J:COM (Translation from Japanese disclosure to JASDAQ)

January 29, 2013
[U.S. GAAP]

Consolidated Annual Financial Results Release

For the Year Ended December 31, 2012

Jupiter Telecommunications Co., Ltd. (Consolidated)

Company code number: 4817 (URL http://www.jcom.co.jp/)
Shares traded: Osaka Securities Exchange 【JASDAQ】
Executive position of legal representative: Shuichi Mori, President & CEO
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Expected date of Annual Shareholder's meeting: March 27, 2013
Expected date of filing of annual report: March 27, 2013 Expected date of dividend payment: March 28, 2013
Supplementary material for annual financial results: Yes
Briefing meeting for annual financial results: None

(Fractional amounts rounded)

1. Consolidated operating results (From January 1, 2012 to December 31, 2012)

(1) Consolidated financial results

(For the year ended)	Revenue		Operating income		Income before noncontrolling interests and income taxes		Net income attributable to J:COM shareholders	
	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)
December 31, 2012	376,835	2.1	71,414	0.5	70,123	2.3	41,623	11.7
December 31, 2011	369,073	2.5	71,075	6.5	68,532	8.5	37,278	(1.1)

(Notes)
1. Comprehensive income:
For the year ended December 31, 2012: 45,469 million yen 12.3% For the year ended December 31, 2011: 40,494 million yen (1.1)%
2. The percentages shown next to revenue, operating income, income before noncontrolling interests and income taxes and net income attributable to J:COM shareholders represent year-on-year changes.

(For the year ended)	Net income attributable to J:COM shareholders per share(Basic)	Net income attributable to J:COM shareholders per share(Diluted)	Net income attributable to J:COM shareholders ratio to shareholders' equity	Income before noncontrolling interests and income taxes ratio to total assets	Income before noncontrolling interest and income taxes ratio to revenue
	(Yen)	(Yen)	(%)	(%)	(%)
December 31, 2012	6,052.36	6,050.64	9.4	8.6	18.6
December 31, 2011	5,383.59	5,381.49	8.9	8.4	18.6

(Reference)
Equity in earnings of affiliates:
For the year ended December 31, 2012: 1,048 million yen For the year ended December 31, 2011: 1,473 million yen

(2) Consolidated financial position

(As of)	Total assets	Total shareholders' equity	Total J:COM shareholders' equity	J:COM shareholders' equity ratio to total assets	J:COM shareholders' equity per share
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(%)	(Yen)
December 31, 2012	812,030	482,611	454,547	56.0	66,215.61
December 31, 2011	812,373	457,316	431,664	53.1	62,332.55

(Note) Items related to Total J:COM shareholders' equity as of December 31, 2011 were restated. Please refer to (v) Restatements of Prior Year's Consolidated Financial Statements on page 22.

(3) Consolidated cash flow statement

(For the year ended)	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Balance of cash & cash equivalents
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)
December 31, 2012	123,959	(53,417)	(49,568)	110,853
December 31, 2011	123,342	(58,309)	(53,366)	89,879

2. Dividend information

(For the year ended)	Annual cash dividends per share					Total amount of annual cash dividends	Dividends payout ratio	Total amount of dividends ratio to J:COM shareholders' equity
	First quarter period	Second quarter period	Third quarter period	Year-end	Total			
	(Yen)	(Yen)	(Yen)	(Yen)	(Yen)	(Millions of yen)	(%)	(%)
December 31, 2011	—	900.00	—	900.00	1,800.00	12,464	33.4	2.9
December 31, 2012	—	1,250.00	—	1,250.00	2,500.00	17,161	41.3	3.9

Note: For details regarding dividends for the year ending December 2013, please refer to "Consolidated forecasts for December 2013 term (From January 1, 2013 to December 31, 2013)" outlined as follows.

3. Consolidated forecasts for December 2013 term (From January 1, 2013 to December 31, 2013)

As detailed in the press release, "NOTICE OF COMPANY'S OPINION ON TENDER OFFER FOR SHARE CERTIFICATES ETC. OF THE COMPANY BY SUMITOMO CORPORATION AND KDDI CORPORATION" dated October 24, 2012, J:COM's principal shareholders including Sumitomo Corporation and KDDI CORPORATION ("KDDI") intend to acquire all of the Company's issued common shares and stock acquisition rights. To this end, plans are in place to conduct a tender offer ("Tender Offer") by the beginning of February 2013 and thereafter to complete prescribed procedures. In the event that the Tender Offer and ensuing prescribed procedures are completed, J:COM's common shares shall be subject to the JASDAQ Market's delisting standards.

Currently, the timing for changes in the Company's shareholder composition resulting from the Tender Offer and ensuing prescribed procedures as well as the timing for the integration of Japan Cablenet Limited ("JCN"), the second-ranked Multiple System Operator ("MSO") in Japan's cable television industry and a consolidated subsidiary of KDDI after J:COM's delisting remain unclear. Taking the aforementioned into consideration, including difficulties in accurately forecasting the effects of each event, J:COM has decided to refrain from disclosing consolidated results and dividend forecasts for the December 2013 term.

4. Other information

(1) Change in significant consolidated subsidiaries: None

(2) Change in significant accounting and reporting policies:

(i) Change in accounting policies in accordance with change in accounting standards : Yes

(ii) Change in accounting policies other than above : None

(Note) Please refer to (6) Significant Accounting Policy Change on page 21.

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(3) Outstanding shares

(i) Number of issued shares at end of term (consolidated, including treasury stock):

As of December 31, 2012:	6,947,813 shares	As of December 31, 2011:	6,947,813 shares

(ii) Number of treasury stock:

As of December 31, 2012:	83,168 shares	As of December 31, 2011:	22,640 shares

(Note) Regarding number of shares basis of per share data, please refer to (iii) Earnings per Share on page 22.

(Reference) Parent Company Only [JAPANESE GAAP]

1. Operating results (From January 1, 2012 to December 31, 2012)

(1) Financial results

(For the year ended)	Revenue		Operating income		Ordinary income		Net income	
	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)
December 31, 2012	170,074	6.1	18,997	12.7	22,312	8.7	16,654	(7.0)
December 31, 2011	160,354	1.9	16,859	7.9	20,530	40.8	17,912	98.1

(For the year ended)	Net income per share	Net income per share (Diluted)
	(Yen)	(Yen)
December 31, 2012	2,421.58	2,420.89
December 31, 2011	2,586.78	2,585.77

(Note) The percentages shown next to revenue, operating income, ordinary income and net income represent year-on-year changes.

(2) Financial position

(As of)	Total assets	Net assets	Equity capital ratio to total assets	Net assets per share
	(Millions of yen)	(Millions of yen)	(%)	(Yen)
December 31, 2012	424,016	263,830	62.2	38,412.30
December 31, 2011	430,793	266,589	61.9	38,478.77

(Reference) Stockholders' equity: As of December 31, 2012: 263,687 million yen As of December 31, 2011: 266,472 million yen

(Status of the audit procedures)

This consolidated annual financial results release is outside the scope of the procedures for audit based on Japan's Financial Instruments and Exchange Law.
It is under the audit procedures process at the time of disclosure of this report.

(Cautionary note regarding future-related information)

The forecasts contained in this report have been prepared on the basis of information that is currently available. Because such estimates are inherently very uncertain, actual results may differ from the forecasts. The Company does not guarantee that it will achieve these estimated results and advises readers to refrain from depending solely on these forecasts. Readers should also note that the Company is under no obligation to revise this information on a regular basis.

＜**Contents**＞

1. Business Results
- (1) Analysis of Business Results ······ P. 2
  - (i) Summary ······ P. 2
  - (ii) Overview of Business Results ······ P. 3
  - (iii) Profit and Loss ······ P. 6
  - (iv) Outlook for the Coming Fiscal Year ······ P. 7
- (2) Financial Position ······ P. 8
  - (i) Assets, Liabilities and Shareholders' Equity ······ P. 8
  - (ii) Cash Flows ······ P. 8
- (3) Fundamental Policy Regarding the Distribution of Profits ······ P. 9
- (4) Risk Management ······ P. 9

2. Status of the Jupiter Telecommunications Co., Ltd. (J:COM) Group ······ P. 11

3. Management Policy ······ P. 12
- (1) Fundamental Management Policy ······ P. 12
- (2) Target Management Indices ······ P. 12
- (3) Medium- and Long-Term Management Strategies, and Issues Requiring Action ······ P. 12

4. Consolidated Annual Financial Statements ······ P. 14
- (1) Consolidated Statements of Income and Comprehensive Income ······ P. 14
- (2) Consolidated Balance Sheets ······ P. 15
- (3) Consolidated Statements of Shareholders' Equity ······ P. 17
- (4) Consolidated Statements of Cash Flows ······ P. 18
- (5) Summary of Significant Accounting Policies ······ P. 19
  - (i) Scope of Consolidation ······ P. 19
  - (ii) Scope of Application of Equity Method ······ P. 19
  - (iii) Significant Accounting Policies ······ P. 19
- (6) Significant Accounting Policy Change ······ P. 21
- (7) Notes to Annual Consolidated Financial Statements ······ P. 21
  - (i) Assumption for Going Concern ······ P. 21
  - (ii) Segment Information ······ P. 22
  - (iii) Earnings per Share ······ P. 22
  - (iv) Subsequent Events ······ P. 22
  - (v) Restatement of Prior Year's Consolidated Financial Statements ······ P. 22
  - (vi) Business Combinations ······ P. 24

1. Business Results
(1) Analysis of Business Results
(i) Summary

In the multi-channel broadcasting market, the number of channels through new BS digital broadcasting increased from 24 to 31 from March 1, 2012, providing Jupiter Telecommunications Co., Ltd. (“J:COM”) and other operators with increasing opportunities to develop new customer segments. At the same time, some factors such as the emergence of new operators including IPTV and Over-The-Top[1] (OTT) triggered major changes in the business environment, ushering in an era of full-fledged competition.

Under these circumstances, the J:COM Group (J:COM together with its consolidated subsidiaries or “the Company”) has positioned the fiscal year ended December 31, 2012 (January 1, 2012 to December 31, 2012) as the inaugural year for new pay-TV multi-channel broadcasting. Focused on the CATV business, J:COM concentrated on six core issues, including expanding its customer base and boosting earnings potential, enhancing the level of customer satisfaction and actively cultivating alliances.

During the fiscal year ended December 31, 2012, the Company worked diligently to address these issues by implementing a variety of initiatives, and the resulting key performance indicators in the CATV business are shown below. Effective from the fiscal year ended December 31, 2012, the Company adopted a new definition of subscribing households. As a result, key performance indicators as of December 31, 2011 (fiscal year ended December 31, 2011) also changed from previous data.

Key Performance Indicators	As of December 31, 2011 (Fiscal Year Ended December 31, 2011)	As of December 31, 2012 (Fiscal Year Ended December 31, 2012)	Year-on-Year Change
Subscribing Households			
Total Number of Subscribing Households* i	3,620,900	3,741,200	+3.3%
Total RGUs* ii	7,108,900	7,577,700	+6.6%
CATV	3,072,500	3,116,800	+1.4%
High-Speed Internet Access	1,820,000	1,980,300	+8.8%
Telephony	2,216,400	2,480,600	+11.9%
Average Monthly Churn Rate (per RGU)	0.96%	0.93%	-0.03pts
ARPU* iii	¥7,574	¥7,354	¥-220
Bundle Ratio* iv	1.96	2.03	+0.07

*i: Number of households subscribing to at least one service
*ii: Total number of revenue-generating units (RGUs) for services supplied
*iii: Average revenue per unit
*ⅳ: Average number of RGUs per subscribing household

Looking at profit and loss for the fiscal year ended December 31, 2012, revenue rose by 2.1% compared with the previous fiscal year to 376,835 million yen owing largely to an increase in the total number of subscribing households and the inclusion of ASMIK ACE ENTERTAINMENT, INC.[2] (“ASMIK”) in the Company’s scope of consolidation as a subsidiary company in March 2012. These positive factors more than offset negative ones such as revenue related to poor reception compensation[3] for analog terrestrial broadcasting being no longer recorded due to the complete

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[1] Service which distributes images to a terminal directly through broadband Internet
[2] ASMIK ACE ENTERTAINMENT, INC. took over VOD business which was spun off by Jupiter Entertainment Co. Ltd. and at the same time changed the trade name to ASMIK ACE, INC. on December 1, 2012.
[3] The J:COM Group provided retransmission services of terrestrial broadcasting to areas with poor analog reception resulting from obstacles constructed by third parties by entering into agreements with the parties regarding construction and maintenance of cable facilities. Compensation for poor analog reception was the income received by the J:COM Group based on these agreements.

changeover to digital terrestrial broadcasting on July 24, 2011 and decreased ARPU by 220 yen (2.9%) compared with the previous fiscal year. The decline of ARPU was a result of an increase in the number of households subscribing to discounted packaged services with long-term contracts, including “J:COM TV My style”.
Operating income gained by 0.5% to 71,414 million yen and net income attributable to J:COM shareholders increased by 11.7% to 41,623 million yen.

(ii) Overview of Business Results

Recognizing that changes in its external operating environment offer opportunities, the Company proactively implemented initiatives aimed at generating sustained expansion, while at the same time taking steps to reinforce its management base as a means of ensuring ongoing medium- and long-term development.

First, as a part of efforts to address the most important issue of expanding its customer base and boosting earnings potential, the Company is taking steps to develop and promote products that match the needs of customers, following the complete changeover to digital terrestrial broadcasting in July 2011. With respect to these efforts, the Company promoted increased subscription focusing mainly on packaged services, including “J:COM NET PACK”, a key component of its high-speed Internet access services that boast a broad product lineup. Moreover, J:COM revised its performance evaluation system for sales representatives as well as sales stations from February 2012. Shifting away from the previous focus on the number of RGUs acquired, greater emphasis is placed on sales and earnings benchmarks. As a result, the ratio of new subscribers to J:COM’s 160Mbps service, which contributes more to revenue, to the total number of new subscribers to high-speed Internet access services increased from 35.1% recorded for January 2012 to have hovered at 55% and above since June 2012. At the same time, the ratio of new subscribers to the J:COM’s multi-channel services (CATV services excluding “J:COM TV My style” , “J:COM TV My style NEXT” and BS retransmission services) to new subscribers to CATV services (excluding BS retransmission services) increased from 67.1% recorded for January 2012 to have generally hovered at 75% and above since May 2012.

On September 21, 2012, the Company ceased selling “J:COM TV My style” and launched “J:COM TV My style NEXT” as a new packaged service. Whereas “J:COM TV My style” provided access to thematic channel programs through video-on-demand (VOD), “J:COM TV My style NEXT” is a linear-type of multi-channel broadcasting service that delivers prescheduled programs listed in a viewing guide. Specifically, this new service offers subscribers digital terrestrial broadcasts, BS digital broadcasts and one option from the three categories (“movies and documentaries”, “dramas” and “animation and music”), each comprising five thematic channels, in combination with high-speed Internet access and/or telephony services. With “J:COM TV My style NEXT”, the Company aims to encourage subscription to services among the viewer segments that have low multi-channel subscription rates, such as young single residents and retired couples. Furthermore, the Company aims to improve the trend of decline in ARPU by setting monthly subscription fees for the new service some hundreds of yen higher on average compared to “J:COM TV My style”.

On April 2, 2012, the Company expanded the broadcast area of its new community channel, “J:COM Channel HD”, from the Kanto region to all J:COM service areas with the goals of raising awareness of the Company’s fee-based services and attracting new subscribers. “J:COM Channel HD” mainly broadcasts the Company’s original content, while also delivering programs that promote J:COM’s services and thematic channels. The Company also began high-definition (HD) digital transmission of its other community channel, “J:COM Channel”, to Sapporo and certain other areas in August 2012, and then extended HD coverage to all J:COM service areas by the end of December of the same year. “J:COM Channel” primarily features regional information, including announcements from local organizations and governments. By offering these two community channels, the Company intends to enhance the level of customer satisfaction while encouraging subscriptions to services among viewers who presently do not subscribe to fee-based services.

As a new initiative in the fiscal year under review, on October 15, 2012, the Company launched the "J:COM Omakase Support" service targeting subscribers of J:COM TV and J:COM NET in the Tokyo area. The service provides assistance with television and Internet technical difficulties, such as television wiring and connections, and setting up of computers, smartphones and tablet devices to use Internet, all for a monthly charge of 525 yen (including tax). Expert staff provide remote computer support through special telephones, and they visit households at no charge or for a discounted fee. By providing "J:COM Omakase Support", the Company aims to increase its earnings while at the same time making it easier for customers to use its services worry-free.

From December 2012, the Company began a trial service to supply electricity for condominiums in Tokyo's Suginami Ward. To offer the service, J:COM receives the electricity supply from SUMMIT ENERGY CORPORATION, a power producer and supplier, and the Company provides electricity to customers living in condominiums in J:COM's service area at lower rates than those contracted with regional power companies in the past. Based on the results of the trial in Suginami Ward, the Company plans to progressively expand the service to all J:COM service areas from 2013.

By offering new services like this electricity service for condominiums and "J:COM Omakase Support", in addition to its existing broadcasting and telecommunication services, the Company is working to expand its customer base and further strengthen its earnings potential going forward.

Secondly, the Company is pursuing measures aimed at enhancing the level of customer satisfaction. It has been striving to further expand VOD services with the aim of providing a service that is tailored to the diversifying needs of customers, whose viewing style is increasingly shifting toward enjoying programs of their choice, as and when desired. On May 22, 2012, the Company launched "Xvie", a service that lets users purchase VOD via smartphones, tablet devices and personal computers without any additional subscription agreements as long as they subscribe to J:COM TV service. "Xvie" is a "TV everywhere" service tailored to suit customers' changing viewing styles, allowing them to enjoy VOD anytime, anywhere, and on any type of device. Approximately 11,600 VOD titles can be purchased via "Xvie" as of December 31, 2012.

In another initiative to expand its VOD services, the Company began offering an all-you-can-watch VOD service, "J:COM On Demand Megapack", from June 1, 2012. "J:COM On Demand Megapack" allows J:COM TV Digital services subscribers unlimited access to a comprehensive range of programming spanning various genres including movies, Japanese and overseas dramas, animation, general entertainment, and hobby and educational programs, for a monthly rate of 980 yen (including tax). As of December 31, 2012, more than 4,800 titles were available via "J:COM On Demand Megapack". To raise customer satisfaction even further, the Company expanded its service availability of "J:COM On Demand Megapack" via "Xvie" service from November 1, 2012.

In addition, the Company has been involved in the distribution of dramas produced by TOKYO BROADCASTING SYSTEM TELEVISION, INC.("TBS") prior to terrestrial broadcasting in partnership with TBS. For the fiscal year ended December 31, 2012, it had exclusive distribution of "*Houkago wa Mystery to tomoni*" (distribution started from April 20, 2012), "*Soumatou Kabushiki Gaisha*" (distribution started from July 13, 2012) and "*Irodori Himura*" (distribution started from October 12, 2012) through VOD prior to terrestrial broadcasting.
Taken all together, the total number of titles of VOD services purchased in the fiscal year under review was 14,615,900, up 15.3% compared to the previous fiscal year.

Third, energies are being channeled toward proactively cultivating alliances. As a component of its alliance with KDDI CORPORATION (“KDDI”), the Company first initiated mutual sales of both companies’ services in the Kansai and Sapporo areas from August 2010. This was then extended to the Kanto and Sendai areas in December 2011. As a result, for the fiscal year under review, the number of RGUs acquired via KDDI rose significantly compared to the previous fiscal year, from 11,400 to 84,100. Meanwhile, the number of mobile phone lines secured by KDDI through introductions by the Company increased from 10,400 to 50,100 year on year. In addition, the Company strove to make use of “au Smart Value”, a packaged service that combines J:COM’s high-speed Internet access and telephony services with discounted au smartphone usage fees, from March 1, 2012. In this manner, the Company worked diligently to cultivate a new customer segment while promoting the use of additional services by existing subscribing households. As a result, for the fiscal year under review, the number of subscribing households triggered by “au Smart Value” totaled 74,000. Of this total, 48,800 were new subscribers.

Moreover, as a part of its efforts to further promote its business alliance with KDDI, since August 2012 the Company has started establishing public Wi-Fi access points (APs) for au smartphone users within its service areas using the Company’s high-speed Internet access. A total of approximately 5,100 APs have been set up as of December 31, 2012. Through this partnership, the Company is earning revenue from KDDI while encouraging subscription to additional services by taking advantage of this Internet access service available at commercial, public and other facilities within J:COM’s service area where the APs are located.

Fourth, the Company is placing considerable emphasis on actively pursuing M&As. In its “Medium-Term Business Plan,” the Company has positioned M&As as a key strategy for the expansion of its CATV Business and Media Business as well as achieving J:COM’s aspirations to establish lifestyle support businesses based on the concept of “J:COM Everywhere”. In the fiscal year ended December 31, 2012, J:COM acquired the shares of ASMIK in March, turning it into a consolidated subsidiary with the aim of enhancing original content production capabilities and securing programming content exclusive distribution rights. As a part of its business collaboration with ASMIK, the Company began distribution of an original drama series based on Keigo Higashino’s “*Warai*” (“Laugh”) stories, which was planned and produced by ASMIK, through the Company’s VOD on August 1, 2012. Moreover, during the fiscal year under review, ASMIK produced and released seven movies, including “*Helter Skelter*” (premiered July 14, 2012), “*The Floating Castle*” (premiered November 2, 2012), and “*The Castle of Crossed Destinies*” (premiered December 22, 2012). Among them, “*Helter Skelter*” and “*The Floating Castle*” were major hits in Japan, grossing over 2.1 billion yen and 2.7 billion yen, respectively in box-office revenues by the end of December 2012.

Fifth, the Company is endeavoring to further fortify its network to ensure the integrity and stability of its broadcasting and communications network as a public utility and valuable asset of the people. For its part, the Company is working tirelessly to enhance the robustness of its network to ensure its reliability as basic social infrastructure in the event of a large-scale natural disaster. Among a number of measures, the Company is incorporating the backbone networks between its five regional service areas nationwide into KDDI’s integrated IP core network, which uses MPLS[4] technology with the advantage of outstanding quality control. This changeover began on March 15, 2012, and the Company plans to complete the switchover to the integrated IP core network in the fiscal year ending December 31, 2014, and it expects the change to reduce related operating costs going forward.

Sixth, the Company is promoting increased business efficiency. As part of its measures aimed at generating the funds required for medium- and long-term development and growth in preparation for an operating environment in which

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[4] Abbreviation of Multi-Protocol Label Switching, a packet data switching technology that increases the speed of data forwarding and traffic management.

competition is becoming more and more intense, J:COM implemented reforms to its organizational structure on April 1, 2012 for the purpose of consolidating and streamlining the organization of its head office divisions.
In addition, as for the media business, the Company merged the VOD business of Jupiter Entertainment Co., Ltd. (“JE”), a J:COM’s consolidated subsidiary, into the operations of ASMIK on December 1, 2012, with the objective of consolidating and strengthening its business structure. Through this business integration, the Company intends to improve the J:COM Group’s content procurement capabilities and to plan and develop original content which will create synergistic effects to the J:COM group by centralizing the previously separate content procurement operations of JE and ASMIK.

Moreover, the Company opened J:COM Wonder Studio, its first concept shop, on May 22, 2012 in the East Yard at Tokyo Solamachi®, the retail center inside TOKYO SKYTREE TOWN® for the purpose of promoting its pioneering services and enhancing the strength of the J:COM brand. At J:COM Wonder Studio, the Company proposes new ways to enjoy TV using projections of the latest images from its thematic channels on four 103-inch plasma displays, which are among the biggest in Japan, and “Xvie” service demonstrations. About seven months after opening, J:COM Wonder Studio had received a total of 530,000 visitors by the end of December 2012.

In the media business, in the field of new BS digital broadcasting, which commenced in October 2011, J:COM’s consolidated subsidiary J SPORTS Corporation (“J SPORTS”), which operates thematic sports channels, built on its existing J SPORTS 1 and J SPORTS 2 channels, to complete the transfer to BS broadcasting through J SPORTS 3 (formerly J sports ESPN) and J SPORTS 4 (formerly J sports Plus) on March 1, 2012. As a result, J SPORTS is the nation’s top BS channel operator with a market-leading four channels.

In addition, Jupiter Golf Network Co., Ltd., a consolidated subsidiary that operates the dedicated golf channel Golf Network, concluded an agreement for acquiring broadcast rights starting from April 2012 with U.S.-based Golf Channel in November 2011. As a result, Golf Network has been Japan’s only dedicated golf channel since April 2012, and its program lineup has been substantially strengthened and expanded. Thus, the number of households able to view Golf Network increased from 7.26 million as of December 31, 2011 to 8.01 million as of November 30, 2012.

(iii) Profit and Loss

In the following discussion, we quantify the acquisition impact, which represents the effect by consolidating an acquired entity on our results of operations during the first twelve months following the acquisition date. We represent changes that exclude the impact of acquisitions as changes at existing consolidated subsidiaries. Included as acquisition impacts in the below discussion of cumulative consolidated business results for the year ended December 31, 2012 are YOKOHAMA CABLE VISION Inc., consolidated on October 7, 2011 and ASMIK ACE ENTERTAINMENT, INC., consolidated on March 30, 2012.

Revenue increased by ¥7,762 million, or 2.1% from ¥369,073 million for the year ended December 31, 2011 to ¥376,835 million for the year ended December 31, 2012. This increase included ¥7,730 million that was attributable to the aggregate impact of acquisitions.

Subscription fees increased by ¥5,341 million, or 1.7%, from ¥307,935 million for the year ended December 31, 2011 to ¥313,276 million for the year ended December 31, 2012. This increase included ¥2,349 million that was attributable to the aggregate impact of acquisitions. Excluding the impact of acquisitions, subscription fees at existing subsidiaries increased by ¥2,992 million, or 1.0%.

Cable television subscription fees increased by ¥2,534 million, or 1.5%, from ¥165,350 million for the year ended December 31, 2011 to ¥167,884 million for the year ended December 31, 2012. High-speed Internet access subscription fees increased by ¥3,195 million, or 3.5% from ¥90,079 million for the year ended December 31, 2011 to ¥93,274 million for the year ended December 31, 2012. Telephony subscription fees decreased by ¥388 million, or 0.7%, from ¥52,506 million for the year ended December 31, 2011 to ¥52,118 million for the year ended December 31, 2012. The increase in cable television subscription fees and high-speed Internet access subscription fees, in spite of a decrease in ARPU caused largely by an increase in subscription rate of economical long term contract plan of J:COM TV My style and Value Plan, etc., was mainly due to an increase in the number of consolidated subsidiary subscribing households. The decrease in telephony subscription fees in comparison with that of the previous year was primarily the result of a temporary increase brought by the Great East Japan Earthquake in March 2011.

Turning to existing consolidated subsidiary subscription fees for the year ended December 31, 2012 by type of service, income through subscription fees for cable television and high-speed Internet access service increased by 0.4% and 3.1%, respectively, while that for telephony service decreased by 0.8%.

Other revenue increased by ¥2,421 million, or 4.0%, from ¥61,138 million for the year ended December 31, 2011 to ¥63,559 million for the year ended December 31, 2012. The increase was mainly attributable to the aggregate impact of acquisitions of ¥5,381 million, which was partially offset by a decrease in revenue relating to poor reception compensation.

Operating and programming costs increased by ¥7,920 million, or 5.6%, from ¥140,525 million for the year ended December 31, 2011 to ¥148,445 million for the year ended December 31, 2012. This increase was mainly due to an increase in costs relating to programming and the aggregate impact of acquisitions of ¥3,903 million. Selling, general and administrative expenses increased by ¥3,472 million, or 4.8%, from ¥72,150 million for the year ended December 31, 2011 to ¥75,622 million for the year ended December 31, 2012. This was mainly due to an increase in personnel and the aggregate impact of acquisitions of ¥2,600 million. Depreciation and amortization expenses decreased by ¥3,969 million, or 4.7%, from ¥85,323 million for the year ended December 31, 2011 to ¥81,354 million for the year ended December 31, 2012. The decrease was largely due to certain fully depreciated assets before December 31, 2012.

Operating income, as a result of the above items, increased by ¥339 million, or 0.5% from ¥71,075 million for the year ended December 31, 2011 to ¥71,414 million for the year ended December 31, 2012.

Income before noncontrolling interests and income taxes increased by ¥1,591 million, or 2.3% from ¥68,532 million for the year ended December 31, 2011 to ¥70,123 million for the year ended December 31, 2012.
Net income attributable to J:COM shareholders increased by ¥4,345 million, or 11.7%, from ¥37,278 million for the year ended December 31, 2011 to ¥41,623 million for the year ended December 31, 2012. This was due to a decrease in income taxes expense by lapse of the statute of limitations on unrecognized tax benefits and etc.

(iv) Outlook for the Coming Fiscal Year

Amid little prospect of any substantial growth in the number of fee-based multi-channel broadcasting service subscribing households in Japan, competition is projected to intensify during the December 2013 term due to competition from satellite broadcasting, Internet protocol television (IPTV), and over-the-top (OTT) operators.

Under these circumstances, the J:COM Group has positioned the 12-month period ending December 31, 2013 as a year for taking on challenges to increase earnings. At the same time, the Group recognizes the critical need to implement ambitious cost restructuring and to retain the loyalty of its existing customers. With this in mind, the J:COM Group will promote a variety of services together with sales and marketing initiatives while further advancing the cost restructuring measures launched during the December 2012 term.

Meanwhile J:COM's principal shareholders including Sumitomo Corporation and KDDI intend to acquire all of the Company's issued common shares and stock acquisition rights. To this end, plans are in place to conduct a tender offer ("Tender Offer") by the beginning of February 2013 and thereafter to complete prescribed procedures. In the event that the Tender Offer and ensuing prescribed procedures are completed, J:COM's common shares shall be subject to the JASDAQ Market's delisting standards.

Currently, the timing for changes in the Company's shareholder composition resulting from the Tender Offer and ensuing prescribed procedures as well as the timing for the integration of Japan Cablenet Limited ("JCN"), the second-ranked Multiple System Operator ("MSO") in Japan's cable television industry and a consolidated subsidiary of KDDI after J:COM's delisting remain unclear. Taking the aforementioned into consideration, including difficulties in accurately forecasting the effects of each event, J:COM has decided to refrain from disclosing consolidated results and dividend forecasts for the December 2013 term.

(2) Financial Position

(i) Assets, Liabilities and Shareholders' Equity

Total assets decreased by ¥343 million, from ¥812,373 million as of December 31, 2011 to ¥812,030 million as of December 31, 2012. This was due to a decrease in net book value of property and equipment, and identifiable intangible assets by depreciation, which was partially offset by an increase in cash and cash equivalents.

Total liabilities decreased by ¥25,638 million, from ¥355,057 million as of December 31, 2011 to ¥329,419 million as of December 31, 2012. This was primarily due to a decrease in long-term debt, capital lease obligations and deferred revenue.

Total J:COM shareholders' equity increased by ¥22,883 million from ¥431,664 million as of December 31, 2011 to ¥454,547 million as of December 31, 2012. The increase was due to the upswing by net income attributable to J:COM shareholders for the year ended December 31, 2012, which was partially offset by dividends paid to shareholders and purchases of treasury stock.

Total J:COM shareholders' equity as of December 31, 2011 were restated. Please refer to (v) Restatements of Prior Year's Consolidated Financial Statements on page 22.

(ii) Cash Flows

For the year ended December 31, 2012, the net cash was provided by operating activities of ¥123,959 million, used in investing activities of ¥53,417 million and financing activities of ¥49,568 million, respectively. Resulting from the aforementioned activities, cash and cash equivalents increased by ¥20,974 million from ¥89,879 million as of December 31, 2011 to ¥110,853 million as of December 31, 2012.

Cash Provided by Operating Activities

Net cash provided by operating activities increased by ¥617 million, from ¥123,342 million for the year ended December 31, 2011 to ¥123,959 million for the year ended December 31, 2012. The increase was attributable to decrease in income taxes payment, which was partially offset by a decrease in depreciation and amortization, deferred revenue and other liabilities.

Cash Used in Investing Activities

Net cash used in investing activities decreased by ¥4,892 million, from ¥58,309 million for the year ended December 31, 2011 to ¥53,417 million for the year ended December 31, 2012. This was mainly due to a decrease in acquisitions of new subsidiaries, net of cash acquired.

Cash Used in Financing Activities

Net cash used in financing activities decreased by ¥3,798 million, from ¥53,366 million for the year ended December 31, 2011 to ¥49,568 million for the year ended December 31, 2012. This was mainly due to an increase in long-term debt and a decrease in principal payments of long-term debt and capital lease obligations, which was partially offset by an increase in purchases of treasury stock and dividends paid to shareholders.

(3) Fundamental Policy Regarding the Distribution of Profits

J:COM recognizes that the distribution of profits to shareholders is an important management issue. In this context, the Company will endeavor to consistently supplement the J:COM Group's internal reserves in order to undertake the necessary investment for future growth and to bolster its financial standing. Moreover, J:COM will take into consideration trends in cash on hand and deposits as well as free cash flow together with consolidated results and the dividend payout ratio to utilize surplus funds for the purpose of maintaining stable and continuous returns to shareholders.

Based on this recognition and policy, J:COM plans to raise its annual cash dividend of ¥1,800 per share paid in the year ended December 2011 to ¥2,500 per share (interim cash dividend of ¥1,250 per share and a year-end cash dividend of ¥1,250 per share) in the year ended December 2012. In line with its decision regarding business results forecasts for the December 2013 term, J:COM will refrain from commenting on cash dividend projections for the year ending December 2013 at this time.

(4) Risk Management

The J:COM Group has implemented organizational and structural risk management measures. However, should risks emerge, the possibility exists that they could significantly affect the J:COM Group's business results, financial position or cash flows.

As of December 31, 2012, risks to the J:COM Group (some of which are outside of the control of the J:COM Group) were as follows:

- Risks associated with the J:COM Group's businesses
  - – Losing opportunities to gain new subscribers
  - – Network obsolescence and inability to make additional investment for network expansion
  - – Decrease in opportunities to expand operations through acquisition of other businesses
  - – Financial risks

– Non-compliance with certain regulations (for instance, claims for damages resulting from unauthorized release of personal information)

- Risks associated with business relationships

– The cessation of transactions, etc., in the J:COM Group's relationships with programming suppliers, network infrastructure providers, suppliers of service reception and transmission equipment (digital set-top boxes, etc.), and other CATV and satellite service provider

- Risks associated with relationships with shareholders

– Share purchase demand by minority shareholders

- Risks associated with markets

– Intensifying competition with other firms in the same line of business as the J:COM Group, and adverse trends in markets

- Legal and regulatory risks

– Stricter government regulations, revisions to laws, etc.

- Risks associated with natural and man-made disasters

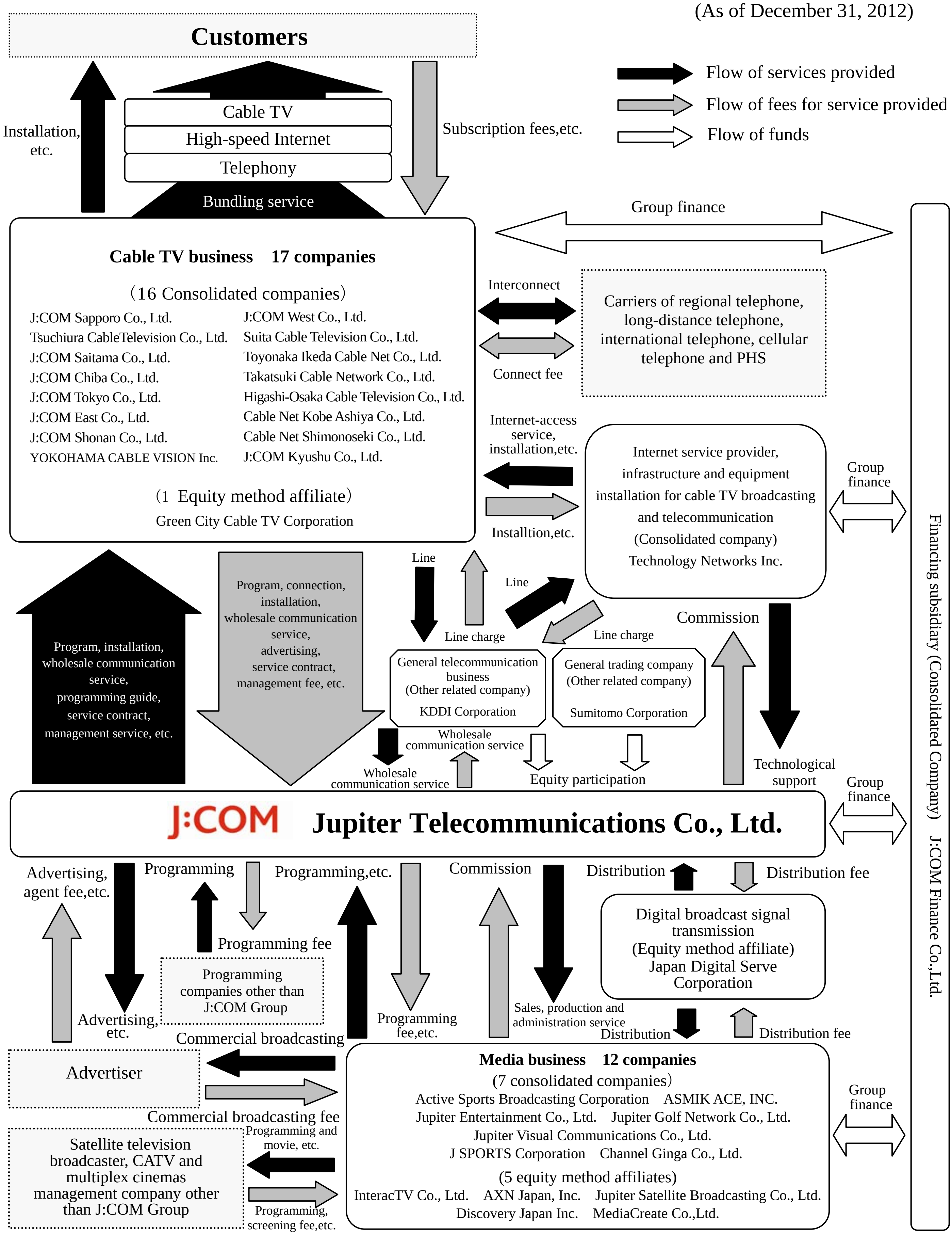
– Outage of the J:COM Group's transmission facilities due to natural and man-made disasters, etc.

For more detailed information on the foregoing, please refer to the J:COM annual securities report scheduled to be submitted in March 2013.

2. Status of the Jupiter Telecommunications Co., Ltd. (J:COM) Group

Status of the Company and the Company's affiliated companies are as follows:

(As of December 31, 2012)



・Besides the above, we own Open Wireless Platform LLC as equity method affiliate.
・Services and bundling services offered by some of the consolidated companies and the equity method affiliates are different from the services provided under J:COM brand.

3. Management Policy

(1) Fundamental Management Policy

The basic management philosophy of the J:COM Group defines the Company's mission as enhancing the sense of affluence felt by its customers in their daily lives by meeting their needs through state-of-the-art visual, audio, and high-speed Internet access services based on advanced technology.

To realize its management philosophy, the J:COM Group provides three services as a comprehensive one-stop provider: (1) cable television (J:COM TV), (2) high-speed Internet access (J:COM NET) and (3) telephony services (J:COM PHONE). These services are provided through the J:COM Group's managed cable television subsidiaries that utilize the J:COM broadband network. Through such services, the J:COM Group endeavors each day to build close, trusting relationships with customers and local communities, while working to become the kind of company that can return the benefits of its achievements to local communities and shareholders.

In addition, and as Japan’s largest multiple content provider, J:COM has invested in and operates 17 thematic channels. Leveraging its position as a leading company in the broadcasting and telecommunications industry, J:COM is reenergizing the multi-channel pay TV market overall by enhancing program quality. Through these means, the J:COM Group is working diligently to increase its corporate value.

(2) Target Management Indices

The J:COM Group's services primarily target individual subscribers, and its greatest strength is one-stop shopping for bundled services at reasonable prices. Revenue, subscribers, bundle ratio, average revenue per unit (ARPU), and churn rates are important management indicators for evaluating success.

In terms of profitability, the Company believes that EBITDA and operating income as well as EBITDA and operating income margins are important management indices.

(3) Medium- and Long-Term Management Strategies, and Issues Requiring Action

The J:COM Group’s cable television and media businesses are confronted with major changes in the operating environment. These include increasingly diverse customer needs with respect to broadcasting and telecommunications, as well as the appearance of new business operators who, along with established broadcasters, are offering Internet protocol television (IPTV), over-the-top (OTT) and other services.

With a view to succeeding in this competitive environment and further expanding business over the medium to long term, J:COM is carrying out a number of tasks according to its basic policies of taking on new challenges to increase earnings and implementing ambitious cost restructuring measures.

In J:COM’s cable television business, the growth of households subscribing to fee-based multi-channel broadcasting services in Japan is tapering off, and competition to attract subscribing households is intensifying. Under these circumstances, among its new challenges to increase earnings, J:COM regards retaining its existing customers as being the most important.

Toward this end, and in addition to its existing three services, which are multi-channel broadcasting, high-speed Internet access and telephony services, J:COM will take up the challenge of developing and delivering a wide array of new services that help make customers' lives more convenient and comfortable. Positioning high-speed Internet access as a key component, the Company is looking to provide a variety of packaged services that make use of such products as "au Smart Value" and "J:COM TV My style NEXT," both introduced in 2012. Together with efforts to promote the use of "Xvie" service which allows VOD services to be enjoyed via portable devices, including smartphones and tablet terminals, in combination with "J:COM On Demand Megapack, an all-you-can-watch video-on-demand (VOD) service, J:COM aims to advance an electricity supply service for condominiums and J:COM Life Navigation, a lifestyle support service (J:COM Everywhere) as new businesses that will generate its next sources of earnings.

Moreover, after a relatively long period of development, J:COM's next-generation set-top boxes will be released to the market this year. These next-generation products are multi-functional, high-performance devices that run the Android operating system. With their release, J:COM expects to dramatically increase the level of satisfaction and convenience of its customers.

The J:COM Group is positioning these measures as proactive business strategies. Meanwhile, as defensive business strategies, the Group is expanding its sales staff system across the country. This system specializes in handling households already subscribing to J:COM services, putting sales staff in charge of designated areas. Likewise, the Group is making a full-scale launch of J:COM Omakase Support, through which it solves various problems involved in setting up television and Internet connections.

4. Consolidated Annual Financial Statements

JUPITER TELECOMMUNICATIONS CO., LTD.

AND SUBSIDIARIES

(1) CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

(YEN IN MILLIONS, EXCEPT SHARE AND PER SHARE AMOUNTS)

Account	Year ended December 31, 2011	**Year ended December 31, 2012**	Change	
	Amount	**Amount**	Amount	(%)
Revenue:				
Subscription fees	307,935	313,276	5,341	1.7
Others	61,138	63,559	2,421	4.0
	369,073	376,835	7,762	2.1
Operating costs and expenses:				
Operating and programming costs	(140,525)	(148,445)	(7,920)	(5.6)
Selling, general and administrative expenses	(72,150)	(75,622)	(3,472)	(4.8)
Depreciation and amortization	(85,323)	(81,354)	3,969	4.7
	(297,998)	(305,421)	(7,423)	(2.5)
Operating income	71,075	71,414	339	0.5
Other income (expenses):				
Interest expense, net:				
Related parties	(1,424)	(1,135)	289	20.3
Others	(2,854)	(2,396)	458	16.1
Equity in earnings of affiliates	1,473	1,048	(425)	(28.9)
Other, net	262	1,192	930	354.2
Income before noncontrolling interests and income taxes	68,532	70,123	1,591	2.3
Income taxes expense	(28,358)	(25,681)	2,677	9.4
Net income	40,174	44,442	4,268	10.6
Net income attributable to noncontrolling interests	(2,896)	(2,819)	77	2.7
Net income attributable to J:COM shareholders	37,278	41,623	4,345	11.7
Net Income attributable to J:COM shareholders per share:				
Basic	¥5,383.59	¥6,052.36	¥668.77	12.4
Diluted	¥5,381.49	¥6,050.64	¥669.15	12.4
Weighted average number of common stock outstanding:				
Basic	6,924,297	6,877,162	(47,135)	(0.7)
Diluted	6,927,003	6,879,121	(47,882)	(0.7)
Net income	40,174	44,442	4,268	10.6
Other comprehensive income/(loss),net of taxes				
Unrealized gain/(loss) on cash flow hedge	(179)	602	781	—
Foreign currency translation adjustments	—	53	53	—
Reclassification adjustments for gain/(loss) on cash flow hedge included in net income	499	372	(127)	(25.4)
Other comprehensive income/(loss), net of taxes	320	1,027	707	221.0
Comprehensive income	40,494	45,469	4,975	12.3
Comprehensive income attributable to noncontrolling interests	(2,889)	(2,895)	(6)	(0.2)
Comprehensive income attributable to J:COM shareholders	37,605	42,574	4,969	13.2

(Note) Percentages are calculated based on amounts before rounded in Change column.

JUPITER TELECOMMUNICATIONS CO., LTD.
AND SUBSIDIARIES
(2) CONSOLIDATED BALANCE SHEETS

(YEN IN MILLIONS)

Account	December 31, 2011	**December 31, 2012**	Change
	Amount	**Amount**	Amount
Current assets:			
Cash and cash equivalents	89,879	110,853	20,974
Accounts receivable	18,270	16,149	(2,121)
Allowance for doubtful accounts	(480)	(473)	7
Deferred tax assets – current	7,941	6,902	(1,039)
Prepaid expenses and other current assets	8,070	7,537	(533)
Total current assets	123,680	140,968	17,288
Investments:			
Investments in affiliates	10,381	10,095	(286)
Investments in other securities, at cost	2,150	2,060	(90)
Total investments	12,531	12,155	(376)
Property and equipment, at cost:			
Land	4,158	4,185	27
Distribution system and equipment	733,669	732,660	(1,009)
Support equipment and buildings	69,477	73,119	3,642
	807,304	809,964	2,660
Less accumulated depreciation	(445,113)	(462,913)	(17,800)
Total property and equipment	362,191	347,051	(15,140)
Other assets:			
Goodwill	253,079	253,079	—
Identifiable intangible assets, net	38,413	33,621	(4,792)
Deferred tax assets – non current	5,436	6,678	1,242
Others	17,043	18,478	1,435
Total other assets	313,971	311,856	(2,115)
Total assets	812,373	812,030	(343)

(YEN IN MILLIONS)

Account	December 31, 2011	**December 31, 2012**	Change
	Amount	**Amount**	Amount
Current liabilities:			
Short-term loans	5,521	5,061	(460)
Long-term debt – current portion	10,681	69,847	59,166
Capital lease obligations – current portion:			
Related parties	15,960	13,625	(2,335)
Others	1,184	878	(306)
Accounts payable	28,324	27,407	(917)
Income taxes payable	9,853	16,298	6,445
Deposit from related parties	268	268	—
Deferred revenue – current portion	8,108	7,865	(243)
Accrued expenses and other liabilities	11,068	11,117	49
Total current liabilities	90,967	152,366	61,399
Long-term debt, less current portion	118,302	48,262	(70,040)
Corporate bond, less current portion	10,000	10,000	—
Capital lease obligations, less current portion:			
Related parties	33,590	25,974	(7,616)
Others	4,259	3,677	(582)
Deferred revenue	58,996	52,665	(6,331)
Deferred tax liabilities – non current	11,615	10,845	(770)
Other liabilities	27,328	25,630	(1,698)
Total liabilities	355,057	329,419	(25,638)
Shareholders' equity:			
Common stock no par value	117,550	117,550	—
Additional paid-in capital	226,293	226,377	84
Retained earnings	90,782	117,592	26,810
Accumulated other comprehensive income/(loss)	(833)	118	951
Treasury stock, at cost	(2,128)	(7,090)	(4,962)
Total J:COM shareholders' equity	431,664	454,547	22,883
Noncontrolling interests in subsidiaries	25,652	28,064	2,412
Total shareholders' equity	457,316	482,611	25,295
Total liabilities and shareholders' equity	812,373	812,030	(343)

(Note) Retained earnings, Total J:COM shareholders' equity and Noncontrolling interests in subsidiaries as of December 31, 2011 were restated. Please refer to (v) Restatements of Prior Year's Consolidated Financial Statements on page 22.

JUPITER TELECOMMUNICATIONS CO., LTD.

AND SUBSIDIARIES

(3) CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(YEN IN MILLIONS)

	Common stock no par value	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income/(loss)	Treasury stock, at cost	Total J:COM shareholders' equity	Noncontrolling interests in subsidiaries	Total shareholders' equity
Balance as of January 1, 2011	117,550	226,017	65,967	(1,160)	(2,266)	406,108	20,302	426,410
Net income			37,278			37,278	2,896	40,174
Other comprehensive income/(loss), net of taxes:				327		327	(7)	320
Cash dividends paid to noncontrolling interests							(112)	(112)
Stock-based compensation		47				47		47
Acquisition of news subsidiaries							3,259	3,259
Purchase of subsidiary shares from noncontrolling interests		361				361	(686)	(325)
Cash dividends paid to shareholders			(12,463)			(12,463)		(12,463)
Reissuance of treasury stock		(132)			138	6		6
Balance as of December 31, 2011	117,550	226,293	90,782	(833)	(2,128)	431,664	25,652	457,316
Net income			41,623			41,623	2,819	44,442
Other comprehensive income/(loss), net of taxes:				951		951	76	1,027
Cash dividends paid to noncontrolling interests							(166)	(166)
Stock-based compensation		50				50		50
Acquisition of new subsidiaries								
Purchase of subsidiary shares from noncontrolling interests		61				61	(317)	(256)
Cash dividends paid to shareholders			(14,813)			(14,813)		(14,813)
Reissuance of treasury stock		(27)			(4,962)	(4,989)		(4,989)
Balance as of December 31, 2012	117,550	226,377	117,592	118	(7,090)	454,547	28,064	482,611

(Note) Retained earnings, Total J:COM shareholders' equity and Noncontrolling interests in subsidiaries as of December 31, 2011 were restated. Please refer to (v) Restatements of Prior Year's Consolidated Financial Statements on page 22.

JUPITER TELECOMMUNICATIONS CO., LTD.
AND SUBSIDIARIES
(4) CONSOLIDATED STATEMENTS OF CASH FLOWS

(YEN IN MILLIONS)

Classification	Year ended December 31, 2011 Amount	**Year ended December 31, 2012 Amount**
Cash flows from operating activities:		
Net income	40,174	44,442
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	85,323	81,354
Equity in earnings of affiliates	(1,473)	(1,048)
Dividends from affiliates	1,203	873
Stock-based compensation expenses	47	50
Deferred income taxes expense/(benefit)	639	(1,489)
Changes in operating assets and liabilities, excluding effects of business combinations:		
Decrease/(increase) in accounts receivable, net	4,359	4,089
Decrease/(increase) in prepaid expenses and other assets	(879)	1,985
Increase/(decrease) in accounts payable	2,305	(3,000)
Increase/(decrease) in income taxes payable	(6,629)	6,434
Increase/(decrease) in accrued expenses and other liabilities	1,917	(2,238)
Increase/(decrease) in deferred revenue	(3,644)	(6,576)
Others	—	(917)
Net cash provided by operating activities	123,342	123,959
Cash flows from investing activities:		
Capital expenditures	(55,082)	(54,654)
Acquisitions of new subsidiaries, net of cash acquired	(3,327)	564
Other investing activities	100	673
Net cash used in investing activities	(58,309)	(53,417)
Cash flows from financing activities:		
Purchases of treasury stock	—	(5,000)
Acquisition of noncontrolling interests in consolidated subsidiaries	(325)	(284)
Net increase/(decrease) in short-term loans	(990)	(810)
Proceeds from long-term debt	—	5,000
Principal payments of long-term debt	(19,700)	(15,875)
Principal payments of capital lease obligations	(20,875)	(18,374)
Cash dividends paid to shareholders	(12,463)	(14,813)
Other financing activities	987	588
Net cash used in financing activities	(53,366)	(49,568)
Net increase/(decrease) in cash and cash equivalents	11,667	20,974
Cash and cash equivalents at beginning of year	78,212	89,879
Cash and cash equivalents at end of year	89,879	110,853

(5) Summary of Significant Accounting Policies

(i) Scope of Consolidation

a. Number of consolidated subsidiaries: 25

b. The names of the Company's consolidated subsidiaries are shown in "2. Status of the Jupiter Telecommunications Co., Ltd. (J:COM) Group".

(ii) Scope of Application of Equity Method

a. Number of equity method affiliates: 8

b. The names of these equity method affiliates are shown in "2. Status of the Jupiter Telecommunications Co., Ltd. (J:COM) Group".

(iii) Significant Accounting Policies

a. Accounting standards used to prepare financial statements

Jupiter Telecommunication Co.,Ltd.("J:COM") and its consolidated subsidiaries("the Company") prepares its annual consolidated financial statements using terminology, forms and methods of preparation required under accounting principles generally accepted in the United States of America.

b. Securities valuation standards and valuation method

To value its investments, the Company applies Accounting Standards Codification (ASC) Topic 323, *Investments – Equity method and Joint Ventures* and ASC Topic 325, *Investments –other*.

Investments in affiliates (excluding loans):	Equity method
Investments in other securities:	Cost method

When investments in affiliates or other securities appear to decline in value, the Company considers the possibility of recognizing an impairment loss based on an other-than-temporary assessment.

c. Valuation standards and valuation methods for derivatives

The Company accounts for derivatives based on ASC Topic 815, *Derivatives and Hedging*. ASC Topic 815 states all derivatives are fair valued and recognized on the balance sheet as assets or liabilities.

- Derivative instrument designated and effectively active as a fair value hedge:
  Changes in the fair value of derivative instruments and of the assets or liabilities being hedged are recognized as periodic income/(loss).
- Derivative instrument designated as cash flow hedge—regarding the portion effectively active as a hedge:
  Until income/(loss) on the assets or liabilities being hedged are recognized on the statement of income and comprehensive income, they must be recognized as other comprehensive income/(loss).
- Derivative instrument designated as cash flow hedge—regarding the portion that is not effectively active as hedge:
  Recognized as periodic income/(loss).
- Derivative instruments not designated as hedge:
  Changes in fair value recognized as periodic income/(loss).

d. Accounting for long-lived assets

For long-term assets other than goodwill, the Company evaluates the need for impairment losses on the guidance in ASC Topic 360, *Property, Plant, and Equipment*, whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

e. Depreciation method for tangible fixed assets

The straight-line method is applied and the useful lives by major asset categories are:

Distribution system and equipment:	6 - 17 years
Buildings and structures:	5 - 40 years
Support equipment:	5 - 15 years

(Assets acquired through capital leases are depreciated over periods ranging from 2-20 years.)

f. Valuation standards and valuation methods for goodwill

The Company recognizes as goodwill the difference between the acquisition cost of consolidated subsidiaries and the estimated net asset fair value of the applicable companies. In accordance with ASC Topic 350, *Intangibles – Goodwill and other*, the Company conducts an impairment annually test or whenever an event occurs that suggests the possibility of impairment.

g. Accounting methods of Asset Retirement Obligations

The Company applies ASC Topic 410, *Asset Retirement and Environmental Obligations*. This interpretation requires us to recognize a liability for the fair value of a conditional asset retirement obligation if the fair value of the liability can be reasonably estimated.

h. Standards for recognition of important allowances

Allowance for doubtful accounts

The Company calculates allowance for doubtful accounts on the basis of our best estimate of probable losses on accounts receivable considering historical experience and other known factors.

i. Amortization of identifiable intangible assets

The Company accounts for identifiable Intangible assets in accordance with ASC Topic 350, *Intangibles-Goodwill and Other Intangible assets*. Identifiable intangible assets include customer relationships, channel franchises and trademark which were originally recorded in connection with business combinations. Customer relationships, channel franchises and trademark are amortized over their respective estimated useful lives of 10, 17 and 10 years.

j. Income Taxes

The Company accounts for income taxes under the asset and liability method in accordance with ASC Topic 740, *Income Taxes*. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income/(loss) in the period that includes the enactment date.

k. Revenue Recognition

The Company recognizes revenues for cable television, high-speed Internet access and telephony when such services are provided to subscribers in accordance with ASC Topic 605, *Revenue recognitions*. Revenues derived from other sources are recognized when services are provided, events occur or products are delivered. The Company accounts for revenues of installation and operation on cable television system in accordance with ASC Topic 922, *Entertainment- Cable Television.* Initial subscriber installation revenues are recognized in the period in which the related services are provided to the extent of direct selling costs. Any remaining amount is deferred and recognized over the estimated average period that the subscribers are expected to remain connected to the cable television system. Historically, installation revenues have been less than related direct selling costs, therefore such revenues have been recognized as installations are completed.

The Company provides poor reception rebroadcasting services to noncable television viewers suffering from poor reception of television waves caused by artificial obstacles. The Company enters into agreements with parties that have built obstacles causing poor reception for construction and maintenance of cable facilities to provide such services to the affected viewers at no cost to them during the agreement period. Under these agreements, the Company receives up-front, lump-sum compensation payments for construction and maintenance. Revenues from these agreements have been deferred and are being recognized in income on a straight-line basis over periods that are consistent with the durations of the underlying agreements (maximum 20 years). Such revenues are included in revenue - others in the accompanying consolidated statements of income and comprehensive income.

The Company's channel operators distribute programs to individual satellite subscribers through an agreement with the satellite service provider. Individual satellite subscribers pay a monthly fee for channel operators under the terms of rolling one-month subscription contracts. Cable television operators and IPTV service providers generally pay a per-subscriber fee for the right to distribute the Company's programs on their systems under the terms of generally annual distribution contracts. Revenue for such services including subscription revenues is recognized in the periods in which the services are provided to cable television operators, the satellite service provider and IPTV service providers.

(6) Significant Accounting Policy Change

In June 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2011-05, *Comprehensive Income (ASC Topic 220)*: *Presentation of Comprehensive Income*. ASU2011-05 eliminates the option to present components of other comprehensive income as part of the statement of changes in stockholders' equity and requires an entity to report comprehensive income either in a single continuous financial statement or in two separate but consecutive financial statements. The Company adopted ASU2011-05 in the first quarter of 2012. ASU2011-05 being a disclosure regulation, such adoption did not have an impact on the Company's financial position and results of operations.

Also, it requires to present on the face of the financial statements the effects of reclassifications out of accumulated other comprehensive income on the components of net income and other comprehensive income. In December 2011, the FASB issued ASU2011-12, *Comprehensive Income (ASC Topic 220)*: *Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in ASU2011-05*. By adopting ASU2011-12 in the first quarter of 2012, the Company did not present on this regulation.

(7) Notes to Annual Consolidated Financial Statements

(i) Assumption for Going Concern

None

(ii) Segment Information

The Company's media business is considered a separate operating segment, however, due to the insignificant size of this operation as of December 31, 2012, management has determined that the Company has one reportable segment, cable television business.

(iii) Earnings per Share

	2011	2012
Net income attributable to J:COM shareholders (Yen in Millions)	¥37,278	¥41,623
Weighted average number of common stock outstanding:		
Basic	6,924,297	6,877,162
Effect of dilutive common stock equivalents	2,706	1,959
Diluted	6,927,003	6,879,121
Earnings per share (Yen):		
Basic	¥5,383.59	¥6,052.36
Diluted	¥5,381.49	¥6,050.64

(iv) Subsequent Events

None

(v) Restatements of Prior Year's Consolidated Financial Statements

The Company recorded a portion of Net income attributable to noncontrolling interests as Net income attributable to J:COM shareholders up to 2008. In accordance with ASC Topic 250, *Accounting Changes and Error Corrections*, consolidated financial statements as of December 31, 2011 were restated during the third quarter of 2012.

These restatements resulted in changes to Retained earnings, Total J:COM shareholders' equity, Noncontrolling interests in subsidiaries and J:COM shareholders' equity per share. Consequently, Retained earnings and Total J:COM shareholders' equity decreased by ¥4,043 million and Noncontrolling interests in subsidiaries increased by ￥4,043 million as of January 1, 2011.

These restatements did not have a material impact on the prior year's consolidated financial statements.

The impacts of restatements on consolidated balance sheet and consolidated statement of shareholders' equity as of December 31, 2011 were as follows:

Consolidated Balance Sheet

(YEN IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

	As of December 31, 2011		
	Before restatement	Adjustments	After restatement
Shareholders' equity:			
Common stock no par value	117,550	—	117,550
Additional paid-in capital	226,293	—	226,293
Retained earnings	94,825	(4,043)	90,782
Accumulated other comprehensive income/(loss)	(833)	—	(833)
Treasury stock, at cost	(2,128)	—	(2,128)
Total J:COM shareholders' equity	435,707	(4,043)	431,664
Noncontrolling interests in subsidiaries	21,609	4,043	25,652
Total shareholders' equity	457,316	—	457,316
Per share information:			
J:COM shareholders' equity per share	¥62,916.36	¥(583.81)	¥62,332.55

Consolidated Statement of Shareholders' Equity

(YEN IN MILLIONS)

	As of December 31, 2011		
	Before restatement	Adjustments	After restatement
Retained earnings			
Balance as of January 1, 2011	70,010	(4,043)	65,967
Net income	37,278	—	37,278
Cash dividends paid to shareholders	(12,463)	—	(12,463)
Balance as of December 31, 2011	94,825	(4,043)	90,782
Noncontrolling interests in subsidiaries			
Balance as of January 1, 2011	16,259	4,043	20,302
Net income	2,896	—	2,896
Other comprehensive income/(loss), net of taxes:	(7)	—	(7)
Cash dividends paid to noncontrolling interests	(112)	—	(112)
Acquisition of new subsidiaries	3,259	—	3,259
Purchase of subsidiary shares from noncontrolling interests	(686)	—	(686)
Balance as of December 31, 2011	21,609	4,043	25,652

The restatement had no impact on the consolidated statement of income and the statement of cash flows for the year ended December 31, 2011.

(vi) Business Combinations

In accordance with ASC Topic 805, *Business Combinations,* if the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the measurement of the amounts recognized as of that date. The measurement period shall not exceed one year from the acquisition date.

Based on additional information obtained about YOKOHAMA CALBE VISION Inc., which became consolidated subsidiary in October 2011, the Company adjusted the provisional amounts recognized in the consolidated balance sheets as of December 31, 2011. Also, the Company adjusted the provisional amounts recognized in the consolidated quarterly financial statements as of March 31, 2012 based on additional information obtained about ASMIK ACE ENTERTAINMENT, INC. , which became consolidated subsidiary in March, 2012. Neither case was material.