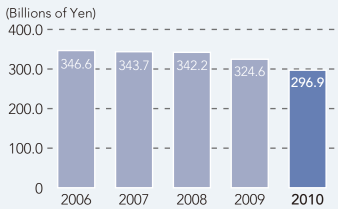
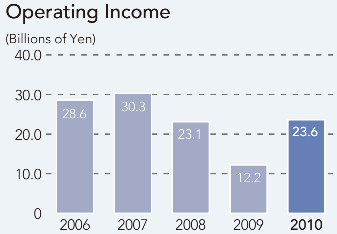
Management's Discussion and Analysis

Nippon Television Network Corporation and Consolidated Subsidiaries
Years Ended March 31

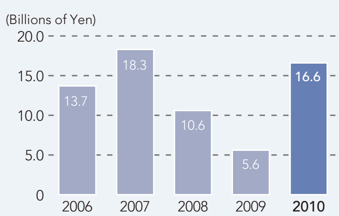
Net Sales



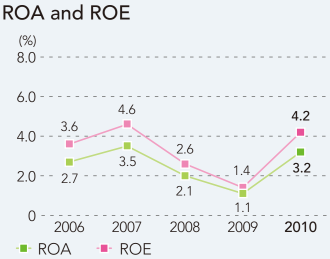
Operating Income



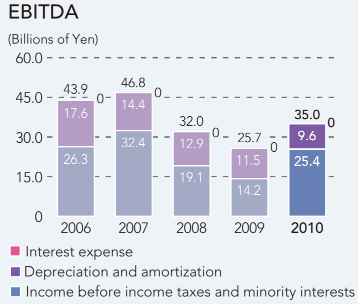
Net Income



ROA and ROE



EBITDA



Overview

Operating Environment

In the fiscal year ended March 31, 2010, economic conditions in Japan remained severe. Exports expanded gradually on the back of improvements in overseas economies, particularly within Asia. The Japanese economy also benefited from government economic stimulus measures, and consumer spending and corporate manufacturing activity improved to some extent. Nevertheless, consumer prices fell slightly amid harsh employment and personal income conditions.

Net Sales

During the year, the NTV Group posted consolidated net sales of ¥296,934 million, a ¥27,629 million, or 8.5%, decrease from the previous fiscal year. This decline stemmed from significantly lower income from the mainstay television broadcasting business—hit by sluggishness in advertising due to the economic downturn—and worsening conditions in the music and video software markets. Meanwhile, performance remained favorable for film and media commerce within the cultural activities segment.

Operating Income

Operating expenses, comprising cost of sales and selling, general and administrative (SG&A) expenses, amounted to ¥273,371 million, down ¥38,977 million, or 12.5%. The Group sought to reduce program production costs through timetable restructuring. We also worked to overhaul administrative activities to reduce expenses in other areas. Further factors included a decrease in agency commissions stemming from lower sales from the television broadcasting segment. As a result, operating income totaled ¥23,563 million, up ¥11,348 million, or 92.9%, compared with the preceding fiscal year.

Income Before Income Taxes and Minority Interests

During the year, income before income taxes and minority interests increased ¥11,160 million, or 78.5%, to ¥25,368 million. The gain was primarily due to significantly higher operating income, despite other income–net falling ¥188 million, or 9.4%, to ¥1,805 million on increased sales of investment securities and losses on devaluation of investment securities, and as a result of appropriating a ¥1,115 million loss on sales of stocks of subsidiaries.

Net Income

During the year, tax expenses grew ¥801 million, or 9.6%, to ¥9,117 million. During the previous fiscal year, NTV and certain of its consolidated subsidiaries liquidated deferred tax assets, but for the year under review, tax expense rose, owing to higher income before income taxes and minority interests.

Furthermore, minority interests in net loss of consolidated subsidiaries came to ¥344 million during the year, up from ¥270 million in the previous period. This was largely attributable to net losses at VAP Inc.

Owing to these factors, net income increased ¥10,973 million, or 195.2%, to ¥16,595 million.

Segment Information

Net Sales (Billions of yen)

	2006	2007	2008	2009	2010
Television broadcasting	¥ 278.0	¥ 267.9	¥ 262.4	¥ 247.0	**¥ 225.9**
Cultural activities	62.5	69.4	74.0	71.2	**66.3**
Other	15.1	14.5	15.1	16.5	**13.0**
Elimination/Corporate	(8.9)	(8.2)	(9.3)	(10.2)	**(8.3)**
Total	¥ 346.6	¥ 343.7	¥ 342.2	¥ 324.6	**¥ 296.9**

Operating Income (Billions of yen)

	2006	2007	2008	2009	2010
Television broadcasting	¥ 36.0	¥ 33.8	¥ 27.7	¥ 21.6	**¥ 29.5**
Cultural activities	5.2	8.2	6.3	3.2	**4.2**
Other	2.4	1.3	2.3	1.4	**1.3**
Elimination/Corporate	(15.0)	(13.0)	(13.2)	(14.0)	**(11.5)**
Total	¥ 28.6	¥ 30.3	¥ 23.1	¥ 12.2	**¥ 23.6**

Television Broadcasting

■ Operating Environment

In 2009, total advertising expenditure in Japan came to ¥5,922.2 billion, down 11.5% year on year and recording the biggest drop since estimates for advertising expenditure in Japan began. Advertising expenditure grew steadily throughout the country from 2004 to 2007, in line with overall economic expansion, but 2009 marked the second consecutive year of decline due to the global economic downturn and deteriorating corporate performance, although buoyed by government campaigns, such as those accompanying the Lower House election, tax breaks for eco-friendly cars and the launch of an eco-point system.

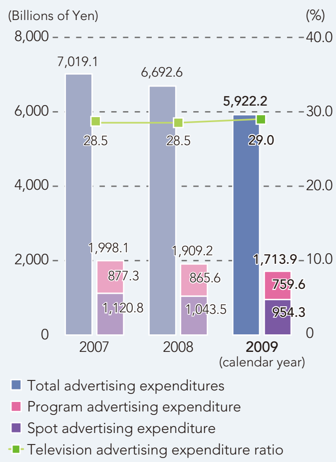
Advertisers' suppression of costs resulted in a 10.2% decline in television advertising expenditure, to ¥1,713.9 billion. These cost reductions were particularly apparent for spot advertising during the January–March quarter, as such advertisers can adjust this expenditure relatively easily midterm. Furthermore, during the timetable restructuring period in April, advertisers extended their cost-cutting activities to time advertising. As a result, both spot and time advertising expenditures fell substantially. Nevertheless, moving into October, economic conditions gradually began to pick up, causing spot advertising to recover to previous-year levels.

As a result, program advertising expenditure (time advertising expenditure) was ¥759.6 billion, down 12.2% year on year, while spot advertising expenditure was down 8.6%, to ¥954.3 billion.

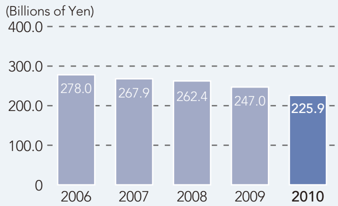
By industry, advertising expenditure grew in the Government/Organizations, Foodstuffs and other lifestyle segments, and placements in Distribution/Retailing were firm. On the other hand, placements fell for Automobiles, Hobby/Sporting Goods and the Finance segment.

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

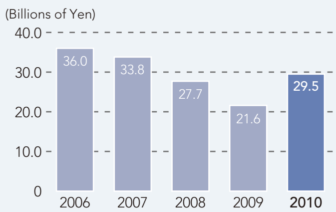
Trends in Advertising Expenses in Japan



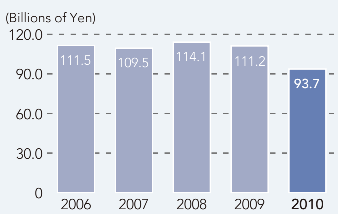
Television Broadcasting Sales



Television Broadcasting Operating Income



Program Production Costs (Non-Consolidated Basis)



Performance Overview

During the fiscal year ended March 31, 2010, sales from the television broadcasting business fell ¥21,067 million, or 8.5%, to ¥225,942 million.

We worked aggressively to promote time sales for major program events such as the 2010 Winter Olympics in Vancouver and high-rating shows like *Ponyo on the Cliff by the Sea* on the Friday Movie Special and *Odoroki no Arashi! Seiki no Daijikken!!*, as well as NTV annual staples such as *24-Hour Television 32: Love Saves the Earth* and the *86th Hakone Ekiden*. However, in addition to a worsening advertising market, due to the effect of fewer major single-event programs such as the previous year's Beijing Olympics, time sales fell ¥20,425 million, or 15.3%, to ¥112,840 million.

In terms of spot sales, in addition to seeing the impact of timetable restructuring and continued solid household viewer ratings, viewer ratings for the core target age range from 13 to 49 years old, for which client demand is high, improved substantially as the Company succeeded in improving programs that support spot sales. Sales by industry fell nearly across the board during the previous year, but the Box Office and Entertainment and Service categories posted significant year-on-year increases. Also, Cosmetics/Toiletries, Alcohol and Pharmaceutical were firm. Nevertheless, spot sales shrank ¥810 million, or 0.9%, to ¥92,585 million, due to a drop in spot advertising expenditure in the Kanto region compared with the previous term.

Breakdown of NTV's Spot Advertising Sales by Industry (%)

	2010			2009		
	Industry	Share	Growth	Industry	Share	Growth
1	Cosmetics/Toiletries	9.0	8.9	Electronic Equipment	9.0	(0.5)
2	Alcohol	7.5	1.4	Cosmetics/Toiletries	8.2	(9.3)
3	Pharmaceutical	7.3	2.2	Transportation, Telecommunications	8.1	(15.4)
4	Electronic Equipment	7.1	(22.2)	Automobiles	7.4	(11.4)
5	Automobiles	7.0	(6.9)	Alcohol	7.3	0.5
6	Transportation, Telecommunications	6.9	(15.8)	Pharmaceutical	7.1	(8.7)
7	Box office and Entertainment	6.3	26.7	Non-Alcohol	5.6	(16.9)
8	Service	6.1	19.8	Service	5.1	(5.3)
9	Non-Alcohol	4.6	(19.7)	Box office and Entertainment	4.9	(6.7)
10	Finance	4.5	(0.5)	Finance	4.5	(21.4)
	Other	33.9	2.3	Other	32.8	(15.6)
	Total	100.0	(0.9)	Total	100.0	(11.5)

Operating expenses, comprising cost of sales and SG&A expenses, amounted to ¥196,428 million, a year-on-year decline of ¥28,997 million, or 12.9%. We strove to reduce program production costs through timetable restructuring and lower costs in all other areas through administrative improvements. Other factors included a decrease in agency commissions stemming from lower sales from the television broadcasting segment.

As a result of the above factors, year on year television broadcasting operating income rose ¥7,930 million, or 36.7%, to ¥29,514 million.

Sekai Maru Mie! TV Special Investigative Unit

NEWS ZERO

Cultural Activities

Overview of Results

The NTV Group's sales from cultural activities fell ¥4,874 million year on year, or 6.8%, to ¥66,294 million.

In the film business, sales were up owing to the hit *20th Century Boys–Chapter 3–* (released August 29, 2009), with box office revenue of ¥4,400 million, and other successes that included *Gokusen: The Movie* (released July 11, 2009), *Kaiji* (released October 10, 2009) and Japan Academy Prize–winning animated feature *Summer Wars* (released August 1, 2009).

National Overview (Calendar Year)

	2005	2006	2007	2008	2009
Attendance (thousands)	160,453	164,585	163,193	160,491	**169,297**
Box office sales (millions of yen)	198,160	202,934	198,443	194,836	**206,035**
Japanese films	81,780	107,944	94,645	115,859	**117,309**
Theatrical releases	731	821	810	806	**762**
Japanese films	356	417	407	418	**448**
Theaters (total screens)	2,926	3,062	3,221	3,359	**3,396**

Box-Office Sales Ranking: Top 10 Titles for 2009

Rank	Released	Title	Box-Office Sales (Billions of Yen)
1	May	*Rookies the Movie: Graduation*	¥ 8.6
2	July	*Pokémon: Arceus and the Jewel of Life*	4.7
3	August	*20th Century Boys–Chapter 3–**	4.4
4	June	*Evangelion: 2.0 You Can (Not) Advance**	4.0
5	July	*Amalfi: Rewards of the Goddess*	3.7
6	April	*Detective Conan The Raven Chaser**	3.5
7	July	*Gokusen: The Movie**	3.5
8	May	*April Bride*	3.2
9	March	*Yatterman**	3.1
10	April	*Crows Zero II*	3.0

*Film in which NTV was the head organizer or an investor
Source: Motion Picture Producers Association of Japan, Inc., 2009

In the music and video software business, harsh market conditions remained, with the CD market continuing to contract and the calendar 2009 video software market shrinking 8.9% (according to a survey by the Japan Video Software Association). Given these conditions, despite the success of the *Summer Wars* DVD (launched in March 2010), consolidated subsidiary VAP, which engages primarily in the production and distribution of film and television drama DVDs and Blu-ray discs and music CDs, experienced a major revenue decline.

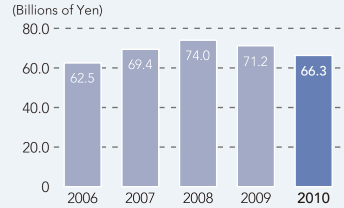
Video Software (DVD, Blu-ray) Market (Millions of Yen)

	2005	2006	2007	2008	2009
Video Software Sales	¥ 670.2	¥ 669.5	¥ 664.2	¥ 630.1	**¥ 574.1**

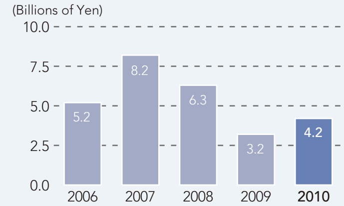
Source: *Video Software Market and User Trend Survey 2009*, Japan Video Software Association

In the media commerce business, sales were firm on special shopping programs such as *Zenkoku Otoriyose! Oseibo Special*. NTV posted record-high sales by actively developing the business and extending broadcasting time for television shopping programs and broadcasting special shopping programs on network stations.

Cultural Activities Sales

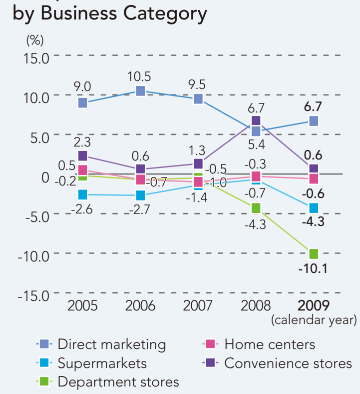


Cultural Activities Operating Income



20th Century Boys–Chapter 3–

Comparison of Growth Rates by Business Category

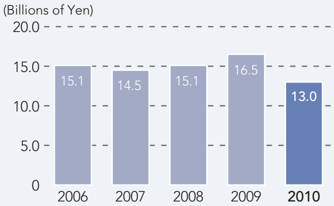


Sources:
Direct Marketing Sales (fiscal year data), The Japan Direct Marketing Association;
Japanese DIY Market (calendar year data), Japan DIY Industry Association;
Sales Statistics (calendar year data), Japan Chain Stores Association;
Convenience Store FC Statistics (calendar year data), Japan Franchise Association;
Nationwide Department Store Annual Sales (calendar year data), Japan Department Stores Association


NTV2 Website

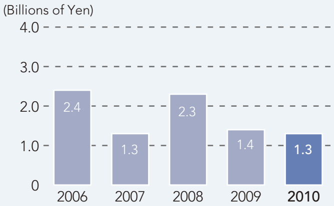
Other Sales

(Billions of Yen)



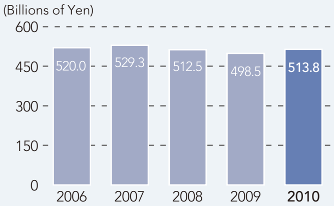
Other Operating Income

(Billions of Yen)



Total Assets

(Billions of Yen)



Trends in Direct Marketing Sales (Billions of Yen)

	2005	2006	2007	2008	2009
Direct Marketing Sales	¥ 3,040.0	¥ 3,360.0	¥ 3,680.0	¥ 3,880.0	**¥ 4,140.0**

Source: *Direct Marketing Business Survey Report*, Vol. 27, Japan Direct Marketing Association

NTV2, the Company's video-on-demand (VoD) service, enjoyed a sharp increase in users associated with a shift to completely free services and benefited from cross-media advertising, which draws on the strengths of both television and the Internet. NTV2 moved into the black in the fourth quarter of the year ended March 31, 2010, and is now in a growth phase.

Meanwhile, expenses dropped ¥5,900 million, or 8.7%, to ¥62,068 million, owing to falling cost of sales on DVDs, Blu-ray discs and CDs accompanying lower sales at VAP.

As a result of these factors, operating income grew ¥1,026 million year on year, or 32.1%, to ¥4,226 million.

Other

During the year under review, sales from this segment totaled ¥12,994 million, down ¥3,552 million, or 21.5%. Factors included poor first-half performance by Nippon Television Football Club Co., Ltd., which manages a professional soccer team, and the company's exclusion from the scope of consolidation in the second half due to stock transfer (all stock transferred by the Company to Tokyo Verdy Holdings on September 30, 2009), as well as to a significant drop in sales from this segment. Operating income was ¥1,304 million, down ¥87 million, or 6.3%, from the previous year.

Financial Position

Assets

Current assets as of March 31, 2010, were ¥140,770 million, down ¥42,363 million from a year earlier. This decline was due to a reduction in cash and cash equivalents through deployment of a system to manage cash on an integrated, groupwide basis and a decrease in the redemption of marketable securities.

Net property, plant and equipment expanded ¥16,935 million, to ¥201,026 million, owing to the acquisition of land surrounding the Kojimachi office building (former head office) to make more active use of the area.

At term-end, due to an increase in investment securities, total investments and other assets were up ¥40,759 million compared with the previous term-end, to ¥171,992 million.

Consequently, total assets stood at ¥513,788 million on March 31, 2010, up ¥15,331 million from the end of the preceding fiscal year.

Liabilities

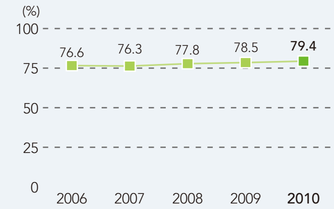
Total current liabilities stood at ¥65,473 million, a decrease of ¥2,754 million, reflecting a decline in other payables.

Total long-term liabilities were ¥2,135 million higher than a year earlier, at ¥31,948 million, owing to an increase in deferred tax assets, reflecting the rise in market prices of investment securities.

Equity

Total equity amounted to ¥416,367 million, up ¥15,950 million from a year earlier, as a result of posting net income surpassing the amount of expenditures targeting shareholder returns, such as dividends paid and the acquisition of treasury stock, as well as a rise in market prices of investment securities, prompting an improvement in unrealized losses on available-for-sale securities.

Equity Ratio



Cash Flows

Cash and cash equivalents on March 31, 2010, stood at ¥45,219 million, down ¥12,411 million compared with a year earlier.

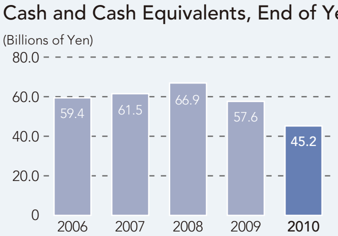
(Billions of Yen)

	2006	2007	2008	2009	2010
Net cash provided by operating activities	32.7	31.5	26.8	23.9	**40.1**
Net cash used in investing activities	(24.4)	(24.6)	(17.3)	(28.3)	**(46.8)**
Net cash used in financing activities	(15.9)	(4.7)	(4.1)	(4.8)	**(5.7)**
Net (decrease) increase in cash and cash equivalents	(7.5)	2.2	5.3	(9.2)	**(12.4)**
Cash and cash equivalents, end of year	59.4	61.5	66.9	57.6	**45.2**

Net Cash Provided by Operating Activities

Net cash provided by operating activities amounted to ¥40,131 million, compared with ¥23,948 million provided by these activities in the previous fiscal year. Major sources of cash were ¥25,368 million in income before income taxes and minority interests and ¥9,622 million in depreciation and amortization. Uses of cash included a ¥3,589 million decrease in trade notes and accounts payable and income taxes paid.

Cash and Cash Equivalents, End of Year



Net Cash Used in Investing Activities

Investing activities used ¥46,847 million in cash during the year, compared with ¥28,331 million used in the previous fiscal year. Purchases of property, plant and equipment, marketable securities and of investment securities were the principal uses of cash.

Net Cash Used in Financing Activities

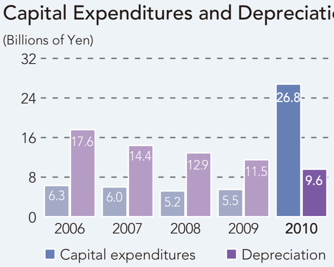
During the year, net cash used in financing activities amounted to ¥5,697 million, mostly because of treasury stock acquisitions and dividends paid. In the preceding term, net cash used in these activities came to ¥4,803 million.

Financing and Capital Expenditure Policy

In the context of its ongoing content investment, the NTV Group utilizes retained earnings and determines the optimal method of funds procurement based on a variety of factors, including future operating conditions, financial market trends and the impact on the Company's corporate value.

In specific terms, the Group's estimates for capital expenditures over the next seven-year period are determined in line with forecast profits and cash flows. Group companies formulate their own capital plans, but NTV makes adjustments to ensure there is no overlap among plans. In the fiscal year ended March 31, 2010, the Group's total capital expenditures were ¥26,809 million, centered on capital outlay for digital terrestrial broadcasting in the television broadcasting segment as well as acquisition of land in Yonbancho, Chiyoda-ku, Tokyo (around the Kojimachi former head office).

Capital Expenditures and Depreciation



LINE-UP LAW OFFICE

Hakone Ekiden

Shoten

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Film Partners

For the fiscal year ending March 31, 2011, the NTV Group budgets capital expenditures of ¥5,231 million, to be funded primarily through retained earnings.

Capital expenditures by business segment during the year under review were as follows.

■ Television Broadcasting

Seven years after relocating our head office to NTV Tower in Shiodome, we upgraded mastering and CG-related IT equipment to maintain operational stability.

With regard to transmission equipment, we have been promoting the construction of relay stations and mini-satellite stations to further expand the area covered by digital terrestrial broadcasting.

As a result of the above, capital investment in the television broadcasting segment amounted to ¥2,535 million.

■ Cultural Activities

Capital expenditure in the cultural activities segment was ¥101 million, which was mainly used to purchase IT equipment at consolidated subsidiaries.

■ Other

Capital expenditure in the cultural activities segment reached ¥492 million, which was mainly used to construct systems at consolidated subsidiaries.

■ Companywide

To make active use of the Kojimachi office building (former head office), the Company acquired surrounding land with the objective of annexing buildings to the Kojimachi office building. As a result, companywide capital expenditure during the year totaled ¥23,681 million.

Other than this, the Company recorded a loss on retirement of property, plant and equipment of ¥220 million for equipment replacement, centered on the machinery and equipment category.

Important Operational Contracts

Purchase of Land

The Company is working to augment non-broadcasting revenue in order to diversify its revenue sources. To make more active use of the Kojimachi office building (former head office), the following property was acquired with the objective of annexing buildings to the Kojimachi office building.

Contractor:	Nippon Television Network Corporation (NTV)
Counterparty:	Chiyoda Yonbancho Kaihatsu TMK
Acquired asset:	Land
Amount (millions of yen):	23,300 (including ancillary expenses)
Area (registered; m²):	2,628.25
Location:	5-97-10, Yonbancho, Chiyoda-ku, Tokyo
Contract date:	December 16, 2009
Improved land transfer date:	March 31, 2010

Equity Participation in Yoshimoto Kogyo

The Company acquired a stake in Quantum Entertainment Corporation in September 2009 in connection with a tender offer (de-listing) for Yoshimoto Kogyo Co., Ltd., a business partner involved in program and DVD/Blu-ray disc production, etc. Quantum Entertainment merged with Yoshimoto Kogyo on June 1, 2010, which resulted in the Company becoming the principal shareholder in the new Yoshimoto Kogyo, the amalgamated company, with a stake of 8.09%. The new Yoshimoto Kogyo is taking advantage of de-listing to aggressively develop its business. It will accelerate the process of converting content to multiple uses and is considering developing operations in other parts of Asia. NTV will strengthen its partnership with the company and pursue synergies.

Earnings Outlook for the Year Ahead

For the fiscal year ending March 31, 2011, the NTV Group forecasts net sales of ¥293.5 billion, operating income of ¥25.1 billion and net income of ¥18.0 billion.

Concerning net sales, we expect the television advertising market to remain lackluster and for performance in the film business to drop following the previous fiscal year's solid results. Accordingly, we expect these revenues to fall ¥3,434 million, or 1.2%, compared with the previous year. In respond to the harsh economic environment, we are enacting strict cost controls, which we expect to hold down expenses. Consequently, we forecast growth in both operating income and net income, of 6.5%, to ¥1,537 million; and 8.5%, to ¥1,404 million.

Dividend Policy

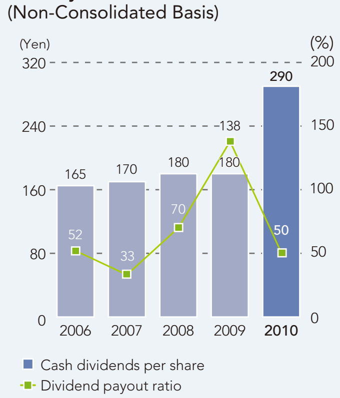
NTV recognizes return of profits to shareholders as an important task of management. Our basic policy is to make continuous and stable returns to shareholders, while building a corporate structure able to flexibly adapt to changes in market conditions and strengthen our revenue base. At the same time, we are focusing on the period after the shift to fully digital terrestrial broadcasting, set for July 2011, and harmonizing these endeavors with the maintenance of internal reserves for aggressive future expansion.

NTV's basic policy is to pay dividends twice each year, once at midterm and once at year-end. The General Meeting of Shareholders determines the year-end dividend, while midterm dividends are resolved by the Company's Board of Directors.

In terms of returns to shareholders, we set a lower limit of ¥180 per share for full-year cash dividends. Going forward, we will work to raise returns via such measures as the acquisition of treasury stock.

For the fiscal year ending March 31, 2011, in line with the lower limit of our basic policy, we plan to pay out a midterm dividend of ¥90 per share and a year-end dividend of ¥90.

Cash Dividends per Share and Payout Ratio
(Non-Consolidated Basis)



Note: Dividend figures include a ¥60 per share dividend in the year ended March 31, 2006, to celebrate NTV2's launch; and a ¥30 per share dividend in the year ended March 31, 2008, to commemorate NTV's 55th anniversary of establishment.

Business Risks

Risk factors deemed to have the potential to significantly affect the NTV Group's business activities are given below. The many items regarding the future described in the following have all been evaluated as of the time of publication of this Annual Report, and are provided from the standpoint of active disclosure to investors.

Recognizing that these risks exist, the NTV Group aims to avoid such risks and to minimize their impact if they do materialize. Note that the following statements do not comprehensively identify all possible risks related to investing in the Company's stock.

Risk Factors as a Broadcaster

■ Worsening Advertising Market and Dependence on Advertising Revenue

The television broadcasting segment, which forms the core of the NTV Group's operations, is dependent on television advertising revenues from time and spot sales, with such revenues comprising 69.2% of total net sales in the fiscal year ended March 31, 2010.

Television advertising revenues, centered on net time sales, have continued to decline. The NTV Group recognizes the continued dominance of the media value of television broadcasting and remains committed to enhancing that value. However, future macroeconomic trends in Japan and shifts in the advertising market could impact the Group's business performance and financial position.

■ Legal Regulations for Television Broadcasters

The NTV Group's core television broadcasting business is regulated by Japan's Broadcast Law and Radio Law.

The objective of the latter is to promote robust development of broadcasting by stipulating freedom of program editing and establishing broadcast program deliberative bodies. The Radio Law also aims to enhance public welfare by ensuring the fair and efficient usage of the airwaves. Article 4 of the Radio Law stipulates that parties seeking to open radio stations for the transmission of radio waves must receive a license from the Minister of Internal Affairs and Communications. Article 13 of the Radio Law specifies that the validation period of such a license is five years.

On July 31, 1952, the Company was the first in Japan to be authorized for television broadcasting. We have subsequently continued to renew our status as a licensed broadcasting company.

Under the authority to the Minister of Internal Affairs and Communications in the event of prescribed circumstances, the Radio Law provides stipulations for discontinuance of radio transmissions (Article 72) and revocation of status as a licensed broadcasting company (Article 75 and Article 76). Continued television broadcasting is the linchpin for the NTV Group's future existence, so the Group is ever-conscious of and vigilant toward the emergence of such circumstances in the fulfillment of its social mission of broadcasting. However, if the Company's status as a licensed broadcasting company was revoked under the Radio Law, or current considerations concerning broadcasting and communications that may cause legal revisions and other changes were enacted, the Group's business performance and financial position could be seriously affected.

Risk Factors Regarding Competition with Other Companies

■ Competition with Other Forms of Media

Since the rollout of digital terrestrial broadcasting in December 2003, single receivers that enable viewing of any of terrestrial, BS and CS digital broadcasts have steadily gained popularity. Accelerating this proliferation are plans to discontinue analog terrestrial broadcasting in Japan, scheduled for July 2011. In addition, new BS digital broadcasts and multimedia broadcasts targeting mobile devices are expected to commence. This popularization of digital media is drawing the interest of many people, rapidly raising the advertising value of such forms of media.

The NTV Group is responding to the increasing diversity of digital media in a variety of ways. We deliver digital BS broadcasts via BS Nippon Corporation, offer the NTV G+, Nittele NEWS24 and Nittele Plus digital CS broadcasts, and provide Internet content via NTV2.

However, it is possible that growing diversity of digital multimedia offerings will reduce the amount of time that viewers spend watching digital terrestrial broadcasting, which could reduce the advertising value of our media. This situation could affect the Group's business performance and financial position.

Risk Factors Regarding Content

■ Surging Licensing Fees

With television broadcasting as its core business, the NTV Group has carried out its mission as a television broadcaster by covering the Olympics, baseball, soccer and other sporting events closely watched by Japan's citizens. At the same time, it is difficult to secure advertising revenues sufficient to offset the high television licensing fees charged for these sporting events, which is eroding profits for television broadcasters.

The Group remains committed to airing sporting events, to execute its mission as a television broadcaster of continuing to provide citizens with entertainment. However, price hikes on licensing fees have the potential to negatively influence the Group's business performance and financial position.

■ Copyrights and Other Intellectual Property Rights

The television programs produced by the NTV Group intimately combine copyrights and neighboring rights (hereinafter "copyrights, etc.") that represent the results of the creative intellectual and cultural efforts of authors, screenwriters, musical lyricists and composers, record producers, performers and many others (hereinafter, "authors, etc.").

Japan's Copyright Act states in its first Article that it is intended to spell out the rights of such authors, etc. who engage in creative activities, protect the rights of such authors, etc., and contribute to cultural development, while giving due regard to fair use.

In recent years, demand has arisen for multiple uses of content to supplement conventional terrestrial broadcasting, including content distribution via BS and CS satellite broadcasts, cable television and the Internet; packaging in the form of DVDs, Blu-ray discs and other physical media; and merchandising and publishing related to program characters. While carefully considering the rights of the various authors, etc., the Group plans to continue aggressively pursuing multiple uses for the television programs and other content it produces.

However, the rights for use of television programs produced by the Group from the authors, etc. are premised on terrestrial broadcasting usage as a general rule, leaving the Group with numerous television programs for which rights premised on uses other than terrestrial broadcasting have not been adequately obtained.

In deploying content for multiple uses on the Internet and in other new media, it will therefore be essential to re-acquire permission from the authors, etc., in advance of such use either in parallel with or subsequent to terrestrial broadcasting. Such rights handling could require large amounts of time and expenditures. At the same time, in the event that the Group fails to properly accommodate the authors, etc., it may face broadcast cancellation orders or claims for damages. In such cases, the Group's business performance and financial position may be affected.

Risk Factors Regarding Investment in New Businesses

■ Film Business

The NTV Group is actively engaged in the film business in the pursuit of revenue outside of television broadcasting, and contributes capital to approximately 15 films each year. Our capital participation in the film business is determined based on careful simulations of potential income and outlay during the planning stages of each film. However, there is no guarantee that actual box office receipts and secondary usage revenues after theatrical release will generate the projected earnings. Failure to secure the amount of revenue initially planned may impact the Group's business performance and financial position.

■ Media Commerce Business

To secure non-broadcasting revenues, the Group is actively engaged in the media commerce business, which is growing in scale each year. We select products carefully, using a thoroughly comprehensive checking system. Sale by the Group of defective or faulty products could result in the obligation to accept returns of or replace such products. In such cases, failure to secure the amount of revenue initially planned may impact the Group's business performance and financial position.

■ VoD Business and NTV2

In October 2005, the Group launched NTV2, Japan's first Internet-based video distribution (VoD) business operated by a television broadcaster. After relaunching NTV2 as a free service in fiscal 2007, the number of users grew dramatically. Business is growing steadily; after recording its first fully profitable month in January 2009, NTV2 also posted profits for the 4th quarter of the year ended March 31, 2010.

However, Internet-based businesses, and specifically VoD businesses, may be affected by major fluctuations in market demand, owing in particular to the increasing sophistication of network infrastructure and mobile terminals. Furthermore, advertising revenues may not grow if the business is unable to provide content that fulfills sponsors' needs. These factors may result in the business being unable to recover its expenses, thereby affecting the business performance and financial position of the Group.

Other Risk Factors

■ Handling of Shares Purchased by Foreign Entities

NTV's status as a licensed broadcasting company under the Radio Law will be revoked if the voting rights held by foreign entities (defined as (1) an individual without Japanese citizenship, (2) a foreign government or its representatives, (3) a foreign juridical person or organization or (4) a juridical person or organization the ratio of voting rights of which to be held directly by the entity described in items (1) to (3)) reach a ratio of 20% or more of the Company's shares with voting rights, such ratio being defined by the Ministry of Internal Affairs and Communications Ordinance as the sum of the ratios of the rights held directly by entities described in (1) through (3) and held indirectly through the entities described in (4).

In this situation, the Company may refuse to describe or record the name or address of such foreign entities on the shareholders' register in accordance with the provisions of the Broadcast Law Article 52(8)(i) and 52(8)(ii). Furthermore, based on Article 52(8)(iii) of the Broadcast Law, the Company may also restrict exercise of voting rights.

■ Large-Scale Acquisitions of NTV's Shares

Many large-scale acquisitions of shares benefit neither the corporate value of the target company nor the common interests of its shareholders. Such large-scale acquisitions include those with a purpose that would obviously harm the corporate value of the target company and the common interests of its shareholders; those with the potential to substantially coerce shareholders into selling their shares; those that do not provide sufficient time or information for the target company's board of directors and shareholders to consider the details of the large-scale acquisition, or for the target company's board of directors to make an alternative proposal; and those that require the target company to discuss or negotiate with the acquirer in order to procure more favorable terms for shareholders than those presented by the acquirer.

NTV obtained shareholder approval for and carried out a renewal of its plan for countermeasures to large-scale acquisitions of shares in the Company with necessary amendments (takeover defense measures) effective period of the plan for countermeasures to large-scale acquisitions of shares in the Company (takeover defense measures) at a meeting of the Board of Directors on held on June 29, 2010 and its 77th Ordinary General Meeting of Shareholders held on June 29, 2010, as a measure (Article 118, Item (iii)(b) of the Ordinance for Enforcement of the Companies Act) to prevent decisions on the Company's financial and business policies from being controlled by persons viewed as inappropriate under the basic policy regarding persons who control decisions on the Company's financial and business policies (defined in the main clause of Article 118, Item (iii) of the Ordinance for Enforcement of the Companies Act).

The Group strives to ensure and enhance its corporate value, whose source lies in particular in its superior content development capability. The bedrock of our content development capability is founded mainly on acquisition and development of high-caliber personnel, preservation of mutual trust relationships with external parties involved in content production, sustainment of relationships of cooperation and mutual trust with network companies, maintenance of a corporate culture with a mid- to long-term outlook that encourages the development of high-quality content, assurance of stable business results and financial structure, and fulfillment of the Company's public responsibilities as a broadcaster. Unless the acquirer of a proposed large-scale acquisition of shares in the Company understands the source of the corporate value of the Company and would ensure and enhance these elements over the medium-to-long term, the corporate value of the Company and, in turn, the common interests of its shareholders would be harmed, which could have a considerable impact on the Company's management.