FUJI TELEVISION NETWORK, INC.

Annual Report 2007

Year ended March 31, 2007

Profile

Since it first began broadcasting in 1959, Fuji Television Network, Inc. has continually developed its operations to become one of the leading media companies in Japan and served as a driving force in media content production. In April 2006 the Fuji Television Group transitioned to a consolidated business structure, with Fuji Television as the operating holding company overseeing five business segments—Broadcasting; Program Production and Related Business; Direct Marketing; Video and Music; and Other Business. In November 2006 Fuji Television announced a new medium-term business plan that extends through this fiscal year to March 2012 and will guide the Company's efforts to strengthen both its function as a media company and its content production capabilities. The entire Group is devoting full efforts to achieving these goals.

The year 2007 marks a decade since the completion of Fuji Television's headquarters, with its 10 fully digitalized studios. With the expected completion in September 2007 of a new studio adjoining the headquarters, the Company is also ushering in the age of the "digital content factory." This advanced new facility, constructed in the project that followed the Fuji TV 50th Anniversary of Broadcasting Project, will allow Fuji Television to readily adapt to new challenges and to take advantage of new business opportunities.

Fuji Television has its sights set on capturing the "quadruple crown" in viewer ratings for the fourth consecutive year. The Company will put its new studio to use in producing higher-quality content and will work to maximize the value of that content so as to maximize the corporate value of the Fuji Television Group.

Contents

Forward-Looking Statements

The figures contained in this annual report with respect to Fuji Television's plans and strategies and other statements that are not historical facts are forward-looking statements about the future performance of Fuji Television. Such statements are based on management's assumptions and beliefs in light of the information currently available to it and involve risks and uncertainties. Actual results may differ from those in the forward-looking statements as a result of various factors. Potential risks and uncertainties include, without limitation, general economic conditions in Fuji Television's market and changes in the size of the overall advertising market.

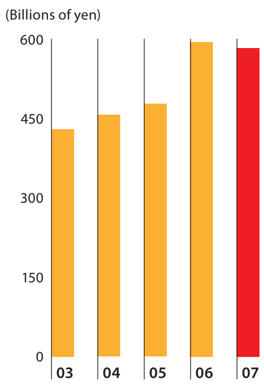
Consolidated Financial Highlights

Fuji Television Network, Incorporated and Consolidated Subsidiaries
Years ended March 31

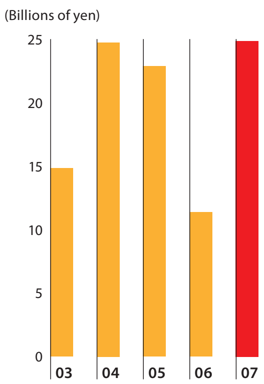
	Millions of yen			Thousands of U.S. dollars
	2005	2006	**2007**	**2007**
For the year:				
Net sales	¥ 476,733	¥ 593,493	**¥ 582,660**	**$ 4,935,705**
Operating income	43,581	50,724	**42,325**	**358,535**
Net income	22,845	11,345	**24,846**	**210,470**
Per share data (Yen and U.S. dollars)**:**				
Net income	¥ 9,056	¥ 5,019	**¥ 10,811**	**$ 91.58**
Net income (after dilution)	8,951	–	–	–
Cash dividends	5,000	4,000	**5,000**	**42.35**
At year-end:				
Total assets	¥ 681,190	¥ 692,339	**¥ 731,496**	**$ 6,196,493**
Total net assets	489,173	471,825	**469,586**	**3,977,857**

Note: The translation of yen amounts into U.S. dollar amounts is included solely for convenience and has been made, as a matter of arithmetic computation only, at the rate of ¥118.05=U.S.$1.00, the approximate rate of exchange in effect on March 31, 2007.

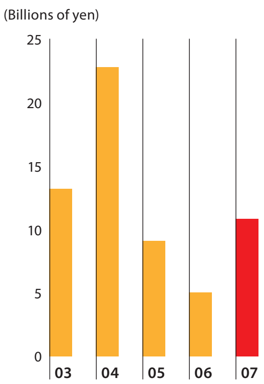
Net Sales



Net Income



Net Income Per Share



A Message from the Management

Review of Fiscal 2007

In fiscal year 2007 (ended March 31, 2007) the Japanese economy continued to exhibit signs of recovery, with capital expenditures increasing and employment improving as corporate earnings showed positive growth. It was not a banner year for advertising, however, as consumer spending showed little sign of gaining steam.

Despite the difficult business environment, we won the "quadruple crown" in viewer ratings for the third consecutive year, besting all other broadcasters in the four key time slots: "golden time" (19:00–22:00), prime time (19:00–23:00), all day (06:00–24:00), and non-prime time (06:00–19:00 and 23:00–24:00). Consolidated net sales for the fiscal year, however, dropped 1.8% from the previous fiscal year to ¥582,660 million, mainly because revenue from television broadcasting—the Company's major source of revenue—fell short of the record level set in the previous fiscal year.

While the Program Production and Related Business segment posted an increase in earnings owing to the efficient use of expenditures, overall operating income declined 16.6% from the previous year to ¥42,325 million, due to lower earnings in the Broadcasting segment and poor performance in the Direct Marketing and Other segments. Net income, however, rose 119.0% to ¥24,846 million, owing mainly to a substantial decline in extraordinary losses. Net income per share increased from ¥5,109.42 in the previous fiscal year to ¥10,811.13 in the year under review. Year-end dividends for fiscal 2007, in accordance with the Company's dividend policy, were set at ¥3,000 per share, which along with the ¥2,000 per share interim dividend made for a full-year dividend of ¥5,000 per share.

Overview and Progress of the Medium-Term Business Plan

In November 2006 we announced the "More Fuji TV Plan," a new five-year medium-term business plan

Chairman and Chief Executive Officer
Hisashi Hieda

President and Chief Operating Officer
Kou Toyoda

effective through the end of March 2012. The key priorities identified in the plan are for the Company to strengthen its content production capabilities and maximize the value of the content produced, so that Fuji Television can respond swiftly and effectively to changes in the media environment. Targets established for fiscal 2012 (ending March 31, 2012)—the year of full transition to terrestrial digital broadcasting—are to achieve consolidated net sales of ¥700 billion with recurring profit of ¥70 billion. The Fuji Television Group also will strive to maintain stable increases in advertising revenue while boosting revenue from non-advertising sources, and to develop innovative businesses that will generate earnings from new sources.

One of the focal points in these efforts is the Bayside Studio, a new facility near our headquarters in Daiba, Tokyo. Scheduled to begin full-scale operation in September 2007, the new studio consolidates in one location the content production previously conducted in studios throughout Tokyo, providing a unified structure that encompasses all stages of content production, from planning and rehearsal to recording and editing. The Company expects that the new facility will strengthen its content creativity, production ability and cost efficiency, which in turn will enhance our abilities to deliver even higher-quality content in the future. Designed to serve, along with the main studios in the headquarters, as a true "content factory" and core of the Group's production capabilities, the Bayside Studio takes a position alongside the headquarters building as a symbol of the Fuji Television Group.

We are working to lay a solid foundation for greater earnings that includes stable growth in revenue from terrestrial broadcasting advertising, the development of broadcasting satellite (BS) and communication satellite (CS) digital broadcasts and the distribution of our own content through all media formats, including the Internet. Seeking to broaden our management foundation, we are also using television broadcasting as a base to pursue businesses that generate revenue from means other than advertising, such as DVD package sales, character licensing and other rights businesses, a movie business, an event business, and a direct marketing business using a range of media.

In April 2006, we transitioned to a consolidated business structure with Fuji Television as the operating holding company. In March 2007, the Company acquired the remaining shares of Pony Canyon Inc. and Fusosha Publishing Inc., making them wholly owned subsidiaries. The Company also purchased additional stock in Fuji Satellite Broadcasting, Inc. (BS Fuji, Inc.) As part of realigning the group structure, the Company also concluded a basic agreement regarding a merger with subsidiaries Bigshot Inc., Fuji Sankei Advertising Work Inc., T*Com Corporation and Fuji Ad. Systems Corp. With Fuji Television as our core, we intend to continue following a flexible strategy of selection and concentration of management resources.

CSR Initiatives

Because Fuji Television's broadcast business utilizes the airwaves shared by all residents of Japan, the Company believes it has an important social mission and responsibilities to the public. Accordingly, an important part of our service is to produce higher-quality content and engage in business operations that contribute to society, helping people lead more fulfilling, satisfying lives. To further these efforts, and to incorporate the principles of corporate social responsibility more fully in our operations, we established an internal CSR Promotion Office in June 2006 and formed a CSR Committee and CSR Committee Project Team the following October.

The Company is also continuing with efforts to establish a system of internal controls designed to improve management transparency and ensure that fair, ethical behavior is followed in all business activities. We also have established a Committee for Compliance and Risk Management headed by the president, and we have designated officers in each workplace charged with ensuring that company operations fully comply with all applicable laws and regulations.

Conservation of the global environment is also a priority. We have formulated an environmental action plan called the Odaiba Protocol 2007, and we have used our programming and events to raise public awareness of the need to conserve resources and protect the environment. Concern for the environment is reflected in our business operations as well. The Company has introduced new kinds of broadcasting equipment and materials designed to reduce environmental impact, promotes waste separation and recycling, pursues "green" purchasing wherever possible, and is participating in the Team -6% Project.

Dividend Policy

Fuji Television regards the disbursement of profits to shareholders as one of the Company's most important management responsibilities. Our policy is to pay out dividends commensurate with the Company's performance, while also aggressively investing in infrastructure and content production so that we can maintain our position at the forefront of the industry and explore new business opportunities.

Our standard for a non-consolidated dividend payout ratio is 50%. Decisions regarding the amount of dividends to pay out for a particular accounting period are based on a comprehensive review of the various elements related to income during the period, investments necessary to maintain business success and promote future business development, and other factors.

As noted previously, for fiscal 2007 the Company decided to pay out a full-year dividend of ¥5,000 per share (including the ¥2,000 per share interim dividend), which amounts to a non-consolidated dividend payout ratio of 48.2%.

For fiscal 2008 (ending March 31, 2008), both the interim and year-end dividend payouts are expected to be ¥1,800 per share, amounting to a full-year dividend payout of ¥3,600 per share (a non-consolidated dividend payout ratio of 49.9%).

Profile of the New President

Fuji Television has appointed Kou Toyoda to the position of President and Chief Operating Officer. With the media industry facing a rapidly changing business environment, this appointment will help to strengthen the Group's management foundation, ensure that Fuji

Television remains the industry leader, promote the steady implementation of the measures set forth in the medium-term business plan, and allow us to look forward to further growth and development.

Outlook for Fiscal 2008

While Japanese listed companies generally posted positive results in their financial statements for the fiscal year ended March 31, 2007, the impact of foreign exchange rates, financial markets and other aspects of the external environment, along with the spike in crude oil prices, dampens excessive optimism concerning the future outlook for the Japanese economy. At the same time, however, total advertising expenditures, as reported by *Advertising Expenditures in Japan* compiled by Dentsu Inc., are expected to grow 1.1% year on year in 2007, almost doubling the 0.6% growth in 2006. Factors contributing to this encouraging projection include expectations that a recovery in personal consumption will fuel stable expansion in the Japanese economy, and that advertising placements will continue to increase in a wide range of industries.

Given these conditions, Fuji Television anticipates a slight increase in revenues on a consolidated basis, deriving mainly from a modest increase in revenues on a non-consolidated basis, along with a positive contribution in revenues in the second half of the fiscal year resulting from integration of our four advertising companies—a move for which preparations have been taking place as part of a Group restructuring plan. At each Group company we will strive to reduce costs. We anticipate an overall trend toward recovery, with earnings in the Video and Music segment and a recovery of profitability in the Direct Marketing segment. For the full fiscal year, we forecast consolidated net sales of ¥586.0 billion, operating income of ¥34.1 billion, and net income of ¥21.0 billion.

Going forward, we will continue to flexibly implement a program of selecting and concentrating our business resources with Fuji Television at the center, while also maximizing the power and creativity of each Group company and continuing to develop as a highly competitive media corporate group. The integrated business development of the Fuji Television Group is both unrivaled in our industry and highly regarded. We will strive to continue to earn the deep trust our shareholders and investors have given us, by developing and strengthening businesses that maximize content value and corporate earnings. We will also work to ensure a consistent return to shareholders while laying the foundation for stable earnings and steady, sustainable growth, so that we can make strategic future investments, respond quickly and effectively to changes in the business environment, and continually strengthen our competitiveness.

September 2007

Hisashi Hieda
Chairman and Chief Executive Officer

Kou Toyoda
President and Chief Operating Officer

At a Glance

Note: Individual segment sales include intra-group net sales and transfers.

Broadcasting

Comprising television and radio broadcasting, this is the core segment of the Fuji Television Group and accounts for about 70% of total sales. Fuji Television and Nippon Broadcasting are striving to boost synergies between radio and television by jointly operating new studios and strengthening their content production capabilities.

Major Companies

- Fuji Television Network, Inc.
- Nippon Broadcasting System, Inc.

Total Two Companies

Sales (Billions of yen)

¥402.8
69.1%

Program Production and Related Business

This segment is composed of specialists in the planning and production, engineering, relay, and other aspects of programming. Companies in this segment are working to boost earnings by winning orders for programming production from outside the Fuji Television Group to augment revenues from programming produced for the Group.

Major Companies

- Kyodo Television, Limited
- Fuji Creative Corporation
- Fuji Art, Inc.
- Happo Television, Inc.
- FUJISANKEI COMMUNICATIONS INTERNATIONAL, INC.
- Fuji Lighting and Technology, Inc.
- Four other companies

Total 10 Companies

Sales (Billions of yen)

¥52.5
9.0%

Direct Marketing

Recognized as a leader in direct marketing in Japan, Dinos aims to build a corporate structure that is sheltered from the impact of trends in the broadcasting and movie business as well as the economy as a whole.

Major Company

- Dinos Inc.

Total One Company

Sales (Billions of yen)

¥67.3
11.6%

Video and Music

This is a new segment established in fiscal 2006 following Pony Canyon's becoming a consolidated subsidiary of Fuji Television. Pony Canyon's strengths in selling directly to consumers will support the development of Fuji Television's downstream operations.

Major Companies

- Pony Canyon Inc.
- Fujipacific Music Inc.
- Ponycanyon Enterprise, Inc.
- Six other companies

Total Nine Companies

Sales (Billions of yen)

¥74.3
12.8%

Other

This segment combines companies engaged in a wide range of businesses, such as movie production, software development, restaurants, temporary staffing and placement services, leasing, and publishing, that will underpin the growth of the Fuji Television Group.

Major Companies

- Fujimic, Inc.
- Fusosha Publishing Inc
- Fujisankei Personnel Inc.
- Three other companies

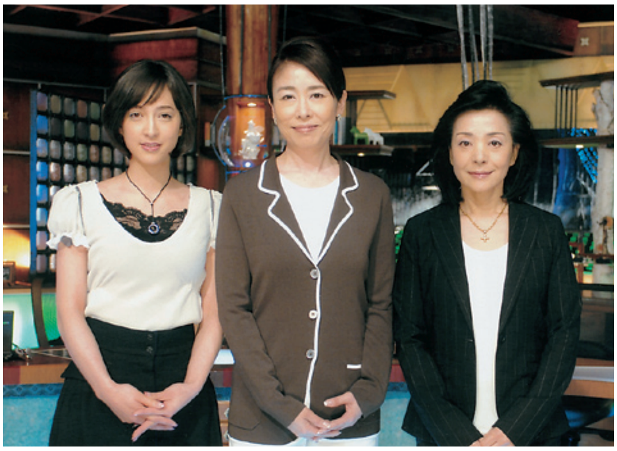
Total Six Companies

Sales (Billions of yen)

¥59.1
10.1%

TELEVISION BROADCASTING

Broadcasting is the core business of the Fuji Television Group, with television broadcasting accounting for about 65% of net sales. Television programming is the heart of the Fuji Television Group's content business, providing the advertising income that is the main source of revenue from television broadcasting, with additional revenue derived from movie productions and events, and such rights-related sources as DVD releases of television broadcasts and program-themed goods.



News Program, *Shinhodo Premium A*

"Quadruple Crown" in Viewer Ratings for the Third Consecutive Year

Fuji Television's television broadcasts have received the "quadruple crown" each year since the fiscal year to March 2005, coming first in viewer ratings in each of the four time categories: "golden time" (19:00–22:00), prime time (19:00–23:00), all day (06:00–24:00), and non-prime time (06:00–19:00 and 23:00–24:00). On a monthly basis we received the "triple crown" for the 11th time during the subject fiscal year. In terms of individual viewer demographics, Fuji Television has traditionally been strong in the F1 (women 20–34), M1 (men 20–34), Teens and Kids demographics, and this strength is expanding to include the F2 (women 35–49) and M2 (men 35–49) segments as well. Our dramas, variety shows, infotainment, sports, and news programs all enjoy broad and stable viewer support, and provide a solid foundation for the advertising revenue that is the primary source of income for television broadcasting.

Advertising Revenue Trends

Network time advertising sales (advertising sales for nationwide broadcasts) during the subject fiscal year decreased 0.2% overall from the previous fiscal year to ¥134,830 million. Advertising sales for regular programming, despite a year-on-year decline in the October 2006 new programming season, rose for the full year as a result on the back of strong viewer support. However, advertising sales for special programming, which can generally be sold at a higher rate than regular programming, were down from the previous fiscal year. Although this fiscal year featured such broadcasts as the 2006 FIFA World Cup Germany in June and July, the 2006 Women's World Volleyball Grand Prix in August and September, and the World Figure Skating Championships 2007 in Tokyo in March, the revenue decline after the end of the Turin Olympics 2006 was substantial. Also, as the viewing rate for evening baseball games has been declining in recent years, we reduced the number of games broadcast by around half from the previous season, allocating the time to regular programming.

Variety Program, *Haneru no Tobira*

Local time advertising sales for broadcasts to the Kanto region were boosted by strong regular program sales and an increase in one-off programs suggested by sponsors, rising 1.2% from the previous fiscal year to ¥22,836 million.

Spot advertising sales for the subject fiscal year decreased 2.1% from the previous fiscal year to ¥136,062 million. During the first half of the subject fiscal year, spot advertising sales were lower in every month than in the corresponding month of the previous fiscal year, reflecting the stagnant advertising market. Sales rose in the second half, however, as the spot advertising market picked up in December 2006 and set a new record for single-month sales in February 2007. By industry type, the value of ad placements rose in the beverages industry (both alcoholic and non-alcoholic); communications (which performed strongly following the introduction of the number portability system); manufacturers of office equipment, precision and optical devices (such as digital cameras and mobile phones); game manufacturers (which grew due to the introduction of next-generation game consoles and related software); and the infotainment industry (driven by growth in movie revenue). However, these increases were insufficient to make up for the substantial fall in advertising sales to the finance industry (due to voluntary restraints on advertising by consumer finance companies); and to distribution and retail companies.

Non-Advertising Revenue

Fuji Television, along with sustainable growth in advertising revenue, is working to strengthen the earnings capacity of the entire Group by concentrating on increasing non-advertising revenue derived from its program content.

One of the central elements of this strategy is the rights business, which was organized into a systematic effort with the establishment of the Rights Development Department in 2003. In addition to DVD sales of program content, this department promotes sales of over 5,000 program-related items through 20 specialty stores nationwide, the Internet-based Fuji TV Web Shop, and its mobile device version Web Shop Omiyage Land. In recent years we have also focused on diversification of earnings derived from content in line with dramatic shifts in consumer preferences, such as expanded licensing revenue from game development for Nintendo DS, PlayStation and other formats.


News Program, *Toku Dane!*

Revenues from other operations in the Television Broadcasting business increased during the subject fiscal year. In the rights business, DVD sales of the *Dragonball* Series remained strong, we had numerous hit products in the anime, variety, and drama genres, and sales of program-related products were also positive.

The FNS 28 Cover All of Japan

The Fuji Network System includes Fuji Television and 27 local broadcasters throughout the country, providing coverage to all of Japan.

New Initiatives to Respond to Changes in the Media Environment

Fuji Television is steadily developing its infrastructure in response to the changing media environment. Along with its terrestrial broadcasts (both analog and digital), Fuji Television operates two communication satellite (CS) channels (Fuji TV 721 and 739) that each have 1.6 million paying subscribers, and the broadcasting satellite (BS) station BS Fuji available on the 20 million satellite receivers in use nationwide.

The terrestrial digital broadcast service for mobile phones and other portable devices (referred to as "one-segment" broadcasts in Japanese) launched in April 2006, as an independent media, has the potential for expanded business opportunities in the future. The Fuji Television Group is offering services linking "one-segment" broadcasts with mobile Internet access, as well as seeking to develop content specifically for broadcast to mobile devices.

Saiyuki

MOVIE BUSINESS

Fuji Television had a major hit during the subject fiscal year with *Limit of Love* (released on May 7, 2006), which became the number one movie in the Japanese live action category in 2006. Revenue in the movie business overall, however, was down compared to the positive performance of the previous fiscal year.

Fuji Television began making movies in 1969, producing nearly 150 titles to date and becoming of Japan's largest movie production studios. We were one of the first production companies to utilize the expertise gained through television production that has earned us such high standing among viewers to bolster our movie production and enhance the value of our video content.

Fuji Television has produced seven of the ten top grossing live-action films in Japan. During fiscal 2007, moreover, our unsurpassed movie production capabilities turned out *Limit of Love* and *Hotel Avanti*, which placed first and second, respectively, in terms of box office receipts during 2006.

The expansion of television companies into movies in recent years has helped underpin the positive environment in the Japanese movie industry, and Fuji Television was one of the pioneers of this trend. This was the realization of our long-standing strategy to fully utilize our extensive content production and media promotion capabilities centered on television to maximize the value of our content. A popular television drama is often the starting point for a movie version, as our success with *Bayside Shakedown* demonstrates. Along with the primary revenue from box office receipts, such productions have also generated secondary revenue in the form of a successful television series, spin-off dramas or movies, DVD sales, and sales of related goods, publications and music CDs.

Limit of Love

Fuji Television has strategically developed the capability it has acquired through television program production into movie production as well as marketing and publicity. The Movie Business Department was established in 2003 in order to drive an increase in earnings, and we will continue to steadily expand and develop this business.

Last year's releases *Oh! Oku Nippon* and *Limit of Love*, as well as *Saiyuki* released in July 2007, were all originally strategic collaborations with television programs. Earnings from these films were maximized by offering related products and productions in a variety of media formats.

HERO

EVENT BUSINESS

Fuji Television was the first broadcaster to produce both television programs and movies, and is also actively involved in event development. These other businesses (non-broadcasting businesses) provide residents of Japan with wholesome amusement and entertainment that covers a wide range of genres including art, music, theater, opera and sports, help to contribute to the development of Japan's art, culture and sport, and over the past few decades have become one of the pillars of the Company's operations and contributed to the growth in non-advertising revenue.

One of the main sources of support for Fuji Television's event business has been invitational performances from the world-class entertainer troupe Cirque du Soleil. During fiscal 2007, Cirque du Soleil's *Dralion* began a nationwide tour of Japan with an opening performance in Tokyo in February 2007, making a successful start playing to near-capacity audiences for each performance. Over 500 performances of *Dralion* are scheduled in five major Japanese cities through June 2008. Along with the record-breaking performances already concluded in Tokyo and Sendai, the group will tour Osaka, Nagoya, Tokyo (encore performance), and Fukuoka.

Dralion

Fuji Television first invited the world-class entertainer troupe Cirque du Soleil to Japan in 1994 to perform its representative work *Saltimbanco*, a series of five works that played 2,020 performances and attracted a record 4.93 million visitors. We have also continually produced regular entertainment events, including invitational performances by the Teatro Comunale di Bologna and other opera companies, concerts by Billy Joel and other popular Japanese and foreign artists, as well as plays and musicals from Japan and overseas. We have also focused on developing event content linked to television programming, such as merchandising development for the Volleyball World Cup and other sports events, stage performances of popular television dramas, and events for popular variety shows. Along with income from the event itself, we actively work to derive revenue from a variety of sources linked to the event, such as related products and video packages. All of this has made Fuji Television one of Japan's event producers, and a driving force for Japan's event industry.

Andrea Chénier

Since moving to its new headquarters building in 1997, Fuji Television has sponsored events at its headquarters and in surrounding areas in which viewers can participate, part of a branding campaign for the Company. We naturally have exclusive rights to events linked to our broadcasts and television programs. The *Odaiba Bohkenoh* held in summer this year (July–August 2007) attracted about 4.1 million visitors over its 51-day run, which along with the "golden week" springtime and year-end winter events has become a well-known and popular Odaiba attraction.

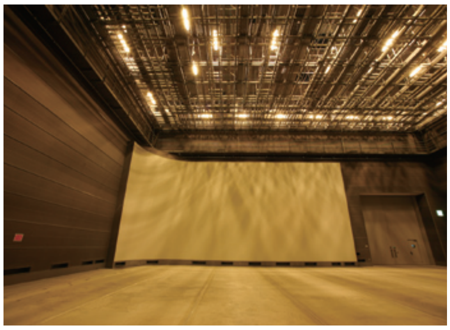
Odaiba Bohkenoh

The Bayside Studio, the project that followed the Fuji TV 50th Anniversary of Broadcasting Project, opened in September 2007 with eight stages in operation.

Fuji Television has for some time had as part of its medium- to long-term business strategy the development of a "media complex" structure, and realization of a "digital content factory." The headquarters studio completed in 1997 helped to fill the gap in our program production structure, and we continued to utilize our external studios and editing rooms. In order to provide a stable production structure for dramas and variety programs and improve production efficiency, as well as further strengthen content production, a new studio was built

A "DIGITAL CONTENT FACTORY" CREATED WITH THE COMPLETION OF THE NEW STUDIO

THE POWER OF CONTENT



adjoining from the headquarters. The completion of the new studio provides Fuji Television with a total of 18 stages in Odaiba (together with the 10 stages in the headquarters), and integrates the recording studios and post-production facilities in a single location, creating a cutting-edge, powerful content supply structure that leads the industry. We anticipate that allowing for all aspects of production, from planning through recording, editing and finishing to be completed in the Odaiba Headquarters area, will make for better quality content, and improve both production efficiency and profitability.

The new studio is outfitted with the latest digital broadcast equipment, and will be able produce not only dramas and variety shows, but also a diverse range of content extending from movies to mobile media. The studio is truly a powerful "digital content factory."

The studio has visitor facilities on the first floor and rooftop, and a character goods shop, generating the same bustle and excitement as the headquarters and expanding opportunities for the non-broadcasting business. The facility also has an environmentally friendly design, incorporating such energy-saving features as a rooftop garden and double-pane glass on the exterior walls.

Corporate Governance

Corporate Governance

Basic Policies Concerning the Enhancement of Corporate Governance and Status of Implementation

By organically combining a transmission network (i.e., infrastructure) with programming (i.e., content), Japan's terrestrial broadcasting has attained among the world's highest levels of both diffusion and quality. It is fulfilling the public's right to receive information and become indispensable to people's lifestyles and safety as a vehicle through which culture is communicated.

Fuji Television is working to strengthen its corporate governance systems. These efforts are guided not only by the aim of maximizing shareholder value but also by the aim as a key media and mass communications company to honor its social mission to maintain its lifeline functions, such as emergency and disaster announcements, and to responsibly deliver content.

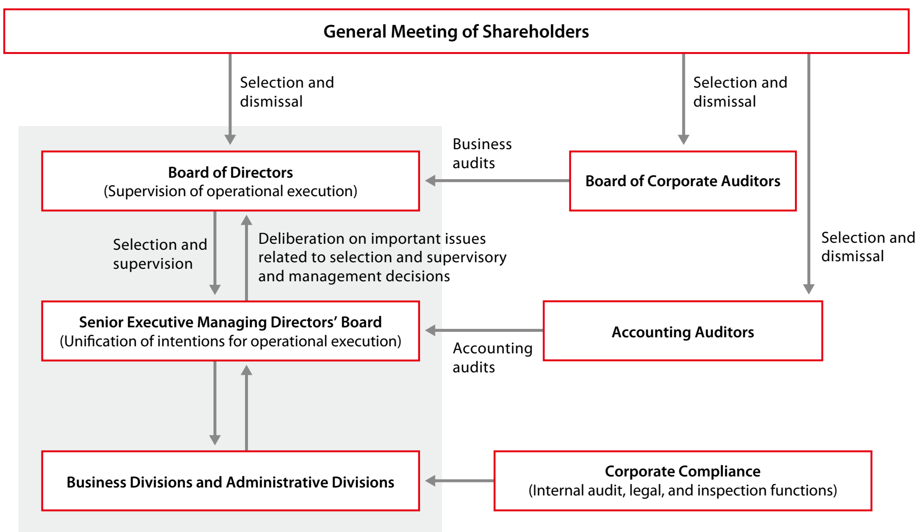
1) Company organization and status of internal management structure

Fuji Television considers the creation of internal systems that ensure the transparency of management to be an important goal of corporate governance. Toward this end, we are working to enhance the general meeting of shareholders, accelerate decision-making and the supervisory function of the Board of Directors, strengthen our auditors' audit capabilities, and enhance disclosures of various types of information.

Five external directors have been appointed to the Board of Directors to ensure the transparency of management. In addition, the number of directors has been reduced to 20 from 35 to accelerate the decision-making process and improve the efficiency of business execution. Also, the tenure of directors has been reduced to one year from two in order to clarify the responsibilities of directors and respond swiftly to changes in the operating environment.

The Board of Senior Executive Managing Directors, comprising primarily statutory directors, deliberates on important matters raised at the Board of Directors meeting and promotes the sharing of information on the status of business execution at each business division.

Fuji Television continues to adopt an auditor system and its Board of Corporate Auditors comprises five auditors, including three external auditors. The auditors participate in the meeting of the Board of Directors and other important meetings and perform operational audits by reviewing important documents; interviewing staff in the administrative divisions, operating divisions, and at subsidiaries; and working closely with our internal auditors. At the same



time, the auditors perform accounting audits by interviewing our directors and representatives of the finance department and working closely with our accounting auditors.

In the past, our internal audits were conducted by internal auditors appointed within the Office of the President and audited our compliance with the law and internal regulations based on an annual internal audit plan approved by the president. In June 2005, however, Fuji Television established its Corporate Compliance, which combines its internal audit, legal, and inspection functions, to enhance its internal administration structure and promote legally compliant and appropriate operations at a Companywide level. Going forward, the Corporate Compliance will work to solve issues in each division rapidly and in a cross-sectional manner. At the same time, the department will vigorously promote compliance with the Personal Information Protection Law and other regulations; the Fuji Television Code of Conduct, which was established in January 2005; and other in-house rules and regulations, and thus help us to continue to earn the trust that society has placed in Fuji Television.

The status of execution of audits, approach to supervision, and internal administration structure at Fuji Television is pictured in the chart at left.

2) Overview of human resource-related relationships, capital relationships, or business ties and other potential conflicts of interest between the Company and its external directors and external auditors

Fuji Television has no business relationships related to human resources, capital, or technology with the companies whose directors have been appointed as its external directors and external auditors. However, Fuji Television does have business relationships with these companies in its Broadcasting and Other businesses. All transactions are conducted under the same terms and conditions as other business partners without such relationships.

Management

Board of Directors

Chairman and Chief Executive Officer

Hisashi Hieda

President and Chief Operating Officer

Kou Toyoda

Senior Executive Vice President

Ryosuke Yokoi

Executive Vice President

Hideaki Ohta

Senior Executive Managing Directors

Shuji Kanoh
Masami Obitsu
Masumi Uchibori
Kazunobu Iijima
Yoshikazu Horiguchi
Hiroshi Seta

Executive Managing Directors

Eiichi Kubota
Yutaka Kobayashi
Ryunosuke Endo
Katsuaki Suzuki
Isao Matsuoka
Shigeki Sato
Taizan Ishiguro
Michio Izuma
Takafumi Beppu
Takehiko Kiyohara

Corporate Auditors

Kiyoshi Onoe
Shunichiro Kondo
Hachiro Ito
Yuzaburo Mogi
Naoya Minami

(As of June 28, 2007)

Six-Year Summary

Financial Summary

Fuji Television Network, Incorporated and Consolidated Subsidiaries Years ended March 31	Millions of yen (except where noted)						Thousands of U.S. dollars (Note)
	2002	2003	2004	2005	2006	**2007**	**2007**
For the year:							
Net sales	¥ 436,902	¥ 429,004	¥ 455,945	¥476,733	¥593,493	**¥ 582,660**	**$ 4,935,705**
Broadcasting	334,427	328,683	352,558	370,463	388,179	**379,277**	**3,212,850**
Program production and related business	20,911	18,968	18,507	19,881	21,649	**21,173**	**176,356**
Direct marketing	59,810	61,084	66,654	67,966	69,484	**67,039**	**567,886**
Video and music	–	–	–	–	72,474	**72,996**	**618,348**
Other	21,752	20,267	18,225	18,422	41,706	**42,173**	**357,247**
Cost of sales	269,356	271,605	289,371	301,561	383,592	**379,444**	**3,214,265**
Selling, general and administrative expenses	121,610	120,130	122,509	131,591	159,176	**160,889**	**1,362,889**
Operating income	45,935	37,268	44,065	43,581	50,724	**42,325**	**358,535**
Other income (expenses)	(12,171)	(6,605)	(1,678)	(3,851)	(24,609)	**3,096**	**26,226**
Income before income taxes and minority interests	33,763	30,663	42,387	39,730	26,115	**45,422**	**384,769**
Net income	17,303	14,816	24,714	22,845	11,345	**24,846**	**210,470**
Depreciation and amortization	10,157	10,414	11,619	13,220	18,615	**19,380**	**164,168**
Cash flows from operating activities	30,876	33,458	45,256	44,673	45,786	**60,718**	**514,341**
Cash flows from investing activities	(25,001)	(32,245)	(68,067)	(135,516)	(69,748)	**(18,206)**	**(154,223)**
Cash flows from financing activities	(2,707)	(11,566)	92,956	76,731	(28,642)	**(9,013)**	**(76,349)**
Per share data (Yen and U.S. Dollars)**:**							
Net income	¥ 16,179	¥ 13,617	¥ 22,765	¥ 9,056	¥5,019	**¥ 10,811**	**$ 91.58**
Net income (after dilution)	–	–	–	8,951	–	**–**	**–**
Cash dividends	1,750	1,750	2,000	5,000	4,000	**5,000**	**42.35**
At year-end:							
Total assets	¥ 485,594	¥ 480,913	¥ 625,786	¥ 681,190	¥ 692,339	**¥ 731,496**	**$ 6,196,493**
Total net assets	378,628	367,796	509,550	489,173	471,825	**469,586**	**3,977,857**
Ratios:							
Return on assets (%)	3.6	3.1	4.5	3.5	1.7	**3.5**	
Return on equity (%)	4.7	4.0	5.7	4.6	2.4	**5.3**	
Return on sales (%)	4.0	3.5	5.4	4.8	1.9	**4.3**	
Equity ratio (%)	77.0	76.5	80.2	70.3	66.9	**63.3**	
Interest coverage (Times)	242.1	257.8	354.5	363.1	128.9	**48.4**	

Note: The translation of yen amounts into U.S. dollar amounts is included solely for convenience and has been made, as a matter of arithmetic computation only, at the rate of ¥118.05=U.S.$1.00, the approximate rate of exchange in effect on March 31, 2007.

Net Sales by Operation (Non-Consolidated)

Fuji Television Network, Inc. Years ended March 31	Millions of yen (except where noted)						Thousands of U.S. dollars (Note)
	2002	2003	2004	2005	2006	**2007**	**2007**
Broadcasting:							
Television Broadcasting							
Network time	¥ 132,489	¥ 131,204	¥ 130,623	¥ 133,905	¥ 135,107	**¥ 134,830**	**$ 1,142,143**
Local time	24,345	22,547	21,639	22,041	22,575	**22,836**	**193,443**
Spot	125,646	121,204	124,116	140,641	138,928	**136,062**	**1,152,579**
Other	28,312	27,385	28,450	28,431	30,370	**30,875**	**261,542**
Other operations	29,171	31,386	53,226	51,018	54,583	**53,271**	**451,258**
Radio Broadcasting	–	–	–	–	28,461	**24,947**	**211,326**
Elimination	–	–	–	–	(22)	**(33)**	**(280)**
Total	¥ 339,965	¥ 333,726	¥ 358,056	¥ 376,039	¥ 410,003	**¥ 402,789**	**$ 3,412,020**

Note: The translation of yen amounts into U.S. dollar amounts is included solely for convenience and has been made, as a matter of arithmetic computation only, at the rate of ¥118.05=U.S.$1.00, the approximate rate of exchange in effect on March 31, 2007.

Management's Discussion and Analysis

Organization of The Fuji Television Network Group

The Fuji Television Group is made up of the parent company (Fuji Television) and 55 subsidiaries and 37 affiliates, including Nippon Broadcasting System, Inc. and Pony Canyon Inc. The companies' major activities are broadcasting, as prescribed by Japan's Broadcasting Law; planning, production, technology and transmissions involving programs for broadcast; direct marketing, and video and music. These companies also provide services related to each of these businesses.

In April 2006, the Fuji Television Group transitioned to a consolidated management structure with Fuji Television as the operating holding company. In March 2007, the Company purchased the remaining stock in Fuji Television's subsidiaries Pony Canyon Inc. and Fusosha Publishing Inc. and made them wholly owned subsidiaries, and also purchased additional stock in BS Fuji, Inc., an affiliate of Fuji Television. Furthermore, the Company concluded a basic agreement regarding a merger with Fuji Television subsidiaries Bigshot Inc., Fuji Sankei Advertising Work Inc., and T*Com Corporation, and Fuji Ad. Systems Corp., a joint venture company of six companies in the Fuyo Group and the Fuji Television Group. The agreement was signed by all the interested parties and lays out a roadmap to an eventual merger.

We intend to continue to pursue a flexible program of selection and concentration of management resources with Fuji Television at the core, maximize the power and creativity of each group company, and develop as a highly competitive media corporate group. The integrated business development of the Fuji Television Group—unlike any other in the field—has been highly regarded for some time. Moving forward, to respond to the deep trust placed in us by shareholders and investors, we will further develop various businesses that maximize content value and earnings, ensure stable income so as to provide returns to shareholders and allow for future investments to readily respond to any and all changes in the business environment, and strengthen competitiveness to achieve sustained growth.

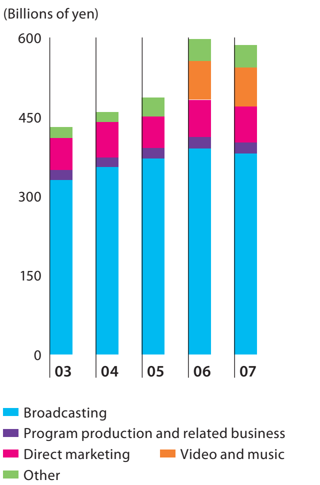
Business Performance in the Fiscal Year Ended March 31, 2007

Earnings Analysis

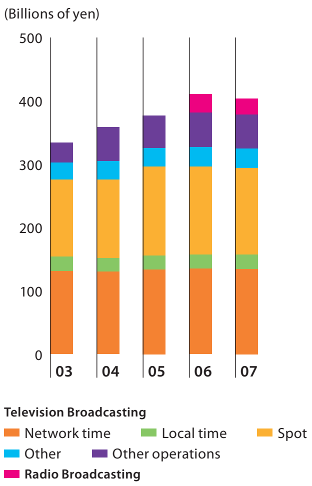
The Japanese economy continued its recovery during the subject fiscal year against a background of expanding corporate profits, increasing capital investment, and a continuing improvement in the employment situation. On the other hand, the advertising market, despite such major sports events as the 2006 FIFA World Cup Germany in the first half of the subject fiscal year, was stagnant overall due to the impact of a number of negative factors, including the lack of big events on the scale of the Turin Olympics held in the previous fiscal year, no apparent positive sentiment in the personal consumption sector, and voluntary restraints on advertising placements by consumer finance companies.

In this environment, Fuji Television again received a "quadruple crown" in viewer ratings for the subject fiscal year, with viewer support allowing it to capture the top spots in the "golden time" (19:00–22:00), prime time (19:00–23:00), all day (06:00–24:00), and non-prime time (06:00–19:00 and 23:00–24:00) slots. Retaining this leading position for the third consecutive year has provided the underlying support for Fuji

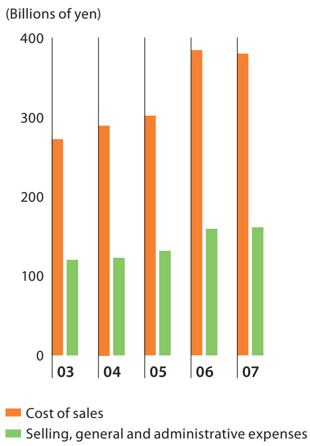
Net Sales by Segment



Net Sales by Operation (Non-Consolidated)



Cost of Sales and SG&A Expenses



Television's business performance. Nonetheless, Fuji Television's consolidated net sales in the subject fiscal year fell 1.8% to ¥582,660 million due to the fact that television broadcasting revenue, the major source of income for the Company, did not reach the level of the previous fiscal year, in which it had posted a new record for sales.

Operating income also decreased 16.6% to ¥42,325 million. Although it increased in the Program Production and Related Business segment due to efficient spending there, it declined in the Broadcasting segment. The Direct Marketing and Other segments also saw poor results. Recurring profit fell 8.6% to ¥45,995 million despite an increase in non-operating income that included equity in earnings of unconsolidated subsidiaries and affiliates and an increase in dividend income, as declines in new stock issuance expenses and corporate bond issuance expenses were also recorded.

On the other hand, net income for the subject fiscal year rose 119.0% to ¥24,846 million, boosted by a substantial fall in extraordinary losses resulting from loss on sales of investment securities compared with the previous fiscal year. Net income per share increased to ¥10,811.13 from ¥5,109.42 in the previous fiscal year.

Results by Operating Segment

Broadcasting

The Broadcasting segment represents the earnings of Fuji Television and Nippon Broadcasting, and it includes the Television Broadcasting business and the Radio Broadcasting business.

Television Broadcasting

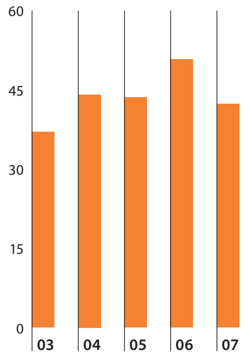
Sales in the Television Broadcasting business fell 1.0% from the previous fiscal year, to ¥377,875 million.

Television broadcasting revenue, the main component of the Television Broadcasting business, fell overall by 1.0% from the previous fiscal year to ¥293,728 million. Although the continued strong performance of Fuji Television's viewer ratings enabled the Company to ensure time advertising sales (program sponsorship sales) at about the same level as in the last period, there was a fall in spot advertising sales (sales of commercials that are unrelated to sponsorship and are mainly broadcast before and after programs), which are comparatively susceptible to the impact of advertising market conditions, as they suffered a backlash from the strong results of the same period in the previous fiscal year.

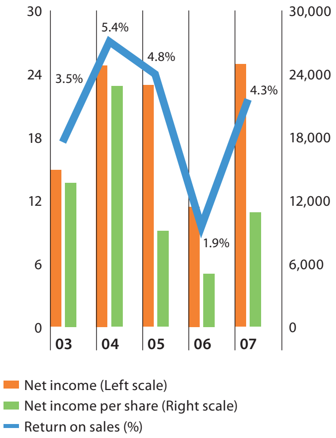
• ***Network time advertising sales***

Looking at network time advertising sales, the advertising sales for nationwide broadcasts, regular program sales were lower in the October new programming season than they had been in the same period in the previous fiscal year, but they were still higher over the entire fiscal year because there were fewer cancellations of regular programming in order to schedule one-off programming. In general, one-off programming can be sold at a higher rate than regular programming and this fiscal year featured broadcasts of the 2006 FIFA World Cup Germany in June and July, the 2006 Women's World Volleyball Grand Prix in August and September, and the World Figure Skating Championships 2007 in Tokyo in March, among others. Nonetheless, one-off programming sales were lower than in the previous fiscal year due to the large decline in sales after the end of the Turin Olympics 2006, and also due to a 50% decline in the number of evening baseball games broadcast. As a result, sales in the subject fiscal year decreased to ¥134,830 million, 0.2% lower than in the previous fiscal year.

Operating Income



Net Income, Net Income Per Share and Return on Sales



Total Assets, Total Net Assets and Equity Ratio

• ***Local time advertising sales***
Looking at local time advertising sales for broadcasts to the Kanto region, regular program sales performed strongly and one-off programming proposed by sponsors also increased. Due to these and other factors, sales in the subject fiscal year rose to ¥22,836 million, 1.2% higher than in the previous fiscal year.

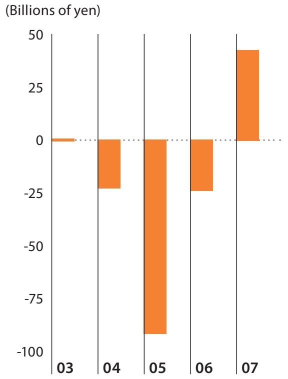
• ***Spot advertising sales***
Spot advertising sales were lower in every month of the first half of the fiscal year than in the same month in the previous fiscal year, reflecting the stagnant advertising market. The second half of the year saw the spot market regain its vigor in December and a new record for single-month sales posted in February, and we were able to achieve a better result for the second half overall than in the second half of the previous fiscal year. However, this was not enough to compensate for the decline in the first half, so there was a fall in sales over the entire fiscal year. By industry type, the value of advertising placements increased for companies in such industries as beverages (both alcoholic and non-alcoholic); communications, which performed strongly due to the introduction of the number portability system; office equipment, precision, and optical devices, such as digital cameras and mobile phones; game manufacturers, which grew solidly thanks to the introduction of next-generation game consoles and related software; and infotainment, an industry being driven by the growth in movie revenue. However, this was not enough to make up for the large fall in advertising sales to companies in the finance industry, which saw voluntary restraints on advertising placements implemented by consumer finance companies; and to distribution and retail companies. As a result, sales in the subject fiscal year decreased to ¥136,062 million, 2.1% lower than in the previous fiscal year.

• ***Other broadcasting businesses***
Looking at revenue from our other broadcasting businesses, sales increased to ¥30,875 million, 1.7% higher than in the previous fiscal year. This was the result of strong growth in subscription revenues from our CS broadcasting services and revenue from program sales which exceeded that of the previous fiscal year.

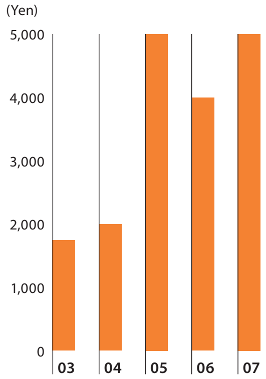
• ***Other operations***
Revenues from other operations in the Television Broadcasting business increased. In the rights business, DVD sales of the *Dragonball* Series remained strong, we produced a large number of hits in the anime, variety, and drama genres, and sales of program spinoff products were also good. In the movie business, *Limit of Love* (released on May 7, 2006) was a major hit, becoming the number one movie in the Japanese live action category in 2006. Nonetheless, overall results were not as good as in the highly successful previous fiscal year and revenue declined. In the event business, a production of Cirque du Soleil's *Dralion* commenced a nationwide tour with a performance in Tokyo in February 2007, and has made a successful start, but revenue over the entire fiscal year was down due to the lack of anything to equal the popularity of last year's *Alegría 2*. As a result, revenues from other operations declined to ¥53,271 million, 2.4% lower than in the previous fiscal year.

On the other hand, in terms of expenses, although there was a decline in agency fees, costs in the Broadcasting business increased due to greater depreciation, and costs in

Free Cash Flows



Cash Dividends



Return on Assets and Return on Equity

Other Operations also increased. As a result, operating expenses in the Television Broadcasting business were higher than in the previous fiscal year.

Radio Broadcasting

Looking at broadcasting revenues from the Radio Broadcasting business, sales came to ¥12,855 million, with both time revenue and spot revenue lower than in the previous fiscal year. Production revenue declined in the event business due to our renewed focus on profitability from the subject fiscal year, with sales coming to ¥11,428 million. For the overall Radio Broadcasting business, which includes revenues from program sales, sales decreased to ¥24,947 million, 12.3% lower than in the previous fiscal year. On the other hand, in terms of expenses, operating expenses declined more than the revenue decline due to factors such as the reduction in costs resulting from the revenue decline and the decrease in depreciation.

As a result, sales in the Broadcasting segment fell 1.8% from the previous fiscal year to ¥402,789 million, while operating income was down 11.6% to ¥36,205 million.

Program Production and Related Business

This segment consists of subsidiaries involved in program production, engineering, set design, and other activities. Although each of our subsidiaries endeavored to increase sales from events and other areas not related to programs and to open up new business relationships with companies outside the Fuji Television Group, it was more difficult to get orders than in the previous fiscal year. As a result, sales in this segment fell 1.3% to ¥52,494 million. Operating income, however, rose 14.6% to ¥3,702 million due to efforts to lower costs.

Direct Marketing

The Direct Marketing segment mainly represents the earnings of Dinos Inc., which also bought out Fuji Culture Planning, Inc. on October 1, 2006. In the direct marketing industry, specialized TV shopping channels and Internet shopping are currently performing well and Dinos saw 19.3% growth in its sales through the Internet, but both catalogue sales and television sales performed poorly so sales in the Direct Marketing segment decreased to ¥67,321 million, 3.5% lower than in the previous fiscal year. Although the cost to sales ratio improved, we posted an operating loss of ¥1,664 million due to the impact of the reduced sales and also due to an increase in direct marketing expenses, including the temporary costs incurred in setting up the new distribution center.

Video and Music

Although there are many issues to be resolved in the music industry, including the creation of illegal copies of music using file-swapping software and the illegal distribution of music among mobile phones, etc., the music industry overall is beginning to show signs of recovery. In the Video and Music segment, revenue from fees for use of copyright of the music published by Fujipacific Music Inc. performed well. The reasons for this good performance included hits by Daniel Powter and others in the Western music segment, and continued growth in sales of anime and drama DVDs in the Japanese music segment. In addition, sales of Pony Canyon Inc. DVDs including *Dragonball Z*, *Limit of Love*, *The Suspect: Muroi Shinji*, etc., are strong. As a result, sales rose to ¥74,330 million, 1.0% higher than in the previous fiscal year. Operating income was ¥3,561 million, down 10.0% from the previous fiscal year, despite our efforts to keep down production costs.

Other

In the Other segment, both sales and profits fell at Fujimic, Inc. as orders for software development hit a cyclical trough. Sales of books at Fusosha Publishing Inc. were given a boost by Lily Franky's book *Tokyo Tower*, but the company did not produce any other hit products and neither advertising revenues from or sales of magazines showed any growth, so the company posted an operating loss. As a result, sales in this segment decreased to ¥59,116 million, 1.6% lower than in the previous fiscal year, and operating income was ¥729 million, 65.7% lower than in the previous fiscal year.

Equity-Method Affiliates

Among equity-method affiliates, BS Fuji, Inc. achieved a good performance, posting an increase in sales of 17.9% from the previous fiscal year as the number of households now able to view BS digital broadcasts topped 20 million in December 2006, and posting its first operating profit for an entire fiscal year since its establishment. Sankei Building Co., Ltd. also recorded an improved performance. Due to these results, equity in earnings of unconsolidated subsidiaries and affiliates (net of dividends) increased to ¥2,536 million, 93.3% higher than in the previous fiscal year.

Financial Condition

Total assets at the end of the subject fiscal year amounted to ¥731,496 million, an increase of ¥39,157 million from March 31, 2006.

Total current assets amounted to ¥283,029 million, an increase of ¥21,997 million from the end of fiscal 2006. This was mainly due to an increase in marketable securities. Total fixed assets increased by ¥17,158 million from the end of fiscal 2006, reaching ¥448,467 million. Tangible fixed assets, despite such increases as payments of construction fees for the Bayside Studio, declined due to a softening of the market valuation differences of our investment securities.

Total liabilities amounted to ¥261,909 million, an increase of ¥41,395 million from the end of fiscal 2006. This was due mainly to an increase in accrued income taxes and an increase in other current liabilities, including accounts payable and other items.

Net assets amounted to ¥469,586 million, and there was also a decline in unrealized holding gain on securities. Fuji Television retired ¥145,346 million in treasury stock in May 2006.

Cash Flows

Net cash provided by operating activities amounted to ¥60,718 million, ¥14,931 million higher than in the previous fiscal year. This was due mainly to reimbursement of income taxes paid in the previous fiscal year.

Net cash used in investing activities amounted to ¥18,206 million, ¥51,542 million less than in the previous fiscal year. This was due mainly to a decline in expenditure for the acquisition of investment securities and a tender offer by a consolidated subsidiary in fiscal 2006 to repurchase its own shares.

Net cash from financing activities amounted to ¥9,013 million, ¥19,628 million less than in the previous fiscal year. This was due mainly to a decrease in outflows for repayment of long-term debt.

As a result, the balance of cash and cash equivalents at the end of the subject fiscal year amounted to ¥104,324 million, an increase of ¥33,160 million from the end of fiscal 2006.

Outlook for the Fiscal Year Ending March 31, 2008

Although listed companies generally posted strong results in their financial statements for the fiscal year ended March 31, 2007, the impact of foreign exchange and financial markets and other aspects of the external environment combined with the spike in crude oil prices preclude excessive optimism for the future.

On the other hand, advertising expenditures in the four major media are expected to grow 1.1% year on year in 2007, better than the 0.6% growth in 2006 (source: *Advertising Expenditures in Japan*, Dentsu Inc.), on the back of such positive factors as expectations for stable expansion in the Japanese economy in 2007 underpinned by a recovery in personal consumption, and a continued increase in advertising placements in a wide range of industries.

Given this economic environment, Fuji Television is continuing to advance its reorganization of its corporate group, and is endeavoring to select and focus its management resources so as to ensure synergistic benefits are realized throughout the Company even more than before.

Firstly, regarding the non-consolidated outlook, broadcasting revenues, the major source of income for the Company, are faced with many unpredictable elements including the long-term rise in crude oil prices, etc., but we have high hopes of the overall positive sentiment and recovery of personal consumption in the economy and are forecasting that broadcasting revenues will be slightly higher than in the previous period. Furthermore, we expect that non-advertising revenue, including from movie, video, and events, will remain at about the same level as in the previous fiscal year overall. On the other hand, costs are expected to increase along with the holding of the Volleyball World Cup, a major event held only once every four years, and we have also budgeted for an increase in depreciation and management expenses resulting from commencing operation of the Bayside Studio. So for the entire fiscal year we anticipate a slight increase in sales and a decline in profits.

Secondly, regarding the consolidated outlook, we are budgeting for a slight increase in the revenue of the non-consolidated Fuji Television (the parent company) and an increase in revenue generated by the integration of the four advertising companies that we are preparing to carry out in second half of the fiscal year as a part of the Group reorganization. All of the companies in the Group are working to control costs and are on the recovery path, with Video and Music expected to increase profits and Direct Marketing expected to go into the black, but for the entire fiscal year we anticipate a slight increase in sales and a decline in profits, the same as for the non-consolidated result.

Consequently, the non-consolidated outlook for the next fiscal year is net sales of ¥378.7 billion, operating income of ¥26.5 billion, recurring profit of ¥28.6 billion, and net income for the subject fiscal year of ¥16.6 billion; and the consolidated outlook is net sales of ¥586.0 billion, operating income of ¥34.1 billion, recurring profit of ¥37.3 billion, and net income for the subject fiscal year of ¥21.0 billion.

Basic Policies Concerning the Distribution of Company Profits and Dividends

Fuji Television regards the disbursement of profits to shareholders as one of its most important management responsibilities. Under its management policy, the Company pays dividends commensurate with its performance, while aggressively investing in infrastructure and content, and entering new fields of business, in order to respond to changes in the broadcasting industry.

Regarding dividends from surplus, we aim for a standard of a non-consolidated dividend payout ratio of 50% and make decisions regarding the appropriate payment of the dividends for a specified accounting period based on a comprehensive review of the various elements related to the Company's income during said period, the investments necessary to develop the business in the future, and other factors.

Based on these policies, we made the dividend payouts at the end of the subject fiscal year (the fiscal year ended March 31, 2007) ¥3,000 per share. This means that the full-year dividend payout came to ¥5,000 per share, including the ¥2,000 interim dividend (a non-consolidated dividend payout ratio of 48.2%).

Furthermore, regarding the next fiscal year ending March 31, 2008, both the interim dividend payout and the year-end dividend payout are expected to be ¥1,800 per share, amounting to a full-year dividend payout of ¥3,600 per share (a non-consolidated dividend payout ratio of 49.9%).

Business Performance during the Three Months Ended June 30, 2007

Earnings Analysis

The Japanese economy during the subject fiscal period (the three months from April 1, 2007 through June 30, 2007) was described in the government's *Monthly Economic Report* (April through June) as "recovering, despite weaknesses in certain areas of manufacturing." It further stated that "Corporate earnings are improving, capital expenditure is increasing, and consumer spending is showing signs of picking up."

Amid this environment, the Fuji Television Group's consolidated net sales for the subject fiscal period declined 3.5% from the same period of the previous fiscal year to ¥141,665 million. Although sales rose in the Program Production and Related Business segment, revenue was down in all other segments. Operating income decreased 35.5% to ¥11,851 million, with recurring profit down 33.1% to ¥13,500 million, the result of increased expenses in the Broadcasting, Program Production and Related Business, and Direct Marketing segments, along with revenue declines in the Video and Music, and Other segments. Net income, however, rose 1.3% from the same period of the previous fiscal year to ¥12,911 million, due mainly to extraordinary gains of ¥2,406 million from gain on the sale of investment securities (sale of shares in T/Q Music, Inc., a subsidiary in the Video and Music segment), and ¥5,205 million from gain on sale of investments (sale of investment in Windswept Holdings LLC, related to the Video and Music segment).

Results by Operating Segment

Broadcasting

Revenues in the Television Broadcasting division declined due to spot advertising sales below that of the same period of the previous fiscal year amid a lingering sense of uncertainty regarding the state of the advertising market. In non-broadcasting operations, revenue declined in the movie business due to the impact from the previous fiscal year's hit *Limit of Love*, but rose in the event business and merchandise sales business with the *Dralion* event, and in the video business from the *Dragonball* Series, *Nodame Cantabile*, and numerous other popular productions. Although revenue from other operations rose year on year, this was not sufficient to compensate for the decline in broadcasting revenues. As a result, sales for the Television Broadcasting division overall declined 0.5% from the same period of the previous fiscal year to ¥97,850 million.

Operating expenses, meanwhile, rose from the previous fiscal year due to cost increases in broadcasting operations, along with cost increases in other operations stemming from greater sales.

In the Radio Broadcasting division, net sales were down 13.9% from the same period of the previous fiscal year to ¥5,300 million, due to declining revenue from broadcasting and in the event business.

As a result, Broadcasting segment sales fell 1.3% from the same period of the previous fiscal year to ¥103,137 million, with operating income down 24.4% to ¥11,898 million.

Program Production and Related Business

This segment consists of subsidiaries involved in program production, set design, engineering, and other activities. Each of these subsidiaries continued to face a difficult business environment for contracts, but worked to increase sales through business with both internal and external customers. As a result, sales in this segment rose 6.0% from the same period of the previous fiscal year to ¥12,289 million.

Operating income, however, despite efforts to economize costs declined 1.0% to ¥600 million, due to higher outsourcing and depreciation expenses.

Direct Marketing

This segment reflects the business results of Dinos Inc. This company merged with FujiTV Flower Center, Co., Ltd. on April 1, 2007. Internet sales increased, and catalogue media began to show signs of recovery, but television shopping was sluggish. As a result, sales declined 2.7% from the same period of the previous fiscal year to ¥15,811 million, and the segment posted an operating loss of ¥522 million stemming from the impact of the revenue decline, along with an increase in distribution and other expenses.

Video and Music

Sales at Pony Canyon Inc. rose significantly in the audio business, boosted by such artists as Tsuyoshi Nagabuchi and Bennie K. DVD sales, despite the continued popularity of *Dragonball*, lacked a hit on the level of last fiscal year's *The Suspect: Muroi Shinji*. As a result, sales in this segment declined 18.3% from the same period of the previous fiscal year to ¥15,194 million, with operating income down 95.2% to ¥78 million.

Other

In the Other segment, both sales and profits at Fujimic, Inc. rose on the back of greater orders for software development for external customers. Business performance at Fusosha Publishing Inc., amid a slowdown in the publishing industry overall, declined significantly as magazine sales and advertising revenue remained stagnant. As a result, segment sales for the quarter decreased 9.1% from the same period of the previous fiscal year to ¥12,570 million. Profitability also suffered considerably from the revenue decline, with the segment posting an operating loss for the quarter of ¥107 million.

Equity-Method Affiliates

BS Fuji, Inc. is now in its seventh year of operation, and with the number of households able to view digital satellite broadcasts topping 26.5 million at the end of June, has grown steadily. However, the decline in earnings at Sankei Building Co., Ltd. led to a decrease in equity in earnings of affiliated companies (net of dividends) of ¥144 million from the same period of the previous fiscal year, to ¥467 million.

Financial Position

Total assets at the end of the subject fiscal period amounted to ¥693,679 million, a decrease of ¥37,816 million from March 31, 2007 (the end of fiscal 2007).

Total current assets amounted to ¥253,952 million, a decrease of ¥29,076 million from the end of fiscal 2007. This was due mainly to a ¥35,366 million decrease in marketable securities. Total fixed assets were ¥439,727 million, a decline of ¥8,739 million. This was due mainly to a ¥6,606 million decrease in intangible fixed assets, resulting from the sale of consolidated subsidiaries and their exclusion from consolidation.

Total liabilities amounted to ¥220,646 million, a decrease of ¥41,263 million from the end of fiscal 2007. This was due mainly to a ¥12,024 million decrease in accrued income taxes and other items in other current liabilities, along with a ¥13,719 million decrease in accounts payable.

Net assets amounted to ¥473,033 million, an increase of ¥3,446 million from the end of fiscal 2007. This was the result of ¥6,909 million in decreases from distribution of retained earnings, and ¥12,911 million in increases from net income for the subject fiscal period.

Cash Flows

Cash used in operating activities totaled ¥5,100 million, compared to cash provided in the same period of the previous fiscal year of ¥11,967 million, for a difference of ¥17,067 million. This was due mainly to a ¥13,562 million increase in payment of income tax.

Cash used in investing activities totaled ¥10,578 million, an increase of ¥5,982 million from cash used during the same period of the previous fiscal year. This was due mainly to a ¥17,197 million increase in payments on purchase of tangible fixed assets, against an aggregate ¥14,539 million in proceeds from sale of shares in subsidiaries, and proceeds from sale of investments.

Cash used in financing activities totaled ¥5,668 million, an increase of ¥2,620 million from cash used during the same period of the previous fiscal year. This was due mainly to a ¥2,363 million increase in dividends paid by the Company.

As a result, the balance of cash and cash equivalents at the end of the subject fiscal period amounted to ¥82,950 million, a decrease of ¥21,374 million from the end of fiscal 2007, and an increase of ¥7,827 million from the end of the same period of the previous fiscal year.

Outlook for the Fiscal Year Ending March 31, 2008

Consolidated results for the subject first quarter have been basically in line with forecasts, and there is no change to the forecasts announced on June 28, 2007. Non-consolidated forecasts are unchanged from those announced on May 15, 2007.

Consolidated Balance Sheets

Fuji Television Network, Incorporated and Consolidated Subsidiaries
Years ended March 31

	At March 31, 2007	2006	2007
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 4)*
Assets			
Current assets:			
Cash and cash equivalents	¥ 104,324	¥ 71,163	$ 883,727
Short-term investments *(Note 5)*	10,505	8,830	88,988
Notes and accounts receivable:			
Trade	119,387	111,427	1,011,326
Unconsolidated subsidiaries and affiliates	375	530	3,177
Allowance for doubtful receivables	(372)	(454)	(3,151)
	119,390	111,503	1,011,351
Inventories *(Note 6)*	23,152	22,517	196,120
Deferred tax assets *(Note 9)*	7,173	5,424	60,762
Prepaid expenses and other current assets	18,482	41,591	156,561
Total current assets	283,029	261,031	2,397,535
Property and equipment *(Notes 7 and 13)*:			
Land	27,080	27,079	229,394
Buildings and structures	143,754	143,402	1,217,738
Machinery, equipment and vehicles	60,296	55,730	510,767
Construction in progress	41,090	11,439	348,073
Other	22,786	22,497	193,020
	295,008	260,151	2,499,009
Accumulated depreciation	(115,114)	(105,809)	(975,129)
Property and equipment, net	179,893	154,342	1,523,871
Investments and other assets:			
Investment securities *(Note 5)*	154,332	177,499	1,307,344
Investments in unconsolidated subsidiaries and affiliates	37,694	33,697	319,305
Leasehold rights	15,356	15,356	130,080
Software	17,333	15,521	146,828
Deferred tax assets *(Note 9)*	3,584	3,873	30,360
Other, net	40,270	31,017	341,127
Total investments and other assets	268,573	276,966	2,275,078
Total assets	¥ 731,496	¥ 692,339	$6,196,493

	At March 31,		
	2007	2006	2007
	(Millions of yen)		(Thousands of U.S. dollars) (Note 4)
Liabilities and net assets			
Current liabilities:			
Short-term borrowings *(Note 8)*	¥ 4,635	¥ 4,358	$ 39,263
Current portion of long-term borrowings *(Note 8)*	855	1,631	7,243
Notes and accounts payable:			
Trade	58,319	50,578	494,019
Unconsolidated subsidiaries and affiliates	585	751	4,956
	58,905	51,330	498,983
Accrued income taxes *(Note 9)*	16,535	2,373	140,068
Accrued expenses	16,474	15,438	139,551
Other current liabilities	53,140	30,606	450,148
Total current liabilities	150,545	105,738	1,275,265
Long-term liabilities:			
Long-term debt *(Note 8)*	52,445	52,252	444,261
Accrued retirement benefits *(Note 10)*:			
Employees	31,683	30,794	268,386
Directors and statutory auditors	3,441	3,327	29,149
Deferred tax liabilities *(Note 9)*	12,283	22,077	104,049
Other	11,510	6,324	97,501
Total long-term liabilities	111,364	114,776	943,363
Net assets *(Notes 11 and 18)*:			
Shareholders' equity:			
Common stock without par value:			
Authorized – 9,000,000 shares in 2007 and 2006			
Issued – 2,364,298 shares in 2007 and 2,938,002 shares in 2006	146,200	146,200	1,238,458
Capital surplus	173,664	175,275	1,471,105
Retained earnings	141,364	269,855	1,197,493
Common stock in treasury, at cost; 61,202.00 shares in 2007 and 634,906.84 shares in 2006	(15,505)	(160,851)	(131,343)
Total shareholders' equity	445,723	430,479	3,775,714
Valuation, translation adjustments and others:			
Unrealized holding gain on securities	17,448	32,621	147,802
Land revaluation account	(454)	(435)	(3,846)
Translation adjustments	223	237	1,889
Total valuation, translation adjustments and others	17,217	32,423	145,845
Minority interests	6,645	8,921	56,290
Total net assets	469,586	471,825	3,977,857
Contingent liabilities *(Note 12)*			
Total liabilities and net assets	¥731,496	¥ 692,339	$6,196,493

See accompanying notes to consolidated financial statements.

Consolidated Statements of Income

Fuji Television Network, Incorporated and Consolidated Subsidiaries
Years ended March 31

	Year ended March 31,			
	2007	2006	2005	2007
		(Millions of yen)		*(Thousands of U.S. dollars) (Note 4)*
Net sales	¥582,660	¥593,493	¥476,733	$4,935,705
Cost of sales	379,444	383,592	301,561	3,214,265
Gross profit	203,215	209,901	175,172	1,721,432
Selling, general and administrative expenses	160,889	159,176	131,591	1,362,889
Operating income	42,325	50,724	43,581	358,535
Other income (expenses):				
Interest expense	(921)	(404)	(123)	(7,802)
Interest and dividend income	2,288	1,367	1,075	19,382
Gain (loss) on sales of investment securities	71	(23,238)	23	601
Unrealized loss on investment securities	(342)	(206)	(286)	(2,897)
Loss on sales or disposal of property and equipment	(174)	(481)	(707)	(1,474)
Rental income, net of expenses	287	297	213	2,431
Equity in earnings of unconsolidated subsidiaries and affiliates	2,536	1,312	657	21,482
Unrealized loss on other investments	(19)	(66)	(327)	(161)
Stock issuance expenses	–	(532)	(94)	–
Provision for allowance for doubtful receivables	–	–	(2,503)	–
Loss on cancellation of distribution agreement	–	–	(648)	–
Other, net	(629)	(2,656)	(1,128)	(5,328)
	3,096	(24,609)	(3,851)	26,226
Income before income taxes and minority interests	45,422	26,115	39,730	384,769
Income taxes *(Note 9)*:				
Current	20,858	9,607	19,475	176,688
Deferred	(1,036)	3,769	(1,456)	(8,776)
	19,821	13,377	18,019	167,903
Income before minority interests	25,600	12,737	21,710	216,857
Minority interests	(753)	(1,392)	1,134	(6,379)
Net income *(Note 14)*	¥ 24,846	¥ 11,345	¥ 22,845	$ 210,470

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

Fuji Television Network, Incorporated and Consolidated Subsidiaries
Years ended March 31

		Shareholders' equity					Valuation, translation adjustments and others					
	Number of shares issued	Common stock	Capital surplus	Retained earnings	Common stock in treasury	Total shareholders' equity	Unrealized holding gain on securities	Land revaluation account	Translation adjustments	Total valuation, translation adjustments and others	Minority interests	Total net assets
						(Millions of yen)						
Balance as of March 31, 2004	1,274,304.20	¥106,200	¥133,664	¥ 252,821	¥ (16,139)	¥476,547	¥ 24,199	¥ 2,108	¥ (985)	¥ 25,323	¥ 7,680	¥509,551
Stock split	1,274,304.20											
Conversion of convertible bonds *(Notes 15)*	71,698.11	8,550	8,550			17,100						17,100
Cash dividends paid				(3,235)		(3,235)						(3,235)
Bonuses to directors and statutory auditors				(259)		(259)						(259)
Net income				22,845		22,845						22,845
Purchase of common stock in treasury					(1)	(1)						(1)
Sales of common stock in treasury					2	2						2
Adjustment due to change in the number of affiliates					(53,241)	(53,241)						(53,241)
Share increase in affiliates					(0)	(0)						(0)
Net effect of change in scope of consolidation				(81)		(81)						(81)
Net change in items other than shareholders' equity							(5,654)	(5)	(251)	(5,910)	2,404	(3,506)
Total movements during the year		8,550	8,550	19,269	(53,240)	(16,871)	(5,654)	(5)	(251)	(5,910)	2,404	(20,377)
Balance as of March 31, 2005	2,620,306.51	114,750	142,214	272,090	(69,380)	459,675	18,545	2,103	(1,236)	19,412	10,084	489,173
Conversion of convertible bonds *(Notes 15)*	317,696.33	31,450	31,450			62,900						62,900
Cash dividends paid				(13,194)		(13,194)						(13,194)
Bonuses to directors and statutory auditors				(393)		(393)						(393)
Net income				11,345		11,345						11,345
Purchase of common stock in treasury					(18,148)	(18,148)						(18,148)
Sales of common stock in treasury			1,610		19,101	20,711						20,711
Net effect of change in scope of consolidation					(92,426)	(92,426)						(92,426)
Other				7		7						7
Net change in items other than shareholders' equity							14,076	(2,539)	1,474	13,011	(1,163)	11,847
Total movements during the year		31,450	33,060	(2,235)	(91,471)	(29,195)	14,076	(2,539)	1,474	13,011	(1,163)	(17,348)
Balance as of March 31, 2006	2,938,002.84	146,200	175,275	269,855	(160,851)	430,479	32,621	(435)	237	32,423	8,921	471,825
Cash dividends paid				(9,212)		(9,212)						(9,212)
Bonuses to directors and statutory auditors				(382)		(382)						(382)
Net income				24,846		24,846						24,846
Cancellation of common stock in treasury	(573,704.84)		(1,610)	(143,735)	145,346	–						–
Net effect of change in scope of consolidation				(26)		(26)						(26)
Other				18		18						18
Net change in items other than shareholders' equity							(15,173)	(18)	(14)	(15,206)	(2,276)	(17,482)
Total movements during the year		–	(1,610)	(128,491)	145,346	15,244	(15,173)	(18)	(14)	(15,206)	(2,276)	(2,238)
Balance as of March 31, 2007	2,364,298.00	¥146,200	¥173,664	¥ 141,364	¥ (15,505)	¥445,723	¥ 17,448	¥ (454)	¥ 223	¥ 17,217	¥ 6,645	¥469,586

	Shareholders' equity					Valuation, translation adjustments and others					
	Common stock	Capital surplus	Retained earnings	Common stock in treasury	Total shareholders' equity	Unrealized holding gain on securities	Land revaluation account	Translation adjustments	Total valuation, translation adjustments and others	Minority interests	Total net assets
					(Thousands of U.S. dollars) (Note 4)						
Balance as of March 31, 2006	$1,238,458	$1,484,752	$ 2,285,938	$(1,362,567)	$3,646,582	$ 276,332	$(3,685)	$2,008	$ 274,655	$ 75,570	$3,996,823
Cash dividends paid			(78,035)		(78,035)						(78,035)
Bonuses to directors and statutory auditors			(3,236)		(3,236)						(3,236)
Net income			210,470		210,470						210,470
Cancellation of common stock in treasury		(13,638)	(1,217,577)	1,231,224	–						–
Net effect of change in scope of consolidation			(220)		(220)						(220)
Other			152		152						152
Net change in items other than shareholders' equity						(128,530)	(152)	(119)	(128,810)	(19,280)	(148,090)
Total movements during the year	–	(13,638)	(1,088,446)	1,231,224	129,131	(128,530)	(152)	(119)	(128,810)	(19,280)	(18,958)
Balance as of March 31, 2007	$1,238,458	$1,471,105	$ 1,197,493	$ (131,343)	$3,775,714	$ 147,802	$(3,846)	$1,889	$ 145,845	$ 56,290	$3,977,857

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Fuji Television Network, Incorporated and Consolidated Subsidiaries
Years ended March 31

	Year ended March 31,			
	2007	2006	2005	2007
		(Millions of yen)		(Thousands of U.S. dollars) (Note 4)
Cash flows from operating activities				
Income before income taxes and minority interests	¥ 45,422	¥ 26,115	¥ 39,730	$ 384,769
Depreciation and amortization	19,380	18,615	13,220	164,168
(Gain) loss on sales of investment securities	(71)	23,238	(23)	(601)
Interest and dividend income	(2,288)	(1,367)	(1,075)	(19,382)
Interest expense	921	404	123	7,802
Loss on sales or disposal of property and equipment	174	481	707	1,474
Unrealized loss on investment securities	342	206	286	2,897
Equity in earnings of unconsolidated subsidiaries and affiliates	(2,536)	(1,312)	(657)	(21,482)
Unrealized loss on other investments	19	66	327	161
Provision for allowance for doubtful receivables	–	–	2,503	–
Notes and accounts receivable, net	(8,143)	4,801	(757)	(68,979)
Inventories	(637)	1,775	(1,255)	(5,396)
Notes and accounts payable	7,612	(5,682)	1,506	64,481
Other	3,430	2,123	(103)	29,055
Subtotal	63,625	69,467	54,534	538,967
Interest and dividends received	2,801	1,690	1,298	23,727
Interest paid	(1,066)	(262)	(123)	(9,030)
Income taxes paid	(8,243)	(25,109)	(11,036)	(69,826)
Income taxes refunded	3,600	–	–	30,496
Net cash provided by operating activities	60,718	45,786	44,673	514,341
Cash flows from investing activities				
(Increase) decrease in short-term investments	(3,074)	59,172	8,451	(26,040)
Purchases of property and equipment	(21,336)	(21,282)	(23,228)	(180,737)
Purchases of intangible fixed assets	(6,372)	(6,373)	(8,736)	(53,977)
Proceeds from sales of property and equipment	126	243	386	1,067
Purchases of investment securities	(5,267)	(88,376)	(110,460)	(44,617)
Acquisition of subsidiary's stock	(5,681)	(23,601)	–	(48,124)
Acquisition of subsidiary's stock resulting in change in the scope of consolidation	–	(40,339)	(2,840)	–
Proceeds from sales and redemption of investment securities	10,095	37,163	742	85,515
Decrease in other assets	13,304	13,644	169	112,698
Net cash used in investing activities	(18,206)	(69,748)	(135,516)	(154,223)
Cash flows from financing activities				
Increase (decrease) in short-term borrowings	276	(3,926)	(1,220)	2,338
Proceeds from issuance of convertible bonds	–	–	80,000	–
Proceeds from issuance of bonds	–	49,951	–	–
Proceeds from issuance of long-term borrowings	1,148	800	80	9,725
Repayment of long-term borrowings	(1,736)	(64,925)	(163)	(14,706)
Proceeds from sales of treasury stock, net of purchases	–	2,564	–	–
Cash dividends paid	(8,406)	(12,832)	(3,235)	(71,207)
Proceeds from issuance of shares of consolidated subsidiary to minority shareholder	–	–	1,373	–
Other	(294)	(274)	(102)	(2,490)
Net cash (used in) provided by financing activities	(9,013)	(28,642)	76,731	(76,349)
Effect of exchange rate changes on cash and cash equivalents	18	370	(31)	152
Increase (decrease) in cash and cash equivalents	33,517	(52,233)	(14,142)	283,922
Cash and cash equivalents at beginning of year	71,163	113,408	125,232	602,821
(Decrease) increase in cash and cash equivalents resulting from change in scope of consolidation	(356)	9,988	2,318	(3,016)
Cash and cash equivalents at end of year	¥104,324	¥ 71,163	¥ 113,408	$ 883,727

See accompanying notes to consolidated financial statements.

1. Basis of Preparation

Fuji Television Network, Incorporated (the "Company") and its domestic subsidiaries maintain their accounting records and prepare their financial statements in accordance with accounting principles generally accepted in Japan, and its foreign subsidiaries maintain their books of account in conformity with those of their countries of domicile. The accompanying consolidated financial statements have been prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Securities and Exchange Law of Japan.

In addition, the notes to the consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

As permitted by the Securities and Exchange Law, amounts of less than one million yen have been omitted. Consequently, the totals shown in the accompanying consolidated financial statements (both in yen and U.S. dollars) do not necessarily agree with the sums of the individual amounts.

Certain amounts in the prior years' financial statements have been reclassified to conform to the current year's presentation.

2. Summary of Significant Accounting Policies

a. Basis of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and any significant companies controlled directly or indirectly by the Company. Companies over which the Company exercises significant influence in terms of their operating and financial policies have been included in the consolidated financial statements on an equity basis. All significant intercompany balances and transactions have been eliminated in consolidation.

Investments in subsidiaries and affiliates which are not consolidated or accounted for by the equity method are carried at cost or less. Where there has been a permanent decline in the value of such investments, the Company has written down the investments.

The difference between the cost and the underlying equity in the net assets at fair value is being amortized over periods not exceeding 20 years.

2. Summary of Significant Accounting Policies (continued)

a. Basis of Consolidation (continued)

Certain foreign subsidiaries are consolidated on the basis of fiscal periods ending December 31, and certain domestic subsidiaries are consolidated on the basic of fiscal periods ending March 10 and March 20 which differ from that of the Company. The necessary adjustments are made to the financial statements of such subsidiaries to reflect any significant transactions from their fiscal year end to March 31, 2007.

b. Foreign Currency Translation

Revenue and expense accounts of the foreign consolidated subsidiaries are translated using the average exchange rate during the year and, except for the components of net assets excluding minority interests, the balance sheet accounts are translated into yen at the exchange rates in effect at the balance sheet date. The components of net assets excluding minority interests are translated at their historical exchange rates. Differences arising from the translation are presented as translation adjustments and minority interests in the accompanying consolidated financial statements.

c. Cash Equivalents

All highly liquid investments with a maturity of three months or less when purchased are considered cash equivalents.

d. Inventories

Inventories are principally stated at cost determined by the specific identification method.

e. Short-Term Investments and Investment Securities

Securities other than equity securities issued by subsidiaries and affiliates are classified into three categories; trading, held-to-maturity or other securities. Trading securities are carried at fair value and held-to-maturity securities are carried at amortized cost. Marketable securities classified as other securities are carried at fair value with changes in unrealized holding gain or loss, net of the applicable income taxes, directly included in net assets. Non-marketable securities classified as other securities are stated at cost. Cost of securities sold is determined by the moving average method. Investments in partnerships are accounted for by the equity method and are included in investment securities.

f. Property and Equipment and Depreciation

Property and equipment are generally stated at cost. Certain capital gains primarily arising from expropriation of the Company's property, deferral of which is permitted for tax purposes, have been offset against the acquisition cost of new property purchased. Cumulative capital gains offset against the acquisition cost of replacement property and equipment amounted to ¥12,214 million ($103,465 thousand) at both March 31, 2007 and 2006.

2. Summary of Significant Accounting Policies (continued)

f. Property and Equipment and Depreciation (continued)

Depreciation of property and equipment are computed principally by the declining-balance method, except for buildings at the Company's headquarters and certain other buildings (excluding building improvements) acquired after April 1, 1998 on which depreciation is computed by the straight-line method, at rates based on the estimated useful lives of the respective assets.

Maintenance and minor repairs are charged to income as incurred; major renewals and improvements are capitalized.

g. Stock Issuance Expenses

Stock issuance expenses are charged to income as incurred.

h. Leases

Noncancelable leases of the Company and its domestic consolidated subsidiaries are accounted for as operating leases (whether such leases are classified as operating or finance leases) except that leases which stipulate the transfer of ownership of the leased assets to the lessee are accounted for as finance leases. However, leases of the foreign consolidated subsidiaries are generally classified and accounted for as either finance or operating leases.

i. Retirement Benefits

Accrued retirement benefits for employees are provided mainly at an amount calculated based on the retirement benefit obligation and the fair value of the pension plan assets as of the balance sheet date, as adjusted for unrecognized actuarial gain or loss and unrecognized prior service cost. The retirement benefit obligation is attributed to each period by the straight-line method over the estimated years of service of the eligible employees.

Actuarial gain or loss is being amortized in the year following the year in which the gain or loss is recognized by the straight-line method over periods (principally 15 years), which is shorter than the average remaining years of service of the eligible employees.

Prior service cost is being amortized as incurred by the straight-line method over periods (principally 15 years), which is shorter than the average remaining years of service of the eligible employees.

In addition, subject to the shareholders' approval, directors and statutory auditors of the Company and certain domestic consolidated subsidiaries are customarily entitled to lump-sum payments under their respective unfunded retirement benefit plans. The provision for retirement benefits for those directors and statutory auditors has been made at an estimated amount.

2. Summary of Significant Accounting Policies (continued)

j. Income Taxes

Deferred tax assets and liabilities were recognized in the consolidated financial statements with respect to the differences between financial reporting and the tax bases of the assets and liabilities, and were measured using the enacted tax rates and laws which will be in effect when the differences are expected to reverse.

k. Derivatives

Derivative financial instruments are carried at fair value and any changes in fair value are charged or credited to income as incurred unless such derivatives qualify as hedges and the special accounting treatment, under which derivatives are not recognized on the balance sheet, is applied.

Certain consolidated subsidiaries have entered into interest rate swap agreements to reduce the risk exposure related to their borrowings. Such interest rate swaps qualify as hedging instruments and the special accounting treatment is applied to them. Any differences paid or received on the interest rate swaps are recognized as adjustments to interest expense over the life of each swap, thereby adjusting the effective interest rate on the hedged items, which are the underlying borrowings.

l. Research and Development Costs

Research and development costs are charged to income as incurred.

3. Accounting Change

a) Effective April 1, 2005, the Company and its domestic consolidated subsidiaries adopted a new accounting standard for the impairment of fixed assets. The effect of this change was immaterial to the Company's consolidated financial statements for the year ended March 31, 2006.

b) Effective the year ended March 31, 2007, the Company and its consolidated subsidiaries adopted a new accounting standard for the presentation of net assets in the balance sheet and the related implementation guidance. In addition, effective the year ended March 31, 2007, the Company is required to prepare consolidated statements of changes in net assets instead of consolidated statements of shareholders' equity. In this connection, the previously reported consolidated balance sheet as of March 31, 2006 and the consolidated statements of shareholders' equity for the years ended March 31, 2006 and 2005 have been restated to conform to the presentation and disclosure of the consolidated financial statements for the year ended March 31, 2007.

3. Accounting Change (continued)

c) Effective April 1, 2006, the Company and its domestic consolidated subsidiaries adopted new accounting standards for business combinations and for business divestitures. The effect of this change was to decrease operating income by ¥672 million ($5,693 thousand) for the year ended March 31, 2007.

d) Effective April 1, 2006, the Company and its domestic consolidated subsidiaries adopted a new accounting standard for bonus for directors and statutory auditors. The effect of this change was to decrease operating income and income before income taxes and minority interests by ¥401 million ($3,397 thousand) for the year ended March 31, 2007. Reserve for bonuses to directors and statutory auditors included in other current liabilities as of March 31, 2007 amounted to ¥401 million ($3,397 thousand).

4. U.S. Dollar Amounts

The translation of yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made, as a matter of arithmetic computation only, at the rate of ¥118.05 = U.S.$1.00, the approximate rate of exchange in effect on March 31, 2007. The translation should not be construed as a representation that yen have been, could have been, or could in the future be, converted into U.S. dollars at the above or any other rate.

5. Securities

Information regarding marketable securities classified as other securities as of March 31, 2007 and 2006 is as follows:

	March 31, 2007					
	Acquisition cost	Carrying value	Unrealized gain (loss)	Acquisition cost	Carrying value	Unrealized gain (loss)
	(Millions of yen)			*(Thousands of U.S. dollars)*		
Securities whose carrying value exceeds their acquisition cost:						
Stocks	¥52,049	¥ 81,542	¥29,492	$440,906	$690,741	$249,826
Debt securities	–	–	–	–	–	–
Other	6,555	6,717	161	55,527	56,900	1,364
Subtotal	¥58,605	¥ 88,259	¥29,653	$496,442	$747,641	$251,190
Securities whose acquisition cost exceeds their carrying value:						
Stocks	¥28,033	¥ 25,871	¥ (2,162)	$237,467	$219,153	$ (18,314)
Debt securities	539	498	(41)	4,566	4,219	(347)
Other	489	478	(11)	4,142	4,049	(93)
Subtotal	¥29,063	¥ 26,848	¥ (2,215)	$246,192	$227,429	$ (18,763)
Total	¥87,668	¥115,107	¥27,438	$742,634	$975,070	$232,427

	March 31, 2006		
	Acquisition cost	Carrying value	Unrealized gain (loss)
	(Millions of yen)		
Securities whose carrying value exceeds their acquisition cost:			
Stocks	¥78,405	¥131,307	¥52,901
Debt securities	–	–	–
Other	1,471	1,556	84
Subtotal	¥79,877	¥132,864	¥52,986
Securities whose acquisition cost exceeds their carrying value:			
Stocks	¥ 216	¥ 168	¥ (47)
Debt securities	510	465	(44)
Other	2,740	2,654	(86)
Subtotal	¥ 3,467	¥ 3,288	¥ (178)
Total	¥83,344	¥136,152	¥52,808

The redemption schedule for securities with maturities classified as other securities as of March 31, 2007 is as follows:

	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
	(Millions of yen)				*(Thousands of U.S. dollars)*			
National and local government bonds	–	–	–	–	–	–	–	–
Corporate bonds	–	¥139	¥0	¥400	–	$1,177	$0	$3,388
Other debt securities	¥34,121	–	–	–	$289,039	–	–	–
Others	15,100	–	–	180	127,912	–	–	1,525
Total	¥49,221	¥139	¥0	¥580	$416,950	$1,177	$0	$4,913

6. Inventories

Inventories at March 31, 2007 and 2006 consisted of the following:

	March 31,		
	2007	2006	2007
	(Millions of yen)		*(Thousands of U.S. dollars)*
Program and film costs	¥16,136	¥17,233	$136,688
Other	7,016	5,284	59,432
	¥23,152	¥22,517	$196,120

7. Depreciation

Depreciation of property and equipment amounted to ¥13,594 million ($115,155 thousand), ¥13,413 million and ¥9,640 million for the years ended March 31, 2007, 2006 and 2005, respectively.

8. Short-Term Borrowings, Long-Term Borrowings, Convertible Bonds and Bonds

Short-term borrowings consisted mainly of unsecured loans from financial institutions at average interest rates of 1.32% and 1.14% as of March 31, 2007 and 2006, respectively.

Long-term debt at March 31, 2007 and 2006 consisted of the following:

	2007	2006	2007
	(Millions of yen)		*(Thousands of U.S. dollars)*
The Company:			
1.24% unsecured bonds in yen due 2011	¥20,000	¥20,000	$169,420
1.57% unsecured bonds in yen due 2013	29,984	29,982	253,994
Subsidiaries:			
Unsecured loans from financial institutions at 1.67%	2,946	3,535	24,956
3.0% unsecured convertible bonds in yen due 2010	369	366	3,126
	53,300	53,883	451,504
Less current portion	(855)	(1,631)	(7,243)
	¥52,445	¥52,252	$444,261

During the year ended March 31, 2004, a consolidated subsidiary issued 3.0% unsecured convertible bonds in U.S. dollars due 2010. The holder of the bonds has the option, exercisable at any time prior to the maturity date, to convert all, but not less than all, of the outstanding principal amount of bonds into 3,150 shares of common stock of the consolidated subsidiary, or if greater, number of shares of common stock of the consolidated subsidiary equal to 6.25% of the outstanding shares.

8. Short-Term Borrowings, Long-Term Borrowings, Convertible Bonds and Bonds (continued)

During the years ended March 31, 2007 and 2006, the Company entered into loan commitment agreements with three banks under which the Company may borrow up to ¥30,000 million ($254,130 thousand) and ¥90,000 million, respectively. No loans payable were outstanding under such facilities as of March 31, 2007 and 2006.

The aggregate annual maturities of long-term debt subsequent to March 31, 2007 are summarized as follows:

Year ending March 31,	*(Millions of yen)*	*(Thousands of U.S. dollars)*
2008	¥ 855	$ 7,243
2009	669	5,667
2010	1,090	9,233
2011	20,573	174,274
2012	51	432
2013 and thereafter	30,060	254,638
	¥53,300	$451,504

9. Income Taxes

The Company and its domestic consolidated subsidiaries are subject to corporation tax, inhabitants' taxes and enterprise tax, which, in the aggregate, resulted in statutory tax rate of approximately 41% for 2007, 2006 and 2005. The income taxes of the foreign consolidated subsidiaries are based generally on the tax rates applicable in their countries of incorporation.

The effective tax rates reflected in the consolidated statements of income for the years ended March 31, 2007, 2006 and 2005 differ from the statutory tax rate for the following reasons:

	Year ended March 31,		
	2007	**2006**	**2005**
Statutory tax rate	40.69%	40.69%	40.69%
Effect of:			
Expenses not deductible for income tax purposes	2.68	4.19	2.30
Dividends deductible for income tax purposes	(2.27)	(3.70)	(0.86)
Inhabitants' per capita taxes	0.14	0.23	0.07
Equity in earnings of unconsolidated subsidiaries and affiliates	(2.27)	(2.04)	(0.67)
Change in valuation allowance	2.82	6.89	5.21
Other	1.85	4.97	(1.39)
Effective tax rates	43.64%	51.23%	45.35%

9. Income Taxes (continued)

The significant components of deferred tax assets and liabilities at March 31, 2007 and 2006 were as follows:

	March 31,		
	2007	2006	2007
	(Millions of yen)		*(Thousands of U.S. dollars)*
Deferred tax assets:			
Loss on devaluation of inventories	¥ 1,866	¥ 1,812	$ 15,807
Accrued expenses	3,032	3,195	25,684
Accrued retirement benefits	14,379	13,718	121,804
Unrealized loss on land	2,552	2,605	21,618
Other	14,968	10,283	126,794
Gross deferred tax assets	36,799	31,616	311,724
Valuation allowance	(12,797)	(11,077)	(108,403)
Total deferred tax assets	24,001	20,538	203,312
Deferred tax liabilities:			
Unrealized holding gain on securities	(12,731)	(22,682)	(107,844)
Other	(12,801)	(10,641)	(108,437)
Total deferred tax liabilities	(25,532)	(33,324)	(216,281)
Net deferred tax liabilities	¥ (1,530)	¥(12,785)	$ (12,961)

10. Retirement Benefit Plans

The Company and its domestic consolidated subsidiaries have defined benefit plans, i.e., welfare pension fund plans, tax-qualified pension plans, lump-sum payment plans and company pension plans, covering substantially all employees who are entitled to lump-sum or annuity payments, the amounts of which are determined by reference to their basic rates of pay, length of service, and the conditions under which termination occurs.

The following table sets forth the funded and accrued status of the plans, and the amounts recognized in the consolidated balance sheets as of March 31, 2007 and 2006 for the Company's and the consolidated subsidiaries' defined benefit plans:

	March 31,		
	2007	2006	2007
	(Millions of yen)		*(Thousands of U.S. dollars)*
Retirement benefit obligation	¥(89,247)	¥(88,380)	$(756,010)
Plan assets at fair value	52,396	49,670	443,846
Unfunded retirement benefit obligation	(36,851)	(38,710)	(312,164)
Unrecognized actuarial loss	7,971	9,375	67,522
Unrecognized prior service cost	(1,155)	(1,316)	(9,784)
Prepaid pension cost	1,648	143	13,960
Accrued retirement benefits	¥(31,683)	¥(30,794)	$(268,386)

10. Retirement Benefit Plans (continued)

The components of retirement benefit expenses for the years ended March 31, 2007, 2006 and 2005 are outlined as follows:

	Year ended March 31,			
	2007	2006	2005	2007
	(Millions of yen)			*(Thousands of U.S. dollars)*
Service cost	¥2,661	¥3,087	¥2,835	$22,541
Interest cost	1,586	1,526	1,343	13,435
Expected return on plan assets	(948)	(747)	(636)	(8,030)
Amortization of actuarial loss	1,083	1,581	1,155	9,174
Amortization of prior service cost	(160)	(156)	(57)	(1,355)
Other	11	11	–	93
Total retirement benefit expenses	¥4,233	¥5,302	¥4,640	$35,858

The assumptions used in accounting for the above plans were as follows:

	2007	2006
Discount rates	Mainly 1.9%	Mainly 1.9%
Expected rate of return on assets	Mainly 1.9%	Mainly 1.8%

11. Net Assets

The new Company Law of Japan (the "Law"), which superseded most of the provisions of the Commercial Code of Japan, went into effect on May 1, 2006. The Law provides that an amount equal to 10% of the amount to be distributed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the common stock account. Such distributions can be made at any time by resolution of the shareholders, or by the Board of Directors if certain conditions are met, but neither the capital reserve nor the legal reserve is available for distributions.

Pursuant to the "Law Concerning the Revaluation of Land," land used for the business operations of certain affiliates accounted for by the equity method was revalued during the year ended March 31, 2002. The difference between the book value and the revalued amount, net of the applicable income taxes, multiplied by the Company's ownership percentage has been presented under net assets as "Land revaluation account" in the accompanying consolidated balance sheets as of March 31, 2007 and 2006.

During the years ended March 31, 2006, pursuant to resolution by the Board of Directors, the Company increased the number of authorized shares from 6,000,000 shares to 9,000,000 shares, respectively.

11. Net Assets (continued)

a) The changes in the number of shares of common stock in treasury during the year ended March 31, 2007 were as follows:

	Year ended March 31, 2007			
	At March 31, 2006	Increase	Decrease	At March 31, 2007
	(Shares)			
Number of shares of Common stock in treasury:				
Common stock	634,906.84	–	573,704.84	61,202.00

The decrease in common stock in treasury resulted from cancellation of common stock in treasury.

b) Stock option

The Company has a stock option plan under which the Company grants stock subscription rights to directors and certain key employees of the Company. The holders of the stock subscription rights are entitled to purchase the Company's shares of common stock at defined prices.

The following table summarizes the Company's stock option plan:

		Options to purchase the Company's shares of common stock granted on July 27, 2000 as a stock option plan
Individuals covered by the Plan	Directors of the Company	26
	Employees of the Company	402
	Total	428
Type and number of shares to be issued upon the exercise of the stock subscription rights	Common stock	Directors of the Company: 350 Employees of the Company: 2,620
Vesting period		From July 27, 2000 to June 30, 2002
Exercise period		From July 1, 2002 to June 25, 2007

11. Net Assets (continued)

b) Stock option (continued)

The following table summarizes the changes in stock subscriptions rights during the year ended March 31, 2007:

	Options to purchase the Company's shares of common stock granted on July 27, 2000 as a stock option plan
	(Shares)
Stock subscription rights which have been vested	
Outstanding as of March 31, 2006	2,945
Vested	–
Exercised	–
Forfeited	–
Outstanding as of March 31, 2007	**2,945**
Exercise price *(Yen)*	¥806,563
Weighted average exercise price *(Yen)*	–
Weighted average fair value per stock at the granted date *(Yen)*	–
Exercise price *(U.S. dollars)*	$6,832.38
Weighted average exercise price *(U.S. dollars)*	–
Weighted average fair value per stock at the granted date *(U.S. dollars)*	–

12. Contingent Liabilities

As of March 31, 2007 and 2006, the Company was contingently liable as guarantors of bank loans of an affiliate, employees of the Company and others in the aggregate amount of ¥3,364 million ($28,496 thousand) and ¥3,927 million, respectively. FUJI SATELLITE BROADCASTING, INC. was jointly liable with the Company as a guarantor with respect to a bank loan of a third party in the amount of ¥1,266 million ($10,724 thousand) and ¥1,459 million as of March 31, 2007 and 2006, respectively.

13. Leases

a) Lessees' Accounting

The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of the leased assets as of March 31, 2007 and 2006, which would have been reflected in the consolidated balance sheets if finance lease accounting had been applied to the finance leases currently accounted for as operating leases:

	March 31,		
	2007	2006	2007
	(Millions of yen)		*(Thousands of U.S. dollars)*
Acquisition costs:			
Buildings and structures	¥ 5,868	–	$ 49,708
Machinery, equipment and vehicles	2,341	¥3,744	19,831
Tools, furniture and fixtures	7,482	6,182	63,380
Total	¥15,691	¥9,927	$132,918
Accumulated depreciation:			
Buildings and structures	¥ 146	–	$ 1,237
Machinery, equipment and vehicles	859	¥2,503	7,277
Tools, furniture and fixtures	4,084	3,053	34,596
Total	¥ 5,090	¥5,557	$ 43,117
Net book value:			
Buildings and structures	¥ 5,721	–	$ 48,463
Machinery, equipment and vehicles	1,481	¥1,241	12,546
Tools, furniture and fixtures	3,398	3,128	28,784
Total	¥10,601	¥4,370	$ 89,801

Lease payments relating to finance leases accounted for as operating leases in the accompanying consolidated financial statements amounted to ¥2,554 million ($21,635 thousand), ¥2,223 million and ¥3,159 million for the years ended March 31, 2007, 2006 and 2005, respectively.

Depreciation of leased assets calculated by the straight-line method over the respective lease terms and the interest portion included in these lease payments are summarized as follows:

	Year ended March 31,			
	2007	2006	2005	2007
	(Millions of yen)			*(Thousands of U.S. dollars)*
Depreciation	¥2,385	¥2,076	¥2,951	$20,203
Interest expense	172	105	155	1,457

13. Leases (continued)

a) Lessees' Accounting (continued)

Future minimum lease payments subsequent to March 31, 2007 relating to finance leases accounted for as operating leases are summarized as follows:

Year ending March 31,	(Millions of yen)	(Thousands of U.S. dollars)
2008	¥ 2,107	$17,848
2009 and thereafter	9,666	81,881
	¥11,773	$99,729

Future minimum lease payments subsequent to March 31, 2007 relating to noncancelable operating leases are summarized as follows:

Year ending March 31,	(Millions of yen)	(Thousands of U.S. dollars)
2008	¥ 260	$ 2,202
2009 and thereafter	4,812	40,762
	¥5,072	$42,965

b) Lessors' Accounting

The following amounts represent the acquisition costs, accumulated depreciation and net book value of the leased assets relating to finance leases accounted for as operating leases as of March 31, 2007 and 2006:

	March 31, 2007	March 31, 2006	2007
	(Millions of yen)		(Thousands of U.S. dollars)
Acquisition costs:			
Buildings and structures	¥ 22	¥ 19	$ 186
Machinery, equipment and vehicles	8,441	8,134	71,504
Tools, furniture and fixtures	1,001	1,076	8,479
Total	¥9,465	¥9,231	$80,178
Accumulated depreciation:			
Buildings and structures	¥ 8	¥ 5	$ 68
Machinery, equipment and vehicles	4,802	4,543	40,678
Tools, furniture and fixtures	497	510	4,210
Total	¥5,308	¥5,059	$44,964
Net book value:			
Buildings and structures	¥ 14	¥ 14	$ 119
Machinery, equipment and vehicles	3,638	3,591	30,817
Tools, furniture and fixtures	504	565	4,269
Total	¥4,156	¥4,172	$35,205

13. Leases (continued)

b) Lessors' Accounting (continued)

Lease income relating to finance leases accounted for as operating leases in the accompanying consolidated financial statements amounted to ¥1,270 million ($10,758 thousand), ¥1,278 million and ¥65 million for the years ended March 31, 2007, 2006 and 2005, respectively.

Depreciation of the assets leased under finance leases accounted for as operating leases and the interest portion included in lease income are summarized as follows:

	Year ended March 31,			
	2007	**2006**	**2005**	**2007**
		(Millions of yen)		*(Thousands of U.S. dollars)*
Depreciation	¥1,037	¥1,067	¥60	$8,784
Interest income	204	189	2	1,728

Future minimum lease income subsequent to March 31, 2007 relating to finance leases accounted for as operating leases are summarized as follows:

Year ending March 31,	*(Millions of yen)*	*(Thousands of U.S. dollars)*
2008	¥1,056	$ 8,945
2009 and thereafter	3,400	28,801
	¥4,456	$37,747

14. Amounts Per Share

	Year ended March 31,			
	2007	**2006**	**2005**	**2007**
		(Yen)		*(U.S. dollars)*
Basic net income	¥10,811.13	¥5,019.42	¥9,056.14	$91.58
Diluted net income	–	–	8,950.53	–
Cash dividends	5,000	4,000	5,000	42.35

	March 31,		
	2007	**2006**	**2007**
	(Yen)		*(U.S. dollars)*
Net assets	¥201,008.38	¥200,803.02	$1,702.74

14. Amounts Per Share (continued)

Basic net income per share was computed based on the net income available for distribution to shareholders of common stock and the weighted average number of shares of common stock outstanding during the year, and diluted net income per share was computed based on the net income available for distribution to the shareholders and the weighted average number of shares of common stock outstanding during each year after giving effect the dilutive potential of shares of common stock to be issued upon the conversion of convertible bonds.

Diluted net income per share has been omitted because no potentially dilutive instruments were outstanding for the years ended March 31, 2007 and 2006.

Cash dividends per share represent the cash dividends declared as applicable to the respective years together with the interim cash dividends paid.

Amount per share of net assets was computed based on net assets excluding minority interests and the number of shares of common stock outstanding at the year end.

15. Supplemental Cash Flow Information

a) During the year ended March 31, 2006, the Company acquired the shares of common stock of Nippon Broadcasting System, Inc. and LF Holdings Co., Ltd. and these companies became consolidated subsidiaries. The assets acquired and liabilities assumed, the purchase price of the shares of common stock and net expenditure for acquisition are summarized as follows:

	(Millions of yen)
Current assets	¥178,639
Non-current assets	43,616
Goodwill	(7,251)
Current liabilities	(4,418)
Long-term liabilities	(74,696)
Investments in subsidiaries and affiliates	(69,567)
Minority interests	(24,519)
Acquisition cost	41,802
Cash and cash equivalents acquired	(1,463)
Net expenditure for acquisition	¥ 40,339

15. Supplemental Cash Flow Information (continued)

b) During the year ended March 31, 2005, the Company acquired the shares of common stock of Shinko Music Publishers Co., Ltd. and this company became a consolidated subsidiary. The assets acquired and liabilities assumed, the purchase price of the shares of common stock and net expenditure for acquisition are summarized as follows:

	(Millions of yen)
Current assets	¥ 10
Non-current assets	2,840
Goodwill	1,155
Long-term liabilities	(1,155)
Acquisition cost	2,850
Cash and cash equivalents acquired	(10)
Net expenditure for acquisition	¥ 2,840

c) During the years ended March 31, 2006 and 2005, convertible bonds in the amount of ¥62,900 million and ¥17,100 million, respectively, were converted into shares of common stock of the Company. As a result, the common stock and capital surplus increased by ¥31,450 million each and ¥8,550 million each, respectively, for the years ended March 31, 2006 and 2005.

16. Derivatives

Certain consolidated subsidiaries utilize derivative financial instruments for the purpose of hedging their exposures to adverse fluctuations in interest rates but do not enter into such transactions for speculative or trading purposes.

Such consolidated subsidiaries are exposed to credit risk in the event of nonperformance by the counterparties to the derivative transactions, but any such loss would not be material because those consolidated subsidiaries enter into transactions only with financial institutions with high credit ratings.

17. Segment Information

The Company and consolidated subsidiaries are primarily engaged in the business areas of broadcasting ("BC"), program production and related businesses ("PP"), direct marketing ("DM") and motion pictures and music ("PM"), primarily in Japan.

As net sales and total assets of overseas operations constituted less than 10% of the consolidated totals for the years ended March 31, 2007, 2006 and 2005, the disclosures of geographical segment information has been omitted.

As overseas sales constituted less than 10% of the consolidated net sales for the years ended March 31, 2007, 2006 and 2005, the disclosures of overseas sales information has been omitted.

17. Segment Information (continued)

The business segment information of the Company and consolidated subsidiaries for the years ended March 31, 2007, 2006 and 2005 is outlined as follows:

	Year ended March 31, 2007							
	BC	PP	DM	PM	Other	Total	Eliminations	Consolidated
	(Millions of yen)							
I. Net sales and operating income:								
Net sales to third parties	¥379,277	¥21,173	¥67,039	¥72,996	¥42,173	¥582,660	–	¥582,660
Intra-group net sales and transfers	23,512	31,321	282	1,333	16,942	73,392	¥(73,392)	–
Total net sales	402,789	52,494	67,321	74,330	59,116	656,052	(73,392)	582,660
Operating expenses	366,584	48,791	68,986	70,768	58,386	613,518	(73,183)	540,334
Operating income (loss)	¥ 36,205	¥ 3,702	¥ (1,664)	¥ 3,561	¥ 729	¥ 42,533	¥ (208)	¥ 42,325
II. Assets, depreciation and capital expenditures:								
Total assets	¥591,244	¥32,458	¥23,541	¥63,982	¥31,184	¥742,411	¥(10,914)	¥731,496
Depreciation and amortization	15,130	579	539	914	1,956	19,121	(494)	18,626
Capital expenditures	43,150	580	1,045	470	1,864	47,110	(566)	46,544

	Year ended March 31, 2007							
	BC	PP	DM	PM	Other	Total	Eliminations	Consolidated
	(Thousands of U.S. dollars)							
I. Net sales and operating income:								
Net sales to third parties	$3,212,850	$179,356	$567,886	$618,348	$357,247	$4,935,705	–	$4,935,705
Intra-group net sales and transfers	199,170	265,320	2,389	11,292	143,515	621,703	$(621,703)	–
Total net sales	3,412,020	444,676	570,275	629,648	500,771	5,557,408	(621,703)	4,935,705
Operating expenses	3,105,328	413,308	584,380	599,475	494,587	5,197,103	(619,932)	4,577,162
Operating income (loss)	$ 306,692	$ 31,360	$ (14,096)	$ 30,165	$ 6,175	$ 360,296	$ (1,762)	$ 358,535
II. Assets, depreciation and capital expenditures:								
Total assets	$5,008,420	$274,951	$199,416	$541,991	$264,159	$6,288,954	$(92,452)	$6,196,493
Depreciation and amortization	128,166	4,905	4,566	7,742	16,569	161,974	(4,185)	157,781
Capital expenditures	365,523	4,913	8,852	3,981	15,790	399,068	(4,795)	394,274

	Year ended March 31, 2006							
	BC	PP	DM	PM	Other	Total	Eliminations	Consolidated
	(Millions of yen)							
I. Net sales and operating income:								
Net sales to third parties	¥388,179	¥21,649	¥69,484	¥72,474	¥41,706	¥593,493	–	¥593,493
Intra-group net sales and transfers	21,823	31,558	255	1,092	18,390	73,120	¥(73,120)	–
Total net sales	410,003	53,207	69,739	73,566	60,096	666,614	(73,120)	593,493
Operating expenses	369,066	49,977	68,459	69,610	57,967	615,082	(72,313)	542,769
Operating income	¥ 40,936	¥ 3,230	¥ 1,279	¥ 3,956	¥ 2,128	¥ 51,532	¥ (807)	¥ 50,724
II. Assets, depreciation and capital expenditures:								
Total assets	¥563,333	¥30,205	¥23,360	¥52,514	¥30,435	¥699,849	¥ (7,491)	¥692,357
Depreciation and amortization	14,523	660	480	949	1,970	18,584	(376)	18,208
Capital expenditures	23,893	588	619	475	2,097	27,674	(529)	27,144

17. Segment Information (continued)

Effective April 1, 2005, the Company changed its business segmentation to present its business segments as follows: "Broadcasting" ("BC"), "Program Production and Related Business" ("PP"), "Direct Marketing" ("DM"), "Motion Pictures and Music" ("PM") and "Other." Until the year ended March 31, 2005, the Company reported its business segment information as BC, PP, DM and Other. This change was made to reflect the changes in scope of consolidation resulted from the fact that Nippon Broadcasting System, Inc. ("NBS") which is engaged in the radio broadcasting business and PONY CANYON INC., NBS's major subsidiary, which is engaged in the motion picture and music business became the consolidated subsidiaries of the Company effective April 1, 2005. Had the new business segmentation been adopted, the business segment information for the year ended March 31, 2005 would have been as follows:

	Year ended March 31, 2005							
	BC	PP	DM	PM	Other	Total	Eliminations	Consolidated
				(Millions of yen)				
I. Net sales and operating income:								
Net sales to third parties	¥370,463	¥19,881	¥67,966	¥ 895	¥17,526	¥476,733	–	¥476,733
Intra-group net sales and transfers	5,575	29,802	399	4	12,004	47,786	¥(47,786)	–
Total net sales	376,039	49,683	68,366	900	29,531	524,520	(47,786)	476,733
Operating expenses	337,253	46,545	66,118	1,416	29,747	481,081	(47,929)	433,152
Operating income (loss)	¥ 38,785	¥ 3,137	¥ 2,248	¥ (515)	¥ (216)	¥ 43,438	¥ 142	¥ 43,581
II. Assets, depreciation and capital expenditures:								
Total assets	¥594,738	¥28,729	¥20,915	¥24,846	¥21,004	¥690,233	¥ (9,043)	¥681,190
Depreciation and amortization	11,272	594	504	420	146	12,937	(264)	12,673
Capital expenditures	29,354	1,014	303	3,302	169	34,144	(726)	33,418

18. Subsequent Events

1) Windswept Classics, Inc. ("WCI"), a consolidated subsidiary, has entered into an agreement with BUG MUSIC, INC. ("BMI") under which WCI sells all of its 80% interests in T/Q Music, Inc. to BMI for ¥7,655 million ($64,845 thousand). In addition, Fujisankei California Entertainment, Inc. and Fujipacific Music (USA), Inc., both of which are consolidated subsidiaries, have agreed to sell all of their interests in Windswept Holding LLC to BMI for ¥8,833 million ($74,824 thousand).

2) The following appropriations of retained earnings, which have not been reflected in the accompanying consolidated financial statements, were approved at a shareholders' meeting held on June 28, 2007:

	(Millions of yen)	*(Thousands of U.S. dollars)*
Year-end cash dividends (¥3,000 = $25.41 per share)	¥6,909	$58,526

Report of Independent Auditors

The Board of Directors
Fuji Television Network, Incorporated

We have audited the accompanying consolidated balance sheets of Fuji Television Network, Incorporated and consolidated subsidiaries as of March 31, 2007 and 2006, and the related consolidated statements of income, changes in net assets, and cash flows for each of the three years in the period ended March 31, 2007, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these 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 financial statements referred to above present fairly, in all material respects, the consolidated financial position of Fuji Television Network, Incorporated and consolidated subsidiaries at March 31, 2007 and 2006, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2007 in conformity with accounting principles generally accepted in Japan.

Supplemental Information

1. As described in Note 17, effective April 1, 2005, the Company changed its business segmentation.

2. As described in Note 3, effective April 1, 2006, the Company and its domestic consolidated subsidiaries adopted new accounting standards for business combinations and for business divestitures.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2007 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 4.

Ernst & Young ShinNihon

June 28, 2007

Investors' Information

Fuji Television Network, Inc.

Head Office:

2-4-8, Daiba, Minato-ku, Tokyo 137-8088, Japan

Incorporated:

November 1957

Investor Relations Office:

Head Office:

Phone: +81-3-5500-8258

Fax: +81-3-5500-8249

URL: http://www.fujitv.co.jp

Transfer Agent and Registrar:

Mizuho Trust & Banking Co., Ltd.

1-2-1, Yaesu, Chuo-ku, Tokyo 103-8670, Japan

Stock Listing:

First Section of the Tokyo Stock Exchange

(Listed on August 8, 1997)

Code Number:

4676

Number of Shareholders:

68,939

(As of March 31, 2007)

Number of Shares:

Issued: 9,000,000

Outstanding: 2,364,298

(As of March 31, 2007)

Independent Auditors:

Ernst & Young ShinNihon

Certified Public Accountants

Number of Subdiaries and Affiliates:

Consolidated subsidiaries:	28
Non-consolidated subsidiaries accounted for by the equity method:	4
Affiliates:	37

(including 8 affiliates accounted for by the equity method)

(As of March 31, 2007)

Notes:

1. Broardcasting Laws and Regulations in Japan

Fuji Television Network, Inc.'s operations are governed by the Radio and Broadcasting Laws of Japan. Under these laws, those applying for a broadcasting license must have construction plans for broadcasting facilities that conform to the technological standards set forth in the laws, meet the requirements for being assigned a frequency based on the frequency-use plan established by the Ministry of Public Management, Home Affairs, Posts and Telecommunications (MPHPT), maintain capital sufficient for carrying out the operations for which the application was made, and conform to the basic standards for the establishment of a broadcasting station as set forth in the laws and ordinances of the MPHPT. In addition, under the standards for the establishment of a broadcasting station, the applicant cannot, in principle, be owned or controlled by a mass media organization.

Note: Fuji Television was granted a broadcasting license on January 9, 1959, and commenced broadcasting on March 1 of the same year. The Company's license was last renewed on November 1, 2003, with such a license valid for five years.

2. Foreign Ownership

In Japan, broadcasting stations that have a foreign entity (defined as one not possessing Japanese citizenship, foreign governments or their representatives, or foreign corporations and other organizations) acting as an officer in the execution of broadcasting operations or broadcasting stations in which a foreign interest has voting rights constituting 20% or more of the total voting rights cannot be granted a broadcasting license.

Note: For this reason, should a foreign entity acquire 20% or more of the voting shares of a broadcasting organization whose shares are publicly listed or have been issued in conformance with the laws and ordinances of the MPHPT, the request for registration of these shares in the foreign entity's name may be denied. Furthermore, control by a foreign entity of 15% or more of a broadcasting organization's voting shares must be publicly disclosed.

Fuji Network System

Fuji Television inaugurated its broadcasting service in 1959 along with three domestic affiliated stations. The Fuji Network System (FNS) was established as a network for the distribution of programming to affiliated companies. Today, the FNS comprises 28 stations and reaches approximately 98% of the Japanese population. Terrestrial broadcasting was changed over to a digital format from 2003, starting in Tokyo, Nagoya, and Osaka, followed by the debut of nationwide service in 2006. FNS is working as a team to be a winner in the era of digital terrestrial broadcasting.

Note: The accounts of the FNS member companies, other than those of Fuji Television, are not included in Fuji Television's consolidated financial accounts.

Fuji Sankei Communications Group

The Fujisankei Communications Group (FCG) is one of the world's largest mass media conglomerates, comprising nearly 100 companies and representing Japan's most powerful network of television, newspaper, radio, publishing, music and video, direct marketing, real estate, and museum management entities.

Note: The FCG includes companies that are not consolidated in Fuji Television's financial accounts.

FUJI TELEVISION NETWORK, INC.

www.fujitv.co.jp

This report is printed on recycled paper.
Printed in Japan