



# Business Report ECHO

Vol.41  
2015.4.1 -  
2016.3.31

DAIICHIKOSHO



## TO OUR STAKEHOLDERS

### Change of Market Listing to First Section of the Tokyo Stock Exchange

On December 11, 2015, the Company changed its market listing to the First Section of the Tokyo Stock Exchange.

We would like to take this opportunity to express our sincerest appreciation to our shareholders and other stakeholders for their support and guidance for making this possible.

"Songs and Music," which bring joy to society and connect people, have always been an integral part of the lives of people. While we feel fortunate to engage in a business deemed necessary by society, we also have the great responsibility of passing on the music culture to future generations. Our corporate philosophy of "more music to society, more service to society" continues to indicate, without being eroded, the direction in which the Company should move. We will continue to provide products and services needed by society, focusing on karaoke.

In addition, we are intent on working diligently to use this opportunity to make the Group's officers and employees become more aware of their social responsibility as a company and meet the expectations of our stakeholders and society.

We ask for your further support and encouragement in the future.



### History up to listing on the First Section of the Tokyo Stock Exchange

Changed market listing to the First Section of the Tokyo Stock Exchange

- Made NIPPON CROWN Co., Ltd. into a subsidiary through increase of shareholding ratio
- Acquired 100% ownership of Tokuma Japan Communications Co., Ltd. making it a subsidiary

Opens first karaoke room "BIG ECHO" Futamatase in Fukuoka Prefecture

Commences commercial karaoke business as DAIICHIKOSHO CO., LTD.

1976

1988

1995

1996

Participated in multi-channel satellite digital broadcast service PerfectTV! (currently SKY PerfectTV!), and started broadcasting business

Stock shares listed with Japan Securities Dealers Association over-the-counter market (transferred to JASDAQ of Tokyo Stock Exchange following changes to the system, etc.)

2001

2015

## TOP MESSAGE

# Continuing to Pursue the Possibilities of “Songs and Music” — We will realize further growth through the creation of new value.

President **Saburo Hayashi**



### Contributing to society through the broadening karaoke business domain

The Japanese karaoke market has long been supported by the “night-time market” comprising small clubs and pubs and the “karaoke room market.” However, owing to the economic slump following the Lehman crisis and the retirement of baby boomers, the night-time market is continuing to shrink. Meanwhile, the karaoke room market is reaching its maturity and it would be difficult to expect this market to achieve substantial growth in the future. Amid such circumstances, the “elder market” is continuing its rapid growth.

The DAIICHIKOSHO Group commenced the provision of the DK ELDER SYSTEM, comprehensive life function improvement equipment that is effective for maintaining health and preventing care dependence among the elderly in 2001 by making full use of the benefits of “Songs and Music” and the system has been delivered to more than 19,000 elderly facilities, etc. throughout Japan (as of the end of May 2016). With 100,000 or more similar facilities in Japan, there is still ample room for development. In this market, karaoke is not only an entertainment tool, but is also utilized for fitness and forming local communities, thus attracting a great deal of attention of local governments. We believe that capturing this market would support the Company’s future growth, as well as contribution to society through business.

### Insatiable desire for new value Corporate culture that constantly pursues evolution

We feel proud that the DAIICHIKOSHO Group was able to become the industry leader because we have concentrated on exploring ways to “make karaoke users have a good time” since its founding. The DAIICHIKOSHO Group established its current position by investing a vast amount of management resources in not only technology related to hardware, but also enhancing the appeal of contents itself, including sound and video qualities. LIVE DAM STADIUM, the flagship model of commercial online karaoke DAM, which was introduced in April last year, can be called the culmination of such efforts. This system is focused on “sound” that brings overwhelming power and a realistic sensation of live performance in the stadium, and by using the dual monitor function by means of “video”, we made it possible to produce a varied scenography.

I believe that a company cannot continue to exist unless it continues to evolve. As such, we must continue to constantly create new things and new value without ever being satisfied with the status quo. The DAIICHIKOSHO Group has a deeply rooted corporate culture of pursuing evolution that has been handed down through many generations. I firmly believe that, going forward, we can maintain overwhelming superiority by launching new technologies and products ahead of other companies.

Vitalizing the market itself is another important role of a leading company. For example, with regard to the night-time market which was described earlier

as a market that continues shrinking, new demand can be created by involving women, who are expected to play more active roles in a society where all citizens are dynamically engaged. By developing an environment that can be used by women with a peace of mind mainly by providing security, safety and transparent billing, it is still possible to revitalize the night-time market.

### Performance continues to stay strong Brisk shipments of LIVE DAM STADIUM

With respect to consolidated operating results for the current period (fiscal year ended March 31, 2016), net sales amounted to 141,310 million yen, 6.2% up compared with the previous fiscal year, and operating income came to 19,886 million yen, 4.5% up compared with the previous fiscal year. In the mainstay commercial karaoke business, shipments of the new model LIVE DAM STADIUM mentioned earlier reached a record high, and the number of systems in use in the elder market increased steadily. Furthermore, in an aim to reinforce the solid earnings base, we focused our efforts on increasing the weight of system rental shipments. As a result, system rental revenue and revenue from information provision fees also grew steadily. Both sales and income for this business increased due to the success of these efforts.

In the karaoke room and restaurant business, we worked to strengthen sound systems and video equipment in the room and improve the Party Course, in addition to continuing to focus on proactively opening new stores. As a result, we achieved continued increase of sales.

In the music software business, despite the somewhat harsh business environment where fewer people are buying music CDs, some positive signs were seen, such as stable sales of enka (popular ballads) works by artists such as Kaori Mizumori and Hiroshi Miyama.

### Further bringing out the power of songs and music Aspiring to remain the company indispensable to society

I firmly believe that what is indispensable to society will certainly prosper and a company indispensable to society can certainly survive. Through business activities centered on karaoke, the DAIICHIKOSHO Group aims to always continue playing an active role as a company indispensable to society by further bringing out the power of songs and music, and providing such power to society. To this end, the Group as whole must be sensitive to changes in the environment, compliance and social contribution.

The DAIICHIKOSHO Group is intent on continuing by growing for years to come as a company trusted by stakeholders through remembering this fundamental spirit.

We hope that you will look forward to the DAIICHIKOSHO Group’s activities. Please accept my sincerest appreciation for your ongoing support and patronage.

## Second in a series of collaborations between DAIICHIKOSHO and NTT

### Start of demonstration tests for supporting karaoke for the elderly using communication robot

As a second project of collaborations with NTT which started from July 2015, demonstration tests to support initiatives for karaoke and the prevention of care dependence among the elderly mainly at long-term care facilities were performed by linking the DK ELDER SYSTEM, the Company's comprehensive life function improvement equipment, to the "Communication Robot" that utilizes interaction technology\*1, etc. for which research and development is being conducted by the NTT laboratories.

The Company has been increasingly proactive in taking initiatives for preventing care dependence and maintaining health by making use of "Songs and Music" and are promoting the use of the DK ELDER SYSTEM at 19,000 or more facilities (as of the end of May 2016) including long-term care facilities and community centers throughout Japan.

Meanwhile, NTT has produced advanced research and development results mainly for cloud systems, security and various sensors, etc. and has engaged in regional medical cooperation and conducted verification trials and actual introduction of regional comprehensive care with a view to enhancing the efficiency and improving the quality of disease prevention and medical and long-term care through the establishment of ICT environment centered on a common platform for health, medical and long-term care.

Regarding the specifics of the demonstration tests, in the music fitness sessions using the DK ELDER SYSTEM, the "Communication Robot" supports the selection of songs that suit the situation of users through sensor detection and speech dialogue and communicates with the participants and the staff while providing support that leads to prevention of care dependence by further improving the music fitness sessions through combining singing, exercise and quiz. In addition, the robot and karaoke equipment, monitors, digital cameras and vital sensors, among other equipment, can be easily linked by means of "R-env™"\*2 for which research and development is being undertaken by NTT. Therefore, we aim

to achieve the capability of showing pictures of scenes of recreation to each other after enjoying them, and freely adding and revising scenarios including the content of dialogue and the method of song selection by the staff according to factors such as the purpose of the session and the degree of long-term care required by the user.

Based on the technical issues that arose in the demonstration tests, we will push ahead with research and development aimed at commercialization and will proceed with the study for creating business with a view to providing new services during FY2016.

\*1 Technology that understands human conditions and facial expressions in conjunction with technologies such as sensing technology and speech recognition, synthesis and dialogue technology, etc. and communicates information to people by synchronizing the speech and movements, etc., of devices such as robots.

\*2 A cloud-based device collaboration control technology developed by the NTT Service Evolution Laboratories. The development of applications and provision of services can be carried out easily by visually connecting functions made available on the cloud and functions included in the device even without any technical expertise in robots, etc.



## NEWS DIGEST

### A new type of restaurant, Meat bar "MEAT HOUSE ROCK," opens in Akihabara!

MEAT HOUSE ROCK was opened in Akihabara, Tokyo in March as a new type of restaurant where customers can casually enjoy hearty meat dishes and a variety of wine.

MEAT HOUSE ROCK is a meat bar where customers can casually enjoy a hearty platter of meat with high cost performance as well as a variety of other meat dishes and wine. Customers can have lively conversations with each other while sharing large slices of meat and drinking wine.



### Collaboration Room with GENERATIONS opens for a limited-time at eight of the BIG ECHO locations throughout Japan

GENERATIONS from EXILE TRIBE Room is open for a limited time until August 31 at eight BIG ECHO locations in Sapporo, Tokyo, Yokohama, Nagoya, Osaka and Fukuoka. The Collaboration Room is filled with captivating GENERATIONS-themed items such as wallpaper featuring members of the group. The room can be used as a venue of interaction among fans while they enjoy original videos and messages from members.

BIG ECHO aims to establish karaoke rooms and provide services according to the location, customer range and occasion, and aim for further attraction of customers.



Friends of the United Nations Sing for Smile Program to support those affected by the Great East Japan Earthquake

## Five years since the Great East Japan Earthquake Continuing to support regional revitalization efforts

Following the DK ELDER SYSTEM donation ceremony and the certificate of commendation awarding ceremony held in Rikuzentakata City, Iwate Prefecture on March 25, 2016, President Saburo Hayashi of the Company talked with Rikuzentakata City Mayor Futoshi Toba and Chairman Akihiko Ito of the Rikuzentakata City Council.

**Mayor Toba:** To express our appreciation for your support over the years, we have prepared a certificate of commendation made of pine tree. As far as I can recall, this is the first time that the city presents a certificate of commendation to a corporation.

**President Hayashi:** It is an honor to be receiving something so valuable. I, too, intend to do my part, however small, to convey the present realities of Rikuzentakata city.

**Mayor Toba:** Thank you very much. People in the affected areas still need the encouragement of others in order to stand firm.

**Chairman Ito:** Although the construction of roads and buildings has made progress amid the progressing reconstruction of equipment and facilities, the psychological recovery of people is still inadequate. The support you provide has enriched the heart of citizens and has earned a good reputation for having a significant effect on facilitating communication.

**President Hayashi:** When we started dispatching karaoke cars to temporary housing in January 2012, the chairman of the neighborhood association said in tears, "People living in temporary housing tend to hesitate to speak since the area is so quiet that even a drop of water can be heard. The whole neighborhood is surrounded by silence, and everyone is living quietly. But today a karaoke car has come to this temporary housing." We got courage when we realized that we can give support in a form that only we can provide.

**Mayor Toba:** However, in temporary housing, there is a disparity now. Those who are struggling economically and have no one to depend on are under the pressure of their own circumstances and feel isolated.

**President Hayashi:** The problem of the feeling of isolation is also a problem facing the elderly. We will provide support so that music fitness sessions using the DK ELDER SYSTEM we donated will be held voluntarily in each area of the city. In addition, we will support the development of human resources who are to become "music fitness trainer" so that healthy elderly people play an active role as regional supporters. I hope this initiative will lead to regional revitalization.

**Mayor Toba:** That is the same approach taken by our city as we aim to become a place where the term "Normalization" is no longer needed. This approach does not seek anything difficult. Its purpose is to enable people with disabilities and the elderly to live with a role to play and dignity in society.

I would appreciate it if health support for the elderly, the cultivation and research of human resources who are to become supporters of local communities are developed as the Rikuzentakata model. I would like to ask for your continued assistance in the city's reconstruction process.

**President Hayashi:** We will do our best to support you.



Awarding ceremony for certificate of commendation made of pine tree in recognition of the miracle pine (Mayor Toba of Rikuzentakata and President Hayashi)

## Karaoke@DAM for Windows 10 service commences Let's start "Home Karaoke"!

Karaoke@DAM for Windows 10, an app for Windows 10, was released in April. This app allows the user to enjoy "Ouchi Karaoke (Home Karaoke)" any time, including occasions when friends gather or when the user wants to practice singing alone. All you need to do is download the app onto a PC with Windows 10 installed. By doing so, the user can enjoy high-quality sound source and video streaming karaoke of the commercial karaoke system DAM.

For only 1,000 yen per month (tax not included)\*, the user can sing as many songs as they want from among 120,000 songs that are currently available. Since nearly 200 songs will be added every week thereafter, the user will be able to find almost any song they want to sing. The karaoke system can be comfortably operated by means of a touch panel or mouse and also offers a wide range of

functions such as song search, booking confirmation, cancellation, and guide vocal. Furthermore, the system is equipped with the SEIMITSU SAITEN (precision scoring), a scoring game that has become familiar through television programs. Since a radar chart and an analysis report are displayed for the results, the system is also suitable for vocal training aimed at improving singing skills.

The app will continue adding various functions for the purpose of providing an environment in which the user can casually enjoy high-quality karaoke service.

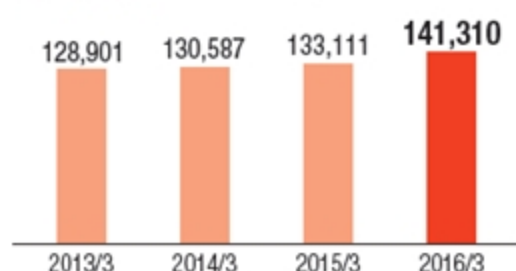


\*Subscribers to the web version of karaoke@DAM can also use services provided by this app.

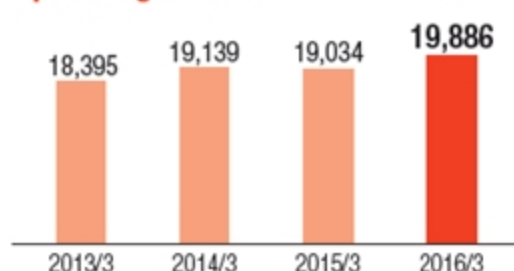
# FINANCIAL HIGHLIGHTS

Item	2013/3	2014/3	2015/3	2016/3
<b>Operating results (Millions of yen)</b>				
Net sales	128,901	130,587	133,111	<b>141,310</b>
Operating income	18,395	19,139	19,034	<b>19,886</b>
Operating income to net sales (%)	14.3	14.7	14.3	<b>14.1</b>
Ordinary income	22,280	21,227	21,082	<b>21,127</b>
Net income attributable to owners of parent	12,819	13,084	13,650	<b>12,599</b>
<b>Financial position (Millions of yen)</b>				
Total assets	159,479	161,587	180,312	<b>179,641</b>
Net assets	100,315	102,268	110,264	<b>112,754</b>
<b>Cash flows (Millions of yen)</b>				
Net cash provided by (used in) operating activities	24,482	27,298	30,264	<b>27,100</b>
Net cash provided by (used in) investing activities	(18,553)	(15,415)	(18,459)	<b>(27,434)</b>
Net cash provided by (used in) financing activities	(989)	(9,458)	3,672	<b>(7,299)</b>
Cash and cash equivalents at the end of period	41,963	44,381	60,007	<b>52,247</b>
<b>Per share data (Yen)</b>				
Basic earnings per share	209.06	219.68	235.13	<b>218.25</b>
Net assets per share	1,662.00	1,736.70	1,879.44	<b>1,933.03</b>
Annual dividend per share	60.00	65.00	100.00	<b>108.00</b>
<b>Major management indicators (%)</b>				
Ordinary income to total assets (ROA)	14.8	13.2	12.3	<b>11.7</b>
Return on equity (ROE)	13.3	13.1	13.0	<b>11.4</b>
Equity ratio	62.2	62.6	60.5	<b>62.0</b>
Payout ratio	28.7	29.6	42.5	<b>49.5</b>

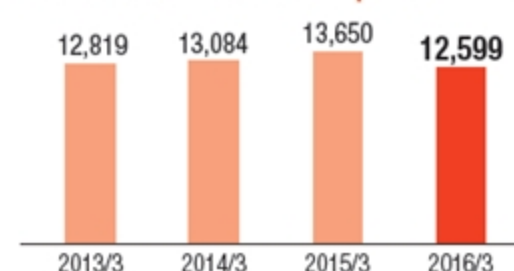
## Net sales (unit: one million yen)



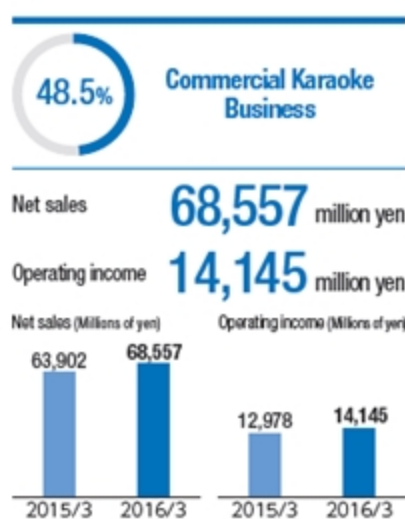
## Operating income (unit: one million yen)



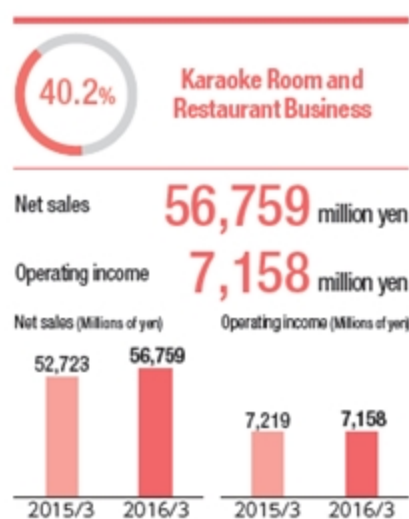
## Net income attributable to owners of parent (unit: one million yen)



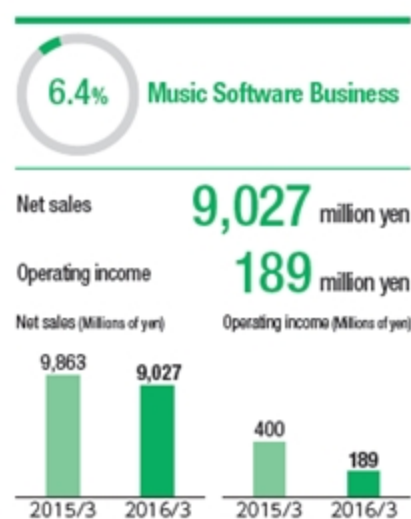
## Overview by Segment



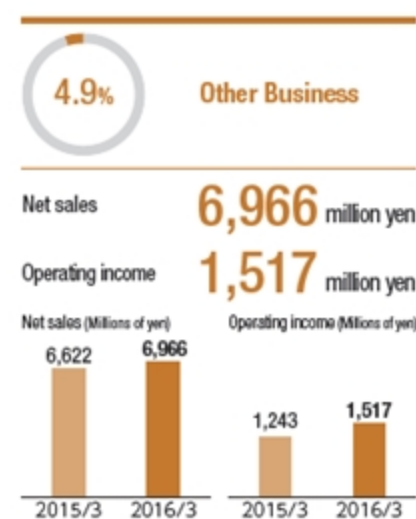
- Both sales and income increased due to the steady increase in system rental revenue and revenue from information provision fees, in addition to strong performance after the launch in April 2015 of the new product LIVE DAM STADIUM which was well received by the market.
- With respect to the elder market, into which we are focusing our efforts as a growth field, the number of systems in use steadily increased, contributing to an increase in the number of DAM systems in use.



- Although sales increased partly due to the contribution of karaoke rooms opened and new karaoke rooms acquired in the previous fiscal year, income decreased partly because of an increase in upfront costs and an increase in the depreciation burden and goodwill burden.
- As for karaoke rooms, we enhanced sound systems and videos in the rooms, improved the Party Course to capture main party demand, and increased the number of the "Restaurant Rooms."
- At restaurants, we reinforced employee training with the aim of improving customer satisfaction and service.



- While music streaming showed signs of slight improvement, the business environment remains harsh as the trend where fewer people buy music CDs speeds up.
- Works that contributed included works by Sonar Pocket and Kinniku Shoji-Tai, in addition to mainstay enka (popular ballads) works by artists such as Kaori Mizumori and Hiroshi Miyama, who made his first appearance in the "NHK Kouhaku Uta Gassen (New Year's Eve Song Festival)".



- In the BGM broadcast service, we made efforts to expand sales of STAR digio Hikari, a BGM broadcast service that utilizes fiber optic lines and the karaoke streaming services intended for consumers. In addition, the real estate leasing and parking businesses showed strong performances.
- Both sales and income increased due to factors such as an increase mainly in real estate rental revenues and the effects of cost reduction.

## PICK UP! ARTIST & CONTENTS

Profiles of the  
DAIICHIKOSHO Group's  
artists and contents

Rock

### BAND-MAID

A rock band with concept fully based on maids, who clad in maid uniforms and refers to its live performance as "serving" its fans, who are referred to as "master" or "mistress." The band attracts audiences with its hard-rock sound which is in sharp contrast to its looks. The music video of "Thrill" posted on Facebook reached two million views in two weeks. Since the band is enthusiastically received by masters and mistresses both in Japan and overseas, its active performance around the world can be expected.



CROWN NIPPON CROWN Co., Ltd.

Enka (Popular Ballads) / Popular Songs

### Kaori Mizumori

Called the "queen of local songs," Kaori Mizumori celebrated her 20th anniversary as a singer last year. With "Echigo Suibara", a song about Niigata released in March this year, she released a total of 15 works. In addition, she broke her own record by ranking in the top ten in the ORICON Overall Singles Ranking for 13 consecutive works. She will aim to appear in this year's "NHK Kouhaku Uta Gassen (New Year's Eve Song Festival)" and be vigorously active throughout the year mainly by performing in concerts.



TOKUMA  
JAPAN  
COMMUNICATIONS

## CORPORATE DATA

### Corporate Profile (as of March 31, 2016)

Corporate name	DAIICHIKOSHO CO., LTD.
Established	April 16, 1973
Capital	12,350 million yen
Number of employees	Parent : 1,716 Group : 3,266
Description of main businesses	Commercial karaoke business; karaoke room and restaurant business; music software business; BGM broadcast service, and web service
Consolidated subsidiaries	Domestic sales subsidiaries: 24 companies Other domestic subsidiaries: 10 companies Overseas subsidiaries: 3 companies

### Status of the Shares of the Company (as of March 31, 2016)

Number of authorized shares	200,000,000 shares
Number of outstanding shares	57,634,200 shares
Number of shareholders	12,263

### Major shareholders (as of March 31, 2016)

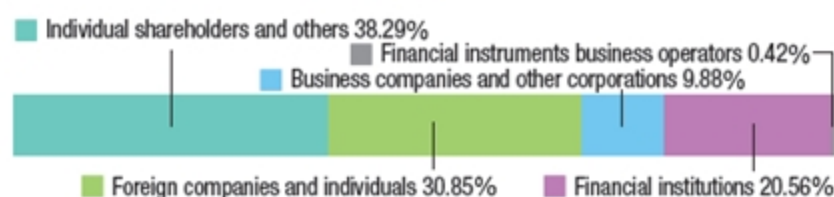
Name of shareholder	Number of shares held (Thousands of shares)	Shareholding ratio (%)
Tadahiro Hoshi	6,246	10.8
Harutoshi Hoshi	6,119	10.6
State Street Bank and Trust Company	4,383	7.6
Hoshi Create Co., Ltd.	2,449	4.3
The Master Trust Bank of Japan, Ltd. (Trust account)	2,243	3.9

\* Shareholding ratio is calculated by deducting 3,070 treasury shares.

### Executive Officers (as of June 24, 2016)

President	Saburo Hayashi	Director (part-time)	Katsuhiko Baba
Senior Managing Director and Senior Corporate Officer	Kenichi Nemoto	Director (outside)	Atsuya Furuta
Senior Managing Director and Senior Corporate Officer	Tatsuya Kumagai	Director (outside)	Chika Masuda
Senior Managing Director and Senior Corporate Officer	Hiroshi Mitomi	Corporate Auditor (standing, outside)	Michitoshi Tsuruoka
Senior Managing Director and Senior Corporate Officer	Tadahiro Hoshi	Corporate Auditor (standing, outside)	Nobuaki Otsuka
Managing Director and Senior Corporate Officer	Yasutaka Wada	Corporate Auditor (standing)	Nobuyuki Takase
Managing Director and Senior Corporate Officer	Yuichi Murai	Corporate Auditor (outside)	Masumi Arichika
Director and Senior Corporate Officer	Yasuhito Watanabe		
Director and Senior Corporate Officer	Noriyuki Takehana		

### Shareholding Ratio by Category (as of March 31, 2016)



### Shareholder Special Benefits

Shareholders recorded in the final shareholder registry on March 31, 2016 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 benefits coupon <sup>(*)</sup>	Exchange with CD(s) <sup>(**)</sup>
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

(\*) The coupons can be used at businesses operated by the Company including BIG ECHO, RAKUZO, UMEKO-NO-E, BISTRO-YA and other restaurants.

(\*\*) CD albums are granted in exchange for total face value of coupons held.

**Timing of delivery** On or after June 27, 2016

**Validity period** July 1, 2016 to December 31, 2016

### Information for Shareholders

Business term	From April 1 of each year to March 31 of the following year
Ordinary General Meeting of Shareholders	June of each year
Record date for above	Ordinary General Meeting of Shareholders: 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)	Mitsubishi UFJ Trust and Banking Corporation, Corporate Agency Division 7-10-11 Higashisuna, Koto-ku, Tokyo 137-8081 Telephone: 0120-232-711 (toll-free in Japan only)

**DAIICHIKOSHO**

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Telephone: +81-3-3280-2151 (switchboard)