

NTV's Multicontact-Point Growth Strategy: From Television Station to Comprehensive Media Company

Television stations started digital terrestrial broadcasting in 2003 in anticipation of the cessation of analog terrestrial broadcasting in 2011. With the changeover, television programs are being recorded digitally, enabling easy deployment of program content to all manner of digital video devices. Technological innovation in the broadcasting and telecommunication industries continues advancing at a feverish pace. The recent rapid popularization of mobile phones with "1-SEG" capabilities allowing television viewing and the emergence of server-fed broadcasting and VoD services have dramatically increased viewing opportunities for video media. For television stations—Japan's largest video content producers—this represents a major, long-awaited business opportunity. NTV is launching content distribution businesses for all types of video devices. The Company also aggressively pursues media commerce, film and copyright businesses as it evolves into a comprehensive media corporation by uniting mass media and interactive media.



NTV Anytime, Anywhere

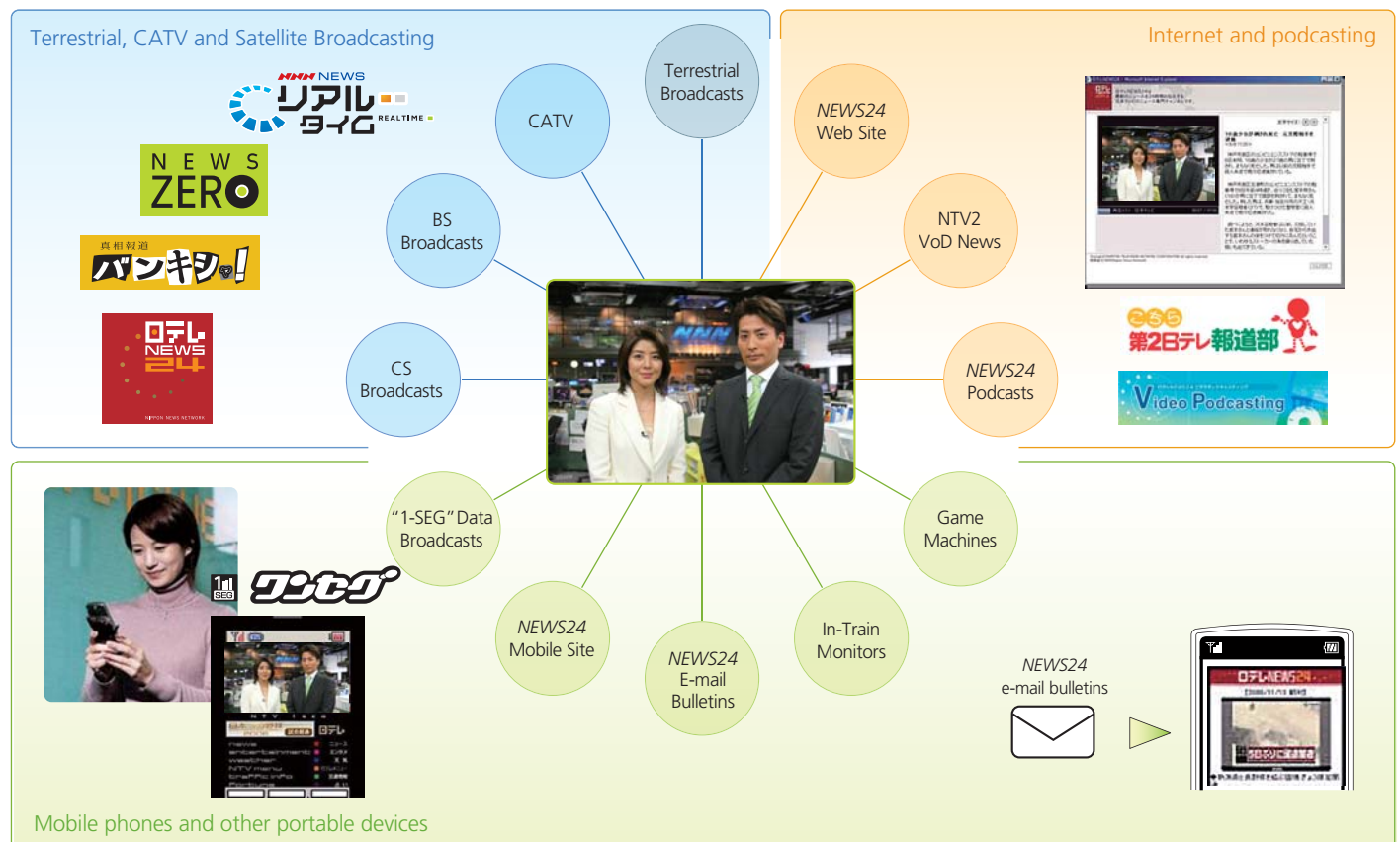
The emerging array of video devices represents a tremendous business opportunity for NTV, which counts original content production as its strongest capability. The Company's business opportunities have multiplied from the single contact point of home television to the Internet, mobile devices and game machines, as well as displays on trains, in train stations and on large outdoor screens. In this way, a marketplace previously limited to a 24-hour daily timetable is expanding without end. NTV's future growth rests on how many opportunities the Company can create to expose viewers to its content. With this in mind, NTV is promoting a multicontact-point strategy to realize an environment where people can watch NTV anytime, anywhere. We are expanding multiuse deployment of content and building business models for each video device, yielding substantial yearly increases in broadcasting revenue other than terrestrial television broadcasting.

News programs are currently at the vanguard of the Company's multicontact-point strategy. NTV is building an advanced system that is difficult for other stations to imitate, by distributing video content through satellite broadcasting, the Internet, mobile phones and home game machines, as well as digital monitors in train cars on the JR Chuo Line.



NTV NEWS24 showing inside a JR Chuo Line train

■ The Evolution of Multicontact-Point News Broadcasts



NTV's Multicontact-Point Growth Strategy



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RADICUL X POSHLET

Using Content Multiple Times

NTV's film business is also generating major results through the multiple use of content. The smash hit film *DEATH NOTE* showed in a new two-part format, the prequel being broadcast on terrestrial television prior to the cinematic release of the sequel. The link with television proved highly effective, with terrestrial broadcast ratings reaching 20% and box office receipts for the sequel doubling that of the prequel. The film also set records in DVD sales and overseas editions with secondary-use content.

NTV took a new approach for animation and drama series from February 2006 by funding production costs for the programs through D.N. Dream Partners, a limited liability partnership between NTV and NTT DoCoMo, Inc. The business model involves producing works with multiple uses in mind: first broadcasting the programs on terrestrial television, then using the content a second time for DVDs and a third time for merchandise sales. This model effectively limits production costs as it is based on recovering proceeds through total sales.

NTV's media commerce business is generating steadily rising sales through a new format linking information programming with television-based shopping.

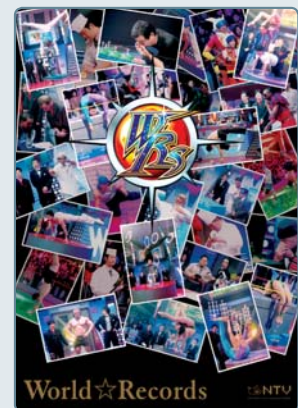
The potential of multiuse is far from exhausted. NTV will continue to expand its businesses by utilizing the Company's content production and media capabilities in all their forms.

Selling High-End Program Formats Overseas *Masquerade* Earns Top Ratings in France

NTV also sells its program formats (production expertise and ideas) overseas. In July 2006, TF1—France's largest commercial broadcaster—aired a French version of *Masquerade*, garnering high ratings of 34.7% and towering over all other programs in the time slot. The project enjoyed extensive coverage by the local media, resulting in offers to NTV from other countries as well. The Company supplied program production expertise and other information to TF1 and dispatched program staff to France for editorial supervision.

To strengthen format sales in the United States, in May 2006 NTV also concluded an agency agreement with International Creative Management, Inc. (ICM), a total entertainment management company based in Los Angeles. While programs with formats supplied by NTV, such as *Master of Champions* (broadcast by ABC of the

United States and called "World☆Records" in Japan), are already being aired in the United States, we intend to develop and sell program formats worldwide through the extensive human network and expertise of ICM.



New Broadband Deployment

■ NTV2

NTV2 launched in October 2005 as the first Internet video delivery service implemented primarily by a terrestrial television station. The service separates itself from other VoD services by focusing on content more closely linked with news programs and other terrestrial television broadcasts, in addition to original content. With 589,044 registered users as of March 31, 2007, the service operates on fee-based content and free content with advertising revenues from sponsors.

In the year ended March 31, 2007—NTV2's second year—the service gained popularity by reinforcing tie-ins with terrestrial broadcast programming and featuring behind-the-scenes looks at a number of drama and variety programs, as well as other unaired content. Such popular programs as *24-Hour Television* have further raised interest by distributing special video footage. NTV2 continues to grow as a service supported by a broad user base, with such additions as a video contribution service, which has been attracting attention recently.

■ "1-SEG" Services

"1-SEG" (one-segment) services enable viewing of digital terrestrial broadcasts with mobile devices. "1-SEG" mobile handsets not only display televised images clearly, the device's specifications enable tie-ins between television and Internet services. NTV seeks to quickly develop the handset specifications and basic service models that will underpin its "1-SEG" business, going on to develop and offer a variety of services that maximize the advantages of "1-SEG." In the example of *Professional Baseball 2007*, we datacast scores and other content that changes as games progress, whereas player directories and other services requiring database searching are placed on the Internet. In this way, NTV's services embody a composite television and Internet approach.

Such efforts have been lauded from many quarters, including recognition in the Mobile Project Awards 2006—a first for a television station—and selection in the Mobile Computing Promotion Consortium (MCPC) Awards 2007.

Simultaneous broadcasts of images identical to television broadcasts are currently mandatory for "1-SEG" services. However, NTV is actively developing independent content and creating business models for advertising and other revenue sources in anticipation of the lifting of the simultaneous broadcasting requirement.



NTV2



"1-SEG" service + data broadcasts



Internet

Key Person Interview 01

Programming Strategy to Boost Television Media Value

Yoshinobu Kosugi, Director General, Programming Division



NTV is making sweeping changes to the timetable to seize the No. 1 position in ratings.

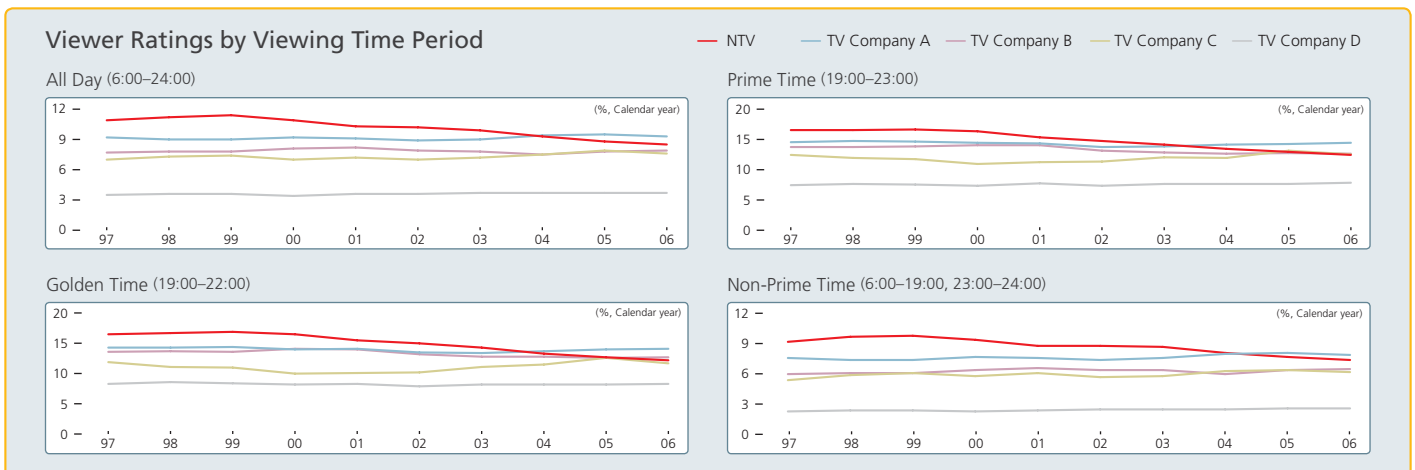
Since last year, NTV has completely reworked its timetable to improve ratings, but rather than simply increasing ratings our central aim is to produce more programs that resonate with the core target group ranging from 13 to 49 years of age and enable us to generate greater broadcasting revenues.

For spring 2007 (April) programming, NTV restructured its golden and prime time periods by replacing more than 33% of the programming—a reorganization on a scale unheard of in recent years. This move greatly enhanced our Saturday and Sunday ratings. For autumn 2007 (October) programming, we plan to further revise the golden and prime time periods based on the outcome of the recent reorganization. For spring 2008 (April) programming, NTV will bring the reorganization toward completion, seeking to retake the No. 1 position in ratings by once again revising the time period, taking into account the overall results of the previous year.

We promote program production that satisfies four groups of people.

In the Programming Division, we strive to fill the timetable with programs that viewers are glad to have watched, sponsors are glad to have advertised in, performers are glad to have acted in, and production companies and staff creators are glad to have produced.

We aim to return to the roots of program production and foster a companywide awareness of why our programs should have high ratings. In recent years, we have seen a conspicuous trend by all stations to attempt to raise ratings through such methods as stringing viewers along with endless cliffhangers. Such tactics undermine the public's trust in television media overall. We clearly indicate that our goal is not ratings themselves, but that ratings are simply a means to enhance NTV's brand value and business performance. We therefore seek to enrich our content for greater viewer trust.



NTV also intends to implement more projects that draw attention and praise from outside the Company, to raise production staff morale and spur creativity. During summer vacation this year, a joint campaign focused on thinking about education and school is being conducted across a variety of NTV programs. The month-long, stationwide campaign is an industry first. We aim to cultivate a corporate environment and culture that steadily produces original content by actively developing such frameworks.

The Company will actively release programs with multiple uses in mind.

NTV produces a variety of programs that are designed to be used more than once, with project funding from a limited liability partnership between NTV and NTT DoCoMo, Inc. In June 2007, we broadcast *Galileo's Gene*, the first golden time program created from a multiuse standpoint. The new project drew attention for its multiple tie-ins with mobile devices, publishing and DVD sales. In late-night time slots we are also broadcasting drama and variety programs specifically designed for secondary use. Overseas programs and DVD sales of animation titles *DEATH NOTE* and *NANA* are performing very well, and we will continue to produce works that consider deployment after broadcast.

From January 2008 to March 2009, NTV will implement its 55th Anniversary Plan, broadcasting commemorative programs and holding special events. We are currently making preparations for the plan and creating highly original projects bearing the stamp of NTV's uniquely ambitious and inventive character. To mark this event, we intend to broadcast programs unlike any that have been seen in the past 55 years of television history.



The "Gakko te nani?" campaign



Scene from the strong-selling *Downtown no Gaki no Tsukaiyaarahende!!* DVD

Toward Full Deployment of "1-SEG" Business Launch of "1-SEG" Project 2007

In the year ending March 31, 2008, the "1-SEG" mobile device base is expected to reach 10 million units and continue growing rapidly thereafter. Independent "1-SEG" broadcast services will also likely be allowed soon. During the year, NTV launched the "1-SEG" Project 2007, led by the Programming Division Director General. We will leverage our expertise and results in "1-SEG" to achieve service, programming and business models befitting NTV. We seek further growth by developing independent broadcasting content that utilizes "1-SEG's" media advantages and new sales promotions that link broadcasting and telecommunications, spearheading independent broadcasts as the leading "1-SEG" company.



Key Person Interview 02

Business Strategy in the Multimedia Age

Shinji Takada, Director General, Sales Division



NTV must quickly develop new data on viewership in response to changes in the viewing environment.

In recent years, as companies focus on cost-effective advertising spending, television advertising expenditures have remained sluggish. This situation does not imply that television has lost its influence as a medium, but indicates that the marketing data showing the effectiveness of television advertising is insufficient, making it difficult for sponsors to secure the necessary funds.

Japan is a leader in television viewership, and viewers watch television via a variety of digital devices, including computers, mobile phones and hard disk drives. However, viewer ratings—considered the most important indicator for the television industry—measure only real-time viewing of household television sets. I believe we first have to create new market data that reflects the current viewing environment. We need to supplement conventional rating data with the tracking functions and interactivity of the Internet, building marketing systems led by television advertising. This new data should demonstrate that advertising on NTV generates high numbers of Web site hits, purchase rates and contract success rates, thereby increasing our advertising revenues.

We will expand broadcasting revenues by targeting sponsors' non-advertising budgets.

NTV offers new projects that sponsors find attractive and effective as we seek ways to draw from every fiscal resource, including budgets for promotional costs, Internet expenses and other non-advertising funds. We also promote changes in awareness among our production staff to maintain the perspective of how a given program will produce revenues and what value can be added during production.

In February 2007, NTV broadcast nationwide a program sponsored by Recruit Co., Ltd., in which television personality Jicho Kacho introduces Recruit client companies. This program was funded not from Recruit's advertising and promotional budget, but out of its hiring budget. This approach tapped an entirely new financial resource, and the sponsor found the project intriguing. We are taking on a steady stream of similar challenges.

Cutting-Edge Cross-Media Multiuse Project Broadcast of *Galileo's Gene*



Galileo's Gene

On June 14 at 7 p.m., NTV broadcast *Galileo's Gene*, a two-hour science variety program. This completely new kind of science variety program introduced mysterious theories from around the world unexplained by everyday modern knowledge or science and presented a \$10,000 research grant to the researcher whose theory was judged most "impossible" by viewer votes submitted via mobile phone.

NTV began distributing digest images of each theory on an official mobile site, *MY Nittele*, in April—prior to the broadcast—accepting viewer votes by mobile phone until the day the program aired. The day after the broadcast, the Company quickly released a program DVD and began selling related books on June 30. This unprecedented, multifaceted cross-media approach entailed stirring interest via mobile phone, airing the program and providing follow-up entertainment through DVDs and books.

NTV will continue to offer new content services that link broadcasts and telecommunications.

Key Person Interview 03

The Power of a Film Business Undertaken by a Television Station

Seiji Okuda, Deputy Director General, Film

NTV develops its film business through a production committee system.

The production committee system is a film production approach unique to Japan, wherein a committee is formed for each film and a number of companies participate in and contribute capital to the project. Films do not easily produce profits through box office receipts alone. Under the production committee system, however, profits are realized after several years because the films are designed to recover proceeds from merchandise and DVD sales, television broadcasts and other multiuse prospects. The system's high profit potential for hit releases has recently prompted NTV to infuse more capital to produce more works as the lead manager of the production committee. This person is the core of the committee, contributing to planning and production and controlling various rights. Production is the natural forte of a television station, and in the third year of NTV's serious foray into the film business—after repeated trial and error—the Company has produced major hits like *ALWAYS—Sunset on Third Street* and *DEATH NOTE*.

DEATH NOTE exemplifies a successful television tie-in. The division of the movie into two volumes shown separately was unprecedented in the film industry. The first volume was specially aired during *Friday's Movie* time slot before the theatrical release of the second volume, a strategy that bolstered both viewer ratings and box office receipts. In the future, NTV intends to make significant advances in its film business through efforts that include film versions of drama series.

Films offer a variety of ripple effects besides providing revenue.

Films are inherently suited to multiuse deployment. Their primary use comes in theatrical releases, after which the works can be propagated in almost any form, commonly used again in video and DVD form, sold overseas, televised terrestrially and by satellite and linked with Internet content. Moreover, film copyrights last 70 years, so long-term simultaneous revenue streams are possible. NTV-produced films shown outside the scope of terrestrial broadcasting also play a significant role in public relations and investor relations through exposure to a wide range of people around the world.

Furthermore, such films serve to export Japanese culture. 2005's *ALWAYS—Sunset on Third Street* earned plaudits for its depiction of Japanese lifestyles, culture and ways of thinking, receiving numerous film awards in Japan and overseas.



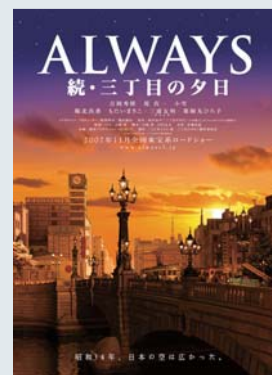
A Collection of High-Profile Films

Five Major NTV-Led Works Showing in the Year Ending March 31, 2008

NTV is heading up the production committee for five films released or to be released during the business year: *TOKYO TOWER—Mom & Me, and Sometimes Dad*—in April, *Maiko Haaaaan!!!* in June, *ALWAYS—Sunset on Third Street 2* in November, *A Tale of Mari and Three Puppies* in December and *Spinoff L* in February. *Maiko Haaaaan!!!* is an ambitious project that includes special promotional spots at kiosks, the commercialization and sale of *Ansan no Ramen* made by the main character and a variety of other corporate tie-ups. *ALWAYS—Sunset on Third Street 2* follows the original film, which won 12 of 13 awards in the 2006 Japan Academy Prizes. *Spinoff L* is attracting considerable attention from Hollywood as a spinoff of the film *DEATH NOTE*.

Focusing on these five NTV-led films, the Company aims to bring a total of 12 million people to theaters.

Note: Titles indicated above are provisional, and may change.



ALWAYS—Sunset on Third Street 2
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