

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.

FY2019, the year ending March 31, 2020

Flash Report on the Consolidated Results for the Third Quarter Ended December 31, 2019 [JGAAP]

February 20, 2020

Company Name: **DAIICHIKOSHO CO., LTD.**
 Stock Exchange Listing: Tokyo Stock Exchange
 Code Number: 7458
 URL: <https://www.dkkaraoke.co.jp>
 Representative: Tadahiro Hoshi, President
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 Date to Submit the Quarterly Securities Report: February 13, 2020
 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, 2019 (From April 1, 2019, to December 31, 2019)

(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, 2019	111,832	3.6	16,484	(1.3)	17,397	(1.8)
Nine months ended December 31, 2018	107,911	1.1	16,704	(2.7)	17,707	(1.7)

	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, 2019	11,580	(22.2)	204.42	204.15
Nine months ended December 31, 2018	14,878	29.6	261.43	261.12

(Note) Comprehensive income:

Nine months ended December 31, 2019: 11,688 million yen (18.1) %

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

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of December 31, 2019	184,431	136,995	73.3
As of March 31, 2019	188,814	132,636	69.3

(Reference) Shareholders' equity:

As of December 31, 2019: 135,242 million yen

As of March 31, 2019: 130,915 million yen

2. Dividend

	Annual dividend				
	First Quarter	Second Quarter	Third Quarter	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2019	—	56.00	—	56.00	112.00
Year ending March 31, 2020	—	56.00	—		
Year ending March 31, 2020 (forecast)				57.00	113.00

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

3. Forecast Consolidated Performance for FY2019, the Year Ending March 31, 2020 (From April 1, 2019, to March 31, 2020)

(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, 2020 (full year)	145,900	1.4	20,200	2.7	21,200	1.5

	Net income attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Yen
Year ending March 31, 2020 (full year)	13,100	(16.0)	231.92

(Note) Changes in forecast of consolidated performance 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, 2019	57,234,200 shares	As of March 31, 2019	57,234,200 shares
As of December 31, 2019	748,662 shares	As of March 31, 2019	580,290 shares
Nine months ended December 31, 2019	56,648,852 shares	Nine months ended December 31, 2018	56,910,852 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

	(Millions of yen)	
	FY2018 (As of March 31, 2019)	Current Third quarter (As of December 31, 2019)
Assets		
Current assets		
Cash and deposits	57,182	47,570
Notes and accounts receivable - trade	5,205	7,306
Inventories	5,464	7,390
Other	6,762	5,803
Allowance for doubtful accounts	(133)	(142)
Total current assets	74,482	67,928
Non-current assets		
Property, plant and equipment		
Karaoke equipment for rental, net	9,108	9,585
Karaoke cabin and restaurant facilities, net	19,462	20,832
Land	39,794	39,794
Other, net	7,249	7,594
Total property, plant and equipment	75,614	77,806
Intangible assets		
Goodwill	3,407	3,054
Other	6,944	7,312
Total intangible assets	10,351	10,366
Investments and other assets		
Investment securities	4,849	4,427
Leasehold and guarantee deposits	14,976	15,458
Other	8,612	8,515
Allowance for doubtful accounts	(71)	(70)
Total investments and other assets	28,366	28,330
Total non-current assets	114,332	116,503
Total assets	188,814	184,431

(Millions of yen)

	FY2018 (As of March 31, 2019)	Current Third quarter (As of December 31, 2019)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	3,469	6,926
Short-term borrowings	3,264	3,223
Current portion of bonds	6,500	—
Income taxes payable	6,030	1,059
Provision for bonuses	1,156	1,103
Other	12,689	12,148
Total current liabilities	33,111	24,462
Non-current liabilities		
Long-term borrowings	11,890	11,271
Provision for retirement benefits for directors (and other officers)	909	901
Retirement benefit liability	6,670	7,037
Other	3,595	3,763
Total non-current liabilities	23,066	22,973
Total liabilities	56,178	47,436
Net assets		
Shareholders' equity		
Share capital	12,350	12,350
Capital surplus	4,003	4,003
Retained earnings	117,709	122,915
Treasury shares	(2,986)	(3,911)
Total shareholders' equity	131,077	135,357
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	814	835
Revaluation reserve for land	(733)	(733)
Foreign currency translation adjustment	47	(5)
Remeasurements of defined benefit plans	(289)	(211)
Total accumulated other comprehensive income	(161)	(115)
Share acquisition rights	302	287
Non-controlling interests	1,417	1,465
Total net assets	132,636	136,995
Total liabilities and net assets	188,814	184,431

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

	(Millions of yen)	
	Nine months ended December 31, 2018 (From April 1, 2018, to December 31, 2018)	Nine months ended December 31, 2019 (From April 1, 2019, to December 31, 2019)
Net sales	107,911	111,832
Cost of sales	65,563	69,219
Gross profit	42,347	42,613
Selling, general and administrative expenses	25,643	26,129
Operating income	16,704	16,484
Non-operating income		
Interest income	42	24
Cooperative monetary aid received	288	294
Foreign exchange gains	216	—
Other	764	795
Total non-operating income	1,312	1,114
Non-operating expenses		
Interest expenses	121	90
Foreign exchange losses	—	14
Cancellation penalty	78	1
Other	109	94
Total non-operating expenses	308	201
Ordinary income	17,707	17,397
Extraordinary income		
Gain on sales of non-current assets	5,220	0
Gain on sales of investment securities	61	39
Total extraordinary income	5,281	40
Extraordinary losses		
Loss on disposal of non-current assets	172	135
Impairment loss	16	76
Loss on sales of investment securities	—	96
Loss on valuation of investment securities	—	130
Total extraordinary losses	188	439
Income before income taxes	22,801	16,998
Income taxes - current	7,765	5,093
Income taxes - deferred	109	262
Total income taxes	7,874	5,355
Net income	14,926	11,642
Net income attributable to non-controlling interests	48	62
Net income attributable to owners of parent	14,878	11,580

(Quarterly Consolidated Statements of Comprehensive Income)

	(Millions of yen)	
	Nine months ended December 31, 2018 (From April 1, 2018, to December 31, 2018)	Nine months ended December 31, 2019 (From April 1, 2019, to December 31, 2019)
Net income	14,926	11,642
Other comprehensive income		
Valuation difference on available-for-sale securities	(699)	20
Foreign currency translation adjustment	(22)	(52)
Remeasurements of defined benefit plans, net of tax	70	77
Total other comprehensive income	(652)	46
Comprehensive income	14,274	11,688
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	14,226	11,626
Comprehensive income attributable to non-controlling interests	48	62

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

Nine months ended December 31, 2019 (From April 1, 2019, to December 31, 2019)

(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	49,645	49,308	5,779	104,733	7,099	111,832	—	111,832
Segment income (Operating income)	11,107	6,079	125	17,311	1,199	18,511	(2,026)	16,484

Note: The (2,026) 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.