

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