

● Consolidated Business Results

for the fiscal year ended March 31, 2006 (April 1, 2005 through March 31, 2006)

Result of Operations		million of yen
Net Sales	¥	2,566
Operating Income		(107)
Ordinary Income		(59)
Net Income		(131)
Financial Position at Year End		million of yen
Total Assets	¥	6,822
Shareholders' Equity		5,397
Cash Flows		million of yen
Cash Flow from Operating Activities	¥	94
Cash Flow from Investing Activities		(1,228)
Cash Flow from Financing Activities		2,939
Cash and Cash Equivalents at End of Year		2,898
Amounts per Share		yen
Earning per Share	¥	(1,257.27)
Shareholders' Equity per Share		47,917.69
Ratios		percent
Shareholders' Equity Ratio	%	79.1
Return on Equity		(2.4)
Return on Assets		(0.9)
Operating Income to Net Sales Ratio		(4.2)

Notes:

1	Gains/Losses on equity method investment :	Fiscal year ended March 31, 2006 :	-¥53million
2	Average number of shares outstanding during the period (consolidated) :	Fiscal year ended March 31, 2006 :	104,818 shares

With regard to consolidated performance, net sales were generally as forecast, due to steady performance by consolidated subsidiary MC2, Ltd. However, the startup of business operations at consolidated subsidiary Voice Domain Service, Inc. required substantially more time than was forecast, and the cost of startup investments could not be absorbed. Further, equity-method affiliated company Multimodal Technologies, Inc. posted an ordinary loss. These two factors resulted in a consolidated ordinary loss.

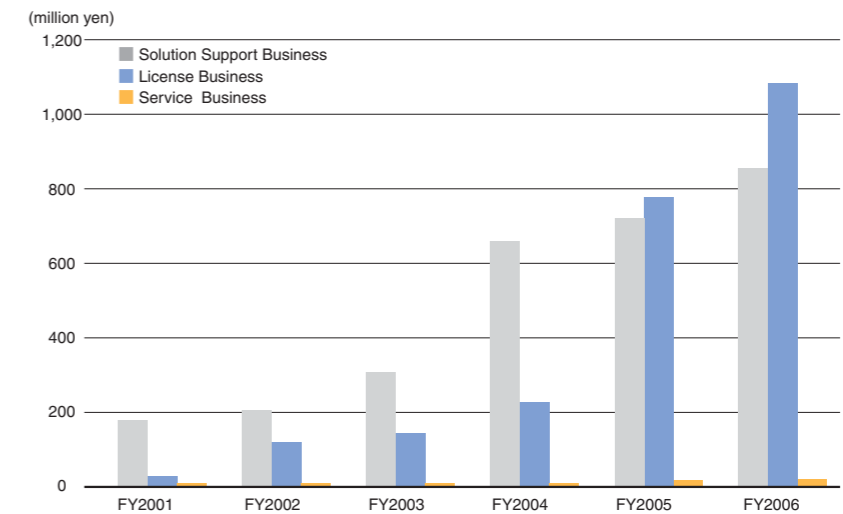
The higher tax burden resulting from the higher-than-forecast non-consolidated profits of MC2, Ltd. resulted in a consolidated net loss.

C o n t e n t s

Financial Highlights	1	License Business	10
Top Message	3	Service Business	15
Advanced Media's Businesses	6	Financial section	17
AmiVoice Advantage	7	Board of Directors and Auditors	25
Solution Support Business	9	Corporate Information	26

● Non-Consolidated Business Results

Sales Volume by Business



Expanding the market while enhancing our business areas.

Development Phase (1997~2003)

From Advanced Media's first fiscal year through the fiscal year ending in March 2003, it established a business foundation centered on its Solution Support Business.

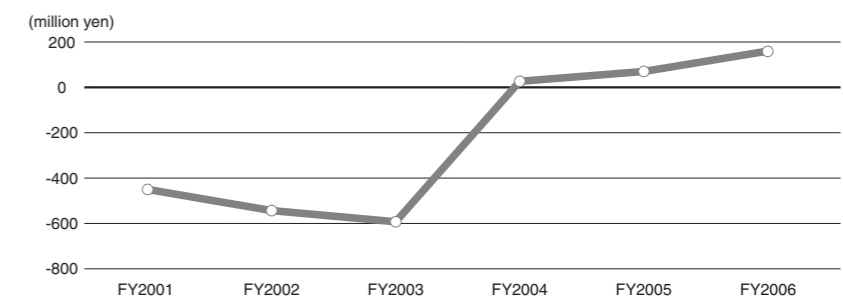
Deployment Phase 1 (2003~2005)

Advanced Media established a basis for growth in its License Business that offers licenses for package products.

Deployment Phase 2 (2005~)

By offering speech recognition systems that are "usable" and "convenient" for end users in nonspecific fields while continuing B to B business in specific fields through its License Business, Advanced Media has been achieving more than 30% annual growth.

Ordinary Profits



Proves speech recognition to be a profitable business.

Advanced Media achieved a profit in fiscal 2004 thanks to expansion in its License Business on top of its Solution Support Business which has been underway since the company's founding. Advanced Media was one of the very few companies specializing in speech recognition software operations to generate profitability in a single fiscal year, changing the view of the speech recognition industry.



Founder
President and CEO, Advanced Media, Inc.
Kiyoyuki Suzuki

Top Message

Cutting edge technology and innovative solutions: Advanced Media's "only one" strength

A pioneer in the speech recognition market

Advanced Media was founded in December 1997 as a company specializing in speech recognition. Speech recognition is a technology that uses computers to recognize human speech, and was under development as early as the sixties. Back then, only isolated words could be recognized. It wasn't until the nineties that spontaneous speech became recognizable. Following that breakthrough, speech recognition increasingly gained people's attention, and the world's top IT companies released numerous speech recognition products one after another.

However, since these general-consumer oriented products required speaker voices to be enrolled prior to use, the market was slow to adopt and several businesses withdrew after suffering losses. In 2003, amidst this turbulent market, Advanced Media started marketing value-added applications leveraging the strength of AmiVoice—a revolutionary speaker-independent speech recognition system that follows changes in intonation, accent and difference in speaking speed without requiring any prior enrollment. AmiVoice applications opened the door to the practical use of speech recognition.

Proving speech recognition as a profitable business:

Several companies across the globe are undertaking speech recognition, but Advanced Media is one of the very few companies that have achieved profitability in speech recognition business. This success was obtained owing to Advanced Media's expertise in developing attractive speech recognition applications. Advanced Media does not sell a speech recognition engine as a stand alone product, but rather pursues a value-added approach of an integrated business of planning, developing, consulting, selling and after-following solutions incorporating speech recognition targeted to specific markets. The reason that Advanced Media has targeted specific markets is that the accuracy of speech recognition increases with the limited sphere of speech content in each market, making its products more "usable", "convenient" and "valuable" to users. Such markets include radiological image diagnostic reports, electronic medical records and the production of meeting minutes and conference proceedings. Advanced Media has since expanded its target markets to the general public, improved its performance steadily, and was listed on the Mothers board of the Tokyo Stock Exchange, the market for high-growth and emerging stocks, in June 2005.

Human Communication Integration (HCI)

Advanced Media's Businesses

Anytime, anywhere, anybody: Achieving the "visualization of natural speech."
Creating new value for society through Advanced Media's original speech recognition businesses.

Speech recognition is a key technology to achieving a truly ubiquitous society.
Advanced Media is building the future for people and society.

Expanding operations from specific fields to the mass market.

Advanced Media has cultivated the market by developing and offering innovative solutions to specific fields leveraging its speaker-independent speech recognition system. For instance, it has approached enterprises whose operations should improve by using speech recognition, and offered them "usable," "convenient" and "valuable" systems customized to meet their individual needs. Advanced Media has been performing these operations from its founding, and they have formed the foundation of its Solution Support Business today. Advanced Media's License Business involves packaging the know-how fostered in its Solution Support Business and offering them as products. Advanced Media is currently developing its License Business in the five areas of medical, entertainment & education (E & E), computer telephony integration (CTI), conference proceedings, and business. Moreover, Advanced Media is now focusing its attention also on its Service Business, which market we believe has strong growth potential. In its Service Business, Advanced Media will expand its target market from the specific fields it has been focusing on so far to general fields, and offer usable, convenient and valuable speech recognition systems to the consumer public.

Creating the future with HCI as a vision.

Advanced Media aims at creation of a new society where humans and machines can communicate naturally and sophisticatedly. Speech recognition – visualization of speech – will play a key role in this society. The concept of such communication, which we call "Human Communication Integration" (HCI) is to realize that anybody can feel "usable," "convenient" and "valuable" via communications with machines, anytime, anywhere. Mobile phones are anticipated to be a key device enabling HCI, with introduction of web-like functions (searching and browsing web-pages), but we do not think adoption of the general public has really reached its potential with one of the key reasons being that the need for detail operations within a tiny keyboard makes user experience a difficult one for many. Advanced Media announced Voice Domain Service (VDS) that overcomes the problem by enabling web search via voice, not using fingers, offering a much enhanced user interface. In March 2006, VDS will be launched in full-scale in Japan. This voice-based Internet search service for mobile phones will spare users from having to enter troublesome URLs, and reduce the time and effort involved in performing searches. It attracts attentions of enterprises and end-users as it dramatically expands the possibilities of mobile phones, by replacing traditional two-dimensional QR codes and enabling new method of advertising.

Advanced Media, through its speech recognition operations, wishes to build a richer future. We look forward to your continued guidance and support.



Developing three businesses centered on the AmiVoice.

Advanced Media has focused on developing its businesses toward creating new value for society by offering speech recognition systems using "natural speech visualization" AmiVoice to the businesses and lifestyles of people. Currently, Advanced Media has a wide variety of businesses. Its Solution Support Business plans, consults, designs and develops speech recognition solutions; its License Business offers package products that answer market needs cultivated in its Solution Support Business as licenses; and its Service Business offers speech recognition services to workplace users and general consumers. Through close collaboration, these three businesses create a synergistic effect that promotes mutual growth.

Fiscal 2006 Performance

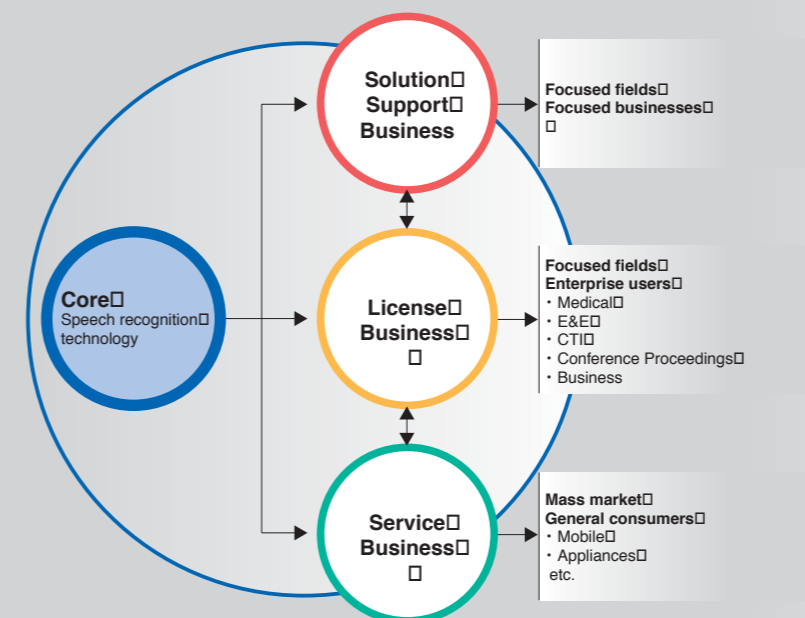
The Advanced Media Group is working to make Human Communication Integration (HCI) a reality, advancing further in its existing operations in its core speech business, and demonstrating usable speech recognition. Together with this, the Group is engaged in the development of high-value-added speech recognition solutions using its AmiVoice speech recognition engine.

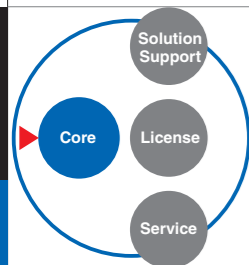
In addition, to create new business areas, the Group is seeking to forge alliances in the mobile area with mobile telephone content providers (firms pursuing mobile telephone service businesses), mobile telephone communications carriers (firms that provide mobile telephone communications services), and mobile telephone manufacturers.

VDS was established in July 2005 to provide services that allow connection to URLs using voice commands.

To upgrade the Group's agile marketing potential and to contribute to the development of Advanced Media's products and services, telemarketing firm MC2, Ltd. (and its wholly owned subsidiary Line Support, Inc.) became consolidated subsidiaries in October 2005 through the acquisition of their stock.

Outline of Businesses





AmiVoice Advantage

Making speech recognition practically usable in full-scale.

Pioneer in "soft communication", natural communication with speech between humans and computers.

The basic concept and technology of speech recognition began in the 1960's. This era is historically referred to as the "first generation" of speech recognition, in which recognition of isolated words became possible. Later, the technology to recognize spontaneously spoken sentences was developed in the 90's, ushering in the second generation of speech recognition, during which time leading American computer-related companies entered the speech recognition market. However, the products these businesses offered were speaker-dependent, requiring users to enroll their voices in the software prior to use. The market was slow to adapt to these products. This was because the products could achieve only "hard communication" that forces users to learn and adjust to computers, like using keyboard and mouse.

Amidst these circumstances, Advanced Media introduced a speaker-independent AmiVoice system that can process differences in speaking rates, intonations and accents and does not require enrollment. Advanced Media did not sell the engine in standalone. Advanced Media created revolutionary and innovative solution packages exploiting capability of this system. As a result, Advanced Media succeeded to create many reference cases in which users can naturally communicate with computers, and can feel the "usable," "convenient" and "valuable". The world is moving toward the age humans and computers communicate human-centeredly, i.e. communicate comfortably without learning or adjusting. We are working hard to pioneer and contribute to this "soft communication" era.

About AmiVoice engine

Speech recognition is a technology that uses computers to recognize human speech, and is defined as inputted speech being outputted as text. At the core of AMI systems/solution lies a world's leading speech recognition engine, developed in close collaboration with its US partner, Multimodal Technologies, Inc. A speech recognition engine is integrated software that transforms speech to text, and is comprised of acoustical analysis, recognition decoder, and acoustic model, dictionary, and language model software components. The fundamental process involves first extracting necessary information as features for voice analysis, then using the recognition decoder to comprehensively evaluate these features and convert them to text. A sophisticated process employing sound and language information to convert speech to text comprises the core technology of speech recognition. In particular, acoustic models, dictionaries and language models play a crucial role in refining the accuracy of speech technology. Leveraging these leading technologies in these software components, Advanced Media leads the world in creating "soft communication" era.

Advanced Media's core strength is its proven capability and accumulated knowledge in speech recognition that makes it the leading expert in delivering innovative high performance applications meeting market demand.

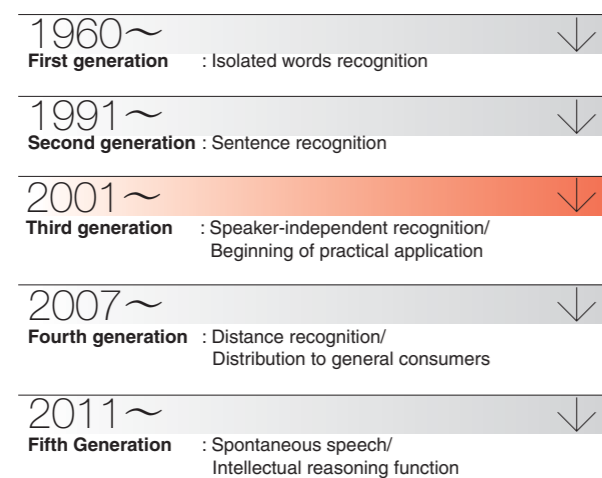
Bringing speech recognition of the spontaneously spoken level to actual use.

One factor that gives Advanced Media its edge is its speech recognition technology. The AmiVoice engine can recognize anybody's speech without having to pre-learn it, and can handle speed variations, accent differences, intonations and unnecessary speech utterances such as "uh" and "um." Compared to speech recognition products that are at the isolated word recognition level, the world that AmiVoice creates can be said to be the leading practical software that operates on the spontaneously spoken level.

Proving speech recognition as a profitable business, using unique approaches

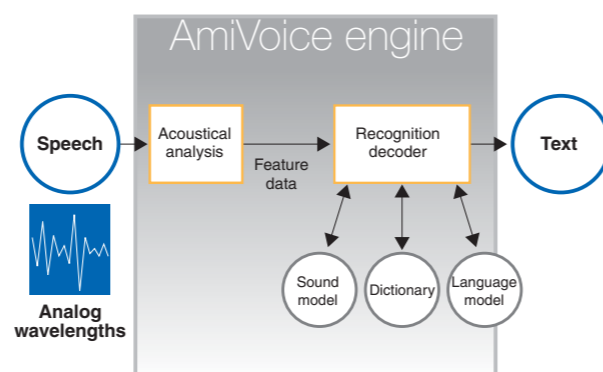
The key factor that gives Advanced Media its edge is its approach to business and its strength in marketing. Rather than selling the speech recognition engine as a stand alone product, Advanced Media is focusing its business on offering innovative application packages and solutions leveraging the AmiVoice speech recognition system. Moreover, by focusing its business fields and tailoring user-friendly solutions to enterprise users in specific fields such as medical and education, Advanced Media has created further added value. These business approaches have enabled Advanced Media to create profitable business in the speech recognition product and service, and secure its market leadership.

Speech recognition roadmap



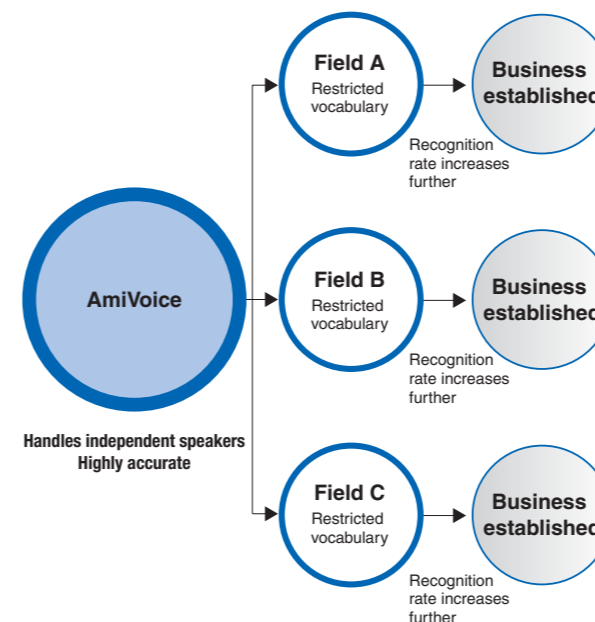
↓
to a world in which the existence of such technology is a given

AmiVoice engine composition and features

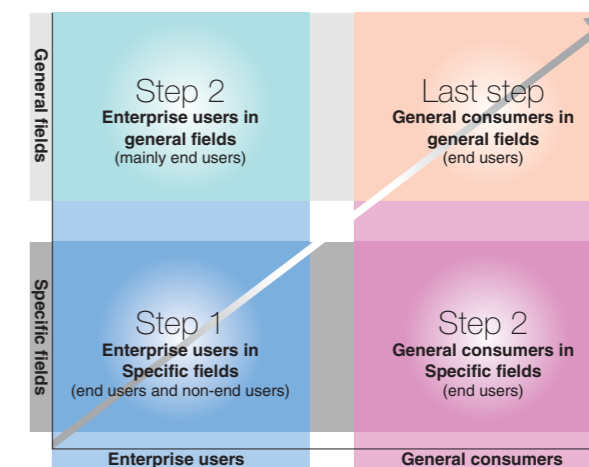


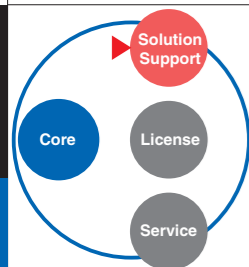
- AmiVoice features**
- Does not require enrollment
 - Handles independent speakers
 - Converts natural speech
 - Adaptable to speed/accent/intonation changes

Advanced Media's marketing



Business strategies





Solution Support Business

Offering speech recognition solutions centered on AmiVoice. Transforming “only ifs” into tangible market needs.

Delivering attractive solutions

Since it was founded, Advance Media has focused its businesses on offering innovative speech recognition solutions incorporating speech recognition engines. Its Solution Support Business, which plans, consults, designs and develops speech recognition solutions, comprises the core of this focus, and continues to bear an important role for Advanced Media today. Advanced Media has developed and offered optimized speech recognition solutions to enterprise users in focused fields, in which the utilization of speech recognition sparks demand. To offer solutions, Advanced Media identifies speech recognition technology fields, creates units comprised of engineers and marketing specialists, and efficiently adopts customer needs. This approach leads Advanced Media to speedily building markets.

Advanced Media's Solution Support Business also responds to the various needs of enterprise users who have installed its package products, and is taking on an increasingly important role as Advanced Media's License Business expands.

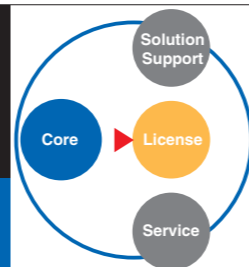
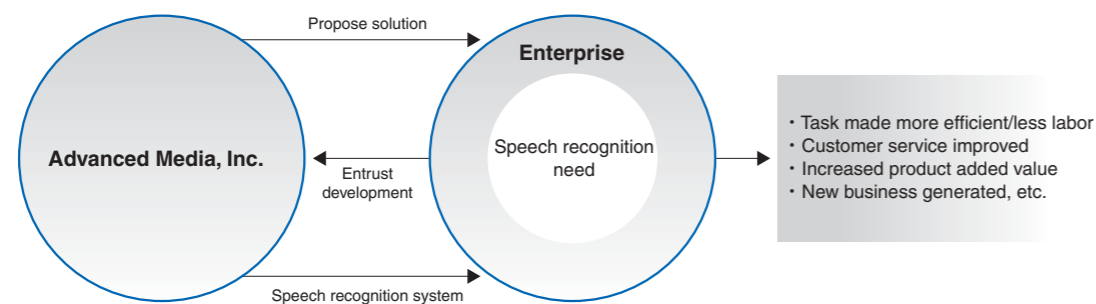
Working with enterprise users to make “only ifs” a reality.

At the 2005 World Exposition, held in Aichi, Japan from March through September 2005, the “Actroid” robot attracted many people's attention. Commissioned by New Energy and Industrial Technology Development Organization (NEDO), Advanced Media collaborated with a robot maker to develop Actroid. Actroid's most remarkable feature is its ability to converse with anybody in Japanese, English, Chinese and Korean. Advanced Media's speaker-independent speech recognition technology made this reception robot possible.



Commissioned by NEDO, the reception robot “Actroid” is equipped with Advanced Media's speech recognition engine (jointly developed with KOKORO CO., Ltd.).

Solution Support Business concept



License Business

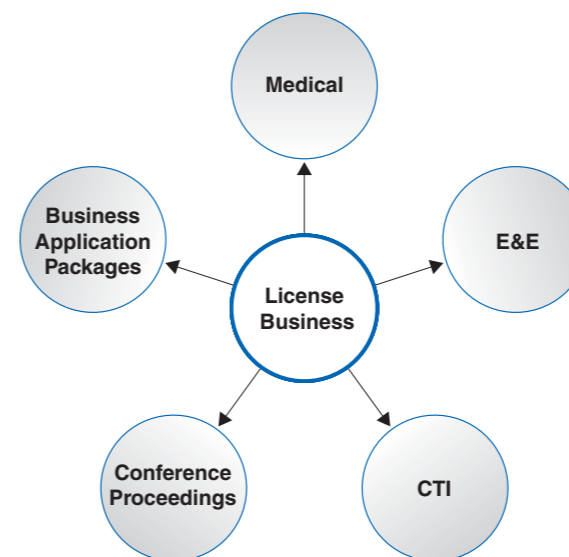
Offering value added application packages. Speech recognition proves its value in a wide variety of business settings.

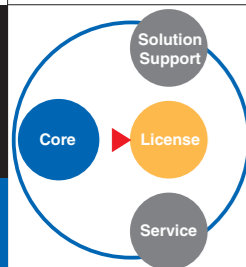
Offering package products to enterprise users in specific fields.

Advanced Media's License Business offers package products optimized to customer needs as licenses in markets initially cultivated by Advanced Media's Solution Support Business. Advanced Media has focused on enterprise users in specific fields, rather than the mass market, for cultivation in its License Business as well. This is because in speech recognition, accuracy is easier to increase the more speech content is limited. That is why, for example, in the medical area, Advanced Media has concentrated its operations on such products as speech input systems for radiological diagnostic reports, accumulating know-how in that area and educating customers on speech recognition. Advanced Media is currently expanding the number of business areas, which now encompass medical, entertainment and education (E & E), computer telephony integration (CTI), conference proceedings and business areas. By offering comfortable and convenient speech recognition application packages, Advanced Media strongly supports its enterprise users' businesses.



The five areas of our License Business





License Business fields

Offering the “visualization of natural speech” anytime, anywhere and by anybody, contributing to the creation of more comfortable and convenient business environments.

Medical

The efficiency of medical operations

This is the first area Advanced Media focused on, in which it has accumulated a wide variety of know-how and achievements. Advanced Media has developed a medical dictionary containing 300,000 technical terms, and has achieved a high-level accuracy in which real workplace expressions are converted with over 95% accuracy. In addition to electronic medical records, Advanced Media offers speech input software for usage like radiology and pathology, and supports the computerization of the medical area and the efficiency of medical operations.

The leading supplier to the Japanese medical market

Electronic medical records are in the initial stage of being installed in the medical field under the guidance of the Ministry of Health, Labor and Welfare.

However, the task of entering information in these electronic medical records is complicated. We believe the wide spread usage becomes practical only when "speech" input is made possible.

Advanced Media's speech input products are compatible with most available brand's electronic medical records.

Already a clear market leader with over 90% share in the Japan hospital Radiology applications market, Advanced Media is best positioned to become a leader in this mass growth medical records market.

Medical Package Products

- Speech recognition system for hospital electronic medical records: AmiVoice Ex Hospital
- Speech recognition system for radiological image diagnostic reports: AmiVoice Ex Rad
- Pathological diagnostic speech recognition system: AmiVoice Ex Path
- Emergency medical care speech recognition system: AmiVoice Ex ER
- Speech recognition system for clinics: AmiVoice Ex Clinic
- Speech recognition system for pharmacies: AmiVoice Ex Pharmacy

Topics on medical operations

- (*Figures are as of end of March 2006.)
- Speech recognition systems were fully installed at 800 pharmacies.
 - AmiVoice Ex Clinic and AmiVoice Ex Hospital, electronic medical record speech recognition software for hospitals/clinics were installed at 800 facilities.
 - The total number of medical packages installed broke the 1,600-facility mark.

Entertainment and Education (E & E)

Backing up the production of “cool” products.

In the entertainment and education area, Advanced Media is targeting consumers such as game users and students for its speech recognition products. In short, people who think speech recognition products are “cool,” and want to try them out.

Advanced Media's objective is to further cultivate such customers' desires to touch and try, and offers such products as English pronunciation training software and games employing speech.

Speech recognition technology is changing English education

Pronunciation is considered to be a vital part of English education, but there is a shortage of educators capable of pronouncing English naturally. Speech recognition is expected to change English education in Japan. Not only can it check proper pronunciation, but it can also point out which parts of words are being mispronounced, making it capable of becoming the ultimate English pronunciation educator. Advanced Media's technology will solve the shortage of teaching resources in the classroom.

E & E Package Products

- English pronunciation training software for Japanese: AmiVoice CALL - pronunciation-Uses a computer to effectively correct English pronunciation mistakes commonly made by Japanese speakers.

Topics on E & E operations

- Favorable sales of English pronunciation assessment systems
- Satisfactory development/promotion of English education software for publishing

Topics on E & E operations

- Favorable sales of English pronunciation assessment systems
- Satisfactory development/promotion of English education software for publishing
- For karaoke rooms, Advanced Media offers electronic games that are controlled using speech recognition instead of buttons, as well as other content and capabilities.

Computer Telephony Integration (CTI)

Speech recognition technology long awaited in the CTI area.

Computer Telephony Integration (CTI) is a technology in which computers and telecommunications are integrated. An example of a field using CTI technology is corporate call centers and customer centers. By offering practical speech recognition solutions, Advanced Media supports the realization of the strategic operation of call centers.

Realizing next-generation call centers.

Call centers are important centers where enterprises collect live customer voices, and they are also an extremely difficult field in which to balance quality and efficiency.

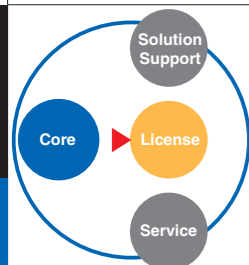
In answer to this, Advanced Media uses speech recognition technology to support the realization of “next-generation call centers,” which excel at quality and efficiency in attendance and “statistics”—the principal tasks of call centers.

CTI Package Products

- Recorded conversation text converter: AmiVoice CallScriber
Records and textifies conversations with customers—valuable sources of business opportunities—
- Speedy telephone operator assistant: AmiVoice Assist
Analyzes telephone operator speech and actively displays the information customers seek.

Topics on CTI operations

- Sales of CTI package products to pharmaceutical wholesalers and finance/securities firms.
- Consultation and system integration for operation.



License Business fields

Conference Proceedings

Keeping abreast of social trends, focusing on the conference proceedings area.

In these days when information disclosure is growing in importance, not only are the proceedings of plenary sessions of assemblies to be disclosed, but so are the minutes of various committees—and not just summaries of what was said, but more and more verbatim recordings faithful to the statements are being sought after. Advanced Media is developing and offering package products for conference proceedings which are capable of processing any speaker without prior training.

Backing up the speedy creation of conference proceedings.

Accompanying the social trend of information disclosure, conference proceedings are expected to be created with minimal turnaround time. However, traditional ways to create conference proceedings are time consuming; to listen to cassette tape recordings and write down the proceedings, or to commission a shorthand company. Advanced Media has shortened the time required to draw up conference proceedings, making the process more efficient.

Conference Proceeding Package Products

- Conference proceedings creation support system versed in assembly procedures: AmiVoice Rewriter
Speaker-independent and equipped with a specialized dictionary of proceeding terms, boasting a high conversion rate.

Topics on conference proceeding operations

- Hokkaido Prefectural Assembly began its operation in June 2005.
- Izu City /Numazu City Assemblies (Shizuoka Prefecture), Toda City Assembly (Saitama Prefecture) are currently using package product.
- Installed by Nagoya University Law School for mock trials
- Developing/operating conference proceedings support system for trading companies, banks, securities firms, etc.

Business Application Packages

Supporting operational effectiveness and service improvements.

Speech recognition is easing the personnel burden caused by reception, telephone assistance and operating reports. This makes business more efficient, improves service, and reduces costs. Advanced Media also offers contract-based development as Solution Support Business to respond to customer requests for additional tasks to be handled by speech recognition.

Contributing to improve the corporate image while reducing costs.

Due to the Personal Information Protection Law, office telephone extension lists containing individual names have become difficult to provide. On the other hand, the costs needed for receptionists are considerable. Advanced Media's automated reception system solves this dilemma. Speech recognition automatically intermediates between visitors and office extensions, making reception services more efficient while allowing reductions in personnel expenses and training costs.

Business Application Packages

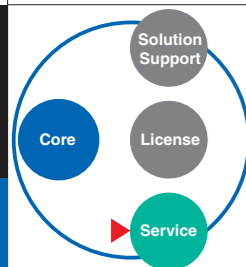
- Automated reception device: AmiReception
Speech recognition automatically intermediates between visitors and office extensions.
- Automated internal/external line connector: AmiVoice Dialer
Allows callers to dial office extensions without listing phone numbers in an extension book.
- Operating report draw up support : AmiVoice Reporter
Saves operation report data and negotiations with clients in audio and text formats.

Topics on business operations

- 70 AmiReception automated reception devices sold on FY 2006.
- AmiVoice Ex BizMail released in March 2006.
A speech input software package for the preparation of business mail and reports.
- Full-scale marketing will begin in fiscal 2007.
- Security business: Voice verification
 - AmiVoice Mobile Verification : Voice verification system for mobile telephones released (October 2005).
 - Meiwa Estate Co., Ltd. has introduced a speech verification entry and exit system for condominium entrances (June 2006).

The potential to handle other language spaces.

Advanced Media's business potential is not restricted to the Japanese language alone. Advanced Media has experience in development in other languages, such as Chinese, Korean and others. Advanced Media has a track record of developing a Mandarin Chinese speech recognition prototype in only few months and demonstrating its practical usability. The strength was also exploited in Advanced Media's developing an English-Japanese hybrid speech recognition system which recognizes English with accents typical to native Japanese speakers, and detects typical pronunciation errors by Japanese speakers. This has been the basis of our English Education Software package which opened up a new paradigm in English education in Japan.



Service Business

Leading the world in the speech recognition Service Business.
Bringing comfortable and convenient environments to general consumers.

Entering the mobile phone market with ASP speech recognition services.

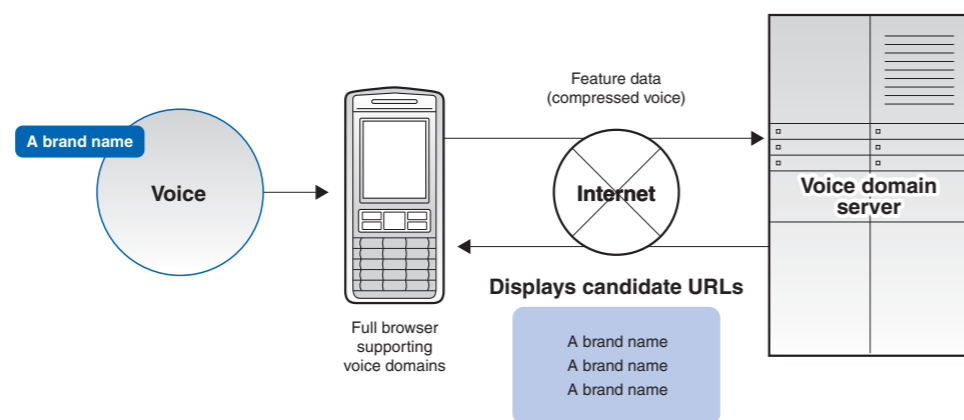
Advanced Media has expanded its businesses from Solution Support to Licensing, offering its accumulated know-how to enterprise users in the areas it has focused on to date. Now, Advanced Media is stepping into a new dimension. It has begun Service Business targeting general consumers. Advanced Media's goal is to adapt various systems employing speech recognition technology in order to offer ASP services. One promising service is for the mobile phone market.

Mobile phones have many features that can be shouldered by speech recognition systems, such as search keyword entries and message creation, making them a highly potential field for its Service Business. Through numerous services and systems employing speech recognition technology, Advanced Media will offer comfortable and convenient environments to people and society.

Voice Domain Service (VDS): evolving mobile phones usage

VDS is a voice-based Internet search service for mobile phones. When a voice domain (the name of a company, product, service, etc.) indicating a target site is spoken into a mobile phone, it will be converted into text and a link will be shown leading to that site. Users can then access the target site by clicking on that link. This service will spare mobile phone users the annoying task of entering URLs and reduce the time and trouble involved in performing searches, while offering businesses an effective advertising means to guide users to their sites. Voice domain enrollment and server operation costs will be collected from businesses, allowing users to use this service free of charge. Advanced Media has established a subsidiary, Voice Domain Service through which it will launch this new service in March 2006.

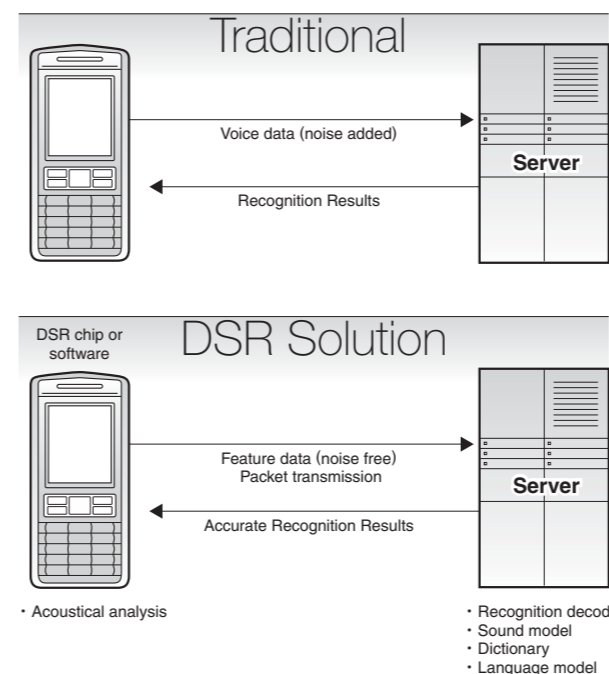
VDS outline



New system enables numerous mobile phone services.

The AmiVoice Distributed Speech Recognition (DSR) system further enhances the speech user interface experience for mobile applications. DSR is a distributed speech recognition system in which acoustical analysis is first performed by mobile phones, after which the features are transmitted to the server, where they are processed by a recognition decoder and are converted to text. Since DSR extracts from voice data only features needed to recognize speech and transmits them to servers using packet communications, Advanced Media has achieved highly accurate and refined speech recognition with minimal transmission quantities. This DSR technology makes speech recognition possible at the tens of thousands of words level, allowing users to do what was never possible before and enter nation-wide addresses, station names in train route searches, messages and more. Advanced Media's speech recognition technology is playing a major role in expanding the uses of mobile phones as information terminals.

DSR solution outline



NTT DoCoMo FOMA M1000 Incorporates New Input Interface Using Speech Recognition

Advanced Media, Inc. has announced that it will provide business management software to corporate clients of NTT DoCoMo Inc. under an ASP arrangement, beginning on August 1. AmiVoice Mobile Tools - Biz Pack for M1000, which employs speech recognition technology, was developed for NTT DoCoMo's FOMA M1000 business FOMA (below, "M1000").

AmiVoice Mobile Tools - Biz Pack for M1000 is a new input interface for mobile telephones. Using Advanced Media's speech recognition technology, this business management tool developed for mobile telephones offers speech-to-text input. This greatly reduces tedious thumb or stylus input, significantly increasing the convenience of mobile telephones for corporate users of NTT DoCoMo's FOMA M1000 business FOMA. Because this tool is offered under an ASP arrangement, it can be used immediately upon signup. Enterprise users no longer have to develop and implement business applications for mobile telephones themselves, and costs are greatly reduced. In addition, this tool saves all client data on the corporate client's server rather than in the mobile telephone terminal, reducing the risk of data loss and offering high security.

AmiVoice Mobile Tools - Biz Pack for M1000 uses Advanced Media's distributed speech recognition (DSR) technology. This tool is Advanced Media's first salvo in the field of business packages using DSR technology, as it intends to develop and market packages for mobile terminals in addition to NTT DoCoMo's M1000. In addition, Advanced Media will develop specialized versions of this tool, and, at the request of users in new fields, will develop "business efficiency enhancement systems for mobile terminals" on a consignment basis.



Consolidated Balance Sheet

For the year ended March 31, 2006

ASSETS

	thousands of yen		millions of U.S. dollars (Note 3)	
	2006		2006	
Current assets:				
Cash and equivalents	¥	2,848,755	\$	24,348
Notes and accounts receivable - trade		1,062,399		9,080
Marketable securities		50,000		427
Inventories		106,548		911
Other		46,047		394
Allowance for doubtful receivables		(23,085)		(197)
Total current assets		4,090,666		34,963
Fixed assets:				
Tangible fixed assets				
Buildings		64,569		552
Accumulated depreciation		(22,862)		(195)
Other		92,911		794
Accumulated depreciation		(63,668)		(544)
Total tangible fixed assets		70,949		606
Intangible fixed assets				
Consolidation adjustment account		1,602,077		13,693
Software		791,171		6,762
Other		160		1
Total intangible fixed assets		2,393,409		20,456
Investments and other assets				
Investment securities (Note 1)		96,690		826
Deposits		131,482		1,124
Other		38,887		332
Total investments and other assets		267,060		2,283
Total fixed assets		2,731,420		23,345
Total assets	¥	6,822,086	\$	58,308

LIABILITIES

	thousands of yen		millions of U.S. dollars (Note 3)	
	2006		2006	
Current liabilities:				
Accounts payable - trade	¥	313,545	\$	2,680
Short-term borrowings		400,000		3,419
Other accounts payable		112,398		961
Accrued income taxes		81,222		694
Advance payments received		402,495		3,440
Other		70,455		602
Total current liabilities		1,380,118		11,796
Total liabilities		1,380,118		11,796
Minority interest:				
Minority interest		44,183		378
CAPITAL				
Capital stock (Notes 2)		3,367,375		28,781
Capital surplus		2,359,509		20,167
Earned surplus		(318,253)		(2,720)
Translation adjustment account		(10,845)		(93)
Total capital		5,397,784		46,135
Total liabilities, minority interest and capital	¥	6,822,086	\$	58,308

Notes:

1 Investment securities in affiliated companies: ¥88,690,000

2 Total number of shares issued and outstanding: 112,647 shares of common stock.

3 The US dollar equivalents of the amounts in Japanese yen are presented solely for the convenience of the reader. The equivalents were calculated using the rate of ¥117=U.S.\$1 in effect on March 31, 2006.

Consolidated profit and loss statement

For the year ended March 31, 2006

	thousands of yen		millions of U.S. dollars (Note 4)	
		2006		2006
Net sales	¥	2,566,541	\$	21,936
Cost of sales		1,321,364		11,294
Gross income from sales		1,245,177		10,643
Selling, general and administrative expenses (Note 1,2)		1,352,868		11,563
Operating loss		107,691		920
Non-operating income:				
Interest and dividends received		4,788		41
Gain on foreign exchange		73,170		625
Commissions earned		52,221		446
Depreciation of consolidation adjustment account		8,923		76
Miscellaneous income		11,665		100
Non-operating expenses:				
Interest paid		4,613		39
Initial public offering expenses		44,258		378
Investment loss under equity method		53,135		454
Miscellaneous losses		691		6
Ordinary loss		59,621		510
Extraordinary income:				
Gain on reversal of allowance for doubtful receivables		4,563		39
Extraordinary losses:				
Loss on disposal of fixed assets (Note 3)		3,606		31
Other		15		0
Net loss before taxes		58,679		502
Corporate, residential and business taxes		85,808		733
Minority shareholders' loss		12,702		109
Current-term net loss	¥	131,785	\$	1,126

Notes:

		thousands of yen (Millions of U.S. dollars)	
1	The following are the principal items of expenditure and amounts in the category of selling, general and administrative expenses.	Salaries for employees ¥348,372	\$2,978
		Depreciation of consolidation adjustment account ¥145,643	\$1,245
		Commissions ¥136,844	\$1,170
2	R&D expenditure included in selling, general and administrative expenses:	¥90,347	\$772
3	The breakdown of loss on disposal of fixed assets is as follows:	Buildings ¥1,991	\$17
		Others ¥1,615	\$14
		Total ¥3,606	\$31

4 The US dollar equivalents of the amounts in Japanese yen are presented solely for the convenience of the reader. The equivalents were calculated using the rate of ¥117=U.S.\$1 in effect on March 31, 2006.

Consolidated Statement of Retained Earnings

For the year ended March 31, 2006

	thousands of yen		millions of U.S. dollars (Note 1)	
		2006		2006
CAPITAL SURPLUS:				
Initial balance of capital surplus	¥	50,000	\$	427
Increase in capital surplus during period:				
Capital increase by new issue of stocks		1,742,575		14,894
New issue of shares by exchange of stockss		566,934		4,846
Closing balance of capital surplus		2,359,509		20,167
EARNED SURPLUS:				
Initial balance of earned surplus		(186,468)		(1,594)
Decrease in earned surplus				
Current-term net loss		131,785		1,126
Closing balance of earned surplus	¥	(318,253)	\$	(2,720)

Note 1 The US dollar equivalents of the amounts in Japanese yen are presented solely for the convenience of the reader. The equivalents were calculated using the rate of ¥117=U.S.\$1 in effect on March 31, 2006.

Consolidated cash flow statement

For the year ended March 31, 2006

	thousands of yen		millions of U.S. dollars (Note 4)	
		2006		2006
Cash flow from operating activities:				
Net loss before taxes	¥	(58,679)	\$	(502)
Depreciation		211,786		1,810
Depreciation of consolidation adjustment account		136,720		1,169
Decrease in allowance for doubtful receivables		(4,563)		(39)
Interest and dividends received		(4,788)		(41)
Interest paid		4,613		39
Gain on foreign exchange		(72,573)		(620)
Initial public offering expenses		9,508		81
Investment loss under equity method		53,135		454
Loss on disposal of fixed assets		3,606		31
Increase in trade receivables		(144,472)		(1,235)
Increase in inventories		(70,371)		601
Increase in prepaid expenses		(6,852)		(59)
Other		67,004		573
Subtotal		124,075		1,060
Interest and dividends received		4,788		41
Interest paid		(4,655)		(40)
Corporate and other taxes paid		(29,488)		(252)
Cash flow from operating activities		94,719		810
Cash flow from investing activities:				
Expenditure for acquisition of tangible fixed assets		(25,329)		(216)
Expenditure for acquisition of intangible fixed assets		(416,300)		(3,558)
Revenue from return of deposits		226,497		1,936
Expenditure for provision of deposits		(21,530)		(184)
Expenditure for acquisition of new consolidated subsidiaries (Note 2)		(991,629)		(8,475)
Cash flow from investing activities		(1,228,291)		(10,498)
Cash flow from financing activities:				
Decrease in short-term borrowings		(50,000)		(427)
Revenue from issue of shares		2,989,191		25,549
Cash flow from financing activities		2,939,191		25,121
Balance from conversion of cash and cash equivalents		19,342		165
Increase in cash and cash equivalents		1,824,961		15,598
Balance of cash and cash equivalents at start of period		1,073,795		9,178
Balance of cash and cash equivalents at end of period (Note 1)	¥	2,898,756		\$24,776

Notes:

		thousands of yen Millions of U.S. dollars	
1	Relationship between the end of period balance of cash and cash equivalents and the amounts recorded in the categories shown on the consolidated balance sheets (as of March 31, 2006):	Cash and cash equivalents accounts.... ¥2,848,755	\$24,348
		Securities that are readily convertible to cash and cash equivalents and are subject to only insignificant risk of changes in value ¥50,000	\$427
		Cash and cash equivalents	¥2,898,756 \$24,776
2	Main breakdown of the assets and liabilities of companies that newly became consolidated subsidiaries as a result of share acquisitions. The following shows the breakdown of the assets and liabilities at the commencement of consolidation of three subsidiaries (MC2, Ltd., Line Support, Inc., and Voice Domain Services, Inc.) acquired through share acquisition, and the cost of acquiring shares, and the expenditure (net) made for acquiring the three companies.	Current assets	¥969,041 \$8,282
		Fixed assets.....	¥271,301 \$2,319
		Consolidation adjustment account	¥1,738,797 \$14,862
		Current liabilities.....	¥(918,321) \$(7,849)
		Minority interest	¥(56,885) \$(486)
		Cost of acquiring shares	¥2,003,934 \$17,128
		Cost of acquiring shares by exchange of stocks	¥(566,934) \$(4,846)
		Cash and cash equivalents of above three companies	¥445,370 \$3,807
		Expenditure for acquisition of above three companies	¥991,629 \$8,475

3 The US dollar equivalents of the amounts in Japanese yen are presented solely for the convenience of the reader. The equivalents were calculated using the rate of ¥117=U.S.\$1 in effect on March 31, 2006.

Non-Consolidated Balance Sheets

March 31, 2005 and 2006

ASSETS

	thousands of yen		millions of U.S. dollars (Note 5)
	2005	2006	2006
Current assets:			
Cash and equivalents	¥ 1,073,795	¥ 2,296,403	\$ 19,627
Notes receivable - trade	570	10,787	92
Accounts receivable - trade	773,839	839,256	7,173
Marketable securities	—	50,000	427
Products	30,745	90,902	777
Work in process	5,432	15,645	134
Prepaid expenses	13,363	14,932	128
Accrued earnings	20,489	22,070	189
Other	923	197	2
Allowance for doubtful receivables	(10,265)	(10,780)	(92)
Total current assets	1,908,891	3,329,417	28,457
Fixed assets:			
Tangible fixed assets			
Buildings	50,983	61,214	523
Accumulated depreciation	(15,386)	(20,716)	(177)
Equipment and fixtures	44,265	42,090	360
Accumulated depreciation	(25,328)	(21,784)	186
Total tangible fixed assets	54,533	60,804	520
Intangible fixed assets			
Software	565,200	756,527	6,466
Total intangible fixed assets	565,200	756,527	6,466
Investments and other assets			
Investment securities	8,000	8,000	68
Shares in affiliated companies	216,205	1,694,705	14,485
Deposits	80,496	100,746	861
Exchange contracts and other assets	—	38,887	332
Other	783	—	—
Total investments and other assets	305,484	1,842,338	15,746
Total fixed assets	925,219	2,659,670	22,732
Total assets	¥ 2,834,110	¥ 5,989,087	\$ 51,189

LIABILITIES

	thousands of yen		Millions of U.S. dollars (Note 5)
	2005	2006	2006
Current liabilities:			
Accounts payable-trade (Note 1)	¥ 173,432	¥ 155,413	\$ 1,328
Short-term borrowings	450,000	400,000	3,419
Other accounts payable (Note 1)	48,237	88,797	759
Accrued expenses	8,678	12,546	107
Accrued income taxes	9,938	12,727	109
Advance payments received (Note 1)	51,867	51,014	436
Deposits received	4,024	5,874	50
Other	20,570	14,723	126
Total current liabilities	766,748	741,097	6,334
Fixed liabilities:			
Exchange contracts and other liabilities	14,343	—	—
Total fixed liabilities	14,343	—	—
Total liabilities	781,091	741,097	6,334
CAPITAL			
Capital stock (Note 2,3,4)	2,111,250	3,367,375	28,781
Capital surplus:			
Additional paid-in capital	50,000	1,834,075	15,676
Total capital surplus	50,000	1,834,075	15,676
Earned surplus:			
Current-term unappropriated retained earnings or deficits	(108,230)	46,540	398
Total earned surplus	(108,230)	46,540	398
Total capital	2,053,019	5,247,990	44,855
Total capital and liabilities	¥ 2,834,110	¥ 5,989,087	\$ 51,189

Notes:

	Year ending March 31,	thousands of yen (Millions of U.S. dollars)		
		2005	2006	
1	The portion related to affiliated companies and included in the following liability items is as follows.	Accounts receivable—trade.....	¥48,368	¥2,877 (\$25)
		Accrued earnings.....	—	¥4,196 (\$36)
		Accounts payable—trade.....	—	¥44,421 (\$380)
		Other accounts payable.....	¥20,673	¥18,878 (\$161)
		Advance payments received.....	—	¥12,534 (\$107)
2	Total number of shares authorized to be issued:	Common stock.....	250,000 shares	358,000 shares
	Total number of shares issued and outstanding:	Common stock.....	89,500 shares	112,647 shares
3	The amount of capital loss is ¥108,230,000 on March 31, 2005.			
4	At the ordinary general shareholders' meeting of June 29, 2004, transfer of additional paid-in capital of ¥1,882,050,000 to cover losses was resolved.			
5	The US dollar equivalents of the amounts in Japanese yen are presented solely for the convenience of the reader. The equivalents were calculated using the rate of ¥117=U.S.\$1 in effect on March 31, 2006.			

Non-consolidated profit and loss statements

For the year ended March 31, 2005 and 2006

	thousands of yen		Millions of U.S. dollars (Note 5)
	2005	2006	2006
Net sales (Note 1)	¥ 1,498,688	¥ 1,946,062	\$ 16,633
Cost of sales	583,110	773,618	6,612
Gross income from sales	915,577	1,172,444	10,020
Selling, general and administrative expenses (Note 2,3)	825,404	1,055,754	9,024
Operating income	90,173	116,690	997
Non-operating income:			
Interest and dividends received (Note 1)	314	1,722	15
Gain on foreign exchange	—	73,170	625
Commissions earned on entrusted business (Note 1)	—	14,178	121
Miscellaneous income	510	3,336	29
Non-operating expenses:			
Interest paid	394	4,613	39
Loss on foreign exchange	12,479	—	—
Initial public offering expenses	7,594	44,258	378
Miscellaneous losses	—	23	0
Ordinary income	70,529	160,202	1,369
Extraordinary losses:			
Loss on disposal of fixed assets (Note 4)	49	3,101	27
Other	—	15	0
Income before taxes	70,480	157,086	1,343
Corporate, residential and business taxed	2,290	2,315	20
Current-term net income	68,190	154,770	1,323
Deficits brought forward from previous term	176,421	108,230	925
Current-term unappropriated profits or losses	¥ (108,230)	¥ 46,540	\$ 398

Non-consolidated cash flow statement

Consolidated financial statements are produced from the current fiscal year. The current fiscal year's cash flow statement is accordingly included in those consolidated financial statements.

Summary of previous fiscal year Cash Flow Statement (Apr. 1, 2004 to Mar. 31, 2005)

	thousands of yen		millions of U.S. dollars (Note 1)
	2005	2005	2005
Cash flow from operating activities:			
Net income before taxes	¥ 70,480	\$ 602	
Depreciation	127,815	1,092	
Decrease in allowance for doubtful receivables	(472)	(4)	
Interest received	(314)	(3)	
Interest paid	394	3	
Gain on foreign exchange	11,642	100	
Loss on disposal of fixed assets	49	0	
Increase in trade receivables	(284,639)	(2,433)	
Increase in inventories	(23,130)	(198)	
Increase in accounts payable	111,131	950	
Increase in other assets	(16,354)	(140)	
Increase in other liabilities	56,004	479	
Subtotal	52,608	450	
Interest received	495	4	
Interest paid	(905)	(8)	
Corporate and other taxes paid	(2,288)	(20)	
Cash flow from operating activities	49,909	427	
Cash flow from investing activities:			
Expenditure for acquisition of tangible fixed assets	(40,900)	350	
Expenditure for acquisition of intangible fixed assets	(324,751)	2,776	
Proceeds from redemption of long-term loans to affiliated companies	10,611	91	
Expenditure for provision of deposits	(29,232)	(250)	
Cash flow from investing activities	(384,272)	3,284	
Cash flow from financing activities:			
Revenue from short-term borrowings	450,000	3,846	
Revenue from issue of shares	100,000	855	
Cash flow from financing activities	550,000	4,701	
Balance from conversion of cash and cash equivalents	2,451	21	
Increase in cash and cash equivalents	218,088	1,864	
Balance of cash and cash equivalents at start of period	855,706	7,314	
Balance of cash and cash equivalents at end of period	¥ 1,073,795	\$ 9,178	

Notes: 1 The US dollar equivalents of the amounts in Japanese yen are presented solely for the convenience of the reader. The equivalents were calculated using the rate of ¥117=U.S.\$1 in effect on March 31, 2005.

Notes:

		thousands of yen (Millions of U.S. dollars)	
		2005	2006
1	The portion related to affiliated companies and included in the following item is as follows.	Interest received	¥283 — —
		Net sales	— ¥270,740 (\$2,314)
		Commission received	— ¥14,178 (\$121)
2	R&D expenditure included in selling, general and administrative expenses:		¥102,140 ¥90,347 (\$772)
3	Selling expenses account for around 7% of selling, general and administrative expenses, and general and administrative expenses make up the remaining 93% in FY2006. The main items and amounts of expenditure are as follows.	Salaries for employees	¥291,693 ¥391,770 (\$3,348)
		Commissions	¥178,768 ¥208,282 (\$1,780)
		R&D expenditure	¥102,140 ¥90,347 (\$772)
		Sales promotion costs	— ¥70,615 (\$604)
		Directors' remuneration	¥53,100 ¥63,716 (\$545)
		Rents	¥40,869 ¥53,789 (\$460)
		Allowance for doubtful receivables	¥4,572 ¥514 (\$4)
		Depreciation	¥6,765 ¥12,248 (\$105)
4	The following is a breakdown of losses on disposal of fixed assets.	Buildings	— ¥1,991 (\$17)
		Equipment and fixtures	¥49,000 ¥1,110 (\$9)
5	The US dollar equivalents of the amounts in Japanese yen are presented solely for the convenience of the reader. The equivalents were calculated using the rate of ¥117=U.S.\$1 in effect on March 31, 2006.		

Statements of disposition of deficits and appropriation of retained earnings

Statement of Disposition of Deficits

	thousands of yen		millions of U.S. dollars (Note 1)
	Previous fiscal year	Approval date of shareholders' meeting (June 29, 2005)	2005
Unappropriated retained deficits at the end of the year	(¥108,230)		(\$925)
Disposition of deficits	—		—
Deficits carried forward	(¥108,230)		(\$925)

Statement of Appropriation of Retained Earnings

	thousands of yen		millions of U.S. dollars (Note 1)
	Current fiscal year	Approval date of shareholders' meeting (June 28, 2006)	2006
Unappropriated retained earnings at the end of the year	¥46,540		\$398
Appropriation of retained earnings	—		—
Retained earnings carried forward	¥46,540		\$398

Note 1 The US dollar equivalents of the amounts in Japanese yen are presented solely for the convenience of the reader. The equivalents were calculated using the rate of ¥117=U.S.\$1 in effect on March 31, 2006.

Kiyoyuki Suzuki

Founder
President and
CEO, Advanced Media, Inc.



Tetsuo Anzai
Director

Yasuhiko Fujita
Director

Haruhiko Tobiyama
Director

Katsumi Tatematsu
Director

Akitaka Kobayashi
Director

Kouji Ishikawa
Auditor

Masaki Hirao
Outside Auditor

Toshihito Mukaigawa
Outside Auditor

(as of 2006. Aug.)

Kiyoyuki Suzuki has extensive experience in the artificial intelligence field before founding Advanced Media, Inc. (AMI) in 1997. He was CTO of the Intelligent Technology, Inc. (ITI) in Japan where he led the development of artificial intelligence applications, including financial planning, scheduling and diagnostic systems. He has developed unique systems such as trading and game applications with automatic learning and reasoning by using Holographic Neural Net technologies (HNeT). He was also responsible for the Research and Development relationship with ITI's partners such as the Carnegie Group, Inc. and Carnegie Mellon University. Before his career in ITI, he held various leadership positions at the Technology Research Center and System Development division of the Toyo Engineering Corporation. He earned his Master's degree in chemical engineering from the University of Kyoto.

Company Name	● Advanced Media, Inc.
Established	● December, 1997
Capital	● 3,479,625,000 yen (as of 2006.July)
Head office Address	● 48F Sunshine 60, 3-1-1 Higashi Ikebukuro, Toshima-ku, Tokyo Postal code 170-6048 TEL : 03-5958-1031 FAX : 03-5958-1032
Subsidiaries	● Voice Domain Service, Inc. MC2, Ltd. Voice Capital Solution, Inc.
Business Alliance with	● Multimodal Technologies, Inc. (Pittsburgh, USA)
Business Areas	● <ul style="list-style-type: none"> • Development of and consulting for automatic speech recognition and/or voice verification/identification. • Sales of package products developed by AmiVoice technologies. <ul style="list-style-type: none"> <input type="checkbox"/> Medical <input type="checkbox"/> Entertainment & Education <input type="checkbox"/> Computer Telephony Integration <input type="checkbox"/> Conference Proceedings <input type="checkbox"/> Business Application Packages • Mobile and/or Web based services utilized AmiVoice technologies.

Major Shareholders	● Kiyoyuki Suzuki Toyota Motor Corporation Softbank Internet Technology Fund No. 2 Poplar Publishing Co., Ltd. Fujitsu Limited Osaka Securities Finance Company, Ltd. The Bank of New York, Treaty JASDEC Account The Master Trust Bank of Japan, Ltd. (Trust Account) Pictet And Cie Softbank Internet Technology Fund No.3
---------------------------	---

(as of 2006. Aug.)

Annual report contents

Among Advanced Media's current plans, strategies, convictions and other information contained within this annual report, any statements which are not historical facts are forward-looking statements. These statements are based on business calculations and assumptions. Actual results, performances and events may differ due to known or unknown risks and uncertainties. These risks and uncertainties include, but are not limited to, the following:

- (1) The advent of revolutionary speech technology.
- (2) The possibility of profit pressure due to the emergence of competitors.
- (3) The possibility that changes in particular legal regulations or trade practices may affect business performance.
- (4) Changes in the speech recognition market for services or products our company offers.
- (5) Rapid technological changes. Fierce price competition in the speech recognition market.
- (6) Operations depending on specific individuals.
- (7) Being a small organization.
- (8) Personnel securement.
- (9) Uncertainties relating to the use of certain intellectual property rights. Uncertainties relating to the defense of certain intellectual property rights.
- (10) Uncertainties relating to the performance of our company's strategic joint ventures.
- (11) The effects of losses our company may suffer due to delay or failure in recovering receivables from client businesses that are performing poorly, etc.
- (12) Exchange rate fluctuation risks.
- (13) New product and technology developments, and the effects when time and capital invested in said developments is greater than expected.

AmiVoice and logo mark are registered trademarks of Advanced Media Co., Ltd.
All other products and company names mentioned in the annual report may be trademarks of their respective owners.

Advanced Media, Inc.

48F Sunshine 60, 3-1-1 Higashi Ikebukuro, Toshima-ku, Tokyo Postal code 170-6048
TEL : 03-5958-1031 FAX : 03-5958-1032 URL : <http://www.advanced-media.co.jp/>