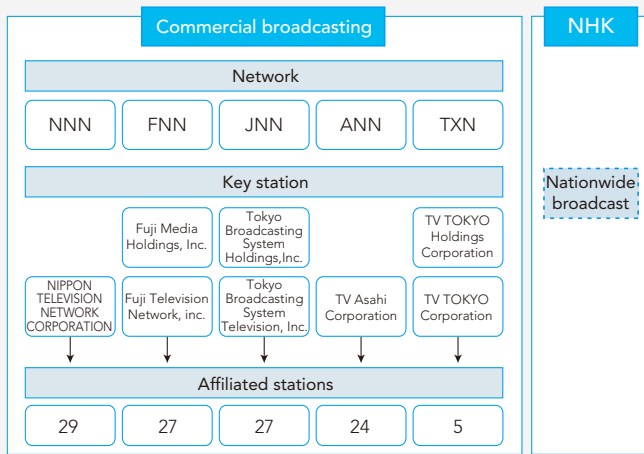


Japanese Television Broadcasting Industry Characteristics

Networks

Commercial terrestrial television broadcasters in Japan have broadcasting regions that are specified by prefectural and regional authorizations. This situation has led to the development of broadcasting networks of regional and local broadcasters throughout Japan, with five key stations in Tokyo as their hubs. These networks enable nationwide broadcasts and facilitate cooperation on news, programs and other business. (Some broadcasters do not belong to any specific network.)

NHK, Japan's public-sector broadcaster, also broadcasts throughout the country.



Launch of Digital Terrestrial Broadcasting

Digital terrestrial broadcasting enables datacasting, more channels with higher image and sound quality, and enables television broadcasts ("1-SEG" services) to mobile phones and other portable devices. Since its launch in 2003, the coverage area for digital terrestrial broadcasting has expanded steadily from Japan's three major metropolitan centers in the Kanto, Chukyo and Kinki regions, to encompass the entire country. Owing to capital expenditure by broadcasters to upgrade broadcasting facilities and relay stations and viewers' rising percentage ownership of televisions capable of receiving digital broadcasts, analog broadcasting was discontinued according to plan in July 2011, making the full-scale shift to digital broadcasting. This transition was delayed, however, in the three prefectures in the Tohoku region (Iwate, Miyagi and Fukushima prefectures), taking into account the impact of the Great East Japan Earthquake.

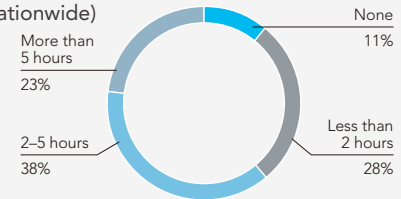
The cessation of analog broadcasting has opened up broadcasting frequencies, which will be used for multimedia broadcasts to smartphones and other mobile devices that are scheduled to begin in April 2014. These multimedia broadcasts will give mobile viewers access to real-time programming at a higher quality than present 1-SEG

broadcasts afford. They will also enable viewers to time-shift their viewing to receive, save and play film, drama programs and other content as convenient.

Superiority of Terrestrial Broadcasting

Network stations all across the country, along with the equipment required for airwave broadcasts, provide most people with free viewing of television programming anywhere in Japan, simply by installing an antenna. As a result, the number of television receivers almost matches the nation's population, at around 120 million. The number of people in Japan who watch television every day is 89%, and across all households the average number of viewing hours per day is 3 hours and 28 minutes on weekdays; on Saturdays, 3 hours and 44 minutes; and on Sundays, 4 hours and 9 minutes. These figures are an indicator of the high affinity that Japanese viewers have for television as "everyday media."

Number of Hours Spent Watching TV on a Weekday (Nationwide)



Source: The Japanese and Television 2010 survey, NHK Broadcasting Culture Research Institute

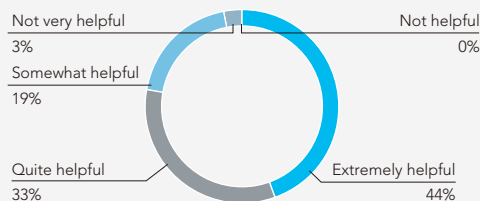
Terrestrial television broadcasts are a medium that reaches nearly all households, delivering the same information to them simultaneously. Consequently, television advertising has an overwhelming advantage over advertising in other media, making it the most effective and efficient for sponsor companies.

Television is also an important element of the social infrastructure, providing viewers swiftly with accurate information in times of crisis, such as in the event of large-scale disasters. When the Great East Japan Earthquake struck in March 2011, television was by far the medium of choice for people seeking information during the hour following the disaster, accounting for 71% of the total. Television proved highly effective in this situation, with 77% of viewers making positive comments about the information relayed on television, such as that it was "extremely helpful" or "very helpful."

Contact with Earthquake-Related Information within One Hour of Earthquake (%)

Media	Overall	Home	Outdoors
Television	71	85	61
Radio	18	15	28
Internet	38	34	21
Other media, or no information contact	12	6	16

□ Value of Television Viewed within One Hour of Earthquake (%)



Source: Survey of the Great East Japan Earthquake and Media Utility, March 30, 2011, National Association of Commercial Broadcasters in Japan

Major Sources of Television Advertising Revenue

Commercial terrestrial television broadcasters derive the majority of their earnings from television advertising revenue. These are broken down into time and spot advertising revenues.

Time advertising is divided by broadcast area into either nationwide network time sales, in which a consistent commercial message slot is sold throughout a broadcasting network, or local time sales, in which commercial message slots are sold only in the area in which specific broadcasters are licensed to operate. Both types are sold to advertisers in units comprising 30 seconds of broadcast time. Commercial space is sold within programs, and the sponsor's name is displayed during the program and its commercials shown during the broadcast. Advertisers typically enter into six-month contracts, and each April and October broadcasters confirm whether contracts will be continued and negotiate for rate revisions. Even if an advertiser requests space in a specific program, the availability of empty slots determines whether they can advertise.

With time ads, in principle, programs have only one sponsor in 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.

Spot advertising is sold only for broadcast by individual stations in areas in which they are licensed to broadcast. Spot ads are sold to sponsors in units of 15 seconds of broadcast time, and are shown mainly in the time slot between programs. Generally, no adjustment is made to prevent similar commercials competing for the same audience.

For spot advertising, advertisers generally may determine their television ad's broadcast interval, broadcast time period, area and volume (often indicated as overall viewer rating). After negotiating their fees, individual broadcasters create commercial broadcast schedule proposals that meet sponsors' needs as quickly as possible and propose them to advertising agencies.

Commercial terrestrial broadcasters also derive earnings from program sales. Program sales revenue arise when a broadcaster that holds the rights to a program sells it to a local station, satellite broadcaster or CATV station.

Generating Multiple Streams of Revenue as Content Providers

Japanese television stations—and key commercial broadcasters in Tokyo in particular—are considered the largest content providers in Japan. Whereas in the United States it is common for television production, programming and distribution to each be handled by different entities, Japanese television stations' operations are integrated, as they engage in program planning, production, scheduling and broadcast.

Through their ownership and use of in-house content (rights), Japanese broadcasters work aggressively to use content in multiple ways, such as by converting popular television dramas and animation programs to the big screen, offering DVDs, merchandising related products, holding events, distributing content over the Internet and selling program formats overseas. Evincing this tendency, of the top 10 films at the Japanese box office in 2010, eight were film adaptations of television dramas and animation programs.

Legal Limitations in the Television Broadcast Industry

Japanese television broadcasters' operations are subject to the Broadcast Law and the 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. To participate in the television broadcasting business, a company must be licensed by the Minister for Internal Affairs and Communications, who oversees the radio and broadcasting businesses.

The ownership of television broadcasters by foreign entities must be below 20%. NTV provides details of its foreign ownership ratio on its website.

<http://www.ntv.co.jp/ir/holder/foreign.html> (Japanese)

http://www.ntv.co.jp/english/ir/si_01ii.html (English)