

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

J:COM

Financial Results for the 3rd Quarter ended September 30, 2010

October 28, 2010

Jupiter Telecommunications Co., Ltd.

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

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

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

1. Summary of 3Q FY2010

2. Major Approaches

3. Review of 3Q FY2010 Financials

4. Appendix

Favorable changes in performance

Unit: billion yen

	Jan-Sep 2009	Jan-Sep 2010	YOY Changes	YTD Progress
Revenue	246.0	267.8	9%	75%
Operating Income	45.0	49.2	9%	74%
Income before noncontrolling Interests and income taxes	41.8	46.7	12%	75%
Net income attributable to J:COM shareholders	21.6	28.6	33%	78%
EBITDA *1	106.6	113.0	6%	

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

3Q FY2010 Consolidated Performance Highlights **J:COM**

Volume	End of Sep 2009	End of Sep 2010	YOY Changes
Homes passed	12.53	12.94	+3%
Cable Television	2.59	2.63	+2%
High-Speed Internet Access	1.56	1.67	+7%
Telephony	1.71	1.91	+11%
Total RGU*1	5.86	6.21	+6%
Total subscribing households	3.25	3.38	+4%
Value	End of Sep 2009 (Ave. Jan-Sep 2009)	End of Sep 2010 (Ave. Jan-Sep 2010)	YOY Change
Digital migration rate *2	87%	99%	12pts
Bundle ratio*3	1.81	1.84	+0.03
Rate of customers taking 3 services	26%	28%	+2pts
ARPU *4	7,715 yen	7,681 yen	-34yen

Unit: million

100%
on an organic basis *5

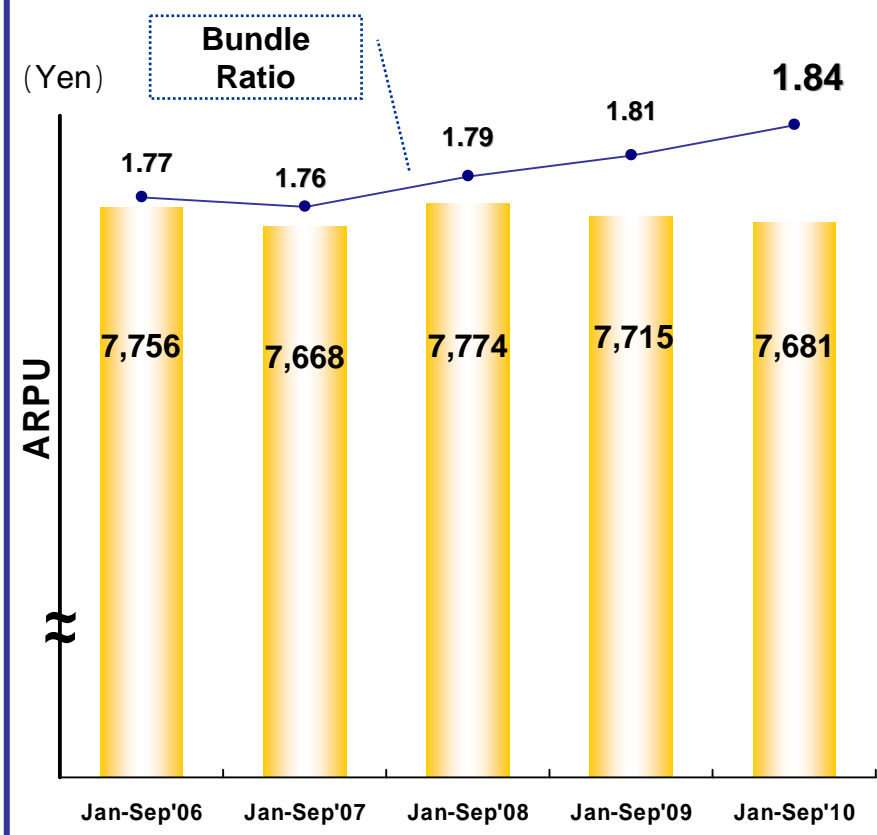
*1: Total RGU (Revenue generating unit) = Total number of services provided *2: Digital migration rate = Percentage of CATV subscribers who have digital services

*3: Bundle ratio = Average number of services received per subscribing household *4: ARPU= Monthly Average Revenue Per Unit

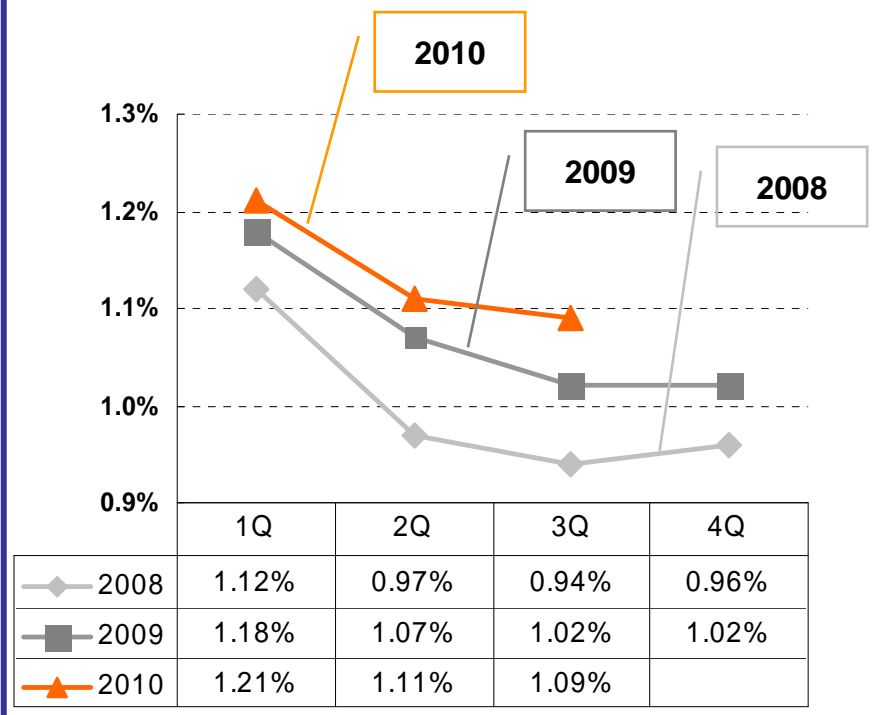
*5: All consolidated subsidiaries excluding former Mediatti group, Jyohoku New Media Co., Ltd. and a part of areas of Cablenet Kobe-Ashiya Co., Ltd.

3Q FY2010 Consolidated Performance Highlights **J:COM**

ARPU and Bundle Ratio



Average Monthly Churn Rate per RGU *



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

1. **Summary of 3Q FY2010**

2. Major Approaches

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4. **Appendix**

Major Approaches



- Introduce and Expand Strategic Products**
- Enhance the Value of TV services**
- Further Improve Level of Customer Satisfaction**
- Push Forward with KDDI Alliance**
- Develop and Promote New BS Digital Broadcasting Service**

Introduce and Expand Strategic Products

Strategic Product

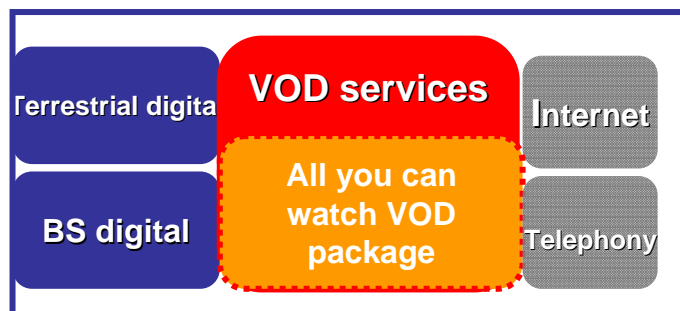
「J:COM TV My style」

- Look beyond existing stereotypes and embrace unconventional approaches

Adopt as an entry model, leading to Big Basic

- Propose new TV and viewing styles

Watch programs at one's convenience, Focus on VOD services



Targeted customer segment

- Younger market and single-person households
- DINKS households
- Senior couple households

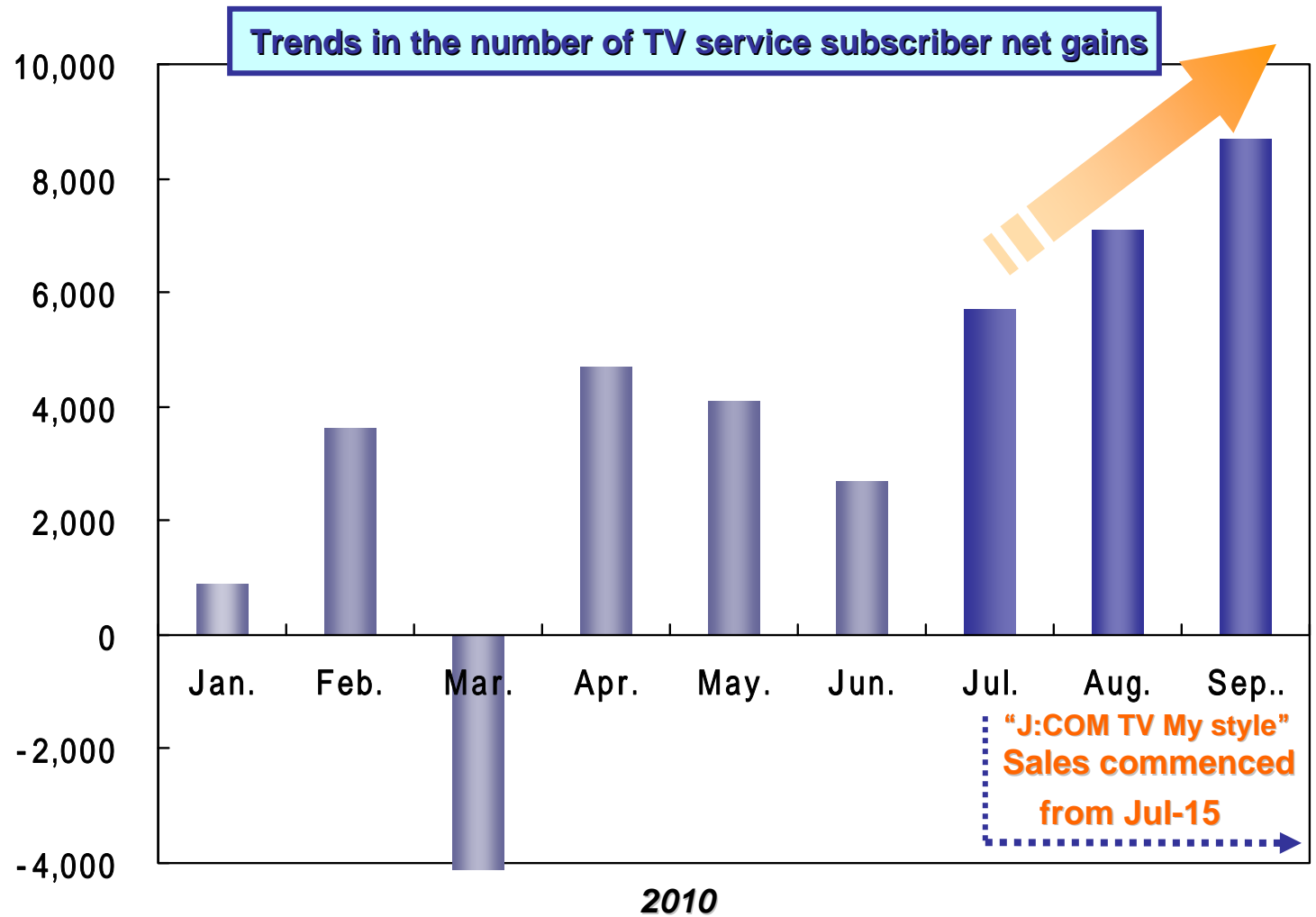
Target market previously focused on families

- Sales commenced from mid-July
- Services centered on VOD and the all you can watch VOD package
- Internet access fee plus ¥500 + per month
Service fee range: ¥2,380 - ¥7,850

Introduce and Expand Strategic Products



Improvement in TV subscriber trends following the introduction of "J:COM TV My style"



Future Expansion Measures

Bolster Product Strengths



- Augment “All you can watch VOD package”
- Expand to 30 packs by the end of 2010

Expand Sales: J:COM TV My style

- Expand target market : Develop from multi-dwelling units to single-dwelling units
- Utilize mass advertising: Via TV commercials (Oct.9-22, 2010)
- Terrestrial digital measures: **Maximize utilization to capture terrestrial digital demand**



Further strengthen VOD services

Add a start-over Function

- Japan's first function of start-over
 - Increase the number of catch-up programs
- 19 channels provided for a total of approx. 290 programs



Collaboration with Terrestrial Broadcaster

- VOD collaboration business model with terrestrial broadcaster
 - Exclusive pay-for-view broadcasts of TV drama series prior to their airing by TBS, "Clone Baby" from October 8



Strengthen 3D Content

- Providing topical 3D contents through VOD leads to promotion of VOD utilization and improvement of customer satisfaction
 - 3D movies from Hollywood
 - *'Clash of the Titans'* (Warner Bros.)
 - Japan's first 3D movie previews through VOD
 - *'GARO- RED REQUIEM'* (TOHOKUSHINSHA FILM CORPORATION)



Enhance the Value of TV Services - HD -



**Expand HD Channel Lineup
following Completion of Migration to Digital Service**

Plans to offer 49 HD channels (60% of total channels)
by the end of 2010

End of 2009
32ch



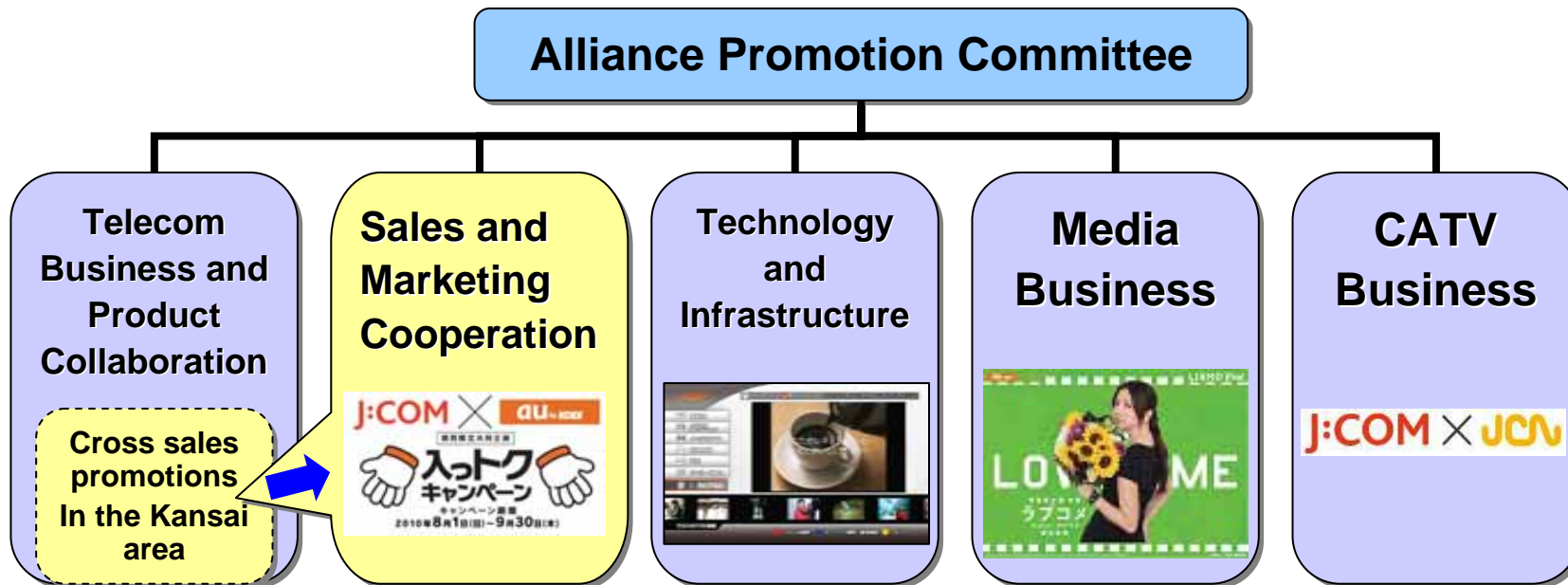
11 channels centering
on sports till October 2010

6ch from November 2010

Alliance with KDDI: Establishing a New” Sales and Marketing Cooperation” Working Group



Structural change in line with the shift to an implementation phase



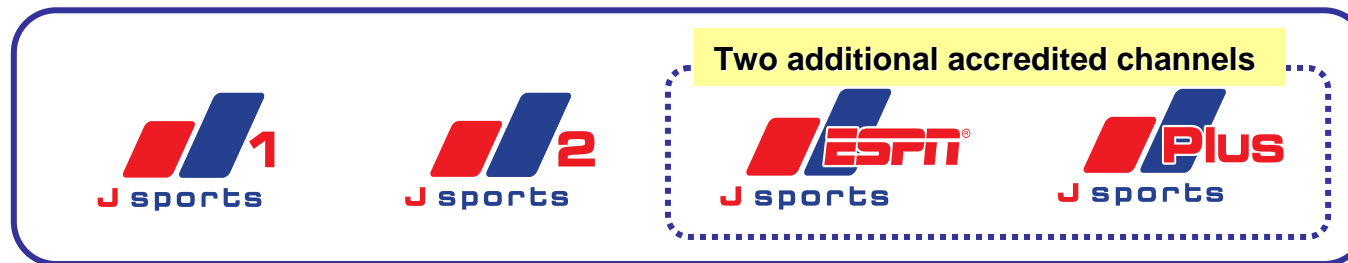
Main issues for Sales and Marketing Cooperation working group

- Cross sales of each company s services utilizing their respective sales channels
- Sale of new services scheduled for introduction from April 2011

Develop and Promote New BS Digital Broadcasting Services (J SPORTS)

➤ Additional accreditation of two new BS broadcasting channels

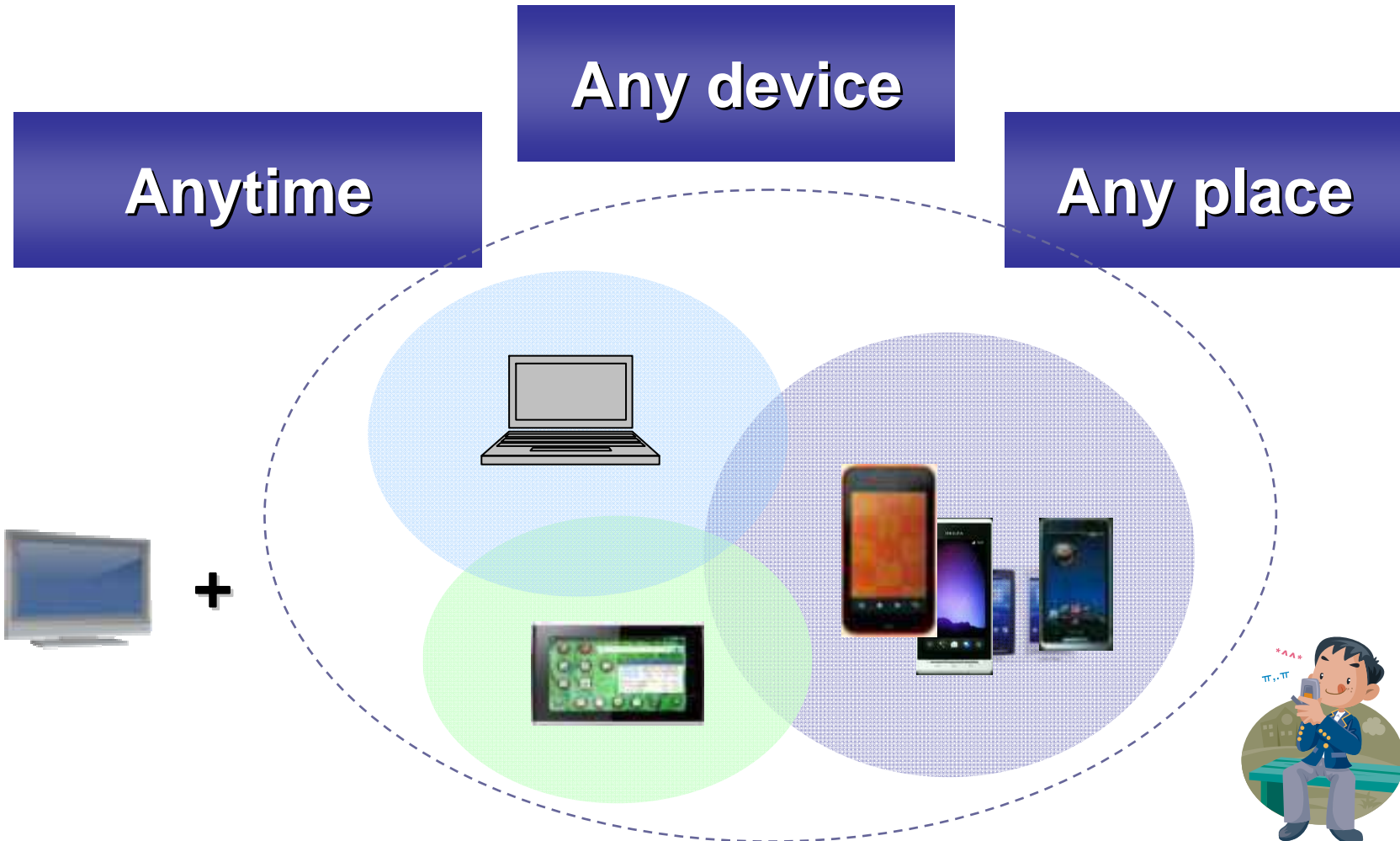
➤ A total lineup of four channels, including the two previously accredited channels



Provide all four channels in HD quality to all platforms including cable television, SKY Perfect TV! and BS

Increase the number of subscribers
Expand the multi-channel broadcasting market

TV Everywhere Concept



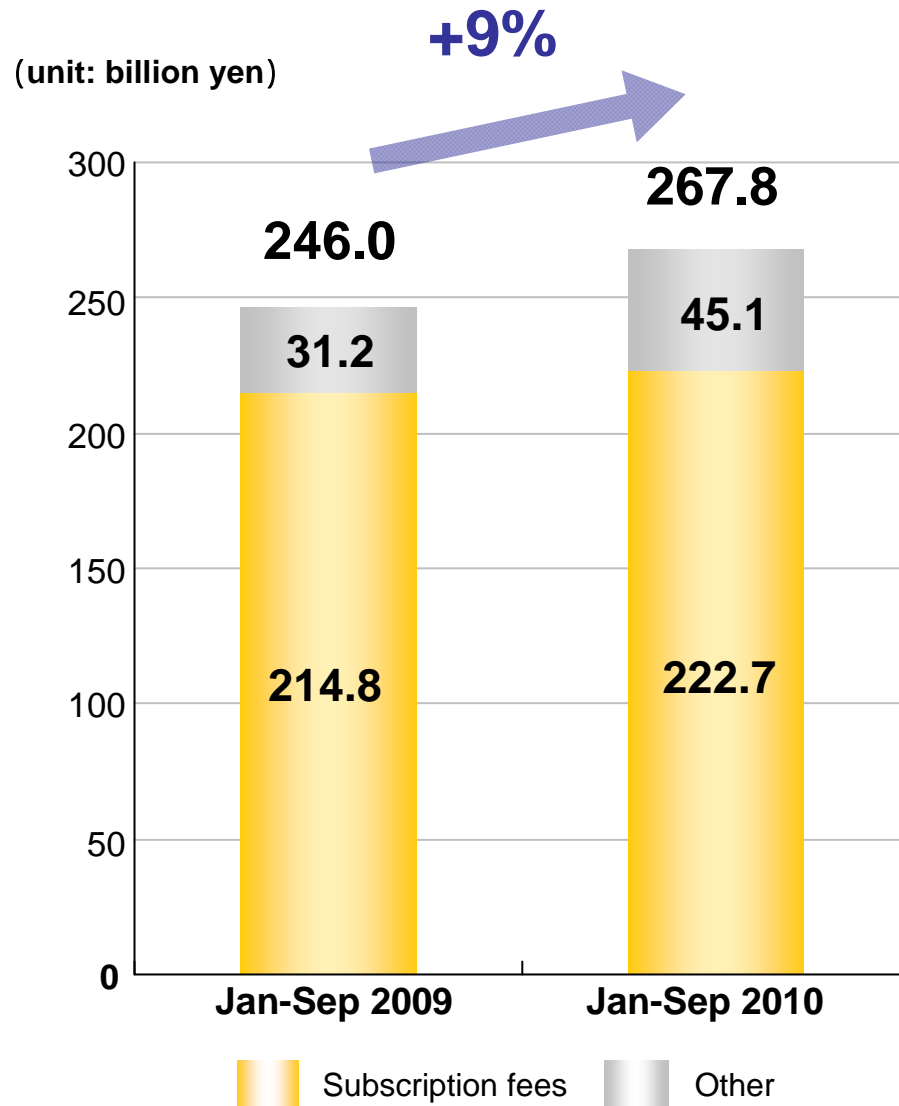
Enable TV programs viewing on any device, anytime, and any place basis

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4. Appendix

Revenue



[US GAAP]



Additional Details

**(1) Subscription fees 222.7bn yen
(up 7.9bn yen or 4%)**

[Breakdown]

- CATV 120.2bn yen (up 3.7bn yen or 3%)
- High-speed Internet Access 64.9bn yen (up 2.5bn yen or 4%)
- Telephony 37.5bn yen (up 1.7bn yen or 5%)

[Reasons for growth]

- Increase in total subscribing households
- Increase in bundle ratio
- Increase in subscribing digital services such as HDR

(2) Other 45.1bn yen (13.9bn yen or +44%)

- Increase in consolidated subsidiary (J SPORTS)
- Increase in revenue relating to poor reception compensation
- Increase in advertising revenue

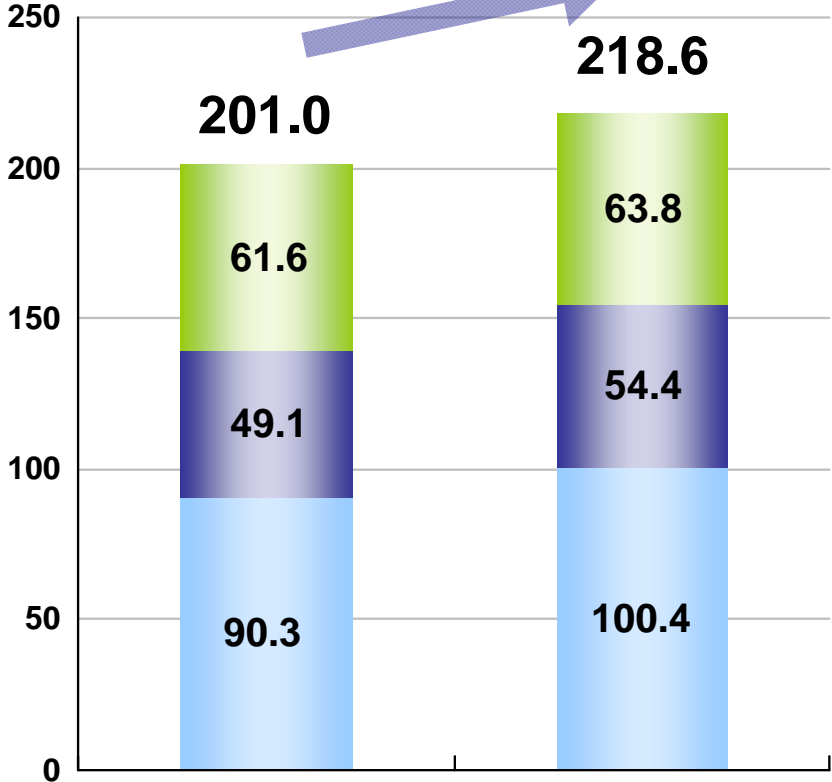
Operating Costs and Expenses



[US GAAP]

(Unit: billion yen)

+9%



Additional Details

(1) Operating & programming costs (+11%)

- Increase due to additional consolidations
- Increased costs related to growth in newly acquired subscribers

(2) Selling, general & administrative expenses (+11%)

- Increase due to additional consolidations
- Increase in personnel costs
- Increase in ad expense for promotion measures

(3) Depreciation & amortization (+4%)

- Increased fixed assets in line with the rise in subscribing households
- Increase due to additional consolidations



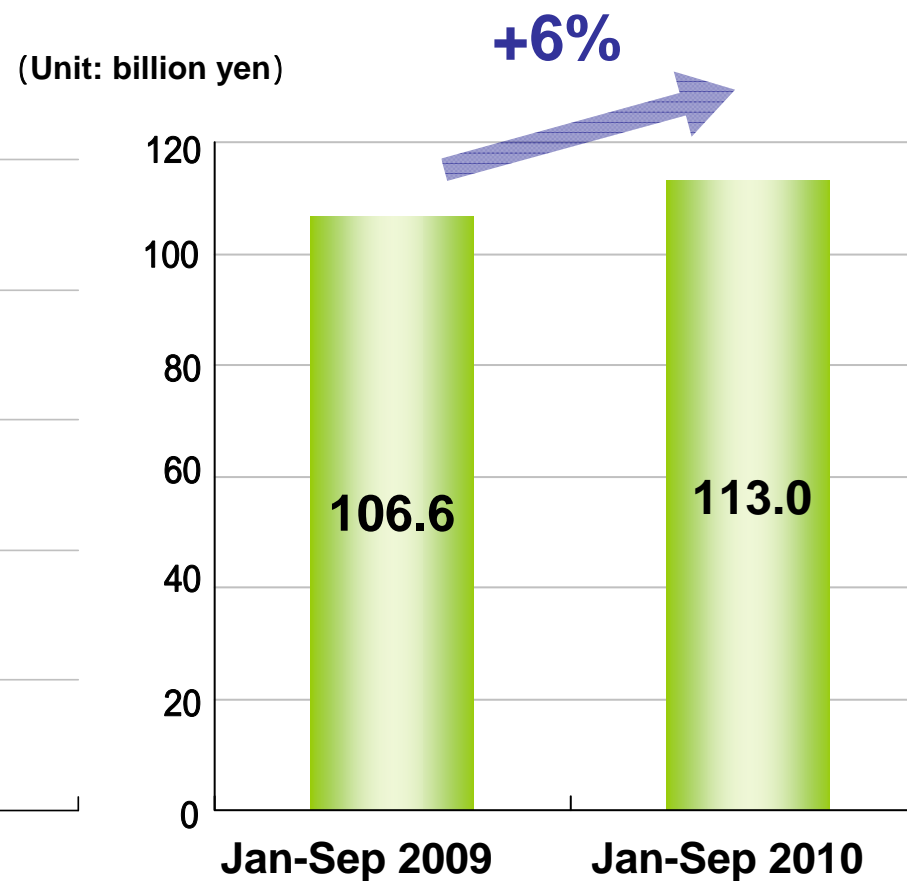
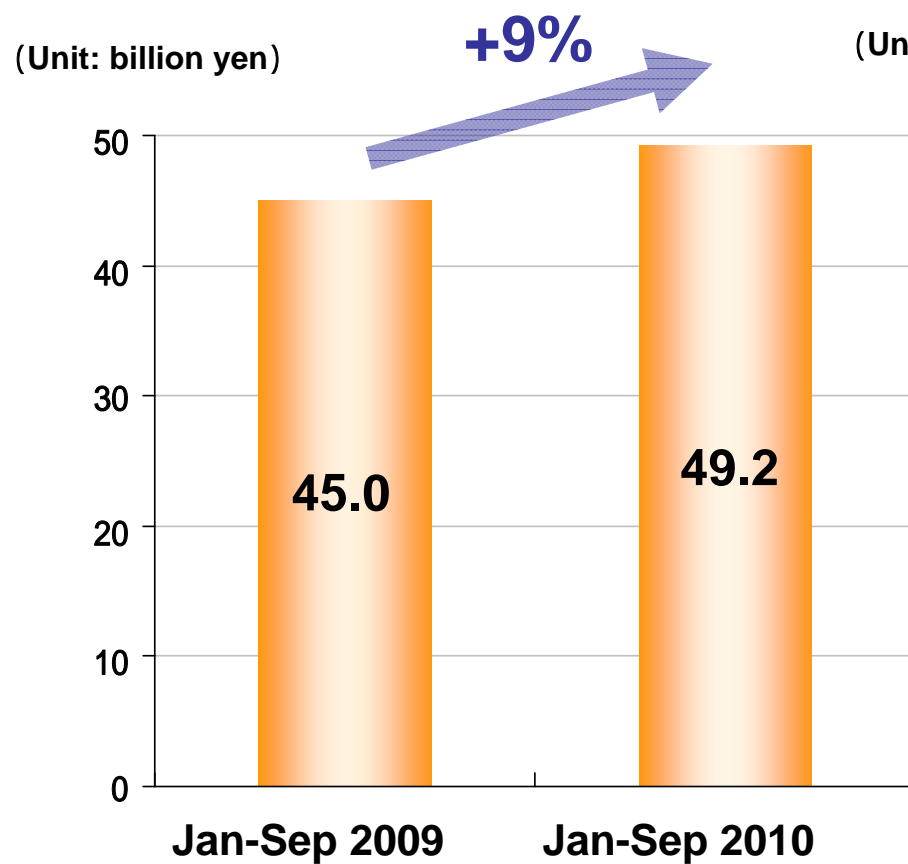
Operating Income, EBITDA*



[US GAAP]

Operating Income

EBITDA*



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

Income Before Noncontrolling Interests and Income Taxes, Net Income Attributable to J:COM Shareholders

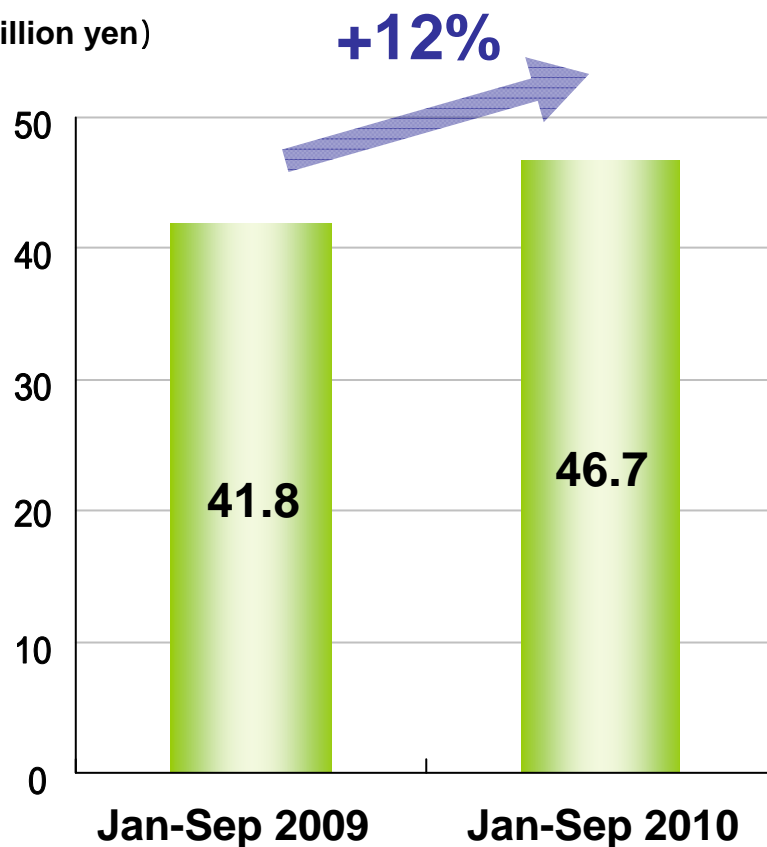


[US GAAP]

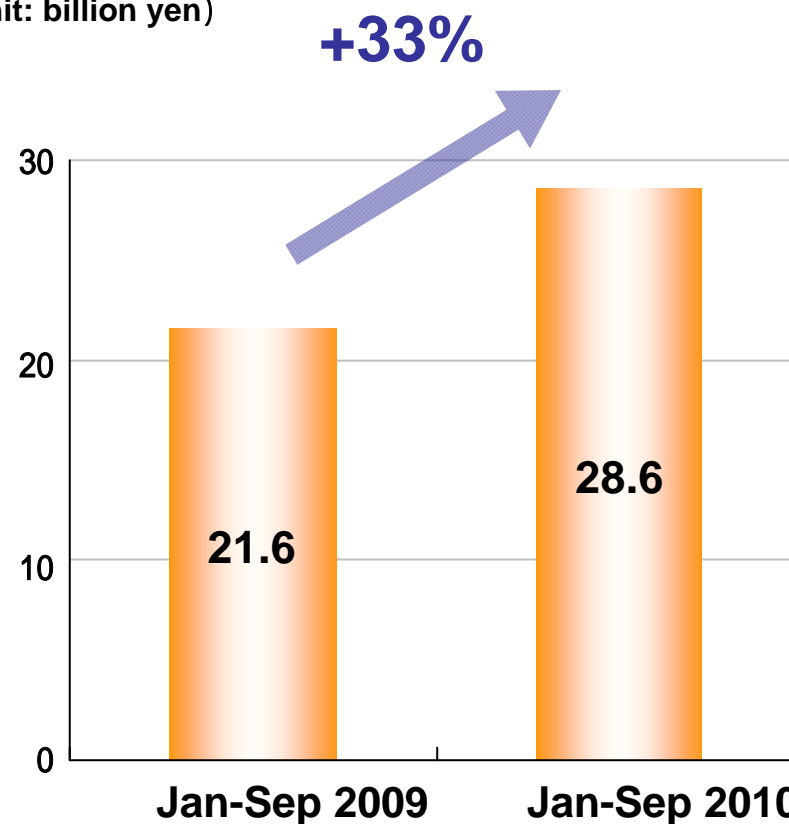
Income Before Noncontrolling Interests and Income Taxes

Net Income Attributable to J:COM Shareholders

(Unit: billion yen)



(Unit: billion yen)

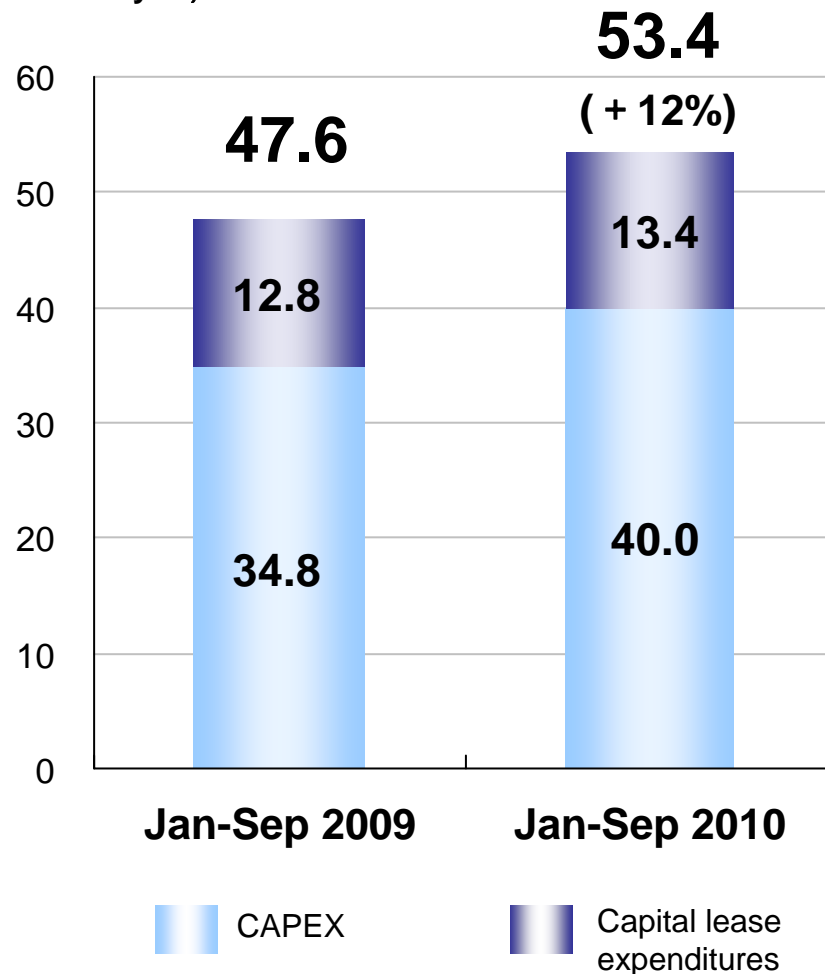


Capital Expenditures



[US GAAP]

(Unit: billion yen)



Additional Details

(1) CAPEX +5.2bn yen

- Increase in installation expenses in line with the rise in subscribing households
- Increase in trunk-line extension expenses etc.

(2) Capital lease expenditures +0.5bn yen

- Increase in number of net gains of digital service subscribers and procurement cost of set top box by introducing Blu-ray HDR

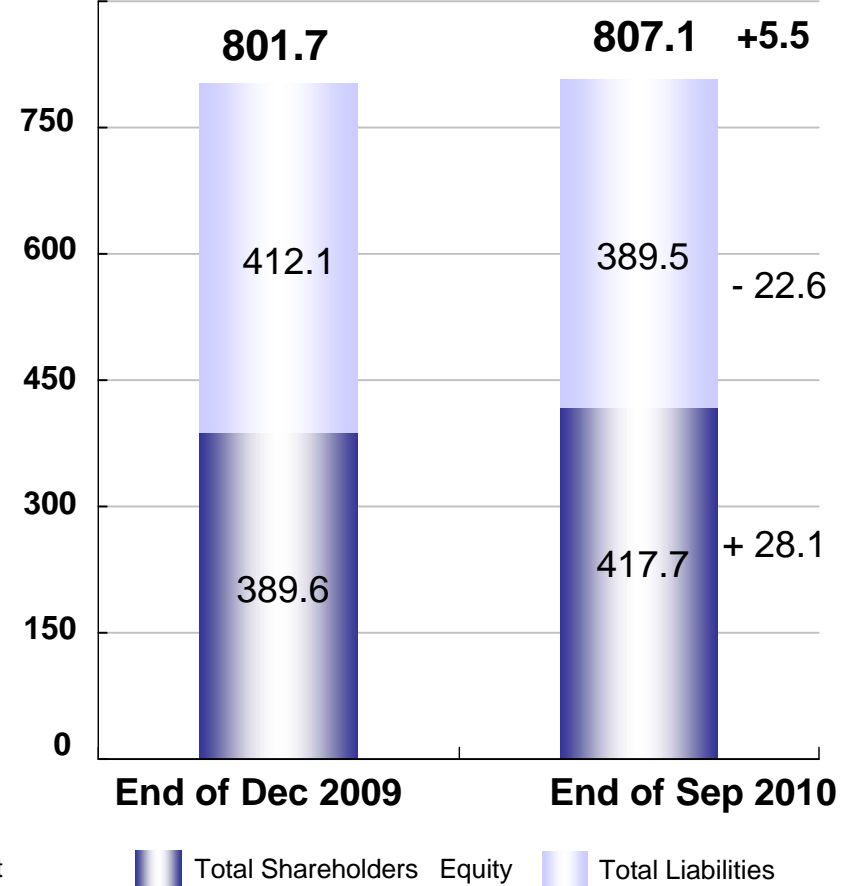
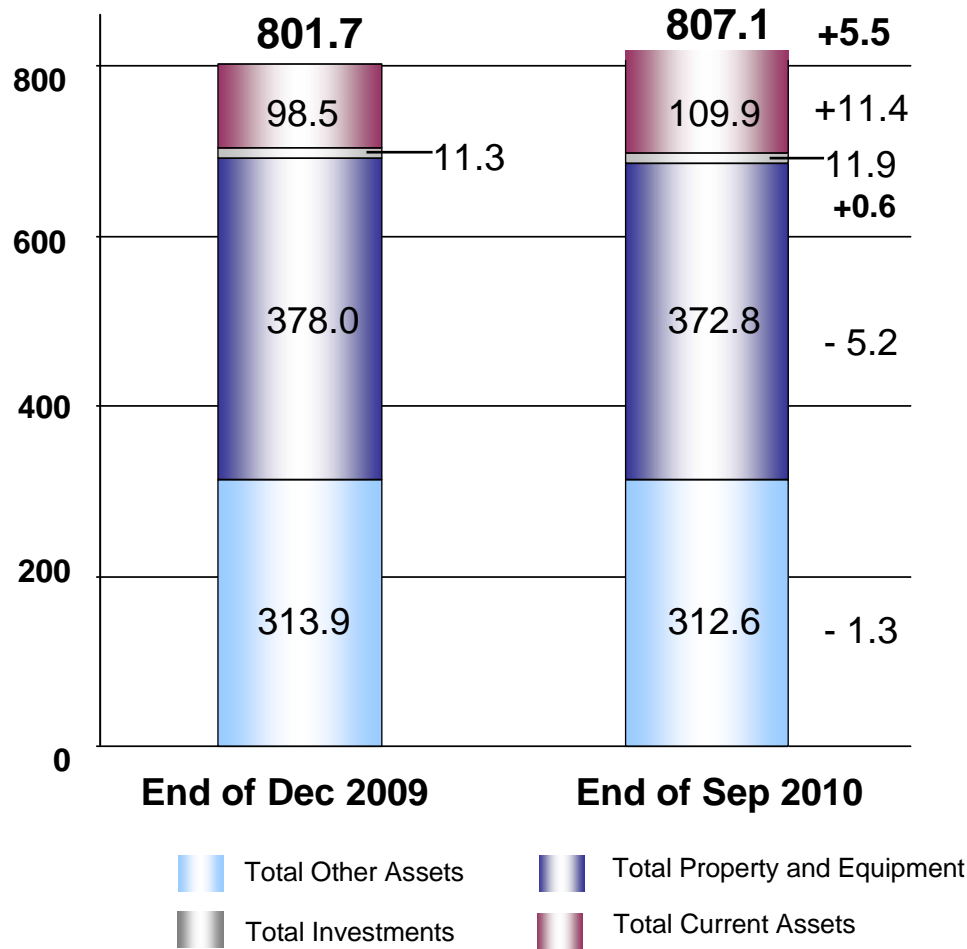
Consolidated Balance Sheets

(Unit: billion yen)

Assets

(Unit: billion yen)

Liabilities & Shareholder's Equity



Current Assets: An 8.0 billion yen increase in cash and cash equivalents as a result of operating activities, exercise of stock options, etc.

Liabilities: Down 22.6 billion yen due to debt repayments and lower deferred tax liabilities
Total shareholders' equity: Up 28.1 billion yen due mainly to increase in net income attributable to J:COM shareholders

Consolidated Cash Flows



[US GAAP]

(Unit: billion yen)

	3Q 2009	3Q 2010	
Cash flows from operating activities	89.3	88.2	【Outline】 <ul style="list-style-type: none"> • Net income of 31.0 billion yen • Depreciation and amortization of 63.8 billion yen
Cash flows from investing activities	-34.5	-40.9	
Cash flows from financing activities	-17.0	-39.3	
Free cash flow*	41.6	34.8	<ul style="list-style-type: none"> • Capital expenditures of -40.0 billion yen • Acquisition of operating assets of -1.1 billion yen • -21.7 billion yen repayments of long-term debt • Repayments of capital lease obligations of -16.2 billion yen • -7.5 billion yen of cash dividend paid to shareholders
			<ul style="list-style-type: none"> • Total amount of 88.2 billion yen in cash flows from operating activities minus 53.4 billion yen in capital expenditures including capital lease expenditures

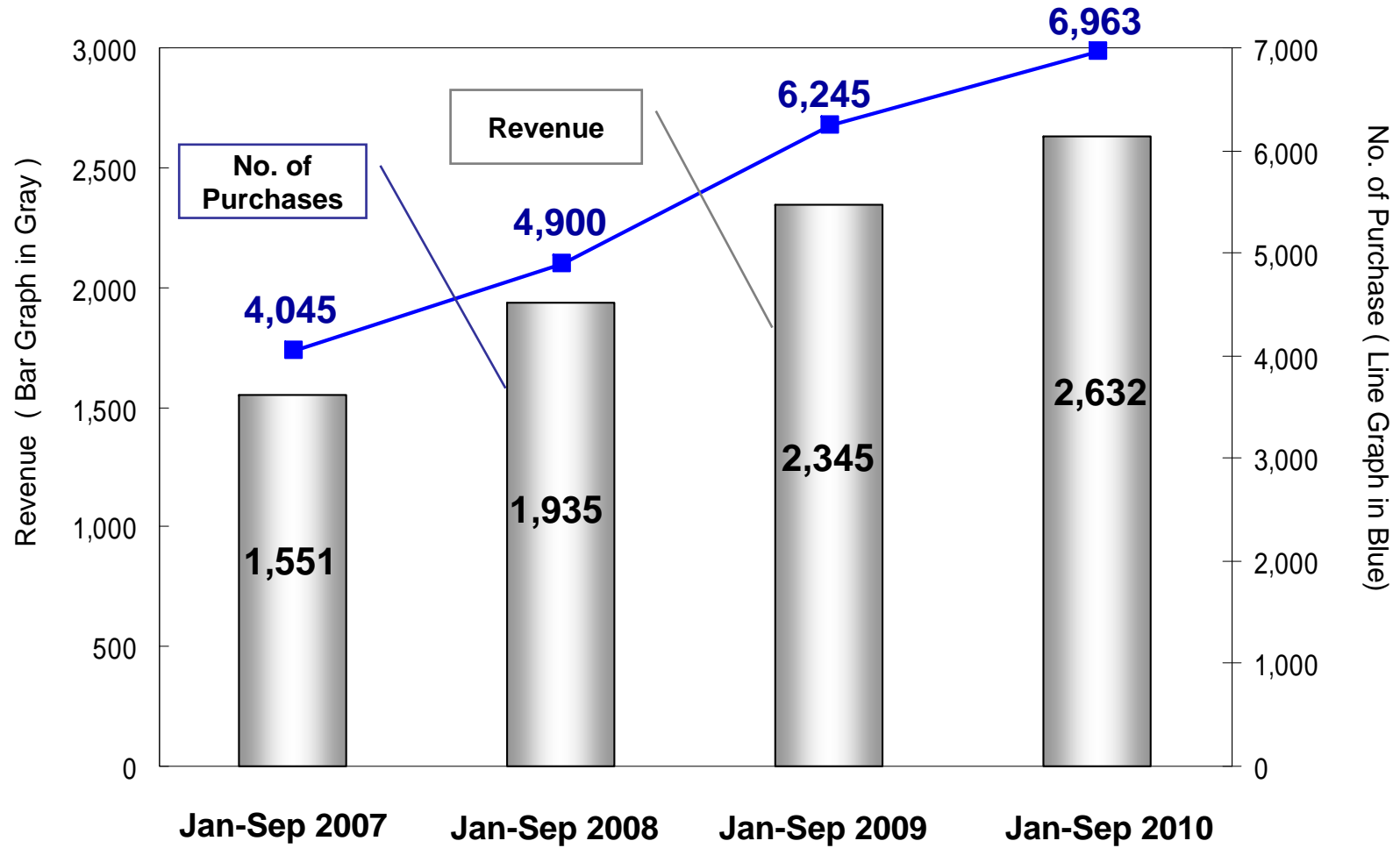
* Free cash flow = (Cash flows from operating activities) – (Capital expenditures) – (Capital lease expenditures)

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Number of Purchases and Revenue

(Unit: million yen)

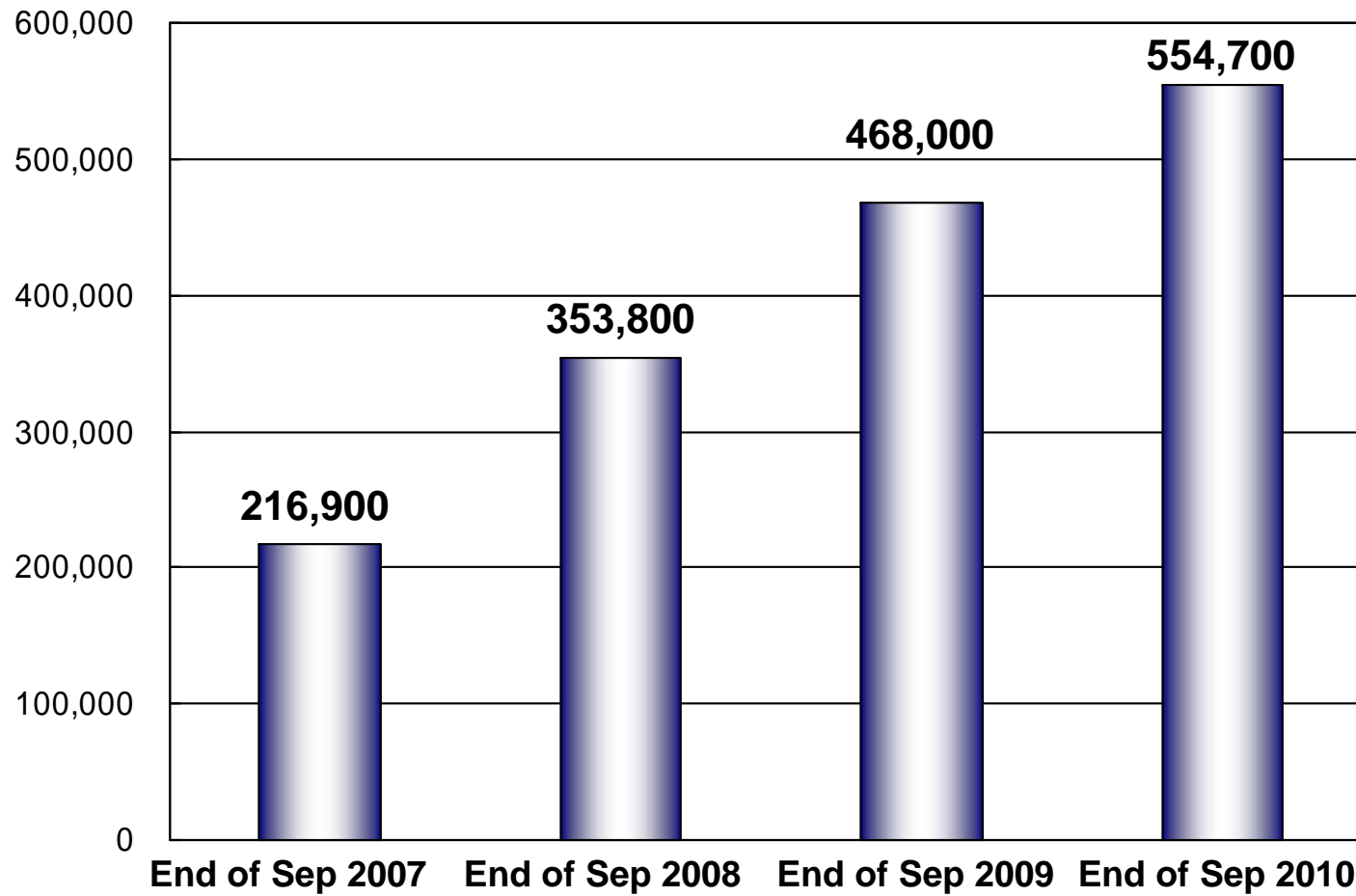
(Unit: thousand)



“HDR” STB with Internal Hard Disk Drive



Total HDR STB Distribution

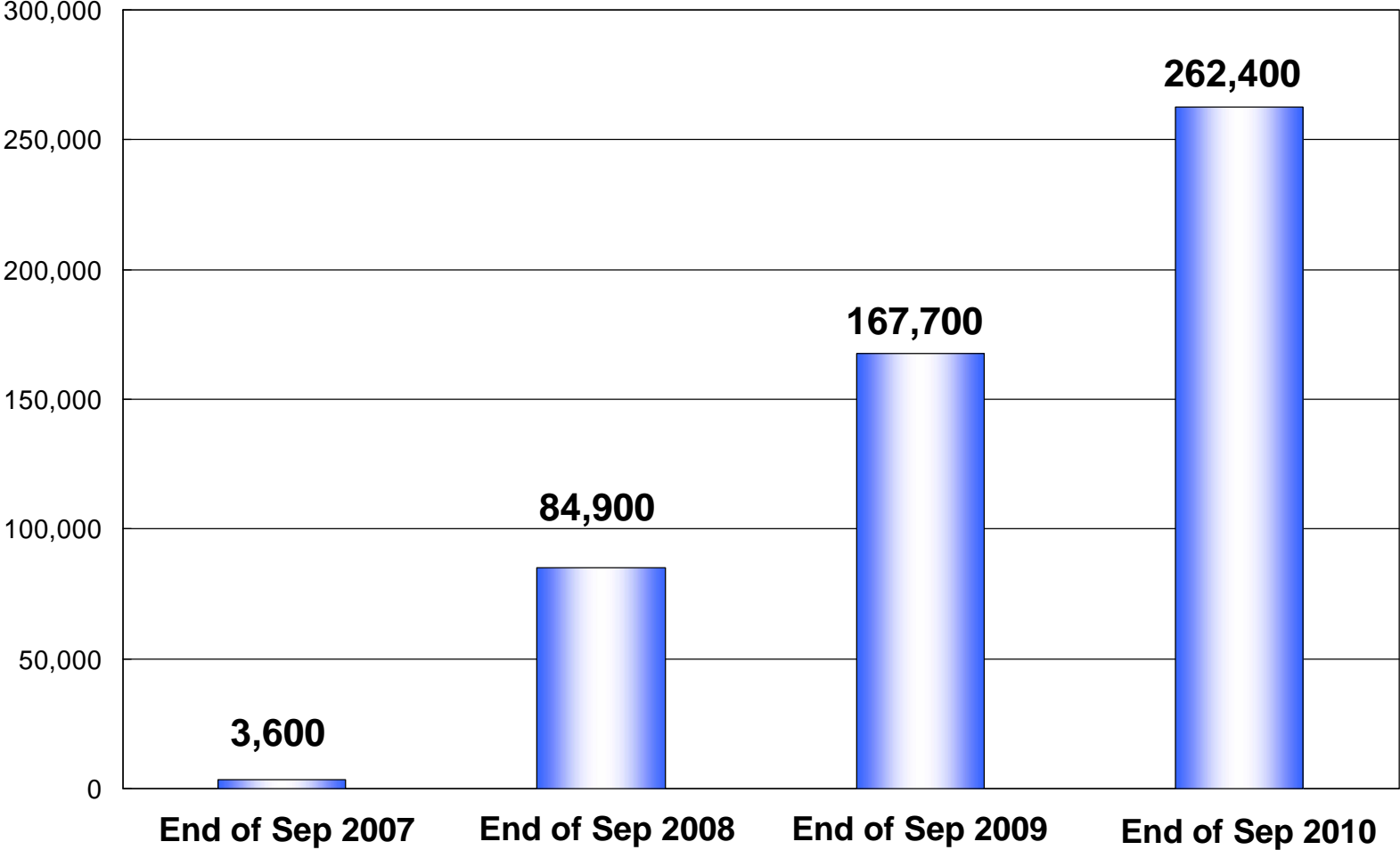


J:COM NET 160Mbps Service



Number of Subscribing Households

(Unit: Households)

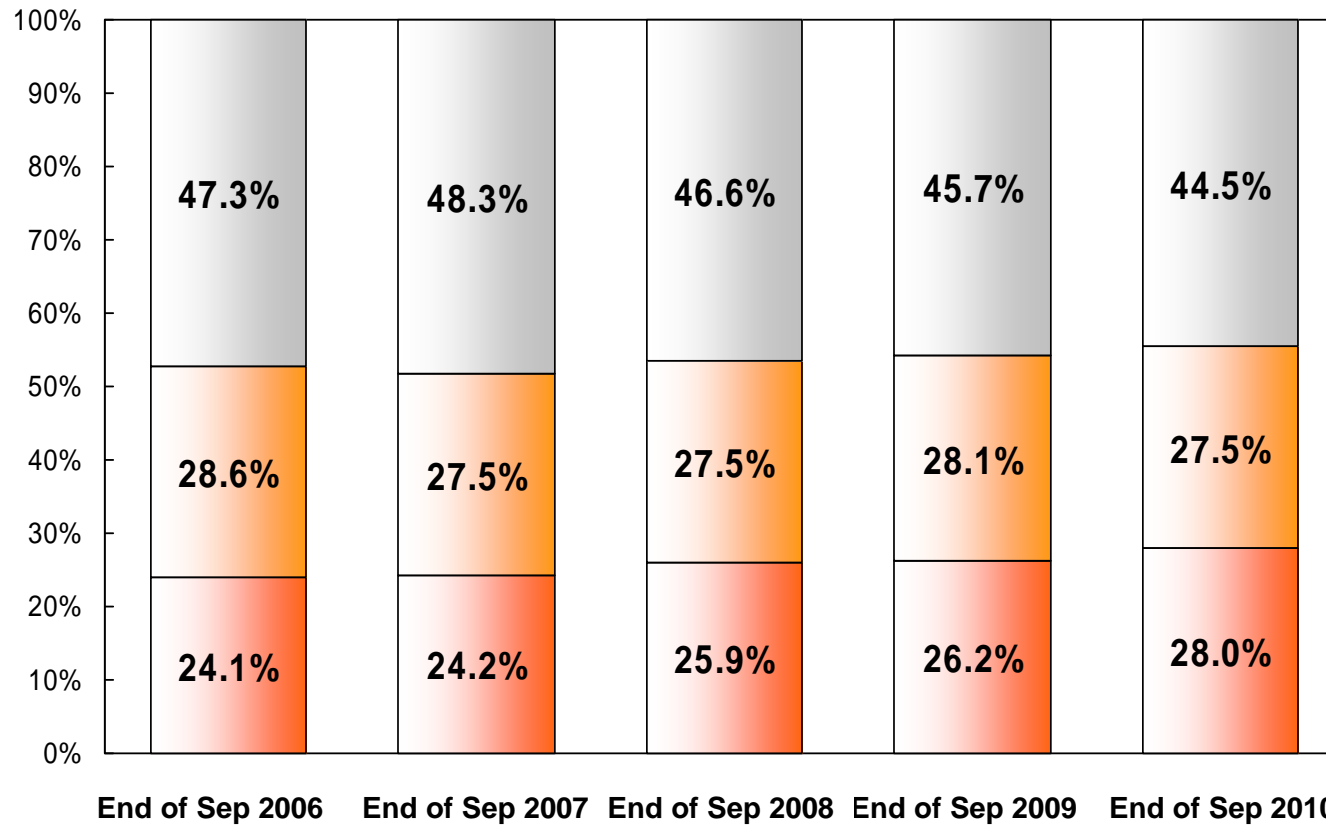


Bundling Progress



Composition of Households by No. of Services Subscribed















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



Number of Households with Service Available by Channel



(As of Aug. 31, 2010)

<u>Name of channel/company</u>	<u>Classification</u> <u>Equity stake</u>	<u>No. of</u> <u>households</u>	<u>Name of channel/company</u>	<u>Classification</u> <u>Equity stake</u>	<u>No. of</u> <u>households</u>
Basic channels					
 Movie Plus Jupiter Entertainment Co., Ltd.	Consolidated	7,530K (7,500K)	 AXN AXN Japan Co., Ltd.	Equity method 35%	6,970K (6,830K)
 LaLa TV Jupiter Entertainment Co., Ltd.	100%	6,430K (6,330K)	 Kids Station Kids Station Co., Ltd.	Other 15%	8,300K (8,320K)
 Act On TV Entertainment and lifestyle information for adults Jupiter Visual Communications Co., Ltd.	Consolidated 90.00%	4,030K (3,990K)	 Japanese Movie Channel Nihon Eiga Satellite Broadcasting Corp.	Other 9.99%	6,970K (6,800K)
 Golf Network Jupiter Golf Network Co., Ltd.	Consolidated 89.41%	7,070K (6,980K)	 SAMURAI DRAMA CHANNEL Nihon Eiga Satellite Broadcasting Corp.		7,530K (7,390K)
 J sports ESPN, J sports 1, J sports 2, J sports Plus J Sports Broadcasting Co., Ltd.	Consolidated 80.5%*	7,740K (7,710K)	 Nikkei CNBC Nikkei CNBC Japan Co., Ltd.	Other 9.75%	7,590K (7,520K)
 Channel Ginga Channel Ginga Co., Ltd.	Consolidated 76%	3,530K (3,380K)	Optional channels		
 Discovery Channel Discovery Japan Co., Ltd.	Equity method 50%	6,770K (6,720K)	 Anime Theater X (AT-X) AT-X Co., Ltd.	Other 12.28%	120K (110K)
 Animal Planet Animal Planet Japan Co., Ltd.	Equity method 33.3%	5,700K (5,580K)			

Source: Companies involved

Number of households with service available as of May 31, 2010, are shown in parentheses.

* Includes indirect ownership by way of wholly-owned subsidiary Jupiter Sports.

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

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