

Summary of Consolidated Financial Results  
for the Six Months ended September 2006

Amuse Inc.

## Consolidated interim balance sheet

Thousands of yen	September 30, 2005	%	September 30, 2006	%	March 31, 2006	%	Increase/ decrease
<b>Current assets</b>							
Cash and deposits	3,387,170		1,704,893		1,830,453		(125,559)
Notes and accounts receivable	3,697,061		3,230,039		2,970,808		259,231
Inventories	6,242,883		6,668,041		6,153,425		514,616
Others	884,601		1,046,190		763,122		283,067
Allowance for doubtful accounts	(6,374)		(7,742)		(6,160)		(1,581)
	<u>14,205,341</u>	76.2	<u>12,641,423</u>	72.9	<u>11,711,648</u>	71.6	<u>929,774</u>
<b>Fixed assets</b>							
<b>Tangible fixed assets</b>							
Buildings	787,719		773,332		773,416		(84)
Land	1,134,184		1,123,392		1,124,117		(724)
Others	109,717		82,169		92,607		(10,438)
	<u>2,031,622</u>	10.9	<u>1,978,893</u>	11.4	<u>1,990,141</u>	12.2	<u>(11,247)</u>
<b>Intangible fixed assets</b>	115,177	0.6	193,524	1.1	132,409	0.8	61,114
<b>Investments and other assets</b>							
Investment securities	1,272,201		1,256,304		1,411,843		(155,539)
Others	1,202,781		1,491,697		1,323,162		168,534
Allowance for doubtful accounts	(185,499)		(221,563)		(220,823)		(739)
	<u>2,289,484</u>	12.3	<u>2,526,438</u>	14.6	<u>2,514,182</u>	15.4	<u>12,255</u>
Total fixed assets	<u>4,436,284</u>	23.8	<u>4,698,856</u>	27.1	<u>4,636,733</u>	28.4	<u>62,123</u>
<b>Total assets</b>	<u>18,641,625</u>	100.0	<u>17,340,279</u>	100.0	<u>16,348,381</u>	100.0	<u>991,898</u>

(Note) Increase/decrease shows changes of balance sheet amount between March 31, 2006 and September 30, 2006.

Thousands of yen	September 30, 2005	%	September 30, 2006	%	March 31, 2006	%	Increase/ decrease
<b>Current liabilities</b>							
Accounts payable	5,906,449		3,618,064		2,445,697		1,172,366
Short-term borrowings	1,100,000		1,100,000		600,000		500,000
Others	922,489		924,813		1,411,549		(486,735)
	<u>7,928,939</u>	42.5	<u>5,642,878</u>	32.5	<u>4,457,247</u>	27.3	<u>1,185,631</u>
<b>Long-term liabilities</b>							
Employees' retirement benefits	476,660		544,782		507,489		37,292
Reserve for directors' retirement allowances	394,045		421,495		411,428		10,066
Others	148,562		85,800		146,842		(61,041)
	<u>1,019,267</u>	5.5	<u>1,052,078</u>	6.1	<u>1,065,760</u>	6.5	<u>(13,682)</u>
Total liabilities	<u>8,948,207</u>	48.0	<u>6,694,956</u>	38.6	<u>5,523,007</u>	33.8	<u>1,172,366</u>
<b>Minority interests</b>	153,507	0.8	-	-	167,565	1.0	-
<b>Shareholders' equity</b>							
Common stock	1,587,825	8.5	-	-	1,587,824	9.7	-
Capital reserves	1,694,890	9.1	-	-	1,694,890	10.4	-
Retained earnings	6,065,617	32.6	-	-	7,104,163	43.5	-
Unrealized gains or losses on other securities	280,328	1.5	-	-	335,338	2.0	-
Foreign currency translation adjustments	(73,774)	(0.4)	-	-	(48,373)	(0.3)	-
Treasury stock	(14,975)	(0.1)	-	-	(16,035)	(0.1)	-
Total shareholders' equity	<u>9,539,911</u>	51.2	<u>-</u>	-	<u>10,657,808</u>	65.2	<u>-</u>
<b>Total liabilities, minority interests and shareholders' equity</b>	<u>18,641,625</u>	100.0	<u>-</u>	-	<u>16,348,381</u>	100.0	<u>-</u>

(Note) Increase/decrease shows changes of balance sheet amount between March 31, 2006 and September 30, 2006.

Thousands of yen	September 30, 2005	%	September 30, 2006	%	March 31, 2006	%	Increase/ decrease
<b>Net assets</b>							
<b>Shareholders' equity</b>							
Common stock	-	-	1,587,825	9.2	-	-	-
Capital reserves	-	-	1,694,890	9.8	-	-	-
Retained earnings	-	-	7,066,973	40.7	-	-	-
Treasury stock	-	-	(16,843)	(0.1)	-	-	-
			<u>10,332,844</u>	<u>59.6</u>			
<b>Valuation/translation gains (losses)</b>	-	-			-	-	-
Unrealized gains or losses on other securities	-	-	219,884	1.2	-	-	-
Foreign currency translation adjustments	-	-	(57,674)	(0.3)	-	-	-
			<u>162,210</u>	<u>0.9</u>			
<b>Minority interests</b>	-	-	150,268	0.9	-	-	-
Total net assets	-	-	<u>10,645,323</u>	<u>61.4</u>	-	-	-
<b>Total liabilities and net assets</b>	-	-	<u>17,340,279</u>	<u>100.0</u>	-	-	-

(Note) Increase/decrease shows changes of balance sheet amount between March 31, 2006 and September 30, 2006.

## Consolidated interim statement of income

Thousands of yen	Six months ended September 30, 2005		Six months ended September 30, 2006		Increase/ decrease		Year ended March 31, 2006	
		%		%		%		%
<b>Operating revenue</b>	13,239,541	100.0	10,576,858	100.0	(2,662,683)	(20.1)	29,440,943	100.0
<b>Cost of operation</b>	11,383,767	86.0	8,706,925	82.3	(2,676,841)	(23.5)	23,673,135	80.4
Gross operating income	1,855,774	14.0	1,869,932	17.7	14,157	0.8	5,767,808	19.6
<b>Selling, general and administrative expenses</b>	2,005,951	15.1	1,735,186	16.4	(270,764)	(13.5)	3,966,724	13.5
Operating income (loss)	(150,176)	(1.1)	134,745	1.3	284,921	-	1,801,083	6.1
<b>Nonoperating income</b>	15,846	0.1	21,090	0.2	5,243	33.1	34,298	0.1
Interest income	2,640		4,064		1,423		5,002	
Dividend income	1,300		1,435		135		2,008	
Commissions received	4,012		3,215		(796)		5,616	
Foreign exchange gain	3,701		6,239		2,537		3,549	
Others	4,190		6,135		1,944		18,121	
<b>Nonoperating expenses</b>	19,164	0.2	16,290	0.2	(2,873)	(15.0)	37,172	0.1
Interest expenses	8,392		11,343		2,951		14,477	
Commissions	8,524		4,890		(3,633)		19,831	
Others	2,247		55		(2,191)		2,863	
Ordinary profit (losses)	(153,494)	(1.2)	139,545	1.3	293,039	-	1,798,209	6.1
<b>Extraordinary income</b>	72,113	0.6	-	-	(72,113)	-	59,541	0.2
Reversal of allowance for doubtful accounts	12,572		-		(12,572)		-	
Gain on special cancellation of insurance	59,541		-		(59,541)		59,541	
<b>Extraordinary losses</b>	233,293	1.8	19,178	0.2	(214,114)	(91.8)	233,293	0.8
Loss on removal of fixed assets	-		10,442		10,442		-	
Impairment loss	233,293		-		(233,293)		233,293	
Loss on valuation of securities	-		8,736		8,736		-	
Income (loss) before taxes and other adjustments	(314,673)	(2.4)	120,366	1.1	435,040	-	1,624,458	5.5
Corporate, inhabitant and enterprise taxes	16,002	0.1	133,461	1.2	117,458	734.0	774,984	2.6
Deferred taxes	(113,072)	(0.8)	(62,542)	(0.6)	50,530	-	(62,220)	(0.2)
Minority interest in income of consolidated companies	1,191	0.0	-	-	(1,191)	-	14,420	0.1
Minority interest in loss of consolidated companies	-	-	14,927	0.1	14,927	-	-	-
Net income (loss) for the term	(218,795)	(1.7)	64,375	0.6	283,170	-	897,274	3.0

(Note) Increase/decrease shows changes of amount between the six-month period ended September 30, 2005 and September 30, 2006.

## Consolidated statement of changes in net assets (shareholders' equity, etc.)

Thousands of yen; September 30, 2006	Shareholders' equity				Total shareholders' equity
	Common stock	Capital reserves	Retained earnings	Treasury stock	
Balance as of Mar. 31, 2006	1,587,825	1,694,890	7,104,163	(16,035)	10,370,843
Changes during the term					
Dividends (Note)			(77,518)		(77,518)
Directors' and corporate auditors' bonuses (Note)			(24,047)		(24,047)
Net income			64,375		64,375
Acquisition of treasury stock				(808)	(808)
Other changes in non-shareholders' equity items during the term (net)					-
Total changes during the term	-	-	(37,190)	(808)	(37,998)
Balance as of Sept. 30, 2006	1,587,825	1,694,890	7,066,973	(16,843)	10,332,844

Thousands of yen; September 30, 2006	Valuation/translation gains (losses)			Minority interests	Total net assets
	Unrealized gains or losses on other securities	Foreign currency translation adjustments	Total valuation/translation gains (losses)		
Balance as of Mar. 31, 2006	335,338	10,825,373	286,965	167,565	10,825,373
Changes during the term					
Dividends (Note)					(77,518)
Directors' and corporate auditors' bonuses (Note)					(24,047)
Net income					64,375
Acquisition of treasury stock					(808)
Other changes in non-shareholders' equity items during the term (net)	(115,454)	(9,300)	(124,754)	(17,297)	(142,052)
Total changes during the term	(115,454)	(9,300)	(124,754)	(17,297)	(180,050)
Balance as of Sept. 30, 2006	219,884	(57,674)	162,210	150,268	10,645,323

*(Note) These items represent profit appropriation items resolved at the Ordinary General Meeting of Shareholders held on June 25, 2006.*

## Consolidated interim statement of cash flows

Thousands of yen	Six months ended September 30, 2005	Six months ended September 30, 2006	Increase/ decrease	Year ended March 31, 2006
<b>Net cash provided by (used in) operating activities</b>				
Income (loss) before taxes and other adjustments	(314,673)	120,366	435,040	1,624,458
Depreciation expenses	53,498	48,219	(5,278)	107,581
Increase (decrease) in allowance for doubtful accounts	67,921	3,028	(64,892)	80,169
Increase (decrease) in retirement benefits	17,058	37,292	20,234	47,887
Increase (decrease) in reserve for directors' retirement allowances	(207,350)	10,066	217,417	(189,967)
Interest and dividend income	(3,941)	(5,500)	(1,558)	(7,011)
Interest expenses	8,392	11,343	2,951	14,477
Impairment loss	233,293	-	(233,293)	233,293
Decrease (increase) in receivables	892,324	(259,341)	(1,151,665)	1,618,792
Decrease (increase) in inventories	(257,980)	(514,616)	(256,636)	(168,522)
Increase (decrease) in payables	900,721	1,172,366	271,645	(2,560,029)
Bonuses paid to directors and corporate auditors	(14,070)	(24,497)	(10,427)	(14,070)
Others	(140,308)	(177,199)	(36,891)	(33,699)
	1,234,885	421,530	(813,355)	753,360
Interest and dividend income	3,694	5,178	1,483	7,359
Interest expenses	(7,912)	(11,562)	(3,650)	(14,696)
Income tax and others	(576,521)	(766,409)	(189,888)	(579,796)
	654,146	(351,263)	(1,005,409)	166,226
<b>Net cash provided by (used in) investing activities</b>				
Payments for acquisition of tangible fixed assets	(89,625)	(35,354)	54,271	(93,046)
Payments for investment in securities	(474,682)	(49,293)	425,389	(519,682)
Payments for loans and advances	(2,850)	(250)	2,600	(88,657)
Proceeds from collection of loans and advances	26,308	6,439	(19,868)	77,052
Proceeds from special surrender of premium reserve	311,828	-	(311,828)	311,828
Others	74,807	(124,619)	199,426	(331,266)
	(154,213)	(203,076)	(48,862)	(643,771)

(Note) Increase/decrease shows changes of amount between the six-month period ended September 30, 2005 and September 30, 2006.

Thousands of yen	Six months ended September 30, 2005	Six months ended September 30, 2006	Increase/ decrease	Year ended March 31, 2006
<b>Net cash provided by (used in) financing activities</b>				
Net increase (decrease) in short-term borrowings	500,000	500,000	-	-
Payments of long-term debt	(56,800)	-	56,800	(56,800)
Payments for acquisition of treasury stock	(1,423)	(798)	624	(2,470)
Dividends	(77,105)	(77,107)	(1)	(154,394)
Dividend payment to minority shareholders	(1,500)	(1,500)	-	(1,500)
Others	(1,399)	(1,140)	258	(3,123)
	361,772	419,453	57,681	(218,287)
Effect of exchange rate changes on cash and cash equivalents	2,709	(1,418)	(4,128)	7,496
Increase (decrease) in cash and cash equivalents	864,413	(136,305)	(1,000,718)	(688,336)
Cash and cash equivalents, beginning of term	2,421,289	1,732,952	(688,336)	2,421,289
Cash and cash equivalents, end of term	3,285,702	1,596,647	(1,689,055)	1,732,952

*(Note) Increase/decrease shows changes of amount between the six-month period ended September 30, 2005 and September 30, 2006.*

## Business segment information

Thousands of yen	Artist management	Media-visual	Contents	Total	Elimination	Consolidated
<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>Six months ended September 30, 2006</b>						
Revenues						
External customers	5,474,282	4,398,657	703,918	10,576,858	-	10,576,858
Intersegment transactions and eliminations	2,286	353	9,179	11,819	(11,819)	-
	5,476,569	4,399,010	713,097	10,588,677	(11,819)	10,576,858
Operating expenses	4,813,358	4,627,464	541,625	9,982,448	459,663	10,442,112
Operating income	663,210	(228,454)	171,472	606,228	(471,483)	134,745
<b>Year ended March 31, 2006</b>						
Revenues						
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)	-
	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

### (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 and appearances in television, radio, and commercial; fan club memberships and sales of various character goods; and royalties from new music by the production of master recordings and management of copyrights.*
  - (2) *Media-visual*  
*Revenue from the production of television programs and production and distribution of movies; and purchasing, packaging and sales of video cassettes and DVDs of visual works.*
  - (3) *Contents*  
*Royalties from the management of copyrights and of original recordings; and revenue from the use of movies and visual works (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 535,720 thousand yen in the interim period ended September 30, 2005, 478,133 thousand yen in the interim period ended September 30, 2006 and 1,014,073 thousand yen in the fiscal year ended March 2006.*

4. *Changes in accounting methods*

*(Six months ended September 30, 2005)*

*No applicable items.*

*(Six months ended September 30, 2006)*

*No applicable items.*

*(Year ended March 31, 2006)*

*No applicable items.*

## **Segment information by location**

*The interim period ended September 30, 2005, the interim period ended September 30, 2006, and the year ended March 31, 2006*

*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, 2005, the interim period ended September 30, 2006, and the year ended March 31, 2006*

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