



To Our Shareholders and Stakeholders



We at NTV understand that our people are the key to this organization. Since my appointment as NTV president in 2005, I have been urging that we harness our collective strengths to achieve “total success” as a comprehensive media company. In spite of today’s rapidly changing business environment, I am increasingly convinced that television will remain the first-choice medium for the next decade and beyond. I am therefore calling upon all of us to work in unity and purpose to come through this time of transition victoriously.

We are now seeing the dawn of a multichannel, multimedia era powered by digital technology. Developments such as the launch of digital terrestrial broadcasting in December 2003, the introduction of “1-SEG” services in April 2006 and the rush by an array of companies into the Video-on-Demand (VoD) business are continuing to promote the shift from a “television-only age” to an epoch where television is merely another media option. Recognizing this trend, we at NTV have undertaken aggressive new business initiatives for delivering content over a number of transmission platforms to complement terrestrial broadcasting operations. To further develop such endeavors and shore up the growth potential of NTV’s future earnings foundation, we recently devised our Medium-Term Management Plan through FY2008, the year of NTV’s 55th anniversary.

In sharing my thoughts toward achieving “total success,” I believe my role is to illuminate a path so that we can accelerate to maximum speed.



Opportunities that Drive Us Forward

The convergence of communication and broadcasting to form a multichannel universe is a developing theme in discussions of transmission platforms. The precise nature of this transformation, however, is the expanding range of viewing devices that function as connection points to media images—incomparable to options available during the analog age. NTV is aiming to step out in front of its rivals and capitalize on these tremendous opportunities by pressing ahead with a “multi-point”

strategy to make NTV content accessible anytime and anywhere. The main components of this battle plan are “1-SEG” services for mobile phones and the transmission of content over the Internet via NTV2.

As apparent with the Winter Olympics in Torino, the Olympic Games have historically had a tremendous impact on television sales and viewing. Over 100 million stationary television sets can already be found in Japanese homes, but with the 2008 Olympics set to take place in nearby Beijing, which has only a one-hour time difference, people have begun to replace these older models with high-resolution sets featuring high-quality sound and digital terrestrial reception. The upcoming Beijing games promise to become a watershed event for television-related industries. Moreover, considering that upwards of 90 million mobile phone contracts have been concluded in Japan, even by conservative estimates 10 million users are expected to trade in their phones for new models equipped with television functions in time for the 2008 Olympics. In other words, both the number of viewers and viewing settings will significantly increase.

How to capitalize on such an enormous business opportunity is the issue at stake. Marking NTV’s 55th anniversary as Japan’s first commercial broadcaster, 2008 is poised to become a crucial year for our monumental leap into the future.

Paradigm Shift to Create New Value

In addition to the transforming external environment, NTV faces internal issues that must be solved. The uniquely innovative and inventive programs that upheld our dominance over the quadruple crown title of annual viewer ratings have declined in number, and programs that once boasted top viewer ratings have slipped in popularity. Regrettably, this underlies the decrease in NTV’s broadcasting sales. Above all else, we will make every effort to strengthen our content creation capabilities.



Although we can say that we have repeatedly persevered under intense competition in the past, it is also true that the operating environment was incredibly favorable compared to now. In the analog era, when televisions were set in living rooms like furniture, the battle was to determine who would be number one amongst a limited number of contestants from the same industry. Today the tournament is open to a large number of competitors appearing on the scene, forcing us to find an answer to the question, “How do we clearly gain predominance?” Though somewhat belatedly, we in the broadcast industry have entered this arena of intense competition.

I am taking every possible opportunity to promote a renewal of the mindset among NTV employees and calling for a fundamental paradigm shift. Because we are building a foundation for competition of the sort we have never before experienced, speed has become paramount. To chalk up steady results, however, we are forging ahead guided by the motto, “Make haste at our own pace, act swiftly without panic.”

NTV's major strengths include its talent as a content creator, on par with that of major production companies in Hollywood, and the ability to coordinate how, when and through what transmission platforms content will be delivered in order to maximize its value. I am proud to say that NTV is a leader among Japanese broadcasters in these areas.



Our Present Calling as a Television Company

Although technically “commercial broadcasters,” we in the television industry also bear a responsibility to the public. The unique nature of television is its power to convey the same information to a vast multitude of people at the same time, exemplified by its unrivalled capacity to instantaneously communicate news during major disasters. Although the Internet, telecommunications and a variety of businesses can perform similar functions as broadcasting, the public responsibility that stems from the power to transmit identical content all at once lies firmly in television's



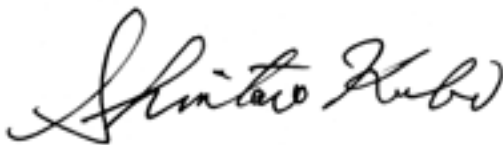
domain. Indeed, our capacity to feed a coherent message simultaneously to 40 million-plus households through 100 million “image receivers” is a competitive strength—made even more prominent by the current conditions of unbounded competition.

As a result of our public nature, we have amassed a reserve of information and wisdom regarding content screening and viewer responses, which in turn have helped us build relations of trust with viewers and advertisers alike. I would like us to renew our awareness and appreciation of the significance of continuously delivering programs over the most stable frequency band in mass media. It is important that we see in a fresh light the essence of broadcasting— the convergence of hardware and software, human talent and management resources to accomplish a truly amazing feat. Rediscovering this perspective, we will make every effort to raise our performance.

Drawing upon our unsurpassed content-creation abilities, the NTV Group will work to combine broadcast-centered mass media with interactive media driven by digital technology, and evolve into a comprehensive media company.

“Total success,” or preeminence over all transmission platforms of the video-image culture, is the mission that NTV unceasingly endeavors to fulfill.

We thank our shareholders and all of our stakeholders for their recognition of our true potential, and ask for your continued trust and support.



A handwritten signature in black ink, reading "Shintaro Kubo".

Shintaro Kubo
Representative Director and President
Nippon Television Network Corporation

