

NHK CORPORATE PLAN

FY2021 - 2023

Across the globe, the COVID-19 pandemic, economic inequality, and a series of large-scale disasters have generated growing uncertainty about the future. Inaccurate or incomplete information found on the internet has fueled anxiety. Yet, more people are turning to the internet for information. Ownership of TV sets is down, especially among the young. Experts predict that people of all ages will soon spend less time watching TV than they do on the internet. In this time of upheaval, the media landscape is changing drastically.

Against this challenging backdrop, NHK (Nippon Hoso Kyokai or Japan Broadcasting Corporation) is looking for new ways to fulfill its role as a public service media organization supported by fees from viewers. We will adapt to the changing times, live up to the trust placed in us, and make every effort to operate in a cost-effective manner. We will focus our resources on production of diverse and high-quality content that only NHK can provide. And we will remain committed to delivering broadcast and other services that are accurate, impartial, and rich in content through the most appropriate media, anytime, anywhere. Based on these values, **NHK is pursuing a new identity.**

To that end, NHK pledges to transform itself into a more efficient and sustainable organization. **The renewed NHK will be leaner and stronger.** We will carefully review our current operations, reduce the number of TV and radio channels and increase investment in the following 5 initiatives:

1. Supporting safety and security

Enhance our news reporting to save lives and livelihoods, and build a more powerful network.

2. Embracing the challenges of a new era

Make the most of the latest technologies to provide high-quality content at reasonable cost.

3. Delivering information far and wide

Deliver reliable information and services for every audience segment and help to connect a divided, multi-faceted society.

4. Contributing to society

Disseminate more information about Japan's local communities and help to further develop Japan's broadcasting and media industry.

5. Reforming the personnel system

Reshape our approach to managing human capital to help the organization maximize its performance.

NHK will continue to stand firm on its public values while pursuing a new identity.

What NHK considers basic public values

- ▼Contribute to the development of a sound democracy by maintaining impartiality, autonomy and independence, while delivering accurate and unbiased information to fulfill the people's right to know.
- ▼Contribute to each individual's security, well-being, education, welfare, and cultural development.
- ▼Contribute to the maintenance and development of local communities and the media industry.
- ▼Promote mutual understanding between Japan and the international community.
- ▼Maximize NHK's value and trustworthiness among our audience and the nation overall.

Although NHK's income from receiving fees is projected to be on a long-term downward trend, NHK and its affiliates will focus on our unique creative capabilities, ensure efficient management, and maximize the value of our viewers' financial contribution. NHK, with its nationwide network, is a core component of the information infrastructure that society relies on. We pledge to preserve local communities and culture, and help build a country where future generations can live in peace and prosperity, while adhering to the ideals of the UN's Sustainable Development Goals.

Implementing the 5 initiatives

NHK will undertake the following actions.

1. Supporting safety and security

Enhance our news reporting to save lives and livelihoods, and build a more powerful network.

- Deliver more detailed and reliable content by taking advantage of our expert knowledge and by linking broadcasting to the internet to protect people from threats such as major disasters, environmental problems, and the COVID-19 pandemic. We will also help to enhance disaster preparedness by increasing cooperation with local governments and media outlets.
- Upgrade the functions of the Osaka Regional Headquarters as a potential substitute for the NHK Broadcasting Center in Tokyo and rebuild outdated local stations around Japan to create a resilient system so we can continue to deliver reliable information under any circumstances, including large-scale disasters.

2. Embracing the challenges of a new era

Make the most of the latest technologies to provide high-quality content at reasonable cost.

- Reduce content overlap by managing programs across channels by genre such as dramas and news reports. We will focus resources on creating large-scale serial programs, as well as other high-quality content that exceeds expectations at reasonable cost and deliver them through the most appropriate media.
- Develop cultural and educational content required in an increasingly digital society by using the latest technologies to support the lives and interests of people of all ages.
- Promote the research and development of technologies to offer brand new viewing experiences such as virtual platforms in which performers and viewers can interact in the same virtual space.

3. Delivering information far and wide

Deliver reliable information and services for every audience segment and help to connect a divided, multi-faceted society.

- Help strengthen social bonds by providing accurate information and producing programs designed to connect people across generations and communities. This has become especially important due to widening physical and psychological isolation resulting from the COVID-19 pandemic.
- Enhance universal service using AI technology.
- Provide foreign residents and visitors with more detailed disaster information and other essential information through broadcast and webcasts.

4. Contributing to society

Disseminate more information about Japan's local communities and help to develop Japan's media and broadcasting industry.

- Promote regional development by using NHK's national and international networks to highlight local problems and potential solutions. We will also increase efforts to make information and data we collect available to the public so it can be used more widely.
- Make our knowledge and technologies broadly available. This would include using 4K and 8K technologies to record the culture, art, and historical heritage sites of Japan so they can be passed on to future generations.
- Support the future of the broadcast and media industry by sharing our knowledge and technologies. Our goal is to maintain a dual system in which public and commercial broadcasters coexist, and to further develop the cultural value of broadcasting.

5. Reforming the personnel system

Reshape our approach to managing human capital to help the organization maximize its performance.

- Maximize the creativity and ability of every person working at NHK by drastically reforming the personnel system. We will promote diversity, encourage new work methods, and create an environment in which personnel at local stations will be able to play a more important role. We will nurture human capital to pursue NHK's new identity.

Structural reforms aiming for a new NHK that is leaner and stronger

Streamlining broadcast services

NHK will reduce the number of TV and radio channels, taking into consideration the public's needs and ensuring that the audience experience will not be impaired.

- Review the 3 channels (BS1, BSP, BS4K), and eliminate one delivered in 2K by the end of fiscal 2023. We will devise new programming, including shifting some of our programs to other channels. And we will consider cutting back to one in the future, depending on the spread of 4K.
- For BS8K, produce programs more efficiently while keeping capital investment to a minimum, and consider its future after the Tokyo Olympic and Paralympic Games.
- Consider reducing the current 3 radio channels (R1, R2 and FM) to 2 (AM and FM) in fiscal 2025. We will examine ways to devise new programming and to use the internet, while taking into account the ongoing shift from AM to FM by commercial stations, as well as listeners' reported usage.

Internet-related operations

Use the internet appropriately to enable access to NHK content anytime, anywhere.

- Promote international understanding of Japan by delivering content around the globe efficiently and effectively through satellite and webcasts.
- Put in place facilities necessary to stream programming by local stations on the internet. Streaming of such programs should increase gradually.
- Establish a system to contain internet-related costs.

Measures to maximize the value of receiving fees

Increasing efficiency and downsizing facilities.

- Focus management resources on broadcasting and services and establish a more efficient and cost-effective operation system. NHK and its affiliates will completely review work and staffing, and take necessary measures including making cuts to back-office sections.
- Redevelop the NHK Broadcasting Center in Tokyo and outdated local stations around Japan, while downsizing facilities by promoting simplification, integration, and cloud computing.

Reducing costs on receiving fee collection and improving communication to boost audience satisfaction.

- NHK currently solicits contracts and collects receiving fees through home visits. To improve efficiency and minimize expenses, we are seeking ways to do this without such visits. This will be especially important in the post-coronavirus world. We will ask for the government's consent to introduce a new system.
- NHK will further its efforts to become more trustworthy and reliable. We will increase audience satisfaction by strengthening our connection with viewers.

Renewing the structure and strengthening governance of NHK and its affiliates to pursue a new identity as one team.

- Build a leaner and stronger organization to pursue a new identity by reviewing the functions and roles of each of our affiliates to reduce their number and size.
- Strengthen governance of our affiliates by pursuing efficiency in areas including operations and staffing. We will look into the possibility of forming a holding company to accelerate reforms.
- Enhance social contribution activities of NHK's public interest corporations by reviewing their operations. We will consider merging some of the organizations in fiscal 2023.

Evaluating and managing the progress of the corporate plan in a transparent fashion.

- Focus on the evaluation of financial results and performance, manage the reform progress based on objective data, and outline a clear path toward achieving our goals. We will make our major indicators public to ensure accountability.
- Ensure appropriate operation of the entire NHK group, including the affiliated organizations. We will properly utilize systems and standards based on the "internal control-related resolution" by the Board of Governors.



Income, expenditures, and receiving fees

Financial forecast

As income from receiving fees is projected to be on a long-term downward trend, NHK will focus its resources on broadcasting and other services to fulfill our audiences' needs. We will maximize the value of their financial contribution by reducing expenditures through structural reforms.

Operating income

For fiscal 2021, NHK estimates that income will drop by approximately 30 billion yen compared to the fiscal 2020 budget. This is because of the impact of fee reductions put in place in fiscal 2020. The COVID-19 pandemic has also affected income. We assume that the difficult economic conditions will continue and estimate that income will drop by approximately 1 billion yen in both fiscal 2022 and fiscal 2023.

Operating expenditures

NHK will carry out structural reforms to cut expenditures by approximately 55 billion yen during the 3-year period from fiscal 2021. Operating costs for fiscal 2023 will be reduced to about 680 billion yen. While cutting expenditures by approximately 70 billion yen compared to fiscal 2020 during the 3-year period, we will invest approximately 15 billion yen in our 5 key initiatives. We will allocate construction fund reserves and surplus carried forward for financial stabilization to redevelop the NHK Broadcasting Center in Tokyo and outdated local stations. Funds necessary to stay in operation after a large-scale disaster will be reserved from the surplus carried forward for financial stabilization.

| | | (billion yen) | | | | | |
|-------------------------------------|--|---------------|--------------|---------------|--------------|---------------|-------------|
| | | FY2021 (b) | | FY2022 (c) | | FY2023 (d) | |
| | | (b-a) | | (c-b) | | (d-c) | |
| Total Operating Income | FY2020 budget (a) 720.4 | 690.0 | △30.4 | 689.0 | △1.0 | 688.0 | △1.0 |
| | From receiving fees | 671.4 | △26.0 | 670.0 | △1.4 | 669.0 | △1.0 |
| Total Operating Expenditures | 735.4 | 713.0 | △22.4 | 689.0 | △24.0 | 680.0 | △9.0 |
| Surplus | △14.9 | △23.0 | △8.0 | 0 | 23.0 | 8.0 | 8.0 |

Reducing the receiving fee in fiscal 2023

- NHK plans to secure about 70 billion yen as the source of funds for fee reduction by implementing the planned expenditure cuts and other cost-reduction measures. To ensure funding, we will create a system to reserve surplus funds that are generated from a thorough review of the redeveloping plan for the NHK Broadcasting Center as well as other management efforts. We plan to reduce the receiving fee in fiscal 2023, the year we will eliminate one of the 2K satellite channels. We will take into consideration the effects of the COVID-19 pandemic, possible revisions to the Broadcasting Act, and the progress of the new method of collecting receiving fees. We will take a comprehensive look at the receiving fee system, including the satellite fee. The corporate plan will be revised when details of the reduction in the receiving fee have been finalized.
- NHK will strengthen its efforts to explain the receiving fee system to viewers for a better understanding of the need to fairly shoulder the burden. Currently, some 80% of households and businesses pay the receiving fee. Through our efforts, and by increasing the number of satellite contracts, we hope to maintain that rate.

Monthly receiving fees, except in Okinawa Prefecture:

Terrestrial contract - 1,225 yen,

Satellite contract - 2,170 yen,

(Account transfer or credit card payment, consumption tax included)

Income, payment rates, etc. are estimates. They could change depending on future social and economic circumstances such as possible further spread of COVID-19.