

# Wherever you are, NHK

## NHK's Corporate Plan for 2009-2011

This corporate plan describes NHK's plan for the next three-year period, during which NHK will pursue many new directions in its activities.

**All of NHK's new challenges are being undertaken solely for its audiences.**

### **Responding to great changes in the broadcasting environment**

The next three years will see dramatic changes in the broadcasting environment in Japan. Based on Japan's government policy, all terrestrial and satellite television programming will be switched to digital broadcasting by 2011. Through remarkable advancements in technology, high-definition content will be provided through not only television broadcasts but also communications networks. Preparations are now moving forward for the establishment of a comprehensive legal framework for broadcasting and communications networks.

As we enter this full-fledged digital era that will fuse broadcasting and communications technology, NHK will deliver reliable news and information and rich and diversified content to our audiences. Broadcasting will naturally continue to be at our core but very familiar media for our audiences like the Internet and mobile devices will also offer new means for delivery. That is how we intend to fulfill our goal of being "Wherever you are, NHK."

### **Fulfilling Our Mission as a Public Broadcaster**

Precisely because in this age so much information is being provided by various media, we believe that our principles and mission, which we have valued greatly as a public broadcaster, will increase in importance. Among them are our commitments to fairness and equitability, independence and autonomy, impartiality and nonpartisanship, and contributions to the development of a sound democracy.

NHK will directly address global-scale problems like global warming as well as problems and issues Japan is struggling with, such as social security, income disparities, and regional revitalization, and we will attempt to show means to solve these problems. And as public awareness continues to fade from society and ties that had been strong in the past are being lost, NHK will carry out its role as a "public meeting ground" that connects people to people and people to society through its broadcasting and various other activities.

Fully reflecting on a succession of unfortunate episodes involving NHK, we will make all efforts to regain the public's trust. NHK will fulfill its journalistic role, undertaking reforms to develop committed professionals who will shoulder the responsibilities of public broadcasting with the highest aspirations and ethical conduct.

### **Promoting Structural Reforms for the Improvement of Broadcasting**

In order to respond precisely to the rapid changes in the broadcasting environment and continue to deliver high-quality broadcasting and information and news services to our audiences, NHK is reassessing the operations of all of its departments and divisions, protecting none as "sacred," and pursuing structural reforms that will shift more financial resources to broadcasting sites. We also intend to bolster our reporting and program production capabilities and develop an environment in which our reporting and production teams can develop and demonstrate the richness of their originality and creativity.

NHK is also committed to meeting its duties as a public broadcaster that is dependent on the receiving fee paid by our audience members in this new era of complete digitalization.

\* This corporate plan will be reviewed in line with changes in Japan's socioeconomic conditions. Moreover, in accordance with the Broadcast Law, the plan for each fiscal year is finalized after Diet approval of the budget and project plans.

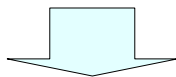
\* Reports on the progress of the plan are made on a quarterly basis to NHK's management committee, and the results are made available to the public.

## Two Management Goals Linking NHK and the Public

### Concerted Aims of NHK

- 1. Contact rate to NHK: 80% in 3 years**
- 2. Payment rate of receiving fee: 75% in 3 years, 78% in 5 years**

- The contact rate to NHK (includes contact by media other than broadcasting) and the payment rate of the receiving fee are two indicators for measuring whether NHK is close to its audiences "wherever you are."
- With broadcasting as its base, in the full-fledged digital era, NHK will also actively deliver accurate and reliable information and richly diverse content through other various media, such as the Internet, mobile devices, DVDs, and so on, meaning that the number of people contacting NHK will increase.
- An equitable sharing of the receiving fee burden is an extremely important issue that must be dealt with in order to maintain the NHK system. Aiming to have all audience members equitably and fairly support public broadcasting, NHK is targeting an increase in the receiving fee payment rate from the 71% at the end of fiscal 2007 up to 78% in five years. In order to do that, NHK will increase the number of people supporting NHK through payment of the receiving fees by bolstering our efforts to recover public confidence, raising expectations for and satisfaction with our broadcasting and other services, and reforming the receiving fee contract and payment system.



### Nine Management Courses of Action

These are policy courses for "changing NHK" that will lead to the realization of the above-mentioned Two Management Goals.

#### Action 1: Making all efforts to reform the organizational culture of NHK to heighten public trust.

- Change in management and operations with the sole purpose of meeting audience expectations
- Development of each and every NHK staff as a professional committed to public broadcasting

#### Action 2: Directly addressing domestic and global issues

- Strengthening of reporting and journalistic capabilities
- Offering of high-quality, impactful, and competitive large-scale content
- Provision of varied and high-quality programs as a public broadcaster to wide audience strata
- Study of reorganization of two satellite digital Hi-Vision channels and meeting various needs with original programming

#### Action 3: Fulfilling NHK's role as a public broadcaster by offering new services in the coming era of the fusion of broadcasting and communications media

- Further improvement of NHK's new service "NHK on Demand" (begun in December 2008)
- Delivery of NHK programs on "3-Screens" (TV, PC, cellular phone, etc.)
- Research and development of technologies to guide the fusion of broadcasting and communications media

#### **Action 4: Becoming a base for revitalizing regional areas**

- Development of broadcasting and other services, bringing out the individuality of the region, and displaying the “power of a broadcasting station”
- Enhancement of overall system to provide varied services closely suited to the region
- Developing prefectural TV broadcasting services in Gunma and Tochigi Prefectures in tandem with the transitioning to the complete digitalization of terrestrial broadcasting services

#### **Action 5: Broadcasting Japan and Asia to the World**

- Enhancement of international broadcasts of news and information from Japan and Asia to the world
- Efficient and effective delivery of contents to the world using a variety of media
- Strengthening of international reporting and broadcasting capabilities

#### **Action 6: Effectively prioritizing efforts for the smooth and complete transition to digitalization**

- Systematic preparation of transmission and other facilities for the complete digitalization of terrestrial TV broadcasting
- In collaboration with the government and private broadcasters, NHK will ascertain the area range that should be covered by public broadcasting and appropriate additional budgeting for the preparation of the reception environment for digital broadcasts, including the formulation of new measures for regions where digital transmissions will not reach
- Promotion of measures so that audiences can receive the full benefits of digital broadcasting

#### **Action 7: Increasing receiving fee value by structural reforms**

- Shifting of financial resources to actual reporting and production sites to facilitate structural reforms and increase the value of receiving fees
- Prioritized concentration of expenditures on areas that need to be strengthened and holding down of expenses within a fixed ceiling
- Launching of studies on fiscal reforms, including introduction of a defined-contribution pension plan for the fiscal stabilization of NHK’s pension system
- Aiming for optimal management of entire NHK group
- Promotion of business reforms for NHK and its subsidiaries, including expansion of competition
- Review of use of employee transfer system
- Active promotion of “3-Screens” services to expand non-receiving fee revenues

#### **Action 8: Strengthening efforts for equitable sharing of receiving fee burden**

- Targeting of 78% payment rate within five years by bolstering efforts for equitable sharing of receiving fee burden
- Reduction of costs for contracts and collection of receiving fees to 10% within five years by rationalizing operations.
- Continued efforts to generate budget by pursuing structural reforms and equitable receiving fee collection in the transition to complete digitalization, which will allow NHK to return 10% of its receiving fee revenues to fee payers from 2012

#### **Action 9: Promoting environmentally-aware operations**

- Continuous and prioritized efforts to deal with environmental issues through broadcasts and at events
- Reduction of own discharges of CO2 according to fixed targets and of waste products from operations

## Projected Revenues and Expenditures (2009-2011)

- **Revenues:** By strengthening efforts for the equitable sharing of the receiving fee burden, NHK projects revenues for fiscal 2011 to reach 702.7 billion yen.
- **Expenditures:** By pursuing structural reforms while prioritizing the allocation of financial resources for enhancing NHK's news reporting capabilities, NHK projects expenditures for the next three years to remain steady, with spending to be held to 656.9 billion yen in fiscal 2011.
- **Balance of revenues and expenditures:** As shown above, a budget surplus will be achieved for each fiscal year before the appropriation of additional expenditures required for the shift to digital broadcasting.

### Additional expenses for digitalization and final balance



- In collaboration with the government and private broadcasters, NHK will ascertain the area range that should be covered by public broadcasting and appropriate additional budgeting for the preparation of the reception environment for digital broadcasts, including the formulation of new measures for regions where digital transmissions will not reach.
- As a result, the final budget balances for fiscal years 2009 and 2010 are expected to show deficits.

Unit: 100 million yen	FY 2008 (budget)	FY 2009		FY 2010		FY 2011	
		(Plan)	Increase /Decrease	(Plan)	Increase /Decrease	(Plan)	Increase /Decrease
Revenues	6,575	6,697	122	6,852	155	7,027	175
Expenditures	6,472	6,628	156	6,568	△60	6,569	1
Difference	102	69	—	284	—	458	—
Debt repayment	33	26	—	13	—	62	—
Additional expenses for terrestrial digitalization	0	100	—	290	—	270	—
Balance of revenues, expenditures	68	△57	—	△19	—	126	—

## NHK's current position on future revision of receiving fee system

- The formulation of this corporate plan is based on the projected revenues and expenditures for the three-year period starting from fiscal 2009. By pursuing reform efforts to achieve the more efficient administration of its operations while carefully fulfilling its mission as a broadcaster, NHK will produce budget surpluses, which NHK will allocate for lessening the burden on subscribers.
- However, as the July 2011 date for the complete digitalization of terrestrial television broadcasting looms nearer, various surveys and investigations have shown that new measures for dealing with areas that will not be able to receive digital transmissions or will receive transmission interference are necessary.
- The complete transition to digital broadcasting is a national project based on the Japanese government's policy for the most effective use of limited wave band frequencies. We want all audience members to be able to receive and enjoy the maximum possibilities that digitalization will open up. For that reason, we determined that while ascertaining the area range that should be covered by a public broadcaster, appropriation of additional expense is essential.
- This three-year corporate plan assesses the operations of all of NHK's departments and divisions, protecting none as "sacred," and it encompasses efforts for producing a budget surplus through structural reforms. However, since the appropriation of new supplementary funds (approximately 66 billion yen over three years) has become necessary, NHK will be compelled to take on budget deficits for fiscal 2009 and 2010.
- Because of that and taking into consideration NHK's overall financial situation as well as current stringent conditions of domestic and global economy, under which increasing financial risks are expected to accompany the transition to digitalization, NHK has determined that it will be difficult to reduce the receiving fee before 2011.
- Although this corporate plan shows a budget plan for three years, its basic concepts will be used for planning NHK's financial outlook after digitalization is completed and up to the next five years.
- By steadily executing the measures called for in this plan from 2009, NHK will be building a financial structure that will allow NHK to return 10% of its receiving fee revenues to fee payers from 2012.
- Since a number of specific ways can be considered for the return of these revenues, NHK will begin a comprehensive study of the entire receiving fee system from 2009 and then decide the optimal method for the return of the revenues and explain it to fee payers. From 2012, NHK will return 10% of its receiving fee revenues to audience members.