

Study Group on Current Status and Issues on a Fair Receiving Fee Structure  
Summary of Minutes (9th Meeting)

1. Date and Time: Friday, February 8, 2008, 13:30 to 15:40
2. Location: Special Conference Room 1 at MIC, 8th Floor, No. 2 Joint Government Building
3. Attendees
  - (1) Members of the study group (honorifics omitted; in the order of the Japanese syllabary)  
Minoru Sugaya, Akio Torii, Kiyoshi Nakamura, Ikufumi Niimi, Eriko Hida, Masayuki Funada, Haruko Yamashita (7 members)
  - (2) Observers  
Katsutoshi Ishioka, Yoshihiro Oto, Hiroyuki Kishi, Nobuko Takahashi (4 observers)
  - (3) Hearing participants  
BIC CAMERA INC.: Mr. Kato, Director  
Japan Satellite Broadcasting Association: Mr. Hayashi, Senior Director, and Mr. Kida, Chair of Public Relations Group  
Japan Broadcasting Corporation (NHK): Mr. Tsukada, Manager, and Mr. Tsuchiya, Manager in Charge, Corporate Planning Bureau (Management Plan); and Mr. Kawashima, Manager in Charge of Budget, Financial Department
  - (4) Ministry of Internal Affairs and Communications (MIC)  
Ogasawara (Director-General, Information and Communications Policy Bureau), Kawauchi (Deputy Director-General of Minister's Secretariat), Yoshida (Director, Broadcasting Policy Division), Takeda (Director, Satellite and International Broadcasting Division), Nagashio (Senior Planning Officer, Broadcasting Policy Division), Osawa (Assistant Director, Broadcasting Policy Division)
4. Agenda
  - (1) Opening
  - (2) Items on the agenda
    - (i) Hearing with NHK and relevant organizations in the satellite broadcasting business
    - (ii) Others
  - (3) Closing

## 5. Outlines of Proceedings

The following symbols are used in this summary:

○ Remark made by a study group member or an observer

△ Remark made by a hearing participant

(1) The secretariat gave briefings on Reference 1, “Perspectives on the Study of NHK Satellite Broadcast Receiving Fees.”

(2) The secretariat and NHK made presentations on Reference 2, “Supplementary Reference for the Eighth Meeting.”

(3) A question and answer session was provided regarding items (1) and (2) above.

The key questions and opinions voiced by the study group members are as follows:

○ The reference states on the revenue and expenditure trends in satellite broadcasting that “the budget for each fiscal year should be drafted in such a way as to balance the budget in the medium term.” I assume that revenue depends on the number of contracts while budget is allocated to terrestrial broadcasting and satellite broadcasting according to the allocation standards, so expenditure is adjusted by increasing or decreasing program content to be covered by the revenue. Is my understanding correct?

△ When we introduced satellite broadcasting, we developed our revenue and expenditure plan to recoup cumulative losses in fiscal 2006 and 2007 by considering the penetration rate of satellite broadcasting in the medium term. We have compiled the budget for each year according to the plan.

If you focus on a single year, you’ll see that the actual budget differs from the originally simulated budget because we try to reflect opinions of the audience in scheduling our programs. But we do our business based on the principle of balancing the budget in the medium term.

As the audience needs change from time to time, we review the content of our programs to meet that need, and we examine the production methods and other aspects according to the results of the review. Therefore, while maintaining the principle of balancing the budget in the medium term, we do have fluctuations depending on the needs of the audience, program scheduling, and other factors at the time.

○ Yearly budgets have become bigger and bigger. Haven’t you made efforts to reduce costs, such as negotiating cost-cutting with outside production companies?

△ Of course, we try to eliminate unnecessary costs in commissioning production, but we put

a higher priority on program planning and quality when placing an order.

(4) Outlines of the presentation by BIC CAMERA

△ As a retailer, we feel that the public need for satellite broadcasting is growing.

△ One of the reasons is that purchasers of flat-screen TVs are very interested in picture quality. This trend is likely to be more apparent as flat-screen TVs for BS digital broadcasting become more popular. On the other hand, CATV, which involves additional costs, requires a digital set-top box to receive BS digital signals. We hope for further adoption of pass-through systems.

△ Another reason is that, although commercial BS digital broadcasting has improved both in quality and quantity, the audience's needs from NHK satellite broadcasting are still outstanding.

△ Competition between NHK and commercial satellite broadcasters results in the leveraging of unique characteristics for the respective entities—such as high definition television—while simultaneously focusing on targets different from terrestrial broadcasting or providing broadcast services that supplement terrestrial broadcasting, which means that increasing the number of households that watch BS digital broadcast is crucial.

△ Regarding the impact of audience contribution, most customers who buy flat-screen TVs to watch NHK satellite broadcast programs understand and accept it when we explain the receiving fee system. On the other hand, many customers who buy flat-screen TVs, regardless of satellite broadcasts, just want to watch terrestrial digital broadcast programs. The scrambling of NHK satellite broadcasts may be a way to gain an understanding of the audience due to the transparency of the fee.

△ When a contract for satellite broadcasting is integrated into a conventional contract for terrestrial broadcasting and the fee for the integrated contract becomes higher than the fee for the conventional contract the audience may react strongly against it. In that case, the grounds for the fee must be explained to the public so that they will accept it.

(5) Presentation by Japan Satellite Broadcasting Association (Reference 4)

(6) Presentation by Japan Broadcasting Corporation (Reference 5)

(7) Questions and answers regarding (4), (5) and (6)

The key questions and opinions voiced are as follows:

- Prior to the Q & A session, the chair of the Study Group on the Number of NHK Satellite Broadcasting Channels, which MIC has separately established, introduced their discussion on measures for improved TV broadcasting reception as follows:

- A committee on the promotion of terrestrial broadcasting under the Telecommunications Council has studied how future measures for improved TV broadcasting reception should be applied and includes specific measures to solve the problem of poor reception of terrestrial broadcasts with so-called satellite safety net.
- NHK, regarding safety net, explained that it cannot express a clear view on scrambling at this point, but with regard to whether or not such measures should cover very poor reception, referring to areas where even terrestrial analog broadcasting signals cannot be received, taking measures by using satellite safety net is an option; In that case, measures for improved reception of terrestrial broadcasting will focus on safety net for the time being.
- On the use of NHK satellite channels when the current BS2 channel for improved TV reception is vacated, NHK explained that it needs two additional high definition channels, one for general broadcasting focusing on news, and the other for general broadcasting focusing on culture and arts as well as securing opportunities for outside production companies.
- NHK has explained that its program scheduling reflects the public's needs, but I suppose that, in reality, it is more like NHK, as a public broadcaster, is to take the initiative in program scheduling by considering various circumstances. Could you explain your thoughts on this point?
- △ NHK's basic principle in scheduling programs for BS channels is to incorporate the needs of the audience while differentiating its BS channels from terrestrial broadcasting as much as possible so that it can pass on the benefits to the audience.
- What is NHK's thinking about the cost of analog high definition broadcasting that ends in fiscal 2007?
- △ As we broadcast programs for analog broadcasting and digital broadcasting simultaneously, there will be no change in program production costs. The only change that will occur is in the costs relating to an analog broadcasting satellite, such as transponder leasing. The cost of an analog broadcasting satellite is about 2.4 billion yen for fiscal 2008. We will provide the details of the costs of analog high definition broadcasting separately.
- What are the grounds for the opinion of the Japan Satellite Broadcasting Association, which says, "NHK should mainly focus on general broadcasting, rather than providing genre-specific broadcasting"?
- As NHK has expressed its intention to focus on news programs on its new BS channel 1, it will gradually enter into competition with CS genre-specific channels. What kind of effects is

the Japan Satellite Broadcasting Association assuming as a result?

△ Given the fact that NHK is a public broadcaster, and financed by the special contributions of receiving fees, NHK's genre-specific channels will greatly affect the foundation of CS broadcasting.

○ NHK BS broadcasting may have a positive effect on other CS broadcasters. What do you think about that idea?

△ I don't think the existence of NHK BS broadcasting is particularly beneficial to other CS broadcasters. However, from the perspective that parabolic antennae will be used more widely as BS broadcasting becomes more popular, it may be possible to say that it contributes, to some extent, to the growth of CS broadcasting using the communications satellite stationed at 110 degrees east longitude.

○ Do you think future expansion of NHK BS broadcasting will affect the CS market?

△ I don't assume it will expand.

○ Do you know the percentage of the audience of terrestrial broadcasting versus that of satellite broadcasting, respective to the total audience? What do you make of NHK's provision of satellite broadcasting in addition to fulfilling its responsibility as a public broadcaster to provide broadcasting to people who only receive terrestrial broadcast signals?

△ Households receiving satellite broadcasting services total 20 million and households receiving terrestrial broadcasting services only total 28 million, bringing the total to 48 million.

We understand that satellite broadcasting is a new media that is different from terrestrial broadcasting and gives us the opportunity to provide a wide variety of programs to satisfy audience needs. NHK will not only enhance program content as a public broadcaster, but also ensure diversity across the channels it owns.

○ There will be a change in satellite broadcasting in the fall of 2008 and onward. What are your future prospects?

△ We will utilize the vacated frequency for satellite broadcasting to provide high definition broadcasting and improve picture quality by using effective transmission technology such as H.264.

○ Revenue has an impact on details such as program scheduling as well as on program quality. Please give us your opinion about the possible effects of options you may choose for your review on program quality and details of program scheduling.

○ The system for confirming reception of NHK broadcasts using a B-CAS card doesn't

always work; Even when the message appears on the screen, the information will not reach NHK if the user chooses “No.” The reception confirmation message doesn’t seem very effective.

△ The system is proving its effectiveness. It is evident in the number of users of satellite broadcasting based on the reception confirmation message and the number of calls received at the customer call center.