FY2007, the year ended March 31, 2008

Flash Report on the Consolidated Results for the Year Ended March 31, 2008

May 15, 2008

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
Phone: (03) 3280-2151
Date of the Ordinary General Meeting of Shareholders: June 22, 2008
Start Date for Dividend Payment: June 23, 2008
Scheduled Date to Submit the Securities Report: June 23, 2008

(Amounts below one million yen are truncated.)

1. Consolidated Performance for the Year Ended March 2008 (from April 1, 2007, to March 31, 2008)

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

	Net sales		Operating income		Ordinary income	
	¥ Million	%	¥ Million	%	¥ Million	%
Year ended March 2008	126,844	1.8	16,374	24.1	16,432	27.0
Year ended March 2007	124,654	(3.6)	13,189	16.9	12,937	11.4

	Net income		Net income per share	Fully diluted net income per share
	¥ Million	%	¥	¥
Year ended March 2008	5,869	22.2	84.35	—
Year ended March 2007	4,801	19.7	68.99	—

	Return on equity	Ordinary income to total assets	Operating income to net sales
	%	%	%
Year ended March 2008	8.4	12.9	12.9
Year ended March 2007	7.1	9.8	10.6

(Reference) Equity in net income of unconsolidated subsidiaries and affiliates:
Year ended March 2008: (¥307 million)
Year ended March 2007: (¥199 million)

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	¥ Million	¥ Million	%	¥
Year ended March 2008	124,721	72,399	57.6	1,036.52
Year ended March 2007	130,931	68,788	51.9	975.44

(Reference) Shareholders' equity
Year ended March 2008: ¥71,862 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 the end of the year
	¥ Million	¥ Million	¥ Million	¥ Million
Year ended March 2008	25,419	(18,448)	(10,516)	28,300
Year ended March 2007	32,509	(18,059)	(6,792)	31,918

2. Dividend

	Dividend per share		
(Reference dated)	Interim	Year-end	Annual
	Yen	Yen	Yen
Year ended March 2007	—	20.00	20.00
Year ended March 2008	—	25.00	25.00
Year ending March 2009 (forecast)	—	30.00	30.00

	Aggregate amount of dividend (annual)	Payout ratio (consolidated)	Ratio of dividends to net assets (consolidated)
	¥ Million	%	%
Year ended March 2007	1,391	29.0	1.4
Year ended March 2008	1,733	29.6	2.5
Year ending March 2009 (forecast)	—	26.0	—

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: 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	
	¥ Million	%	¥ Million	%	¥ Million	%
Six months ending September 30, 2008	63,200	1.6	7,300	(7.5)	7,400	(7.4)
Year ending March 31, 2009 (full year)	128,500	1.3	15,700	(4.1)	15,800	(3.8)

	Net income		Net income per share
	¥ Million	%	¥
Six months ending September 30, 2008	3,800	79.1	54.81
Year ending March 31, 2009 (full year)	8,000	36.3	115.39

4. Other

(1) Change in important subsidiaries during the term 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 financial statements (Items set forth in "Changes in important matters in preparing the consolidated financial statements")

1) Changes following a revision of accounting standards: Yes

2) Other changes: Yes

(3) Number of common shares issued

1) Number of shares issued (including treasury stock):

Year ended March 2008: 69,600,596 shares

Year ended March 2007: 73,242,596 shares
2) Number of shares of treasury stock
Year ended March 2008: 270,292 shares
Year ended March 2007: 3,642,580 shares

(Reference) Outline of Nonconsolidated Financial Results

1. Nonconsolidated Performance for the Year Ended March 2008 (from April 1, 2007, to March 31, 2008)

(1) Nonconsolidated operating results

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

	Net sales		Operating income		Ordinary income	
	¥ Million	%	¥ Million	%	¥ Million	%
Year ended March 2008	85,523	2.6	10,174	29.0	11,162	34.2
Year ended March 2007	83,382	(4.7)	7,888	22.9	8,317	23.5

	Net income		Net income per share	Fully diluted net income per share
	¥ Million	%	¥	¥
Year ended March 2008	2,806	21.4	40.33	—
Year ended March 2007	2,310	(1.0)	33.20	—

(2) Nonconsolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	¥ Million	¥ Million	%	Yen
Year ended March 2008	76,554	53,269	69.6	768.34
Year ended March 2007	80,200	52,189	65.1	749.85

(Reference) Shareholders' equity:
Year ended March 2008: ¥53,269 million
Year ended March 2007: ¥52,189 million

2. Forecast Nonconsolidated 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: 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	%	Yen
Six months ending September 30, 2008	42,500	0.2	4,300	(17.1)	5,100	(14.8)	2,700	56.5	38.94
Year ending March 31, 2009 (full year)	86,400	1.0	9,700	(4.7)	10,500	(5.9)	5,500	96.0	79.33

* 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.

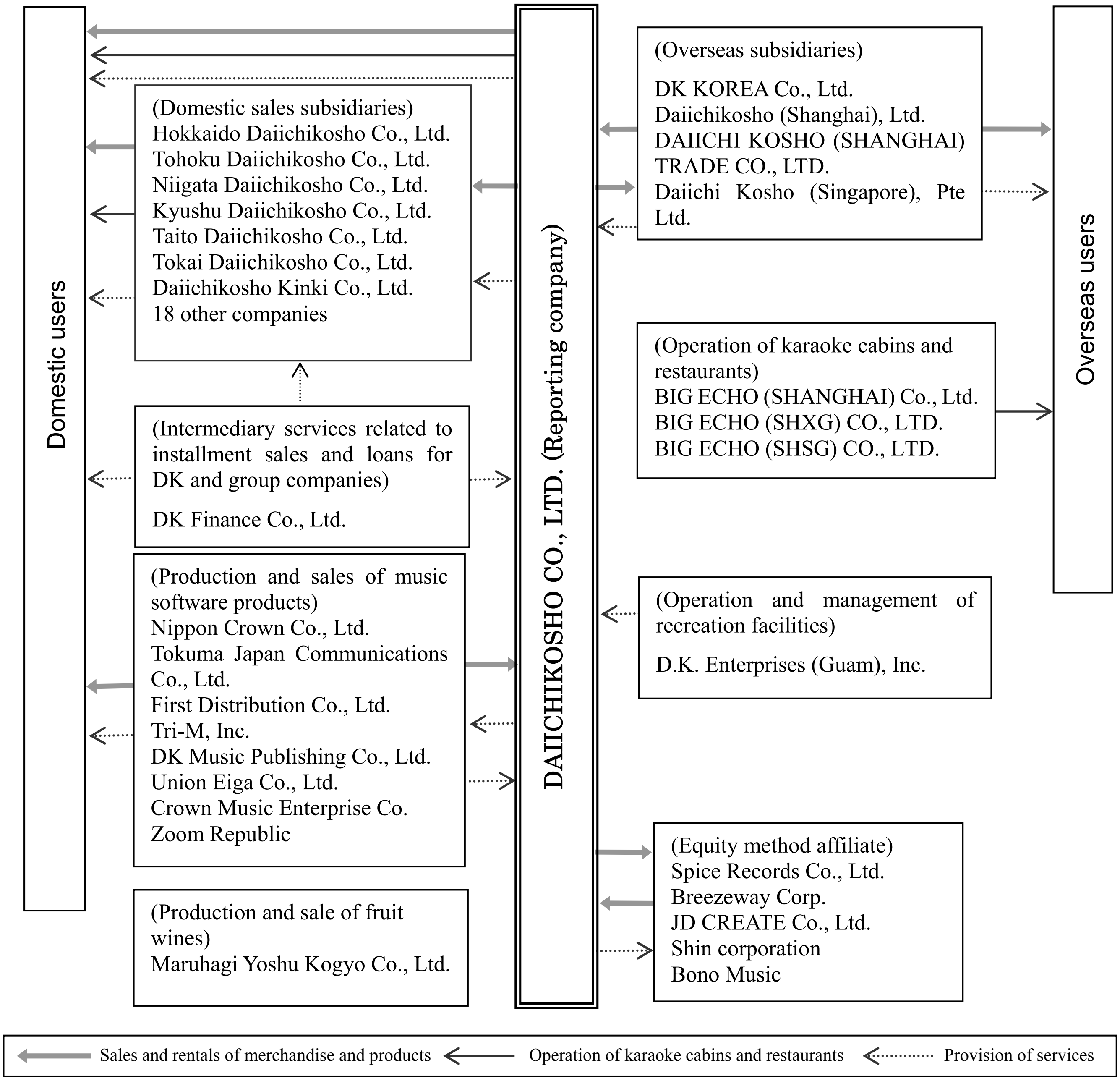
(Attachment)

2. Corporate Group

The Daiichikosho Group ("DKG") consists of Daiichikosho Co., Ltd. ("DK" or "the Company"), 43 consolidated subsidiaries and 5 affiliates. The major group companies engage in the commercial karaoke business, the karaoke cabin and restaurant business, and the music software business.
From the fiscal year ended March 31, 2008, DKG changed the segmentation of the business. The contents of new segments are described in 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	Daiichikosho Co., Ltd., Hokkaido Daiichikosho Co., Ltd., Tohoku Daiichikosho Co., Ltd., Taito Daiichikosho Co., Ltd., Niigata Daiichikosho Co., Ltd., Tokai Daiichikosho Co., Ltd., Daiichikosho Kinki Co., Ltd., Kyushu Daiichikosho Co., Ltd., and 18 other subsidiaries	DK KOREA Co., Ltd., Daiichikosho (Shanghai), Ltd., and 2 other subsidiaries
Karaoke cabin and restaurant business	Operation of karaoke cabins and restaurants		BIG ECHO (SHANGHAI) Co., Ltd., And 2 other subsidiaries
Music software business	Production and sales of music and video software products	Daiichikosho Co., Ltd., Nippon Crown Co., Ltd., Tokuma Japan Communications Co., Ltd., First Distribution Co., Ltd., Union Eiga Co., Ltd., and 4 other subsidiaries	
Other business	Satellite broadcasting, supply of content services via mobile phone and real estate lease and rental business, etc.	Daiichikosho Co., Ltd., DK Finance Co., Ltd., and Maruhagi Yoshu Kogyo Co., Ltd.	D.K. Enterprises (Guam), Inc.,

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



4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

Account item \ Fiscal year	FY2006 (As of March 31, 2007) Amount		Com-position ratio (%)	FY2007 (As of March 31, 2008) Amount		Com-position ratio (%)	Year-over-year change
(Assets)							
I. Current assets							
1. Cash and bank deposits		32,404			28,789		(3,614)
2. Notes and accounts receivable—trade		9,593			9,017		(576)
3. Inventories		5,093			4,577		(516)
4. Deferred tax assets		1,294			1,274		(20)
5. Other		4,569			4,191		(377)
6. Allowance for doubtful accounts		(745)			(436)		309
Total current assets		52,210	39.9		47,414	38.0	(4,796)
II. Fixed assets							
1. Tangible fixed assets							
(1) Buildings and structures	14,652			14,548			
Accumulated depreciation	8,529	6,122		8,498	6,049		(72)
(2) Karaoke equipment for rental	28,570			27,977			
Accumulated depreciation	19,620	8,949		19,907	8,069		(879)
(3) Karaoke cabin and restaurant facilities	28,063			29,517			
Accumulated depreciation	15,419	12,644		15,887	13,629		985
(4) Land		14,272			17,485		3,213
(5) Construction in progress		235			138		(96)
(6) Other	8,506			8,240			
Accumulated depreciation	6,412	2,094		6,402	1,837		(256)
Total tangible fixed assets		44,318	33.9		47,211	37.8	2,893
2. Intangible assets		6,074	4.6		6,324	5.1	249
3. Investments and other assets							
(1) Investments in securities		9,820			4,598		(5,222)
(2) Long-term loans receivable		1,220			865		(355)
(3) Deferred tax assets		2,624			3,572		947
(4) Leasehold deposits and guarantee money		13,151			12,999		(151)
(5) Other		3,432			3,036		(395)
(6) Allowance for doubtful accounts		(1,923)			(1,302)		621
Total investments and other assets		28,327	21.6		23,771	19.1	(4,555)
Total fixed assets		78,720	60.1		77,307	62.0	(1,412)
Total Assets		130,931	100.0		124,721	100.0	(6,209)

(Millions of yen)

Account item \ Fiscal year	FY2006 (As of March 31, 2007) Amount	FY2006 Com-position ratio (%)	FY2007 (As of March 31, 2008) Amount	FY2007 Com-position ratio (%)	Year-over-year change
(Liabilities)					
I. Current liabilities					
1. Notes and accounts payable—trade	4,646		4,552		(94)
2. Short-term borrowings	17,162		12,152		(5,010)
3. Accounts payable—other	6,959		6,419		(540)
4. Income taxes payable	3,386		3,689		303
5. Reserve for bonuses	1,074		1,098		24
6. Unrealized profit on installment sales	267		286		18
7. Other	3,446		3,230		(216)
Total current liabilities	36,943	28.2	31,428	25.2	(5,514)
II. Long-term liabilities					
1. Long-term borrowings	18,304		14,469		(3,834)
2. Deferred tax liabilities	150		150		—
3. Reserve for employees' retirement benefits	2,660		2,772		111
4. Reserve for directors' retirement allowances	2,437		1,849		(588)
5. Negative goodwill	409		391		(18)
6. Other	1,235		1,259		24
Total long-term liabilities	25,198	19.3	20,893	16.8	(4,305)
Total Liabilities	62,142	47.5	52,322	42.0	(9,820)
(Net assets)					
I. Shareholders' equity					
1. Capital stock	12,350	9.4	12,350	9.9	—
2. Capital surplus	24,003	18.3	20,362	16.3	(3,640)
3. Retained earnings	35,671	27.2	40,149	32.2	4,477
4. Treasury stock	(3,641)	(2.7)	(266)	(0.2)	3,375
Total shareholders' equity	68,384	52.2	72,595	58.2	4,211
II. Valuation gains and losses and translation adjustments					
1. Net unrealized gains or losses on available-for-sale securities	123	0.1	47	0.0	(75)
2. Land revaluation difference	(845)	(0.6)	(845)	(0.7)	—
3. Foreign currency translation adjustments	229	0.2	64	0.1	(164)
Total valuation gains and losses and translation adjustments	(493)	(0.3)	(733)	(0.6)	(239)
III. Minority interest	897	0.6	537	0.4	(360)
Total net assets	68,788	52.5	72,399	58.0	3,611
Total liabilities and net assets	130,931	100.0	124,721	100.0	(6,209)

(2) Consolidated Statements of Income

(Millions of yen)

Account item \ Fiscal year	FY2006 (From April 1, 2006, to March 31, 2007) Amount		Percentage (%)	FY2007 (From April 1, 2007, to March 31, 2008) Amount		Percentage (%)	Year-over-year change (%)
I. Net sales		124,654	100.0		126,844	100.0	101.8
II. Cost of sales		74,824	60.0		72,715	57.3	97.2
Gross profit before adjustment for unrealized profit on installment sales		49,829	40.0		54,128	42.7	108.6
Unrealized profit on installment sales─reversal (+)	126			50			
Unrealized profit on installment sales─deferred (–)	19	106	0.1	69	(18)	(0.0)	(17.7)
Gross profit on sales		49,935	40.1		54,109	42.7	108.4
III. Selling, general and administrative expenses		36,745	29.5		37,735	29.8	102.7
Operating income		13,189	10.6		16,374	12.9	124.1
IV. Nonoperating income							
1. Interest income	98			117			
2. Interest income on installment sales	235			165			
3. Fees and commissions received	172			134			
4. Cooperative monetary aid received	265			331			
5. Amortization of negative goodwill	210			74			
6. Other	798	1,781	1.4	781	1,605	1.3	90.1
V. Nonoperating expenses							
1. Interest expense	475			413			
2. Loss on devaluation of inventories	854			472			
3. Equity in losses of affiliates	199			307			
4. Other	502	2,033	1.6	354	1,547	1.2	76.1
Ordinary income		12,937	10.4		16,432	13.0	127.0
VI. Extraordinary gains							
1. Gain on sales of fixed assets	199			76			
2. Gain on sales of investments in securities	105			—			
3. Reversal of allowance for doubtful accounts	186			243			
4. Reversal of reserve for directors' retirement allowances	2			112			
5. Indemnity of cancellation of leases	249			85			
6. Gain on revisions to the past-year copyright use fees	112	857	0.7	—	518	0.4	60.5
VII. Extraordinary losses							
1. Loss on sales and disposal of fixed assets	1,420			556			
2. Impairment loss on fixed assets	2,850			211			
3. Loss on sales of investments in subsidiaries and affiliates	—			62			
4. Loss on valuation of investments in securities	180			4,484			
5. Loss on cancellation of a new business	—			410			
6. Loss on irregularities	—	4,451	3.6	681	6,405	5.1	143.9
Income before income taxes and minority interests		9,343	7.5		10,545	8.3	112.9
Income taxes—current	4,171			5,336			
Income taxes—deferred	238	4,409	3.5	(813)	4,523	3.6	102.6
Minority interests in income of consolidated subsidiaries		132	0.1		152	0.1	115.6
Net income		4,801	3.9		5,869	4.6	122.2

(3) Consolidated Statement of Changes in Net Assets

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 view	—	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 view	(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.

FY2007 (From April 1, 2007, to March 31, 2008)

(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
Changes in the consolidated fiscal year under review					
Cash dividends paid			(1,391)		(1,391)
Net income			5,869		5,869
Purchase of treasury stock				(265)	(265)
Disposal of treasury stock		(3,640)		3,640	—
Net change in items other than those in shareholders' equity					
Total of changes during the consolidated fiscal year under view	—	(3,640)	4,477	3,375	4,211
Balance as of March 31, 2008	12,350	20,362	40,149	(266)	72,595

	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, 2007	123	(845)	229	(493)	897	68,788
Changes in the consolidated fiscal year under review						
Cash dividends paid						(1,391)
Net income						5,869
Purchase of treasury stock						(265)
Disposal of treasury stock						—
Net change in items other than those in shareholders' equity	(75)	—	(164)	(239)	(360)	(600)
Total of changes during the consolidated fiscal year under view	(75)	—	(164)	(239)	(360)	3,611
Balance as of March 31, 2008	47	(845)	64	(733)	537	72,399

(4) Consolidated Statements of Cash Flows

(Millions of yen)

Account item / Fiscal year	FY2006 (From April 1, 2006, to March 31, 2007) Amount	FY2007 (From April 1, 2007, to March 31, 2008) Amount	Year-over-year change Increase and decrease
I. Cash flows from operating activities:			
Income before income taxes and minority interests	9,343	10,545	
Depreciation expense	15,633	14,169	
Impairment loss on fixed assets	2,850	211	
Amortization of negative goodwill	(210)	(74)	
Decrease in allowance for doubtful accounts	(390)	(626)	
Increase (decrease) in reserve for directors' retirement allowances	284	(588)	
Dividend and interest income	(387)	(359)	
Loss on sales of investments in subsidiaries and affiliates	—	62	
Gain or loss on sales of investments in securities	(105)	—	
Gain or loss on investments in investment business associations	(8)	(8)	
Interest expense	475	413	
Gain or loss on disposal of fixed assets	1,220	479	
Loss on valuation of investments in securities	180	4,484	
Loss on irregularities	—	681	
Decrease in trade receivables	2,489	558	
Decrease in inventories	2,589	516	
Transfer of cost of sales on karaoke equipment for rental	738	680	
Decrease in trade payables	(612)	(94)	
Other	725	127	
Subtotal	34,816	31,177	
Interest and dividends received	377	366	
Interest paid	(491)	(411)	
Irregularities paid	—	(681)	
Income taxes paid	(2,192)	(5,032)	
Net cash provided by operating activities	32,509	25,419	(7,090)
II. Cash flows from investing activities:			
Increase in time and saving deposits	(190)	(241)	
Proceeds from decrease in time and saving deposits	214	238	
Payments for acquisition of tangible fixed assets	(10,442)	(12,848)	
Proceeds from sales of tangible fixed assets	626	156	
Payments for acquisition of intangible assets	(4,076)	(4,351)	
Payments for acquisition of video licenses	(1,206)	(1,304)	
Payments for purchase of investments in securities	(3,249)	(200)	
Proceeds from sales of investments in securities	154	450	
Payments for purchase of investments in subsidiaries	—	(413)	
Payments for loans	(509)	(319)	
Proceeds from collection of loans receivable	737	707	
Payments for leasehold deposits and guarantee money	(769)	(1,017)	
Proceeds from repayment of leasehold deposits and guarantee money	579	641	
Other	73	56	
Net cash used in investing activities	(18,059)	(18,448)	(389)
III. Cash flows from financing activities:			
Net increase in short-term borrowings	(1,667)	(2,975)	
Increase in long-term borrowings	10,776	6,510	
Payments for repayment of long-term borrowings	(14,848)	(12,382)	
Cash dividends paid	(1,043)	(1,392)	
Payments for purchase of treasury stock	(1)	(265)	
Other	(8)	(10)	
Net cash used in financing activities	(6,792)	(10,516)	(3,723)
IV. Effect of exchange rate changes on cash and cash equivalents	38	(72)	(111)
V. Net increase (decrease) in cash and cash equivalents	7,695	(3,618)	(11,314)
VI. Cash and cash equivalents at the beginning of the year	24,222	31,918	7,695
VII. Cash and cash equivalents at the end of the fiscal year	31,918	28,300	(3,618)

1. 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 Financial Instruments and Exchange Act), 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 fiscal year ended March 31, 2008, 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 ¥466 million for the period ended March 31, 2008.

(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 ¥67 million for the period ended March 31, 2008.

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 of DK and its domestic consolidated subsidiaries 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 of DK and its domestic consolidated subsidiaries is provided at an amount recognized to have accrued as of the balance-sheet date, based on the projected benefit obligations and plan assets as of March 31, 2008.

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 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 consolidated balance-sheet date. The resulting exchange differences are charged or credited to income. The balance sheet accounts of the overseas subsidiaries are translated into yen at the spot exchange rate in effect at their respective balance-sheet dates, and the revenue and expense accounts are translated into yen at the average rate during the fiscal year. The resulting translation differences have been included in "Foreign currency translation adjustments" 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

DK and its domestic consolidated subsidiaries hedge 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 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 the installment standards used by DK and some of its domestic consolidated subsidiaries.

② Accounting for consumption taxes

Consumption taxes are accounted for using the tax exclusion method.

2. Valuation for assets and liabilities of consolidated subsidiaries

Assets and liabilities of consolidated subsidiaries are carried at fair value.

3. Amortization of negative goodwill

Negative goodwill is equally amortized over 5 or 15 years on a straight-line basis.

4. Cash and Cash Equivalents in the Consolidated Statements of Cash Flows

Cash and cash equivalents in the consolidated 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.

Change in Important Matters Essential for the Preparation of the Consolidated Financial Statements

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

The revenue and expense accounts of the overseas subsidiaries were translated into yen at the spot exchange rate in effect at their respective balance-sheet dates. From the current consolidated fiscal year, however, the above foreign currency translation method has been changed to a method employing the average exchange during the fiscal year.

Differences between the average rate during the fiscal year and the spot exchange rate in effect at the respective balance-sheet dates of the overseas subsidiaries were considerably widening due to exchange rate fluctuations; therefore, this change was made in order to properly reflect the performance of the overseas subsidiaries in the consolidated financial statements, by implementing more accurate translation.

As a result, operating income decreased by ¥780 million, ordinary income increased by ¥36 million, and income before income taxes and minority interests increased by ¥37 million, as compared with the amounts calculated using the former method.

Meanwhile, the former method was used for the interim period ended September 30, 2007 because the exchange rate fluctuations during the period were not material. Thus, for the interim period ended September 30, 2007, operating income decreased by ¥60 million, ordinary income increased by ¥3 million, and income before income taxes and minority interests increased by ¥4 million, as compared with the amounts calculated using the new method.

(Segment Information)

1. Business segments

FY2006 (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
Assets, depreciation and amortization, impairment loss and capital expenditure							
Assets	67,784	29,636	7,804	5,620	110,845	20,085	130,931
Depreciation and amortization	9,429	2,773	43	1,677	13,923	73	13,997
Impairment loss	2,582	256	—	10	2,850	—	2,850
Capital expenditure	9,908	2,836	144	1,451	14,341	8	14,349

FY2007 (From April 1, 2007, to March 31, 2008)

(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	66,069	38,235	11,739	10,800	126,844	—	126,844
Intersegment sales and transfers	270	—	166	808	1,245	(1,245)	—
Total	66,340	38,235	11,905	11,608	128,089	(1,245)	126,844
Operating expenses	54,969	32,933	11,009	9,871	108,782	1,687	110,470
Operating income (loss)	11,370	5,301	896	1,737	19,306	(2,932)	16,374
Assets, depreciation and amortization, impairment loss and capital expenditure							
Assets	60,903	34,145	7,795	5,313	108,159	16,562	124,721
Depreciation and amortization	8,154	2,830	43	1,533	12,562	66	12,629
Impairment loss	—	175	—	36	211	—	211
Capital expenditure	8,433	7,861	13	1,024	17,333	65	17,398

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)

	FY2006	FY2007	Major items
Amounts of unabsorbed operating expenses included in "Eliminations and corporate"	¥2,591	¥2,932	Expenses required for operations by administrative departments such as the General Affairs Dept.
Amounts of assets of the overall Company included in "Eliminations and corporate"	¥20,733	¥17,036	Surplus funds of the Company (cash and bank deposits), long-term investment funds (investments in securities) and management-related assets

4. Change in business segments
In the fiscal year ended March 31, 2008, 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 fiscal year ended March 31, 2008. 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 fiscal year ended March 31, 2008.
The above segment information for the previous fiscal year has been prepared based on the updated business segments after the change.

2. Geographical segments

(FY2006 and FY2007)

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

3. Overseas sales

(FY2006 and FY2007)

As sales overseas account for less than 10% of consolidated net sales for fiscal 2006 and 2007, overseas sales-related information is omitted.