

FY2015, the year ending March 31, 2016

**Flash Report on the Consolidated Results for the Third Quarter Ended
December 31, 2015 [JGAAP]**

February 8, 2016

Company Name: **DAIICHIKOSHO CO., LTD.**
 Stock Exchange Listing: Tokyo Stock Exchange
 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 12, 2016
 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, 2015 (From April 1, 2015, to December 31, 2015)

(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, 2015	106,645	7.6	15,629	3.0	16,719	0.0
Nine months ended December 31, 2014	99,149	0.3	15,173	(3.3)	16,713	(3.0)

	Net income attributable to owner of parent		Basic earnings per share	Fully diluted net income per share
	Millions of yen	%	Yen	Yen
Nine months ended December 31, 2015	10,201	1.4	176.62	176.56
Nine months ended December 31, 2014	10,060	1.6	173.25	—

(Note) Comprehensive income:

Nine months ended December 31, 2015: 8,569million yen (16.7) %
 Nine months ended December 31, 2014: 10,294million yen 18.5 %

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of December 31, 2015	177,995	111,163	61.7
As of March 31, 2015	180,312	110,264	60.5

(Reference) Shareholders' equity:

As of December 31, 2015: 109,862million yen
 As of March 31, 2015: 109,049million yen

2. Dividend

	Annual dividend				
	First Quarter	Second Quarter	Third Quarter	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2015	—	50.00	—	50.00	100.00
Year ending March 31, 2016	—	54.00	—		
Year ending March 31, 2016 (forecast)				54.00	108.00

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

3. Forecast Consolidated Performance for FY2015, the Year Ending March 31, 2016
(From April 1, 2015, to March 31, 2016)

(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, 2016 (full year)	142,500	7.1	20,700	8.7	22,500	6.7

	Net income attributable to owner of parent		Basic earnings per share per share
	Millions of yen	%	Yen
Year ending March 31, 2016 (full year)	13,300	(2.6)	230.78

(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

(4) Number of common shares issued

1) Number of shares issued (including treasury stock)

2) Number of shares of treasury stock

3) Average number of shares during the period

As of December 31, 2015	57,634,200 shares	As of March 31, 2015	58,025,000 shares
As of December 31, 2015	3,030 shares	As of March 31, 2015	2,879 shares
Nine months ended December 31, 2015	57,761,082 shares	Nine months ended December 31, 2014	58,069,872 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)	
	FY2014 (As of March 31, 2015)	Current Third quarter (As of December 31, 2015)
Assets		
Current assets		
Cash and deposits	59,747	51,879
Notes and accounts receivable-trade	7,016	6,489
Inventories	6,933	6,564
Other	6,363	7,678
Allowance for doubtful accounts	(139)	(136)
Total current assets	79,920	72,475
Non-current assets		
Property, plant and equipment		
Karaoke equipment for rental, net	9,262	11,545
Karaoke cabin and restaurant facilities, net	17,236	19,738
Land	26,339	27,516
Other, net	5,554	5,912
Total property, plant and equipment	58,393	64,712
Intangible assets		
Goodwill	1,235	1,992
Other	6,350	5,809
Total intangible assets	7,585	7,801
Investments and other assets		
Investment securities	13,263	10,743
Lease and guarantee deposits	14,392	14,424
Other	6,844	7,922
Allowance for doubtful accounts	(87)	(84)
Total investments and other assets	34,413	33,006
Total non-current assets	100,392	105,520
Total assets	180,312	177,995

DAIICHIKOSHO CO., LTD.

(Millions of yen)

	FY2014 (As of March 31, 2015)	Current Third quarter (As of December 31, 2015)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	4,723	5,563
Short-term loans payable	3,949	4,439
Income taxes payable	5,007	1,745
Provision for bonuses	1,063	1,029
Other	12,702	11,055
Total current liabilities	27,446	23,833
Non-current liabilities		
Bonds payable	10,000	10,000
Long-term loans payable	23,161	23,479
Provision for directors' retirement benefits	2,426	1,235
Net defined benefit liability	4,780	5,142
Other	2,233	3,140
Total non-current liabilities	42,602	42,998
Total liabilities	70,048	66,831
Net assets		
Shareholders' equity		
Capital stock	12,350	12,350
Capital surplus	4,001	4,001
Retained earnings	93,439	95,931
Treasury stock	(8)	(13)
Total shareholders' equity	109,782	112,270
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	318	(1,370)
Revaluation reserve for land	(733)	(733)
Foreign currency translation adjustment	210	154
Remeasurements of defined benefits plans	(528)	(458)
Total accumulated other comprehensive income	(733)	(2,408)
Subscription rights to shares	—	54
Non-controlling interests	1,215	1,246
Total net assets	110,264	111,163
Total liabilities and net assets	180,312	177,995

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

	(Millions of yen)	
	Nine months ended December 31, 2014 (From April 1, 2014, to December 31, 2014)	Nine months ended December 31, 2015 (From April 1, 2015, to December 31, 2015)
Net sales	99,149	106,645
Cost of sales	58,723	65,151
Gross profit	40,425	41,493
Selling, general and administrative expenses	25,252	25,864
Operating income	15,173	15,629
Non-operating income		
Interest income	767	595
Other	1,100	1,033
Total non-operating income	1,868	1,629
Non-operating expenses		
Interest expenses	225	255
Other	103	283
Total non-operating expenses	329	539
Ordinary income	16,713	16,719
Extraordinary income		
Gain on sales of non-current assets	14	22
Gain on sales of investment securities	173	—
Total extraordinary income	187	22
Extraordinary losses		
Loss on disposal of non-current assets	234	192
Impairment loss	0	248
Total extraordinary losses	234	441
Income before income taxes and minority interests	16,666	16,300
Income taxes-current	6,583	6,041
Income taxes-deferred	(19)	14
Total income taxes	6,564	6,056
Net income	10,101	10,244
Net income attributable to non-controlling interests	41	43
Net income attributable to owners of parent	10,060	10,201

(Quarterly Consolidated Statements of Comprehensive Income)

	(Millions of yen)	
	Nine months ended December 31, 2014 (From April 1, 2014, to December 31, 2014)	Nine months ended December 31, 2015 (From April 1, 2015, to December 31, 2015)
Net income	10,101	10,244
Other comprehensive income		
Valuation difference on available-for-sale securities	(6)	(1,688)
Foreign currency translation adjustment	124	(55)
Remeasurements of defined benefit plans, net of tax	74	69
Total other comprehensive income	192	(1,674)
Comprehensive income	10,294	8,569
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	10,252	8,526
Comprehensive income attributable to non-controlling interests	41	43

(3) Segment Information**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.

Nine months ended December 31, 2015 (From April 1, 2015, to December 31, 2015)

(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	51,958	43,070	6,398	101,426	5,218	106,645	—	106,645
Segment income (Operating income)	11,077	5,757	18	16,853	1,132	17,985	(2,356)	15,629

(Note) The (2,356) 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 of revised standards, from the period under review, the Company has applied the “Accounting Standards for Business Combination” (Accounting Standards Board of Japan (ASBJ) Accounting Standards Statement No.21 dated September 13,2013; hereinafter the “Accounting Standards for Business Combination”), the “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22 dated September 13,2013; hereinafter the “Consolidated Financial Statements Accounting Standards”), and the “Accounting Standards for Business Divestitures” (ASBJ Statement No. 7 dated September 13,2013; hereinafter the “Business Divestitures Accounting Standards”).As a result, the method of recording the amount of difference caused by changes in the Company’s ownership interests in subsidiaries in the case of subsidiaries under ongoing control of the Company was changed to one in which it is recorded as capital surplus, and the method of recording acquisition-related costs was changed to one in which they are recognized as expenses for the fiscal year in which they are incurred. Furthermore, for business combinations carried out on or after the beginning of the period under review, the accounting method was changed to one in which the reviewed acquisition cost allocation resulting from the finalization of the provisional accounting treatment is reflected in the quarterly consolidated financial statements for the quarterly period to which the date of business combination belongs. In addition, the presentation method for “net income” and other related items was changed, and the presentation of “minority interests” was changed to “non-controlling interests.” To reflect these changes, the Company has reclassified its quarterly and full-year consolidated financial statements for the nine months ended December 31, 2014 and the previous fiscal year.

The Accounting Standard for Business Combinations has been applied prospectively since the beginning of the period under review, according to the transitional handling prescribed in Article 58-2(4) of “Accounting Standard for Business Combinations”, Article 44-5(4) of “Consolidated Financial Statements Accounting Standards”, and Article 57-4(4) of “Accounting Standards for Business Combination”.

These changes in accounting policies have minimal impact on profit and loss for the period under review.

Additional Information**(Provision for directors' retirement benefits)**

Resolution was made at the Board of Directors meeting on May 18, 2015, to abolish the Provision for Directors’ Retirement Benefits Policy. In connection with that, at the general meeting of shareholders on June 19, 2015, it was passed by agreement to pay for every director the retirement benefits that correspond to their administration when they retire, about the directors in office on or after this general meeting.