



The Next Growth Era for Japan's Pay-TV Business

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Japan's Pay-TV market today

Terrestrial: 7 channels

54.2 million HH

As of March 2012

NHK 2 channels

(Public broadcast)



2.6 million sub

Commercial TV 5 channels



BS: 31 channels

39.7 million HH

As of March 2013

NHK 2 channels



Free 11 channels



Pay TV 18 channels



SKY PerfectTV platform

IPTV

2 million subs

As of March 2012

CS (DTH)

SKY PerfectTV!

3.9 million HH

As of March 2013

Premium service(124/128)

1.9 million HH

SKY PerfectTV! (110CS)

2.0 million HH

Cable

Pay Multi channel

8.0 million HH

As of March 2012

Connected (free)

26.9 million HH

As of December 2012



others

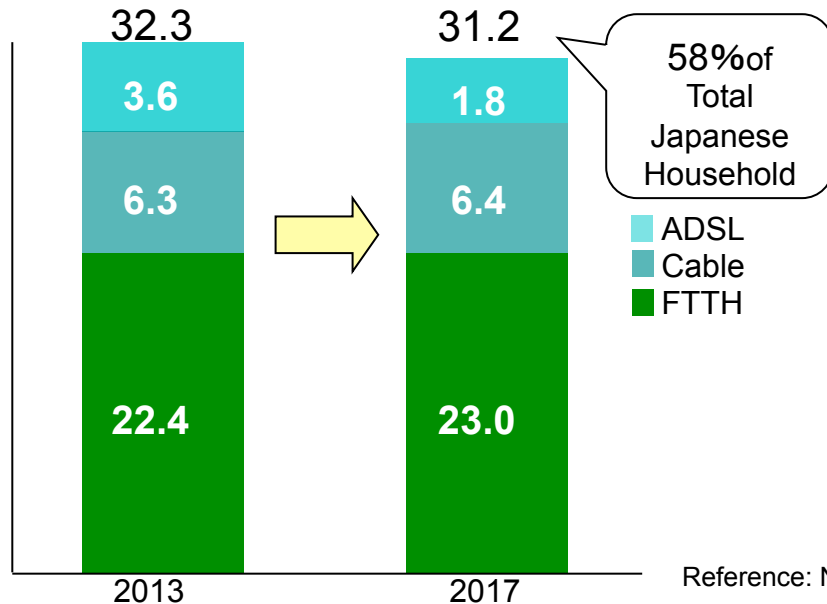
HH = households

Pay-TV market

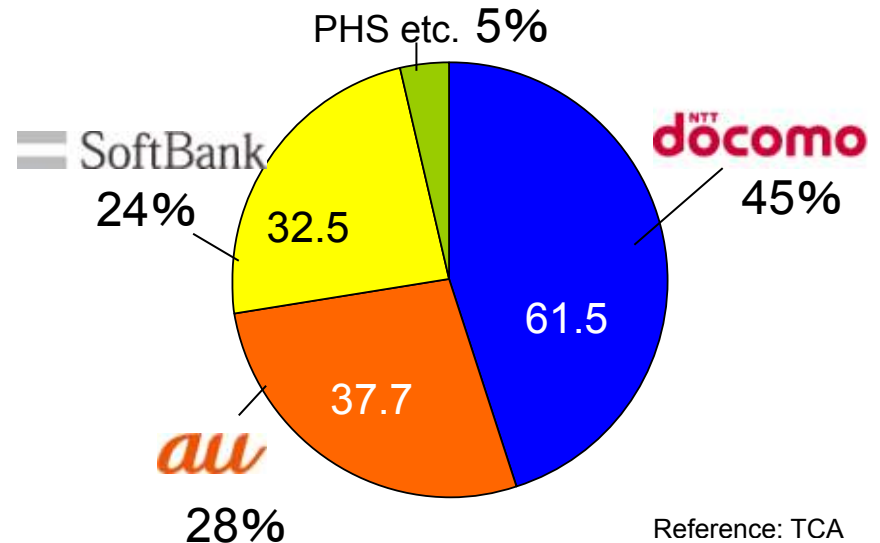
Broadband & Mobile Market in Japan

- ◆ The fixed broadband market is showing maturity and flattening growth.
- ◆ This is largely due to the migration of users from fixed broadband to wireless Internet services.
- ◆ There is an urgent need to develop services targeting the rapidly growing wireless Internet market.

FTTH, Cable, ADSL (million HH)



2013 Mobile share (million HH)



As of March 31, 2013

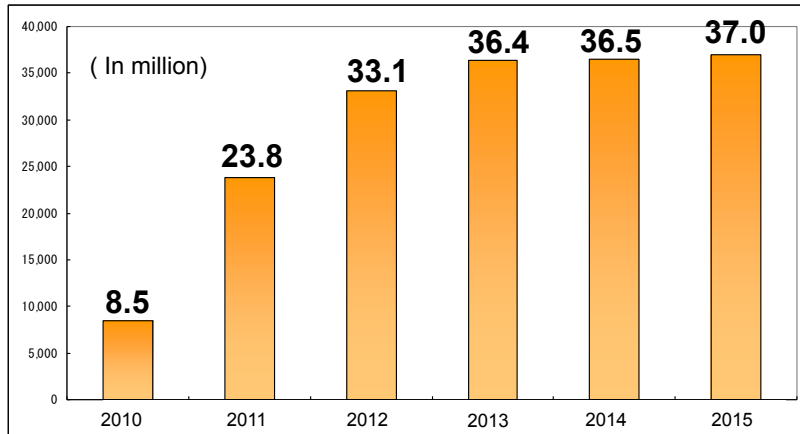
Growth Driver of Japan's Pay-TV market

- ◆ Rapid growth of Smartphone & Tablets is the key driver of Japan's Pay-TV market. Some estimate that in 2016, smartphones will account for 70% of all mobile phones.
- ◆ Tablet PCs are also likely to spread rapidly as they replace laptops in the home.

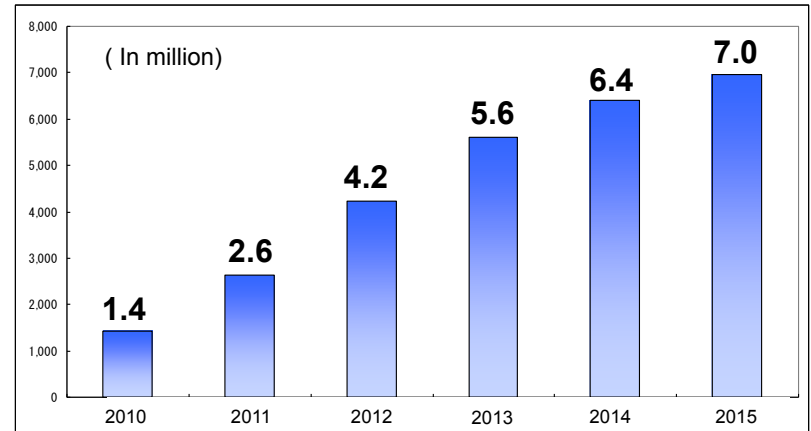


This trend is rapidly changing the content viewing environment and greatly influencing the way people deal with the video services.

Smartphone market size (shipments)



Tablet PC market size (shipments)



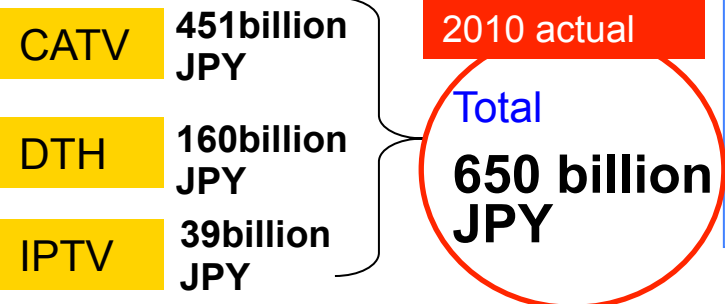
Reference: Yano Research Institute Ltd. Figures for 2012 ~ 2015 are estimates.

Pay TV Market in Video Business

- ◆ TV service market provided by platforms like CATV and DTH is about 650 billion JPY.
- ◆ Programming costs (revenue for program suppliers) are estimated as 200 billion JPY for basic channels and 100 billion yen for premium channels.
- ◆ J:COM represents the largest share of basic channel market at 17%.

TV Market Served by Platforms

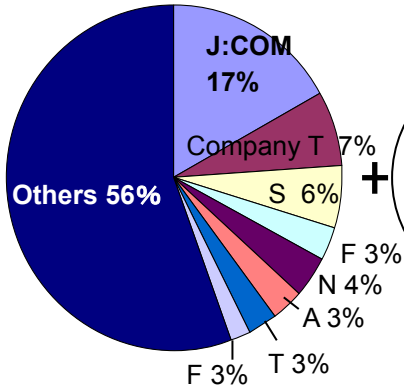
Subscription fees and ad sale revenues on CATV, DTH, IP and TV



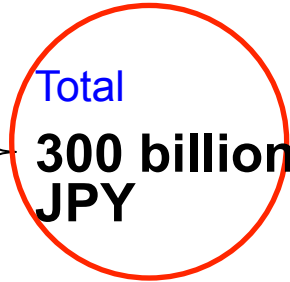
Includes Programming cost

Pay Channel Market (Program Supply)

Basic channels 200 billion JPY
 Premium Channels



Market Scale about **100 billion JPY**

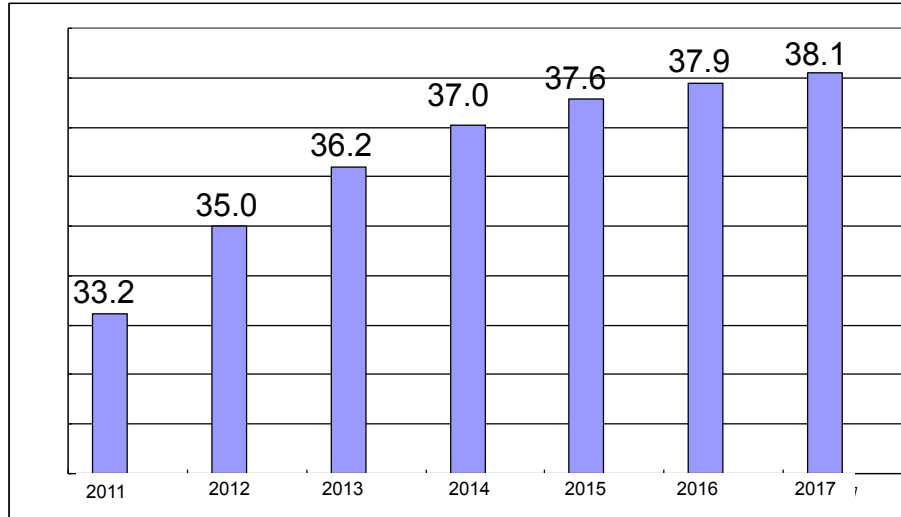


Reference: NRI

The Role of BS/CS and Digital Cable ①

- ◆ The number of household receiving free BS digital broadcast is increasing.
- ◆ With the expansion of broadcast receivable household and maintaining the different groups of audience from the terrestrial broadcasting, we expect steady growth going forward.

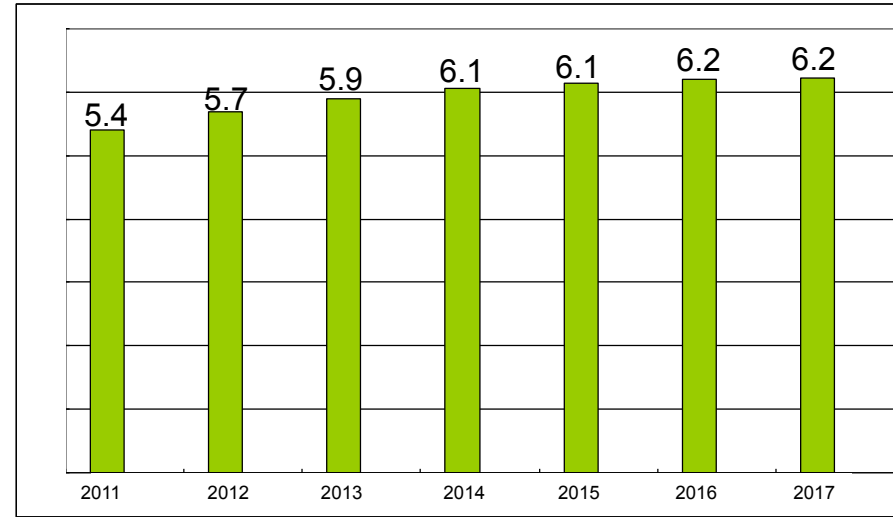
Free BS Receivable Household (in million)



Reference: NRI

OBS digital broadcast refers to NHK BS broadcast and free BS broadcast by terrestrial key broadcasters

Free BS Broadcast Market (million JPY)



Reference: NRI

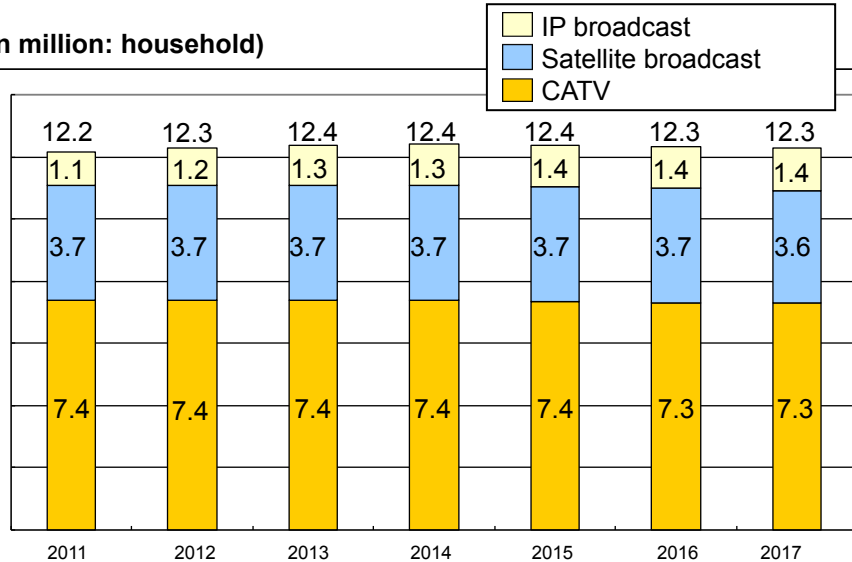
◆Deduced from “ad revenue”

The Role of BS/CS and Digital Cable ②

◆ Decrease in potential subscribers and natural increase in churn result in flat growth in both number of subscriber and market scale for pay TV.

Pay TV Service Household Forecast

(In million: household)



Reference: NRI

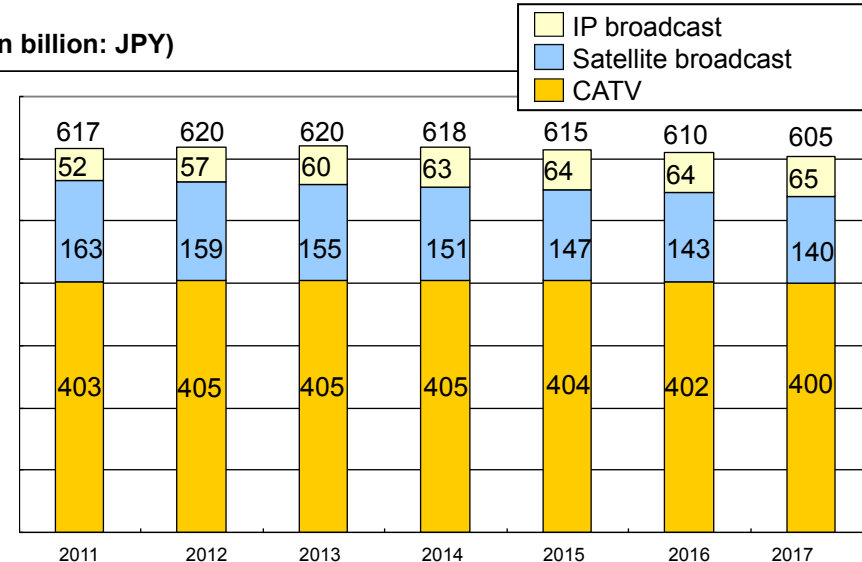
○CATV household: household watching via CATV

○Satellite broadcast household: household watching via satellite service

○IP broadcast household: household watching via IP network

Pay TV service Market Volume Forecast

(In billion: JPY)



Reference: NRI

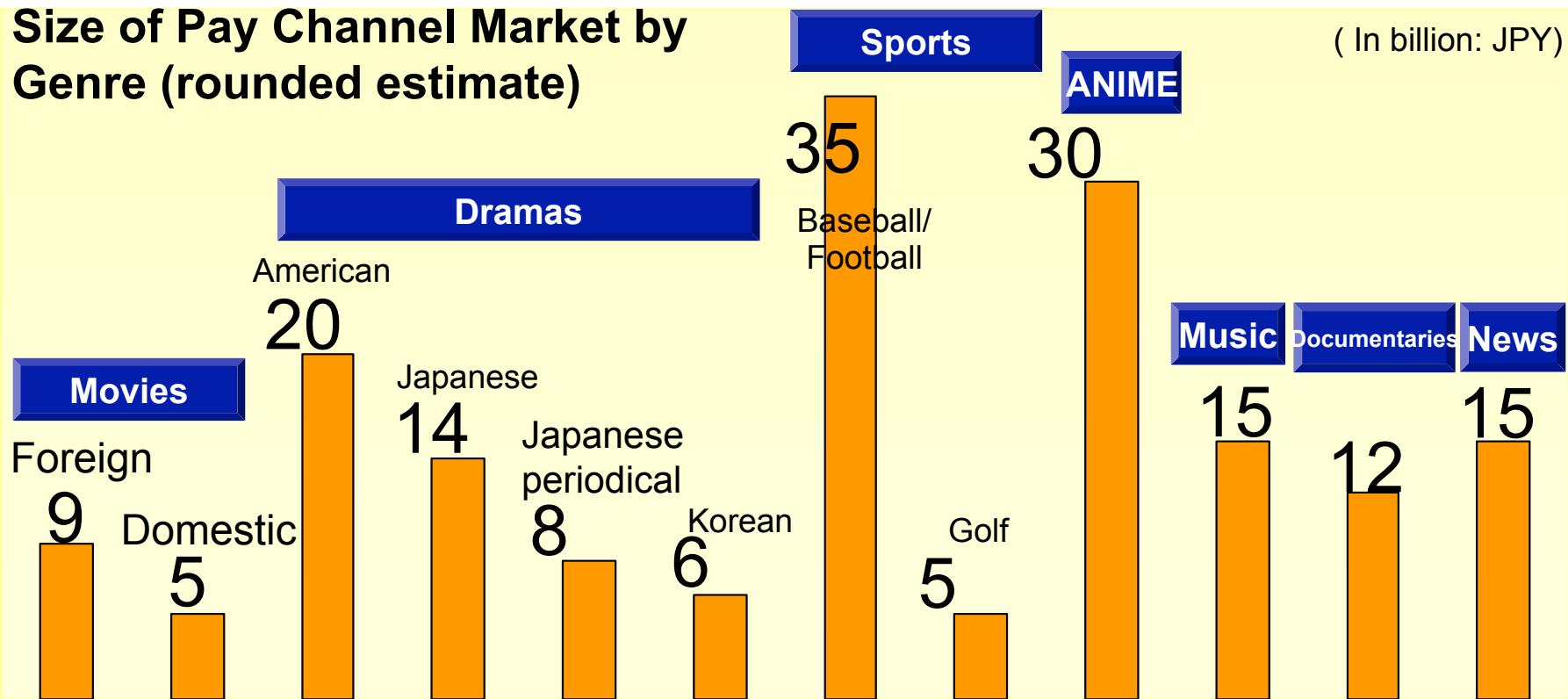
◆ Composed of “subscription revenue” (including initial fee, monthly subscription fee, STB rental fee, PPV fee) and “ad revenue”

The Role of Sports, Movies and Local Contents

◆ Sports like baseball and soccer have the largest market followed by animation.

Size of Pay Channel Market by Genre (rounded estimate)

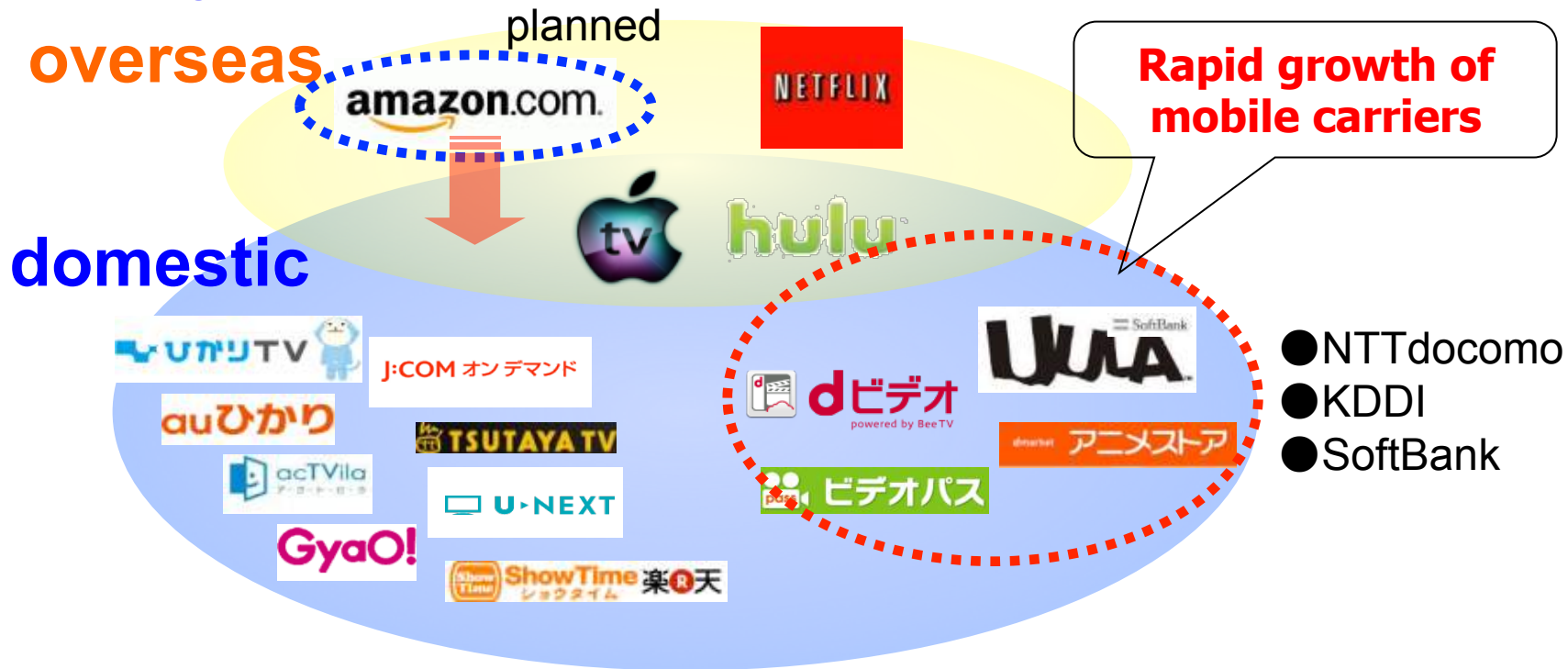
(In billion: JPY)



※ These numbers are estimation based on a number of market data.







The Role of OTT Media

- ◆ Overseas operators and domestic mobile carriers launched service
- ◆ “All-you-can-watch” (SVOD) service provided by domestic carriers on smartphone shows drastic growth



SVOD Services by Mobile Carriers

- ◆ NTT docomo achieved rapid subscription growth at the store front sales
- ◆ All carriers large number of titles at a reasonable monthly charge.
- ◆ Dongle-shaped STB allows services on TV.

Mobile carrier			
Service name			
Pricing	525 JPY/month	590 JPY/month	490 JPY/month
# of titles & episodes	7,000 titles 57,000 episodes	1,500 titles 5,000 episodes	4,000 titles 60,000 episodes
Device	<ul style="list-style-type: none"> ● TV ● Mobile ● Dongle STB ("Smart TV dstick") 	<ul style="list-style-type: none"> ● TV ● Mobile ● PC ● Dongle STB ("Smart TV STICK") 	<ul style="list-style-type: none"> ● TV ● Mobile ● Dongle STB ("Smart TV")
Subscribers	3.7 million	100 thousand	1.5 million (target as of 2014)

Conclusion

J:COM
Media
Group's
Next
Challenge

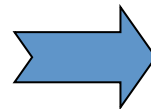


Expansion of Share

◆ aims for share expansion via partnership through M&A and alliances in the linear broadcast market

Expansion of Business Domain

◆ expansion of business domain utilizing VOD and multi-screen (alliance like capital relationship with rights holders are necessary)



We are looking for Asian business partners!