Message from the Chief Financial Officer

We will further accelerate growth investments, because without them, there is no growth

Chief Financial Officer

Isao Kubo

As CFO

One year has passed since I took office as CFO. When I first joined the Company, I strongly felt that there was a lot of waste in many different areas. I first worked on eliminating waste from our day-to-day operations and I have thoroughly instilled an awareness of using money and time carefully. One example of this is meetings with a large group of people. There was a lack of awareness that personnel costs are incurred when meetings are held, so I took steps to clarify the purpose of meetings (decision-making, information sharing, etc.) and revised the operational rules for meetings, including a reduction in the materials used, shorter durations, and the careful selection of participants.

Also, the Company's business strategies were centered around profit and loss, but I strongly felt that we must pivot towards a style of management that is more conscious of the balance sheet.

As I enter my second year in this role, I intend to focus on dialogue with the capital markets, essentially the providers of the Company's funds, and engage in more proactive communication. I too hold shares with restrictions on transfer in the Company and am one of its long-term shareholders. So, I will fulfill my role of CFO always from a shareholder's point of view.

Basic policy on financial strategy

We have established financial discipline to maintain an equity ratio of 50% or more and to keep the net interest-bearing debt-to-EBITDA ratio to within 2.0x. In preparation for the issuance of corporate bonds and other securities, our basic policy on financial strategy is to maintain a high credit rating in line with this financial discipline while executing growth investments and extending returns to shareholders.

As of the end of FY2024, the equity ratio was 69.8%, well above our financial discipline requirements, but this is in preparation for the large-scale growth investments we have planned for FY2025 and beyond. In making investments, we estimate the weighted average cost of capital (WACC) for shareholders' equity and interest-bearing debt to be between 6% and 6.5%, so we have set a hurdle rate for investment decisions at 7%.

While it is said that "No Growth Without Investment" we do not generally approve projects that are not expected to exceed the hurdle rate. While actively investing in the future, we will make decisions with a no-holds-barred approach to scale back or withdraw from projects in existing businesses as well as in future businesses that do not offer sufficient returns to meet the hurdle rate.

Japan Credit Rating Agency, Ltd. (JCR)

Long-term rating A

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

(as of December 2, 2024)

FY2024 earnings review

Revenues increased by 1.5% year on year to ¥123.7 billion, and operating profit rose by 3.6% to ¥27.5 billion in FY2024. In the Space Business, the Space Intelligence Business and Global & Mobility Area contributed to higher revenue. In the Media Business, even though viewing fee revenue continues to decline, non-broadcasting revenue increased from mainly the Fiber-optic Alliance Business, as well as new ventures such as the Anime Content IP Business and talk events.

Profit attributable to owners of the parent increased by 7.7% to ¥19.1 billion. This mainly owed to higher operating profit, in addition to a rebound from the year-earlier loss on the valuation of investment securities. While continuing to make investments for the future, we were able to report record-high profit for the second-straight year.

	Actual			Forecast
	FY2022	FY2023	FY2024	FY2025
Revenue (Billions of yen)	121.1	121.9	123.7	**127.6**
Operating profit (Billions of yen)	22.3	26.5	27.5	**30.8**
Profit attributable to owners of the parent(Billions of yen)	15.8	17.7	19.1	**21.0**
Dividends per share (¥)	20	21	27	**38**

Outlook for FY2025 and beyond

We forecast FY2025 revenues of ¥127.6 billion (+3.1% YoY), operating profit of ¥30.8 billion (+12.0%), and profit attributable to owners of the parent of ¥21.0 billion (+9.9%), making a record-high profit for the third year in a row. In the Space Business, we are targeting revenue and profit growth as we expect growth in communications services for the mobility network to offset lower broadcasting transponder-related revenue. In the Media Business, we look for profit growth by focusing on our core products to keep a lid on the decrease in satellite broadcasting business revenue, optimizing the costs of mainly broadcasting equipment operations and marketing, and expanding revenue in the Fiber-optic Alliance Business.

Under these circumstances, we have raised the target of achieving ¥25.0 billion in profit attributable to owners of the parent by FY2030 to at least ¥28.0 billion. By segment, we are targeting ¥22.0 billion in the Space Business and ¥7.0 billion in the Media Business.

We forecast sharp profit growth in the Space Business, driven by the Space Intelligence Business. With our so-called Multi-Orbit Strategy to expand our business fields on multiple levels to non-geostationary orbits and the stratosphere, we will evolve into "Space Solution Provider" that utilizes assets in space to solve social issues. We will enhance the power of our earnings base while also executing large-scale growth investments.

Meanwhile, in the Media Business, we will transform our structure to stably maintain segment profit of ¥6.0 billion or more by strengthening our earnings foundation in the Broadcasting & Video Streaming Business and expanding the Fiber-optic Alliance Business. And by pressing ahead with the Anime Content IP Business and other ventures, we believe we can chalk up profit of ¥7.0 billion by FY2030. Halting the gradual decline in the cumulative number of subscribers will prove challenging, but demand for satellite broadcasting will continue to be necessary in disaster-prone Japan. Looking to the future, we will properly establish a system that optimizes the scale of our business operations and continues to generate profits that are commensurate with our capital costs.

In addition, in the years following FY2026, we anticipate an increase in depreciation expenses due to the start of operations for next-generation high-capacity communication satellites and LEO satellite constellations. However, we forecast that EBITDA, excluding the impact of these expenses, will expand from ¥48.0 billion in plans for FY2025 to ¥74.0 billion or more by FY2030.

Investment plans and capital allocation

With a view to achieving dramatic growth after FY2030, we are increasing our investment amounts year by year. Over the three-year period from FY2022 to FY2024, we invested a total of ¥72.0 billion.

In addition to the procurement of next-generation high-capacity communication satellites and LEO satellite constellations, we have plans for capital investments in the expansion of ground station facilities and satellite control centers, as well as business investments in new fields, such as Space Compass Corporation and startup firms. All up, we have earmarked ¥70.0 billion for investments in FY2025.

Investment Plan

FY2025 - FY2027 Plan			FY2025 Plan
IN	OUT	JPY220B	OUT JPY70B
Net Cash from Operating activities JPY150B	Enhancement of Revenue Base JPY140B	JSAT-31/32, Superbird-9 Ground stations, Expansion of premises Broadcast equipment	JPY35B
	Innovation in Strategic Businesses JPY60B	LEO Satellite Constellation Fiber-optic Alliance Business	JPY20B
Increase in Interest-bearing Debt JPY30B	Challenge into New Business Fields JPY20B	Space Compass Start-up Investment	JPY15B
Use of cash on hand JPY70B	Shareholder Returns over JPY31.5B*	Dividend Purchase of treasury stock *On a payment basis	JPY10B* *On a payment basis
Total approx. JPY250B	Total approx. JPY250B		Total approx. JPY80B

We also plan to invest similar amounts in FY2026 and FY2027, based on a total investment plan of ¥200 billion or more for the next three years. The investment amount for next-generation high-capacity communication satellites accounts for the lion's share of this investment plan because it aims to consolidate our satellite fleet in the medium-to-long term and strengthen our competitiveness.

All up, the cumulative investment amount from FY2022 to FY2030 may exceed the ¥300 billion mark that I have talked about for some time now. The necessary funds will primarily be covered by stable operating cash flow of ¥40–¥50 billion annually. We will also look to utilize corporate bond issuances and bank loans.

We will enhance the efficiency of shareholders' equity while utilizing greater financial leverage than before.

Towards improvements in capital efficiency

As of the end of FY2024, our ROE was 6.8%, which is still below the level of at least 8% generally desired by the stock market. Although net profit (the numerator) has hit a record high, shareholders' equity (the denominator) has also increased, resulting in a slower pace of improvement.

Shoring up our financial base is our top priority, keeping in mind the credit associated with the enormous cost of satellite procurements, in addition to being a company that supports social infrastructure. We have therefore adopted a policy of increasing our equity capital. Having sufficient equity capital is, in fact, a strength, and it offers the advantage of keeping down costs associated with bond issuance and borrowings. However, simply retaining the generated funds internally does not mean I am fully fulfilling my responsibilities as CFO.

As of the end of FY2024, total assets amounted to approximately ¥400 billion, with cash and cash equivalents reaching ¥114.5 billion. Needless to say, the most important thing is to increase the numerator of ROE, namely, net profit. Up ahead, as CFO, I will also be focused on controlling the Company's balance sheet.

While adhering to financial discipline, we aim to convert funds that do not generate profits into high-quality assets that yield revenue, and by controlling the accumulation of equity capital and re-assessing the balance with liabilities, we will aim to improve ROE over the medium-to-long term.

Also, in FY2025, we are introducing ROIC on an experimental basis to raise awareness of capital efficiency throughout the Company. The aim here is to cultivate an awareness within the Company that simply generating profits is not enough—the assets we use incur an invisible cost of capital, and utilizing them is meaningless unless we can generate returns that exceed this cost. We therefore aim to instill a mindset of effectively investing capital across the entire SKY Perfect JSAT Group.

Strengthening shareholder returns

We have promised to return ¥40 billion to shareholders over the five years starting from FY2022, and considering that we posted record-high profit in FY2024, we decided to raise the annual dividend per share by ¥6 to ¥27 (for a dividend payout ratio of 40.0%).

As we continue to prioritize growth investments up ahead, we have made some changes to our policy in order to return profits to shareholders over the long term. From FY2025, we will target a dividend payout ratio of at least 50%, with a minimum annual dividend per share of ¥38. While some shareholders may wish for all of our earnings to be reinvested in the business, others desire more aggressive profit distributions. We therefore believe this represents a balanced level.

We have raised the minimum annual dividend per share, not with the mindset of distributing profits when they are generated, but with the intention of advancing our financial strategy based on a predetermined amount of distribution.

In addition, we will flexibly implement share buybacks depending on the circumstances. As a result, the cumulative shareholder returns over the five years through to FY2026 will exceed the ¥40 billion we had promised, and should total more than ¥46 billion.

Furthermore, we have increased the weighting of restricted stock compensation for the Company's officers, which allows us to align more closely with our shareholders while maintaining a strong financial base and balancing growth investments with high returns.

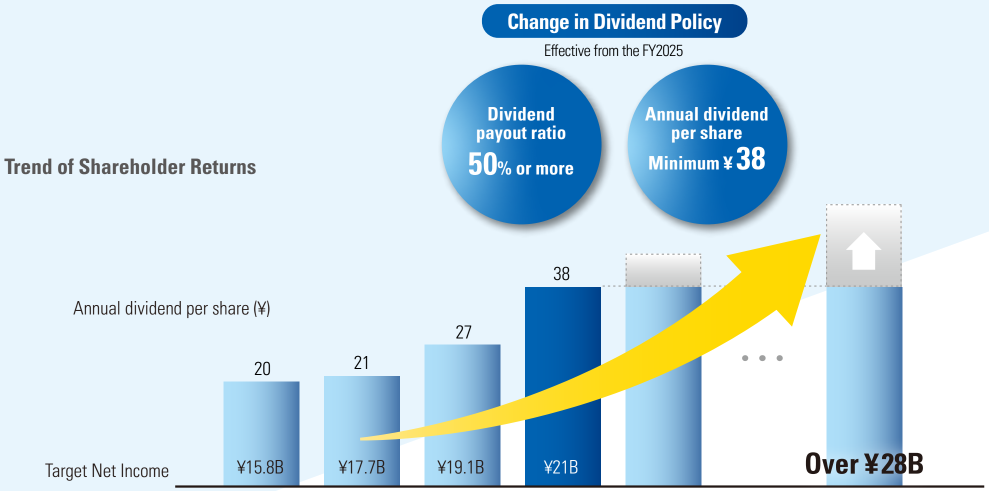
Dialogue with shareholders

In FY2024, in addition to holding our quarterly earnings results briefings, we participated in conferences in Japan hosted by securities firms for overseas investors, as well as overseas roadshows, and in FY2025 we held events for individual shareholders, creating numerous opportunities to engage in direct dialogue with our shareholders and investors.

While our stakeholders often voice their expectations for the Space Business, we also encounter critical feedback at times, such as our lack of disclosure, the complexity of information, concerns about the sustainability of the Media Business, and the unclear direction of our capital policy. We recognize that direct communication provides us with these valuable insights that we cannot obtain otherwise.

This candid feedback is reported without reservation in the IR activity reports presented at the quarterly meetings of the Board of Directors. As CFO, I believe it is an important mission of mine to take this valuable feedback seriously and make sure it is reflected in the management of the Company.

A series of initiatives aimed at enhancing corporate value and the disclosure of our capital allocation were also carried out in response to dialogue with shareholders. Going forward, I hope to further deepen constructive communication with everyone while maintaining a strong focus on both the quality and quantity of our information disclosure.



	2022	2023	2024	2025 (Forecast)	2026	2030 (Target)
Total dividend	¥5.8B	¥6.0B	¥7.7B	**¥10.8B**	Over ¥10.8B	
Repurchase of treasury stock	—	¥5.0B	—			
Total	¥5.8B	¥11.0B	¥7.7B	**¥10.8B**	Over ¥10.8B	
Cumulative since FY2022	¥5.8B	¥16.8B	¥24.5B	**¥35.2B**	Over ¥46B*	**> ¥40B**

(FY)

*Plan of shareholder returns (As announced April 28, 2022) Totaling ¥40 billion for FY2022-FY2026