

Mr. Masanori Akiyama

Chairman and Representative Director SKY Perfect JSAT Corporation



Mr. Akiyama speaks his business strategy

He started Japan's first satellite communications business was successfully started in 1985, now an international partnership with the global satellite communications provider Intelsat is established, and grew JSAT Corporation(here in after JSAT) into Asia's largest satellite communications provider. Under his guidance, SKY Perfect JSAT Corporation (here in after SKY Perfect JSAT) acquired Space Communications Corporation (here in after SCC), and has expanded globally in the pursuit of further growth in the satellite communications business. In our interview SKY Perfect JSAT Chairman Masanori Akiyama speaks passionately about his business strategies for international satellite communications.

Space Japan Review: Thank you for taking time from your busy schedule for this interview. First of all, we appreciate the contribution you've made to AIAA-JFSC.

Space Japan Review (SJR) is a technical communications journal published by AIAA Japan Forum on Satellite Communications (AIAA-JFSC), a

JSAT (Interview May 08)

subcommittee of the American Institute of Aeronautics and Astronautics (AIAA)'s Technical Committee on Communication Systems (TCCS). It was initially published in hard copy, but is now distributed electronically over the Internet. This column provides an opportunity for CEOs of satellite communications providers and communications satellite development companies around the world to discuss their strategies and aspirations, serving as a reference for AIAA members and SJR readers.

SKY Perfect JSAT was established in April 2007 as a holding company for the merged SKY Perfect Communications Inc. (here in after SKY Perfect) and JSAT. On March 31, 2008, the company acquire SCC, effectively creating a single-company structure for the satellite communications business in Japan.

JSAT is evidently making steady inroads into the international satellite communications business, launching Horizons-2 in December 2007 in a joint project with Intelsat. Today we'd like to hear your strategies for the satellite communications business.

SJR: First of all, please give us a quick background on yourself and SKY Perfect JSAT, and an overview of your strategies.

Mr. Akiyama: SKY Perfect JSAT is primarily made up of SKY Perfect which operates the 300-channel SKY PerfecTV! communications satellite (CS) broadcasting platform, and JSAT, Asia's largest satellite communications provider. The companies were integrated on April 2, 2007, in response to the recent convergence of broadcasting and communications. SKY Perfect JSAT is the holding company for SKY Perfect and JSAT.

SKY Perfect was originally a planning company, jointly established in 1994 by JSAT and its shareholder trading companies. You could say that the integration of the two firms has brought us back to our starting point.

The idea behind combining a "platform company" and a satellite communications company was to use JSAT's stable earnings as a financial base to increase the number of SKY PerfecTV! subscribers. We also felt that merging JSAT, which had entered a stable, mature period, with the limitless potential of SKY Perfect would maximize the Group's growth

potential. In addition, we acquired SCC on March 31, 2008, further strengthening the foundations of our satellite communications business.

The acquisition of SCC created an alliance of eight companies, four previously established platform companies and four satellite communication providers, including the NTT satellites we have acquired.

I was assigned to JSAT in 1990 by Itochu Corporation primarily to work on customer development mainly in the sales and marketing group. We expanded the JSAT business, and in April 2007 formed the SKY Perfect JSAT Group.

SJR: JSAT started Japan's first private satellite communications service, and is now Asia's largest satellite communications provider. What's behind this success?

Mr. Akiyama: JSAT was established in February 1985 as Japan Communications Satellite Planning Company. The company changed its name to Japan Communications Satellite Company (JCSAT) in April that year, and in June acquired a Type I telecommunications carrier operating license, putting in place the structure necessary to provide a satellite communications service. Satellite Japan Corporation, which would later merge with JSAT, was also established in April 1985.

We launched the JCSAT-1 communications satellite in March 1989, and in April began providing Japan's first private satellite communications service. The service start date was April 16, with the first user the nationwide broadcaster TV Asahi, which sent its Satellite News Gathering (SNG) vehicle to Kurobe Canyon in Toyama Prefecture for a live report.

It's been 19 years since that first broadcast. JSAT now has 9 communication satellites. Altogether the Group has 12 satellites, including those of SCC. The merger with SCC created a satellite communications provider covering all of Japan, the largest operator in Asia and the fifth largest worldwide.

SJR: You must have faced many difficulties during the early stages after launching the satellite communications service in Japan. What problems

did you encounter in terms of barriers in Japan and abroad, or acquiring customers?

Mr. Akiyama: We were the first company to operate a commercial satellite communications business in Japan, so we had no model to follow, and had to start from scratch. There were many difficulties during those early startup years. Our first problem when we started the business was explaining exactly what satellite communication is all about. Nevertheless, we were able to draw on the sense of excitement generated by the new satellite technology, as well as the eagerness of companies to invest in communications infrastructure, and successfully pre-sold the entire capacity of JCSAT-1 prior to launch.

In addition to communications, the satellites were also used for broadcasting with the start of digital multi-channel broadcast services (the former PerfecTV!) in 1996, providing JSAT with extremely high earnings.

SJR: The business was on the road to expansion, and was one of the first to offer international beams as well as domestic ones. What is the current status and outlook for satellite communication services in the Asia/Pacific region?

Mr. Akiyama: JSAT's expansion into international telecommunications began soon after revisions to the Telecommunications Business Law in June 1994 abolished restrictions on foreign investment in satellite communications for international communication. In February 1995 we obtained a license as an international telecom operator (the first issued in Japan) and quickly moved into this previously closed international business. We now had an opportunity to use the international beam we had on our satellites but had been unable to capitalize on up to that point, and began selling satellite capacity in Asia.

This is our 12th year of selling satellite capacity in Asia. The business has grown steadily, with capacity utilized by resellers in Hong Kong, and as trunk line of mobile phone and Internet backbones. We have a branch office in Hong Kong to serve customers in Asia, which has increased its personnel and works closely with Head Office in Tokyo to expand the market.

In North America, in 2001 we formed an alliance with PanAmSat Corporation (currently Intelsat), launching the Horizons-1 craft in 2003 and Horizons-2 in 2007. We are now discussing partial ownership of Intelsat-15 (IS-15) to be launched over the Indian Ocean in 2009. Intelsat is a strategic partner for us. The alliance with PanAmSat (currently Intelsat) helped to compensate for our late entry into the international market, and triggered the expansion of our international business. In the near future we plan to expand our service area beyond Japan, Asia and North America to include the Indian Ocean and Middle East regions.



Fig-2 Mr. Akiyama Chairman and Dr. Iida Special advisor for JFSC

SJR: The international business was developed through Horizons Satellite LLC, jointly established with PanAmSat (currently Intelsat) in response to government restrictions on licensed business. What is next, and what were your international strategies?

Mr. Akiyama: In addition to selling transponder communications circuits in Asia, we steadily developed the international businesses, building on collaboration with Intelsat in North America to achieve the partial ownership project for IS-15. The head office of our strategic subsidiary in the U.S., JSAT International Inc., was relocated to Washington, D.C. in the spring of last year as part of a push to expand business in North America.

JSAT (Interview May 08)

The satellite communications market in North America is robust, and is expected to grow at a high rate over the long term. We hope to take advantage of that to increase earnings.

We are also open to forming partnerships and alliances with providers around the world if there is a compelling and promising project.

SJR: In October 2006 you announced the merger of SKYPerfect and JSAT, to achieve the convergence of communications and broadcasting, as well as a joint purchasing alliance with Broadcasting Satellite System Corporation (B-SAT) for a hybrid satellite last year, and the SCC acquisition on February 13 of this year. Plans for establishing a single-company structure for the Japanese satellite communications business are steadily under way. What are your strategies for these businesses?



Fig-3 for a moment, when being talking

Mr. Akiyama: We had been considering the possibility of integrating SKY Perfect and JSAT, as well as acquiring SCC, for several years. The successful conclusion of these mergers stems from the current opportunity

JSAT (Interview May 08)

to realize benefits, and a convergence of opinion by management on both sides. Since this will make us the leading, in fact, the strongest satellite communications provider in Japan, we feel our first priority should be to contribute to the satellite communications industry, whether our customers are from the public or private sector, and to help advance the satellite field.

SJR: Satellite broadband services have begun to emerge. Japan recently launched the high-speed Internet satellite WINDS on February 23, 2008, and its use is steadily increasing, while overseas there are such craft as iP Star and Wild Blue. What are your strategies for competing with these satellite broadband services, and with fiber optic communications?

Mr. Akiyama: The Ministry of Internal Affairs and Communications has set a target of full broadband coverage of Japan by 2010. The terrestrial network has steadily been expanded, but there are still some areas that the network does not yet reach. We believe that satellites would be the best way to cover the remaining 5% of the country. The introduction of our Space IP and other services will help to eliminate the so-called “digital divide,” and ensure a means of communication during times of disaster. We are also looking at overseas satellite broadband projects, and if there is an opportunity for collaboration we will explore that possibility.

SJR: Broadcasting is one of the most important applications for satellite communications. SKY Perfect offers SKY PerfecTV! and e2 by SKY PerfecTV!, a 110-degree satellite service. What are your plans for these services, and the convergence of communications and broadcasting?

Mr. Akiyama: The biggest advantage of satellite communications is the cost benefit of a single service that can be provided to an unlimited number of users. Satellite broadcasting is a prime example of this. SKY Perfect has three main services, SKY PerfecTV!, e2 by SKY PerfecTV!, and the SKY PerfecTV! HIKARI provided in collaboration with the NTT Group. Including the backup craft, a total of four satellites are used for these services.

The DTH (Direct To Home) SKY PerfecTV! and e2 by SKY PerfecTV! services had a combined total of over 4.1 million subscriptions as of the

end of April 2008, and we expect this to continue to rise, particularly for the e2 by SKY PerfecTV! service. There is much diversity in media, and in addition to these three services we have begun making preparations for broadcasts using IP, optical fiber and mobile devices, as well as services utilizing new media. In some cases we have already launched services. IP broadcasts are moving toward high-definition formats, and high-resolution, high-quality programming will be increasingly in demand. SKY PerfecTV! will begin broadcasting 12 high-definition channels from this fall. We understand that it is important to respond to customer needs.

In terms of the convergence of communications and broadcasting, we will continue to develop the SKY PerfecTV! HIKARI service currently being offered with NTT East and NTT West in the Tokyo, Nagoya and Osaka regions, and will do everything we can to ensure the success of the collaboration on offering NGN-IPTV this year. We intend to utilize the strengths of SKY Perfect, Japan's largest fee-based multi-channel platform and content aggregator. The broadcast business is one of the core pillars of the SKY Perfect JSAT Group.



Fig-4 Mr. Akiyama and Dr. Iida who are talking in rooftop of Company

SJR: On the whole business is growing steadily, and although the share price has not performed well, perhaps due to the fallout from the subprime loan crisis in the U.S., you've been proactive in your investor relations program and other activities. What successes and setbacks have you had in

JSAT (Interview May 08)

this regard?

Mr. Akiyama: Immediately after announcing our third-quarter results on February 13 we began conducting investor relations activities, including visiting domestic institutional investors and securities analysts. We've stepped up efforts by increasing the number of briefings for both individual investors and salespersons from securities houses compared with normal years. We've also actively approached newspapers and magazines focusing on securities, and have had articles published in these media outlets.

Stable dividends are also a part of the SKY Perfect JSAT Group's basic policy on shareholder returns. We increased our dividend payment for the fiscal year ended March 31, 2008 from the initially forecast full-year dividend per share of ¥1,000, to ¥1,500, including a commemorative dividend of ¥300. This raised our payout ratio to more than 50%, and gave us a dividend yield of 4%, one of the highest in Japan. Looking ahead, we plan to broaden our IR activities beyond Japan to include Europe, the U.S. and Asia.

SJR: The AIAA Japan Forum tries to keep abreast of developments in the satellite communications business, such as competition among satellite Internet, mobile communications and fiber optic service providers, as well as remain up-to-date on the state of R&D for satellite communication. What sort of technological development do you think is necessary for Japan's space development?

Mr. Akiyama: I'm interested in development that contributes to mobile communications and the establishment of a ubiquitous network. I'd like to see technological development focus on those fields.

SJR: Finally, the AIAA Japan Forum is providing wide-ranging support for the AIAA ICSSC 2008 conference to be held in San Diego this coming June. SKY Perfect JSAT will be chairing one of the sessions, and there will also be a colloquium on satellite communications. We look forward to your support.

Mr. Akiyama: It was a great honor for former JSAT President Takuya Yoshida to receive the AIAA Japan Forum on Satellite Communications

Award in 2003. It is a tribute to the high regard for the activities of the AIAA over the past 80 years, as well as its efforts with regard to aerospace research, education, and international exchange.

The AIAA-JFSC has provided invaluable support for the SKY Perfect JSAT Group's recent business activities, and on behalf of me and all related departments and divisions, I hope we can continue to count on your cooperation.



Fig-5 Mr. Akiyama chats in rooftop of company



Fig-6 After Interview

SJR: We hope you will continue to work with us in the development of satellite communications. Thank you for taking the time to talk with us today.

(Planning & Editing: Susumu Kitazume, Special Editorial Advisor)