

Strategy Guide Section

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To Our Shareholders and Investors

On March 23, 2011, I, Shuichi Mori, was appointed President and CEO, replacing Tomoyuki Moriizumi upon the passage of resolutions put before the 17th Ordinary General Meeting of Shareholders and the Board of Directors.

The broadcasting and telecommunications industry faces a period of unprecedented upheaval owing to the convergence of broadcasting with communication services and the progress of digitization. As the birthrate declines and the elderly account for a higher portion of the population in Japan, local communities are placing greater trust in as well as higher expectations for community-based cable television companies.

Against this backdrop, the J:COM Group aims to further strengthen and enlarge its business platforms through user-friendly services tailored to meeting rapidly changing customer needs with pinpoint accuracy. Moreover, through our alliance with KDDI CORPORATION now getting underway in earnest, we are working to maximize enterprise value by providing innovative services that enrich the lifestyles of our customers.

I thank our shareholders and investors for their continuing support of J:COM.

Shuichi Mori

President & CEO



A Look Back at FY2010

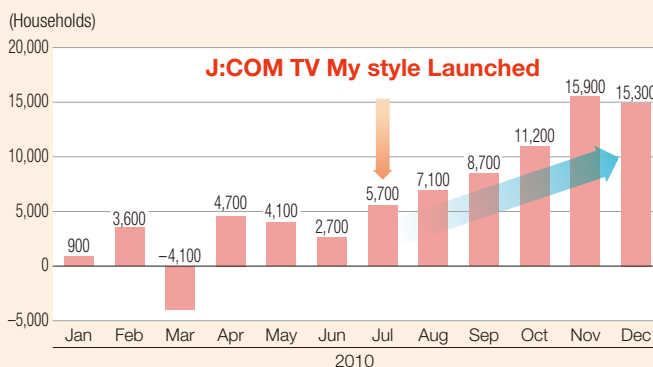
Record Income as Costs Associated with a Complete Digital Migration Absorbed

In fiscal 2010, ended December 31, 2010, the J:COM Group's revenue increased 7.9% year on year to ¥360.1 billion, and operating income rose 9.2% to ¥66.8 billion. Operating income has reached record highs for seven consecutive years since 2003, when the Group turned profitable. We nearly completed migrating all television services to digital format faster than our industry peers, but were able to absorb the large costs involved and register record-high income once again, a major accomplishment.

Net Growth in Cable Television Services Rising Again

J:COM continued recording growth by striking a good balance between initiatives for expanding its customer base (volume strategy) and for increasing value-added services (value strategy) while working to further enhance content quality (contents strategy). However, competition has been intensifying with major telecommunication carriers in recent years, especially in multichannel and other broadcasting services. As the digitalization of terrestrial broadcasting moves forward, television viewing formats are changing and evolving, as evidenced by increased demand for on-demand viewing. Amid these trends, the J:COM Group focused resources on increasing subscribing households for cable television services (volume strategy) and introduced strategic products in 2010. Of particular note, we launched J:COM TV My style*¹ in July 2010 to meet the growing VOD-type viewing needs. This unprecedented service is geared toward new types of customers, including households of the younger generation and senior citizens that were not especially attracted to our established services. The new service has been instrumental in increasing net subscriptions to cable television services by more than 10,000 households monthly.

Net Growth in Cable Television Services



Moreover, the J:COM Group maintained its focus on tapping into demand for digital terrestrial broadcasting from the previous year. We reached agreements with facility management companies for supplying services to properties that have a combined total of approximately one million households, or 70% of communal reception households*² in the Group's service area, by the end of the year. We also worked to obtain pay subscriptions with households under these agreements and have accumulated more than 130,000 RGUs (services supplied) as a result.

Continuing to Add Value to Cable Television Services

In cable television services, J:COM tied up with terrestrial broadcasters. At the same time, we enhanced the catch-up episode viewing service available through J:COM On Demand and began initiatives to obtain exclusive rights to programs before they would normally be available on terrestrial broadcasts as part of our efforts to increase the attractiveness of VOD services. We also endeavored to bolster both the quality and volume of our cable television services by developing high-definition channels, expanding the 3D content lineup, and other means.

Alliance with KDDI Proceeding Smoothly

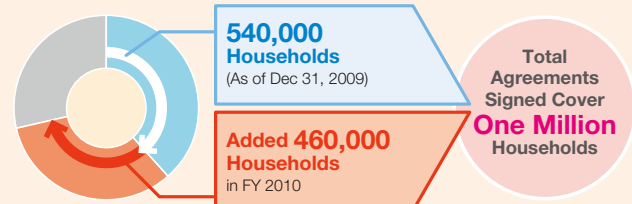
In February 2010, KDDI CORPORATION (KDDI) acquired a stake in J:COM, and since then the two companies established a working group to explore agreements in five areas: telecom business and product collaboration; sales and marketing cooperation; technology and infrastructure; media business; and cable television business. Some of these measures are already starting to yield tangible alliances. The details are on the following page.

*1. See page 26 for service details.

*2. Households obstructed by buildings, power lines, or other shadowing that need to share terrestrial broadcasting reception equipment (communal reception facilities) to receive a television signal.

Enrollment of Communal Reception Households

Around **1.4 Million** Households in J:COM Service Area (As of December 31, 2010)



Market Conditions and Key Policies

Promoting Changes for Surviving Intensifying Competition

The pay multichannel broadcasting market continues expanding, but competition among operators is intensifying, owing partially to new participants from the telecommunications industry. Additional growth under these conditions will require that J:COM actively promote changes to its product and service lineup as well as further enhance operating efficiencies.

Expanding Sales of Strategic Products to Address Changing Viewer Needs

J:COM is actively launching strategic products to address the changing lifestyle, preferences, and needs of viewers in order to enhance its competitive edge. For example, we are working to further increase subscribing households through additional sales of J:COM TV My style, a strategic service geared toward meeting the growing needs for VOD-type viewing and increasing demand accompanying the digital migration of terrestrial broadcasting. We are also aggressively stepping up commercial advertising and other promotional activities using a more efficient and focused approach targeting single people, the younger generation, senior citizens, and other households. Furthermore, we are working to further enhance the quality of our VOD content and the title lineup through our All-you-can-watch package, a service that offers unlimited viewing of any title within the menu.

Increasing Competitiveness through Closer Ties with KDDI

J:COM is bolstering its efforts to further strengthen its competitiveness by swiftly expanding its tie-up with KDDI. Since December 2010, we have begun offering our high-speed Internet access subscribers J:COM WiMAX*1, a high-speed mobile Internet service supplied by UQ Communications Inc., an affiliate of KDDI. Meanwhile, J:COM introduced KDDI's telephony service for cable television companies as J:COM PHONE Plus*2, and began offering services in April 2011. Now households subscribing to J:COM PHONE Plus and to KDDI's telephony services, and users of au mobile phones, can call each other free of charge. Collective billing now underway for services from alliance partners and other joint practices have greatly enhanced convenience for users. J:COM and KDDI plan to steadily expand cross-sales promotion by leveraging each other's sales channels. These joint promotions were kicked off in the Kansai area and will gradually expand nationwide. Fiscal 2011 will be an important year for shifting the alliance with KDDI to the actual execution stage following the tests and trials undertaken to date.

Utilizing Strategic Products to Increase the Number of Subscribing Households

1 J:COM TV My style

Sales and Marketing Strategies

- Proper Approaches for Targeted Customers (singles, younger generation, seniors)
- Developing Effective Advertising and Promotional Activities
- Capturing Demand Associated with the Digital Migration of Terrestrial Broadcasting

Policies for Increasing Product Attractiveness

- Bolstering All-you-can-watch package for VOD
 - Improving Content Quality
 - Enlarging the Product Lineup

2 J:COM PHONE Plus

- Increasing Customer Satisfaction and New Subscriptions by Enhancing Convenience
- Capturing au/KDDI Users

Promoting Alliances with KDDI

Principal Achievements in FY2010

▶ **Telecom Business and Product Collaboration**
Began Offering J:COM WiMAX

▶ **Sales and Marketing Cooperation**
Cross-sales Promotion (Kansai area)

▶ **Technology and Infrastructure**
Developing Next-generation Set-top Boxes

▶ **Media Business**
Centralized Procurement of VOD Content
Mutual Content Delivery

▶ **Cable Television Business**
Joint Promotion with Japan Cablenet Limited (JCN)
Cross-referrals with JCN of Customers Moving between Each Other's Service Areas

Key Initiatives in FY2011

▶ **Telecom Business and Product Collaboration**

- Beginning Supply of J:COM PHONE Plus
- Beginning Free Calling to and from au Mobile Phones
- Starting J:COM all-in-one billing

▶ **Sales and Marketing Cooperation**

- Cross-sales Promotion Nationwide (planned) (actively using au shops)

▶ **Technology and Infrastructure**

- Greater Collaboration for Sophistication and Efficiency

▶ **Media Business**

- Actively Using KDDI-produced Content

Increasing Enterprise Value as a Comprehensive Media Company

While further bolstering its cable television and communication services, J:COM is striving to strengthen its programming business. As an important step, J SPORTS Broadcasting Corporation (J SPORTS), a consolidated subsidiary, will begin offering all four of its channels over a new BS digital broadcasting format to be introduced beginning in October 2011. Complementing traditional cable television and satellite broadcasting, the new BS platform will increase name recognition not only for J SPORTS but also for the whole J:COM Group. Other efforts are centered on strengthening our position as an operator of community-based channels. These channels (accessible to around nine million households) support local communities by serving as a media outlet for information on local activities and local government measures and help forge stronger community ties. Looking ahead, we plan to deliver appealing programming on a nationwide basis by further strengthening program production and packaging and elevate our status as an independent media provider, thereby increasing our advertising revenue.

The J:COM Group is the only comprehensive media company in the Japanese multichannel broadcasting industry, developing both platform and programming businesses. We aim to use these tools to gain direct insight into our customers' lifestyles, viewpoints, and demands, to reflect what we learn in formulating and packaging programs, and then

maximize our advantages over competitors in order to further increase enterprise value.

Enhancing Operating Efficiencies Further

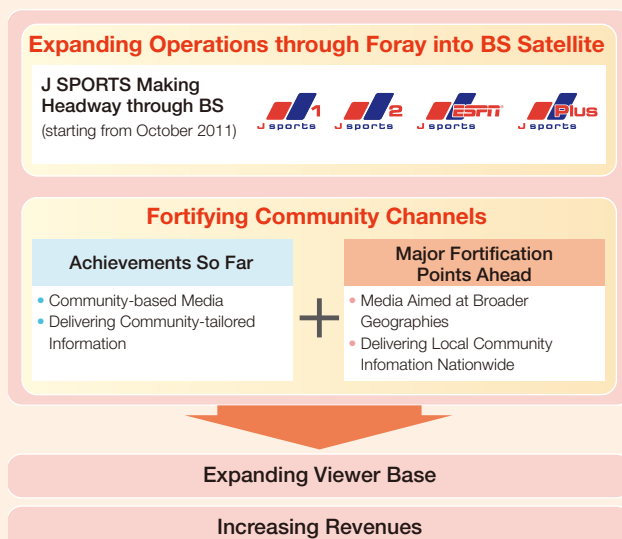
Promoting changes to our business operating systems and strengthening product and service offerings are essential for overcoming tough competitive conditions. In recent years, we have made major strides by expanding operations through the acquisition of cable television companies and other efforts. At the same time, we recognize there is still much scope for improving management efficiencies in the Group overall. Consequently, we are pursuing additional gains through our regional block system introduced in 2010. We are also focusing resources on reducing customer acquisition costs by upgrading customer centers and websites and other actions aside from door-to-door sales activities. We intend to further streamline operations by creating databases for customer payment information and enacting other strategies to revamp operations and by working to consolidate broadcasting production and transmission equipment and other assets across the Group's programming companies.

*1. See page 32 for service details.

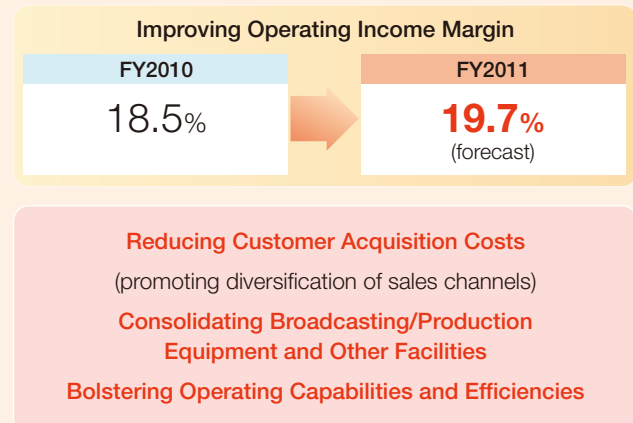
*2. See page 26 for service details.

For growth strategies, see our special feature, *Challenges for Growth Model Innovation* (pages 21–26).

Bolstering Programming Business



Improving Operating Efficiencies



Further Increasing Shareholder Value

By steadily enacting the policies outlined earlier, J:COM aims to record revenue of ¥370 billion (up 3% year on year) and operating income of ¥73 billion (up 9%) in FY2011.

At the same time, we will be working actively to develop and introduce products and services in new domains that further enhance our growth potential over the medium and long term. These include (1) TV Everywhere services*¹, which enable customers to enjoy video content using a variety of devices virtually anywhere, (2) network DVR*² and other new services, (3) high-speed Internet access services capable of higher speeds and greater capacity, and (4) T-commerce services*³ that use and deploy billing platforms operated in tandem with cable television services.

From its origins as a cable television service provider, J:COM has proactively broadened its domain into the telephony and Internet fields and undergone dramatic changes since its inception, adding programming businesses and thereby emerging as a comprehensive media company. The J:COM Group intends to continue recording consistent growth by swiftly addressing contemporary needs and flexibly adapting to changes in its business conditions.

In addition, raising our enterprise value will require that we continually increase growth potential by developing and launching innovative new products and further increasing capital efficiency. Consolidated ROE has increased for three straight years, from 7.9% in 2007 to 9.6%*⁴ in 2010. Looking ahead, we aim to further increase ROE through management efficiency gains.

The J:COM Group plans to consistently provide stable returns to shareholders on the back of successful efforts in raising enterprise value. In this way, we raised dividends per share by ¥520, from ¥980 in 2009 to ¥1,500 in 2010. In 2011, we plan to raise the dividend by ¥300, to ¥1,800.

*1. The service enables customers to view and listen to programming any-time and anywhere over the Internet from their PCs, tablet devices, mobile phones, or other devices.

*2. Network digital video recorder services using online servers as DVR.

*3. Commercial transactions using the television (Internet shopping).

*4. FY2010 consolidated ROE was 8.6% when adjusted to deduct one-off gains (¥4.1 billion) associated with consolidated subsidiary J SPORTS from net income attributable to J:COM shareholders (¥37.7 billion).

Consolidated Forecasts for FY2011

(Yen in billions)

	FY2010 (Results)	FY2011 (Forecast)	Changes Year on Year
Revenue	360.1	370.0	2.7%
Operating income	66.8	73.0	9.4%
Income before noncontrolling interests and income taxes	63.2	69.5	10.0%
Net income attributable to J:COM shareholders	37.7	37.5	(0.5%)* ¹
EBITDA* ²	152.6	—	4–6%

*1. In 2010, net income attributable to J:COM shareholders was ¥33.6 billion when adjusted to subtract one-off gains (¥4.1 billion) associated with J SPORTS from net income attributable to J:COM shareholders which totaled ¥37.7 billion. We forecast that net income attributable to J:COM shareholders in 2011 will rise 11.7% to ¥37.5 billion from the adjusted income in 2010.

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

Dividends per Share

