

Summary of Consolidated Financial Results
for the Year Ended March 2016

Amuse Inc.

Consolidated balance sheet

Thousand yen	March 31, 2015	March 31, 2016
Assets		
Current assets		
Cash and deposits	12,356,438	17,718,958
Notes and trade accounts receivable	4,406,438	4,255,930
Merchandise and finished goods	1,075,197	1,523,027
Work in progress	1,202,381	1,526,080
Supplies	47,147	70,085
Deferred tax assets	138,839	238,946
Others	1,994,593	1,214,614
Allowance for doubtful accounts	(118,190)	(211,203)
Total current assets	21,102,845	26,336,438
Fixed assets		
Tangible fixed assets		
Buildings (Net)	2,212,329	2,036,707
Land	1,606,621	1,486,752
Lease assets (Net)	18,287	24,446
Others (Net)	964,848	916,038
Total tangible fixed assets	4,802,087	4,463,945
Intangible fixed assets		
Goodwill	–	278,901
Others	210,916	216,165
Total intangible fixed assets	210,916	495,066
Investments and other assets		
Investment securities	1,236,264	1,332,625
Deferred tax assets	452,780	466,699
Others	1,599,738	2,721,247
Allowance for doubtful accounts	(3,809)	(104,900)
Total investments and other assets	3,284,973	4,415,672
Total fixed assets	8,297,977	9,374,684
Deferred assets		
Business commencement expenses	172,034	137,044
Total deferred assets	172,034	137,044
Total assets	29,572,857	35,848,167

Thousand yen	March 31, 2015	March 31, 2016
Liabilities		
Current liabilities		
Trade accounts payable	5,258,027	6,256,956
Lease obligations	7,144	8,711
Income taxes payable	249,561	2,299,368
Deferred tax liabilities	192	–
Reserve for directors' bonuses	31,000	46,500
Allowance for sales return	14,900	8,000
Provision for point card certificates	489	23,752
Others	1,864,195	1,949,129
Total current liabilities	7,425,511	10,592,418
Long-term liabilities		
Lease obligations	12,081	17,341
Reserve for directors' retirement allowances	16,308	16,308
Net defined benefit liability	915,437	970,581
Others	28,693	27,521
Total long-term liabilities	972,521	1,031,753
Total liabilities	8,398,033	11,624,171
Net assets		
Shareholders' equity		
Common stock	1,587,825	1,587,825
Capital reserves	1,694,950	1,694,950
Retained earnings	16,820,538	19,932,496
Treasury stock	(929,731)	(934,917)
Total shareholders' equity	19,173,582	22,280,353
Accumulated other comprehensive income		
Valuation difference on other securities	41,787	26,664
Foreign currency translation adjustments	21,240	(7,446)
Total accumulated other comprehensive income	63,027	19,217
Non-controlling interests	1,938,214	1,924,424
Total net assets	21,174,824	24,223,995
Total liabilities and net assets	29,572,857	35,848,167

Consolidated statements of income

Thousand yen	Year ended March 31, 2015	Year ended March 31, 2016
Operating revenue	39,208,153	48,924,282
Cost of operation	31,473,470	38,396,788
Gross operating income	7,734,683	10,527,494
Provision for sales returns	7,500	–
Reversal of provision for sales returns	–	6,900
Gross operating income after deductions	7,727,183	10,534,394
Selling, general and administrative expenses	3,802,777	4,550,901
Operating income	3,924,406	5,983,492
Nonoperating income		
Interest income	8,111	7,191
Dividends income	18,873	6,354
Reversal of allowance for doubtful accounts	7,974	772
Equity in earnings of affiliates	9,586	64,011
Foreign exchange gains	133,309	–
Commissions received	15,076	16,109
Others	6,544	35,239
Total nonoperating income	199,476	129,679
Nonoperating expenses		
Foreign exchange losses	–	120,237
Loss on investments in partnership	54,084	136,387
Others	2,559	660
Total nonoperating expenses	56,644	257,285
Ordinary profit	4,067,238	5,855,886
Extraordinary income		
Gain on sales of investment in securities	4,959	57,217
Gain on liquidation of subsidiaries and affiliates	61,855	–
Others	–	6,272
Total extraordinary income	66,815	63,490
Extraordinary losses		
Loss on valuation of investment securities	9,047	66,265
Loss on valuation of shares of subsidiaries	350,628	–
Impairment loss	516,473	–
Others	6,450	3,899
Total extraordinary losses	882,599	70,165
Income before taxes and other adjustments	3,251,454	5,849,211
Corporate, inhabitant and enterprise taxes	395,792	2,437,557
Deferred taxes	128,413	(119,479)
Total income taxes	524,205	2,318,077
Profit	2,727,249	3,531,133
Profit attributable to non-controlling interests	55,537	(12,528)
Profit attributable to owners of parent	2,671,711	3,543,661

Consolidated statements of comprehensive income

Thousand yen	Year ended March 31, 2015	Year ended March 31, 2016
Profit	2,727,249	3,531,133
Other comprehensive income		
Valuation difference on available-for-sale securities	23,452	(15,123)
Foreign currency translation adjustments	114,292	(28,686)
Total other comprehensive income	137,744	(43,810)
Comprehensive income	2,864,993	3,487,323
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	2,809,456	3,499,851
Comprehensive income attributable to non-controlling interests	55,537	(12,528)

Statement of changes in equity

Year ended March 31, 2015

Thousand yen	Shareholders' equity				
	Common stock	Capital reserves	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of current fiscal year	1,587,825	1,694,890	14,472,559	(924,923)	16,830,350
Changes of items during period					
Dividends of surplus			(323,732)		(323,732)
Profit attributable to owners of parent			2,671,711		2,671,711
Change of scope of consolidation					-
Purchase of treasury shares				(4,943)	(4,943)
Disposal of treasury shares		60		136	196
Net changes of items other than shareholders' equity					
Total changes of items during period	-	60	2,347,978	(4,807)	2,343,231
Balance at end of current fiscal year	1,587,825	1,694,950	16,820,538	(929,731)	19,173,582

Thousand yen	Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Valuation difference on other securities	Foreign currency translation adjustments	Total accumulated other comprehensive income		
Balance at beginning of current fiscal year	18,335	(93,052)	(74,716)	460,120	17,215,754
Changes of items during period					
Dividends of surplus					(323,732)
Profit attributable to owners of parent					2,671,711
Change of scope of consolidation					-
Purchase of treasury shares					(4,943)
Disposal of treasury shares					196
Net changes of items other than shareholders' equity	23,452	114,292	137,744	1,478,093	1,615,838
Total changes of items during period	23,452	114,292	137,744	1,478,093	3,959,069
Balance at end of current fiscal year	41,787	21,240	63,027	1,938,214	21,174,824

Year ended March 31, 2016

Thousand yen	Shareholders' equity				
	Common stock	Capital reserves	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of current fiscal year	1,587,825	1,694,950	16,820,538	(929,731)	19,173,582
Changes of items during period					
Dividends of surplus			(388,401)		(388,401)
Profit attributable to owners of parent			3,543,661		3,543,661
Change of scope of consolidation			(43,302)		(43,302)
Purchase of treasury shares				(5,186)	(5,186)
Disposal of treasury shares					–
Net changes of items other than shareholders' equity					
Total changes of items during period	–	–	3,111,957	(5,186)	3,106,771
Balance at end of current fiscal year	1,587,825	1,694,950	19,932,496	(934,917)	22,280,353

Thousand yen	Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Valuation difference on other securities	Foreign currency translation adjustments	Total accumulated other comprehensive income		
Balance at beginning of current fiscal year	41,787	21,240	63,027	1,938,214	21,174,824
Changes of items during period					
Dividends of surplus					(388,401)
Profit attributable to owners of parent					3,543,661
Change of scope of consolidation					(43,302)
Purchase of treasury shares					(5,186)
Disposal of treasury shares					–
Net changes of items other than shareholders' equity	(15,123)	(28,686)	(43,810)	(13,790)	(57,600)
Total changes of items during period	(15,123)	(28,686)	(43,810)	(13,790)	3,049,171
Balance at end of current fiscal year	26,664	(7,446)	19,217	1,924,424	24,223,995

Consolidated statements of cash flows

Thousand yen	Year ended March 31, 2015	Year ended March 31, 2016
Net cash provided by (used in) operating activities		
Income before taxes and other adjustments	3,251,454	5,849,211
Depreciation expenses	246,342	697,423
Amortization of goodwill	–	41,464
Amortization of deferred assets	2,915	34,989
Increase (decrease) in allowance for doubtful accounts	2,056	192,428
Increase (decrease) in reserve for directors' bonuses	6,000	15,500
Increase (decrease) in provision for directors' retirement benefits	(163)	–
Increase (decrease) in allowance for sales return	7,500	(6,900)
Increase (decrease) in net defined benefit liability	17,284	43,349
Increase (decrease) in provision for point card certificates	489	23,263
Interest and dividend income	(26,984)	(13,546)
Equity in (earnings) losses of affiliates	(9,586)	(64,011)
Loss (gain) on investments in partnership	54,084	136,387
Loss (gain) on sales of investment securities	(4,959)	(57,217)
Loss (gain) on valuation of investment securities	9,047	66,265
Loss (gain) on valuation of shares of subsidiaries	350,628	–
Impairment loss	516,473	–
Decrease (increase) in operating receivables	(360,062)	258,536
Decrease (increase) in inventories	946,653	(779,383)
Increase (decrease) in operating payables	70,500	997,081
Increase (decrease) in accrued consumption taxes	67,938	266,489
Decrease (increase) in other current assets	(309,513)	(152,607)
Increase (decrease) in other current liabilities	327,056	370,079
Others	(280,379)	266,966
	4,884,774	8,185,769
Interest and dividend income	26,898	13,413
Income taxes refund	21,889	483,757
Income tax and others	(1,335,356)	(430,897)
	3,598,205	8,252,042

Thousand yen	Year ended March 31, 2015	Year ended March 31, 2016
Net cash provided by (used in) investing activities		
Payments into time deposits	(1,500,037)	(5,641,333)
Proceeds from withdrawal of time deposits	3,500,000	4,549,300
Payments for acquisition of tangible fixed assets	(1,576,821)	(939,233)
Proceeds from sales of tangible fixed assets	5,000	131,159
Payments for acquisition of intangible fixed assets	(70,780)	(89,349)
Payments for acquisition of investment securities	(1,000)	–
Proceeds from sales of investment securities	5,510	63,038
Purchase of shares of subsidiaries resulting in change in scope of consolidation	–	(356,458)
Payments for acquisition of subsidiaries' stock	(200,459)	(355,216)
Purchase of investments in capital of subsidiaries	–	(200,000)
Purchase of shares of subsidiaries and associates	–	(29,890)
Payments for loans and advances	(266,070)	(12,173)
Proceeds from collection of loans and advances	13,592	231,374
Payments for deferred assets	(174,949)	–
Others	(141,185)	(69,694)
	<u>(407,201)</u>	<u>(2,718,477)</u>
Net cash provided by (used in) financing activities		
Proceeds from share issuance to non-controlling shareholders	1,433,500	16,000
Payments for acquisition of treasury stock	(4,943)	(5,186)
Proceeds from sales of treasury stock	196	–
Dividends	(322,310)	(387,606)
Dividends paid to non-controlling interests	(10,944)	(17,262)
Others	(8,813)	(9,013)
	<u>1,086,684</u>	<u>(403,067)</u>
Effect of exchange rate changes on cash and cash equivalents	25,572	(20,970)
Increase (decrease) in cash and cash equivalents	<u>4,303,261</u>	<u>5,109,527</u>
Cash and cash equivalents, beginning of term	<u>7,024,401</u>	<u>11,327,663</u>
Increase in cash and cash equivalents from newly consolidated subsidiary	–	160,944
Cash and cash equivalents, end of term	<u>11,327,663</u>	<u>16,598,135</u>

Segment information

1. Outline of reportable business segments

The Group's reportable segments are components of an entity for which separate financial information is available and is evaluated regularly by the Board of Directors in determining the allocation of management resources and in assessing performance.

The Group is engaged in scouting and fostering artists who generate content. It also creates content by providing the artists with opportunities, places and support in various forms to enable artists to pursue their creative activities, as well as exploring superior content externally. Through these activities, the Group's basic policy is to increase its own content and make effective use of content for the development of the its businesses. Consequently, the Company divided its operations into three reportable operating segments according to the nature of activities: Artist management; Media-visual; Contents; and Place management.

Revenues from the Artist management segment comprise revenues from events (revenues from concerts, events, stage plays, etc.), revenues from fan clubs and product sales (revenues from planning, producing and selling goods introduced by artists, etc., revenues from music sales, revenues from fan club membership fees), revenues from performance fees and commercial messages, revenues from royalties, (a new release: revenues for less than one year from the first date when gains were recognized). Revenues from the Media-visual segment mainly comprise revenues from sales of image products, revenues from image production, and revenues from program production. Revenues from the Contents segment mainly comprise revenues from music and image works (older works: revenues for the period after one year from the first date when gains were recognized for music works, and revenues for the period after two years from the first date when gains were recognized for image works). Revenues from the Place management segment mainly comprise revenues from admission (revenues from operating theme parks, live houses and clubs, etc.) and other revenues (revenues from planning, producing and selling various goods, revenues from restaurants, etc.).

2. Method of calculating operating revenue, income or loss, assets, liabilities and other stated amounts by reportable segment

Methods of accounting procedures for reported business segments are the same as those for statements in the Basic Significant Matters for Preparing the Consolidated Financial Statements.

Segment income as reported in this section is based on operating income.

Intersegment transactions and eliminations are based on market prices.

3. Information on operating revenue, profit or loss, assets, liabilities and other stated amounts by reportable segment

Previous consolidated fiscal year (from April 1, 2014 to March 31, 2015)

Thousand yen	Reported segments					Adjustments (Note) 1	Amounts recorded in consolidated financial statements (Note) 2
	Artist management	Media-visual	Contents	Place management	Total		
Year ended March 31, 2015							
Revenues							
External customers	30,431,837	5,866,414	2,488,906	420,995	39,208,153	–	39,208,153
Intersegment transactions and eliminations	131,648	436,904	160,085	54,312	782,951	(782,951)	–
Total	30,563,485	6,303,318	2,648,992	475,308	39,991,105	(782,951)	39,208,153
Segment income	3,627,351	383,465	866,473	(111,399)	4,765,890	(841,483)	3,924,406
Other items							
Depreciation	140,489	4,329	17,337	43,709	205,866	40,476	246,342

Consolidated fiscal year under review (from April 1, 2015 to March 31, 2016)

Thousand yen	Reported segments					Adjustments (Note) 1	Amounts recorded in consolidated financial statements (Note) 2
	Artist management	Media-visual	Contents	Place management	Total		
Year ended March 31, 2016							
Revenues							
External customers	41,349,431	2,238,706	2,631,319	2,704,824	48,924,282	–	48,924,282
Intersegment transactions and eliminations	79,551	210,755	242,331	87,670	620,308	(620,308)	–
Total	41,428,982	2,449,462	2,873,650	2,792,494	49,544,591	(620,308)	48,924,282
Segment income	6,330,447	54,923	973,839	(519,814)	6,839,396	(855,903)	5,983,492
Other items							
Depreciation	210,487	3,887	18,519	423,499	656,394	41,029	697,423

(Notes)

1. Details of adjustments made are as follows:

(1) Segment income

Thousand yen	Previous consolidated fiscal year (from April 1, 2014 to March 31, 2015)	Consolidated fiscal year under review (from April 1, 2015 to March 31, 2016)
Eliminations of intersegment transactions	(22,337)	33,740
Total company expenses*	(819,146)	(889,643)
Total	(841,483)	(855,903)

* Total company expenses consist primarily of general, selling, and administrative expenses at administrative divisions, including the General Affairs and Control divisions, which do not belong to any reportable segments.

(2) Other items Depreciation

Thousand yen	Previous consolidated fiscal year (from April 1, 2014 to March 31, 2015)	Consolidated fiscal year under review (from April 1, 2015 to March 31, 2016)
Total company assets*	40,476	41,029
Total	40,476	41,029

* Total company assets consist primarily of depreciation expenses at administrative divisions, including the General Affairs and Control divisions, which do not belong to any reportable segments.

2. Segment income is adjusted with operating income stated in the consolidated financial statements.

3. Segment assets and segment liabilities are omitted because the Group does not allocate assets and liabilities to reportable segments.