

# SKY Perfect JSAT Group

## Earning Results Briefing for 1Q/FY2017

August 3, 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 system
- Risks related to IC card security, etc

# Consolidated Business Performance for 1Q/FY2017

# Earnings Overview

- Resulted in a year-on-year decrease in both revenues and profits due to decrease of cumulative number of subscribers in the Media Business and increase in depreciation in the Space & Satellite Business.

(Millions of yen)

	FY2016 1Q	FY2017 1Q	% Change	% Achieved against Full- year Forecast for FY2017	Full-year Forecast for FY2017
Revenues	39,707	<b>37,195</b>	(6.3)%	24.2%	153,500
Operating Profit	6,266	<b>4,334</b>	(30.8)%	25.6%	17,000
Ordinary Profit	6,285	<b>4,535</b>	(27.8)%	25.9%	17,500
Profit Attributable to Owners of the Parent	4,284	<b>2,941</b>	(31.3)%	25.6%	11,500
EBITDA <sup>*1</sup>	11,700	<b>10,942</b>	(6.5)%	24.9%	44,000

<sup>\*1</sup> EBITDA = Profit Attributable to Owners of the Parent + Income Taxes + Depreciation and Amortization + Amortization of Goodwill + Interest Expense.

# Summary of Consolidated Earnings by Business Segment (1Q/FY2016 - 1Q/FY2017)

- Both Media Business and Space & Satellite Business resulted in a year-on-year decrease in revenues and profits for 1Q/FY2017.

(Millions of yen)

	FY2016					FY2017
	1Q	2Q	3Q	4Q	Full year	1Q
Revenues	39,707	39,610	38,806	74,750	192,875	37,195
Media Business	30,095	29,882	29,130	27,668	116,777	27,424
Space & Satellite Business	12,626	12,718	12,580	49,822	87,748	12,524
Elimination or Corporate	(3,013)	(2,990)	(2,905)	(2,740)	(11,650)	(2,754)
Operating Profit	6,266	4,795	4,468	8,903	24,433	4,334
Media Business	1,861	1,023	1,135	551	4,571	1,005
Space & Satellite Business	4,585	3,937	3,488	8,515	20,527	3,531
Elimination or Corporate	(180)	(165)	(155)	(164)	(665)	(202)

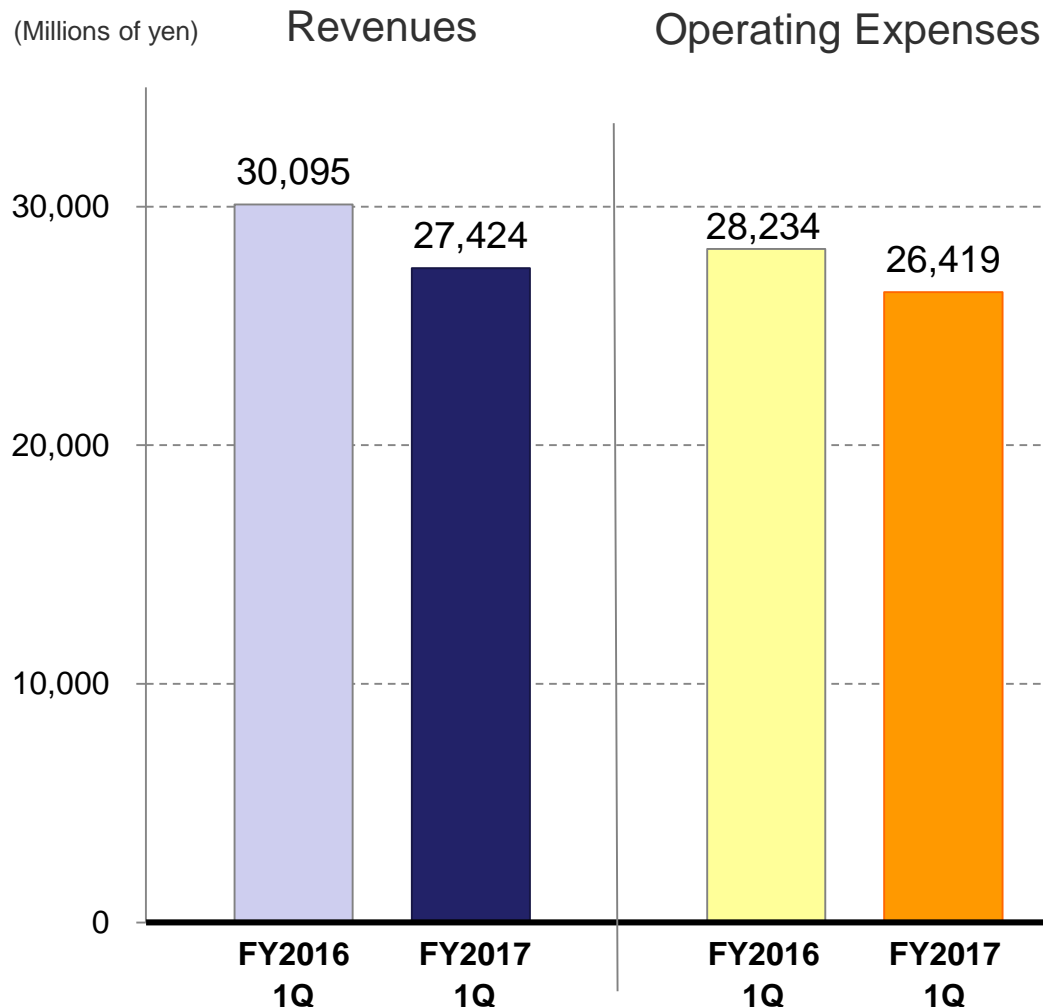
In July 2017, the naming for business segment 「Multichannel Pay TV Business」has changed to 「Media Business」. There is no affect on the result by business segment.

# Key Performance Indicators for Media Business (\*)

	FY2016 1Q	FY2017 1Q	FY2017 Target
Number of New Subscribers (in thousands)	86	<b>84</b>	390
Net Increase (Decrease) (in thousands)	(9)	<b>(6)</b>	10
Cumulative Number of Subscribers (in thousands)	3,473	<b>3,314</b>	3,330
Average Monthly Subscribers Payment (in yen)	3,331	3,247	-
ARPU (in yen)	2,164	2,063	-
SAC per Unit (in yen)	37,790	37,934	-

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

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



**Revenues: (¥2.67B)\***

\* Inter-segment transactions included.

## <Main Factors for Increases or Decreases>

- Decrease in soccer-related revenue: (¥1.7B)
- Decrease in other subscription fees: (¥0.7B)
- Other decreases: (¥0.3B)

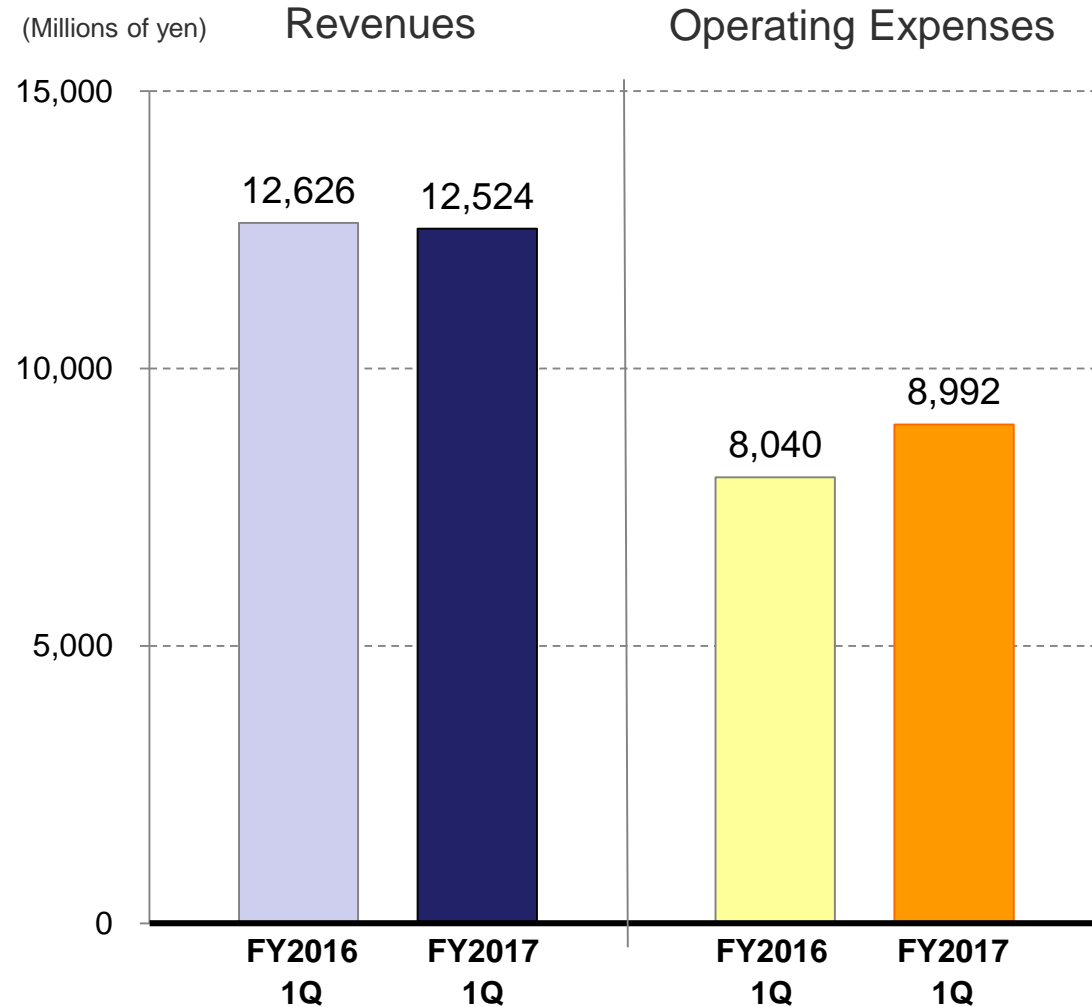
**Operating Expenses (¥1.81B)\***

\* Inter-segment transactions included.

## <Main Factors for Increases or Decreases>

- Decrease in content costs: (¥1.8B)
- Decrease in program provision expense: (¥0.4B)
- Increase in other expenses: +¥0.4B

# Earnings Overview for Space & Satellite Business (Year-on-Year Comparison)



**Revenues: (¥0.1B)\***

\* Inter-segment transactions included.

## <Main Factors for Increases or Decreases>

- Decrease in broadcasting transponder-related revenue: (¥0.2B)
- Increase in other revenues: +¥0.10B

**Operating Expenses: +¥0.95B\***

\* Inter-segment transactions included.

## <Main Factors for Increases or Decreases>

- Increase in satellite depreciation: +¥0.8B
- Increase in satellite business expenses: +¥0.2B



# Future Initiatives

## - Media Business -

# Differentiating Contents ①

## ■ European Soccer Leagues (Season 2017-18 to be started sequentially)

Exclusive



Sep12 (Tue) Kick Off

『2017-18 UEFA Champions League』 All 125 games



Sep14 (Thu) Kick Off

『2017-18 UEFA Europa League』 Must-see games



Aug 8 (Tue) 3:30 AM – Match between the previous season's winning team  
the above 2 European Soccer Leagues

『UEFA Super Cup - Real Madrid vs. Manchester United 』



Aug 19 (Sat) Kick Off

『2017-18 Serie A Italy』

Live broadcast scheduled for  
4 games from each section



Aug 12 (Sat) Kick Off

『2017-18 English Premier League』

5 must-see games from each section  
scheduled for broadcast on J SPORTS



『Liga Bancomer MX 2017/18』

Club 「Pachuca」 where Honda Keisuke  
plays for. All home games and partial of the  
away games scheduled for broadcast on  
Fuji TV ONE/TWO/ NEXT



### 『Germany Bundesliga』

Exclusive broadcasting and distribution rights for two seasons after 2018-19

(\*Except for terrestrial television broadcast)

[ The rights include]

- All games (9 games x 34 sections) / Preview programs and highlight programs
- Super Cup (match between the winning team of Bundesliga and DFB-Pokal). Replacement games with  
1. Bundesliga and 2. Bundesliga

You can enjoy Bundesliga without missing a beat of its excitement on mobile  
devices such as smartphones and tablets, as well as on large screen TVs.

# Differentiating Contents ②

## Soccer (Domestic)



写真: 松岡健三郎/アフロ

### 『2017 J. League YBC Levain Cup – Knock-out Stage』

From Aug 30 (Wed) up to the Semi Final, all games will be live broadcast on Sukasaka!  
and other channels! Final game will be aired with recording

## Music

Original



SKY PerfectTV! Summer Festival 2017 powered by FULL CHORUS  
Summer Carnival with full of Idols/Singing and Dancing Summer Battle

(On BS SKY PerfectTV! from 6:30PM on Aug 26 (Sat) and Aug 27(Sun))

## Original Drama

Original



©Wataru Watanabe (Weekly Shonen Champion) 2008 / SkyPerfectTV! / Toho / Stage "Yowamushi Pedal" Production Partnership

### 『Drama Yowamushi Pedal Season 2』

To be aired on BS SKY PerfectTV! Every Friday starting from Aug18  
\* Entire 13 episodes (7 episodes in 1st first part & 6 episodes in 2nd part)

## Jidaigeki (Japanese period dramas)

Original



SKY PerfectTV! and Jidaigeki Specialty Channel.  
"Hashi Monogatari (Bridge Story)" Trilogy, second part from  
Shuhei Fujisawa's new drama series!"

Scheduled to be aired on BS SKY PerfectTV! Sep 18(Mon, public holiday) 『Chisana Hashi De (By The Small Bridge)』 October 『Fuku Kaze wa Aki (Wind Blow in Autumn)』, 『Konuka Ame (A Fine Rain)』



# 4K Compatible Premium Service Tuner

Top-end Model for Premium Service Available for sales and rental service from July 20, 2017

4K Compatible Premium Service Tuner (applicable to both satellite and fiber-optic communication)

TZ-WR4KP (Panasonic)

Selling Price : ¥29,800 (including tax) Monthly Rental Fee : ¥972 (including tax)



## ■ Features/functions

- (1) Compatible to SKY PerfectTV! Premium Service 4K Equipped with double tuners!
- (2) Capable of remote viewing, channel recording and soon to be compatible with 4K HDR!
- (3) Broadcast-linked IP distribution service is scheduled (Available in FY2018)

## ■ Upcoming 4K programs

To be live broadcast on SKY PerfectTV! 4K General  
on Aug12 (Sat) from 5:45PM~

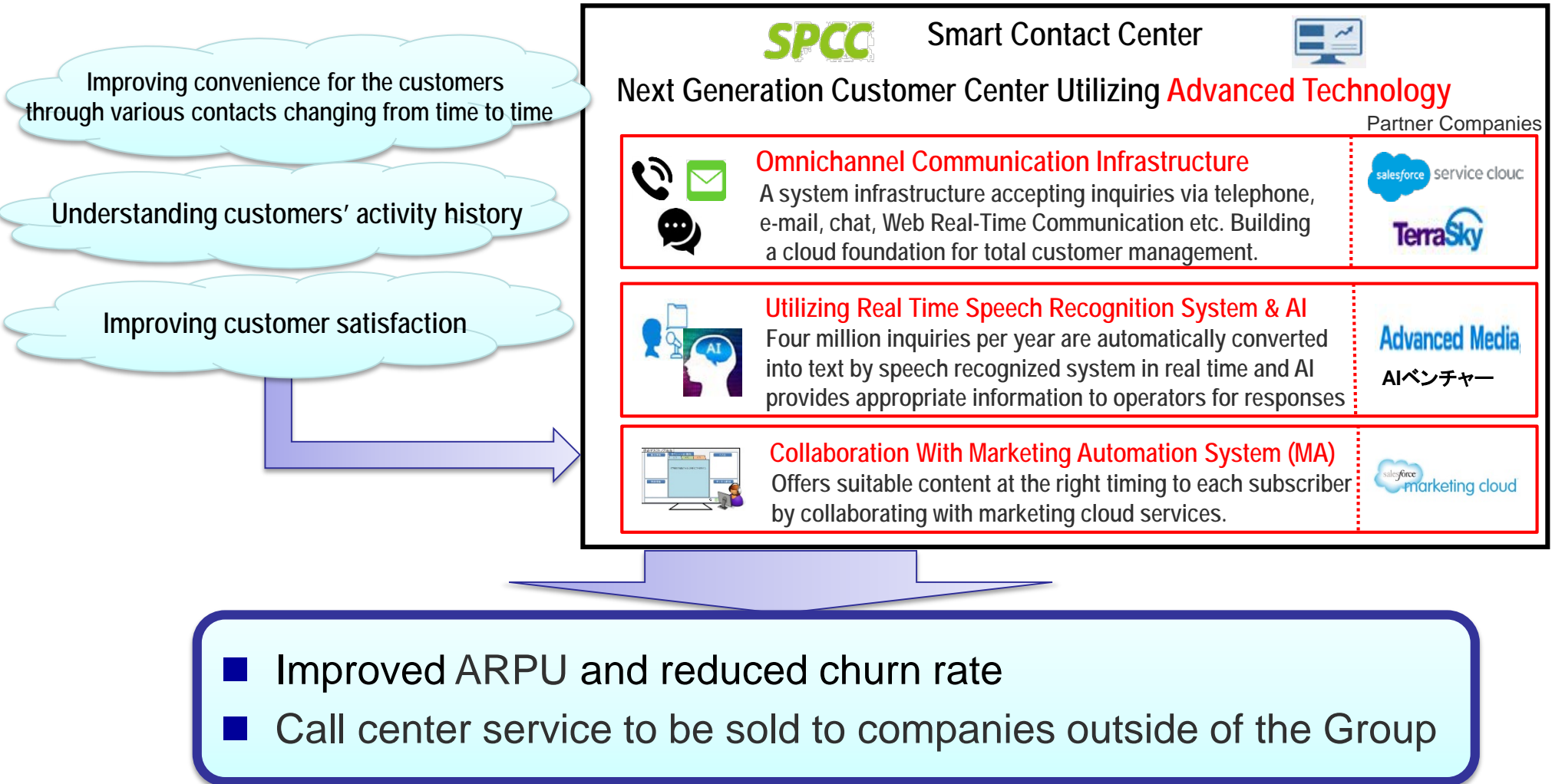
『J SPORTS STADIUM 2017: Hiroshima vs. Giants』



Using the "SR-1" 4K HDR broadcast van  
owned by SKY Perfect  
Broadcasting Corporation.

# SPCC Constructing Smart Contact Center and Direct Sales of Call Center

Building a smart contact center in FY2017 to meet diversifying needs of customers.



# Future Initiatives

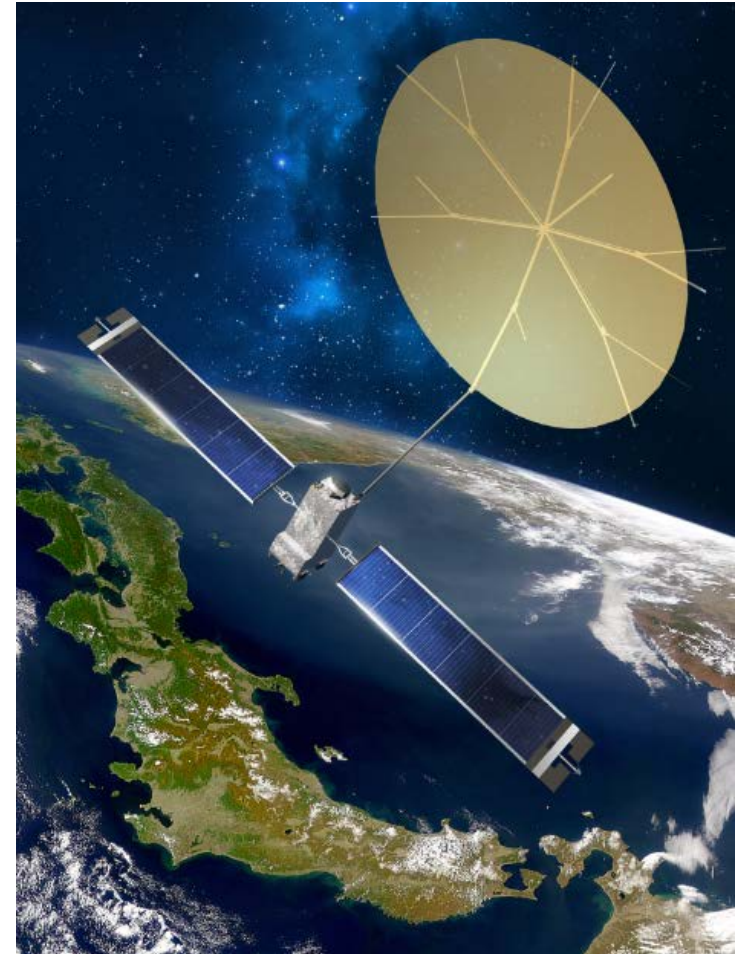
## —Space & Satellite Business—

# Overview of JCSAT-17

- Under the IRU contract\*, NTT Docomo is planning to utilize the satellite, which is equipped with S band dedicated for mobile communication and C band.
- The satellite is designed with a large antenna of 18m and small multi-beams equipped to form the coverage area.

## Overview of JCSAT-17

- Orbital Slot: 136 degrees east longitude
- Frequency Range: S-band, C-band, and Ku-band
- Major Coverage: Japan and surrounding sea area
- Satellite Lifetime: Over 15 years
- Planned Launch Time: Second half of FY2019



JCSAT-17 Satellite (illustration)

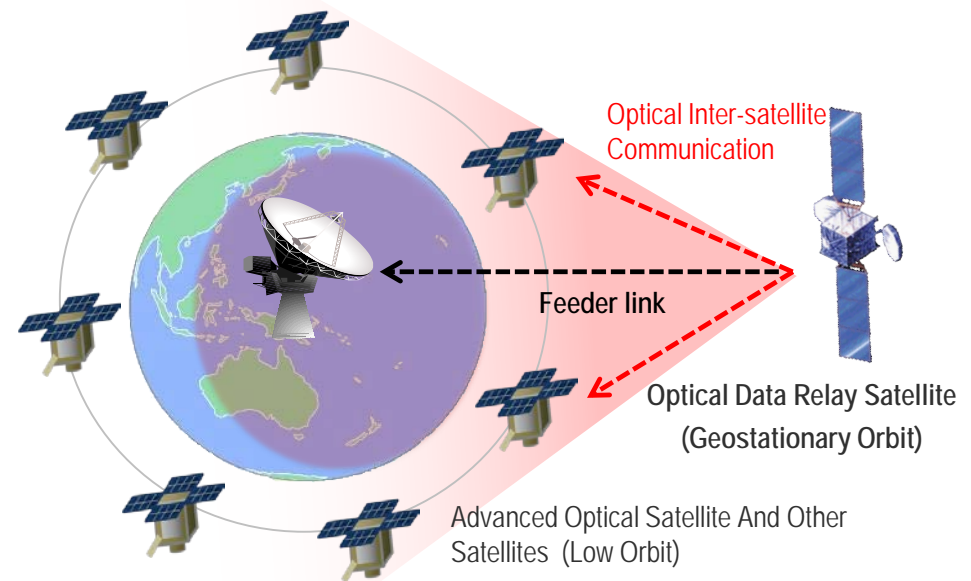
- 
- IRU (Indefeasible Right of User):  
A type of long-term and stable service utilization right that cannot be abandoned or terminated without agreement among the parties concerned.

# Satellite Bus Operations For Optical Data Relay Satellite

- We have received an order for operation and maintenance including the preparation period for the satellite bus of the optical data relay satellite under development by Japan Aerospace Exploration Agency (JAXA).
- Using optical communication, the optical data relay satellite brings a faster data rate as compared with the conventional system, and it supports the increased capacity of the image data acquired by earth observation satellites and the like.

## <Schedule>

- Planned Launch Time: FY2019
- Operation Preparation Period: FY2017 - FY2019
- Operation period: FY2020 - FY2034



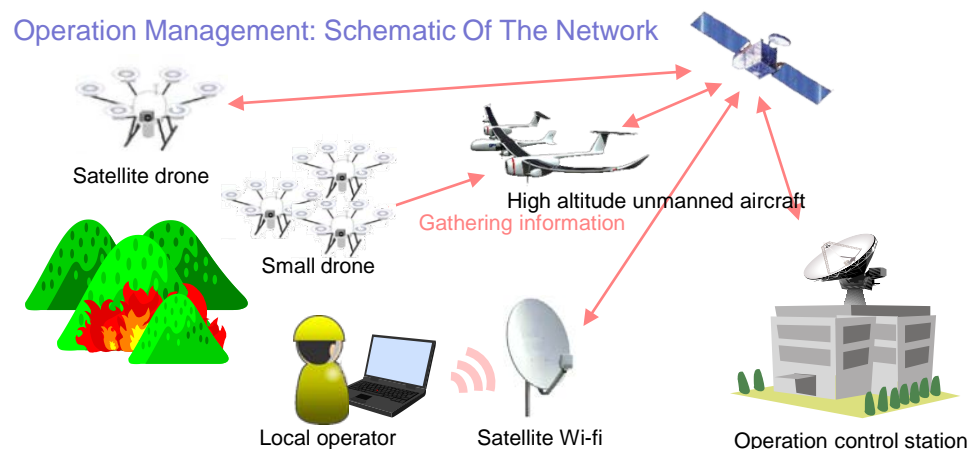


# Participation In 『Project to Achieve an Energy Saving Society with Robots and Drones』

- Participation in a project led by the New Energy and Industrial Technology Development Organization (NEDO)  
『Project To Achieve An Energy Saving Society Where Robots And Drones Take An Active Roles』

Research Theme	Development of a drone operation control system utilizing satellite communication	Research and development of aircraft capable of continuous operation etc. under extreme environments
Responsible Organization	SKY Perfect JSAT	enRoute
Cooperating Organization	Japan Aerospace Exploration Agency (JAXA) National Institute of Information and Communications Technology (NICT) Tokai University	Saitama City Fire Department Saitama University Advanced Simulation Technology Of Mechanics R&D, Co., Ltd. etc.
Implementation Period	May 2017 – End of FY2019	

Operation Management: Schematic Of The Network



Schematic Of Extreme Environment



# Opening a Drone Field and School

- In May 2017, enRoute opened "enRoute Drone Field Togane" in Togane City, Chiba Prefecture, and opened a drone school "E.R.T.S."
- E.R.T.S. is certified training organization for unmanned aerial vehicles by the Ministry of Land, Infrastructure, Transport and Tourism.  
Those who successfully passed the skill certification examination are allowed to exempt partial of the procedures to obtain flight permission from the authority.



Drone Field: At the opening ceremony in May 2017



# Business Collaboration with Kymeta

## ■ Business collaboration with Kymeta and perform demonstration domestically

- In March 2017, we have formed a strategic alliance with Kymeta by investing in the company. Kymeta has developed a thin planar antenna utilizing a new technology to track satellites.
- A demonstration is planned for in Japan around September 2017 with the car mounted with the antenna.



Kymeta's antenna (before installation onto the vehicle):  
June 2017, at a test in YSCC.



Communication test vehicle at a test in the U.S. in 2016

# List of Satellites Scheduled for Launch

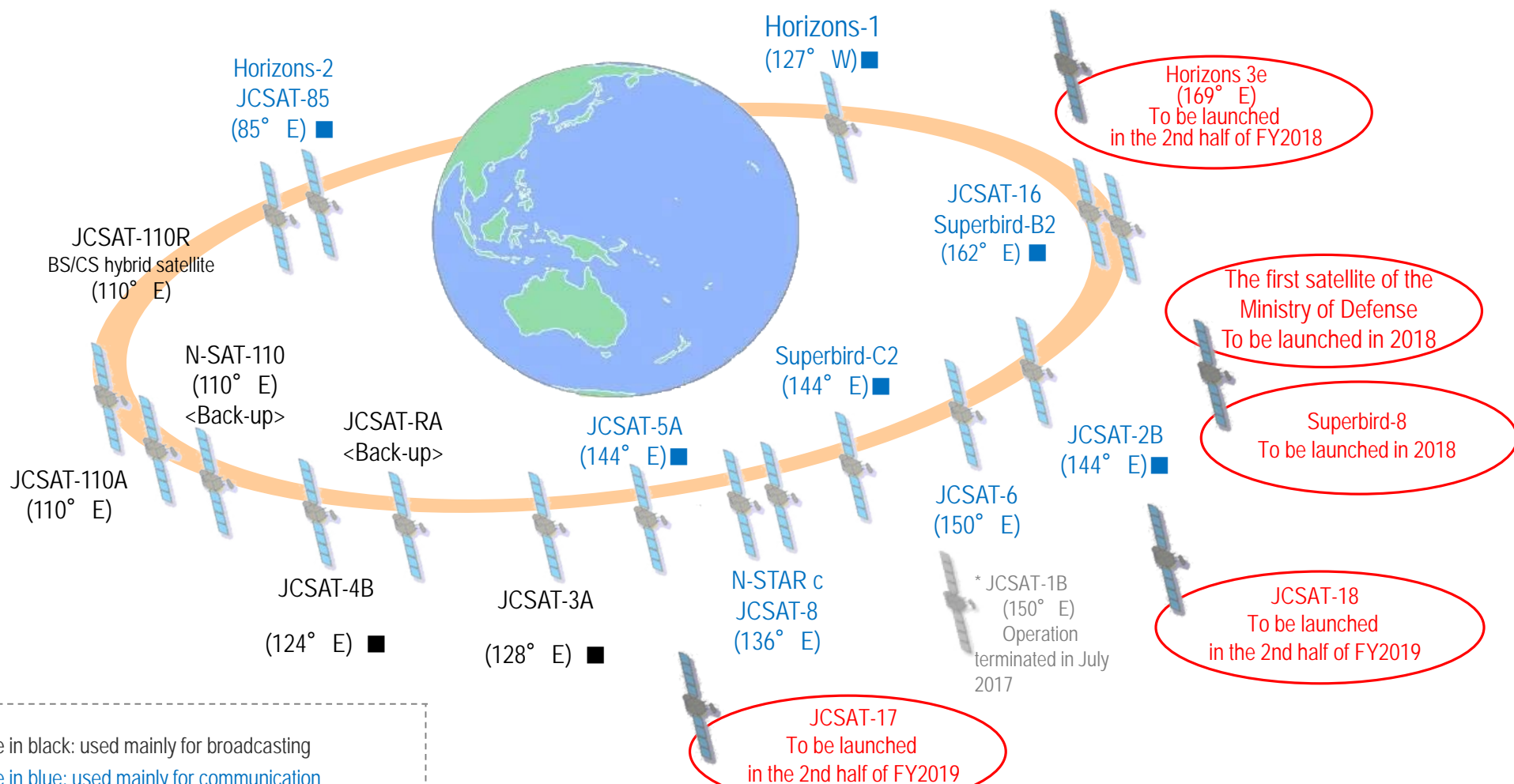
	Satellite No. 1 for PFI Project by Ministry of Defense	Superbird-8	Horizons 3e (HTS Satellite)
Satellite bus	DS2000	DS2000	702MP
Manufacturer	Mitsubishi Electric	Mitsubishi Electric	Boeing
Launch vehicle	Ariane 5	Ariane 5	Ariane 5
Planned launch time	<b>March to May</b> 2018	<b>March to May</b> 2018	2nd half of FY2018
Orbit position	-	162 degrees east longitude	169 degrees east longitude
Satellite lifetime	Over 15 years	Over 15 years	Over 15 years
Purpose	Satellite for PFI Project by Ministry of Defense	Successor to Superbird-B2 (Japan)	Overseas / Mobile (Joined- satellite with Intelsat)

	JCSAT-17	JCSAT-18 (HTS Satellite)
Satellite bus	A2100	702MP
Manufacturer	Lockheed Martin	Boeing
Launch vehicle	Ariane 5	TBD
Planned launch time	2nd half of FY2019	2nd half of FY2019
Orbit position	<b>136 degrees east longitude</b>	TBD
Satellite lifetime	Over 15 years	Over 15 years
Purpose	Provision of communication in Japan	Overseas / Mobile



# Satellite Fleet Update

A 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 communication

Satellite in red: satellites to be launched

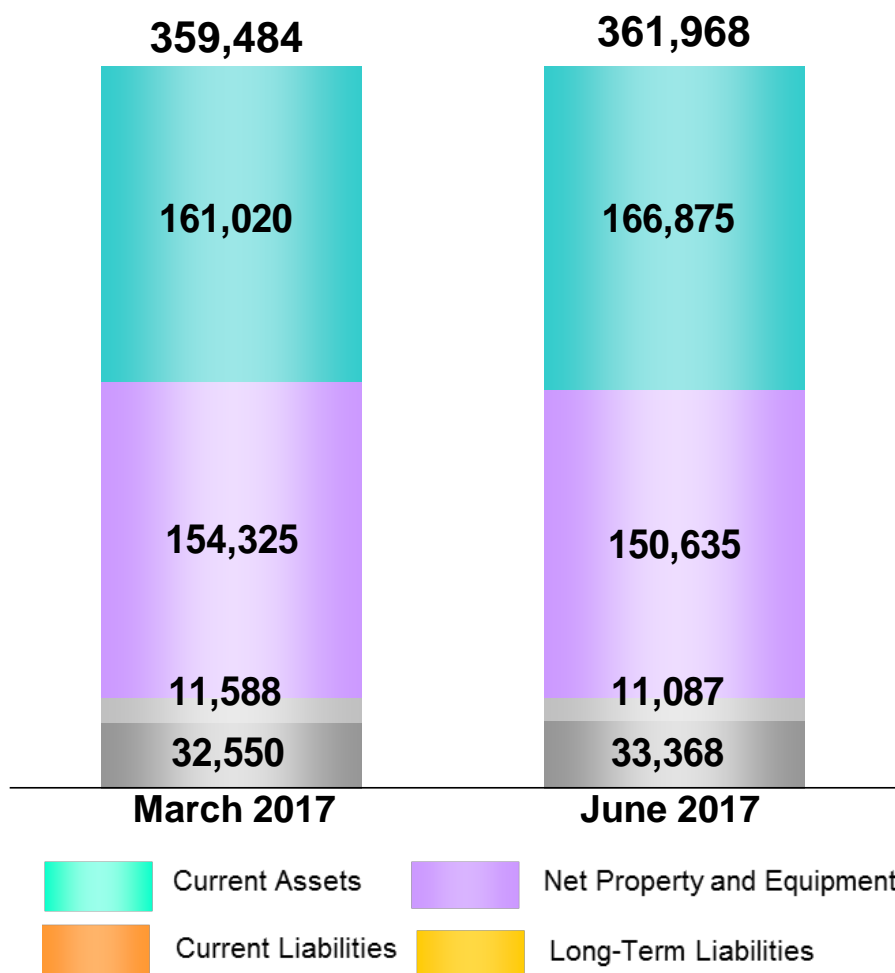
■: International beam (including movable beam) equipped

(References)

# Balance Sheet

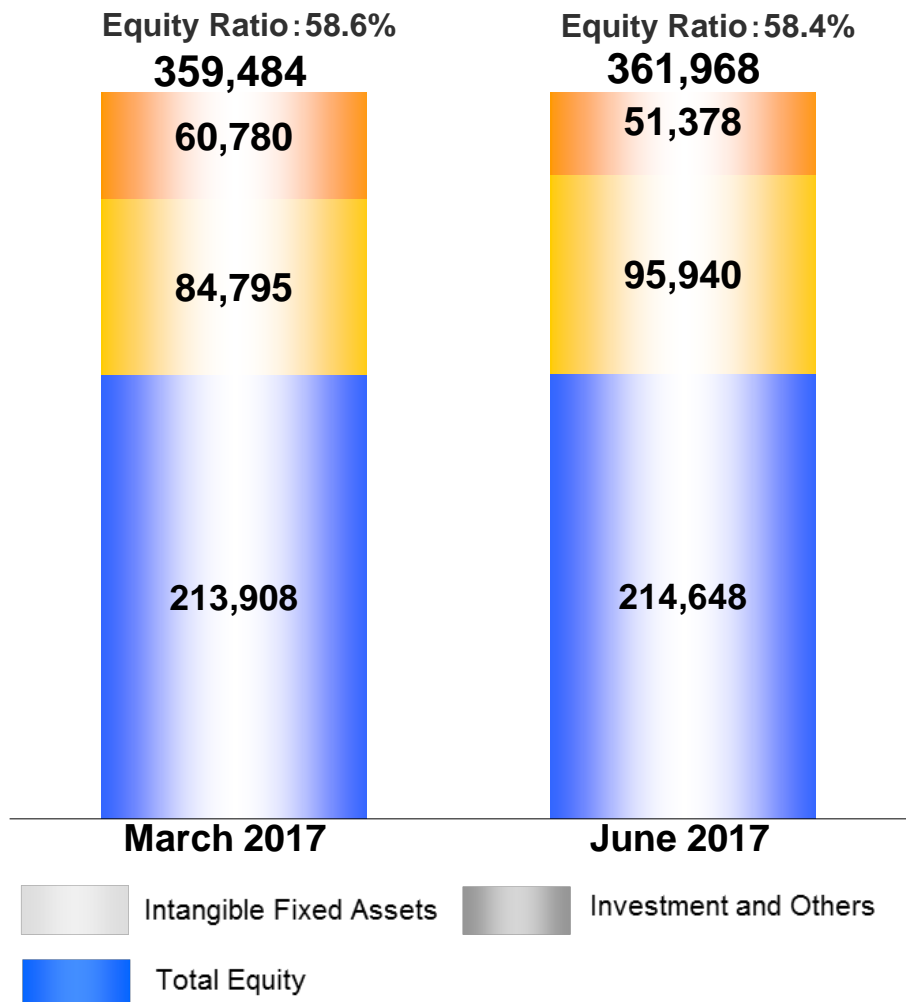
## Assets

(Units: ¥ millions)



## Liabilities and Equity

(Units: ¥ millions)



# Consolidated Cash Flows

(Unit : in ¥ millions)

	FY2016/1Q	FY2017/1Q
Net cash from Operating Activities	4,199	11,892
Net cash from Investing Activities	(4,905)	(4,845)
Free Cash Flows <sup>1</sup>	(705)	7,046
Net Cash from Financing Activities	(919)	3,966
Cash and Cash Equivalents at Term-End (a)	46,854	57,118
Term-end balance of interest-bearing debt <sup>2</sup> (b)	65,323	89,649
Term-end balance of net interest-bearing debt (b) – (a)	18,468	32,530

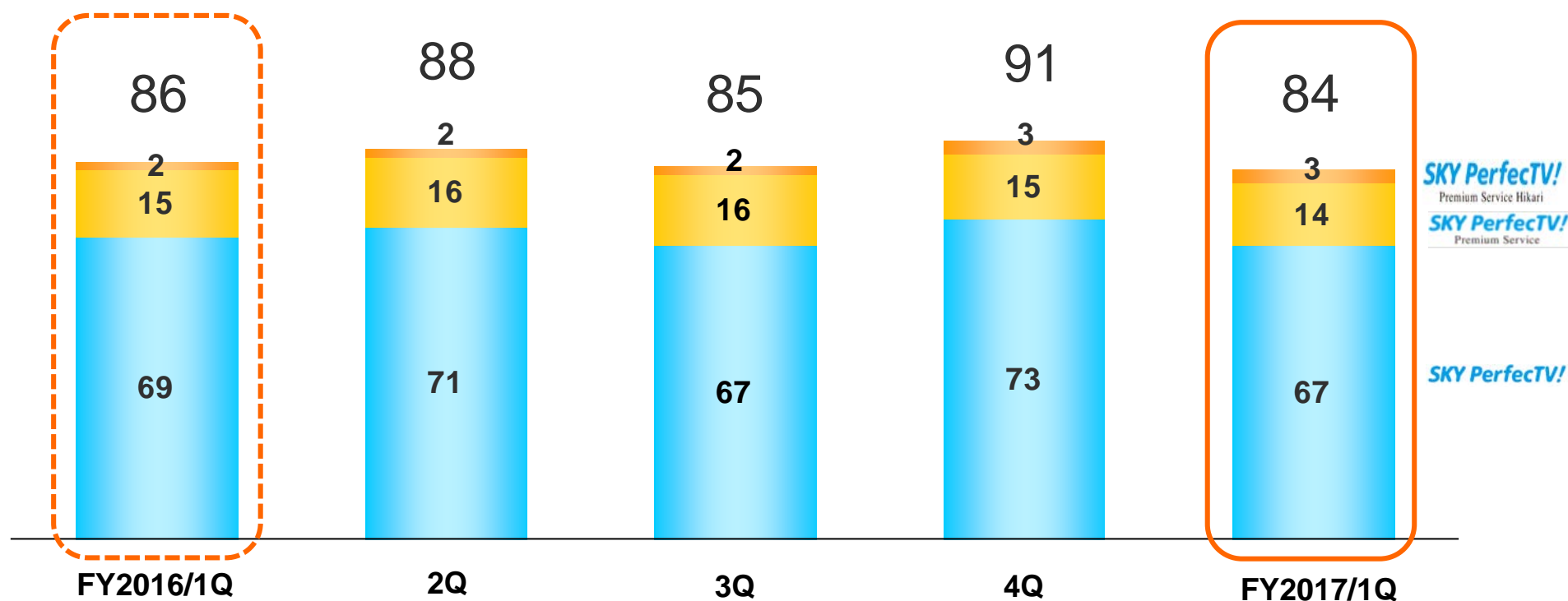
1. Cash flows from business activities + cash flows from investment activities

2. Debts + unsecured corporate bonds

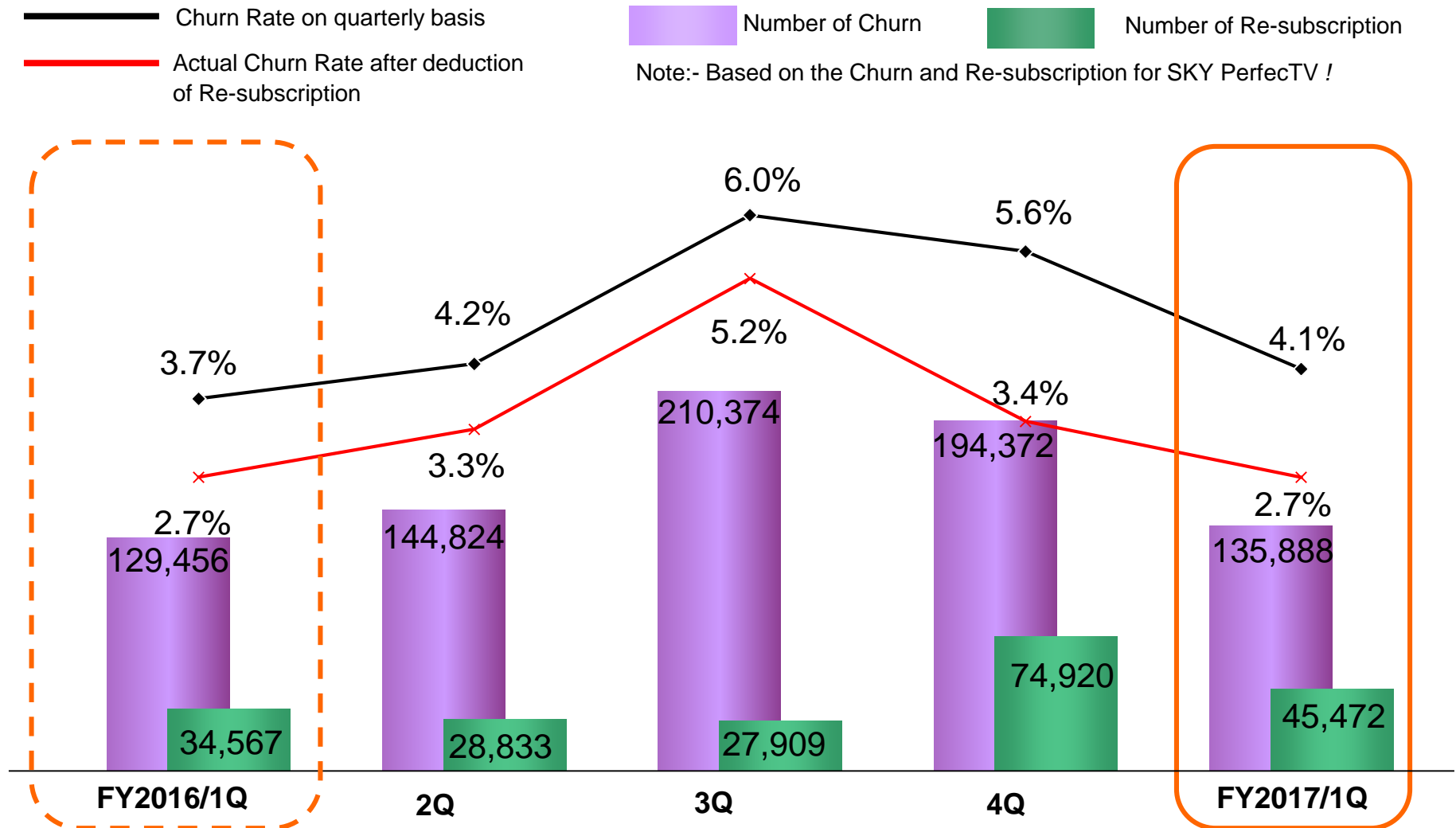


# Number of New Subscribers

(Unit: thousands)



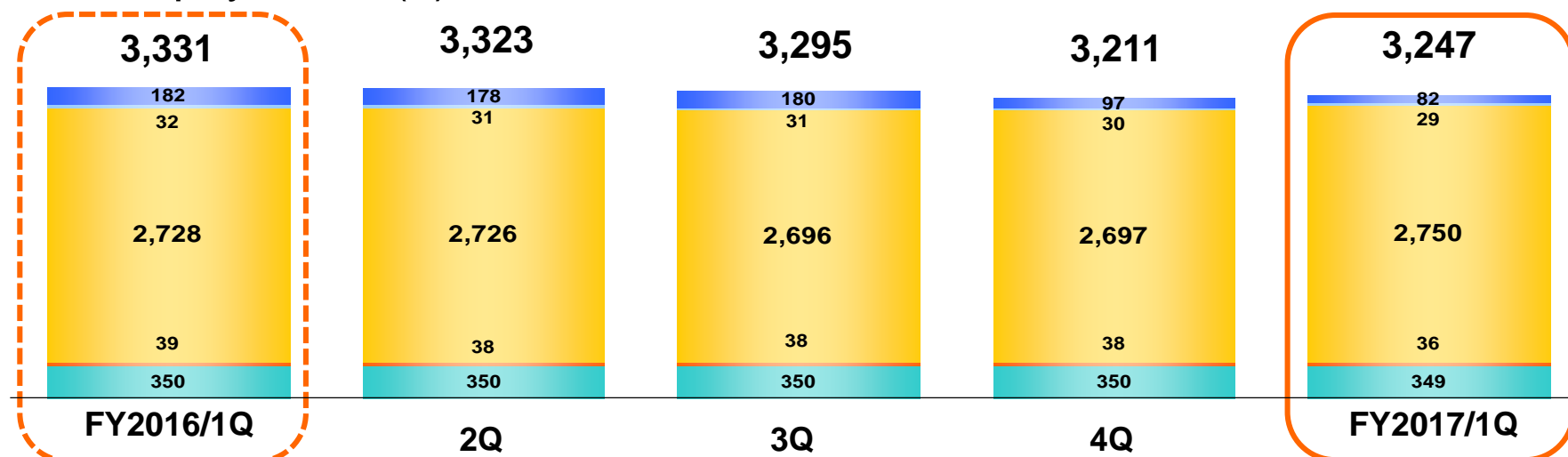
# Churn Rate



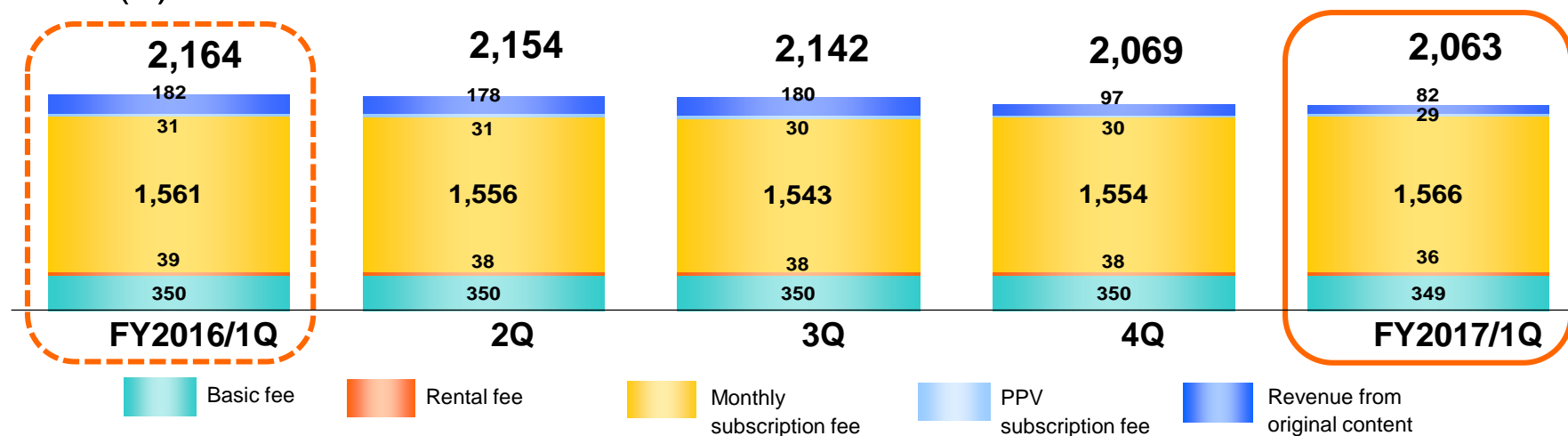
- Churn Rate is calculated by dividing total number of churn per quarter over total cumulative number of subscription of the preceding fiscal year.

# ARPU

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



## ARPU (¥)<sup>2</sup>

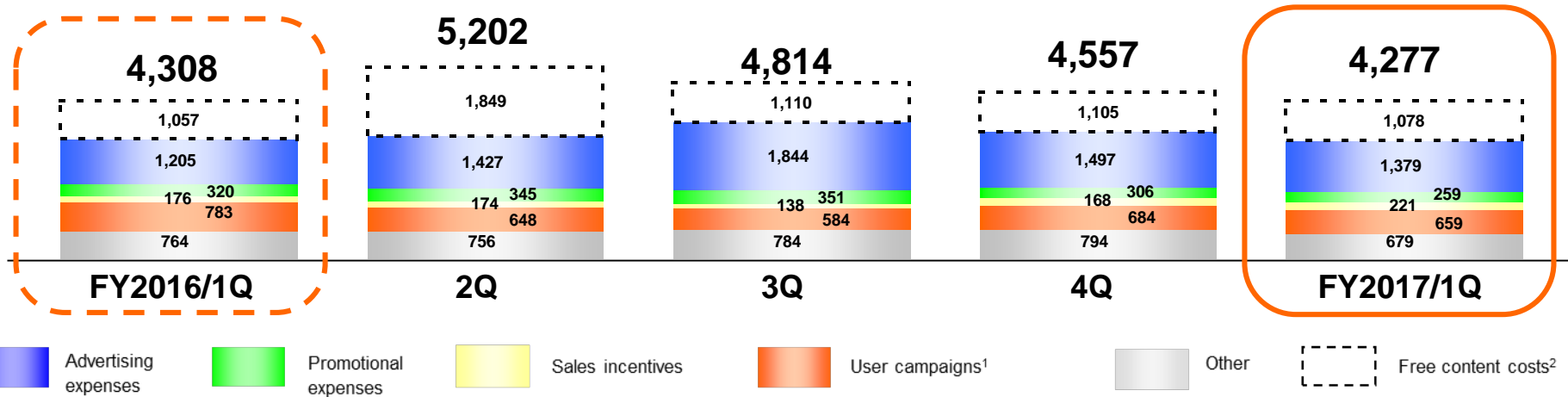


1. Average amount paid by subscribers in the form of monthly viewing fees, etc.

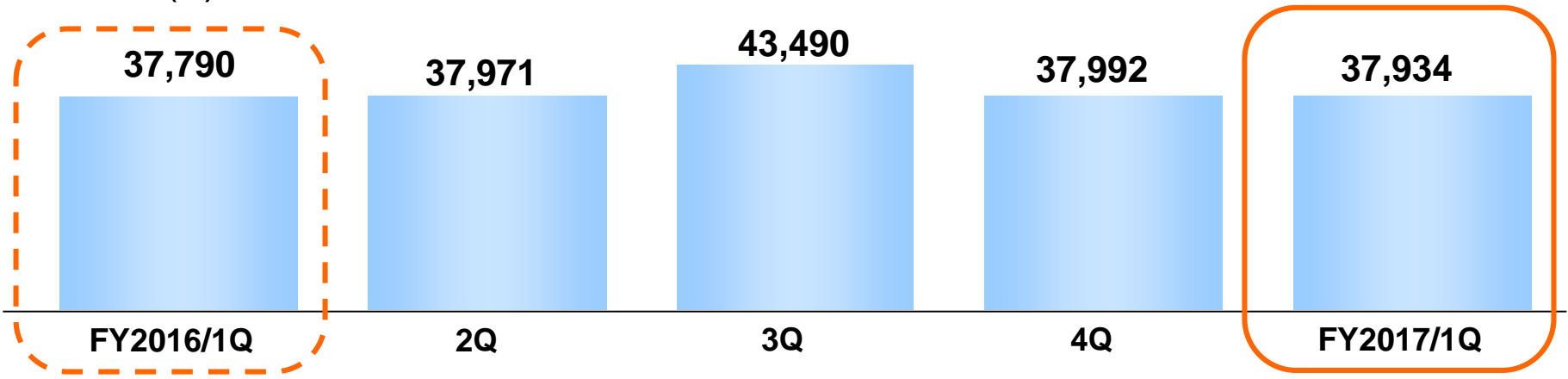
2. Of the average amount paid by subscribers in the form of monthly viewing fees, etc., the amount recorded as operating revenue by the SKY Perfect JSAT Group

# 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