J:COM

(Translation from Japanese disclosure to JASDAQ)

January 25, 2012
**[U.S. GAAP]**

# Consolidated Annual Financial Results Release

For the Year Ended December 31, 2011

# 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 28, 2012
Expected date of filing of annual report: March 28, 2012 Expected date of dividend payment: March 29, 2012
Supplementary material for annual financial results: Yes
Briefing meeting for annual financial results: Yes (for institutional investors, analysts and journalists)

(Fractional amounts rounded)

## 1. Consolidated operating results (From January 1, 2011 to December 31, 2011)

### (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, 2011 | 369,073 | 2.5 | 71,075 | 6.5 | 68,532 | 8.5 | 37,278 | (1.1) |
| December 31, 2010 | 360,112 | 7.9 | 66,755 | 9.2 | 63,167 | 9.2 | 37,690 | 23.8 |

*(Note)*
*Comprehensive income:*
*For the year ended December 31, 2011: 40,494 million yen (1.1)% For the year ended December 31, 2010: 40,944 million yen 23.4%*

| (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, 2011 | 5,383.59 | 5,381.49 | 8.8 | 8.4 | 18.6 |
| December 31, 2010 | 5,456.41 | 5,450.89 | 9.6 | 7.8 | 17.5 |

*(Notes)*
*1. Equity in earnings of affiliates:*
*For the year ended December 31, 2011: 1,473 million yen For the year ended December 31, 2010: 1,032 million yen*
*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.*

### (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, 2011 | 812,303 | 457,316 | 435,707 | 53.6 | 62,916.36 |
| December 31, 2010 | 816,763 | 426,410 | 410,151 | 50.2 | 59,238.63 |

## (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, 2011 | 123,342 | (58,309) | (53,366) | 89,879 |
| December 31, 2010 | 124,376 | (57,048) | (53,542) | 78,212 |

## 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, 2010 | — | 600.00 | — | 900.00 | 1,500.00 | 10,383 | 27.5 | 2.6 |
| December 31, 2011 | — | 900.00 | — | 900.00 | 1,800.00 | 12,464 | 33.4 | 2.9 |
| December 31, 2012 (Forecasts) | — | 1,250.00 | — | 1,250.00 | 2,500.00 | | 44.1 | |

## 3. Consolidated forecasts for December 2012 term **(from January 1, 2012 to December 31, 2012)**

| | Revenue | | Operating income | | Income before noncontrolling interests and income taxes | | Net income attributable to J:COM shareholders | | Net income attributable to J:COM shareholders per share |
|---|---|---|---|---|---|---|---|---|---|
| | (Millions of yen) | (%) | (Millions of yen) | (%) | (Millions of yen) | (%) | (Millions of yen) | (%) | (Yen) |
| Annual | 378,000 | 2.4 | 73,500 | 3.4 | 71,000 | 3.6 | 39,000 | 4.6 | 5,662.51 |

*(Notes) 1. 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.*

2 *Not conduct Consolidated earnings forecast for the six months ending June 30, 2012.*

## 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 : None

(ii) Change in accounting policies other than above : Yes

*(Note) Please refer to (6)Significant accounting policy change of the consolidated financial statements on page18.*

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### (3) Outstanding shares

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

| | |
|---|---|
| As of December 31, 2011: 6,947,813 shares | As of December 31, 2010: 6,947,813 shares |

(ii) Number of treasury stock:

| | |
|---|---|
| As of December 31, 2011: 22,640 shares | As of December 31, 2010: 24,102 shares |

*(Note) Regarding number of shares basis of per share data, please refer to 3.Earning per share on page19.*

**(Ref) Parent Company Only [JAPANESE GAAP]**

## 1. Operating results (From January 1, 2011 to December 31, 2011)

### (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, 2011 | 160,354 | 1.9 | 16,859 | 7.9 | 20,530 | 40.8 | 17,912 | 98.1 |
| December 31, 2010 | 157,358 | 20.4 | 15,621 | 25.3 | 14,583 | 16.0 | 9,042 | 7.0 |

| ( For the year ended ) | Net income per share | Net income per share (Diluted) |
|---|---|---|
| | (Yen) | (Yen) |
| December 31, 2011 | 2,586.78 | 2,585.77 |
| December 31, 2010 | 1,309.01 | 1,307.69 |

*(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, 2011 | 430,793 | 266,589 | 61.9 | 38,478.77 |
| December 31, 2010 | 443,784 | 260,717 | 58.7 | 37,631.08 |

*(Note) Stockholders' equity: As of December 31, 2011: 266,472 million yen As of December 31, 2010: 260,547 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)

1 .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.

2 .The Company made the resolution at a board of directors meeting on January 25, 2012 on matters pertaining to a share repurchase. Net income attributable to J:COM shareholders per share for the consolidated forecasts is computed based on the share repurchase. Regarding detail of the share repurchase, please refer to 4.Subsequent events on page 19.

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# I. Business Results

## (1) Analysis of Business Results

### a. Summary

Throughout the fiscal year ended December 31, 2011, Jupiter Telecommunications Co., Ltd. (“J:COM” or “the Company”) and its consolidated subsidiaries (J:COM Group) continued to face fierce competition from major telecommunications companies and other competitors. Competition was initially intense, as market players took steps to capture demand in the lead-up to the complete changeover to terrestrial digital broadcasting[*1] on July 24, 2011 and thereafter to capture multi-channel and telecommunication service subscribers.

Under these circumstances, the J:COM Group positioned efforts to expand its customer base as its most important priority. In addition to implementing a variety of initiatives, centering on measures to expand strategic products and increase sales of the products, the Group took steps to deepen ties with customers in order to reduce the number of subscription cancellations while promoting the use of high-value-added services. Furthermore, considerable weight was placed on strengthening and expanding business tie-up measures, mainly in the “Telecom Business and Product Collaboration” fields under its alliance with KDDI Corporation (“KDDI”).

As a result of the aforementioned endeavors, revenue increased 2.5% compared with the previous fiscal year to ¥369,073 million for the fiscal year ended December 31, 2011. On the earnings front, operating income climbed 6.5% year on year to ¥71,075 million, while net income attributable to J:COM shareholders decreased 1.1% to ¥37,278 million.

The key performance indicators for the cable television business were as follows.

| Key Performance Indicators | As of December 31, 2011 (Fiscal Year Ended December 31, 2011) | As of December 31, 2010 (Fiscal Year Ended December 31, 2010) | Year-on-Year Change |
|---|---|---|---|
| [Subscribing Households] | | | |
| Total Number of Subscribing Households[* i] | 3,656,500 | 3,426,100 | +6.7% |
| Total RGUs[* ii] | 6,918,000 | 6,357,600 | +8.8% |
| CATV | 2,875,400 | 2,691,000 | +6.9% |
| High-Speed Internet Access | 1,826,200 | 1,695,900 | +7.7% |
| Telephony | 2,216,400 | 1,970,700 | +12.5% |
| [Average Monthly Churn Rate (per RGU)] | 0.97% | 1.11% | -0.14% |
| [ARPU[* iii]] | ¥7,499 | ¥7,680 | ¥-181 |
| [Bundle Ratio[* iv]] | 1.89 | 1.86 | +0.03 |

*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

### b. Overview of Business Results

During the fiscal year under review (January 1, 2011 to December 31, 2011), the J:COM Group implemented a variety of measures before and after the complete changeover to terrestrial digital broadcasting on July 24, 2011 in an effort to expand its customer base.

The J:COM Group worked diligently to tap into the demand for terrestrial digital broadcasting by promoting the use of such strategic products as “J:COM TV My style.”[*2] Launched in July 2010, J:COM TV My style is a strategic product that caters to diversified customer needs including variations in viewing patterns and behavior. This product allows viewers to enjoy programs of their choice as and when required. At the same time, J:COM TV My style is a readily available strategic terrestrial digital countermeasure. The J:COM Group placed considerable emphasis on increasing the number of subscribing households by vigorously promoting J:COM TV My style through a series of TV commercials. The number of households subscribing to J:COM TV My style increased by 177,900 during the fiscal year ended December 31, 2011, to a total of 246,500.

In addition, the J:COM Group continued to focus on negotiations with facilities management companies in an effort to capture the estimated 1,440,000 communal reception households*3 residing within its service area. Reflecting its success, J:COM's retransmission service of terrestrial digital broadcasting became available to a cumulative total of approximately 1,130,000 households by the end of December 2011. At the same time, steps were also taken to promote J:COM's pay services to the aforementioned households. As a result, the Company acquired 43,100 RGUs during the fiscal year ended December 31, 2011.

The J:COM Group channeled its energies toward implementing measures designed to capture new subscribing households, following the complete changeover to terrestrial digital broadcasting, and to prevent cancellations of its subscriptions. In this context, and as a measure to develop and promote products that match the needs of customers, the J:COM Group strove to strengthen and expand its product offerings, focusing on its J:COM NET Internet access services harnessing its wide-ranging product lineup. As a part of these endeavors, from July 15, 2011, the J:COM Group has added the J:COM 1M Course, an easy access 1Mbps Internet service that tenants can enjoy free of charge, to its existing Bulk Discount Plan, which formerly focused on medium- to high-speed Internet access. This Plan targets households residing in multi-dwelling units. Later, from September 1, 2011 in the Kansai and Kyushu areas, the J:COM Group commenced sales of "J:COM NET PACK" to single-dwelling units — a product package comprising high-speed Internet access and telephony services that had been marketed only to multi-dwelling units. At the same time, the J:COM Group pushed forward nationwide efforts to promote the ZAQ ISP service brand as a part of its overall J:COM NET promotion activities from the end of October 2011. Already an established and familiar brand in the Kansai area, the J:COM Group also adopted the ZAQ character as its nationwide ISP service campaign mascot.

Working to further enhance the competitive advantage of its multi-channel services, from August 1, 2011, the J:COM Group launched sales of "Value Plan Mini," another product package that combines "J:COM TV Digital," a service that provides multi-channels, and "J:COM PHONE Plus," a telephony service that uses the KDDI platform. At the same basic monthly user fee as J:COM TV Digital, the value-added package service allows users to also access the services of J:COM PHONE Plus essentially free-of-charge, without having to pay the applicable monthly basic user fee.*4 In the Kansai area, where the J:COM Group continues to confront fierce competition, steps were taken to revise the fee structure for J:COM TV My style on August 1, 2011, as a part of efforts to bolster marketing capabilities.

Accounting for all of the aforementioned factors, the total number of subscribing households as of December 31, 2011 increased by 230,400 households, or 6.7%, from December 31, 2010 to 3,656,500 households.

Also, the J:COM Group continued to implement various measures designed to deepen ties with customers.

First, one such measure was specifically aimed at curtailing cancellations by customers. As a part of the Company's efforts to provide highly dedicated customer support, J:COM made great efforts to structure its follow-up procedures and ensure that its sales and call center representatives adhered strictly to a policy of after-sales service. This thoroughgoing system of follow-up is aimed at further enhancing customer satisfaction and ensuring that customers continue to utilize the Group's services with more convenience for a longer period. At the same time, the Group worked diligently to improve the rate at which inquiries are handled by increasing the number of operators at inbound customer call centers, while also adding sophisticated training programs aimed at further enhancing the skills of operators in order to upgrade its call center structure and systems. Furthermore, the J:COM Group continued to promote product package subscriptions (long-term contract products) encompassing such services as Value Plan and J:COM TV My style in an effort to secure contracts over a longer period. As a result, the ratio of subscribing households with long-term contract products to the total number of subscribing households increased by 11 percentage points, from 15% as of December 31, 2010, to 26% as of December 31, 2011. In addition to the aforementioned measures, and on the back of the successful shift to digital cable television services by nationwide systems as of the end of April 2011, the average monthly churn rate per RGU for the fiscal year ended December 31, 2011 improved substantially, from 1.11% for the previous fiscal year to 0.97%.

Second, the J:COM Group undertook measures to promote the use of its high-value-added services. In this context, J:COM joined with Dentsu Inc. to develop the new video-on-demand (VOD) advertising model "CM Wari," which was launched on a three-month trial basis from September 1, 2011. CM Wari is an innovative advertising model under which advertisers in place of customers bear a portion (105 yen including tax) of the program-viewing fee at the time commercials are viewed by customers in conjunction with VOD programs. Moreover, working in collaboration with terrestrial broadcasting stations, the J:COM Group stepped up its efforts to upgrade and expand its VOD lineup by exclusively broadcasting serial television dramas prior to their terrestrial airing from this fiscal year. This included "Brilliant Theives Royale," a serial drama produced and owned by TOKYO BROADCASTING SYSTEM TELEVISION, INC. Through these and other means, the number of VOD purchases increased 34% compared with the previous fiscal year to 12,679,100 titles for the fiscal year ended December 31, 2011.

Working to ensure that its customers can enjoy television programs at a place and time of their own convenience, in accordance with their likes, tastes and lifestyles, through every kind of available terminal, the J:COM Group is endeavoring to develop TV Everywhere-type products and services. With this in mind, on July 26, 2011, the J:COM

Group launched the free-of-charge "J:COM Appli" application service targeting smart phones and tablet terminals. Through this initiative, certain free VOD programming content and a list of programs available are now able to be viewed through smart phones or tablet terminals. Looking ahead, steps are being taken to introduce a verification system for subscribers to the Company's services. In the future, this system will provide subscribers with highly convenient access to the Group's pay-VOD content using smart phones, tablet terminals and personal computers. This, in turn, is expected to substantially enhance the enjoyment of VOD services for an increasing number of users.

In the context of its business alliance with KDDI, J:COM expanded measures centered on the Telecom Business and Product Collaboration field. Specifically, the J:COM Group concentrated its energies on capturing subscribing households for its J:COM PHONE Plus service as well as for "J:COM WiMAX," a high-speed mobile Internet service provided by UQ Communications Inc., an equity-method affiliate of KDDI. As a result, the number of subscribing households to J:COM PHONE Plus and J:COM WiMAX rose to 359,800 households and 9,400 households, respectively, as of the end of December 2011. In addition, concerning sales and marketing collaboration, both companies continued to pursue the cross-sales promotion of the J:COM Group's services and the au Mobile services of KDDI that began in August 2010. Buoyed by these efforts, the Company acquired 11,300 RGUs during the fiscal year ended December 31, 2011.

With respect to the acquisition of cable television companies, J:COM and Tokyu Corporation ("TOKYU") concluded an agreement with Sotetsu Holdings, Inc. ("SOTETSU") to acquire 51% and 49%, respectively, of the issued and outstanding shares of YOKOHAMA CABLE VISION Inc. ("YCV"), a wholly owned subsidiary of SOTETSU, on September 22, 2011. The transfer of shares was completed on October 7, 2011, at which point YCV became a J:COM consolidated subsidiary. The joint acquisition of YCV and the collaboration between J:COM and TOKYU is recognized as a conduit through which J:COM, Japan's largest cable television operator, and TOKYU, a company providing wide range of services for everyday life based on its railway business and town building capabilities, can better develop and deploy new lifestle enhancement services based on the CATV field. Moving forward, J:COM and TOKYU will leverage their respective management resources and know-how, while considering ways in which they can further promote alliance opportunities, as a part of comprehensive efforts to ensure the development of CATV services into a major media service operator and a pillar of the community.

In the media business, and with respect to new BS digital broadcasting that commenced on October 1, 2011, J:COM's consolidated subsidiary, J SPORTS Corporation, which operates thematic sports channels, launched broadcasting of J SPORTS 1 and J SPORTS 2. In the future, the J:COM Group will place additional importance on showcasing the appeal of J SPORTS to viewers through the new BS broadcasting platform. In addition to increasing the number of J SPORTS subscribing households, the J:COM Group will work toward expanding the multi-channel market. Plans are also in place to transfer J SPORTS 3 (formerly J sports ESPN) and J SPORTS 4 (formerly J sports Plus) to BS broadcasting in March 2012.

Moreover, J:COM changed the name of its "LaLa TV" channel, operated by consolidated subsidiary Jupiter Entertainment Co., Ltd., to "Women's Channel ♪ LaLa TV" in an effort to raise the quality of its channel menu and to better differentiate its lineup. At the same time, the Group has started to substantially reorganize its programming since January 2012 to better focus on the needs of women.

Turning to "Golf Network," Jupiter Golf Network Co., Ltd., which manages the thematic golf channel, entered into a licensing and broadcasting agreement with the U.S.-based Golf Channel in November 2011 to broadcast its content from April 2012. Through this initiative, the Golf Channel will be the only thematic channel dedicated to golf in Japan from April 2012 helping to significantly strengthen and expand the J:COM Group's programming lineup.

### c. 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, 2011 are Suzuran Cable System transferred from the KEIHANSHIN Cable Vision Foundation to J:COM consolidated subsidiary Cable Net Kobe Ashiya Co.,Ltd. on February 1, 2010, Kobe Cable Vision, transferred from Kobe City Development and Management Foundation to Cable Net Kobe Ashiya Co., Ltd. on April 1, 2010, Cablevision Kasai transferred from Tokyo Cable Vision Foundation to J:COM consolidated subsidiary

Edogawa Cable Television Inc.[*5] on June 1, 2010 and Yokohama Cable Vision Inc., consolidated on October 7, 2011.

Revenue increased by ¥8,961 million, or 2.5% from ¥360,112 million for the year ended December 31, 2010 to ¥369,073 million for the year ended December 31, 2011. This increase included ¥1,136 million that was attributable to the aggregate impact of acquisitions. Excluding the impact of acquisitions, revenue at existing consolidated subsidiaries increased by ¥7,825 million, or 2.2%.

Subscription fees increased by ¥9,738 million, or 3.3%, from ¥298,197 million for the year ended December 31, 2010 to ¥307,935 million for the year ended December 31, 2011. This increase included ¥1,019 million that was attributable to the aggregate impact of acquisitions. Excluding the impact of acquisitions, subscription fees at existing subsidiaries increased by ¥8,719 million, or 2.9%.

Cable television subscription fees increased by ¥4,577 million, or 2.8%, from ¥160,773 million for the year ended December 31, 2010 to ¥165,350 million for the year ended December 31, 2011. The increase in cable television subscription fees, in spite of a decrease in ARPU caused largely by launching J:COM TV My style, was mainly due to an increase in the number of consolidated subsidiary subscribing households and an increase in the number of users of digital additional services such as HDR mainly on the Blu-ray and VOD.

High-speed Internet access subscription fees increased by ¥3,073 million, or 3.5% from ¥87,006 million for the year ended December 31, 2010 to ¥90,079 million for the year ended December 31, 2011. The increase in high-speed Internet access subscription fees was due to an increase in the number of consolidated subsidiary subscribing households, which was partly offset by increased product bundling discounts.

Telephony subscription fees increased by ¥2,088 million, or 4.1%, from ¥50,418 million for the year ended December 31, 2010 to ¥52,506 million for the year ended December 31, 2011. The increase in telephony subscription fees was primarily the result of an increase in the number of consolidated subsidiary subscribing households, which was partly offset by increased product bundling discounts.

Turning to existing consolidated subsidiary subscription fees by type of service, the rates of increase for the year ended December 31, 2011 were 2.3%, 3.3% and 4.1% for cable television, high-speed Internet access and telephony service, respectively.

Other revenue decreased by ¥777 million, or 1.3%, from ¥61,915 million for the year ended December 31, 2010 to ¥61,138 million for the year ended December 31, 2011. The decrease was mainly attributable to revenue relating to poor reception compensation.

Operating and programming costs increased by ¥5,253 million, or 3.9%, from ¥135,272 million for the year ended December 31, 2010 to ¥140,525 million for the year ended December 31, 2011. This increase was mainly due to an increase in costs relating to programming, personnel costs and outsourcing. Selling, general and administrative expenses decreased by ¥92 million, or 0.1%, from ¥72,242 million for the year ended December 31, 2010 to ¥72,150 million for the year ended December 31, 2011. This was due to a decrease in advertising expenses, which was partly offset by an increase in acquisitions totaling ¥340 million. Depreciation and amortization expenses decreased by ¥520 million, or 0.6%, from ¥85,843 million for the year ended December 31, 2010 to ¥85,323 million for the year ended December 31, 2011. The decrease was largely due to certain fully depreciated assets before December 31, 2011, which was partly offset by an increase in acquisitions totaling ¥344 million.

Operating income, as a result of the above items, increased by ¥4,320 million, or 6.5% from ¥66,755 million for the year ended December 31, 2010 to ¥71,075 million for the year ended December 31, 2011.

Income before noncontrolling interests and income taxes increased by ¥5,365 million, or 8.5% from ¥63,167 million for the year ended December 31, 2010 to ¥68,532 million for the year ended December 31, 2011.

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Net income attributable to J:COM shareholders decreased by ¥412 million, or 1.1%, from ¥37,690 million for the year ended December 31, 2010 to ¥37,278 million for the year ended December 31, 2011. This was due to an increase in income taxes expense in contrast with the year ended December 31, 2010 where income taxes expense decreased due to companies' liquidation (intermediary holding companies).

**d. Outlook for the coming fiscal year**

(Percentage data represent year-on-year changes)

| | Revenue | | Operating income | | Income before noncontrolling interests and income taxes | | Net income attributable to J:COM shareholders | |
|---|---|---|---|---|---|---|---|---|
| Fiscal year ending December 31, 2012 (Forecasts) | (Millions of yen) | % | (Millions of yen) | % | (Millions of yen) | % | (Millions of yen) | % |
| | 378,000 | 2.4 | 73,500 | 3.4 | 71,000 | 3.6 | 39,000 | 4.6 |

Against the backdrop of a stagnant pay multi-channel broadcast market as well as a weak domestic economy, the J:COM Group's operating environment remains severe, confronted by intense broadcasting and telecommunication service market competition among major telecommunications and related companies.

Under these circumstances, the J:COM Group will redouble its efforts to acquire new subscribers and further reduce churn rates through increased customer satisfaction in order to expand its customer base. In addition, and from a product perspective, the Group will introduce new, attractive services that match the needs of customers. Moreover, the J:COM Group will continue to enhance the quality of channels managed by the Group's channel companies, while at the same time focusing on broadening earnings in the programming business.

Taking each of the aforementioned measures into consideration, consolidated revenue is estimated to total ¥378,000 million for the fiscal year ending December 31, 2012. On the earnings front, the J:COM Group is projecting that consolidated operating income, income before noncontrolling interest and income taxes, and net income attributable to J:COM shareholders will reach ¥73,500 million, ¥71,000 million, and ¥39,000 million, respectively.

The J:COM Group's consolidated performance forecasts are based on business plans for the full fiscal year. Accordingly, cumulative performance forecasts for the first half are not provided.

*1. Excluding three prefectures in the Tohoku area (Iwate, Miyagi, Fukushima)

*2. J:COM TV My style is a package service that includes retransmissions of terrestrial digital and BS digital broadcasts with access to such telecommunication services as high-speed Internet access and telephony, in addition to a selection from the "All-you-can-watch package" of the "J:COM on Demand" video on demand (VOD) service.

*3. Communal reception households are defined as households that receive terrestrial broadcasts through communal reception facilities, installed to solve poor reception in shadow areas created by buildings, transmission lines and related structures.

*4. Fees applicable to monthly telephone use are charged separately.

*5. Edogawa Cable Television Inc. was merged by J:COM Kanto Co.,Ltd. on July 1, 2011, whose trade name was changed to J:COM East Co.,Ltd. on October 1, 2011.

## (2) Financial position

### a. Assets, Liabilities and Shareholders' equity

Total assets decreased by ¥4,460 million, from ¥816,763 million as of December 31, 2010 to ¥812,303 million as of December 31, 2011. This was due to a decrease in net book value of property and equipment, and identifiable intangible assets by depreciation, which was partly offset by an increase in cash and cash equivalents.

Total liabilities decreased by ¥35,366 million, from ¥390,353 million as of December 31, 2010 to ¥354,987 million as of December 31, 2011. This was primarily due to a decrease in long-term debt, income taxes payable and capital lease obligations.

Total J:COM shareholders' equity increased by ¥25,556 million from ¥410,151 million as of December 31, 2010 to ¥435,707 million as of December 31, 2011. The increase was due to the upswing by net income attributable to J:COM shareholders for the year ended December 31, 2011, which was partly offset by dividends paid to shareholders.

### b. Cash flows

For the year ended December 31, 2011, the net cash was provided by operating activities of ¥123,342 million, used in investing activities of ¥58,309 million and financing activities of ¥53,366 million, respectively. Accounting for the aforementioned activities, cash and cash equivalents increased by ¥11,667 million from ¥78,212 million as of December 31, 2010 to ¥89,879 million as of December 31, 2011.

#### *Cash Provided by Operating Activities*

Net cash provided by operating activities decreased by ¥1,034 million, from ¥124,376 million for the year ended December 31, 2010 to ¥123,342 million for the year ended December 31, 2011. The decrease was attributable to increase in income taxes payment, which was partly offset by an increase in revenue and change in trade receivables and payables.

#### *Cash Used in Investing Activities*

Net cash used in investing activities increased by ¥1,261 million, from ¥57,048 million for the year ended December 31, 2010 to ¥58,309 million for the year ended December 31, 2011. This was due to an increase in payment for expenditures for acquisitions, which was partly offset by a decrease in payment for capital expenditures.

#### *Cash Used in Financing Activities*

Net cash used in financing activities decreased by ¥176 million, from ¥53,542 million for the year ended December 31, 2010 to ¥53,366 million for the year ended December 31, 2011. This was due to a decrease in debt payments(net) and payment for acquisition of noncontrolling interests in consolidated subsidiaries, which was partly offset by an increase in 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 for use in potential future investments such as the acquisition of other companies and businesses as well as capital expenditures, while at the same time maintaining stable and continuous returns to shareholders. In addition, J:COM considers acquiring treasury stock as a part of efforts to increase capital efficiency and further boost the distribution of profits to shareholders.

Based on this policy, J:COM raised its annual cash dividend of ¥1,500 per share paid in fiscal 2010 to ¥1,800 per share in fiscal 2011. In fiscal 2012, the year ending December 31, 2012, the Company is projecting a further increase in its annual cash dividend to ¥2,500 per share, comprising an interim cash dividend of ¥1,250 per share and a year-end cash dividend of ¥1,250 per share, after taking factors such as business results into consideration. J:COM is also looking to acquire treasury stock in fiscal 2012. Plans call for the acquisition of treasury stock up to a maximum total of 65,000 shares, at a price up to a maximum of ¥5 billion, between February 15 and August 31, 2012.

### (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, 2011, risks to the J:COM Group (some of which are outside of the control of the J:COM Group) were as follows:

1. Risks associated with the J:COM Group's businesses
   – An ineffective strategy for gaining new subscribers.
   – Risk that the J:COM Group might be unable to secure the funds, equipment, or obtain regulatory approvals needed for network expansion.
   – Reduction in opportunities to expand operations through the acquisition of other businesses.
   – Financial risks.
   – Risks associated with non-compliance with certain regulations (for instance, claims for damages resulting from the unauthorized release of personal information).

2. Risks associated with business relationships
   – Adverse developments, including the cessation of transactions, 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 broadcast operators.

3. Risks associated with relations with shareholders
   – Restrictions of enactment of the J:COM Group's measures by shareholders rights and relations with shareholders.

4. 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.
   – As concerns surrounding a downturn in the global economy increase, current macroeconomic conditions may have a negative impact on the Company's performance.

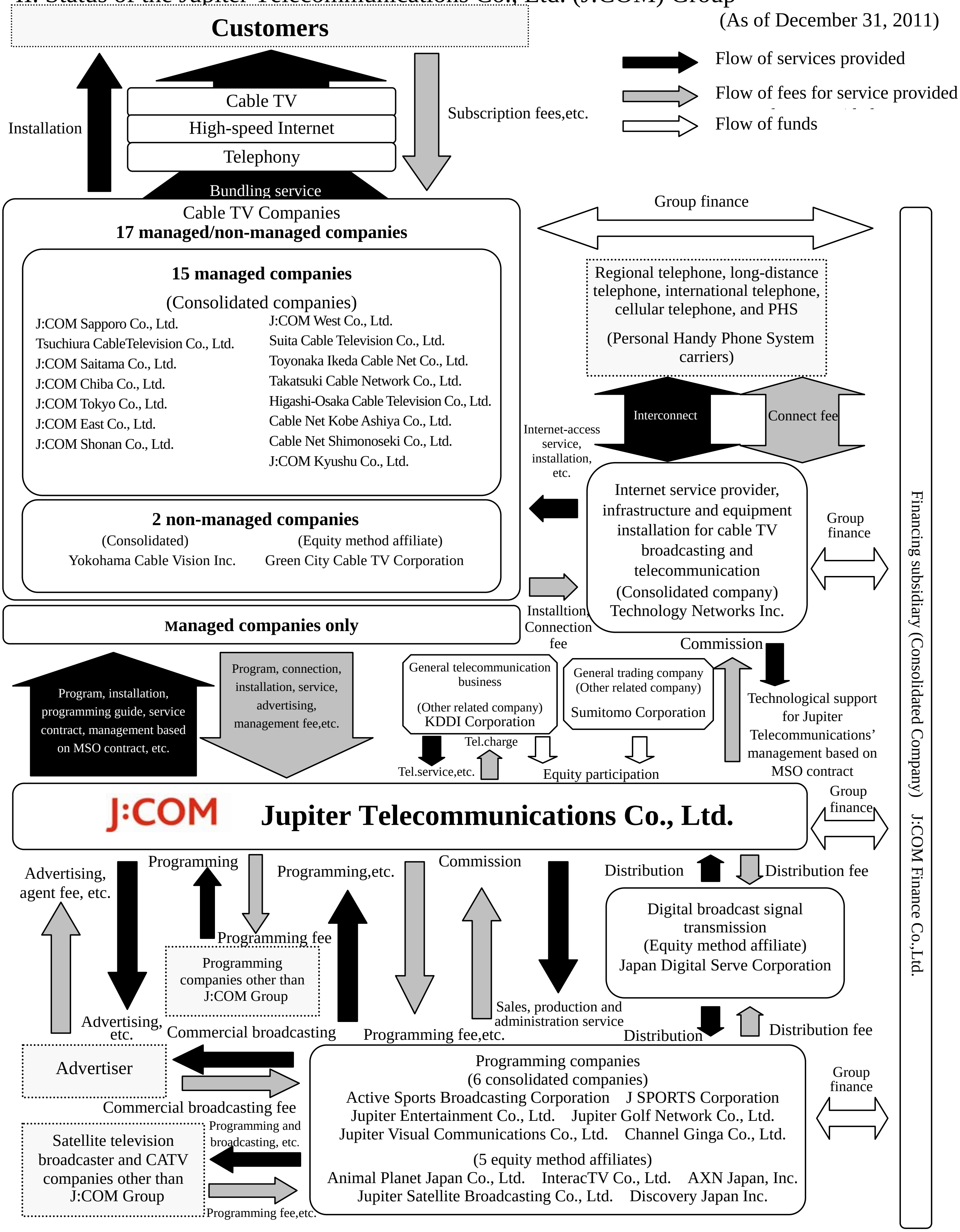
5. Legal and regulatory risks
   – Stricter government regulations, revisions to laws, etc.

6. Risks associated with natural and man-made disasters
   – Outage of the J:COM Group's transmission facilities due to natural disasters, terrorist attacks, etc.

For more detailed information on the foregoing, please refer to the J:COM annual securities report scheduled for submission in March 2012.

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

(As of December 31, 2011)




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

## Ⅲ. 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 programming businesses continue to confront substantial changes in their operating environments. This largely reflects ongoing advances in image broadcasting and telecommunication technologies as well as increased diversification in customer needs. Under these circumstances, the J:COM Group is working diligently to increase its corporate value by engaging in the following strategic activities.

(i) Provide products and services that are tailored to increasingly diverse customer needs

The J:COM Group has historically focused on the development of services based on the perspectives of its customers. The Group has continued to introduce products that address the needs of young viewers, single households and senior couples. Moving forward, the Group is newly concentrating on products and services tailored to the increasingly diverse needs of customers. In specific terms, the Group is considering the introduction of television packages that meet wide-ranging customer needs based on age demographics, the makeup of families and lifestyles, the upgrade and expansion of the Group's lower priced Internet service menu for casual Internet users, and the development of products that utilize public wireless LAN access services.

In addition, the J:COM Group is endeavoring to bolster its high usability services to further alleviate the frustrations of customers. With the rapid proliferation of smartphone and tablet terminals, operating conditions are becoming increasingly conducive to the provisions of wide-ranging image broadcasting and telecommunication services. Responding to this favorable environment, J:COM is developing services that link closely with the lifestyles of customers. At the same time, the Company is actively engaged in the development of next-generation set-top box and other technologies.

(ii) Provide unique services that take full advantage of the strong ties with customers and business partners

Building on the strengths of its business development activities that are deeply rooted in its service areas, the J:COM Group is bolstering its lineup of unique services.

Looking ahead, opportunities for customer households to use devices equipped with state-of-the-art functions are expected to increase in line with the ongoing development of improved household appliance and home device operability through wireless communication and mobile terminals. Harnessing its robust pool of sales and marketing staff, as well as service engineers with close ties to operating areas, the J:COM Group is continuing to provide a stable stream of services to its customers. As a part of efforts to further boost the role of these frontline personnel, the Group will build a structure and system that promotes "Home network concierge" activities. This home network concierge concept is designed to facilitate high-quality, one-on-one after-sales support in response to customers' image and video as well as telecommunication device inquiries. Through these means, the J:COM Group is endeavoring to further boost the level of customer satisfaction.

Moreover, the Group will strive to further deepen product and service collaboration with KDDI. J:COM will work to develop reasonably priced, highly usable services that combine broadcasting and telecommunication services with smartphones and tablet terminals as well as wireless data transmission.

(iii) Develop new businesses and actively promote M&A

The J:COM Group is positioning the development of new businesses as an additional growth pillar supporting its existing cable television and programming businesses. Every effort is being directed toward evolving into a lifestyle support company by promoting J:COM Everywhere business development. J:COM Everywhere is an area in which the Group can generate significant synergy benefits with existing businesses while also taking full advantage of its strengths through business development in areas in which the Group maintains close ties.

The J:COM Group is expanding its business by taking equity interests in and purchasing cable television companies. Leveraging this know-how, the Group is considering investing in and purchasing related operators as a part of efforts to accelerate the startup of new businesses.

(iv) Promote comprehensive cost structural reform

The J:COM Group has actively engaged in the purchase of cable television companies. As a result, the Group is burdened by several issues, including the duplication of functions across the organization that currently comprises 24 companies, delays in standardizing work flows, and excessive levels of personnel, mainly in MSOs, planning and management. Running parallel to the aforementioned medium- and long-term management strategies, the J:COM Group will therefore return to the basics by focusing on organizational and work flows and will continue to promote activities aimed at reducing costs.

## Ⅳ. Consolidated Annual Financial Statements

**JUPITER TELECOMMUNICATIONS CO., LTD.**
**AND SUBSIDIARIES**

### (1) CONSOLIDATED STATEMENTS OF INCOME

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

| Account | **Year ended December 31, 2011** | Year ended December 31, 2010 | Change | |
|---|---|---|---|---|
| | **Amount** | Amount | Amount | (%) |
| Revenue: | | | | |
| Subscription fees | 307,935 | 298,197 | 9,738 | 3.3 |
| Others | 61,138 | 61,915 | (777) | (1.3) |
| | 369,073 | 360,112 | 8,961 | 2.5 |
| Operating costs and expenses: | | | | |
| Operating and programming costs | (140,525) | (135,272) | (5,253) | (3.9) |
| Selling, general and administrative expenses | (72,150) | (72,242) | 92 | 0.1 |
| Depreciation and amortization | (85,323) | (85,843) | 520 | 0.6 |
| | (297,998) | (293,357) | (4,641) | (1.6) |
| Operating income | 71,075 | 66,755 | 4,320 | 6.5 |
| Other income (expenses): | | | | |
| Interest expense, net: | | | | |
| Related parties | (1,424) | (1,644) | 220 | 13.4 |
| Others | (2,854) | (3,447) | 593 | 17.2 |
| Equity in earnings of affiliates | 1,473 | 1,032 | 441 | 42.7 |
| Other, net | 262 | 471 | (209) | (44.2) |
| Income before noncontrolling interests and income taxes | 68,532 | 63,167 | 5,365 | 8.5 |
| Income taxes expense | (28,358) | (22,248) | (6,110) | (27.5) |
| Net income | 40,174 | 40,919 | (745) | (1.8) |
| Net income attributable to noncontrolling interests | (2,896) | (3,229) | 333 | 10.3 |
| Net income attributable to J:COM shareholders | 37,278 | 37,690 | (412) | (1.1) |
| Net income attributable to J:COM shareholders per share: | | | | |
| Basic | ¥5,383.59 | ¥5,456.41 | ¥(72.82) | (1.3) |
| Diluted | ¥5,381.49 | ¥5,450.89 | ¥(69.40) | (1.3) |
| Weighted average number of ordinary shares outstanding: | | | | |
| Basic | 6,924,297 | 6,907,446 | 16,851 | 0.2 |
| Diluted | 6,927,003 | 6,914,436 | 12,567 | 0.2 |

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

## JUPITER TELECOMMUNICATIONS CO., LTD.
## AND SUBSIDIARIES

# (2) CONSOLIDATED BALANCE SHEETS

(YEN IN MILLIONS)

| Account | December 31, 2011 | December 31, 2010 | Change |
|---|---|---|---|
| | **Amount** | Amount | Amount |
| Current assets: | | | |
| Cash and cash equivalents | 89,879 | 78,212 | 11,667 |
| Accounts receivable | 18,270 | 22,211 | (3,941) |
| Allowance for doubtful accounts | (480) | (530) | 50 |
| Deferred tax assets – current | 7,941 | 11,611 | (3,670) |
| Prepaid expenses and other current assets | 8,070 | 7,833 | 237 |
| Total current assets | 123,680 | 119,337 | 4,343 |
| Investments: | | | |
| Investments in affiliates | 10,381 | 9,938 | 443 |
| Investments in other securities, at cost | 2,150 | 2,152 | (2) |
| Total investments | 12,531 | 12,090 | 441 |
| Property and equipment, at cost: | | | |
| Land | 4,158 | 3,966 | 192 |
| Distribution system and equipment | 733,498 | 719,018 | 14,480 |
| Support equipment and buildings | 69,477 | 61,063 | 8,414 |
| | 807,133 | 784,047 | 23,086 |
| Less accumulated depreciation | (445,113) | (410,394) | (34,719) |
| Total property and equipment | 362,020 | 373,653 | (11,633) |
| Other assets: | | | |
| Goodwill | 253,180 | 248,323 | 4,857 |
| Identifiable intangible assets, net | 38,413 | 41,615 | (3,202) |
| Deferred tax assets – non current | 5,436 | 5,392 | 44 |
| Others | 17,043 | 16,353 | 690 |
| Total other assets | 314,072 | 311,683 | 2,389 |
| Total assets | 812,303 | 816,763 | (4,460) |

(YEN IN MILLIONS)

| Account | **December 31, 2011** | December 31, 2010 | Change |
|---|---|---|---|
| | **Amount** | Amount | Amount |
| Current liabilities: | | | |
| Short-term loans | 5,521 | 5,581 | (60) |
| Long-term debt – current portion | 10,681 | 19,247 | (8,566) |
| Capital lease obligations – current portion: | | | |
| Related parties | 15,960 | 16,905 | (945) |
| Others | 1,184 | 1,719 | (535) |
| Accounts payable | 28,324 | 27,995 | 329 |
| Income taxes payable | 9,853 | 16,448 | (6,595) |
| Deposit from related parties | 268 | 268 | — |
| Deferred revenue – current portion | 8,108 | 9,774 | (1,666) |
| Accrued expenses and other liabilities | 11,068 | 10,481 | 587 |
| Total current liabilities | 90,967 | 108,418 | (17,451) |
| Long-term debt, less current portion | 118,302 | 128,887 | (10,585) |
| Corporate bond, less current portion | 10,000 | 10,000 | — |
| Capital lease obligations, less current portion: | | | |
| Related parties | 33,590 | 38,373 | (4,783) |
| Others | 4,259 | 4,432 | (173) |
| Deferred revenue | 58,996 | 60,478 | (1,482) |
| Deferred tax liabilities – non current | 11,545 | 13,392 | (1,847) |
| Other liabilities | 27,328 | 26,373 | 955 |
| Total liabilities | 354,987 | 390,353 | (35,366) |
| Shareholders' equity: | | | |
| Ordinary shares no par value | 117,550 | 117,550 | — |
| Additional paid-in capital | 226,293 | 226,017 | 276 |
| Retained earnings | 94,825 | 70,010 | 24,815 |
| Accumulated other comprehensive income/(loss) | (833) | (1,160) | 327 |
| Treasury stock, at cost | (2,128) | (2,266) | 138 |
| Total J:COM shareholders' equity | 435,707 | 410,151 | 25,556 |
| Noncontrolling interests in subsidiaries | 21,609 | 16,259 | 5,350 |
| Total shareholders' equity | 457,316 | 426,410 | 30,906 |
| Total liabilities and shareholders' equity | 812,303 | 816,763 | (4,460) |

**JUPITER TELECOMMUNICATIONS CO., LTD.**
**AND SUBSIDIARIES**

## (3) CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(YEN IN MILLIONS)

| | Ordinary shares 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 at December 31, 2009 | 117,242 | 226,553 | 39,834 | (1,207) | (7,520) | 374,902 | 14,689 | 389,591 |
| Comprehensive income: | | | | | | | | |
| Net income | | | 37,690 | | | 37,690 | 3,229 | 40,919 |
| Other comprehensive income, net of taxes: | | | | | | | | |
| Unrealized gain/(loss) on cash flow hedge | | | | 47 | | 47 | (22) | 25 |
| Total comprehensive income | | | | | | 37,737 | 3,207 | 40,944 |
| Cash dividends paid to noncontrolling interests | | | | | | | (141) | (141) |
| Stock-based compensation | | 102 | | | | 102 | | 102 |
| Ordinary shares issued upon exercise of stock options | 308 | 308 | | | 5,254 | 5,870 | | 5,870 |
| Purchase of subsidiary shares from noncontrolling interests | | (112) | | | | (112) | (1,496) | (1,608) |
| Cash dividends paid to shareholders | | | (7,514) | | | (7,514) | | (7,514) |
| Reissuance of treasury stock | | (834) | | | | (834) | | (834) |
| Balance at December 31, 2010 | 117,550 | 226,017 | 70,010 | (1,160) | (2,266) | 410,151 | 16,259 | 426,410 |
| Comprehensive income: | | | | | | | | |
| Net income | | | 37,278 | | | 37,278 | 2,896 | 40,174 |
| Other comprehensive income, net of taxes: | | | | | | | | |
| Unrealized gain/(loss) on cash flow hedge | | | | 327 | | 327 | (7) | 320 |
| Total comprehensive income | | | | | | 37,605 | 2,889 | 40,494 |
| Cash dividends paid to noncontrolling interests | | | | | | | (112) | (112) |
| Stock-based compensation | | 47 | | | | 47 | | 47 |
| Ordinary shares issued upon exercise of stock options | | | | | 138 | 138 | | 138 |
| Acquisition for new 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) | | | | (132) | | (132) |
| Balance at December 31, 2011 | 117,550 | 226,293 | 94,825 | (833) | (2,128) | 435,707 | 21,609 | 457,316 |

**JUPITER TELECOMMUNICATIONS CO., LTD.**
**AND SUBSIDIARIES**

# (4) CONSOLIDATED STATEMENTS OF CASH FLOWS

(YEN IN MILLIONS)

| Classification | **Year ended December 31, 2011**<br>**Amount** | Year ended December 31, 2010<br>Amount |
|---|---|---|
| Cash flows from operating activities: | | |
| Net income | 40,174 | 40,919 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 85,323 | 85,843 |
| Equity in earnings of affiliates | (1,473) | (1,032) |
| Dividends from affiliates | 1,203 | — |
| Stock-based compensation expenses | 47 | 102 |
| Deferred income taxes expense/(benefit) | 639 | (3,675) |
| Gain on bargain purchase in acquisition | — | (368) |
| Changes in operating assets and liabilities, excluding effects of business combinations: | | |
| Decrease/(increase) in accounts receivable, net | 4,359 | (5,811) |
| Decrease/(increase) in prepaid expenses | (209) | (496) |
| Decrease/(increase) in other assets | (670) | (1,334) |
| Increase/(decrease) in accounts payable | 2,305 | 686 |
| Increase/(decrease) in income taxes payable | (6,629) | 5,125 |
| Increase/(decrease) in accrued expenses and other liabilities | 1,917 | 2,814 |
| Increase/(decrease) in deferred revenue | (3,644) | 1,603 |
| Net cash provided by operating activities | 123,342 | 124,376 |
| Cash flows from investing activities: | | |
| Capital expenditures | (55,082) | (56,247) |
| Acquisitions of new subsidiaries, net of cash acquired | (3,327) | — |
| Acquisition of business operations | — | (1,075) |
| Other investing activities | 100 | 274 |
| Net cash used in investing activities | (58,309) | (57,048) |
| Cash flows from financing activities: | | |
| Proceeds from issuance of common stock | — | 616 |
| Proceeds from reissuance of treasury stock | 6 | 4,420 |
| Acquisition of noncontrolling interests in consolidated subsidiaries | (325) | (1,608) |
| Net increase/(decrease) in short-term loans | (990) | (2,037) |
| Principal payments of long-term debt | (19,700) | (22,353) |
| Principal payments of capital lease obligations | (20,875) | (21,594) |
| Cash dividends paid to shareholders | (12,463) | (7,514) |
| Other financing activities | 981 | (3,472) |
| Net cash used in financing activities | (53,366) | (53,542) |
| Net increase/(decrease) in cash and cash equivalents | 11,667 | 13,786 |
| Cash and cash equivalents at beginning of year | 78,212 | 64,426 |
| Cash and cash equivalents at end of year | 89,879 | 78,212 |

## (5) Summary of significant accounting policies

1. Scope of consolidation
   a. Number of consolidated subsidiaries: 24
   b. The names of the Company's consolidated subsidiaries are shown in "II. Status of the Jupiter Telecommunications Co., Ltd. (J:COM) Group".

2. Scope of application of equity method
   a. Number of equity method affiliates: 8
   b. The names of these equity method affiliates are shown in "II. Status of the Jupiter Telecommunications Co., Ltd. (J:COM) Group".

3. 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 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, 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: | 10 - 17 years |
      | Buildings and structures: | 10 - 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 and channel franchises which were originally recorded in connection with business combinations. Customer relationships and channel franchises are amortized over their respective estimated useful lives of 10 and 17 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 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.

The Company's channels distribute programming to individual satellite platform subscribers through an agreement with the platform operator which provides subscriber management services to channels in return for a fee based on subscription revenues. Individual satellite subscribers pay a monthly fee for programming channels under the terms of rolling one-month subscription contracts. Cable and broadband service providers generally pay a per-subscriber fee for the right to distribute the Company's programming on their systems under the terms of generally annual distribution contracts. Revenue for such services is recognized in the periods in which programming services are provided to cable, satellite and broadband subscribers.

## (6) Significant accounting policy change

Goodwill Impairment Test

In September 2011, the FASB issued Accounting Standards Update(ASU) No.2011-08, *Goodwill Impairment Test.* ASU2011-08 permits to simplify how an entity tests goodwill for impairment and if an entity concludes that it is not more likely than not that the fair value of a reporting unit is less than its carrying amount in a qualitative assessment executed prior to performing impairments test, it would not be required to perform the two-step impairment test for that reporting unit. The Company early adopted ASU No.2011-08 in 2011. Such adoption did not have an impact on the Company's financial position and results of operations.

## (7) Notes to Annual Consolidated Financial Statements

### 1. Assumption for Going Concern

None

### 2. Segment Information

The Company's programming services are considered as a separate operating segment, however due to the insignificant size of these operations as of December 31,2011, management has determined that the Company has one reportable segment, broadband communications services.

### 3. Earning per share

| | 2011 | 2010 |
|---|---|---|
| Net income attributable to J:COM shareholders (Yen in Million) | ¥37,278 | ¥37,690 |
| Weighted average number of ordinary shares outstanding: | | |
| Basic | 6,924,297 | 6,907,446 |
| Effect of dilutive common stock equivalents | 2,706 | 6,990 |
| Diluted | 6,927,003 | 6,914,436 |
| Earnings per share (Yen): | | |
| Basic | ¥5,383.59 | ¥5,456.41 |
| Diluted | ¥5,381.49 | ¥5,450.89 |

### 4. Subsequent events

J:COM made the resolution at a board of directors meeting on January 25, 2012 on matters pertaining to a share repurchase based on Article 156 of the Corporation Law as applied pursuant to Article 165-3 of the same law.

| | |
|---|---|
| a. Reason for conducting the share repurchase | To improve capital efficiency and to provide returns to shareholders, under the object of performing flexible capital policies in response to changes in business environment |
| b. Class of shares | Common stock |
| c. Total number of shares to be repurchased | 65,000 shares (maximum) |
| d. Total amount to be paid for repurchase | 5,000 million yen (maximum) |
| e. Period of share repurchase | From February 15, 2012 to August 31, 2012 |