

FY2008, the year ending March 31, 2009

Flash Report on the Consolidated Results for the Interim Period Ended September 30, 2008

November 10, 2008

Company Name: DAIICHIKOSHO CO., LTD.

Code Number: 7458

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

Stock Exchange Listing: JASDAQ

Representative: Yasutaka Wada, President

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Scheduled Date to Submit the Quarterly Securities Report: November 14, 2008

(Amounts below one million yen are truncated.)

1. Consolidated Performance for the Interim Period Ended September 2008 (from April 1, 2008, to September 30, 2008)

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

	Net sales		Operating income		Ordinary income	
	¥ Million	%	¥ Million	%	¥ Million	%
Interim Period ended September 2008	61,902	—	7,863	—	8,300	—
Interim Period ended September 2007	62,188	(1.6)	7,895	18.5	7,989	16.5

	Net income		Net income per share	Fully diluted net income per share
	¥ Million	%	¥	¥
Interim Period ended September 2008	5,058	—	73.33	—
Interim Period ended September 2007	2,122	(46.3)	30.49	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	¥ Million	¥ Million	%	¥
Interim Period ended September 2008	123,176	74,618	60.1	1,081.13
Year ended March 2008	124,721	72,399	57.6	1,036.52

(Reference) Shareholders' equity

Interim Period ended September 2008: ¥73,993 million

Year ended March 2008: ¥71,862 million

2. Dividend

(Reference dated)	Dividend per share				
	First Quarter	Second Quarter	Third Quarter	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended March 2008	—	0.00	—	25.00	25.00
Year ending March 2009	—	0.00	—	—	—
Year ending March 2009 (forecast)	—	—	—	30.00	30.00

Note: Revision of dividend forecast during the period under review: No

3. Forecast Consolidated Performance for FY2008, the Year Ending March 31, 2009 (from April 1, 2008, to March 31, 2009)

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

	Net sales		Operating income		Ordinary income	
	¥ Million	%	¥ Million	%	¥ Million	%
Year ending March 31, 2009 (full year)	125,700	(0.9)	15,700	(4.1)	15,800	(3.8)

	Net income		Net income per share
	¥ Million	%	¥
Year ending March 31, 2009 (full year)	8,000	36.3	116.89

Note: Revision of forecast consolidated performance during the period under review: Yes

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) Adoption of simplified accounting methods and special accounting methods for quarterly consolidated financial statements: Yes
- (3) Change in accounting principals, procedure and presentation methods for preparation of quarterly consolidated financial statements (Items set forth in “Changes in important matters in preparing the quarterly consolidated financial statements”)
 - 1) Changes following a revision of accounting standards: Yes
 - 2) Other changes: Yes
- (4) Number of common shares issued
 - 1) Number of shares issued (including treasury stock):
 - Interim period ended September 2008: 69,600,596 shares
 - Year ended March 2008: 69,600,596 shares
 - 2) Number of shares of treasury stock:
 - Interim period ended September 2008: 1,159,346 shares
 - Year ended March 2008: 270,292 shares
 - 3) Average number of shares during the period:
 - Interim period ended September 2008: 68,980,104 shares
 - Interim period ended September 2007: 69,599,952 shares

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

- Effective from the fiscal year ending March 31, 2009, the “Accounting Standard for Quarterly Financial Reporting” (ASBJ Statement No. 12) and the “Guidance on Accounting Standard for Quarterly Financial Reporting” (ASBJ Guidance No. 14) have been applied. The quarterly consolidated financial statements have been prepared in accordance with “Regulations for Quarterly Consolidated Financial Statements.”
- The projections shown in this document are estimated based on information available as of the issue date of this report, and therefore the actual results for future periods could differ greatly from these forecast figures due to various unknown factors.

Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

	(Millions of yen)	
	Current interim period (As of September 30, 2008)	FY2007 (As of March 31, 2008) Condensed
Assets		
Current assets		
Cash and deposits	26,527	28,789
Notes and accounts receivable-trade	8,906	9,017
Merchandise	4,635	4,048
Finished goods	225	202
Raw materials	72	76
Work in process	208	249
Other	5,469	5,466
Allowance for doubtful accounts	(436)	(436)
Total current assets	45,608	47,414
Noncurrent assets		
Property, plant and equipment		
Karaoke equipment for rental, net	8,154	8,069
Karaoke cabin and restaurant facilities, net	13,926	13,629
Land	17,741	17,485
Other, net	7,879	8,026
Total property, plant and equipment	47,702	47,211
Intangible assets	6,333	6,324
Investments and other assets		
Lease and guarantee deposits	13,583	12,999
Other	11,037	12,074
Allowance for doubtful accounts	(1,087)	(1,302)
Total investments and other assets	23,533	23,771
Total noncurrent assets	77,568	77,307
Total assets	123,176	124,721

	(Millions of yen)	
	Current interim period (As of September 30, 2008)	FY2007 (As of March 31, 2008) Condensed
Liabilities		
Current liabilities		
Notes and accounts payable-trade	4,505	4,552
Short-term loans payable	13,360	12,152
Income taxes payable	3,161	3,689
Provision for bonuses	1,504	1,098
Other	9,253	9,935
Total current liabilities	31,784	31,428
Noncurrent liabilities		
Long-term loans payable	10,185	14,469
Provision for retirement benefits	2,844	2,772
Provision for directors' retirement benefits	1,929	1,849
Negative goodwill	363	391
Other	1,451	1,410
Total noncurrent liabilities	16,773	20,893
Total liabilities	48,558	52,322
Net assets		
Shareholders' equity		

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	Current interim period (As of September 30, 2008)	FY2007 (As of March 31, 2008) Condensed
Capital stock	12,350	12,350
Capital surplus	20,362	20,362
Retained earnings	43,380	40,149
Treasury stock	(1,238)	(266)
Total shareholders' equity	74,855	72,595
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(106)	47
Revaluation reserve for land	(777)	(845)
Foreign currency translation adjustment	23	64
Total valuation and translation adjustments	(861)	(733)
Minority interests	624	537
Total net assets	74,618	72,399
Liabilities and net assets	123,176	124,721

(2) Quarterly Consolidated Statement of Income

Current interim period

	(Millions of yen)
	Current interim period (From April 1, 2008, to September 30, 2008)
Net sales	61,902
Cost of sales	35,619
Gross profit	26,283
Selling, general and administrative expenses	18,419
Operating income	7,863
Non-operating income	
Interest income	127
Dividends income	38
Cooperative monetary aid received	180
Amortization of negative goodwill	27
Other	427
Total non-operating income	802
Non-operating expenses	
Interest expenses	176
Foreign exchange losses	100
Other	89
Total non-operating expenses	366
Ordinary income	8,300
Extraordinary income	
Gain on sales of noncurrent assets	16
Gain on sales of investment securities	7
Reversal of allowance for doubtful accounts	128
Indemnity of cancellation of leases	119
Reversal of loss on cancellation of a new business	148
Total extraordinary income	420
Extraordinary loss	
Loss on disposal of noncurrent assets	216
Loss on sales of investment securities	6
Loss on valuation of investment securities	305
Total extraordinary loss	528
Income before income taxes and minority interests	8,192
Income taxes-current	3,087
Income taxes-deferred	(45)
Income taxes	3,041
Minority interests in income	92
Net income	5,058

(3) Quarterly Consolidated Statement of Cash Flows

	(Millions of yen)
	Current interim period (From April 1, 2008, to September 30, 2008)
Cash flows from operating activities	
Income before income taxes and minority interests	8,192
Depreciation and amortization	6,583
Amortization of negative goodwill	(27)
Increase (decrease) in allowance for doubtful accounts	(213)
Increase (decrease) in provision for bonuses	405
Increase (decrease) in provision for directors' retirement benefits	79
Interest and dividends income	(166)
Interest expenses	176
Loss (gain) on disposal of noncurrent assets	199
Loss (gain) on valuation of investment securities	305
Decrease (increase) in notes and accounts receivable-trade	94
Decrease (increase) in inventories	(584)
Transfer of cost of sales on karaoke equipment for rental	362
Increase (decrease) in notes and accounts payable-trade	(20)
Other, net	506
Subtotal	<u>15,891</u>
Interest and dividends income received	165
Interest expenses paid	(176)
Income taxes paid	(3,644)
Net cash provided by (used in) operating activities	<u>12,236</u>
Cash flows from investment activities	
Increase in time and saving deposits	(211)
Proceeds from decrease in time and saving deposits	162
Purchase of property, plant and equipment	(5,782)
Proceeds from sales of property, plant and equipment	113
Purchase of intangible assets	(1,896)
Payments for acquisition of video licenses	(593)
Proceeds from sales of investment securities	136
Payments of loans receivable	(165)
Collection of loans receivable	234
Payments for lease and guarantee deposits	(993)
Proceeds from return of lease and guarantee deposits	403
Other, net	(35)
Net cash provided by (used in) investment activities	<u>(8,630)</u>
Cash flows from financing activities	
Net increase (decrease) in short-term loans payable	394
Proceeds from long-term loans payable	1,840
Repayment of long-term loans payable	(5,311)
Cash dividends paid	(1,730)
Purchase of treasury stock	(972)
Other, net	(4)
Net cash provided by (used in) financing activities	<u>(5,783)</u>
Effect of exchange rate change on cash and cash equivalents	(134)
Net increase (decrease) in cash and cash equivalents	<u>(2,312)</u>
Cash and cash equivalents at the beginning of the year	28,300
Cash and cash equivalents at the end of the period	<u>25,988</u>

(Segment Information)**a. Business segments**

Current interim period (From April 1, 2008, to September 30, 2008)

(Millions of yen)

Item	Commercial karaoke	Karaoke cabin and restaurant	Music software	Other	Total	Eliminations and corporate	Consolidated
Sales							
(1) Sales to third parties	30,578	19,518	6,499	5,306	61,902	—	61,902
(2) Intersegment sales and transfers	129	—	85	416	632	(632)	—
Total	30,707	19,518	6,585	5,723	62,534	(632)	61,902
Operating income	5,242	2,384	1,011	815	9,453	(1,589)	7,863

(Changes in significant accounting policies)

(Inventories)

Loss on devaluation of inventories in the music software business, which was recorded as non-operating expenses until the previous fiscal year, is recorded as cost of sales, effective from the first quarter of the fiscal year ending March 31, 2009.

As a result of this change, operating income for the music software business for the interim period ended September 30, 2008, decreased ¥246 million, as compared with the amounts calculated using the former method.

(Classification for recording promotion expenses)

Promotion expenses for increasing promotion effect in the commercial karaoke business, which were formerly recorded as operating expenses, are partially recorded as a deduction from sales, effective from the first quarter of the fiscal year ending March 31, 2009.

As a result of this change, sales for the commercial karaoke business for the interim period ended September 30, 2008, decreased ¥354 million, as compared with the amounts calculated using the former method. There are no effects, however, on operating income.

b. Geographical segments

Current interim period (From April 1, 2008, to September 30, 2008)

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.

c. Overseas sales

Current interim period (From April 1, 2008, to September 30, 2008)

As sales overseas account for less than 10% of consolidated net sales for the interim period ended September 30, 2008, overseas sales-related information is omitted.