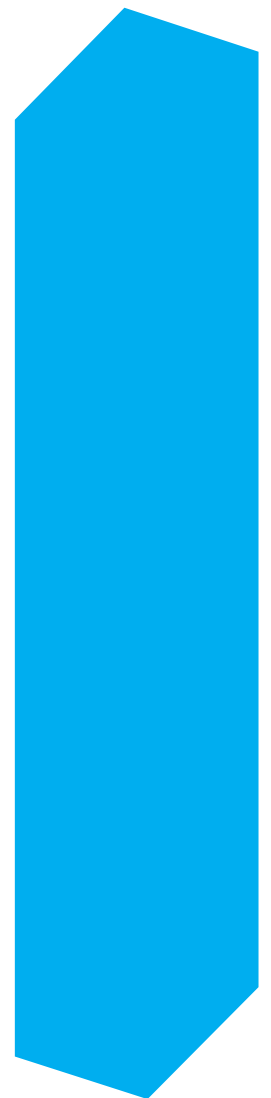


tv asahi





* Growth rates refer to changes between levels in fiscal 2003, the first year of Phase One of the Companywide Reform Campaign, and fiscal 2005, the last year of Phase One.

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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.



To Our Stakeholders

First of all, I would like to take this opportunity to extend my sincerest gratitude to each one of our stakeholders. TV Asahi has achieved substantial growth in recent years and we could not have accomplished such a feat without the understanding and support of our stakeholders.

In fiscal 2005, ended March 31, 2005, we experienced signs of recovery in the domestic economy and greater demand for TV advertising due to the 2004 Summer Olympics in Athens and the surge of digital home electronics into the market. I am pleased to report that the TV Asahi Group has successfully capitalized on better conditions in the television industry and has achieved increases in sales and income.

Fiscal 2005 was the final year of Phase One of the Company-wide Reform Campaign. The biggest goal of the campaign was to raise our viewer ratings in prime time (7 p.m. to 11 p.m.). However, we have also been successful in improving year-on-year ratings in

all rating time periods. Moreover, our all-day (6 a.m. to midnight) viewer rating reached the highest mark in the company's history, ranking us No.3 broadcaster in the time period.

Higher all-day ratings have translated into higher advertising revenues. Our nonadvertising revenue streams have also significantly increased. As such, we were able to achieve a higher rate of growth than that experienced by the domestic economy.

Three years ago, TV Asahi had several issues that demanded the immediate attention of management. The biggest issue was persistently low viewer ratings that had plagued the network and hindered growth in TV advertising revenues. Rising operating costs, stemming largely from the start of terrestrial digital broadcasting and the move to the new headquarters building, were also a pressing issue. Over the past three years, we have brought in several changes at TV Asahi. We have achieved our accomplishments through recognizing TV Asahi's competencies and fully embracing the objectives of the Companywide Reform Campaign. I am proud to report that the active engagement on the part of employees was the key to our achievements.

In the following sections of this annual report, you will find details of the results delivered during Phase One of the Company-wide Reform Campaign. Also included is our vision for further development through the next stage, Phase Two of the Campaign, which we embarked on this past April. Phase Two of the Campaign will be carried out under the leadership of the new President, Mr. Masao Kimiwada. I trust that President Kimiwada will pursue the goals of the Campaign as aggressively as I have in the past three years and will equally deliver noticeable results that will strengthen the foundation and growth prospects of TV Asahi.

On behalf of the Board of Directors and all the employees at TV Asahi, I ask for your continued understanding and support for our endeavor as we strive toward new goals.

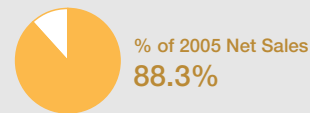
June 2005

広瀬道貞

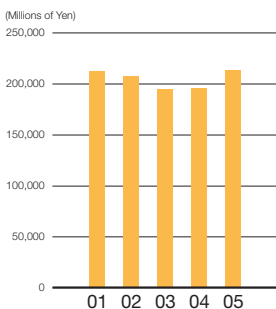
Michisada Hirose
Chairman



TV Broadcasting Business



Sales



TV Broadcasting Business, the core segment of the TV Asahi Group, comprises various businesses related to the production and transmission of television programs aired on the TV Asahi network. These activities are undertaken primarily by TV Asahi and TV Asahi Productions Co., Ltd., and account for about 90% of consolidated net sales.

TV Asahi has consistently been the broadcaster of choice for news and information programs. Popular programs include *Hodo Station*, the network's most recognized news program, and *Takeshi's TV Tackle*, in which Takeshi Kitano, a world-renowned movie director, leads weekly discussions on topics currently in the news.

In recent years, TV Asahi's entertainment shows have also gained in popularity. Trendy programs in the late-night slots have continued to achieve high ratings once moved to prime time slots.

We have also enhanced our sports lineup by obtaining exclusive broadcasting rights for several major world events, including the 2006 FIFA World Cup™ Asian Qualifiers, the 2005 FINA World Swimming Championships in Montreal, and the U.S. Open and British Open golf tournaments.

In the animation genre, we have continued to focus on strengthening our long-running series, such as *Doraemon* and *Crayon Shin-Chan*, which appeal to overseas audiences.

Regular Programming



Hodo Station



Takeshi's TV Tackle



Apron of Love



Doraemon
©Fujiko-Pro, Shogakukan, TV-Asahi, Shin-ei, and ADK



Black Leather Notebook

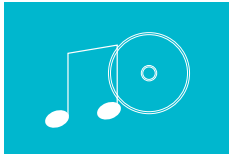
Special Programming



My Little Brother



The Western Police Special

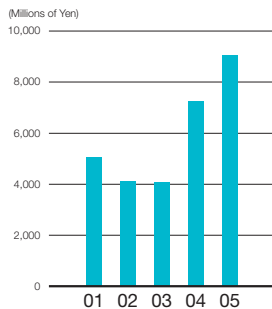


Music Publication Business



% of 2005 Net Sales
3.7%

Sales



TV Asahi Music Co., Ltd., the key subsidiary for our Music Publication Business, handles administrative management of copyrights for music compositions, manages artists, markets works of popular artists through tie-ups with TV programs, and scouts for promising new talent.

TV Asahi Music is also the exclusive agent for a number of artists particularly well liked by young adults. We are especially looking forward to the music activities and new accomplishments of HY, KETSUMEISHI, Shonan no Kaze, Sasuke and Yanawaraba.



KETSUMEISHI



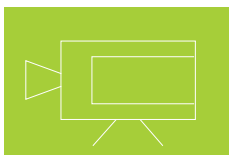
HY



Sasuke



Yanawaraba

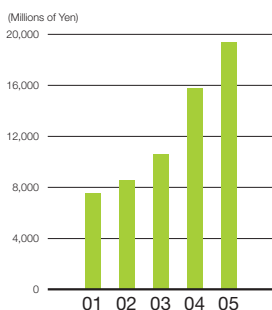


Other Businesses



% of 2005 Net Sales
8.0%

Sales



The Other Businesses segment complements TV Asahi's TV Broadcasting Business. TV Asahi is actively engaged in such activities as special events production, video and DVD sales, motion picture investment, as well as in the Internet and mobile content distribution.

In the events business, *Summer Sonic* and *Fuji Rock Festival* have attracted many fans over several years that both have become traditional summer rock concerts. The tour of the Broadway musical, *42nd Street*, was also a success.

In the video and DVD business, we have provided a steady stream of new content, mostly popular television drama series and entertainment shows.

Motion picture investment in fiscal 2005 included *House of Flying Daggers*, directed by Zhang Yimou, who also directed the box office hit *HERO*, and *Year One in the North*, starring Japanese megastar Sayuri Yoshinaga. These films garnered considerable attention from movie fans.

In the Internet and mobile content distribution business, "Tele Asa complete!," a subscription-based information and content download site for mobile phone users, remains popular.

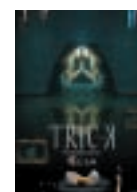
In other areas, TV Asahi Living Co., Ltd., a subsidiary engaged in TV shopping, posted continued growth.



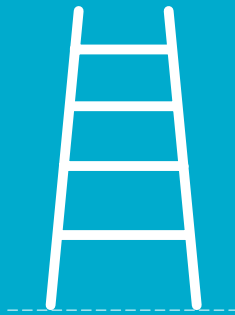
House of Flying Daggers
©2004, Elite Group (2003) Enterprises Inc.



42nd Street
(Photograph by JUN WAJDA)



Trick - Troisième Partie



Aiming to be leader

“TV Asahi will increase its impact”

In June 2002, TV Asahi launched Phase One of its Companywide Reform Campaign. The objective? To become the leader in content creation.

Through the Companywide Reform Campaign, TV Asahi has made significant progress towards this objective. Indeed, over the past three years, we have improved our viewer ratings and have attained higher TV advertising revenues. We have also expanded our nonadvertising revenues from such businesses as special events management, TV shopping, and video and DVD sales.

— Higher viewer ratings lead to higher sales

The digital era has opened doors to infinite possibilities. Television and broadcasting technology has become digital, but more importantly, digital technology has accelerated not only mergers and acquisitions, but also competition among companies in different industries as well as those operating in the telecommunications industry. New services, new methods of content distribution and new business opportunities are rapidly changing the business environment.

The objective of Phase One of the Companywide Reform Campaign was to prevail in this rapidly evolving business environment and to become the leader in the media and content industry by consolidating TV Asahi's strengths and abilities.

Here is the status report on TV Asahi's progress towards the three specific goals pertaining to non-consolidated performance that were set for March 2005.

The first goal was to achieve the top prime time rating during the October 2004 to March 2005 programming season. Our efforts resulted in a rating of 12.9%. While this was short of our ultimate target of 13.5%, we have regained the No.3 position for this rating time period for the first time in 11 years.

TV Asahi's average prime time rating for the fiscal year also improved, moving from 11.6% in fiscal 2003, to 12.3% in fiscal 2005. Our all-day (6 a.m. to midnight) rating has also soared, and we have ranked third for the first time in 34 years for this time period.

There were also days when TV Asahi secured the top ratings for all rating time periods: all-day, golden time (7 p.m. to 10 p.m.), prime time and prime time 2 (11 p.m. to 1 a.m.). Moreover, many of these top-rating days did not feature live sports events, such as Japanese professional baseball or soccer matches, which clearly indicates the boost in TV Asahi's content-production capabilities.

The second goal of the Companywide Reform Campaign was to adopt a high-profit structure. As TV Asahi's ratings improved, so did its image. Program sponsors and advertising agencies gradually became responsive to TV Asahi's new, spirited image, that of a broadcaster unafraid to challenge traditional boundaries, and sought to become further associated with a network on the rise. More and more, they came to perceive TV Asahi as a reliable medium for their advertising needs.

Consequently, between fiscal 2003 and fiscal 2005, TV advertising revenues on a non-consolidated basis climbed 9.9%, from ¥173.0 billion to ¥190.2 billion. Nonadvertising revenues also grew, up 45.8%, from ¥19.2 billion in fiscal 2003 to ¥28.0 billion in fiscal 2005, thanks in part to a healthy contribution from TV shopping.




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Phase One of the Companywide Reform Campaign

Duration: June 2002 to March 2005

Three Strategic Goals:

- 1 Achieve the top prime time (7 p.m. to 11 p.m.) viewer rating during the fall programming season of 2004.
- 2 Adopt a high-profit financial structure capable of weathering changes in the business climate.
- 3 Maximize the creativity and capabilities of all employees to enable the pursuit of individual aspirations and ideals.

Revenues from TV advertising and nonadvertising businesses have both grown steadily. Net sales on a non-consolidated basis have risen from ¥192.2 billion in fiscal 2003, to ¥218.2 billion in fiscal 2005. Non-consolidated net income has expanded from ¥1.8 billion to ¥6.4 billion in the same period.

TV Asahi is indeed developing into a high-profit structure company.

— **Cultivating a vibrant and motivational corporate culture**

The third goal of the Companywide Reform Campaign was to maximize the creativity and capabilities of all employees to enable the pursuit of individual aspirations and ideals.

In October 2003, we moved into our new headquarters building at Roppongi, which was the original location of TV Asahi's operations. Up until then, employees and staff were scattered in different locations. By bringing everyone under the same roof, a deeper sense of corporate unity and a stronger motivational force to succeed was cultivated.

Simultaneous with the relocation, we also changed our company name to TV Asahi Corporation from Asahi National Broadcasting Co., Ltd., and adopted a new logo for the Company. Our new location in the highly fashionable district of Roppongi Hills has also brought us extraordinary exposure, reinforcing our new, fresh image and heightened brand power as a broadcaster.

We have also made steady progress in the way we manage and pursue large-scale projects and special programming that require cross-functional teams. For major sporting events, such as soccer and swimming championships, we focused on promotional activities prior to the actual broadcast with participation from production staff members and our viewers. Such endeavors have earned much praise from viewers and program sponsors.

Through such efforts, we are confident that we are cultivating a vibrant corporate culture in which employee and staff members are motivated to embrace new challenges and to create programs with even greater appeal to our audiences.

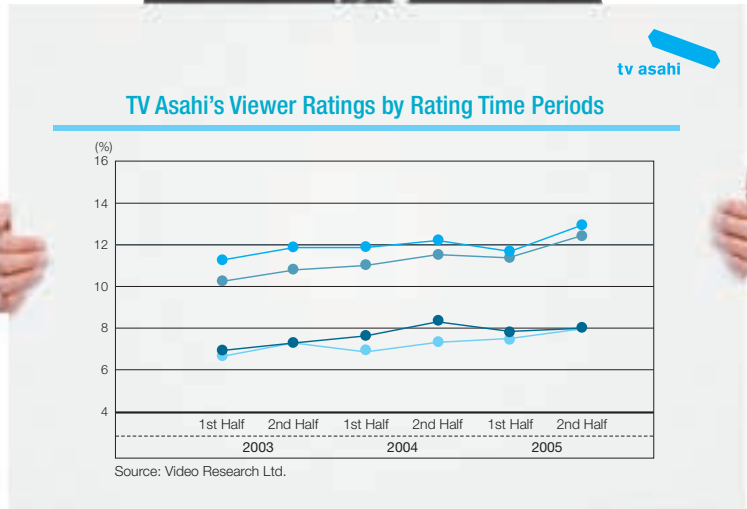
Scene 1 **Strengthening content to raise ratings**

— **Setting ratings goals and rejuvenating the executive team**

In Phase One of the Companywide Reform Campaign, we focused on strengthening our ability to develop and produce strong content. For the three years of Phase One, we set specific rating goals for every six-month programming period. We promoted the goals within the Company and also announced them publicly. In addition, we adhered to a fixed production budget during the three-year period, which has enabled us to allocate funds more efficiently and produce programs more strategically.

We also modified our organizational structure to enhance our production capabilities. In the programming production section, we promoted younger personnel to positions such as general manager and director, which gave them more authority and executive power. As a result, lines of responsibility have become clear and decisions are now made much more quickly. At the same time, we reinforced our production system by channeling more personnel to the Programming & Entertainment Division, the core strategic section for production.

This new dynamic organizational structure was undoubtedly a key factor that enabled us to secure exclusive broadcasting rights to several major sporting events, including the 2006 FIFA World Cup™ Asian Qualifiers and the FINA World Swimming Championships 2005 in Montreal. It has also enabled us to produce dramas of unprecedented scale, which has strengthened our program line-up.



— Creativity bolsters ratings

Changes made in the program production section were also a major force in capturing higher ratings in prime time.

During 2004, we boosted prime time ratings by gradually phasing in new programs and eliminating programs with low viewership. We have established a route whereby entertainment shows which have enjoyed success in prime time 2 are promoted to prime time, thus minimizing the risk of obtaining low ratings for new programs.

We have also enhanced popular long-running programs. A leading example is *Hodo Station*, the news program that succeeded *News Station*, a network mainstay for 18 years. *Hodo Station* has been successful in terms of viewer ratings as well as in developing its individual style while building on the traditional strengths of *News Station*.

News and information programs, which air in the morning, noontime and evening, have continued to draw high ratings as well. The four daily news programs we produce are *Yajuma Plus* and *Super Morning*, which air in the morning, *Wide! Scramble*, which airs in the afternoon, and *Super J Channel*, which airs in the evening. In order to create content that is more in line with viewer tastes and needs, we conducted market research focused on these four daily programs. We have made appropriate content adjustments and have altered relevant program structures in accordance with the research results, which has enabled us to continue to deliver programs that are popular with viewers.

We have also re-examined the strategic vision driving our PR and advertising activities. In order to promote our corporate brand, we are aggressively publicizing our new name and logo. With regard to new programs, we undertook promotional activities in line with our programming policy. At press conferences and kickoff events highlighting new programs for each programming season, we have aimed for originality in the location and design of venue, with the

intention of increasing our programs' appeal to viewers.

Our content has become stronger and our marketing skills have been honed. Our sharper competitive edge has resulted in higher ratings, and TV Asahi's presence in the industry has expanded noticeably. Consequently our value as a provider of advertising time and as a media company has increased. We aim to continue to be the broadcaster of choice for viewers, sponsors and advertising agencies.

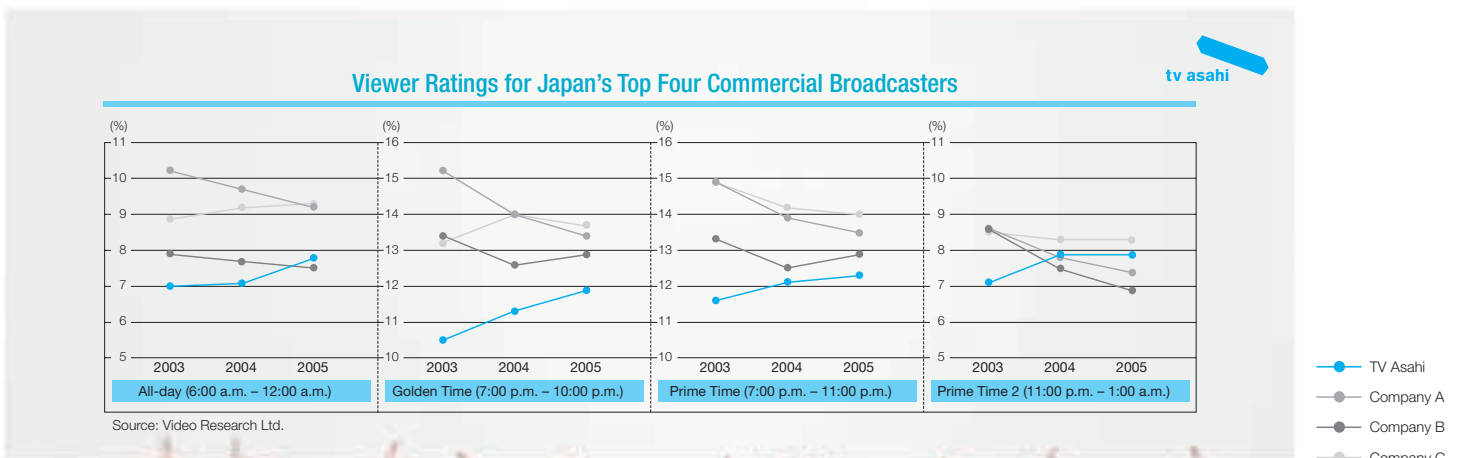
— Highest average prime time rating in seven years

TV Asahi's prime time ratings for fiscal 2005 traced an upward path. The prime time rating for the April 2002 programming season, when we embarked on the Companywide Reform Campaign, was 11.3% and TV Asahi ranked fourth among the key commercial broadcasters. The prime time rating for the October 2004 programming season hit 12.9%, marking our return to the No. 3 position for the first time in 11 years.

Our annual average rating during prime time has also steadily improved, from 11.6% in fiscal 2003, to 12.1% in fiscal 2004 and 12.3% in fiscal 2005. The result for fiscal 2005 is particularly significant — an all-time high in seven years — and the trend bodes well for further growth.

Major special docudrama presentations can be cited as benchmarks that led to the upward trend in prime time ratings. *China's Last Princess*, a TV movie that aired over two consecutive nights in fall 2003, captured an average rating of 23.7%. The next year, in fall 2004, TV Asahi aired *My Younger Brother*, a miniseries of unprecedented scale that ran over five consecutive nights. *My Younger Brother* drew an average rating of 24.2% and won tremendously favorable reviews not only from viewers but from sponsors as well.

Large sports events also made great contributions to prime time ratings. Of note, the final match of the 2006 FIFA World Cup™ Asian



Qualifiers, between Japan and North Korea, which TV Asahi had exclusive terrestrial broadcasting rights to, recorded a rating of 47.2% — a corporate milestone. Moreover, of all the programs aired by all the broadcasters in Japan in fiscal 2005, this soccer match between Japan and North Korea drew the largest audience.

In addition to our strong special programming line-up, our regular entertainment and drama shows have also made considerable progress. We continue to revamp existing entertainment shows with new ideas to keep the programs fresh. For dramas, we have produced shows on familiar storylines with a more contemporary and hipper feel, many of which have become hit shows. With such a line-up of popular programs, there were several occasions when we obtained the top average weekly prime time rating.

— Ratings improve in all time periods

In fiscal 2005, as in fiscal 2004, ratings in all time periods grew. Our all-day rating moved from 7.0% in fiscal 2003 to 7.1% in fiscal 2004 and on to 7.8% in fiscal 2005. This rating which is an all-time high in the history of TV Asahi, has placed TV Asahi third in rankings for the fiscal year.

Ratings in golden time also improved steadily, rising from 10.5% in fiscal 2003 to 11.3% in fiscal 2004 and reaching 11.9% in fiscal 2005, marking the highest rating in 10 years.

In prime time 2, variety shows and dramas remained popular and kept TV Asahi continuously among the top contenders. Prime time 2 ratings went from 7.1% in fiscal 2003 to 7.9% in fiscal 2004 and finished at 7.9% in fiscal 2005 — sufficiently high to hold fast to the No. 2 position.

Scene 2

Expanding TV advertising revenues and profits

— Gradual recovery in time sales

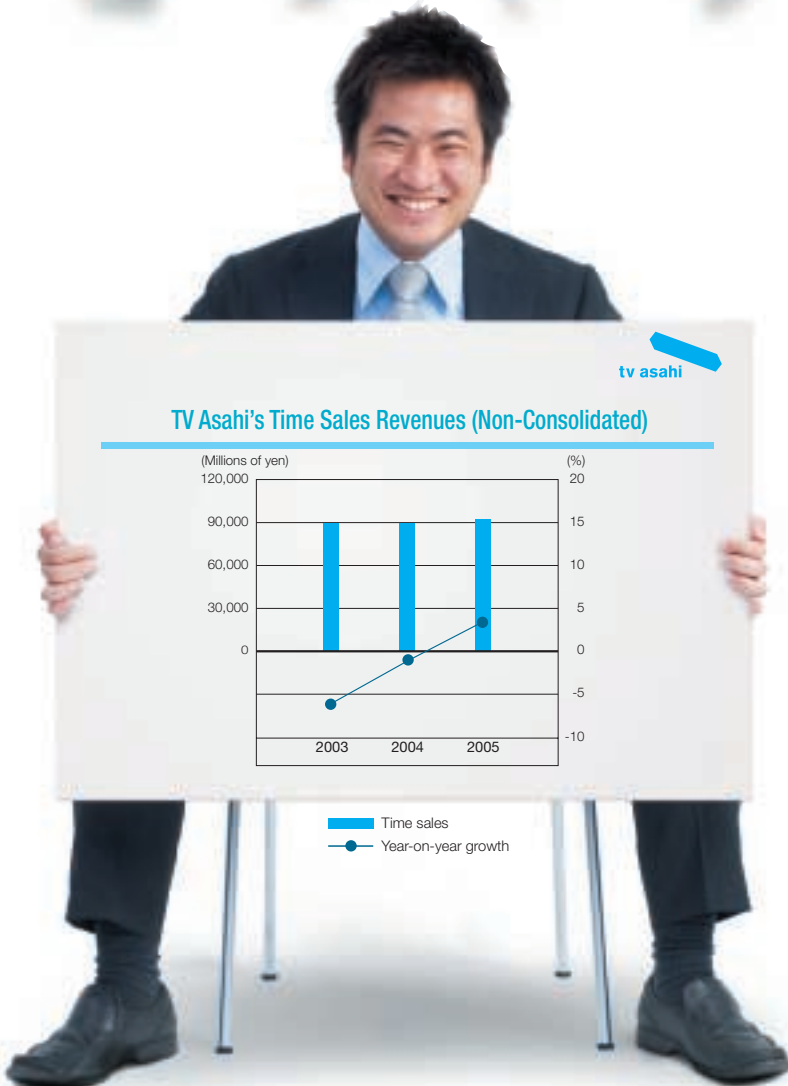
The revenues of a TV broadcaster are prone to considerable fluctuation, rising and falling in relation to demand for advertising. Conditions in the advertising market bear a strong correlation to economic trends. During a downturn, demand for advertising tends to retreat faster than the deceleration in consumer spending, and when times are good, demand for advertising rises significantly.

Although signs of gradual recovery in the domestic economy have appeared in the past few years, instability in the financial sector and other concerns clouded the rosy prospects of corporate Japan. As a result, the advertising market became more active only in the second half of 2003.

In general, for time sales, network time is sold under program sponsorship contracts in six-month blocks. Consequently, sustaining consistently high ratings for each program is vital to satisfy sponsors. Major one-time special programs have a significant impact on time sales, as well. TV Asahi has gradually raised time sales revenue, thanks to an upturn in prime time ratings and a strong line-up of special programs.

Time sales in fiscal 2005 reached ¥91.8 billion, 3.4% more than in fiscal 2003, the first year of the Companywide Reform Campaign. The upward trend in ratings for regular programs as well as aggressive marketing of network time for a number of special programs, including the 2004 Summer Olympics in Athens, exclusive terrestrial broadcasting for the 2006 FIFA World Cup™ Asian Qualifiers, and major drama presentations were factors that boosted time sales.

By strengthening regular programming in prime time, TV Asahi will continue to strive towards attaining stable time sales in the future.



— Growth in spot sales surpasses industry growth

Spot ads target the Kanto region, the area surrounding Tokyo. The spot sales market was particularly busy, buoyed by headlining events, such as the 2004 Summer Olympics in Athens, a particularly hot summer season, and the market launch of digital home electronics.

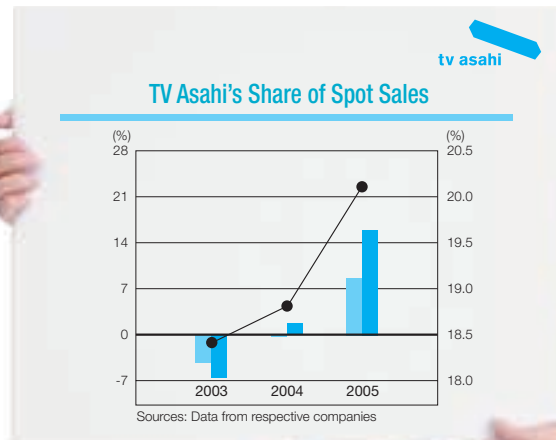
TV Asahi was able to capitalize on substantial improvements in viewer ratings and posted dramatic growth in spot sales. Non-consolidated spot sales reached ¥98.3 billion in fiscal 2005, a 17.9% increase over fiscal 2003. By industry sector, demand was up from beverage suppliers, insurance companies and digital home electronics manufacturers. TV Asahi also recorded a huge increase in spot sales from cosmetics, a category that has languished in the past.

We also worked with an advertising agency to develop an original “dramercial,” which consisted of four progressive commercials with a dramalike story. This ingenious advertising strategy caught the attention of the industry and also scored well with sponsors.

TV Asahi’s spot sales growth has continued to rise faster than that of the market. In fiscal 2003, the Company’s share of the spot ad market was 18.4%, but in fiscal 2005, the share has expanded to 20.1%, a phenomenon that clearly demonstrates the growing momentum of the Companywide Reform Campaign.

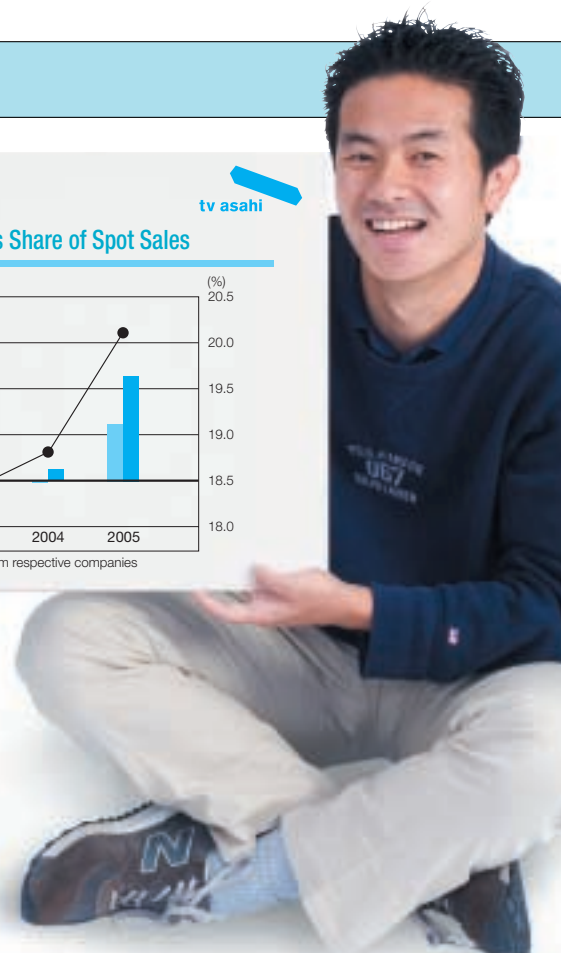
— Strengthening profitability through cost control

The major expenses incurred by a broadcaster are related to its program production and transmission. When TV advertising revenues



Left scale
 ■ Total spot sales of the five commercial broadcasters in Tokyo (year-on-year growth)
 ■ TV Asahi's spot sales (year-on-year growth)

Right scale
 ● TV Asahi's share of spot sales

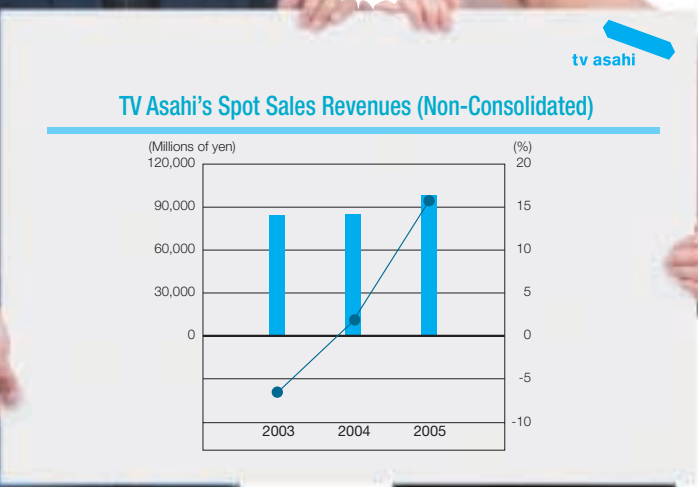


exceed the breakeven point, profits soar rapidly. Consequently, every broadcaster strives to boost viewer ratings and expand TV advertising revenues.

During Phase One of the Companywide Reform Campaign, in addition to prioritizing the aforementioned measures to raise ratings, TV Asahi also focused on the efficient use of funds. With regard to program production costs, we have not recklessly increased production costs in our pursuit of higher ratings. Indeed, we prudently applied a process of selection and concentration to the allocation of budgets in order to enhance the quality of our programs.

For example, over the past two years we have directed funds to the production of several special programs to celebrate our 45th anniversary as well as to major sporting events, mainly the 2004 Summer Olympics in Athens and the 2006 FIFA World Cup™ Asian Qualifiers. Despite these significant outlays, we adhered to an efficient application of a fixed production budget by reviewing each program on the air and eliminating low-rating programs, some of them sport-related. We will continue to streamline costs by identifying programs no longer in tune with the times or viewers’ needs and terminate programs with low ratings.

Furthermore, we have pursued cost re-evaluation projects and have implemented cost-control measures that target general administrative costs.



■ Spot sales
 ● Year-on-year growth

Scene 3

Increase in Nonadvertising revenues

— TV shopping grows into major revenue source

To help us achieve a financial structure that weathers changes in the business environment more easily, we made higher revenues from businesses other than TV advertising, a pillar of the Companywide Reform Campaign. We have developed businesses that maximize the infrastructure and skills we have as a TV broadcaster. We are also strengthening businesses that build upon our competitiveness, such as repackaging and distributing popular content across different media outlets.

One new business that is contributing handsomely to revenues is TV shopping, which we fully embarked on in spring 2003. TV shopping programs, which air in the morning and late at night, are produced and managed by employees. Our success is underpinned by our making full use of marketing advantages unique to a TV broadcaster. Also, we take an active role in every stage of the business, from the procurement of quality items favored by consumers to the sale of these products.

TV Asahi also engages in special events business, and the number of events we sponsor has steadily grown in recent years. Of

these events, *Summer Sonic* and *Fuji Rock Festival*, both rock concerts, have become annual summer events and continue to attract huge crowds of fans.

Moreover, we have been successful in inviting Broadway musicals to Japan. Several tours reached hit status, including *Swing*, *West Side Story* and *42nd Street*.

— Content repackaging and content distribution to mobile phones

TV Asahi has made leeway into the business of secondary rights to popular TV content. Sales of video and DVD versions of popular TV programs have flourished, supported by three series of the drama *Trick* that drew particularly high ratings, as well as by *Trick — The Movie*.

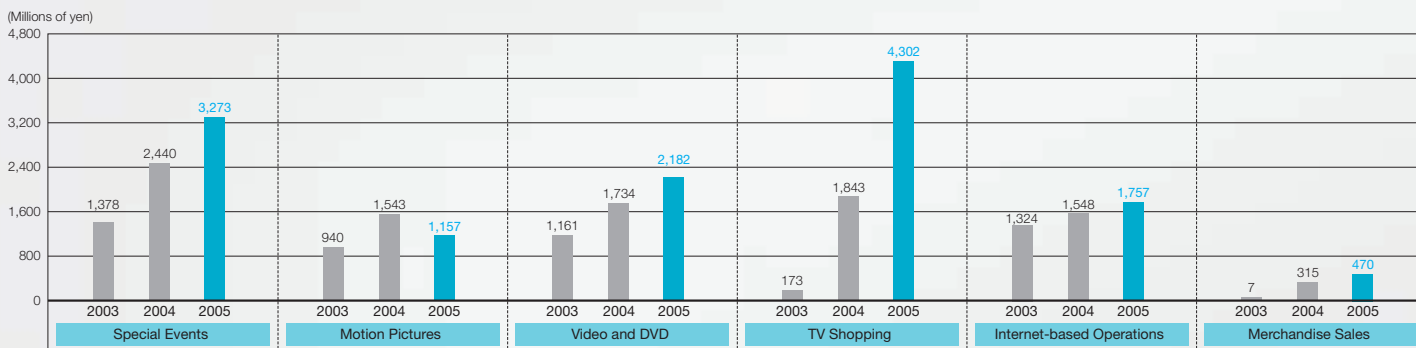
In our Internet and mobile phone content distribution business “Tele Asa complete!,” a subscription-based information and download service for mobile phone users, provides access to a variety of content related to popular TV programs. The rising number of subscribers to this service underpins growing revenues from our Internet operations.

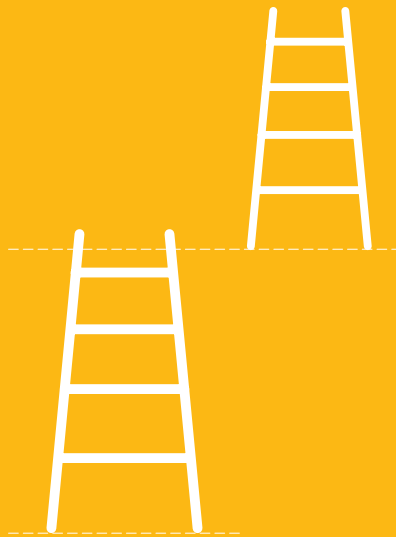
We also invest in motion pictures several of which have been well received. Over the past three years, our investment in foreign and domestic releases, such as *The Pianist*, *Zatoichi*, *HERO*, *The House of Flying Daggers*, *Year One in the North* and *Doraemon*, attracted large crowds of movie fans.



Major Nonadvertising Revenues (Non-Consolidated)

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Leader in the digital era

“TV Asahi will continue to have more impact.”

TV Asahi has embarked on a new journey, entering Phase Two of the Companywide Reform Campaign, launched in April 2005. Our aim is to secure the results achieved during the three years of Phase One of the Campaign and further develop into a broadcaster with a sustainable financial structure.

We seek to become the trusted broadcaster of choice among viewers, sponsors and stakeholders. We look forward to prevailing over continued challenges and to exceed expectations.

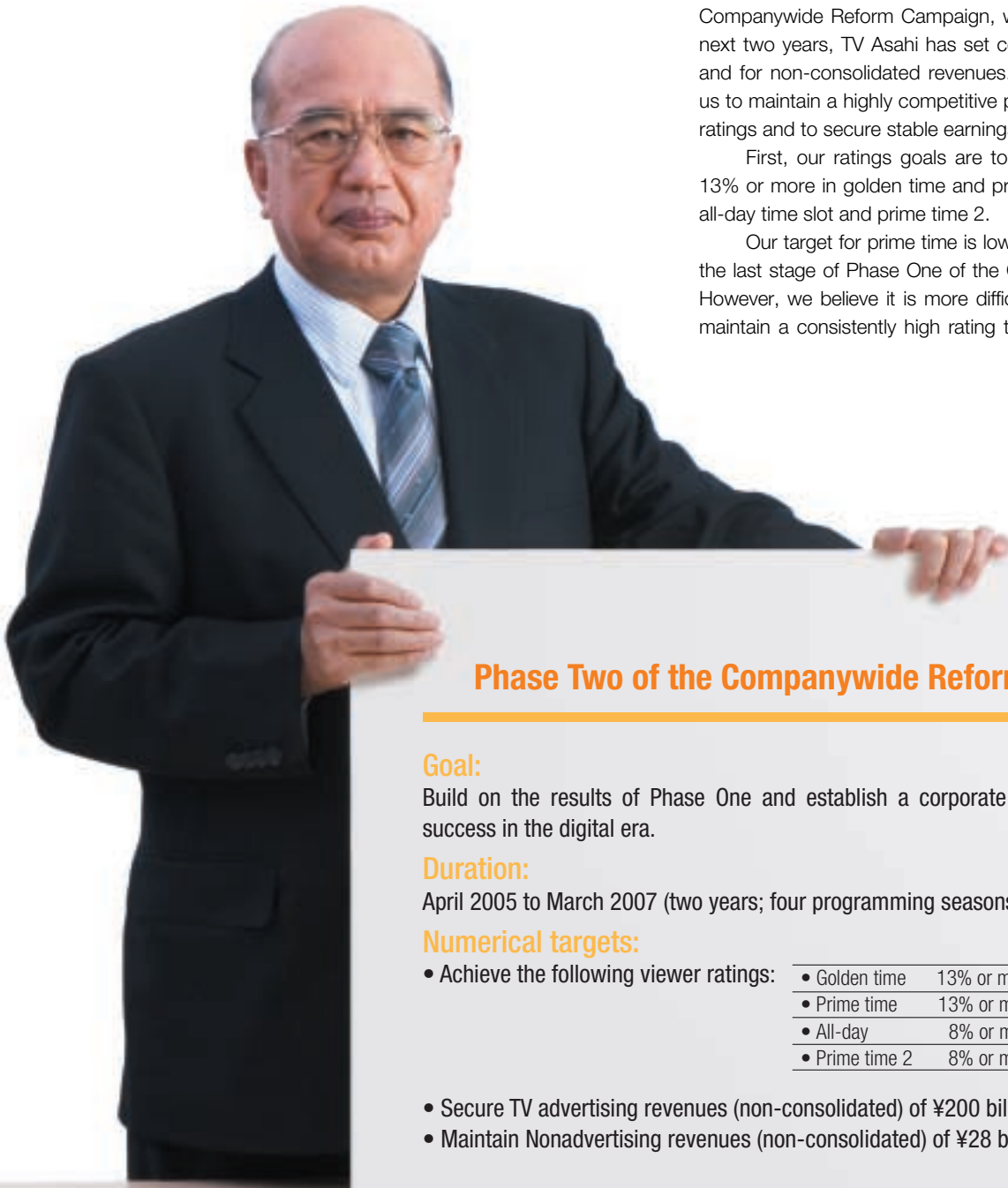
Build on consistently high ratings to compete in the digital era

— Maintain high ratings to attain sustainable growth in earnings

Phase One of the Companywide Reform Campaign prioritized the achievement of higher ratings. It has prepared TV Asahi to compete with the cream of the broadcasting industry. For Phase Two of the Companywide Reform Campaign, which will be carried out over the next two years, TV Asahi has set concrete targets for viewer ratings and for non-consolidated revenues. Achieving these goals will allow us to maintain a highly competitive position to achieve the top rank in ratings and to secure stable earnings.

First, our ratings goals are to achieve and maintain ratings of 13% or more in golden time and prime time, and 8% or more in the all-day time slot and prime time 2.

Our target for prime time is lower than the 13.5% we had set for the last stage of Phase One of the Companywide Reform Campaign. However, we believe it is more difficult — and more significant — to maintain a consistently high rating than it is to temporarily hit a high



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Phase Two of the Companywide Reform Campaign

Goal:

Build on the results of Phase One and establish a corporate structure that assures success in the digital era.

Duration:

April 2005 to March 2007 (two years; four programming seasons)

Numerical targets:

• Achieve the following viewer ratings:

• Golden time	13% or more
• Prime time	13% or more
• All-day	8% or more
• Prime time 2	8% or more

- Secure TV advertising revenues (non-consolidated) of ¥200 billion by fiscal 2007
- Maintain Nonadvertising revenues (non-consolidated) of ¥28 billion until fiscal 2007

rating. In addition, since ratings besides prime time have considerable impact on TV advertising revenues, we have also set goals for ratings in all rating time periods and will endeavor to elevate our current positions of No. 3 in the all-day rating time period and No. 2 in prime time 2.

Second, our revenue goals are to achieve TV advertising revenues of ¥200 billion and maintain nonadvertising revenues of ¥28 billion.

It appears unlikely that the domestic economy will strongly improve in the near future. However, by achieving our stated viewer rating goals, we seek to obtain greater confidence from sponsors and advertising agencies and thus, obtain sustainable growth in our TV advertising revenues.

TV Asahi will strengthen nonadvertising revenues as well. Nonadvertising revenues for fiscal 2005 increased by more than 45%, or approximately ¥9 billion, on a non-consolidated basis, from fiscal 2003. This was in large part due to the rapid growth in the TV shopping and Internet and mobile content distribution businesses. Over the next two years, growth is likely to decelerate, but we will elicit stable profits from our businesses and seek opportunities for growth in the future.

— Apply a cost-control perspective to operations and strengthen shareholder returns

We have not set a numerical target for expenses, but we will continue to keep a tight rein on costs. We will keep operating expenses, including programming production costs, in line with growth. We will also limit large increases through efficient application of funds, such as for running costs at our headquarters building.

The benefit of higher TV advertising revenues, underpinned by consistently high ratings, and of higher non-TV advertising revenues, which are comparatively impervious to the ups and downs of business conditions, will be substantial. By preventing a substantial increase in operating expenses, we will seek to obtain a higher level of profit.

In regard to dividends for fiscal 2005, we added a special dividend of ¥300 per share to ordinary dividends of ¥1,000 per share, making the annual dividend ¥1,300 per share. Compared to the annual dividend of ¥1,100 in fiscal 2004, which comprised an ordinary dividend of ¥600 per share and a special dividend of ¥500 per share, we have greatly increased both the ordinary dividend and the annual dividend. With a focus on maintaining stable dividend payouts, we will continue to seek ways of increasing our value to our shareholders.

— Become a leading company with a new corporate culture

Three years ago, when TV Asahi launched the Companywide Reform Campaign, there were some quite negative reactions. However, we have diligently pursued our Campaign goals. As a result, today, TV Asahi has become No. 3 in all-day ratings, and has surpassed all five key

commercial broadcasters in Japan in year-on-year spot sales growth.

In each department of TV Asahi, employees have aspired to achieve corporate goals and have produced commendable results. Employees are now even more enthusiastic in the workplace than before and we are proud that the Companywide Reform Campaign has fostered such a vibrant corporate culture.

To cultivate an even sturdier corporate structure, we will continue to emphasize the importance of corporate unity, swift decision-making processes and vitality. Our aim will always be to be the trusted broadcaster of choice for viewers, sponsors and stakeholders.

— Outlook for fiscal 2006

Going forward, the Japanese economy will likely be influenced by factors such as rising oil prices, the slow momentum of the world economy, and production adjustments to and higher supply costs for domestic digital consumer electronics. However, the financial stability and profitability of corporations have improved, which signifies a stable recovery of the economy.

Amid this operating environment and with Phase Two of the Companywide Reform Campaign steadily improving high viewer ratings, TV Asahi expects to increase total revenue by improving advertising sales activities, and also by continued efforts in the music publication business and other businesses.

On the other hand, we will continue to control operating expenses effectively to achieve increases in operating income, recurring profit and net income on a year-on-year basis.

Building a comprehensive national terrestrial digital broadcasting system

— Providing broadcasting services with digital advantage

Terrestrial digital broadcasting started in December 2003 in three regions: the Kanto region, centering on Tokyo; the Chukyo region, surrounding Nagoya; and the Kinki region, covering Kyoto, Osaka, Kobe and Nara. According to the Japan Electronics and Information Technology Association, domestic shipments of digital standard television sets and receivers surpassed one million units in the first seven months following the launch of terrestrial digital broadcasting services. As of March 2005, shipments have exceeded 3.66 million units. On September 22, 2004, the digital broadcast coverage became dramatically wider and since then there has been a further upsurge in shipments of digital television sets and receivers.

The digitization of terrestrial broadcasting is part of the national government's strategy to promote information technology, and its implementation will serve not only to make more effective use of airwaves but also to raise the level of broadcasting quality. The

obvious advantages of terrestrial digital broadcasting are high-definition picture and high sound quality. The technology also facilitates program searches, interactive communication, data transmission and other features that benefit the lives of the elderly and the disabled.

In the spring of 2006, terrestrial digital broadcasting will be accessible not only as a fixed service to homes but also as a mobile service for use with mobile phones.

In 2006, terrestrial digital broadcasting will become available on a national level. TV Asahi is making preparations in order to ensure a smooth start of terrestrial digital broadcasting among its affiliate stations.



Data broadcasting for "Test the Nation"

Moreover, in 2011, digital broadcasting will completely supersede analog broadcasting. TV Asahi will take advantage of digital technology and will commit to providing sophisticated TV broadcasting services brimming with convenience and entertainment value.

— Strong ratings for affiliate stations

As TV Asahi enriched its content production capabilities and achieved strong ratings, its strength also extended to affiliate stations throughout Japan, as they, too, achieved higher ratings.

A look at ratings for fiscal 2005 reveals that of our 24 affiliate stations, 18 realized higher all-day ratings and 14 saw higher prime time ratings over fiscal 2004.

In addition, several affiliate stations ranked higher than the previous year. Specifically, eight stations came in third or higher in all-day ratings, two in golden time, four in prime time and 11 in prime time 2.

In terms of net sales, all of our affiliate stations showed increases and we are confident of their continued growth in fiscal 2006.

Stronger Results from the Music Publication Business

Among the companies that comprise the TV Asahi Group, TV Asahi Music Co., Ltd., is involved in music publication business.

Despite a persistently sluggish business environment in the music publication industry over the past few years, TV Asahi Music has established a niche position by tackling structural reform.

Notably, the artist management business has grown into the core business of the company. In fiscal 2004, *Street Story*, by music group HY, which has an exclusive contract with TV Asahi Music, became a million-seller. The company also exclusively handles activities for several other artists popular with the younger

generation, including KETSUMEISHI, Shonan no Kaze and Sasuke, all whose albums and singles have made the charts. Solid results from concerts and merchandise sales in fiscal 2005 led to sales of ¥9.9 billion, up 25.6% over fiscal 2004.

TV Asahi Music will continue its efforts to develop artists and will reinforce its profit structure further to elicit higher sales.



Street Story
(HY)



Kimi ni Bump
(KETSUMEISHI)



Raga Parade
(Shonan no Kaze)

Protecting the Environment, Contributing to Society

While TV Asahi fulfills its public duty and mission through its TV broadcasting business, the Company is also actively involved in protecting the environment and in contributing to the wellbeing of society.

Ongoing Improvement in Environmental Management

To date, TV Asahi has produced programs, such as *Spaceship Earth* and *Naturing Special*, which emphasize the importance of protecting our natural environment. Moreover, as a company, we are also practicing environment-friendly measures in our business activities.

Our Archive Operation & Reengineering Department has implemented various procedures related to everyday business activities that lessen the burden on the environment. In July 2002, these efforts were recognized by the International Standards Organization with ISO 14001 certification, the international standard for environmental management systems.

Since acquiring ISO 14001, we have continued to enhance environmental management practices. We review routine operations in detail to identify ways of reducing the impact our operations have on the environment. For example, we collect and recycle videotapes and employ advanced energy and resource conservation methods at our new headquarters.

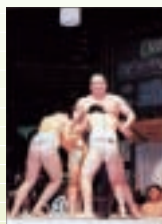
Furthermore, the Tokyo metropolitan government has revamped its environmental policy and has announced a basic policy concerning control of urban and global warming, effective from April 2002. In line with this municipal policy, TV Asahi has prepared its own plan to limit global warming and announces progress reports.

Social Welfare and Support for Victims of Natural Disasters

TV Asahi Social Welfare Organization, established in 1977, promotes social welfare programs for children, the elderly and the disabled.

The organization is engaged in a myriad of social welfare activities, including therapy support for seniors, music-based rehabilitation programs for mentally challenged individuals, a national contest in sign language for high school students, and grants to facilities that assist the physically and mentally challenged.

The organization's agenda also encompasses donating musical instruments to facilities that care for physically or mentally challenged children. The organization also holds sumo wrestling charity events, in cooperation with the Nihon Sumo Kyokai, with the intention of raising awareness on social issues such as traffic safety. The proceeds from such events are donated to organizations undertaking related social welfare programs.



In 1999, underlining its public nature as a broadcaster, TV Asahi set up the Doraemon Charity Fund. Doraemon is one of the most popular animation characters in Japan and the animation series has been broadcast on the TV Asahi network since 1979. The fund provides assistance to victims of natural disasters both in Japan and abroad. To date, we have undertaken eight fundraising campaigns to help the victims of natural disasters such as the earthquake in Turkey (August 1999), the earthquake in Taiwan (September 1999), the volcanic eruptions and earthquakes that hit the Izu Islands off the coast of Tokyo (summer 2000), the Niigata Chuetsu earthquake (October 2004), and the earthquakes and tsunamis in the Indian Ocean (December 2004). The collected funds were transferred to the affected regions through the TV Asahi Social Welfare Organization.

Selected for FTSE4Good Index Series

In September 2004, TV Asahi was selected for inclusion in the FTSE4Good Index Series, a measure of corporate social responsibility developed by FTSE, an independent U.K.-based company that provides equity and bond indices to investors.

The FTSE4Good Index Series is designed to measure the performance of companies that meet globally recognized corporate responsibility standards and is applied widely throughout the world. Companies are selected according to the following criteria:

- 1) their work towards environmental sustainability
- 2) their development of positive relationships with stakeholders
- 3) their championing of and support for universal human rights.

Our inclusion in the FTSE4Good Index Series substantiates the solid reputation we have earned through various socially responsible activities we are engaged in, including a series of environment-friendly endeavors, the Doraemon Charity Fund to assist victims of natural disasters in Japan and abroad, and diverse social contributions through the TV Asahi Social Welfare Organization.

We are grateful that our commitment to the public, as reflected in our social activities, has been recognized internationally and we will continue to reinforce our efforts.



FTSE4Good Index Series
Certificate of Membership

Corporate Governance

TV Asahi has a management supervision system that hinges on compliance-based internal controls

Basic policy on corporate governance

TV Asahi regards the consideration and implementation of corporate governance measures to be one of the most essential tasks of management. The Company has a management supervision system wherein the Board of Directors tracks the business activities of the Executive Officers while corporate auditors and the Board of Auditors audit management's performance. In addition, the Company reinforces the management supervision structure further by making compliance the foundation of internal controls.

Corporate governance structure

Of the Company's 21 Board members, five are from outside the Company. In addition, of our five corporate auditors, two are external auditors.

Business activities are carried out by executive officers who are appointed by the Board and also by full-time internal members of the Board who assist the executive officers. The meetings of the Board of Directors are attended by the five corporate auditors.

Full-time internal directors form the Council of Executive Directors, which as a rule holds weekly meetings at which business activities are reported and discussions are held concerning the operation of the business sections for which the respective directors are responsible. The Council effectively acts as the checking mechanism for the execution of each business activity.

Routine business activities by employees are covered by internal control mechanisms. Powers and responsibilities are set out by written regulations, and whenever necessary, are checked by a number of internal departments such as Compliance Audit Department, the Legal Affairs Department and the Broadcast Standards and Practices Department. Reports on the status of activities are submitted to the Council of Executive Directors and other pertinent councils .

Executive Officers also present detailed reports on the progress of business activities to the Board of Directors. As a rule, the Board meets once a month.

It is the Board of Directors' duty to ensure that management decisions determined at Board meetings and execution of business activities are undertaken in accordance with prevailing laws, the Company's Articles of Incorporation and other regulations, and to make certain that business activities are executed in an appropriate and responsible manner.

It is the corporate auditors' task to examine the execution of business activities by the Board of Directors from the perspective of legality and appropriateness to the Company's entire scope of operations.

Internal controls are the cornerstone of compliance

The basis of internal controls at TV Asahi hinges on a multilevel control mechanism that encompasses everyone in the Company, from senior management down, and emphasizes strict adherence to laws and rules.

Within this structure, overall responsibility lies with the President, and under his direction TV Asahi provides training sessions based on compliance measures.

The Company is establishing systems and structures for instances in which laws and rules are violated. These involve immediate investigation of the matter, taking necessary remedial measures, and taking appropriate steps for limiting damage and preventing recurrence. To enhance the internal control mechanism still further, TV Asahi has introduced training systems and an in-house hotline for anonymously reporting concerns. In addition, we have created the Compliance Handbook, which contains a variety of case studies, and have distributed copies to all senior executives and employees in order to enhance the understanding of internal control mechanisms for a healthy organization. We also offer classes on compliance to give employees a solid understanding of related issues.



Financial Section

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Five-Year Summary

TV Asahi Corporation and Consolidated Subsidiaries
Years ended March 31, 2005, 2004, 2003, 2002 and 2001

	Millions of yen					Thousands of U.S. dollars
	2005	2004	2003	2002	2001	2005
For the year:						
Net sales	¥242,037	¥218,079	¥209,035	¥219,926	¥225,201	\$2,253,813
TV broadcasting business	213,640	195,081	194,329	207,273	212,709	1,989,384
Network time	91,299	88,146	89,040	94,851	94,806	850,154
Spot	98,129	84,606	83,330	89,341	96,177	913,726
Sales of programs	11,310	11,220	11,062	11,105	10,974	105,317
Other	12,905	11,109	10,897	11,976	10,752	120,169
Music publication business	9,071	7,227	4,061	4,115	5,007	84,468
Other businesses	19,326	15,771	10,645	8,538	7,485	179,961
Cost of sales	165,775	156,125	147,007	149,733	145,855	1,543,672
Selling, general and administrative expenses	62,656	55,433	54,598	56,715	59,547	583,444
Operating income	13,606	6,521	7,430	13,478	19,799	126,697
Income before income taxes and minority interests	12,932	3,797	5,069	11,982	18,280	120,421
Net income	7,383	1,687	1,908	5,939	9,952	68,749
Capital expenditures	6,176	30,701	23,232	6,827	8,007	57,510
Depreciation and amortization	8,389	7,832	6,365	5,727	5,590	78,117
At year-end:						
Total assets	¥297,544	¥288,967	¥294,047	¥291,133	¥308,429	\$2,770,686
Total current assets	146,060	139,416	171,558	182,915	184,749	1,360,089
Net property, plant and equipment	65,898	68,808	67,844	52,217	51,722	613,633
Total current liabilities	51,921	48,660	57,990	54,081	76,140	483,481
Interest-bearing debt	—	862	3,212	10,699	17,540	—
Total stockholders' equity	226,729	220,508	215,842	216,515	211,884	2,111,267
Per share of common stock (Yen and U.S. dollars):						
Net income—basic	¥ 7,199	¥ 1,560	¥ 1,780	¥ 5,904	¥ 11,001	\$ 67.04
Cash dividends	1,300	700	700	1,000	5,800	12.11
Stockholders' equity	225,237	219,193	214,555	215,224	210,620	219,193
Other data:						
Number of shares outstanding (Thousands)	1,006	1,006	1,006	1,006	1,006	—
Number of employees (Non-consolidated)	1,250	1,262	1,278	1,289	1,290	—
Key ratio (%):						
Return on sales	3.1	0.8	0.9	2.7	4.4	—
Return on equity	3.3	0.8	0.9	2.8	6.0	—
Return on assets	2.5	0.6	0.7	2.0	3.8	—
Equity ratio	76.2	76.3	73.4	74.4	68.7	—

Notes: 1. For the calculation of per share of common stock, see Note 8 and Note 9 of Notes to Consolidated Financial Statements.

2. 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.

3. For convenience only, U.S. dollar amounts have been translated from Japanese yen at the rate of ¥107.39 to US\$1, the rate of exchange prevailing on the Tokyo Foreign Exchange Market on March 31, 2005.

Management's Discussion and Analysis

Major Accounting Method Transactions and Changes

The consolidated financial statements of the TV Asahi Group are prepared in accordance with accounting standards generally accepted in Japan as fair and appropriate. Some assets and liabilities, as well as some income and expenses, are based on estimates and management interpretations established at the time these consolidated financial statements were prepared.

Operating Environment

During the fiscal year under review, the Japanese economy continued to show signs of recovery, despite the strong Japanese yen, an increase in oil prices and a slowdown in the domestic economy in the second half of the fiscal year. As the effects of the war on Iraq and fears of SARS subsided, the economy gained an extra boost from capital expenditure in the manufacturing sector, the 2004 Summer Olympics in Athens, an especially hot summer and improved corporate operating results due to a resurgence in exports.

Total advertising spending in calendar year 2004 grew year-on-year for the first time in four years. Total television advertising, in particular, rose significantly year-on-year due to several major events such as the Athens Olympics and a robust spot advertising market.

Operating Results

In the final year of Phase One of the Companywide Reform Campaign pursued by TV Asahi, the TV Asahi Group posted consolidated net sales of ¥242,037 million, up 11.0% from the previous year. This result reflects the strong contribution from the mainstay TV broadcasting business as well as successful efforts from music publication and other business segments.

Cost of sales expanded 6.2%, to ¥165,775 million, largely because of an increase in expenses from the other business segment, paralleling improved sales in other businesses, and because of an increase in depreciation and amortization, mainly from TV broadcasting equipment installed in the new headquarters building. The cost of sales ratio — cost of sales as a percentage of net sales — fell to 68.5%, compared with 71.6% in the previous fiscal year, and thus, the gross profit margin jumped 23.1%, to ¥76,262 million.

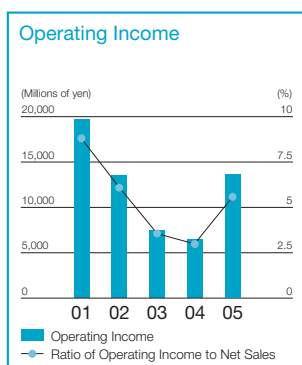
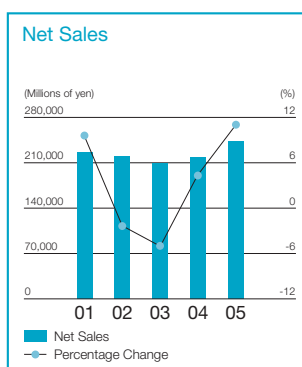
Selling, general and administrative (SGA) expenses grew 13.0%, to ¥62,656 million, mirroring a boost in agency fees as a consequence of a rise in spot advertising revenues. Higher taxes and public charges also affected SGA expenses.

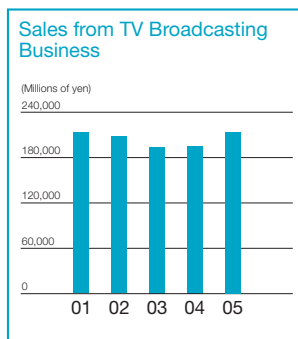
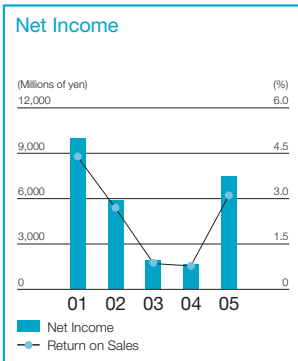
As a result, operating income rose to ¥13,606 million, up 8.7% year-on-year, and the operating profit margin — operating income as a percentage of net sales — climbed 2.6 percentage points, to 5.6%.

Non-operating income came to ¥1,010 million, up ¥300 million. Non-operating expenses amounted to ¥1,024 million, down ¥385 million, largely owing to a reduction in losses posted by affiliate Asahi Satellite Broadcasting Limited, which caused equity in losses of affiliates to fall ¥321 million, to ¥901 million.

Extraordinary income declined ¥359 million, to ¥301 million, reflecting a reduction in compensation received for the Roppongi redevelopment project.

Extraordinary expenses fell ¥1,795 million, to ¥961 million. A major factor for the decline was a ¥1,665 million drop in losses related to the Roppongi redevelopment project, such as costs incurred through the relocation of offices and equipment, and through the disposal of equipment and facilities in the previous fiscal year. In addition, while there was a loss of ¥301 million on the leasing transactions of Television Asahi Service Co., Ltd. in the previous fiscal year, no such losses were recorded in fiscal 2005. However, the Company booked ¥282 million in losses





related to the relocation of subsidiaries TV Asahi Productions Co., Ltd., Take Systems Co., Ltd., and TV Asahi Data Vision Corporation, to the Ark Broadcasting Center.

As a result, income before income taxes and minority interests expanded 240.6%, to ¥12,932 million.

Consequently, net income grew 337.5%, soaring to ¥7,383 million. Net income per share also skyrocketed 361.6% year-on-year, rising from ¥1,559.52 in fiscal 2004, to ¥7,198.89 in fiscal 2005.

Operating Results by Segment

Note: Figures in this section (except for those used in graphs) are those before eliminating inter-segment sales.

TV Broadcasting Business

On a non-consolidated basis, TV Asahi's average all-day (6 a.m. to midnight) rating in fiscal 2005 hit 7.8%, which not only marked the highest level in the Company's history but also pushed the network to the No. 3 spot, behind Fuji Television Network, Inc., and Nippon Television Network Corporation, for the first time in 34 years.

TV Asahi also improved ratings in golden time (7 p.m. to 10 p.m.), prime time (7 p.m. to 11 p.m.) and prime time 2 (11 p.m. to 1 a.m.). The golden time rating rose 0.6 percentage point, to 11.9%, and continues to climb. The primetime rating edged up 0.2 percentage point, to 12.3%, while the prime time 2 rating held steady at 7.9%, resulting in the Company capturing the No. 2 position for the rating period.

In the entertainment program genre, *Takeshi's TV Tackle* maintained high ratings. The show, which airs Mondays at 9 p.m., features Takeshi Kitano, a world-renowned director, who leads a guest panel in discussions on current social topics. Shows aired Monday through Thursday in the 11 p.m. slots are also maintaining high average ratings of between 10% and 13%.

In the drama program genre, TV Asahi's 45th Anniversary Special Drama *My Little Brother*, a miniseries that ran over five consecutive nights, drew an average rating of 24.2% and won tremendously favorable reviews not only from viewers, but from sponsors as well. Other programs, including *Black Leather Notebook* and *Hitoshi Tadano, the Extraordinary Undercover Detective*, attracted considerable audience interest.

News and information programs provided a considerable boost to ratings. *Yajuma Plus* and *Super Morning*, which air in the morning, *Wide! Scramble*, which airs at noontime, and *Super J Channel*, which airs in the evening, were particularly well received by viewers. *Hodo Station*, the successor to *News Station*, started in April 2004 and it has continued to gain the confidence of our viewers by presenting fresh perspectives on various news topics.

In sports programs, the 2006 FIFA World Cup™ Asian Qualifiers was a terrestrial exclusive to TV Asahi and generated excellent ratings for the Company: 37.9% for the match between Japan and Iran, 40.5% for the match between Japan and Bahrain, and 47.2% for the match between Japan and North Korea. The 47.2% rating for Japan vs. North Korea was not only a milestone for TV Asahi but for the broadcasting industry as well. The showing of this sports event on TV drew the largest audience for any program aired by any network in Japan in fiscal 2005, including a perennial viewer favorite — the year-end music extravaganza aired by NHK.

TV Asahi energetically worked to achieve higher profits through aggressive sales efforts, which paid off, as network time sales reached ¥91,718 million, or 3.4% more than in fiscal 2004. This result is linked to the upward trend in ratings for regular entertainment shows and daily news programs as well as aggressive marketing of major drama presentations and one-time sports events.

Spot sales jumped 15.9%, to ¥98,360 million. The impact of the 2004 Summer Olympics in Athens and the hot summer season stimulated sales, while spot sales ran high throughout the year. In addition, demand was high in key sectors, particularly beverages, insurance and consumer electronics — especially advertising for digital televisions and DVD players — as well as cosmetics and toiletries.

Program sales inched up 1.0% year-on-year, to ¥11,872 million. Other revenues increased by ¥1,913 million, or 16.7%, to ¥13,353 million, owing to increased broadcasting-related revenue of our subsidiaries, TV Asahi Productions Co., Ltd., and TV Asahi Create Co., Ltd.

Consequently, TV broadcasting sales climbed 9.4%, to ¥215,303 million. Despite a 6.2% increase in operating expenses, to ¥205,401 million, the Company posted operating income of ¥9,902 million, an increase of 192.6% over the previous fiscal year.

Music Publication Business

The music publication and copyright management businesses showed favorable growth in fiscal 2005. Of albums and singles by artists exclusive to subsidiary TV Asahi Music Co., Ltd., the album *TRUNK* from HY, and the single *Aoi Bench* and album *Smile* from Sasuke posted particularly good results. Singles *Kimi ni Bump* and *Sakura* from KETSUMEISHI, another artist group under TV Asahi Music exclusive management, made the charts as well.

This segment also benefited from steady revenues generated through concert tours and the sale of artist merchandise.

As a result, segment sales jumped 25.6%, to ¥9,122 million, and although operating expenses expanded 17.1%, to ¥6,843 million, operating income surged 60.2%, to ¥2,279 million.

Other Businesses

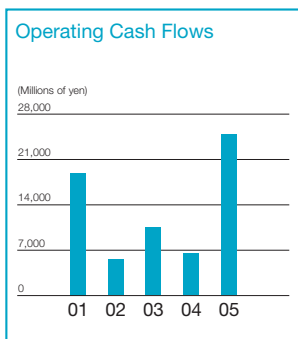
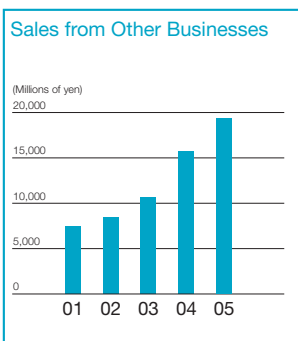
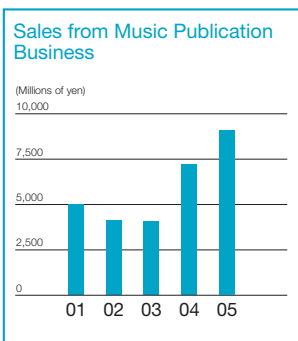
TV Asahi saw its motion picture investments yield several hits. Notable releases included the domestic production *CASSHERN*, the foreign production *House of Flying Daggers*, the animated feature films *Doraemon: Nobita's Wyan-Nyan Space-Time Odyssey* and *Crayon Shin-Chan Arashi wo Yobu! Yuhi no Kasukabe Boys*.

In the special events business, TV Asahi successfully attracted huge audiences to such events as the rock festival *Summer Sonic 2004*, the Broadway musical *42nd Street* and the exhibition *China's National Treasures*.

The Company's TV shopping business also grew, with particular viewer interest in TV shopping programs *Selection X* and *Kaiteki! Zubari*.

Other areas of activity were the content distribution business, including publication and DVD and video repackaging of popular drama shows, and subscription-based information and download services for mobile phone users.

Sales of broadcasting equipment by subsidiary TV Asahi Service Co., Ltd., fell year-on-year. However, because of higher sales from TV shopping and the special events productions, sales in this segment rose 8.5%, to ¥24,492 million. Operating expenses increased 11.5%, to ¥23,014 million, leading to a 23.1% drop in operating income, to ¥1,478 million.



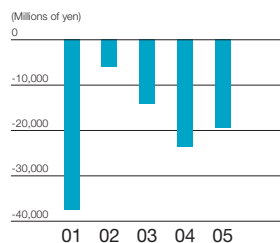
Cash Flow Analysis

Cash and cash equivalents (hereafter, "cash") for the consolidated fiscal year ended March 31, 2005, grew ¥3,174 million, to ¥57,247 million.

Cash Flows from Operating Activities

Net cash provided by operating activities reached ¥24,809 million, or ¥18,335 million more than the previous year. The main reasons for the increase were a rise of ¥9,135 million in net income before income taxes and minority interests, and a

Investing Cash Flows



rise in consumption-tax-related cash flow due to as a return of consumption tax from the large capital expenditure in the previous year and no payment of consumption taxes thus far this year.

Cash Flows from Investing Activities

Net cash used in investing activities showed a year-on-year decrease of ¥4,313 million, to ¥19,438 million, compared to the total of ¥23,751 million the previous year. The principal reason for this is large payments for the purchase of broadcasting equipment as a result of the relocation to our new headquarters building the previous year.

Cash Flows from Financing Activities

Net cash used in financing activities came to ¥2,183 million, or ¥882 million less than in the previous year. The total dividend payout increased as the Company increased dividend per share. On the other hand, there was a reduction in the repayment of debt.

Financial Position

Assets

Total assets stood at ¥297,544 million, as of March 31, 2005, up ¥8,577 million from the previous year. Current assets amounted to ¥146,060 million, up ¥6,644 million, due to an increase of trade notes and accounts receivable following an increase in spot sales. Total fixed assets increased ¥1,933 million, to ¥151,484 million, owing to an increase in investments in securities as a result of shifting investments to long-term interest-bearing government bonds.

Liabilities

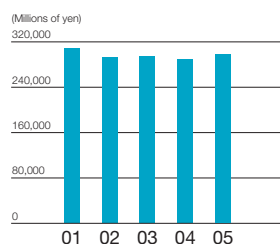
Total liabilities stood at ¥69,405 million at year-end, an increase of ¥2,345 million from the previous year. Current liabilities grew to ¥51,921 million, up ¥3,261 million, largely due to an increase in accrued income taxes following an increase in taxable income. Non-current liabilities dropped ¥916 million, to ¥17,484 million, as liabilities for employee retirement and severance benefits decreased.

Stockholder's Equity

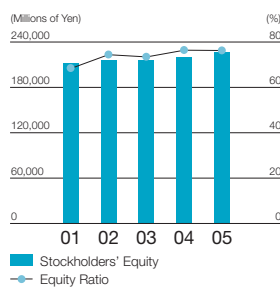
Total stockholders' equity increased ¥6,221 million to ¥226,729 million at year-end. Common stock and additional paid-in capital remains the same, but retained earnings increased by ¥5,958 million to ¥126,828 million. A breakdown of retained earnings shows that net income accounted for ¥7,383 million, dividend payout ¥1,308 million and bonuses to directors and corporate auditors ¥117 million.

The stockholders' equity ratio decreased 0.1 percentage point, to 76.2%.

Total Assets



Stockholders' Equity



Capital Expenditures

Capital expenditures within the TV Asahi Group totaled ¥6,176 million in fiscal 2005, with a focus on the TV broadcasting business. While the Group did not undertake any large, new investments in the TV broadcasting business, an aggregate ¥4,578 million was applied mainly to regular upgrades of equipment. An aggregate ¥63 million was used in the music publication business, and an aggregate ¥1,535 million was directed toward other businesses. Capital spending includes investment in intangible fixed assets.

Risk Information

Dependence on TV Broadcasting Business

TV Asahi's revenue is derived largely from its TV broadcasting business, which is dependent on the advertising spending of companies that are in turn greatly influenced by the state of the Japanese economy.

Moreover, within the TV broadcasting business, viewer ratings play an essential role in the determination of price in the sale of advertising time.

Thus, in the event the Japanese economy experiences a downturn and/or the Company is not able to produce and broadcast programs that are widely popular among the viewers, the operating results of the Company may be influenced.

Competition, Capital Expenditures and Investments

Terrestrial digital broadcasting commenced on December 1, 2003. With its move to its new headquarter building in the previous fiscal year, TV Asahi invested in broadcasting equipment necessary for terrestrial digital broadcasting. The Company will continue to position digital broadcasting as an important management issue until the full transition to digital broadcasting is completed in 2011.

In addition, terrestrial digital broadcasting may bring about further competition with services other than terrestrial broadcasting, such as BS digital broadcasting, CS digital broadcasting, cable television and content distribution via broadband.

Thus, the Company will continue to allocate appropriate capital expenditure and make other investments in order to maintain technical standards, improve its content production competency, acquire popular content and strengthen its media strategy. In the event sufficient profits cannot be attained to balance such investments, the operating results of the Company may be influenced.

Regulations (License and Foreign Ownership)

The main business of the Company is its TV broadcasting business, which is administered under various regulations such as the Radio Wave Laws and Broadcasting Laws of Japan.

For the launch of its TV broadcasting business, TV Asahi was granted its broadcasting license on January 9, 1959, in accordance with the Radio Wave Laws, and started broadcasting service on February 1, 1959. As stipulated in the Laws, the license period is five years, and thus, the Company has continued to apply for license renewal.

According to the Radio Wave Laws, there exists a foreign ownership restriction that prohibits a foreign national to be an executive director and/or foreign entities to own more than one-fifth of a free-to-air radio or television broadcaster. In effect, under certain conditions, it is possible to reject the transfer of stock registration to a foreign entity. Moreover, when foreign ownership reaches 15%, the Company is required to disclose the fact, in accordance with the Broadcasting Laws.

Consolidated Balance Sheets

TV Asahi Corporation and Consolidated Subsidiaries
March 31, 2005 and 2004

	Millions of yen		Thousands of U.S. dollars (note 2)
	2005	2004	2005
Assets			
Current assets:			
Cash (note 13)	¥ 31,767	¥ 31,164	\$ 295,810
Trade notes and accounts receivable	63,686	56,716	593,035
Short-term investments (notes 3 and 13)	30,622	26,001	285,147
Inventories	14,542	17,302	135,413
Deferred income taxes (note 11)	1,985	1,854	18,484
Other current assets	3,565	6,564	33,197
Less allowance for doubtful receivables	107	185	997
Total current assets	146,060	139,416	1,360,089
Property and equipment, net of accumulated depreciation; ¥39,142 million (\$364,485 thousand) in 2005 and ¥36,575 million in 2004:			
Buildings and structures	23,419	23,778	218,074
Machinery and vehicles	23,484	25,316	218,680
Land	16,694	16,699	155,452
Construction in progress	215	1,041	2,002
Other	2,086	1,974	19,425
Net property and equipment	65,898	68,808	613,633
Intangible assets, net:			
Software	6,791	6,703	63,237
Other	342	346	3,184
Net intangible assets	7,133	7,049	66,421
Investments and other assets:			
Investments in securities (notes 3 and 4)	52,752	46,055	491,219
Deferred income taxes (note 11)	3,029	2,925	28,206
Other investments and other assets	23,147	25,121	215,541
Less allowance for doubtful receivables	475	407	4,423
Total investments and other assets	78,453	73,694	730,543
Total assets	¥297,544	¥288,967	\$2,770,686

See accompanying notes to consolidated financial statements.

	Millions of yen		Thousands of U.S. dollars (note 2)
	2005	2004	2005
Liabilities and Stockholders' Equity			
Current liabilities:			
Trade notes and accounts payable	¥ 13,904	¥ 14,173	\$ 129,472
Short-term debt and current installments of long-term debt (note 5)	—	862	—
Other payables	14,008	12,492	130,441
Accrued expenses	15,337	13,592	142,816
Accrued income taxes (note 11)	4,885	1,552	45,488
Other current liabilities	3,787	5,989	35,264
Total current liabilities	51,921	48,660	483,481
Non-current liabilities:			
Liabilities for retirement and severance benefits (note 6)	17,306	18,298	161,151
Other non-current liabilities	178	102	1,657
Total non-current liabilities	17,484	18,400	162,808
Total liabilities	69,405	67,060	646,289
Minority interests	1,410	1,399	13,130
Stockholders' equity:			
Common stock (note 7):	36,643	36,643	341,214
Authorized 3,000,000 shares; issued and outstanding 1,006,000 shares in 2005 and 2004			
Additional paid-in capital (notes 7 and 8)	55,343	55,343	515,346
Retained earnings (note 8)	126,828	120,870	1,181,004
Net unrealized gain on other securities (note 3)	7,961	7,684	74,131
Foreign currency translation adjustments	(46)	(32)	(428)
Total stockholders' equity	226,729	220,508	2,111,267
Commitments and contingencies (note 10)			
Total liabilities and stockholders' equity	¥297,544	¥288,967	\$2,770,686

Consolidated Statements of Income

TV Asahi Corporation and Consolidated Subsidiaries
Years ended March 31, 2005 and 2004

	Millions of yen		Thousands of U.S. dollars (note 2)
	2005	2004	2005
Net sales	¥242,037	¥218,079	\$2,253,813
Cost of sales (note 6)	165,775	156,125	1,543,672
Gross profit	76,262	61,954	710,141
Selling, general and administrative expenses (notes 6 and 12)	62,656	55,433	583,444
Operating income	13,606	6,521	126,697
Other income (deductions):			
Interest income	126	30	1,173
Dividend income	291	224	2,710
Interest expenses	(3)	(38)	(28)
Equity in losses of affiliates	(901)	(1,223)	(8,390)
Loss on devaluation of investments in securities and other investments	(133)	(130)	(1,238)
Provision for allowance for doubtful receivables	(11)	(32)	(102)
Other, net	(43)	(1,555)	(401)
	(674)	(2,724)	(6,276)
Income before income taxes and minority interests	12,932	3,797	120,421
Income taxes (note 11):			
Current	5,886	2,846	54,809
Deferred	(440)	(782)	(4,097)
	5,446	2,064	50,712
Income before minority interests	7,486	1,733	69,709
Minority interests	103	46	960
Net income	¥ 7,383	¥ 1,687	\$ 68,749
	Yen		U.S. dollars (note 2)
	2005	2004	2005
Per share of common stock:			
Net income—basic (note 9)	¥7,198.89	¥1,559.52	\$67.04
Cash dividends applicable to the year (note 8)	1,300.00	700.00	12.11

See accompanying notes to consolidated financial statements.

Consolidated Statements of Stockholders' Equity

TV Asahi Corporation and Consolidated Subsidiaries
Years ended March 31, 2005 and 2004

	Millions of yen		Thousands of U.S. dollars (note 2)
	2005	2004	2005
Common stock (note 7):			
Balance at beginning of year	¥ 36,643	¥ 36,643	\$ 341,214
Balance at end of year	36,643	36,643	341,214
Additional paid-in capital (notes 7 and 8):			
Balance at beginning of year	55,343	55,343	515,346
Balance at end of year	55,343	55,343	515,346
Retained earnings (note 8):			
Balance at beginning of year	120,870	119,999	1,125,524
Cash dividends	(1,308)	(704)	(12,180)
Bonuses to directors and corporate auditors	(117)	(112)	(1,089)
Net income	7,383	1,687	68,749
Balance at end of year	126,828	120,870	1,181,004
Net unrealized gain on other securities at end of year (note 3)	7,961	7,684	74,131
Foreign currency translation adjustments at end of year	(46)	(32)	(428)
Total stockholders' equity at end of year	¥226,729	¥220,508	\$2,111,267

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

TV Asahi Corporation and Consolidated Subsidiaries
Years ended March 31, 2005 and 2004

	Millions of yen		Thousands of U.S. dollars (note 2)
	2005	2004	2005
Cash flows from operating activities:			
Income before income taxes and minority interests	¥12,932	¥ 3,797	\$120,421
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	8,389	7,832	78,117
Loss on devaluation of investments in securities and other investments	133	130	1,238
Equity in losses of affiliates	901	1,223	8,390
Allowance for doubtful receivables	(11)	(55)	(102)
Decrease in liabilities for retirement and severance benefits	(1,007)	(99)	(9,377)
Interest and dividend income	(417)	(254)	(3,883)
Interest expenses	3	38	28
Increase in trade notes and accounts receivable	(6,969)	(3,253)	(64,894)
Decrease in inventories	2,760	615	25,701
Increase (decrease) in trade notes and accounts payable	3,213	(843)	29,919
Other, net	7,034	595	65,499
Sub total	26,961	9,726	251,057
Interest and dividend received	405	251	3,771
Interest paid	(3)	(37)	(28)
Income taxes paid	(2,554)	(3,466)	(23,782)
Net cash provided by operating activities	24,809	6,474	231,018
Cash flows from investing activities:			
(Increase) decrease in short-term investments	(2,119)	17,002	(19,732)
Capital expenditures	(8,237)	(32,587)	(76,702)
Proceeds from sale of property and equipment	31	4,149	289
Purchase of intangible assets	(1,971)	(3,374)	(18,354)
Purchase of investments in securities and investments in subsidiaries	(7,287)	(9,534)	(67,855)
Other, net	145	593	1,350
Net cash used in investing activities	(19,438)	(23,751)	(181,004)
Cash flows from financing activities:			
Decrease in short-term debt	(800)	(1,724)	(7,450)
Payments on long-term debt	(62)	(625)	(577)
Dividends paid to stockholders	(1,308)	(702)	(12,180)
Dividends paid to minority stockholders of subsidiaries	(13)	(13)	(121)
Net cash used in financing activities	(2,183)	(3,064)	(20,328)
Effect of exchange rate changes on cash and cash equivalents	(14)	(21)	(130)
Net increase (decrease) in cash and cash equivalents	3,174	(20,362)	29,556
Cash and cash equivalents at beginning of year	54,073	74,435	503,520
Cash and cash equivalents at end of year (note 13)	¥57,247	¥54,073	\$533,076

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

TV Asahi Corporation and Consolidated Subsidiaries

1. Basis of Presentation and Summary of Significant Accounting Policy

(a) Basis of Presentation

TV Asahi Corporation (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 a 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 statements of income. Securities classified as "held-to-maturity securities" are stated at amortized cost. Securities classified as "other securities" with market value 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 and losses on those other securities are computed using the moving-average cost. Debt classified as "other securities" for which market value is not available are stated at amortized cost. Equity securities classified as "other securities" for which market value is not available are stated at moving average cost. 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 and Equipment

Property and equipment are stated at cost. Depreciation of property and equipment is computed by the straight-line method, over the estimated useful lives of the respective assets.

The estimated useful lives are as follows:

Buildings	15–50 years
Broadcasting equipment	6 years

From fiscal 2004, the Company changed its method of depreciation to the straight-line method from the declining-balance method. The Company intends to stabilize the use of the assets for a long time, and the repair costs for these assets have been incurred consistently for a long time. Consequently, the Company believes that the straight-line method more appropriately reflects the timing of the economic benefits to be received from these assets. The effect of this change was to reduce depreciation expense by ¥407 million and to increase operating income and income before income taxes and minority interests by the same amount.

(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 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 have been made to the prior years' consolidated financial statements to conform to the presentation used as of and for the year ended March 31, 2005.

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 ¥107.39 = US\$1, the appropriate exchange rate prevailing on the Tokyo Foreign Exchange Market as of March 31, 2005. 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, 2005 and 2004 are summarized as follows:

	Millions of yen							
	2005				2004			
	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	¥30,600	¥15	¥(1)	¥30,614	¥ 9,000	¥—	¥ (1)	¥ 8,999
Corporate bond securities	6,620	15	(3)	6,632	1,800	—	(13)	1,787
Other debt securities	—	—	—	—	—	—	—	—
	¥37,220	¥30	¥(4)	¥37,246	¥10,800	¥—	¥(14)	¥10,786

	Thousands of U.S. dollars			
	2005			
	Balance sheet amount	Gross unrealized gain	Gross unrealized loss	Fair value
Government bond securities	\$284,943	\$140	\$(10)	\$285,073
Corporate bond securities	61,644	140	(28)	61,756
Other debt securities	—	—	—	—
	\$346,587	\$280	\$(38)	\$346,829

Acquisition cost, balance sheet amount and gross unrealized gain and gross unrealized loss of other securities with fair value as of March 31, 2005 and 2004 is summarized as follows:

Millions of yen								
	2005				2004			
	Acquisition cost	Gross unrealized gain	Gross unrealized loss	Balance sheet amount	Acquisition cost	Gross unrealized gain	Gross unrealized loss	Balance sheet amount
Equity securities	¥ 9,019	¥13,619	¥(356)	¥22,282	¥6,643	¥12,941	¥(17)	¥19,567
Debt securities	2,018	81	—	2,099	2,018	7	—	2,025
Other securities	1,527	16	—	1,543	1,026	14	—	1,040
	¥12,564	¥13,716	¥(356)	¥25,924	¥9,687	¥12,962	¥(17)	¥22,632

Thousands of U.S. dollars				
	2005			
	Acquisition cost	Gross unrealized gain	Gross unrealized loss	Balance sheet amount
Equity securities	\$ 83,984	\$126,818	\$(3,315)	\$207,487
Debt securities	18,791	754	—	19,545
Other securities	14,219	149	—	14,368
	\$116,994	\$127,721	\$(3,315)	\$241,400

It is not practicable to estimate the fair value of securities as of March 31, 2005 and 2004 described below because of lack of market price and difficulty in estimating fair value.

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Held-to-maturity securities:			
Commercial paper	¥500	¥3,000	\$4,656
	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Other securities:			
Unlisted equity securities	¥12,796	¥14,786	\$119,154
Certificates of deposit	—	13,000	—
	¥12,796	¥27,786	\$119,154

Projected future redemption of other securities with maturities and held-to-maturity securities at March 31, 2005 are summarized as follows:

	Millions of yen	
	Due within one year	Due after one year through five years
Debt securities	¥29,120	¥8,600
Other securities	—	40
	¥29,120	¥8,640
	Thousands of U.S. dollars	
	Due within one year	Due after one year through five years
Debt securities	\$271,161	\$80,082
Other securities	—	372
	\$271,161	\$80,454

4. Investments in Affiliates

The aggregate carrying amounts of investments in affiliates as of March 31, 2005 and 2004 are ¥6,934 million (\$64,568 thousand) and ¥7,839 million, respectively.

5. Short-term and Long-term Debt

Short-term debt as of March 31, 2004 was represented by bank loans which are due within one year.

Long-term debt as of March 31, 2004 was summarized as follows:

	Millions of yen
	2004
Loans from banks:	
Unsecured, maturing in installments through 2005; bearing weighted average interest 1.31%	¥62
Less current installments	62
	¥—

As is customary in Japan, both short-term and long-term bank loans are under general agreements which provide that security and guarantees for present and future indebtedness will be given upon request of the bank, and that the bank shall have the right, as the obligations become due or in the event of default, to offset cash deposits against obligations 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, 2005 and 2004 is outlined as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Projected benefit obligation	¥(24,074)	¥(24,432)	\$(224,173)
Plan assets at fair value	5,089	4,754	47,388
Funded status	(18,985)	(19,678)	(176,785)
Unrecognized actuarial loss	2,473	2,143	23,028
Unrecognized prior service cost	186	202	1,732
Amount recognized in the consolidated balance sheets	¥(16,326)	¥(17,333)	\$(152,025)

Net periodic pension cost for the years ended March 31, 2005 and 2004 consisted of the following components:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Service cost	¥1,191	¥1,292	\$11,091
Interest cost	559	577	5,205
Expected return on plan assets	(119)	(103)	(1,108)
Amortization of unrecognized actuarial loss	169	229	1,574
Amortization of unrecognized prior service cost	17	17	158
Net periodic pension cost	¥1,817	¥2,012	\$16,920

Significant assumptions of pension plans used to determine these amounts in fiscal 2005 and 2004 are as follows:

	2005	2004
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, 2005 and 2004, the liability for retirement and severance benefits related to these plans was ¥980 million (\$9,126 thousand) and ¥965 million, respectively.

7. Common Stock

Under the Commercial Code of Japan, the entire amount of the issue price of shares is required to be designated as stated common stock account although a company in Japan may, by resolution of its Board of Directors, account for an amount not exceeding 50% of the issue price of new shares as additional paid-in capital. On October 1, 2001, the Commercial Code of Japan was amended to eliminate the provision of common stock par value resulting in all common stock being recorded with no par value.

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 such reserve and additional paid-in capital equal 25% of common stock. Either additional paid-in capital or the legal reserve may be available for dividends by resolution of the stockholders to the extent that the amount of total additional paid-in capital and legal reserve exceeds 25% of stated common stock. 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 non-consolidated books of account in accordance with the Commercial Code of Japan.

In accordance with the Commercial Code of Japan, proposed appropriations of retained earnings have not been reflected in the financial statements at the end of each fiscal year. Cash dividends, bonuses to directors and corporate auditors during the years ended March 31, 2005 and 2004 represent dividends and bonuses declared during those years. The proposed appropriation of retained earnings at March 31, 2005 of cash dividends of ¥800 (\$7.45) per common share aggregating ¥805 million (\$7,496 thousand) and bonuses to directors and corporate auditors was approved at the Company's general meeting of stockholders held on June 29, 2005.

9. Net Income per Share Information

Reconciliation of the numbers and the amounts used in the basic net income per share computations for the years ended March 31, 2005 and 2004 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Net income	¥7,383	¥1,687	\$68,749
Net income not applicable to common stockholders:			
Directors' and corporate auditors' bonuses	(141)	(118)	(1,313)
Net income applicable to common stockholders	¥7,242	¥1,569	\$67,436
			Number of shares
			2005
			2004
Weighted average number of shares on which basic net income per share is calculated	1,006,000		1,006,000

10. Commitments and Contingencies

At March 31, 2005, the Company has guaranteed ¥2,573 million (\$23,959 thousand) of employee mortgage loans to financial institutions, and ¥1,862 million (\$17,339 thousand) of third parties loans to financial institutions.

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 40.7% and 42.1% in 2005 and 2004, respectively. 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. 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 year ended March 31, 2004 was as follows:

	2004
Normal income tax rate	42.1%
Expenses not deductible for tax purposes	8.7
Equity in losses of affiliates	13.6
Income not credited for tax purposes	(1.8)
Effect of change in the tax rate	1.3
Tax credit for information technology investment	(7.7)
Other	(1.8)
Effective income tax rate	54.4%

The reconciliation for the year ended March 31, 2005 was not subject to disclosure as the difference between the rates is less than 5%.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities as of March 31, 2005 and 2004 are presented below:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Total gross deferred tax assets:			
Accrued bonuses	¥ 1,173	¥ 1,493	\$ 10,923
Accrued business tax	505	157	4,702
Liabilities for retirement and severance benefits	6,228	6,281	57,994
Inventories	693	379	6,453
Amortization of broadcasting rights fees	1,083	967	10,085
Other	1,846	1,808	17,190
	11,528	11,085	107,347
Total gross deferred tax liabilities:			
Net unrealized gain on other securities	(5,467)	(5,248)	(50,908)
Deferred profit on sale of property	(1,047)	(1,076)	(9,749)
	(6,514)	(6,324)	(60,657)
Net deferred tax assets	¥ 5,014	¥ 4,761	\$ 46,690

12. Selling, General and Administrative Expenses

Significant components of selling, general and administrative expenses for the years ended March 31, 2005 and 2004 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Salaries and bonuses	¥12,380	¥11,678	\$115,281
Agency commissions	37,954	33,249	353,422
Advertising expense	2,508	1,797	23,354

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, 2005 and 2004 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Cash	¥31,767	¥31,164	\$295,810
Time deposits that have maturities of over three months when acquired	(22)	(93)	(205)
Short-term investments that have maturities of three months or less	25,502	23,002	237,471
Cash and cash equivalents	¥57,247	¥54,073	\$533,076

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 had entered into interest rate swap agreements for hedging interest rate exposures in fiscal 2004. Financial department monitor and assess risks of these derivative instruments, and also risks are controlled by financial department internal supervision and reviewing by the accounting department. The difference in amounts to be paid or received on interest rate swap agreements was recognized over the life of the agreement as an adjustment to interest expense. In fiscal 2004, the above items to which hedge accounting was 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, 2005 and 2004 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 businesses.

Millions of yen						
2005						
	TV broadcasting	Music publication	Other businesses	Total	Elimination/corporate	Consolidated
Sales to outside customers	¥213,640	¥9,071	¥19,326	¥242,037	¥ —	¥242,037
Inter-segment sales	1,663	51	5,166	6,880	(6,880)	—
	215,303	9,122	24,492	248,917	(6,880)	242,037
Operating expenses	205,401	6,843	23,014	235,258	(6,827)	228,431
Operating income	¥ 9,902	¥2,279	¥ 1,478	¥ 13,659	¥ (53)	¥ 13,606
Assets	¥159,790	¥7,482	¥29,937	¥197,209	¥100,335	¥297,544
Depreciation and amortization	7,447	54	888	8,389	—	8,389
Capital expenditures	4,578	63	1,535	6,176	—	6,176

Millions of yen						
2004						
	TV broadcasting	Music publication	Other	Total	Elimination/corporate	Consolidated
Sales to outside customers	¥195,081	¥7,227	¥15,771	¥218,079	¥ —	¥218,079
Inter-segment sales	1,672	38	6,802	8,512	(8,512)	—
	196,753	7,265	22,573	226,591	(8,512)	218,079
Operating expenses	193,369	5,842	20,650	219,861	(8,303)	211,558
Operating income	¥ 3,384	¥1,423	¥ 1,923	¥ 6,730	¥ (209)	¥ 6,521
Assets	¥176,300	¥6,052	¥19,501	¥201,853	¥87,114	¥288,967
Depreciation and amortization	7,389	20	423	7,832	—	7,832
Capital expenditures	29,695	253	753	30,701	—	30,701

Thousands of U.S. dollars						
2005						
	TV broadcasting	Music publication	Other businesses	Total	Elimination/corporate	Consolidated
Sales to outside customers	\$1,989,384	\$84,468	\$179,961	\$2,253,813	\$ —	\$2,253,813
Inter-segment sales	15,486	475	48,105	64,066	(64,066)	—
	2,004,870	84,943	228,066	2,317,879	(64,066)	2,253,813
Operating expenses	1,912,664	63,721	214,303	2,190,688	(63,572)	2,127,116
Operating income	\$ 92,206	\$21,222	\$ 13,763	\$ 127,191	\$ (494)	\$ 126,697
Assets	\$1,487,941	\$69,671	\$278,769	\$1,836,381	\$934,305	\$2,770,686
Depreciation and amortization	69,345	503	8,269	78,117	—	78,117
Capital expenditures	42,630	586	14,294	57,510	—	57,510

Corporate assets of ¥107,026 million (\$996,610 thousand) and ¥95,598 million as of March 31, 2005 and 2004 in the Elimination/corporate line consist primarily of surplus funds (cash and deposits, and securities), long-term investments (investment securities) and assets relating to the administrative operations.

As described in Note 1 (f), the Company changed its method of depreciation to the straight-line method from the declining-balance method in the year ended March 31, 2004. As a result of this change, operating expenses of "TV broadcasting" and "Other businesses" segments decreased by ¥406 million and ¥1 million, respectively, thereby operating income of those segments increased by the same amount.

(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, 2005 and 2004.

(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, 2005 and 2004.

16. Lease Information**(a) Finance Leases**

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, 2005 and 2004 are as follows:

(1) 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		
	2005			2004			2005		
	Machinery and vehicles	Others	Total	Machinery and vehicles	Others	Total	Machinery and vehicles	Others	Total
Acquisition cost	¥1,007	¥2,361	¥3,368	¥976	¥2,337	¥3,313	\$9,377	\$21,985	\$31,362
Accumulated depreciation	468	1,292	1,760	557	1,092	1,649	4,358	12,031	16,389
Net carrying amount	¥ 539	¥1,069	¥1,608	¥419	¥1,245	¥1,664	\$5,019	\$ 9,954	\$14,973

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

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Lease expense	¥ 738	¥ 688	\$ 6,872
Future minimum lease payments:			
Within one year	¥ 575	¥ 622	\$ 5,354
Thereafter	1,033	1,042	9,619
	¥1,608	¥1,664	\$14,973

(2) Lessor

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

	Millions of yen						Thousands of U.S. dollars		
	2005			2004			2005		
	Machinery and vehicles	Others	Total	Machinery and vehicles	Others	Total	Machinery and vehicles	Others	Total
Acquisition cost	¥116	¥116	¥232	¥115	¥7	¥122	\$1,080	\$1,080	\$2,160
Accumulated depreciation	82	7	89	61	5	66	763	65	828
Net carrying amount	¥ 34	¥109	¥143	¥ 54	¥2	¥ 56	\$ 317	\$1,015	\$1,332

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

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Lease income	¥ 44	¥ 46	\$ 410
Depreciation	26	33	242
Future minimum lease payments:			
Within one year	¥ 64	¥ 41	\$ 596
Thereafter	146	90	1,359
	¥210	¥131	\$1,955

(b) Operating Leases

Future minimum lease payments required under noncancellable operating leases as of March 31, 2005 and 2004, are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Future minimum lease payments:			
Within one year	¥1,784	¥1,785	\$16,612
Thereafter	5,354	7,138	49,856
	¥7,138	¥8,923	\$66,468

17. Transactions with Related Party

During the year ended March 31, 2004, the Company acquired shares of Asahi Satellite Broadcasting Limited for ¥5,264 million and, as a result, holds shares of Asahi Satellite Broadcasting Limited directly by 26.46% and indirectly by 0.50% as at March 31, 2004.

Independent Auditors' Report



To the Board of Directors of
TV Asahi Corporation

We have audited the accompanying consolidated balance sheets of TV Asahi Corporation and consolidated subsidiaries as of March 31, 2005 and 2004, 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. 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 TV Asahi Corporation and consolidated subsidiaries as of March 31, 2005 and 2004, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

As more fully described in Note 1 (f) to the consolidated financial statements, effective April 1, 2003, the Company has changed its method of depreciation for property and equipment from the declining-balance method to the straight-line method.

The accompanying consolidated financial statements as of and for the year ended March 31, 2005 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.

A handwritten signature in black ink that reads "Toyo & Co." in a cursive script.

Toyo & Co.
Tokyo, Japan
June 29, 2005

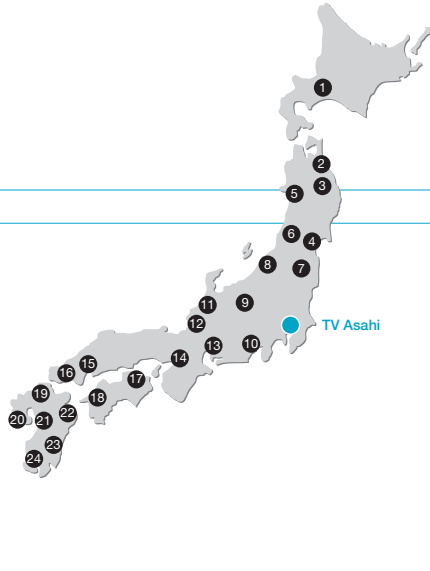
See Note 1 (a) to the consolidated financial statements which explain the basis of preparing the consolidated financial statements of TV Asahi Corporation and consolidated subsidiaries under Japanese accounting principles and practices.

TV Asahi Network

Domestic Network

● TV Asahi Corporation

- ① HTB Hokkaido Television Broadcasting Co., Ltd.
- ② ABA Asahi Broadcasting Aomori Co., Ltd.
- ③ IAT Iwate Asahi Television Co., Ltd.
- ④ KHB Higashi Nippon 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.



- ⑱ 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 Broadcasting 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 Los Angeles (TV ASAHI America's bureau)

Europe/Africa

- ④ London
- ⑤ Moscow
- ⑥ Cairo
- ⑦ Paris (ABC's bureau)

Asia/Oceania

- ⑧ Bangkok
- ⑨ Hanoi
- ⑩ Manila
- ⑪ China General (Beijing)
- ⑫ Taipei (ABC's bureau)
- ⑬ Seoul
- ⑭ Singapore (NBN's bureau)
- ⑮ Shanghai (ABC's bureau)

Cooperation

America

CNN USA

Europe/Africa

TF1 France
RTL Germany
TVP Poland

Asia/Oceania

CCTV China
Dalian TV Station China
CTV Taiwan
ETTV Taiwan
GMA Philippines
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.
42.40

Housougijyutsusha 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, Ltd.
41.74 (8.44)

Bunkakobo, Inc.
20.00

Flex Co., Ltd.
25.67

JCTV-HQ
0.00 [100.00]

BS/CS Digital Broadcasting

Affiliates — equity method applied

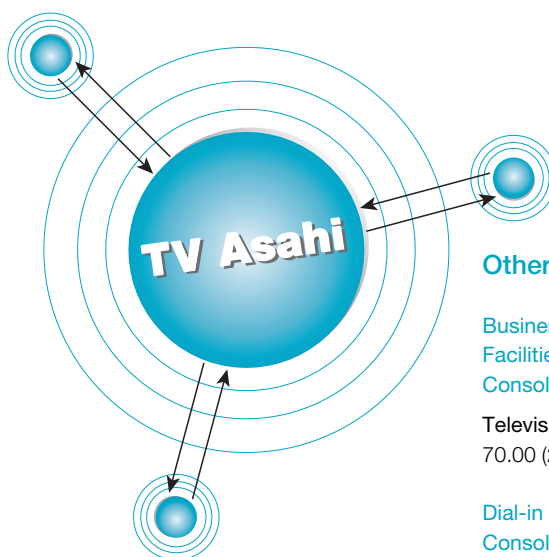
Asahi Satellite Broadcasting Limited
26.96 (0.50)

CS One Ten, Ltd.
15.00

Multi Lingual & Multi Data Broadcasting

Consolidated Subsidiaries

TV Asahi Data Vision Corporation
100.00



Music Publication

Consolidated Subsidiary

TV ASAHI Music Co., Ltd.
100.00

Affiliate — equity method applied

BS Asahi Sounds, Ltd.
40.00 (20.00)

Other Business

Businesses Related to Broadcasting Facilities

Consolidated Subsidiary

Television Asahi Service Co., Ltd.
70.00 (21.25)

Dial-in Retail Business

TV Asahi Living Co., Ltd.
100.00

Announcer Training School

TV Asahi ASK Co., Ltd.
100.00

Facilities Administration Business

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 () are indirect holdings.

The figure in [] corresponds to the holding held by an affiliate. JCTV-HQ is 100% held by Japan Cable Television, Ltd. and is counted as an affiliate company of TV Asahi.

Board of Directors

As of June 29, 2005

Investor Information

As of March 31, 2005

Board of Directors

Chairman
Michisada Hirose *

President
Masao Kimiwada *

Senior Executive Director
Hiroshi Hayakawa *

Executive Directors
Kenji Kazama
Akio Motai
Ikuo Kamiyama
Hidekazu Kitamura
Hiroaki Takada
Keiji Takano
Toshio Fukuda

Members of the Board
Toru Takeda
Kyosuke Kinoshita
Tomoo Tama
Mutsuko Horikoshi
Tsuyoshi Okada
Kenji Kamimura
Yoshitoshi Kitajima
Mitsuru Gondo
Yoshio Nishimura
Shinichi Hakoshima

Standing Corporate Auditors
Sachio Arikura
Yasuharu Murase

Corporate Auditors
Seiji Nagasawa
Sawako Noma
Takahisa Hamamoto

* Representative Directors

Stock Information

Authorized Number of Shares
3,000,000

Issued Number of Shares
1,006,000

Number of Stockholders
45,487

Number of Shares Held by Foreign Investors
81,170 (8.07%)

Listing
Tokyo Stock Exchange

Stockholder Information

Fiscal Year-End
March 31

General Meeting of Stockholders
June

Transfer Agent
The Sumitomo Trust & Banking Co., Ltd.

Major Stockholders

Name	Shares	Percent of voting rights
Asahi Shimbun Publishing Company	340,495	33.85
Toei Co., Ltd.	161,842	16.09
Dai Nippon Printing Co., Ltd.	40,300	4.01
Kyusyu Asahi Broadcasting Co., Ltd.	32,147	3.20
The Master Trust Bank of Japan, Ltd. (Trust Account)	31,022	3.08
The Trustee Services Bank, Ltd. (Trust Account)	22,985	2.28
Satellite Channels Incorporated	20,854	2.07
State Street Bank & Trust Company 505025	16,892	1.68
Kodansha Ltd.	13,640	1.36
Dentsu, Inc.	12,710	1.26

Corporate Data

Corporate Name
TV Asahi Corporation

Abbreviation
TV Asahi

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

Date of Establishment
November 1, 1957

Date of Service Start
February 1, 1959

Paid-in Capital
¥36,642,800,000

Number of Employees
1,250

Underwriter

Daiwa Securities SMBC Co. Ltd.

Sub-Underwriter

Nomura Securities Co., Ltd.
Nikko Citigroup Limited

tv asahi corporation 



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Printed in Japan.