

Business Report

**ECHO** Vol. 39  
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DAIICHIKOSHO  
Securities code: 7458

**New Flagship Model Appears for the First Time in Four and a Half Years  
LIVE DAM STADIUM gives a real sense of being in a live performance**

The Company launched the flagship model LIVE DAM STADIUM for the first time in four and a half years on April 16, 2015. This system creates a powerful virtual surround-sound similar to that of a live venue with one push of a button, enabling users to enjoy an overwhelming real sense of presence. This system is also equipped with the industry's first dual monitor function. The system unit is able to output two different videos, thus providing a rich and diverse video experience.

In the future, LIVE DAM STADIUM will be introduced sequentially in karaoke rooms throughout Japan and is expected to attract customers to karaoke rooms.



▶ For more details, see CLOSE-UP.

**Promotion Focused on "Sense of Live Performance (Quality)" × "Newsworthiness (Diffusion)"**

We created a brand commercial and a contents commercial for LIVE DAM STADIUM branding purposes.

In the brand commercial, we feature Rola, a TV personality who boasts the largest number of commercial appearances. We are promoting a strong product image by fully expressing the powerful live performance and a real sense of presence, the salient features of the new product.

In addition, the content commercial introducing contents such as MAMAOTO (literally, "sound, as it is") and LIVE KARAOKE features Maggy, who is enormously popular among young people. We intend to arouse the attention and interest of users by launching new contents to be distributed whenever appropriate in pursuing promotion that generates publicity.

By leveraging the influence of both TV personalities, who are popular among people of all age groups, we will promote LIVE DAM STADIUM in greater depth.



**Annual Dividend Increase by 35 Yen  
Enhancing Return of Profits**

The Company decided to pay a year-end dividend of 50 yen per share for the fiscal year ended March 31, 2015. Combined with the interim dividend of 50 yen, the annual dividend comes to 100 yen (a 35 yen increase from the previous fiscal year). As a result, the consolidated payout ratio for the fiscal year ended March 31, 2015 is 42.5%.

The Company adopts the policy of proactively returning profits according to consolidated results, taking into consideration retained earnings for future investments and aims at returning profits based on both improvement in net income per share and maintaining a consolidated payout ratio of 30% or more.



**BIG ECHO is Number One in  
Terms of Number of Locations and Net Sales**



BIG ECHO, which plays the role of the growth drivers of the DAIICHIKOSHO Group, is accelerating location openings and has become the leading company in the industry in terms of number of karaoke room locations and net sales.

BIG ECHO became the first in the industry to surpass 400 locations in December 2014, making the total number of locations reach 417 as of the end of March 2015, a net increase of 48 locations from the end of the previous fiscal year.

Also, owing to an increase in the number of locations, BIG ECHO's net sales for the fiscal year ended March 31, 2015 amounted to 38.2 billion yen, up 13% compared with the previous fiscal year.

In recent years, the acquisition of quality karaoke rooms such as KARAOKE BANANA CLUB, which has been operating many locations throughout the Shikoku region, also has contributed to an expansion of the business scale and an improvement in revenues.

BIG ECHO has been maintaining high profit margins and has driven the industry based on a solid management foundation.

In the future too, we will aim to continue expanding business operations by aggressively pushing forward with location openings favorable for karaoke rooms and in vacant lots in order to secure our position as the leading company in the karaoke industry.



## To Our Stakeholders

# Bringing Enjoyment and Cheer to Society — We will contribute to the reinvigoration of the music industry and the creation of a healthy society.

President **Saburo Hayashi**



### Reinvigorating the music industry with the appeal of karaoke that provides the experience of excitement and a real sense of presence

Recently, the music-related industry has seen a continuous contraction of the market for music CD sales and a leveling off of the music distribution market. Meanwhile, attendance at live performances has been brisk, strongly indicating a trend where people are realizing the value of music to be experienced and participated in that brings them a real sense of presence, excitement and emotion and paying for such music rather than just listening to music. In fact, in many cases people have been purchasing songs for the purpose of singing them in karaoke in recent years.

As such, in the commercial karaoke business, in April 2015 we commenced sales of LIVE DAM STADIUM, the top-of-the-line model of commercial online karaoke DAM, which focuses on sound that provides overwhelming power of the stadium live performance and a real sense of presence, in response to the value demanded by the times. We saw a very positive response, receiving more inquiries than we had expected, and will aim to further expand our share.

### Enhancing provision of a wide range of services to stimulate customer needs and initiatives for encouraging foreign visitors to Japan to experience karaoke

In the karaoke room and restaurant business, we are working to provide services through a new approach focused on age, regional characteristics and time, among other things, for each location for the operation of BIG ECHO. Through the establishment of collaboration rooms with famous artists, various forms of entertainment and locally-based sport teams, collaboration with partner companies such as convenience stores and pastry stores, and the establishment of complexes with restaurants operated by the Company, we are stimulating user needs for karaoke rooms and expanding operations for creating synergistic effects.

In addition, we are focusing our efforts on inbound measures aimed at encouraging foreign visitors to Japan to experience our state-of-the-art karaoke system that is unlike any other system in the world. Especially at BIG ECHO in areas visited by many foreigners, we are prepared to receive foreign guests with multiple languages storefront signboards and reception sheet, also special menus, etc. so that they can have a comfortable time. Furthermore, we are pushing forward the introduction of karaoke as one of the highlights of package tours during foreign visitors' stay in Japan through collaboration with a leading travel agency, as well as intend to take measures to expand opportunities for foreign visitors to experience karaoke in hotels and Japanese inns in various locations across Japan. We believe that the experience and enjoyment of karaoke by many foreign visitors will increase the appeal of revisiting Japan and make them spread the excitement of karaoke in their own countries.

### Aiming to be a company indispensable to society by transforming karaoke from a leisure industry into a health industry

The night-time market comprising small clubs and pubs which gave rise to the commercial karaoke business is seeing a continuous downtrend. Also, since the karaoke room market has matured, this market cannot be expected to grow dramatically.

Meanwhile, the role karaoke is expected to play and the fields we should be engaged in are expanding beyond the framework of the leisure industry.

A case in point is our contribution to the elderly services market. The DAIICHIKOSHO Group commenced the provision of the DK ELDER SYSTEM, comprehensive life function improvement equipment that is effective for maintaining health and preventing care dependence among the elderly from 2001 by making full use of the benefits of "Songs and Music." As a result of efforts to make comprehensive proposals such as developing programs and training instructors, the DK ELDER SYSTEM is now being used in more than 16,000 elderly facilities throughout Japan (as of March 2015) thanks to its reputation as a system that can easily create music and health sessions combining music and exercise with easy operation. This system not only can support improvement in moving, oral and cognitive functions, which is espoused by Japan's Ministry of Health, Labour and Welfare in its guidance entitled "Overall Improvements in Life Functioning" as the pillar of its policy for preventing care dependence, but also is being widely used by local governments as a stimulus for "everyday life, communication and participation" and as means of forming local communities where enjoyable experiences are shared. We recognize that this is CSR in practice through our core business.

New demand for such added value created by karaoke is expanding, and the karaoke business will definitely grow significantly. Amid such circumstances, the Group recognizes that our role is to create new services and markets that resolve challenges society is facing by grasping the trend of the times. In order to fulfill this role, we need to build a stronger management structure, including strengthening the financial structure. While continuing to expand stable revenues through further improvement of market share of commercial online karaoke DAM and providing services and contents that can be enjoyed by users in each business, we will aim to achieve further growth by taking on the challenge of creating new value and becoming a company indispensable to society.

We hope that you will look forward the DAIICHIKOSHO Group's activities. Please accept my sincerest appreciation for your ongoing support and patronage.

# The Pursuit of the Ultimate Live Sound and Performance Video Gives Birth to LIVE DAM STADIUM!

The new flagship model LIVE DAM STADIUM is superior to the highly popular LIVE DAM, focusing on "sound" and "video" that delivers an overwhelming power and a real sense of presence of the stadium live performance.

In addition, the system features attractive contents that enliven the karaoke time. Advanced entertainment and karaoke will propose new ways of enjoyment.

## Attention No. 1

The industry's first "dual monitor" reproduces the enthusiasm and excitement of the stage.

The system is equipped with the industry's first dual monitor function that is able to output two different videos, thus providing a moving video experience users cannot have with previous videos.



## Spreading Karaoke Culture throughout the World

### Measures for Inbound Demand through Capturing Spending by Foreign Visitors to Japan

According to a survey by the Japan National Tourism Organization, the number of foreign tourists surpassed 13 million in 2014, setting a record high. In this environment, BIG ECHO has been trying measures for inbound demand from last fall for foreign tourists to enjoy Japan's advanced karaoke system. As a result of implementing such measures in Akihabara and Shibuya, popular tourist spots in Tokyo among foreigners, many users have expressed their joy by saying "I had so much fun that I requested a time extension!" and "I'd like to come and sing again!"

Given this trend, we are enhancing measures to capture inbound spending.

The Company intends to actively attempt to attract foreign customers who are visiting Japan since they are expected to continue increasing in the future as a means of expanding revenues.

### Turning karaoke experience into a memorable experience — Hospitality through a wide range of services

Locations taking inbound measures are prepared to accept foreign customers so that they have a comfortable time from the time they enter the karaoke room until they leave the karaoke room.

#### [Installation of storefront signboard]

Photos of foreigners singing karaoke and the word "KARAOKE" is displayed in three languages, namely English, Chinese and Korean, to encourage foreigners who are not familiar with karaoke rooms to enter the location by making them visually understand the system.

#### [Tie-up with karaoke tour]

A karaoke tour has been newly set up on JAPANiCAN, an online booking site for foreign visitors to Japan operated by JTB Global Marketing & Travel Inc. Foreigners who participate in the tour are shown to the inbound room affiliated with MOSHI MOSHI NIPPON to enjoy karaoke.

\*Locations offering this service: Shibuya Miyamasuzaka-guchi Ekimae, Nishi-Shinjuku Center, Ikebukuro Nishi-guchi (as of June 2015)

\*For more details of MOSHI MOSHI NIPPON, see the section in the right.

#### [Finger-pointing point of purchase communication boards]

Point of purchase communication boards are produced to enable smooth communication between karaoke room staff and foreign customers. Subjects frequently mentioned in the karaoke room, such as the location of the restroom and the instructions for equipment operation, are written in three languages, namely English, Chinese and Korean.

#### [Contents menu sheet for foreigners]

The instructions for operation of DENMOKU (e-songbook) are written in English, and popular Japanese songs in online karaoke DAM are listed.

#### [Package fee]

The package fee structure includes the use of karaoke, room charge, all-you-can-drink for soft drinks or alcohol, "UKIYO-E POSTCARD" gift, etc.

#### [Japanese cuisine]

Special Japanese foods exclusively for foreign customers, such as ramen (Chinese noodles) supervised by a famous store, unique takoyaki (octopus dumplings) pizza, and kushiage (deep-fried skewered food), are served.

#### [Provision of a free-of-charge Wi-Fi environment]

A free-of-charge wireless LAN environment, which is often appreciated by foreign visitors to Japan, is provided so that they can conveniently obtain travel and other information.

\*May not be available at some locations.

## Contributing to Society Through the Elder Business

The elder business (the market for the elderly) into which the Company has been channeling its energies in recent years has been showing a strong performance. The DK ELDER SYSTEM, which is effective for maintaining health and preventing care dependence among the elderly, is currently introduced in more than 16,000 elderly facilities (as of March 2015). The system has earned a high reputation for maintenance and improvement of moving, oral and cognitive functions by using the power of songs, music and karaoke.

Japan is now an aging society in which one in four persons is aged 65 or over. As such, social security finances constitute a major issue with pension, health care expenditures and long-term care expenditures rising every year.

In particular, long-term care expenditures have grown conspicuously to 10 trillion yen in FY2014, a three-fold increase compared with the level at the time of launch of the long-term care insurance system in FY2000. The Ministry of Health, Labour and Welfare expects this figure to exceed 20 trillion yen 10 years from now when the baby boom generation reaches the age of 75 or over in FY2025.

Against this background, the new comprehensive project for long-term care prevention and daily life support started in this April, which can be said to be the core of the amendment of long-term care insurance system for FY2015. Among prevention benefits for persons requiring support (persons certified as persons requiring support level 1 or 2 in the category of condition of need for long-term care, etc.), home-visit long-term care and outpatient day long-term care (day service) are now left to the discretion of the municipalities. With the doors opened to providers other than long-term care specialists, a variety of services can now be offered more than before.

The Company, too, stepped up our approach to municipalities on this occasion and the commission of preventive care service and other services is making progress. Music and health sessions are being held regularly throughout Japan using "Songs and Music" through the DK ELDER SYSTEM. Local elderly citizens continuously participate in these sessions while having a good time, and these sessions have led to the formation of new local communities and the prevention of care dependence and the improvement of health.

As such, we believe that the Company's elder business can contribute to moderating long-term care expenditures and health care expenditures which are the issues of Japan, while supporting the extension of the healthy life expectancy of elderly citizens. It therefore can be said that the elder business is a business that contributes to society.

In the future, we will continue aiming at becoming a company indispensable to society while expanding our field of business.



Scene from music and health session

### Attention No. 2 Create an amazing 3-D acoustic space with live sound

By simply pressing the "LIVE SOUND" button on the front of the main unit, the room quickly transforms into a powerful sound space in which the sound is so real that it surrounds the user. The user can experience an acoustic space similar to that of a live venue while being in a karaoke space and can sing powerfully as though performing live in a stadium.



\* eala is a trademark or registered trademark of New Japan Radio Co., Ltd.

### Attention No. 3 Fun-filled contents are appearing one after another!

The SEIMITSU SAITEN DX (precision scoring content) that has become familiar through television programs has been upgraded! It has newly appeared as the SEIMITSU SAITEN DX-G and is aimed at rating performances closer to human sensitivity. And finally SEIMITSU SAITEN DX DUET has appeared. This system not only rates duet songs by part but also determines the degree of compatibility with the duet partner.



SEIMITSU SAITEN DX DUET screen



Degree of compatibility with duet partner is also displayed



### A Collaboration between MOSHI MOSHI NIPPON which Spreads Japanese Pop Culture to the World, and DAICHIKOSHO!

In collaboration with MOSHI MOSHI NIPPON, a project of ASOBISYSTEM Co., Ltd. which spreads Japanese pop culture to the world, the Company set up a karaoke room, HARAJUKU KAWAii!! ROOM, within MOSHI MOSHI BOX (Harajuku Information Center)



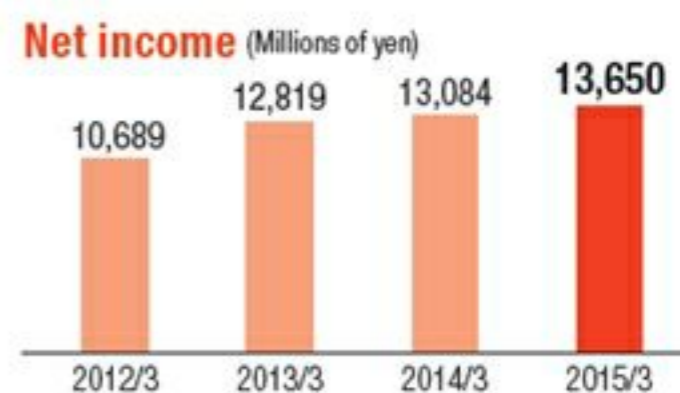
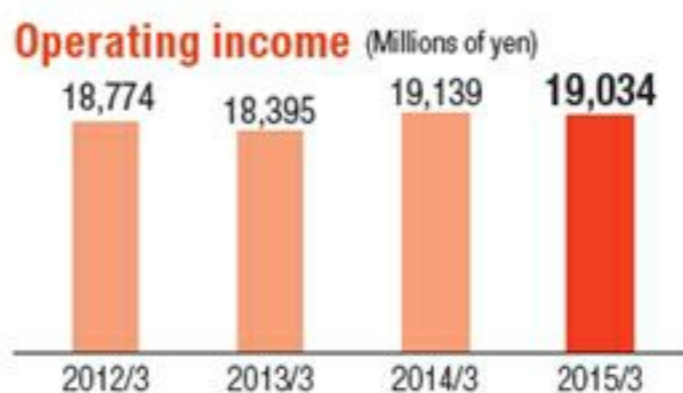
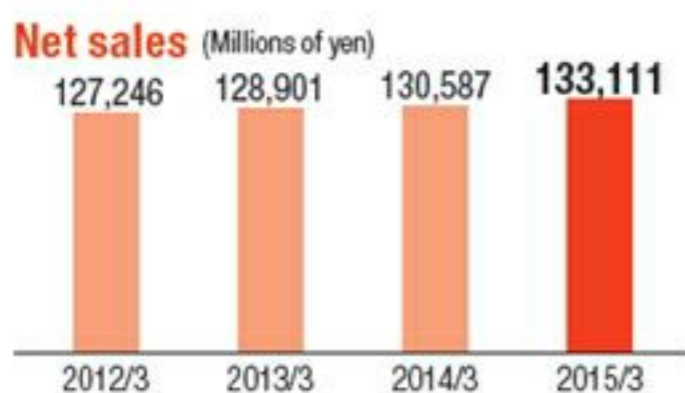
operated by this project. In this pop space supervised by Sebastian Masuda, a leading authority in HARAJUKU KAWAii culture, users can experience the high-spec karaoke functions for free.

In the MOSHI MOSHI NIPPON and DAICHIKOSHO collaboration project, we will also offer a rich lineup of services for foreigners one after another, including anime cosplay costume rental service and the distribution of an English karaoke booklet in collaboration with "Time Out Tokyo", a global media, in addition to introducing the MOSHI MOSHI NIPPON Collaboration Room to karaoke rooms all over Japan.

\*MOSHI MOSHI NIPPON: A project that spreads Japanese pop culture (fashion, music, food, anime, etc.) to the world for the purpose of developing, acquiring and further expanding "fans of Japan" who exist in large numbers in Japan and abroad.

# Financial Highlights

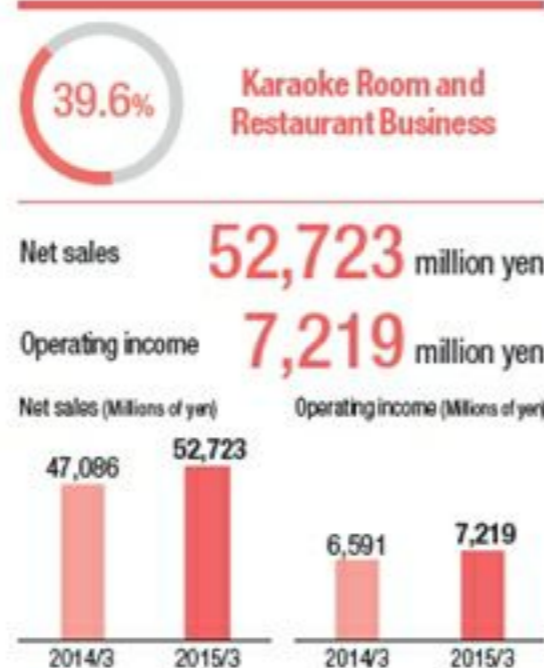
Item	2012/3	2013/3	2014/3	2015/3
<b>Operating results (Millions of yen)</b>				
Net sales	127,246	128,901	130,587	133,111
Operating income	18,774	18,395	19,139	19,034
Operating income to net sales (%)	14.8	14.3	14.7	14.3
Ordinary income	20,544	22,280	21,227	21,082
Net income	10,689	12,819	13,084	13,650
<b>Financial position (Millions of yen)</b>				
Total assets	142,238	159,479	161,587	180,312
Net assets	93,804	100,315	102,268	110,264
<b>Cash flows (Millions of yen)</b>				
Net cash provided by (used in) operating activities	32,808	24,482	27,298	30,264
Net cash provided by (used in) investing activities	(17,619)	(18,553)	(15,415)	(18,459)
Net cash provided by (used in) financing activities	(7,404)	(989)	(9,458)	3,672
Cash and cash equivalents at the end of period	34,367	41,963	44,381	60,007
<b>Per share data (Yen)</b>				
Net income per share	167.70	209.06	219.68	235.13
Net assets per share	1,477.71	1,662.00	1,736.70	1,879.44
Dividend per share (annual)	55.00	60.00	65.00	100.00
<b>Major management indicators (%)</b>				
Return on assets (ROA)	14.7	14.8	13.2	12.3
Return on equity (ROE)	11.9	13.3	13.1	13.0
Equity ratio	65.3	62.2	62.6	60.5
Payout ratio	32.8	28.7	29.6	42.5



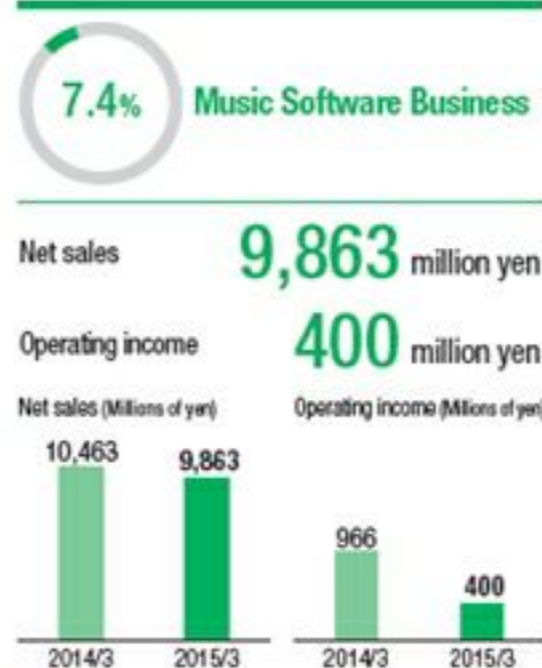
## Overview by Segment



- With the absence of the transaction to large business operators in the previous fiscal year, as well as based on the launch of new products in April of this year, both sales and income decreased due to factors such as a restrained purchasing attitude in the second half of the fiscal year.
- The numbers of DAM systems in use and system rental contracts, which provide a stable source of revenue, steadily increased.



- Both sales and income increased due to the contribution of revenues by the two subsidiaries acquired last year as well as the effect of new karaoke room openings and improvements at existing karaoke rooms.
- As for karaoke rooms, in addition to taking on the new challenge of opening karaoke rooms with a new karaoke room format, we have focused our efforts on developing popular-artist-themed collaboration rooms.
- In the restaurant business, efforts were concentrated on developing karaoke room formats suited to the locality and target customer range.



- Owing to changes in the music-listening style, the business environment remains challenging and weak.
- Works that contributed to revenues were works such as Sonar Pocket and prelia as well as the DVD of the STUDIO GHIBLI film, "The Wind Rises (Kaze Tachinu)", in addition to mainstay enka (popular ballads) works by artists such as Saburo Kitajima and Kaori Mizumori.



- Both sales and income decreased because of the poor performance of services to mobile phones, such as ring-tone melodies.
- In addition to expanding sales of STAR digio Hikari, a BGM broadcast service, we started Hikari Karaoke BOX\* @DAM in collaboration with NTT WEST and karaoke@DAM for Xbox One in collaboration with Microsoft Japan.

## PICK UP! CONTENTS & ARTIST

Profiles of the DAIICHIKOSHO  
Group's contents and artists

Anime

### "RE-KAN!"



"I can see it..." The popular four-panel manga "RE-KAN!" serialized in "Manga Time Jumbo" published by HOUBUNSHA CO., LTD. was made into a TV anime series. The story centers on a girl with a sixth sense who "can see" supernatural beings and who is kind to both humans and ghosts and on her friends (including ghosts). The anime is both heart-warming and slightly tear evoking. It has been broadcast on TBS and BS-TBS since April 2015.



Enka (Popular Ballads)/Popular Songs

CROWN NIPPON CROWN Co., Ltd.

### Miyu Tsubuki

Her catchphrase is "A powerful voice that resonates straight ahead."

Made her debut at the age of 18, the same age as the main character of "Aizu Yama-No-Kami," this debut song is based on the theme of Fukushima Prefecture, her hometown. She sings this song with the passion of a girl who is living strong to fulfill her dream by bearing in mind her parents at home and the scenery of her hometown. This is a rooster's song for everyone who has a dream.



## Corporate Profile / Status of the Shares of the Company / Shareholder Special Benefits

### Corporate Profile (as of March 31, 2015)

Corporate name	DAIICHIKOSHO CO., LTD.
Established	April 16, 1973
Capital	12,350 million yen
Number of employees	Parent : 1,572 Group : 3,130
Description of main businesses	Commercial karaoke business, karaoke room and restaurant business, music software business, BGM broadcast service, and web service
Consolidated subsidiaries	Domestic sales subsidiaries: 24 companies Other domestic subsidiaries: 12 companies Overseas subsidiaries: 3 companies

### Honorary Chairman (as of June 19, 2015)

Tadahiko Hoshi

### Officers (as of June 19, 2015)

President	Saburo Hayashi	Director (part-time)	Katsuhiko Baba
Senior Managing Director and Senior Corporate Officer	Kenichi Nemoto	Director (outside)	Atsuya Furuta
Senior Managing Director and Senior Corporate Officer	Tatsuya Kumagai	Director (outside)	Chika Masuda
Senior Managing Director and Senior Corporate Officer	Hiroshi Mitomi	Corporate Auditor (standing, outside)	Michitoshi Tsuruoka
Senior Managing Director and Senior Corporate Officer	Tadahiro Hoshi	Corporate Auditor (standing, outside)	Nobuaki Otsuka
Managing Director and Senior Corporate Officer	Yuichi Murai	Corporate Auditor (standing)	Nobuyuki Takase
Managing Director and Senior Corporate Officer	Yasutaka Wada	Corporate Auditor (outside)	Masumi Arichika
Director and Corporate Officer	Yasuhiro Watanabe		
Director and Corporate Officer	Noriyuki Takehana		

### Status of the Shares of the Company (as of March 31, 2015)

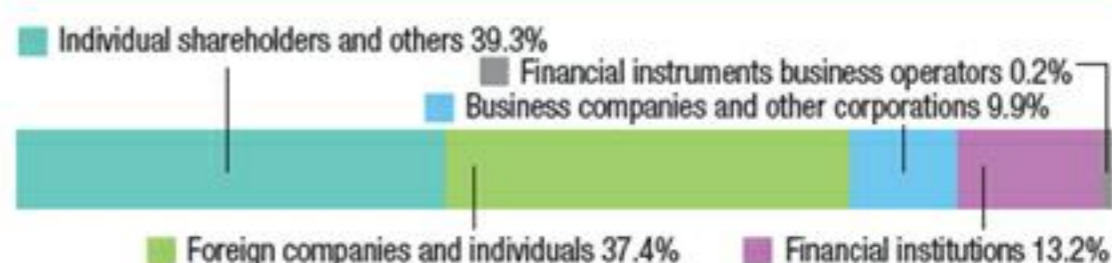
Number of authorized shares	200,000,000 shares
Number of outstanding shares	58,025,000 shares
Number of shareholders	14,373

### Major shareholders (as of March 31, 2015)

Name of shareholder	Number of shares held (Shares)	Ratio of voting rights (%)
Tadahiro Hoshi	6,246,000	10.76
Harutoshi Hoshi	6,119,600	10.54
State Street Bank and Trust Company	5,350,910	9.22
Hoshi Create Co., Ltd.	2,449,800	4.22
Asahi Breweries, Ltd.	2,120,000	3.65

\*Our company holds 2,879 treasury shares.

### Shareholding Ratio by Category (as of March 31, 2015)



### Shareholder Special Benefits

Shareholders recorded in the final shareholder registry on March 31, 2015 as holding 100 or more shares will be granted special benefits coupons according to the number of shares held.

Number of shares held	Issued semiannually	
	Special benefits coupon <sup>(1)</sup>	Exchange with CD(s) <sup>(2)</sup>
100 to 999 shares	Ten sheets of 500-yen coupon	1 CD
1,000 shares or more	25 sheets of 500-yen coupon	2 CDs

<sup>(1)</sup> The coupons can be used at businesses operated by the Company including BIG ECHO, RAKUZO, UMEKO-NO-E, BISUTORO-YA and other restaurants.

<sup>(2)</sup> CD albums are granted in exchange for total face value of coupons held.

**Timing of delivery** On or after June 22, 2015

**Validity period** July 1, 2015 to December 31, 2015

### Information for Shareholders

Business term	From April 1 of each year to March 31 of the following year
Ordinary General Meeting of Shareholders	June of each year
Record date for above	Ordinary General Meeting of Shareholders: March 31 Other occasions: Other record date separately determined as necessary upon a prior public notice
Record date of shareholders to receive dividends from surplus	Year-end dividend: March 31 Interim dividend: September 30
Number of shares constituting one unit	100 shares

Newspaper in which public notices are inserted	The Nikkei
Transfer agent and account management institution for the special account	Mitsubishi UFJ Trust and Banking Corporation
Contact of above (postal address and telephone number)	Mitsubishi UFJ Trust and Banking Corporation, Corporate Agency Division 7-10-11 Higashisuna, Koto-ku, Tokyo 137-8081 Telephone: 0120-232-711 (toll-free in Japan only)

**DAIICHIKOSHO**

Location: 5-5-26 Kitashinagawa, Shinagawa-ku, Tokyo 141-8701, Japan  
Telephone: +81-3-3280-2151 (switchboard)