

Summary of Consolidated Financial Results  
for the Six Months ended September 2004

Amuse Inc.

## Consolidated interim balance sheet

Thousands of yen	September 30, 2004	%	March 31, 2004	%	Increase/ decrease	September 30, 2003	%
<b>Current assets</b>							
Cash and deposits	3,183,437		4,115,854		(932,417)	6,163,069	
Notes and accounts receivable	3,070,380		3,321,244		(250,863)	4,547,834	
Inventories	5,069,357		3,188,761		1,880,596	3,053,741	
Others	661,588		530,004		131,584	855,501	
Allowance for doubtful accounts	(14,081)		(12,219)		(1,861)	(15,349)	
	<u>11,970,682</u>	74.3	<u>11,143,645</u>	73.5	<u>827,037</u>	<u>14,604,798</u>	77.3
<b>Fixed assets</b>							
<b>Tangible fixed assets</b>							
Buildings	888,205		907,748		(19,542)	-	
Land	1,154,148		1,153,816		332	1,157,059	
Others	44,289		42,095		2,193	966,973	
	<u>2,086,644</u>	12.9	<u>2,103,660</u>	13.9	<u>(17,016)</u>	<u>2,124,033</u>	11.3
<b>Intangible fixed assets</b>	<b>272,465</b>	<b>1.7</b>	<b>283,532</b>	<b>1.9</b>	<b>(11,066)</b>	<b>285,715</b>	<b>1.5</b>
<b>Investments and other assets</b>							
Others	1,924,658		1,756,011		168,646	2,057,561	
Allowance for doubtful accounts	(137,578)		(130,248)		(7,330)	(186,411)	
	<u>1,787,079</u>	11.1	<u>1,625,763</u>	10.7	<u>161,315</u>	<u>1,871,149</u>	9.9
Total fixed assets	<u>4,146,188</u>	25.7	<u>4,012,956</u>	26.5	<u>133,232</u>	<u>4,280,899</u>	22.7
<b>Total assets</b>	<u>16,116,871</u>	<u>100.0</u>	<u>15,156,601</u>	<u>100.0</u>	<u>960,269</u>	<u>18,885,697</u>	<u>100.0</u>

Thousands of yen	September 30, 2004	%	March 31, 2004	%	Increase/ decrease	September 30, 2003	%
<b>Current liabilities</b>							
Accounts payable	4,559,236		3,274,775		1,284,461	6,193,846	
Short-term borrowings	684,600		635,600		49,000	1,921,120	
Allowance for loss on liquidation	-		-		-	47,812	
Others	866,369		1,043,885		(177,516)	863,942	
	<u>6,110,206</u>	37.9	<u>4,954,261</u>	32.7	<u>1,155,945</u>	<u>9,026,721</u>	47.8
<b>Long-term liabilities</b>							
Long-term debt	-		56,800		(56,800)	201,680	
Employees' retirement benefits	426,178		384,540		41,638	362,852	
Reserve for directors' retirement allowances	584,699		560,058		24,641	537,108	
Others	132,681		114,770		17,910	120,488	
	<u>1,143,560</u>	7.1	<u>1,116,169</u>	7.3	<u>27,390</u>	<u>1,222,130</u>	6.5
Total liabilities	<u>7,253,766</u>	45.0	<u>6,070,430</u>	40.0	<u>1,183,336</u>	<u>10,248,851</u>	54.3
<b>Minority interests</b>	124,091	0.8	134,411	0.9	(10,320)	125,472	0.6
<b>Shareholders' equity</b>							
Common stock	1,587,825	9.9	1,587,825	10.5	-	1,587,825	8.4
Capital reserves	1,694,890	10.5	1,694,890	11.2	-	1,694,890	9.0
Retained earnings	5,438,776	33.7	5,714,727	37.7	(275,950)	5,242,768	27.8
Unrealized gains or losses on other securities	111,160	0.7	44,910	0.3	66,250	28,755	0.1
Foreign currency translation adjustments	(80,980)	(0.5)	(85,300)	(0.6)	4,320	(42,757)	(0.2)
Treasury stock	(12,658)	(0.1)	(5,291)	(0.0)	(7,366)	(107)	(0.0)
Total shareholders' equity	<u>8,739,013</u>	54.2	<u>8,951,759</u>	59.1	<u>(212,746)</u>	<u>8,511,373</u>	45.1
<b>Total liabilities, minority interests and shareholders' equity</b>	<u>16,116,871</u>	100.0	<u>15,156,601</u>	100.0	<u>960,269</u>	<u>18,885,697</u>	100.0

## Consolidated interim statement of income

Thousands of yen	Six months ended September 30, 2004		Six months ended September 30, 2003		Increase/ decrease		Year ended March 31, 2004	
		%		%		%		%
<b>Operating revenue</b>	9,823,514	100.0	14,002,264	100.0	(4,178,750)	(29.8)	26,243,517	100.0
<b>Cost of operation</b>	8,202,635	83.5	11,451,091	81.8	(3,248,455)	(28.4)	21,036,071	80.2
Gross operating income	1,620,878	16.5	2,551,173	18.2	(930,294)	(36.5)	5,207,446	19.8
<b>Selling, general and administrative expenses</b>	1,896,290	19.3	1,617,497	11.5	278,792	17.2	3,394,241	12.9
Operating income (loss)	(275,411)	(2.8)	933,675	6.7	(1,209,087)	-	1,813,204	6.9
<b>Nonoperating income</b>	18,784	0.2	80,574	0.5	(61,790)	(76.7)	87,936	0.4
Interest income	2,460		5,562		(3,102)		8,449	
Dividend income	1,888		2,470		(581)		2,949	
Commissions received	6,349		-		6,349		10,490	
Foreign exchange gain	2,865		-		2,865		-	
Cancellation of a contract	-		20,000		(20,000)		20,000	
Amortization of consolidation adjustments	-		34,600		(34,600)		30,540	
Others	5,220		17,941		(12,721)		15,506	
<b>Nonoperating expenses</b>	18,545	0.2	34,064	0.2	(15,519)	(45.6)	72,603	0.3
Interest expenses	5,758		20,676		(14,917)		33,883	
Foreign exchange loss	-		7,077		(7,077)		10,509	
Commissions	12,505		-		12,505		17,906	
Others	281		6,311		(6,030)		10,303	
Ordinary profit (losses)	(275,172)	(2.8)	980,185	7.0	(1,255,358)	-	1,828,537	7.0
<b>Extraordinary income</b>	15,516	0.2	34,819	0.2	(19,303)	(55.4)	52,898	0.2
Gain on sale of investment securities	15,516		-		15,516		-	
Reversal of allowance for doubtful accounts	-		34,819		(34,819)		12,569	
Others	-		-		-		40,328	
<b>Extraordinary losses</b>	8,895	0.1	-	-	8,895	-	6,426	0.1
Loss on removal of fixed assets	8,853		-		8,853		6,426	
Others	42		-		42		-	
Income before taxes and other adjustments	(268,552)	(2.7)	1,015,004	7.2	(1,283,557)	-	1,875,009	7.1
Corporate, inhabitant and enterprise taxes	1,795	0.0	301,404	2.2	(299,608)	(99.4)	340,743	1.3
Deferred taxes	(85,841)	(0.8)	146,533	1.0	(232,374)	-	486,403	1.8
Minority interest in income of consolidated companies	-	-	66,554	0.4	(66,554)	-	75,390	0.3
Minority interest in loss of consolidated companies	9,059	0.1	-	-	9,059	-	-	-
Net income (loss) for the term	(175,447)	(1.8)	500,513	3.6	(675,961)	-	972,471	3.7

## Consolidated interim statement of cash flows

Thousands of yen	Six months ended September 30, 2004	Six months ended September 30, 2003	Increase/ decrease	Year ended March 31, 2004
<b>Net cash provided by (used in) operating activities</b>				
Income (loss) before taxes and other adjustments	(268,552)	1,015,004	(1,283,557)	1,875,009
Depreciation expenses	37,938	36,549	1,389	73,434
Increase (decrease) in allowance for doubtful accounts	8,867	(43,016)	51,883	(21,141)
Increase (decrease) in allowance for loss on liquidation	-	(39,187)	39,187	(87,000)
Increase (decrease) in retirement benefits	41,638	17,794	23,843	39,482
Increase (decrease) in reserve for directors' retirement allowances	24,641	23,713	928	46,662
Interest and dividend income	(4,348)	(8,032)	3,684	(11,399)
Interest expenses	5,758	20,676	(14,917)	33,883
Gain on sale of investment securities	(15,516)	-	(15,516)	-
Decrease (increase) in receivables	243,628	(1,459,896)	1,703,525	(235,026)
Decrease (increase) in inventories	(1,880,596)	(629,628)	(1,250,967)	(764,647)
Increase (decrease) in payables	1,284,461	1,976,365	(691,904)	(920,455)
Directors' bonuses	(23,300)	(31,200)	7,900	(31,200)
Others	45,288	(90,091)	135,380	34,261
	(500,088)	789,052	(1,289,141)	31,863
Interest and dividend income	3,839	7,473	(3,633)	13,940
Interest expenses	(6,012)	(20,448)	14,436	(31,146)
Income tax and others	(214,959)	(1,563,082)	1,348,123	(1,682,443)
	(717,220)	(787,006)	69,785	(1,667,786)
<b>Net cash provided by (used in) investing activities</b>				
Payments for acquisition of tangible fixed assets	(14,360)	(33,704)	19,344	(67,347)
Payments for investment in securities	(54,965)	-	(54,965)	(25,000)
Proceeds from sales of investment securities	20,839	-	20,839	-
Payments for acquisition of consolidated subsidiary shares	-	(34,000)	34,000	(34,000)
Proceeds from sale of subsidiary shares	-	964,800	(964,800)	1,440,000
Payments for loans and advances	(67,856)	(46,878)	(20,978)	(78,654)
Proceeds from collection of loans and advances	25,673	741,351	(715,678)	773,627
Others	(31,351)	(13,737)	(17,614)	(129,138)
	(122,020)	1,577,832	(1,699,852)	1,879,487

Thousands of yen	Six months ended September 30, 2004	Six months ended September 30, 2003	Increase/ decrease	Year ended March 31, 2004
<b>Net cash provided by (used in) financing activities</b>				
Net increase (decrease) in short-term borrowings	60,000	(222,800)	282,800	(1,457,600)
Payments of long-term debt	(67,800)	(94,200)	26,400	(289,800)
Proceeds from payments by minority shareholders	-	59,500	(59,500)	59,500
Payments for acquisition of treasury stock	(7,277)	-	(7,277)	(5,094)
Dividends	(76,546)	(64,664)	(11,882)	(64,664)
Dividend payment to minority shareholders	(1,500)	(1,125)	(375)	(1,125)
Others	(1,993)	-	(1,993)	(17,906)
	(95,117)	(323,289)	228,171	(1,776,689)
Effect of exchange rate changes on cash and cash equivalents	413	89	323	(3,785)
Increase (decrease) in cash and cash equivalents	(933,945)	467,626	(1,401,572)	(1,568,774)
Cash and cash equivalents, beginning of term	3,921,483	5,490,257	(1,568,774)	5,490,257
Cash and cash equivalents, end of term	2,987,537	5,957,884	(2,970,346)	3,921,483

## Business segment information

Thousands of yen	Artist management	Media-visual	Contents	Total	Elimination	Consolidated
<b>Six months ended September 30, 2003</b>						
Revenues						
External customers	7,205,435	5,972,873	823,956	14,002,264	-	14,002,264
Intersegment transactions and eliminations	154	-	-	154	(154)	-
	7,205,590	5,972,873	823,956	14,002,419	(154)	14,002,264
Operating expenses	6,309,247	5,708,141	601,946	12,619,335	449,253	13,068,589
Operating income	896,342	264,731	222,009	1,383,084	(449,408)	933,675
<b>Six months ended September 30, 2004</b>						
Revenues						
External customers	2,992,637	5,976,836	854,040	9,823,514	-	9,823,514
Intersegment transactions and eliminations	11,779	10,140	9,952	31,872	(31,872)	-
	3,004,417	5,986,977	863,992	9,855,387	(31,872)	9,823,514
Operating expenses	2,812,193	6,148,535	697,953	9,658,682	440,243	10,098,925
Operating income	192,224	(161,558)	166,039	196,705	(472,116)	(275,411)
<b>Year ended March 31, 2004</b>						
Revenues						
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

### (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 and radio 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, packaging 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. *Non-allocable operating expenses included under the heading "Elimination" primarily consist of expenses for administrative divisions, including the General Affairs and Accounting divisions. These expenses totaled 449,408 thousand yen in the interim period ended September 30, 2003, 464,347 thousand yen in the interim period ended September 30, 2004 and 890,540 thousand yen in the fiscal year ended March 2004.*

4. *Changes in accounting methods*

*(Six months ended September 30, 2004)*

*Starting from the current consolidated interim reporting period, Amuse has calculated the cost of goods related to forecast sales value based on past sales data separately for each income stream with respect to movies (movie distribution, video/DVD sales, sale of TV programs, etc.) and has switched to a method of applying one-time depreciation separately for each sales category when recording earnings. As a result of this change, operating loss for the Media-visual business decreased by 38,519,000 yen during the interim consolidated reporting period compared to what it would have been using the previous method.*