

FY2010, the year ending March 31, 2011

Flash Report on the Consolidated Results for the Nine Months Ended
December 31, 2010 [JGAAP]

February 10, 2011

Company Name: DAIICHIKOSHO CO., LTD.

Code Number: 7458

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

Stock Exchange Listing: Osaka (JASDAQ)

Representative: Tadahiko Hoshi, Chairman and CEO

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Scheduled Date to Submit the Quarterly Securities Report: February 14, 2011

Start Date for Dividend Payment: —

Availability of Supplementary Briefing Material on Quarterly Financial Results: None

Schedule of Quarterly Financial Results Briefing Session: None

(Amounts below one million yen are truncated.)

1. Consolidated Performance for the Nine Months Ended December 31, 2010 (From April 1, 2010, to
December 31, 2010)

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

	Net sales		Operating income		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended December 31, 2010	96,105	0.6	14,024	0.2	14,698	(0.3)
Nine months ended December 31, 2009	95,539	0.8	13,994	4.0	14,742	5.2

	Net income		Net income per share	Fully diluted net income per share
	Millions of yen	%	Yen	Yen
Nine months ended December 31, 2010	8,031	(8.5)	122.77	—
Nine months ended December 31, 2009	8,779	13.7	130.77	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of December 31, 2010	128,300	86,459	66.7	1,331.66
As of March 31, 2010	125,776	84,054	66.2	1,263.54

(Reference) Shareholders' equity

As of December 31, 2010: 85,515 millions of yen

As of March 31, 2010: 83,226 millions of yen

2. Dividend

	Annual dividend				
	First Quarter	Second Quarter	Third Quarter	Year-end	Total
Year ended March 31, 2010	—	Yen 20.00	—	Yen 30.00	Yen 50.00
Year ending March 31, 2011	—	25.00			
Year ending March 31, 2011 (forecast)			—	30.00	55.00

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

3. Forecast Consolidated Performance for FY2010, the Year Ending March 31, 2011 (From April 1, 2010, to March 31, 2011)

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

	Net sales		Operating income		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ending March 31, 2011 (full year)	127,700	1.9	17,200	(1.4)	18,100	(1.7)

	Net income		Net income per share
	Millions of yen	%	Yen
Year ending March 31, 2011 (full year)	10,100	(5.8)	157.28

Note: Revision of forecast consolidated performance during the period under review: No

4. Other

(1) Change in important subsidiaries during the period under review: No

(Note) This refers to whether or not there were changes in specific subsidiaries causing a change in the scope of consolidation during the period under review.

(2) Adoption of simplified accounting methods and special accounting methods: Yes

(Note) This refers to whether or not simplified accounting methods and special accounting methods for preparing quarterly consolidated financial statements are adopted.

(3) Change in accounting principles, procedure and presentation methods

1) Changes following a revision of accounting standards: Yes

2) Other changes: No

(4) Number of common shares issued

1) Number of shares issued (including treasury stock)	As of December 31, 2010	65,020,596 shares	As of March 31, 2010	66,670,596 shares
2) Number of shares of treasury stock	As of December 31, 2010	802,813 shares	As of March 31, 2010	802,735 shares
3) Average number of shares during the period	Nine months ended December 31, 2010	65,420,229 shares	Nine months ended December 31, 2009	67,136,950 shares

* Presentation regarding the implementation status of the quarterly review

This flash report on the consolidated results for the interim period is not covered by the quarterly review procedure stipulated in the Financial Instruments and Exchange Act. At the time of the publication of this report, the quarterly review procedure for quarterly consolidated financial statements is being implemented.

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

The statements regarding forecast of financial results in this report is based on the information that is available, as well as estimates, assumptions and projections that are believed to be reasonable at the time of publication. Therefore, there might be cases in which actual results greatly differ from forecast values.

Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

	(Millions of yen)	
	Current third quarter (As of December 31, 2010)	FY2009 (As of March 31, 2010) (Condensed)
Assets		
Current assets		
Cash and deposits	28,952	34,170
Notes and accounts receivable-trade	8,808	7,367
Inventories	7,105	4,371
Other	6,308	5,477
Allowance for doubtful accounts	(455)	(461)
Total current assets	50,719	50,926
Noncurrent assets		
Property, plant and equipment		
Karaoke equipment for rental, net	6,873	6,859
Karaoke cabin and restaurant facilities, net	15,056	13,393
Land	18,139	18,213
Other, net	7,151	7,520
Total property, plant and equipment	47,220	45,986
Intangible assets		
Goodwill	676	—
Other	7,728	7,420
Total intangible assets	8,404	7,420
Investments and other assets		
Lease and guarantee deposits	13,258	13,116
Other	9,098	8,778
Allowance for doubtful accounts	(400)	(453)
Total investments and other assets	21,956	21,441
Total noncurrent assets	77,581	74,849
Total assets	128,300	125,776

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	Current third quarter (As of December 31, 2010)	(Millions of yen) FY2009 (As of March 31, 2010) (Condensed)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	8,294	3,714
Short-term loans payable	5,945	6,792
Income taxes payable	2,180	5,379
Provision for bonuses	873	1,192
Other	10,511	9,787
Total current liabilities	27,805	26,866
Noncurrent liabilities		
Long-term loans payable	7,011	7,976
Provision for retirement benefits	2,922	3,068
Provision for directors' retirement benefits	2,213	2,088
Negative goodwill	246	281
Other	1,641	1,439
Total noncurrent liabilities	14,035	14,854
Total liabilities	41,840	41,721
Net assets		
Shareholders' equity		
Capital stock	12,350	12,350
Capital surplus	15,219	17,285
Retained earnings	59,993	55,563
Treasury stock	(1,187)	(973)
Total shareholders' equity	86,375	84,226
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	96	(153)
Revaluation reserve for land	(777)	(777)
Foreign currency translation adjustment	(178)	(68)
Total valuation and translation adjustments	(859)	(1,000)
Minority interests	943	828
Total net assets	86,459	84,054
Total liabilities and net assets	128,300	125,776

(2) Quarterly Consolidated Statements of Income

Nine months ended December 31

(Millions of yen)

	Nine months ended December 31, 2009 (From April 1, 2009, to December 31, 2009)	Nine months ended December 31, 2010 (From April 1, 2010, to December 31, 2010)
Net sales	95,539	96,105
Cost of sales	54,777	55,721
Gross profit	40,762	40,384
Selling, general and administrative expenses	26,768	26,360
Operating income	13,994	14,024
Non-operating income		
Interest income	134	120
Dividends income	82	83
Cooperative monetary aid received	337	376
Amortization of negative goodwill	40	35
Other	610	436
Total non-operating income	1,205	1,052
Non-operating expenses		
Interest expenses	198	144
Foreign exchange losses	102	82
Other	156	151
Total non-operating expenses	457	377
Ordinary income	14,742	14,698
Extraordinary income		
Gain on sales of noncurrent assets	10	13
Gain on sales of investment securities	0	7
Gain on redemption of investment securities	—	148
Reversal of allowance for doubtful accounts	25	31
Reversal of provision for retirement benefits	—	107
Indemnity of cancellation of leases	248	—
Other	11	54
Total extraordinary income	297	362
Extraordinary loss		
Loss on disposal of noncurrent assets	260	226
Impairment loss	377	29
Loss on adjustment for changes of accounting standard for asset retirement obligations	—	440
Loss on sales of investment securities	—	2
Loss on sales of stocks of subsidiaries and affiliates	57	—
Loss on valuation of investment securities	60	16
Loss on abolishment of qualified pension plan	—	901
Total extraordinary losses	756	1,617
Income before income taxes and minority interests	14,282	13,444
Income taxes-current	5,908	5,622
Income taxes-deferred	(483)	(328)
Total income taxes	5,424	5,293
Income before minority interests	—	8,150
Minority interests in income	78	119
Net income	8,779	8,031

(3) Quarterly Consolidated Statements of Cash Flows

(Million of yen)

	Nine months ended December 31, 2009 (From April 1, 2009, to December 31, 2009)	Nine months ended December 31, 2010 (From April 1, 2010, to December 31, 2010)
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	14,282	13,444
Depreciation and amortization	10,113	9,725
Impairment loss	377	29
Loss on adjustment for changes of accounting standard for asset retirement obligations	—	440
Amortization of negative goodwill	(40)	(35)
Increase (decrease) in allowance for doubtful accounts	(65)	(58)
Increase (decrease) in provision for bonuses	(248)	(325)
Increase (decrease) in provision for directors' retirement benefits	(111)	125
Interest and dividends income	(216)	(203)
Interest expenses	198	144
Loss (gain) on disposal of noncurrent assets	250	213
Loss (gain) on valuation of investment securities	60	16
Decrease (increase) in notes and accounts receivable-trade	(303)	(1,454)
Decrease (increase) in inventories	307	(2,733)
Transfer of cost of sales on karaoke equipment for rental	346	379
Increase (decrease) in notes and accounts payable-trade	819	4,589
Other, net	(139)	1,369
Subtotal	25,631	25,668
Interest and dividends income received	217	203
Interest expenses paid	(196)	(139)
Income taxes paid	(3,077)	(8,755)
Net cash provided by (used in) operating activities	22,574	16,976
Net cash provided by (used in) investing activities		
Increase in time and saving deposits	(178)	(187)
Proceeds from decrease in time and saving deposits	230	105
Purchase of property, plant and equipment	(7,343)	(7,537)
Proceeds from sales of property, plant and equipment	25	63
Purchase of intangible assets	(2,907)	(3,507)
Payments for acquisition of video licenses	(881)	(1,292)
Purchase of investment securities	—	(46)
Proceeds from sales of investment securities	8	44
Purchase of investments in subsidiaries	—	(1,083)
Payments of loans receivable	(154)	(883)
Collection of loans receivable	313	340
Payments for lease and guarantee deposits	(405)	(900)
Proceeds from collection of lease and guarantee deposits	235	179
Other, net	35	215
Net cash provided by (used in) investing activities	(11,093)	(14,489)

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(Millions of yen)

	Nine months ended December 31, 2009 (From April 1, 2009, to December 31, 2009)	Nine months ended December 31, 2010 (From April 1, 2010, to December 31, 2010)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(71)	443
Proceeds from long-term loans payable	2,860	2,300
Repayment of long-term loans payable	(8,426)	(4,554)
Cash dividends paid	(4,362)	(3,599)
Purchase of treasury stock	(984)	(2,280)
Other, net	(9)	(16)
Net cash provided by (used in) financing activities	(10,994)	(7,708)
Effect of exchange rate change on cash and cash equivalents	3	(80)
Net increase (decrease) in cash and cash equivalents	489	(5,300)
Cash and cash equivalents at beginning of period	29,584	33,877
Cash and cash equivalents at end of period	30,073	28,577

(4) Segment Information**1. Information regarding sales and income/loss by the reportable segments****Nine months ended December 31, 2010 (From April 1, 2010, to December 31, 2010)**

(Millions of yen)

	Reportable segments				Other	Total	Adjusted amount	Posted amount to the consolidated quarterly statements of income
	Commercial karaoke	Karaoke cabin and restaurant	Music software	Subtotal				
Sales	48,907	31,318	8,614	88,841	7,264	96,105	—	96,105
Segment income [Operating income]	9,742	4,835	909	15,487	740	16,228	(2,203)	14,024

(Reference information)

For reference, “Information regarding sales and income/loss by the reportable segments” for the nine months ended December 31, 2009, which was prepared in a similar method as for the nine months ended December 31, 2010, is set out below.

Nine months ended December 31, 2009 (From April 1, 2009, to December 31, 2009)

(Millions of yen)

	Reportable segments				Other	Total	Adjusted amount	Posted amount to the consolidated quarterly statements of income
	Commercial karaoke	Karaoke cabin and restaurant	Music software	Subtotal				
Sales	47,119	31,033	9,499	87,653	7,886	95,539	—	95,539
Segment income [Operating income]	9,182	5,632	916	15,731	561	16,293	(2,299)	13,994