



Interview with President Kubo: Scope and Content of the New Medium-Term Management Plan

At the end of the fiscal year ended March 31, 2007, NTV reassessed its Medium-Term Management Plan, which commenced in the previous year, and elected to introduce a new plan in May 2007 to continue from the year ending March 31, 2008, through the year ending March 31, 2010. We asked President Shintaro Kubo about the new plan's content and objectives.

What parts of the new plan have been modified from the previous version?



There are no changes to the Group's long-term management vision of becoming a total media corporation or its medium-term goals of absolute success: No. 1 in broadcasting sales, No. 1 in content delivery, No. 1 in non-broadcasting revenue sources and No. 1 in delivering customer satisfaction. Only the numerical targets have changed. The previous plan presupposed that advertising revenue

would expand to cover a predicted 1% rise in advertising expenditures. We have revised this estimate, this time assuming that customer spending on television advertising would lag the Japanese economy's overall growth. In pursuit of further expansion, we have set high revenue targets for non-broadcasting businesses, which are growing rapidly.



■ Numerical Targets for the New Medium-Term Management Plan

(Billions of yen, unless otherwise noted)

	FY2006 Performance	FY2009 Target	Comparison with FY2006	Growth (APR)
Consolidated net sales	¥343.7	¥426.0	+ ¥82.4	+7.4%
Television broadcasting segment revenue*	267.5	316.0	+ 48.5	+5.7%
Broadcasting revenue	246.5	280.0	+ 33.5	+4.3%
Non-broadcasting revenue*	76.1	110.0	+ 33.9	+13.1%
Recurring profit	34.1	46.0	+ 11.9	+10.5%
RP margin	9.9%	10.8%	+0.9 ppt	—
Television broadcasting segment revenue as a proportion of net sales	77.8%	74.2%	-3.6 ppt	—

*Television broadcasting and non-broadcasting revenue exclude intersegment sales and transfers.

Please explain the background and purpose of formulating a New Medium-Term Management Plan at the end of the previous plan's first year.



The existing plan was revised in response to changes in the external environment, reflecting the bustling broadcasting industry with its daily institutional and

technical changes. Digital technology, in particular, is advancing far more rapidly than we had predicted. In step with these changes, the fusion of broadcasting and telecommunication is prompting more non-broadcasting companies to launch broadcasting-like ventures. The Japanese government is also being forced to make institutional changes to utilize airwaves effectively. These moves, of course, substantially affect the business and revenue of licensed companies, such as NTV and other television

networks. Moving into the digital multichannel era will enable interactive broadcasting, and as we employ broadcast satellite (BS) and communications satellite (CS) broadcasting naturally we must revise our plans in response to changes in our environment. We hope to continue revising the plan as needed even during its implementation by conducting internal monitoring every six months.

I believe it will be difficult to regain and maintain the top position in the industry without promptly making decisions to respond to rapid changes in the business environment and making the necessary structural reforms accordingly.

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What challenges does NTV face in achieving its new goals?



I recognize that in the year since launching the previous management plan the Company has gained an understanding of its direction. The question now is how quickly we can implement these plans. I believe we must institute daring reforms and concrete measures with a sense of urgency.

We have set high numerical targets for the New Medium-Term Management Plan under the banner of “Total Success of the

Four No. 1s.” These numbers have been back-calculated based on the market share from the period when NTV was the leading company. Underscoring this commitment, to both internal and external audiences we are communicating NTV’s aim of quickly retaking its lead in viewer ratings and eliminating the gaps between current and target figures.

What specific measures are in the plan?



The New Medium-Term Management Plan spells out six key measures.

For broadcasting revenue recovery, NTV will continue to reexamine programs that have experienced drops in viewership. Bold programming improvements include our decision to reduce broadcasts of this year’s Yomiuri Giants games. The Company also intends to release a steady stream of novel and inventive programming.

To enhance overall revenue for non-broadcasting segments, rather than entering totally new fields we will pursue deployment tied with terrestrial broadcasting and other programming. For this purpose, we reformed the corporate organizational structure by setting up digital content, film and content promotion centers within the Programming Division to effectively use the same content in variety of ways. With little chance of major growth in the television advertising market, the Company will strengthen its media commerce, licensing and film businesses and boost other non-broadcasting revenue sources.

In promoting multiple contact points, the Company aims to create an environment where NTV is viewable anytime, anywhere, whether at home, out and about or on the train. The Company’s cutting-edge efforts on multiple contact points earned it the Mobile Project Award 2006 and other third-party praise, along with many requests for lectures and seminars. The programs and information NTV transmits are now accessible through an array of methods in locations and at times previously

unavailable. We will develop a business model that applies research and development results for solid revenue as we move from research to business applications.

NTV is planning a major project in 2008 to commemorate its 55th anniversary—the first network to reach this watershed. Television networks in Japan are this country’s Hollywood in the sense that they overwhelmingly control content production. We would like to deliver a memorable, unprecedented program demonstrating the predominance of television networks in Japan, notably NTV, by showing terrestrial broadcasting stations’ ability to produce content and transmit programming and information.

To improve the Group’s competitiveness, NTV aims to better utilize content across the Group to boost revenue. To accomplish this goal, the Company is reorganizing the Group into value-enhancing and profit-generating areas, using cost and business synergies to build a more profitable framework.

Concerning compliance and social responsibility, the Company’s obligations as a terrestrial broadcaster are greater than in the past, owing to the continued emergence of visual media and related businesses as well as changing information infrastructures. NTV will work to enhance viewer trust by ensuring that management and employees are constantly aware of the magnitude of influence afforded by the power to transmit the same information to some 40 million households at one time.

Please explain the Company's policies regarding dividends and other returns to enhance shareholder value.



Interest in dividends has surged as the securities markets in Japan become more attentive to general investors. In light of such new realities, two years ago the Company put forward a dividend policy with a payout ratio of 33% (¥150 minimum). NTV has not cut base dividends since that time, even

during years of additional commemorative dividends. We intend to do our utmost to meet shareholders' expectations by increasing NTV's corporate value.

Finally, please elaborate on the market trends and forecasts for the year ending March 31, 2008.



We anticipate competition for broadcasting revenue to remain stringent, offering little opportunity for substantial growth in television advertising

expenditures. The Company places importance on delivering hard-hitting programming that alerts sponsors to the media potency of terrestrial television broadcasting. Particularly in the year ending March 31, 2008, with its marked absence of events on the scale of the Olympics or the FIFA World Cup™, we plan to deliver high-quality major and regular programming that demonstrates the power and scale of terrestrial broadcasting.

Although households using television (HUT) figures have declined during the past one or two years, I would like to dispel the notion that fewer households are watching television. This misconception is a major theme concerning media value transfer at television networks. Although HUT has decreased during "golden time" (from 7 p.m. to 10 p.m.), this is simply a result of viewership shifting to late-night and early-morning times. In no way does this figure indicate a drop in the number of viewers. "1-SEG" services and other viewing options besides home television sets are also becoming increasingly available. The Company will thoroughly research how viewer access to television changes in the fiscal year ending March 31, 2008, striving to bring in revenues through programming that meet sponsors' needs.

Among non-broadcasting revenue sources, our primary challenge lies in turning the ability to interlink television programs and transmission to mobile phones with revenue-

generating business. This is amid predictions that "1-SEG" services will reach 10 million units during the year ending March 31, 2008, and automotive and other mobile receivers will surpass 10 million units in the near future. We are considering a number of potential ways to turn this availability into paying business. We will invest boldly in this area, formulating new operating schemes and tackling this opportunity vigorously.

NTV created a new revenue stream in the previous fiscal year by launching a news transmission business for trains in the Tokyo area. Currently these transmissions are pre-recorded, but it is technically possible to transmit live content to trains and buses. The Company has already completed experimental demonstrations of live content transmission and considers establishing this business model another important challenge for the year ending March 31, 2008.

The Company will employ the filmmaking expertise gleaned through production of the hit film *DEATH NOTE* to increase movie revenues. We will also improve broadcasting revenue by pouring resources into our media commerce business, which recorded 3.1 times higher net sales in the year ended March 31, 2007 than in the preceding fiscal year.

NTV will continue giving full play to its content production capabilities—the Company's greatest strength—to enable people all over the world to access NTV content anywhere, at any time.

Note: Households using television (HUT) is the ratio of the number of households viewing television at the time a survey is conducted to the total number of viewing households.