TBS

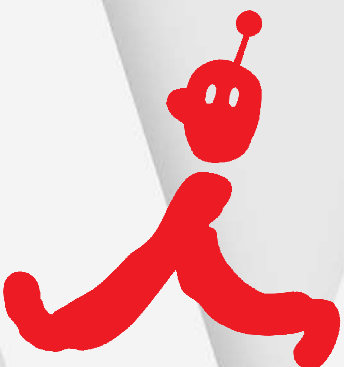
Tokyo Broadcasting System, Inc.

Delivering Lasting Impressions
and Reliable Information while
Transcending Generations

Maximizing the Value of Media

Annual Report 2006
For the year ended March 31, 2006

First Year to Value



The fiscal year under review, ended March 31, 2006, was a year when people considered the relationship between broadcasting and data communications. Indeed, the trend toward increased broadband communications continued, blurring the boundary between the two industries. Still, television is very capable of sending both information and movie content simultaneously to a large number of viewers. The one-segment services that the Company started in April for cellular phones and mobile terminals is a good example in the era of digital terrestrial television, since a new form of TV service could potentially increase its presence as a powerful portal to the world of data communications. The TBS Group intends to view this revolutionary change in the broadcasting industry as a business opportunity and use it to further enhance its enterprise value.

The V!-up 2010, TBS's new medium-term management objectives published on February 15, expresses the Company's resolution to do so. This Plan represents the goals the Company aims to achieve by the year ending March 31, 2011: increase its all-day average viewer rating to 9%, increase TBS's share of spot sales among the five key broadcasters in Tokyo to more than 25%, and increase annual consolidated sales from its non-broadcasting businesses to ¥150 billion, thereby achieving consolidated operating cash flow of ¥50 billion. The Company has set up a V!-Up Promotion Head Office led by the Company president in order to formulate a concrete action plan to achieve these goals.

Contents

Up toward 2010

Mino Monta No Asa Zuba!

HAGANE NO RENKINJYUTSU SHI
©Arakawa Hiroshi/HAGAREN THE MOVIE

Rondo
TBS 50th anniversary special program

It is common knowledge that last October Rakuten (by which it is meant Rakuten, Inc. and its subsidiaries) proposed that the two companies should integrate their management and acquired approximately 19% of TBS's shares. At the end of November, Rakuten agreed to withdraw the proposal for the time being and enter into negotiations for a possible business alliance. Rakuten, Inc. also agreed that it will reduce its shareholding to less than 10%, that any shares exceeding this ratio would be placed in trust, and that, along with the alliance talks, it would discuss its final shareholding ratio with TBS. The initially agreed-upon deadline for negotiations was the end of March this year, but the two companies agreed to extend the negotiations for the time being.

TBS and the TBS Group intend to maximize overall shareholder value through various partnerships that will enhance enterprise value, including the core Broadcasting Business, as well as the movie business and other Multi Visual Ventures & Cultural Events Business, and the Real Estate Business. In strengthening its operations, the Company will also be more conscious of the effective use of its assets and the state of its capital composition. TBS aims to establish itself as a leading company in the digital content business, and so the Company will strive to achieve the goals of the V!-up 2010 and to respond to its shareholders' and investors' expectations.

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.

Hiroshi Inoue

Hiroshi Inoue,
President

Maximizing the Value of Media

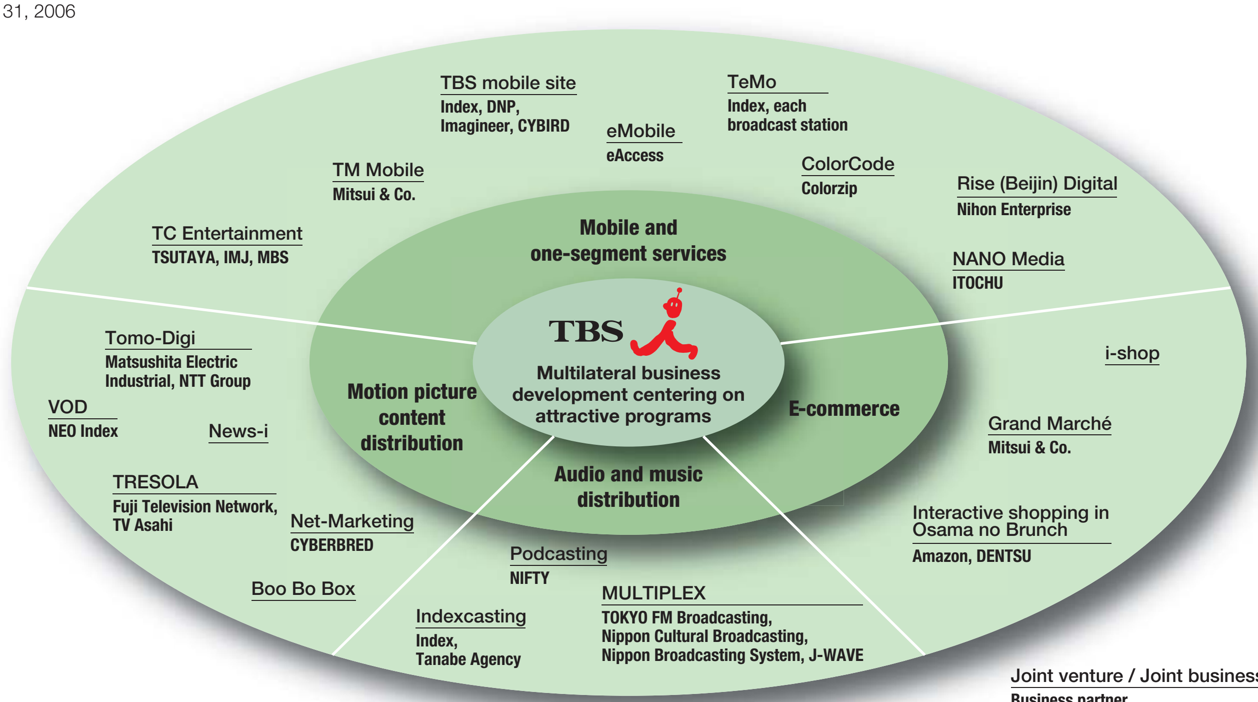
In the United States, so much attention is being paid to the big advances by Internet and other IT firms that terrestrial broadcast TV companies have come to be considered "non-growth" businesses. What is the situation in Japan?

>>>The television industries in Japan and the United States are very different. For example, the key broadcasters in Tokyo have in-house program production capabilities, unlike the United States where TV drama production is outsourced, and also maintain extensive copyright authority over their programming, Therefore, they have an overwhelmingly powerful presence in the movie content market.

According to Ministry of Internal Affairs and Communications statistics, the primary distribution market for content in Japan in 2004 was worth a total of ¥8.8 trillion, of which the terrestrial TV broadcast held the top share at 29%.

State of alliances in the mobile and Internet industry

As of March 31, 2006



D Studio

The program diversity of Japan's terrestrial broadcast stations is first-rate, even by global standards. Furthermore, the news, dramas, scientific documentaries, music, comedies, talk shows, and various other programming are created in such a way as to ensure that the viewers are always entertained. Consequently, the average amount of time that Japanese spend watching television has increased by nearly 10 minutes since 2000, which marked the beginning of widespread diffusion of broadband Internet, and has now topped four hours per day.

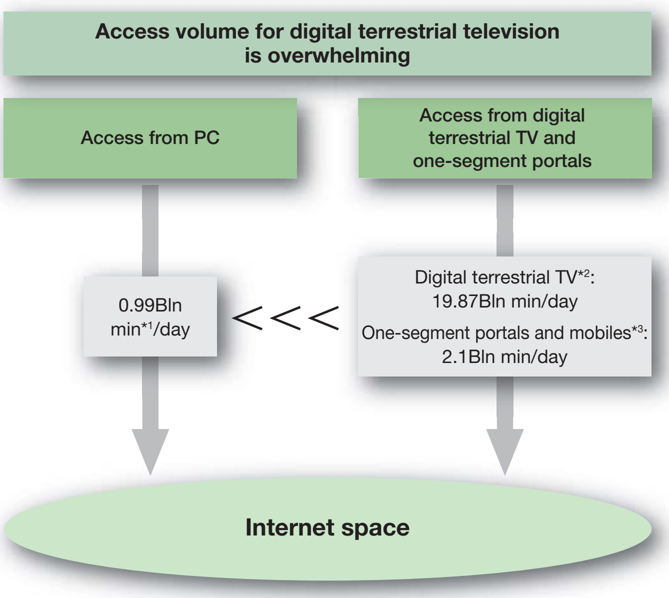
In fact, major TV stations, which have strong program-creation know-how and libraries full of good content, view the new diversification of channels for digital content as an opportunity to expand their business.

Are you concerned that the strong growth in Internet advertising in Japan will lead to declines in television's share of advertising?

>>>As a matter of fact, a greater number of clients now want to measure the effectiveness of their commercials. Therefore, in addition to our traditional advertising, we are developing new commercial ad techniques that, for example, link commercials to program content and use the data broadcasting capabilities of digital terrestrial television to lead viewers to Internet advertising.

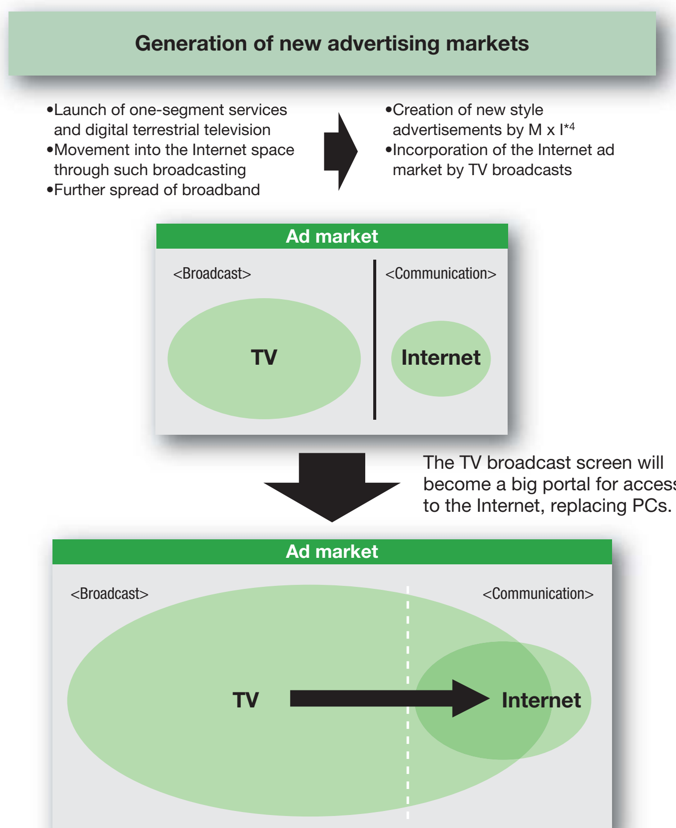
Japan's advertising market is estimated to be worth ¥6 trillion, of which one-third, or ¥2 trillion, is accounted for by television-related advertising, and one-third by sales promotion-

Television to take in Internet advertisements



Total population of people aged 10-69: 99,872.2 thousand (Source: National census taken by the Ministry of Internal Affairs and Communications of Japan)

*1: 10 min. x 99,872.2 thousand people (Source: Video Research Ltd.)
*2: 199 min. x 99,872.2 thousand people (Source: same as above)
*3: 6 3.5min. x 33,130 thousand terminals (Viewing hours: 2001-2005 Research by HAKUHODO Inc. and TBS) x Number of mobile terminals (Average of the diffusion forecast figures for the year 2010 by DENTSU Communication Institute Inc., Fuji Chimera Research Institute, Inc., and Seed Planning, Inc.)
*4: M (Mass media) x I (Interactive) is a registered trademark of DENTSU Inc.



TBS Broadcasting Center

Evening Five

Arashi No Yoru Ni
©2005 "Arashi No Yoru Ni" Production Committee

related advertising. We expect to gradually capture an even greater amount of the ¥2 trillion in TV advertising by using digital technologies in conjunction with the Internet to create new advertising methods.

In addition, corporate sales promotion spending on marketing events, which is on the fringe of the advertising market, totals some ¥4 trillion. We will try to capture a portion of this market as well.

Please describe TBS's brand image and what its strengths are.

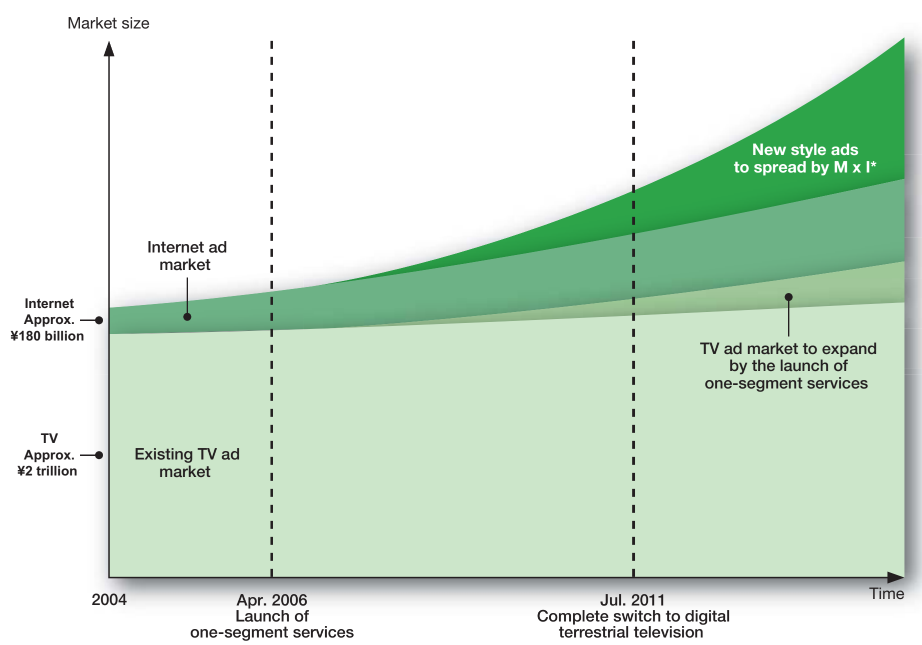
>>>We have a strong reputation for providing high-quality programming that is suitable for all members of a family. We have a strong tradition of excellence in dramas and news and have a very high level of production capability in these areas.

Can you explain why you are currently ranked third among key broadcasters in Tokyo in the all-day time slot and in consolidated net sales?

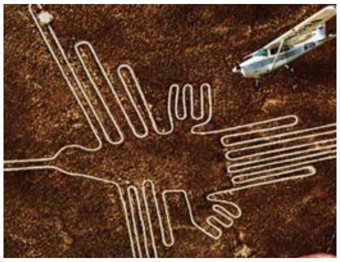
>>>Until the early 1980s, we had captured the top spot in viewer ratings, but our share has gradually slipped to third place since then.

Among the reasons for this deterioration are the declines in popularity of our news and drama series in general and various difficulties arising from the alternation of generations in the fields of production of comedy and variety shows. However, during the previous fiscal year, we were successful in boosting our golden time rating to sole position of second place. This heralds changes for the better.

Timeline of TV advertising market growth



*M (Mass media) x I (Interactive) is a registered trademark of DENTSU Inc.
Note: The figures for market size are based on our forecasts.



Nasca, Wonder of the World
Message Etched on the Desert Floor
Photo by YUTAKA YOSHII

You were targeted in M&A bids last year, weren't you? Why?

>>>Last year, we received an MBO proposal from the Murakami Fund, which is led by a well-known shareholders' rights activist, and also a proposal to integrate management with Internet shopping portal Rakuten, Inc. One of the main reasons for these M&A bids was our relatively low share price considering our total assets and subsequent low price book-value ratio (PBR) of about 1 last spring.

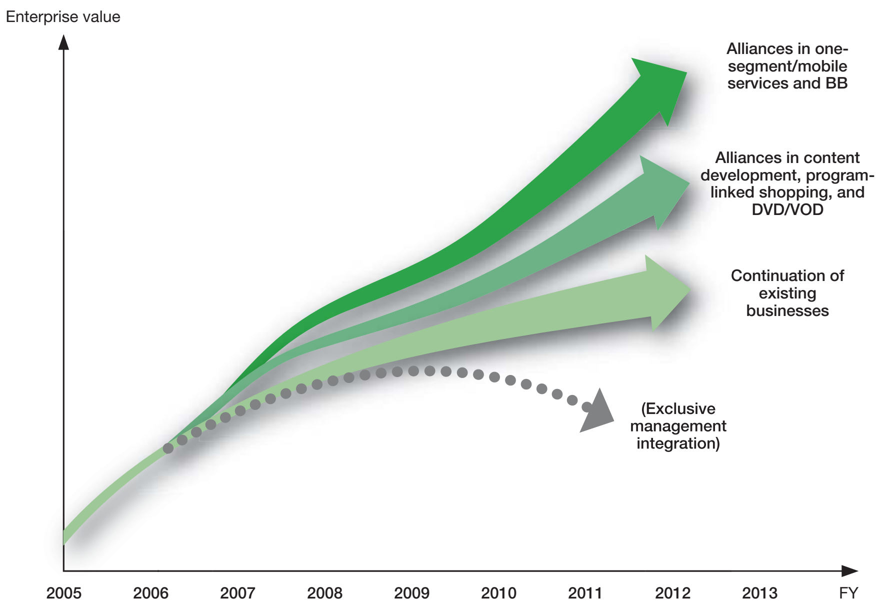
The main reason behind our creation of the V!-up 2010, our new medium-term management objectives, is to show our desire to our shareholders to become a more shareholder-friendly company.

From the perspective of developing our Broadcasting Business as a public service and as a high-quality content provider, there are obvious demerits to forming capital alliances with a particular IT company that maintains a financial business as its core earnings driver. Instead, we will pursue a strategy of building a presence in the Internet business while not sacrificing the public nature of our overall business operations.

Can you please explain the main points of the V!-up 2010?

>>>With the goal of increasing our operating cash flow in mind, we are trying to boost our profit growth, the bulk of which is derived from our Broadcasting Business. Therefore, the key to achieving this goal is to realize a highly effective programming production cost structure.

Enhancement of enterprise value by optimized business alliances



SINKING OF JAPAN
©2006 "SINKING OF JAPAN" Production Committee

Kinuta Studio

Hachi Ji Dayo! Zenin Shugo 2005 (DVD)

Another important factor is to increase sales share in our non-broadcasting businesses. We plan to aggressively pursue new revenue streams, such as the use of our program content over multiple transmission channels, and we have already begun to expand our sales by selling DVDs of our TV programs and by investing in movie production.

Finally, in our Real Estate Business, we expect the Akasaka Redevelopment Project to become highly profitable and to yield strong cash flow after its opening in the fiscal year ending March 31, 2008.

Most Japanese broadcasters boast strong balance sheets with considerable shareholders' equity and quality assets, but compared to other industries, their ROE tends to be rather low.

>>>The effective use of assets has become a topic of serious consideration for us during the past several years. While we cannot discuss the details of our plans, we expect to liquidate at the best possible opportunity any assets that are not considered necessary for our current business strategy.

We estimated ROE and ROA, both important indicators of assets and capital efficiency, through fiscal 2010 when we devised the V!-up plan. If the plan proceeds smoothly, we expect our ROE and ROA to rise to some extent. We also expect profit margins on our invested capital to exceed our weighted average cost of capital by the fiscal year ending March 31, 2009 with the launch of the Akasaka Redevelopment Project. Therefore, we expect to be able to significantly raise our shareholder value.

Do you consider increasing return to shareholders?

>>>We recognize this to be a very important topic for the future. Currently, our goal is a 20% dividend payout ratio based upon our parent earnings. However, with the effective implementation of our V!-up 2010, we expect to be able to increase the returns paid to our shareholders in the near future.

There are some who argue that, for a business like ours, with its stable cash flows, it is more appropriate to establish a level of dividend payments based on a dividend on equity ratio (DOE). We will consider this and other benchmarks in the payment of our dividends in the future.

Your V!-up 2010 looks promising, but what are the biggest risk factors associated with this plan?

>>>We are working to raise the awareness of each and every one of our employees with regard to the balance between costs and profits. We have a large number of staff who produce dramas that have been embraced and highly acclaimed by the public, but we need to continue to produce lots of the kind of programs that viewers really want, or we will not be able to maintain our high level of growth as a company. Therefore, if the V!-up 2010 is not successfully adopted across the board, we face the risk of not achieving our growth projections.

Another large risk factor for us as a broadcaster is the problem of how to develop and retain talented, creative staff, since our performance hinges on superior skills in program production.

What Is Our V!-Up 2010?

Medium-Term Management Objectives

V!-up 2010

(Billions of yen)

	FY2005 Result	FY2006 Plan	FY2008	FY2010
Consolidated net sales	**306.0**	**319.7**	**355.0**	**435.0**
Broadcasting	259.4	263.9	271.0	285.0
Multi Visual Ventures & Cultural Events	44.1	53.3	74.0	135.0
Real Estate	2.5	2.5	10.0	15.0
Consolidated operating income	**16.4**	**23.8**	**39.0**	**59.0**
Broadcasting	10.2	15.3	23.5	32.0
Multi Visual Ventures & Cultural Events	5.6	8.0	12.5	20.0
Real Estate	0.6	0.5	3.0	7.0
Consolidated operating cash flow	**23.3**	**25.0**	**35.0**	**50.0**
All-day viewer rating	**8.0%**	**8.1%**	**8.6%**	**9.0%**
TBS's share of spot sales among the 5 key broadcasters in Tokyo	**21.2%**	**21.5%**	**23.0%**	**25.0%**

(Segment sales figures represent sales from outside customers.)
*As of FY2006, two subsidiaries were transferred from the Broadcasting segment to the Multi Visual Ventures & Cultural Events segment.

For the fiscal year ending March 31, 2011, we have established a very aggressive goal of ¥32 billion in operating income for our Broadcasting Business, which is approximately double the amount targeted in the plan of the fiscal year ending March 31, 2007.

In our Multi Visual Ventures & Cultural Events Business, we set a goal of ¥135 billion in sales for the fiscal year ending March 31, 2011, or triple the ¥44.1 billion in sales we recorded during the fiscal year under review.

The main driver of our Real Estate Business earnings will be the Akasaka Redevelopment Project, which is scheduled for completion in January 2008.

NADA SOU SOU
©2006 "NADA SOU SOU–Tears for You" Production Committee

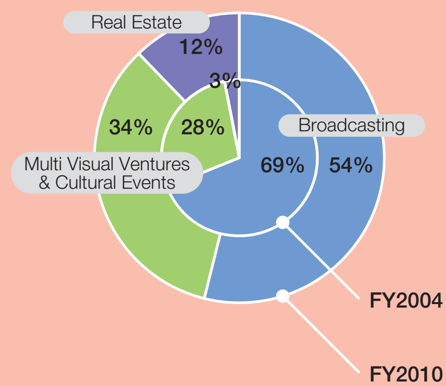
K-1
©FEG Inc.

Masterpieces of the Museum Island, Berlin—Visions of the Divine in the Sanctuary of Art

Composition of Operating Income

(Billions of yen)

	FY2004	FY2010
Consolidated operating income	**22.5**	**59.0**
Broadcasting	15.7	32.0
Operating income margin	6.1%	11.4%
Multi Visual Ventures & Cultural Events	6.2	20.0
Operating income margin	15.3%	14.8%
Real Estate	0.6	7.0
Operating income margin	24.0%	46.7%



We project our Broadcasting, Multi Visual Ventures & Cultural Events, and Real Estate businesses to comprise 54%, 34%, and 12% of operating income, respectively, in the fiscal year ending March 31, 2011.

We base our projections for higher profitability in our Broadcasting Business on growth in spot revenue arising from increases in the share of our viewer ratings and on restrained growth in business expenses.

Because we estimated the risks associated with new digital businesses and other development businesses at a rather high level and profitability relatively low (in particular, we set a target operating income margin of 0 for our "other development" business in the fiscal year ending March 31, 2011), we have deliberately projected a slight decline in the profitability of our Multi Visual Ventures & Cultural Events Business.

We estimate that the Akasaka Redevelopment Project will account for 86%, or ¥6 billion, of the operating income in our Real Estate Business.

Capital Expenditures & Depreciation

Forecast at present time for fiscal year ending March 31, 2007 onward

(Billions of yen)

Consolidated	FY2006	FY2007	FY2008	FY2009	FY2010
Capital Expenditures	**26.5**	**38.0**	**24.5**	**11.0**	**11.0**
Depreciation	**12.2**	**11.0**	**12.5**	**12.5**	**12.5**

Pittanko Kan Kan

NANA
©2005 "NANA" Production Committee

Don Quixote
Tetsuya Kumakawa K-BALLET COMPANY
Photo by JIN KIMOTO

Revenue from Broadcasting

Assumption of the plan

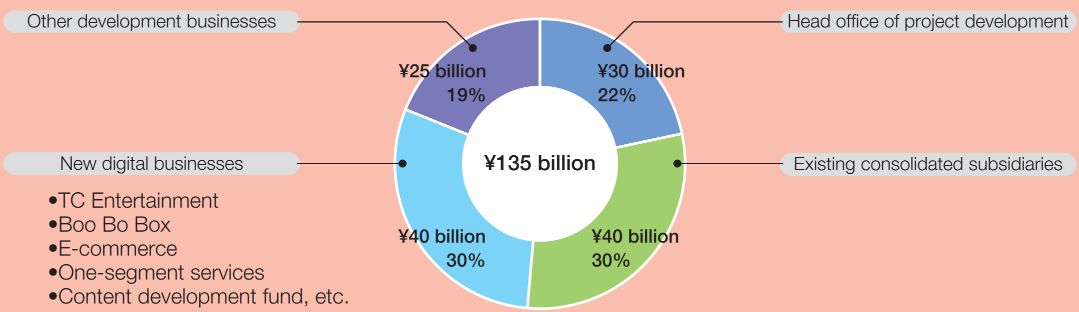
• Average increase of spot revenue:	**Between 2.5% and 3.0%**
• Average increase of time revenue:	**Approx. 1.0%**
• Program (production) costs:	**¥120 billion as the fundamental indicator**
• Consolidated average depreciation:	**Approx. ¥12 billion**

We base the increases in our spot revenue on increases in our viewer ratings relative to the other four key broadcasters in Tokyo.

Based on our actual program cost levels in fiscal years ended March 31, 2004 and 2005 of ¥119.0 billion and ¥120.9 billion, respectively, we have established a basic target for program costs of ¥120 billion.

Revenue from Multi Visual Ventures & Cultural Events Business

Projected revenue from Multi Visual Venture & Cultural Events Business (from outside customers) in FY2010



TC Entertainment, Inc., a newly established company that started its operations in December 2005, focuses on selling DVDs of popular TBS programs, including some of our drama series.

Boo Bo Box, which started its operations in November 2005, is a new business to sell various motion picture content, including dramas, movies, concerts, and documentaries as "video-on-demand" over the Internet.

Yakai
Miyuki Nakajima

Jokei Kazoku

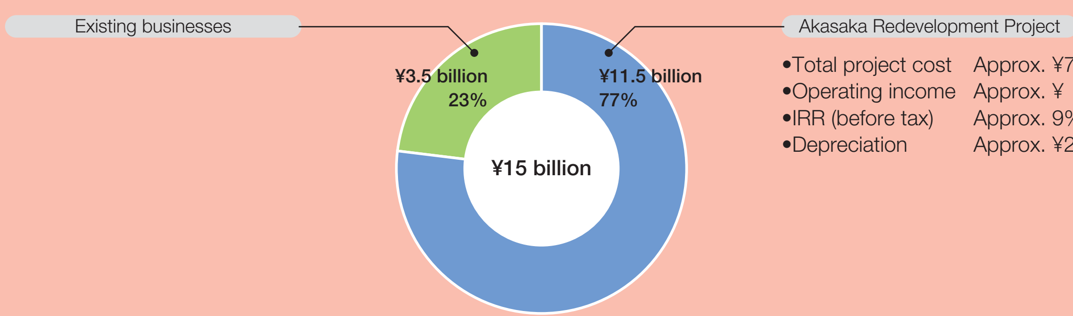
Akasaka Redevelopment Project

One-segment services, which was launched in April 2006, are new services designed to transmit terrestrial broadcast programming to cellular phones that are equipped to receive TV broadcasts. This marks the first launch worldwide of a full-scale service integrating both broadcast and communications technologies in terminal. By offering this service, we expect to generate new income from advertising and from charges for content in the future.

We plan to launch a content development fund with the cooperation of Dentsu Inc. and other partners.

Revenue from Real Estate Business

Projected revenue from Real Estate Business (from outside customers) in FY2010



- Total project cost Approx. ¥77 billion
- Operating income Approx. ¥ 6 billion
- IRR (before tax) Approx. 9%
- Depreciation Approx. ¥2.5 billion

We assume a 95% occupancy rate for our 39-floor office tower.

We anticipate annual sales of ¥11.5 billion from the Akasaka Redevelopment Project, with the contribution from this project reaching 100% from the fiscal year ending March 2010, which is the second year since the opening.

Sales to prospective tenants and other parties and construction of a 39-floor office tower (tentatively named Akasaka Biz Tower), scheduled to be completed in January 2008 and opened in February, are proceeding smoothly.

Corporate Governance

As of May 29, 2006

OUR BASIC POLICY

The fundamental thinking underlying TBS's corporate governance policies is, as a broadcaster that has been entrusted with the use of finite and valuable electromagnetic waves, to fulfill the social responsibilities of broadcasting and to strive to maximize enterprise value by improving management efficiency.

1. Basic Structures for Management Policy

Directors

Chairman of the Board of Directors: Company Chairman
(Except when the Chairman also assumes the role of President)

Board Directors:	16
External Board Directors:	4

Auditors

Auditors:	5
External Auditors:	3

The auditors exchange information, deliberate, report on auditing conditions, and review auditing plans on both a regular basis together with accounting auditors of KPMG AZSA & Co.

As a general rule, an internal inspection division, **the Office of Internal Inspection of Business**, meets once a month with auditors to regularly discuss the operations of the internal control system. Auditors provide the internal audit with reports as needed. **The Office of Internal Inspection of Business** also reports any claims made through **the TBS Hot Line**, the Company's internal information system, to auditors.

Incentives

In order to motivate the board directors, executive officers, and employees as well as the directors of subsidiaries to increase returns to its shareholders by raising its earnings in this challenging age of digital broadcasting and proliferation of media sources, TBS offers these members warrants as stock options.

Remuneration for Board Members and Auditors

TBS has disclosed the total remuneration of each of standing and external board directors. During the fiscal year ended March 31, 2006, as stipulated in the articles of incorporation and resolutions passed at **the Shareholders' Meeting**, board directors (14 standing and six external directors) and auditors (two standing and three external auditors) received total remuneration of ¥521 million (comprising ¥489 million for standing and ¥31 million for external members), and profit distribution was ¥100 million (comprising ¥93 million for standing and ¥7 million for external members).

Support Structure for External Directors and Auditors

When necessary, TBS conveys information about operating conditions both before and after **the Board of Directors** and **Statutory Board of Auditors** meetings through direct meetings with external directors and auditors.

2. The Decision-Making Process for Operational Management, Auditing and Supervision, Nomination and Compensation

TBS employs a corporate auditing system, with 16 board directors of whom four are external directors. Of five auditors, two are standing auditors and three external auditors. TBS has also established an executive officer system consisting of 11 executive officers.

As a general rule, **the Board of Directors** meets monthly to make important business decisions and report on crucial matters. Furthermore, **the Executive Managing Directors** meet to discuss decisions for the president. Meetings are held weekly for deliberation prior to the enactment of general policies for management and administration. The board is composed of 10 standing directors.

In addition, TBS has a number of committees, such as **the Long-Term Management Planning Committee**, that serve as internal advisers to the president and **Executive Managing Directors**.

Auditors attend meetings of **the Board of Directors**, inspect important accounting documents, listen to reports of directors on various business issues, and directly hold hearings and audit the activities of internal divisions when necessary. Auditors, accounting auditors, and **the Office of Internal Inspection of Business** convene together at opportune times for mutual discussions and information exchange.

When necessary, **the Statutory Board of Auditors** can set up the **Statutory Board of Auditors Investigative Office** and elicit the assistance of employees it names.

TBS also maintains **the Council of Program Practice** to ensure the quality of its programming. This council is composed of 10 experts from academic and other backgrounds who come from outside the Company and generally meet once a month to advise the Company about the programming.

Important topics undergo prior deliberation by **the Executive Managing Directors**. Decisions concerning investment, financing, and other issues undergo prior scrutiny by **the Investment and Financial Judging Committee**. **The TBS Group Management Liaison Committee**, which comprises directors and executive officers, meets weekly to coordinate goals and share information about key business issues.

The Comprehensive Coordination Committee was formed in June 1996 to gather information, conduct research, and study policies about risk management. It reports to **the Executive Managing Directors**. This committee is headed by a senior managing director in charge and a vice chairman and supported by six committee members who are at least division presidents, six executive secretaries, and 21 special committee members from departments throughout the Company. In particular, for responding to problems with program broadcasting and production, the special committee members gather weekly, share information, and examine how to prevent reoccurrences.

In June 2001, we established **the Office of Internal Inspection of Business** to conduct internal audits of all operations as well as engage in analysis and draft proposals for improving businesses. It gathers information from throughout the Group on potential problems that could cause corporate economic deterioration or erode the community's confidence in the Company, and then it compiles detailed reports on effective strategies to counter such problems. In April 2005, **the Office of Compliance** was created to build and operate internal control systems and to oversee both compliance and crisis management.

The Division of Program Review and Media Literacy examines programs for broadcasting before they are aired and monitors live programs every day to ensure that they meet **the TBS Broadcasting Standards**.

The Broadcast Ethics Committee is run by a committee chairman who is a board director in charge and other members from across the Company and meets monthly. It reports on issues related to ethics in broadcasting, shares information, and works to thoroughly understand ethical issues.

The Special Committee for Broadcasting and Human Rights was formed in February 1997 and includes lawyers and journalists from outside the Company who offer constructive proposals about the issues involving human rights in broadcasting. **The Guidelines on News Ethics** are revised each year by **TBS News**, which works to enhance ethical standards in broadcasting and prevent human rights violations.

Aside from these bodies, TBS has established **the Insider Trading Regulations** and works to prevent unfair securities transactions by executives and employees; **the Company's Privacy Policy** is enforced by **the Privacy Management Committee** to prevent misuse of personal information and data leaks; **the Regulations for IT Networks** were developed; and **the IT Network Committee** strives to prevent inappropriate access to network systems. It also examines the misuse of email and other problems.

The Information Disclosure Committee helps to fortify our disclosure activities. **The Board of Directors** has formulated **the Basic Policies for Managing Market Risk**. The board takes a fresh look at market risks every six months and reports to **the Executive Managing Directors** on hedging and other factors.

TBS promotes accounting audits based on the Commercial Code and accounting audits based on the Securities and Exchange Law through KPMG AZSA & Co. The Company also notes that it maintains no special interests with the corporate auditing company or the auditors seconded to audit the Company. TBS has selected accounting support staff based on criteria determined by this corporate auditing company. Specifically, TBS employs primarily certified public accountants and assistant certified public accountants.

3. Measures and Policies for Dealing with Shareholders and Other Stakeholders

Measures to Invigorate the Shareholders' Meeting and to Promote Shareholder Voting

TBS announces the Shareholders' Meeting Notice on its website and also a site to be created by the administrator of the shareholders' list.

IR Activities

TBS conducts large meetings for analysts and institutional investors on a quarterly basis, where the Company provides information about its medium-term management objectives and financial performance. The Company also holds small meetings with investors when necessary and accepts one-on-one visits on a request basis. In addition to publishing the annual report, TBS lists all disclosure and IR documents on its website.

Working to Respect the Interests of All Stakeholders
As part of efforts to respect the interests of stakeholders, TBS has established **the TBS Group Activities Charter** and **the TBS Group Activities Standards**. The Company has also created **the TBS Group Information Disclosure Policies** to define policy on providing information to stakeholders.

4. Basic Policies and Implementation of the Internal Control System

Basic Policies
As a broadcaster that has been entrusted with the use of finite and valuable electromagnetic waves, the Company is keenly aware of its public duties and roles in fulfilling corporate social responsibilities that are in keeping with **the TBS Broadcasting Standards**. Therefore, the Company will exert utmost efforts to strengthen corporate governance.

In order to promote the internal control system of the TBS Group, the Company has established **the TBS Group Corporate Activities Committee**, headed by the president, to ensure that TBS continues to expand enterprise value by promoting fair and efficient business operations.

This committee is composed of directors and external members (attorneys) and is responsible for the following:

1. Facilitation, evaluation, and reforms of internal control system.
2. Enforcement of corporate ethics.
3. Appropriate and efficient promotion of risk management and overall business operations.
4. Operations of information disclosure structure.
5. Advice to the Board of Directors of each of the Group's companies.

Structure to Ensure Directors' Compliance with Legal Codes and Articles of Incorporation
(1) Pursuing business ethics in order to promote the growth of the TBS Group as an exemplary business organization, the Company maintains **the TBS Group Activities Charter** as the basic contract for all executives and employees. The Company will strictly uphold **the TBS Group Activities Standards** and seek to realize the objectives set out therein.
(2) TBS established **the TBS Group Information Disclosure Policies** to fulfill the obligations to society and stakeholders to ensure timely and appropriate disclosure of business information. **The TBS Group Activities Charter**, **TBS Group Activities Standards**, and **TBS Group Information Disclosure Policies** are all listed on the Company's website.
(3) **The Special Committee for Appraising Enterprise Value**, which comprises external experts, responds to consultation from **the Board of Directors** and reports back and considers strategies to maximize enterprise value.
(4) **The Council of Program Practice**, which was established in accordance with the Broadcast Law, creates proposals and recommendations on how to improve broadcasting programs.
(5) **The Special Committee for Broadcasting and Human Rights**, which is composed of largely external experts, makes recommendations to the president on necessary measures to take to ensure the protection of human rights in broadcasts.

5. Articles Concerning M&A Defense

On May 18, 2005, the Company's Board of Directors passed a resolution for the issuance of new stock acquisition rights that would protect the Company from takeover proposals that would hurt enterprise value. The board also resolved to implement countermeasures against takeover proposals and established the Special Committee for Appraising Enterprise Value as a third-party body to ensure the fairness of the Company's countermeasures.

Overview of Issuance of Stock Acquisition Rights
1) Name of the stock acquisition rights: First Stock Acquisition Rights of Tokyo Broadcasting System, Inc.
2) Total number of the stock acquisition rights: 2,000 units
3) Class and number of shares to be issued upon exercise of the stock acquisition rights: 20 million shares of common stock of the Company (initially)
4) Issuance price of the stock acquisition rights: ¥300,000 per unit (¥30 per share)
5) Total value of the stock acquisition rights: ¥600 million
6) Expected value paid for exercise of the stock acquisition rights: ¥4,000 per share (initially). However: i) when a takeover bid for the Company's shares is publicly initiated (except when the Company has declared agreement to the takeover bid) or ii) when the Company becomes aware of or there is a public announcement that a particular individual or group has acquired more than a 20% share of the Company, in accordance with the requirements of the stock acquisition rights, the exercise price may be adjust-

ed to 90% of the average closing market price over the six-month period ending on the date when one of the two conditions is fulfilled. Also, after June 1, 2007, on the next trading day after every Friday, the exercise price will be adjusted to the fair market price (the average closing market price of the latest successive five trading days).

7) Exercise period: June 6, 2005 through June 30, 2007
For the period through May 31, 2007, and only when the exercise price has been adjusted, it is possible to exercise the options at the adjusted exercise price for 45 days following the effective date of the adjustment.

8) Reason and conditions for retirement of the stock acquisition rights: In the event that it is deemed necessary to retire the stock acquisition rights, the Company's Board of Directors may cancel all or a portion of the remaining options issued at ¥300,000 per unit by making said decision at least one day in advance of the exercise price adjustment, and by publicly announcing the retirement of the options at least one month in advance of the said retirement date decided by the Board of Directors.

9) Recipient of allotment: Nikko Principal Investments Japan Ltd. (NPI) was the recipient of the entire third-party allotment of stock acquisition rights by the Company.

Policies for Responding to Takeover Proposals for the Company's Stock

1. Objective

TBS is not only an ongoing business that takes on responsibilities as part of its obligations as a public listed company to contribute to growth in the market economy, but it is also a company charged with an important public mission as a broadcaster entrusted with the use of finite and valuable electromagnetic waves. The nature of the Company is given in the TBS Broadcasting Standards, established by the Company in accordance with the Broadcast Law. The preface of the TBS Broadcasting Standards reads as follows:

"The mission of TBS shall be to recognize the social responsibility of broadcasting and its public mission, to endeavor to popularize and improve cultural expression by sufficiently leveraging the characteristics of various media, and to contribute to the public welfare and the realization of a peaceful, democratic world, a better society, and a healthier global environment. Based on the principle that electromagnetic waves are the property of the citizens of Japan, TBS shall support freedom of expression, raise the social effectiveness of advertising and publicity, and respond to the expectations and trust of the Japanese people by respecting basic human rights, valuing public opinion, maintaining impartial positions, and ensuring autonomy." Moreover, in the event of public calamities or emergencies, the Company would play a pivotal role as a timely and uninterrupted lifeline to the community.

With the proliferation of digital terrestrial broadcasting and the coming of the age of multimedia, the entire broadcasting business now faces the challenge of how to improve the ability and the quality of program production, planning, and development. In meeting this challenge, the personnel of the TBS Group, including employees and related staff, represent a key business resource, while the long-term trusting relationships with contractors, business partners, and staff who support the Company to create programming and content are also a critical part of the foundation of business activities.

For TBS, these characteristics, which cannot be fully measured in quantitative terms, are what create enterprise value. Additionally, futile money games and speculative behavior not only threaten the Company's ability to generate healthy returns for investors and shareholders but may also cause considerable losses to society as a whole.

As a fundamental media and news organization, the Company considers that it is a critical matter to prevent a reduction in the Company's enterprise value as a result of misguided takeover activities. Therefore, the Company has recently passed a resolution for the policies for responding to takeover proposals, including the misguided takeover activities toward the Company, and will take appropriate countermeasures.

The Company recognizes that it is necessary to further examine comprehensive countermeasures to deal with takeover proposals that are inconsistent with initiatives to sustain and increase enterprise value. The following countermeasures and policies are based on the passage and implementation of the Japanese Company Law, amendments to regulations of the Tokyo Stock Exchange, and evolving social consensus and regulations.

2. Advance Documents Submission and Deliberation Period

In the event that TBS becomes the target of a takeover proposal that would have a substantial negative impact on its enterprise value, and in light of the important public mission entrusted upon the Company as a broadcaster, the Company will gather and provide material that is necessary to evaluate the takeover attempt on behalf of its shareholders, who will make the final decision on the pros and cons of the takeover proposal. Also, the Company itself will bear the responsibility to assess that the post-acquisition management policies of the party who proposes or makes a takeover bid (hereinafter "takeover party") contribute to improvement of the Company's enterprise value.

In order to carry out this due diligence process, TBS will require the takeover party to submit adequate material before the bid to the Company's Board of Directors and will also provide adequate deliberation time to the board to properly examine and judge the impact of the takeover.

More specifically, the Board of Directors will ask the takeover party to provide documents regarding the following items as necessary. The board will also ask the party for an adequate amount of time to assess the management policies and business plans provided by the takeover party and to offer an alternative proposal. In addition, the Company will disclose all or a part of the material received from the takeover party, to the extent deemed necessary and appropriate, to its shareholders. If the alternative proposal by the Company exists, the Company will propose it and ask its shareholders for proactive involvement in the decision-making process with regard to the takeover proposal and will take into account that its shareholders can make the final decision.

- Overview of the takeover party
- Objectives of the takeover party and measures to acquire the Company's stocks
- Reason of calculation of the pricing and confirmation of the purchase fund
- Names and descriptions of the organizations or individuals providing funds for the takeover bid
- Details of the proposed management policies and business plans of the takeover party after the acquisition (particularly with regard to policies designed to sustain and steadily increase enterprise value).
- The takeover party's philosophy regarding an important public mission as a broadcaster (including but not limited to the thoughts regarding the matters subject to Chapters 1, 3, and 3-2 of the Broadcast Law).
- Treatment of the Company's employees

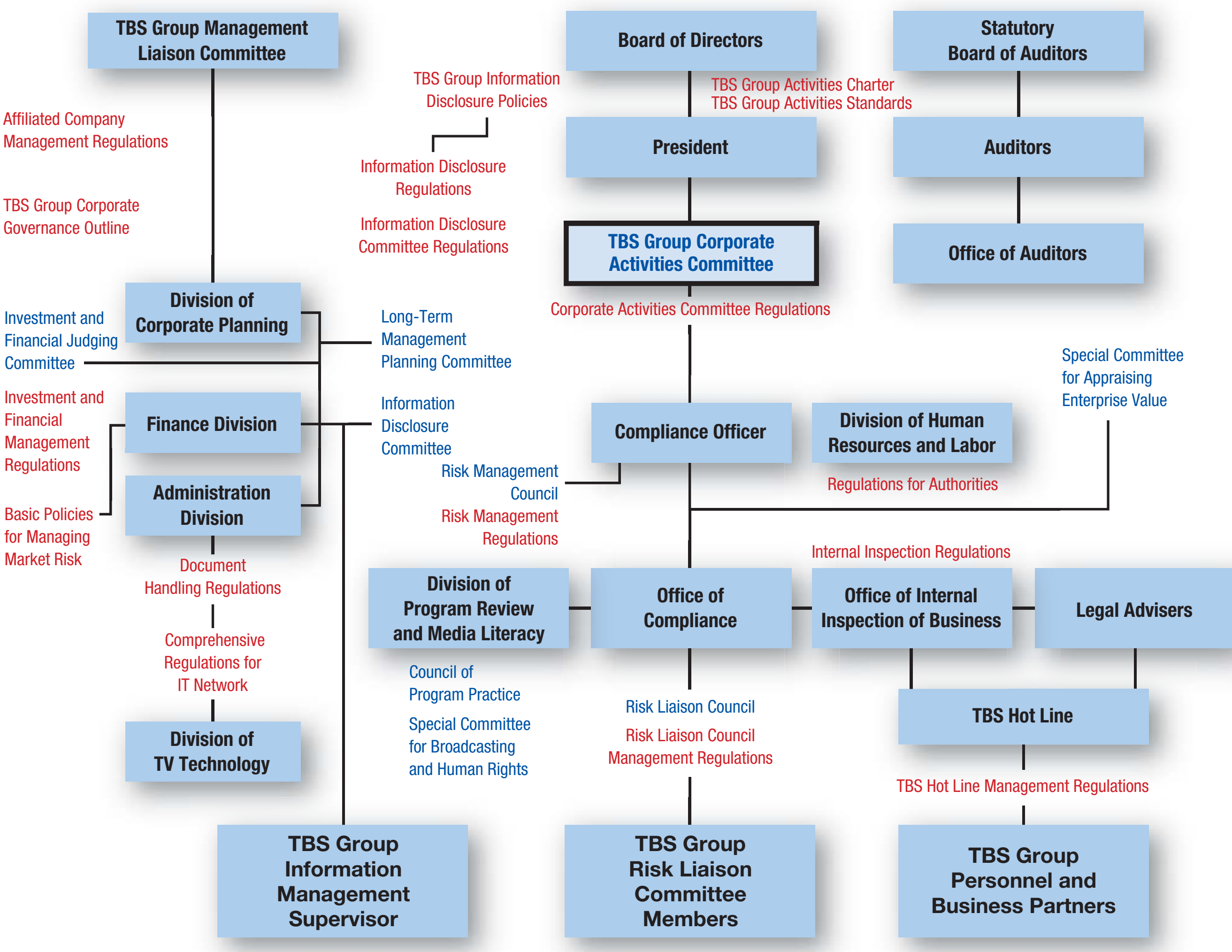
3. Possible Responses

If requests and procedures prior to any action are ignored and the party quickly proceeds with takeover actions unilaterally, or if the party deemed misguided as a result of prior dealings launched a takeover bid, the Company may enact its stock acquisition rights and other plans to the extent necessary and appropriate to prevent damages to and reductions in enterprise value. The decision by the Company's Board of Directors will be made after hearing recommendations by the Company's Special Committee for Appraising Enterprise Value.

The members of the Special Committee for Appraising Enterprise Value are as follows.

Committee Chairman:	Ken Moroi (External Director of the Company; Corporate Advisor, Taiheiyo Cement Corporation)
Committee Member:	Masatou Kitamura (External Director of the Company; President, The Mainichi Newspapers Co., Ltd.)
Committee Member:	Keiichiro Okabe (External Auditor of the Company; Chairman, Cosmo Oil Co., Ltd.)
Committee Member:	Yoshifumi Nishikawa (External Auditor of the Company; President, Japan Post Corporation)
Committee Member:	Masakazu Iwakura (Attorney, Nishimura & Partners)
Committee Member:	Somitsu Takehara (Certified Public Accountant, ZECOO Partners)
Committee Member:	Zenichi Shishido (Professor, Seikei Law School)

TBS Group Internal Control Structure



As of June 29, 2006

Board of Directors and Auditors

President	Hiroshi Inoue
Senior Managing Directors	Keizo Zaitsu Kenichiro Kidokoro
Executive Directors	Tadataka Mizuno Kazuo Hiramoto
Executive Advisor	Yukio Sunahara
Directors	Kiyoshi Wakabayashi Morihiro Kodama Toshichika Ishihara Yoshitomo Mori Yukio Kinugasa Toshishige Namai Yoji Shimizu Ken Moroi Masahiro Yamamoto Tateo Mataki Masatou Kitamura
Standing Statutory Auditors	Kunio Ogawa Masao Saito
Auditors	Keiichiro Okabe Takeo Tanaka Yoshifumi Nishikawa
Executive Officers	Shinya Yamaguchi Makoto Ishikawa Shinichiro Kasugai Shinji Takeda Naoki Ito Shouzo Fukui Kenji Watano Susumu Motoda Yasuyoshi Ishikawa Shigenori Kanehira

TBS Group

As of March 31, 2006

Tokyo Broadcasting System, Inc.

Consolidated Subsidiaries

Broadcasting

17 Companies

TBS Radio & Communications, Inc.
Tokyo Broadcasting System Television, Inc.
TBS Service, Inc.
TBS-Vision, Inc.
Art Communication Systems Inc.
Tokyo Broadcasting System International, Inc.
Tohoseisaku, Inc.
TBS TriMedia, Inc.
Akasaka Video Center Co., Ltd.
Dreamax Television Inc.
Akasaka Graphics Art, Inc.
Pro Cam., Inc.
Sounds Art Co., Ltd.
F&F Inc.
Japan Artvideo Service Collaborative, Inc.
VuCast, Inc.
Telecom Sounds, Inc.

Real Estate

5 Companies

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

Others

7 Companies

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

Companies under the Equity Method

4 Companies

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

(NOTE)

Businesses of Each Segment as of April 1, 2006

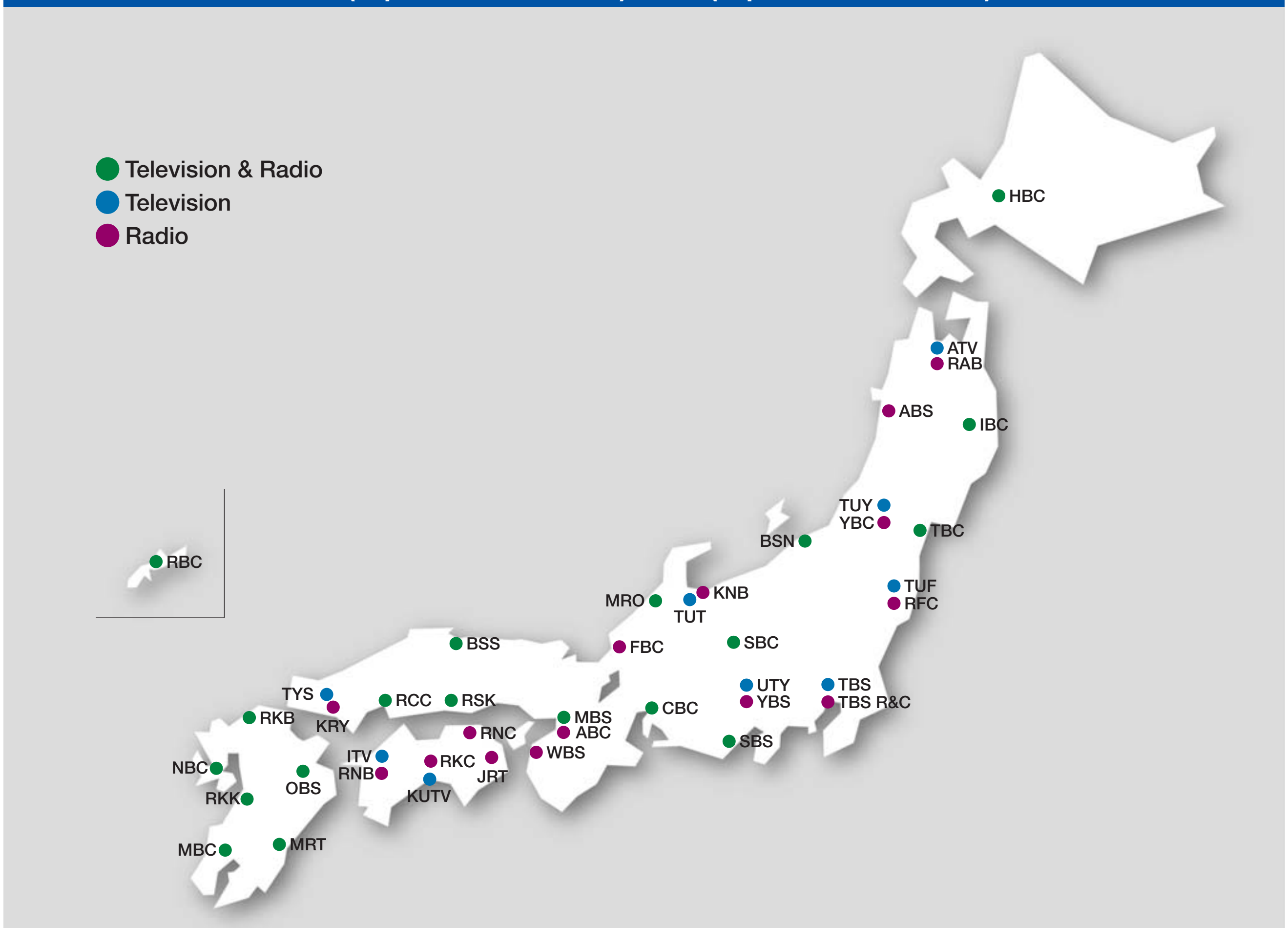
Segment	Business
Broadcasting	Television and radio broadcasting and related businesses
Multi Visual Ventures & Cultural Events	Planning and production of events and video software, management of a professional baseball club, investment in theatrical movies, e-commerce, video on demands, etc.
Real estate	Leasing of land and buildings
Others	Etc.

*Former Others segment was split into two segments: Multi Visual Ventures & Cultural Events and Others.
*TBS Service and TBS TriMedia were transferred from Broadcasting to Multi Visual Ventures & Cultural Events segment.
*TC Entertainment newly joined the Multi Visual Ventures & Cultural Events segment.

Network

As of March 31, 2006

JNN (Japan News Network) JRN (Japan Radio Network)



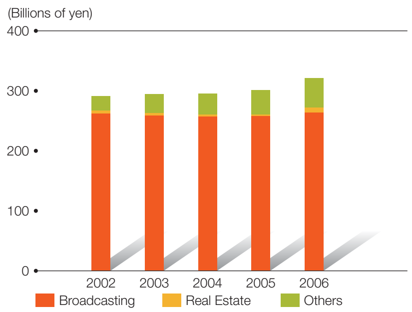
JNN Overseas Bureaus

Financial Section

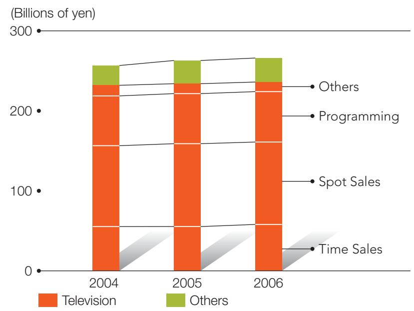
Fact Sheet

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

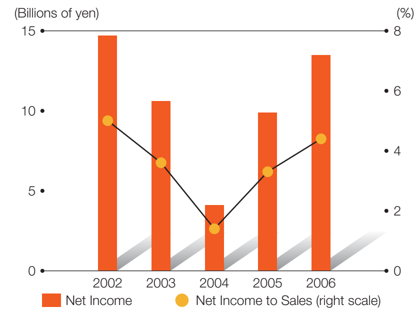
Net Sales by Segment



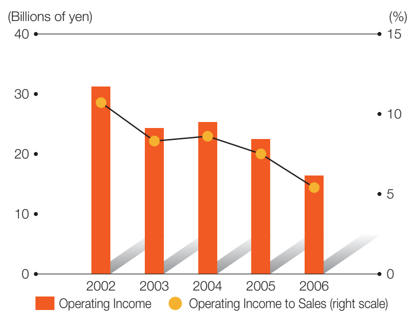
Non-Consolidated Net Sales by Segment



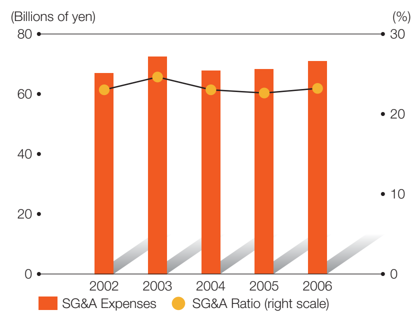
Net Income / Net Income to Sales



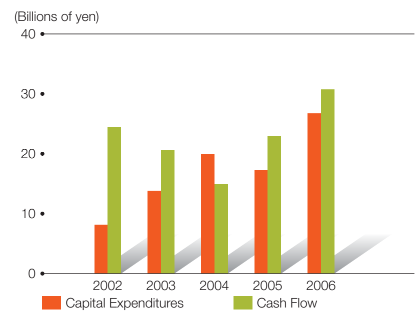
Operating Income / Operating Income to Sales



SG&A Expenses / SG&A Ratio

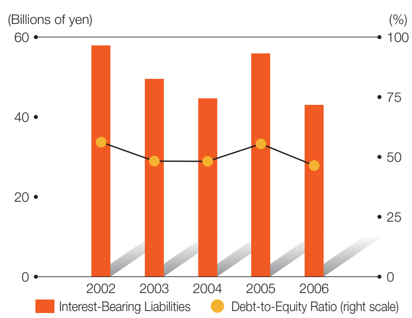


Capital Expenditures / Cash Flow*



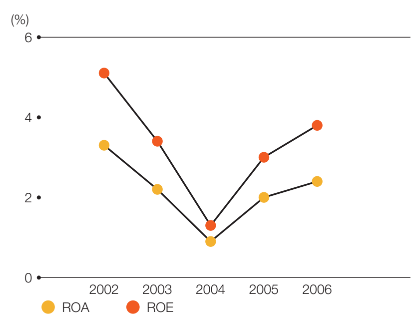
*Cash Flow = Net Income + Depreciation and Amortization

Interest-Bearing Liabilities / Debt-to-Equity Ratio*

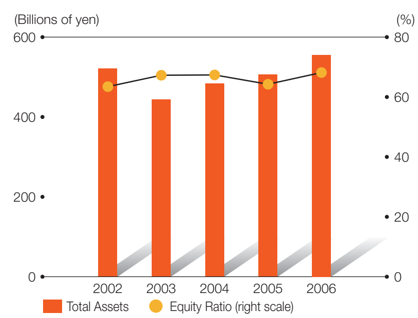


*Debt-to-Equity Ratio = Total Liabilities ÷ Total Shareholders' Equity x 100

ROA (Return on Assets) / ROE (Return on Equity)



Total Assets / Equity Ratio



Six-Year Summary

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

	Millions of yen						Thousands of U.S. dollars
	2006	2005	2004	2003	2002	2001	**2006**
For the year:							
Net sales	**¥306,041**	¥301,731	¥295,016	¥294,840	¥291,256	¥289,561	**$2,605,048**
Broadcasting	**259,418**	258,374	257,387	258,817	262,005	260,988	**2,208,189**
Real estate	**2,545**	2,512	2,865	3,939	4,703	4,903	**21,663**
Others	**44,078**	40,845	34,764	32,084	24,548	23,670	**375,196**
Cost of sales	**218,658**	210,957	201,924	197,992	193,028	186,968	**1,861,236**
Gross profit	**87,383**	90,774	93,092	96,848	98,228	102,593	**743,812**
Selling, general and administrative expenses	**70,978**	68,264	67,821	72,521	66,986	66,766	**604,171**
Operating income	**16,405**	22,510	25,271	24,327	31,242	35,827	**139,641**
Income before income taxes and minority interests	**27,615**	17,201	10,305	23,730	28,249	35,011	**235,061**
Net income	**13,514**	9,891	4,077	10,599	14,652	19,143	**115,032**
Capital expenditures	**26,762**	17,196	20,018	13,805	8,051	10,204	**227,800**
Depreciation	**14,082**	13,079	10,811	10,023	9,875	9,869	**119,867**
At year-end:							
Total assets	**¥555,272**	¥506,126	¥484,606	¥443,779	¥522,130	¥376,271	**$4,726,524**
Interest-bearing liabilities	**43,402**	55,944	44,748	49,497	57,892	58,236	**369,442**
Total shareholders' equity	**378,027**	324,724	326,108	298,288	330,946	238,871	**3,217,799**
Per share data (in yen and U.S. dollars)**:**							
Net income—basic	**¥ 72.17**	¥ 54.59	¥ 21.73	¥ 59.10	¥ 83.77	¥ 109.45	**$ 0.614**
Shareholders' equity	**1,990.91**	1,842.34	1,850.28	1,692.03	1,892.44	1,365.67	**16.947**
Ratios (%)**:**							
Return on assets	**2.6%**	2.0%	0.9%	2.2%	3.3%	5.3%	
Return on equity	**3.8**	3.0	1.3	3.4	5.1	8.3	
Equity ratio	**68.1**	64.2	67.3	67.2	63.4	63.5	

Note: The U.S. dollar amounts in this report are provided for convenience only and have been converted at the rate of ¥117.48 to $1.00, the approximate rate of exchange in effect as of March 31, 2006.

Reference Information

Non-Consolidated Net Sales

Tokyo Broadcasting System, Inc.
Years ended March 31

	Millions of yen						Thousands of U.S. dollars
	2006	2005	2004	2003	2002	2001	**2006**
Television:	**¥235,227**	¥233,919	¥231,920	¥234,004	¥236,849	¥234,203	**$2,002,273**
Time sales	**57,601**	55,379	55,322	54,861	55,174	53,147	**490,305**
Spot sales	**103,019**	103,556	101,110	101,295	104,196	109,301	**876,910**
Programming	**62,898**	62,587	62,237	63,670	63,594	61,793	**535,395**
Others	**11,708**	12,397	13,251	14,178	13,885	9,962	**99,663**
Radio	**—**	—	—	—	8,679	15,812	**—**
Others	**30,468**	28,994	24,744	23,560	23,267	22,821	**259,349**

Note: The U.S. dollar amounts in this report are provided for convenience only and have been converted at the rate of ¥117.48 to $1.00, the approximate rate of exchange in effect as of March 31, 2006.

Management's Discussion and Analysis

OVERVIEW

In the fiscal year under review, ended March 31, 2006, higher crude oil prices and other factors led to uncertainties in the Japanese economy. However, the economy continued to recover briskly, as strong corporate earnings fueled upturns in employment and personal income and buoyed household expenditures, and personal consumption increased.

In the broadcasting industry, the advertising market showed a bullish tone, but growth was relatively low due to the disappearance of special demand for commercial advertisements associated with the Athens Olympics in the previous fiscal year.

Under these circumstances, TBS and the TBS Group placed priority on further improving content quality for the age of digital broadcasting and the proliferation of media sources. Recognizing that the mission of the TBS brand is "Delivering Lasting Impressions and Reliable Information while Transcending Generations," the Group worked to strengthen its programming and expand the scope of its business domain. Moreover, in marketing, the Group actively promoted flexible sales activities carefully geared toward the diversifying needs of its advertising clients.

Consolidated net sales increased 1.4% year on year to ¥306,041 million, rising for the seventh straight fiscal year, dating back to 1999. This increase was attributed to the growth in the other businesses division of parent company, TBS, and our subsidiary that conducts our television shopping business. On the profit side, operating income fell 27.1% to ¥16,405 million owing to higher program production costs, depreciation, and retirement benefit costs. However, net income surged 36.6% to ¥13,514 million due in part to the gain on sale of investment securities.

SEGMENT ANALYSIS

Broadcasting

Broadcasting revenues increased 0.4% year on year to ¥259,418 million, and operating income from broadcasting fell 35.3% to ¥10,154 million.

<*Television*>

Time sales rose 2.1% year on year, thanks to solid sales for one-time presentations, such as the sports programs *The World Track and Field Championships in Helsinki* and *The Torino Winter Olympics*, the drama *Nada Sou Sou Kono Ai Ni Ikite*, and scientific documentaries, including *3.8 Billion Years of Life—What is Mankind? Part IV*.

Spot sales fell 0.5% year on year, due primarily to weaker sales during the first half of the fiscal year and despite a general recovery in the second half, particularly strong recovery in the fourth quarter, resulting from an improvement in viewer ratings in the all-day time slot and other slots. By client segment, strong growth in advertising demand from the finance, retail, and entertainment & hobby industries, all of which exceeded double-digit increases compared to the previous fiscal year.

For programming, the average rating fell 0.1 percentage points from the previous fiscal year, to 12.8% in both the golden time and prime time slots. However, rank in golden time rose from third to second place, marking the highest ranking in 16 years. To increase its viewer ratings in the all-day time slot, the Company renovated programs in the morning, afternoon and evening slots from April 2005. Newly introduced morning *Mino Monta No Asa Zuba!* and afternoon programs *Kyohatsu Plus!* were able to beat their predecessors' ratings by large margins, and helped to boost our ratings in the all-day time slot 0.5 percentage points to 8.0%.

Looking at dramas, *Tiger & Dragon, Dragon Zakura, Hana Yori Dango*, and other programs, which broadcast on Fridays at 10PM, received the strong support of our younger viewer audience. In addition, special dramas with programming to commemorate our 50th anniversary, such as *Odeko To Odeko Ga Butsukatte*, *The Birth of the Singer Misora Hibari* and *Nada Sou Sou, Hiroshima, August 6, 1945,* scored high viewer ratings at about 20%, which demonstrates the Company's strength as a top drama producer.

The number of households capable of receiving BS digital broadcasting has increased rapidly surpassing 10 million at the end of August 2005 and reaching 14 million at the end of March 2006. Under these circumstances, revenues derived from BS-i, Incorporated., a BS digital broadcasting company, rose ¥622 million from the previous fiscal year, to ¥5,431 million. Operating loss improved ¥1,372 million to ¥2,601 million.

BS-i is offering content with attractive, high-quality images and sounds, especially in the HD broadcasting area.

It is making diligent efforts to further fortify its position as a leading company in digital broadcasting in the industry.

<*Radio*>

In the radio segment, TBS's radio license was transferred to TBS Radio & Communications, Inc. (TBS R&C), a subsidiary, and it began radio broadcast operations on October 1, 2001.

Net sales of TBS R&C decreased 1.3% year on year to ¥15,620 million, and operating income declined 46.0% year on year to ¥504 million. Time sales suffered in part due to weak sales for nighttime professional baseball programs. Spot sales increased in the first half of the fiscal year, buoyed by favorable viewer ratings, but fell in the third quarter, reflecting the strong showing a year earlier. As a result, sales fell from the previous fiscal year's level.

In the audience rating surveys conducted every two months, TBS R&C took the top slot in each of the six audience surveys during the fiscal year. As such, the company has maintained the top ranking in the survey since August 2001 as the leading radio broadcaster in the Tokyo metropolitan area.

Real Estate

Revenues from real estate increased 1.3% year on year to ¥2,545 million, and operating income declined 0.1% to ¥623 million. As the Akasaka Redevelopment Project is still under way, there were no major changes in segment operations during the fiscal year.

Other Businesses

Revenues from other businesses climbed 7.9% year on year to ¥44,078 million, while operating income decreased 9.0% to ¥5,640 million.

Sales generated by TBS's Division of Project Development and Content Business Division grew 5.5% year on year to ¥25,833 million, marking the second consecutive year of record high sales.

In the cultural events business, events such as the *World Heritage Sites and World Museums*, *Berlin National Treasures Exposition*, and various ballet events, including *Swan Lake* and *Nutcracker* performed by Tetsuya Kumakawa's K Ballet Company, made a significant contribution to profits.

In the software business, DVD sales were favorable for popular dramas, such as *Tiger & Dragon*, *Dragon Zakura*, and *Hana Yori Dango*. Moreover, DVD compilations of *Hachi Ji Dayo! Zenin Shugo 2005* sold over 160,000 sets. In our program rights business, the silver screen movie *NANA* pulled in over 3 million customers and recorded over ¥4 billion in sales, although division sales still fell shy of the previous fiscal year in which we had two big hit films, *Sekai no Chushin de Ai wo Sakebu* and *Ima Ai ni Yukimasu*.

In the communication satellite (CS) business, TBS-ch, a pay-TV service, which broadcasts popular dramas from the past and other programs, increased the number of subscriber households and recorded profits in just three and a half years from its start of operations.

In the mobile & net business, there was strong demand for both our Internet advertising and pay-per-view mobile content programming. Together with the CS business, these helped expanding earnings.

Business revenues generated by the Yokohama Bay Stars professional baseball team fell 1.5% year on year to ¥7,867 million, but operating loss narrowed ¥350 million, to ¥34 million. The Company aims to improve the team's profitability by reducing costs while at the same time increasing the number of fans attending Bay Stars' games by providing greater interaction between athletes and fans.

COST OF SALES AND OPERATING INCOME

Cost of sales increased 3.7% year on year to ¥218,658 million, raising the cost of sales ratio 1.5 percentage points to 71.4%.

Selling, general and administrative (SG&A) expenses rose 4.0% year on year to ¥70,978 million, causing the SG&A expense ratio to increase 0.6 percentage points to 23.2%. This increase is attributed to the inclusion of retirement benefit expenses in SG&A expenses, which had been incurred as an extraordinary loss during the previous fiscal year, and to commission fees paid to advertising agencies, up 2.3% year on year, due to increases in advertising income.

Because of the substantial production costs arising from our aggressive strategy to win back TV viewer ratings, our program production costs rose ¥4.0 billion, or 3.3% year on year to ¥124.9 billion. For the fiscal year ending March 31, 2007, the Company plans to revise production processes and reduce its production costs by ¥1.4 billion year on year to ¥123.5 billion.

During the year under review, capital expenditures totaled ¥26,762 million, and depreciation was ¥14,082 million. Capital expenditures consisted mainly of ¥3.8 billion for facilities for digital terrestrial broadcasting and studio renovations HD program investment; ¥4.3 billion for general broadcasting equipment; and ¥11.8 billion for the Akasaka Redevelopment Project.

The peak of our depreciation arising from investments in broadcasting-related facilities occurred during the year under review and will gradually decline from now on. However, capital expenditures for the Akasaka Redevelopment Project will peak over the next two years, with the project scheduled for completion in January 2008. Consequently, the Company expects capital expenditures to reach ¥26.5 billion and depreciation to total ¥12.2 billion in the current fiscal year.

As a result of all of these factors, operating income declined 27.1% year on year to ¥16,405 million and the ratio of operating income to net sales decreased 2.1 percentage points to 5.4%. Net income rose 36.6% to ¥13,514 million and the ratio of net income to sales increased 1.1 percentage points to 4.4%, due in large part to ¥16,946 million in extraordinary income from the sale of investment securities and disappearance of extraordinary loss of ¥8.5 billion on the conclusion of the retirement benefit plan that was recorded in the previous fiscal year . Moreover, the implementation of impairment accounting for the shares of our baseball subsidiary, the Yokohama Bay Stars, contributed to losses of about ¥3.9 billion at net income level.

FINANCIAL POSITION

Consolidated total assets increase ¥49,145 million, or 9.7% year on year to ¥555,272 million at the end of the fiscal year. Of total assets, current assets declined ¥40,824 million, or 23.5% to ¥133,165 million, because cash on hand and in banks decreased ¥13,866 million; marketable securities declined approximately ¥20 billion; and prepaid expenses and other current assets decreased ¥12,044 million because the restoration of retirement trust assets depressed accounts receivable.

At the same time, total fixed assets rose ¥89,970 million, or 27.1%, to ¥422,106 million. Due to progress in the Akasaka Redevelopment Project, construction in progress rose ¥12,613 million, and property, plant and equipment, net increased ¥8,765 million, or 4.9%, to ¥189,213 million. Investments and other assets increased ¥81,205 million, or 53.5% year on year to ¥232,894 million, as investments in securities rose ¥81,979 million on the back of acquisitions of securities and increases in the latent gains of our existing shareholdings.

Total liabilities amounted to ¥175,586 million, down 2.3%, or ¥4,175 million from the previous fiscal year-end. The decline is attributed to several factors. Although notes and accounts payable—trade increased ¥5,875 million and deferred tax liabilities increased ¥12,300 million due to the increase in the value of investment securities, the Company recorded a ¥10,000 million decrease due to the redemption of bonds; ¥2,221 million in reductions in payments due for investment securities purchased during the previous term and for capital investments; a ¥2,675 million decrease in income taxes payable; and a ¥5,367 million drop in other long-term liabilities, due to such factors as the transfer to defined contribution pension plans. Interest-bearing liabilities at the year-end amounted to ¥43,402 million, a decrease of ¥12,541 million.

Shareholders' equity increased ¥53,302 million, or 16.4% year on year to ¥378,027 million. The increase is attributable to a third-party allotment of new shares in September 2005 and the liquidation of treasury stock, which increased common stock ¥10,522 million and additional paid-in capital ¥17,391 million; a ¥9,372 million increase in retained earnings; and a ¥15,587 million increase in unrealized gain on available-for-sale securities. Consequently, the shareholders' equity ratio rose 3.9 percentage points to 68.1%.

CASH FLOWS

Cash and cash equivalents declined ¥13,846 million from the end of the previous fiscal year to ¥38,767 million. This can be attributed primarily to net cash outflow from investing activities of ¥49,818 million, which arose from purchases of investment securities and payments relating to the Akasaka Redevelopment Project. This outflow largely offset a ¥27,615 million, or 60.5%, year on year increase in income before income taxes and minority interests and cash inflow of ¥28,221 million from our third-party allotment of newly issued stocks and liquidation of treasury stock.

Cash Flows from Operating Activities

Net cash provided by operating activities totaled ¥23,261 million, which represents a decline of ¥2,917 million from the previous fiscal year. While income before income taxes and minority interests recorded a sharp increase, net extraordinary income offset net operating cash inflow, mainly due to ¥16,946 million in gain on sale of investment securities. In addition, ¥5,367 million decrease in other fixed liabilities accompanying the transfer to defined contribution pension plans is another reason. Also, income taxes paid increased ¥6,302 million to ¥15,019 million.

Based on the V!-up 2010, the Company's new medium-term management objectives, the Company set a target of ¥50 billion for cash flows from operating activities for the fiscal year ending March 2011, and it will continue working to expand cash flows.

Cash Flows from Investing Activities

Net cash used in investing activities amounted to ¥49,818 million, a ¥9,351 million rise from the previous fiscal year. The increase was attributable to net proceeds from sales of marketable securities of ¥19,999 million and to proceeds from sale of investments in securities of ¥17,019 million. However, cash outflows were ¥60,113 million for payment for purchase of investments in securities and ¥23,491 million for payment for purchase of property and equipment.

Cash Flows from Financing Activities

Net cash provided by financing activities totaled ¥12,620 million, which represents a ¥3,272 million increase from the previous fiscal year. Although the redemption of bonds of ¥10 billion and other factors resulted in cash outflows, these were more than offset by the third-party allotment of new shares and the liquidation of treasury stock, which contributed to inflows of ¥22,589 million and ¥5,633 million, respectively.

OUTLOOK

There are several uncertainties, including the surge in crude oil prices, the potential for interest-rate hikes in Japan, and other concerns. Nonetheless, TBS expects the parent company's core television broadcasting sales to increase in both the time and spot categories, supported by the underlying strength of the advertising market and the Company's high viewer rating. As evidence, the Company stood alone in second place in average golden time viewer ratings for the first time in 16 years. In non-broadcasting businesses as well, the Company expects revenues to remain strong, underpinned by brisk DVD sales and returns on its investments in movies from theatrical productions.

The Company expects substantial increases in operating income, as it reviews and slims down its production cost structure while continuing to make the necessary investments for strengthening its programming.

However, the Company forecasts that net income will stay at about the same level as in the fiscal year under review, due to the absence of extraordinary income of ¥17 billion from profits on the sale of shares in Tokyo Electron Limited, which was recorded during the fiscal year under review.

Given these factors, for the fiscal year ending March 2007, the Company forecasts consolidated net sales of ¥319.7 billion, up 4.5% year on year, operating income of ¥23.8 billion, up 45.1%, and net income of ¥13.2 billion, down 2.3%.

Consolidated Balance Sheets

Tokyo Broadcasting System, Inc. and Consolidated Subsidiaries
As of March 31, 2006 and 2005

	Millions of yen		Thousands of U.S. dollars (Note 1)
ASSETS	**2006**	2005	**2006**
Current assets:			
Cash on hand and in banks (Note 3)	**¥ 38,859**	¥ 52,725	**$ 330,771**
Marketable securities (Note 12)	**—**	19,999	**—**
Notes and accounts receivable—trade (Note 14)	**68,085**	61,873	**579,545**
Allowance for doubtful accounts	**(163)**	(138)	**(1,387)**
Inventories (Note 4)	**10,741**	11,420	**91,428**
Deferred tax assets (Note 7)	**5,272**	5,696	**44,876**
Prepaid expenses and other current assets (Note 10)	**10,371**	22,415	**88,279**
Total current assets	**133,165**	173,990	**1,133,512**
Property and equipment:			
Land	**76,292**	76,479	**649,404**
Buildings	**118,202**	117,926	**1,006,146**
Machinery and equipment (Note 5)	**84,540**	80,578	**719,612**
Construction in progress	**23,613**	11,000	**200,996**
Total property and equipment	**302,647**	285,983	**2,576,158**
Less: Accumulated depreciation	**(113,434)**	(105,536)	**(965,560)**
Property and equipment, net	**189,213**	180,447	**1,610,598**
Investments and other assets:			
Investments in securities (Note 12)—			
Unconsolidated subsidiaries and affiliates	**7,039**	8,759	**59,917**
Other	**206,585**	122,886	**1,758,469**
Long-term prepaid expenses	**850**	3,326	**7,235**
Intangible and other assets (Note 10)	**17,734**	15,956	**150,954**
Allowance for doubtful accounts	**(553)**	(435)	**(4,707)**
Deferred tax assets (Note 7)	**1,239**	1,197	**10,546**
Total investments and other assets	**232,894**	151,689	**1,982,414**
Total assets	**¥ 555,272**	¥ 506,126	**$4,726,524**

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

LIABILITIES, MINORITY INTERESTS AND SHAREHOLDERS' EQUITY	Millions of yen 2006	2005	Thousands of U.S. dollars (Note 1) 2006
Current liabilities:			
Short-term borrowings (Notes 6 and 14)	**¥ 3,290**	¥ 5,759	**$ 28,005**
Current portion of long-term debt (Notes 5 and 6)	**10,072**	10,072	**85,734**
Notes and accounts payable—trade	**32,165**	26,290	**273,791**
Accounts payable—other	**21,391**	23,250	**182,082**
Income taxes payable (Note 7)	**6,059**	8,735	**51,575**
Accrued expenses	**4,465**	5,848	**38,006**
Other current liabilities	**4,840**	4,479	**41,198**
Total current liabilities	**82,282**	84,433	**700,391**
Long-term liabilities:			
Long-term debt (Notes 5 and 6)	**30,040**	40,113	**255,703**
Allowance for retirement and severance benefits (Note 9)	**9,197**	8,802	**78,286**
Deferred tax liabilities (Note 7)	**41,245**	28,944	**351,081**
Negative goodwill	**720**	—	**6,129**
Other long-term liabilities	**12,102**	17,470	**103,013**
Total long-term liabilities	**93,304**	95,329	**794,212**
Total liabilities	**175,586**	179,762	**1,494,603**
Minority interests	**1,659**	1,640	**14,122**
Contingent liabilities (Note 16)			
Shareholders' equity (Note 8)**:**			
Common stock	**54,685**	44,163	**465,483**
Authorized: 400,000,000 shares			
Issued and outstanding:			
190,138,968 shares at March 31, 2006 and			
179,996,968 shares at March 31, 2005			
Additional paid-in capital (Note 8)	**59,954**	42,562	**510,334**
Retained earnings (Note 8)	**192,297**	182,924	**1,636,849**
Accumulated other comprehensive income—			
Unrealized gain on available-for-sale securities (Note 12)	**71,117**	55,530	**605,354**
Foreign currency translation adjustment	**14**	(33)	**119**
Treasury stock at cost	**(40)**	(422)	**(340)**
Total shareholders' equity	**378,027**	324,724	**3,217,799**
Total liabilities, minority interests and shareholders' equity	**¥555,272**	¥506,126	**$4,726,524**

Consolidated Statements of Income

Tokyo Broadcasting System, Inc. and Consolidated Subsidiaries
For each of the three years in the period ended March 31, 2006

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2006	2005	2004	**2006**
Net sales (Notes 14 and 15)	**¥306,041**	¥301,731	¥295,016	**$2,605,048**
Cost of sales (Notes 13, 14 and 15)	**218,658**	210,957	201,924	**1,861,236**
Gross profit	**87,383**	90,774	93,092	**743,812**
Selling, general and administrative expenses (Notes 13, 14 and 15)	**70,978**	68,264	67,821	**604,171**
Operating income	**16,405**	22,510	25,271	**139,641**
Other income (expenses):				
Interest and dividend income	**1,129**	1,135	417	**9,610**
Interest expense (Note 14)	**(96)**	(124)	(200)	**(817)**
Equity in losses of affiliates	**(1,809)**	(1,460)	(1,846)	**(15,399)**
Gain on sale of investment securities (Note 12)	**16,946**	371	905	**144,246**
Loss on devaluation of investment securities	**(145)**	(517)	(789)	**(1,234)**
Amortization of actuarial gain (loss) on retirement and severance obligation (Note 9)	**—**	5,027	(10,444)	**—**
Loss on disposal of fixed assets	**(926)**	(1,231)	(2,929)	**(7,882)**
Gain on liquidation of affiliates	**—**	81	—	**—**
Loss on revision of retirement and severance benefits plan costs (Note 9)	**—**	(8,486)	—	**—**
Amortization of long-term prepaid expenses (Note 2 (g))	**(1,204)**	—	—	**(10,249)**
Amortization of goodwill (Note 2 (a))	**(1,862)**	—	—	**(15,850)**
Impairment loss on fixed assets (Note 2 (r))	**(285)**	—	—	**(2,426)**
Other, net	**(538)**	(105)	(80)	**(4,579)**
Total	**11,210**	(5,309)	(14,966)	**95,420**
Income before income taxes and minority interests	**27,615**	17,201	10,305	**235,061**
Income taxes (Note 7)**:**				
Current	**12,137**	12,802	10,527	**103,311**
Deferred	**2,001**	(5,324)	(4,205)	**17,033**
Total	**14,138**	7,478	6,322	**120,344**
Minority interest in income (loss) of consolidated subsidiaries	**(37)**	(168)	(94)	**(315)**
Net income	**¥ 13,514**	¥ 9,891	¥ 4,077	**$ 115,032**
			Yen	U.S. dollars (Note 1)
Per share of common stock:				
Net income—basic	**¥72.17**	¥54.59	¥21.73	**$0.614**
Net income—diluted	**72.10**	54.58	21.72	**0.614**
Cash dividends	**22.00**	15.00	10.00	**0.187**

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, 2006

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2006	2005	2004	**2006**
Common stock:				
Balance at beginning of year	**¥ 44,163**	¥ 44,163	¥ 44,163	**$ 375,919**
Issuance of common stock	**10,522**	—	—	**89,564**
Balance at end of year	**54,685**	44,163	44,163	**465,483**
Additional paid-in capital:				
Balance at beginning of year	**42,562**	42,562	42,562	**362,291**
Issuance of common stock and exercising stock option	**12,163**	—	—	**103,533**
Gain on sale of treasury stock	**5,229**	—	—	**44,510**
Balance at end of year	**59,954**	42,562	42,562	**510,334**
Retained earnings:				
Balance at beginning of year	**182,924**	174,970	172,897	**1,557,065**
Increase from the expanded scope of consolidated subsidiaries	**—**	74	—	**—**
Net income	**13,514**	9,891	4,077	**115,032**
Cash dividends paid	**(3,855)**	(1,765)	(1,766)	**(32,814)**
Bonuses to directors and statutory auditors	**(274)**	(246)	(238)	**(2,332)**
Decrease due to change in scope of consolidated subsidiaries	**(12)**	—	—	**(102)**
Balance at end of year	**192,297**	182,924	174,970	**1,636,849**
Accumulated other comprehensive income:				
Balance at beginning of year	**55,497**	64,824	39,090	**472,395**
Unrealized gain (loss) on available-for-sale securities	**15,587**	(9,333)	25,798	**132,678**
Foreign currency translation adjustment	**47**	6	(64)	**400**
Balance at end of year	**71,131**	55,497	64,824	**605,473**
Treasury stock, at cost:	**(40)**	(422)	(411)	**(340)**
2004: 3,884,698 shares				
2005: 3,891,106 shares				
2006: 398,968 shares				
Total shareholders' equity	**¥378,027**	¥324,724	¥326,108	**$3,217,799**

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, 2006

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2006	2005	2004	**2006**
Cash flows from operating activities:				
Income before income taxes and minority interests	**¥ 27,615**	¥ 17,201	¥ 10,305	**$ 235,061**
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:				
Depreciation	**14,082**	13,079	10,811	**119,867**
Amortization of long-term prepaid expenses	**3,108**	1,944	2,064	**26,456**
Impairment loss on fixed assets	**285**	—	—	**2,426**
Loss on devaluation of investment securities	**145**	517	789	**1,234**
Retirement and severance benefit expenses	**1,037**	(5,099)	8,066	**8,827**
Increase (Decrease) in allowance for doubtful accounts	**143**	(222)	149	**1,217**
Interest and dividend income	**(1,129)**	(1,135)	(417)	**(9,610)**
Interest expense	**96**	124	200	**817**
Equity in earnings of affiliates	**1,809**	1,460	1,846	**15,399**
Gain on sale of investment securities	**(16,946)**	(371)	(905)	**(144,246)**
Loss on disposal of fixed assets	**926**	1,231	2,929	**7,882**
Decrease (Increase) in notes and accounts receivable—trade	**(6,212)**	1,293	(1,860)	**(52,877)**
(Increase) Decrease in inventories	**697**	519	(2,749)	**5,933**
(Increase) Decrease in notes and accounts payable—trade	**5,866**	(484)	(1,686)	**49,932**
Others, net	**5,714**	3,835	2,502	**48,638**
Subtotal	**37,236**	33,892	32,044	**316,956**
Interest and dividends received	**1,139**	1,149	416	**9,695**
Interest paid	**(95)**	(146)	(230)	**(809)**
Income taxes paid	**(15,019)**	(8,716)	(13,155)	**(127,842)**
Net cash provided by operating activities	**23,261**	26,179	19,075	**198,000**
Cash flows from investing activities:				
Proceeds from sales (Payment for purchase) of marketable securities, net	**19,999**	(18,999)	2,382	**170,233**
Payment for purchase of property and equipment	**(23,491)**	(14,787)	(15,196)	**(199,957)**
Proceeds from sales of property and equipment	**10**	15	30	**85**
Payment for purchase of intangible assets	**(3,271)**	(3,203)	(2,058)	**(27,843)**
Payment for purchase of investments in securities	**(60,113)**	(4,815)	(6,036)	**(511,687)**
Proceeds from sale of investments in securities	**17,019**	704	1,031	**144,867**
Others, net	**29**	618	(565)	**247**
Net cash used in investing activities	**(49,818)**	(40,467)	(20,412)	**(424,055)**
Cash flows from financing activities:				
Proceeds from short-term borrowings	**542**	1,231	472	**4,613**
Repayment of short-term borrowings	**(2,838)**	(4,563)	(5,149)	**(24,157)**
Proceeds from long-term borrowings	**—**	20,000	—	**—**
Repayment of long-term borrowings	**(72)**	(5,472)	(72)	**(613)**
Redemption of bonds	**(10,000)**	—	—	**(85,121)**
Payment for purchase of treasury stock	**(22)**	(11)	(5)	**(187)**
Proceeds from sale of treasury stock	**5,633**	—	—	**47,949**
Proceeds from issuance of common stock	**22,589**	138	60	**192,280**
Dividends paid	**(3,855)**	(1,765)	(1,766)	**(32,814)**
Dividends paid to minority shareholders	**(17)**	(17)	(4)	**(145)**
Others, net	**660**	(194)	(100)	**5,618**
Net cash provided by (used in) financing activities	**12,620**	9,347	(6,564)	**107,423**
Effect of exchange rate change on cash and cash equivalents	**91**	24	(65)	**774**
Net increase (decrease) in cash and cash equivalents	**(13,846)**	(4,917)	(7,966)	**(117,858)**
Cash and cash equivalents at beginning of year	**52,613**	57,530	65,496	**447,846**
Cash and cash equivalents at end of year (Note 3)	**¥ 38,767**	¥ 52,613	¥ 57,530	**$ 329,988**

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements

Tokyo Broadcasting System, Inc. and Consolidated Subsidiaries

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Securities and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

The accounts of overseas subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile. The accompanying consolidated financial statements have been restructured 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, 2006, which was ¥117.48 to U.S. $1. The convenience translations should not be construed as representations 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 number of the consolidated subsidiaries for the year ended March 31, 2006, 2005 and 2004 was 29, 28 and 28, respectively. The number of the unconsolidated subsidiaries for the year ended March 31, 2006, 2005 and 2004 was 19, 16 and 17, respectively. The total assets, net sales, net income and retained earnings of the unconsolidated subsidiaries were 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, "goodwill") is generally amortized over a period of five years on a straight-line basis, except that the goodwill related to Yokohama Baystars Baseball Club, inc. (hereafter, "Yokohama BayStars") is amortized over twenty years on a straight-line basis and an immaterial difference is expensed in the year of acquisition.

The consolidation goodwill related to "Yokohama BayStars" was supposed to be amortized over twenty years on a straight-line basis. However, as the Company recognized loss on devaluation of equity securities issued by its subsidiary "Yokohama BayStars" in non-consolidated statement of income, the unamortized balance of the consolidation goodwill amounting to ¥1,862 million ($15,850 thousand) was amortized in a lump sum and recorded as other expenses in consolidated statement of income for the year ended March 31, 2006.

TBS Sports, Inc. and TBS Live, Inc. were merged into TBS Entertainment, Inc., and TBS Entertainment, Inc. changed its corporate name to TBS TV, Inc. on October 1, 2004. The Company added Japan Artvideo Service Collaborative, Inc. and Vucast Co., Ltd. to its consolidated subsidiaries based on materiality, on April 1, 2004. Pec Co., Ltd. changed its corporate name to TBS Trimedia, Inc. on April 1, 2005. The Company added OXYBOT, Inc. to its consolidated subsidiaries based on materiality, on April 1, 2005.

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.

Equity method

Investments in unconsolidated subsidiaries and certain companies where the Company has 20% or more of the voting rights, or 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 2006, 2005 and 2004.

(b) Foreign currency translation

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

The Company and its consolidated subsidiaries assess 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 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 shareholders' equity. The cost of securities sold is determined by the moving average method.

(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 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.

The long-term prepaid expenses related to "Yokohama BayStars" had been amortized over five years. However, as the Company recognized loss on devaluation of equity securities issued by its subsidiary "Yokohama BayStars" in non-consolidated statement of income, the unamortized balance of the long-term prepaid expenses amounting to ¥1,204 million ($10,249 thousand) was amortized in a lump sum and recorded as other expenses in consolidated statement of income for the year ended March 31,2006.

(h) Deferred charges

Stock issuance costs are expensed as incurred.

(i) Allowance for doubtful accounts

The Company provides allowance for doubtful accounts for probable collection losses by applying the actual rate of bad debt losses experienced in the past reference period for normal receivables and by individual assessment of collectibility for other accounts receivable.

(j) Allowance for retirement and severance benefits

(1) Employees' retirement and severance benefits

The liabilities and expenses for retirement and severance benefits are determined based on the amounts actuarially calculated using certain assumptions.

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.

On April 1, 2005, the Company terminated tax-qualified pension plans, and transferred them to defined contribution pension plans, advanced retirement allowance plans and lump-sum severance indemnity plans. The Company applied "Accounting Treatment upon Transferring Retirement Remuneration Plans" (Financial Standards Implementation Guidance No.1). As a result, in the year ended March 31, 2005, losses of ¥8,486 million was recognized in consolidated statement of income.

(2) Directors' retirement and severance benefits

The Company terminated the pension plans for directors upon closing of the annual general meeting of shareholders to be held on June 29, 2004. Accordingly, the allowance for directors' retirement and severance benefits in an amount of ¥535 million was recorded as other long-term liabilities as of March 31, 2005.

The Company's 25 consolidated subsidiaries resolved and terminated the plan of the allowance for directors' retirement and severance benefits in the shareholders' meeting. Accordingly, the allowance for directors' retirement and severance benefits for the subsidiaries in an amount of ¥558 million ($4,750 thousand) was recorded as other long-term liabilities as of March 31, 2006.

(k) Leases
Finance leases, except those leases for which the ownership of the leased assets is 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 forward exchange contract 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.

For the year ended March 31, 2005, the Company also entered into forward securities price exchange contracts to hedge securities price. The Company defers recognition of gains or losses resulting from changes in fair value of forward securities price exchange contracts used for hedging purposes until the related losses or gains on the hedged items are recognized.

(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.

(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, 2006 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.

(r) New accounting standard
Effective from the year ended March 31, 2006, the Company and its subsidiaries adopted the new accounting standard for impairment of fixed Assets ("Opinion Concerning Establishment of Accounting Standard for Impairment of Fixed Assets" issued by the Business Accounting Deliberation Council on August 9, 2002) and the implementation guidance for the accounting standard for impairment of fixed assets (the Financial Accounting Standard Implementation Guidance No. 6 issued by the Accounting Standards Board of Japan on October 31, 2003).

As a result of this change, income before income taxes and minority interests decreased by ¥285 million ($2,426 thousand) compared with what would have been recorded under the previous accounting standard.

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at March 31, 2006, 2005 and 2004 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2006	2005	2004	**2006**
Cash on hand and in banks	**¥38,859**	¥52,725	¥57,661	**$330,771**
Time deposits with the original maturity over three months	**(92)**	(112)	(131)	**(783)**
Cash and cash equivalents	**¥38,767**	¥52,613	¥57,530	**$329,988**

4. INVENTORIES

Inventories at March 31, 2006 and 2005 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	**2006**
Program rights	**¥10,641**	¥11,309	**$90,577**
Real property held for sale and other	**100**	111	**851**
Total	**¥10,741**	¥11,420	**$91,428**

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.

5. PLEDGED ASSETS

The net carrying value of pledged assets at March 31, 2006 and 2005 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	**2006**
Machinery and equipment	**¥406**	¥454	**$3,456**
Total	**¥406**	¥454	**$3,456**

These assets listed above were pledged to secure long-term borrowings (¥113 million ($962 thousand) and ¥185 million at March 31, 2006 and 2005, respectively) including current portion (¥72 million ($613 thousand) and ¥72 million at March 31, 2006 and 2005, respectively).

6. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings represent 365-day notes issued to banks with the average interest rate of 0.14% at March 31, 2006 and 2005.
Long-term debt at March 31, 2006 and 2005 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	**2006**
0.66% unsecured bonds due 2006	**¥ —**	¥ 10,000	**$ —**
0.89% unsecured bonds due 2007	**10,000**	10,000	**85,121**
Long-term borrowings from banks	**30,112**	30,185	**256,316**
	40,112	50,185	**341,437**
Less current portion	**(10,072)**	(10,072)	**(85,734)**
Total	**¥ 30,040**	¥ 40,113	**$255,703**

At March 31, 2006, maturity dates for long-term borrowings (excluding current portion) with the average interest rate of 0.78% per annum (excluding current portion) ranged from June 2007 to February 2010.

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

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2007	**¥10,072**	**$ 85,734**
2008	**10,040**	**85,461**
2009	**—**	**—**
2010	**20,000**	**170,242**
2011 and thereafter	**—**	**—**
	¥40,112	**$341,437**

7. INCOME TAXES

Significant components of the deferred income taxes of the Company at March 31, 2006 and 2005 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	**2006**
Excess allowance for retirement and severance benefits for employees	**¥ 3,642**	¥ 2,984	**$ 31,001**
Accrued expense due to change in retirement benefit plan	**5,098**	7,410	**43,395**
Excess accrued bonuses	**1,629**	1,645	**13,866**
Enterprise taxes	**471**	740	**4,009**
Allowance for retirement and severance benefits for directors	**—**	261	**—**
Long-term account payable	**214**	—	**1,822**
Devaluation of investments in securities	**2,033**	1,092	**17,305**
Loss on program rights	**587**	768	**4,997**
Unrealized gain on available-for-sale securities	**(49,186)**	(38,496)	**(418,676)**
Amortization of long-term prepaid expenses	**2,500**	1,470	**21,280**
Other	**778**	1,545	**6,622**
Less valuation allowance	**(2,500)**	(1,470)	**(21,280)**
Deferred tax liabilities, net	**¥(34,734)**	¥(22,051)	**$(295,659)**

Reconciliation of the differences between the statutory tax rate and the effective tax rate for the years ended March 31, 2006 and 2005 were as follows:

	2006	2005
Statutory tax rate	**40.69%**	40.69%
Increase (reduction) in taxes resulting from:		
Non-deductible expenses and non-taxable income	**2.56**	5.78
Equity in (earnings) losses of affiliates	**2.66**	3.45
Effect of tax credit	**—**	(6.88)
Amortization of goodwill	**2.40**	—
Amortization of long-term prepaid expenses	**3.55**	—
Other	**(0.66)**	0.43
Effective tax rate	**51.20%**	43.47%

8. SHAREHOLDERS' EQUITY

Under Japanese laws and regulations, the entire amount of payment for new shares is required to be designated as common stock, although, generally, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one-half of the price of the new shares as additional paid-in capital.

Japanese Company Law ("the Law") became effective on May 1, 2006, and, at the same time, the Japanese Commercial Code was repealed ("the Code").

Under the Code, companies were required to set aside an amount equal to at least 10% of cash dividends and other cash appropriations as legal earnings reserve until the total of legal earnings reserve and additional paid-in capital equaled 25% of common stock. Under the Law, in cases when dividends are paid, an amount equal to 10% of the dividends or the excess of 25% of common stock over the total of additional paid-in-capital and legal earnings reserve, whichever is the smaller, must be set aside as additional paid-in capital or legal earnings reserve. Under the Code, additional paid-in capital and legal earnings reserve were available for distribution by the resolution of the shareholders' meeting as long as the total amount of legal earnings reserve and additional paid-in capital remained equal to or exceeded 25% of common stock. Under the Law, even when the total amount of additional paid-in-capital and legal earnings reserve is less than 25% of common stock, additional paid-in-capital and legal earnings reserve may be available for dividends if there are sufficient distributable surplus. Under the Code, legal earnings reserve and additional paid-in capital could be used to eliminate or reduce a deficit by a resolution of the shareholders' meeting or may be capitalized by a resolution of the Board of Directors. Under the Law, both of those appropriations require a resolution of the shareholders' meeting. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

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 Japanese laws and regulations.

At the Annual Shareholders' Meeting held on June 29, 2006, the Company's shareholders approved (1) a payment of a year-end cash dividend of ¥11.00 ($0.094) per share aggregating ¥2,087 million ($17,765 thousand) to the shareholders of record as of March 31, 2006 and (2) a payment of bonuses to directors and statutory auditors aggregating ¥80 million ($681 thousand). In conformity with the Code, this declaration of cash dividends is not reflected in the consolidated financial statements as of March 31, 2006.

9. EMPLOYEES' RETIREMENT AND SEVERANCE BENEFITS

The liabilities for retirement and severance benefits included in the consolidated balance sheets as of March 31, 2006 and 2005 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	**2006**
Projected benefit obligation	**¥12,433**	¥12,354	**$105,831**
Less: Fair value of plan assets	**(3,099)**	(2,899)	**(26,379)**
Unfunded obligation	**9,334**	9,455	**79,452**
Unrecognized actuarial differences	**(137)**	(355)	**(1,166)**
Unrecognized prior service costs	**—**	(940)	**—**
Liability for retirement and severance benefits	**¥ 9,197**	¥ 8,160	**$ 78,286**

The impact resulting from transfer of tax-qualified pension plans to defined contribution pension plans and advanced retirement allowance plans as of March 31, 2005 was as follows:

	Millions of yen
Decreased in projected benefit obligation	¥ 41,985
Plan assets	(35,252)
Unrecognized actuarial differences	(1,913)
Unrecognized prior service costs	(5,074)
Increase in liability for retirement and severance benefits	¥ (254)

Included in the consolidated statements of income for the years ended March 31, 2006 and 2005 were retirement and severance benefit expenses comprised of the following:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	**2006**
Service costs-benefits earned during the year	**¥ 559**	¥ 1,585	**$ 4,758**
Interest cost on projected benefit obligation	**175**	1,007	**1,490**
Expected return on plan assets	**—**	(620)	**—**
Amortization of actuarial differences	**355**	(5,027)	**3,022**
Amortization of prior service costs	**940**	—	**8,001**
Cost of defined benefit plans and advanced retirement allowance plans	**674**	—	**5,737**
Retirement and severance benefit expenses	**¥2,703**	¥(3,055)	**$23,008**

As a result of transfer of tax-qualified pension plans to defined contribution plans and advanced retirement allowance plans, losses of ¥8,486 million was recognized in the consolidated statement of income as of March 31, 2005.

The discount rate and the rate of expected return on plan assets used by the Company are 2.25% as of March 31, 2006 and 2005. 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 and actuarial differences are to be charged to income in the following year of recognition.

10. DEFERRED HEDGE LOSS

Hedge gain (losses) deferred and included in other assets in the accompanying consolidated balance sheets as of March 31, 2005 consisted of the following:

	Millions of yen
	2005
Deferred hedge loss	¥(1,909)
Deferred hedge gain	242
Deferred hedge loss, net	¥(1,667)

11. 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, 2006 and 2005 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
	2006	2005	**2006**
Purchase price:			
Buildings	**¥ 67**	¥ 67	**$ 570**
Machinery	**8,915**	10,764	**75,886**
Equipment	**1,571**	1,429	**13,372**
	¥10,553	¥12,260	**$89,828**
Accumulated depreciation:			
Buildings	**¥ 43**	¥ 27	**$ 366**
Machinery	**7,153**	7,431	**60,887**
Equipment	**866**	779	**7,371**
	¥ 8,062	¥ 8,237	**$68,624**
Book value:			
Buildings	**¥ 24**	¥ 40	**$204**
Machinery	**1,762**	3,333	**14,999**
Equipment	**705**	650	**6,001**
	¥ 2,491	¥ 4,023	**$21,204**

(2) Lease commitments (including interest portion):

	Millions of yen		Thousands of U.S. dollars
	2006	2005	**2006**
Due within one year	**¥1,419**	¥2,054	**$12,079**
Due after one year	**1,072**	1,969	**9,125**
Total	**¥2,491**	¥4,023	**$21,204**

(3) Lease expenses and depreciation equivalents:

	Millions of yen			Thousands of U.S. dollars
	2006	2005	2004	**2006**
Lease expenses	**¥2,014**	¥2,340	¥2,845	**$17,143**
Depreciation equivalents	**2,014**	2,340	2,845	**17,143**

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

12. SECURITIES

The following tables summarize acquisition costs, book values and fair value of securities with available fair market values as of March 31, 2006:

(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	**¥61,346**	**¥182,201**	**¥120,855**	**$522,182**	**$1,550,911**	**$1,028,729**
Debt securities	**—**	**—**	**—**	**—**	**—**	**—**
Other securities	**—**	**—**	**—**	**—**	**—**	**—**
Total	**¥61,346**	**¥182,201**	**¥120,855**	**$522,182**	**$1,550,911**	**$1,028,729**

(2) Other securities

Type	Millions of yen			Thousands of U.S. dollars		
	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Available-for-sale securities with available fair market values:						
Equity securities	**¥6,797**	**¥6,755**	**¥(42)**	**$57,857**	**$57,499**	**$(358)**
Debt securities	**—**	**—**	**—**	**—**	**—**	**—**
Other securities	**495**	**458**	**(37)**	**4,213**	**3,898**	**(315)**
Total	**¥7,292**	**¥7,213**	**¥(79)**	**$62,070**	**$61,397**	**$(673)**

Total sales of available-for-sale securities during the year ended March 31, 2006 amounted to ¥17,019 million ($144,867 thousand) and the related gains and losses amounted to ¥16,946 million ($144,246 thousand) and ¥3 million ($26 thousand), respectively.

The following table summarizes book values of securities with no available fair market values as of March 31, 2006:

	Millions of yen	Thousands of U.S. dollars
Non-listed equity securities	**¥ 7,039**	**$ 59,917**
Available-for-sale securities	**17,171**	**146,161**
Total	**¥24,210**	**$206,078**

The following tables summarize acquisition costs, book values and fair value of securities with available fair market values as of March 31, 2005:

(1) Securities with book values exceeding acquisition costs

Type	Millions of yen		
	Acquisition cost	Book value	Difference
Available-for-sale securities with available fair market values:			
Equity securities	¥23,340	¥117,986	¥94,646
Debt securities	5,000	5,000	—
Other securities	—	—	—
Total	¥28,340	¥122,986	¥94,646

(2) Other securities

Type	Millions of yen		
	Acquisition cost	Book value	Difference
Available-for-sale securities with available fair market values:			
Equity securities	¥ 41	¥ 33	¥ (8)
Debt securities	6,000	6,000	—
Other securities	316	268	(48)
Total	¥6,357	¥6,301	¥(56)

The above figures include marketable securities temporarily lent based on a securities lending agreement in an amount of ¥18,330 million as of March 31, 2005.

Total sales of available-for-sale securities during the year ended March 31, 2005 amounted to ¥704 million and the related gains and losses amounted to ¥371 million and ¥6 million, respectively.

The following table summarizes book values of securities with no available fair market values as of March 31, 2005:

	Millions of yen
Non-listed equity securities	¥ 8,759
Available-for-sale securities	4,599
Commercial paper	8,999
Total	¥22,357

Maturities of debt securities classified as available-for-sale at March 31, 2005 are as follows:

Type	Millions of yen			
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years
Government bonds	¥11,000	¥—	¥—	¥—
Others	8,999	—	—	—
Total	¥19,999	¥—	¥—	¥—

13. 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, 2006, 2005 and 2004 were ¥376million ($3,201 thousand), ¥322 million and ¥429 million, respectively.

14. RELATED PARTY TRANSACTIONS

Some of the Company's directors and statutory auditors (collectively, "the said directors") served as a representative director 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 entered into 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, 2006 was as follows:

	Millions of yen			Thousands of U.S. dollars
Description of transactions (Nature of related parties)	**2006**	2005	2004	**2006**
Revenues:				
a) Directors				
Sales of advertising time (from certain broadcasting stations, an advertising agency and a newspaper publishing company)	**¥85,966**	¥32,264	¥111,668	**$731,750**
Room rent (from some associations)	**3**	3	4	**26**
Advertisement fee (from some associations)	**2**	—	—	**17**
b) Affiliated company				
Production fee	**1,742**	2,568	3,575	**14,828**
Expenses:				
a) Directors				
Dealing commission (to an advertising agency)	**17,734**	6,219	21,561	**150,953**
Network compensation (to certain broadcasting stations)	**2,893**	2,539	2,924	**24,625**
Advertisement in the paper (to a certain newspaper publishing company)	**10**	39	85	**85**
Donation (to a certain entity)	**30**	30	30	**255**
Interest expense (to a certain financial institute)	**—**	52	—	**—**
Commission expense (to a certain financial institute)	**12**	212	—	**102**
b) Affiliated company				
Program purchase expense	**628**	520	457	**5,346**
Interest expense	**6**	10	14	**51**
Others:				
a) Affiliated company				
Repayment of short-term borrowings, net	**2,296**	3,505	4,677	**19,544**

	Millions of yen		Thousands of U.S. dollars
Description of receivables and payables (Nature of related parties)	**2006**	2005	**2006**
Receivable pertaining to:			
a) Directors			
Sales of advertising time (from certain broadcasting stations, an advertising agency and a newspaper publishing company)	**¥24,618**	¥25,903	**$209,551**
Room rent (from some associations)	**0**	0	**0**
b) Affiliates			
Production fee (from a broadcasting station)	**197**	189	**1,677**
Payable pertaining to:			
a) Directors			
Dealing commission (to an advertising agency)	**1,874**	208	**15,952**
Network compensation (to certain broadcasting stations)	**667**	442	**5,678**
Advertisement in the paper (to a certain newspaper publishing company)	**1**	2	**9**
Commission expense (to a certain financial institute)	**4**	—	**34**
b) Affiliates			
Short-term borrowings	**3,290**	5,586	**28,005**
Program purchase expense (to a broadcasting station)	**95**	69	**809**

15. SEGMENT INFORMATION

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

Financial information by industry segment for the years ended March 31, 2006, 2005 and 2004 were summarized as follows:

						Millions of yen
Year ended March 31, 2006	Broadcasting	Real estate	Others	Total	Elimination/ Headquarters	Consolidated
1. Operating revenues and operating income						
Operating revenues						
(1) Outside customers	**¥259,418**	**¥ 2,545**	**¥44,078**	**¥306,041**	**¥ —**	**¥306,041**
(2) Inter-segment	**4,474**	**4,972**	**5,476**	**14,922**	**(14,922)**	**—**
Total	**263,892**	**7,517**	**49,554**	**320,963**	**(14,922)**	**306,041**
Operating expenses	**253,738**	**6,894**	**43,914**	**304,546**	**(14,910)**	**289,636**
Operating income	**¥ 10,154**	**¥ 623**	**¥ 5,640**	**¥ 16,417**	**¥ (12)**	**¥ 16,405**
2. Assets, depreciation and capital expenditures						
Assets	**¥212,240**	**¥109,582**	**¥47,546**	**¥369,368**	**¥185,904**	**¥555,272**
Depreciation	**¥ 11,205**	**¥ 1,606**	**¥ 1,271**	**¥ 14,082**	**¥ —**	**¥ 14,082**
Capital expenditures	**¥ 9,245**	**¥ 12,807**	**¥ 4,710**	**¥ 26,762**	**¥ —**	**¥ 26,762**

						Thousands of U.S. dollars
Year ended March 31, 2006	Broadcasting	Real estate	Others	Total	Elimination/ Headquarters	Consolidated
1. Operating revenues and operating income						
Operating revenues						
(1) Outside customers	**$2,208,189**	**$ 21,663**	**$375,196**	**$2,605,048**	**$ —**	**$2,605,048**
(2) Inter-segment	**38,083**	**42,322**	**46,612**	**127,017**	**(127,017)**	**—**
Total	**2,246,272**	**63,985**	**421,808**	**2,732,065**	**(127,017)**	**2,605,048**
Operating expenses	**2,159,840**	**58,682**	**373,800**	**2,592,322**	**(126,915)**	**2,465,407**
Operating income	**$ 86,432**	**$ 5,303**	**$ 48,008**	**$ 139,743**	**$ (102)**	**$ 139,641**
2. Assets, depreciation and capital expenditures						
Assets	**$1,806,605**	**$932,772**	**$404,716**	**$3,144,093**	**$1,582,431**	**$4,726,524**
Depreciation	**$ 95,378**	**$ 13,670**	**$ 10,819**	**$ 119,867**	**$ —**	**$ 119,867**
Capital expenditures	**$ 78,694**	**$109,014**	**$ 40,092**	**$ 227,800**	**$ —**	**$ 227,800**

						Millions of yen
Year ended March 31, 2005	Broadcasting	Real estate	Others	Total	Elimination/ Headquarters	Consolidated
1. Operating revenues and operating income						
Operating revenues						
(1) Outside customers	¥258,374	¥ 2,512	¥40,845	¥301,731	¥ —	¥301,731
(2) Inter-segment	4,021	4,853	6,006	14,880	(14,880)	—
Total	262,395	7,365	46,851	316,611	(14,880)	301,731
Operating expenses	246,706	6,742	40,652	294,100	(14,879)	279,221
Operating income	¥ 15,689	¥ 623	¥ 6,199	¥ 22,511	¥ (1)	¥ 22,510
2. Assets, depreciation and capital expenditures						
Assets	¥214,857	¥94,811	¥29,553	¥339,221	¥166,905	¥506,126
Depreciation	¥ 10,320	¥ 1,591	¥ 1,168	¥ 13,079	¥ —	¥ 13,079
Capital expenditures	¥ 10,846	¥ 4,047	¥ 2,303	¥ 17,196	¥ —	¥ 17,196

Year ended March 31, 2004	Broadcasting	Real estate	Others	Total	Elimination/ Headquarters	Consolidated
						Millions of yen
1. Operating revenues and operating income						
Operating revenues						
(1) Outside customers	¥257,387	¥ 2,865	¥34,764	¥295,016	¥ —	¥295,016
(2) Inter-segment	3,339	4,705	6,123	14,167	(14,167)	—
Total	260,726	7,570	40,887	309,183	(14,167)	295,016
Operating expenses	242,397	7,134	34,481	284,012	(14,267)	269,745
Operating income	¥ 18,329	¥ 436	¥ 6,406	¥ 25,171	¥ 100	¥ 25,271
2. Assets, depreciation and capital expenditures						
Assets	¥203,347	¥94,840	¥29,330	¥327,517	¥157,089	¥484,606
Depreciation	¥ 7,892	¥ 1,692	¥ 1,227	¥ 10,811	¥ —	¥ 10,811
Capital expenditures	¥ 13,542	¥ 5,136	¥ 1,340	¥ 20,018	¥ —	¥ 20,018

Headquarters assets, consisting primarily of the Company's cash, marketable securities and investments in securities, were included in elimination/headquarters and were ¥186,705 million ($1,589,249 thousand), ¥167,440 million and ¥164,937 million for the years ended March 31, 2006, 2005 and 2004, 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 of the years ended March 31, 2006, 2005 and 2004, 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, 2006, 2005 and 2004 were omitted as such sales were less than 10% of the consolidated net sales.

16. CONTINGENT LIABILITIES

Contingent liabilities at March 31, 2006 were as follows:

	Millions of yen	Thousands of U.S. dollars
	2006	**2006**
Guarantee of bank loans for employees	**¥ 7,011**	**$59,678**
Guarantee of bank loans for other parties	**1,616**	**13,756**
Guarantee of leases obligations for other parties	**2,503**	**21,306**
Total	**¥11,130**	**$94,740**

The Company has a commitment line provided by co-financing consisted of several correspondent financial institutions for the purpose of securing operating capital. The commitment line amount was ¥170,000 million ($1,447,055 thousand), however, there is no amount of loans as of March 31, 2006.

17. SUBSEQUENT EVENT

Based on a resolution approved at the Board of Directors meeting held on April 26, 2006, the Company launched unsecured bonds (14th series and 15th) on June 7, 2006:

(1) 14th series of unsecured bonds

Issue amount: ¥20,000 million ($170,242 thousand)
Interest rate: 1.67% per year
Issued price: ¥100 ($0.85) par value
Maturity date: June 7, 2011 (5 years)
Purpose of issuance: Appropriation for redemption of bonds and payment of borrowings

(2) 15th series of unsecured bonds

Issue amount: ¥10,000 million ($85,121 thousand)
Interest rate: 2.26% per year
Issued price: ¥100 ($0.85) par value
Maturity date: June 7, 2016 (10 years)
Purpose of issuance: Appropriation for redemption of bonds and payment of borrowings

Independent Auditors' Report

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. and consolidated subsidiaries as of March 31, 2006 and 2005, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended March 31, 2006, expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently 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, 2006 and 2005, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2006, in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2006 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA & Co.

Tokyo, Japan
June 29, 2006

Corporate Data

As of March 31, 2006

Date of Establishment

May 10, 1951 (Registered on May 17)

Head Office

5-3-6 Akasaka, Minato-ku, Tokyo 107-8006, Japan

Business Activities

General broadcasting (television broadcasting) in accordance with the Broadcast Law and other broadcasting regulations; production and distribution of television programs and DVDs, videos, etc.; telecommunication services; TV broadcasting: JORX-TV

Number of Employees

1,193

Stock Exchange Listing

Tokyo Stock Exchange

Common Shares Issued

190,138,968

Paid-in Capital

¥54,685 million

Number of Shareholders

16,766

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

Further Information:

For further information about TBS's operations, current programs, and more, please see our website at:

http://www.tbs.co.jp/

An interactive version of our *Annual Report 2006* and back numbers from 2000 to 2005 can be found at:

http://www.tbs.co.jp/ir/index.html

If you would like complimentary copies of our latest annual report, please write to our Investor Relations Department at the following address:

Department of Investor Relations
Tokyo Broadcasting System, Inc.
5-3-6 Akasaka, Minato-ku, Tokyo 107-8006, Japan

Editorial Supervision:
Eiichiro Inai
Department of Investor Relations

Major Shareholders

Shareholders	Number of shares held	Ratio to total shares issued (% ownership)
Mizuho Trust & Banking Co., Ltd. (Trust Rakuten)	17,258,804	9.07
Rakuten Media Investment, Inc.	16,715,700	8.79
The Master Trust Bank of Japan, Ltd. (Trust Account)	10,170,700	5.34
The Master Trust Bank of Japan, Ltd. (Pension Account—Pension Trust Account held for Dentsu Inc.)	9,310,500	4.89
Nippon Life Insurance Company	7,821,735	4.11
Sumitomo Mitsui Banking Corporation	5,745,267	3.02
Mainichi Broadcasting System, Inc.	5,362,000	2.82
Japan Trustee Service Bank, Ltd. (Trust Account)	5,288,800	2.78
M&A Consulting, Inc.	5,220,600	2.74
Mitsui & Co., Ltd.	4,288,000	2.25

Notes: 1. As defined by the Radio Law, ownership of voting rights by overseas shareholders was 6.08% at the end of the fiscal year under review.
2. The ratio to total shares issued is rounded down to the nearest hundredth.
3. The Master Trust Bank of Japan, Ltd. holds 9,310,500 shares in its pension trust account for Dentsu Inc. This represents TBS shares held by Dentsu that this company has deposited in its pension trust. TBS owns 40,000 shares of Dentsu stock (1.43% of all shares issued).
4. TBS owns 2,247.81 shares (0.03% of all shares issued) of Sumitomo Mitsui Financial Group, Inc., the holding company of Sumitomo Mitsui Banking Corporation. The ownership percentage for Sumitomo Mitsui Financial Group does not include preferred stock that has no voting rights.

TOKYO BROADCASTING SYSTEM, INC. Annual Report 2006

TBS

TOKYO BROADCASTING SYSTEM, INC.

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

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