite Business-

# Lists of satellites to be launched

## ■ Status of the latest launch schedule

(Changes: areas in **red characters**)

	JCSAT-14 (2B)	JCSAT-16	JCSAT-15
Satellite bus	SSL1300	SSL1300	SSL1300
Manufacturer	Space Systems/Loral	Space Systems/Loral	Space Systems/Loral
Rocket	Falcon9	Falcon9	Ariane5
Launch date	Launched on May 6, 2016	Launched on August 14, 2016	Launched on December 22, 2016
Oribital slot	154 degrees east longitude	162 degrees east longitude	110 degrees east longitude
Purpose	Successor to JCSAT-2A (for domestic, overseas, and mobile business)	In-orbit spare satellite Customer transfer from SB-B2 completed at end of December 2016	Successor to N-SAT-110 (for Multichannel Pav TV and mobile businesses) In addition to 4K broadcasting from left rotation, mobile use with the newly installed SIOR beam is assumed
	Second satellite in the PFI program for the Ministry of Defense	First satellite in the PFI program for the Ministry of Defense	Superbird-8
Satellite bus	DS2000	DS2000	DS2000
Manufacturer	Mitsubishi Electric	Mitsubishi Electric	Mitsubishi Electric
Rocket	H-IIA	Ariane5	Ariane5
Launch date	Launched on January 24, 2017	To be launched from March to September 2018	To be launched from March to September 2018
Oribital slot	-	-	162 degrees east longitude
Purpose	Satellite in the PFI program for the Ministry of Defense	Satellite in the PFI program for the Ministry of Defense	Successor to Superbird-B2 (Domestic)

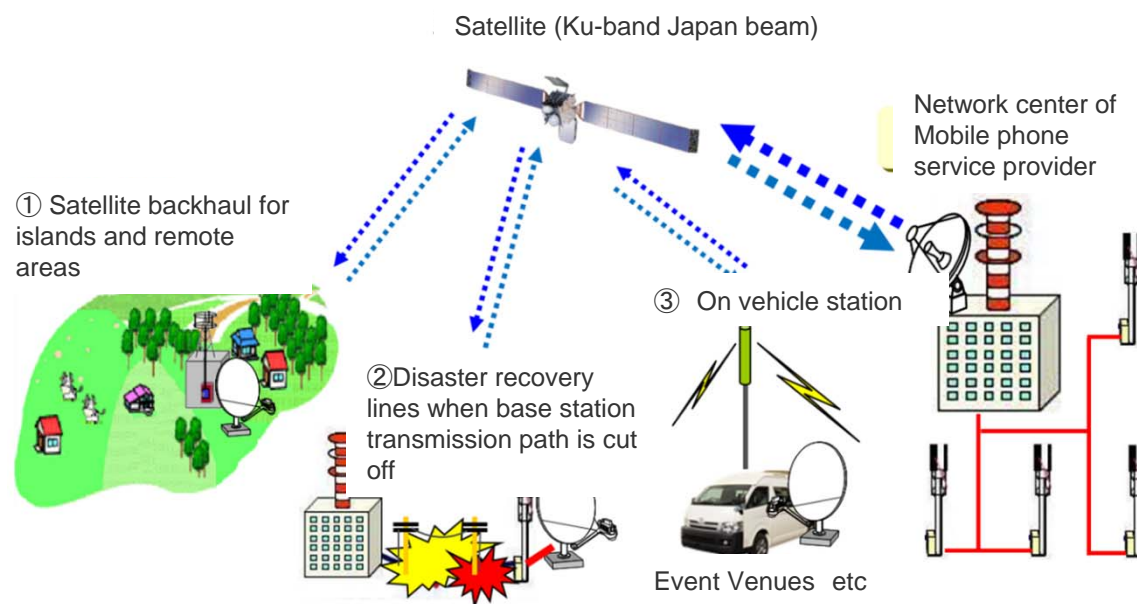
# Initiatives in the Japanese Market

## ■ Responding to the rapid spread of LTE among Japanese mobile carriers

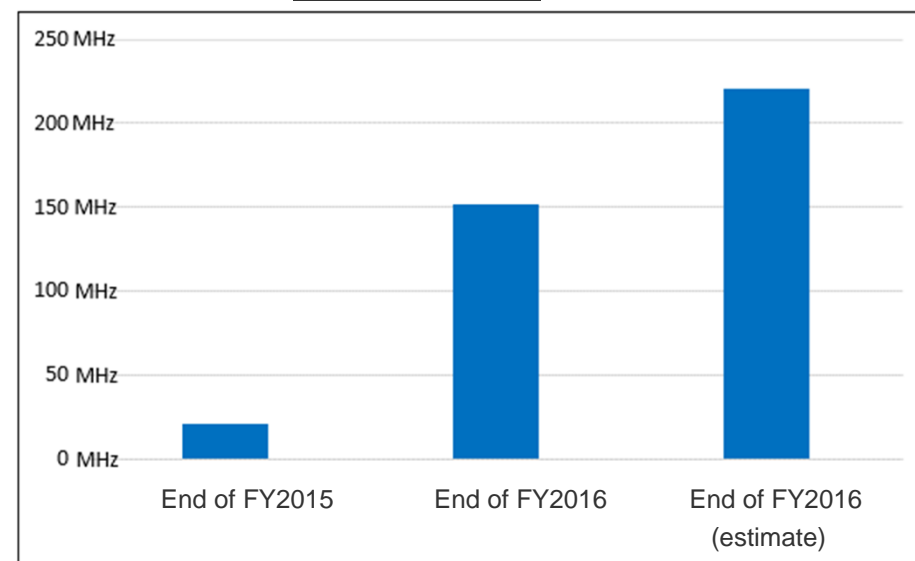
- ✓ Expanded use for LTE base station backhaul lines\* through the deployment of satellite solutions that support high-speed communications

\*Lines that connect mobile phone base stations and network center (trunk network)

- (1) Use in area expansion for the resolution of blind zones  
→ Increase in use on islands and in mountain areas
- (2) Use as disaster recovery lines  
→ Achieve networks that are fast and stable even during large-scale natural disasters
- (3) Use for on-vehicle station lines  
→ Increase in use from localized data communications demand with the spread of smartphones



Mobile bandwidth for domestic mobile backhaul for satellite lines



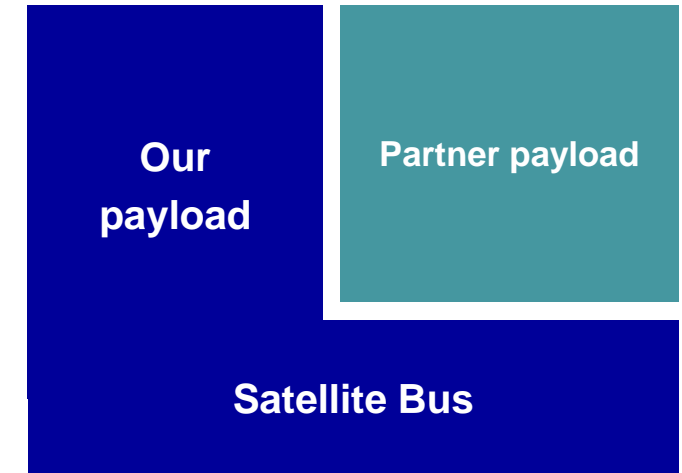


# Initiatives in the Global Mobile Market (1)

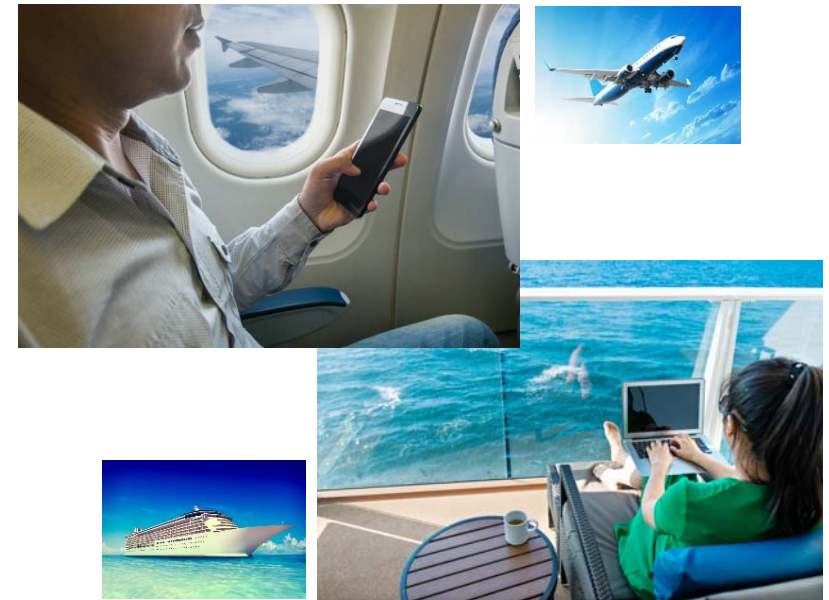
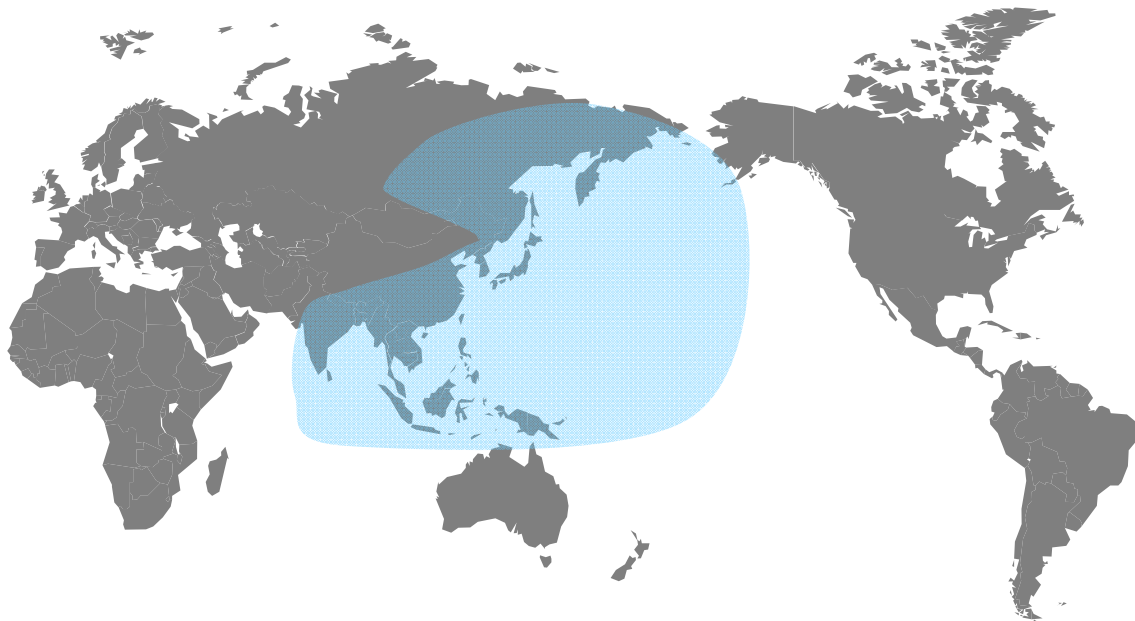
## ■ JCSAT-18 procurement decided

- ✓ Second HTS\* following Horizons 3e for JSAT.
- ✓ Broadly covers an area from the Asia Pacific region to the Russian Far East, supporting rapidly increasing mobile, broadband, and government agency demand.
- ✓ Satellite jointly run with an overseas operator
- ✓ Launch is scheduled in the second half of 2019

[Sectional ownership image]



[Coverage image]

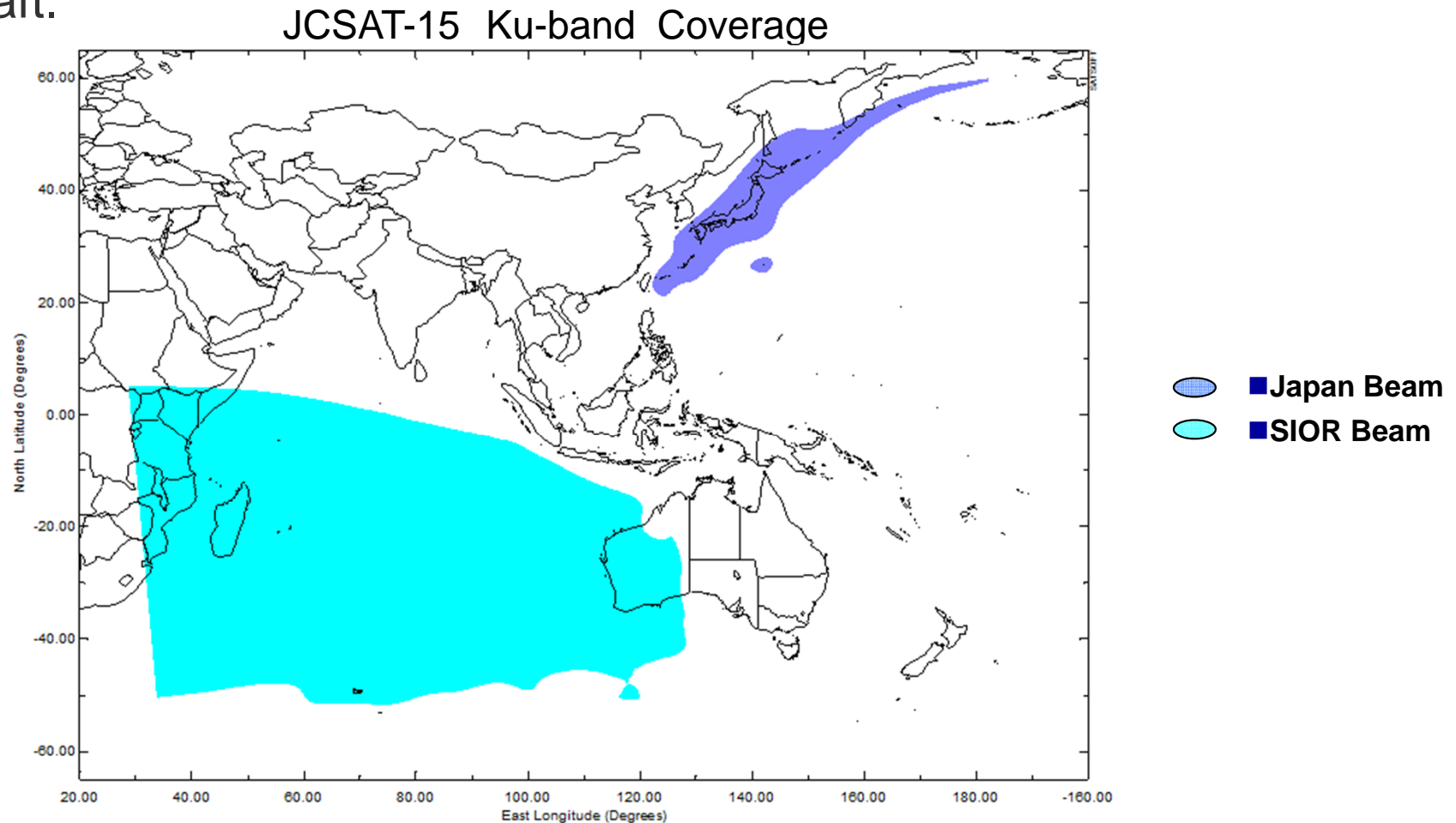


\*Abbreviation for “high throughput satellite”. This system enables a significant increase in communications capacity compared to conventional satellites by using multiple spot beams to repeatedly use separated beams at the same frequency.

# Initiatives in the Global Mobile Market (2)

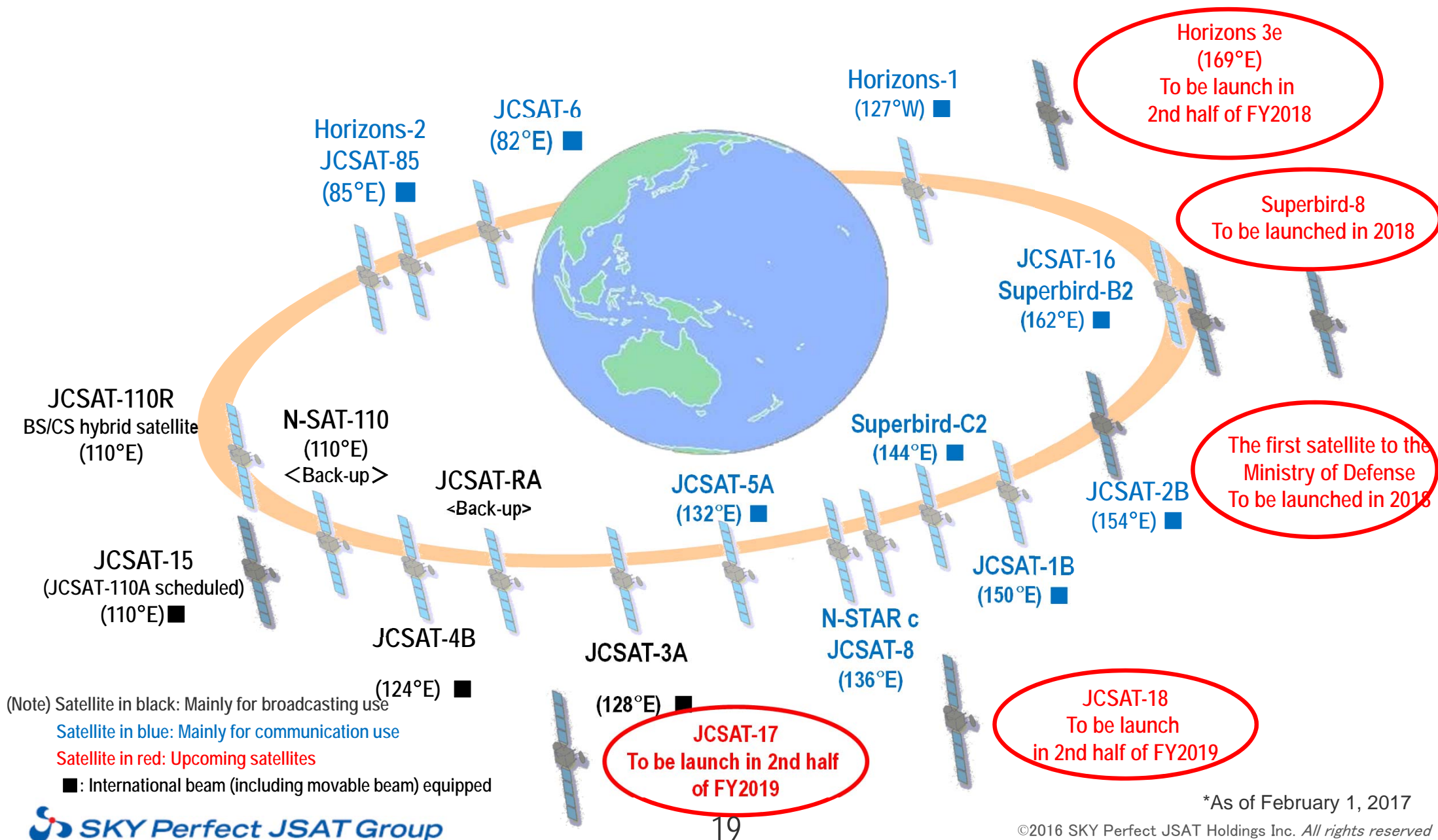
## ■ Expansion of service area with JCSAT-15 (orbital name: JCSAT-110A)

- ✓ The JCSAT-15 that is newly equipped with the SIOR beam (South Indian Ocean Region) covers an area from western Australia to the east coast of Africa, and expands the provision area of OceanBB service and service for aircraft.



# Satellite Fleet Update

18 satellites in total cover from North America through Indian Ocean



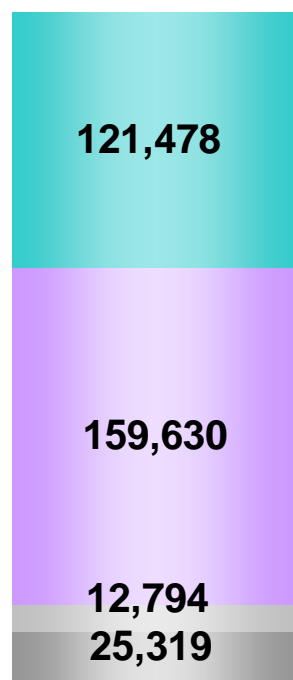
(References)

# Consolidated Balance Sheets

## Assets

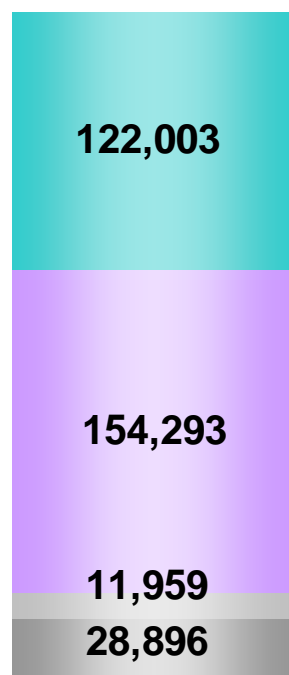
(Units: ¥ millions)

319,223

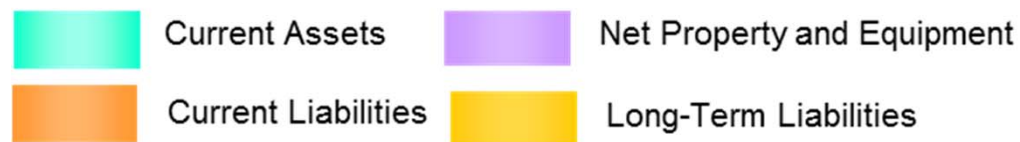


March  
2016

317,152



December  
2016

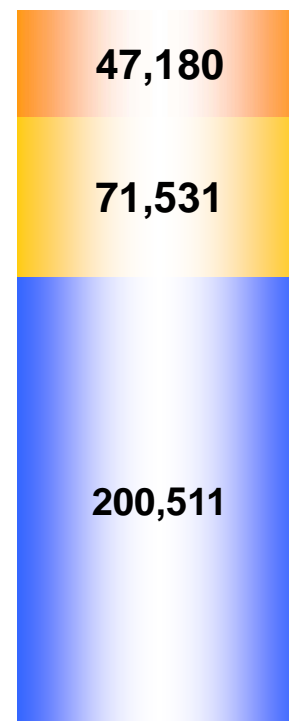


## Liabilities and Equity

(Units: ¥ millions)

Equity Ratio : 61.6%

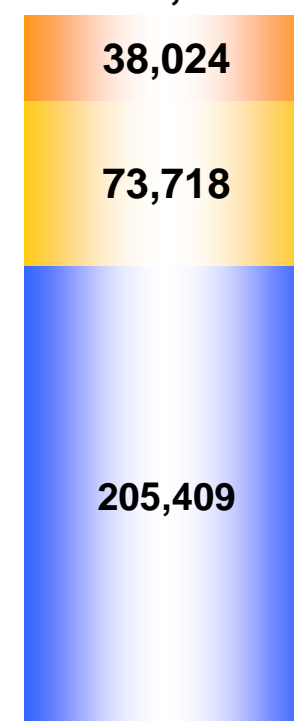
319,223



March  
2016

Equity Ratio : 63.7%

317,152



December  
2016



# Consolidated Cash Flows

3Q values are cumulative 1Q,2Q and 3Q

(Units: ¥ millions)

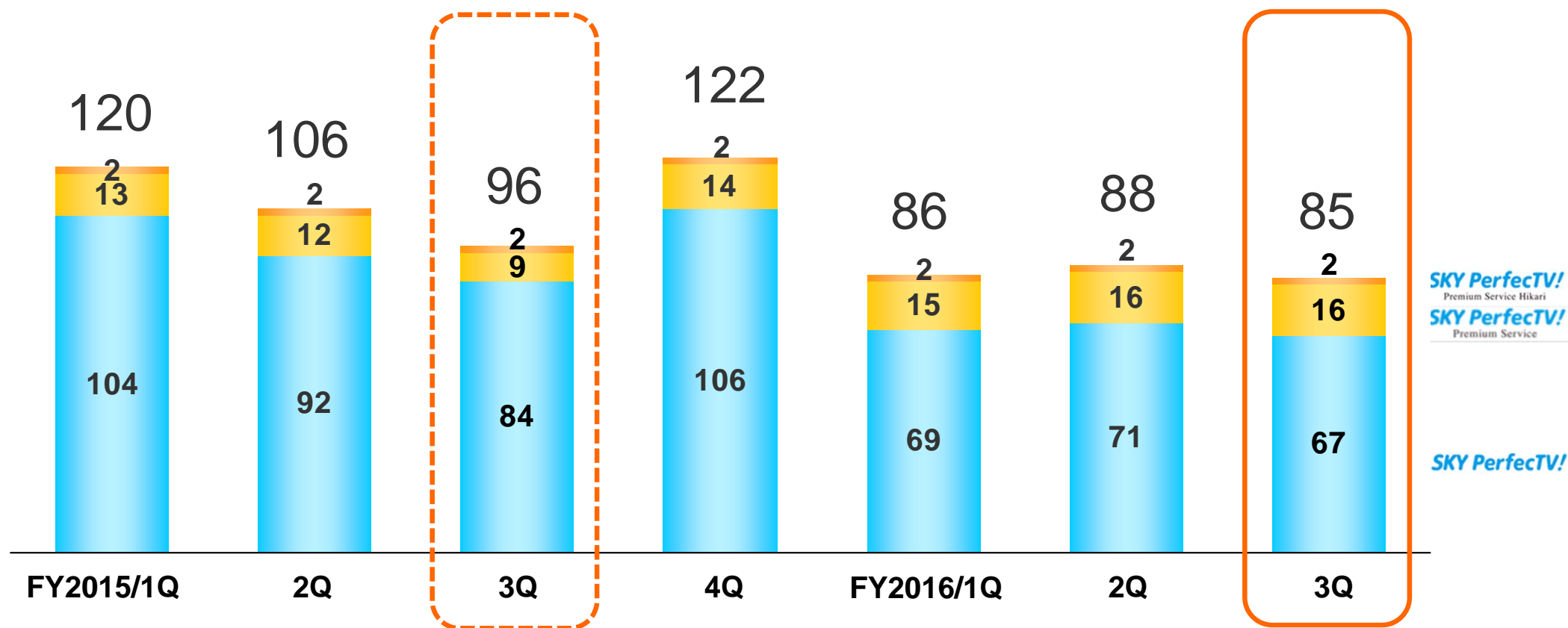
	FY2014/3Q	FY2015/3Q	FY2016/3Q
<b>Net Cash from Operating Activities</b>	15,622	23,346	7,564
<b>Net Cash from Investing Activities</b>	(22,293)	(20,737)	(16,965)
<b>Free Cash Flows<sup>*1</sup></b>	(6,670)	2,609	(9,400)
<b>Net Cash from Financing Activities</b>	(16,623)	16,194	(1,655)
<b>Cash and Cash Equivalents at Term-End (a)</b>	40,583	52,740	37,318
<b>Term-end balance of interest-bearing debt<sup>*2</sup> (b)</b>	33,709	61,721	67,615
<b>Term-end balance of net interest-bearing debt (b)-(a)</b>	(6,874)	8,981	30,296

\*1. Sum of Net Cash Flows from Operating and Investing Activities

\*2. Term end balance of debts and unsecured corporate bonds

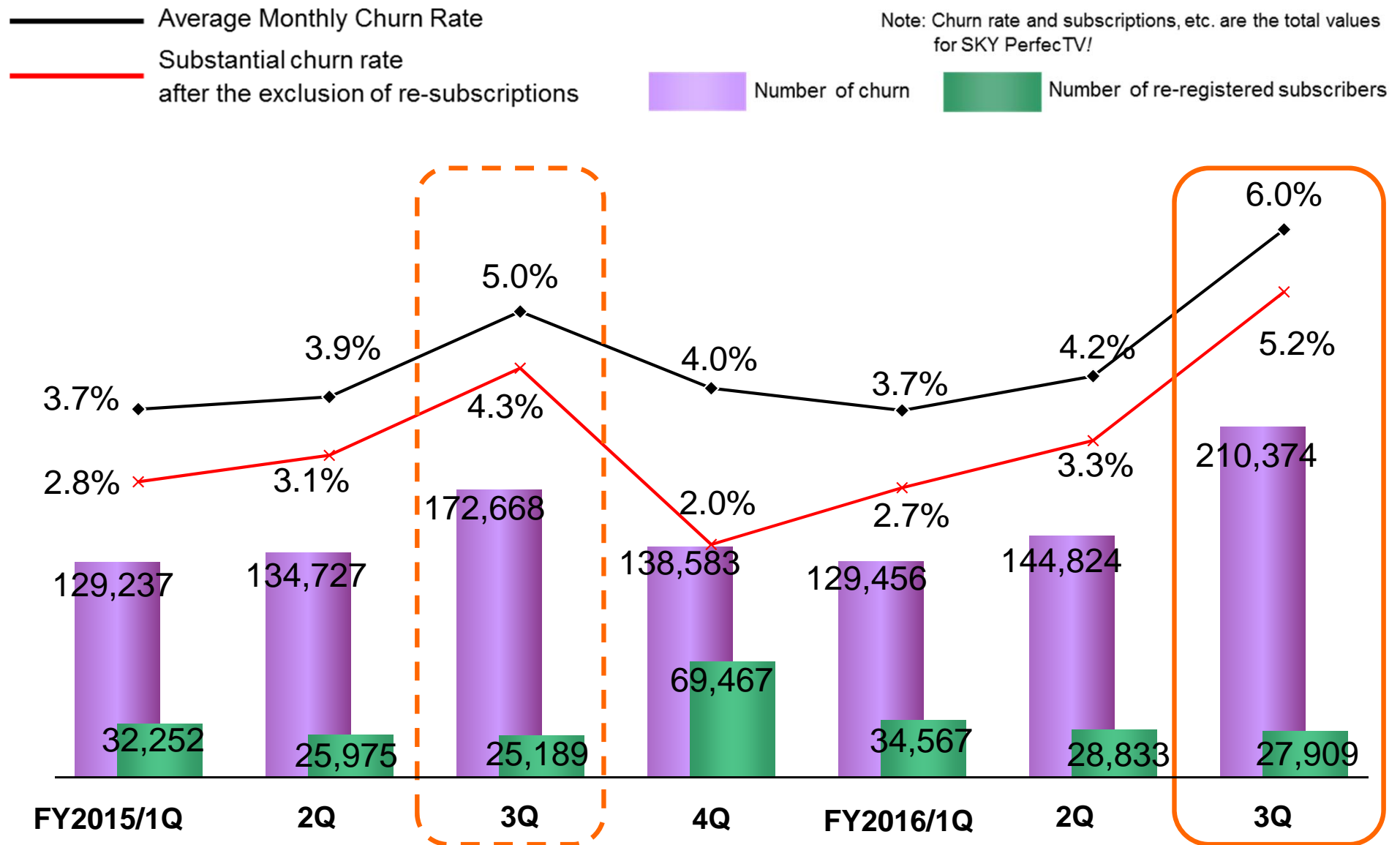
# Number of New Subscribers

(Unit: thousands)





# Churn Rate

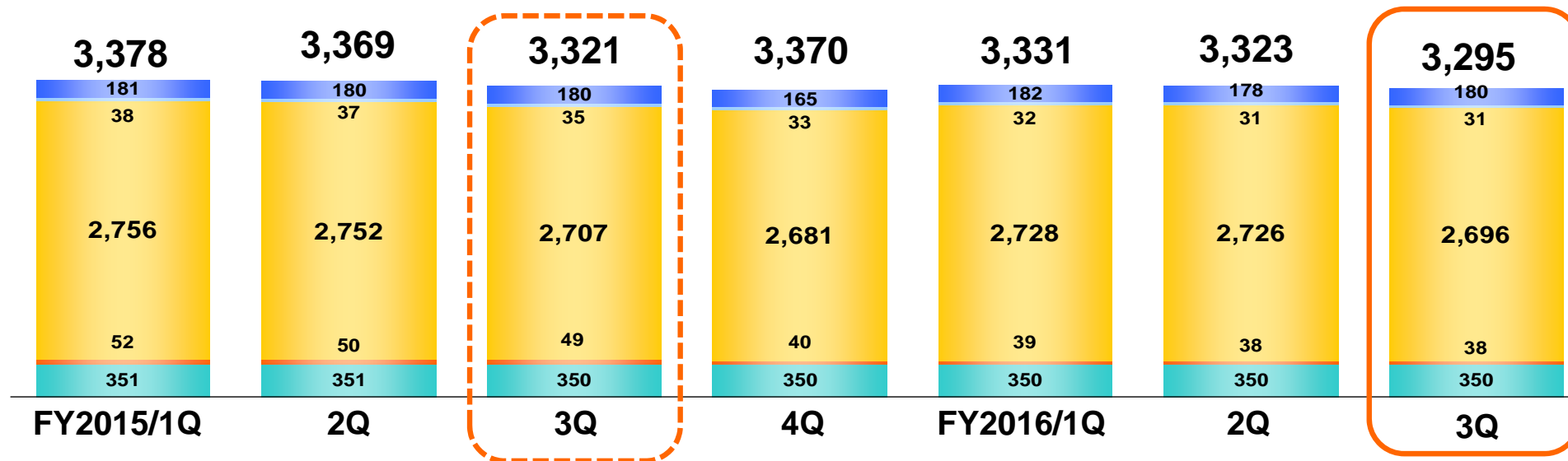


\*The churn rate is calculated by dividing the total number of churns for each quarter by the cumulative number of subscriptions at the end of the preceding fiscal year.

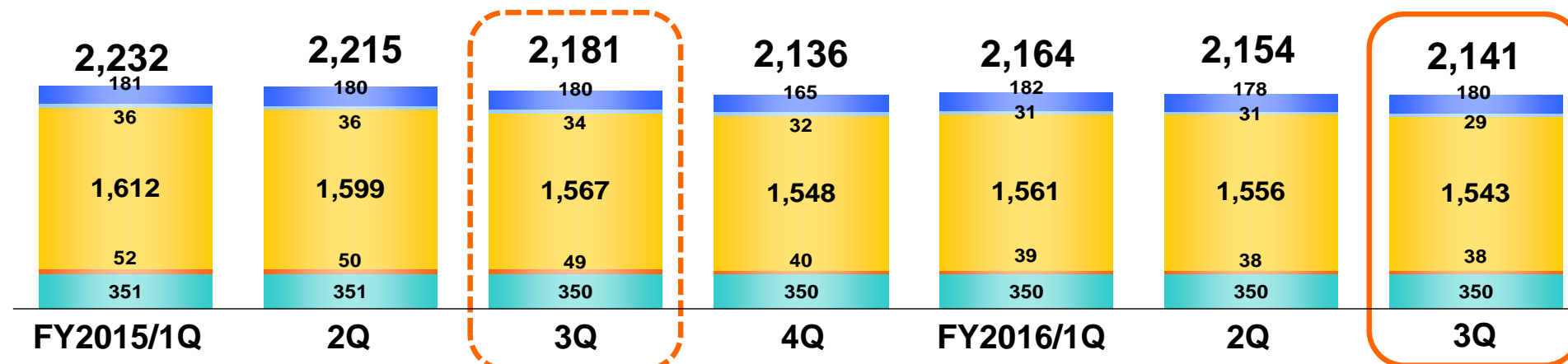


# ARPU

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



## ARPU (¥) (\*2)



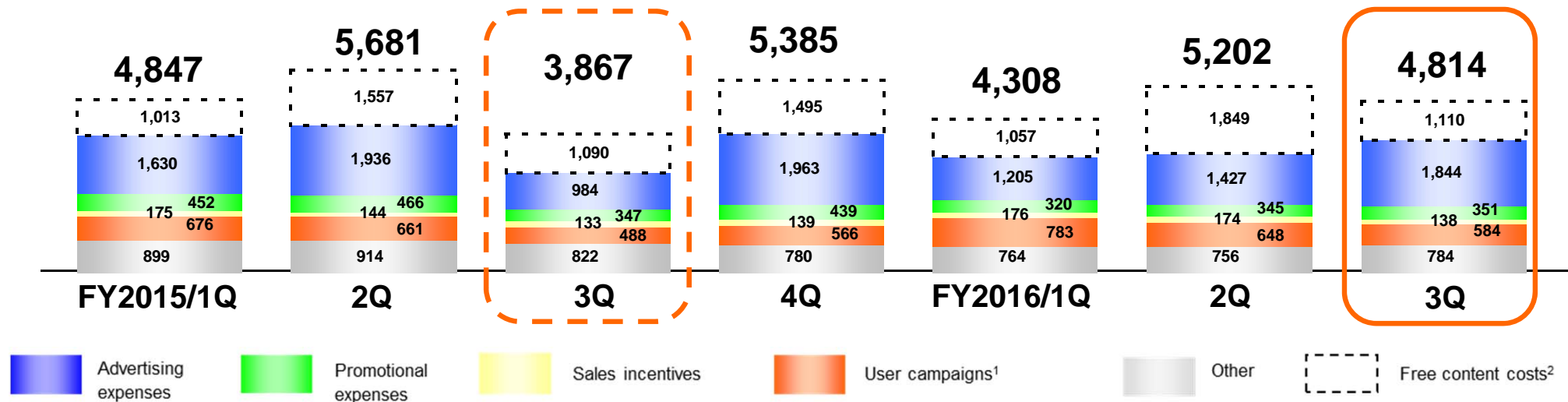
Basic fee
  Rental fee
  Monthly subscription fee
  PPV subscription fee
  Revenue from original content

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

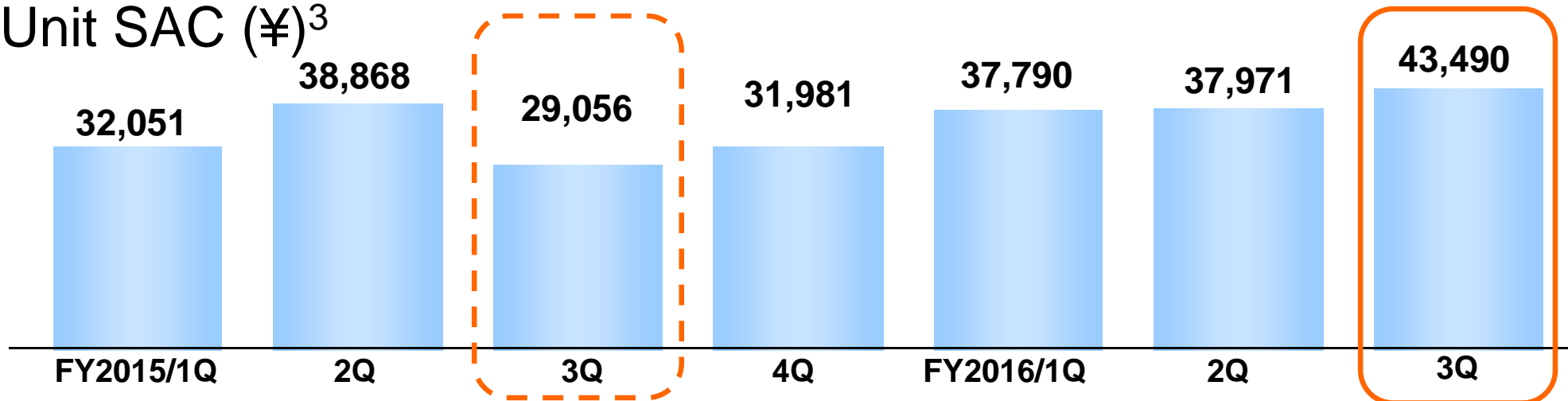
2. Of the average amount paid by subscribers in the form of monthly viewing fees, etc., the amount recorded as operating revenue by the SKY Perfect JSAT Group

# 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.

# **SKY Perfect JSAT Holdings Inc.**

Corporate Communications & Investor Relations Division