SKY Perfect JSAT Holdings Inc.

Integrated Report 2021

For the year ended March 31, 2021

Our Unlimited Vision,
Your Practical Value.

SKY Perfect JSAT Holdings Inc.

Contents

Brand Slogan

Our Unlimited Vision, Your Practical Value.

The modern world is overflowing with information.
Even a simple search can provide us the answers.
However, our hearts are not stirred by what is known;
it is the unknown that excites and arouses us.
SKY Perfect JSAT works in the space field,
making its potential for growth as vast as
the expanse of outer space.
We want to be a company that can turn
the unknown into infinite possibilities.
These aspirations of
SKY Perfect JSAT are encapsulated in
"Our Unlimited Vision, Your Practical Value."

Space for your Smile

Mission

Toward a world where uncertainty turns to peace of mind, difficulty turns to ease, and interest turns to passion

"Space for your Smile" captures our core vision for the future, where spaces of all kinds—outer space, land, air and sea, as well as communities, family living rooms and other places people call their own—beam with smiles. From the glints of everyday happiness to the happiness that awaits in the future, we strive to create a world that leads to a brighter tomorrow for each and all.

Business Vision

Space Business

From space to the sea, we are carving out diverse, unlimited spaces and providing all-new value to contribute to the realization of a society offering peace of mind and ease.

Media Business

We are contributing to the realization of a diverse and highly creative society as a platform that connects people, companies, and society.

Group Officer and Employee Code of Conduct

SKY Perfect JSAT Group principles Our Five Key Questions

Are we rising to new challenges and learning from mistakes?

Are we collaborating with others to create new value?

Have we considered whether "pending" is the better choice?

Are we doing enough to surpass all expectations?

Can we talk with pride about our work to those dearest to us?

Business Fields of SKY Perfect JSAT Group

From people's lives on the ground to space

Geostationary orbit
36,000 Km

Geostationary satellites: Always stay connected, anytime

In 1989, SKY Perfect JSAT successfully launched Japan's first private-sector communications satellite JCSAT-1. Since then, SKY Perfect JSAT has launched approximately 30 geostationary satellites, the most in Asia. They have achieved stable communications from space that "always stay connected, anytime," in ordinary times as well as during disasters.

Low earth orbit
2,000 Km

Satellite data and AI: Using real-time space data on the ground

Low earth orbit satellites fly at an altitude close to the earth's surface. SKY Perfect JSAT has entered the sensing business that utilizes space data obtained from low earth orbit satellites. Earth observation data, such as images and positional information delivered from low earth orbit satellites to the ground in real time, is analyzed using AI technology for disaster prevention, disaster mitigation, and other uses.

Low earth orbit
700 Km

SDGs in space: Space debris removal

Space debris is a global issue. There are an estimated more than 100 million pieces of space debris larger than 1 millimeter, and the number increases as collisions occur. SKY Perfect JSAT, in cooperation with RIKEN, JAXA, Nagoya University, and Kyushu University, has started to develop a space debris removal satellite. It is the world's first initiative to remove space debris safely and efficiently using a laser-based method.

Stratosphere
20 Km

HAPS relay station in the sky

We will position a high altitude platform station (HAPS) in the stratosphere, 20 kilometers from the ground, to be used as a stratospheric platform (relay station in the air). By connecting geostationary satellites, low earth orbit satellites, and drones, HAPS will enable high-capacity, low-latency communications and broadcasting with the ground.

Atmosphere
10 Km

Communications for mobility: Stay connected even in the sky

We offer Internet connection services for aircraft by satellite communications. Passengers on a plane can connect to the Internet and enjoy entertainment from their smartphone, tablet, or computer.

Ground
0 Km

SKY PerfecTV!: Japan's first and largest digital multichannel satellite broadcast service

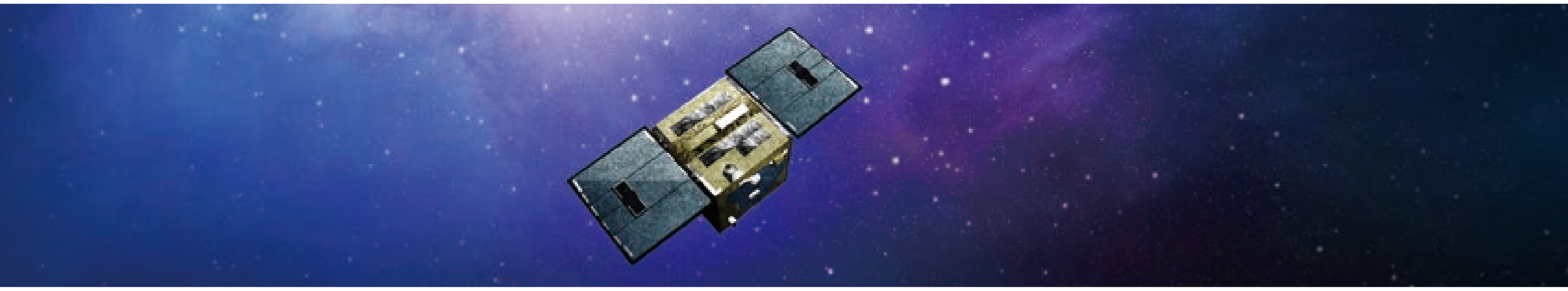
SKY PerfecTV! was launched in 1996 as Japan's first digital multichannel satellite broadcast service. It is viewed by more than three million subscribers on approximately 140 channels, the most channels in Japan. In addition to broadcasting, SKY PerfecTV! also provides distribution services to meet a variety of viewing needs and continues to deliver new excitement to its subscribers.

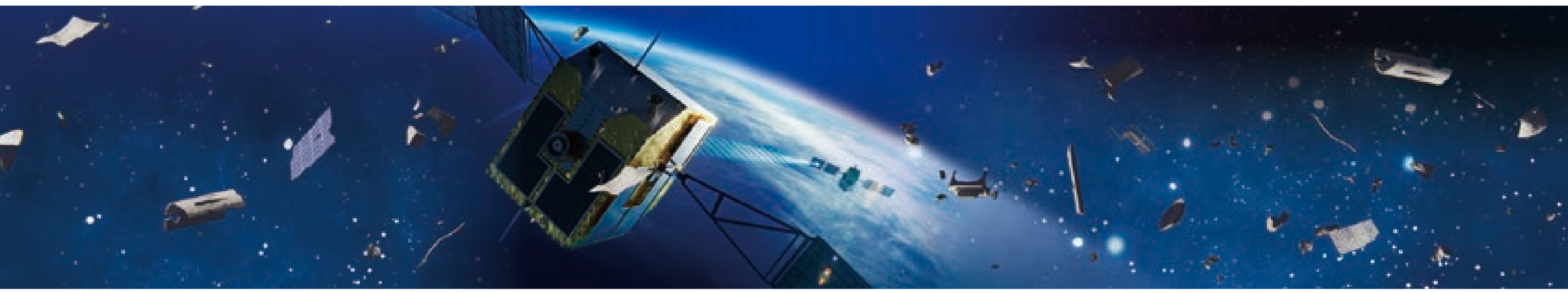
Sea
0 Km

Communications for mobility: Stay connected even at sea

We offer Internet connection services via satellite communications over a wide sea area, meeting the demand for Internet access at sea where terrestrial line communications are difficult.


©Boeing





SKY Perfect JSAT Group: A Proven Track Record

The unknown no one has attempted before

In 1989, SKY Perfect JSAT took its first leap forward by doing the unprecedented—launching Japan's first private-sector communications satellite. Since then, it has continued to place itself in uncharted territory, establishing entirely new businesses that no one in Japan has tried before.

The Space Business currently has 17 geostationary satellites deployed at an altitude of 36,000 kilometers from the ground. The Space Business turns all spaces from outer space to the ground into business fields, providing satellite communications services that bring convenient and safe living to society. They include Internet connections for use by aircraft and shipping vessels as well as backup lines to support mobile phone networks during disasters. In the Media Business, SKY PerfecTV*!* was launched in 1996 as Japan's first digital multichannel satellite broadcasts. Today, it is viewed by more than three million subscribers on approximately 140 channels, making it the service with the most channels in Japan.

Space Business

1989

Japan's first private-sector communications satellite, JCSAT-1, was launched

2003

Launch of Horizons-1 and commenced the services in the US

Space Communications Corporation established

Japan Communications Satellite Company, Inc. established

Satellite Japan Corporation established

Japan Satellite Systems Inc.

Company name changed to JSAT Corporation
JSAT Corporation went public on the first section of Tokyo Stock Exchange

1985 **1996** **2000**

Japan Sky Broadcasting Co., Ltd. (JSkyB) established

DMC Planning Inc. established (Name changed to Japan Digital Broadcast Service Co., Ltd. in 1996)

Japan Digital Broadcast Service Co., Ltd. changed its name to SKY Perfect Communications Inc. SKY Perfect Communications Inc. went public on Mothers of Tokyo Stock Exchange

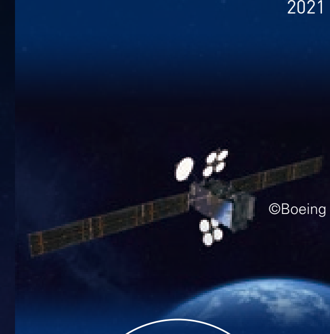
Media Business

1996

Started PerfecTV*!* broadcasts, Japan's first digital multichannel satellite broadcasts

2002

The number of subscribers was boosted with a Free broadcast campaign for 10 channels for subscribers in 2002, covering all 64 matches of the 2002 FIFA World Cup in Korea/Japan.



2005
Launch of satellite internet services for companies in the digital divide area

2011
Satellite lines provided free of charge to support restoration and recovery efforts following the Great East Japan Earthquake

2019
Spatio-*i*, a space intelligence service started

2020
JCSAT-1C/JCSAT17 service commenced

Number of Satellites in Orbit	17 satellites
Number of Cumulative Years in Satellite Operations (excluding consignment satellites)	Over 300 years (since 1989)

As of July 31, 2021

2007 **2008** **2011** **2018**

2018
Formulation of SKY Perfect JSAT Group mission

2020
Corporate branding activity launched

SKY PerfecTV! subscribers	Approx. 310 million
FTTH connected households	Approx. 244 million

As of March 31, 2021

2004
Launch of TV re-transmission services using optical fiber lines

2008
SKY PerfecTV! Tokyo Media Center completed

2011
Launch of SKY PerfecTV! On-Demand service

2019
Start of distribution of all Central and Pacific League professional baseball games

2020
Signed agreement with Bundesliga that includes joint marketing activities
Acquired exclusive broadcasting and distribution rights until the 2024/2025 season

Value Creation Process

Creating one-of-a-kind services from ground to space

SKY Perfect JSAT has been exploring what we can do through space as a business area, compelled by the force of will to venture into the unknown, which has been the universal driving force behind the development of humankind. We are in an age of seismic changes happening on a daily basis, such as technological innovation, climate change, and a new way of life to live with the coronavirus. These changes demand that the entire society move on to the next phase. SKY Perfect JSAT also stands amid the waves of major changes, including the emergence of new players born from technological innovation, and diversifying devices and user preferences. Given these changes, we are determined to continue offering new value that only SKY Perfect JSAT can create, according to the Group's mission "Space for Your Smile" as our principle.

Key Management Resources (Our Strengths)

- Number of subscribers of SKY PerfecTV*!* (number of IC cards or IC chips): 3,100,000 subscribers
- Number of broadcasters: 27 (SKY PertecTV*!* Service)
- Number of channels: 80 (SKY PertecTV*!* Service)
  139 (SKY PerfecTV*!* Premium Service)
  138 (SKY PerfecTV*!* Premium Service HIKARI)

(As of March 31, 2021)

- Trusted relationships with government agencies, municipalities, and in-frastructure companies
- Number of countries where we operate
  Space: Asia, Oceania, the Middle and Near East, Russia, North America, etc.
  Media: 8 countries and regions

30 years of experience and trust in space

Stable financial foundation and capital facilities

- Equity (net assets): ¥235,315 million
- Equity ratio: 60.8%
- Long-term rating: A (R&I, JCR)

- Number of satellites in orbit: 17 (as of July 31, 2021)
- Number of satellite control facilities: 5 in Japan
- SKY PerfecTV*!* Tokyo Media Center

Skilled and knowledgeable diverse human resources

- Knowledgeable about satellite operations and procurement
- Knowledgeable about satellite broadcasting
- Knowledgeable about customer center operations

- Consolidated number of employees: 846
- Percentage of female managers: 10.2%

*At SKY Perfect JSAT Corporation alone

SKY Perfect JSAT
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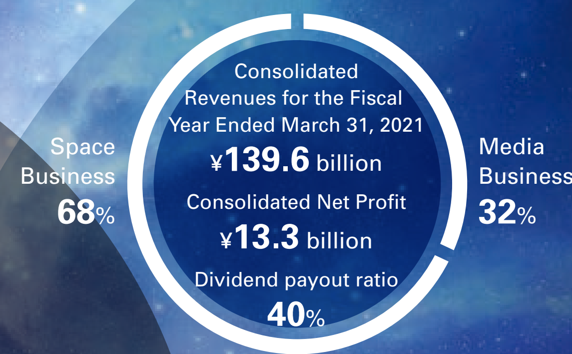
Space fo

Toward a
uncertainty tur
difficulty
and interest

Services Provided (Output)

Value Provided (Outcome)

Economic value creation



Ratio of Profit Attributable to Owners of Parent for the Fiscal Year Ended March 31, 2021

*The percentages for ratio of profit attributable to owners of parent are cal-culated by including intersegment transactions and adjustments

Space Business

We provide communications services using satellites. Our safe and secure communications services leverage the features of satellites, including wide coverage, disaster resistance, and flexibility.

We are expanding into development of information services that utilize satellite data and into new domains in the space field.

Highly public communications and broadcasting business

Media Business

Our broadcasting services are mainly the SKY PerfecTV*!* satellite broadcasting service. We also offer services via various transmission lines other than satellites, including fiber optic and the Internet.

We are expanding our distribution services and engaged in new businesses that utilize our broadcasting centers.

Creation of social and environmental value (Nine materiality themes that contribute to a sustainable society)

- Building resilient broadcasting and communications infrastructure, eliminating digital divide
- Improving the richness of life through a diversity of content
- Contributing to the environment to make a decarbonized society and recycling-based economy a reality
- Improving the environment in space
- Promoting innovation which contributes to the environment and society
- Promoting partnerships
- Developing a strong base for management
- Activities by a diverse array of people
- Regional and community development

See page 34 for details

T Group Mission central
siness activities

r your Smile

world where
ns to peace of mind,
turns to ease,
t turns to passion

Message from the President

We will move forward with the SKY Perfect JSAT Group "Plan 2020+" and step up our implementation of business structure reforms and growth strategies for improving our core profitability.

Eiichi Yonekura
Representative Director,
President

The spread of COVID-19 continues to create a serious situation both domestically and globally. I would first like to take this opportunity to extend my deepest gratitude to the healthcare workers and all others who are working tirelessly to control the pandemic.

Summary of Fiscal 2020 Results

In fiscal 2020, consolidated revenues remained comparable to those of the previous fiscal year, despite concerns about the impact of the COVID-19 pandemic on performance. In the Space Business, the newly launched JCSAT-17 as well as Horizons 3e, a High Throughput Satellite (HTS) that significantly boosted transmission capacity more than ever before, contributed to earnings growth. The Media Business continued to face a difficult business climate due to intensifying competition for customers with online video distribution services and competition for contents, particularly sports content. Nevertheless, the cumulative number of subscribers for SKY PerfecTV*!* multichannel pay TV broadcasting stayed at over 3 million. Alongside these trends, operating expenses of the Media Business fell sharply. As a result, consolidated operating profit for fiscal 2020 increased by 26% year on year, while profit attributable to owners of parent increased by 11%.

Aiming for Sustainable Growth

The business climate in which the Group is situated has approached a major turning point against the backdrop of digital technology innovation. In such an environment, we have adopted and are implementing the SKY Perfect JSAT Group "Plan 2020+" as our management policy, which aims for fundamental reforms of management and business structure based on the three pillars of "REPOWERING (Human Resources)," "REBUILDING (Business)," and "REBRANDING (Company)" for sustainable medium- to long-term growth.

SKY Perfect JSAT Group's "PLAN 2020+"

Human Resources
RE POWERING

- Diverse human resources for high-level positions
- Greater employee engagement
- Self-transformation by employees

Business
RE BUILDING

- Selection and concentration, and improved profitability
- Co-creation of new business fields
- Entry into new markets and global expansion
- Promotion of DX

Company
RE BRANDING

- Corporate brand re-creation
- Linking management strategy with SDGs
- Stronger corporate governance

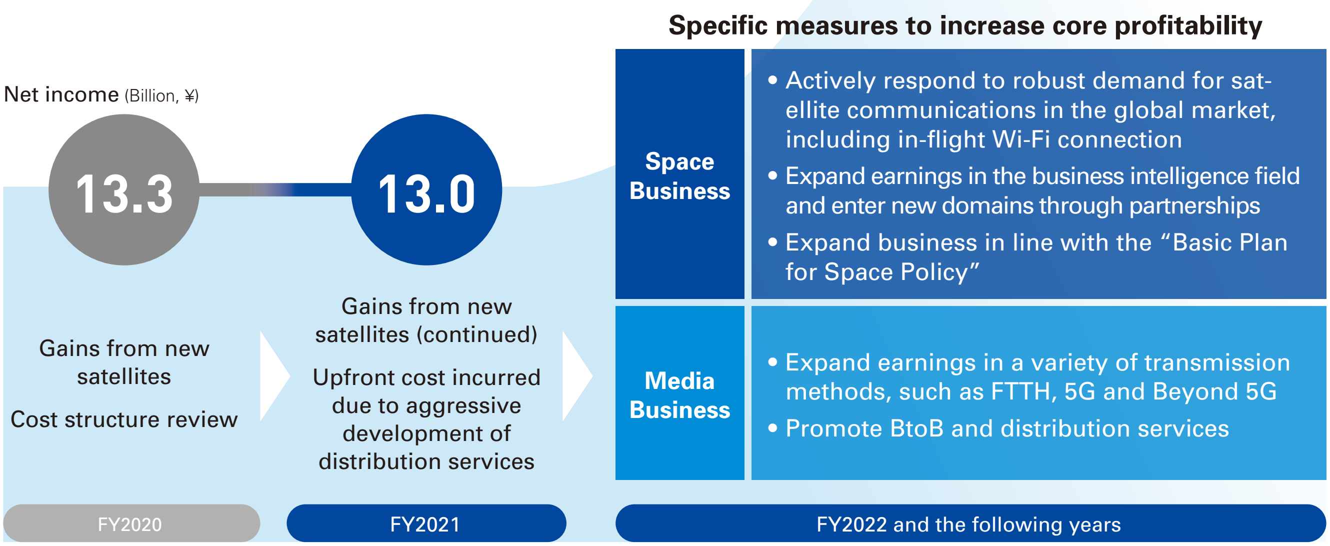
Message from the President

REPOWERING

In the REPOWERING pillar, which focuses on employees, COVID-19 has prompted the Group to realize flexible work styles that are not restricted by location or time and develop arrangements for smooth business execution, mainly by working from home. We have also aggressively selected young and mid-career employees to key positions. With the aim of becoming a more productive, creative, and resilient company, we will continue to implement organizational reforms that will enable each employee to transform themselves and maximize their performance in order to put our mission, "Space for your Smile," into practice.

Growth Outlook

Aiming to further increase core profitability in the medium- to long-term



REBUILDING

The Business REBUILDING pillar seeks to strengthen the Group's core profitability over the medium- to long-term. The Group aspires to improve profitability through a rigorous process of selection and concentration of services, in addition to developing new business fields with a range of domestic and overseas partners.

Space Business

In the Space Business, we will strive to improve profitability by both (1) strengthening existing services and (2) utilizing new technologies and expanding business domains. Our medium- to long-term vision is to expand our business field to spaces ranging from the sea and land up to outer space, extending beyond the conventional satellite communications services in the geostationary orbit. We will utilize the various data obtained from these spaces to create a space intelligence market.

We will strengthen our existing services by establishing a stable earnings foundation. The Group will increase the provision of satellite connections, such as backhaul lines for mobile phone base stations, where the use of satellites is expanding in Japan and overseas, and steadily capture demand in the global market, including through provision of Wi-Fi connections on shipping vessels and aircraft. In addition to Horizons 3e, which is already generating steadily increasing earnings in the Asia-Pacific region, our other HTS, JCSAT-1C, will contribute to achieving continued growth in the global market. In 2024, we plan to launch Superbird-9, a fully flexible satellite that will allow us to flexibly change the communications area and transmission capacity. We will be among the first to procure such satellites equipped with the latest technology to meet diverse satellite communications needs.

An example of utilizing new technologies and expanding business domains is the launch of Spatio-*i*, a business intelligence service that combines a variety of data, such as imagery obtained from space and location information, with AI analysis. We are also actively partnering with domestic and international companies and research institutions to expand our business domains. As part of these efforts, we have recently concluded a business alliance agreement with Nippon Telegraph and Telephone Corporation (NTT). We will sequentially begin technical demonstrations in 2022, aiming to start commercial services in around 2025. While developing technologies that will serve as our business foundation, we will aspire to realize integrated infrastructure required for a sustainable society, which will be made possible by building a space integrated computing network in Beyond 5G/6G. In addition, we will develop our own technology to remove space debris based on the concept of "SDGs in space," and will consider services that utilize next-generation technologies, such as satellite quantum cryptography.

Message from the President

Media Business

The Media Business is seeing major changes in content viewing styles with the spread of online video distribution services. Under these circumstances, we plan to address the following three challenges: (1) improving profitability through business structure reforms; (2) expanding and differentiating services; and (3) acquiring new revenue.

First, to improve profitability through business structure reforms, we are reviewing cost allocations from the perspective of improving both quality and customer satisfaction on the one hand and profitability on the other. This covers everything from content acquisition and marketing to customer centers and broadcasting facilities.

We are also making efforts to expand and differentiate our services. As the number of hours people spend at home increases, we have seen a steady rise in subscriptions to the popular SKY PerfecTV*!* Basic Plan. This plan offers unlimited access to 50 channels per TV connection and charges no additional fees for up to three TV connections. In addition, we are working to increase subscriber loyalty by engaging in *fan marketing* that offers a variety of ways to enjoy SKY PerfecTV*!* beyond conventional broadcasting services. Fan marketing, such as holding events, selling merchandise, and communicating through social media, targets subscribers who have a strong passion for a wide range of genres. Increased use of Wi-Fi at home has led to more households subscribing for optical fiber lines. The number of households contracting FTTH services exceeds 2.4 million and continues to grow. In the second half of fiscal 2021, we plan to completely renew our on-demand services, aiming to build a new contents platform that integrates broadcasting and distribution in the future. Furthermore, to acquire new revenue, we will enter the BtoB market in the Media Business. Specifically, we have partnered with PLAY, inc., which provides one of the largest online video platforms in Japan, and launched the *Media HUB Cloud* business to support Japanese and foreign video distribution services. By effectively utilizing our broadcasting platform with over 100 channels, we will meet the needs of companies and businesses that wish to provide contents easily to distributors or distribute overseas contents over the Internet, and diversify our revenue sources.

In the medium- to long-term, we will develop SKY PerfecTV*!* into a brand that not only provides contents for enjoyment but also supports people's lifestyles. We intend to transform SKY PerfecTV*!* into a service that supports customers' lifestyles encompassing people, things, and events, in addition to contents.

We will also work to create services that link the two seemingly disparate businesses of space and media. For example, we will create a BtoC business from our Space Business services, which support social infrastructure and lifelines, and combine it with SKY PerfecTV*!* If we can thereby introduce new experiences into people's lifestyles, I believe we will be able to further leverage the uniqueness of the Group and differentiate ourselves from our competitors.

RE BRANDING

In October 2020, we launched a corporate branding campaign under the slogan "Our Unlimited Vision, Your Practical Value." We are branding ourselves for an appropriate corporate valuation by renewing our corporate image, which tended to be biased toward the multichannel pay TV broadcast service, SKY PerfecTV*!*, and portraying ourselves as a Group that continues to take up unique challenges.

Deepening Sustainability Management

Since its founding, the Group has been developing its business in the highly public domains of communications and broadcasting and has been offering services that are useful to society. In addition, in September 2020, we established the Sustainability Committee in order to further promote initiatives to achieve the Sustainable Development Goals (SDGs), which are goals shared by the world, and to pursue sustainability management with which the Group remains needed by society and continues to grow sustainably. Under this structure, we considered which social issues we should address based on the SDGs and identified nine important themes (materiality), including "Building resilient broadcasting and communications infrastructure, eliminating digital divide," "Improving the richness of life through a diversity of content," and "Contributing to the environment to make a decarbonized society and recycling-based economy a reality." We will set specific KPIs and implement the themes.

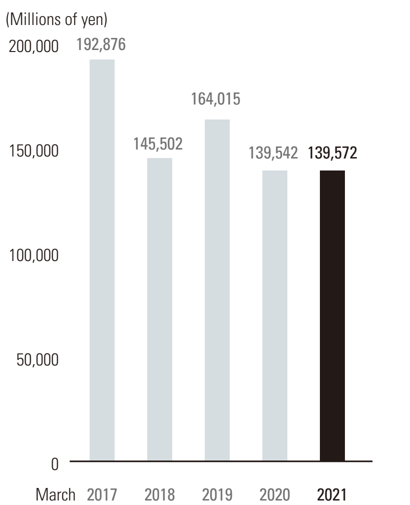
As the one and only corporate group that can provide "practical value" based on an "unlimited vision" in business fields ranging from the ground to space, we will strive to enhance our corporate value by sincerely addressing social issues to which we are uniquely positioned to make a contribution. I would like to ask for the continued support of our shareholders and investors.

Financial Highlights

SKY Perfect JSAT Holdings Inc. and Consolidated Subsidiaries
For the years ended March 31, 2017, 2018, 2019, 2020 and 2021

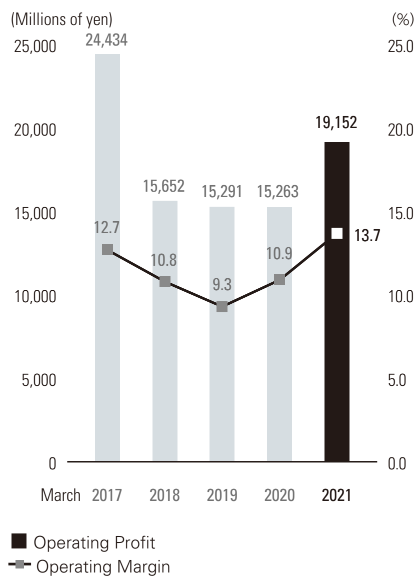
Revenues

¥139,572million



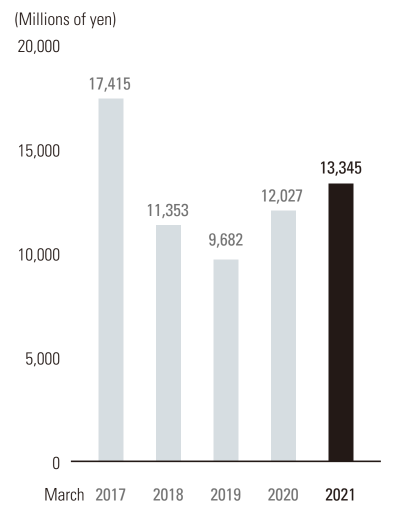
Operating Profit/Operating Margin

Operating Profit ¥19,152million



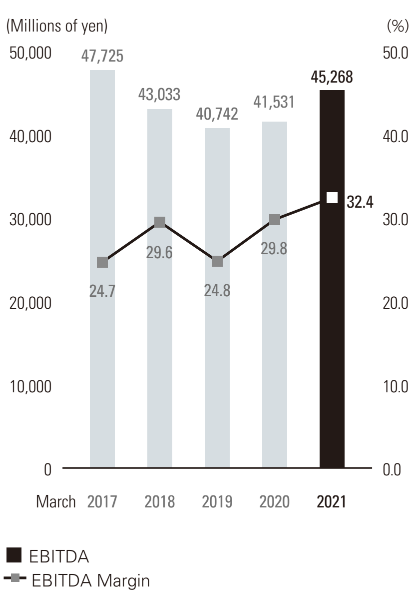
Profit Attributable to Owners of Parent

¥13,345million



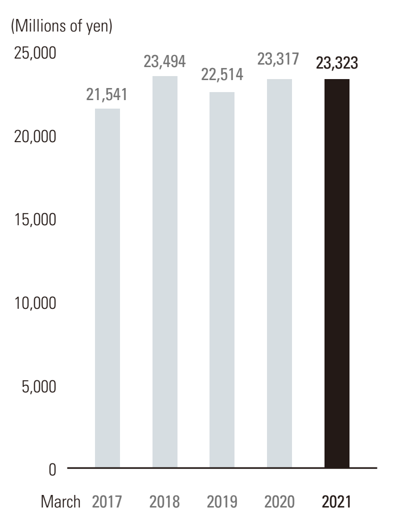
EBITDA/EBITDA Margin

EBITDA ¥45,268million



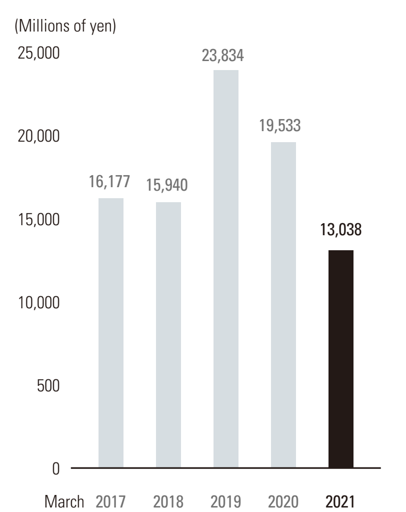
Depreciation and Amortization

¥23,323million



Capital Expenditures

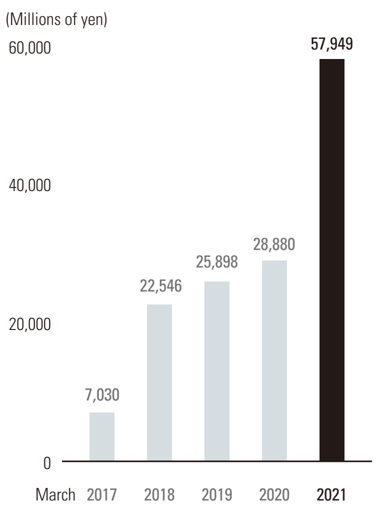
¥13,038million



* Performance figures are rounded to the nearest indicated unit, and therefore differ in some respects from the figures shown in the Annual Securities Report on a Japan GAAP basis (rounded down to the nearest million yen).

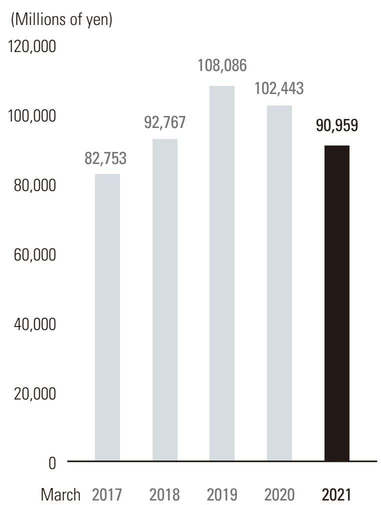
Cash Flows from Operating Activities

¥57,949 million



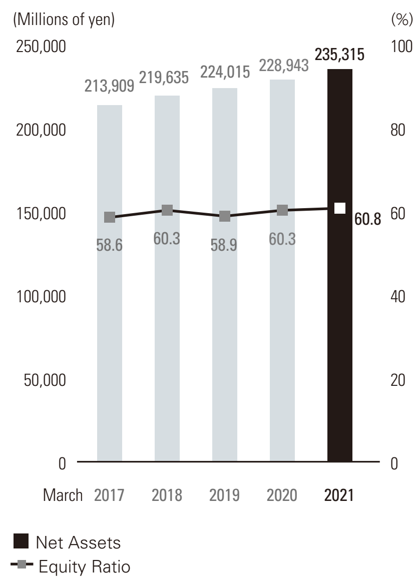
Interest-Bearing Debt

¥90,959 million



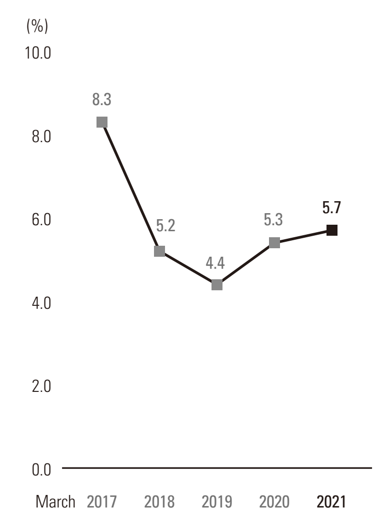
Net Assets/Equity Ratio

Equity Ratio 60.8%



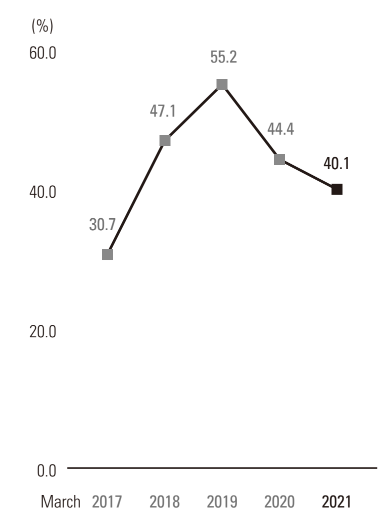
ROE

5.7%



Dividend Payout Ratio

40.1%



Rating Information

Rating and Investment Information, Inc.(R&I)

Long-term rating **A**

Definition of rating:
High creditworthiness supported by a few excellent factors

(As of November 18, 2020)

Japan Credit Rating Agency, Ltd. (JCR)

Long-term rating **A**

Definition of rating:
A high level of certainty to honor the financial obligations

(As of November 13, 2020)

Message from the CFO

We will balance growth investment and increases in shareholder returns, while maintaining a sound financial position.

Koichi Matsutani
Director
Chief Financial Officer

Basic Approach to Financial Strategy

The Group aims to promote sustainability management, find solutions to social issues, and increase its corporate value in order to realize the group mission, “Space for your Smile.” To this end, the basic objective of the Group’s financial strategy is to promote investment in growth areas to improve core profitability, while achieving a balance between maintaining a sound financial standing and increasing capital efficiency.

The major capital needs of the Group include working capital necessary for business activities; funds for procuring broadcasting equipment, communications satellite equipment, and other capital expenditures; and strategic M&A capital. These capital needs are mainly met by operating cash flows, with the Group also raising funds by issuing bonds and borrowing as necessary. In addition, the Group has secured ¥40.0 billion in bond issuance capacity to enable flexible fund procurement. Furthermore, it prepares and executes funding plans to maintain a certain level of liquidity on hand, and has concluded commitment line agreements and overdraft agreements (totaling ¥15.3 billion) with partner financial institutions against liquidity risks. Moreover, the Group is striving to improve capital efficiency by utilizing internal funds through the cash management system.

Review of Fiscal 2020 Results

Consolidated revenues remained at the level of the previous fiscal year at ¥139.6 billion, whereas consolidated operating profit increased 25.5% from the previous fiscal year to ¥19.2 billion and profit attributable to owners of parent increased 11.0% to ¥13.3 billion. This is attributed mainly to new satellites’ contribution to both revenue and profit in the Space Business, helping offset the revenue drop from the declining number of cumulative subscribers in the Media Business, as well as to the ¥9.0 billion decrease in operating expenses in the Media Business. In addition, the Space Business segment profit was ¥9.4 billion, up 17.7% year on year, and the Media Business segment profit was ¥4.4 billion, down 3.3% year on year.

Outlook for Fiscal 2021

The Space Business is expected to see higher revenues and profit due to earnings growth for the JCSAT-1C and Horizons 3e HTS satellites, although demand for satellite connections for mobile communications—a growth market—continues to be affected by the reduction in air travel from COVID-19. On the other hand, the Media Business is forecast to see lower revenues and profit due to a decrease in cumulative subscribers and aggressive investment in future growth.

The operating revenues listed are also forecast to decrease by ¥22.0 billion due to the Accounting Standard for Revenue Recognition to be applied from fiscal 2021. This is chiefly because subscription fee revenue in the Media Business and revenue from some connections sales in the Space Business will be recognized as revenue in a net amount, after deducting related expenses. This decrease will have a negligible impact on profits and losses.

As a result, in fiscal 2021, operating revenues are projected to decrease by 12.6% year on year to ¥122.0 billion, operating profit by 6.0% to ¥18.0 billion, and profit attributable to owners of parent by 2.6% to ¥13.0 billion.

Message from the CFO

Capital Expenditures and R&D Investment

Capital expenditures in fiscal 2020 amounted to ¥13.0 billion yen, down 33.3% from the previous fiscal year. By segment, capital expenditures in the Media Business consisted mainly of ¥4.6 billion for the enhancement of broadcasting facilities at the SKY PerfecTV*!* Tokyo Media Center, and capital expenditures in the Space Business consisted mainly of ¥8.3 billion for the procurement of communications satellite equipment. In fiscal 2021, an increase of ¥2.4 billion is forecast for the procurement of communications satellite equipment, among other expenditures in the Space Business, bringing overall capital expenditures to ¥15.3 billion. Total investment for Superbird-9, which is scheduled to be launched in 2024, is expected to amount to around ¥30.0 billion, including control facilities. On the other hand, ¥240 million (¥290 million in the previous fiscal year) was allocated for R&D expenses in fiscal 2020, mainly for the development of a service to move (remove) nonfunctional spacecraft and other debris using space lasers.

Financial Position

Total assets at the end of fiscal 2020 were ¥385.6 billion, up ¥7.2 billion from the end of the previous fiscal year. With regard to current assets, despite a ¥6.2 billion decrease in accounts receivable resulting from collection of receivables related to the X-Band business, current assets increased by ¥23.6 billion, mainly due to a ¥29.6 billion increase in cash and cash equivalents. Property, plant and equipment and intangible assets decreased by ¥11.2 billion, mainly because of depreciation and amortization equal to ¥23.3 billion and amortization of goodwill equal to ¥0.9 billion, despite the ¥13.0 billion increase due to capital expenditures. Investments and other assets decreased by ¥5.2 billion, mainly as a result of a ¥3.1 billion decrease in long-term loans receivable.

Total liabilities at the end of fiscal 2020 were ¥150.3 billion, up ¥0.8 billion from the end of the previous fiscal year. The amount was due to increases mainly in income taxes payable equal to ¥3.5 billion and unearned revenue equal to ¥5.2 billion, and to decreases mainly in interest-bearing debt equal to ¥11.5 billion, owing to redemption of bonds and repayment of borrowings related to the X-Band business. Of the ¥76.0 billion in debt outstanding at the end of fiscal 2020, the ¥52.0 billion borrowed for the X-Band business is to be repaid through the collection of receivables associated with this business from the Ministry of Defense, and the ¥22.5 billion borrowed for the Horizons 3e business is to be repaid with operating cash flows associated with this business.

Net assets, including non-controlling interests, increased by ¥6.4 billion from the end of the previous fiscal year to ¥235.3 billion. This is mainly attributed to an increase in retained earnings of ¥8.0 billion due to the posting of profit attributable to owners of parent. As a result, the equity ratio increased by 0.5 percentage point to 60.8%, and an "A" issuer rating from both Rating and Investment Information, Inc. (R&I) and Japan Credit Rating Agency, Ltd. (JCR) was maintained.

Cash Flows and Shareholder Returns

Cash flows from operating activities was ¥57.9 billion (versus ¥28.9 billion in the previous fiscal year) due to a decrease in accounts receivable-trade of ¥6.1 billion and an increase in unearned revenue of ¥5.2 billion, in addition to profit before income taxes, depreciation and amortization, amortization of goodwill totaling ¥44.1 billion.

Cash flows from investing activities amounted to ¥11.4 billion (versus ¥20.8 billion in the previous fiscal year), mainly due to expenditures of ¥12.2 billion for the purchase of property, plant and equipment and intangible assets.

Free cash flows (revenues from operating activities minus expenditures from investing activities), which had been negative since fiscal 2014, turned into an inflow of ¥8.1 billion in the previous fiscal year mainly due to the completion of capital expenditures for new satellite procurement, and further expanded to an inflow of ¥46.6 billion in fiscal 2020.

Cash flows from financing activities amounted to ¥16.9 billion (versus ¥12.5 billion in the previous fiscal year), mainly due to expenditures of ¥6.4 billion for repayments of long-term loans payable, ¥5.0 billion for redemption of bonds, and ¥5.3 billion for dividends paid.

As a result of the above, the balance of cash and cash equivalents increased by ¥29.6 billion from the end of the previous fiscal year to ¥73.2 billion.

We consider the long-term and comprehensive return of profits to our shareholders to be an important management goal. With regard to dividends, while we strive to enhance internal reserves to prepare for aggressive business development, we place importance on maintaining stable dividends after comprehensively taking into consideration our financial position, profit level, dividend payout ratio, among other factors. We paid an annual dividend of ¥18 per share (dividend payout ratio: 40.1%) in fiscal 2020. We plan to pay the same amount in fiscal 2021.

In addition, for the purpose of further enhancing shareholder returns, the Company will conduct a share repurchase (market transaction) of up to 9 million shares for a maximum of ¥3 billion during the period from August 2021 to the end of January 2022.

	Actual				Forecast
	FY2017	FY2018	FY2019	FY2020	FY2021
Operating revenue (Billions of yen)	145.5	164.0	139.5	139.6	122.0
Operating Income (Billions of yen)	15.7	15.3	15.3	19.2	18.0
Profit attributable to owners of parent (Billions of yen)	11.4	9.7	12.0	13.3	13.0
Dividend Payout Ratio (%)	47.1	55.2	44.4	40.1	41.1
Dividends Per Share (yen)	18	18	18	18	18

Risks and Opportunities

SKY Perfect JSAT has continually carved out new business fields in the space and media business for 35 years since it established Japan's first satellite communications business in the private sector. The rapid development of digital technologies in recent years have accelerated changes in the business environment that surrounds us. We aim to accurately understand these changes in order to reduce business risks and create growth opportunities going forward.
Based on these perceived risks and opportunities, we engage in various activities in the space and media business.

	Business Climate	Environment
Risk	**Space & Media** • Decline in competitiveness due to threats of substitution, intensified price competition, and technological advances by other companies • Decline in competitiveness due to inadequate or failed satellite fleet strategy (including delays in procurement of satellites and ground equipment), decreasing quality of products and services, radio interference, and delivery delays • Business constraints and increased costs due to changes in laws and regulations • Inadequate or failed partnership/alliance strategies **Space** • Global business stagnation due to materialization of country risk **Media** • Decline in competitiveness due to failure to acquire video content and distribution licenses • Decline in earning power due to unauthorized viewing of broadcasts	**Space & Media** • Damage to business sites and disruption of business due to the occurrence of a large-scale natural disaster, pandemic, etc. **Space** • Communications satellite accidents and troubles caused by increased space debris **Media** • Occurrence of reception difficulty due to frequent typhoons and torrential rain • Increase in waived subscriptions in areas that have been hit by frequent natural disasters
Opportunities	**Space & Media** • Business opportunities created by strengthening alliances with partner companies **Space** • Increased demand for national security due to deteriorating international political environment **Media** • Earnings foundation maintained through continued use of services by elderly subscribers • Diversification of business and revenue leveraging the existing customer base	**Space** • Increased use of disaster-resistant satellite connections that cover wide areas for the BCP • Growth of the earth observation, meteorological data usage, and image analysis businesses • Business opportunities created as space debris increases **Media** • Increase in demand for video content as people are requested to stay at home due to the pandemic
Materiality	• Building resilient broadcasting and communications infrastructure, eliminating digital divide • Improving the richness of life through a diversity of content • Promoting partnerships • Regional and community development	• Building resilient broadcasting and communications infrastructure, eliminating digital divide • Contributing to the environment to make a decarbonized society and recycling-based economy a reality • Improving the environment in space • Promoting innovation that contributes to the environment and society
Action strategy	**Space & Media** • Develop new technologies and services by strengthening partnership strategies **Space** • Establish medium- to long-term fleet foundation to strengthen the power of our earning base **Media** • Offer content designed to contribute to the creation of a society that embraces diversity • Promote fan marketing designed to meet diverse customer needs • Offer new subscription services for smart TVs and other consumer electronics	**Space & Media** • Secure emergency power sources at business sites • Strengthen the BCP through employee training, development of a disaster portal, and telecommuting arrangements • Conserve energy at ground facilities and business sites; actively use renewable energy **Space** • Meet demand for satellites that increases during a disaster • Promote the commercialization of the earth observation, meteorological data usage, and image analysis businesses • Design and develop satellites that use lasers to dispose of space debris • Provide safe and secure living space using next-generation wind power generators and satellite communications • Develop and commercialize solar power output forecasting methods **Media** • Actively support the entertainment industry amid the coronavirus pandemic

In response to the COVID-19 pandemic, we reduced operations in line with the novel influenza BCP that we had formulated previously and were able to continue providing services. Starting from fiscal 2021, we plan to identify risks posed by climate change that is increasingly intensifying across the globe and to review the 2022 risk management plan. We will continue to further heighten the effectiveness of our risk response, while finding solutions to social issues and improving our corporate value.

Society and Technology	Management and Governance
Space & Media • Decline in reliability due to an intrusion by an external party into an information system, a malware infection, or hacking, that falsifies data or leaks confidential information/personal data **Space** • Decline in demand for existing geostationary orbiting satellites due to the realization of a low earth orbit satellite constellation **Media** • Decline in demand for multichannel pay TV broadcasting as consumers turn to online video distribution services	• Deterioration in the company's business performance and financial position due to inadequate or failed management and financial strategies • Occurrence of a scandal/misconduct due to inadequate internal control or a compliance violation • Decline in organizational strength due to a lack of highly skilled human resources and an imbalance in employees' age composition • Decline in governance and organizational strength due to the absence of diversity and inclusion (D&I)
Space & Media • Business opportunities created by strengthening alliances with partner companies **Space** • Increase in economic opportunities through participation in and support for low earth orbit satellite constellations (ground support services, etc.) • Development of new services through the use of digital technologies • Creation of new business opportunities through the development of 5G/6G communications infrastructure • Development of quantum cryptography technology **Media** • Revenue diversification by operating the distribution and B-to-B businesses • Enhancement of operational efficiency and productivity by promoting DX	• Sustainable growth through the implementation of management and financial strategies • Business expansion through M&As • Improvement in external evaluation through stronger governance • Maintenance of and improvement in credit ratings • Higher employee morale and productivity, and employment of talented human resources, through the promotion of work style reforms • Employment of diverse human resources (in terms of gender, nationality, age, etc.) to invigorate the organization
• Promoting innovation that contributes to the environment and society • Promoting partnerships	• Developing a strong management foundation • Successful careers of diverse human resources • Regional and community development
Space & Media • Establish a resilient information security system for proper execution of operation • Promote DX **Space** • Tap into demand for communications through high throughput satellites (HTS) as well as satellites equipped with flexible payloads • Promote the *Space Intelligence* business • Collaborate with NTT to make the concept of a space integrated computing network a reality • Offer ground support services for low earth orbit satellites • Invest in and collaborate with start-ups in the space business • Active expansion into HAPS and other new business domains **Media** • Enhance broadcasting and distribution services using fiber to the home (FTTH) and the Internet • Operate distribution and *Media Hub Cloud* businesses • Promote marketing automation (e.g., improving the features for personalization and recommending preferred contents) • Create a hybrid of space and entertainment businesses	• Comply with the updated Corporate Governance Code • Develop medium- to long-term management strategies; establish a sustainable financial policy • Establish risk management system to ensure proper execution of operation • Development of globally competent human resources; support employees in career formation • Provide a well-designed remote work environment and a system to promote flexible work styles • Improve and expand employee education and training to promote D&I • Contribute to improvements in environments for the fostering of next-generation talent and for education in Southeast Asia (provide communications and educational environments)

Space Business

We will contribute to the realization of a safe and comfortable society by exploring a variety of unknown spaces, from space to the oceans, and by providing unprecedented value.

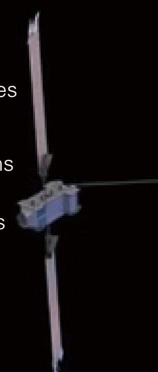
Our Assets × Co-creation with Partners

Our Assets

Technology and Knowledge

Satellite procurement
- Design and exploration of satellite specifications
- Communication with satellite manufacturers
- Coordination and negotiation of deals with satellite launching service companies

Satellite operation
- Operation and monitoring of satellites
- Operation and monitoring of communication lines



Services for customers
- Proposition and development of communications solutions
- Collaboration with ground station manufacturers
- Handling of inquiries about operation

Observation with laws and regulations
- Wireless license operations
- International coordination of satellite orbits and frequencies

Other technological development
- Image and data analysis using AI technology, etc.
- Research and development of quantum cryptography technology

Infrastructure and Business License

- Communications satellite equipment (17 satellites)
- Control center facilities (5 locations across Japan, including Yokohama and Ibaraki)
- Sites in overseas locations (Hong Kong, Indonesia and Washington D.C.)
- Business registration and radio wave license related to satellite communications

Co-creation with Partners

Partners

Government and public agencies

Companies in different industries; start-ups

Universities and research institutes

Low earth orbit (LEO) satellite businesses, etc.

Partners

Satellite manufacturers, ground facility vendors, launching service companies, etc.

Partners

Overseas satellite operators

Telecommunication carriers

Sustainable Growth

New Domains

Provision of applications/business domain expansion

- Business intelligence (Spatio-*i*)
- Satellite Anti-Disaster Information Service
- Hybrid solar power generation output prediction
- Wind power generation and satellite communications
- Development of a satellite for removing space debris
- HAPS project
- Space integrated computing network concept (business alliance with NTT)

Working with diverse business partners to explore new business fields

Core Business Domains

Provision of domestic satellite communications and broadcasting lines

- Disaster contingency planning
- Mobile backhaul lines
- Satellite broadcasting lines
- Security field
- Closing the digital divide

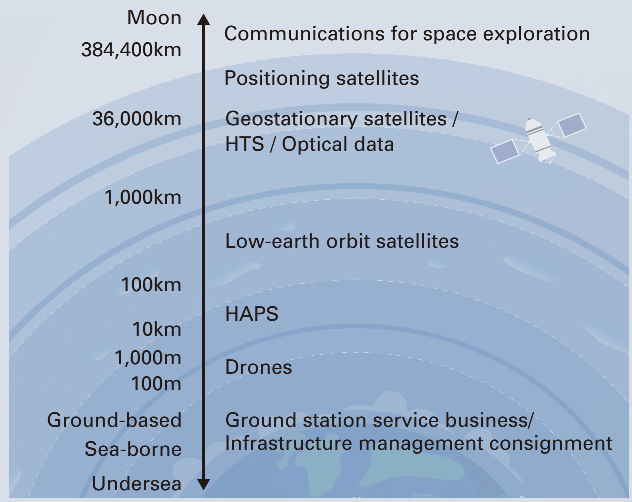
Actively tap into the Asia-Pacific market that has been achieving growth using next-generation satellite communications technologies as its foothold

Global and Mobile Field

Satellite communications for overseas and mobility network

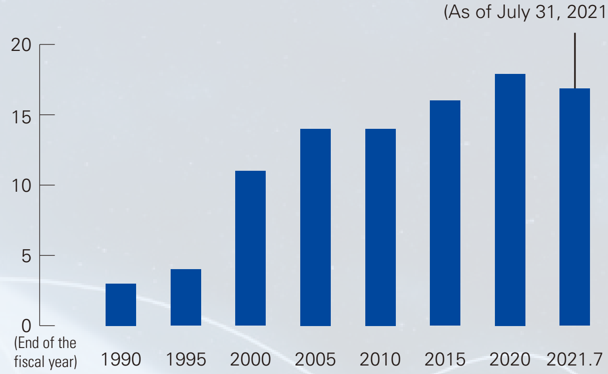
- Tapping into demand for internet connection
- Tapping into demand for shipping vessels and aircraft
- Leveraging high throughput satellites (HTS) and actively introducing satellites equipped with flexible payloads HTS; Horizons 3e, JCSAT-1C, Superbird-9 (scheduled to be launched in fiscal 2024)

Expansion of Business domains



Trends in the number of geostationary satellites held

17 (As of July 31, 2021)



Global Satellite Operator Ranking

	SES Luxembourg	Intelsat Luxembourg	Eutelsat France	Telesat Canada	SKY Perfect JSAT Holdings Inc.*2 Japan
FY2020 Net Sales*1 (Millions of U.S. dollars)	2,207	1,913	1,504	651	**532**
No. of satellites held (GEO)	50+	50	34	13	**17**

*1 Sales figures at the end of the latest fiscal year. Figures for SES, Intelsat are for FY ended December 2020, for Eutelsat is for FY ended June 2020 and for the Company is for FY ended March 2021. Exchange rate has been calculated based on the rates for the end of March 2021 (US$1= €0.85, JPY 110.70, CAD 1.26)

*2 Sales figures for the Company contain only the figure for the Space Business segment.

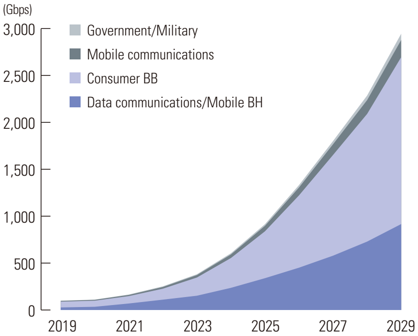
Source: Website for each company

Review of Operations | **Space Business**

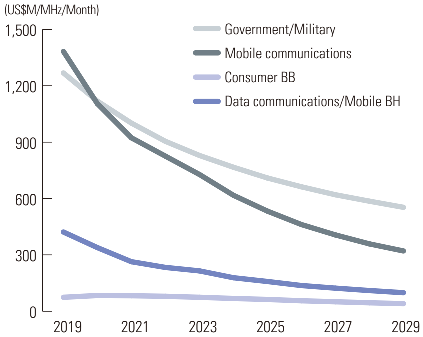
Business Climate

Our mainstay services of satellite communications in the geostationary orbit (GEO) are supported by stable and strong demand in Japan, mainly from government agencies that use the services for disaster contingency planning. In the medium- to long-term, demand is trending upwards for mobile satellite communications on shipping vessels and aircraft and for backhaul lines for mobile phone base stations. However, as the COVID-19 pandemic has caused airlines to cancel or reduce a string of flights all over the world, demand has temporarily fallen for satellite lines for in-flight Internet access, which had been considered a growth driver. Japan, however, is not our sole business domain; we also have businesses in all of Asia, Oceania, Russia, the Middle East, Hawaii, and North America. In overseas markets, the growing use of High Throughput Satellites (HTS), which offer high speed, large capacity, and low unit cost per bandwidth, is intensifying competition with global satellite operators over customers and prices.

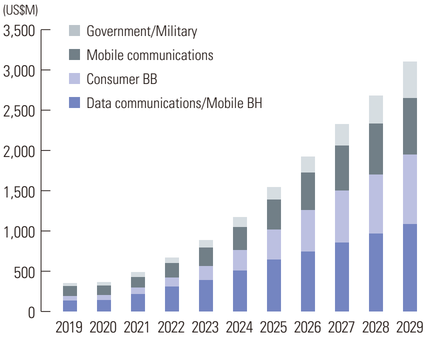
HTS Bandwidth Usage



HTS Bandwidth Monthly Unit Price



HTS Sales



Areas: Asia/Pacific and Indian Ocean Source: Northern Sky Research, Global Satellite Capacity Supply & Demand 17th

Review of Fiscal 2020

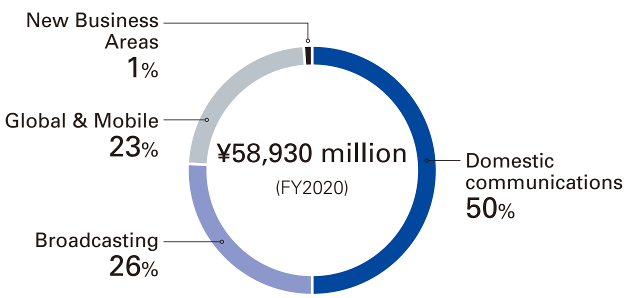
In fiscal 2020, the Space Business increased operating revenues by ¥5.4 billion year on year to ¥58.9 billion, operating profit by ¥0.9 billion to ¥13.8 billion, and segment profit after tax by ¥1.4 billion to ¥9.4 billion. Although we had initially anticipated that COVID-19 would cause a steep drop in demand for aircraft Internet access lines, we were able to keep the impact to a ¥1.1 billion decrease in earnings. JCSAT-17 started a service under a long-term contract with NTT DOCOMO, INC., which contributed to stable earnings throughout the year. In addition, Horizons 3e, an HTS and a joint satellite with Intelsat, Ltd., commenced service in February 2019 and has since steadily acquired new customers mainly in the Asia-Pacific region. This too contributed to increasing revenues. As a result, the Space Business as a whole was able to generate profits far exceeding the initial plan.

Furthermore, with the aim of expanding our business and strengthening our competitiveness in overseas markets, we stepped up sales activities for JCSAT-1C, our second HTS which entered service in January 2020, and reached a new large contract for providing JCSAT-1C service in Indonesia.

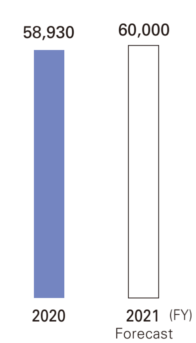
Outlook for Fiscal 2021

We project operating revenues of the Space Business to increase by ¥1.1 billion year on year to ¥60.0 billion, operating profit by ¥1.7 billion to ¥15.5 billion, and segment profit by ¥1.6 billion to ¥11.0 billion. The two HTS satellites, Horizons 3e and JCSAT-1C, which are capable of large-capacity communications, will be the drivers of earnings growth in fiscal 2021. We can expect these satellites to increase demand for satellite connections in growing markets, mainly in Asia and the Pacific. In particular, we can expect expanded use of the HTS satellites in the medium- to long-term in the field of mobile satellite communications, such as on aircraft and shipping vessels. Following on from the contract signed with a major customer in Indonesia, we aim to win new JCSAT-1C contracts in Russia and the Far East. In addition to satellite communications services, we will promote the space intelligence business, which provides solutions using various geospatial data, such as optical imagery acquired by satellites, synthetic aperture radar satellite imagery, and location information. We will also aggressively develop new business domains through active collaboration with partners in different industries.

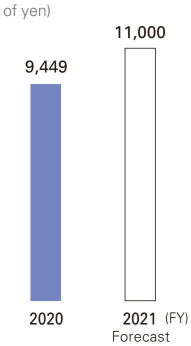
Revenue* composition ratio



Revenues* (Millions of yen)



Segment Profit* (Profit Attributable to Owners of Parent)
(Millions of yen)



*Includes intersegment transactions

Review of Operations | **Space Business**

Business Vision and Business Strategy

The Space Business has reached a major turning point when considered from a medium-term perspective. The communications service using GEO satellites in which we have more than 30 years of experience is expected to grow in the global market. However, competition for customers with other satellite operators is becoming increasingly intense. In addition, as the term "new space" suggests, various companies are entering the space business, and the formation of a large-scale low earth orbit satellite constellation is in the works.

In this business environment, we are planning to launch Superbird-9 in the first half of 2024. It will be the successor to Superbird-C2, which is currently in operation, and Asia's first fully digital communications satellite. Superbird-9 will be equipped with the latest technology called "flexible payload," which enables flexible on-orbit changes of coverage area and transmission capacity in line with market and customer needs. It is capable of carrying out large capacity and highly flexible communications in Japan and other East Asian countries and is expected to meet diverse communications needs of the future.

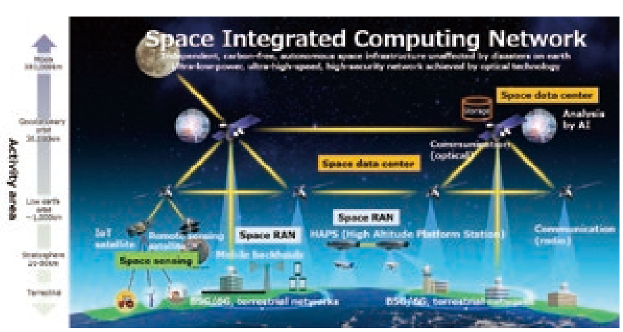
In addition to our core business of satellite communications services, we are also aggressively pursuing innovation. Our Space Business vision is twofold. The first is to broaden our business domain to "spaces" ranging from the sea and ground up to deep space. For example, we aim to realize the HAPS project, which will fly a high-altitude unmanned spacecraft equipped with communications equipment in the stratosphere.

The second is to expand the space intelligence business that provides satellite data solutions. We have already initiated Spatio-*i*, a business intelligence service that combines satellite data with AI analysis, and have been awarded contracts to sell images taken by Planet Labs Inc.'s constellation of ultra-small earth observation satellites (microsatellites), which government agencies and the private sector can use for agriculture, disaster contingency planning, remote monitoring, and other purposes. We also partnered with Zenrin Co., Ltd. and Nippon Koei Co., Ltd. to launch the Satellite Anti-Disaster Information Service that predicts disaster risks. In addition, SKY Perfect JSAT Corporation was among the six companies that established Satellite Data Services Co., Ltd.

We will continue to broaden our collaboration with partners to turn intelligence services and other new domains into an earnings foundation accounting for more than 10% of our total earnings. The government's schedule for the Basic Plan for Space Policy articulates the use of private companies. We will seek to enter businesses under this plan, join government-led projects including in the defense sector, and expand our business in government satellite operations, observation, and monitoring services.

Providing Services in Line with the SDGs

Satellite communications is never interrupted, not even in a natural disaster. Lifeline companies and municipalities are therefore using satellite communications to serve as communications infrastructure for managing disasters and crises. Satellite communications helps protect public safety and security. Furthermore, it plays an active role in education and medicine and is indispensable in mountainous areas and on remote islands, aircraft, shipping vessels, and other places where it is difficult to use ground lines. The use of space as ICT infrastructure has become essential for the realization of a sustainable society. In May 2021, we formed a business alliance with Nippon Telegraph and Telephone Corporation (NTT) and announced the "space integrated computing network" concept. Our business broadens the possibilities of communications and turns sustainability into action. We will continue to provide sustainable services that look ahead to the next era.



Space Intelligence for the Exploration of a New Space Business

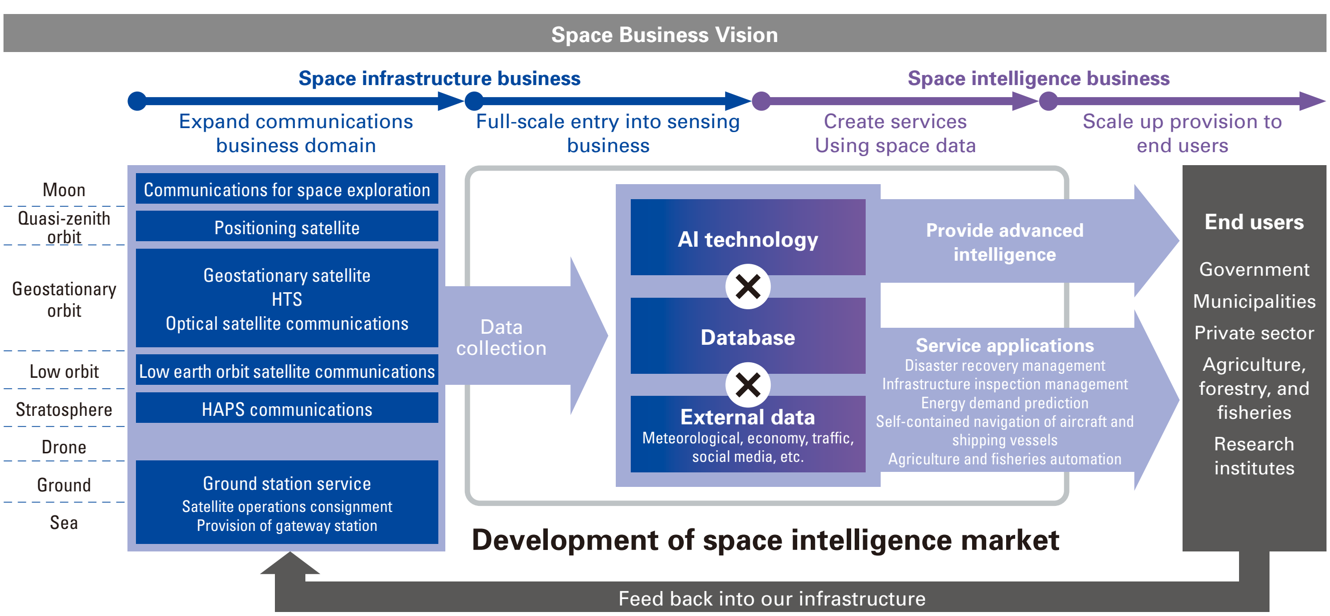
The Space Intelligence Business Division works with partner companies in various domains primarily to develop new businesses that focus on the field of intelligence. We believe that the businesses we engage in not only help expand the use of data that are exchanged in the course of communications or observation, but serve as social infrastructure designed to prevent and mitigate disasters in Japan–a country prone to natural disasters–and to offer solutions to issues such as DX.

To give a specific example, one of the activities for these purposes is providing satellite data. Numerous start-ups are operating in the space business around the world, and their satellite circling the earth have excellent functions, delivering remarkable performance. This has enabled us to provide a wide array of data at affordable prices in a timely way for customers who range from government agencies, municipalities, private businesses, and farmers, among others. Many customers already use these data we offer. We currently offer seven types of satellite data from five companies (as of July 2021). We plan to further enhance our portfolio, and continue our efforts to provide "fresh" data that are even more evolved through optical satellites in collaboration with our network of ground stations and with NTT.

The second example is the cloud computing platform we have built to offer the information that customers need, coupled with the service brand Spatio-*i*. We not only move around the algorithms for analysis developed by our engineers, but actively use and provide everevolving technologies in order to offer the best solutions to issues facing customers by working with Orbital Insight. We will also leverage the Spatio-*i* platform for the Satellite Anti-Disaster Information Service that we work on with Nippon Koei and Zenrin as well as for Satellite Data Services' business, so that we will create an ecosystem that integrates and links a wide range of data.

SKY Perfect JSAT is long-established in the space utilization business, yet what we can do on our own is limited in the vast expanse of outer space. We work with our domestic and international partners to bring outer space closer to people on earth, fully committed to progressing toward the creation of a more enriching and safe society.

Hiroyuki Yagihashi
SKY Perfect JSAT Corporation
Space Business Unit
Business Innovation Group
Head of the Space Intelligence Business Division



Media Business

We are contributing to the realization of a diverse and highly creative society as a platform that connects people, companies, and society.

Our Assets × Co-creation with Partners

Our Assets

Production skills and knowledge

- Program production skills
- Management/operation
- Experience developing receivers and reception equipment

Contents

- Content planning, formation, and production capabilities
- Content promotion and content marketing capabilities
- Broadcasting rights

Subscriber database

- Subscriber data
- Data analysis capabilities
- Digital marketing

Points of contact with subscribers

- Customer Center
- Subscriber management system
- Smart Contact Center

Global

- Use of broadcasting rights
- Overseas network in 8 countries and regions (WAKUWAKU JAPAN)

Infrastructure

- Broadcast/program transmission equipment
- Distribution equipment
- Playout equipment
- Studio facilities
- 4K broadcast van
- Independent channel (broadcast slot)

Co-creation with Partners

Partners

Diverse partners

PLAY

Partners

Broadcasters/program providers

Contents owners

BUNDESLIGA

SoftBank HAWKS

Partners

Telecommunications carriers

CATV companies

NTT WEST

docomo

NTT EAST

SoftBank

Sustainable Growth

New domains

We will actively conduct BtoB business that leverages the assets and knowledge we have gained from many years of providing multichannel broadcasting.
In addition, we will offer various BtoC services to enrich people's lives.

BtoB
- Media solutions business (Media HUB Cloud)
- Smart Contact Center

BtoC
- PLUSY (TV/consumer electronics subscription)
- SKY PerfecTV! Power
- LIVNAL (life planning support center)

Broadcast service and distribution business domain

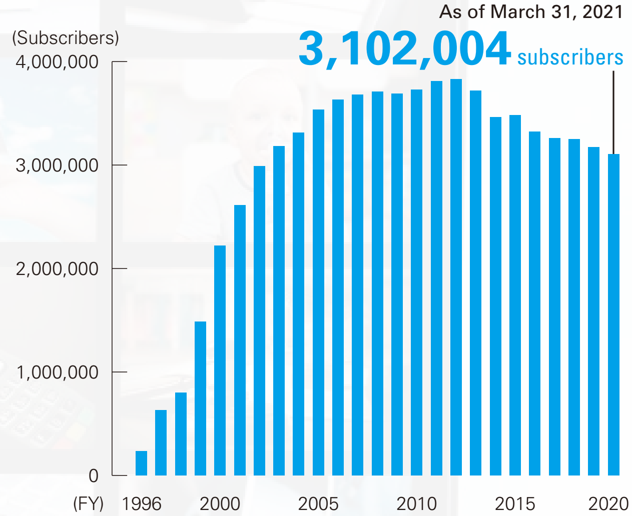
Our broadcasting business traces its beginning to satellite broadcasting using the 124/128 degrees east longitude satellites. Since then, the business has adapted to the changing times by expanding the means of transmission to include satellites at the same longitude as BS broadcasting and FTTH lines. In the 5G/Beyond 5G era, we will further strengthen our distribution business and aim to build a platform that integrates broadcasting and distribution. We aspire to build long-term relationships with our customers by not only providing contents but also offering new experiences sought by the fans of each genre.

FTTH business domain

We provide TV re-transmission services for viewing terrestrial, BS/CS, and new 4K8K satellite broadcasting service using FTTH (optical fiber line). These services are now available to approximately 32 million households in 33 prefectures. We aim to further expand the service area and increase the number of subscribers.
Furthermore, steps will be taken to provide new services that take advantage of our well-developed communications infrastructure.

Cumulative subscription trends for three SKY PerfecTV!'s services(IC cards or IC chips)

As of March 31, 2021



Service

We offer three types of multichannel pay TV broadcast services based on the reception environment and channel lineup, as well as on-demand services.
In addition, we are expanding our services by offering TV re-transmission services using optical fiber lines (FTTH).

Multichannel pay TV broadcast services	SKY PerfecTV!	Subscribers (10 thousands)	218
		Channels	81
		Set top box	Not needed
	SKY PerfecTV! Premium Service	Subscribers (10 thousands)	84
		Channels	239 (139)*1
		Set top box	Needed
	SKY PerfecTV! Premium Service Hikari	Subscribers (10 thousands)	8
		Channels	238 (138)*1
		Set top box	Needed
Distribution	スカパー! ondemand*2	Channels	72
Optical re-transmission services		Connected households (10 thousands)	244

As of March 31, 2021
*1 Excluding digital radio
*2 To be relaunched as "SPOOX" in October

Review of Operations | **Media Business**

We will diversify our business and earnings by expanding and developing our FTTH, distribution, and BtoB businesses centered on the broadcasting business.

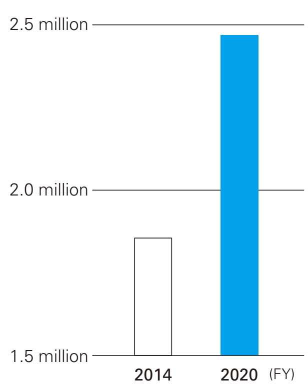
Masato Ogawa
Board Director
(Unit President, Media Business Unit, SKY Perfect JSAT Corporation)

Business Climate

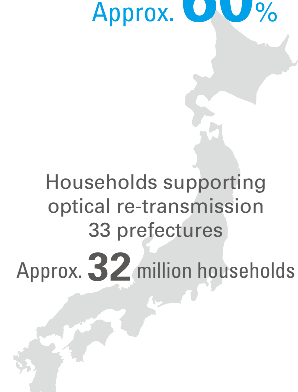
We recognize that the Media Business faces an extremely severe business environment. As customers’ content needs and viewing patterns diversify, we are in an increasingly fierce competition with providers of flat-rate and free over the top (OTT) online video distribution services. Furthermore, in fiscal 2020, the COVID-19 pandemic resulted in opener postponement of sporting events, which were expected to generate stable earnings as season products, as well as the waves of cancellations of major music events featuring popular artists. On the other hand, stay-at-home measures in response to COVID-19 have increased demand for video broadcasting and distribution contents that can be watched at home, the so-called “nest-dweller” consumption. In addition, the number of households subscribing to optical fiber lines (FTTH) has risen with the growing need for Wi-Fi at home, and demand for TV re-transmission services through optical fiber lines is also growing.

Number of FTTH users and revenue are increasing year after year

Optical re-transmission subscriptions
2.47 million



Household coverage
Approx. **60**%



(As of July 31, 2021)

Review of Fiscal 2020

Intensifying competition with OTT service providers and other factors contributed to the continued net decrease in subscribers. As a result, subscription fee revenue dropped ¥3.9 billion, decreasing fiscal 2020 operating revenues of the Media Business by ¥6.0 billion year on year to ¥91.6 billion. However, operating expenses fell by a larger margin of ¥9.0 billion, increasing operating profit by ¥2.9 billion to ¥6.0 billion. Segment profit after taxes decreased by ¥150 million to ¥4.4 billion due to the absence of special factors that caused a plunge in tax expenses in the previous fiscal year. The impacts of COVID-19 made the business climate severer than past years. In such an environment, the SKY PerfecTV*!* Basic Plan, which allows subscribers to have access to 50 channels on up to three TV sets for the price of just one at no extra charge, obtained high customer satisfaction, increasing subscriptions to 629,000 as of the end of March 2021 (up 124% year on year). In addition, in November 2020, we introduced a collaborative model for FTTH in the Tohoku area, sharing broadcasting facilities with a cable television service provider to improve business efficiency while expanding our service area. The number of connected households reached 2.44 million as of the end of fiscal 2020.

Existing business structure reforms began to manifest effects, such as reorganization of self-produced programming and the streamlining of customer center and broadcasting center operations. This, coupled with the curbing of sales promotion-related expenses due to COVID-19, contributed to a substantial increase in operating profit.

Outlook for Fiscal 2021

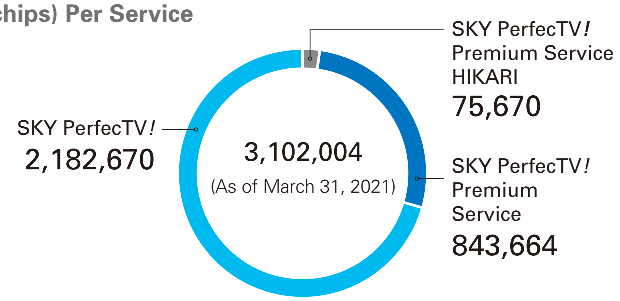
Fiscal 2021 operating revenues of the Media Business are expected to drop ¥19.6 billion year on year to ¥72.0 billion. Of this amount, the ¥20.0 billion drop in revenue is mainly due to the application of the Accounting Standard for Revenue Recognition. Operating profit is forecast to decrease by ¥2.8 billion to ¥3.2 billion mainly due to upfront investments in future growth. Segment profit is forecast to decrease by ¥1.9 billion to ¥2.5 billion. While we projected that the cumulative number of subscribers will decrease by 87,000, we will strive to keep subscriptions at the 3 million level.

Under these circumstances, the broadcasting business will first focus on increasing customer satisfaction through the popular SKY PerfecTV*!* Basic Plan and on “fan marketing,” which has been conducted since 2020. We will aim to build long-term relationships with our customers by not only delivering contents but also staying attuned to the needs of fans and providing new experiences that will give them greater satisfaction, such as holding events, selling merchandise, and communicating through social media.

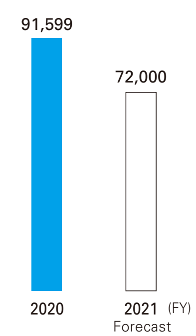
Furthermore, we will promote aggressive investment in the distribution business for future growth. In the second half of the fiscal year, we plan to renew SKY PerfecTV*!* On-Demand.

In addition, we will make a full-scale entry into the BtoB business by utilizing our existing assets. We have launched Media HUB Cloud to meet the video distribution needs of Japanese and foreign companies, and in collaboration with PLAY, inc., we will provide an easy, low-cost, and highly reliable distribution method by utilizing our broadcasting centers and other facilities as a hub for video distribution. We hope to make fiscal 2021 a year to cement the foundation for diversifying our business and earnings.

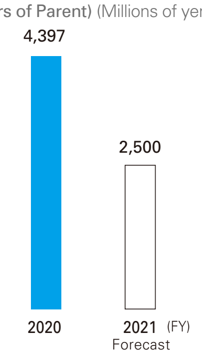
Breakdown of Cumulative Subscribers (IC cards or IC chips) Per Service



Revenues (Millions of yen)



Segment Profit (Profit Attributable to Owners of Parent) (Millions of yen)



Review of Operations | **Media Business**

Business Vision and Business Strategy

The Japanese OTT market is expected to grow further with the launch of 5G high-speed, large-capacity communications services in 2020. Against this backdrop, we will leverage the features of SKY PerfecTV*!*, which has more than 100 channels, to meet a wide variety of viewing needs, and provide value that more closely responds to the wishes of core fans. In addition, in the FTTH business, which allows customers to enjoy terrestrial and BS broadcasting as well as SKY PerfecTV*!*, the number of households that can receive TV re-transmission service is now approximately 32 million in 33 prefectures. We anticipate further service coverage expansion and steady growth. Alongside continuing to focus on acquiring subscribers to multichannel pay TV services through FTTH, we will also endeavor to provide new services that take advantage of our well-developed communications infrastructure.

In the broadcasting business, we will continue to reform our cost structure while stopping the decline in subscribers and earnings. We will also secure our earnings foundation by expanding the FTTH business. At the same time, efforts will be made to diversify our services. We believe that it is necessary to develop ourselves into a brand that supports lifestyles across generations by expanding our business domain, which will include not only conventional services centered on video contents but also things and events.

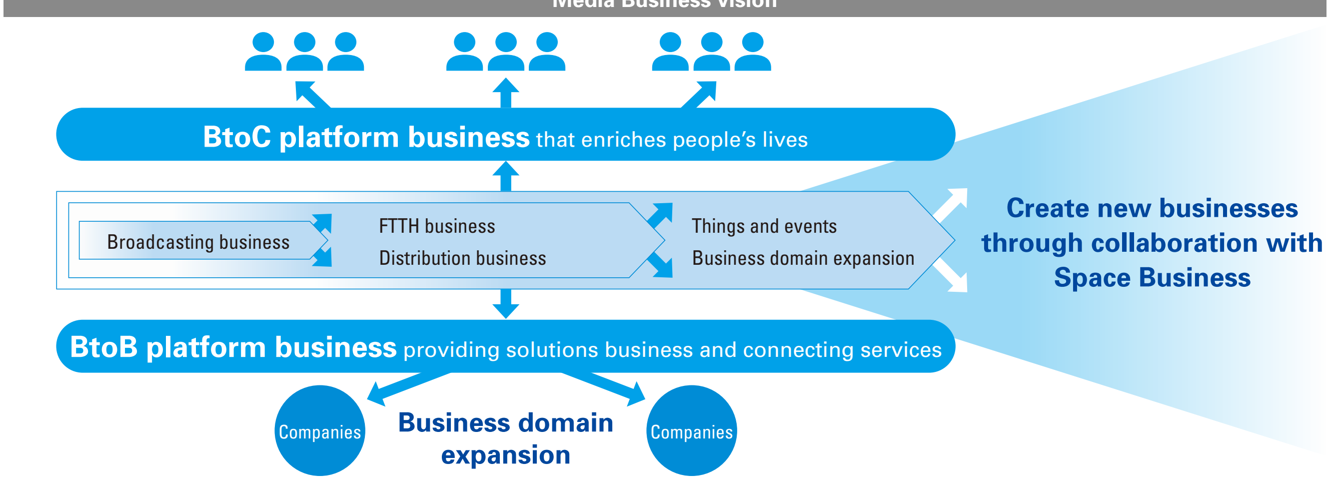
To achieve this, we will first strengthen our OTT services. Up to now, we provided SKY PerfecTV*!* based on the concept that the broadcasts can also be viewed online. However, the distribution market is rapidly expanding due to changes in people's viewing patterns and the convenience of being able to watch broadcasts at any time of day. Therefore, we will renew our services to increase our competitiveness against rival OTT service providers. In the future, we aim to evolve our services into a user-friendly video platform that integrates broadcasting and distribution for seamless access to TV and smartphone services.

We will also develop the BtoB market. Beginning with the Media HUB Cloud service, we will take advantage of our broadcasting and distribution assets and multichannel broadcasting operation experience to promote the media solutions business, targeting not only content providers and service providers but also general companies, and develop this business into a new pillar of revenue.

Offering Value-Added Services and Contributing to the Enrichment of People's Lives

To realize a society that recognizes diversity, the Media Business will continue to offer contents in a range of genres, including sports, anime, Japanese/foreign movies and dramas, hobbies, and news, and increase SKY PerfecTV*!* brand loyalty as a service that enriches people's lives. In addition, we will make full-scale efforts to expand our business domains and diversify earnings by leveraging our technical knowledge in branching out various video sources, along with our equipment that is capable of online distribution and our strength in having a customer base of approximately 5.5 million combining multi-channel subscriptions and TV re-transmission services.

Media Business vision



Promoting fan marketing

Our customers are fans. Fan marketing is activities designed to convince customers that SKY PerfecTV*!* knows what fans want and leave customers believing there is value in enjoying entertainment on SKY PerfectTV*!* We start doing this by understanding what the fans of various genres appreciate and value and then carry out activities that meet the preferences and viewing needs of individual customers.

A concrete example is "Solo Fes!" that garnered positive reactions from viewers. In the TV program, all members of the female idol group Hello! Project sang solos. A perk for the fans was that they got to vote for the winning singer, and a TV program was then created and named after her. It was a very popular show as fans could participate and feel as though they were part of the making process. The show emerged from the needs and ideas that were shared in a survey of 100 Hello! Project fans.

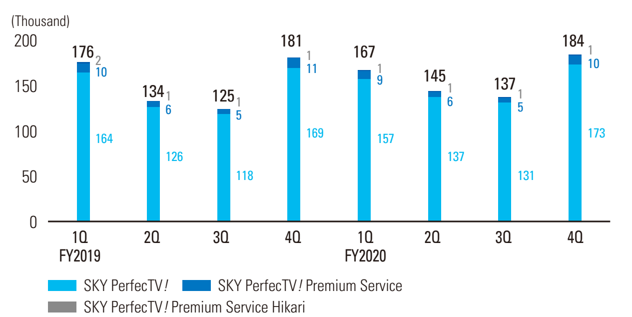
Going forward, we will strengthen our approach to the older generation who enjoy enka music and period dramas. We will continue to offer entertainment that only SKY PerfecTV*!* can provide, and we hope to build deep and long-lasting relationships with our customers.

Shizuka Akashi
Media Business Unit
Media Business Group
General Manager,
Entertainment Genre Business Division

Key Performance Indicators (Total of three services)

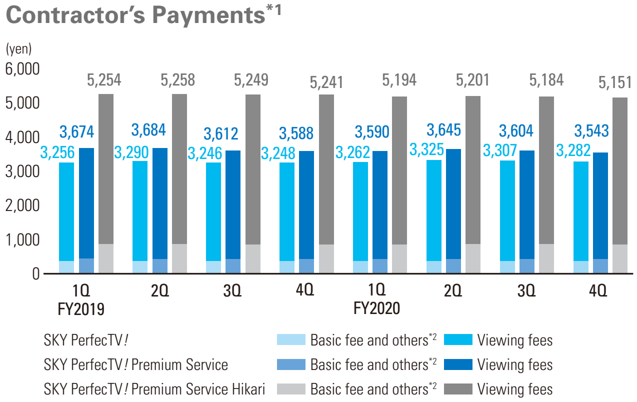
	FY2019	FY2020
Number of New Subscribers* (thousands)	615	633
Net Increase in Subscribers (thousands)	△77	△68
Number of Cumulative Subscribers (thousands)	3,170	3,102
Average Monthly contractor's Payment (JPY)		
SKY PerfecTV*!*	3,260	3,294
SKY PerfecTV*!* Premium Service	3,640	3,596
SKY PerfecTV*!* Premium Service Hikari	5,250	5,183
Total Subscribers Acquisition Cost (SAC) (billions of yen)	10.6	9.8

Number of New Subscribers*



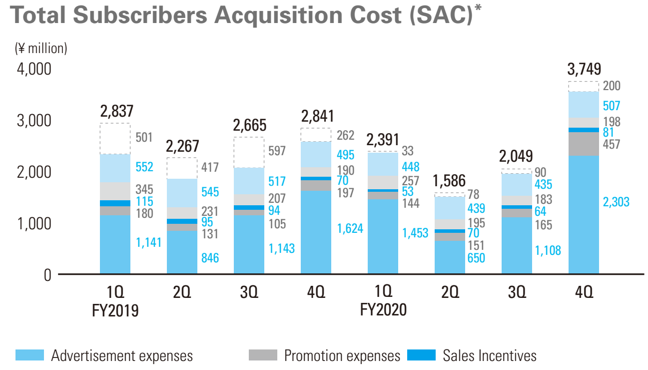
* "New" has denoted the sum of the number of subscribers since the end of October 2019, which was counted separately as "New" and "Re-registered." The number of "New" in FY2018 and FY2019 is re-calculated.

Contractor's Payments*1



*1 Average amount paid by Contractors in the form of monthly viewing fees, etc. The amounts calculated on a basis of subscribers previously was changed to the amounts on a contractor basis.
30% of subscriber payments for SKY PerfecTV*!* is recognized as commission fee revenue. 100% of subscriber payments for SKY PerfecTV*!* Premium Service and SKY PerfecTV*!* Premium Service Hikari is recognized as viewing fee revenue.
*2 Basic fee and rental fee of set top box

Total Subscribers Acquisition Cost (SAC)*



* Advertisement expenses: Advertising expenses for various media.
Promotion expenses: Promotion cost to acquire new subscribers.
Sales incentives: Incentives and agency fees for electronics retail stores and mobile carriers.
Subscription campaign expenses: Cost of campaigns to acquire new subscribers (free of charge antenna installation, etc.).
Production costs for free programs: Costs associated with production cost for free programs, such as BS SKY PerfecTV! .
Others: Operation costs of SKY PerfecTV! customer center etc.

Selection of Material Issues

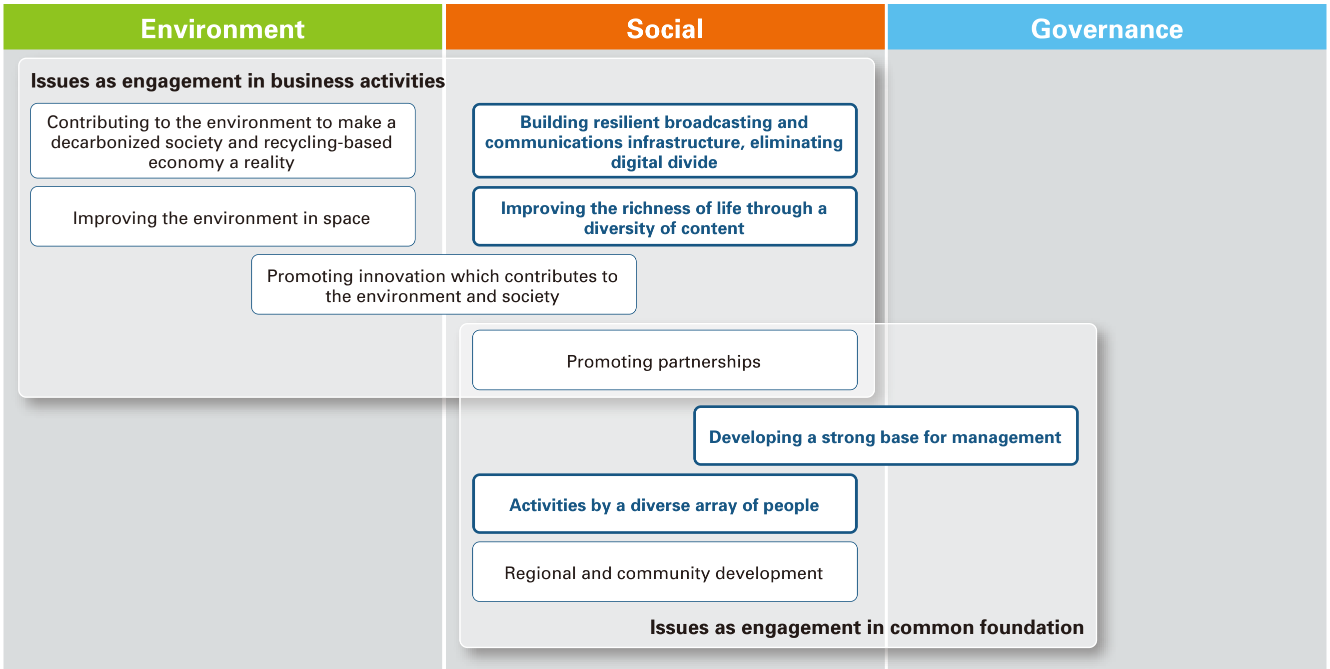
To accomplish our mission "Space for your Smile," we are committed to our contributions to the sustainable development of a society through our sustainability management.

Kiyohiro Omatsuzawa
Sustainability Committee Chair
Director of SKY Perfect JSAT Holdings Inc.

SKY Perfect JSAT has carried the great responsibility of offering a broadcasting platform and communications infrastructure through artificial satellites. We have delivered broadcasts and data via space to regions where communications and broadcasts do not reach from ground stations so that we provide disaster-resistant infrastructure, thereby helping municipalities and companies establish their business continuity plans (BCPs), for which we are proud of ourselves. Offering improvements to people's day-to-day life through our business falls perfectly in line with the spirit of the Sustainable Development Goals (SDGs).

To accomplish the Group mission "Space for your Smile" established in 2018, we currently focus more on our initiatives to work toward the SDGs, aiming to institute sustainability management that society needs for sustainable growth. As part of this effort, we have recently sorted out the social issues to which we should offer solutions in light of the SDGs, and identified nine themes of material issues. The next step is to set targets and key performance indicators (KPIs), and incorporate them into each organization's action plans. Through the PDCA for these initiatives, we will build our sustainability management while adapting to changes in internal and external environments.

Nine materiality themes



Materiality Identification Process

STEP 1

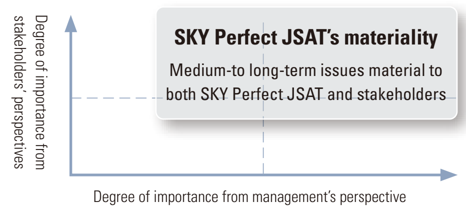
Grasping of the Current Situation and Screening of Issues to be Addressed

The Sustainability Committee was established to identify and analyze the current status of our business activities, and to discuss and examine issues that we should address in the future, comparing them with global guidelines and guidelines such as the 169 targets of the SDGs and ISO 26000, and referring to important issues of other companies. Through these discussions and deliberations, we came up with a list of potential social issues to be addressed.

STEP 2

Evaluation and Prioritization of Issues

Management, the Sustainability Committee, and the materiality working group members had discussions, evaluated the candidate issues and shortlisted them. The degree of importance from the management perspective was determined from the viewpoint of contribution to the Group's sustainable growth.



STEP 3

Third-party Opinions

SKY Perfect JSAT had a dialogue with external experts to obtain third-party opinions in order to ensure objectivity and appropriateness of the prioritized important issues.

STEP 4

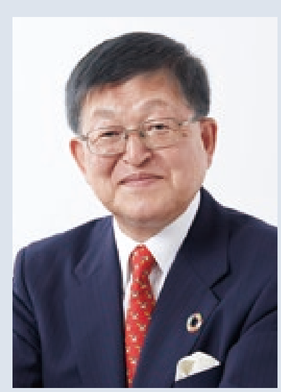
Authorization by the Sustainability Committee, the Management Committee, and the Board of Directors

Reflecting the opinions of the experts, we identified nine important materiality themes and 22 important issues (materiality) under them. The materiality working group, the Sustainability Committee, and the Management Committee confirmed their appropriateness from the perspective of the SKY Perfect JSAT Group and they were authorized by securing the approval of the Board of Directors.

About the Selection of Material Issues

To sort the 22 material issues and the nine themes of material issues that have been identified, the 169 targets of the SDGs were examined in light of the seven core subjects of ISO 26000 and ESG, and the ESG/SDGs Matrix approach I have proposed was used. Hence, I believe these issues are organized in a way that is easy for the international community and international investors to understand.

When a company identifies material issues, investors ask whether resolving the selected issues will make the company's management sustainably stronger. This perspective synchronizes financial issues with non-financial ones, which is called "integrated thinking." That is, we need to consciously act on the idea of creating shared value (CSV) that aims to resolve social issues while generating profits. In the next phase, we will set ideal goals that represent what we should look like in 2030–the year by which the SDGs are intended to be achieved–and ambitious targets in light of CSV, and then backcast to make a detailed action plan. That said, what we can do on our own for innovation in order to find solutions to social issues is limited. I would strongly propose that we work with our partners so that the SKY Perfect JSAT Group will promote initiatives as a "platform provider for the SDGs."



Hidemitsu Sasaya
CSR/SDGs consultant

Materiality and efforts to address ESG issues

Classification E	Classification S	Classification G	ISO26000 Core subjects	Important themes	Important issues (materiality)	1 NO POVERTY	2 ZERO HUNGER
	■		Consumer issues Community involvement and development	Building resilient broadcasting and communications infrastructure, eliminating digital divide	Provision of broadcasting and communications infrastructure to any areas and in any environment	1.5	
	■				Support of BCP and relief and recovery through provision of disaster-resilient broadcasting and communications infrastructure	1.5	
	■				Initiatives to enhance reliability and sustainability of satellite communication services through technological innovation	1.5	
	■		Consumer issues	Improving the richness of life through a diversity of content	Provision of a wide range of content via broadcasting, distribution, and various subscriber interfaces		
	■				Promotion of content distribution by supporting entry of diverse content holders		
	■		Human rights Consumer issues		Appropriate action for content involving violence, human rights, discrimination,etc.		
■			The environment	Contributing to the environment to make a decarbonized society and recycling-based economy a reality	Reduction of CO_2 emissions by promoting use of renewables and improving energy efficiency of satellites and terrestrial facilities		
■					Support partner companies for reduction of CO_2 emissions		
■					Appropriate disposal of industrial waste and promotion of 3Rs (reduce, reuse,recycle)		
■	■	■	Fair operating practices		Environmentally friendly procurement		
■			The environment	Improving the environment in space	Initiatives to remove space debris		
	■		Consumer issues Community involvement and development	Promoting innovation which contributes to the environment and society	Provision of new value through upgrades of broadcasting and communication and technological development		
■	■		Community involvement and development The environment		Development and promotion of remote sensing	1.5	2.4
	■		Community involvement and development	Promoting partnerships	Exchange of human resources and technology transfer with partner companies and participation in collaborative projects and initiatives		
	■	■	Organizational governance	Developing a strong base for management	Enhancement of corporate governance	1.5	
	■	■	Consumer issues Organizational governance		Proactive and responsible corporate communications and dialogues with stakeholders		
	■		Fair operating practices Consumer issues		Information security and protection of personal information		
	■		Labor practices	Activities by a diverse array of people	Human resources development		
	■		Human rights Labor practices		Diversity & inclusion		
	■		Labor practices		Employee health promotion, creation of safe and secure working environment		
	■		Community involvement and development	Regional and community development	Social contribution, taking advantage of characteristics of broadcast slots, programs, commercials, etc.	1.2	
	■		Community involvement and development		Social contribution, such as next-generation education and development of local communities		

Related 17 Goals and 169 Targets for SDGs

3 GOOD HEALTH AND WELL-BEING	4 QUALITY EDUCATION	5 GENDER EQUALITY	6 CLEAN WATER AND SANITATION	7 AFFORDABLE AND CLEAN ENERGY	8 DECENT WORK AND ECONOMIC GROWTH	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	10 REDUCED INEQUALITIES	11 SUSTAINABLE CITIES AND COMMUNITIES	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	13 CLIMATE ACTION	14 LIFE BELOW WATER	15 LIFE ON LAND	16 PEACE, JUSTICE AND STRONG INSTITUTIONS	17 PARTNERSHIPS FOR THE GOALS
	4.7				8.1, 8.2 8.5, 8.8	9.1, 9.5 9.a, 9.c		11.1, 11.2 11.3, 11.5	12.8	13.1	14.4		16.3 16.4	
				7.2 7.b		9.1, 9.a 9.c		11.5 11.b		13.1 13.2				
					8.4	9.1, 9.4 9.5		11.5	12.2 12.5	13.1				
3.3	4.2, 4.7 4.a	5.1			8.5	9.1 9.2	10.2	11.1, 11.3 11.5	12.5 12.8				16.10	17.17
						9.2			12.8					17.17
	4.7	5.1 5.2					10.2 10.3		12.8				16.1 16.3	
				7.2 7.3		9.4			12.5	13.1 13.2		15.1		
				7.2		9.1 9.4				13.1 13.2				17.17
3.9			6.3		8.4	9.4			12.4 12.5	13.1	14.1	15.1		
			6.3		8.4	9.4			12.1, 12.2 12.4, 12.5	13.1 13.2	14.1	15.1		
						9.1, 9.4 9.5			12.1, 12.2 12.4, 12.5					
						9.1, 9.2 9.5	10.2							17.17
			6.5			9.1, 9.5 9.b		11.5 11.b		13.1	14.4 14.5	15.2	16.3 16.4	
	4.7					9.2								17.16 17.17
		5.1 5.2				9.1	10.2	11.5		13.1			16.1, 16.3 16.4, 16.5 16.7, 16.10	
					8.2				12.6 12.8				16.7	
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3.4		5.1, 5.4 5.5			8.2, 8.5 8.8		10.2						16.7	
3.3, 3.4 3.8					8.5 8.8									
	4.1 4.2						10.1							17.17
3.2 3.3	4.1, 4.2 4.3, 4.4 4.5, 4.6 4.7, 4.a 4.c				8.9	9.1 9.5		11.5 11.7	12.8					17.17

* The Group's materiality table is organized based on the ESG/SDGs matrix under the supervision of Mr. Hidemitsu Sasaya.

E Contributing to the Environment to Make a Decarbonized Society and Recycling-based

Provision of Safe and Secure Living Spaces through a Combination of Next-generation Wind Turbines and Satellite Communication Services

In a partnership with Challenergy Inc., a company known for typhoon power generation, SKY Perfect JSAT is conducting collaborative activities aimed at operationalizing services that combine stable wind power generation with satellite communications in digitally divided areas of the world, such as Southeast Asia and Pacific island countries, where both power generation and communications infrastructure are underdeveloped.

The Magnus Vertical Axis Wind Turbine that Challenergy is currently developing has excellent environmental flexibility, with fewer environmental concerns in terms of noise pollution and bird strikes than conventional propeller-type wind turbines, and the capacity to achieve stable power generation both during favorable weather conditions and when there are typhoon-level winds or turbulence.

Satellite communication offers the advantage of providing high-level communications service to digitally divided regions, such as remote islands and mountainous regions, and disaster recovery communication platforms for use after a large-scale disaster. This is expected to be the first technology in the world to succeed in harnessing electric power and communication to help the people living in these areas achieve a more modern way of life, instead of using unstable diesel power generation infrastructure, which is expensive and places a greater burden on the environment.

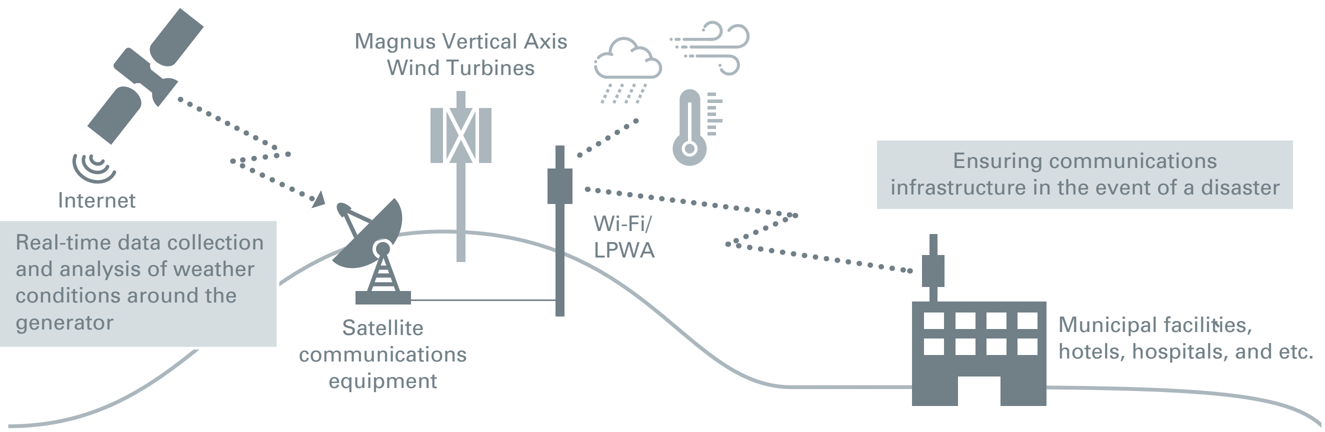
In summer 2021, we completed construction of the first wind turbine in the province of Batanes, an archipelago province in the northern Philippines, and we will start service that simultaneously provides wind power generation and satellite broadband communications. Batanes is an area that sustains

damage from typhoons nearly every year, making it difficult to install propeller-type wind turbines and solar panels that cannot withstand strong winds. Batanes also has inadequate communications infrastructure due to the remote location of the islands, raising issues specific to COVID-19, such as lack of bandwidth for school online classes.

This wind turbine is the first model to combine Challenergy's typhoon power generation and SKY Perfect JSAT's satellite communications as a solution to the social issues faced on remote islands. We will continue to provide services that live up to the high expectations of the local community. Following on from the first wind turbine, we are considering building two or more units in the Philippines after the next fiscal year.

In the future, we will use power and communications to collect, accumulate, and analyze operating and meteorological data from the wind turbines and integrate this information with satellite imagery and data from other applications. Accordingly, we will expand our business into new domains, including meteorological businesses, measures for adapting to climate change, and microgrids for local production and local consumption of energy, while actively working toward the achievement of the SDGs.

Image of a Joint demonstration project to connect a SKY Perfect JSAT satellite communication system to Challenergy wind turbines



Economy a Reality

Creating Methods for Forecasting Solar Power Generation Output

SKY Perfect JSAT and the Central Research Institute of Electric Power Industry (CRIEPI) are conducting joint research on a Hybrid Solar Power Generation Output Prediction System utilizing AI, satellite images, and the whole-sky images retrieved by integrated ground sensors.

Looking ahead to a decarbonized society, renewable energy is expected to become a major power source. The adoption of solar power generation has been rapidly increasing, and future expansion of its use is attracting attention. Because the output of solar power generation greatly fluctuates with changes in the weather and cloud coverage, the need for high-precision prediction is one of the important issues concerning stable supply of electricity.

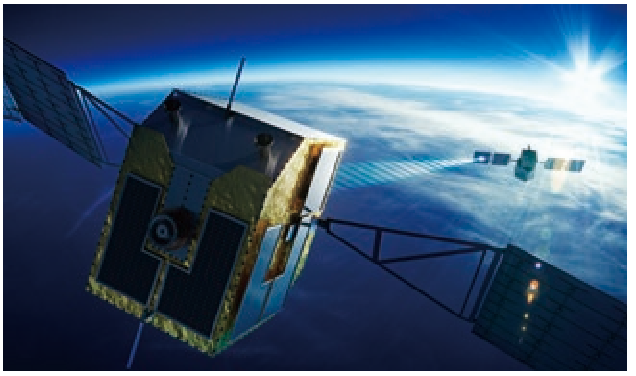
SKY Perfect JSAT has been developing the KMOMY AI system for analyzing clouds since 2017, which has a cloud recognition precision of 85% or higher. Moreover, SKY Perfect JSAT developed the system for short-term solar radiation prediction by applying the technology of KMOMY. Tracking cloud movement from cloud images retrieved from both space (via satellite) and the ground (via integrated ground sensors) will improve the precision of solar power generation output prediction from several minutes to one hour in the future, which was technically difficult to achieve previously. By combining the technologies of the SoRaFAS system developed by CRIEPI to predict/analyze solar radiation via satellite images, and the short-term prediction system developed by SKY Perfect JSAT that consists of integrated ground sensors, whole-sky image analysis and AI. CRIEPI and SKY Perfect JSAT plan to systemize this technology and start a solar power generation output prediction service with enhanced short-term prediction in 2022.

Soratamago, IoT device
Soratamago sends cloud images and meteorological data to short-term solar radiation prediction AI. It is equipped with a celestial camera, thermometer, hygrometer, barometer, and communication devices. Designed with home solar power generation in mind, it is attractive but also simple enough for attaching to the pole of the parabolic antenna of SKY PerfecTV*!*

Members: (from left) Kazuya Nemoto, Sanae Takenoshita, Hiroki Obuchi (project leader), Yasuhiko Kano, Yukiya Hanada

E Improving the environment in space

Designing and Developing the World's First Satellite for Removing Space Debris with a Laser



SKY Perfect JSAT has partnered with the RIKEN, JAXA, Nagoya University and Kyushu University to start the design and development of the world's first satellite that uses a laser to remove space debris.

This project aiming to maintain a sustainable space environment was implemented under an internal start-up program and preliminary study of potential next-generation businesses started in 2018. Through industry-academia collaboration, the feasibility of the project has been researched and examined.

Satellites have been contributing to a safe society and a comfortable life by means of information from space in diverse forms such as weather forecasts, satellite communications, and GPS position information. On the other hand, the number of satellites that are no longer used or no longer functional, rocket parts that were used for launches, and fragments have continued to increase at an accelerating rate. If such debris collides with a satellite in use, the collision may cause trouble or damage the satellite.

This approach involves the application of laser irradiation to space debris, such as nonfunctional satellites, from a distance, which gradually "nudges" the debris toward the atmosphere. When those debris enter the atmosphere, most will burn up while descending, and that enables removal of space debris. The laser method is safe because there is no physical contact. It is not necessary for the laser satellite to carry fuel for moving the space debris, making this method highly economical. Services are scheduled to begin in 2026.

Environmental data

Energy consumption (SKY Perfect JSAT Corporation only)

	FY2016	FY2017	FY2018	FY2019	FY2020
Energy consumption (GJ)	251,354	246,317	268,740	266,375	245,915
GHG emissions (Scope 1) (t-CO_2)	10	8	10	10	8
GHG emissions (Scope 2) (t-CO_2)	12,665	12,200	12,974	12,672	11,415

Scope 1: Greenhouse gas (GHG) emissions released directly to the atmosphere at the GHG emissions source
Scope 2: CO_2 emissions from electricity purchased from a third party, electricity generated from heat, and the heat generation stage
(Basic Guidelines on Accounting for Greenhouse Gas Emissions throughout the Supply Chain (Ministry of the Environment/Ministry of Economy, Trade and Industry))
GJ (gigajoule: unit of energy), t-CO_2 (tonne weight: weight indication for the amount of energy used converted on a CO_2 basis)

Total waste and other emissions (tonnes) (SKY Perfect JSAT Corporation only)

	Akasaka Head Office*	TMC	YSCC	SPE	SPW	Total
FY2020	28.653	13.7	11.10	0.98	0.02	54.453

*Waste emissions from head office activities
SKY PerfecTV! Tokyo Media Center : TMC / Yokohama Satellite Control Center : YSCC / Space Port East : SPE / Space Port West : SPW

S **Activities by a Diverse Array of People**

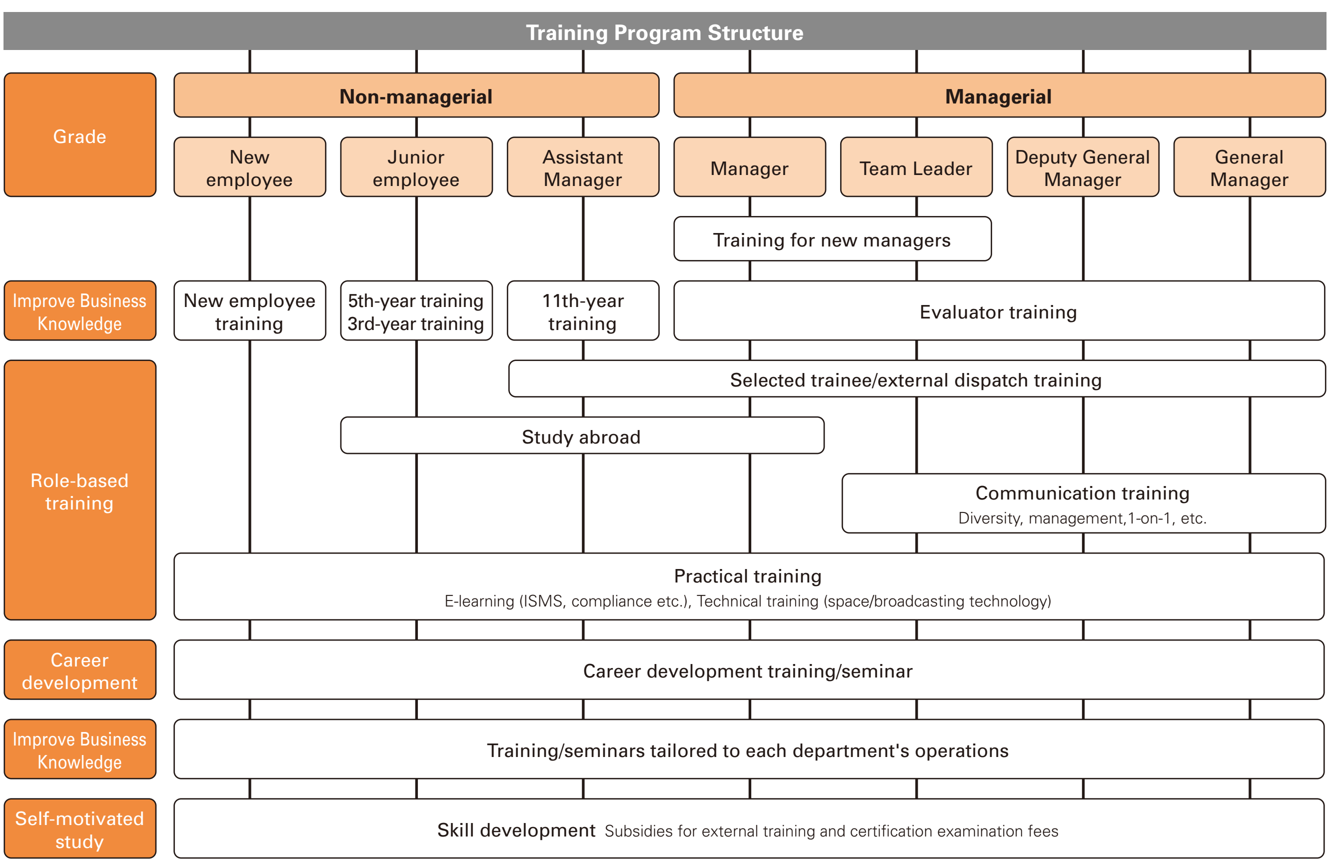
Human Resources Development: Program Concept

SKY Perfect JSAT is a one-of-a-kind business that fuses space and media and employs people with diverse cultures and personalities. In this environment, we have established a policy on the development of human resources to "unleash and maximize the capabilities of each employee that will contribute to our services." Under this policy, we make various efforts to help each employee achieve their full potential so that all our employees have successful careers in the company.

On joining the company, new recruits receive training for new employees. Subsequently, they receive training according to their positions and seniority in their third, fifth, and eleventh years and routine skills enhancement opportunities. We have been enhancing our technical training programs, which cover the latest technological developments as well as specialized knowledge in satellite operations and communications systems to help deepen their understanding of our businesses. We also have in place a personal development support system to cover 50 percent of the expense an employee needs for their personal development efforts.

On the other hand, our career development system is designed for each employee's independent career formation. Through talent development interviews with their supervisors, employees form a clear picture of how to develop their skills and what careers they hope to have in the future. We also have a career counseling system in which certified career consultants offer career advice for individual employees.

As next-generation leadership training, we send selected employees to external training programs, and prospective managers gain work experience as a team leader before they assume their managerial positions. We provide career training for mid- and senior-level employees who have been driving the businesses forward at the forefront. As we head into the 100-year life era, this training will encourage employees to reevaluate their strengths and leverage their capabilities to give back to their work and society regardless of their age.



S Activities by a Diverse Array of People

Launch of Talent Management System

SKY Perfect JSAT believes that people-to-people dialogue is a key component of talent cultivation. This is because improving organizational productivity and delivering results are founded on taking interest in others and building relationships based on mutual respect, and maintaining psychological safety in the organization. Since fiscal 2019, we have been offering communication training and the lecture on "1-on-1" to draw out the individual strengths of managers and build up their management skills. In addition, we have been conducting career development programs and career development interviews that create opportunities for employees to reflect on their own careers. In fiscal 2021, we introduced the talent management system designed to manage information about employees' capabilities, qualifications, talents, skills, and experiences in one place.

By leveraging technology to visualize what our human resources have and using our management skills to unlock individuals' abilities, we promote strategic allocation of human resources as well as talent management for the development of human resources in order to become a company where its employees work with enthusiasm.

Employee data (SKY Perfect JSAT Corporation only)

		End-March 2019	End-March 2020	End-March 2021
Number of employees*1	Female	148	151	155
	Male	500	516	513
	Total	648	667	668
Average Age of Employees	Female	41.3	41.4	41.5
	Male	44.9	44.9	45.2
	Total	44.1	44.2	44.3
Average Years of Employment	Female	14.2	14.5	15.0
	Male	16.8	16.9	17.2
	Total	16.2	16.4	16.6
Rate of Mid-career Recruitment (%)		21.1	37.4	24.0
Rate of Return to Work from Parental Leave (%)		100.0	100.0	100.0
Employee Turnover Rate (%)*2	Including Retirements	3.7	2.8	3.7
	Excluding Retirements	2.4	2.3	2.7
Rate of Disabled in the Workforce (%)*3		2.4	2.7	2.5
Number of Female Managers*4		28	26	30
Percentage of Female Managers (%)*5		9.7	8.9	10.2
Percentage of Annual Leave Taken by Employees (%)*6		72.2	67.7	46.7
Average number of hours worked overtime*7		36.9	35.4	40.6

*1 Regular employees (Based on total employment including temporarily transferred employees)
*2 Regular employees (Based on total employment) Number of resignations from the end of the previous fiscal year until the day before the end of current fiscal year ÷ total employment as of the end of the previous fiscal year.
*3 In accordance with legal calculation (Based on total direct employment)
*4 Regular employees in managerial positions (Based on total employment)
*5 Female employees in managerial positions ÷ Total employees in managerial positions (Based on total employment of regular employees)
*6 Number of paid leave days taken per annum ÷ number of paid leave days granted at the beginning of the fiscal year (maximum 24 days) (Annual paid leave of maximum 48 days including unclaimed paid leave carried forward from the previous fiscal year)
*7 Regular working hours = 7 hours, Overtime working hours = a total of overtime working hours in weekdays and working hours in holidays – (Days of compensatory leave taken x 7 hours)

Promotion of Diversity Management

SKY Perfect JSAT promotes organizational administration that takes advantage of diverse human resources and values. As part of this endeavor, diversity management training for managers was held online in fiscal 2020.

We have also partnered with an indoor farm that provides employment assistance for people with disabilities in Kumamoto since 2021 to create job opportunities as part of our efforts toward diversity and inclusion/diverse ways of working as well as regional revitalization. Harvested vegetables are regularly sent to the head office, creating new opportunities for new communication with head office employees.

Promoting Health and Creating a Safe and Secure Workplace

We promote activities to enhance employees' health and create safe and secure workplaces so that each employee maintains good physical and mental health and delivers the best possible performance. These activities are designed around the three themes shown below.

Improving employees' health literacy

Since 2018, we have regularly held in-house seminars called Smile Seminars that deal with topics selected in light of physical and mental health according to our employees' health issues and needs. We also offer workshop opportunities concerning self-care, coupled with care that should be provided by supervisors, by providing information about occupational health and health education, along with group training for employees.

Promoting actions for health management and maintenance

Our Health Management Office administers health management activities led by the occupational health and health management staff. We have been increasing the number of healthcare facilities available to our employees for health checkups since fiscal 2021, thereby making it easier for employees to receive checkups and health screening, and maintaining the high percentage of employees who receive these health exams. We also actively encourage employees who need re-checkup to receive necessary examinations (a system that covers part of the expense is available). To help employees maintain good mental health, we promote the creation of workplaces based on the results of organizational diagnosis after stress level tests. Furthermore, we have the Employee Assistance Program (EAP) run by an external specialist body, in addition to our in-house counseling services. The EAP is available to our employees and their families 24 hours a day. Our in-house massage room "Healing Space," which opened in

2018 as part of our welfare program, donated its proceeds consisting of fees paid by our employees to Japan Braille Library.

Identifying an accurate picture of employees' work

The Health and Safety Committee receives reports regarding long working hours and the number of counseling sessions by occupational health physicians in order to discuss urgent issues, such as problems in remote work.

Diverse Work Styles

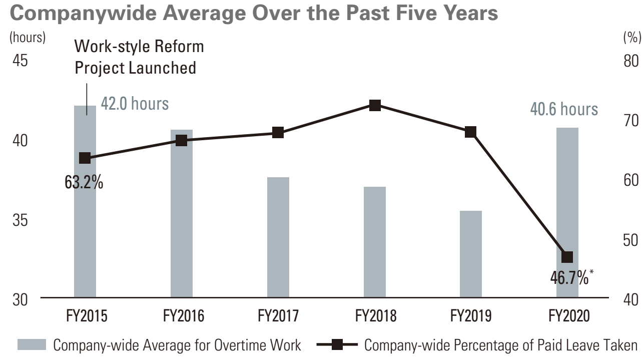
In response to the Council for the Realization of Work Style Reform proposed by the Cabinet Office, SKY Perfect JSAT has positioned improvement of productivity of each employee as an important theme and is facilitating a flexible work style as means to realize this. Specifically, the Company reviewed its operational system based on the business continuity plan (BCP) prior to the Japanese government's declaration of a state of emergency in April 2020 due to the spread of COVID-19 and introduced telework (working from home) for all its officers and employees, in principle. As a result, our initiatives for diversification and improvement of work styles were recognized, and SKY Perfect JSAT Corporation was included among the 100 Telework Pioneers for fiscal 2020 commended by the Ministry of Internal Affairs and Communications. While new lifestyles are becoming the norm amid the COVID-19 pandemic, we are continuously reviewing our personnel system, including abolition of residential restrictions and easing of the conditions for side business so as to enable diverse work styles unconstrained by time and location and further improve productivity.

In addition, SKY Perfect JSAT is implementing its General Business Operator Action Plan formulated in accordance with the Act on Advancement of Measures to Support Raising Next-Generation Children. Our efforts to encourage male employees to take child care leave, along with career training for all officers and employees with children, earned recognition. In 2013, we received the Kurumin certification for the first time from Tokyo Labor Bureau, and have continued to be certified since.

Moreover, SKY Perfect JSAT has established a General Employer Action Plan based on the Act on Promotion of Women's Participation and Advancement in the Workplace, which came into force in April 2016. Additionally, in response to the revisions of the Child Care and Family Care Leave Law in 2017, we amended the Child Care Leave Regulation and Family Care Leave Regulation. We are creating an environment in which employees can fully demonstrate their abilities, balancing work and family while raising children and providing nursing care. The return rate from childcare leave is 100%. In order to create an environment that makes it easier for employees returning to work to overcome time constraints, we expanded measures such as shortened working hours for childcare and subsidizing babysitting usage fees. In 2020, we also held training for managers who are supervising employees with young children. The training increased managers' understanding of how to engage with and support their team members who are on childcare leave or who are balancing work and child raising.

At the same time, as part of our operational reforms, we are enhancing RPA and promoting non-paper meeting materials, as well as encouraging employees to take paid leave on certain days to enhance their work-life balance.

Overtime Work and Percentage of Paid Leave Taken Companywide Average Over the Past Five Years



* The acquisition rate will decline in FY2020 due to the impact of the Corona disaster.

SKY Perfect JSAT's Action Plan Based on the Act on Advancement of Measures to Support Raising Next-Generation Children and the Act on Promotion of Women's Participation and Advancement in the Workplace

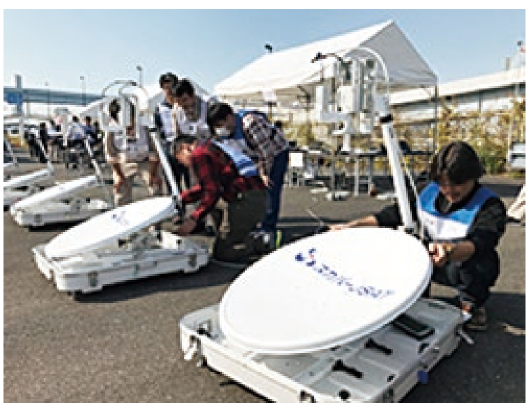
Period	Goal	Description
2020/4/1–2025/3/31	(1) Increase ratio of teleworking and remote working from the current 42% to 80% and establish flexible work styles. (2) Maintain a 100% return-to-work rate after maternity or childcare leave. (3) Provide education and training to support women's career development at least three times within the Action Plan period.	(1) Develop and provide an environment and system that facilitate teleworking and remote working. (2) Have career consultants hold career consultations with employees returning to work after childcare leave. (3) Conduct diversity and career development support education for top and middle management.

S Building Resilient Broadcasting and Communications Infrastructure, Eliminating Digital

Elimination of the Digital Divide, Taking Advantage of Characteristics of Satellite Communication, and Utilization of Satellite Communication in the Event of Disaster

Through wide coverage, multi-destination distribution, and mobility, satellite communication makes it possible to secure means of communication, including the internet, in areas such as mountainous regions and remote islands where terrestrial lines cannot be installed, with electric power and antenna that are capable of receiving electric waves. Through this system, what was once inconvenient becomes comfortable, and this helps to reduce digital divide among regions. Such merits are not limited in Japan. This expansion of the communication environment contributes to the elimination of disparities in areas such as education, the economy, and technologies in the least developed countries.

Moreover, as satellite communication is not much affected by natural disasters like earthquake on the Earth and its high-mobility nature, the use of VSAT (Very Small Aperture Terminal), vehicles with Satellite News Gathering Systems, makes mobile phone services and internet communication available even in disaster-affected areas. Furthermore, satellite communication is useful in the provision of relief and medical care in disaster-affected areas in the recovery phase.



Training in utilizing emergency telecommunications provided by DCOME in November 2017

Installing satellite communication antennas in the disaster-affected areas

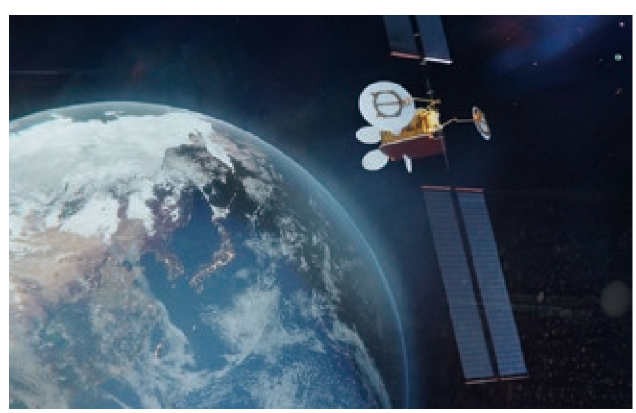
Establishment of the Satellite Fleet for Enhancing the Core Profitability

We successfully launched JCSAT-17 in 2020, and along with Horizons 3e and JCSAT-1C launched from 2018 to 2019, we have completed the introduction of 3 new satellites that will contribute to improving our core profitability.

Of these, Horizons 3e and JCSAT-1C are high-throughput satellites with a communication capacity 10 times or more that of conventional satellites.

In FY 2024, we plan to launch a Superbird-9 that will become our first flexible satellite.

Going forward, we will continue to enhance our competitiveness in the market by building a fleet system that can respond flexibly to various needs through using new technologies and other means proactively.



The image of Superbird-9 satellite ©AIRBUS

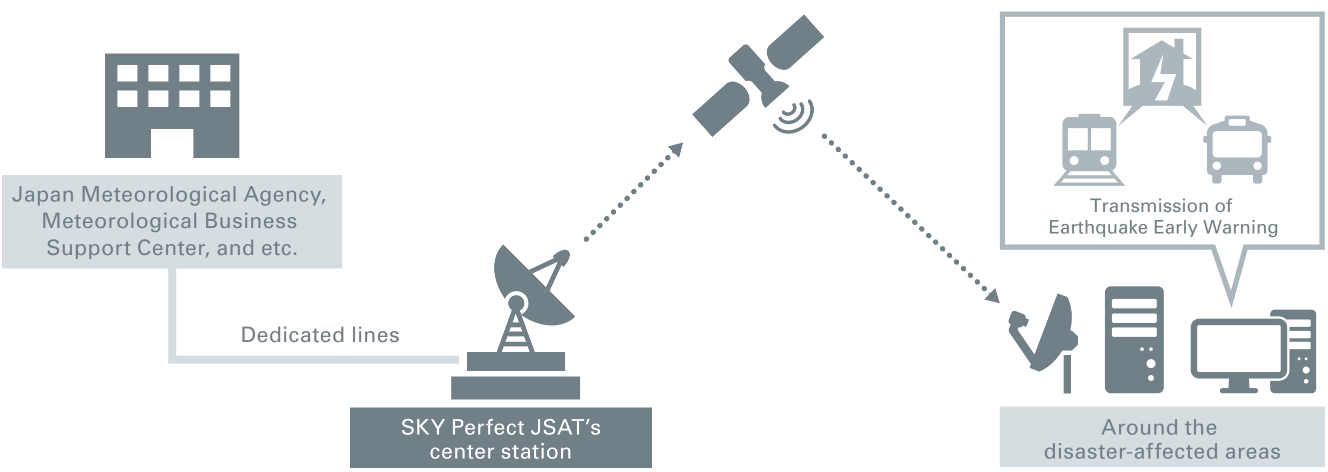
Divide

Distribution of Earthquake Early Warning (Alert and Forecast) of the Japan Meteorological Agency via Satellite

SafetyBird, a service for satellite transmission of Earthquake Early Warning, enables warnings issued by the Japan Meteorological Agency to be received even in areas where terrestrial lines are not installed. For example, railway companies have put in place a system that receives Earthquake Early Warning via satellite and automatically notifies train drivers via the train radio system so that the drivers control the train based on their judgment in accordance with the train control standards according to the seismic intensity. Greater application of SafetyBird is expected, such as linkage with facilities inside train stations, such as the issuing of announcements and elevator control, in addition to train control.

Fully recognizing the roles and responsibilities that we are expected to fulfill during a disaster or emergency, in 2016 we acquired resilience certification*. With the safety and security of our employees and officers and their families as our first priority, we have established the policies of working to prevent secondary disasters, minimizing effects on our stakeholders, and quickly restoring and continuing operations so as to minimize the effect on management. Under this policy, we have predetermined the operations that we will continue to perform during an emergency for each of our business areas, and we are working to develop measures while maintaining a strong awareness of business continuity plan (BCP).

System of SafetyBird, a service for satellite transmission of Earthquake Early Warning



*Resilience certification (Certification for Organizations That Contribute to Strengthening National Resilience) is based on the notion that "Japan will overcome disasters," which was developed by the National Resilience Promotion Office in the Cabinet Secretariat. Organizations are certified as "Organizations That Contribute to Strengthening National Resilience" after their business continuity initiatives have been screened and evaluated by the Resilience Certification Office.

Emphasis on Expansion of FTTH Retransmission Service

We provide optical fiber-based retransmission service (FTTH: Fiber To The Home) as well as satellite TV broadcast service. The optical fiber-based retransmission service enables subscribers to view terrestrial TV broadcasts, broadcasting satellite (BS) broadcasts, and SKY PerfecTV! without installing an antenna. Since September 2019, it has become possible to view all channels of new 4K/8K satellite broadcasting, including NHK's BS8K channel, via our retransmission service.

By installing a dedicated adapter, superior picture quality is available without refurbishment of the facilities at home. Our fiber-based retransmission service can cover approximately 32 million households and over 2.5 million households are already subscribing to the service (as of July 31, 2021). We will expand the FTTH retransmission service area to increase the number of subscribing households and also aim to increase the number of subscribers of SKY PerfecTV! via optical fiber.

S Improving the Richness of Life through a Diversity of Content

Multi-channel Broadcasting Contributes to Creation of a Society Embracing Diversity

Our multi-channel satellite broadcasting TV platform, SKY PerfecTV*!*, offers more than 100 channels. Through diverse channels, including anime, sports, Japanese and foreign movies and drama, hobbies, and news channels, SKY PerfecTV*!* offers viewers opportunities to get to know diverse cultures and values. In line with the diversification of lifestyles, we offer SKY PerfecTV*!* via various means, such as satellite, optical fiber, and internet, and for various devices, such as PCs, smartphones, and IPTVs. Subscribers can enjoy SKY PerfecTV*!* anywhere anytime without device constraints.

Parental Lock for Viewer Age Restriction

We implement reviews of programs and viewer age restriction to offer a safe viewing experience of our content. In addition to in-house program review, we periodically hold meetings of the Broadcast Program Council for which experts from outside the Group are invited and disclose the minutes. Viewer age restriction is set on certain programs in addition to adult content. Parental lock is available for these programs so that subscribers can choose not to show them to children who are at a certain age or below so that the whole family can enjoy our content while according due consideration to sound development of children.

Contribution to Distribution Services in Japan and Overseas by Media Hub Cloud

We have launched an initiative with PLAY, inc., Japan's largest solution provider of video distribution for media, to realize a business supporting distribution services in Japan and overseas.

Amid the spread of over-the-top (OTT) video streaming services, needs are diversifying. There are content holders wishing to provide their content to service providers, companies wishing to distribute their events via the internet, and stores or other businesses wishing to provide distribution services to their customers. By utilizing SKY Perfect JSAT's broadcasting facilities and technologies and PLAY's media cloud, hub functions for video distribution will be provided.

This will make it possible to have a wealth of Japanese and foreign live content, channels, and accompanying metadata in the internet cloud while reducing the workload of both content providers and content distributors, allowing them to handle content without expending time and effort.

S Regional and community development

Our Contribution to Improvement of the Educational Environment in Southeast Asia (Provision of Environments for Communications and Education)

On April 1, 2021, we opened the first SKY Perfect JSAT School in Snuol Commune, Kralanh District, Siem Reap Province, Cambodia. The school aims to provide a place of learning for all local children using our satellite connections and other means, with help from the National Federation of UNESCO Associations in Japan. Going forward, we will be operating the school as a hub of support only SKY Perfect JSAT can provide, including the creation of an environment for communications and the provision of video teaching materials using satellite connections.

Our aim is to “provide educational opportunities for children in Southeast Asia by leveraging SKY Perfect JSAT’s resources.” To achieve this, we set up the Education Support Project for Southeast Asia in 2014 and have launched various initiatives to date.

Southeast Asia has considerable income gaps between countries and regions. It is not unusual that children drop out of elementary or middle school unless they are from wealthy families. Children who have left school will have limited job opportunities in the future. Hence, we decided to establish SKY Perfect JSAT School in cooperation with the National Federation of UNESCO Associations in Japan so that those children will have more learning and career choices. In this new initiative, we support the school throughout the process from the launch to autonomous operation by local residents.

SKY Perfect JSAT School is an initiative that aims to provide steady and sustainable education through the World TERAKOYA Movement, a project launched by the National Federation of UNESCO Associations in Japan, using local networks. We have worked with the Federation since 2015 and developed a strong relationship of trust with them. We will be supporting the operation of SKY Perfect JSAT School, making regular visits to the school and doing other activities, through the local office of the Federation, so that the school will operate autonomously by fiscal 2031.

For our future action, we are exploring the possibility of supporting not only SKY Perfect JSAT School, but other terakoyas (temple schools) administered and operated by the National Federation of UNESCO Associations in Japan. We are determined to help create an environment wherever possible for children from any backgrounds so that they will all be able to work toward the futures they dream of, thereby developing a more enriching society.

Shiohama Terrace Opened in the Toyo and Shinsuna Districts of Koto Ward, Tokyo

— Collaboration between the Local Town Assemblies, Administrative Agencies, and Local Businesses to Create a Vibrant Public Space along the Canal

Shiohama Terrace is a wooden deck that serves as a public space overlooking the water flowing through Shiohama Canal. The waterfront along the canal, which is right in front of the SKY PerfecTV! Tokyo Media Center, lacked a space where people can rest and relax, enjoying the view of the water. To create such a space, we converted part of a park by the canal into Shiohama Terrace.

IHI, SKY Perfect JSAT, and Takenaka Corporation as members of the Toyo-Shinsuna Canal Renaissance Council led the project to build the terrace. We cooperated with the local town assemblies, local businesses in different councils, administrative agencies, and other relevant bodies in unleashing the canal’s potential to create a vibrant public space on the waterfront that will contribute to disaster prevention and people’s good health. The Terrace opened in July 2020. The waterfront in Koto spans as long as 30 km, which is longest of all its counterparts across the wards in Tokyo. We will continue our contributions to local community development that fully harnesses the rich water and greenery as local resources in order to create areas where people comfortably live and work.

Board Directors

Representative Director, Chairman
Shinji Takada

Representative Director, President
Eiichi Yonekura

Board Director
Toru Fukuoka
In charge of Space Business

Board Director
Kiyohiro Omatsuzawa
In charge of Corporate Planning & Strategy
Chief Information Security Officer

Board Director
Masato Ogawa
In charge of Media Business

Board Director
Koichi Matsutani
Chief Financial Officer
In charge of Corporate Administration
In charge of Internal Control
Chief Information Management Officer
Chief Risk Management Officer
Chief Group Compliance Officer

SKY Perfect JSAT Corporation Executive Officers

Representative Director, Chairman
Shinji Takada

Representative Director,
President & Chief Executive Officer
Eiichi Yonekura

Board Director,
Senior Executive Vice President
Toru Fukuoka

Board Director,
Senior Managing Executive Officer
Kiyohiro Omatsuzawa

Board Director,
Senior Managing Executive Officer
Masato Ogawa

Board Director,
Managing Executive Officer
Koichi Matsutani

Managing Executive Officer
Kinya Furuya

Board Director
Iwao Nakatani
Outside Director *

Board Director
Yoshinobu Kosugi
Outside Director

Board Director
Hiroshi Fujiwara
Outside Director *

Board Director
Kimiko Ohga
Outside Director

Board Director
Kenji Shimizu
Outside Director

Corporate Auditors

Akira Ogawa
(Outside Corporate Auditor)*

Atsuhiko Ohe

Corporate Auditors (Non-Standing)

Tsutomu Takahashi
(Outside Corporate Auditor)*

Jun Otomo
(Outside Corporate Auditor)

* Registered with the Tokyo Stock Exchange as Independent Directors based on the Company's criteria for judging independence

Executive Officer

Kazuhiko Aoki
Hisashi Tezuka
Shuichi Iida
Mitsuru Sasanuma
Hiromi Komatsu
Mamoru Mitani
Koji Taniguchi
Mitsuru Ishii
Yutaka Moriai
Takahito Okunaga
Mamoru Takai
Koichiro Matsufuji

Corporate Governance

The SKY Perfect JSAT Group strives to maintain highly transparent corporate governance systems that are able to quickly meet the demands of a changing business environment. One of the Company's materiality themes established in April 2021 is "Developing a strong base for management." The Company will pursue rigorous corporate ethics based on even more transparent legal compliance and the ongoing reinforcement of our risk management system.

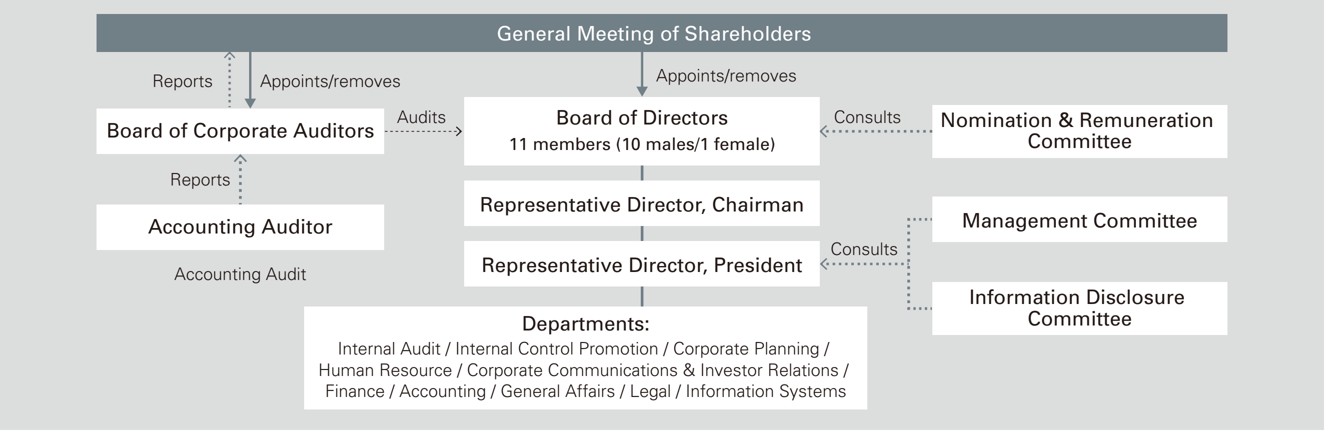
Our Basic Philosophy on Corporate Governance

As a publicly traded company, we believe maximizing the Group's corporate value in the capital market is the fundamental goal of corporate governance. To this end, we consider it one of the most significant management issues to establish a good relationship with stakeholders surrounding the Group consisting of our shareholders and customers who use our services, as well as business partners, employees, and communities, along with making prompt management decisions in a changing social and economic environment and further enhancing the soundness of management, while bearing in mind the importance of corporate ethics based on compliance with laws and regulations. Based on such philosophies, as a corporate group that provides highly public services mainly in the media and space businesses, we have been making efforts to ensure and enhance the transparency and soundness of management since our establishment in April 2007. Examples of those efforts include the appointment of multiple outside directors and the establishment of the Nomination & Remuneration Committee to act as an optional advisory body to the Board of Directors. In respect of the judgment criteria for the independence of directors/auditors, we have formulated our own standards, effective fiscal 2015, on top of the requirements stipulated by the Tokyo Stock Exchange. To our shareholders and investors, we ensure prompt and accurate information disclosure, as well as an increase in our management transparency by providing extensive information.

The Nomination & Remuneration Committee, the majority of whose members are outside directors and which is chaired by an independent outside director, conducts independent reports concerning the nomination of directors and corporate auditors and the determination of remuneration. In fiscal 2020, the Company introduced a stock compensation system with restriction on transfer with the aim of providing an incentive to continuously improve its corporate value and further promoting value sharing with its shareholders.

Overview of the Governance Structure

(As of June 25, 2021)



As a foundation of the structure to ensure the efficient performance of the directors' duties, the Company holds Board of Directors meetings regularly, once a month in principle, and holds extraordinary meetings when necessary, to make decisions concerning important business operations for the Company and its Group companies. The directors also share information on material facts that occur in the Group companies to implement risk management in an appropriate and swift manner.

Along with clearly defining the duties of each director, the Company clarifies their roles in business execution by the Organization Regulation and also appoints a responsible leader for each department and function. Through this system, the Company ensures that each duty is carried out in an appropriate and efficient manner. Meanwhile, the appointment of 5 outside directors who possess a wealth of expertise and experience in corporate management enriches discussions in the Board meetings with diverse viewpoints, and enhances the rationality and appropriateness of decision making, thereby increasing the effectiveness of the Group's corporate governance system.

Highly Transparent Remuneration System Designed to Establish Greater Linkage with Corporate Performance

The remuneration of the Company's officers is comprised of fixed remuneration, performance-based remuneration, and stock compensation. The policies for determining their pay ratios are decided by giving consideration to the provision of appropriate incentives for improving business performance for each fiscal year and increasing medium- to long-term corporate value and after receiving the findings of the Nomination & Remuneration Committee.

Outside directors are paid fixed remuneration only in light of their responsibilities and from the perspective of emphasizing autonomy. The Board of Directors decides on their remuneration policy after receiving the findings of the Nomination & Remuneration Committee in order to ensure the objectivity of the policy and the systems and operations for distributing remuneration. The Nomination & Remuneration Committee then decides on the fixed remuneration and performance-based remuneration amounts to be paid to individual directors. The amount of annual payment that serves as the basis for the number of shares with restriction on transfer to be allotted will be determined by a resolution of the Board of Directors within the remuneration limit. The majority of directors appointed as members of the Nomination & Remuneration Committee are outside directors, and the committee's chairperson is an independent outside director. This is to ensure objectivity and fairness in the decisions regarding remuneration. In order to raise awareness of improving the Company's performance in each fiscal year, the Company sets consolidated net profit and segment profit as the performance indicator targets for a single fiscal year. An amount calculated in accordance with the degree of achievement of the targets set for each officer is paid as performance-based remuneration at a certain time each year. Consolidated net profit and segment profit were selected as performance indicators as they enable a comprehensive judgment of the degree of contribution to the short-, medium- and long-term performance of the Company, and are objective and quantitative evaluation indicators that apply to all officers and employees.

The amount of performance-based remuneration is computed each fiscal year by multiplying the quantitative evaluation portion, which is calculated by multiplying the amount of position-specific remuneration by a certain coefficient in accordance with the achievement of business results, by a certain adjustment coefficient determined by the Nomination & Remuneration Committee in order to adjust and take into account variable factors such as special factors and unforeseen matters. The coefficient for the quantitative evaluation portion (a certain coefficient to be multiplied with the amount of performance-based remuneration specific to the position) is determined by the Nomination & Remuneration Committee in accordance with the degree of achievement of the targets set for each officer, where consolidated net profit and segment profit are used as performance indicator targets of a single fiscal year. In the fiscal year ended March 31, 2021, the evaluation was conducted using consolidated performance targets, which were revised in light of the limited impact of the COVID-19 pandemic on profits and losses. In addition, in accordance with a resolution adopted at the 13th Annual General Meeting of Shareholders held on July 30, 2020, we have introduced a stock compensation system with the aim of providing directors with an incentive to continuously improve our corporate value and further promoting value sharing with our shareholders. The Company will use common stock to allocate shares with restriction on transfer to the eligible parties once a year by a resolution of the Board of Directors. The stock compensation to be provided will be shares with restriction on transfer using common stock. The restriction on transfer will be lifted upon the retirement of the officer in principle. The monetary remuneration to be paid for the grant of shares with restriction on transfer will not exceed ¥60 million per year, and the total number of shares of the Company's common stock to be issued or disposed of will not exceed 260,000 shares per year.

Remuneration of Directors and Auditors

	Total Remuneration (¥ millions)	Total Remuneration by Type (¥ millions)			Number of Eligible Recipients
		Basic salary	Performance-based	Share-based payment	
Directors (Excluding Outside Directors)	108	58	29	19	7
Corporate Auditors (Excluding Outside Corporate Auditors)	—	—	—	—	—
Outside Directors	36	36	—	—	5
Outside Corporate Auditors	60	60	—	—	5

Reasons for Adopting the Current Corporate Governance System

As a company with corporate auditors (the Board of Corporate Auditors), the Company ensures the enrichment of its monitoring and supervising functions and the transparency and soundness of its management by means of adequate utilization of the monitoring of corporate management by corporate auditors. In addition to having a corporate governance system centering on the monitoring of corporate management by corporate auditors, with the aim of increasing and enhancing the effectiveness of the supervision of management by the Board of Directors as well as the transparency and soundness of management, the Company has appointed multiple highly independent outside directors and outside corporate auditors and has voluntarily established the Nomination & Remuneration Committee as an advisory body to the Board of Directors. The Nomination & Remuneration Committee, the majority of whose members are outside directors and which is chaired by an outside director, conducts independent reports concerning the nomination of directors and corporate auditors and the determination of remuneration.

Corporate Governance

Policy on Constructive Dialog with Stakeholders, Including Shareholders

In pursing sustainable growth of the Company and raising the corporate value over the medium- to long-term, directors, namely the Representative Director, President and Chief Financial Officer have constructive dialogues with shareholders and investors within a reasonable scope with the support of the Corporate Communications & Investor Relations Department. The Corporate Communications & Investor Relations Department, which regularly shares information with the management and related departments, prepares presentation materials for quarterly Earnings Results Briefings and releases information about the Company. Presentation materials and online archives of Earning Results Briefings are available at the Company's website. The Company releases its business forecasts for each fiscal year as a means of disclosing information to make optimal management decisions quickly and flexibly in a rapidly changing management environment, as well as to enable shareholders and investors to correctly understand the Company's management strategies and financial conditions. Although the Company does not currently disclose the medium-term management plan, it actively discusses management policies and strategies, including the medium-term management plan, at Board of Directors meetings and through officer intensive discussions involving outside directors, outside corporate auditors, and officers of Group companies. The Company thereby checks and analyzes the status of such management policies and strategies and reviews plans and policies as necessary.

On a quarterly basis, the Chief Financial Officer reports to the Board of Directors the opinions and concerns of our shareholders and investors obtained through dialogues in the report concerning investor trends and IR activities. We strive for management that respects the viewpoints of stakeholders including our shareholders. Furthermore, the Company has established Information Disclosure Regulations, Insider Trading Control Regulations and Disclosure Policy, and endeavors to have dialogues with stakeholders and release information without duplicity or prejudice.

Evaluation and Analysis of the Board of Directors

The Company's Board of Directors conducted a survey through an external organization in February 2021. The survey targeted all eleven directors and all four corporate auditors, and covered composition of the Board of Directors, its operational status, deliberative details and management issues, among other topics. The results of the survey were reported at Board of Directors' meetings held in April and June 2021, where they were analyzed and assessed, and measures to respond to issues were considered and deliberated upon.

Summary of results of evaluation on the Board's effectiveness

The evaluation concluded that each of the six full-time directors and five part-time directors (including two independent outside directors and three outside directors) provided effective opinions and conducted high quality discussions based on their individual expertise and experiences, and accordingly, the effectiveness of the Board of Directors was sufficiently ensured. Going forward, the Chairman and the secretariat of the Board of Directors will be central to issues such as having robust discussions on medium- to long-term management that is conscious of ESG and SDGs, bolstering Group governance, and other topics, and they will undertake activities to make improvements.

System Ensuring and Supervising Sound Business Management

Appointment of Independent Directors/Auditors

To protect general shareholders and enhance corporate governance, the Tokyo Stock Exchange, on which the Company is listed, requires that all listed domestic companies appoint at least one independent director/auditor. An independent director/auditor is an outside director or auditor who is unlikely to have any conflict of interest with general shareholders. In other words, an independent director/auditor is a person who participates in management from a neutral and objective standpoint and who does not have any interests in the Company or the Group.

In accordance with this requirement, we have formulated our own judgment criteria for the independence of directors/auditors in addition to those stipulated by the Companies Act and the Tokyo Stock Exchange, and the Company currently has two independent directors and two independent auditors.

FY2020 Major Activities Conducted by Outside Directors

Position	Name	Major Activities
Board Director	Iwao Nakatani	Mr. Nakatani attended 14 of the 15 Board of Directors meetings held in the fiscal year ended March 31, 2021. With regard to business deliberation and other matters, he provided advice as necessary based on his high level of expertise in the field of economics and business management.
Board Director	Kazunobu Iijima	Mr. Iijima attended 9 of the 9 Board of Directors meetings held since assuming office as outside director. With regard to business deliberation and other matters, he provided advice as necessary based on his extensive knowledge as a corporate executive and his abundance of experience and knowledge in the communications and broadcasting industries.
Board Director	Yoshinobu Kosugi	Mr. Kosugi attended 14 of the 15 Board of Directors meetings held in the fiscal year ended March 31, 2021. With regard to business deliberation and other matters, he provided advice as necessary based on his abundance of experience and knowledge in the broadcasting industry.
Board Director	Hiroshi Fujiwara	Mr. Fujiwara attended 14 of the 15 Board of Directors meetings held in the fiscal year ended March 31, 2021. With regard to business deliberation and other matters, he provided advice as necessary based on his abundance of experience and knowledge in the field of information and communications.
Board Director	Kimiko Ohga	Ms. Ohga attended 15 of the 15 Board of Directors meetings held in the fiscal year ended March 31, 2021. With regard to business deliberation and other matters, she provided advice as necessary based on her abundance of experience and knowledge in the communications industry.

Corporate Auditors and Board of Corporate Auditors

The Company's Board of Corporate Auditors consists of four members (including two full-time), of whom three are outside auditors. Corporate auditors attend meetings of the Board of Directors and Management Committee, and other important meetings where they engage in active exchanges of ideas and opinions. Along with this they conduct investigations of departments and subsidiaries based on corporate auditors' annual audit plans, and also audit the business execution of directors. The Board of Corporate Auditors generally convenes meetings once a month, exchanges opinions with each director and core employees, as well as corporate auditors at subsidiaries, shares with non-standing auditors the status of daily audits performed by full-time corporate auditors, and exhaustively conducts audits with a focus on critical audit items, such as the condition of maintenance of the Group's system of internal control based on the Companies Act and the Financial Instruments and Exchange Act, the Group's compliance structure, and the verification and flow of the status of response to top risks. Together with receiving audit reports from the external accounting auditor as necessary, the board receives reports from the Internal Audit Department on the status of internal audits.

FY2020 Major Activities Conducted by Outside Auditors

Position	Name	Major Activities
Corporate Auditor	Itaru Nishimura	Mr. Nishimura attended 15 of the 15 Board of Directors meetings and 14 of the 14 Board of Corporate Auditors meetings held in the fiscal year ended March 31, 2021. With regard to business deliberation and other matters, he provided advice as necessary based on his abundance of experience and knowledge that he has acquired at a general trading company.
Corporate Auditor	Akira Ogawa	Mr. Ogawa attended 15 of the 15 Board of Directors meetings and 14 of the 14 Board of Corporate Auditors meetings held in the fiscal year ended March 31, 2021. With regard to business deliberation and other matters, he provided advice as necessary based on his abundance of experience and knowledge of business management in the field of international finance.
Corporate Auditor	Tsutomu Takahashi	Mr. Takahashi attended 15 of the 15 Board of Directors meetings and 14 of the 14 Board of Corporate Auditors meetings held in the fiscal year ended March 31, 2021. With regard to business deliberation and other matters, he provided advice as necessary based on his high level of expertise and abundance of audit experience.
Corporate Auditor	Jun Otomo	Mr. Otomo attended 9 of the 9 Board of Directors meetings held since assuming office. Likewise, since his appointment he has attended 8 of the 8 Board of Corporate Auditors meetings. With regard to business deliberation and other matters, he provided advice as necessary based on his wide range of insight regarding the broadcasting industry.

Corporate Governance

Status of Compliance, Risk Management, and Information Management Systems

Group Compliance Committee and Group Compliance Help Line

To ensure that business execution of the Company's directors and employees comply with relevant laws and regulations, the Articles of Incorporation, and various internal regulations, the Company has established a Group Compliance Committee and its Secretariat, the Compliance Promotion Office. The Committee appoints a Chief Group Compliance Officer who acts as the chairperson of the Committee. The Committee chairperson submits issues on compliance program matters and facts regarding compliance to the Committee for deliberation, as well as reports deliberation results to the Board of Directors as necessary. Regarding the maintenance, management, and contents of compliance programs for the entire company, the Compliance Promotion Office provides education and training to members of the Board of Directors, executives, and employees. Moreover, the Company has put into place an internal and external Group Compliance Help Line system, under which those who discover that the Company's business activities or practices carried out by employees, executives, or members of the Board of Directors might be illegal can report them immediately or consult with the Help Line staff. Moreover, if there is a consultation or report for which involvement of full-time Board Directors of the Company or Board Directors or Executive Officers of the Group companies is suspected, it can be forwarded directly over to the Company's full-time Corporate Auditors through the external Group Compliance Help Line, bypassing the Compliance Promotion Office and the Chief Group Compliance Officer.

Risk Management Committee

To recognize and evaluate risks related to business execution comprehensively and conduct appropriate risk management, the Company has established risk management regulations. To ensure the effectiveness of the regulations, the Company has established a Risk Management Committee, which is chaired by the Chief Risk Management Officer. The Committee determines risk management policies, evaluates risks, and examines risk prevention measures. At the same time, the Committee is responsible for strengthening the overall risk management system through the study of individual events. The Chief Risk Management Officer reports to the Board of Directors on the status of risk management and other matters as necessary.

The Information Security Management Committee, the Personal Information Management Committee and Information Security System

Alongside the establishment of a Security Policy to maintain information security and a Privacy Policy to protect personal information, the Company has established an Information Security Management Committee and a Personal Information Management Committee, both chaired by the Chief Information Management Officer, to ensure an appropriate and effective management structure in each area. We have also placed a person responsible for information security management at each of the Group companies and implemented thorough information management training for all Group employees, executives and contractors.

There has been an increase in recent years in cyberattacks on information systems, including targeted attacks through the introduction of malware and unauthorized access through the Internet. Moreover, the Company is now promoting work from home due to the spread of COVID-19. Against these backdrops, the Group has established a Computer Security Incident Response Team (CSIRT) as part of a system designed not only to strengthen security for websites providing Intranet systems and services, but also to limit the spread of damage from any such attack.

Outside Directors' Dialogue

Outside Director
Hiroshi Fujiwara

Outside Director
Kimiko Ohga

SKY Perfect JSAT Holdings Inc. is a corporate group providing highly public services—broadcasting and communications. In this capacity, the Company is working to build a highly transparent governance structure that can adapt quickly to changes in the business environment. Outside directors Mr. Fujiwara and Ms. Ohga sat down to discuss the Company's governance situation and the challenges that lie ahead.

The Current Governance Situation

Fujiwara Three years have passed since I became an outside director. A major change during this time was that the Board of Directors has become more balanced. In the past, many of the Company's Board members tended to come from the broadcasting industry.

This changed especially after Mr. Yonekura, the current president, came on board. Partly because he himself is not from the broadcasting industry and because he is aggressively pursuing new endeavors, we have begun to see people from a wide range of fields join the Board and hold active exchanges of opinions.

Ohga It has been two years since I was appointed. The Board of Directors discusses very openly about business strategies, including withdrawal from and launches of businesses. I think this is good. The various reports, not only those related to business strategy, are based on numerical figures, are organized logically and compactly, and are easy to understand even for outside directors and corporate auditors. The Company does an excellent job preparing the materials.

My request is that there be more opportunities to learn about what is happening on the frontlines. The COVID-19 pandemic since last year has made it difficult to visit work sites and hold hearings during the past year. So that is my request for when the situation improves. In addition, I ask that the Company resumes the discussion forums with the members of the Board of Corporate Auditors.

Outside Directors' Dialogue

Regarding the Members of the Board of Directors

Fujiwara For the Board of Directors to be effective, the question of who is involved in the discussions is as important as what is being discussed and how. The members comprising the Board of Directors need to have a balanced set of skills which are useful for improving the Company's corporate value. My own skills are based on my background in technology, particularly information technology. Based on my background in overall digital information technology, I hope to make proposals on how the Company can adapt to changes in society and lifestyles caused by technological changes, especially how SKY Perfect JSAT should respond to the changes in technological trends from a corporate management perspective. In particular, adapting to digital transformation (DX) is an urgent issue for any company today. I hope that I can be of assistance in discussing how technology trends, such as DX, should be incorporated into management.

Ohga At NTT, I was involved in the development of services and communications equipment for many years. I will leverage this experience to fulfill my role as an outside director . In short, I will draw on my reflections and knowledge of what a company should do when traditional technologies are about to be replaced by new technologies. The GAFA companies that currently dominate the world emerged or revived in the second half of the 1990s and achieved phenomenal growth in around 20 years. Such rapid changes in the field of information technology are expected to continue in the future, and it is critical that companies identify these changes as quickly as possible.

Fujiwara If I were to give a skill sought from the current Board members, it would be M&A experience. GAFA, which you mentioned, used M&As as a source of their growth. Japanese companies think it is OK to steadily develop their own businesses. But, looking ahead to future growth, I think the Company needs to broaden its vision a little more to include M&As. It may be good to have people who specialize in M&As.

Effectiveness of the Board of Directors

Ohga As we have said, people with various skills are holding active discussions, and this has made the Board of Directors highly effective. Two years ago, there was a scandal at a subsidiary. The scandal, which by no means should have happened, gave impetus for the Group to thoroughly review and rebuild its corporate governance. As a result, the supervisory functions were strengthened, including those of outside directors and outside corporate auditors, and progress was made in enhancing the internal controls. The scandal gave an opportunity to review the corporate governance system, and I think things have changed for the better.

Fujiwara I do think there is now an atmosphere that supports the sharing of opinions. There is a highly effective Board of Directors where outside directors can also exercise their supervisory function when necessary. If I could ask for a little more, it is that effort be made to close the somewhat large distance between the frontlines and management, especially between the outside directors and the frontlines. I would also like to see the Company actively address the gender gap issue.

Ohga It is becoming standard practice for all companies to include female directors and corporate auditors, whether they are inside or outside the company. I have served as a corporate auditor and a member of the audit committee at other companies. Appointing women will be effective in having diverse viewpoints and performing the supervisory function in auditing work.

Nomination & Remuneration Committee

Fujiwara To strengthen corporate governance, it is especially important that the remuneration system is optimally designed to provide the right incentives to executive directors.

The Company's remuneration system added stock-based remuneration to the existing cash-based remuneration. This deserves praise. I think the executives before were serious-minded and worked hard on their own businesses, so much so that they did not give much thought to what was best for the entire company. But as executives become more aware of the stock price, they are forced to think about the whole company, and in turn, they start to consider the growth of the entire Group.

Ohga I agree it was a great idea to introduce stock-based remuneration. I also commend the Company for expanding stock-based remuneration to executive officers of the subsidiaries. The Company was founded as a collection of business entities, and so the entire Group was not really on the minds of the executives. I hope that the latest change will prompt company-wide transformations by encouraging general managers to not just focus on their own department but view circumstances from a higher vantage point.

Expectations for the Future of SKY Perfect JSAT

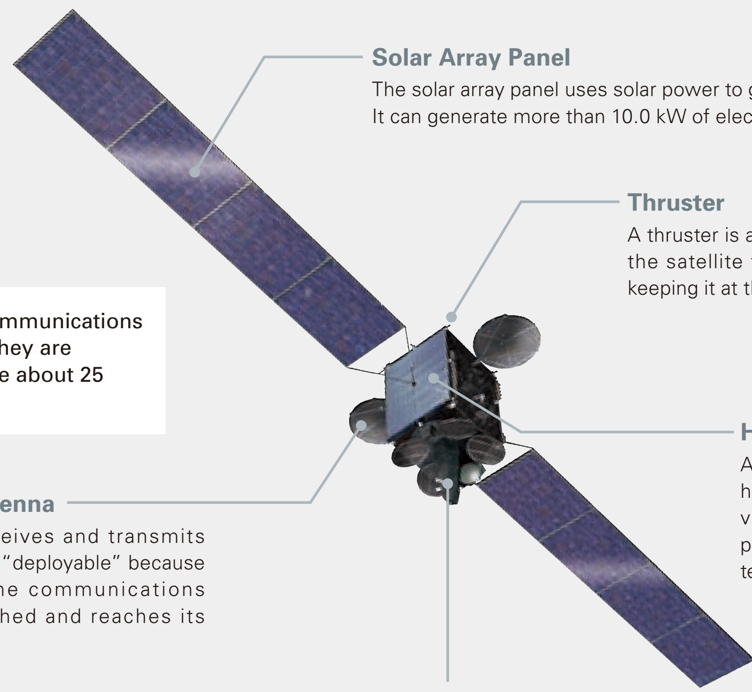
Fujiwara We have been talking about governance, but governance is only a means to achieving an end. The end is the future that the Company will shape. As the new slogan, "Space Business Company," implies, the Company is attempting to enter a range of space-related businesses. I hope that it will realize these businesses and contribute to the future society. Specifically, there are projects like monitoring global warming using satellites. I expect the Company will make contributions that only a Japanese company can make, including disposal of space debris.

Ohga Companies are being called upon to take further actions against global environmental issues. In such times, I would like the Company to continue to provide applications that only SKY Perfect JSAT can provide with its space-related technologies. This may be real-time meteorological information useful for predicting and coping with disasters, solar power generation sensing, and so forth. I look forward to Japan's data-driven solutions for the global environment being implemented across the world.

Fujiwara Communication skills are another skill that is essential for the realization of both business and otherwise. Until now, the Company has been a leading company in space but has remained behind the scenes. From now on, it should express itself more to build cooperative relationships with a variety of stakeholders and open up the future.

Satellite Basics

Communications satellite's main components



Solar Array Panel

The solar array panel uses solar power to generate electricity.
It can generate more than 10.0 kW of electricity.

Thruster

A thruster is a small rocket engine installed in the satellite for controlling its posture and keeping it at the correct orbital position.

Although the length of communications satellites varies by type, they are generally considered to be about 25 meters long.

Heat Dissipation Panel

As satellites easily accumulate heat, this panel dissipates the heat via embedded heat conducting pipes to maintain a constant temperature inside the satellite.

Deployable antenna

This antenna receives and transmits signals. It is called "deployable" because it opens after the communications satellite is launched and reaches its orbital position.

Telemetry Command Omni Antenna

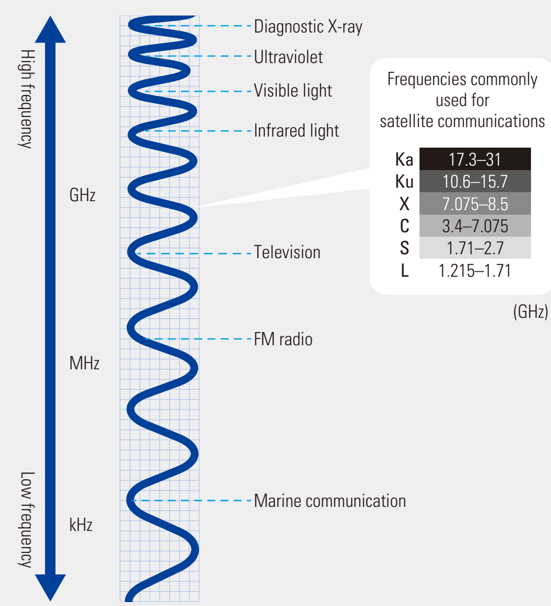
This antenna receives and transmits signals while a satellite is being launched into orbit before the deployable antennas can be opened.

Types of radio frequencies used by communications satellites

The signals used generally in Japan for satellite communications are called Ku band and C band.

C band (frequency range 3.4-7.075GHz: uses a frequency range of 3.4-4.2GHz for downlink and 5.8-6.7GHz for uplink) has been widely used ever since satellite communications started because it is less affected by rain. However, it requires a large antenna to catch the signals because the frequencies are low. On the other hand, since Ku band (frequency range 10.6-15.7GHz: uses a frequency range of 12.25-12.75GHz for downlink and 14.0-14.5 GHz for uplink) can be received even with a small antenna, it suits SKY PerfecTV*!*'s broadcasts and domestic communications. The signals can be certainly received with a small antenna, but they are weakened when they collide with waterdrops in the air and are sometimes adversely affected during heavy rains and other weather conditions. In recent years, the use of Ka band (frequency range: 17.3-31GHz) has started to spread for large-capacity communications because this band is widely allocated for satellite communications.

Apart from these, X band (frequency range 7.075-8.5GHz) is used mainly for military communications and weather and earth observation satellites.



Ka	17.3–31
Ku	10.6–15.7
X	7.075–8.5
C	3.4–7.075
S	1.71–2.7
L	1.215–1.71

From Satellite Procurement to Operation

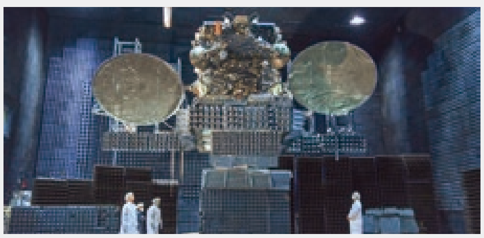
1. Prior Analysis
Securing orbital slot and demand forecasting

2. Satellite Specifications Study
Decide service area, frequency, number of transponders

3. Order and Manufacture
Choose a manufacturer and conduct process management and performance assessments

4. Insertion into Geostationary Orbit
Implementation of in-orbit performance test

5. Operation
Provide transponders while monitoring and controlling the satellite from the control center



JCSAT-110A Satellite Test ©Space Systems Loral

2-3 years from Order to Launch

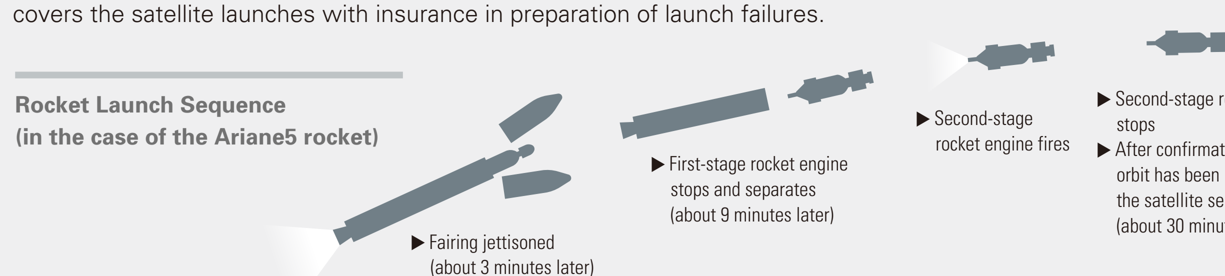
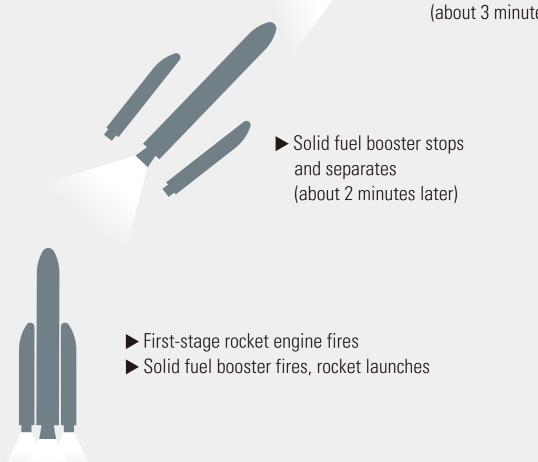
In Operation: 10-15 years

Start Capital Investment → Satellite → Rocket → Launch Insurance → **Start Operation**

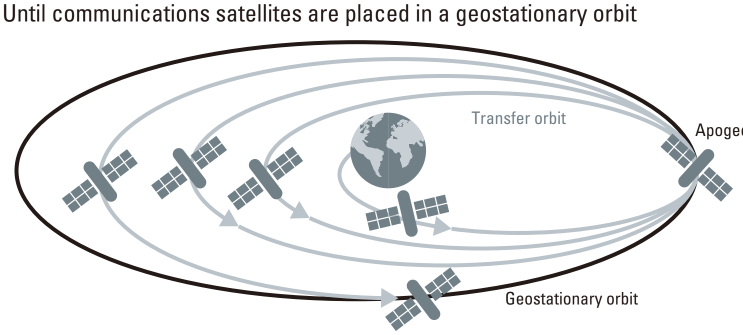
The Cost of Procuring and Launching a Satellite is Between ¥20.0 billion and ¥30.0 billion and the Depreciation Period is generally 15 years.

The process of launching a communications satellite begins with forecasting demand in the coverage area and acquiring an orbital position. Satellite specifications are then discussed, an order is placed with the manufacturer and the satellite is manufactured. After that, a launch service is selected, and the satellite is launched into a geostationary orbit about 36,000 km above the equator after a preparation stage lasting two to three years. The procurement and launch costs are capitalized at 20-30 billion yen per satellite. Then, depreciation is calculated for its life period of about 15 years. SKY Perfect JSAT Corporation also covers the satellite launches with insurance in preparation of launch failures.

Rocket Launch Sequence (in the case of the Ariane5 rocket)

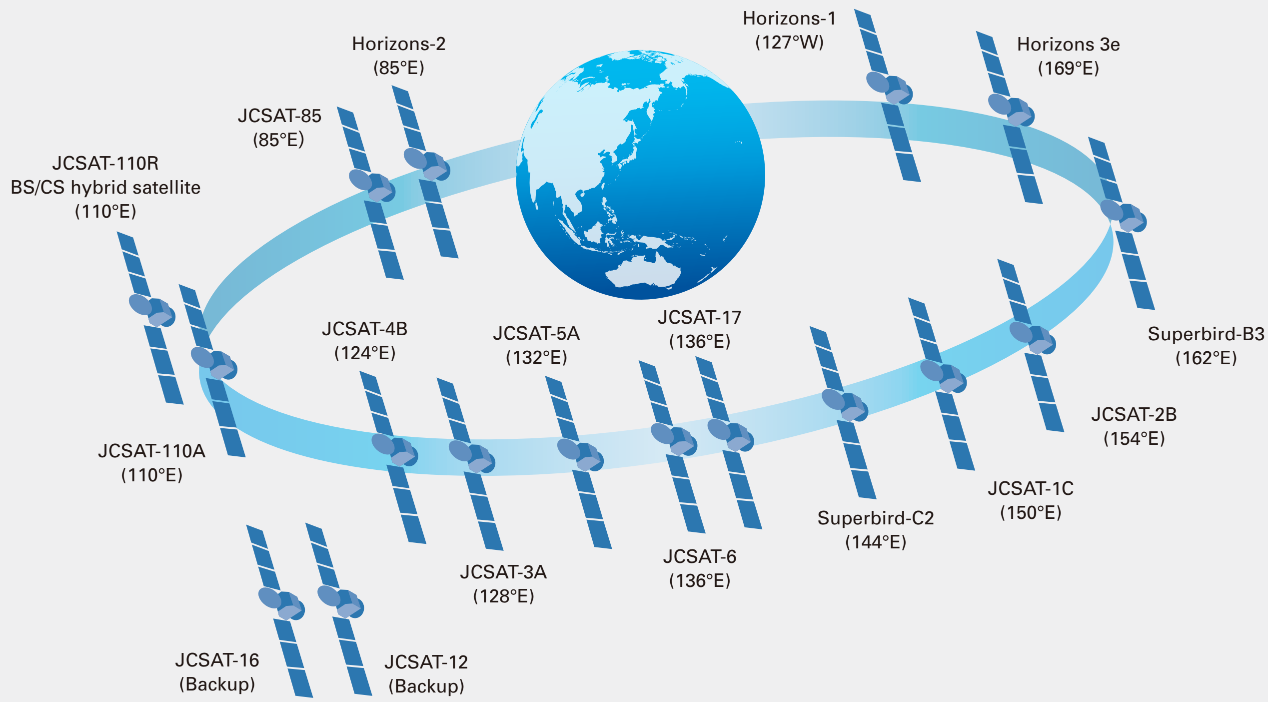



Until communications satellites are placed in a geostationary orbit



The furthest point (apogee) of the elliptical geostationary transfer orbit reaches the geostationary orbit. By firing engines here and accelerating the pace, the ellipse becomes larger. Communications satellites can be placed in a geostationary orbit after three to four accelerations.

Satellite Fleet



Our Satellite Fleet

	Used primarily for Broadcasting Service				Used primarily for Communications Service				
	JCSAT-110A	JCSAT-110R	JCSAT-4B	JCSAT-3A	JCSAT-5A	JCSAT-6	JCSAT-17	Superbird-C2	JCSAT-1C
Orbital position	110°E	110°E	124°E	128°E	132°E	136°E	136°E	144°E	150°E
Launch date (Japan time)	Dec. 22, 2016	Aug. 7, 2011	May. 16, 2012	Aug. 12, 2006	Apr. 13, 2006	Feb. 16, 1999	Feb. 19, 2020	Aug. 15, 2008	Dec. 17, 2019
Launch vehicle	Ariane 5	Ariane 5	Ariane 5	Ariane 5	Zenit-3SL	Atlas 2AS	Ariane 5 ECA	Ariane 5	Falcon 9
Satellite bus	SSL 1300	A2100A	A2100AX	A2100AX	A2100AX	Boeing 601	LM2100	DS2000	Boeing 702 [HTS]
Design life	15 years	15 years	15 years	15 years	12 years	14.5 years	15 years	Over 15 years	15 years

	Used primarily for Communications Service						Backup satellite	
	JCSAT-2B	Superbird-B3	Horizons 3e	Horizons-1	Horizons-2	JCSAT-85	JCSAT-12	JCSAT-16
Orbital position	154°E	162°E	169°E	127°W	85°E	85°E	—	—
Launch date (Japan time)	May. 6, 2016	Apr. 6, 2018	Sep. 26, 2018	Oct. 1, 2003	Dec. 22, 2007	Dec. 1, 2009	Aug. 22, 2009	Aug. 14, 2016
Launch vehicle	Falcon 9	Ariane 5	Ariane 5	Zenit-3SL	Ariane 5	Zenit-3SLB	Ariane 5	Falcon 9
Satellite bus	SSL 1300	DS2000	Boeing 702MP [HTS]	Boeing 601HP	STAR-2	STAR-2	A2100AX	SSL1300
Design life	15 years	Over 15 years	15 years	Over 15 years	15 years	15 years	15 years	15 years

(As of July. 31, 2021)

Glossary

4K/8K (Ultra HD)
Ultra-high definition broadcasts have even higher resolutions than HD formats. 4K (displays with a width of 3,840 pixels and a height of 2,160 pixels) offers four times the resolution of HD broadcasts and 8K (displays with a width of 7,680 pixels and a height of 4,320 pixels) offers 16 times the resolution.

5G (5th Generation Mobile Communication System)
Fifth generation mobile communication system that has been attracting attention as next-generation networks. "High speed and large capacity," "high reliability and low latency," and "multi simultaneous connectivity" are its features. It was fully launched in Japan in 2020.

Average Monthly Contractor's Payment
This is the average monthly subscription fee and other fees paid by each contractor.

Backhaul
Backhaul refers to a relay line or network of a communication carriers that connects access lines at the end with the central core communications network (backbone line).

BCP (Business Continuity Plan)
A business continuity plan refers to a plan that companies and other organizations follow in the face of an emergency, such as a natural disaster, major fire, or terrorist attack, in order to minimize damage to business assets and enable the continuation or early recovery of core business operations. It sets out the activities to be carried out under normal circumstances as well as the methods and procedures for continuing business operations in an emergency.

BS (Broadcasting Satellite)
Broadcasting satellites are an artificial satellite in the geostationary orbit designed and built for broadcast services, providing BS broadcasts.

Beyond 5G/6G
Beyond 5G/6G refers to the next generation of wireless and wired networks after 5G to be developed by the 2030s. In 2020, Japan launched a study of this generation of networks beyond 5G known as "Beyond 5G" under the leadership of the Ministry of Internal Affairs and Communications.

CS (Communications Satellite)
Communications satellites are an artificial satellite in the geostationary orbit designed and built mainly for communications services. In Japan, these satellites, like broadcasting satellites, have been in use for broadcast services since 1992. The Group uses communications satellites, JCSAT-3A (128 degrees east), JCSAT-4B (124 degrees east) and JCSAT-110A/JCSAT-110R (110 degrees east), for broadcast services.

DTH (Direct To Home)
"Direct to home" refers to direct distribution of programs to households via satellite.

Drone
A drone refers to a small unmanned aerial vehicle that can fly autonomously. Drones are used for a variety of purposes such as aerial picture taking, crop dusting, surveying, transportation, disaster response and relief, and more.

FSS (Fixed Satellite Services)
Fixed satellite services is a term for satellite communications services that provide communications services mainly to fixed earth stations. On the other hand, satellite communications services that provide communications services mainly to mobile earth stations are called MSS (Mobile Satellite Services).

Flexible Payload
Flexible payload refers to a next-generation digital satellite communications technology that enables in-orbit reconfiguration, such as flexible setting of the irradiation area by changing the beam shape, power control and redistribution, and bandwidth variations using a digital channelizer. The Group plans to launch Asia's first satellite equipped with flexible payload technology in fiscal 2024.

FTTH (Fiber To The Home)
An access optical communications service that uses optical fiber as a transmission line to provide videos and Internet lines directly to homes.

Geostationary Earth Orbit (GEO)
Low Earth Orbit (LEO)
GEO is an orbital position of artificial satellites about 36,000 km above the equator. Since these satellites are synchronized with the Earth's rotation, artificial satellites in the GEO appear to be stationary when they are seen from the Earth. LEO is a low orbital position at an altitude of 2,000 km or less from the Earth's surface. Because the satellites are constantly moving above the Earth compared to geostationary satellites, a satellite constellation consisting of multiple satellites must be built to provide continuous communications services.

HAPS (High Altitude Platform Station)
A high altitude platform station refers to a drone (unmanned communications base station) that enables the deployment of ultra-low latency, large-capacity communications platform services from the stratosphere 20 km above the ground. Winds are calm in the stratosphere throughout the year, making stable flight control possible. Research and development on the stratosphere is under way as a next-generation communications platform that allows for replacement and repair of equipment as well as relocation of service areas even after operations begin.

Glossary

HD (High Definition)
High definition broadcasts in Japan refers mainly to HDTV broadcasts for displays with a width of 1,920 pixels and a height of 1,080 pixels, or displays with a width of 1,440 pixels and a height of 1,080 pixels.

HTS (High Throughput Satellite)
A high throughput satellite refers to a communications satellite that allows for high speed, large capacity services. It can provide around 10 times the throughput of a standard conventional communications satellite by using different frequencies for adjacent spot beams and reusing the same frequency for non-adjacent spot beams.

OTT (Over The Top)
OTT is a collective term for services that distribute large-volume contents such as video over the Internet. Operators that provide video services directly to viewers by bypassing conventional communications infrastructure are called OTT service providers.

Quantum Cryptography Technology
Quantum cryptography technology applies quantum mechanics, a science that illustrates the movement and behavior of miniscule substances such as light grains (photons), the smallest unit of light. This technology splits the encryption key, which is key to deciphering ciphers, encodes the bits of the key on individual photons, and sends them. This data is separate from the information that is encrypted and exchanged. It is a next-generation cryptography communication technology that ensures secure data communication.

Right handed circular polarization / Left handed circular polarization
Polarization refers to the direction into which a signal is oscillating. Right handed circular polarization refers to a signal which oscillates in clockwise rotation, and left handed circular polarization refers to a signal that oscillates in counterclockwise rotation. By separating the polarization into right and left, a single frequency can be used as if there were two.

SAC (Subscriber Acquisition Cost)
Subscriber acquisition cost is the costs to acquire new subscribers. It includes advertising cost, promotion and campaign costs, and the customer center operating cost.

SAR (Synthetic Aperture Radar)
Synthetic aperture radar is mounted on an artificial satellite or aircraft and uses motion to act as a large virtual aperture (radar diameter). It utilizes technology that improves the resolution by repeating transmission and reception while moving in orbit and synthesizing the received waves. It is called “synthetic aperture” because a small aperture antenna is synthesized to realize a large aperture antenna.

SDGs (Sustainable Development Goals)
The SDGs consist of 17 goals and 169 targets based on the current global issues. They refer to a set of common international rules to be voluntarily implemented by governments and companies across the world by 2030 and represent a culmination of rules for creating a sustainable society.

Space integrated computing network
Space integrated computing network refers to an independent, carbon free, autonomous space communications network infrastructure, unaffected by disasters on Earth, which SKY Perfect JSAT Corporation and Nippon Telegraph and Telephone Corporation are developing to realize a sustainable society. The network aims to build an ultra low power consumption, ultra high speed communication, and highly secure network based on the three features of space sensing, space data center, and space RAN (Radio Access Network).

Space Intelligence
A term coined by the Company. It refers to a new initiative to connect spaces and utilize various data acquired and collected from the spaces for the use, analysis, and provision of intelligence that people want to see and access.

Space Debris
Space debris refers to unnecessary artificial objects orbiting the Earth’s satellite orbit, such as artificial satellites that have stopped functioning after their service life or have become uncontrollable due to malfunctions, rocket components used for launches, fragments, and fine debris generated by collisions between debris. The space debris count has continued to rise every year as development and use of space enter into full swing, making remediation measures necessary. The Group is developing an approach that uses a laser to remotely irradiate space debris drifting in space and change its trajectory to enter the Earth’s atmosphere.

Transponder
The term transponder combines the words “transmitter” and “responder.” In satellite communications, it is a general term referring to communications equipment that amplifies, converts, and transmits radio waves (electrical signals) received from the ground.

Uplink/Downlink
An uplink refers to a transmission from ground stations to communications satellites, and a downlink refers to a transmission from communications satellites to ground stations.

X-band
X-band is one of the bands of frequencies in the microwave spectrum, which is mainly used for military communications and radars, meteorological satellites, high-resolution precipitation radars, and synthetic aperture radars (SAR) for earth observation satellites.

Stock Information

Basic Information

(As of March 31, 2021)

Total number of shares authorized to be issued	1,450,000,000 shares*1
Number of shares issued	297,170,975 shares*2
Fiscal year-end	March 31
Annual General Meeting of Shareholders	June
Transfer Agent of Common Stock	Mizuho Trust & Banking Co., Ltd., 1-2-1, Yaesu, Chuo-ku, Tokyo 103-8670, Japan
Stock Listing	First Section, Tokyo Stock Exchange (Code 9412)

*1 The Company conducted a 100-for-1 common stock split effected on October 1, 2013.
*2 On August 28, 2020, the Company issued 163,127 common shares, reaching a total number of 297,170,975 shares.

Major Shareholders

(As of March 31, 2021)

	Number of shares held	Shareholding ratio
ITOCHU FUJI Partners, Inc.	76,568,800	25.77%
NTT Communications Corporation	26,057,000	8.77%
Nippon Television Network Corporation	20,891,400	7.03%
Tokyo Broadcasting System Holdings, Inc.	18,434,000	6.20%
The Master Trust Bank of Japan, Ltd. (Trust account)	15,998,000	5.38%
Custody Bank of Japan, Ltd. (Trust account)	8,244,000	2.77%
SSBTC CLIENT OMNIBUS ACCOUNT	5,113,303	1.72%
JPMC GOLDMAN SACHS TRUST JASDEC LENDING ACCOUNT	4,183,500	1.41%
THE BANK OF NEW YORK MELLON 140044	4,158,143	1.40%
Dentsu Group Inc.	4,059,400	1.37%

Breakdown by Shareholder Category

(As of March 31, 2021)

	Number of shareholders	% of total
Financial institutions	36	0.11%
Securities firms	37	0.12%
Other Japanese corporations	253	0.80%
Foreigners	373	1.18%
Individuals and others	30,981	97.79%
Treasury stock	0	0.00%

	Number of shares held	% of total
Financial institutions	40,107,400	13.50%
Securities firms	5,896,323	1.98%
Other Japanese corporations	154,131,850	51.87%
Foreigners	74,562,779	25.09%
Individuals and others	22,472,623	7.56%
Treasury stock	0	0.00%

Corporate Data

Corporate Information

Corporate Name	SKY Perfect JSAT Holdings Inc.
Headquarters	8-1, Akasaka 1-chome, Minato-ku, Tokyo 107-0052, Japan
Telephone	+81-3-5571-1500
URL	https://www.skyperfectjsat.space/en/
Established	April 2, 2007
Number of Employees	(Consolidated) 846 (As of March 31, 2021)
Capital	¥10,033 million (As of March 31, 2021)
Stock Listing	First Section, Tokyo Stock Exchange (Code 9412)
Number of Shares Issued	297,170,975*
Total Number of Shareholders	31,680
Fiscal Year-End	March 31
Annual General Meeting of Shareholders	June
Payment of Dividends (Dividend Record Date)	March 31 (and September 30 for interim dividends)
Transfer Agent of Common Stock	Mizuho Trust & Banking Co., Ltd.

* On August 28, 2020, the Company issued 163,127 common shares, reaching a total number of 297,170,975 shares.

List of Major Group Companies (As of March 31, 2021)

■ Media Business ■ Space Business

SKY Perfect JSAT Holdings Inc.

- ■ SKY Perfect Broadcasting Corporation
- ■ SKY Perfect Entertainment Corporation
- ■■ SKY Perfect JSAT Corporation
  - ■ SKY Perfect Customer-relations Corporation
  - ■ Satellite Network, Inc.
  - ■ JSAT MOBILE Communications Inc.
  - ■ JSAT International Inc.

List of Major Group Companies (As of March 31, 2021)

■ Media Business ■ Space Business
Ownership includes indirect holdings.

	SKY Perfect JSAT Corporation
Corporate Name	■■ SKY Perfect JSAT Corporation
Capital	¥50,083 million
Principal Activities	Media Business and Space Business
Ownership	100.0%

	SPCC	SPBC	SPET
Corporate Name	■ SKY Perfect Customerrelations Corporation	■ SKY Perfect Broadcasting Corporation	■ SKY Perfect Entertainment Corporation
Capital	¥100 million	¥2,500 million	¥10 million
Principal Activities	Customer Center operations for multichannel pay TV broadcasting and other services	Plans and produces content, provides technical support, such as rental 4K HDR broadcast van, and programs	Licensed broadcaster providing multichannel pay TV services via CS-110/124/128 degrees platform
Ownership	100.0%*	100.0%	100.0%

	S NET	JSAT MOBILE	JSAT International
Corporate Name	■ Satellite Network, Inc.	■ JSAT MOBILE Communications Inc.	■ JSAT International Inc.
Capital	¥1,600 million	¥375 million (Including legal capital surplus)	US$25 million
Principal Activities	Earth observation satellite images, network services, systems integration	A provider of mobile satellite communications services	Sale of satellite connections in North America, Russia, and Asia-Pacific
Ownership	92.0%*	53.3%*	100.0%*

*The percentage of voting rights held is based on indirect ownership.

Consolidated Financial Highlights

SKY Perfect JSAT Holdings Inc. and Consolidated Subsidiaries
Years ended March 31

Millions of yen, except Per Share Data and Selected Financial Indicators

	2012	2013	2014	2015
For the Year:				
Revenues	¥155,242	¥159,610	¥171,683	¥163,295
Cost of Services	99,062	106,168	111,253	104,175
Selling, General, and Administrative Expenses	38,694	37,289	38,717	39,492
Operating Profit	17,486	16,153	21,713	19,628
Profit before Income Taxes	15,897	15,644	18,543	20,363
Profit Attributable to Owners of the Parent	8,569	9,683	9,659	13,516
Comprehensive Income	9,065	11,358	11,053	14,662
EBITDA (Note 2)	42,884	43,327	44,551	44,503
Depreciation and Amortization	24,892	26,116	24,433	22,868
Amortization of Goodwill	888	878	878	878
Capital Expenditures	13,972	13,851	23,002	40,377
Cash Flows from Operating Activities	39,977	38,372	33,345	16,634
Cash Flows from Investing Activities	1,995	(11,119)	(18,970)	(34,748)
Free Cash Flows (Note 3)	41,972	27,253	14,375	(18,114)
Cash Flows from Financing Activities	(34,993)	(19,402)	(25,444)	(12,079)
At Year-End:				
Cash and Cash Equivalents	¥ 66,405	¥ 74,473	¥ 63,784	¥ 33,963
Total Assets	300,133	290,487	287,580	282,517
Interest-Bearing Debt	62,506	49,398	45,995	38,366
Net Assets	185,052	192,693	184,680	195,640
				Yen
Per Share Data (Yen and U.S. dollars)				
Earnings Per Share	¥ 25.46	¥ 28.77	¥ 29.50	¥ 43.85
Total Equity Per Share	549.53	571.33	598.13	634.20
Dividends Per Share	12.00	12.00	12.00	12.00
				%
Selected Financial Indicators (%)				
Operating Margin	11.3	10.1	12.6	12.0
EBITDA Margin	27.6	27.1	25.9	27.3
Equity Ratio (Note 5)	61.6	66.2	64.1	69.2
ROE (Note 6)	4.6	5.0	5.2	6.9
Dividend Payout Ratio	47.1	41.7	40.7	27.4

Notes: 1. U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been translated at the rate of ¥110.72 to $1, the approximate rate of exchange as of March 31, 2021.
2. EBITDA is calculated using the following formula: Profit Attributable to Owners of the Parent + Income Taxes+ Depreciation and Amortization + Amortization of Goodwill + Interest Expense.
3. Free Cash Flows are calculated using the following formula: Cash Flows from Operating Activities + Cash Flows from Investing Activities.
4. Per share figures have been restated, as appropriate, to reflect a hundred-for-one stock split effected on October 1, 2013.
5. Non-controlling interests are excluded from equity in calculating Equity Ratio.
6. Non-controlling interests are excluded from equity in calculating ROE.

						Millions of yen, except Per Share Data and Selected Financial Indicators	Thousands of U.S. dollars, except Per Share Data (Note 1)
	2016	2017	2018	2019	2020	2021	2021
	¥162,906	¥192,876	¥145,502	¥164,015	¥139,542	**¥139,572**	**$1,260,588**
	101,640	130,594	92,202	111,316	90,188	**87,047**	**786,194**
	37,056	37,848	37,648	37,408	34,091	**33,373**	**301,419**
	24,210	24,434	15,652	15,291	15,263	**19,152**	**172,975**
	24,292	24,297	17,244	15,515	15,492	**19,888**	**179,624**
	16,868	17,415	11,353	9,682	12,027	**13,345**	**120,530**
	11,209	17,870	11,415	9,764	11,832	**11,687**	**105,559**
	46,670	47,725	43,033	40,743	41,531	**45,268**	**408,854**
	20,694	21,541	23,494	22,514	23,317	**23,323**	**210,652**
	878	878	878	878	878	**878**	**7,931**
	26,266	16,177	15,940	23,834	19,533	**13,038**	**117,759**
	24,806	7,030	22,546	25,898	28,880	**57,949**	**523,381**
	(28,804)	(22,883)	(27,213)	(33,469)	(20,826)	**(11,358)**	**(102,582)**
	(3,998)	(15,853)	(4,667)	(7,571)	8,054	**46,591**	**420,799**
	18,587	13,469	4,866	9,362	(12,516)	**(16,879)**	**(152,446)**
	¥ 48,558	¥ 46,151	¥ 46,305	¥ 48,090	¥ 43,603	**¥ 73,194**	**$ 661,073**
	319,224	359,485	359,344	376,102	378,367	**385,568**	**3,482,371**
	64,138	82,753	92,767	108,086	102,443	**90,959**	**821,529**
	200,512	213,909	219,635	224,015	228,943	**235,315**	**2,125,313**
						Yen	U.S. dollars
	¥ 55.39	¥ 58.64	¥ 38.22	¥ 32.60	¥ 40.49	**44.92**	**$ 0.41**
	661.80	709.14	729.48	745.26	767.69	**788.27**	**7.12**
	14.00	18.00	18.00	18.00	18.00	**18.00**	**0.16**
						%	
	14.9	12.7	10.8	9.3	10.9	**13.7**	
	28.6	24.7	29.6	24.8	29.8	**32.4**	
	61.6	58.6	60.3	58.9	60.3	**60.8**	
	8.6	8.3	5.2	4.4	5.3	**5.7**	
	25.3	30.7	47.1	55.2	44.4	**40.1**	

Management's Discussion and Analysis

Operating Environment

The Japanese economy remained in a severe situation during the fiscal year ended March 31, 2021 due to the impact of COVID-19. Although signs of a pick-up continued, private consumption and other areas show some weakness.

As for the operating environment for the Group, whereas the Media Business has been encountering maturation of the existing pay TV broadcast market, competition against domestic and overseas operators has been consistently intense for both content and customer acquisition amid a situation where flat-rate or free video streaming services continue to grow. In the Space Business, intense price competition continued against overseas satellite operators in the global market, yet there has been growing demand with respect to mobile satellite communications for vessels and aircraft as well as backhaul links for mobile phone base stations. Moreover, the business environment has been undergoing substantial changes that include launches of numerous venture enterprises on a global scale along with new operators entering the space business where they are developing inexpensive and highperformance rockets backed by new technologies and promoting projects involving large low earth orbit satellite communications systems.

Performance Overview

Given these conditions, the consolidated financial results of the Group for the fiscal year ended March 31, 2021 were as follows.

Category	Previous fiscal year (millions of yen)	Fiscal year ended March 31, 2021 (millions of yen)	Change (millions of yen)	Change (%)
Revenues	139,542	139,572	31	0.0
Operating Profit	15,263	19,152	3,889	25.5
Ordinary profit	16,088	20,349	4,261	26.5
Profit before Income Taxes	15,492	19,888	4,396	28.4
Profit attributable to owners of the parent	12,027	13,345	1,318	11.0

Financial Position

Total assets stood at ¥385.6 billion as of March 31, 2021, up ¥7.2 billion over the previous consolidated fiscal year (hereafter, year on year).

Current assets experienced a decline of ¥5.9 billion in accounts receivable–trade due in part to debt collections associated with the X-Band business. However, the increase in cash and cash equivalents was ¥29.6 billion, up ¥23.6 billion year on year.

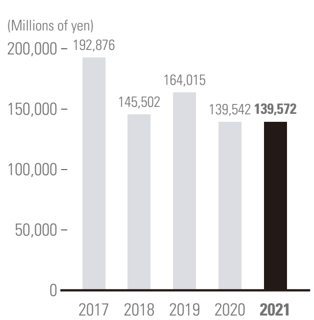
Even though the Company undertook capital expenditures worth ¥13.0 billion, property and equipment and software and goodwill decreased ¥11.2 billion year on year mainly owing to depreciation of ¥23.3 billion and amortization of goodwill of ¥0.9 billion.

Investments and other assets decreased by ¥7.8 billion year on year primarily because of ¥5.1 billion decrease in investment in and advances to affiliated companies.

Total liabilities amounted to ¥150.3 billion as of March 31, 2021, representing a year-on-year increase of ¥0.8 billion.

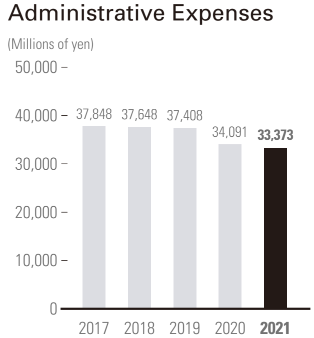
The main increases were ¥3.5 billion in income taxes payable and ¥5.2 billion in unearned revenues, while the main decrease was a reduction of ¥11.5 billion in interest-bearing debt following debt repayments associated with

Revenues

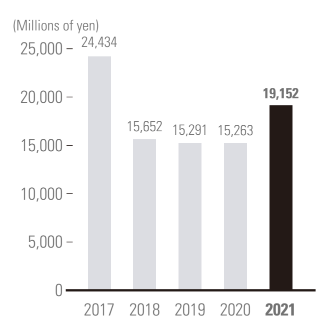


(Years ended March 31)

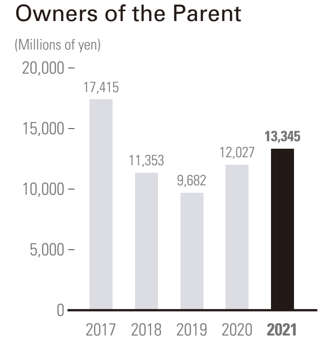
Selling, General, and Administrative Expenses



Operating Profit



Profit Attributable to Owners of the Parent



the X-Band Business.

Total equity including non-controlling interests increased ¥6.4 billion year on year to ¥235.3 billion as of March 31, 2021.

The largest increase in equity was an additional ¥8.0 billion in retained earnings associated with the recording of profit attributable to owners of the parent. In addition, the equity ratio increased 0.5 percentage points year on year to 60.8%.

Liquidity and Capital Resources

Cash Flows

For the fiscal year under review, cash flows from operating activities totaled ¥57.9 billion (versus ¥28.9 billion in the previous fiscal year), reflecting a total of ¥44.1 billion for profit before income taxes, depreciation and amortization, and amortization of goodwill; a ¥6.1 billion decrease in receivables-trade and affiliated companies; and a ¥5.2 billion increase in deferred revenues.

Cash flows from investing activities amounted to ¥11.4 billion (versus ¥20.8 billion in the previous fiscal year) due to expenditures of ¥12.2 billion for purchases of property and equipment and intangible assets.

Cash flows from financing activities amounted to ¥16.9 billion (versus ¥12.5 billion in the previous fiscal year) due to expenditures of ¥6.4 billion for repayments of long-term loans payable, ¥5.0 billion for redemption of bonds, and ¥5.3 billion for dividends paid.

As a result of the above, cash and cash equivalents as of March 31, 2021, increased by ¥29.6 billion year on year to ¥73.2 billion.

Capital Expenditure

In the fiscal year ended March 31, 2021, the Group made capital expenditures totaling ¥13.0 billion. The spending was allocated mainly to upgrading broadcasting facilities at the SKY PerfecTV! Tokyo Media Center in the Media Business, and procuring communications satellites in the Space Business.

Finance

There was no new financing during the fiscal year ended March 31, 2021.

Performance Forecasts

In the Media Business, we expect subscription fee-related revenue to decline as a result of a decline in the number of subscriptions due to intensifying competition with flat-rate or free Internet video distribution services, with whom we compete to acquire both customers and content, particularly sports. In this environment, we will continue to implement business structure reforms to maintain and improve our existing business revenue and expenditures, and at the same time, we will aggressively develop our distribution and FTTH (fiber to the home) businesses for future growth.

The expected total number of subscriptions to the three SKY PerfecTV! services in FY2021 is shown in the table below.

(thousands)

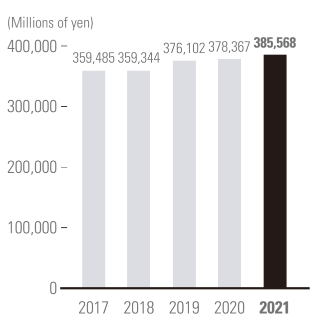
	Net change		Churn rate		Total number of subscribers	
	IC card	Number of subscribers	IC card	Number of subscribers	IC card	Number of subscribers
FY2021 (target)*	(87)	(130)	21.3%	21.8%	3,015	2,383
FY2020	(68)	(114)	23.5%	22.7%	3,102	2,513

*As of March 2022

In addition, the number of households served by fiber-optic retransmission is expected to reach 2,555 thousands (vs. 2,458 thousands in the previous fiscal year).

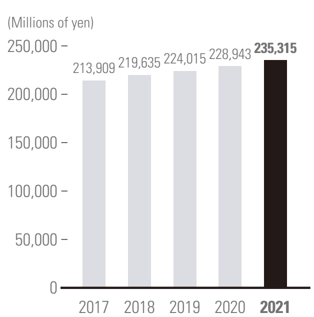
In the Space Business, as in the previous fiscal year, the use of satellite connections for mobile communications is expected to be impacted by the reduction in air travel due to the COVID-19 pandemic. In this environment, we will continue our efforts to capture satellite communications demand in the global market, especially in growth markets, particularly in Asia. In addition, we will grow revenues in the business intelligence field by combining the various geospatial information available from satellites with AI analysis, and expand into new domains through partnerships.

Total Assets

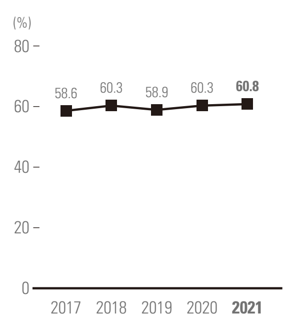


(Years ended March 31)

Net Assets



Equity Ratio



Management's Discussion and Analysis

As a result of the above, consolidated financial results for fiscal year 2021 are expected to be as follows: revenues of ¥122 billion (down 12.6% year on year) (Note 1), operating profit of ¥18 billion (down 6.0% year on year), ordinary profit of ¥18.8 billion (down 7.6% year on year), and profit attributable to owners of the parent of ¥13 billion (down 2.6% year on year). For fiscal 2021, the Company expects to pay an annual dividend of ¥18 per share.

(Note 1) Due to the "Accounting Standard for Revenue Recognition" effective from fiscal year 2021, the presentation of revenues decreased by ¥22 billion. The main reasons for this are as follows:
- In the Media Business, revenues decreased by ¥20 billion due to the recognition of "subscription fees" less "programming fees" as revenue.
- In the Space Business, revenues decreased by ¥2 billion due to the recognition of a portion of third-party line sales as revenue after deducting related expenses.

(Note 2) The future results and forecasts presented in the foregoing Performance Forecasts are based on the judgment of the Company's management, which is based on currently available information. Actual results may differ from these forecasts due to a variety of factors. If it becomes necessary to revise the earnings forecast due to future changes in circumstances, we will promptly disclose such information.

Dividend Policy and Return to Shareholders

Our Articles of Incorporation include the provision that the Board of Directors can resolve to pay dividends from surpluses, etc., as provided in Article 459, Paragraph 1 of the Companies Act. Our policy regarding the exercise of these rights is as follows.

The Group maintains a long-term and comprehensive approach to shareholder return as an important management priority. Our aim is to pay stable dividends while retaining sufficient internal reserves to fund our aggressive business development plans. Our policy is to determine cash dividend amounts for the interim dividend and the year-end dividend twice a year following extensive consideration of our financial position, level of earnings, and payout ratio and so forth.

For the year-end dividend for the 14th term, in addition to the interim dividend of ¥9 per share issued with an effective date of December 2, 2020, the Board of Directors has resolved at a meeting on April 28, 2021 to pay a dividend of ¥9 per share as a year-end dividend. As a result, the annual dividend for the 14th term will be ¥18 per share.

Financial Risks

Accounts receivable - trade and lease receivables are exposed to customer credit risk. The Group manages its credit risk from receivables in accordance with internal credit control rules, which include monitoring payment due dates and balances of customers, and periodic assessment of the credit standing of major customers.

Held-to-maturity securities are mainly bonds, which are exposed to credit risk of issuers, held for the purpose of investing temporary cash surpluses. To mitigate the risk, the Group invests in only highly rated bonds.

Available-for-sale securities are listed stocks, and are exposed to market risk. To mitigate the risk, the Group assesses fair values and financial conditions of the investments periodically and reviews the status of ownership on an on-going basis.

Payment terms of the majority of accounts payable - trade and accounts payable - other are due in less than one year. These trade payables are exposed to liquidity risk related to funding. The Group manages such risk by preparing and executing financing plans that maintain a certain amount of liquidity in hand and concluding lines of credit agreements with respective financial institutions.

Bank loans and bonds are used to fund the PFI business, business investments and capital expenditures. Of these financial instruments, floating interest rate loans are exposed to interest rate risk. Some of such loans are hedged using interest rate swaps to fix interest on loans.

Derivatives include forward exchange contracts used to hedge against the market risk resulting from fluctuations in foreign currency exchange rates related to financing the purchase of broadcasting rights and capital expenditures of telecommunications satellites, and interest rate swaps used to hedge against changes in interest rates on bank loans. Please see "(5) Matters concerning accounting policies, vi) Method of significant hedge accounting" of "1. Notes regarding significant matters for the preparation of consolidated financial statements." for further details about hedging instruments and hedged items, hedging policy, and the method of assessing hedge effectiveness in relation to hedge accounting.

The Group executes and manages derivative transactions in accordance with the internal policies that define transaction authority. The Group enters into derivative transactions only with financial institutions with a high credit rating to minimize credit risk exposure.

Business Risks

Each of the major risk items recognized by the Group for the fiscal year ended March 31, 2021, are described below together with their countermeasures. The risks covered here do not necessarily include every risk faced by the Group.

Moreover, the potential remains for unknown risks that have not been recognized by the Group, or risks that increase in importance over time to have a major impact on the Group's businesses, financial position, and operating results. Forwardlooking statements contained in the following are based on the Group's judgement at the end of the fiscal year under review.

[1] Risks Concerning Business Investments, etc.

The Company investigates M&As with and funding of other companies, as well as building alliances and partnerships with other companies. The Company executes such if it determines that the move will contribute to the Group's business strategy and operating results in the future.

However, the Group's financial position and operating results may be negatively affected in several cases, including: the inability to integrate the purchased/acquired business in line with the Group's management strategy, the inability to achieve the synergy anticipated by the Group, the inability to apply the Group's internal control system to the purchased/ acquired business, and the discovery of major problems after purchase/acquisition that had not been envisioned, including problems in technological fields with which the Group does not necessarily have expertise or knowledge.

Moreover, such purchases/acquisitions may result in recording a higher amount of good will and intangible assets, and may negatively affect the Group's operating results and financial position due to the occurrence of losses. Examples of such losses include the loss of goodwill and intangible assets if the profitability of the purchased/ acquired business falls, loss on the sale of businesses coinciding with business reorganization, and loss associated with liquidation of businesses.

As a countermeasure for the risks described above, the Company establishes investment rules, and deliberates and makes judgments at the time of funding and investment upon studying the business plan, internal rate of return, withdrawal criteria, and other risks. In addition, the Company implements multiple check systems and makes a careful, multifaceted study for large-scale funding projects. This process includes holding discussions at the Management Committee, which serves as an advisory body to the Representative Director, President, and making a resolution at the Board of Directors following discussions in each department.

Moreover, the Company dispatches employees to the funding recipient, requests that the recipient comply with the regulations stipulated by the Company, and engages in appropriate management, for the purpose of establishing and operating a proper internal control system. When making investment decisions, the Company sets down milestones, which it reviews at the appropriate timing. The Company also reviews the financial position, initiative policies, profitability, capital costs, significance of possession, and adequacy of funding at the funding recipient even after funding is provided. The results of these reviews are reported to the Board of Directors.

Even if the currently envisioned measures are taken, however, it is impossible to fully prevent loss in the purchased/acquired business and impairment of investment securities and goodwill due to changes in the market and competitive environment and due to inconsistent business management after funding and purchase. Therefore, there is no guarantee that profits will match the investment.

Moreover, the Group may suffer loss of social credibility in the event that a compliance-related issue occurs at the funding recipient.

[2] Risks Concerning Legal Business Regulations

Upon engaging in business, the Group is subject to domestic legal regulations, including the Broadcast Law, the Telecommunications Business Law, the Anti-Monopoly Act, the Personal Information Protection Act, environmental laws and regulations, and the Act on Regulation of Execution of Budget Pertaining to Subsidies, etc.

Moreover, the Company is subject to the legal regulations of each country in which it operates. The Company may suffer legal consequences, litigation, social sanctions, and business cessation orders, as well as loss of trust among customers and other related parties, due to violations to these laws and regulations, and due to acts that go against social demands. As a result, such actions may adversely affect the Group's business and operating results. Moreover, the Company may also face business operation restraints if new laws and regulations are established that change the existing systems applied to domestic satellite broadcasting, launch of communication satellites in Japan and overseas, and service and commercial use of satellites, or if revisions are made to such that are disadvantageous to the Group's business. As a result, such events may adversely affect the Group's business and operating results.

As a countermeasure for the risks described above, the Group established the SKY Perfect JSAT Group Compliance Basic Regulations and the Group Officer and Employee Code of Conduct, which are based on the SKY Perfect JSAT Group Mission and SKY Perfect JSAT Group Action Guidelines, and requires that the Board of Directors and employees adhere to laws and regulations.

Moreover, the Group appointed a Chief Compliance Officer and established the Compliance Committee, which is chaired by the Chief Compliance Officer and meets every quarter. Furthermore, in order to ingrain compliance more deeply within the Company, the Group provides education and training to the Board of Directors and employees, uses a service by which information regarding the establishment of new laws and regulations, or their revision, are distributed at all times, and responds to such laws and regulations.

Moreover, the Company has established and appropriately operates the "Compliance Help Line." This system enables those who have discovered actions as part of the Group's business activities, or by the Board of Directors and employees, that are suspect of having violated laws and regulations, to immediately report and discuss such at contact points set up both within and outside the Company. Including the status of addressing situations described above, the Company's Internal Audit Division regularly audits compliance practices within the Group.

Even if these kinds of compliance systems and monitoring are enhanced, however, there is still a risk that the Group will be unable to fully eliminate the potential for legal violations. Moreover, the Company works to reduce risk by constantly monitoring the movements of relevant government authorities in regard to the establishment and revision of laws and regulations that change the existing systems in Japan and overseas, and by making advanced preparations for the required position statements and system changes. Even if such measures are taken, however, business operations may be adversely affected due to the inability to make a rapid response because of delays in acquiring information pertaining to the establishment of new laws and regulations, or revisions to such, overseas.

[3] Risks Concerning Leaks and the Handling of Personal Information and Important Information, and Cyber Security

The Company possesses customer information, including that for subscribers to services provided by the Group, in the Media Business, and possesses important information, including technological information, in the Space Business. The Group's business and operating results may be adversely affected due to cost burdens associated with responding to the loss of social credibility and compensation for damages in certain events. Such events include leaks of such information resulting from system errors caused by hardware malfunctions, software malfunctions, or human error; leaks resulting from unauthorized access by third parties; and mishandling of personal information. Moreover, large-scale cyber attacks can lead to both leaks of such information as well as obstruction to broadcast services and satellite communications services. As a countermeasure for the risks described above, the Company has acquired Information Security Management System (ISMS) certification and the Privacy Mark, has built an information security and personal information protection management system, and engages in strict information management. As part of these activities, the Company established the Personal Information Management Committee and Information Security Management Committee, which monitor the status of information security management within the Group. Moreover, the Company established the Computer Security Response Team (CSIRT) as an organization to address the occurrence of security incidents and to conduct training exercises. Meanwhile, system countermeasures include using encrypted servers for storing personal information and important business information, unauthorized access prevention systems and anti-virus software-based virus prevention, log acquisition for each system, and vulnerability discovery based on security diagnosis. Furthermore, in response to the diversification of cyber attacks and the increase in cyber security risks associated with factors such as the spread of digital transformation efforts, the Group has established a new Cybersecurity Division in SKY Perfect JSAT Corporation, its core company, and has put in place systems to implement and strengthen its cyber security measures. In addition, as part of our anti-COVID-19 measures, we have established a telework work system and are conducting security assessments of remote access systems and tools. Even if the currently envisioned measures are taken, however, information leaks and damage to services may occur due to events that exceed the currently envisioned countermeasures, including sophisticated cyber attacks using new technologies.

[4] Risks Concerning Business Continuity Due to Large-Scale Disasters, etc.

As a corporate entity that provides the highly public services of broadcasting and communications, the Group owns satellite control and communications facilities, as well as broadcasting facilities, in Japan. In the event of a large-scale disaster or accident, or infectious disease pandemic, such as COVID-19, there is a risk business continuity will become difficult to achieve due to facility equipment damage, facility closures, or self-imposed controls on activities. There is also a risk that the Company will not be able to secure personnel involved in continuing operations due to the damage situation faced by employees and to public transportation service suspensions. As a countermeasure for the risks described above, the Company has established and operates an emergency system for which the continuation of operations is defined for each business, including personnel scheduling, as a business continuity plan. Moreover, the Company has also established in advance a business continuity structure to handle the spread of infectious diseases, such as COVID-19, as another business continuity plan. With respect to the COVID-19 business continuity structure, in addition to putting in place telework, at the request of the Japanese national government and the Tokyo Metropolitan Government, the Company has established a working system that is responsive to the state of the spread of the virus and has put in place systems that enable employees to carry out their duties with their safety ensured. Locations that support the continuation of operations utilize seismic control and seismic isolation structures, and are equipped with emergency power generation capabilities and food stores. The Company has constructed facilities that aim for uninterrupted service, particularly for satellite communications control facilities, which are expected to see greater than normal use in the event of disasters. Specifically, these facilities are equipped with uninterruptible power supply equipment and are designed to prevent major impairments to operations by enabling other locations to provide service if one location ceases operations. Moreover, the Company perceives the strong wind and heavy rain damage from hurricanes, and such, as new threats that will potentially occur with greater frequency due to climate change. In the event of large-scale disasters that cannot be fully addressed using the currently envisioned countermeasures, however, the Group's business and operating results may be adversely affected because the Company does not maintain full backup facilities for broadcasting facilities. Specifically, adverse effects may be due to the potential risk of long-term outages of broadcasting and communications services, as well as to the potential risks related to securing fuel and personnel for locations as a result of extended public transportation service suspensions.

Risks Related to Satellite Infrastructure

[5] Risks Concerning Lower Competitiveness in the Satellite Communications Market

In contrast to the declining advantages of communications satellites due to the recent development and dropping costs of terrestrial wires and new communications networks for the era of 5G, transponder supply volumes have been growing steadily each year throughout the world. Moreover, given ongoing planning for the introduction of multiple HTS satellites by other satellite operators, issues of how to maintain revenues will emerge if bandwidth and service unit costs continue their current downward trends.

Going forward, there is a potential for rapid development of next-generation satellite communications that utilize microsatellites and low earth orbit satellites, which presents a risk of lower revenues for the Group's Space Business if existing business models are used as is.

As a countermeasure for the risks described above, the Company will also focus on capturing demand in increasingly competitive markets by continuing to procure and launch satellites that incorporate HTS satellite and other advanced technologies. In particular, the Company began services using Horizons 3e, a jointly owned satellite with Intelsat, in January 2020 and services using two JCSAT-18 HTS satellites, unit ownership satellites with Kacific, in fiscal 2021. This move was made to address the expanding demand for satellite communications serving mobility, such as aircraft and shipping vessels, in the Asia-Pacific region. The Company is also working to enable procurement and operations that prioritize cost efficiency by forming alliances with other satellite operators and through joint satellite procurement, as with the HTS satellites mentioned above.

In addition to conventional business models, the Company continues to study business deployment beyond geostationary orbiting satellites, including the introduction of low earth orbit satellites, for new communications networks in the era of 5G.

Even if the currently envisioned measures are taken, however, demand may drop due to dramatic changes in the market environment following the emergence of new satellite operators that provide next-generation satellite communications services using low earth orbit satellites.

Moreover, there is a risk that satellite communications demand will fall dramatically due to the global spread of infectious diseases, such as COVID-19. One such example is decreased demand for broadband communications for aircraft.

[6] Risks Concerning Communications Satellite Procurement

The procurement stage for communications satellites involves risks of production delays, as well as risks of launch delays or failure. However, delays in the start of scheduled communications satellite operations due to such will result in a period during which continued service provision is not possible. During such periods, revenues may fall and users may leave.

Moreover, in some cases unexpected expenses may be incurred due to the design or some other reason during the production stage of communications satellites.

As a countermeasure for the risks described above, when setting the procurement schedule, the Company implements fleet backup measures based on backup satellites and existing satellites assuming the case of launch failure. The Company also implements measures based on advanced orders for substitute satellites with long delivery lead times to better ensure early delivery of substitute satellites.

In terms of payments, the Company works to reduce risk by adopting milestone payment schemes using milestones that correspond to the degree of progress and by securing the right to claim a certain degree of compensation in the event of a delivery delay. In terms of insurance, the Company purchases separate insurance agreements for launch and for in-orbit service.

Launch insurance covers the cost of replacing communication satellites and the required cost of repairs when all or part of a communications satellite is damaged during the initial orbital phase. In general, this type of insurance is valid for one year from the time of launch.

Even if the currently envisioned measures are taken, however, potential risks include delays in production and launch of successor satellites due to unexpected accidents, inability to receive compensation for the full amount of costs required for launch under launch insurance due to the degree of satellite damage or some other factor, rising insurance fees due to fluctuation in the space insurance market environment, and any risk that is not subject to non-life insurance in the case such falls under absolute exemptions, such as war risks.

[7] Risks Concerning Communications Satellite Operations

The Group's communications satellites are used for a comparatively long period of between 15 and 20 years. During the operational period, however, a manufacturing defect, defective part, magnetic storm caused by solar activity, a collision with debris or a meteorite, excessive fuel consumption, control or operational problems, or some other reason might stop a satellite from functioning or impede its performance. In the event of such, the Group may experience a decline in earnings or be adversely affected in some other way due to lower revenues resulting from the inability to provide services, loss of customers, or costs involved in transferring customers to other satellites owned by the Company.

As a countermeasure for the risks described above, the Company purchases in-orbit insurance, which takes effect upon the expiry of launch insurance, for each of the communications satellites the Group has launched. However, this insurance does not cover the Group's third-party liability or damage to business, including profit loss, caused by the total technical failure of a communications satellite.

The Group currently has two backup communications satellites in orbit as part of a system that enables the Company to provide short-term coverage, whenever possible, in the event of a malfunction in an operational satellite.

Even if the currently envisioned measures are implemented, however, there are several potential risks, including: risk of lower revenues due to unforeseeable circumstances or the inability to provide alternative capabilities using backup satellites, risks that are not compensated by in-orbit insurance when exemption clauses apply due to the malfunction of a communications satellite, risks of higher insurance fees due to fluctuations in the space insurance market environment, and risks that are not covered by non-life insurance when such fall under absolute exemptions, such as war risks.

Risks Related to Multichannel Pay TV Broadcasting Platform Servicies

[8] Risks Concerning the Lower Feasibility of the Multichannel Pay TV Business

The acquisition and retention of subscribers is key to the Group's earnings growth. The number of subscriptions in total stood at 3,102 thousands as of March 31, 2021. However, there is no guarantee that the number of subscriptions will increase in line with the Group's projections for the future. Moreover, despite the implementation of contents differentiation, promotion enhancement, campaigns, and other marketing measures, the Group's business and operating results may be adversely affected if the number of subscribers continues to or dramatically declines. Factors in such a potential decline include intensifying competition from competing services, such as the spread of online video distribution services that offer similar contents, and changes in the viewing habits of users. Moreover, the Group's business and operating results may be adversely affected if the attractiveness of the Group's services declines and more existing subscribers cancel contracts than is expected due to the inability to acquire leading contents as a result of intensifying competition. Specifically, the Group may experience a decline in cumulative subscribers and may see the Multichannel Pay TV Business experience lower profitability as a result of higher broadcasting rights fees in this case. As a countermeasure for the risks described above, the Company has formulated and executed a medium-term business structure reform plan based on the business bottom line in order to ensure that the Media Business maintains a certain level of profit, even in the face of declining subscriber numbers in the Multichannel Pay TV Business, and premium services in particular. Moreover, in response to rising broadcasting rights fees, the Company has established a contents acquisition policy that clearly defines the priority of contents that contributes to acquiring and retaining subscribers, and is conducting a post-implementation review of the cost effectiveness of this policy. In addition, the Company will continue to enhance marketing and pursue greater efficiency of the overall business through appropriate collaborations and alliances with competitors that provide pay contents. Meanwhile, in addition to expanding the service area, enhancing services, and strengthening the marketing framework for the purpose of earnings growth in the FTTH Business, the Company is also making effective use of the Tokyo Media Center facilities and implementing measures for earnings growth in sectors beyond the Multichannel Pay TV Business. However, given the further rise of online video distribution services, the Company recognizes that the level of risk is now higher than in the past. Even if the currently envisioned measures are implemented, there is still a risk of further earnings deterioration if the number of subscribers declines and broadcasting rights fees increase more than expected due to intensifying competition. Furthermore, due to the COVID-19 pandemic, many sporting events and concerts, including baseball and soccer games, were postponed or canceled during the fiscal year under review. There is a risk that a prolongation of the pandemic will further compromise profitability, including by reducing the number of subscribers in and subscription fee revenues from channels offering these contents.

[9] Risks Concerning Illegal Viewing

The Group's multichannel pay TV service, SKY PerfecTV!, uses an IC card/chip referred to as B-CAS card/ACAS chip. Distributors that have altered B-CAS cards to enable illegal viewing of pay TV programs have been arrested. Moreover, cases have also occurred where sales of illegal online distribution tuners on major e-commerce sites have been suspended because such acts were deemed to assist in violating public transmission rights and rights to make transmittable. Illegal viewing using these kinds of altered B-CAS cards and illegal online distribution tuners have a significantly negative impact on the sound development of multichannel pay TV broadcasting in general, and may also adversely affect the Group's business and operating results. The Group's multichannel pay TV services, SKY PerfecTV! Premium Service and SKY PerfecTV! Premium Service HIKARI, use an IC card different from the B-CAS card. However, similar cases of illegal viewing may adversely affect the Group's business and operating results. As a countermeasure for the risks described above, the Group has actively participated in the development of the ACAS chip that accompanied the launch of 4K and 8K broadcasts. In addition to enhanced security functions, the ACAS chip is also compatible with 2K broadcasting, making it possible to view the SKY PerfecTV! service on 4K televisions equipped with ACAS chips as before. Therefore, the Company foresees a certain degree of risk mitigation resulting from the replacement of B-CAS cards with ACAS chips following the wide-spread use of 4K television in the future. Moreover, the Group maintains a policy of strictly dealing with cases of illegal viewing using B-CAS cards by employing all available means, including legal action, such as making claims for damages, through an alliance with other pay TV operators and BS Conditional Access Systems Co., Ltd., the B-CAS card rights owner. Along with considering ways of more efficiently and effectively implementing existing initiatives, such as both criminal and civil litigation and communicating illegality through public relations activities, the Company is strengthening ties with the relevant government authorities in order to enable legal action against illegal viewers who use illegal viewing devices. The Company is also cooperating with the Japan Satellite Broadcasting Association, which has had success in filing sales injunctions against major e-commerce sites in regard to the sale of illegal online distribution tuners as an act that assists in violating public transmission rights and rights to make transmittable. The Company also actively participates in the activities of the Council for Combating Illegal Streaming Devices, which was established with the participation of broadcasters and related organizations. However, illegal viewing using altered B-CAS cards may continue to present an ongoing risk over the long-term if ACAS chips do not achieve wide-spread use as expected.

[10] Risks Concerning the Customer Management System

The Company possesses customer information, including that for subscribers to services provided by the Group, in the Media Business, and possesses important information, including technological information, in the Space Business. The Group's business and operating results may be adversely affected due to cost burdens associated with responding to the loss of social credibility and compensation for damages in certain events. Such events include leaks of such information resulting from system errors caused by hardware malfunctions, software malfunctions, or human error; leaks resulting from unauthorized access by third parties; and mishandling of personal information.

Moreover, large-scale cyber attacks can lead to both leaks of such information as well as obstruction to broadcast services and satellite communications services.

As a countermeasure for the risks described above, the Company has acquired Information Security Management System (ISMS) certification and the Privacy Mark, has built an information security and personal information protection management system, and engages in strict information management.

As part of these activities, the Company established the Personal Information Management Committee and Information Security Management Committee, which monitor the status of information security management within the Group.

Moreover, the Company established the Computer Security Response Team (CSIRT) as an organization to address the occurrence of security incidents and to conduct training exercises. Meanwhile, system countermeasures include using encrypted servers for storing personal information and important business information, unauthorized access prevention systems and anti-virus software-based virus prevention, log acquisition for each system, and vulnerability discovery based on security diagnosis.

Even if the currently envisioned measures are taken, however, information leaks and damage to services may occur due to events that exceed the currently envisioned countermeasures, including sophisticated cyber attacks using new technologies.

Consolidated Balance Sheet

SKY Perfect JSAT Holdings Inc. and Consolidated Subsidiaries
March 31, 2021

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2021	2021
ASSETS			
Current Assets:			
Cash and cash equivalents (Notes 6 and 16)	¥ 43,603	¥ 73,194	$ 661,073
Accounts receivable (Notes 6 and 16):			
Trade	73,934	67,996	614,130
Affiliated companies	442	188	1,701
Other	529	179	1,620
Allowance for doubtful accounts	(669)	(390)	(3,524)
Lease receivables (Notes 6, 11 and 16)	2,911	49,045	442,965
Inventories:			
Broadcasting rights	1,202	1,973	17,819
Work in process	47,274	299	2,698
Other	1,148	1,081	9,763
Investment in and advances to affiliated companies (Notes 16 and 19)	1,199	2,077	18,755
Other (Notes 6 and 19)	4,476	4,028	36,381
Total current assets	176,049	199,670	1,803,381
Property and Equipment:			
Buildings and structures	22,103	22,490	203,129
Machinery, equipment and vehicles	78,401	78,652	710,373
Telecommunications satellites	263,710	247,758	2,237,703
Land	2,924	2,924	26,411
Construction in progress	155	7,097	64,102
Other	16,819	16,365	147,786
Total property and equipment	384,112	375,286	3,389,504
Accumulated depreciation	(241,572)	(241,332)	(2,179,662)
Net property and equipment	142,540	133,954	1,209,842
Investments and Other Assets:			
Software	6,848	5,106	46,113
Goodwill	1,823	945	8,537
Investment securities (Notes 5 and 16)	1,910	2,078	18,767
Investment in and advances to affiliated companies (Notes 16 and 19)	36,981	31,875	287,889
Deferred tax assets (Notes 2.o and 10)	9,065	8,990	81,200
Other	3,151	2,988	26,985
Allowance for doubtful accounts	—	(38)	(343)
Total investments and other assets	59,778	51,944	469,148
Total	¥ 378,367	¥ 385,568	$ 3,482,371

See notes to consolidated financial statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2021	2021
LIABILITIES AND EQUITY			
Current Liabilities:			
Current portion of long-term debt (Notes 6 and 16)	¥ 11,468	¥ 7,718	$ 69,709
Accounts payable (Note 16):			
Trade	12,399	12,932	116,796
Affiliated companies	413	643	5,804
Income taxes payable (Note 16)	734	4,265	38,523
Subscription fees received (Note 16)	8,066	7,585	68,510
Unearned revenues	7,155	12,373	111,753
Accrued bonus	656	801	7,235
Other	6,892	8,696	78,540
Total current liabilities	47,783	55,013	496,870
Non-current Liabilities:			
Long-term debt (Notes 6 and 16)	90,975	83,241	751,820
Liabilities for retirement benefits (Note 7)	6,030	6,760	61,056
Deferred tax liabilities (Notes 2.o and 10)	344	534	4,820
Asset retirement obligations (Note 8)	2,298	2,323	20,982
Other	1,994	2,382	21,510
Total non-current liabilities	101,641	95,240	860,188
Commitments and Contingent Liabilities (Notes 11 and 17)**:**			
Equity (Note 9)**:**			
Common stock			
Authorized, 1,450,000,000 shares;			
Issued, 297,007,848 shares in 2020 and 297,170,975 shares in 2021	10,000	10,033	90,620
Capital surplus	131,984	132,017	1,192,357
Retained earnings	86,504	94,502	853,520
Accumulated other comprehensive income			
Unrealized (loss) gain on available-for-sale securities	(73)	38	340
Deferred loss on derivatives under hedge accounting	(649)	(421)	(3,803)
Foreign currency translation adjustments	501	(1,314)	(11,873)
Remeasurements of defined retirement benefit plans	(257)	(605)	(5,468)
Total	228,010	234,250	2,115,693
Non-controlling interests	933	1,065	9,620
Total equity	228,943	235,315	2,125,313
Total	¥ 378,367	¥ 385,568	$ 3,482,371

Consolidated Statement of Income

SKY Perfect JSAT Holdings Inc. and Consolidated Subsidiaries
Year Ended March 31, 2021

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2021	2021
Revenues (Note 20)	¥ 139,542	¥ 139,572	$ 1,260,588
Operating Expenses:			
Cost of services (Notes 12 and 20)	90,188	87,047	786,194
Selling, general, and administrative expenses (Notes 13 and 20)	34,091	33,373	301,419
Operating Profit (Note 20)	15,263	19,152	172,975
Other Income (Expenses):			
Interest and dividend income	2,288	1,804	16,294
Interest expense (Note 6)	(1,826)	(1,269)	(11,463)
Foreign exchange (losses) gains —net	(17)	52	470
Share of profit of investments accounted for using the equity method	376	287	2,596
Commission fee	—	(142)	(1,282)
Impairment loss (Note 14)	(93)	—	—
Loss on sales of investment securities	—	(35)	(314)
Write-down of investment securities (Note 5)	(503)	—	—
Write-down of shares of subsidiaries and associates	—	(427)	(3,857)
Other—net (Notes 3 and 15)	4	466	4,205
Other Income—Net	229	736	6,649
Profit before Income Taxes	15,492	19,888	179,624
Income Taxes (Note 10):			
Current	3,190	6,186	55,864
Deferred	293	267	2,414
Total Income Taxes	3,483	6,453	58,278
Profit	12,009	13,435	121,346
(Loss) profit attributable to non-controlling interests	(18)	90	816
Profit attributable to owners of the parent	¥ 12,027	¥ 13,345	$ 120,530

	Yen		U.S. dollars (Note 1)
	2020	2021	2021
Per Share of Common Stock (Note 2.s):			
Earnings Per Share	¥ 40.49	¥ 44.92	$ 0.41
Diluted Earnings Per Share	—	—	—
Cash Dividends Applicable to the Year	18.00	18.00	0.16

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

SKY Perfect JSAT Holdings Inc. and Consolidated Subsidiaries
Year Ended March 31, 2021

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2021	2021
Profit	¥ 12,009	¥ 13,435	$ 121,346
Other comprehensive income (Note 18):			
Unrealized (loss) gain on available-for-sale securities	(366)	106	956
Deferred gain on derivatives under hedge accounting	139	299	2,702
Foreign currency translation adjustments	19	(1,815)	(16,397)
Remeasurement of defined retirement benefit plans	43	(350)	(3,157)
Share of other comprehensive income in affiliated companies accounted for using the equity method	(12)	12	109
Total other comprehensive loss	(177)	(1,748)	(15,787)
Comprehensive income	11,832	11,687	105,559
Total comprehensive income attributable to:			
Owners of the parent	¥ 11,810	¥ 11,520	$ 104,042
Non-controlling interests	22	167	1,517

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

SKY Perfect JSAT Holdings Inc. and Consolidated Subsidiaries
Year Ended March 31, 2021

	Millions of yen											
						Accumulated other comprehensive income						
	Outstanding number of shares of common stock	Common stock	Capital surplus	Retained earnings	Treasury stock	Unrealized gain (loss) on available-for-sale securities	Deferred gain (loss) on derivatives under hedge accounting	Foreign currency translation adjustments	Remeasurement of defined retirement benefit plans	Total	Non-controlling interests	Total equity
Balance, April 1, 2019	297,007,848	¥ 10,000	¥ 158,055	¥ 79,823	¥ (26,268)	¥ 294	¥ (736)	¥ 482	¥ (300)	¥ 221,350	¥ 2,665	¥ 224,015
Cash dividends, ¥18.00 per share				(5,346)						(5,346)		(5,346)
Profit attributable to owners of parent				12,027						12,027		12,027
Retirement of treasury stock			(26,209)		26,209					—		—
Change in ownership interest of parent due to transactions with non-controlling interests			(145)							(145)	(1,716)	(1,861)
Other			283		59	(342)				—		—
Net change in items other than shareholders' equity						(25)	87	19	43	124	(16)	108
Balance, March 31, 2020	297,007,848	¥ 10,000	¥ 131,984	¥ 86,504	¥ —	¥ (73)	¥ (649)	¥ 501	¥ (257)	¥ 228,010	¥ 933	¥ 228,943
Issuance of new shares	163,127	33	33							66		66
Cash dividends, ¥18.00 per share				(5,347)						(5,347)		(5,347)
Profit attributable to owners of parent				13,345						13,345		13,345
Net change in items other than shareholders' equity						111	228	(1,815)	(348)	(1,824)	132	(1,692)
Balance, March 31, 2021	297,170,975	¥ 10,033	¥ 132,017	¥ 94,502	¥ —	¥ 38	¥ (421)	¥ (1,314)	¥ (605)	¥ 234,250	¥ 1,065	¥ 235,315

	Thousands of U.S. dollars (Note 1)											
						Accumulated other comprehensive income						
	Outstanding number of shares of common stock	Common stock	Capital surplus	Retained earnings	Treasury stock	Unrealized gain (loss) on available-for-sale securities	Deferred gain (loss) on derivatives under hedge accounting	Foreign currency translation adjustments	Remeasurement of defined retirement benefit plans	Total	Non-controlling interests	Total equity
Balance, March 31, 2020	297,007,848	$ 90,318	$ 1,192,055	$ 781,289	$ —	$ (656)	$ (5,866)	$ 4,524	$ (2,318)	$ 2,059,346	$ 8,423	$ 2,067,769
Issuance of new shares	163,127	302	302							604		604
Cash dividends, $0.16 per share				(48,299)						(48,299)		(48,299)
Profit attributable to owners of parent				120,530						120,530		120,530
Net change in items other than shareholders' equity						996	2,063	(16,397)	(3,150)	(16,488)	1,197	(15,291)
Balance, March 31, 2021	297,170,975	$ 90,620	$ 1,192,357	$ 853,520	$ —	$ 340	$ (3,803)	$ (11,873)	$ (5,468)	$ 2,115,693	$ 9,620	$ 2,125,313

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

SKY Perfect JSAT Holdings Inc. and Consolidated Subsidiaries
Year Ended March 31, 2021

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2021	2021
Operating Activities:			
Profit before income taxes	¥ 15,492	¥ 19,888	$ 179,624
Adjustments for:			
Depreciation and amortization (Note 20)	23,317	23,323	210,652
Impairment loss	93	—	—
Amortization of goodwill	878	878	7,931
Interest and dividend income	(2,288)	(1,804)	(16,294)
Interest expense	1,826	1,269	11,463
Equity in net gains of affiliated companies	(376)	(287)	(2,596)
Write-down of shares of subsidiaries and associates	—	427	3,857
Decrease in receivables—trade and affiliated companies	3,149	6,136	55,418
Write-down of investment securities	503	—	—
Decrease (increase) in broadcasting rights	206	(771)	(6,960)
(Increase) decrease in other receivables	(192)	349	3,155
(Increase) decrease in inventories	(15,866)	46,985	424,358
Increase in payables—trade and affiliated companies	2,113	764	6,902
Increase in deferred revenues	4,276	5,220	47,149
Decrease (increase) in lease receivables	153	(46,134)	(416,676)
Other—net	623	3,406	30,751
Subtotal	33,907	59,649	538,734
Interest and dividends received	2,286	1,938	17,500
Interest paid	(1,846)	(1,414)	(12,769)
Income taxes paid	(5,467)	(2,224)	(20,084)
Net cash provided by operating activities	28,880	57,949	523,381
Investing Activities:			
Purchase of securities	(600)	—	—
Proceeds from redemption of securities	600	—	—
Purchases of property and equipment	(17,235)	(11,445)	(103,366)
Purchases of intangible assets	(2,516)	(793)	(7,161)
Purchases of investment securities	(671)	(80)	(724)
Proceeds from collection of loans receivable	199	1,168	10,550
Payments for additional acquisition of shares of affiliated companies	(561)	(287)	(2,596)
Other—net	(42)	79	715
Net cash used in investing activities	(20,826)	(11,358)	(102,582)
Financing Activities:			
Repayments of finance lease obligations	(70)	(72)	(654)
Repayments of long-term loans payable	(5,204)	(6,426)	(58,036)
Redemption of bonds	—	(5,000)	(45,159)
Dividends paid	(5,343)	(5,345)	(48,277)
Dividends paid to non-controlling interests	(39)	(36)	(320)
Payments from changes in ownership interests in subsidiaries that do not result in charge in scope of consolidation	(1,860)	—	—
Net cash used in financing activities	(12,516)	(16,879)	(152,446)
Foreign currency translation adjustments on cash and cash equivalents	(25)	(121)	(1,092)
Net (decrease) increase in cash and cash equivalents	(4,487)	29,591	267,261
Cash and cash equivalents, beginning of year	48,090	43,603	393,812
Cash and cash equivalents, end of year	¥ 43,603	¥ 73,194	$ 661,073

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

SKY Perfect JSAT Holdings Inc. and Consolidated Subsidiaries
Year Ended March 31, 2021

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act, and its related accounting regulations, and in accordance with generally accepted accounting principles in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of generally accepted accounting principles in the United States of America and International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form that is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2020 consolidated financial statements to conform to the classifications used in 2021.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which SKY Perfect JSAT Holdings Inc. (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥110.72 to $1, the approximate rate of exchange at March 31, 2021. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation

The consolidated financial statements as of March 31, 2021, include the accounts of the Company and its significant subsidiaries (together, the "Companies"). The remaining subsidiaries are excluded from the scope of consolidation because those unconsolidated subsidiaries do not have material effects on the accompanying consolidated financial statements.

The numbers of consolidated subsidiaries and affiliated companies, in which investments are accounted for under the equity method, as of March 31, 2020 and 2021, are summarized below.

	2020	2021
Consolidated subsidiaries	10	**10**
Affiliated companies:		
Unconsolidated subsidiaries	6	**6**
Associated companies	18	**19**

Under the control and influence concepts, those companies in which the Company, directly or indirectly, is able to exercise control over operations are consolidated, and those companies over which the Companies have the ability to exercise significant influence are accounted for by the equity method.

Investments in unconsolidated subsidiaries and associated companies are accounted for by the equity method.

Goodwill represents the excess of the cost of acquisition over the fair value of the net assets of the acquired subsidiaries and associated companies at the date of acquisition. The Companies reasonably estimate the period for which the effects of goodwill are expected to emerge and amortize the goodwill on a straight-line basis over the estimated period. Goodwill that arose on the acquisition of JSAT Corporation (JSAT) and Space Communications Corporation (SCC) is amortized over 15 years.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Companies is also eliminated.

b. Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements

The accounting standard for unification of accounting policies applied to foreign subsidiaries for the consolidated financial statements: (1) requires the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances to be, in principle, unified for the preparation of the consolidated financial statements and (2) allows for financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or generally accepted accounting principles in the United States of America to be tentatively used for the consolidation process. However, the following items should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: 1) amortization of goodwill; 2) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in equity through other comprehensive income; 3) expensing capitalized development costs of research and development ("R&D"); 4) cancellation of the fair value model accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting; and 5) recording a gain or loss through profit or loss on the sale of an investment in an equity instrument for the difference between the acquisition cost and selling price, and recording impairment loss through profit or loss for other-than-temporary declines in the fair value of an investment in an equity instrument, where a foreign subsidiary elects to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument.

c. Unification of Accounting Policies Applied to Foreign Associated Companies for the Equity Method

The accounting standard requires adjustments to be made to conform the affiliate's accounting policies for similar transactions and events under similar circumstances to those of the parent company when the associate's financial statements are used in applying the equity method, unless it is impracticable to determine adjustments. In addition, financial statements prepared by foreign associated companies in accordance with either International Financial Reporting Standards or generally accepted accounting principles in the United States of America tentatively may be used in applying the equity method if the following items are adjusted so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: 1) amortization of goodwill; 2) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in equity through other comprehensive income; 3) expensing capitalized development costs of R&D; 4) cancellation of the fair value model accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting; and 5) recording a gain or loss through profit or loss on the sale of an investment in an equity instrument for the difference between the acquisition cost and selling price, and recording impairment loss through profit or loss for other-than-temporary declines in the fair value of an investment in an equity instrument, where a foreign associate elects to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument.

d. Cash Equivalents

Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value.

Cash equivalents include time deposits, commercial paper, and mutual funds investing in bonds, all of which mature or become due within three months of the date of acquisition.

e. Inventories

Inventories consist primarily of broadcasting rights and work in process. The Companies purchase rights relating to the broadcasting of programs, which are capitalized and then amortized based on the number of showings.

Inventories are stated at the lower of cost, or net selling value. The cost is determined by the specific identification method for broadcasting rights and work in process, and by the first-in, first-out method for merchandise and supplies.

f. Securities

Securities are presented as investment securities in the consolidated balance sheet.

Securities are classified as held-to-maturity debt securities or available-for-sale securities, depending on management's intent.

Held-to-maturity debt securities, for which there is a positive intent and ability to hold to maturity, are stated at amortized cost.

Marketable available-for-sale securities are stated at fair value with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity. The cost of securities sold is determined based on the moving-average method.

Nonmarketable available-for-sale securities are stated at cost determined by the moving-average method. For other-than-temporary declines in fair value, securities are reduced to net realizable value by a charge to income.

g. Allowance for Doubtful Accounts

An allowance for doubtful accounts is provided for the estimated amount of uncollectible receivables, such as accounts receivable—trade and loans receivable, based on the past credit loss experience of bad debts for general receivables, and on the individually evaluated collectability for specific doubtful accounts.

For accounts receivable—trade for the Companies' collection service for basic fees, subscription fees, and other fees on which broadcasters hold claims, the Companies record an allowance for doubtful accounts in light of their past credit loss experience with subscribers over a certain period.

h. Property and Equipment

Property and equipment are stated at cost. Depreciation is computed by the straight-line method over the estimated useful lives of the assets. The estimated useful lives for property and equipment are principally as follows:

Buildings and structures	2–50 years
Machinery, equipment, and vehicles	2–17 years
Telecommunications satellites	11–15 years
Other	2–20 years

i. Software

Software is stated at cost less accumulated amortization and is amortized by the straight-line method over its estimated internal useful life (mainly five years).

Notes to Consolidated Financial Statements

j. Impairment of Long-Lived Assets

The Companies review their long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

k. Accrued Bonuses

Accrued bonuses for employees are recorded for the estimated bonuses attributable to the current fiscal year within the period eligible for bonus payment set by the Companies.

l. Retirement and Pension Plans

Certain consolidated subsidiaries of the Company have unfunded defined benefit severance indemnity plans covering substantially all of their employees other than directors, executive officers, and Audit & Supervisory Board Members.

Certain subsidiaries of the Company also participate in a contributory multi-employer pension plan covering all of their employees. The costs of the multi-employer plan are accrued based on the contribution amounts.

The Companies record liabilities for retirement benefits based on the projected benefit obligations required at the consolidated balance sheet date to provide for future payments.

The projected benefit obligations are attributed to periods on a benefit formula basis. Unrecognized actuarial differences are amortized by the straight-line method over the average remaining service years of the employees or a shorter period (10–19 years), starting from the year following the year in which the differences occur. Unrecognized prior service cost is amortized by the straight-line method over the average remaining service years of the employees (10–12 years), starting from the year in which it occurs.

m. Asset Retirement Obligations

Under the accounting standard for asset retirement obligations, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of the asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an adjustment to the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

n. Leases

Lessee

Finance lease transactions are capitalized by recognizing lease assets and lease obligations in the consolidated balance sheet.

All other leases are accounted for as operating leases.

Lessor

Finance leases that are deemed to transfer ownership of the leased property to the lessee are recognized as lease receivables.

o. Income Taxes

The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax rates to the temporary differences.

The Companies file a tax return under the consolidated corporate tax system, which allows companies to base tax payments on the combined profits or losses of the parent company and its wholly owned domestic subsidiaries.

On February 16, 2018, the Accounting Standards Board of Japan (ASBJ) issued ASBJ Statement No. 28, "Partial Amendments to Accounting Standard for Tax Effect Accounting," which requires deferred tax assets and deferred tax liabilities to be classified as investments and other assets and long-term liabilities, respectively. Deferred tax assets were previously classified as current assets and investments and other assets, and deferred tax liabilities were previously classified as current liabilities and long-term liabilities under the previous accounting standard. The revised accounting standard is effective for annual periods beginning on or after April 1, 2018.

p. Foreign Currency Transactions

All monetary receivables and payables denominated in foreign currencies are translated into yen at the exchange rates at the consolidated balance sheet date. The foreign exchange gains and losses from transactions are recognized in the consolidated statement of income to the extent that they are not hedged by forward exchange contracts.

q. Foreign Currency Financial Statements

The balance sheet accounts of the consolidated foreign subsidiaries are translated into yen at the current exchange rate as of the consolidated balance sheet date except for equity, which is translated at the historical rate. Differences arising from such translation are shown as "Foreign currency translation adjustments" under accumulated other comprehensive income in a separate component of equity. Revenue and expense accounts of the consolidated foreign subsidiaries are translated into yen at the average exchange rate.

r. Derivative Financial Instruments

The Companies use derivative financial instruments to manage their exposures to fluctuations in foreign currency exchange rates. Foreign exchange forward contracts are utilized by the Companies to reduce foreign currency exchange rate risk. The Companies do not enter into derivatives for trading or speculative purposes.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows: a) All derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the consolidated statement of income. b) For derivatives used for hedging purposes, if such derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions. c) Regarding the interest rate swaps that satisfy the requirements for special treatment, such special treatment is applied.

Certain assets and liabilities hedged by foreign exchange forward contracts are translated at the forward exchange contract rates.

Interest rate swaps are utilized to hedge interest rate exposures of loans payable. These swaps that qualify for hedge accounting are measured at fair value at the consolidated balance sheet date and the unrealized gains or losses are deferred until maturity as deferred gain (loss) under hedge accounting in a separate component of equity.

s. Per Share Information

Earnings per share are computed by dividing profit attributable to owners of the parent available to common shareholders by the weighted-average number of common shares outstanding for the period. The weighted-average number of shares of common stock for the years ended March 31, 2020 and 2021, were 297,007,848 and 297,170,975, respectively.

Diluted earnings per share of common stock are not presented because the Companies had no securities outstanding that might dilute earnings per share for the years ended March 31, 2020 and 2021.

Cash dividends per share presented in the accompanying consolidated statement of income refer to dividends applicable to the respective years, including dividends to be paid after the end of the year.

t. New Accounting Pronouncements

Accounting Standard for Revenue Recognition

ASBJ issued ASBJ Statement No. 29, "Accounting Standard for Revenue Recognition," on March 31, 2020, and ASBJ Guidance No. 30, "Implementation Guidance on Accounting Standard for Revenue Recognition." on March 26, 2021. The core principle of the standard and guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity should recognize revenue in accordance with that core principle by applying the following steps:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The Company and consolidated domestic subsidiaries expect to apply the accounting standard and guidance for the year beginning on or after April 1, 2021. As a result of this applying, the Company expects to recognize subscription revenue in the Media Business and certain revenue

Notes to Consolidated Financial Statements

from the satellite communication services in the Space Business on a net basis. The effect of the applying the accounting standard and guidance on profit and loss is insignificant.

Accounting Standard for Fair Value Measurement
On July 4, 2019, the ASBJ issued ASBJ Statement No. 30, "Accounting Standard for Fair Value Measurement" and ASBJ Guidance No. 31, "Implementation Guidance on Accounting Standard for Fair Value Measurement," and revised related ASBJ Statements and ASBJ Guidance (the "New Accounting Standards"). Under the New Accounting Standards, nonmarketable available-for-sale equity securities are stated at cost, while under the current accounting standards, nonmarketable available-for-sale securities are stated at cost. The New Accounting Standards are effective for the annual periods beginning on or after April 1, 2021. Earlier application is permitted for annual periods beginning on or after April 1, 2020, or annual periods ending on or after March 31, 2020. The New Accounting Standards shall be applied prospectively, however, under certain circumstances, it is permitted to be applied retrospectively.

The Company and consolidated domestic subsidiaries expect to apply the accounting standard and guidance for the year beginning on or after April 1, 2021, and is in the process of measuring the effects of applying the accounting standard and guidance in future applicable periods.

3. CHANGES IN PRESENTATION

Consolidated Statement of Income
Prior to April 1, 2020, "Subsidy income" in the "Other Income (Expenses)" section had been disclosed separately. The amount decreased during the fiscal year ended March 31, 2021, and as such, the amount is included in "Other—net" in the "Other Income (Expenses)" section. The amount included in "Other—net" in the "Other Income (Expenses)" section as of March 31, 2020, was ¥103 million (as of March 31, 2021, it was ¥47 million).

Changes due to the application of the "Accounting Standard for Disclosure of Accounting Estimates"
The Company has been applying the "Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No. 31, March 31, 2020) since the current consolidated fiscal year. The entry concerning "Significant Accounting Estimate" is provided in the Notes to the Consolidated Financial Statements.

4. SIGNIFICANT ACCOUNTING ESTIMATE

Valuation of stock without market prices acquired at prices reflecting excess earning power
(1) Amounts recorded on the consolidated financial statements
SKY Perfect JSAT Holdings Inc. and its consolidated subsidiaries (the "Group") hold investment securities for the purpose of increasing corporate value over a medium to long term through building stable business relationships as well as retaining and strengthening business partnerships in line with its growth strategies. The Company recorded investment securities of ¥2,078 million in the consolidated financial statements for the current consolidated fiscal year. Of these investment securities, ¥400 million stocks without market prices that were acquired at a price reflecting the excess earning power were tested for impairment in light of the status of achievement of the investees' business plans.

(2) Method of calculation
In the current fiscal year, the Company assessed the aforementioned stocks by comprehensively taking into account the status of achievement of the investees' business plans, fund-raising status, external factors such as operating environment, and other information available to the Company. As a result, actual values including excess earning power were found not to have declined significantly, and therefore the Company did not recognize impairment.

(3) Major assumptions used in the calculation
Actual values including excess earning power were calculated based on the following assumptions.

No significant change has occurred in the operating environments, markets, consumption trends, and trends of demand and supply, which serve as the basis for the investees' mid- to long-term business plans, and their business plans are deemed feasible.

No significant issue has occurred in the investees' operating status and fund procurement.

(4) Impact on consolidated financial statements in the next consolidated fiscal year
In cases where there is a significant decrease in their actual values including excess earning power, etc. due to a substantial shortfall in the investees' business performance compared to their business plans, the Company may recognize impairment in the next consolidated fiscal year.

5. INVESTMENT SECURITIES

Investment securities as of March 31, 2020 and 2021, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Investment securities:			
Equity securities	¥ 1,712	¥ 1,817	$ 16,411
Other	198	261	2,356
Total	¥ 1,910	¥ 2,078	$ 18,767

The costs and aggregate fair values of certain investment securities as of March 31, 2020 and 2021, were as follows:

	Millions of yen			
	2020			
	Cost	Unrealized gain	Unrealized loss	Fair value
Securities classified as:				
Available-for-sale				
Equity securities	¥ 483	¥ —	¥ 97	¥ 386
Total	¥ 483	¥ —	¥ 97	¥ 386

	Millions of yen			
	2021			
	Cost	Unrealized gain	Unrealized loss	Fair value
Securities classified as:				
Available-for-sale				
Equity securities	¥ 483	¥ 46	¥ —	¥ 529
Total	¥ 483	¥ 46	¥ —	¥ 529

	Thousands of U.S. dollars			
	2021			
	Cost	Unrealized gain	Unrealized loss	Fair value
Securities classified as:				
Available-for-sale				
Equity securities	$ 4,364	$ 411	$ —	$ 4,775
Total	$ 4,364	$ 411	$ —	$ 4,775

The breakdown of available-for-sale securities, which were sold during the years ended March 31, 2020 and 2021, is as follows:

	Millions of yen		
	2020		
	Proceeds	Realized gain	Realized loss
Available-for-sale:			
Equity securities	¥ 0	¥ 0	—
Total	¥ 0	¥ 0	—

	Millions of yen		
	2021		
	Proceeds	Realized gain	Realized loss
Available-for-sale:			
Equity securities	¥ 7	—	¥ 35
Total	¥ 7	—	¥ 35

	Thousands of U.S. dollars		
	2021		
	Proceeds	Realized gain	Realized loss
Available-for-sale:			
Equity securities	$ 66	—	$ 314
Total	$ 66	—	$ 314

Write-downs of available-for-sale securities for the year ended March 31, 2020, were ¥503 million.

No Write-downs of available-for-sale securities were recognized for the year ended March 31, 2021.

Notes to Consolidated Financial Statements

6. LONG-TERM DEBT

Long-term debt as of March 31, 2020 and 2021, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Long-term debt:			
Unsecured 0.312% yen bonds, due 2020, 0.564% yen bonds, due 2022, and 0.927% yen bonds, due 2025	¥ 20,000	¥ 15,000	$ 135,477
Government-owned banks, maturing serially through 2031, annual interest rates of 0.58%–2.24% at March 31, 2020, and 0.55%–1.34% at March 31, 2021	15,217	13,690	123,644
Banks and insurance companies, maturing serially through 2031, annual interest rates of 0.58%–2.78% at March 31, 2020, and 0.58%–2.5% at March 31, 2021	67,226	62,269	562,408
Total	102,443	90,959	821,529
Less current portion	11,468	7,718	69,709
Long-term debt, less current portion	¥ 90,975	¥ 83,241	$ 751,820

Annual maturities of long-term debt as of March 31, 2021, were as follows:

	Millions of yen	Thousands of U.S. dollars
	2021	2021
Years ending March 31:		
2022	¥ 7,718	$ 69,709
2023	13,345	120,531
2024	9,721	87,800
2025	9,223	83,298
2026	20,728	187,214
Thereafter	30,224	272,977
Total	¥ 90,959	$ 821,529

Certain domestic subsidiaries of the Company have concluded lines of credit agreements with nine financial institutions to efficiently manage their working capital. The status of these lines of credit as of March 31, 2020 and 2021, is as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Lines of credit	¥ 15,289	¥ 15,289	$ 138,087
Credit utilized	—	—	—
Available credit	¥ 15,289	¥ 15,289	$ 138,087

Assets pledged as collateral as of March 31, 2020 and 2021, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Cash and cash equivalents	¥ 878	¥ 1,490	$ 13,455
Accounts receivable—trade	57,336	52,435	473,582
Lease receivables	2,773	2,532	22,866
"Other" under current assets	633	576	5,207
Total	¥ 61,620	¥ 57,033	$ 515,110

(Note) The assets above are pledged as collateral to secure the borrowings under the lines of credit agreements in relation to the maintenance and operations of the X-band satellite relay communications business.

Secured obligations as of March 31, 2020 and 2021, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Current portion of long-term loans payable	¥ 4,952	¥ 4,952	$ 44,722
Long-term loans payable	51,992	47,040	424,859
Total	¥ 56,944	¥ 51,992	$ 469,581

7. EMPLOYEES' BENEFIT PLANS AND DIRECTORS' SEVERANCE INDEMNITIES

Certain consolidated subsidiaries of the Company have unfunded defined benefit severance indemnity plans, under which substantially all of their employees, other than directors, executive officers, and Audit & Supervisory Board Members, are entitled, under most circumstances, to lump-sum severance indemnities. Severance indemnities are determined based on the level of compensation at retirement or earlier termination of employment, the length of service, and other factors upon mandatory retirement at the normal retirement age or earlier termination of employment.

The benefits for the multi-employer defined benefit corporate pension plan are determined based on a standard remuneration schedule corresponding to the length of participation and other factors. However, assets contributed by an employer are not segregated into a separate account or restricted to provide benefits only to employees of that employer. Therefore, the contributions to the multi-employer defined benefit corporate pension plan are recognized as paid and accounted for as a component of net periodic retirement benefit costs.

Changes in defined benefit obligations for the years ended March 31, 2020 and 2021, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Balance at the beginning of the year	¥ 5,618	¥ 5,607	$ 50,638
Current service cost	408	405	3,659
Interest cost	20	27	245
Actuarial gains	(49)	27	239
Benefits paid	(390)	(269)	(2,427)
Past service liability	—	501	4,524
Balance at the end of the year	¥ 5,607	¥ 6,298	$ 56,878

Changes in defined benefit liabilities calculated using the simplified method for the years ended March 31, 2020 and 2021, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Balance at the beginning of the year	¥ 384	¥ 417	$ 3,766
Periodic benefit cost	49	53	476
Benefit paid	(16)	(14)	(120)
Balance at the end of the year	¥ 417	¥ 456	$ 4,122

A reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation as of March 31, 2020 and 2021, was as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Unfunded defined benefit obligation	¥ 6,024	¥ 6,754	$ 61,000
Net liability for defined benefit obligation	¥ 6,024	¥ 6,754	$ 61,000

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Liabilities for retirement benefits	¥ 6,024	¥ 6,754	$ 61,000
Net liability for defined benefit obligation	¥ 6,024	¥ 6,754	$ 61,000

Components of net periodic benefit costs for the years ended March 31, 2020 and 2021, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Service cost	¥ 408	¥ 405	$ 3,659
Interest cost	20	27	245
Recognized actuarial losses	44	39	349
Amortization of prior service cost	(32)	(15)	(135)
Periodic benefit cost under the simplified method	49	53	476
Net periodic benefit costs	¥ 489	¥ 509	$ 4,594

Amounts recognized in other comprehensive income (before income tax effect) in respect of remeasurement of defined retirement benefit plans as of March 31, 2020 and 2021, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Actuarial losses	¥ 94	¥ 12	$ 110
Prior service cost	(32)	(516)	(4,659)
Total	¥ 62	¥ (504)	$ 4,549

Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of remeasurement of defined retirement benefit plans as of March 31, 2020 and 2021, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Unrecognized actuarial losses	¥ (400)	¥ (388)	$ (3,502)
Unrecognized prior service cost	31	(485)	(4,383)
Total	¥ (369)	¥ (873)	$ (7,885)

Assumptions used for the years ended March 31, 2020 and 2021, were set forth as follows:

	2020	2021
Discount rate	0.4–0.5%	0.4–0.5%

Notes to Consolidated Financial Statements

The amounts of contributions to the multi-employer defined benefit corporate pension plan were ¥171 million for the year ended March 31, 2019, and ¥176 million for the year ended March 31, 2020.

The funded status of the multi-employer defined benefit corporate pension plan as of March 31, 2019 (available information as of March 31, 2020) and 2020 (available information as of March 31, 2021), to which contributions were recorded as net periodic retirement benefit costs, was as follows:

	Millions of yen	
	2019	2020
Fair value of plan assets	¥ 30,141	¥ 30,857
Pension benefit obligation recorded	35,713	37,285
Difference	¥ (5,572)	¥ (6,428)

The Companies' contribution percentages for the multi-employer defined benefit corporate pension plan as of March 31, 2019 and 2020, were 5.6% and 5.8%, respectively.

The difference for the year ended March 31, 2019, mainly resulted from prior service costs of ¥10,700 million and adjustments of voluntary reserve of ¥5,127 million. Prior service cost is amortized over 14 years. The Companies recorded special contributions of ¥56 million as expenses in the consolidated financial statements in the fiscal year ended March 31, 2019.

The difference for the year ended March 31, 2020, mainly resulted from prior service costs of ¥10,275 million and adjustments of voluntary reserve of ¥3,847 million. Prior service cost is amortized over 13 years. The Companies recorded special contributions of ¥59 million as expenses in the consolidated financial statements in the fiscal year ended March 31, 2020.

The above contribution percentages do not conform to the actual percentages applied to the Companies.

A subsidiary of the Company also has directors' unfunded severance indemnity plans. Benefits under the directors' unfunded severance indemnity plans are determined based on the level of compensation at retirement, length of service, and other factors. Liabilities for severance payments under the directors' unfunded severance indemnity plans as of March 31, 2020 and 2021, amounting to ¥6 million and ¥6 million ($56 thousand), respectively, were stated on the vested benefit obligation basis. The vested benefit obligation represents the amount that would be required to be paid if all directors and executive officers terminated their appointments as of the consolidated balance sheet date.

8. ASSET RETIREMENT OBLIGATIONS

Asset retirement obligations are mainly recognized on restitution obligations associated with real estate rental agreements and leasehold establishment contracts.

The amount of asset retirement obligations is computed using discount rates of 0.1% to 2.4% and estimated useful lives of nine to 50 years after acquisition.

Changes in asset retirement obligations for the years ended March 31, 2020 and 2021, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Balance at the beginning of the year	¥ 2,203	¥ 2,312	$ 20,885
Additional provisions associated with the acquisition of property and equipment	75	17	154
Reconciliation associated with passage of time	34	36	328
Reduction associated with settlement of asset retirement obligations	—	(27)	(241)
Other	—	(15)	(144)
Balance at the end of the year	¥ 2,312	¥ 2,323	$ 20,982

9. EQUITY

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

a. Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. For companies that meet certain criteria including (1) having a board of directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors being prescribed as one year rather than the normal two-year term by its Articles of Incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its Articles of Incorporation. The Company meets all the above criteria and, accordingly, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year.

The Companies Act permits companies to distribute dividends-in-kind (noncash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the Company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

b. Increases/Decreases and Transfer of Common Stock, Reserve and Surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as legal capital surplus (a component of capital surplus), depending on the equity account charged upon the payment of such dividends, until the total aggregate amount of the legal reserve and legal capital surplus equals 25% of the common stock. Under the Companies Act, the total amount of legal capital surplus and the legal reserve may be reversed without limitation. The Companies Act also provides that common stock, the legal reserve, legal capital surplus, other capital surplus and retained earnings can be transferred among the accounts within equity under certain conditions upon resolution of the shareholders.

c. Treasury Stock and Treasury Stock Acquisition Rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders, which is determined by a specific formula.

Under the Companies Act, stock acquisition rights, which were previously presented as liabilities, are now presented as a separate component of equity.

The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

With the issuance of shares under the restricted stock compensation plan, common stock and capital surplus each increased by ¥33 million ($302 thousand) as of March 31, 2021.

10. INCOME TAXES

The Companies are subject to a number of different income taxes, which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 30.6% for the years ended March 31, 2020, and 2021.

The tax effects of significant temporary differences and tax loss carryforwards that resulted in deferred tax assets and liabilities as of March 31, 2020 and 2021, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Deferred tax assets:			
Depreciation	¥ 4,481	¥ 4,029	$ 36,389
Liabilities for retirement benefits	1,855	2,078	18,768
Tax loss carryforwards (Note 2)	1,233	1,554	14,040
Asset retirement obligations	711	719	6,492
Deferred gain on derivatives under hedge accounting	541	427	3,860
Other	3,355	3,307	29,865
Total of tax loss carryforwards and temporary differences	12,176	12,114	109,414
Less valuation allowance for tax loss carryforwards	(1,062)	(1,397)	(12,618)
Less valuation allowance for temporary differences	(1,292)	(1,120)	(10,117)
Total valuation allowance (Note 1)	(2,354)	(2,517)	(22,735)
Deferred tax assets	9,822	9,597	86,679
Deferred tax liabilities:			
Depreciation in foreign subsidiaries	(642)	(695)	(6,279)
Asset retirement obligations	(314)	(284)	(2,566)
Other	(145)	(162)	(1,452)
Deferred tax liabilities	(1,101)	(1,141)	(10,297)
Net deferred tax assets	¥ 8,721	¥ 8,456	$ 76,380

(Note 1) Total valuation allowance increased by ¥163 million mainly due to additional recognition of valuation allowance for tax loss carryforwards.

Notes to Consolidated Financial Statements

(Note 2) The expiration of tax loss carryforwards, the related valuation allowances and the resulting net deferred tax assets as of March 31, 2020 and 2021, were as follows:

	Millions of yen 2020						
	1 Year or Less	After 1 Year through 2 Years	After 2 Years through 3 Years	After 3 Years through 4 Years	After 4 Years through 5 Years	After 5 Years	Total
Deferred tax assets relating to tax loss carryforwards (*)	¥ 37	¥ 43	¥ 41	¥ 43	¥ 44	¥ 1,025	¥ 1,233
Less valuation allowances for tax loss carryforwards	(37)	(43)	(41)	(43)	(44)	(854)	(1,062)
Net deferred tax assets relating to tax loss carryforwards	—	—	—	—	—	171	171

	Millions of yen 2021						
	1 Year or Less	After 1 Year through 2 Years	After 2 Years through 3 Years	After 3 Years through 4 Years	After 4 Years through 5 Years	After 5 Years	Total
Deferred tax assets relating to tax loss carryforwards (*)	¥ 43	¥ 41	¥ 43	¥ 44	¥ 46	¥ 1,337	¥ 1,554
Less valuation allowances for tax loss carryforwards	(43)	(41)	(43)	(44)	(46)	(1,180)	(1,397)
Net deferred tax assets relating to tax loss carryforwards	—	—	—	—	—	157	157

	Thousands of U.S. dollars 2021						
	1 Year or Less	After 1 Year through 2 Years	After 2 Years through 3 Years	After 3 Years through 4 Years	After 4 Years through 5 Years	After 5 Years	Total
Deferred tax assets relating to tax loss carryforwards (*)	$ 384	$ 371	$ 386	$ 400	$ 419	$ 12,080	$ 14,040
Less valuation allowances for tax loss carryforwards	(384)	(371)	(386)	(400)	(419)	(10,658)	(12,618)
Net deferred tax assets relating to tax loss carryforwards	—	—	—	—	—	1,421	1,421

(*) Tax loss carryforward was calculated using the statutory tax rate.

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statement of income for the years ended March 31, 2020 and 2021, is as follows:

	2020	2021
Normal effective statutory tax rate	30.6%	30.6%
Expenses not deductible for income tax purposes (e.g., entertainment expenses)	0.5	0.2
Change in valuation allowance	(10.0)	1.0
Amortization of goodwill	1.7	1.4
Share of profit or loss of investments accounted for using the equity method	(0.7)	(0.4)
Other	0.4	(0.4)
Actual effective tax rate	22.5%	32.4%

11. LEASES

a. Finance Lease

As lessor:

Annual maturities of lease receivables are as follows:

	Millions of yen 2021	Thousands of U.S. dollars 2021
Years ending March 31:		
2022	¥ 2,773	$ 25,046
2023	2,889	26,095
2024	2,994	27,041
2025	3,109	28,076
2026	3,178	28,703
Thereafter	34,102	308,004
Total	¥ 49,045	$ 442,965

b. Operating Lease

As lessee:

The minimum rental commitments under noncancelable operating leases as of March 31, 2020 and 2021, were as follows:

	Millions of yen 2020	Millions of yen 2021	Thousands of U.S. dollars 2021
Due within one year	¥ 1,758	¥ 1,688	$ 15,247
Due after one year	3,519	1,924	17,376
Total	¥ 5,277	¥ 3,612	$ 32,623

12. COST OF SERVICES

Write-down of inventories and other assets, which were charged to cost of services for the years ended March 31, 2020 and 2021, amounted to ¥77 million and ¥122 million ($1,101 thousand), respectively.

13. SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES

Major components of selling, general, and administrative expenses for the years ended March 31, 2020 and 2021, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Salaries and wages	¥ 5,001	¥ 4,978	$ 44,957
Provision for accrued bonuses	414	482	4,350
Net periodic benefit costs	304	305	2,751
Advertising expenses	5,659	6,476	58,486
Sales promotion expenses	4,343	2,748	24,817
Sales incentives	760	592	5,347
Subcontracting fees	6,823	7,474	67,502
Provision for doubtful accounts	526	282	2,546
Research and development expenses	286	236	2,134
Other	9,974	9,800	88,529
Total	¥ 34,090	¥ 33,373	$ 301,419

14. IMPAIRMENT LOSS

The asset groups for which the Company and its subsidiaries recognized impairment loss for the years ended March 31, 2020 and 2021, were as follows:

Use	Location	Type of assets	Millions of yen		Thousands of U.S. dollars
			2020	2021	2021
Operational assets	Hitachiomiya-shi, Ibaraki Prefecture	Buildings and structures	¥ 20	¥ —	$ —
		Other	41	—	—
	Asaka-shi, Saitama Prefecture	Buildings and structures	3	—	—
		Software	7	—	—
		Other	21	—	—

15. OTHER EXPENSES

"Other" under non-operating expenses for the year ended March 31, 2020, includes, among other things, an amount of ¥289 million required to refund inappropriately received subsidies.

16. FINANCIAL INSTRUMENTS

a. Policy for Financial Instruments

The Companies procure funds through bank loans and issuance of bonds. Temporary cash surpluses, if any, are invested in low-risk financial assets. Derivatives are not used for speculative purposes, but for managing exposure to financial risks as described in Note 17.

b. Nature of, Risks Arising from, and Risk Management for Financial Instruments

Accounts receivable and lease receivables are exposed to customer credit risk. The Companies manage their credit risk from receivables in accordance with internal credit control rules, which include monitoring payment due dates and balances of customers, and periodic assessment of the credit standing of major customers.

Cash equivalents are mainly bonds, which are exposed to credit risk, held for the purpose of investing temporary cash surpluses. To mitigate these risks, the Companies invest in only highly rated bonds.

Available-for-sale securities are listed stocks, and are exposed to market risk. To mitigate the risk, the Companies assess fair values and financial conditions of the issuer periodically and review status of ownership on an on-going basis.

Payment terms of the majority of trade payables, such as accounts payable—trade and accounts payable—other, are less than one year. These trade payables are exposed to liquidity risk related to funding. The Companies manage such risk by preparing and executing financing plans that maintain a certain amount of liquidity in hand and concluding lines of credit agreements with respective financial institutions.

Bank loans and bonds are used to fund Private Finance Initiative (PFI) projects, business investment, and capital investment. Of these financial instruments, floating-interest-rate loans are exposed to interest rate risk. Some of such loans are hedged using interest rate swaps to fix interest on loans.

Derivatives include forward exchange contracts used to hedge against the market risk resulting from fluctuations in foreign currency exchange rates related to financing the purchase of broadcasting rights and capital expenditures of telecommunications satellites, and interest rate swaps used to hedge against changes in interest rates on bank loans.

The Companies execute and manage derivative transactions in accordance with the internal policies that define transaction authority. The Companies enter into derivative transactions only with financial institutions with a high credit rating to minimize credit risk exposure.

Notes to Consolidated Financial Statements

c. Fair Values of Financial Instruments

Fair values of financial instruments are based on quoted prices in active markets. If a quoted price is not available, other rational valuation techniques are used instead. The results of valuations may differ based on assumptions used because rational valuation techniques include variable factors. The nominal amounts disclosed in Note 17 do not reflect market risks regarding derivative transactions.

(1) Cash and cash equivalents

The carrying amounts of cash and cash equivalents that are readily convertible into cash approximate fair value.

(2) Accounts receivable and lease receivables

The carrying amounts of accounts receivable with a short collection period approximate fair value. The fair values of accounts receivable with a longer collection period are stated at their present values, which are determined by categorizing receivables by a certain period and discounting them at the rate that incorporates the period to maturity and credit risk.

(3) Investment securities

The fair values of investment securities are based on prices provided by the stock exchange.

Fair value information for investment securities by classification is included in Note 5.

(4) Investment in and advances to affiliated companies

The carrying values of advances to affiliated companies approximate fair values because the interest rates of the loans are variable and reflect market interest rates for a short period, unless the credit standings of borrowers vary greatly.

(5) Accounts payable, income taxes payable, and subscription fees received

The carrying amounts of these instruments approximate fair value, given their short settlement periods.

(6) Current portion of long-term loans payable and long-term loans payable

The carrying amounts of the current portion of long-term loans payable and long-term loans payable with floating interest rates approximate fair value because the interest rates of the loans are variable and reflect market interest rates and the loans are of short duration. In addition, the credit standing of the Company has not varied greatly from the time it executed the financing transactions. Fair values of the current portion of long-term loans payable and long-term loans payable with fixed interest rates are determined based on the present value as calculated by categorizing the loans by a certain period (for long-term loans payable that are subject to special treatment for interest rate swaps, the aggregate value of principal and interest using the rate of the interest swaps) and discounting the aggregate value of principal and interest using an interest rate for similar new loans.

(7) Bonds payable

Fair values are determined based on the present value as calculated by discounting the aggregate value of principal and interest using an interest rate for the remaining period and reflecting the credit risk of the applicable bond.

(8) Derivatives

Fair value information for derivatives is included in Note 17.

Fair value of financial instruments:

	Millions of yen		
	2020		
	Carrying amount	Fair value	Unrealized gain/loss
Cash and cash equivalents	¥ 43,603	¥ 43,603	¥ —
Accounts receivable	74,905		
Allowance for doubtful accounts	(669)		
Net	74,236	76,488	2,251
Lease receivables	2,911	3,028	117
Investment in and advances to affiliated companies:			
Current portion of advances	1,199	1,199	—
Investment securities:			
Available-for-sale securities	386	386	—
Investment in and advances to affiliated companies:			
Advances	18,579	18,579	—
Total	140,914	143,283	2,368
Current portion of long-term debt:			
Current portion of bonds payable	5,000	5,003	3
Current portion of long-term loans payable	6,468	6,479	11
Accounts payable	12,812	12,812	—
Income taxes payable	734	734	—
Subscription fees received	8,066	8,066	—
Long-term debt:			
Bonds payable	15,000	15,356	356
Long-term loans payable	75,975	77,705	1,730
Total	124,055	126,155	2,100
Derivative transactions	¥ (1,339)	¥ (1,339)	¥ —

	Millions of yen 2021 Carrying amount	Fair value	Unrealized gain/loss
Cash and cash equivalents	¥ 73,194	¥ 73,194	¥ —
Accounts receivable	68,363		
Allowance for doubtful accounts	(390)		
Net	67,973	69,734	1,761
Lease receivables	49,045	49,616	571
Investment in and advances to affiliated companies:			
Current portion of advances	2,077	2,077	—
Investment securities:			
Available-for-sale securities	529	529	—
Investment in and advances to affiliated companies:			
Advances	15,480	15,480	—
Total	208,298	210,630	2,332
Current portion of long-term debt:			
Current portion of long-term loans payable	7,718	7,729	11
Accounts payable	13,575	13,575	—
Income taxes payable	4,265	4,265	—
Subscription fees received	7,585	7,585	—
Long-term debt:			
Bonds payable	15,000	15,272	272
Long-term loans payable	68,241	69,609	1,368
Total	116,384	118,035	1,651
Derivative transactions	¥ (908)	¥ (908)	¥ —

	Thousands of U.S. dollars 2021 Carrying amount	Fair value	Unrealized gain/loss
Cash and cash equivalents	$ 661,073	$ 661,073	$ —
Accounts receivable	617,451		
Allowance for doubtful accounts	(3,524)		
Net	613,927	629,831	15,904
Lease receivables	442,965	448,126	5,161
Investment in and advances to affiliated companies:			
Current portion of advances	18,755	18,755	—
Investment securities:			
Available-for-sale securities	4,775	4,775	—
Investment in and advances to affiliated companies:			
Advances	139,809	139,809	—
Total	1,881,304	1,902,369	21,065
Current portion of long-term debt:			
Current portion of long-term loans payable	69,709	69,806	97
Accounts payable	122,600	122,600	—
Income taxes payable	38,523	38,523	—
Subscription fees received	68,510	68,510	—
Long-term debt:			
Bonds payable	135,477	137,938	2,461
Long-term loans payable	616,343	628,694	12,351
Total	1,051,162	1,066,071	14,909
Derivative transactions	$ (8,198)	$ (8,198)	$ —

Carrying amount of financial instruments whose fair value cannot be reliably determined:

	Carrying amount		
	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Investment in affiliated companies	¥ 18,402	¥ 16,395	$ 148,080
Investment in equity instruments that do not have a quoted market price in an active market	1,326	1,288	11,636
Investments in partnerships	198	261	2,356
Total	¥ 19,926	¥ 17,944	$ 162,072

Maturity analysis for financial assets and securities with contractual maturities:

	Millions of yen			
	2021			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash equivalents	¥ 22,999	¥ —	¥ —	¥ —
Accounts receivable	21,690	19,652	24,565	2,456
Lease receivables	2,773	12,170	17,282	16,820
Investment in and advances to affiliated companies:				
Current portion of advances	2,077	—	—	—
Advances	—	12,931	2,549	—
Total	¥ 49,539	¥ 44,753	¥ 44,396	¥ 19,276

	Thousands of U.S. dollars			
	2021			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash equivalents	$ 207,721	$ —	$ —	$ —
Accounts receivable	195,902	177,494	221,868	22,187
Lease receivables	25,046	109,915	156,091	151,913
Investment in and advances to affiliated companies:				
Current portion of advances	18,755	—	—	—
Advances	—	116,792	23,017	—
Total	$ 447,424	$ 404,201	$ 400,976	$ 174,100

17. DERIVATIVE INSTRUMENTS

Certain consolidated subsidiaries of the Company use derivative financial instruments, which include foreign exchange forward contracts and interest rate swap contracts. Foreign exchange forward contracts are used for the purpose of reducing the risk arising from changes in anticipated cash flows of forecasted transactions associated with certain payments for overseas broadcasting rights and telecommunications satellites. Interest rate swap contracts are used to reduce the risk of increasing interest payments on loans due to increases in market rates.

The notional amounts of derivatives that are shown in the table below do not represent the amounts exchanged by the parties and do not measure exposure to credit or market risks of certain consolidated subsidiaries of the Company.

Derivative transactions to which hedge accounting was not applied as of March 31, 2020 and 2021, were as follows:

	Millions of yen			
	2020			
	Contract amount	Contract amount due after one year	Fair value	Unrealized gain/loss
Foreign exchange forward contracts				
Buying U.S. dollars	¥ 1,810	¥ —	¥ (24)	¥ (24)

	Millions of yen			
	2021			
	Contract amount	Contract amount due after one year	Fair value	Unrealized gain/loss
Foreign exchange forward contracts				
Buying U.S. dollars	¥ 87	¥ 87	¥ (0)	¥ (0)

	Millions of U.S. dollars			
	2021			
	Contract amount	Contract amount due after one year	Fair value	Unrealized gain/loss
Foreign exchange forward contracts				
Buying U.S. dollars	$ 783	$ 783	$ (1)	$ (1)

Fair values of derivative transactions are measured at the quoted price obtained from financial institutions.

Derivative transactions to which hedge accounting was applied as of March 31, 2020 and 2021, were as follows:

	Hedged item	Millions of yen		
		2020		
		Contract amount	Contract amount due after one year	Fair value
Foreign exchange forward contracts				
Buying U.S. dollars	Forecasted foreign currency transactions	¥ 69	¥ —	¥ 1
Interest rate swap				
(Fixed rate payment, floating rate receipt)	Long-term debt	25,390	23,182	(1,315)
Method of hedge accounting: Special treatment (Note 2. r)				
Interest rate swap				
(Fixed rate payment, floating rate receipt)	Long-term debt	¥ 31,433	¥ 28,700	¥ —

	Hedged item	Millions of yen		
		2021		
		Contract amount	Contract amount due after one year	Fair value
Foreign exchange forward contracts				
Buying U.S. dollars	Forecasted foreign currency transactions	¥ 1,073	¥ —	¥ (0)
Buying euro	Forecasted foreign currency transactions	1,478	—	109
Interest rate swap				
(Fixed rate payment, floating rate receipt)	Long-term debt	23,182	20,975	(1,017)
Method of hedge accounting: Special treatment (Note 2. r)				
Interest rate swap				
(Fixed rate payment, floating rate receipt)	Long-term debt	¥ 28,700	¥ 25,967	¥ —

	Hedged item	Thousands of U.S. dollars		
		2021		
		Contract amount	Contract amount due after one year	Fair value
Foreign exchange forward contracts				
Buying U.S. dollars	Forecasted foreign currency transactions	$ 9,691	$ —	$ (1)
Buying euro	Forecasted foreign currency transactions	13,353	—	985
Interest rate swap				
(Fixed rate payment, floating rate receipt)	Long-term debt	209,379	189,438	(9,182)
Method of hedge accounting: Special treatment (Note 2. r)				
Interest rate swap				
(Fixed rate payment, floating rate receipt)	Long-term debt	$ 259,212	$ 234,526	$ —

Fair values of derivative transactions are measured at the quoted price obtained from financial institutions.

18. COMPREHENSIVE INCOME

Other comprehensive income for the years ended March 31, 2020 and 2021, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Other comprehensive income :			
Unrealized gain (loss) on available-for-sale securities			
(Losses) gains arising during the year	¥ (528)	¥ 150	$ 1,357
Amount before income tax effect	(528)	150	1,357
Income tax effect	162	(44)	(401)
Total	(366)	106	956
Deferred gain on derivatives under hedge accounting			
Gains arising during the year	208	395	3,563
Reclassification adjustments to profit or loss	24	23	211
Amounts transferred to the initial carrying amounts of hedged items	(32)	13	121
Amount before income tax effect	200	431	3,895
Income tax effect	(61)	(132)	(1,193)
Total	139	299	2,702
Foreign currency translation adjustments	19	(1,815)	(16,397)
Remeasurement of defined retirement benefit plans			
Losses arising during the year	49	(527)	(4,764)
Reclassification adjustments to profit or loss	13	23	214
Amount before income tax effect	62	(504)	(4,550)
Income tax effect	(19)	154	1,393
Total	43	(350)	(3,157)
Share of other comprehensive income in affiliated companies accounted for using the equity method			
Losses arising during the year	(6)	15	136
Amounts transferred to the initial carrying amounts of hedged items	(6)	(3)	(27)
Total	(12)	12	109
Total other comprehensive income	¥ (177)	¥ (1,748)	$ (15,787)

19. RELATED-PARTY DISCLOSURES

Year Ended March 31, 2020

Transactions of the Companies with affiliated companies for the year ended March 31, 2020, were as follows:

	Millions of yen
Correction of loans receivable	¥ 199
Receipt of interest	¥ 954

The balances due to or from the Companies with affiliated companies at March 31, 2020, were as follows:

	Millions of yen
Current portion of long-term loans receivable	¥ 1,199
Long-term loans receivable	¥ 18,579
Current assets—other	¥ 122

Year Ended March 31, 2021

Transactions of the Companies with affiliated companies for the year ended March 31, 2021, were as follows:

	Millions of yen	Thousands of U.S. dollars
Correction of loans receivable	¥ 1,168	$ 10,550
Receipt of interest	¥ 590	$ 5,329

The balances due to or from the Companies with affiliated companies at March 31, 2021, were as follows:

	Millions of yen	Thousands of U.S. dollars
Current portion of long-term loans receivable	¥ 2,077	$ 18,755
Long-term loans receivable	¥ 15,480	$ 139,809
Current assets—other	¥ 62	$ 563

20. SEGMENT INFORMATION

The Companies are required to report financial and descriptive information about their reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available, and for which such information is evaluated regularly by the chief operating decision-maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

1. Description of reportable segments

The Company's reportable segments are those for which separate financial information is available and regular evaluation by the Company's management is being performed in order to decide how resources are allocated among the Companies. The Companies have established service divisions in SKY Perfect JSAT Corporation, which is a core operating consolidated subsidiary of the Company, and such service divisions design the strategies for their services and deploy operating activities. The Company consists of service segments based on the operating divisions of SKY Perfect JSAT Corporation, which include the Media Business and the Space Business as reportable segments. The Media Business offers platform services, such as customer management activities, to the broadcasting businesses, and delivers broadcasting services via communication satellites and fiber-optic networks. The Space Business offers communication satellite circuits (transponders) to the broadcasting businesses and satellite communication services, such as data communication and mobile communication, to the government, public entities, and corporations.

2. Methods of measurement for the amounts of sales, profit (loss), assets, liabilities, and other items for each reportable segment

The accounting policies of each reportable segment are consistent with those disclosed in Note 2,"Summary of Significant Accounting Policies."

Intersegment sales or transfers are determined based on market prices.

3. Information about sales, profit, assets, liabilities, and other items is as follows:

	Millions of yen			
	2020			
	Media Business	Space Business	Reconciliations (Note 1)	Consolidated (Note 2)
Sales to external customers	¥ 94,382	¥ 45,160	¥ —	¥ 139,542
Intersegment sales or transfers	3,264	8,374	(11,638)	—
Total	97,646	53,534	(11,638)	139,542
Operating profit	¥ 3,076	¥ 12,902	¥ (715)	¥ 15,263
Segment profit (profit attributable to owners of the parent)	4,547	8,030	(550)	12,027
Segment assets	54,950	276,096	47,321	378,367
Other:				
Depreciation and amortization	8,510	14,472	335	23,317
Amortization of goodwill	—	878	—	878
Investment in affiliated companies accounted for using the equity method	4,771	13,631	—	18,402
Increase in property and equipment and intangible assets	10,664	8,706	163	19,533

Note 1. Reconciliation is as follows:

(1) Segment profit of ¥(550) million consists of ¥(8) million of intersegment sales and ¥(542) million of corporate profit (loss) not allocated to each reportable segment. Corporate profit (loss) mainly consist of general and administrative expenses, non-operating income and tax expenses that are not attributable to any segment.

(2) Segment assets of ¥47,321 million consist of ¥(525) million of intersegment assets and ¥47,846 million of corporate assets not allocated to each reportable segment. Corporate assets mainly consist of cash and cash equivalents and assets related to administrative divisions.

(3) Depreciation and amortization of ¥335 million represents depreciation of corporate assets not allocated to each reportable segment.

(4) An increase in property and equipment and intangible assets of ¥163 million represents increases in property and equipment and intangible assets not allocated to each reportable segment.

Note 2. Segment profit is reconciled with profit attributable to owners of the parent in the consolidated statement of income.

Notes to Consolidated Financial Statements

	Millions of yen			
	2021			
	Media Business	Space Business	Reconciliations (Note 1)	Consolidated (Note 2)
Sales to external customers	¥ 88,403	¥ 51,169	¥ —	¥ 139,572
Intersegment sales or transfers	3,196	7,760	(10,956)	—
Total	91,599	58,929	(10,956)	139,572
Operating profit	¥ 5,996	¥ 13,830	¥ (674)	¥ 19,152
Segment profit (profit attributable to owners of the parent)	4,397	9,449	(501)	13,345
Segment assets	51,343	257,867	76,358	385,568
Other:				
Depreciation and amortization	7,427	15,533	363	23,323
Amortization of goodwill	—	878	—	878
Investment in affiliated companies accounted for using the equity method	4,973	11,422	—	16,395
Increase in property and equipment and intangible assets	4,571	8,288	179	13,038

	Thousands of U.S. dollars			
	2021			
	Media Business	Space Business	Reconciliations (Note 1)	Consolidated (Note 2)
Sales to external customers	$ 798,440	$ 462,148	$ —	$ 1,260,588
Intersegment sales or transfers	28,865	70,091	(98,956)	—
Total	827,305	532,239	(98,956)	1,260,588
Operating profit	$ 54,154	$ 124,907	$ (6,086)	$ 172,975
Segment profit (profit attributable to owners of the parent)	39,711	85,338	(4,519)	120,530
Segment assets	463,718	2,329,003	689,650	3,482,371
Other:				
Depreciation and amortization	67,083	140,290	3,279	210,652
Amortization of goodwill	—	7,931	—	7,931
Investment in affiliated companies accounted for using the equity method	44,917	103,163	—	140,080
Increase in property and equipment and intangible assets	41,289	74,859	1,611	117,759

Note 1. Reconciliation is as follows:
(1) Segment profit of ¥(501) million ($4,519) thousand) consists of ¥1 million ($10thousand) of intersegment sales and ¥(502) million ($(4,529) thousand) of corporate profit (loss) not allocated to each reportable segment. Corporate profit (loss) mainly consist of general and administrative expenses, non-operating income and tax expenses that are not attributable to any segment.
(2) Segment assets of ¥76,358 million ($689,650 thousand) consist of ¥(450) million ($(4,063) thousand) of intersegment assets and ¥76,808 million ($693,713thousand) of corporate assets not allocated to each reportable segment. Corporate assets mainly consist of cash and cash equivalents and assets related to administrative divisions.
(3) Depreciation and amortization of ¥363 million ($3,279 thousand) represents depreciation of corporate assets not allocated to each reportable segment.
(4) An increase in property and equipment and intangible assets of ¥179 million ($1,611 thousand) represents increases in property and equipment and intangible assets not allocated to each reportable segment.

Note 2. Segment profit is reconciled with profit attributable to owners of the parent in the consolidated statement of income.

Related information:

1. Information about products and services

Information about products and services is omitted as the same information is disclosed in “Information about sales, profit, assets, liabilities and other items” above.

2. Information about geographical areas

(1) Sales

Under Japanese accounting standards, the Companies are not required to disclose geographical segment information about sales because sales to external customers in Japan represent more than 90% of that of the Companies for the fiscal years ended March 31, 2020 and 2021.

(2) Property and equipment

Under Japanese accounting standards, the Companies are not required to disclose geographical segment information about property and equipment because property and equipment located in Japan represented more than 90% of that of the Companies for the fiscal years ended March 31, 2020 and 2021.

3. Information about major customers

Under Japanese accounting standards, the Companies are not required to disclose major customer information because sales to any one external customer do not represent more than 10% of that of the Companies for the fiscal years ended March 31, 2020 and 2021.

Information about impairment losses on long-lived assets by reportable segment:

Information about impairment losses as of March 31, 2020 and 2021, is as follows:

	Millions of yen			
	2020			
	Media Business	Space Business	Reconciliations	Consolidated
Impairment losses	¥ —	¥ 93	¥ —	¥ 93

No Impairment losses were recognized for the fiscal year ended March 31, 2021.

Information about goodwill and its amortization:

Information about goodwill and its amortization as of March 31, 2020 and 2021, is as follows:

	Millions of yen			
	2020			
	Media Business	Space Business	Reconciliations	Consolidated
Amortization of goodwill	¥ —	¥ 878	¥ —	¥ 878
Goodwill as of March 31, 2020	—	1,823	—	1,823

	Millions of yen			
	2021			
	Media Business	Space Business	Reconciliations	Consolidated
Amortization of goodwill	¥ —	¥ 878	¥ —	¥ 878
Goodwill as of March 31, 2021	—	945	—	945

	Thousands of U.S. dollars			
	2021			
	Media Business	Space Business	Reconciliations	Consolidated
Amortization of goodwill	$ —	$ 7,931	$ —	$ 7,931
Goodwill as of March 31, 2021	—	8,537	—	8,537

Information about recognized bargain purchase gain (negative goodwill) by reportable segment:

In the Space Business segment, negative goodwill of 109 million was recorded due to the new acquisition of the shares of MCC Corporation for the fiscal year ended March 31, 2020. The negative goodwill was included in the "Share of profit of investments accounted for using the equity method" in the consolidated statement of income.

There was no applicable information for the fiscal year ended March 31, 2021.

21. SUBSEQUENT EVENTS

Appropriations of Retained Earnings

The following appropriation of retained earnings as of March 31, 2021, was approved at the Board of Directors' meeting held on April 28, 2021:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividend, ¥9 ($0.08) per share	¥ 2,675	$ 24,156

Dissolution of Consolidated Subsidiary

At the meeting of the Board of Directors held on June 2, 2021, the Company resolved to dissolve its consolidated subsidiary, Enroute Co., Ltd. ("Enroute")

1. Summary of the Subsidiary to be Dissolved

(1) Trade name : Enroute Co., Ltd.
(2) Head office : Akasaka, Minato-Ku, Tokyo
(3) Description of businesses
: Design, manufacture, and sale of industrial drones
(4) Capital : ¥496 million
(5) Major shareholders
: Our indirect ownership (100%)

2. Reason for Dissolution

Enroute became a consolidated subsidiary of the Company in July 2016 and has been developing businesses such as sales of industrial drones and so on. However, due to intensified competition caused by overseas manufacturers entering Japanese market and other factors, business conditions remained severe. In January 2021, Enroute transferred a portion of its drone business to NTT e-Drone Technology Corporation and the Company decided to dissolve it after completing its roles as a drone operating company in the Group.

3. Schedule of Dissolution

On June 3, 2021, Enroute's extraordinary general meeting of shareholders resolved to dissolve it. We plan to complete the liquidation upon completion of the necessary procedures.

4. Impact on financial results

This dissolution is expected to reduce tax expenses, etc. by approximately ¥900 million in the consolidated income statement for the year ending March 31, 2022.

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of SKY Perfect JSAT Holdings Inc.:

Opinion

We have audited the consolidated financial statements of SKY Perfect JSAT Holdings Inc. and its consolidated subsidiaries (the "Group"), which comprise the consolidated balance sheet as of March 31, 2021, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, all expressed in Japanese yen.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. These matters were The matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

Recognition of the revenue from the media business, which is recorded based on a Customer Relationship Management system	
Key Audit Matter Description	**How the Key Audit Matter Was Addressed in the Audit**
Of the revenue from the media business, the basic fee and viewing fee from SKY PerfecTV! Subscribers and the handling fees from the subcontracted broadcasters who operate the channels (hereinafter "Subscription-based Revenue") amounted to 88.4 billion yen in total. The Subscription-based Revenue is recognized based on an internally-developed large-scale Customer Relationship Management (hereinafter, "CRM") system, and accounts for 63% of the total operating revenue of the Group. A large amount of transaction data with customers is calculated automatically based on a program defined in advance using customer and product information registered on the CRM system. These transaction data are interfaced to the accounting system, meaning that the CRM system handles all of the data to calculate Subscription-based Revenue. The transactions rely heavily on the CRM system, which limits the availability of supporting vouchers. As a result, there is a risk that the reliability of the data on which revenue recognition is based may be impaired if access privileges, data corrections, and program changes are not appropriately managed and controlled for the CRM system. Given the quantitative significance of Subscription-based Revenue as a total of operating revenue and highly automated nature of the transactions, we determine that this matter is a key audit matter.	We performed the following analyses to investigate if there is any unusual fluctuation: • Monthly trend analysis of subscriber count, amounts received from subscribers and Subscription-based Revenue and such. • Monthly trend analysis of the actual rate of losses from bad debts related to receivables from subscribers. We performed a combination of the following audit procedures, including the test of IT systems, for a set of processes to recognize operating revenue. • We tested the effectiveness of internal controls over provisioning, removing and periodic reviewing of access privileges. • We tested the effectiveness of internal controls over requests and approvals for data correction and program changes. • We tested the effectiveness of internal controls over monitoring database access and automatic detection of program changes. • We tested the effectiveness of internal controls over checking errors in registration of IC card IDs into the CRM system. • We tested the effectiveness of internal controls over addressing the accuracy and completeness of registration of product information. • We tested that invoice data for both subscribers and subcontracted broadcasters were generated based on contract information registered into the CRM system. We also tested that Subscription-based Revenue was automatically calculated based on the program defined in advance. • We tested the accuracy and completeness of the ledgers related to Subscription-based Revenue generated from the CRM system. We also tested that Subscription-based Revenue on the ledgers matched the corresponding revenue recorded in the accounting system. • We inspected subscriber payment evidence obtained from credit card companies and payment agents.

Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Audit & Supervisory Board members and the Audit & Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Deloitte Touche Tohmatsu LLC

June 25, 2021

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