

## 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.

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.



Variety Program, *Haneru no Tobira*

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.

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



News Program, *Toku Dane!*

### 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.

M O N K E Y M A G I C

# 西遊記

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

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



*Dralion*

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.

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



*Andrea Chénier*



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.

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*

**T**he 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.

