

FY2014, the year ending March 31, 2015

**Flash Report on the Consolidated Results for the Third Quarter Ended  
December 31, 2014 [JGAAP]**

February 6, 2015

Company Name: **DAIICHIKOSHO CO., LTD.**  
 Stock Exchange Listing: Tokyo (JASDAQ)  
 Code Number: 7458  
 URL: <http://www.dkkaraoke.co.jp>  
 Representative: Saburo Hayashi, President  
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 Scheduled Date to Submit the Quarterly Securities Report: February 13, 2015  
 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 Third Quarter Ended December 31, 2014 (From April 1, 2014, to December 31, 2014)

(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	%
Nine months ended December 31, 2014	99,149	0.3	15,173	(3.3)	16,713	(3.0)
Nine months ended December 31, 2013	98,878	2.3	15,685	3.5	17,237	0.5

	Net income		Net income per share	Fully diluted net income per share
	Millions of yen	%	Yen	Yen
Nine months ended December 31, 2014	10,060	1.6	173.25	—
Nine months ended December 31, 2013	9,898	(1.0)	165.74	—

(Note) Comprehensive income:

Nine months ended December 31, 2014: 10,294 million yen 18.5 %

Nine months ended December 31, 2013: 8,686 million yen (23.4) %

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of December 31, 2014	173,740	107,462	61.2
As of March 31, 2014	161,587	102,268	62.6

(Reference) Shareholders' equity:

As of December 31, 2014: 106,272 million yen

As of March 31, 2014: 101,114 million yen

## 2. Dividend

	Annual dividend				
	First Quarter	Second Quarter	Third Quarter	Year-end	Annual
		Yen		Yen	Yen
Year ended March 31, 2014	—	30.00	—	35.00	65.00
Year ending March 31, 2015	—	50.00			
Year ending March 31, 2015 (forecast)				50.00	100.00

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

3. Forecast Consolidated Performance for FY2014, the Year Ending March 31, 2015  
(From April 1, 2014, to March 31, 2015)

(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, 2015 (full year)	134,000	2.6	19,500	1.9	21,300	0.3

	Net income		Net income per share
	Millions of yen	%	Yen
Year ending March 31, 2015 (full year)	12,200	(6.8)	210.26

(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: Yes
  - 2) Changes due to changes in accounting standard except (3) 1): None
  - 3) Changes due to accounting estimation change: None
  - 4) Error correction: None

1) Number of shares issued (including treasury stock)	As of December 31, 2014	58,025,000 shares	As of March 31, 2014	58,225,000 shares
2) Number of shares of treasury stock	As of December 31, 2014	2,766 shares	As of March 31, 2014	2,714 shares
3) Average number of shares during the period	Nine months ended December 31, 2014	58,069,872 shares	Nine months ended December 31, 2013	59,722,286 shares

## \* Presentation regarding the implementation status of the quarterly review:

This flash report on the consolidated results for the Three months is not covered by the quarterly review procedure stipulated in the Financial Instruments and Exchange Act. At the time of the publication of this report, the quarterly review procedure for quarterly consolidated financial statements is being implemented.

## \* 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

### (1) Quarterly Consolidated Balance Sheets

	(Millions of yen)	
	FY2013 (As of March 31, 2014)	Current Third quarter (As of December 31, 2014)
<b>Assets</b>		
Current assets		
Cash and deposits	44,223	52,045
Notes and accounts receivable-trade	6,403	5,867
Inventories	7,000	5,983
Other	6,233	7,323
Allowance for doubtful accounts	(131)	(152)
Total current assets	63,729	71,068
Noncurrent assets		
Property, plant and equipment		
Karaoke equipment for rental, net	8,289	9,691
Karaoke cabin and restaurant facilities, net	15,705	17,103
Land	26,095	26,158
Other, net	5,588	6,739
Total property, plant and equipment	55,679	59,692
Intangible assets		
Goodwill	1,675	1,345
Other	6,016	6,169
Total intangible assets	7,691	7,514
Investments and other assets		
Investment securities	14,621	14,586
Lease and guarantee deposits	13,752	14,464
Other	6,234	6,518
Allowance for doubtful accounts	(121)	(103)
Total investments and other assets	34,486	35,464
Total noncurrent assets	97,857	102,672
<b>Total assets</b>	<b>161,587</b>	<b>173,740</b>

DAIICHIKOSHO CO., LTD.

(Millions of yen)

	FY2013 (As of March 31, 2014)	Current Third quarter (As of December 31, 2014)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	4,492	4,028
Short-term loans payable	4,501	4,304
Income taxes payable	5,375	2,329
Provision for bonuses	1,103	1,033
Other	11,174	11,872
Total current liabilities	26,647	23,567
Noncurrent liabilities		
Bonds payable	10,000	10,000
Long-term loans payable	13,367	23,496
Provision for directors' retirement benefits	2,296	2,392
Net defined benefit liability	5,075	4,692
Other	1,932	2,128
Total noncurrent liabilities	32,670	42,710
Total liabilities	59,318	66,277
<b>Net assets</b>		
Shareholders' equity		
Capital stock	12,350	12,350
Capital surplus	4,001	4,001
Retained earnings	84,926	89,893
Treasury stock	(7)	(8)
Total shareholders' equity	101,270	106,236
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,172	1,165
Revaluation reserve for land	(777)	(777)
Foreign currency translation adjustment	51	175
Remeasurements of defined benefits plans	(602)	(527)
Total accumulated other comprehensive income	(156)	36
Minority interests	1,153	1,190
Total net assets	102,268	107,462
Total liabilities and net assets	161,587	173,740

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

	(Millions of yen)	
	Nine months ended December 31, 2013 (From April 1, 2013, to December 31, 2013)	Nine months ended December 31, 2014 (From April 1, 2014, to December 31, 2014)
Net sales	98,878	99,149
Cost of sales	57,455	58,723
Gross profit	41,423	40,425
Selling, general and administrative expenses	25,738	25,252
Operating income	15,685	15,173
Non-operating income		
Interest income	704	767
Cooperative monetary aid received	372	365
Other	1,028	735
Total non-operating income	2,104	1,868
Non-operating expenses		
Interest expenses	220	225
Foreign exchange losses	172	-
Other	159	103
Total non-operating expenses	552	329
Ordinary income	17,237	16,713
Extraordinary income		
Gain on sales of noncurrent assets	18	14
Gain on sales of investment securities	0	173
Total extraordinary income	18	187
Extraordinary loss		
Loss on disposal of noncurrent assets	204	234
Other	67	0
Total extraordinary losses	271	234
Income before income taxes and minority interests	16,985	16,666
Income taxes-current	6,994	6,583
Income taxes-deferred	18	(19)
Total income taxes	7,012	6,564
Income before minority interests	9,972	10,101
Minority interests in income	74	41
Net income	9,898	10,060

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

	(Millions of yen)	
	Nine months ended December 31, 2013 (From April 1, 2013, to December 31, 2013)	Nine months ended December 31, 2014 (From April 1, 2014, to December 31, 2014)
Income before minority interests	9,972	10,101
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,442)	(6)
Foreign currency translation adjustment	156	124
Remeasurements of defined benefit plans, net of tax	—	74
Total other comprehensive income	(1,285)	192
Comprehensive income	8,686	10,294
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	8,612	10,252
Comprehensive income attributable to minority interests	74	41

**(3) Segment Information****Nine months ended December 31, 2013 (From April 1, 2013, to December 31, 2013)**

(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	50,323	35,657	7,550	93,530	5,347	98,878	—	98,878
Segment income (Operating income)	10,714	5,462	642	16,820	1,016	17,836	(2,151)	15,685

(Note) The (2,151) million yen adjustment posted to Segment income is primarily composed of General and Administrative Expenses incurred from the administrative department at the head office that are not attributable to any particular segment.

**Nine months ended December 31, 2014 (From April 1, 2014, to December 31, 2014)**

(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	47,959	39,690	6,560	94,211	4,938	99,149	—	99,149
Segment income (Operating income)	10,541	5,767	49	16,358	909	17,268	(2,095)	15,173

(Note) The (2,095) million yen adjustment posted to Segment income is primarily composed of General and Administrative Expenses incurred from the administrative department at the head office that are not attributable to any particular segment.

**(4) Issues Related to Summary Information (Notes)**
**Changes to Accounting Policies, Changes to Accounting Estimates, and Revision Restatements  
(Changes to Accounting Policies)**

Following the adoption, from the period under review, of provisions specified in the main clause of Paragraph 35 of “Accounting Standard for Retirement Benefits” (Accounting Standards Board of Japan (ASBJ) Statement No.26, May 17, 2012, hereinafter referred to as “Retirement Benefits Accounting Standard”) and the main clause of Paragraph 67 of “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25, May 17, 2012 hereinafter referred to as “Retirement Benefits Guidance”), methods for calculating retirement benefit obligations and service cost have been reviewed, and methods for attributing expected retirement benefits payment have been changed from straight-line basis to benefit formula basis, while discount rate based on the average remaining service period has been replaced by single weighted average discount rate.

In adopting the Retirement benefits Accounting Standard etc., the effected amount associated with the aforementioned change in the methods for calculating retirement benefit obligation and service cost has been adjusted to retained earnings at the beginning of the period under review, according to the transitional handing prescribed in Paragraph 37 of the Retirement Benefits Accounting Standard.

As a result, Liabilities for retirement benefits at the beginning of the period under review decreased by 693 million yen, while retained earnings increased by 447 million yen, which, however, had minimal impact on operating income, ordinary income, and income before income taxes and minority interest for the nine months ended December 31, 2014.