

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 March 31, 2014 as holding 100 or more shares will be granted special benefits coupons according to the number of shares held.

Number of shares held	Details of benefits	Issued semiannually	
		Special benefits coupon ^{(*)1}	Exchange with CD(s) ^{(*)2}
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 June 20, 2014
Validity period: July 1, 2014 to December 31, 2014

ECHO

Vol.37 Business Report for the 39th Term
April 1, 2013 to March 31, 2014

CONTENTS

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





President

Saburo Hayashi

users, the Group aggressively opened new shops in strategic locations, focusing particularly on the karaoke cabin business BIG ECHO, which celebrated its 25th anniversary, and added a prominent regional chain to the Group to expand the number of shops and become the largest chain of karaoke cabin shops.

As the leading company in this industry, the Daiichikoshō Group embraces its responsibility to perpetuate karaoke as a leisure activity in which all people, men and women, children and elders, can participate and have fun.

Moreover, the Daiichikoshō Group aspires to be a corporate group that contributes to society through its business, exerting full efforts to meet societal needs in the field of the health industry, and also to provide support for disaster-affected areas.

Please accept my sincerest thanks in anticipation of your ongoing support.

Overview of FY2013

In the fiscal year ended March 31, 2014, economic activity in Japan followed a trend of moderate recovery, as observed by signs of improved corporate earnings, which benefited from monetary and economic measures by the government. The future outlook continues to be uncertain, however, as the demand was partly the rush by consumers to buy before the increase in consumption tax and there are concerns about the future direction of consumer trends.

Operating under these circumstances, in its commercial karaoke business, the Daiichikoshō Group focused on expanding sales of its DAM systems, and worked to provide products and marketing capabilities that cater 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 business categories to cater to the needs of a wide range of customer segments. In the music software business, products launched by the Group included the distinctive popular works.

It gives me great pleasure to present the Business Report of Daiichikoshō Co., Ltd. (the "Company") for the 39th Term (April 1, 2013 to March 31, 2014).

In the commercial karaoke business, the Daiichikoshō Group focused on expanding the market share of its communication-compatible karaoke system Daiichikoshō Amusement Multimedia (DAM) with a lineup of products to comprehensively meet needs in all markets.

Of these markets, the Daiichikoshō Group targeted the elder business, which aims to help maintain health and prevent care dependence among the elderly, as a growth market and developed this business comprehensively. As a result of concentrating on not only strengthening content but also proposing session programs and training instructors, the elder business has now installed the DK ELDER SYSTEM in more than 13,000 facilities, and this market is steadily growing as the Group's third pillar after the night-time market (small pubs and clubs that have installed karaoke systems) and day-time market (karaoke cabins).

As for the shop business, where shareholders can connect directly with the Daiichikoshō Group as regular

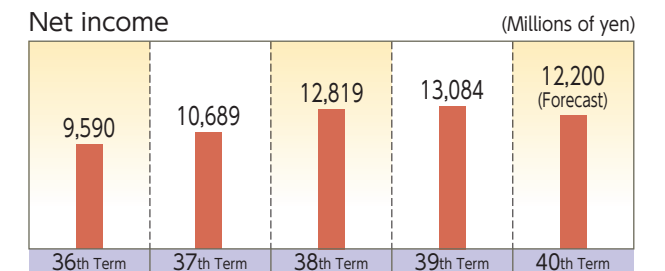
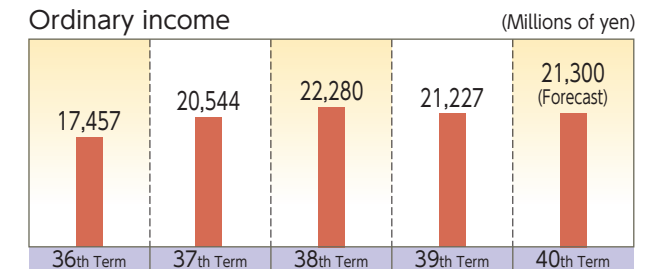
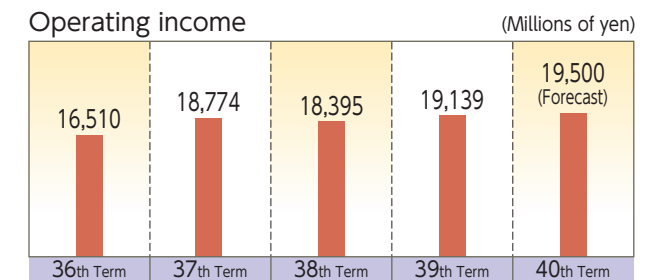
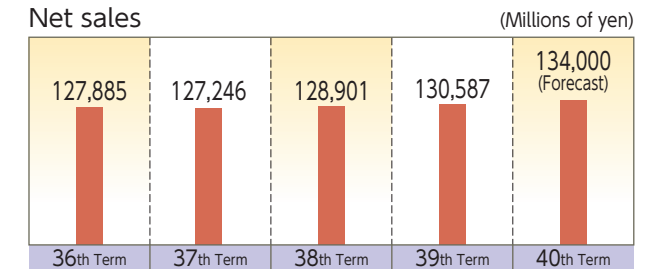
As a result of the above, and because both the commercial karaoke business and the karaoke cabin and restaurant business increased their net sales, while sales in the music software business and the other business decreased, net sales for the period under review amounted to 130,587 million yen (up 1.3% compared with the previous fiscal year). This figure represents all-time high. From the income standpoint, despite receiving decreased income from the karaoke cabin and restaurant business and the music software business, income increased in the commercial karaoke business and the other business. As a result, operating income totaled 19,139 million yen (up 4.0%), ordinary income amounted to 21,227 million yen (down 4.7%). Moreover, net income came to 13,084 million yen (up 2.1%), reflecting increases in extraordinary income including gain on sales of investment securities. Except for ordinary income, operating income and net income both represent all-time highs.

Outlook for FY2014

In order to promote the enjoyment of karaoke among all age groups—from the young generation to seniors—the Daiichikoshō Group will focus on reinvigorating the karaoke market centering on the commercial karaoke (karaoke systems and contents provision) and karaoke cabin and restaurant businesses (provision of karaoke venues), and creating hit songs through the music software business, which we believe will lead to improving revenues. Moreover, the Group will expand its business activities that provide contribution to society by offering karaoke as a method of preventing care dependence and maintaining health in an aging society.

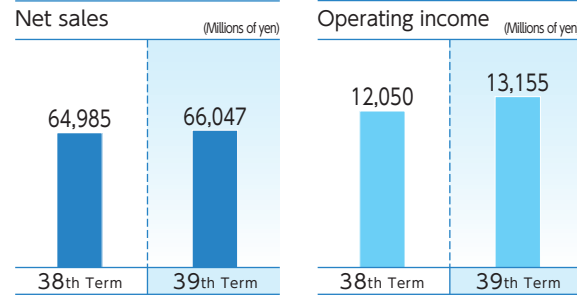
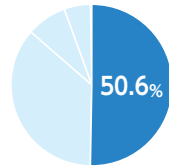
The business performance forecast for the next fiscal year ending March 31, 2015 is net sales of 134.0 billion yen, operating income of 19.5 billion yen, ordinary income of 21.3 billion yen, and net income of 12.2 billion yen.

Consolidated Financial Highlights



Overview by Segment

Commercial Karaoke Business



In the commercial karaoke business, the Daiichikoshō Group strove to expand sales to the mainstay karaoke cabin market and night-time market centered on the flagship product “LIVE DAM GOLD EDITION.” Also, in the elder market, which is a growing field, the Group concentrated its efforts on instructor training and enhancing elder content. Through these efforts, both the numbers of DAM systems in use and system rental contracts steadily increased.

As a result of the above, due to the increase in revenues from equipment rentals and information fees in association with the increased number of systems in use, net sales of the commercial karaoke business segment increased 1.6% and operating income rose 9.2% compared with the previous fiscal year.

◆ Kanna Hashimoto on DAM CHANNEL!

Idol Kanna Hashimoto (member of Rev. from DVL), touted “talented girl of the millennium,” became the 11th Main MC of entertainment information content “DAM CHANNEL” in April 2013, which broadcasts between songs of the communication-compatible karaoke DAM. She is DAM CHANNEL’s youngest ever MC.



Kanna Hashimoto

An active member of the dance/vocal/idol unit Rev. from DVL hailing from Fukuoka. In November 2013, Kanna Hashimoto’s photo showing her dancing at an event went viral on the Internet with accompanying remarks such as “talented girl of the millennium” or “too angelic!” and related video on YouTube also gathered attention by exceeding 2.5 million views. Becoming a sensation in this way, she was suddenly overwhelmed with offers for commercial and television appearances.

DAM CHANNEL

DAM CHANNEL is information content that mostly provides music information. It mixes the MC’s interviews with much-talked-about artists as well as “D-PUSH! ARTIST” whom Daiichikoshō are pushing, in addition to lots of other entertainment information such as trending karaoke content and movie information. First started in August 2004, DAM CHANNEL is recognized by the entertainment industry such as the music industry and the movie industry as a channel for “power play” promotional media with the charm of it playing on a loop during intervals of karaoke performances. There are featured performances from a wide range of artists.

TOPICS (Commercial Karaoke Business)

◆ A Steadily Changing Lineup of Top Artists in LIVE DAM Series MAMA OTO!

—In addition to live-performance video by the artist, LIVE DAM provides original voice and music as karaoke—

Masaharu Fukuyama

As well as being a singer, Masaharu Fukuyama is also active in various fields such as being an actor, radio DJ, photographer and music producer. In LIVE DAM there is total of five live song performances, four songs from an annual end-of-year live in December 2012 and one song from his first live performance in Okinawa in August 2011. (Only streaming until February 2017)



Hikaru Utada

In LIVE DAM there are three songs from a fully invitation-only live event by Hikaru Utada, Luv Live at Zepp Tokyo, which she performed at age 16, just after the release of her first album. Fans describe it as “legend.” (Only streaming until March 2015)



Frank Nagai

Famous as a singer with “deep-voice charm,” Frank Nagai enjoyed a string of hits following his debut in 1955 and overwhelmed the whole nation in those days. Although he died in 2008, his penetrating, sonorous voice and vibrato-filled songs continue to be dearly loved. In LIVE DAM there are six of his all-time most popular songs.



*MAMA OTO (literally, “sound, as it is”) is content that allows one to sing along while listening to the artist’s voice while viewing a video of the artist. To enhance enjoyment of watching the video, the lyrics are displayed at a smaller size. As this content is for the exclusive use of LIVE DAM series BB (broadband connection) equipment, it may not be possible to use it with some other equipment. The delivery schedules may also change, due to changing circumstances.

◆ Debut of LIVE DAM RED TUNE (DAM-XG5000R) on April 8

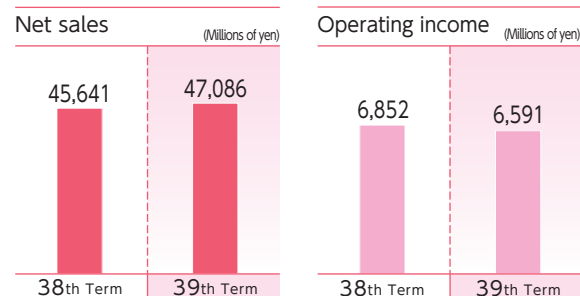
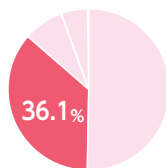
The new flagship model LIVE DAM RED TUNE is a third generation system of the LIVE DAM Series that impresses with such features as full HD video and high quality sound. While carrying on LIVE DAM’s reputation for high quality, it has a vivid-red based, eye-catching design.

In addition to “LIVE Karaoke” and “MAMA OTO,” the content has been enhanced in all genres including anime and special effects films that can be enjoyed by children and adults alike. In particular, the number of songs in video content for kids and family has increased massively and there are more opportunities than ever before for karaoke to be enjoyed as a family pastime.



Overview by Segment

Karaoke Cabin and Restaurant Business



In the karaoke cabin and restaurant business, in addition to developing the business as multi-brand, the karaoke cabin business BIG ECHO focused on such projects as concept rooms, famous-artist-themed collaboration rooms, and 25th anniversary commemorations, aiming to attract customers and improve customer satisfaction. Furthermore, while promoting opening of its karaoke shops as complexes with restaurants compatible with the region and predominant customer segment, the Company made the operating company of karaoke cabin chain KARAOKE Banana Club a wholly owned subsidiary in February, which will provide a stronger business base in the Shikoku region for the next fiscal year. In the restaurant business, the Company responded swiftly and accurately to changes in the market and customer needs by ensuring the necessary flexibility to convert business formats.

As a result of the above and aggressively opened new shops in strategic locations, net sales of the karaoke cabin and restaurant business segment increased 3.2% compared with the previous fiscal year. Operating income decreased 3.8%, however, due mainly to the cost of new shop openings and an increase in cost of sales.

TOPICS (Karaoke Cabin and Restaurant Business)

◆ KARAOKE Banana Club Chain in Shikoku Region Joins the Daiichikoshō Group

At the end of February 2014, KARAOKE Banana Club, which operates 18 shops throughout the Shikoku region, joined the Daiichikoshō Group as Banana Club & BIG ECHO through the Company acquiring the shares of the operating company. Adding to the existing 13 BIG ECHO shops, Daiichikoshō Group customers now have the choice of 31 shops in the Shikoku region.



Rainbow shop

Banana Club & BIG ECHO

Kagawa Pref. [Takamatsu and Tousan area]

Enza shop	920-1 Enza-cho, Takamatsu-shi	TEL: 087-886-5205
Imazato shop	3-4 Imazato-cho, Takamatsu-shi	TEL: 087-868-4141
Rainbow shop	2152-1 Fuseishi-cho, Takamatsu-shi	TEL: 087-865-1233
Miki shop	958-3 Hikami, Miki-cho, Kita-gun	TEL: 087-898-8839
Kawaramachi shop	2-6-14 Kawaramachi, Takamatsu-shi	TEL: 087-831-1755
Yashima shop	1623-2 Katada, Kasuga-cho, Takamatsu-shi	TEL: 087-841-8771
Shido shop	1424-2 Shido, Sanuki-shi	TEL: 087-894-8977

Kagawa Pref. [Takamatsu and Seisan area]

Kawanishi shop (Marugame)	2308-1 Kawanishi-cho Kita, Marugame-shi	TEL: 0877-28-1770
Harada shop (Marugame)	2260-5 Harada-cho, Marugame-shi	TEL: 0877-21-0028
Sakaide shop	1-487-7 Kume-cho, Sakaide-shi	TEL: 0877-44-6066

Kochi Pref. [Kochi area]

Tosa Doro shop	483-1 Asakurakou, Kochi-shi	TEL: 088-849-4600
Kera shop	242-1 Keraotsu, Kochi-shi	TEL: 088-860-0505
Gounose shop	145-1 Gounose-cho, Kochi-shi	TEL: 088-833-6877
Oroshi Danchi shop	5-32 Minamikubo, Kochi-shi	TEL: 088-861-8771

Ehime Pref. [Matsuyama and Seiyō area]

Kosaka shop	5-9-8 Kosaka, Matsuyama-shi	TEL: 089-947-7707
Kume shop	119-3-3 Minamikume-machi, Matsuyama-shi	TEL: 089-970-5400
Nakahagi shop (Niihama)	1-12-13 Tsuchihashi, Niihama-shi	TEL: 0897-40-7877

Tokushima Pref. [Tokushima area]

Aizumi shop	65-5 Nishinakazu, Okuno, Aizumi-cho, Itano-gun	TEL: 088-692-8771
--------------------	--	-------------------

◆ FamilyMart plus Daiichikoshō Constructing a New Shop Format by Combining Convenience Store With Karaoke Cabin

The Company and FamilyMart Co., Ltd. have concluded a comprehensive tie-up agreement to construct a new shop format that combines convenience store with karaoke cabin with the aim of providing convenience-store ease and convenience and karaoke-cabin high entertainment, simultaneously, as added value services to customers.

The first franchised brand and combined shop of a FamilyMart store and the karaoke cabin operated by the Company, KARAOKE CLUB



DAM (self-service), was opened on April 17, 2014 as the Kamata Minamiguchi Ekimae Shop.

While also operating as a regular convenience store, the shop also offers a more-relaxed style of self-service karaoke cabin where customers can freely enjoy food and beverages purchased at the FamilyMart store.

The Company and FamilyMart are operating a combined shop offering both convenience store and karaoke cabin functions through mutual utilization of infrastructure and knowhow held by both companies to provide new added value for a wide range of customers from children to elders.

Furthermore, the two companies will jointly develop various shop formats, such as karaoke cabin shops and convenience stores established together, that will more effectively utilize the space of new and existing karaoke cabin shops operated by the Company and better suit the

regional characteristics and site conditions both in urban and suburban areas.

◆ BIG ECHO's Sister Brand KARAOKE CLUB DAM

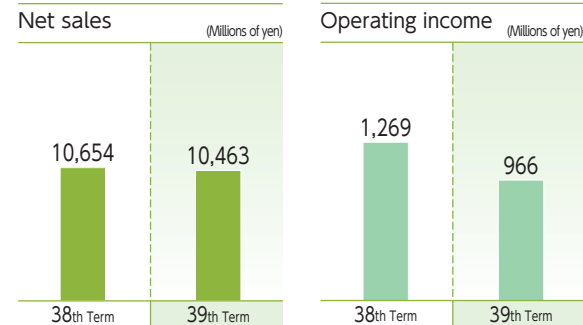
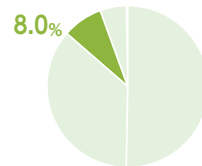
KARAOKE CLUB DAM is BIG ECHO's sister-brand franchise shop (some are directly-operated.) designed to meet diverse needs such as effective utilization of tenant-less buildings and plots of land. Across Japan, 20 shops of the brand are in operation as of March 31, 2014. (Some of these shops offers self-service.)

The Daiichikoshō Group provides the abundant experience and knowhow of the BIG ECHO business including not only site investigation and revenue simulation but also staff training, shop management, and advertising and promotion.



Overview by Segment

Music Software Business



In the music software business, each new-release work benefited from the distinct characteristics of the respective music software subsidiary that released it; these included soundtracks to recent popular STUDIO GHIBLI films, *The Wind Rises (Kaze Tachinu)* and *The Tale of Princess Kaguya (Kaguya Hime no Monogatari)*, in addition to enka (popular ballad) works by artists such as Saburo Kitajima, who became a hot topic across Japan in the run-up to New Year's Eve, and the deeply popular Kaori Mizumori and J-POP works by artists such as Sonar Pocket.

As a result of the above, net sales of the music software business segment decreased 1.8% compared with the previous fiscal year amid the absence of any massive hit works and operating income fell 23.9%.

TOPICS (Music Software Business)

Profiles of Each Company's Artists

◆ Enka (Popular Ballads) / Popular Songs

Saburo Kitajima

Last year, Saburo Kitajima performed at NHK's year-end "*Kohaku Uta Gassen*" Red (women) and White (men) Singing Contest for the 50th time. Upon reaching this milestone, he announced his retirement from the TV program. However, he has not yet forgotten his spirit of furthering his artistic career. His new work this year is expressing his characteristics through singing with a majestic and solemn style, about Mt. Takao that attracts a world-beating over 2.5 million visitors a year to its peak. The song was released on June 5, on the anniversary of his debut.



GROWN NIPPON CROWN Co., Ltd.

Kaori Mizumori

In her 19th anniversary since her debut, *Shimane Koi Tabi* is the 22nd single by Kaori Mizumori, Queen of Geographical Ballads. Her 15th geographical ballad is about a woman's solo journey in Shimane Prefecture after failure in love. The single made its first appearance in the Oricon Single Ranking (announced on April 21) at No. 4, updating records she held such as the number of TOP 10 hits of a female enka artist.



YOKUMA JAPAN COMMUNICATIONS

◆ POPS

Sonar Pocket

A trio originally from Nagoya, Sonar Pocket members are described as love-song masters whose lyrics depict real, being-in-love scenarios, attracting a female fan base among the smartphone/mobile-phone generation. Celebrating their fifth year of debut, they released a "Best of" compilation album, which rose in the Oricon Album Weekly Ranking to No. 3. They played two-day concert at the Yoyogi 1st Gymnasium Arena to huge success, a testimony to their unstoppable popularity.



YOKUMA JAPAN COMMUNICATIONS

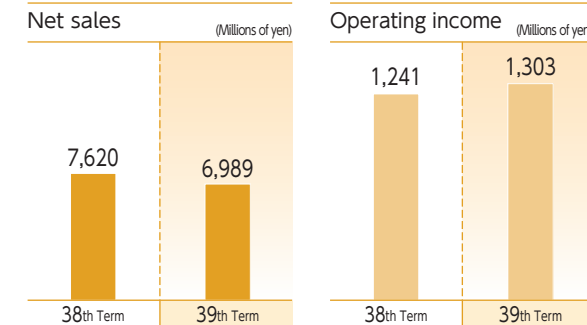
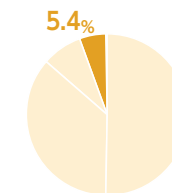
Yun*chi

Yun*chi is the next new sensation from ASOBISYSTEM co., Ltd., which introduced Kyary Pamyu Pamyu. Her major debut was in 2012 amid a spotlight of much attention. She sings the latest form of electro-pop produced by the likes of KZ of LIVETUNE and Yusuke Asada. Since 2014, Yun*chi has provided the ending theme music to NHK animation LOG HORIZON.



GROWN NIPPON CROWN Co., Ltd.

Other Business



In the other business, the Daiichikoshu Group mainly operated businesses that create synergies for markets and customers with the karaoke and music business. In the BGM broadcasting business, the Group started the BGM service STAR digio HIKARI, which utilizes optical fiber networks. In the content services to mobile phones, part of the services for feature phones ended at the end of the fiscal year because of membership decline.

As a result of the above and the closing of one hotel during the fiscal year under review, net sales in the other business segment for the period under review decreased 8.3% compared with the previous fiscal year, while operating income increased 5.0%.

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.html>

Condensed Consolidated Balance Sheet (Millions of yen)

Item	38th Term As of March 31, 2013	39th Term As of March 31, 2014
Assets		
Current assets	62,365	63,729
Non-current assets	97,113	97,857
Property, plant and equipment	54,484	55,679
Intangible assets	6,361	7,691
Investments and other assets	36,268	34,486
Total assets	159,479	161,587
Liabilities		
Current liabilities	27,384	26,647
Non-current liabilities	31,780	32,670
Total liabilities	59,164	59,318
Net assets		
Shareholders' equity	96,490	101,270
Capital stock	12,350	12,350
Capital surplus	6,026	4,001
Retained earnings	78,119	84,926
Treasury shares	(5)	(7)
Accumulated other comprehensive income	2,768	(156)
Valuation difference on available-for-sale securities	3,646	1,172
Revaluation reserve for land	(777)	(777)
Foreign currency translation adjustment	(100)	51
Remeasurements of defined benefit plans	—	(602)
Minority interests	1,056	1,153
Total net assets	100,315	102,268
Total liabilities and net assets	159,479	161,587

* Amounts of less than one million yen are truncated.

	POINT
Current assets	The 1,363 million yen increase in current assets was mainly due to an increase of 2,974 million yen in cash and deposits, an increase of 821 million yen in inventories, a decrease of 1,933 million yen in notes and accounts receivable—trade, and a decrease of 646 million yen in securities.
Non-current assets	The 743 million yen increase in non-current assets was mainly due to an increase of 1,904 million yen in deferred tax assets, an increase of 1,597 million yen in land, an increase of 1,270 million yen in goodwill, an increase of 690 million yen in karaoke equipment for rental, and a decrease of 4,377 million yen in investment securities.
Current liabilities	The 736 million yen decrease in current liabilities was mainly due to an increase of 851 million yen in income taxes payable, and a decrease of 1,475 million yen in accounts payable—other.
Non-current liabilities	The 890 million yen increase in non-current liabilities was mainly due to an increase of 5,075 million yen in net defined benefit liability, a decrease of 3,683 million yen in provision for retirement benefits, and a decrease of 784 million yen in long-term loans payable.

Condensed Consolidated Statements of Income (Millions of yen)

Item	38th Term from April 1, 2012 to March 31, 2013	39th Term from April 1, 2013 to March 31, 2014
Net sales	128,901	130,587
Cost of sales	75,884	76,800
Gross profit	53,016	53,787
Selling, general and administrative expenses	34,620	34,648
Operating income	18,395	19,139
Non-operating income	4,433	2,798
Non-operating expenses	548	710
Ordinary income	22,280	21,227
Extraordinary income	142	2,157
Extraordinary losses	928	918
Income before income taxes and minority interests	21,495	22,466
Income taxes—current	8,604	9,444
Income taxes—deferred	(9)	(162)
Income before minority interests	12,900	13,184
Minority interests in income	81	100
Net income	12,819	13,084

* Amounts of less than one million yen are truncated.

[Notes]	38th Term	39th Term
1. Accumulated depreciation of property, plant and equipment	59,927 million yen	62,341 million yen
2. Guarantee obligation	60 million yen	19 million yen
3. Pledged assets	4,437 million yen	4,391 million yen
Corresponding liabilities	1,195 million yen	806 million yen
4. Net income per share	209.06 yen	219.68 yen
5. Net assets per share	1,662.00 yen	1,736.70 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 130,587 million yen, a 1.3% increase compared with the previous fiscal year. This figure represents all-time high.
Operating income	Although the karaoke cabin and restaurant business and the music software business experienced a drop in income, the commercial karaoke business and the other business recorded increases in income. As a result, operating income totaled 19,139 million yen, a 4.0% increase compared with the previous fiscal year, and ordinary income decreased 4.7%, to 21,227 million yen. Operating income represents all-time high.
Net income	Net income increased 2.1% year on year to 13,084 million yen, reflecting increases in extraordinary income including gain on sales of investment securities. This figure represents all-time high.

Condensed Consolidated Statements of Cash Flows (Millions of yen)

Item	38th Term from April 1, 2012 to March 31, 2013	39th Term from April 1, 2013 to March 31, 2014
Net cash provided by (used in) operating activities	24,482	27,298
Net cash provided by (used in) investing activities	(18,553)	(15,415)
Net cash provided by (used in) financing activities	(989)	(9,458)
Effect of exchange rate change on cash and cash equivalents	2,656	(5)
Net increase (decrease) in cash and cash equivalents	7,596	2,418
Cash and cash equivalents at beginning of period	34,367	41,963
Cash and cash equivalents at end of period	41,963	44,381

* Amounts of less than one million yen are truncated.

	POINT
Net cash provided by (used in) operating activities	
• Income before income taxes and minority interests	22,466 million yen
• Depreciation and amortization	13,378 million yen
• Gain on sales of investment securities	2,118 million yen
• Decrease in notes and accounts receivable—trade	1,970 million yen
• Income taxes paid	8,487 million yen
Net cash provided by (used in) investing activities	
• Purchase of property, plant and equipment	10,974 million yen
• Purchase of intangible assets	3,498 million yen
• Purchase of investment securities	9,358 million yen
• Proceeds from sales of investment securities	11,989 million yen
Net cash provided by (used in) financing activities	
• Proceeds from long-term loans payable	2,390 million yen
• Repayment of long-term loans payable	3,478 million yen
• Cash dividends paid	3,883 million yen
• Purchase of treasury shares	4,422 million yen

Consolidated Statements of Changes in Net Assets 39th Term (from April 1, 2013 to March 31, 2014) (Millions of yen)

	Shareholders' equity					Accumulated other comprehensive income					Minority interests	Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	12,350	6,026	78,119	(5)	96,490	3,646	(777)	(100)	—	2,768	1,056	100,315
Changes of items during period												
Dividends of surplus			(3,881)		(3,881)							(3,881)
Net income			13,084		13,084							13,084
Purchase of treasury shares				(4,422)	(4,422)							(4,422)
Retirement of treasury shares		(2,024)	(2,394)	4,419	—							—
Net changes of items other than shareholders' equity						(2,474)	—	151	(602)	(2,924)	97	(2,827)
Total changes of items during period	—	(2,024)	6,807	(2)	4,780	(2,474)	—	151	(602)	(2,924)	97	1,953
Balance at end of current period	12,350	4,001	84,926	(7)	101,270	1,172	(777)	51	(602)	(156)	1,153	102,268

* Amounts of less than one million yen are truncated.

Karaoke's Entry into the Health Industry —DK ELDER SYSTEM

First released in 2001, the DK ELDER SYSTEM has currently been installed in roughly 13,000 facilities across Japan including nursing homes and community centers (as of March 2014). It was installed in about 77% of these facilities (roughly 10,000 facilities) during the last three years.

Against the backdrop of the rapidly aging society, the major factor behind the above-mentioned has been that the DK ELDER SYSTEM, equipment designed to improve general functional ability in everyday life with the aim of maintaining health and preventing care dependence among the elderly, which offers programs that combine music and karaoke with content to encourage the users move their body and view with their eyes, has been shown to be effective for "improvement in motor, oral, and cognitive functions," which is espoused by Japan's Ministry of Health, Labour, and Welfare, and effective also for mental health such as overcoming lack of communication or relieving stress.

In joint research conducted with Tohoku Fukushi University for the last four years, our question surveys and brain performance testing of session subjects have confirmed improvement in quality of life (QOL) and brain activation, and studies by the School of Dental Medicine at Tsurumi University have confirmed that promoting salivary secretion in the mouth by singing is an effective way of improving oral function and relieving stress.

Based on such results, the Daiichikoshō Group, wishing to support people living in temporary housing due to the Great East



Karaoke Car (at disaster-affected-area temporary housing)

Japan Earthquake in March 2011, participated in a program organized by the Friends of the United Nations Asia-Pacific since January 2012 by establishing a Karaoke Car circuit in the disaster-affected areas and offering

sessions that use the DK ELDER SYSTEM. (As of now, these activities are continuing, and detail and data about these activities have been reported on two occasions at the United Nations New York Headquarters.)

The DK ELDER SYSTEM, in this way, takes "singing = karaoke" from entertainment and brings it into the field of the health industry, thereby raising karaoke's social significance. We clearly see the meaningfulness and social responsibility of the Group become more profound through these activities. Accordingly, we also report the status of the DK ELDER SYSTEM as worthy of special mention to shareholders from the perspective of how it improves the Group's contribution to society and boosts the Company's corporate value.



Mayor Toba (left) and President Hayashi (right) at Rikuzentakata City Office

The Daiichikoshō Group plans to continue developing content for the DK ELDER SYSTEM and promoting the system's installation. We will appreciate your further understanding and support.



DK ELDER SYSTEM recommended model FREE DAM



Session using DK ELDER SYSTEM in disaster-affected area

Growth Strategy through Proactive Operation of Shop Business —Multi-brand and Opening of Complexes

In the 39th fiscal year (April 2013 – March 2014), the karaoke cabin and restaurant business operated 369 karaoke cabin shops (including 18 Banana Club shops that joined the group in February). On April 1, this rose to 370 shops with the opening of BIG ECHO Warabi Ekimae, making our chain operating the largest number of karaoke cabin shops in Japan. Adding our 130 restaurants, the combined total of restaurants and karaoke cabin shops has reached 500 shops.

Although the flagship karaoke cabin brand of the Daiichikoshō Group is BIG ECHO, the shops we open are suitably multi-branded to reflect the differences among regions, customer segments and so forth. Furthermore, we conduct comprehensive shop operations that include our logistic partner shops, which share purchasing of food ingredients, etc. with our franchise chain shops KARAOKE CLUB DAM.

One of the features of the Daiichikoshō Group's shop opening strategy is to open complexes centered on karaoke cabins arranging restaurants in adjacent or

downstairs.

Among just the restaurant brands the Group operates, there are more than 20 business formats including Japanese, Western, and private-room dining bars, Irish pubs, bars and others. When selecting a restaurant (or sometimes restaurants), consideration is given to the customer segments and the regional characteristics of the shop. The Group currently operates 130 restaurants and 86 of these are included in complexes with BIG ECHO.

In addition to this, the Daiichikoshō Group joined with FamilyMart to realize, simultaneously, convenience-store ease and convenience and karaoke-cabin high entertainment by opening a shop in April 2014 that combines FamilyMart with KARAOKE CLUB DAM as a new shop format that offers services with higher added value. (Please see pages 5 and 6.)

In these ways, the karaoke cabin and restaurant business are pursuing growth strategies through proactive business development. We will appreciate your further understanding and support.



Conceptual image of opening of a complex

[Karaoke cabin brands]

 Karaoke Entertainment BIG ECHO BIG ECHO (English logo, inner-city)	 Karaoke Entertainment ビッグエコー BIG ECHO (Japanese logo, near rail station in suburb)	 Karaoke Entertainment ビッグエコー-25 BIG ECHO 25 (For students, discount prices)
 Matsuri Ichjo & BIG ECHO (Saitama)	 Karaoke Entertainment バナナクラブ & ビッグエコー Banana Club & BIG ECHO (Shikoku)	 Karaoke Entertainment ビッグエコー & メロディ BIG ECHO & MELODY (Yamanashi)
 Happy party! (Self-service shops)	 Karaoke Entertainment カラオケ CLUB DAM KARAOKE CLUB DAM (Franchise, some self-service shops)	 Karaoke Entertainment カラオケ CLUB DAM Resort KARAOKE CLUB DAM (Franchise, some self-service shops)

Corporate Profile (as of March 31, 2014)

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	1,554
	The Group	3,026
Listing on JASDAQ	September 19, 1995	

Officers (as of June 20, 2014)

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	Yasuhito Watanabe
Director and Corporate Officer	Akira Miyake
Director and Corporate Officer	Noriyuki Takehana
Director	Mitsuru Yoshikawa
Director	Yoshimi Shimizu
Standing Corporate Auditor (outside)	Michitoshi Tsuruoka
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	Harutoshi Hoshi
Corporate Officer	Osamu Arima
Corporate Officer	Keisuke Totsuka

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: 12 companies

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

Overseas subsidiaries: 3 companies

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

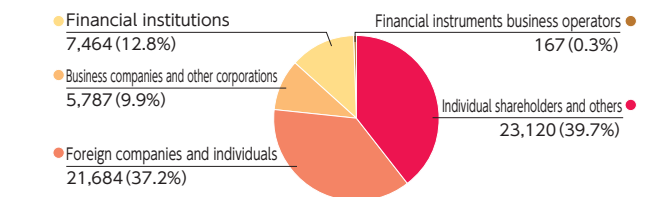
Status of the Shares of the Company (as of March 31, 2014)

- Number of authorized shares 200,000,000 shares
- Number of shares outstanding 58,225,000 shares
- Number of shareholders 13,726
- Major shareholders

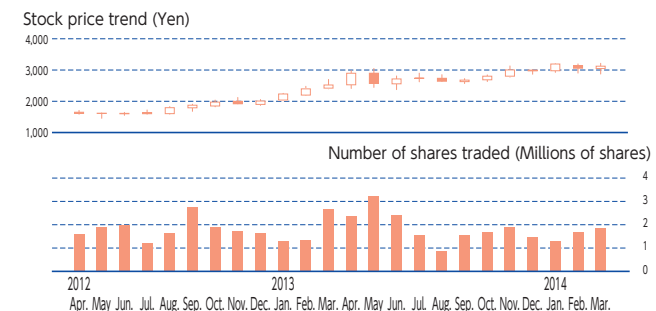
Name of shareholder	Number of shares held (thousands of shares)	Ratio of voting rights (%)
Tadahiro Hoshi	6,246	10.7
Harutoshi Hoshi	6,119	10.5
State Street Bank and Trust Company	4,578	7.9
Hoshi Create Limited	2,449	4.2
Asahi Breweries, Ltd.	2,120	3.6
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,692	2.9
NORTHERN TRUST CO. (AVFC) RE 15PCT TREATY ACCOUNT	1,241	2.1
Mitsubishi UFJ Trust and Banking Corporation	1,148	2.0
Japan Trustee Services Bank, Ltd. (Trust Account)	1,103	1.9
JPMorgan Chase Bank 385632	960	1.6

- (Notes) 1. The Company holds 2,714 treasury shares.
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 May 31, 2014