

Press Release

Columbia Music Entertainment Issues Notice of Consolidated Business Results through the End of the Third Quarter of the Fiscal Year Ending March 2008 and Revised Full-Year Forecast

Columbia Music Entertainment Inc. (hereinafter CME; Head Office: Minato-ku, Tokyo; Chief Executive Officer (CEO): Sadahiko Hirose, Chairman: Strauss Zelnick) today issued its consolidated business results indicating the Company's overall performance for the first three quarters (April 1 ~ December 31, 2007) of the fiscal year ending March 31, 2008 together with a revision of its previous business result forecast for the full fiscal year.

Columbia Music Entertainment is today issuing a notice revising its previous full-year forecast for the fiscal year ending March 31, 2008, in which both sales and profit projections have been revised downwards. As a consequence of sluggish sales of J-POP singles, slippage in the timing of major releases, and a slump in International title sales, the Company's sales performance for the third and fourth quarters are now expected to fall below the initial forecast.

The Company is currently conducting a major review of two Departments: The J-POP Department, which serves a market in which major hits have been generated profitably in the past, and the International Department, in which our licensing agreement with the UK-based V2 Music Group has terminated. Within CME, profitability remains high in the Enka, Animation, and Education Departments, all of which boast stable performances and strong margins. The Company will continue to attempt to improve profitability by reviewing the production of work in the J-POP and International Departments, where achieving sustained profitability has proved more difficult. Bearing this situation in mind, we will continue to refine our cost structure in order to generate profits even from comparatively modest sales.

CME is also further strengthening profitability by undertaking branding of our top artists on a greater scale than ever before. J-POP remains an indispensable field for the future development of CME, so we will endeavor to expand our performance in this area through hit artist creation and by concentrating more of our management resources on promising artists. In addition, the Company will strengthen its releases of titles aimed at older listeners, from whom strong future demand is expected, by making effective use of the Company's huge accumulated store of music assets, which currently number approximately 160,000 titles.

CME also continues to reinforce and expand its industry-leading distribution services in the Digital and Internet Service fields, while simultaneously attempting to lower production and distribution costs by making greater use of digital distribution. And while continuing to pursue our conventional sound source production business, CME will invest resources in providing comprehensive services that encompasses concert operation, merchandising, and

cooperation with music business companies and artists in order to expand sales and ensure improved profitability.

Creative Core (formerly TDK Core), which became a 100%-capitalized subsidiary of CME with effect from November 1, 2007, is improving its performance favorably in the music, video, and game fields, helping the Company accelerate its growth beyond its traditional music market. For example, this company's DVD title, the Handel opera *Agrippina*, received the Special Section Award at the 45th Record Academy Awards, and Creative Core has also newly signed licensing contracts for several DS game software titles including *Chokoken no Suiitsu Depato* (Chocolate Dog Sweets Department) with an overseas publisher. Creative Core has already carried out production cost reduction measures, and we intend in future to increase the synergy effects of the CME-Creative Core relationship and to achieve even stronger integration, performance and growth.

In addition to promoting the above measures, in order to expand sales and increase profitability in the next term and beyond, we will continue to refine and build the structure of the entire Columbia Group.

The Company is pleased to report that its artists received a number of awards during the period. At the 40th Nihon Yusen (Japan Cable Radio) Taisho Awards, Columbia Enka artist Kiyoshi Hikawa became the first artist in the history of these awards to win a fourth Grand Prix and Miki Matsukawa, a new Columbia artist in the Enka field, won the Best New Artist Award. Moreover, *Metal Samurai*, a joint project between CME and Toei Kyoto Studio that pioneers the use of multi-use video images, was selected as one of the 100 best new works of 2007 exemplifying the Japanesque Modern genre. Meanwhile, the Company's Internet audition site *Oto Revo*, where artists themselves post their own videos, has in response to its first solicitation attracted registrations and posts from over 2,000 artists, and the winning artists are due to make their debuts later this month.

During the nine-month period through the end of the current third quarter, CME's consolidated sales totaled 13,287 million yen (a reduction of 37.5% compared with the same period of the previous fiscal year). The main reasons for this reduction were that there was a decline of 4,786 million yen in accordance with the change in the accounting procedure for sales revenue in the Production & Distribution (P&D) Business from a total sales-based method to a handling fee-based method, and sales of J-POP titles decreased by approximately 2 billion yen. In contrast with the third quarter of the previous fiscal year, which saw the release of Yo Hitoto's album *BESTYO*, which has sold close to a million copies, the current third quarter did not produce any big-selling J-POP albums, while sales of CD singles also declined. However, sales of Enka, Kayokyoku, Animation and Education-related titles, which are the Company's main strengths, were all higher than in the same term of the previous fiscal year.

Regarding the profit and loss balance: As a consequence of lower sales, the Company reported a consolidated operating loss for the current quarter of 622 million yen (compared with a profit of 530 million yen for the same period of the previous fiscal year) and a consolidated ordinary loss for the period up to the end of the current third quarter of 696 million yen (compared with a profit of 343 million yen for the same period of the previous fiscal year). With the inclusion of an extraordinary profit of 119 million yen stemming from discontinued operations, an extraordinary profit of 78 million yen on the sale of invested real estate, and an extraordinary loss of 111 million yen related to outplacement service expenses, the Company booked a consolidated net loss for the current third quarter of 614 million yen (compared with a profit of 353 million yen for the same period of the previous fiscal year).

Concerning the full-year consolidated business result forecast: In view of continuing trends in the music software industry-particularly the significant decline in sales of J-POP singles- and the slippage of scheduled releases of major titles, we have lowered our in-house product sales forecast by 2 billion yen. Furthermore, in the Custom Sales Business, we are anticipating a reduction in sales of 500 million yen, although the profit margin of this business is exceeding our previous forecast. As a result of these factors, we are now forecasting total consolidated net sales of 19 billion yen, a decrease of 2.5 billion yen from our previous forecast.

Moving on to the profit forecast: In line with the decline in net sales, both the operating profit and ordinary profit forecasts have been revised downwards. As for the net profit/loss situation for the current term, due to the likelihood of the Company reporting additional extraordinary losses of 1,170 million yen, we are currently issuing an overall net loss forecast for the current term of 1,970 million yen. The details include an expected loss of 670 million yen as a result of business liquidation according to the termination of our license contract with the UK-based V2 Music Group and an expected loss of 500 million yen stemming from the discontinuation of operations of our liquidated US-based CD/DVD pressing business, which had been handled as a non-continuing business. The latter loss has already been recorded as a reduction item in the foreign currency transaction adjustment account in the net assets table, so it will not have any effect on the Company's net asset amount.

Revision of full-term business result forecast for the fiscal year ending March 31, 2008

Consolidated business result forecast

(Units: Millions of yen, %)

	Net sales	Operating profit	Ordinary profit	Net profit for current term
Previous forecast (A)	21,500	600	550	400
Revised forecast (B)	19,000	- 750	- 850	- 1,970
Increase/decrease amount (B) - (A)	- 2,500	- 1,350	- 1,400	- 2,370
Increase/decrease ratio (%)	11.6%	%	%	%
Previous term actual result (FY ending March 31, 2007)	22,709	778	619	561

(Note) The net sales previous term actual result figure is calculated based on the new accounting procedure under which sales in the P&D business are booked according to a handling fee method.

Artists and Titles Making Major Contributions to Sales

< Music Software >

Kiyoshi Hikawa—	<i>Enka Meikyoku Collection 7 ~ Abayo—Kiyoshi no Soran Bushi, Kiyoshi no Soran Bushi/Kibo to Iu no Na no Saishu Ressha, Abayo/Asagao Nikki</i>
Eisaku Okawa—	<i>Kaze Minato/Meoto Michi</i>
Harumi Miyako—	<i>Hotaru no Yado/Shinjuku Nichome, Hotaru Kusa</i>
Miki Matsukawa—	<i>Onna Hamauta</i>
Yo Hitoto	<i>BESTYO+CONCERTYO, BESTYO, Tsunaide Te, Tadaima</i>
Ryuichi Kawamura—	<i>Evergreen Anniversary Edition, ORANGE, Dare no Tame demo naku...Kimi ni</i>
Kaela Kimura—	<i>Yellow, Samantha</i>
Sadistic Mikael Band—	<i>LIVE in Tokyo</i>
Clammbon—	<i>Musical</i>
Kazuko—	<i>Golden Hits</i>
Naoko Kawai—	<i>NAOKO PREMIUM</i>
Saori Yano—	<i>Yano Saori Best ~ Jazz Kaiki</i>
Minako Honda—	<i>Minako Honda. Classic Best ~ Ten ni Hibiku Uta</i>
	<i>THE IDOLM@STER Series</i>

<Video Software >

Fuuka, Wanwan, Uutan—	<i>NHK Inai Inai Baa! Series</i>
Kaela Kimura—	<i>LIVE Scratch ~ Agatemasuteba TOUR@Budokan</i>
	<i>Rudorufu Akahana noTonakai (Rudolf the Red-nosed Reindeer)</i>

<Mail Order Business >

Naoko Kawai—	<i>NAOKO PREMIUM</i>
Takeharu Yamamoto—	<i>Waga kororo no gitaa ni yosete</i>
Toho Miyata—	<i>Miyata Toho Daizenshu ~ Haamonika ni yoru Wasureji no Merodi ~</i>

<Incoming Call Melodies >

Yo Hitoto—	<i>Hanamizuki, Tsunaide Te, Tadaima</i>
Kaela Kimura—	<i>Yellow, Samantha</i>
Hironobu Kageyama—	<i>CHA-LA HEAD-CHA-LA</i>

<P&D (Production & Distribution) Business >

R and C Ltd.	
Downtown—	<i>DOWNTOWN no Gaki no Tsukai ya Arahende!! Series</i>
Hitoshi Matsumoto & others—	<i>Hitoshi Matsumoto no Suberanai Hanashi Series</i>

Columbia Music Entertainment Inc.

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