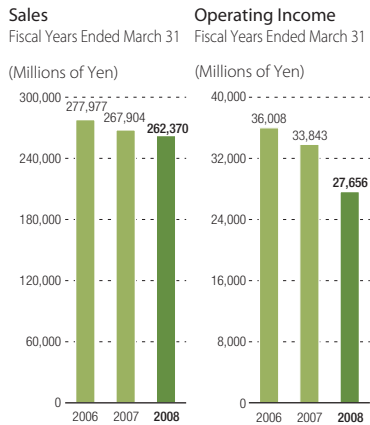


Review of Operations



Television Broadcasting



Overview of Results

During the fiscal year ended March 31, 2008, time sales were down year on year as a result of fewer large-scale, single-episode programs, such as the 2006 FIFA World Cup™. While program viewer ratings continued to improve, spot sales shrank due to a drop in spot advertising expenditures in the Kanto region, significantly affecting market conditions. As a result, sales decreased ¥5,534 million, or 2.1%, to ¥262,370 million. Drastic overhauls increased program production costs, and operating income declined 18.3%, or ¥6,187 million, to ¥27,656 million.

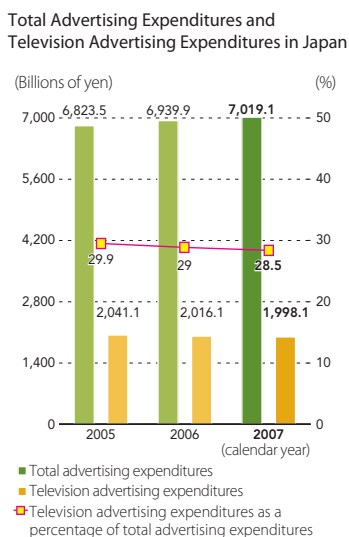
The 2007 Television Advertising Market

Amid a recovering Japanese economy, in 2007 total advertising expenditures in Japan reached ¥7,019.1 billion, up 1.1% from 2006, marking the fourth consecutive year of growth. Despite the repercussions of large-scale events in the first half of the year, advertising expenditures were strong in the second half, buoyed by the Upper House elections, the IAAF World Championships in Athletics and the Tokyo Motor Show.

Television advertising expenditures were ¥1,998.1 billion, down 0.9%. Unable to overcome the drop from last year's Torino Winter Olympics and the 2006 FIFA World Cup™, time ad expenditures were down 0.6%, to ¥877.3 billion. Spot ad expenditures shrank, due to a regional drop and intense competition for share among broadcasters, resulting in a 1.1% decline in these expenditures, to ¥1,120.8 billion.

A breakdown of television advertising expenditures by industry shows that time spot advertising expenditures by the finance and insurance segment declined for the second consecutive year, owing to a downturn in consumer finance ad placements and payment problems plaguing the insurance industry. Although overseas sales were strong, domestic sales were sluggish in the automobiles/related products and home electric appliances/AV equipment sectors, causing them to reduce spot advertising expenditures. At the same time, ad placements rose in health and environment-related sectors, led by the medical, pharmaceutical and food industries. The Upper House elections also contributed to a significant increase in spot ad placements by government, public offices and other organizations.

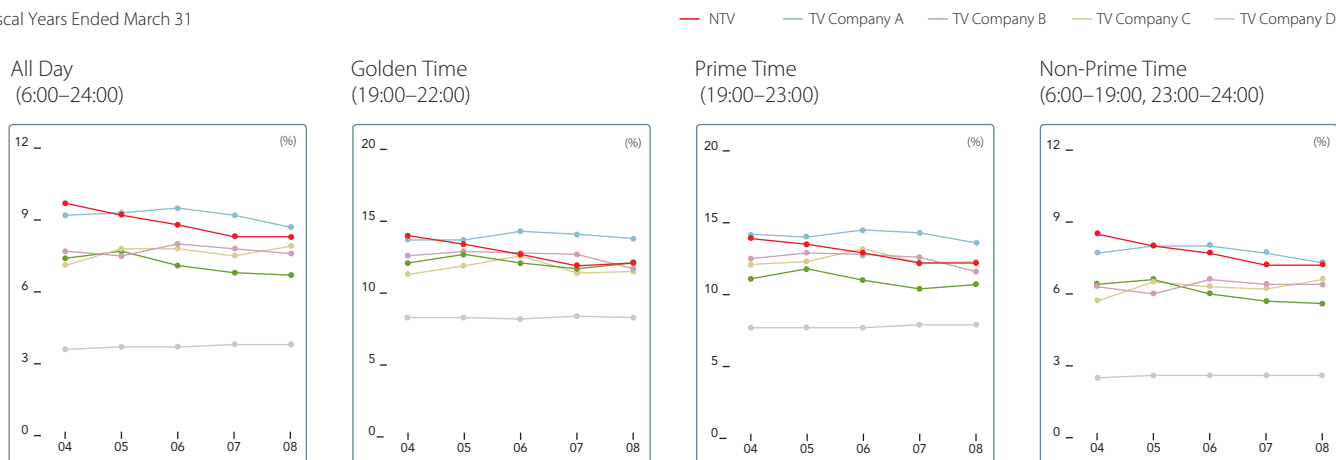
(Source: Dentsu, Inc., *Advertising Expenditures in Japan*)



Business Strategy

Viewer Ratings by Viewing Time Period

Fiscal Years Ended March 31



Programming Strategy

Since October 2006, we have made incremental timetable improvements to achieve higher viewer ratings with programs that have greater appeal for our target audience, aged 13 to 49. In turn, we expect higher viewer ratings to generate greater broadcasting revenues.

NTV implemented a major reorganization of its timetable in April 2007, affecting more than 33% of golden and prime time programming. Viewer ratings of our regular weekend prime time programming have increased significantly because of these efforts. In October 2007, we made changes to non-prime time programming, most notably during the morning time slots (06:00-12:00), boosting viewer ratings for the programs *Zoom In!! SUPER*, *Freshen Up!!* and *Radicul*, and creating a trend toward increased viewer ratings across all days. Furthermore, the afternoon program *Afternoon Omoikkiri li TV* was renewed for its 20th year as *Omoikkiri li TV* in an effort to expand the target audience demographic. Successfully strengthening our timetable has resulted in higher core target viewer ratings and an improved spot share.

NTV completed enhancements to golden time, prime time and other time slots in April 2008. As a result, viewer ratings improved where they were needed most—in the highly competitive first half of the programming week. The wildly successful drama series *GOKUSEN*, now in its third season, boasts a 22.8% average viewer rating. In addition to the television broadcast, a *GOKUSEN* spinoff appears on the Internet-based NTV2 along with an original infomercial-style program developed to augment our attractive content offerings. We will continue to enhance our timetable with exciting new programming, building on these successes as we focus on recapturing the top position in viewer ratings.



Zoom In!! SUPER



Radicul



LINE-UP LAW OFFICE

Review of Operations



Main menu screen for NTV's "1-SEG" broadcast



"1-SEG" broadcasts continuing after digital terrestrial broadcasts have ended



Campaign to win a can of coffee by watching NTV "1-SEG" broadcasts

"1-SEG" Services

More than 30 million devices equipped with one-segment ("1-SEG") receivers have been produced during the three years since "1-SEG" services began. Also, revisions to the Broadcast Law have made possible proprietary "1-SEG" broadcasting.

Advances in digitalization have created a diverse range of possibilities for viewers to enjoy visual content. NTV focuses on promoting a multicontact-point strategy, with particular emphasis on "1-SEG" services. Through "1-SEG" and other new media, we will continue to work towards making the ability to enjoy NTV anytime, anywhere a reality.

■ An Industry First: Proprietary "1-SEG" Broadcasting

In May 2008, NTV began proprietary broadcasts of the "1-SEG" *Premium Night Game* featuring live broadcasts of Yomiuri Giants baseball games. Different from 12-segment terrestrial broadcasts, the "1-SEG" broadcast features unique visual and audio content during commercial breaks and extends coverage until the end of games, even after terrestrial broadcasts have ended. NTV is the first network to provide this kind of "1-SEG" service, and we aim to continue developing this new business model to offer unique "1-SEG" content to our viewers.

■ "1-SEG" Promotional Advertising Experiment

In September 2007, NTV joined NTT Mobile Communications Network, Inc., in experiments aimed at developing a new sampling advertising method called "1-SEG" info." This method employs a new advertising technology developed by NTV that utilizes "1-SEG" data transfer technology to send coupons and other data to viewers' mobile phones. The experiment provided viewers of a "1-SEG" broadcast with a digital coupon for a free sample of a Coca-Cola (Japan) Co., Ltd., brand of canned coffee, which was compatible with *Cmode** radio frequency identification (RFID) technology-equipped vending machines. Mobile phone users could use the coupon to obtain free samples using their mobile phones' RFID function. The "1-SEG" info experiment demonstrated the tremendous potential of this type of advertising campaign.

In the past, taking advantage of such a campaign required the mobile phone user to first search for the coupon URL, save that URL to the phone's memory, and then access the campaign Web site to download the coupon. "1-SEG" info provides the promotional coupon to the user automatically, enabling quick and easy access. Furthermore, the campaign coupon can be e-mailed or copied to another user's mobile phone via infrared data transfer, providing viral marketing potential. Combined with television advertising's efficacy at delivering advertising to multiple viewers simultaneously, "1-SEG" advertising has the possibility of becoming a driving force in advertising.

* *Cmode* is the name Coca-Cola (Japan) uses for the RFID-equipped vending machine technology that enables beverage purchases using mobile phones.

Cultural Activities

Overview of Results

In the period under review, the NTV film production committee scored a major hit with *ALWAYS—Sunset on Third Street 2*, contributing to segment revenues. In addition, aggressive new project development significantly increased sales from media commerce business, and character merchandise licensing revenues increased. These factors helped raise segment sales ¥4,588 million, or 6.6%, to ¥73,999 million. Operating income was ¥6,292 million, reflecting the impact of last year's DVD sales of the record-breaking hit movie *DEATH NOTE* (1 & 2) and expenses related to the screening of new films in March 2008, causing operating income to fall ¥1,901 million, or 23.2%.

Business Strategy

Film Business

Operating Environment Data

2007 National Overview

(Calendar year)

	2003	2004	2005	2006	2007
Attendance (thousands)	162,347	170,092	160,453	164,585	163,193
Box Office Sales (millions of yen)	203,259	210,914	198,160	202,934	198,443
Japanese films	67,125	79,054	81,780	107,944	94,645
Theatrical Releases	622	649	731	821	810
Japanese films	287	310	356	417	407
Theaters (total screens)	2,681	2,825	2,926	3,062	3,221

Source: Motion Picture Producers Association of Japan, 2007

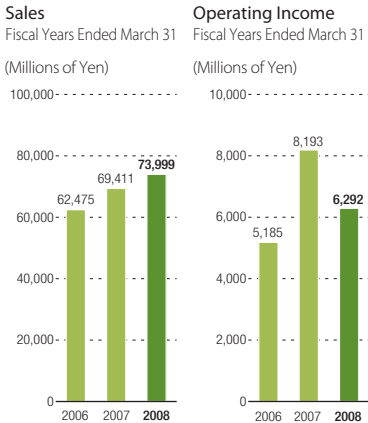
Business Overview

To generate other non-television broadcasting revenues, NTV engages aggressively in the film business, funding approximately 15 film projects per year. During the year, our production committee funded several hit films, including *TOKYO TOWER—Mom & Me, and Sometimes Dad*; *Maiko Haaaaan!!!*; *ALWAYS—Sunset on Third Street 2*; *A Tale of Mari and Three Puppies*; and *L change the World*.

Looking Ahead

In the fiscal year ending March 31, 2009, NTV plans to release many new popular movies, including director Hayao Miyazaki's *Ponyo on the Cliff by the Sea* from Studio Ghibli and director Mamoru Oshii's *The Sky Crawlers*. NTV also plans to actively pursue new promotional opportunities through tie-ups with its *Friday Movie* program, which broadcasts feature-length films.

Greatly enhancing NTV brand strength outside Japan are sales of such hit films as *DEATH NOTE* and *ALWAYS—Sunset on Third Street*. We expect new offerings including *The Sky Crawlers* and *Twentieth Century Boys* to bolster our brand further, as we anticipate an increasing number of offers for our films from countries in Europe, the United States, Asia and other parts of the world. Going forward, we aim to strengthen our global presence as we continue to seek a wider market for our products.



Always—Sunset on Third Street 2
© 2007 "Always2" Film Partners

Review of Operations

Leveraging its high-caliber programs and planning production expertise, NTV will actively seek opportunities to create feature-length films from popular television drama series, taking advantage of the low-cost film production uniquely available to television networks.

Media Commerce Business

Operating Environment Data

Trends in Direct Marketing Sales

(Fiscal Years Ended March 31)

	2003	2004	2005	2006	2007
Direct Marketing Sales (billions of yen)	2,630.0	2,790.0	3,040.0	3,360.0	3,680.0

Source: *Direct Marketing Business Survey Report*, Vol. 25, Japan Direct Marketing Association

Business Overview

NTV is actively involved in the media commerce business and is increasing its scale of involvement. During the year, the *Genie Instant Line Smoother* and our original *HAMANO* bag were particular hits, resulting in significantly higher sales.

Looking Ahead

In December 2007, NTV created shopping portal site NitteleSeven with Seven & i Holdings Co., Ltd., Dentsu Inc. and three other companies. NitteleSeven is a joint venture that unites television, the Internet and retail distributors under the concept of media and consumption integration.

NitteleSeven brings together television, the most powerful medium for delivering information, physical shops and electronic commerce, on-site sales and product development capabilities of the companies in the Seven & i Holdings group. NitteleSeven also employs Dentsu's marketing and advertising expertise to create new choices in program viewing and product purchases while developing new sales and communication vehicles.

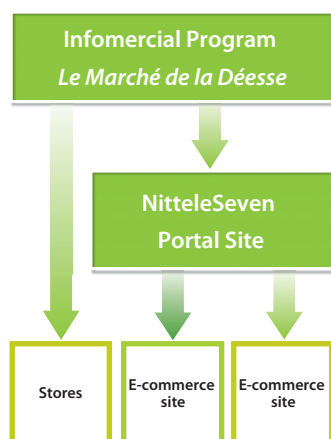
In April 2008, NTV launched *Le Marché de la Déesse*, an informative shopping and variety program sponsored by Seven & i Holdings. In addition to showcasing various products, celebrity guests are invited to create their own original merchandise on the program, with all products featured on the show available for purchase at any of the 12,000 7-11 convenience stores, 180 Ito-Yokado outlets, and via Web sites introduced through the NitteleSeven portal site.

Through efforts such as these, we are striving to integrate and concentrate the assets and expertise of our television broadcasting, retail, distribution, advertising and marketing businesses.



POSHLET late-night department store

NitteleSeven Business Model



International Program Sales

Business Overview

International program sales continue to be successful in the worldwide distribution and sales of animated programs such as *DEATH NOTE* and *NANA* as well as in program format. During the year, NTV sold the *Magical Brain Power!!* format to Italian television network Canale 5.

Looking Ahead

Format sales have been very successful, particularly *Dragon's Den*, which is broadcast in more than 20 countries, and *Masquerade*, which aired on TF1, France's largest commercial network, capturing the highest viewer ratings in its time slot. Since May 2005, NTV has had an agreement with International Creative Management. The largest entertainment management firm in the United States, this company sold the *Master of Champions* format to the ABC network. NTV's international program sales will continue to provide content to serve global market needs and trends using its wide network of professionals and expertise in program development and sales. NTV is committed to providing the world with unique content that only NTV's "originality DNA" can deliver.



Video on Demand (VoD)

Business Overview

In October 2005, NTV became the first terrestrial television broadcaster to begin streaming content on the Internet. Through portal site NTV2, designed to be a commercial avenue for NTV's creative content production, visitors can view archived broadcasts, behind-the-scenes and extra footage from their favorite shows, as well as television program linked and original NTV2 content. This service operates on fee-based content and advertising revenues from sponsored content.

Looking Ahead

Part of our effort to develop and provide attractive content involves exploiting Internet media and developing advertising models that increase ad revenues. In spring 2008, NTV2 successfully implemented a cross-media promotion of the Kirin Beverage Co., Ltd., ad campaign for *KIRIN NUDA*. A "Sukkiri-Man" page was created on NTV2 where visitors could watch an original movie linked to the terrestrial spot commercial. We also planned a campaign linked with *mixi*, Japan's biggest social networking service, to draw viewers to the Kirin Beverage product homepage.

Advantages of such cross-media campaigns are that they combine the effectiveness of advertising, sales promotion and other marketing approaches. As they also provide access to sponsors' advertising and sales promotion budgets, NTV has high expectations for cross-media promotion's potential as a new source of revenues.



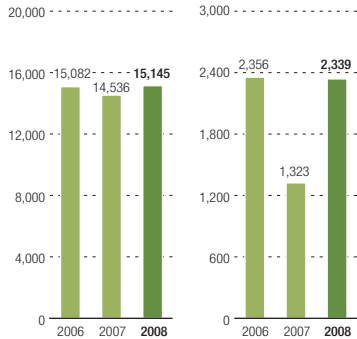
Main screen of NTV2 video distribution service

Other Businesses

Sales

Fiscal Years Ended March 31

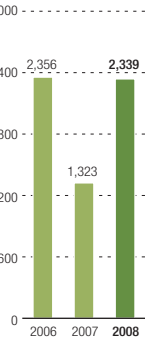
(Millions of Yen)



Operating Income

Fiscal Years Ended March 31

(Millions of Yen)



Overview of Results

Total sales in this segment for the year ended March 31, 2008, were ¥15,145 million, up ¥609 million, or 4.2%, from the previous year, representing a significant revenue contribution from our leasing business. Bolstered by earnings from Nippon Television Football Club Co., Ltd., and the return of Tokyo Verdy to the J1 league division, operating income surged ¥1,016 million, or 76.8%, to ¥2,339 million.

Looking Ahead

In March 2008, NTV opened Nittele-ya (“Nittele Shop”) in the underground shopping mall of First Avenue Tokyo Station’s “Tokyo Character Street,” where it sells official merchandise and other program-related products. This Nittele-ya is our second shop, with the original located inside Shiodome Tower.

Tokyo Character Street is the home of the official merchandise shops for five key commercial stations and NHK. The street includes Studio Ghibli and Sanrio’s Hello Kitty shops and has an event space for promotional activities. This Nittele-ya offers the same merchandise as the Shiodome Tower shop, plus exclusive items such as a popular news/weather character *Sora-Jiro* mobile phone strap. Through original merchandise offerings and promotional events, NTV will further enhance its brand strength.



Nittele-ya Tokyo Station shop