



usen Corp.

**Financial Summary
For the Three Quarters
Ended May 31, 2003**

NOTE:

All financial information contained herein has been prepared in accordance with generally accepted accounting principles in Japan. Amounts shown in this accounting report and in the attached material have been rounded down to the nearest unit. This document is an English translation of the Japanese-language original.

June 26, 2003

usen Corp. (4842)

Head Office: Tokyo, Japan
 Inquiries: Mr. Yasuhide Uno, President and Chief Executive Officer
 Tel: +81-3-3509-7112
 Listed Exchanges: Nippon New Market – Hercules, a Section of Osaka Securities Exchange

1. Financial Summary for the Three Quarters Ended May 31, 2003 (September 1, 2002 – May 31, 2003)

(1) Consolidated Operating Results

| | Millions of Yen | | | | |
|------------------------------|--|---------|------------|----------------------------------|---|
| | For the three quarters ended May 31 | | Change (%) | For the current third quarter | For the fiscal year ended Aug. 31, 2002 |
| | 2003 | 2002 | | | |
| Net Sales | 69,950 | 68,149 | 2.6 | 23,974 | 90,958 |
| Operating Income (Loss)..... | 135 | (6,946) | — | 555 | (8,039) |
| Ordinary Profit (Loss)..... | (364) | (6,221) | — | 646 | (7,622) |

(2) Non-Consolidated Operating Results

| | Millions of Yen | | | | |
|------------------------------|--|--------|------------|----------------------------------|---|
| | For the three quarters ended May 31 | | Change (%) | For the current third quarter | For the fiscal year ended Aug. 31, 2002 |
| | 2003 | 2002 | | | |
| Net Sales | 71,789 | 74,984 | (4.3) | 24,757 | 98,525 |
| Operating Income (Loss)..... | 6,353 | (967) | — | 2,678 | 255 |
| Ordinary Profit (Loss)..... | 4,839 | 97 | — | 2,290 | 1,048 |

(3) Sales Breakdown by Business Segment (Consolidated)

| | Millions of Yen | | | | | | |
|--------------------------------|-------------------------------------|------------|--------|------------|---------------|----------------------------------|-------|
| | For the three quarters ended May 31 | | | | Change (%) | For the year ended August 31, | |
| | 2003 | | 2002 | | | 2002 | |
| | Amount | % of total | Amount | % of total | Amount | % of total | |
| 1. Broadcasting Services | 48,281 | 69.0 | 48,619 | 71.3 | (0.7) | 64,917 | 71.4 |
| 2. Broadband Business | 2,907 | 4.1 | 625 | 0.9 | 364.7 | 1,012 | 1.1 |
| 3. Retail Businesses | 8,721 | 12.5 | 9,333 | 13.7 | (6.6) | 12,413 | 13.6 |
| 4. Karaoke Business..... | 5,461 | 7.8 | 5,271 | 7.7 | 3.6 | 6,972 | 7.7 |
| 5. Internet Services | 2,288 | 3.3 | 3,781 | 5.6 | (39.5) | 4,902 | 5.4 |
| 6. Other Businesses | 2,290 | 3.3 | 517 | 0.8 | 342.3 | 740 | 0.8 |
| Total..... | 69,950 | 100.0 | 68,149 | 100.0 | 2.6 | 90,958 | 100.0 |

(4) Summary of Consolidated Balance Sheets

| | Millions of Yen | | |
|--|--------------------|-----------------------|---------------|
| | As of May 31, 2003 | As of August 31, 2002 | Amount Change |
| Assets: | | | |
| Cash and bank deposits..... | 9,441 | 21,728 | (12,286) |
| Trade notes and accounts receivable..... | 6,390 | 4,090 | 2,300 |
| Buildings and structures..... | 42,471 | 41,566 | 904 |
| Investment securities..... | 6,323 | 7,533 | (1,210) |
| Liabilities: | | | |
| Trade notes and accounts payable..... | 4,401 | 6,231 | (1,830) |
| Notes payable for equipments and others..... | 1,464 | 4,403 | (2,938) |
| Other accounts payable..... | 10,214 | 6,267 | 3,946 |
| Accrued expenses..... | 3,732 | 4,885 | (1,153) |
| Long-term accounts payable..... | 10,064 | 13,297 | (3,233) |
| Allowance for retirement benefits..... | 5,028 | 5,891 | (863) |

(5) Summary of Non-Consolidated Balance Sheets

| | Millions of Yen | | |
|--|--------------------|-----------------------|---------------|
| | As of May 31, 2003 | As of August 31, 2002 | Amount Change |
| Assets: | | | |
| Cash and bank deposits..... | 9,270 | 20,585 | (11,315) |
| Accounts receivable..... | 1,446 | 2,641 | (1,195) |
| Investment securities..... | 1,389 | 2,366 | (976) |
| Long-term loans to affiliates..... | 14,730 | 6,420 | 8,310 |
| Liabilities: | | | |
| Trade notes payable..... | 4,875 | 7,416 | (2,540) |
| Trade accounts payable..... | 935 | 1,901 | (966) |
| Other accounts payable..... | 9,525 | 5,193 | 4,331 |
| Long-term accounts payable..... | 10,064 | 13,297 | (3,233) |
| Allowance for retirement benefits..... | 5,028 | 5,891 | (863) |

Notes:

1. Amounts provided herein for the three quarters ended May 31, 2003 have not been audited by a CPA or an auditor.
2. Amounts shown above do not include consumption tax.

2. Performance Review

(1) Overview

A review of the telecommunications industry of Japan during the third quarter (March 1, 2003 - May 31, 2003) of this fiscal year reveals that as at the end of April the number of subscribers to high-speed broadband services, including DSL, CATV and FTTH (Fiber to the Home) reached 9.96 million (as announced by the Ministry of Public Management, Home Affairs, Posts and Telecommunications) indicating a strong growth in demand for high-speed telecommunication services.

Against this background, the USEN group ("the Group") is improving the cost structure by embarking on a digitalization project in Broadcasting Services (cost reduction associated with removing unnecessary cables), and is currently concentrating its management resources into fiber-optic broadband services.

Operating Results

For the three quarters of this fiscal year, the Group recorded net sales of ¥69,950 million, a 2.6% increase from the same period of the prior fiscal year, operating profit of ¥135 million and ordinary loss of ¥364 million.

Performance by business segment is as follows:

Broadcasting Services

The Broadcasting Services registered net sales of ¥48,281 million, a 0.7% decrease from the same period of the previous year. In light of the economic recession the downward trend in the number of establishment customers is continuing. With the aim of minimizing cancellations from such customers, the Company has introduced a membership structure through which member clients can jointly purchase at low prices various goods for the management and promotion of their establishments. Thanks to such efforts, the relationship with customers, for many of whom we were once merely a BGM operator, has grown into one of ongoing strong business partnership. Our satellite music broadcasting service SOUND PLANET has boasted a steady increase in the number of individual customers. Furthermore, in some areas we are providing our broadcasting content to cable TV operators, and thus our BGM service gets delivered to individuals through these cable TV networks.

Broadband Business

The Company's fiber-optic broadband services provide a reliable high-speed always-on access, integrating fiber-optic network infrastructure, Internet access function and broadband content, all focused on user convenience. As of May 31, 2003 the number of subscribers reached 111,845, the number of completed installations – 68,455, and sales for the first three quarters totaled ¥2,907 million, an increase of 364.7% from the same period of the previous year. We have deployed our services through our own network in 102 areas (potential user coverage 1,778,645).

In addition, by currently effectively utilizing the fiber-optic network of others, we are increasing the number of reachable users at a faster pace. In our product line-up we offer BROAD-GATE 01 Type E (up to 100Mbps) and BROAD-GATE 01 Type V (up to 16Mbps) to individual customers, and BROAD-GATE 02 (up to 100Mbps) to corporate customers. Furthermore, the IP telephone service GATE CALL which uses the Group's optical fiber network is attracting steadily subscribers with its user-friendliness by use of the regular area code numbers "03" and "045" assigned to subscribers as well as with its high quality and low prices..

Retail Businesses

The Retail Businesses posted sales of ¥8,721 million for the three quarters ended May 31, a decrease of 6.6% from the same period of the previous year. At the end of May the number of stores operated by the Company included 80 stores under direct management for the U-bou karaoke establishment, 9 restaurant locations doing business as AFRICA, COLONIAL Living and other names, plus 11 locations operating as part of a franchise chain. Changes in consumer lifestyles have affected the karaoke industry among others, and differences in results between operators are steadily becoming evident. Amid such conditions, the Company has striven to develop and manage locations that meet customer needs.

Karaoke Business

The Karaoke Business recorded net sales ¥5,461 million, an increase of 3.6% over the same period of the previous year. Competition in the commercial-use karaoke industry is intensifying as the nighttime entertainment market (pubs, snack bars, etc.) continues on a downward path. Through the execution of mergers and capital alliances involving Taikan Co., Ltd. and the karaoke affiliate of the Pioneer Group and the Clarion Group, all strategically integrated with U's BMB Entertainment Corp. (JASDAQ 9841) ("BMB"), the Group aims to strengthen its marketing power in the nighttime entertainment market and secure a market share putting it within a whisker of the top in the online karaoke market.

Internet Services

The Internet Services brought ¥2,288 million of sales to the Company, marking a 39.5% decline from the same period of the previous year. The Company develops Internet services positioning them as a crucial support for generating sales from the Broadcasting Services, the Company's core source of revenues, rather than trying to make the Internet Services segment profitable in itself. An example of this is Town Pita, a search portal for information on discount coupons, which helps commercial users increase retail customers while offering greater convenience to consumers.

(2) New Business and Products

In addition to BROAD-GATE 02, the 100 Mbps fiber-optic Internet access service offered currently to business users, the Company, jointly with U's Communications Corp. as service operator and ITX Corporation, has planned and developed a new 1 Gbps service called BROAD-GATE 02 Fiber-Optic Giga Bit Access. The service started operations on June 4, 2003.

With the rapidly expanding broadband market, and especially with the rising demand for ultra-high-speed Internet access via optical fiber cable, there is a strong need for faster connectivity essential for business users. In response to those needs and with the purpose of enabling customers to cut and manage costs, the Company has offered a price competitive service of a fixed amount of ¥480,000 per month. In comparison, other companies are offering similar services at the monthly rate of ¥5,000,000 - ¥10,000,000 plus charge according to usage.

Service Features

- Internet access at 1Gbps on a best effort basis
- Access with 1000 BASE-LX (SC connector)
- Optional services: dynamic routing access, domain acquisition, DNS hosting and others.

Service Price (consumption tax not included)

- | | |
|-------------------------------------|----------|
| • Initial fee | ¥280,000 |
| • Contract handling fee | ¥3,000 |
| • Monthly base usage fee | ¥480,000 |
| • Dynamic routing access (optional) | |
| Initial fee | ¥200,000 |
| Monthly fee | ¥100,000 |

Service Starting Date

- Start of operations June 4, 2003

Service Offering Area

- Main business areas in Tokyo

Sales Plan

- Operations have started on June 4, and 150 lines are expected to be sold by the end of December 2003.

(3) Changes in Sales Offices and Retail Establishments

Organizational Changes (as of April 7, 2003)

- Merged the HfX (Hybrid Fiber Coaxial) Business department and HfX sales department into Music Delivery Business department (responsible for planning and sales of various services using coaxial cables)

Organizational Changes (as of May 1, 2003)

- Renamed the Services Planning department to Media Commerce department (responsible for publishing operations)

Changes in Business Locations

- March 1, 2003 Closed Yamato Koriyama office and merged all its areas with Nara office.
- April 1, 2003 Closed Sanjo office and merged it with Nagaoka office and Niigata office.
Closed Uozu Service Center office and merged all its areas with Toyama office.
Closed Kashi office and merged all its areas with Tajimi office.
Closed Fujieda office and merged it with Shizuoka office and Kakegawa office.
Closed Fujiidera office and merged all its areas with Osaka Sayama office.
Opened Niihama Service Center.
- May 1, 2003 Closed Saitama Minami office and merged it with Saitama office and Kawaguchi office.
Changed the name of Shin Yokohama office to Yokohama Daini office.
Changed the name of Yokohama office to Yokohama Daiichi office.
- June 1, 2003 Opened Kita Daini office.
Changed the name of Kita office to Kita Daiichi office.

(4) Experimental Research

There is nothing to report under this heading.

(5) Significant Capital Expenditure Plans, Business Alliances and/or Cancellations, Mergers and Business Transfers

Notice regarding the partial transfer of business

As of June 10, 2003 the Company has reached an agreement with BMB by which the Company transfer to BMB its karaoke equipment sales and karaoke music delivery business targeted at the big karaoke room chains , pub chains and other chains ("nationwide chains").

1. Background of the business transfer

The karaoke industry nowadays is facing two opposing trends. One is a contraction of the existing market size caused by the prolonged slump in consumption and deflation, while the other is the emergence of a big opportunity for expanding new marketing channels for karaoke applications such as mobile phone ring tones and PC karaoke, spurred by technological developments and increase in network terminals.

With the aim of expanding its market share of the Group, last fiscal year BMB merged with Taikan Co., Ltd., a wide area dealer for BMB, and acquired the karaoke business subsidiaries of Pioneer Group and Clarion Group. This move secured the Group a 31% market share (BMB estimate), putting it close to the industry top position in the number of serviced active karaoke machines. With this solid foundation, the Group seeks to further slash the direct cost ratio and the selling, general and administrative expenses ratio on the operational side, establishing in this way a stable and highly profitable business structure. Notwithstanding these efforts, the Group's market share in the number of serviced active karaoke machines in the karaoke room market has remained only 20% (BMB estimates).

In view of these circumstances, the Company decided to transfer to BMB the business of karaoke equipment sales and karaoke music delivery to nation-wide chains. This action will enable BMB to build and offer an integrated unified system to nation-wide chains, aiming to establishing a solid revenue base as well as raise the Group's market share.

2. Subject matter of the business transfer

1) Business of the transferred division

Karaoke equipment sales and karaoke music delivery business to nationwide chains, part of the Company's Karaoke Business

2) Operating results of the transferred division

Sales for the period ¥1,544 million (April 2002 – March 2003)

equivalent to 5.8% of BMB's total sales (¥26,809 million, for the fiscal year ended March 2003)

*The Company is involved in sales of karaoke equipment and music delivery to nationwide chains and the above figures represent the sales for the period of the concerned division. For the same period, the amount of goods purchased by the Company from BMB comprised ¥1,168 million.

3) Assets and liabilities items of the transferred division and their respective amounts

The main subject of transfer consists of contracts (about 8,000) with customers regarding karaoke music delivery, and therefore there are no assets or liabilities subject to transfer.

4) Transfer price and settlement method

The transfer price of ¥1,620 million is evaluated based on the future fee income from karaoke music delivery to customers and the estimated future profit from karaoke products sales to customers.

Settlement by cash payment is scheduled for execution on June 30, 2003.

(References)
**1. Sales and Profit Performance by Quarter
Consolidated**

| | Millions of Yen | | | |
|-------------------------------|--|---|---|---|
| | First quarter (Sep. 1, 2001 - Nov. 30, 2001) | Second quarter (Dec. 1, 2001 - Feb. 28, 2002) | Third quarter (Mar. 1, 2002 - May 31, 2002) | Fourth quarter (June 1, 2002 - August 31, 2002) |
| Net Sales | 23,428 | 21,838 | 22,883 | 22,809 |
| Operating Income (Loss) | (842) | (3,886) | (2,218) | (1,093) |
| Ordinary Profit (Loss)..... | 16 | (3,675) | (2,563) | (1,401) |

| | Millions of Yen | | | |
|-------------------------------|--|---|---|---|
| | First quarter (Sep. 1, 2002 - Nov. 30, 2002) | Second quarter (Dec. 1, 2002 - Feb. 28, 2003) | Third quarter (Mar. 1, 2003 - May 31, 2003) | Fourth quarter (June 1, 2003 - August 31, 2003) |
| Net Sales | 22,667 | 23,309 | 23,974 | — |
| Operating Income (Loss) | 137 | (558) | 555 | — |
| Ordinary Profit (Loss)..... | (107) | (903) | 646 | — |

Non-Consolidated

| | Millions of Yen | | | |
|-------------------------------|--|---|---|---|
| | First quarter (Sep. 1, 2001 - Nov. 30, 2001) | Second quarter (Dec. 1, 2001 - Feb. 28, 2002) | Third quarter (Mar. 1, 2002 - May 31, 2002) | Fourth quarter (June 1, 2002 - August 31, 2002) |
| Net Sales | 25,772 | 23,819 | 25,393 | 23,541 |
| Operating Income (Loss) | 176 | (1,357) | 213 | 1,224 |
| Ordinary Profit (Loss)..... | 609 | (596) | 85 | 951 |

| | Millions of Yen | | | |
|-------------------------------|--|---|---|---|
| | First quarter (Sep. 1, 2002 - Nov. 30, 2002) | Second quarter (Dec. 1, 2002 - Feb. 28, 2003) | Third quarter (Mar. 1, 2003 - May 31, 2003) | Fourth quarter (June 1, 2003 - August 31, 2003) |
| Net Sales | 23,342 | 23,691 | 24,757 | — |
| Operating Income (Loss) | 1,706 | 1,969 | 2,679 | — |
| Ordinary Profit (Loss)..... | 1,286 | 1,264 | 2,290 | — |

Sales and Profit Performance by Quarter

