

Financial Results in the Year ended March 2002

May 20, 2002

DAIICHIKOSHO CO., LTD.

Company code number: 7458
 (URL <http://www.dkkaraoke.co.jp>)

Shares traded: JASDAQ

Location of headquarters: Tokyo

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Date of Board of Directors' meeting for approval of financial results: May 20, 2002

Adoption of U.S. accounting standards : No

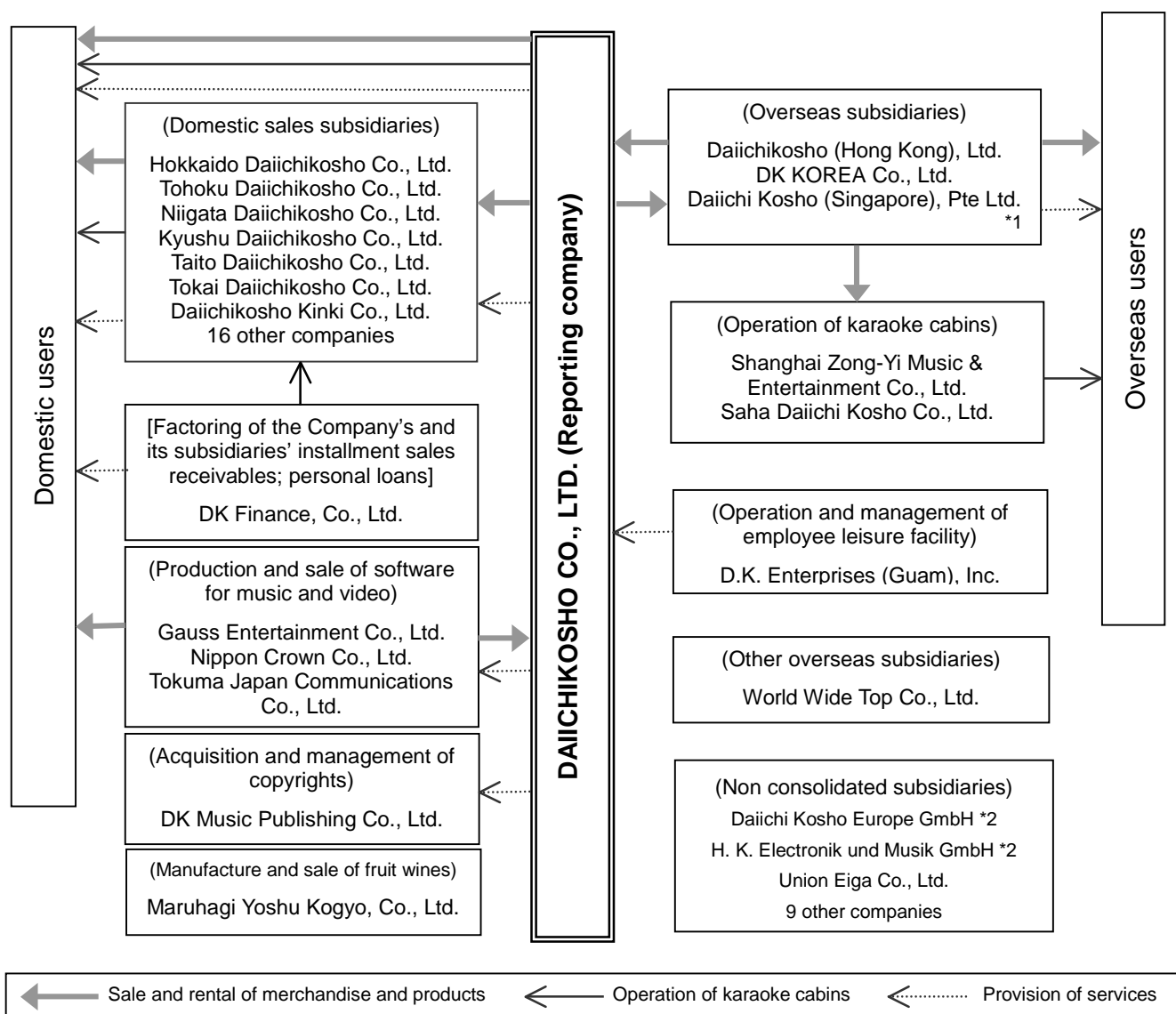
Financial highlights

Years ended March 31; Millions of yen	1998	1999	2000	2001	2002
Consolidated					
Net sales	105,116	94,681	88,397	86,730	98,591
Ordinary income	3,222	5,998	9,240	8,430	8,447
Net income	1,007	2,307	3,131	3,079	3,304
Shareholders' equity	62,890	64,481	71,798	48,678	49,914
Total assets	174,921	168,135	159,159	123,775	131,075
Shareholders' equity per share (Yen)	3,354.27	3,439.13	3,829.25	2,596.50	2,726.97
Net income per share (Yen)	55.20	123.09	167.01	164.28	176.39
Equity ratio (%)	36.0	38.4	45.1	39.3	38.1
Return on equity (%)	1.6	3.6	4.6	5.1	6.7
PER	32.8	11.5	17.8	12.2	11.2
Non consolidated					
Net sales	75,395	63,302	59,884	61,200	65,489
Ordinary income	4,185	2,870	4,449	4,683	5,332
Net income	2,438	909	1,078	1,157	2,019
Shareholders' equity	63,865	64,080	67,145	42,011	42,314
Total assets	125,422	120,088	112,651	78,376	81,459
Shareholders' equity per share (Yen)	3,406.10	3,417.56	3,581.05	2,240.57	2,311.78
Net income per share (Yen)	133.66	48.53	57.50	61.71	107.82
Equity ratio (%)	50.9	53.4	59.6	53.6	52.0
Return on equity (%)	3.9	1.4	1.6	2.1	4.8
PER	13.5	29.1	51.7	32.6	18.4

Group organization

The Daiichikoshogroup consists of Daiichikoshogroup and 36 subsidiaries. Its main business is: commercial karaoke operations (the sale and rental of karaoke products); the operation of karaoke cabins; the provision of contents; and the production and sale of music software.

The following is a graphic presentation of the group's operations.



(Notes) 1. *1 indicates companies in dormancy.
2. *2 indicates companies that are now being liquidated.

1. Management policy

(1) Basic management policy

The Daiichikosho group has adopted the corporate principle 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 contents that we have accumulated to date, the goal will be to create companies capable of responding to the expectations of all of our persons concerned. 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 the distribution of profits

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) Medium-to-long-term management strategy

The goal of the Daiichikosho group is to become a new kind of service enterprise involved in music and information. Toward this end, it is expanding and enriching its karaoke-streaming network, and developing new customer-oriented services.

(4) Measures for improvement of corporate management organizations

In this fiscal year, the Company introduced the corporate executive officer system. The goal of the new system is an ability to cope quickly with a continually and severely changing operating environment.

(5) Issues requiring action

{ 1 } Expanding a telecommunications network

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 } Improving the profitability of karaoke-cabin operations

The Company will aim to achieve an operating-profit ratio of 15%, by opening large-scale karaoke stores while closing unprofitable stores.

{ 3 } Reducing loss on satellite-broadcasting operations

The Company uses the direct-broadcast-satellite provider, Sky PerfecTV, as its platform for broadcasting programs via over television channels and 100 radio channels. Its goal will be to achieve breakeven in these operations at the earliest possible date through a dedicated effort to increase subscribers.

{4} Strengthening the foundations of music software business

The Company has added Music Software business to its operations through the acquisition of two music-recording companies as subsidiaries. Its goal will be to increase synergies between this new business and its karaoke operations by quickly enacting measures to rebuild management and strengthen the operating foundations of these two companies.

(6) Target performance indicators

The Company's target is to achieve an ROE of over 12% in the year to March 2005.

2. Results of operations and financial condition

(1) Summary of the fiscal year to March 2002

{1} Results of operations

During the year to March 2002, the Japanese economy continued to perform poorly in the face of sluggish personal consumption.

In the karaoke industry, prospects for an improvement in demand remained bleak, price-cutting intensified, and mergers and equity-based alliances among companies became increasingly common.

In response, one initiative was introduced by the Daiichikosho group. It was an electronic song-title catalogue called *Denmoku*, which integrates title-search capabilities and remote-control functions into a single device.

In its karaoke cabin operation, the Company continued to open large new karaoke stores while closing unprofitable stores.

In the area of satellite broadcasting, it focused on increasing subscription contracts with commercial users. In its e-business operations, which include distributing customized ring tones to users of cellular phones, it increased its stock of melodies and improved the quality of their sound as a way of expanding its base of subscribers.

The Company also added two subsidiaries that own large libraries of music to its group: Tokuma Japan Communications Co., Ltd. and Nippon Crown Co., Ltd. This paves the way for other steps hereafter that will be aimed at building a multifaceted music business.

Accordingly, the Company reported higher sales and profits during the last fiscal year.

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

Commercial karaoke business

Sales: 53,745 million yen (+0.1%)

Operating income: 8,400 million yen (+6.6%)

In this segment, the group sells and rents karaoke equipment and software, and also provides karaoke-streaming service.

Although rental sales declined as a result of lower equipment-rental rates, revenues from providing karaoke-streaming service increased tolerable due to an increase in the number of rental contracts.

Karaoke cabin business

Sales: 21,980 million yen (-4.6%)

Operating income: 1,423 million yen (-35.1%)

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

Although the closure of 10 unprofitable stores and the opening of 7 large karaoke stores to improve profitability, sales and income decreased as a result of a falloff in customer traffic and a decrease in average amounts spent per customer in the face of industry-wide price-cutting.

Contents business

Sales: 9,097 million yen (+62.3%)

Operating income: 1,262 million yen (an improvement of 1,696 million yen)

As noted above, in this segment the Company distributes customized ring tones for cellular phones (e-business division) and provides programming over two television and 100 radio channels via the direct-broadcast-satellite provider, Sky PerfecTV (satellite broadcasting division).

In its e-business operations, the Company registered higher sales and profits on the back of a vast increase in contracts.

In satellite broadcasting, the rate of growth in subscriptions for private use, declined. On the other hand, subscriptions for commercial services grew at a favorable rate. This resulted in a sharp increase in sales and a decline in losses at the operating-profit level.

Music software business

Sales: 9,109 million yen

Operating income: -332 million yen

The Company added this segment to its operations this fiscal year by incorporating Tokuma Japan Communications Co., Ltd. and Nippon Crown Co., Ltd. into its group as subsidiaries. In this segment, the Company produces and sells music and video software. This segment reported an operating loss because of extremely difficult conditions in the recording industry, sales were slow and not sufficient to cover operating costs.

Other business

Sales: 4,658 million yen (+5.8%)

Operating income: 696 million yen (-26.9%)

This segment is involved in real estate rentals, restaurants and other operations. Although sales in both businesses increased, operating income declined due to an increase in selling, general and administrative expenses.

{2} Cash flow

On a consolidated basis, cash flow declined by 1,182 million yen year-on-year to 20,317 million yen, because of a 4.7% decrease as compared to last year in pretax net profit to 6,779 million yen, an increase in cash outlays for the acquisition of intangible fixed assets, and a decrease in proceeds from the sale of tangible fixed assets.

The following is a summary and analysis of cash flow for this fiscal year.

(Net cash used in operating activities)

Cash provided by operations amounted to 14,810 million yen, a 25 million yen decrease year-on-year. This decline is attributable primarily to a larger amount of corporate income taxes paid.

(Net cash used in investing activities)

Cash used in investing activities amounted to 11,206 million yen, a 3,855 million yen increase year-on-year. This increase is attributable primarily to an increase in payments for the acquisition of intangible fixed assets.

(Net cash provided by financing activities)

Cash used in financing activities amounted to 5,638 million yen, an 8,043 million yen decrease year-on-year. This decrease is attributable primarily to an increase in short and long-term borrowings.

(2) Outlook for the next fiscal year

With no easy solutions in sight for sluggish personal consumption, there appears to be a little hope for a sustained economic recovery.

The Daiichikosho's strategy will be to sustain and increase its dominant position in the area of karaoke streaming services, while competing and differentiating itself on the basis of richer and more varied services, rather than price competition.

In its karaoke cabin business, the group will endeavor to improve the profitability of existing stores while carefully developing large new stores that emphasize investment efficiency.

In the contents business, the Company will aim to achieve surplus operation in satellite broadcasting division at the earliest possible date, while efforting to expand sales and profits in its e-businesses division. Fully aware of the possibilities of the broadband age, the Company will try to create new services that maximize the value of contents that our group holds.

The Company will also take measures to rebuild the management of its two new subsidiaries, Tokuma Japan Communications Co., Ltd. and Nippon Crown Co., Ltd., while endeavoring to increase synergies between music software business and the commercial karaoke business.

Based on these plans the Company is aiming to achieve net sales of 109.0 billion yen, ordinary profit of 9.4 billion yen, and net income of 4.0 billion yen for the fiscal year to March 2003.

Consolidated balance sheet

Years ended March 31; Millions of yen	2001	%	2002	%	Year-on-year change
Current assets					
Cash and deposits	24,227		22,110		(2,117)
Trade notes and accounts receivable - total	12,736		14,740		2,003
Marketable securities	312		9		(302)
Inventories	4,290		7,376		3,085
Deferred income taxes	1,582		1,194		(388)
Other current assets	2,298		4,219		1,920
Allowance for doubtful accounts	(644)		(1,400)		(755)
	44,804	36.2	48,250	36.8	3,445
Fixed assets					
Property, plant and equipment					
Buildings and structures	12,505		11,924		(581)
Karaoke equipment for rental	6,554		7,208		654
Karaoke-cabin facilities	9,424		10,040		615
Land	16,142		17,054		911
Construction in progress	302		84		(218)
Other property, plant and equipment	1,639		1,765		125
	46,570	37.6	48,077	36.7	1,506
Intangible fixed assets					
Consolidation adjustments account	-		1,336		1,336
Other intangible fixed assets	5,283		6,811		1,528
	5,283	4.3	8,148	6.2	2,864
Investments and other assets					
Investments in securities	5,152		4,337		(814)
Long-term loans	4,007		3,816		(190)
Deferred income taxes	1,794		2,038		244
Deferred income taxes arising from revaluation	2,251		2,251		-
Leasehold deposits	12,580		12,312		(268)
Other investments and other assets	4,771		5,204		433
Allowance for doubtful accounts	(3,441)		(3,363)		78
	27,116	21.9	26,599	20.3	(516)
Total fixed assets	78,970	63.8	82,825	63.2	3,854
Total assets	123,775	100.0	131,075	100.0	7,300

Years ended March 31; Millions of yen	2001	%	2002	%	Year-on-year change
Current liabilities					
Trade notes and accounts payable - total	5,513		7,697		2,183
Short-term borrowings - total	22,490		23,135		644
Accounts payable - other	3,718		5,871		2,152
Income taxes payable	2,048		2,593		545
Allowance for bonuses	1,031		1,080		48
Unrealized profit on installment sales	976		869		(106)
Other current liabilities	2,525		2,966		440
	<u>38,304</u>	31.0	<u>44,213</u>	33.7	<u>5,908</u>
Long-term liabilities					
Convertible bonds	16,850		14,300		(2,550)
Long-term borrowings	14,991		16,404		1,412
Deferred income taxes	-		249		249
Allowance for retirement benefits	1,552		2,642		1,089
Consolidation adjustments account	288		-		(288)
Other long-term liabilities	984		1,182		198
	<u>34,666</u>	28.0	<u>34,778</u>	26.5	<u>111</u>
Total liabilities	<u>72,971</u>	59.0	<u>78,992</u>	60.2	<u>6,020</u>
Minority interest in consolidated subsidiaries	2,125	1.7	2,169	1.7	43
Shareholders' equity					
Common stock	12,348	10.0	12,348	9.4	-
Additional paid-in capital	24,000	19.4	24,000	18.3	-
Unrealized gains or losses on land valuation	(25,431)	(20.6)	(25,189)	(19.2)	241
Consolidated retained earnings	37,782	30.5	38,889	29.7	1,107
Unrealized gains or losses on securities	(175)	(0.1)	(352)	(0.3)	(176)
Foreign currency conversion adjustments	159	0.1	233	0.2	73
	<u>48,683</u>	39.3	<u>49,929</u>	38.1	<u>1,245</u>
Treasury stock	(5)	(0.0)	(15)	(0.0)	(9)
	<u>48,678</u>	39.3	<u>49,914</u>	38.1	<u>1,235</u>
Total liabilities, minority interests and shareholders' equity	<u>123,775</u>	100.0	<u>131,075</u>	100.0	<u>7,300</u>

Consolidated statement of income

Years ended March 31; Millions of yen	2001	%	2002	%	Year-on-year change (%)
Net sales	86,730	100.0	98,591	100.0	113.7
Cost of sales	48,980	56.5	55,710	56.5	113.7
Gross profit before adjustment for unrealized profit on installment sales	37,749	43.5	42,880	43.5	113.6
Unrealized profit on installment sales - reversal	185		269		
Unrealized profit on installment sales - deferred	123		162		
	62	0.1	106	0.1	
Gross profit on sales	37,811	43.6	42,987	43.6	113.7
Selling, general and administrative expenses	29,356	33.9	33,478	34.0	114.0
Operating income	8,454	9.7	9,508	9.6	112.5
Non operating income					
Interest and dividend income	1,040		685		
Profit on retirement of convertible bonds	285		41		
Interest in profit of investment partnerships	263		-		
Amortization of consolidated adjustments	21		-		
Other non operating income	1,057		961		
	2,668	3.1	1,688	1.7	63.3
Non operating expenses					
Interest expenses	913		707		
Loss on disposal of inventories	156		654		
Loss on valuation of inventories	611		398		
Provision for allowance for doubtful accounts	450		410		
Equity in loss of affiliated companies	-		103		
Other non operating expenses	560		475		
	2,692	3.1	2,749	2.7	102.1
Ordinary income	8,430	9.7	8,447	8.6	100.2
Extraordinary gain					
Gain on sales of fixed assets	73		4		
Gain on sales of investment securities	1,253		532		
Reversal of allowance for doubtful accounts	151		50		
Gain resulting from change in retirement benefit accounting standards	197		-		
	1,675	1.9	588	0.6	35.1
Extraordinary loss					
Loss on disposal of fixed assets	970		704		
Loss on valuation of investment securities	1,046		1,036		
Loss on valuation of memberships in leisure facilities	173		17		
Directors' retirement allowances	92		498		
Provision for doubtful accounts	429		-		
Loss on sales of investment securities	276		-		
	2,989	3.4	2,256	2.3	75.5
Income before income taxes and minority interest in consolidated subsidiaries	7,116	8.2	6,779	6.9	95.3
Income taxes - current	2,835	3.3	3,515	3.6	124.0
Income taxes - deferred	981	1.1	97	0.1	10.0
Minority interest in consolidated subsidiaries	220	0.2	(138)	(0.1)	(62.8)
Net income	3,079	3.6	3,304	3.3	107.3

Consolidated statement of retained earnings

Years ended March 31; Millions of yen	2001	2002
Retained earnings at beginning of year	35,450	37,782
Decrease in retained earnings		
Dividends	656	656
Bonuses to directors and corporate auditors	91	88
Disposition of unrealized gains or losses on valuation	-	241
Retirement of treasury stock	-	836
Decrease due to merger of consolidated subsidiaries	-	375
	747	2,197
Net income	3,079	3,304
Retained earnings at end of year	37,782	38,889

Consolidated statement of cash flow

Years ended March 31; Millions of yen	2001	2002
Cash flows from operating activities		
Income before income taxes and minority interest in consolidated subsidiaries	7,116	6,779
Depreciation	9,582	10,262
Increase (decrease) in allowance for doubtful accounts	681	926
Interest and dividend income	(1,040)	(685)
Profit on retirement of convertible bonds	(285)	(41)
Loss (gain) on sales of investment securities	(975)	(532)
Interest in profit of investment partnerships	(263)	31
Interest expenses	913	707
Loss (gain) on disposal of fixed assets	1,037	699
Loss on valuation of investment securities	1,220	1,053
Decrease (increase) in trade receivables	(679)	412
Increase (decrease) in trade payables	(15)	(834)
Others	(832)	(675)
Subtotal	16,459	18,103
Interest and dividend received	1,032	679
Interest paid	(909)	(731)
Income taxes paid	(1,747)	(3,241)
Net cash provided by operating activities	14,835	14,810
Cash flows from investing activities		
Increase in time deposits	(2,149)	(1,787)
Proceeds from decrease in time deposits	2,931	2,823
Payments for purchase of marketable securities	(100)	-
Proceeds from sales of marketable securities	-	101
Payments for acquisition of tangible fixed assets	(8,513)	(8,774)
Proceeds from sales of tangible fixed assets	2,213	388
Payments for acquisition of intangible fixed assets	(1,299)	(4,235)
Payments for purchase of investment securities	(2,878)	(1,340)
Proceeds from sales of investment securities	3,719	2,466
Payments for acquisition of subsidiary's capital	(60)	(779)
Payments for loans	(1,432)	(1,125)
Proceeds from collection of loans	1,190	1,193
Payments of leasehold deposits	(1,877)	(1,230)
Proceeds from repayments of leasehold deposits	357	891
Dividend from business and investment partnerships	488	221
Others	62	(21)
Net cash used in investing activities	(7,350)	(11,206)
Cash flows from financing activities		
Net decrease in short-term borrowings	(6,659)	444
Proceeds from long-term debt	11,011	12,649
Payments for long-term debt	(13,696)	(14,777)
Payments for retirement of convertible bonds	(3,664)	(2,508)
Dividends	(657)	(652)
Payments for purchase of treasury stock	(18)	(865)
Others	3	71
Net cash used in financing activities	(13,682)	(5,638)
Effect of exchange rate changes on cash and cash equivalents	43	11
Net decrease in cash and cash equivalents	(6,153)	(2,022)
Cash and cash equivalents at beginning of year	27,653	21,499
Increase in cash and cash equivalents due to increase in number of newly consolidated subsidiaries	-	839
Cash and cash equivalents at end of year	21,499	20,317

Assumptions underlying preparation of consolidated financial statements

Item	Assumptions underlying preparation of consolidated financial statements
1. Item relating to scope of consolidation	(1) Number of consolidated subsidiaries: 36 (2) Names of major non consolidated subsidiaries: Because of the small size of their operations, Union Eiga Co., Ltd., Crown Music Enterprise Co., Ltd. and Zoom Republic have been excluded from consolidation on the grounds of lack of materiality
2. Item relating to application of the equity method	(1) Affiliate accounted for by the equity method: None (2) Affiliate not accounted for by the equity method: Because of its small impact on profits, Union Eiga Co., Ltd., Crown Music Enterprise Co., Ltd. and Zoom Republic have not been consolidated under the equity method on the grounds of lack of materiality
3. Item relating to the fiscal years of subsidiaries	The following consolidated subsidiaries have fiscal-year ends that differ from that of the reporting company. In preparing the consolidated financial statements, the Company used the financial statements prepared by these subsidiaries as of their respective year-end dates. In the event that an important transaction occurs between the year-end dates and the date of consolidated closing, the Company makes the necessary adjustments for purposes of consolidation. Companies with December 31 year-ends: Shanghai Sogei Ongaku Goraku Co., Ltd.; Saha Daiichi Kosho Co., Ltd. Companies with March 20 year-ends: Nippon Crown Co., Ltd.; Tokuma Japan Communications
4. Items related to accounting standards	(1) Standards and methods of valuation for important assets {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 {2} Inventories 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: allowance recognized on the basis of a statutory deduction ratio {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) Standard for converting foreign currency-denominated assets and liabilities Foreign currency-denominated assets and liabilities are converted into yen at market rates on the day of the closing of accounts, with any gains or losses from conversion recognized on the income statement. Any gains or losses resulting from the conversion at current market rates of assets, liabilities, revenues or expenses of overseas subsidiaries etc. are debited or credited to the foreign currency adjustment account of the shareholders' equity section of the balance sheet. (5) Accounting for significant lease transactions Financing leases are treated as ordinary rental transactions (6) Hedge accounting methods The Company hedges against risks of interest rate fluctuations by engaging in interest rate swap transactions (7) Others {1} Accounting for installment sales: profits on installment sales are deferred {2} Accounting for consumption taxes: tax-exclusion method

Item	Assumptions underlying preparation of consolidated financial statements
5. Amortization of consolidated adjustment account	Amortized in equal installments over a 5 or 15 years period
6. 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 balance sheet-related)

Millions of yen	2001	2002
1. Aggregate amount of depreciation on fixed assets	49,551	50,716
2. Guarantee liabilities	2,113	1,329
3. Assets provided as collateral	23,903	22,550
Secured liabilities	18,925	21,271
4. The Company (Daiichikoshi Co., Ltd.) revalued its land holdings as provided for under the "Law Relating to the Revaluation of Land." Differences resulting from this revaluation were debited to (decreased) the shareholders' equity section of the balance sheet.		
(1) Date of revaluation of land: March 31, 2001		
(2) Method of revaluation: revaluations based on land tax-related appraisals, to which reasonable adjustments were made		
(3) Difference between the total market value of revalued land as of the end of last fiscal year and the total book value of such land after revaluation	(532)	-

Segment information

Segment information by business category

Millions of yen	Commercial karaoke business	Karaoke- cabin business	Contents business	Music software business	Other business	Total	Eliminations	Consolidated
2002								
Sales								
External customer sales	53,745	21,980	9,097	9,109	4,658	98,591	-	98,591
Intersegment transactions and eliminations	149	-	-	108	392	651	(651)	-
Total	53,895	21,980	9,097	9,218	5,051	99,242	(651)	98,591
Operating expenses	45,494	20,557	7,835	9,550	4,355	87,792	1,290	89,082
Operating income	8,400	1,423	1,262	(332)	696	11,449	(1,941)	9,508
Assets	65,206	24,037	4,964	14,581	9,647	118,436	12,639	131,075
Depreciation	6,371	1,957	859	54	655	9,898	61	9,960
Capital expenditure	8,209	2,958	941	6	1,022	13,138	23	13,161

Millions of yen	Commercial karaoke business	Karaoke- cabin business	Contents business	Other business	Total	Eliminations	Consolidated
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)	-
Total	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
Assets	67,688	23,768	3,870	9,747	105,075	18,700	123,775
Depreciation	6,025	1,925	873	544	9,368	74	9,443
Capital expenditure	7,466	1,918	716	1,190	11,292	49	11,342

Changes in business categories

1. Operations previously categorized under "Sales and rental of merchandise and products" are now included under "Commercial karaoke business."
2. The Company now classifies as "Contents business" both its customized ring tone operations (the principal component of "e-business"), which it had previously included under "Other business," and its "Satellite broadcasting business."
3. The Company has added "Music software business" as a new business classification.

The segment information that is shown above for the consolidated fiscal year to March 2001 has been adjusted to conform to the new classifications.

Segment-related businesses

1. Commercial karaoke business

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

2. Karaoke cabin business

In this segment the group rents karaoke cabins on an hourly basis and provides food and drink.

3. Contents business

In the area of e-business division, the Company distributes customized ring tones to users of cellular phones, while in the area of satellite broadcasting division, it uses the direct-broadcast-satellite provider, Sky PerfectTV, as a platform for broadcasting programs over two television channels and 100 radio channels.

4. Music software business

In this segment, the Company produces and sells software for music and video.

5. Other business

Other operations include a real estate rental operation, restaurants and other activities.

Non consolidated balance sheet

Years ended March 31; Millions of yen	2001	%	2002	%	Year-on-year change
Current assets					
Cash and deposits	13,003		9,043		(3,959)
Trade notes receivable	1,834		2,058		223
Trade accounts receivable	5,511		6,160		648
Merchandise	1,997		3,359		1,361
Finished products	190		108		(81)
Work in process	1,343		1,230		(112)
Advances paid	37		347		309
Prepaid expenses	768		822		53
Deferred income taxes	894		698		(196)
Current portion of long-term loans	732		626		(106)
Other current assets	606		198		(408)
Allowance for doubtful accounts	(456)		(525)		(68)
	<u>26,465</u>	33.8	<u>24,128</u>	29.6	<u>(2,336)</u>
Fixed assets					
Property, plant and equipment					
Buildings	5,768		5,279		(489)
Structures	604		510		(93)
Tools, furniture and fixtures	792		673		(118)
Karaoke equipment for rental	2,407		2,656		248
Karaoke-cabin facilities	5,754		6,065		310
Land	6,049		6,051		1
Other property, plant and equipment	154		87		(66)
	<u>21,531</u>	27.4	<u>21,324</u>	26.2	<u>(206)</u>
Intangible fixed assets					
Leaseholds	44		44		-
Trademarks	15		11		(4)
Software	2,447		3,503		1,056
Audio-visual software	1,979		2,432		453
Other intangible fixed assets	203		211		8
	<u>4,689</u>	6.0	<u>6,204</u>	7.6	<u>1,514</u>
Investments and other assets					
Investment in securities	5,105		3,376		(1,729)
Capital stock of affiliated companies	3,024		7,857		4,832
Investments other than securities	805		833		27
Long-term loans	6,233		7,067		833
Reorganization, bankruptcy and other claims	977		1,207		230
Long-term prepaid expenses	134		133		(1)
Deferred income taxes	454		592		137
Deferred Income taxes arising from revaluation	2,251		2,251		-
Prepaid pension assets	849		951		102
Deposits and guarantee money	9,565		9,233		(331)
Others	944		693		(250)
Allowance for doubtful accounts	(4,656)		(4,395)		260
	<u>25,690</u>	32.8	<u>29,802</u>	36.6	<u>4,111</u>
Total fixed assets	<u>51,911</u>	66.2	<u>57,331</u>	70.4	<u>5,419</u>
Total assets	<u>78,376</u>	100.0	<u>81,459</u>	100.0	<u>3,083</u>

Years ended March 31; Millions of yen	2001	%	2002	%	Year-on-year change
Current liabilities					
Notes payable - trade	2,958		3,152		193
Accounts payable - trade	2,367		1,938		(428)
Short-term borrowings	1,964		4,321		2,357
Current portion of long-term borrowings	3,247		2,467		(780)
Accounts payable – other	3,163		4,530		1,366
Accrued expenses	79		89		10
Income taxes payable	1,322		1,423		100
Consumption taxes payable	242		87		(155)
Unrealized profit on installment sales	173		309		135
Allowance for bonuses	671		665		(5)
Other current liabilities	256		332		76
	<u>16,447</u>	21.0	<u>19,318</u>	23.7	<u>2,870</u>
Long-term liabilities					
Convertible bonds	16,850		14,300		(2,550)
Long-term borrowings	1,788		4,176		2,388
Allowance for retirement benefits	896		959		63
Other long-term liabilities	383		390		7
	<u>19,917</u>	25.4	<u>19,826</u>	24.3	<u>(91)</u>
Total liabilities	<u>36,365</u>	46.4	<u>39,145</u>	48.0	<u>2,779</u>
Shareholders' equity					
Common stock	12,348	15.7	12,348	15.1	-
Additional paid-in capital	24,000	30.6	24,000	29.5	-
Legal reserves	415	0.5	485	0.6	70
Unrealized gains or losses on land valuation	(25,431)	(32.4)	(25,189)	(30.9)	241
Retained earnings	29,000		29,450		450
Unappropriated retained earnings	1,850		1,586		(263)
	<u>30,850</u>	39.4	<u>31,036</u>	38.1	<u>186</u>
Unrealized gains or losses on securities	(172)	(0.2)	(351)	(0.4)	(179)
Treasury stock	-	-	(15)	(0.0)	(15)
	<u>42,011</u>	53.6	<u>42,314</u>	52.0	<u>303</u>
Total liabilities and shareholders' equity	<u>78,376</u>	100.0	<u>81,459</u>	100.0	<u>3,083</u>

Non consolidated statement of income

Years ended March 31; Millions of yen	2001	%	2002	%	Year-on-year change (%)
Net sales	61,200	100.0	65,489	100.0	107.0
Cost of sales	38,224	62.5	40,877	62.4	106.9
Gross profit before adjustment for unrealized profit on installment sales	22,976	37.5	24,611	37.6	107.1
Unrealized profit on installment sales - reversal	135		108		
Unrealized profit on installment sales - deferred	135		243		
	(0)	(0.0)	(135)	(0.2)	
Gross profit on sales	22,976	37.5	24,475	37.4	106.5
Selling, general and administrative expenses	18,429	30.1	18,583	28.4	100.8
Operating income	4,546	7.4	5,892	9.0	129.6
Non operating income					
Interest and dividend income	512		277		
Profit on retirement of convertible bonds	285		41		
Commissions and fees	194		148		
Interest in profit of investment partnerships	263		-		
Other non operating income	536		406		
	1,791	2.9	873	1.3	48.8
Non operating expenses					
Interest expenses	303		215		
Loss on disposal of inventories	104		202		
Loss on valuation of inventories	535		280		
Provision for allowance for doubtful accounts	431		404		
Other non operating expenses	280		331		
	1,654	2.7	1,434	2.2	86.7
Ordinary income	4,683	7.6	5,332	8.1	113.9
Extraordinary gain					
Gain on sales of fixed assets	4		4		
Gain on sales of investment securities	1,250		488		
Reversal of allowance for doubtful accounts	320		53		
Gain resulting from change in retirement benefit accounting standards	312		-		
	1,888	3.1	546	0.9	29.0
Extraordinary loss					
Loss on sales and disposal of fixed assets	658		467		
Loss on valuation of investment securities	1,046		1,018		
Loss on valuation of membership in leisure facilities	142		10		
Directors' retirement allowances	-		137		
Provision for doubtful accounts	347		-		
Loss on sales of investment securities	276		-		
Valuation loss on shares in affiliates	420		-		
	2,891	4.7	1,634	2.5	56.5
Income before income taxes	3,680	6.0	4,244	6.5	115.3
Income taxes – current	1,742	2.8	2,036	3.1	116.9
Income taxes – deferred	781	1.3	188	0.3	24.2
Net income	1,157	1.9	2,019	3.1	174.6
Unappropriated retained earnings brought forward	693		644		
Disposition of unrealized gains or losses on valuation	-		241		
Retirement of treasury stock	-		836		
Unappropriated retained earnings at end of year	1,850		1,586		

Proposal for appropriation of retained earnings

Years ended March 31; Millions of yen	2001	2002
Unappropriated retained earnings at end of year	1,850	1,586
Appropriation of retained earnings	1,206	988
Legal reserves	70	-
Dividends	656	658
Bonuses to directors and corporate auditors	30	30
General reserves	450	300
Unappropriated retained earnings to be carried forward	644	598

Important accounting policies

Item	Accounting policies
1. Methods of valuation for marketable and investment securities	(1) Shares in subsidiaries and affiliated companies: valued at cost using the moving average method (2) Other securities: Quoted securities: market value method, based on market prices etc. Unquoted securities: valued at cost using the moving average method
2. Methods of valuation for inventories	(1) Merchandise and finished goods: valued at cost, using the moving average method (2) Work in process: valued at cost, using the specific identification method
3. 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
4. Standards for important allowances	(1) Allowance for doubtful accounts: allowance recognized on the basis of a statutory deduction ratio (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
5. Accounting for significant lease transactions	Financing leases are treated as ordinary rental transactions
6. Accounting for installment sales	Profits on installment sales are deferred
7. Accounting for consumption taxes	Tax-exclusion method

Notes

(Non consolidated balance sheet-related)

Millions of yen	2001	2002
1. Aggregate amount of depreciation on fixed assets	23,254	23,520
2. Guarantee liabilities	8,285	6,624
3. Assets provided as collateral	5,536	4,505
Secured liabilities	4,657	5,482
4. The Company (Daiichikosho Co., Ltd.) revalued its land holdings as provided for under the "Law Relating to the Revaluation of Land." Differences resulting from this revaluation were debited to (decreased) the shareholders' equity section of the balance sheet		
(1) Date of revaluation of land: March 31, 2001		
(2) Revaluations based on land tax-related appraisals, to which reasonable adjustments were made		
(3) Difference between the total market value of revalued land as of the end of last fiscal year and the total book value of such land after revaluation	(532)	-

Management

President	Tadahiko Hoshi	
Senior Managing Director and Senior Executive Corporate Officer	Tatsuyoshi Yoneda	Executive Director, Sales Management Headquarters
Senior Managing Director and Senior Executive Corporate Officer	Tomio Suzuki	Executive Director, Administration Headquarters
Managing Director and Senior Executive Corporate Officer	Shinichi Koshimizu	Vice Executive Director, Sales Management Headquarters
Managing Director and Senior Executive Corporate Officer	Shinichi Matsukawa	Vice Executive Director, Sales Management Headquarters
Managing Director and Senior Executive Corporate Officer	Hiroshi Mino	Executive Director, Development Headquarters
Standing Statutory Auditor	Juichi Ishikawa	
Standing Statutory Auditor	Haruhiko Tamura	
Statutory Auditor	Kumiko Takahashi	
Statutory Auditor	Masumi Arichika	
Corporate officer	Shinji Arima	General Manager, Auditing Department
Corporate Officer	Takachika Narahara	General Manager, Corporate Sales Department
Corporate Officer	Yukio Hoshi	General Manager, Satellite Broadcasting Division
Corporate Officer	Saburo Hayashi	General Manager, Branch Sales Department
Corporate Officer	Tomohiro Midorikawa	General Manager, Subsidiary Sales Department
Corporate Officer	Yasuyuki Suzuki	General Manager, Accounting Department
Corporate Officer	Hirotsune Tahara	Vice Executive Director, Administration Headquarters, and General Manager, General Affairs Dept.
Corporate Officer	Eiji Hata	General Manager, Finance Department
Corporate Officer (Newly appointed)	Yuji Yamamoto	Executive Director, Production Headquarter
Corporate Officer	Shunichi Sadasue	General Manager, Sound Source Production Department