

FY2007, the year ending March 31, 2008

Flash Report on the Consolidated Results for the Interim Period Ended September 30, 2007

November 12, 2007

Company Name: DAIICHIKOSHO CO., LTD.

Code Number: 7458

(URL <http://www.dkkaraoke.co.jp>)

Stock Exchange Listing: JASDAQ

Representative: Yasutaka Wada, President

Contact: Eiji Hata, Managing Director and Senior Corporate Officer; and Executive Director, Administration Headquarters

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Scheduled Date to Submit the Semi-Annual Securities Report: December 20, 2007

(Amounts below one million yen are truncated.)

1. Consolidated Performance for the Interim Period Ended September 2007 (from April 1, 2007, to September 30, 2007)

(1) Consolidated operating results (Percentage figures indicate increase/decrease from a year earlier.)

	Net sales		Operating income		Ordinary income	
	¥ Million	%	¥ Million	%	¥ Million	%
Interim period ended September 2007	62,188	(1.6)	7,895	18.5	7,989	16.5
Interim period ended September 2006	63,212	(1.5)	6,662	29.5	6,855	32.1
Year ended March 2007	124,654		13,189		12,937	

	Net income		Net income per share	Fully diluted net income per share
	¥ Million	%	¥	¥
Interim period ended September 2007	2,122	(46.3)	30.49	—
Interim period ended September 2006	3,955	400.4	56.82	—
Year ended March 2007	4,801		68.99	—

(Reference) Equity in net income of unconsolidated subsidiaries and affiliates:

Interim period ended September 2007: (¥131 million)

Interim period ended September 2006: (¥20 million)

Year ended March 2007: (¥199 million)

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	¥ Million	¥ Million	%	¥
Interim period ended September 2007	126,842	68,418	53.2	969.51
Interim period ended September 2006	134,745	68,456	50.2	972.26
Year ended March 2007	130,931	68,788	51.9	975.44

(Reference) Shareholders' equity

Interim period ended September 2007: ¥67,478 million

Interim period ended September 2006: ¥67,669 million

Year ended March 2007: ¥67,890 million

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Interim period ended September 2007	¥ Million 10,675	¥ Million (9,338)	¥ Million (5,523)	¥ Million 27,759
Interim period ended September 2006	16,572	(12,058)	(1,388)	27,372
Year ended March 2007	32,509	(18,059)	(6,792)	31,918

2. Dividend

(Reference dated)	Dividend per share		
	Interim	Year-end	Annual
	Yen	Yen	Yen
Year ended March 2007	—	20.00	20.00
Year ending March 2008 (forecast)	—	20.00	20.00

3. Forecast Consolidated Performance for FY2007, the Year Ending March 31, 2008 (from April 1, 2007, to March 31, 2008)

(Percentage figures indicate increase/decrease from a year earlier: The percentages for full-year forecasts mean the increase/decrease from the end of the previous year, and the half-year forecast percentages represent the increase/decrease from the end of the previous interim term.)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	¥ Million	%	¥ Million	%	¥ Million	%	¥ Million	%	¥
Year ending March 31, 2008 (full year)	125,300	0.5	14,200	7.7	14,200	9.8	4,600	(4.2)	66.09

4. Other

- (1) Change in important subsidiaries during the period under review (Change in specific subsidiaries causing a change in the scope of consolidation): No
- (2) Change in accounting principals, procedure and presentation methods for preparation of consolidated interim financial statements (Items set forth in "Changes in Important Matters in Preparing the Consolidated Interim Financial Statements")
 - 1) Changes following a revision of accounting standards: Yes
 - 2) Other changes: No
- (3) Number of common shares issued
 - 1) Number of shares issued (including treasury stock):
 - Interim period ended September 2007: 73,242,596 shares
 - Interim period ended September 2006: 73,242,596 shares
 - Year ended March 2007: 73,242,596 shares
 - 2) Number of shares of treasury stock
 - Interim period ended September 2007: 3,642,687 shares
 - Interim period ended September 2006: 3,642,494 shares
 - Year ended March 2007: 3,642,580 shares

(Reference) Outline of Nonconsolidated Financial Results

1. Nonconsolidated Performance for the Interim Period Ended September 2007 (from April 1, 2007, to September 30, 2007)

(1) Nonconsolidated operating results

(Percentage figures indicate increase/decrease from a year earlier.)

	Net sales		Operating income		Ordinary income	
	¥ Million	%	¥ Million	%	¥ Million	%
Interim period ended September 2007	42,408	(3.0)	5,186	20.8	5,988	18.1
Interim period ended September 2006	43,715	(3.9)	4,293	41.3	5,072	52.3
Year ended March 2007	83,382		7,888		8,317	

	Net income		Net income per share
	¥ Million	%	¥
Interim period ended September 2007	1,725	(39.6)	24.79
Interim period ended September 2006	2,856	211.4	41.04
Year ended March 2007	2,310		33.20

(2) Nonconsolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	¥ Million	¥ Million	%	¥
Interim period ended September 2007	77,215	51,341	66.5	737.67
Interim period ended September 2006	83,548	53,391	63.9	767.12
Year ended March 2007	80,200	52,189	65.1	749.85

(Reference) Shareholders' equity:

Interim period ended September 2007: ¥51,341 million

Interim period ended September 2006: ¥53,391 million

Year ended March 2007: ¥52,189 million

2. Forecast Nonconsolidated Performance for FY2007, the Year Ending March 31, 2008 (from April 1, 2007, to March 31, 2008)

(Percentage figures indicate increase/decrease from a year earlier: The percentages for full-year forecasts mean the increase/decrease from the end of the previous year, and the half-year forecast percentages represent the increase/decrease from the end of the previous interim term.)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	¥ Million	%	¥ Million	%	¥ Million	%	¥ Million	%	¥
Year ending March 31, 2008 (full year)	84,700	1.6	9,000	14.1	9,800	17.8	3,000	29.8	43.10

* Explanation for the appropriate use of performance forecasts and other special notes:

These projected performance figures are based on information available to the Company's management at the time of preparing this report. There are many uncertain factors inherent in forecasting, and there might be cases in which actual results differ from forecast values.

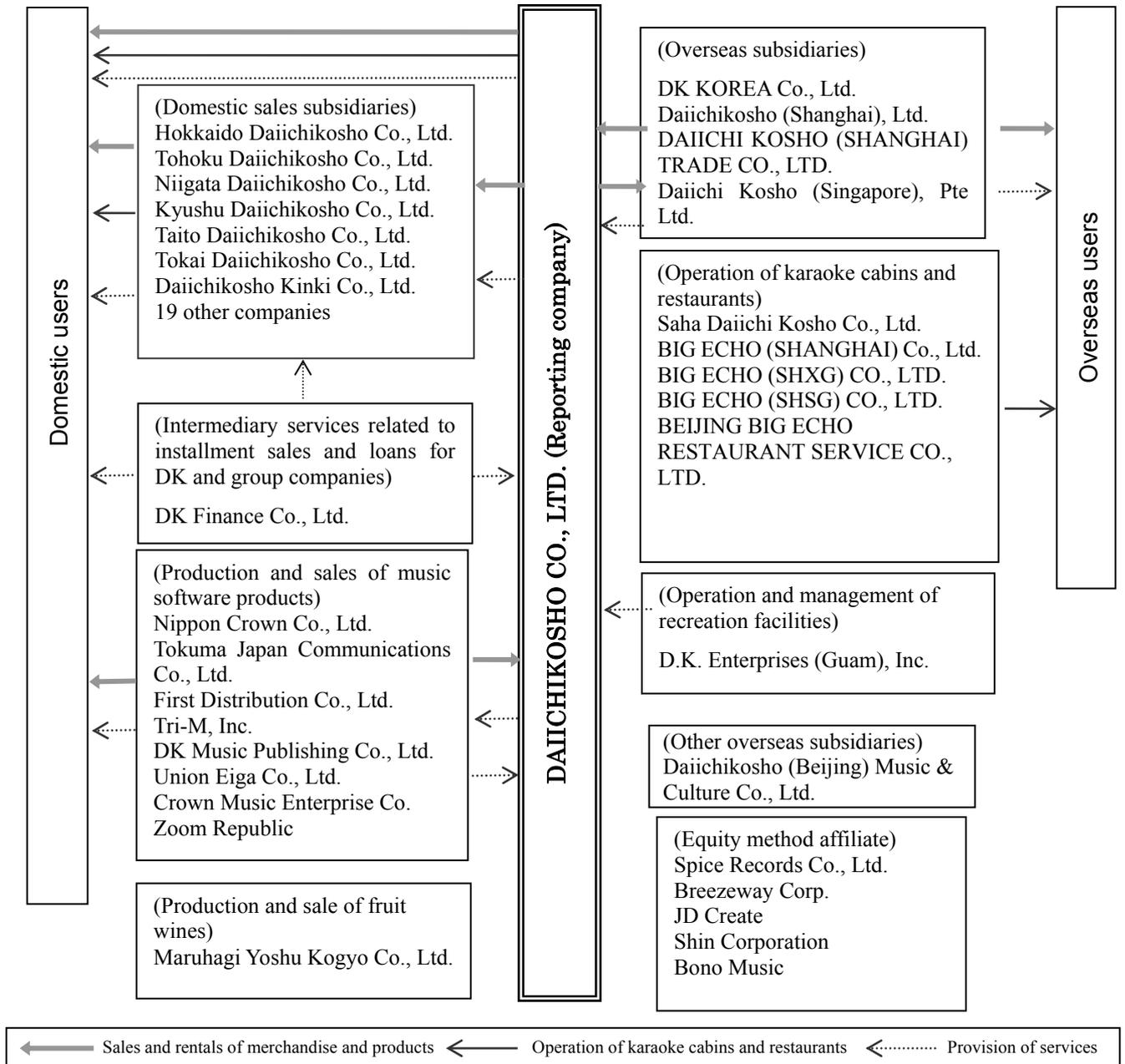
(Attachment)

2. Corporate Group

The Daiichikoshō Group (“DKG”) consists of Daiichikoshō Co., Ltd. (“DK” or “the Company”), 47 consolidated subsidiaries and five affiliates. The major group companies engage in the commercial karaoke business, the karaoke cabin and restaurant business and the music software business. In the interim period ended September 30, 2007, there was a change in business segmentation, the detail of which is indicated in the Segment Information.

Business segment	Business line	Domestic	Overseas
Commercial karaoke business	Sales and rental of commercial-use karaoke equipment, supply of sound source and video content for communication karaoke, and supply of content services via the special “ DAM Station ” information terminal	Daiichikoshō Co., Ltd., Hokkaido Daiichikoshō Co., Ltd., Tohoku Daiichikoshō Co., Ltd., Taito Daiichikoshō Co., Ltd., Niigata Daiichikoshō Co., Ltd., Tokai Daiichikoshō Co., Ltd., Daiichikoshō Kinki Co., Ltd., Kyushu Daiichikoshō Co., Ltd., and 19 other subsidiaries	DK KOREA Co., Ltd., Daiichikoshō (Shanghai), Ltd., and two other subsidiaries
Karaoke cabin and restaurant business	Operation of karaoke cabins and restaurants		Saha Daiichi Kosho Co., Ltd., BIG ECHO (SHANGHAI) Co., Ltd., and three other subsidiaries
Music software business	Production and sales of music and video software products	Daiichikoshō Co., Ltd., Nippon Crown Co., Ltd., Tokuma Japan Communications Co., Ltd., First Distribution Co., Ltd., Union Eiga Co., Ltd., and four other subsidiaries	
Other business	Satellite broadcasting business, supply of content services via mobile phones and real estate lease and rental business, etc.	Daiichikoshō Co., Ltd., DK Finance Co., Ltd., and Maruhagi Yoshu Kogyo Co., Ltd.	D.K. Enterprises (Guam), Inc., and one other subsidiary

The following diagram schematically shows the relationships of the respective group companies and businesses.



4. Consolidated Interim Financial Statements

(1) Consolidated Interim Balance Sheets

(Millions of yen)

Account item	Fiscal year		Previous interim period (As of September 30, 2006)		Current interim period (As of September 30, 2007)		FY2006 (As of March 31, 2007) Condensed		Year- over- year change
	Amount	Com- posi- tion ratio (%)	Amount	Com- posi- tion ratio (%)	Amount	Com- posi- tion ratio (%)			
(Assets)									
I Current assets									
1 Cash and bank deposits	27,840		28,229		32,404		(4,175)		
2 Notes and accounts receivable —trade	11,409		10,165		9,593		571		
3 Inventories	5,779		5,807		5,093		714		
4 Deferred tax assets	1,241		1,513		1,294		218		
5 Other	5,059		4,158		4,569		(411)		
Allowance for doubtful accounts	(1,168)		(473)		(745)		271		
Total current assets	50,162	37.3	49,400	39.0	52,210	39.9	(2,810)		
II Fixed assets									
I Tangible fixed assets									
(1) Buildings and structures	6,104		6,013		6,122		(109)		
(2) Karaoke equipment for rental	10,026		8,663		8,949		(285)		
(3) Karaoke cabin and restaurant facilities	13,742		13,989		12,644		1,345		
(4) Land	14,554		15,698		14,272		1,425		
(5) Other	4,085		2,178		2,329		(150)		
Total tangible fixed assets	48,512	36.0	46,544	36.7	44,318	33.9	2,225		
2 Intangible assets	7,456	5.5	5,871	4.6	6,074	4.6	(202)		
3 Investments and other assets									
(1) Investments in securities	10,960		6,722		9,820		(3,098)		
(2) Long-term loans receivable	1,071		967		1,220		(252)		
(3) Deferred tax assets	1,870		2,573		2,624		(51)		
(4) Leasehold deposits and guarantee money	13,073		13,156		13,151		5		
(5) Other	3,658		3,414		3,432		(18)		
Allowance for doubtful accounts	(2,020)		(1,808)		(1,923)		115		
Total investments and other assets	28,614	21.2	25,026	19.7	28,327	21.6	(3,300)		
Total fixed assets	84,583	62.7	77,442	61.0	78,720	60.1	(1,277)		
Total Assets	134,745	100.0	126,842	100.0	130,931	100.0	(4,088)		

DAIICHIKOSHO CO., LTD.

(Millions of yen)

Account item	Fiscal year		Previous interim period (As of September 30, 2006)		Current interim period (As of September 30, 2007)		FY2006 (As of March 31, 2007) Condensed		Year- over- year change
	Amount	Com- posi- tion ratio (%)	Amount	Com- posi- tion ratio (%)	Amount	Com- posi- tion ratio (%)			
(Liabilities)									
I Current liabilities									
1 Notes and accounts payable —trade	5,525			5,070		4,646		423	
2 Short-term borrowings	19,495			13,291		17,162		(3,871)	
3 Accounts payable—other	6,088			6,545		6,959		(413)	
4 Income taxes payable	1,892			3,368		3,386		(17)	
5 Reserve for bonuses	1,341			1,434		1,074		360	
6 Unrealized profit on installment sales	328			274		267		7	
7 Other	3,371			4,039		3,446		592	
Total current liabilities	38,043	28.2		34,024	26.8	36,943	28.2	(2,919)	
II Long-term liabilities									
1 Long-term borrowings	21,375			18,060		18,304		(243)	
2 Deferred tax liabilities	216			150		150		—	
3 Reserve for employees' retirement benefits	2,629			2,714		2,660		53	
4 Reserve for directors' retirement allowances	2,264			1,828		2,437		(608)	
5 Consolidation adjustment account	507			371		409		(38)	
6 Other	1,252			1,274		1,235		38	
Total long-term liabilities	28,246	21.0		24,400	19.3	25,198	19.3	(798)	
Total Liabilities	66,289	49.2		58,424	46.1	62,142	47.5	(3,717)	
(Net Assets)									
I Shareholders' equity									
1 Capital stock	12,350	9.2		12,350	9.8	12,350	9.4	—	
2 Capital surplus	24,003	17.8		24,003	18.9	24,003	18.3	—	
3 Retained earnings	34,825	25.8		36,402	28.7	35,671	27.2	730	
4 Treasury stock	(3,641)	(2.7)		(3,641)	(2.9)	(3,641)	(2.7)	(0)	
Total Shareholders' equity	67,537	50.1		69,114	54.5	68,384	52.2	729	
II Valuation gains and losses and translation adjustment									
1 Net unrealized gains or losses on available-for-sale securities	782	0.6		(1,062)	(0.8)	123	0.1	(1,185)	
2 Land revaluation difference	(845)	(0.6)		(845)	(0.7)	(845)	(0.6)	—	
3 Foreign currency translation adjustments	194	0.1		271	0.2	229	0.2	42	
Total valuation gains and losses and translation adjustment	131	0.1		(1,635)	(1.3)	(493)	(0.3)	(1,142)	
III Minority interests									
Total Net Assets	68,456	50.8		68,418	53.9	68,788	52.5	(370)	
Total Liabilities and Net Assets	134,745	100.0		126,842	100.0	130,931	100.0	(4,088)	

(2) Consolidated Interim Statements of Income

Fiscal year		(Millions of yen)								
		Previous interim period (From April 1, 2006, to September 30, 2006)		Current interim period (From April 1, 2007, to September 30, 2007)		Year-over-year change (%)	FY 2006 (From April 1, 2006, to March 31, 2007) Condensed		Per- centage (%)	
		Amount	Per- centage (%)	Amount	Per- centage (%)		Amount	Per- centage (%)		
I Net sales		63,212	100.0	62,188	100.0	98.4	124,654	100.0		
II Cost of sales		38,113	60.3	35,554	57.2	93.3	74,824	60.0		
Gross profit before adjustment for unrealized profit on installment sales		25,099	39.7	26,634	42.8	106.1	49,829	40.0		
Unrealized profit on installment sales—reversal (+)	52			5			126			
Unrealized profit on installment sales—deferred (–)	6	45	0.0	12	(7)	(0.0)	19	106	0.1	
Gross profit on sales		25,144	39.7	26,626	42.8	105.9	49,935	40.1		
III Selling, general and administrative expenses		18,481	29.2	18,731	30.1	101.4	36,745	29.5		
Operating income		6,662	10.5	7,895	12.7	118.5	13,189	10.6		
IV Nonoperating income										
1 Interest income		153		146			333			
2 Dividend income		26		35			54			
3 Fees and commissions received		98		85			172			
4 Contributions received		158		164			265			
5 Amortization of consolidation adjustments account		112		38			210			
6 Other	352	902	1.4	399	870	1.4	744	1,781	1.4	
V Nonoperating expenses										
1 Interest expense		239		215			475			
2 Loss on devaluation of inventories		279		211			854			
3 Equity in losses of affiliates		20		131			199			
4 Foreign exchange losses		—		95			—			
5 Other	170	710	1.1	122	776	1.2	502	2,033	1.6	
Ordinary income		6,855	10.8	7,989	12.9	116.5	12,937	10.4		
VI Extraordinary gains										
1 Gain on sales of fixed assets		15		5			199			
2 Reversal of allowance for doubtful accounts		97		179			186			
3 Gain on sales of investments in securities		—		—			105			
4 Reversal of reserve for directors' retirement allowances		2		36			2			
5 Indemnity of cancellation of leases		—		85			249			
6 Gain on revisions to the past-year copyright use fees		115	0.2	—	307	0.5	112	857	0.7	
VII Extraordinary losses										
1 Loss on sales and disposal of fixed assets		444		183			1,420			
2 Impairment loss on fixed assets		38		55			2,850			
3 Loss on valuation of investments in securities		5		1,899			180			
4 Loss on cancellation of a new business		—		234			—			
5 Loss on irregularities		488	0.7	652	3,025	4.9	—	4,451	3.6	
Income before income taxes and minority interests		6,483	10.3	5,271	8.5	81.3	9,343	7.5		
Income taxes—current	1,776			3,195			4,171			
Income taxes—deferred	722	2,499	4.0	(90)	3,105	5.0	238	4,409	3.5	
Minority interests in income (loss) of consolidated subsidiaries		28	0.0	44	0.1	154.3	132	0.1		
Net income		3,955	6.3	2,122	3.4	53.7	4,801	3.9		

(3) Consolidated Interim Statements of Changes in Net Assets

Previous interim period (From April 1, 2006, to September 30, 2006)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of March 31, 2006	12,350	24,003	32,029	(3,639)	64,743
Change in first half of FY2006					
Cash dividends paid (Note)			(1,044)		(1,044)
Bonuses to directors and statutory auditors (Note)			(115)		(115)
Net income			3,955		3,955
Purchases of treasury stock				(1)	(1)
Disposal of treasury stock		0		0	0
Net change in items other than those in shareholders' equity					
Total of changes in first half of FY2006	—	0	2,795	(1)	2,794
Balance as of September 30, 2006	12,350	24,003	34,825	(3,641)	67,537

	Valuation gains and losses and translation adjustments				Minority interests	Total net assets
	Net unrealized gains or losses on available-for-sale securities	Land revaluation difference	Foreign currency translation adjustments	Total valuation gains and losses and translation adjustments		
Balance as of March 31, 2006	2,354	(845)	188	1,697	764	67,205
Change in first half of FY2006						
Cash dividends paid (Note)						(1,044)
Bonuses to directors and statutory auditors (Note)						(115)
Net income						3,955
Purchases of treasury stock						(1)
Disposal of treasury stock						0
Net change in items other than those in shareholders' equity	(1,571)	—	6	(1,565)	21	(1,544)
Total of changes in first half of FY2006	(1,571)	—	6	(1,565)	21	1,250
Balance as of September 30, 2006	782	(845)	194	131	786	68,456

Note: These are items for which retained earnings were appropriated by resolution of the Ordinary General Meeting of Shareholders held in June 2006.

DAIICHIKOSHO CO., LTD.

Current interim period (From April 1, 2007, to September 30, 2007)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of March 31, 2007	12,350	24,003	35,671	(3,641)	68,384
Change in first half of FY2007					
Cash dividends paid			(1,391)		(1,391)
Net income			2,122		2,122
Purchases of treasury stock				(0)	(0)
Net change in items other than those in shareholders' equity					
Total of changes in first half of FY2007	—	—	730	(0)	729
Balance as of September 30, 2007	12,350	24,003	36,402	(3,641)	69,114

	Valuation gains and losses and translation adjustments				Minority interests	Total net assets
	Net unrealized gains or losses on available-for-sale securities	Land revaluation difference	Foreign currency translation adjustments	Total valuation gains and losses and translation adjustments		
Balance as of March 31, 2007	123	(845)	229	(493)	897	68,788
Change in first half of FY2007						
Cash dividends paid						(1,391)
Net income						2,122
Purchases of treasury stock						(0)
Net change in items other than those in shareholders' equity	(1,185)	—	42	(1,142)	42	(1,100)
Total of changes in first half of FY2007	(1,185)	—	42	(1,142)	42	(370)
Balance as of September 30, 2007	(1,062)	(845)	271	(1,635)	939	68,418

DAIICHIKOSHO CO., LTD.

FY2006 (From April 1, 2006, to March 31, 2007)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of March 31, 2006	12,350	24,003	32,029	(3,639)	64,743
Changes in the consolidated fiscal year under review					
Cash dividends paid (Note)			(1,044)		(1,044)
Bonuses to directors and statutory auditors (Note)			(115)		(115)
Net income			4,801		4,801
Purchase of treasury stock				(1)	(1)
Disposal of treasury stock		0		0	0
Net change in items other than those in shareholders' equity					
Total of changes during the consolidated fiscal year under review	—	0	3,642	(1)	3,640
Balance as of March 31, 2007	12,350	24,003	35,671	(3,641)	68,384

	Valuation gains and losses and translation adjustments				Minority interest	Total net assets
	Net unrealized gains or losses on available-for-sale securities	Land revaluation difference	Foreign currency translation adjustments	Total valuation gains and losses and translation adjustments		
Balance as of March 31, 2006	2,354	(845)	188	1,697	764	67,205
Changes in the consolidated fiscal year under review						
Cash dividends paid (Note)						(1,044)
Bonuses to directors and statutory auditors (Note)						(115)
Net income						4,801
Purchase of treasury stock						(1)
Disposal of treasury stock						0
Net change in items other than those in shareholders' equity	(2,231)	—	40	(2,191)	132	(2,058)
Total of changes during the consolidated fiscal year under review	(2,231)	—	40	(2,191)	132	1,582
Balance as of March 31, 2007	123	(845)	229	(493)	897	68,788

Note: These are items for which retained earnings were appropriated by resolution of the Ordinary General Meeting of Shareholders held in June 2006.

(4) Consolidated Statements of Cash Flows

(Millions of yen)

Account item	Fiscal year	Previous interim period (From April 1, 2006, to September 30, 2006)	Current interim period (From April 1, 2007, to September 30, 2007)	Year-over -year change	FY 2006 (From April 1, 2006, to March 31, 2007) Condensed
		Amount	Amount	Increase/Decrease	Amount
I Cash flows from operating activities:					
Income before income taxes and minority interests		6,483	5,271		9,343
Depreciation expense		7,598	6,736		15,633
Impairment loss on fixed assets		38	55		2,850
Increase (decrease) in allowance for doubtful accounts		(95)	(380)		(390)
Increase (decrease) in reserve for directors' retirement allowances		111	(608)		284
Dividend and interest income		(180)	(182)		(387)
Loss on valuation of investments in securities		5	1,899		180
Interest expense		239	215		475
Equity in (earnings) losses of affiliates		20	131		199
Gain or loss on disposal of fixed assets		428	177		1,220
Decrease (increase) in trade receivables		676	(571)		2,489
Decrease (increase) in inventories		1,903	(714)		2,589
Transfer of cost of sales on karaoke equipment for rental		468	414		738
Increase in trade payables		266	423		(612)
Other		(39)	1,059		201
Subtotal		17,925	13,925	(3,999)	34,816
Interest and dividends received		172	183		377
Interest paid		(246)	(219)		(491)
Income taxes paid		(1,279)	(3,214)		(2,192)
Net cash provided by operating activities		16,572	10,675	(5,896)	32,509
II Cash flows from investing activities:					
Increase in time and saving deposits		(78)	(129)		(190)
Proceeds from decrease in time and saving deposits		121	145		214
Payments for acquisition of tangible fixed assets		(6,613)	(6,587)		(10,442)
Proceeds from sales of tangible fixed assets		122	63		626
Payments for acquisition of intangible assets		(2,179)	(2,038)		(4,076)
Payments for acquisition of video licenses		(619)	(664)		(1,206)
Payments for purchase of investments in securities		(2,909)	(200)		(3,249)
Payments for loans		(390)	(183)		(509)
Proceeds from collection of loans receivable		373	453		737
Payments for leasehold deposits and guarantee money		(246)	(446)		(769)
Proceeds from repayment of leasehold deposits and guarantee money		317	211		579
Other		43	37		228
Net cash provided by (used in) investing activities		(12,058)	(9,338)	2,719	(18,059)
III Cash flows from financing activities:					
Net increase (decrease) in short-term borrowings		(412)	(2,757)		(1,667)
Increase in long-term borrowings		7,405	5,300		10,776
Payments for repayment of long-term borrowings		(7,328)	(6,666)		(14,848)
Cash dividends paid		(1,043)	(1,388)		(1,043)
Other		(10)	(10)		(10)
Net cash used in financing activities		(1,388)	(5,523)	(4,134)	(6,792)
IV Effect of exchange rate changes on cash and cash equivalents					
		25	27	2	38
V Net increase (decrease) in cash and cash equivalents					
		3,150	(4,158)	(7,308)	7,695
VI Cash and cash equivalents at the beginning of the year					
		24,222	31,918	7,695	24,222
VII Cash and cash equivalents at the end of the interim period					
		27,372	27,759	387	31,918

Important Matters in Preparing the Consolidated Interim Financial Statements

4. Summary of Significant Accounting Policies

(1) Valuation basis and method for important assets

① Marketable securities and investments in securities

Other securities primarily designated as available-for-sale securities for which the fair values are readily determinable:

Carried at fair value as of the balance-sheet date with changes in net unrealized holding gain or loss, net of the applicable income taxes, included directly in net assets. The cost of securities sold is determined by the moving-average method.

Other securities primarily designated as available-for-sale securities for which the fair values are not readily determinable:

Carried at cost determined by the moving-average method.

With regard to investments in the Investment Business Limited Liability Partnership and similar organizations (which are regarded as “securities” in accordance with Article 2, Paragraph 2, of the Securities Exchange Law), initial investments in such associations are recognized as receivables from associations and the amount assumed to be held by the Company for fluctuations due to the financial situation of the associations after such investment is recognized as receivables and payables related to such associations.

② Derivatives

Carried at fair value.

③ Inventories

Principally stated at cost determined by the moving-average method.

(2) Depreciation method of major depreciable assets

① Tangible fixed assets

Depreciation is principally computed by the declining-balance method at rates based on the estimated useful lives of the assets as shown below. However, the straight-line method is adopted for buildings (excluding building improvements) acquired after March 31, 1998.

Buildings and structures: 3–50 years

Karaoke equipment for rental: 5–6 years

Karaoke cabin and restaurant facilities: 3–19 years

(Change in accounting method)

Pursuant to the revisions to the Income Tax Law, DK and its consolidated subsidiaries changed the method of depreciation of tangible fixed assets and, effective in the interim period ended September 30, 2007, use a method based on the revised Income Tax Law with regard to those assets acquired on and after April 1, 2007.

This change decreased operating income, ordinary income and income before income taxes and minority interests each by ¥115 million for the interim period ended September 30, 2007.

The impact on segment information is stated at the relevant points in the Segment Information.

(Additional Information)

Pursuant to the revisions to the Income Tax Law, DK and its consolidated subsidiaries use a method of depreciation of tangible fixed assets acquired before April 1, 2007, based on the Income Tax Law before the revision. Specifically, from the consolidated fiscal year following the consolidated fiscal year in which the depreciation amount reaches 5% of the acquisition cost, the difference between the assumed amount of 5% of the acquisition cost and the memorandum price is equally amortized over five years, included in Depreciation and amortization.

This change decreased operating income, ordinary income and income before income taxes and minority interests each by ¥37 million for the interim period ended September 30, 2007.

The impact on segment information is stated at the relevant points in the Segment Information.

② Intangible assets

Amortization of intangible assets is computed by the straight-line method.

(3) Accounting standard for important reserves

① Allowance for doubtful accounts

The allowance for doubtful accounts is provided at an amount of possible losses from uncollectible receivables based on the actual rate of losses from bad debt for ordinary receivables, and on the estimated recoverability for specific doubtful receivables.

② Reserve for bonuses

The reserve for bonuses is provided at an estimated amount based on the internal payment prediction standard.

③ Reserve for employees' retirement benefits

The reserve for employees' retirement benefits is provided at an amount recognized to have accrued as of the interim balance-sheet date, based on the projected benefit obligations and plan assets as of September 30, 2007. Actuarial differences are amortized on a pro rata basis by the straight-line method over a certain period (10 years), which is shorter than the average remaining service years for employees at the time of their recognition, from the following fiscal year of recognition.

④ Reserve for directors' retirement allowances

The reserve for directors' retirement allowances of DK and its domestic consolidated subsidiaries is provided at amounts that would be required to be paid in accordance with their respective internal rules concerning directors' retirement allowances if all eligible directors and statutory auditors were to resign their positions as of the respective interim balance-sheet dates.

(4) Translation of important assets and liabilities denominated in foreign currencies into yen

Monetary receivables and payables denominated in foreign currencies are translated into yen at the spot exchange rate in effect at the interim balance-sheet date. The resulting exchange differences are charged or credited to income. The balance sheet accounts, as well as the revenue and expense accounts, of the overseas subsidiaries are translated into yen at the spot exchange rate in effect at their respective balance-sheet dates. The resulting translation differences have been included in "Foreign currency translation adjustments" and "Minority interests" in Net Assets.

(5) Accounting for important leases

Finance leases that do not transfer ownership of leased property to the lessee are accounted for as rental transactions.

(6) Hedge accounting

DKG hedges against risks of interest rate fluctuations for its variable-rate borrowings using interest rate swaps. The preferential treatment is applied to these interest rate swaps.

(7) Other important matters in preparing the consolidated interim financial statements

① Accounting for installment sales

Unrealized profit on installment sales is deferred for the amount corresponding to the portion of installment receivables for which the due date has not expired based on DKG's installment standards.

② Accounting for consumption taxes

Consumption taxes are accounted for using the tax exclusion method.

5. Cash and Cash Equivalents in the Consolidated Interim Statements of Cash Flows

Cash and cash equivalents in the consolidated interim statements of cash flows included cash on hand, demand deposits and short-term investments due within three months from the acquired date, which are easily convertible into cash with little risk of value fluctuation.

(Segment Information)**1. Business segments****Previous interim period (From April 1, 2006, to September 30, 2006)**

(Millions of yen)

Item	Commercial karaoke	Karaoke cabin and restaurant	Music software	Other	Total	Eliminations and corporate	Consolidated
Sales and operating income							
Sales							
Sales to third parties	34,786	17,046	5,834	5,545	63,212	—	63,212
Intersegment sales and transfers	113	—	86	365	565	(565)	—
Total	34,899	17,046	5,920	5,910	63,777	(565)	63,212
Operating expenses	29,873	15,057	5,891	4,925	55,747	801	56,549
Operating income	5,026	1,989	29	984	8,029	(1,366)	6,662

Current interim period (From April 1, 2007, to September 30, 2007)

(Millions of yen)

Item	Commercial karaoke	Karaoke cabin and restaurant	Music software	Other	Total	Eliminations and corporate	Consolidated
Sales and operating income							
Sales							
Sales to third parties	33,091	18,064	5,626	5,406	62,188	—	62,188
Intersegment sales and transfers	125	—	84	389	599	(599)	—
Total	33,216	18,064	5,711	5,795	62,788	(599)	62,188
Operating expenses	27,201	15,769	5,519	4,852	53,343	950	54,293
Operating income	6,014	2,294	192	942	9,444	(1,549)	7,895

FY 2006 (From April 1, 2006, to March 31, 2007)

(Millions of yen)

Item	Commercial karaoke	Karaoke cabin and restaurant	Music software	Other	Total	Eliminations and corporate	Consolidated
Sales and operating income							
Sales							
Sales to third parties	65,957	35,681	11,982	11,032	124,654	—	124,654
Intersegment sales and transfers	228	—	178	750	1,158	(1,158)	—
Total	66,186	35,681	12,161	11,783	125,812	(1,158)	124,654
Operating expenses	57,632	30,576	12,010	9,811	110,030	1,433	111,464
Operating income	8,554	5,105	150	1,971	15,781	(2,591)	13,189

Notes:

1. Segmentation method

According to DKG's sales tabulation categories.

2. Major products and/or services of each business segment

Business segment	Major products and/or services
Commercial karaoke business	Sales and rental of commercial-use karaoke equipment, supply of sound source and video content for communication karaoke, and supply of content services via the special "DAM Station" information terminal
Karaoke cabin and restaurant business	Operation of karaoke cabins and restaurants
Music software business	Production and sales of music and video software products
Other business	Satellite broadcasting business, supply of content services via mobile phones and real estate lease and rental business, etc.

3. Amounts and major items included in “Eliminations and corporate”

(Millions of yen)

	Previous interim period	Current interim period	Last fiscal year	Major items
Amounts of unabsorbed operating expenses included in “Eliminations and corporate”	1,366	1,549	2,591	Expenses required for operations by administrative departments such as the General Affairs Dept.

4. Change in business segments

In the interim period ended September 30, 2007, DK and its consolidated subsidiaries reviewed business segments as follows.

The “supply of content services via the special ‘DAM Station’ information terminal,” which had previously been included in the Gateway business, has been included in the Commercial karaoke business since the interim period under review. We decided to position this business as a value-added service in the commercial karaoke business, our mainstay business, and develop this business by integrating it with the mainstay business.

Along with such a change in business segmentation, the monetary importance of e-business (the supply of content services via mobile phones), which had been a component of the Gateway business, declined, thereby resulting in this business being included in “Other business” from the interim period under review.

The above segment information for the previous interim period and the last fiscal year has been prepared based on the updated business segments after the change.

5. As described in the Important Matters in Presenting the Consolidated Interim Financial Statements 4. Summary of Significant Accounting Policies (Change in accounting method), pursuant to the revisions to the Income Tax Law, DK and its consolidated subsidiaries changed the method of depreciation of tangible fixed assets acquired on and after April 1, 2007. This change increased operating expenses in the commercial karaoke business, the karaoke cabin and restaurant business, the music software business, and other business by ¥75 million, ¥38 million, ¥0 million and ¥1 million, respectively, for the consolidated interim period under review. The operating income of each business decreased by the same respective amount.

6. As described in the Important Matters in Presenting the Consolidated Interim Financial Statements 4. Summary of Significant Accounting Policies (Additional Information), pursuant to the revisions to the Income Tax Law, DK and its consolidated subsidiaries changed the method of depreciation of tangible fixed assets acquired before April 1, 2007. Specifically, from the consolidated fiscal year following the consolidated fiscal year in which the depreciation amount reaches 5% of the acquisition cost, the difference between the assumed amount of 5% of the acquisition cost and the memorandum price is equally amortized over five years, included in Depreciation and amortization.

This change increased operating expenses in the commercial karaoke business, the karaoke cabin and restaurant business, the music software business, and other business by ¥27 million, ¥8 million, ¥0 million and ¥1 million, respectively, and also increased operating expenses in “Eliminations and corporate” by ¥0 million for the consolidated interim period under review. The operating income of each business decreased by the same respective amount.

2. Geographical segments

As sales in Japan account for more than 90% of the sum of sales in each region of the respective geographical segments, the segment information by geographical region is omitted.

3. Overseas sales

As sales overseas account for less than 10% of consolidated net sales, overseas sales-related information is omitted.