To Our Shareholders,

Internet Disclosure Accompanying the Notice of Convocation of the 15th Annual General Meeting of Shareholders

June 8, 2022

SKY Perfect JSAT Holdings Inc.

Table of Contents

The above items are posted on the Internet website (https://www.skyperfectjsat.space/) of SKY Perfect JSAT Holdings Inc. (the "Company") pursuant to laws and regulations, as well as Article 14 of the Articles of Incorporation; therefore, they are deemed to be provided to the shareholders.

Notes to the Consolidated Financial Statements

1. Notes regarding significant matters for the preparation of consolidated financial statements

(1) The consolidated financial statements were prepared in accordance with the Regulation on Corporate Accounting (Ordinance of the Ministry of Justice No. 13 of February 7, 2006; latest amendment: Ordinance of the Ministry of Justice No. 52 of November 27, 2020).

(2) Scope of consolidation

i) Number of consolidated subsidiaries: Eight companies

Names of consolidated subsidiaries

SKY Perfect JSAT Corporation
SKY Perfect Customer-relations Corporation
SKY Perfect Broadcasting Corporation
SKY Perfect Entertainment Corporation
JSAT International Inc.
JSAT MOBILE Communications Inc.
JSAT IOM Limited
DSN Corporation

Satellite Network, Inc., which had been a consolidated subsidiary, was excluded from the scope of consolidation in the current consolidated fiscal year as it was dissolved due to an absorption-type merger in which a consolidated subsidiary SKY Perfect JSAT Corporation became a surviving entity.

ENROUTE CO., LTD., which had been a consolidated subsidiary, was excluded from the scope of consolidation in the current consolidated fiscal year due to the completion of its liquidation.

ii) Names of unconsolidated subsidiaries, etc.

Names of unconsolidated subsidiaries

Witchblade Production Committee and five other companies

(Reason for excluding them from the scope of consolidation)

All unconsolidated subsidiaries are small in size and each of their aggregate amount of total assets, operating revenue, profit (for the Company's share of equity interests), retained earnings (for the Company's share of equity interests), and others do not have material effects on the Company's consolidated financial statements.

(3) Application of the equity method

i) Number of unconsolidated subsidiaries accounted for using the equity method: Six companies

Names of principal companies

Witchblade Production Committee and five other companies

ii) Number of associates accounted for using the equity method: 22 companies

Names of principal companies

J SPORTS Corporation
NIKKATSU CORPORATION
MCC Corporation
Horizons Satellite Holdings LLC
Horizons-3 Satellite LLC
THReee entertainment Co., Ltd.
Satellite Data Services Co., Ltd.
Sol Levante Sports Co., Ltd. and fourteen other companies

Of the companies shown above, Satellite Data Services Co., Ltd. and Sol Levante Sports Co., Ltd. are included in the scope of the application of the equity method in the current consolidated fiscal year due to new investment in these companies.

AT-X, Inc., which had been an associate accounted for using the equity method, was excluded from the scope of the application of the equity method in the current consolidated fiscal year due to the sale of all shares that were held by the Company.

(4) Fiscal year-end of consolidated subsidiaries

Of the consolidated subsidiaries, JSAT International Inc. has a closing date of December 31. Its financial statements as of and for the year ended December 31 are used for the purpose of preparing the consolidated financial statements. However, major transactions that occurred between December

31 and March 31, the consolidated balance sheet date, are reflected in the consolidated financial statements.

(5) Matters concerning accounting policies

i) Valuation standard and methods for significant assets

a. Securities

• Held-to-maturity debt securities:

Stated at amortized cost (the straight-line method).

• Available-for-sale securities

Securities other than equity instruments that do not have a quoted market price in an active market:

Stated at fair value based on the market price at the consolidated balance sheet date (unrealized gains and losses are directly included in a separate component of equity, and cost of securities sold is determined by the moving-average method).

Equity instruments that do not have a quoted market price in an active market:

Stated at cost determined by the moving-average method.

b. Derivative financial instruments

Stated at fair value.

c. Inventories

Broadcasting rights

Stated at cost determined by the specific identification method (for the value stated in the balance sheet, the carrying amount is written down based on the decreased profitability).

Merchandise

Stated at cost determined mainly by the first-in, first-out method (for the value stated in the balance sheet, the carrying amount is written down based on the decreased profitability).

Work in process

Stated at cost determined mainly by the specific identification method (for the value stated in the balance sheet, the carrying amount is written down based on the decreased profitability).

Supplies

Stated at cost determined mainly by the first-in, first-out method (for the value stated in the balance sheet, the carrying amount is written down based on the decreased profitability).

ii) Depreciation and amortization methods of significant depreciable and amortizable assets

a. Property and equipment (excluding lease assets)

Depreciated by the straight-line method.

The range of useful lives of property and equipment is principally as follows:

Buildings and structures:	2 to 50 years
Machinery, equipment, and vehicles:	2 to 17 years
Telecommunications satellites:	11 to 15 years
Other:	2 to 20 years

b. Intangible assets (excluding lease assets)

Amortized by the straight-line method.

Software for internal use is amortized by the straight-line method over its estimated internal useful life (mainly five years).

c. Lease assets

Lease assets related to finance lease transactions that do not transfer ownership.

Depreciated by the straight-line method assuming the lease term as the useful life with no residual value.

iii) Recognition of significant allowances and provisions

a. 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.

b. Accrued bonus

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

iv) Recognition of revenue and expenses

The Group recognizes 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 Media business and Space business.

a. 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, we provide 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.

b. 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.

v) Accounting for retirement benefits

To prepare for payments of employees' retirement benefits, liabilities for retirement benefits are recorded based on the estimated amounts of the retirement benefit obligation as of the end of the current consolidated fiscal year.

Unrecognized actuarial gains and losses, and unrecognized past service cost are included in remeasurement of defined retirement benefit plans in accumulated other comprehensive income under equity after adjusting for tax effects.

a. Method of attributing expected retirement benefits to accounting periods

In calculating the retirement benefit obligations, the benefit formula basis is used in attributing the expected retirement benefit obligations to periods up to the end of the current consolidated fiscal year.

b. Method of recognizing actuarial gains and losses, and past service cost

Unrecognized actuarial gains and losses are amortized on a straight-line basis over 10 to 19 years within the employees' average remaining service period at the time of incurrence, commencing from the following consolidated fiscal year of the incurrence.

Unrecognized past service cost is amortized on a straight-line basis over 10 to 12 years within the employees' average remaining service period at the time of incurrence.

c. Simplified accounting used by small companies

Some consolidated subsidiaries apply a computational shortcut where the amounts of the retirement benefit obligations, in calculating liabilities for retirement benefits and retirement benefit expenses, are deemed to be the amount of benefit payments required for voluntary retirement at the consolidated fiscal year-end.

vi) Translation of significant assets or liabilities denominated in foreign currencies into Japanese yen

Monetary receivables and payables denominated in foreign currencies are translated into yen at the spot rate on the consolidated balance sheet date and translation differences are recognized in profit or loss. Assets and liabilities of foreign subsidiaries are translated at the spot rate on the balance sheet date of the foreign subsidiaries, while their revenues and expenses are translated into yen at the average exchange rates for the period. The translation differences are recognized in foreign currency translation adjustments under equity.

vii) Method of significant hedge accounting

a. Method of hedge accounting

Deferred hedge accounting is applied.

Regarding the interest rate swaps that satisfy the requirements for special treatment, such special treatment is applied.

b. Hedging instruments and hedged items

Hedging instruments

Forward exchange contracts and interest rate swaps

Hedged items

Forecast transactions denominated in foreign currencies and interest on borrowings

c. Hedging policy

The Group uses forward exchange contracts to hedge against the risk of fluctuations in foreign currency exchange rates, and interest rate swaps to hedge against the risk of interest rate fluctuations on loans payable, within the scope of actual demand in accordance with its internal rules.

d. Method of assessing hedge effectiveness

The assessment of hedge effectiveness for forward exchange contracts and interest rate swaps is omitted, because the critical terms of the hedged item and the hedging instrument are aligned and cash flows can be fixed at the inception of the hedge.

viii) Amortization method and period for goodwill

The Group reasonably estimates the period for which the effects of goodwill are expected to emerge and amortizes the goodwill on a straight-line basis over the estimated period. The amortization period of goodwill that arose on the acquisition of JSAT Corporation and Space Communications Corporation is 15 years.

ix) Other significant matters that serve as a basis for the preparation of the consolidated financial statements

a. Application of the consolidated tax payment system

The Group applies the consolidated tax payment system.

b. Application of the tax effect accounting for the transition from the consolidated tax payment system to the group tax sharing system

The Company and certain domestic consolidated subsidiaries will transition from the consolidated tax payment system to the group tax sharing system from the following consolidated fiscal year. However, with regard to items subjected to the transition to the group tax sharing system established under the “Act for Partial Amendment to the Income Tax Act, etc.” (Act No. 8 of 2020) and the review conducted of the non-consolidated taxation system in association therewith, the Company and certain domestic consolidated subsidiaries have not applied the provisions set forth in Section 44 of the “Implementation Guidance on Tax Effect Accounting” (ASBJ Guidance No. 28, February 16, 2018), instead basing deferred tax asset and deferred tax liability amounts on the provisions set forth in the Income Tax Act prior to its amendment, by virtue of Section 3 of the “Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System”(PITF No. 39, March 31, 2020).

From the beginning of the following consolidated fiscal year, the “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (Practical Solution No. 42, August 12, 2021) will be applied, which is a guidance that stipulates practical solutions on the accounting and disclosure of income taxes and local income taxes, as well as tax effect accounting under the group tax sharing system.

2. Notes to changes in accounting policies

(1) Application of the Accounting Standard for Fair Value Measurement, etc.

The Group has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019; hereinafter “Fair Value Measurement Standard”) and other standards from the beginning of the current consolidated fiscal year, and will prospectively apply the new accounting policies stipulated by the Fair Value Measurement Standard, etc. in accordance with the transitional treatment provided in Paragraph 19 of the Fair Value Measurement Standard and Paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019). The application has no impact on the consolidated financial statements.

(2) Application of the Accounting Standard for Revenue Recognition, etc.

The Group has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020; hereinafter “Revenue Recognition Standard”) and other standards from the beginning of the current consolidated fiscal year. The Group recognizes 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.

Accordingly, subscription fee revenue in the Media business and certain sale of lines, etc. in the Space business, of which revenue was previously recognized in an aggregate amount to be received from customers, is now considered to be a transaction in which the Group acts as an agent in the provision of goods and services to customers. The Group therefore recognizes revenue from these transactions on a net basis at an amount to be received from customers less the amount payable to other parties concerned.

In addition, revenue from registration fees that was recognized at the start of contracts is now recognized over time by estimating and based on the progress toward complete satisfaction of performance obligations.

The Group applies the Revenue Recognition Standard, etc. in accordance with the transitional treatment provided for in the proviso to Paragraph 84 of the Revenue Recognition Standard. The cumulative impact of retrospectively applying the new accounting policies to prior consolidated fiscal years is adjusted to retained earnings at the beginning of the current consolidated fiscal year, with the new accounting policies applied from the beginning balance. However, the Group applies the method provided for in Paragraph 86 of the Revenue Recognition Standard, and does not apply the new accounting policies retrospectively to contracts for which substantially all revenue amounts had been recognized prior to the beginning of the current consolidated fiscal year in accordance with the previous treatment.

As a result, in the current consolidated fiscal year, operating revenue and operating expenses decreased by ¥20,972 million and ¥20,661 million, respectively, and operating profit, ordinary profit and profit before income taxes each decreased by ¥311 million. There is no impact on the beginning balance of retained earnings.

3. Notes to accounting estimates

Valuation of equity instruments that do not have a quoted market price in an active market, which are acquired at prices reflecting excess earning power

(1) Amounts recorded on the consolidated financial statements

The Group holds investment securities for the purpose of increasing corporate value over a medium to long term through building stable business relationships as well as retaining and strengthening business partnerships in line with its growth strategies. The Company recorded investment securities of ¥21,129 million in the consolidated financial statements for the current consolidated fiscal year. Of these investment securities, ¥1,799 million of equity instruments that do not have a quoted market price in an active market that were acquired at a price reflecting the excess earning power, etc. were tested for impairment in light of the status of achievement of the investees' business plans, etc.

(2) Method of calculation

In the current consolidated fiscal year, the Company assessed the aforementioned equity instruments by comprehensively taking into account the status of achievement of the investees' business plans, fund-raising status, external factors such as operating environment, and other information available to the Company. As a result, actual values of their prices including excess earning power were found not to have declined significantly, and therefore the Company did not recognize impairment.

(3) Major assumptions used in the calculation

Actual values including excess earning power, etc. were calculated based on the following assumptions.

- No significant change has occurred in the operating environments, markets, consumption trends, and trends of demand and supply, which serve as the basis for the investees' mid- to long-term business plans, and their business plans are deemed feasible.
- No significant issue has occurred in the investees' operating status and fund procurement.

In regard to the investees in which the Company newly invested in the current consolidated fiscal year, it is determined that no significant change has occurred to the basis for the investees' business plans, as the elapsed time since the business plans development is short.

(4) Impact on consolidated financial statements in the next consolidated fiscal year

In cases where there is a significant decrease in their actual values including excess earning power, etc. due to a substantial shortfall in the investees' business performance compared to their business plans, the Company may recognize impairment in the next consolidated fiscal year.

4. Notes to the consolidated balance sheet

(1) Accumulated depreciation for property and equipment ¥225,707 million

(2) Assets pledged as collateral and secured obligations

Assets pledged as collateral are as follows:

Cash and deposits	¥1,934 million
Accounts receivable – trade	¥47,529 million
Lease receivables	¥2,290 million
"Other" under current assets	¥521 million
Total	¥52,276 million

(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 are as follows:

Current portion of long-term loans payable	¥4,951 million
Long-term loans payable	¥42,088 million
Total	¥47,040 million

(3) Overdraft facilities and lines of credit agreements (as a lessee)

Certain domestic subsidiaries of the Company have lines of credit agreements with 9 financial institutions to efficiently manage their working capital. As of the end of the current consolidated fiscal year, the status of these lines of credit is as follows:

Lines of credit	¥13,200 million
Credit utilized	¥ – million
Available credit	¥13,200 million

5. Notes to the consolidated statement of changes in equity

(1) Class and total number of shares issued

(Shares)

Class of shares	As of April 1, 2021	Increase	Decrease	As of March 31, 2022
Shares issued				
Common stock	297,170,975	233,237	–	297,404,212
Total	297,170,975	233,237	–	297,404,212
Treasury shares				
Common stock	–	7,104,178	–	7,104,178
Total	–	7,104,178	–	7,104,178

(Note) The increase of 233,237 shares in the number of shares of common stock under shares issued is due to issuance of new shares as compensation in restricted stock. The increase of 7,104,178 shares in the number of shares of common stock under treasury shares is due to an increase of 2,688 shares as a result of acquisition of restricted stock free of charge, purchase of treasury shares of 7,101,400 shares based on a resolution of the Board of Directors meeting held on August 4, 2021 and an increase of 90 shares due to purchase of fractional shares.

(2) Dividends

i) Payment of dividends

Resolution	Class of shares	Total dividends (millions of yen)	Dividend per share (yen)	Record date	Effective date
Board of Directors meeting held on April 28, 2021	Common stock	2,674	9	March 31, 2021	June 28, 2021
Board of Directors meeting held on November 4, 2021	Common stock	2,657	9	September 30, 2021	December 3, 2021

ii) Dividends with a record date in the current consolidated fiscal year, but an effective date in the following consolidated fiscal year

Resolution	Class of shares	Total dividends (millions of yen)	Source of dividends	Dividend per share (yen)	Record date	Effective date
Board of directors meeting held on April 28, 2022	Common stock	2,612	Retained earnings	9	March 31, 2022	June 27, 2022

6. Notes to financial instruments

(1) Financial instruments

i) Policy for financial instruments

The Group procures 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 detail below.

ii) Nature of, risks arising from, and risk management for financial instruments

Accounts receivable - trade and lease receivables are exposed to customer credit risk. The Group manages its 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.

Held-to-maturity securities are mainly bonds, which are exposed to credit risk of issuers, held for the purpose of investing temporary cash surpluses. To mitigate the risk, the Group invests in only highly rated bonds.

Available-for-sale securities are listed stocks, and are exposed to market risk. To mitigate the risk, the Group assesses fair values and financial conditions of the investments periodically and reviews the status of ownership on an on-going basis.

Payment terms of the majority of accounts payable - trade and accounts payable - other are due in less than one year. These trade payables are exposed to liquidity risk related to funding. The Group manages 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 the PFI business, business investments and capital expenditures. 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, and interest rate swaps used to hedge against changes in interest rates on bank loans. Please see “(5) Matters concerning accounting policies, vii) Method of significant hedge accounting” of “1. Notes regarding significant matters for the preparation of consolidated financial statements.” for further details about hedging instruments and hedged items, hedging policy, and the method of assessing hedge effectiveness in relation to hedge accounting.

The Group executes and manages derivative transactions in accordance with the internal policies that define transaction authority. The Group enters into derivative transactions only with financial institutions with a high credit rating to minimize credit risk exposure.

(2) Fair values of financial instruments

Carrying amounts, fair values, and their differences as of March 31, 2022, the consolidated balance sheet date of the current consolidated fiscal year, are presented in the following table.

(Millions of yen)

	Carrying amount	Fair value	Difference
(1) Accounts receivable - trade	63,924		
Allowance for doubtful accounts	(125)		
	63,799	65,000	1,200
(2) Lease receivables	46,434	46,629	195
(3) Short-term loans receivable	2,831	2,831	–
(4) Investment securities			
Available-for-sale securities	1,864	1,864	–
(5) Long-term loans receivable	14,367	14,367	–
(6) Current portion of bonds payable	5,000	5,003	3
(7) Current portion of long-term loans payable	8,707	8,717	10
(8) Bonds payable	10,000	10,158	158
(9) Long-term loans payable	61,644	62,612	968
(10) Derivative transactions (*3)	(271)	(271)	–

(*1) Description of "Cash and deposits," "Accounts receivable – other," "Securities," "Accounts payable – trade," "Accounts payable – other," "Income taxes payable" and "Subscription fees received" is not disclosed because they are in cash and are to be settled in a short period of time, so their fair values approximate their carrying values.

(*2) Carrying amount of equity instruments that do not have a quoted market price in an active market and investments in partnerships, etc. are presented in the following table. These items are not included in "(4) Investment securities."

(Millions of yen)

Category	Carrying amount
Unlisted equity instruments	18,883
Investments in investment limited partnerships and similar partnerships	382

These items are excluded from the scope of fair value disclosure, pursuant to Paragraph 5 of the "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, March 31, 2020) and Paragraph 27 of the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, July 4, 2019).

(*3) Receivables and payables arising from derivative transactions are presented on a net basis, and items recorded as payables after netting are presented in parentheses.

(3) 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.

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

(Millions of yen)

Category	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities	1,864	–	–	1,864
Derivative transactions				
Currency-related	–	440	–	440
Total assets	1,864	440	–	2,305
Derivative transactions				
Interest rate-related	–	712	–	712
Total liabilities	–	712	–	712

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

(Millions of yen)

Category	Fair value			
	Level 1	Level 2	Level 3	Total
Accounts receivable - trade	–	65,000		65,000
Lease receivables	–	46,629	–	46,629
Short-term loans receivable	–	2,831	–	2,831
Long-term loans receivable	–	14,367	–	14,367
Total assets	–	128,828	–	128,828
Current portion of bonds payable	–	5,003	–	5,003
Current portion of long-term loans payable	–	8,717	–	8,717
Bonds payable	–	10,158	–	10,158
Long-term loans payable	–	62,612	–	62,612
Total liabilities	–	86,492	–	86,492

(Note) 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.

Current portion of bonds payable and 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.

7. Notes to revenue recognition

(1) Information on disaggregation of revenue

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

Relation between the disaggregated revenue and segment operating revenue is as follows.

Current consolidated fiscal year (From April 1, 2021 to March 31, 2022)

(Millions of yen)

Segment	Type of major goods or services	Amount
Media business	Subscription fees (Note 1)	18,324
	Service charge	15,723
	Basic fees	11,467
	FTTH business	8,271
	Other	13,526
	Total	67,313
Space business	Communications	44,546
	Broadcasting	7,773
	Total	52,319
Sales to external customers (Note2)		119,632

(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 ¥5,465 million 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 “1. Notes regarding significant matters for the preparation of consolidated financial statements (5) Matters concerning accounting policies iv) Recognition of revenue and expenses.”

(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 year are as follows:

(Millions of yen)

	Current consolidated fiscal year	
	Beginning balance	Ending balance
Receivables from contracts with customers	67,747	63,494
Contract liabilities	12,547	10,994

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 ¥4,004 million yen.

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

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 is

¥136,636 million at the end of the current consolidated 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 22 years.

8. Per share information

(1) Total equity per share	¥833.58
(2) Earnings per share	¥49.52

9. Significant subsequent events

(Establishment of a joint venture)

Based on a resolution of the Board of Directors meeting held on April 25, 2021, SKY Perfect JSAT Corporation, a consolidated subsidiary of the Company, signed a contract with NTT Corporation (hereinafter, "NTT") to establish a joint venture company that will launch a novel integrated space computing network to aid the realization of a sustainable society.

(1) Purpose

There is an urgent need to ensure the sustainability of economic and social activity. This makes it all the more important to effectively and fully utilize stratospheric and near-Earth space for ICT infrastructures. This involves creating ICT infrastructure that support a number of fields, including energy, environment and climate change, disaster prevention, marine infrastructure, and security. In addition, as represented by the ARTEMIS program (human space flight (lunar landing) program funded by the United States government), public and private sectors in many countries are cooperating to extend human activities not only to near-Earth space, but also to the Moon, Mars, and other bodies.

NTT and SKY Perfect JSAT Corporation have agreed to establish a joint venture company to expand the utilization of space by mankind, building on the knowledge they have gained over many years spent on technological development and in commercial activity as terrestrial and space infrastructure companies.

The joint venture is a tangible step forward toward building the space integrated computing network (a new ICT infrastructure in space that integrates HAPSs, geostationary orbit satellites, and low earth orbit satellites, connects them to the ground using an optical wireless network, and enhances various forms of data processing using distributed computing) that two companies seek to realize. By taking on the challenge of creating new infrastructure, starting with the optical and wireless communication network to be built in space and the mobile network to be built in the stratosphere, the joint venture will contribute to the development of the global space industry and the realization of a sustainable society.

(2) Outline of the joint venture to be established

Name	Space Compass Corporation
Business activities	Business planning and development, and provision of services related to space data centers, space RAN, etc.
Establishment date	July 2022 (planned)
Capital at the establishment	6 billion yen (including capital reserve) (planned)*
Shareholders and shareholding ratio	NTT Corporation 50% SKY Perfect JSAT Corporation 50%

* Scheduled to be increased to 18 billion yen based on the joint-venture contract.

(3) Number of shares to be acquired, acquisition price and shareholding ratio after the acquisition

Number of shares to be acquired	3,000 shares
Acquisition price	3 billion yen
Ownership ratio after the acquisition	50%

10. Other notes

Not applicable.

Notes to the Non-consolidated Financial Statements

1. Significant accounting policies

(1) Valuation standard and methods for assets

Shares of subsidiaries and associates

Stated at cost determined by the moving-average method.

(2) Depreciation and amortization methods of non-current assets

i) Property and equipment

Depreciated by the straight-line method.

The range of useful lives of principal property and equipment is as follows:

Buildings:	5 to 10 years
Tools, furniture, and fixtures:	5 years

ii) Intangible assets

Amortized by the straight-line method.

Software for internal use is amortized by the straight-line method over its estimated internal useful life (mainly five years).

(3) Recognition of revenue and expenses

Revenue of the Company is dividend income from shares of subsidiaries it owns. Dividend income is recognized as of the effective date of dividend payment.

(4) Other matters for the preparation of the non-consolidated financial statements

i) Application of the consolidated tax payment system

The Company applies the consolidated tax payment system.

ii) Application of the tax effect accounting for the transition from the consolidated tax payment system to the group tax sharing system

The Company will transition from the consolidated tax payment system to the group tax sharing system from the following fiscal year. However, with regard to items subjected to the transition to the group tax sharing system established under the “Act for Partial Amendment to the Income Tax Act, etc.” (Act No. 8 of 2020) and the review conducted of the non-consolidated taxation system in association therewith, the Company has not applied the provisions set forth in Section 44 of the “Implementation Guidance on Tax Effect Accounting” (ASBJ Guidance No. 28, February 16, 2018), instead basing deferred tax asset and deferred tax liability amounts on the provisions set forth in the Income Tax Act prior to its amendment, by virtue of Section 3 of the “Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System”(PITF No. 39, March 31, 2020).

From the beginning of the following fiscal year, the “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (Practical Solution No. 42, August 12, 2021) will be applied, which is a guidance that stipulates practical solutions on the accounting and disclosure of income taxes and local income taxes, as well as tax effect accounting under the group tax sharing system.

2. Notes to the non-consolidated balance sheet

(1) Accumulated depreciation for property and equipment	¥215 million
(2) Monetary receivables from and payables to subsidiaries and associates (excluding those separately presented in the non-consolidated balance sheet)	
i) Short-term monetary receivables	¥3,750 million
ii) Short-term monetary payables	¥48 million
(3) Monetary payables to Board Directors	
Short-term monetary payables	¥68 million

3. Notes to the non-consolidated statement of income

Amounts of transactions with subsidiaries and associates

(1) Operational transactions

i) Operating revenue ¥9,037 million

ii) Selling, general, and administrative expenses ¥159 million

(2) Other transactions

Interest income ¥135 million

4. Notes to the non-consolidated statement of changes in equity

Class and number of treasury stock

(Shares)

Class of shares	As of April 1, 2021	Increase	Decrease	As of March 31, 2022
Common stock	–	7,104,178	–	7,104,178
Total	–	7,104,178	–	7,104,178

5. Notes to tax effect accounting

(1) Significant components of deferred tax assets and liabilities

Deferred tax assets	(Millions of yen)
Tax loss carryforward	427
Write-down of shares of subsidiaries and associates	314
Other	162
Subtotal deferred tax assets	904
Valuation allowance for tax loss carryforward	(427)
Valuation allowance for total deductible temporary differences	(346)
Subtotal valuation allowance	(773)
Total deferred tax assets	130
Deferred tax liabilities	
Asset retirement obligations	(52)
Total deferred tax liabilities	(52)
Net deferred tax assets	78

(2) Reconciliation of significant differences between the effective statutory tax rate and the actual effective tax rate after applying tax effect accounting

	(%)
Normal effective statutory tax rate	30.6
(Adjustments)	
Expenses not deductible for income tax purposes (e.g., entertainment expenses)	0.1
Income not taxable for income tax purposes (e.g., cash dividends received)	(33.8)
Change in valuation allowance	0.5
Other	(0.1)
Actual effective tax rate	(2.7)

6. Notes to transactions with related parties

Subsidiaries, associates and other related parties

Type	Name of related party	Capital or investment in capital (millions of yen)	Nature of business or occupation	Share of voting rights holding (or held) (%)	Nature of relationship		Nature of transactions	Transaction amount (millions of yen)	Account	Ending balance (millions of yen)
					Number of concurrent officers	Business relationship				
Subsidiary	SKY Perfect JSAT Corporation	50,083	Media business, space business	Owning directly 100	8	Lending and deposit of funds, out-sourcing the operation, and others	Receipt of interest (Note 1)	135	Short-term loans receivable from subsidiaries and associates	5,000
									Long-term loans to subsidiaries and associates	10,000
							Deposit of funds (Note 2)	(1,242)	Deposit paid in subsidiaries and associates	7,059
							Receivables associated with tax consolida-tion	3,388	Accounts receivable - other	3,388
							Outsourcing fees (Note 3)	116	Accounts payable - other	32

Conditions of transactions and policies for determining the transaction conditions

(Note 1) Interest rates on loans to SKY Perfect JSAT Corporation are determined based on market interest rates.

(Note 2) The Group has introduced a cash management system, where the Group's funds are centrally managed by SKY Perfect JSAT Corporation, a managing company, and interest rates are determined based on market interest rates. The transaction amount of fund deposits by the Company with SKY Perfect JSAT Corporation under this system is shown as net increase or decrease.

(Note 3) Outsourcing fees are determined through negotiations between the parties.

(Note 4) The transaction amount does not include consumption taxes, but the ending balance includes consumption taxes.

7. Notes to revenue recognition

- Basic information to understand revenues from contracts with customers

Revenue of the Company is dividend income only. There is no revenue from contracts with customers.

8. Per share information

(1) Total equity per share ¥562.47

(2) Earnings per share ¥28.52

9. Significant subsequent events

Not applicable.