

**Translation**

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FY2017, the year ending March 31, 2018

## Flash Report on the Consolidated Results for the Second Quarter Ended September 30, 2017 [JGAAP]

November 17, 2017

Company Name: **DAIICHIKOSHO CO., LTD.**  
 Stock Exchange Listing: Tokyo Stock Exchange  
 Code Number: 7458  
 URL: <http://www.dkkaraoke.co.jp>  
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Scheduled Date to Submit the Quarterly Securities Report: November 10, 2017

Start Date for Dividend Payment: December 5, 2017

Availability of Supplementary Briefing Material on Quarterly Financial Results: Available

Schedule of Quarterly Financial Results Briefing Session: None

(Amounts below one million yen are truncated.)

### 1. Consolidated Performance for the Six Months Ended September 30, 2017 (From April 1, 2017, to September 30, 2017)

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

	Net sales		Operating income		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended September 30, 2017	69,022	0.3	10,776	10.7	11,474	14.6
Six months ended September 30, 2016	68,821	(2.2)	9,739	(1.7)	10,012	(6.7)

	Net income attributable to owners of parent		Basic earnings per share	Fully diluted net income per share
	Millions of yen	%	Yen	Yen
Six months ended September 30, 2017	7,373	75.4	129.16	129.04
Six months ended September 30, 2016	4,203	(35.0)	72.98	72.94

(Note) Comprehensive income:

Six months ended September 30, 2017: 7,568 million yen 12.0 %

Six months ended September 30, 2016: 6,759 million yen 68.4 %

#### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2017	186,845	122,527	64.8
As of March 31, 2017	186,954	119,069	62.9

(Reference) Shareholders' equity:

As of September 30, 2017: 121,028 million yen

As of March 31, 2017: 117,574 million yen

2. Dividend

	Annual dividend				
	First Quarter	Second Quarter	Third Quarter	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2017	—	54.00	—	55.00	109.00
Year ending March 31, 2018	—	55.00			
Year ending March 31, 2018 (forecast)			—	55.00	110.00

(Note) Changes in dividends forecast from most recently announced figures: None

3. Forecast Consolidated Performance for FY2017, the Year Ending March 31, 2018 (From April 1, 2017, to March 31, 2018)

(Percentage figures indicate increase/decrease from a year earlier.)

	Net sales		Operating income		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ending March 31, 2018 (full year)	141,200	0.4	20,800	0.5	21,300	(5.5)

	Net income attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Yen
Year ending March 31, 2018 (full year)	13,100	17.9	229.95

(Note) Changes in forecast of consolidated operating results from most recently announced figures: None

## \*Notes

- (1) Significant changes in subsidiaries during the period under review (changes to specific subsidiaries resulting from changes in scope of consolidation): None
- (2) Adoption of special accounting policies for quarterly financial statements: None
- (3) Changes in accounting standard, accounting estimation change and error correction
- 1) Changes due to changes in accounting standard: None
  - 2) Changes due to changes in accounting standard except (3) 1): None
  - 3) Changes due to accounting estimation change: None
  - 4) Error correction: None

## (4) Number of common shares issued

- 1) Number of shares issued (including treasury shares)
- 2) Number of shares of treasury shares
- 3) Average number of shares during the period

As of September 30, 2017	57,234,200 shares	As of March 31, 2017	57,434,200 shares
As of September 30, 2017	266,168 shares	As of March 31, 2017	303,168 shares
Six months ended September 30, 2017	57,093,654 shares	Six months ended September 30, 2016	57,596,885 shares

\* These consolidated financial results are outside the scope of quarterly review.

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

The statements regarding forecast of financial results in this report are based on the information that is available, as well as estimates, assumptions and projections that are believed to be reasonable at the time of publication. Therefore, there might be cases in which actual results greatly differ from forecast values.

## Quarterly Consolidated Financial Statements and Primary Notes

### (1) Quarterly Consolidated Balance Sheets

	FY2016 (As of March 31, 2017)	(Millions of yen) Current Second quarter (As of September 30, 2017)
<b>Assets</b>		
Current assets		
Cash and deposits	62,019	49,532
Notes and accounts receivable-trade	6,792	5,130
Securities	—	5,168
Inventories	6,158	7,225
Other	5,884	6,975
Allowance for doubtful accounts	(181)	(170)
Total current assets	80,673	73,861
Non-current assets		
Property, plant and equipment		
Karaoke equipment for rental, net	10,708	10,400
Karaoke cabin and restaurant facilities, net	18,456	19,561
Land	36,714	37,743
Other, net	7,273	8,291
Total property, plant and equipment	73,153	75,996
Intangible assets		
Goodwill	1,321	4,625
Other	5,807	5,980
Total intangible assets	7,129	10,606
Investments and other assets		
Investment securities	4,959	5,135
Lease and guarantee deposits	14,267	14,385
Other	6,808	6,905
Allowance for doubtful accounts	(37)	(45)
Total investments and other assets	25,998	26,381
Total non-current assets	106,280	112,983
Total assets	186,954	186,845

## DAIICHIKOSHO CO., LTD.

(Millions of yen)

	FY2016 (As of March 31, 2017)	Current Second quarter (As of September 30, 2017)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	3,343	3,857
Short-term loans payable	14,163	14,377
Current portion of bonds	3,500	—
Income taxes payable	3,206	4,136
Provision for bonuses	1,096	1,586
Other	12,881	10,787
Total current liabilities	38,191	34,744
Non-current liabilities		
Bonds payable	6,500	6,500
Long-term loans payable	13,268	13,030
Provision for directors' retirement benefits	1,053	963
Net defined benefit liability	5,775	5,946
Other	3,096	3,133
Total non-current liabilities	29,693	29,573
<b>Total liabilities</b>	<b>67,884</b>	<b>64,318</b>
<b>Net assets</b>		
Shareholders' equity		
Capital stock	12,350	12,350
Capital surplus	4,003	4,003
Retained earnings	102,649	105,881
Treasury shares	(1,368)	(1,308)
Total shareholders' equity	117,634	120,926
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,033	1,160
Revaluation reserve for land	(733)	(733)
Foreign currency translation adjustment	80	64
Remeasurements of defined benefits plans	(440)	(388)
Total accumulated other comprehensive income	(60)	101
Subscription rights to shares	178	161
Non-controlling interests	1,316	1,337
<b>Total net assets</b>	<b>119,069</b>	<b>122,527</b>
<b>Total liabilities and net assets</b>	<b>186,954</b>	<b>186,845</b>

**(2) Quarterly Consolidated Statements of Income and Comprehensive Income  
(Quarterly Consolidated Statements of Income)**

	(Millions of yen)	
	Six months ended September 30, 2016 (From April 1, 2016, to September 30, 2016)	Six months ended September 30, 2017 (From April 1, 2017, to September 30, 2017)
Net sales	68,821	69,022
Cost of sales	42,237	41,544
Gross profit	26,583	27,478
Selling, general and administrative expenses	16,844	16,701
Operating income	9,739	10,776
Non-operating income		
Interest income	231	25
Cooperative monetary aid received	196	173
Foreign exchange gains	—	235
Other	418	540
Total non-operating income	846	975
Non-operating expenses		
Interest expenses	166	161
Foreign exchange losses	320	—
Other	85	116
Total non-operating expenses	573	278
Ordinary income	10,012	11,474
Extraordinary income		
Gain on sales of non-current assets	4	97
Gain on acquisition of non-current assets	350	24
Gain on sales of investment securities	4	0
Total extraordinary income	360	121
Extraordinary losses		
Loss on disposal of non-current assets	148	71
Impairment loss	24	122
Loss on sales of investment securities	8	—
Loss on valuation of investment securities	3,305	—
Total extraordinary losses	3,487	193
Income before income taxes	6,885	11,401
Income taxes-current	2,857	3,997
Income taxes-deferred	(214)	(1)
Total income taxes	2,642	3,995
Net income	4,242	7,405
Net income attributable to non-controlling interests	39	31
Net income attributable to owners of parent	4,203	7,373

**(Quarterly Consolidated Statements of Comprehensive Income)**

	(Millions of yen)	
	Six months ended September 30, 2016 (From April 1, 2016, to September 30, 2016)	Six months ended September 30, 2017 (From April 1, 2017, to September 30, 2017)
Net income	4,242	7,405
Other comprehensive income		
Valuation difference on available-for-sale securities	2,583	126
Foreign currency translation adjustment	(118)	(15)
Remeasurements of defined benefit plans	52	51
Total other comprehensive income	2,517	162
Comprehensive income	6,759	7,568
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	6,720	7,536
Comprehensive income attributable to non-controlling interests	39	31

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

	(Millions of yen)	
	Six months ended September 30, 2016 (From April 1, 2016, to September 30, 2016)	Six months ended September 30, 2017 (From April 1, 2017, to September 30, 2017)
<b>Cash flows from operating activities</b>		
Income before income taxes	6,885	11,401
Depreciation	7,831	7,328
Impairment loss	24	122
Increase (decrease) in provision for bonuses	478	472
Increase (decrease) in provision for directors' retirement benefits	(281)	(89)
Interest and dividend income	(309)	(78)
Interest expenses	166	161
Foreign exchange losses (gains)	308	(254)
Gain on acquisition of non-current assets	(350)	(24)
Loss (gain) on sales of investment securities	4	(0)
Loss (gain) on valuation of investment securities	3,305	—
Loss (gain) on disposal of non-current assets	143	(25)
Decrease (increase) in notes and accounts receivable-trade	917	1,677
Decrease (increase) in inventories	(584)	(1,044)
Transfer of cost of sales on karaoke equipment for rental	68	11
Increase (decrease) in notes and accounts payable-trade	351	472
Increase (decrease) in accounts payable-other	(219)	(1,431)
Other, net	(986)	(1,393)
Subtotal	17,756	17,308
Interest and dividend income received	444	107
Interest expenses paid	(118)	(218)
Income taxes paid	(3,271)	(2,939)
Other, net	—	38
<b>Net cash provided by (used in) operating activities</b>	<b>14,811</b>	<b>14,296</b>
<b>Cash flows from investing activities</b>		
Payments into time deposits	(367)	(567)
Proceeds from withdrawal of time deposits	53	573
Purchase of property, plant and equipment	(11,859)	(6,638)
Proceeds from sales of property, plant and equipment	12	144
Purchase of intangible assets	(1,812)	(1,875)
Payments for acquisition of video licenses	(870)	(714)
Proceeds from sales of investment securities	6,135	5
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(5,142)
Payments of loans receivable	(171)	(285)
Collection of loans receivable	274	246
Payments for lease and guarantee deposits	(333)	(154)
Proceeds from collection of lease and guarantee deposits	279	367
Other, net	(7)	90
<b>Net cash provided by (used in) investing activities</b>	<b>(8,667)</b>	<b>(13,951)</b>



DAIICHIKOSHO CO., LTD.

(Millions of yen)

	Six months ended September 30, 2016 (From April 1, 2016, to September 30, 2016)	Six months ended September 30, 2017 (From April 1, 2017, to September 30, 2017)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term loans payable	130	72
Proceeds from long-term loans payable	1,485	900
Repayments of long-term loans payable	(1,240)	(1,218)
Redemption of bonds	—	(3,500)
Cash dividends paid	(3,111)	(3,141)
Purchase of treasury shares	(810)	(1,001)
Other, net	(23)	(22)
Net cash provided by (used in) financing activities	(3,569)	(7,911)
Effect of exchange rate change on cash and cash equivalents	(394)	254
Net increase (decrease) in cash and cash equivalents	2,179	(7,313)
Cash and cash equivalents at beginning of period	52,247	61,254
Cash and cash equivalents at end of period	54,426	53,941

## Notes to the Quarterly Consolidated Financial Statements

## (Segment Information)

## Six months ended September 30, 2016 (From April 1, 2016, to September 30, 2016)

(Millions of yen)

	Reportable segments				Other	Total	Adjusted amount (Note)	Posted amount to the consolidated quarterly statements of income
	Commercial karaoke	Karaoke cabin and restaurant	Music software	Subtotal				
Sales	33,521	27,083	4,490	65,095	3,726	68,821	—	68,821
Segment income (Operating income)	7,721	2,824	76	10,622	778	11,400	(1,661)	9,739

Note: The (1,661) million yen adjustment posted to segment income is primarily composed of general and administrative expenses incurred by the administrative department at the head office that are not attributable to any particular reportable segment.

## Six months ended September 30, 2017 (From April 1, 2017, to September 30, 2017)

(Millions of yen)

	Reportable segments				Other	Total	Adjusted amount (Note)	Posted amount to the consolidated quarterly statements of income
	Commercial karaoke	Karaoke cabin and restaurant	Music software	Subtotal				
Sales	32,107	28,907	4,022	65,038	3,984	69,022	—	69,022
Segment income or Segment loss (Operating income or Operating loss)	7,888	3,566	(3)	11,451	784	12,236	(1,459)	10,776

Note: The (1,459) million yen adjustment posted to segment income or segment loss is primarily composed of general and administrative expenses incurred by the administrative department at the head office that are not attributable to any particular reportable segment.