

Summary of Consolidated Financial Results
for the Year ended March 2006

Amuse Inc.

Consolidated balance sheet

March 31; Thousands of yen	2005	%	2006	%
Current assets				
Cash and deposits	2,613,766		1,830,453	
Notes and accounts receivable	4,589,615		2,970,808	
Inventories	5,984,903		6,153,425	
Deferred tax assets	22,328		24,204	
Others	572,662		738,917	
Allowance for doubtful accounts	(19,121)		(6,160)	
	<u>13,764,154</u>	77.0	<u>11,711,648</u>	71.6
Fixed assets				
Tangible fixed assets				
Buildings	863,353		773,416	
Land	1,153,068		1,124,117	
Others	41,054		92,607	
	<u>2,057,477</u>	11.5	<u>1,990,141</u>	12.2
Intangible fixed assets	262,838		132,409	
	<u>262,838</u>	1.5	<u>132,409</u>	0.8
Investments and other assets				
Investment securities	596,269		1,411,843	
Deferred tax assets	345,140		251,563	
Others	954,889		1,071,598	
Allowance for doubtful accounts	(103,227)		(220,823)	
	<u>1,793,071</u>	10.0	<u>2,514,182</u>	15.4
Total fixed assets	<u>4,113,387</u>	23.0	<u>4,636,733</u>	28.4
Total assets	<u>17,877,541</u>	100.0	<u>16,348,381</u>	100.0

March 31; Thousands of yen	2005	%	2006	%
Current liabilities				
Accounts payable	5,005,727		2,445,697	
Short-term borrowings	656,800		600,000	
Income taxes payable	591,691		783,674	
Deferred tax liabilities	32,606		-	
Others	527,097		627,875	
	<u>6,813,923</u>	38.1	<u>4,457,247</u>	27.3
Long-term liabilities				
Employees' retirement benefits	459,602		507,489	
Reserve for directors' retirement allowances	601,396		411,428	
Others	136,899		146,842	
	<u>1,197,898</u>	6.7	<u>1,065,760</u>	6.5
Total liabilities	<u>8,011,821</u>	44.8	<u>5,523,007</u>	33.8
Minority interests	153,716	0.9	167,565	1.0
Shareholders' equity				
Common stock	1,587,825	8.9	1,587,825	9.7
Capital reserves	1,694,890	9.5	1,694,890	10.4
Retained earnings	6,375,650	35.6	7,104,163	43.5
Unrealized gains or losses on other securities	162,051	0.9	335,338	2.0
Foreign currency translation adjustments	(94,877)	(0.5)	(48,373)	(0.3)
Treasury stock	(13,534)	(0.1)	(16,035)	(0.1)
Total shareholders' equity	<u>9,712,003</u>	54.3	<u>10,657,808</u>	65.2
Total liabilities, minority interests and shareholders' equity	<u>17,877,541</u>	100.0	<u>16,348,381</u>	100.0

Consolidated statement of income

Years ended March 31; Thousands of yen	2005	%	2006	%
Operating revenue	24,377,814	100.0	29,440,943	100.0
Cost of operation	19,095,289	78.3	23,673,135	80.4
Gross operating income	5,282,525	21.7	5,767,808	19.6
Selling, general and administrative expenses	3,904,450	16.0	3,966,724	13.5
Operating income	1,378,074	5.7	1,801,083	6.1
Nonoperating income	39,075	0.2	34,298	0.1
Interest income	4,849		5,002	
Commissions received	10,731		5,616	
Foreign exchange gain	-		3,549	
Gain on cancellation of insurance policies	4,408		-	
Income from investment in anonymous associations	4,349		7,667	
Others	14,735		12,462	
Nonoperating expenses	34,709	0.2	37,172	0.1
Interest expenses	11,274		14,477	
Commissions	23,124		19,831	
Others	309		2,863	
Ordinary profit	1,382,440	5.7	1,798,209	6.1
Extraordinary income	40,232	0.2	59,541	0.2
Gain on sales of investment in securities	40,232		-	
Gain on special cancellation of insurance	-		59,541	
Extraordinary losses	8,895	0.1	233,293	0.8
Loss on removal of fixed assets	8,895		-	
Impairment loss	-		233,293	
Income before taxes and other adjustments	1,413,777	5.8	1,624,458	5.5
Corporate, inhabitant and enterprise taxes	598,265	2.5	774,984	2.6
Deferred taxes	34,298	0.1	(62,220)	(0.2)
Minority interests in income of consolidated companies	19,788	0.1	14,420	0.1
Net income for the term	761,425	3.1	897,274	3.0

Consolidated statement of cash flows

Years ended March 31; Thousands of yen	2005	2006
Net cash provided by (used in) operating activities		
Income before taxes and other adjustments	1,413,777	1,624,458
Depreciation expenses	76,684	107,581
Increase (decrease) in allowance for doubtful accounts	10,237	80,169
Increase (decrease) in retirement benefits	75,061	47,887
Increase (decrease) in reserve for directors' retirement allowances	41,337	(189,967)
Interest and dividend income	(7,357)	(7,011)
Interest expenses	11,274	14,477
Impairment loss	-	233,293
Gain on sales of investment in securities	(40,232)	-
Decrease (increase) in receivables	(1,273,661)	1,618,792
Decrease (increase) in inventories	(2,796,141)	(168,522)
Decrease (increase) in other current assets	(92,513)	(111,204)
Increase (decrease) in payables	1,730,952	(2,560,029)
Increase (decrease) in other current liabilities	(183,384)	(80,786)
Directors' bonuses	(23,300)	(14,070)
Others	(26,466)	158,292
	(1,083,731)	753,360
Interest and dividend income	7,262	7,359
Interest expenses	(11,633)	(14,696)
Income tax and others	(280,666)	(579,796)
	(1,368,768)	166,226
Net cash provided by (used in) investing activities		
Payments for acquisition of tangible fixed assets	(18,097)	(93,046)
Payments for investment in securities	(54,965)	(519,682)
Proceeds from sales of investments in securities	107,787	-
Payments for loans and advances	(76,872)	(88,657)
Proceeds from collection of loans and advances	101,816	77,052
Payments for capital contributions	-	(355,746)
Proceeds from special cancellation of insurance savings	-	311,828
Others	(63,978)	(24,479)
	(4,310)	(643,771)

Years ended March 31; Thousands of yen	2005	2006
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term borrowings	100,000	-
Payments of long-term debt	(135,600)	(56,800)
Payments for acquisition of treasury stock	(8,143)	(2,470)
Dividends	(76,688)	(154,394)
Dividend payment to minority shareholders	(1,500)	(1,500)
Others	(3,999)	(3,123)
	<u>(125,932)</u>	<u>(218,287)</u>
Effect of exchange rate changes on cash and cash equivalents	(1,183)	7,496
Increase (decrease) in cash and cash equivalents	<u>(1,500,194)</u>	<u>(688,336)</u>
Cash and cash equivalents, beginning of term	3,921,483	2,421,289
Cash and cash equivalents, end of term	<u>2,421,289</u>	<u>1,732,952</u>

Segment information by type of business

Thousands of yen	Artist management	Media-visual	Contents	Total	Eliminations	Consolidated
March 31, 2006						
Revenues and operating income						
External customers	14,603,643	13,147,385	1,689,913	29,440,943	-	29,440,943
Intersegment transactions and eliminations	25,643	2,752	48,975	77,371	(77,371)	-
Total	14,629,287	13,150,137	1,738,889	29,518,314	(77,371)	29,440,943
Operating expenses	12,332,512	13,105,835	1,219,075	26,657,422	982,436	27,639,859
Operating income	2,296,774	44,302	519,814	2,860,892	(1,059,808)	1,801,083
Assets, depreciation, impairment loss and capital expenditures						
Identifiable assets	4,680,934	9,209,571	507,552	14,398,058	1,950,323	16,348,381
Depreciation	68,105	15,361	13,007	96,474	11,106	107,581
Impairment loss	220,293	-	-	220,293	13,000	233,293
Capital expenditures	95,249	28,960	11,429	135,639	3,271	138,911
March 31, 2005						
Revenues and operating income						
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)	-
Total	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
Assets, depreciation and capital expenditures						
Identifiable assets	4,829,662	9,123,039	985,758	14,938,460	2,939,081	17,877,541
Depreciation	38,712	11,643	13,046	63,403	13,281	76,684
Capital expenditures	8,090	15,599	2,088	25,778	5,429	31,207

(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, planning and production of shows and events, appearances in television, radio and commercials, fan club memberships and sales of 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 2005 was 2,940,057 thousand yen, and as of the end of March 2006, the total amount was 1,955,581 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 903,957 thousand yen in the fiscal year ended March 2005, and 1,014,073 thousand yen in the fiscal year ended March 2006.*
- 5. Changes in accounting method*

(Fiscal 2005)

As described in 4. (1) (b) in Significant Items Regarding Preparation of Consolidated Financial Statements, the valuation standards and methods for image products among inventories have been changed in fiscal 2005 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 in fiscal 2005.

(Fiscal 2006)

As described in Change of Significant Items Regarding Preparation of Consolidated Financial Statements, the accounting standards related to impairment loss of fixed assets (statement of position related to establish of accounting standards related to impairment loss of fixed assets (Business Accounting Council, August 9, 2002)) and accounting standards implementation guidance related to impairment loss of fixed assets (Accounting Standards Implementation Guidance No. 6, October 31, 2003) have been applied from fiscal 2006.

The impact of this change on each business segment is as shown above.