

**Translation**

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FY2017, the year ending March 31, 2018

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

August 22, 2017

Company Name: **DAIICHIKOSHO CO., LTD.**  
 Stock Exchange Listing: Tokyo Stock Exchange  
 Code Number: 7458  
 URL: <http://www.dkkaraoke.co.jp>  
 Representative: Tadahiro Hoshi, President  
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 Phone: +81-3-3280-2151  
 Scheduled Date to Submit the Quarterly Securities Report: August 10, 2017  
 Start Date for Dividend Payment: —  
 Availability of Supplementary Briefing Material on Quarterly Financial Results: None  
 Schedule of Quarterly Financial Results Briefing Session: None

(Amounts below one million yen are truncated.)

### 1. Consolidated Performance for the Three Months Ended June 30, 2017 (From April 1, 2017, to June 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	%
Three months ended June 30, 2017	33,948	1.0	5,553	26.3	5,820	24.4
Three months ended June 30, 2016	33,628	(4.7)	4,396	(12.5)	4,679	(14.4)

	Net income attributable to owners of parent		Basic earnings per share	Fully diluted net income per share
	Millions of yen	%	Yen	Yen
Three months ended June 30, 2017	3,758	507.2	65.78	65.72
Three months ended June 30, 2016	618	(80.7)	10.74	10.73

(Note) Comprehensive income:

Three months ended June 30, 2017: 3,785 million yen 28.4 %

Three months ended June 30, 2016: 2,948 million yen (21.0) %

#### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2017	187,249	119,724	63.2
As of March 31, 2017	186,954	119,069	62.9

(Reference) Shareholders' equity:

As of June 30, 2017: 118,262 million yen

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

2. Dividend

	Annual dividend				
	First Quarter	Second Quarter	Third Quarter	Year-end	Annual
Year ended March 31, 2017	Yen —	Yen 54.00	Yen —	Yen 55.00	Yen 109.00
Year ending March 31, 2018	—				
Year ending March 31, 2018 (forecast)		55.00	—	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	%
Six months ending September 30, 2017	68,900	0.1	9,300	(4.5)	9,500	(5.1)
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
Six months ending September 30, 2017	5,800	38.0	101.49
Year ending March 31, 2018 (full year)	13,100	17.9	229.23

(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 June 30, 2017	57,434,200 shares	As of March 31, 2017	57,434,200 shares
As of June 30, 2017	286,068 shares	As of March 31, 2017	303,168 shares
Three months ended June 30, 2017	57,131,596 shares	Three months ended June 30, 2016	57,631,115 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

	(Millions of yen)	
	FY2016 (As of March 31, 2017)	Current First quarter (As of June 30, 2017)
<b>Assets</b>		
Current assets		
Cash and deposits	62,019	55,713
Notes and accounts receivable-trade	6,792	5,234
Inventories	6,158	6,178
Other	5,884	7,578
Allowance for doubtful accounts	(181)	(162)
Total current assets	80,673	74,542
Non-current assets		
Property, plant and equipment		
Karaoke equipment for rental, net	10,708	10,737
Karaoke cabin and restaurant facilities, net	18,456	19,893
Land	36,714	36,714
Other, net	7,273	8,489
Total property, plant and equipment	73,153	75,834
Intangible assets		
Goodwill	1,321	4,831
Other	5,807	5,785
Total intangible assets	7,129	10,617
Investments and other assets		
Investment securities	4,959	4,967
Lease and guarantee deposits	14,267	14,463
Other	6,808	6,866
Allowance for doubtful accounts	(37)	(41)
Total investments and other assets	25,998	26,255
Total non-current assets	106,280	112,707
<b>Total assets</b>	<b>186,954</b>	<b>187,249</b>

DAIICHIKOSHO CO., LTD.

(Millions of yen)

	FY2016 (As of March 31, 2017)	Current First quarter (As of June 30, 2017)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	3,343	3,263
Short-term loans payable	14,163	14,819
Current portion of bonds	3,500	3,500
Income taxes payable	3,206	2,049
Provision for bonuses	1,096	583
Other	12,881	13,675
Total current liabilities	38,191	37,891
Non-current liabilities		
Bonds payable	6,500	6,500
Long-term loans payable	13,268	13,191
Provision for directors' retirement benefits	1,053	918
Net defined benefit liability	5,775	5,825
Other	3,096	3,198
Total non-current liabilities	29,693	29,634
Total liabilities	67,884	67,525
<b>Net assets</b>		
Shareholders' equity		
Capital stock	12,350	12,350
Capital surplus	4,003	4,003
Retained earnings	102,649	103,249
Treasury shares	(1,368)	(1,291)
Total shareholders' equity	117,634	118,312
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,033	1,044
Revaluation reserve for land	(733)	(733)
Foreign currency translation adjustment	80	54
Remeasurements of defined benefits plans	(440)	(414)
Total accumulated other comprehensive income	(60)	(49)
Subscription rights to shares	178	140
Non-controlling interests	1,316	1,320
Total net assets	119,069	119,724
Total liabilities and net assets	186,954	187,249

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

	(Millions of yen)	
	Three months ended June 30, 2016 (From April 1, 2016, to June 30, 2016)	Three months ended June 30, 2017 (From April 1, 2017, to June 30, 2017)
Net sales	33,628	33,948
Cost of sales	20,764	20,216
Gross profit	12,864	13,731
Selling, general and administrative expenses	8,467	8,178
Operating income	4,396	5,553
Non-operating income		
Interest income	165	9
Cooperative monetary aid received	74	77
Foreign exchange gains	—	42
Other	225	257
Total non-operating income	465	387
Non-operating expenses		
Interest expenses	83	81
Foreign exchange losses	65	—
Other	34	39
Total non-operating expenses	182	120
Ordinary income	4,679	5,820
Extraordinary income		
Gain on sales of non-current assets	4	63
Other	0	—
Total extraordinary income	4	63
Extraordinary losses		
Loss on disposal of non-current assets	56	36
Impairment loss	—	117
Loss on valuation of investment securities	3,304	—
Other	5	—
Total extraordinary losses	3,365	154
Income before income taxes and minority interests	1,318	5,729
Income taxes-current	2,022	2,056
Income taxes-deferred	(1,343)	(100)
Total income taxes	678	1,955
Net income	639	3,774
Net income attributable to non-controlling interests	20	15
Net income attributable to owners of parent	618	3,758

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

	(Millions of yen)	
	Three months ended June 30, 2016 (From April 1, 2016, to June 30, 2016)	Three months ended June 30, 2017 (From April 1, 2017, to June 30, 2017)
Net income	639	3,774
Other comprehensive income		
Valuation difference on available-for-sale securities	2,375	11
Foreign currency translation adjustment	(92)	(25)
Remeasurements of defined benefit plans	26	25
Total other comprehensive income	2,309	11
Comprehensive income	2,948	3,785
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,928	3,769
Comprehensive income attributable to non-controlling interests	20	15

## Notes to the Quarterly Consolidated Financial Statements

## (Segment Information)

## Three months ended June 30, 2016 (From April 1, 2016, to June 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	16,407	13,270	2,115	31,792	1,835	33,628	—	33,628
Segment income (Operating income)	3,638	1,294	7	4,941	373	5,314	(918)	4,396

Note: The (918) 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.

## Three months ended June 30, 2017 (From April 1, 2017, to June 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	16,366	13,658	1,938	31,963	1,984	33,948	—	33,948
Segment income or Segment loss (Operating income or Operating loss)	4,391	1,583	(0)	5,974	377	6,351	(798)	5,553

Note: The (798) 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.