

FY2014, the year ending March 31, 2015

Flash Report on the Consolidated Results for the First Quarter Ended
June 30, 2014 [JGAAP]

August 4, 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: August 13, 2014
 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 First Quarter Ended June 30, 2014 (From April 1, 2014, to June 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 | % |
| Three months ended June 30, 2014 | 32,206 | (0.6) | 4,969 | (8.0) | 5,481 | (5.2) |
| Three months ended June 30, 2013 | 32,400 | 4.0 | 5,404 | 15.9 | 5,782 | 16.1 |

| | Net income | | Net income per share | Fully diluted net income per share |
|-------------------------------------|-----------------|-------|----------------------|------------------------------------|
| | Millions of yen | % | Yen | Yen |
| Three months ended June 30, 2014 | 3,233 | (1.3) | 55.58 | — |
| Three months ended June 30, 2013 | 3,277 | 10.0 | 54.88 | — |

(Note) Comprehensive income:

Three months ended June 30, 2014: 3,476 million yen 17.4 %

Three months ended June 30, 2013: 2,960 million yen (2.8) %

(2) Consolidated financial position

| | Total assets | Net assets | Equity ratio |
|----------------------|-----------------|-----------------|--------------|
| | Millions of yen | Millions of yen | % |
| As of June 30, 2014 | 159,155 | 103,546 | 64.3 |
| As of March 31, 2014 | 161,587 | 102,268 | 62.6 |

(Reference) Shareholders' equity:

As of June 30, 2014: 102,378 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 | — | | | | |
| Year ending March 31, 2015 (forecast) | | 30.00 | — | 35.00 | 65.00 |

(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 | % |
| Six months ending September 30, 2014 | 65,400 | 0.7 | 9,200 | (8.8) | 10,100 | (7.0) |
| 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 |
| Six months ending September 30, 2014 | 5,900 | (4.3) | 101.69 |
| 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 June 30, 2014 | 58,025,000 shares | As of March 31, 2014 | 58,225,000 shares |
| 2) Number of shares of treasury stock | As of June 30, 2014 | 2,766 shares | As of March 31, 2014 | 2,714 shares |
| 3) Average number of shares during the period | Three months ended June 30, 2014 | 58,166,196 shares | Three months ended June 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 First quarter (As of June 30, 2014) |
| Assets | | |
| Current assets | | |
| Cash and deposits | 44,223 | 33,629 |
| Notes and accounts receivable-trade | 6,403 | 5,947 |
| Inventories | 7,000 | 7,706 |
| Other | 6,233 | 8,462 |
| Allowance for doubtful accounts | (131) | (117) |
| Total current assets | 63,729 | 55,627 |
| Noncurrent assets | | |
| Property, plant and equipment | | |
| Karaoke equipment for rental, net | 8,289 | 8,971 |
| Karaoke cabin and restaurant facilities, net | 15,705 | 15,872 |
| Land | 26,095 | 26,095 |
| Other, net | 5,588 | 5,658 |
| Total property, plant and equipment | 55,679 | 56,597 |
| Intangible assets | | |
| Goodwill | 1,675 | 1,565 |
| Other | 6,016 | 5,916 |
| Total intangible assets | 7,691 | 7,482 |
| Investments and other assets | | |
| Investment securities | 14,621 | 19,932 |
| Lease and guarantee deposits | 13,752 | 13,708 |
| Other | 6,234 | 5,910 |
| Allowance for doubtful accounts | (121) | (104) |
| Total investments and other assets | 34,486 | 39,448 |
| Total noncurrent assets | 97,857 | 103,528 |
| Total assets | 161,587 | 159,155 |

DAIICHIKOSHO CO., LTD.

(Millions of yen)

| | FY2013 (As of March 31, 2014) | Current First quarter (As of June 30, 2014) |
|---|----------------------------------|--|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable-trade | 4,492 | 4,657 |
| Short-term loans payable | 4,501 | 4,071 |
| Income taxes payable | 5,375 | 2,377 |
| Provision for bonuses | 1,103 | 527 |
| Other | 11,174 | 11,607 |
| Total current liabilities | 26,647 | 23,241 |
| Noncurrent liabilities | | |
| Bonds payable | 10,000 | 10,000 |
| Long-term loans payable | 13,367 | 13,657 |
| Provision for directors' retirement benefits | 2,296 | 2,217 |
| Liabilities for retirement benefits | 5,075 | 4,478 |
| Other | 1,932 | 2,013 |
| Total noncurrent liabilities | 32,670 | 32,368 |
| Total liabilities | 59,318 | 55,609 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 12,350 | 12,350 |
| Capital surplus | 4,001 | 4,001 |
| Retained earnings | 84,926 | 85,966 |
| Treasury stock | (7) | (8) |
| Total shareholders' equity | 101,270 | 102,310 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 1,172 | 1,347 |
| Revaluation reserve for land | (777) | (777) |
| Foreign currency translation adjustment | 51 | 76 |
| Remeasurements of defined benefits plans | (602) | (577) |
| Total accumulated other comprehensive income | (156) | 68 |
| Minority interests | 1,153 | 1,167 |
| Total net assets | 102,268 | 103,546 |
| Total liabilities and net assets | 161,587 | 159,155 |

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

| | (Millions of yen) | |
|---|--|--|
| | Three months ended June 30, 2013 (From April 1, 2013, to June 30, 2013) | Three months ended June 30, 2014 (From April 1, 2014, to June 30, 2014) |
| Net sales | 32,400 | 32,206 |
| Cost of sales | 18,416 | 18,747 |
| Gross profit | 13,984 | 13,459 |
| Selling, general and administrative expenses | 8,580 | 8,489 |
| Operating income | 5,404 | 4,969 |
| Non-operating income | | |
| Interest income | 196 | 263 |
| Compensation income | 133 | — |
| Other | 314 | 377 |
| Total non-operating income | 645 | 640 |
| Non-operating expenses | | |
| Interest expenses | 73 | 69 |
| Other | 193 | 59 |
| Total non-operating expenses | 267 | 128 |
| Ordinary income | 5,782 | 5,481 |
| Extraordinary income | | |
| Gain on sales of noncurrent assets | 3 | 11 |
| Gain on sales of investment securities | — | 36 |
| Total extraordinary income | 3 | 48 |
| Extraordinary loss | | |
| Loss on disposal of noncurrent assets | 96 | 84 |
| Other | 3 | 0 |
| Total extraordinary losses | 100 | 84 |
| Income before income taxes and minority interests | 5,685 | 5,445 |
| Income taxes-current | 2,752 | 2,504 |
| Income taxes-deferred | (368) | (310) |
| Total income taxes | 2,384 | 2,193 |
| Income before minority interests | 3,301 | 3,251 |
| Minority interests in income | 23 | 18 |
| Net income | 3,277 | 3,233 |

(Quarterly Consolidated Statements of Comprehensive Income)

| | (Millions of yen) | |
|---|--|--|
| | Three months ended June 30, 2013 (From April 1, 2013, to June 30, 2013) | Three months ended June 30, 2014 (From April 1, 2014, to June 30, 2014) |
| Income before minority interests | 3,301 | 3,251 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | (383) | 175 |
| Foreign currency translation adjustment | 43 | 24 |
| Remeasurements of defined benefit plans, net of tax | — | 24 |
| Total other comprehensive income | (340) | 224 |
| Comprehensive income | 2,960 | 3,476 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of the parent | 2,937 | 3,457 |
| Comprehensive income attributable to minority interests | 23 | 18 |

(4) Segment Information**Three months ended June 30, 2013 (From April 1, 2013, to June 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 | 17,130 | 11,284 | 2,168 | 30,583 | 1,816 | 32,400 | — | 32,400 |
| Segment income (Operating income) | 4,108 | 1,647 | 110 | 5,866 | 337 | 6,203 | (799) | 5,404 |

(Note) The (799) 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.

Three months ended June 30, 2014 (From April 1, 2014, to June 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 | 16,171 | 12,372 | 2,076 | 30,619 | 1,586 | 32,206 | — | 32,206 |
| Segment income (Operating income) | 3,899 | 1,627 | (32) | 5,494 | 240 | 5,734 | (765) | 4,969 |

(Note) The (765) 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.