

**Information for Shareholders**

Business term	From April 1 of each year to March 31 of the following year
Annual general shareholders' meeting	June of each year
Record date for above	Annual general shareholders' meeting: March 31 Other occasions: Other record date separately determined as necessary upon a prior public notice
Record date of shareholders to receive dividends from surplus	Year-end dividend: March 31 Interim dividend: September 30
Number of shares constituting one unit	100 shares
Newspaper in which public notices are inserted	The Nikkei
Transfer Agent and account management institution for the special account	Mitsubishi UFJ Trust and Banking Corporation
Contact of above (postal address and telephone number)	7-10-11 Higashisuna, Koto-ku, Tokyo 137-8081 Mitsubishi UFJ Trust and Banking Corporation, Corporate Agency Division Telephone: 0120-232-711 (toll-free in Japan only)
Securities code	7458

**<NOTICE>**

1. Account management institution where a shareholder has its account with (securities company, etc.) is principally responsible for handling shareholder's address change, repurchase requests and other processes. The relevant inquiries should be made to the securities company, etc. where the shareholder has its account with. Please note that the transfer agent (Mitsubishi UFJ Trust and Banking Corporation) does not handle such processes.
2. Mitsubishi UFJ Trust and Banking Corporation serves as the account management institution to handle procedures concerning shares registered in special accounts. The relevant inquiries should be made to the account management institution for the special account specified above (Mitsubishi UFJ Trust and Banking Corporation). All domestic branches of Mitsubishi UFJ Trust and Banking Corporation also accept inquiries.
3. Outstanding dividends can be received at headquarters and branches of Mitsubishi UFJ Trust and Banking Corporation.
4. The Company posts its nonconsolidated balance sheets, non-consolidated statements of income, consolidated balance sheets and consolidated statements of income on its website (<http://www.dkkaraoke.co.jp/>).

**Shareholder Special Benefits**

Shareholders recorded in the final shareholder registry on March 31, 2012 as holding 100 or more shares will be granted special benefits coupons according to the number of shares held.



Number of shares held	Issued semiannually	
	Special Benefit Coupon(*1)	Exchange with CD(s)(*2)
100 to 999 shares	Ten sheets of 500-yen coupon	1 CD
1,000 shares or more	25 sheets of 500-yen coupon	2 CDs

(\*1) The coupons can be used at businesses operated by the Company including "Big Echo" karaoke shops, and "Rakuzo", "Umeko No Ie" "Bisutoroya" and other restaurants.  
(\*2) CD albums are granted in exchange with all coupons corresponding to the shares held.

Timing of delivery: On or after June 22, 2012  
Validity period: July 1, 2012 to December 31, 2012

**ECHO**

**Vol.33** Business Report for the 37th Term  
April 1, 2011 to March 31, 2012

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# To Our Shareholders



President  
**Saburo Hayashi**

It gives me great pleasure to present Business Report of Daiichikoshō Co., Ltd. for 37th Term (April 1, 2011 to March 31, 2012).

The fiscal year ended March 31, 2012 was marked by unstable situations due to such factors as a downturn in production operations caused by the Great East Japan Earthquake and a decline in personal consumption. However, the inherent value of songs and music was re-examined and a business recovery was seen earlier than forecast. Amid these circumstances, the Company saw the steady growth, recording all-time highs for both operating income and ordinary income.

In addition to its traditional presence in the karaoke market, the Company is seeking to tap into new markets. Initially, karaoke was developed as “entertainment,” but singing’s “health effects” are gradually beginning to be recognized socially. Having named the market aimed specifically at seniors “Plus 65” market, the Company has become involved in maintaining and improving seniors’ health as well as in care prevention, while rapidly expanding the installation of its karaoke equipment at seniors’ nursing homes. This market can be reasonably expected to become an earnings driver in years to come.

In collaboration with the United Nations-approved NGO, Friends of the United Nations, the Company has conducted the “Friends of the United Nations Sing for

Smile Program,” an initiative of circuit psychosomatic treatment operations using a Karaoke Car with the aim of providing psychological care for people in disaster-affected areas. By helping to make people feel good and greatly helping to revitalize communities, these activities have received significantly good reputation.

In this manner, the Daiichikoshō Group makes efforts to be a corporate group that can contribute to society through continuous provision of joy and fun to everyone through songs and music.

Following his retirement in April 2012, Company founder, Chairman and Representative Director Tadahiko Hoshi was appointed Honorary Chairman.

Looking ahead, the Company will endeavor to further improve our business performance under the new system by offering new services accommodating changes in the times, while adhering to management policies that have been built up over the years, including maintaining a “hands-on approach” and remaining “customer-driven.”

The entire Company will work as one to meet the expectation of all its shareholders. Please accept my sincerest thanks in anticipation of your ongoing support and patronage.

## Overview of FY2011

In the fiscal year ended March 31, 2012, the Japanese economy was significantly affected by a number of factors. These included temporarily stalled domestic demand in the aftermath of the Great East Japan Earthquake, supply chain disruption caused by floods in Thailand, and record-high appreciation of the yen against a backdrop of a European debt crisis. Nevertheless, from January onward, the economy showed a moderate recovery due to correction of the yen’s appreciation and reviving domestic demand.

Amid circumstances of this kind, the Daiichikoshō Group strengthened its operating activities in the priority strategic area of its commercial karaoke business, as well as focused on developing the seniors market that is set to expand, and steadily increased the number of Daiichikoshō Amusement Multimedia (DAM) system in operation. In its karaoke cabin and restaurant business, amid a reappraisal of karaoke as a form of affordable entertainment that is close to peoples’ hearts, the Company successfully implemented measures to improve the profitability of existing karaoke shops, which

resulted in strong sales. In the Company’s music software business the range of mainstay artists’ products contributed to earnings.

As a result of the above and because karaoke cabin and restaurant business’s net sales increased significantly, while sales in the commercial karaoke, music software and other businesses decreased, net sales for the fiscal year under review amounted to 127,246 million yen (down 0.5% compared with the previous fiscal year). From the income standpoint, the other business suffered a profit decline, while the karaoke cabin and restaurant business significantly increased profit. The commercial karaoke and music software businesses ensured a profit due to such factors as lower selling expenses. Operating income totaled 18,774 million yen (up 13.7%) and, due to an improvement in non-operating income and expenses, ordinary income amounted to 20,544 million yen (up 17.7%), both of which marked record earnings figures. Although tax burden increased due to a reversal of deferred tax assets associated with revisions to the tax system, net income totaled 10,689 million yen (up 11.5%).

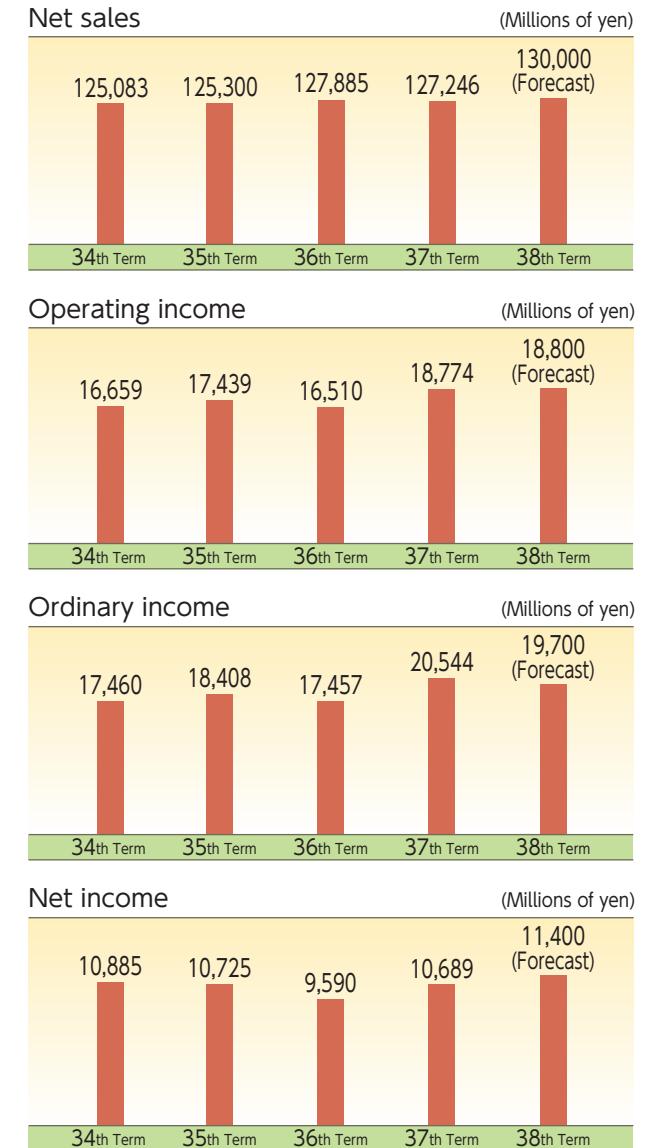
## Outlook for FY2012

Against a backdrop of steady personal consumption and post-earthquake recovery demand, the Japanese economy is expected to trend toward a gradual recovery. In contrast, there are many concerns about the possibilities of an economic downturn, due to such factors as a recurrence of the sovereign debt crisis in Europe, anxieties about economic slowdown or stagnation in developing countries, and sharp rises in the crude oil price. Therefore, the business environment surrounding the Company is forecasted to remain demanding.

Amid such conditions, as a leading company in the karaoke industry, the Daiichikoshō Group will focus on rejuvenating the karaoke market as a way for all age groups—from the young generation to seniors—to have fun. Moreover, as karaoke’s beneficial effects in care prevention and maintaining health attract more attention, the Company will work on social contribution activities through cooperation and collaboration on government welfare policies.

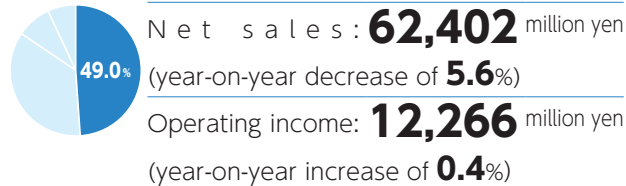
The business performance forecast for the fiscal year ending March 31, 2013 is net sales of 130 billion yen, operating income of 18.8 billion yen, ordinary income of 19.7 billion yen, and net income of 11.4 billion yen.

## Consolidated Financial Highlights



# Overview by Segment

## Commercial Karaoke Business

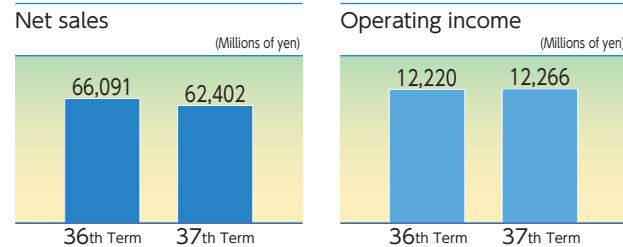


Since the Company had intensive shipment in commercial karaoke business segment shipments for the previous fiscal year due to replacement demand at major karaoke box chains following the launch of LIVE DAM, the number of DAM shipments decreased in the fiscal year under review. In contrast, shipments to other businesses—including those of the Company's mainstay LIVE DAM product and the FREE DAM recommended for seniors that was launched in October 2011—were highly rated as equipment designed to improve seniors' lifestyles and general functional ability and thus recorded steady sales performance. In addition to strengthening sales in strategic areas, demand for resumption of operation in the earthquake-affected regions, and dramatic growth was seen in the seniors market, such as for care prevention and at seniors nursing homes, which brought about an increase in the number of DAM machines in operation.

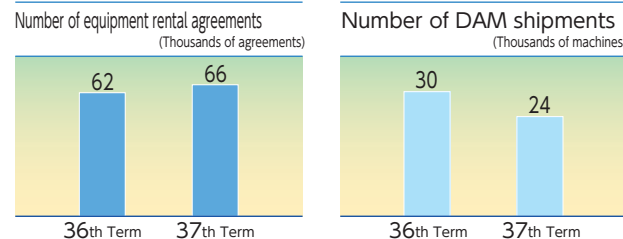
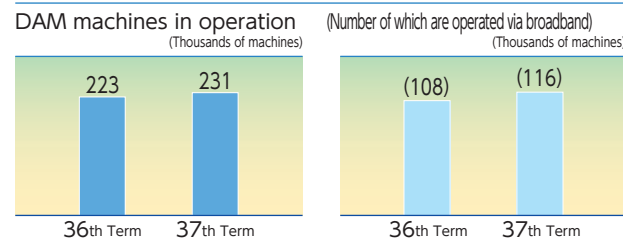
As a result of the above, information fee revenues increased in association with the increased number of machines in operation. However, primarily as a reaction to the advanced shipments for replacement demand with machines to major karaoke box operators in the previous fiscal year, sales decreased 5.6% compared with the previous fiscal year. Operating income increased 0.4% due to efforts made to reduce sales expenses, etc.

As the current initiative, the Company will focus on increasing the number of machines in operation driven by expanding DAM sales. This will include making deeper inroads in the ongoing priority strategic areas, further development of the seniors market that is set for growth, and anticipating the possibility of new karaoke demand and market creation by the emergence of shops catering to people who want to enjoy karaoke alone. To fortify the

DAM's unrivaled position against its competitors, the Company will enhance one of its major strengths, that of its video and sound content, as well as maintaining a focus on providing the new "DAM★Tomo" service and accelerating the development of content specifically designed for the seniors market. The Company will also leverage the shop management expertise accumulated through its "Big Echo" shops in support of the rejuvenation of regional, small- to medium-scale karaoke room operators, and work to develop its "Karaoke CLUB DAM" franchise brand.



### Key figures



## TOPICS (Commercial Karaoke Business)

Amid an aging population trend, the Daiichikoshō Group has named the potential growth market for seniors aged 65 or over "Plus 65" market and will work to maintain and improve seniors' health, provide care prevention, and create communities with the theme of health and songs.

The Company has recommended DK ELDER SYSTEM and it achieved rapid growth with the installation of around 6,800 machines, including FREE DAM, at nursing homes and other welfare facilities. The new Elder Premium Content was added in April 2012. The Company will add content that will help health maintenance and care prevention and make plans to expand its services.

### Elder Premium Contents

#### Hatsuratsu kyoshitsu (Exercise Program for Senior) (Supervised by the TOKYO METROPOLITAN GERIATRIC HOSPITAL AND INSTITUTE OF GERONTOLOGY)

Contents cover care prevention developed by NTT IT Corporation under the supervision of the Tokyo Metropolitan Geriatric Hospital and Institute of Gerontology (formerly the Tokyo Metropolitan Institute of Gerontology).

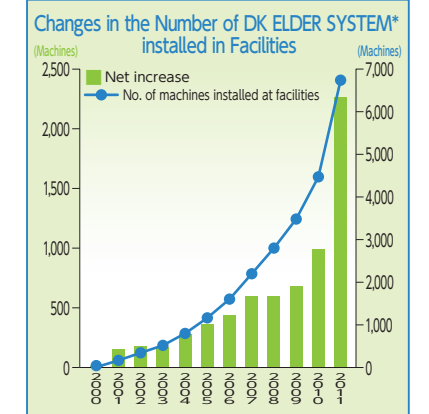


#### Omoide Eigakan (Good Old Movies)

Contents comprises nostalgic movie footage of various regions in Japan categorized into the five periods with every three years in the 15-year period from 1958 to 1972



© Chunichi Eiga-Sha Co., Ltd.



\* DK ELDER SYSTEM is equipment designed to improve seniors' lifestyles and general functional ability.

LIVE DAM, the industry's first communication karaoke using full high-definition video enjoys great popularity for having meet customer needs. The Company will upgrade the visuals by improving the lines of videos in which the artists themselves appear and LIVE video as well as by using anime and the Vocaloid™ singing synthesizer. "DAM CHANNEL," which has already become familiar through DAM, will welcome a new MC, imparting a wide variety of music information.

#### Anime and Vocaloid™ Videos Set For Consecutive Release!

Anime videos including the immensely popular Gintama are constantly being distributed.

The Company has also started to upgrade its video content with Vocaloid™, which has been established as a new music genre.



© SEGA  
© Crypton Future Media, Inc.  
Cooperation for design: Nendoroid



© Hideaki Sorachi / SHUEISHA INC.  
TV TOKYO Corporation; DENTSU INC.; Sunrise Inc.; Aniplex Inc.

#### DAM CHANNEL with "KYARY PAMYU PAMYU" Goes on Air!

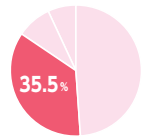
"DAM CHANNEL," which provides the latest music and entertainment news in the intervals between karaoke performances, has signed "KYARY PAMYU PAMYU" to be its 10th MC. A charismatic girl among teen girls brings more excitement to your karaoke performance through the program!





# Overview by Segment

## Karaoke Cabin and Restaurant Business



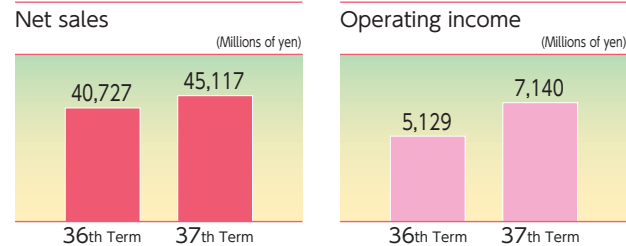
Net sales: **45,117** million yen  
(year-on-year increase of **10.8%**)  
Operating income: **7,140** million yen  
(year-on-year increase of **39.2%**)

Amid the difficulties in determining market trends in the aftermath of the Great East Japan Earthquake, the karaoke cabin and restaurant business held back new investment and focused on measures to revitalize existing shops. Since there was also post-earthquake recovery demand and a reappraisal of karaoke as a form of affordable entertainment that is close to peoples' hearts, both karaoke cabins and restaurants attracted customers and recorded steady sales. In its karaoke cabin business the Company targeted service optimization and improvements in earning power geared to location, focusing on developing "BIG ECHO" as multi-brand. Improvements in attracting customers and management efficiency were also targeted in the restaurant business in which a great deal of effort was put into meticulous business selection and realignment by combining a variety of business category brands—including Japanese, Western, and ethnic—and providing services tailored to customers' needs.

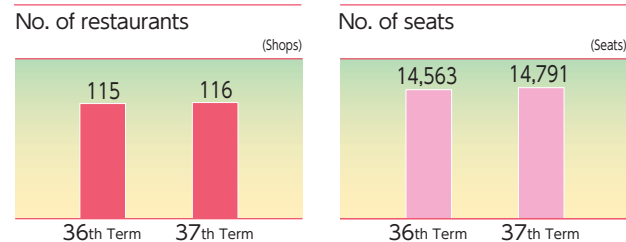
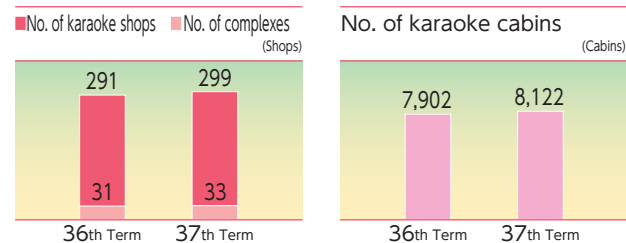
As a result of the above, net sales increased 10.8% compared with the previous fiscal year, with the effect of revitalization measures at existing shops as one of the contributory factors, and operating income surged 39.2% compared with the previous fiscal year. The figures for both net sales and operating income represented all-time highs.

In targeting improvements to the BIG ECHO brand, the karaoke cabin business will hone its development as multi-brand to pinpoint regional and consumer needs in parallel with ladies and kids room enhancements and make all-out efforts to offer the services it does best, such as the best sound and space. In the restaurant business, initiatives will be made to enhance the revenue

base, for instance by ongoing development of highly business efficient complexes featuring a "BIG ECHO" and restaurants, efforts to combine business categories involving multiple brands, and ensuring further improvements in the quality of service.



### Key figures



## TOPICS (Karaoke Cabin and Restaurant Business)

### "BIG ECHO"

#### ◆Launch of Women-Only Francfranc Rooms

On June 12, 2012, the 37-room BIG ECHO Shin-Yurakucho shop in Tokyo opened with nine newly established "Francfranc rooms" as a dedicated women's floor in a tie-up with the Francfranc interior design store. Targeted at women who espouse a casual but sensitive lifestyle, the room designs and colors—and naturally the furniture and fittings—incorporate the Francfranc concept to realize most pleasant, high-quality casual spaces. Customers can comfortably spend time with their shoes off at six of the nine rooms. The shop comprises three concepts: besides "Francfranc," there are "Dining," where customers can enjoy specialist fare, and "Luxury," which overflows with opulence.

Aiming for "BIG ECHO with multi-choice," the Company will create shops and develop services depending on location, customer base, and intended use.

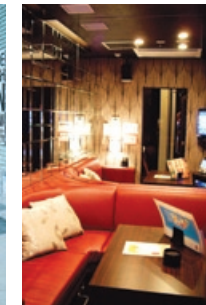
#### Shin-Yurakucho Shop

ORE Yurakucho 2-3-5, Yurakucho, Chiyoda-ku, Tokyo  
☎03-3569-1077

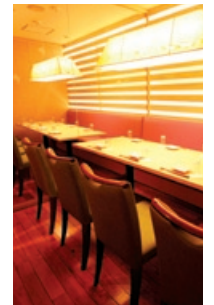
Choice of rooms. Three-variety concept (Note: Photos are representative only)



Francfranc Room



Luxury Room



Dining Room

#### ◆LED light bulbs to be installed at all shops

The gradual replacement of incandescent lighting by LED light bulbs has been under way since December 2009. Businesses were required to save power consumption after last year's Great East Japan Earthquake, but, as the decision was taken to increase electricity rates, we will have completed the changeover to LED lighting in all BIG ECHO shops by the end of June 2012. It is anticipated that the move will decrease electricity charges by around ¥100 million a year. The Company will undertake more efforts that are beneficial to the environment.



### Dining Bars

In March 2012, two "Irish & Sport Bar CELTS" were opened next to BIG ECHO reception areas. Fully equipped with large TV monitors, these Irish-style bars are where customers can feel free to enjoy a drink, while everyone unites in excitement during a sports event. The bars stock a wide range of more than ten types of beer and more than 50 cocktails. They can also be hired as venues for wedding gatherings, parties, and events.

A total of four CELTS bars are in operation and the plan is to add more. Please make a point of spending a pleasant time there with like-minded friends.



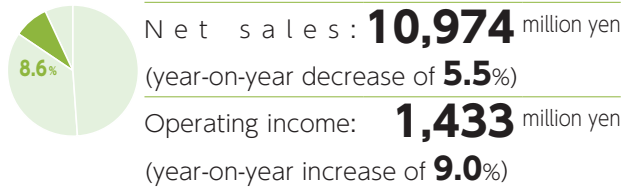
#### NEW OPEN

**Kanda-Ogawamachi shop**  
(next to BIG ECHO Kanda-Ogawamachi shop)  
2-2-6 Kanda-Ogawamachi, Chiyoda-ku,  
Tokyo  
☎03-5217-0055

**Yokohama-Kannai shop**  
(next to BIG ECHO Yokohama-Kannai shop)  
4-39 Masago-cho, Naka-ku, Yokohama-  
shi, Kanagawa  
☎045-680-4177

# Overview by Segment

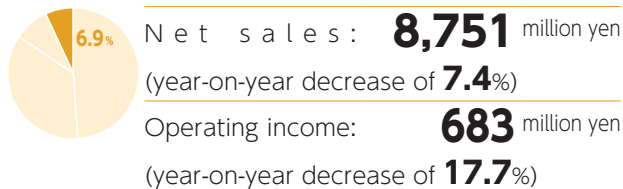
## Music Software Business



While establishing management efficiency through cost controls, the music software business recorded stable sales of enka (popular ballad) works, including those by Saburo Kitajima (signed to the Nippon Crown Co., Ltd.), who was celebrating his 50th year as an artist, and Kaori Mizumori (Tokuma Japan Communications Co., Ltd. ("Tokuma")). The albums by Perfume (Tokuma) and Studio Ghibli-produced DVDs also contributed to earnings. In music distribution, Sonar Pocket (Tokuma) made significant contributions.

Consequently, despite a 5.5% year-on-year drop in net sales due to fewer releases by major artists, operating income increased by 9.0% compared with the previous fiscal year resulting from reduced selling expenses

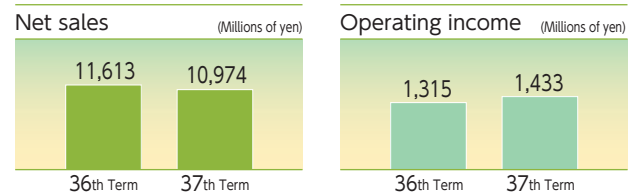
## Other Business



Because the number of subscribers to mobile phone content services is tending to decrease, the other business endeavored to reduce costs, for example by consolidating and disposing contents, and focused on improving profit. Unprofitability caused by dwindling numbers of subscribers prompted a withdrawal from part

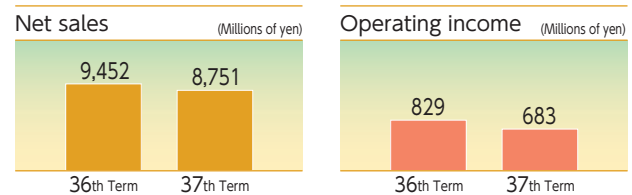
brought about by such factors as lower advertising expenses.

The future activities of the music software business will center on finding and nurturing new artists and creating artists who will release a string of hits. This is expected of Misaki Iwasa (Tokuma), who is a member of AKB48 and has made her solo debut as an enka singer, and Sonar Pocket (Tokuma), whose popularity is rising. The Daichikoshō Group will conduct support and promotional activities that leverage its overall capabilities.



of the satellite broadcasting business on March 31, 2012. The parking business performed steadily, contrasting with the hotel business, where post-earthquake recovery remained weak.

As a result, net sales in other business decreased 7.4% year on year, and operating income fell 17.7% compared with the previous fiscal year.



## TOPICS (Music Software Business)

### Profiles of Much-Talked-About Artists

#### ◆POPS



#### Sonar Pocket TOKUMA JAPAN COMMUNICATIONS

With their popularity rising fast, Sonar Pocket outshone all-comers to make the No.1 spot with *Sukidayo (Hyakukai no Koukai)* in the 2011 RecoChoku rankings\*.

Their third album, *Sona Poke Ism Vol.3*, which was released in January 2012, also hit the big time, making its first appearance at No.2 on the Oricon Album Weekly Ranking. Having decided to hold their concert at the Nippon Budokan for the first time in August 2012, don't miss their actions as they ride on the wave of success.

\*This ranking combined the total number of times a single had been downloaded on *Chaku Uta Full*\* and *Chaku Uta Full Plus*\* in 2011.



#### BUCK-TICK TOKUMA JAPAN COMMUNICATIONS

This year, rock band BUCK-TICK celebrates their 25 year anniversary since making their debut. Their first single on their own "Lingua Sounda" label, *Elise no Tame Ni*, was released in May at the same time as the DVD and Blu-ray disc versions of their December 2011 concert at the Nippon Budokan. These events will be followed in quick succession on July 4 by sales of their second single on Lingua Sounda, *MISS TAKE—Boku wa Misu Teiku*, and sales of a tribute album performed by other artists. It is the 25th anniversary from a debut, the force doesn't still stop.

#### CROWN NIPPON CROWN Co.,Ltd.



#### MAN WITH A MISSION

Released in April 2012, MAN WITH A MISSION's single, *distance*, rapidly hit the big time by entering the Oricon Single Weekly Ranking at No.6. Their eagerly awaited second album, *MASH UP THE WORLD*, is set for release on July 18. The "wolves" will be on the rampage at music festivals throughout Japan this summer!

#### ◆Enka (Popular Ballads) / Popular Songs



#### Saburo Kitajima CROWN NIPPON CROWN Co.,Ltd.

On June 5, 2012, Saburo Kitajima marked 50 years to the day since his debut by releasing *Shokunin*, a work by his master Toru Funamura, which depicts a man's way of life through the life and thoughts of the craftsman. Please expect a lot more from Saburo Kitajima as he energetically lights up the stages at Tokyo's Meiji Theater (July), the Hakataza Theater in Fukuoka (September), and the Misonoza Theater in Nagoya (November).



#### Kaori Mizumori TOKUMA JAPAN COMMUNICATIONS

With pop songs having monopolized the top spots in the Oricon Single Weekly Ranking in recent years, her April release, *Hitori Nagaragawa*, came in at No.4! She has been smashing her own record as No.1 in the annals of women enka singers with entry into the Top 10: her ninth record to make it into the Top 10 in total for the ninth consecutive year and the ninth consecutive song.



#### Misaki Iwasa TOKUMA JAPAN COMMUNICATIONS

The first enka singer from AKB48 (Team A) made her debut in February 2012. That is Misaki Iwasa, known as "Wasamin," whose solo debut song is *Mujin Eki*. She also have entered the Oricon Single Weekly Ranking at No.5. Misaki Iwasa is a promising young talent in the world of enka.



# Consolidated Financial Summary

▶ For detailed financial information, please see the Investors Relations section on the Company's website (Japanese only) : <http://www.dkkaraoke.co.jp/stockinfo/>

## Summarized Consolidated Balance Sheets (millions of yen)

Item	36th Term As of March 31, 2011	37th Term As of March 31, 2012
<b>Assets</b>		
<b>Current assets</b>	<b>50,446</b>	<b>52,508</b>
<b>Noncurrent assets</b>	<b>87,001</b>	<b>89,730</b>
Property, plant and equipment	47,085	51,074
Intangible assets	8,063	6,553
Investments and other assets	31,852	32,102
<b>Total assets</b>	<b>137,447</b>	<b>142,238</b>
<b>Liabilities</b>		
<b>Current liabilities</b>	<b>25,398</b>	<b>26,159</b>
<b>Noncurrent liabilities</b>	<b>24,014</b>	<b>22,274</b>
<b>Total liabilities</b>	<b>49,413</b>	<b>48,433</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>	<b>87,934</b>	<b>92,996</b>
Capital stock	12,350	12,350
Capital surplus	14,035	12,905
Retained earnings	61,552	68,730
Treasury stock	△ 4	△ 989
<b>Accumulated other comprehensive income</b>	<b>△ 851</b>	<b>△ 170</b>
Valuation difference on available-for-sale securities	91	793
Revaluation reserve for land	△ 777	△ 777
Foreign currency translation adjustment	△ 164	△ 186
<b>Minority interests</b>	<b>951</b>	<b>978</b>
<b>Total net assets</b>	<b>88,034</b>	<b>93,804</b>
<b>Total liabilities and net assets</b>	<b>137,447</b>	<b>142,238</b>

\*Amounts of less than one million yen are truncated.

	<b>POINT</b>
<b>Current assets</b>	Current assets increased 2,062 million yen mainly due to an increase in cash and deposits of 7,264 million yen, and decreases in notes and accounts receivable-trade of 3,589 million yen and inventories of 2,198 million yen.
<b>Noncurrent assets</b>	Noncurrent assets increased 2,729 million yen mainly due to increases in land of 5,172 million yen and investment securities of 973 million yen, and a decrease in sound delivery / video software of 1,259 million yen included in other under intangible assets.
<b>Current liabilities</b>	Current liabilities increased 761 million yen mainly due to increases in income taxes payable of 2,233 million yen and accounts payable-other of 1,318 million yen, and a decrease in notes and accounts payable-trade of 2,762 million yen.
<b>Noncurrent liabilities</b>	Noncurrent liabilities decreased 1,740 million yen mainly due to a decrease of 1,827 million yen in long-term loans payable.

## Summarized Consolidated Statements of Income (millions of yen)

Item	36th Term from April 1, 2010 to March 31, 2011	37th Term from April 1, 2011 to March 31, 2012
<b>Net sales</b>	<b>127,885</b>	<b>127,246</b>
Cost of sales	75,819	74,872
<b>Gross profit</b>	<b>52,065</b>	<b>52,373</b>
Selling, general and administrative expenses	35,554	33,598
<b>Operating income</b>	<b>16,510</b>	<b>18,774</b>
Non-operating income	1,475	2,267
Non-operating expenses	528	498
<b>Ordinary income</b>	<b>17,457</b>	<b>20,544</b>
Extraordinary income	383	45
Extraordinary loss	2,294	1,371
<b>Income before income taxes</b>	<b>15,546</b>	<b>19,218</b>
Income taxes-current	6,493	8,309
Income taxes-deferred	△ 707	135
<b>Income before minority interests</b>	<b>9,759</b>	<b>10,774</b>
Minority interests in income	169	84
<b>Net income</b>	<b>9,590</b>	<b>10,689</b>

\*Amounts of less than one million yen are truncated.

[Notes]	36th Term	37th Term
1. Accumulated depreciation of property, plant and equipment	57,715 million yen	59,406 million yen
2. Guarantee obligation	301 million yen	163 million yen
3. Pledged assets	5,545 million yen	5,229 million yen
Corresponding liabilities	1,997 million yen	1,605 million yen
4. Net income per share	147.26 yen	167.70 yen
5. Net assets per share	1,356.06 yen	1,477.71 yen

	<b>POINT</b>
<b>Net sales</b>	Net sales decreased 0.5% year on year to 127,246 million yen due to decreases in sales of commercial karaoke business, music software business and other business, despite significant increase of sales in karaoke cabin and restaurant business.
<b>Operating income and ordinary income</b>	Operating income increased 13.7% year on year to 18,774 million yen due to significant increase in income in karaoke cabin and restaurant business and increases in income secured by reductions of selling expenses, etc. in Commercial Karaoke Business and Music Software Business, despite a decrease in income in other business. Ordinary income increased 17.7% year on year to 20,544 million yen due to improvement in non-operating income and expenses. Both operating income and ordinary income marked record high amounts.
<b>Net income</b>	Net income increased 11.5% year on year to 10,689 million yen despite an increase of tax burden from reversal of deferred tax assets associated with revisions to the tax system.

## Summarized Statements of Cash Flows (millions of yen)

Item	36th Term from April 1, 2010 to March 31, 2011	37th Term from April 1, 2011 to March 31, 2012
Net cash provided by (used in) operating activities	19,343	32,808
Net cash provided by (used in) investing activities	△ 28,213	△ 17,619
Net cash provided by (used in) financing activities	1,626	△ 7,404
Effect of exchange rate change on cash and cash equivalents	△ 61	9
Net increase (decrease) in cash and cash equivalents	△ 7,304	7,793
Cash and cash equivalents at beginning of period	33,877	26,573
Cash and cash equivalents at end of period	26,573	34,367

\*Amounts of less than one million yen are truncated.

	<b>POINT</b>
<b>Net cash provided by (used in) operating activities</b>	
Income before income taxes	19,218 million yen
Depreciation and amortization	14,113 million yen
Decrease in notes and accounts payable-trade	2,761 million yen
<b>Net cash provided by (used in) investing activities</b>	
Purchase of property, plant and equipment	13,386 million yen
Purchase of intangible assets	3,125 million yen
Payments for acquisition of video licenses	1,258 million yen
<b>Net cash provided by (used in) financing activities</b>	
Repayment of long-term loans payable	4,358 million yen
Cash dividends paid	3,509 million yen
Proceeds from long-term loans payable	2,513 million yen

## Consolidated statements of changes in net assets 37th Term (from April 1, 2011 to March 31, 2012) (millions of yen)

	Shareholders' equity					Accumulated other comprehensive income				Minority interests	Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance as of April 1, 2011	12,350	14,035	61,552	△ 4	87,934	91	△ 777	△ 164	△ 851	951	88,034
Changes of items during the period											
Dividends from surplus			△ 3,512		△ 3,512						△ 3,512
Net income			10,689		10,689						10,689
Purchase of treasury stock				△ 2,115	△ 2,115						△ 2,115
Retirement of treasury stock				△ 1,130	1,130						—
Net changes of items other than shareholders' equity						702	△ 21	680	27	708	708
Total changes of items during the period	—	△ 1,130	7,177	△ 984	5,062	702	—	△ 21	680	27	5,770
Balance as of March 31, 2012	12,350	12,905	68,730	△ 989	92,996	793	△ 777	△ 186	△ 170	978	93,804

\*Amounts of less than one million yen are truncated.

## Actively Working in Collaboration with Public Initiatives Social Contribution Activities That Leverage “The Power of Karaoke”

Helping to Make People Feel Good Through Singing - The finding that Daiichikoshō has demonstrated through various efforts in recent years is entering a stage for a full-scale transformation to a contribution in the actual society.

From among those initiatives, we would like this time to outline cooperation carried out using what was called the “Karaoke Car.” This karaoke-equipped truck was provided to a psychosomatic treatment team deployed by Friends of the United Nations Asia-Pacific that traveled around the areas affected by the Great East Japan Earthquake.



### Karaoke Car Sent to Disaster-Affected Areas

~Friends of the United Nations Sing for Smile Program~

#### Cooperation in Circuit Psychosomatic Treatment Deployed by Friends of the United Nations Asia-Pacific

On March 11, 2011, at the time of the Great East Japan Earthquake, the magnitude 9.0 temblor and subsequent tsunami struck mainly coastal areas and resulted in around 20,000 people being killed or listed as missing. The disaster also triggered a serious and inevitably protracted accident at nuclear power stations. In the disaster-affected areas many people are even now forced to live in inconvenient and uneasy condition as evacuees or in temporary housing. As evacuees from various areas who do not know each other have come together, they tend to suffer mentally, such as from post-traumatic stress

disorder (PTSD) from the lack of communication represented by isolation and withdrawal, and growing anxiety. Mental stress possibly can be a cause of physical disorders for the elder. In response, Friends of the United Nations Asia-Pacific decided to develop the “Friends of the United Nations Sing for Smile Program,” by which a medical team would also take along two Samoyed therapy dogs and the Karaoke Car (a two-ton truck modified to the specifications of a karaoke box). Having received requests from the disaster-affected areas, the Company cooperated in sending of the Karaoke Car.



Ceremony at the Miyata temporary housing area in Ofunato-shi, Iwate



At the Sugishita temporary housing area in Ofunato-shi



Interior of the Karaoke Car

#### A World First: “Psychological Care” by Karaoke Car and Therapy Dogs

These two initiatives formed part of the Sing for Smile Project set up by Daiichikoshō to assist the disaster-affected areas in the aftermath of the earthquake. This was the first time to try out the idea of circuit psychosomatic treatment along with therapy dogs and the Karaoke Car, which reportedly attracted a great deal of attention from overseas.

The Karaoke Car joined head of the medical team Dr. Jin Hinokida and the two Samoyeds on the morning of January 20, 2012, when they set off and headed to their first assignment, the Miyata temporary housing area in the city of Ofunato, Iwate Prefecture. (The occasion was picked up by news media.) Many housing area residents expressed their delight at the use of the Karaoke Car, and the Company will undertake to extend the duration of its use in support activities.



Therapy dogs



At the Ota temporary housing area, Ofunato-shi

~Friends of the United Nations Sing for Smile Program~  
 Entities conducting activity: Friends of the United Nations Asia-Pacific / Daiichikoshō Co., Ltd. / Mother's Heart Foundation  
 Support groups: Society of Preventive & Alternative Medicine / Japan Medical Science Exchange Association Medical Corps  
 Cooperating groups: Hinokida Hospital / ALW  
 Cooperating companies: Sankyo Medical Service Co., Ltd. / Hino Motors, Ltd. / TRANTECHS, LTD.

#### Participation in Support Activity Debriefing Held by Friends of the United Nations

Having observed social contribution through these support activities, the Company received an invitation to a debriefing held at the UN Headquarters in New York on May 16, 2012. Reports were given on the psychological care of those affected by natural disasters, which included the circuit psychosomatic treatment operation using the Karaoke Car, the importance of humanitarian assistance, and the assessments in the disaster-hit areas.

Senior UN officials, UN-related agencies, and the UN delegations from several countries showed a fervent interest in the Karaoke Car's positive effects and complimented the Company on its activities.

The circuit psychosomatic treatment operation using the Karaoke Car vividly demonstrated karaoke's social significance. The Company considers the activity is a shining example of the kind of psychological care that has to be supported over the long term.

The Company will continue to cooperate with Friends of the United Nations and undertake contributory initiatives through songs and music.



In the plenary session at the UN Headquarters, a letter of appreciation was granted by Dr. Noel J. Brown, President & CEO of Friends of the United Nations.



# Corporate Profile

## Corporate Profile (as of March 31, 2012)

Corporate name	Daiichikoshō Co., Ltd.	
Location	5-5-26 Kitashinagawa, Shinagawa-ku, Tokyo 141-8701 Telephone: +81-3-3280-2151 (switchboard)	
Established	April 16, 1973	
Paid-in capital	12,350 million yen	
Number of employees	The Company	1,528
	The Group	3,013
Listing on JASDAQ	September 19, 1995	

## New management system (as of June 22, 2012)

Honorary Chairman	Tadahiko Hoshi
President	Saburo Hayashi
Senior Managing Director and Senior Corporate Officer	Kenichi Nemoto
Senior Managing Director and Senior Corporate Officer	Tatsuya Kumagai
Senior Managing Director and Senior Corporate Officer	Hiroshi Mitomi
Managing Director and Senior Corporate Officer	Tadahiro Hoshi
Managing Director and Senior Corporate Officer	Yuichi Murai
Managing Director and Senior Corporate Officer	Yasutaka Wada
Director and Corporate Officer	Yasuhiro Watanabe
Director and Corporate Officer	Akira Miyake
Director	Mitsuru Yoshikawa
Director	Yoshimi Shimizu
Standing Corporate Auditor (outside)	Fumito Ishizaka
Standing Corporate Auditor (outside)	Nobuaki Otsuka
Standing Corporate Auditor	Nobuyuki Takase
Corporate Auditor (outside)	Masumi Arichika
	Corporate Officer Shinji Arima
	Corporate Officer Shinichi Ozawa
	Corporate Officer Hisahiro Ogura
	Corporate Officer Akihito Yoshizawa
	Corporate Officer Shigeki Kobayashi
	Corporate Officer Hiroshi Kunitsu
	Corporate Officer Kenji Otsuka
	Corporate Officer Ichio Odagiri

## The Daiichikoshō Group The Company and consolidated subsidiaries

(As of March 31, 2012)

38  
companies



### Main Business Activities

- Commercial karaoke business
- Karaoke cabin and restaurant business
- Music software business

### Domestic sales subsidiaries: 24 companies

Hokkaido Daiichikoshō Co., Ltd.	Johoku Daiichikoshō Co., Ltd.	Tokai Daiichikoshō Co., Ltd.
Kushiro Daiichikoshō Co., Ltd.	Taito Daiichikoshō Co., Ltd.	Hokuriku Daiichikoshō Co., Ltd.
Kitahoku Daiichikoshō Co., Ltd.	Joto Daiichikoshō Co., Ltd.	Kyoto Daiichikoshō Co., Ltd.
Tohoku Daiichikoshō Co., Ltd.	Josai Daiichikoshō Co., Ltd.	Daiichikoshō Kinki Co., Ltd.
Jyoban Daiichikoshō Co., Ltd.	Shonan Daiichikoshō Co., Ltd.	Keihan Daiichikoshō Co., Ltd.
Gunma Daiichikoshō Co., Ltd.	Niigata Daiichikoshō Co., Ltd.	Hyogo Daiichikoshō Co., Ltd.
Tochigi Daiichikoshō Co., Ltd.	Nagano Daiichikoshō Co., Ltd.	Kyushu Daiichikoshō Co., Ltd.
Saitama Daiichikoshō Co., Ltd.	Shizuoka Daiichikoshō Co., Ltd.	Okinawa Daiichikoshō Co., Ltd.

### Other domestic subsidiaries: 10 companies

DK Finance Co., Ltd.	DK Music Publishing Co., Ltd.
Nippon Crown Co., Ltd.	Crown Music Enterprise Co.
Tokuma Japan Communications Co., Ltd.	Zoom Republic
CROWN TOKUMA music distribution Co., Ltd.	Union Eiga Co., Ltd.
Tri-M, Inc.	Maruhagi Yoshu Kogyo Co., Ltd.

### Overseas subsidiaries: 4 companies

DK KOREA Co., Ltd.	DAIICHIKOSHŌ (SHANGHAI) TRADE CO., LTD.
Daiichikoshō (Shanghai), Ltd.	D.K.Enterprises (Guam), Inc.

(Notes) 1. BESTA FOODS Co., Ltd. was dissolved in August 2011 through an absorption-type merger with the Company as the surviving company.  
2. Fukushima Daiichikoshō Co., Ltd. was dissolved in October 2011 through an absorption-type merger with Tohoku Daiichikoshō Co., Ltd. as the surviving company.

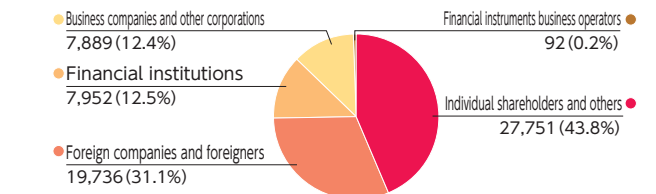
# Status of the Shares of the Company (as of March 31, 2012)

- Number of authorized shares 200,000,000 shares
- Number of shares outstanding 63,420,596 shares
- Number of shareholders 17,192
- Major shareholders

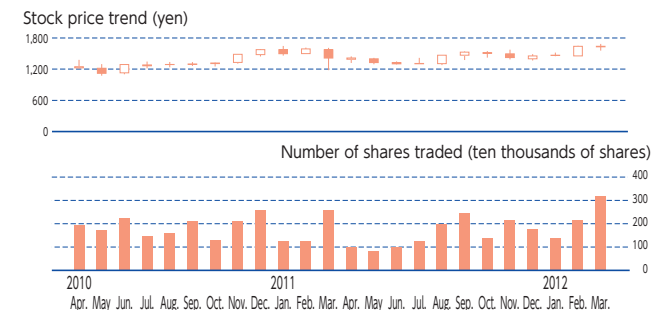
Name of shareholder	Number of shares held (thousands of shares)	Ratio of voting rights (%)
Tadahiro Hoshi	6,846	10.7
Harutoshi Hoshi	6,717	10.5
State Street Bank and Trust Company	4,832	7.6
Hoshi Create Limited	4,439	7.0
Asahi Breweries, Ltd.	2,120	3.3
Japan Trustee Services Bank, Ltd. (Trust Account)	1,619	2.5
Mitsubishi UFJ Trust and Banking Corporation	1,148	1.8
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,109	1.7
The Chase Manhattan Bank, N.A. London	1,029	1.6
Daiichikoshō Employee Shareholding Association	984	1.5

(Notes) 1. The Company holds 602,863 shares of treasury stock.  
2. Values in "Number of shares held" and "Ratio of voting rights" are rounded down to the nearest unit.

### Shareholding Ratio by Category (thousands of shares/shareholding ratio)



### Stock price (monthly candlestick chart)



## The Company's website

Our website offers useful information for shareholders, valuable information of BIG ECHO, introduction of DK ELDER SYSTEM's contents and more (Japanese Only). Please visit us online and find more details.

URL <http://www.dk karaoke.co.jp/>



Front page



BIG ECHO



DK ELDER SYSTEM