

Annual Report 2004

Year ended March 31, 2004

When You Think of Us...



FUJI TELEVISION NETWORK, INC. 

Think Trust!

What We Stand For

The Fuji Television Group's businesses are closely linked to people's everyday lives. The fundamental goals of our television broadcasting, TV and movie production, publishing, and direct marketing activities are to help to make our audience's lives more enjoyable and fulfilling. We approach these goals with uncompromising integrity, together with a keen awareness of the social responsibilities we must bear.

In particular, our core business of television broadcasting is highly public in nature and the content that we broadcast can have a major impact on society. We recognize the responsibilities we must live up to and therefore have created a highly transparent, ethically driven, and socially responsible organization for creating broadcasting content. At the same time, we are fulfilling our obligations as a news broadcaster delivering timely, accurate, and responsible reporting.

We never forget that our business is built on the trust we have earned from our shareholders, viewership, sponsors, employees, and all other stakeholders. We also know that this trust is hard to earn but easily lost, and one way we try to meet—and even exceed—the expectations of our stakeholders is by continually reflecting their feedback in our business policies.

Fuji Television is the flagship of the Fujisankei Communications Group, Japan's largest media conglomerate. We are ever cognizant of the social influence the group can impart and strive to harness this energy as a positive force that enriches people's lives.

Going forward, Fuji Television will continue to grow as a trusted partner and good neighbor of the local communities it serves by building on the strong trust it has earned from its stakeholders.

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The Fuji Television View of Trust

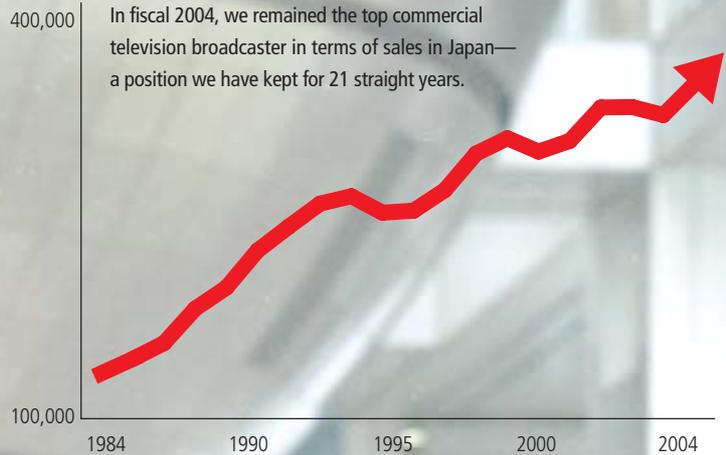


Forward-looking statements

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.

SALES OVER THE LAST 21 YEARS

(Millions of yen)



SKILLED MANAGEMENT AND
STRONG COMPETITIVENESS WILL
UNDERPIN OUR SUSTAINED GROWTH

Our hopes and dreams!

To our stakeholders

Hisashi Hieda, *Chairman and CEO*

Koichi Murakami, *President and COO*

A SOLID MANAGEMENT INFRASTRUCTURE

We have expanded our business over the years by responding adeptly to changes in our operating environment. In fiscal 2004, we remained the top commercial television broadcaster in terms of sales in Japan—a position we have kept for 21 straight years. We attribute this success to our twin strategies of becoming a media complex and a digital content factory starting to bear fruit, as well as our solid management infrastructure built on the strong trust we have earned with sponsors and all other stakeholders. Going forward, we will strive to fortify our customer base by deepening our relationships with existing customers in a wide range of industries, while at the same time working to win new customers.

STRATEGY FOR SURVIVAL IN THE BROADCASTING INDUSTRY

To remain successful amid the intensifying competition in Japan's broadcasting industry, Fuji Television aims to become a television broadcaster that transcends the traditional boundaries of television. Put differently, we are aggressively diversifying into non-advertising operations, such as movies and events and other businesses that leverage our intellectual property rights. Results from these initiatives have begun to surface: in fiscal 1999, non-advertising operations accounted for 34.2% of sales, but by fiscal 2004 we had lifted this figure to 39.4%. Our industry is being reshaped by the advent of the multimedia and multichannel era. We are therefore being presented with greater opportunities to turn our content into sources of revenue. To take best advantage of these trends, we will diversify our revenue streams by continuing to create compelling content and honing our skills in using the same content in multiple ways.

INVESTING IN OUR NEXT STAGE OF GROWTH

Fuji Television plans to invest ¥154.1 billion over the next three years to build a business structure tailored to the ongoing revolution in the telecommunications and broadcasting industries. Of this amount, ¥39.2 billion has been earmarked for the construction of new studios slated for completion in March 2007 in the Aomi district of Tokyo, ¥44.9 billion for general capital expenditures, and approximately ¥70.0 billion for investments in our media and content. During fiscal 2004, we raised ¥92.8 billion for use in such investments by issuing new capital.

The new studios will enhance Fuji Television's capacity to produce content suitable for the multimedia and multichannel era brought on by the shift to digital broadcasting and the diffusion of broadband technologies. Our goal is to build an industry-leading content production system while aggressively expanding our content business by commercializing our inventory of content assets, strengthening our intellectual property business, and developing a content outlet. At the same time, integrating content production activities currently conducted away from our headquarters will increase efficiency. Through investment in new studios and in content, we aim to build a structure capable of responding to changes in society, including changes in lifestyles and the advent of the ubiquitous age of media.

A CORPORATE GOVERNANCE STRUCTURE FOR SUSTAINED GROWTH

Diffusion rates for televisions in Japan are among the highest in the world, which makes television an almost indispensable element for both everyday life and public safety during times of crisis. Fuji Television considers it a social mission to maintain its emergency broadcasting capabilities and other "lifeline" services and to provide responsible content. Good corporate governance is essential to assuring that this mission is fulfilled and that Fuji Television continues to grow as a company.

Our management structure comprises the Board of Directors as the Company's highest decision-making body. The chairman and president have the right of representation and we have adopted a supervisory system that has appointed three external auditors.

Internal auditors within the Executive Office, who conduct internal audits throughout the year based on an audit plan approved by the president, spearhead internal control activities. Recent initiatives included strengthening internal systems and enhancing the transparency of management by appointing dedicated professionals to head our public relations and investor relations departments. We also stepped up our disclosure through regularly scheduled press conferences and the media hosted by President Murakami, and now hold results briefings for securities analysts every fiscal quarter.

Message from the management

A SEA CHANGE IN THE BROADCASTING INDUSTRY

Japan's television industry is undergoing one of its biggest evolutions in its 50-year history. This one—the digitalization of terrestrial broadcasting—promises to be as significant as the last shift to color from black-and-white. We have our work cut out for us. Going digital means every part of a broadcaster's business needs to change. And this means television stations must make tremendous investments from a cost perspective, as well as investments in technology and television programming. Moreover, this will bring an expanding array of services that utilize digital-ready telecommunications infrastructure and lead to television stations competing not only with their peers but on the multimedia front as well.

These undercurrents coincided with the 45th anniversary of the start of broadcasting at Fuji Television in March 2004. We consider the next two or three years until the diffusion of terrestrial digital broadcasting takes off to be critical to our emergence as one of the leading companies in the era of digital, multimedia services. Our strategy will be to further strengthen our content by investing aggressively and focusing our resources in the areas that promise to have the greatest impact.

EARNINGS HIGHLIGHTS

We are proud to note that fiscal 2004, ended March 31, 2004, was a year in which Fuji Television picked up strong momentum across a number of business fronts. We scored major hits in our movie and events businesses and our digital terrestrial broadcasting operations got off to an impressive start in December 2003. Our broadcasting content remained an undeniable strength. We released a succession of dramas that struck a chord with audiences and some variety programs reached our viewer ratings goal of 20% or higher. These successes enabled us to capture the top spot in prime-time viewer ratings for the fiscal year.

In recent years, Fuji Television's strategy has focused on strengthening its non-advertising operations, and we are pleased to report that impressive results of this strategy surfaced during the year under review. In July 2003, we established our movie business as an independent operation with the aim of creating a structure that will foster the production of movies with strong box office appeal. The first success story to emerge from this change was *Bayside Shakedown 2*, which

rewrote box office records in Japan for a live-action movie and served as a clear testament to the potential of our movie business. In addition, Cirque du Soleil's *Quidam Japan Tour* made a strong contribution to earnings as we applied our strengths to the utmost toward creating synergies with our television programming in this area as well as in videos and DVDs, merchandise inspired by our programming, MD rights, and content delivered to mobile handsets. We were thus successful in generating strong earnings during fiscal 2004, and owing to such activities, non-advertising sales accounted for 39.4% of total sales during fiscal 2004, an all-time high for Fuji Television.

BECOMING A BROADCASTER THAT TRANSCENDS BROADCASTING

Boosting revenues from sources other than advertising is one of our core strategies. We intend to continue to diversify our earnings sources on the way toward becoming a broadcaster offering much more than television programming. And toward this end, we will invest ¥154.1 billion over the next three years to bolster our content creation capabilities as a "digital content factory."

To this end, we will be building new studios to enhance our content production capacity and strengthen our capabilities in the production of high-definition programming as well as in the latest digital technology, such as broadcasting to mobile handsets. Ten new studios will be created, which we are confident will lead to the establishment of the most powerful content production system in the Japanese broadcasting industry. When the studios are completed in 2007, they will make our program production processes more efficient and should create an even more profitable operating structure.

The content business is very diverse, spanning the production of TV programs and movies, rights businesses, music, publishing, archiving, outlets, and distribution, to name just a few of its dimensions. That is why Fuji Television will form alliances and invest in top-flight specialists in these areas to augment its in-house capabilities. We believe this will build a strong platform for creating compelling content that has the potential to be delivered through a variety of platforms.

In our aim to be Japan's preeminent content production company, we believe owning the rights to all aspects of a creative work, from content planning, production, and theater release through home video and DVD sales, is the key to expanding earnings.

Among organizational moves to expand our non-advertising business, we established our Intellectual Properties Department in 2002, and in July 2003, we spun off our Motion Picture Department as an independent operation to create a structure for generating both strong earnings and the kind of movies that would appeal to moviegoers in Japan. The major hit *Bayside Shakedown 2* was the first movie to emerge from this new organizational structure. We followed this in 2004 by making our Digital Content Department an independent organization with the aim of enhancing our content for the full digital era.

We also implemented initiatives to strengthen our management systems. For example, in April 2004, we deployed a new business promotion system designed to fortify our ability to monitor profitability in the digital age. Program production costs are also undergoing continual review. By investing in the development of content with the potential for multiple uses, we intend to lift our profitability by boosting the value of our content assets.

PROSPERING TOGETHER WITH THE COMMUNITY

Television has become a fixture in people's everyday lives, and this will be even more true with the arrival of the ubiquitous networked society. Television is already fulfilling a role in society as an information infrastructure providing the news in a timely fashion and as an information lifeline during emergencies. While meeting these obligations, Fuji Television has applied its strengths in content production to make a major contribution to society by sparking new social phenomena and creating new forms of entertainment and culture. Moving forward, we intend to build on this momentum as Japan's premier integrated entertainment company to become the partner of choice in making people's daily lives more fulfilling. Toward this end, our new studios are designed to do more than simply create programs. They are to become a magnet to attract people, to be full of fun, and to be a new beacon for information and culture emanating from our headquarters location in Odaiba.

Further, we reflected our strong earnings in fiscal 2004 in our returns to shareholders. We raised our dividend and implemented a stock split for shareholders of record on March 31, 2004, which will result in effectively increasing our dividends paid in the fiscal year ending March 31, 2005 as well.

In this fashion, we aim to be a part of people's lifestyles in a variety of ways. We want to be everywhere that our viewers are, and an indispensable presence that makes an undeniably positive contribution to society.

CONTINUING TO GROW AS A TELEVISION NETWORK WITH LOFTY AMBITIONS

With being a broadcaster comes the social responsibility to be a conduit for information. But Fuji Television is so much more. We aim to have the popularity and the trust that comes from being the strongest brand in the business. We also have the lofty ambition to make our viewers' lives more fulfilling and thus raise our value as an advertising medium. A number of third-party surveys have attested to the power of the Fuji Television brand. At the same time, we are confident of our ability to conduct in-depth and exhaustive research and interviews with the aim of delivering accurate information to our viewers. And we think our strong determination to focus on the type of content that allows people to share emotions and experiences is what sets us apart from our peers. We aim to build on our brand strength to remain a television network that is trusted by its viewers, customers, and shareholders; to remain a television network that is renowned for its determination and ambition; and to continue growing as the leading visual media and content company in the digital era.

September 2004



Hisashi Hieda, *Chairman and CEO*



Koichi Murakami, *President and COO*

What we're all about!

FUJI TELEVISION: BRINGING PEOPLE
TOGETHER AND MAKING THEIR
LIVES MORE FULFILLING



Hisashi Hieda,
Chairman and CEO

WHEN YOU ARE AT HOME WITH YOUR FAMILY

One of television's roles is to provide the kind of information that enriches our lives. Fuji Television captured the top spot in prime-time viewer ratings in fiscal 2004, ended March 31, 2004, on the strength of its consistently compelling and talked-about dramas, variety shows, sports and news programs, and movies.

Another key role of television is to provide a platform for corporate advertisers. Japan's advertising market is estimated to be worth about ¥6 trillion, and television accounts for a third of this demand. Television therefore serves as an indispensable medium for introducing the products and services that consumers need.

Television is also evolving as a medium—thanks to the advent of terrestrial digital, communication satellite (CS), and broadcasting satellite (BS) digital broadcasting—and becoming an even more integral part of people's lives. Fuji Television is keeping pace with these changes by continuing to invest in facilities and aggressively innovating to create the content for the emerging era of digital, multimedia, and multichannel technologies.

WHEN YOU ARE WITH GOOD FRIENDS

Fuji Television is working to bring people together, not only at home but on the town as well. Offering great movies and events are some of the important ways we are making this happen. *Bayside Shakedown 2* drew an audience of nearly 13 million during its theater run and earned ¥17.4 billion at the box office, breaking a record for live-action movies that stood for 20 years. *Odaiba Adventure Land*, an event commemorating the 45th anniversary of the start of broadcasting at Fuji Television, was also a huge success. The event featured a myriad of tie-ins with our TV programming and attracted a record 3.48 million visitors over the 44 days it was held. It also boosted revenues of merchandise inspired by our TV programs and boosted sales at commercial establishments in Odaiba, Tokyo, where our headquarters are located. In addition, Cirque du Soleil's *Quidam Japan Tour* and other events gave full expression to Fuji Television's planning capabilities and corporate charisma and were successful both commercially and in bringing people together to have a great time.

WHEN YOU ARE RELAXING ALONE

The direct marketing and publishing arms of the Fuji Television Group help people make the most of their private time. Fujisankei Living Service, Inc. publishes the *Dinos* direct-marketing catalog, which is finely attuned to consumers' needs for products that promote beauty and health. The magazine is published quarterly and earned sales of ¥67.1 billion in fiscal 2004, with the autumn/winter 2003 issue marking a print run of 3.9 million copies. Furthermore, our shopping channel broadcast over CS enjoys a growing audience.

Fuso Publishing, Inc. offers general books and periodicals and information magazines that reach a nationwide audience, including the women's magazine *ESSE*, with an official circulation of 7.15 million; and the general-interest magazine *SPA!*, with an official circulation of 9.88 million.

Television is also becoming a personalized experience, now that there is almost one TV set for each family member and some mobile phones are able to receive TV signals with the advent of digital broadcasting. The TV viewing experience is therefore no longer bound by time or place. The expanded opportunities for viewing and the new market created by delivering content to mobile handsets has uncovered new ways for broadcasters to grow their profits. Fuji Television is working to capitalize on these opportunities while enhancing the viewers' lives by providing high-resolution, high-quality content and by delivering content dovetailed to its target audiences and platforms.



Hisashi Hieda,
Chairman and CEO

Koichi Murakami,
President and COO



COMPELLING AND SOCIALLY RESPONSIBLE CONTENT CREATED BY A TEAM OF TALENTED AND DEDICATED PROFESSIONALS

You can count on us!



DOING THE RIGHT THING AS A BROADCASTER

As a broadcaster in Japan, Fuji Television is bound by such laws and regulations as the Radio and Broadcasting Laws of Japan, Basic Guidelines for Broadcasting Ethics, and the Broadcasting Standards of the National Association of Commercial Broadcasters in Japan. In addition to complying with laws and regulations, we have established internal Programming Standards to ensure that the content we produce is socially acceptable. We also cooperate with the Broadcasting Ethics and Program Improvement Organization (BPO), a third-party institution founded in 2003 to link viewers and broadcasters, to improve the quality of our content. In addition, all the advertising we run is first reviewed based on industry-prescribed standards.

Our system of checks and balances is well established. To cite a few examples, we have an internal organization that reviews content, a program called *Weekly Fuji Television Forum* that has aired for 10 years garners feedback from viewers, while our Viewer Services fields calls directly from viewers on our programming. This system is designed to continually incorporate objective input from outside the firm, so that our programming remains in alignment with the sensibilities of the viewing public. Management in the form of our audit board also monitors compliance with ethical standards via internal and operational audits.

CONTENT PRODUCTION WITH PUBLIC WELFARE IN MIND

In our opinion, as long as television is a public medium, broadcasters have the responsibility to report newsworthy events to the public. In particular, the guiding philosophy driving our news reporting is to relay information in an accurate and unbiased fashion. We view this as critical given the considerable volatility in the political, economic, and international landscape. To bolster our news reporting infrastructure, we were one of the first Japanese broadcasters to set guidelines for reporting on the Iraq war. Reporting during elections is another area in which we take particular care to convey developments accurately, following in-depth interviews and analyses. Furthermore, we have taken steps to give full expression to the power of television to broadcast information during natural disasters and other emergency situations. We have built a sound and prudent risk management structure for emergency situations that includes back-up broadcasting facilities, systems to confirm the safety of employees, and communications systems during times of crisis.

HELPING OUR STAFF TO EXPRESS THEIR CREATIVITY

Just following prescribed standards is no way to differentiate our services from the competition. Fuji Television's strength lies in the enthusiasm of its staff to create something new and unique and convey it to our audiences. We are building on this motivation to develop training programs designed to enhance employees' skills, while assigning them to roles where they can best express their talents. We have gained the know-how to gauge viewer reaction to radical new programming ideas debuting in late-night time slots and successfully shifting them to golden time (7 p.m. – 10 p.m.). We think this system encourages innovation and risk-taking among our creative staff.

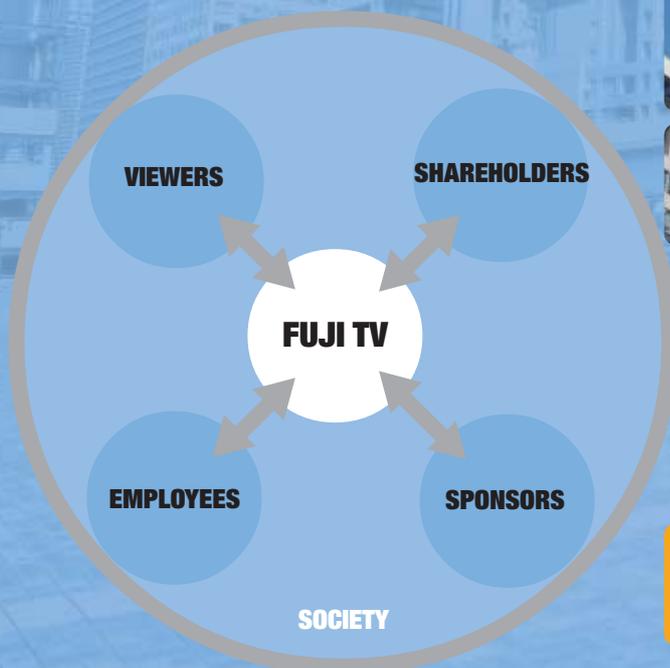
Fuji Television has long sought to add a commercial focus to its creative endeavors—seeking to develop content that can be used many times—and was an early entrant among Japanese broadcasters into the movie business. We are confident that our impressive and varied group of subsidiaries and the creative power in our corporate DNA keeps us one step ahead of our competition in using a single content source in television, movies, events, games, and merchandise.

IT'S ALL REFLECTED IN OUR BRAND STRENGTH

Objective brand surveys are one way that we measure how the public regards our approach to content production. Every year since 1984, Fuji Television has contracted Video Research Ltd. to conduct their "Positioning Survey" to assess the public's perceptions of television broadcasters. According to the results of a survey conducted at the end of 2003, Fuji Television was ranked top in television stations watched frequently—the most important category in the survey—for the 20th consecutive year. Further, Fuji Television ranked number one in seven of 11 categories related to affinity with a broadcaster, growth potential, and quality of management. While there was room for improvement in such categories as "the network speaks on my behalf," overall we think it is safe to say that results show that Fuji Television has a good reputation with viewers in a majority of qualitative criteria covered by the survey.

We owe it all to you!

FUJI TELEVISION VALUES ITS TIES TO MANY STAKEHOLDERS



Koichi Murakami,
President and COO

FUJI TELEVISION'S RELATIONSHIP WITH ITS STAKEHOLDERS

TOGETHER WITH OUR SHAREHOLDERS

Fuji Television considers its shareholders to be not only the owners of the company but also valued advisors in the operation of our businesses. We intend to use the funds we have raised in the capital markets to invest aggressively in the technology, talent, content, and other assets needed to keep pace with the rapid evolution under way in the broadcasting industry. Our basic policy is to pay dividends commensurate with our business performance. Consistent with this policy, in fiscal 2004, we boosted our dividend and implemented a two-for-one stock split in May 2004 for shareholders of record on March 31, 2004. We expect this move to make our shares accessible to a broader shareholder base.

We also consider proactive communications with existing and potential investors and the financial community a top priority. We accomplish this through our annual reports and earnings releases; results briefings for securities analysts, institutional investors, and the press; shareholder opinion surveys; and information disclosures for retail investors offered through our investor relations Website.

TOGETHER WITH OUR VIEWERS

Fuji Television believes trust with its viewership is built on providing high-quality content that delights its audiences. Among our more noteworthy initiatives, we are supporting media literacy among young people to help them become more discriminating viewers, promoting a committee to protect personal privacy, and engaging in a range of related efforts to win the trust of our audiences. We view communication with our viewers as a top priority and endeavor to swiftly reflect their feedback—both praise and criticism—in our program planning. Further, Fuji Television is privileged to have its viewers as its direct customers, through its events and magazines and products sold through its direct marketing businesses. In recent years, we have focused on events that recreate the world viewers see on television as a way for our viewers to connect with Fuji Television programs firsthand.

TOGETHER WITH OUR SPONSORS

What advertisers want is no secret: to sponsor programming that pinpoints the target market for their products. This is exactly what makes Fuji Television an attractive partner for advertisers. Our programming is original, of high quality, and designed to appeal to the sensibilities of a clearly defined audience.

TOGETHER WITH LOCAL AND INTERNATIONAL COMMUNITIES

Our “hometown” in the Odaiba area of Tokyo is known for the warm environment created by its attractive waterfront and ample greenery. We are doing our part as a good neighbor by providing financial assistance to plant greenery and erect sculptures, monuments, and other works of art in the area. And by holding various events throughout the year that attract numerous visitors—3.48 million visitors participated in the *Odaiba Adventure Land* event in summer 2003, for example—we help local businesses to flourish.

Furthermore, by supporting the Japan Art Association’s prestigious Praemium Imperiale award, Fuji Television contributes to the dissemination and advancement of global culture and arts by recognizing artists who have made outstanding achievements in the fields of painting, sculpture, architecture, music, and theater/film. In addition, we contribute to the international community by presenting donations gathered through the Fuji Network System Charity Campaign to disadvantaged children throughout Asia and Africa.

TOGETHER WITH OUR EMPLOYEES

Fuji Television views its employees as its most important asset, and endeavors to be the workplace of choice in its industry. An ethically driven workplace, competitive compensation, a setting that encourages creativity and productivity, and attractive benefits are just part of this environment. We also strive to create a safe production and news reporting infrastructure in which our journalists can report, even in dangerous areas, and in which our set design staff can work safely in our studios.

Encouraging smooth communication between management and employees is also a priority, so that employees can enjoy their work lives and give full expression to their talents while corporate goals are being met.

Financial section

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)	
	1999	2000	2001	2002	2003	2004	2004
For the year:							
Net sales	¥392,491	¥412,237	¥439,838	¥436,902	¥429,004	¥455,945	\$4,313,984
Broadcasting	300,260	308,616	334,330	334,427	328,683	352,558	3,335,774
Program production and related business	17,741	17,615	20,483	20,911	18,968	18,507	175,106
Direct marketing	68,236	65,371	61,999	59,810	61,084	66,654	630,656
Other	6,253	20,634	23,024	21,752	20,267	18,225	172,438
Cost of sales	256,393	259,671	262,880	269,356	271,605	289,371	2,737,922
Selling, general and administrative expenses	107,560	115,586	122,991	121,610	120,130	122,509	1,159,135
Operating income	28,537	36,979	53,966	45,935	37,268	44,065	416,927
Other income (expenses)	1,933	2,296	(19,959)	(12,171)	(6,605)	(1,678)	(15,877)
Income before income taxes and minority interests	30,470	39,275	34,006	33,763	30,663	42,387	401,050
Net income	14,848	21,380	17,601	17,303	14,816	24,714	233,835
Depreciation and amortization	9,877	9,803	9,796	10,157	10,329	11,312	107,030
Per share data (Yen and U.S. dollars):							
Net income	¥ 13,821	¥ 19,925	¥ 16,444	¥ 16,179	¥ 13,617	¥ 22,765	\$ 215.40
Cash dividends	1,300	1,450	1,750	1,750	1,750	2,000	18.92
At year-end:							
Total assets	¥419,105	¥443,658	¥483,928	¥485,594	¥480,913	¥625,786	\$5,920,958
Total shareholders' equity	298,644	326,218	359,466	373,973	367,796	501,870	4,748,510
Ratios:							
Return on assets (%)	3.5	5.0	3.8	3.6	3.1	4.5	
Return on equity (%)	5.1	6.8	5.1	4.7	4.0	5.7	
Return on sales (%)	3.8	5.2	4.0	4.0	3.5	5.4	
Equity ratio (%)	71.3	73.5	74.3	77.0	76.5	80.2	
Interest coverage (Times)	28.3	49.5	146.9	242.1	257.8	354.5	

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 ¥105.69 = U.S.\$1.00, the approximate rate of exchange in effect on March 31, 2004.

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)	
	1999	2000	2001	2002	2003	2004	2004
Broadcasting:							
Network time	¥118,288	¥121,534	¥131,183	¥132,489	¥131,204	¥130,623	\$1,235,907
Local time	26,483	26,699	25,741	24,345	22,547	21,639	204,740
Spot	113,807	117,169	132,067	125,646	121,204	124,116	1,174,340
Other	20,685	21,274	25,108	28,312	27,385	28,450	269,183
Other operations	25,928	26,828	25,544	29,171	31,386	53,226	503,605
Total	¥305,193	¥313,505	¥339,644	¥339,965	¥333,726	¥358,054	\$3,387,776

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 ¥105.69 = U.S.\$1.00, the approximate rate of exchange in effect on March 31, 2004.

Management's discussion and analysis

OVERVIEW

The Fuji Television Group is a constellation of companies engaged primarily in television broadcasting and related businesses. We rank number one in sales among private-sector broadcasters in Japan. As such, our business results are swayed strongly by conditions in the advertising market. During the fiscal year ended March 31, 2004 (fiscal 2004), Fuji Television's business environment was harsh through the interim period due to a slump in the advertising market brought on by the protracted stagnation in the Japanese economy. In the second half of fiscal 2004, however, the advertising market rebounded due to a recovery in corporate earnings. Against this backdrop, the Company strove to boost broadcasting revenues while working aggressively to expand such non-broadcasting operations as movies, events, and broadcasting rights. As a result, consolidated net sales for the Fuji Television Group in fiscal 2004 rose 6.3% from the previous year to ¥455,945 million, operating income climbed 18.2% to ¥44,065 million, and net income surged 66.8% to ¥24,714 million. Net income per share was ¥22,765.20 versus ¥13,617.49 in fiscal 2003. We paid annual dividends of ¥2,000 per share, comprising interim dividends of ¥600 and a year-end dividend of ¥1,400, including a commemorative dividend of ¥250 and a special dividend of ¥550.

SEGMENT INFORMATION

Broadcasting

The Broadcasting segment reflects the earnings of the parent company and comprises Broadcasting Revenues, Other Broadcasting Revenues, and Revenues from Other Businesses.

Broadcasting Revenues

Network time advertising sales and local time advertising sales fell year on year owing to a slump in revenues from baseball games broadcast at night and a reactionary dip from the surge in revenues attributable to the FIFA World Cup in fiscal 2003. Spot advertising sales struggled in the first half but recovered in the second on the back of high viewer ratings for our dramas, variety shows, information programs, and sports programs. The upturn in spot advertising sales buoyed broadcasting revenues as a whole, leading to a 0.5% rise in sales to ¥276,379 million.

Other Broadcasting Revenues

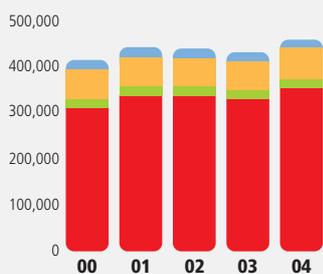
Sales in this category rose 3.9% year on year to ¥28,450 million as revenues from communication satellite (CS) subscriber fees were lifted by an increase in the number of subscribers.

Revenues from Other Businesses

Revenues from other businesses surged 69.6% to ¥53,226 million owing to the successes of the movie *Bayside*

Net Sales by Segment

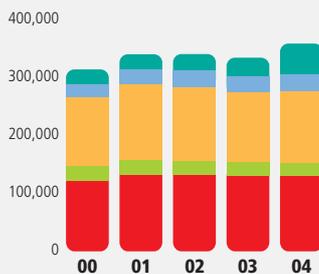
(Millions of yen)



■ Broadcasting ■ Program production and related business
■ Direct marketing ■ Other business

Net Sales by Operations (Non-consolidated)

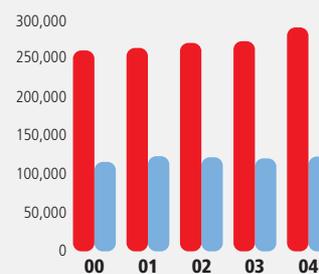
(Millions of yen)



■ Network time ■ Local time ■ Spot
■ Other ■ Other operations

Cost of Sales and SG&A Expenses

(Millions of yen)



■ Cost of sales ■ SG&A expenses

Shakedown 2 and the events Cirque du Soleil's *Quidam Japan Tour* and *Odaiba Adventure Land* as well as brisk sales in our video, MD rights, and mobile phone content businesses.

As a result of the aforementioned factors, fiscal 2004 sales for the Broadcasting segment rose 7.3% to ¥358,054 million. Cost of sales rose 9.4% to ¥230,232 million owing to relay and production costs for *2003 World Cup Volleyball* and an increase in costs in the event and MD rights businesses in tandem with an increase in revenues. Yet selling, general and administrative expenses rose only slightly, to ¥89,929 million, which supported a 12.5% rise in operating income to ¥37,894 million.

Broadcasting-related Business

This segment consists of subsidiaries involved in program production, set design, engineering, and related activities. Sales amounted to ¥46,925 million (up 0.9% year on year) due to an expansion in external revenues related to orders from such events as Cirque du Soleil's *Quidam Japan Tour* and *Odaiba Adventure Land*. Yet cost-cutting underpinned a hefty 43.6% rise in operating income to ¥2,297 million.

Direct Marketing

Sales by the Direct Marketing segment rose 9.1% to ¥67,107 million thanks to robust catalog sales of beauty and health products as well as fees charged for product delivery. Meanwhile, efforts to lower catalog production and

delivery costs and to prune overhead expenses resulted in a 91.6% rise in operating income to ¥3,477 million.

Other Businesses

The segment comprises subsidiaries involved in computer software development, publishing, and a diverse range of other businesses. Sales edged up 1.0% to ¥29,997 million as healthy earnings by software developer Fujimic, Inc. were offset by declining sales at Fuso Publishing, Inc. However, operating income was down 11.2% to ¥419 million due to losses at a U.S. subsidiary resulting from amortization expenses for music copyrights.

Equity-method Affiliates

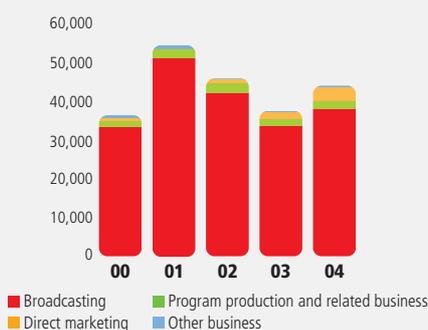
Earnings were generally robust at equity-method affiliates with Fuji Satellite Broadcasting, Inc. (BS Fuji, Inc.) contracting its losses amid difficult conditions and Pony Canyon, Inc. enjoying a profit increase on strong DVD sales. Overall, equity in earnings of affiliated companies (net of dividends) amounted to ¥597 million for fiscal 2004.

FINANCIAL POSITION

Total assets at March 31, 2004 rose ¥144,873 million to ¥625,786 million. The main factors behind the increase were a rise in current assets, reflecting a ¥62,044 million rise in marketable securities and ¥59,781 million in beneficial interests in trusts due to a public share offering.

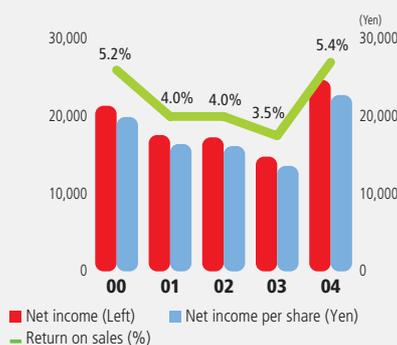
Operating Income

(Millions of yen)



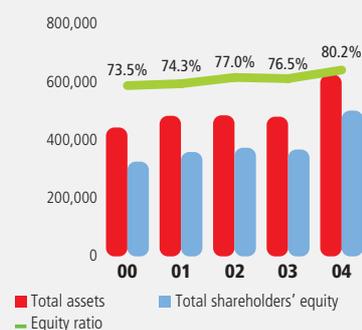
Net Income, Net Income per Share and Return on Sales

(Millions of yen, %)



Total Assets, Total Shareholders' Equity and Equity Ratio

(Millions of yen, %)



Total liabilities rose ¥8,163 million to ¥116,235 million due in part to the booking of deferred tax liabilities. Interest-bearing debt rose ¥55 million from the previous fiscal year-end to ¥2,404 million as the Company issued ¥332 million in bonds with stock purchase rights, which offset a ¥277 million reduction in short-term borrowings. Total shareholders' equity rose ¥134,074 million to ¥501,870 million. This reflected an increase in common stock and capital surplus following our public share offering, a rise in retained earnings, and an increase in valuation gain on other securities. The equity ratio rose 3.7 percentage points from the previous fiscal year-end to 80.2%.

CASH FLOWS

In fiscal 2004, net cash provided by operating activities rose by ¥11,798 million to ¥45,256 million owing to an increase in income before income taxes and minority interests and other adjustments and inflows from the disposal of fixed assets, which were augmented by a decrease in enterprise taxes paid.

Net cash used in investing activities amounted to ¥68,067 million, an increase in outflows of ¥35,822 million. This reflected primarily an increase in the acquisitions of subsidiaries' stock and marketable securities held for investment, as well as the purchase of bonds and other securities with maturities longer than three months and beneficial interests in trusts.

Net cash provided by financing activities amounted to ¥92,956 million due mainly to an increase in funding resulting from a public share offering.

As a result, cash and cash equivalents at the end of the fiscal year totaled ¥125,232 million.

Fund-raising and Capital Investment

Fuji Television raised ¥92.8 billion in a public share offering and capital increase through a third-party share allocation implemented in February through March 2004. The funds raised are earmarked for the construction of new studios designed to strengthen our programming production system and for investment in media and content demanded by the multimedia and multichannel era.

The Fuji Television Group projects demand for funds at ¥154.1 billion over the three years starting in fiscal 2005, ending March 31, 2005. This includes capital investment of approximately ¥85 billion, or approximately ¥40 billion for the construction of new studios and approximately ¥45 billion for ordinary facilities renewal and investment related to terrestrial digital broadcasting, as well as approximately ¥70 billion for investment in media and content to address the shift to multimedia and multichannel services. We intend to fund this investment with the ¥92.8 billion raised through financing and with cash flow generated over the next three years.

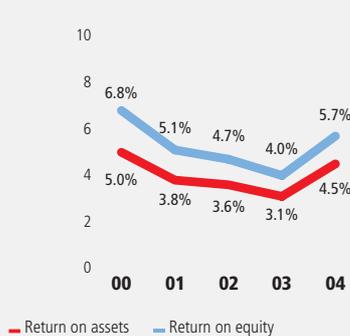
Working Capital

(Millions of yen, %)



Return on Assets and Return on Equity

(%)



Investor 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.

1-6-2, Marunouchi, Chuo-ku, Tokyo 135-8722, Japan

STOCK LISTING:

First Section of the Tokyo Stock Exchange

(Listed on August 8, 1997)

NUMBER OF SHAREHOLDERS:

105,382

(As of March 31, 2004)

NUMBER OF SHARES:

Issued: 3,000,000

Outstanding: 1,274,304.20

(As of March 31, 2004)

INDEPENDENT AUDITORS:

Shin Nihon & Co.

Certified Public Accountants

NUMBER OF SUBSIDIARIES AND AFFILIATES:

Consolidated subsidiaries: 21

Non-consolidated subsidiaries

accounted for by the equity method: 3

Affiliates: 39

(including 11 affiliates accounted for by the equity method)

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.



This CD-ROM contains the following information:

- Financial Statements and Notes
- Report of Independent Auditors
- Investors' Guide 2004 (Excel and PDF)
- Flash Reports: Year ended March 31, 2004
- Three-month period ended June 30, 2004



The investor information on Fuji Television's Website can be accessed from this CD-ROM.

<http://www.fujitv.co.jp/en/investor/topmain.html>

