

On the move

Annual Report 2003

TV Asahi

» Profile

Since launching services in 1959, TV Asahi has formed financial ties with 23 networks across the country and stands today as one of Japan's leading commercial television networks.

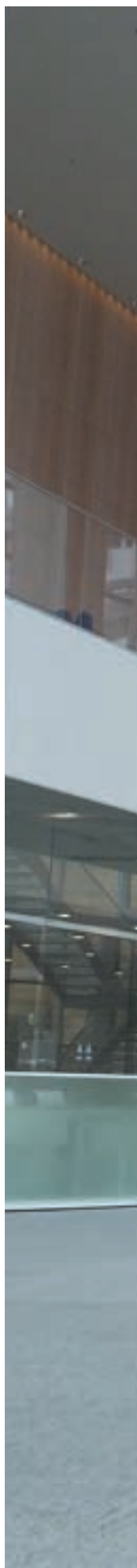
With the backing of major shareholders Asahi Shimbun Publishing Company, which publishes one of Japan's top daily newspapers, and Toei Company, Ltd., a prominent movie company, as well as Toei Animation Co., Ltd., a distinguished producer of animation, and Nikkan Sports News Co., Ltd., which publishes a sports newspaper, TV Asahi is building a comprehensive media group that presents a full range of news, entertainment and broadcasting content.

The news and information we provide on major events, political developments and social issues around the globe are perfectly in tune with citizens' interests and have earned high praise from the viewing public.

We have also established a solid profile—a station brand—in the areas of animation, with favorable reviews from abroad for such programs as *Doraemon* and *Crayon Shin-Chan*, and sports, with exclusive rights to broadcast the U.S. Open and British Open golf tournaments, the Pan Pacific Swimming Championships, and international Asian Football Confederation matches.

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The image shows a vast, modern office interior with a curved glass facade. The space is filled with rows of black office chairs, suggesting a large-scale event or a new office environment. A blue semi-transparent text box is overlaid on the right side of the image, containing the title and main text.

Move into position

We are making steady progress on the road to targets set in June 2002 with reforms that will transform the Company into a streamlined, more resilient organization. Progress has been slow, but the results are becoming visible. Earlier this year, our new headquarters building, with fully digital capabilities, was completed. We have moved in and are now preparing for the start of broadcasting from this location in October this year. The stage is set and we are raring to go.



In 2004, TV Asahi will celebrate its 45th anniversary.

Utilizing this corporate milestone as an opportunity to reenergize, we launched the Companywide Reform Campaign in June 2002 to reinforce our ability, as a leader in the television industry, to foster new sensations through content creation. The campaign blueprint highlights three goals:

1. To secure the top viewer rating during prime time (7:00 p.m. to 11:00 p.m.) by March 2005.
2. To adopt a high-profit structure capable of weathering changes in the business climate.
3. To maximize the creativity and talents of all employees and enable each of them to pursue individual dreams and ideals.

Toward achieving these goals, we are currently implementing employee awareness programs and corporate self-reforms. Already, the potential for change has been embraced, particularly by young employees, and a renewed enthusiasm now permeates the whole company. The momentum that drives this reform campaign will underpin improvements in content development capabilities and program creation, and culminate in higher viewer ratings.

We are gearing up for the launch of terrestrial digital broadcasts in December 2003 that will complement BS digital broadcasts, which started in December 2000 and CS 110-degree digital broadcasts, which commenced in July 2002. The digitization of terrestrial broadcasts is a component of national policy guiding Japan into the information technology age, and it will serve to make more effective use of radio waves and to raise the level of broadcasting quality.

Terrestrial digital broadcasts will facilitate fixed trans-



missions to homes, just as analog broadcasts do now, as well as mobile transmissions to people in vehicles or on cellular phones. In addition, terrestrial digital broadcasts offer excellent quality and a number of features, including high-definition programs and data broadcasts, that are impossible with analog systems.

The new headquarters building is a fully digital-capable facility boasting the latest in broadcasting equipment. The technologies integrated into the building will make TV Asahi a stronger force in the broadcast industry by reinforcing program production capabilities and raising overall efficiency. The enhanced operating environment will enable us to provide viewers with services that are more entertaining and more useful than ever before.

TV advertising, the mainstay of our operations and a business on which terrestrial analog broadcasts have hinged, is being transformed amid rapid progress toward digitization and multichannel media.

Competition is sure to intensify in an already tough market. To succeed, we simply must hone a sharper competitive edge. Every employee understands the urgency of this task and is working steadily to help the Company achieve its goal.

On behalf of the everyone at TV Asahi, I ask for your continued support and encouragement of our efforts.

June 2003

広瀬道員

Michisada Hirose

President and Chief Executive Officer

» Interview with the President

04

Interview with the President

Demand for advertising fell for the second consecutive year, reflecting the prolonged downturn in domestic business conditions. With less demand for TV advertising, competition in the commercial broadcasting industry naturally intensified and business results faltered.

With no sign of economic recovery in sight, TV Asahi launched the Companywide Reform Campaign and initiated measures to secure top viewer ratings.

This interview with TV Asahi President and Chief Executive Officer Michisada Hirose provides an insider's perspective on the challenges that prevail in the commercial broadcasting industry and the road that the new TV Asahi will take toward a more successful future.

Fiscal 2003 Review

TV Asahi posted lower sales and income in fiscal 2003. What led to this situation?

The biggest factor was a 6.2% drop in TV broadcasting revenues. We had predicted that demand for TV advertising in Japan would retreat further in fiscal 2003, and true enough, no sign of recovery emerged during the term. Few in the advertising industry escaped unscathed and most were hit hard by lackluster sales.

Since sports specials are popular among our viewers, we worked assiduously to promote advertising space on such events as the 2002 FIFA World Cup™ soccer tournament, the 2002 Pan Pacific Swimming Championships in Yokohama, and the high point of domestic professional baseball—the Japan Series. Sales of advertising space on regular programs and live professional baseball night games, other than the Japan Series, were sluggish. In the end, time sales (commercials run mid-program) fell 6.1% year-on-year, to ¥89.0 billion.

Demand for spot sales was also weak, with results falling throughout the first half of fiscal 2003, and declining compared with corresponding months in the previous fiscal year. In fact, if we go back to the point in time when spot sales started to decline, the trend has continued uninterrupted for 15 months.

Consolidated Financial Highlights

Asahi National Broadcasting Company Limited and Consolidated Subsidiaries
Years ended March 31, 2003 and 2002

	Millions of Yen		Percentage Change	Thousands of U.S. Dollars
	2003	2002	2003/2002	2002
Net Sales	¥209,035	¥219,926	-5.0%	\$1,739,060
Operating Income	7,430	13,478	-44.9	61,814
Net Income	1,908	5,939	-67.9	15,874
Total Assets	294,047	291,133	1.0	2,446,314
Total Stockholders' Equity	215,842	216,515	-0.3	1,795,691

	Yen		Percentage Change	U.S. Dollars
	2003	2002	2003/2002	2002
Per Share of Common Stock:				
Net Income—basic	¥ 1,785.27	¥ 5,903.72	-69.8%	\$ 14.85
Total Stockholders' Equity	214,554.90	215,223.72	-0.3	1,784.98

	Percent		Change
	2003	2002	2003/2002
Equity Ratio	73.40%	74.37%	-0.97%
Return on Equity	0.88	2.77	-1.89

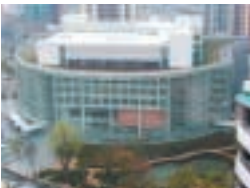
Notes: 1. For convenience only, U.S. dollar amounts have been translated from Japanese yen at the rate of ¥120.20 to US\$1, the rate of exchange prevailing on the Tokyo Foreign Exchange Market on March 31, 2003.

2. For the calculation of net income per share—basic, see Note 9 of Notes to Consolidated Financial Statements.

3. Return on Equity (ROE) = 100 x (Net income ÷ Average total stockholders' equity at the beginning and the end of the fiscal year).



Companywide Reform Campaign



From a bird's-eye view, the new headquarters building is shaped like a nicely rounded "R," a form inspired by the gentle curves of the hilly streets in this former residential district. The building was designed by Fumihiko Maki, one of Japan's leading architects, and features a glass-walled atrium that accentuates the relaxing atmosphere of the adjacent pond and traditional Japanese garden. The atrium is an expression of our status as a respected television station entering a new era of broadcasting.

Spot sales by sector were up for automobiles, cosmetics and household detergents and cleansers, as well as electronic equipment, especially plasma display televisions, as manufacturers sought to capitalize on World Cup soccer fever to fuel sales. But companies that had been major spot advertisers in the past, particularly those in the telecommunications, food and beverage, and insurance and financial services sectors, curtailed their advertising budgets, and this pushed TV Asahi's spot sales for fiscal 2003 down 6.7%, to ¥83.3 billion.

Concerted efforts to reduce agency fees and commissions, paralleling lower advertising revenues, and to curb personnel and program production costs yielded a 2.3% decrease in operating expenses, to ¥4.8 billion. However, this decrease was not enough to offset shrinking advertising revenues. As a result, consolidated net income dropped 67.9%, to ¥1.9 billion, on net sales of ¥209.0 billion, down 5.0% over the previous fiscal year.

Please outline progress on the Companywide Reform Campaign?

We kicked off the Companywide Reform Campaign in June 2002, with each area of the Company formulating strategies for achieving companywide goals. These ideas were incorporated into a final draft in December 2002. In February 2003, we implemented the first stage of reform—a major business reorganization and personnel reshuffle.

Our primary objective is twofold: to replace the headquarters system with a supervisory system that expedites decision-making and facilitates the delegation of authority; and to rejuvenate the executive team, particularly with younger representation in the Programming Division.

To achieve our objective, we highlighted the following tasks.

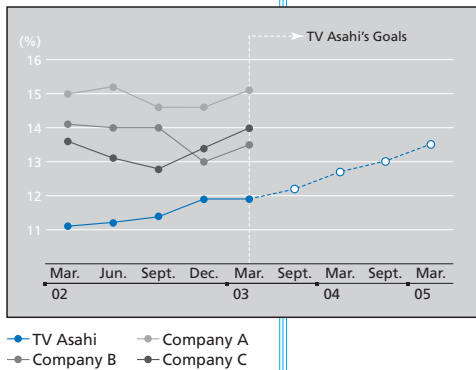
- Increase staffing in the strategic segments of programming and production departments to reinforce content.
- Integrate news and information departments to maximize the skills of research and production staff and better utilize information and materials.
- Consolidate non-broadcasting businesses into a single division, in order to clarify the strategic roles of each department and promote synergies in business development.
- Establish the Customer Service Division to function as an open channel for communication with viewers, which will help TV Asahi pinpoint audience interests and to develop programs and schedules that the viewing public will value over those of other networks.
- Raise the status of the Affiliated Companies Division to Affiliated Companies Office to strengthen consolidated business activities.

In May 2003, we will begin moving into our new headquarters building. For the first time in 17 years, production and news staff, who are currently housed at various locations, will be together, working under the same roof.

The new headquarters building will be fully operational this autumn and ready for the launch of terrestrial digital broadcasts. Its opening represents completion of the Companywide Reform Campaign infrastructure that will support what we call "The Third Phase" of our history—a new beginning on the road toward a slimmer, more robust and more innovative organization.



Prime-Time Ratings for Japan's Top Four Commercial Networks



How will TV Asahi capture the top prime-time rating?

The goal is to secure a viewer rating of 13.5% by March 2005 and thereby establish TV Asahi as the leading television network in Japan, in terms of ratings.

Toward this end, we began setting concrete numerical targets in autumn 2002 for ratings at each October and April programming schedule until March 2005 and instituted measures to take ratings incrementally higher. In addition, we introduced a staff allocation system in February 2003 that concentrates people in the strategic production divisions.

Higher ratings hinge on content, and two keys are absolutely vital to the development of excellent programming. One is to improve production capabilities, which is accomplished by reinforcing staffing levels, and the other is personnel training with a forward-looking perspective. These keys are then augmented by a keen ability to pinpoint viewers' needs and then energize marketing activities to reflect these needs in programming and production. This theme has been woven into the Companywide Reform Campaign and is receiving appropriate attention.

Slowly but surely our efforts are bearing fruit. Our prime-time rating in the second half of fiscal 2003—that is, from October 2002 through March 2003—reached 11.9%, exceeding the stated target for the term.

TV Asahi aims to adopt a high-profit structure impervious to changes in the business climate. How will this be done?

The typical cost structure of a broadcaster comprises many fixed costs incurred in the course of creating and airing programs on a daily basis. Another characteristic is that profits will suddenly soar when sales surpass a benchmark level.

Our first priority is thus to boost ratings and expand TV advertising revenues.

Our next task is to cut fixed costs as a percentage of net sales through the meticulously efficient use of funds. To trim production costs, we are reviewing single-episode and late-night programming for which the impact on ratings is negligible; and to curb administrative costs, we are taking a close look at spending and are already outsourcing suitable peripheral tasks. These efforts will lower the breakeven point.

At the same time, we are promoting a process of selection and concentration, whereby management resources are allocated to areas where they will produce maximum benefits.

Our third objective is to develop new businesses, primarily in fields directly related to TV broadcasting, and thereby to expand sales from activities other than TV advertising. Toward this end, we are working to cultivate higher sales from several sources, particularly information distribution services to cellular phone users, the release of TV programs in video and digital video disk (DVD) format, production of theater movies based on TV programs, and overseas promotion of programs originally made for domestic audiences. We may also embark upon TV shopping and commercialization of characters that appear in our programs.

The results are beginning to show, substantiated by a 2.9% year-on-year rise in sales from activities other than TV advertising.

New Headquarters Building



Roppongi Hills, a new district in the heart of Tokyo, was built in Japan's biggest private redevelopment project. Covering an area of 110,000 square meters, the complex centers around a 54-story office tower with a permanent art gallery on the top floor. Roppongi Hills is also home to TV Asahi's new headquarters building and comprises several other facilities, including residential units, a luxury hotel and a cinema complex, as well as shops and restaurants.



The atrium, a six-story open space, represents a warm welcome to visitors from TV Asahi. It is the first point of entrance into the new headquarters building and functions as a place of contact between the public and the media. Inside the atrium, visitors will find a coffee shop and stores with a wide selection of merchandise related to TV Asahi programs.

How will the new headquarters building enhance operations?

Before I answer that, I must emphasize that the new headquarters building is no ordinary office building. It will be the indispensable cornerstone of a broadcasting network—the basis of a creative workshop, so to speak—fully outfitted for every function a TV station must perform, from program production to transmission.

The new headquarters building was completed in April 2003. We were able to execute appropriate capital investment that anticipated the installation of broadcasting equipment geared to the December 2003 start of terrestrial digital broadcasts.

We were also able to avert unnecessary duplication of investments by incorporating plans for digital broadcasts into the architectural design of the building so that we could get by with maintaining equipment instead of replacing equipment.

The new headquarters building has also presented the benefits of better communication among staff and a deeper corporate sense of unity, because production and news sections, which to date have been scattered throughout Tokyo, are under one roof.

Finally, with operations all under the same roof, we can reduce expenses, such as the office and studio rents that arose in the past when headquarters' activities were spread out over different locations. Moreover, we gain the opportunity for revenues from tenants leasing space we do not use ourselves within the headquarters building as well as the potential for rental income from existing off-site studios.

What are the building's major plus points?

A key advantage is the central server and master systems, which enable conversion and transmission of signals in various media formats, including terrestrial analog, terrestrial digital, BS, CS, broadband and mobile wireless. The systems also make dual-format transmission possible and paves the way for TV Asahi to execute simulcasting—the parallel transmission of terrestrial analog and digital programs—that will run until 2011, when analog programming is terminated.

Another plus is the on-site studios. The new headquarters building has 11 studios, each capable of producing content with picture and sound of the highest quality. Enhanced material collection capabilities in the news studios will accelerate heading changes, and the introduction of a news support system will streamline programming processes.

One more noteworthy feature is the companywide materials-management system and digital archive.

In combination, these systems and facilities will make operations more efficient and shorten the time spent on programming and production.

Roppongi Hills, in which the new headquarters building is located, is sure to become a popular landmark in Tokyo. The first-floor atrium will be accessible to all, and the Customer Service Division will be front and center to encourage input from visitors.

Media Strategy



Studio: A variety of content is created in our 11 studios, each room designated for a different category of programming



Editing equipment: Cameras and microphones are switched, and digital material, such as pictures and credits, stored on servers is input to assemble programs.

What is the schedule for terrestrial digital broadcasts and what format will services take?

Terrestrial digital broadcasts are set to start in December 2003 in the Kanto region, which centers on Tokyo, the Keihanshin district, covering Kyoto, Osaka and Kobe, and the Nagoya area.

The plan for the Kanto region calls for gradual expansion of the transmission area in line with the work schedule for converting analog frequencies to digital. Between spring 2004 and the end of that year, about eight million households will have the opportunity to enjoy digital services. By the beginning of 2006, about 80% of the Kanto region will have access to terrestrial digital broadcasts.

For the Keihanshin district and Nagoya, the reception environment is better than in the Kanto region, so we expect nearly the entire area will be able to access digital broadcasts from the start of services.

The format for terrestrial digital broadcasts over the 12 data segments, will be either a single high-definition channel plus data broadcasts or three standard-definition channels plus data broadcasts.

In the future, a segment for a cellular phone service will be added. The decision will be based on shipment data for the terminals needed to convert transmissions into digital signals.

Where is TV Asahi going with its media strategy?

The underlying concept that characterizes every media strategy at TV Asahi comprises three points: benefit for viewers, synergy with terrestrial broadcasts, and corporate profitability. Our objective is to enhance convenience for viewers and clients with services linked to terrestrial broadcasts.

In the production of programs, we are expanding our strategic outlook past terrestrial broadcasts. We aim to utilize several media formats, including other broadcast, communications and storage media. We are thus considering several plans for programming, budget allocation and the acquisition of rights for use in creating programs.

Our media strategy may hinge on terrestrial broadcasts right now, but we know that BS and CS digital broadcasts, Internet and mobile wireless are also vital tools for delivering information and entertainment content that would not reach viewers by typical terrestrial means. By employing an integrated assortment of media, we increase our chances of contact with viewers and strengthen our station brand.

We believe that television is the gateway to all media. For that reason, we plan to maximize data broadcasting services made possible through the autumn 2003 launch of terrestrial digital broadcasts and to realize what we call "portal service" to viewers and users of our services.

How does Asahi Shimbun fit into the media strategy?

The TV Asahi Group is essentially shaped by TV Asahi and *Asahi Shimbun*. Together, we provide newspaper and terrestrial TV broadcasts as well as a range of services for diverse user environments. The spectrum of our activities includes magazines, DVDs and other packaged

media; satellite broadcasts on BS and CS channels; the Internet; and mobile wireless services.

Amid the shift toward digitization and multichannel media, existing mass media, such as newspapers and television, will survive only if the providers integrate formats. Beating the competition in each media genre is not enough. Providers must incorporate all formats into the gateway I mentioned earlier.

The times demand comprehensive capabilities. Stronger ties between TV Asahi and *Asahi Shimbun* will be integral to a successful media strategy.

Capital Investment

What kind of capital investment is TV Asahi considering now?

Capital investment on the new headquarters building has already been allocated. The building itself was acquired through a transfer of property rights for building and land already owned by the Company, so the building will not require any further outlay of capital.

We budgeted for about ¥50 billion to set up the new headquarters building. Of this amount, ¥40 billion is going toward the installation of broadcasting equipment and the remaining ¥10 billion for constructing additional facilities, such as studios. Since most of the broadcasting-related equipment is being installed new when construction of the building is complete, we do not envision any hurry to upgrade, and any capital investment related to broadcasting operations will be kept low for a certain period of time.

We predict depreciation and amortization on the new headquarters building to peak at ¥11.5 billion.

The introduction of terrestrial digital broadcasting will necessitate installation of external transmission equipment on Tokyo Tower and at relay stations. The cost will run to around ¥5.5 billion over the next six years, but the outlay will be contained within our regular capital investment budget.

The Future

What is in store for TV advertising, and what kind of performance will TV Asahi turn in for fiscal 2004?

Based on existing growth forecasts for gross domestic product, the research institute at the National Association of Commercial Broadcasters in Japan has estimated that the annual rate of growth in operating income—income from both terrestrial broadcasts and BS digital broadcasts—for the commercial broadcasting industry will average 1.5% between 2002 and 2007. Following a retreat in 2002 and 2003, a positive trend should emerge from 2004 through 2007.

TV Asahi will experience a temporary increase in its depreciation burden, owing to capital investment in the construction and equipping of the new headquarters building. But improved viewer ratings and wider income sources should bolster sales, while concerted cost-control measures should trim expenses.

We anticipate net sales of ¥212.0 billion and net income of ¥0.8 billion in fiscal 2004. We will diligently apply ourselves to achieving these goals.



TV Broadcasting

Overview

TV broadcasting, the key segment of TV Asahi's operations, accounts for about 90% of consolidated net sales. The primary activities of this segment are related to the production and transmission of television programs aired on our network.

In fiscal 2003, sales from TV broadcasting operations fell 6.2%, to ¥194.3 billion. This result is largely attributable to a second consecutive year of retreating demand in the domestic TV advertising market, which adversely impacted time sales and spot sales, and led to declines in both revenue categories.

>> Operating Results

With regard to our regular timetable, we reduced the number of prime-time shows with low viewership and were rewarded with a prime-time rating of 11.9%, exceeding our goal of 11.7%. A corollary effect of this development was an increase in ratings for the time slots either immediately preceding or following the prime-time slot. We expect future program reshuffling will sustain favorable ratings growth.

Regular Programming

Major Regular Prime-Time Program Ratings (%)

	2002			2003
	Jun.	Sept.	Dec.	Mar.
<i>Tabi no Kaori Toki no Asobi</i>	7.1%	8.5%	10.5%	11.2%
<i>Suisupe</i>	–	10.0	9.4	10.2
<i>Kozure Okami</i>	–	–	10.8	–
<i>Takeshi's TV Tackle</i>	11.7	13.8	16.0	16.1
<i>News Station</i>	13.7	13.2	15.1	14.4
<i>Saturday Night at the Mysteries</i>	15.7	14.9	15.9	17.2
<i>Sunday Movies Theater</i>	13.3	14.6	14.6	13.9



Ikinari! Ogon Densetsu

Living on ¥10,000—about \$80—a month. Surviving a week on the ocean with only fishing tackle. Challenges such as these push physical limits to the brink, and few people would accept or even consider accepting them. *Ikinari! Ogon Densetsu* is a popular variety show that meticulously documents successful attempts to surmount such odds. The recipes for penny-wise cooking that came out of the episode about living on ¥10,000 were so well received by viewers that we published a book of recipes.

Prime Time

We have gradually introduced new programs with the end objective of replacing all underperforming programs. We are also working to strengthen the content of ongoing programs that enjoy strong viewer support. These efforts will lift prime-time ratings as a whole.

Of new programs, *Tabi no Kaori Toki no Asobi* ("The Essence of Travel: A Time for Recreation") has won the attention of female viewers. The program, which focuses on scenic spots in Japan that are increasingly being overlooked by today's travelers, achieves double-digit viewer ratings every week.

We completely revamped *Suisupe* ("Wednesday Special"), a variety show that highlights a different genre or theme each week, to more accurately meet the diverse tastes of viewers. The show achieves higher viewer ratings with each broadcast. New programs shown in *Suisupe* that have favorably impressed viewers may be turned into series or regular programs. We are streamlining our list of programs with such potential.



London Hearts

This well-watched variety show takes a hands-on approach to determine attitudes about love among young men and women. One situation had a girlfriend pretend to be another woman and send an amorous text message to her boyfriend's cell phone to see if he would reply to the invitation or remain faithful to her. Another situation had a woman approached by an attractive stranger to see if she would go off with him.



Takeshi's TV Tackle

Takeshi Kitano, a world-caliber film director, leads weekly debates on timely issues, such as the war in Iraq and perceived aggressive behavior by North Korea, including the abduction of Japanese nationals and the regime's nuclear development agenda. The differing opinions of guests on the discussion panel always fuel a fierce war of words.

We reinforced our animation lineup with two new shows—*Atashinchi*, about an amusing Japanese family, and *Tsuribaka Nisshi* ("Fishing Crazy Journal"), based on a comedy about a middle-aged man who loves fishing—that can be enjoyed by the whole family. This effort has helped to expand our audience base for animated shows.

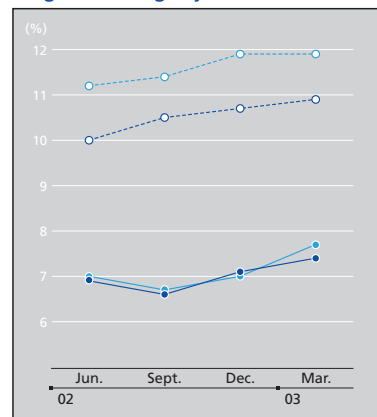
In our drama segment, we reintroduced *Kozure Okami* ("Lone Wolf and Cub") with a new cast. This period drama, popular in its original run some years ago, is about a former shogunate officer, who wanders the countryside as an outlaw assassin with his son while fighting off attacks from the rival clan that discredited him. We also turned the police drama *Aibo* ("Partners"), the self-contained two-hour episodes shown on *Saturday Night at the Mysteries*, into a regular series. Both *Kozure Okami* and *Aibo* have gained the support of viewers and substantiate our ability to select programs that succeed as sequels or spin-offs.

We increased support for two ongoing variety shows: *Ikinari! Ogon Densetsu*, which takes the challenges of daily life to the extreme; and *London Hearts*, which challenges the attitudes of young people. We also achieved the highest ratings to date for *Takeshi's TV Tackle*, a discussion-oriented program featuring a panel of distinguished guests who wage a war of words around timely political, economic, social and international issues. The long-running program marked its 600th broadcast in February 2003.

News Station, now in its 18th year, continues to garner high ratings. It is a key program for the network and underpins weekday prime-time ratings.

Other cornerstones of our programming lineup are *Saturday Night at the Mysteries*, which celebrated 25 years on air in July 2002, and *Sunday Movie Theater*, which has entertained Japanese audiences for more than 30 years. These shows continue to reinforce our audience base and maintain high weekend ratings.

Program Ratings by Time Slot



● All-day (6:00 a.m. - 12:00 a.m.)
 ○ Golden Time (7:00 p.m. - 10:00 p.m.)
 ○ Prime Time (7:00 p.m. - 11:00 p.m.)
 ● Prime Time 2 (11:00 p.m. - 1:00 a.m.)

Other Time Slots

Late-night variety programs airing in the 11 p.m. time slot or later contributed to the upward trend in prime-time ratings. These programs were also instrumental in reinforcing our station brand.

Super J Channel, a news program in the weekday evening time slot, put TV Asahi well into the league of top networks as of December 2002, as far as program ratings in this time slot are concerned.

Special Programming

As in fiscal 2002, TV Asahi made sports the focus of its special programming. Sporting events always pique viewers' interest, so our focus on sports encourages wider recognition of our station brand. Moreover, the benefits are immediate. Once again, we devoted particular attention to golf, soccer and swimming, with special project teams, established in December 2001, maintaining responsibility for events in each category.

Our golf coverage enables golf enthusiasts in Japan to see the world's top players in action. TV Asahi holds exclusive broadcasting rights to the world's two most respected tournaments—the U.S. Open golf tournaments, with its always immaculate setting, and the British Open golf tournaments, played out against a beautiful landscape.

We continued our support this year for the Campaign for Supporting Japanese Soccer, which aims to stimulate greater interest in this sport and was instrumental in motivating viewers to tune in to the 2002 FIFA World Cup™ matches. We broadcast the best matches of

the World Cup—France vs. Uruguay, South Korea vs. Italy and Japan vs. Tunisia—as well as a pre-World Cup test match between Japan and Costa Rica. Of note, the Japan vs. Tunisia match attracted a 45.5% viewer rating—TV Asahi's highest ever.

Japan's role as cohost of World Cup 2002 was certainly a catalyst for the spread of soccer fever among the domestic audience. As a

result, the Japan vs. Argentina match, which was held in autumn 2002, after the World Cup events, also garnered high ratings for TV Asahi.

For swimming, we followed our success with the 9th FINA World Swimming Championships in Fukuoka in 2001 by acquiring exclusive broadcasting rights for the 2002 Pan Pacific Swimming Championships in Yokohama.

We undertook extensive promotion activities ahead of the event, and in a bold programming move, we ran about 11 hours' worth of races and related commentary during golden time, the time slot from 7:00 p.m. to 10:00 p.m., over the six days of these swimming championships in Yokohama. In establishing our own sports content, we clearly distinguished ourselves from rival networks and reinforced our station brand still further.

Note: All rating provided by Video Research Ltd.

FIFA World Cup™ Match Ratings

	Broadcasting Day	Rating
Japan vs. Tunisia	June 14	45.5%
South Korea vs. Italy	June 18	35.4
France vs. Uruguay	June 6	29.5
FIFA World Cup™ Today	June 6	20.4



2002 Pan Pacific Swimming Championships in Yokohama



>> Programming Plans for Fiscal 2004

Fiscal 2004 will mark great moments in TV Asahi's history. We have already embarked on the first stage of the Companywide Reform Campaign and have started moving divisions into the new headquarters building. In addition, we are paving the way for the third launch of this network and a celebration of 45 years in the commercial broadcasting business. Another new chapter will unfold from December 2003 through spring 2004, when we commence terrestrial digital broadcasts.

Against this backdrop of transformation, we aim to achieve the highest average prime-time rating in the industry between October 2004 and March 2005. Our objective for the April 2003 program reshuffle is thus to elicit higher ratings during time slots with poor audience numbers and to enhance the content of existing programs to increase viewer interest.

First, we will introduce a big-budget variety show at 8:00 p.m. on Saturdays hosted by Takeshi Kitano, a movie director of world stature. To accommodate this addition to the evening

lineup, *TV no Chikara* (“The Power of TV”), which earned high ratings when the program was expanded to two hours, will shift from its Saturday time slot to Monday. This schedule change should make it easier for the target audience to tune in. We will also work to boost ratings for regular programming overall.

Our sports lineup includes the British Open golf tournament and the 10th FINA World Swimming Championships in Barcelona, which will air during July and August. In March 2004, we will broadcast the final round of Asian qualifying soccer matches that will send three teams from this region to the 2004 Athens Olympics. As mentioned before, sports are always popular TV Asahi viewers, but big sporting events such as these will significantly boost ratings and recognition of the TV Asahi station brand.

2002 Nikkei Corporate Image Survey

Companies energetically involved cultural and sporting event activities

Ranking	Company Name	Last Year's Ranking
1	Tokyo Dome Corporation	2
2	Mizuno Inc.	1
3	Coca-Cola (Japan) Company, Limited	3
⋮		
6	TV Asahi	36

Note: Nihon Keizai Shimbun, Inc., and Nikkei Research Institute of Industry and Markets asked businesspeople and ordinary individuals to rank 1,178 leading companies in Japan under such headings as impression, familiarity and reliability. The survey garnered responses from about 18,500 people.

Music Publication

Overview

Our music publication business, which hinges on the efforts of subsidiary TV Asahi Music Co., Ltd., covers administration of copyrights for musical compositions, management of artists, sales linked to programs featuring the works of popular artists, and scouting for promising new talent.

Another year of lackluster conditions in the music industry, paralleling persistently sluggish sales of packaged content, including compact discs (CDs), led to consolidated segment sales of ¥4.1 billion in fiscal 2003, down 1.3% from fiscal 2002.

>> Operating Results

In our continuing copyright administration business, we focused on TV broadcasting to promote *Atsuki Kodo no Hate ni*, a song by pop group B'z that we use as our sports theme, and were rewarded with sales of 600,000 copies and big-hit status.

Since fiscal 2001, TV Asahi has sought to realize a new profit structure that maximizes certain features inherent in TV broadcasting-based music production operations. Thanks to our TV broadcasting presence, our business potential exceeds that of ordinary music production companies. For example, we have the resources to develop major artists and maintain artist-management offices in-house. We even have our own recording studios. Our artist-management business is achieving steadily higher results.

KETSUMEISHI is a prime example of this business. The band's first major album, *Ketsunopolice 2*, has sold 650,000 copies. Two singles were also offered during fiscal 2003. KETSUMEISHI embarked on a highly successful concert tour in January 2003, with tickets selling out at every venue. Sales of merchandise featuring the artists has also brought in steady revenue.

HY, an independent group jointly managed with Okinawa-based Climax Entertainment Inc., delivered strong sales through a marketing scheme utilizing major distribution channels. *Departure*, the first single off the album *Ocean* has sold 260,000 copies so far. The second single, *Street Story*, was released April 16, 2003. It debuted at No. 1 on the Oricon Chart hit and marked a milestone by staying in that top spot for four straight weeks.

TV Asahi Music has been selected to handle all activities, from concert tours to merchandise sales, for these exclusive artists.



Kachofugetsu
(KETSUMEISHI)



Departure
(HY)

Other

Overview

TV Asahi handles event production, publishing, video and DVD sales, and feature film investment. These activities are augmented by Television Asahi Service Co., Ltd., a subsidiary engaged in broadcast-peripheral areas, such as the sale of broadcasting equipment, and TV Asahi Living Co., Ltd., a subsidiary involved in television home shopping.

In fiscal 2003, this segment contributed ¥10.6 billion to consolidated net sales, up 24.7%, thanks to profitable Internet and event activities as well as a steady contribution from DVD hits.

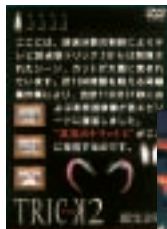
>> Operating Results



Doraemon: Nobita and the Robot Kingdom
(© Fujiko Pro, Shogakukan, TV Asahi)



SWING!
(Photograph by JUN WAJDA)



Trick 2



Trick—The Movie
(© 2002 TRICK THE MOVIE-SEISAKUINKAI)

In feature film investment, two Japanese releases merit special mention. *Trick—The Movie*, the motion picture version of a well-watched television drama, was a great box office success, while *Kyoki no Sakura*, highlighting youth violence, starring acting sensation Yosuke Kubozuka, was particularly popular with young people.

Of foreign releases, *The Pianist*, about a talented Polish pianist living in Warsaw during the Nazi occupation, was a big hit in Japan, especially following the movie's capture of three Academy Awards. *Windtalkers*, built around the relationship between code talkers and their fellow marines during the World War II campaign for the Central Pacific, also drew good receipts.

In the areas of animated movies and movies with special effects, TV Asahi witnessed a steady stream of fans, eager to see the next episodes in what have become feature film series based on television programs. We recorded good results with *Doraemon: Nobita and the Robot Kingdom* and *Crayon Shin-Chan: Age of Civil Wars*, both in the animation category, as well as *Masked Rider Ryuki* and *Ninpu Sentai Hurricanger*, both in the special effects category.

In the events business, we sponsored the Broadway musical *SWING!*, back on stage in Japan for the first time in six years. The tour, which put on 38 performances in four cities, was a smash success, bringing in full-house crowds every day for a total audience count of around 80,000. Box office receipts for this production easily surpassed the results generated by other musicals put on during year in review.

In concert-related activities, we backed the *Vienna Boys Choir Japan Tour*, a schedule of 55 performances around the country. The choir drew the honored presence of Crown Prince Naruhito and his wife, Princess Masako, to opening night in Tokyo.

We also sponsored the *Red Hot Chili Peppers Japan Tour*. Tickets to see this popular U.S. rock group sold out on the first day of availability.

We launched a self-designed concert series called Rock Legends. The *Yonin-Bayashi vs. Smoky Medicine* show sold out on the first day of ticket sales, thanks to the support of ardent fans.

Other music events in which we took an active role included the *Three Tenors' Last Concert in Japan 2002* and the *2002 FIFA World Cup Korea/Japan™ Official Concert*.

In the contents category, we released *Trick 2* on video and DVD to a fantastic market reception. Of DVDs based on domestic television dramas, *Trick 2* posted the highest sales. Demand for *Trick*, which debuted in 2000, has also been favorable, with aggregate sales high enough to secure the No. 2 spot.

In our publishing business, we marked steady sales of *Okazu no Cooking*, a

bimonthly cooking magazine. In December 2002, we put out *Kakureya Gohan! Totte-oki Recipe*, a keepsake collection of special recipes from guests to the television show of the same name.

Our Internet-based operations hinge on the diverse content menus of such as “Tele Asa complete!,” an information distribution site for cell phone users. As of March 31, 2003, subscribers to these service hovered at 400,000.

In our efforts to capitalize on the business potential offered by the rapid spread of broadband access, we augment our services with such fee-based content as *World Pro Wrestling* and *Car Graphic TV*.

Contributing to the Environment and Society

TV Asahi strives to be a good corporate citizen through enthusiastic involvement in measures to preserve the environment. The Company also works through the TV Asahi Social Welfare Organization to promote activities that contribute to society.

TV Asahi Acquires ISO 14001 Certification

We have always sought to utilize our programming to highlight the importance of environmental protection. We also undertake office improvement projects to minimize the impact of our daily operations on our natural surroundings. At our Library Center, we pursue opportunities to reinforce responses to environmental issues. In March 2002, our efforts were recognized with certification under ISO 14001, the international standard for environmental management systems.

A signature characteristic of our earth-friendly activities is a firm commitment to conserve energy and natural resources and to adopt dual-purpose business practices that raise operating efficiency and concurrently benefit the environment. A prime example is videotape recycling, which not only makes effective use of the magnetic tape and plastic cassette and components but also dramatically cuts disposal costs for TV Asahi since the materials are routed away from landfills.

Wide-Ranging Social Welfare Activities

Every autumn since 1968, TV Asahi has staged a sumo wrestling charity event through which the Company raises awareness about traffic safety. The proceeds from this event are donated to organizations involved in social welfare programs. Our efforts are supported by TV Asahi Social Welfare Organization, which was established in 1977 to expedite various social welfare programs, especially those for children, senior citizens and the physically and mentally challenged.

TV Asahi Social Welfare Organization participates in a wide range of social programs, including sponsorship of a wheelchair basketball tournament, support for a domestic conference on autism, and cohosting of a symposium on child abuse prevention. The organization also offers financial assistance to the Japan Rescue Association, which trains dogs for disaster relief operations.



» Board of Directors

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Board of Directors



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Michisada Hirose*

Senior Executive Directors

Keiichiro Ozawa*

Yuzo Saida*

Makoto Sakamoto

Executive Directors

Hiroshi Hayakawa

Hisamitsu Kawai

Kenji Kamimura

Tetsuzo Hori

Yasuharu Nakai

Members of the Board

Isao Tachibana

Kenji Kazama

Akio Motai

Shinichiro Nishimura

Ikuo Kamiyama

Tsuyoshi Okada

Yoshitoshi Kitajima

Hisao Kuwashima

Mitsuru Gondo

Yoshio Nishimura

Shinichi Hakoshima

Standing Corporate Auditor

Masaki Yasuno

Corporate Auditors

Sawako Noma

Munetoshi Hashimoto

Takahisa Hamamoto

*Representative Director



» Financial Section

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- 36** Independent Auditors' Report

» Management's Discussion and Analysis

Operating Environment

Fiscal 2003, ended March 31, 2003, provided a mixed operating environment. In the first half, the Japanese economy finally showed signs of recovery, as steady export activity and relatively brisk consumer spending supported a 1.5% improvement in real gross domestic product. The recovery trend continued into the second half, holding through the third quarter, but started to lose steam in fourth quarter.

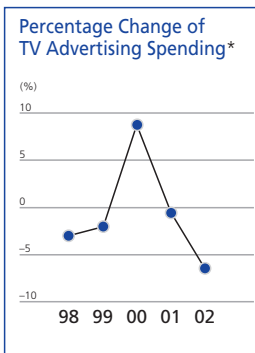
Against this economic backdrop, total advertising spending in Japan for calendar 2002 fell 5.9%, to ¥5,703 billion*, the second consecutive year of decrease. Over the same period, TV advertising also succumbed to a second straight year of decrease, with industrywide revenues dropping 6.4%, to ¥1,935 billion*. The primary reason for this development is that lackluster consumer spending prompted a drastic year-on-year cut in corporate budgets for spot advertising (commercials sandwiched between different programs), which in turn squeezed overall demand for TV advertising.

We encountered a difficult business environment, characterized by reduced investment in advertising through most of the fiscal year and a concentration of funds for advertising into blocks of time given over to events of global interest,

such as the Winter Olympic Games in Salt Lake City and the World Cup soccer tournament cohosted by Japan and South Korea, as well as the domestic end-of-year sales blitz. However, the extent of the downward trend started to contract, from October through the end of December.

Spot sales by sector were up for precision instruments, office equipment, and sports and hobby equipment. But companies that had been major spot advertisers in the past, particularly those in the information and telecommunications, food, beverage and non-essential grocery items, and restaurants and services sectors, noticeably curtailed their advertising budgets.

*Source: Dentsu Corporation



Changes in Scope of Consolidation

During fiscal 2003, TV Asahi turned TV Asahi Data Co., Ltd., and Asahi Lettervision Co., Ltd., into wholly owned subsidiaries. These companies had been accounted for as affiliates under the equity method but, as of the fiscal 2003 settlement, are accounted for as consolidated subsidiaries. As a result, the number of consolidated subsidiaries reached 15 and the number of affiliates accounted for under the equity method was six.

Because shares in TV Asahi Data and Asahi Lettervision were acquired in December 2002, the deemed acquisition data was made March 31, 2003. For the fiscal 2003 settlement, only these companies' balance sheets have been consolidated, whereas their statements of income are accounted for by the equity method.

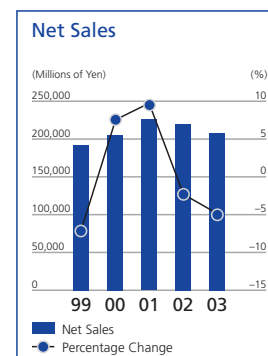
Operating Results

The business activities of the Company and its consolidated subsidiaries are grouped into three segments: TV Broadcasting, for which the sale of programs and air time as well as fees from commercialization rights constitute the Company's primary source of revenue; Music Publication, mainly management of artists and musical composition copyrights; and Other, a range of businesses, from publishing, event production and television home shopping to investment in feature films and the sale of broadcasting equipment.

Sales

Consolidated net sales amounted to ¥209,035 million, down 5.0%. TV Broadcasting contributed ¥194,329 million, a drop of 6.2%. Music Publication accounted for ¥4,061 million, a 1.3% decline. The Other segment bucked the downward trend with a 24.7% jump in sales, to ¥10,645 million.

	Millions of Yen				
	2003	2002	2001	2000	1999
Sales	¥209,035	¥219,926	¥225,201	¥205,597	¥191,289
Percentage Change (%)	-5.00	-2.34	9.54	7.48	-7.12



Cost of Sales and Operating Income

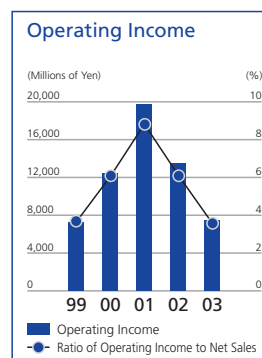
Cost of sales edged down 1.8%, to ¥147,007 million, largely because a decrease—4.7% on a nonconsolidated basis—in the cost of programming production in TV broadcasting operations offset a surge—59.5% on a nonconsolidated basis—in operating costs accompanying the sales increase in the activities of our Other business segment. However, the ratio of cost of sales to net sales grew 2.2 percentage points, to 70.3%, as lower net sales negated the benefits of reduced cost of sales.

Selling, general and administrative (SGA) expenses shrank 3.7%, to ¥54,598 million. The key factor was a 5.7% decline in agency commissions, linked to retreating TV advertising

revenues. The ratio of SGA expenses to net sales inched up 0.3 percentage point, to 26.1%.

Owing to these costs, operating income settled at ¥7,430 million, tumbling 44.9%, and represented 3.6% of net sales, down 2.5 percentage points.

	Millions of Yen				
	2003	2002	2001	2000	1999
Cost of Sales	¥147,007	¥149,733	¥145,855	¥138,154	¥136,679
Cost of Sales to Net Sales (%)	70.3	68.1	64.8	67.2	71.5
Selling, General and Administrative (SG&A) Expenses	54,598	56,715	59,547	54,997	47,448
SG&A Expenses to Net Sales (%)	26.1	25.8	26.4	26.8	24.8
Operating Income	7,430	13,478	19,799	12,446	7,162
Operating Income to Net Sales (%)	3.6	6.1	8.8	6.1	3.7



Net Sales by Segment

TV Broadcasting

Network time sales amounted to ¥89,040 million, down 6.1%. The Company achieved a good first-half contribution from time sales on the 2002 FIFA World Cup™ matches in June and the 2002 Pan Pacific Swimming Championships in Yokohama in August, as well as a healthy second-half boost from single-program broadcasts of such sporting events as the third professional baseball game of the Japan Series between the Seibu Lions and Yomiuri Giants teams in October and the Japan vs. Argentina soccer match in November. But these results were eroded as stiff competition squeezed time sales on regular programming and live professional baseball night games, other than the Japan Series.

Demand for spot advertising remained weak, leading to a 6.7% drop in sales, to ¥83,330 million. TV Asahi realized steady sales to the automobile sector and to makers of electronic equipment seeking to capitalize on World Cup

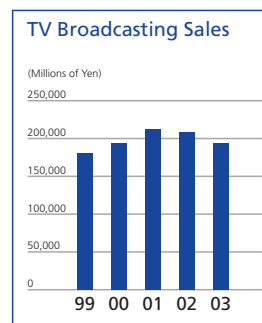
soccer fever to fuel sales. But the benefit of this demand was offset by a dramatic decline in sales to members of key industries, including the food, pharmaceutical, telecommunications and insurance sectors.

Sales of programs fell 0.4%, to ¥11,062 million, underpinned, for example, by the sale of sports programs, such as the U.S. Open and British Open golf tournaments, to satellite broadcasters as well as overseas sales of *Crayon Shin-Chan*.

Other sales fell 9.0%, to ¥10,897 million, primarily because of a drop in program production-related revenues earned by subsidiaries.

In the end, TV broadcasting sales settled at ¥194,329 million, down 6.2% year-on-year. Even though TV Asahi was able to cut operating expenses 3.2%, to ¥188,774 million, operating income from TV broadcasting activities declined 47.8%, to ¥6,904 million.

	Millions of Yen				
	2003	2002	2001	2000	1999
TV Broadcasting Sales					
Network Time	¥ 89,040	¥ 94,851	¥ 94,806	¥ 89,337	¥ 90,648
Spot	83,330	89,341	96,177	84,315	76,650
Sales of Programs	11,062	11,105	10,974	10,640	10,920
Other	10,897	11,976	10,752	9,443	1,804
Total	¥194,329	¥207,273	¥212,709	¥193,735	¥180,022



Music Publication

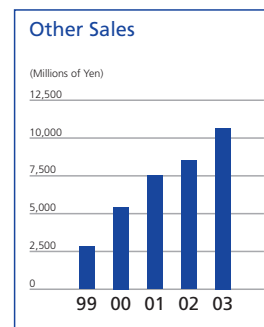
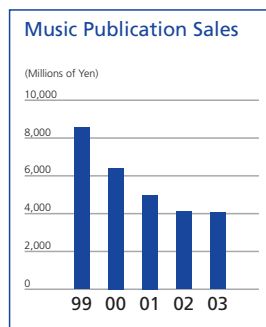
The music industry was plagued by another year of lackluster conditions, precipitated by a shortage of hit products. Amid the sluggish operating environment, TV Asahi Music implemented a new profit structure that brought in sales of ¥4,061 million, just 1.3% less than the year before, and helped the subsidiary secure operating income of ¥329 million, skyrocketing 54.2%.

Other

Sales in the Other segment benefited from steady interest in "Tele Asa complete!" and other Internet-based operations as well as favorable sales of the Friday night drama *Trick* and *Trick 2* on video and DVD. In addition, TV Asahi Best Co., Ltd., which was established in fiscal 2002 and included in the scope of consolidation midway through that term, contributed a whole year of business results in fiscal 2003. In fiscal 2002, only five months of TV Asahi Best's business

results were recognized.

Buoyed by these positive factors, sales climbed 24.7%, to ¥10,645 million. Operating expenses grew 16.6%, to ¥14,500 million, while operating income soared 52.3% to ¥246 million.

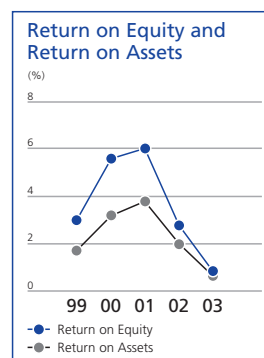
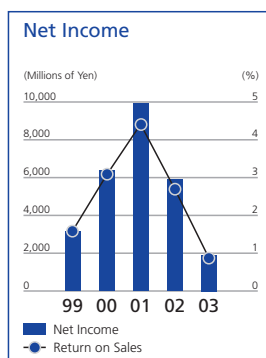


	Millions of Yen				
	2003	2002	2001	2000	1999
Net Sales by Segment					
TV Broadcasting	¥194,329	¥207,273	¥212,709	¥193,735	¥180,022
Music Publication	4,061	4,115	5,007	6,400	8,510
Other	10,645	8,538	7,485	5,462	2,757
Consolidated	¥209,035	¥219,926	¥225,201	¥205,597	¥191,289

Other Income (Deductions) and Net Income

The net of other income (deductions) was an expense of ¥2,361 million, up 57.8%. The major components that caused this change are equity in losses of affiliates amounting to ¥905 million, primarily recognition of a net loss for Asahi Satellite Broadcasting Limited, and loss on devaluation of investments in securities and other investments of ¥1,637 million, owing to depressed stock market conditions.

Income before income taxes and minority interests thus amounted to ¥5,069 million, down 57.7%. Income taxes net of deferred taxes came to ¥2,957 million for fiscal 2003, based on an effective tax rate of 58.3%, compared with ¥5,775 million for fiscal 2002, based on an effective tax rate of 48.2%. As a result, TV Asahi saw net income tumble 67.9%, to ¥1,908 million. Return on sales decreased 1.8 percentage points, to 0.9%.



	2003	2002	2001	2000	1999
Net Income (Millions of Yen)	¥1,908	¥5,939	¥9,952	¥6,357	¥3,123
Return on Sales (%)	0.9	2.7	4.4	3.1	1.6
Net Income per Share, Basic (Yen)	1,785	5,904	11,001	244,488	120,108
Return on Equity (%)	0.9	2.8	6.0	5.6	3.0
Return on Assets (%)	0.7	2.0	3.8	3.2	1.7

Notes: 1. On August 4, 2000, the Company completed a stock split at the rate of 31 shares of ¥5,000 par value for each outstanding share of ¥50,000 par value.
 2. On October 3, 2000, the Company issued 200,000 shares of common stock in a public offering.
 3. For the calculation of net income per share—basic, see Note 9 of Notes to Consolidated Financial Statements.
 4. ROE = 100 x (Net income ÷ Average total stockholders' equity at the beginning and the end of the fiscal year).
 5. ROA = 100 x (Net income ÷ Average total assets at the beginning and the end of the fiscal year).

Financial Position

Current Assets

As at March 31, 2003, total current assets stood at ¥171,558 million, down 6.2%. Cash, the largest component of current assets, totaled ¥49,351 million, down 22.1%, following outlays for equipping the new headquarters building and the retirement of loans.

Property, Plant and Equipment

Net property, plant and equipment reached ¥67,844 million, up 29.9%, paralleling expansion of construction in progress. Capital expenditures more than tripled, hitting ¥23,232 million. A breakdown of fund application by segment shows that TV broadcasting got ¥22,796 million, almost four times more than in fiscal 2002. Music publication was accorded ¥10 million, up 46.9%. Other received ¥335 million, up 40.9%. TV Asahi allotted ¥90 million to elimination or corporate purposes, just 1.1% less than in the previous fiscal year.

Total Assets

The changes noted above pushed total assets up 1.0%, to ¥294,047 million.

Current Liabilities

Total current liabilities amounted to ¥57,990 million, up 7.2%. TV Asahi reduced short-term debt and current installments of long-term debt by 68.6%, to ¥2,879 million, in an effort to improve its financial position by retiring debt. However, an increase in the accrued portion of payments for televising rights to foreign films, such as *Jurassic Park 3* and *Gladiator*, as well as

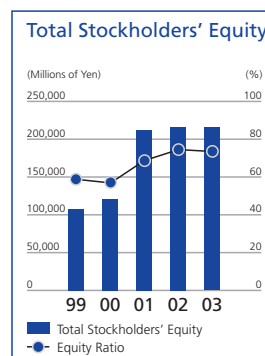
an increase in the accrued portion of payments for facilities boosted the combined total of trade notes and accounts payable and other payables 31.7%, to ¥35,705 million.

Non-Current Liabilities and Total Liabilities

Owing to the repayment of debt, non-current liabilities edged down 2.5%, to ¥18,796 million. But total liabilities still rose 4.7%, to ¥76,786 million.

Stockholders' Equity

Total stockholders' equity slipped 0.3%, to ¥215,842 million as at the end of March 2003. This situation came about because sluggish stock market conditions prompted a decrease of ¥1,709 million in the net unrealized gain on other securities, to ¥3,830 million, and negated a ¥1,087 million improvement in retained earnings. Consequently, the equity ratio declined 1.0 percentage point, to 73.4%.



	Millions of Yen				
	2003	2002	2001	2000	1999
Total Current Assets	¥171,558	¥182,915	¥184,749	¥115,961	¥104,235
Total Assets	294,047	291,133	308,429	211,906	182,614
Total Current Liabilities	57,990	54,081	76,140	69,612	55,772
Long-term Debt	333	1,539	1,309	1,895	2,162
Total Stockholders' Equity	215,842	216,515	211,884	120,668	106,794
Total Stockholders' Equity per Share* (Yen)	214,555	215,224	210,620	4,641,104	4,107,478
Equity Ratio (%)	73.4	74.4	68.7	56.9	58.5
Capital Expenditures	23,232	6,827	8,007	12,746	9,640
Depreciation and Amortization	6,365	5,727	5,590	4,728	3,642

*See Notes on page 20.

Cash Flow Statements (Summary)

	Millions of Yen				
	2003	2002	2001	2000	1999
Net Cash Provided by Operating Activities	¥ 10,555	¥ 5,610	¥ 18,951	¥10,614	¥ 6,261
Net Cash Used in Investing Activities	(14,079)	(5,906)	(37,387)	(9,246)	(7,662)
Net Cash Provided by (Used in) Financing Activities	(8,203)	(7,855)	74,648	(1,244)	6,252
Net Increase (Decrease) in Cash and Cash Equivalents	(11,768)	(8,205)	56,260	124	4,851
Cash and Cash Equivalents at Beginning of Year	86,203	94,408	38,148	35,708	30,857
Cash and Cash Equivalents of Newly Consolidated Subsidiaries	-	-	-	2,316	-
Cash and Cash Equivalents at End of Year	¥ 74,435	¥86,203	¥94,408	¥38,148	¥35,708

» Consolidated Balance Sheets

Asahi National Broadcasting Company Limited and Consolidated Subsidiaries
March 31, 2003 and 2002

	Millions of yen		Thousands of U.S. dollars (note 2)
	2003	2002	2003
Assets			
Current assets:			
Cash (note 13)	¥ 49,351	¥ 63,332	\$ 410,574
Trade notes and accounts receivable	53,460	52,516	444,759
Short-term investments (notes 3 and 13)	45,500	45,469	378,536
Inventories	17,917	16,201	149,060
Deferred income taxes (note 11)	1,673	1,090	13,918
Other current assets	3,735	4,432	31,073
Less allowance for doubtful receivables	78	125	649
Total current assets	171,558	182,915	1,427,271
Property, plant and equipment, net of accumulated depreciation;			
¥42,987 million (\$357,629 thousand) in 2003 and			
¥39,242 million in 2002:			
Buildings and structures	10,349	11,219	86,098
Machinery and vehicles	9,904	12,933	82,396
Land	11,668	11,669	97,071
Construction in progress	35,195	15,633	292,804
Other	728	763	6,057
Net property, plant and equipment	67,844	52,217	564,426
Intangible assets, net:			
Software	4,777	3,573	39,742
Other	293	327	2,438
Net intangible assets	5,070	3,900	42,180
Investments and other assets:			
Investments in securities (notes 3 and 4)	31,861	36,789	265,066
Deferred income taxes (note 11)	4,957	2,643	41,240
Other investments and other assets	13,326	13,453	110,865
Less allowance for doubtful receivables	569	784	4,734
Total investments and other assets	49,575	52,101	412,437
Total assets	¥294,047	¥291,133	\$2,446,314

See accompanying notes to consolidated financial statements.

	Millions of yen		Thousands of U.S. dollars (note 2)
	2003	2002	2003
Liabilities and stockholders' equity			
Current liabilities:			
Trade notes and accounts payable	¥ 17,519	¥ 15,862	\$ 145,749
Short-term debt and current installments of long-term debt (note 5)	2,879	9,160	23,952
Other payables	18,186	11,243	151,298
Accrued expenses	11,792	12,064	98,103
Accrued income taxes (note 11)	2,172	1,201	18,070
Other current liabilities	5,442	4,551	45,274
Total current liabilities	57,990	54,081	482,446
Non-current liabilities:			
Long-term debt (note 5)	333	1,539	2,770
Liabilities for retirement and severance benefits (note 6)	18,362	17,651	152,762
Other non-current liabilities	101	82	840
Total non-current liabilities	18,796	19,272	156,372
Total liabilities	76,786	73,353	638,818
Minority interests	1,419	1,265	11,805
Stockholders' equity:			
Common stock (note 7):	36,643	36,643	304,850
Authorized 3,000,000 shares; issued and outstanding 1,006,000 shares in 2003 and 2002			
Additional paid-in capital (notes 7 and 8)	55,343	55,343	460,424
Retained earnings (note 8)	119,999	118,912	998,328
Net unrealized gain on other securities (note 3)	3,830	5,539	31,864
Foreign currency translation adjustments	27	78	225
Total stockholders' equity	215,842	216,515	1,795,691
Commitments and contingencies (note 10)			
Total liabilities and stockholders' equity	¥294,047	¥291,133	\$2,446,314

» Consolidated Statements of Stockholders' Equity

Asahi National Broadcasting Company Limited and Consolidated Subsidiaries

Years ended March 31, 2003 and 2002

	Millions of yen		Thousands of U.S. dollars (note 2)
	2003	2002	2003
Common stock (note 7):			
Balance at beginning of year	¥ 36,643	¥ 36,643	\$ 304,850
Balance at end of year	36,643	36,643	304,850
Additional paid-in capital (notes 7 and 8):			
Balance at beginning of year	55,343	55,343	460,424
Balance at end of year	55,343	55,343	460,424
Retained earnings (note 8):			
Balance at beginning of year	118,912	114,122	989,284
Decrease resulting from exclusion of affiliates accounted for by the equity method	—	(16)	—
Cash dividends	(704)	(1,006)	(5,857)
Bonuses to directors and corporate auditors	(117)	(127)	(973)
Net income	1,908	5,939	15,874
Balance at end of year	119,999	118,912	998,328
Net unrealized gain on other securities at end of year (note 3)	3,830	5,539	31,864
Foreign currency translation adjustments at end of year	27	78	225
Total stockholders' equity at end of year	¥215,842	¥216,515	\$1,795,691

See accompanying notes to consolidated financial statements.

» Consolidated Statements of Cash Flows

Asahi National Broadcasting Company Limited and Consolidated Subsidiaries
Years ended March 31, 2003 and 2002

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Consolidated Statements of Cash Flows

	Millions of yen		Thousands of U.S. dollars (note 2)
	2003	2002	2003
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 5,069	¥ 11,982	\$ 42,171
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	6,365	5,727	52,953
Loss on devaluation of investments in securities and other investments	1,637	594	13,619
Equity in losses of affiliates	905	972	7,529
Allowance for doubtful receivables	(262)	213	(2,180)
Increase (decrease) in liabilities for retirement and severance benefits	205	(92)	1,706
Interest and dividend income	(297)	(391)	(2,471)
Interest expenses	115	200	957
(Increase) decrease in trade notes and accounts receivable	(948)	6,928	(7,887)
Increase in inventories	(1,716)	(649)	(14,276)
Increase (decrease) in trade notes and accounts payable	2,439	(3,004)	20,291
Other, net	296	(6,026)	2,463
Subtotal	13,808	16,454	114,875
Interest and dividend received	329	433	2,737
Interest paid	(105)	(188)	(873)
Income taxes paid	(3,477)	(11,089)	(28,927)
Net cash provided by operating activities	10,555	5,610	87,812
Cash flows from investing activities:			
Decrease in short-term investments	2,194	815	18,253
Capital expenditures	(13,315)	(5,570)	(110,774)
Purchase of intangible assets	(2,237)	(1,511)	(18,611)
Purchase of investments in securities	(924)	(4,109)	(7,687)
Proceeds from sale of investments in securities	7	1,624	58
Payment for acquisitions of newly consolidated subsidiaries, net of cash acquired	(106)	—	(882)
Other, net	302	2,845	2,513
Net cash used in investing activities	(14,079)	(5,906)	(117,130)
Cash flows from financing activities:			
Decrease in short-term debt	(5,748)	(7,100)	(47,820)
Proceeds from long-term debt	—	1,150	—
Payments on long-term debt	(1,739)	(891)	(14,467)
Dividends paid to stockholders	(703)	(1,000)	(5,849)
Dividends paid to minority stockholders of subsidiaries	(13)	(14)	(108)
Net cash used in financing activities	(8,203)	(7,855)	(68,244)
Effect of exchange rate changes on cash and cash equivalents	(41)	(54)	(341)
Net decrease in cash and cash equivalents	(11,768)	(8,205)	(97,903)
Cash and cash equivalents at beginning of year	86,203	94,408	717,163
Cash and cash equivalents at end of year (note 13)	¥ 74,435	¥ 86,203	\$ 619,260

See accompanying notes to consolidated financial statements.

1. Basis of Presentation and Summary of Significant Accounting Policy

(a) Basis of Presentation

Asahi National Broadcasting Company Limited (the Company) and its domestic subsidiaries maintain their books of account in conformity with the financial accounting standards of Japan, and its foreign subsidiaries in conformity with those of the countries of their domicile.

The accompanying consolidated financial statements have been compiled from the consolidated financial statements filed with the Ministry of Finance as required by the Securities and Exchange Law of Japan and include certain reclassifications and additional financial information for the convenience of readers outside Japan.

(b) Principles of Consolidation

The Japanese consolidation standards require the control or influence concept for the consolidation scope of subsidiaries and affiliates. Under the control or influence concept, a company in which the parent company or its consolidated subsidiaries, directly or indirectly, are able to exercise control over operations is fully consolidated, and another company over which the parent company and/or its consolidated subsidiaries have the ability to exercise significant influence is accounted for by the equity method.

In accordance with these standards, the accompanying consolidated financial statements include the accounts of the Company and all of its subsidiaries, whether directly or indirectly controlled.

The investments in affiliates are accounted for by the equity method, except certain affiliates that would have been no material effect on the accompanying consolidated financial statements.

All significant intercompany accounts and transactions have been eliminated in consolidation.

The cost in excess of net assets acquired by the Company is being amortized using the straight-line method over five years.

(c) Cash and Cash Equivalents

For the purpose of the statements of cash flows, the Company considers all highly liquid investments with insignificant risk of changes in value which have maturities of generally three months or less when purchased to be cash equivalents.

(d) Short-term Investments and Investments in Securities

Under the Accounting Standards for Financial Instruments, securities are classified into four categories — “trading securities”, “held-to-maturity securities”, “investment in affiliates” and “other securities”. Securities classified as “trading securities” are stated at fair value and unrealized gains or losses are recorded in the consolidated statement of income. Securities classified as “held-to-maturity securities” are stated at amortized cost. Securities classified as “other securities” are stated at fair value and unrealized gains or losses, net of related taxes, are excluded from earnings and recorded in a separate component of stockholders’ equity. Realized gains or losses on the other securities are determined by the moving average method. Holding securities of the Company are classified as held-to-maturity securities and other securities.

(e) Inventories

Inventories are stated at cost. Cost is determined principally by the specific identification method.

(f) Property, Plant and Equipment

Property, plant and equipment are stated at cost. Property, plant and equipment are depreciated by the declining-balance method, except for some assets which are depreciated by the straight-line method, over the estimated useful lives of the respective assets.

(g) Intangible Assets

Intangible assets are carried at cost less amortization. Amortization of computer software for internal use is calculated by the straight-line method over the estimated useful lives of five years. Amortization of other intangible assets is calculated by the straight-line method at the rates based on the estimated useful lives of the respective assets.

(h) Allowance for Doubtful Accounts

Allowance for doubtful receivables is provided at an amount of uncollectible receivables based on historical loss ratios and an amount that takes into consideration the possibility of specific liabilities.

(i) Foreign Currency Translation

Under the Accounting Standards for Foreign Currency Transactions, receivables and payables denominated in foreign currencies are translated into yen at the rate of exchange as of the balance sheet dates, and gains or losses resulting from the translation of foreign currencies are credited or charged to income. Assets and liabilities, and revenues and expenses of overseas subsidiaries are translated into yen at the rate of exchange as of the balance sheet dates, a comprehensive adjustment resulting from translation is presented as "Foreign currency translation adjustments" in a component of stockholders' equity.

(j) Income Taxes

Income taxes in Japan applicable to the Company and its domestic consolidated subsidiaries consist of corporate tax, inhabitant tax and business tax.

The Accounting Standards for Income Taxes require that deferred income taxes be accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled, and the effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

(k) Net Income per Share

Basic net income per share is computed by dividing net income available to common stockholders by the weighted average number of shares of common stock outstanding during the respective year.

(l) Reclassifications

Certain reclassifications of the accompanying consolidated financial statements as of and for the year ended March 31, 2002 have been made to conform to the 2003 presentation.

2. Basis of Financial Statement Translation

The accompanying consolidated financial statements are expressed in yen and, solely for the convenience of the reader, have been translated into United States dollars at the rate of ¥120.20=US\$1, the appropriate exchange rate prevailing on the Tokyo Foreign Exchange Market as of March 31, 2003. The translation should not be construed as a representation that any amounts shown could be converted to U.S. dollars.

3. Short-term Investments and Investments in Securities

Balance sheet amount, fair value and gross unrealized gain and gross unrealized loss of held-to-maturity securities with fair value as of March 31, 2003 and 2002 are summarized as follows:

Millions of yen								
	2003				2002			
	Balance sheet amount	Gross unrealized gain	Gross unrealized loss	Fair value	Balance sheet amount	Gross unrealized gain	Gross unrealized loss	Fair value
Government bond securities	¥18,000	¥—	¥(2)	¥17,998	¥37,775	¥51	¥(2)	¥37,824
Corporate bond securities	—	—	—	—	—	—	—	—
Other debt securities	—	—	—	—	5,167	—	(14)	5,153
	¥18,000	¥—	¥(2)	¥17,998	¥42,942	¥51	¥(16)	¥42,977

Thousands of U.S. dollars				
	2003			
	Balance sheet amount	Gross unrealized gain	Gross unrealized loss	Fair value
Government bond securities	\$149,750	\$—	\$(16)	\$149,734
Corporate bond securities	—	—	—	—
Other debt securities	—	—	—	—
	\$149,750	\$—	\$(16)	\$149,734

Acquisition cost, balance sheet amount and gross unrealized gain and gross unrealized loss of other securities with fair value as of March 31, 2003 and 2002 is summarized as follows:

Millions of yen								
	2003				2002			
	Acquisition cost	Gross unrealized gain	Gross unrealized loss	Balance sheet amount	Acquisition cost	Gross unrealized gain	Gross unrealized loss	Balance sheet amount
Equity securities	¥7,865	¥7,307	¥(2,428)	¥12,744	¥ 7,860	¥9,994	¥(902)	¥16,952
Debt securities	505	2	—	507	2,529	4	(2)	2,531
Other securities	1,055	—	(27)	1,028	71	—	(32)	39
	¥9,425	¥7,309	¥(2,455)	¥14,279	¥10,460	¥9,998	¥(936)	¥19,522

Thousands of U.S. dollars				
	2003			
	Acquisition cost	Gross unrealized gain	Gross unrealized loss	Balance sheet amount
Equity securities	\$65,433	\$60,790	\$(20,199)	\$106,024
Debt securities	4,201	17	—	4,218
Other securities	8,777	—	(225)	8,552
	\$78,411	\$60,807	\$(20,424)	\$118,794

It is not practicable to estimate the fair value of securities as of March 31, 2003 and 2002 described below because of lack of market price and difficulty in estimating fair value.

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Held-to-maturity securities:			
Commercial paper	¥5,999	¥—	\$49,908

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Other securities:			
Unlisted equity securities	¥14,889	¥14,460	\$123,869
Medium-term government bonds fund	501	501	4,168
Certificates of deposit	20,000	—	166,389
	¥35,390	¥14,961	\$294,426

Projected future redemption of other securities with maturities and held-to-maturity securities at March 31, 2003 are summarized as follows:

	Millions of yen		
	Due within one year	Due after one year through five years	Due after five years through ten years
Debt securities	¥18,002	¥ 5	¥501
Other securities	2	25	—
	¥18,004	¥30	¥501

	Thousands of U.S. dollars		
	Due within one year	Due after one year through five years	Due after five years through ten years
Debt securities	\$149,767	\$ 42	\$4,168
Other securities	17	208	—
	\$149,784	\$250	\$4,168

4. Investments in Affiliates

The aggregate carrying amount of investments in affiliates as of March 31, 2003 and 2002 is ¥3,694 million (\$30,732 thousand) and ¥4,834 million, respectively.

5. Short-term and Long-term Debt

Short-term debt is represented by bank loans which are due within one year.

Long-term debt as of March 31, 2003 and 2002 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Loans from banks:			
Unsecured, maturing in installments through 2007; bearing weighted average interest of 1.37% and 1.35% at March 31, 2003 and 2002, respectively	¥688	¥2,427	\$5,724
Less current installments	355	888	2,954
	¥333	¥1,539	\$2,770

The aggregate annual maturities of long-term debt after March 31, 2004 are as follows:

	Millions of yen	Thousands of U.S. dollars
Year ending March 31:		
2005	¥211	\$1,755
2006	50	416
2007	72	599
2008	—	—
	¥333	\$2,770

As is customary in Japan, both short-term and long-term bank loans are under general agreements which provide that security and guarantees for the present and future indebtedness will be given upon request of the banks, and that the banks shall have the right, as the obligations become due or in the event of default, to offset cash deposits against obligation due the banks.

6. Retirement and Severance Benefits

The Company and its consolidated subsidiaries have noncontributory pension plans to provide retirement and severance benefits to substantially all employees.

The principal pension plans are unfunded defined benefit pension plans. Under the plans, employees are entitled to lump-sum payments based on the current rate of pay and length of service upon retirement or termination of employment for reasons other than dismissal for cause. In addition to the above plans, the Company and certain consolidated subsidiaries have tax qualified noncontributory pension plans. The liability under these plans is funded by contributions to trusted pension funds.

Under the Accounting Standards for Retirement and Severance Benefits, provisions have been made in the accompanying consolidated financial statements based on the present value of the projected future retirement and severance benefits attributable to employee services rendered by the end of the year, less amounts funded under noncontributory pension plans.

The funded status of the pension plans at March 31, 2003 and 2002 is outlined as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Projected benefit obligation	¥(25,021)	¥(23,871)	\$(208,161)
Plan assets at fair value	4,102	4,583	34,126
Funded status	(20,919)	(19,288)	(174,035)
Unrecognized actuarial loss	3,268	1,832	27,188
Unrecognized prior service cost	219	236	1,822
Amount recognized in the consolidated balance sheets	¥(17,432)	¥(17,220)	\$(145,025)

Net periodic pension cost for the years ended March 31, 2003 and 2002 consisted of the following components:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Service cost	¥1,242	¥1,235	\$10,333
Interest cost	547	627	4,551
Expected return on plan assets	(109)	(134)	(907)
Amortization of unrecognized actuarial loss	125	36	1,040
Amortization of unrecognized prior service cost	17	17	141
Net periodic pension cost	¥1,822	¥1,781	\$15,158

Significant assumptions of pension plans used to determine these amounts in fiscal 2003 and 2002 are as follows:

	2003	2002
Periodic allocation method for projected benefit	Straight-line	Straight-line
Discount rate	2.5%	2.5%
Expected rate of return on plan assets	2.5%	2.5%
Period for amortization of unrecognized actuarial loss	15 years	15 years
Period for amortization of unrecognized prior service cost	15 years	15 years

Directors and corporate auditors are not covered by the plans described above. For such persons, the Company and certain consolidated subsidiaries have defined benefit pension plans. Under the plans, directors and corporate auditors are entitled to lump-sum payments based on the current rate of pay and length of service when they leave the Company. The plans are not funded, however, provision has been made in the accompanying consolidated financial statements for the vested benefits to which directors and corporate auditors are entitled if they were to retire or sever immediately at the balance sheet dates. As of March 31, 2003 and 2002, the liability for retirement and severance benefits related to these plans was ¥930 million (\$7,737 thousand) and ¥431 million, respectively.

7. Common Stock

Under the Commercial Code of Japan, at least 50% of the issue price of new shares is required to be designated as stated common stock. The actual portion to be designated as stated common stock is determined by resolution of the Board of Directors. Proceeds in excess of the amount designated as stated common stock are credited to additional paid-in capital.

8. Legal Reserve and Cash Dividends

The Commercial Code of Japan provides that an amount equal to at least 10% of appropriations paid in cash be appropriated as a legal reserve until an aggregated amount of additional paid-in capital and the legal reserve equals 25% of common stock.

This legal reserve and additional paid-in capital may be used to reduce a deficit by approval at the meeting of stockholders or may be transferred to stated common stock by resolution of the Board of Directors. On condition that the total amount of legal reserve and additional paid-in capital remains equal to or exceeds 25% of stated common stock, they are available for distributions by approval at the meeting of stockholders. Balances of the legal reserve are included in retained earnings in the accompanying consolidated balance sheets.

The amount available for dividends is based on the amount recorded in the Company's nonconsolidated books of account in accordance with the Commercial Code of Japan.

Cash dividends, directors' and corporate auditors' bonuses and appropriations to the legal reserve charged to retained earnings during the years ended March 31, 2003 and 2002 represent dividends and bonuses declared during those years and the related appropriations to legal reserve. The accompanying consolidated financial statements do not include any provisions for the year-end dividend of ¥400 (\$3) per share totaling ¥402 million (\$3,344 thousand) or directors' and corporate auditors' bonuses, subsequently proposed by the Board of Directors in respect of the year ended March 31, 2003.

9. Net Income per Share Information

Reconciliation of the numbers and the amounts used in the basic net income per share computations for the year ended March 31, 2003 are as follows:

	Millions of yen	Thousands of U.S. dollars
Net income	¥1,908	\$15,874
Net income not applicable to common stockholders:		
Directors' and corporate auditors' bonuses	(112)	(974)
Net income applicable to common stockholders	¥1,796	\$14,900
		Number of shares
Weighted average number of shares on which basic net income per share is calculated		1,006,000

10. Commitments and Contingencies

The Company is contingently liable for loan guarantees in the amount of ¥5,326 million (\$44,309 thousand) as of March 31, 2003.

11. Income Taxes

The Company and its consolidated subsidiaries are subject to a number of taxes based on income. The aggregate normal tax rates for domestic companies were approximately 42.1% in 2003 and 2002, respectively. Foreign consolidated subsidiaries are subject to income taxes of the countries in which they are incorporated.

Reconciliation between the normal income tax rate and the effective income tax rate as a percentage of income before income taxes and minority interests for the years ended March 31, 2003 and 2002 is as follows:

	2003	2002
Normal income tax rate	42.1%	42.1%
Expenses not deductible for tax purposes	6.7	3.5
Equity in losses of affiliates	7.5	3.4
Income not credited for tax purposes	(1.4)	(0.6)
Effect of change in the tax rate	4.5	—
Other	(1.1)	(0.2)
Effective income tax rate	58.3%	48.2%

Amendments to Japanese tax regulations were enacted on March 31, 2003 and the normal income tax rate is to be reduced from approximately 42.1% to 40.7% effective from the Company's fiscal year beginning April 1, 2004. Non-current deferred income tax assets and liabilities as of March 31, 2003 were revaluated at a rate of 40.7% and current deferred income tax assets and liabilities were calculated at a rate of 42.1%. As a result of the change in the tax rate, net deferred income tax assets as of March 31, 2003 were decreased by ¥142 million (\$1,181 thousand) and net unrealized gain on other securities were increased by ¥91 million (\$757 thousand), and ¥233 million (\$1,938 thousand) was charged to income.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities as of March 31, 2003 and 2002 are presented below:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Total gross deferred tax assets:			
Accrued bonuses	¥ 923	¥ 703	\$ 7,679
Accrued business tax	189	173	1,572
Liabilities for retirement and severance benefits	5,815	5,336	48,378
Inventories	595	554	4,950
Amortization of intangible assets	924	976	7,687
Other	1,957	1,241	16,281
	10,403	8,983	86,547
Total gross deferred tax liabilities:			
Net unrealized gain on other securities	(2,630)	(4,027)	(21,880)
Deferred profit on sale of property	(1,150)	(1,223)	(9,567)
	(3,780)	(5,250)	(31,447)
Net deferred tax assets	¥ 6,623	¥ 3,733	\$ 55,100

12. Selling, General and Administrative Expenses

Significant components of selling, general and administrative expenses for the years ended March 31, 2003 and 2002 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Salaries and bonuses	¥11,583	¥12,188	\$ 96,364
Agency commissions	32,689	34,660	271,955
Advertising expense	2,263	2,128	18,827

13. Supplementary Cash Flow Information

Reconciliation between "Cash" in the accompanying consolidated balance sheets and "Cash and cash equivalents" in the accompanying consolidated statements of cash flows as of March 31, 2003 and 2002 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Cash	¥49,351	¥63,332	\$410,574
Time deposits that have maturities of over three months when acquired	(416)	(400)	(3,461)
Short-term investments that have maturities of three months or less	25,500	23,271	212,147
Cash and cash equivalents	¥74,435	¥86,203	\$619,260

Assets and liabilities of the newly consolidated subsidiaries in 2003 by additional acquisition at the inception of consolidation, and net expenditure for acquisitions as follows:

	Millions of yen		Thousands of U.S. dollars
Current assets	¥ 573		\$ 4,767
Non-current assets	202		1,680
Current liabilities	(69)		(574)
Non-current liabilities	(7)		(58)
Acquisition cost of the stock	699		5,815
Acquisition cost of the stock held at beginning of year	(192)		(1,597)
Additional acquisition cost of the stock in 2003	507		4,218
Cash and cash equivalents held by acquired subsidiaries	(401)		(3,336)
Net expenditure for the acquisition	¥ 106		\$ 882

14. Derivative Financial Instruments

The Company is exposed to market risk from changes in interest rates. The Company enters into derivative financial instruments for the purpose of reducing such risk. The Company and its consolidated subsidiaries do not hold or issue derivative financial instruments for the purpose of trading.

The counterparties to these derivative transactions are financial institutions with high credit ratings and consequently, the Company does not anticipate credit-related losses from non-performance by the counterparties to transactions involving derivative financial instruments.

The Company has entered into interest rate swap agreements for hedging interest rate exposures in fiscal 2003 and 2002. The difference in amounts to be paid or received on interest rate swap agreements is recognized over the life of the agreement as an adjustment to interest expense. In fiscal 2003 and 2002, the above items to which hedge accounting is applied are not subject to disclosure.

15. Segment Information

Information about industry segment, geographic segment and overseas sales of the Company and its consolidated subsidiaries for the years ended March 31, 2003 and 2002 are summarized as follows:

(a) Industry Segment Information

The Company and its subsidiaries' major business categories are TV broadcasting business, music publication business and other business.

Millions of yen						
2003						
	TV broadcasting	Music publication	Other	Total	Elimination /corporate	Consolidated
Sales to outside customers	¥194,329	¥4,061	¥10,645	¥209,035	¥ —	¥209,035
Inter-segment sales	1,349	50	4,100	5,499	(5,499)	—
	195,678	4,111	14,745	214,534	(5,499)	209,035
Operating expenses	188,774	3,782	14,500	207,056	(5,451)	201,605
Operating income	¥ 6,904	¥ 329	¥ 245	¥ 7,478	¥ (48)	¥ 7,430
Assets	¥140,462	¥5,437	¥18,789	¥164,688	¥129,359	¥294,047
Depreciation and amortization	5,992	10	363	6,365	—	6,365
Capital expenditures	22,796	10	335	23,141	91	23,232

Millions of yen						
2002						
	TV broadcasting	Music publication	Other	Total	Elimination /corporate	Consolidated
Sales to outside customers	¥207,273	¥4,115	¥ 8,538	¥219,926	¥ —	¥219,926
Inter-segment sales	929	51	4,054	5,034	(5,034)	—
	208,202	4,166	12,592	224,960	(5,034)	219,926
Operating expenses	194,979	3,952	12,431	211,362	(4,914)	206,448
Operating income	¥ 13,223	¥ 214	¥ 161	¥ 13,598	¥ (120)	¥ 13,478
Assets	¥129,064	¥6,401	¥15,110	¥150,575	¥140,558	¥291,133
Depreciation and amortization	5,363	15	349	5,727	—	5,727
Capital expenditures	6,490	7	238	6,735	92	6,827

Thousands of U.S. dollars						
2003						
	TV broadcasting	Music publication	Other	Total	Elimination /corporate	Consolidated
Sales to outside customers	\$1,616,714	\$33,785	\$ 88,561	\$1,739,060	\$ —	\$1,739,060
Inter-segment sales	11,223	416	34,110	45,749	(45,749)	—
	1,627,937	34,201	122,671	1,784,809	(45,749)	1,739,060
Operating expenses	1,570,499	31,464	120,633	1,722,596	(45,350)	1,677,246
Operating income	\$ 57,438	\$ 2,737	\$ 2,038	\$ 62,213	\$ (399)	\$ 61,814
Assets	\$1,168,569	\$45,233	\$156,314	\$1,370,116	\$1,076,198	\$2,446,314
Depreciation and amortization	49,850	83	3,020	52,953	—	52,953
Capital expenditures	189,651	83	2,787	192,521	757	193,278

(b) Geographic Segment Information

Both domestic sales and assets located in Japan are over 90% of those for all segments for the years ended March 31, 2003 and 2002.

(c) Overseas Sales

Overseas sales, which include export sales of the Company and its domestic subsidiaries, are less than 10% of consolidated sales for the years ended March 31, 2003 and 2002.

16. Lease Information

Finance leases other than those that are deemed to transfer the ownership of the leased assets to lessees are generally accounted for by the method that is applicable to ordinary operating leases under accounting principles generally accepted in Japan.

Certain key information about such lease contracts of the Company and its consolidated subsidiaries for the years ended March 31, 2003 and 2002 are as follows:

(a) Lessee

(i) Acquisition cost, accumulated depreciation and net carrying amount of leased assets, if they had been capitalized:

	Millions of yen						Thousands of U.S. dollars		
	2003			2002			2003		
	Machinery and vehicles	Others	Total	Machinery and vehicles	Others	Total	Machinery and vehicles	Others	Total
Acquisition cost	¥1,006	¥2,309	¥3,315	¥1,259	¥2,386	¥3,645	\$8,369	\$19,210	\$27,579
Accumulated depreciation	611	1,217	1,828	636	1,083	1,719	5,083	10,125	15,208
Net carrying amount	¥ 395	¥1,092	¥1,487	¥ 623	¥1,303	¥1,926	\$3,286	\$ 9,085	\$12,371

(ii) Lease expense and future minimum lease payments including interest expense:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Lease expense	¥ 730	¥ 705	\$ 6,073
Future minimum lease payments:			
Within one year	¥ 617	¥ 665	\$ 5,133
Thereafter	870	1,261	7,238
	¥1,487	¥1,926	\$12,371

(b) Lessor

(i) Acquisition cost, accumulated depreciation and net book value of leasing assets:

	Millions of yen						Thousands of U.S. dollars		
	2003			2002			2003		
	Machinery and vehicles	Others	Total	Machinery and vehicles	Others	Total	Machinery and vehicles	Others	Total
Acquisition cost	¥72	¥48	¥120	¥114	¥44	¥158	\$599	\$399	\$998
Accumulated depreciation	7	35	42	73	27	100	58	291	349
Net carrying amount	¥65	¥13	¥ 78	¥ 41	¥17	¥ 58	\$541	\$108	\$649

(ii) Lease income, depreciation and future minimum lease payments including interest income:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Lease income	¥ 31	¥ 55	\$ 258
Depreciation	14	21	116
Future minimum lease payments:			
Within one year	¥ 38	¥ 39	\$ 316
Thereafter	109	67	907
	¥147	¥106	\$1,223

» Independent Auditors' Report

Toyo & Co.

Certified Public Accountants

To the Stockholders and Board of Directors of
Asahi National Broadcasting Company Limited

We have audited the accompanying consolidated balance sheets of Asahi National Broadcasting Company Limited and consolidated subsidiaries as of March 31, 2003 and 2002, and related consolidated statements of income, stockholders' equity and cash flows for the years then ended, all expressed in Japanese yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan and, accordingly, our audits included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. 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.

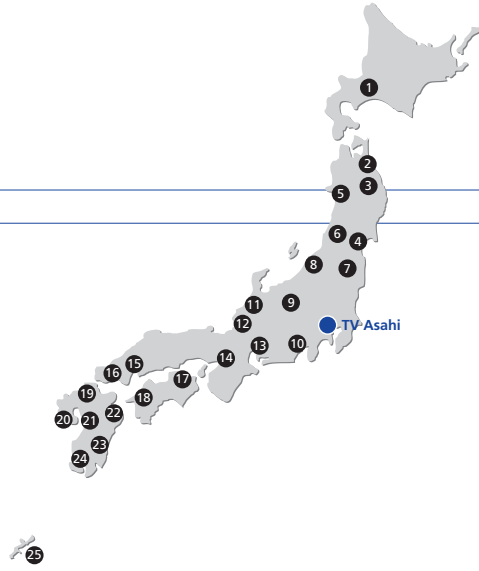
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Asahi National Broadcasting Company Limited and consolidated subsidiaries as of March 31, 2003 and 2002, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan on a consistent basis.

The accompanying consolidated financial statements as of and for the year ended March 31, 2003 have been translated into United States dollars solely for the convenience of the reader. We have recomputed the translation and, in our opinion, the consolidated financial statements expressed in yen have been translated into United States dollars on the basis described in Note 2 to the consolidated financial statements.



Toyo & Co.
Tokyo, Japan
June 27, 2003

See Note 1(a) to the consolidated financial statements which explain the basis of preparing the consolidated financial statements of Asahi National Broadcasting Company Limited and consolidated subsidiaries under Japanese accounting principles and practices.



Domestic Network

● Asahi National Broadcasting Co., Ltd.

- ① **HTB** Hokkaido Television Broadcasting Co., Ltd.
- ② **ABA** Asahi Broadcasting Aomori Co., Ltd.
- ③ **LAT** Iwate Asahi TV Co., Ltd.
- ④ **KHB** Higashinippon Broadcasting Co., Ltd.
- ⑤ **AAB** Akita Asahi Broadcasting Co., Ltd.
- ⑥ **YTS** Yamagata Television System Co., Ltd.
- ⑦ **KFB** Fukushima Broadcasting Co., Ltd.
- ⑧ **NT21** The Niigata Television Network 21, Inc.
- ⑨ **ABN** Asahi Broadcasting Nagano Co., Ltd.
- ⑩ **SATV** Shizuoka Asahi Television Co., Ltd.
- ⑪ **HAB** Hokuriku Asahi Broadcasting Co., Ltd.
- ⑫ **FBC** Fukui Broadcasting Corporation
- ⑬ **NBN** Nagoya Broadcasting Network
- ⑭ **ABC** Asahi Broadcasting Corporation
- ⑮ **HOME** Hiroshima Home Television Co., Ltd.
- ⑯ **YAB** Yamaguchi Asahi Broadcasting Co., Ltd.
- ⑰ **KSB** Setonaikai Broadcasting Corporation
- ⑱ **EAT** Ehime Asahi Television Co., Ltd.

- ⑲ **KBC** Kyusyu Asahi Broadcasting Co., Ltd.
- ⑳ **NCC** Nagasaki Culture Telecasting Corporation
- ㉑ **KAB** Kumamoto Asahi Broadcasting Co., Ltd.
- ㉒ **OAB** Oita Asahi Broadcasting Co., Ltd.
- ㉓ **UMK** Miyazaki Telecasting Co., Ltd.
- ㉔ **KKB** Kagoshima Broadcast Corporation
- ㉕ **QAB** Ryukyu Asahi Broadcasting Corporation

International Network



Bureaus

America

- ① New York (TV ASAHI America's bureau)
- ② Washington D.C. (TV ASAHI America's bureau)
- ③ Atlanta (TV ASAHI America's bureau)
- ④ Los Angeles (TV ASAHI America's bureau)

Europe/Africa

- ⑤ London
- ⑥ Moscow
- ⑦ Cairo
- ⑭ Berlin (KBC's bureau)
- ⑮ Paris (ABC's bureau)

Asia/Oceania

- ⑧ Bangkok
- ⑨ Hanoi
- ⑩ Manila
- ⑪ Beijing
- ⑫ Taipei
- ⑬ Seoul
- ⑯ Singapore (NBN's bureau)
- ⑰ Shanghai (ABC's bureau)
- ⑱ Hong Kong (ABC's bureau)

Cooperation

America

CNN USA

Europe/Africa

TF1 France
 RTL Germany
 TVP Poland
 NTV Russia

Asia/Oceania

CCTV China
 Dalian TV Station China
 CTV Taiwan
 ETTV Taiwan
 GMA Philippines
 BBTV Thailand
 RTM Malaysia
 CH7 Australia

» Principal Subsidiaries and Affiliates

TV Broadcasting

Businesses Related to Program Production Consolidated Subsidiaries

- TV Asahi Productions Co., Ltd.
40.00
- Video Pack Nippon Company Ltd.
40.00
- Housougijutusha Co., Ltd.
100.0 (52.50)
- Take Systems Co., Ltd.
85.00 (35.83)
- Trust Network Inc.
90.00 (45.00)
- TV Asahi Create Co., Ltd.
87.00 (37.83)
- TV ASAHI America, Inc.
100.00
- Logical Solution & D Inc.
100.00 (100.00)

Affiliates — equity method applied

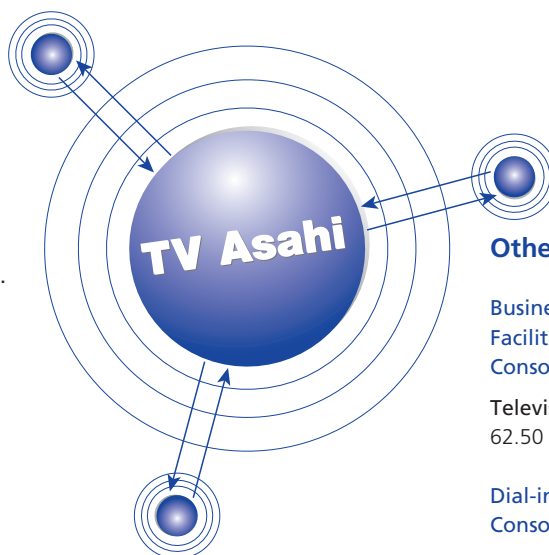
- Japan Cable Television Incorporated
40.95 (7.66)
- Bunkakobo, Inc.
20.00
- Flex Co., Ltd.
25.67

BS/CS Digital Broadcasting Affiliates — equity method applied

- Asahi Satellite Broadcasting Limited
16.50 (0.50)
- CS One Ten, Ltd.
15.00

Multi Lingual & Multi Data Broadcasting Consolidated Subsidiaries

- Asahi Lettervision Co., Ltd.
100.00
- TV Asahi Data Co., Ltd.
100.00



Music Publication

Consolidated Subsidiary

- TV ASAHI Music Co., Ltd.
100.00

Affiliate — equity method applied

- BS Asahi Sounds Limited
40.00 (20.00)

Other Business

Businesses Related to Broadcasting Facilities Consolidated Subsidiary

- Television Asahi Service Co., Ltd.
62.50 (13.75)

Dial-in Retail Business Consolidated Subsidiary

- TV Asahi Living Co., Ltd.
100.00 (20.00)

Announcer Training School Consolidated Subsidiary

- TV Asahi ASK Co., Ltd.
100.00

Facilities Administration Business Consolidated Subsidiary

- TV Asahi BEST Co., Ltd.
100.00

Note: Figure under each company name shows the equity held by the Company, which equals the total of direct and indirect holdings. Figures in parentheses are indirect holdings.

» Investor Information

As of March 31, 2003, except for Head Office

Stock Information

Authorized Number of Shares

3,000,000

Issued Number of Shares

1,006,000

Number of Shareholders

58,901

Number of Shares Held by Foreign Investors (%)

15,800 (1.57%)

Listing

Tokyo Stock Exchange

Stockholder Information

Fiscal Year-End

March 31

General Meeting of Shareholders

June

Transfer Agent

The Sumitomo Trust & Banking Co., Ltd.

Major Shareholders

Name	Shares	Percent (%)
Asahi Shimbun Publishing Company	340,495	33.85
Toei Co., Ltd.	161,842	16.09
Shogakukan, Inc.	46,500	4.62
Dai Nippon Printing Co., Ltd.	40,300	4.01
Kyusyu Asahi Broadcasting Co., Ltd.	32,147	3.20
Satellite Channels Incorporated	20,854	2.07
The Master Trust Bank of Japan, Ltd. (Trust Account)	19,954	1.98
Japan Trustee Services Bank, Ltd. (Trust Account)	15,214	1.51
Kodansha Ltd.	13,640	1.36
Dentsu, Inc.	12,710	1.26

Corporate Data

Corporate Name

Asahi National Broadcasting Company Limited
TV Asahi is scheduled to change its corporate name into TV Asahi Corporation effective in October 2003.

Abbreviation

TV Asahi

Head Office (As of July 1, 2003)

9-1 Roppongi 6-chome, Minato-ku,
Tokyo 106-8001, Japan
Tel. +81-3-6406-1111
<http://www.tv-asahi.co.jp/anb/kokusai/>

Date of Establishment

November 1, 1957

Date of Service Start

February 1, 1959

Paid-in Capital

¥36,642,800,000

Number of Employees

1,278

Underwriter

Daiwa Securities SMBC Co. Ltd.

Sub-Underwriter

Nomura Securities Co., Ltd.
Nikko Citigroup Limited

Forward-Looking Statements

This report contains forward-looking statements that are based on management's assumptions and beliefs in light of the information currently available to it. These statements are subject to risks and uncertainties that could cause actual results to differ materially from those discussed in this report. Such risks include but are not limited to market trends and economic conditions.

TV Asahi



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