

## 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)
Securities code	7458

### [NOTICE]

1. Account management institution where a shareholder has its account with (securities company, etc.) is principally responsible for handling shareholder's address change, repurchase requests and other processes. The relevant inquiries should be made to the securities company, etc., where the shareholder has its account with. Please note that the transfer agent (Mitsubishi UFJ Trust and Banking Corporation) does not handle such processes.
2. Mitsubishi UFJ Trust and Banking Corporation serves as the account management institution to handle procedures concerning shares registered in special accounts. The relevant inquiries should be made to the account management institution for the special account specified above (Mitsubishi UFJ Trust and Banking Corporation). All domestic branches of Mitsubishi UFJ Trust and Banking Corporation also accept inquiries.
3. Outstanding dividends can be received at the head office and branches of Mitsubishi UFJ Trust and Banking Corporation.

## Shareholder Special Benefits

Shareholders recorded in the final shareholder registry on September 30, 2013 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

(\*)1 The coupons can be used at businesses operated by the Company including "Big Echo" karaoke shops, and "Rakuzo," "Umeko No Ie," "Bisutoroya" and other restaurants.

(\*)2 CD albums are granted in exchange for total face value of coupons held.

Timing of delivery: On or after December 4, 2013

Validity period: January 1, 2014 to June 30, 2014

# ECHO

Vol.36 Interim Business Report for the 39th Term  
April 1, 2013 to September 30, 2013

## CONTENTS

To Our Shareholders  
Overview by Segment  
Consolidated Financial Summary  
Close-up: Exploring Daiichikoshi's Business  
Corporate Profile  
Status of the Shares of the Company



President  
**Saburo Hayashi**

It gives me great pleasure to present the Business Report of Daiichikoshō Co., Ltd. (the "Company") for the interim period of the 39th Term (April 1, 2013 to September 30, 2013).

In the interim period under review, the Daiichikoshō Group carried out business activities for all markets of commercial karaoke with a comprehensive product lineup that meets our customers' needs.

Of these markets, the elder business (business aimed at the elderly) is a new and valuable market that has been progressing strongly. As of September 30, the DK ELDER SYSTEM has been installed in more than 12,000 facilities.

Considering Japan's demographic landscape where the proportion of elderly is rising as the total population declines, this elder business has an important place in the Daiichikoshō Group's future vision.

The DK ELDER SYSTEM also is recognized as being effective for maintaining health and preventing care dependence among the elderly. The Group is therefore promoting collaboration with local

governments that face the challenge of reducing nursing care costs and medical costs.

Another topic that cannot escape mention is the development of the karaoke cabin, which has given all people, both children and old, a place to sing karaoke.

In September, BIG ECHO, the Daiichikoshō Group's karaoke cabin business, thankful for all the support, commemorated its 25th anniversary.

As a nation-wide chain active in the karaoke cabin business since the dawn of its popularity, we have pride in feeling we must have contributed to the development and evolution of this business.

In this way, karaoke carries a social importance as it has become a leisure activity in which men and women of all ages partake.

Looking forward, the Daiichikoshō Group aims to develop as a corporate group that makes a solid contribution to society in not only the leisure industry but also through playing a role in the health industry.

As we proceed with this endeavor, the entire Group will keep working as one to meet the expectations of all our shareholders. Please accept my sincerest thanks in anticipation of your ongoing support.

## Overview of First Six Months of FY2013

In the first six months of the fiscal year ending March 31, 2014, exports recovered thanks to the firm U.S. economy and weakening yen, overall consumption progressed steadily, and investor confidence rose on the back of strong corporate earnings. On the other hand, although the economic sentiment of consumers had been on the rise due to the weakening yen and rising stock prices, the outlook remained uncertain due to concerns over the growing burden of household expenditure from the rising cost of goods.

Operating under these circumstances, in its commercial karaoke business, the Daiichikoshō

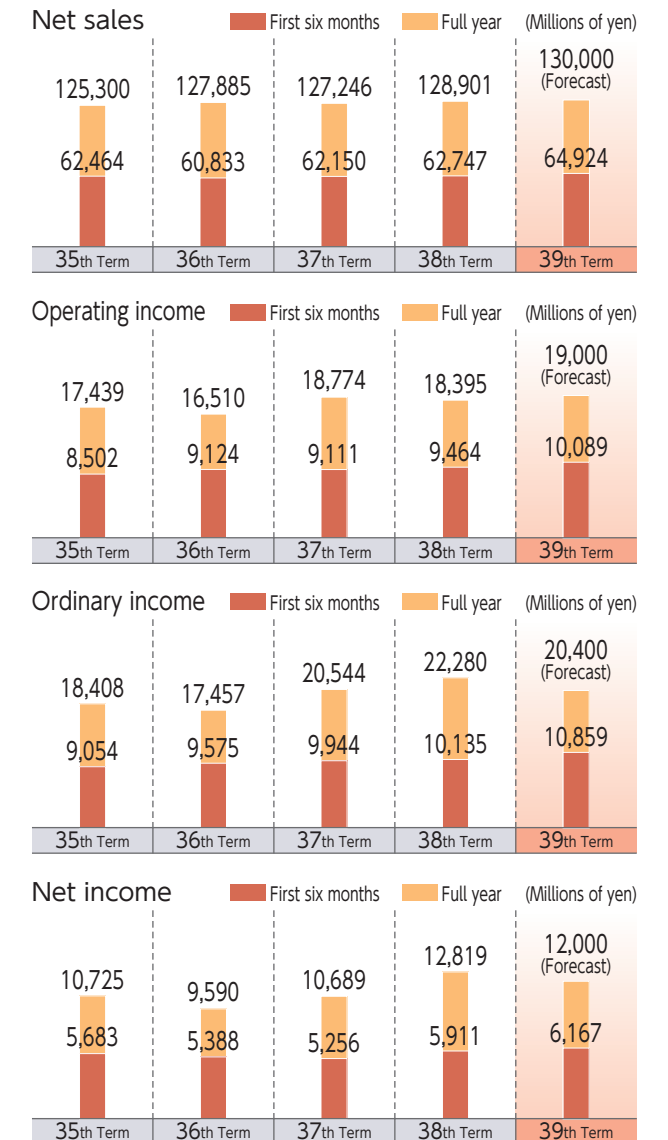
Group focused on expanding sales of its Daiichikoshō Amusement Multimedia (DAM) systems for the entire market, and worked to provide a product lineup that caters to various market needs in every detail. In its karaoke cabin and restaurant business, the Group strove to attract customers and improve customer satisfaction at existing shops while focusing on diversification and expansion of revenue bases to cater to the needs of a wide range of customer segments. In the music software business, products launched by the Group included the soundtracks of popular movies.

As a result of the above, and because both the commercial karaoke and karaoke cabin and restaurant businesses increased their net sales, while sales in music software and other businesses decreased, net sales for the period under review amounted to 64,924 million yen (up 3.5% compared with the corresponding period of the previous fiscal year). This figure represents all-time high for the first six months period. From the income standpoint, despite receiving decreased income from the karaoke cabin and restaurant business, income increased in the commercial karaoke, the music software and other businesses. As a result, operating income totaled 10,089 million yen (up 6.6%), ordinary income amounted to 10,859 million yen (up 7.1%) and net income came to 6,167 million yen (up 4.3%). These figures represent all-time high for the first six months period.

## Outlook for FY2013

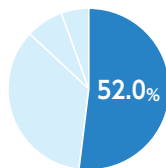
The outlook for the fiscal year ending March 31, 2014 remains unchanged from the business performance forecasts announced on August 5, 2013: net sales of 130.0 billion yen, operating income of 19.0 billion yen, ordinary income of 20.4 billion yen, and net income of 12.0 billion yen.

## Consolidated Financial Highlights



# Overview by Segment

## Commercial Karaoke Business

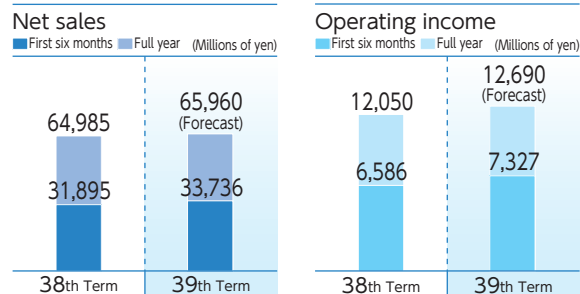


Net sales: **33,736** million yen  
(year-on-year increase of **5.8%**)

Operating income: **7,327** million yen  
(year-on-year increase of **11.2%**)

In the commercial karaoke business, both the numbers of DAM systems in use and system rental contracts steadily increased. Contributing to this increase were efforts to expand equipment sales by introducing performance-rating content that features popular artists as a coordinated plan for the LIVE DAM series and the tablet-type portable device SmartDAM targeting the day-time (karaoke cabins) and night-time markets. In addition, the Group strove to further develop the elder market as a new growth field by strengthening the sales system through training and other activities.

As a result of the above, net sales of the commercial karaoke business segment for the period under review increased 5.8% compared with the corresponding period of the previous fiscal year, to 33,736 million yen. Operating income rose 11.2%, to 7,327 million yen.



### ◆EXILE version of SEIMITSU SAITEN DX launched as exclusive content for SmartDAM + LIVE DAM Series

An EXILE version, limited edition, of SEIMITSU SAITEN DX (precision scoring content) that offers the special feature of melody visual guidance was launched as exclusive content for the SmartDAM + LIVE DAM series. The target of the EXILE version is all EXILE songs. After receiving a performance rating, the singer gets to listen to an original message from TAKAHIRO or THE SECOND from EXILE. The singer receives a rank based on a six-tier ranking from "beginner-XILE" to "EXILE," the highest rank, and is also able to receive a certificate of the achievement.



### ◆Newly Launched DENMOKU PM500zB Is Simpler and Easier to Use

- Through operation with a new remote-control satellite, simple wireless two-way data communication enables cable-less operation.
- Maintains the existing full-360° remote control functionality.
- Most popular genre buttons are on the top menu.
- The remote device can be used to check the advance ordered song list.
- The foreign-language-search feature has been redesigned.



PM500zB

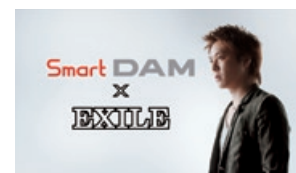
## TOPICS (Commercial Karaoke Business)

### ◆TV Commercials Featuring "EXILE"

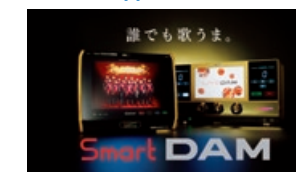
A TV commercial campaign has been developed that promotes the SEIMITSU SAITEN DX, main content for LIVE DAM, under the theme of "Everyone's singing is just great!" It features EXILE, as the image characters of the tablet-type

portable device SmartDAM. Widely recognized among men and women of many generations, EXILE consecutively won first place in the artists division in the Company's Annual Karaoke Ranking in 2012 and again in the Mid-Year Karaoke Ranking in 2013.

### TAKAHIRO Version, in which TAKAHIRO, a vocalist, shares his ideas



### THE SECOND Version, which has commentary from five members of THE SECOND from EXILE, who are asked about the "appeal of SmartDAM"



### ◆Party DAM was launched in China

The Company's overseas subsidiary DAIICHIKOSHO (SHANGHAI) TRADE CO., LTD. (Shanghai, China) launched the integrated mobile unit "Party DAM (DAM-PD100C)" karaoke system, which is a China-exclusive model, on October 21. This is the first time the Company has released a karaoke machine unit in the overseas market.

Party DAM (DAM-PD100C) is an all-in-one design that allows karaoke to be enjoyed easily wherever. Its release grabbed much attention as it is the industry's first mobile system in China. We envision its use at a wide range of places such as restaurants and hotels, shopping mall events, and even educational settings.

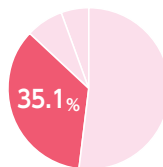
Its specification is also localized for the China market with the musical compositions and background video loaded on the system locally produced. By loading the system with a range of content, such as SEIMITSU SAITEN, which is popular in Japan, we are able to offer new ways of enjoying karaoke to the China market as well.



Party DAM (DAM-PD100C)

# Overview by Segment

## Karaoke Cabin and Restaurant Business

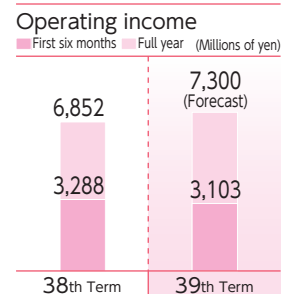
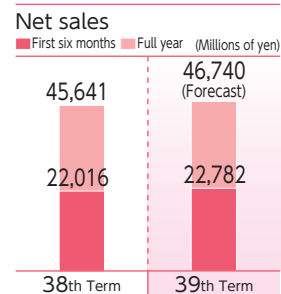


Net sales: **22,782** million yen  
(year-on-year increase of **3.5%**)

Operating income: **3,103** million yen  
(year-on-year decrease of **5.6%**)

In the karaoke cabin and restaurant business, in addition to commemorating its 25th anniversary in September by conducting a Thanksgiving campaign, the karaoke cabin business BIG ECHO continued to develop its business as multi-brand and implement concept-room and collaboration-room projects. The Company focused on constructing highly profitable shops by promoting the strategy of opening complexes that realize the synergy of combining BIG ECHO with restaurants and by changing restaurant brands flexibly.

As a result of the above, net sales of the karaoke cabin and restaurant business segment for the period under review increased 3.5% compared with the corresponding period in the previous fiscal year, to 22,782 million yen. Operating income decreased 5.6%, to 3,103 million yen.



## TOPICS (Karaoke Cabin and Restaurant Business)

### BIG ECHO

#### ◆New “SID” Rooms Launched in the Big Hit Collaboration Room Series

While the collaboration rooms EXILE, BOØWY, and KUMAMON continued (with some rooms ending), two previously developed rooms that enjoyed tremendous popularity, BIGBANG and Hatsune Miku, were re-launched by popular demand with new room designs. A new collaboration room with popular rock band SID was also developed in commemoration of the band's 10th anniversary.

#### BIGBANG Room

**Shibuya Miyamasuzaka-guchi Ekimae Shop, Yurakucho Shop, Nagoya Taikotori-guchi Shop, Umeda Chuo Shop, Umeda Kitashinchi Osaka Station 3 Building Mae Shop, Harinakanon Ekimae Shop**

Period: November 16, 2013 to March 31, 2014 (Scheduled)

#### Hatsune Miku Room

**Akihabara Ekimae Shop, Fujisawa Ekimae Shop**

Period: November 22, 2013 to February 28, 2014 (Scheduled)

#### SID Room

**Shibuya Ekimae Shop**

Period: September 27, 2013 to January 31, 2014 (Scheduled)

**Sennichimae AMZA Shop**

Period: October 18, 2013 to January 31, 2014 (Scheduled)



BIGBANG Room (concept image)



SID Room

#### ◆BIG ECHO, Thanking You for 25 Years

The karaoke cabin business BIG ECHO commemorated its 25th anniversary on September 14. To celebrate its 25th anniversary, BIG ECHO held a “Birth Thanksgiving” over the three day period from its birthday on September 14 to September 16 (during that time, people born on September 14, 1988, people born on September 14, and people born in 1988 received special benefits such as free room charge and discounts).

\* Please see page 12 “Close-up Exploring Daiichikoshō's Business” for other anniversary-related information.



### Restaurants

#### ◆Strong Performance from Irish & Sport Bar CELTS

CELTS is an Irish pub that customers can visit casually to enjoy an abundant assortment: Heineken, Guinness, and other international beers, more than 50 different cocktails, and a food menu that complements Irish spirits and beers. There are many CELTS that are established together with BIG ECHO shops and dining businesses. Such CELTS is recommended as a place not only to have just one drink there before or after karaoke, but also for partying on to after a party or for various kinds of events. During sporting events, everyone inside the bar is in line-of-sight of a large TV monitor, which makes it a great space for generating an exciting atmosphere. CELTS shops also sign official contracts with professional soccer teams belonging to the same region and conduct other community social activities.



#### Irish & Sport Bar CELTS Location List [Tochigi Pref.]

**Utsunomiya Ikegami**

1st Floor, Marui Bldg., 3-11 Ikegami-cho, Utsunomiya-shi, Tochigi  
TEL: 028-614-4747

[Tokyo]

**Shinagawa Konan-guchi**

1st Floor, CANALE Shinagawa, 2-5-14 Konan, Minato-ku, Tokyo  
TEL: 03-5781-7322

**Yaesu**

1st Floor, Nisshin Bldg., 3-2-17 Nihonbashi, Chuo-ku, Tokyo  
TEL: 03-5205-3801

**Kanda-Ogawamachi**

SOMPO JAPAN Kanda-Ogawamachi Bldg., 2-2-6 Kanda-Ogawamachi, Chiyoda-ku, Tokyo  
TEL: 03-5217-0055

**Kamata Minami-guchi Ekimae**

AL House Kamata, 5-13-31 Kamata, Ota-ku, Tokyo  
TEL: 03-5714-4177

**Osaki ThinkPark**

2nd Floor, ThinkPark, 2-1-1 Osaki, Shinagawa-ku, Tokyo  
TEL: 03-5436-2855

[Kanagawa Pref.]

**Hiratsuka**

1st Floor, 10-8 Beniya-cho, Hiratsuka-shi, Kanagawa  
TEL: 0463-24-0555

\* Collaboration with professional soccer team Shonan Bellmare

**Yokohama Kannai**

Isobe Masago-cho Bldg., 4-39, Masago-cho, Naka-ku, Yokohama-shi, Kanagawa  
TEL: 045-680-4177

**Keikyu Kawasaki Ekimae**

2nd Floor, Yoro-no-taki Kawasaki Bldg., 15-13 Ekimae Honcho, Kawasaki-ku, Kawasaki-shi, Kanagawa  
TEL: 044-221-3155

**Odawara**

1-2-11 Sakae-cho, Odawara-shi, Kanagawa  
TEL: 0465-22-8055

[Nagano Pref.]

**Matsumoto Ekimae**

1-5-1 Chuo, Matsumoto-shi, Nagano  
TEL: 0263-31-8055

\* Collaboration with professional soccer team Matsumoto Yamaga F.C.

[Osaka]

**Osaka Honmachi**

1st Floor, Honmaruta Bldg., 3-4-5 Azuchimachi, Chuo-ku, Osaka-shi, Osaka  
TEL: 06-4964-1818

**Umeda Sakurabashi**

1st Floor, DK. US Bldg., 1-4-17 Sonezaki-shinchi, Kita-ku, Osaka-shi, Osaka  
TEL: 06-6442-1055

[Fukuoka Pref.]

**Nishinakasu**

1st Floor, 3-11-12 Haruyoshi, Chuo-ku, Fukuoka-shi, Fukuoka  
TEL: 092-737-5000

\* Collaboration with professional soccer team Avispa Fukuoka

[Kumamoto Pref.]

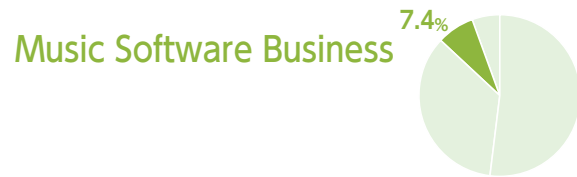
**Kumamoto Shimotori**

1st Floor, 14-15 Shimotori, Chuo-ku, Kumamoto-shi, Kumamoto  
TEL: 096-355-0002

\* Collaboration with professional soccer team Roasso Kumamoto

(As of November 1, 2013)

# Overview by Segment

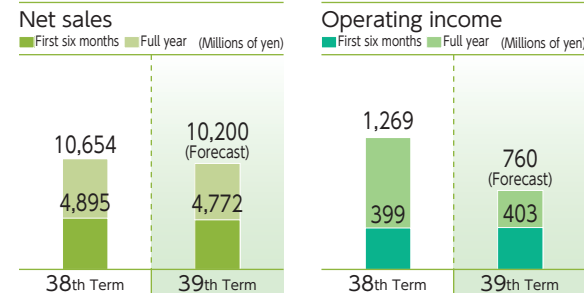


Net sales: **4,772** million yen  
(year-on-year decrease of **2.5%**)

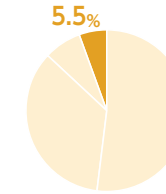
Operating income: **403** million yen  
(year-on-year increase of **1.1%**)

In the music software business, contributed to revenues were works by young J-POP artists such as Sonar Pocket, the soundtrack to the recent popular STUDIO GHIBLI film, The Wind Rises (*Kaze Tachinu*), as well as big-name-artist "best of" compilations and tribute albums, in addition to mainstay enka (popular ballad) works by artists such as Saburo Kitajima and

Kaori Mizumori.  
As a result of the above, net sales of the music software business segment for the period under review decreased 2.5% compared with the corresponding period in the previous fiscal year, to 4,772 million yen. Operating income rose 1.1%, to 403 million yen.



## Other Business



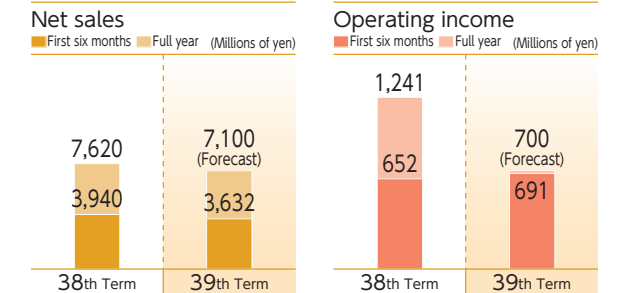
Net sales: **3,632** million yen  
(year-on-year decrease of **7.8%**)

Operating income: **691** million yen  
(year-on-year increase of **6.0%**)

In the other business, the service STAR digio HIKARI, a BGM broadcast utilizing optical fiber networks, started in July. In the content services to mobile phones, we endeavored to reduce costs.

As a result of the above, net sales in the other business segment for the period under review

decreased 7.8% compared with the corresponding period in the previous fiscal year, to 3,632 million yen. Operating income increased 6.0%, to 691 million yen.



### TOPICS (Music Software Business)

#### Profiles of Much-Talked-About Artists

##### ◆POPS



**Yun\*chi** OROWA NIPPON CROWN Co., Ltd.  
Yun\*chi's first single *Your song\**, released on November 13, 2013, became the ending theme music to animation LOG HORIZON, and her debut mini album *Yun\*chi* was awarded best album cover at the third annual MUSIC JACKET AWARDS 2013. She is also attracting a fan base overseas and performed at HYPER JAPAN 2013 held in London in July.



**Sonar Pocket** TOKUMA JAPAN COMMUNICATIONS  
Following on from its fourth album release in February 2013 that reached to No. 2 on the Oricon Album Weekly Ranking, Sonar Pocket, celebrating its fifth year of debut, released its "Best of" compilation album in September and reached No. 3. As reflected by the speed at which their two-day concert scheduled this November at Yoyogi 1st Gymnasium Arena sold out, they are solidifying their position in the J-POP scene as the "Love Song Master." Sonar Pocket will release a new single on November 27.

##### ◆Enka (Popular Ballads) / Popular Songs



**Saburo Kitajima** OROWA NIPPON CROWN Co., Ltd.  
Having celebrated his 77th birthday in October 2013, Saburo Kitajima continues to further his artist career. He has performed at NHK's year-end "Kohaku Uta Gassen" Red (women) and White (men) Singing Contest a total of 49 times, a record of his own that he has been extending each year. He plans to release a new song on January 1, 2014 and aims to update the record for the oldest artist to receive No. 1 on the Oricon Enka Chart.



**Kaori Mizumori** TOKUMA JAPAN COMMUNICATIONS  
Kaori Mizumori has enjoyed a longstanding hit from her single *Ise Meguri* that was released in April 2013. In September, she released her twelfth album to express a journey in song, *Kayou Kikou 12—Ise Meguri*. She has stayed in the limelight, making numerous appearances on variety and talk shows on commercial TV channels. On November 27, she released a video clip compilation DVD *Kaori Mizumori—Original Collection 2*.

### TOPICS (Other Business)

#### Commercial BGM Service STAR digio HIKARI has Started!



Since July 1, 2013, the Company has started to newly offer STAR digio HIKARI, a wired radio broadcasting paid service that utilizes the infrastructure of NTT FLETS Hikari.

Until this year, the commercial-use BGM broadcasting service offered by the Company has been STAR DAM, a commercial-use BGM/BGV service package that utilizes the infrastructure of satellite (CS) broadcasting. Recently, a growing number of shops with communication-compatible karaoke systems installed are changing to optical fiber connections. If such shops also think about introducing BGM, the STAR digio HIKARI will offer a BGM service that can be efficiently introduced. We also offer services for the commercial-use market such as retail establishments and offices in which there is a growing use of optical fiber networks. Looking forward, the Company will provide BGM matching the atmosphere of shops and offices through both STAR digio HIKARI and STAR DAM lineups.



# Consolidated Financial Summary

► For detailed financial information, please see the Financial Highlights section on the Company's website: <http://www.dkkaoko.co.jp/english/financial>

## Interim Condensed Consolidated Balance Sheet

(Millions of yen)

Item	38th Term As of March 31, 2013	Interim period of 39th Term As of September 30, 2013
<b>Assets</b>		
<b>Current assets</b>	<b>62,365</b>	<b>62,606</b>
<b>Noncurrent assets</b>	<b>97,113</b>	<b>98,164</b>
Property, plant and equipment	54,484	55,706
Intangible assets	6,361	6,162
Investments and other assets	36,268	36,295
<b>Total assets</b>	<b>159,479</b>	<b>160,771</b>
<b>Liabilities</b>		
<b>Current liabilities</b>	<b>27,384</b>	<b>25,258</b>
<b>Noncurrent liabilities</b>	<b>31,780</b>	<b>31,584</b>
<b>Total liabilities</b>	<b>59,164</b>	<b>56,842</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>	<b>96,490</b>	<b>100,567</b>
Capital stock	12,350	12,350
Capital surplus	6,026	6,026
Retained earnings	78,119	82,196
Treasury stock	(5)	(5)
<b>Accumulated other comprehensive income</b>	<b>2,768</b>	<b>2,254</b>
Valuation difference on available-for-sale securities	3,646	3,034
Revaluation reserve for land	(777)	(777)
Foreign currency translation adjustment	(100)	(1)
<b>Minority interests</b>	<b>1,056</b>	<b>1,106</b>
<b>Total net assets</b>	<b>100,315</b>	<b>103,928</b>
<b>Total liabilities and net assets</b>	<b>159,479</b>	<b>160,771</b>

\* Amounts of less than one million yen are truncated.

[Notes]	38th Term	Interim period of 39th Term
1. Guarantee obligation	60 million yen	36 million yen
2. Net assets per share	1,662.00 yen	1,721.68 yen

## POINT

### Current assets

The 240 million yen increase in current assets was mainly due to an increase of 1,196 million yen in prepaid expenses—other included in other, an increase of 825 million yen in cash and deposits and a decrease of 1,842 million yen in notes and accounts receivable—trade.

### Noncurrent assets

The 1,050 million yen increase in noncurrent assets was mainly due to an increase of 1,609 million yen in land, an increase of 1,021 million yen in karaoke rental equipment and a decrease of 984 million yen in investment securities.

### Current liabilities

The 2,125 million yen decrease in current liabilities was mainly due to an increase of 444 million yen in provision for bonuses, an increase of 295 million yen in notes and accounts payable—trade, a decrease of 2,935 million yen in accounts payable—other included in other.

### Noncurrent liabilities

The 195 million yen decrease in noncurrent liabilities was mainly due to an increase of 219 million yen in provision for retirement benefits and a decrease of 604 million yen in long-term loans payable.

## Interim Condensed Consolidated Statements of Income

(Millions of yen)

Item	Interim period of 38th Term from April 1, 2012 to September 30, 2012	Interim period of 39th Term from April 1, 2013 to September 30, 2013
<b>Net sales</b>	<b>62,747</b>	<b>64,924</b>
Cost of sales	36,620	37,522
<b>Gross profit</b>	<b>26,127</b>	<b>27,402</b>
Selling, general and administrative expenses	16,663	17,312
<b>Operating income</b>	<b>9,464</b>	<b>10,089</b>
Non-operating income	973	1,203
Non-operating expenses	302	433
<b>Ordinary income</b>	<b>10,135</b>	<b>10,859</b>
Extraordinary income	31	3
Extraordinary loss	162	202
<b>Income before income taxes and minority interests</b>	<b>10,004</b>	<b>10,660</b>
Income taxes—current	4,073	4,765
Income taxes—deferred	(22)	(325)
Income before minority interests	5,952	6,220
Minority interests in income	40	52
<b>Net income</b>	<b>5,911</b>	<b>6,167</b>

\* Amounts of less than one million yen are truncated.

[Notes]	Interim period of 38th Term	Interim period of 39th Term
Net income per share	94.77 yen	103.27 yen

## POINT

### Net sales

Although the music software business and the other business experienced reduced sales, sales increased in the commercial karaoke business as well as in the karaoke cabin and restaurant business. As a result, net sales totaled 64,924 million yen, a 3.5% increase compared with the corresponding period in the previous fiscal year. This figure represents all-time high for the first six months period.

### Operating income and ordinary income

Although the karaoke cabin and restaurant business experienced a drop in income, the commercial karaoke business, the music software business and the other business all recorded increases in income. As a result, operating income totaled 10,089 million yen, a 6.6% increase compared with the corresponding period in the previous fiscal year, and ordinary income rose 7.1% to 10,859 million yen. Both figures represent all-time high for the first six months period.

### Net income

In line with the increases in operating income and ordinary income, net income totaled 6,167 million yen, an increase of 4.3% compared with the corresponding period of the previous fiscal year. This figure represents all-time high.

## POINT

### Net cash provided by (used in) operating activities

- Income before income taxes and minority interests 10,660 million yen
- Depreciation and amortization 6,293 million yen
- Increase in notes and accounts payable—trade 273 million yen

### Net cash provided by (used in) investing activities

- Purchase of property, plant and equipment 6,214 million yen
- Purchase of intangible assets 1,689 million yen
- Payments for acquisition of video licenses 1,000 million yen

### Net cash provided by (used in) financing activities

- Proceeds from long-term loans payable 1,260 million yen
- Repayment of long-term loans payable 1,726 million yen
- Cash dividends paid 2,090 million yen

## Interim Condensed Consolidated Statements of Cash Flows

(Millions of yen)

Item	Interim period of 38th Term from April 1, 2012 to September 30, 2012	Interim period of 39th Term from April 1, 2013 to September 30, 2013
<b>Net cash provided by (used in) operating activities</b>	<b>11,965</b>	<b>12,746</b>
<b>Net cash provided by (used in) investing activities</b>	<b>(8,311)</b>	<b>(9,109)</b>
<b>Net cash provided by (used in) financing activities</b>	<b>5,821</b>	<b>(2,503)</b>
Effect of exchange rate change on cash and cash equivalents	(27)	(24)
Net increase (decrease) in cash and cash equivalents	9,447	1,108
Cash and cash equivalents at beginning of period	34,367	41,963
Cash and cash equivalents at end of period	43,814	43,071

\* Amounts of less than one million yen are truncated.

## The Company Receives Visit from UN Ambassador Anwarul K. Chowdhury, Former United Nations Undersecretary-General

— Senior United Nations Staff Members and Government Representatives of Countries Hold Profound Admiration Toward Benefits of Karaoke —

On August 14, 2013, UN Ambassador Anwarul K. Chowdhury visited the Head Office of Daiichikoshi Co., Ltd. on behalf of the United Nations and had a conversation with the Company's president, Saburo Hayashi.

Ambassador Chowdhury expressed his gratitude for the continuation of support activity\* for disaster-affected areas in relation to the Great East Japan Earthquake and also said, "At last year's Debriefing\*\*, Senior United Nations Staff Members and Government Representatives of countries held profound admiration for the benefits of karaoke. Karaoke has a quality that contributes in four areas: **psychological care after a disaster, physical and psychological assistance for the elderly, utilization for disabled persons, and problem solving for 'cultural diversity.'** It is therefore considered as an extremely valuable tool for realizing the objectives of the United Nations. Across the world, karaoke is still perceived only with the preconception that it is one form of amusement. To further spread the wonderful quality of karaoke throughout the world, it is our wish to bring about events at the United Nations Headquarters in New York that show the potential of karaoke." In response, President Hayashi said,

"It is very pleasing to hear this. Even in Japan, karaoke was perceived as an amusement. However, in recognition of our achievements in having developed karaoke as a culture of Japanese origin, the Company's founder received an award of honor this year from Japan's government. The path the Company has taken has definitely not been smooth. However, so that a culture of Japanese origin may contribute to the building of peace in the world, the Company, in addition to striving for business successes, shall also be dedicated to fulfilling our responsibility toward society and raising the social importance of karaoke."

The above conversation mentioned the benefits of karaoke for the elderly. A system being developed to actually provide such benefits, the DK Elder System, has already been introduced to about 12,000 facilities, including day-care centers, across Japan as of September this year.



Left: President Saburo Hayashi  
Right: UN Ambassador Anwarul K. Chowdhury

\* Since January 21, 2012, the Company has cooperated in "Friends of the United Nations Sing for Smile Program" developed by Friends of the United Nations as support activity for disaster-affected people in relation to the Great East Japan Earthquake by dispatching a Karaoke Car to temporary housing areas in the disaster-affected areas and supporting circuit medical treatment operations by medical teams. Two and one-half years have now passed since the disaster, and in the disaster-affected areas where ongoing support is declining sharply, times when smiling faces and singing voices can flow provide encouragement to people trying to rebuild their lives and overcome despair. In the disaster-affected areas where it takes time to recover from such loss and amusement is lacking, people were happy about the significant role that singing by karaoke plays to build community among residents and release stress. These activities are being conducted in Rikuzentakata City and Ofunato City in Iwate Prefecture. Both these cities have evaluated the activities highly for the effect that they have had on the psychological care of all residents having to live in temporary housing.

\*\* Upon receiving an invitation to the Debriefing, President Hayashi visited the United Nations Headquarters in New York to attend the "Post Disaster Management Ceremony at the United Nations Headquarters" where reports were given on the psychological care of those affected by natural disasters, which included the circuit medical treatment operation using the Karaoke Car, which was the first attempt of its kind in the world, the importance of humanitarian assistance, and the assessments in the disaster-affected areas.

In the plenary session at the UN Headquarters, a letter of appreciation was granted to him by Dr. Noel J. Brown, and in a specially established delegation room, an activity report was presented on Karaoke Car in the "Friends of the United Nations Sing for Smile Program."



## 1988 → 2013 BIG ECHO, Thanking You for 25 Years, Envisions a Future That Brings Many Smiles



**Kenichi Nemoto**  
Senior Managing Director and Senior Corporate Officer  
General Manager of Shop Business Division

On September 14, 1988, BIG ECHO opened its first karaoke shop in Futamatase, Fukuoka, and within four years, rapidly expanded to 263 shops to become the first nation-wide chain. In 2013, BIG ECHO now can celebrate 25 years, having developed to a size of roughly 340 shops over this time through a policy of scrap and build.

In these 25 years, BIG ECHO has been engaged in the development and evolution of the karaoke cabin business as a whole. From the age of the container model, we transitioned to the in-building model, and then again to opening complexes featuring restaurants and developing BIG ECHO as multibrand. Throughout such changes, we have devoted our energies to developing shop formats, enhancing services and responding swiftly to customers' needs.

We believe the present-day karaoke cabins are recognized as national entertainment for all people to enjoy from children to the elderly.

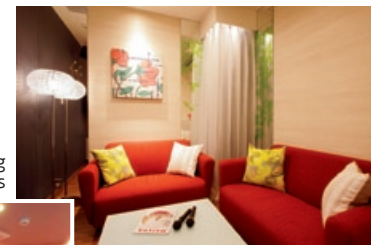
Furthermore, at BIG ECHO, we place importance on taking care of our customers, aiming to provide "acoustics,"

"cleanliness," "facility management," and other elements to deliver an all-round satisfactory user experience, thus bringing smiles to all.

Looking around in each room, we can encounter the wonderful smiling faces of people singing. With everyone sharing the same time in this way, what better space has there ever been to bring such smiles?

Looking forward, we will further develop and expand the business such as through the evolution and growth of complexes featuring restaurants (shop openings) and developing BIG ECHO as multibrand, including franchise chain shops, so that we may continue to provide this wonderful entertainment.

We promise there is much to look forward to.



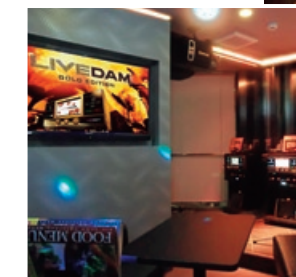
Concept room matching customers' needs



First BIG ECHO karaoke shop (Futamatase, Fukuoka)



Complex featuring restaurant (Kyoto Ekimae Shop)



We are waiting for your visit.

# Corporate Profile (as of September 30, 2013)

## Corporate Profile

Corporate name	Daiichikoshō Co., Ltd.	
Location	5-5-26 Kitashinagawa, Shinagawa-ku, Tokyo 141-8701 Telephone: +81-3-3280-2151 (switchboard)	
Established	April 16, 1973	
Paid-in capital	12,350 million yen	
Number of employees	The Company	1,550
	The Group	3,061
Listing on JASDAQ	September 19, 1995	

## Officers

Honorary Chairman	Tadahiko Hoshi
President	Saburo Hayashi
Senior Managing Director and Senior Corporate Officer	Kenichi Nemoto
Senior Managing Director and Senior Corporate Officer	Tatsuya Kumagai
Senior Managing Director and Senior Corporate Officer	Hiroshi Mitomi
Managing Director and Senior Corporate Officer	Tadahiro Hoshi
Managing Director and Senior Corporate Officer	Yuichi Murai
Managing Director and Senior Corporate Officer	Yasutaka Wada
Director and Corporate Officer	Yasuhiro Watanabe
Director and Corporate Officer	Akira Miyake
Director and Corporate Officer	Noriyuki Takehana
Director	Mitsuru Yoshikawa
Director	Yoshimi Shimizu
Standing Corporate Auditor (outside)	Fumito Ishizaka
Standing Corporate Auditor (outside)	Nobuaki Otsuka
Standing Corporate Auditor	Nobuyuki Takase
Corporate Auditor (outside)	Masumi Arichika
	Corporate Officer Hisahiro Ogura
	Corporate Officer Akihito Yoshizawa
	Corporate Officer Shigeki Kobayashi
	Corporate Officer Hiroshi Kunitsu
	Corporate Officer Kenji Otsuka
	Corporate Officer Ichio Odagiri

## The Daiichikoshō Group The Company and consolidated subsidiaries



### Main Business Activities

- Commercial karaoke business
- Karaoke cabin and restaurant business
- Music software business

## Domestic sales subsidiaries: 24 companies

Hokkaido Daiichikoshō Co., Ltd.	Johoku Daiichikoshō Co., Ltd.	Tokai Daiichikoshō Co., Ltd.
Higashihokkaido Daiichikoshō Co., Ltd.	Taito Daiichikoshō Co., Ltd.	Hokuriku Daiichikoshō Co., Ltd.
Kitatohoku Daiichikoshō Co., Ltd.	Joto Daiichikoshō Co., Ltd.	Kyoto Daiichikoshō Co., Ltd.
Tohoku Daiichikoshō Co., Ltd.	Josai Daiichikoshō Co., Ltd.	Daiichikoshō Kinki Co., Ltd.
Jyoban Daiichikoshō Co., Ltd.	Shonan Daiichikoshō Co., Ltd.	Keihan Daiichikoshō Co., Ltd.
Gunma Daiichikoshō Co., Ltd.	Niigata Daiichikoshō Co., Ltd.	Hyogo Daiichikoshō Co., Ltd.
Tochigi Daiichikoshō Co., Ltd.	Nagano Daiichikoshō Co., Ltd.	Kyushu Daiichikoshō Co., Ltd.
Saitama Daiichikoshō Co., Ltd.	Shizuoka Daiichikoshō Co., Ltd.	Okinawa Daiichikoshō Co., Ltd.

## Other domestic subsidiaries: 10 companies

DK Finance Co., Ltd.	DK Music Publishing Co., Ltd.
Nippon Crown Co., Ltd.	Crown Music Enterprise Co.
Tokuma Japan Communications Co., Ltd.	Zoom Republic
CROWN TOKUMA music distribution Co., Ltd.	Union Eiga Co., Ltd.
Tri-M, Inc.	Maruhagi Yoshu Kogyo Co., Ltd.

## Overseas subsidiaries: 3 companies

DK KOREA Co., Ltd.	DAIICHI KOSHO (SHANGHAI) TRADE CO., LTD.
Daiichikoshō (Shanghai), Ltd.	

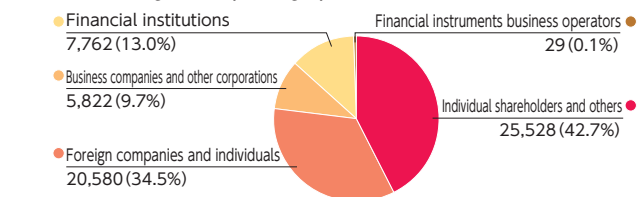
# Status of the Shares of the Company (as of September 30, 2013)

- Number of authorized shares 200,000,000 shares
- Number of shares outstanding 59,725,000 shares
- Number of shareholders 16,448
- Major shareholders

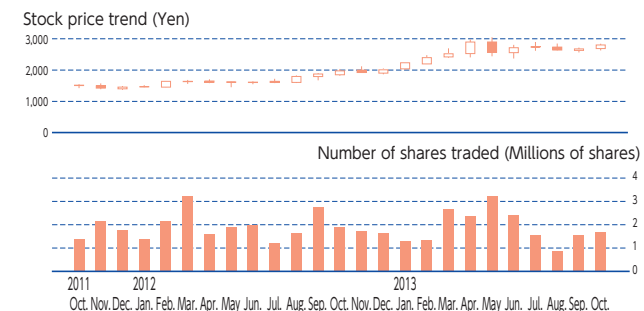
Name of shareholder	Number of shares held (thousands of shares)	Ratio of voting rights (%)
Tadahiro Hoshi	6,846	11.5
Harutoshi Hoshi	6,719	11.3
State Street Bank and Trust Company	4,693	7.9
Hoshi Create Limited	2,449	4.1
Asahi Breweries, Ltd.	2,120	3.5
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,804	3.0
Japan Trustee Services Bank, Ltd. (Trust Account)	1,456	2.4
The Chase Manhattan Bank N.A. London S.L. Omnibus Account	1,279	2.1
Mitsubishi UFJ Trust and Banking Corporation	1,148	1.9
The Dai-ichi Life Insurance Company, Limited	900	1.5

- (Notes) 1. The Company holds 2,714 shares of treasury stock.  
2. Values in "Number of shares held" and "Ratio of voting rights" are rounded down to the nearest unit.

## Shareholding Ratio by Category (thousands of shares/shareholding ratio)



## Stock price (monthly candlestick chart)



## The Company's website

Information to help everyone invest, the latest information on BIG ECHO, DAM★Tomo and other information are posted on our website. (Japanese only)  
Please visit us online and find more details.

URL <http://www.dk karaoke.co.jp/>



Front page

## BIG ECHO



<http://big-echo.jp/>

## DAM★Tomo



<http://www.clubdam.com/damtomo/>

Above screen current as of October 31, 2013