V!-Up

—A Strong Start Toward Achieving Final 2010 Goals

TBS

Annual Report 2007

For the year ended March 31, 2007

Delivering Lasting Impressions
and Reliable Information while
Transcending Generations

TBS

Tokyo Broadcasting System, Inc.

Annual Report 2007

Contents

Forward-looking statements

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

To Our Shareholders and Investors

Fiscal 2006 Highlights

Consolidated operating income rose

54.4%.

Both consolidated and non-consolidated net sales reached historical highs and operating income grew substantially. Consolidated operating income totaled ¥25.3 billion, increasing for the first time in three years.

TBS ranked

Second

in average viewer ratings.

TBS stood alone in second place in the golden time and prime-time slots for the first time in 18 years, which was an impressive achievement. We acquired high viewer ratings from our serial dramas.

Net sales in the Head Office of Project Development reached

¥27.8 billion.

Net sales in the Head Office of Project Development in the parent company totaled ¥27.8 billion, reaching a new historical record, backed by increasing revenues in the Video business, content business and the communication satellite business.

> *Please see pages 8-9 for further details on the Akasaka Redevelopment Project.*

Hiroshi Inoue,
President

Fiscal 2006 represented a critical turning point for TBS and the TBS Group. In the first year of V!-up 2010, the new medium-term management objectives, the Company almost achieved its medium-term management objectives. **We are pleased with the strong initial showing toward achieving our targets for fiscal 2010**, the final year of the plan.

Evening Five

News23

Papa to Musume No Nanokakan

Mino Monta No Asa Zuba!

TBS Broadcasting Center

Kinuta Studio

Katagoshi No Koibito

SINKING OF JAPAN

As widely recognized, operating conditions have been changing radically in the media industry worldwide. Japan is no exception. Video and audio signals can be compressed and transmitted through fiber-optic and other transmission channels for displaying not only on PCs but for a string of other media outlets being developed one after another.

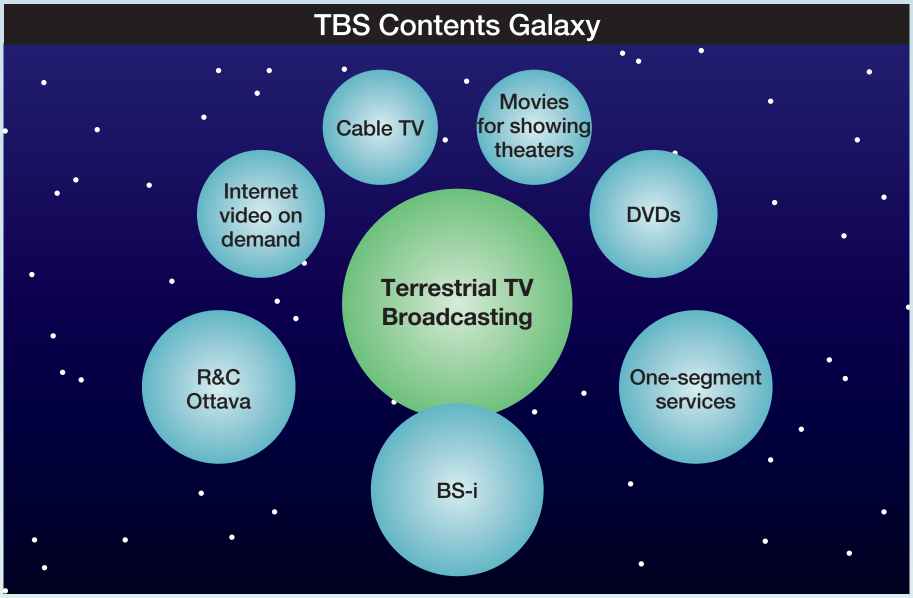
Consequently, one key question in Japan is which of these video and audio media windows will have the strongest reach and influence in the future. This is not an easy question to answer, but we can make some fairly reliable estimates.

First, we believe that **terrestrial television broadcasting will retain its leading reach and influence in the future no matter what sort of new media windows appear**. The reason is simple. For consumers, electricity bills are the only running costs for receiving terrestrial broadcasts. In contrast, users have to pay ongoing monthly fees of at least several thousand yen for media services over PCs and for cable television. High-definition programs broadcast over terrestrial digital TV afford interesting content, high-quality video and sound that is far superior to PC images for users. It is obvious for the great majority of users to prefer terrestrial digital television.

In addition, we can reliably forecast that cellular phone media has tremendous growth potential. In Japan, one-segment services, which enable the same TV programs broadcast over terrestrial channels to broadcast simultaneously over cellular phones, started in April 2006. The number of cellular phones with one-segment television receivers in use is expected to increase from 18 million or 20 million in the fiscal year ending March 31, 2008 to around 50 million in the fiscal year ending March 31, 2011.

> *Please see page 14 for further details on one-segment services.*

Moreover, assuming that laws are amended, independent one-segment programs and advertising could begin as early as the fiscal year ending March 31, 2009. In future,



almost all cellular phones in Japan may be able to offer one-segment television viewing. Advertising business models for terrestrial TV broadcasts, which have been based on assumptions that consumers watch stationary receivers indoors, **could take on radically new significance from the diffusion of one-segment services and broaden the reach of media to include viewing outdoors and over mobile devices**.

TBS and the TBS Group have been working diligently to provide even better program software and video content based on their superior terrestrial digital TV broadcasting capabilities and the potential for one-segment services. We are increasingly producing copyrighted programs for terrestrial broadcasting with its sights set on sales in global markets. In addition, we intend to step up the production of movies for theater showing in earnest.

> *Please see page 13 for further details on the program format sales in the global markets.*

> *Please see pages 10-12 for further details on the motion picture business.*

Our attractive video content meets needs not only for terrestrial TV broadcasting but for one-segment, movies, DVDs, cable TV, Internet video on demand (VOD), and multiple uses in the array of new media windows that will appear in the future. We are convinced that this content provides rich opportunities for earnings for TBS and the TBS Group.

> *Please see pages 4-7 for further details on the V!-up 2010 medium-term management objectives.*

September 2007

Hiroshi Inoue

Hiroshi Inoue
President

Initiatives for Increasing Enterprise Value and Shareholder Value

Q1

TBS has been working to achieve the goals of V!-up 2010, its medium-term management objectives running from the fiscal year ended March 31, 2007 to the fiscal year ending March 31, 2011. What did you accomplish in the first year?

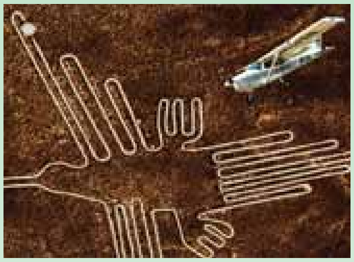
Results were on track to achieve our goals, as shown below. Only net sales in the Broadcasting Business fell short of the target, albeit modestly. Operating cash flow increased sharply from the liquidation of trade receivables, but we attained our goals in real terms after stripping out this factor.

	Millions of yen		
	FY2006 Actual	Difference from plan at beginning of year	Difference from forecast at interim period
Consolidated net sales	**¥318,700**	**¥–1,000**	**¥–100**
Broadcasting	262,762	–1,138	–438
Multi Visual Ventures & Cultural Events	53,463	163	363
Real Estate	2,475	–25	–25
Consolidated operating income	**¥25,328**	**¥1,527**	**¥1,527**
Broadcasting	15,906	605	605
Multi Visual Ventures & Cultural Events	8,721	721	721
Real Estate	696	196	196
Elimination / Headquarters	5	5	5
Consolidated operating cash flow	**¥50,886**	**¥25,886**	**¥2,886**
All-day viewer rating	**7.8%**	**–0.3%**	
TBS's share of spot sales among 5 key broadcasters in Tokyo	**21.7%**	**0.2%**	

(Segment sales figures represent sales from outside customers.)

REVIEW
- Almost all P/L goals attained
- Operating cash flow target attained (excluding liquidity effects)
- Viewer rating goals nearly reached
- Share of spot sales among 5 key broadcasters in Tokyo attained

POLICY INITIATIVES
- Integrated controls over programming and production costs and technological and studio sets expenditures
- Declared policies for promoting professionalism in all station operations
- Established new departments for Licensing and for Cross-Media
- Enhanced education and training systems
- Expanded IR, PR and Publicity departments
- Established and increased head count in Movie Production Department



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

Tetsuya Kumakawa
K-BALLET COMPANY
The Nutcracker
© Hidemi Seto

The Museum of Saint-Exupery and Little Prince in Hakone

Q2

What are your accomplishments so far and your reformed measures and other initiatives through V!-up?

Evident are shown below. We strengthened its oversight of technical and studio sets expenditures for program production to more effectively control expenditures in the Broadcasting Business. These efforts helped **reduce programming and production costs in the fiscal year ended March 31, 2007 compared with those in the previous year**.

Furthermore, to enhance the quality and the efficiency of work among personnel in their working environments, we took steps to change awareness and promote special skills among employees. For example, we enacted measures to declare policies for promoting professionalism in all station operations. We provided enhanced education and training systems for this purpose as well.

To increase profits in non-broadcasting businesses, we established the **Licensing Department** to promote multiple uses for program software and content and the **Cross-Media Department** to draft exposure strategies for the use of content across media lines.

Finally, we established the **Movie Production Department** as an independent department and took steps to enlarge its staff. The aim was to make greater headway in developing and producing movies for showing in theaters.

Q3

You appear to have made some changes to the goals of V!-up.

We have established more realistic goals for sales and earnings after carefully scrutinizing our targets for each of the business in the fiscal year ending March 31, 2009. As shown in the following table, our revisions are mainly for the Multi Visual Ventures & Cultural Events Business and the Real Estate Business. For Multi Visual Ventures & Cultural Events, we have revised down our forecasts for net sales and operating income by ¥6 billion and ¥3 billion, respectively. However, for the Real Estate Business, we have raised these forecasts by ¥3.5 billion and ¥3 billion, respectively, to account for the opening of facilities following completion of the Akasaka Redevelopment Project in February 2008. Consequently, we stand by our earlier forecast for consolidated operating income in the fiscal year ending March 31, 2009.

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

Relentlessness is Found Everywhere

Akasaka Redevelopment Project

D Studio

We have not changed its targets for fiscal year ending March 31, 2011 at this stage.

Billions of yen

	FY2007 Plan	FY2008 Plan	Change from the previous plan	FY2010 Plan
Consolidated net sales	**¥325.0**	**¥352.0**	**¥–3.0**	**¥435.0**
Broadcasting	269.0	270.5	–0.5	285.0
Multi Visual Ventures & Cultural Events	53.5	68.0	–6.0	135.0
Real Estate	2.5	13.5	3.5	15.0
Consolidated operating income	**¥27.0**	**¥39.0**	**¥ 0**	**¥59.0**
Broadcasting	20.4	23.5	0	32.0
Multi Visual Ventures & Cultural Events	8.3	9.5	–3.0	20.0
Real Estate	(1.6)	6.0	3.0	7.0
Consolidated operating cash flow	**¥28.5**	**¥40.0**	**¥5.0**	**¥50.0**
All-day viewer rating	**8.3%**	**8.6%**	**—**	**9.0%**
TBS's share of spot sales among 5 key broadcasters in Tokyo	**22.5%**	**23.0%**	**—**	**25.0%**

(Segment sales figures represent sales from outside customers.)
*Multi Visual Ventures & Cultural Events in V!-up includes "other business" in consolidated statements.

Q4

You have slightly revised your publicly disclosed targets for capital expenditures and for depreciation charges over the next four years.

Yes, as a result of accounting rules changes in Japan, many companies expect depreciation to increase. Until now, 5% of depreciable assets from capital expenditures have retained their value and could not be accounted for as expenditures. However, under the new rules, companies can write off all of their depreciable assets. Having adopted the new system, TBS has revised up its forecast for depreciation by around ¥1.0 billion for the fiscal year ending March 31, 2008 and around ¥2.0 billion annually from the fiscal year ending March 31, 2009 through the fiscal year ending March 31, 2011.

At this point, we have not changed our targets for capital expenditures.

Billions of yen

	FY2007		FY2008		FY2009		FY2010	
Consolidated	Plan	Change*	Plan	Change*	Plan	Change*	Plan	Change*
Capital expenditures	¥59.0	¥2.5	¥12.0	¥ —	¥14.0	¥ —	¥12.5	¥ —
Depreciation	13.0	1.0	15.5	2.0	15.5	2.0	15.5	2.0
Non-consolidated	Plan	Change*	Plan	Change*	Plan	Change*	Plan	Change*
Capital expenditures	¥56.0	¥2.5	¥11.0	¥ —	¥12.0	¥ —	¥12.0	¥ —
Depreciation	12.0	1.0	14.5	2.0	14.5	2.0	14.5	2.0

*Changes from the previous plan

Changes in depreciation accounting rules adding ¥1.0-2.0 billion to costs annually


Pittanko Kan Kan


Tokyo Friendly Park II


Jigoku No Sata Mo Yome Shidai


2006 FIVB Volleyball World Championships Japan

Q5

To increase enterprise value and shareholder value, TBS should not only promote the earnings goals of V!-up but also work to improve efficiency on the balance sheet.

TBS fully recognizes these needs. Therefore, **we systematically plan to sell non-core assets that cannot generate synergies with mainstay businesses at opportune times**. In the fiscal year ending March 31, 2008, we plan to record ¥14 billion in gain on sale of investment securities as part of these endeavors.

Similarly, **we are considering a corporate real estate strategy (CRE) for effectively utilizing the 33,000 square meters of unused land** for ourselves for rental space in real estate business, which is the Akasaka Redevelopment Project.

In addition, for the medium-to-long term, we will consider dividend policies that keep retained earnings at most appropriate levels and work to improve capital efficiency within boundaries that will not limit overseas shareholdings.

Q6

TBS has once received a proposal from Rakuten, Inc., seeking business integration between the two companies. Broadcasting companies should form alliances and cooperate with companies in the Internet field. What are your views?

Rakuten aside, TBS and the TBS Group have been promoting innovative business models for the Internet and actively pursuing them for around 10 years. Indeed, many market observers and participants, including media analysts, recognize that **TBS is at the forefront in Japan in promoting Internet distribution of broadcast programs** under the current copyright laws.

Internet-related businesses change rapidly, and it is uncertain whether business models developed five years ago can be adopted and wholly embraced today. The risks of stagnation are especially large in this field. TBS will work to increase earnings more highly and stably by taking full advantage of its strong engineering skills and competitiveness in a number of specialty fields and **forging alliances across a broad spectrum of sector lines**. **We firmly believe that forming monopolistic and exclusive agreements with specific Internet-related companies would only impede long-term profit growth in the TBS group**.

Feature 1

Akasaka TBS Project

—A New Beginning for Akasaka and Its Environs in Spring 2008

The second-phase construction of the Akasaka Redevelopment Project, started in 2005, is scheduled for completion in January 2008 following the redevelopment of approximately 33,000 square meters of land adjacent to the TBS Broadcasting Center.

We earmarked a total of ¥77 billion in capital expenditures for completing the main facilities shown on the next page.

The TBS Group's Real Estate Business has forecast the impact on profit and loss and of contributions to consolidated performance starting in the fiscal year ending March 31, 2009 as follows:

(As of May 2007)

Office and commercial tower and rental housing tower	Target* (Billions of yen)
Net sales	¥13.0
Depreciation	2.5
Operating income	7.0
Net income	3.5
Operating cash flow	6.5
IRR (before tax)	12%

*Forecasts for fiscal year ending March 31, 2011 onward; fiscal year ending March 31, 2009 and fiscal year ending March 31, 2010 projections are slightly below these estimates

In the fiscal year ending March 31, 2008, we expect the Real Estate Business to register operating losses of around ¥1.6 billion due to one-off expenditures, such as development preparation costs and building registration and occupational taxes, and to increases in operating expenditures that are recorded each year, including administrative expenses and depreciation expenses.

TBS plans to sign "masterlease agreements" with Mitsui Fudosan Co., Ltd., a company with considerable expertise and a distinguished track record in the real estate business, for overseeing key operations at the site. In this way, we can reduce risks that can accrue from market volatility in setting rents at minimal levels.

Fortunately, rental and leasing prices in Tokyo have turned markedly higher as demand for office space increases each year in urban areas. Moreover, the office and commercial tower is extremely competitive, based on its prime location, direct access to transportation, and comfortable office space with safety and security features. Consequently, even though we plan to sign masterlease agreements, **the business plan calls for the consolidated operating income margin in the TBS group to rise about 1.3 percentage points** starting in the fiscal year ending March 31, 2009 as the real estate project makes larger contributions.

Of total capital expenditures of ¥77 billion earmarked for the project, about ¥35 billion had already been spent through the fiscal year ended March 31, 2007. The remaining ¥42 billion is included in the ¥59 billion earmarked for capital expenditures in the fiscal year ending March 31, 2008. We expect about ¥26 billion of this amount to be spent in the fiscal year ending March 31, 2008 and about ¥16 billion to be spent in the fiscal year ending March 31, 2009.

Prime Location / Direct Access / Security & Safety / Rich Facilities / Workers First

Office and commercial tower

39 floors, total rental space of 99,307 square meters for offices and 6,483 square meters for commercial facilities

TBS Broadcasting Center

Rental housing tower

21 floors, 133 rental housing units

Akasaka ACT Theater

A playhouse for musicals
(seating for 1,382)

Akasaka BLITZ

A music hall
(standing capacity for 1,418)

Multi-purpose square

Affording capacity for special events throughout the year
(1,800 square meters)

Feature 2

Cool TBS!

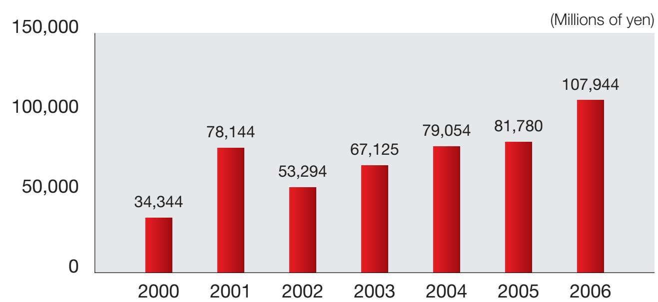
—Strategies for the Global Market in Non-Broadcasting

TBS has long made concerted efforts to establish a business model for generating profits in non-broadcasting businesses both in Japan and overseas. Labeled as Cool Japan!, made-in-Japan contents are enjoying their strong popularity in Europe and North America. The TBS group is working to meet accurate audience needs in those overseas markets and to establish a firm Cool TBS! mindset among consumers.

Motion Picture Business

TBS established its Movie Production Department in April 2007. The aim is to develop theatrical movies more actively as a source of important income of non-broadcasting businesses.

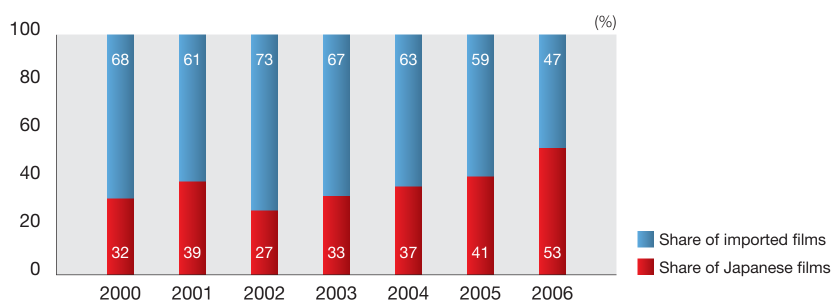
Box-Office Gross Receipts from Japanese Films



Source: Motion Picture Producers Association of Japan Inc., *Statistics of Film Industry in Japan*, other sources

As the chart above illustrates, Japanese films have enjoyed their populary and have been increasingly, steadily produced in Japan. Their box-office gross receipts exceeded ¥100 billion in 2006. As a result, the market share of the box-office accounted for by Japanese films came to 53% in 2006, beat over imported films.

Box-Office Shares of Japanese and Imported Films

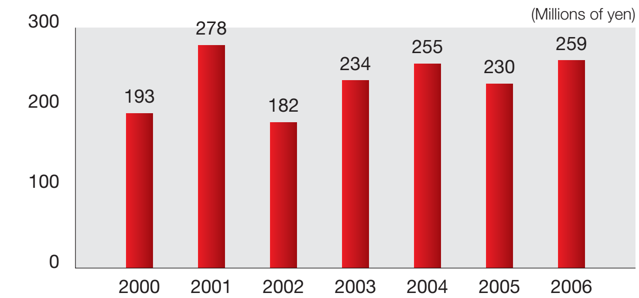


Source: Motion Picture Producers Association of Japan Inc., *Statistics of Film Industry in Japan*, other sources

In this trend, average box-office receipts per movie have been climbing steadily whether huge success movies are already out in the market or not. In particular, as the number of movie screens in theaters continues rising, growth in revenues per movie now tells us that the business model for generate profits from Japanese films has been firmly established.

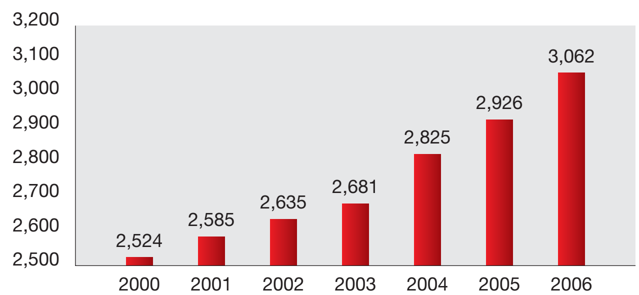
There are two main factors for this higher revenues. First, **key broadcasters that are especially skilled at producing popular TV dramas have been involved in producing theatrical movies**. Second, **more cinema complexes are being steadily constructed in Japan**, so theaters can screen movies more efficiently and intensely.

Average Receipts per Japanese Film



Source: Motion Picture Producers Association of Japan Inc., *Statistics of Film Industry in Japan*, other sources

Number of Movie Screens



Source: Motion Picture Producers Association of Japan Inc., *Statistics of Film Industry in Japan*, other sources

Taking advantage of the renewed popularity of Japanese films, the Movie Production Department enacted a series of policies to increase non-broadcasting income under the V!-up plan. It has been:

- *Producing new and enhanced versions of popular TV dramas for theatrical movies;*
- *Generating higher profit by raising the Company's stake in investment in the above cases to increase profits from both box-office and DVD sales;*
- *Increasing exposure of the* ***TBS Picture*** *logo as part of its brand strategy;*
- *Promoting cross-media publicity and advertising strategies for movies in conjunction with the company's own TV programs and drawing the attention of viewers to its titles in order to increase income return per product; and*
- *Establishing global sales channels, most notably in Asian markets, and further increasing return to production cost ratios.*

As a result, five movies in which the company was a principal investor and producer generated box-office gross receipts surpassing ¥1.0 billion, and four of its titles ranked among the top 20 box-office leaders in Japan.

Title	Box-office gross receipts (Billions of yen)	Ranking among Japanese films
Sinking of Japan	¥5.34	4
Nada Sou Sou—Tears for You	3.10	9
Stormy Night	1.88	16
Kisarazu Cat's Eye Sayonara Game	1.80	17
Memories of MATSUKO	1.31	22

Source: Motion Picture Producers Association of Japan Inc., *Statistics of Film Industry in Japan*, other sources

For global marketing of these hit titles, TBS called on the total support of its overseas program sales teams, and this has helped achieve favorable results.

For example, when ***Sinking of Japan***, released in July 2006 in Japan and made its opening in the following in South Korea, it became exceptionally popular as a Japanese movie and attracted one million viewers in theaters. ***Dororo***, of which the original author was Mr. Osamu Tezuka, a Japanese cartoonist master who Japan is proud of, became a huge success following its release in Japan in January 2007. Then it was marketed to at least 23 countries mainly in South Korea, Hong Kong, Taiwan and other Asian nations.

SINKING OF JAPAN
©2006 "SINKING OF JAPAN"
Production Committee
DVD cover (South Korean Version)

Nada Sou Sou — Tears for You
©2006 "Nada Sou Sou — Tears for You"
Production Committee
DVD cover

DORORO
© 2007 "DORORO" Production Committee

VEXILLE
© VEXILLE Film Partners

Plans call for global marketing and sales of ***Vexille***, a computer graphic animation work (slated for release in August 2007) that was produced by CG Production, Oxybot, Inc., a consolidated subsidiary of TBS.

Program Format Sales

TBS has been selling program softwares in the global markets for more than 40 years and built a solid track record. Since 1980, we have sold program format rights in the overseas markets and recorded great sales in more than 100 countries. We, Japanese contents provider, consider ourselves as a pioneer and a leader in this field all over the world.

One example of our success is ***America's Funniest Home Videos***, which has been broadcast for more than 18 years and is the longest-running variety program on the ABC network in the United States. This program is based on ***Fun TV with Kato-chan and Ken-chan***, a show in which viewers contribute their own antic video on television. This format has been sold in more than 80 countries, and it fueled the popularity of viewer-contributed programs worldwide.

Waku Waku Animal Land is still broadcast in Japan on Sunday night at 8:00PM. Local versions of it have been produced in 20 countries, and it has been continuously broadcast for more than five years in seven countries.

The selling point of format sales is that products can be localized and customized to appeal to national and regional preferences and can provide true enjoyment to viewers no matter what language and race they have. Therefore they seem to be one of the most suitable business model for global sales.

Of course, and as in often times, the programs themselves are the real appeal to overseas viewers.

The reality show ***Takeshi's Castle*** received a rush of orders from Europe and the United States after gaining widespread popularity in Germany in 1999. It is currently broadcast under the titles ***Most Extreme Elimination Challenge*** in the United States and ***Takeshi's Castle*** in the United Kingdom. In the program, ***Sasuke***, an ancient ninja renowned for his skills and craftiness, challenges super athletes to perform difficult feats. It has been broadcast on the G4 cable network nationwide in the United States since 2006. Revenues from these program sales have been steadily rising in the global market.

America's Funniest Home Videos

U.S. Version of "*SASUKE*": *Ninja Warrior*

Feature 3

One-Segment Services Getting Under Way

The proliferation of cellular phones capable of receiving one-segment services has been greater than initially anticipated. Shipments breached 7.0 million in the first year following the inception of services. Looking ahead, cellular phone carriers have indicated that they will offer high-end models with one-segment capabilities as standard equipment, and cellular phones equipped for services are expected to reach 18 million to 20 million by the end of the fiscal year ending March 31, 2008.

For TBS, one-segment services are positioned as a promising new business in the e-commerce field for the near future. In spring 2007, we began operating a system*[1] in earnest that enables users to watch one-segment programs while also shopping via data broadcasting. In June 2007, we tested a service that uses one-segment data broadcasting for electronic distribution of coupons*[2] during live broadcasts of professional baseball games. Client companies who use printed coupons and points are keenly interested in developing businesses using electronic coupons and points.

Now that one-segment services are proliferating rapidly, TBS is conducting research on distributing high value-added banner advertising that is connected with television commercials.

(1) Segmentation banners: Information on viewers is recorded (sex, age, hobbies, etc.) and banners matching viewer tastes and characteristics are displayed.
(2) CRM*[3] targeting banners: Viewer preferences are analyzed using statistical algorithms*[4] collected from program viewing and histories and other data, and accurate content requested from users is transmitted.
(3) Located banners: Stores and merchandise are tailored and replaced in geographical regions.
(4) CGM*[5] banners: Viewer opinions are analyzed from bulletin board systems, blogs, and other sources for estimating the best possible banners for distribution.

The ability to provide content tailored to the attributes and tastes of users will be an attractive selling point for raising unit advertising rates as advertising efficiency increases. Another advantage is that data attuned to user interests can be automatically transmitted using stored algorithms by linking broadcasts and communications. This, in turn, will reduce advertising production costs. TBS is researching businesses that use banners and coupons, and we aim to build a track record in the commerce field as a first step.

*1. BML HTML automatic conversion systems
Broadcast Markup Language (BML) is page description languages for data broadcasts based on Extensible Markup Language (XML) devised by the Association of Radio Industries and Businesses (ARIB). They are technologies for furnishing two-way links with the Internet from conventional video and audio broadcasts.
*2. Similar testing as for terrestrial digital television
*3. Customer Relationship Management
*4. Processing sequence for reaching specified goals using computers
*5. Consumer Generated Media

Corporate Governance

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:	15
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.

An internal inspection division, **the Office of Internal Inspection of Business**, meets 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, 2007, as stipulated in the articles of incorporation and resolutions passed at **the Shareholders' Meeting**, board directors (13 standing and 4 external directors) and auditors (two standing and three external auditors) received total remuneration of ¥625 million (comprising ¥588 million for standing and ¥37 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 15 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 12 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 9 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 supported by committee members who are at least division presidents, executive secretaries, and 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 Corporate Law 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.

In addition, the Company established the **TBS Group Risk Management Committee** in order to consistently control risks that may result from business activities or in business processes as an additional means to regulate and control risks of losses. **TBS Group Risk Management Administrator** has been appointed in each division (including divisions at Group companies), and other necessary provisions have been enacted for adequately overseeing risk.

The Company has formulated the **Crisis Response Regulations** stipulating building of an organizational structure separate from its normal structure, devised operating procedures, and information control mechanisms in order to prepare for any major risks that may occur and destroy its brand value. In this way, the Company is enacting relevant measures for containing risks as they emerge.

Moreover, the Group formulated the **TBS Group Corporate Governance Outline** to build internal control structure and thoroughly instill good governance practices in all aspects of its operations and to ensure healthy and sound business practices between the parent company and subsidiaries within the Group.

5. Revision to the "Response policy for a take-over proposal regarding the Company's shares"

(This is an abridged translation. Please refer to the URL below for a full rendition. http://www.tbs.co.jp/company/img4/shareholder0705.pdf)

As a result of the resolution at the Company's board of director meeting held on February 28, 2007, the Company has made revisions (the "Revisions") to the "Response policy for a takeover proposal regarding the Company's shares" announced on May 18, 2005 (the "year 2005 plan" and the response policy after the Revisions shall be referred to as the "Plan"), aimed at ensuring and improving both the Company's corporate value and the shareholders' common interests, in a way that the shareholders' intent is emphasized even more and the substance of the original policy is maintained.

This Plan's details are as set out below and it adheres to (i) the corporate legal systems such as the Corporate Law, (ii) the "Guidelines regarding Takeover Defense for the Purposes of Protection and Enhancement of Corporate Value and Shareholders' Common Interests" released by the Ministry of Economy, Trade and Industry and the Ministry of Justice on May 27, 2005 (the "Government Guidelines"), (iii) the "Partially Revised Listing Examination Criteria for Share Certificates following an Overhaul of the Listing System Pertaining to the

Introduction of Takeover Defense Policies" released by Tokyo Stock Exchange Inc. on March 7, 2006, and (iv) various Tokyo Stock Exchange Inc. rules, with sufficient regard to the shareholders' rights, the exercise thereof, and the Company shares' impact on the stock market.

(1) Plan Summary

(a) Confirmation of the Shareholders' Intent Regarding the Revision

The Revision was unanimously approved at the Company's board of directors' meeting held this day, February 28, 2007, and has also been unanimously approved by the incumbent members of the special committee established for the year 2005 plan. All corporate auditors of the Company (including outside corporate auditors) have approved the Revision on the condition that the actual Plan is duly executed. This Revision was approved by a vote of a majority of shareholders with voting rights as exercised under privileges of those in attendance at the regularly scheduled general shareholders' meeting held on June 28, 2007.

(b) Establishment of Procedures Regarding the Triggering of the Plan

The Plan sets out the procedures to obtain the shareholders' intention (please refer to "(2) Procedures for Triggering the Plan" below) when it is necessary to do so upon the emergence of an acquirer group (as set out in (2)(a) below) to whom the Company's management has submitted alternative proposals and negotiated with after requesting information from the acquirer group to be given in advance, and securing sufficient information and time for the shareholders to make an appropriate decision, and explores the acquisition group's acquisition proposal in view of maximizing the Company's corporate value and the shareholders' common interests.

(c) Gratis Allotment of Stock Acquisition Rights with an Acquisition Provision

(i) If a large-scale acquisition of Company shares (as defined in (2)(a) below) is conducted without following the predetermined Plan procedures, the Company shall, as a general rule, and in accordance with the recommendations of the special committee, make a gratis allotment of stock acquisition rights including an acquisition provision with a condition of exercise (hereinafter referred to as the "Stock Acquisition Rights") that prohibits the acquisition group from exercising its stock acquisition rights to all Company shareholders (excluding the Company itself) on the allotment record date determined by the Company's board of directors; and

(ii) Also, even if a triggering of countermeasures is approved by the general shareholders' meeting, the Company shall allot Stock Acquisition Rights to the shareholders in the same manner.

The aforementioned gratis allotment of Stock Acquisition Rights conducted at the time of triggering the Plan shall follow the procedures set out in (2)(d) through (2)(f) below. If other countermeasures approved under laws, ordinances and the Company's articles of incorporation are deemed appropriate under certain circumstances, the Company may, based on the recommendations of the special committee (and with the approval obtained at a general shareholders' meeting, if necessary), take other countermeasures if and to the extent necessary.

In some cases, the Stock Acquisition Rights may include acquisition provisions that differ depending on the shareholder, with the acquisition group shareholders receiving stock acquisition rights that include certain conditions for exercising its rights (provided, however, that such stock acquisition rights may be realized in cash and the like under certain conditions), and the non-acquisition group shareholders receiving shares of common stock of the Company with attached voting rights as consideration for acquisition of such Stock Acquisition Rights. If it is deemed appropriate from the standpoint of suitability of the two countermeasures, the above measure will be prevented from damaging the economic interests of the acquisition group to the greatest possible extent, and also maximize the Company's corporate value and the shareholders' common interests.

(d) Special Committee

The special committee organized pursuant to the year 2005 plan that acts as a consultative body to the Company's board of directors shall be formed to (i) acknowledge the acquisition group, (ii) determine to trigger or non-trigger the countermeasures pursuant to the Plan, (iii) upon the invocation of the countermeasures, conduct an objective examination of any points of concern and the details, and give recommendations to the board of directors, and (iv) ensure transparency for shareholders by disclosing necessary information.

(e) Supervision by the Corporate Auditors over the Procedures

The Company has, since the introduction of the year 2005 plan, appointed the Company's corporate auditors to be in charge of supervising both the board of directors and the special committee in the process of operating the plan, and the same shall hold true for this Plan.

(2) Procedures for Triggering the Plan

The specific details of the Plan are as follows.

(a) Acts Subject to the Plan

The Plan is applied when an act that falls under any item from (2)(a)(I) through (2)(a)(III) below (hereinafter, "Large-Scale Acquisition") is implemented and the Plan procedures shall be initiated when a party emerges that maintains a policy of conducting such act.

I. A tender offer (koukaikaitsuke) intended to result in the holding ratio of share certificates, etc. (kabuken tou shoyuu wariai) of the tender offeror group (Note 1) amounting to a total of 20% or more of the share certificates, etc. (kabuken tou) issued by the Company after the acquisition;

II. An acquisition, etc. that would result in the owning ratio of share certificates, etc. (kabuken tou hoyuu wariai) of the large-scale acquisition group (Note 2) amounting to 20% or more of the share certificates, etc. (kabuken tou) issued by the Company after the acquisition;

III. Notwithstanding the implementation by the Company of a tender offer or other acquisition of share certificates, etc. issued by the Company, (i) an agreement or other act made or conducted between the large-scale acquisition group and another shareholder of the Company whose total owning ratio of share certificates, etc. together with the large-scale acquisition group is 20% or more of the total ownership in the Company's share certificates, and results in such other shareholder becoming a joint holder (kyoudou hoyuusha) of such large-scale acquisition group, or (ii) an act that establishes a relationship between the Company's core shareholders in the large-scale acquisition group and other shareholders where one party has substantial control over the other party, or that leads to the parties taking joint or collaborative action.

(Note 1)
The "tender offeror group" refers to the tender offeror itself, its special concerned parties (tokubetsu kankeisha); investment banks, securities companies, and other financial institutions that have signed a financial advisory agreement with these parties, and other parties holding a substantial common interest in the tender offeror or its special concerned parties; the tender offer agent, and other parties that the Company's board of directors has reasonably acknowledged based on the recommendations of the special committee as being substantially under the control of the foregoing parties or with whom such parties take joint or collaborative action.

(Note 2)
The "large-scale acquisition group" refers to the holders (hoyuusha) and joint holders (kyoudou hoyuusha) of share certificates, etc. issued by the Company; investment banks, securities companies, and other financial institutions that have signed a financial advisory agreement with these parties, and other parties holding a substantial common interest in the holders or joint holders; and other parties that the Company's board of directors has reasonably acknowledged based on the recommendations of the special committee as being substantially under the control of the foregoing parties or with whom such parties take joint or collaborative action.

The tender offeror group, the Large-Scale Acquisition group and the other shareholders in (2)(a)III above, shall be collectively referred to as the "Acquirer Group."

(b) Request, etc. of Information from the Acquirer Group

Unless the Company's board of directors determines otherwise, the Acquirer Group shall, before the commencement or implementation of the Large-Scale Acquisition, submit a written document with the information set out in the items below ("Necessary Information"), and if during the board of directors' evaluation period (as defined in (2)(c) below) or as a result of the evaluation period, the Company's board of directors resolves to convene a general meeting of shareholders pursuant to (2)(f) below, a written document stating that the Company's share certificates may not be purchased during the waiting period of 21 days following such point of time ("Waiting Period"), and a covenant pledging its compliance with the Plan procedures (together with the Necessary Information, collectively, the "Statement of Acquisition Intent").

If the special committee finds the submitted information insufficient as Necessary Information, it may request the Acquirer Group to provide additional information by a suitable reply deadline (as a general rule, 60 days).

If the Company's board of directors requests the Statement of Acquisition Intent, or if the Statement of Acquisition Intent is submitted, the Company shall, in a timely and appropriate manner, inform the shareholders to that effect and disclose matters which the Company's board of directors deems adequate according to the relevant laws and ordinances, and stock exchange rules, such as:

I. a summary of the Acquirer Group

II. the purpose, method and details of the Large-Scale Acquisition

III. whether or not there was communication of intent between a third party in regards to the Large-Scale Acquisition and if the communication of intent occurred, the name of the other party, a brief description of the party, the specific manner in which the intent was communicated and the details thereof

IV. the basis for the calculation of the consideration for the Large-Scale Acquisition and the process of calculation
V. the underlying funds for the Large-Scale Acquisition
VI. the Company and the Company group's management policy, business plan, financial plan, funding plan, investment plan, capital and dividend policies, and program scheduling policy planned for after the Large-Scale Acquisition is conducted, and other policies dealing with the treatment of the Company and Company group's officers, employees, clients, customers, business collaborators and other interested parties of the Company after the completion of the Large-Scale Acquisition
VII. existence of connections with antisocial powers or terrorist organizations and policies for dealing with such;
VIII. the Company's approach in fulfilling its public mission as a broadcasting station and
IX. other information that the Company's board of directors or the special committee reasonably deems necessary.

(c) Consideration by the Board of Directors and the Special Committee

The Company's board of directors and the special committee shall stipulate either period I. or period II. below that complies with the details of the Large-Scale Acquisition disclosed by the Acquirer Group as the period for the Company's board of directors to evaluate, consider, form an opinion, devise an alternative proposal and negotiate with the Acquirer Group (the "Board of Directors Evaluation Period").

I. If all the Company's shares etc. are acquired through a tender offer where the consideration is only in cash (yen): 60 days (excluding the initial date)
II. If a Large-Scale Acquisition other than item I. above is conducted: 90 days (excluding the initial date)

The Company's board of directors shall, within the Board of Directors Evaluation Period, evaluate, consider, form an opinion, devise an alternative proposal and negotiate with the Acquirer Group with respect to a Large-Scale Acquisition proposed by Acquirer Group with a view to maximizing the corporate value of the Company and the common interests of the shareholders.

At that time, the Company's board of directors shall, whenever necessary, obtain the advice of third-party professionals independent from the Company's board of directors (financial advisers, attorneys-at-law, certified public accountants and the like).

The special committee shall also evaluate and consider the Acquirer Group's proposal and may obtain advice from third-party professionals independent from the Company's board of directors during such evaluation and consideration as necessary.

If the Company's board of directors resolves to extend the Board of Directors' Evaluation Period, the specific period and the reasons necessary for the extension shall be disclosed in a timely and appropriate manner by following the relevant laws, ordinances and stock exchange rules.

The special committee may, when it acknowledges that the Acquirer Group has initiated the Large-Scale Acquisition without complying with the Plan procedures herein, recommend the Company's board of directors trigger the required countermeasures provided in (2)(d) below, such as the gratis allotment of the Stock Acquisition Rights. In such case, the Company's board of directors shall trigger the required countermeasures in (2)(d) below, such as the gratis allotment of the Stock Acquisition Rights, with the utmost respect to the special committee's aforementioned recommendation, except in unusual situations where the director has obviously breached the duty of care as a good manager.

*(d) Specific Details of the Countermeasure*s

The countermeasures against the Large-Scale Acquisition to be triggered by the Company in accordance with the Plan shall be, as a general rule, a gratis allotment of the Stock Acquisition Rights. Provided, however, that if it is determined that the triggering of other countermeasures granted under the Corporate Law, other laws or ordinances, or the Company's articles of incorporation are appropriate, such countermeasures shall be triggered instead.

The allocation record date for the gratis allotment of Stock Acquisition Rights shall be after the date the Large-Scale Acquisition is initiated for the reasons described in the provisions of (2)(a) above or against the Plan procedures. Thus, the gratis allotment of Stock Acquisition Rights shall not be conducted under usual conditions. Also, the Company's board of directors shall, as a general rule, stipulate the allotment record date so that it falls after the date of the general meeting of shareholders and shall conduct consultations with related organizations to make allowances so that accidental damages do not extend to the shareholders.

(e) Recommendation to Non-trigger the Countermeasures

Regardless of whether the Directors' Evaluation Period is complete, the special committee shall make a recommendation to the Company's board of directors that the countermeasure of a gratis allotment of the Stock Acquisition Rights should not be triggered if the special committee determines that the Acquirer Group is not, overall, an abusive acquirer in accordance with the Company's guidelines after considering the Acquirer Group's Large-Scale Acquisition and the acquisition proposal details, consulting or negotiating with such group, and the incumbent members of the special committee reaching a unanimous decision.

If the special committee recommends to non-trigger the gratis allotment of Stock Acquisition Rights and other countermeasures, the Company's board of directors shall follow such recommendation and resolve not to trigger the gratis allotment of Stock Acquisition Rights and other countermeasures in accordance with the recommendation except in an unusual situation where the director has obviously breached the duty of care as a good manager.

(f) Convocation of a General Shareholders' Meeting

If, after exploring the Acquirer Group's Large-Scale Acquisition and its proposal and as a result of consultations and negotiations with the Acquirer Group, the special committee cannot reach a unanimous decision of the incumbent special committee members to make the recommendation in (2)(e) above, the special committee shall recommend the Company's board of directors seek the judgment of a general shareholders' meeting in order to determine whether to make a gratis allotment of the Stock Acquisition Rights, trigger the acquisition provision and other countermeasures. In such case, the Company's board of directors shall promptly carry out convocation procedures for a general shareholders meeting at which the agenda items shall be to seek approval regarding the gratis allotment of Stock Acquisition Rights, and triggering of the acquisition provision and other countermeasures.

As a premise for holding the general shareholders' meeting, the Company's board of directors shall fix a record date to determine the shareholders who may exercise their voting rights at such general shareholders' meeting ("Voting Rights Approval Record Date") promptly after it has received sufficient information from the Acquirer Group and shall give notification thereof at least 2 weeks prior to such record date. The shareholders who may exercise their voting rights at such general shareholders' meeting shall be the shareholders entered or recorded in the final shareholders' register and beneficial shareholder register on the Voting Rights Approval Record Date.

The resolution of the general shareholders' meeting shall be adopted by a majority vote of the shareholders present who may exercise their right to vote. The result of the general shareholders' meeting shall be disclosed promptly after such resolution is made.

(g) Resolution of the Board of Directors

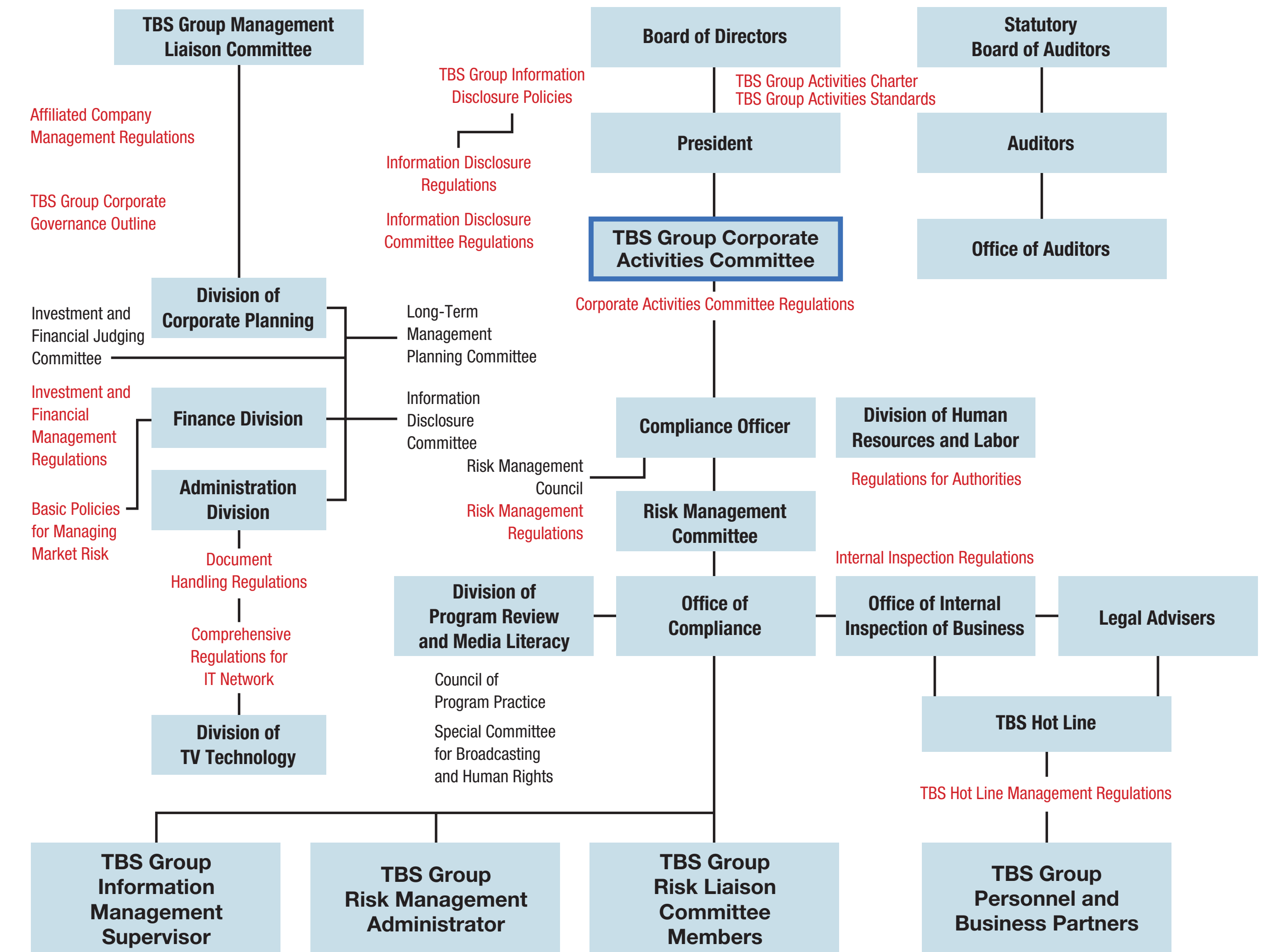
The Company's board of directors shall make a resolution regarding the gratis allotment of Stock Acquisition Rights, the triggering of the acquisition provision, and the triggering or non-triggering of other countermeasures without delay, as an entity under the Corporate Law, by following the prescribed Plan procedures and paying the utmost respect to the special committee's recommendations, and in accordance with the above resolution of the general shareholders' meeting, except in an unusual situation where a director has obviously breached the duty of care as a good manager.

The Acquirer Group shall not conduct the Large-Scale Acquisition unless the Company's board of directors has resolved not to trigger the gratis allotment of Stock Acquisition Rights or other such countermeasures by following the prescribed Plan procedures.

(3) The Plan's Effective Period, Abolition and Changes

The Plan will automatically renew for a successive period of three years and the same shall apply thereafter unless a resolution is passed to abolish the Plan at an ordinary general shareholders meeting convened during or after April 2010.
Also, if a majority of both the incumbent special committee members and the external knowledgeable members approve, the Company's board of directors may revise and amend the Plan to the extent approved by at general shareholders' meeting even before the effective period is terminated.

TBS Group Internal Control Structure



As of June 28, 2007

Board of Directors, Auditors and Executive Officers

President	Hiroshi Inoue
Senior Managing Directors	Keizo Zaitsu Kenichiro Kidokoro
Executive Director	Kazuo Hiramoto
Executive Advisor	Kiyoshi Wakabayashi
Directors	Toshichika Ishihara Yoshitomo Mori Yukio Kinugasa Shinji Takeda Toshishige Namai Yoji Shimizu Masahiro Yamamoto Tateo Mataki Masatou Kitamura Shoei Utsuda

Standing Statutory Auditors	Kunio Ogawa Masao Saito
Auditors	Keiichiro Okabe Takeo Tanaka Yoshifumi Nishikawa
Executive Officers	Makoto Ishikawa Shinichiro Kasugai Shouzo Fukui Kenji Watano Susumu Motoda Yasuyoshi Ishikawa Shigenori Kanehira Yasuo Yagi Fuyuhiko Tashiro Ichiro Nobukuni Toshiei Toyonaka Shinya Kimura

Our Vision and Action Plan for Environmental Protection

The Company established the **TBS Global Eco Committee**, chaired by President Hiroshi Inoue, on February 1, 2007. The committee is committed to enacting companywide initiatives for achieving the goals of the **TBS Group Eco-Vision**, which was inaugurated in January 2007.

- For the committee's first initiative, TBS announced it would provide financial support for a wind power project aimed at reducing greenhouse gas effects and **purchase carbon dioxide emission rights** in New Zealand. The project is recognized for its superior attributes by World Wide Fund for Nature (WWF) Japan and other nongovernmental organizations in the environmental field.
- The IAAF Green Project was enacted to appeal to the international community to protect the environment at the International Association of Athletics Federations (IAAF) World Championships in Athletics, which was held in Osaka, Japan, in August 2007. TBS, as a host broadcaster, held exclusive broadcasting rights in Japan for this event and was an active participant in the project.
- The Company focuses on environmental issues in news and special programming to promote environmental protection and preserving our irreplaceable green resources.

Naturally, the TBS Group makes concerted efforts to reduce energy consumption, recycle, and eliminate waste byproducts, principally at the TBS Broadcasting Center in Akasaka, Tokyo. The Group enthusiastically embraces its social responsibilities as a good corporate citizen.

The tangible goals for reducing environmental impact are outlined in the **Independent Eco Action Plan**, which was unveiled in June 2007. The plan calls for reducing carbon dioxide emissions from the TBS Broadcasting Center by a total of 732 tons over six years through fiscal 2012. TBS had already reduced carbon dioxide emissions by 2,585 tons over five years from fiscal 2002 to fiscal 2006. Consequently, **the Company can achieve its target for fiscal 2012 by reducing emissions 9.8% from fiscal 2002 levels**.

TBS Global Eco Committee logo

ecoBoo character

11th IAAF World Championships in Athletics Osaka

TBS Group

As of March 31, 2007

Tokyo Broadcasting System, Inc.

Consolidated Subsidiaries

Broadcasting

15 Companies

- TBS Radio & Communications, Inc.
- Tokyo Broadcasting System Television, Inc.
- TBS-Vision, Inc.
- Art Communication Systems Inc.
- Tokyo Broadcasting System International, Inc.
- Tohoseisaku, 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.

Multi Visual Ventures & Cultural Events

7 Companies

- Nichion, Inc.
- OXYBOT, Inc.
- Grand Marché, Inc.
- TBS Service, Inc.
- TC Entertainment, Inc.
- TBS TriMedia, Inc.
- Yokohama Bay Stars Baseball Club, 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

3 Companies

- TBS Plaza Co., Ltd.
- TBS Media Research Institute Inc.
- TRC, Co., Ltd.

Companies under the Equity Method

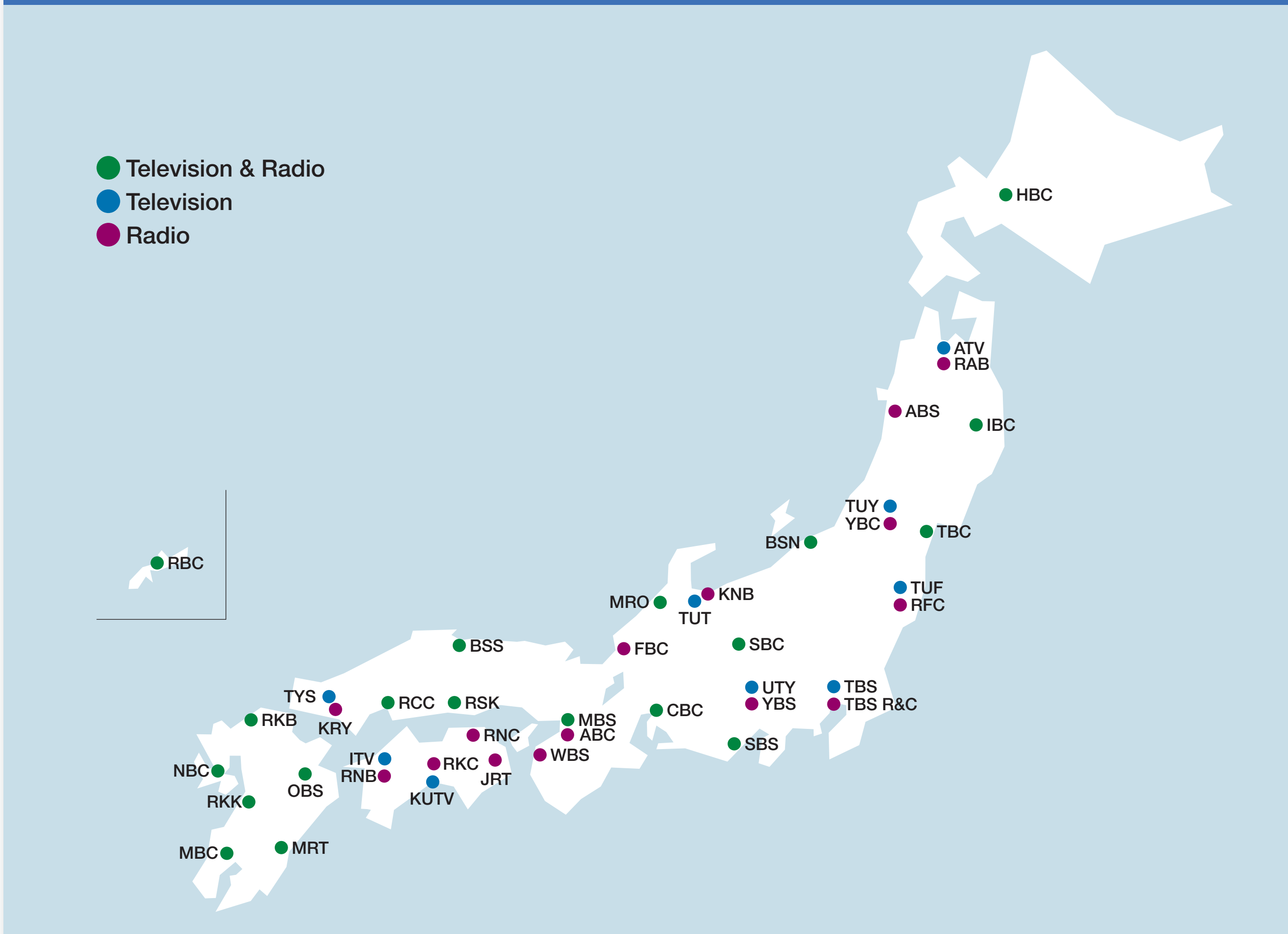
4 Companies

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

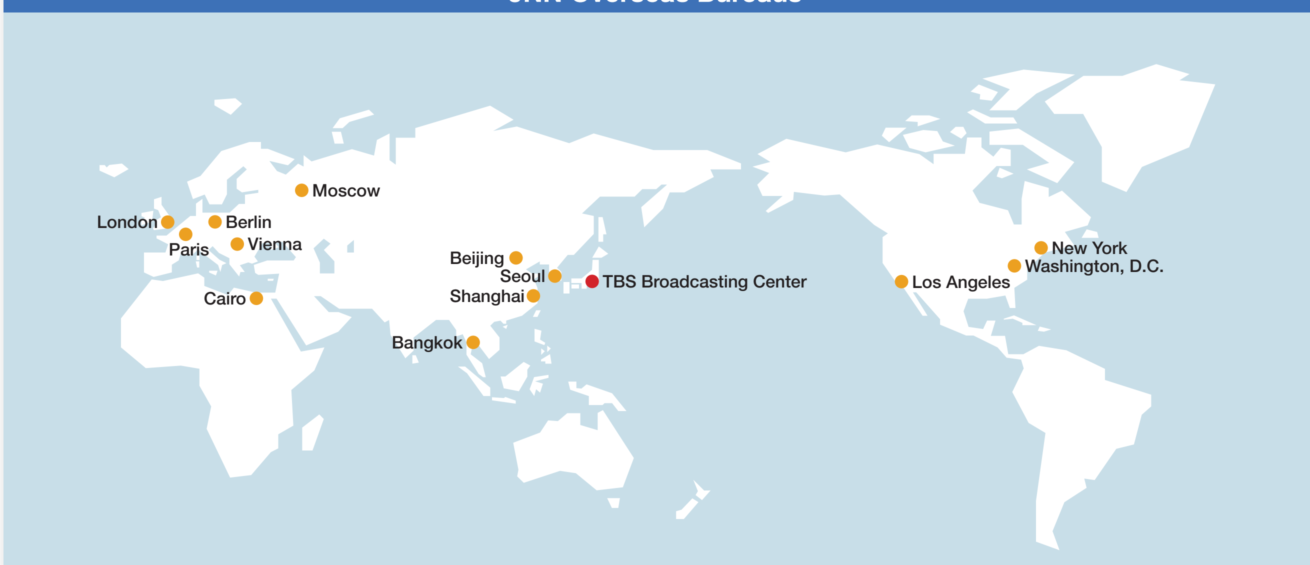
Network

As of March 31, 2007

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



JNN Overseas Bureaus

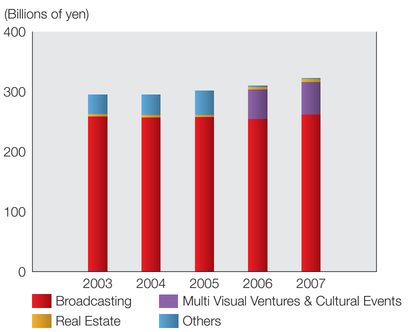


Financial Section

Fact Sheet

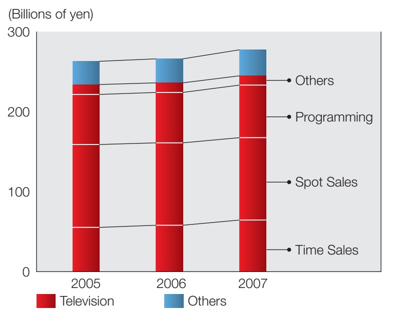
Tokyo Broadcasting System, Inc. and Consolidated Subsidiaries
Years ended March 31

Net Sales by Segment

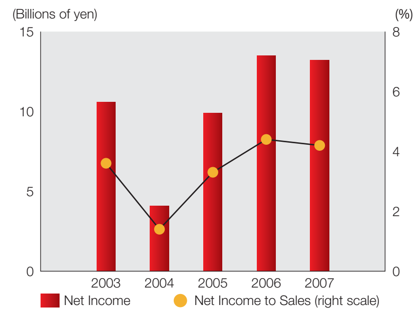


Note: Effective from the year ended March 31, 2007, the Company separated the Multi Visual Ventures & Cultural Events segment from the Others segment. Information by business for the year ended 31 March, 2006 is modified in the new business segment.

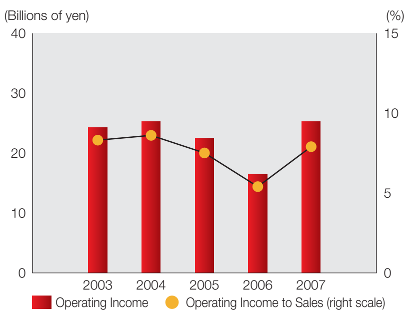
Non-Consolidated Net Sales by Segment



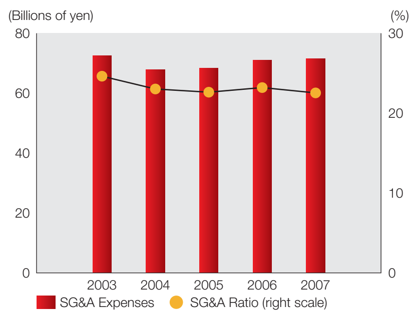
Net Income / Net Income to Sales



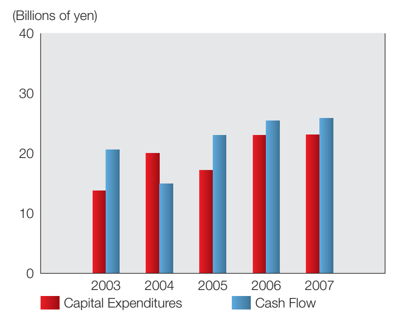
Operating Income / Operating Income to Sales



SG&A Expenses / SG&A Ratio

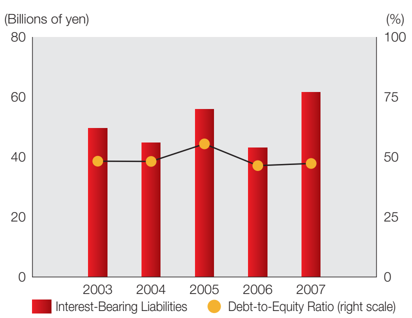


Capital Expenditures / Cash Flow*



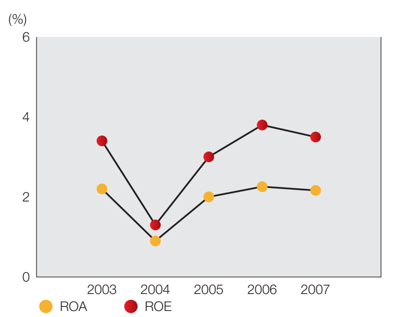
*Cash flow = Net income + Depreciation and Amortization, including investments in movie production

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

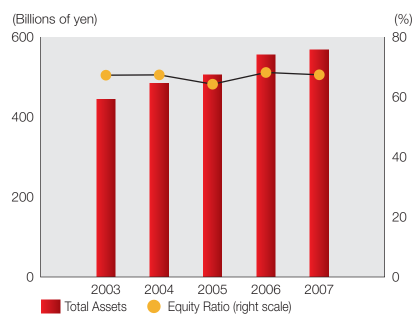


*Debt-to-Equity Ratio =
Total Liabilities ÷ Total Net Assets (Total Shareholders' Equity) x 100

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
	2007	2006	2005	2004	2003	2002	2007
For the year:							
Net sales	¥318,700	¥306,041	¥301,731	¥295,016	¥294,840	¥291,256	$2,698,789
Broadcasting	262,762	254,469	258,374	257,387	258,817	262,005	2,225,100
Multi Visual Ventures & Cultural Events	53,181	48,709	—	—	—	—	450,343
Real Estate	2,475	2,545	2,512	2,865	3,939	4,703	20,958
Others	282	318	40,845	34,764	32,084	24,548	2,388
Cost of sales	221,798	218,658	210,957	201,924	197,992	193,028	1,878,211
Gross profit	96,902	87,383	90,774	93,092	96,848	98,228	820,578
Selling, general and administrative expenses	71,574	70,978	68,264	67,821	72,521	66,986	606,098
Operating income	25,328	16,405	22,510	25,271	24,327	31,242	214,480
Income before income taxes and minority interests	23,810	27,615	17,201	10,305	23,730	28,249	201,625
Net income	13,299	13,514	9,891	4,077	10,599	14,652	112,617
Capital expenditures	25,101	25,005	17,196	20,018	13,805	8,051	212,558
Depreciation	14,699	14,082	13,079	10,811	10,023	9,875	124,473
At year-end:							
Total assets	¥567,722	¥555,272	¥506,126	¥484,606	¥443,779	¥522,130	$4,807,537
Interest-bearing liabilities	61,646	43,402	55,944	44,748	49,497	57,892	520,026
Total net assets	385,298	—	—	—	—	—	3,262,749
Total shareholders' equity	—	378,027	324,724	326,108	298,288	330,946	—
Per share data (in yen and U.S. dollars)**:**							
Net income—basic	¥ 70.07	¥ 72.17	¥ 54.59	¥ 21.73	¥ 59.10	¥ 83.77	$ 0.593
Net assets	2,016.23	—	—	—	—	—	17.074
Shareholders' equity	—	1,990.91	1,842.34	1,850.28	1,692.03	1,892.44	—
Ratios (%)**:**							
Return on assets	2.3%	2.4%	2.0%	0.9%	2.2%	3.3%	
Return on equity	3.5	3.8	3.0	1.3	3.4	5.13	
Equity ratio	67.4	68.1	64.2	67.3	67.2	63.4	

Notes: 1. The U.S. dollar amounts in this report are provided for convenience only and have been converted at the rate of ¥118.09 to $1.00, the approximate rate of exchange in effect as of March 31, 2007.
2. Effective from the year ended March 31, 2007, the Company separated the Multi Visual Ventures & Cultural Events segment from the Others segment. Information by business for the year ended 31 March, 2006 is modified in the new business segment for useful information.

Reference Information

Non-Consolidated Net Sales

Tokyo Broadcasting System, Inc.
Years ended March 31

	Millions of yen						Thousands of U.S. dollars
	2007	2006	2005	2004	2003	2002	2007
Television:	¥244,900	¥235,227	¥233,919	¥231,920	¥234,004	¥236,849	$2,073,842
Time sales	64,588	57,601	55,379	55,322	54,861	55,174	546,939
Spot sales	103,049	103,019	103,556	101,110	101,295	104,196	872,631
Programming	65,579	62,898	62,587	62,237	63,670	63,594	555,331
Others	11,684	11,709	12,397	13,251	14,178	13,885	98,941
Radio	—	—	—	—	—	8,679	—
Others	32,500	30,468	28,994	24,744	23,560	23,267	275,214

Note: The U.S. dollar amounts in this report are provided for convenience only and have been converted at the rate of ¥118.09 to $1.00, the approximate rate of exchange in effect as of March 31, 2007.

Management's Discussion and Analysis

OVERVIEW

In the fiscal year under review, ended March 31, 2007, improving corporate profits and rising capital investment helped foster ongoing economic growth. However, the future course of the economy remained uncertain amid questions about whether strengths in the corporate sector would extend to household income and fuel healthy personal consumption.

In the broadcasting industry, ad sales for TV and radio declined slightly from the previous fiscal year.

Under these circumstances, TBS and the TBS Group worked to further strengthen their core terrestrial TV and radio programming in order to succeed in the age of digital broadcasting and the multi media sources. In addition, we made concerted efforts to expand the Multi Visual Ventures & Cultural Events Business, which includes software business, and to actively meet the needs of our diversifying needs of its advertising clients.

Consolidated net sales increased 4.1% year on year to ¥318,700 million, and operating income surged 54.4% to ¥25,328 million. However, net income fell 1.6% to ¥13,299 million, as gain on sale of investment securities decreased from ¥16,946 million a year earlier to ¥169 million in the fiscal year.

SEGMENT ANALYSIS

Operations were previously divided into the three business segments consisting of Broadcasting, Real Estate, and Other Businesses. However, in the other businesses segment, planning and production of events and video software and other offerings, and their related businesses have become increasingly important components of overall operations. Consequently, the Company has spun off and established a Multi Visual Ventures & Cultural Events Business segment from the Other Businesses segment, and operations are now classified under four business segments.

As a result, TBS has realigned its results from the previous fiscal year to coincide with these four business segments for the year-on-year comparison.

Broadcasting Business

Broadcasting revenues rose 3.3% year on year to ¥262,762 million, and operating income advanced 76.0% to ¥15,906 million.

<Television>

Time sales increased 8.0% year on year, thanks to brisk sales for important special programming, including sports programs such as *FIFA World Cup* and *Volleyball World Championships*, special dramas such as *Triple Kitchen* and *Kimi ga Hikari wo Kureta*, and intelligent entertainment programs such as *New Century of the Earth* and *Excavating the Enigmas of the Amazon Civilization*.

Finishing the second in the ranking for both the golden time (7PM to 10PM) and prime time (7PM to 11PM) slots and improving of viewer ratings in the all-day time slot contributed to achieve previous fiscal year's results despite difficult operating conditions, including reduction of spot sales in Tokyo and neighboring area, Kanto. By client segment, revenues grew firmly in areas such as food products, entertainment & hobbies, automobiles & transportation equipment, and communications & broadcasting.

For programming, TBS renovated programs in the morning, afternoon and evening slots from April 2005 with the aim of increasing viewer ratings, and the Company was especially successful in attracting strong followings for its morning news commentary show, which steadily boosted viewer ratings. In addition, *The Family* and other serial dramas achieved favorable viewer ratings. Viewer ratings in the golden and prime time slots were 12.7% and 12.6%, respectively. The Company ranked second place alone in both of these slots for the first time in 18 years, marking a distinguished performance. In the all-day slot, we ranked third place, with an average 7.8% viewer rating.

For dramas, *Relentlessness is Found Everywhere*, a widely recognized as a nation-wide supported program, achieved an average viewer rating above 18%, as it remained extremely popular with viewers. As many younger generation keenly to prefer to see our Friday drama, the Company broadcast *The Black Swindler*, *A Song to the Sun*, and *The Yakuza Girl*. These dramas included popular, trendy actors in their casts and achieved strong ratings.

Televisions capable of receiving BS digital broadcasting increased steadily, reaching 23 million at the end of March 2007. Wider diffusion helped spur growth in revenues at BS-i, Incorporated, a BS digital broadcasting company in the TBS Group, to ¥6,288 million, up by ¥857 million from the previous year. Operating losses improved by ¥1,069 million, to ¥1,531 million.

BS-i is working to control costs as it supplies high-quality programming, and it is strengthening sales activities with the goal of turning profitable on a fiscal year basis in the current term.

<*Radio*>

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

TBS R&C recorded net sales of ¥15,048 million, down 3.7% year on year, and operating income of ¥196 million, down 61.1%. Time sales were remained firm, driven by sales for weekday morning programs that have achieved high audience ratings. However, sales for live broadcasts of professional baseball games were weak, resulting in declining overall time sales from the previous year. For spot sales, initiatives to tap into new fields, including radio shopping, were somewhat successful, but they could not offset declining overall net sales for radio advertising, and spot sales contracted for the previous year.

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.

Multi Visual Ventures & Cultural Events Business

Revenue from the Multi Visual Ventures & Cultural Events increased 9.2% year on year to ¥53,181 million, and operating income climbed 30.0% to ¥8,637 million.

Sales generated by TBS's Division of Project Development and Content Business Division broke its record; rose 7.8% to ¥27,849 million.

In the cultural events business, some events and performances were very well received. These included *Nasca, Wonder of the World Messages Etched on the Desert Floor*, which was held in various locations, *Masterpieces of the Museum Island, Berlin*, and various ballet events, including *Giselle, Three Sisters / The Two Pigeons*, and *The Nutcracker* by Tetsuya Kumakawa K-Ballet Company.

In movies and animations business, *Sinking of Japan* was extremely popular, generating box office receipts of ¥5.3 billion, and *Nada Sou Sou—Tears for you* and *Dororo* registered box office receipts exceeding ¥3.0 billion. For DVDs, *Boys Over Flowers*, which was released in March 2006, generated additional sales on the back of the popularity of *Boys Over Flowers 2 (Returns),* the sequel that was released during the fiscal year. *The Black Swindler* and *A Song to the Sun* were also strong sellers.

In the communications satellite (CS) business, TBS-ch, a pay-TV service that broadcasts popular dramas from the past and other programs, recorded profits for the second straight fiscal year, underpinned by growth in the number of subscriber households to the service. The CS business was profitable overall for the first time on a single-year basis.

In licensing business (former media commerce), goods associated with the *Volleyball World Championships*, *Karei bread* associated with popular drama, *The Family*, and other offerings helped buoy revenues.

For group companies, Grand Marché Inc., a subsidiary in the media commerce field, posted strong results thanks to its shopping business and other operations.

Business revenues generated by the Yokohama Bay Stars professional baseball club declined 8.5% year on year in the fiscal year ended December 2006 to ¥7,195 million, and operating losses narrowed by ¥4 million, to ¥30 million. The Company is working to improve revenues and income by fielding a winning team for the 2009 baseball season and by stepping up fan attendance at baseball games.

Real Estate Business

Real Estate revenues declined 2.8% year on year to ¥2,475 million and operating income increased 11.7% to ¥696 million. As the Akasaka Redevelopment Project is still under way, there were no major changes in segment operations during the fiscal year.

COST OF SALES AND OPERATING INCOME

Cost of sales increased 1.4% year on year to ¥221,798 million, but the cost of sales ratio declined 1.8 percentage points to 69.6%.

Selling, general and administrative expenses (SG&A) edged up 0.8% year on year to ¥71,574 million. The SG&A expense ratio dipped 0.7 percentage points to 22.5%. Commission fees paid to advertising agencies rose 3.6%, as advertising revenue climbed, but retirement benefit expenses fell 62.4% from the previous year.

TV programs production costs fell by ¥756 million, or 0.6%, to ¥124,124 million, as the Company made necessary cost outlays to strengthen its programs but also integrated controls over programming and production costs and technological and studio sets expenditures and so on. In the fiscal year ending March 31, 2008, the Company plans to reduce program production costs by ¥600 million, to ¥123.5 billion.

Capital expenditures totaled ¥23,353 million in the fiscal year under review, and depreciation excluding investments in movie production came to ¥12,962 million. Capital expenditures consisted mainly of approximately ¥400 million for digital terrestrial broadcasting facilities; about ¥2.5 billion to renovate studios for high-definition programs production; around ¥5.4 billion for general broadcasting and other equipment; and about ¥14.5 billion for Akasaka Redevelopment Project. For the fiscal year ending March 31, 2008, the Company plans capital expenditures totaling ¥59 billion and depreciation of ¥13 billion.

As a result of these factors, operating income rose 54.4% year on year to ¥25,328 million, and the ratio of operating income to net sales increased 2.5 percentage points, to 7.9%.

FINANCIAL POSITION

Consolidated total assets stood at ¥567,722 million at the end of the fiscal year, up by the ¥12,450 million, or 2.2%, from the previous year-end. Of total assets, current assets declined 13.1%, or ¥17,485 million, to ¥115,680 million. Cash on hand and in banks rose by ¥10,088 million, but notes and accounts receivable-trade declined by ¥24,776 million from the liquidation of trade receivables, and prepaid expenses fell by ¥2,430 million.

Total fixed assets increased ¥29,935 million, or 7.1%, to ¥452,042 million. Property and equipment, net grew by ¥9,988 million, or 5.3%, to ¥199,201 million, reflecting an increase of ¥14,644 million in construction in progress amid ongoing progress in the Akasaka Redevelopment Project. Investments and other assets rose by ¥19,947 million, or 8.6%, to ¥252,841 million, on the back of acquisitions of investments in securities totaling ¥20,176 million and other factors.

Total liabilities stood at ¥182,424 million at the end of the fiscal year under review, up 3.9%, or ¥6,838 million, from the previous year-end. Of total liabilities, net unsecured bond increased by ¥20,000 million. On the other hand, accounts payable, including payments due for investments in securities and for equipment investments acquired during the previous term, decreased by ¥2,988 million; accrued income taxes fell by ¥2,507 million; and other long-term liabilities were down by ¥4,992 million due to payments of accounts payable resulting from transfer to defined contribution pension plans and other factors. Interest-bearing liabilities at the end of the fiscal year amounted to ¥61,646 million, representing an increase of ¥18,244 million.

Net assets stood at ¥385,298 million at the end of the fiscal year, up ¥5,012 million, or 1.3% year on year. Retained earnings from net income and other sources rose by ¥9,798 million. However, unrealized gain on available-for-sale securities, net of taxes declined ¥5,963 million, owing to decrease in the latent gains of existing investment securities. Consequently, the shareholders' equity ratio decreased 0.7 percentage point, to 67.4%.

CASH FLOWS

Cash and cash equivalents increased ¥10,100 million from the previous year-end to ¥48,867 million. Income before income taxes and minority interests declined 13.8% to ¥23,810 million. However, notes and accounts receivable-trade declined by ¥25,159 million, a significant amount, following the liquidation of trade receivables, and new fundraising totaled ¥29,834 million from unsecured bond issues.

Cash flows from operating activities

Net cash provided by operating activities totaled ¥50,886 million, representing an increase of ¥27,625 million from the previous fiscal year. Cash from income before income tax and minority interests fell to ¥23,810 million. However, extraordinary factors that had provided significant cash inflows in the previous fiscal year, principally gains on sales of investment securities totaling ¥16,946 million, were hardly seen in the current fiscal year. In addition, notes and accounts receivable-trade declined by ¥25,195 million, a significant amount, following the liquidation of trade receivables.

Cash flows from investing activities

Net cash used in investing activities amounted to ¥55,543 million, up by ¥5,725 million from the previous fiscal year. Net proceeds from sales of marketable securities, which had totaled ¥19,999 million in the previous fiscal year, were absent, while proceeds from sale of investments in securities came to ¥1,230 million, and cash outflows were ¥32,474 million for the purchase of investments in securities.

Cash flows from financing activities

Net cash provided by financing activities totaled ¥14,491 million, an increase of ¥1,871 million from the previous fiscal year. Cash inflows from the issue of unsecured bonds totaled ¥29,834 million. However, income from stock issues totaled only ¥344 million marking a decrease of ¥22,245 million a year earlier, and the Company did not generate any income from the sale of treasury stock, which had totaled ¥5,633 million in the previous year.

OUTLOOK

The Company's viewer ratings are strong. As evidence, it ranked second on a fiscal yearly basis in both the golden time and prime time slots for the first time in 18 years. We expect television time sales to increase 2.1% year on year and spot sales to rise 2.8% in the current term, backed by the high ratings.

For expenditures, TBS will make the necessary cost outlays for strengthening its programming in the upcoming term, but the Company expects operating income to increase, thanks to structural changes to production costs and ongoing cost reductions. We forecast that net income increases sharply, owing to profits on the sale of investments in securities in Tokyo Electron Limited and other factors.

Given these factors, the Company forecast that consolidated net sales rise 2.0% year on year to ¥325 billion, as operating income increases 6.6% to ¥27 billion and net income advances 84.2% to ¥24.5 billion in the fiscal year ending March 31, 2008.

Consolidated Balance Sheets

Tokyo Broadcasting System, Inc. and Consolidated Subsidiaries
As of March 31, 2007 and 2006

	Millions of yen		Thousands of U.S. dollars (Note 1)
ASSETS	**2007**	2006	**2007**
Current assets:			
Cash on hand and in banks (Note 3)	**¥ 48,947**	¥ 38,859	**$ 414,489**
Notes and accounts receivable—trade (Note 11)	**43,309**	68,085	**366,746**
Allowance for doubtful accounts	**(130)**	(163)	**(1,101)**
Inventories (Note 5)	**10,079**	10,741	**85,350**
Deferred tax assets (Note 8)	**5,347**	5,272	**45,279**
Prepaid expenses and other current assets	**8,128**	10,371	**68,829**
Total current assets	**115,680**	133,165	**979,592**
Property and equipment:			
Land	**76,287**	76,292	**646,007**
Buildings	**117,730**	118,202	**996,951**
Machinery and equipment (Note 6)	**87,903**	84,540	**744,373**
Construction in progress	**38,258**	23,613	**323,974**
Total property and equipment	**320,178**	302,647	**2,711,305**
Less: Accumulated depreciation	**(120,977)**	(113,434)	**(1,024,447)**
Property and equipment, net	**199,201**	189,213	**1,686,858**
Investments and other assets:			
Investments in securities (Note 13)			
Unconsolidated subsidiaries and affiliates	**6,138**	7,039	**51,977**
Other	**227,662**	206,585	**1,927,869**
Long-term prepaid expenses	**1,034**	850	**8,756**
Intangible and other assets	**17,251**	17,734	**146,083**
Allowance for doubtful accounts	**(610)**	(553)	**(5,166)**
Deferred tax assets (Note 8)	**1,366**	1,239	**11,568**
Total investments and other assets	**252,841**	232,894	**2,141,087**
Total assets	**¥ 567,722**	¥ 555,272	**$4,807,537**

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

LIABILITIES, MINORITY INTERESTS AND SHAREHOLDERS' EQUITY / NET ASSETS	Millions of yen 2007	2006	Thousands of U.S. dollars (Note 1) 2007
Current liabilities:			
Short-term borrowings (Note 7)	¥ 1,606	¥ 3,290	$ 13,600
Current portion of long-term debt (Notes 6 and 7)	10,040	10,072	85,020
Notes and accounts payable—trade	33,244	32,165	281,514
Accounts payable—other	18,523	21,391	156,855
Income taxes payable (Note 8)	3,552	6,059	30,079
Accrued expenses	4,736	4,465	40,105
Allowance for director's bonuses	323	—	2,735
Other current liabilities	4,410	4,840	37,344
Total current liabilities	76,434	82,282	647,252
Long-term liabilities:			
Long-term debt (Note 7)	50,000	30,040	423,406
Allowance for retirement and severance benefits (Note 10)	9,294	9,197	78,703
Deferred tax liabilities (Note 8)	39,254	41,245	332,407
Negative goodwill	332	720	2,811
Other long-term liabilities	7,110	12,102	60,209
Total long-term liabilities	105,990	93,304	897,536
Total liabilities	182,424	175,586	1,544,788
Minority interests	—	1,659	—
Contingent liabilities (Note 17)			
Shareholders' equity:			
Common stock	—	54,685	—
Authorized: 400,000,000 shares			
Issued and outstanding: 190,138,968 shares			
Additional paid-in capital (Note 9)	—	59,954	—
Retained earnings (Note 9)	—	192,297	—
Accumulated other comprehensive income—			
Unrealized gain on available-for-sale securities (Note 13)	—	71,117	—
Foreign currency translation adjustment	—	14	—
Treasury stock, at cost	—	(40)	—
Total shareholders' equity	—	378,027	—
NET ASSETS (Note 9)**:**			
Shareholders' equity			
Common stock	54,857	—	464,536
Authorized: 400,000,000 shares			
Issued and outstanding: 190,307,968 shares			
Capital surplus (Note 9)	60,126	—	509,154
Retained earnings (Note 9)	202,095	—	1,711,364
Treasury stock, at cost	(63)	—	(534)
Total shareholders' equity	317,015		2,684,520
Valuation and translation adjustments:			
Unrealized gains on available-for-sale securities, net of taxes (Note 13)	65,154	—	551,732
Unrealized gains on hedging derivatives, net of taxes	701	—	5,936
Foreign currency translation adjustments	17	—	144
Total valuation and translation adjustments	65,872	—	557,812
Minority interests	2,411	—	20,417
Total net assets	385,298	—	3,262,749
Total liabilities, minority interests and shareholders'equity/net assets	¥567,722	¥555,272	$4,807,537

Consolidated Statements of Income

Tokyo Broadcasting System, Inc. and Consolidated Subsidiaries
Years ended March 31, 2007, 2006 and 2005

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2007	2006	2005	2007
Net sales (Notes 15 and 16)	¥318,700	¥306,041	¥301,731	$2,698,789
Cost of sales (Notes 14, 15 and 16)	221,798	218,658	210,957	1,878,211
Gross profit	96,902	87,383	90,774	820,578
Selling, general and administrative expenses (Notes 14, 15 and 16)	71,574	70,978	68,264	606,098
Operating income	25,328	16,405	22,510	214,480
Other income (expenses):				
Interest and dividend income	2,153	1,129	1,135	18,232
Interest expense	(635)	(96)	(124)	(5,377)
Equity in losses of affiliates	(706)	(1,809)	(1,460)	(5,979)
Gain on sale of investment securities	169	16,946	371	1,431
Loss on devaluation of investment securities	(185)	(145)	(517)	(1,567)
Amortization of actuarial gain (loss) on retirement and severance obligation (Note 10)	—	—	5,027	—
Loss on disposal of fixed assets	(826)	(926)	(1,231)	(6,994)
Gain on liquidation of affiliates	—	—	81	—
Loss on revision of retirement and severance benefits plans (Note 10)	—	—	(8,486)	—
Lawsuits settlement payments	(1,851)	—	—	(15,675)
Amortization of long-term prepaid expenses	—	(1,204)	—	—
Amortization of goodwill	334	(1,862)	—	2,829
Impairment loss on fixed assets	(6)	(285)	—	(51)
Other, net	35	(538)	(105)	296
Total	(1,518)	11,210	(5,309)	(12,855)
Income before income taxes and minority interests	23,810	27,615	17,201	201,625
Income taxes (Note 8)**:**				
Current	8,377	12,137	12,802	70,937
Deferred	1,456	2,001	(5,324)	12,330
Total	9,833	14,138	7,478	83,267
Minority interest in income (loss) of consolidated subsidiaries	678	(37)	(168)	5,741
Net income	¥ 13,299	¥ 13,514	¥ 9,891	$ 112,617

	Yen			U.S. dollars (Note 1)
Per share of common stock:				
Net income—basic	¥70.07	¥72.17	¥54.59	$0.593
Net income—diluted	69.96	72.10	54.58	0.592
Cash dividends	12.00	22.00	15.00	0.102

The accompanying notes are an integral part of these statements.

Consolidated Statements of Shareholders' Equity

Tokyo Broadcasting System, Inc. and Consolidated Subsidiaries
Years ended March 31, 2006 and 2005

	Millions of yen	
	2006	2005
Common stock:		
Balance at beginning of year	¥ 44,163	¥ 44,163
Issuance of common stock	10,522	—
Balance at end of year	54,685	44,163
Additional paid-in capital:		
Balance at beginning of year	42,562	42,562
Issuance of common stock and exercising stock option	12,163	—
Gain on sale of treasury stock	5,229	—
Balance at end of year	59,954	42,562
Retained earnings:		
Balance at beginning of year	182,924	174,970
Increase from the expanded scope of consolidated subsidiaries	—	74
Net income	13,514	9,891
Cash dividends paid	(3,855)	(1,765)
Bonuses to directors and statutory auditors	(274)	(246)
Decrease due to change in scope of consolidated subsidiaries	(12)	—
Balance at end of year	192,297	182,924
Accumulated other comprehensive income:		
Balance at beginning of year	55,497	64,824
Unrealized gain (loss) on available-for-sale securities	15,587	(9,333)
Foreign currency translation adjustment	47	6
Balance at end of year	71,131	55,497
Treasury stock, at cost:	(40)	(422)
2005: 3,891,106 shares		
2006: 398,968 shares		
Total shareholders' equity	¥378,027	¥324,724

The accompanying notes are an integral part of these statements.

Consolidated Statements of Changes in Net Assets

Tokyo Broadcasting System, Inc. and Consolidated Subsidiaries
Year ended March 31, 2007

Millions of yen

	Shareholders' Equity					Valuation and Translation Adjustments						
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized gains on available-for-sale securities, net of taxes	Unrealized gains on hedging derivatives, net of taxes	Foreign currency translation adjustments	Total valuation and translation adjustments	Share subscription rights	Minority interests	Total net assets
Shareholders' equity at March 31, 2006 as previously reported	¥54,685	¥59,954	¥192,297	¥(40)	¥306,896	¥71,117	¥ —	¥14	¥71,131	¥ —	¥ —	¥378,027
Reclassification due to adoption of new accounting standards for presentation of net assets in the balance sheet at April 1, 2006										600	1,659	2,259
Net assets at April 1, 2006	¥54,685	¥59,954	¥192,297	¥(40)	¥306,896	¥71,117	¥ —	¥14	¥71,131	¥ 600	¥1,659	¥380,286
Issuance of common stock and exercising stock option	172	172			344							344
Cash dividends paid			(3,232)		(3,232)							(3,232)
Bonuses to directors and statutory auditors			(274)		(274)							(274)
Net income			13,299		13,299							13,299
Acquisition of treasury stock				(23)	(23)							(23)
Increase from the expanded scope of consolidated subsidiaries			5		5							5
Net changes during the year						(5,963)	701	3	(5,259)	(600)	752	(5,107)
Balance at March 31, 2007	**¥54,857**	**¥60,126**	**¥202,095**	**¥(63)**	**¥317,015**	**¥65,154**	**¥701**	**¥17**	**¥65,872**	**¥ —**	**¥2,411**	**¥385,298**

Thousands of U.S. dollars (Note 1)

	Shareholders' Equity					Valuation and Translation Adjustments						
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized gains on available-for-sale securities, net of taxes	Unrealized gains on hedging derivatives, net of taxes	Foreign currency translation adjustments	Total valuation and translation adjustments	Share subscription rights	Minority interests	Total net assets
Shareholders' equity at March 31, 2006 as previously reported	$463,079	$507,697	$1,628,394	$(339)	$2,598,831	$602,227	$ —	$119	$602,346	$ —	$ —	$3,201,177
Reclassification due to adoption of new accounting standards for presentation of net assets in the balance sheet at April 1, 2006										5,081	14,049	19,130
Net assets at April 1, 2006	$463,079	$507,697	$1,628,394	$(339)	$2,598,831	$602,227	$ —	$119	$602,346	$ 5,081	$14,049	$3,220,307
Issuance of common stock and exercising stock option	1,457	1,457			2,914							2,914
Cash dividends paid			(27,369)		(27,369)							(27,369)
Bonuses to directors and statutory auditors			(2,320)		(2,320)							(2,320)
Net income			112,617		112,617							112,617
Acquisition of treasury stock				(195)	(195)							(195)
Increase from the expanded scope of consolidated subsidiaries			42		42							42
Net changes during the year						(50,495)	5,936	25	(44,534)	(5,081)	6,368	(43,247)
Balance at March 31, 2007	**$464,536**	**$509,154**	**$1,711,364**	**$(534)**	**$2,684,520**	**$551,732**	**$5,936**	**$144**	**$557,812**	**$ —**	**$20,417**	**$3,262,749**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

Tokyo Broadcasting System, Inc. and Consolidated Subsidiaries
Years ended March 31, 2007, 2006 and 2005

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2007	2006	2005	2007
Cash flows from operating activities:				
Income before income taxes and minority interests	¥ 23,810	¥ 27,615	¥ 17,201	$ 201,625
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:				
Depreciation	14,699	14,082	13,079	124,473
Amortization of long-term prepaid expenses	786	3,108	1,944	6,656
Impairment loss on fixed assets	6	285	—	51
Loss on devaluation of investment securities	185	145	517	1,567
Retirement and severance benefit expenses	94	1,037	(5,099)	796
Increase (Decrease) in allowance for doubtful accounts	25	143	(222)	212
Interest and dividend income	(2,153)	(1,129)	(1,135)	(18,232)
Interest expense	635	96	124	5,377
Equity in earnings of affiliates	706	1,809	1,460	5,979
Gain on sale of investment securities	(169)	(16,946)	(371)	(1,431)
Loss on disposal of fixed assets	826	926	1,231	6,994
Decrease (Increase) in notes and accounts receivable—trade	25,195	(6,212)	1,293	213,354
(Increase) Decrease in inventories	665	697	519	5,631
(Increase) Decrease in notes and accounts payable—trade	750	5,866	(484)	6,351
Others, net	(6,566)	5,714	3,835	(55,601)
Subtotal	59,494	37,236	33,892	503,802
Interest and dividends received	2,113	1,139	1,149	17,893
Interest paid	(446)	(95)	(146)	(3,776)
Income taxes paid	(10,275)	(15,019)	(8,716)	(87,010)
Net cash provided by operating activities	50,886	23,261	26,179	430,909
Cash flows from investing activities:				
Proceeds from sales (Payment for purchase) of marketable securities, net	—	19,999	(18,999)	—
Payment for purchase of property and equipment	(23,061)	(23,491)	(14,787)	(195,283)
Proceeds from sales of property and equipment	86	10	15	728
Payment for purchase of intangible assets	(1,544)	(3,271)	(3,203)	(13,075)
Payment for purchase of investments in securities	(32,474)	(60,113)	(4,815)	(274,994)
Proceeds from sale of investments in securities	1,230	17,019	704	10,416
Others, net	220	29	618	1,863
Net cash used in investing activities	(55,543)	(49,818)	(40,467)	(470,345)
Cash flows from financing activities:				
Proceeds from short-term borrowings	421	542	1,231	3,565
Repayment of short-term borrowings	(2,104)	(2,838)	(4,563)	(17,817)
Proceeds from long-term borrowings	—	—	20,000	—
Repayment of long-term borrowings	(72)	(72)	(5,472)	(610)
Proceeds from issuance of bonds	29,834	—	—	252,638
Redemption of bonds	(10,000)	(10,000)	—	(84,681)
Payment for purchase of treasury stock	(24)	(22)	(11)	(203)
Proceeds from sale of treasury stock	—	5,633	—	—
Proceeds from issuance of common stock	344	22,589	138	2,913
Dividends paid	(3,232)	(3,855)	(1,765)	(27,369)
Dividends paid to minority shareholders	(76)	(17)	(17)	(644)
Others, net	(600)	660	(194)	(5,081)
Net cash provided by financing activities	14,491	12,620	9,347	122,711
Effect of exchange rate change on cash and cash equivalents	6	91	24	51
Net increase (decrease) in cash and cash equivalents	9,840	(13,846)	(4,917)	83,326
Cash and cash equivalents at beginning of year	38,767	52,613	57,530	328,284
Cash and cash equivalents of newly consolidated subsidiaries (Note 4)	260	—	—	2,202
Cash and cash equivalents at end of year (Note 3)	¥ 48,867	¥ 38,767	¥ 52,613	$ 413,812

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 from 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 disclosure and the inclusion of the consolidated statements of shareholders' equity for 2006 and 2005) 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. Certain supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The consolidated balance sheet as of March 31, 2007, which has been prepared in accordance with the new accounting standard as discussed in Note 2 (t), is presented with the consolidated balance sheet as of March 31, 2006 prepared in accordance with the previous presentation rules.

Also, as discussed in Note 2 (t), the consolidated statement of changes in net assets for the year ended March 31, 2007 has been prepared in accordance with the new accounting standard. The accompanying consolidated statements of shareholders' equity for the year ended March 31, 2006 and 2005 were voluntarily prepared for the purpose of inclusion in the consolidated financial statements although such statements were not required to be filed with the Local Finance Bureau.

The translation of the Japanese yen amounts into U.S. dollars is included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2007, which was ¥118.09 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, 2007, 2006 and 2005 was 30, 29 and 28, respectively. The number of the unconsolidated subsidiaries for the year ended March 31, 2007, 2006 and 2005 was 21, 19 and 16, 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") was amortized over twenty years on a straight-line basis and an immaterial difference is expensed in the year of acquisition.

The 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 goodwill amounting to ¥1,862 million was amortized in a lump sum and recorded as other expenses in consolidated statement of income for the year ended March 31, 2006.

Pec Co., Ltd. changed its corporate name to TBS Trimedia, Inc. on April 1, 2005. The Company added OXYBOT, Inc. and TC entertainment, Inc. to its consolidated subsidiaries based on materiality, on April 1, 2005 and 2006, respectively.

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 2007, 2006 and 2005.

(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 net assets 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 do not have trading securities and 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 net assets. 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 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 and bond issuance costs are expensed as incurred.

(i) Impairment of fixed assets

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 for the year ended March 31, 2006 decreased by ¥285 million compared with what would have been recorded under the previous accounting standard.

(j) 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.

(k) Allowance for bonuses to directors and statutory auditors

Allowance for bonuses to directors and statutory auditors is provided for at the necessary amounts based on the estimated amounts payable at the end of current fiscal year.

(Change in accounting standard)

The Company and its subsidiaries adopted the Accounting Standard for Directors’ Bonus (Accounting Standard Board of Japan Statement No. 4 issued by Accounting Standard Board of Japan on November 29, 2005) from the year ended March 31, 2007. The standard is to be applied for the fiscal year ending on or after May 1, 2006, on which the Corporate Law takes effective.

As a result, selling, general and administrative expense increased by ¥323 million ($2,735 thousand) and operating income, ordinary income, and net income before income taxes and minority interests decreased by the same amount, compared to those accounted for based on the prior standard, respectively.

(l) 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 were recognized in consolidated statement of income.

(2) Directors' retirement and severance benefits

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 was recorded as other long-term liabilities as of March 31, 2006.

(m) 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.

(n) 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.

(o) Derivative transaction and hedge accounting

The Company and its subsidiaries utilize forward foreign exchange contracts, interest rate swap agreements and securities price exchange contracts as derivative transactions, in order to hedge foreign currency risks, interest rate risks and securities price risks arising from normal business transactions.

Derivative instruments are stated at fair value. Changes in the fair values are recognized as gains or loss unless derivative transactions are used for hedging purposes.

If derivative transactions are used as hedges and meet certain hedging criteria, the Company and its subsidiaries defer recognition of gains or losses resulting from changes in fair value of derivative transactions until the related losses or gains on the hedged items are recognized.

(p) 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.

(q) 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.

(r) Reclassification

Certain prior period amounts in the consolidated financial statements have been reclassified to conform to the March 31, 2007 presentation. These reclassifications had no effect on the Company's consolidated net income or net assets.

(s) 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.

(t) New accounting standards

(1) Accounting Standard for Presentation of Net Assets in the Balance Sheet

Effective from the year ended March 31, 2007, the Company and its subsidiaries adopted the new accounting standard, "Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Statement No. 5 issued by the Accounting Standards Board of Japan on December 9, 2005), and the implementation guidance for the accounting standard for presentation of net assets in the balance sheet (the Financial Accounting Standard Implementation Guidance No. 8 issued by the Accounting Standards Board of Japan on December 9, 2005), (collectively, "the New Accounting Standards").

The consolidated balance sheet as of March 31, 2007 prepared in accordance with the New Accounting Standards comprises three sections, which are the assets, liabilities and net assets sections. The consolidated balance sheet as of March 31, 2006 prepared pursuant to the previous presentation rules comprises the assets, liabilities, minority interests and shareholders' equity sections.

Under the New Accounting Standards, the following items are presented differently at March 31, 2007 compared to March 31, 2006. The net assets section includes unrealized gains on hedging derivatives, net of taxes. Under the previous presentation rules, unrealized gains on hedging derivatives were included in the assets or liabilities section without considering the related income tax effects. Share subscription rights and minority interests are included in the net assets section at March 31, 2007. Under the previous presentation rules, companies were required to present share subscription rights and minority interests in the liabilities section and between the long-term liabilities and the shareholders' equity sections, respectively.

The adoption of the New Accounting Standards had no impacts on the consolidated statement of income for the year ended March 31, 2007. Also, if the New Accounting Standards had not been adopted at March 31, 2007, the shareholders' equity amounting to ¥317,015 million ($2,684,520 thousand) would have been presented.

(2) Accounting Standard for Statement of Changes in Net Assets

Effective from the year ended March 31, 2007, the Company and its subsidiaries adopted the new accounting standard, "Accounting Standard for Statement of Changes in Net Assets" (Statement No. 6 issued by the Accounting Standards Board of Japan on December 27, 2005), and the implementation guidance for the accounting standard for statement of changes in net assets (the Financial Accounting Standard Implementation Guidance No. 9 issued by the Accounting Standards Board of Japan on December 27, 2005), (collectively, "the Additional New Accounting Standards").

The Company prepared the accompanying consolidated statement of changes in net assets for the year ended March 31, 2007 in accordance with the Additional New Accounting Standards. The accompanying consolidated statement of shareholders' equity for the year ended March 31, 2006 and 2005, which were voluntarily prepared for inclusion in the consolidated financial statements, has not been adapted to the new presentation rules of 2007.

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at March 31, 2007, 2006 and 2005 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2007	2006	2005	**2007**
Cash on hand and in banks	**¥48,947**	¥38,859	¥52,725	**$414,489**
Time deposits with the original maturity over three months	**(80)**	(92)	(112)	**(677)**
Cash and cash equivalents	**¥48,867**	¥38,767	¥52,613	**$413,812**

4. STATEMENT OF CASH FLOWS

As of July 1, 2006, a consolidated subsidiary (Yokohama Bay stars, Inc.) merged Baystars-soft, Inc. The assets and the liabilities taken over acquired by Yokohama Bay stars, Inc through the merger were summarized as follows:

	Millions of yen
Current assets	¥335
Investment and other assets	1
Total assets	336
Current liabilities	188
Long-term liabilities	2
Total liabilities	¥190

5. INVENTORIES

Inventories at March 31, 2007 and 2006 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	**2007**
Program rights	**¥ 9,957**	¥10,641	**$84,317**
Real property held for sale and other	**122**	100	**1,033**
Total	**¥10,079**	¥10,741	**$85,350**

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

6. PLEDGED ASSETS

The net carrying value of pledged assets at March 31, 2007 and 2006 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	**2007**
Machinery and equipment	**¥351**	¥406	**$2,972**
Total	**¥351**	¥406	**$2,972**

These assets listed above were pledged to secure long-term borrowings (¥40 million ($339 thousand) and ¥113 million at March 31, 2007 and 2006, respectively) including current portion (¥40 million ($339 thousand) and ¥72 million at March 31, 2007 and 2006, respectively).

7. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings represent 365-day notes issued to banks with the average interest rate of 0.16% at March 31, 2007 and 2006. Long-term debt at March 31, 2007 and 2006 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	**2007**
0.89% unsecured bonds due 2007	**¥ —**	¥ 10,000	**$ —**
1.67% unsecured bonds due 2011	**20,000**	—	**169,362**
2.26% unsecured bonds due 2016	**10,000**	—	**84,681**
Long-term borrowings from banks	**30,040**	30,112	**254,383**
	60,040	40,112	**508,426**
Less current portion	**(10,040)**	(10,072)	**(85,020)**
Total	**¥ 50,000**	¥ 30,040	**$423,406**

At March 31, 2007, maturity dates for long-term borrowings (excluding current portion) with the average interest rate of 0.64% 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
2008	**¥10,040**	**$ 85,020**
2009	**—**	**—**
2010	**20,000**	**169,362**
2011	**20,000**	**169,362**
2012 and thereafter	**10,000**	**84,682**
	¥60,040	**$508,426**

8. INCOME TAXES

Significant components of the deferred income taxes of the Company at March 31, 2007 and 2006 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	**2007**
Excess allowance for retirement and severance benefits for employees	**¥ 3,707**	¥ 3,642	**$ 31,391**
Accrued expense due to change in retirement benefit plans	**3,166**	5,098	**26,810**
Excess accrued bonuses	**1,677**	1,629	**14,201**
Enterprise taxes	**469**	471	**3,972**
Long-term accounts payable	**401**	214	**3,396**
Devaluation of investments in securities	**927**	2,033	**7,850**
Loss on program rights	**473**	587	**4,005**
Unrealized gain on available-for-sale securities	**(45,100)**	(49,186)	**(381,912)**
Amortization of long-term prepaid expenses	**2,449**	2,500	**20,738**
Other	**1,740**	778	**14,735**
Less valuation allowance	**(2,449)**	(2,500)	**(20,738)**
Deferred tax liabilities, net	**¥(32,540)**	¥(34,734)	**$(275,552)**

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

	2006
Statutory tax rate	40.69%
Increase (reduction) in taxes resulting from:	
Non-deductible expenses and non-taxable income	2.56
Equity in losses of affiliates	2.66
Amortization of goodwill	2.40
Amortization of long-term prepaid expenses	3.55
Other	(0.66)
Effective tax rate	51.20%

Data for the year ended March 31, 2007, has been omitted because the difference between effective tax rate and statutory tax rate was not material.

9. NET ASSETS

As described in Note 2 (t), net assets comprises four subsections, which are the shareholders' equity, valuation and translation adjustments, share subscription rights and minority interests.

The Japanese Corporate Law ("the Law") became effective on May 1, 2006, replacing the Japanese Commercial Code ("the Code"). The Law is generally applicable to events and transactions occurring after April 30, 2006 and for fiscal years ending after that date.

Under Japanese laws and regulations, the entire amount paid for new shares is required to be designated as common stock. However, 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, which is included in capital surplus.

Under the Law, in cases where a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in-capital and legal earnings reserve must be set aside as additional paid-in-capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Under the Code, companies were required to set aside an amount equal to at least 10% of the aggregate amount 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 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 could be capitalized by a resolution of the Board of Directors. Under the Law, both of these appropriations generally require a resolution of the shareholders' meeting.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Code, however, on condition that the total amount of legal earnings reserve and additional paid-in capital remained equal to or exceeded 25% of common stock, they were available for distribution by resolution of the shareholders' meeting. Under the Law, all additional paid-in-capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

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

At the annual shareholders' meeting held on June 28, 2007, the shareholders approved cash dividends amounting to ¥1,141 million ($9,662 thousand). Such appropriations have not been accrued in the consolidated financial statements as of March 31, 2007. Such appropriations are recognized in the period in which they are approved by the shareholders.

10. EMPLOYEES' RETIREMENT AND SEVERANCE BENEFITS

The liabilities for retirement and severance benefits included in the consolidated balance sheets as of March 31, 2007 and 2006 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	**2007**
Projected benefit obligation	**¥12,357**	¥12,433	**$104,641**
Less: Fair value of plan assets	**(3,205)**	(3,099)	**(27,140)**
Unfunded obligation	**9,152**	9,334	**77,501**
Unrecognized actuarial differences	**142**	(137)	**1,202**
Liability for retirement and severance benefits	**¥ 9,294**	¥ 9,197	**$ 78,703**

Included in the consolidated statements of income for each of the three years ended March 31, 2007 were retirement and severance benefit expenses comprised of the following:

	Millions of yen			Thousands of U.S. dollars
	2007	2006	2005	**2007**
Service costs-benefits earned during the year	**¥ 797**	¥ 559	¥ 1,585	**$ 6,749**
Interest cost on projected benefit obligation	**178**	175	1,007	**1,507**
Expected return on plan assets	**—**	—	(620)	**—**
Amortization of actuarial differences	**137**	355	(5,027)	**1,161**
Amortization of prior service costs	**—**	940	—	**—**
Cost of defined contribution plans and advanced retirement allowance plans	**665**	674	—	**5,631**
Retirement and severance benefit expenses	**¥1,777**	¥2,703	¥(3,055)	**$15,048**

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, 2007 and 2006. 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.

11. EFFECT OF BANK HOLIDAY ON MARCH 31, 2007

As financial institutions in Japan were closed on March 31, 2007, trade notes receivable (¥176 million) maturing on the above dates were settled on the following business day, April 1, 2007 and accounted for accordingly.

12. 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, 2007 and 2006 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
	2007	2006	**2007**
Purchase price:			
Buildings	**¥ 57**	¥ 67	**$ 483**
Machinery	**3,242**	8,915	**27,454**
Equipment	**1,182**	1,571	**10,009**
	¥4,481	¥10,553	**$37,946**
Accumulated depreciation:			
Buildings	**¥ 50**	¥ 43	**$ 424**
Machinery	**2,359**	7,153	**19,976**
Equipment	**534**	866	**4,522**
	¥2,943	¥ 8,062	**$24,922**
Book value:			
Buildings	**¥ 7**	¥ 24	**$ 59**
Machinery	**883**	1,762	**7,478**
Equipment	**648**	705	**5,487**
	¥1,538	¥ 2,491	**$13,024**

(2) Lease commitments (including interest portion):

	Millions of yen		Thousands of U.S. dollars
	2007	2006	**2007**
Due within one year	**¥ 761**	¥ 1,419	**$ 6,444**
Due after one year	**777**	1,072	**6,580**
Total	**¥1,538**	¥ 2,491	**$13,024**

(3) Lease expenses and depreciation equivalents:

	Millions of yen			Thousands of U.S. dollars
	2007	2006	2005	**2007**
Lease expenses	**¥1,389**	¥2,014	¥2,340	**$11,762**
Depreciation equivalents	**1,389**	2,014	2,340	**11,762**

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

13. SECURITIES

The following tables summarize acquisition costs, book values and fair value of securities with available fair market values as of March 31, 2007:

(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	**¥67,490**	**¥181,565**	**¥114,075**	**$571,513**	**$1,537,514**	**$966,001**
Debt securities	**—**	**—**	**—**	**—**	**—**	**—**
Other securities	**421**	**521**	**100**	**3,565**	**4,412**	**847**
Total	**¥67,911**	**¥182,086**	**¥114,175**	**$575,078**	**$1,541,926**	**$966,848**

(2) Other securities

Type	Millions of yen Acquisition cost	Book value	Difference	Thousands of U.S. dollars Acquisition cost	Book value	Difference
Available-for-sale securities with available fair market values:						
Equity securities	**¥22,116**	**¥18,700**	**¥(3,416)**	**$187,281**	**$158,354**	**$(28,927)**
Debt securities	**—**	**—**	**—**	**—**	**—**	**—**
Other securities	**—**	**—**	**—**	**—**	**—**	**—**
Total	**¥22,116**	**¥18,700**	**¥(3,416)**	**$187,281**	**$158,354**	**$(28,927)**

Total sales of available-for-sale securities during the year ended March 31, 2007 amounted to ¥1,230 million ($10,416 thousand) and the related gains to ¥169 million ($1,431 thousand).

The following table summarizes book values of securities with no available fair market values as of March 31, 2007:

	Millions of yen	Thousands of U.S. dollars
Non-listed equity securities	**¥ 6,138**	**$ 51,977**
Available-for-sale securities	**26,876**	**227,589**
Total	**¥33,014**	**$279,566**

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

Type	Millions of yen Acquisition cost	Book value	Difference
Available-for-sale securities with available fair market values:			
Equity securities	¥61,346	¥182,201	¥120,855
Debt securities	—	—	—
Other securities	—	—	—
Total	¥61,346	¥182,201	¥120,855

(2) Other securities

Type	Millions of yen Acquisition cost	Book value	Difference
Available-for-sale securities with available fair market values:			
Equity securities	¥6,797	¥6,755	¥(42)
Debt securities	—	—	—
Other securities	495	458	(37)
Total	¥7,292	¥7,213	¥(79)

Total sales of available-for-sale securities during the year ended March 31, 2006 amounted to ¥17,019 million and the related gains and losses amounted to ¥16,946 million and ¥3 million, respectively.

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

	Millions of yen
Non-listed equity securities	¥ 7,039
Available-for-sale securities	17,171
Total	¥24,210

14. 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, 2007, 2006 and 2005 were ¥340 million ($2,879 thousand), ¥376 million and ¥322 million, respectively.

15. 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 ended March 31, 2007 was as follows:

Description of transactions (Nature of related parties)	Millions of yen 2007	2006	2005	Thousands of U.S. dollars 2007
Revenues:				
a) Directors				
Sales of advertising time (from certain broadcasting stations, an advertising agency and a newspaper publishing company)	**¥120,464**	¥85,966	¥32,264	**$1,020,103**
Room rent (from some associations)	**3**	3	3	**25**
Advertisement fee (from some associations)	**—**	2	—	**—**
b) Affiliated company				
Production fee	**1,731**	1,742	2,568	**14,658**
Expenses:				
a) Directors				
Dealing commission (to an advertising agency)	**25,033**	17,734	6,219	**211,982**
Network compensation (to certain broadcasting stations)	**3,140**	2,893	2,539	**26,590**
Advertisement in the paper (to a certain newspaper publishing company)	**46**	10	39	**390**
Donation (to a certain entity)	**30**	30	30	**254**
Interest expense (to a certain financial institute)	**—**	—	52	**—**
Commission expense (to a certain financial institute)	**—**	12	212	**—**
b) Affiliated company				
Program purchase expense	**566**	628	520	**4,793**
Interest expense	**3**	6	10	**25**
Others:				
a) Affiliated company				
Repayment of short-term borrowings, net	**1,683**	2,296	3,505	**14,252**

Description of receivables and payables (Nature of related parties)	Millions of yen 2007	2006	Thousands of U.S. dollars 2007
Receivable pertaining to:			
a) Directors			
Sales of advertising time (from certain broadcasting stations, an advertising agency and a newspaper publishing company)	**¥10,192**	¥24,618	**$86,307**
Room rent (from some associations)	**—**	—	—
b) Affiliates			
Production fee (from a broadcasting station)	**175**	197	**1,482**
Payable pertaining to:			
a) Directors			
Dealing commission (to an advertising agency)	**1,283**	1,874	**10,865**
Network compensation (to certain broadcasting stations)	**743**	667	**6,292**
Advertisement in the paper (to a certain newspaper publishing company)	**—**	1	**—**
Commission expense (to a certain financial institute)	**—**	4	**—**
b) Affiliates			
Short-term borrowings	**1,606**	3,290	**13,600**
Program purchase expense (to a broadcasting station)	**80**	95	**677**

16. SEGMENT INFORMATION

The Company's and its subsidiaries' businesses are divided into the broadcasting segment, Multi visual ventures & Cultural Events (MVV&CE) segment, real estate segment and other segment. The major business of each segment is as follows:

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, etc.
Real estate	Leasing of land and buildings, and related businesses
Others	Limo service and restaurant service, etc.

(Change the business classifications)

Effective from the year ended March 31, 2007, the Company separated the MVV&CE segment from the other segment based on materiality. In addition, TBS service, Inc. and TBS TriMedia, Inc. have been reclassified to MVV&CE segment from Broadcasting segment because of the growth of its business.

Financial information by industry segment for the years ended March 31, 2007, 2006 and 2005 were summarized as follows:

Millions of yen

Year ended March 31, 2007	Broadcasting	MVV&CE	Real estate	Others	Total	Elimination/ Headquarters	Consolidated
1. Operating revenues and operating income							
Operating revenues							
(1) Outside customers	**¥262,762**	**¥53,181**	**¥ 2,475**	**¥ 282**	**¥318,700**	**¥ —**	**¥318,700**
(2) Inter-segment	**1,936**	**7,120**	**4,919**	**1,512**	**15,487**	**(15,487)**	**—**
Total	**264,698**	**60,301**	**7,394**	**1,794**	**334,187**	**(15,487)**	**318,700**
Operating expenses	**248,792**	**51,664**	**6,698**	**1,710**	**308,864**	**(15,492)**	**293,372**
Operating income	**¥ 15,906**	**¥ 8,637**	**¥ 696**	**¥ 84**	**¥ 25,323**	**¥ 5**	**¥ 25,328**
2. Assets, depreciation and capital expenditures							
Assets	**¥184,447**	**¥45,226**	**¥133,641**	**¥ 255**	**¥363,569**	**¥204,153**	**¥567,722**
Depreciation	**¥ 10,535**	**¥ 2,462**	**¥ 1,689**	**¥ 13**	**¥ 14,699**	**¥ —**	**¥ 14,699**
Capital expenditures	**¥ 7,556**	**¥ 380**	**¥ 17,158**	**¥ 7**	**¥ 25,101**	**¥ —**	**¥ 25,101**

Thousands of U.S. dollars

Year ended March 31, 2007	Broadcasting	MVV&CE	Real estate	Others	Total	Elimination/ Headquarters	Consolidated
1. Operating revenues and operating income							
Operating revenues							
(1) Outside customers	**$2,225,100**	**$450,343**	**$ 20,958**	**$ 2,388**	**$2,698,789**	**$ —**	**$2,698,789**
(2) Inter-segment	**16,394**	**60,293**	**41,655**	**12,804**	**131,146**	**(131,146)**	**—**
Total	**2,241,494**	**510,636**	**62,613**	**15,192**	**2,829,935**	**(131,146)**	**2,698,789**
Operating expenses	**2,106,800**	**437,497**	**56,719**	**14,481**	**2,615,497**	**(131,188)**	**2,484,309**
Operating income	**$ 134,694**	**$ 73,139**	**$ 5,894**	**$ 711**	**$ 214,438**	**$ 42**	**$ 214,480**
2. Assets, depreciation and capital expenditures							
Assets	**$1,561,919**	**$382,979**	**$1,131,688**	**$ 2,159**	**$3,078,745**	**$1,728,792**	**$4,807,537**
Depreciation	**$ 89,212**	**$ 20,848**	**$ 14,303**	**$ 110**	**$ 124,473**	**$ —**	**$ 124,473**
Capital expenditures	**$ 63,985**	**$ 3,218**	**$ 145,296**	**$ 59**	**$ 212,558**	**$ —**	**$ 212,558**

Millions of yen

Year ended March 31, 2006	Broadcasting	MVV&CE	Real estate	Others	Total	Elimination/ Headquarters	Consolidated
1. Operating revenues and operating income							
Operating revenues							
(1) Outside customers	¥254,469	¥48,709	¥ 2,545	¥ 318	¥306,041	¥ —	¥306,041
(2) Inter-segment	2,404	6,264	4,972	1,455	15,095	(15,095)	—
Total	256,873	54,973	7,517	1,773	321,136	(15,095)	306,041
Operating expenses	247,837	48,326	6,894	1,663	304,720	(15,084)	289,636
Operating income	¥ 9,036	¥ 6,647	¥ 623	¥ 110	¥ 16,416	¥ (11)	¥ 16,405
2. Assets, depreciation and capital expenditures							
Assets	¥209,297	¥52,293	¥109,582	¥ 316	¥371,488	¥183,784	¥555,272
Depreciation	¥ 11,171	¥ 1,290	¥ 1,606	¥ 14	¥ 14,082	¥ —	¥ 14,082
Capital expenditures	¥ 7,773	¥ 4,209	¥ 12,997	¥ 26	¥ 25,005	¥ —	¥ 25,005

Note: Information by business for the year ended 31 March, 2006 is modified in the new business segment for useful information.

Year ended March 31, 2005	Broadcasting	Real estate	Others	Total	Elimination/ Headquarters	Consolidated
						Millions of yen
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

Headquarters assets, consisting primarily of the Company's cash, marketable securities and investments in securities, were included in elimination/headquarters and were ¥206,340 million ($1,747,311 thousand), ¥186,705 million and ¥167,440 million for the years ended March 31, 2007, 2006 and 2005, 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 three years ended March 31, 2007, the disclosure of geographical segment information has been omitted.

Also, the disclosure of the overseas sales of the Company and its subsidiaries for each of the three years ended March 31, 2007 was omitted as such sales were less than 10% of the consolidated net sales.

17. CONTINGENT LIABILITIES

Contingent liabilities at March 31, 2007 were as follows:

	Millions of yen	Thousands of U.S. dollars
	2007	**2007**
Guarantee of bank loans for employees	**¥ 6,955**	**$58,896**
Guarantee of bank loans for other parties	**1,279**	**10,831**
Guarantee of leases obligations for other parties	**2,173**	**18,401**
Total	**¥10,407**	**$88,128**

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 ¥110,000 million ($931,493 thousand), however, there is no amount of loans as of March 31, 2007.

18. STOCK OPTIONS

Information on stock options existed the year ended March 31, 2007 was as follows:

(1) Content of stock options

	Stock options Granted in 2000	Stock options Granted in 2001	Stock options Granted in 2002
Persons granted	18 directors and 25 employees	9 directors and 65 executive employees	11 directors 16 corporate officers and 44 executive employees
Number of shares	Common stock 225,000 shares	Common stock 330,000 shares	Common stock 342,000 shares
Date of grant	August 21, 2000	August 21, 2001	August 27, 2002
Vesting conditions	Not stipulated	Not stipulated	Not stipulated
Service period	Not stipulated	Not stipulated	Not stipulated
Exercise period	July 1, 2002 to June 30, 2006	July 1, 2003 to June 30, 2007	July 1, 2004 to June 30, 2006

	Stock options Granted in 2003	Stock options Granted in 2004	Stock options Granted in 2005
Persons granted	10 directors 9 corporate officers 46 executive employees and 38 directors of subsidiary companies	10 directors 8 corporate officers 45 executive employees and 39 directors of subsidiary companies	10 directors 11 corporate officers 37 executive employees and 35 directors of subsidiary companies
Number of shares	Common stock 292,000 shares	Common stock 292,000 shares	Common stock 296,000 shares
Date of grant	August 27, 2003	August 30, 2004	August 30, 2005
Vesting conditions	Not stipulated	Not stipulated	Not stipulated
Service period	Not stipulated	Not stipulated	Not stipulated
Exercise period	July 1, 2005 to June 30, 2007	July 1, 2006 to June 30, 2008	July 1, 2007 to June 30, 2009

(2) Number and movement of stock options
The number of stock options is convertible into the number of shares.

Number of shares

	Stock options Granted in 2000	Stock options Granted in 2001	Stock options Granted in 2002
Before vesting options			
Balance at March 31, 2006	—	—	—
Granted	—	—	—
Forfeited	—	—	—
Vested	—	—	—
Balance at March 31, 2007	—	—	—
After vesting options			
Balance at March 31, 2006	225,000	315,000	339,000
Granted	—	—	—
Forfeited	—	39,000	3,000
Vested	225,000	—	336,000
Balance at March 31, 2007	—	276,000	—

Number of shares

	Stock options Granted in 2003	Stock options Granted in 2004	Stock options Granted in 2005
Before vesting options			
Balance at March 31, 2006	—	—	—
Granted	—	—	—
Forfeited	—	—	—
Vested	—	—	—
Balance at March 31, 2007	—	—	—
After vesting options			
Balance at March 31, 2006	88,000	292,000	296,000
Granted	—	—	—
Forfeited	31,000	96,000	—
Vested	—	—	—
Balance at March 31, 2007	57,000	196,000	296,000

(3) Price per share

Yen

	Stock options Granted in 2000	Stock options Granted in 2001	Stock options Granted in 2002
Option price	¥4,870	¥2,452	¥2,682
Weighted-average stock price	—	4,071	2,768
Fair value at grant date	—	—	—

Yen

	Stock options Granted in 2003	Stock options Granted in 2004	Stock options Granted in 2005
Option price	¥1,696	¥1,962	¥2,145
Weighted-average stock price	3,381	3,925	—
Fair value at grant date	—	—	—

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, 2007 and 2006, the related consolidated statements of income for each of the three years ended March 31, 2007, the consolidated statement of changes in net assets for the year ended March 31, 2007, the consolidated statement of shareholders' equity for each of the two years ended March 31, 2006, and the consolidated statements of cash flows for each of the three years ended March 31, 2007, 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, 2007 and 2006, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan.

Without qualifying our opinion, we draw attention to the following:
(1) As discussed in Note 16 to the consolidated financial statements, effective from the year ended March 31, 2007, Tokyo Broadcasting System, Inc. and consolidated subsidiaries changed their segment.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2007 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 28, 2007

Corporate Data

As of March 31, 2007

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; terrestrial digital TV broadcasting: JORX-DTV

Number of Employees

1,157

Stock Exchange Listing

Tokyo Stock Exchange

Common Shares Issued

190,307,968

Paid-in Capital

¥54,857 million

Number of Shareholders

8,867

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 2007* and back numbers from 2000 to 2006 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

Shareholders	Number of shares held	Ratio to total shares issued (% ownership)
Rakuten Media Investment, Inc.	29,901,200	15.71
EM Planning Co., Ltd.	18,872,500	9.91
The Master Trust Bank of Japan, Ltd. (Pension Account—Pension Trust Account held for Dentsu Inc.)	9,310,500	4.89
The Master Trust Bank of Japan, Ltd. (Trust Account)	9,008,900	4.73
Nippon Life Insurance Company	7,821,735	4.11
Trust & Custody Services Bank, Ltd.	6,369,400	3.34
Sumitomo Mitsui Banking Corporation	5,745,267	3.01
Mainichi Broadcasting System, Inc.	5,362,000	2.81
Mitsui & Co., Ltd.	4,288,000	2.25
Japan Trustee Service Bank, Ltd. (Trust Account)	3,962,600	2.08

Notes: 1. Shareholding ratios are calculated after subtracting treasury stock (15,145 shares).
2. Shareholding ratios are rounded off to the third decimal point.
3. Foreigners had 3.22% of total voting rights under the Radio Law at the end of the consolidated fiscal period.

TBS

TOKYO BROADCASTING SYSTEM, INC.

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

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