



**usen Corp.**

# Third Quarter Consolidated Financial Results

For Third Quarter Period  
from September 1, 2003 to May 31, 2004

**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.*

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## Third Quarter Consolidated Financial Results

June 30, 2004

### usen Corp. (4842)

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#### 1. Items related to preparation of the quarterly financial summary, etc.

- (a) Differences of the accounting method between the one in the latest consolidated fiscal year and the one in this quarterly financial report: None
- (b) Changes in the scope of consolidation and application of the equity method: Yes
- (c) Involvement of any certified public accountant or auditing corporation: None

#### 2. Third Quarter Consolidated Financial Results for the Period from September 1, 2003 to May 31, 2004

##### (1) Consolidated Operating Results

	Disregarded Less Than Millions of Yen - Except Per Share Data and Percents				
	Third Quarter Period Ended May 31				(Reference) Fiscal Year Ended August 31
	2003	%	2004	%	2003
Net Sales	69,950	2.6	88,809	27.0	93,892
Operating Income	135	-	2,887	-	776
Ordinary Profit	(364)	-	2,587	-	154
Net Income	-	-	1,567	-	1,297
Net Income per Share	-	-	254.88	-	1,087.05
Diluted Net Income per Share	-	-	253.96	-	1,086.33

- Notes:
- 1) The numbers in the % column for Net Sales reflect the rate of increase (decrease) compared with the Third Quarter Period for the Previous Fiscal Year.
  - 2) Net income, net income per share and diluted net income per share for the same period last year have not been included in this accounting report due to lack of such information disclosure.

### Qualitative information about the progress of consolidated operating results, etc.

Looking back to the telecommunication area in Japan during the third quarter of the current fiscal year (September 1, 2003 - May 31, 2004), the number of the broadband service users reached 15.4 million (a year-on-year increase of 54.6%), among which the number of FTTH (fiber-to-the-home) service users increased to 1.24 million (a year-on-year increase of 257.7%) as of the end of April 2004. Accordingly, the demand for high-speed Internet services has been rapidly growing over the past few years.

Under such circumstances, the Group has focused its efforts mainly on expansion of market share in existing businesses as well as installing optical fiber lines to housing complexes and acquiring more customers in the broadband business.

As a result, in the third quarter period of the current fiscal year, the consolidated business results for the Company included sales revenue of 88.809 billion yen (a year-on-year increase of 27.0%), operating income of 2.887 billion yen (operating income of 135 million yen for the same period last year), ordinary profit of 2.587 billion yen (ordinary loss of 364 million yen for the same period last year), and net income recorded for the third quarter period of 1.567 billion yen.

Results by business segment are as follows.

#### (Broadcasting Services)

During the third quarter of the current fiscal year, sales for broadcasting services were 48.152 billion yen (a year-on-year decrease of 0.3%). The retail market continues to be shrinking in association with the domestic economic slump over the last few years. However, the number of new customers has turned up for the current quarter subsequently to the interim term. The company will act not only as a BGM provider for our retail customers but also strive to add more value by offering them other services that would facilitate more efficient management of their retail operations and help them in acquiring more customers. Our digital music broadcasting service via communications satellite "SOUND PLANET" enjoys high popularity and the number of individual users has been growing steadily.

#### (Broadband Business)

As of the end of the current quarter, the number of the subscribers who signed up to the optical fiber broadband services provided by the Company was 253,138 (a year-on-year increase of 126.3%) and the number of subscribers whose fiber-optic line

installation completed was 157,933 (a year-on-year increase of 130.7%), thus indicating steady growth for such services.

With regard to broadband services, the Company concentrates on certain high-populated urban areas such as Tokyo area as well as government-designated major cities as service areas and targets at housing complexes, and small and medium-sized corporations. We have also launched our new service targeted at housing complexes "BROAD-GATE01" Type V (100Mbps), which allows subscribers to make use of broadband services at lower price than ADSL. Thus, we will promote further subscribers acquisition and focus our efforts to facilitate the existing users for ADSL, who have reached more than 10 million, migrating to FTTH service. As for corporate customers, the Company has cultivated new customers through various sales partners as well as its own sales force. The IP telephony service over optical fiber provided by the Company for small and medium-sized corporations, so-called "FT Phone" allows its subscribers to make use of both IP telephony services and high-quality Internet access services at lower cost without changing their existing phone numbers. It also allows customers to reduce the overall communication costs incurred by their business offices. Thus, the Company has enjoyed high reputation among its customers.

Under such circumstances, sales of the broadband business for the third quarter of the current fiscal year were 8.643 billion yen (a year-on-year increase of 197.3%).

#### (Karaoke Business)

Karaoke Business recorded sales revenue of 26.149 billion yen (a year-on-year increase of 378.8%). The Karaoke Business of the Company is a business model, based on which the Company not only gains revenues from sales of karaoke equipments, but also income from the customers who have already installed our karaoke equipments through distribution of new songs every month. Accordingly, the growth of the number of installed pieces of karaoke equipments has a significant effect on the sales revenues of the Company. During the interim period of the current fiscal year, the Company additionally acquired stocks of U's BMB Entertainment Corp. and incorporated it as its subsidiary subject to the scope of consolidation, and has endeavored to increase its market share in this business by strengthening the solidarity among the Group in association with such consolidation.

### (Retail Businesses)

For the third quarter period of the current fiscal year, sales of the retail businesses were 2.223 billion yen (a year-on-year decrease of 74.5%). Since the Company transferred the assets and operation of U-Bou karaoke establishments (80 sites) directly controlled by the Company to U's BMB Entertainment Corp. at the end of the first half-year, the number of the retail establishments which now the Company is directly operating consists of nine restaurant-related establishments, including "AFRICA" and "COLONIAL Living", and nine franchised chain stores. As for the Retail Businesses, the Company has utilized the needs of end-customers gained through operations of the retail shops and restaurants, and developed its business activities in order to improve the service provided to our retail customers.

### (Internet Services)

For the third quarter of the current fiscal year, the sales of the Internet Services were 1.324 billion yen (a year-on-year decrease of 42.1%). The Company is engaged in the Internet Services by delivering services to the retail customers in the Broadcasting Services, the Company's most important source of revenues, including various ASP-related services such as rental servers, as well as web portal sites including search portals for information on discount coupons and gourmet restaurants. Thus, the Company has contributed to the increase of customer acquisition for the Broadcasting Services.

### (Other Business)

Sales revenues of Other Businesses for the current quarter were 2.316 billion yen (a year-on-year increase of 1.1%). As for Other Businesses, the Company is engaged in providing retail customers in the broadcasting market with goods and services to support their operations of restaurants and other establishments. Specifically, these services include provision of "My line services" (telephone company selection services) as well as sales and installments of various kinds of audio/visual equipments.

## 2. Change in the Consolidated Financial Position

	Total Assets	Shareholders' Equity	Shareholders' Equity Ratio	Shareholders' Equity per Share
	Millions of Yen	Millions of Yen	%	Yen
Third Quarter of the Fiscal Year ending August, 2004	232,191	26,808	11.5	4,314.68
Third Quarter of the Fiscal Year ended August, 2003	-	-	-	-
(Reference) Fiscal Year ended August 2003	152,235	19,468	12.8	16,313.41

**Qualitative information about the change in the consolidated financial position, etc.**

As of the end of the third quarter of the current fiscal year, total assets of the Company increased 79,955 million yen up to 232,191 million yen due to the incorporation of U's BMB Entertainment Corp. into the scope of consolidation, etc. compared with those recorded as of the end of the prior consolidated fiscal year. Total current assets increased 52,802 million yen mainly due to increase in cash and bank deposits of 18,669 million yen as well as increase in trade notes and trade accounts receivable of 9,136 million yen, etc., compared with those recorded as of the end of the prior consolidated fiscal year. In addition, total fixed assets increased 27,091 million yen.

As for liabilities of the Company, corporate bonds and long-term bank loans mainly increased 26,700 million yen and 29,272 million yen, respectively. As a result, compared with those recorded as of the end of the prior consolidated fiscal year, total liabilities increased 66,159 million yen up to 195,275 million yen.

In addition, shareholders' equity increased 7,340 million yen. The major reasons for such increase included the amount of 4,999 million yen resulting from the issuance of the Zero Coupon Convertible Bonds due 2006 (bonds with stock acquisition rights) and exercise of all of such stock acquisition rights as well as increase in net profit of 1,567 million yen for the third quarter of the current fiscal year.

## 3. Estimated Consolidated Operating Results for the Fiscal Year Ending August 31, 2004 (Sept. 1, 2003 – Aug. 31, 2004)

	Estimated Net Sales	Estimated Ordinary Profit	Estimated Net Income	Estimated Net Income per Share
	Millions of Yen	Millions of Yen	Millions of Yen	Yen
Full Fiscal Year ending August 31, 2004	125,000	4,500	1,500	243.40

**Qualitative information about the estimated operating results, etc.**

There was no change in the estimated operating results for the full fiscal term issued by the Company as of February 24 in 2004.

\*The above estimated operating results for the full fiscal term (consolidated-base) include any projection based on assumptions, forecasts and plans for the future available at the time of announcement of this financial summary report. Actual business results could differ from the above projections for a wide variety of reasons which might occur in the future.

**4. Sales Breakdown by Business Segment for the Third Quarter Period**

	Third quarter of current fiscal year (for current quarter)		Year-on-year change (%)	Third quarter of previous fiscal year (for same quarter of previous fiscal year)		Reference for previous fiscal year ( for full fiscal year )	
	Amount (Millions of Yen)	% of total		Amount (Millions of Yen)	% of total	Amount (Millions of Yen)	% of total
Broadcasting Services	48,152	54.2	(0.3)	48,281	69.0	64,388	68.5
Broadband Business	8,643	9.7	197.3	2,907	4.1	4,940	5.3
Retail Business (Note)	2,223	2.5	(74.5)	8,721	12.5	11,475	12.2
Karaoke Business (Note)	26,149	29.5	378.8	5,461	7.8	6,995	7.5
Internet Services (Note)	1,324	1.5	(42.1)	2,288	3.3	2,818	3.0
Other Businesses	2,316	2.6	1.1	2,290	3.3	3,273	3.5
Total	88,809	100.0	27.0	69,950	100.0	93,892	100.0

(Note)

1. Due to the partial business transfer completed during the prior fiscal year, sales in the Internet Services have decreased.
2. Traditionally, the Company had classified operation of the karaoke establishments as "the Retail Business". However, as of August 2003, the Company transferred such business to U's BMB Entertainment Corp., one of its consolidated subsidiaries, and included such business into "the Karaoke Business" for the current fiscal year, resulting in decrease in sales of the Retail Business.

Attachment

- Summary of Consolidated Balance Sheet for the Third Quarter Period
- Summary of Consolidated Statements of Operations for the Third Quarter Period

## Third Quarter Consolidated Financial Statements

### 1. Summary of Third Quarter Consolidated Balance Sheets

	Millions of Yen			
	At end of third quarter period of consolidated fiscal year		Summary of consolidated balance sheet for previous fiscal year	
	As of May 31, 2004		As of August 31, 2003	
	Amount	% of total	Amount	% of total
<b>ASSETS:</b>				
<b>Current Assets:</b>				
Cash and bank deposits	45,061		26,392	
Trade notes and trade accounts receivable	15,741		6,605	
Accrued account	13,664		1,859	
Other current assets	28,193		15,001	
<b>Total Current Assets</b>	<b>102,661</b>	<b>44.2</b>	<b>49,859</b>	<b>32.8</b>
<b>Fixed Assets:</b>				
<b>Property, Plant and Equipment:</b>				
Buildings and structures	28,821		36,624	
Other property, plant and equipment	55,366		42,384	
<b>Total Property, Plant and Equipment</b>	<b>84,187</b>	<b>36.3</b>	<b>79,008</b>	<b>51.9</b>
<b>Intangible Assets</b>	<b>13,035</b>	<b>5.6</b>	<b>4,364</b>	<b>2.8</b>
<b>Investments and Other Assets:</b>				
Investment securities	9,839		4,948	
Others	22,404		14,055	
<b>Total Investments and Other Assets</b>	<b>32,244</b>	<b>13.9</b>	<b>19,003</b>	<b>12.5</b>
<b>Total Fixed Assets</b>	<b>129,467</b>	<b>55.8</b>	<b>102,376</b>	<b>67.2</b>
<b>Total Deferred Assets</b>	<b>61</b>	<b>0.0</b>	<b>0</b>	<b>0.0</b>
<b>Total Assets</b>	<b>232,191</b>	<b>100.0</b>	<b>152,235</b>	<b>100.0</b>
<b>LIABILITIES:</b>				
<b>Current Liabilities:</b>				
Trade notes and trade accounts payable	7,214		5,093	
Current portion of long-term bank loans	28,272		23,318	
Other accounts payable	12,960		12,631	
Other current liabilities	23,051		18,992	
<b>Total Current Liabilities</b>	<b>71,499</b>	<b>30.8</b>	<b>60,035</b>	<b>39.4</b>
<b>Long-term Liabilities:</b>				
Bonds	27,400		700	
Long-term bank loans	81,877		52,604	
Allowance for employee's retirement benefits	6,512		5,275	
Other long-term liabilities	7,986		10,501	
<b>Total Long-term Liabilities</b>	<b>123,776</b>	<b>53.3</b>	<b>69,080</b>	<b>45.4</b>
<b>Total Liabilities</b>	<b>195,275</b>	<b>84.1</b>	<b>129,116</b>	<b>84.8</b>
<b>Minority Interest</b>	<b>10,106</b>	<b>4.4</b>	<b>3,650</b>	<b>2.4</b>
<b>SHAREHOLDERS' EQUITY:</b>				
Common stock	20,464	8.8	17,957	11.8
Capital surplus	12,020	5.2	9,436	6.2
Retained earnings	(5,931)	(2.6)	(7,469)	(4.9)
Unrealized gains (losses) on securities holdings	310	0.1	(267)	(0.2)
Foreign currency translation adjustments	(41)	(0.0)	(84)	(0.0)
Treasury stock	(13)	(0.0)	(104)	(0.1)
<b>Total Shareholders' Equity</b>	<b>26,808</b>	<b>11.5</b>	<b>19,468</b>	<b>12.8</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>232,191</b>	<b>100.0</b>	<b>152,235</b>	<b>100.0</b>

## 2. Summary of Third Quarter Consolidated Statements of Operations

	Millions of Yen	
	Current Third Quarter Consolidated Fiscal Period from Sep. 1, 2003 to May 31, 2004	
	Amount	% of total
Net Sales	88,809	100.0
Cost of Sales	43,596	49.1
<b>Gross Profit</b>	<b>45,213</b>	<b>50.9</b>
Selling, General and Administrative Expenses	42,325	47.6
<b>Operating Income</b>	<b>2,887</b>	<b>3.3</b>
<b>Non-operating Income</b>	<b>2,715</b>	<b>3.0</b>
<b>Non-operating Expenses</b>	<b>3,015</b>	<b>3.4</b>
<b>Ordinary Profit</b>	<b>2,587</b>	<b>2.9</b>
<b>Extraordinary Gains</b>	<b>17,019</b>	<b>19.1</b>
<b>Extraordinary Losses</b>	<b>26,583</b>	<b>29.9</b>
<b>Loss before Income Taxes</b>	<b>6,976</b>	<b>(7.9)</b>
Income Taxes	(514)	(0.6)
Current Income Taxes	180	
Deferred Income Taxes	(694)	
Minority Interest Loss	8,028	9.1
<b>Net Income</b>	<b>1,567</b>	<b>1.8</b>

Note: Consolidated Statements of Operations for the same period last year have not been included in this accounting report due to lack of such information disclosure.

## Third Quarter Non-Consolidated Financial Results

June 30, 2004

### usen Corp. (4842)

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#### 1. Items related to preparation of the quarterly financial summary, etc.

- (a) Differences of the accounting method between the one in the latest fiscal year and the one in this quarterly financial report: None
- (b) Involvement of any certified public accountant or auditing corporation: None

#### 2. Third Quarter Non-Consolidated Financial Results for the Period from September 1, 2003 to May 31, 2004

##### (1) Non-Consolidated Operating Results

	Disregarded Less Than Millions of Yen - Except Per Share Data and Percents				(Reference) Fiscal Year Ended August 31 2003
	Third Quarter Period Ended May 31				
	2003	%	2004	%	
Net Sales	71,789	(4.3)	67,084	(6.6)	96,105
Operating Income	6,353	-	4,486	(29.4)	8,634
Ordinary Profit	4,839	-	4,347	(10.2)	7,666
Net Income	-	-	8,443	-	3,796
Net Income per Share	-	-	1,370.82	-	3,173.62
Diluted Net Income per Share	-	-	1,365.89	-	-

- Notes: 1) The numbers in the % column for Net Sales reflect the rate of increase (decrease) compared with the Third Quarter Period for the Previous Fiscal Year.
- 2) Net income, net income per share and diluted net income per share for the same period last year have not been included in this accounting report due to lack of such information disclosure.

##### (2) Change in the Non-Consolidated Financial Position

	Total Assets	Shareholders' Equity	Shareholders' Equity Ratio	Shareholders' Equity per Share
	Millions of Yen	Millions of Yen	%	Yen
Third Quarter of the Fiscal Year ending August, 2004	199,872	44,944	22.5	7,228.94
Third Quarter of the Fiscal Year ended August, 2003	-	-	-	-
(Reference) Fiscal Year ended August 2003	164,143	30,917	18.8	25,846.18

Note: Total assets, shareholders' equity, shareholders' equity ratio and shareholders' equity per share for the same period last year have not been included in this accounting report due to lack of such information disclosure.

**3. Non-Consolidated Operating Results for the Fiscal Year Ending August 31, 2004 (Sept. 1, 2003 – Aug. 31, 2004)**

	Estimated Net Sales	Estimated Ordinary Profit	Estimated Net Income	Estimated Net Income per Share
Previously announced Estimates (A)	Millions of Yen 96,000	Millions of Yen 7,000	Millions of Yen 3,000	yen 485.90
Currently Revised Estimates (B)	96,000	7,000	8,000	1,295.72
Increase (Decrease) (B – A)	–	–	5,000	809.82
Increase (Decrease) Ratio (%)	–%	–%	166.7%	166.7%

Qualitative information about the estimated operating results, etc.

Since extraordinary gains on sales of investment securities announced as of May 24 in 2004 is accounted for in the financial statements during the current third quarter, the Company has revised the estimated business results for the full fiscal year ending August 31 in 2004, which was announced as of February 24 in 2004, as stated above.

**Attachment**

- Summary of Non-Consolidated Balance Sheet for the Third Quarter Period
- Summary of Non-Consolidated Statements of Operations for the Third Quarter Period

## Third Quarter Non-Consolidated Financial Statements

### 1. Summary of Third Quarter Non-Consolidated Balance Sheets

	Millions of Yen			
	At end of third quarter period of fiscal year		Summary of non-consolidated balance sheet for previous fiscal year	
	As of May 31, 2004		As of August 31, 2003	
	Amount	% of total	Amount	% of total
<b>ASSETS:</b>				
<b>Current Assets:</b>				
Cash and bank deposits	38,694		25,081	
Trade accounts receivable	7,474		6,670	
Accrued accounts	13,625		2,051	
Other current assets	19,222		14,897	
<b>Total Current Assets</b>	<b>79,016</b>	<b>39.5</b>	<b>48,700</b>	<b>29.7</b>
<b>Fixed Assets:</b>				
<b>Property, Plant and Equipment:</b>				
Buildings	12,622		13,211	
Structures	12,441		12,876	
Other property, plant and equipment	36,559		37,434	
<b>Total Property, Plant and Equipment</b>	<b>61,623</b>	<b>30.9</b>	<b>63,521</b>	<b>38.7</b>
<b>Intangible Assets</b>	<b>3,760</b>	<b>1.9</b>	<b>3,650</b>	<b>2.2</b>
<b>Investments and Other Assets:</b>				
Stocks of affiliated companies	31,336		17,723	
Others	24,074		30,546	
<b>Total Investments and Other Assets</b>	<b>55,410</b>	<b>27.7</b>	<b>48,270</b>	<b>29.4</b>
<b>Total Fixed Assets</b>	<b>120,794</b>	<b>60.5</b>	<b>115,442</b>	<b>70.3</b>
<b>Total Deferred Assets</b>	<b>61</b>	<b>0.0</b>	<b>0</b>	<b>0.0</b>
<b>Total Assets</b>	<b>199,872</b>	<b>100.0</b>	<b>164,143</b>	<b>100.0</b>
<b>LIABILITIES:</b>				
<b>Current Liabilities:</b>				
Trade notes payable	2,438		4,279	
Current portion of long-term bank loans	22,144		23,318	
Accounts payable	7,168		10,956	
Other current liabilities	22,763		25,471	
<b>Total Current Liabilities</b>	<b>54,515</b>	<b>27.3</b>	<b>64,025</b>	<b>39.0</b>
<b>Long-term Liabilities:</b>				
Bonds	25,000		700	
Long-term bank loans	61,532		52,604	
Allowance for employee's retirement benefits	6,072		5,275	
Other long-term liabilities	7,807		10,620	
<b>Total Long-term Liabilities</b>	<b>100,412</b>	<b>50.2</b>	<b>69,200</b>	<b>42.2</b>
<b>Total Liabilities</b>	<b>154,927</b>	<b>77.5</b>	<b>133,226</b>	<b>81.2</b>
<b>SHAREHOLDERS' EQUITY:</b>				
Common stock	20,464	10.2	17,957	10.9
Capital surplus	11,942	6.0	9,436	5.8
Retained earnings	12,240	6.1	3,796	2.3
Unrealized gains (losses) on securities holdings	300	0.2	(271)	(0.2)
Treasury stock	(2)	(0.0)	(1)	(0.0)
<b>Total Shareholders' Equity</b>	<b>44,944</b>	<b>22.5</b>	<b>30,917</b>	<b>18.8</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>199,872</b>	<b>100.0</b>	<b>164,143</b>	<b>100.0</b>

**1. Summary of Third Quarter Non-Consolidated Statements of Operations**

Millions of Yen

	Current Third Quarter Fiscal Period from Sep. 1, 2003 to May 31, 2004	
	Amount	% of total
Net Sales	67,084	100.0
Cost of Sales	30,739	45.8
<b>Gross Profit</b>	<b>36,345</b>	<b>54.2</b>
Selling, General and Administrative Expenses	31,859	47.5
<b>Operating Income</b>	<b>4,486</b>	<b>6.7</b>
<b>Non-operating Income</b>	<b>2,104</b>	<b>3.1</b>
<b>Non-operating Expenses</b>	<b>2,244</b>	<b>3.3</b>
<b>Ordinary Profit</b>	<b>4,347</b>	<b>6.5</b>
<b>Extraordinary Gains</b>	<b>14,688</b>	<b>21.9</b>
<b>Extraordinary Losses</b>	<b>11,091</b>	<b>16.6</b>
<b>Loss before Income Taxes</b>	<b>7,943</b>	<b>11.8</b>
Income Taxes	(500)	(0.8)
Current Income Taxes	99	
Deferred Income Taxes	(600)	
<b>Net Income</b>	<b>8,443</b>	<b>12.6</b>
<b>Retained Earnings Carried from Previous Fiscal Year</b>	<b>3,796</b>	
<b>Unappropriated Profit</b>	<b>12,240</b>	

Note: Non-Consolidated Statements of Operations for the same period last year have not been included in this accounting report due to lack of such information disclosure.