

FY2010, the year ending March 31, 2011

Flash Report on the Consolidated Results for the Interim Period Ended  
June 30, 2010

August 9, 2010

Company Name: DAIICHIKOSHO CO., LTD.

Code Number: 7458

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

Stock Exchange Listing: JASDAQ

Representative: Tadahiko Hoshi, Chairman and CEO

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Scheduled Date to Submit the Quarterly Securities Report: August 11, 2010

Start Date for Dividend Payment: —

(Amounts below one million yen are truncated.)

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

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

	Net sales		Operating income		Ordinary income	
	¥ Million	%	¥ Million	%	¥ Million	%
Interim Period ended June 2010	30,538	1.3	4,941	27.9	5,162	24.9
Interim Period ended June 2009	30,137	(2.4)	3,862	1.5	4,134	2.8

	Net income		Net income per share	Fully diluted net income per share
	¥ Million	%	¥	¥
Interim Period ended June 2010	3,054	10.2	46.37	—
Interim Period ended June 2009	2,772	15.0	41.09	—

## (2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	¥ Million	¥ Million	%	¥
Interim Period ended June 2010	123,961	85,235	68.1	1,281.13
Year ended March 2010	125,776	84,054	66.2	1,263.54

(Reference) Shareholders' equity

Interim Period ended June 2010: ¥84,385 million

Year ended March 2010: ¥83,226 million

## 2. Dividend

	Dividend per share				
	First Quarter	Second Quarter	Third Quarter	Year-end	Annual
Year ended March 2010	—	Yen 20.00	—	Yen 30.00	Yen 50.00
Year ending March 2011	—				
Year ending March 2011 (forecast)		25.00	—	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: The percentages for full-year forecasts mean the increase/decrease from the end of the previous year, and the half-year forecast percentages represent the increase/decrease from the end of the previous interim term.)

	Net sales		Operating income		Ordinary income	
	¥ Million	%	¥ Million	%	¥ Million	%
Six months ending September 30, 2010	63,100	1.0	9,200	8.2	9,700	7.1
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	%	¥
Six months ending September 30, 2010	5,250	(7.6)	79.71
Year ending March 31, 2011 (full year)	10,100	(5.8)	153.34

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

## 4. Other

- (1) Change in important subsidiaries during the period under review (Change in specific subsidiaries causing a change in the scope of consolidation): No
- (2) Adoption of simplified accounting methods and special accounting methods for quarterly consolidated financial statements: Yes
- (3) Change in accounting principals, procedure and presentation methods for preparation of quarterly consolidated financial statements
  - 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 June 2010: 66,670,596 shares
    - Year ended March 2010: 66,670,596 shares
  - 2) Number of shares of treasury stock:
    - Interim period ended June 2010: 802,735 shares
    - Year ended March 2010: 802,735 shares
  - 3) Average number of shares during the period:
    - Interim period ended June 2010: 65,867,861 shares
    - Interim period ended June 2009: 67,468,010 shares

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

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.

## Quarterly Consolidated Financial Statements

## (1) Quarterly Consolidated Balance Sheets

	Current interim period (As of June 30, 2010)	FY2009 (As of March 31, 2010) Condensed
(Millions of yen)		
<b>Assets</b>		
Current assets		
Cash and deposits	28,955	34,170
Notes and accounts receivable-trade	6,993	7,367
Inventories	4,588	4,371
Other	7,246	5,477
Allowance for doubtful accounts	(439)	(461)
Total current assets	47,343	50,926
Noncurrent assets		
Property, plant and equipment		
Karaoke equipment for rental, net	7,155	6,859
Karaoke cabin and restaurant facilities, net	13,594	13,393
Land	18,185	18,213
Other, net	7,470	7,520
Total property, plant and equipment	46,406	45,986
Intangible assets		
Goodwill	679	—
Other	7,544	7,420
Total intangible assets	8,223	7,420
Investments and other assets		
Lease and guarantee deposits	13,141	13,116
Other	9,254	8,778
Allowance for doubtful accounts	(409)	(453)
Total investments and other assets	21,986	21,441
Total noncurrent assets	76,617	74,849
Total assets	123,961	125,776
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	4,157	3,714
Short-term loans payable	6,513	6,792
Income taxes payable	2,178	5,379
Provision for bonuses	488	1,192
Other	10,695	9,787
Total current liabilities	24,033	26,866
Noncurrent liabilities		
Long-term loans payable	7,597	7,976
Provision for retirement benefits	3,165	3,068
Provision for directors' retirement benefits	2,034	2,088
Negative goodwill	269	281
Other	1,625	1,439
Total noncurrent liabilities	14,692	14,854
Total liabilities	38,725	41,721

DAIICHIKOSHO CO., LTD.

	Current interim period (As of June 30, 2010)	FY2009 (As of March 31, 2010) Condensed
Net assets		
Shareholders' equity		
Capital stock	12,350	12,350
Capital surplus	17,285	17,285
Retained earnings	56,642	55,563
Treasury stock	(973)	(973)
Total shareholders' equity	85,305	84,226
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(15)	(153)
Revaluation reserve for land	(777)	(777)
Foreign currency translation adjustment	(126)	(68)
Total valuation and translation adjustments	(919)	(1,000)
Minority interests	849	828
Total net assets	85,235	84,054
Total liabilities and net assets	123,961	125,776

## (2) Quarterly Consolidated Statements of Income

	(Millions of yen)	
	Previous interim period (From April 1, 2009, to June 30, 2009)	Current interim period (From April 1, 2010, to June 30, 2010)
Net sales	30,137	30,538
Cost of sales	17,283	17,101
Gross profit	12,854	13,437
Selling, general and administrative expenses	8,991	8,495
Operating income	3,862	4,941
Non-operating income		
Interest income	45	34
Dividends income	35	35
Cooperative monetary aid received	97	108
Amortization of negative goodwill	13	11
Other	185	151
Total non-operating income	377	341
Non-operating expenses		
Interest expenses	71	51
Other	34	69
Total non-operating expenses	106	121
Ordinary income	4,134	5,162
Extraordinary income		
Gain on sales of noncurrent assets	9	7
Gain on sales of investment securities	0	4
Reversal of allowance for doubtful accounts	19	60
Reversal of provision for directors' retirement benefits	—	44
Indemnity of cancellation of leases	128	—
Other	11	10
Total extraordinary income	168	127
Extraordinary loss		
Loss on disposal of noncurrent assets	52	54
Loss on adjustment for changes of accounting standard for asset retirement obligations	—	440
Other	—	31
Total extraordinary losses	52	526
Income before income taxes and minority interests	4,250	4,763
Income taxes-current	2,159	2,198
Income taxes-deferred	(700)	(514)
Total income taxes	1,459	1,683
Income before minority interests	—	3,079
Minority interests in income	18	25
Net income	2,772	3,054

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

(Millions of yen)

	Previous interim period (From April 1, 2009, to June 30, 2009)	Current interim period (From April 1, 2010, to June 30, 2010)
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	4,250	4,763
Depreciation and amortization	3,149	3,061
Loss on adjustment for changes of accounting standard for asset retirement obligations	—	440
Amortization of negative goodwill	(13)	(11)
Increase (decrease) in allowance for doubtful accounts	—	(65)
Increase (decrease) in provision for bonuses	(641)	(711)
Increase (decrease) in provision for directors' retirement benefits	(240)	(53)
Interest and dividends income	(81)	(70)
Interest expenses	71	51
Loss (gain) on disposal of noncurrent assets	43	47
Decrease (increase) in notes and accounts receivable-trade	1,080	345
Decrease (increase) in inventories	181	(217)
Transfer of cost of sales on karaoke equipment for rental	87	151
Increase (decrease) in notes and accounts payable-trade	(150)	458
Other, net	(157)	(176)
Subtotal	7,581	8,013
Interest and dividends income received	80	70
Interest expenses paid	(76)	(52)
Income taxes paid	(1,413)	(5,283)
Net cash provided by (used in) operating activities	6,172	2,747
Net cash provided by (used in) investing activities		
Increase in time and saving deposits	(22)	(129)
Proceeds from decrease in time and saving deposits	81	75
Purchase of property, plant and equipment	(2,856)	(2,334)
Proceeds from sales of property, plant and equipment	20	37
Purchase of intangible assets	(1,005)	(1,261)
Payments for acquisition of video licenses	(243)	(254)
Purchase of investment securities	—	(0)
Proceeds from sales of investment securities	0	30
Purchase of investments in subsidiaries	—	(1,038)
Payments of loans receivable	(35)	(72)
Collection of loans receivable	104	107
Payments for lease and guarantee deposits	(140)	(564)
Proceeds from collection of lease and guarantee deposits	135	135
Other, net	(1)	(73)
Net cash provided by (used in) investing activities	(3,963)	(5,340)

## DAIICHIKOSHO CO., LTD.

(Millions of yen)

	Previous interim period (From April 1, 2009, to June 30, 2009)	Current interim period (From April 1, 2010, to June 30, 2010)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	79	368
Proceeds from long-term loans payable	1,900	950
Repayment of long-term loans payable	(4,132)	(1,976)
Cash dividends paid	(3,036)	(1,977)
Other, net	(5)	(5)
Net cash provided by (used in) financing activities	(5,195)	(2,641)
Effect of exchange rate change on cash and cash equivalents	24	(34)
Net increase (decrease) in cash and cash equivalents	(2,961)	(5,268)
Cash and cash equivalents at beginning of period	29,584	33,877
Cash and cash equivalents at end of period	26,622	28,608

**(Segment Information)**

Previous first quarter consolidated financial statements are prepared in conformity with new accounting standards for comparison.

**(Commercial karaoke)**

(Millions of yen)

	Previous interim period ended June 2009	Current interim period ended June 2010	Year – over – Year – basis	
			Change (¥ Million)	Change (%)
S a l e s	14,669	15,494	824	5.6
Operating income	2,822	3,807	985	34.9

**(Karaoke cabin and restaurant)**

(Millions of yen)

	Previous interim period ended June 2009	Current interim period ended June 2010	Year – over – Year – basis	
			Change (¥ Million)	Change (%)
S a l e s	9,950	9,661	(289)	(2.9)
Operating income	1,544	1,374	(169)	(11.0)

**(Music software)**

(Millions of yen)

	Previous interim period ended June 2009	Current interim period ended June 2010	Year – over – Year – basis	
			Change (¥ Million)	Change (%)
S a l e s	2,921	2,954	33	1.1
Operating income	261	338	76	29.2

**(Other)**

(Millions of yen)

	Previous interim period ended June 2009	Current interim period ended June 2010	Year – over – Year – basis	
			Change (¥ Million)	Change (%)
S a l e s	2,596	2,428	(167)	(6.4)
Operating income	151	256	105	69.8