

# Meeting the Expectations of Our Viewers and Advertisers





**Full-House Bonus Bag**  
By way of celebrating a full house at the theater, this bag would be distributed as a congratulatory gift. The bag would often be filled with lucky coins to further attract good fortune.

# Message from the Director General of Programming



Akira Ishizawa  
Director General, Programming

## Timetable Restructuring

NTV has garnered the highest household viewer ratings for nine straight years—since the fiscal year ended March 31, 2002. At that time, sports content—and Yomiuri Giants baseball games in particular—was popular, as were dramas and variety shows. Attracting viewers aged fifty or older in the F3 and M3 segments typically generates higher household viewer ratings, but pricing tends to decline on timetables that do not match sponsor needs. Accordingly, despite having high household viewer ratings targeting the F3 and M3 segments, we have shifted our priority to media targeting younger age segments. To this end, NTV restructured its timetable in an aim to appeal to its core target—the younger (13–49 year old) segment. However, the resulting timetable did not fully utilize NTV's strength in meeting the needs of F3 and M3 viewers. To meet sponsor needs and capture household viewer ratings, NTV restructured its timetable to acquire core target viewers and developed content that appealed to families and younger viewer segments in an attempt to raise household viewer ratings. Through repeated trial and error, we achieved the successful position we enjoy today.

## Initiatives This Period

### • 7 p.m. Weekday Time Slot

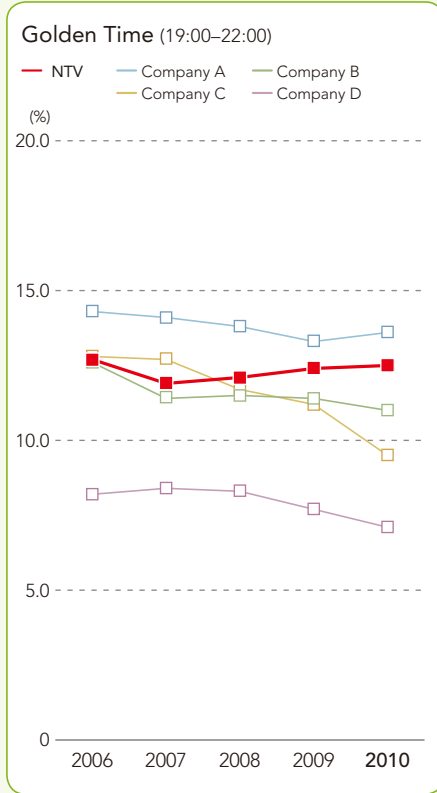
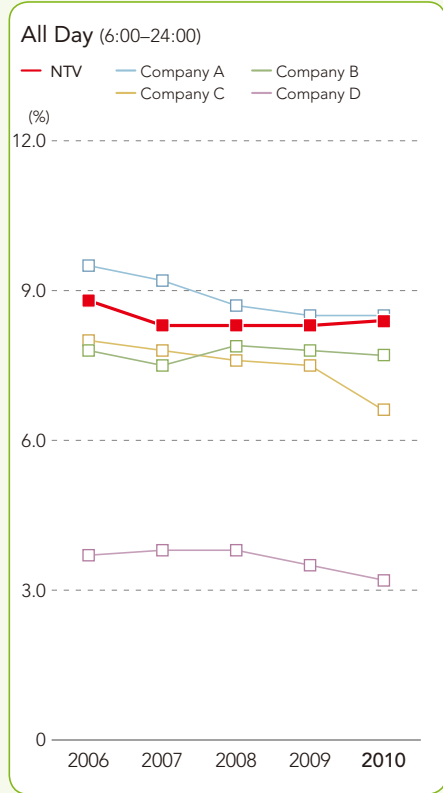
At one timetable reorganization in April 2009, we executed a major reform with the principle objective of controlling costs by developing one-hour live broadcast variety programs in our 7 p.m. weekday time slot. In accordance with this decision, existing programs in the 7 p.m. time slot were moved to the 8 p.m. time slot. The change in broadcast start times affected viewing habits, which negatively affected the timetable and failed to achieve the expected viewer ratings. In January and April of 2010, we discontinued the live broadcast of variety shows and replaced them with distinctive variety programs that differ nightly at the beginning of golden time and prime time. As a result, household viewer ratings improved, and we were particularly successful at attracting viewers in the C (4–12) and T (12–19) segments. We will continue our ongoing timetable maintenance to further improve household viewer ratings.

### • Dramas

Recognizing that dramas can significantly affect a station's image, NTV cultivates this genre carefully. We have two drama time slots in our timetable, Wednesdays at 10 p.m. and Saturdays at 9 p.m., and recently we have had a string of productions that have succeeded in achieving viewer rating targets. In the 10 p.m. Wednesday time slot, drama programs that pay tribute to working women, such as *Obstetricians and Gynecologists*, *Aishiteru –KAIYO–* and *Mother*, have captured the targeted F (women aged 20 or older) segment as well as viewers in the M (men aged 20 or older) and T segments. In the 9 p.m. Saturday time slot, we broadcast programs such as *Samurai High-School*, *Left-Eye Detective* and *Kaibutsu-kun* that target the C and T segments, edited to appeal to family audiences. *Kaibutsu-kun* was originally a hit animation, and at first only comparatively older viewers were familiar with the story, but the drama version has helped popularize it among family viewers and successfully attain ideal viewer ratings consisting of the T, F1 and F2 segments.

## Viewer Ratings by Time Period

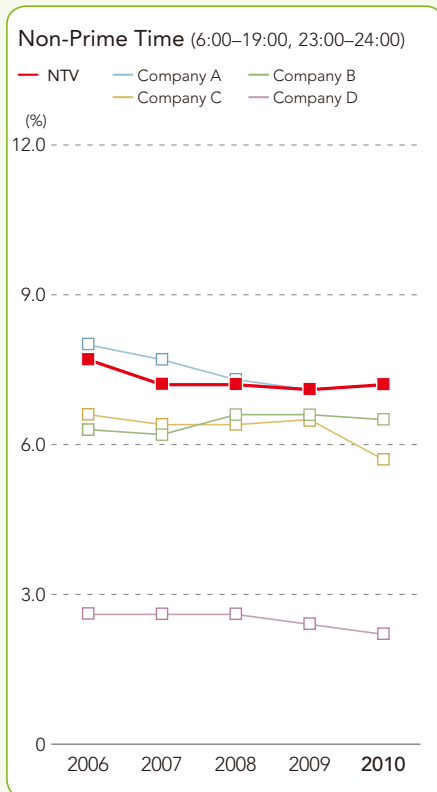
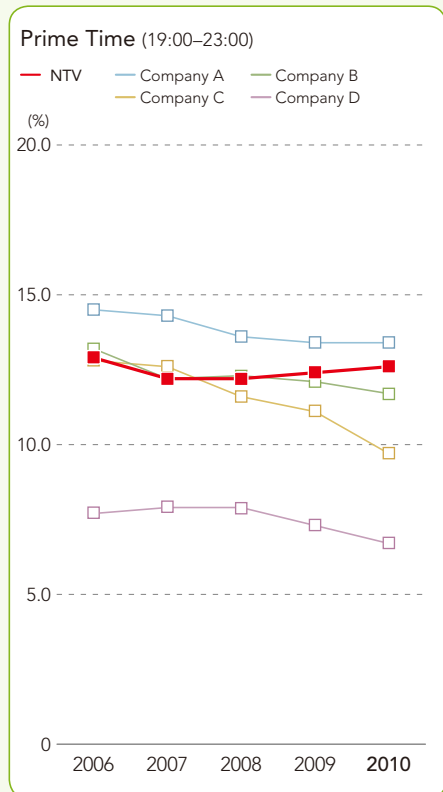
Years Ended March 31



*Sekai no Hate Made Itte-Q!*



*It's Only a Little Light in My Life 2*



*Shabekuri 007*

Furthermore, in terms of single-episode special drama programming, we broadcast two consecutive weeks of content including *Shodo Kyoju* and *Kiri no Hata*, special dramas commemorating the 100th anniversary of Japanese writer Seicho Matsumoto's birthday, and the Taichi Yamada drama special *Embrace of the Rain*, for which lead actor Ken Watanabe won this year's Japanese Academy Award for Best Actor. Going forward, NTV plans to continue regular broadcasts of these kinds of single-episode dramas.

#### ● Large-Scale Single-Episode Programs

We stage NTV Eco Week each spring. The eco-themed regular and special programs broadcast during this week are held in high esteem by viewers, sponsors and advertising agencies. Every summer, we broadcast *24-Hour Television: "Love Saves the Earth,"* a charity program benefitting the physically disabled and people affected by natural disasters. In the autumn of 2010, we will launch new seasonal programs themed on food. In the same vein as Eco Week in the spring, we will broadcast food-themed regular and special programs and increase viewer expectations by holding various events as part of this highly entertaining project. Rather than simply adding large-scale single-episode programs to the timetable, we find that developing these programs as an extension of the timetable to be a more effective means of appealing to viewers, and we will continue to develop innovative ideas along these lines.

#### Full Transition to Digital Terrestrial Broadcasting

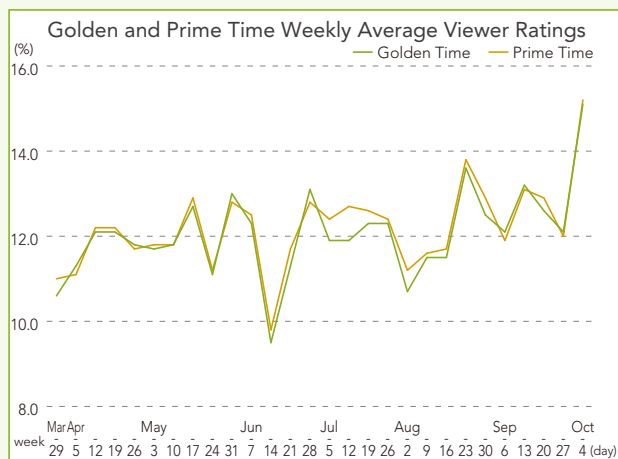
By July 24, 2011, all Japanese terrestrial television will have transitioned to digital broadcasting. Little time remains to facilitate the adoption of television sets that can display digital broadcasting. Also, viewer ratings currently incorporate analog and digital samples, but their makeup will change once the transition occurs. Unless viewers who are now using analog televisions acquire digital sets by the time analog broadcasts end, viewer ratings and the number of television viewing households may decline.

It is difficult to predict accurately how the digitalization of broadcasting will change the market; some pundits believe that competition with other media will intensify, causing the relative value of television to decline. At the same time, television programs are a frequent topic of young people's emails and Twitter "tweets," so web traffic increases in line with rises in television-viewing households. The converse is also true.

The indication is that people use other media while watching television. In terms of the digitalization of television broadcasts, we must consider these factors in our initiatives to enhance the way television coexists with other types of media.

### Viewer Ratings Trends in the Fiscal Year Ending March 31, 2011

As of the 28th week since April 1, 2010, NTV held the top share of golden and prime time weekly average viewer ratings 11 times, already surpassing the eight times recorded in the previous year. In the past, when NTV had top viewer ratings in all time slots for nine consecutive years, it had a solid foundation in the all-day and non-prime time slot, and reached the top position only after intense competition in golden and prime times. The present situation is the reverse; we are in the lead in terms of golden and prime times, earning core target and household viewer ratings. In the all-day and non-prime time slots, we are acquiring core target viewer ratings in morning and afternoon programs spanning contiguous days while reaffirming their attractiveness as spot advertising slots for sponsors and advertising agencies. We will continue to improve household viewer ratings in the all-day and non-prime time slots and look to acquire top viewer ratings in all time slots.



### New Reorganization Initiatives in 2010

In October 2010, we launched a new two-hour program beginning at 7 p.m. on Fridays called *Friday Super Prime*. Rather than simply broadcast a two-hour single-episode program, this change reflects a strategic approach to timetable reorganization. Even in cases where other stations surpass our ratings for golden time and prime time content on weekdays, we manage to retain our weekly ratings through highly competitive programming on Thursdays, Saturdays and Sundays. Despite strong competition on Mondays, we still manage to achieve a solid performance. For these reasons, we developed the new *Friday Super Prime* to enhance our Friday showings. By leveraging the strength of our Thursday through Sunday offerings, we aim to extend this momentum through to Monday.

Also on Fridays, we broadcast movies during *Friday Road Show*, a two-hour slot beginning at 9 p.m. By linking *Friday*

*Super Prime* content with the scheduled movie, we attract viewers for the full four hours. For example, if a movie is scheduled for 8 p.m., the content of the one-hour program preceding it from 7 p.m. will be related to the movie.

Furthermore, the programs shown in this time slot will be a different special program each week, enabling a variety of planning. This also facilitates soft development by giving rise to content that we can develop into regular programming. For special programs in particular, flexibly developing new programs delivers stronger benefits than does expanding the content of regular programs. The solid skills of NTV's creators, including producers who have experience with programs boasting viewer ratings of over 20%, give us confidence that we can continue to produce interesting programs that viewers will want to watch.

List of programs in October 2010

	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday		
19:00	Fukashigi Tanteidan	Tuesday Surprise	EXIT	A Million Dice	Friday Super Prime	Shimura Zoo	The Tetsuwan DASH	19:00	
20:00	Sekai Maru Mie! TV Special Investigative Unit	Dancing Sanma Palace	Waratte Koraete!	Guruguru 99		The Most Useful School in the World	Sekai no Hate Made Itte-Q!	20:00	
21:00	Life-Changing One-Minute Deep and Good story	KOREARI?	The! Sekai Gyoten News	Different Places Different Habits (The Local Secrets)		Friday Road Show	Saturday Drama "Q10"	LINE-UP LAW OFFICE	21:00
22:00	Shabekuri 007	Majotachi no 22:00	Wednesday Drama "Ougon no Buta"	DOWN TOWN DX			ARASHI NI SHIYAGARE	OSHAREISM nigra varieteo	22:00

# Message from the Director General of Sales



Kimio Maruyama  
Operating Officer,  
Director General, Sales

## Basic Sales Policy

### Participate in Corporate Marketing Plans from the Drafting Stage

- Make appeal based on necessity of television advertising as part of sponsors' growth strategies
- Create strategy whereby the selection of television commercials is the highest priority

### Offer Short- and Long-Term Approaches

- Provide flexible support to meet sponsors' emerging short-term needs
- Ensure television commercials are appropriate for promoting long-selling products incrementally by developing long, ongoing commercial advertisements

### Make Progress in Cross-Program Promotion (CPP)

- Take a solution-based approach to commercials to boost time sales
- Employ unique commercial plans and multiple-program rollouts
- Ensure link between advertising messages and program content

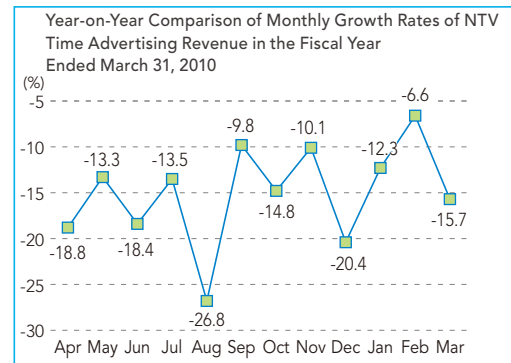
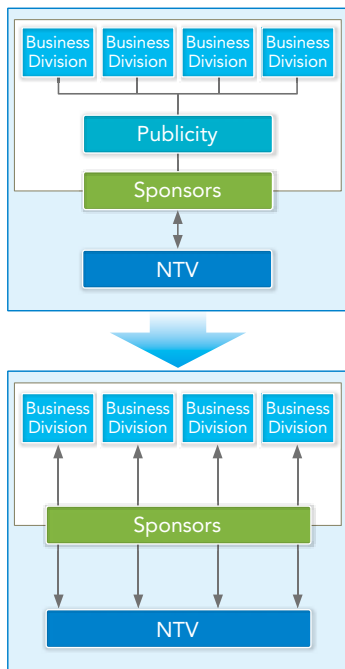
## Responding to the Changing Needs of Sponsors

Amid five straight years of declining television advertising revenue, although spot advertising revenue is recovering, time advertising revenue shrank 15.3% compared with the previous year as a result of fewer large-scale single-episode programs such as the 2008 Beijing Olympics. Also, monthly advertising revenue growth was significantly lower in year-on-year comparisons owing to major changes in sponsor needs.

Specifically, these changing needs involved sponsor corporations promoting the delegation of authority to various business segments as part of their management structure and execution on a quarterly earnings basis. Up to now, corporate advertising activities were included in the Publicity department's calculation of total Company advertising expenditures and adjusted for in-house product campaign television advertisements. In recent years, however, delegation of authority has resulted in the formulation of advertising plans by individual business segments, which has led to promotional activities that are limited to the length of product campaigns. In addition, increased promotional planning and activities based on three-month quarterly terms has resulted in a mismatch with the traditional method of selling time advertising in six- or 12-month segments.

Another factor is the expansion of sponsor companies' business domains. Companies that traditionally did not compete with one another have expanded their business domains and are now in competition, making it impossible for both to sponsor the same program. NTV is promoting various initiatives in response to these circumstances.

First, we must reaffirm the role of time advertising in terms of product value. To achieve this, we are making an appeal based on the merit of program purchasing rather than the idea of spot sales as an effective means of publicity. Our aim is to target a high rate of viewership in terms of promoting sales of traditional time advertising in six- to 12-month segments. One tactic NTV is engaged in involves the development of single-sponsor time sales. With a single-company sponsor, programs can be created in accordance with the sponsor's desired image and direction, resulting in a precise



appeal made possible through a unified and effective message comprising the program and commercials. Also, by enabling the development of advertisements in line with promotional planning, we can advance proposals in response to the expected increase in sponsor needs.

In terms of the short-term needs of sponsors, we are promoting responses to changing sales slots and methods, as well as strengthening sales of short-term special programming. These special programs include our charity broadcast *24-Hour Television: "Love Saves the Earth,"* which is now in its 33rd year; programs promoting environmental conservation aired during NTV Eco Week, which incorporates environmental themes into regular programming; and special programming that focuses on the environment. Also, this autumn we will launch a series of programs themed on food. These initiatives enable us to offer advertising proposals to sponsors that meet their changing short-term promotional needs, and as these programs have a clearly defined theme, they provide the sponsors with the effective image and messaging they seek.



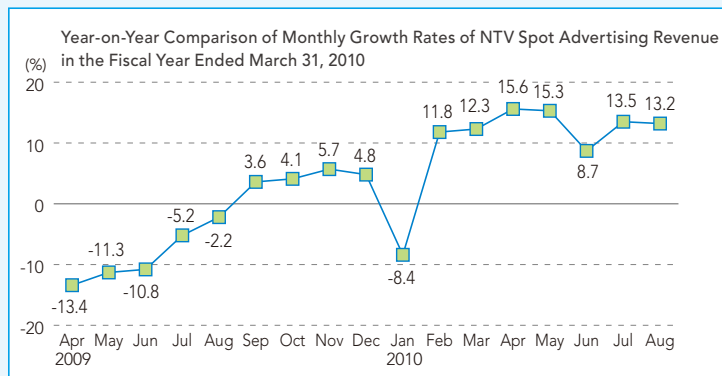
The "Connect Our Eco Hearts" environmental campaign

### Efficient Timetable Sales

With regard to timetable sales, it is important to always consider the most effective allocation in terms of local and net time, spot and late night slot and one-company time slot sales. Just because spot advertisements seem to be in recovery does not mean that we should simply increase the number of spots. This would raise volatility and lower sales effectiveness.

On the other hand, we must change our sales method to reflect the modern realities, and for this reason it is necessary to consider reconstructing sales slots. At present, net time on NTV starts with golden time from 7:00 p.m. until *NEWS ZERO*, with all times after that being spot sales, and late night slots being local time sales. Changes in lifestyles have resulted in target viewers returning home at later times, lowering the overall percentage of household viewers at 7:00 p.m. Conversely, performance of the *NEWS ZERO* broadcast starting at 10:54 p.m. is extremely strong, indicating that many more viewers are now watching television at this later time than in the past. NTV is currently evaluating whether it should continue traditional net time sales in the 7:00 p.m. slot, whether local time and spot sales are more effective, or whether it should expand net time after *NEWS ZERO* to midnight.

### Spot Advertising Revenue in the Year Ending March 31, 2011



In terms of spot advertising revenue in the fiscal year ending March 31, 2011, increasing advertising expenditure in the Kanto region and market recovery continue along with the year-on-year growth of spot advertising revenue on a monthly basis. At the same time, spot shares are increasing and the outlook overall is positive. In addition to improved viewership in both golden and prime time, the year-on-year declines ended in August and have reversed relatively easily. On the other hand, from September 2009 growth continues to be positive, and although it remains to be seen whether this growth will continue through September 2010, the present indications are favorable.



# Message from the Director General of the Content Business



Hiroshi Miyazaki  
Operating Officer,  
Director General, Content Business

## NTV's Non-Broadcasting Businesses

Broadcasting is the main pillar of NTV's business, which is largely dependent on television advertising revenue for its earnings. Given this situation, in an attempt to diversify earnings, NTV makes use of its strengths and expertise in the broadcasting business to expand its non-broadcasting business, thereby establishing another pillar of business.

The content business, which handles non-broadcasting businesses, develops business in three main categories. First are the rights business, which promotes the secondary usage of terrestrial broadcast content; fee-based services; and the publishing business. All of these seek to improve earnings by promoting multiple usage of programs by enhancing production staff awareness of this objective and more thoroughly integrating their activities. Next are the film and event businesses, which create content. Third is the media commerce business.

## Film Business

NTV produces and releases about 12 films each year. In the fiscal year ended March 31, 2010, film business revenues rose 16.0%, to ¥15,416 million. In terms of film production, we focus on low-cost projects that are highly likely to turn a profit, while funneling investment toward big productions designed to become box office hits. We also modulate production expenses, which we seek to recover entirely through box office revenue, and augment film earnings through sales of DVDs and overseas development.

### • Unique Aspects of NTV's Film Business

Films directly funded or produced by NTV comprised half of the top 10 films in the 2009 Japanese box office revenue rankings. This was a result of using terrestrial broadcast drama directors as film directors and leveraging our strengths and expertise in content production, as well as initiatives to enhance Group film production and cultivate producers through the exchange of staff and film production collaboration between Group company AX-ON Inc. and equity-method affiliate Nikkatsu Corporation, a film company. NTV also organizes production committees consisting of various corporations that invest in film production, and as the leader of these committees, we direct planning and production and control the various rights involved in the process. The production committee embodies a uniquely Japanese system that makes use of each company's strengths and shares risks among all members.

### Film Content Released During the Fiscal Year Ending March 31, 2011



**Karigurashi no Arrietty**  
Release date: July 17, 2010  
Director: Hiromasa Yonebayashi  
Planning/Script: Hayao Miyazaki  
©2010 GNDHDDTW



**BECK**  
Release date: September 4, 2010  
Writer: Harold Sakuishi Director: Yukihiko Tsutsumi  
©HAROLD SAKUISHI · KODANSHA  
©2010 BECK Film Partners



**GANTZ**  
Release date: January 2011 (Part I), Spring 2011 (Part II)  
Writer: Hiroya Oku Director: Shinksuke Sato  
©Hiroya Oku / Shueisha  
©2011 GANTZ FILM PARTNERS

## • Films Directed by NTV Employees

As one effort to improve its film content production capabilities, NTV has had tremendous success employing directors of television dramas as film directors. In addition to Toya Sato, director of *GOKUSEN: THE MOVIE*, which earned ¥3.4 billion at the box office, and *KAIJI*, which earned ¥2.2 billion at the box office, and Nobuo Mizuta, director of *Nakumon Ka* and *252: Signal of Life*, we are employing such in-house directors as Taro Otani, who will debut in directing the Japanese version of the 1990 hit *Ghost*, released in November 2010.

## Media Commerce Business

In the period under review, media commerce business sales increased 26.3%, to ¥10,577 million. The Japanese media commerce market continues to expand, and earnings contribution from this business is expected to make it one of the main pillars of our non-broadcasting business.

NTV limits its media commerce business to products with proven track records. This minimalist approach allows us to optimize the business by focusing on shipping and product management efficiency. Our competitive sales strategy emphasizes maximizing revenue from popular items, rather than regularly churning our product portfolio. We combine this approach with redoubled efforts involving information programming on terrestrial broadcasts and NitteSeven, our shopping portal.

At present, NTV media commerce programs are relatively few in number, compared to other stations, and we have no regular weekend media commerce program. We plan to expand these broadcasts on NTV and local stations. Leveraging our strong bonds of trust with these stations, we aim to expand our media commerce business by increasing time slots with high viewership.

## Event Business

Our event business is engaged in art exhibitions, concerts and theater performances. In the period under review, event business revenues grew 13.4%, to ¥6,185 million.

In commemoration of NTV's 55th anniversary, in Tokyo and Kyoto we held exhibitions of 17th century European art from the Louvre Museum. Of the 71 pieces on exhibit, about 60 were in Japan for the first time, and some 30 were on display outside the Louvre for the first time ever. The exhibit was extremely popular, attracting 1,472,554 visitors. Also, in July 2010, coinciding with the *Karigurashi no Arrietty* release, we held the *Karigurashi no Arrietty x Yohei Taneda* exhibit, which incorporated a large set showcasing the world depicted in this animated film. At present, NTV holds exhibits once per year, but we are making preparations to double this frequency.

In February 2010, the NTV production of Patrick Marber's *Closer* was performed in five locations across Japan. In May, the NTV production of Robert Thomas' *Trap* was performed at seven locations throughout the country. Both plays were very successful.

Although the event business is gradually bearing fruit, at present its share in each industry is extremely low. At the same time, this is an area with tremendous development potential, and we have high expectations for this non-broadcasting business.



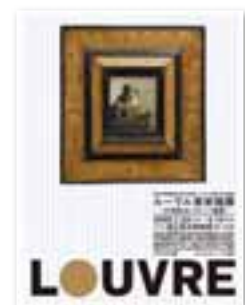
GOKUSEN: THE MOVIE  
©2009 "GOKUSEN THE MOVIE"  
Film Partners



PON! PON! POSHLET



Our top-selling product,  
developed in-house



Brochure announcing exhibition of 17th century  
European art from the Louvre Museum



*Karigurashi no Arrietty x Yohei Taneda* exhibit  
©2010 GNDHDDTW  
Production Design Yohei Taneda

# Message from the President of VAP



Fumihiko Hirai  
Representative Director, President  
VAP Inc.

## Overview

Company: VAP Inc.  
Location: Yonbancho Bldg. No. 1  
5-6, Yonbancho,  
Chiyoda-ku,  
Tokyo 102-0081, Japan  
Established: January 24, 1981  
Capital: ¥500 million

## Quick Emergence from Lackluster Market for Packaged Programs

Although profits were down significantly year on year during the fiscal year under review, the situation improved gradually throughout the year. In the first quarter, we posted an operating loss of ¥1,000 million, but extensive cost reduction and structural improvement initiatives launched during the first quarter helped cut this loss to ¥500 million in the second quarter, falling to ¥200 million in the third quarter. In the fourth quarter, we returned to profitability on a non-consolidated operating basis. In the fiscal year ending March 31, 2011, we will continue to implement these cost control measures and promote profit-focused management.

DVDs released in the year under review included *BANDAGE*, a film lead-managed by NTV, *Shodo Girls*, a film funded entirely by the NTV Group, and *Kaibutsu-kun*, an NTV drama, and sales of these titles were favorable. Sales of *Kaibutsu-kun*, which was released as a box set, were particularly brisk.

In the music business, which has been in overall decline, sales of a concert DVD featuring the pop group Mr. Children were strong, boosting sales in the first half of the fiscal year ending March 31, 2011. Second-half performance, however, will depend on whether or not popular artists release new CDs.

## Business Strategy

Our future business development emphasizes profit-focused management of the film and distribution businesses.

Specifically, we will strengthen our connection to NTV by increasing the funding we provide to films lead-managed by NTV, acquiring theme music from NTV programs and utilizing television media as a means of promotion, all of which we believe will be linked to increased sales. In the distribution business, we will develop business that incorporates production and other expenses into total income and expenditure calculations, on the basis of secondary and tertiary usage.

In the music business, we aim to focus our investment on promising projects and artists by reducing the number of artists under contract and narrowing our business scope.

## Efforts to Promote Multiple Usage of Content

V.F. Partners combines the content planning and development skills that VAP has cultivated through the packaging business with the Internet business expertise of Forecast Communications Inc. With the aim of developing on-demand content distribution, the joint venture invests in content and handles distributor licensing of animations involving NTV investment, as well as VAP-owned content.

In these ways, the company is working to invigorate the market for streaming video and maximize content viewing opportunities. We aim to bolster non-broadcasting revenue as a result.



V.F. Partners website (Japanese only):  
<http://www.vfp.co.jp/index.html>

# Message from the President of NitteSeven

## A Unique Business Model

At present, NitteSeven's forte is product development, which focuses on developing original products linked to NTV programs. The products are introduced on the informative shopping and variety program *Le Marché de la Déesse* and sold at stores operated by Seven & i Holdings Co., Ltd., Japan's largest distribution and retailing group. The aim is to provide consumers with appealing and unique products by developing a business that draws on NTV's strengths in planning and production capabilities as a media company and Seven & i Holdings' retail distribution networks and sales capabilities.

NitteSeven's original product development business involves projects featuring on-show product introductions by well-known celebrities. The products are based on proposals made to Seven-Eleven, Ito-Yokado and manufacturers. The show is broadcast as an information commerce program in an approach that differs from television shopping shows by providing the viewer with product information, and has proved to be a great success. Product discovery involves selecting attractive products for viewers from the perspectives of broadcasting, distribution and advertising. We carefully introduce the product benefits and attractions within the context of the program in a way that would not be possible within the limited time frame of television commercials. Our viewers appreciate this approach, which generates numerous purchases.

## Future Business Strategy

NitteSeven's core strength lies in its creative planning production capability, and we are currently developing the portal website business, product development and program production with this in mind. Looking ahead, however, we will launch initiatives aimed at making product development the next pillar in our profit structure by focusing our efforts on advertising and marketing. Through comprehensive cross-media development involving television commercial production, websites, retail outlets and events we will coordinate corporate sales promotions designed to take advantage of client budgets earmarked for sales promotion activities, as well as advertising. We believe this will help the NTV Group expand its non-broadcasting revenue.



Hiroyuki Shiraiwa  
Representative Director, President  
NitteSeven Co., Ltd.

### Overview

Company: NitteSeven Co., Ltd.  
Location: 25F, Shiodome NTV Tower  
1-6-1 Higashi Shimbashi,  
Minato-ku,  
Tokyo 105-7407, Japan  
Established: December 3, 2007  
Capital: ¥480 million

