

**Translation**

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FY2016, the year ending March 31, 2017

**Flash Report on the Consolidated Results for the Third Quarter Ended  
December 31, 2016 [JGAAP]**

February 10, 2017

Company Name: **DAIICHIKOSHO CO., LTD.**  
 Stock Exchange Listing: Tokyo Stock Exchange  
 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: February 14, 2017  
 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 Nine Months Ended December 31, 2016 (From April 1, 2016, to December 31, 2016)

(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, 2016	105,639	(0.9)	15,931	1.9	17,656	5.6
Nine months ended December 31, 2015	106,645	7.6	15,629	3.0	16,719	0.0

	Net income attributable to owners of parent		Basic earnings per share	Fully diluted net income per share
	Millions of yen	%	Yen	Yen
Nine months ended December 31, 2016	9,053	(11.3)	157.41	157.30
Nine months ended December 31, 2015	10,201	1.4	176.62	176.56

(Note) Comprehensive income:

Nine months ended December 31, 2016: 12,217million yen 42.6 %  
 Nine months ended December 31, 2015: 8,569million yen (16.7)%

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of December 31, 2016	184,718	117,352	62.7
As of March 31, 2016	179,641	112,754	62.0

(Reference) Shareholders' equity:

As of December 31, 2016: 115,895million yen  
 As of March 31, 2016: 111,402million yen

## 2. Dividend

	Annual dividend				
	First Quarter	Second Quarter	Third Quarter	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2016	—	54.00	—	54.00	108.00
Year ending March 31, 2017	—	54.00	—		
Year ending March 31, 2017 (forecast)				54.00	108.00

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

## 3. Forecast Consolidated Performance for FY2016, the Year Ending March 31, 2017

(From April 1, 2016, to March 31, 2017)

(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, 2017 (full year)	142,200	0.6	19,000	(4.5)	20,400	(3.4)

	Net income attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Yen
Year ending March 31, 2017 (full year)	10,100	(19.8)	176.48

(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)	As of December 31, 2016	57,434,200 Shares	As of March 31, 2016	57,634,200 shares
2) Number of shares of treasury stock	As of December 31, 2016	203,168 Shares	As of March 31, 2016	3,070 shares
3) Average number of shares during the period	Nine months ended December 31, 2016	57,516,856 Shares	Nine months ended December 31, 2015	57,761,082 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)	
	FY2015 (As of March 31, 2016)	Current Third quarter (As of December 31, 2016)
<b>Assets</b>		
Current assets		
Cash and deposits	51,478	57,010
Notes and accounts receivable-trade	7,113	6,489
Securities	1,007	—
Inventories	6,243	6,485
Other	6,263	6,424
Allowance for doubtful accounts	(149)	(176)
Total current assets	71,956	76,234
Non-current assets		
Property, plant and equipment		
Karaoke equipment for rental, net	10,943	11,441
Karaoke cabin and restaurant facilities, net	19,112	19,478
Land	31,595	36,781
Other, net	5,995	7,278
Total property, plant and equipment	67,646	74,980
Intangible assets		
Goodwill	1,882	1,554
Other	5,971	5,763
Total intangible assets	7,853	7,317
Investments and other assets		
Investment securities	9,997	5,030
Lease and guarantee deposits	14,250	14,430
Other	7,972	6,760
Allowance for doubtful accounts	(36)	(35)
Total investments and other assets	32,184	26,186
Total non-current assets	107,684	108,484
Total assets	179,641	184,718

DAIICHIKOSHO CO., LTD.

	FY2015 (As of March 31, 2016)	(Millions of yen) Current Third quarter (As of December 31, 2016)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable-trade	4,048	4,519
Short-term loans payable	4,201	4,801
Current portion of bonds	—	3,500
Income taxes payable	3,237	1,519
Provision for bonuses	1,086	1,042
Other	11,145	11,770
<b>Total current liabilities</b>	<b>23,718</b>	<b>27,152</b>
<b>Non-current liabilities</b>		
Bonds payable	10,000	6,500
Long-term loans payable	23,362	23,638
Provision for directors' retirement benefits	1,263	1,030
Net defined benefit liability	5,398	5,737
Other	3,143	3,307
<b>Total non-current liabilities</b>	<b>43,168</b>	<b>40,213</b>
<b>Total liabilities</b>	<b>66,886</b>	<b>67,366</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	12,350	12,350
Capital surplus	4,001	4,003
Retained earnings	98,329	100,587
Treasury stock	(13)	(895)
<b>Total shareholders' equity</b>	<b>114,668</b>	<b>116,046</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	(2,074)	1,047
Revaluation reserve for land	(733)	(733)
Foreign currency translation adjustment	108	23
Remeasurements of defined benefits plans	(566)	(487)
<b>Total accumulated other comprehensive income</b>	<b>(3,265)</b>	<b>(150)</b>
Subscription rights to shares	81	155
Non-controlling interests	1,270	1,301
<b>Total net assets</b>	<b>112,754</b>	<b>117,352</b>
<b>Total liabilities and net assets</b>	<b>179,641</b>	<b>184,718</b>

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

	(Millions of yen)	
	Nine months ended December 31, 2015 (From April 1, 2015, to December 31, 2015)	Nine months ended December 31, 2016 (From April 1, 2016, to December 31, 2016)
Net sales	106,645	105,639
Cost of sales	65,151	64,491
Gross profit	41,493	41,147
Selling, general and administrative expenses	25,864	25,215
Operating income	15,629	15,931
Non-operating income		
Interest income	595	251
Cooperative monetary aid received	246	276
Foreign exchange gains	—	792
Other	786	788
Total non-operating income	1,629	2,109
Non-operating expenses		
Interest expenses	255	250
Foreign exchange losses	96	—
Other	186	134
Total non-operating expenses	539	384
Ordinary income	16,719	17,656
Extraordinary income		
Gain on sales of non-current assets	22	4
Gain on acquisition of non-current assets	—	370
Gain on sales of investment securities	—	4
Total extraordinary income	22	379
Extraordinary losses		
Loss on disposal of non-current assets	192	304
Impairment loss	248	126
Loss on sales of investment securities	—	8
Loss on valuation of investment securities	—	3,305
Total extraordinary losses	441	3,744
Income before income taxes and minority interests	16,300	14,291
Income taxes-current	6,041	5,086
Income taxes-deferred	14	101
Total income taxes	6,056	5,188
Net income	10,244	9,103
Net income attributable to non-controlling interests	43	49
Net income attributable to owners of parent	10,201	9,053

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

	(Millions of yen)	
	Nine months ended December 31, 2015 (From April 1, 2015, to December 31, 2015)	Nine months ended December 31, 2016 (From April 1, 2016, to December 31, 2016)
Net income	10,244	9,103
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,688)	3,121
Foreign currency translation adjustment	(55)	(85)
Remeasurements of defined benefit plans	69	78
Total other comprehensive income	(1,674)	(3,114)
Comprehensive income	8,569	12,217
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	8,526	12,168
Comprehensive income attributable to non-controlling interests	43	49

**(3) Segment Information****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.

**Nine months ended December 31, 2016 (From April 1, 2016, to December 31, 2016)**

(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	50,448	42,906	6,599	99,953	5,685	105,639	—	105,639
Segment income (Operating income)	11,428	5,754	28	17,211	1,132	18,344	(2,412)	15,931

(Note) The (2,412) 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  
(Revised Implementation Guidance on Recoverability of Deferred Tax Assets)

From the first quarter, the Company has applied the “Revised Implementation Guidance on Recoverability of Deferred Tax Assets” (Accounting Standards Board of Japan (ASBJ) Accounting Statement No.26 of March 28, 2016; hereinafter called the “Revised Implementation Guidance on Recoverability”), and has revised the part of accounting method regard to the recoverability of deferred tax assets.

For an application Revised Implementation Guidance on Recoverability, adhere to the transitional handling prescribed in the paragraph 49(4) of the Implementation Guidance on Recoverability, and the difference between the amount of deferred tax assets in case where has applied the paragraph 49(3)1to3 of the Implementation Guidance on Recoverability as of the beginning of the first quarter and the amount of deferred tax assets at the previous fiscal year-end has added to retained earnings at the beginning of the first quarter.

As a result, deferred tax assets included in Investments and other assets, and Retained earnings at the beginning of the first quarter increased by 228 million yen respectively.

(The change in depreciation method due to Tax Reform 2016)

Accompanying revised in Corporate Tax Law, has applied the "Practical Solution on a change in depreciation method due to Tax Reform 2016" (Practical Issues Task Force No.32 of June 17, 2016) from the first quarter.

Depreciation method pertaining to facilities attached to buildings and structures, which acquire on or after April 1, 2016, have changed to the straight - line method from the declining - balance method.

This change in accounting policy has minimal impact on profit and loss for the period under review.