

FY2010, the year ending March 31, 2011

Flash Report on the Consolidated Results for the Interim Period Ended  
September 30, 2010 [JGAAP]

November 8, 2010

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

Contact: Shigeki Kobayashi, General Manager, Accounting Department, Administration Headquarters

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Scheduled Date to Submit the Quarterly Securities Report: November 12, 2010

Start Date for Dividend Payment: December 6, 2010

Availability of Supplementary Briefing Material on Quarterly Financial Results: Available

Schedule of Quarterly Financial Results Briefing Session: None

(Amounts below one million yen are truncated.)

1. Consolidated Performance for the Interim Period Ended September 2010 (from April 1, 2010, to  
September 30, 2010)

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

	Net sales		Operating income		Ordinary income	
	¥ Million	%	¥ Million	%	¥ Million	%
Interim Period ended September 2010	60,833	(2.6)	9,124	7.3	9,575	5.8
Interim Period ended September 2009	62,464	0.9	8,502	8.1	9,054	9.1

	Net income		Net income per share	Fully diluted net income per share
	¥ Million	%	¥	¥
Interim Period ended September 2010	5,388	(5.2)	81.95	—
Interim Period ended September 2009	5,683	12.4	84.36	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	¥ Million	¥ Million	%	¥
Interim Period ended September 2010	126,277	86,421	67.7	1,315.12
Year ended March 2010	125,776	84,054	66.2	1,263.54

(Reference) Shareholders' equity

Interim Period ended September 2010: ¥85,506 million

Year ended March 2010: ¥83,226 million

## 2. Dividend

	Annual dividend				
	First Quarter	Second Quarter	Third Quarter	Year-end	Total
Year ended March 2010	—	Yen 20.00	—	Yen 30.00	Yen 50.00
Year ending March 2011	—	25.00			
Year ending March 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	
	¥ Million	%	¥ Million	%	¥ Million	%
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
	¥ Million	%	¥
Year ending March 31, 2011 (full year)	10,100	(5.8)	155.34

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)	Interim period ended September 2010	66,670,596 shares	Year ended March 2010	66,670,596 shares
2) Number of shares of treasury stock	Interim period ended September 2010	1,652,813 shares	Year ended March 2010	802,735 shares
3) Average number of shares during the period	Interim period ended September 2010	65,747,015 shares	Interim period ended September 2009	67,372,711 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 interim period (As of September 30, 2010)	FY2009 (As of March 31, 2010) Condensed
<b>Assets</b>		
Current assets		
Cash and deposits	30,924	34,170
Notes and accounts receivable-trade	7,152	7,367
Inventories	4,575	4,371
Other	7,077	5,477
Allowance for doubtful accounts	(467)	(461)
Total current assets	49,263	50,926
Noncurrent assets		
Property, plant and equipment		
Karaoke equipment for rental, net	7,143	6,859
Karaoke cabin and restaurant facilities, net	14,295	13,393
Land	18,190	18,213
Other, net	7,296	7,520
Total property, plant and equipment	46,926	45,986
Intangible assets		
Goodwill	712	—
Other	8,096	7,420
Total intangible assets	8,808	7,420
Investments and other assets		
Lease and guarantee deposits	13,146	13,116
Other	8,502	8,778
Allowance for doubtful accounts	(369)	(453)
Total investments and other assets	21,279	21,441
Total noncurrent assets	77,014	74,849
Total assets	126,277	125,776

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(Millions of yen)

	Current interim period (As of September 30, 2010)	FY2009 (As of March 31, 2010) Condensed
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	4,182	3,714
Short-term loans payable	6,113	6,792
Income taxes payable	3,893	5,379
Provision for bonuses	1,494	1,192
Other	10,358	9,787
Total current liabilities	26,042	26,866
Noncurrent liabilities		
Long-term loans payable	7,009	7,976
Provision for retirement benefits	2,790	3,068
Provision for directors' retirement benefits	2,123	2,088
Negative goodwill	258	281
Other	1,631	1,439
Total noncurrent liabilities	13,813	14,854
Total liabilities	39,855	41,721
<b>Net assets</b>		
Shareholders' equity		
Capital stock	12,350	12,350
Capital surplus	17,285	17,285
Retained earnings	58,976	55,563
Treasury stock	(2,069)	(973)
Total shareholders' equity	86,542	84,226
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(108)	(153)
Revaluation reserve for land	(777)	(777)
Foreign currency translation adjustment	(150)	(68)
Total valuation and translation adjustments	(1,036)	(1,000)
Minority interests	915	828
Total net assets	86,421	84,054
Total liabilities and net assets	126,277	125,776

**(2) Quarterly Consolidated Statements of Income**

Current interim period

(Millions of yen)

	Previous interim period (From April 1, 2009, to September 30, 2009)	Current interim period (From April 1, 2010, to September 30, 2010)
Net sales	62,464	60,833
Cost of sales	36,057	34,828
Gross profit	26,406	26,005
Selling, general and administrative expenses	17,904	16,881
Operating income	8,502	9,124
Non-operating income		
Interest income	92	81
Dividends income	37	39
Cooperative monetary aid received	234	245
Amortization of negative goodwill	27	23
Other	453	318
Total non-operating income	845	707
Non-operating expenses		
Interest expenses	139	100
Foreign exchange losses	58	58
Other	95	97
Total non-operating expenses	293	256
Ordinary income	9,054	9,575
Extraordinary income		
Gain on sales of noncurrent assets	9	13
Gain on sales of investment securities	0	7
Gain on redemption of investment securities	—	148
Reversal of allowance for doubtful accounts	22	56
Reversal of provision for retirement benefits	—	107
Indemnity of cancellation of leases	248	—
Other	11	54
Total extraordinary income	291	387
Extraordinary loss		
Loss on disposal of noncurrent assets	202	149
Impairment loss	300	29
Loss on adjustment for changes of accounting standard for asset retirement obligations	—	440
Loss on abolishment of qualified pension plan	—	531
Other	—	17
Total extraordinary losses	503	1,168
Income before income taxes and minority interests	8,843	8,794
Income taxes-current	3,865	3,863
Income taxes-deferred	(757)	(547)
Total income taxes	3,107	3,315
Income before minority interests	—	5,478
Minority interests in income	51	90
Net income	5,683	5,388

**(3) Quarterly Consolidated Statements of Cash Flows**

(Millions of yen)

	Previous interim period (From April 1, 2009, to September 30, 2009)	Current interim period (From April 1, 2010, to September 30, 2010)
<b>Net cash provided by (used in) operating activities</b>		
Income before income taxes and minority interests	8,843	8,794
Depreciation and amortization	6,548	6,005
Impairment loss	300	29
Loss on adjustment for changes of accounting standard for asset retirement obligations	—	440
Amortization of negative goodwill	(27)	(23)
Increase (decrease) in allowance for doubtful accounts	(60)	(77)
Increase (decrease) in provision for bonuses	394	294
Increase (decrease) in provision for directors' retirement benefits	(200)	35
Interest and dividends income	(130)	(120)
Interest expenses	139	100
Loss (gain) on disposal of noncurrent assets	193	135
Decrease (increase) in notes and accounts receivable-trade	(95)	204
Decrease (increase) in inventories	295	(201)
Transfer of cost of sales on karaoke equipment for rental	217	256
Increase (decrease) in notes and accounts payable-trade	386	470
Other, net	(1,155)	(1,004)
Subtotal	15,649	15,340
Interest and dividends income received	131	119
Interest expenses paid	(137)	(97)
Income taxes paid	(1,445)	(5,293)
Net cash provided by (used in) operating activities	14,198	10,069
<b>Net cash provided by (used in) investing activities</b>		
Increase in time and saving deposits	(59)	(157)
Proceeds from decrease in time and saving deposits	110	80
Purchase of property, plant and equipment	(5,133)	(4,334)
Proceeds from sales of property, plant and equipment	22	41
Purchase of intangible assets	(1,819)	(2,127)
Payments for acquisition of video licenses	(534)	(661)
Purchase of investment securities	—	(51)
Proceeds from sales of investment securities	0	43
Purchase of investments in subsidiaries	—	(1,083)
Payments of loans receivable	(93)	(285)
Collection of loans receivable	212	222
Payments for lease and guarantee deposits	(311)	(705)
Proceeds from collection of lease and guarantee deposits	234	190
Other, net	11	213
Net cash provided by (used in) investing activities	(7,360)	(8,614)

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(Millions of yen)

	Previous interim period (From April 1, 2009, to September 30, 2009)	Current interim period (From April 1, 2010, to September 30, 2010)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(45)	362
Proceeds from long-term loans payable	2,560	1,250
Repayment of long-term loans payable	(6,158)	(3,258)
Cash dividends paid	(3,026)	(1,971)
Purchase of treasury stock	(984)	(1,096)
Other, net	(6)	(9)
Net cash provided by (used in) financing activities	(7,661)	(4,722)
Effect of exchange rate change on cash and cash equivalents	11	(55)
Net increase (decrease) in cash and cash equivalents	(812)	(3,323)
Cash and cash equivalents at beginning of period	29,584	33,877
Cash and cash equivalents at end of period	28,771	30,554

**(4) Segment Information****1. Information regarding sales and income/loss by the reportable segments****Current interim period (From April 1, 2010, to September 30, 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	30,509	19,553	5,964	56,027	4,806	60,833	—	60,833
Segment income [Operating income]	6,867	2,591	691	10,150	463	10,613	(1,488)	9,124

**(Reference information)**

For reference, “Information regarding sales and income/loss by the reportable segments” for the previous interim period, which was prepared in a similar method as for the current interim period, is set out below.

**Previous interim period (From April 1, 2009, to September 30, 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	30,452	19,815	6,935	57,204	5,260	62,464	—	62,464
Segment income [Operating income]	5,940	2,946	864	9,751	357	10,108	(1,605)	8,502