

Summary of Consolidated Financial Results  
for the Year ended March 2004

*Amuse Inc.*

## Consolidated balance sheet

March 31; Thousands of yen	2003	%	2004	%
<b>Current assets</b>				
Cash and deposits	5,704,102		4,115,854	
Notes and accounts receivable	3,087,947		3,321,244	
Inventories	2,424,113		3,188,761	
Deferred tax assets	195,246		45,149	
Accounts receivable - other	1,559,058		-	
Others	908,831		484,854	
Allowance for doubtful accounts	(48,247)		(12,219)	
	<u>13,831,053</u>	76.4	<u>11,143,645</u>	73.5
<b>Fixed assets</b>				
<b>Tangible fixed assets</b>				
Buildings	914,220		907,748	
Land	1,157,085		1,153,816	
Others	43,541		42,095	
	<u>2,114,847</u>	11.7	<u>2,103,660</u>	13.9
<b>Intangible fixed assets</b>				
Consolidation translation adjustments	15,565		7,444	
Others	284,577		276,088	
	<u>300,142</u>	1.6	<u>283,532</u>	1.9
<b>Investments and other assets</b>				
Investment securities	356,369		407,981	
Deferred tax assets	753,674		406,370	
Others	949,793		941,659	
Allowance for doubtful accounts	(196,554)		(130,248)	
	<u>1,863,283</u>	10.3	<u>1,625,763</u>	10.7
Total fixed assets	<u>4,278,273</u>	23.6	<u>4,012,956</u>	26.5
<b>Total assets</b>	<u>18,109,326</u>	100.0	<u>15,156,601</u>	100.0

<b>March 31; Thousands of yen</b>	<b>2003</b>	<b>%</b>	<b>2004</b>	<b>%</b>
<b>Current liabilities</b>				
Accounts payable	4,217,481		3,274,775	
Short-term borrowings	2,145,600		635,600	
Income taxes payable	1,557,653		251,838	
Allowance for loss on liquidation	87,000		-	
Others	656,358		792,047	
	<u>8,664,093</u>	47.8	<u>4,954,261</u>	32.7
<b>Long-term liabilities</b>				
Long-term debt	294,200		56,800	
Employees' retirement benefits	345,057		384,540	
Reserve for directors' retirement allowances	513,395		560,058	
Others	111,855		114,770	
	<u>1,264,508</u>	7.0	<u>1,116,169</u>	7.3
Total liabilities	<u>9,928,601</u>	54.8	<u>6,070,430</u>	40.0
<b>Minority interests</b>	73,744	0.4	134,411	0.9
<b>Shareholders' equity</b>				
Common stock	1,587,825	8.8	1,587,825	10.5
Capital reserves	1,694,890	9.3	1,694,890	11.2
Retained earnings	4,837,245	26.7	5,714,727	37.7
Unrealized gains or losses on other securities	29,532	0.2	44,910	0.3
Foreign currency translation adjustments	(42,404)	(0.2)	(85,300)	(0.6)
Treasury stock	(107)	(0.0)	(5,291)	(0.0)
Total shareholders' equity	<u>8,106,980</u>	44.8	<u>8,951,759</u>	59.1
<b>Total liabilities, minority interests and shareholders' equity</b>	<u>18,109,326</u>	100.0	<u>15,156,601</u>	100.0

## Consolidated statement of income

<b>Years ended March 31; Thousands of yen</b>	<b>2003</b>	<b>%</b>	<b>2004</b>	<b>%</b>
<b>Operating revenue</b>	28,145,598	100.0	26,243,517	100.0
<b>Cost of operation</b>	21,673,266	77.0	21,036,071	80.2
Gross operating income	6,472,331	23.0	5,207,446	19.8
<b>Selling, general and administrative expenses</b>	3,567,178	12.7	3,394,241	12.9
Operating income	2,905,153	10.3	1,813,204	6.9
<b>Nonoperating income</b>				
Interest income	5,123		8,449	
Commissions received	12,340		10,490	
Gain on cancellation of insurance policies	4,713		-	
Cancellation of a contract	-		20,000	
Amortization of consolidation adjustments	-		30,540	
Others	22,406		18,456	
	44,583	0.2	87,936	0.4
<b>Nonoperating expenses</b>				
Interest expenses	91,396		33,883	
Loss on investments in partnerships	114,238		-	
Foreign exchange loss	-		10,509	
Commissions	-		17,906	
Others	20,550		10,303	
	226,185	0.8	72,603	0.3
Ordinary profit	2,723,550	9.7	1,828,537	7.0
<b>Extraordinary income</b>				
Gain on sales of shares in affiliates	947,173		-	
Reversal of allowance for doubtful accounts	-		12,569	
Reversal of allowance for loss on liquidation	-		40,328	
	947,173	3.3	52,898	0.2

<b>Years ended March 31; Thousands of yen</b>	<b>2003</b>	<b>%</b>	<b>2004</b>	<b>%</b>
<b>Extraordinary losses</b>				
Expenses for group restructuring	845,117		-	
Provision for doubtful accounts	9,624		-	
Provision of directors' retirement allowances for prior years	72,250		-	
Loss on removal of fixed assets	-		6,426	
Others	376,703		-	
	<u>1,303,695</u>	4.6	<u>6,426</u>	0.1
Income before taxes and other adjustments	2,367,028	8.4	1,875,009	7.1
Corporate, inhabitant and enterprise taxes	2,161,568		340,743	
Deferred taxes	(889,041)		486,403	
	<u>1,272,526</u>	4.5	<u>827,146</u>	3.1
Minority interests in income of consolidated companies	7,543	0.0	75,390	0.3
Net income for the term	<u>1,086,958</u>	3.9	<u>972,471</u>	3.7

## Consolidated statement of cash flows

Years ended March 31; Thousands of yen	2003	2004
<b>Net cash provided by (used in) operating activities</b>		
Income before taxes and other adjustments	2,367,028	1,875,009
Depreciation expenses	80,215	73,434
Increase (decrease) in allowance for doubtful accounts	539,978	(21,141)
Increase (decrease) in reserve for sales returns	(64,641)	-
Increase (decrease) in allowance for loss on liquidation	87,000	(87,000)
Increase (decrease) in retirement benefits	47,796	39,482
Increase (decrease) in reserve for directors' retirement allowances	123,559	46,662
Interest and dividend income	(7,577)	(11,399)
Interest expenses	91,396	33,883
Gain on sales of shares in affiliates	(947,173)	-
Loss on (profit from) investments in partnerships	114,238	-
Decrease (increase) in receivables	(1,228,567)	(235,026)
Decrease (increase) in inventories	(409,998)	(764,647)
Decrease (increase) in other current assets	(652,059)	(153,289)
Increase (decrease) in payables	1,801,735	(920,455)
Increase (decrease) in other current liabilities	553,115	168,615
Directors' bonuses	-	(31,200)
Others	329,156	18,934
	2,825,204	31,863
Interest and dividend income	12,686	13,940
Interest expenses	(92,063)	(31,146)
Income tax and others	(526,052)	(1,682,443)
	2,219,775	(1,667,786)
<b>Net cash provided by (used in) investing activities</b>		
Payments for acquisition of tangible fixed assets	(476,397)	(67,347)
Payments for investment in securities	(74,315)	(25,000)
Payments for acquisition of consolidated subsidiary shares	-	(34,000)
Decrease in cash and cash equivalents due to sale of subsidiary shares accompanied with changes in scope of consolidation	(1,156,059)	-
Proceeds from sales of subsidiary shares	-	1,440,000
Payments for loans and advances	(209,797)	(78,654)
Proceeds from collection of loans and advances	122,895	773,627
Others	(105,776)	(129,138)
	(1,899,450)	1,879,487

<b>Years ended March 31; Thousands of yen</b>	<b>2003</b>	<b>2004</b>
<b>Net cash provided by (used in) financing activities</b>		
Net increase (decrease) in short-term borrowings	1,055,502	(1,457,600)
Proceeds from increase in long-term debt	100,000	-
Payments of long-term debt	(469,519)	(289,800)
Proceeds from payments by minority shareholders	-	59,500
Payments for acquisition of treasury stock	(105)	(5,094)
Dividends	(32,332)	(64,664)
Dividend payment to minority shareholders	(1,125)	(1,125)
Others	-	(17,906)
	652,420	(1,776,689)
Effect of exchange rate changes on cash and cash equivalents	(7,076)	(3,785)
Increase (decrease) in cash and cash equivalents	965,668	(1,568,774)
Cash and cash equivalents, beginning of term	4,524,589	5,490,257
Cash and cash equivalents, end of term	5,490,257	3,921,483

## Segment information by type of business

Thousands of yen	Artist management	Media-visual	Contents	Total	Eliminations	Consolidated
<b>March 31, 2004</b>						
<b>Revenues and operating income</b>						
External customers	11,522,291	12,505,726	2,215,499	26,243,517	-	26,243,517
Intersegment transactions and eliminations	325	-	5,602	5,927	(5,927)	-
	11,522,617	12,505,726	2,221,101	26,249,445	(5,927)	26,243,517
Operating expenses	10,254,055	11,964,870	1,327,234	23,546,159	884,153	24,430,312
Operating income	1,268,561	540,856	893,867	2,703,285	(890,081)	1,813,204
<b>Assets, depreciation and capital expenditures</b>						
Identifiable assets	3,299,267	7,157,011	552,555	11,008,835	4,147,766	15,156,601
Depreciation	26,794	7,436	2,860	37,091	28,715	65,806
Capital expenditures	42,059	25,651	6,460	74,171	8,800	82,971
<b>March 31, 2003</b>						
<b>Revenues and operating income</b>						
External customers	10,334,039	15,232,755	2,578,803	28,145,598	-	28,145,598
Intersegment transactions and eliminations	4,700	118,020	604,414	727,135	(727,135)	-
	10,338,740	15,350,775	3,183,218	28,872,734	(727,135)	28,145,598
Operating expenses	8,386,019	14,716,785	2,047,540	25,150,345	90,100	25,240,445
Operating income	1,952,720	633,990	1,135,677	3,722,388	(817,235)	2,905,153
<b>Assets, depreciation and capital expenditures</b>						
Identifiable assets	3,107,551	8,522,489	643,825	12,273,866	5,835,460	18,109,326
Depreciation	17,030	18,208	4,270	39,509	34,360	73,869
Capital expenditures	319,189	10,856	4,266	334,312	52,760	387,072

(Notes)

1. Business classifications are those used in the course of internal management.

2. Contents of each business

(1) Artist management

Revenue from artists' concerts and performances, appearances in television, radio and commercials, fan club memberships and sales of various character goods. Royalties from new music for the production of master recordings and use of copyrights.

(2) Media-visual

Revenue from the production of television programs; production and distribution of movies; purchasing, manufacturing and sales of video cassettes and DVD's of video works.

(3) Contents

*Royalties from the use of copyrights and of original recordings, revenue from the use of movies and videos (after the passage of two years from the booking of initial earnings).*

- 3. Total company assets included as assets under the heading "Eliminations" primarily consist of surplus funds for investment (cash and deposits), long-term investments (investment securities), loans, and assets at administrative divisions. The total amount of these assets outstanding as of the end of the fiscal year ended March 2003 was 5,835,609 thousand yen, and as of the end of March 2004, the total amount was 4,150,989 thousand yen.*
- 4. Non-allocable operating expenses included under the heading "Eliminations" primarily consist of expenses for administrative divisions, including the General Affairs and Control divisions. These expenses totaled 818,911 thousand yen in the fiscal year ended March 2003, and 890,540 thousand yen in the fiscal year ended March 2004.*