

# Overview of NTV



# Japan's Television Broadcasting Industry



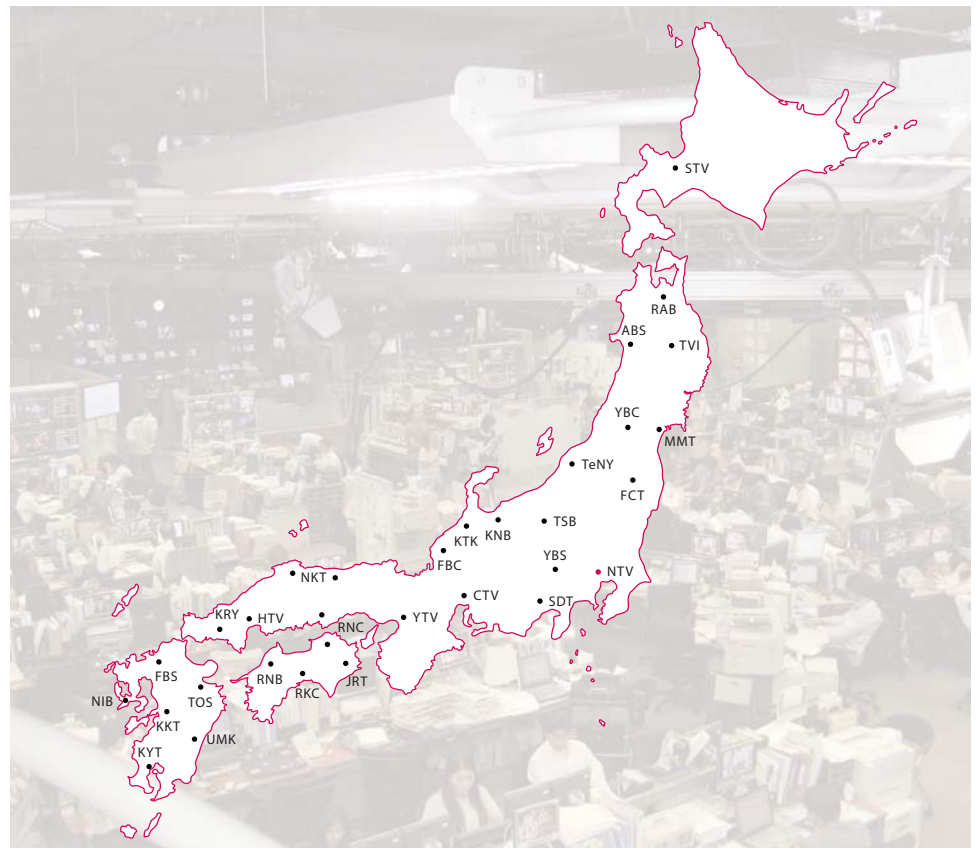
## Building a Broadcasting Network Spanning Japan

**The effectiveness of terrestrial television broadcasting far outstrips other advertising media.**

Commercial terrestrial television broadcasters in Japan each have broadcasting regions specified fundamentally by prefectural and regional authorizations. National commercial broadcasters (excluding NHK, which is a national public broadcaster) consist of five key stations in Tokyo. Beneath each of these stations are associated regional and local stations that form individual nationwide networks. The regional and local stations sign network agreements with their key stations and form cooperative relationships in news, programming and other business activities. Pursuant to the Mass Media Decentralization Rules, each local station currently operates with independent capital. However, the enactment of the revised Broadcast Law in April 2008 has allowed for stations to become approved broadcast holding companies under certain conditions designed to ensure diverse broadcasts closely tied with local communities.

These network stations all across Japan, along with the equipment required for airwave broadcasts, enable free viewing of high-quality commercial television programming anywhere in Japan, if viewers simply install an antenna. Terrestrial television broadcasting can therefore transmit the same information to some 40 million households at the same time through 100 million receivers nationwide. This makes terrestrial television broadcasting the most effective advertising medium for marketers.

□ NTV Network Stations (Japan)



## Major Revenue Sources for Commercial Television Broadcasters

### Revenue opportunities are diversifying, centered on advertising revenue.

Commercial television broadcasters in Japan derive their revenues mainly from broadcasting sales, specifically the fees paid by sponsors for airing commercial messages (CMs), which are broadly classified into two types: time ads during designated programs and spot ads between programs. The broadcasting industry voluntarily limits CMs to 18% of total weekly air time. The minimum CM lengths are 30 seconds for time ads and 15 seconds for spot ads.

The two types of CMs are also sold in different ways. Time ads are normally sold through six-month contracts with sponsors, with continuation confirmed and fees renegotiated in April and October. Clients cannot place ads during their favorite programs unless slots are available. In spot ads, clients submit their desired broadcast periods, time slots and ad prices through their advertising firms, and the CM broadcast schedule is drawn up accordingly.

A growing new revenue source for television stations recently has been non-broadcasting revenue, such as media commerce, films and events. In this way, revenue opportunities centered on content are becoming more diverse.

## Japan's Largest Content Providers

### TV stations in Japan are engaged in all programming aspects, from planning to broadcasting.

Although in the United States, program production, scheduling and distribution by broadcast and other means are each normally handled by different business entities, television stations in Japan plan, produce, schedule and broadcast their programming all on their own. The comprehensive nature of television stations in Japan makes them truly the country's largest content providers.

Recently, stations have taken advantage of the copyrights they hold on their in-house content to create film versions of drama and animation series and to distribute content via the Internet. Through such aggressive multiple content development, the stations are further advancing as content providers.

## Launch of Digital Terrestrial Broadcasting Broadens Scope of Television Station Business

### Revised Broadcast Law enables independent program scheduling for "1-SEG" broadcasts.

Digital terrestrial broadcasting was launched in Japan in 2003. Compared with the old analog broadcasts, digital broadcasting offers more channels with higher image and sound quality, and enables television broadcasts ("1-SEG" services) to mobile phones and other portable devices.

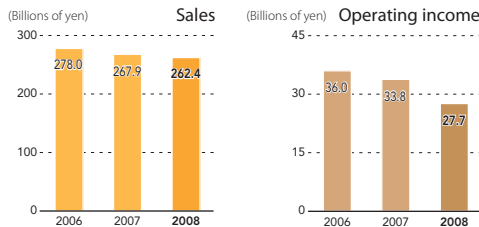
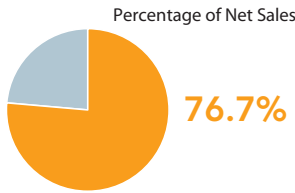
"1-SEG" is a broadcasting service that allows mobile device users to enjoy television broadcasts free of charge, just as they do with their home television sets, as well as interactive services that employ datacasting and communication functions, and services linked to the Internet. Although simultaneous broadcasts of images identical to terrestrial television broadcasts were previously mandatory for "1-SEG" services, the enactment of the revised Broadcast Law in April 2008 now enables independent program scheduling. Handsets equipped to receive "1-SEG" broadcasts are also rapidly gaining popularity. The arrival of this new form of media is driving continued expansion of business prospects for television stations in Japan.



# NTV at a Glance

Nippon Television Network Corporation and Consolidated Subsidiaries  
Years Ended March 31

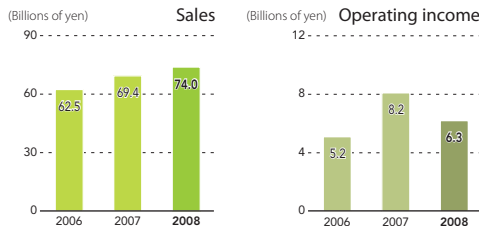
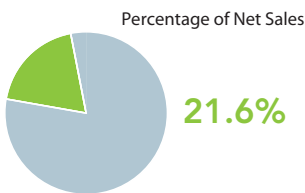
## Television Broadcasting



Since going on the air in 1953, NTV was the first commercial station to air color broadcasts, multiplex broadcasting, digital terrestrial broadcasting and many other technological innovations. More than 90% of the programming in our timetable is produced in-house, and by broadcasting this content over our nationwide network, we derive revenues from sales of broadcasting time to advertisers and sales of programs.

NTV broadcasts news, variety shows and dramas, as well as animation, sports and a host of other content according to a total programming timetable. We consistently earn kudos from viewers and sponsors alike.

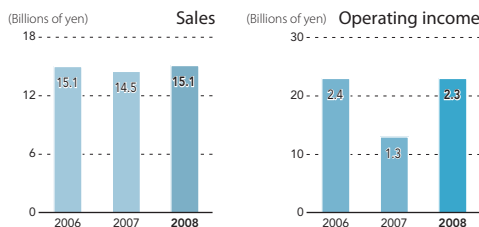
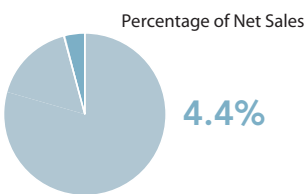
## Cultural Activities



NTV produces and releases films, sponsors art exhibitions and concerts; holds sporting events; operates a television shopping business; publishes and sells publications; plans and produces music and music videos; operates a licensing business; produces and sells merchandise; and plans and sells musical and video recordings on CDs, DVDs and other media.

Among these activities, the film business has generated numerous hits, such as *Ponyo on the Cliff by the Sea*, *Twentieth Century Boys* and *DEATH NOTE*. Multiuse content development is being linked more closely with the broadcasting business and plays a very important role in NTV's business.

## Other



Other businesses involve commercial tenant and office building leasing and management, sales of novelty goods, comprehensive management of buildings and other structures, management of a professional soccer team and Internet-related services.

We are also involved in the broadband business, production and sale of art exhibit-related goods, operation of recording studios, provision of district heating and cooling systems and market research on overseas television and radio broadcasting.

## NEWS ZERO



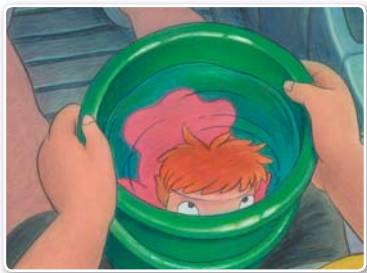
Since first airing in 2006, *NEWS ZERO* has continued to steadily advance in ratings and enjoys strong support from young viewers, including teenagers. Praised for its attention to medical issues and politics, the program refines on a daily basis the concept of using innovative methods to make issues easy to understand.

## Sekai no Hate Made ItteQ!



The members of *ItteQ* travel to the ends of the earth in search of an answer to a simple question such as, "Can lava grill meat?" The adventure-variety program is gaining popularity with its illumination of natural science and exploration of rarely visited areas of the world.

## Ponyo on the Cliff by the Sea



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The first film by director Hayao Miyazaki since his smash hit *Howl's Moving Castle* four years prior. The story depicts the friendship and adventure shared by the fish girl Ponyo and a human boy. The attention to hand-drawn animation makes this work stand out in the currently CG-dominated field.

## Anpanman



© TAKASHI YANASE / FRÖEBELKAN · TMS · NTV

It has been 20 years since *Anpanman* first aired in 1988. By 2009, more than 1,000 episodes will have broadcast. A number of theatrical versions have been produced and released, and sales of character merchandise are booming. To enrich business activities in the digital arena, in 2008 we established a limited liability partnership to enhance the *Anpanman* digital content business.

## Tokyo Verdy



Formed in 1969, *Tokyo Verdy* has returned to Division 1 of the J. League (J1)—Japan's foremost soccer league—as this season's top team, and five members of the women's team NTV Beleza were selected to represent Japan in the Beijing Olympics, driving Japan's ascendance to the top four.

## Other Businesses



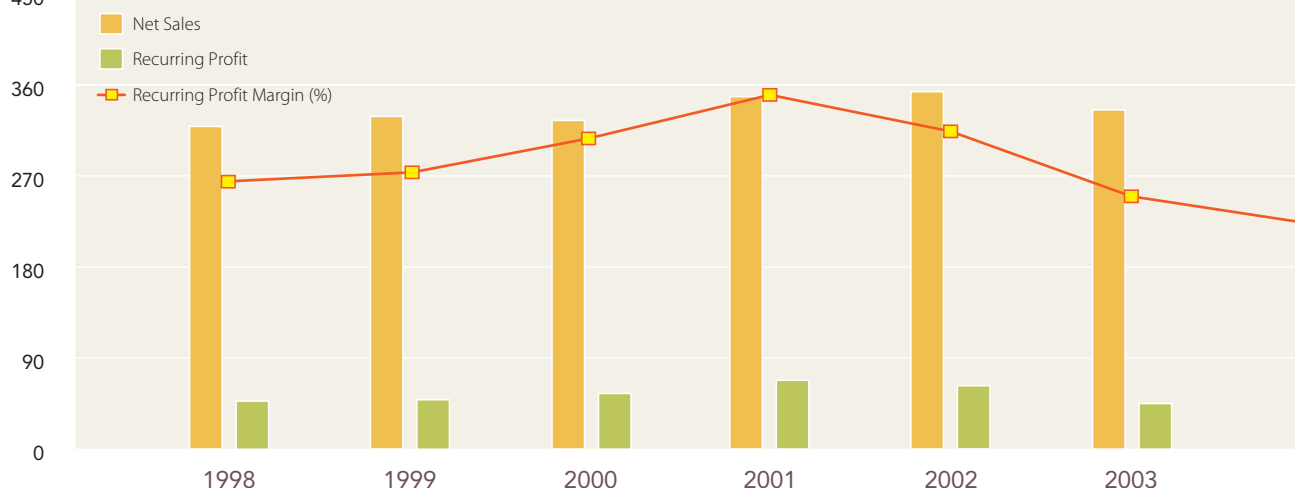
In addition to providing the latest video news and other content for mobile phones, NTV distributes fee-based video content over the Internet and conducts tenant management for restaurants, retail stores and offices, as well as building management.

# Eleven-Year Financial Summary

Nippon Television Network Corporation and Consolidated Subsidiaries  
Years Ended March 31

(Billions of yen)

450

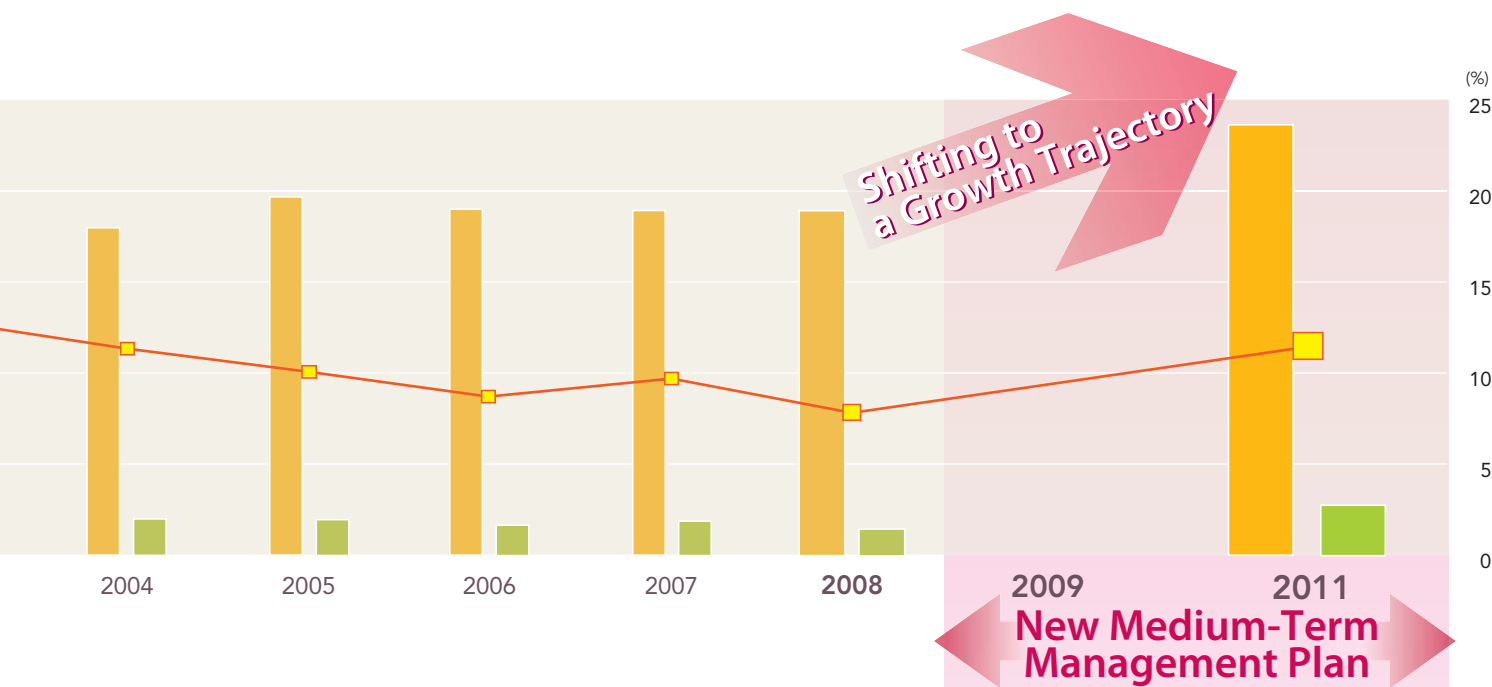


(Millions of yen)

|   | 1998      | 1999       | 2000       | 2001       | 2002       | 2003      |
|---|-----------|------------|------------|------------|------------|-----------|
| <b>Years ended March 31:</b>                  |           |            |            |            |            |           |
| Net sales                                     | ¥ 323,956 | ¥ 330,976  | ¥ 328,014  | ¥ 352,409  | ¥ 358,683  | ¥ 336,299 |
| Television broadcasting segment revenue       | 275,562   | 273,787    | 283,142    | 310,242    | 304,392    | 294,517   |
| Non-broadcasting revenue                      |           |            |            |            |            |           |
| Operating income                              | 48,284    | 48,981     | 54,351     | 67,303     | 63,574     | 47,407    |
| Recurring profit                              | 48,323    | 49,920     | 56,115     | 68,089     | 62,662     | 46,332    |
| Net income                                    | 24,230    | 25,921     | 34,003     | 36,008     | 34,648     | 20,296    |
| Depreciation                                  | 6,063     | 6,077      | 6,269      | 6,521      | 6,045      | 5,854     |
| Capital expenditures                          | 5,763     | 6,801      | 9,017      | 11,157     | 34,364     | 30,044    |
| <b>At March 31:</b>                           |           |            |            |            |            |           |
| Total assets                                  | ¥ 338,797 | ¥ 316,758  | ¥ 364,896  | ¥ 410,042  | ¥ 443,798  | ¥ 476,634 |
| Total equity <sup>1</sup>                     | 185,502   | 209,239    | 253,912    | 291,501    | 323,319    | 327,116   |
| <b>Cash Flows:</b>                            |           |            |            |            |            |           |
| Cash flow from operating activities           | —         | —          | ¥ 42,152   | ¥ 45,549   | ¥ 38,891   | ¥ 25,981  |
| Cash flow from investing activities           | —         | —          | 19,241     | (21,701)   | (48,773)   | (37,393)  |
| Cash flow from financing activities           | —         | —          | (24,900)   | (2,432)    | (3,165)    | 22,464    |
| Cash and cash equivalents, end of year        | —         | —          | 62,754     | 84,065     | 70,951     | 81,944    |
| <b>Per share data (Yen):</b>                  |           |            |            |            |            |           |
| Net income <sup>2</sup>                       | ¥ 955.58  | ¥ 1,022.28 | ¥ 1,341.04 | ¥ 1,419.96 | ¥ 1,366.34 | ¥ 801.99  |
| Equity  | 14,631.67 | 16,504.41  | 20,025.50  | 11,495.33  | 12,750.14  | 13,102.25 |
| Cash dividends <sup>2,3</sup>                 | 67.50     | 70.00      | 80.00      | 120.00     | 120.00     | 120.00    |
| <b>Ratios (%):</b>                            |           |            |            |            |            |           |
| Return on assets (ROA)                        | 7.2       | 7.9        | 10.0       | 9.3        | 8.1        | 4.4       |
| Return on equity (ROE)                        | 13.9      | 13.1       | 14.7       | 13.2       | 11.3       | 6.2       |
| Recurring profit margin                       | 14.9      | 15.1       | 17.1       | 19.3       | 17.5       | 13.8      |
| Equity ratio                                  | 54.8      | 66.1       | 69.6       | 71.1       | 72.8       | 68.6      |
| Television broadcasting segment revenue ratio | 85.0      | 82.7       | 86.3       | 88.0       | 84.9       | 87.6      |

Notes: \*1. From the fiscal year ended March 31, 2007, NTV adopted the Accounting Standard for Presentation of Net Assets in the Balance Sheet (Accounting Standards Board of Japan Statement No. 5) and the Guidance on Accounting Standards for Presentation of Net Assets in the Balance Sheet (Accounting Standards Board of Japan Guidance No. 8).

\*2. Calculations for the fiscal years ended March 31, 1998 through 2000, are retroactively restated for later stock splits.



|   | 2004      | 2005      | 2006      | 2007      | 2008      | 2011  |
|---|-----------|-----------|-----------|-----------|-----------|---|
| Net sales   | ¥ 328,375 | ¥ 357,614 | ¥ 346,642 | ¥ 343,652 | ¥ 342,188 | 427,000   |
| Television broadcasting segment revenue <sup>*4</sup> | 285,016   | 289,810   | 277,977   | 267,904   | 262,370   | 310,000   |
| Non-broadcasting revenue <sup>*4</sup>                | 35,937    | 34,325    | 69,400    | 76,100    | 80,300    | 117,000   |
| Recurring profit                                      | 36,800    | 35,591    | 30,014    | 34,142    | 26,705    | 50,000  |
|   | 19,359    | 16,846    | 13,701    | 18,332    | 10,625    |   |
|   | 12,676    | 21,060    | 17,561    | 14,361    | 12,939    |   |
|   | 49,761    | 9,214     | 6,266     | 6,043     | 5,200     |   |
|   | ¥ 513,430 | ¥ 493,558 | ¥ 519,952 | ¥ 529,265 | ¥ 512,507 |   |
|   | 354,046   | 366,646   | 398,018   | 411,995   | 407,668   |   |
|   | ¥ 30,520  | ¥ 49,286  | ¥ 32,683  | ¥ 31,458  | ¥ 26,791  |   |
|   | (41,596)  | (23,046)  | (24,358)  | (24,596)  | (17,301)  |   |
|   | 7,131     | (37,275)  | (15,921)  | (4,714)   | (4,124)   |   |
|   | 77,930    | 66,878    | 59,369    | 61,524    | 66,863    |   |
|   | ¥ 771.74  | ¥ 671.08  | ¥ 545.40  | ¥ 741.60  | ¥ 430.27  |   |
|   | 14,183.02 | 14,688.07 | 15,945.74 | 16,363.52 | 16,153.34 |   |
|   | 120.00    | 165.00    | 165.00    | 170.00    | 180.00    |   |
|   | 3.9       | 3.3       | 2.7       | 3.5       | 2.1       |   |
|   | 5.7       | 4.7       | 3.6       | 4.6       | 2.6       |   |
|   | 11.2      | 10.0      | 8.7       | 9.9       | 7.8       |   |
|   | 69.0      | 74.3      | 76.6      | 76.3      | 77.8      | Recurring profit margin 11.7%                       |
|   | 86.8      | 81.0      | 80.0      | 78.0      | 76.7      | Television broadcasting segment revenue ratio 73.0% |

\*3. Dividend figures include an extraordinary dividend of ¥22.5 per share in the fiscal year ended March 31, 1998; a dividend of ¥25 per share in the fiscal year ended March 31, 1999 to commemorate NTV's 45th anniversary of establishment; an extraordinary dividend of ¥35 per share in the fiscal year ended March 31, 2000; extraordinary dividends of ¥70 per share in the fiscal years ended March 31, 2001 and 2002; a ¥70 per share dividend in the year ended March 31, 2003, to commemorate NTV's 50th anniversary of establishment; a ¥70 per share dividend in the year ended March 31, 2004, to commemorate the relocation of NTV's head office; a ¥60 per share dividend in the year ended March 31, 2006, to celebrate the launch of NTV2; and a ¥30 per share dividend in the year ended March 31, 2008, to commemorate NTV's 55th anniversary of establishment.

\*4. Television broadcasting and non-broadcasting revenues exclude intersegment sales and transfers.

# NTV Business Strategies

## Multicontact-Point Strategy



### Multicontact-Point Strategy at Tokyo Marathon 2008

For the *Tokyo Metro Sports Special: Tokyo Marathon 2008*, broadcast on February 17, 2008, we employed a multicontact-point strategy of linking terrestrial television, personal computers, mobile phones and CS broadcasting.

While broadcasting live programming over terrestrial television, we used Google Maps™ on the program Web site to display a course tour map showing the position of the leading runner in real time. This enabled us to convey the tense atmosphere of the race, which doubled as an Olympic trial, from a new perspective. We also took advantage of NTV's mobile phone site, CS broadcasting and other digital media to furnish information about noteworthy sites and restaurants along the course, and a service automatically distributing video clips of each participating runner crossing the finish line, provided they enter their runner ID and finish time.

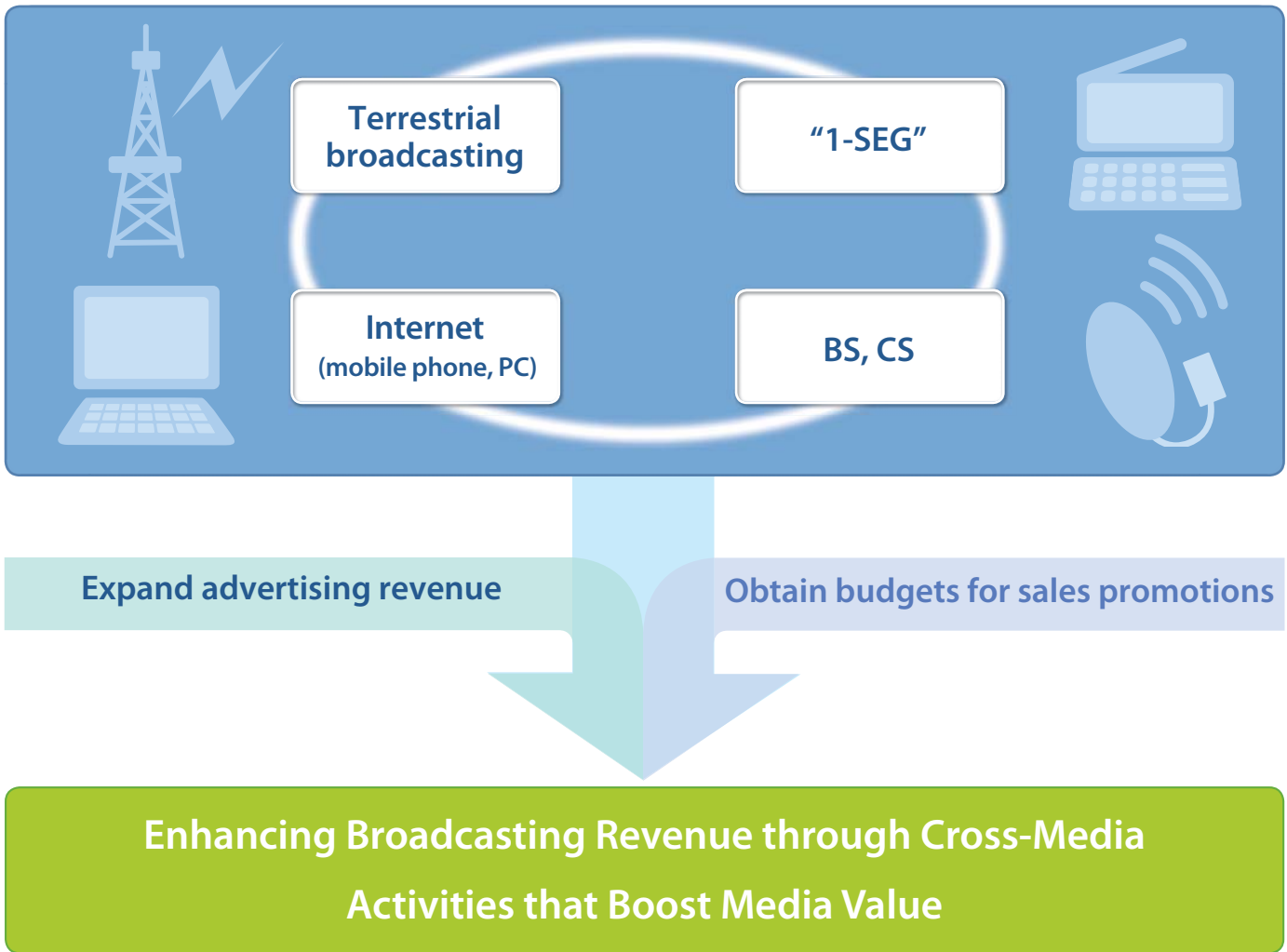
NTV will continue actively finding new ways to tie in multimedia content with its programming.



Tokyo Marathon 2008  
© TOKYO MARATHON ORGANIZATION



## Cross-Media Advertising Strategy



### Cross-Media Promotions for Nike+

NTV planned the cross-media promotion *RUN! WITH YOUR NEW FRIENDS* as an advertising campaign for Nike+, a tool jointly developed by Nike and Apple, and ran the promotion for about four months, beginning in December 2007.

Nike+ is a next-generation tool that enables runners to collect various data in their iPod nanos by connecting a special sensor to their running shoes. *RUN! WITH YOUR NEW FRIENDS* includes not only commercials on terrestrial television, but also promotions that make use of NTV2 and mobile phone sites. In particular, through NTV2 we hosted highly event-focused content, such as *Young Entertainment Duos Face Off! Trans-Japan Race*, which used Nike+ for running distance competitions. Such content allowed us to communicate the “joy of running” imparted by Nike+ to a large number of viewers.

NTV will continue to leverage its advanced digital media and content planning capabilities to develop effective cross-media promotions that will capture new advertising.



RUN! WITH YOUR NEW FRIENDS Web site



Special sensor that attaches to running shoes

## NTV Celebrates its 55th Anniversary

Since becoming the first commercial television station in Japan to go on the air on August 28, 1953, NTV has grown on the strength of its viewers' trust. In the year through March 2009, NTV's 55<sup>th</sup> since its establishment the Company will deliver numerous special programs and events unlike any seen before, under the catch phrase "Nittele 55 (Nittele go, go.)" (This phrase includes a pun on the Japanese pronunciation of "55"—"go, go.")



**To commemorate its 55th anniversary, NTV endeavors to contribute to society and the environment in ways only a television station can.**



### Project Calling Japan to ACTION

The Project Calling Japan to ACTION is a 55<sup>th</sup> anniversary special produced through the collective efforts of the NTV News Division. In the project, the four NTV news programs *NEWS Real Time*, *NEWS ZERO*, *Truth Report Bankisha!* and *Special Investigative Project*, as well as Yomiuri TV's *Wake Up! Plus*, delve into the truth behind a number of difficult problems facing Japan and issue a call to action in resolving those problems. Taking up such themes as misleading food labels, shortages of doctors, the downfall of education and the truth about recycling, the programs each cover the story behind the story and search for solutions. Not stopping at one-off broadcasts, we will air follow-ups as part of an ACTION series running within each news program, exposing obstacles that have arisen in attempting to solve the problems. At the end of 2008, we will put together a large-scale special presentation as a finale to show how the project went and verify Japan's response to the calls to action.



### Touch! eco 2008 Special: 55 Challenges for Tomorrow

NTV held its annual *NTV Eco Week* from June 2 to 8, 2008. On June 8—the final day—we aired a 13-hour, eco-themed live program *Touch! eco 2008 Special: 55 Challenges for Tomorrow*. To give viewers a sense of how relevant these environmental issues are to their lives, we took a variety of approaches in conveying our message. These approaches included status reports from glacial lakes in the Himalayas and the island of Kiribati in the South Pacific—which are being affected by global warming—and presentations on using fermented soybeans (*natto*) for the greening of deserts and on home appliances that operate without electricity. In addition, we used bicycles to generate electric power for the microphones and lighting at Yomiuri Land's Open Theater EAST, which was the main venue for the program. Wind, water and other power sources with low environmental impact were tapped to power the production processes for the program.