

FY 2005, the year ended March 31, 2006

Summary of Nonconsolidated Financial Statements for the Interim Period Ended September 30, 2005

November 14, 2005

Company Name: DAIICHIKOSHO CO., LTD.

Code Number: 7458

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

Stock Exchange Listing: JASDAQ

Location of Head Office (Prefecture): Metropolis of Tokyo

Representative: Tatsuyoshi Yoneda, President

Contact: Eiji Hata, Managing Director and Senior Corporate Officer; and Executive Director, Administration Headquarters

Phone: (03) 3280-2151

Date of the Board of Directors Meeting on the Closing of Accounts: November 14, 2005

Interim Dividend System: Applied

Unit (*tangen*) Stock System: Adopted (Unit (*tangen*) stock of shares: 100 shares)

Start Date for Payment of Interim Dividends: –

1. Nonconsolidated Performance for the Interim Period Ended September 2005 (from April 1, 2005, to September 30, 2005)

(1) Nonconsolidated operating results

Note: Amounts below one million yen are truncated.

	Net sales		Operating income		Ordinary income	
	¥ Million	%	¥ Million	%	¥ Million	%
Interim period ended September 2005	45,485	7.8	3,038	(31.8)	3,330	(29.1)
Interim period ended September 2004	42,186	8.5	4,454	(6.3)	4,694	4.4
Year ended March 2005	82,862		6,447		6,490	

	Net income		Net income per share
	¥ Million	%	¥
Interim period ended September 2005	917	(72.7)	26.36
Interim period ended September 2004	3,359	96.4	93.47
Year ended March 2005	3,939		109.74

Notes: 1. Average number of shares outstanding at the end of the respective periods:

Interim period ended September 2005: 34,803,317

Interim period ended September 2004: 35,941,040

Year ended March 2005: 35,745,780 shares

2. Change in accounting method: Yes

3. Percentages for net sales, operating income, ordinary income and net income show respective year-over-year changes from the interim period of the previous fiscal year.

(2) Dividends

	Interim dividend per share	Annual dividend per share
	¥	¥
Interim period ended September 2005	0.00	—
Interim period ended September 2004	0.00	—
Year ended March 2005	—	40.00

(3) Nonconsolidated financial position

Note: Amounts below one million yen are truncated.

	Total assets	Shareholders' equity	Equity ratio	Shareholders' equity per share
	¥ Million	¥ Million	%	¥
Interim period ended September 2005	85,581	50,770	59.3	1,458.83
Interim period ended September 2004	87,741	53,199	60.6	1,480.27
Year ended March 2005	80,112	51,021	63.7	1,465.47

- Notes:
- Average number of shares outstanding at the end of the respective periods:
 34,802,391 shares at September 30, 2005 35,938,948 shares at September 30, 2004
 34,804,216 shares at March 31, 2005
 - Number of treasury stocks at the end of the respective periods:
 1,818,907 shares at September 30, 2005 682,350 shares at September 30, 2004
 1,817,082 shares at March 31, 2005

2. Forecast Nonconsolidated Performance for FY2005, the Year Ending March 31, 2006 (from April 1, 2005, to March 31, 2006)

	Net sales	Ordinary income	Net income	Annual dividend per share	
				Year-end	
	¥ Million	¥ Million	¥ Million	¥	¥
Year ending March 31, 2006 (full year)	91,000	5,700	1,800	30.00	30.00

(Reference) Forecast net income per share (full year): ¥51.25

Note: These projected performance figures are based on information available to the Company's management at the time of preparing this report. There are many uncertain factors inherent in forecasting, and there might be cases in which actual results differ from forecast values. See page 11 of the Attachment for further information on forecasts.

6. Nonconsolidated Interim Financial Statements

(1) Nonconsolidated Interim Balance Sheet

(Millions of yen)

Account item	Fiscal year		Previous interim period (As of September 30, 2004)		Current interim period (As of September 30, 2005)		Last fiscal year (As of March 31, 2005) Condensed		Year- over- year change
	Amount	Com- posi- tion ratio (%)	Amount	Com- posi- tion ratio (%)	Amount	Com- posi- tion ratio (%)			
(Assets)									
Current assets									
Cash and bank deposits	20,387		13,933		11,010		2,922		
Notes receivable—trade	650		626		783		(157)		
Accounts receivable—trade	6,540		9,573		6,270		3,302		
Inventories	2,976		4,661		4,546		115		
Deferred tax assets	2,938		2,868		2,880		(12)		
Other	2,748		3,956		2,600		1,355		
Allowance for doubtful accounts	(383)		(749)		(489)		(259)		
Total current assets	35,859	40.9	34,869	40.7	27,601	34.5	7,267		
Fixed assets									
Tangible fixed assets									
Buildings	1,689		1,657		1,721		(64)		
Karaoke equipment for rental	4,691		4,649		4,628		21		
Karaoke cabin facilities	7,813		7,293		8,296		(1,003)		
Land	2,002		3,403		3,506		(103)		
Other	1,765		2,152		1,505		647		
Total tangible fixed assets	17,961	20.5	19,156	22.4	19,659	24.5	(502)		
Intangible assets									
Sound delivery/video software	4,588		3,570		3,847		(276)		
Other	3,784		3,724		4,220		(495)		
Total intangible assets	8,372	9.5	7,295	8.5	8,067	10.0	(771)		
Investments and other assets									
Investments in securities	5,870		7,211		6,123		1,087		
Investment in stocks of subsidiaries and affiliates	4,471		4,273		4,001		271		
Long-term loans receivable	4,808		4,528		4,860		(332)		
Deferred tax assets	1,556		128		1,242		(1,113)		
Leasehold deposits and guarantee money	10,268		10,093		10,365		(272)		
Other	3,696		3,235		3,373		(138)		
Allowance for doubtful accounts	(5,123)		(5,210)		(5,183)		(27)		
Total investments and other assets	25,548	29.1	24,259	28.4	24,784	31.0	(524)		
Total fixed assets	51,882	59.1	50,711	59.3	52,510	65.5	(1,798)		
Total Assets	87,741	100.0	85,581	100.0	80,112	100.0	5,468		

DAIICHIKOSHO CO., LTD.

Account item	Fiscal year		Previous interim period (As of September 30, 2004)		Current interim period (As of September 30, 2005)		Last fiscal year (As of March 31, 2005) Condensed		Year-over-year change
	Amount	Com-position ratio (%)	Amount	Com-position ratio (%)	Amount	Com-position ratio (%)			
(Liabilities)									
Current liabilities									
Notes payable—trade	3,204		3,311		2,538		772		
Accounts payable—trade	2,865		4,103		3,547		555		
Short-term borrowings	600		600		600		—		
Convertible bonds redeemable within one year	9,955		—		—		—		
Current portion of long-term borrowings	3,188		5,503		4,130		1,373		
Accounts payable—other	3,823		5,377		5,169		208		
Income taxes payable	213		217		343		(126)		
Reserve for bonuses	723		704		633		71		
Other	777		1,000		704		296		
Total current liabilities	25,351	28.9	20,817	24.3	17,667	22.0	3,150		
Long-term liabilities									
Long-term borrowings	6,486		12,017		8,616		3,401		
Reserve for employees' retirement benefits	1,090		1,041		1,115		(74)		
Reserve for directors' retirement allowances	1,172		364		1,252		(887)		
Other	442		568		439		129		
Total long-term liabilities	9,191	10.5	13,992	16.4	11,424	14.3	2,568		
Total Liabilities	34,542	39.4	34,810	40.7	29,091	36.3	5,719		
(Shareholders' Equity)									
Capital stock	12,350	14.1	12,350	14.4	12,350	15.4	—		
Capital surplus									
Capital reserve	4,002		4,002		4,002		—		
Other capital surplus	20,000		20,000		20,000		—		
Total capital surplus	24,002	27.4	24,002	28.1	24,002	29.9	—		
Retained earnings									
Voluntary reserve									
General reserve	18,602		16,602		18,602		(2,000)		
Unappropriated retained earnings	(66)		1,503		380		1,123		
Total retained earnings	18,535	21.1	18,105	21.2	18,982	23.7	(876)		
Land revaluation difference	(1,927)	(2.2)	(1,409)	(1.7)	(1,794)	(2.2)	385		
Net unrealized gains or losses on available-for-sale securities	1,018	1.1	1,355	1.6	1,109	1.4	245		
Treasury stock	(780)	(0.9)	(3,634)	(4.3)	(3,629)	(4.5)	(4)		
Total Shareholders' Equity	53,199	60.6	50,770	59.3	51,021	63.7	(250)		
Total Liabilities and Shareholders' Equity	87,741	100.0	85,581	100.0	80,112	100.0	5,468		

(2) Nonconsolidated Interim Statement of Income

Account item		(Millions of yen)									
		Fiscal year		Previous interim period (From April 1, 2004, to September 30, 2004)		Current interim period (From April 1, 2005, to September 30, 2005)		Year-over-year change (%)	FY 2004 (From April 1, 2004, to March 31, 2005) Condensed		
				Amount	Per-centage (%)	Amount	Per-centage (%)		Amount	Per-centage (%)	
Net sales			42,186	100.0		45,485	100.0	107.8		82,862	100.0
Cost of sales			27,302	64.7		30,436	66.9	111.5		54,874	66.2
Gross profit before adjustment for unrealized profit on installment sales			14,883	35.3		15,048	33.1	101.1		27,988	33.8
Unrealized profit on installment sales—reversal (+)	94				31				135		
Unrealized profit on installment sales—deferred (-)	15	79	0.2		19	12	0.0	15.8	44	91	0.1
Gross profit on sales			14,962	35.5		15,061	33.1	100.7		28,080	33.9
Selling, general and administrative expenses			10,508	24.9		12,023	26.4	114.4		21,632	26.1
Operating income			4,454	10.6		3,038	6.7	68.2		6,447	7.8
Nonoperating income											
Interest and dividend income	359				346				553		
Fees and commissions received	77				44				140		
Insurance payment received	—				130				—		
Other	187	624	1.4		287	809	1.8	129.6	380	1,074	1.3
Nonoperating expenses											
Interest expense	90				76				189		
Provision for allowance for doubtful accounts	124				230				451		
Loss on disposal of inventories	39				27				56		
Loss on devaluation of inventories	29				52				101		
Other	100	384	0.9		130	517	1.2	134.6	232	1,031	1.3
Ordinary income			4,694	11.1		3,330	7.3	70.9		6,490	7.8
Extraordinary gains											
Gain on sales of investments in securities	553				370				748		
Gain on sales of fixed assets	146				91				189		
Reversal of allowance for doubtful accounts	33				63				97		
Indemnity on relocation of warehouse	—	733	1.7		—	525	1.2	71.6	128	1,164	1.4
Extraordinary losses											
Loss on sales and disposal of fixed assets	1,354				394				2,149		
Loss on sales of investments in securities	6				—				6		
Loss on valuation of investments in securities	—				7				27		
Loss on valuation of investment in stocks of subsidiaries and affiliates	655				85				1,124		
Impairment loss on fixed assets	—				1,228				—		
Loss on arrangement of subsidiaries and affiliates	—	2,015	4.7		201	1,916	4.2	95.1	—	3,308	4.0
Income before income taxes			3,413	8.1		1,939	4.3	56.8		4,345	5.2
Income taxes—current	69				63				112		
Income taxes—deferred	(15)	54	0.1		959	1,022	2.3	1,889.4	294	406	0.5
Net income			3,359	8.0		917	2.0	27.3		3,939	4.7
Surplus brought forward from the previous year		408				971				408	
Reversal of land revaluation difference		(3,834)				(385)				(3,966)	
Unappropriated retained earnings			(66)			1,503				380	

Significant Accounting Policies

1. Valuation basis and method for assets

(1) Marketable securities and investments in securities

Investment in stocks of subsidiaries and affiliates:

Stated at cost determined by the moving-average method.

Other securities:

Other securities primarily designated as available-for-sale securities for which the fair values are readily determinable:

Carried at fair value as of the balance-sheet date with changes in net unrealized holding gain or loss, net of the applicable income taxes, included directly in shareholders' equity. The cost of securities sold is determined by the moving-average method.

Other securities primarily designated as available-for-sale securities for which the fair values are not readily determinable:

Carried at cost determined by the moving-average method.

Regarding investments in investment limited liabilities business associations or such similar associations (those regarded as securities according to Article 2, Paragraph 2, of the Securities and Exchange Law), initial investments in such associations are recognized as the association's receivables. The Company's assumed share of the fluctuated amount due to the subsequent financial situation of the association is recorded as receivables from or payables to the association. The Company's assumed share of the profit and loss of the association during the current interim period is accounted for as profit and loss on investments in investment business associations.

(2) Derivatives

Stated at fair value.

(3) Inventories

Merchandise:

Stated at cost determined by the moving-average method

2. Depreciation method of fixed assets

(1) Tangible fixed assets

Depreciation is computed by the declining-balance method at rates based on the estimated useful lives of the assets as shown below. However, the straight-line method is adopted for buildings (excluding building improvements) acquired on or after April 1, 1998.

Buildings and structures: 5–50 years

Karaoke equipment for rental: 5–6 years

Karaoke cabin facilities: 3–19 years

(2) Intangible assets

Amortization of intangible assets is computed by the straight-line method. Computer software for internal use is amortized by the straight-line method over the estimated useful life (five years), and sound delivery and video software is amortized by the straight-line method over two years.

3. Accounting standards for reserves

(1) Allowance for doubtful accounts

The allowance for doubtful accounts is provided at an amount of possible losses from uncollectible receivables based on the actual rate of losses from bad debt for ordinary receivables, and on the estimated recoverability for specific doubtful receivables.

(2) Reserve for bonuses

The reserve for bonuses is provided at an estimated amount based on DK's internal payment prediction standard.

(3) Reserve for employees' retirement benefits:

The reserve for employees' retirement benefits is provided at an amount recognized to have accrued as of the interim balance-sheet date, based on the projected benefit obligations and plan assets as of September 30, 2005.

Actuarial differences are amortized on a pro rata basis by the straight-line method over a certain period (10 years), which is shorter than the average remaining service years for employees at the time of their occurrence, from the following fiscal year of recognition.

(Change of accounting policies)

From the current interim period, the Company adopted the "Partial Amendment to the Accounting Standard for Retirement Benefits" (Financial Accounting Standard No. 3, March 16, 2005) and the "Implementation Guidance

for Partial Amendment to the Accounting Standard for Retirement Benefits” (Financial Accounting Standards Implementation Guidance No. 7, March 16, 2005). As a result, operating income, ordinary income and income before income taxes each increased by ¥13 million.

(4) Reserve for directors’ retirement allowances:

The reserve for directors’ retirement allowances is provided at an amount that would be required to be paid in accordance with DK’s internal rules concerning directors’ retirement allowances if all eligible directors and statutory auditors were to resign their positions as of the interim balance-sheet date.

4. Translation of assets and liabilities denominated in foreign currencies into yen

Monetary receivables and payables denominated in foreign currencies are translated into yen at the spot exchange rate in effect at the interim balance-sheet date. The resulting exchange differences are charged or credited to income.

5. Accounting for leases

Finance leases that do not transfer ownership of leased property to the lessee are accounted for as rental transactions.

6. Other important matters in preparing the nonconsolidated interim financial statements

(1) Accounting for installment sales

DK’s installment profit involved in installment sales is deferred for the amount corresponding to the portion of installment receivables for which the due date has not expired.

(2) Accounting for consumption tax, etc.

Consumption taxes are accounted for using the tax exclusion method. Consumption taxes related to installment sales are deferred for the amount corresponding to the portion of installment receivables for which the due date has not expired.

Change in Significant Accounting Policies

From the current interim period, the Company adopted the Accounting Standard on the Impairment of Fixed Assets (“Statement of Position on Accounting Standard on the Impairment of Fixed Assets”) (Business Accounting Council, August 9, 2002) and the “Implementation Guidance on the Accounting Standard on the Impairment of Fixed Assets” (Financial Accounting Standards Implementation Guidance No. 6, October 31, 2003). The adoption of these accounting standards decreased interim net income by ¥1,228 million. The accumulated impairment loss was directly deducted from the amount of each of the related assets.

Notes to Nonconsolidated Interim Financial Statements

(Notes to Nonconsolidated Interim Balance Sheet)

	(Millions of yen)		
	As of September 30, 2004	As of September 30, 2005	As of March 31, 2005
1. Accumulated depreciation for tangible fixed assets	21,352	22,391	22,058
2. Liabilities for guarantee			
Liabilities for guarantee	3,723	3,289	3,350
Guarantee by subscription	280	355	375
Letter of undertaking on management services	67	—	58
Total	4,071	3,644	3,784
3 Commitment line contract			
Total amount of commitment line contracts	10,000	10,000	10,000
Residual amount of borrowed funds	—	—	—
On balance	10,000	10,000	10,000

(Notes to Nonconsolidated Interim Statement of Income)

	(Millions of yen)		
	Previous interim period (From April 1, 2004, to September 30, 2004)	Current interim period (From April 1, 2005, to September 30, 2005)	Last fiscal year (From April 1, to March 31, 2005)
1. Depreciation and amortization executed			
Tangible fixed assets	1,899	2,020	4,305
Intangible fixed assets	2,623	2,711	5,270

2. Contents of impairment loss

An impairment loss was recorded with regard to the following asset groups during the current interim period.

(1) An impairment loss was recognized for the following assets:

			(Millions of yen)
Place	Use	Classification	Impairment loss
“Big Echo” Do-tonbori karaoke cabin main store (Chuo-ku, Osaka) and 19 other stores	Karaoke cabins, restaurants	Karaoke cabin facilities, etc.	927
Asagiri Sky Gym (Fujinomiya, Shizuoka) and 5 other places	Lease and rental of real estate	Land and buildings, etc.	300

(2) Method of grouping assets

The Company determines asset groups, considering internal management segmentation. Asset groups of unused and rental real estate are determined by each property and those of karaoke cabins and restaurants mainly by each store.

(3) Background to the recording of an impairment loss

Due to a plunge in the market value of real estate for lease and rental and unused real estate, it was determined that recouping the invested amount would be difficult. Therefore, the acquisition cost was reduced to the collectible amount and the reduced amount was recorded as an impairment loss (¥300 million), which is included in extraordinary losses.

Due to the decreased profitability of “Big Echo” karaoke cabin stores and restaurants, it was determined that recouping the invested amount would be difficult. Therefore, the acquisition cost was reduced to the collectible amount and the reduced amount was recorded as an impairment loss (¥927 million), which is included in extraordinary losses.

(4) Amount of impairment loss

	(Millions of yen)
Karaoke cabin facilities	927
Land	103
Buildings, etc.	197
Total	1,228

(5) Method of computing the collectible amounts

The collectible amount was computed by the net sale value and the use value. The net sales value was computed based on the real

estate appraisal value, and the use value was computed by discounting 3.6% from the future cash flow.

3. Components of loss on arrangement of subsidiaries and affiliates

The loss on arrangement of subsidiaries and affiliates consists of a loss of ¥144 million due to the cessation of music CD sales at “Big Echo” karaoke cabin stores and a loss of ¥56 million due to the cessation of the DAM cinema business.

(Leases)**1. Finance lease contracts that do not transfer ownership of leased property to the lessee****(1) Assumed data as to acquisition cost, accumulated depreciation and remaining book value of leased assets at the end of the period**

(Millions of yen)

	Previous interim period (From April 1, 2004, to September 30, 2004)			Current interim period (From April 1, 2005, to September 30, 2005)			Last fiscal year (From April 1, 2004, to March 31, 2005)		
	Acquisition cost	Accumulated depreciation	Net book value	Acquisition cost	Accumulated depreciation	Net book value	Acquisition cost	Accumulated depreciation	Net book value
Karaoke cabin facilities	272	247	25	—	—	—	99	90	9
Other tangible fixed assets	2,570	1,507	1,063	2,688	934	1,753	2,170	938	1,232
Total	2,843	1,754	1,088	2,688	934	1,753	2,270	1,028	1,241

(2) Assumed future lease payments at the end of the period under finance leases

(Millions of yen)

	As of September 30, 2004	As of September 30, 2005	As of March 31, 2005
Due within one year	580	638	501
Due after one year	517	1,122	747
Total	1,098	1,761	1,248

(3) Lease payments, and assumed depreciation expense and interest expense

(Millions of yen)

	As of September 30, 2004	As of September 30, 2005	As of March 31, 2005
Lease payments	388	362	722
Assumed depreciation expense	380	355	706
Assumed interest expense	6	7	11

(4) Computation method of assumed depreciation expense

Depreciation expense is computed by the straight-line method, assuming the lease period as the useful life and no residual value.

(5) Computation method of assumed interest expense

The difference between the total lease contract amount and the assumed acquisition cost is assumed to be interest, and interest expense is computed by the interest method.

2. Operating lease contracts**Future lease payments under operating leases**

(Millions of yen)

	As of September 30, 2004	As of September 30, 2005	As of March 31, 2005
Due within one year	328	323	324
Due after one year	1,980	1,657	1,817
Total	2,309	1,980	2,142

(Securities)

DK had no available-for-sale securities for which the fair value was readily determinable in its investment in stocks of subsidiaries and affiliates for the interim periods ended September 30, 2004 and 2005, and the last fiscal year ended March 31, 2005.

(Significant Subsequent Events)

Previous interim period (From April 1, 2004, to September 30, 2004)	Current interim period (From April 1, 2005, to September 30, 2005)	Last fiscal year (From April 1, 2004, to March 31, 2005)
<p>The meeting of the Board of Directors held on December 13, 2004, adopted a resolution to the effect that the Company acquire treasury stock pursuant to the provisions of Article 211-3, Paragraph 1, Item 2, of the Commercial Code of Japan in the following manner:</p> <p>(1) Purpose: To be able to implement a flexible capital policy to address changes in the management environment and improve capital efficiency</p> <p>(2) Acquisition method: Purchase at JASDAQ Securities Exchange, Inc.</p> <p>(3) Class of shares to be acquired: Common shares</p> <p>(4) Number of shares to be acquired: A maximum of 1,440,000 shares</p> <p>(5) Total stock acquisition price: A maximum of ¥4,300 million</p> <p>(6) Period of acquiring treasury stock: From December 17, 2004, to February 28, 2005</p>	—	—