

**Translation**

This report is a translation of excerpts from original Japanese Flash Report and for reference purpose only. In case of discrepancy between this report and original Japanese Flash Report, the later shall prevail.

FY2017, the year ending March 31, 2018

**Flash Report on the Consolidated Results for the Third Quarter Ended  
December 31, 2017 [JGAAP]**

February 22, 2018

Company Name: **DAIICHIKOSHO CO., LTD.**  
 Stock Exchange Listing: Tokyo Stock Exchange  
 Code Number: 7458  
 URL: <http://www.dkkaraoke.co.jp>  
 Representative: Tadahiro Hoshi, President  
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 Phone: +81-3-3280-2151  
 Scheduled Date to Submit the Quarterly Securities Report: February 14, 2018  
 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, 2017 (From April 1, 2017, to December 31, 2017)

(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, 2017	106,690	1.0	17,167	7.8	18,017	2.0
Nine months ended December 31, 2016	105,639	(0.9)	15,931	1.9	17,656	5.6

	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, 2017	11,478	26.8	201.19	201.01
Nine months ended December 31, 2016	9,053	(11.3)	157.41	157.30

(Note) Comprehensive income:

Nine months ended December 31, 2017: 12,076 million yen (1.2) %

Nine months ended December 31, 2016: 12,217 million yen 42.6 %

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of December 31, 2017	188,305	123,923	65.0
As of March 31, 2017	186,954	119,069	62.9

(Reference) Shareholders' equity:

As of December 31, 2017: 122,387 million yen

As of March 31, 2017: 117,574 million yen

2. Dividend

	Annual dividend				
	First Quarter	Second Quarter	Third Quarter	Year-end	Annual
Year ended March 31, 2017	Yen —	Yen 54.00	Yen —	Yen 55.00	Yen 109.00
Year ending March 31, 2018	—	55.00	—		
Year ending March 31, 2018 (forecast)				55.00	110.00

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

3. Forecast Consolidated Performance for FY2017, the Year Ending March 31, 2018 (From April 1, 2017, to March 31, 2018)

(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, 2018 (full year)	141,200	0.4	20,800	0.5	21,300	(5.5)

	Net income attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Yen
Year ending March 31, 2018 (full year)	13,100	17.9	229.95

(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 in 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: None
  - 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 shares)
- 2) Number of shares of treasury shares
- 3) Average number of shares during the period

As of December 31, 2017	57,234,200 shares	As of March 31, 2017	57,434,200 shares
As of December 31, 2017	266,168 shares	As of March 31, 2017	303,168 shares
Nine months ended December 31, 2017	57,051,628 shares	Nine months ended December 31, 2016	57,516,856 shares

\* These consolidated financial results are outside the scope of quarterly review.

\* 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 and Primary Notes

### (1) Quarterly Consolidated Balance Sheets

	FY2016 (As of March 31, 2017)	(Millions of yen) Current Third quarter (As of December 31, 2017)
<b>Assets</b>		
Current assets		
Cash and deposits	62,019	51,660
Notes and accounts receivable-trade	6,792	6,170
Securities	—	3,718
Inventories	6,158	6,678
Other	5,884	6,533
Allowance for doubtful accounts	(181)	(166)
Total current assets	80,673	74,595
Non-current assets		
Property, plant and equipment		
Karaoke equipment for rental, net	10,708	10,600
Karaoke cabin and restaurant facilities, net	18,456	19,950
Land	36,714	38,014
Other, net	7,273	8,445
Total property, plant and equipment	73,153	77,010
Intangible assets		
Goodwill	1,321	4,419
Other	5,807	5,934
Total intangible assets	7,129	10,353
Investments and other assets		
Investment securities	4,959	5,558
Lease and guarantee deposits	14,267	14,181
Other	6,808	6,683
Allowance for doubtful accounts	(37)	(78)
Total investments and other assets	25,998	26,345
Total non-current assets	106,280	113,709
Total assets	186,954	188,305

DAIICHIKOSHO CO., LTD.

(Millions of yen)

	FY2016 (As of March 31, 2017)	Current Third quarter (As of December 31, 2017)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	3,343	4,708
Short-term loans payable	14,163	14,472
Current portion of bonds	3,500	—
Income taxes payable	3,206	2,887
Provision for bonuses	1,096	1,079
Other	12,881	11,531
Total current liabilities	38,191	34,680
Non-current liabilities		
Bonds payable	6,500	6,500
Long-term loans payable	13,268	12,933
Provision for directors' retirement benefits	1,053	1,009
Net defined benefit liability	5,775	6,086
Other	3,096	3,173
Total non-current liabilities	29,693	29,702
Total liabilities	67,884	64,382
<b>Net assets</b>		
Shareholders' equity		
Capital stock	12,350	12,350
Capital surplus	4,003	4,003
Retained earnings	102,649	106,852
Treasury shares	(1,368)	(1,308)
Total shareholders' equity	117,634	121,897
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,033	1,459
Revaluation reserve for land	(733)	(733)
Foreign currency translation adjustment	80	127
Remeasurements of defined benefits plans	(440)	(363)
Total accumulated other comprehensive income	(60)	489
Subscription rights to shares	178	182
Non-controlling interests	1,316	1,352
Total net assets	119,069	123,923
Total liabilities and net assets	186,954	188,305

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

	(Millions of yen)	
	Nine months ended December 31, 2016 (From April 1, 2016, to December 31, 2016)	Nine months ended December 31, 2017 (From April 1, 2017, to December 31, 2017)
Net sales	105,639	106,690
Cost of sales	64,491	64,233
Gross profit	41,147	42,457
Selling, general and administrative expenses	25,215	25,289
Operating income	15,931	17,167
Non-operating income		
Interest income	251	43
Cooperative monetary aid received	276	261
Foreign exchange gains	792	228
Other	788	750
Total non-operating income	2,109	1,283
Non-operating expenses		
Interest expenses	250	239
Other	134	193
Total non-operating expenses	384	432
Ordinary income	17,656	18,017
Extraordinary income		
Gain on sales of non-current assets	4	100
Gain on acquisition of non-current assets	370	24
Gain on sales of investment securities	4	0
Total extraordinary income	379	124
Extraordinary losses		
Loss on disposal of non-current assets	304	225
Impairment loss	126	151
Loss on sales of investment securities	8	—
Loss on valuation of investment securities	3,305	—
Total extraordinary losses	3,744	376
Income before income taxes	14,291	17,765
Income taxes-current	5,086	5,995
Income taxes-deferred	101	243
Total income taxes	5,188	6,239
Net income	9,103	11,525
Net income attributable to non-controlling interests	49	47
Net income attributable to owners of parent	9,053	11,478

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

	(Millions of yen)	
	Nine months ended December 31, 2016 (From April 1, 2016, to December 31, 2016)	Nine months ended December 31, 2017 (From April 1, 2017, to December 31, 2017)
Net income	9,103	11,525
Other comprehensive income		
Valuation difference on available-for-sale securities	3,121	425
Foreign currency translation adjustment	(85)	47
Remeasurements of defined benefit plans	78	77
Total other comprehensive income	3,114	550
Comprehensive income	12,217	12,076
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	12,168	12,028
Comprehensive income attributable to non-controlling interests	49	47

## Notes to the Quarterly Consolidated Financial Statements

## (Segment Information)

## 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 by the administrative department at the head office that are not attributable to any particular reportable segment.

## Nine months ended December 31, 2017 (From April 1, 2017, to December 31, 2017)

(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	48,995	45,723	5,907	100,627	6,063	106,690	—	106,690
Segment income or Segment loss (Operating income or Operating loss)	11,678	6,435	(23)	18,090	1,227	19,317	(2,149)	17,167

Note: The (2,149) million yen adjustment posted to segment income or segment loss is primarily composed of general and administrative expenses incurred by the administrative department at the head office that are not attributable to any particular reportable segment.