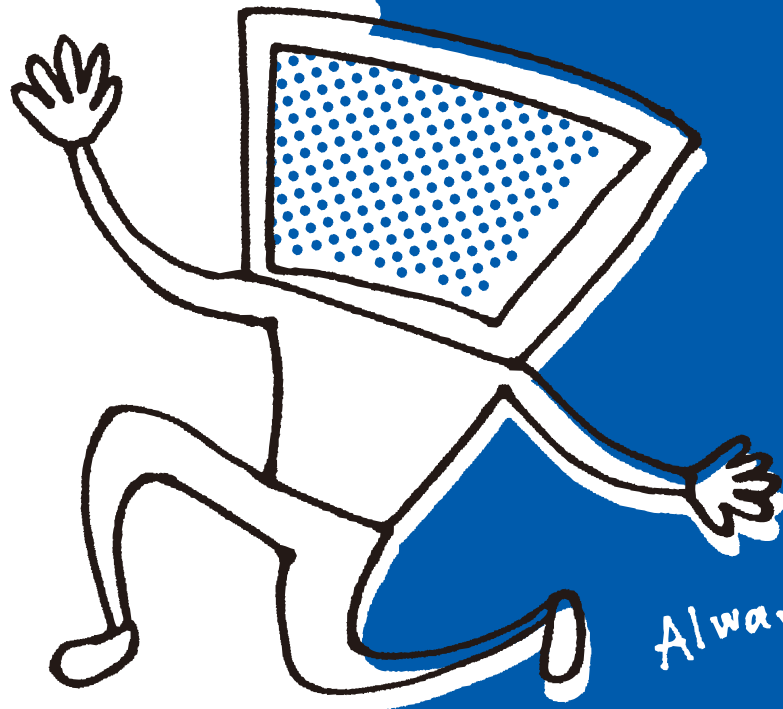


About Japanese TV Broadcasting



Always something to enjoy!!

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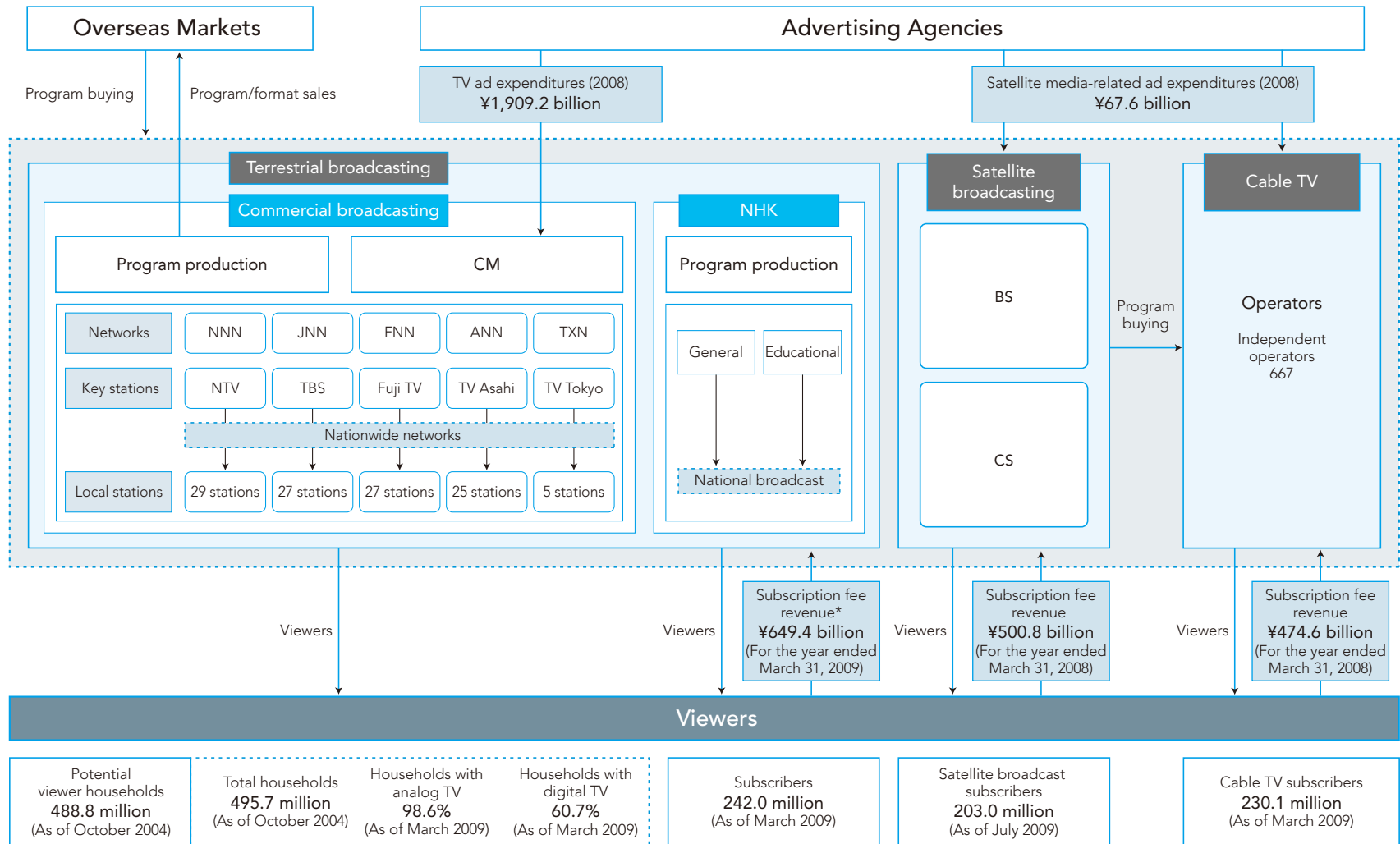
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Overview of the Japanese Television Broadcasting Industry



* Excludes satellite broadcasting revenues

Text in the above figure was compiled from the following Japanese-language sources: 2005 National Census, Ministry of Internal Affairs and Communications (MIC); Terrestrial Digital Television Broadcasting Penetration Survey, March 2009, MIC; The Status of Cable TV, July 2009, MIC; Survey of Consumer Trends, March 2009, Cabinet Office; 2008 Advertising Expenditures in Japan, Dentsu Inc.; and Fiscal 2008 Business Report, Japan Broadcasting Corporation; Viewer Household Data, Japan Satellite Broadcasting Association.

Advertising Market Scale by Media

Television Advertising Expenditures

Television advertising expenditures are the airwave fees and program and television commercial production expenditures associated with national commercial broadcasting and do not include operating expenses.

In 2008, television advertising expenditures totaled ¥1,909.2 billion, a 4.4% decrease compared with the previous year. Program sponsorships were ¥865.6 billion (down 1.3%), and spot advertising was ¥1,043.5 billion (down 6.9%).

The global recession caused by the U.S. subprime mortgage crisis in the second half of the year resulted in sluggish foreign consumption and a rapid strengthening of the yen, creating a business slowdown in the Japanese economy. From large corporations to SMEs, advertising sponsor business performance was poor, and advertising budgets shrank as companies moved to ensure profitability. This spread to television advertising, with regular time and spot ads hit particularly hard.

Single episode programs such as the Beijing Olympics were not enough to compensate for the decline in regular time ads, which totaled 98.7% of the previous year's advertising expenditure. Despite the boost in August provided by the Beijing Olympics and other programs, there was a drop in advertising expenditure compared to large-scale sporting events such as the IAAF World Championships in Athletics at Osaka and the World Swimming Championships in 2007, resulting in the continued marginal increase in advertising expenditure. Since the second half of the year, fixed cost reductions by large corporate sponsors have resulted in sponsors walking away from net and local regular program advertising, a remarkable downward trend leaving many slots open.

Spot advertising expenditures in the fourth quarter were below those of the same period in the previous year, particularly from April to June and July to September. Spot expenditures were about 90% of the previous year's level. Furthermore, total annual spot advertising expenditure was down 6.9% from 2007, representing the third consecutive year of decline.

There was a drop in spot advertising expenditures in all regions, with a particularly sharp drop in all three key regions from the second half of the year. The regional drop and intense competition for share among broadcasters resulted in expenditure declines in all regions.

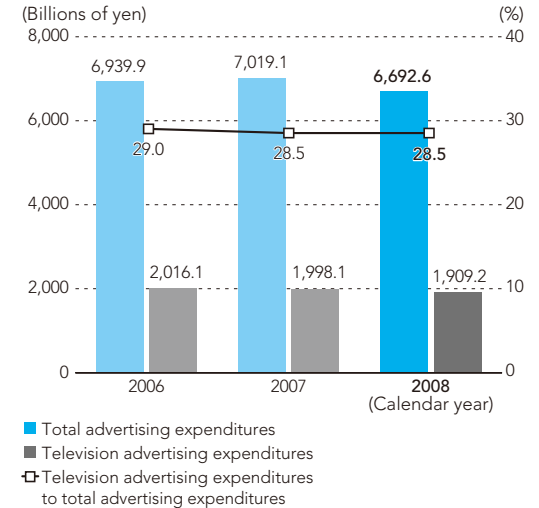
As the high percentage distribution of key industries trended downward, time spot expenditure also declined as the financial crisis caused by subprime mortgage problems affected financial and insurance sponsors who were forced to reduce their advertising budgets. In addition, sluggish sales in the domestic market, particularly in the beverages/cigarettes and information/communications sectors, resulted in a decrease of primarily spot advertising.

Satellite Media-Related Advertising Expenditures

Spending on satellite media-related advertising rose 12.1% year on year, to ¥67.6 billion.

CATV subscriber households continued to rise as a result of the upcoming switch to digital terrestrial broadcasting services, along with proactive sales efforts by the CATV industry. Ad placements by regional local advertisers slowed slightly in the latter half of the year, but were up 6.0% due to steady growth in the telemarketing segment.

Total Advertising Expenditures and Television Advertising Expenditures in Japan



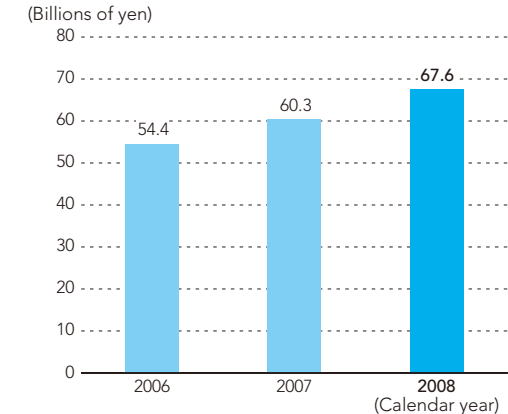
(Source: Advertising Expenditures in Japan, Dentsu)

CS broadcasting rose 1.0% year on year. Growth in subscriber numbers has begun to soften, giving the impression that the steady rise over the last few years has begun to reach a plateau. Inquiries from telemarketing companies (especially for health food product promotions) and other areas have increased, but appeals to other advertisers have been ineffective, resulting in just a slight increase.

BS broadcasting grew 22.2% from a year earlier. With the number of subscriber households able to view BS broadcasting increasing alongside strong sales of digital televisions, sales rose due to new ad placements by major advertisers during the Beijing 2008 Olympics Games and other events, as well as to the continued strong increase from placements by telemarketing companies.

Teletext broadcasting declined 33.3%, as little new demand was generated amid the transition to digital media, combined with the hardware shift to data broadcasts.

Satellite Media-Related Advertising Expenditures



(Source: Advertising Expenditures in Japan, Dentsu)

Characteristics of the Japanese Television Broadcasting Industry

Networks

NHK's broadcast area covers all of Japan. However, commercial terrestrial television broadcasters in Japan each have broadcasting regions specified fundamentally by prefectural and regional authorizations. National commercial broadcasters (excluding NHK) 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.

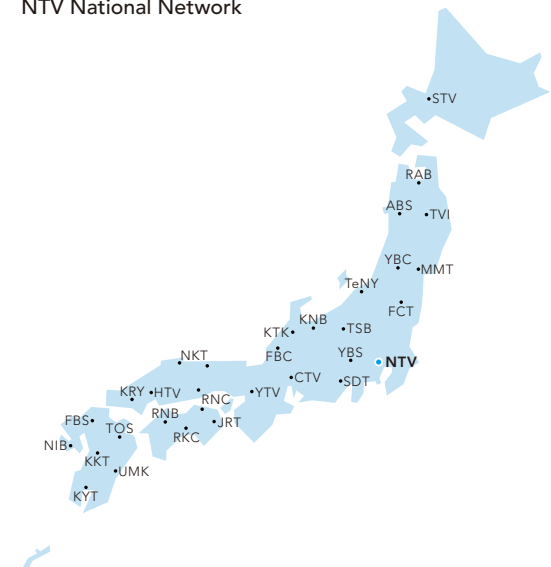
In terms of capital relationships within affiliated networks, pursuant to the Mass Media Decentralization Rules, each local station currently operates with independent capital to regulate control of multiple broadcasting stations by designated entities and ensure freedom of expression in broadcasting. However, the enactment of the revised Broadcast Law in April 2008 has allowed stations to become approved broadcast holding companies under certain conditions designed to foster diverse broadcasts that are closely tied with local communities.

(See map, "NTV National Network.")

Network Expenditures

National broadcasts across affiliate networks are separated into two categories: the network from which the program broadcast originates and the network that receives the program broadcast. In the majority of cases, a key station is the network that acts as the program broadcast originator. When a key station is the network

NTV National Network



program broadcast originator, it receives time sales and program production expenditures from the sponsor corporation through an advertising agency. Next, the network broadcaster purchases broadcasting time by paying nominal airwave fees to network receivers. Also, the network broadcaster pays an agency commission to the ad agency in accordance with the broadcast sales tariff rate.

Dominance of Terrestrial Broadcasting

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. 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.

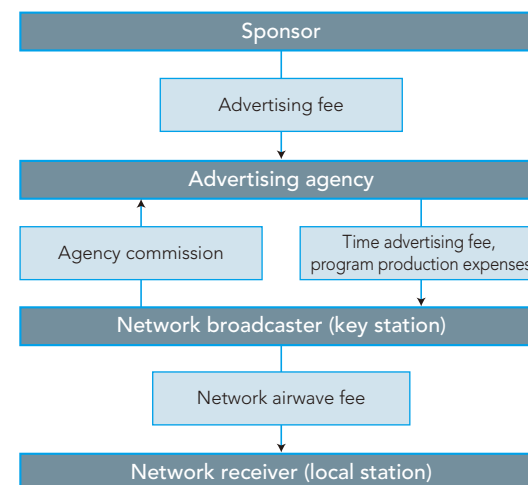
Principal Broadcasting Sales

Commercial television broadcasters in Japan derive their revenues mainly from broadcasting sales. Broadcasting sales are divided into time and spot sales, and program sales, with advertising revenues (time and spot ads) comprising the majority of revenues. Time advertising involves selling broadcast time in 30-second increments to sponsors, who also contribute to program production expenditures. In addition to the broadcast of the sponsor's commercial, the sponsor is included in the program credits.

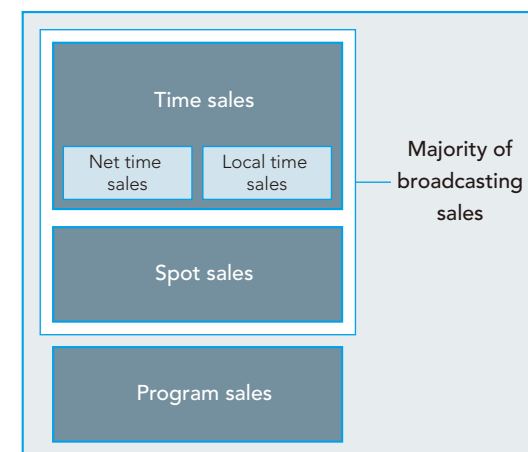
Time ads are normally sold through six-month contracts with the sponsors, with continuation confirmed and fees renegotiated in April and October. Clients cannot place ads during their favorite programs unless slots are available. Time sales are separated into blocks of affiliate commercial broadcast slots sold by key stations, national scale net time sales and single station local time sales licensed only for certain areas, depending on the area where commercials and programs are broadcast. While there are exceptions depending on the program, as a rule only one sponsor from a given industry may purchase time slots. Advertising from companies in the same industry, advertising of similar products during the same program and to the same support zone are not broadcast (competition mediation). Furthermore, programs underwritten by a single sponsor from the initial production stage are designed to enhance the sponsor's corporate/product image and speak to the target audience. This sort of time sales, wherein a single sponsor provides commercial broadcasting and program production expenses, is becoming an important pillar of business for broadcasters.

Spot ads are sold in 15-second increments and are only broadcast during and between programs. They are sold in specific license areas only. Because they are not program sponsors, they do not contribute to program production expenditures and therefore they are unable to influence program content. Sponsors who want their spot ads to be shown in a certain region within a specified broadcast timeframe indicate their targeted cost and overall ratings volume to the advertising company in charge of spot ad planning. Television broadcasters in competitive regions create a highly efficient CM broadcast schedule proposal to

Network Expenditures



Broadcasting Sales



better meet sponsor needs in terms of broadcast time slot and target viewers, which they submit to the advertising companies for their planning while selling and negotiating to acquire a higher share.

In terms of program sales, revenues are also earned off the sale of television broadcasters' copyrighted programs to local stations, satellite broadcast and CATV.

Japan's Largest Content Provider

In Japan, television stations are truly the largest content providers. 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. Moreover, stations have taken advantage of the copyrights they hold on their in-house content to create film versions of drama and animation series, merchandise related products, distribute content via the Internet and conduct format sales to overseas markets. Through such aggressive multiple content development, the stations are further advancing as content providers.

Legal System Governing the Television Broadcasting Industry

Television stations in Japan are governed by the Broadcast Law and the Radio Law. The Broadcast Law facilitates the effective use of airwaves as a shared public asset, and the Radio Law requires broadcasters to fulfill certain public duties because of the tremendous influence they exert on society through the information they transmit. Commercial television broadcasters must be licensed by the Ministry of Internal Affairs and Communications, which regulates public airwaves and broadcasting.

Regulations on television station include a restriction on foreign investment, which limits voting rights of foreign entities and their Japanese agents to 20%. Information regarding foreigner and other voting right ratios as of the end of the fiscal period is available on our Web site.

URL: http://www.ntv.co.jp/english/ir/si_01ii.html

Digital Terrestrial Broadcast Progress

Digital terrestrial broadcasting began in England on the BBC in 1998. In Japan, digital terrestrial broadcasts started in 2003 in limited sections of the Kanto, Chukyo and Kinki regions, the three largest metropolitan areas in Japan. As of March 2009, digital terrestrial broadcasts can be viewed by 97.0% of Japanese households. Digital broadcasting offers more channels with higher image and sound quality and enables television broadcasts to mobile phones and other portable devices ("1-SEG" services). 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.

On July 24, 2011, analog terrestrial broadcasting will cease and Japan will fully transition to digital broadcasting.

