

FY2015, the year ending March 31, 2016

## Flash Report on the Consolidated Results for the Interim Period Ended September 30, 2015 [JGAAP]

November 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  
 Contact: Shigeki Kobayashi,  
 Corporate Officer; and General Manager, Accounting Department  
 Phone: +81-3-3280-2151  
 Scheduled Date to Submit the Quarterly Securities Report: November 13, 2015  
 Start Date for Dividend Payment: December 4, 2015  
 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, 2015 (From April 1, 2015, to September 30, 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	%
Interim Period ended September 30, 2015	70,362	8.2	9,910	2.3	10,727	(0.6)
Interim Period ended September 30, 2014	65,046	0.2	9,688	(4.0)	10,791	(0.6)

	Net income attributable to owner of parent		Basic earnings per share	Fully diluted net income per share
	Millions of yen	%	Yen	Yen
Interim Period ended September 30, 2015	6,467	(0.4)	111.85	111.82
Interim Period ended September 30, 2014	6,491	5.3	111.75	—

(Note) Comprehensive income:

Interim Period ended September 30, 2015: 4,013million yen (35.8) %  
 Interim Period ended September 30, 2014: 6,251million yen 9.5 %

#### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2015	177,631	109,692	61.0
As of March 31, 2015	180,312	110,264	60.5

(Reference) Shareholders' equity:

As of September 30, 2015: 108,428 million yen  
 As of March 31, 2015: 109,049 million yen

2. Dividend

	Annual dividend				
	First Quarter	Second Quarter	Third Quarter	Year-end	Annual
		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: Yes

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

1) Number of shares issued (including treasury stock)	As of September 30, 2015	57,634,200 shares	As of March 31, 2015	58,025,000 shares
2) Number of shares of treasury stock	As of September 30, 2015	2,963 shares	As of March 31, 2015	2,879 Shares
3) Average number of shares during the period	Interim Period ended September 30, 2015	57,826,375 shares	Interim Period ended September 30, 2014	58,093,822 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 Second quarter (As of September 30, 2015)
<b>Assets</b>		
Current assets		
Cash and deposits	59,747	52,735
Notes and accounts receivable-trade	7,016	6,021
Inventories	6,933	6,350
Other	6,363	8,144
Allowance for doubtful accounts	(139)	(125)
Total current assets	79,920	73,126
Non-current assets		
Property, plant and equipment		
Karaoke equipment for rental, net	9,262	11,390
Karaoke cabin and restaurant facilities, net	17,236	18,920
Land	26,339	27,549
Other, net	5,554	6,055
Total property, plant and equipment	58,393	63,915
Intangible assets		
Goodwill	1,235	2,101
Other	6,350	5,908
Total intangible assets	7,585	8,010
Investments and other assets		
Investment securities	13,263	9,598
Lease and guarantee deposits	14,392	14,562
Other	6,844	8,502
Allowance for doubtful accounts	(87)	(83)
Total investments and other assets	34,413	32,578
Total non-current assets	100,392	104,505
<b>Total assets</b>	<b>180,312</b>	<b>177,631</b>

DAIICHIKOSHO CO., LTD.

(Millions of yen)

	FY2014 (As of March 31, 2015)	Current Second quarter (As of September 30, 2015)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	4,723	5,502
Short-term loans payable	3,949	4,292
Income taxes payable	5,007	4,176
Provision for bonuses	1,063	1,534
Other	12,702	9,697
Total current liabilities	27,446	25,202
Non-current liabilities		
Bonds payable	10,000	10,000
Long-term loans payable	23,161	23,344
Provision for directors' retirement benefits	2,426	1,184
Net defined benefit liability	4,780	5,010
Other	2,233	3,195
Total non-current liabilities	42,602	42,735
Total liabilities	70,048	67,938
<b>Net assets</b>		
Shareholders' equity		
Capital stock	12,350	12,350
Capital surplus	4,001	4,001
Retained earnings	93,439	95,310
Treasury stock	(8)	(12)
Total shareholders' equity	109,782	111,649
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	318	(2,155)
Revaluation reserve for land	(733)	(733)
Foreign currency translation adjustment	210	151
Remeasurements of defined benefits plans	(528)	(482)
Total accumulated other comprehensive income	(733)	(3,220)
Subscription rights to shares	-	27
Non-controlling interests	1,215	1,236
Total net assets	110,264	109,692
<b>Total liabilities and net assets</b>	180,312	177,631

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

	(Millions of yen)	
	Three months ended September 30, 2014 (From April 1, 2014, to September 30, 2014)	Three months ended September 30, 2015 (From April 1, 2015, to September 30, 2015)
Net sales	65,046	70,362
Cost of sales	38,535	43,190
Gross profit	26,511	27,172
Selling, general and administrative expenses	16,823	17,261
Operating income	9,688	9,910
Non-operating income		
Interest income	526	411
Other	786	752
Total non-operating income	1,312	1,164
Non-operating expenses		
Interest expenses	138	170
Other	71	177
Total non-operating expenses	209	347
Ordinary income	10,791	10,727
Extraordinary income		
Gain on sales of non-current assets	14	8
Gain on sales of investment securities	173	-
Total extraordinary income	187	8
Extraordinary loss		
Loss on disposal of non-current assets	159	160
Impairment loss	0	208
Total extraordinary losses	159	368
Income before income taxes and minority interests	10,819	10,367
Income taxes-current	4,685	4,233
Income taxes-deferred	(387)	(367)
Total income taxes	4,298	3,866
Net income	6,521	6,500
Net income attributable to non-controlling interests	29	32
Net income attributable to owners of parent	6,491	6,467

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

	(Millions of yen)	
	Three months ended September 30, 2014 (From April 1, 2014, to September 30, 2014)	Three months ended September 30, 2015 (From April 1, 2015, to September 30, 2015)
Net income	6,521	6,500
Other comprehensive income		
Valuation difference on available-for-sale securities	(361)	(2,473)
Foreign currency translation adjustment	41	(59)
Remeasurements of defined benefit plans, net of tax	49	46
Total other comprehensive income	(269)	(2,486)
Comprehensive income	6,251	4,013
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	6,221	3,981
Comprehensive income attributable to minority interests	29	32

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

(Millions of yen)

	Previous interim period (From April 1, 2014, to September 30, 2014)	Current interim period (From April 1, 2015, to September 30, 2015)
<b>Cash flows from operating activities</b>		
Income before income taxes and minority interests	10,819	10,367
Depreciation	6,554	7,429
Impairment loss	0	208
Increase (decrease) in provision for bonuses	390	471
Increase (decrease) in provision for directors' retirement benefits	10	(1,242)
Interest and dividend income	(617)	(488)
Interest expenses	138	170
Loss(gain) on sales of investment securities	(173)	-
Loss (gain) on disposal of non-current assets	144	151
Decrease (increase) in notes and accounts receivable-trade	503	963
Decrease (increase) in inventories	413	583
Transfer of cost of sales on karaoke equipment for rental	135	83
Increase (decrease) in notes and accounts payable-trade	(446)	800
Increase (decrease) in accounts payable-other	(16)	(1,399)
Other, net	(1,471)	(930)
<b>Subtotal</b>	<b>16,386</b>	<b>17,167</b>
Interest and dividend income received	610	525
Interest expenses paid	(135)	(171)
Income taxes paid	(5,418)	(5,049)
<b>Net cash provided by (used in) operating activities</b>	<b>11,442</b>	<b>12,472</b>
<b>Cash flows from investing activities</b>		
Increase in time and saving deposits	(140)	(417)
Proceeds from decrease in time and saving deposits	198	56
Purchase of property, plant and equipment	(7,693)	(10,014)
Proceeds from sales of property, plant and equipment	20	23
Purchase of intangible assets	(2,052)	(1,700)
Payments for acquisition of video licenses	(985)	(1,421)
Purchase of investment securities	(5,044)	-
Proceeds from sales of investment securities	5,224	-
Payments for transfer of business	-	(1,577)
Payments of loans receivable	(175)	(299)
Collection of loans receivable	345	336
Payments for lease and guarantee deposits	(665)	(365)
Proceeds from collection of lease and guarantee deposits	219	251
Other, net	(54)	(190)
<b>Net cash provided by (used in) investing activities</b>	<b>(10,804)</b>	<b>(15,320)</b>

## DAIICHIKOSHO CO., LTD.

(Millions of yen)

	Previous interim period (From April 1, 2014, to September 30, 2014)	Current interim period (From April 1, 2015, to September 30, 2015)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	207	350
Proceeds from long-term loans payable	11,430	1,460
Repayments of long-term loans payable	(1,907)	(1,285)
Cash dividends paid	(2,037)	(2,901)
Purchase of treasury shares	(603)	(1,700)
Other, net	(18)	(23)
Net cash provided by (used in) financing activities	7,071	(4,100)
Effect of exchange rate change on cash and cash equivalents	66	(46)
Net increase (decrease) in cash and cash equivalents	7,775	(6,996)
Cash and cash equivalents at beginning of period	44,381	60,007
Cash and cash equivalents at end of period	52,156	53,011

**(4) Segment Information****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.

**Interim Period ended September 30, 2015 (From April 1, 2015, to September 30, 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	35,247	27,348	4,325	66,921	3,441	70,362	—	70,362
Segment income or Segment loss (Operating income or Operating loss)	7,941	2,757	(24)	10,673	735	11,408	(1,498)	9,910

(Note) The (1,498) 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 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 first three months of the previous fiscal year and the previous fiscal year.

In the consolidated statements of cash flows, the Company has been changed to method of presenting whereby cash flows pertaining to acquisition or sales of subsidiaries’ shares don’t result in change in the scope of consolidation state under the class of “Cash flows from financing activities”, and cash flows pertaining to acquisition-related costs of subsidiaries’ shares don’t result in change in the scope of consolidation or expenses incurred for acquisition or sales of subsidiaries’ shares involving a change in the scope of consolidation state under the class of “Cash flows from operating activities”.

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.