

FY2014, the year ending March 31, 2015

Flash Report on the Consolidated Results for the Interim Period Ended
September 30, 2014 [JGAAP]

November 7, 2014

Company Name: **DAIICHIKOSHO CO., LTD.**
 Stock Exchange Listing: Tokyo (JASDAQ)
 Code Number: 7458
 URL: <http://www.dkkaraoke.co.jp>
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 Scheduled Date to Submit the Quarterly Securities Report: November 14, 2014
 Start Date for Dividend Payment: December 5, 2014
 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 Interim Period Ended September 30, 2014 (From April 1, 2014,
to September 30, 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	%
Interim Period ended September 30, 2014	65,046	0.2	9,688	(4.0)	10,791	(0.6)
Interim Period ended September 30, 2013	64,924	3.5	10,089	6.6	10,859	7.1

	Net income		Net income per share	Fully diluted net income per share
	Millions of yen	%	Yen	Yen
Interim Period ended September 30, 2014	6,491	5.3	111.75	—
Interim Period ended September 30, 2013	6,167	4.3	103.27	—

(Note) Comprehensive income:

Interim Period ended September 30, 2014: 6,251 million yen 9.5 %

Interim Period ended September 30, 2013: 5,706 million yen (10.3) %

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2014	173,013	106,321	60.8
As of March 31, 2014	161,587	102,268	62.6

(Reference) Shareholders' equity:

As of September 30, 2014: 105,142 million yen

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

2. Dividend

	Annual dividend				
	First Quarter	Second Quarter	Third Quarter	Year-end	Annual
Year ended March 31, 2014	—	Yen 30.00	—	Yen 35.00	Yen 65.00
Year ending March 31, 2015	—	50.00			
Year ending March 31, 2015 (forecast)			—	35.00	85.00

(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 September 30, 2014	58,025,000 shares	As of March 31, 2014	58,225,000 shares
2) Number of shares of treasury stock	As of September 30, 2014	2,766 shares	As of March 31, 2014	2,714 shares
3) Average number of shares during the period	Interim Period ended September 30, 2014	58,093,822 shares	Interim Period ended September 30, 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 Interim Period (As of September 30, 2014)
Assets		
Current assets		
Cash and deposits	44,223	52,367
Notes and accounts receivable-trade	6,403	5,899
Inventories	7,000	6,592
Other	6,233	7,469
Allowance for doubtful accounts	(131)	(138)
Total current assets	63,729	72,189
Non-current assets		
Property, plant and equipment		
Karaoke equipment for rental, net	8,289	9,526
Karaoke cabin and restaurant facilities, net	15,705	16,302
Land	26,095	26,158
Other, net	5,588	6,786
Total property, plant and equipment	55,679	58,774
Intangible assets		
Goodwill	1,675	1,455
Other	6,016	6,065
Total intangible assets	7,691	7,521
Investments and other assets		
Investment securities	14,621	14,033
Lease and guarantee deposits	13,752	14,134
Other	6,234	6,464
Allowance for doubtful accounts	(121)	(104)
Total investments and other assets	34,486	34,528
Total non-current assets	97,857	100,823
Total assets	161,587	173,013

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(Millions of yen)

	FY2013 (As of March 31, 2014)	Current Interim Period (As of September 30, 2014)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	4,492	4,053
Short-term loans payable	4,501	4,164
Income taxes payable	5,375	4,590
Provision for bonuses	1,103	1,494
Other	11,174	10,000
Total current liabilities	26,647	24,303
Non-current liabilities		
Bonds payable	10,000	10,000
Long-term loans payable	13,367	23,433
Provision for directors' retirement benefits	2,296	2,306
Net defined benefit liability	5,075	4,587
Other	1,932	2,061
Total non-current liabilities	32,670	42,388
Total liabilities	59,318	66,692
Net assets		
Shareholders' equity		
Capital stock	12,350	12,350
Capital surplus	4,001	4,001
Retained earnings	84,926	89,225
Treasury stock	(7)	(8)
Total shareholders' equity	101,270	105,568
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,172	810
Revaluation reserve for land	(777)	(777)
Foreign currency translation adjustment	51	93
Remeasurements of defined benefit plans	(602)	(552)
Total accumulated other comprehensive income	(156)	(426)
Minority interests	1,153	1,178
Total net assets	102,268	106,321
Total liabilities and net assets	161,587	173,013

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

	(Millions of yen)	
	Interim Period ended September 30, 2013 (From April 1, 2013, to September 30, 2013)	Interim Period ended September 30, 2014 (From April 1, 2014, to September 30, 2014)
Net sales	64,924	65,046
Cost of sales	37,522	38,535
Gross profit	27,402	26,511
Selling, general and administrative expenses	17,312	16,823
Operating income	10,089	9,688
Non-operating income		
Interest income	386	526
Cooperative monetary aid received	231	242
Other	585	544
Total non-operating income	1,203	1,312
Non-operating expenses		
Interest expenses	147	138
Foreign exchange losses	173	—
Other	112	71
Total non-operating expenses	433	209
Ordinary income	10,859	10,791
Extraordinary income		
Gain on sales of non-current assets	3	14
Gain on sales of investment securities	—	173
Total extraordinary income	3	187
Extraordinary loss		
Loss on disposal of non-current assets	135	159
Other	66	0
Total extraordinary losses	202	159
Income before income taxes and minority interests	10,660	10,819
Income taxes-current	4,765	4,685
Income taxes-deferred	(325)	(387)
Total income taxes	4,440	4,298
Income before minority interests	6,220	6,521
Minority interests in income	52	29
Net income	6,167	6,491

(Quarterly Consolidated Statements of Comprehensive Income)

	(Millions of yen)	
	Interim Period ended September 30, 2013 (From April 1, 2013, to September 30, 2013)	Interim Period ended September 30, 2014 (From April 1, 2014, to September 30, 2014)
Income before minority interests	6,220	6,521
Other comprehensive income		
Valuation difference on available-for-sale securities	(611)	(361)
Foreign currency translation adjustment	98	41
Remeasurements of defined benefit plans, net of tax	—	49
Total other comprehensive income	(513)	(269)
Comprehensive income	5,706	6,251
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	5,654	6,221
Comprehensive income attributable to minority interests	52	29

(3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	Previous interim period (From April 1, 2013, to September 30, 2013)	Current interim period (From April 1, 2014, to September 30, 2014)
Cash flows from operating activities		
Income before income taxes and minority interests	10,660	10,819
Depreciation and amortization	6,293	6,554
Increase (decrease) in provision for bonuses	444	390
Increase (decrease) in provision for directors' retirement benefits	63	10
Interest and dividends income	(473)	(617)
Interest expenses	147	138
Loss(gain) on sales of investment securities	—	(173)
Foreign exchange losses (gains)	105	(41)
Loss (gain) on disposal of non-current assets	132	144
Decrease (increase) in notes and accounts receivable-trade	1,867	503
Decrease (increase) in inventories	(96)	413
Transfer of cost of sales on karaoke equipment for rental	210	135
Increase (decrease) in notes and accounts payable-trade	273	(446)
Increase (decrease) in accounts payable-other	(1,907)	(16)
Other, net	(775)	(1,430)
Subtotal	16,945	16,386
Interest and dividend income received	491	610
Interest expenses paid	(146)	(135)
Income taxes paid	(4,544)	(5,418)
Net cash provided by (used in) operating activities	12,746	11,442
Cash flows from investing activities		
Increase in time and saving deposits	(39)	(140)
Proceeds from decrease in time and saving deposits	148	198
Purchase of property, plant and equipment	(6,214)	(7,693)
Proceeds from sales of property, plant and equipment	7	20
Purchase of intangible assets	(1,689)	(2,052)
Payments for acquisition of video licenses	(1,000)	(985)
Purchase of investment securities	—	(5,044)
Proceeds from sales of investment securities	0	5,224
Payments of loans receivable	(354)	(175)
Collection of loans receivable	343	345
Payments for lease and guarantee deposits	(553)	(665)
Proceeds from collection of lease and guarantee deposits	247	219
Other, net	(4)	(54)
Net cash provided by (used in) investing activities	(9,109)	(10,804)

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(Millions of yen)

	Previous interim period (From April 1, 2012, to September 30, 2012)	Current interim period (From April 1, 2014, to September 30, 2014)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	75	207
Proceeds from long-term loans payable	1,260	11,430
Repayment of long-term loans payable	(1,726)	(1,907)
Cash dividends paid	(2,090)	(2,037)
Purchase of treasury stock	—	(603)
Other, net	(20)	(18)
Net cash provided by (used in) financing activities	(2,503)	7,071
Effect of exchange rate change on cash and cash equivalents	(24)	66
Net increase (decrease) in cash and cash equivalents	1,108	7,775
Cash and cash equivalents at beginning of period	41,963	44,381
Cash and cash equivalents at end of period	43,071	52,156

(4) Segment Information**Interim Period ended September 30, 2013 (From April 1, 2013, to September 30, 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	33,736	22,782	4,772	61,291	3,632	64,924	—	64,924
Segment income (Operating income)	7,327	3,103	403	10,834	691	11,526	(1,436)	10,089

(Note) The (1,436) 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.

Interim Period ended September 30, 2014 (From April 1, 2014, to September 30, 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	32,056	25,278	4,484	61,819	3,227	65,046	—	65,046
Segment income (Operating income)	7,244	3,229	33	10,507	568	11,075	(1,387)	9,688

(Note) The (1,387) 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.

(5) 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 three months ended June 30, 2014.

The effect those have on our profits and losses in consolidated cumulative this period is negligible.