

Financial Results in the Six Months ended September 2001

November 19, 2001

DAIICHIKOSHO CO., LTD.

Company code number: 7458

Shares traded: JASDAQ

Location of headquarters: 5-5-26, Kita-Shinagawa, Shinagawa-ku, Tokyo

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Date of Board of Directors' meeting for approval of financial results: November 19, 2001

Adoption of U.S. accounting standards: No

Financial highlights

Millions of yen	September 30, 2000	September 30, 2001	March 31, 2000	March 31, 2001
Consolidated				
Net sales	42,328	43,313	88,397	86,730
Ordinary profit	4,183	4,681	9,240	8,430
Net income	714	1,908	3,131	3,079
Shareholders' equity	71,551	48,928	71,798	48,678
Total assets	153,790	131,348	159,159	123,775
Shareholders' equity per share (Yen)	3,816.97	2,609.67	3,829.25	2,596.50
Net income per share (Yen)	38.10	101.79	167.01	164.28
Net income per share, fully diluted (Yen)	36.37	95.45	152.73	153.37
Net cash used in operating activities	5,731	7,215	14,709	14,835
Net cash used in investment activities	(1,605)	(4,678)	(416)	(7,350)
Net cash provided by financing activities	(4,819)	(1,062)	(15,358)	(13,682)
Cash and cash equivalents at end of period	26,959	23,687	27,653	21,499
Non consolidated				
Net sales	29,955	31,433	59,884	61,200
Ordinary profit	2,077	2,833	4,449	4,683
Net income	(463)	1,221	1,078	1,157
Shareholders' equity	65,723	42,041	67,145	42,011
Total assets	107,250	79,483	112,651	78,376
Shareholders' equity per share (Yen)	3,505.20	2,242.38	3,581.05	2,240.57
Net income per share (Yen)	(24.71)	65.16	57.50	61.71
Equity ratio (%)	61.3	52.9	59.6	53.6

1. Management policy

(1) Basic management policy

The Daiichikosho group has adopted the corporate credo of “greater music and service to the world.” In managing its operations, its basic policy is “to promote musical culture through karaoke, and to provide places of pleasant and enjoyable communication.”

Toward this end, the group will be required to provide both karaoke equipment that suits users’ needs and an abundant and attractive range of karaoke software; karaoke cabins, where people gather to enjoy karaoke, will also have to be further developed.

Building on the “know-how” and entertainment-related content that we have accumulated to date, the goal will be to create companies capable of responding to the expectations of all of our stakeholders. We will accomplish this through the continued expansion of business centering on karaoke and through the generation of high rates of return.

(2) Basic policy on dividends

Our basic policy will be to maintain the long-term stability of our pay out while increasing dividends to match profit growth. Retained earnings will be invested systematically into product development and operating assets.

(3) Targeted performance indices

We consider return on equity to be a crucial index of managerial performance, and will aim to achieve an ROE of above 9.5 percent in the year to March 2003 and above 12 percent in the year to March 2005.

(4) Outstanding issues facing the group

{1} The group will invest maximal efforts into increasing sales and rental income from the Company’s “DAM” telecommunications product, with the aim of expanding the business model in which revenues of sound delivery services are derived from a communications-based karaoke network.

{2} As of the end of the six-month period to September 2001, the Daiichikosho group had 198 karaoke cabins in operation. By continuing an orderly closing of unprofitable outlets and by opening larger and distinctive new facilities, the group will aim to improve its profit margins in this business.

{3} The group currently uses the digital satellite broadcaster, Sky PerfecTV, as a platform for programming which is delivered over two television channels and 100 radio channels. By increasing the number of subscribers to this service hereafter, it will aim to reverse the division's operating losses and achieve profitability at the earliest possible date.

{4} The group will aim to enhance ROE.

2. Financial Performance

(1) Results for the six-month period ended September 2001

During the six-month period to September 2001, the Japanese economy became more enfeebled than anyone had predicted. The September 11th terrorist attacks on the United States added to the difficulties, depressing market feeling to critically low levels.

In the karaoke industry, the slump in consumer spending placed significant pressures on the businesses of karaoke operators by weakening replacement demand and exacerbating the trend toward price-based competition.

Under these conditions, the Daiichikosho group sought to expand market share by emphasizing its "DAM" telecommunications-based karaoke line, focusing on the selling and renting of its "Cyber DAM" and "DAM-G128" systems.

The group also took vigorous steps to advance its customized ring-tone operations, which target users of cellular phones.

(2) Segment-related information (percentage changes, year-on-year)

In the six-month period to September, the group reorganized its business segments in the following manner. All of the following year-on-year comparisons are based on a reconfiguration of the results of the comparable year-earlier period.

{1} The name of the "Sales and rental of merchandise and products" segment was changed to the "Commercial karaoke operations."

{2} Both "Satellite broadcasting operations" and the customized ring-tone business have been shifted into a newly created "Content operations."

Commercial karaoke operations

Sales: 26,148 million yen (-2.0%)

Operating income: 4,430 million yen (+4.1%)

In this segment the group sells and rents karaoke equipment and software, and provides karaoke streaming services for telecommunications-based systems.

Shipments of the Cyber DAM line have been strong, reflecting widespread acceptance in the market for both the line's price and performance features since its introduction last year. Revenues from karaoke streaming services have also been growing much steadily. On the other hand, despite an increasing number of contracts, rental revenues from karaoke equipment have been affected by a continuing decline in rental rates.

Karaoke cabin operations

Sales: 10,570 million yen (-6.4%)

Operating income: 496million yen (-46.9%)

In this segment the group rents karaoke cabin on an hourly basis and provides light food and drinks.

The operating environment remained difficult, with the population of people participating in karaoke declining and competition among cabin operators intensifying. During the six-month period to September, the group closed seven unprofitable outlets and opened three new facilities, one each in Tokyo, Chiba and Osaka. Although average spending per customer increased slightly, sales and profits were both lower because closures took place in advance of openings and customer traffic declined.

Content operations

Sales: 4,192 million yen (+88.7%)

Operating income: 553 million yen (an improvement of 1.107 billion yen)

In this segment, the group uses the digital satellite broadcaster, Sky PerfecTV, as a platform for broadcasting over two television and 100 radio channels. It also provides customized ring-tone services to users of cellular phones.

Although the satellite broadcasting operation has been experiencing diminishing rates of growth in private-use contracts, it reported strong gains in contracts for commercial use. Consequently, this segment reduced its operating loss by approximately 300 million yen.

On the other hand, contracts for customized ring-tones have been increasing at a very healthy pace. Compared to a target of 700,000 new contracts for the full year, the group had recorded an increase of 590,000 contracts by the end of the six-month period. This pace of new contracts contributed significantly to this segment's increase in operating profitability.

Other operations

Sales: 2,401 million yen (+12.2%)

Operating income: 598 million yen (+33.9%)

This segment is involved in sky sports, real estate rentals, food services and other operations. Each of these businesses generated satisfactory results during the interim period.

(3) Forecasts for the full year to March 2002

Due to mounting fears of a simultaneous global recession, and to uncertainties surrounding employment and personal incomes within Japan, there appears to be no end in view to the slump in domestic consumer spending, and thus to Japan's ongoing recession.

Within the karaoke industry, the operating environment will continue to be difficult, intensifying an already cutthroat degree of competition for market share.

Under these conditions, the Daiichikoshō group will invest resources into increasing the number of machines in operation in order to widen its lead in the telecommunications-based karaoke business.

In the commercial karaoke operations, the group will aim to increase shipments to above the levels of the first half by expanding and enhancing its services, including by increasing its offerings of karaoke streaming services.

The group has plans to open six new facilities in its karaoke cabin business in the second half. All of these new openings will be made with an eye to improving investment and managerial efficiency.

In the content operations, the group will try to increase its subscriber base by strengthening and improving its offerings of musical content. It will also aim to expand its business by promoting measures to develop and bring to fruition other new businesses.

In the second half, the group will add a new "Music software **division**" to its range of operations. This move springs from its acquisition in October of Tokuma Japan Communications, and will entail the combining of Nippon Crown Co., Ltd. and Gauss Entertainment Co., Ltd.'s operations with those of Tokuma Japan. While taking steps to enhance managerial efficiency hereafter through mutual efforts to utilize the resources of each of the companies involved, the new division will try to become a new pillar of profitability by capitalizing effectively on each firm's music content.

Consolidated balance sheet

Millions of yen	September 30, 2000	%	September 30, 2001	%	March 31, 2001	%	Year-on-year change
Current assets							
Cash	28,845		26,293		24,227		2,065
Trade notes and accounts receivable - total	12,451		13,566		12,736		830
Marketable securities	1,044		11		312		(300)
Inventories	4,834		6,458		4,290		2,167
Deferred tax assets	1,349		1,604		1,582		21
Others	2,295		4,051		2,298		1,752
Allowance for doubtful accounts	(504)		(1,042)		(644)		(398)
	<u>50,315</u>	32.7	<u>50,943</u>	38.8	<u>44,804</u>	36.2	<u>6,138</u>
Fixed assets							
Tangible fixed assets							
Buildings and structures	12,918		12,159		12,505		(346)
Karaoke equipment for rental	6,641		7,028		6,554		473
Karaoke-cabin facilities	9,849		9,729		9,424		304
Land	43,872		17,078		16,142		935
Others	1,949		1,952		1,942		9
	<u>75,232</u>	48.9	<u>47,948</u>	36.5	<u>46,570</u>	37.6	<u>1,377</u>
Intangible fixed assets	4,562	3.0	5,848	4.4	5,283	4.3	565
Investments and other assets							
Investments in securities	5,156		5,019		5,152		(133)
Long-term loans	3,538		4,122		4,007		115
Deferred tax assets	2,168		2,220		1,794		426
Deferred tax assets arising from revaluation	-		2,251		2,251		-
Leasehold deposits	11,526		11,465		12,580		(1,115)
Others	5,700		5,009		4,771		237
Allowance for doubtful accounts	(4,409)		(3,480)		(3,441)		(38)
	<u>23,680</u>	15.4	<u>26,608</u>	20.3	<u>27,116</u>	21.9	<u>(508)</u>
Total fixed assets	<u>103,474</u>	67.3	<u>80,405</u>	61.2	<u>78,970</u>	63.8	<u>1,434</u>
Total assets	<u>153,790</u>	100.0	<u>131,348</u>	100.0	<u>123,775</u>	100.0	<u>7,573</u>

DAIICHIKOSHO CO., LTD.

Millions of yen	September 30, 2000	%	September 30, 2001	%	March 31, 2001	%	Year-on-year change
Current liabilities							
Trade notes and accounts payable - total	5,175		6,306		5,513		793
Short-term loans - total	28,771		24,263		22,490		1,772
Accounts payable - other	3,697		4,407		3,718		689
Income taxes payable	771		1,888		2,048		(159)
Reserve for bonuses	1,053		1,110		1,031		78
Unrealized profit on installment sales	1,021		887		976		(89)
Others	2,353		2,525		2,525		(0)
	<u>42,844</u>	27.9	<u>41,388</u>	31.5	<u>38,304</u>	31.0	<u>3,084</u>
Long-term liabilities							
Convertible bonds	18,517		15,790		16,850		(1,060)
Long-term loans	15,967		15,463		14,991		472
Deferred tax liabilities	-		249		-		249
Reserve for employees' retirement benefits	1,539		2,394		1,552		841
Consolidation adjustments	304		1,362		288		1,074
Others	1,005		1,145		984		161
	<u>37,333</u>	24.3	<u>36,406</u>	27.7	<u>34,666</u>	28.0	<u>1,739</u>
Total liabilities	<u>80,178</u>	52.2	<u>77,795</u>	59.2	<u>72,971</u>	59.0	<u>4,823</u>
Minority interests in consolidated subsidiaries	2,060	1.3	4,625	3.5	2,125	1.7	2,499
Shareholders' equity							
Common stock	12,348	8.0	12,348	9.4	12,348	10.0	-
Additional paid-in capital	24,000	15.6	24,000	18.3	24,000	19.4	-
Unrealized gains or losses on land valuation	-	-	(25,419)	(19.4)	(25,431)	(20.6)	11
Consolidated retained earnings	35,416	23.0	38,558	29.4	37,782	30.5	776
Unrealized gains or losses on securities	(271)	(0.1)	(678)	(0.5)	(175)	(0.1)	(502)
Foreign currency conversion adjustments	67	0.0	121	0.1	159	0.1	(37)
	<u>71,561</u>	46.5	<u>48,931</u>	37.3	<u>48,683</u>	39.3	<u>248</u>
Treasury stock	(9)	(0.0)	(3)	(0.0)	(5)	(0.0)	1
Total shareholders' equity	<u>71,551</u>	46.5	<u>48,928</u>	37.3	<u>48,678</u>	39.3	<u>249</u>
Total liabilities and shareholders' equity	<u>153,790</u>	100.0	<u>131,348</u>	100.0	<u>123,775</u>	100.0	<u>7,573</u>

Consolidated statement of income

Millions of yen	September 30, 2000		September 30, 2001		Year-on-year change (%)	March 31, 2001	
		%		%			%
Net sales	42,328	100.0	43,313	100.0	102.3	86,730	100.0
Cost of sales	23,712	56.0	24,372	56.3	102.8	48,980	56.5
Gross profit before adjustment for unrealized profit on installment sales	18,616	44.0	18,940	43.7	101.7	37,749	43.5
Unrealized profit on installment sales - reversal	73		138			185	
Unrealized profit on installment sales - deferred	55		49			123	
	17	0.0	89	0.2	513.8	62	0.1
Gross profit on sales	18,633	44.0	19,029	43.9	102.1	37,811	43.6
Selling, general and administrative expenses	14,591	34.4	13,943	32.2	95.6	29,356	33.9
Operating income	4,042	9.6	5,086	11.7	125.8	8,454	9.7
Non operating income							
Interest and dividend income	636		355			1,040	
Profit on retirement of convertible bonds	182		13			285	
Interest in profit of investment partnerships	11		24			263	
Amortization of consolidated adjustments	-		69			21	
Others	488		415			1,057	
	1,319	3.1	877	2.0	66.5	2,668	3.1
Non operating expenses							
Interest expenses	472		352			913	
Provision for allowance for doubtful accounts	287		203			450	
Loss on disposal of inventories	67		182			156	
Loss on valuation of inventories	6		152			611	
Equity in loss of affiliated companies	-		103			-	
Others	344		287			560	
	1,178	2.8	1,282	2.9	108.8	2,692	3.1
Ordinary profit	4,183	9.9	4,681	10.8	111.9	8,430	9.7
Extraordinary gain							
Reversal of allowance for doubtful accounts	65		17			151	
Gain on sales of investment securities	-		488			1,253	
Gain on sales of fixed assets	69		-			73	
Gain resulting from change in retirement benefit accounting standards	197		-			197	
	332	0.8	506	1.2	152.2	1,675	1.9

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Millions of yen	September 30, 2000	%	September 30, 2001	%	Year-on-year change (%)	March 31, 2001	%
Extraordinary loss							
Loss on disposal of fixed assets	516		446			970	
Loss on valuation of investment securities	748		495			1,046	
Directors' retirement allowances	80		260			92	
Provision for doubtful accounts	471		-			429	
Loss on sales of investment securities	-		-			276	
Loss on valuation of memberships in leisure facilities	159		-			173	
	<u>1,976</u>	4.7	<u>1,202</u>	2.8	60.8	<u>2,989</u>	3.4
Net income before taxes for the period	2,539	6.0	3,985	9.2	156.9	7,116	8.2
Corporate, inhabitant and enterprises taxes	802	1.9	1,753	4.0	218.5	2,835	3.3
Deferred taxes	911	2.1	201	0.5	22.1	981	1.1
Minority interest in consolidated subsidiaries	111	0.3	121	0.3	109.3	220	0.2
Net income for the period	714	1.7	1,908	4.4	267.2	3,079	3.6

Consolidated statement of retained earnings

Millions of yen	September 30, 2000	September 30, 2001	March 31, 2001
Consolidated retained earnings, beginning of period	35,450	37,782	35,450
Consolidated deductions from retained earnings			
Dividends - total	656	656	656
Directors' bonuses	91	88	91
Disposition of unrealized gains or losses on valuation	-	11	-
Decrease due to merger of consolidated subsidiaries	-	375	-
	<u>747</u>	<u>1,131</u>	<u>747</u>
Net Income	714	1,908	3,079
Retained earnings, end of period	<u>35,416</u>	<u>38,558</u>	<u>37,782</u>

Consolidated statement of cash flow

Millions of yen	September 30, 2000	September 30, 2001	March 31, 2001
Net cash used in operating activities			
Net income before taxes and other adjustments	2,539	3,985	7,116
Depreciation	4,748	4,568	9,582
Increase (decrease) in allowance for doubtful accounts	643	233	681
Interest and dividend income	(636)	(355)	(1,040)
Profit on retirement of convertible bonds	(182)	(13)	(285)
Loss (gain) on sales of investment securities	-	(488)	(975)
Interest in profit of investment partnerships	(11)	(24)	(263)
Interest expenses	472	352	913
Loss (gain) on disposal of fixed assets	508	446	1,037
Loss on valuation of investment securities	907	495	1,220
Decrease (increase) in trade receivables	(394)	80	(679)
Increase (decrease) in trade payables	(688)	27	(15)
Others	(1,329)	(178)	(832)
	6,576	9,128	16,459
Interest and dividend income	624	365	1,032
Interest payments	(479)	(364)	(909)
Income tax and others	(990)	(1,914)	(1,747)
	5,731	7,215	14,835
Net cash used in investment activities			
Increase in time deposits	(1,018)	(1,590)	(2,149)
Proceeds from decrease in time deposits	1,759	1,912	2,931
Payments for purchase of marketable securities	-	-	(100)
Proceeds from sales of marketable securities	-	100	-
Payments for acquisition of tangible fixed assets	(3,894)	(4,009)	(8,513)
Proceeds from sales of tangible fixed assets	2,034	27	2,213
Payments for acquisition of intangible fixed assets	(738)	(1,984)	(1,299)
Payments for purchase of investment securities	(34)	(1,118)	(2,878)
Proceeds from sales of investment securities	268	1,362	3,719
Payments for loans	(394)	(331)	(1,432)
Proceeds from collection of loans	696	441	1,190
Payments of leasehold deposits	(558)	(228)	(1,877)
Proceeds from repayments of leasehold deposits	150	1,021	357
Others	124	(282)	489
	(1,605)	(4,678)	(7,350)

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Millions of yen	September 30, 2000	September 30, 2001	March 31, 2001
Net cash provided by financing activities			
Net decrease in short-term borrowings	(541)	639	(6,659)
Proceeds from long-term debt	5,361	6,004	11,011
Payments for long-term debt	(6,857)	(6,065)	(13,696)
Payments for retirement of convertible bonds	(2,100)	(1,046)	(3,664)
Dividends	(656)	(647)	(657)
Others	(25)	53	(15)
	<u>(4,819)</u>	<u>(1,062)</u>	<u>(13,682)</u>
Effect of exchange rate changes on cash and cash equivalents	-	(17)	43
Cash and cash equivalents	<u>(693)</u>	<u>1,456</u>	<u>(6,153)</u>
Cash and cash equivalents at beginning of period	27,653	21,499	27,653
Increase in cash and cash equivalents due to increase in number of newlyconsolidated subsidiaries	-	731	-
Cash and cash equivalents at end of period	<u>26,959</u>	<u>23,687</u>	<u>21,499</u>

Assumptions underlying preparation of consolidated interim financial statements

Item	Assumptions underlying preparation of consolidated interim financial statements
1. Item relating to scope of consolidation	<p>(1) Number of consolidated subsidiaries: 35</p> <p>(2) Names of major non-consolidated subsidiaries: Because of the small size of their operations, Union Eiga Co., Ltd. and Crown Music Enterprise Co., Ltd. have been excluded from consolidation on the grounds of lack of materiality</p>
2. Item relating to application of the equity method	<p>(1) Affiliate accounted for by the equity method: not applicable</p> <p>(2) Affiliate not accounted for by the equity method: Because of its small impact on profits, Union Eiga Co., Ltd. and Crown Music Enterprise Co., Ltd. have not been consolidated under the equity method on the grounds of lack of materiality</p>
3. Items related to accounting standards	<p>(1) Standards and methods of valuation for important assets</p> <p>{1} Marketable and investment securities Bonds held to maturity: cost amortization method (straight line) Other securities: Quoted securities: market value method, based on market prices etc. Unquoted securities: valued at cost using the moving average method</p> <p>{2} Inventories Valued at cost, using the moving average method</p> <p>(2) Major depreciable assets and methods of depreciation</p> <p>{1} Tangible fixed assets: declining-balance method (certain buildings, however, are depreciated on a straight-line basis)</p> <p>{2} Intangible fixed assets: straight-line method</p> <p>(3) Standards for important allowances</p> <p>{1} Allowance for doubtful accounts: the group recognizes both an amount calculated on the basis of a statutory deduction ratio and an amount estimated to be uncollectible on the basis of its assessment of individual accounts</p> <p>{2} Reserve for bonuses: estimated-payment standard</p> <p>{3} Reserve for employees' retirement benefits: amounts based on retirement-benefit liabilities and estimated pension assets as of the end of the fiscal year</p> <p>(4) Standard for converting foreign currency-denominated assets and liabilities Amounts are translated into yen on the basis of rates on foreign exchange markets on the day of the closing of accounts, with the group recognizing any gains or losses from translation on its income statement. The assets, liabilities, revenues and expenses of overseas subsidiaries are also translated into yen on the basis of market rates on the day of closing, with all gains or losses from translation included in the minority interest account or in the foreign exchange adjustment account.</p> <p>(5) Accounting for significant lease transactions Financing leases are treated as ordinary rental transactions</p> <p>(6) Hedge accounting methods The Company hedges against risks of interest rate fluctuations by engaging in interest rate swap transactions</p> <p>(7) Others</p> <p>{1} Accounting for installment sales: profits on installment sales are deferred</p> <p>{2} Accounting for consumption taxes: tax-exclusion method</p>
4. Scope of funds in the consolidated statement of cash flow	Funds are defined as cash on hand, readily withdrawable deposits, and short-term investments with maturities of less than three months from date of purchase

Notes

(Consolidated interim balance sheet-related)

Millions of yen	September 30, 2000	September 30, 2001	March 31, 2001
1. Aggregate amount of depreciation on fixed assets	48,928	50,484	49,551
2. Guarantee liabilities	2,451	1,684	2,113
3. Assets provided as collateral	32,412	22,499	23,903
Secured liabilities	21,418	19,803	18,925

Segment information

Segment information by type of business

Millions of yen	Commercial karaoke operations	Karaoke-cabin operations	Content operations	Other operations	Total	Eliminations	Consolidated
September 30, 2000							
Sales							
External customer sales	26,673	11,292	2,221	2,140	42,328	-	42,328
Intersegment transactions and eliminations	96	-	-	176	272	(272)	-
	26,769	11,292	2,221	2,317	42,600	(272)	42,328
Operating expenses	22,514	10,356	2,775	1,870	37,517	768	38,285
Operating income	4,254	935	(554)	447	5,083	(1,041)	4,042
September 30, 2001							
Sales							
External customer sales	26,148	10,570	4,192	2,401	43,313	-	43,313
Intersegment transactions and eliminations	76	-	-	169	245	(245)	-
	26,225	10,570	4,192	2,571	43,558	(245)	43,313
Operating expenses	21,794	10,073	3,638	1,972	37,478	747	38,226
Operating income	4,430	496	553	598	6,080	(993)	5,086
March 31, 2001							
Sales							
External customer sales	53,680	23,041	5,604	4,403	86,730	-	86,730
Intersegment transactions and eliminations	175	-	-	352	527	(527)	-
	53,855	23,041	5,604	4,755	87,257	(527)	86,730
Operating expenses	45,973	20,847	6,038	3,803	76,663	1,611	78,275
Operating income	7,882	2,193	(434)	952	10,593	(2,139)	8,454

1. Commercial karaoke operations

In this segment, the group sells and rents karaoke equipment and software, and provides karaoke streaming services to users of telecommunications-based karaoke systems.

2. Karaoke cabin operations

In this segment, the group rents out karaoke rooms by the hour, and also provides food and drink to customers.

3. Content operations

In this segment, the group provides services over two television and 100 radio channels, using the platform of the digital satellite broadcaster, Sky PerfecTV. It also distributes customized ring-tones to users of cellular phones.

4. Other operations

In this segment, the group engages principally in sky sports, real estate rentals, and food services.

Non consolidated balance sheet

Millions of yen	September 30, 2000	%	September 30, 2001	%	March 31, 2001	%	Year-on-year change
Current assets							
Cash	17,473		14,878		13,003		1,874
Notes receivable - trade	1,754		1,819		1,834		(15)
Accounts receivable - trade	4,670		6,049		5,511		537
Marketable securities	733		-		-		-
Inventories	3,839		3,725		3,531		193
Deferred tax assets	621		728		894		(166)
Others	2,538		2,022		2,145		(123)
Allowance for doubtful accounts	(355)		(622)		(456)		(165)
	<u>31,275</u>	29.2	<u>28,600</u>	36.0	<u>26,465</u>	33.8	<u>2,134</u>
Fixed assets							
Tangible fixed assets							
Buildings	6,062		5,462		5,768		(306)
Karaoke equipment for rental	2,403		2,614		2,407		206
Karaoke-cabin facilities	5,814		5,987		5,754		233
Land	33,732		6,039		6,049		(9)
Others	1,661		1,328		1,550		(222)
	<u>49,675</u>	46.3	<u>21,432</u>	27.0	<u>21,531</u>	27.4	<u>(98)</u>
Intangible fixed assets							
	3,965	3.7	5,243	6.6	4,689	6.0	553
Investments and other assets							
Investment in securities	5,103		4,385		5,105		(719)
Long-term loans	5,907		5,832		6,233		(400)
Deferred tax assets	822		789		454		335
Deffered tax assets arising from revaluation	-		2,251		2,251		-
Leasehold deposits	8,433		8,573		9,565		(991)
Others	7,570		6,845		6,735		109
Allowance for doubtful accounts	(5,503)		(4,471)		(4,656)		184
	<u>22,333</u>	20.8	<u>24,207</u>	30.4	<u>25,690</u>	32.8	<u>(1,482)</u>
Total fixed assets	<u>75,974</u>	70.8	<u>50,883</u>	64.0	<u>51,911</u>	66.2	<u>(1,027)</u>
Total assets	<u>107,250</u>	100.0	<u>79,483</u>	100.0	<u>78,376</u>	100.0	<u>1,107</u>

DAIICHIKOSHO CO., LTD.

Millions of yen	September 30, 2000	%	September 30, 2001	%	March 31, 2001	%	Year-on-year change
Current liabilities							
Notes payable - trade	2,523		3,104		2,958		145
Accounts payable - trade	2,470		2,422		2,367		55
Short-term loans	5,340		2,923		1,964		958
Current portion of long-term loans	3,823		2,878		3,247		(368)
Accounts payable - other	3,094		3,192		3,163		29
Income taxes payable	221		1,177		1,322		(145)
Reserve for bonuses	671		661		671		(9)
Others	794		792		752		40
	<u>18,940</u>	17.7	<u>17,153</u>	21.6	<u>16,447</u>	21.0	<u>705</u>
Long-term liabilities							
Convertible bonds	18,517		15,790		16,850		(1,060)
Long-term loans	2,767		3,198		1,788		1,410
Reserve for employees' retirement benefits	911		914		896		17
Others	390		386		383		2
	<u>22,586</u>	21.0	<u>20,288</u>	25.5	<u>19,917</u>	25.4	<u>370</u>
Total liabilities	<u>41,526</u>	38.7	<u>37,441</u>	47.1	<u>36,365</u>	46.4	<u>1,076</u>
Shareholders' equity							
Common stock	12,348	11.5	12,348	15.5	12,348	15.8	-
Additional paid-in capital	24,000	22.4	24,000	30.2	24,000	30.6	-
Legal reserves	415	0.4	485	0.6	415	0.5	70
Unrealized gains or losses on land valuation	-	-	(25,419)	(32.0)	(25,431)	(32.5)	11
Retained earnings	29,000		29,450		29,000		450
Unappropriated retained earnings	230		1,854		1,850		3
	<u>29,230</u>	27.3	<u>31,304</u>	39.4	<u>30,850</u>	39.4	<u>453</u>
Unrealized gains or losses on securities	(270)	(0.3)	(673)	(0.8)	(172)	(0.2)	(501)
Treasury stock	-	-	(3)	(0.0)	-	-	(3)
Total shareholders' equity	<u>65,723</u>	61.3	<u>42,041</u>	52.9	<u>42,011</u>	53.6	<u>30</u>
Total liabilities and shareholders' equity	<u>107,250</u>	100.0	<u>79,483</u>	100.0	<u>78,376</u>	100.0	<u>1,107</u>

Non consolidated statement of income

Millions of yen	September 30, 2000	%	September 30, 2001	%	Year-on-year change (%)	March 31, 2001	%
Net sales	29,955	100.0	31,433	100.0	104.9	61,200	100.0
Cost of sales	18,685	62.4	19,611	62.4	105.0	38,224	62.5
Gross profit before adjustment for unrealized profit on installment sales	11,269	37.6	11,822	37.6	104.9	22,976	37.5
Unrealized profit on installment sales - reversal	109		63			135	
Unrealized profit on installment sales - deferred	59		113			135	
	50	0.2	(50)	(0.2)	(100.1)	(0)	(0.0)
Gross profit on sales	11,319	37.8	11,772	37.4	104.0	22,976	37.5
Selling, general and administrative expenses	9,416	31.4	8,553	27.2	90.8	18,429	30.1
Operating income	1,903	6.4	3,219	10.2	169.1	4,546	7.4
Non operating income							
Interest and dividend income	396		172			512	
Profit on retirement of convertible bonds	182		13			285	
Interest in profit of investment partnerships	11		24			263	
Commissions and fees	86		62			194	
Others	244		173			536	
	920	3.0	445	1.4	48.4	1,791	2.9
Non operating expenses							
Interest expenses	159		104			303	
Provision for allowance for doubtful accounts	382		196			431	
Loss on disposal of inventories	58		175			104	
Loss on valuation of inventories	6		152			535	
Others	139		201			280	
	747	2.5	830	2.6	111.2	1,654	2.7
Ordinary profit	2,077	6.9	2,833	9.0	136.4	4,683	7.6
Extraordinary gain							
Reversal of allowance for doubtful accounts	240		31			320	
Gain on sales of investment securities	-		488			1,250	
Gain on sales of fixed assets	4		-			4	
Gain resulting from change in retirement benefit accounting standards	312		-			312	
	557	1.9	520	1.7	93.3	1,888	3.1
Extraordinary loss							
Loss on sales and disposal of fixed assets	447		303			658	
Loss on valuation of investment securities	748		491			1,046	
Directors' retirement allowances	-		137			-	
Provision for doubtful accounts	342		-			347	
Loss on sales of investment securities	-		-			276	
Loss on valuation of securities of affiliated companies	420		-			420	
Loss on valuation of membership in leisure facilities	131		-			142	
	2,090	7.0	932	3.0	44.6	2,891	4.7

Millions of yen	September 30, 2000	%	September 30, 2001	%	Year-on-year change (%)	March 31, 2001	%
Net income before taxes and special reserves for the period	544	1.8	2,421	7.7	445.1	3,680	6.0
Corporate, inhabitant and enterprises taxes	250	0.8	1,006	3.2	402.6	1,742	2.8
Deferred taxes	757	2.5	193	0.6	25.6	781	1.3
Net income for the period	(463)	(1.5)	1,221	3.9	-	1,157	1.9
Retained earnings brought forward from previous period	693		644			693	
Disposition of unrealized gains or losses on valuation	-		(11)			-	
Unappropriated retained earnings	230		1,854			1,850	

Assumptions underlying preparation of non consolidated interim financial statements

Item	Assumptions underlying preparation of non consolidated interim financial statements
1. Standards and methods of valuation for assets	(1) Inventories Merchandise and finished goods: valued at cost, using the moving average Work in process: valued at cost, using the specific identification method (2) Marketable and investment securities Shares in subsidiaries and affiliated companies: valued at cost using the moving average method Quoted securities: market value method, based on market prices etc. Unquoted securities: valued at cost using the moving average method
2. Depreciable assets and methods of depreciation	(1) Tangible fixed assets: declining-balance method (certain buildings, however, are depreciated on a straight-line basis) (2) Intangible fixed assets: straight-line method
3. Standards for important allowances	(1) Allowance for doubtful accounts: the group recognizes both an amount calculated on the basis of a statutory deduction ratio and an amount estimated to be uncollectible on the basis of its assessment of individual accounts (2) Reserve for bonuses: estimated-payment standard (3) Reserve for employees' retirement benefits: amounts based on retirement-benefit liabilities and estimated pension assets as of the end of the fiscal year
4. Accounting for significant lease transactions	Financing leases are treated as ordinary rental transactions
5. Others	(1) Accounting for installment sales: profits on installment sales are deferred (2) Accounting for consumption taxes: tax-exclusion method

Notes

(Non consolidated balance sheet-related)

Millions of yen	September 30, 2000	September 30, 2001	March 31, 2001
1. Aggregate amount of depreciation on fixed assets	22,676	23,221	23,254
2. Guarantee liabilities	9,794	8,563	8,285
3. Assets provided as collateral	14,131	4,602	5,536
Secured liabilities	6,038	5,513	4,657
4. Agreement for commitment line			
Total amount under commitment line agreement	-	10,000	10,000
Amount borrowed		-	-
Net amount		10,000	10,000