

**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 latter shall prevail.

FY2018, the year ending March 31, 2019

## Flash Report on the Consolidated Results for the Third Quarter Ended December 31, 2018 [JGAAP]

February 22, 2019

Company Name: **DAIICHIKOSHO CO., LTD.**  
 Stock Exchange Listing: Tokyo Stock Exchange  
 Code Number: 7458  
 URL: <https://www.dkkaraoke.co.jp>  
 Representative: Tadahiro Hoshi, President  
 Contact: Yasuhisa Nishihara,  
 Corporate Officer and General Manager, Accounting Department  
 Phone: +81-3-3280-2151  
 Date to Submit the Quarterly Securities Report: February 14, 2019  
 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, 2018 (From April 1, 2018, to December 31, 2018)

#### (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, 2018	107,911	1.1	16,704	(2.7)	17,707	(1.7)
Nine months ended December 31, 2017	106,690	1.0	17,167	7.8	18,017	2.0

	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, 2018	14,878	29.6	261.43	261.12
Nine months ended December 31, 2017	11,478	26.8	201.19	201.01

(Note) Comprehensive income:

Nine months ended December 31, 2018: 14,274 million yen 18.2 %

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

#### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of December 31, 2018	186,206	131,633	69.8
As of March 31, 2018	180,190	125,356	68.7

(Reference) Shareholders' equity:

As of December 31, 2018: 129,961 million yen

As of March 31, 2018: 123,792 million yen

2. Dividend

	Annual dividend				
	First Quarter	Second Quarter	Third Quarter	Year-end	Annual
Year ended March 31, 2018	Yen —	Yen 55.00	Yen —	Yen 56.00	Yen 111.00
Year ending March 31, 2019	—	56.00	—		
Year ending March 31, 2019 (forecast)				56.00	112.00

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

3. Forecast Consolidated Performance for FY2018, the Year Ending March 31, 2019 (From April 1, 2018, to March 31, 2019)

(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, 2019 (full year)	142,500	0.8	20,000	(5.2)	21,300	(2.6)

	Net income attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Yen
Year ending March 31, 2019 (full year)	16,000	22.0	282.42

(Note) Changes in forecast of consolidated performance from most recently announced figures: Yes

## \*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, 2018	57,234,200 shares	As of March 31, 2018	57,234,200 shares
As of December 31, 2018	580,262 shares	As of March 31, 2018	266,228 shares
Nine months ended December 31, 2018	56,910,852 shares	Nine months ended December 31, 2017	57,051,628 shares

\* These consolidated financial results are outside the scope of quarterly review by Certified Public Accountants or auditing corporations.

\* 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

	FY2017 (As of March 31, 2018)	(Millions of yen) Current Third quarter (As of December 31, 2018)
<b>Assets</b>		
Current assets		
Cash and deposits	45,538	55,161
Notes and accounts receivable - trade	5,132	5,963
Securities	4,969	—
Inventories	6,252	6,649
Other	5,660	6,644
Allowance for doubtful accounts	(175)	(146)
Total current assets	67,378	74,273
Non-current assets		
Property, plant and equipment		
Karaoke equipment for rental, net	9,794	9,267
Karaoke cabin and restaurant facilities, net	19,299	19,266
Land	38,053	37,108
Other, net	8,258	8,209
Total property, plant and equipment	75,405	73,852
Intangible assets		
Goodwill	4,065	3,568
Other	6,198	6,723
Total intangible assets	10,263	10,291
Investments and other assets		
Investment securities	5,288	4,539
Lease and guarantee deposits	14,263	15,283
Other	7,656	8,039
Allowance for doubtful accounts	(65)	(73)
Total investments and other assets	27,142	27,788
Total non-current assets	112,812	111,933
Total assets	180,190	186,206

## DAIICHIKOSHO CO., LTD.

	FY2017 (As of March 31, 2018)	(Millions of yen) Current Third quarter (As of December 31, 2018)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	3,421	4,035
Short-term loans payable	4,015	4,055
Current portion of bonds	—	6,500
Income taxes payable	4,652	4,139
Provision for bonuses	1,128	1,078
Other	12,146	11,756
<b>Total current liabilities</b>	<b>25,365</b>	<b>31,565</b>
Non-current liabilities		
Bonds payable	6,500	—
Long-term loans payable	12,587	12,108
Provision for directors' retirement benefits	1,047	866
Net defined benefit liability	6,176	6,546
Other	3,157	3,487
<b>Total non-current liabilities</b>	<b>29,469</b>	<b>23,007</b>
<b>Total liabilities</b>	<b>54,834</b>	<b>54,573</b>
<b>Net assets</b>		
Shareholders' equity		
Capital stock	12,350	12,350
Capital surplus	4,003	4,003
Retained earnings	108,489	116,986
Treasury shares	(1,309)	(2,986)
<b>Total shareholders' equity</b>	<b>123,534</b>	<b>130,354</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,261	561
Revaluation reserve for land	(733)	(733)
Foreign currency translation adjustment	87	65
Remeasurements of defined benefit plans	(356)	(286)
<b>Total accumulated other comprehensive income</b>	<b>258</b>	<b>(393)</b>
Share acquisition rights	203	276
Non-controlling interests	1,359	1,395
<b>Total net assets</b>	<b>125,356</b>	<b>131,633</b>
<b>Total liabilities and net assets</b>	<b>180,190</b>	<b>186,206</b>

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

	(Millions of yen)	
	Nine months ended December 31, 2017 (From April 1, 2017, to December 31, 2017)	Nine months ended December 31, 2018 (From April 1, 2018, to December 31, 2018)
Net sales	106,690	107,911
Cost of sales	64,233	65,563
Gross profit	42,457	42,347
Selling, general and administrative expenses	25,289	25,643
Operating income	17,167	16,704
Non-operating income		
Interest income	43	42
Cooperative monetary aid received	261	288
Foreign exchange gains	228	216
Other	750	764
Total non-operating income	1,283	1,312
Non-operating expenses		
Interest expenses	239	121
Cancellation penalty	30	78
Other	163	109
Total non-operating expenses	432	308
Ordinary income	18,017	17,707
Extraordinary income		
Gain on sales of non-current assets	100	5,220
Gain on acquisition of non-current assets	24	—
Gain on sales of investment securities	0	61
Total extraordinary income	124	5,281
Extraordinary losses		
Loss on disposal of non-current assets	225	172
Impairment loss	151	16
Total extraordinary losses	376	188
Income before income taxes	17,765	22,801
Income taxes - current	5,995	7,765
Income taxes - deferred	243	109
Total income taxes	6,239	7,874
Net income	11,525	14,926
Net income attributable to non-controlling interests	47	48
Net income attributable to owners of parent	11,478	14,878

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

	(Millions of yen)	
	Nine months ended December 31, 2017 (From April 1, 2017, to December 31, 2017)	Nine months ended December 31, 2018 (From April 1, 2018, to December 31, 2018)
Net income	11,525	14,926
Other comprehensive income		
Valuation difference on available-for-sale securities	425	(699)
Foreign currency translation adjustment	47	(22)
Remeasurements of defined benefit plans, net of tax	77	70
Total other comprehensive income	550	(652)
Comprehensive income	12,076	14,274
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	12,028	14,226
Comprehensive income attributable to non-controlling interests	47	48

**Notes to the Quarterly Consolidated Financial Statements****(Segment Information)****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.

**Nine months ended December 31, 2018 (From April 1, 2018, to December 31, 2018)**

(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	48,093	47,703	5,611	101,408	6,502	107,911	—	107,911
Segment income or Segment loss (Operating income or Operating loss)	11,157	6,439	(74)	17,522	1,266	18,789	(2,084)	16,704

Note: The (2,084) 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.