Message from Management

Market Environment and Overview of Results for the Fiscal Year Ended March 31, 2011

Overview of Results

Although the Great East Japan Earthquake, which struck in March 2011, had a major impact on operations for the fiscal year ended March 31, 2011, spot revenue—a component of television advertising revenue—was up substantially. Consolidated subsidiaries, including Nippon Television Music Corporation, VAP Inc. and AX-ON Inc., also boosted revenues. As a result, net sales rose 0.3% during the year, to ¥297.9 billion. Furthermore, our thoroughgoing efforts to control costs in all categories bore fruit, and we posted operating income of ¥31,670 million, up 34.4%. Net income likewise rose 26.8%, to ¥21,049 million. This was the first time in 10 years for the Company to record sales and income increases across the board.

Market Environment

Japan's total advertising expenditures in 2010 totaled ¥5,842.7 billion (on a calendar basis, according to Dentsu Inc.), for a 1.3% decline from the previous year and the third consecutive year of decline—failing to achieve a full-fledged recovery despite a gradual economic recovery, improved corporate performance and such large-scale events as the 2010 FIFA World Cup South Africa.

Television advertising expenditures turned around, however, increasing for the first time in six years and rising 1.1%, to ¥1,732.1 billion, on a recovery in the spot advertising market. Spot advertising revenues gradually increased from the beginning of the year, and by the July–September quarter they had recovered, outpacing the previous year's level. For the full year, these revenues were up 6.8%, to ¥1,018.9 billion.

Meanwhile, the unprecedented level of devastation wrought by the Great East Japan Earthquake in March 2011 led advertisers to voluntarily hold back on commercial advertising, which had a substantial impact on performance. As power shortages and other effects of the earthquake are likely in the fiscal year ending March 31, 2012, we will pay special attention to conditions in the market environment.

Achievements in the Fiscal Year Ended March 31, 2011

During the year, NTV formulated the 2010 Management Policy containing its annual objectives, one of which was to enhance earnings strength and regain the top share of viewer ratings. We aggressively developed our operations to this end.

To improve viewer ratings, we restructured our timetable and worked steadily to enhance the content of individual programs. As a result, we came close to being the top station in terms of household viewer ratings and boosted our core target viewer ratings (for viewers between 13 and 49 years of age). This age group tends to have high purchasing power and be the most sought-after by advertisers. During the year, we ranked second across all four categories of viewer ratings: all day (6:00–24:00), prime time (19:00–23:00), golden time (19:00–22:00) and non-prime time (6:00–19:00 and 23:00–24:00). Although these efforts fell short of our goal to achieve the top level of viewer ratings, we believe that we made substantial progress in content. The disparity between us and the broadcaster with the top viewer ratings in the all-day category was only 0.1 percentage point. The difference was similarly small in other categories: 0.2 percentage point for prime time, 0.3 percentage point for golden time, and 0.1 percentage point for non-prime time. Compared with the previous year, we are clearly closing the gap. Furthermore, we were top in viewer ratings during the fourth run (from January 3 to April 3, 2011), as well as on a monthly basis in March 2011. We plan to leverage this positive momentum to achieve the top slot in viewer ratings in the fiscal year ending March 31, 2012.

With this combination of improved ratings and a recovery in the spot advertising market, our television advertising revenue grew 1.9% during the year, to ¥209,264 million. Our growth in spot revenue was particularly robust, rising 11.6%, to ¥103,338 million. This is the highest rate of growth among all key stations. Also noteworthy was that in the second half, our spot share exceeded 25% of the total. Meanwhile, our year-on-year decrease in time advertising revenue grew smaller. This revenue fell 6.1% as advertisers curtailed fixed expenses, to ¥105,926 million.

Noritada Hosokawa
Representative Director, Chairman

In terms of non-broadcasting revenue, we are working toward steady growth by focusing on one of our core businesses, media commerce. We expanded our sales routes by developing special shopping programs for various local stations and BS Nittele, and as a result, revenue from merchandise sales reached a record high. Although we were unable to post year-on-year increases on box office revenues, we scored a major hit with the film *GANTZ* (prequel), which opened on January 29, 2011, generating box office revenue in excess of ¥3.4 billion.

As a result of these activities, during the year we posted consolidated recurring profit of ¥38,720 million. The consolidated recurring profit ratio—a key management indicator—accordingly amounted to 13.0%, well above the previous year's 9.2%, and we recorded increases in both revenue and income for the first time in 10 years.

Business Strategies for the Fiscal Year Ending March 31, 2012

Key Elements of the 2011 Management Policy

1 Raise core target viewer ratings, and achieve the top ranking in household viewer ratings

- Remain the broadcaster of choice for coverage of earthquakes and other disasters
- Hold top viewer ratings across all time slots
- Develop robust content that will lead to higher core target and household viewer ratings
- Cultivate producers

2 Develop new sources of revenue to expand sales and profits

Television advertising revenue

- Raise our share of spot revenue to the highest level
- Develop a number of ideas for augmenting time advertising revenue (such as program planning and commercial methods)

Non-broadcasting revenue

- Further expand revenue from existing non-broadcasting businesses
- Develop and maintain new businesses that are in tune with the needs of an era of fully digital broadcasting and that showcase NTV Group strengths
- Accelerate global developments

3 Continue all aspects of cost control

4 Increase profits of the NTV Group as a whole by leveraging the individual characteristics of each Group company

As the advertising market has stagnated for the past several years, we have introduced extensive companywide cost controls to boost our income levels, shifting to an income structure that is capable of generating steady profits. Moreover, television advertising market conditions recovered from last year. We therefore believed that the fiscal year ending March 31, 2012, would be the time to launch a business strategy focused on boosting our top-line performance, and we were preparing to introduce a new medium-term management plan along these lines. However, the Great East Japan Earthquake struck in March 2011, clouding the outlook for the market environment. As this remains the case to date, we have elected to scrap our medium-term management plan in favor of formulating annual objectives. These are outlined in our 2011 Management Policy, which prioritizes such initiatives as fully leveraging the characteristics of digital terrestrial broadcasting in our content production as we work to reinforce our profit structure.

The core concepts of our 2011 Management Policy are to plan and produce content that is even more compelling, as we recognize that this is essential to satisfying more viewers and advertisers. We aim to achieve the top level of household viewer ratings in all time slots, and in the process to raise our core target viewer ratings, thereby boosting advertiser

Yoshio Okubo
Representative Director, President

support. To achieve this goal, while continuing to control costs we must invest aggressively in strategic content. We believe that this approach will be fundamental to NTV's management over the short term, as well as the medium to long term. In the past, ongoing timetable restructuring has led to steady improvement in our household and core target viewer ratings. We will continue in this vein, which will boost television advertising revenue.

July 2011 marked the full-fledged shift in Japan to digital terrestrial broadcasting. This switchover occasioned no major problems and produced no negative impact on viewer ratings. At the same time, the ongoing march of technology has made the Internet and other communication media easily accessible. Accordingly, television will gradually lose its position as the exclusive domain for video content. Although we recognize this phenomenon, we will persevere in our efforts to attain the top ranking.

As competition with other media intensifies, achieving double-digit growth in spot revenue will be no easy feat. Under these circumstances, in addition to increasing our television advertising revenue share we must also tailor our revenue portfolio to be less dependent on television advertising.

The Great East Japan Earthquake caused the advertising market to plunge, but the market recovered from this temporary setback more swiftly than we had expected. Time advertising for regular programs was quickly sold out through September, and in the second half sales remained favorable, particularly for the golden- and prime-time slots. Spot revenue fell in the first quarter owing to the effects of the earthquake, but our spot share was 25.3%—remaining above 25% for the third consecutive quarter. For July 2011, the market recovered and even surpassed the July 2010 level. Ultimately, the earthquake had only a limited impact on revenues, and we believe that the market environment is now in a recovery phase.

To diversify our revenue portfolio, we continue in our steady efforts to expand non-broadcasting revenue, such as films, media commerce and events. We also recognize the need to develop other pillars of revenue. We are therefore planning to heighten our involvement in VoD services, social games and other digital services, and we will continue to evaluate and research other new businesses and M&A opportunities. We plan to maintain our television advertising revenue level over the medium term while also bolstering revenue from other sources. Our goal is a 60:40 split between television advertising and non-broadcasting revenue—a ratio we hope to achieve at the earliest possible juncture.

New Business Development

The NTV Group is aggressively developing additional sources of revenue that are suited to the era of fully digital broadcasting. For instance, in December 2010 we launched a fee-based content distribution service, NTV On Demand, and began distributing dramas, animations, variety shows, sports and other program content. We have also reached an agreement among Japan's five key commercial broadcasters and Dentsu Inc. involving Internet television, which is expected to proliferate. Under this accord, we commercial broadcasters will promote a fee-based VoD service. Through the service, we expect to expand the television program fan base and promote real-time viewing of terrestrial broadcasts, thereby maximizing the value of television.

We also solicited new business proposals as part of a project designed to encourage an entrepreneurial spirit among Group employees, and adopted several "business trial proposals" based on the feasibility of their early service implementation. Consequently, we launched NTV Social Games to develop the SNS gaming business, and NTV Apps, concentrating on software for smartphones. Some of these proposals are already showing signs of success; we will reinforce these businesses and seek to drive them further.

To develop our overseas business—a recent area of major focus—in May 2011 we established CNplus Production, Inc., in Taiwan through a joint venture with major Taiwan cable television broadcaster CTI Television Incorporated, a member of Taiwan's WANT WANT GROUP. Under this business development agreement, CNplus will produce dramas, variety shows and other television programs using NTV's television program formats. By taking advantage of networks operated

Signing ceremony with CTI Television

by CTI and the WANT WANT GROUP, we aim to expand our business first in Taiwan and ultimately into mainland China.

We aim to work out the specifics of our real estate development in Kojimachi, Tokyo, as quickly as possible. The plan is to make more effective use of the real estate that we own in this area, and we are pushing forward through discussions with other entities that hold rights to this land.

Corporate Social Responsibility

Key commercial broadcasters such as NTV have a profound impact on society, and we must meet social responsibilities that are commensurately large. The recent Great East Japan Earthquake heightened our awareness of how we as a company can contribute to society in the midst of such a calamity. Using our *24-Hour Television* platform, we commenced fund-raising activities ahead of other commercial broadcasters. We consider such activities extremely important, as they allow us to earn the trust of our viewers by showing how we are always ready to give back to society. We see such trust as a cornerstone of our business development.

In January 2011, we became a member of the UN Global Compact. This move was designed to step up our involvement in environmental issues and other social contributions, and we plan to develop our corporate culture accordingly.

Shareholder Returns

NTV recognizes return of profits to shareholders as an important task of management. Our basic policy is to ensure consistently stable returns to shareholders, while strengthening our earnings base so as to remain responsive to transformation in the business environment and sustaining sufficient internal reserves to aggressively develop our business. We have set ¥180 per share as our minimum annual dividend. Based on this dividend policy, for the fiscal year ended March 31, 2011, we awarded ¥290 per share in annual dividends, the same level as for the preceding fiscal year.

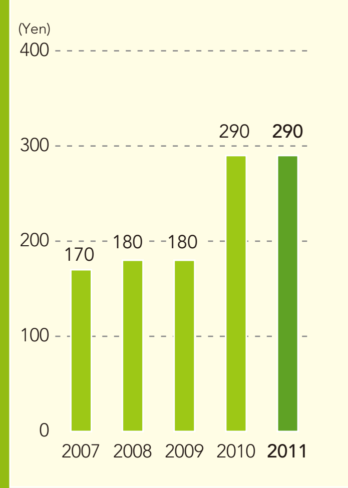
For the fiscal year ending March 31, 2012, we expect to award dividends at the minimum level of ¥180 per share. This does not correspond to a dividend reduction, as it is in line with the minimum level to which we committed at the beginning of the fiscal year. As stable shareholder returns are our objective, we see no reason to reduce our dividend payout level in the absence of an extreme demand for funds or a major downturn in profit levels.

As described above, television broadcasters face a number of serious changes in their operating environment, owing to growing competition from the Internet and other media. At the same time, however, digital broadcasting is spawning a host of business opportunities in the areas of content production and future business development. Against this backdrop, we consider it essential for the NTV Group to maintain sufficient cash independence to invest toward future growth and act expeditiously in response to future M&A opportunities. During the year, we subscribed to a capital increase via third-party allocation by the animation production company MADHOUSE Inc., making MADHOUSE a subsidiary of NTV. We also embarked on a joint venture in Taiwan, establishing a company to promote content in Asia. These business startups are examples of our aggressive investment in business development.

We also consider the acquisition of our own shares as one aspect of shareholder return. However, we must maintain a careful eye to the percentage of shares held by foreign entities, as a foreign ownership ratio of 20% or more would trigger a revocation of NTV's status as a broadcasting company under Japan's Radio Law. Nevertheless, we will continue pursuing the acquisition of treasury stock to the extent possible within these constraints.

I would like to thank our shareholders and investors for their continued understanding and cooperation and look forward to your future support

Cash Dividends Per Share



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