Taking a step toward the future

TBS

TOKYO BROADCASTING SYSTEM, INC.

ANNUAL REPORT 2003

For the year ended March 31, 2003

CONTENTS

Forward-looking statements:
This annual report includes forward-looking statements pertaining to expectations, plans, strategies, management goals, future performance, expenses, revenues, income and other forecasts formulated on past experiences. Forward-looking statements necessarily entail some degree of uncertainty, and the content conveyed in the results as well as underlying factors identified in the report may differ materially from actual results depending on changes in those factors.

The **MISSION** of TBS and the TBS Group is to provide **HIGH-QUALITY CONTENT** to as many members of the general public as possible through media such as television and radio.

In our routine management affairs, we strive constantly to realize this management ideal by stepping up viewer and listener ratings through the production and emission of high-quality programs, becoming fully prepared for digital and multi-channel broadcasting and devising practical policies to strengthen the TBS Group. In the future, we intend to fulfill our mission as a broadcasting company in full awareness of our social responsibilities, and live up to the expectations placed in us by our shareholders and investors by further strengthening our managerial foundations and striving to improve our performance.

We have set our sights on becoming the leading **DIGITAL MEDIA GROUP** by the year 2005.

We intend to strengthen our front-line production activities by going "**BACK TO THE BASICS**" of broadcasting, that is, conveying entertainment and information to as much of the general public as possible, and to this end we shall be striving to provide high-quality programs along with content and services of real value.

We shall also be expanding efficiently into new media operations such as BS, CS and broadband internet.

We have already made a start with **STRUCTURAL REFORM** of costs, and we intend to conduct reform along these lines with even greater determination in the future. To ensure that these management policies are implemented with the utmost rigor, we shall work on strengthening corporate governance, striving toward structural reform of managerial methods, and advancing speedy reforms in our personnel and pensions systems so as to give us flexibility with regard to future recruitment and personnel costs.

We believe that the optimum use of management resources will prove useful in enhancing our corporate value. One aspect of such use is the redevelopment of land we own in Akasaka.

We shall have to wait until receiving devices are in general use before we can expect to see profits generated by terrestrial digital broadcasting, which is due to be launched in December 2003. However, digitization of terrestrial broadcasting is extremely important as a long-term strategy for further enhancing the appeal of television, and we intend therefore to take active steps to tackle this field.

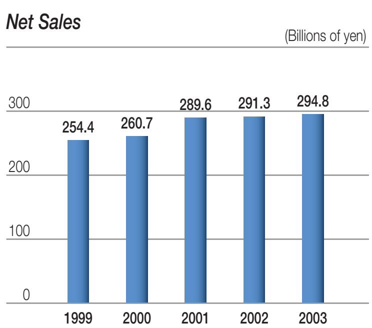
We shall be putting practical measures into effect in connection with each of these policies.

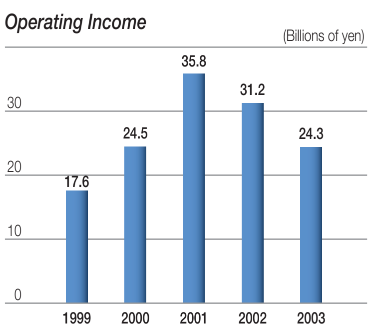
Financial Highlights

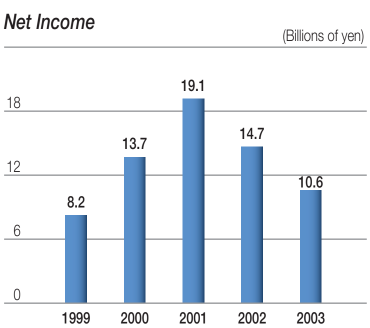
Tokyo Broadcasting System, Inc. and Consolidated Subsidiaries March 31, 2003 and 2002

	Millions of yen		Percent change	Thousands of U.S. dollars
	2003	2002	2003/2002	**2003**
For the year:				
Net sales	**¥ 294,840**	¥ 291,256	+1.2%	**$2,452,912**
Operating income	**24,327**	31,242	(22.1)%	**202,388**
Net income	**10,599**	14,652	(27.7)%	**88,178**
Per share data (in yen and U.S. dollars)**:**				
Net income	**¥ 59.10**	¥ 83.77	(29.4)%	**$ 0.492**
Shareholders' equity	**1,692.03**	1,892.44	(10.6)%	**14.08**
At year end:				
Total assets	**¥ 443,779**	¥ 522,130	(15.0)%	**$3,692,005**
Total shareholders' equity	**298,288**	330,946	(9.9)%	**2,481,597**

Note: The U.S. dollar amounts in this report are provided for convenience only and have been converted at the rate of ¥120.20 to $1.00, the approximate rate of exchange in effect as of March 31, 2003.







Business report for the fiscal year under review

Television will at last be entering on a new era with the start of terrestrial digital broadcasting in the three major areas of Tokyo, Osaka and Nagoya in December this year. The digitization of broadcasting will bring about a rapprochement and fusion between broadcasting and telecommunication, ushering in a truly major transformation in the environment in which the broadcasting industry is situated. However, difficult conditions continued throughout the fiscal year with the trend among companies to cut back on advertising costs being further aggravated by uncertainty over economic prospects.

While putting all our efforts into strengthening our programs in order to come out on top in this age of fierce competition, on the sales front we have been working positively and in great detail to satisfy the needs of advertisers. Terrestrial television, which remains the hub of our activities, regained much of its dynamism during the second half of the year. Our efforts paid off when we achieved first place in terms of golden time viewer ratings in the New Year season and with our special programs for the end of March. This contributed to our yearly golden time viewer ratings where we placed second among private broadcasters. Spot sales of the second half of the year saw an increase of over 5% in comparison with the previous year. Our radio offshoot company TBS Radio & Communications, Inc.

Building TBS into A Top Brand for Sustainable Growth

President HIROSHI INOUE

also put up a good showing, coming out way ahead of the competition in terms of listeners ratings in six consecutive surveys held throughout the course of the year in two months intervals. Time and spot sales have also shown a high level of growth. This was thus a year that showed how successful the separation of the radio and television production divisions has been since it got under way in 2000.

In consequence we managed to achieve an increase in revenue of 1.2% over the previous year, with business income for the consolidated accounting year amounting to ¥294,840 million. However, in terms of profit, operating income was down 22.1% over the previous year at ¥24,327 million and net income was down by 27.7% at ¥10,599 million.

Management strategy and multimedia

Turning now to BS digital broadcasting, helped by the 2002 FIFA World Cup Korea/Japan™, there was an increase in sales of digital TV sets and receiving devices and by the end of March almost four million households were able to receive digital broadcasts. It is likely to be only a short time before the crucial figure of five million households is reached, the figure deemed to make it a mass medium. The value of the medium will increase enormously once this watershed is breached. The TBS Group's BS digital broadcasting company BS-i, will continue to provide new and original programs unique to BS digital broadcasting i.e., high definition broadcasting and interactive services such as high quality documentaries, interactive quiz shows and dramas with shopping functions. While consolidating our status as the leader of the industry, BS-i has issued ¥10 billion of new stock in March in order to strengthen their managerial foundations and to prepare for the new digital era of competition that is approaching fast on their heels.

The CS-110 degree satellite broadcasting company C-TBS began broadcasting in June 2002. TBS provides "tbs channel," a pay channel which consists of TBS' classic dramas and variety shows. Subscribers for this channel reached 60,000 by the end of March 2003, and we believe we have thus managed to acquire a new source of revenue in the form of pay television income.

In the broadband field, TORESOLA Corporation, a planning company established jointly with Fuji Television Network and TV Asahi, is engaged on R&D in connection with broadband distribution systems, involving, for example, the trial transmission of popular television programs broadcast in the past. TORESOLA issued just under ¥300 million of new stock in April 2003 and is planning to conduct phase 2 verification tests this autumn in cooperation with film companies.

At this stage when the foundations are being laid for the introduction of new media, we are once again channeling our management resources into the production of terrestrial TV programs that are our main strength in order aggressively to strengthen our total capacity, including our capacity to provide content to a wide variety of media. We have adopted a new programming guideline with 'Reborn' as our slogan. This refers to our goal of being reborn with powerful contents that draw high viewer ratings and lead to even further profitability. To these end, we have prepared more than ten large-scale special programs in a wide variety of genres including large-scale historical dramas, science documentaries, news and sports such as the 9th IAAF World Championships in Athletics to be held in Paris this August, all of which are well suited to the high-quality TBS brand.

The Yokohama BayStars is contributing to the revitalization of Japanese professional baseball with the new forces at their command, and we believe that they will contribute to the content strategy of the TBS Group through featuring in sports programs with a strong appeal.

Structural reform of costs

Our principal business, broadcasting, is in a period of major change. At this time we are engaged on speeding up the management process by means of spinning off the production divisions whose aim is to revitalize the organizational structure of the Group and the large-scale delegation of authority involving a system of executive officers, which already have a record of achievement to their credit. Our cash flow position has become considerably better due to efficient management based on the introduction of a new integrated accounting system (SAP) into consolidated companies and intensive management of funds within the Group through the introduction of cash management system (CMS). The structural reform of costs referred to earlier has been proceeding smoothly, review of production processes aimed at doing away with wastefulness is having an effect, and we are succeeding in reducing costs over and above our target figures.

Personnel and pensions system

We are currently working on concrete measures to reform our personnel system with the aim of creating an organization capable of responding to a new era. We will not be able to create programs unless we continue to recruit young people, and we are aiming therefore at more flexible group recruitment in order to acquire employees of a new type appropriate to each organization. We intend also to review our retirement and pensions policy to reduce to a minimum any factors that might have a destabilizing influence on management.

Terrestrial digital broadcasting

Provisional license for terrestrial digital TV broadcasting was granted to TBS on April 18 and we are currently preparing for the histrical start of broadcasting on December 1 this year. We will start with offering the same programs as those presented in analog broadcasts in the form of high-definition (HD) broadcasts with a strong sense of presence and immediacy. We will also provide news and weather information using data broadcasting. In these and other ways we are aiming to increase the appeal of TBS Channel 6. Digital TV and tuners for terrestrial digital reception are scheduled for release this summer, and most will allow for joint reception of BS, CS 110 and terrestrial broadcasts. This is likely to give further impetus to expansion in the number of viewers of BS-i and C-TBS broadcasts and to provide momentum for a further leap forward by TBS Group.

Other business activities

We are witnessing further favorable growth also in our various enterprises outside the realm of broadcasting. Sales figures for the software sector (DVDs, videos, etc.) and theatrical films were both up on those for the previous year. As to program sales, overseas sales were down on the previous year, but we nevertheless managed to exceed last year's figure due to 8% growth in domestic sales. Shopping, such as e-commerce, maintained a high level of growth at 26%. Although not coming within the category of "Other Business," the number of hits on the TBS website in March was the highest ever, and TBS has overtaken and is retaining its ascendancy over NHK in this regard. It is noteworthy that, a large portion of visitors to the website were women in their twenties and thirties. Since the start of the new fiscal year, DVDs released in May featuring the popular drama "Good Luck!!" and the movie "Yomigaeri" have been selling well and are certain to be profitable.

As regards to redevelopment of the Company-owned real estate site of around 3.3 hectares adjacent to the TBS Broadcast Center in Akasaka, work on dismantling the existing buildings will begin in the course of the current year. The plan is for the complex of three zones comprising an office building, cultural facilities, and residential building to be completed in 2007. Real estate business is intended solely as a means for contributing to the continued growth of the Company and the TBS group through indirect but steady support for the broadcasting operations that constitute our core business.

While constantly exploring ways to strengthen our managerial foundations, the Company and the TBS Group intend to enhance yet further the value of the TBS brand and to consolidate our position as a leading player among digital media companies. In this way we hope to respond in full measure to the confidence placed in us by our shareholders.

Corporate governance

In addition to the ongoing appointment of external directors (as of June 27, four of our 17 directors were external), in June 2001 we introduced a system of executive officers with the aim of clarifying the allocation of roles and responsibilities in connection with management decision-making and the execution of business. In addition, we have four auditors, comprising two standing statutory auditors and two external auditors. In June 2001 we set up a new department called the "Office of Internal Audit" for the purposes of auditing the whole range of business conducted by the Company and conducting surveys and formulating plans aimed at improvements in the Company's business activities as a whole. This office carries out detailed inspections of the Company's internal affairs, down to checks on routine paperwork.

Targeted business indicators

As regards to targeted business indicators, studies are constantly being carried out concerning indicators appropriate for the Company from the standpoint of emphasis on shareholders. The current target is for a ratio of operating income to sales of 8% or more for both the consolidated performance of the Group and the non-consolidated performance of the Company, and we intend to ensure high profit levels for our shareholders by raising this ratio as high as we can. We also intend to continue with our management policy placing special emphasis on cash flow in readiness for possible new investments we may to see in the future.

Return of profit to shareholders

Involved as we are in the field of broadcasting, our business has a strong element of public responsibility. Because of this, we have striven over the long term to construct a stable managerial foundation for the Company. In addition, as far as dividends are concerned, our policy has been to return our profits to our shareholders through commemorative dividends, special dividends, and other dividends, in line with performance and with the emphasis on ensuring the stable continuation of dividend issues. We intend to make use of our internal reserves to prepare for a wide range of business activities in response to the digital, multi-channel era about to get under way in earnest. These reserves are also kept to enable us to strengthen yet further our financial constitution and to ensure that we have sufficient funds available for capital investment from a long-term perspective. We issued a ¥10 per share dividend for the year as a whole.

Change of minimum trading unit

We have conducted detailed studies on the basis of a full awareness of the importance of expanding the range of our shareholders/investors and stimulating trading of TBS stocks. As of November 1, 2002 we have changed the minimum trading unit of TBS stock from 1,000 shares to 100 shares.

Prospects for the current fiscal year

Under bleak economic conditions, our aim is to create programs of ever-superior quality in order to ensure a steady inflow of revenue. The year 2003 is the first year of terrestrial digital broadcasting. Although there is no denying the presence of factors that are going to be contributing to an increase in costs such as the depreciation of digital equipment, we intend to do all we can to inhibit any increase in costs by making changes in production processes.

We are fully aware in the most real sense of the severity of the present era. We intend to realize one by one the methods and policies needed for us to survive during such difficult times with a new organizational structure and fresh ideas at our disposal.

June 2003

Hiroshi Inoue

Hiroshi Inoue
President

Building TBS into A Top Brand for Sustainable Growth

Under the new management organization inaugurated in June 2002, we have been working towards our goal of playing a leading role as total digital media group.

Attaining the status of the total digital media group involves maximizing the effectiveness of the TBS Group's three key functions in the areas of production, broadcasting station, and content provider. More specifically, this means providing all-round capabilities in media—producing content that clearly differentiates us from competitors, delivering such content through a wide range of media, and expanding our business in peripheral areas such as theatrical film production and e-commerce.

We have finished laying the foundations for bringing our business into a world of new opportunities and are now in a position once again to devote management resources to improving our capabilities in producing programs for our core terrestrial television business with a view to advancing our preparations for surviving the era of mega-competition in the media industry.

Looking ahead, our objective is to achieve sustainable growth by building TBS into a top brand thus enhancing our enterprise value.

Enhancing the TBS Brand through Television Programs

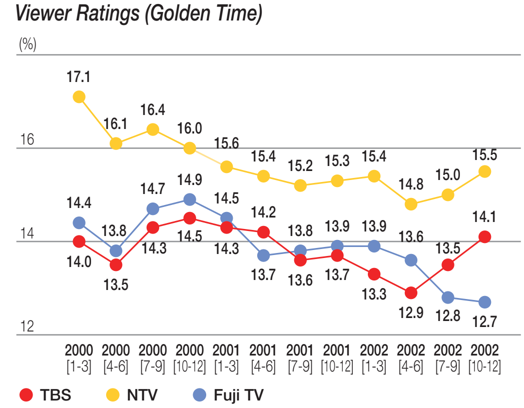
Channeling Management Resources into Terrestrial Broadcasting

We intend to produce and broadcast even better quality programs to enhance the TBS brand and promote its market penetration. To this end, we shall channel our management resources into the production of programs for our core business, terrestrial television broadcasting.

Major improvement in viewer ratings

During the fiscal year under review, we succeeded in boosting our viewer ratings by a large margin. Beginning with *Good Luck!!*, which achieved average viewer ratings in excess of 30%, our ratings increased to take us past Fuji Television Network, Inc., for the first time in 21 years, making us the number two commercial TV station in golden time. We believe this is the result of the steady, careful and thorough approach we have always adopted toward program production. Dramas, especially family dramas, were the main driving force behind the improvement in viewer ratings. We have always had a solid reputation in this area, particularly for regular dramas like *Wataru Seken Wa Oni Bakari*, but viewer attitudes towards television appear to have changed considerably under the impact of recent domestic and international events such as the September 11, 2001 terrorist attacks in the United States, and the continued stagnation of the domestic economy. Amidst rising viewer rates for news shows and serious documentaries, we have noticed a growing preference for home dramas for family entertainment rather than dramas featuring fashionable trendy young people.

Viewer Ratings (Golden Time)



GOOD LUCK!!

The biggest hit drama in FY2002 with the average viewers rating in excess of 30%

Tetsuya Chikushi's News 23

One of the most relied upon news programs with average viewer rating of 10%

High viewer rating programs

No.	program	average viewer rating
1	GOOD LUCK!!	30.6%
2	Wataru Seken Wa Oni Bakari	23.5%
3	Mito Komon	18.1%
4	Broadcaster	17.7%
5	Hiroshi Sekiguchi's Tokyo Friend Park	17.6%
6	Otousan	16.5%
7	Monday Mystery Gekijo	16.1%
8	Sanma no Super Karakuri TV	15.3%
9	Kochira Honikegamisho	15.2%
10	Sekai Ururun Taizaiki	14.7%

Ideas that fit current trends win favorable reviews

We believe that our higher viewer ratings are the result of several corporate reforms, including spin-offs of our production divisions and providing opportunities to younger personnel resources. The spin-offs were designed to rejuvenate our organization, but we are convinced that the new vitality they generated resulted in better programs which, in turn, led to higher audience shares. In fact, we took no special steps to boost our viewer ratings by increasing budget for production. If anything, our success has resulted from cost structure reforms that employ thoroughgoing reviews of production processes to make more efficient use of production budgets. All the programs that attracted larger audiences during the year under review had two things in common – they were backed by solid planning and made full use of ideas that suit the age in which we live. We believe we have proved that it is not necessary to allocate large production costs to programs. The more innovative the ideas and the direction of the dramatic performances, the more likely a program is to win the empathy of larger audiences.

Working toward even higher viewer ratings

We remain firmly committed to our tradition of creating "TBS-standard" programs. To us, the "TBS-standard" or "TBS-like-programs" concept means adhering to the TBS tradition of steady and careful program creation while constantly taking up new challenges. In a sense, we see this as working together with our viewers to make high quality programs that enhance our standing in society. We will persevere with these efforts to raise our viewer ratings. Strengthening our morning show is one of the key issues we face at the moment. The morning time zone is extremely important for spot sales. Winning higher viewer ratings at this time zone makes a major contribution to profits. Since the gap among the top three key stations is narrowing in the golden and prime time, we believe TBS is in a good position to win the number one position on an annual basis before too long.

Proactive Approach to New Media Businesses

Multimedia Strategy Focuses on Digitization

Japan's digital broadcasting business is a complex mixture of platforms and broadcasting stations including, BS (Broadcast Satellite) and CS (Communication Satellite) that commenced their services one after the other during the past several years. The spotlight will now fall on how these different services realign and consolidate. The direction taken by digital satellite broadcasting will play a very important role in determining the future of broadcasting media in general. Moreover, television broadcasting is poised to enter the final phase of digitization when terrestrial digital broadcasting commences in the three major areas of Tokyo, Osaka and Nagoya in December 2003.

TBS's strategy to date

The era of digital broadcasting is likely to be characterized by the progressive convergence of broadcasting and telecommunications, and in preparation for its full-scale arrival, TBS has invested in various new media, extending from BS digital and CS broadcasting to Internet broadband distribution.

In the CS broadcasting sector, our all-news channel JNN News Bird started broadcasting in 1996. Subscribers to News Bird through SkyPerfecTV! reached some 700,000 households by the end of March 2003. In June 2002, we launched the "tbs channel" on the SkyPerfecTV!2 platform, which uses the CS-110 satellite. The "tbs channel" broadcasts classic TBS programs such as hit dramas and popular variety shows. Pay services which commenced in July 2002, expanded into the SkyPerfecTV!1 platform in October 2002. As of the end of March 2003, some 60,000 households were subscribing to the "tbs channel" on the two SkyPerfecTV! platforms.

TBS' affiliated BS broadcaster, BS-i commenced broadcasting in December 2000. BS digital broadcasting is a new media service that allows HD(high definition) wide-screen images and interactive functions. Almost four million households were capable of accessing such broadcasts as of the end of March 2003 (including via cable television). BS digital interactive services add a completely new type of functionality to television, such as interactive quiz shows, shopping programs and interactive commercials.

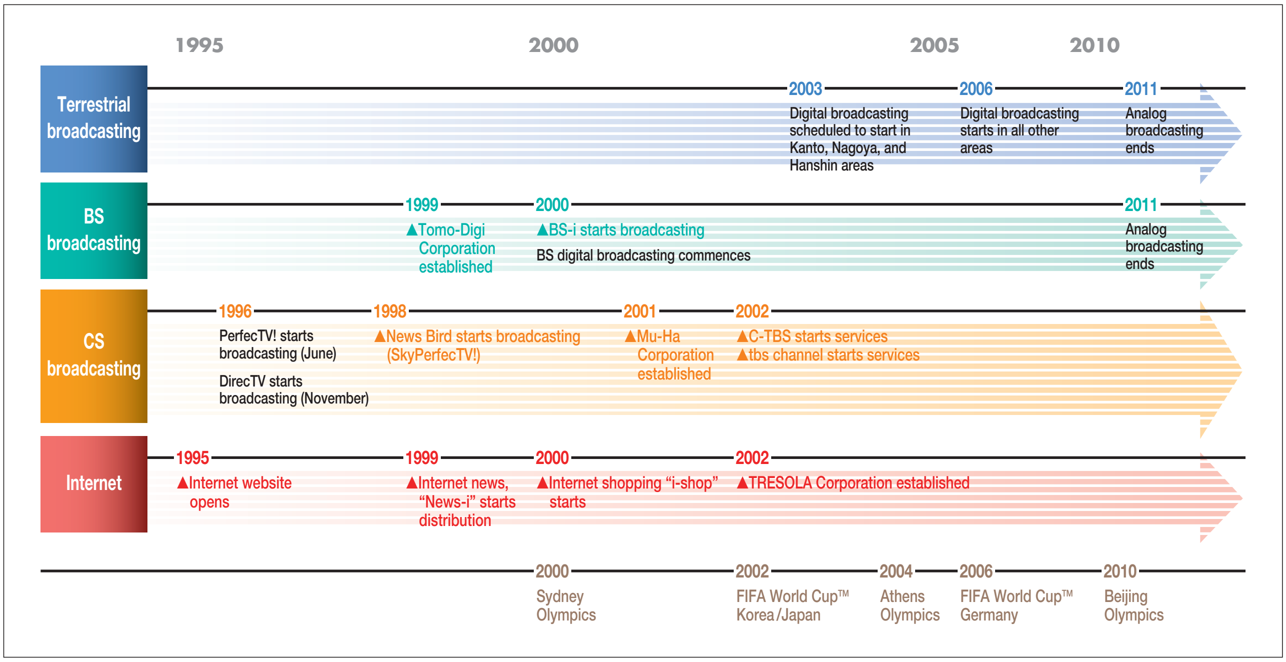
In December 1999, TBS in cooperation with Matsushita Electric Industrial Co., Ltd. and other partners, established Tomo-Digi Corporation to deal with the challenges involved in planning, producing and delivering interactive content and services using BS digital broadcasting. In April 2001, we joined forces with Fuji Television Network, Inc. in setting up Mu-Ha Corporation to handle the downloading of digital content. In January 2002, we established TORESOLA Corporation, a broadband Internet planning company, a joint venture among TBS, Fuji Television, TV Asahi and NTT Communications, is now experimenting in TV program deliveries via the Internet and conducting business feasibility studies.

2003—A turning point

The launch of digital terrestrial broadcasting in 2003 will complete the introduction of the full spectrum of digital broadcasting media. This year therefore promises to become a “moment of truth” for the various new media and services that have emerged to date, a year in which they will be closely examined on their values and be discarded or adopted accordingly. Our approach is to deal proactively and flexibly with the various issues that come up, i.e., in terms of tangible infrastructure, these cover telecommunications and broadcasting technologies for the age of digitization and multimedia, including the distribution of contents to new media, and in terms of intangible assets, they include production frameworks, human resources development and the handling of copyright and other intellectual property rights issues.

The new world of terrestrial digital broadcasting

TBS aims to use terrestrial digital broadcasting to make television even more attractive. In addition to allowing HD broadcasts of programs, it will make it possible to deliver multi-channel services, high-function services using data broadcasting, and mobile reception. There is no doubt that the environment facing the broadcasting industry is in the midst of enormous changes triggered by digitization. Nevertheless, we believe that we can face up to any environmental changes imaginable and continue to enjoy the support of viewers and customers so long as we create attractive content and deliver it reliably through a variety of media.



Playing a Leading Role as a Comprehensive Digital Media Group

Content Production the Kernel of Our Efforts to Strengthen Our Overall Capabilities

Our all-round capabilities are underpinned by the expertise we have accumulated in producing superior content over the years and the ability to continue creating new content. As mentioned earlier, we have finished laying the foundations for bringing our business into the world of new media and will now once again endeavor to strengthen our overall capabilities by improving our skills in producing programs for our core terrestrial television business. As a content provider, it is also essential that we maintain the ability to offer content in a timely manner using media and infrastructure that effectively suit each particular occasion while keeping an eye on the changes constantly affecting infrastructural development. We fully intend to strengthen our production companies and take various other steps to further enhance these functions.

The impact of spinning off production divisions and radio operation

One of the strategies implemented for strengthening our content production capability was the spin offs of our production divisions beginning in 2000. Four production divisions were separated as TBS Radio & Communications, Inc., TBS Entertainment, Inc., TBS Sports, Inc. and TBS Live, Inc. TBS' radio license was transferred to TBS Radio & Communications on October 1, 2001. The objective was to revitalize the organization by putting these newly-independent production companies in a position where competition with other firms obliged them to produce even better programs. The higher viewer ratings we have achieved during the term under review attest to the success of this policy. In particular, spinning off our radio operations has been well received. Audience surveys held every two months show that we have achieved the number one position on ten consecutive occasions, including six during the term under review. Moreover, both time and spot sales have shown strong growth.

Yokohama BayStars to revitalize professional baseball

As part of the TBS Group's medium- to long-term content-reinforcement strategy, in March 2002 TBS has acquired a majority shareholding in Yokohama BayStars Baseball Club, Inc., the operator of the popular Yokohama BayStars professional baseball club. One of Japan's most popular sports, professional baseball is an excellent source of content that promises stable viewer ratings. How to enhance its value and promote its effective use within the context of multi-digital media is an issue that we will continue to examine in the future.

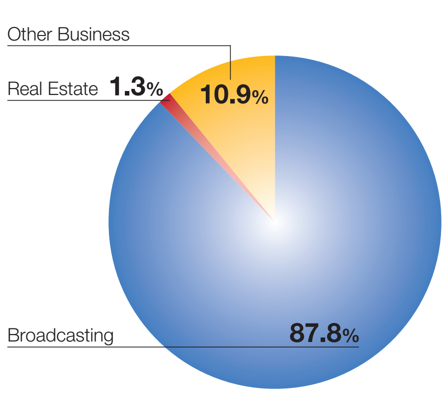
Promising growth in businesses outside the broadcasting sector

During the fiscal year under review, non-broadcasting businesses such as DVD sales, theatrical films, program sales, content distribution to mobile phones, exhibitions (all together "Other Businesses") posted net sales of approximately ¥18 billion (parent company only, excluding real estate sector). Although this is a relatively small proportion of our consolidated net sales of some ¥290 billion, synergies with the broadcasting segment have enabled the segment to steadily expand its sales, which now exceed those of radio.

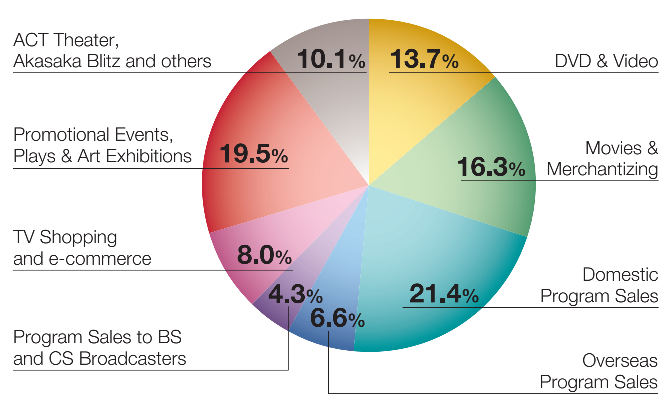
The shopping segment, in particular, the e-commerce has posted more than double growth. TBS Internet shopping site, "i-shop" sells various kinds of merchandise, including items that relates to television programs, and the steady increase in the number of people who enjoy Internet shopping promises further expansion in this sector in the future.

Broadcasting will always be the core business of the TBS Group, but we believe that expansion in business segments that fall under the "Others" category will also provide a broader range of opportunities for increasing revenues. Our aim is to promote further penetration of the TBS brand by increasing opportunities to access TBS from various angles other than broadcasting, thereby enhancing the value of the group as a whole.

Breakdown of Sales (Parent company)



Breakdown of Other Business (Parent company)



As of March 31, 2003

Tokyo Broadcasting System, Inc.

Broadcasting
17 Companies

TBS Radio & Communications, Inc.
TBS Entertainment, Inc.
TBS Sports, Inc.
TBS Live, Inc.
TBS Service, Inc.
TBS-Vision, Inc.
ACS, Inc.
Tokyo Broadcasting System International, Inc.
Toho Seisaku Co., Ltd.
Pec Co., Ltd.
Akasaka Video Center Co., Ltd.
Kinoshita Production Co., Ltd.
Akasaka Graphics Art, Inc.
Sounds Art Co., Ltd.
F&F, Inc.
Telecom Sounds, Inc.
ProCam., Inc.

Real Estate Operations
5 Companies

Midoriyama Studio City Inc.
TBS Kaikan Co., Ltd.
TBS Kikaku Co., Ltd.
Akasaka Heat Supply Co., Ltd.
TBS Sun Work Co., Ltd.

Others
6 Companies

Nichion, Inc.
TBS Plaza Co., Ltd.
TBS Media Research Institute, Inc.
TRC Co., Ltd.
Grand Marché, Inc.
Yokohama BayStars Baseball Club, Inc.

Companies under the Equity Method
4 Companies

BS-i, Inc.
Tomo-Digi Corp.
Totsu Co., Ltd.
TLC. Co., Ltd.

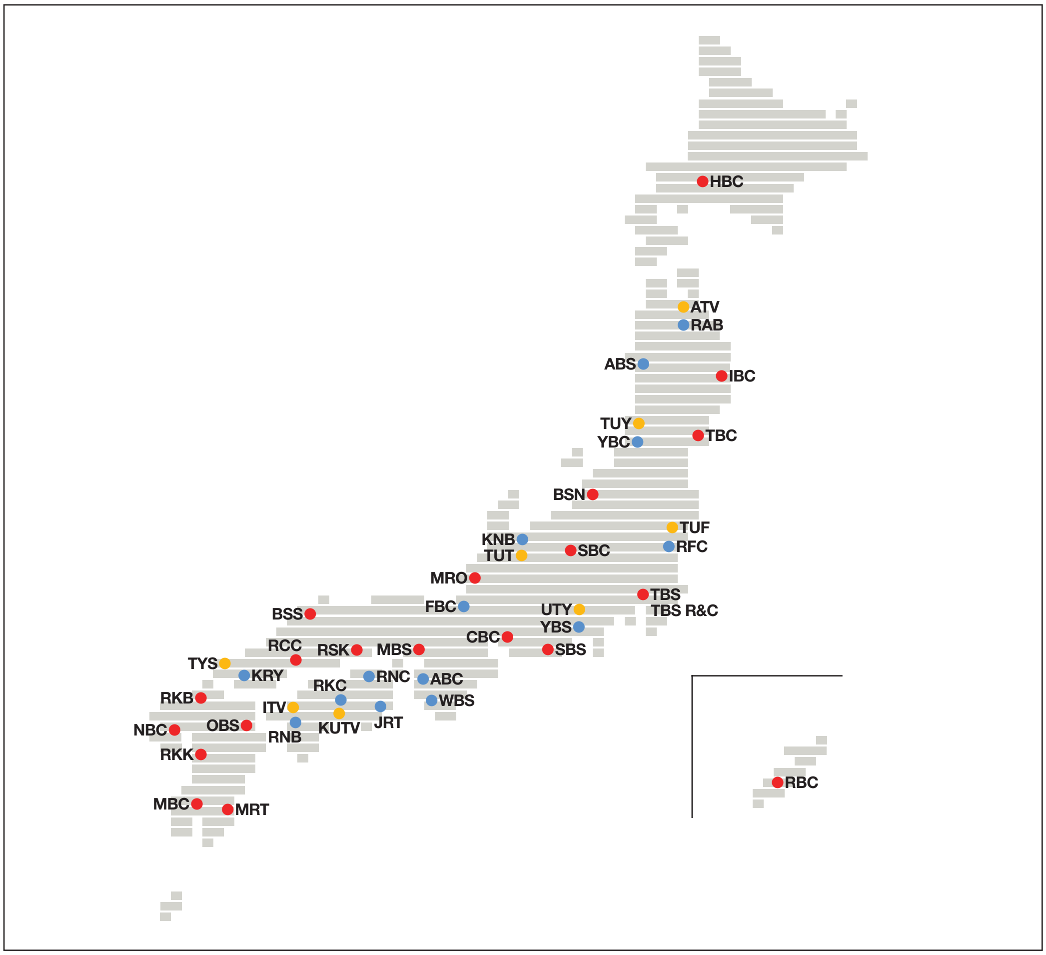
Changes in Consolidated Subsidiaries

Notes:
1. ACS, Inc.: Absorbed Art House Co., Ltd. on April 1, 2002.
2. Procam Co., Ltd.: Commenced operations on October 1, 2002. (Established July 1, 2002.)
The company was newly included within the scope of consolidated subsidiaries.

As of March 31, 2003

JNN & JRN NETWORK

- Television & Radio
- Television
- Radio



JNN OVERSEAS NETWORK

Tokyo Broadcasting System, Inc. and Consolidated Subsidiaries
Years ended March 31

Consolidated Basis (Tokyo Broadcasting System, Inc. and Consolidated Subsidiaries)

	Millions of yen						Thousands of U.S.dollars
Years ended March 31	***2003***	*2002*	*2001*	*2000*	*1999*	*1998*	***2003***
For the year:							
Net sales	**¥294,840**	¥291,256	¥289,561	¥260,676	¥254,392	¥261,216	**$2,452,912**
Broadcasting	**258,817**	262,005	260,988	236,191	231,751	243,973	**2,153,220**
Real estate	**3,939**	4,703	4,903	5,129	5,749	5,901	**32,770**
Others	**32,084**	24,548	23,670	19,356	16,892	11,342	**266,922**
Cost of sales	**197,992**	193,028	186,968	173,852	170,955	170,638	**1,647,188**
Gross profit	**96,848**	98,228	102,593	86,824	83,437	90,578	**805,724**
Selling, general and adminstrative expenses	**72,521**	66,986	66,766	62,358	65,874	67,407	**603,336**
Operating income	**24,327**	31,242	35,827	24,466	17,563	23,171	**202,388**
Income before income taxes and minority interests	**23,730**	28,249	35,011	24,801	15,657	22,119	**197,421**
Net Income	**10,599**	14,652	19,143	13,682	8,239	9,786	**88,178**
Capital expenditures	**13,805**	8,051	10,204	7,573	5,958	5,939	**114,850**
Depreciation and amortization	**10,023**	9,875	9,869	11,021	11,808	11,767	**83,386**
Per share data (in yen and U.S.dollars)**:**							
Net income	**¥ 59.10**	¥ 83.77	¥ 109.45	¥ 78.24	¥ 47.12	¥ 55.97	**$ 0.492**
Shareholders' equity	**1,692.03**	1,892.44	1,365.67	1,260.73	1,167.04	1,130.95	**14.08**
At year-end:							
Total assets	**¥443,779**	¥522,130	¥376,271	¥348,915	¥339,118	¥322,349	**$3,692,005**
Interest-bearing liabilities	**49,497**	57,892	58,236	59,515	79,611	59,839	**411,788**
Total shareholders' equity	**298,288**	330,946	238,871	220,515	204,080	197,767	**2,481,597**
Ratios:							
Return on assets (%)	**2.2**	3.3	5.3	4.0	2.5	3.1	**—**
Return on equity (%)	**3.4**	5.1	8.3	6.4	4.1	5.1	**—**
Equity ratio (%)	**67.2**	63.4	63.5	63.2	60.2	61.4	**—**

Note: The U.S. dollar amounts in this report are provided for convenience only and have been converted at the rate of ¥120.20 to $1.00, the approximate rate of exchange in effect as of March 31, 2003.

Non-Consolidated Net Sales (Tokyo Broadcasting System, Inc.)

	Millions of yen						Thousands of U.S.dollars
Years ended March 31	***2003***	*2002*	*2001*	*2000*	*1999*	*1998*	***2003***
Television:							
Time sales	**¥ 54,861**	¥ 55,174	¥ 53,147	¥49,693	¥49,898	¥50,856	**$456,414**
Programming	**63,670**	63,594	61,793	57,849	59,026	60,311	**529,700**
Spot sales	**101,295**	104,196	109,301	96,069	90,679	96,811	**842,720**
Others	**14,178**	13,885	9,962	5,851	6,174	8,706	**117,953**
Radio	**—**	8,679	15,812	15,361	16,020	17,471	**—**
Others	**23,560**	23,267	22,821	17,162	16,405	11,007	**196,007**

Note: The U.S. dollar amounts in this report are provided for convenience only and have been converted at the rate of ¥120.20 to $1.00, the approximate rate of exchange in effect as of March 31, 2003.

Overview

Although there were signs of a recovery in some parts of the Japanese economy in the first half of the fiscal year under review, business conditions marked time thereafter as personal consumption slowed down, capital investment showed no signs of a full-scale recovery, and the downtrend in stock prices gained momentum.

In the broadcasting industry, companies curtailed their advertising further while the severe conditions affecting TV advertising expenditure continued.

To cope with these environmental conditions, TBS channeled more of its management resources into producing high-quality programs while at the same time engaging in proactive sales activities carefully tailored to the needs of advertisers.

As a result, consolidated net sales for the term increased by 1.2% year-on-year to ¥294,840 million. Operating income fell by 22.1% to ¥24,327 million, while net income declined by 27.7% to ¥10,599 million.

Segment Analysis

Broadcasting

Revenues from broadcasting declined by 1.2% to ¥258,817 million and operating income was down 28.5% to ¥18,330 million.

Television

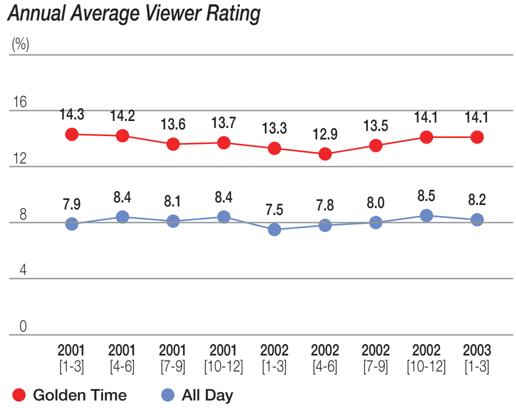
Time sales were fairly close to the same level as the previous year, thanks to the contribution from the FIFA World Cup and the Asian Games.

Despite a major recovery in viewer ratings in the second half, spot sales went into negative territory year-on-year as a result of the low audience ratings for dramas in the first half. By segment, sales of advertising for cosmetics, daily households, precision machinery, office machinery, general electronic equipment, and automobiles all performed well, boasting double-digit growth.

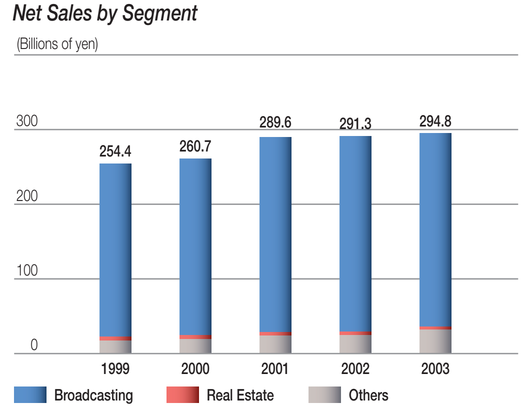
On the programming side, viewer ratings stayed at an average 13.1% for golden time during the first half, but did better in the second half, reaching 13.8% in golden time and 13.7% in prime time. Golden time viewer ratings for the full term averaged 13.5%, enabling TBS to overtake Fuji Television for the first time in 21 years. Moreover, in March 2003, TBS posted the top viewing ratings for both golden time and prime time, providing it with considerable momentum for regaining the number one position for viewing ratings for the full year.

In the drama sector in particular, the drama "Good Luck!!" starring pop idol Takuya Kimura recorded an extremely high average viewing rate of 30.6%, enhancing TBS's reputation as a station for excellent dramas.

Annual Average Viewer Rating



Net Sales by Segment




Wataru Seken Wa Oni Bakari


Otousan


Mito Komon

Radio

In the radio segment, TBS' radio license was transferred to its subsidiary TBS Radio & Communications, Inc. on October 1st, 2001.

Although time and spot sales both fell year-on-year in the first half, they recovered in the second half, eventually exceeding the full-term figures for the preceding year. TBS radio also took top honors in all six bimonthly audience surveys conducted during the fiscal year under review. This means it has filled the number one spot in 10 consecutive surveys since August 2001, clearly demonstrating its firm position as the leading company providing radio services in the Tokyo Metropolitan Area.

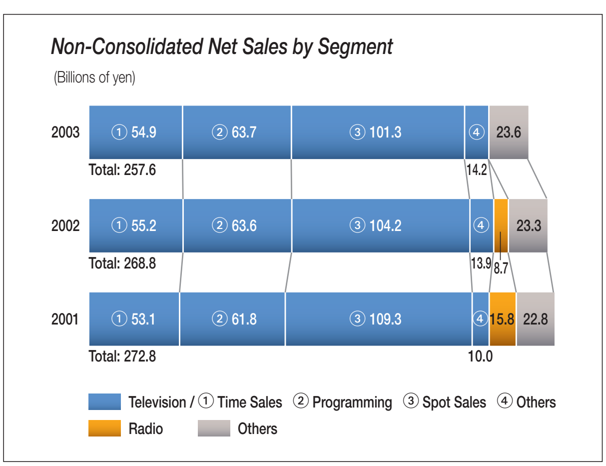
Real Estate

Revenues from the real estate business fell by 16.2% compared with the previous year to ¥3,939 million. One contributing factor was a decline of ¥800 million in tenant rentals owing to the fact that some tenants moved out of the TBS Kaikan and Akasaka Media Building due to the redevelopment of land owned by the company in Akasaka. Operating income fell by 56.3% year-on-year to ¥757 million.

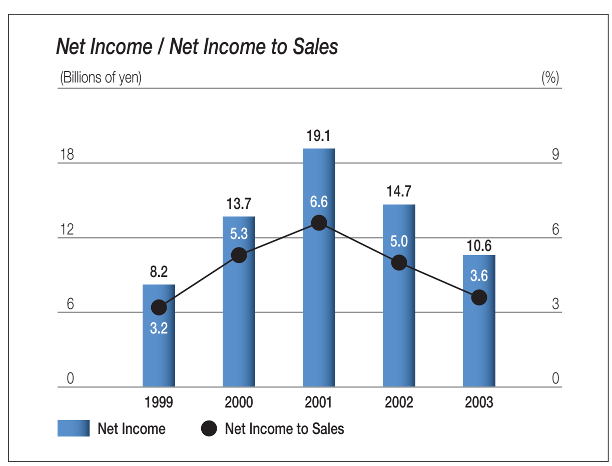
Other Business

Sales increased by 30.7% compared with the previous year to ¥32,084 million thanks to the contribution from the newly acquired Yokohama BayStars and higher sales by TBS' division handling "Other Business". Operating income increased by 37.8% year-on-year to ¥5,334 million.

Media commerce was particularly strong, the sales of which increased by 26% compared with the preceding term. Internet shopping site "i-shop" was one of the major contribution to the overall sales increase. In the software business, sales of DVD titles such as *Ikebukuro Westgate Park* and *Kisarazu Cat's Eye* were strong, while theatrical films such as *Yomigaeri* and *Ping Pong* also contributed.



Non-Consolidated Net Sales by Segment



Net Income / Net Income to Sales


Sekai Fusigi Hakken!

All Star Kansha-sai


CUBE

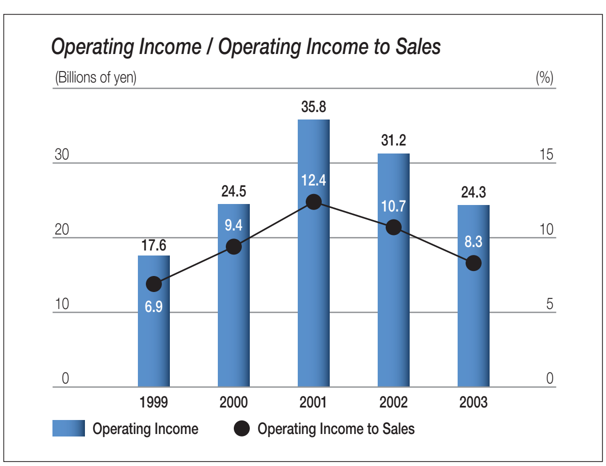
Cost of Sales and Operating Income

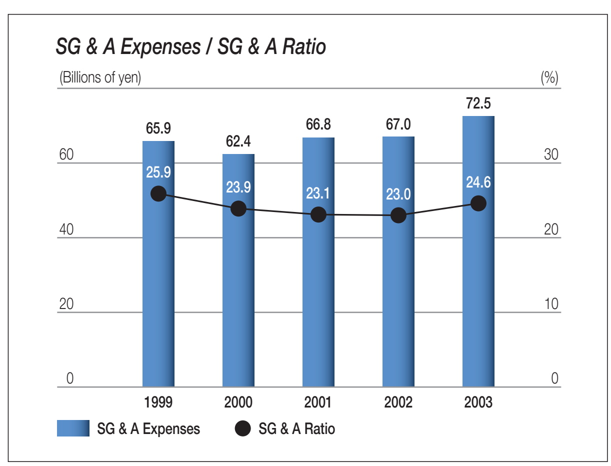
Cost of sales increased by 2.6% compared with the preceding year to ¥197,992 million, and the cost of sales ratio rose by 0.9 percentage points to 67.2%.

Selling, general and administrative (SG&A) expenses rose 8.3% year-on-year to ¥72,521 million. Despite strenuous cost-cutting efforts, operating expenses and goodwill amortization costs associated with the Yokohama BayStars, the start-up costs involved in the launch of CS-110 degree satellite broadcasting, and expenses associated with the higher sales of Internet commerce and mobile services all contributed to an increase in operating costs. Another contributing factor unique to the term under review was the fact that in order to amortize actuarial differences on retirement benefit obligations, the Company posted approximately ¥2,000 million in retirement benefit expenses under operating expenses.

Introduction of the new SAP integrated accounting system commenced in October 2001 and was completed for consolidated companies during the fiscal year under review, contributing to steady progress in reforming the cost structure by speeding up the identification of program costs and encouraging reappraisals of production processes of regular programs. TV program production costs for the full year amounted to ¥118,100 million. While the FIFA World Cup achieved much greater popularity than had been expected, it led to an increase in sports rights-related expenses, but cost controls based on reviews of regular program production processes enabled TBS to keep costs inline with the budgets. TV program production costs are forecast to reach approximately ¥115,000 million during the term ending March 2004. The SG&A net sales ratio increased by 1.6 percentage points year-on-year to 24.6%.

Capital expenditure for the year amounted to ¥13,805 million, and depreciation and amortization to ¥10,023 million. Capital expenditure for the term ending March 2004 is expected to reach ¥12,500 million, and depreciation and amortization ¥11,500 million. This level of capital expenditure is expected to continue through March 2005





Tetsuya Kumakawa K-ballet company
© KYOSHIRO YODA

Exhibition of “Soichiro Honda and Masaru Ibuka”

Ping-Pong

as a result of investment in terrestrial digital broadcasting facilities and equipment, but should decline thereafter. However, separate investment is also budgeted for the period from March 2005 through March 2008, primarily for the re-development of land held by TBS in Akasaka.

As a result of the above, operating income fell by 22.1% year-on-year to ¥24,327 million, while net income declined by 27.7% to ¥10,599 million. The ratio of operating income to sales fell by 2.4 percentage points to 8.3%, and the ratio of net income to sales was down 1.4 percentage points to 3.6%.

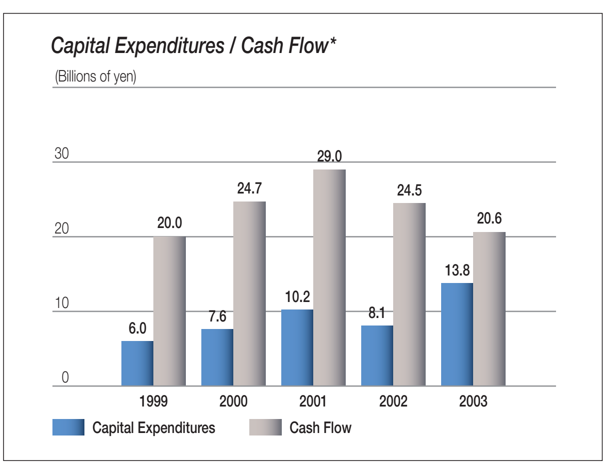
Financial Position

Current assets fell by 4.7% compared with the preceding year to ¥152,597 million. Fixed assets also fell by 19.6% to ¥291,182 million. However, property and equipment, net increased by 1.1% year-on-year to ¥174,094 million as a result of capital expenditure centered on master facilities in preparation for terrestrial digitization. Investments and other assets fell by 38.3% to ¥117,088 million under the impact of the decline in the price of Tokyo Electron and other shares held by TBS. This was a major factor in the decline in total assets.

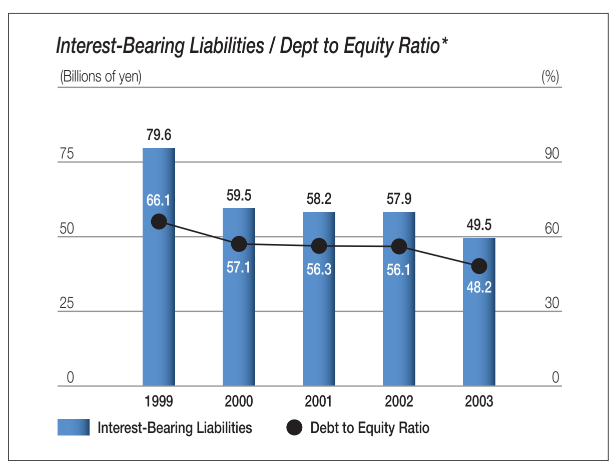
The Company is working proactively to reduce its interest-bearing liabilities as part of its efforts to make its financial position healthier. During the fiscal year, interest-bearing liabilities fell by a substantial 14.5% year-on-year, or ¥8,395 million, to ¥49,497 million due to redemptions of convertible bonds and other factors. As a result, interest expenses fell by ¥384 million (45.0%) to ¥470 million. Although shareholders’ equity fell by 9.9% to ¥298,288 million, a decline of 15.0% in total assets to ¥443,779 million raised the shareholders’ equity ratio by 3.8 percentage points to 67.2%.

Cash flows

Net cash from operating activities was ¥23,368 million, compared with ¥18,884 million in the previous term. That this happened even though income before income taxes fell compared with the previous year was primarily due to



*Cash Flow = Net Income + Depreciation & Amorization



*Debt to Equity Ratio = Total Liabilities ÷ Total Shareholders’ Equity × 100

BIOHAZARD

IAAF Wold Championships in Atheltics
© Track & Field Magazine in Japan –
Rikujo Kyogi Magazine

INOKI BOM-BA-YE 2002

smaller than usual payments of corporate income taxes.

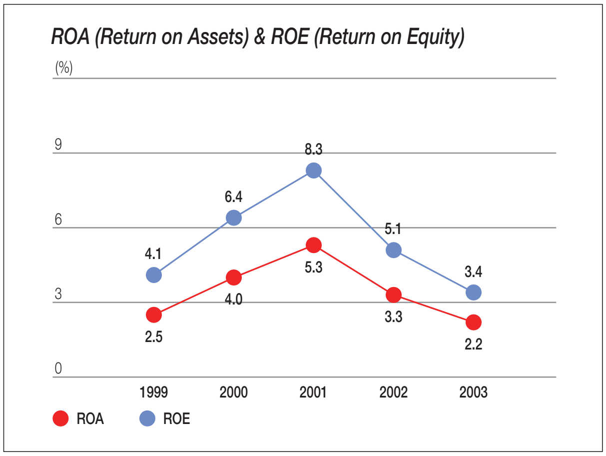
Net cash used in investment activities was ¥7,193 million, while ¥27,172 million was generated by investment activities in the previous term. This resulted primarily from the large cash outflows that arose from capital investment centered on the building of facilities in preparation for the start of terrestrial digital broadcasting in December 2003, and participation in the capital increase by BS-i.

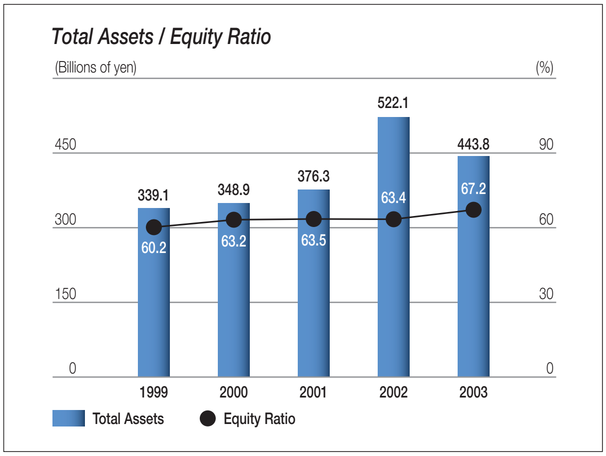
Net cash used in financing activities was ¥11,625 million, compared with ¥3,737 million in the previous term. From the term under review, the Company introduced a cash management system in order to manage more effectively the funds that used to be dispersed among group companies, and started centralizing funds from affiliates. However, redemption payments on corporate and convertible bonds and dividend payments exceeded these funds.

As a result of these activities, cash and cash equivalents at the end of the fiscal year rose by ¥4,495 million from the previous fiscal year-end to ¥65,496 million.

Outlook

Net sales in the year ending March 2004 are forecast to decline by 1.0% year-on-year to ¥292,000 million, and net income is forecast to decline by 76.4% to ¥2,500 million. One of the key reasons for the large decline in net income is that until the preceding term, shares in Tokyo Electron were contributed to a trust off setting gains under extraordinary gains comparable to the amortization of the actuarial difference on retirement obligations. During the current fiscal year, however, the Company will not follow this procedure, as a result of which it estimates an extraordinary loss of ¥10.5 billion in amortization of actuarial differences. The Company's forecast for consolidated net income also takes into account equity method investment losses as well as fixed asset retirement losses and incidental expenses resulting from the demolition of old buildings in line with the start of redevelopment of the Company-owned land in Akasaka.





Consolidated Balance Sheets

Tokyo Broadcasting System, Inc. and Consolidated Subsidiaries
As of March 31, 2003 and 2002

	Millions of yen		Thousands of U.S. dollars (Note 1)
ASSETS	***2003***	*2002*	***2003***
Current assets:			
Cash on hand and in banks (Note 3)	**¥ 65,627**	¥ 62,352	**$ 545,982**
Marketable securities (Notes 2 (c) and 14)	**2,381**	12,808	**19,809**
Notes and accounts receivable—trade (Note 7)	**61,128**	61,001	**508,552**
Allowance for doubtful accounts (Note 2 (i))	**(111)**	(44)	**(923)**
Inventories (Note 5)	**9,181**	9,490	**76,381**
Deferred tax assets (Note 9)	**3,080**	2,969	**25,624**
Prepaid expenses and other current assets	**11,311**	11,467	**94,101**
Total current assets	**152,597**	160,043	**1,269,526**
Property and equipment:			
Land	**76,139**	76,223	**633,436**
Buildings	**122,333**	121,568	**1,017,745**
Machinery and equipment (Note 6)	**77,587**	76,913	**645,483**
Construction in progress	**6,173**	2,000	**51,356**
Total property and equipment	**282,232**	276,704	**2,348,020**
Less: Accumulated depreciation	**(108,138)**	(104,519)	**(899,651)**
Property and equipment, net	**174,094**	172,185	**1,448,369**
Investments and other assets:			
Investments in securities (Notes 2 (c), 14 and 16)	**95,950**	165,878	**798,253**
Long-term prepaid expenses (Note 2 (g))	**6,552**	7,902	**54,509**
Intangible and other assets	**13,728**	15,359	**114,210**
Allowance for doubtful accounts (Note 2 (i))	**(535)**	(460)	**(4,451)**
Deferred tax assets (Note 9)	**1,393**	1,223	**11,589**
Total investments and other assets	**117,088**	189,902	**974,110**
Total assets	**¥ 443,779**	¥ 522,130	**$3,692,005**

The accompanying notes are an integral part of these consolidated balance sheets.

LIABILITIES, MINORITY INTERESTS AND SHAREHOLDERS' EQUITY	Millions of yen 2003	Millions of yen 2002	Thousands of U.S. dollars (Note 1) 2003
Current liabilities:			
Short-term borrowings (Notes 8 and 16)	**¥ 13,768**	¥ —	**$ 114,542**
Current portion of long-term debt (Note 8)	**72**	22,112	**599**
Notes and accounts payable—trade (Note 7)	**28,417**	28,641	**236,414**
Accounts payable—other	**15,472**	15,678	**128,719**
Income taxes payable (Note 9)	**6,809**	4,996	**56,647**
Accrued expenses	**4,456**	4,951	**37,072**
Other current liabilities	**4,301**	4,557	**35,782**
Total current liabilities	**73,295**	80,935	**609,775**
Long-term liabilities:			
Long-term debt (Note 8)	**35,657**	35,780	**296,647**
Allowance for retirement and severance benefits (Notes 2 (j) and 11)	**6,671**	7,248	**55,499**
Deferred tax liabilities (Note 9)	**24,656**	57,265	**205,125**
Other long-term liabilities	**3,480**	4,341	**28,953**
Total long-term liabilities	**70,464**	104,634	**586,224**
Total liabilities	**143,759**	185,569	**1,195,999**
Minority interests	**1,732**	5,615	**14,409**
Contingent liabilities (Note 18)			
Shareholders' equity:			
Common stock (Note 10)	**44,163**	44,163	**367,413**
Authorized: 400,000,000 shares			
Issued and outstanding:			
179,996,968 shares at March 31, 2003 and			
174,912,004 shares at March 31, 2002			
Additional paid-in capital (Note 10)	**42,562**	41,429	**354,093**
Retained earnings	**172,897**	165,259	**1,438,411**
Accumulated other comprehensive income—			
Unrealized gain on available-for-sale securities (Note 1 (c))	**39,065**	80,070	**325,000**
Foreign currency translation adjustment (Note 2 (b))	**25**	79	**207**
Treasury stock at cost	**(424)**	(54)	**(3,527)**
Total shareholders' equity	**298,288**	330,946	**2,481,597**
Total liabilities, minority interests and shareholders' equity	**¥443,779**	¥522,130	**$3,692,005**

Consolidated Statements of Income

Tokyo Broadcasting System, Inc. and Consolidated Subsidiaries
For each of the three years in the period ended March 31, 2003

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2003	2002	2001	**2003**
Net sales (Notes 16 and 17)	**¥294,840**	¥291,256	¥289,561	**$2,452,912**
Cost of sales (Notes 15, 16 and 17)	**197,992**	193,028	186,968	**1,647,188**
Gross profit	**96,848**	98,228	102,593	**805,724**
Selling, general and administrative expenses (Notes 15, 16 and 17)	**72,521**	66,986	66,766	**603,336**
Operating income	**24,327**	31,242	35,827	**202,388**
Other income (expenses):				
Interest and dividend income	**526**	1,054	1,106	**4,376**
Interest expense (Note 16)	**(470)**	(854)	(876)	**(3,910)**
Equity in earnings of affiliates	**(1,359)**	(2,122)	(832)	**(11,306)**
Gain on sale of investment securities	**360**	212	824	**2,995**
Gain on deemed sale of subsidiary shares	**915**	—	—	**7,612**
Loss on devaluation of investment securities	**(1,627)**	(582)	(69)	**(13,536)**
Gain on contribution of securities to employee retirement benefit trust (Note 2 (j))	**2,002**	2,831	15,581	**16,656**
Net transition obligation on employees' retirement benefit (Note 2 (j))	**—**	—	(15,906)	**—**
Retirement and severance benefit expenses	**—**	(3,498)	—	**—**
Other, net (Note 12)	**(944)**	(34)	(644)	**(7,854)**
Total	**(597)**	(2,993)	(816)	**(4,967)**
Income before income taxes and minority interests	**23,730**	28,249	35,011	**197,421**
Income taxes (Note 9)**:**				
Current	**14,021**	12,861	17,016	**116,647**
Deferred	**(1,068)**	284	(1,650)	**(8,885)**
Total	**12,953**	13,145	15,366	**107,762**
Minority interests	**(178)**	(452)	(502)	**(1,481)**
Net income	**¥ 10,599**	¥ 14,652	¥ 19,143	**$ 88,178**

	Yen			U.S. dollars (Note 1)
Per share of common stock (Note 2 (n))**:**				
Net income—basic	**¥59.10**	¥83.77	¥109.45	**$0.492**
Net income—diluted	**58.23**	82.24	107.23	**0.484**
Cash dividends	**10.00**	10.00	15.00	**0.083**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Shareholders' Equity

Tokyo Broadcasting System, Inc. and Consolidated Subsidiaries
For each of the three years in the period ended March 31, 2003

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2003	2002	2001	**2003**
Common stock:				
Balance at beginning of year	**¥ 44,163**	¥ 44,163	¥ 44,162	**$ 367,413**
Conversion of convertible bonds	**—**	—	1	**—**
Balance at end of year	**44,163**	44,163	44,163	**367,413**
Additional paid-in capital:				
Balance at beginning of year	**41,429**	41,429	41,429	**344,667**
Stock issued in a share exchange	**1,133**	—	—	**9,426**
Balance at end of year	**42,562**	41,429	41,429	**354,093**
Retained earnings:				
Balance at beginning of year	**165,259**	153,228	134,929	**1,374,867**
Increase from the expanded scope of consolidated subsidiaries	**—**	—	22	**—**
Increase from the exclusion of consolidated subsidiaries	**—**	—	474	**—**
Increase from the inclusion of equity-method affiliates	**—**	—	606	**—**
Increase from the merger by an equity-method affiliate	**—**	248	—	**—**
Net income	**10,599**	14,652	19,143	**88,178**
Cash dividends paid	**(1,749)**	(2,624)	(1,732)	**(14,551)**
Bonuses to directors and statutory auditors	**(241)**	(254)	(196)	**(2,005)**
Retirement of treasury stock	**(971)**	—	—	**(8,078)**
Other, net	**—**	9	(18)	**—**
Balance at end of year	**172,897**	165,259	153,228	**1,438,411**
Accumulated other comprehensive income:				
Balance at beginning of year	**80,149**	52	—	**666,797**
Unrealized gain on available-for-sale securities (Note 2 (c))	**(41,004)**	80,070	—	**(341,131)**
Foreign currency translation adjustment (Note 2 (b))	**(55)**	27	52	**(459)**
Balance at end of year	**39,090**	80,149	52	**325,207**
Treasury stock, at cost:	**(424)**	(54)	(1)	**(3,527)**
2001: 236 shares				
2002: 33,939 shares				
2003: 3,852,152 shares				
Total shareholders' equity	**¥298,288**	¥330,946	¥238,871	**$2,481,597**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

Tokyo Broadcasting System, Inc. and Consolidated Subsidiaries
For each of the three years in the period ended March 31, 2003

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2003	2002	2001	**2003**
Cash flows from operating activities:				
Income before income taxes and minority interests	**¥ 23,730**	¥ 28,249	¥ 35,011	**$ 197,421**
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:				
Depreciation	**10,023**	9,875	9,869	**83,386**
Amortization of long-term prepaid expenses	**1,964**	87	43	**16,339**
Gain on deemed sale of subsidiary shares	**(915)**	—	—	**(7,612)**
Gain on contribution of securities to employees' retirement benefit trust	**(2,002)**	(2,831)	(15,581)	**(16,656)**
Loss on devaluation of investment securities	**1,627**	582	69	**13,536**
Net transition obligation for employees' retirement benefit	**—**	—	15,906	**—**
Retirement and severance benefit expenses	**(782)**	3,498	—	**(6,506)**
Decrease in allowance for doubtful accounts	**142**	(253)	(405)	**1,181**
Interest and dividend income	**(526)**	(1,054)	(1,106)	**(4,376)**
Interest expense	**470**	854	876	**3,910**
Loss on bond redemption	**—**	682	—	**—**
Equity in earnings of affiliates	**1,359**	2,122	832	**11,306**
Foreign exchange gains, net	**(39)**	(25)	(61)	**(324)**
Gain on sale of investment securities	**(360)**	(212)	(824)	**(2,995)**
Decrease (Increase) in notes and accounts receivable—trade	**(106)**	3,156	(6,605)	**(882)**
(Increase) Decrease in inventories	**318**	(1,275)	(2,321)	**2,646**
(Decrease) Increase in accounts payable	**(224)**	(1,091)	5,666	**(1,864)**
Others, net	**829**	(4,106)	214	**6,898**
Subtotal	**35,508**	38,258	41,583	**295,408**
Interest and dividends received	**525**	1,054	1,117	**4,368**
Interest paid	**(481)**	(984)	(854)	**(4,002)**
Income taxes paid	**(12,184)**	(19,444)	(15,151)	**(101,364)**
Net cash provided by operating activities	**23,368**	18,884	26,695	**194,410**
Cash flows from investing activities:				
Proceeds from withdrawal of time deposits	**1,220**	162	321	**10,150**
Proceeds from sale of marketable securities	**10,988**	44,664	—	**91,414**
Payment for purchase of marketable securities	**—**	—	(8,662)	**—**
Payment for purchase of property and equipment	**(12,340)**	(6,157)	(9,025)	**(102,662)**
Proceeds from sales of property and equipment	**1,050**	139	47	**8,735**
Payment for purchase of intangible assets	**(1,465)**	(1,777)	(1,180)	**(12,188)**
Payment for purchase of investments in securities	**(7,114)**	(1,755)	(3,391)	**(59,185)**
Proceeds from sale of investments in securities	**362**	502	875	**3,012**
Proceeds from sale of subsidiaries' shares	**—**	—	(258)	**—**
Payment for purchase of subsidiaries' shares (Note 4)	**—**	(7,412)	31	**—**
Proceeds from reimbursement due to the reduction of subsidiaries' stated capital	**—**	—	677	**—**
Loans made to third parties	**(1,022)**	(559)	(1,201)	**(8,502)**
Collection of loans	**1,102**	428	973	**9,168**
Others, net	**26**	(1,063)	346	**216**
Net cash provided by (used in) investing activities	**(7,193)**	27,172	(20,447)	**(59,842)**
Cash flows from financing activities:				
Proceeds from short-term borrowings	**13,768**	—	246	**114,542**
Repayment of short-term borrowings	**—**	(71)	(1,243)	**—**
Proceeds from long-term borrowings	**—**	10,000	5,472	**—**
Repayment of long-term borrowings	**(122)**	(272)	(5,660)	**(1,015)**
Proceeds from issuance of bonds	**—**	20,000	—	**—**
Redemption of bonds	**(22,039)**	(30,682)	—	**(183,353)**
Payment for purchase of treasury stock	**(56)**	(30)	(1)	**(466)**
Proceeds from sale of treasury stock	**—**	15	5	**—**
Dividends paid	**(1,749)**	(2,624)	(1,732)	**(14,551)**
Dividends paid to minority shareholders	**(34)**	(14)	(8)	**(283)**
Distribution to minority shareholders due to the retirement of treasury stock	**(971)**	—	—	**(8,078)**
Others, net	**(422)**	(59)	(169)	**(3,510)**
Net cash used in financing activities	**(11,625)**	(3,737)	(3,090)	**(96,714)**
Effect of exchange rate change on cash and cash equivalents	**(55)**	16	—	**(458)**
Net increase in cash and cash equivalents	**4,495**	42,335	3,158	**37,396**
Cash and cash equivalents at beginning of year	**61,001**	18,666	15,508	**507,496**
Cash and cash equivalents at end of year (Note 3)	**¥ 65,496**	¥ 61,001	¥ 18,666	**$ 544,892**

The accompanying notes are an integral part of these statements.

1. Basis of Presentation of Consolidated Financial Statements

Tokyo Broadcasting System, Inc. ("the Company"), a Japanese corporation, and its consolidated domestic subsidiaries maintain their official accounting records in Japanese yen, and in accordance with the provisions set forth in the Japanese Commercial Code and accounting principles and practices generally accepted in Japan ("Japanese GAAP"). The accounts of overseas consolidated subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles and practices prevailing in the respective countries of domicile. Certain accounting principles and practices generally accepted in Japan are different from International Accounting Standards and standards in other countries in certain respects as to application and disclosure requirements. Accordingly, the accompanying consolidated financial statements are intended for use by those who are informed about Japanese accounting principles and practices.

The accompanying consolidated financial statements have been reorganized and translated into English (with some expanded descriptions and the inclusion of consolidated statements of shareholders' equity) from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Securities and Exchange Law. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not considered necessary for fair presentation, is not presented in the accompanying consolidated financial statements.

The translation of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2003, which was ¥120.20 to $1.00. The convenience translations should not be construed as representation that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

2. Summary of Significant Accounting Policies

(a) Principles of consolidation

Consolidation

The consolidated financial statements include the accounts of the Company and its significant subsidiaries which are controlled by the Company through substantial ownership of more than 50% of the voting rights or through ownership of 40-50% of the voting rights and the existence of certain conditions evidencing control by the Company of the decision-making body of such companies. Material inter-company balances, transactions and profits have been eliminated in consolidation.

The numbers of the consolidated subsidiaries for 2003, 2002 and 2001 were 28, 28 and 27, respectively. The numbers of the unconsolidated subsidiaries for 2003, 2002 and 2001 were 13, 15 and 13 respectively. The total assets, net sales, net income and retained earnings of the unconsolidated subsidiaries are not material to the consolidated financial statements.

In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to minority shareholders, are recorded at the fair value at the time the Company acquired control of the respective subsidiaries. The amount of the difference between the cost of investment in consolidated subsidiaries and the underlying net equity at the acquisition dates based on the fair value (hereafter, "consolidation goodwill") is generally amortized over a period of five years on a straight-line basis, except that the consolidation goodwill related to "Yokohama BayStars" is amortized over twenty years on a straight-line basis and an immaterial difference is expensed in the year of acquisition.

The Company added ProCam., Inc. to its subsidiaries through acquisition of majority of the issued shares of ProCam., Inc. on July 1, 2002. Art House Co., Ltd was merged into Acs, Inc. on April 1, 2002.

The accounts of the consolidated subsidiaries are included on the basis of their respective fiscal years, which ended mainly on March 31. Significant transactions made after the respective fiscal year-end other than March 31 are adjusted for consolidation as necessary. Grand Marché, Inc. has changed its closing date from January 31 to March 31, and the consolidated financial statements include the 14-month period ending March 31, 2003.

Equity method

Investments in unconsolidated subsidiaries and certain companies where the Company has more than 15% of the voting rights and has the ability to significantly influence their financial, operational or business policies are accounted for using the equity method. The number of companies accounted for under the equity method was 4 for both 2003 and 2002.

(b) Foreign currency translation

Prior to April 1, 2000, current assets and liabilities denominated in foreign currencies were translated into Japanese yen at the rate prevailing at the balance sheet dates and non-current assets and liabilities denominated in foreign currencies were translated at the historical rates.

Effective April 1, 2000, the Company and its consolidated subsidiaries adopted the revised accounting standard for foreign currency translation, "Opinion Concerning Revision of Accounting Standard for Foreign Currency Translation," issued by the Business Accounting Deliberation Council on October 22, 1999 (the "Revised Accounting Standard"). In accordance with the Revised Accounting Standard, all monetary assets and liabilities denominated in foreign currencies are translated at the current exchange rates at the balance sheet date, and the translation gains and losses are charged to income.

Balance sheets and statements of income of the consolidated overseas subsidiary are translated into Japanese yen at the year-end rate except for shareholders' equity accounts, which are translated at the historical rates.

(c) Marketable securities and investments in securities

Prior to April 1, 2001, securities of the Company and its consolidated subsidiaries were stated at moving-average cost.

Effective April 1, 2000, based on the adoption of the new accounting standard for financial instruments, all companies are required to reassess the intent of holding each security and classify those securities as (a) securities held for trading purposes (hereafter, "trading securities"), (b) debt securities intended to be held to maturity (hereafter, "held-to-maturity debt securities"), (c) equity securities issued by subsidiaries and affiliated companies, and (d) for all other securities that are not classified in any of the above categories (hereafter, "available-for-sale securities").

The Company and its subsidiaries had no trading securities nor held-to-maturity debt securities. Equity securities issued by subsidiaries and affiliated companies which are not consolidated or accounted for using the equity method are stated at cost based on the moving average method. Available-for-sale securities were stated at cost based on the moving average method for the year ended March 31, 2001. Effective April 1, 2001, available-for-sale securities with available fair market value are required to be stated at fair market value as of each balance sheet date. Unrealized gains and losses on these securities are reported, net of applicable income taxes, as a separate component of the shareholders' equity. The cost of securities sold is determined by the moving average method.

As a result of adopting the new accounting standard for available-for-sale securities, unrealized gain on securities increased by ¥80,070 million, deferred income tax liabilities increased by ¥58,861 million and minority interests increased by ¥1,044 million.

(d) Inventories

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

(e) Property and equipment

Property and equipment are stated at cost. Depreciation of property and equipment is computed by the declining-balance method at rates based on the estimated useful lives of assets except that depreciation of buildings is computed mainly by the straight-line method over their estimated useful lives.

(f) Intangible assets

Amortization of intangible assets is computed by the straight-line method at rates based on the estimated useful lives.

(Software costs)

Amortization of the software for internal use is computed by the straight-line method at rates based on the estimated useful lives (five years).

(g) Long-term prepaid expenses

Amortization of long-term prepaid expenses is computed by the straight-line method.

(Advertisement effect related to Yokohama BayStars)

The Company and BS-i, Inc. (an affiliated company) acquired 700,000 shares of Yokohama BayStars Baseball Club, Inc. for ¥14,000 million (470,000 shares for ¥9,400 million by the Company and 230,000 shares for ¥4,600 million by BS-i) during the year ended March 31, 2002. Acquisition price paid by the company included the estimated fair value of the expected advertisement effect through Yokohama BayStars in the amount of ¥6,019 million, which was recorded as long-term prepaid expenses and amortized over five years on a straight-line basis.

(h) Deferred charges

Bond issuance costs are expensed as incurred.

(i) Allowance for doubtful accounts

Prior to April 1, 2000, allowance for doubtful accounts was provided in amounts sufficient to cover possible losses. It comprised the amount calculated in accordance with the Japanese Corporation Tax Law and the amount estimated to be uncollectible on an individual basis.

Effective April 1, 2000, based on the adoption of a new accounting standard for financial instruments, an allowance for doubtful accounts was established based primarily upon the Company's past credit loss experience and an evaluation of potential losses in outstanding accounts.

(j)Allowance for retirement and severance benefits

(1) Employees' retirement and severance benefits

Effective April 1, 2000, the Company and its domestic subsidiaries adopted the new accounting standard, "Opinion on Setting Accounting Standard for Employees' Severance and Pension Benefits," issued by the Business Accounting Deliberation Council on June 16, 1998 (the "New Accounting Standard"). Under the New Accounting Standard, the liabilities and expenses for retirement and severance benefits are determined based on the amounts actuarially calculated using certain assumptions.

The Company and its consolidated domestic subsidiaries provided allowance for employees' retirement and severance benefits at March 31, 2001 based on the estimated amounts of projected benefit obligation and the fair value of the plan assets as of that date.

The excess of the projected benefit obligation over the total of the fair value of pension assets as of April 1, 2000 and the liabilities for retirement and severance benefits recorded as of April 1, 2000 (the "net transition obligation") amounted to ¥15,906 million. The net transition obligation was charged to other expenses in the consolidated statements of income for the year ended March 31, 2001. Actuarial gains or losses incurred during the year are recognized in the following year. Prior service costs are amortized using the straight-line method over a certain period within the expected average remaining service life of employees.

As a result of the adoption of the new accounting standard, in the year ended March 31, 2001, retirement and severance benefit expenses increased by ¥61 million, operating income decreased by ¥61 million and income before income taxes decreased by ¥385 million, due to the gain on contribution of securities to employees' retirement benefit trust of ¥15,581 million and net transition obligation on employees' retirement benefit of ¥15,906 million, compared with what would have been recorded under the previous accounting standard.

For the year ended March 31, 2003, retirement and severance benefits for executive officers of the Company are provided under the internal guidelines, and the liability for the benefits is included in the allowance for retirement and severance benefits in the accompanying balance sheet.

(2) Directors' retirement and severance benefits

The Company provides the allowance for directors' retirement and severance benefits, which is also included in the allowance for retirement and severance benefits in the accompanying balance sheets.

(k) Leases

Finance leases, except those leases for which the ownership of the leased assets are considered to be transferred to the lessee, are accounted for in the same manner as operating leases.

(l) Income taxes

The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred income taxes for the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

(m) Derivative transaction and hedge accounting

For the year ended March 31, 2001, the Company entered into forward foreign exchange contracts to hedge foreign currency payables. The Company defers recognition of gains or losses resulting from changes in fair value of derivative financial instruments used for hedging purposes until the related losses or gains on the hedged items are recognized.

For the year ended March 31, 2002, the Company also entered into interest rate swap contracts to manage its interest rate risk exposures on certain liabilities. If interest rate swap contracts are used as hedges and meet certain hedging criteria, the net amount to be paid or received under the contract is added to or deducted from the interest on the assets or liabilities for which they are used.

(n) Per share information
Net income per share is computed based on the weighted-average number of shares of common stock outstanding during each year. Dividends per share have been presented on an accrual basis and include dividends approved or to be approved after March 31 but applicable to the year then ended.

Effective April 1, 2002, the Company adopted a new accounting standard for earnings per share and related guidance (Accounting Standards Board Statement No.2, "Accounting Standard for Earnings Per Share" and Financial Standards Implementation Guidance No.4, "Implementation Guidance for Accounting Standard for Earnings Per Share," issued by the Accounting Standards Board of Japan on September 25, 2002).

The Company's basic and diluted net income per share would have been ¥60.46 ($0.503) and ¥59.56 ($0.496), respectively, for the year ended March 31, 2003, if the amounts had been computed under the former standard.

(o) Statement of cash flows
In preparing the consolidated statement of cash flows, cash on hand, readily-available deposits and short-term highly liquid investments with maturities of not exceeding three months at the time of purchase are considered to be cash and cash equivalents.

(p) Reclassification
Certain prior period amounts in the consolidated financial statements have been reclassified to conform to the March 31, 2003 presentation. These reclassifications had no effect on the Company's consolidated net income or shareholders' equity.

(q) Use of estimates
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. Cash and Cash Equivalents

Cash and cash equivalents at March 31, 2003, 2002 and 2001 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2003	2002	2001	**2003**
Cash on hand and in banks	**¥65,627**	¥62,352	¥20,179	**$545,982**
Time deposits with the original maturity over three months	**(131)**	(1,351)	(1,513)	**(1,090)**
Cash and cash equivalents	**¥65,496**	¥61,001	¥18,666	**$544,892**

4. Statement of Cash Flows

(1) The amounts of assets and liabilities of newly consolidated subsidiary
For the year ended March 31, 2003, the Company newly consolidated a subsidiary (ProCam., Inc.). The amounts of assets and liabilities at the beginning of the consolidation period of the newly consolidated subsidiary used in the computation of the current year's consolidated results and the acquisition cost of investments are as follows:

	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 300	$ 2,496
Payment for purchase of subsidiary's stock	300	2,496
Cash and cash equivalents acquired	(300)	(2,496)
Acquisition cost of investment	¥ —	$ —

5. Inventories

Inventories at March 31, 2003 and 2002 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	**2003**
Program rights	**¥9,058**	¥8,926	**$75,358**
Real property held for sale and other	**123**	564	**1,023**
Total	**¥9,181**	¥9,490	**$76,381**

Program rights represent the costs incurred in connection with the production of programming or the purchase of rights to programs that are available to be broadcast in the future.

6. Pledged Assets

The net carrying value of pledged assets at March 31, 2003 and 2002 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	*2002*	**2003**
Machinery and equipment	**¥651**	¥750	**$5,416**
Total	**¥651**	¥750	**$5,416**

These assets listed above were pledged to secure long-term borrowings (¥330 million ($2,745 thousand) and ¥402 million at March 31, 2003 and 2002, respectively) including current portion (¥72 million ($599 thousand) and ¥72 million at March 31, 2003 and 2002, respectively).

7. Effect of Bank Holiday on March 31, 2002

As financial institutions in Japan were closed on March 31, 2002, trade notes receivable (¥1,573 million) and trade notes payable (¥113 million) maturing on the above dates were settled on the following business day, April 1, 2002 and accounted for accordingly.

8. Short-term Borrowings and Long-term Debt

Short-term borrowings represent 365-day notes issued to banks with the average interest rate of 0.330% at March 31, 2003.

Long-term debt at March 31, 2003 and 2002 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	*2002*	**2003**
1.80% unsecured convertible bonds due 2003*	**¥ —**	¥ 12,040	**$ —**
1.00% unsecured bonds due 2002	**—**	10,000	**—**
0.66% unsecured bonds due 2006	**10,000**	10,000	**83,195**
0.89% unsecured bonds due 2007	**10,000**	10,000	**83,195**
Long-term borrowings from banks	**15,729**	15,852	**130,856**
	¥35,729	¥ 57,892	**$297,246**
Less current portion	**(72)**	(22,112)	**(599)**
Total	**¥35,657**	¥ 35,780	**$296,647**

At March 31, 2003, due dates for long-term borrowings with the average interest rate of 1.320% per annum (excluding current portion) ranged from June 2003 to March 2009.

The annual maturities of long-term debt (including bonds, convertible bonds and long-term borrowings) are as follows:

Year ending March 31	*Millions of yen*	*Thousands of U.S. dollars*
2004	¥ 72	$ 599
2005	72	599
2006	15,472	128,719
2007	10,073	83,802
2008	72	599
Thereafter	9,968	82,928
	¥35,729	$297,246

**The indenture covering 1.80% unsecured convertible bonds due 2003 provides, among other conditions, (1) conversion into shares of common stock at the conversion price per share of ¥2,514.70 computed based on downward amendment article, (2) convertible period from May 2, 1988 to March 28, 2003.*

9. Income Taxes

The statutory tax rate used for calculation of the deferred tax assets and liabilities was 42.05% for both the years ended March 31, 2002 and 2001.

Effective for years commencing on or after April 1, 2004, according to the revised local tax law, income tax rates for enterprise taxes will be reduced as a result of introducing the assessment on the basis of the size of business. Based on such change of income tax rates, for calculation of deferred income tax assets and liabilities, the Company and consolidated domestic subsidiaries used the statutory tax rates of 42.05% and 40.49% for current items and non-current items, respectively, for the year ended March 31, 2003.

As a result of the change in the effective tax rates, deferred income tax liabilities decreased by ¥894 million ($7,438 thousand) and income taxes-deferred increased by ¥145 million ($1,206 thousand) compared with what would have been recorded under the previous local tax law.

Significant components of the deferred income taxes of the Company at March 31, 2003 and 2002 were as follows:

	Millions of yen		Thousands of U.S. dollars
Deferred tax assets (liabilities)	***2003***	*2002*	***2003***
Excess allowance for retirement and severance benefits for employees	**¥ 1,306**	¥ 1,002	**$ 10,865**
Excess accrued bonuses	**1,338**	1,285	**11,131**
Enterprise taxes	**710**	469	**5,907**
Allowance for retirement and severance benefits for directors	**594**	533	**4,942**
Devaluation of inventories	**—**	209	**—**
Devaluation of investments in securities	**939**	317	**7,812**
Excess allowance for doubtful accounts	**168**	97	**1,398**
Loss on bond redemption	**—**	250	**—**
Loss on program rights	**380**	325	**3,161**
Unrealized gain on available-for-sale securities	**(27,031)**	(58,861)	**(224,884)**
Amortization of long-term prepaid expenses	**506**	—	**4,210**
Other	**1,413**	1,301	**11,756**
Less valuation allowance	**(506)**	—	**(4,210)**
Deferred tax assets (liabilities), net	**¥(20,183)**	¥(53,073)	**$(167,912)**

Reconciliation of the differences between the statutory tax rate and the effective tax rate for the year ended March 31, 2003 was as follows:

	2003
Statutory tax rate	**42.05%**
Increase (reduction) in taxes resulting from:	
Non-deductible expenses and non-taxable income	**5.11**
Equity in (earnings) losses of affiliates	**2.41**
Gain on deemed sale of subsidiary shares	**(1.62)**
Change in statutory tax rate	**1.02**
Effect of treasury stock repurchases	**4.64**
Other	**0.97**
Effective tax rate	**54.58%**

10. Shareholders' Equity

Under the Commercial Code of Japan (the "Code"), at least 50% of the issue price of new shares is required to be designated as common stock. The portion which is not transferred to common stock is determined by resolution of the Board of Directors. Proceeds not transferred to common stock are credited to additional paid-in capital.

Under the Code, certain amounts of retained earnings equal to at least 10% of cash dividends and bonuses to directors and statutory auditors must be set aside as a legal reserve, until the total amount of the reserve and additional paid-in capital equals 25% of common stock. The legal reserve and additional paid-in capital may be used to eliminate or reduce a deficit by resolution of the shareholders or may be capitalized by resolution of the Board of Directors. On condition that the total amount of legal reserve and additional paid-in capital remains being equal to or exceeding 25% of common stock, they are available for distribution by the resolution of shareholders' meeting. Legal reserve is included in retained earnings in the accompanying financial statements.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company and in accordance with the Code.

At the Annual Shareholders' Meeting held on June 27, 2003, the Company's shareholders approved (1) payment of a year-end cash dividend of ¥10.00 ($0.083) per share aggregating ¥883 million ($7,346 thousand) to the shareholders of record as of March 31, 2003, (2) payment of bonuses to directors and statutory auditors aggregating ¥100 million ($832 thousand). In conformity with the Code, this declaration of cash dividends is not reflected in the consolidated financial statements as of March 31, 2003.

Effective April 1, 2002, the Company adopted the new accounting standard for treasury stock and reversal of statutory reserves (Accounting Standards Board Statement No.1, "Accounting Standard for Treasury Stock and Reversal of Statutory Reserves," issued by the Accounting Standards Board of Japan on February 21, 2002). The impact of the adoption of this new accounting standard on the financial statements was immaterial.

11. Employees' Retirement and Severance Benefits

As explained in Note 2 (j) (1), effective April 1, 2000, the Company adopted the new accounting standard for employees' retirement and severance benefits, under which the liabilities and expenses for retirement and severance benefits are determined based on the amounts obtained by actuarial calculations.

The liabilities for retirement and severance benefits included in the consolidated balance sheet as of March 31, 2003 and 2002 consist of the following:

	Millions of yen		*Thousands of U.S. dollars*
	2003	*2002*	***2003***
Projected benefit obligation	**¥ 46,829**	¥ 47,917	**$ 389,592**
Less: Fair value of plan assets	**(32,522)**	(41,330)	**(270,566)**
Unfunded obligation	**14,307**	6,587	**119,026**
Unrecognized actuarial differences	**(10,444)**	(2,010)	**(86,889)**
Liability for retirement and severance benefit, net	**3,863**	4,577	**32,137**
Prepaid pension cost	**1,330**	1,398	**11,066**
Liability for retirement and severance benefits	**¥ 5,193**	¥ 5,975	**$ 43,203**

Included in the consolidated statements of income for the years ended March 31, 2003 and 2002 are retirement and severance benefit expenses comprised the following:

	Millions of yen		*Thousands of U.S. dollars*
	2003	*2002*	***2003***
Service costs-benefits earned during the year	**¥1,735**	¥ 1,753	**$14,434**
Interest cost on projected benefit obligation	**1,275**	1,278	**10,608**
Expected return on plan assets	**(631)**	(647)	**(5,250)**
Amortization of actuarial differences	**2,010**	8,728	**16,722**
Amortization of prior service costs	**—**	(5,230)	**—**
Retirement and severance benefit expenses	**¥4,389**	¥ 5,882	**$36,514**

The discount rate and the rate of expected return on plan assets used by the Company are 3.0 % and 2.5 %, respectively, for both 2003 and 2002. The estimated amount of all retirement benefits to be paid at the future retirement date is allocated equally to each service year based on the estimated number of total service years. Prior service costs are amortized using the straight-line method over a certain period (one year) within the expected average remaining service life of employees and actuarial differences are to be charged to income in the following year of recognition.

12. Other Income (Expenses)

Details of other income (expenses)—"Other, net" in the accompanying consolidated statements of income were as follows:

	Millions of yen			*Thousands of U.S. dollars*
	2003	*2002*	*2001*	***2003***
Gain on sale of securities	**¥ —**	¥ 7	¥ —	**$ —**
Loss on bond redemption	**—**	(682)	—	**—**
Loss on disposal of property and equipment, net	**(391)**	(153)	(313)	**(3,253)**
Devaluation of resort club membership rights	**—**	—	(89)	**—**
Loss on liquidation of affiliates	**—**	—	(222)	**—**
Miscellaneous tax expense for prior years	**—**	—	(136)	**—**
Benefit on consumption taxes	**95**	468	—	**790**
Gain on sale of business	**506**	—	—	**4,210**
Additional severance benefits	**(302)**	—	—	**(2,512)**
Amortization of advance payments	**(340)**	—	—	**(2,829)**
Insurance proceeds	**263**	81	92	**2,188**
Other, net	**(775)**	245	24	**(6,448)**
Total	**¥(944)**	¥ (34)	¥(644)	**$(7,854)**

13. Leases

Finance leases, excluding those leases for which the ownership of the leased assets is considered to be transferred to the lessee, as of and for the years ended March 31, 2003 and 2002, were as follows:

(1) As if capitalized amounts of purchase price, accumulated depreciation and book value of leased assets:

	Millions of yen		*Thousands of U.S. dollars*
	2003	*2002*	***2003***
Purchase price:			
Building	**¥ 6**	¥ 6	**$ 50**
Machinery	**12,396**	12,960	**103,128**
Equipment	**1,987**	1,663	**16,531**
	¥14,389	¥14,629	**$119,709**
Accumulated depreciation:			
Building	**¥ 1**	¥ —	**$ 8**
Machinery	**5,433**	4,720	**45,200**
Equipment	**972**	618	**8,087**
	¥ 6,406	¥ 5,338	**$ 53,295**
Book value:			
Building	**¥ 5**	¥ 6	**$ 42**
Machinery	**6,963**	8,240	**57,928**
Equipment	**1,015**	1,045	**8,444**
	¥ 7,983	¥ 9,291	**$ 66,414**

(2) Lease commitments (including interest portion):

	Millions of yen		*Thousands of U.S. dollars*
	2003	*2002*	***2003***
Due within one year	**¥2,762**	¥2,665	**$22,978**
Due after one year	**5,221**	6,627	**43,436**
Total	**¥7,983**	¥9,292	**$66,414**

(3) Lease expenses and depreciation equivalents:

	Millions of yen			*Thousands of U.S. dollars*
	2003	*2002*	*2001*	***2003***
Lease expenses	**¥2,791**	¥3,012	¥2,704	**$23,220**
Depreciation equivalents	**¥2,791**	¥3,012	¥2,704	**$23,220**

Depreciation equivalents are computed by the straight-line method over the lease terms with no residual value.

14. Securities

The following tables summarize acquisition costs, book values and fair value of securities with available fair market values as of March 31, 2003:

(1) Securities with book values exceeding acquisition costs

	Millions of yen			*Thousands of U.S. dollars*		
Type	*Acquisition cost*	*Book value*	*Difference*	*Acquisition cost*	*Book value*	*Difference*
Available-for-sale securities with available fair market values:						
Equity securities	¥4,621	¥72,300	¥67,679	$38,444	$601,498	$563,054
Debt securities	1,183	1,203	20	9,842	10,008	166
Other securities	—	—	—	—	—	—
Total	¥5,804	¥73,503	¥67,699	$48,286	$611,506	$563,220

(2) Other securities

	Millions of yen			Thousands of U.S. dollars		
Type	*Acquisition cost*	*Book value*	*Difference*	*Acquisition cost*	*Book value*	*Difference*
Available-for-sale securities with available fair market values:						
Equity securities	¥4,542	¥3,555	¥(987)	$37,788	$29,576	$(8,212)
Debt securities	1,500	1,500	—	12,479	12,479	—
Other securities	4	4	—	33	33	—
Total	¥6,046	¥5,059	¥(987)	$50,300	$42,088	$(8,212)

Total sales of available-for-sale securities during the year ended March 31, 2003 amounted to ¥362 million ($3,012 thousand) and the related gains and losses amounted to ¥360 million ($2,995 thousand) and ¥16 million ($133 thousand), respectively.

The following tables summarize book values of securities with no available fair market values as of March 31, 2003:

	Millions of yen	*Thousands of U.S. dollars*
Non-listed equity securities	¥12,510	$104,077
Available-for-sale securities	7,259	60,391
Total	¥19,769	$164,468

Maturities of debt securities classified as available-for-sale at March 31, 2003 are as follows:

				Millions of yen
Type	*Within one year*	*Over one year but within five years*	*Over five years but within ten years*	*Over ten years*
Corporate bonds	¥ 681	¥515	¥ 7	¥—
Others	1,500	—	—	—
Total	¥2,181	¥515	¥ 7	¥—

				Thousands of U.S. dollars
Type	*Within one year*	*Over one year but within five years*	*Over five years but within ten years*	*Over ten years*
Corporate bonds	$ 5,666	$4,284	$58	$—
Others	12,479	—	—	—
Total	$18,145	$4,284	$58	$—

The following tables summarize acquisition costs, book values and fair value of securities with available fair market values as of March 31, 2002:

(1) Securities with book values exceeding acquisition costs

			Millions of yen
Type	*Acquisition cost*	*Book value*	*Difference*
Available-for-sale securities with available fair market values:			
Equity securities	¥ 7,625	¥148,136	¥140,511
Debt securities	7,574	7,701	127
Other securities	1,000	1,005	5
Total	¥16,199	¥156,842	¥140,643

(2) Other securities

			Millions of yen
Type	*Acquisition cost*	*Book value*	*Difference*
Available-for-sale securities with available fair market values:			
Equity securities	¥2,272	¥1,600	¥(672)
Debt securities	311	309	(2)
Other securities	4	4	—
Total	¥2,587	¥1,913	¥(674)

Total sales of available-for-sale securities during the year ended March 31, 2002 amounted to ¥502 million and the related gains and losses amounted to ¥219 million and ¥3 million, respectively.

The following tables summarize book values of securities with no available fair market values as of March 31, 2002:

	Millions of yen
Non-listed equity securities	¥ 6,848
Available-for-sale securities	13,083
Total	¥19,931

Maturities of debt securities classified as available-for-sale at March 31, 2002 are as follows:

	Millions of yen			
Type	*Within one year*	*Over one year but within five years*	*Over five years but within ten years*	*Over ten years*
Corporate bonds	¥6,804	¥1,206	¥—	¥—
Others	1,005	—	—	—
Total	¥7,809	¥1,206	¥—	¥—

15. Research and Development Expenses

Research and development expenses are included in both cost of sales and selling, general and administrative expenses. Research and development expenses for the years ended March 31, 2003, 2002 and 2001 were ¥410million ($3,411 thousand), ¥462 million and ¥379 million, respectively.

16. Related Party Transactions

Some of the Company's directors and statutory auditors (collectively, "the said directors") served as a representative directors of other parties ("the said parties"). In this connection, the transactions between the Company and the said parties have been recognized as related party transactions in Japan. All of the following related party transactions were made by the said directors on behalf of the said parties and were consummated at arm's length.

The summary of related party transactions for each of the three years in the period ended March 31, 2003, 2002 and 2001 were as follows:

Description of transactions (Nature of related parties)

	Millions of yen			*Thousands of U.S. dollars*
	2003	*2002*	*2001*	***2003***
Revenues:				
Directors				
Sales of advertising time (from certain broadcasting stations, an advertising agency and a newspaper publishing company)	**¥112,293**	¥112,272	¥119,600	**$934,218**
Room rent (from some associations)	**3**	6	6	**25**
Expenses:				
a) Directors				
Dealing commission (to an advertising agency)	**22,202**	21,085	21,342	**184,709**
Network compensation (to certain broadcasting stations)	**2,739**	2,273	2,495	**22,787**
Advertisement in the paper (to a certain newspaper publishing company)	**62**	62	50	**516**
Donation (to a certain entity)	**30**	30	30	**250**
Attorney's fee (to a law firm)	**—**	—	4	**—**
b) Affiliates				
Interest expense	**6**	—	—	**50**
Others				
Affiliates				
Underwriting of new shares issued	**5,033**	—	—	**41,872**
Borrowings	**13,768**	—	—	**114,542**

Description of receivables and payables (Nature of related parties)

	Millions of yen		Thousands of U.S. dollars
	2003	*2002*	**2003**
Receivable pertaining to:			
Directors			
Sales of advertising time (from certain broadcasting stations, an advertising agency and a newspaper publishing company)	**¥23,082**	¥22,549	**$192,030**
Payable pertaining to:			
a) Directors			
Dealing commission (to an advertising agency)	**1,023**	910	**8,511**
Network compensation (to certain broadcasting stations)	**783**	273	**6,514**
Advertisement in the paper (to a certain newspaper publishing company)	**7**	2	**58**
b) Affiliates			
Short-term borrowings	**13,768**	—	**114,542**

17. Segment Information

The Company's and its subsidiaries' businesses are divided into the broadcasting segment, real estate segment and other segment. The others segment includes sales of DVD and VHS videos, overseas and domestic program sales, theatrical films, events, merchandizing, e-commerce and management of professional baseball club, etc.

Financial information by industry segment for the years ended March 31, 2003, 2002 and 2001 are summarized as follows:

Year ended March 31, 2003	*Broadcasting*	*Real estate*	*Others*	*Total*	*Elimination/ Headquarters*	*Consolidated*
						Millions of yen
1. Operating revenues and operating income						
Operating revenues						
(1)Outside customers	**¥258,817**	**¥ 3,939**	**¥32,084**	**¥294,840**	**¥ —**	**¥294,840**
(2)Inter-segment	**3,926**	**5,373**	**5,612**	**14,911**	**(14,911)**	**—**
Total	**262,743**	**9,312**	**37,696**	**309,751**	**(14,911)**	**294,840**
Operating expenses	**244,413**	**8,555**	**32,362**	**285,330**	**(14,817)**	**270,513**
Operating income	**¥ 18,330**	**¥ 757**	**¥ 5,334**	**¥ 24,421**	**¥ (94)**	**¥ 24,327**
2. Assets, depreciation and capital expenditures						
Assets	**¥188,551**	**¥93,316**	**¥36,913**	**¥318,780**	**¥124,999**	**¥443,779**
Depreciation	**¥ 7,397**	**¥ 1,759**	**¥ 867**	**¥ 10,023**	**¥ —**	**¥ 10,023**
Capital expenditures	**¥ 9,609**	**¥ 2,306**	**¥ 1,890**	**¥ 13,805**	**¥ —**	**¥ 13,805**

Year ended March 31, 2003	*Broadcasting*	*Real estate*	*Others*	*Total*	*Elimination/ Headquarters*	*Consolidated*
						Thousands of U.S. dollars
1. Operating revenues and operating income						
Operating revenues						
(1)Outside customers	**$2,153,220**	**$ 32,770**	**$266,922**	**$2,452,912**	**$ —**	**$2,452,912**
(2)Inter-segment	**32,662**	**44,701**	**46,689**	**124,052**	**(124,052)**	**—**
Total	**2,185,882**	**77,471**	**313,611**	**2,576,964**	**(124,052)**	**2,452,912**
Operating expenses	**2,033,386**	**71,173**	**269,235**	**2,373,794**	**(123,270)**	**2,250,524**
Operating income	**$ 152,496**	**$ 6,298**	**$ 44,376**	**$ 203,170**	**$ (782)**	**$ 202,388**
2. Assets, depreciation and capital expenditures						
Assets	**$1,568,644**	**$776,339**	**$307,097**	**$2,652,080**	**$1,039,925**	**$3,692,005**
Depreciation	**$ 61,539**	**$ 14,634**	**$ 7,213**	**$ 83,386**	**$ —**	**$ 83,386**
Capital expenditures	**$ 79,942**	**$ 19,185**	**$ 15,723**	**$ 114,850**	**$ —**	**$ 114,850**

Year ended March 31, 2002	*Broadcasting*	*Real estate*	*Others*	*Total*	*Elimination/ Headquarters*	*Consolidated*
						Millions of yen
1. Operating revenues and operating income						
Operating revenues						
(1)Outside customers	¥262,005	¥ 4,703	¥24,548	¥291,256	¥ —	¥291,256
(2)Inter-segment	4,089	5,934	4,032	14,055	(14,055)	—
Total	266,094	10,637	28,580	305,311	(14,055)	291,256
Operating expenses	240,440	8,904	24,710	274,054	(14,040)	260,014
Operating income	¥ 25,654	¥ 1,733	¥ 3,870	¥ 31,257	¥ (15)	¥ 31,242
2. Assets, depreciation and capital expenditures						
Assets	¥194,951	¥94,247	¥39,819	¥329,017	¥193,113	¥522,130
Depreciation	¥ 7,438	¥ 1,844	¥ 593	¥ 9,875	¥ —	¥ 9,875
Capital expenditures	¥ 5,825	¥ 1,430	¥ 796	¥ 8,051	¥ —	¥ 8,051

Year ended March 31, 2001	Broadcasting	Real estate	Others	Total	Elimination/ Headquarters	Consolidated
						Millions of yen
1. Operating revenues and operating income						
Operating revenues						
(1)Outside customers	¥260,988	¥ 4,903	¥23,670	¥289,561	¥ —	¥289,561
(2)Inter-segment	2,069	4,642	4,339	11,050	(11,050)	—
Total	263,057	9,545	28,009	300,611	(11,050)	289,561
Operating expenses	234,230	6,895	23,666	264,791	(11,057)	253,734
Operating income	¥ 28,827	¥ 2,650	¥ 4,343	¥ 35,820	¥ 7	¥ 35,827
2. Assets, depreciation and capital expenditures						
Assets	¥202,492	¥76,760	¥25,214	¥304,466	¥ 71,805	¥376,271
Depreciation	¥ 7,867	¥ 1,289	¥ 719	¥ 9,875	¥ (6)	¥ 9,869
Capital expenditures	¥ 8,732	¥ 961	¥ 511	¥ 10,204	¥ —	¥ 10,204

In connection with the revision of the management system, the company reclassified the assets, depreciation and capital expenditures related to Midoriyama Studio, which were included in the Broadcasting segment up to the year ended March 31, 2001, as those in the Real estate segment in the year ended March 31, 2002.

The amounts affected by this charge were as follows:
(Increase (decrease) in the Real estate segment)

	Millions of yen
	2002
Assets	¥6,586
Depreciation	327
Capital expenditures	567
Operating expenses	327
Operating income	(327)

Headquarters assets, consisting primarily of the Company's cash, marketable securities and investments in securities, were included in elimination / headquarters and were ¥ 135,077 million ($1,123,769 thousand), ¥195,173 million and ¥73,335 million for the years ended March 31, 2003, 2002 and 2001, respectively.

As the sales and assets of the foreign operations of the Company and its consolidated subsidiaries constituted less than 10% of the consolidated totals for each years ended March 31, 2003, 2002 and 2001, the disclosure of geographical segment information has been omitted.

Also, the disclosure of the overseas sales of the Company and its subsidiaries for the years ended March 31, 2003, 2002 and 2001 were omitted as such sales were less than 10% of the consolidated net sales.

18. Contingent Liabilities

Contingent liabilities at March 31, 2003 were as follows:

	Millions of yen	*Thousands of U.S. dollars*
	2003	***2003***
Guarantee of bank loans for employees	**¥ 7,438**	**$61,880**
Guarantee of bank loans for other parties	**2,652**	**22,063**
Total	**¥10,090**	**$83,943**

In addition to the above items, the Company has the contingent liability in the amount of ¥30,000 million ($249,584 thousand) from a debt assumption agreement. The Company entered into the debt assumption agreement with Sumitomo Mitsui Banking Corporation on March 12, 2002 regarding unsecured bonds maturing in 2003, and prepaid the amount that will be required to redeem the bonds on the maturity date to the bank. The Company recorded the transaction under this agreement as the redemption of the bonds. Therefore, the balance of the bonds is not presented on the consolidated balance sheet, but the Company's obligation to bondholders to redeem the bonds remains unchanged until all of the bonds are finally redeemed by the bank on behalf of the Company.

19. Subsequent Event

The General Meeting of Shareholders held on June 27, 2003 approved an acquisition of treasury stock of the Company, in accordance with the provisions set forth in the Japanese Commercial Code, up to the maximum of 5,000,000 shares of common stock and amount of ¥8,000 million ($66,556 thousand) by the next General Meeting of Shareholders.

To the Shareholders and the Board of Directors of
Tokyo Broadcasting System, Inc.:

We have audited the accompanying consolidated balance sheets of Tokyo Broadcasting System, Inc. (a Japanese corporation) and subsidiaries as of March 31, 2003 and 2002, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended March 31, 2003, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Tokyo Broadcasting System, Inc. and subsidiaries as of March 31, 2003 and 2002, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2003, in conformity with accounting principles generally accepted in Japan as described in Note 1 to the consolidated financial statements.

As discussed in Notes 2 (b), 2 (c), 2 (i) and 2 (j) to the consolidated financial statements, effective April 1, 2000, Tokyo Broadcasting System, Inc. and domestic subsidiaries prospectively adopted the new Japanese accounting standards for financial instruments and employees' retirement benefits and the revised Japanese accounting standard for foreign currency translation. Also, as discussed in Note 2 (c) to the consolidated financial statements, effective April 1, 2001, Tokyo Broadcasting System, Inc. and domestic subsidiaries prospectively adopted the new Japanese accounting standards for available-for-sale securities.

The consolidated financial statements as of and for the year ended March 31, 2003 have been translated into United States dollars solely for the convenience of the reader. We have recomputed the translation and, in our opinion, the consolidated financial statements expressed in Japanese yen have been translated into United States dollars on the basis set forth in Note 1 to the consolidated financial statements.

Asahi & Co.

Tokyo, Japan
June 27, 2003

Corporate Data

As of March 31, 2003

Date of Establishment
May 10, 1951(Registered on May 17)

Head Office
5-3-6 Akasaka, Minato-ku, Tokyo 107-8006, Japan
http://www.tbs.co.jp/

Business Activities
General Broadcasting (television broardcasting)
in accordance with the Broadcast Law and
other broadcasting;
Production and distribution of television programs
and DVD, video etc.;
Telecommunication services

TV broadcasting: JORX-TV
Radio broadcasting: JOKR 954KHz

Number of Employees
1,348

Stock Exchange Listing
Tokyo Stock Exchange

Common Shares Issued
179,996,968

Paid-in Capital
¥44,163 million

Number of Shareholders
8,814

Fiscal Year-End
March 31

Cash Dividends:
Payable to registered shareholders as of March 31

Semi-Annual Cash Dividends
Payable to registered shareholders as of September 30,
based on the resolution of the Board of Directors

Shareholders' Meeting
June

Board of Directors and Auditors

As of June 27, 2003

Chairman
Yukio Sunahara

President
Hiroshi Inoue

Managing Directors
Kiyoshi Wakabayashi
Keizo Zaitsu
Kenichiro Kidokoro
Morihiro Kodama
Nobuaki Chikuma

Directors
Toshichika Ishihara
Yoshitomo Mori
Tadataka Mizuno
Toshishige Namai
Naoki Ito
Kazuo Hiramoto
Ken Moroi
Yutaka Narita
Akira Saito
Masahiro Yamamoto

Auditors
Michio Takahashi
Yuzo Inoue
Keiichiro Okabe
Takeo Tanaka

Executive Officers
Yoji Shimizu
Hideki Maekawa
Masao Saito
Tadashi Shoji
Kunikatsu Kondo
Hideo Kozakura
Kiyoshi Saito
Toshiaki Harada
Tadaaki Oda

Major Shareholders

Shareholders	*Number of shares held (thousands)*	*Ratio to total shares issued (% ownership)*
The Master Trust Bank of Japan, Ltd. (Trust Account)	15,055	9.05
Japan Trustee Service Bank, Ltd. (Trust Account)	13,592	8.17
Sumitomo Mitsui Banking Corp.	8,745	5.25
Nippon Life Insurance Co.	7,931	4.76
The Master Trust Bank of Japan, Ltd. (Pension Account – Pension Trust Account held for Dentsu, Inc.)	4,505	2.70
The UFJ Trust & Banking Corp. (Trust Account A)	3,572	2.14
Mainichi Broadcasting System, Inc.	3,440	2.06
The Chase Manhattan Bank N.A. London	3,044	1.82
Boston Safe Deposit BSDT	2,744	1.64
Mizuho Corporate Bank, Ltd.	2,619	1.57

Notes:
1. TBS holds 3,490,729 treasury stocks, but because they are non-voting stocks, it has been excluded from the above list of major shareholders.
2. The percentage (as provided for by the Radio Law) of overseas shareholders with voting rights at fiscal year-end was 19.99%.
3. Voting rights ratios are shown rounded down to the second decimal point.
4. The 4,505,000 shares in The Master Trust Bank of Japan, Ltd. (Pension Account – Pension Trust Account held by Dentsu Inc.) were trust property set in trust at said bank by Dentsu, Inc. Under the trust deed, Dentsu retains the mandate both in respect of exercising the voting rights on said shares, and of jus disponendi. TBS holds 5000 shares in Dentsu (0.36% of total voting rights).
5. TBS holds 2,247.81 shares (0.00% of total voting rights) in the Sumitomo Mitsui Financial Group, the holding company for Sumitomo Mitsui Bank.
6. TBS holds 577 shares (0.00% of total voting rights) in Mizuho Financial Group, the holding company for Mizuho Bank, Ltd. and Mizuho Corporate Bank, Ltd.

TOKYO BROADCASTING SYSTEM, INC. Annual Report 2003

TBS

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5-3-6 Akasaka, Minato-ku, Tokyo 107-8006, Japan
www.tbs.co.jp

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