Management's Discussion and Analysis

Nippon Television Network Corporation and Consolidated Subsidiaries
Years Ended March 31

Overview

Operating Environment

During the fiscal year ended March 31, 2011, the Japanese economy showed signs of improved corporate earnings and a recovery in corporate capital investment and retail consumption, from the effects of the government's emergency economic measures combined with gradual growth in exports in line with an improvement in overseas economies. At the same time, however, the domestic economy saw gradual price deflation, a weak environment for hiring, and high unemployment rates as difficult conditions persisted. In addition, the Great East Japan Earthquake that struck on March 11, 2011, led to damage at nuclear power reactors, restricting electric power supplies.

Net Sales

During the year, the NTV Group posted consolidated net sales of ¥297,895 million, a year-on-year increase of ¥961 million, or 0.3%. This rise resulted from substantial growth in spot television advertising revenues and increased sales at Nippon Television Music and other consolidated subsidiaries.

Operating Income

Operating expenses—the cost of sales combined with selling, general and administrative expenses—declined ¥7,146 million, or 2.6%, to ¥266,224 million, on thorough cost controls in all expense items and despite an increase in agency commissions associated with the recovery in spot advertising revenue. As a result, operating income rose ¥8,107 million, or 34.4%, to ¥31,670 million.

Income Before Income Taxes and Minority Interests

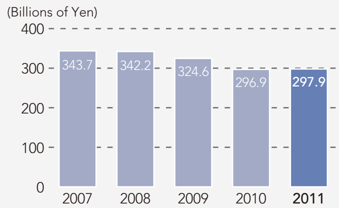
Income before income taxes and minority interests expanded ¥10,869 million, or 42.8%, to ¥36,237 million. The substantial rise in operating income was the primary factor behind this increase.

Net Income

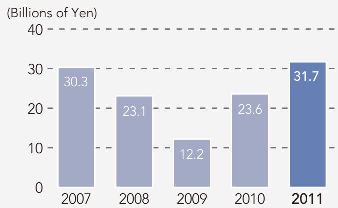
Income taxes rose ¥5,927 million from the preceding year, or 65.0%, to ¥15,044 million, owing mainly to the increase in income before income taxes and minority interests. The Group posted income before minority interests of ¥144 million, compared with a loss before minority interests of ¥344 million in the preceding fiscal year. We also posted minority interests from VAP Inc. and other companies.

As a result, net income for the fiscal year amounted to ¥21,049 million, up ¥4,453 million, or 26.8%, from the preceding fiscal year.

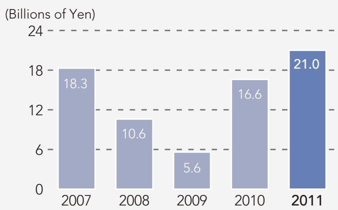
Net Sales



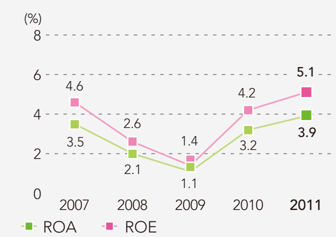
Operating Income



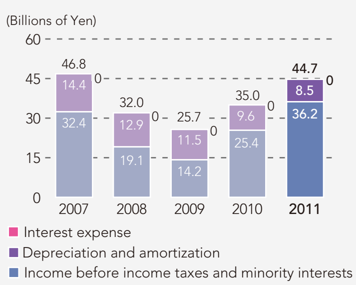
Net Income



ROA and ROE



EBITDA



Segment Information

Following changes to the Company's reorganization of its business segments, from the fiscal year ended March 31, 2011, operations are divided into three business segments: the content business, the real estate rental/leasing business and other businesses.

● Content Business

In the content business, the Group generates revenue from the planning and production of television programs and the sales of television advertising time slots (television advertising revenue); from the sale of programming and other content (content sales revenue); from media commerce sales, the publication and sales of media, and the planning, production and sales of CDs, DVDs and Blu-ray Discs and other media (revenue from merchandise sales); and from revenues for the production and screening of films and from art exhibitions and other events (box office revenue).

● Real Estate Rental/Leasing Business

The real estate rental/leasing business generates revenues from renting to office and commercial tenants and from the leasing of land.

● Other Businesses

In other businesses, the Group generates revenue centered on the operation of program character goods and other shops, as well as from the dispatch of personnel and the supply of heat for district heating and cooling.

Content Business

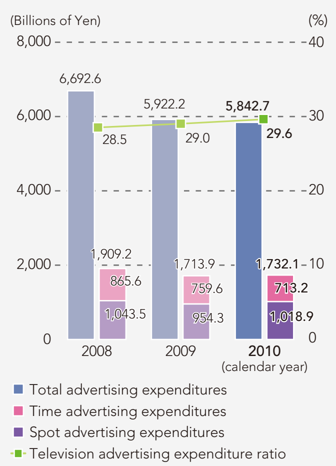
■ Business Environment

Positive factors included a slowly improving economy and higher corporate earnings, with major international events such as the Vancouver 2010 Winter Olympic Games, the 2010 FIFA World Cup South Africa™ tournament, and Expo 2010 Shanghai China, as well as economic stimulus measures such as subsidies for eco-friendly cars and the eco-point system. Nevertheless, advertising demand failed to recover fully, and total advertising expenditures in Japan in 2010 amounted to ¥5,842.7 billion, down 1.3% year on year and falling for the third consecutive year. However, expenditures trended upward in the second half of the year, centered on television advertising expenditures, reducing the rate of decrease substantially compared with the previous year.

Television advertising expenditures were up 1.1% year on year, to ¥1,732.1 billion. Spending had posted a double-digit decline in 2009 as a result of the Lehman Brothers collapse, but in 2010 spot advertising gradually started to pick up. Growth was driven by the Information/Telecommunications category, where placements by Internet-related companies were notable, and the Automobiles/Related Products category, which was boosted by government subsidies for eco-friendly cars. Spending during the July–September quarter was up sharply from the same period of 2009, and even exceeded that of 2008.

In time advertising, program sponsorships recovered gradually, with an increasing number of sponsors leaning toward more flexible spending of advertising budgets. Prospects for a full-scale recovery were seen in the new October programming schedule, with an upturn in spot advertising and an increase in the number of sponsors

Trends in Advertising Expenditures in Japan

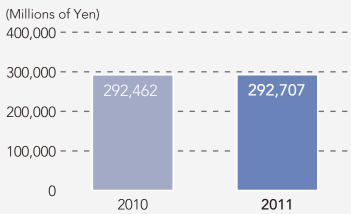


looking to secure more stable, premium slots. Spending for the October–December quarter recovered to a level on a par with the same period in the previous year.

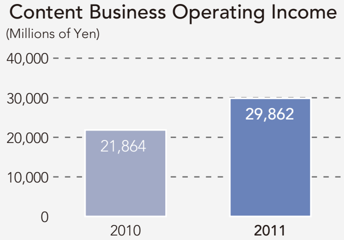
As a result, spot advertising expenditures grew 6.8%, to ¥1,018.9 billion, while time advertising expenditures fell 6.1%, to ¥713.2 billion.

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

Content Business Sales



Content Business Operating Income



■ Overview of Results

Within television advertising revenue, major one-off events such as the 2010 FIFA World Cup South Africa™ tournament provided a boost to time advertising revenue. We also worked aggressively to sell time on our banner annual programs such as *24-Hour Television 33: "Love Saves the Earth"* and the *87th Tokyo–Hakone Round-Trip College Ekiden Race*. However, revenue from regular advertising slots fell as a result of advertisers' efforts to reduce fixed costs, causing time advertising revenue to fall ¥6,914 million, or 6.1%, to ¥105,926 million. Our proactive program scheduling and content enhancement yielded significant improvements in both core target viewer ratings and household viewer ratings, and product strength supported an uptick in spot sales. The spot advertising market recovered on increased expenditures for regionally targeted spot advertising, and combined with a large increase in NTV's share among Tokyo's five key commercial broadcasters, spot advertising revenue came to ¥103,338 million, a year-on-year increase of ¥10,751 million, or 11.6%. As a result, television advertising revenue totaled ¥209,264 million.

• NTV's Share of Spot Advertising Revenue by Industry Category (%)

	2011			2010		
	Category	Share (%)	Change	Category	Share (%)	Change
1	Cosmetics/Toiletries	11.7	45.7	Cosmetics/Toiletries	9.0	8.9
2	Transportation/ Telecommunications	8.9	36.0	Alcoholic beverages	7.5	1.4
3	Transportation equipment	7.7	24.6	Pharmaceuticals	7.3	2.2
4	Electronic equipment	7.7	20.6	Electronic equipment	7.1	(22.2)
5	Pharmaceuticals	6.8	4.1	Transportation equipment	7.0	(6.9)
6	Alcoholic beverages	5.8	(13.6)	Transportation/ Telecommunications	6.9	(15.8)
7	Non-alcoholic beverages	5.0	21.0	Box-office/Entertainment	6.3	26.7
8	Services	4.4	(13.6)	Services	6.1	19.8
9	Finance/Insurance	4.4	9.6	Non-alcoholic beverages	4.6	(19.7)
10	Box-office/Entertainment	4.3	(24.2)	Finance/Insurance	4.5	(0.5)
	Others	33.3	9.7	Others	33.9	2.3
	Total	100.0	11.6	Total	100.0	(0.9)

Content sales revenue came to ¥33,449 million, on solid sales of programs to local stations, BS and CS satellite stations, and cable television stations.

Revenue from merchandise sales totaled ¥34,738 million, from increased sales via special media commerce programs at local stations and solid results from sales of CDs by Mr. Children and other groups at consolidated subsidiary VAP Inc., which is primarily engaged in the production and sales of DVDs and Blu-ray Discs of films and dramas and music CDs.

• Data Related to the Media Commerce Business

Trends in Direct Marketing Sales

(Fiscal Years Ended March 31) (Billions of yen)

	2007	2008	2009	2010	2011
Direct marketing sales	3,680.0	3,880.0	4,140.0	4,310.0	**4,670.0**

(Source: *Direct Marketing Business Survey Report*, Vol. 29, Japan Direct Marketing Association)

• Music and Video Software Business Data

Scale of Market for Video Software (DVDs, Blu-ray Discs)

(Calendar years) (Billions of yen)

	2006	2007	2008	2009	2010
Video software sales	669.5	664.2	630.1	574.1	530.7

(Source: *Video Software Market Scale and User Trend Survey 2010*, Japan Video Software Association)

Box office revenue was ¥8,641 million, reflecting fewer events and major films financed by NTV than in the previous fiscal year, despite scoring a major hit with *GANTZ* (directed by Shinsuke Sato), which was released on January 29, 2011.

• Film Business Data

(Source: Motion Picture Producers Association of Japan, 2010)

2010 National Overview (Calendar years)

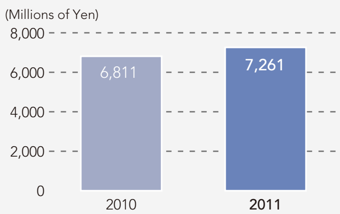
	2006	2007	2008	2009	2010
Attendance (thousands)	164,585	163,193	160,491	169,297	**174,358**
Box office sales (millions of yen)	202,934	198,443	194,836	206,035	**220,737**
Japanese films	107,944	94,645	115,859	117,309	**118,217**
Theatrical releases	821	810	806	762	**716**
Japanese films	417	407	418	448	**408**
Theaters (total screens)	3,062	3,221	3,359	3,396	**3,412**

Box Office Sales Ranking: Top 10 Titles for 2010

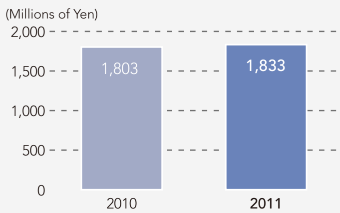
Rank	Release Date	Title	Box-Office Sales (Billions of yen)
1	July 2010	*Karigurashi no Arrietty*	9.3
2	September 2010	*Umizaru 3: THE LAST MESSAGE*	8.0
3	July 2010	*Bayside Shakedown 3*	7.3
4	December 2009	*ONE PIECE –FILM– STRONG WORLD*	4.8
5	July 2010	*Pokémon: Zoroark: Master of Illusions*	4.1
6	December 2009	*Nodame Cantabile The Movie*	4.1
7	June 2010	*Confessions*	3.9
8	August 2010	*Nodame Cantabile The Movie II*	3.7
9	October 2010	*SP THE MOTION PICTURE*	3.6
10	April 2010	*Detective Conan: The Lost Ship in the Sky*	3.2

As a result, during the year net sales in the content business, including intersegment sales and transfers, totaled ¥292,707 million. In terms of expenses, cost controls continued in all areas, including program production expenses, resulting in operating income for the content business of ¥29,862 million.

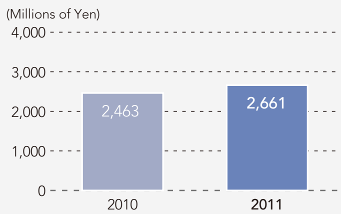
Real Estate Rental/Leasing Business Sales



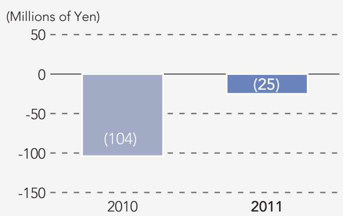
Real Estate Rental/Leasing Business Operating Income



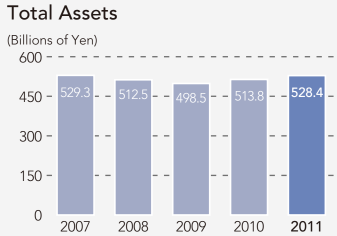
Sales from Other Businesses



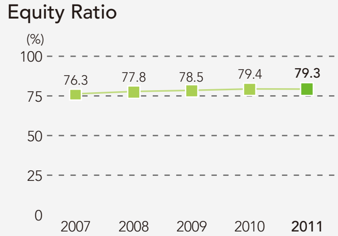
Operating Income (Loss) from Other Businesses



Total Assets



Equity Ratio



Real Estate Rental/Leasing Business

We recorded solid real estate rental and leasing revenue from tenants, including those in the Shiodome and Kojimachi areas of Tokyo. This resulted in net sales from the real estate rental/leasing business of ¥7,261 million, with operating income of ¥1,833 million.

Other Businesses

Revenue from merchandise sales at store operations, including the Nittele-ya program-related merchandise shop, experienced a major decline in March 2011 in the wake of the Great East Japan Earthquake. As a result, net sales from other businesses totaled ¥2,661 million, with a ¥25 million operating loss.

Financial Position

Assets

Current assets as of March 31, 2011, were ¥156,899 million, up ¥16,129 million from a year earlier. Among current assets, cash and cash equivalents declined as a result of the deployment of a system to manage cash more efficiently on an integrated, groupwide basis. At the same time, trade notes and accounts receivable increased, as did marketable securities.

Property, plant and equipment was down ¥3,945 million compared with the previous year-end, to ¥197,081 million as of March 31, 2011, owing to such factors as depreciation and amortization.

Investments and other assets amounted to ¥174,418 million, up ¥2,426 million from a year earlier, due to a rise in investment securities.

Consequently, total assets stood at ¥528,398 million on March 31, 2011, up ¥14,610 million from the end of the preceding fiscal year.

Liabilities

Current liabilities came to ¥70,488 million as of March 31, 2011, up ¥5,014 million from a year earlier. This increase was attributable mainly to higher accounts payable and income taxes payable.

Non-current liabilities were down ¥1,533 million, to ¥30,414 million, as deferred tax assets increased because the market price of the Group's holdings of investment securities rose over time.

Owing to the above factors, total liabilities came to ¥100,902 million as of March 31, 2011, up ¥3,480 million from a year earlier.

Equity

During the year, the Group reported net income that exceeded the sum of the decrease in the valuation difference on available-for-sale securities—stemming from a decline in the market prices of available investment securities, payments for shareholder dividends and the acquisition of treasury stock to return value to shareholders. Consequently, total equity was up ¥11,129 million, to ¥427,496 million as of March 31, 2011.

Cash Flows

During the fiscal year ended March 31, 2011, cash and cash equivalents decreased ¥11,907 million, to ¥33,312 million as of March 31, 2011.

(Billions of Yen)

	2007	2008	2009	2010	2011
Net cash provided by operating activities	31.5	26.8	23.9	40.1	23.4
Net cash used in investing activities	(24.6)	(17.3)	(28.3)	(46.8)	(28.2)
Net cash used in financing activities	(4.7)	(4.1)	(4.8)	(5.7)	(7.1)
Net (decrease) increase in cash and cash equivalents	2.2	5.3	(9.2)	(12.4)	(11.9)
Cash and cash equivalents, end of year	61.5	66.9	57.6	45.2	33.3

Net Cash Provided by Operating Activities

Net cash provided by operating activities amounted to ¥23,433 million, compared with ¥40,131 million in the previous year. Principal sources of cash were ¥36,237 million in income before income taxes and minority interests and depreciation and amortization of ¥8,456 million, versus ¥11,596 in income taxes paid.

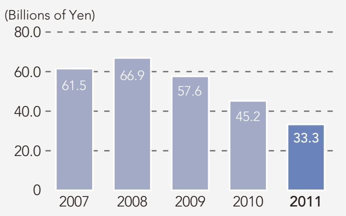
Net Cash Used in Investing Activities

Net cash used in investing activities came to ¥28,181 million, compared with ¥46,847 million in the previous year. The main uses of cash were purchases of fixed assets and marketable and investment securities.

Net Cash Used in Financing Activities

Net cash used in financing activities was ¥7,132 million, compared with ¥5,697 million in the preceding year. Dividends paid were the primary use of cash.

Cash and Cash Equivalents, End of Year



Financing and Capital Expenditure Policy

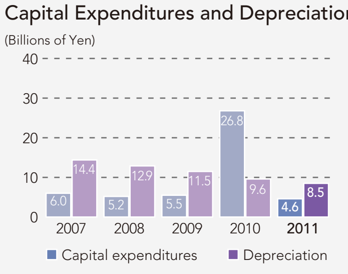
In the context of its ongoing content investment, the NTV Group utilizes retained earnings and determines the optimal method of funds procurement based on a variety of factors, including future operating conditions, financial market trends and the impact on the Company's corporate value.

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, 2011, the Group's total capital expenditures were ¥4,614 million, primarily in the content business.

For the fiscal year ending March 31, 2012, the Group is budgeting capital expenditures of ¥8,587 million, to be funded primarily through retained earnings.

Capital expenditures in the content business during the year ended March 31, 2011, are outlined overleaf. There were no items of particular note in the real estate rental/leasing business or other businesses.

Capital Expenditures and Depreciation



Content Business

Major facility construction during the year included an upgrade of equipment at the Kojimachi G Studio in order to continue producing quality programs. We have also begun introducing leading-edge broadcasting equipment to ensure rapid response on emergency earthquake alerts and to enable 3D broadcasts for baseball and other programming. In addition, NTV has begun constructing facilities to convert important intellectual property that is now on tape to digital data.

To ensure the smooth switchover from analog to digital broadcasts on July 24, 2011, we built digital terrestrial relay stations and continued to construct Tokyo Sky Tree transmission facilities. As analog broadcasting has now ceased, we began disposing of analog transmission equipment at Tokyo Tower and backup transmission equipment at the Shinjuku Center Building.

In addition, during the year the Group posted a ¥177 million loss on the retirement of fixed assets to upgrade facilities, centered on mechanical facilities.

Important Operational Contracts

Animation Production Company MADHOUSE Inc. Becomes Subsidiary

In February 2011, the Company subscribed to a capital increase via third-party allocation by MADHOUSE Inc., making MADHOUSE a subsidiary of the NTV Group (with an 85.3% ownership stake). MADHOUSE is an animation production company with a long history, and in recent years has produced the blockbuster animated feature film *SUMMER WARS*. An NTV employee has been dispatched to serve as the representative director of MADHOUSE, and by combining MADHOUSE's animation production capabilities with NTV's capabilities in content planning and marketing, and content management expertise, we will create appealing works of animation.

Establishment of Joint Venture in Taiwan

In May 2011, NTV and major Taiwan cable television broadcaster CTI Television Incorporated, a member of Taiwan's WANT WANT GROUP, reached an agreement to establish a joint venture, CNplus Production, Inc., to produce content for television, targeting audiences in Taiwan and China. The joint venture is to be capitalized at NT$300 million, with NTV and CTI each taking a 50% stake.

NTV intends to produce dramas, variety shows and other programs using its television program format in Taiwan, and to utilize CTI's and the WANT WANT GROUP's networks to sell programs in Taiwan and China.

Earnings Outlook for the Year Ahead

Taking into account the serious impact of the Great East Japan Earthquake, which struck on March 11, 2011, on personal consumption and economic conditions, at the beginning of the fiscal year ending March 31, 2012, we had forecast net sales for the year of ¥293.0 billion, operating income of ¥25.2 billion and net income of ¥15.8 billion. However, as time revenues benefited from an early-stage sellout on regular programming and as spot revenues from July onward more than exceeded the previous year's levels, we now expect the impact on operating performance from the Great East Japan Earthquake to be less severe than previously believed. Accordingly, on November 4, 2011, when announcing our interim results for the fiscal year we revised our earnings outlook for the full year to net sales of ¥300.5 billion, operating income of ¥29.3 billion and net income of ¥19.3 billion.

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 the business environment and strengthen our revenue base. At the same time, we are focusing on the period after the shift to fully digital terrestrial broadcasting, 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 mid-term 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, 2012, we plan to pay out a mid-term dividend of ¥90 per share and a year-end dividend of ¥180, totaling ¥270 per share for the year, as announced on April 4, 2011.

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.

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

■ Dependence on Television Advertising Revenue and Television Broadcasting Media Prices

The content business, which forms the core of the NTV Group's operations, is dependent on television advertising revenue generated through the sales of television advertising time slots. Such revenues comprised 70.0% of total net sales in the fiscal year ended March 31, 2011.

In general, advertising prices are linked with macroeconomic trends. Furthermore, advertising media is growing increasingly diverse, owing to the advent of the Internet and other media.

The NTV Group recognizes the continued dominance of the media value of television broadcasting and remains committed to enhancing that value, as well as to cultivating new sources of revenue. 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 content business is regulated by Japan's Broadcast Law and Radio Law.

The objective of the Broadcast Law 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 shall be not more than five years and is determined by the Minister of Internal Affairs and Communications.

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 of 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, 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 were plans to discontinue analog terrestrial broadcasting in Japan in July 2011, which were completed except in Iwate, Miyagi and Fukushima prefectures. In addition, new BS digital broadcasts began in autumn of 2011, and multimedia broadcasts targeting mobile devices are scheduled to commence in spring of 2012. Broadband environments are growing more pervasive, and households are increasingly acquiring high-performance personal computers and other devices to access them. 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 and Nittele On Demand.

However, it is possible that the 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 License Fees

With the content business at the core of its operations, the NTV Group has carried out its mission as a television broadcaster by covering the Olympics, World Cup soccer, professional baseball, 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 recent increases in the 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 will 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 is therefore 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 advertising revenue, and contributes capital to approximately 12 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 revenue from sources other than television advertising, 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, NTV2 and Nittele On Demand

In October 2005, the Group launched NTV2, Japan's first Internet-based video on demand (VoD) business operated by a television broadcaster. Furthermore, in December 2010 we 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 program content.

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 and deliver content that will attract VoD viewers. 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) at a meeting of the Board of Directors held on May 12, 2011 and its 78th Ordinary General Meeting of Shareholders held on June 29, 2011, 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.