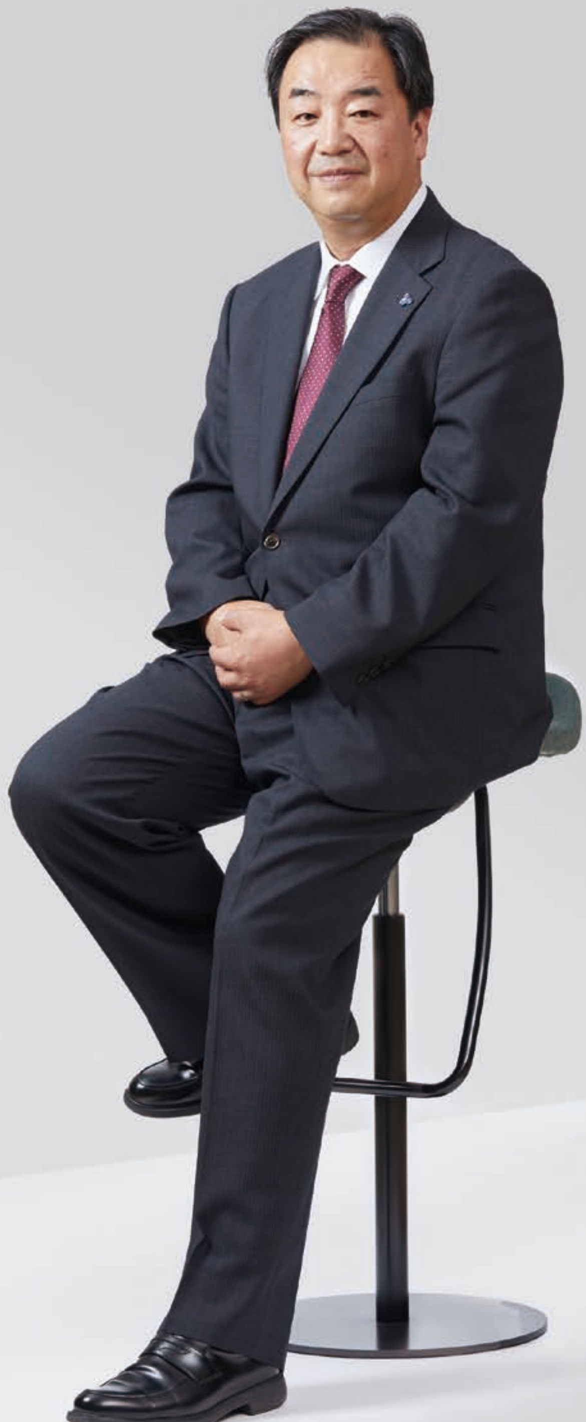
Message from the CFO

In order to improve core profitability, we are significantly increasing our investment in growth opportunities based on a stable cash flow.

Koichi Matsutani
Director
Chief Financial Officer



Basic Approach to Financial Strategy

The Group has set the group mission, "Space for your Smile," as the "sustainability policy" for advancing activities toward a sustainable society and is aiming to find solutions to social issues and increase its corporate value. To this end, the basic policy 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. Moreover, the Group is striving to improve capital efficiency by utilizing internal funds through the cash management system.

Review of Fiscal 2021

Revenues decreased by 14.3% from the previous fiscal year to ¥119.6 billion, and operating profit decreased 1.5% to ¥18.9 billion, but the impact of the application of the Accounting Standard for Revenue Recognition was a factor leading to a decrease in revenues of approximately ¥21.0 billion and a decrease in operating profit of approximately ¥0.3 billion, so we can conclude that essentially this was a solid consolidated performance.

Regarding segment profit, the Space Business acquired new customers in the Global Mobile domains and in New business, and in addition the reduction in tax expense due to dissolution of a consolidated subsidiary contributed to segment profit, so it increased 30.2% from the previous fiscal year to ¥12.3 billion and drove our consolidated performance. In the Media Business, segment profit decreased 37.5% from the previous fiscal year to ¥2.7 billion due to a decrease in subscription revenue and other factors.

Outlook for Fiscal 2022

In the Global Mobile domains, the Space Business aimed to use JCSAT-1C and Horizons 3e to expand its provision in growth markets such as Internet use on shipping vessels and aircraft and mobile backhaul lines, etc., and in new domains, it aimed to expand earnings in the business intelligence domain, so it expects higher revenues and profit. The Media Business has carried out business structure reforms to improve income and expenditure, while on the other hand, a decrease in the cumulative subscribers continues to be anticipated due to the intensifying competition in a mature market, so the outlook is lower for revenues and profit.

As a result, in fiscal 2022, revenues is projected to increase 0.3% from the previous fiscal year to ¥120.0 billion, operating profit to increase 11.3% to ¥21.0 billion, and profit attributable to owners of the parent to increase 2.9% to ¥15.0 billion.

Financial Position

Total assets at the end of fiscal 2021 were ¥378.2 billion, down ¥7.4 billion from the end of the previous fiscal year. With regard to current assets, despite a ¥4.4 billion decrease in accounts receivable resulting from collection of receivables related to the X-Band business, current assets increased by ¥6.7 billion, mainly due to a ¥12.7 billion increase in cash and cash equivalents.

Total liabilities at the end of fiscal 2021 were ¥135.1 billion, down ¥15.2 billion from the end of the previous fiscal year. The amount was due to decreases mainly in interest-bearing debt equal to ¥5.6 billion, owing to repayment of borrowings related to the X-Band business and the Horizons 3e business, in income taxes payable equal to ¥3.1 billion, and in unearned revenues equal to ¥1.5 billion. Of the ¥70.4 billion in loans payable at the end of fiscal 2021, the ¥47.0 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 ¥21.9 billion borrowed for the Horizons 3e business is to be repaid with operating cash flows associated with this business.

Total equity, including non-controlling interests, increased by ¥7.8 billion from the end of the previous fiscal year to ¥243.1 billion. This is mainly attributed to an increase in retained earnings of ¥9.2 billion, and the main decrease was the acquisition of treasury stock equal to ¥3.0 billion. As a result, the equity ratio increased by 3.2 percentage points to 64.0%, and an "A" issuer rating from both Rating and Investment Information, Inc. (R&I) and Japan Credit Rating Agency, Ltd. (JCR) was maintained for our long-term bonds.

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 October 20, 2021)

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 October 5, 2021)

Who We Are
What We're Planning
How We're Doing
Governance
Data Section
Financial Section

Message from the CFO

Cash Flows

Net cash provided by operating activities were ¥36.5 billion (versus ¥57.9 billion in the previous fiscal year) due to a decrease in receivables—trade and affiliated companies of ¥4.4 billion and income taxes paid of ¥8.4 billion, etc., in addition to profit before income taxes, depreciation, and amortization of goodwill totaling ¥43.3 billion.

Net cash used in investing activities amounted to ¥7.7 billion (versus ¥11.4 billion in the previous fiscal year), mainly due to expenditures of ¥8.4 billion for the purchase of property, equipment and other assets and ¥3.1 billion for the purchase of investment securities, and income of ¥2.2 billion due to the collection of loans pertaining to the Horizons 3e business and ¥1.2 billion from the sale of associated company shares.

Free cash flows (revenues from operating activities minus expenditures from investing activities), which had been negative since fiscal 2014, became positive from fiscal 2019 onwards mainly due to the completion of capital expenditures for new satellite procurement and reached an inflow of ¥28.8 billion in fiscal 2021.

Net cash used in financing activities amounted to ¥16.4 billion (versus ¥16.9 billion in the previous fiscal year) mainly due to expenditures of ¥7.8 billion for repayments of long-term loans payable, ¥3.0 billion for the purchase of treasury shares, and ¥5.3 billion for dividends paid.

As a result of the above, the balance of cash and cash equivalents increased by ¥12.7 billion from the end of the previous fiscal year to ¥85.9 billion.

	Results (Billions of yen)			
	FY2018	FY2019	FY2020	FY2021
Net cash provided by operating activities	25.9	28.9	57.9	36.5
Net cash used in investing activities	(33.5)	(20.8)	(11.4)	(7.7)
Free Cash Flows	(7.6)	8.1	46.6	28.8
Net cash used in financing activities	9.4	(12.5)	(16.9)	(16.4)

Capital Expenditures, Business Investments, and Research and Development Investments

Capital expenditures in fiscal 2021 amounted to ¥7.5 billion, down 42.4% from the previous fiscal year. By segment, capital expenditures in the Space Business consisted mainly of ¥3.3 billion for the procurement of communications satellite equipment, and capital expenditures in the Media Business consisted mainly of ¥4.0 billion for the enhancement of broadcasting and distribution equipment. Regarding capital expenditures in fiscal 2022, we are planning investments of ¥22.3 billion mainly in Superbird-9, which will be started in fiscal 2025. This is forecast to bring overall capital expenditures to ¥25.7 billion. Furthermore, in fiscal 2022, as a part of the space integrated computing network business, we forecast business investments of ¥14.0 billion, including equity investment in Space Compass Corporation, a joint venture with NTT Corporation. On the other hand, we recorded ¥0.39 billion (versus ¥0.24 billion in the previous fiscal year) of research and development expenses in fiscal 2021, mainly consisting of research and development pertaining to a non-terrestrial network for expanding the coverage of Beyond 5G, and the development of a service to move (remove) unneeded satellites using space lasers.

FY2022 Capital Expenditure and Business Investment Plan

(Billions of yen)

	FY2021 results	**FY2022 forecast**	Difference	Remarks
(1) Capital Expenditures	7.5	**25.7**	18.2	
Breakdown				
Space Business	3.3	**22.3**	19.0	Procurement of satellites, etc.
Media Business	4.0	**3.3**	(0.7)	
Others	0.2	**0.3**	0.1	
(2) Business investment	3.0	**14.0**	11.0	NTT collaboration, etc.
(1) + (2) Total investment	10.5	**39.7**	29.2	

Shareholder Returns

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, and dividend payout ratio, among other factors. We paid an annual dividend of ¥18 per share (dividend payout ratio: 36.3%) in fiscal 2021. We plan to pay the same amount in fiscal 2022.

In addition, for the purpose of further enhancing shareholder returns, the Company conducted a treasury shares acquisition (market transaction) of approximately ¥3 billion during the period from August 2021 to the end of January 2022.

	Actual				Forecast
	FY2018	FY2019	FY2020	FY2021	FY2022
Revenues (Billions of yen)	164.0	139.5	139.6	119.6	120.0
Operating Profit (Billions of yen)	15.3	15.3	19.2	18.9	21.0
Profit Attributable to Owners of the Parent (Billions of yen)	9.7	12.0	13.3	14.6	15.0
Dividend Payout Ratio (%)	55.2	44.4	40.1	36.3	35.3
Dividends Per Share (yen)	18	18	18	18	18

Capital Allocations over the Next Five Years

The business environment that surrounds the Company is changing greatly in both the Space Business and the Media Business. Therefore, the Company has positioned the next five years as the investment period for improving core profitability toward 2030 and has a policy of investing ¥100.0 billion in the strengthening of the profitability of existing businesses and ¥120.0 billion in growth opportunities. Note that we anticipate investment of over ¥200.0 billion in growth opportunities in both businesses toward 2030, but here, we are presenting the capital allocations over five years, a shorter time frame. In conjunction with this, we intend to enhance the returns to all of our shareholders and allocate ¥40.0 billion to dividends and flexible treasury shares acquisition. Regarding these invested funds, we anticipate borrowing ¥60.0 billion based on the cash flows stably generated in the existing businesses and the surplus cash accumulated to date, but we will ensure financial soundness with a guideline of a Net Debt/EBITDA ratio of no more than two to one.

The Group will continue to challenge itself to realize where it aims to be in 2030. We intend to share our progress toward this goal with our investors and all of our other stakeholders and to enhance dialogue with them. We look forward to your continued understanding and support for the businesses of the Company.

Capital Allocation Plan for the Next Five Years