

FY2015, the year ending March 31, 2016

Flash Report on the Consolidated Results for the First Quarter Ended June 30, 2015 [JGAAP]

August 7, 2015

Company Name: **DAIICHIKOSHO CO., LTD.**
 Stock Exchange Listing: Tokyo (JASDAQ)
 Code Number: 7458
 URL: <http://www.dkkaraoke.co.jp>
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 Scheduled Date to Submit the Quarterly Securities Report: August 12, 2015
 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 First Quarter Ended June 30, 2015 (From April 1, 2015, to June 30, 2015)

(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	%
Three months ended June 30, 2015	35,282	9.6	5,021	1.0	5,465	(0.3)
Three months ended June 30, 2014	32,206	(0.6)	4,969	(8.0)	5,481	(5.2)

	Net income attributable to owners of parent		Basic earnings per share	Fully diluted earnings per share
	Millions of yen	%	Yen	Yen
Three months ended June 30, 2015	3,206	(0.8)	55.33	—
Three months ended June 30, 2014	3,233	(1.3)	55.58	—

(Note) Comprehensive income:

Three months ended June 30, 2015: 3,731 million yen 7.3%

Three months ended June 30, 2014: 3,476 million yen 17.4%

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2015	177,532	110,235	61.4
As of March 31, 2015	180,312	110,264	60.5

(Reference) Shareholders' equity:

As of June 30, 2015: 109,012 million yen

As of March 31, 2015: 109,049 million yen

2. Dividend

	Annual dividend				
	First Quarter	Second Quarter	Third Quarter	Year-end	Annual
Year ended March 31, 2015	—	Yen 50.00	—	Yen 50.00	Yen 100.00
Year ending March 31, 2016	—				
Year ending March 31, 2016 (forecast)		50.00	—	50.00	100.00

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

3. Forecast Consolidated Performance for FY2015, the Year Ending March 31, 2016
(From April 1, 2015, to March 31, 2016)

(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 ending September 30, 2015	70,100	7.8	9,800	1.2	10,800	0.1
Year ending March 31, 2016 (full year)	142,500	7.1	20,700	8.7	22,500	6.7

	Net income attributable to owners of parent		Basic earnings per share	
	Millions of yen	%	Yen	
Six months ending September 30, 2015	6,500	0.1	112.42	
Year ending March 31, 2016 (full year)	13,300	(2.6)	230.03	

(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 June 30, 2015	58,025,000 shares	As of March 31, 2015	58,025,000 shares
2) Number of shares of treasury stock	As of June 30, 2015	207,609 shares	As of March 31, 2015	2,879 shares
3) Average number of shares during the period	Three months ended June 30, 2015	57,958,289 shares	Three months ended June 30, 2014	58,166,196 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)	
	FY2014 (As of March 31, 2015)	Current First quarter (As of June 30, 2015)
Assets		
Current assets		
Cash and deposits	59,747	50,683
Notes and accounts receivable-trade	7,016	6,580
Inventories	6,933	6,160
Other	6,363	8,169
Allowance for doubtful accounts	(139)	(131)
Total current assets	79,920	71,462
Noncurrent assets		
Property, plant and equipment		
Karaoke equipment for rental, net	9,262	10,764
Karaoke cabin and restaurant facilities, net	17,236	18,290
Land	26,339	27,549
Other, net	5,554	6,122
Total property, plant and equipment	58,393	62,727
Intangible assets		
Goodwill	1,235	2,211
Other	6,350	6,101
Total intangible assets	7,585	8,312
Investments and other assets		
Investment securities	13,263	13,967
Lease and guarantee deposits	14,392	14,524
Other	6,844	6,624
Allowance for doubtful accounts	(87)	(85)
Total investments and other assets	34,413	35,030
Total noncurrent assets	100,392	106,070
Total assets	180,312	177,532

DAIICHIKOSHO CO., LTD.

(Millions of yen)

	FY2014 (As of March 31, 2015)	Current First quarter (As of June 30, 2015)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	4,723	5,150
Short-term loans payable	3,949	4,564
Income taxes payable	5,007	1,930
Provision for bonuses	1,063	539
Other	12,702	12,500
Total current liabilities	27,446	24,686
Noncurrent liabilities		
Bonds payable	10,000	10,000
Long-term loans payable	23,161	23,435
Provision for directors' retirement benefits	2,426	1,133
Liabilities for retirement benefits	4,780	4,896
Other	2,233	3,144
Total noncurrent liabilities	42,602	42,610
Total liabilities	70,048	67,296
Net assets		
Shareholders' equity		
Capital stock	12,350	12,350
Capital surplus	4,001	4,001
Retained earnings	93,439	93,745
Treasury stock	△8	△856
Total shareholders' equity	109,782	109,241
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	318	795
Revaluation reserve for land	△733	△733
Foreign currency translation adjustment	210	214
Remeasurements of defined benefits plans	△528	△505
Total accumulated other comprehensive income	△733	△228
Non-controlling interests	1,215	1,223
Total net assets	110,264	110,235
Total liabilities and net assets	180,312	177,532

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

	(Millions of yen)	
	Three months ended June 30, 2014 (From April 1, 2014, to June 30, 2014)	Three months ended June 30, 2015 (From April 1, 2015, to June 30, 2015)
Net sales	32,206	35,282
Cost of sales	18,747	21,539
Gross profit	13,459	13,742
Selling, general and administrative expenses	8,489	8,721
Operating income	4,969	5,021
Non-operating income		
Interest income	263	218
Other	377	384
Total non-operating income	640	603
Non-operating expenses		
Interest expenses	69	84
Other	59	74
Total non-operating expenses	128	158
Ordinary income	5,481	5,465
Extraordinary income		
Gain on sales of noncurrent assets	11	2
Gain on sales of investment securities	36	-
Total extraordinary income	48	2
Extraordinary loss		
Loss on disposal of noncurrent assets	84	21
Impairment loss	0	137
Total extraordinary losses	84	158
Income before income taxes and minority interests	5,445	5,309
Income taxes-current	2,504	2,067
Income taxes-deferred	△310	16
Total income taxes	2,193	2,083
Net income	3,251	3,226
Net income attributable to non-controlling interests	18	19
Net income attributable to owners of parent	3,233	3,206

(Quarterly Consolidated Statements of Comprehensive Income)

	(Millions of yen)	
	Three months ended June 30, 2014 (From April 1, 2014, to June 30, 2014)	Three months ended June 30, 2015 (From April 1, 2015, to June 30, 2015)
Net income	3,251	3,226
Other comprehensive income		
Valuation difference on available-for-sale securities	175	477
Foreign currency translation adjustment	24	4
Remeasurements of defined benefit plans, net of tax	24	23
Total other comprehensive income	224	504
Comprehensive income	3,476	3,731
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	3,457	3,711
Comprehensive income attributable to minority interests	18	19

(4) Segment Information**Three months ended June 30, 2014 (From April 1, 2014, to June 30, 2014)**

(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	16,171	12,372	2,076	30,619	1,586	32,206	—	32,206
Segment income (Operating income)	3,899	1,627	(32)	5,494	240	5,734	(765)	4,969

(Note) The (765) 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.

Three months ended June 30, 2015 (From April 1, 2015, to June 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	17,952	13,518	2,082	33,552	1,729	35,282	—	35,282
Segment income (Operating income)	4,088	1,413	(25)	5,476	352	5,829	(807)	5,021

(Note) The (807) 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
(Changes to Accounting Policies)**

Following the adoption of revised standards, from the period under review, the Company has applied the “Accounting Standards for Business Combination” (Accounting Standards Board of Japan (ASBJ) Accounting Standards Statement No.21 dated September 13,2013; hereinafter the “Accounting Standards for Business Combination”), the “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22 dated September 13,2013; hereinafter the “Consolidated Financial Statements Accounting Standards”), and the “Accounting Standards for Business Divestitures” (ASBJ Statement No. 7 dated September 13,2013; hereinafter the “Business Divestitures Accounting Standards”).As a result, the method of recording the amount of difference caused by changes in the Company’s ownership interests in subsidiaries in the case of subsidiaries under ongoing control of the Company was changed to one in which it is recorded as capital surplus, and the method of recording acquisition-related costs was changed to one in which they are recognized as expenses for the fiscal year in which they are incurred. Furthermore, for business combinations carried out on or after the beginning of the period under review, the accounting method was changed to one in which the reviewed acquisition cost allocation resulting from the finalization of the provisional accounting treatment is reflected in the quarterly consolidated financial statements for the quarterly period to which the date of business combination belongs. In addition, the presentation method for “net income” and other related items was changed, and the presentation of “minority interests” was changed to “non-controlling interests.” To reflect these changes, the Company has reclassified its quarterly and full-year consolidated financial statements for the first three months of the previous fiscal year and the previous fiscal year. The Accounting Standard for Business Combinations has been applied prospectively since the beginning of the period under review, according to the transitional handling prescribed in Article 58-2(4) of “Accounting Standard for Business Combinations”, Article 44-5(4) of “Consolidated Financial Statements Accounting Standards”, and Article 57-4(4) of “Accounting Standards for Business Combination”.

These changes in accounting policies have minimal impact on profit and loss for the period under review.

Additional Information**(Provision for directors' retirement benefits)**

Resolution was made at the Board of Directors meeting on May 18, 2015, to abolish the Provision for Directors’ Retirement Benefits Policy. In connection with that, at the general meeting of shareholders on June 19, 2015, it was passed by agreement to pay for every director the retirement benefits that correspond to their administration when they retire, about the directors in office on or after this general meeting.