

Special Feature: Developing the Content Business

In the fiscal year ended March 31, 2011, the NTV Group combined its content-related businesses into a single operating segment. Centered on television advertising revenue, the segment also derives royalty income from program sales and merchandising; sales of CDs, Blu-ray Discs and publications; and films and events. We aim to maximize revenue opportunities by creating compelling content. This special feature introduces Group initiatives for redoubling our strength in content production and leveraging attractive content in diverse ways.



Sekai no Hate Made Itte-Q!



Arashi ni Shiyagare



DOG x POLICE: The K-9 Force
©2011 "DOG x POLICE" FILM PARTNERS



Shabekuri 007



Shimura Zoo



FIFA Club World Cup UAE 2010 Presented by TOYOTA



Impressionist and Post-Impressionist Masterpieces from the National Gallery of Art, Washington



ALWAYS -Sunset on Third Street- 3
©2012 "Always3" Film Partners



Kaibutsu-kun



Rembrandt: The Quest for Chiaroscuro
© The Rembrandt House Museum, Amsterdam



Humanoid Monster Bem



Television Broadcasting Business

Viewer Rating Trends



*Nandemo World Ranking
Nep & Imoto no Sekai Banzuke*



*Sekai Maru Mie!
TV Special Investigative Unit*



ZIP!



Book from popular segment
of ZIP!

During the year, we continued with our timetable restructuring initiatives, through which we succeeded in improving our household and core target viewer ratings. Our average household viewer ratings during the year were second in all four time slots: 8.1% in the all-day slot; 12.4% in prime time; 12.3% in golden time and 6.9% in non-prime time. Although this fell short of our goal of attaining top viewer ratings, we did succeed in narrowing the gap with the top-ranked station compared with the previous fiscal year. Looking at average viewer ratings during the 52 weeks of the year, NTV achieved the weekly “Quadruple Crown” title—one of the indicators of station power—nine times, surpassing the previous year’s seven. We also achieved the top level of prime-time viewer ratings 20 times, up sharply from the previous year’s 10. Furthermore, during the fourth run (from January 3 to April 3, 2011) we earned the Quadruple Crown title, indicating the top rating for all time slots.

During the 26 weeks from April through October 2, 2011, we ranked second across all time slots, but we delivered a strong showing by earning the Quadruple Crown title in monthly average viewer ratings.

Programming Policy

NTV’s programming policy focuses on being the broadcaster of choice among viewers and clients. To achieve this objective, naturally we must raise household viewer ratings but we also need to be at the top in core target viewer ratings (ratings among viewers aged 13 to 49), as our clients consider this segment particularly important. Our ongoing timetable restructuring efforts have proven particularly successful in boosting our core target viewer ratings in the C (4–12), T (13–19) and F2 (35–49) segments. We believe these results stem from our skill in providing content for family viewing. We are making steady progress in household viewer ratings as well, evinced by an increasing number of weeks in which we held the top rank for the golden- and prime-time slots.

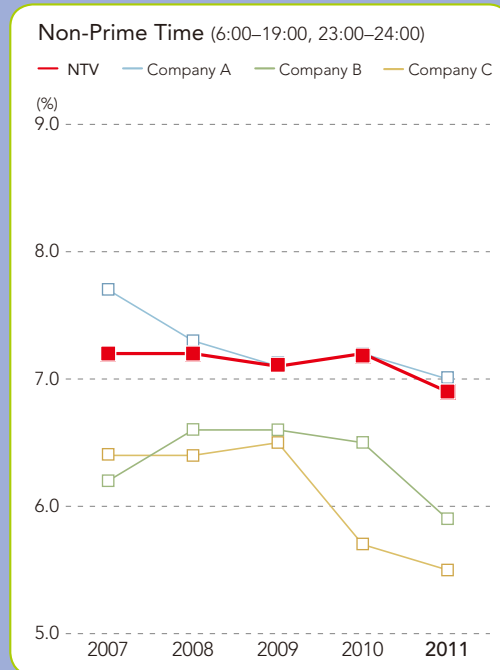
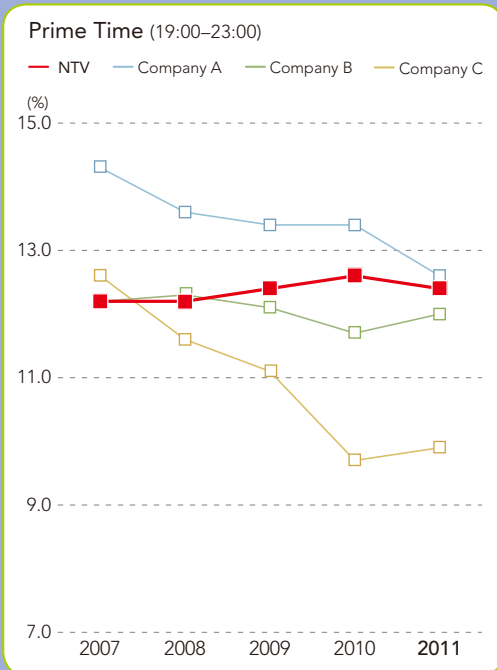
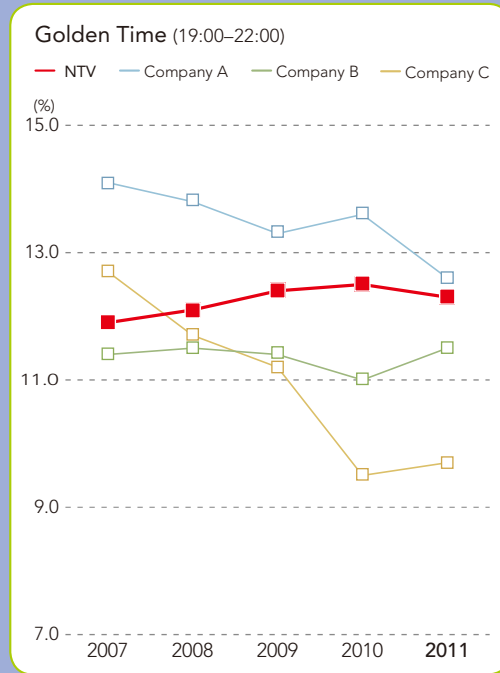
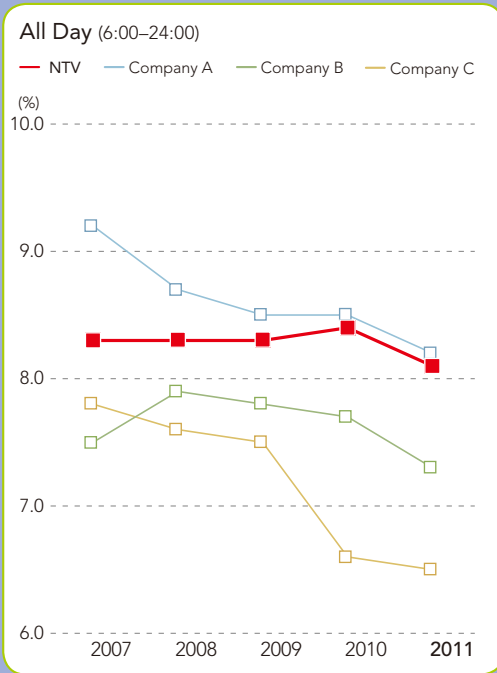
Although we initially experienced some difficulty with household viewer ratings for so-called “belt programs”—morning and afternoon programs spanning contiguous weekdays—that we introduced in April 2011, these have begun making steady contributions to our core target viewer ratings, thanks to their novelty and topicality. We received a strong response to aggressive developments such as our morning belt program ZIP!, which is linked to mobile devices, and our rollout of datacasting, which leverages the possibilities of digital terrestrial broadcasting.

Since the Great East Japan Earthquake, we have continued to carry disaster-related bulletins via regular news and single-episode programs. In this manner, we are fulfilling our corporate social responsibility as a news-reporting institution.

We have defined two main goals: putting television at the core and recapturing the top position. The first expresses our overarching aim of ensuring that viewers continue to consider television as the true center of entertainment, even as new media becomes increasingly prevalent. Viewer ratings will measure our success in this endeavor, and accordingly we aim to recapture the lead in the fiscal year ending March 31, 2012.

Viewer Ratings by Time Period

Years Ended March 31



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Non-Broadcasting Businesses



GANTZ
PERFECT ANSWER
©Hiroya Oku/Shueisha
©2011 "GANTZ" FILM PARTNER



From Poppy Hill
©2011 Chizuru Takahashi -
Tetsuro Sayama - GNDHDDT

Film Business

The NTV Group is mounting an aggressive initiative to make its film business a key source of non-broadcasting revenue and is investing in the production of around 12 films per year.

As we cut back on large-scale investments during the fiscal year ended March 31, 2011, film revenues and expenses were both down compared with the previous year. In the fiscal year ending March 31, 2012, however, we plan to scale up this expenditure to the same levels as during the fiscal year ended March 31, 2010.

On April 23, 2011, we released *GANTZ PERFECT ANSWER*, the sequel to *GANTZ*, which screened in January. We scored a major hit with *GANTZ* (prequel), which was released in Japan and the United States, with box office revenue in excess of ¥3.4 billion. We generated more than ¥2.8 billion for *GANTZ PERFECT ANSWER* by cultivating viewer interest during our Friday Movie Special program the day before the film's release. We linked the film to terrestrial broadcasts by showing the movie version of *ANOTHER GANTZ*, also by director Shinsuke Sato, but with a completely original story. Showing the movie version of *GANTZ PERFECT ANSWER* the day before release on the Friday Movie Special helped push the number of prequel and sequel viewers to five million and resulted in a major box office hit with revenues surpassing ¥6.0 billion.

The latest Studio Ghibli film, *From Poppy Hill*, opened in theaters July 16, 2011. Set in 1963 Yokohama, the film's planning and screenplay was by Hayao Miyazaki and it was directed by Goro Miyazaki. Following the previous year's release of *Karigurashi no Arrietty*, Studio Ghibli productions continued to deliver positive results with *From Poppy Hill*. Other hits during the year included *KAIJI 2*. Opening in theaters in November 2011, this was the sequel to *KAIJI*, which screened in 2009 and generated box office revenue of more than ¥2.2 billion. The 3D rendering of *Kaibutsu-kun: The Movie*, attracted viewers of *Kaibutsu-kun*, a popular terrestrial broadcast drama. In January 2012, we also plan to screen the 3D film *ALWAYS—Sunset on Third Street—3*, the third in the major hit series *ALWAYS—Sunset on Third Street*.

In the aftermath of the Great East Japan Earthquake, many film theaters suspended operations, and in Japan a general tendency to eschew entertainment prevailed. These trends affected our performance in the film business during the year, but we expect to boost film business revenues during the fiscal year ending March 31, 2012, with an increased lineup of major titles.



PON! PON! POSHLET



Bathroom refurbishment

Media Commerce

Media commerce is another major component of non-broadcasting revenue. During the fiscal year ended March 31, 2011, we generated record revenues in this category, amounting to ¥10,769 million, owing to our expansion of program slots at network stations and BS Nittele, and due to the popularity of our special programs. This revenue figure was the top among key commercial broadcasters. By continuing to broadcast special programs in the fiscal year ending March 31, 2012, we have already earned a historic high of ¥2.2 billion in *Gyoretsu no Dekiru Tsuhan No. 6*. Going forward, in addition to further increasing the number of program slots at local stations and expanding special programs, we expect to augment our offerings of high-end items, such as the installation of solar power panels and refurbishing roofs, thereby generating even higher revenues.

New Business

In December 2010, NTV launched Nittele On Demand as a fee-based content distribution service, which is steadily increasing viewer numbers through its distribution of dramas, animated series, variety shows, sports and other archived program content. We also expect to generate an early return on our investment in the launch of NTV Social Games, which we established to develop the SNS gaming business, by linking program content in the first phase of *EXIT!*, in which user registrations topped 1.2 million people. We expect to continue chalking up steady advances on NTV Apps, which concentrates on software for smartphones, registering 55,000 downloads for its popular *Gaki no Tsukai ya Arahende!* program application. Downloads of *Itsunoma ni Terebi*, our application for the Nintendo 3DS, also numbered more than 180,000. This software allows three items of NTV-produced 3D content to be viewed free of charge each day.

Special Feature: Developing the Content Business

Interview with Masatoshi Yoshioka, President of Nippon Television Music Corporation



Anpanman

©TAKASHI YANASE / FRÖEBELKAN · TMS · NTV



HUNTER×HUNTER

©POT (Yoshihiro Togashi) 1998-2011
©VAP · NTV · Madhouse / Shueisha



Masatoshi Yoshioka
Representative Director, President
Nippon Television Music Corporation

Company Profile

Name: Nippon Television Music Corporation
Location: NTV Kojimachi South Building, 8F,
2-14 Chiyoda-ku, Tokyo 102-0084, Japan
Established: October 1, 1969
Capital: ¥40 million

Business Overview

Established in 1969, Nippon Television Music is a music publisher that concentrates on the rights business, with music copyrights and licensed merchandise as its two pillars of operation.

The company's music copyright business involves the managing rights to the theme songs of NTV programs, discovering and cultivating artists to create new music, and creating master recordings.

In the area of licensed merchandise sales, the company holds and manages merchandising rights to characters that have appeared in NTV programs. Normally, a publisher or production company retains the character merchandising rights to animated and other content; it is unusual for a music publisher to hold such merchandising rights. Nevertheless, Nippon Television Music holds rights on the merchandising of popular characters such as *Anpanman* and *Lupin the 3rd*.

Nippon Television Music in Brief

There is no point in simply holding on to music copyrights and merchandising rights; using them effectively is the key. As we are a broadcaster-affiliated music publisher, our biggest strength lies in our ability to leverage the abundant media strength of television. We are able to take advantage of the new rights that spring from NTV's programs, and maximize the value of these rights as we convert them into revenues.



Ichiban Song SHOW



Sukkiri!!

To elicit the strength of the rights we hold, we must maintain their quality and enhance their image. Taking characters from the NTV-broadcast *Anpanman* series as an example, our personnel in charge of toymaker licensees hold weekly “*Anpanman* conferences” to go over merchandising plans and check product quality. Already they have met more than 1,000 times. Meeting attendees are very thorough in their checks of product colors and quality, so much so that they have been called the most stringent character controllers in the industry. But as these are popular characters, with several hundred new *Anpanman* character products going onto the market each year, such strict quality control is needed to maintain character images and product quality.

Future Business Strategies

Our future business strategies involve making the most of the rights we hold and monetizing them as effectively as possible. As the NTV Group’s overall non-broadcasting revenue is expanding, we plan to forge even stronger links with NTV programs than we have in the past.

As we believe that music programs are an important element of our involvement in the music copyright business, we assume part of the production costs for *Happy Music* and *Music Dragon Gate*. We plan to expand the field through music programs such as these, which enable us to promote songs and cultivate artists.

One of the major themes of our licensed merchandise sales business is to popularize as many as possible of the

characters from the animated programs broadcast by NTV, such as *Anpanman* and *Lupin the 3rd*. In October 2011, broadcasts began of a new animated program, *HUNTER x HUNTER*, which originated as an extremely popular comic that was serialized by *SHONEN JUMP* in 1998. We aim to popularize the characters in this major hit, by efficiently managing character merchandising rights.

We also take a proactive approach to the cultivation of new merchandising rights other than animated characters that are linked with television programs. We currently are in charge of the *Sukkiri!!* Product Development Department segment of *Sukkiri!!*, an information program broadcast on weekday mornings from 8:00 to 10:25. In this segment, participants plan a variety of products in a framework that allows us to retain their merchandising rights. In the past, we have earned revenues for the use of the program’s name as well as concept fees from a travel agency that was involved in tour planning. This represents a different sort of payment from the royalties that arise from the use of animation characters in products, as they come from planning and licensing the use of formats. We aim to expand our business in this field, which we believe will constitute a major pillar of future revenue.

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Interview with Hisao Adachi, President of AX-ON Inc.



KAIJI 2
©Nobuyuki Fukumoto,
KODANSHA / 2011 KAIJI 2
FILM PARTNERS



Kaibutsu-kun: The Movie
©Fujiko Studio, Shogakukan /
2011 Kaibutsu-kun:
The Movie FILM PARTNERS



Hisao Adachi
Representative Director, President
AX-ON Inc.

Company Profile

Name: AX-ON Inc.
Location: NTV Kojimachi South Building, 6F,
2-14 Chiyoda-ku, Tokyo 102-0084, Japan
Established: February 10, 1970
Capital: ¥50 million

Business Overview

In April 2007, the NTV Group restructured its four production subsidiaries in a bid to maximize revenues by leveraging its strength in content production. AX-ON Inc. emerged from this reorganization as the Group's sole program production company.

We produce programs for NTV in various genres, and we are involved in around 70% of the programs appearing in its timetable. AX-ON is also in charge of production involving NTV's investment in film content, such as *KAIJI* (which earned ¥2.2 billion at the box office in 2009), and its sequel, *KAIJI 2*, which will appear in theaters in November 2011. Furthermore, we are planning to bring the popular television drama program *Kaibutsu-kun* to the big screen.

Meanwhile, we provide video content to companies other than NTV, as well. In addition to broadcast and communications satellite broadcasters, we are expanding the scope of our business to include NTV-affiliated network broadcasters and NHK, as well as other commercial broadcasters.

AX-ON Inc. in Brief

Our management mission is to “depict visually all things visual and render visible all things that are not already visual.” This is meant to express our dedication to delivering all the video content we create—whether television, films, commercials or other content—by all means possible, including the Internet, mobile devices and digital signage.

Our vision transcends the scope of mere content production. Convinced that all our employees are members



Naruhodo! High School



Naruhodo! High School

of our creative staff, we have designed a system whereby all employees—even people in human resources, general administration and accounting—submit programming and content plans. As part of this “all employees are producers” approach, we conduct training throughout the year that is tailored to personnel skill levels, from new employees to top producers. This led to the submission of some 2,500 plans during the fiscal year ended March 31, 2011. This year, one of the plans we submitted was used for the documentary program *Reconstruction Following the Great East Japan Earthquake*, which was broadcast worldwide on the Discovery Channel. The satellite broadcaster WOWOW also made use of our plans for live program broadcasts and drama programs. Generating myriad plans in this way helps us to produce content for a variety of media in addition to NTV and has led to annual revenue and profit increases over three consecutive years.

Future Business Strategies

People are a content production company’s foremost assets. Recognizing this fact, our management vision calls for tireless efforts to cultivate human resources, including an ongoing focus on enhancing the skills of our producers. We lead the rankings of television production companies that university students want to join upon graduation. I believe this is because we treat our people with respect and it speaks to the success of our systematic cultivation of top producers. As superior talent attracts superior talent, the virtuous circle we have created enables us to expand our cadre of excellent producers having excellent planning skills and the

ability to generate ideas. It also leads to more robust sales performance.

Although we do not currently handle planning to production of any of the regular programs that NTV broadcasts during golden time and prime time, our single-episode programs will air in October 2011, and all the programs under our direction are scheduled for broadcast during golden time. We aim to capitalize on this experience by earning slots for our regular programs. Furthermore, we are in charge of overseas sales of program planning and formats for NTV’s programs, films and other content. One recent development in this arena was NTV’s establishment of a joint venture with CTI Television Incorporated, a leading cable television broadcaster in Taiwan. We will work with the new joint venture company, CNplus Production, Inc., on program production and format sales for programming eventually targeting China. Also, in 2011 South Korean daily newspaper *The Dong-a Ilbo* (East Asia Daily) began airing Channel A, a general-format television channel. We have signed a memorandum of understanding with the broadcaster to provide planning and content.

Our expansion of revenue from sources other than NTV is in line with the Group’s objective of increasing its non-broadcasting revenue, and these developments should contribute substantially toward that goal. At the moment, our sales from outside the NTV Group are around 15%. We aim to quickly raise this ratio to around 30%, an achievement that should lead to our company’s continued growth. Going forward, we will sustain our business development efforts through program production for NTV and content production for entities outside the Group.