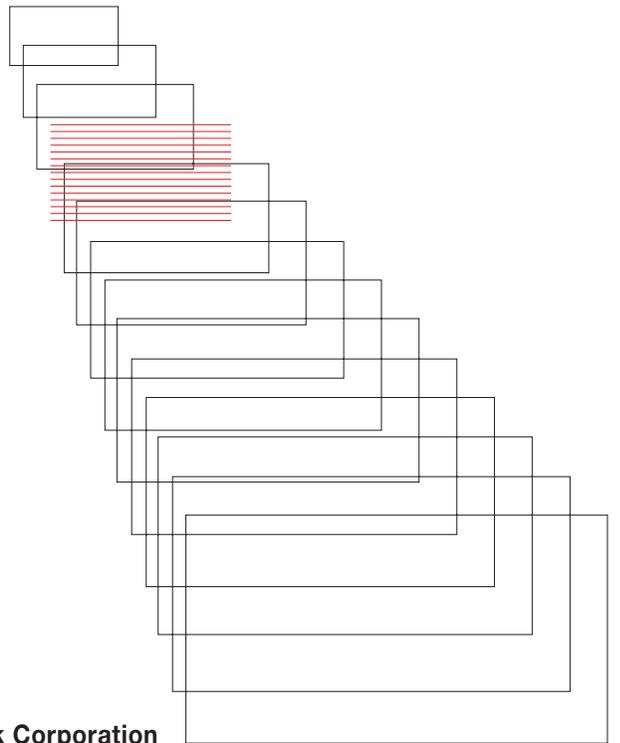
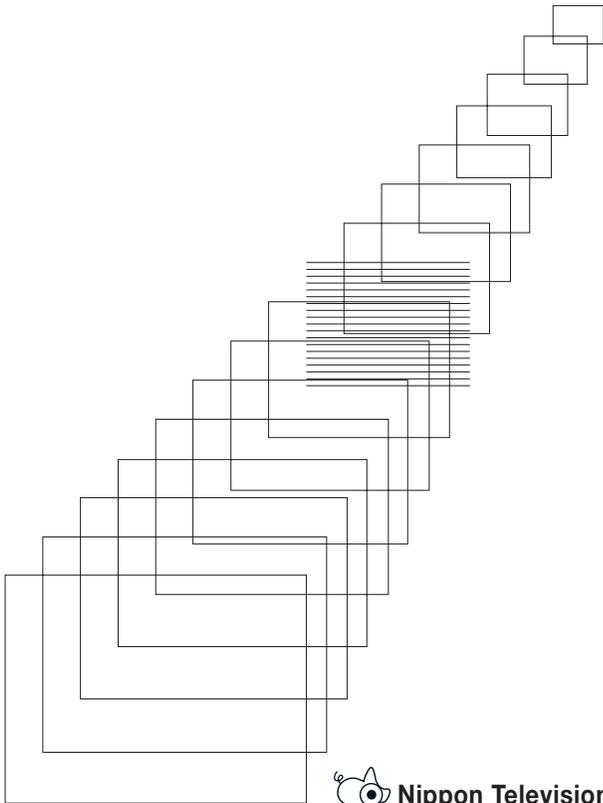


Leading the Way

ANNUAL REPORT 2002



Nippon Television Network Corporation

NTV leads other broadcasting companies in creating and airing next-generation programming.

NTV began broadcasting in August 1953 as Japan's first commercial broadcasting company. Over the years, NTV has delivered outstanding business performance by striving constantly to remain Japan's most powerful and best content producer.

CONTENTS

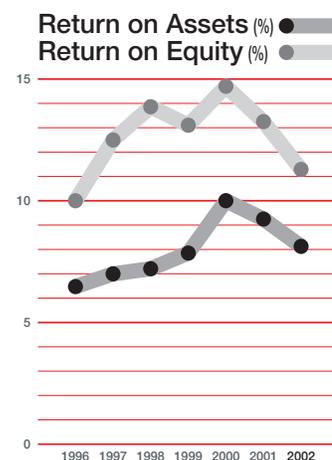
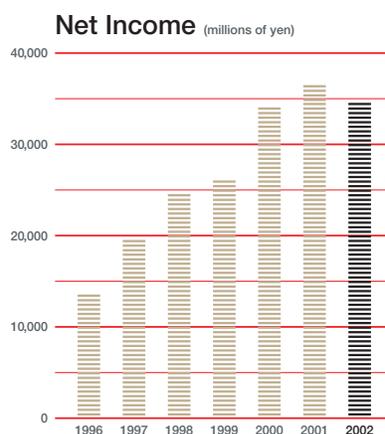
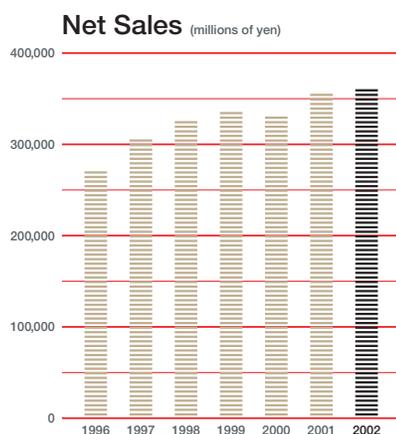
Consolidated Financial Highlights	1
To Our Shareholders	3
Interview with the Top Management	4
Average Viewer Ratings Figures	12
Our Strategies	14
Consolidated Financial Section	25
NTV Group	53
NTV Global Network	54
NTV Organization Chart	55
Corporate Data and Board of Directors and Corporate Auditors	56

Consolidated Financial Highlights

Year ended March 31	Millions of yen							Thousands of U.S. dollars
	2002	2001	2000	1999	1998	1997	1996	2002
For the year:								
Net sales	¥358,683	¥352,409	¥328,014	¥330,976	¥323,956	¥302,851	¥269,398	\$2,690,795
Cost of sales	218,889	207,744	203,863	210,925	198,668	194,631	179,407	1,642,078
Operating income	63,574	67,303	54,351	48,981	48,284	37,622	27,315	476,924
Net income	34,648	36,008	34,003	25,921	24,230	19,243	13,807	259,925
At year-end:								
Total assets	¥443,798	¥410,042	¥364,896	¥316,758	¥338,797	¥330,045	¥223,512	\$3,329,317
Total shareholders' equity	323,319	291,501	253,912	209,239	185,502	162,962	145,098	2,425,499
Per share (in yen and U.S. dollars):								
Net income	¥1,366.34	¥1,419.96	¥1,341.04	¥1,022.28	¥955.58	¥759.20	¥545.18	\$10.25
Cash dividends	120.00	120.00	80.00	70.00	67.50	60.00	55.00	0.90
Ratio (%):								
Operating income margin	17.7	19.1	16.6	14.8	14.9	12.4	10.1	
Return on assets	8.1	9.3	10.0	7.9	7.2	7.0	6.5	
Return on equity	11.3	13.2	14.7	13.1	13.9	12.5	10.0	
Dividend payout ratio	9.4	8.9	6.3	7.2	7.4	8.6	11.2	

Note 1: The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥133.3 to \$1, the approximate rate of exchange at March 31, 2002. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

- 2: Net income per share is computed based on the weighted average number of shares outstanding during the respective years, retroactively adjusted for stock splits.
- 3: Cash dividends per share are the amounts applicable to the respective years, including dividends to be paid after the end of year, retroactively adjusted for stock splits.



A photograph of three men in business suits sitting around a large, round, light-colored wooden conference table. The man on the left is wearing a dark blue suit and a patterned tie. The man in the center is wearing a light grey suit and a blue patterned tie, with his hands clasped on the table. The man on the right is wearing a dark blue suit and a blue patterned tie. In the background, there is a window with white curtains and a vase of yellow and purple flowers on a wooden surface.

TOSHIO HAGIWARA
President & COO

SEIICHIRO UJIIE
Chairman & CEO

KOHEI MANABE
Executive Vice Chairman

MAINTAINING INDUSTRY LEADERSHIP AND STRENGTHENING OPERATIONS

NTV has captured the quadruple crown title of annual broadcast viewer ratings each year since 1994.

In defending the title in 2001, NTV widened the margin of victory over its nearest rival.

Meanwhile, in finance and human resources, the foundation of corporate activities,

NTV has been building a framework so that it can prevail in a new business environment.

What kind of company should NTV aspire to be to retain its position of leadership in the commercial broadcast industry? Three executive managers discuss this important issue.

ANALYSIS OF RESULTS OF OPERATIONS FOR FISCAL 2001

During the consolidated fiscal year under review the NTV Group posted net sales of ¥358,683 million, a 1.8% increase year on year. Operating income decreased 5.5% to ¥63,574 million, and net income fell 3.8% to ¥34,648 million. Although net income on a parent-company basis fell 5.4% to ¥32,278 million, NTV was able to maintain the dividend at the same level as the year before.

Following record-high levels of consolidated sales and profits achieved the year before, in fiscal 2001 consolidated net sales rose due to a sharp increase in revenue at subsidiary VAP Inc. The decline in the parent company's profits brought lower consolidated profits year on year owing to the difference between NTV's extremely high profit margin and the lower margins of subsidiaries. These factors resulted in slight deterioration in performance indicators compared to the year before. Nevertheless, on a consolidated basis NTV succeeded in maintaining a high 17.5% ratio of recurring profit to net sales.

A feature of this year's settlement of accounts was a decrease in cash and cash equivalents. The year-on-year decrease of ¥13,114 million at the fiscal year-end is primarily attributable to capital investment for the new headquarters and outlays for the acquisition of marketable securities.

Against a backdrop of continuing overall economic recession, the NTV Group performed nearly according to forecast. While projections at the beginning of the fiscal year were for a slight decrease in revenue and profits, the Group in fact achieved a slight increase in net sales.

Interview with the Top Management

Chairman and CEO Seiichiro Ujiie discusses management vision at NTV and provides insights on the outlook for the Japanese economy and the broadcasting industry.

OUTLOOK FOR THE JAPANESE ECONOMY AND MANAGEMENT VISION AT NTV

Two Factors That Influence the Japanese Economy

Q: As the economic slump continues, companies face extraordinarily harsh business conditions. What can we expect from the Japanese economy in the future, and what is necessary for economic recovery?

Ujiie: Two factors will influence the future of the Japanese economy: trends in the U.S. economy and the development of production capacity in East and Southeast Asia.

The United States has the world's strongest currency and a flexible labor market. It is the only country in the world that can adjust exchange rates and employment (labor costs) to its own advantage. As U.S. economic trends spread around the world, the business climate in the United States will be the most important factor affecting the future of the Japanese economy.

The low cost of labor in China has become an important factor in the development of production capacity in East and Southeast Asia. Formerly, Japanese companies unable to cope with rising labor costs in the home market set up operations in Southeast Asian countries. However, gradual increases in wages in these countries left China as the sole remaining destination for offshore production. When considering the future of Japan's economy, we cannot overlook trends in production capacity in continental Asia.

The Japanese economy has been caught between these two forces: economic circumstances in the United States and the production capacity of East and Southeast Asia. The situation makes the state of the economy extraordinarily precarious, and the future is not necessarily bright.

Labor Reform Crucial to Economic Rebirth

Q: How will NTV cope as it operates under the circumstances you have described?

Ujiie: There are two issues. With respect to the future business climate, we are conducting business simulations based on a worst-case assumption of zero growth in GDP continuing for five years. Thus, the first issue is how to increase NTV's share of the market while working on the assumption that advertising expenses, our chief source of income, are unlikely to increase.

Another important consideration is the labor issue: the preparation of an environment for increasing productivity per worker. To ensure that employees can work with peace of mind, we will do our utmost to honor the ideal of lifetime employment. To survive in the harshly competitive business environment, however, we must shift to performance-based compensation. The ability of Japanese industry, not just the broadcasting industry, to prevail against global competition hinges on the success or failure of labor reform.

NTV must adopt a number of measures to drive home the importance of this labor reform to our employees and seek their understanding.



Bold Measures to Strengthen the Business Operation

Q: What are your thoughts on specific management policies?

Ujii: Ten years after the bursting of the economic bubble, excessive expectations for the IT industry resulted in an "IT bubble." At that time, some broadcasters entered new fields in search of business opportunities. However, at NTV we did not waver in our stance of resolutely pursuing our core business. This difference in management policy has been reflected in a disparity in profitability in recent years.

The virtual economy symbolized by the bubble has collapsed, and we are now in an age when only the substantively strong will survive. In fact, the ideal time for a company to shift to a bold offensive in its core business and peripheral businesses is when the economy founders and the future is uncertain. Historically speaking, powerful companies find it easy to increase share in times of recession.

Next year marks the 50th anniversary of the founding of NTV. As we move forward, we intend to exercise selectivity and concentration to realize an even more powerful business operation by bolstering the industry-leading financial position and production capabilities we have developed over the years.

Strengthening the Brand Strategy

Q: As you shift to the offensive, to differentiate the Company from competing broadcasters it will likely be necessary to firmly establish the NTV brand strategy. What are your views about brand development?

Ujii: In intensifying the business offensive, I want to strengthen our brand strategy. The brand is an intangible identity that determines the NTV image. Superior content production is the focal point of the brand strategy, but we must also vigorously enhance the corporate image, fulfill our social responsibilities as a corporation, and launch environmental initiatives.

With regard to enhancing the corporate image, for instance, NTV enjoys a reputation of excelling at variety programs and at sports. However, we see room to develop a core image as a broadcaster with cross-generational appeal and programming that meets diverse viewer needs.

THE FUTURE OF THE BROADCAST INDUSTRY AND THE ROLE OF NTV

Q: Ratings are the basic yardstick used to evaluate a television broadcaster. Isn't it a problem if television, a medium that exerts great influence on the audience, preoccupies itself only with ratings?

Ujii: The most valuable product a television broadcaster has is its ratings, and in that sense, NTV has adopted a ratings-oriented way of thinking. However, we must not confuse a ratings-driven orientation with the sort of populism found in the world of politics. The "popular" in populism entails the nuance of "baseness." People who associate ratings orientation with populism think that preoccupation with ratings is conducive to the production of vulgar programs for a low-level audience.

This thinking is wrong. The Japanese public has high standards, and one cannot secure high ratings with vulgar programs. In general, people have an image of television manipulating viewers. In a sense that image is correct, but the fact is that it is the viewers who manipulate television. Some people think that the tail wags the dog: that the mass media create reality. But the television medium does not manipulate reality; it merely reflects reality.

The Importance of Communicating with the Public

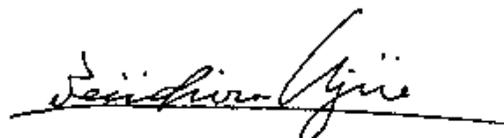
Q: NTV chairs The National Association of Commercial Broadcasters in Japan. What are your views on the role the television medium and television broadcasters ought to play?

Ujii: To enhance the value of television as a mass medium, we will need to proactively transmit information that incorporates the opinions of viewers. In particular, as the chair company of The National Association of Commercial Broadcasters, NTV intends to strengthen communication systems to promote dialog between viewers and the television industry. At the same time, we seek to further spread knowledge of media literacy.*

We are conscious of the influence the programs we broadcast have on the young, and have already launched a number of initiatives to promote our dialog with viewers. For example, at least once each year we hold and broadcast the NTV Forum, a venue for direct dialog between viewers and program producers. The National Association of Commercial Broadcasters and NHK voluntarily launched the Committee for Children and Broadcasting to ensure that the interests of the young are considered in the production and broadcasting of television and radio programs. We will step up our efforts to promote knowledge about media literacy and further its dissemination, including exploring the possibility of including media education in the school curriculum.

Deepening communication with society at large will become an important mission for broadcasters in the coming years. As a public institution, the television industry must lead the way in this area.

**Media literacy: The ability and independent discretion to ascertain the characteristics of mass media, including television, and to accurately understand their content.*



SEIICHIRO UJII
Chairman & CEO

Interview with the Top Management

Executive Vice Chairman Kohei Manabe and President & COO Toshio Hagiwara discuss future management strategy and management policies.

STRATEGY AND POLICIES FOR CONTINUING AS THE LEADING COMPANY IN THE BROADCAST INDUSTRY

Strategy for the Digital Era

Q: Digitization is rapidly spreading in the broadcast industry. What must NTV do to remain the leader in broadcasting?

Manabe: The television broadcasting industry is entering a period of great change in the business environment. Following the start of BS digital broadcasting and 110° CS digital broadcasting, the imminent launch of digital terrestrial broadcasting at the 2003 year-end has thrust the industry into the multimedia era.

Digital terrestrial broadcasting will be the critical issue for some time, and NTV regards it as a backbone medium. While the industry grapples with many issues, such as a review of measures to cope with the analog frequency change, NTV is steadily preparing for digital terrestrial broadcasting at the 2003 year-end. Preparations include the implementation of a broadcasting environment, the installation of broadcast equipment, and the enhancement of software capabilities.

NTV's core strategy for the digitization of terrestrial broadcasting involves building on our content development capabilities, the solid foundation that has enabled us to maintain industry leadership in program ratings, and creating programs that better respond to diversifying viewer needs through the use of multiple media.

Our research and development capabilities are one of NTV's competitive advantages. The text multiplex telecasting now in everyday use was a breakthrough NTV development for which we obtained several patents in the United States and Canada as well as Japan. Text multiplex telecasting technology underlies today's data broadcasting. This R&D capability has produced results in the broadband and Internet businesses.

To continue to compete successfully in this era of great change for the broadcasting industry, we will strive to deliver the results expected of the industry's strongest content producer while strengthening the management of group companies.

The Outlook for New Markets

Q: Tell us about NTV's involvement in efforts to expand the market for BS and CS broadcasting.

Manabe: Although a few more years will be required to establish the market for BS and CS broadcasting, we have concluded that the pace of market expansion is satisfactory. The most pressing issue is to obtain

broad awareness among viewers that both BS and 110° CS broadcasts can be received using the same hardware. The television industry as a whole must raise the level of public awareness of this fact. NTV Group company BS Nippon Corporation launched BS digital broadcasting in December 2001, and CS Nippon Corporation launched 110° east longitude CS digital broadcasting in March 2002. Since then we have entered into cooperative ventures involving both of these emerging media sectors to prepare for the coming full-scale nationwide rollout of multichannel highly functional broadcasting.



New Headquarters to Serve as Center for Transmitting Information to the Public

Q: Please describe the new headquarters in Shiodome, Tokyo scheduled for completion in spring 2003.

Manabe: Construction of NTV Tower, the new headquarters in Shiodome, is proceeding favorably and on schedule for completion as planned at the end of spring 2003. The new headquarters will play a crucial role in the conversion to digital. We have incorporated into the tower various experimental projects to realize a more functional and more efficient headquarters. We are constructing production and broadcast systems befitting a 21st century broadcaster, including the latest digital broadcasting facilities. The state-of-the-art facilities will make NTV Tower a vital center for transmitting information to the public.

(See page 20 for details concerning NTV's strategy for the digital era.)

Policies on Organizational and Personnel Reform

Q: What do you aim to achieve with the organizational reform implemented on July 1, 2002?

Hagiwara: For some years now, NTV has resolutely implemented reforms based on a policy of streamlining and leveling the organizational structure and activating human resources. To respond to increasingly intense competition for survival, in fiscal 2002 we will proceed with an aggressive review of the organization and implement personnel changes.

We will place particular importance on speeding up decision making and driving home the management strategy to rank and file employees. To that end, we will set up new departments,



integrate existing departments, implement sweeping personnel changes at the management level, and rejuvenate the organization.

This type of reform also aims to increase healthy rivalry among employees. In fiscal 2001, NTV captured the ratings quadruple crown title—that is, obtained top program ratings in each of the four time periods—for the eighth consecutive year since 1994. We hold a commanding lead over our nearest rival in the ratings.

The conceit characteristic of those accustomed to winning is bound to result. Recognizing that “The most powerful enemy is within,” we intend to promote competition within the Company. We will also launch new initiatives to strengthen the specialist personnel system and integrate personnel among NTV and affiliated companies.

Generational Change as the Key to Programming

Q: Continuing to win the ratings quadruple crown title is an important matter for NTV. What key factors in programming are necessary to secure high program ratings?

Hagiwara: To continue to win the annual ratings quadruple crown title, we must firmly pursue generational change in programming. Although it can be difficult to make adjustments while ratings are favorable, even the most popular programs lose their luster in three to five years. To cope with rapid changes in viewer needs we must deliberately rejuvenate the creative staff, and the ideal timing for this is when programming changes are implemented. We must provide opportunities for young, capable creators even though this entails risk. The eight consecutive program ratings quadruple crown titles are the result of pursuing generational change based on the concept of “developing while winning.”

(See page 18 for details concerning programming strategy.)

Bolstering Revenues from Non-Broadcast Businesses

Q: Management has indicated that increasing revenues from non-broadcasting businesses is an important facet of management strategy. Would you elaborate on this?

Hagiwara: Audience size is the primary engine for commercial broadcasting revenues, and program ratings directly result in increases and decreases in advertising revenue. In fiscal 2001, NTV once again captured the ratings quadruple crown title and continued to enjoy a stable financial base.

Nevertheless, the outlook for the Japanese economy remains unclear, and the business environment grows harsher. We must remain vigilant and exercise foresight in managing the business.

As we enter the multimedia era, dispersion of advertising expenses will continue apace. To increase sales and earnings under such circumstances, we must not only strengthen the core broadcasting business but also emphasize non-core businesses. We will place importance on the profitability of sports, music and fine arts events, which until now were largely regarded as cultural activities. We will also bolster earnings by treating movies and publications as autonomous projects from the planning stage. We intend to take full advantage of the management resources at our disposal and pursue profit opportunities from non-broadcasting businesses.

(See page 14 for details concerning non-broadcasting business strategy.)

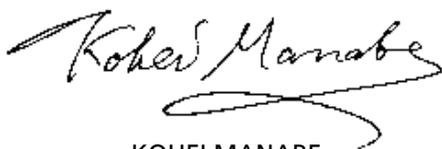
Developing Human Resources and Maintaining a Flexible Employment Environment

Q: Please describe your policy for recruiting, retaining and developing the creators required to produce high-quality content.

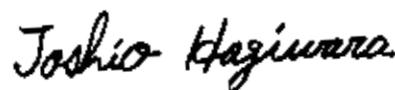
Hagiwara: The key to securing high ratings is the ability to create content, and that depends on recruiting, retaining and developing capable creators. NTV has led the way in the introduction of new hiring and employment systems. We scout and recruit away from other broadcasters and from production companies regular employees and contract employees who can step in and make an immediate contribution. We have also introduced a contract-based annual salary system for newly graduated recruits hired for positions in production.

As the labor market becomes increasingly fluid, competition in recruiting will intensify and hiring from within the industry will become commonplace. Still, recruiting capable people will fail if a company has problems with its employment systems. In that respect, NTV has established an environment in which capable people, whether new graduates or mid-career hires, can make their mark and receive recognition. This has proven to be a great advantage in personnel development.

We will continue to enthusiastically adopt methods considered effective in recruiting, retaining and developing people, and maintain flexible employment systems.



KOHEI MANABE
Executive Vice Chairman



TOSHIO HAGIWARA
President & COO

Average Viewer Ratings Figures

Viewer ratings are calculated for programs broadcast during the period from 6:00 a.m. to 12:00 a.m. There are four program rating time periods: the all day period from 6:00 a.m. to 12:00 a.m., the golden time period from 7:00 p.m. to 10:00 p.m., the prime time period from 7:00 p.m. to 11:00 p.m. and non-prime time period covering all non-prime time hours.



*Sekai Marumie TV Tokusoubu
(The World's Greatest TV)*



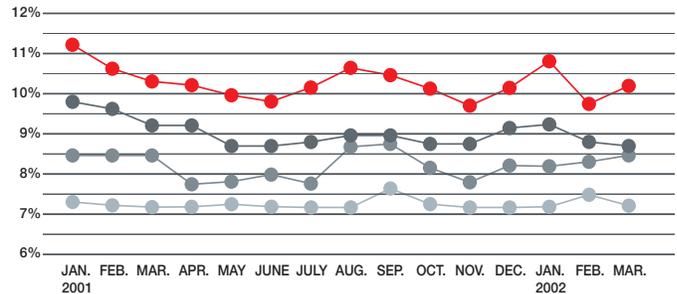
Kyou no Dekigoto (Today's Events)



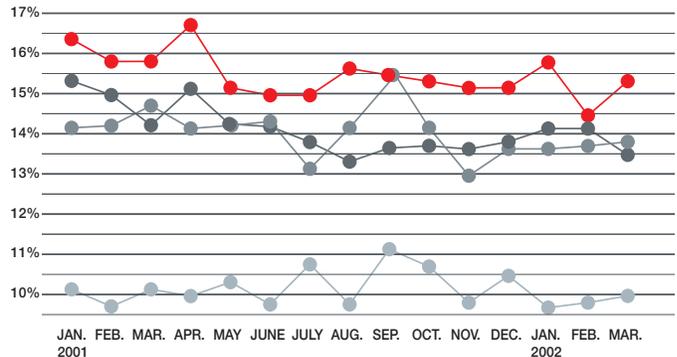
The Yomiuri Giants Baseball Games

Jan. 2001–Mar. 2002 (Average Viewer Ratings)

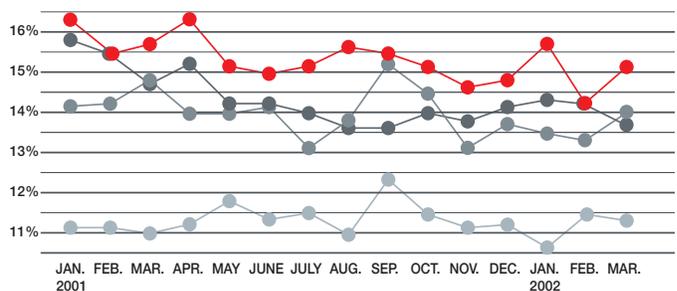
All Day (6:00 a.m.–12:00 a.m.)



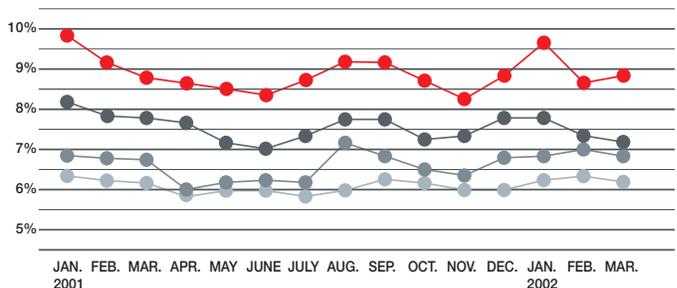
Golden Time (7:00 p.m.–10:00 p.m.)



Prime Time (7:00 p.m.–11:00 p.m.)

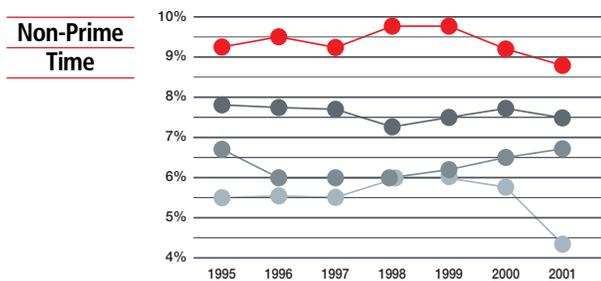
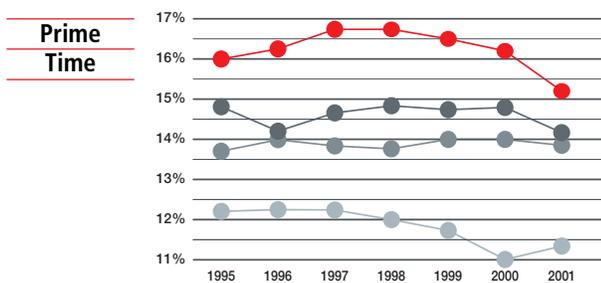
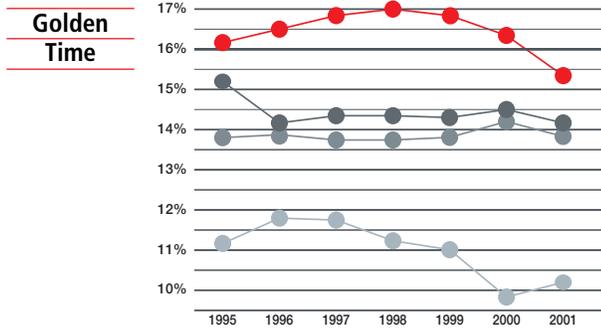
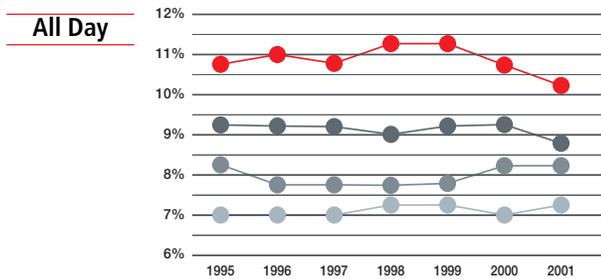


Non-Prime Time (Other than 7:00 p.m.–11:00 p.m.)

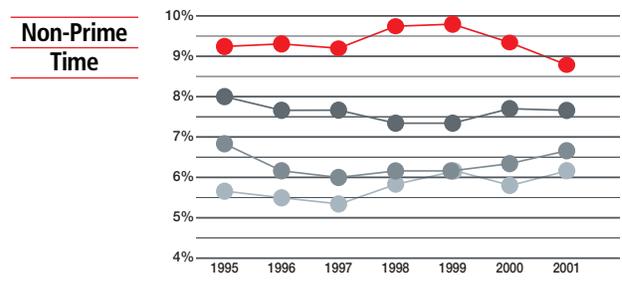
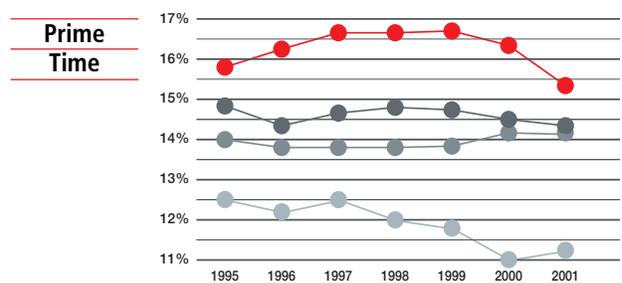
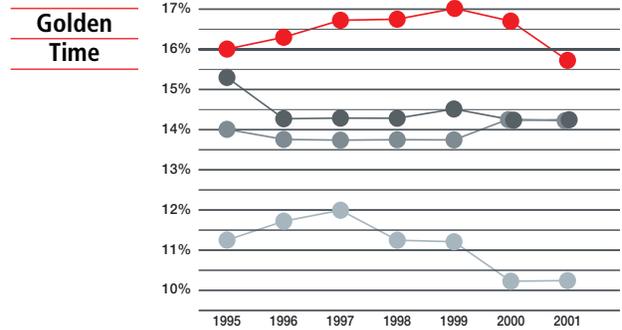
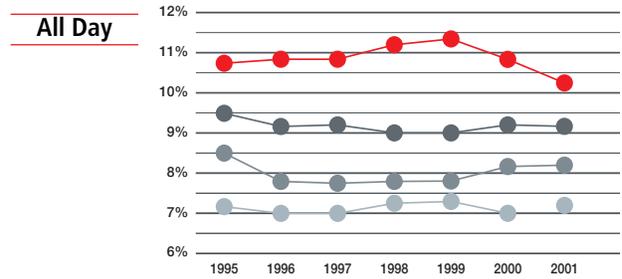


● NTV ● Company A ● Company B ● Company C

Fiscal Year (Average Viewer Ratings)



Calendar Year (Average Viewer Ratings)



Extending Our Lead as Japan's Top Broadcasting Network

NTV has formulated strategies, initiatives and policies to retain broadcasting industry leadership. In the following pages, these are examined from four perspectives: strategies to bolster income from non-broadcast businesses, programming and production policies to defend the program ratings "quadruple crown" title, initiatives for the rapidly unfolding digital and multimedia era, and the exercise of corporate responsibility required of a company entrusted with public communication media.



Non-Broadcast Business Strategy

Vigorous Promotion of Multi-Format Content Use

Seeking Strategic Expansion of Non-Broadcast Businesses

During the coming fiscal year, NTV aims to boost income from non-broadcast business segments to supplement income from the television broadcasting business. The Group is formulating a strategy and implementing organizational change to strengthen non-broadcast operations, reorganizing at the department level the Content Businesses Division and Projects Division and investing in human resources.

The Content Businesses Division has business operations in eight areas: movies, publishing, video, merchandising, domestic program sales, program sales to satellite broadcasting (BS and CS) and cable TV, broadband and teleshopping. These businesses are based on a common business concept: leveraging terrestrial broadcast program content through multi-format use and constructing a sales network to obtain distribution revenues from that content. The two types of business expansion are that NTV itself directly sets up operations, and that NTV obtains royalty income from operations within consolidated subsidiaries.

During the fiscal year ended March 31, 2002, NTV's non-consolidated net sales for non-broadcast operations increased 154% (¥12,760 million) and continue to show spectacular growth rates.

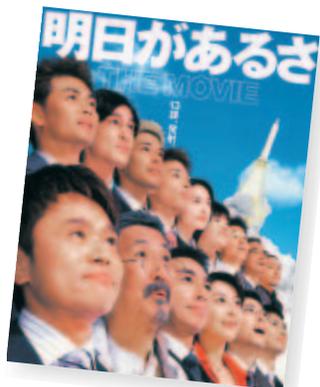
Sen to Chihiro no Kami Kakushi (Spirited Away)
©2001 NIBARAKI•TGNDTDM

Sen to Chihiro no Kami Kakushi Becomes a Blockbuster for Movie Operations

Motion picture operations form the core of the NTV Group's content businesses. *Sen to Chihiro no Kami Kakushi (Spirited Away)*, a Studio Ghibli production in which NTV invested, became a blockbuster hit that shattered the box-office record of ¥26,000 million held by *Titanic* and went on to surpass ¥30,000 million in box-office revenues in May 2002. Prospects for future video and DVD sales for this film are excellent, it is doing well at box offices overseas, and the planned autumn 2002 release in the United States is expected to further boost revenues.

Mohouhan (The Copy Cat), released in June 2002, is also performing well at the box office. NTV forecasts revenues of more than ¥6,200 million for *Neko no Ongaeshi (The Cat Returns)*, a Studio Ghibli production released in July 2002. The cinema version of





Ashita ga Arusa
(There's Always Tomorrow)
©2002 YNDTR

Ashita ga Arusa (There's Always Tomorrow), a television drama that obtained a high average rating of 19.3%, is scheduled for release in October 2002. This project is attracting considerable attention, in part because the director of the television series is also directing the cinema version. In addition to distributing its own productions, NTV devotes substantial effort to purchasing and distributing popular foreign titles.

Television networks contribute significantly to the production and box-office success of Japanese motion pictures. Films based on television programs benefit from tremendous publicity and the specialty staff and creators responsible for the production of these movies have trained in the highly competitive world of television production. Many creators who have made their mark in the television industry participate in movie production.

Close Business Relationship with Studio Ghibli

Since the 1989 release of *Majo no Takkyuubin (Kiki's Delivery Service)*, NTV has built up a close cooperative relationship with Studio Ghibli in production, providing funding for the studio's feature-length animation production and jointly developing computer graphics technologies. NTV was active in the foundation of the Ghibli



Neko no Ongaeshi (The Cat Returns) ©2002 Nekonote-Do•TGNDHMT

Museum in 2001. Continuing to strengthen and develop the partnership with Studio Ghibli is an extremely important strategy for developing the movie business.

Outlook for Other Businesses

NTV creates and publishes books and magazines associated with highly rated television programs, such as *Itoh-ke no Shokutaku (Dining Table of the Itoh Family)*, *Omoikkiri TV (Complete TV)* and *Sanpun Cooking (Three-Minute Cooking)*. Rather than competing against conventional publishing houses, the publishing unit boosts sales of its titles by following an approach that capitalizes on the benefits of tie-ins with television programs.

In the merchandising rights business and video business, animation-related products (*Anpanman* and *Lupin the 3rd*) account for the major part of revenues. The key task is to develop revenues from sources other than animation properties.

NTV offers broadband services based on the content value loop model. NTV launches a portal-like web site for a television program to deliver information on the program over the Internet and uses the site to offer merchandise or publications for sale. With its high program ratings and vast library of highly rated content, NTV is ideally positioned to pursue this promotional

approach. Based on this business model, the web site for *The Tetsuwan Dash (The Dash!)*, a program aired on Sundays at 7:00 p.m., is accessed by an average of 2.5 million visitors a week.

In the mobile phone content business, NTV solicits subscribers for the MY-NTV service (with a current subscriber base of 300,000 and a monthly subscription fee of ¥250). An announcer's room information service and the NTV Voice service for indicating incoming phone calls using the voices of familiar NTV announcers have become hits. Forecast Communications Inc., the consolidated subsidiary that manages the mobile phone content business, has moved into profit in its third year of operation.

Intensive Involvement in the Events Business

Each year, the Projects Division sponsors and lends support to about 70 events, including exhibitions, stage performances, concerts and sports events.

The Projects Division, in a joint business with Dentsu Inc., also operates SHIBUYA-AX, a live music hall that opened in December 2000 in Tokyo's trendy Shibuya district. The hall has achieved great success, as indicated by its real operating rate of about 86%. Although initially the plan for SHIBUYA-AX called for recovery of the investment in seven years, current forecasts call for recovery in four years. Synergy results from the interplay between the hall and NTV late-night programs, and the tremendous appeal and popularity of SHIBUYA-AX among young people has contributed greatly to the creation of a new image for the company. NTV is looking beyond hall operation, laying the groundwork for acquiring content and securing broadcast rights from the artists who perform at SHIBUYA-AX.

NTV organizes regular events, such as the musical *Annie*—entering its 17th season—and the

Disney on Ice show, constantly renewing and improving them to maintain audience appeal. After a six-year hiatus, the *Mount Fuji Jazz Festival* returns in August 2002. This is slated to become an annual event.

NTV is also planning large-scale projects, including entertainment extravaganzas featuring renowned artists and important sporting events, aiming for great success through bolstered public relations activities based on linkage with television programs and sports announcements.

The *Marc Chagall Exhibition* held from April to July 2002 received excellent reviews, and both the number of visitors and revenues exceeded expectations. As exhibitions of art brought to Japan from overseas involve two to three years of preparation, this business requires foresight and planning.

To supplement revenues from admission charges, donations, and sales of merchandise and catalogs, the Projects Division aims to increase earnings capacity by actively acquiring secondary use rights, including BS and CS broadcasting rights. The Division will engage in aggressive public relations through links with television programs.

In this way, NTV makes effective use of its high-quality content and takes full advantage of its expertise in production and operations to bolster revenues from non-broadcast sources and contribute to high profitability.

The *Marc Chagall Exhibition* ran from April to July 2002.



Programming Strategy

Defending the Annual Ratings “Quadruple Crown” Title to Secure Broadcast Revenues

Maintaining Industry Leadership in Viewer Ratings

During the year ended March 2002, NTV captured its eighth consecutive ratings quadruple crown title, achieving annual average ratings of 10.2% for “all day” (6:00 a.m. to 12:00 a.m.), 15.2% for “prime time” (7:00 p.m. to 11:00 p.m.), 15.4% for “golden time” (7:00 p.m. to 10:00 p.m.), and 8.8% for “non-prime time” (all non-prime time hours).

Viewer ratings are directly linked to advertising revenues from the sale of broadcasting time¹ and advertising spots,² the main source of revenue in the television broadcasting segment. To maintain and expand advertising revenues, it is necessary to continue to produce programs popular among a large number of viewers.

NTV attaches great importance to offering variety programs that the entire family can enjoy, and thoroughly grounds its approach to program production in the concept of family entertainment. It is *Itoh-ke no Shokutaku (Dining Table of the Itoh Family)*—a program that regularly enjoys ratings of nearly

20%—*The Tetsuwan Dash (The Dash!)*, *Sekai Marumie TV Tokusoubu (The World’s Greatest TV)* and other family variety programs that underpin the high ratings. These programs keep NTV head and shoulders above the competition.

¹ Broadcasting time: Commercials during programs from program sponsors.

² Advertising spots: Commercials before and after programs.

Programming Strategy Geared to Obtaining High Average Viewer Ratings

The basic concept NTV applies to capture the ratings quadruple crown title is to secure high average viewer ratings in each time period: “all day,” “prime time,” “golden time,” and “non-prime time.” In general, ratings erode on a cycle of about five years. Once ratings begin to fall, it is no simple matter to restore them to the former level. An incorrect management decision can preclude a ratings recovery and result in a sharp drop in average viewer ratings. Program reform is important not only to maintain ratings, but also to bring about a change of generations in creative staff. NTV continues to hold the ratings quadruple crown title, and management believes that to defend the ratings title in the years to come it is important to engage in courageous reform.

In the morning program time category, NTV changed over from *Zoom-In!! Asa! (Morning Zoom-In)* to *Zoom-In!! Super!* and from *Let’s to The Jouhou Tsu*



Gyouretsu no Dekiru Houritsu Soudanjo (Line Up Law Office—Sue Me? Sue You!) is expected to capture high ratings.

(*Information Maven*). As a result, ratings have developed satisfactorily. *Zoom-In!! Super!*, in particular, at times captures ratings above 15%, a high figure for this time period.

The ratings situation for drama programs remains difficult for all broadcasters, and NTV is no exception. However, success in obtaining top-flight creators by means of recruiting and scouting has brought results: both the director of highly rated *Nurseman* and the creator of the smash hit *Gokusen* were scouted. NTV will continue to engage aggressively in this type of scouting.

Variety programs have been a major contributing factor to NTV's success in winning the program ratings quadruple crown title for eight consecutive years. The prime-time period, however, requires new programs that will become mainstays. For this reason, in June 2002 *Gyouretsu no Dekiru Houritsu Soudanjo* (*Line Up Law Office—Sue Me? Sue You!*) was launched in the 9:00 p.m. Sunday time slot. Ratings for this program are increasing steadily, and NTV expects it to capture average ratings of 20% and become a prime-time mainstay. *The Sekai Gyouten News* (*World's Unbelievable News Stories*), aired on Wednesdays, is also closing in on ratings of 20% and is being groomed as a successor to a current mainstay program such as *Itoh-ke no Shokutaku* (*Dining Table of the Itoh Family*).

Full-season ratings for live broadcasts of *The Yomiuri Giants Baseball Games* increased by more than one percentage point over last year's 15.1%. This season former Giants star Tatsunori Hara took over as team manager, a development that boosted ratings among younger viewers.

Music variety program *FUN*

Emphasizing the Recruitment, Retention and Development of Program Creators

NTV maintains a framework for producing highly rated programs by investing liberally in production costs and by recruiting, retaining and developing capable creative staff. Although in drawing up the annual budget NTV has boldly cut expenses thought to be unnecessary, it attaches importance to the cost-effectiveness of ample production investment in programs with promise to achieve high ratings.

NTV places great importance on the recruitment, retention and development of capable program creators. It has successfully forged ahead of competitors by recruiting people who have already established a reputation in the industry and can step in and make an immediate contribution. To develop creative talent, NTV operates internal systems for providing opportunities to young creators, a policy that has enabled many excellent directors to come forward and deliver results. It has introduced for creative staff a contract-based annual salary system that applies even to newly graduated recruits. Because program creator is a special occupation, NTV aggressively pursues a labor strategy to recruit and retain many promising people.



Digital and Multimedia Strategy

Aiming to Be the Most Powerful Force in Digital Media

NTV's strategy for the digital era is to aggressively leverage its ability to create extraordinarily powerful programs that have made it the industry leader in terrestrial broadcasting to secure market leadership in digital media businesses.

As the era of digital broadcasting and multimedia content distribution unfolds, to maintain its position as the number one broadcast network, NTV must clearly identify viewer needs and reflect those needs in content production.

Medium	User Needs
•Digital terrestrial	Channels that offer general programming such as entertainment, news and information (emergency information) with various types of enhanced services
•Broadcasting satellite	Free-of-charge commercial satellite broadcasting as a high-definition, semi-core medium
•Communication satellite ..	Specialty channels (requires expertise commensurate with subscription fees)
•Broadband.....	Fuses broadcasting and communications

As content production is largely dependent on the creators, NTV emphasizes a personnel and labor strategy for recruiting and retaining critical human

resources. At the same time, to raise the level of production expertise throughout the Group, on July 1, 2002, NTV transferred responsibility for a portion of production technology to two subsidiaries.

New Headquarters Equipped with a Three-in-One System for Production, Distribution and Archives

The linchpin of NTV's digital strategy is NTV Tower, the new head office to be completed in spring 2003 in Tokyo's Shiodome district. In anticipation of the digital media revolution, at the new head office NTV has realized flexible, scalable facilities at the optimal time and at a reasonable cost. The basic policy informing the digital facilities at the new head office is to link production, distribution and archives in a comprehensive, three-in-one digital system that employs an optical fiber network. This allows NTV to keep a close watch on the latest technologies and trends, and respond to change and expansion.

Production facilities include systems for flexibly coping with changing circumstances: these include a multimedia content production system involving full HDTV (high-definition television) systems for converting content format to accommodate the distribution medium. Particularly worthy of mention is the world's first HDTV non-linear editing system to incorporate a large-scale server.

In the area of distribution facilities, a center is being established to integrate content and efficiently deliver it for use with multiple media. The center will make it possible to respond rapidly and flexibly to the requirements of each medium. The new CM storing and inserting system is noteworthy in that switching from the previous videotape-based system to semiconductor memory will result in low energy consumption and high reliability.

Pursuing development based on the theme of barrier-free information, NTV has created a technology that makes possible subtitling in real time. NTV already provides this service in news programs, and preparations are underway to expand the service to other programs.

NTV leads commercial broadcasters in the use of program footage, a factor that has contributed

greatly to its success in capturing and defending the program ratings quadruple crown title. The digital archives system will take full advantage of digital technologies to increase efficiency in program production work and is expected to increase the frequency of secondary footage use. In developing new media by means of content use across multiple media, NTV's policy is to begin with news and information programs where frequency of use is highest, and then to gradually expand into other program genres.

NTV will operate a server for conducting footage searches to promote, within the Company, the reuse of footage in the library database. The server will make it simple to search for footage using PC terminals installed in departments where library use is anticipated.

New Headquarters to Function as Information Transmission Center

One distinctive feature of the new headquarters is the attention being devoted to installing facilities for news production. Of the 50 HDTV editing booths installed in the new headquarters, 15 will feature non-linear systems. The resulting state-of-the-art pre-editing environment, capable of processing input even if 100 news reporters simultaneously access the system from their PCs, will be second to none. Seventy locations in the building will be equipped with television camera patch bays so that every section of the building will be immediately available for use as a studio. The new headquarters will not only contain the most advanced facilities, it will also serve as the future information transmission center by virtue of close ties and information sharing with affiliated stations.



NTV Tower will serve as a center for transmitting information to the public.

Increasing Viewer Awareness of BS and 110° CS Digital Broadcasting to Develop the Market

The critical issue with BS and 110° CS digital broadcasting is to raise the level of viewer awareness of these broadcast formats. To firmly establish the market for digital broadcasting, NTV intends to publicize digital broadcasting, not as an independent initiative but in cooperation with other broadcasters.

NTV believes that it will take several more years for BS digital broadcasting to fully mature in the commercial broadcasting market. NTV is making preparations to operate a full-scale digital broadcasting business once the market has developed. NTV affiliate BS Nippon Corporation broadcasts news programs, NFL football, and viewer-participation quiz programs that take advantage of the characteristics of datacasting.

NTV affiliate CS Nippon Corporation began 110° CS digital broadcasting in March 2002. It now provides television service on six channels and datacasting on one channel, and is developing new services to link programs and data. CS Nippon Corporation offers a wide range of channels featuring programming that includes start-to-finish live

broadcasts of 70 Yomiuri Giants games on the G+ (G *tasu*) channel, non-stop news broadcasting on the NNN24 channel, and round-the-clock live variety programs.

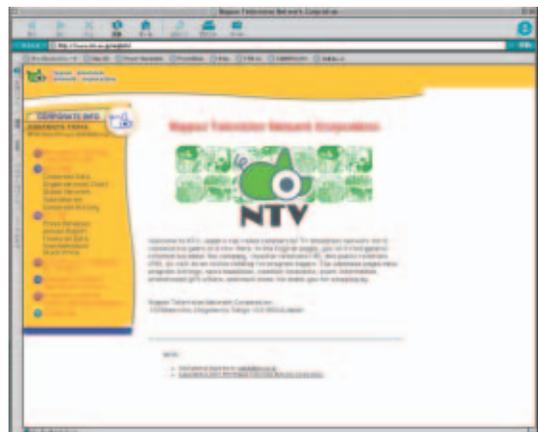


110° CS digital broadcasting program
Denpa Shounen-teki TV

Broadband Strategy

NTV intends to leverage the most powerful content in the broadcast industry to pursue a multifaceted formula for providing broadband services over the Internet. NTV's approach has been to market paid video-on-demand content it planned and developed while investigating user needs. Now NTV seeks to realize real-time content distribution using networks: for instance, the development and testing of a video delivery service specifically for broadband and a sophisticated video delivery technology involving local IP networks.

In other developments, customer response to a new idea for using the voices of station announcers as an i-Mode ring tone option for mobile phones has been enthusiastic, and business is developing favorably at NTV affiliate Forecast Communications Inc. The number of subscribers to the MY NTV paid mobile telephone service is on the rise. Affiliate B-BAT Inc. has taken on the challenge of producing a model for the copyright protection and management system essential to a pay-per-use broadband content distribution business.



The NTV web site
<http://www.ntv.co.jp>

Societal Contribution

Exercising Corporate Responsibility to Promote the Development of Television in Japan

Social Responsibility

•24-Hour Television

Proactive transmission of messages concerning society, the environment, and other matters of public interest is an essential part of a media company's responsibility. Through the annual *24-Hour TV: Love Saves the Earth* campaign, NTV publicizes and supports various social action programs. Over the years, NTV has donated special vehicles for use in guide dog training and other public service activities, supported overseas healthcare initiatives, and participated in relief operations for disaster areas.



First broadcast in 1978 to celebrate the 25th anniversary of the Company's founding, *24-Hour TV* pioneered social action through television programming.



Corporate Citizenship

NTV takes seriously its responsibilities as an employer, providing equal opportunities for men and women in hiring, wages, posting, evaluation and advancement. Fifteen women hold executive management positions, with the highest-ranking woman serving as a director general. NTV was first among the key stations in Tokyo to satisfy the legal requirements for employing people with disabilities. It also conducts employee training programs, such as sexual harassment awareness training.

Through the NTV Cultural Society, NTV hosts the International Children's Art Exhibition, operates Royal Forest 21 (afforestation project), conducts sign language workshops and engages in healthcare programs.

Furthermore, to help protect the world's cultural heritage, NTV has donated funds to causes including restoration of the Louvre Museum's *Venus de Milo* and *Mona Lisa*, and of Michelangelo's frescos in the Sistine Chapel.

Environmental Initiatives

NTV engages in feasible measures to protect the natural environment in various aspects of its business operations. Office-related environmental initiatives include rigorously separating general waste for



collection and mandatory use of recycled paper in various business forms. Recycled fresh water is used for lavatories and low-sulfur heavy oil for air-conditioning. Underground parking garages are equipped with energy-saving light fixtures.

NTV has implemented environmental measures at program production units as well, including contracting disposal of studio sets and recording tape with specialist vendors and switching from noncombustible flip boards to cardboard.

In an effort to increase energy-use efficiency, NTV has adopted a co-generation system to power the new head office. It has also installed a wind power system and promotes the use and awareness of natural energy.

In addition, NTV enthusiastically promotes understanding of environmental issues and environmental protection in program content.



NTV's commitment to environmental protection extends to every aspect of operations, such as the use of recycled paper for business forms.

NTV: The Sole Japanese Broadcaster Included in the Dow Jones Sustainability World Indexes



In September 2002, NTV was selected for the second consecutive year for registration as one of the 310 companies in the 2002–2003 Dow Jones Sustainability World Indexes (DJSI World). NTV was the only company from the broadcasting industry among 37 Japanese companies selected as index components, including Fuji Photo Film Co., Ltd., Ito-Yokado Co., Ltd., Sony Corp., East Japan Railway Co. and Kyocera Corp.

The DJSI World is an index of corporations selected for their long-term sustainability based on economic rationality, environmental compatibility and social compatibility. Component companies are selected from among the biggest 2,500 companies in the Dow Jones Global Index in terms of market capitalization. DJSI World is watched closely by both institutional and private investors, especially in Europe.

With NTV having been selected once again for registration as a DJSI World component, the management and employees intend to redouble their efforts to develop the Company's business.

Consolidated Financial Section

Financial Statement Analysis and 2001 Results

•Management's Discussion and Analysis of Consolidated Financial Condition and Review of Operations	26
•Consolidated Financial Statements	34
Consolidated Balance Sheets	34
Consolidated Statements of Income	36
Consolidated Statements of Shareholders' Equity	37
Consolidated Statements of Cash Flows	38
Notes to Consolidated Financial Statements	39
•Independent Auditors' Report	52

Management's Discussion and Analysis of Consolidated Financial Condition and Review of Operations

OVERVIEW

Operating Environment

Japan's economic downturn became even more pronounced during the past fiscal year. Consumer spending remained sluggish, IT-related demand weakened and corporate earnings fell. Making the situation even worse were the terrorist attacks in the United States and concerns in Japan about BSE ("mad-cow disease"). In this environment, Japan's advertising sector posted lower year-on-year revenues for the first time in two years, as spending in 2001 fell below the all-time high recorded in 2000. There was a particularly steep drop in advertising expenditures from the summer of 2001 onward.

Results of Operations

Despite harsh economic conditions, the NTV Group took many actions to overcome these challenges. In television broadcasting, the lineup of regular programs was enhanced, especially for "golden time" (7:00 p.m. to 10:00 p.m.), and aggressive sales efforts were conducted to maximize benefits of the Salt Lake City Olympic Games and other one-time events. In the cultural activities segment, NTV invested in Studio Ghibli, which produced full-length animation feature *Sen to Chihiro no Kami Kakushi (Spirited Away)*, an enormous hit following its summer 2001 release. Cultural activities results were also aided by strong performances of consignment sales of audio products by the Group's music subsidiary and the solid performance of video production and sales activities. Overall, consolidated net sales for the fiscal year ended March 31, 2002 increased 1.8% to ¥358,683 million.

Regarding expenses, the Group continued to concentrate on using program production budgets

more effectively and reducing general expenses. The result was a 5.4% increase in the cost of sales to ¥218,889 million and a 1.5% decline in selling, general and administrative expenses to ¥76,220 million. As this decline was insufficient to offset the growth in the cost of sales, operating income was down 5.5% to ¥63,574 million. Non-operating expenses included an equity-method loss of ¥1,412 million caused primarily by the donation of the Mamma Aiuto Inc.'s building. As a result, net income declined 3.8% to ¥34,648 million.

Recurring profit as a percentage of net sales decreased from 19.3% to 17.5%, mirroring the difficulties presented by the past fiscal year's market conditions.

Outlook

The NTV Group has three business segments: television broadcasting, cultural activities and other. In the fiscal year ended March 31, 2002, net sales composition by segment, prior to intersegment eliminations, was 83.5% for television broadcasting, 14.1% for cultural activities and 2.4% for other. In terms of earnings, television broadcasting accounted for 90.7% of operating income, followed by cultural activities at 8.7% and other at 0.6%. These figures clearly demonstrate the key role that television broadcasting plays in the Group's operations.

In the television broadcasting segment, results were directly impacted by Japan's slumping economy. Furthermore, the range of media becoming available is growing. In addition to conventional terrestrial analog broadcasting, the public has access to broadcasting satellite (BS) and communication satellite (CS) services, both analog and digital, the broadband Internet and, soon, digital terrestrial broadcasts. The diversification of

media presents opportunities for new businesses, while at the same time presenting the risks, notably the possibility of falling revenues at existing businesses and losses resulting from mistaken management decisions that allow opportunities to slip away. The NTV Group has consistently retained a cautious stance regarding new media. This position is based on the view that it is too soon to begin allocating substantial resources to these nascent markets. Due to this policy, losses related to start-up investments in new-media ventures are far below those at our competitors. By bolstering its financial position and investing prudently in new-media group companies, the NTV Group is prepared to make the required investments in the future when warranted.

At this time, the Group's basic strategy is to continue concentrating on the television broadcasting business with the goal of retaining its number one position in all four key ratings categories. In cultural and



To keep the program ratings quadruple crown title, NTV aims to remain the industry's most powerful content producer.

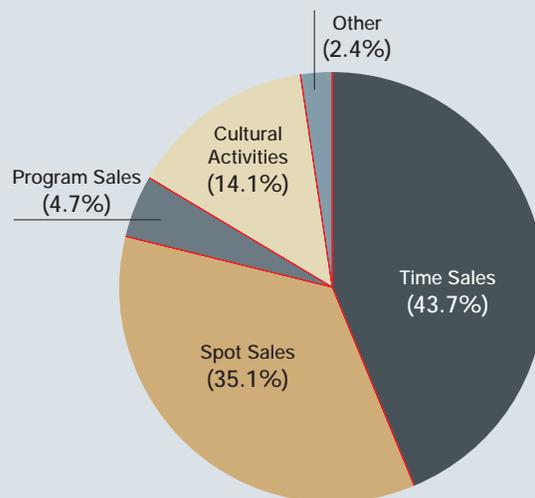
other activities outside television broadcasting, the Group will reinforce its operating base. The Group will also continue to lay the groundwork for BS, CS, broadband and other new-media businesses. This approach is designed to give the NTV Group number one positions in both broadcasting and non-broadcasting businesses.

Japan's Advertising Expenditures and GDP (1989-2001)

Year	Nominal Gross Domestic Product (B)		Advertising Expenditures (A)		A/B (%)
	GDP (billions of yen)	Compared to Previous Year (%)	Advertising Expenditures (billions of yen)	Compared to Previous Year (%)	
1989	409,602.1	107.3	5,071.5	114.8	1.24
1990	441,915.2	107.9	5,564.8	109.7	1.26
1991	469,229.8	106.2	5,726.1	102.9	1.22
1992	481,581.5	102.6	5,461.1	95.4	1.13
1993	486,519.1	101.0	5,127.3	93.9	1.05
1994	491,853.2	101.1	5,168.2	100.8	1.05
1995	497,739.4	101.2	5,426.3	105.0	1.09
1996	510,802.4	102.6	5,771.5	106.4	1.13
1997	521,861.5	102.2	5,996.1	103.9	1.15
1998	515,834.8	98.8	5,771.1	96.2	1.12
1999	511,837.1	99.2	5,699.6	96.8	1.11
2000	513,534.0	100.3	6,110.2	107.2	1.19
2001	504,242.6	98.2	6,058.0	99.1	1.20

Source: Dentsu Inc., Advertising Expenditures 2001

A Breakdown of NTV's Net Sales, by Operations



FINANCIAL REVIEW

Performance by Business Segment

•Television Broadcasting

The primary sources of sales in this segment are sales of TV broadcasting time, revenues from sponsorship programs and sales generated from the operation of studios.

As of March 31, 2002, there were eighteen companies, excluding NTV (the parent company), engaged in the broadcasting business. NTV produces television programs and broadcasts them over its nationwide network, selling TV broadcasting time and sponsorship programs. There are six consolidated subsidiaries involved in the production and broadcasting of television programs, including NTV Eizo Center Corporation, as well as two unconsolidated subsidiaries and ten associated companies.

Total television broadcasting sales declined 1.9% to ¥304,392 million. This figure represents television broadcasting sales, which were down 1.4% to ¥287,383 million, and sponsorship programs and others, which were down 9.3% to ¥17,007 million. Television broadcasting sales include ¥159,350 million in sales of TV broadcasting time, an increase of 2.2%. This figure includes special network fees, an item that

had been included in sponsorship program sales until the prior fiscal year. Excluding the effect of this change, sales of TV broadcasting time were up 0.5%. TV advertising spot sales declined 5.6% to ¥128,033 million. In sponsorship program sales and others, the effect of the shift of special network fees to TV broadcasting time caused reported sales to fall 9.3%. Excluding the effect of this change, sales in this sector increased 7.8% as these businesses continued their steady growth.

Television broadcasting segment operating expenses rose only 0.2% to ¥246,765 million. The small increase, despite the lower sales, was attributable to an above-average number of programming changes during the fiscal year and higher news-gathering expenses caused by the terrorist attacks in the United States. The combination of lower sales and basically flat expenses caused television broadcasting operating income to decline 9.8% to ¥57,627 million.

•Cultural Activities

The main sources of sales in this segment are businesses involving movies, music, artworks and sporting events, and sales of books and catalogs.

As of March 31, 2002, there were seven affiliate companies in this segment. In addition, NTV is engaged in music concerts, art exhibits, the production and distribution of movies, sporting events, and publishing and selling printed matter. VAP Inc. plans, produces and sells audio and visual content using CDs, videotapes, DVDs and other forms of media. Nippon Television Music Corporation plans and produces recorded music, represents music rights, and manages merchandising rights. In addition, this segment includes two unconsolidated subsidiaries and three associated companies.



Popular sports information program *Sports Urugusu (Sports Spotlight)*



Sen to Chihiro no Kami Kakushi (Spirited Away)
©2001 NIBARAKI•TGNDTDM

Cultural activities-related sales increased 29.5% to ¥51,452 million. This was attributable to box office and other revenues produced by *Sen to Chihiro no Kami Kakushi (Spirited Away)*, a film released on July 20, 2001, that rewrote the records for attendance and revenues by a domestic film. This film contributed revenues of ¥2,882 million to the sales of this segment. Furthermore, consolidated subsidiary VAP Inc. performed well due to the enormous popularity of its *Mr. Children* album and strong sales of the *Lupin the 3rd* DVD. As a result, VAP Inc.'s sales increased 29.2% to ¥33,370 million and recurring profit rose to ¥1,536 million, a dramatic increase from the prior fiscal year's result.

Total operating expenses in the cultural activities segment expanded 24.8% to ¥45,923 million. This was a reflection of ¥542 million in investments and advertising expenses related to *Sen to Chihiro no Kami Kakushi (Spirited Away)*, higher expenses for the acquisition of music broadcasting rights and for printed materials due to the increase in sales.

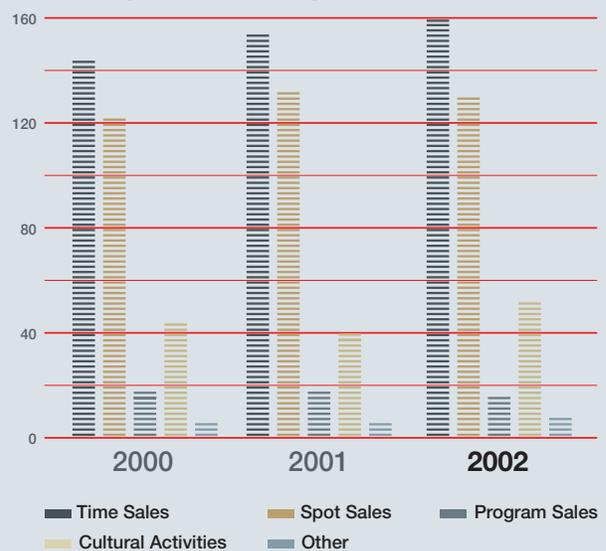
As the large increase in sales outweighed the growth in expenses, the cultural activities segment posted operating income of ¥5,529 million, 89.2% more than in the prior fiscal year.

•Other

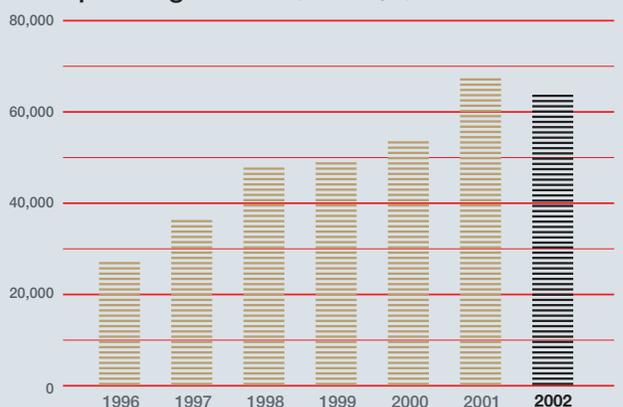
Sales in this segment are derived mainly from the housing business, sales of novelty goods, a professional soccer team and Internet-related services.

As of March 31, 2002, there were eight affiliate companies in this segment. The major subsidiaries are NTV Services Inc., which is involved in housing, insurance sales, conducting events and selling

Sales by Business Segment (billions of yen)



Operating Income (millions of yen)





To make program production more efficient, in April 2002 NTV transferred production technology to subsidiaries.

novelty goods; Nippon Television Work 24 Corporation, which manages property; Nippon Television Football Club Co., Ltd., which manages a professional soccer team, *Tokyo Verdy 1969*; and Forecast Communications Inc., which offers Internet-related services. The four associated companies are involved in new media, trading in artworks, local heating and cooling, and other businesses.

Sales in this segment increased 14.7% to ¥8,645 million, but operating expenses rose 16.8% to ¥8,242 million to support the growth in sales. The result was operating income of ¥403 million, about the same as in the prior fiscal year.

•Financial Position

Major changes in the consolidated balance sheets during the fiscal year were as follows.

Current assets at the end of the fiscal year totaled ¥185,088 million, a minimal decline of ¥3,289 million compared with current assets of ¥188,377 million one year earlier.

In property and equipment, ongoing work at the new head office building caused construction in progress to increase. This caused property and equipment, net of depreciation, to expand by ¥27,615 million.

In investments and other assets, investment securities rose from ¥50,133 million to ¥54,998 million,

primarily because of an additional investment in SKY Perfect Communications Inc.

The result was an increase of ¥33,756 million in total assets to ¥443,798 million.

There were no significant changes in liabilities.

In shareholders' equity, there was an increase of ¥30,988 million in retained earnings to ¥282,364 million due to the strong operating results. Virtually all of the increase in equity was used to support a similar increase in total assets during the fiscal year. The equity ratio, a figure on which NTV places priority as an indicator of financial soundness, rose 1.8 percentage points from 71.1% to 72.9%.

•Cash Flows

Net cash provided by operating activities declined ¥6,658 million to ¥38,891 million, mainly the result of lower income before income taxes and minority interests and higher payments for income taxes. Net cash used in investing activities was ¥48,773 million. This included ¥25,383 million for purchases of investment securities, primarily stock in SKY Perfect Communications Inc., and capital expenditures to prepare for digital broadcasting and construct the new head office. Net cash used in financing activities was ¥3,165 million. The net result was a decline of ¥13,114 million in cash and cash equivalents to ¥70,951 million.



Zunou Battle BRAIN MAX: An interactive quiz program using BS digital broadcasting technology.

TOPICS

NTV Maintains Industry-Leading Viewer Ratings

Amid the current challenging market conditions, NTV retained its quadruple crown for the eighth consecutive year, a feat that ties in directly with sales of TV broadcasting time. NTV ranked first in four key categories: “all day” (6:00 a.m. to 12:00 a.m.), “prime time” (7:00 p.m. to 11:00 p.m.), “golden time” (7:00 p.m. to 10:00 p.m.) and “non-prime time” (all non-prime time hours). Being number one in all four categories demands a schedule filled with “captivating content” that can attract viewers of all ages throughout the day. NTV has a number of programs of this type. Among them are the *Zoom-In!! Super!* early morning show, which has an overwhelming lead over its competitors; *The Yomiuri Giants Baseball Games*, which generate consistently high ratings; and *Itoh-ke no Shokutaku (Dining Table of the Itoh Family)* and *The Tetsuwan Dash (The Dash!)*, two very popular variety shows. Programs such as *Zoom-In!! Asa! (Morning Zoom-In)* and *Look Look* have made great contributions to NTV’s ability to retain the quadruple crown for eight consecutive years. As some of its older programs lose momentum, NTV has been concentrating for the past two years on reinforcing the morning lineup. The result was *Zoom-In!! Super!*, a new type of morning show that starts at 5:30 a.m. and offers an expanded range of content. Ratings for the new program are climbing fast, making prospects good that NTV will retain its quadruple crown for a ninth year. For *The Yomiuri Giants Baseball Games* telecasts, the limit on telecasting extensions will be increased from 30 to 60 minutes for all weekday games starting next season.

The new program schedule is a crucial element in NTV’s strategy to retain the quadruple crown of

television ratings. Equally important is the strategy of attracting new creative minds and conducting sweeping changes to bring in a new generation of key personnel. NTV has had much success in hiring talented producers, directors and other individuals from other broadcasters. The new people have already made significant contributions to increasing ratings of NTV programs.

Income from Sales of TV Broadcasting Time and Advertising Spots

Sales of TV broadcasting time, a key component of broadcasting sales, increased 2.2% to ¥159,350 million. This growth includes a change that moved special network sales, which had been included in sponsorship program sales, into this category. Even excluding this contribution, TV broadcasting time sales rose 0.5% during the past fiscal year. On the other hand, sales of TV advertising spots were down 5.6% to ¥128,033 million.

Behind the growth in revenues from TV broadcasting time was a shift in emphasis from sales of TV advertising spots to TV broadcasting time; a further upgrading in the content of regular programs, mainly in “golden time”; and aggressive sales of major events, such as the Salt Lake City Olympic Games.

The decline in TV advertising spot sales was due to the effect on demand of Japan’s prolonged economic downturn. Although demand in this category was solid as the fiscal year began, year-on-year monthly sales comparisons turned negative from August through the remainder of the year. Among the top ten buyers of TV advertising spots by industry, demand was lower among companies in the services, cosmetics and toiletries, electric appliances (home appliances), cooking oils and household goods, and retailing industries.



Demand rose from companies in the alcoholic and non-alcoholic beverage, financial services and insurance, automobile, pharmaceuticals and publishing industries.

Cultural Activities

The highlight of the year in the cultural activities segment was the full-length animation feature *Sen to Chihiro no Kami Kakushi (Spirited Away)*, a mega-hit in which the NTV Group had a 22% interest. The Group's distribution income totaled ¥2,882 million, making an enormous contribution to consolidated sales and earnings. Following up on this success, the Group is investing aggressively in movies and participating in the production of films. In the fiscal year ending in March 2004, a number of NTV-related movie debuts are planned. Among them are *Neko no Ongaeshi (The Cat Returns)*, an animated film made by the same studio that created *Sen to Chihiro no Kami Kakushi (Spirited Away)*, *Ashita ga Arusa (There's Always Tomorrow)*, the movie version of a popular NTV drama, and the



Neko no Ongaeshi (The Cat Returns)
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movie *ROUND1*, which is being written and produced solely by the NTV Group.

Interest in the management and protection of intellectual assets is growing. This points to a bright future for Nippon Television Music Corporation, a specialist in planning, production, music copyright management (including sales) and patents involving recorded audio and visual content.

This segment also includes special events, another field that is targeted for rapid growth. An exhibition of artwork by Marc Chagall held in the next fiscal year has generated a much stronger response than had been anticipated. Attendance is likely to exceed original targets by a wide margin. Once the new NTV head office is built, plans call for conducting a series of large-scale events at the head office and elsewhere that will encompass the entire Shiodome area.

NTV and New Media

To capitalize on opportunities in the BS and CS markets, the NTV Group plans to embark on commercial ventures only after carefully analyzing the potential benefits in relation to the required investments. Television broadcasting operations using BS and CS platforms are the responsibilities of affiliated companies BS Nippon Corporation, CS Nippon Corporation and PLAT-ONE Corporation.

To differentiate these satellite broadcasts from other elements of the NTV Group's programming, as well as to minimize the necessary investments and expenses, the news programs of BS Nippon are supplied by NTV's 24-hour news channel NNN24, which distributes content for CS and cable-TV systems. The others are in-house productions and acquired

programs. In this manner, NTV is making exhaustive efforts to minimize the expenses of BS digital broadcasts.

PLAT-ONE operates a CS broadcasting platform in conjunction with its other shareholders, WOWOW INC. and Mitsubishi Corporation. Commercial service began in April 2002 with 46 channels. Initially, most sales at PLAT-ONE will come from cable-TV operators. Within two to three years, the company plans to build a base of at least one million direct subscribers, a level at which the platform will break even.

At Forecast Communications Inc., which conducts a number of Internet-related businesses, activities such as the fee-based distribution of content and e-commerce are performing very well. The outlook for this company is excellent, as it steadily expands its membership base of mobile phone users.

Construction Proceeds at New Shiodome Head Office

Work is advancing on schedule toward the spring 2003 completion of NTV's new head office building in the Shiodome district of Tokyo. The new building is located on a 31.7-hectare site that was purchased for ¥101,000 million. The cost of the building will be approximately ¥55,000 million. Additionally, there will be expenses of approximately ¥40,000 million for broadcasting equipment and ¥10,000 to ¥15,000 million for other facilities. Once the building is finished, NTV will begin transporting broadcasting and other equipment from its present head office to prepare for full-scale operations in the autumn.

The straight-line method is used to determine the depreciation of the new building and facilities, but does not apply to building annexes. The useful lives of



Scheduled for completion in the spring of 2003, NTV's new headquarters will be equipped with state-of-the-art facilities.

investments in Shiodome, which include the said building annexes and structures, machinery and transportation equipment, and fixtures and devices, will be determined using the declining-balance method. Depreciation expenses in this past fiscal year were ¥6,045 million. In the first full fiscal year following completion, which is the year ending in March 2004, depreciation expenses including those for the new head office building and its facilities will rise to about ¥17,000 million. Annual depreciation expenses are expected to peak at about ¥22,000 million in the year ending in March 2005.

Debt used to finance the ¥101,000 million cost of the land has been paid. The cost of the building and necessary facilities totals an additional ¥110,000 million. The NTV Group's current financial strategy is to make these expenditures while preserving the soundness of its balance sheet, which has more than ¥80,000 million in liquidity, minimal debt and a high equity ratio.



Consolidated Balance Sheets

Nippon Television Network Corporation and Consolidated Subsidiaries
March 31, 2002 and 2001

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2002	2001	2002
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	¥ 70,951	¥ 84,065	\$ 532,266
Time deposits.....	843	413	6,324
Marketable securities (Note 3)	12,830	1,875	96,249
Receivables:			
Trade notes	10,160	13,579	76,219
Trade accounts.....	71,932	71,235	539,625
Other	828	644	6,211
Allowance for doubtful accounts	(218)	(257)	(1,635)
Program rights.....	5,606	5,154	42,056
Deferred tax assets (Note 8)	7,277	7,855	54,591
Prepaid expenses and other	5,279	3,814	39,602
Allowance for doubtful accounts.....	(400)		(3,001)
Total current assets	185,088	188,377	1,388,507
PROPERTY AND EQUIPMENT—At cost (Notes 4 and 9):			
Land	115,015	112,357	862,828
Buildings and structures	32,748	33,598	245,671
Machinery, vehicles and equipment	64,916	63,457	486,992
Construction in progress.....	34,251	7,935	256,947
Total	246,930	217,347	1,852,438
Accumulated depreciation	(71,927)	(69,959)	(539,587)
Net property and equipment	175,003	147,388	1,312,851
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Note 3)	54,998	50,133	412,588
Investment in unconsolidated subsidiaries and associated companies	9,389	4,610	70,435
Deferred tax assets (Note 8).....	853	708	6,399
Long-term deposits	257	350	1,928
Long-term receivable	11,739	11,738	88,065
Other assets	6,859	7,091	51,455
Allowance for doubtful accounts.....	(388)	(353)	(2,911)
Total investments and other assets.....	83,707	74,277	627,959
TOTAL	¥443,798	¥410,042	\$3,329,317

See notes to consolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2002	2001	2002
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Short-term bank loans (Note 5)	¥ 900	¥ 1,060	\$ 6,752
Payables:			
Trade notes	6,778	7,151	50,848
Trade accounts	46,510	42,884	348,912
Other	9,783	3,948	73,390
Income taxes payable	12,859	19,856	96,467
Accrued expenses and other	7,459	7,582	55,956
Total current liabilities	84,289	82,481	632,325
NON-CURRENT LIABILITIES:			
Liabilities for retirement benefits (Note 6)	14,422	14,877	108,192
Guarantee deposits received (Note 4)	19,000	19,000	142,536
Deferred tax liabilities (Note 8)	1,031	1,035	7,734
Other	12	17	90
Total non-current liabilities	34,465	34,929	258,552
MINORITY INTERESTS	1,725	1,131	12,941
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 9 and 10)			
SHAREHOLDERS' EQUITY (Notes 7 and 11):			
Common stock, no par value—authorized, 50,000,000 shares; issued, 25,364,548 shares; outstanding, 25,358,033 shares and 25,358,231 shares for 2002 and 2001, respectively	18,576	18,576	139,355
Additional paid-in capital	17,928	17,928	134,494
Retained earnings	282,364	251,376	2,118,259
Unrealized gain on available-for-sale securities	4,719	3,978	35,401
Foreign currency translation adjustments	(102)	(195)	(765)
Total	323,485	291,663	2,426,744
Treasury stock—at cost, 6,515 shares in 2002 and 6,317 shares in 2001	(166)	(162)	(1,245)
Total shareholders' equity	323,319	291,501	2,425,499
TOTAL	¥443,798	¥410,042	\$3,329,317



Consolidated Statements of Income

Nippon Television Network Corporation and Consolidated Subsidiaries
Years Ended March 31, 2002 and 2001

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2002	2001	2002
NET SALES.....	¥ 358,683	¥ 352,409	\$2,690,795
COST OF SALES.....	218,889	207,744	1,642,078
Gross profit.....	139,794	144,665	1,048,717
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 9).....	76,220	77,362	571,793
Operating income.....	63,574	67,303	476,924
OTHER INCOME (EXPENSES):			
Interest and dividend income.....	693	808	5,199
Interest expense	(10)	(16)	(75)
Gain on sales of property and equipment.....	42	50	315
Loss on devaluation of investment securities.....	(342)	(3,385)	(2,566)
Equity in losses of unconsolidated subsidiaries and associated companies.....	(1,412)	(72)	(10,592)
Other—net.....	(177)	(765)	(1,328)
Other expenses—net	(1,206)	(3,380)	(9,047)
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS.....	62,368	63,923	467,877
INCOME TAXES (Note 8):			
Current.....	27,332	30,006	205,041
Deferred.....	(105)	(2,149)	(787)
Total income taxes.....	27,227	27,857	204,254
MINORITY INTERESTS IN NET INCOME	(493)	(58)	(3,698)
NET INCOME.....	¥ 34,648	¥ 36,008	\$ 259,925
PER SHARE OF COMMON STOCK (Note 2.m):			
Net income	¥1,366.34	¥1,419.96	\$10.25
Cash dividends applicable to the year	120.00	120.00	0.90

See notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

Nippon Television Network Corporation and Consolidated Subsidiaries
Years Ended March 31, 2002 and 2001

	Thousands		Millions of Yen				
	Shares of Common Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Unrealized Gain on Available-for-sale Securities	Foreign Currency Translation Adjustments	Treasury Stock
BALANCE, APRIL 1, 2000	12,682	¥18,576	¥17,928	¥217,536			¥(128)
Net income.....				36,008			
Cash dividends, ¥115 per share				(1,458)			
Bonuses to directors.....				(140)			
Stock split (Note 7).....	12,683						
Interim cash dividends, ¥22.50 per share.....				(570)			
Net increase in unrealized gain on available-for-sale securities					¥3,978		
Foreign currency translation adjustments						¥(195)	
Increase in treasury stock—net							(34)
BALANCE, MARCH 31, 2001	25,365	18,576	17,928	251,376	3,978	(195)	(162)
Net income.....				34,648			
Cash dividends, ¥97.50 per share				(2,473)			
Bonuses to directors.....				(140)			
Interim cash dividends, ¥25 per share.....				(634)			
Adjustment of retained earnings from the adoption of equity method for newly associated company				(413)			
Net increase in unrealized gain on available-for-sale securities					741		
Foreign currency translation adjustments						93	
Increase in treasury stock—net							(4)
BALANCE, MARCH 31, 2002	25,365	¥18,576	¥17,928	¥282,364	¥4,719	¥(102)	¥(166)

	Thousands of U.S. Dollars (Note 1)					
	Common Stock	Additional Paid-in Capital	Retained Earnings	Unrealized Gain on Available-for-sale Securities	Foreign Currency Translation Adjustments	Treasury Stock
BALANCE, MARCH 31, 2001	\$139,355	\$134,494	\$1,885,790	\$29,842	\$(1,463)	\$(1,215)
Net income.....			259,925			
Cash dividends, \$0.73 per share.....			(18,552)			
Bonuses to directors.....			(1,050)			
Interim cash dividends, \$0.19 per share			(4,756)			
Adjustment of retained earnings from the adoption of equity method for newly associated company			(3,098)			
Net increase in unrealized gain on available-for-sale securities.....				5,559		
Foreign currency translation adjustments.....					698	
Increase in treasury stock—net.....						(30)
BALANCE, MARCH 31, 2002.....	\$139,355	\$134,494	\$2,118,259	\$35,401	\$(765)	\$(1,245)

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Nippon Television Network Corporation and Consolidated Subsidiaries
Years Ended March 31, 2002 and 2001

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2002	2001	2002
OPERATING ACTIVITIES:			
Income before income taxes and minority interests.....	¥ 62,368	¥ 63,923	\$ 467,877
Adjustments for:			
Income taxes—paid.....	(34,329)	(20,073)	(257,532)
Depreciation and amortization.....	6,045	6,521	45,349
Provision for (reversal of) liabilities for retirement benefits.....	(455)	761	(3,413)
Gain on sales of property and equipment.....	(42)	(50)	(315)
Loss on devaluation of investment securities.....	342	3,385	2,566
Equity in losses of unconsolidated subsidiaries and associated companies.....	1,412	72	10,592
Changes in operating assets and liabilities:			
Decrease (increase) in trade notes and accounts receivables.....	2,722	(7,450)	20,420
Increase in program rights.....	(452)	(149)	(3,391)
Increase (decrease) in trade notes and accounts payables.....	3,253	(2,487)	24,404
Other—net.....	(1,973)	1,096	(14,802)
Total adjustments.....	(23,477)	(18,374)	(176,122)
Net cash provided by operating activities.....	38,891	45,549	291,755
INVESTING ACTIVITIES:			
Increase in long-term deposits.....	(570)	(100)	(4,276)
Decrease in long-term deposits.....	233	250	1,748
Purchases of marketable securities.....	(1,499)	(2,000)	(11,245)
Proceeds from sales of marketable securities.....	2,015	1,009	15,116
Purchases of property and equipment.....	(26,474)	(11,812)	(198,605)
Proceeds from sales of property and equipment.....	219	415	1,643
Purchases of intangible assets.....	(1,120)	(1,059)	(8,402)
Proceeds from sales of investment securities.....	3,354	2,148	25,161
Purchases of investment securities.....	(25,383)	(9,848)	(190,420)
Other—net.....	452	(704)	3,391
Net cash used in investing activities.....	(48,773)	(21,701)	(365,889)
FINANCING ACTIVITIES:			
Change in short-term bank loans—net.....	(160)	(368)	(1,200)
Dividends paid.....	(3,107)	(2,028)	(23,308)
Other—net.....	102	(36)	765
Net cash used in financing activities.....	(3,165)	(2,432)	(23,743)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS.....			
	(67)	(40)	(503)
CASH AND CASH EQUIVALENTS OF DECONSOLIDATED SUBSIDIARIES, BEGINNING OF YEAR.....			
		(65)	
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS.....			
	(13,114)	21,311	(98,380)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR.....			
	84,065	62,754	630,646
CASH AND CASH EQUIVALENTS, END OF YEAR.....			
	¥ 70,951	¥ 84,065	\$ 532,266

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Nippon Television Network Corporation and Consolidated Subsidiaries
Years Ended March 31, 2002 and 2001

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Securities and Exchange Law and its related accounting regulations, and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Accounting Standards. The consolidated financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Nippon Television Network Corporation (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥133.3 to \$1, the approximate rate of exchange at March 31, 2002. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. **Consolidation**— The consolidated financial statements as of March 31, 2002 and 2001 include the accounts of the Company and its 12 significant subsidiaries (together, the "Group").

Investments in 4 (5 in 2001) unconsolidated subsidiaries and 17 (15 in 2001) associated companies are accounted for by the equity method.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is eliminated.

- b. **Cash and Cash Equivalents**— Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value.

Cash equivalents include time deposits and mutual funds investing in bonds that represent short-term investments, all of which mature or become due within three months of the date of acquisition.

- c. **Program Rights**— Costs incurred in connection with the production of programming and the purchase of rights to programs are capitalized and amortized as the respective programs are broadcast. Program rights are carried at cost, determined by the specific identification method.

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- d. **Marketable and Investment Securities**æ Marketable and investment securities are classified as trading securities, held-to-maturity debt securities or available-for-sale securities depending on management's intent. The Group classifies all securities as available-for-sale securities.

Marketable available-for-sale securities are stated at fair value with unrealized gains and losses, net of applicable taxes, reported in a separate component of shareholders' equity. The cost of securities sold is determined based on the moving-average method.

Non-marketable available-for-sale securities are stated at cost determined by the moving-average method. For other than temporary declines in fair value, non-marketable available-for-sale securities are reduced to net realizable value by a charge to income.

- e. **Property and Equipment**æ Property and equipment are stated at cost. Depreciation is computed by the declining-balance method over the estimated useful lives of the assets, while the straight-line method is applied to buildings acquired after April 1, 2000. The range of useful lives is from 3 to 50 years for buildings and structures and from 2 to 20 years for machinery, vehicles and equipment.
- f. **Retirement and Pension Plan**æ The Company and subsidiaries have an unfunded lump-sum retirement benefits plan and a non-contributory funded pension plan.

Effective April 1, 2000, the Group adopted a new accounting standard for employees' retirement benefits and accounted for the liability for retirement benefits based on projected benefit obligations and plan assets at the balance sheet date.

The Company's transitional assets of ¥2,776 million (\$20,822 thousand), determined at the beginning of the year, are being amortized over 10 years.

The annual provision for retirement benefits for directors and corporate auditors is calculated to state the liability at the amount that would be required if all directors and corporate auditors retired at each balance sheet date.

- g. **Leases**æ All leases are accounted for as operating leases. Under Japanese accounting standards for leases, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the consolidated financial statements.
- h. **Income Taxes**æ The provision for income taxes is computed based on the pretax income included in the statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

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- i. **Appropriations of Retained Earnings**æ Appropriations of retained earnings at each year end are reflected in the financial statements for the following year upon shareholders' approval.
 - j. **Foreign Currency Translations**æ Receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date.

Foreign exchange gains and losses are recognized in during the fiscal year in which they occur.

- k. **Foreign Currency Financial Statements**æ The balance sheet and revenue and expense accounts of the consolidated overseas subsidiaries are translated into yen at the current exchange rates as of the balance sheet date except for shareholders' equity, which is translated at the historical exchange rate.

Differences arising from such translation were shown as "Foreign currency translation adjustments" in a separate component of shareholders' equity.

- l. **Cash Dividends**æ Cash dividends charged to retained earnings are those actually paid during the year which represents year-end dividends for the preceding year and interim dividends for the current year.
- m. **Per Share Information**æ The computation of net income per share is based on the weighted average number of shares of common stock outstanding during each year, retroactively adjusted for stock splits. The average number of common shares used in the computation was 25,358,181 shares for 2002 and 25,358,411 shares for 2001.

Diluted net income per share is not disclosed because the Company has no such dilutive common stock equivalents.

Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective years including dividends to be paid after the end of the year, retroactively adjusted for stock splits.

3. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2002 and 2001 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Marketable securities—Government and corporate bonds.....	¥ 12,830	¥ 1,875	\$ 96,249
Total	¥ 12,830	¥ 1,875	\$ 96,249
Investment securities:			
Equity securities.....	¥ 38,717	¥25,752	\$290,450
Government and corporate bonds.....	3,381	15,229	25,364
Trust fund investments and others	12,900	9,152	96,774
Total	¥ 54,998	¥50,133	\$412,588

The carrying amounts and aggregate fair value of marketable securities including marketable securities and investment securities at March 31, 2002 and 2001 were as follows:

March 31, 2002

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale:				
Equity securities	¥ 18,639	¥ 8,894	¥ 314	¥ 27,219
Government and corporate bonds.....	16,059	367	215	16,211
Trust fund investments and others	13,488	56	644	12,900
Total	¥ 48,186	¥ 9,317	¥1,173	¥ 56,330

March 31, 2001

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale:				
Equity securities	¥ 5,227	¥ 6,649	¥ 100	¥ 11,776
Government and corporate bonds.....	16,838	430	164	17,104
Trust fund investments and others	9,103	80	31	9,152
Total	¥ 31,168	¥ 7,159	¥ 295	¥ 38,032

March 31, 2002

	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale:				
Equity securities	\$139,827	\$66,722	\$2,356	\$204,193
Government and corporate bonds.....	120,473	2,753	1,613	121,613
Trust fund investments and others	101,185	420	4,831	96,774
Total	\$361,485	\$69,895	\$8,800	\$422,580



Available-for-sale securities whose fair value is not readily determinable as of March 31, 2002 and 2001 were as follows:

	Carrying Amount		Thousands of U.S. Dollars
	Millions of Yen		
	2002	2001	2002
Available-for-sale—Non-marketable securities	¥11,498	¥13,976	\$86,257

Proceeds from sales of available-for-sale securities for the years ended March 31, 2002 and 2001 were ¥3,354 million (\$25,161 thousand) and ¥2,148 million, respectively. Gross realized gains and losses on these sales, computed on the moving average cost basis, were ¥185 million (\$1,388 thousand) and ¥615 million (\$4,614 thousand), respectively, for the year ended March 31, 2002 and ¥246 million and ¥254 million, respectively, for the year ended March 31, 2001.

The carrying values of debt securities by contractual maturities for securities classified as available-for-sale at March 31, 2002 are as follows:

Available for Sale	Millions of Yen	Thousands of U.S. Dollars
Due in one year or less	¥ 2,879	\$ 21,598
Due after one year through five years.....	10,721	80,428
Due after five years through ten years	2,500	18,755
Total	¥16,100	\$120,781

4. PROPERTY AND EQUIPMENT

At March 31, 2002, land of ¥101,000 million (\$757,689 thousand) was pledged as collateral for guarantee deposits received of ¥19,000 million (\$142,536 thousand).

5. SHORT-TERM BANK LOANS

Short-term bank loans outstanding were generally represented by bank overdraft arrangements. The annual interest rates ranged from 0.75% to 0.79% and from 1.03% to 1.26% at March 31, 2002 and 2001, respectively.

6. RETIREMENT AND PENSION BENEFITS PLAN

The Company and certain subsidiaries have severance payment plans for employees, directors and corporate auditors.

Retirement benefits for employees are determined on the basis of length of service, basic rate of pay at the time of termination and certain other factors. If the termination is involuntary, the employee is usually entitled to greater payment than in the case of voluntary termination.

The liability for employees' retirement benefits at March 31, 2002 and 2001 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Projected benefit obligation.....	¥25,090	¥25,500	\$188,222
Fair value of plan assets	(13,734)	(14,025)	(103,031)
Unrecognized net transitional assets	2,221	2,498	16,662
Net liability.....	¥13,577	¥13,973	\$101,853

The components of net periodic benefit costs for years ended March 31, 2002 and 2001 are follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Service cost.....	¥1,191	¥1,546	\$ 8,935
Interest cost.....	485	483	3,638
Expected return on plan assets.....	(540)	(541)	(4,050)
Recognized actuarial loss	704	1,764	5,281
Amortization of net transitional assets.....	(278)	(97)	(2,086)
Net periodic benefit costs	¥1,562	¥3,155	\$11,718

Assumptions used for the years ended March 31, 2002 and 2001 are set forth as follows:

	2002	2001
Discount rate.....	2.3%	2.3%
Expected rate of return on plan assets.....	4.0%	4.0%
Recognition period of actuarial gain/loss	1 year	1 year
Amortization period of net transitional asset	Company:.....	10 years
	Consolidated subsidiaries:	1 year

Retirement benefits for directors and corporate auditors are paid subject to approval of the shareholders in accordance with the Japanese Commercial Code (the "Code"). Retirement benefits as of March 31, 2002 and 2001 included those for directors and corporate auditors in the amount of ¥845 million (\$6,339 thousand) and ¥904 million, respectively.

7. SHAREHOLDERS' EQUITY

Japanese companies are subject to the Code to which certain amendments became effective from October 1, 2001.

Prior to October 1, 2001, the Code required at least 50% of the issue price of new shares, with a minimum of the par value thereof, to be designated as stated capital as determined by resolution of the Board of Directors. Proceeds in excess of amounts designated as stated capital were credited to additional paid-in capital. Effective October 1, 2001, the Code was revised and common stock par values were eliminated resulting in all shares being recorded with no par value.

Prior to October 1, 2001, the Code also provided that an amount at least equal to 10% of the aggregate amount of cash dividends and certain other cash payments which are made as an appropriation of retained earnings applicable to each fiscal period shall be appropriated and set aside as a legal reserve until such reserve equals 25% of stated capital. Effective October 1, 2001, the revised Code allows for such appropriations to be set aside as a legal reserve until the total additional paid-in capital and legal reserve equals 25% of stated capital. The amount of total additional paid-in capital and legal reserve which exceeds 25% of stated capital can be transferred to retained earnings by resolution of the shareholders, which may be available for dividends. The Company's legal reserve amount, which is included in retained earnings, totals ¥3,526 million (\$26,452 thousand) and ¥3,266 million as of March 31, 2002 and 2001, respectively. Under the Code, companies may issue new common shares to existing shareholders without consideration as a stock split pursuant to a resolution of the Board of Directors. Prior to October 1, 2001, the amount calculated by dividing the total amount of shareholders' equity by the number of outstanding shares after the stock split could not be less than ¥500. The revised Code eliminated this restriction.

Prior to October 1, 2001, the Code imposed certain restrictions on the repurchase and use of treasury stock. Effective October 1, 2001, the Code eliminated these restrictions allowing companies to repurchase treasury stock by a resolution of the shareholders at the general shareholders meeting and dispose of such treasury stock by resolution of the Board of Directors after March 31, 2002. The repurchased amount of treasury stock cannot exceed the amount available for future dividend plus amount of stated capital, additional paid-in capital or legal reserve to be reduced in the case where such reduction was resolved at the general shareholders meeting.

The Code permits companies to transfer a portion of additional paid-in capital and legal reserve to stated capital by resolution of the Board of Directors. The Code also permits companies to transfer a portion of unappropriated retained earnings, available for dividends, to stated capital by resolution of the shareholders.

Dividends are approved by the shareholders at a meeting held subsequent to the fiscal year to which the dividends are applicable. Semiannual interim dividends may also be paid upon resolution of the Board of Directors, subject to certain limitations imposed by the Code.

Under the Code, the amount available for dividends is based on retained earnings as recorded on the Company's books. At March 31, 2002, retained earnings recorded on the Company's books were ¥258,133 million (\$1,936,482 thousand) which is available for future dividends subject to the approval of the shareholders and legal reserve requirements.

8. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 42.1% for the years ended March 31, 2002 and 2001.

The tax effects of significant temporary differences and loss carryforwards which resulted in deferred tax assets and liabilities as of March 31, 2002 and 2001 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Current:			
Deferred tax assets:			
Devaluation of program rights.....	¥ 5,079	¥ 4,910	\$ 38,102
Accrued enterprise taxes.....	1,232	1,880	9,242
Accrued bonuses.....	677	639	5,079
Other	476	494	3,571
Less valuation allowance.....	(165)	(68)	(1,238)
Total.....	7,299	7,855	54,756
Deferred tax liabilities—unrealized gain on available-for-sale securities.....	(22)		(165)
Net deferred tax assets	¥ 7,277	¥ 7,855	\$ 54,591
Non-current:			
Deferred tax assets:			
Retirement benefits.....	¥ 5,868	¥ 5,992	\$ 44,021
Devaluation of property and equipment.....	787	773	5,904
Devaluation of investment securities	1,839	1,372	13,796
Other	921	722	6,909
Less valuation allowance.....	(121)	(146)	(908)
Total.....	9,294	8,713	69,722
Offset with deferred tax liabilities	(8,441)	(8,005)	(63,323)
Net deferred tax assets	¥ 853	¥ 708	\$ 6,399
Deferred tax liabilities:			
Tax benefit from deferred gain on sales of property and equipment.....	¥ (6,070)	¥ (6,091)	\$ (45,536)
Unrealized gain on available-for-sale securities	(3,402)	(2,949)	(25,521)
Total.....	(9,472)	(9,040)	(71,057)
Offset with deferred tax assets	8,441	8,005	63,323
Net deferred tax liabilities	¥ (1,031)	¥ (1,035)	\$ (7,734)

The difference between the normal effective tax rate and the actual effective tax rate for the years ended March 31, 2002 and 2001 is nominal.

9. LEASES

a. Finance Lease Transactions

As lessee

Total rental expenses under finance leases were ¥404 million (\$3,031 thousand) and ¥572 million for the years ended March 31, 2002 and 2001, respectively.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, obligation under finance lease, depreciation expense, interest expense of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 2002 and 2001 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
<u>Machinery, Vehicles and Equipment</u>			
Acquisition cost	¥1,294	¥1,825	\$9,707
Accumulated depreciation.....	776	1,175	5,821
Net book value	¥ 518	¥ 650	\$3,886
<u>Obligations under Finance Leases</u>			
Due within one year.....	¥324	¥ 428	\$2,431
Due after one year	466	572	3,496
Total	¥790	¥1,000	\$5,927

Obligation under finance leases including obligation on sublease were ¥272 million (\$2,041 thousand) and ¥350 million at March 31, 2002 and 2001, respectively.

Depreciation expense which is not reflected in the accompanying consolidated statements of income, computed by the straight-line method was ¥404 million (\$3,031 thousand) and ¥572 million for the years ended March 31, 2002 and 2001, respectively.

The amounts of obligations, acquisition cost and depreciation under finance leases include the imputed interest expense portion.

As lessor

Total lease receipts were ¥12 million (\$90 thousand) for the year ended March 31, 2002.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, receivables under finance lease, depreciation expense, interest income of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the year ended March 31, 2002 was as follows:

	Millions of Yen	Thousands of U.S. Dollars
<u>Machinery and Equipment</u>	2002	2002
Acquisition cost	¥979	\$7,344
Accumulated depreciation	22	165
Net book value	¥957	\$7,179
<u>Receivables under Finance Leases</u>		
Due within one year	¥141	\$1,058
Due after one year	813	6,099
Total	¥954	\$7,157

Depreciation expense was ¥22 million (\$165 thousand) for the year ended March 31, 2002. The amounts of receivables under finance leases include the imputed the interest income portion.

b. Operating Lease Transactions

The minimum rental commitments under noncancelable operating leases at March 31, 2002 and 2001 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
<u>As Lessee</u>			
Due within one year	¥ 68	¥ 65	\$ 510
Due after one year	97	152	728
Total	¥ 165	¥ 217	\$ 1,238
<u>As Lessor</u>			
Due after one year	¥6,500	¥6,500	\$48,762
Total	¥6,500	¥6,500	\$48,762

10. CONTINGENT LIABILITIES

The Group's contingent liabilities as of March 31, 2002 as guarantors of indebtedness were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Employees	¥ 935	\$ 7,014
Broadcasting Satellite System Corporation	2,440	18,305
Total	¥3,375	\$25,319



11. SUBSEQUENT EVENTS

a. Appropriations of Retained Earnings

The following appropriations of retained earnings at March 31, 2002 were approved at the Company's shareholders meeting held on June 27, 2002:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥95 (\$0.71) per share	¥2,409	\$18,072
Bonuses to directors	140	1,050

b. Purchase of Treasury Stock

The Company is authorized to repurchase up to 500 thousand shares of the Company's common stock (aggregate amount of ¥15,000 million).

12. SEGMENT INFORMATION

Information about industry segments, geographic segments and sales to foreign customers for the years ended March 31, 2002 and 2001 were as follows:

(1) Industry Segments

a. Sales and Operating Income

	Millions of Yen				Consolidated
	Television Broadcasting	Cultural Activities	Other	Elimination/ Corporate	
	2002				
Sales to outside customers	¥304,120	¥50,388	¥4,175		¥358,683
Intersegment sales/transfers	272	1,064	4,470	¥(5,806)	
Total sales	304,392	51,452	8,645	(5,806)	358,683
Operating expenses	246,765	45,923	8,242	(5,821)	295,109
Operating income	¥ 57,627	¥ 5,529	¥ 403	¥ 15	¥ 63,574

b. Assets, Depreciation and Capital Expenditures

	Millions of Yen				Consolidated
	Television Broadcasting	Cultural Activities	Other	Elimination/ Corporate	
	2002				
Assets	¥168,813	¥16,575	¥7,673	¥250,737	¥443,798
Depreciation	5,868	114	42	21	6,045
Capital expenditures	17,416	30	139	16,779	34,364

a. Sales and Operating Income

Thousands of U.S. Dollars					
2002					
	Television Broadcasting	Cultural Activities	Other	Elimination/ Corporate	Consolidated
Sales to outside customers	\$2,281,470	\$378,005	\$31,320		\$2,690,795
Intersegment sales/transfers	2,041	7,982	33,533	\$(43,556)	
Total sales	2,283,511	385,987	64,853	(43,556)	2,690,795
Operating expenses	1,851,200	344,509	61,830	(43,668)	2,213,871
Operating income	\$ 432,311	\$ 41,478	\$ 3,023	\$ 112	\$ 476,924

b. Assets, Depreciation and Capital Expenditures

Thousands of U.S. Dollars					
2002					
	Television Broadcasting	Cultural Activities	Other	Elimination/ Corporate	Consolidated
Assets	\$1,266,414	\$124,344	\$57,561	\$1,880,998	\$3,329,317
Depreciation.....	44,021	855	315	158	45,349
Capital expenditures.....	130,653	225	1,042	125,874	257,794

a. Sales and Operating Income

Millions of Yen					
2001					
	Television Broadcasting	Cultural Activities	Other	Elimination/ Corporate	Consolidated
Sales to outside customers	¥310,072	¥38,575	¥3,762		¥352,409
Intersegment sales/transfers	170	1,151	3,777	¥(5,098)	
Total sales	310,242	39,726	7,539	(5,098)	352,409
Operating expenses	246,345	36,804	7,056	(5,099)	285,106
Operating income	¥ 63,897	¥ 2,922	¥ 483	¥ 1	¥ 67,303

b. Assets, Depreciation and Capital Expenditures

Millions of Yen					
2001					
	Television Broadcasting	Cultural Activities	Other	Elimination/ Corporate	Consolidated
Assets	¥154,460	¥13,685	¥7,512	¥234,385	¥410,042
Depreciation.....	6,443	18	42	18	6,521
Capital expenditures.....	6,567	61	206	4,323	11,157

Notes: 1. The Group is engaged in three segments, television broadcasting, cultural activities and other. The three segments consist of the following activities:

Television broadcasting: Sales of advertising time and programs

Cultural activities: Sponsoring movies, music concerts, art exhibitions and sports events, and sales of publications

Other: Land leasing for model homes, sales of novelty items, professional soccer activities

2. Corporate assets mainly consist of cash and cash equivalents, marketable securities, investment securities, long-term deposits, land and construction in progress relating to construction of the headquarters building and administrative assets amounted to ¥255,314 million (\$1,915,334 thousand) and ¥234,840 million as of March 31, 2002 and 2001, respectively.

(2) Geographic Segments

Sales and total assets of the Company and its domestic subsidiaries for the years ended March 31, 2002 and 2001 represented more than 90% of the consolidated sales and total assets of the respective years. Accordingly, geographic segments were not required to be disclosed.

(3) Sales to Foreign Customers

Sales to foreign customers for the years ended March 31, 2002 and 2001 represented less than 10% of consolidated sales of the respective years. Accordingly, sales to foreign customers were not required to be disclosed.

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**Deloitte
Touche
Tohmatsu**

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of
Nippon Television Network Corporation:

We have examined the consolidated balance sheets of Nippon Television Network Corporation and consolidated subsidiaries as of March 31, 2002 and 2001, and the related consolidated statements of income, shareholders' equity, and cash flows for the years then ended, all expressed in Japanese yen. Our examinations were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the financial position of Nippon Television Network Corporation and consolidated subsidiaries as of March 31, 2002 and 2001, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles and practices generally accepted in Japan applied on a consistent basis.

Our examinations also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu

June 27, 2002

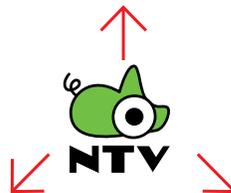
TELEVISION BROADCASTING

Planning and Production of Programs

- NTV Eizo Center Corporation* •NTV Video Corporation*
- NTV Enterprises Co., Ltd.* •Nippon Television Art Corp.*
- NTV America Company* •NTV International Corporation (NTVIC)*
- Nippon Television Network Europe B.V. •Force Corp.
- Nishi Nippon Eizo Co. •Nagasaki Vision Co. •Kanazawa Eizo Center Co.
- Nagano Visual Center Corp. •Cosmo Space Co., Ltd.
- Kagoshima Vision Co. •Pro Media Niigata Co.

Satellite Broadcasting

- BS Nippon Corporation
- CS Nippon Corporation
- PLAT-ONE Corporation



CULTURE-RELATED BUSINESS

Music Production and Rights Management

- Nippon Television Music Corporation*
- Rights Inn Corporation

Audio and Visual Content Planning, Production and Sales

- VAP Inc.*
- Variws Tokyo Inc.
- Variws Niigata Inc.
- Towani Corporation

Art Museum Exhibition Planning

- Mamma Aiuto Inc.

OTHER BUSINESS

Property Management and Events Organization

- NTV Services Inc.*
- Nippon Television Work 24 Corporation*

Pro Football Team Management

- Nippon Television Football Club Co., Ltd.*

Museum Goods Planning and Sales

- Art Yomiuri Co., Ltd.

Internet and Broadband

- Forecast Communications Inc.*
- B-BAT Inc.

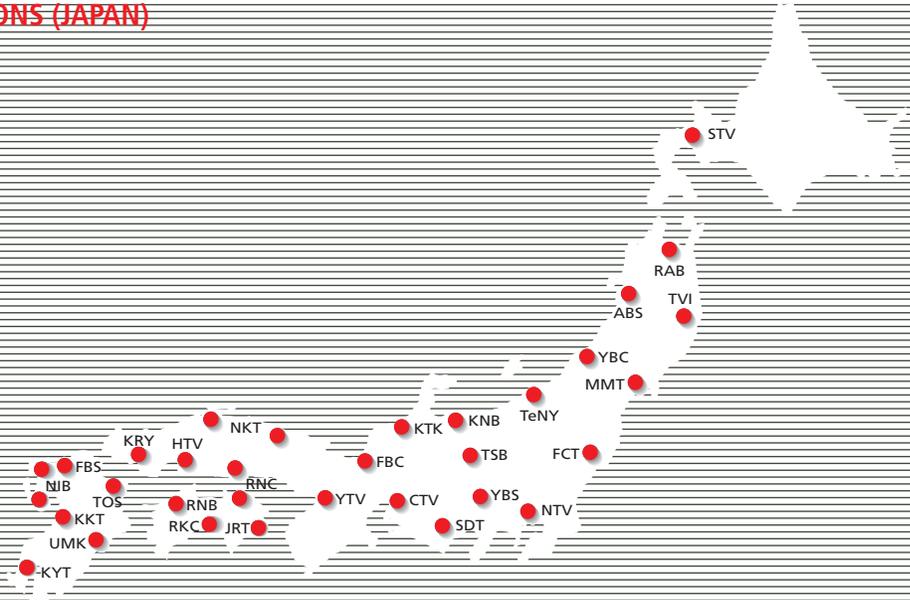
Other (Energy Supply, Asian Business)

- Shiodome Urban Energy
- AsiaOne Corporation

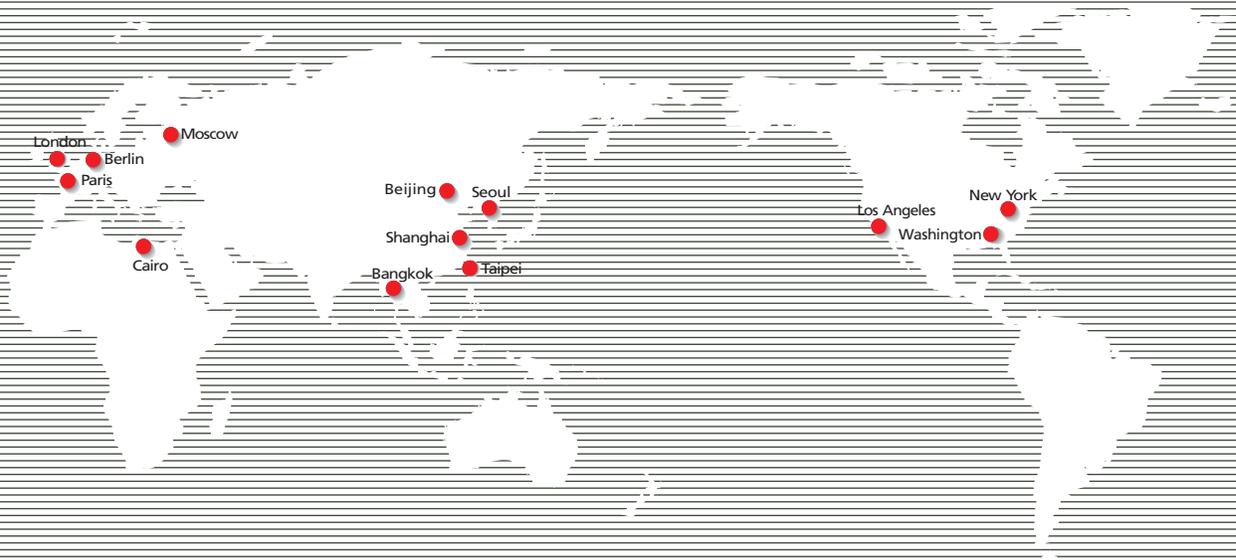
*Consolidated



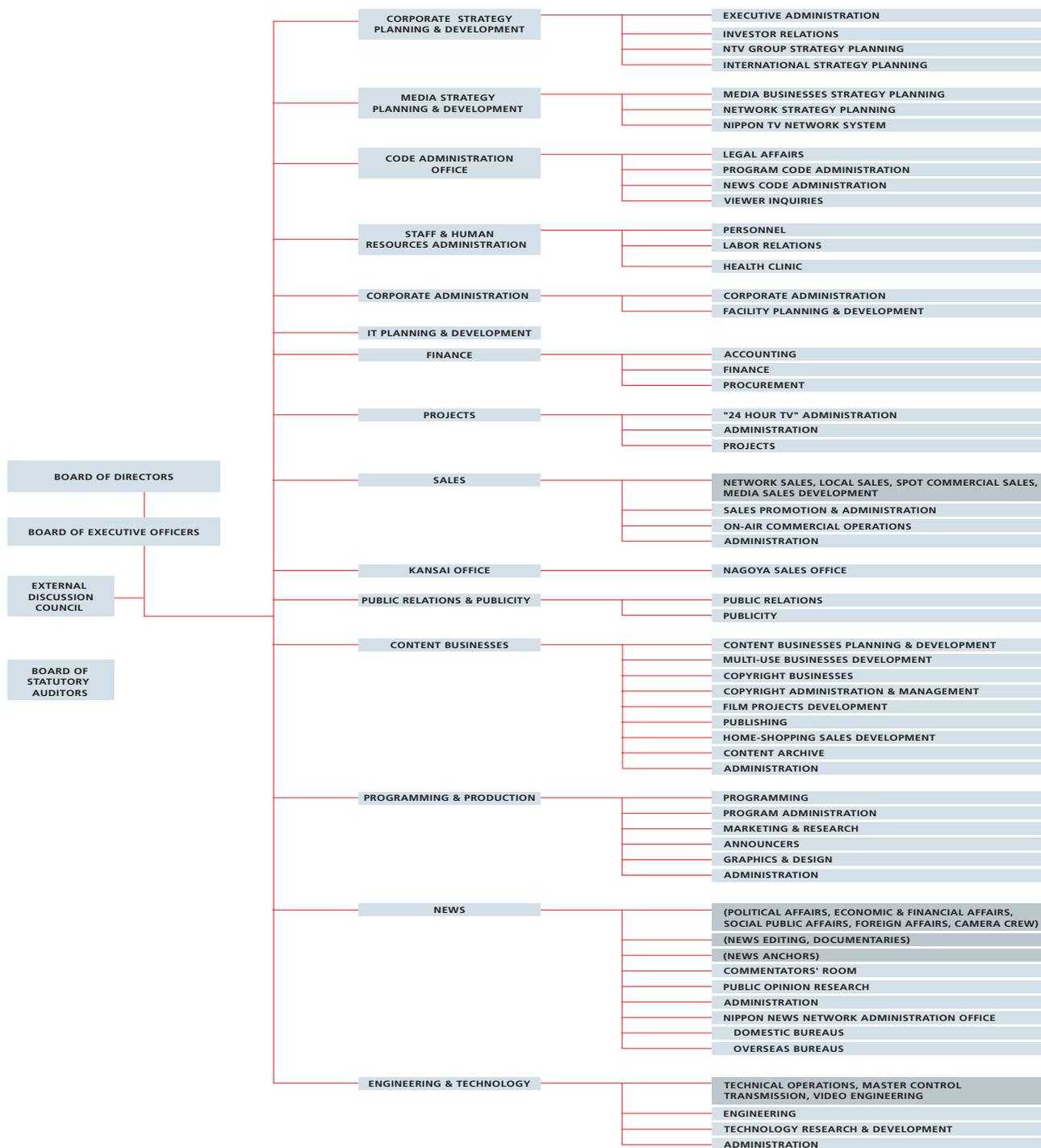
NTV AFFILIATIONS (JAPAN)



NTV/NNN OVERSEAS NEWS BUREAUS (JAPAN)



NTV Organization Chart (As of July 1, 2002)



Corporate Data (As of July 1, 2002)

Head Office:	Nippon Television Network Corporation 14 Niban-cho, Chiyoda-ku, Tokyo 102-8004, Japan Tel: 81-3-5275-1111 Fax: 81-3-5275-4519 E-mail: ir@ntv.co.jp URL: http://www.ntv.co.jp
Date of Establishment:	October 15, 1952
Start of Operations:	August 28, 1953
Number of Employees:	1,344 (Non-consolidated)
Common Stock:	
Authorized	50,000,000 shares
Issued	25,364,548 shares ¥18,576 million
Stock Exchange Listing:	Tokyo
Transfer Agent and Registrar:	UFJ Trust Bank Limited 1-4-3 Marunouchi, Chiyoda-ku, Tokyo 100-0005, Japan Tel: 81-3-3287-2211

Board of Directors and Corporate Auditors (As of July 1, 2002)

Chairman & CEO	Board Directors	Corporate Auditors
Seiichiro Ujiiie	Takashi Kobayashi	Tokio Yamamoto
	Akira Hara	Ryuzo Sejima
Executive Vice Chairman	Iwao Maekawa	Tomonari Doi
Kohei Manabe	Noritada Hosokawa	Kenya Mizukami
	Toru Shoriki	
President & COO	Tsuneo Watanabe	
Toshio Hagiwara	Gaishi Hiraiwa	
	Nobuo Yamaguchi	



NIPPON TELEVISION NETWORK CORPORATION

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