FY 2005, the year ended March 31, 2006

Flash Report on the Consolidated Results for the Interim Period Ended September 30, 2005

November 14, 2005

Company Name: DAIICHIKOSHO CO., LTD.
Code Number: 7458
(URL http://www.dkkaraoke.co.jp)
Stock Exchange Listing: JASDAQ
Location of Head Office (Prefecture): Metropolis of Tokyo
Representative: Tatsuyoshi Yoneda, President
Contact: Eiji Hata, Managing Director and Senior Corporate Officer; and Executive Director, Administration Headquarters
Phone: (03) 3280-2151
Date of the Board of Directors Meeting on the Closing of Accounts: November 14, 2005
Adoption of U.S. GAAP: No

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

(1) Consolidated operating results

Note: Amounts below one million yen are truncated.

	Net sales		Operating income		Ordinary income	
	¥ Million	%	¥ Million	%	¥ Million	%
Interim period ended September 2005	64,191	5.5	5,143	(18.3)	5,188	(16.3)
Interim period ended September 2004	60,850	6.9	6,296	(8.5)	6,195	(3.1)
Year ended March 2005	122,085		10,383		9,932	

	Net income		Net income per share	Fully diluted net income per share
	¥ Million	%	¥	¥
Interim period ended September 2005	790	(79.7)	22.71	—
Interim period ended September 2004	3,895	178.6	108.40	103.22
Year ended March 2005	5,118		139.83	—

Notes:
1. Equity in net income of unconsolidated subsidiaries and affiliates:
   Interim period ended September 2005: (¥ — million)
   Interim period ended September 2004: (¥ — million)
   Year ended March 2005: (¥ — million)
2. Average number of shares outstanding during the respective periods (consolidated):
   Interim period ended September 2005: 34,803,317 shares
   Interim period ended September 2004: 35,941,040 shares
   Year ended March 2005: 35,745,780 shares
   "Fully diluted net income per share" for the year ended March 2005 is not stated because no residual securities existed as convertible bonds were redeemed at maturity as of September 30, 2005.
3. Change in accounting method: Yes
4. Percentages for net sales, operating income, ordinary income and net income show respective year-over-year changes from the previous fiscal year.

(2) Consolidated financial position

Note: Amounts below one million yen are truncated.

	Total assets	Shareholders' equity	Equity ratio	Shareholders' equity per share
	¥ Million	¥ Million	%	¥
Interim period ended September 2005	136,910	62,191	45.4	1,787.00
Interim period ended September 2004	139,292	63,746	45.8	1,773.74
Year ended March 2005	131,996	62,194	47.1	1,783.56

Note: Number of shares outstanding at the end of the period (consolidated):
34,802,391 shares at September 30, 2005
35,938,948 shares at September 30, 2004
34,804,216 shares at March 31, 2005

(3) Consolidated cash flows

Note: Amounts below one million yen are truncated.

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	¥ Million	¥ Million	¥ Million	¥ Million
Interim period ended September 2005	10,119	(10,816)	2,343	25,520
Interim period ended September 2004	11,589	(8,396)	(1,372)	22,142
Year ended March 2005	24,221	(10,999)	(11,106)	22,428

(4) Scope of consolidation and application of the equity method

Number of consolidated subsidiaries: 47
Number of nonconsolidated subsidiaries accounted for by the equity method: —
Number of affiliates accounted for by the equity method: 1

(5) Change in the scope of consolidation and application of the equity method

Consolidation (newly included): 13 (Excluded): 3
Equity method (newly applied): 1 (Excluded): —

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

	Net sales	Ordinary income	Net income
	¥ Million	¥ Million	¥ Million
Year ending March 31, 2006 (full year)	129,400	10,500	3,600

(Reference) Forecast net income per share (full year): ¥100.00

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

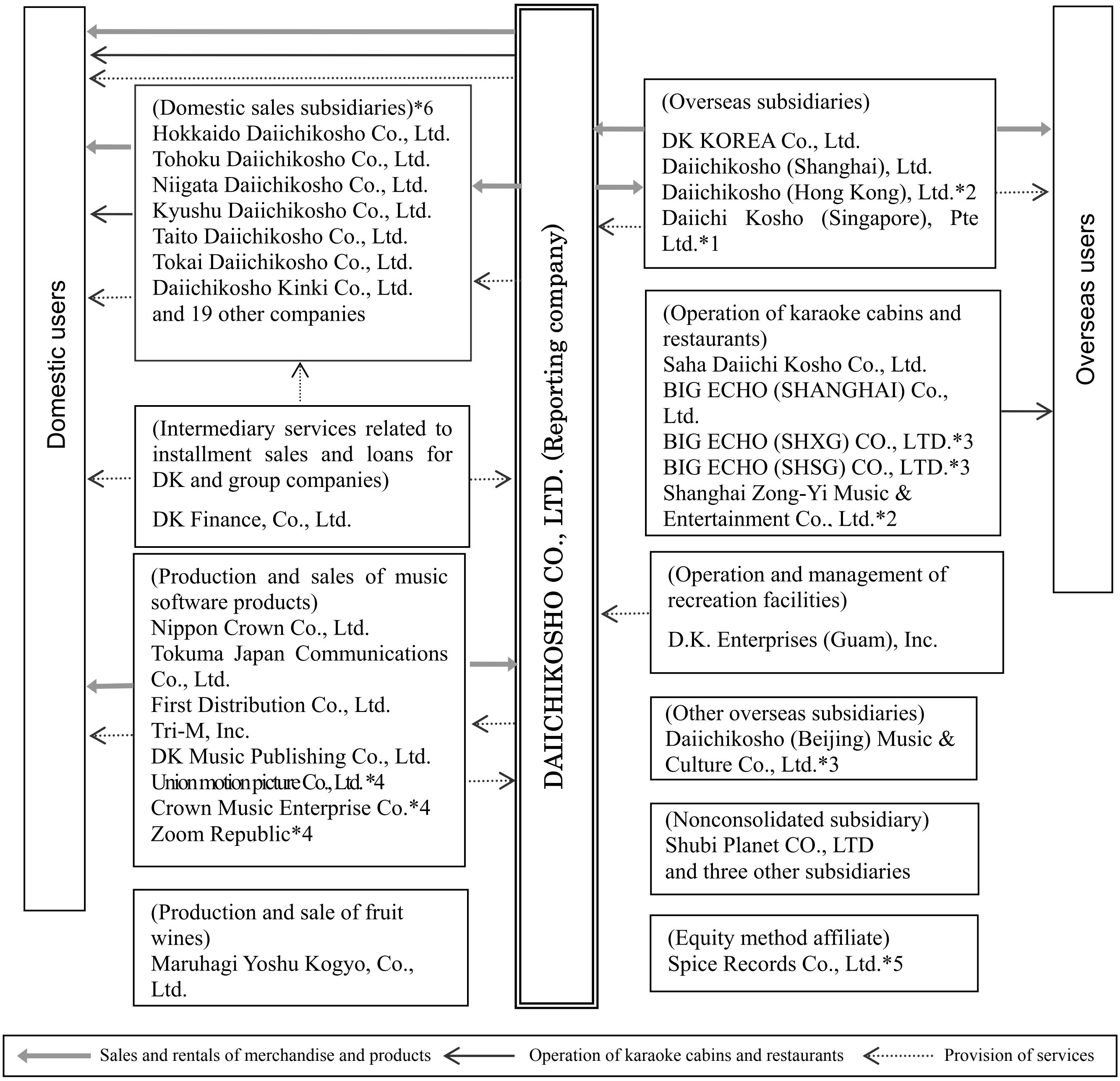
(Attachment)

1. Corporate Group

The Daiichikosho Group ("DKG") consists of Daiichikosho Co., Ltd. ("DK" or "the Company"), 47 consolidated subsidiaries and one affiliate. The major group companies engage in the commercial karaoke business, the karaoke cabin and restaurant business, the Gateway business and the music software business.
Effective from the interim period under review, the business segmentation was changed as shown in (Segment Information).

<table>
<tr><th>Business segment</th><th>Business line</th><th>Domestic</th><th>Overseas</th></tr>
<tr><td>Commercial karaoke business</td><td>Sales and rental of commercial-use karaoke equipment</td><td rowspan="3">Daiichikosho Co., Ltd.
Hokkaido Daiichikosho Co., Ltd.
Tohoku Daiichikosho Co., Ltd.
Taito Daiichikosho Co., Ltd.
Niigata Daiichikosho Co., Ltd.
Tokai Daiichikosho Co., Ltd.
Daiichikosho Kinki Co., Ltd.
Kyushu Daiichikosho Co., Ltd.
and 19 other subsidiaries</td><td>DK KOREA Co., Ltd.
Daiichikosho (Shanghai), Ltd.
and two other subsidiaries</td></tr>
<tr><td>Karaoke cabin and restaurant business</td><td>Operation of karaoke cabins and restaurants</td><td>Saha Daiichi Kosho Co., Ltd.
BIG ECHO (SHANGHAI) Co., Ltd.
and three other subsidiaries</td></tr>
<tr><td>Gateway business</td><td>Supply of content service via the special "DAM Station" information terminal and mobile phones</td><td rowspan="2"></td></tr>
<tr><td>Music software business</td><td>Production and sales of music and video software products</td><td>Nippon Crown Co., Ltd.
Tokuma Japan Communications Co., Ltd.
First Distribution Co., Ltd.
Union motion picture Co., Ltd.
and four other subsidiaries</td></tr>
<tr><td>Other business</td><td>Satellite broadcasting, real estate lease and rental business, etc.</td><td>Daiichikosho Co., Ltd.
DK Finance, Co., Ltd.
Maruhagi Yoshu Kogyo, Co., Ltd.</td><td>D.K. Enterprises (Guam), Inc.
and one other subsidiary</td></tr>
</table>

The following diagram schematically shows the relationships of the respective group companies and businesses.



Notes:
1. *1. Indicates a dormant company.
2. *2. Indicates a company that is under liquidation proceedings. Shanghai Zong-Yi Music & Entertainment Co., Ltd., was dissolved in August 2005.
3. *3. Since the current interim period, BIG ECHO (SHXG) CO., LTD. has been newly included in consolidation as it was newly established in March 2005. BIG ECHO (SHSG) CO., LTD. and Daiichikosho (Beijing) Music & Culture Co., Ltd., have been newly included in consolidation as they were newly established in August 2005.
4. *4. As a result of the reorganization of the music software business segment, the scope of consolidation was reviewed and the previous nonconsolidated subsidiaries Union motion picture Co., Ltd., Crown Music Enterprise Co., Zoom Republic, CRS Co., Ltd., and Crown Creative Co. have been included in consolidation since the current interim period.
5. Nippon Crown Co., Ltd. (the surviving company), CRS Co., Ltd., and Crown Creative Co. were merged in July 2005, through which Crown Creative Co. and CRS Co., Ltd., were dissolved.
6. Tokuma Japan Communications Co., Ltd. (the surviving company), and Gauss Entertainment Co., Ltd., were merged in July 2005, through which Gauss Entertainment Co., Ltd., was dissolved.
7. *5. Spice Records Co., Ltd., was established in September 2005 and is included in the scope of application of the equity method since the current interim period.
8. *6. As a result of the reorganization of domestic subsidiaries in April 2005, Kita-Tohoku Daiichikosho Co., Ltd., Fukushima Daiichikosho Co., Ltd., Tochigi Daiichikosho Co., Ltd., Hokuriku Daiichikosho Co., Ltd., and Okinawa Daiichikosho Co., Ltd., were newly established.

2. Management Policies

(1) Basic management policy

Based on the corporate philosophy of "More music to the world, more service to the world," DKG's basic management policy is "to promote music culture through karaoke and provide people with many places of pleasant communications." To that end, DKG believes it must provide karaoke equipment and an attractive range of karaoke content that meet users' needs, as well as karaoke cabins where people can easily gather to enjoy singing karaoke songs. DKG is proud that this objective has been well completed.

Building on the know-how and entertainment content it has accumulated to date, DKG aims to satisfy the expectations and trust not only of investors but also of all the group's stakeholders by ensuring continued business growth and higher earnings around the core karaoke business.

(2) Basic policy on profit distribution

DK attaches a high priority to ensuring stable, long-term profit distribution to shareholders and follows this basic dividend policy with due regard to the consolidated performance level, the payout ratio and other factors. Retained earnings not distributed to shareholders will be systematically and effectively reinvested in the development of new products and operating assets to improve DKG's market share and reinforce its profit-enhancing foundation.

(3) Basic views on the reduction of the minimum investment lot of shares

DK intends to flexibly address this issue by taking into account the increasing liquidity of its shares, past performance and market conditions while focusing on the shareholders' interests.

(4) Target management indicator

As a priority indicator, DKG aims to achieve consolidated return on equity (ROE) of 12% or more.

(5) Medium- and long-term management strategies

For the ongoing growth of DKG around the mainstay karaoke business, DKG's basic management strategies are to a) create new customer-oriented, value-added products and services leveraging off of the latest information technology (IT) and the expanded karaoke telecommunications network; b) encourage reforms of the karaoke business environment and the revitalization of the karaoke market; and c) establish an integrated music entertainment business in which "music, karaoke and entertainment" are harmoniously intertwined.

(6) DKG's tasks ahead

DKG needs to proactively address the following groupwide issues: ① further extending its karaoke telecommunications network and increasing revenue from the network, ② improving profitability in the karaoke cabin and restaurant business, ③ steadily commercializing the new "Gateway Business," ④ expanding the operating performance of e-business, ⑤ reinforcing the business foundations of the music software business and improving revenue from the business and ⑥ expanding operating performance of the satellite broadcasting business.

① DKG has established a business model to earn fee revenue from the provision of the karaoke-streaming service in the karaoke telecommunications network. As of September 30, 2005, the market share of the operating ***"DAM"*** karaoke equipment had increased to above 50% of the telecommunications karaoke market. To further expand the network, DKG will focus on increasing the sales and rental contracts of ***"DAM"*** karaoke equipment to improve profits including the fee revenue from the provision of the karaoke-streaming service.

② As of September 30, 2005, DKG operated 219 ***"BIG ECHO"*** karaoke cabin stores and 32 restaurants, including those overseas. DKG intends to focus on the development of multifunctional stores incorporating ***"BIG ECHO"*** and restaurants, full-scale promotion of developing new businesses and attracting more customers by creating added value and differentiating its stores in pursuit of an improved operating margin.

③ Effective from the year ended March 31, 2005, DKG began substantially supplying a new, broadband-based interactive content service using the ***"DAM Station"*** information terminal to secure a new income source. DKG will endeavor to further commercialize the "Gateway Business" by disseminating the ***"DAM Station"*** information terminal and increasing recognition of the content service.

④ DKG aims to expand the operating performance of its content delivery services such as the mobile phone ring-tone service and increase the number of subscribers for the services, which are decreasing in the market. In this regard, DKG reviews the service content, adds content as necessary and links it with content service using the ***"DAM Station"*** information terminal.

⑤ In view of the harsh business environment in the music recording industry, in which DK's subsidiaries mainly engage, DK will reinforce the management foundation of the music software business, expand the business and improve profitability by increasing synergies with DKG's mainstay karaoke business, store management business and Gateway business.

⑥ With the multichannel direct broadcast satellite provider **SKY PerfecTV** as its platform, DKG now offers two television channels and 100 radio channels. As the targeted consistent surplus in the satellite broadcasting business seems to have been achieved, DKG aims to increase operating performance in the future.

(7) Basic views on corporate governance and the implementation of related measures

① Basic views on corporate governance

"Shareholders first" corporate governance has become a predominant view among corporations given recent stock market pressures. Shareholders who shoulder the burden of monetary risk should be the most respected among a corporation's various stakeholders, which also include employees and business partners, etc. DK believes its corporate governance should be carried out and improved in the direction of maximizing shareholder value while meeting the requirements of the different stakeholders.

② Current status of corporate governance implemented

a. Board of Directors and Executive Board

Meetings of the Board of Directors and the Executive Board are held periodically according to the "Board of Directors Rules" and the "Executive Board Rules," respectively. The proposals at these meetings are carefully discussed and decisions are made after requesting opinions of all the member attendees. Transparency in managerial decisions is emphasized and respected by allowing responsible staff from the related departments to attend these meetings, and complicated subjects are thoroughly reviewed on the spot to ensure quicker decision making. Although DK currently does not intend to introduce the outside director system, its implementation will be examined as business activities develop in the future.

b. Corporate officer system

Based on the basic concept of corporate governance, DK introduced the corporate officer system in June 2001, in which the responsibility of each corporate officer in each significant department has been clarified with regard to his/her duties, and these corporate officers are currently in place.

c. Managerial Liaison Conference

The Managerial Liaison Conference is held once every week, in principle. Although the conference is not a decision-making organ, directors and statutory auditors attend meetings and responsible persons at related departments report the progress of the basic policies and plans that were approved by the Board of Directors, as well as other important subjects. DK therefore positions the Managerial Liaison Conference as the third important internal organ after the Board of Directors and the Executive Board.

d. Board of Statutory Auditors and internal audit

DK adopts the statutory auditor system. The Board of Statutory Auditors consists of four statutory auditors, of which three are outside auditors. They carry out stringent audits by attending the meetings of the Board of Directors and other important meetings, such as the Managerial Liaison Conference, examine important authorized documents and receive reports and explanations on business operations directly from the Directors, the internal audit department and the staff in charge, as required.

Two of the three outside auditors, Hiroshi Kakegawa (400 shares) and Juichi Ishikawa (12,000 shares), held the Company's shares as of September 30, 2005. However, as these two outside auditors having DK's shares have no specific interest such as that in human relations other than the interest of having shares in DKG, the Board of Statutory Auditors may be deemed to conduct its functions from an objective viewpoint.

DK also has an Audit Dept. as an internal control organization under the direct control of the President. The department consists of eight dedicated staff members who conduct an internal audit of the overall operations of both DK and DKG, and quickly report the audit results to the President.

e. Audit of accounts

DK has appointed Ernst & Young ShinNihon as its auditing firm. Ernst & Young ShinNihon audits DK's financial matters for each account settlement and provides advice on managerial and system issues as necessary.

(8) Matters related to the parent company, etc.

None applicable.

(9) Streamlining and operation of internal management systems

At present, DK endeavors to review its *Ringi* & Final Decision Authority Standards and reinforce its internal management systems so that its internal controls can be more appropriately and rationally operated. Furthermore, an internal audit by the Audit Dept. is under way regarding DK and its group subsidiaries to investigate whether the internal management systems are properly operated under the reviewed standards.

If any change to the provisions of a law or a regulation, or an organization or an operation, occurs, the relevant departments around the central General Affairs Dept. will immediately check and review the relevant internal regulations. In case of any problematic operation of the internal regulations, the substance of the management systems is reviewed every time an objection or an opinion is raised, as required.

3. Operating Results and Financial Position

(1) Overview for the Interim Period

① Operating results

During the period ended September 30, 2005, the Japanese economy began to turn around and showed signs of recovery, leveraged by increased capital investment and consumer spending supported by corporate profits at leading companies, despite some apprehensive factors such as high crude oil prices and uncertainty in overseas economies.

In the karaoke industry, where the market expanded and the number of people enjoying karaoke increased steadily, equipment manufacturers promoted a shift from conventional models to broadband-compliant models with new services. Moreover, a trend toward a broadband-based karaoke telecommunications network is under way. Meanwhile, large-scale karaoke cabin operators promoted a multifunctional business model combining restaurants, amusement and relaxation facilities, etc., and expanded the business scale.

In these circumstances, to further raise its top market share, DKG actively concentrated its promotional efforts on the sales and rental of karaoke equipment including the mainstay ***"Broadband Cyber DAM (DAM-G100)"*** equipment and the downscale ***"DAM-G30"*** model. The broadband-compliant ***"DAM-G100"*** model that interlocks with the ***"DAM Station"*** information terminal and the compact and inexpensive ***"DAM-G30"*** equipment gained high acclaim in the market. As a result, DKG recorded a historical high in the number of units shipped of karaoke telecommunications equipment for the interim period. Despite sluggish growth in the number of karaoke telecommunications units in operation in the overall commercial-use karaoke telecommunications market, DKG actively promoted a shift from conventional models to broadband models such as the ***"DAM-G100,"*** which steadily increased the number of broadband-compliant units in operation.

In the ***"BIG ECHO"*** karaoke cabin business, DKG opened new stores and developed multifunctional stores with restaurants to attract more customers. At the same time, continuing expenses such as rent and personnel were thoroughly reviewed for existing stores. As a result, unprofitable stores were closed and scrapped or the buildings were partially leased or rented to improve profitability. Such efforts were clearly reflected in the business results.

In the Gateway business, DKG actively promoted the installation of ***"DAM Station"*** information terminals mainly in the group-owned ***"BIG ECHO"*** karaoke cabins. DKG's active advertising activities related to the TV programs enhanced brand recognition, increased the number of terminal units in operation and the amount of content used, and expanded the number of subscribers of "Club DAM MEMBERSHIP," an association of information terminal users.

In the music software business, DKG reorganized its recording companies, devoting itself to scouting for new artists and producing hit songs, to reinforce the management foundation and increase revenues.

Consequently, consolidated net sales for the interim period under review increased 5.5% year over year to ¥64,191 million. Consolidated operating income decreased 18.3% to ¥5,143 million and consolidated ordinary income fell 16.3% to ¥5,188 million, reflecting an increase in sales expenses due to the active promotion of karaoke telecommunications equipment, the burden of investment for the Gateway business and temporary selling, general and administration expenses, which were partly offset by greatly improved profitability in the karaoke cabin business and the music software business.

Consolidated net income for the interim period ended September 30, 2005, decreased 79.7% to ¥790 million, as a result of a ¥1,083 million loss on the disposal of land and buildings, a ¥1,115 million loss for karaoke cabins recorded as an extraordinary loss item to maintain the soundness of tangible fixed assets after the Accounting Standard on the Impairment of Fixed Assets was adopted and an increase in income taxes—deferred from the reversal of deferred tax assets.

Operating results by business segment are summarized as follows

Effective from the interim period under review, the business segmentation was changed as follows, with year-over-year percentage changes from the previous fiscal term computed based on the change in segmentation applied to the previous interim period.

1) The restaurant business previously included in "Other business" was combined with the previous "karaoke cabin business" and changed to "karaoke cabin and restaurant business."

2) The "Gateway business" previously included in "Other business" was separated as an independent business segment.

3) "E-business," which was previously included in "Content business," was integrated into "Gateway business," and "satellite broadcasting business" was included in "Other business."

Commercial karaoke business
Net sales: ¥36,897 million (+5.2%)
Operating income: ¥6,391 million (–15.8%)
In this segment, given the success of lower-priced products due to intensified competition, DKG's premium ***"DAM"*** brand still achieved high acclaim. In addition, with the help of a user-oriented, enhanced after-sales maintenance system, DKG had record karaoke telecommunications equipment shipments of 24,250 units including ***"Broadband Cyber DAM (DAM-G100),"*** our mainstay product, and the downscale ***"DAM-G30"*** model. On the other hand, despite sluggish growth in the number of karaoke telecommunications units in operation throughout the commercial karaoke market, DKG actively promoted a shift from conventional models to broadband-compliant models such as the ***"DAM-G100"*** to promote a broadband-based karaoke telecommunications network. As a result, the number of broadband-compliant units in operation increased by more than 10,000 from the end of the previous term.

In addition, sales of merchandise and the cumulative number of karaoke equipment rental contracts rose, whereas contracts to supply information such as karaoke sound sources and videos increased steadily. As a consequence, net sales in the business segment advanced 5.2% year over year. Operating income decreased 15.8% year over year due to lower average sales prices owing to shipments of the downscale ***"DAM-G30"*** model and increases in expenses to reinforce content for differentiation and sales promotion costs to promote shipments of karaoke telecommunications equipment.

Karaoke cabin and restaurant business
Net sales: ¥15,781 million (+9.0%)
Operating income: ¥927 million (+93.0%)
In the operation of karaoke cabin stores and restaurants, DKG actively pushed ahead with multifunctional store development combining the karaoke cabin and restaurant businesses. During the interim period under review, DKG closed eight unprofitable ***"BIG ECHO"*** karaoke cabin stores but opened 17 new multifunctional stores with restaurants—14 domestically and three overseas. Accordingly, the karaoke cabin stores directly operated by DKG totaled 219 as of September 30, 2005 (214 domestically and five overseas), and the number of restaurants totaled 32. At existing ***"BIG ECHO"*** karaoke cabin stores, a thorough review was conducted of continuing expenses such as rent and personnel, and measures to improve profitability were implemented that included cutting operating expenses and partially renting or leasing buildings at unprofitable major stores. Existing restaurant brands such as "Bistro-ya," "Tompooya," "Umenoko-no-ie" and "Cuisine" progressed smoothly, and a new brand, "Torizo," was added. As a result, segment net sales increased 9.0% year over year owing to the increased number of stores as a result of the aggressive opening of new ***"BIG ECHO"*** karaoke cabin stores and the steady progress of restaurants. Operating income jumped 93.0% year over year owing to our stringent cost-cutting measures that included a reduction of continuing costs such as rent and personnel, which offset expenses for new-store openings.

Gateway business
Net sales: ¥2,469 million (–1.3%)
Operating income: –¥1,355 million (–¥1,136 million)
In this segment, DKG engages in two business fields: e-business to deliver content such as mobile phone ring-tones, etc., and the Gateway business to supply a new, broadband-based interactive service using ***"DAM Station"*** information terminals interlocked with ***"Broadband Cyber DAM (DAM-G100)."*** In e-business, for which the number of mobile phone ring-tone service subscribers is declining gradually, DKG strived to maintain subscribers by reviewing the service content. In the Gateway business, DKG actively promoted ***"DAM Station"*** information terminal installations mainly in the group-owned ***"BIG ECHO"*** karaoke cabins as anticipatory investment. DKG also conducted effective advertising activities including broadcasting "Uta-Star!!" ("Uta" means "songs"), a TV program designed to find new artists related to entertainment content, and hosting the "Nationwide Karaoke Grand Prix 2005." As a result, 11,550 ***"DAM Station"*** information terminals were in operation as of September 30, 2005, significantly enhancing recognition of our equipment. The advertising also contributed to differentiating ***"DAM-G100"*** in the market and greatly boosted shipments of karaoke merchandise. The cumulative number of subscribers of "Club DAM MEMBERSHIP," an association of information terminal users, increased to approximately 800,000. Use of content supplied by DKG also expanded, with 3.9 million units of paid and free content disseminated during the interim period ended September 30, 2005. The content included material related to the "Uta-Star!!" TV program, "Kasho-kentei" (meaning "step tests for singing abilities") karaoke events and "Ranking Battle," which is popular karaoke content that spans generations. For users of "Uta-Star!!," it was determined that five new artists would debut as of November 14, 2005, and about 5,300 people applied to participate in the "Nationwide Karaoke Grand Prix 2005," reflecting high acclaim among karaoke lovers

nationwide. As a result, a decrease in revenue in e-business was offset by an increase in net sales in the Gateway business and segment net sales declined 1.3%, almost flat with the same period last year. However, an operating loss of ¥1,355 million was recorded owing to the increased burden of investment in the Gateway business.

Music software business

Net sales: ¥5,562 million (+5.2%)

Operating income: ¥52 million (up ¥943 million from the same period of the previous fiscal year)

In this segment, in light of the continuously shrinking market volume of the music CD market, DKG reorganized seven recording subsidiaries into four and consolidated three previously nonconsolidated subsidiaries to reinforce the management foundation and increase revenues. Segment net sales increased 5.2% year over year owing to hit items such as “Gackt” at Nippon Crown Co., Ltd., and “Tongari Kids” at Tokuma Japan Communications Co., Ltd. DKG also reviewed the initial shipment volume and improved the rate of returned goods unsold, which helped to reduce the cost-to-sales ratio and selling, general and administrative expenses. As a result, operating income surged ¥943 million year over year.

Other business

Net sales: ¥3,480 million (–0.9%)

Operating income: ¥872 million (+42.6%)

This segment mainly consists of satellite broadcasting using **SKY PerfecTV** as its platform and the real estate lease and rental business. In the satellite broadcasting business, despite a gradual decline in the number of household-use subscribers, subscribers of the ***“Stardam”*** commercial-use satellite broadcasting service, which offers content menus similar to those supplied for household-use subscribers, increased steadily and profitability remained steady through stringent cost-cutting efforts. Other business including the real estate lease and rental business progressed steadily as well. As a result, segment net sales decreased 0.9% year over year, almost flat with the same period a year earlier. Operating income increased 42.6% year over year, reflecting a decrease in selling, general and administrative expenses.

② Financial position

(Cash flows)

Consolidated cash and cash equivalents as of September 30, 2005, totaled ¥25,520 million, compared with ¥22,142 million as of September 30, 2004, reflecting cash flows provided by operating activities of ¥10,119 million, cash flows used in investing activities of ¥10,816 million and cash flows provided by financing activities of ¥2,343 million, and a cash increase of ¥1,398 million due to an increase in the number of newly consolidated subsidiaries.

The following describes the respective consolidated cash flow conditions for the interim period ended September 30, 2005, and their major factors.

(Cash flows from operating activities)

Net cash provided by operating activities was ¥10,119 million. This amount reflected ¥2,874 million in income before income taxes and minority interests and ¥7,585 million in depreciation expense.

(Cash flows from investing activities)

Net cash used in investing activities was ¥10,816 million. This amount reflected ¥7,681 million in payments for the acquisition of tangible fixed assets and ¥2,466 million in payments for the acquisition of intangible fixed assets.

(Cash flows from financing activities)

Net cash used in financing activities was ¥2,343 million. This amount reflected ¥10,694 million in proceeds from long-term borrowings and ¥6,504 million in payments for the repayment of long-term borrowings.

The trends of DKG's several cash flow indicators are as follows:

	As of September 30, 2003	As of March 31, 2004	As of September 30, 2004	As of March 31, 2005	As of September 30, 2005
Equity ratio (%)	42.1	44.0	45.8	47.1	45.4
Market value–based equity ratio (%)	56.9	87.5	84.6	72.8	63.8
Debt redemption (years)	2.1	1.8	2.1	1.7	2.3
Interest coverage ratio (times)	40.1	47.6	42.3	43.8	43.3

Notes:

Equity ratio: Shareholders' equity/Total assets
Market value–based equity ratio: Total market capitalization/Total assets
Debt redemption: Interest-bearing debt/Operating cash flow
Interest coverage ratio: Operating cash flow/Interest payment

1. All of the above indicators are calculated for their respective values on a consolidated basis.
2. Total market capitalization is calculated by multiplying the closing stock price at the end of the year by the number of shares outstanding at the end of the year (after deducting the treasury stock).
3. Operating cash flow is the value stated as "Cash flows from operating activities" in the consolidated statements of cash flows.
4. Interest-bearing debt indicates the liabilities for which interest is paid on all the liabilities posted in the consolidated balance sheets. Interest payment corresponds to the amount of interest paid in the consolidated statements of cash flows.
5. Debt redemption (years) at the end of the interim period under review was doubled for comparison with other annual amounts.

(2) Future Outlook

Although the economic environment for fiscal 2005, ending March 31, 2006, still reflects uncertainties such as the crude oil market, the U.S. economy and the exchange market, a gradual recovery is expected to continue with underlying strength.

In the business environment surrounding the karaoke industry, replacement demand for broadband-compliant models will increase to meet diversifying customer needs, and large-scale karaoke cabin operators are expected to actively expand operations by accelerating the transition to multifunctional stores.

DK and DKG established the "DAM Network," which now has more than 200,000 terminals in the commercial karaoke market, and intend to further expand the network. DKG aims to increase revenues from a new software service with the early shift of the "DAM Network" to broadband-compliant models, which will increasingly dominate the telecommunications environment, to establish the next-generation commercial "Gateway (GW) Network" for the proactive and flexible supply of entertainment and other kinds of software based on karaoke, music and video. To further disseminate and improve recognition of ***"DAM Station"*** information terminals, DKG continues to actively introduce the information terminals in major karaoke cabins, such as ***"BIG ECHO,"*** and focus on development and procurement of content to promote the use of the information terminals in the nighttime and other commercial markets. As evident in the performance of "Uta-Star!!" related to a TV audition program, "Kasho-kentei" to qualify for participation in the "Nationwide Karaoke Grand Prix" and the immensely popular "Ranking Battle," karaoke-related content has deep-rooted support. DKG will continue to strive to create new possibilities for the Gateway business by proposing attractive content services such as an ordering system, music and video delivery and e-commerce, targeted at various markets and generations.

In the commercial karaoke market, in November 2005 DKG released a new product, ***"Cyber DAMG70 (DAM-G70),"*** that includes more than 10,000 songs from the "LPC Series" performed live and aims to expand sales of this product together with our mainstay ***"DAM-G100"*** product throughout our markets to further increase our top market share. Commercial karaoke equipment is in a renewal period for conventional equipment models, and the broadband-based karaoke telecommunications network is expanding steadily. However, an estimated 70%–80% of karaoke equipment currently in the market, including the nighttime market, is still narrowband, where DKG sees a great opportunity to facilitate a shift from conventional models by introducing our new ***"DAM-G70"*** product in the nighttime market and to further promote broadband-based karaoke services for the karaoke telecommunications network by adding broadband-compliant options scheduled to be released next spring.

In the karaoke cabin and restaurant business, DKG will open 29 new stores in fiscal 2005, exceeding our initial plan. These include 17 ***"BIG ECHO"*** karaoke cabins opened during the first half of the fiscal year under review. Based on the multifunctional store format including restaurants, which we started in the first half of fiscal 2005, we have seen success in store differentiation and managerial streamlining. Therefore, DKG plans to add entertainment facilities to actively promote and realize new store business. DKG aims to draw customers and expand store business by enhancing customer satisfaction with added value and store differentiation by actively opening new stores and offering entertainment-based content services via ***"DAM Station"*** and new facilities that differ from conventional karaoke cabins.

In the music software business, DKG rearranged and integrated its recording subsidiaries during the first half of fiscal 2005 and continues to strive to increase revenues by scouting and nurturing new artists, improving the ratio of returned products to reduce costs, and effective and lively sales promotion activities. DKG will focus on scouting for new artists using our expanding "Gateway network" and creation of hit songs through advertising activities using our comprehensive group capabilities.

DK and DKG plan to achieve net sales of ¥129.4 billion, ordinary income of ¥10.5 billion and net income of ¥3.6 billion for fiscal 2005, the year ending March 31, 2006, on a consolidated basis by carrying out the above measures and absorbing the investment burden for our active expansion in the Gateway business and expenses to further improve our top market share.

(Business risks)

The following describes potential risk factors in DKG's business development. The descriptions may not necessarily refer to risk factors but mention matters deemed material for the convenience of investors' judgment from the viewpoint of active information disclosure. In recognition of the possibility of being exposed to these risk factors, DKG endeavors to avoid them and to properly handle them should they occur.

The projections in this section are based on information available to DK's management as of March 31, 2005. There might be cases in which actual results differ from forecast values due to the many uncertain factors inherent in forecasting.

(1) Risk factors that might change performance in each business segment

DKG's businesses are categorized into five segments: 1) Commercial karaoke business, 2) Karaoke cabin and restaurant business, 3) Gateway business, 4) Music software business and 5) Other business. DKG's operating performance and business deployment could be influenced by the following factors.

1) Commercial karaoke business:

a. Sales from the commercial karaoke business might decline owing to possible decreases in shipments and the number of operational units of commercial karaoke equipment, affected by the shrinkage of market size if many clubs, bars and karaoke cabin stores are closed.

b. Sales from the commercial karaoke business might be influenced by variations in shipments and the number of commercial karaoke equipment in operation, depending on the release of new models and the level of support in the karaoke cabin market.

c. Sales from the commercial karaoke business might decline due to intensified competition and falling selling prices of products.

2) Karaoke cabin and restaurant business:

a. Sales from the karaoke cabin and restaurant business might be influenced by a variable number of new store openings, depending on the number of good candidate sites in the new store-opening plan.

b. Sales from the karaoke cabin business might vary depending on the extent of support by customers in the karaoke cabin and restaurant market, which is linked with changes in user needs.

c. Sales from the karaoke cabin and restaurant business might decline due to a decrease in the number of customers and a reduction in the per-customer transaction along with intensified competition.

3) Gateway business:

a. Sales from the business might be influenced by a variable number of paid subscribers and a fluctuation in the number of times paid content is used, etc., depending on the extent of market support for the content menus supplied by DKG.

b. The sales and income summary from the Gateway business might vary owing to the suspension of business or any change to business policies with regard to telecommunications carriers.

4) Music software business:

a. Sales from the music software business might be influenced by variable sales volume, which would depend on the support of newly released music CDs and DVD by the market.

b. The sales and income summary from the music software business might vary due to a possible decline in sales volume of music CDs and DVDs via media shifting, and a possible increase in sales volume via other media such as the Internet.

c. The Anti-Monopoly Law prescribes the resale price maintenance system (resale system) of music CD copyrighted work as legal resale products. However, a future change in the law is possible, which might result in the abolition of the resale system and fuel price competition. In such a case, the sales price might be reduced, and sales and income from the Music software business would decrease.

d. Due to the aforementioned resale system, which does not allow retail stores to freely set sales prices, there is a commercial custom that music CDs can be returned with certain restrictions. Therefore, CDs with sluggish sales might be returned in the future. DKG addresses such a risk by properly accounting for an allowance for sales returns based on the past record of returned volume. However, should returns exceed our expectation, sales and income from the Music software business might decrease.

5) Other business:

a. The sales and income summary from the Satellite broadcasting business might vary owing to the suspension of business or any change to business policies with regard to telecommunications carriers.

b. Sales from the Satellite broadcasting business might decline due to a decrease in the number of subscribers and a reduction of audiovisual service fees through intensifying competition with similar services such as ground digital broadcasting.

c. Sales from the other business and segment business policies might vary depending on the market support for DKG's new businesses.

(2) Legal restrictions

At present, there is no specific legal restriction through which DKG might be directly controlled within its industry. However, DKG's operating results and financial position might be influenced by future revisions or changes to the provisions of laws, regulations and ordinances by local governments, such as the Copyright Act, the Food Sanitation Law, the Broadcast Law and the Telecommunications Business Law, if business operations are restricted by such a revision or a change.

(3) Competition

DKG has solidified the top share in the commercial karaoke business owing to strong support in the market for relevant products and services. There is no guarantee that the market will continuously accept DKG's products and services in the future. Moreover, DKG's operating results and financial position might be affected if DKG cannot maintain an advantageous position in its increasingly competitive business environment.

(4) Quality control

DK's products and merchandise are manufactured and supplied in compliance with certain rigorous quality control standards. However, there is no guarantee that all the merchandise is without defect. Even DK's products and completed operation liability insurance will not always cover 100% of a claim. In the event that a large claim and/or indemnity is pursued in conjunction with any merchandise defect, DK's merchandise would lose considerable consumer trust and DKG's operating results and financial position might be affected.

(5) Supply of new products and services

In the karaoke industry, technological innovations are occurring rapidly, thereby requiring the development and swift supply of corresponding new products and services. However, the success of such new products and services involves various risks such as the following.

- There is no guarantee that funds and resources required to develop and supply new products or services can be fully appropriated in the future.
- There is no guarantee that long-term investment and the use of significant resources will always result in successful products or services.
- In response to diversifying or changing user needs, DKG's new products or services might fail to receive high acclaim in the market.
- There is no guarantee that a newly developed product or technology is protected as a proprietary intellectual property.
- The delayed commercialization of a new product might fail to match well with market needs. Or, if a competitor commercializes a similar product sooner than DKG, the DKG product might not be able to gain sufficient market share.

Apart from the above risks, DKG's operating results and financial position might be affected by stagnant growth and profitability if it cannot appropriately predict changes in the industry and the market and/or cannot supply attractive products or services.

(6) Dependency on outside corporations

DK planned and developed the commercial ***"DAM"*** karaoke equipment sold by DKG. Its production is entrusted to outside corporations such as YAMAHA CORPORATION based on the OEM agreement. DK therefore has entered into contracts regarding "technological" and "purchase" alliances with several outside corporations on a one-year renewal basis. DKG's operating results and financial position may be affected by revisions to any contractual conditions or the termination of these contracts in the future.

(7) Intellectual property rights

Various intellectual property rights have been acquired for the merchandise supplied by DKG. Moreover, DKG strives not to infringe on the intellectual property rights of any third parties. There is no guarantee that such investigations are appropriately carried out for a sufficient and reasonable range. In case DK infringes anyone's intellectual property rights, the infringed party may bring a suit to appeal a claim for damage and/or an injunction relief, in addition to a request for payment of a consideration for the intellectual property rights in question. Moreover, a third party might infringe DK's intellectual property rights. In these cases, DKG's operating results and financial position might be affected.

(8) System failure

DKG's services distribute or transmit various content menus such as music, videos and data through a variety of networks such as fixed lines, mobile phones, the Internet and satellite broadcasting. As a result, if a network is down due to a natural disaster or a grave accident, temporary service suspension might occur. System failure accompanying the suspended normal transmission of data might be also caused by a possible hardware/software defect, any unauthorized and improper access into the computer or any erroneous operation by the staff in charge. In these cases, DKG's operating results and financial position might be affected by a decline in the reliability of the related DKG service.

(9) Information management

DK keeps a large amount of data and information, including personal information on customers and a variety of music and musical composition information used for the karaoke telecommunications service. Moreover, several DK businesses use personal information–dependent services. DK has paid special attention to the strict management of such important information. However, should such an information leakage incident occur for whatever reason, DK's social responsibility would be criticized and possibly management's involvement as well, which would involve the risk of losing social trust. In such cases, DKG's operating results and financial position might be affected.

(10) Securing and nurturing excellent human resources

Consistent future growth will require DKG to maintain and nurture good human resources along with its scale expansion. Unless such talented people can be maintained and nurtured internally, DKG's operating results and financial position might be affected.

(11) Impairment accounting

As for the fixed assets owned by DKG, the "Accounting Standard on the Impairment of Fixed Assets" was adopted and DKG recorded an impairment loss of ¥2,199 million for the interim period under review. However, an additional loss might occur, depending on fluctuation in DKG's income.

(12) Lending of trademarks, etc.

DK owns several trademarks such as the karaoke cabin ***"BIG ECHO"*** and endeavors to raise its brand power and the protection of brand values. If any corporation other than DK wishes to use the trademarks for any purpose, DK authorizes their utilization by entering into a "Trademark License Contract," even with any its subsidiaries, in principle. For example, a business partner with which DK has a long business relationship uses the company name "Daiichikosho Co., Ltd." Also, DK authorizes several business partners to use the ***"BIG ECHO"*** trademark based on previous transaction results and under an agreement with certain conditions. If any contingency takes place at such a business partner, DKG's operating results and financial position might be affected.

(13) Recommendation issued by the Japan Fair Trade Commission

DK has received an admonition from the Japan Fair Trade Commission for allegedly violating the provision of the Anti-Monopoly Law with regard to the licensing of musical compositions owned by its music software subsidiaries. DK has forwarded a notice of non-acceptance to the Commission, and an appeal is under way. DK believes the admonition is unfair and inadequate. However, the results and the effects of the appeal cannot be forecast at this time.

(14) Lawsuits

ASIA COPYRIGHT ASSOCIATION has filed a suit requesting a claim for damages against DK to the Tokyo District Court for alleged unauthorized use of Korean musical compositions it controls in DKG's communications karaoke songs. DK considers the Association's complaint to be unreasonable.

4. Consolidated Financial Statements

(1) Consolidated Interim Balance Sheet

(Millions of yen)

Account item / Fiscal year	Previous interim period (As of September 30, 2004) Amount	Composition ratio (%)	Current interim period (As of September 30, 2005) Amount	Composition ratio (%)	Last fiscal year (As of March 31, 2005) Condensed Amount	Composition ratio (%)	Year-over-year change
(Assets)							
Current assets							
Cash and bank deposits	30,843		26,086		23,094		2,991
Notes and accounts receivable—trade	12,909		15,516		12,241		3,274
Marketable securities	25		—		—		—
Inventories	5,733		6,871		6,843		27
Deferred tax assets	3,207		3,163		3,102		60
Other	3,496		5,805		4,706		1,099
Allowance for doubtful accounts	(870)		(1,349)		(1,075)		(273)
Total current assets	55,346	39.7	56,092	41.0	48,913	37.1	7,179
Fixed assets							
Tangible fixed assets							
Buildings and structures	7,711		6,508		7,036		(528)
Karaoke equipment for rental	10,160		10,159		9,998		161
Karaoke cabin facilities	12,138		12,322		12,890		(567)
Land	15,189		14,795		15,463		(667)
Other	3,010		4,138		2,863		1,275
Total tangible fixed assets	48,211	34.6	47,925	35.0	48,252	36.5	(326)
Intangible assets							
Other	8,888		7,920		8,665		(745)
Total intangible assets	8,888	6.4	7,920	5.8	8,665	6.6	(745)
Investments and other assets							
Investments in securities	6,735		7,479		6,971		508
Long-term loans receivable	2,356		1,215		1,294		(79)
Deferred tax assets	2,672		1,375		2,494		(1,118)
Leasehold deposits and guarantee money	13,179		13,113		13,418		(305)
Other	4,511		4,017		4,331		(314)
Allowance for doubtful accounts	(2,609)		(2,230)		(2,345)		115
Total investments and other assets	26,845	19.3	24,971	18.2	26,165	19.8	(1,193)
Total fixed assets	83,945	60.3	80,817	59.0	83,083	62.9	(2,266)
Total Assets	139,292	100.0	136,910	100.0	131,996	100.0	4,913

Account item \ Fiscal year	Previous interim period (As of September 30, 2004) Amount	Composition ratio (%)	Current interim period (As of September 30, 2005) Amount	Composition ratio (%)	Last fiscal year (As of March 31, 2005) Condensed Amount	Composition ratio (%)	Year-over-year change
(Liabilities)							
Current liabilities							
Notes and accounts payable—trade	7,574		8,818		7,672		1,146
Short-term borrowings	19,665		22,190		21,107		1,082
Convertible bonds redeemable within one year	9,955		—		—		—
Accounts payable—other	5,682		7,095		7,067		27
Income taxes payable	1,019		1,253		907		345
Reserve for bonuses	1,160		1,139		1,035		104
Unrealized profit on installment sales	526		422		463		(41)
Other	2,683		2,883		2,660		223
Total current liabilities	48,267	34.7	43,802	32.0	40,914	31.0	2,887
Long-term liabilities							
Long-term borrowings	18,865		23,370		20,492		2,877
Deferred tax liabilities	226		257		226		30
Reserve for employees' retirement benefits	2,741		2,616		2,764		(147)
Reserve for directors' retirement allowances	2,752		1,987		2,959		(972)
Consolidation adjustment account	935		736		818		(81)
Other	1,135		1,190		1,096		94
Total long-term liabilities	26,657	19.1	30,159	22.0	28,358	21.5	1,801
Total Liabilities	74,924	53.8	73,961	54.0	69,272	52.5	4,688
(Minority Interests)							
Minority Interests	621	0.4	756	0.6	528	0.4	227
(Shareholders' Equity)							
Capital stock	12,350	8.9	12,350	9.0	12,350	9.4	—
Capital surplus	24,002	17.2	24,002	17.5	24,002	18.2	—
Retained earnings	28,961	20.8	29,373	21.5	30,050	22.8	(677)
Land revaluation difference	(1,927)	(1.3)	(1,409)	(1.0)	(1,794)	(1.4)	385
Net unrealized gains or losses on available-for-sale securities	1,025	0.7	1,364	1.0	1,113	0.8	250
Foreign currency translation adjustments	114	0.1	144	0.1	101	0.1	42
Treasury stock	(780)	(0.6)	(3,634)	(2.7)	(3,629)	(2.8)	(4)
Total Shareholders' Equity	63,746	45.8	62,191	45.4	62,194	47.1	(3)
Total Liabilities, Minority Interests and Shareholders' Equity	139,292	100.0	136,910	100.0	131,996	100.0	4,913

(2) Consolidated Interim Statement of Income

(Millions of yen)

Fiscal year / Account item	Previous interim period (From April 1, 2004, to September 30, 2004)			Current interim period (From April 1, 2005, to September 30, 2005)			Year-over-year change (%)	FY 2004 (From April 1, 2004, to March 31, 2005) Condensed		
	Amount		Per-cent-age (%)	Amount		Per-cent-age (%)		Amount		Per-cent-age (%)
Net sales		60,850	100.0		64,191	100.0	105.5		122,085	100.0
Cost of sales		36,206	59.5		39,278	61.2	108.5		73,868	60.5
Gross profit before adjustment for unrealized profit on installment sales		24,643	40.5		24,912	38.8	101.1		48,216	39.5
Unrealized profit on installment sales─reversal (+)	156			60				250		
Unrealized profit on installment sales─deferred (–)	17	139	0.2	19	41	0.1	29.5	48	202	0.2
Gross profit on sales		24,782	40.7		24,953	38.9	100.7		48,419	39.7
Selling, general and administrative expenses		18,486	30.4		19,810	30.9	107.2		38,035	31.2
Operating income		6,296	10.3		5,143	8.0	81.7		10,383	8.5
Nonoperating income										
Interest income	215			177				410		
Dividend income	28			111				37		
Fees and commissions received	129			95				241		
Insurance payment received	12			154				12		
Amortization of consolidation adjustments account	113			116				230		
Other	320	819	1.4	410	1,067	1.7	130.3	811	1,743	1.4
Nonoperating expenses										
Interest expense	275			244				551		
Provision for allowance for doubtful accounts	24			49				25		
Loss on disposal of inventories	73			30				96		
Loss on devaluation of inventories	307			449				1,203		
Other	239	920	1.5	248	1,022	1.6	111.1	318	2,195	1.8
Ordinary income		6,195	10.2		5,188	8.1	83.7		9,932	8.1
Extraordinary gains										
Gain on sales of fixed assets	4			34				54		
Reversal of allowance for doubtful accounts	34			92				71		
Reversal of reserve for directors' retirement allowances	139			48				139		
Gain on sales of investments in securities	553			370				757		
Indemnity on relocation of warehouse	—	731	1.2	—	546	0.9	74.7	128	1,150	0.9
Extraordinary losses										
Loss on sales and disposal of fixed assets	2,232			456				4,547		
Impairment loss on fixed assets	—			2,199				—		
Loss on sales of investments in securities	6			—				6		
Loss on valuation of investments in securities	—			7				29		
Loss on arrangement of subsidiaries and affiliates	—	2,238	3.7	196	2,860	4.5	127.8	—	4,583	3.7
Income before income taxes and minority interests		4,687	7.7		2,874	4.5	61.3		6,499	5.3
Income taxes—current	884			1,106				1,342		
Income taxes—deferred	107	991	1.6	983	2,089	3.3	210.9	330	1,672	1.3
Minority interests in income (loss) of consolidated subsidiaries		(199)	(0.3)		(6)	(0.0)	3.1		(291)	(0.2)
Net income		3,895	6.4		790	1.2	20.3		5,118	4.2

(3) Consolidated Interim Statements of Retained Earnings

(Millions of yen)

Account item / Fiscal year	Previous interim period (From April 1, 2004, to September 30, 2004)		Current interim period (From April 1, 2005, to September 30, 2005)		FY 2004 (From April 1, 2004, to March 31, 2005)	
	Amount		Amount		Amount	
(Capital surplus)						
Capital surplus at the beginning of the year		24,001		24,002		24,001
Increase in capital surplus						
Conversion of convertible bonds	0		—		0	
Gain from purchase and redemption of treasury stock	0	1	—	—	0	1
Capital surplus at the end of the interim period		24,002		24,002		24,002
(Retained earnings)						
Retained earnings at the beginning of the year		29,716		30,050		29,716
Increase in retained earnings						
Net income	3,895		790		5,118	
Increase in retained earnings due to the increase in the number of consolidated subsidiaries	—	3,895	414	1,204	—	5,118
Decrease in retained earnings						
Cash dividends	682		1,392		682	
Bonuses to directors and statutory auditors	134		104		134	
Reversal of land revaluation difference	3,834	4,651	385	1,881	3,966	4,783
Retained earnings at the end of the interim period		28,961		29,373		30,050

(4) Consolidated Interim Statements of Cash Flows

(Millions of yen)

Account item / Fiscal year	Previous interim period (From April 1, 2004, to September 30, 2004) Amount	Current interim period (From April 1, 2005, to September 30, 2005) Amount	Year-over -year change	FY 2004 (From April 1, 2004, to March 31, 2005) Condensed Amount
Cash flows from operating activities:				
Income before income taxes and minority interests	4,687	2,874		6,499
Depreciation expense	6,811	7,585		14,853
Impairment loss on fixed assets	—	2,199		—
Increase in allowance for doubtful accounts	(160)	91		23
Increase (decrease) in reserve for directors' retirement allowances	(388)	(1,009)		(182)
Dividend and interest income	(243)	(289)		(447)
Gain or loss on sales of investments in securities	(547)	(370)		(751)
Interest expense	275	244		551
Gain or loss on disposal of fixed assets	2,227	421		4,493
Decrease (increase) in trade receivables	911	(2,920)		1,707
Decrease (increase) in inventories	(607)	1		(1,717)
Transfer of cost of sales on karaoke equipment for rental	514	552		1,293
Increase in trade payables	(137)	1,398		85
Other	(644)	(25)		(352)
Subtotal	12,698	10,752	(1,946)	26,059
Interest and dividends received	237	277		448
Interest paid	(274)	(233)		(552)
Income taxes paid	(1,072)	(675)		(1,732)
Net cash provided by operating activities	11,589	10,119	(1,470)	24,221
Cash flows from investing activities:				
Increase in time and saving deposits	(324)	(216)		(630)
Proceeds from decrease in time and saving deposits	603	316		8,943
Payments for acquisition of tangible fixed assets	(7,460)	(7,681)		(16,071)
Proceeds from sales of tangible fixed assets	748	82		1,477
Payments for acquisition of intangible assets	(2,045)	(2,466)		(4,269)
Payments for acquisition of video licenses	(392)	(866)		(1,057)
Payments for purchase of investments in securities	(41)	(988)		(358)
Proceeds from sales of investments in securities	595	524		1,628
Payments for purchase of subsidiaries' stocks	(45)	—		(45)
Payments for loans	(212)	(452)		(395)
Proceeds from collection of loans receivable	542	425		1,129
Payments for leasehold deposits and guarantee money	(790)	(232)		(1,709)
Proceeds from repayment of leasehold deposits and guarantee money	112	498		220
Other	315	240		139
Net cash used in investing activities	(8,396)	(10,816)	(2,419)	(10,999)
Cash flows from financing activities:				
Net increase in short-term borrowings	124	(448)		829
Increase in long-term borrowings	5,756	10,694		14,576
Payments for repayment of long-term borrowings	(5,705)	(6,504)		(12,159)
Payments for retirement of convertible bonds	(845)	—		(845)
Payments for redemption of convertible bonds	—	—		(9,955)
Cash dividends paid	(682)	(1,389)		(683)
Payments for purchase of treasury stock	(12)	(4)		(2,862)
Other	(7)	(2)		(7)
Net cash used in financing activities	(1,372)	2,343	3,716	(11,106)
Effect of exchange rate changes on cash and cash equivalents	20	46	25	11
Net increase (decrease) in cash and cash equivalents	1,841	1,693	(147)	2,127
Cash and cash equivalents at the beginning of the year	20,300	22,428	2,127	20,300
Increase in cash and cash equivalents due to the increase in the number of newly consolidated subsidiaries	—	1,398	1,398	—
Cash and cash equivalents at the end of the interim period	22,142	25,520	3,377	22,428

Basis of Presenting the Consolidated Interim Financial Statements

1. Scope of Consolidation

(1) Consolidated subsidiaries: 47

The names of the consolidated subsidiaries are omitted as they are stated in "1. Corporate Group."

(2) Major unconsolidated subsidiaries

Major unconsolidated subsidiaries are Shubi Planet, etc.

(Reason for exclusion from consolidation)

The unconsolidated subsidiaries above are excluded from consolidation because they are small-scale corporations and their respective sums of total assets, net sales, interim net income (loss) (amount reasonable for the equity method) and retained earnings (amount reasonable for the equity method) have no significant impact on DKG's consolidated interim financial position and operating results for the year.

2. Application of the Equity Method

(1) Unconsolidated companies accounted for by the equity method: Spice Records Co., Ltd.

(2) Unconsolidated companies not accounted for by the equity method:

Major unconsolidated subsidiaries are Shubi Planet Co., Ltd., etc.

(Reason for exclusion from the application of the equity method)

Unconsolidated subsidiaries that are not accounted for by the equity method are excluded from the application of the equity method because the respective sums of interim net income (loss) (amount reasonable for the equity method) and retained earnings (amount reasonable for the equity method) have no significant impact on these account items in the consolidated interim financial statements for the year, and they are immaterial on the whole.

3. Closing Date for the Settlement of Accounts of Consolidated Subsidiaries

Of the consolidated subsidiaries, the interim closing date of the following companies is different from the consolidated interim closing date, which is March 31. In preparing the consolidated interim financial statements, the financial statements for the respective interim periods are used for those that have an interim closing date that differs from the consolidated interim closing date, provided that necessary adjustments are made for consolidation purposes with regard to material transactions that might take place in the period between their respective interim closing dates and the consolidated interim closing date.

Interim Closing date is June 30:

Shanghai Zong-Yi Music & Entertainment Co., Ltd., Saha Daiichi Kosho Co., Ltd., Daiichikosho (Shanghai), Ltd., BIG ECHO (SHANGHAI) Co., Ltd., BIG ECHO (SHXG) Co., Ltd., BIG ECHO (SHSG) Co., Ltd., and DAIICHI KOSHO (BEIJING) MUSIC & CULTURE CO., LTD.

Interim Closing date is August 31:

Nippon Crown Co., Ltd., Tokuma Japan Communications Co., Ltd., Tri-M, Inc., First Distribution Co., Ltd., DK Music Publishing Co., Ltd., Crown Music Enterprise Co., Ltd., and Zoom Republic

Nippon Crown Co., Ltd., Tokuma Japan Communications Co., Ltd., Tri-M, Inc., and Crown Music Enterprise Co., Ltd., changed their interim closing date from September 20 to August 31. First Distribution Co., Ltd., DK Music Publishing Co., Ltd., and Zoom Republic changed their interim closing date from September 30 to August 31.

4. Summary of Significant Accounting Policies

(1) Valuation basis and method for important assets

① Marketable securities and investments in securities

Held-to-maturity debt securities:

Carried at amortized cost using the straight-line method.

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

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

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

Carried at cost determined by the moving-average method.

② Derivatives

Carried at fair value.

③ **Inventories**

Principally stated at cost determined by the moving-average method.

(2) Depreciation method of major depreciable assets

① **Tangible fixed assets**

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

Buildings and structures: 3–50 years
Karaoke equipment for rental: 5–6 years
Karaoke cabin facilities: 3–19 years

② **Intangible assets**

Amortization of intangible assets is computed by the straight-line method.

(3) Accounting standard for important reserves

① **Allowance for doubtful accounts**

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

② **Reserve for bonuses**

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

③ **Reserve for employees' retirement benefits**

The reserve for employees' retirement benefits is provided at an amount recognized to have accrued as of the interim balance-sheet date, based on the projected benefit obligations and plan assets as of March 31, 2005.

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

(Change of accounting policies)

From the current interim period, the Company has adopted the "Partial Amendment to the Accounting Standard for Retirement Benefits" (Financial Accounting Standard No. 3, March 16, 2005) and the "Implementation Guidance for Partial Amendment to the Accounting Standard for Retirement Benefits" (Financial Accounting Standards Implementation Guidance No. 7, March 16, 2005). As a result, operating income, ordinary income and income before income taxes each increased ¥13 million. The adoption of these standards does not have a significant impact on the segment information.

④ **Reserve for directors' retirement allowances**

The reserve for directors' retirement allowances of DK and its domestic consolidated subsidiaries is provided at amounts that would be required to be paid in accordance with their respective internal rules concerning directors' retirement allowances if all eligible directors and statutory auditors were to resign their positions as of the respective interim balance-sheet dates.

(4) Translation of important assets and liabilities denominated in foreign currencies into yen

Monetary receivables and payables denominated in foreign currencies are translated into yen at the spot exchange rate in effect at the interim balance-sheet date. The resulting exchange differences are charged or credited to income. The balance sheet accounts, as well as the revenue and expense accounts, of the overseas subsidiaries are translated into yen at the spot exchange rate in effect at their respective interim balance-sheet dates. The resulting translation differences have been recorded and presented as a component of minority interests and as "Foreign currency translation adjustments" in shareholders' equity.

(5) Accounting for important leases

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

(6) Hedge accounting

DKG hedges against risks of interest rate fluctuations for its variable-rate borrowings using interest rate swaps. The preferential treatment is applied to these interest rate swaps.

(7) Other important matters in preparing the consolidated interim financial statements

① **Accounting for installment sales**

Unrealized profit on installment sales is deferred for the amount corresponding to the portion of installment receivables for which the due date has not expired based on DKG's installment standards.

② **Accounting for consumption taxes**

Consumption taxes are accounted for using the tax exclusion method.

5. Cash and Cash Equivalents in the Consolidated Interim Statements of Cash Flows

Cash and cash equivalents in the consolidated interim statements of cash flows included cash on hand, demand deposits and short-term investments due within three months from the acquired date, which are easily convertible into cash with little risk of value fluctuation.

Change in Significant Accounting Policies

From the current interim period, the Company adopted the Accounting Standard on the Impairment of Fixed Assets ("Statement of Position on Accounting Standard on the Impairment of Fixed Assets") (Business Accounting Council, August 9, 2002) and the "Implementation Guidance on the Accounting Standard on the Impairment of Fixed Assets" (Financial Accounting Standards Implementation Guidance No. 6, October 31, 2003). The adoption of these accounting standards decreased interim income before income taxes by ¥2,199 million. The accumulated impairment loss was directly deducted from the amount of each of the related assets.

Notes to Consolidated Interim Financial Statements

(Consolidated Interim Balance Sheets)

(Millions of yen)

	As of September 30, 2004	As of September 30, 2005	As of March 31, 2005
1. Accumulated depreciation for tangible fixed assets	48,174	48,023	47,971
2. Liabilities for guarantee	910	885	919
3. Assets pledged as collateral			
Notes and accounts receivable—trade	2,466	1,585	2,255
Other current assets	—	575	553
Buildings and structures	3,886	2,682	3,058
Karaoke equipment for rental	22	5	8
Land	9,716	6,950	7,294
Other tangible fixed assets	964	1,174	1,141
Long-term loans receivable	1,409	625	552
Leasehold deposits and guarantee money	155	155	155
Total	18,621	13,755	15,020
Debt corresponding to the above:			
Short-term borrowings	5,839	4,729	5,755
Long-term borrowings	7,975	6,893	7,732
Total	13,815	11,623	13,487
4 Commitment line contract			
Total amount of commitment line contracts	10,000	10,000	10,000
Residual amount of borrowed funds	—	—	—
On balance	10,000	10,000	10,000

(Consolidated Interim Statement of Income)

1. Content of impairment loss

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

(Millions of yen)

Place	Use	Classification	Impairment loss
DKG			
"Big Echo" Dotonbori karaoke cabin main store (Chuo-ku, Osaka) and 21 other stores	Karaoke cabins, restaurants	Karaoke cabin facilities, etc.	939
Asagiri Sky Gym (Fujinomiya, Shizuoka) and 3 other places	Real estate for lease and rental	Land and buildings, etc.	288
Gumma Daiichikosho Co., Ltd., etc. "Big Echo" Shibukawa Interchange store and 3 other stores (Shibukawa, Gumma)	Karaoke cabins	Karaoke cabin facilities, etc. (including land)	175
Shonan Daiichikosho Co., Ltd., etc., and 2 other rental offices (Odawara, Kanagawa)	Real estate for lease and rental	Land and buildings	472
Maruhagi Yoshu Kogyo, Co., Ltd., and 7 other unused real estate locations (Enzan Yamanashi)	Unused real estate, etc.	Land and buildings	322

(2) Method of grouping assets

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

(3) Background to the impairment loss

Due to a plunge in the market value of real estate for lease and rental and unused real estate, it is regarded as difficult to collect the original investment. Therefore, the acquisition cost was reduced to the collectible amount and the reduced amount was recorded as an impairment loss (¥1,083 million), which was included in extraordinary losses.

Due to the decreased profitability of "Big Echo" karaoke cabin stores and restaurants, it is difficult to collect the original investment. Therefore, the acquisition cost was reduced to the collectible amount and the reduced amount was recorded as an impairment loss (¥1,115 million), which was included in extraordinary losses.

(4) Amount of the impairment loss

(Millions of yen)

Karaoke cabin facilities	1,115
Land	591
Buildings, etc.	492
Total	2,199

(5) Method of computing the collectible amounts

The collectible amount was computed by the net sale value and the use value. The net sale value was computed based on the real estate appraisal value, and the use value was computed by discounting 3.6% from the future cash flow.

2. Components of loss on arrangement of subsidiaries and affiliates

The loss on arrangement of subsidiaries and affiliates consists of a ¥140 million loss due to the cessation of music CD sales at "Big Echo" karaoke cabin stores and a loss of ¥56 million due to the cessation of the DAM cinema business.

(Consolidated Interim Statements of Cash Flows)

1. Relations between the year-end balance of cash and cash equivalents and the accounts listed in the consolidated interim balance sheets

(Millions of yen)

	As of September 30, 2004	As of September 30, 2005	As of March 31, 2005
Cash and bank deposits	30,843	26,086	23,094
Time and saving deposits for which the deposit period exceeds three months	(8,701)	(566)	(666)
Cash and cash equivalents	22,142	25,520	22,428

2. Regarding payments for the acquisition of video licenses

"Video licenses" in the account item "Payments for acquisition of video licenses" of "Cash flows from investing activities" is included in "Other" of "Investments and other assets" in the Consolidated Interim Financial Statements.

(Segment Information)

The business and geographical segments of DK and its consolidated subsidiaries for the interim periods ended September 30, 2004 and 2005, as well as the last fiscal year ended March 31, 2005, are summarized as follows:

1. Business segments

Previous interim period (From April 1, 2004, to September 30, 2004)

(Millions of yen)

Item	Commercial karaoke	Karaoke cabin and restaurant	Gateway	Music software	Other	Total	Eliminations and corporate	Consolidated
Sales and operating income								
Sales								
Sales to third parties	35,067	14,480	2,502	5,289	3,510	60,850	—	60,850
Intersegment sales and transfers	96	—	—	66	348	511	(511)	—
Total	35,164	14,480	2,502	5,356	3,858	61,362	(511)	60,850
Operating expenses	27,571	13,999	2,721	6,247	3,246	53,786	767	54,553
Operating income (loss)	7,593	480	(219)	(891)	612	7,575	(1,279)	6,296

Current interim period (From April 1, 2005, to September 30, 2005)

(Millions of yen)

Item	Commercial karaoke	Karaoke cabin and restaurant	Gateway	Music software	Other	Total	Eliminations and corporate	Consolidated
Sales and operating income								
Sales								
Sales to third parties	36,897	15,781	2,469	5,562	3,480	64,191	—	64,191
Intersegment sales and transfers	120	—	—	87	355	564	(564)	—
Total	37,018	15,781	2,469	5,650	3,836	64,755	(564)	64,191
Operating expenses	30,627	14,853	3,824	5,597	2,963	57,867	1,180	59,047
Operating income (loss)	6,391	927	(1,355)	52	872	6,888	(1,744)	5,143

FY2004 (From April 1, 2004, to March 31, 2005)

(Millions of yen)

Item	Commercial karaoke	Karaoke cabin and restaurant	Gateway	Music software	Other	Total	Eliminations and corporate	Consolidated
Sales and operating income								
Sales								
Sales to third parties	68,678	30,027	4,769	11,672	6,937	122,085	—	122,085
Intersegment sales and transfers	210	—	—	141	716	1,068	(1,068)	—
Total	68,888	30,027	4,769	11,814	7,653	123,153	(1,068)	122,085
Operating expenses	56,678	28,775	5,526	12,564	6,377	109,922	1,779	111,701
Operating income (loss)	12,210	1,252	(756)	(750)	1,275	13,231	(2,847)	10,383

Notes: 1. Segmentation method
According to DKG's sales tabulation categories.

2. Major products and/or services of each business segment

Business segment	Major products and/or services
Commercial karaoke business	Sales and rental of commercial-use karaoke equipment and software
Karaoke cabin and restaurant business	Operation of karaoke cabins and restaurants

Gateway business	Supply of music content, etc., via "*DAM Station*" special information terminals and mobile phones
Music software business	Production and sales of music and video software products
Other business	Satellite broadcasting business and real estate lease and rental business, etc.

3. Amounts and major items included in "Eliminations and corporate"

(Millions of yen)

	Previous interim period	Current interim period	Last fiscal year	Major items
Amounts of unabsorbed operating expenses included in "Eliminations and corporate"	¥1,279	¥1,744	¥2,847	Expenses required for operations by administrative departments such as General Affairs Dept.

4. Change in business segmentation

The business segmentation was reviewed and changed for this interim period as follows:

The "Restaurant business," which was included in "Other businesses" until fiscal 2004, was combined with the former "Karaoke cabin business" and changed to the "Karaoke cabin and restaurant business," effective from the interim period under review. This change clarifies the corresponding relationships between our internal management segmentation and business segmentation subsequent to the system change to develop the multifunctional store business that combines the karaoke cabin business and the restaurant business.

The "Gateway business," which was included in "Other businesses" until fiscal 2004, was combined with "e-business" in the "Content business" and changed to the "Gateway business." This change resulted from a review of business segmentation due to the increased importance of the Gateway business, which concluded that both the Gateway and e-businesses share the same function of offering content menus via information terminals. The similarity in service content and markets was also considered in reviewing the accounting items of sales from each business. The change could improve the effectiveness of segment information by relating new internal management segments and business segments resulting from the change.

The "Satellite broadcasting business" previously included with e-business in the "Content business" was newly included in "Other businesses," effective from the interim period under review, due to the decreased importance in the revenue amount.

The aforementioned segment information for the previous consolidated interim period and previous consolidated fiscal year were prepared based on the business segmentation after the change.

2. Geographical segments

As sales in Japan account for more than 90% of the sum of sales in each region of the respective geographical segments, the segment information by geographical region is omitted.

3. Overseas sales

As sales overseas account for less than 10% of consolidated net sales, overseas sales related information is omitted.

(Leases)

1. Finance lease contracts that do not transfer ownership of leased property to the lessee

(1) Assumed data as to acquisition cost, accumulated depreciation and net book value of leased assets at the end of the period

(Millions of yen)

	Previous interim period (From April 1, 2004, to September 30, 2004)			Current interim period (From April 1, 2005, to September 30, 2005)			Last fiscal year (From April 1, 2004, to March 31, 2005)		
	Acquisition cost	Accumulated depreciation	Net book value	Acquisition cost	Accumulated depreciation	Net book value	Acquisition cost	Accumulated depreciation	Net book value
Karaoke cabin facilities	454	335	119	196	124	72	285	194	90
Other tangible fixed assets	1,393	977	416	1,450	485	965	914	489	425
Total	1,848	1,312	536	1,646	609	1,037	1,200	684	516

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

(Millions of yen)

	As of September 30, 2004	As of September 30, 2005	As of March 31, 2005
Due within one year	330	372	246
Due after one year	212	668	274
Total	543	1,041	520

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

(Millions of yen)

	As of September 30, 2004	As of September 30, 2005	As of March 31, 2005
Lease payments	247	200	442
Assumed depreciation expense	240	196	431
Assumed interest expense	3	3	6

(4) Computation method of assumed depreciation expense

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

(5) Computation method of assumed interest expense

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

2. Operating lease contracts

Future lease payments at the end of the period under operating leases

(Millions of yen)

	As of September 30, 2004	As of September 30, 2005	As of March 31, 2005
Due within one year	383	371	378
Due after one year	2,224	1,862	2,030
Total	2,608	2,233	2,409

(Securities)

1. Other securities primarily designated as available-for-sale securities for which fair values are readily determinable

(Millions of yen)

Category	Previous interim period (As of September 30, 2004)			Current interim period (As of September 30, 2005)			Last fiscal year (As of March 31, 2005)		
	Acquisition cost	Book value per consolidated balance sheets	Unrealized gain (loss)	Acquisition cost	Book value per consolidated balance sheets	Unrealized gain (loss)	Acquisition cost	Book value per consolidated balance sheets	Unrealized gain (loss)
Stocks	876	2,468	1,591	1,679	3,982	2,302	881	2,766	1,884
Bonds and debentures									
Government and municipal bonds	—	—	—	—	—	—	—	—	—
Corporate bonds	—	—	—	—	—	—	—	—	—
Other bonds and debentures	—	—	—	—	—	—	—	—	—
Other	822	953	130				—	—	—
Total	1,699	3,421	1,722	1,679	3,982	2,302	881	2,766	1,884

2. Held-to-maturity debt securities and Other securities primarily designated as available-for-sale securities for which values were not readily determinable as of September 30, 2004 and 2005, and March 31, 2005

(Millions of yen)

	Book value per consolidated (interim) balance sheets		
	Previous interim period (As of September 30, 2004)	Current interim period (As of September 30, 2005)	Last fiscal year (As of March 31, 2005)
Held-to-maturity debt securities:			
Discount bank debentures	9	—	—
Available-for-sale securities:			
Unlisted stocks (excluding OTC issues)	2,613	2,838	2,866
Other	—	534	623

(Derivative Transactions)

Relevant information is omitted as hedge accounting is applied.

(Significant Subsequent Events)

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

5. Production, Orders Received and Sales Performance

(1) Production

(Millions of yen)

Segment	Previous interim period (From April 1, 2004, to September 30, 2004)		Current interim period (From April 1, 2005, to September 30, 2005)		FY 2004 (From April 1, 2004, to March 31, 2005)	
		Year-over-year change (%)		Year-over-year change (%)		Year-over-year change (%)
Music software business: Music and video software	1,863	167.8	2,090	112.2	3,766	108.4

Note: 1. The above amounts do not include consumption taxes.
2. The production of intangible fixed assets for "Music and video software" is explained as follows:

Segment	Previous interim period (From April 1, 2004, to September 30, 2004)		Current interim period (From April 1, 2005, to September 30, 2005)		FY 2004 (From April 1, 2004, to March 31, 2005)	
		Year-over-year change (%)		Year-over-year change (%)		Year-over-year change (%)
Commercial karaoke business:						
Telecommunication-type karaoke software	990	64.5	1,241	125.4	1,998	43.1
Other business: Sound delivery/video software for satellite broadcasting	427	248.4	373	87.4	836	86.1
Total	1,417	83.0	1,615	113.9	2,835	50.5

Note: 1. The above amounts do not include consumption taxes.

(2) Orders received

Inapplicable as DKG follows a policy of project production.

(3) Sales performance

(Millions of yen)

Segment	Previous interim period (From April 1, 2004, to September 30, 2004)			Current interim period (From April 1, 2005, to September 30, 2005)			FY 2004 (From April 1, 2004, to March 31, 2005)		
		Composition ratio (%)	Year-over-year change (%)		Composition ratio (%)	Year-over-year change (%)		Composition ratio (%)	Year-over-year change (%)
Commercial karaoke business:									
Sales volume of merchandise	14,525	23.9	110.2	15,267	23.8	105.1	26,723	21.9	94.0
Revenue from rental of karaoke equipment	9,395	15.4	106.2	9,657	15.0	102.8	19,050	15.6	105.5
Fee revenue from the provision of karaoke-streaming service	11,147	18.3	115.5	11,973	18.7	107.4	22,904	18.8	114.4
Subtotal	35,067	57.6	110.7	36,897	57.5	105.2	68,678	56.3	103.3
Karaoke cabin and restaurant business:									
Karaoke cabin business	12,771	21.0	105.4	13,803	21.5	108.1	26,532	21.7	105.5
Restaurant business	1,708	2.8	101.5	1,977	3.1	115.8	3,494	2.9	106.2
Subtotal	14,480	23.8	105.0	15,781	24.6	109.0	30,027	24.6	105.6
Gateway business:									
Gateway business	46	0.1	—	530	0.8	1,140.4	102	0.1	—
e-business	2,455	4.0	82.4	1,938	3.0	78.9	4,667	3.8	81.4
Subtotal	2,502	4.1	84.0	2,469	3.8	98.7	4,769	3.9	83.2
Music software business:	5,289	8.7	99.7	5,562	8.7	105.2	11,672	9.6	96.5
Other business:	3,510	5.8	111.3	3,480	5.4	99.1	6,937	5.6	105.9
Total	60,850	100.0	106.9	64,191	100.0	105.5	122,085	100.0	102.3

Note: Sales performance for the previous interim period and fiscal 2004 is indicated based on the business segments after the change of business segmentation.