



# Japanese Television Broadcasting Industry Handbook

Nippon Television Network Corporation  
Supplement to Annual Report 2010

# Contents

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## About Programs Broadcast by Commercial Terrestrial Television Broadcasters

- 1 Program Types
- 1 Program Procurement

## Major Revenue Sources for Commercial Terrestrial Television Broadcasters

- 2 Revenue Derived from Broadcasting Sales
- 2 Time Ads
  - Time Ad Types
  - Time Ad Sales
- 3 Column: National Network Structure
- 4 Spot Ads
  - Spot Ad Types
  - Spot Ad Sales
- 5 Column: Spot Ad Sales Patterns

# About Programs Broadcast by Commercial Terrestrial Television Broadcasters

## Program Types

The timetable consists of two types of programs. The first are regular programs, which are broadcast at the same time on the same day of each week. The second are special programs, which are primarily single-episode and involve expanding regular program content to create special programs during timetable reorganization, as well as major sporting events and news specials.

## Program Procurement

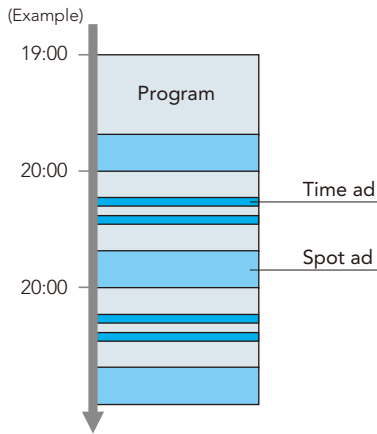
Japanese television stations—and key commercial broadcasters in Tokyo in particular—engage in program planning, production, scheduling and broadcast, making them the largest content providers in Japan. As a result, most programs in the timetable represent content created wholly by the television station itself. As of April 2010, 92% of programs in the NTV timetable were produced in-house, accounting for nearly our entire line-up. Broadcasters are taking further steps to strengthen their position as content providers through the development of multiple uses for content, including making use of the copyrights held on in-house content to create films and related products, distribute content via the Internet and sell program formats overseas.

Broadcasters also procure content such as sporting events and overseas films from external sources. In the United States and many other countries, one television station is granted exclusive broadcasting rights for global sporting events such as the Olympics or the FIFA World Cup. At present, NHK, along with commercial broadcasters in Japan, purchase shared broadcast rights, with program production and broadcast conducted by a consortium of rights holders. Compared to costs incurred by stations broadcasting independently, this lowers the material, staff and broadcasting rights costs shared by each member of the consortium, creating a more efficient broadcasting arrangement.

# Major Revenue Sources for Commercial Terrestrial Television Broadcasters

## Revenue Derived from Broadcast Sales

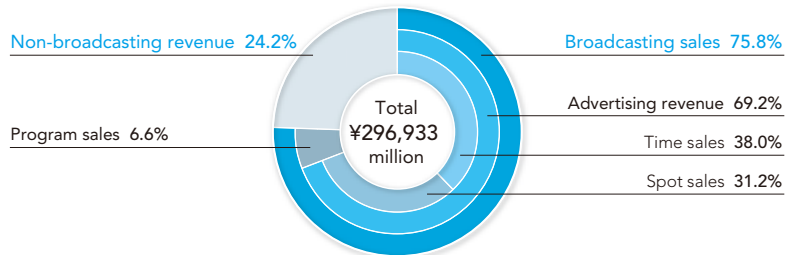
■ Basic Difference between Time Ad and Spot Ad Time Slots



Commercial terrestrial television broadcasters derive the majority of their earnings from broadcasting sales, which consists of time sales, spot sales and program sales. Among these three, advertising revenue (time and spot) accounts for the majority of broadcast sales.

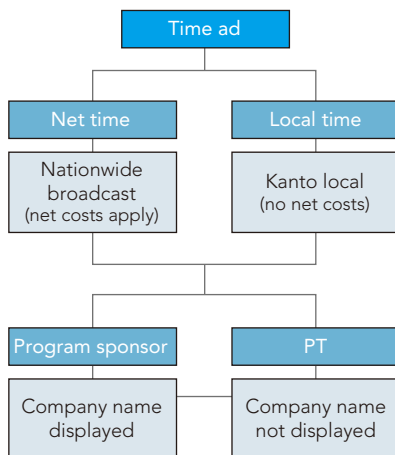
Time ads are sold to sponsors in units comprising 30 seconds of broadcast time, and since the sponsor is providing a portion of the program production costs, the sponsor's name is displayed during the program and the sponsor's commercials are shown during the broadcast. Spot ads are sold to sponsors in units of 15 seconds of broadcast time and are shown in the time slot between programs. The commercials broadcast in this time slot are not connected to a specific program. Spot ad sponsors do not provide program production costs for a particular program. Accordingly, they have no control over program content.

■ NTV Sales Ratios in the Fiscal Year Ended March 31, 2010



## Time Ads

■ Time Ad Types



### Time Ad Types

Time ads differ according to commercial broadcast area and whether or not the sponsor name is displayed during the program broadcast. There are two types of commercial broadcast area time ads. One is net time, a nationwide commercial broadcast slot incorporating local stations that is sold by key stations. The other is local time, which involves sales of time slots broadcast only by stations in licensed broadcast areas. Furthermore, time ads are separated into those that display the sponsor name at the beginning and end of the program, and those that do not. Sponsors can have their company and product names displayed during the program depending on the number of advertising units purchased.

## Time Ad Sales

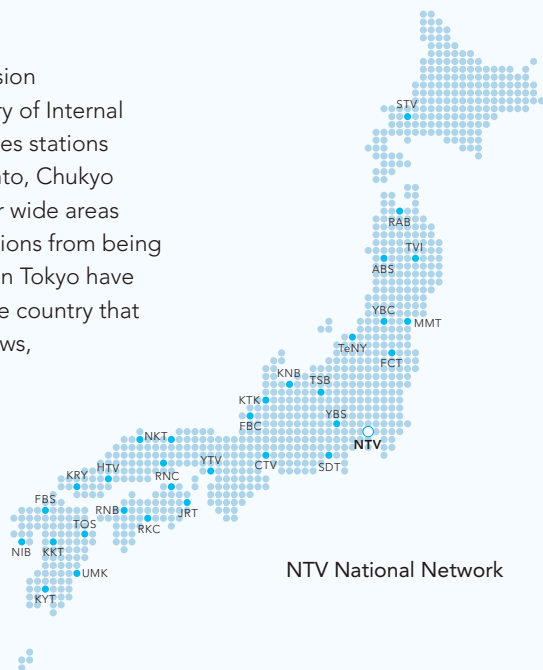
Time ads are normally sold through six-month contracts with sponsors, with renewal confirmation and fees renegotiated in April and October (when timetable reorganizations take place). Although time ad fees fluctuate depending on the popularity of the program and the balance of advertising supply and demand, they consist of airwave fees, program production costs and network airwave fees associated with net time sales.

Also, a special feature of time ads is that, in principle, programs have only one sponsor from a given industry. This is usually, but not always, the case. Care is taken to avoid having two companies from the same industry, or similar product advertisements sponsoring the same program or appearing in the same sponsor zone. The system is set up so that, even if a sponsor wants to support a particular program, they cannot become involved if there are no slots available. Programs sponsored by a single company from day one of production meet sponsor needs in terms of conveying corporate and product images, reaching target consumers and executing desired projects. Companies that fully support a single program provide broadcasters with revenue used for commercial broadcast fees and program production costs, making time sales the main pillar of broadcasters' earnings structure.

### Column: National Network Structure

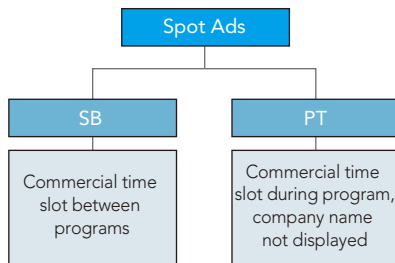
In accordance with the Radio Law, commercial terrestrial television broadcasters renew their broadcasting licenses with the Ministry of Internal Affairs and Communications every five years. The license enables stations to broadcast only in a specified prefecture, although in the Kanto, Chukyo and Kinki regions of Japan broadcasters are permitted to cover wide areas comprising multiple prefectures. This prevents commercial stations from being able to broadcast nationwide. As a result, the five key stations in Tokyo have created a network consisting of local stations located across the country that enable nationwide broadcasts and facilitate cooperation on news, programs and other business.

Furthermore, network expenditures arise during nationwide broadcasts, as stations in the affiliate network fund their own operations. The station that originates a nationwide broadcast purchases broadcasting time from other stations in the network by paying airwave fees. In most cases, nationwide broadcasts originate from key stations, which pay the airwave fees incurred by local stations.



# Major Revenue Sources for Commercial Terrestrial Television Broadcasters

## ■ Spot Ad Types



## Spot Ads

### Spot Ad Types

Spot ads are differentiated by commercial broadcast slot. Commercials shown between programs are in the station break (SB) slot, while commercials shown during programs are in the participating commercial (PT) slot.

### Spot Ad Sales

Spot ad sales are conducted only in those areas for which a broadcasting license has been obtained. For this reason, NTV spot sales are limited to the Kanto area (NTV's broadcast area). Unlike time ads, spot ads can be purchased according to the desired length, day of the week and preferred time slot. This enables sponsors to purchase commercial time for use during sales and other promotions. Spot ads also differ from time ads in that their execution is based on various indices and data derived from metrics including viewer ratings, gross rating points and per-viewer costs. Viewer ratings data, representing average household audiences over a four-week period, is provided by Video Research Ltd. Gross rating points (GRP) measure the average size of the audience for a given broadcast time slot over that same four-week period. Per-viewer costs are the amount of money required to reach 1% of the viewing audience, which is calculated as follows:

$$\text{Ad amount} / \text{GRP} = \text{Per-viewer cost}$$

Based on the broadcast standards established by the National Association of Commercial Broadcasters in Japan (NAB), to which commercial broadcasters belong, the weekly volume of commercials must be less than or equal to 18% of total broadcast time. This limits the amount of advertising time slots television stations can sell. For this reason, as spot ads can be purchased according to the desired time and date, when sponsor demand for spot ads is high, the price goes up and the per-viewer cost increases; when demand for spot ads is low, the price goes down and the per-viewer cost decreases.

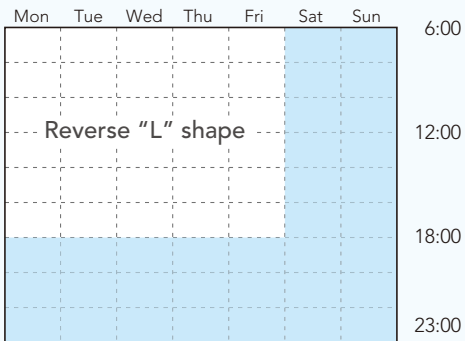


High viewer ratings are critical for television stations to sell spot ads and realize long-term earnings growth. For sponsors, spot ad costs are determined by the target GRP. From the television station's perspective, programs with high viewer ratings require fewer commercials to achieve the sponsor's GRP target compared to programs with low viewer ratings. This effective use of limited broadcast slots can be linked to higher earnings.

### Column: Spot Ad Sales Patterns

Various spot ad broadcast time slots are sold so that sponsors can promote products and reach targets. Per-viewer costs vary by pattern. Sales patterns established by NTV are shown in the timetables below.

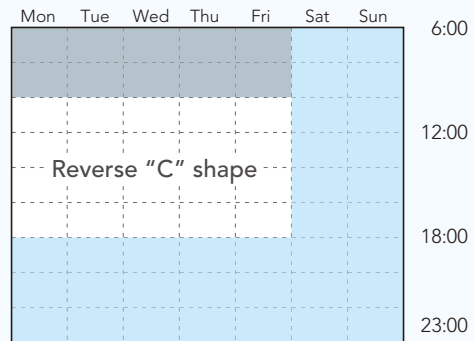
#### Reverse "L" shape



**Target:** Young people, working adult males, women and company employees

**Characteristics:** Time when most people are at home; attracts ads focused on the youth market

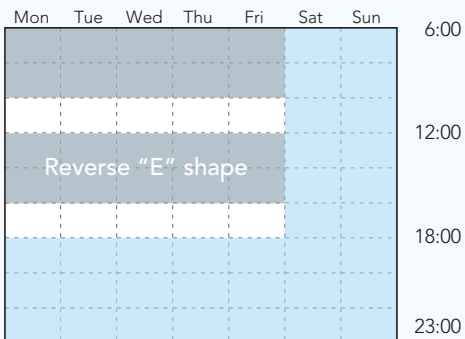
#### Reverse "C" shape



**Target:** Young people and adult men and women

**Characteristics:** Also covers the morning time slot, thereby attracting ads aimed at company workers and students before they leave for work or school

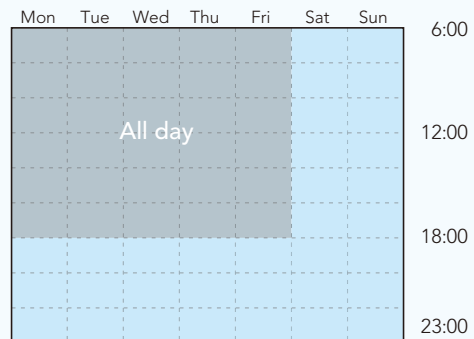
#### Reverse "E" shape



**Target:** Adult men and women and housewives

**Characteristics:** Also covers the lunchtime period, thus appealing to many clients with products aimed at female office workers and housewives

#### All day



**Target:** Stay-at-home housewives and general audiences

**Characteristics:** Covers a wide audience range at a reasonable price

Other than the above, there are also sales in the late-night slot aimed at university students (young people).



NIPPON TELEVISION NETWORK



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