

FY2016, the year ending March 31, 2017

**Flash Report on the Consolidated Results for the Second Quarter Ended  
September 30, 2016 [JGAAP]**

November 7, 2016

Company Name: **DAIICHIKOSHO CO., LTD.**  
 Stock Exchange Listing: Tokyo Stock Exchange  
 Code Number: 7458  
 URL: <http://www.dkkaraoke.co.jp>  
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 Scheduled Date to Submit the Quarterly Securities Report: November 11, 2016  
 Start Date for Dividend Payment: December 5, 2016  
 Availability of Supplementary Briefing Material on Quarterly Financial Results: Available  
 Schedule of Quarterly Financial Results Briefing Session: None

(Amounts below one million yen are truncated.)

1. Consolidated Performance for the Six months Ended September 30, 2016 (From April 1, 2016, to September 30, 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	%
Six months ended September 30, 2016	68,821	(2.2)	9,739	(1.7)	10,012	(6.7)
Six months ended September 30, 2015	70,362	8.2	9,910	2.3	10,727	(0.6)

	Net income attributable to owners of parent		Basic earnings per share	Fully diluted net income per share
	Millions of yen	%	Yen	Yen
Six months ended September 30, 2016	4,203	(35.0)	72.98	72.94
Six months ended September 30, 2015	6,467	(0.4)	111.85	111.82

(Note) Comprehensive income:

Six months ended September 30, 2016: 6,759million yen 68.4 %  
 Six months ended September 30, 2015: 4,013million yen (35.8) %

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2016	182,659	115,858	62.6
As of March 31, 2016	179,641	112,754	62.0

(Reference) Shareholders' equity:

As of September 30, 2016: 114,429 million yen  
 As of March 31, 2016: 111,402 million yen

## 2. Dividend

	Annual dividend				
	First Quarter	Second Quarter	Third Quarter	Year-end	Annual
Year ended March 31, 2016	—	Yen 54.00	—	Yen 54.00	Yen 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 owner of parent		Basic earnings per share
	Millions of yen	%	Yen
Year ending March 31, 2017 (full year)	10,100	(19.8)	175.86

(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 September 30, 2016	57,434,200 shares	As of March 31, 2016	57,634,200 shares
2) Number of shares of treasury stock	As of September 30, 2016	3,102 shares	As of March 31, 2016	3,070 Shares
3) Average number of shares during the period	Six months ended September 30, 2016	57,596,885 shares	Six months ended September 30, 2015	57,826,375 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

	FY2016 (As of March 31, 2016)	Current Second quarter (As of September 30, 2016)
(Millions of yen)		
<b>Assets</b>		
Current assets		
Cash and deposits	51,478	47,925
Notes and accounts receivable-trade	7,113	6,175
Securities	1,007	7,055
Inventories	6,243	6,784
Other	6,263	7,002
Allowance for doubtful accounts	(149)	(159)
Total current assets	71,956	74,783
Non-current assets		
Property, plant and equipment		
Karaoke equipment for rental, net	10,943	11,433
Karaoke cabin and restaurant facilities, net	19,112	19,065
Land	31,595	36,781
Other, net	5,995	7,146
Total property, plant and equipment	67,646	74,426
Intangible assets		
Goodwill	1,882	1,663
Other	5,971	5,855
Total intangible assets	7,853	7,519
Investments and other assets		
Investment securities	9,997	4,337
Lease and guarantee deposits	14,250	14,542
Other	7,972	7,086
Allowance for doubtful accounts	(36)	(35)
Total investments and other assets	32,184	25,930
Total non-current assets	107,684	107,876
Total assets	179,641	182,659

DAIICHIKOSHO CO., LTD.

(Millions of yen)

	FY2016 (As of March 31, 2016)	Current Second quarter (As of September 30, 2016)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable-trade	4,048	4,371
Short-term loans payable	4,201	4,384
Current portion of bonds	-	3,500
Income taxes payable	3,237	2,887
Provision for bonuses	1,086	1,565
Other	11,145	10,212
<b>Total current liabilities</b>	<b>23,718</b>	<b>26,920</b>
<b>Non-current liabilities</b>		
Bonds payable	10,000	6,500
Long-term loans payable	23,362	23,554
Provision for directors' retirement benefits	1,263	982
Net defined benefit liability	5,398	5,615
Other	3,143	3,227
<b>Total non-current liabilities</b>	<b>43,168</b>	<b>39,879</b>
<b>Total liabilities</b>	<b>66,886</b>	<b>66,800</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	12,350	12,350
Capital surplus	4,001	4,001
Retained earnings	98,329	98,838
Treasury stock	(13)	(12)
<b>Total shareholders' equity</b>	<b>114,668</b>	<b>115,177</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	(2,074)	509
Revaluation reserve for land	(733)	(733)
Foreign currency translation adjustment	108	(9)
Remeasurements of defined benefits plans	(566)	(513)
<b>Total accumulated other comprehensive income</b>	<b>(3,265)</b>	<b>(748)</b>
Subscription rights to shares	81	132
Non-controlling interests	1,270	1,297
<b>Total net assets</b>	<b>112,754</b>	<b>115,858</b>
<b>Total liabilities and net assets</b>	<b>179,641</b>	<b>182,659</b>

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

	(Millions of yen)	
	Six months ended September 30, 2015 (From April 1, 2015 to September 30, 2015)	Six months ended September 30, 2016 (From April 1, 2016 to September 30, 2016)
Net sales	70,362	68,821
Cost of sales	43,190	42,237
Gross profit	27,172	26,583
Selling, general and administrative expenses	17,261	16,844
Operating income	9,910	9,739
Non-operating income		
Interest income	411	231
Cooperative monetary aid received	165	196
Other	586	418
Total non-operating income	1,164	846
Non-operating expenses		
Interest expenses	170	166
Foreign exchange losses	50	320
Other	127	85
Total non-operating expenses	347	573
Ordinary income	10,727	10,012
Extraordinary income		
Gain on sales of non-current assets	8	4
Gain on acquisition of non-current assets	-	350
Gain on sales of investment securities	-	4
Total extraordinary income	8	360
Extraordinary loss		
Loss on disposal of non-current assets	160	148
Impairment loss	208	24
Loss on sales of investment securities	-	8
Loss on valuation of investment securities	-	3,305
Total extraordinary losses	368	3,487
Income before income taxes and minority interests	10,367	6,885
Income taxes-current	4,233	2,857
Income taxes-deferred	(367)	(214)
Total income taxes	3,866	2,642
Net income	6,500	4,242
Net income attributable to non-controlling interests	32	39
Net income attributable to owners of parent	6,467	4,203

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

	(Millions of yen)	
	Six months ended September 30, 2015 (From April 1, 2015 to September 30, 2015)	Six months ended September 30, 2016 (From April 1, 2016 to September 30, 2016)
Net income	6,500	4,242
Other comprehensive income		
Valuation difference on available-for-sale securities	(2,473)	2,583
Foreign currency translation adjustment	(59)	(118)
Remeasurements of defined benefit plans, net of tax	46	52
Total other comprehensive income	(2,486)	2,517
Comprehensive income	4,013	6,759
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	3,981	6,720
Comprehensive income attributable to minority interests	32	39

**(3) Quarterly Consolidated Statements of Cash Flows**

(Millions of yen)

	Six months ended September 30, 2015 (From April 1, 2015 to September 30, 2015)	Six months ended September 30, 2016 (From April 1, 2016 to September 30, 2016)
<b>Cash flows from operating activities</b>		
Income before income taxes and minority interests	10,367	6,885
Depreciation	7,429	7,831
Impairment loss	208	24
Increase (decrease) in provision for bonuses	471	478
Increase (decrease) in provision for directors' retirement benefits	(1,242)	(281)
Interest and dividend income	(488)	(309)
Interest expenses	170	166
Foreign exchange losses (gains)	(5)	308
Gain on acquisition of non-current assets	-	(350)
Loss (gain) on sales of investment securities	-	4
Loss (gain) on valuation of investment securities	-	3,305
Loss (gain) on disposal of non-current assets	151	143
Decrease (increase) in notes and accounts receivable-trade	963	917
Decrease (increase) in inventories	583	(584)
Transfer of cost of sales on karaoke equipment for rental	83	68
Increase (decrease) in notes and accounts payable-trade	800	351
Increase (decrease) in accounts payable-other	(1,399)	(219)
Other, net	(925)	(986)
Subtotal	17,167	17,756
Interest and dividend income received	525	444
Interest expenses paid	(171)	(118)
Income taxes paid	(5,049)	(3,271)
Net cash provided by (used in) operating activities	12,472	14,811
<b>Cash flows from investing activities</b>		
Increase in time and saving deposits	(417)	(367)
Proceeds from decrease in time and saving deposits	56	53
Purchase of property, plant and equipment	(10,014)	(11,859)
Proceeds from sales of property, plant and equipment	23	12
Purchase of intangible assets	(1,700)	(1,812)
Payments for acquisition of video licenses	(1,421)	(870)
Proceeds from sales of investment securities	-	6,135
Payments for transfer of business	(1,577)	-
Payments of loans receivable	(299)	(171)
Collection of loans receivable	336	274
Payments for lease and guarantee deposits	(365)	(333)
Proceeds from collection of lease and guarantee deposits	251	279
Other, net	(190)	(7)
Net cash provided by (used in) investing activities	(15,320)	(8,667)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term loans payable	350	130
Proceeds from long-term loans payable	1,460	1,485
Repayments of long-term loans payable	(1,285)	(1,240)
Cash dividends paid	(2,901)	(3,111)
Purchase of treasury shares	(1,700)	(810)
Other, net	(23)	(23)
Net cash provided by (used in) financing activities	(4,100)	(3,569)
Effect of exchange rate change on cash and cash equivalents	(46)	(394)
Net increase (decrease) in cash and cash equivalents	(6,996)	2,179
Cash and cash equivalents at beginning of period	60,007	52,247
Cash and cash equivalents at end of period	53,011	54,426

**(4) Segment Information****Six months ended September 30, 2015 (From April 1, 2015, to September 30, 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	35,247	27,348	4,325	66,921	3,441	70,362	—	70,362
Segment income or Segment loss (Operating income or Operating loss)	7,941	2,757	(24)	10,673	735	11,408	(1,498)	9,910

(Note) The (1,498) 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.

**Six months ended September 30, 2016 (From April 1, 2016, to September 30, 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	33,521	27,083	4,490	65,095	3,726	68,821	—	68,821
Segment income (Operating income)	7,721	2,824	76	10,622	778	11,400	(1,661)	9,739

(Note) The (1,661) 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  
(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.