

# TV TOKYO Corporation

2008

Annual Report 2008

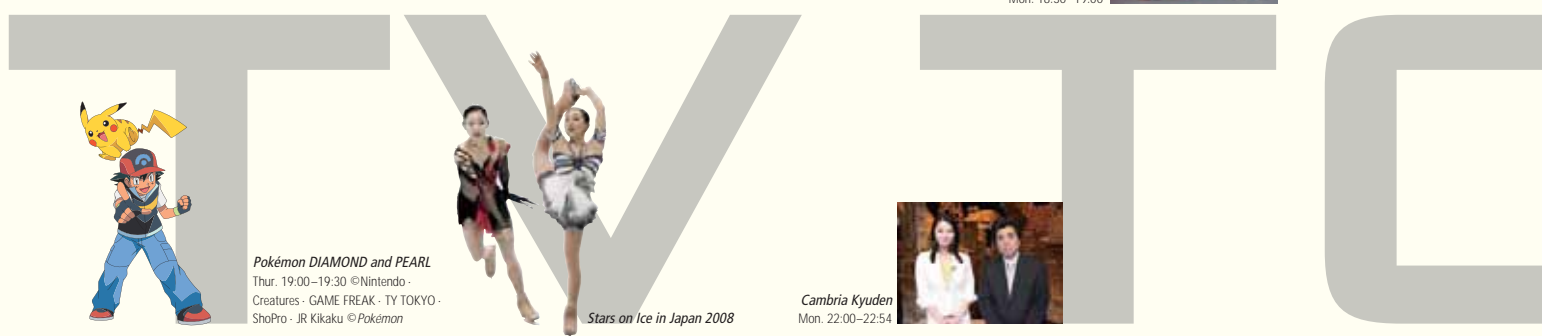
For the year ended March 31, 2008

**Aim...Focus...Action!**



TAKING AIM,  
WITH A CLEAR FOCUS  
ON STEADY PROGRESS

## Boosting Our Standout Value as the One and Only Station



### ■ Medium-Term Management Plan (April 2008–March 2011)

Amid the severe competition among broadcasting companies on the content front as we count down toward the completion of terrestrial digital broadcasting network establishment in July 2011, it is essential that we cultivate new forward-looking business fields that augment existing business models. Despite stagnant HUT (households using televisions) figures and a weakening advertising market, TV TOKYO has marked the next three years for the consolidation of its business structure to ensure its ability to flexibly meet changes in the external environment. Through the implementation of key measures under the new medium-term management plan, TV TOKYO will focus on the building of solid foundation for future growth.

### ■ Establishing a Unique Identity

By this phrase we mean to say that we will not narrow down our content to please a single target audience. Building on the high public recognition our superior and differentiated programs enjoy, we are continually striving to boost our corporate value and earnings capabilities by enhancing our creativity, taking it to a level that surpasses that of any other broadcasting company. With this in mind, TV TOKYO will take bold action to launch new programs that attract a broader audience as well as advertisers, while making a Groupwide effort to address environmental changes.

## BUSINESS SEGMENT INFORMATION

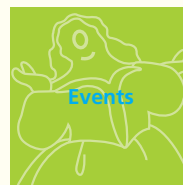
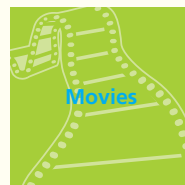
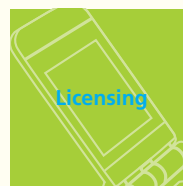
### Business Segment

#### Broadcasting



### Business Segment

#### Rights Management



*Monthly Melodix*  
Broadcast at irregular intervals  
one Sat. each month



*Hisyo-no Kagami (Drama 24)*  
Apr. to Jun. 2008, Fri. 24:12-24:53



*World Table Tennis 2007*  
Photo: ©Monthly "World Table Tennis"



*Genjuro Hissatsuken*  
Apr. to Jun. 2008, Fri. 20:00-20:54



### Broadcasting

#### Terrestrial Broadcasting

Based in the Tokyo area, TV TOKYO broadcasts to 67.5%\* of the entire nation and every major city through an extensive television network comprising six broadcasting companies. TV TOKYO provides unique television programs with a focus on infotainment, business news, animation and drama.

\*As of August 2006

#### Program Syndication

On a measured and selective basis, the TV TOKYO Group conducts cash syndication of its unique programs to broadcasting and communication satellite operations and cable television stations. Overseas syndications of animation programs are proving popular, with programs broadcast in over 60 countries and regions.

#### Satellite Broadcasting

Under an alliance with BS Japan Corporation, TV TOKYO engages in the sale of popular programs as well as joint program production. For viewers unable to access terrestrial broadcasts on a real-time basis, satellite broadcasting provides an opportunity to watch the same programs.

### Rights Management

#### Licensing

The TV TOKYO Group is active in the secondary use of television content in videos, publications, game software and other merchandising and provides a variety of products and services through its licensing business. The Group also produces music, manages music copyrights and merchandises visual images.

#### Movies

TV TOKYO invests in movie partnerships with the aim of acquiring performance, TV broadcasting, video and related rights. The Company aims for the efficient recovery of investments as it strives to commercialize peripheral businesses.

#### Events

Independently and in partnership with other parties, TV TOKYO hosts, sponsors and cooperates in sporting events, orchestral concerts and art exhibitions. In addition, TV TOKYO conducts events based on its television programs and develops proprietary business models through the effective use of animation and other program content.

#### IT Business

Drawing on our strengths in animation, cuisine and travel, and golf programs, we offer viewers additional value through websites created for each of these types of programs. TV TOKYO is expanding its Internet presence through collaboration with TV programs to conduct online sales of program-related products, advertise and further cultivate business alliances.

## TO OUR STAKEHOLDERS

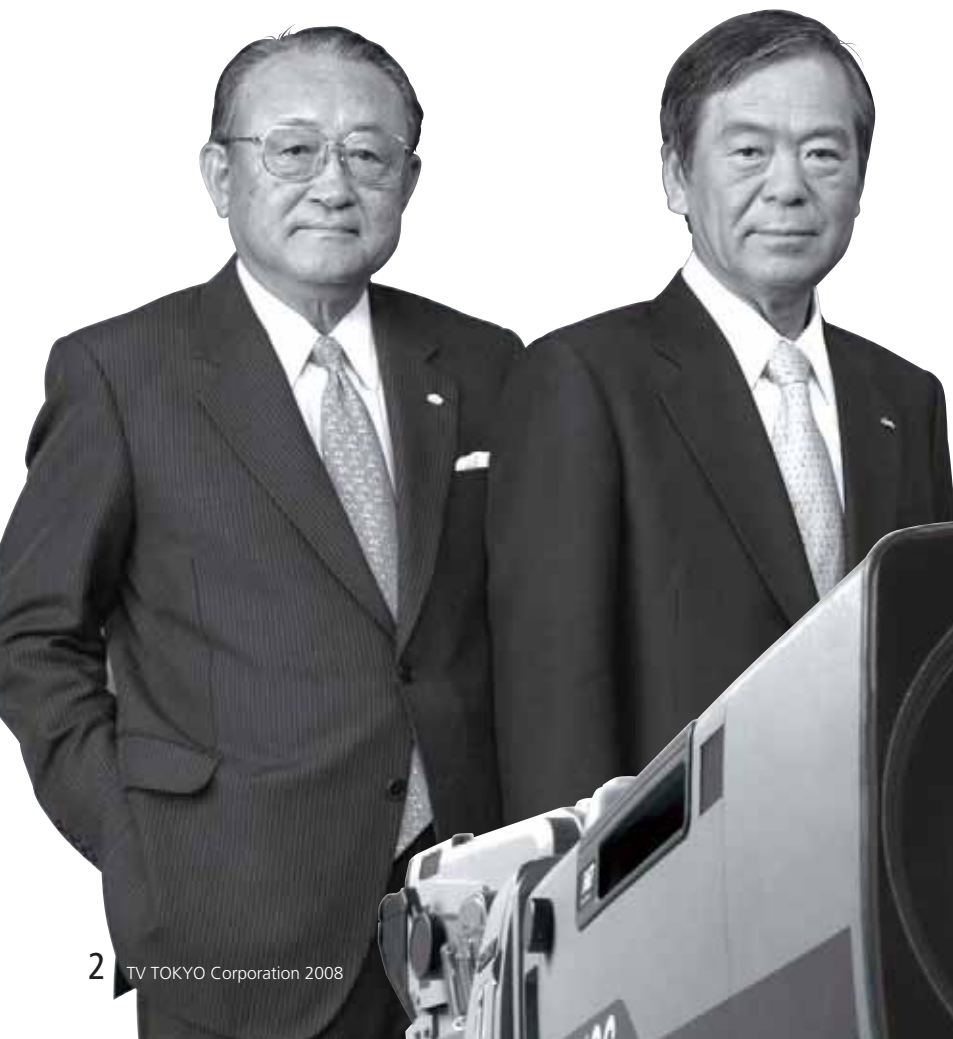
In the fiscal year ended March 31, 2008, TV TOKYO continued to reinforce its program production capabilities from the medium- to long-term perspective. These efforts paid off, garnering us average viewer ratings of 8.3% in the golden time slot (down 0.1 of a percentage point year on year, and the seventh highest rating in our history), with ratings of 3.8% for all-day and 7.9% for prime time slot ratings (both on par with the historical highs we recorded in the previous year). In terms of viewer ratings among the major broadcasting companies in the Tokyo area, we marked an historical high in the prime time slot, and record-equaling highs in the golden time and all-day time slots.

TV TOKYO's unique identity is backed by an outstanding capability to offer superior and differentiated content that attracts both audiences and advertisers. Moving forward, we will continue to generate innovative content to further boost our corporate value and earnings capabilities.

### Business Results

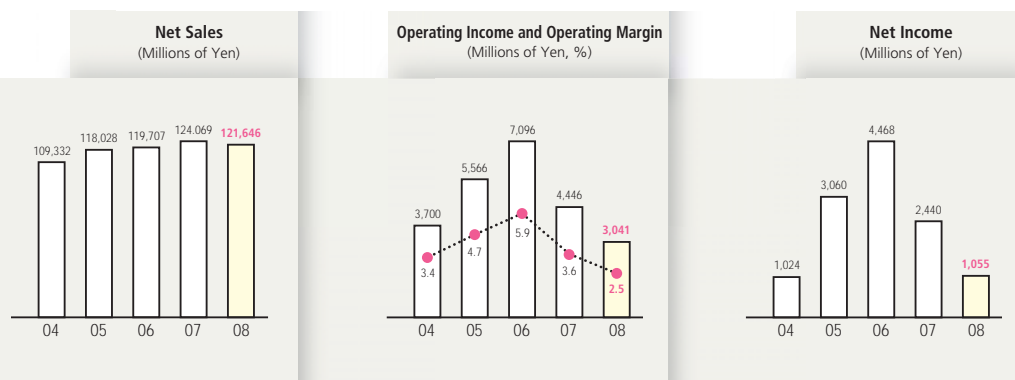
During the fiscal year under review, the overall Japanese advertising market was on a recovery trend. However, expanding demand for alternative promotion methods, including online advertising, resulted in decreased expenditure on TV advertising for the third consecutive year.

Consolidated net sales for the year ended March 31, 2008 stood at ¥121,646 million, down 2.0% year on year, while operating income totaled ¥3,041 million, down 31.6% from a year earlier.



Sadahiko Sugaya Chairman & Co-CEO  
(left)

Masayuki Shimada President & Co-CEO  
(right)



Net income dropped 56.7% to ¥1,055 million due to the recording of loss associated with the revaluation of equity-method affiliates' businesses. The operating margin stood at 2.5%.

Despite severe circumstances, we achieved favorable results in the golden, prime time and all-day viewer rating timeslots compared with other Tokyo-based broadcasters. And, although our advertising revenues slipped 1.8% year on year, our share of spot sales among the five main Tokyo broadcasters improved 0.06 of a percentage point to 6.00%, the second highest share we have achieved since hitting 6.03% in the year ended March 31, 1994. Contributing to spot sales were the successful results of the Friendship Project, a unique sales initiative offering shared time slots wherein three advertisers from different industries collaborate to create drama-like advertisements, as well as spot sales of graduate recruitment ads. Presented in collaboration with *Nikkei Inc.*, the recruitment advertising spots employed scenes from such programs as the economic news show *World Business Satellite (WBS)* and *Dawn of GAIA*, which are popular among the job-hunting student age-group, to promote the program's sponsor companies. The success of this initiative drew the praise of advertisers, who reported a pickup in their recruiting activities.

Despite severe circumstances, we achieved favorable results in the golden, prime time and all-day viewer rating timeslots compared with other Tokyo-based broadcasters.

Turning to our efforts to enhance content, we focused on the mainstays *Cambria Kyuden* in the business news pillar and *Friday period dramas at eight* in our fourth program pillar, drama, significantly boosting their viewer ratings. Guided by the keywords "originality, quality and vitality," TV TOKYO is striving to optimize the effectiveness of its spending on program production. This hard work is paying off in the form of TV TOKYO's unique identity is backed by an outstanding capability to offer superior and differentiated content.

In the rights management business, we experienced favorable results from figure skating events and the *Jigoro Kano* Cup International Judo Tournament World Grand Prix 2007. We also enjoyed strong overseas sales for such animation programs as *NARUTO* and *Gintama - Samurai in Space* - as well as healthy DVD sales for *Drama 24* and *YARISUGI Koji*.

### Overview of the Medium-Term Management Plan

Due to such factors as stagnant growth in the number of households using televisions (HUT) and a weak advertising market, the management market remains severe. Against this backdrop, we are facing the need to consolidate our business foundation in order to become the "best and strongest lead station" in the digital era. Launched in April 2008, our new three-year Medium-Term Management Plan has established the words "challenge" and "renovation" as Groupwide buzzwords. In line with these buzzwords, we will undertake the "challenge" of developing top programs;

promoting the multi-use of content; launching new businesses; establishing comprehensive overseas strategies; and facilitating branding strategy. At the same time, we will promote “renovation” in how we cultivate and develop new fields; establish a courageous corporate culture; reinforce cost-control initiatives; promote corporate social responsibility (CSR) activities; and strengthen Group strategies. Backed by this resolve, we will strive to be flexible and proactive in addressing management issues and work to ensure sustainable profitability. By doing so, we will enhance our corporate value.

#### Financial Outlook and Medium-Term Numerical Targets

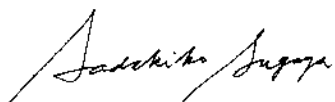
For its medium-term numerical targets, TV TOKYO aims to achieve consolidated net sales of ¥132,000 million, operating income of ¥3,670 million and an operating margin of 2.8% by March 31, 2011. In addition, we expect to almost achieve the consolidated operating margin of 5.0% we have set as a management benchmark by March 31, 2013. This is based on our forecast of ¥137,000 million in consolidated net sales, ¥6,380 million in operating income and an operating margin of 4.7% for the year ending March 31, 2013. For the year ending March 31, 2009, we expect net income of ¥126,800 million (up 4.2% year on year), operating income of ¥3,100 million (up 1.9%) and net income of ¥1,800 million (up 70.5%).

#### Shareholder Return


TV TOKYO positions shareholder return as one of its key business challenges. Given the broadcasting business’ public nature, our basic policy strives to balance the need for retained earnings to support sustainable business foundations over the long-term with the need to provide shareholders with stable dividends commensurate with performance. Specifically, we aim for a consolidated payout ratio of 25% and, to this end, are providing a performance-based payment with a minimum dividend of ¥20 per share. For the year ending March 31, 2009, we plan to pay an annual dividend of ¥30 per share.

In addition, we will make effective use of retained earnings to enhance our content lineups in preparation of the full entry into the digital era, as well as to aggressively develop our businesses. We believe such efforts will help boost our corporate value, contributing to shareholder return.

August 2008



Sadahiko Sugaya  
Chairman & Co-CEO



Masayuki Shimada  
President & Co-CEO

## INTERVIEW WITH THE PRESIDENT

### Aiming to Be the Best and Strongest

# 1

#### Reviewing the Medium-Term Management Plan in Light of Changes in the Broadcasting Industry

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Q

■ Please share your assessment of the environment surrounding the broadcasting industry.

A

Unfortunately, given the future business environment, we are looking at stagnant broadcasting revenues in the industry as a whole. And, because we cannot expect any overall growth, as late-comers to this market we must focus on boosting our share. Of course, this in itself will not be sufficient as a source of business growth, so we will focus on the multi-use of program content in a variety of fields. To this end, we must fully utilize new technologies, including Internet-related technologies, to capture growth opportunities in new business areas. We are a mass media organization and are more than a mere revenue machine; however, we may need a radical change in our thinking in light of the current trend toward M&A.

Q

■ Do the targets of your new Medium-Term Management Plan reflect your awareness of this environmental shift?

A

We admit that we set rather high goals when we launched the previous Medium-Term Management Plan in the year ended March 31, 2007. Since then, we decided to downwardly adjust our objectives due to environmental changes. We have now set a target of attaining a consolidated operating margin of 5.0% by March 31, 2013, which reflects a simulation based on these environmental changes.

Against this backdrop, we anticipate rather harsh results for the year ending March 31, 2009. Business conditions are getting progressively worse. As yet, we cannot be certain if the current turmoil is due to temporary factors or genuine structural shifts. And, although we need to monitor the situation carefully, we decided to go ahead with measures to reduce costs, including overall production costs.

# 2

#### Winning in the New Digital Era

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Q

■ Please explain your thinking about production costs.

A

As we enter the new digital broadcasting era, we might be able to secure short-term gains, but we will not have a bright future if we do not reinforce our program production capabilities. Knowing this, we set up a policy of stepping up program production costs in 2006. Then, with the support of our shareholders, we began investing as much as we could in program production. This was a huge decision for us—the increase was 7%, raising total production costs to the equivalent of two thirds of cost of sales. Nevertheless, this level of spending is necessary if we want to win against our market competition. At the same time, we consciously chose to shift to a more profit-oriented business stance aimed at raising revenue to better meet shareholder expectations.

Although the business environment is severe, we are looking forward to a happy event. In 2009, we will celebrate the 45th anniversary of our commencing services in April 1964. I consider our 45th anniversary to be part of the “hop, step, jump” process that we are now embarked upon. This will be followed by the completion of the conversion to digital terrestrial broadcasting in July 2011 and our 50th anniversary in April 2014. To get things started, we will kick off a 45th anniversary campaign in October 2008, aiming to steadily boost the festive mood until the conversion to digital terrestrial broadcasting is complete. The kind of people who work at broadcasting companies love a party, and they all like to pitch in and enthusiastically make such events happen.

Upon the complete conversion to digital terrestrial broadcasting, viewers will tune in to find us on channel 7. We decided to turn the potential setback of this change in channel number into an opportunity, taking advantage of the fact that the conversion to digital terrestrial broadcasting is scheduled for July 2011—the seventh month of that year. Our “Channel 7” campaign was kicked off on the program *Adomachikku Tengoku* on July 7, 2007. This campaign invited audience participation using one-segment broadcasting or our mobile phone website. Our services linking data broadcasting and mobile phone services, through which customers could access games, enjoyed particularly favorable feedback. Simultaneously with the kickoff of this Companywide campaign, we changed the last four digits of our official phone number to “7777.” Making maximum use of this opportunity, we are working to emphasize what makes us unique. To this end, we are continuing to strive to boost our program production capabilities with the aim of becoming a broadcasting company that is flexible in the face of change yet commands a strong presence in the industry.

Q

■ What is it that makes TV TOKYO unique?

A

■ Since its inauguration, TV TOKYO has embraced the spirit of challenge in its corporate culture. Based on this corporate culture, such programs as *WBS*, *Dawn of GAIA* and *Cambria Kyuden*, which present innovative content that challenges convention, have become flagship programs supporting our brand power. In animation, we are at the top of the industry thanks to our superior business models and success in content exports. Persistent efforts like these have helped establish our unique identity and competitive edge.

We are confident in our growing popularity among our target audience of office workers. Increasingly, we are the broadcasting company that people tune into every day, the channel that people rely on. This takes us back to our starting point, the idea of “creativity and innovation that breaks the stereotype—exploring new horizons and opening up new vistas.” We want to hold on to this aspiration as we work to inform and entertain our audience.

3

Displaying TV TOKYO's Uniqueness

Q

■ Some say that the broadcasting industry is facing structural problems.  
■ What is your opinion?

A

■ Even though the industry is in need of structural reform, such reform should come from within the local broadcasting networks. The fundamental solution lies in “making effective use of what lies at the core of any broadcasting company, namely, program production.”



TV TOKYO produces high-quality programs and broadcasts them on a schedule that maximizes spot sales. We also make secondary and tertiary use of these programs. However, there is much we can still do—content can be maximized through sales of DVDs and related character goods and by combining programs and e-commerce. Furthermore, there is a lot of potential in the sales of program formats (production expertise and ideas). In addition, I believe that we will be able to find new ways to achieve synergies between broadcasting and communications that leverage the public nature of our business.

A number of new technologies have been introduced one after another in recent years. It may be that those who wait and adopt such technologies later will enjoy an advantage. In order to ensure stable earnings, we will make investments based on a careful assessment of such technologies rather than trying to be in the forefront of the industry. With the aim of increasing “must-watch” programs, we will make maximum use of the Internet and mobile multimedia. And, we will start this initiative with clearly differentiated programs.

**Q** ■ Can you give us some specific examples of TV TOKYO’s marketing initiatives that meet environmental changes?

**A** ■ In 2007, we commenced the Friendship Project as a new attempt in spot advertising. The Friendship Project entails long, drama-style infomercials sponsored by three companies from different industries. Created with the themes of “friendship,” “family” and “marital bonds,” these infomercials are drawing attention. As a broadcasting company, we must fully understand the kind of images advertisers want to convey and how to promote the advertisers’ products. Based on this knowledge, we must provide diverse proposals to advertisers with regard to not just time slots but their websites and mobile multimedia offerings and the combination of these media. Otherwise, we will be disregarded by advertisers. Moreover, we must leverage other media, such as newspapers and magazines.

In terms of program production, South Korean and Chinese broadcasting companies are already focused on serving the entire Asian market and have been reaping the rewards. TV TOKYO should be looking to do the same. Together with such initiatives, we must prepare for the globalization of TV broadcasting by collaborating with overseas broadcasting companies to gain experience.

**Q** ■ Finally, please tell us TV TOKYO’s vision of the future.

**A** ■ In the broadcasting business, we cannot count on creating a megahit that will make us a fortune at a stroke. In other words, we cannot blindly pursue business scale. Therefore, we have made our policy becoming the “best and strongest lead station.” Our challenge is to assess the market and determine the business scale necessary for reaching our desired audience and how to realize it. The broadcasting industry has a disproportionate impact on society considering the size of the companies involved. There are only five key broadcasters in Tokyo, so we bear an immense responsibility. With this in mind, TV TOKYO will continue to work to produce programs that we are proud of for as many viewers as possible while striving to remain a broadcasting company appreciated by shareholders and investors.

# The Evolution of a Content Powerhouse

In the rights management business, TV TOKYO seeks to maximize yields by emphasizing the multi-use of content. The most notable example of such multi-use is Japanese animation, which has gained high recognition throughout the world.

The following is an overview of the market environment.

Here, we present details regarding TV TOKYO's business growth structure and program development approach, both of which are aimed at maximizing synergies in order to enhance the Company's share of the rights management business.

Watched in 68 countries worldwide, *Pokémon* will be 11 years old in 2008. A market leader in multi-use content, *Pokémon* continues to boast solid popularity. The box-office revenue for the 2007 feature film totaled ¥5,020 million. Spurred by robust sales, a new film will be shown in theaters from July 2008.

11 years



Sold under license in over 90 countries, broadcast in more than 60 countries and published in comic book form in 23 countries, *NARUTO* is amazingly popular. Four *NARUTO* feature films released since 2004 have drawn audiences topping four million people. The long-awaited latest film, "*NARUTO SHIPPŪEN KIZUNA*," will be released on August 2008.

90 countries



NARUTO SHIPPŪDEN

Thur. 19:30-19:57 ©K S / S-T-P

TV TOKYO Corporation 2008 9



In 2004, a *Yu-Gi-Oh!* feature film hit 2,411 U.S. theaters. A *Yu-Gi-Oh!* trading card battle world championship is held annually and, by 2006, an unbelievable 15,880 million such cards had been sold, inspiring an application to Guinness World Records. The TV program debuted in 1999, and its third season aired in April 2008.

# 2,411 theaters



Japanese animation market value  
**¥241.5 billion**  
 (2006)

Globally broadcast  
*anime* created in Japan

**60%**  
 (2004)

Animation movie  
 attendance in Japan

**15 million people**  
 (2006)

Expansion of  
 Program Licensing

Viewers

Internet

Overseas Sales

Events

Movies

Merchandising

Program  
 Sales

Japanese animation  
 programs, products and  
 feature films begin to  
 gain popularity

Numbers growing in  
 all nationalities and  
 age-groups as  
 animation goes global

Introduced highly  
 successful feature films

Commenced sales  
 of products based  
 on programs

Ushered in the  
 "animation boom"

#### ANITELE

ANITELE is an animation portal  
 site that boasts over 1,140 million  
 pageviews. The enhancement of  
 mobile services has succeeded in  
 gaining even more users.



This chart shows TV TOKYO's deployment of multi-use program  
 content. With terrestrial broadcasting serving as its key business,  
 TV TOKYO is working to maximize its use of content that has  
 great growth potential in multiple business areas.

Examples of such multi-use content include our flagship  
 animation programs, some of which are introduced below.

This section will provide a better understanding of the ripple  
 effect of our content business, which has developed based on  
 our longstanding experience.

TV TOKYO is aiming to achieve further profitability and,  
 business growth in the animation market as well as a stronger  
 position for Japanese animation in overseas markets. In line with  
 the Groupwide buzzwords "challenge" and "renovation," we are  
 making every effort to cultivate content unique to TV TOKYO.

Terrestrial  
 Broadcasting



**Pokémon**

The ripple effect of worldwide collabora-  
 tion with merchandisers of this  
 brand has yielded sales of about ¥2 tril-  
 lion, mainly of video game software.



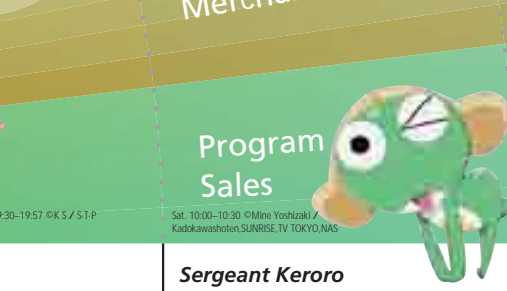
**Yu-Gi-Oh!**

To date, about 18.1 billion *Yu-Gi-Oh!*  
 trading cards have been sold worldwide.  
 In March 2008, official card game  
 machines were launched in Japan.



**NARUTO**

Popular everywhere, *NARUTO* was the  
 No. 1 comic book in 2007 and the  
 No. 3 DVD in North America and is  
 enjoying growing popularity in Asia.



**Sergeant Keroro**

In addition to content, we are  
 enhancing our name recognition by  
 presenting various events featuring  
 animated characters, including  
 sports events.



**BLEACH**

Focusing on the ripple effect of the  
 program's score, we have presented  
 live rock musical-type concerts for the  
 last five years to favorable reviews.



**BLUE DRAGON**

Overseas TV broadcasting of this  
 strategically designed program  
 commenced in April 2008,  
 representing a new level of multi-  
 use content development.

The Creation and  
 Development  
 of Hit TV Programming





Infotainment	Business News
Animation	Drama

#### Achievements and Challenges in the Fiscal Year Ended March 31, 2008

In the fiscal year under review, TV TOKYO continued to reinforce the content of both new and regular programs—its main growth driver—by increasing production costs, with spending focusing on enhancing quality. In addition, we garnered exclusive broadcasting rights to such international sporting events as the 2007 World Table Tennis Championship and the *Jigoro Kano* Cup International Judo Tournament World Grand Prix 2007 (winning multi-year terrestrial broadcasting rights to both) as well as the Japan Open 2007 Gala figure skating competition and exhibition.

As a result, our ratings for the fiscal year ended March 31, 2008 remained on par with the previous fiscal year for the prime time and golden time slots as well as for the all-day ratings, while other broadcasting companies recorded decreases.

Despite unstable economic conditions, our share of spot sales among the five main Tokyo broadcasters improved 0.06 of a percentage point to 6.00%. This uptrend was supported by favorable viewer ratings and the success of the Friendship Project, a unique sales initiative offering shared time slots to advertisers.

To maintain the positive growth cycle generated by enhanced content, TV TOKYO will reinforce its four program pillars based on key measures set out in its new Medium-Term Management Plan.

### Business Strategy for the Fiscal Year Ending March 31, 2009

TV TOKYO is positioning the following three items as the forefront of its business strategy in line with the new medium-term management plan.

**Establishment of Vibrant Program Schedule:** Viewer ratings fluctuate widely depending on the schedule and quality of programming. To maximize exposure, each season we proactively review and revise schedules and content. Thanks to this attention to detail, the business documentary *Dawn of GAIA* has boasted high name recognition for six years and the *Friday period dramas at eight* series has enjoyed a loyal audience since October 2006.

Enhancing long-running trademark programs boosts profits, creating a positive cycle that reinforces production capabilities. We will continue to focus on the formulation of a vibrant program schedule based on viewer needs and trends.

**Tighter Cost Control:** Although the end of the investment phase related to terrestrial digital broadcasting infrastructure is nearing, we face new costs related to other projects, including digital transmission relay facilities and countermeasures against illegal software duplication. In fact, the entire industry is under pressure to streamline program production costs and increase income from rights management and various events.

Based on a review of expenses with an eye to targets set out in the new medium-term management plan and achieving a consolidated operating income ratio of 5%, we decided to maintain program production costs while drastically revising their allocation and minimizing all other costs and expenses. Using funds gained through cost efficiencies to increase viewer ratings as well as profitability, we are striving to ensure stable growth while proactively returning profits to Group companies to promote cost structure reform and boost the consolidated profit ratio.

**Developing and Nurturing Top Program Genres:** TV TOKYO is applying selection and concentration to upgrade trademark programs and develop promising new regular programs. Such programs are our key revenue source, thus, spending should be commensurate with income while helping to boost viewer ratings.

Against this backdrop, we aired two new music programs in April 2008 in Saturday night time slots, complementing the long-running and popular weekday program *WBS*. The new programs represent a possible new genre to complement the existing four existing program pillars.

In sports, we are focusing more on women's sporting events ranging from figure skating to women's golf and have secured multi-year terrestrial broadcasting rights for the World Table Tennis Championships and the *Jigoro Kano* Cup International Judo Tournament World Grand Prix. In addition, we will strive to develop related programs to broaden our growth potential.



*Genjuro Hissatsuken*  
Apr. to Jun. 2008, Fri. 20:00–20:54



**BLEACH**  
Wed. 19:26–19:55 ©Tite Kubo/Shueisha,  
TV TOKYO, dentsu, Pierrot



*WBS* Mon.–Fri. 23:00–23:58



*Kanteidan* Tues. 20:54–21:54



## Achievements and Challenges in the Fiscal Year Ended March 31, 2008

TV TOKYO is working to enhance its earnings capabilities and reinforce its entire business network. To this end, it is promoting collaboration between television and its Internet businesses while focusing on the development of such businesses as TV TOKYO's *TORANOMON-ICHIBA* travel and cuisine shopping portal site as well as the TV TOKYO Shop located in Tokyo Station's underground shopping zone. At the same time, we are working to strictly control the gross profit ratio and gap between revenue and expense.

Events	Program Sales
Merchandising	IT Business

Providing the precedent for the creation of multi-use content, the animation industry has been broadening its footprint every year, growing to encompass program sales overseas, merchandising and theatrical works both in Japan and overseas in addition to various domestic entertainment events, including musicals. Animation's unchallenged popularity in North America has gradually spread throughout Asia, as has its ever-expanding market share. In particular, the ongoing popularity of *Pokémon*, *NARUTO*, *Yu-Gi-Oh!* and *BLEACH* has significantly contributed to TV TOKYO's revenues while consolidating its brand recognition. In addition to these flagship programs, TV TOKYO recently commenced the overseas broadcasting of *BLUE DRAGON* and

*Gintama - Samurai in Space* -.

As a result, sales in this segment grew 7.6% year on year, and operating income surged 36.4%.

Making maximum efforts to realize synergies throughout its program and content lineup, TV TOKYO is aiming to expand its share of the rights management business.

# Rights Management

*BLEACH* © Tite Kubo/Shueisha, TV TOKYO, dentsu, Pierrot © BMP 2006  
*NARUTO* © K.S./S.T.P.

*Gintama - Samurai in Space* - © SIS-T-D-S  
*Cambria Kyuden* Mon. 22:00-22:54  
*Dawn of GAIA* Tue. 22:00-22:54  
*Dreaming Journey* Wed. 20:00-21:00

*YARISUGI Koji* Sat. 25:25-26:10  
*THE GOD TONGUE* Wed. 24:12-24:43  
*MOYAMOYA SUMMERS 2* Fri. 25:00-25:30  
*HONBAN De-Su!* Sat. 26:10-26:40

*Masao-kun ga Kureta Mono* (book) based on *Pet Wonderland POCHI-TAMA* Fri. 19:00-19:54  
*Thelma Aoyama "SOBA NI IRU NE"*



## Business Strategy for the Fiscal Year Ending March 31, 2009

TV TOKYO is positioning the following four items at the forefront of its business strategy in line with the new medium-term management plan.

**Promoting Multi-Use Content:** From the planning stages, TV TOKYO is emphasizing multi-use content, promoting the secondary use of program content as it strives to develop its rights management business and increase revenues by securing licenses to content.

TV TOKYO is reinforcing and building on the success of its animation business by promoting crossovers into other media and content genres, including books and DVDs. In recent years, TV TOKYO has also been aggressively pursuing collaboration between its web business and game software developers.

TV TOKYO is striving to increase income from rights management and various events by breaking down the walls that traditionally divide genres, to this end, working to change employees' ways of thinking and expand external sales of digital-compliant content archives. Furthermore, we have set up a system making it easier to access funds when needed to further business development.

**New Business Development:** In fiscal 2008, TV TOKYO launched a special task force for new business development within its Corporate Strategy Division that is tasked with investigating the strengths and weaknesses of its business operations to increase profitability. With the goal of enhancing earnings capabilities, we will cultivate promising new businesses that will enhance our profitability.

Focusing on existing business and related areas, TV TOKYO will make across-the-board efforts to achieve its goals. In addition, we will continue to concentrate on utilizing IT to augment business development.

While further strengthening collaboration among broadcasting, broadband distribution and other media, TV TOKYO will draw up a clear business scheme that encompasses fund procurement, business creation and investment recovery as it pursues activities across many levels.

**Building a Comprehensive Global Business Strategy:** To further reinforce overseas business development, particularly in the area of animation, TV TOKYO will restructure its North America-based business operations. This will enable us to commence the full-scale cultivation of new partners and markets. On the back of expanding demand in Asia, we will continue to invest in animation businesses with high earnings potential. At the same time, we will enhance the content lineups we offer overseas by combining events and feature films in order to boost our content export ratio to above 5%.

Japanese companies are increasingly shifting the bulk of their advertising budgets overseas. In response, we are proactively creating new business models, for example, we have devised a program sales scheme that offers a program and advertising bundle aimed at overseas markets.

**Brand Strategy Promotion:** The TV TOKYO brand is well established and associated with the creation of unique programs. As a result of our proactive efforts to increase production costs for enhanced content development under the previous medium-term management plan, we gained recognition as a broadcasting company providing superior and differentiated content according to an image survey covering TV programs and broadcasting companies. This shows that both audiences and advertisers are clearly aware of what makes TV TOKYO stand out.

With the aim of leveraging its brand image to enhance corporate value and earnings capabilities, TV TOKYO launched an across-the-board project team to carry out a multilateral brand strategy. While withdrawing from businesses that do not further its business aims, TV TOKYO will broaden its target audience and advertiser lineup in order to increase its brand recognition.

## CORPORATE GOVERNANCE

### Basic Philosophy

TV TOKYO places the utmost importance on enhancing its corporate governance systems as a means to steadily raise corporate value over the long term, with an emphasis on shareholders, employees, associated companies, viewers and all other stakeholders.

Profoundly aware of its accountability to the general viewing public and responsibility to society, the Company makes every effort to carry out its operations in compliance with relevant laws and regulations stipulated by the National Association of Commercial Broadcasters in Japan (NAB) and by the Company itself. In order to prevent the occurrence of accidents and other problems, TV TOKYO continually strives for the enhancement of its corporate governance structure.

### Management Structure

TV TOKYO has adopted a corporate auditor system in which the Board of Directors oversees business execution, while the Board of Corporate Auditors fulfills the auditing and internal auditing functions, which are the cornerstone of the Company's efforts to strengthen its management oversight structure.

**Board of Directors:** TV TOKYO's Board of Directors comprises 15 directors appointed from within the Company and two appointed from outside. In principle, the Board of Directors meets once per month with outside auditors to make decisions on important issues and review the state of business execution functions. To augment these meetings, Executive Meetings comprising managing directors and senior executives also convene on a weekly basis to deliberate resolutions prior to the Board of Directors meetings.

In addition, TV TOKYO appoints operating officers to oversee the business executive function and report to the Board of Directors, facilitating the progress of fiscal business plans, improvements in governance functions and the achievement of management targets.

**Board of Corporate Auditors:** The Board of Corporate Auditors comprises five auditors, including three outside appointments. In principle, the Board of Corporate Auditors meets once per month to share information regarding the implementation of audits and managerial issues as well as to facilitate enhanced auditing. In addition, the Board of Corporate Auditors meets with the president once every second month to deliberate on issues confronting management.

As of July 2006, TV TOKYO established the Board of Corporate Auditors' Office for the purpose of supporting corporate auditors in carrying out their duties.

#### Message from the Standing Corporate Auditor

I have served as Standing Corporate Auditor at TV TOKYO since 2004. As part of my responsibilities, I participate in important meetings as necessary and receive reports on audit plans and results from accounting auditors and parties responsible for internal audits that I share with other auditors in order to enhance audit effectiveness. Performing these tasks has made me acutely aware of the large part I play in the Company's business operations. After the establishment of the Audit Office, we became more efficient thanks to better support.

Hajime Okugawa

### Internal Control System

TV TOKYO's internal control system works to prevent potential risks to its business execution functions. Accordingly, the Company considers this system indispensable to the preparation of appropriate risk response measures. As a company with rights to use public airwaves, we are increasingly aware of our credibility as a mass media organization and public broadcaster, and aim to build an internal control system appropriate to fulfilling these roles as well as our role as a listed company.

**Compliance Structure:** In order to ensure adherence to relevant rules and regulations and to promote corporate activities based on high ethical standards, the Company has formulated the TV TOKYO Group Code of Conduct and is ensuring that all Group officers and employees thoroughly comply with its guidelines.

TV TOKYO has established the Compliance and Risk Management Committee with the president as its chairperson to enhance efficiencies. Moreover, with the aim of further enhancing the effectiveness of its compliance structure, TV TOKYO has assigned a compliance promotion representative to each of its stations, offices and

Group companies. Also, TV TOKYO established an internal notification hotline that provides consultation with an outside lawyer.

The Company has distributed its own program production handbook to both internal production departments and all outside Group affiliates, and is pushing for thorough adherence with its guidelines. Furthermore, as part of its Programming Division, TV TOKYO established the Program Inspecting Department to enhance the monitoring of broadcasting content while setting up the Compliance Office.

**Risk Management Structure:** The Compliance and Risk Management Committee has taken the initiative to ensure prompt response to new risks by appointing a director responsible for such risks. At the same time, the Company reinforced its corporate structure to enable the prompt implementation of emergency or recovery measures should a loss occur in order to minimize losses and prevent the recurrence of such an incident.

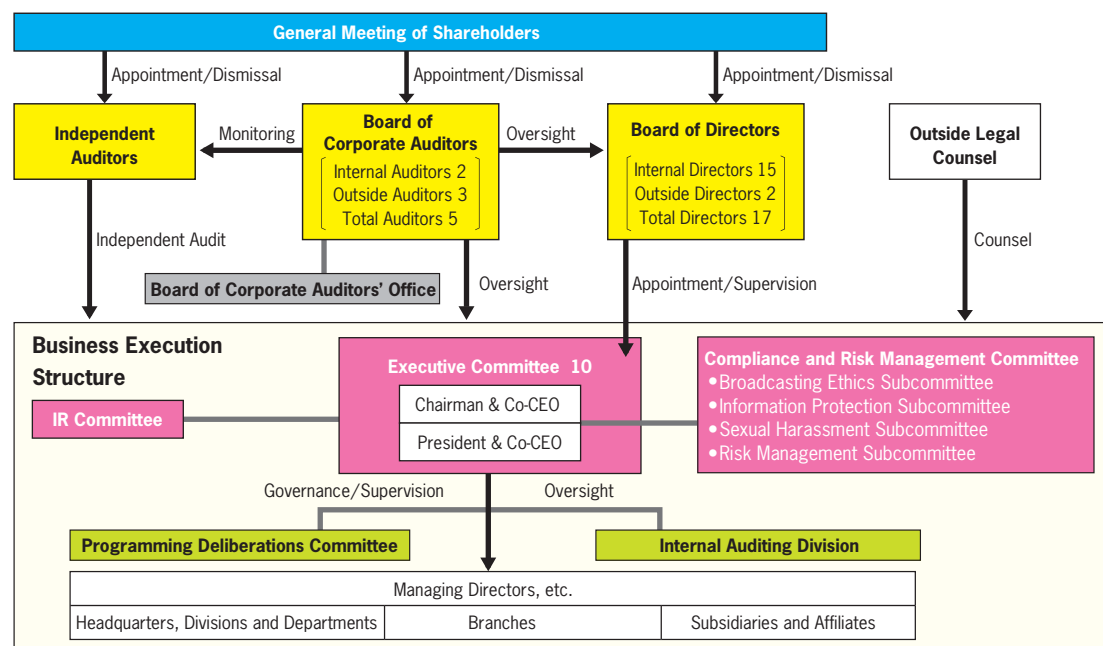
**Intra-Group Structure:** TV TOKYO respects the independence of each of its Group companies, from which it obtains information regarding important matters in the form of reports to the Board of Directors or Executive Committee.

In its continuous promotion of appropriate business conduct, the Company dispatches directors and auditors to attend regular meetings to share information regarding issues facing the Group.

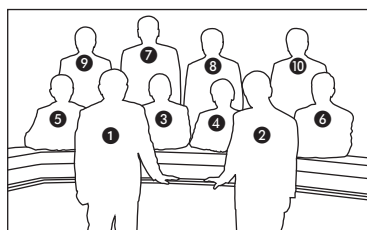
**Anti-Takeover Measures:** With the aim of raising corporate value and maintaining steady profits for shareholders, TV TOKYO introduced anti-takeover measures in June 2007. The Company has set up the Corporate Value Assessment Committee as an organization to impart substantial judgment on matters relating to large-scale purchases. In the event of a large-scale purchasing bid, the committee, which comprises three members including an outside auditor, will carefully screen bids and recommend the Board of Directors to take countermeasures against such bids in cases where the bidder fails to follow proper procedures in line with these anti-takeover measures or where the committee judges that such bidder would exert a harmful influence on corporate value or encroach upon shareholders' common interests.

<b>Outline of Basic Internal Control Policies</b>	1. Strengthen compliance structure	5. Retain and control important information
	2. Improve risk management structure	6. Fortify the intra-group structure
	3. Strive for administrative efficiency	7. Enhance auditing functions
	4. Reinforce internal auditing functions	

**Corporate Governance Structure**  
(As of June 20, 2008)



## BOARD OF DIRECTORS



- |                    |                     |
|--------------------|---------------------|
| ① Sadahiko Sugaya  | ⑥ Satoshi Kikuchi   |
| ② Masayuki Shimada | ⑦ Naomichi Fujinobu |
| ③ Shinichi Minowa  | ⑧ Masami Harigae    |
| ④ Tadashi Inukai   | ⑨ Tadamichi Kanda   |
| ⑤ Hiroshi Ishikawa | ⑩ Kenji Fukasawa    |

### Chairman & Co-CEO

Sadahiko Sugaya

### President & Co-CEO

Masayuki Shimada

### Senior Managing Director

Shinichi Minowa

### Managing Directors

Tadashi Inukai

Hiroshi Ishikawa

Satoshi Kikuchi

Naomichi Fujinobu

Masami Harigae

Tadamichi Kanda

Kenji Fukasawa

### Directors

Akira Sasaki

Yoshiaki Imaizumi

Masaaki Takashima

Seiichi Miyake

Akihiko Tamura

Shiro Saito

(Senior Managing Director,  
Nikkei Inc.) \*

Hiroshi Nakachi

(Certified Public Accountant) \*

### Standing Corporate Auditor

Hajime Okugawa

### Corporate Auditors

Tatsuo Izuhara

Naohiro Nomura

(Managing Director,  
Nikkei Inc.) \*\*

Hiroshi Araki

(Corporate Adviser,  
Tokyo Electric Power Co., Inc.) \*\*

Hiroshi Saito

(President & CEO,  
Mizuho Corporate Bank, Ltd.) \*\*

\* Outside director

\*\* Outside corporate auditor

(As of June 20, 2008)



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## CONSOLIDATED FINANCIAL SUMMARY

Thousands of  
U.S. Dollars  
(Note 1)

	Millions of Yen				
	2008	2007	2006	2005	2008
For the year:					
Net sales	¥ 121,646	¥ 124,069	¥ 119,707	¥ 118,028	\$ 1,216,460
Broadcasting (Note 2)	105,503	109,330	105,365		1,055,030
Rights management (Note 2)	17,718	16,473	15,510		177,180
Cost of sales	87,452	87,549	80,517	81,208	874,520
Gross profit	34,194	36,520	39,190	36,820	341,940
Selling, general and administrative expenses	31,153	32,074	32,094	31,254	311,530
Operating income	3,041	4,446	7,096	5,566	30,410
Income before income taxes and minority interests	2,609	4,637	7,488	5,515	26,090
Net income	1,055	2,440	4,468	3,060	10,550
Capital expenditures	2,514	2,266	1,257	1,539	25,140
Depreciation	2,517	2,244	2,365	2,677	25,170
At year-end:					
Total assets	¥ 78,982	¥ 78,840	¥ 82,838	¥ 79,865	\$ 789,820
Total equity	50,942	51,530	49,972	45,189	509,420

	Yen				U.S. Dollars (Note 1)
Per share data:					
Net income	¥ 51.12	¥ 118.21	¥ 210.81	¥ 148.59	\$ 0.51
Total equity	2,421.84	2,457.03	2,414.94	2,184.24	24.22
Cash dividends	30.00	30.00	33.00	30.00	0.30

	Percentage			
Ratios:				
Return on assets	1.3%	3.1%	5.5%	4.0%
Return on equity	2.7	4.8	9.4	7.5
Equity ratio	63.3	64.3	60.3	56.6
Payout ratio	58.7	31.8	20.5	23.7
Number of employees	1,304	1,274	1,180	1,138

Notes: 1. Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥100 = U.S.\$1 has been used, which was the approximate effective rate of exchange on March 31, 2008.

2. Beginning in the fiscal year ended March 31, 2008, overseas sales from cash syndication of programs, previously accounted for in the broadcasting segment, were transferred to the rights management segment. As such, segment figures for the fiscal year ended March 31, 2006 have been adjusted to reflect this change.

**Forward-Looking Statements:** The annual report contains plans, outlooks, strategies, beliefs and other information regarding projections of TV TOKYO's future operating results that are not statements of historical fact. These statements reflect management's beliefs based on information currently available. Users of this annual report are cautioned that any number of significant, unknown and uncontrollable factors may cause forecasts to differ materially from actual results.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## Operating Environment

In the fiscal year ended March 31, 2008, the Japanese economy continued on a steady path to recovery on the back of strong performance in the corporate sector. In the second half of fiscal 2008, however, there was slowdown in economic activities due to deceleration in the U.S. economy due to the subprime loan issue and turmoil in the securities and exchange markets as well as escalating crude oil prices.

The overall advertising market is on a recovery trend owing to expanding demand for online advertising. In calendar 2007, total advertising expenditures in Japan surged 101.1% year on year to ¥7,019.1 billion, the fourth consecutive year of increase. Television advertising expenditures, however, remained almost on par with the previous fiscal year at ¥1,998.1 billion. This reflected the industry's solid performance despite the stagnant advertising demand recorded by the four major media—newspapers, radio, magazines and television—due to such factors as the absence of such major draws as the 2006 FIFA World Cup Germany™ broadcasting and declining ad placements by major advertisers in the finance, insurance, automobile and transportation industries.

## Results of Operations

During the fiscal year under review, TV TOKYO strove to tackle its most pressing issue, namely, bolstering program content production capabilities in order to establish a solid foundation for future growth. To this end, we increased program production costs. Nevertheless, because of sluggish growth in television advertising income, net sales slipped 2.0% year on year to ¥121,646 million.

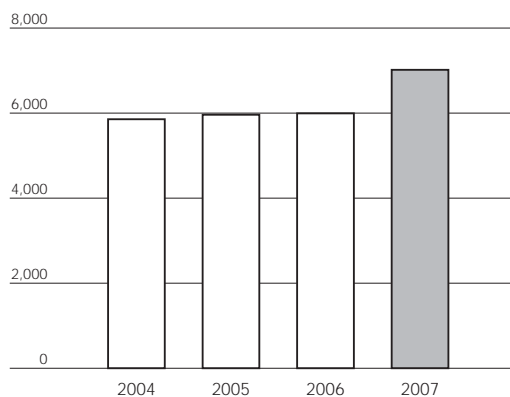
Despite the fall in net sales, the cost of sales remained on par with the previous fiscal year at ¥87,452 million, while selling, general and administrative expenses declined 2.9% from the previous fiscal year to ¥31,153 million due to a decrease in agency commissions on the back of the sales drop. As a result, total operating expenses were on par with the previous fiscal year at ¥118,605 million and operating income fell 31.6% year on year to ¥3,041 million due to increased costs related to digitization. The operating income margin shrank 1.1 percentage points to 2.5%. Income before income taxes and minority interests fell 43.7% year on year to ¥2,609 million, reflecting the recording of an extraordinary loss associated with equity in losses of unconsolidated subsidiaries and associated companies. Net income dropped 56.7% to ¥1,055 million.

Net income per share for the fiscal year under review was ¥51.12, down from ¥118.20 in the previous fiscal year. Return on equity declined 2.7 percentage points, from 4.8% in the previous fiscal year to 2.1%.

Recognizing the importance of maintaining a stable dividend payment, TV TOKYO declared an annual cash dividend of ¥30.0 for the fiscal year under review, for a consolidated dividend payout ratio of 58.7%.

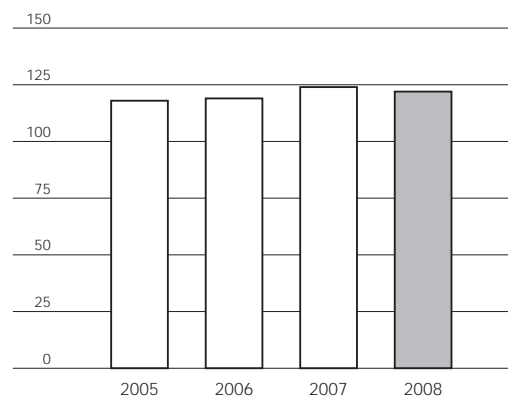
Total Advertising Expenditures in Japan

Calendar Years (Billions of Yen)



Net Sales

Years ended March 31 (Billions of Yen)



Source: DENTSU INC.

## Segment Information

### BROADCASTING

#### Sales and Operating Income for the Broadcasting Segment

Years ended March 31	Millions of Yen			Thousands of U.S. Dollars
	2008	2007	2006	2008
<b>Broadcasting segment sales</b>	<b>¥105,503</b>	¥109,330	¥105,365	<b>\$1,055,030</b>
Terrestrial broadcasting total	<b>85,310</b>	91,025	89,145	<b>853,100</b>
Time sales	<b>57,802</b>	62,936	60,524	<b>578,020</b>
Spot sales	<b>27,508</b>	28,089	28,621	<b>275,080</b>
Broadcast satellite sales	<b>2,069</b>	1,939	1,819	<b>20,690</b>
Domestic sales from cash syndication of programs	<b>4,652</b>	4,599	4,518	<b>46,520</b>
Other	<b>13,472</b>	11,767	9,883	<b>134,720</b>
<b>Operating income</b>	<b>1,746</b>	3,637	5,671	<b>17,460</b>

Note: Beginning in the fiscal year ended March 31, 2007, overseas sales from the cash syndication of programs, previously accounted for in the broadcasting segment, were transferred to the rights management segment. Segment figures for the fiscal year ended March 31, 2006, have been retroactively readjusted to reflect this change.

#### Television Advertising by Industry in the Kanto Region

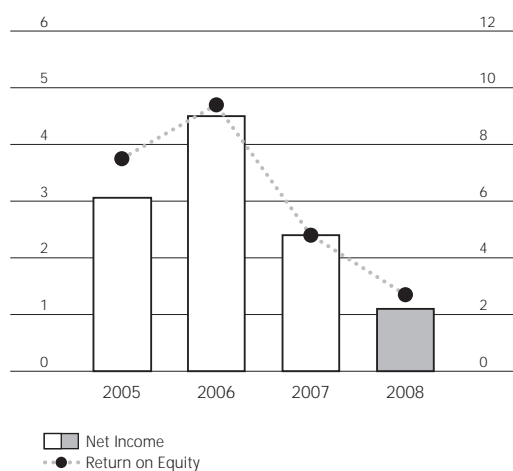
Industry	Five-station Combined Total (Thousands of GRP Points)		Industry Share of Total (%)		TV TOKYO's Industry Share (%)	
	2008	2007	2008	2007	2008	2007
General industrial machinery	25	25	0.2	0.2	16.9	18.0
Household goods and equipment	551	470	5.2	4.4	16.1	17.6
Wholesale and retail	336	333	3.1	3.1	15.8	15.3
Publications	378	373	3.5	3.5	14.5	13.8
Finance and insurance	741	919	6.9	8.6	12.8	13.1
Precision office equipment	411	441	3.9	4.1	13.9	12.9
Housing and construction materials	434	421	4.1	3.9	12.4	12.3
Home electric appliances and electrical machinery	644	138	6.0	1.3	7.9	11.3
Food and beverage	2,174	2,226	20.3	20.8	11.0	10.7
Automobiles and transportation	735	805	6.9	7.5	10.7	10.3
Services and leisure	1,346	1,288	12.6	12.0	11.0	10.3
Energy and foundation materials	141	606	1.3	5.7	11.2	9.4
Pharmaceuticals	913	843	8.5	7.9	8.4	7.7
Apparel and personal items	203	192	1.9	1.8	6.7	7.6
Cosmetics and toiletries	1,251	1,224	11.7	11.4	4.7	4.5
Others	401	416	3.7	3.9	9.8	10.3
<b>Total</b>	<b>10,685</b>	<b>10,721</b>	<b>100</b>	<b>100</b>	<b>10.6</b>	<b>10.5</b>

Note: The combined total includes both time and spot sales of advertising by Japan's five leading stations with nationwide commercial networks: NTV, TBS, Fuji TV, TV Asahi and TV TOKYO.

The data is provided by Video Research Inc., based on actual audience ratings. It is not based on ad-buying rates.

#### Net Income and Return on Equity

Years ended March 31 (Billions of Yen: left scale, %: right scale)





The broadcasting segment serves as TV TOKYO's core business and provides approximately 85% of the Company's net sales. Segment sales mainly comprise television advertising revenues, including time and spot sales, broadcast satellite sales and domestic sales from cash syndication of programs.

Time sales in all three divisions of network, local and special programming broadcasts decreased 8.2% year on year to ¥57,802 million. This was attributable to a sales decline recorded by the network programming broadcasting division due to weak sales of late-afternoon animation programs as well as the impact of the absence of 2006 FIFA World Cup Germany™ in the special programming broadcasting division, which countered strong sales in the local programming broadcasting division. Spot sales, on the other hand, were down 2.1% to ¥27,508 million, owing to the decrease in ad placements by the automobile and transportation industries despite the aggressive promotion of such sales initiatives as the "Friendship Project."

Total time and spot sales fell 6.3% to ¥85,310 million.

Turning to the broadcast satellite business, sales rose 6.7% year on year to ¥2,069 million.

Domestic sales from the cash syndication of programs climbed 1.2% year on year to ¥4,652 million. This was due to a change in the programming structure entailing broadcasting the run of a series at the same time over several days each week, reflecting the growing popularity of *Friday period dramas at eight*, as well as robust sales of new programs.

As a result, sales in the broadcasting segment declined 3.5% from the previous fiscal year to ¥105,503 million. Overall operating expenses decreased 1.8% to ¥103,757 million due to the decrease in agency commissions on the back of the sales drop, while operating income plummeted 52.0% to ¥1,746 million.

## RIGHTS MANAGEMENT

### Sales and Operating Income for the Rights Management Segment

Years ended March 31	Millions of Yen			Thousands of U.S. Dollars
	2008	2007	2008	
<b>Rights management segment sales</b>	<b>¥17,718</b>	¥16,473	¥15,510	<b>\$177,180</b>
Event revenues	2,000	2,445	1,664	20,000
Software rights revenues	15,718	14,028	13,787	157,180
Other rights management revenues	—	—	59	—
<b>Operating income</b>	<b>1,522</b>	1,116	1,692	<b>15,220</b>

Note: Beginning in the fiscal year ended March 31, 2007, overseas sales from the cash syndication of programs, previously accounted for in the broadcasting segment, were transferred to the rights management segment. Segment figures for the fiscal year ended March 31, 2006, have been retroactively readjusted to reflect this change.

Maximizing synergies with the broadcasting segment, TV TOKYO continues to promote the multi-use of content through the rights management segment. Revenues in this segment are mainly derived from the Company's businesses related to content, movies, events and music.

Event revenues fell 18.2% year on year to ¥2,000 million despite the success of various ice skating events, including the Japan Open 2007 and STARS ON ICE JAPAN TOUR 2008, and the *Jigoro Kano* Cup International Judo Tournament World Grand Prix 2007. The poor results are attributable to the absence of such blockbuster events as the Metropolitan Opera 2006.

Overall sales of software rights rose 12.0% to ¥15,718 million, with contributions from strong overseas sales of *NARUTO* and *Gintama - Samurai in Space* -, as well as robust DVD sales of *Drama 24 (24)* and *YARISUGI Koji*. In the movie business, *Pokémon—The Movie 2006* and *KOGITSUNE HELEN* showed brisk sales. Activities in music publishing remained steady during the fiscal year under review.

As a result, sales in the rights management segment grew 7.6% to ¥17,718 million, while operating income surged 36.4% to ¥1,522 million, a substantial increase.

## Financial Position

Total current assets stood at ¥46,639 million as of March 31, 2008, an increase of ¥1,197 million compared with a year earlier. This was mainly attributable to a ¥1,631 million rise in inventories to ¥14,038 million.

Total non-current assets amounted to ¥32,343 million, down ¥1,055 million year on year. This was due largely to a ¥1,453 million decrease in investment securities.

Total current liabilities declined ¥1,375 compared with the previous fiscal year to ¥24,609 million, reflecting a ¥2,000 million increase in short-term bank loans and a ¥408 million decrease in the current portion of long-term debt.

Total long-term liabilities fell ¥645 million to ¥3,431 million due largely to the absence of long-term account payable compared with ¥530 million in the previous fiscal year.

## Liquidity and Capital Resources

Total equity decreased ¥588 million to ¥50,942 million, owing to an unrealized loss on available-for-sale securities of ¥1,155 million due to the stock price decline, despite a ¥436 million increase in retained earnings thanks to net income and the absence of a rise in cash dividends.

### CASH FLOWS

Years ended March 31	Millions of Yen				Thousands of U.S. Dollars
	2008	2007	2006	2005	2008
Cash flows from operating activities	¥ 3,059	¥ 4,599	¥ 4,702	¥ 8,785	\$ 30,590
Cash flows from investing activities	(4,096)	(658)	(2,907)	(2,564)	(40,960)
Cash flows from financing activities	955	(7,516)	(586)	3,198	9,550
Net (decrease) increase in cash and cash equivalents	(84)	(3,575)	1,209	9,419	(840)
Cash and cash equivalents at end of year	8,627	8,711	12,286	11,077	86,270

Net cash provided by operating activities stood at ¥3,059 million. The major components were income before income taxes and minority interests of ¥2,609 million, depreciation and amortization of ¥2,517 million and income taxes—paid of ¥1,847 million.

Net cash used in investing activities totaled ¥4,096 million mainly due to purchases of property, plant and equipment related to the conversion to digital terrestrial broadcasting of ¥2,281 million as well as purchases of investment securities and shares of consolidated subsidiaries totaling ¥1,842 million.

Net cash provided by financing activities amounted ¥955 million. This was attributable to repayments of long-term debt (including redemption of unsecured bonds) of ¥593 million, the payment of dividends totaling ¥620 million and an increase in short-term bank loans of ¥2,000 million.

As a result, cash and cash equivalents at the end of the fiscal year under review totaled ¥8,627 million, a ¥82 million decrease from a year earlier.

### CAPITAL EXPENDITURES AND DEPRECIATION

TV TOKYO continued to invest in new infrastructure for terrestrial digital broadcasting operations. Total capital expenditures for the fiscal year rose 10.9% to ¥2,514 million and mainly comprised ¥681 million for digital transmission relay facilities and ¥949 million for other related digital broadcasting operations.

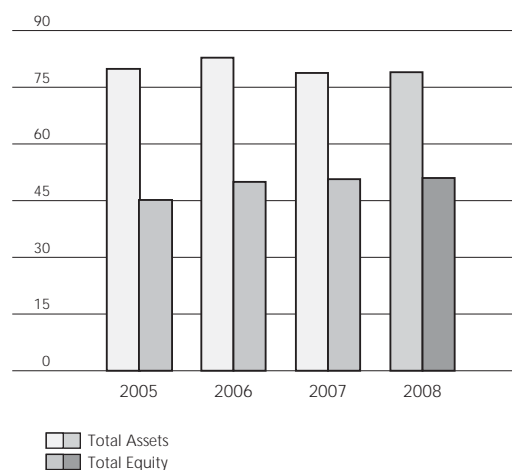
Depreciation and amortization increased from ¥2,244 million in the previous fiscal year to ¥2,517 million.

### FINANCING POLICY

The TV TOKYO Group's most significant working capital item is cost of sales, which mainly comprises program production costs. In the broadcasting segment, principal expenses include labor costs relating to program production, product purchase costs, operations outsourcing costs and network costs. In addition, the Group records costs for rights acquisition in the rights management segment.

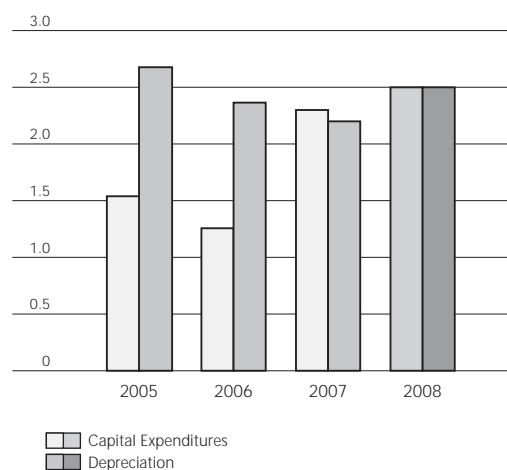
#### Total Assets and Total Equity

As of March 31 (Billions of Yen)



#### Capital Expenditures and Depreciation

As of March 31 (Billions of Yen)



In principle, the Company utilizes internal cash flows to meet its working capital requirements. In the event of an urgent and substantial need that exceeds TV TOKYO's internal resources, the Company will undertake short-term debt as necessary. For this purpose, TV TOKYO has established an overdraft facility totaling ¥8,000 million with its major banks and financial institutions to supplement cash in hand and deposits. In addition, the TV TOKYO Group has introduced a cash management system for the purpose of integrating funds procurement and investment within the Group, with TV TOKYO, 11 consolidated subsidiaries and one equity-method affiliate participating.

As a part of its financing policy encompassing capital expenditures, lending and equity investments, TV TOKYO engages in optimal funds procurement, including the issue of corporate bonds and long-term debt. Guided by this financial policy, TV TOKYO endeavors to select the most appropriate procurement method based on timing as well as terms and conditions most advantageous to the Company.

Moving ahead, and with the aim of expanding its viewer audience, TV TOKYO will continue to invest in property, plant and equipment related to the conversion to digital technology for terrestrial broadcasting, particularly transmission relay facilities, in preparation for the termination of analog broadcasting in 2011.

## Outlook

The outlook for the Japanese economy in the fiscal year ending March 31, 2009, is uncertain due to the effect of the subprime loan crisis on the U.S. economy, which is not showing any signs of recovery. In addition, the strength of the yen in the foreign currency exchange market as well as prolonged high crude oil and raw materials prices are expected, which will exert significant impact on corporate earnings.

Amid such circumstances, TV TOKYO aims to reinforce its long-term earnings power in the broadcasting segment through increased viewer ratings gained by persisting with our investment targeted at strengthening our program production capabilities. Such investment, however, is subject to securing profit. Furthermore, the Company will strive to minimize costs associated with the conversion to digital broadcasting.

In the rights management segment, we will continue to expand the digital content business and enhance existing multi-use development focused on animation content as we work to realize synergies with the broadcasting segment.

Based on the aforementioned factors, TV TOKYO is forecasting a 4.2% increase in net sales to ¥126,800 million, a 1.9% increase in operating income to ¥3,100 million and a 70.5% increase in net income to ¥1,800 million.

## Risk factors

### CHARACTERISTICS OF TERRESTRIAL TELEVISION BROADCASTING

Historical data indicates a strong correlation between Japan's macroeconomic performance and the level of domestic advertising expenditures. Consequently, the general state of the domestic economy tends to impact the performance of the Group's broadcasting segment, which comprises the majority of net sales. Based in the Tokyo metropolitan area, TV TOKYO is also faced with constant pressures and intense competition in securing viewer ratings. In the event the Group is unable to adequately address trends in the advertising market, maintain and enhance program content and viewer ratings, its financial condition and operating performance may be affected.

### COMPETITION FROM OTHER MEDIA, CAPITAL EXPENDITURE, INVESTMENT AND LENDING

Television media, including BS and CS broadcasting as well as CATV, and entertainment media, such as broadband, mobile phones and mobile communication devices, continue to face intense competition due to significant advances in digital technology. Given the growing collaboration between the broadcasting and communications sectors, strong possibilities exist for an audience shift among media that will be fueled by content acquisition, business collaboration and a realignment in the importance of the aforementioned media as advertising vehicles.

The TV TOKYO Group maintains a policy of ensuring adequate and continuing levels of capital expenditure, investment and lending in order to pursue its media strategy. However, it is possible that the Group profits generated through operations will not be sufficient to cover the amount required for investment.

### THE BS DIGITAL BUSINESS

TV TOKYO serves as the principal media and information services arm of the Nikkei Inc. Group. In addition, as of March 31, 2008, the TV TOKYO Group held 14.76% of the shares issued and outstanding of BS JAPAN Corporation, a company engaged in broadcasting-related businesses.

Looking ahead, trends in the operating performance of BS JAPAN Corporation may impact TV TOKYO's financial condition and business results.

#### PERFORMANCE OF AN EQUITY-METHOD AFFILIATE—TV TOKYO BROADBAND ENTERTAINMENT GROUP

As of March 31, 2008, the TV TOKYO Group possessed a 34.60% share of the issued and outstanding shares of TV TOKYO Broadband Entertainment Inc. (hereafter “TXBB”). The TV TOKYO Group has positioned TXBB as the Group’s strategic IT company through a business alliance in the mobile and Internet business field. As of the fiscal year under review, the TV TOKYO Group is negotiating with TXBB and its consolidated subsidiary FM Inter-Wave Inc. (hereafter “InterFM”) with regard to restructuring InterFM, which is burdened by excess liabilities.

The future business condition of TXBB and InterFM, as well as the TV TOKYO’s involvement in InterFM’s restructuring may impact the Group’s financial condition and operating performance.

#### TERRESTRIAL DIGITAL BROADCASTING

TV TOKYO commenced terrestrial digital broadcasting on December 1, 2003, together with some broadcasters in the metropolitan areas of the Kanto, Kinki and Chukyo regions.

In accordance with the Basic Plan for Broadcasting Promotion set out by the Ministry of Internal Affairs and Communications, terrestrial analog broadcasting across Japan is scheduled to terminate on July 24, 2011, thereby completing the conversion to digital terrestrial broadcasting. In the meantime, the Company is incurring costs related to both in analog and digital terrestrial broadcasting.

TV TOKYO has been promoting the conversion of its broadcasting and program production facilities to digital technology for terrestrial broadcasts to meet the completion date set in 2011. The Company will efficiently carry out its activities; however, unexpected costs may occur in the event the conversion to digital terrestrial broadcasts failing to keep to schedule.

#### LEGAL RESTRICTIONS ON LICENSING AND THE PROPORTION OF SHARES HELD BY FOREIGN SHAREHOLDERS

TV TOKYO’s principal television broadcasting business is regulated by the Broadcast Law and the Radio Law. In November 1973, the Company acquired a broadcasting license on behalf of the Japan Science Foundation. Pursuant to the Radio Law, licenses are valid for a period of five years. In November 2003, TV TOKYO renewed its license and at the same time acquired a television broadcasting license encompassing high-definition television broadcasting.

Furthermore, the Radio Law stipulates that licenses shall not be granted to any company or group with a non-Japanese national appointed to its board of directors, or to any company or group in which non-Japanese nationals or foreign-affiliated companies control 20% or more of voting rights. For this reason, the Broadcast Law stipulates that private broadcasters with shares listed on a stock exchange may refuse a request to enter the name and address of a foreign shareholder, including a foreign-affiliated company, on their shareholders register. Furthermore, if the ratio of voting rights held by foreigners reaches or exceeds 15%, the broadcaster shall disclose this ratio in accordance with the Broadcast Law.

#### OTHER RISK FACTORS (COMPLIANCE AND LARGE-SCALE STOCK PURCHASES)

The TV TOKYO Group undertakes a wide variety of activities for the prevention of potentially damaging incidents, including employee mishaps by full-time, temporary or contract employees; problems due to the broadcast of inappropriate program content or production processes; and accidents related to the leakage of personal information. As part of these efforts, the Group has formulated the TV TOKYO Group Code of Conduct and established the Compliance Committee. Furthermore, the Group thoroughly implements crisis management countermeasures. However, the occurrence of unforeseen circumstances may impact the Company’s social credibility and operating performance.

In addition, as buyouts of listed companies become increasingly aggressive, the targets of such large-scale purchases and purchasing bids are often compelled to sacrifice corporate value, and in turn, shareholder profits. Accordingly, with the aim of becoming better able to secure corporate value and ensure profits to shareholders, TV TOKYO’s Board of Directors resolved to adopt a basic policy concerning the capacity of officials in the determination of financial and business policies at its meeting held on May 15, 2007. In light of this basic policy, TV TOKYO works to prohibit complete control over finance and business policy decisions by any one entity in charge through the adoption of anti-takeover measures (approved at the Annual Shareholders’ Meeting held on June 22, 2007). However, should these policies fail to be understood and the Company becomes the target of an inappropriate large-scale purchase or similar bid, the Company’s operations may be substantially affected.

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## CONSOLIDATED BALANCE SHEETS

TV TOKYO Corporation and Consolidated Subsidiaries  
March 31, 2008 and 2007

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2008	2007	2008
<b>ASSETS</b>			
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents	¥ 8,627	¥ 8,711	\$ 86,270
Time deposit	20	20	200
Receivables:			
Trade notes	1,349	1,220	13,490
Trade accounts	20,637	21,330	206,370
Due from associated companies	43	43	430
Other	786	554	7,860
Allowance for doubtful receivables	(16)	(9)	(160)
Inventories (Note 4)	14,038	12,407	140,380
Refundable income taxes	203		2,030
Deferred tax assets (Note 8)	623	632	6,230
Other current assets	329	534	3,290
Total current assets	46,639	45,442	466,390
<b>PROPERTY, PLANT AND EQUIPMENT:</b>			
Land	4,327	4,325	43,270
Buildings and structures	11,950	11,428	119,500
Machinery and equipment	20,600	19,744	206,000
Furniture and fixtures	1,161	1,124	11,610
Construction in progress	8	26	80
Total	38,046	36,647	380,460
Accumulated depreciation	(21,799)	(20,300)	(217,990)
Net property, plant and equipment	16,247	16,347	162,470
<b>INVESTMENTS AND OTHER ASSETS:</b>			
Investment securities (Note 3)	8,763	9,557	87,630
Investments in associated companies	728	1,387	7,280
Deferred tax assets (Note 8)	1,925	1,426	19,250
Other long-term assets (Note 13)	4,680	4,681	46,800
Total investments and other assets	16,096	17,051	160,960
<b>TOTAL</b>	<b>¥ 78,982</b>	<b>¥ 78,840</b>	<b>\$ 789,820</b>
<b>LIABILITIES AND EQUITY</b>			
<b>CURRENT LIABILITIES:</b>			
Short-term bank loans (Notes 5 and 13)	¥ 3,200	¥ 1,200	\$ 32,000
Current portion of long-term debt (Note 5)	185	593	1,850
Payables:			
Trade accounts	15,061	14,586	150,610
Due to associated companies	187	182	1,870
Other	2,047	2,484	20,470
Income taxes payable (Note 8)	351	1,071	3,510
Other current liabilities (Note 8)	3,578	3,118	35,780
Total current liabilities	24,609	23,234	246,090
<b>LONG-TERM LIABILITIES:</b>			
Long-term debt (Note 5)		185	
Liability for retirement benefits (Note 6)	3,371	3,299	33,710
Long-term account payable		530	
Other long-term liabilities	60	62	600
Total long-term liabilities	3,431	4,076	34,310
<b>COMMITMENTS AND CONTINGENT LIABILITIES (Notes 10, 11 and 12)</b>			
<b>EQUITY (Notes 7 and 14):</b>			
Common stock—authorized, 82,580,000 shares; issued, 20,645,000 shares in 2008 and 2007	8,911	8,911	89,110
Capital surplus	8,684	8,684	86,840
Retained earnings	32,329	31,893	323,290
Unrealized gain on available-for-sale securities	79	1,234	790
Foreign currency translation adjustments	(4)	4	(40)
Treasury stock—at cost, 331 shares in 2008 and 250 shares in 2007	(1)	(1)	(10)
Total	49,998	50,725	499,980
Minority interests	944	805	9,440
Total equity	50,942	51,530	509,420
<b>TOTAL</b>	<b>¥ 78,982</b>	<b>¥ 78,840</b>	<b>\$ 789,820</b>

See notes to consolidated financial statements.

# CONSOLIDATED STATEMENTS OF INCOME

TV TOKYO Corporation and Consolidated Subsidiaries  
Years Ended March 31, 2008 and 2007

Thousands of  
U.S. Dollars  
(Note 1)

	Millions of Yen		
	2008	2007	2008
<b>NET SALES</b>	<b>¥121,646</b>	¥124,069	<b>\$1,216,460</b>
<b>COST OF SALES</b> (Notes 10 and 15)	<b>87,452</b>	87,549	<b>874,520</b>
Gross profit	<b>34,194</b>	36,520	<b>341,940</b>
<b>SELLING, GENERAL AND ADMINISTRATIVE EXPENSES</b> (Notes 9, 10 and 15)	<b>31,153</b>	32,074	<b>311,530</b>
Operating income	<b>3,041</b>	4,446	<b>30,410</b>
<b>OTHER INCOME (EXPENSES):</b>			
Interest and dividend income	<b>136</b>	118	<b>1,360</b>
Interest expense	<b>(35)</b>	(70)	<b>(350)</b>
Foreign exchange gain (loss)	<b>47</b>	(15)	<b>470</b>
Equity in (losses) earnings of unconsolidated subsidiaries and associated companies	<b>(644)</b>	34	<b>(6,440)</b>
Loss on devaluation of investment securities	<b>(159)</b>	(170)	<b>(1,590)</b>
Other—net	<b>223</b>	294	<b>2,230</b>
Other (expenses) income—net	<b>(432)</b>	191	<b>(4,320)</b>
<b>INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS</b>	<b>2,609</b>	4,637	<b>26,090</b>
<b>INCOME TAXES</b> (Note 8):			
Current	<b>1,135</b>	1,892	<b>11,350</b>
Deferred	<b>303</b>	262	<b>3,030</b>
Total income taxes	<b>1,438</b>	2,154	<b>14,380</b>
<b>MINORITY INTERESTS IN NET INCOME</b>	<b>116</b>	43	<b>1,160</b>
<b>NET INCOME</b>	<b>¥ 1,055</b>	¥ 2,440	<b>\$ 10,550</b>

	Yen		U.S. Dollars (Note 1)
	2008	2007	2008
<b>PER SHARE OF COMMON STOCK</b> (Note 2. p):			
Basic net income	<b>¥ 51.12</b>	¥ 118.21	<b>\$ 0.51</b>
Cash dividends applicable to the year	<b>30.00</b>	30.00	<b>0.30</b>

See notes to consolidated financial statements.

# CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

TV TOKYO Corporation and Consolidated Subsidiaries  
Years Ended March 31, 2008 and 2007

	Thousands	Millions of Yen								
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Unrealized Gain on Available- for-Sale Securities	Foreign Currency Translation Adjustments	Treasury Stock	Total	Minority Interests	Total Equity
BALANCE, APRIL 1, 2006	20,645	¥8,911	¥8,684	¥30,336	¥ 2,040	¥ 2	¥(1)	¥49,972		¥49,972
Reclassified balance as of March 31, 2006 (Note 2. h)									¥866	866
Net income				2,440				2,440		2,440
Cash dividends, ¥35.5 per share				(733)				(733)		(733)
Bonuses to directors and corporate auditors				(114)				(114)		(114)
Decrease due to associated companies included in equity method				(36)				(36)		(36)
Net change in the year					(806)	2		(804)	(61)	(865)
BALANCE, MARCH 31, 2007	20,645	8,911	8,684	31,893	1,234	4	(1)	50,725	805	51,530
Net income				1,055				1,055		1,055
Cash dividends, ¥30.0 per share				(619)				(619)		(619)
Net change in the year					(1,155)	(8)		(1,163)	139	(1,024)
BALANCE, MARCH 31, 2008	20,645	¥8,911	¥8,684	¥32,329	¥ 79	¥(4)	¥(1)	¥49,998	¥944	¥50,942

	Thousands of U.S. Dollars (Note 1)								
	Common Stock	Capital Surplus	Retained Earnings	Unrealized Gain on Available- for-Sale Securities	Foreign Currency Translation Adjustments	Treasury Stock	Total	Minority Interests	Total Equity
<b>BALANCE, MARCH 31, 2007</b>	\$89,110	\$86,840	\$318,930	\$ 12,340	\$ 40	\$(10)	\$507,250	\$8,050	\$515,300
Net income			10,550				10,550		10,550
Cash dividends, \$0.30 per share			(6,190)				(6,190)		(6,190)
Net change in the year				(11,550)	(80)		(11,630)	1,390	(10,240)
<b>BALANCE, MARCH 31, 2008</b>	<b>\$89,110</b>	<b>\$86,840</b>	<b>\$323,290</b>	<b>\$ 790</b>	<b>\$(40)</b>	<b>\$(10)</b>	<b>\$499,980</b>	<b>\$9,440</b>	<b>\$509,420</b>

See notes to consolidated financial statements.

# CONSOLIDATED STATEMENTS OF CASH FLOWS

TV TOKYO Corporation and Consolidated Subsidiaries  
Years Ended March 31, 2008 and 2007

Thousands of  
U.S. Dollars  
(Note 1)

	Millions of Yen		
	2008	2007	2008
<b>OPERATING ACTIVITIES:</b>			
Income before income taxes and minority interests	¥ 2,609	¥ 4,637	\$ 26,090
Adjustments for:			
Income taxes—paid	(1,847)	(1,247)	(18,470)
Depreciation and amortization	2,517	2,244	25,170
Increase (decrease) in allowance for doubtful receivables	13	(3)	130
Loss on disposal of property, plant and equipment	31	42	310
Loss on devaluation of investment securities	159	170	1,590
Equity in losses (earnings) of unconsolidated subsidiaries and associated companies	644	(34)	6,440
Bonuses to directors and corporate auditors		(117)	
Changes in assets and liabilities:			
Decrease (increase) in trade accounts receivable	564	(788)	5,640
Increase in inventories	(1,631)	(488)	(16,310)
Increase in trade accounts payable	1,151	1,350	11,510
Decrease in long-term account payable	(530)	(741)	(5,300)
Decrease in liability for retirement benefits	(12)	(353)	(120)
Other—net	(609)	(73)	(6,090)
Total adjustments	450	(38)	4,500
Net cash provided by operating activities	3,059	4,599	30,590
<b>INVESTING ACTIVITIES:</b>			
Purchases of property, plant and equipment	(2,281)	(1,021)	(22,810)
Purchases of investment securities	(529)	(459)	(5,290)
Purchases of shares of consolidated subsidiaries	(1,313)	(200)	(13,130)
Proceeds from refund of lease deposit		1,199	
Other—net	27	(177)	270
Net cash used in investing activities	(4,096)	(658)	(40,960)
<b>FINANCING ACTIVITIES:</b>			
Increase in short-term bank loans—net	2,000	1,000	20,000
Increase (decrease) in deposit payable in cash management system—net	143	(595)	1,430
Repayments of long-term debt	(593)	(7,177)	(5,930)
Dividends paid	(620)	(729)	(6,200)
Other—net	25	(15)	250
Net cash provided by (used in) financing activities	955	(7,516)	9,550
<b>FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS</b>	(2)		(20)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(84)	(3,575)	(840)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	8,711	12,286	87,110
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	¥ 8,627	¥ 8,711	\$ 86,270

See notes to consolidated financial statements.



# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

TV TOKYO Corporation and Consolidated Subsidiaries  
Years Ended March 31, 2008 and 2007

## 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 Financial Instruments and Exchange Law (formerly, the Japanese Securities and Exchange Law) and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

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. In addition, certain reclassifications have been made in the 2007 financial statements to conform to the classifications used in 2008.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which TV TOKYO 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 ¥100 to \$1, the approximate rate of exchange at March 31, 2008. 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, 2008 include the accounts of the Company and its 13 significant (12 in 2007) subsidiaries (together, the "Group").

Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

Investments in 15 (15 in 2007) unconsolidated subsidiaries and 9 (8 in 2007) associated companies are accounted for by the equity method.

Effective April 1, 1999, the difference of the cost of an acquisition over the fair value of the net assets of the acquired subsidiary at the date of acquisition is being amortized over a period of five years.

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 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, certificate of deposits, commercial paper and bond funds, all of which mature or become due within three months of the date of acquisition.

### c. Inventories

Programs and films are valued as determined by the individual cost method. Merchandise and supplies are valued at cost as determined by the first-in, first-out method.

### d. Investment Securities

Marketable available-for-sale securities, which are not classified as either of the trading securities or held-to-maturity debt securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

Non-marketable available-for-sale securities are stated at cost determined by the moving-average method.

For other than temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

### e. Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment of the Company and its consolidated domestic subsidiaries is computed substantially by the declining-balance

method at rates based on the estimated useful lives of the assets, while the straight-line method is applied to buildings acquired after April 1, 1998 of the Company and its consolidated domestic subsidiaries, and all property, plant and equipment of its consolidated foreign subsidiary. Property, plant and equipment acquired on and after April 1, 2007 are depreciated by the declining-balance method in accordance with the revised corporate tax law, which is effective April 1, 2007. The effect of this treatment was to decrease income before income taxes and minority interests for the year ended March 31, 2008 by ¥63 million (\$630 thousand).

Property, plant and equipment had been depreciated up to 95% of acquisition cost with 5% of residual value carried until previous fiscal years. However, such 5% portion of property, plant and equipment is systematically amortized over 5 years starting in the following year in which the carrying value of property, plant and equipment reaches 5% of the acquisition cost in accordance with the revised corporate tax law, which is effective for fiscal years beginning on and after April 1, 2007.

The effect of this treatment was to decrease income before income taxes and minority interests for the year ended March 31, 2008 by ¥74 million (\$740 thousand).

The range of useful lives is principally from 3 to 50 years for buildings and structures, and from 2 to 10 years for machinery and equipment.

**f. Long-Lived Assets**

The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

**g. Retirement and Pension Plans**

The Company and certain domestic consolidated subsidiaries have severance payment plans for employees, directors and corporate auditors. The Company and certain domestic consolidated subsidiaries have contributory funded defined benefit pension plans and unfunded retirement benefit plans. The Company and its domestic consolidated subsidiaries accounted for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date.

Retirement benefits to directors and corporate auditors are provided at the amount which would be required if all directors and corporate auditors retired at the balance sheet date (see Note 6).

**h. Presentation of Equity**

On December 9, 2005, the Accounting Standards Board of Japan ("ASBJ") published a new accounting standard for the presentation of equity. Under this accounting standard, certain items which were previously presented as liabilities or assets, as the case may be, are now presented as components of equity. Such items include stock acquisition rights, minority interests, and any deferred gain or loss on derivatives accounted for under hedge accounting. This standard was effective for fiscal years ending on or after May 1, 2006. The balances of such items as of March 31, 2006 were reclassified as separate components of equity as of April 1, 2006 in the consolidated statement of changes in equity.

**i. Research and Development Costs**

Research and development costs are charged to income as incurred.

**j. 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 lessee’s financial statements. All other leases are accounted for as operating leases.

**k. Bonuses to Directors and Corporate Auditors**

Bonuses to directors and corporate auditors are accrued at the year-end to which such bonuses are attributable.

**l. Income Taxes**

The provision for income taxes is computed based on the pretax income included in the consolidated 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.

**m. Foreign Currency Transactions**

All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the income statement to the extent that they are not hedged by forward exchange contracts.

**n. Foreign Currency Financial Statements**

The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for equity, which is translated at the historical rate.

Differences arising from such translation were shown as “Foreign currency translation adjustments” in a separate component of equity.

Revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the average exchange rate.

**o. Derivatives and Hedging Activities**

The Company uses derivative financial instruments to manage its exposure to fluctuations in interest rates. Interest rate swaps are utilized by the Company to reduce interest rate risks. The Company does not enter into derivatives for trading or speculative purposes.

The interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differentials paid or received under the swap agreements are recognized and included in interest expenses or income.

**p. Per Share Information**

Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period.

Diluted net income per share is not disclosed because it is anti-dilutive.

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.

**q. New Accounting Pronouncements**

***Measurement of Inventories—***

Under Japanese GAAP, inventories are currently measured either by the cost method, or at the lower of cost or market. On July 5, 2006, the ASBJ issued ASBJ Statement No. 9, “Accounting Standard for Measurement of Inventories,” which is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted. This standard requires that inventories held for sale in the ordinary course of business be measured at the lower of cost or net selling value, which is defined as the selling price less additional estimated manufacturing costs and estimated direct selling expenses. The replacement cost may be used in place of the net selling value, if appropriate. The standard also requires that inventories held for trading purposes be measured at the market price.

#### ***Lease Accounting—***

On March 30, 2007, the ASBJ issued ASBJ Statement No. 13, “Accounting Standard for Lease Transactions,” which revised the existing accounting standard for lease transactions issued on June 17, 1993. The revised accounting standard for lease transactions is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted for fiscal years beginning on or after April 1, 2007.

#### ***Lessee***

Under the existing accounting standard, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, however, other finance leases are permitted to be accounted for as operating lease transactions if certain “as if capitalized” information is disclosed in the note to the lessee’s financial statements. The revised accounting standard requires that all finance lease transactions shall be capitalized recognizing lease assets and lease obligations in the balance sheet.

#### ***Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements—***

Under Japanese GAAP, a company currently can use the financial statements of its foreign subsidiaries which have been prepared in accordance with generally accepted accounting principles in their respective jurisdictions for its consolidation process unless they are clearly unreasonable. On May 17, 2006, the ASBJ issued ASBJ Practical Issues Task Force No. 18, “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements.” The new standard prescribes: (1) the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should, in principle, be unified for the preparation of the consolidated financial statements, (2) financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States tentatively may be used for the consolidation process, (3) however, the following items should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP unless they are not material:

- (1) Amortization of goodwill
- (2) Actuarial gains and losses of defined benefit plans recognized outside profit or loss
- (3) Capitalization of intangible assets arising from development phases
- (4) Fair value measurement of investment properties, and the revaluation model for property, plant and equipment, and intangible assets
- (5) Retrospective application when accounting policies are changed
- (6) Accounting for net income attributable to a minority interest

The new task force standard is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted.

#### ***Asset Retirement Obligations—***

On March 31, 2008, the ASBJ published a new accounting standard for asset retirement obligations. Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of asset retirement obligation can be made. Upon the initial recognition of a liability for an asset retirement obligation,

an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as increases or decreases in the carrying amount of the liability and the capitalized amount of the related asset retirement cost. This standard is effective for fiscal years beginning on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or before March 31, 2010.

### 3. INVESTMENT SECURITIES

Investment securities as of March 31, 2008 and 2007 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Non-current—Marketable equity securities	<b>¥4,902</b>	¥5,822	<b>\$49,020</b>
Total	<b>¥4,902</b>	¥5,822	<b>\$49,020</b>

The carrying amounts and aggregate fair values of marketable and investment securities at March 31, 2008 and 2007 were as follows:

	Millions of Yen			
	2008			
March 31,	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale equity securities	<b>¥ 4,759</b>	<b>¥ 579</b>	<b>¥ (436)</b>	<b>¥ 4,902</b>

	Millions of Yen			
	2007			
March 31,	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale equity securities	¥ 3,735	¥2,136	¥ (49)	¥ 5,822

	Thousands of U.S. Dollars			
	2008			
March 31,	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale equity securities	<b>\$47,590</b>	<b>\$5,790</b>	<b>\$(4,360)</b>	<b>\$49,020</b>

Available-for-sale securities whose fair values were not readily determinable as of March 31, 2008 and 2007 were as follows:

	Carrying Amount		Thousands of U.S. Dollars
	Millions of Yen		2008
	2008	2007	
Available-for-sale—Equity securities	<b>¥3,861</b>	¥3,735	<b>\$38,610</b>
Total	<b>¥3,861</b>	¥3,735	<b>\$38,610</b>

#### 4. INVENTORIES

Inventories at March 31, 2008 and 2007 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Programs and films	<b>¥13,972</b>	¥12,365	<b>\$139,720</b>
Merchandise	<b>8</b>	17	<b>80</b>
Supplies	<b>58</b>	25	<b>580</b>
Total	<b>¥14,038</b>	¥12,407	<b>\$140,380</b>

#### 5. SHORT-TERM BANK LOANS AND LONG-TERM DEBT

Short-term bank loans at March 31, 2008 and 2007 consisted of a loan on a deed and bank overdrafts. The annual interest rates applicable to the short-term bank loans ranged from 1.35% to 1.60% and 1.15% to 1.42% at March 31, 2008 and 2007, respectively.

Long-term debt at March 31, 2008 and 2007 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Unsecured loans from banks due serially to 2008 with interest rates ranging from 2.10% to 2.40% (2008 and 2007)	<b>¥ 185</b>	¥ 778	<b>\$ 1,850</b>
Less current portion	<b>(185)</b>	(593)	<b>(1,850)</b>
Long-term debt, less current portion		¥ 185	

Annual maturities of long-term debt at March 31, 2008, were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2009	¥185	\$1,850
Total	¥185	\$1,850

#### 6. RETIREMENT AND PENSION PLANS

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

Under most circumstances, employees terminating their employment are entitled to retirement benefits determined based on the rate of pay at the time of termination, years of service and certain other factors. Such retirement benefits are made in the form of a lump-sum severance payment from the Company or from certain consolidated subsidiaries and annuity payments from a trustee. Employees are entitled to larger payments if the termination is involuntary, by retirement at the mandatory retirement age, by death or by voluntary retirement at certain specific ages prior to the mandatory retirement age.

The Company and certain consolidated subsidiaries have contributory funded defined benefit pension plans and unfunded retirement benefit plans for employees.

The liability for retirement benefits at March 31, 2008 and 2007 for directors and corporate auditors was ¥637 million (\$6,370 thousand) and ¥553 million, respectively. The retirement benefits for directors and corporate auditors are paid subject to the approval of the shareholders.

The liability for employees' retirement benefits at March 31, 2008 and 2007 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Projected benefit obligation	<b>¥ 6,957</b>	¥ 7,039	<b>\$ 69,570</b>
Fair value of plan assets	<b>(3,791)</b>	(3,798)	<b>(37,910)</b>
Unrecognized prior service cost	<b>(432)</b>	(495)	<b>(4,320)</b>
Net liability	<b>¥ 2,734</b>	¥ 2,746	<b>\$ 27,340</b>

The components of net periodic benefit costs for the years ended March 31, 2008 and 2007 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Service cost	<b>¥374</b>	¥418	<b>\$ 3,740</b>
Interest cost	<b>121</b>	123	<b>1,210</b>
Expected return on plan assets	<b>(69)</b>	(62)	<b>(690)</b>
Amortization of prior service cost	<b>63</b>	63	<b>630</b>
Recognized actuarial loss (gain)	<b>252</b>	(69)	<b>2,520</b>
Net periodic benefit costs	<b>741</b>	473	<b>7,410</b>
Contribution payments to a defined contribution pension plan	<b>133</b>	135	<b>1,330</b>
Total	<b>¥874</b>	¥608	<b>\$ 8,740</b>

Assumptions used for the years ended March 31, 2008 and 2007 are set forth as follows:

	2008	2007
Discount rate	<b>2.0%</b>	2.0%
Expected rate of return on plan assets	<b>2.0%</b>	2.0%
Amortization period of prior service cost	<b>10 years</b>	10 years
Recognition period of actuarial gain/loss	<b>All amortized as they arise</b>	All amortized as they arise

## 7. EQUITY

Since May 1, 2006, Japanese companies have been subject to the Corporate Law of Japan (the "Corporate Law"), which reformed and replaced the Commercial Code of Japan. The significant provisions in the Corporate Law that affect financial and accounting matters are summarized below:

### a. Dividends

Under the Corporate Law, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as; (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. However, the Company cannot do so because it does not meet all the above criteria.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Corporate Law provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

### b. Increases/Decreases and Transfer of Common Stock, Reserve and Surplus

The Corporate Law requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Corporate Law, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Corporate Law also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

c. Treasury Stock and Treasury Stock Acquisition Rights

The Corporate Law also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula.

Under the Corporate Law, stock acquisition rights, which were previously presented as a liability, are now presented as a separate component of equity.

The Corporate Law also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

## 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 40.7% for the years ended March 31, 2008 and 2007.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2008 and 2007 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Current:			
Deferred tax assets:			
Accrued bonuses	¥ 472	¥ 460	\$ 4,720
Accrued enterprise tax	40	108	400
Other	121	72	1,210
Less valuation allowance	(10)	(8)	(100)
Total	¥ 623	¥ 632	\$ 6,230
Deferred tax liabilities—a revision of allowance for doubtful receivables with credit debt elimination	¥ 5	¥ 4	\$ 50
Total	¥ 5	¥ 4	\$ 50
Non-current:			
Deferred tax assets:			
Liability for retirement benefits	¥1,568	¥1,770	\$15,680
Software	264	328	2,640
Write-down of investments in securities	24	79	240
Tax loss carryforwards	267	333	2,670
Unrealized gain on intercompany sales of fixed assets	109	109	1,090
Other	122	148	1,220
Less valuation allowance	(373)	(494)	(3,730)
Total	1,981	2,273	19,810
Deferred tax liabilities—unrealized gain on available-for-sale securities	56	847	560
Total	56	847	560
Net deferred tax assets—non-current	¥1,925	¥1,426	\$19,250



A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statements of income for the years ended March 31, 2008 and 2007 is as follows:

	2008	2007
Normal effective statutory tax rate	<b>40.7%</b>	40.7%
Expenses not deductible for income tax purposes	<b>7.8</b>	4.6
Inhabitants taxes	<b>0.5</b>	0.3
Dividend income—non taxable	<b>(0.9)</b>	(0.5)
Consolidated goodwill amortization		1.0
Equity in losses (earnings) of unconsolidated subsidiaries and associated companies	<b>10.3</b>	(0.1)
Valuation allowance	<b>(4.6)</b>	1.7
Other—net	<b>1.3</b>	(1.2)
Actual effective tax rate	<b>55.1%</b>	46.5%

At March 31, 2008, certain subsidiaries have tax loss carryforwards aggregating approximately ¥654 million (\$6,540 thousand) which are available to be offset against taxable income of such subsidiaries in future years. These tax loss carryforwards, if not utilized, will expire as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2010	¥ 23	\$ 230
2011	468	4,680
2012	86	860
2013		
2014 and thereafter	77	770
Total	¥654	\$6,540

## 9. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥58 million (\$580 thousand) and ¥56 million for the years ended March 31, 2008 and 2007, respectively.

## 10. LEASES

The Group leases certain machinery, computer equipment, office space and other assets.

Total rental expense including lease payments under finance leases for the years ended March 31, 2008 and 2007 was ¥773 million (\$7,730 thousand) and ¥968 million, respectively.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, obligations under finance lease, depreciation expense and 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, 2008 and 2007 was as follows:

	Millions of Yen		
	<b>2008</b>		
	Machinery and Equipment	Others	Total
Acquisition cost	<b>¥ 3,306</b>	<b>¥ 1,436</b>	<b>¥ 4,742</b>
Accumulated depreciation	<b>1,775</b>	<b>695</b>	<b>2,470</b>
Net leased property	<b>¥ 1,531</b>	<b>¥ 741</b>	<b>¥ 2,272</b>

	Millions of Yen		
	2007		
	Machinery and Equipment	Others	Total
Acquisition cost	¥ 4,467	¥ 1,194	¥ 5,661
Accumulated depreciation	2,449	681	3,130
Net leased property	¥ 2,018	¥ 513	¥ 2,531

	Thousands of U.S. Dollars		
	2008		
	Machinery and Equipment	Others	Total
Acquisition cost	<b>\$33,060</b>	<b>\$14,360</b>	<b>\$47,420</b>
Accumulated depreciation	<b>17,750</b>	<b>6,950</b>	<b>24,700</b>
Net leased property	<b>\$15,310</b>	<b>\$ 7,410</b>	<b>\$22,720</b>

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Due within one year	<b>¥ 774</b>	¥ 883	<b>\$ 7,740</b>
Due after one year	<b>1,554</b>	1,686	<b>15,540</b>
Total	<b>¥2,328</b>	¥2,569	<b>\$23,280</b>

Depreciation expense and interest expense under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Depreciation expense	<b>¥745</b>	¥908	<b>\$ 7,450</b>
Interest expense	<b>41</b>	45	<b>410</b>
Total	<b>¥786</b>	¥953	<b>\$ 7,860</b>

Depreciation expense and interest expense, which are not reflected in the accompanying consolidated statements of income, are computed by the straight-line method and the interest method, respectively.

The minimum rental commitments under noncancellable operating leases at March 31, 2008, and 2007, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Due within one year	<b>¥ 10</b>		<b>\$100</b>
Due after one year	<b>9</b>		<b>90</b>
Total	<b>¥ 19</b>		<b>\$190</b>

## 11. DERIVATIVES

The Company enters into interest rate swap contracts to manage its interest rate exposures on certain liabilities.

All derivative transactions are entered into to hedge interest and foreign currency exposures incorporated within its business. Accordingly, market risk in these derivatives is basically offset by opposite movements in the value of hedged liabilities. The Company does not hold or issue derivatives for trading purposes.

Derivatives are subject to market risk. Market risk is the exposure created by potential fluctuations in market conditions, including interest rates.

Because the counterparties to these derivatives are limited to major international financial institutions, the Company does not anticipate any losses arising from credit risk.

Derivative transactions entered into by the Company have been made in accordance with internal policies which regulate the authorization. Interest rate swap contracts are also approved by the Board of Directors. The execution and control of derivatives are controlled by the Accounting Division.

The Company did not have such derivative contracts at March 31, 2008 and 2007.

## 12. CONTINGENT LIABILITIES

At March 31, 2008, the Company had the following contingent liabilities:

	Millions of Yen	Thousands of U.S. Dollars
Guarantees of bank loans	¥877	\$8,770

## 13. RELATED PARTY TRANSACTIONS

The balances due from Nikkei Inc. (owing 33.3% of the voting stock in 2008 and 2007) at March 31, 2008 and 2007 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Lease deposits	¥1,278	¥1,278	\$12,780

A statutory auditor of the Company was a president & CEO of the Mizuho Corporate Bank, Ltd. The significant balances due to the Mizuho Corporate Bank, Ltd. are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Short-term bank loans	¥675	¥225	\$6,750

Transactions of the Company with a principal individual shareholder for the years ended March 31 2008 and 2007 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Other income (gain on restitution of undue profit made by principal shareholder)	¥91		\$910

This amount includes profit on and interest accrued from delayed payments in accordance with Article 164 of the Securities and Transaction Law (now Article 164 of the Financial Instruments and Exchange Law).

#### 14. SUBSEQUENT EVENT

The following appropriations of retained earnings at March 31, 2008 were approved at the Company's shareholders meeting held on June 20, 2008:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥15 (\$0.15) per share	¥310	\$3,100

#### 15. SEGMENT INFORMATION

The Company operates in the following industries:

Broadcasting:	Television and syndication, operation of a television station and a CS channel, production of television programs and provision of related technical services, advertising sales
Rights management:	Management of music copyrights, management of animation characters and other television program-related merchandising rights, production and distribution of theatrical movies, sponsorship and promotion of events

Information about industry segments, geographical segments and sales to foreign customers of the Company and consolidated subsidiaries for the years ended March 31, 2008 and 2007, is as follows:

##### (1) Industry Segments

##### a. Sales and Operating Income

	Millions of Yen			
	2008			
	Broadcasting	Rights Management	Eliminations/ Corporate	Consolidated
Sales to customers	¥ 104,290	¥ 17,356		¥ 121,646
Intersegment sales	1,213	362	¥ (1,575)	
Total sales	105,503	17,718	(1,575)	121,646
Operating expenses	103,757	16,196	(1,348)	118,605
Operating income	¥ 1,746	¥ 1,522	¥ (227)	¥ 3,041

##### b. Total Assets, Depreciation and Capital Expenditures

	Millions of Yen			
	2008			
	Broadcasting	Rights Management	Eliminations/ Corporate	Consolidated
Total assets	¥ 53,629	¥ 4,647	¥ 20,706	¥ 78,982
Depreciation	2,277	14	226	2,517
Capital expenditures	2,274	54	186	2,514

#### a. Sales and Operating Income

Thousands of U.S. Dollars				
2008				
	Broadcasting	Rights Management	Eliminations/Corporate	Consolidated
Sales to customers	\$ 1,042,900	\$ 173,560		\$ 1,216,460
Intersegment sales	12,130	3,620	\$ (15,750)	
Total sales	1,055,030	177,180	(15,750)	1,216,460
Operating expenses	1,037,570	161,960	(13,480)	1,186,050
Operating income	\$ 17,460	\$ 15,220	\$ (2,270)	\$ 30,410

#### b. Total Assets, Depreciation and Capital Expenditures

Thousands of U.S. Dollars				
2008				
	Broadcasting	Rights Management	Eliminations/Corporate	Consolidated
Total assets	\$ 536,290	\$ 46,470	\$ 207,060	\$ 789,820
Depreciation	22,770	140	2,260	25,170
Capital expenditures	22,740	540	1,860	25,140

#### a. Sales and Operating Income

Millions of Yen				
2007				
	Broadcasting	Rights Management	Eliminations/Corporate	Consolidated
Sales to customers	¥ 108,170	¥ 15,899		¥ 124,069
Intersegment sales	1,160	574	¥ (1,734)	
Total sales	109,330	16,473	(1,734)	124,069
Operating expenses	105,693	15,357	(1,427)	119,623
Operating income	¥ 3,637	¥ 1,116	¥ (307)	¥ 4,446

#### b. Total Assets, Depreciation and Capital Expenditures

Millions of Yen				
2007				
	Broadcasting	Rights Management	Eliminations/Corporate	Consolidated
Total assets	¥ 53,442	¥ 3,493	¥ 21,905	¥ 78,840
Depreciation	1,929	8	307	2,244
Capital expenditures	2,104	23	139	2,266

#### (2) Geographical Segments

Segment information by geographical area is omitted, since sales and assets in the domestic market comprise over 90% of total sales and total assets.

#### (3) Sales to Foreign Customers

Sales to foreign customers is omitted, since sales to overseas customers are less than 10% of consolidated sales.

# INDEPENDENT AUDITORS' REPORT

TV TOKYO Corporation and Consolidated Subsidiaries  
Years Ended March 31, 2008 and 2007

To the Board of Directors of TV TOKYO Corporation:

We have audited the accompanying consolidated balance sheets of TV TOKYO Corporation and consolidated subsidiaries as of March 31, 2008 and 2007, and the related consolidated statements of income, changes in equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of TV TOKYO Corporation and consolidated subsidiaries as of March 31, 2008 and 2007, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

Our audits 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.



June 20, 2008

# TV TOKYO GROUP

The TV TOKYO Group comprises TV TOKYO, 13 consolidated subsidiaries and three principal affiliates for which the equity method of accounting is applied. The Group aims to grow in business size and increase operational efficiency.

## Consolidated Subsidiaries

Company Name	Major Activities	Address
TV TOKYO Music, Inc.	Music publishing	3-13, Toranomon 4-chome, Minato-ku, Tokyo 105-0001 Phone: +81-3-3432-1260
TV TOKYO Medianet, Inc.	Television program licensing	Sumitomo Shintoranomon Building, 3-9, Toranomon 4-chome, Minato-ku, Tokyo 105-0001 Phone: +81-3-3432-1288
TV TOKYO Commercial, Inc.	Preparation of television commercials	Sumitomo Shintoranomon Building, 3-9, Toranomon 4-chome, Minato-ku, Tokyo 105-0001 Phone: +81-3-3432-1231
TV TOKYO Art, Inc.	Planning and production of studio sets and lighting	Sumitomo Shintoranomon Building, 3-9, Toranomon 4-chome, Minato-ku, Tokyo 105-0001 Phone: +81-3-3432-1276
TV TOKYO Systems, Inc.	Planning, development and management of computer systems	Sumitomo Shintoranomon Building, 3-9, Toranomon 4-chome, Minato-ku, Tokyo 105-0001 Phone: +81-3-3432-1110
TV TOKYO Production, Inc.	Planning and production of television programs	5th floor, Shiroyama Trust Tower 3-1, Toranomon 4-chome, Minato-ku, Tokyo 105-6005 Phone: +81-3-5777-5101
TV TOKYO Direct, Inc.	Direct marketing business, advertising agency	Sumitomo Shintoranomon Building, 3-9, Toranomon 4-chome, Minato-ku, Tokyo 105-0001 Phone: +81-3-5401-0220
TV TOKYO Human, Inc.	Broadcasting preparation	Sumitomo Shintoranomon Building, 3-9, Toranomon 4-chome, Minato-ku, Tokyo 105-0001 Phone: +81-3-3436-4801
Technomax, Inc.	Production technology for television programs	3-3, Higashi-Shinagawa 1-chome, Shinagawa-ku, Tokyo 140-0002 Phone: +81-3-5462-1200
TV TOKYO Building, Inc.	Leasing and management of Tennouzu Studio and real estate	3-3, Higashi-Shinagawa 1-chome, Shinagawa-ku, Tokyo 140-0002 Phone: +81-3-5462-1012
AT-X, Inc.	Communications satellite (CS) animation channel	Sumitomo Shintoranomon Building, 3-9, Toranomon 4-chome, Minato-ku, Tokyo 105-0001 Phone: +81-3-5776-2417
TV TOKYO America, Inc.	Production of television news programs in the United States	1325 Avenue of the Americas, Suite 2402, New York, NY 10019, U.S.A. Phone: +1-212-261-6430
TV TOKYO GolfDigestOnline LLC	Supply of golf-related information and goods; golf-related advertising; and golf proficiency testing	4-8 Toranomon 3-chome, Minato-ku, Tokyo 105-0001 Phone: +81-3-5408-3010



## Affiliates

Company Name	Major Activities	Address
Nikkei Visual Images, Inc.	Planning and production of television programs	6-1, Nihonbashi Kayabacho 2-chome, Chuo-ku, Tokyo 103-0025 Phone: +81-3-3639-2901
TV TOKYO Broadband Entertainment, Inc.	Supply and distribution of Internet content	3rd floor, Toranomon Tosei Building 2-3, Toranomon 4-chome, Minato-ku, Tokyo 105-0001 Phone: +81-3-5733-3888
InteracTV Co., Ltd.	Licensed broadcaster on CS platforms	13th floor, Shiroyama Trust Tower 3-1, Toranomon 4-chome, Minato-ku, Tokyo 105-6013 Phone: +81-3-6430-2634

## Network

The TXN network comprises six television stations, led by TV TOKYO, covering about 70% of all television viewing households in Japan.

Company Name	Address
Television Osaka, Inc. (TVO)	2-18, Otemae 1-chome, Chuo-ku, Osaka 540-8519 Phone: +81-6-6947-7777 URL: <a href="http://www.tv-osaka.co.jp">www.tv-osaka.co.jp</a>
Aichi Television Broadcasting Co., Ltd. (TVA)	4-8, Osu 2-chome, Naka-ku, Nagoya, Aichi 460-8325 Phone: +81-52-203-0250 URL: <a href="http://www.tv-aichi.co.jp">www.tv-aichi.co.jp</a>
TV Setouchi Broadcasting Co., Ltd. (TSC)	1-1, Yanagimachi 2-chome, Okayama 700-8677 Phone: +81-86-803-7000 URL: <a href="http://www.webtsc.com">www.webtsc.com</a>
Television Hokkaido Broadcasting Co., Ltd. (TVh)	12-4, Odori-Higashi 6-chome, Chuo-ku, Sapporo, Hokkaido 060-8517 Phone: +81-11-232-1117 URL: <a href="http://www.tv-hokkaido.co.jp">www.tv-hokkaido.co.jp</a>
TVQ Kyushu Broadcasting Co., Ltd. (TVQ)	3-1, Sumiyoshi 2-chome, Hakata-ku, Fukuoka 812-8570 Phone: +81-92-262-0019 URL: <a href="http://www.tvq.co.jp">www.tvq.co.jp</a>

## CORPORATE DATA

(As of March 31, 2008)

**Company Name:** TV TOKYO Corporation

**Headquarters:** 3-12, Toranomon 4-chome, Minato-ku,  
Tokyo 105-8012, Japan

**Capital:** ¥8,910,957,000

**Began Broadcasting:** April 12, 1964

**Channels:** Digital: Channel 7  
Analog: Channel 12

### **Domestic Branches and Studio** (As of July 1, 2008)

#### **Kansai**

18th floor, Aqua Dojima NBF Tower West Building,  
4-16, Dojimahama 1-chome, Kita-ku, Osaka 530-0004  
Phone: +81-6-6341-5512  
Fax: +81-6-6341-0512

#### **Nagoya**

6th floor, Shin-Kyouei Building, 7-9, Sakae 3-chome,  
Naka-ku, Nagoya, Aichi 460-0008  
Phone: +81-52-262-2712  
Fax: +81-52-262-2912

#### **Tennouzu Studio**

3-3, Higashi-Shinagawa 1-chome, Shinagawa-ku,  
Tokyo 140-0002  
Phone: +81-3-5462-1012  
(TV TOKYO Building)

### **Overseas Branches**

#### **TV TOKYO America, Inc. New York Bureau**

1325 Avenue of the Americas, Suite 2402, New York,  
NY 10019, U.S.A.  
Phone: +1-212-261-6430  
Fax: +1-212-261-6439

#### **TV TOKYO America, Inc. Washington, DC, Bureau**

1333 H Street, N.W. 5F, Washington, DC 20005, U.S.A.  
Phone: +1-202-638-0441  
Fax: +1-202-638-0443

#### **London**

5th floor, 13 Berners Street, London W1T 3LL, U.K.  
Phone: +44-20-7323-5505  
Fax: +44-20-7436-6424

#### **Moscow**

Kutuzovski Prospekt dom 7/4, Korpus 1, KV236,  
Moscow 121248, Russia  
Phone: +7-495-974-1571  
Fax: +7-499-243-0239

#### **Beijing**

Wai Waijiaogongyu 11-153, Jianguomen,  
Chaoyang District, Beijing, People's Republic of China  
Phone: +86-10-6532-6785  
Fax: +86-10-6532-6784

#### **Hong Kong**

Room B-20F, One Capital Place  
18 Luard, Wanchai, Hong Kong  
Phone: +852-2824-1599  
Fax: +852-2824-2225

#### **Seoul**

8th floor, Maeil Business Newspaper,  
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Republic of Korea  
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Fax: +82-2-2268-3094

#### **Shanghai**

Room 3310, Plaza 66  
1266 Nanjing Xi Lu, Shanghai  
200040 China  
Phone: +86-21-6288-0110  
Fax: +86-21-6288-0250

# INVESTOR INFORMATION

(As of March 31, 2008)

## Number of Shares:

Authorized 82,580,000

Issued 20,645,000

**Stock Code:** 9411

**Stock Exchange Listing:** First Section of the Tokyo Stock Exchange

**Transfer Agent and Registrar:** Mizuho Trust & Banking Co., Ltd.

**Independent Auditors:** Deloitte Touche Tohmatsu

**Fiscal Year-End:** March 31

**Shareholders' Meeting:** June

**Number of Shareholders:** 3,626

**Investor Relations Section:** Corporate Communications Department  
3-12, Toranomom 4-chome, Minato-ku, Tokyo 105-8012, Japan  
Phone: +81-3-5470-7777 Fax: +81-3-5473-6393

## Major Shareholders

	Number of shares held (Thousands)	Percentage of total shares issued (%)
Nikkei Inc.	6,881	33.3
Eitaro Itoyama	2,970	14.4
Nippon Life Insurance Company	1,036	5.0
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	984	4.8
Mizuho Bank, Ltd.	600	2.9
Japan Trustee Services Bank, Ltd. (Sumitomo Mitsui Banking Corporation trust account re-entrusted by Mitsui Asset Trust and Banking Company, Limited)	590	2.9
Toray Industries, Inc.	518	2.5
Mainichi Broadcasting System, Inc.	518	2.5
MITSUI & CO., LTD.	518	2.5
TV TOKYO Employee Stockholder Program	351	1.7

## Distribution of Shares

	Number of shares held	Percentage of total shares issued (%)
Other domestic firms	11,942,750	57.8
Financial institutions	4,278,721	20.7
Individuals and others	4,280,769	20.7
Foreigners	90,639	0.4
Securities firms	52,121	0.3

Notes: 1. The amount of shares shown for "individuals and others" includes 331 shares of treasury stock.

2. The amount of shares shown for "other domestic firms" includes 200 shares held under the name of the Japan Securities Depository Center, Inc.



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