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