

Consolidated Financial Highlights

SKY Perfect JSAT Holdings Inc. and Consolidated Subsidiaries
Years ended March 31

	Millions of yen, except Per Share Data and Selected Financial Indicators				Millions of yen, except Per Share Data and Selected Financial Indicators					Thousands of U.S. dollars, except Per Share Data (Note 1)		
	2015	2016	2017	2018	2019	2020	2021	2022 (Note 6)	2023	2024	2024	
For the Year:												
Revenues	¥163,295	¥162,906	¥192,876	¥145,502	¥164,015	¥139,542	¥139,572	¥119,633	¥121,140	¥121,873	\$ 804,972	
Space Business	53,388	54,600	87,749	50,400	73,389	53,534	58,929	59,500	62,154	64,750	427,675	
Media Business	122,246	120,416	116,777	105,799	101,496	97,646	91,599	70,448	68,733	66,529	439,423	
Cost of Services	104,175	101,640	130,594	92,202	111,316	90,188	87,047	68,303	69,058	66,690	440,487	
Selling, General, and Administrative Expenses	39,492	37,056	37,848	37,648	37,408	34,091	33,373	32,467	29,758	28,637	189,149	
Operating Profit	19,628	24,210	24,434	15,652	15,291	15,263	19,152	18,863	22,324	26,546	175,336	
Space Business	17,830	18,612	20,528	13,138	13,430	12,902	13,830	15,868	19,151	22,799	150,585	
Media Business	2,433	6,242	4,572	3,233	2,529	3,076	5,996	3,741	3,863	4,402	29,080	
Profit before Income Taxes	20,363	24,292	24,297	17,244	15,515	15,492	19,888	20,276	23,123	26,259	173,443	
Profit Attributable to Owners of the Parent	13,516	16,868	17,415	11,353	9,682	12,027	13,345	14,580	15,810	17,739	117,167	
Comprehensive Income	14,662	11,209	17,870	11,415	9,764	11,832	11,687	16,424	18,930	26,222	173,196	
EBITDA (Note 2)	44,503	46,670	47,725	43,033	40,743	41,531	45,268	44,179	45,562	47,971	316,852	
Depreciation and Amortization	22,868	20,694	21,541	23,494	22,514	23,317	23,323	22,161	21,165	20,232	133,630	
Amortization of Goodwill	878	878	878	878	878	878	878	878	67	—	—	
Capital Expenditures	40,377	26,266	16,177	15,940	23,834	19,533	13,038	7,512	16,755	16,426	108,493	
Cash Flows from Operating Activities	16,634	24,806	7,030	22,546	25,898	28,880	57,949	36,507	57,631	42,404	280,079	
Cash Flows from Investing Activities	(34,748)	(28,804)	(22,883)	(27,213)	(33,469)	(20,826)	(11,358)	(7,737)	(16,870)	(15,385)	(101,619)	
Free Cash Flows (Note 3)	(18,114)	(3,998)	(15,853)	(4,667)	(7,571)	8,054	46,591	28,770	40,761	27,019	178,460	
Cash Flows from Financing Activities	(12,079)	18,587	13,469	4,866	9,362	(12,516)	(16,879)	(16,405)	(19,423)	(21,099)	(139,356)	
At Year-End:												
Cash and Cash Equivalents	¥ 33,963	¥ 48,558	¥ 46,151	¥ 46,305	¥ 48,090	¥ 43,603	¥ 73,194	¥ 85,914	¥107,909	¥114,322	\$ 755,099	
Total Assets	282,517	319,224	359,485	359,344	376,102	378,367	385,568	378,167	399,055	405,411	2,677,748	
Interest-Bearing Debt	38,366	64,138	82,753	92,767	108,086	102,443	90,959	85,352	73,548	65,809	434,676	
Net Assets	195,640	200,512	213,909	219,635	224,015	228,943	235,315	243,077	256,815	271,983	1,796,452	
				Yen						Yen	U.S. dollars	
Per Share Data (Yen and U.S. dollars)												
Earnings Per Share	¥ 43.85	¥ 55.39	¥ 58.64	¥ 38.22	¥ 32.60	¥ 40.49	¥ 44.92	¥ 49.52	¥ 54.44	¥ 61.69	\$ 0.41	
Total Equity Per Share	634.20	661.80	709.14	729.48	745.26	767.69	788.27	833.58	879.33	953.99	6.30	
Dividends Per Share	12.00	14.00	18.00	18.00	18.00	18.00	18.00	18.00	20.00	21.00	0.14	
				%							%	
Selected Financial Indicators (%)												
Operating Margin	12.0	14.9	12.7	10.8	9.3	10.9	13.7	15.8	18.4	21.8		
EBITDA Margin	27.3	28.6	24.7	29.6	24.8	29.8	32.4	36.9	37.6	39.4		
Equity Ratio (Note 4)	69.2	61.6	58.6	60.3	58.9	60.3	60.8	64.0	64.0	66.7		
ROE (Note 5)	6.9	8.6	8.3	5.2	4.4	5.3	5.7	6.0	6.2	6.6		
ROA	6.9	8.0	7.3	4.6	4.5	4.3	5.3	5.3	6.0	6.7		
Dividend Payout Ratio	27.4	25.3	30.7	47.1	55.2	44.4	40.1	36.3	36.7	34.0		

Notes: 1. U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥151.40 to \$1, the approximate rate of exchange at March 31, 2024.

2. EBITDA is calculated using the following formula: Profit Attributable to Owners of the Parent + Income Taxes + Depreciation and Amortization + Amortization of Goodwill + Interest Expense.

3. Free Cash Flows are calculated using the following formula: Cash Flows from Operating Activities + Cash Flows from Investing Activities.

4. Non-controlling interests are excluded from equity in calculating Equity Ratio.

5. Non-controlling interests are excluded from equity in calculating ROE.

6. The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020; hereinafter "Revenue Recognition Standard") and other standards are applied from the fiscal year ended March 31, 2022. Financial position and results of operation for the fiscal year ended March 31, 2022, onwards are presented in figures after applying the said Accounting Standard, etc.

Management's Discussion and Analysis

Operating Environment

The Japanese economy gradually recovered during the fiscal year ended March 31, 2024, as employment and income conditions improved.

As for the operating environment for SKY Perfect JSAT Group (the "Group"), the Space Business witnessed an expansion in demand for the mobile satellite communications for vessels and aircraft and utilization of satellite data across a wide variety of fields. Moreover, the business environment has been undergoing substantial changes, including the full-scale launch of a communications service using low Earth orbit satellite constellations, as well as intensifying prices and service competition.

In the Media Business, the market environment continues to be difficult, with negative growth in the pay TV broadcast market and strategic alliance-making and service collaborations between operators in the video streaming services market.

Performance Overview

Given these conditions, the consolidated financial results of the Group for the fiscal year ended March 31, 2024, were as follows.

Category	Previous fiscal year (millions of yen)	Fiscal year ended March 31, 2024 (millions of yen)	Change (millions of yen)	Change (%)
Operating Revenues	121,140	121,873	733	0.6
Operating Profit	22,324	26,546	4,222	18.9
Ordinary profit	23,194	27,128	3,934	17.0
Profit before Income Taxes	23,123	26,259	3,137	13.6
Profit attributable to owners of the parent	15,810	17,739	1,929	12.2

Financial Position

Total assets amounted to ¥405.4 billion, an increase of ¥6.4 billion compared to the end of the previous consolidated fiscal year (hereinafter, "year on year").

Current assets increased by ¥2.4 billion year on year due to an increase of ¥6.4 billion in cash and cash equivalents and ¥3.5 billion in advance payments to suppliers related to the purchase of satellite imagery, despite a fall of ¥4.8 billion in accounts receivable—trade resulting from the collection of receivables related to the X-Band business.

Property and equipment, software, and goodwill declined by ¥3.8 billion year on year; this was in large part due to depreciation and amortization equal to ¥20.2 billion, despite a lift in capital expenditures of ¥16.4 billion.

Investments and other assets, excluding software and goodwill, increased by ¥7.8 billion year on year, mainly due to a ¥14.1 billion rise in investment securities due to the impact of acquiring an interest in Horizons-4 Satellite LLC and the market values of listed shares held.

Total liabilities came to ¥133.4 billion, down ¥8.8 billion year on year.

The main factors were a ¥2.8 billion increase in unearned revenues, a ¥7.7 billion drop in interest-bearing debt due to repayment of loans, etc., related to the X-Band and Horizons 3e businesses, and a ¥4.0 billion decrease in accounts payable.

Total equity, including non-controlling interests, increased by ¥15.2 billion from year on year, mainly due to an increase of ¥11.7 billion in retained earnings arising from the recording of profit attributable to owners of the parent and an increase of ¥7.2 billion in unrealized gain on available-for-sale securities, despite the acquisition of ¥5.0 billion of treasury stock.

As a result, the equity ratio was 66.7%, up 2.7 points year on year.

Liquidity and Capital Resources

Cash Flows

Cash flows from operating activities for the current consolidated fiscal year were an inflow of ¥42.4 billion, compared to an inflow of ¥57.6 billion in the previous fiscal year. This was mainly due to profit before income taxes, depreciation totaling ¥46.5 billion; there was also a decrease in accounts receivable—trade and affiliated companies of ¥4.6 billion and an increase in deferred revenues of ¥2.8 billion; these were offset by a ¥3.5 billion increase in advance payments to suppliers, a ¥3.9 billion decrease in accounts Payable—trade and affiliated companies, and ¥8.4 billion in income tax paid.

Cash flows from investing activities comprised an outflow of ¥15.4 billion, compared to an outflow of ¥16.9 billion in the previous fiscal year. This was mainly owing to the payments for the purchases of property and equipment and intangible fixed assets of ¥15.4 billion, the proceeds from collection of loans receivable related to the Horizons 3e business worth ¥3.8 billion, and the payments for additional acquisition of shares of affiliated companies for investment in Horizons-4 Satellite LLC of ¥3.6 billion.

Cash flows from financing activities consisted of an outflow of ¥21.1 billion, compared to ¥19.4 billion in the previous fiscal year. This was mainly owing to the proceeds from long-term loans payable of ¥1.0 billion, the repayments of long-term loans payable of ¥10.9 billion, the purchase of treasury shares of ¥ 5.0 billion, and dividends paid of ¥6.1 billion.

As a result of the above, cash and cash equivalents as of March 31, 2024, amounted to ¥114.3 billion, up ¥6.4 billion year on year.

Capital Expenditure

In the fiscal year ended March 31, 2024, the Group made capital expenditures totaling ¥16.4 billion. The spending was allocated mainly to procuring facilities for satellite communications, etc., in the Space Business and upgrading broadcasting and distribution facilities in the Media Business.

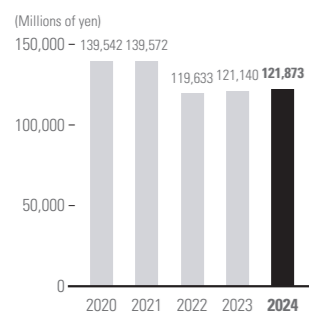
Finance

There was no new financing during the fiscal year ended March 31, 2024.

Performance Forecasts

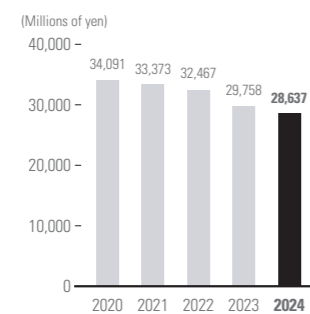
In the Space Business, the space industry market is expanding globally, and competition in the satellite communications business is intensifying as new operators enter the space business and telecommunications services using large constellations of low-Earth orbit satellites are fully deployed. In this environment, we aim to strengthen our competitiveness and increase earnings by expanding the provision of high-speed, high-capacity telecommunications services for growing markets, such as internet use on ships and aircraft. In addition, we aim to increase earnings by promoting business alliances with Earth-observation satellite operators and other companies to strengthen our satellite imagery sales service. Furthermore, in collaboration with Space Compass and other partners, we aim to build an ICT infrastructure in space that incorporates HAPS-based communication networks, optical communication technology, and space computing technology.

Revenues

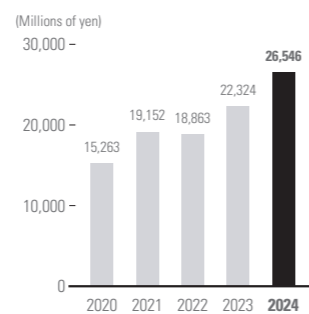


(Years ended March 31)

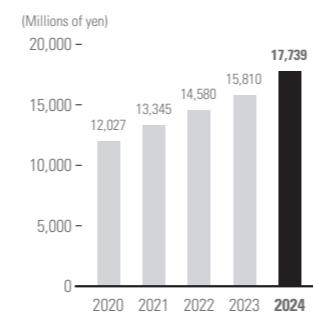
Selling, General, and Administrative Expenses



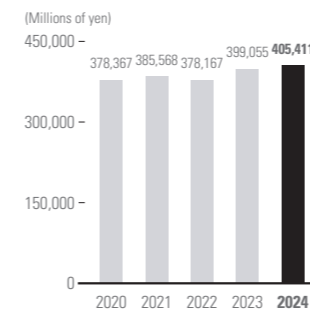
Operating Profit



Profit Attributable to Owners of the Parent

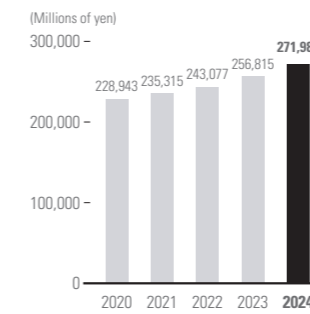


Total Assets

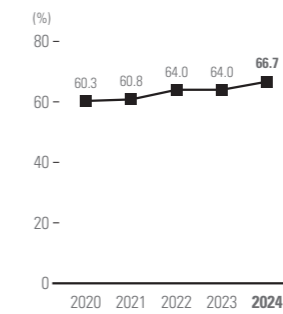


(Years ended March 31)

Total equity



Equity Ratio



Management's Discussion and Analysis

In the media business, the market environment is changing rapidly due to intensifying competition with domestic and foreign video distribution services for content and customers, as well as the merger and acquisition of domestic distribution companies, the SKY PerfecTV service cannot avoid a decline in the number of subscribers simply by taking various measures that are extensions of the existing ones. In this environment, it is important to implement "fan marketing" tailored to the tastes of fans for each of the various content genres and to continue to provide a customer experience that is unique to "SKY PerfecTV!". In addition, we will continue to expand sales of retransmission services of terrestrial digital, BS digital, and other services provided over optical communication lines, including alliances with various cable television operators, while expanding the service area.

The total number of subscribers for the three SKY PerfecTV! services in fiscal 2024 is expected to be as shown in the table below.

	(thousands)			
	Net increase in number		Total subscribers	
	IC card	Number of subscribers	IC card	Number of subscribers
FY2024 (target)*	(150)	(138)	2,591	1,996
FY2023	(135)	(127)	2,740	2,134

*As of March 2025

The number of households served by optical retransmission service is projected to be 2,833,000 (2,747,000 in fiscal 2023).

In terms of consolidated financial results for fiscal year 2024, we project revenues of ¥123.3 billion (up 1.2% year on year), operating profit of ¥25.8 billion (down 2.8% year on year), ordinary profit of ¥26.2 billion (down 3.4% year on year), and profit attributable to owners of parent of ¥18.0 billion (up 1.5% year on year).

For fiscal 2024, we project the annual dividend per share to be ¥22.

(Note) The future performance and projections contained within the aforementioned future forecast are based on the Company management's determinations in light of the currently available information. Actual results may differ from the forecast figures due to a number of factors. If a change in circumstances necessitates revisions to the earnings forecast, we will promptly disclose these revisions.

Dividend Policy and Return to Shareholders

Our Articles of Incorporation include the provision that the Board of Directors can resolve to pay dividends from surpluses, etc., as provided in Article 459, Paragraph 1 of the Companies Act. Our policy regarding the exercise of these rights is as follows.

The Group maintains a long-term and comprehensive approach to shareholder return as an important management priority. Our aim is to pay stable dividends while retaining sufficient internal reserves to fund our aggressive business development plans. Our policy is to determine cash dividend amounts for the interim dividend and the year-end dividend twice a year following extensive consideration of our financial position, level of earnings, payout ratio and so forth, and to maintain an annual dividend of at least ¥16 per share and a payout ratio of at least 30%.

For the year-end dividend for the 17th term, in addition to the interim dividend of ¥10 per share issued with an effective date of December 4, 2023, the Board of Directors has resolved at a meeting on April 26, 2024, to pay a dividend of ¥11 per share as a year-end dividend. As a result, the annual dividend for the 17th term will be ¥21 per share.

Risks Related to Satellite Infrastructure

[1] Risks Concerning Lower Competitiveness in the Satellite Communications Market

Risk Owner:

Unit President of Space Business Unit, SKY Perfect JSAT Corporation

Risk Status:

Owing to the recent development and low cost of terrestrial channels, the progress of new communication networks in the 5th Generation Mobile Communication System (5G) era, the launch of new satellite communications services using low-Earth-orbit satellites, etc., and the introduction of high-throughput satellites and high-capacity communications satellites with fully digital onboard communications equipment, the supply of telecommunications in general, and satellite communications in particular is increasing globally every year.

Price competition from competitors is expected to continue to drive down unit bandwidth prices and unit service prices, making it a challenge for the Group to find ways to maintain profitability.

Countermeasures against risk:

As a countermeasure to the above risks, we continue to procure and launch satellites that incorporate advanced technologies, such as high-throughput satellites and software-defined satellites, and focus on seizing demand even in an increasingly competitive market. In recent years, we have steadily expanded earnings by providing services via two high throughput satellites: Horizons 3e, a satellite jointly owned with Intelsat; and JCSAT-1C, a satellite that is partially owned with Kacific.

The software-defined satellite Superbird-9, which is scheduled to enter service in the first half of 2027, is currently in production and is scheduled to provide high-capacity and highly flexible telecommunications services to Japan and other East Asian countries.

In December 2023, we began offering Starlink Business, a broadband service using low-Earth-orbit satellites. We will strive to further expand our business and strengthen our competitiveness by responding to the diverse needs of the market and our customers.

As the business environment changes with the rapid evolution of digital technology in recent years, the Group is working aggressively to leverage new technologies and expand its business domain in addition to its existing satellite communications business model. In the telecommunications field, we aim to build a multi-layered communications network using geostationary and non-geostationary satellites and high-altitude platform stations (HAPS), as well as an ICT infrastructure in space that incorporates optical communications and space computing technologies. In the field of business intelligence, we are strengthening our satellite imagery sales service and promoting the development and sales activities of services using data from Earth-observation satellites to develop new markets. We are also working to commercialize other services using new technologies, such as satellite quantum key delivery and space debris control, to further expand our business. While we recognize that new business initiatives involve greater uncertainty and various higher risks than existing businesses, we believe that they are essential to further enhance our corporate value.

Residual Risks:

Yet, even if the currently envisioned measures are implemented, the market environment may change rapidly with the emergence of new satellite service providers using low-Earth-orbit satellites and the like, and the Group may not be able to maintain the competitiveness of the telecommunications services it provides in the market.

New business initiatives are carefully researched and

analyzed in advance. The selection of business partners and the decision on the amount of capital investment will also be made through the necessary decision-making process after the business plan has been developed. However, the occurrence of circumstances that differ from those originally planned, such as delays in technological development, changes in the business conditions of business partners or changes in the market conditions assumed for the new business in question, may affect the Group's business and management indicators.

[2] Risks Concerning Communications Satellite Procurement

Risk Owner:

Unit President of Space Business Unit, SKY Perfect JSAT Corporation

Risk Status:

When procuring communications satellites, there is a risk of manufacturing delays at the suppliers and launch delays, failures, and so on. If the scheduled start of operations for a communications satellite is delayed for any of these reasons, which results in continuous services unable to be provided for a certain period, there is a chance that earnings may decline and users may leave during that period.

Further, we may incur unplanned expenditures due to design or other factors during the communications satellite manufacturing period.

Countermeasures against risk:

To mitigate the aforementioned risks, when creating procurement schedules, we take measures to prepare for potential launch failures, including fleet backup measures using backup satellites and existing satellites, as well as placing advance orders for long lead items for replacement satellites, to ensure the early delivery of replacement satellites.

Regarding payments to the suppliers, we are striving to reduce risk by making milestone payments based on progress made for both satellite manufacturing and launch services, and securing the right to claim a certain amount of compensation in the event of delivery delays affecting satellite manufacture. With respect to launch services, we will set the scheduled launch date in accordance with the expected delivery date of the satellite so that it can be launched as soon as possible after its completion, and we will make every possible effort to adjust the contract during the manufacturing period. However, there may be cases where we are unable to launch the satellite on the terms and at the time we desire, such as

Management's Discussion and Analysis

when there is a significant delay in satellite manufacture. With regard to insurance policies, we have insurance policies in place for both launch and in-orbit operations.

The launch risk insurance covers the cost of procurement and repair of communications satellites in the event of complete or partial damage during the initial phase of operations, and it is generally valid for one year from the time of launch.

Residual Risks:

However, even if the currently envisioned measures are implemented, there are potential risks, including the risk that the manufacture and launch of successor satellites may be delayed due to the progress of technology development, supply chain issues, unforeseen accidents, or geopolitical situations; the risk that the degree and cause of damage to a satellite or other factors may prevent the launch risk insurance from covering the full cost of the launch; the risk of increased premiums due to fluctuations in the space insurance market environment; and the risk of not being covered by property insurance in the event of war or other absolute exemptions from coverage obligations.

[3] Risks Concerning Communications Satellite Operations

Risk Owner:

Unit President of Space Business Unit, SKY Perfect JSAT Corporation

Risk Status:

Communication satellites owned by the Group are used for a relatively long period of more than 15 years. During this operational period, there is the possibility that the satellite may malfunction or that its operational capabilities may be degraded due to manufacturing defects, defective parts, magnetic storms caused by solar activity, collisions with debris or meteorites, excessive fuel consumption, satellite control-related or operation-related failures, or other factors. If such events were to occur, we might experience a decline in revenue due to the inability to provide services, an outflow of customers, or costs associated with shifting customers to another satellite owned by the Group, any of which could have a negative impact on our earnings.

Countermeasures against risk:

To address the above risks, we have an in-orbit insurance policy in place for each launched communications satellite that takes effect after the launch insurance period has elapsed. However, this insurance does not cover

third-party liability, loss of revenue, or other business damages that the Group may incur due to technical malfunctions of the communications satellite. The Group has maintained a dedicated backup satellite in orbit and has been prepared to provide backup as quickly as possible in the event that a satellite in operation malfunctions. The expected delay in the scheduled in-service date of the satellite procured as the successor, however, means that the dedicated backup-only spare communications satellite is planned to temporarily serve as the successor until the successor satellite is in service.

Therefore, in the event of a malfunction of a satellite in operation, we will switch to the dedicated backup satellite in orbital positions where we maintain a dedicated backup satellite, and in other orbital positions, we will take possible measures such as continuing service using other satellites owned by the Group in accordance with the satellite fleet plan. However, there is a possibility that we may not be able to completely replace the capability of a communications satellite that has experienced a malfunction.

Residual Risks:

Keeping this in mind, even if the currently envisioned measures are implemented, there is still the risk of earnings decreasing due to the inability to provide replacement functions via a backup satellite owned by the Group owing to unforeseen circumstances; the risk of not being covered by in-orbit insurance due to the application of an exemption clause depending on the factors causing the communications satellite to malfunction; the risk of premiums rising due to changes in the space insurance market environment; and the risk of warfare.

Risks Related to Multichannel Pay TV Broadcasting Platform Services

[4] Risks Concerning the Lower Feasibility of the Multichannel Pay TV Business

Risk Owner:

Unit President of Media Business Unit, SKY Perfect JSAT Corporation

Risk Status:

The acquisition and retention of subscribers is an important factor in the Group's earnings growth. As of March 31, 2023, we had 2,875,000 subscribers, but there is no guarantee that the number of subscribers will grow according to the Group's plans going forward. In addition, despite our efforts to differentiate our content, enhance promotions, and implement various marketing

measures such as campaigns, if the number of subscriptions continues to decline or sharply decreases in the future due to intensified competition with competing services or changes in user viewing habits due to developments such as the penetration of video distribution services offering similar content online, there is no guarantee that the number of subscribers will grow as planned in the future, and the Group's business and operating results will be adversely affected.

Countermeasures against risk:

Moreover, if the appeal of the Group's services declines due to the Group's inability to acquire leading content as a result of intensified competition or other factors, thus resulting in a greater than expected number of cancellations by existing subscribers, the cumulative number of subscribers will decrease, and the profitability of the multichannel pay TV business will decline due to soaring broadcasting rights fees. This could have a negative impact on the Group's business and operating results.

To address the above risks, we have prepared and are implementing a mid-term policy for business structure reform based on business income and expenditures; this is intended to secure a certain level of profit even if the number of subscribers in our multichannel pay TV business declines. In response to soaring broadcasting rights fees, the Company has established a content acquisition policy that clearly prioritizes content that contributes to subscriber acquisition and retention, and it conducts after-the-fact reviews of the cost-effectiveness of this content.

Furthermore, through appropriate collaborations and alliances with other companies in the industry that provide paid content, the Company will strengthen its marketing capabilities and increase the efficiency of its overall business.

At the same time, to increase earnings in the FTTH business, the Company is implementing measures to increase earnings outside its multichannel pay TV business by strengthening its sales structure, collaborating with cable television companies and enhancing its services, making effective use of Tokyo Media Center facilities, and expanding its business in cutting-edge areas such as Web3, among other things.

Residual Risks:

However, we recognize that there is more risk than before due to the accelerated rise of online video distribution services, so we have decided to launch "SKY PerfectTV! BANGUMI HAISHIN (a free distribution service)" for our multichannel pay TV business subscribers

along with our new original video distribution service, "SPOOX." Still, even if the currently envisioned measures are implemented we still expect to risk further decreases in profitability if the number of subscribers declines due to increasingly fierce competition or if broadcasting rights fees and distribution rights fees rise more than expected.

The Company has stated that it will aggressively pursue four major initiatives as its growth strategy for the media business: "expansion of content," "expansion of transmission channels," "expansion into cutting-edge areas," and "expansion of the entertainment infrastructure area." However, if the risk of a decline in the business potential of the multichannel pay TV business becomes apparent, it is inevitable that the Company will slow down its efforts toward transformation, resulting in a spiral of further decline in attractiveness and deteriorating profitability. Therefore, our challenge is how to prevent, such risks from materializing.

[5] Risks Concerning Illegal Viewing

Risk Owner:

Unit President of Media Business Unit, SKY Perfect JSAT Corporation

Risk Status:

The Group's multichannel pay TV broadcasting service, SKY PerfectTV!, uses IC cards/chips referred to as B-CAS cards/ ACAS chips. With regard to B-CAS cards, a vendor of modified B-CAS cards that allow users to illegally view pay TV broadcasts have been arrested. In addition, there have been cases of injunctions to prevent the sale of illegal devices exclusively for online distribution on major e-commerce sites, on the grounds that such sales constitute an act of aiding and abetting infringement of public transmission rights and the right to make transmittable. Illegal viewing using modified B-CAS cards and illegal devices exclusively for online distribution may have a significant negative impact on the healthy dissemination and expansion of multichannel pay TV broadcasting as a whole, as well as the Group's business and operating results.

Also, while the Group's multichannel pay TV broadcasting services, which include SKY PerfectTV! Premium and SKY PerfectTV! Premium Hikari, use IC cards that differ from B-CAS cards, similar unauthorized viewing could have a negative impact on the Group's business and operating results.

Countermeasures against risk:

To mitigate the above risks, we have been actively

Management's Discussion and Analysis

involved in the development of ACAS chips for the launch of 4K/8K broadcasts. ACAS chips have enhanced security functions and are also compatible with 2K broadcasts, allowing SKY PerfecTV! Service to be viewed on 4K TVs equipped with the ACAS chip, just like before. As 4K TVs gain more widespread adoption in the future, B-CAS cards will be replaced by ACAS chips, and this is expected to reduce risk to a certain extent. In the event that unauthorized viewing via B-CAS cards is discovered, the Group's policy is to take all possible measures to deal with the situation in a serious manner, including claims for damages and other legal action, in cooperation with other pay TV operators and BS Conditional Access Systems, Co., Ltd., which owns the B-CAS cards. We will continue to file both criminal and civil lawsuits and publicize the illegality in our public relations going forward. In addition to continued efforts to look into more effective technical measures, we will enhance our cooperation with relevant ministries and agencies so that legal action can be taken against unauthorized viewers who use unauthorized viewing devices.

Residual Risks:

Yet even if the currently envisioned measures are implemented, if ACAS chips are not adopted as widely as expected, or if the above measures are not an effective deterrent, there is a chance that unauthorized viewing using modified B-CAS cards will continue to occur over a lengthy period of time. In addition, there has recently been an influx of illegal devices from overseas dedicated to online distribution that enable unauthorized viewing via the Internet, and it is possible that unauthorized viewing will increase due to these devices. The Japan Satellite Broadcasting Association, which has successfully obtained injunctions against the sale of illegal viewing devices to major e-commerce sites, has taken the lead in establishing the Council Against Illegal Streaming Devices, with the support of the Ministry of Internal Affairs and Communications of Japan and the participation of broadcasters and related organizations. The Group is actively involved with the activities of this council and is working to prevent the distribution of illegal dedicated online streaming devices. In the event that new technologies or devices that enable dedicated online streaming or unauthorized viewing emerge, and the Group is unable to implement effective countermeasures against them or is forced to spend a large amount of money to implement such countermeasures, the Group's business and operating results may be adversely affected.

[6] Risks Concerning the Customer Management System

Risk Owner:

Unit President of Media Business Unit, SKY Perfect JSAT Corporation

Risk Status:

The Group uses a large-scale client management system to manage various types of customer and contract information related to its multichannel paid services and other services, including new subscriptions, channel changes, cancellation processing, billing, and invoicing. This system plays a key role in Media Business operations and revenue management. In the event that this system experiences a major failure, or if errors occur in program modifications and so on due to system configuration or specification changes, services such as subscription registration may be suspended, business operations could be hindered due to issues with various transactions and procedures with broadcasters, our social reputation could be damaged, and unforeseen costs required to resolve problems and respond to customers could be incurred. The Group's business and operating results may be adversely affected as well.

In addition, improper data entry or falsification of records could undermine the reliability of revenues, which form the basis of business performance, and adversely affect business operations and operating results.

Countermeasures against risk:

To address the aforementioned risks, the client management system is installed in a seismically isolated facility to prevent serious system failures, and each piece of equipment and device has redundancies built in. Furthermore, applications, data, and other information are regularly backed up to servers in remote locations. The Group has also taken measures to prevent system configuration flaws, including meticulous operational management through the preparation of configuration manuals and so on, internal procedures for program modifications, and periodic inventory checks of system access privileges.

Residual Risks:

That being said, even if the currently envisioned measures are implemented, there is still the risk of human error and unexpected failures due to inadequacies in the requirement definitions and such during system maintenance.

Business Risks

The risks listed below are risk items that the Group has identified as significant risks for the fiscal year ended March 31, 2024, along with countermeasures to address them. The risks discussed here do not cover all of the risks faced by the Group. In addition, there may arise unknown risks that the Group is not aware of, or risks that may grow more significant in the future and have a serious impact on the Group's business, financial position, and operating results. Forward-looking statements in this document are based on the judgment of the Group as of the end of fiscal year.

[7] Risks Concerning Business Investments, etc.

Risk Owner:

Unit President of Corporate Administration Unit, SKY Perfect JSAT Corporation

Risk Status:

To expand its business, the Group may consider mergers and acquisitions, investments in other companies, alliances with other companies, and the establishment of cooperative frameworks. If the Group determines that such actions will contribute to its future business strategies and operating results, it may execute said actions.

However, if we are unable to integrate the target businesses of an acquisition in line with the Group's management strategy, or if we are unable to achieve the synergy we expect, apply the Group's internal control system to the target businesses of an acquisition, or if we discover significant problems after making the acquisition, including problems in technological fields in which the Group is not guaranteed to possess knowledge or expertise, the Group's financial situation and operating results may be adversely affected.

Moreover, acquisitions may result in large amounts of goodwill and intangible assets being recorded, which may be impaired if the profitability of the target businesses declines. Also, losses on the sale or liquidation of a business or other losses associated with business restructuring may adversely affect the Group's operating results and financial position.

Countermeasures against risk:

To address these risks, the Company has established rules and regulations pertaining to investments, and it holds discussions and makes decisions on financing and investments after taking into consideration business plans, the internal rate of return, withdrawal criteria, and other risks. Furthermore, when it comes to major investment proposals, the Company has a system of multiple

checks and careful examinations from multiple perspectives. This includes departmental meetings; discussions at meetings of the Management Committee, an advisory body to the Representative Director, President; and resolutions at meetings of the Board of Directors.

To establish and execute appropriate internal control, we also dispatch personnel to the companies in which we invest and require them to comply with the rules and regulations established by the Group for proper management. When making investment decisions, we establish milestones and conduct reviews as appropriate. In addition, after deciding to invest, we review the financial condition, policies, profitability, capital cost, ownership significance, investment appropriateness, and other factors for each investment target, and report the results to the Board of Directors.

Residual Risks:

That being said, even if the currently envisioned measures are implemented, it is impossible to completely prevent losses in the businesses we acquire or impairment of investment securities or goodwill that result from changes in the market and competitive environment or inadequate business management after investments or acquisitions have been made. Thus, there is no guarantee that we can secure profits that are commensurate with our investments.

Also, the occurrence of compliance-related issues at the companies in which we have invested could damage the Group's social credibility.

[8] Risks Concerning Legal Business Regulations

Risk Owner:

Unit President of Corporate Administration Unit, SKY Perfect JSAT Corporation

Risk Status:

In conducting its business activities, the Group is subject to legal regulations in Japan, including the Broadcasting Act, the Telecommunications Business Act, the Radio Act, the Antimonopoly Act, the Act on the Protection of Personal Information, environmental laws and regulations, and the Act for Normalization of Grants, etc. We are also subject to the legal regulations of each country where we operate. Violations of these laws and regulations, or behavior contrary to societal demands, may result in legal penalties, lawsuits, social sanctions, orders to suspend business, or loss of trust from customers and other stakeholders, which may adversely affect the Group's business and operating results.

Furthermore, if new laws or regulations are enacted

Management's Discussion and Analysis

that change the current system that applies to satellite broadcasting in Japan and to the launch, operation, and commercial use of communications satellites in Japan and overseas, or if revisions are made that are detrimental to the Group's business activities, our business operations may be restricted, which could adversely affect its business and operating results.

In addition, failure to take appropriate action on human rights issues, including supply chain issues, could result in suspension of business with customers, administrative penalties, and loss of public confidence in the Group.

Countermeasures against risk:

To address the above risks, we have established the SKY Perfect JSAT Group Compliance Basic Regulations, the Group Officer and Employee Code of Conduct, and the Human Rights Policy, based on the "SKY Perfect JSAT Group Mission" and the "SKY Perfect JSAT Principles," and we require Board Directors and employees to comply with all laws and regulations, including respect for human rights.

The Group has also appointed a Chief Compliance Officer and established a Compliance Committee, chaired by the Chief Compliance Officer, that meets on a regular basis.

In addition, to ensure that compliance is firmly established throughout the Company, the we provide education and training to Board Directors and employees and utilizes a service that disseminates information about the enactment and revision of new laws and regulations as required to ensure compliance with said laws and regulations.

To provide a system that allows for prompt reports and consultations, even anonymously, with internal and external points of contact in the event of any suspected violation of laws or regulations is discovered in the Group's business activities or in the conduct of Board Directors or employees, a "Compliance Helpline" has been established and is operated in an appropriate manner. Our Internal Audit Division regularly audits the status of compliance of the Group, including the status of the aforementioned countermeasures.

Moreover, with regard to the enactment or revision of laws and regulations that alter existing systems in Japan and overseas, we constantly monitor the inclinations of relevant authorities and take measures to mitigate risks by expressing our views as required and making advance preparations for systemic changes.

Residual Risks:

However, even if the currently envisioned measures are implemented, there is a chance that we may not be able to completely eliminate the possibility of legal violations, or that we may not be able to take appropriate action due to delays in obtaining information on the enactment or revision of new laws and regulations in Japan or overseas, which could adversely affect our business operations.

[9] Risks Concerning Leaks and the Handling of Personal Information and Important Information, and Cyber Security

Risk Owner:

Unit President of Corporate Administration Unit, SKY Perfect JSAT Corporation

Risk Status:

The Group retains customer information, including subscriber information for the services it provides, in its Media Business, and important information, including technical information, in its Space Business. If this information is leaked due to a system failure resulting from a hardware/ software malfunction, human error, or unauthorized access by a third party, or if personal information is improperly handled, the Group's business and operating results may be adversely affected due to loss of public trust, compensation for damages, or other costs incurred while handling the situation. In the event of a large-scale cyberattack, not only could this information be leaked, but the operation of broadcasting/ distribution services as well as satellite communications services could also be disrupted.

Countermeasures against risk:

To address the above risks, the Group has obtained ISMS (Information Security Management System) certification and the Privacy Mark, and has established an information security and personal information protection management system to ensure strict information management.

As part of these activities, the Personal Information Management Committee and Information Security Management Committee have been established to monitor the status of information security management within the Group.

Further, the CSIRT has been established as an organization responsible for responding to security incidents, and training has been conducted as well. In terms of system measures, we utilize encrypted servers when storing personal information and important business information; intrusion prevention systems and anti-virus

software to prevent infections; system logging; and the detection of vulnerabilities through security diagnostics, among other measures.

Additionally, in response to the diversification of cyberattack methods and the increase in cybersecurity risks due to the promotion of DX (Digital Transformation) and other factors, we have appointed a CISO and are working on the implementation and enhancement of cybersecurity measures. We are also strengthening our ability to detect malware and unauthorized communications, and reviewing our internal network construction standards.

Residual Risks:

However, even if all of these measures are implemented, information leaks or service disruptions could occur due to unforeseen situations that overwhelm these measures, such as advanced cyberattacks utilizing new technologies.

[10] Risks Concerning Business Continuity Due to Large-Scale Disasters, etc.

Risk Owner:

Unit President of Corporate Administration Unit, SKY Perfect JSAT Corporation

Risk Status:

As a corporate group that provides highly public services in broadcasting and telecommunications, the Group owns broadcasting facilities and satellite control and communication facilities in Japan. In the event of a large-scale disaster, accident, COVID-19, or other infectious disease pandemic, there is a chance that it may be difficult to continue business operations due to damage sustained by facilities and equipment, facility closures, or voluntary suspension of activities. There is also the risk that it may be impossible to secure the employees required to continue operations due to employees being affected by the disaster, public transportation being suspended, and so on.

Countermeasures against risk:

To address these risks, we have established and are operating a business continuity plan (BCP) that lays out how each of our businesses will continue its operations, including personnel plans and other systems, in times of emergency. With regard to the business continuity system to address the spread of COVID 19 or other infectious diseases, along with the establishment of remote work, we have created a system for enabling operations to be carried out while ensuring the safety of employees

by setting up a work schedule in accordance with how infections are spreading, based on requests from the national government and Tokyo.

Sites that handle continuous operations are equipped with seismic control or isolation structures and have emergency power generation capabilities and emergency food stockpiles. In particular, satellite communications control facilities, which are expected to be used more than usual in the event of a disaster, are equipped with uninterruptible power supplies and designed such that even if one facility is shut down, services can be provided by other facilities to avoid serious disruptions to operations. We are also continuing to study and devise and formulate countermeasures to deal with threats such as hurricanes and strong winds and torrential rains that have been occurring frequently in recent years due to climate change and other factors.

Residual Risks:

Still, even if the currently envisioned measures are implemented, because not all of our services have full backup facilities, in the event of a large-scale disaster that cannot be fully handled via the countermeasures currently envisioned, there is the risk of long-term suspension of broadcasting, distribution, and communication services, as well as a risk of being unable to secure fuel and personnel at bases due to prolonged disruptions in transportation and other services. Such a situation could have a negative impact on the Group's business and operating results.

Consolidated Balance Sheet

SKY Perfect JSAT Holdings Inc. and Consolidated Subsidiaries
March 31, 2024

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2024	2024
ASSETS			
Current Assets:			
Cash and cash equivalents (Notes 6 and 16)	¥ 107,909	¥ 114,322	\$ 755,099
Accounts receivable (Notes 6 and 16):			
Trade	61,292	56,537	373,426
Affiliated companies	199	484	3,199
Other	690	475	3,136
Allowance for doubtful accounts	(88)	(84)	(555)
Lease receivables (Notes 6, 12 and 16)	46,235	43,132	284,890
Inventories:			
Broadcasting rights	948	855	5,650
Work in process	349	77	510
Other	1,462	1,835	12,120
Advance payments to suppliers (Note 4)	1,247	4,786	31,613
Investment in and advances to affiliated companies (Notes 16 and 19)	3,630	4,397	29,039
Other (Notes 4, 6 and 19)	4,982	4,454	29,414
Total current assets	228,855	231,270	1,527,541
Property and Equipment:			
Buildings and structures	22,347	24,210	159,909
Machinery, equipment and vehicles	67,035	70,911	468,365
Telecommunications satellites	227,758	227,758	1,504,349
Land	2,924	3,102	20,489
Construction in progress	20,524	23,955	158,221
Other	16,472	17,806	117,611
Total property and equipment	357,060	367,742	2,428,944
Accumulated depreciation	(241,666)	(256,448)	(1,693,845)
Net property and equipment	115,394	111,294	735,099
Investments and Other Assets:			
Software	4,287	4,546	30,027
Investment securities (Notes 5 and 16)	4,613	14,402	95,127
Investment in and advances to affiliated companies (Notes 16 and 19)	33,190	33,982	224,450
Deferred tax assets (Notes 2.p and 10)	10,154	7,542	49,814
Other	2,562	2,375	15,690
Total investments and other assets	54,806	62,847	415,108
Total	¥ 399,055	¥ 405,411	\$ 2,677,748

See notes to consolidated financial statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2024	2024
LIABILITIES AND EQUITY			
Current Liabilities:			
Current portion of long-term debt (Notes 6 and 16)	¥ 10,572	¥ 10,793	\$ 71,291
Accounts payable:			
Trade	13,606	9,658	63,789
Affiliated companies	363	323	2,132
Income taxes payable	5,805	5,099	33,682
Subscription fees received	6,755	6,408	42,327
Unearned revenues	19,145	21,946	144,956
Accrued bonus	629	699	4,614
Other	7,201	5,273	34,823
Total current liabilities	64,076	60,199	397,614
Non-current Liabilities:			
Long-term debt (Notes 6 and 16)	62,976	55,016	363,385
Liabilities for retirement benefits (Note 7)	6,545	6,438	42,525
Deferred tax liabilities (Notes 2.p and 10)	1,102	1,416	9,354
Asset retirement obligations (Note 8)	2,274	2,326	15,364
Other	5,267	8,033	53,054
Total non-current liabilities	78,164	73,229	483,682
Commitments and Contingent Liabilities (Notes 12 and 17):			
Equity (Note 9):			
Common stock			
Authorized, 1,450,000,000 shares;			
Issued, 297,404,212 shares in 2023 and 297,578,423 shares in 2024	10,082	10,129	66,903
Capital surplus	131,911	131,958	871,587
Retained earnings	114,333	126,015	832,333
Treasury stock—at cost, 6,933,124 shares in 2023 and 14,323,086 shares in 2024	(2,924)	(7,924)	(52,341)
Accumulated other comprehensive income			
Unrealized (loss) gain on available-for-sale securities	(192)	6,964	45,995
Deferred gain on derivatives under hedge accounting	8	516	3,410
Foreign currency translation adjustments	2,546	2,761	18,238
Remeasurements of defined retirement benefit plans	(344)	(197)	(1,304)
Total	255,420	270,222	1,784,821
Non-controlling interests	1,395	1,761	11,631
Total equity	256,815	271,983	1,796,452
Total	¥ 399,055	¥ 405,411	\$ 2,677,748

Consolidated Statement of Income

SKY Perfect JSAT Holdings Inc. and Consolidated Subsidiaries
Year Ended March 31, 2024

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2024	2024
Revenues (Notes 2.o, 11 and 20)	¥ 121,140	¥ 121,873	\$ 804,972
Operating Expenses:			
Cost of services (Notes 13 and 20)	69,058	66,690	440,487
Selling, general, and administrative expenses (Notes 14 and 20)	29,758	28,637	189,149
Operating Profit (Note 20)	22,324	26,546	175,336
Other Income (Expenses):			
Interest and dividend income	1,708	2,256	14,900
Interest expense (Note 6)	(1,497)	(1,897)	(12,530)
Foreign exchange gains—net	58	173	1,143
Share of loss of investments accounted for using the equity method	(68)	(311)	(2,052)
Subsidy income (Note 4)	366	11	71
Gain on sales of investment securities (Note 5)	235	—	—
Impairment loss (Notes 15 and 20)	(74)	—	—
Write-down of investment securities (Note 5)	(224)	(870)	(5,744)
Other—net (Note 4)	295	351	2,319
Other Income—Net	799	(287)	(1,893)
Profit before Income Taxes	23,123	26,259	173,443
Income Taxes (Note 10):			
Current	8,143	8,710	57,533
Deferred	(1,120)	(607)	(4,008)
Total Income Taxes	7,023	8,103	53,525
Profit	16,100	18,156	119,918
Profit attributable to non-controlling interests	290	417	2,751
Profit attributable to owners of the parent	¥ 15,810	¥ 17,739	\$ 117,167
Per Share of Common Stock (Note 2.t):			
Earnings Per Share	¥ 54.44	¥ 61.69	\$ 0.41
Diluted Earnings Per Share	—	—	—
Cash Dividends Applicable to the Year	20.00	21.00	0.14

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

SKY Perfect JSAT Holdings Inc. and Consolidated Subsidiaries
Year Ended March 31, 2024

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2024	2024
Profit	¥ 16,100	¥ 18,156	\$ 119,918
Other comprehensive income (Note 18):			
Unrealized (loss) gain on available-for-sale securities	(122)	7,156	47,265
Deferred gain on derivatives under hedge accounting	134	503	3,333
Foreign currency translation adjustments	2,688	215	1,418
Remeasurement of defined retirement benefit plans	138	147	966
Share of other comprehensive income in affiliated companies accounted for using the equity method	(8)	45	296
Total other comprehensive income	2,830	8,066	53,278
Comprehensive income	¥ 18,930	¥ 26,222	\$ 173,196
Total comprehensive income attributable to:			
Owners of the parent	¥ 18,565	¥ 25,764	\$ 170,174
Non-controlling interests	365	458	3,022

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

SKY Perfect JSAT Holdings Inc. and Consolidated Subsidiaries
Year Ended March 31, 2024

	Millions of yen											
	Outstanding number of shares of common stock	Common stock	Capital surplus	Retained earnings	Treasury stock	Accumulated other comprehensive income				Total	Non-controlling interests	Total equity
						Unrealized gain (loss) on available-for-sale securities	Deferred gain (loss) on derivatives under hedge accounting	Foreign currency translation adjustments	Remeasurement of defined retirement benefit plans			
Balance, April 1, 2022	290,300,034	¥10,082	¥131,893	¥103,750	¥(3,000)	¥ (67)	¥ (46)	¥ (142)	¥(482)	¥241,988	¥1,089	¥243,077
Cash dividends, ¥20.00 per share				(5,227)						(5,227)		(5,227)
Profit attributable to owners of parent				15,810						15,810		15,810
Purchase of treasury shares	(8,133)									—		—
Disposal of treasury shares	179,187		18		76					94		94
Net change in items other than shareholders' equity						(125)	54	2,688	138	2,755	306	3,061
Balance, March 31, 2023	290,471,088	¥10,082	¥131,911	¥114,333	¥(2,924)	¥ (192)	¥ 8	¥2,546	¥(344)	¥255,420	¥1,395	¥256,815
Issuance of new shares	174,211	47	47							94		94
Cash dividends, ¥21.00 per share				(6,081)						(6,081)		(6,081)
Profit attributable to owners of parent				17,739						17,739		17,739
Purchase of treasury shares	(7,389,962)				(5,000)					(5,000)		(5,000)
Adjustment to retained earnings for change in the number of equity method affiliates				24						24		24
Net change in items other than shareholders' equity						7,156	508	215	147	8,026	366	8,392
Balance, March 31, 2024	283,255,337	¥10,129	¥131,958	¥126,015	¥(7,924)	¥6,964	¥516	¥2,761	¥(197)	¥270,222	¥1,761	¥271,983

	Thousands of U.S. dollars (Note 1)											
	Outstanding number of shares of common stock	Common stock	Capital surplus	Retained earnings	Treasury stock	Accumulated other comprehensive income				Total	Non-controlling interests	Total equity
						Unrealized gain (loss) on available-for-sale securities	Deferred gain (loss) on derivatives under hedge accounting	Foreign currency translation adjustments	Remeasurement of defined retirement benefit plans			
Balance, March 31, 2023	290,471,088	\$66,591	\$871,275	\$755,174	\$(19,316)	\$(1,268)	\$ 51	\$16,820	\$(2,270)	\$1,687,057	\$ 9,215	\$1,696,272
Issuance of new shares	174,211	312	312							624		624
Cash dividends, \$0.14 per share				(40,167)						(40,167)		(40,167)
Profit attributable to owners of parent				117,167						117,167		117,167
Purchase of treasury shares	(7,389,962)				(33,025)					(33,025)		(33,025)
Adjustment to retained earnings for change in the number of equity method affiliates				159						159		159
Net change in items other than shareholders' equity						47,263	3,359	1,418	966	53,006	2,416	55,422
Balance, March 31, 2024	283,255,337	\$66,903	\$871,587	\$832,333	\$(52,341)	\$45,995	\$3,410	\$18,238	\$(1,304)	\$1,784,821	\$11,631	\$1,796,452

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

SKY Perfect JSAT Holdings Inc. and Consolidated Subsidiaries
Year Ended March 31, 2024

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2024	2024
Operating Activities:			
Profit before income taxes	¥ 23,123	¥ 26,259	\$ 173,443
Adjustments for:			
Depreciation and amortization (Note 20)	21,165	20,232	133,630
Impairment loss	74	—	—
Amortization of goodwill	67	—	—
Interest and dividend income	(1,708)	(2,256)	(14,900)
Interest expense	1,497	1,897	12,530
Equity in net losses of affiliated companies	68	311	2,052
Decrease in receivables—trade and affiliated companies	2,601	4,621	30,524
Write-down of investment securities	224	870	5,744
(Increase) decrease in broadcasting rights	(552)	93	614
Increase in inventories	(429)	(101)	(669)
Increase (decrease) in advance payments to suppliers (Note 4)	314	(3,539)	(23,375)
Increase (decrease) in payables—trade and affiliated companies	783	(3,991)	(26,361)
Increase in deferred revenues	8,286	2,798	18,478
Decrease in lease receivables	199	3,103	20,493
Other—net (Note 4)	6,003	127	852
Subtotal	61,715	50,424	333,055
Interest and dividends received	1,660	2,264	14,953
Interest paid	(1,208)	(1,909)	(12,607)
Income taxes paid	(4,536)	(8,375)	(55,322)
Net cash provided by operating activities	57,631	42,404	280,079
Investing Activities:			
Purchases of property and equipment	(15,975)	(13,473)	(88,991)
Purchases of intangible assets	(1,441)	(1,903)	(12,568)
Purchases of investment securities	(585)	(234)	(1,547)
Proceeds from collection of loans receivable	3,241	3,848	25,413
Proceeds from sale and redemption of investment securities (Note 4)	970	—	—
Payments for additional acquisition of shares of affiliated companies	(3,000)	(3,624)	(23,935)
Other—net	(80)	1	9
Net cash used in investing activities	(16,870)	(15,385)	(101,619)
Financing Activities:			
Repayments of finance lease obligations	(0)	—	—
Proceeds from long-term loans payable	—	1,000	6,605
Repayments of long-term loans payable	(9,140)	(10,886)	(71,904)
Redemption of bonds	(5,000)	—	—
Purchase of treasury shares	—	(5,044)	(33,318)
Dividends paid	(5,224)	(6,076)	(40,134)
Dividends paid to non-controlling interests	(59)	(94)	(610)
Other—net	—	1	5
Net cash used in financing activities	(19,423)	(21,099)	(139,356)
Foreign currency translation adjustments on cash and cash equivalents	657	493	3,255
Net increase in cash and cash equivalents	21,995	6,413	42,359
Cash and cash equivalents, beginning of year	85,914	107,909	712,740
Cash and cash equivalents, end of year	¥ 107,909	¥ 114,322	\$ 755,099

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

SKY Perfect JSAT Holdings Inc. and Consolidated Subsidiaries
Year Ended March 31, 2024

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act, and its related accounting regulations, and in accordance with generally accepted accounting principles in Japan (“Japanese GAAP”), which are different in certain respects as to application and disclosure requirements of generally accepted accounting principles in the United States of America and IFRS Accounting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form that is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2023 consolidated financial statements to conform to the classifications used in 2024.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which SKY Perfect JSAT Holdings Inc. (the “Company”) is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥151.40 to \$1, the approximate rate of exchange at March 31, 2024. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation

The consolidated financial statements as of March 31, 2024, include the accounts of the Company and its significant subsidiaries (together, the “Companies”). The remaining subsidiaries are excluded from the scope of consolidation because those unconsolidated subsidiaries do not have material effects on the accompanying consolidated financial statements.

The numbers of consolidated subsidiaries and affiliated companies, in which investments are accounted for under the equity method, as of March 31, 2023 and 2024, are summarized below.

	2023	2024
Consolidated subsidiaries	8	9
Affiliated companies:		
Unconsolidated subsidiaries	6	8
Associated companies	23	23

Under the control and influence concepts, those companies in which the Company, directly or indirectly, is able to exercise control over operations are consolidated, and those companies over which the Companies have the ability to exercise significant influence are accounted for by the equity method.

Investments in unconsolidated subsidiaries and associated companies are accounted for by the equity method.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Companies is also eliminated.

b. Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements

The accounting standard for unification of accounting policies applied to foreign subsidiaries for the consolidated financial statements: (1) requires the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances to be, in principle, unified for the preparation of the consolidated financial statements and (2) allows for financial statements prepared by foreign subsidiaries in accordance with either IFRS Accounting Standards or generally accepted accounting principles in the United States of America to be tentatively used for the consolidation process. However, the following items should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: 1) amortization of goodwill; 2) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in equity through other comprehensive income; 3) expensing capitalized development costs of research and development (“R&D”); 4) cancellation of the fair value model accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting; and 5) recording a gain or loss through profit or loss on the sale of an investment in an equity instrument for the difference between the acquisition cost and selling price, and recording impairment loss through profit or loss for other-than-temporary declines in the fair value of an investment in an equity instrument, where a foreign subsidiary elects to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument.

c. Unification of Accounting Policies Applied to Foreign Associated Companies for the Equity Method

The accounting standard requires adjustments to be made to conform the affiliate’s accounting policies for similar transactions and events under similar circumstances to those of the parent company when the associate’s financial statements are used in applying the equity method, unless it is impracticable to determine adjustments. In addition, financial statements prepared by foreign associated companies in accordance with either IFRS Accounting Standards or generally accepted accounting principles in the United States of America tentatively may be used in applying the equity method if the following items are adjusted so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: 1) amortization of goodwill; 2) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in equity through other comprehensive income; 3) expensing capitalized development costs of R&D; 4) cancellation of the fair value model accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting; and 5) recording a gain or loss through profit or loss on the sale of an investment in an equity instrument for the difference between the acquisition cost and selling price, and recording impairment loss through profit or loss for other-than-temporary declines in the fair value of an investment in an equity instrument, where a foreign associate elects to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument.

d. Cash Equivalents

Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value.

Cash equivalents include time deposits, commercial paper, and mutual funds investing in bonds, all of which mature or become due within three months of the date of acquisition.

e. Inventories

Inventories consist primarily of broadcasting rights and work in process. The Companies purchase rights relating to the broadcasting of programs, which are capitalized and then amortized based on the number of showings.

Inventories are stated at the lower of cost, or net selling value. The cost is determined by the specific identification method for broadcasting rights and work in process, and by the first-in, first-out method for merchandise and supplies.

f. Securities

Securities are presented as investment securities in the consolidated balance sheet.

Securities are classified as held-to-maturity debt securities or available-for-sale securities, depending on management’s intent.

Held-to-maturity debt securities, for which there is a positive intent and ability to hold to maturity, are stated at amortized cost.

Securities other than equity instruments that do not have a quoted market price in an active market are stated at fair value with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity. The cost of securities sold is determined based on the moving-average method.

Equity instruments that do not have a quoted market price in an active market are stated at cost determined by the moving-average method. For other-than-temporary declines in fair value, securities are reduced to net realizable value by a charge to income.

g. Allowance for Doubtful Accounts

An allowance for doubtful accounts is provided for the estimated amount of uncollectible receivables, such as accounts receivable—trade and loans receivable, based on the past credit loss experience of bad debts for general receivables, and on the individually evaluated collectability for specific doubtful accounts.

h. Property and Equipment

Property and equipment are stated at cost. Depreciation is computed by the straight-line method over the estimated useful lives of the assets. The estimated useful lives for property and equipment are principally as follows:

Buildings and structures	3–50 years
Machinery, equipment, and vehicles	2–17 years
Telecommunications satellites	12–15 years
Other	2–20 years

Notes to Consolidated Financial Statements

i. Software

Software is stated at cost less accumulated amortization and is amortized by the straight-line method over its estimated internal useful life (mainly five years).

j. Impairment of Long-Lived Assets

The Companies review their long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

k. Accrued Bonuses

Accrued bonuses for employees are recorded for the estimated bonuses attributable to the current fiscal year within the period eligible for bonus payment set by the Companies.

l. Retirement and Pension Plans

Certain consolidated subsidiaries of the Company have unfunded defined benefit severance indemnity plans covering substantially all of their employees other than directors, executive officers, and Audit & Supervisory Board Members.

Certain subsidiaries of the Company also participate in a contributory multi-employer pension plan covering all of their employees. The costs of the multi-employer plan are accrued based on the contribution amounts.

The Companies record liabilities for retirement benefits based on the projected benefit obligations required at the consolidated balance sheet date to provide for future payments.

The projected benefit obligations are attributed to periods on a benefit formula basis. Unrecognized actuarial differences are amortized by the straight-line method over the average remaining service years of the employees or a shorter period (10–17 years), starting from the year following the year in which the differences occur. Unrecognized prior service cost is amortized by the straight-line method over the average remaining service years of the employees (10–12 years), starting from the year in which it occurs.

m. Asset Retirement Obligations

Under the accounting standard for asset retirement obligations, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of the asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an adjustment to the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

n. Leases

Lessee

Finance lease transactions are capitalized by recognizing lease assets and lease obligations in the consolidated balance sheet.

All other leases are accounted for as operating leases.

Lessor

Finance leases that are deemed to transfer ownership of the leased property to the lessee are recognized as lease receivables.

o. Recognition of revenue and expenses

The Company and its consolidated subsidiaries (the “Group”) recognize revenue when control of promised goods or services is transferred to a customer in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods and services. The Group provides the following goods and services in each reportable segment of Space Business and Media Business.

(1) Space Business

The major service under the Space Business is a satellite telecommunications service.

The Group provides the satellite telecommunications service based on data transmission and reception between ground station facilities via communications satellites in geostationary orbit. The revenue from this service primarily consists of that from a communication-related service and a broadcasting-related service.

The communication-related service primarily consists of sale of telecommunication lines and periphery services. As the sale of telecommunication lines, etc. is deemed as a transaction in which performance obligations are satisfied over time, revenue is recognized as the Group provides telecommunication lines. Revenue from the periphery services is recognized either at the time when the delivery of services is completed or as the Group provides services, depending on the details of each contract. The Group receives consideration for these transactions generally within the following month after the billing date.

The broadcasting-related service is primarily the provision of satellite links to broadcasters who operate each channel for multichannel pay TV operations. As this service is deemed as a transaction in which performance obligations are satisfied over time, the Group recognizes revenue as it provides satellite links. The Group charges consideration for these transactions in one lump sum of six to 12 months or in a monthly fee every month, depending on the details of each contract. The consideration is received generally within the following month after the billing date.

Additionally, certain sale of lines, sale of equipment and sale of satellite images are deemed as transactions in which the Group acts as an agent in the provision of goods and services to the users of these services. The revenue is therefore recognized on a net basis at an amount of consideration to be received from the users of these services less the amount payable to the line providers, etc.

The registration fee to be received at the start of the line contracts is recognized over the estimated average contract period.

(2) Media Business

The major service under the Media Business is the provision of platforms pertaining to broadcasting and distribution.

The Group develops broadcasting platforms through optical lines, Internet and other various transmission lines centering on SKY PerfecTV! satellite broadcasting.

While providing subscribers with broadcasting and distribution, the Group provides platform services, such as customer management service, to broadcasters who operate channels on these platforms. Revenue from these services mainly consists of subscription fee revenue, basic fee revenue, service charge revenue and FTTH business revenue.

As subscription fee revenue and basic fee revenue are transactions of which performance obligations are satisfied over time, the Group recognizes revenue as it provides broadcasting services based on terms and conditions of the broadcasting agreements concluded with subscribers. The consideration for these transactions is received generally within the following month after the billing date. As subscription fee revenue is a transaction in which the Group acts as an agent in the provision of goods and services to subscribers, revenue is recognized on a net basis at an amount of consideration to be received from subscribers less the amount payable to program supply business operators.

As service charge revenue is a transaction in which performance obligations are satisfied over time, the Group recognizes revenue as it provides platform services based on contracts with broadcasters. The Group receives consideration for these transactions generally within the following month after the billing date.

As FTTH business revenue is a transaction in which performance obligations are satisfied over time, the Group recognizes revenue as it provides TV viewing service. The Group receives consideration for these transactions generally within eight months after the provision of the service, mainly via collecting agents. The registration fee to be received at the start of the FLET’s service contract of FTTH business is recognized over the estimated average contract period.

p. Income Taxes

The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax rates to the temporary differences.

The group tax sharing system has been adopted from the beginning of the fiscal year ended March 31, 2024. Further details are provided in 10. INCOME TAXES chapter.

Notes to Consolidated Financial Statements

q. Foreign Currency Transactions

All monetary receivables and payables denominated in foreign currencies are translated into yen at the exchange rates at the consolidated balance sheet date. The foreign exchange gains and losses from transactions are recognized in the consolidated statement of income to the extent that they are not hedged by forward exchange contracts.

r. Foreign Currency Financial Statements

The balance sheet accounts of the consolidated foreign subsidiaries are translated into yen at the current exchange rate as of the consolidated balance sheet date except for equity, which is translated at the historical rate. Differences arising from such translation are shown as "Foreign currency translation adjustments" under accumulated other comprehensive income in a separate component of equity. Revenue and expense accounts of the consolidated foreign subsidiaries are translated into yen at the average exchange rate.

s. Derivative Financial Instruments

The Companies use derivative financial instruments to manage their exposures to fluctuations in foreign currency exchange rates. Foreign exchange forward contracts are utilized by the Companies to reduce foreign currency exchange rate risk. The Companies do not enter into derivatives for trading or speculative purposes.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows:

a) All derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the consolidated statement of income. b) For derivatives used for hedging purposes, if such derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions. c) Regarding the interest rate swaps that satisfy the requirements for special treatment, such special treatment is applied.

Certain assets and liabilities hedged by foreign exchange forward contracts are translated at the forward exchange contract rates.

Interest rate swaps are utilized to hedge interest rate exposures of loans payable. These swaps that qualify for hedge accounting are measured at fair value at the consolidated balance sheet date and the unrealized gains or losses are deferred until maturity as deferred gain (loss) under hedge accounting in a separate component of equity.

t. Per Share Information

Earnings per share are computed by dividing profit attributable to owners of the parent available to common shareholders by the weighted-average number of common shares outstanding for the period. The weighted-average number of shares of common stock for the years ended March 31, 2023 and 2024, were 290,416,104 and 287,561,912, respectively.

Diluted earnings per share of common stock are not presented because the Companies had no securities outstanding that might dilute earnings per share for the years ended March 31, 2023 and 2024.

Cash dividends per share presented in the accompanying consolidated statement of income refer to dividends applicable to the respective years, including dividends to be paid after the end of the year.

3. SIGNIFICANT ACCOUNTING ESTIMATE

Collectability of deferred tax assets

(1) Amounts recorded on the consolidated financial statements

Deferred tax assets as of March 31, 2023 and 2024, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Deferred tax assets	¥ 10,154	¥ 7,542	\$ 49,814

(2) Information concerning significant accounting estimates for identified items

The Group recorded deferred tax assets taking into consideration the sufficiency of taxable income before temporary differences based on earning power and tax planning.

As the collectability of deferred tax assets depends on estimates of future taxable income, changes to the pre-existing conditions or assumptions may affect the amounts of deferred tax assets and income taxes - deferred in the following fiscal year.

4. CHANGES IN PRESENTATION

Consolidated Balance Sheet

Prior to April 1, 2023, "Advance payments to suppliers" was included in "Other" in the "Current Assets" section. Since during this fiscal year ended March 31, 2024, the amount increased significantly, such amount is disclosed separately in the "Current Assets" section. The amount included in "Other" as of March 31, 2023, was ¥1,247 million.

Consolidated Statement of Cash Flows

Prior to April 1, 2023, "Increase in other receivables" in the "Operating Activities" section had been disclosed separately. Since the amounts decreased and became insignificant during this fiscal year ended March 31, 2024, such amounts are now included in "Other—net" in the "Operating Activities" section. The amount included in "Other—net" in the "Operating Activities" section as of March 31, 2023, was ¥ (261) million (as of March 31, 2024, it was ¥ (196) million).

Prior to April 1, 2023, "Increase (decrease) in advance payments to suppliers" was included in "Other—net" in the "Operating Activities" section. Since during this fiscal year ended March 31, 2024, the amount increased significantly, such amount is disclosed separately in the "Operating Activities" section. The amounts in "Other—net" in the "Operating Activities" section as of March 31, 2023, were ¥ 314 million.

5. INVESTMENT SECURITIES

Investment securities as of March 31, 2023 and 2024, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Investment securities:			
Equity securities	¥ 4,096	¥ 13,680	\$ 90,355
Other	517	722	4,772
Total	¥ 4,613	¥ 14,402	\$ 95,127

The costs and aggregate fair values of certain investment securities as of March 31, 2023 and 2024, were as follows:

	Millions of yen			
	2023			
	Cost	Unrealized gain	Unrealized loss	Fair value
Securities classified as:				
Available-for-sale				
Equity securities	¥ 1,514	¥ 70	¥ 379	¥ 1,205
Total	¥ 1,514	¥ 70	¥ 379	¥ 1,205

	Millions of yen			
	2024			
	Cost	Unrealized gain	Unrealized loss	Fair value
Securities classified as:				
Available-for-sale				
Equity securities	¥ 2,672	¥ 10,097	¥ 97	¥ 12,672
Total	¥ 2,672	¥ 10,097	¥ 97	¥ 12,672

	Thousands of U.S. dollars			
	2024			
	Cost	Unrealized gain	Unrealized loss	Fair value
Securities classified as:				
Available-for-sale				
Equity securities	\$ 17,649	\$ 66,694	\$ 638	\$ 83,705
Total	\$ 17,649	\$ 66,694	\$ 638	\$ 83,705

The breakdown of available-for-sale securities, which were sold in the fiscal year that ended on March 31, 2023, was as follows:

	Millions of yen		
	2023		
	Proceeds	Realized gain	Realized loss
Available-for-sale:			
Equity securities	¥ 970	¥ 235	¥ 10
Total	¥ 970	¥ 235	¥ 10

There were no available-for-sale securities which were sold in the fiscal year that ended on March 31, 2024.

Write-downs of available-for-sale securities for the years ended March 31, 2023 and 2024, were ¥224 million and ¥870million (\$5,744 thousand).

Notes to Consolidated Financial Statements

6. LONG-TERM DEBT

Long-term debt as of March 31, 2023 and 2024, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Long-term debt:			
0.927% yen bonds, due 2025	¥ 10,000	¥ 10,000	\$ 66,050
Government-owned banks, maturing serially through 2031, annual interest rates of 0.58%–5.44% at March 31, 2023, and 0.59%–6.13% at March 31, 2024	11,515	9,685	63,971
Banks and insurance companies, maturing serially through 2031, annual interest rates of 0.58%–5.97% at March 31, 2023, and 0.59%–6.68% at March 31, 2024	52,033	46,124	304,655
Total	73,548	65,809	434,676
Less current portion	10,572	10,793	71,291
Long-term debt, less current portion	¥ 62,976	¥ 55,016	\$ 363,385

Annual maturities of long-term debt as of March 31, 2024, were as follows:

	Millions of yen	Thousands of U.S. dollars
	2024	2024
Years ending March 31:		
2025	¥ 10,793	\$ 71,291
2026	22,853	150,947
2027	8,449	55,805
2028	4,954	32,722
2029	4,954	32,719
Thereafter	13,806	91,192
Total	¥ 65,809	\$ 434,676

Certain domestic subsidiaries of the Company have concluded lines of credit agreements with nine financial institutions to efficiently manage their working capital. The status of these lines of credit as of March 31, 2023 and 2024, is as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Lines of credit	¥ 13,200	¥ 13,200	\$ 87,186
Credit utilized	—	—	—
Available credit	¥ 13,200	¥ 13,200	\$ 87,186

Assets pledged as collateral as of March 31, 2023 and 2024, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Cash and cash equivalents	¥ 5,373	¥ 2,978	\$ 19,667
Accounts receivable–trade	42,704	38,217	252,421
Lease receivables	4,607	4,310	28,465
“Other” under current assets	477	507	3,357
Total	¥ 53,161	¥ 46,012	\$ 303,910

(Note) The assets above are pledged as collateral to secure the borrowings under the lines of credit agreements in relation to the maintenance and operations of the X-band satellite relay communications business.

Secured obligations as of March 31, 2023 and 2024, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Current portion of long-term loans payable	¥ 4,952	¥ 4,952	\$ 32,706
Long-term loans payable	37,137	32,185	212,586
Total	¥ 42,089	¥ 37,137	\$ 245,292

7. EMPLOYEES' BENEFIT PLANS AND DIRECTORS' SEVERANCE INDEMNITIES

Certain consolidated subsidiaries of the Company have unfunded defined benefit severance indemnity plans, under which substantially all of their employees, other than directors, executive officers, and Audit & Supervisory Board Members, are entitled, under most circumstances, to lump-sum severance indemnities. Severance indemnities are determined based on the level of compensation at retirement or earlier termination of employment, the length of service, and other factors upon mandatory retirement at the normal retirement age or earlier termination of employment.

The benefits for the multi-employer defined benefit corporate pension plan are determined based on a standard remuneration schedule corresponding to the length of participation and other factors. However, assets contributed by an employer are not segregated into a separate account or restricted to provide benefits only to employees of that employer. Therefore, the contributions to the multi-employer defined benefit corporate pension plan are recognized as paid and accounted for as a component of net periodic retirement benefit costs.

Changes in defined benefit obligations for the years ended March 31, 2023 and 2024, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Balance at the beginning of the year	¥ 6,134	¥ 6,081	\$ 40,167
Current service cost	428	460	3,035
Interest cost	37	58	386
Actuarial gains	(130)	(148)	(979)
Benefits paid	(397)	(492)	(3,249)
Other	9	—	—
Balance at the end of the year	¥ 6,081	¥ 5,959	\$ 39,360

Changes in defined benefit liabilities calculated using the simplified method for the years ended March 31, 2023 and 2024, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Balance at the beginning of the year	¥ 459	¥ 464	\$ 3,064
Periodic benefit cost	46	44	293
Benefit paid	(32)	(19)	(127)
Other	(9)	(10)	(65)
Balance at the end of the year	¥ 464	¥ 479	\$ 3,165

A reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation as of March 31, 2023 and 2024, was as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Unfunded defined benefit obligation	¥ 6,545	¥ 6,438	\$ 42,525
Net liability for defined benefit obligation	¥ 6,545	¥ 6,438	\$ 42,525

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Liabilities for retirement benefits	¥ 6,545	¥ 6,438	\$ 42,525
Net liability for defined benefit obligation	¥ 6,545	¥ 6,438	\$ 42,525

Components of net periodic benefit costs for the years ended March 31, 2023 and 2024, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Service cost	¥ 428	¥ 460	\$ 3,035
Interest cost	37	58	386
Recognized actuarial losses	32	20	134
Amortization of prior service cost	38	42	279
Periodic benefit cost under the simplified method	46	44	293
Net periodic benefit costs	¥ 581	¥ 624	\$ 4,127

Amounts recognized in other comprehensive income (before income tax effect) in respect of remeasurement of defined retirement benefit plans as of March 31, 2023 and 2024, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Actuarial losses	¥ 161	¥ 169	\$ 1,113
Prior service cost	38	42	279
Total	¥ 199	¥ 211	\$ 1,392

Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of remeasurement of defined retirement benefit plans as of March 31, 2023 and 2024, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Unrecognized actuarial losses	¥ (63)	¥ 105	\$ 695
Unrecognized prior service cost	(432)	(390)	(2,574)
Total	¥ (495)	¥ (285)	\$ (1,879)

Assumptions used for the years ended March 31, 2023 and 2024, were set forth as follows:

	2023	2024
	Discount rate	1.0%

The amounts of contributions to the multi-employer defined benefit corporate pension plan were ¥216 million for the year ended March 31, 2022 (available information as of March 31, 2023), and ¥234 million for the year ended March 31, 2023 (available information as of March 31, 2024).

Notes to Consolidated Financial Statements

The funded status of the multi-employer defined benefit corporate pension plan as of March 31, 2022 (available information as of March 31, 2023) and 2023 (available information as of March 31, 2024), to which contributions were recorded as net periodic retirement benefit costs, was as follows:

	Millions of yen	
	2022	2023
Fair value of plan assets	¥ 36,395	¥ 37,098
Pension benefit obligation recorded	44,812	46,156
Difference	¥ (8,417)	¥ (9,058)

The Companies' contribution percentages for the multi-employer defined benefit corporate pension plan as of March 31, 2022 and 2023, were 6.0% and 6.1%, respectively.

The difference for the year ended March 31, 2022, mainly resulted from prior service costs of ¥9,662 million and adjustments of voluntary reserve of ¥1,245 million. Prior service cost is amortized over 11 years. The Companies recorded special contributions of ¥62 million as expenses in the consolidated financial statements in the fiscal year ended March 31, 2022.

The difference for the year ended March 31, 2023, mainly resulted from prior service costs of ¥9,035 million and adjustment of asset valuation of ¥23 million. Prior service cost is amortized over 11 years. The Companies recorded special contributions of ¥64 million as expenses in the consolidated financial statements in the fiscal year ended March 31, 2023.

The above contribution percentages do not conform to the actual percentages applied to the Companies.

8. ASSET RETIREMENT OBLIGATIONS

Asset retirement obligations are mainly recognized on restitution obligations associated with real estate rental agreements and leasehold establishment contracts.

The amount of asset retirement obligations is computed using discount rates of 0.1% to 2.4% and estimated useful lives of nine to 50 years after acquisition.

Changes in asset retirement obligations for the years ended March 31, 2023 and 2024, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Balance at the beginning of the year	¥ 2,352	¥ 2,274	\$ 15,019
Additional provisions associated with the acquisition of property and equipment	—	17	113
Reconciliation associated with passage of time	35	35	232
Reduction associated with settlement of asset retirement obligations	(113)	—	—
Balance at the end of the year	¥ 2,274	¥ 2,326	\$ 15,364

9. EQUITY

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

a. Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. For companies that meet certain criteria including (1) having a board of directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors being prescribed as one year rather than the normal two-year term by its Articles of Incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its Articles of Incorporation. The Company meets all the above criteria and, accordingly, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year.

The Companies Act permits companies to distribute dividends-in-kind (noncash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the Company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

b. Increases/Decreases and Transfer of Common Stock, Reserve and Surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as legal capital surplus (a component of capital surplus), depending on the equity account charged upon the payment of such dividends, until the total aggregate amount of the legal reserve and legal capital surplus equals 25% of the common stock. Under the Companies Act, the total amount of legal capital surplus and the legal reserve may be reversed without limitation. The Companies Act also provides that common stock, the legal reserve, legal capital surplus, other capital surplus and retained earnings can be transferred among the accounts within equity under certain conditions upon resolution of the shareholders.

c. Treasury Stock and Treasury Stock Acquisition Rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders, which is determined by a specific formula.

Under the Companies Act, stock acquisition rights, which were previously presented as liabilities, are now presented as a separate component of equity.

The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

With the issuance of shares under the restricted stock compensation plan, capital surplus increased by ¥18 million and treasury stock decreased by ¥76 million for the year ended March 31, 2023 and common stock and capital surplus each increased by ¥47 million (\$312 thousand) for the year ended March 31, 2024.

10. INCOME TAXES

The Companies are subject to a number of different income taxes, which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 30.6% for the years ended March 31, 2023 and 2024.

The tax effects of significant temporary differences and tax loss carryforwards that resulted in deferred tax assets and liabilities as of March 31, 2023 and 2024, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Deferred tax assets:			
Unearned revenues	¥ 2,681	¥ 4,596	\$ 30,360
Liabilities for retirement benefits	2,013	1,981	13,087
Depreciation	2,446	1,823	12,039
Asset retirement obligations	702	719	4,747
Tax loss carryforwards (Note)	602	592	3,911
Deferred gain on derivatives under hedge accounting	239	141	928
Accounts receivable	141	103	680
Other	3,391	2,952	19,498
Total of tax loss carryforwards and temporary differences	12,215	12,907	85,250
Less valuation allowance for tax loss carryforwards	(526)	(524)	(3,459)
Less valuation allowance for temporary differences	(1,032)	(1,148)	(7,582)
Total valuation allowance	(1,558)	(1,672)	(11,041)
Deferred tax assets	10,657	11,235	74,209
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	(7)	(3,089)	(20,401)
Depreciation in foreign subsidiaries	(1,217)	(1,528)	(10,095)
Asset retirement obligations	(214)	(193)	(1,275)
Other	(167)	(299)	(1,978)
Deferred tax liabilities	(1,605)	(5,109)	(33,749)
Net deferred tax assets	¥ 9,052	¥ 6,126	\$ 40,460

Notes to Consolidated Financial Statements

(Note) The expiration of tax loss carryforwards, the related valuation allowances and the resulting net deferred tax assets as of March 31, 2023 and 2024, were as follows:

Millions of yen							
2023							
1 Year or Less	After 1 Year through 2 Years	After 2 Years through 3 Years	After 3 Years through 4 Years	After 4 Years through 5 Years	After 5 Years	Total	
Deferred tax assets relating to tax loss carryforwards (*)	¥ 43	¥ 44	¥ 46	¥ 92	—	¥ 377	¥ 602
Less valuation allowances for tax loss carryforwards	(43)	(44)	(46)	(92)	—	(301)	(526)
Net deferred tax assets relating to tax loss carryforwards	—	—	—	—	—	76	76

Millions of yen							
2024							
1 Year or Less	After 1 Year through 2 Years	After 2 Years through 3 Years	After 3 Years through 4 Years	After 4 Years through 5 Years	After 5 Years	Total	
Deferred tax assets relating to tax loss carryforwards (*)	¥ 44	¥ 46	¥ 92	—	¥ 28	¥ 382	¥ 592
Less valuation allowances for tax loss carryforwards	(44)	(46)	(92)	—	(28)	(314)	(524)
Net deferred tax assets relating to tax loss carryforwards	—	—	—	—	—	68	68

Thousands of U.S. dollars							
2024							
	1 Year or Less	After 1 Year through 2 Years	After 2 Years through 3 Years	After 3 Years through 4 Years	After 4 Years through 5 Years	After 5 Years	Total
Deferred tax assets relating to tax loss carryforwards (*)	\$ 292	\$ 306	\$ 611	—	\$ 185	\$ 2,517	\$ 3,911
Less valuation allowances for tax loss carryforwards	(292)	(306)	(611)	—	(185)	(2,064)	(3,458)
Net deferred tax assets relating to tax loss carryforwards	—	—	—	—	—	453	453

(*) Tax loss carryforward was calculated using the statutory tax rate.

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statement of income for the years ended March 31, 2023 and 2024, is as follows:

	2023	2024
Normal effective statutory tax rate	30.6%	30.6%
Expenses not deductible for income tax purposes (e.g., entertainment expenses)	0.5	0.3
Change in valuation allowance	(0.1)	0.6
Amortization of goodwill	0.1	—
Share of profit or loss of investments accounted for using the equity method	0.1	0.4
Other	(0.8)	(1.0)
Actual effective tax rate	30.4%	30.9%

The group tax sharing system has been adopted and accounting and disclosure of income taxes and local income taxes, as well as related tax effect accounting, is in accordance with the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (Practical Solution No. 42, August 12, 2021).

11. REVENUE

(1) Information on disaggregation of revenue

The Group disaggregates revenue from contracts with customers by type of service, based on the contracts with customers.

Relations between the disaggregated revenue and segment operating revenue for the years ended March 31, 2023 and 2024, were as follows:

Segment	Type of major goods or services	Amount Millions of yen		Thousands of U.S. dollars
		2023	2024	2024
Space Business	Communications	¥ 47,914	¥ 50,955	\$ 336,558
	Broadcasting	7,506	7,322	48,360
	Total	55,420	58,277	384,918
Media Business	Subscription fees (Note 1)	16,701	15,295	101,022
	Service charge	15,263	14,814	97,846
	Basic fees	10,840	10,260	67,765
	FTTH business	8,487	8,769	57,917
	Other	14,429	14,458	95,504
Total	65,720	63,596	420,054	
Sales to external customers (Note 2)	¥ 121,140	¥ 121,873	\$ 804,972	

(Note 1) The amount of total consideration received from subscribers less the amount payable to program supply business operators is recognized as revenue.

(Note 2) Sales to external customers includes net sales of ¥5,503 million for the year ended March 31, 2023, and ¥5,483 million (\$36,215 thousand) for the year ended March 31, 2024 arising from sources other than "Revenues from contracts with customers."

(2) Basic information to understand revenues from contracts with customers

The information is as described in Note 2. o.

(3) Basic information to understand revenues from contracts with customers in the current fiscal year and the next fiscal year onward

i) Contract balances

Receivables from contract with customers and contract liabilities at the beginning and end of the previous fiscal year are as follows:

		Millions of yen
		2023
Receivables from contracts with customers:		
Balance at beginning of year		¥ 63,494
Balance at end of year		61,045
Contract liabilities:		
Balance at beginning of year		10,994
Balance at end of year		19,304

Contract liabilities primarily consist of advance consideration received from customers of communications service in the Space business. These contract liabilities are transferred to revenue at the time when the Group satisfies obligations based on relevant contracts. Contract liabilities are included in "unearned revenues" and "other" under current liabilities and "other" under non-current liabilities on the consolidated balance sheet.

Of the amount of revenue recognized during the fiscal year, an amount that was included in contract liabilities as of the beginning of the consolidated fiscal year was ¥4,354 million.

Major factors for the changes in contract liabilities during the current fiscal year are an increase due to the receipt of consideration and a decrease due to recognition of revenue. In the current fiscal year, there was no revenue recognized from performance obligations that were satisfied in previous fiscal years.

Receivables from contract with customers and contract liabilities at the beginning and end of the current fiscal year are as follows:

		Millions of yen	Thousands of U.S. dollars
		2024	2024
Receivables from contracts with customers:			
Balance at beginning of year		¥ 61,045	\$ 403,201
Balance at end of year		56,556	373,551
Contract liabilities:			
Balance at beginning of year		19,304	127,504
Balance at end of year		21,938	144,900

Notes to Consolidated Financial Statements

Contract liabilities primarily consist of advance consideration received from customers of communications service in the Space business. These contract liabilities are transferred to revenue at the time when the Group satisfies obligations based on relevant contracts. Contract liabilities are included in “unearned revenues” and “other” under current liabilities and “other” under non-current liabilities on the consolidated balance sheet.

Of the amount of revenue recognized during the current fiscal year, an amount that was included in contract liabilities as of the beginning of the consolidated fiscal year was ¥4,416 million (\$29,170 thousand).

Major factors for the changes in contract liabilities during the current fiscal year are an increase due to the receipt of consideration and a decrease due to recognition of revenue. In the current fiscal year, there was no revenue recognized from performance obligations that were satisfied in previous fiscal years.

ii) Transaction prices allocated to remaining performance obligations

Transaction prices allocated to the remaining performance obligations is ¥166,448 million at the end of the previous fiscal year. These obligations mainly pertain to significant long-term contracts in the Space business, and are expected to be recognized for the next one to 21 years. For the previous fiscal year, the Group has applied the practical expedient to the notes on transaction prices allocated to the remaining performance obligations, and does not disclose contracts with an original expected duration of one year or less.

Transaction prices allocated to the remaining performance obligations amount to ¥151,632 million (\$1,001,534 thousand) at the end of the current fiscal year. These obligations mainly pertain to long-term contracts in the Space business, and are expected to be recognized for the next one to 20 years.

12. LEASES

a. Finance Lease

As lessor:

Annual maturities of lease receivables are as follows:

	Millions of yen		Thousands of U.S. dollars	
	2023	2024	2023	2024
Years ending March 31:				
2025	¥ 3,330		\$ 21,996	
2026	3,369		22,249	
2027	3,243		21,419	
2028	3,412		22,539	
2029	3,591		23,720	
Thereafter	26,187		172,967	
Total	¥ 43,132		\$ 284,890	

b. Operating Lease

As lessee:

The minimum rental commitments under noncancelable operating leases as of March 31, 2023 and 2024, were as follows:

	Millions of yen		Thousands of U.S. dollars	
	2023	2024	2023	2024
Due within one year	¥ 861	¥ 803	\$ 5,306	
Due after one year	2,645	1,900	12,548	
Total	¥ 3,506	¥ 2,703	\$ 17,854	

13. COST OF SERVICES

Write-down of inventories and other assets, which were charged to cost of services for the years ended March 31, 2023 and 2024, amounted to ¥168 million and ¥122 million (\$808 thousand), respectively.

14. SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES

Major components of selling, general, and administrative expenses for the years ended March 31, 2023 and 2024, were as follows:

	Millions of yen		Thousands of U.S. dollars	
	2023	2024	2023	2024
Salaries and wages	¥ 5,014	¥ 5,143	\$ 33,970	
Provision for accrued bonuses	393	434	2,868	
Net periodic benefit costs	353	379	2,506	
Advertising expenses	4,701	3,932	25,969	
Sales promotion expenses	3,189	2,776	18,335	
Sales incentives	322	296	1,956	
Subcontracting fees	6,835	7,124	47,053	
Research and development expenses	459	154	1,014	
Other	8,492	8,399	55,478	
Total	¥ 29,758	¥ 28,637	\$ 189,149	

15. IMPAIRMENT LOSS

The asset groups for which the Company and its subsidiaries recognized impairment loss for the years ended March 31, 2023 and 2024, were as follows:

Use	Location	Type of assets	Millions of yen		Thousands of U.S. dollars	
			2023	2024	2023	2024
Operational assets	Minato-ku, Tokyo	Software	¥ 74	¥ —	\$ —	

16. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

a. Policy for Financial Instruments

The Companies procure funds through bank loans and issuance of bonds. Temporary cash surpluses, if any, are invested in low-risk financial assets. Derivatives are not used for speculative purposes, but for managing exposure to financial risks as described in Note 17.

b. Nature of, Risks Arising from, and Risk Management for Financial Instruments

Accounts receivable and lease receivables are exposed to customer credit risk. The Companies manage their credit risk from receivables in accordance with internal credit control rules, which include monitoring payment due dates and balances of customers, and periodic assessment of the credit standing of major customers.

Cash equivalents are mainly bonds, which are exposed to credit risk, held for the purpose of investing temporary cash surpluses. To mitigate these risks, the Companies invest in only highly rated bonds.

Available-for-sale securities are listed stocks, and are exposed to market risk. To mitigate the risk, the Companies assess fair values and financial conditions of the issuer periodically and review status of ownership on an on-going basis.

Payment terms of the majority of trade payables, such as accounts payable—trade and accounts payable—other, are less than one year. These trade payables are exposed to liquidity risk related to funding. The Companies manage such risk by preparing and executing financing plans that maintain a certain amount of liquidity in hand and concluding lines of credit agreements with respective financial institutions.

Bank loans and bonds are used to fund Private Finance Initiative (PFI) projects, business investments, and capital investments. Of these financial instruments, floating-interest-rate loans are exposed to interest rate risk. Some of such loans are hedged using interest rate swaps to fix interest on loans.

Derivatives include forward exchange contracts used to hedge against the market risk resulting from fluctuations in foreign currency exchange rates related to financing the purchase of broadcasting rights and capital expenditures of telecommunications satellites, etc. and interest rate swaps used to hedge against changes in interest rates on bank loans.

The Companies execute and manage derivative transactions in accordance with the internal policies that define transaction authority. The Companies enter into derivative transactions only with financial institutions with a high credit rating to minimize credit risk exposure.

Notes to Consolidated Financial Statements

c. Fair Values of Financial Instruments

Fair values of financial instruments are based on quoted prices in active markets. If a quoted price is not available, other rational valuation techniques are used instead. The results of valuations may differ based on assumptions used because rational valuation techniques include variable factors. The nominal amounts disclosed in Note 17 do not reflect market risks regarding derivative transactions.

The fair values of "Cash and cash equivalents," "Accounts payable," "Income taxes payable" and "Subscription fees received" are not disclosed because they are either cash or are to be settled in a short period time, so their fair values approximate their carrying values.

Fair value of financial instruments:

	Millions of yen		
	2023		
	Carrying amount	Fair value	Unrealized gain/loss
Accounts receivable	¥ 62,181		
Allowance for doubtful accounts	(88)		
Net	¥ 62,093	¥ 63,016	¥ 923
Lease receivables	46,235	46,295	60
Investment in and advances to affiliated companies:			
Current portion of advances	3,630	3,630	—
Investment securities:			
Available-for-sale securities	1,205	1,205	—
Investment in and advances to affiliated companies:			
Advances	12,946	12,946	—
Total	126,109	127,092	983
Current portion of long-term debt:			
Current portion of long-term loans payable	10,572	10,588	16
Long-term debt:			
Bonds payable	10,000	10,125	125
Long-term loans payable	52,976	53,715	739
Total	73,548	74,428	880
Derivative transactions	¥ (86)	¥ (86)	¥ —

	Millions of yen		
	2024		
	Carrying amount	Fair value	Unrealized gain/loss
Accounts receivable	¥ 57,496		
Allowance for doubtful accounts	(84)		
Net	¥ 57,412	¥ 57,857	¥ 445
Lease receivables	43,132	42,692	(440)
Investment in and advances to affiliated companies:			
Current portion of advances	4,397	4,397	—
Investment securities:			
Available-for-sale securities	12,672	12,672	—
Investment in and advances to affiliated companies:			
Advances	9,440	9,440	—
Total	127,053	127,058	5
Current portion of long-term debt:			
Current portion of long-term loans payable	10,793	10,802	9
Long-term debt:			
Bonds payable	10,000	10,052	52
Long-term loans payable	45,016	45,434	418
Total	65,809	66,288	479
Derivative transactions	¥ 603	¥ 603	¥ —

	Thousands of U.S. dollars		
	2024		
	Carrying amount	Fair value	Unrealized gain/loss
Accounts receivable	\$ 379,761		
Allowance for doubtful accounts	(555)		
Net	\$ 379,206	\$ 382,142	\$ 2,936
Lease receivables	284,890	281,985	(2,905)
Investment in and advances to affiliated companies:			
Current portion of advances	29,039	29,039	—
Investment securities:			
Available-for-sale securities	83,705	83,705	—
Investment in and advances to affiliated companies:			
Advances	62,349	62,349	—
Total	839,189	839,220	31
Current portion of long-term debt:			
Current portion of long-term loans payable	71,291	71,350	59
Long-term debt:			
Bonds payable	66,050	66,392	342
Long-term loans payable	297,335	300,095	2,760
Total	434,676	437,837	3,161
Derivative transactions	\$ 3,985	\$ 3,985	\$ —

Carrying amount of financial instruments whose fair value cannot be reliably determined as of March 31, 2023 and carrying amount of equity instruments that do not have a quoted market price in an active market as of March 31, 2024:

	Carrying amount		
	Millions of yen	Thousands of U.S. dollars	2024
	2023	2024	2024
Investment in affiliated companies	¥ 20,244	¥ 24,542	\$ 162,101
Investment in equity instruments that do not have a quoted market price in an active market	2,891	1,008	6,650
Investments in partnerships	517	722	4,772
Total	¥ 23,652	¥ 26,272	\$ 173,523

Maturity analysis for financial assets and securities with contractual maturities:

	Millions of yen			
	2024			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash equivalents	¥ 63,998	¥ —	¥ —	¥ —
Accounts receivable	25,561	19,652	12,283	—
Lease receivables	3,330	13,615	20,604	5,583
Investment in and advances to affiliated companies:				
Current portion of advances	4,397	—	—	—
Advances	—	9,440	—	—
Total	¥ 97,286	¥ 42,707	¥ 32,887	¥ 5,583

	Thousands of U.S. dollars			
	2024			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash equivalents	\$ 422,709	\$ —	\$ —	\$ —
Accounts receivable	168,831	129,803	81,127	—
Lease receivables	21,996	89,927	136,088	36,879
Investment in and advances to affiliated companies:				
Current portion of advances	29,039	—	—	—
Advances	—	62,349	—	—
Total	\$ 642,575	\$ 282,079	\$ 217,215	\$ 36,879

Notes to Consolidated Financial Statements

Financial instruments categorized by fair value hierarchy:

The fair value of financial instruments is categorized into the following three levels, depending on the observability and significance of the inputs used in making fair value measurements:

Level 1: Fair values measured by using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair values measured by using inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly.

Level 3: Fair values measured by using unobservable inputs for the assets or liabilities.

(1) The financial assets and liabilities measured at the fair values in the consolidated balance sheet

	Millions of yen			
	2024			
	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities	¥ 12,672	¥ —	¥ —	¥ 12,672
Derivative transactions				
Currency-related	—	872	—	872
Interest rate-related	—	13	—	13
Total assets	12,672	885	—	13,557
Derivative transactions				
Currency-related	—	—	—	—
Interest rate-related	—	282	—	282
Total liabilities	¥ —	¥ 282	¥ —	¥ 282

	Thousands of U.S. dollars			
	2024			
	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities	\$ 83,705	\$ —	\$ —	\$ 83,705
Derivative transactions				
Currency-related	—	5,762	—	5,762
Interest rate-related	—	86	—	86
Total assets	83,705	5,848	—	89,553
Derivative transactions				
Currency-related	—	—	—	—
Interest rate-related	—	1,863	—	1,863
Total liabilities	\$ —	\$ 1,863	\$ —	\$ 1,863

(2) The financial assets and liabilities not measured at the fair values in the consolidated balance sheet

	Millions of yen			
	2024			
	Fair value			
	Level 1	Level 2	Level 3	Total
Accounts receivable—trade	¥ —	¥ 57,857	¥ —	¥ 57,857
Lease receivables	—	42,692	—	42,692
Short-term loans receivable	—	4,397	—	4,397
Long-term loans receivable	—	9,440	—	9,440
Total assets	—	114,386	—	114,386
Current portion of long-term loans payable	—	10,802	—	10,802
Bonds payable	—	10,052	—	10,052
Long-term loans payable	—	45,434	—	45,434
Total liabilities	¥ —	¥ 66,288	¥ —	¥ 66,288

	Thousands of U.S. dollars			
	2024			
	Fair value			
	Level 1	Level 2	Level 3	Total
Accounts receivable—trade	\$ —	\$ 382,142	\$ —	\$ 382,142
Lease receivables	—	281,985	—	281,985
Short-term loans receivable	—	29,039	—	29,039
Long-term loans receivable	—	62,349	—	62,349
Total assets	—	755,515	—	755,515
Current portion of long-term loans payable	—	71,350	—	71,350
Bonds payable	—	66,392	—	66,392
Long-term loans payable	—	300,095	—	300,095
Total liabilities	\$ —	\$ 437,837	\$ —	\$ 437,837

The following is a description of valuation methodologies and inputs used for measurement of the fair value of assets and liabilities:

Investment securities

Available-for-sale securities are listed equity securities only, and are measured at the quoted market prices. As listed equity securities are traded in active markets, their fair values are classified as Level 1.

Derivative transactions

Derivative transactions are interest rate swaps and forward exchange contracts. As the fair value of derivatives is determined based on the prices provided by the financial institutions, their fair value is classified as Level 2. Since derivatives to which special treatment for interest rate swaps is applied are treated together with long-term loans payable that are deemed as hedged items, their fair value is included in the fair value of long-term loans payable.

Accounts receivable – trade and Lease receivables

As the fair values of receivables with a longer collection period are stated at present value, which is determined by categorizing receivables by a certain period and discounting them at the rate that incorporates the period to maturity and credit risk, their fair values are classified as Level 2. The carrying amounts of these receivables with a short collection period approximate their fair values.

Short-term loans receivable and Long-term loans receivable

The fair value of short-term loans receivable and long-term loans receivable is determined based on the present value as calculated by categorizing the loans by a certain period and discounting the aggregate value of the principal and interest using an interest rate equal to an appropriate index such as the yield of government bonds plus the credit spread. Their fair value is therefore classified as Level 2. These receivables are extended at floating interest rates that reflect market interest rates within a short period, and accordingly, their fair values approximate the carrying amounts, as the credit standing of borrowers has not changed significantly from the time they were extended those loans.

Bonds payable

As the fair value of bonds payable is determined based on the present value as calculated by discounting the aggregate value of the principal and interest using an interest rate for the remaining period and reflecting credit risk of the applicable bond, its fair value is classified as Level 2.

Current portion of long-term loans payable and Long-term loans payable

Fair values of the current portion of long-term loans payable and long-term loans payable with fixed interest rates are determined based on the present value as calculated by categorizing the loans by a certain period and discounting the aggregate value of the principal and interest (for long-term loans payable that are subject to special treatment for interest rate swaps, the aggregate value of the principal and interest using the rate of the interest swaps) using an interest rate for similar new loans. Their fair values are therefore classified as Level 2. The carrying amounts of the current portion of long-term loans payable and long-term loans payable with floating interest rates approximate their fair values because the interest rates of the loans are variable, and reflect market interest rates and the loans are of short duration. In addition, the credit standing of the Company has not varied greatly from the time it executed the financing transactions.

Notes to Consolidated Financial Statements

17. DERIVATIVE INSTRUMENTS

Certain consolidated subsidiaries of the Company use derivative financial instruments, which include foreign exchange forward contracts and interest rate swap contracts. Foreign exchange forward contracts are used for the purpose of reducing the risk arising from changes in anticipated cash flows of forecasted transactions associated with certain payments for overseas broadcasting rights and telecommunications satellites. Interest rate swap contracts are used to reduce the risk of increasing interest payments on loans due to increases in market rates.

The notional amounts of derivatives that are shown in the table below do not represent the amounts exchanged by the parties and do not measure exposure to credit or market risks of certain consolidated subsidiaries of the Company.

Derivative transactions to which hedge accounting was not applied as of March 31, 2023, were as follows:

	Millions of yen			
	2023			
	Contract amount	Contract amount due after one year	Fair value	Unrealized gain/loss
Foreign exchange forward contracts				
Buying U.S. dollars	¥ 81	¥ —	¥ 21	¥ —

Fair values of derivative transactions are measured at the quoted price obtained from financial institutions.

There were no derivative transactions to which hedge accounting was not applied as of March 31, 2024.

Derivative transactions to which hedge accounting was applied as of March 31, 2023 and 2024, were as follows:

	Hedged item	Millions of yen		
		Contract amount	Contract amount due after one year	Fair value
2023				
Foreign exchange forward contracts				
Buying U.S. dollars	Forecasted foreign currency transactions	¥ 3,726	¥ 630	¥ (106)
Buying euro	Forecasted foreign currency transactions	7,954	4,801	421
Interest rate swap (Fixed rate payment, floating rate receipt)	Long-term debt	18,767	16,559	(420)
Method of hedge accounting: Special treatment (Note 2. s)				
Interest rate swap (Fixed rate payment, floating rate receipt)	Long-term debt	¥ 23,233	¥ 20,500	¥ —

	Hedged item	Millions of yen		
		Contract amount	Contract amount due after one year	Fair value
2024				
Foreign exchange forward contracts				
Buying U.S. dollars	Forecasted foreign currency transactions	¥ 936	¥ —	¥ 115
Buying euro	Forecasted foreign currency transactions	3,749	—	758
Interest rate swap (Fixed rate payment, floating rate receipt)	Long-term debt	16,559	14,351	(269)
Method of hedge accounting: Special treatment (Note 2. s)				
Interest rate swap (Fixed rate payment, floating rate receipt)	Long-term debt	¥ 20,500	¥ 17,767	¥ —
Thousands of U.S. dollars				
2024				
	Hedged item	Contract amount	Contract amount due after one year	Fair value
Foreign exchange forward contracts				
Buying U.S. dollars	Forecasted foreign currency transactions	\$ 6,185	\$ —	\$ 759
Buying euro	Forecasted foreign currency transactions	24,760	—	5,004
Interest rate swap (Fixed rate payment, floating rate receipt)	Long-term debt	109,372	94,789	(1,777)
Method of hedge accounting: Special treatment (Note 2. s)				
Interest rate swap (Fixed rate payment, floating rate receipt)	Long-term debt	\$ 135,403	\$ 117,349	\$ —

Fair values of derivative transactions are measured at the quoted price obtained from financial institutions.

18. COMPREHENSIVE INCOME

Other comprehensive income for the years ended March 31, 2023 and 2024, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Other comprehensive income:			
Unrealized (loss) gain on available-for-sale securities			
(Losses) gains arising during the year	¥ (172)	¥ 9,473	\$ 62,569
Reclassification adjustments to profit or loss	4	851	5,622
Amount before income tax effect	(168)	10,324	68,191
Income tax effect	46	(3,168)	(20,926)
Total	(122)	7,156	47,265
Deferred gain on derivatives under hedge accounting			
Gains arising during the year	793	1,811	11,963
Reclassification adjustments to profit or loss	20	18	119
Amounts transferred to the initial carrying amounts of hedged items	(619)	(1,102)	(7,278)
Amount before income tax effect	194	727	4,804
Income tax effect	(60)	(224)	(1,471)
Total	134	503	3,333
Foreign currency translation adjustments	2,688	215	1,418
Remeasurement of defined retirement benefit plans			
Gains arising during the year	130	148	979
Reclassification adjustments to profit or loss	69	63	413
Amount before income tax effect	199	211	1,392
Income tax effect	(61)	(64)	(426)
Total	138	147	966
Share of other comprehensive income in affiliated companies accounted for using the equity method			
Gains arising during the year	4	55	360
Reclassification adjustments to profit or loss	—	(2)	(13)
Amounts transferred to the initial carrying amounts of hedged items	(12)	(8)	(51)
Total	(8)	45	296
Total other comprehensive income	¥ 2,830	¥ 8,066	\$ 53,278

Notes to Consolidated Financial Statements

19. RELATED-PARTY DISCLOSURES

Year Ended March 31, 2023

Transactions of the Companies with affiliated companies for the year ended March 31, 2023, were as follows:

	Millions of yen
Correction of loans receivable	¥ 3,241
Receipt of interest	¥ 702

The balances due to or from the Companies with affiliated companies at March 31, 2023, were as follows:

	Millions of yen
Current portion of long-term loans receivable	¥ 3,630
Long-term loans receivable	¥ 12,946
Current assets—other	¥ 177

Year Ended March 31, 2024

Transactions of the Companies with affiliated companies for the year ended March 31, 2024, were as follows:

	Millions of yen	Thousands of U.S. dollars
Correction of loans receivable	¥ 3,848	\$ 25,413
Receipt of interest	¥ 1,185	\$ 7,828

The balances due to or from the Companies with affiliated companies at March 31, 2024, were as follows:

	Millions of yen	Thousands of U.S. dollars
Current portion of long-term loans receivable	¥ 4,397	\$ 29,039
Long-term loans receivable	¥ 9,440	\$ 62,349
Current assets—other	¥ 168	\$ 1,113

20. SEGMENT INFORMATION

The Companies are required to report financial and descriptive information about their reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available, and for which such information is evaluated regularly by the chief operating decision-maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

1. Description of reportable segments

The Company's reportable segments are those for which separate financial information is available and regular evaluation by the Company's management is being performed in order to decide how resources are allocated among the Companies. The Companies have established service divisions in SKY Perfect JSAT Corporation, which is a core operating consolidated subsidiary of the Company, and such service divisions design the strategies for their services and deploy operating activities. The Company consists of service segments based on the operating divisions of SKY Perfect JSAT Corporation, which include the Space Business and the Media Business as reportable segments. The Space Business offers satellite circuits to the broadcasting businesses, and satellite communication services, such as data communication and mobile communication, to the government, public entities, and corporations. The Media Business offers platform services, such as customer management activities, to the broadcasting businesses, and delivers broadcasting and streaming services via communication satellites and fiber-optic networks.

2. Methods of measurement for the amounts of sales, profit (loss), assets, liabilities, and other items for each reportable segment

The accounting policies of each reportable segment are consistent with those disclosed in Note 2, "Summary of Significant Accounting Policies."

Intersegment sales or transfers are determined based on market prices.

3. Information about sales, profit, assets, liabilities, and other items was as follows:

	Millions of yen			
	Space Business	Media Business	Reconciliations (Note 1)	Consolidated (Note 2)
	2023			
Sales to external customers	¥ 55,420	¥ 65,720	¥ —	¥ 121,140
Intersegment sales or transfers	6,734	3,013	(9,747)	—
Total	62,154	68,733	(9,747)	121,140
Operating profit	¥ 19,151	¥ 3,863	¥ (690)	¥ 22,324
Segment profit (profit attributable to owners of the parent)	13,516	2,780	(486)	15,810
Segment assets	245,808	41,295	111,952	399,055
Other:				
Depreciation and amortization	13,866	6,969	330	21,165
Amortization of goodwill	67	—	—	67
Investment in affiliated companies accounted for using the equity method	16,161	4,083	—	20,244
Increase in property and equipment and intangible assets	14,714	1,936	105	16,755

Note 1. Reconciliation is as follows:

- (1) Segment profit of ¥(486) million consists of ¥1 million of intersegment sales and ¥(487) million of corporate profit (loss) not allocated to each reportable segment. Corporate profit (loss) mainly consists of general and administrative expenses, non-operating income (loss) and tax expenses that are not attributable to any segment.
- (2) Segment assets of ¥111,952 million consist of ¥(304) million of intersegment assets and ¥112,256 million of corporate assets not allocated to each reportable segment. Corporate assets mainly consist of cash and cash equivalents and assets related to administrative divisions.
- (3) Depreciation and amortization of ¥330 million represents depreciation of corporate assets not allocated to each reportable segment.
- (4) An increase in property and equipment and intangible assets of ¥105 million represents increases in property and equipment and intangible assets not allocated to each reportable segment.

Note 2. Segment profit is reconciled with profit attributable to owners of the parent in the consolidated statement of income.

	Millions of yen			
	Space Business	Media Business	Reconciliations (Note 1)	Consolidated (Note 2)
	2024			
Sales to external customers	¥ 58,277	¥ 63,596	¥ —	¥ 121,873
Intersegment sales or transfers	6,473	2,933	(9,406)	—
Total	64,750	66,529	(9,406)	121,873
Operating profit	¥ 22,799	¥ 4,402	¥ (655)	¥ 26,546
Segment profit (profit attributable to owners of the parent)	15,532	2,548	(341)	17,739
Segment assets	249,690	38,399	117,322	405,411
Other:				
Depreciation and amortization	13,046	6,947	239	20,232
Amortization of goodwill	—	—	—	—
Investment in affiliated companies accounted for using the equity method	20,202	4,340	—	24,542
Increase in property and equipment and intangible assets	12,217	3,991	218	16,426

Notes to Consolidated Financial Statements

	Thousands of U.S. dollars			
	2024			
	Space Business	Media Business	Reconciliations (Note 1)	Consolidated (Note 2)
Sales to external customers	\$ 384,918	\$ 420,054	\$ —	\$ 804,972
Intersegment sales or transfers	42,757	19,369	(62,126)	—
Total	427,675	439,423	(62,126)	804,972
Operating profit	\$ 150,585	\$ 29,080	\$ (4,329)	\$ 175,336
Segment profit (profit attributable to owners of the parent)	102,591	16,832	(2,256)	117,167
Segment assets	1,649,208	253,628	774,912	2,677,748
Other:				
Depreciation and amortization	86,172	45,883	1,575	133,630
Amortization of goodwill	—	—	—	—
Investment in affiliated companies accounted for using the equity method	133,436	28,665	—	162,101
Increase in property and equipment and intangible assets	80,693	26,358	1,442	108,493

Note 1. Reconciliation is as follows:

- Segment profit of ¥(341) million (\$2,256 thousand) consists of ¥78 million (\$517 thousand) of intersegment sales and ¥(419) million (\$2,773 thousand) of corporate profit (loss) not allocated to each reportable segment. Corporate profit (loss) mainly consists of general and administrative expenses, non-operating income (loss) and tax expenses that are not attributable to any segment.
- Segment assets of ¥1,173,322 million (\$774,912 thousand) consist of ¥(265) million (\$1,750 thousand) of intersegment assets and ¥1,175,587 million (\$776,662 thousand) of corporate assets not allocated to each reportable segment. Corporate assets mainly consist of cash and cash equivalents and assets related to administrative divisions.
- Depreciation and amortization of ¥239 million (\$1,575 thousand) represents depreciation of corporate assets not allocated to each reportable segment.
- An increase in property and equipment and intangible assets of ¥218 million (\$1,442 thousand) represents increases in property and equipment and intangible assets not allocated to each reportable segment.

Note 2. Segment profit is reconciled with profit attributable to owners of the parent in the consolidated statement of income.

Related information:

1. Information about products and services

Information about products and services is omitted as the same information is disclosed in “Information about sales, profit, assets, liabilities and other items” above.

2. Information about geographical areas

(1) Sales

Under Japanese accounting standards, the Companies are not required to disclose geographical segment information about sales because sales to external customers in Japan represent more than 90% of that of the Companies for the fiscal year ended March 31, 2023.

Information about geographical areas for the fiscal year ended March 31, 2024, was as follows:

	Millions of yen		
	2024		
	In Japan	External	Consolidated
Sales	¥ 108,262	¥ 13,611	¥ 121,873

	Thousands of U.S. dollars		
	2024		
	In Japan	External	Consolidated
Sales	\$ 715,074	\$ 89,898	\$ 804,972

(2) Property and equipment

Under Japanese accounting standards, the Companies are not required to disclose geographical segment information about property and equipment because property and equipment located in Japan represented more than 90% of that of the Companies as of March 31, 2023 and 2024.

3. Information about major customers

Under Japanese accounting standards, the Companies are not required to disclose major customer information because sales to any one external customer do not represent more than 10% of the sales of the Companies for the fiscal years ended March 31, 2023 and 2024.

Information about impairment losses on long-lived assets by reportable segment:

Information about impairment losses as of March 31, 2023 and 2024, was as follows:

	Millions of yen			
	2023			
	Space Business	Media Business	Reconciliations	Consolidated
Impairment losses	¥ —	¥ 74	¥ —	¥ 74

No Impairment losses were recognized for the fiscal year ended March 31, 2024.

Information about goodwill and its amortization:

Information about goodwill and its amortization as of March 31, 2023 and 2024, was as follows:

	Millions of yen			
	2023			
	Space Business	Media Business	Reconciliations	Consolidated
Amortization of goodwill	¥ 67	¥ —	¥ —	¥ 67
Goodwill as of March 31, 2023	—	—	—	—

No amortization of goodwill was recognized for the fiscal year ended March 31, 2024.

Information about recognized bargain purchase gain (negative goodwill) by reportable segment:

There is no applicable information for the fiscal years ended March 31, 2023 and 2024.

21. SUBSEQUENT EVENTS

Incorporation-type company split

SKY Perfect JSAT Corporation established SKY Perfect Pictures Inc. through an incorporation-type company split on April 1, 2024, based on a resolution at SKY Perfect JSAT Corporation’s Board of Directors meeting held on March 5, 2024. SKY Perfect Pictures Inc. took over the rights and responsibilities related to the “Global IP (Intellectual Property) Business” (planning, production investment, and sales of audio-visual content with a focus on animation as well as its peripheral businesses).

(1) Purpose

In 2020, as one of the next major strategies of the Media Business Unit, SKY Perfect JSAT Corporation launched the “Global IP (Intellectual Property) Business” to develop business globally beyond the framework of the “SKY PerfectTV!” pay TV broadcast service. SKY Perfect JSAT Corporation has continued said activities since then, and going forward, it will turn this business into a business company with ITOCHU Corporation as a partner, with the aim of launching animation production projects and expanding domestically and internationally.

(2) Overview of the company split

Details of the targeted business	Planning, Production investment, and Sales of audio-visual content with a focus on animation as well as its peripheral businesses
Legal method for company split	Incorporation-type company split with SKY Perfect JSAT Corporation as the splitting company and SKY Perfect Pictures Inc. as the successor company
Name of newly established company	SKY Perfect Pictures Inc.
Timing of company split	April 1, 2024
Amount of capital, etc.	¥2.0 billion (amount of capital and capital surplus)
Overview of accounting treatment to be implemented	It will be treated as a transaction under common control, based on the “Accounting Standard for Business Combinations” and the “Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures”

(3) The number of shares of the company incorporated in the incorporation-type split to be allotted to the company splitting in the incorporation-type split

Common stock	40,000 shares
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of SKY Perfect JSAT Holdings Inc.:

<Audit of Consolidated Financial Statements>

Opinion

We have audited the consolidated financial statements of SKY Perfect JSAT Holdings Inc. and its consolidated subsidiaries (the "Group"), which comprise the consolidated balance sheet as of March 31, 2024, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, all expressed in Japanese yen.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. The matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

Recognition of the revenue from the media business, which is recorded based on a Customer Relationship Management system	
Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
<p>Of the revenue from the media business, the basic fees and viewing fees from SKY PerfectTV! subscribers and the handling fees from the subcontracted broadcasters who operate the channels (hereinafter "Subscription-based Revenue") amounted to ¥63.5 billion in total. The Subscription-based Revenue is recognized based on an internally developed large-scale Client Management (hereinafter, "CM") system, and accounts for 52% of the total operating revenue of the Group.</p> <p>A large amount of transaction data with customers is calculated automatically based on a program defined in advance using customer and product information registered on the CM system. These transaction data are interfaced to the accounting system, meaning that the CM system handles all of the data that is the basis for recording Subscription-based Revenue.</p> <p>The transactions rely heavily on the CM system, which limits the availability of supporting evidence. As a result, there is a risk that the reliability of revenue recognition may be impaired if access privileges, data corrections, program changes, and interface to the accounting system are not appropriately managed and controlled for the CM system.</p> <p>Given the quantitative significance of Subscription-based Revenue to the total consolidated operating revenue and the highly automated nature of the transactions, we determined that this matter was a key audit matter.</p>	<p>We performed the following analyses to investigate if there was any unusual fluctuation:</p> <ul style="list-style-type: none"> • Monthly trend analysis of subscriber count, amounts received from subscribers and Subscription-based Revenue and such. • Monthly trend analysis of the actual rate of losses from bad debts related to receivables from subscribers. <p>We performed a combination of the following procedures, including the test of IT systems, for a set of processes to recognize operating revenue.</p> <ul style="list-style-type: none"> • We tested the effectiveness of internal controls over provisioning, removing and periodic reviewing of access privileges. • We tested the effectiveness of internal controls over requests and approvals for data correction and program changes. • We tested the effectiveness of internal controls over monitoring database access and automatic detection of program changes. • We tested the effectiveness of internal controls over registration of IC card IDs and other information into the CM system, which is mandatory, such as checking for errors to prevent duplicate registration of IC card IDs and other information. • We tested the effectiveness of internal controls over addressing the accuracy and completeness of registration of product information into the product master file. • We tested the effectiveness of internal controls over the generation of invoice data for both subscribers and subcontracted broadcasters based on contract information registered into the CM system and the automatic calculation of Subscription-based Revenue based on the predefined program. • We tested the accuracy and completeness of the ledgers related to Subscription-based Revenue generated from the CM system. We also tested that Subscription-based Revenue on the ledgers matched the corresponding revenue recorded in the accounting system. • We inspected subscriber payment evidence obtained from credit card companies and payment agents.

Other Information

Management is responsible for the other information. Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the other information. The other information comprises the information included in the SKY Perfect JSAT report 2024, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with Audit & Supervisory Board members and the Audit & Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

<Fee-Related Information>

Fees for audit and other services for the year ended March 31, 2024, which were charged by us and our network firms to SKY Perfect JSAT Holdings Inc. and its subsidiaries were ¥164 million and ¥83 million, respectively.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Deloitte Touche Tohmatsu LLC

October 17, 2024



SKY Perfect JSAT Holdings Inc.

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