

# Financial Report 2006

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## PROFILE

Over the 47 years since it started broadcasting in 1959, Fuji Television Network, Inc. has developed its operations as one of Japan's leading media companies.

In September 2005, we realigned the Fuji Television Group by making Nippon Broadcasting System Inc. a wholly owned subsidiary, and built a new business structure for the Group in April 2006 with Fuji Television as an operating holding company. The Group is peerless in Japan and is attracting worldwide attention for its operations, which encompass the four major media of television, radio, newspapers, and publishing, as well as visual and music software, direct marketing, and other businesses.

During fiscal 2006, ended March 31, 2006, Fuji Television captured the "quadruple crown" in annual viewer ratings, not only repeating the success of fiscal 2005, but also improving its ratings in all time slots. This is a testament to the strong reputation Fuji Television's content has earned among viewers in Japan, and at the same time, we are proud of holding the top spot in sales among commercial broadcasters in Japan for 23 consecutive years. We are confident that having integrated all aspects of our business—from content production through distribution and sales—under one corporate group we will be able to sustain a powerful competitive advantage as a content conglomerate in the digital era both now and on into the future.

This year, in place of an annual report, Fuji Television has produced this *Financial Report 2006*, which includes financial statements, notes to the financial statements, and the report of independent auditors.

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# SIX-YEAR SUMMARY

## FINANCIAL SUMMARY

Fuji Television Network, Inc. and Consolidated Subsidiaries

Years ended March 31

	Millions of yen (except where noted)						Thousands of U.S. dollars (Note)	
	2001	2002	2003	2004	2005	2006	2006	
<b>For the year:</b>								
Net sales	¥439,838	¥436,902	¥429,004	¥455,945	¥476,733	¥593,493	\$5,052,294	
Broadcasting	334,330	334,427	328,683	352,558	370,463	388,179	3,304,495	
Program production and related businesses	20,483	20,911	18,968	18,507	19,881	21,649	184,294	
Direct marketing	61,999	59,810	61,084	66,654	67,966	69,484	591,504	
Video and music	–	–	–	–	–	72,474	616,958	
Other	23,024	21,752	20,267	18,225	18,422	41,706	355,035	
Cost of sales	262,880	269,356	271,605	289,371	301,561	383,592	3,265,446	
Selling, general and administrative expenses	122,991	121,610	120,130	122,509	131,591	159,176	1,355,035	
Operating income	53,966	45,935	37,268	44,065	43,581	50,724	431,804	
Other income (expenses)	(19,959)	(12,171)	(6,605)	(1,678)	(3,851)	(24,609)	(209,492)	
Income before income taxes and minority interests	122,991	121,610	120,130	122,509	131,591	159,176	1,355,035	
Net income	17,601	17,303	14,816	24,714	22,845	11,345	96,578	
Depreciation and amortization	9,796	10,157	10,414	11,619	13,220	18,615	158,466	
Cash flows from operating activities	40,455	30,876	33,458	45,256	44,673	45,786	389,768	
Cash flows from investing activities	(13,879)	(25,001)	(32,245)	(68,067)	(135,516)	(69,748)	(593,752)	
Cash flows from financing activities	(18,805)	(2,707)	(11,566)	92,956	76,731	(28,642)	(243,824)	
<b>Per share data (Yen and U.S. dollars):</b>								
Net income	¥ 16,444	¥ 16,179	¥ 13,617	¥ 22,765	¥ 9,056	¥ 5,019	\$ 42.73	
Net income (after dilution)	–	–	–	–	8,951	–	–	
Cash dividends	1,750	1,750	1,750	2,000	5,000	4,000	34.05	
<b>At year-end:</b>								
Total assets	¥483,928	¥485,594	¥480,913	¥625,786	¥681,190	¥692,357	¥5,893,905	
Total shareholders' equity	359,466	373,973	367,796	501,870	479,088	462,903	3,940,606	
<b>Ratios:</b>								
Return on assets (%)	3.8	3.6	3.1	4.5	3.5	1.7		
Return on equity (%)	5.1	4.7	4.0	5.7	4.7	2.4		
Return on sales (%)	4.0	4.0	3.5	5.4	4.8	1.9		
Equity ratio (%)	74.3	77.0	76.5	80.2	70.3	66.9		
Interest coverage (Times)	146.9	242.1	257.8	354.5	363.1	128.9		

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 ¥117.47=U.S.\$1.00, the approximate rate of exchange in effect on March 31, 2006.

## NET SALES BY OPERATION (NON-CONSOLIDATED)

Fuji Television Network, Inc. and Consolidated Subsidiaries

Years ended March 31

	Millions of yen (except where noted)						Thousands of U.S. dollars (Note)	
	2001	2002	2003	2004	2005	2006	2006	
<b>Broadcasting:</b>								
Network time	¥ 131,183	¥132,489	¥131,204	¥ 130,623	¥133,905	¥ 135,107	\$ 1,150,140	
Local time	25,741	24,345	22,547	21,639	22,041	22,575	192,177	
Spot	132,067	125,646	121,204	124,116	140,641	138,928	1,182,668	
Other	25,108	28,312	27,385	28,450	28,431	30,370	258,534	
Other operations	25,544	29,171	31,386	53,226	51,018	54,583	464,655	
<b>Total</b>	¥ 339,644	¥339,965	¥333,726	¥ 358,056	¥376,039	¥381,564	\$3,248,183	

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 ¥117.47=U.S.\$1.00, the approximate rate of exchange in effect on March 31, 2006.

# CONSOLIDATED BALANCE SHEETS

Fuji Television Network, Incorporated and Consolidated Subsidiaries

	At March 31,		
	2006	2005	2006
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i> <i>(Note 4)</i>
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	¥ 71,163	¥113,408	\$ 605,797
Short-term investments <i>(Note 5)</i>	8,830	68,003	75,168
Notes and accounts receivable:			
Trade	111,427	97,001	948,557
Unconsolidated subsidiaries and affiliates	530	1,126	4,512
Allowance for doubtful receivables	(454)	(179)	(3,865)
	<u>111,503</u>	<u>97,948</u>	<u>949,204</u>
Inventories <i>(Note 6)</i>	22,517	22,557	191,683
Deferred tax assets <i>(Note 9)</i>	5,424	6,256	46,173
Prepaid expenses and other current assets	41,591	10,635	354,056
Total current assets	<u>261,031</u>	<u>318,810</u>	<u>2,222,108</u>
Property and equipment <i>(Notes 7 and 13)</i> :			
Land	27,079	20,340	230,518
Buildings and structures	143,402	134,267	1,220,754
Machinery, equipment and vehicles	55,730	47,557	474,419
Tools, furniture and fixtures	22,497	6,579	191,513
Construction in progress	11,439	1,287	97,378
	<u>260,151</u>	<u>210,031</u>	<u>2,214,616</u>
Accumulated depreciation	(105,809)	(82,405)	(900,732)
Property and equipment, net	<u>154,342</u>	<u>127,626</u>	<u>1,313,884</u>
Investments and other assets:			
Investment securities <i>(Note 5)</i>	177,499	130,179	1,511,016
Investments in unconsolidated subsidiaries and affiliates	33,697	45,918	286,856
Leasehold rights	15,356	14,393	130,723
Software	15,521	12,839	132,127
Deferred tax assets <i>(Note 9)</i>	3,873	3,614	32,970
Other	31,035	27,809	264,195
Total investments and other assets	<u>276,983</u>	<u>234,754</u>	<u>2,357,904</u>
Total assets	<u>¥ 692,357</u>	<u>¥681,190</u>	<u>\$5,893,905</u>

	<b>At March 31,</b>		
	<b>2006</b>	<b>2005</b>	<b>2006</b>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i> <i>(Note 4)</i>
<b>Liabilities and shareholders' equity</b>			
Current liabilities:			
Short-term borrowings <i>(Note 8)</i>	¥ 4,358	¥ 1,815	\$ 37,099
Current portion of long-term borrowings <i>(Note 8)</i>	1,631	200	13,884
Notes and accounts payable:			
Trade	50,578	44,862	430,561
Unconsolidated subsidiaries and affiliates	751	678	6,393
	<u>51,330</u>	<u>45,540</u>	<u>436,963</u>
Accrued income taxes <i>(Note 9)</i>	2,373	14,668	20,201
Accrued expenses	15,438	11,469	131,421
Other current liabilities	30,606	24,457	260,543
Total current liabilities	<u>105,738</u>	<u>98,152</u>	<u>900,128</u>
Long-term liabilities:			
Long-term debt <i>(Note 8)</i>	52,270	63,516	444,965
Accrued retirement benefits <i>(Note 10)</i> :			
Employees	30,794	23,863	262,144
Directors and statutory auditors	3,327	2,880	28,322
Deferred tax liabilities <i>(Note 9)</i>	22,077	3,219	187,937
Other	6,324	383	53,835
Total long-term liabilities	<u>114,793</u>	<u>93,864</u>	<u>977,211</u>
Minority interests	<u>8,921</u>	<u>10,084</u>	<u>75,943</u>
Shareholders' equity <i>(Notes 11 and 18)</i> :			
Common stock without par value:			
Authorized – 9,000,000 shares in 2006 and 6,000,000 shares in 2005			
Issued – 2,938,002 shares in 2006 and 2,620,306 shares in 2005	146,200	114,750	1,244,573
Capital surplus	175,275	142,214	1,492,083
Land revaluation account	(435)	2,103	(3,703)
Retained earnings	269,855	272,090	2,297,225
Unrealized holding gain on securities	32,621	18,545	277,696
Translation adjustments	237	(1,236)	2,018
Total	<u>623,755</u>	<u>548,468</u>	<u>5,309,909</u>
Common stock in treasury, at cost; 634,906.84 shares in 2006 and 269,364.04 shares in 2005	<u>(160,851)</u>	<u>(69,380)</u>	<u>(1,369,294)</u>
Total shareholders' equity	<u>462,903</u>	<u>479,088</u>	<u>3,940,606</u>
Contingent liabilities <i>(Note 12)</i>			
Total liabilities and shareholders' equity	<u>¥ 692,357</u>	<u>¥681,190</u>	<u>\$ 5,893,905</u>

See accompanying notes to consolidated financial statements.

# CONSOLIDATED STATEMENTS OF INCOME

Fuji Television Network, Incorporated and Consolidated Subsidiaries

	<b>Year ended March 31,</b>			
	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2006</b>
	<i>(Millions of yen)</i>			<i>(Thousands of U.S. dollars)</i> <i>(Note 4)</i>
Net sales	¥593,493	¥476,733	¥455,945	\$5,052,294
Cost of sales	383,592	301,561	289,371	3,265,446
Gross profit	209,901	175,172	166,574	1,786,848
Selling, general and administrative expenses	159,176	131,591	122,509	1,355,035
Operating income	50,724	43,581	44,065	431,804
Other income (expenses):				
Interest expense	(404)	(123)	(126)	(3,439)
Interest and dividend income	1,367	1,075	606	11,637
(Loss) gain on sales of investment securities	(23,238)	23	0	(197,821)
Unrealized loss on investment securities	(206)	(286)	–	(1,754)
Unrealized loss on investments in unconsolidated subsidiaries and affiliates	–	–	(119)	–
Loss on sales or disposal of property and equipment	(481)	(707)	(2,828)	(4,095)
Rental income, net of expenses	297	213	1,234	2,528
Income from leveraged leases	–	–	173	–
Equity in earnings of unconsolidated subsidiaries and affiliates	1,312	657	597	11,169
Unrealized loss on other investments	(66)	(327)	(77)	(562)
Stock issuance expenses	(532)	(94)	(474)	(4,529)
Provision for allowance for doubtful receivables	–	(2,503)	–	–
Loss on cancellation of distribution agreement	–	(648)	–	–
Other, net	(2,656)	(1,128)	(663)	(22,610)
	<u>(24,609)</u>	<u>(3,851)</u>	<u>(1,678)</u>	<u>(209,492)</u>
Income before income taxes and minority interests	26,115	39,730	42,387	222,312
Income taxes (Note 9):				
Current	9,607	19,475	13,435	81,783
Deferred	3,769	(1,456)	3,339	32,085
	<u>13,377</u>	<u>18,019</u>	<u>16,775</u>	<u>113,876</u>
Income before minority interests	12,737	21,710	25,611	108,428
Minority interests	(1,392)	1,134	(897)	(11,850)
Net income (Note 14)	<u>¥ 11,345</u>	<u>¥ 22,845</u>	<u>¥ 24,714</u>	<u>\$ 96,578</u>

See accompanying notes to consolidated financial statements.

# CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Fuji Television Network, Incorporated and Consolidated Subsidiaries

	Year ended March 31,			
	2006	2005	2004	2006
	<i>(Millions of yen)</i>			<i>(Thousands of U.S. dollars)</i> <i>(Note 4)</i>
<b>Common stock</b>				
Beginning of year	¥114,750	¥106,200	¥ 59,764	\$976,845
Add:				
Issuance of shares of common stock <i>(Note 11)</i>	–	–	46,436	–
Conversion of convertible bonds <i>(Note 15)</i>	31,450	8,550	–	267,728
End of year	<u>¥146,200</u>	<u>¥114,750</u>	<u>¥106,200</u>	<u>\$1,244,573</u>
<b>Capital surplus</b>				
Beginning of year	¥142,214	¥133,664	¥ 87,228	\$1,210,641
Add:				
Issuance of shares of common stock <i>(Note 11)</i>	–	–	46,436	–
Conversion of convertible bonds <i>(Note 15)</i>	31,450	8,550	–	267,728
Gain on sales of treasury stock	1,610	–	–	13,706
End of year	<u>¥175,275</u>	<u>¥142,214</u>	<u>¥133,664</u>	<u>\$1,492,083</u>
<b>Land revaluation account</b>				
Beginning of year	¥ 2,103	¥ 2,108	¥ 2,111	\$ 17,902
Net changes during the year	(2,539)	(5)	(2)	(21,614)
End of year	<u>¥ (435)</u>	<u>¥ 2,103</u>	<u>¥ 2,108</u>	<u>\$ (3,703)</u>
<b>Retained earnings</b>				
Beginning of year	¥272,090	¥252,821	¥230,167	\$2,316,251
Add:				
Net income	11,345	22,845	24,714	96,578
Net effect of change in scope of consolidation	–	–	20	–
Other	7	–	–	60
Deduct:				
Net effect of change in scope of consolidation	–	(81)	–	–
Cash dividends paid	(13,194)	(3,235)	(1,827)	(112,318)
Bonuses to directors and statutory auditors	(393)	(259)	(253)	(3,346)
End of year	<u>¥269,855</u>	<u>¥272,090</u>	<u>¥252,821</u>	<u>\$2,297,225</u>
<b>Unrealized holding gain on securities</b>				
Beginning of year	¥ 18,545	¥ 24,199	¥ 4,586	\$ 157,870
Net changes during the year	14,076	(5,654)	19,613	119,826
End of year	<u>¥ 32,621</u>	<u>¥ 18,545</u>	<u>¥ 24,199</u>	<u>\$ 277,696</u>
<b>Translation adjustments</b>				
Beginning of year	¥ (1,236)	¥ (985)	¥ 77	\$ (10,522)
Net changes during the year	1,474	(251)	(1,062)	12,548
End of year	<u>¥ 237</u>	<u>¥ (1,236)</u>	<u>¥ (985)</u>	<u>\$ 2,018</u>

See accompanying notes to consolidated financial statements.

# CONSOLIDATED STATEMENTS OF CASH FLOWS

Fuji Television Network, Incorporated and Consolidated Subsidiaries

	Year ended March 31,			
	2006	2005	2004	2006
	<i>(Millions of yen)</i>			<i>(Thousands of U.S. dollars)</i>
				<i>(Note 4)</i>
<b>Cash flows from operating activities</b>				
Income before income taxes and minority interests	¥ 26,115	¥ 39,730	¥ 42,387	\$ 222,312
Depreciation and amortization	18,615	13,220	11,619	158,466
Loss (gain) on sales of investment securities	23,238	(23)	(0)	197,821
Interest and dividend income	(1,367)	(1,075)	(606)	(11,637)
Interest expense	404	123	126	3,439
Loss on sales or disposal of property and equipment	481	707	2,828	4,095
Unrealized loss on investment securities	206	286	-	1,754
Equity in earnings of unconsolidated subsidiaries and affiliates	(1,312)	(657)	(597)	(11,169)
Unrealized loss on other investments	66	327	77	562
Provision for allowance for doubtful receivables	-	2,503	-	-
Notes and accounts receivable, net	4,801	(757)	(2,143)	40,870
Inventories	1,775	(1,255)	3,870	15,110
Notes and accounts payable	(5,682)	1,506	239	(48,370)
Other	2,123	(103)	(868)	18,073
Subtotal	69,467	54,534	56,933	591,359
Interest and dividends received	1,690	1,298	768	14,387
Interest paid	(262)	(123)	(126)	(2,230)
Income taxes paid	(25,109)	(11,036)	(12,319)	(213,748)
Net cash provided by operating activities	45,786	44,673	45,256	389,768
<b>Cash flows from investing activities</b>				
Decrease (increase) in short-term investments	59,172	8,451	(46,552)	503,720
Purchases of property and equipment	(21,282)	(23,228)	(7,137)	(181,170)
Purchases of intangible fixed assets	(6,373)	(8,736)	(4,680)	(54,252)
Proceeds from sales of property and equipment	243	386	10,223	2,069
Purchases of investment securities	(88,376)	(110,460)	(13,957)	(752,328)
Acquisition of subsidiary's stock	(23,601)	-	-	(200,911)
Acquisition of subsidiary's stock resulting in change in the scope of consolidation	(40,339)	(2,840)	(5,262)	(343,398)
Proceeds from sales of investment securities	37,163	742	2,070	316,362
Decrease (increase) in other assets	13,644	169	(2,771)	116,149
Net cash used in investing activities	(69,748)	(135,516)	(68,067)	(593,752)
<b>Cash flows from financing activities</b>				
Decrease in short-term borrowings	(3,926)	(1,220)	-	(33,421)
Proceeds from issuance of convertible bonds	-	80,000	332	-
Proceeds from issuance of bonds	49,951	-	-	425,223
Proceeds from issuance of long-term borrowings	800	80	-	6,810
Repayment of long-term borrowings	(64,925)	(163)	(227)	(552,694)
Proceeds from issuance of shares of common stock	-	-	92,872	-
Proceeds from sales of treasury stock, net of purchases	2,564	-	-	21,827
Cash dividends paid	(12,832)	(3,235)	(1,827)	(109,236)
Proceeds from issuance of shares of consolidated subsidiary to minority shareholder	-	1,373	1,877	-
Other	(274)	(102)	(70)	(2,333)
Net cash (used in) provided by financing activities	(28,642)	76,731	92,956	(243,824)
Effect of exchange rate changes on cash and cash equivalents	370	(31)	(168)	3,150
(Decrease) increase in cash and cash equivalents	(52,233)	(14,142)	69,976	(444,650)
Cash and cash equivalents at beginning of year	113,408	125,232	55,377	965,421
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	9,988	2,318	(121)	85,026
Cash and cash equivalents at end of year	¥ 71,163	¥ 113,408	¥ 125,232	\$ 605,797

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.

## 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.

Certain foreign subsidiaries are consolidated on the basis of fiscal periods ending December 31, and certain domestic subsidiaries are consolidated on the basis 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, 2006.

## 2. Summary of Significant Accounting Policies (continued)

### b. Foreign Currency Translation

The balance sheet accounts of the foreign consolidated subsidiaries are translated into yen at the rates of exchange in effect at the balance sheet date, except for the components of shareholders' equity which are translated at their historical exchange rates. Revenue and expense accounts are translated at the average rate of exchange in effect during the year. Translation adjustments are presented as a component of shareholders' equity 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 shareholders' equity. 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 is 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 (\$103,975 thousand) at both March 31, 2006 and 2005.

Depreciation of property and equipment is 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.

## 2. Summary of Significant Accounting Policies (continued)

### 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.

### 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.

## 2. Summary of Significant Accounting Policies (continued)

### 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. Appropriations of Retained Earnings

Under the Commercial Code of Japan, the appropriations of retained earnings with respect to a given financial year are made by resolution of the shareholders at a general meeting held subsequent to the close of such financial year. The accounts for that year do not, therefore, reflect such appropriations. See Note 18.

### m. Research and Development Costs

Research and development costs are charged to income as incurred.

### n. New Accounting Standards

In December 2005, the Accounting Standards Board of Japan issued a new accounting standard for stock options. This accounting standard requires companies to recognize the related expenses calculated at fair value as of their grant dates over the respective vesting periods. The new accounting standard will be applied to stock options granted on and after May 1, 2006. The Company believes that there will be no significant impact on the Company's consolidated financial statements from the adoption of this new accounting standard.

## 3. Accounting Change

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.

## 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 ¥117.47 = U.S.\$1.00, the approximate rate of exchange in effect on March 31, 2006. 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, 2006 and 2005 is as follows:

	<b>March 31, 2006</b>					
	Acquisition cost	Carrying value	Unrealized gain (loss)	Acquisition cost	Carrying value	Unrealized gain (loss)
	<i>(Millions of yen)</i>			<i>(Thousands of U.S. dollars)</i>		
Securities whose carrying value exceeds their acquisition cost:						
Stocks	¥78,405	¥131,307	¥52,901	\$667,447	\$1,117,792	\$450,336
Debt securities	-	-	-	-	-	-
Other	1,471	1,556	84	12,522	13,246	715
Subtotal	<u>¥79,877</u>	<u>¥132,864</u>	<u>¥52,986</u>	<u>\$679,978</u>	<u>\$1,131,046</u>	<u>\$451,060</u>
Securities whose acquisition cost exceeds their carrying value:						
Stocks	¥ 216	¥ 168	¥ (47)	\$ 1,839	\$ 1,430	\$ (400)
Debt securities	510	465	(44)	4,342	3,958	(375)
Other	2,740	2,654	(86)	23,325	22,593	(732)
Subtotal	<u>¥ 3,467</u>	<u>¥ 3,288</u>	<u>¥ (178)</u>	<u>\$ 29,514</u>	<u>\$ 27,990</u>	<u>\$ (1,515)</u>
Total	<u>¥83,344</u>	<u>¥136,152</u>	<u>¥52,808</u>	<u>\$709,492</u>	<u>\$1,159,036</u>	<u>\$449,545</u>

	<b>March 31, 2005</b>		
	Acquisition cost	Carrying value	Unrealized gain (loss)
	<i>(Millions of yen)</i>		
Securities whose carrying value exceeds their acquisition cost:			
Stocks	¥41,518	¥ 69,678	¥28,160
Debt securities	33,221	33,385	163
Other	2,515	2,517	2
Subtotal	<u>¥77,255</u>	<u>¥105,581</u>	<u>¥28,326</u>
Securities whose acquisition cost exceeds their carrying value:			
Stocks	¥ 58	¥ 47	¥ (10)
Debt securities	16,065	16,060	(5)
Other	2,031	1,966	(64)
Subtotal	<u>¥18,154</u>	<u>¥ 18,074</u>	<u>¥ (80)</u>
Total	<u>¥95,410</u>	<u>¥123,655</u>	<u>¥28,245</u>

The redemption schedule for securities with maturities classified as other securities as of March 31, 2006 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
	<i>(Millions of yen)</i>				<i>(Thousands of U.S. dollars)</i>			
National and local government bonds	-	-	-	-	-	-	-	-
Corporate bonds	-	¥110	¥0	¥400	-	\$936	\$0	\$3,405
Other debt securities	¥18,000	-	-	-	\$153,231	-	-	-
Others	8,209	-	-	-	69,882	-	-	-
Total	<u>¥26,209</u>	<u>¥110</u>	<u>¥0</u>	<u>¥400</u>	<u>\$223,112</u>	<u>\$936</u>	<u>\$0</u>	<u>\$3,405</u>

## 6. Inventories

Inventories at March 31, 2006 and 2005 consisted of the following:

	<b>March 31,</b>		<b>2006</b> <i>(Thousands of U.S. dollars)</i>
	<b>2006</b> <i>(Millions of yen)</i>	<b>2005</b>	
Program and film costs	¥22,302	¥22,462	\$189,853
Supplies	214	95	1,822
	<u>¥22,517</u>	<u>¥22,557</u>	<u>\$191,683</u>

## 7. Depreciation

Depreciation of property and equipment amounted to ¥13,413 million (\$114,182 thousand), ¥9,640 million and ¥9,200 million for the years ended March 31, 2006, 2005 and 2004, 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 1.14% and 1.67% as of March 31, 2006 and 2005, respectively.

Long-term debt at March 31, 2006 and 2005 consisted of the following:

	<b>2006</b>	<b>2005</b>	<b>2006</b>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
The Company:			
Unsecured zero coupon convertible bonds in yen due 2007	–	¥62,900	–
1.24% unsecured bonds in yen due 2011	¥20,000	–	\$170,256
1.57% unsecured bonds in yen due 2013	30,000	–	255,384
Subsidiaries:			
Unsecured loans from financial institutions at 1.67%	3,535	493	30,093
3% unsecured convertible bonds in yen due 2010	366	323	3,116
	<u>53,901</u>	<u>63,716</u>	<u>458,849</u>
Less current portion	(1,631)	(200)	(13,884)
	<u>¥52,270</u>	<u>¥63,516</u>	<u>\$444,965</u>

During the year ended March 31, 2006, the unsecured zero coupon convertible bonds in yen due 2007 were fully converted into the shares of common stock of the Company. See Note 15.

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

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.

During the year ended March 31, 2006, the Company entered into loan commitment agreements with three banks under which the Company may borrow up to ¥90,000 million (\$766,153 thousand). No loans payable was outstanding under such facilities as of March 31, 2006.

The aggregate annual maturities of long-term debt subsequent to March 31, 2006 are summarized as follows:

<u>Year ending March 31,</u>	<u>(Millions of yen)</u>	<u>(Thousands of U.S. dollars)</u>
2007	¥ 1,631	\$ 13,884
2008	777	6,614
2009	578	4,920
2010	395	3,363
2011	20,518	174,666
2012 and thereafter	30,000	255,384
	<u>¥53,901</u>	<u>\$458,849</u>

## 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 rates of approximately 41% for 2006 and 2005 and approximately 42% for 2004. 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, 2006, 2005 and 2004 differ from the statutory tax rates for the following reasons:

	<b>Year ended March 31,</b>		
	<b>2006</b>	<b>2005</b>	<b>2004</b>
Statutory tax rates	40.69%	40.69%	42.05%
Effect of:			
Expenses not deductible for income tax purposes	4.19	2.30	2.18
Dividends deductible for income tax purposes	(3.70)	(0.86)	(0.54)
Inhabitants' per capita taxes	0.23	0.07	0.08
Equity in earnings of unconsolidated subsidiaries and affiliates	(2.04)	(0.67)	(0.59)
Change in valuation allowance	6.89	5.21	(0.71)
Adjustments in deferred tax assets and liabilities due to change in tax rate	-	-	1.15
Loss on devaluation of investments in subsidiaries and affiliates	-	-	(4.22)
Other	4.97	(1.39)	0.18
Effective tax rates	<u>51.23%</u>	<u>45.35%</u>	<u>39.58%</u>

The significant components of deferred tax assets and liabilities at March 31, 2006 and 2005 were as follows:

	<b>March 31,</b>		
	<b>2006</b>	<b>2005</b>	<b>2006</b>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Deferred tax assets:			
Loss on devaluation of inventories	¥ 1,812	¥ 1,293	\$ 15,425
Accrued expenses	3,195	2,610	27,198
Accrued retirement benefits	13,718	10,482	116,779
Unrealized loss on land	2,605	2,552	22,176
Other	10,283	7,852	87,537
Gross deferred tax assets	<u>31,616</u>	<u>24,791</u>	<u>269,141</u>
Valuation allowance	(11,077)	(3,403)	(94,296)
Total deferred tax assets	<u>20,538</u>	<u>21,387</u>	<u>174,836</u>
Deferred tax liabilities:			
Unrealized holding gain on securities	(22,682)	(12,196)	(193,088)
Other	(10,641)	(2,541)	(90,585)
Total deferred tax liabilities	<u>(33,324)</u>	<u>(14,737)</u>	<u>(283,681)</u>
Net deferred tax (liabilities) assets	<u>¥(12,785)</u>	<u>¥ 6,650</u>	<u>\$(108,836)</u>

## 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, 2006 and 2005 for the Company's and the consolidated subsidiaries' defined benefit plans:

	<b>March 31,</b>		
	<b>2006</b>	<b>2005</b>	<b>2006</b>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Retirement benefit obligation	¥(88,380)	¥(75,864)	\$(752,362)
Plan assets at fair value	49,670	35,505	422,831
Unfunded retirement benefit obligation	(38,710)	(40,358)	(329,531)
Unrecognized actuarial loss	9,375	17,122	79,808
Unrecognized prior service cost	(1,316)	(627)	(11,203)
Prepaid pension cost	143	-	1,217
Accrued retirement benefits	<u>¥(30,794)</u>	<u>¥(23,863)</u>	<u>\$(262,144)</u>

The components of retirement benefit expenses for the years ended March 31, 2006, 2005 and 2004 are outlined as follows:

	<b>Year ended March 31,</b>			
	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2006</b>
	<i>(Millions of yen)</i>			<i>(Thousands of U.S. dollars)</i>
Service cost	¥3,087	¥2,835	¥2,479	\$26,279
Interest cost	1,526	1,343	1,397	12,991
Expected return on plan assets	(747)	(636)	(583)	(6,359)
Amortization of actuarial loss	1,581	1,155	1,178	13,459
Amortization of prior service cost	(156)	(57)	(57)	(1,328)
Other	11	-	351	94
Total retirement benefit expenses	<u>¥5,302</u>	<u>¥4,640</u>	<u>¥4,765</u>	<u>\$45,135</u>

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

	<b>2006</b>	<b>2005</b>
Discount rates	Mainly 1.9%	Mainly 1.8%
Expected rate of return on assets	Mainly 1.8%	2.1%

## 11. Shareholders' Equity

In accordance with the Commercial Code of Japan (the "Code"), the Company has provided a legal reserve, which was included in retained earnings. The Code provides that an amount equal to at least 10% of the amount to be disbursed as distributions of earnings be appropriated to the legal reserve until the total of such reserve and the additional paid-in capital account equals 25% of the common stock account. The legal reserve amounted to ¥4,385 million (\$37,329 thousand) as of both March 31, 2006 and 2005.

The Code provides that neither additional paid-in capital nor the legal reserve is available for dividends, but both may be used to reduce or eliminate a deficit by resolution of the shareholders or may be transferred to common stock by resolution of the Board of Directors. The Code also provides that if the total amount of additional paid-in capital and the legal reserve exceeds 25% of the amount of common stock, the excess may be distributed to the shareholders either as a return of capital or as dividends subject to the approval of the shareholders.

The new Corporation 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 stipulates similar requirements on distribution of earnings to those of the Code. Under the Law, however, such distributions can be made at any time by resolution of the shareholders, or by the Board of Directors if certain conditions are met.

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 stockholders' equity as "Land revaluation account" in the accompanying consolidated balance sheets as of March 31, 2006 and 2005.

During the years ended March 31, 2006 and 2005, 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 and from 3,000,000 shares to 6,000,000 shares, respectively.

During the year ended March 31, 2004, the Company issued 200,000 shares for ¥92,872 million.

## 12. Contingent Liabilities

As of March 31, 2006 and 2005, the Company was contingently liable as guarantors of bank loans of an affiliate, employees of the Company and others in the aggregate amount of ¥3,927 million (\$33,430 thousand) and ¥14,419 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 ¥1,459 million (\$12,420 thousand) and ¥1,751 million as of March 31, 2006 and 2005, 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, 2006 and 2005, 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:

	<b>March 31,</b>		
	<b>2006</b>	<b>2005</b>	<b>2006</b>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
<b>Acquisition costs:</b>			
Machinery, equipment and vehicles	¥3,744	¥ 4,797	\$31,872
Tools, furniture and fixtures	6,182	6,865	52,626
<b>Total</b>	<b>¥9,927</b>	<b>¥11,662</b>	<b>\$84,507</b>
<b>Accumulated depreciation:</b>			
Machinery, equipment and vehicles	¥2,503	¥ 3,428	\$21,308
Tools, furniture and fixtures	3,053	3,423	25,990
<b>Total</b>	<b>¥5,557</b>	<b>¥ 6,851</b>	<b>\$47,306</b>
<b>Net book value:</b>			
Machinery, equipment and vehicles	¥1,241	¥ 1,368	\$10,564
Tools, furniture and fixtures	3,128	3,441	26,628
<b>Total</b>	<b>¥4,370</b>	<b>¥ 4,810</b>	<b>\$37,201</b>

Lease payments relating to finance leases accounted for as operating leases in the accompanying consolidated financial statements amounted to ¥2,223 million (\$18,924 thousand), ¥3,159 million and ¥3,413 million for the years ended March 31, 2006, 2005 and 2004, 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:

	<b>Year ended March 31,</b>			
	<b>2006</b>	<b>2005</b>	<b>2004</b>	
	<i>(Millions of yen)</i>			<i>(Thousands of U.S. dollars)</i>
Depreciation	¥2,076	¥2,951	¥3,129	\$17,673
Interest expense	105	155	204	894

Future minimum lease payments subsequent to March 31, 2006 relating to finance leases accounted for as operating leases are summarized as follows:

<u>Year ending March 31,</u>	<i>(Millions of yen)</i>	<i>(Thousands of U.S. dollars)</i>
2007	¥2,125	\$18,090
2008 and thereafter	2,756	23,461
	<b>¥4,881</b>	<b>\$41,551</b>

### 13. Leases (continued)

#### 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, 2006 and 2005:

	<b>March 31,</b>		
	<b>2006</b>	<b>2005</b>	<b>2006</b>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Acquisition costs:			
Buildings and structures	¥ 19	–	\$ 162
Machinery, equipment and vehicles	8,134	–	69,243
Tools, furniture and fixtures	1,076	¥297	9,160
Total	<u>¥9,231</u>	<u>¥297</u>	<u>\$78,582</u>
Accumulated depreciation:			
Buildings and structures	¥ 5	–	\$ 43
Machinery, equipment and vehicles	4,543	–	38,674
Tools, furniture and fixtures	510	¥257	4,342
Total	<u>¥5,059</u>	<u>¥257</u>	<u>\$43,066</u>
Net book value:			
Buildings and structures	¥ 14	–	\$ 119
Machinery, equipment and vehicles	3,591	–	30,570
Tools, furniture and fixtures	565	¥ 39	4,810
Total	<u>¥4,172</u>	<u>¥ 39</u>	<u>\$35,515</u>

Lease income relating to finance leases accounted for as operating leases in the accompanying consolidated financial statements amounted to ¥1,278 million (\$10,879 thousand), ¥65 million and ¥64 million for the years ended March 31, 2006, 2005 and 2004, 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:

	<b>Year ended March 31,</b>			
	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2006</b>
	<i>(Millions of yen)</i>			<i>(Thousands of U.S. dollars)</i>
Depreciation	¥1,067	¥60	¥59	\$9,083
Interest income	189	2	3	1,609

Future minimum lease income subsequent to March 31, 2006 relating to finance leases accounted for as operating leases are summarized as follows:

<u>Year ending March 31,</u>	<u><i>(Millions of yen)</i></u>	<u><i>(Thousands of U.S. dollars)</i></u>
2007	¥1,024	\$ 8,717
2008 and thereafter	3,484	29,659
	<u>¥4,508</u>	<u>\$38,376</u>

#### 14. Amounts Per Share

	<b>Year ended March 31,</b>			
	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2006</b>
		<i>(Yen)</i>		<i>(U.S. dollars)</i>
Basic net income	¥5,019.42	¥9,056.14	¥22,765.20	\$42.73
Diluted net income	–	8,950.53	–	–
Cash dividends	4,000	5,000	2,000	34.05

	<b>March 31,</b>		
	<b>2006</b>	<b>2005</b>	<b>2006</b>
		<i>(Yen)</i>	<i>(U.S. dollars)</i>
Net assets	¥200,803.02	¥203,653.65	\$1,709.40

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, 2006 and 2004.

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 available for distribution to the shareholders and the number of shares of common stock outstanding at the year end.

The Company made a two-for-one stock split on May 20, 2004. Has this stock split been completed on April 1, 2003, basic net income per share for the year ended March 31, 2004 would have been ¥11,382.60.

## 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:

	<i>(Millions of yen)</i>	<i>(Thousand of U.S. dollars)</i>
Current assets	¥178,639	\$1,520,720
Non-current assets	43,616	371,295
Goodwill	(7,251)	(61,726)
Current liabilities	(4,418)	(37,610)
Long-term liabilities	(74,696)	(635,873)
Investments in subsidiaries and affiliates	(69,567)	(592,211)
Minority interests	(24,519)	(208,726)
Acquisition cost	41,802	355,853
Cash and cash equivalents acquired	(1,463)	(12,454)
Net expenditure for acquisition	<u>¥ 40,339</u>	<u>\$ 343,398</u>

- 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:

	<i>(Millions of yen)</i>
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	<u>¥ 2,840</u>

- c) During the years ended March 31, 2006 and 2005, convertible bonds in the amount of ¥62,900 million (\$535,456 thousand) and ¥17,100 million, respectively, were converted into shares of common stock of the Company. As a result, the common stock and additional paid-in capital increased by ¥31,450 million (\$267,728 thousand) 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, 2006, 2005 and 2004, 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, 2006, 2005 and 2004, the disclosures of overseas sales information has been omitted.

The business segment information of the Company and consolidated subsidiaries for the years ended March 31, 2006, 2005 and 2004 is outlined as follows:

	Year ended March 31, 2006							Consolidated
	BC	PP	DM	PM	Other	Total	Eliminations	
	<i>(Millions of yen)</i>							
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)

	Year ended March 31, 2006							Eliminations	Consolidated
	BC	PP	DM	PM	Other	Total			
	<i>(Thousands of U.S. dollars)</i>								
I. Net sales and operating income:									
Net sales to third parties	\$3,304,495	\$184,294	\$591,504	\$616,958	\$355,035	\$5,052,294	–	\$5,052,294	
Intra-group net sales and transfers	185,775	268,647	2,171	9,296	156,551	622,457	\$(622,457)	–	
Total net sales	3,490,278	452,941	593,675	626,254	511,586	5,674,760	(622,457)	5,052,294	
Operating expenses	3,141,789	425,445	582,779	592,577	493,462	5,236,077	(615,587)	4,620,490	
Operating income	\$ 348,481	\$ 27,496	\$ 10,888	\$ 33,677	\$ 18,115	\$ 438,682	\$ (6,870)	\$ 431,804	
II. Assets, depreciation and capital expenditures:									
Total assets	\$4,795,548	\$257,130	\$198,859	\$447,042	\$259,087	\$5,957,683	\$ (63,770)	\$5,893,905	
Depreciation and amortization	123,632	5,619	4,086	8,079	16,770	158,202	(3,201)	155,001	
Capital expenditures	203,397	5,006	5,269	4,044	17,851	235,584	(4,503)	231,072	

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							Eliminations	Consolidated
	BC	PP	DM	PM	Other	Total			
	<i>(Millions of yen)</i>								
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	

## 17. Segment Information (continued)

	Year ended March 31, 2004						Eliminations	Consolidated
	BC	PP	DM	Other	Total			
	<i>(Millions of yen)</i>							
I. Net sales and operating income:								
Net sales to third parties	¥352,558	¥18,507	¥66,654	¥18,225	¥455,945	–	¥455,945	
Intra-group net sales and transfers	5,498	28,418	452	11,771	46,141	¥(46,141)	–	
Total net sales	358,056	46,925	67,107	29,997	502,086	(46,141)	455,945	
Operating expenses	320,162	44,627	63,629	29,578	457,997	(46,116)	411,880	
Operating income	¥ 37,894	¥ 2,297	¥ 3,477	¥ 419	¥ 44,089	¥ (24)	¥ 44,065	
II. Assets, depreciation and capital expenditures:								
Total assets	¥559,594	¥26,107	¥20,435	¥28,110	¥634,248	¥ (8,461)	¥625,786	
Depreciation and amortization	10,185	423	389	511	11,510	(197)	11,312	
Capital expenditures	11,010	321	1,048	45	12,426	(573)	11,852	

## 18. Subsequent Events

- Effective April 1, 2006, the Company merged with Nippon Broadcasting System Holdings (formerly Nippon Broadcasting System, Inc.) after spinning off all its operations including its radio broadcasting business. As a result, the Company acquired 573,704 shares of its own common stock at an acquisition cost of ¥145,668 million (\$1,240,044 thousand). Pursuant to a resolution approved by the Board of Directors of the Company on April 27, 2006, these newly acquired shares and 0.84 shares of treasury stock which the Company had held prior to the recent acquisition were disposed of on May 16, 2006 in order to improve the return on equity as well as to enhance the stock value for the shareholders by reducing the number of shares of common stock in issue.
- 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 29, 2005:

	<i>(Millions of yen)</i>	<i>(Thousands of U.S. dollars)</i>
Year-end cash dividends (¥4,400 = \$40.97 per share)	¥11,266	\$104,907
Bonuses to directors and statutory auditors	98	913

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, 2006 and 2005, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended March 31, 2006, 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.

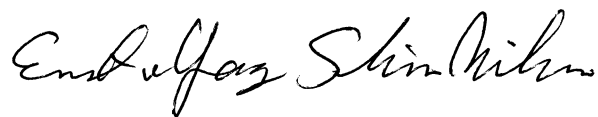
We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, 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, 2006 and 2005, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2006 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 18, effective April 1, 2006, the Company merged with Nippon Broadcasting System Holdings, Inc. (formerly Nippon Broadcasting System, Inc.). As a result, the Company acquired 573,704 shares of its common stock. Pursuant to a resolution approved by the Board of Directors of the Company on April 27, 2006, these newly acquired shares and 0.84 shares of treasury stock which the Company had held prior to the recent acquisition were disposed of on May 16, 2006.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2006 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.



June 29, 2006

## 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 135-8722, Japan

### STOCK LISTING:

First Section of the Tokyo Stock Exchange  
(Listed on August 8, 1997)

### CODE NUMBER:

4676

### NUMBER OF SHAREHOLDERS:

73,840

(As of March 31, 2006)

### NUMBER OF SHARES:

Issued: 9,000,000

Outstanding: 2,364,298

(As of May 16, 2006)

Note: The Company disposed 573,704.84 shares of treasury stock on May 16, 2006. Therefore, the number of shares outstanding is decreased to 2,364,298 shares.

### INDEPENDENT AUDITORS:

Ernst & Young ShinNihon

Certified Public Accountants

### NUMBER OF SUBSIDIARIES AND AFFILIATES:

Consolidated subsidiaries: 31

Non-consolidated subsidiaries

accounted for by the equity method: 4

Affiliates: 34

(including 8 affiliates accounted for by the equity method)

(As of June 30, 2006)

## NOTES:

### 1. BROADCASTING 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, to be followed by the debut of nationwide service in 2006. FNS will work 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.

### FUJISANKEI 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.

