

感動を生む。想いをつなぐ。  
The Entertain**media** Company

**J:COM**

# Financial Results for the 1st Quarter of the FY2012 ending December 2012

April 24, 2012

Jupiter Telecommunications Co., Ltd.

# Cautionary Statement Concerning Forward-looking Statements

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**The financial information in this presentation was prepared in accordance with U.S. GAAP.**

**This presentation includes forward-looking statements reflecting our plans and expectations, which are based on currently available information and may be influenced by uncertain factors, including but not limited to economic circumstances, competition, and potential new services. Therefore, please be advised that our actual business results may differ substantially from the forward-looking statements in this presentation.**

**In addition, we expressly disclaim any obligation or intention to disseminate any updates or revisions to these forward-looking statements after this presentation.**

<b>1</b>	<b>Summary of 1Q FY2012</b>
2	Explanation of Performance and Financials
3	Overview of Mid-term Business Plan

# 1. Summary of 1Q FY2012

- Compared to the same period in the previous fiscal year, results were impacted by falling earnings related to analog poor reception compensation and other factors;
- however, double-digit growth in earnings was achieved compared to the previous quarter
- Results generally fell in line with plans and forecasts for the full fiscal year

(Billions of yen)

	2011 1Q	2012 1Q	YOY Changes	2011 4Q	2012 1Q	YOY Changes	2011 Actual	2012 Forecast	YOY Changes	YTD Progres
Revenue	91.8	92.5	+ 0.8%	92.8	92.5	Δ 0.3%	369.1	378.0	+ 2.4%	24%
Operating Income	20.6	18.5	Δ 10.4%	13.8	18.5	+ 33.4%	71.1	73.5	+ 3.4%	25%
Income before noncontrolling interests and income taxes	19.9	17.8	Δ 10.8%	13.3	17.8	+ 33.6%	68.5	71.0	+ 3.6%	25%
Net income attributable to J:COM shareholders	10.4	9.1	Δ 12.1%	7.5	9.1	+ 21.4%	37.3	39.0	+ 4.6%	23%
EBITDA*	41.2	38.9	Δ 5.6%	36.4	38.9	+ 6.7%	156.4	/	+2~3%	/

\* EBITDA=(Revenue) – (Operating and programming costs) – (Selling, general and administrative expenses)

# 1-1. Summary of Principal Operations



**Success with various marketing initiatives (described hereafter);  
steady customer base expansion**

(million)

	End of Mar 2011 (Ave. Jan-Mar 2011)	End of Mar 2012 (Ave. Jan-Mar 2012)	YOY Changes
<b>Subscribing households</b>			
Cable Television	<b>2.88</b>	<b>3.07</b>	<b>6.7 %</b>
High-Speed Internet Access	<b>1.69</b>	<b>1.85</b>	<b>9.2 %</b>
Telephony	<b>2.02</b>	<b>2.29</b>	<b>13.4 %</b>
<b>Total RGUs*1</b>	<b>6.59</b>	<b>7.20</b>	<b>9.4 %</b>
<b>Total subscribing households</b>	<b>3.41</b>	<b>3.64</b>	<b>6.6 %</b>
<b>Bundle Ratio*2</b>	<b>1.93</b>	<b>1.98</b>	<b>0.05</b>
<b>Average Monthly Churn Rate per RGU</b>	<b>1.10%</b>	<b>1.08%</b>	<b>-0.02pts</b>
<b>ARPU*3</b>	<b>7,695yen</b>	<b>7,429yen</b>	<b>-266yen</b>

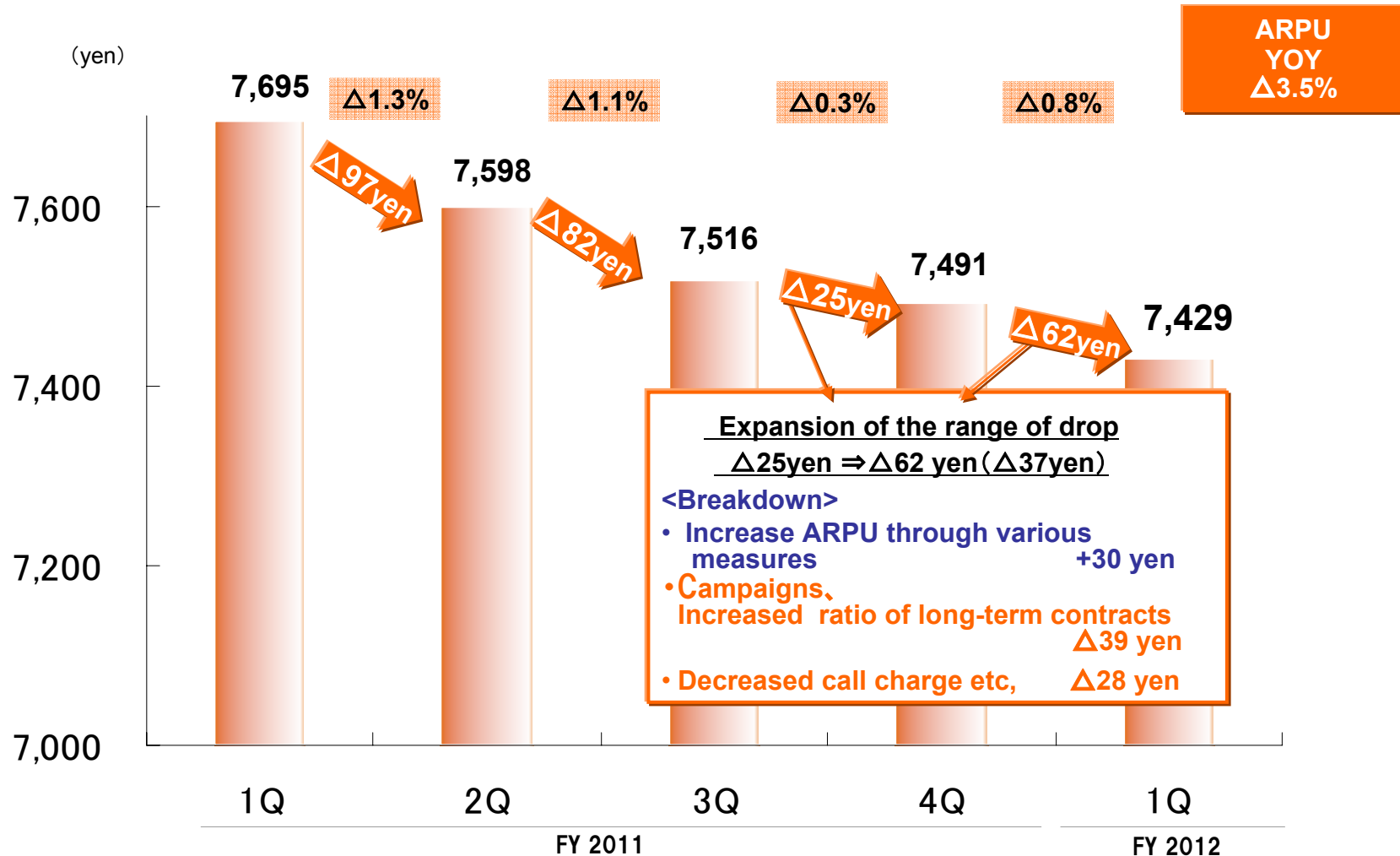
\*1 Total RGUs (Revenue generating unit) = Total number of services provided

\*2 Bundle ratio = Average number of services received per subscribing household

\*3 ARPU = Monthly average revenue per unit

# 1-1. Principal Operational Index (ARPU\*)

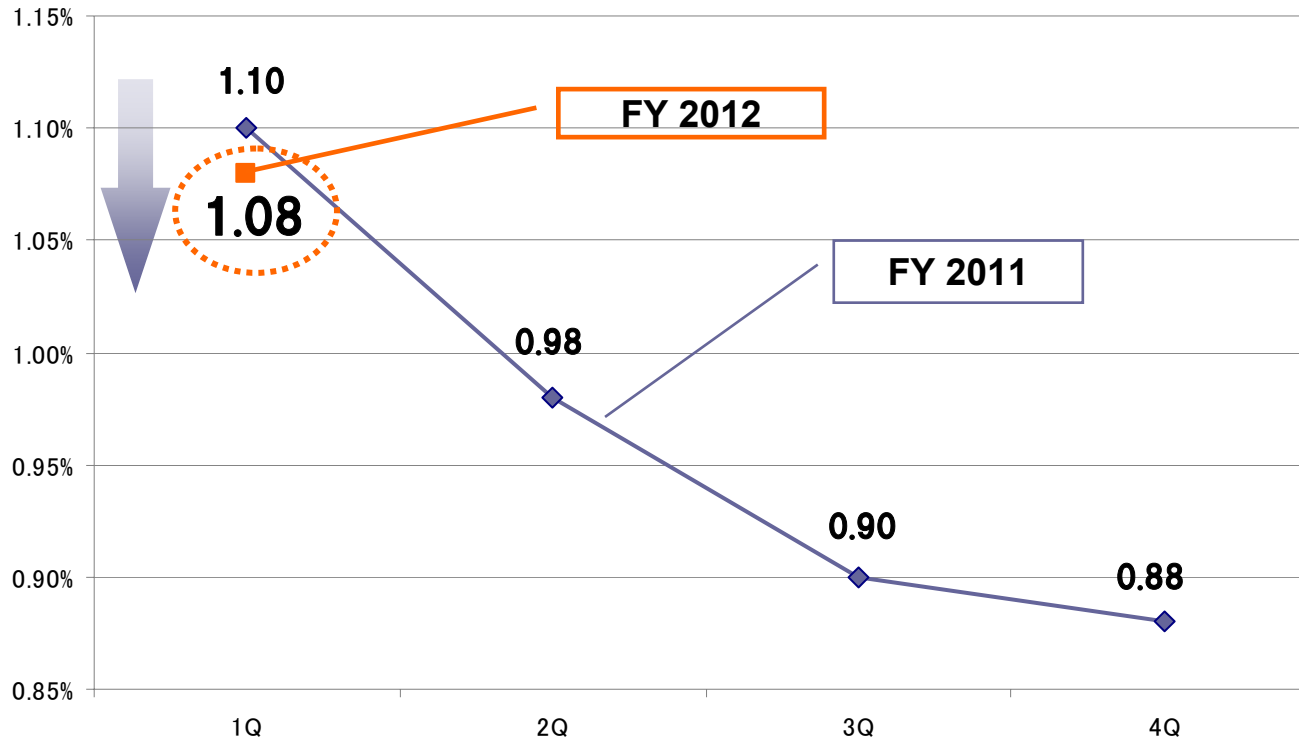
While steady benefits delivered from measures to increase ARPU,  
Range of drop expanded due to temporary factors



# 1-1. Principal Operational Index (Churn Rate)

Further improvement from the record low figure in FY2011

Average Monthly Churn Rate \* per RGU



\* Average monthly churn rate = (Total no. of churns in a given period) / (Weighted average RGUs over the same period) / (No. of months)

# 1-2. FY2012 Management Policy

## 1. Expand Customer Base and Boost Earnings Potential

- From RGU orientation to revenue & profit orientation

## 2. Enhance Customer Satisfaction

## 3. Deepen Alliance

- Promote alliance with KDDI and utilize Sumitomo Corporation's resources

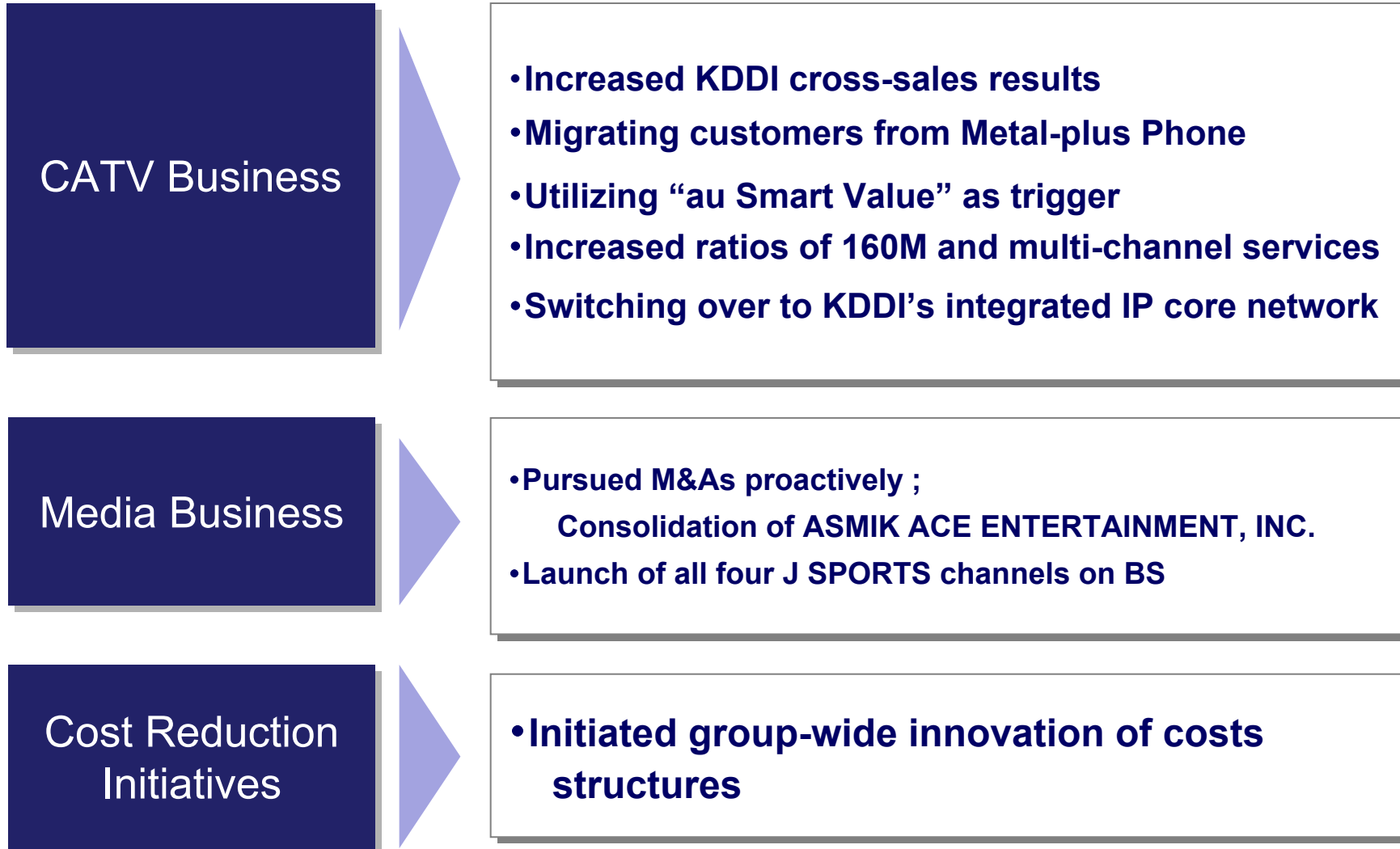
## 4. Engage in M&As Actively

- CATV Business + Media Business + New Business

## 5. Enhance Network Robustness

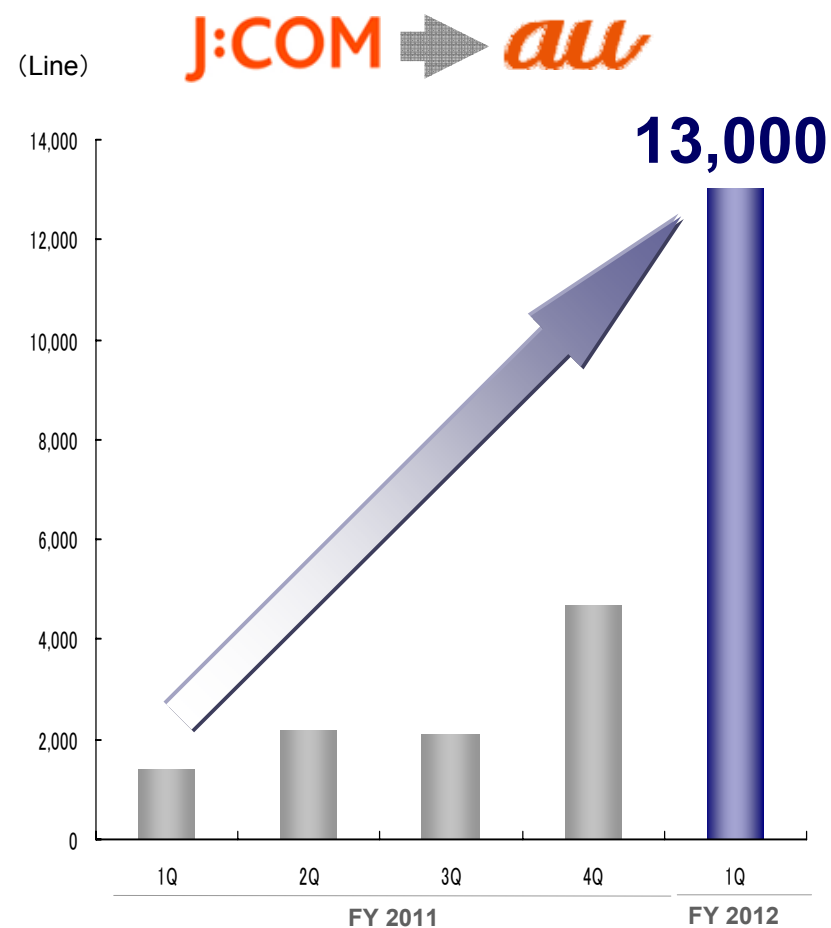
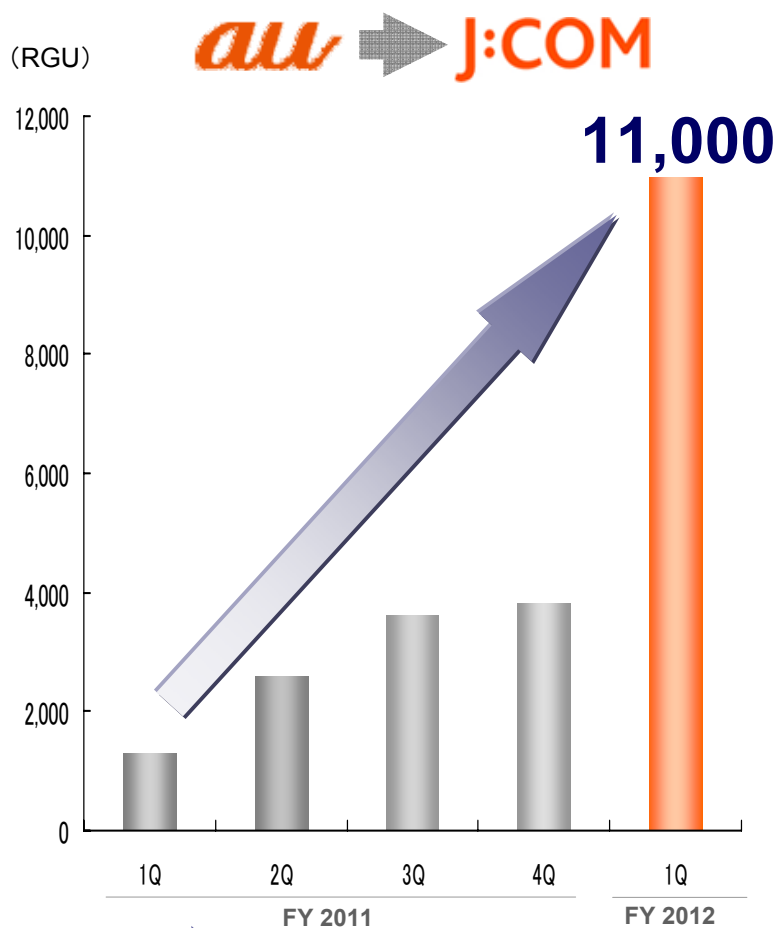
## 6. Improve Business Efficiency

# 1-3. Major Results



# 1-3-1. Progress of Cross-Sales Promotion

- Launched across all J:COM areas
- Rapid expansion of contract compared to the previous quarter



**Moving toward growth of important sales channels**

# 1-3-2. Recent Status of “au Smart Value”

**1Q Results**  
 (Order entry started on February 14,  
 Service launched on March 1)

▪ Acquisitions  
 utilizing “au Smart Value”



**8,200** Households / **17,100** RGUs (as of March 31) \* contract basis

- Acquisition of non-subscribers: 5,100 households / 12,600 RGUs
- Acquisition from existing customers: 3,100 households / 4,500 RGUs

< Implement wide-ranging promotions >



~TV commercials~



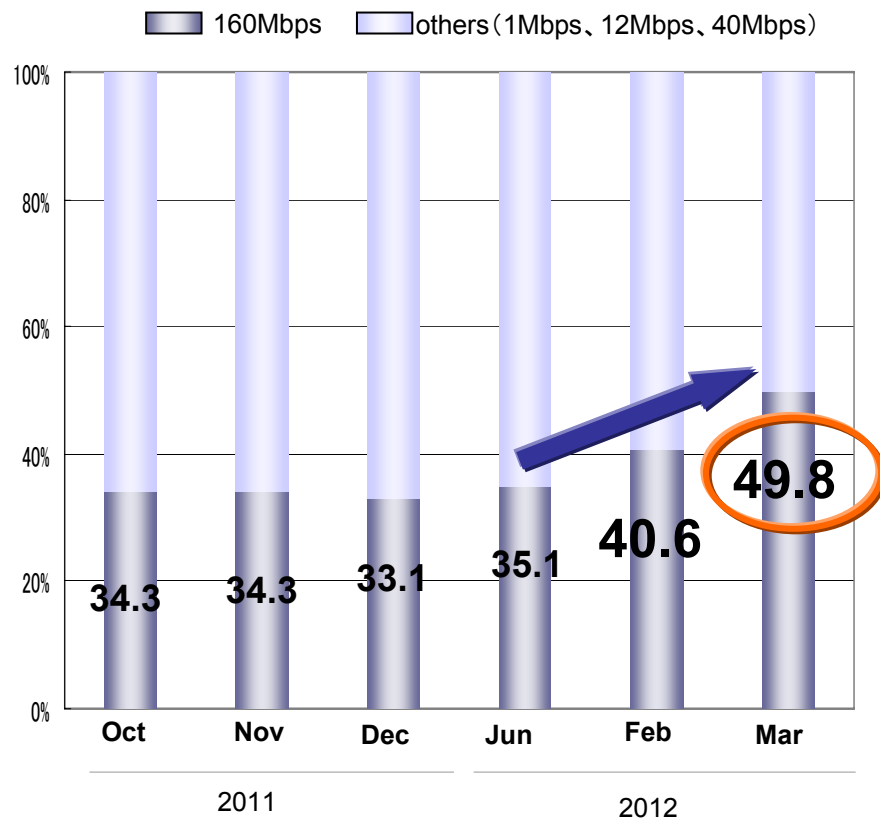
~Transportation advertising~

**On household basis,  
 over 60% of contracts  
 are from non-subscribers**

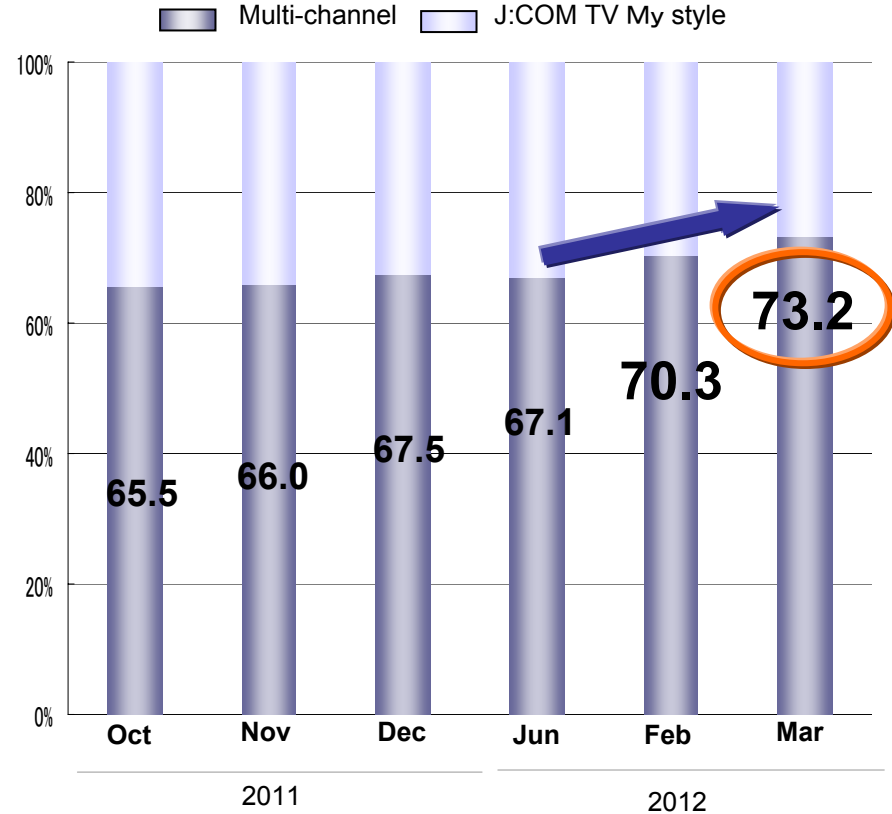
# 1-3-3. Changeover to Revenue and Profit Orientation J:COM

## Increase in 160Mbps and multi-channel service ratios

### 160Mbps High-Speed Internet new acquisitions ratio



### Multi-channel services\* new acquisitions ratio



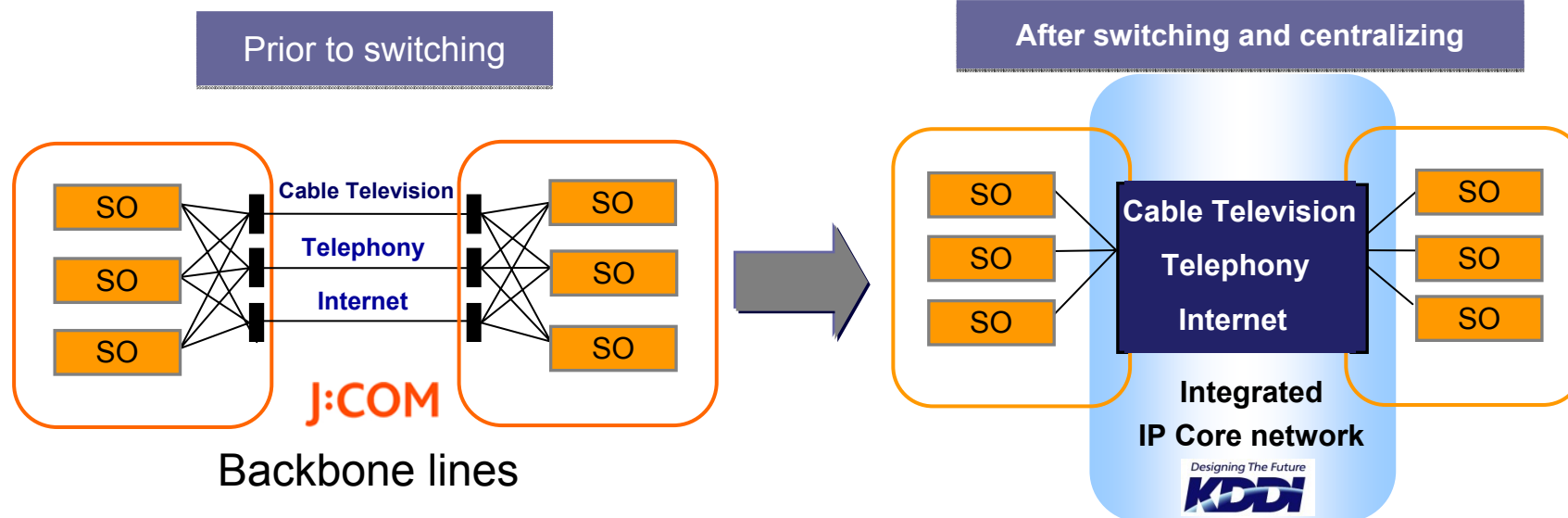
\*Multi-channel services :Cable television services excluding J:COM TV My style and BS retransmission services

# 1-3-4. Switching to KDDI's Integrated IP Core Network

## Switching Overview and Objective






Switch backbone lines to KDDI's integrated IP core network (started: March 15) to bolster J:COM's network and enhance reliability

## Overview of the switching



- 70% to be switched in FY2012; complete switching in FY2013
- Reduce operating costs while enhancing reliability

# 1-3-5. Consolidation of ASMIK ACE ENTERTAINMENT, INC. **J:COM**

<b>Purpose of consolidation</b>	<ul style="list-style-type: none"> <li>• Strengthen J:COM program production capabilities</li> <li>• Secure independent content broadcasting rights</li> </ul>
<b>Business details</b>	<ul style="list-style-type: none"> <li>• Movie production and equity investment</li> <li>• Motion picture distribution and promotion</li> <li>• Packaged software sales</li> <li>• TV game software planning and sales</li> <li>• Motion picture international licensing</li> <li>• Drama planning, production, outsourcing and promotion, etc.</li> </ul> <div data-bbox="1532 497 1872 699" style="text-align: right;">  </div>
<b>Date established</b>	March 1985
<b>Major productions</b>	<div style="display: flex; justify-content: space-around; text-align: center;"> <div data-bbox="645 919 987 1254"> <p><i>O-oku</i> (<i>The Inner Chambers</i>)</p>  </div> <div data-bbox="1003 919 1330 1254"> <p><i>Bushi no Kakeibo</i> (<i>Abacus and Sword</i>)</p>  </div> <div data-bbox="1361 946 1610 1254"> <p><i>The Transporter</i></p>  </div> <div data-bbox="1700 946 1910 1254"> <p><i>Bokura ga ita</i></p>  </div> </div>
<b>Recent business results</b> (FY ended March 2011)	Sales: ¥9,689 million Operating income: ¥265 million Net income: ¥248 million

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Summary of 1Q FY2012

**2**

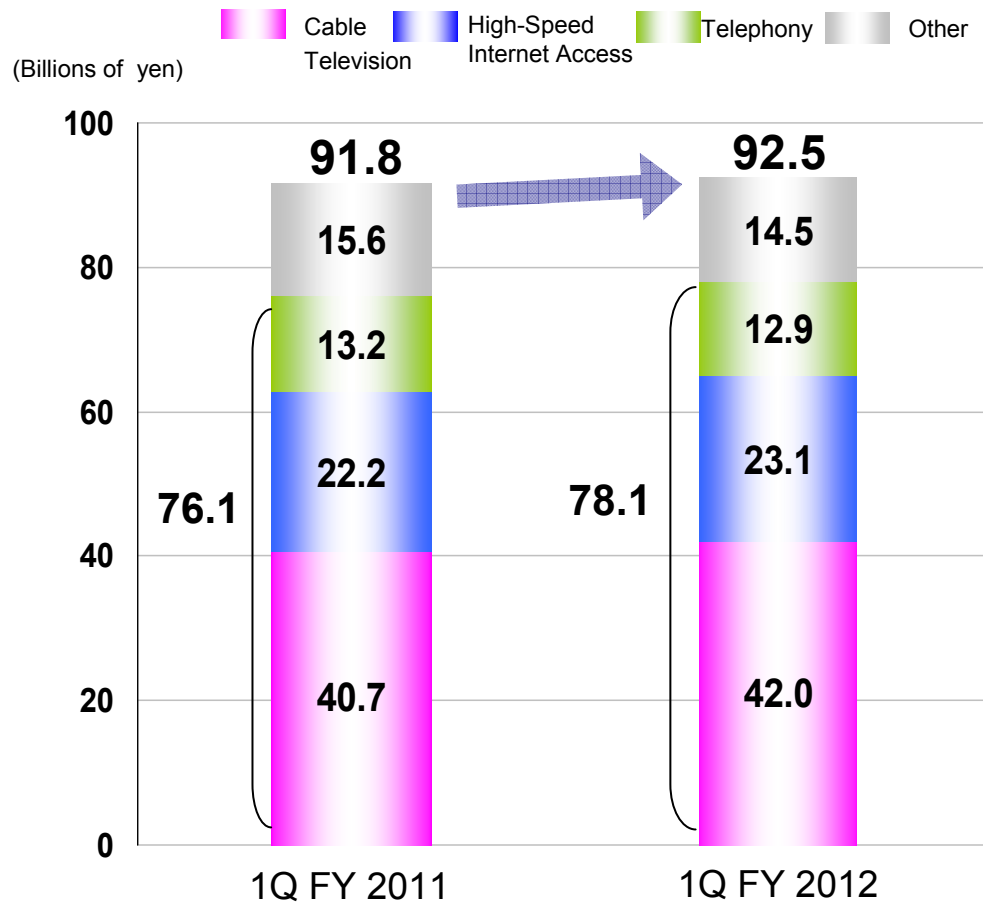
**Explanation of Performance and Financials**

3

Overview of Mid-term Business Plan

# 2-1. Revenue

**Revenue 92.5 bn yen (+0.8%、+0.7 bn yen)**



## Topics (YOY Change)

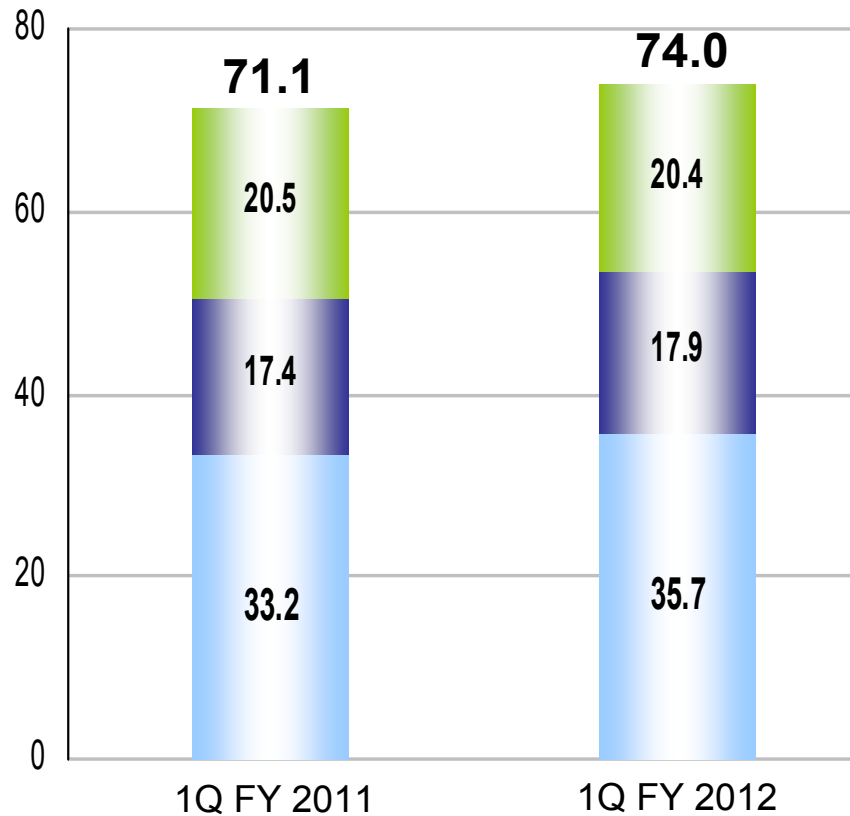
- Subscription fees : 78.1bn yen (+2.5%)**
  - Increase in total subscribing households and RGUs
  - Increase in VOD revenue (include “J:COM TV My style”)
  - Increase in usage of value-added services like “Blu-ray HDR”
- Other : 14.5bn yen (-7.5%)**
  - Decrease in revenue related to poor reception compensation of analogue service.

# 2-1. Operating Costs and Expenses

**Operating Costs and Expenses 74.0 bn yen (+4.1%、+2.9 bn yen)**

■ Operating & programming costs    
 ■ Selling, general & administrative expenses    
 ■ Depreciation and amortization

(Billions of yen)



### Topics (YOY Change)

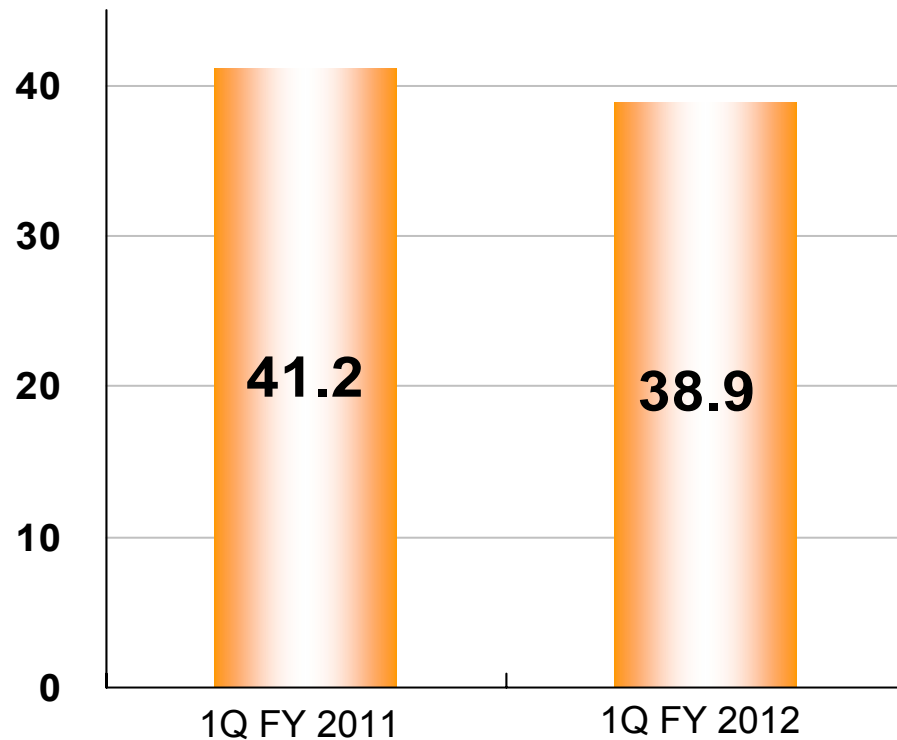
- Operating & programming costs : 35.7bn yen (+7.7%、+2.6bn yen)**
  - Increase in programming-related costs
- Selling, general & administrative expenses : 17.9bn yen (+2.9%、+0.5bn yen)**
  - Increase in sales promotion-related expenses and personnel expenses
- Depreciation & amortization : 20.4bn yen (-0.8%、-0.2bn yen)**
  - Decrease due to completion of depreciation of some leased assets

# 2-1-1. EBITDA\* and Operating Income

## EBITDA\*

**- 5.6% (-2.3bn yen)**

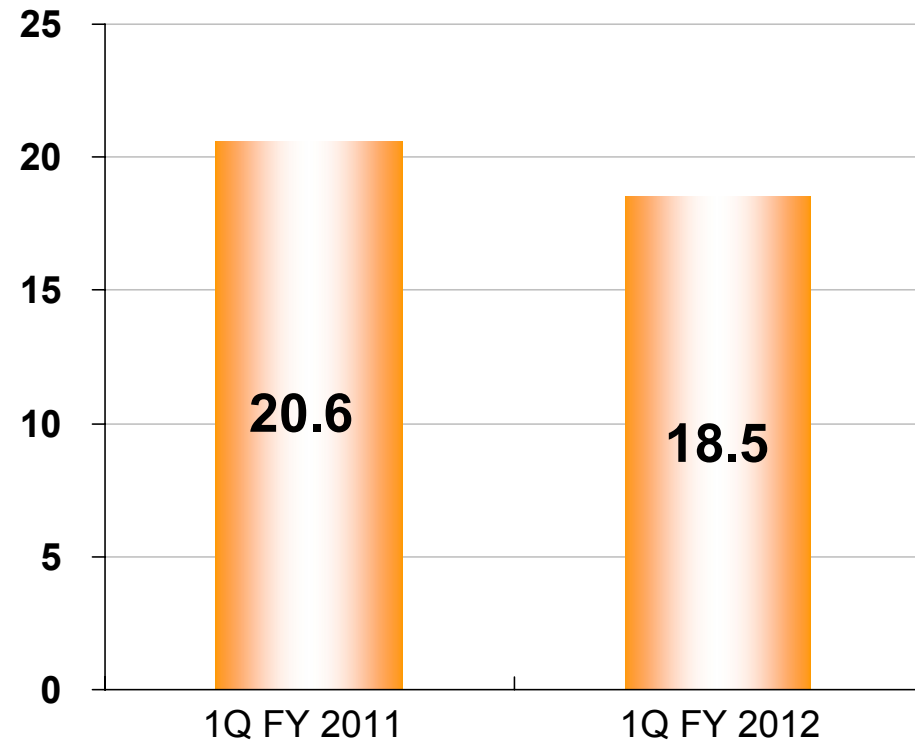
(Billions of yen)



## Operating Income

**-10.4% (-2.2bn yen)**

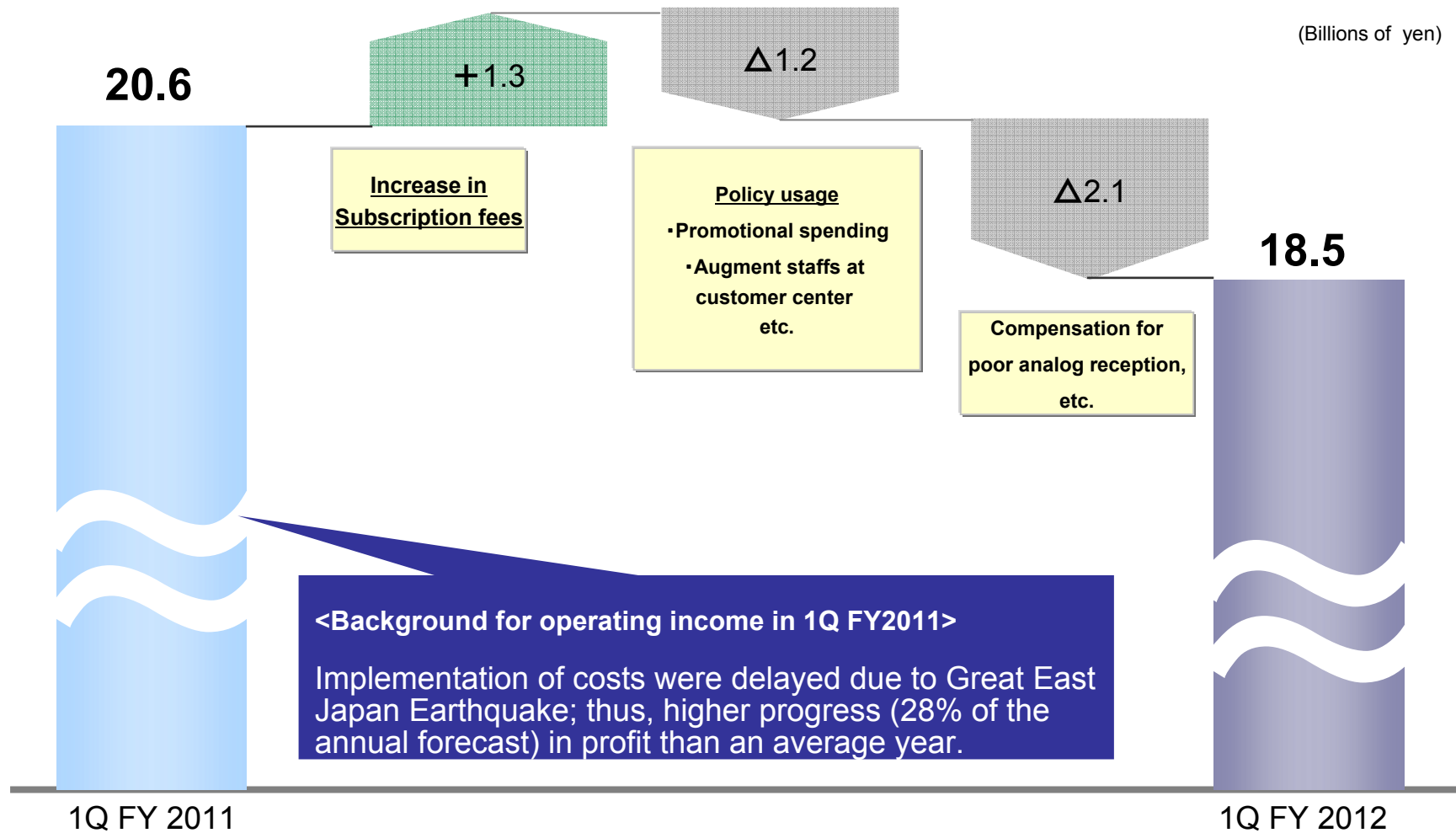
(Billions of yen)



\*:  $EBITDA = (Revenue) - (Operating\ and\ programming\ costs) - (Selling,\ general\ and\ administrative\ expenses)$

# Changes in Operating Income (YOY Change)

Main factor for decreased operating income 1Q FY2012 was decrease in revenue relating to poor reception compensation of analogue service



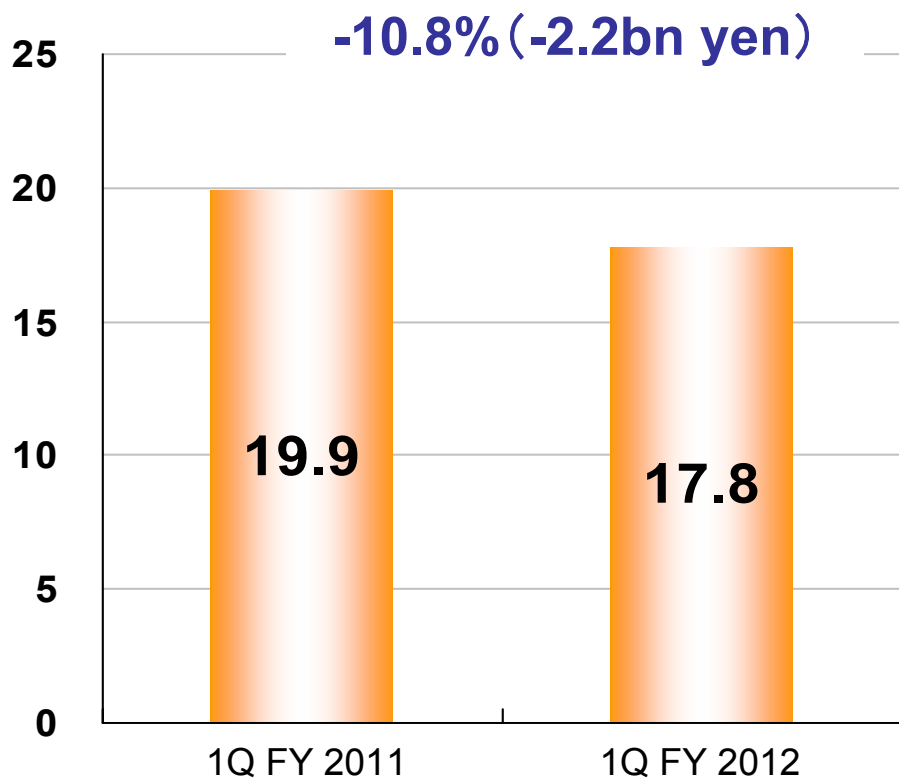
## 2-1-2. Income Before Noncontrolling Interests and Income Taxes, Net Income Attributable to J:COM Shareholders



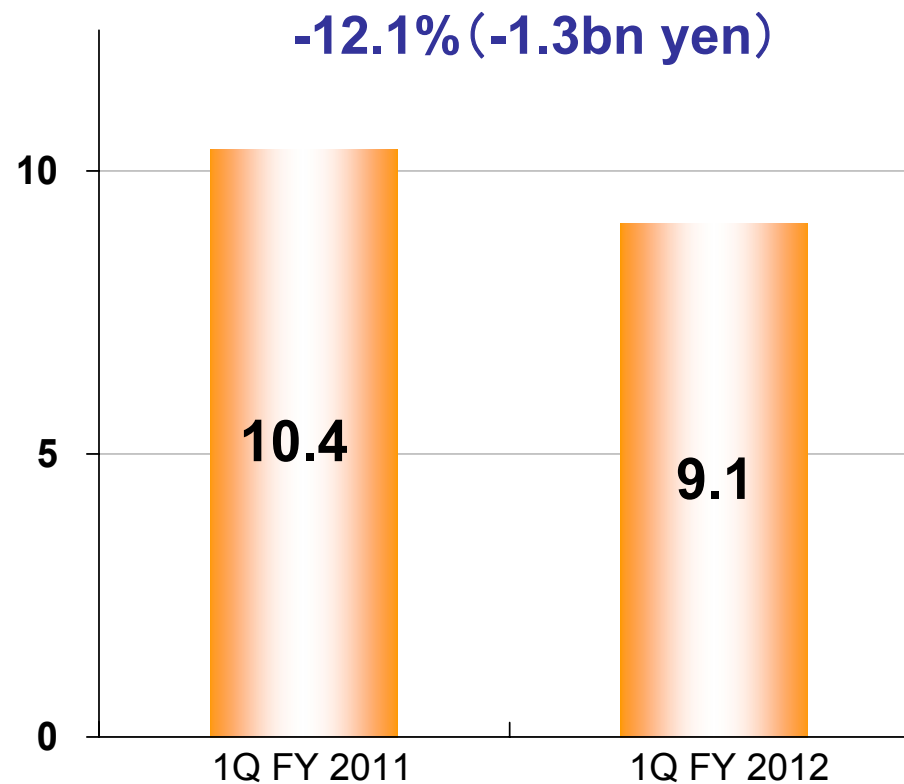
### Income Before Noncontrolling Interests and Income Taxes

### Net Income Attributable to J:COM Shareholders

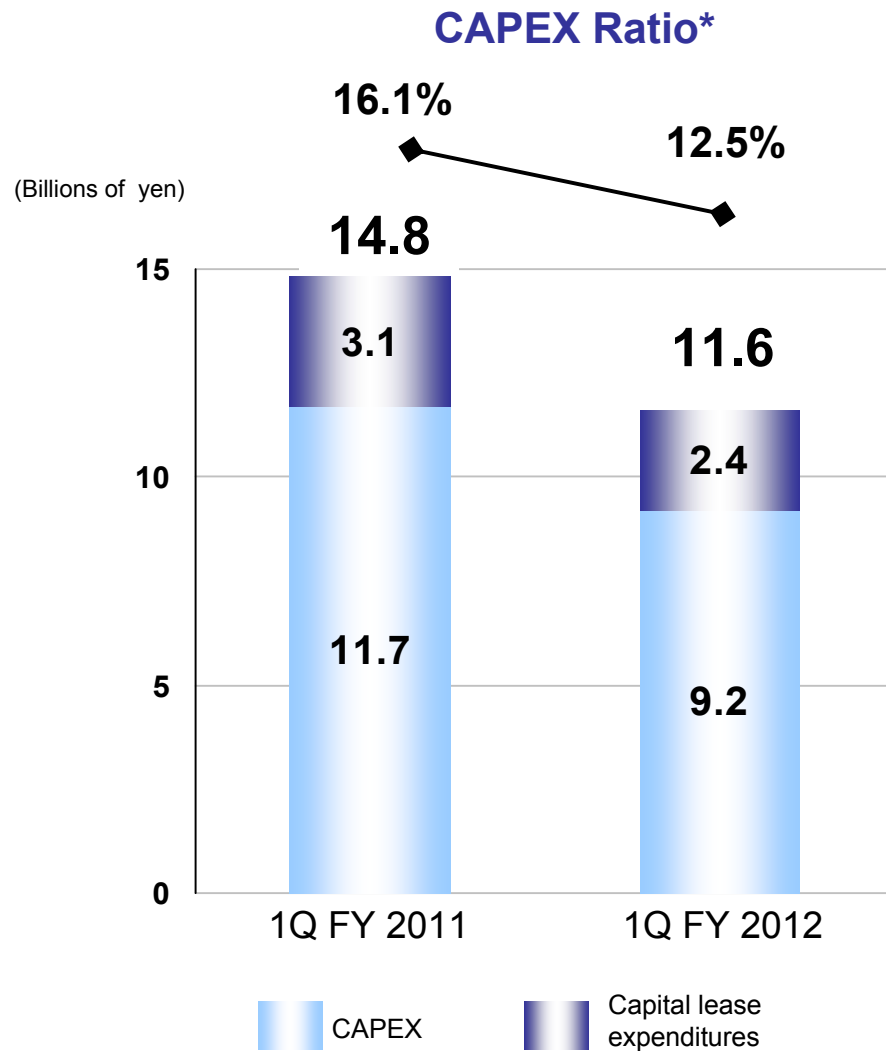
(Billions of yen)



(Billions of yen)



## 2-2. Capital Expenditures



### Topics (YOY Change)

#### 1. CAPEX: -2.5bn yen

- Decrease in investments relating to poor reception compensation.
- Decrease in trunk-line extension expenses in Hadano and Isehara areas.

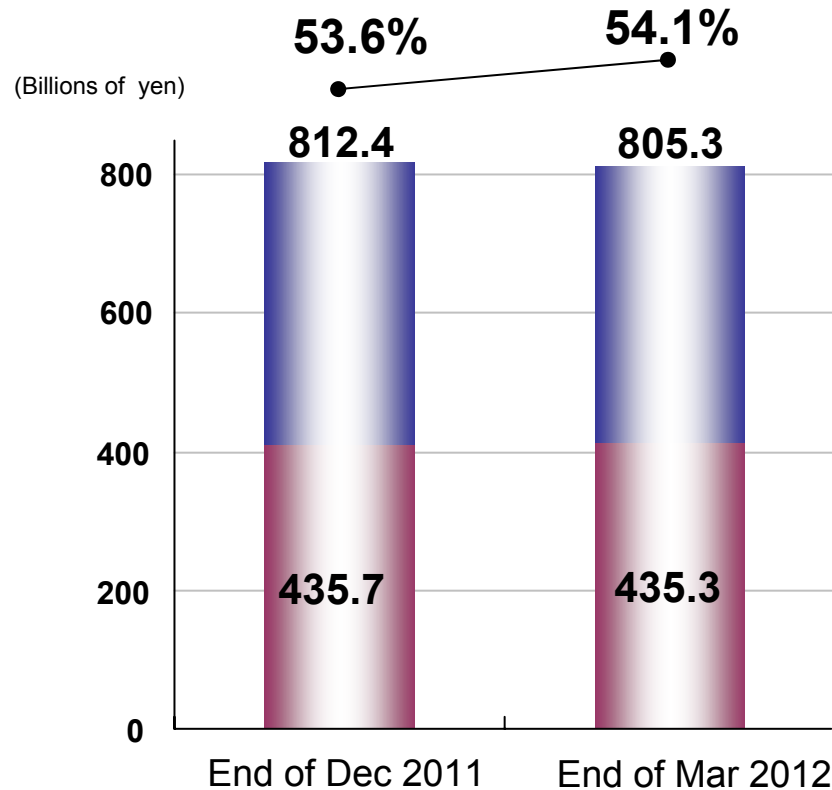
#### 2. Capital lease expenditures: -0.7bn yen

- Decrease in initial investments in center facilities for "J:COM PHONE Plus"

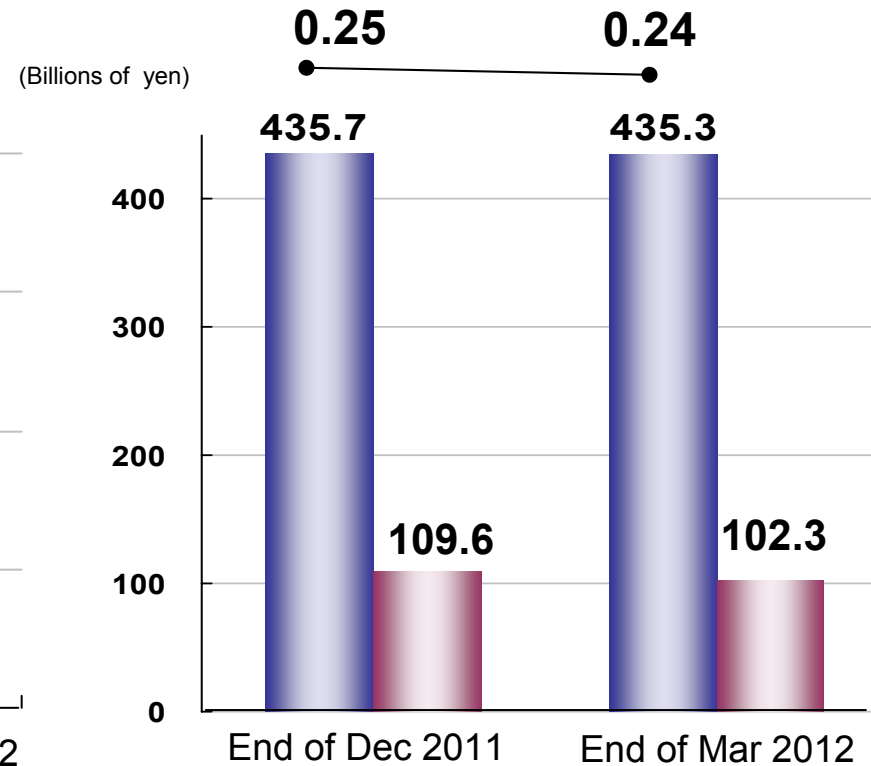
\* CAPEX Ratio is defined as the ratio of total capital expenses to revenue.

## 2-3. Principal Financial Indicators

**Equity Capital Ratio  
to Total Assets**



**D/E Ratio**



Total Liabilities and Shareholders' Equity  
 J:COM Shareholders' Equity

J:COM Shareholders' Equity  
 Net Debt

## 2-4. Consolidated Cash Flows

(Billions of yen)

	1Q FY2011	1Q FY2012	YOY Changes
<b>Cash flows from operating activities</b>	23.6	29.2	5.5
<b>Cash flows from investing activities</b>	-11.6	-8.8	2.7
<b>Cash flows from financing activities</b>	-12.7	-20.5	-7.8
<b>Free cash flow*</b>	8.8	17.6	8.8

### Topics

Net income -1.4 bn yen  
Decrease in tax payment +6.7bn yen

Capital expenditures +2.5 bn yen  
Acquisition of new subsidiaries +0.8bn yen  
Other investing activities -0.6 bn yen

Repayments of debt -4.5 bn yen  
Purchases of own stock -3.6 bn yen  
Principal payments of capital lease obligations +0.6 bn yen

\* Free cash flow = (Cash flows from operating activities) – (Capital expenditures) – (Capital lease expenditures)

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Summary of 1Q FY2012

2

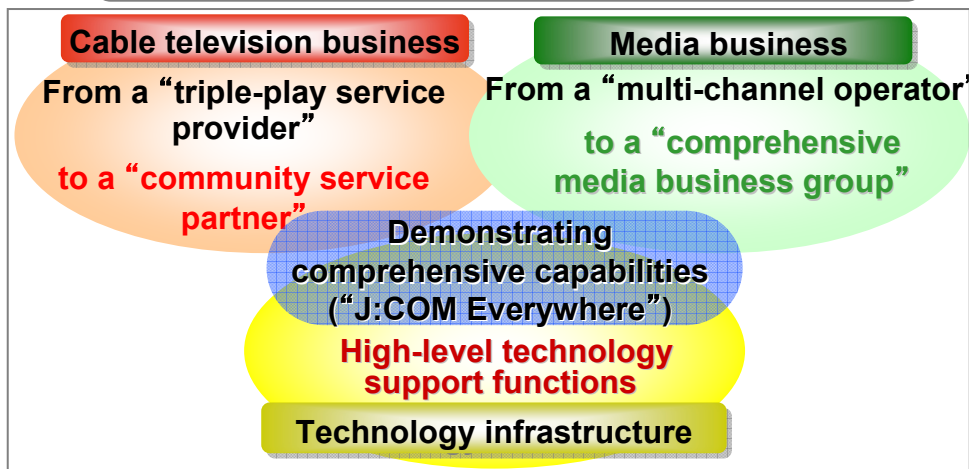
Explanation of Performance and Financials

3

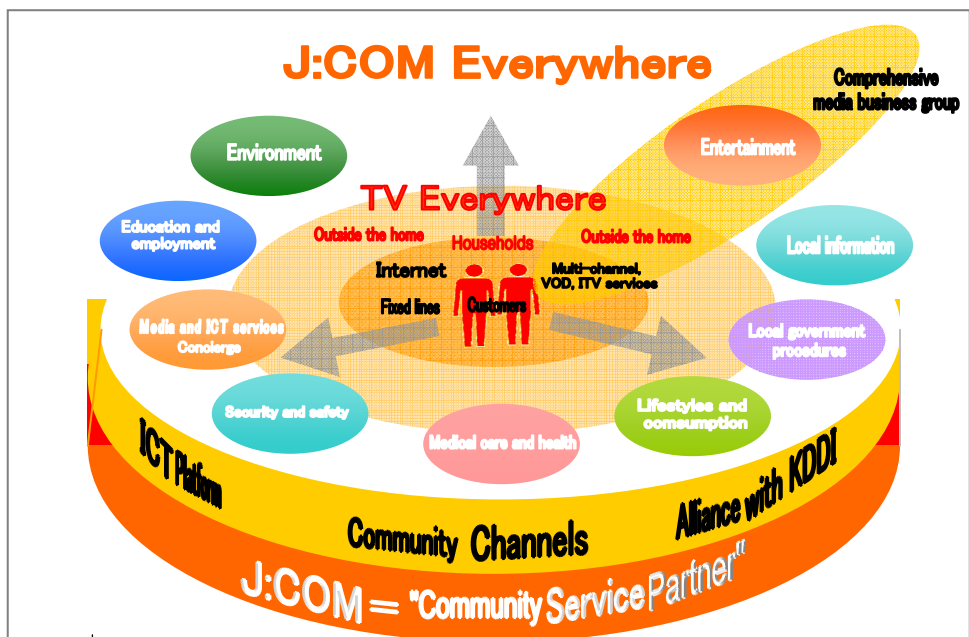
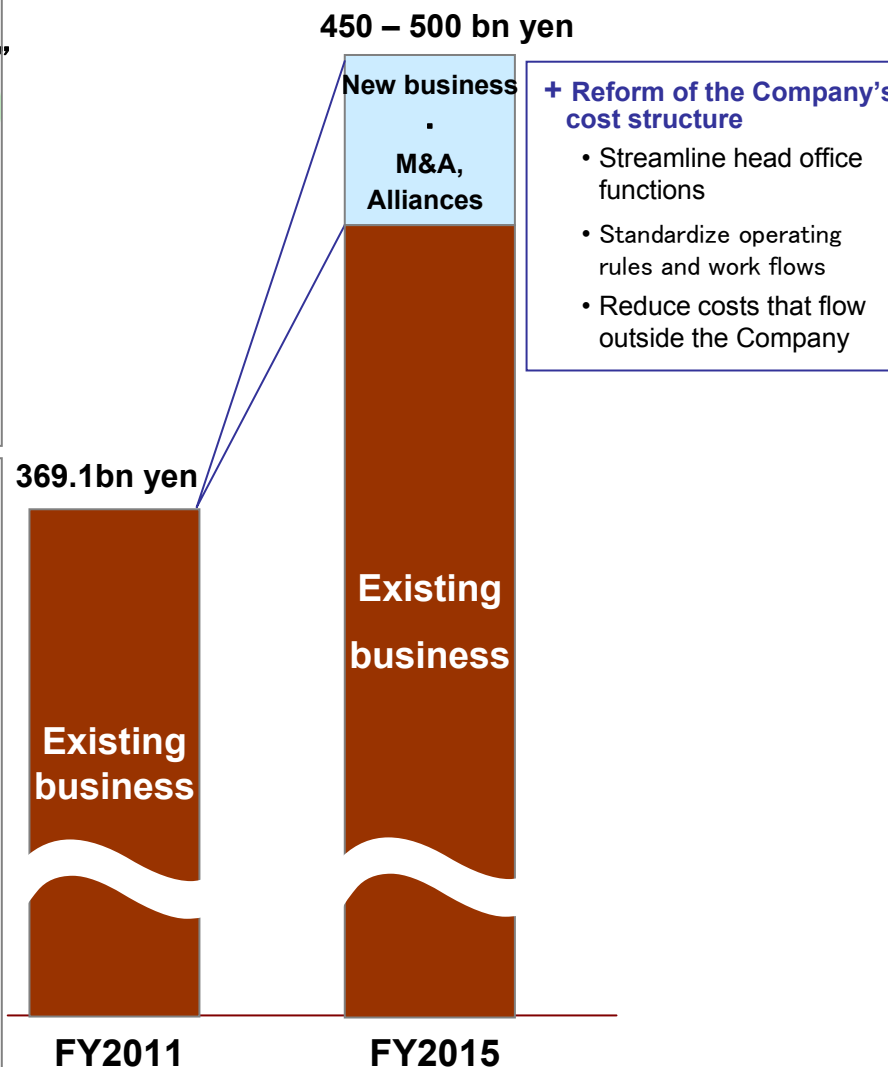
Overview of Mid-term Business Plan

# 3-1. Outline of Mid-term Business Plan

## Envisioning of the Future



## Definition of numerical targets



## 3-2. Operating Environment

### 1. Era of Pay-TV multi-channel Broadcasting

- Further growth in number of new BS channels (24 channels → 31 channels from March 1, 2012)

 Pursue multi-channel subscription opportunities using new BS channels as entry

### 2. Period of intensified competition among media

- Full scale entry by IPTV and OTT in addition to traditional broadcasting industry
- Decrease of NTT's fiber connection fees

 Necessary to differentiate through content power and community service strength


### 3. Changing composition of Households and population

- Respond to changing family structure and diversifying TV viewing needs

 Pursue new subscription opportunities (via Internet access service) outside of the multi-channel service base

### 4. Diversifying of Viewing Methods and Tools

- Diverse range of terminals becoming popular, including smart phones and tablet PCs.

 Link with terminals vital in design of TV and Internet service products

## 3-3. Growth Strategies

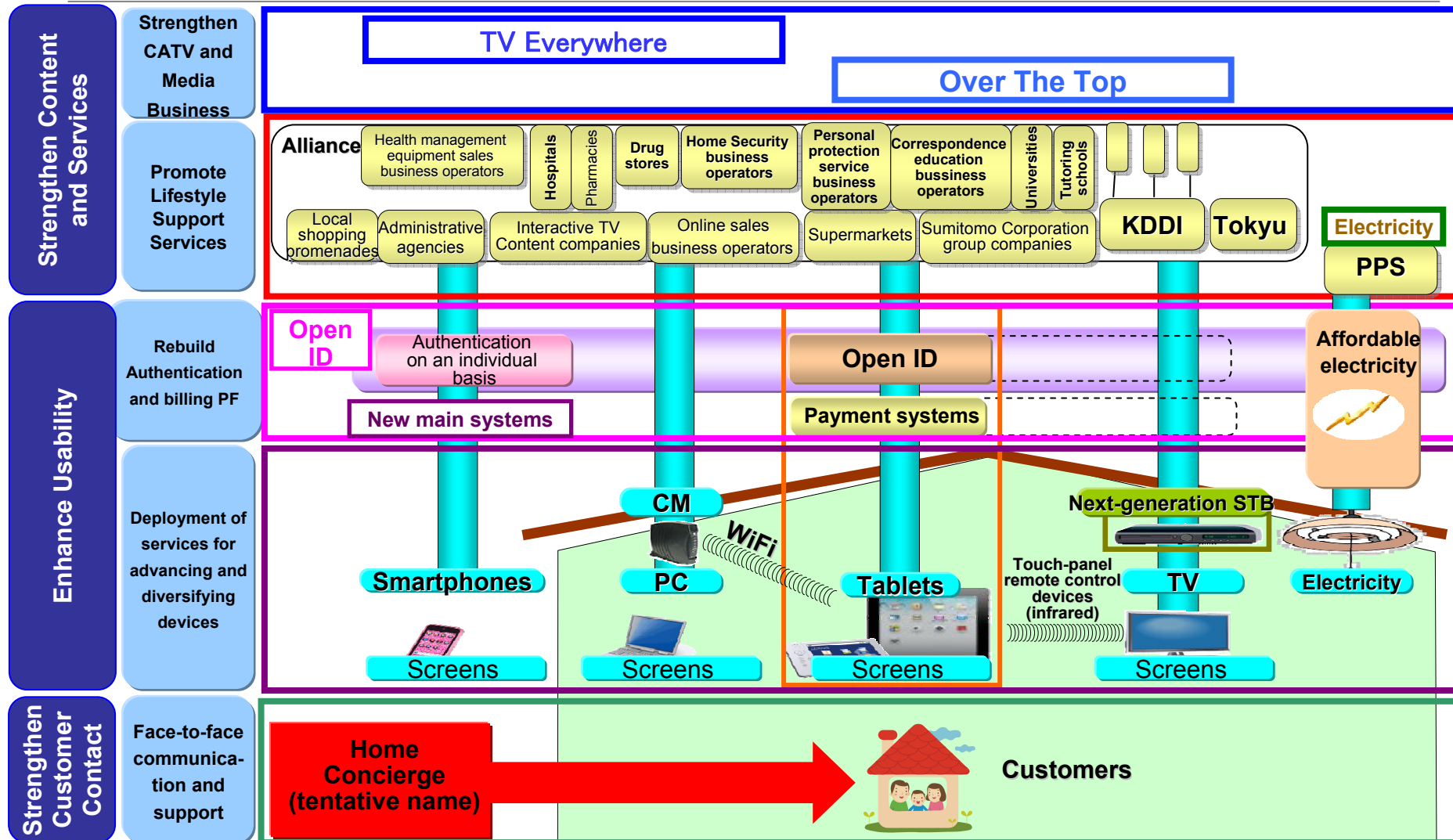
### Cable television business

- ① Shift focus from RGU acquisition to net gain in households and household-based ARPU
- ② Effectively enter untapped markets
- ③ Diversify products and increase their competitiveness in line with customers' needs
- ④ Enhance services to existing subscribers and improve usability
- ⑤ Pursue further collaboration with the KDDI Group and Sumitomo Corporation Group

### Media Business

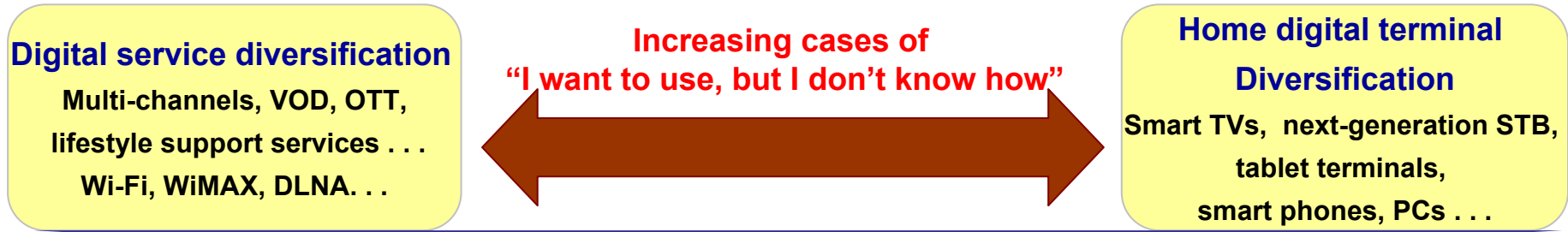
- ① Secure original content
- ② Bolster television channel operations business
- ③ Strengthen content distribution (Platforms) business
- ④ Improve advertising business

# 3-4. New Business area and J:COM Everywhere

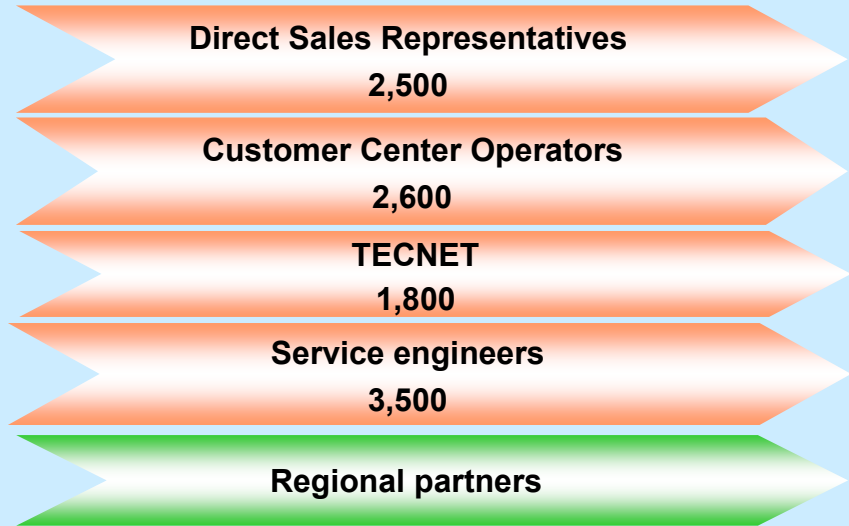


- Maximize the benefits of Sumitomo Corporation Group assets and KDDI alliance
- Smartphone and tablet terminal service collaboration + usability
- Provide detailed service that cannot be achieved with digital service only through Home Concierge

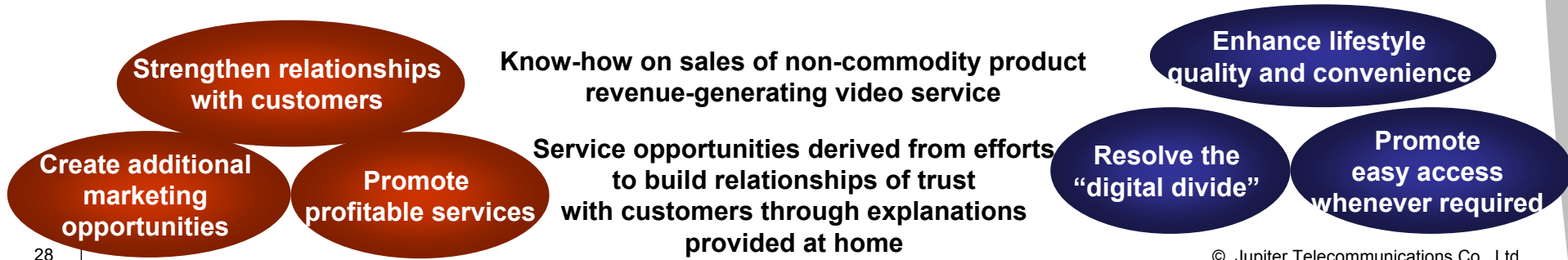
# Home Concierge Service (tentative)



## Home Concierge Service (tentative)



**Customers**



## 3-5. M&A Alliance Strategies

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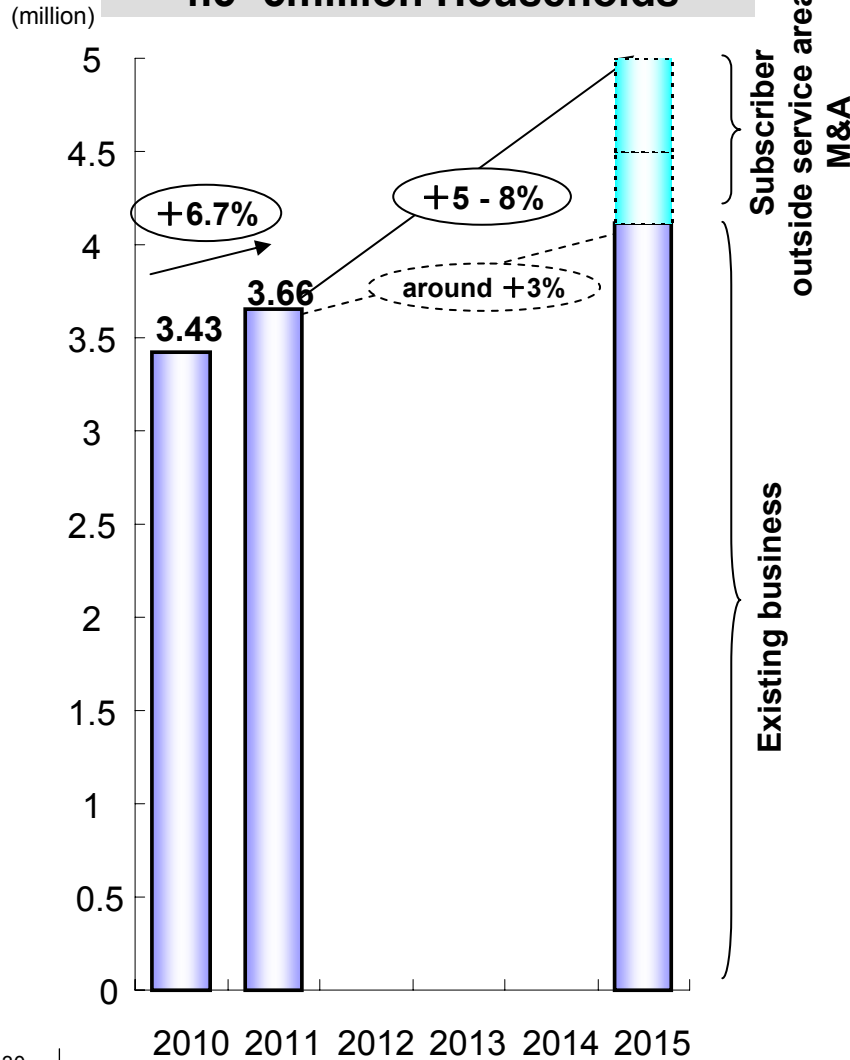
- **Cable television business**
  - Expand service areas by leveraging M&A activities and alliances
  
- **Media business**
  - Engage in upstream, downstream and peripheral businesses
  
- **New business including lifestyle support services**
  - Actively explore acquisitions and strategic alliances to accelerate growth of new businesses to a certain scale at an early stage
  
- **Studying expansion into the Asian market**

# 3-6. Plans Related to Subscribing Households

## Total subscribing households

< Goal for 2015 >

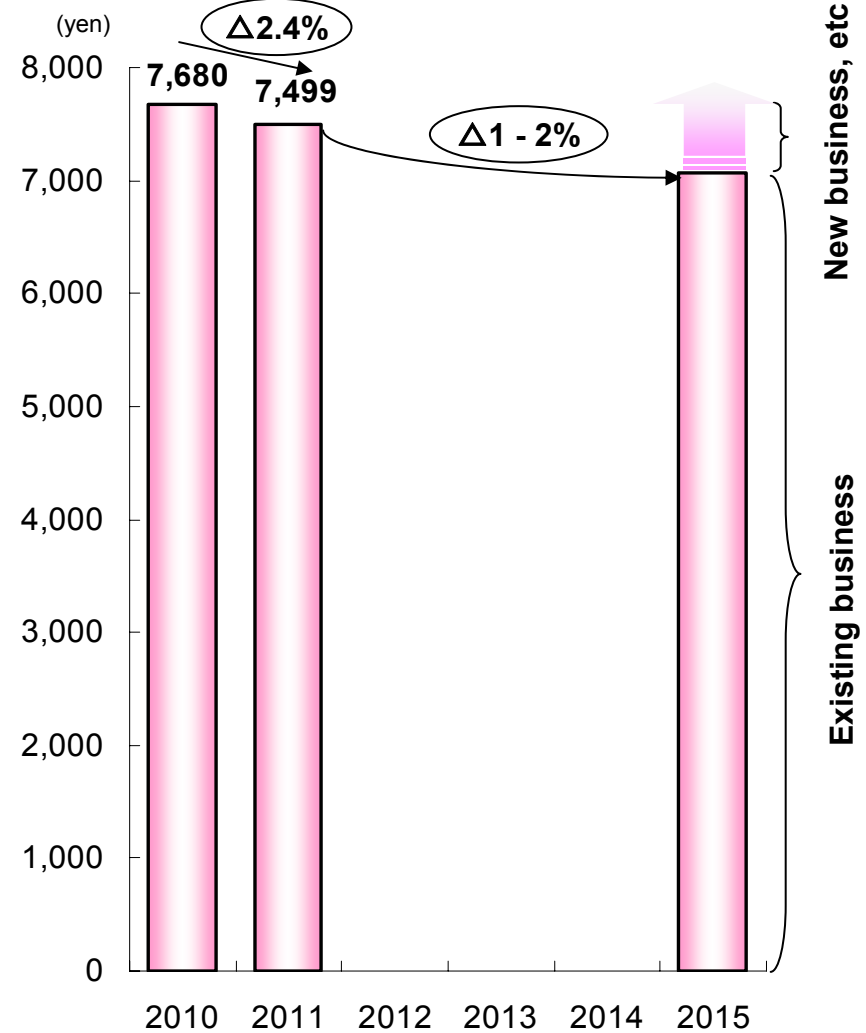
4.5- 5million Households



## ARPU

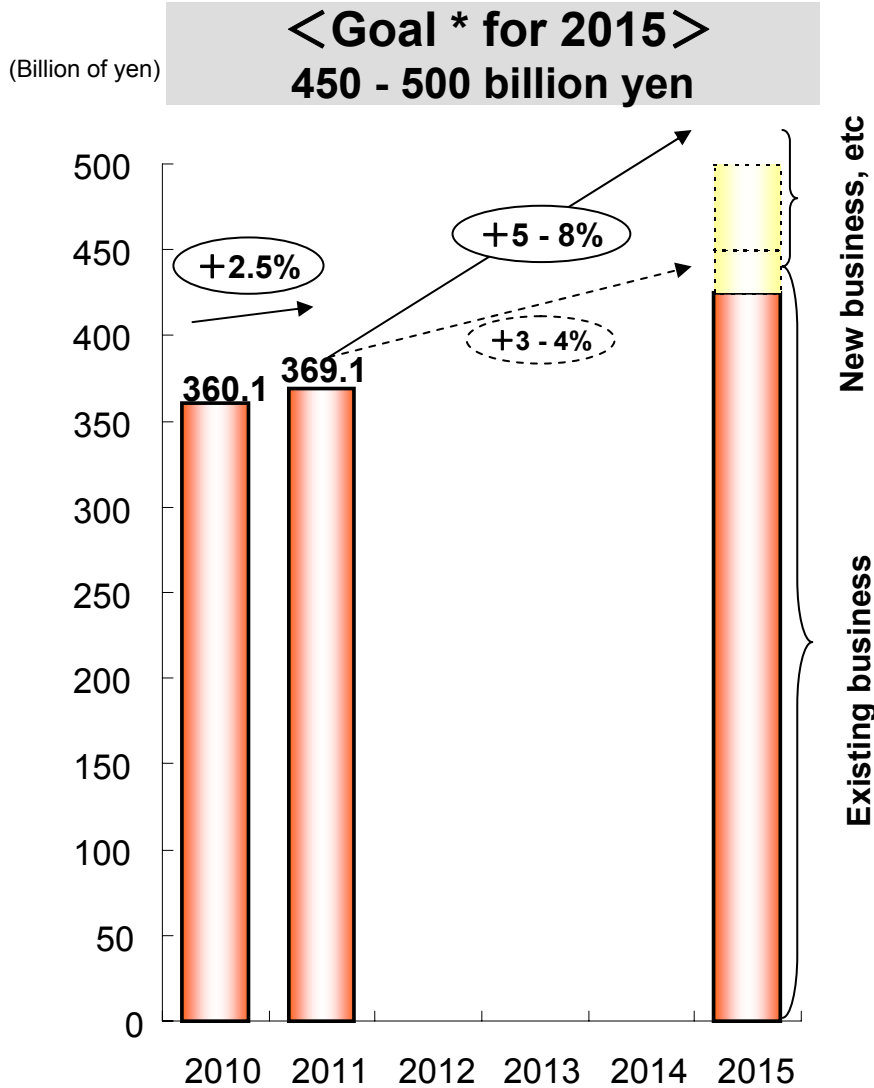
< Goal for 2015 >

Targeting level of 7,000 yen range

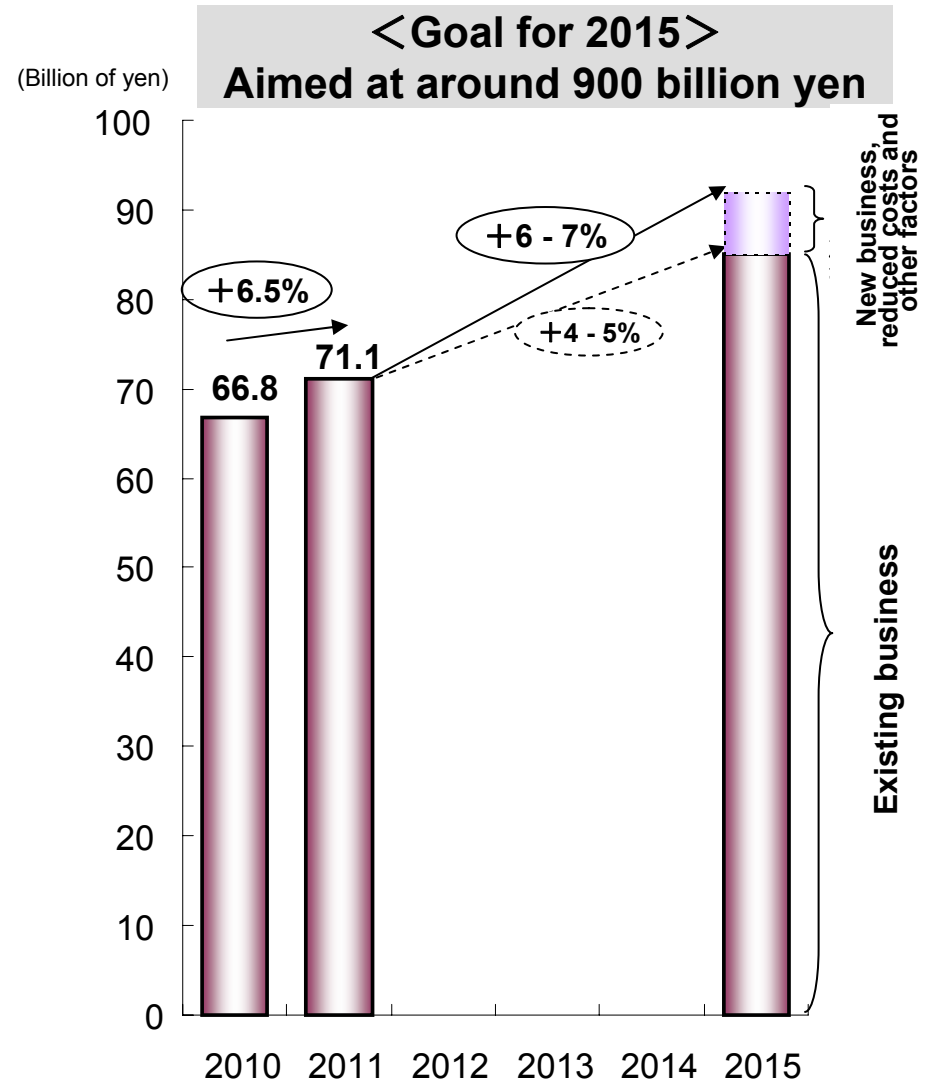


# 3-7. Earnings Plans

## Revenue



## Operation Income



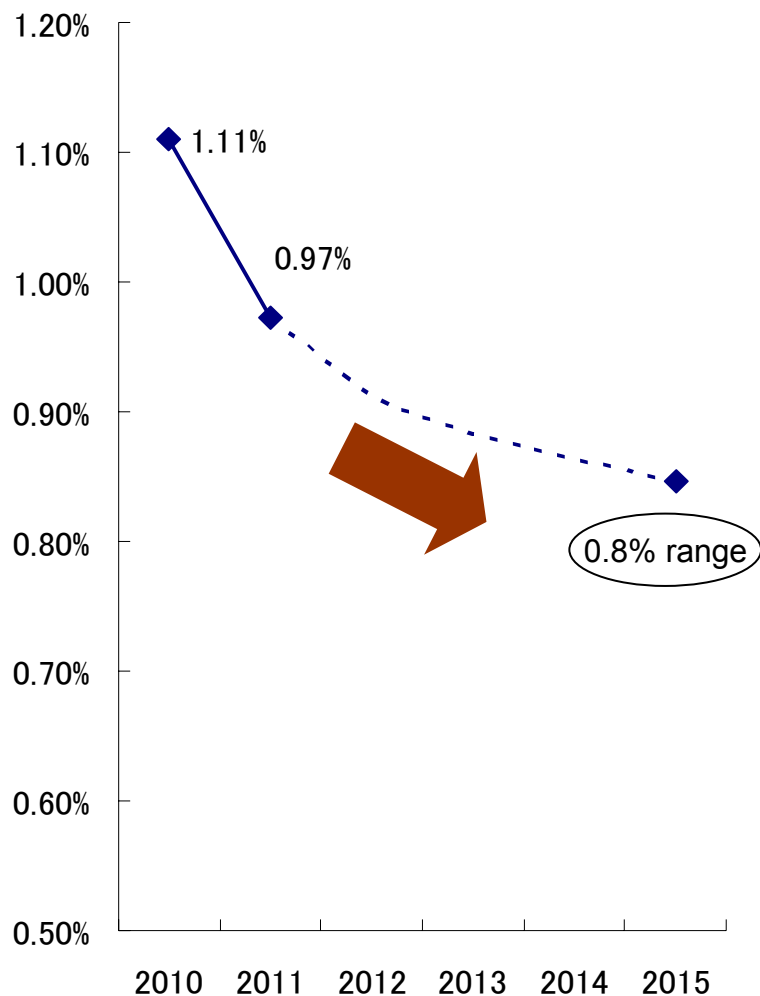
\* Revenue from usage fees for hybrid fiber and coaxial (HFC) networks from J:COM PHONE Plus wholesale operators are included in existing business

31 | area. The impact on income is nil since the same amount of costs are already allocated.

# 3-8. Improving Churn Rate

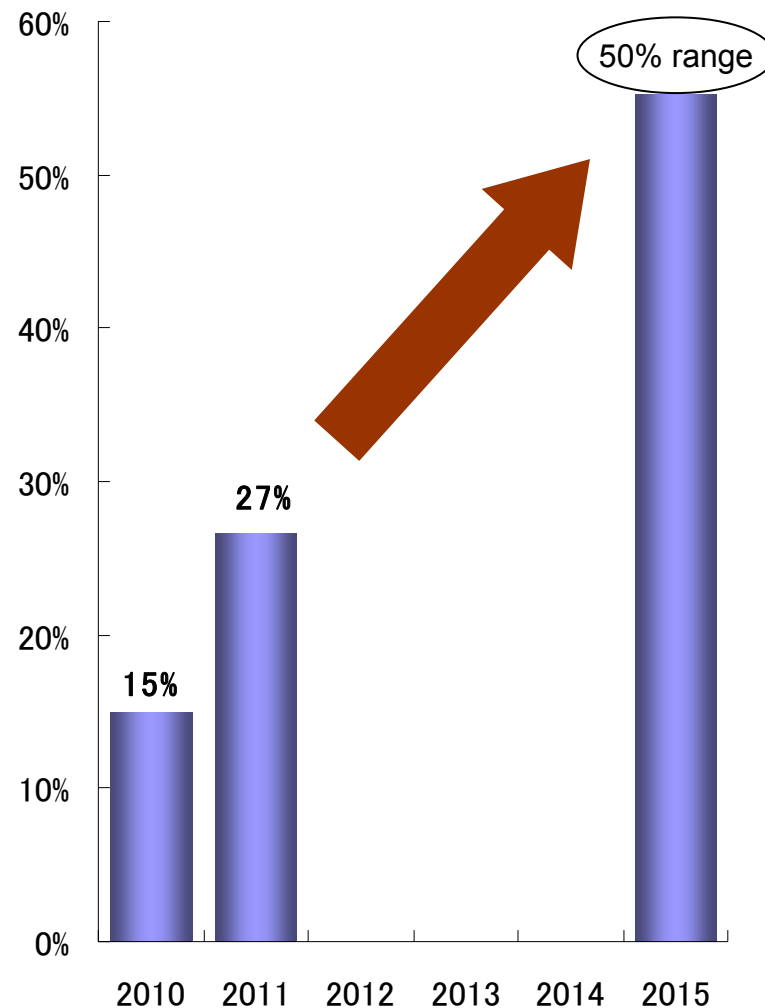
**Average monthly churn rate per RGU**

**< Goal for 2015 >  
Targeting 0.8% range**



**Ratio of long-term contracts**

**< Goal for 2015 >  
Targeting 50% of contracts**



## Appendix

- Summary of Principal Operations (Previous basis)
- "HDR" STB with Internal Hard Disk Drive
- J:COM NET 160Mbps Service
- Bundling Progress
- Shift toward long-term contracts
- Number of Households with Service Available by Channel

# Summary of Principal Operations (Previous basis)



(million)

	End of Mar 2011 (Ave. Jan-Mar 2011)	End of Mar 2012 (Ave. Jan-Mar 2012)	YOY Changes
<b>Subscribing households</b>			
Cable Television	<b>2.72</b>	<b>2.88</b>	<b>5.8 %</b>
High-Speed Internet Access	<b>1.72</b>	<b>1.85</b>	<b>7.6 %</b>
Telephony	<b>2.02</b>	<b>2.29</b>	<b>13.4 %</b>
<b>Total RGU*1</b>	<b>6.45</b>	<b>7.01</b>	<b>8.7 %</b>
<b>Total subscribing households</b>	<b>3.45</b>	<b>3.69</b>	<b>6.8 %</b>
<b>Bundle Ratio*2</b>	<b>1.87</b>	<b>1.90</b>	<b>0.03pts</b>
<b>Average Monthly Churn Rate per RGU</b>	<b>1.08%</b>	<b>1.04%</b>	<b>-0.04pts</b>
<b>ARPU*3</b>	<b>7,617yen</b>	<b>7,347yen</b>	<b>-270yen</b>

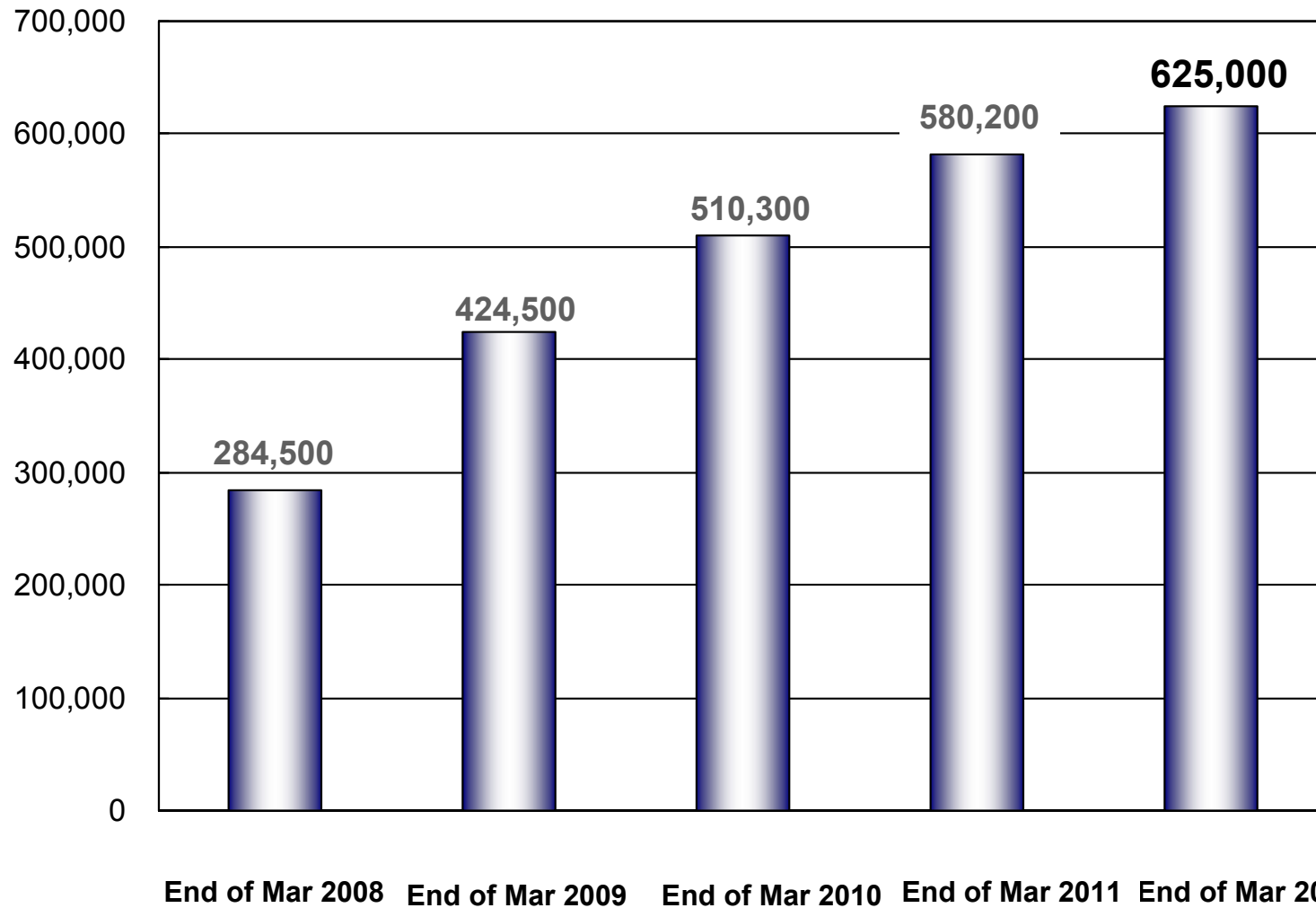
\*1 Total RGU (Revenue generating unit) = Total number of services provided

\*2 Bundle ratio = Average number of services received per subscribing household

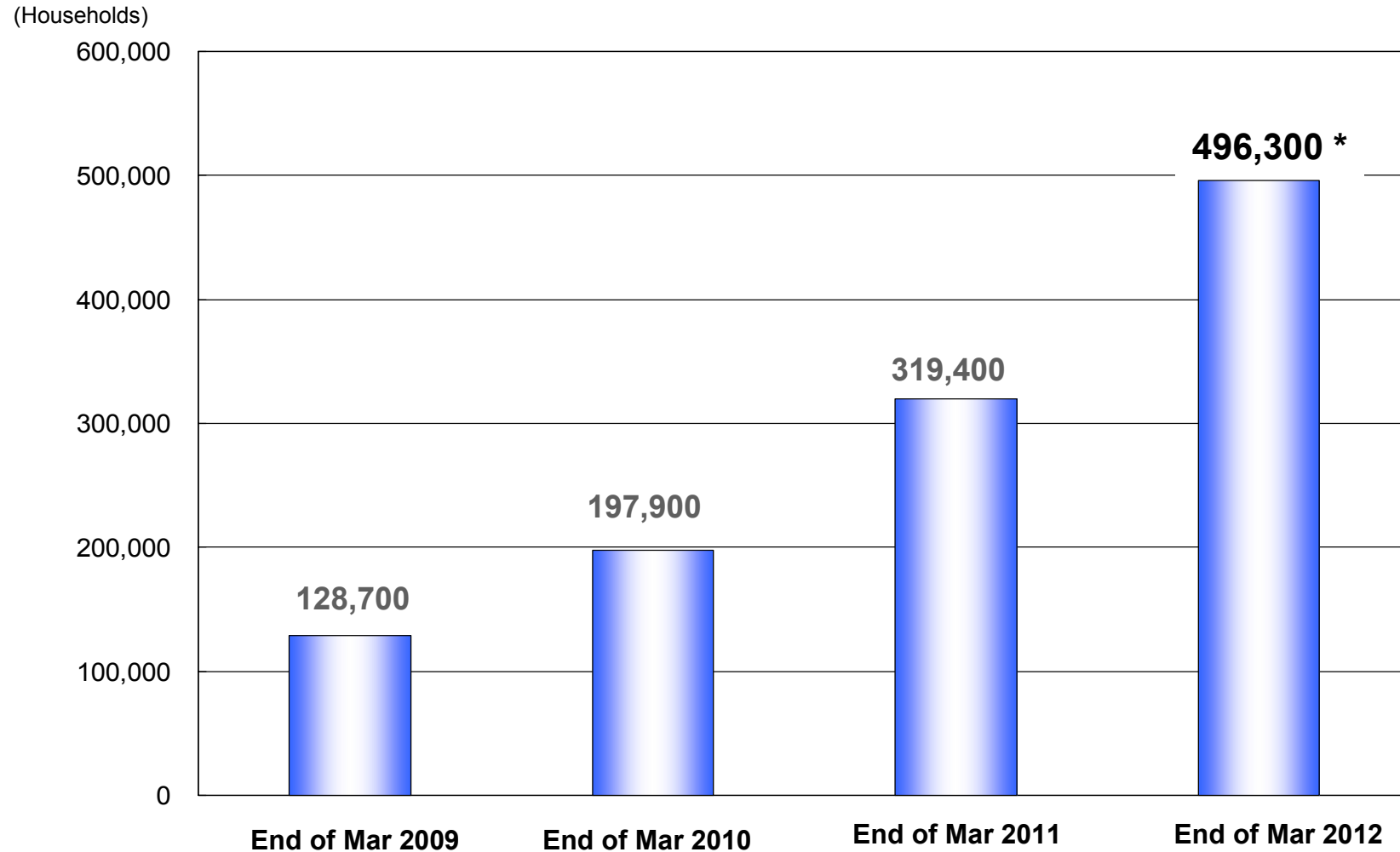
\*3 ARPU = Monthly average revenue per unit

# “HDR” STB with Internal Hard Disk Drive

**Total HDR STB Distribution**



## Number of Subscribing Households

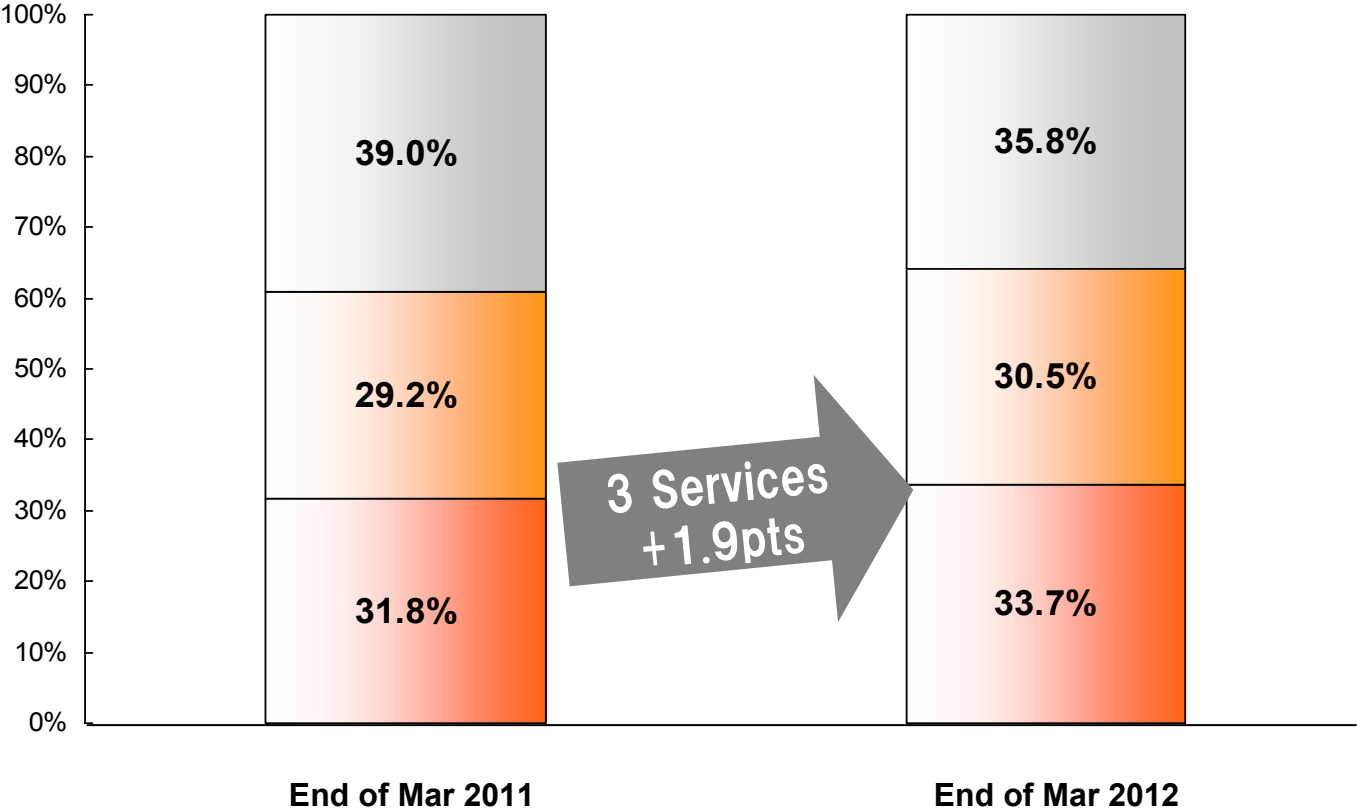


\*Number of subscribing households are calculated under the new definition since end of Mar 2012

# Bundling Progress (New basis)

## Composition of Households by No. of Services Subscribed

■ Households with 3 services   ■ Households with 2 services   □ Households with 1 services

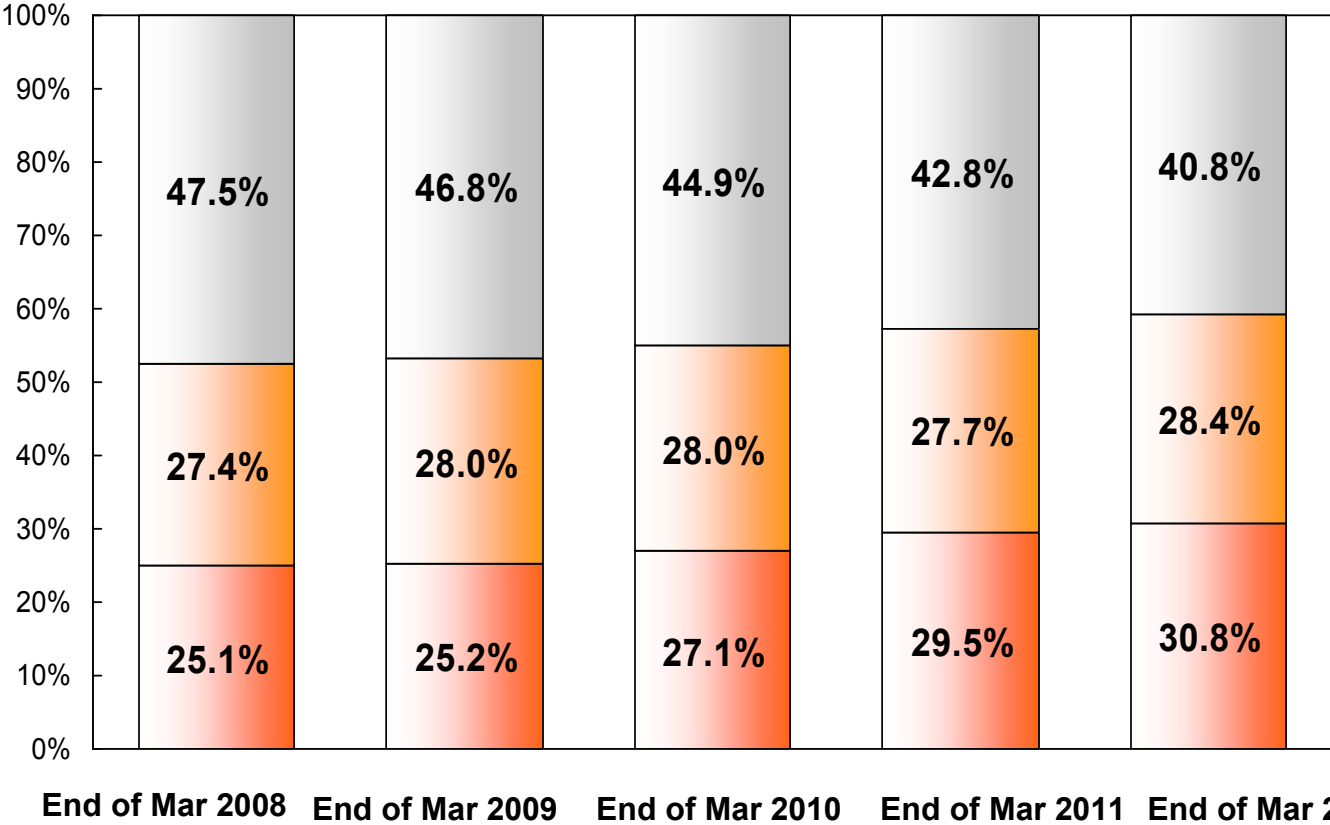


# Bundling Progress (Previous basis)



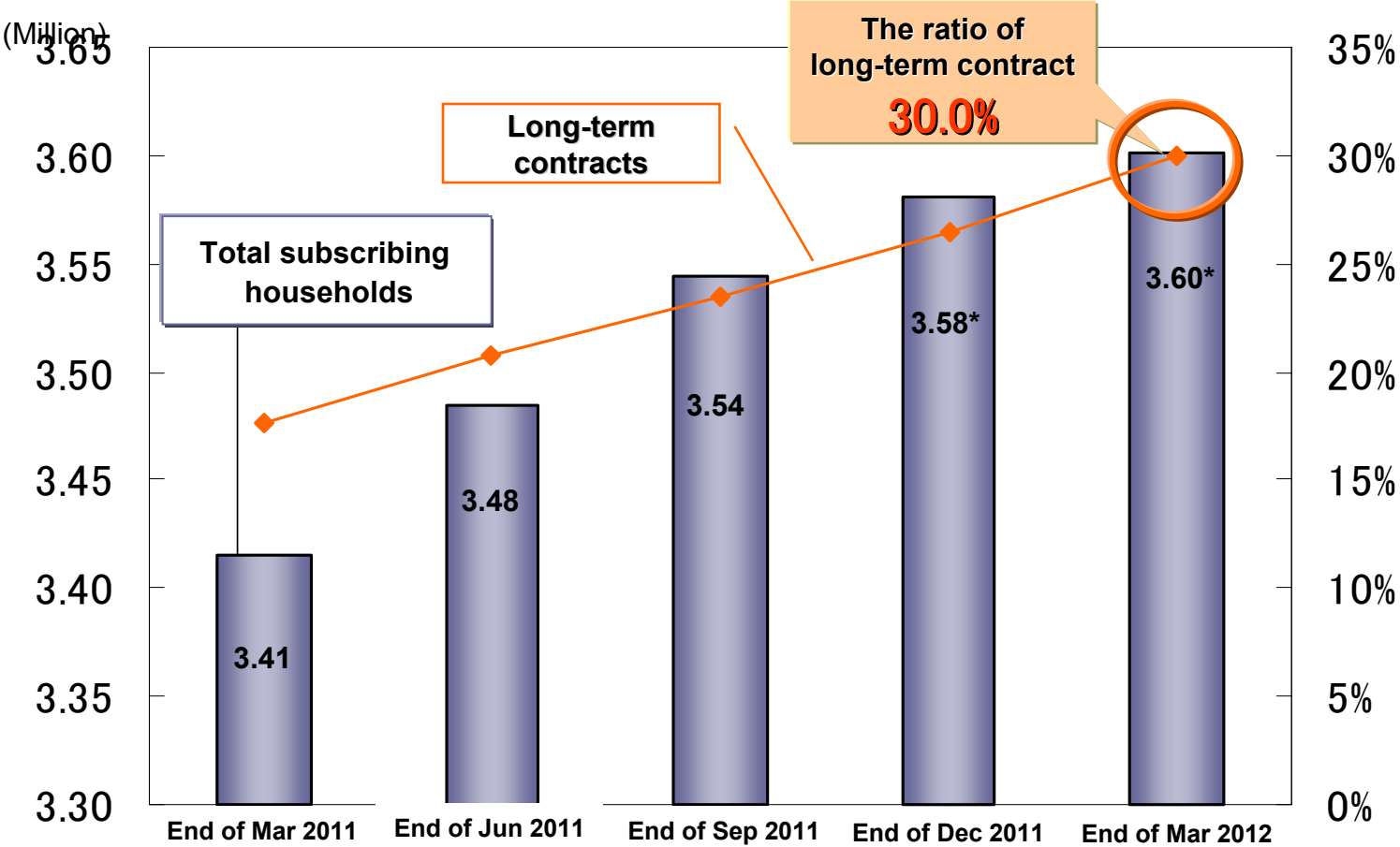
## Composition of Households by No. of Services Subscribed

■ Households with 3 services 
 ■ Households with 2 services 
 ■ Households with 1 services



# Shift toward long-term contracts (New basis)















## Shift toward long-term contracts



\* Excluding total number of subscribing households of CATV managed franchises not offering long-term contract services

# Number of Households with Service Available by Channel

(As of Feb 29, 2012)

Name of channel/company	Classification Equity stake	No. of households	Name of channel/company	Classification Equity stake	No. of households
<b>Basic channels</b>					
 Movie Plus Jupiter Entertainment Co., Ltd.	Consoli dated 100%	7,470K (7,490K)	 AXN AXN Japan Inc.	Equity method 35%	7,520K (7,500K)
 LaLa TV Jupiter Entertainment Co., Ltd.	Consoli dated 100%	6,770K (6,800K)	 Kids Station Kids Station Inc.	Other 15%	8,670K (8,650K)
 Act On TV JUPITER VISUAL COMMUNICATIONS CO., LTD.	Consoli dated 90.00%	3,970K (4,060K)	 Japanese Movie Channel Nihon Eiga Satellite Broadcasting Corp.	Other 9.99%	7,620K (7,610K)
 GOLF NETWORK Jupiter Golf Network Co., Ltd.	Consoli dated 89.41%	7,250K (7,350K)	 SAMURAI DRAMA CHANNEL Nihon Eiga Satellite Broadcasting Corp.		8,210K (8,190K)
 J sports 1, J sports 2, J sports 3, J sports 4 * J SPORTS Corporation	Consoli dated 80.5%	7,410K (7,490K)	 Nikkei CNBC Nikkei CNBC Japan Inc.	Other 9.75%	7,560K (7,580K)
 Channel Ginga Channel Ginga Co., Ltd.	Consoli dated 76%	4,120K (4,070K)	<b>Optional channels</b>		
 Discovery Channel Discovery Japan Co., Ltd.	Equity method 50%	7,010K (7,020K)	 Anime Theater X (AT-X) AT-X, Inc.	Other 12.28%	150K (140K)
 Animal Planet Discovery Japan Co., Ltd.	Equity method 50%	6,120K (6,130K)			

Source: Companies involved

Number of households with service available as of Nov. 30, 2011, are shown in parentheses.

\* J sports 4 is an optional channel at J:COM systems.