

Summary of Consolidated Financial Results  
for the Six Months ended September 2005

Amuse Inc.

## Consolidated interim balance sheet

Thousands of yen	September 30, 2005	%	March 31, 2005	%	Increase/ decrease	September 30, 2004	%
<b>Current assets</b>							
Cash and deposits	3,387,170		2,613,766		773,403	3,183,437	
Notes and accounts receivable	3,697,061		4,589,615		(892,553)	3,070,380	
Inventories	6,242,883		5,984,903		257,980	5,069,357	
Others	884,601		594,991		289,610	661,588	
Allowance for doubtful accounts	(6,374)		(19,121)		12,746	(14,081)	
	<u>14,205,341</u>	76.2	<u>13,764,154</u>	77.0	<u>441,187</u>	<u>11,970,682</u>	74.3
<b>Fixed assets</b>							
<b>Tangible fixed assets</b>							
Buildings	787,719		863,353		(75,633)	888,205	
Land	1,134,184		1,153,068		(18,883)	1,154,148	
Others	109,717		41,054		68,663	44,289	
	<u>2,031,622</u>	10.9	<u>2,057,477</u>	11.5	<u>(25,854)</u>	<u>2,086,644</u>	12.9
<b>Intangible fixed assets</b>	115,177	0.6	262,838	1.5	(147,661)	272,465	1.7
<b>Investments and other assets</b>							
Investment securities	1,272,201		596,269		675,931	-	
Others	1,202,781		1,300,029		(97,247)	1,924,658	
Allowance for doubtful accounts	(185,499)		(103,227)		(82,271)	(137,578)	
	<u>2,289,484</u>	12.3	<u>1,793,071</u>	10.0	<u>496,412</u>	<u>1,787,079</u>	11.1
Total fixed assets	<u>4,436,284</u>	23.8	<u>4,113,387</u>	23.0	<u>322,897</u>	<u>4,146,188</u>	25.7
<b>Total assets</b>	<u>18,641,625</u>	100.0	<u>17,877,541</u>	100.0	<u>764,084</u>	<u>16,116,871</u>	100.0

Thousands of yen	September 30, 2005	%	March 31, 2005	%	Increase/ decrease	September 30, 2004	%
<b>Current liabilities</b>							
Accounts payable	5,906,449		5,005,727		900,721	4,559,236	
Short-term borrowings	1,100,000		656,800		443,200	684,600	
Others	922,489		1,151,395		(228,906)	866,369	
	<u>7,928,939</u>	42.5	<u>6,813,923</u>	38.1	<u>1,115,015</u>	<u>6,110,206</u>	37.9
<b>Long-term liabilities</b>							
Employees' retirement benefits	476,660		459,602		17,058	426,178	
Reserve for directors' retirement allowances	394,045		601,396		(207,350)	584,699	
Others	148,562		136,899		11,662	132,681	
	<u>1,019,267</u>	5.5	<u>1,197,898</u>	6.7	<u>(178,630)</u>	<u>1,143,560</u>	7.1
Total liabilities	<u>8,948,207</u>	48.0	<u>8,011,821</u>	44.8	<u>936,385</u>	<u>7,253,766</u>	45.0
<b>Minority interests</b>	153,507	0.8	153,716	0.9	(208)	124,091	0.8
<b>Shareholders' equity</b>							
Common stock	1,587,825	8.5	1,587,825	8.9	-	1,587,825	9.9
Capital reserves	1,694,890	9.1	1,694,890	9.5	-	1,694,890	10.5
Retained earnings	6,065,617	32.6	6,375,650	35.6	(310,033)	5,438,776	33.7
Unrealized gains or losses on other securities	280,328	1.5	162,051	0.9	118,277	111,160	0.7
Foreign currency translation adjustments	(73,774)	(0.4)	(94,877)	(0.5)	21,103	(80,980)	(0.5)
Treasury stock	(14,975)	(0.1)	(13,534)	(0.1)	(1,440)	(12,658)	(0.1)
Total shareholders' equity	<u>9,539,911</u>	51.2	<u>9,712,003</u>	54.3	<u>(172,092)</u>	<u>8,739,013</u>	54.2
<b>Total liabilities, minority interests and shareholders' equity</b>	<u>18,641,625</u>	100.0	<u>17,877,541</u>	100.0	<u>764,084</u>	<u>16,116,871</u>	100.0

## Consolidated interim statement of income

Thousands of yen	Six months ended September 30, 2005		Six months ended September 30, 2004		Increase/ decrease		Year ended March 31, 2005	
		%		%		%		%
<b>Operating revenue</b>	13,239,541	100.0	9,823,514	100.0	3,416,027	34.8	24,377,814	100.0
<b>Cost of operation</b>	11,383,767	86.0	8,202,635	83.5	3,181,131	38.8	19,095,289	78.3
Gross operating income	1,855,774	14.0	1,620,878	16.5	234,895	14.5	5,282,525	21.7
<b>Selling, general and administrative expenses</b>	2,005,951	15.1	1,896,290	19.3	109,660	5.8	3,904,450	16.0
Operating income (loss)	(150,176)	(1.1)	(275,411)	(2.8)	125,234	-	1,378,074	5.7
<b>Nonoperating income</b>	15,846	0.1	18,784	0.2	(2,937)	(15.6)	39,075	0.2
Interest income	2,640		2,460		180		4,849	
Dividend income	1,300		1,888		(587)		2,508	
Commissions received	4,012		6,349		(2,337)		10,731	
Foreign exchange gain	3,701		2,865		835		82	
Others	4,190		5,220		(1,029)		20,902	
<b>Nonoperating expenses</b>	19,164	0.2	18,545	0.2	618	3.3	34,709	0.2
Interest expenses	8,392		5,758		2,633		11,274	
Commissions	8,524		12,505		(3,981)		23,124	
Others	2,247		281		1,966		309	
Ordinary profit (losses)	(153,494)	(1.2)	(275,172)	(2.8)	121,678	-	1,382,440	5.7
<b>Extraordinary income</b>	72,113	0.6	15,516	0.2	56,597	364.8	40,232	0.2
Gain on special cancellation of insurance	59,541		-		59,541		-	
Reversal of allowance for doubtful accounts	12,572		-		12,572		-	
Gain on sale of investment securities	-		15,516		(15,516)		40,232	
<b>Extraordinary losses</b>	233,293	1.8	8,895	0.1	224,397	-	8,895	0.1
Loss on removal of fixed assets	-		8,853		(8,853)		8,895	
Impairment loss	233,293		-		233,293		-	
Others	-		42		(42)		-	
Income (loss) before taxes and other adjustments	(314,673)	(2.4)	(268,552)	(2.7)	(46,121)	-	1,413,777	5.8
Corporate, inhabitant and enterprise taxes	16,002	0.1	1,795	0.0	14,206	791.1	598,265	2.5
Deferred taxes	(113,072)	(0.8)	(85,841)	(0.8)	(27,231)	-	34,298	0.1
Minority interest in income of consolidated companies	1,191	0.0	-	-	1,191	-	19,788	0.1
Minority interest in loss of consolidated companies	-	-	9,059	0.1	(9,059)	(100.0)	-	-
Net income (loss) for the term	(218,795)	(1.7)	(175,447)	(1.8)	(43,347)	-	761,425	3.1

## Consolidated interim statement of cash flows

Thousands of yen	Six months ended September 30, 2005	Six months ended September 30, 2004	Increase/ decrease	Year ended March 31, 2005
<b>Net cash provided by (used in) operating activities</b>				
Income (loss) before taxes and other adjustments	(314,673)	(268,552)	(46,121)	1,413,777
Depreciation expenses	53,498	37,938	15,559	76,684
Increase (decrease) in allowance for doubtful accounts	67,921	8,867	59,054	10,237
Increase (decrease) in retirement benefits	17,058	41,638	(24,580)	75,061
Increase (decrease) in reserve for directors' retirement allowances	(207,350)	24,641	(231,992)	41,337
Interest and dividend income	(3,941)	(4,348)	406	(7,357)
Interest expenses	8,392	5,758	2,633	11,274
Impairment loss	233,293	-	233,293	-
Gain on sale of investment securities	-	(15,516)	15,516	(40,232)
Decrease (increase) in receivables	892,324	243,628	648,695	(1,273,661)
Decrease (increase) in inventories	(257,980)	(1,880,596)	1,622,615	(2,796,141)
Increase (decrease) in payables	900,721	1,284,461	(383,739)	1,730,952
Directors' bonuses	(14,070)	(23,300)	9,230	(23,300)
Others	(140,308)	45,288	(185,596)	(302,364)
	1,234,885	(500,088)	1,734,974	(1,083,731)
Interest and dividend income	3,694	3,839	(145)	7,262
Interest expenses	(7,912)	(6,012)	(1,900)	(11,633)
Income tax and others	(576,521)	(214,959)	(361,561)	(280,666)
	654,146	(717,220)	1,371,367	(1,368,768)
<b>Net cash provided by (used in) investing activities</b>				
Payments for acquisition of tangible fixed assets	(89,625)	(14,360)	(75,264)	(18,097)
Payments for investment in securities	(474,682)	(54,965)	(419,717)	(54,965)
Proceeds from sales of investment securities	-	20,839	(20,839)	107,787
Payments for loans and advances	(2,850)	(67,856)	65,006	(76,872)
Proceeds from collection of loans and advances	26,308	25,673	634	101,816
Proceeds from special surrender of premium reserve	311,828	-	311,828	-
Others	74,807	(31,351)	106,159	(63,978)
	(154,213)	(122,020)	(32,193)	(4,310)

Thousands of yen	Six months ended September 30, 2005	Six months ended September 30, 2004	Increase/ decrease	Year ended March 31, 2005
<b>Net cash provided by (used in) financing activities</b>				
Net increase (decrease) in short-term borrowings	500,000	60,000	440,000	100,000
Payments of long-term debt	(56,800)	(67,800)	11,000	(135,600)
Payments for acquisition of treasury stock	(1,423)	(7,277)	5,854	(8,143)
Dividends	(77,105)	(76,546)	(559)	(76,688)
Dividend payment to minority shareholders	(1,500)	(1,500)	-	(1,500)
Others	(1,399)	(1,993)	594	(3,999)
	361,772	(95,117)	456,889	(125,932)
Effect of exchange rate changes on cash and cash equivalents	2,709	413	2,295	(1,183)
Increase (decrease) in cash and cash equivalents	864,413	(933,945)	1,798,359	(1,500,194)
Cash and cash equivalents, beginning of term	2,421,289	3,921,483	(1,500,194)	3,921,483
Cash and cash equivalents, end of term	3,285,702	2,987,537	298,164	2,421,289

## Business segment information

Thousands of yen	Artist management	Media-visual	Contents	Total	Elimination	Consolidated
<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>Six months ended September 30, 2005</b>						
Revenues						
External customers	5,742,596	6,632,677	864,268	13,239,541	-	13,239,541
Intersegment transactions and eliminations	782	2,720	38,602	42,105	(42,105)	-
	5,743,378	6,635,398	902,870	13,281,647	(42,105)	13,239,541
Operating expenses	5,378,709	6,789,688	665,330	12,833,728	555,990	13,389,718
Operating income	364,669	(154,290)	237,540	447,919	(598,095)	(150,176)
<b>Year ended March 31, 2005</b>						
Revenues						
External customers	7,553,491	14,168,356	2,655,966	24,377,814	-	24,377,814
Intersegment transactions and eliminations	11,892	10,228	18,076	40,197	(40,197)	-
	7,565,384	14,178,584	2,674,043	24,418,011	(40,197)	24,377,814
Operating expenses	6,652,624	13,846,096	1,646,280	22,145,001	854,737	22,999,739
Operating income	912,759	332,487	1,027,762	2,273,010	(894,935)	1,378,074

### (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 464,347 thousand yen in the interim period ended September 30, 2004, 535,720 thousand yen in the interim period ended September 30, 2005 and 903,957 thousand yen in the fiscal year ended March 2005.*

#### 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 thousand yen during the interim consolidated reporting period compared to what it would have been using the previous method.*

*(Six months ended September 30, 2005)*

*No applicable items.*

*(Year ended March 31, 2005)*

*Starting from the current consolidated reporting period, the valuation standards and methods for image products among inventories have been changed as follows. Costs are classified according to the expected sales based on past sales for each category of revenue (revenue from the distribution of movies, sales of videos and DVDs, sales of television programs, etc), and are fully written off at the time of recording revenue for each sales category. The impact of this change on each business segment is small.*

## Segment information by location

*The interim period ended September 30, 2004, the interim period ended September 30, 2005, and the year ended March 31, 2005*

*Because sales in Japan exceed 90% of total sales of all segments, the statement of segment information by location is omitted.*

## Overseas sales

*The interim period ended September 30, 2004, the interim period ended September 30, 2005, and the year ended March 31, 2005*

*Because overseas sales are less than 10% of the consolidated sales, the statement of overseas sales is omitted.*