

Message from the Chief Financial Officer



We will accelerate growth investments based on stable cash flow and enhance shareholder returns.

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

communications satellite equipment in the Space Business; expansion of broadcasting and distribution facilities in the Media Business; 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 2022

Revenues increased by 1.3% from the previous fiscal year to ¥121.1 billion, operating profit increased 18.3% to ¥22.3 billion, and profit attributable to owners of the parent increased 8.4% to ¥15.8 billion. Both revenues and profits exceeded initial forecasts.

Regarding segment profit, in the Space Business, operating revenues increased mainly due to expanded use of Horizons 3e and other products in the Global Mobile domains and the impact of the yen's depreciation, which together with a decrease in depreciation and amortization

of goodwill resulted in an increase of 9.9% from the previous fiscal year to ¥13.5 billion. In the Media Business, revenue from subscription fees decreased due to a decline in the total number of subscribers to the three SKY PerfecTV! services, but thanks to the increase in the number of households connected to FTTH (fiber to the home) and control over costs such as advertising and promotional expenses, operating revenues increased 1.1% from the previous fiscal year to ¥2.8 billion.

• Outlook for Fiscal 2023

In the Space Business, operating revenues and operating profit are expected to increase due to higher revenues in new domains and lower depreciation on satellites, but segment profit is expected to be the same as the previous fiscal year due to the inclusion of investment losses under the equity method from Space Compass Corporation. Meanwhile, in the Media Business, although we anticipate revenue growth in the FTTH business, we forecast declines in both revenues and profit due to the expected decline in

the total number of subscribers to the three SKY PerfecTV! services from intensified competition in mature markets and the need to accelerate future-oriented efforts by aggressively investing in new areas.

As a result, in fiscal 2023, revenues are projected to decrease by 0.1% from the previous fiscal year to ¥121.0 billion, operating profit to increase 0.8% to ¥22.5 billion, and profit attributable to owners of the parent to decrease 5.1% to ¥15.0 billion.

• Cash Flows

In fiscal 2022, cash flows from operating activities totaled ¥57.6 billion (versus ¥36.5 billion in the previous fiscal year), reflecting a total of ¥44.4 billion for profit before income taxes, depreciation and amortization, and amortization of goodwill; a ¥2.6 billion decrease in trade and affiliated companies; and a ¥8.3 billion increase in unearned income.

Cash flows from investing activities amounted to ¥16.9 billion (versus ¥7.7 billion in the previous fiscal year), mainly

due to expenditures of ¥17.4 billion for purchases of fixed assets, income of ¥3.2 billion for collection of loans related to the Horizons 3e business, and expenditures of ¥3 billion for Payments of shares of associated companies.

Free cash flows (revenues from operating activities minus expenditures from investing activities) amounted to ¥40.8 billion in fiscal 2022 (versus ¥28.8 billion in the previous fiscal year).

Message from the Chief Financial Officer

Cash flows from financing activities amounted to ¥19.4 billion (versus ¥16.4 billion in the previous fiscal year) due to expenditures of ¥9.1 billion for repayments of long-term loans payable, ¥5.0 billion for redemption of corporate

bonds, and ¥5.2 billion for dividends paid.

As a result of the above, cash and cash equivalents balances increased by ¥22 billion year on year to ¥107.9 billion.

	Results (Billions of yen)			
	FY2019	FY2020	FY2021	FY2022
Net cash provided by operating activities	28.9	57.9	36.5	57.6
Net cash used in investing activities	(20.8)	(11.4)	(7.7)	(16.9)
Free Cash Flows	8.1	46.6	28.8	40.8
Net cash used in financing activities	(12.5)	(16.9)	(16.4)	(19.4)

Capital Allocation Planning and Progress

Under the Capital Allocation Plan announced in April 2022, we announced that over the five years from fiscal 2022 to fiscal 2026, we will invest ¥100 billion in strengthening the profitability of existing businesses and ¥120 billion in growth

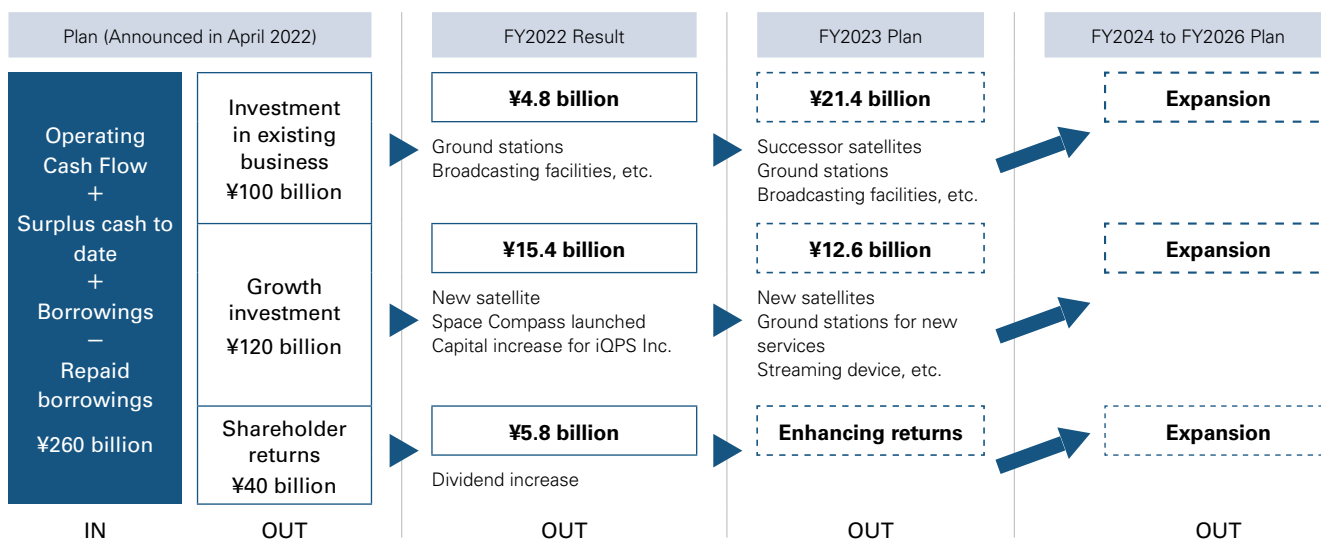
with the goal of achieving consolidated net profit of more than ¥25 billion in fiscal 2030, as well as ¥40 billion for flexible enhancement of shareholder returns, including share buybacks. The progress on the plan is indicated below.

Investment

Actual investment in fiscal 2022 amounted to ¥20.3 billion, and we plan to invest a total of ¥34 billion in fiscal 2023. Looking specifically at investments in existing areas, in the Space Business, we will continue to steadily invest in Horizons-4 (a satellite jointly owned with INTELSAT), the

successor to Horizons-1, and in the Media Business, we will continue to steadily invest in broadcasting facilities at the SKY PerfectTV! Tokyo Media Center. With regard to growth investment, we will expand investments to launch businesses in new domains, such as Superbird-9, which is

Progress of Capital Allocation (FY2022 to FY2026)



scheduled to begin operations in the first half of 2027, and investments in the development of facilities related to the near-earth tracking network service for JAXA.

In making investment decisions, the Company uses a hurdle rate determined by the Company to improve the

Company's return on capital. ROE for fiscal 2022 was 6.2%, and we will continue to meet the expectations of our shareholders by executing management decisions aimed at improving return on capital.

Raising investment capital and maintaining a stable financial base

Our policy is to finance these investments through cash on hand, operating cash flows, and interest-bearing debt such as borrowings. Note that in raising funds through interest-bearing debt, our basic policy is to maintain a sound financial base by adhering to financial discipline, using Net Debt/EBITDA and equity ratio as indicators. As of the end of fiscal 2022, our equity ratio is 64.0%, and our long-term bond issuer rating of Rating and Investment Information,

Inc. (R&I) and Japan Credit Rating Agency, Ltd. (JCR) is maintained at "A".

In addition, our backlog of ¥230.9 billion at the end of fiscal 2022 (primarily the residual performance obligations arising from contracts with customers, plus the amount of future revenues to be determined under finance lease contracts) offers good evidence for future operating cash flow projections as a source of funds for the above investments.

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 27, 2022)

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 28, 2022)

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 have a basic policy of at least ¥16 per share per year and a dividend payout ratio of 30% or more, after comprehensively taking into consideration our financial position and profit level, among other factors.

In order to implement capital allocation based on this policy, the annual dividend per share in fiscal 2022 was

increased by ¥2 to ¥20 (dividend payout ratio: 36.7%). We hope to continue to pay a dividend of ¥20 yen per share in fiscal 2023.

As we accelerate up-front investments for growth with a view to 2030, we believe it is important for our investors and other stakeholders to understand our growth strategy, and we intend to increase our dialogue with them, including the status of execution of capital allocations. We look forward to your continued support in these endeavors.

	Actual				Forecast
	FY2019	FY2020	FY2021	FY2022	FY2023
Revenue (Billions of yen)	139.5	139.6	119.6	121.1	121.0
Operating Profit (Billions of yen)	15.3	19.2	18.9	22.3	22.5
Profit Attributable to Owners of the Parent (Billions of yen)	12.0	13.3	14.6	15.8	15.0
Dividend Payout Ratio (%)	44.4	40.1	36.3	36.7	38.7
Dividends Per Share (yen)	18	18	18	20	20