

FY2016, the year ending March 31, 2017

Flash Report on the Consolidated Results for the First Quarter Ended June 30, 2016 [JGAAP]

August 8, 2016

Company Name: **DAIICHIKOSHO CO., LTD.**
 Stock Exchange Listing: Tokyo Stock Exchange
 Code Number: 7458
 URL: <http://www.dkkaraoke.co.jp>
 Representative: Saburo Hayashi, President
 Contact: Shigeki Kobayashi,
 Corporate Officer; and General Manager, Accounting Department
 Phone: +81-3-3280-2151
 Scheduled Date to Submit the Quarterly Securities Report: August 12, 2016
 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, 2016 (From April 1, 2016, to June 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	%
Three months ended June 30, 2016	33,628	(4.7)	4,396	(12.5)	4,679	(14.4)
Three months ended June 30, 2015	35,282	9.6	5,021	1.0	5,465	(0.3)

	Net income attributable to owners of parent		Basic earnings per share	Fully diluted net income per share
	Millions of yen	%	Yen	Yen
Three months ended June 30, 2016	618	(80.7)	10.74	10.73
Three months ended June 30, 2015	3,206	(0.8)	55.33	—

(Note) Comprehensive income:

Three months ended June 30, 2016:	2,948 million yen	(21.0) %
Three months ended June 30, 2015:	3,731 million yen	7.3 %

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2016	180,213	112,835	61.8
As of March 31, 2016	179,641	112,754	62.0

(Reference) Shareholders' equity:

As of June 30, 2016:	111,447million yen
As of March 31, 2016:	111,402million 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	—				
Year ending March 31, 2017 (forecast)		54.00	—	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	%
Six months ending September 30, 2016	69,700	(0.9)	8,300	(16.3)	9,000	(16.1)
Year ending March 31, 2017 (full year)	142,200	0.6	19,000	(4.5)	20,400	(3.4)

	Net income attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Yen
Six months ending September 30, 2016	3,100	(52.1)	53.79
Year ending March 31, 2017 (full year)	10,100	(19.8)	175.25

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

*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, 2016	57,634,200 shares	As of March 31, 2016	57,634,200 shares
2) Number of shares of treasury stock	As of June 30, 2016	3,102 shares	As of March 31, 2016	3,070 shares
3) Average number of shares during the period	Three months ended June 30, 2016	57,631,115 shares	Three months ended June 30, 2015	57,958,289 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)	
	FY2015 (As of March 31, 2016)	Current First quarter (As of June 30, 2016)
Assets		
Current assets		
Cash and deposits	51,478	51,222
Notes and accounts receivable-trade	7,113	5,207
Inventories	6,243	6,959
Other	7,271	8,873
Allowance for doubtful accounts	(149)	(140)
Total current assets	71,956	72,122
Non-current assets		
Property, plant and equipment		
Karaoke equipment for rental, net	10,943	11,288
Karaoke cabin and restaurant facilities, net	19,112	19,211
Land	31,595	31,595
Other, net	5,995	6,012
Total property, plant and equipment	67,646	68,109
Intangible assets		
Goodwill	1,882	1,773
Other	5,971	5,770
Total intangible assets	7,853	7,543
Investments and other assets		
Investment securities	9,997	10,101
Lease and guarantee deposits	14,250	14,201
Other	7,972	8,170
Allowance for doubtful accounts	(36)	(35)
Total investments and other assets	32,184	32,438
Total non-current assets	107,684	108,090
Total assets	179,641	180,213

DAIICHIKOSHO CO., LTD.

(Millions of yen)

	FY2015 (As of March 31, 2016)	Current First quarter (As of June 30, 2016)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	4,048	4,634
Short-term loans payable	4,201	4,518
Income taxes payable	3,237	1,977
Provision for bonuses	1,086	554
Other	11,145	12,335
Total current liabilities	23,718	24,020
Non-current liabilities		
Bonds payable	10,000	10,000
Long-term loans payable	23,362	23,718
Provision for directors' retirement benefits	1,263	935
Net defined benefit liability	5,398	5,519
Other	3,143	3,185
Total non-current liabilities	43,168	43,357
Total liabilities	66,886	67,378
Net assets		
Shareholders' equity		
Capital stock	12,350	12,350
Capital surplus	4,001	4,001
Retained earnings	98,329	96,064
Treasury stock	(13)	(13)
Total shareholders' equity	114,668	112,403
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(2,074)	301
Revaluation reserve for land	(733)	(733)
Foreign currency translation adjustment	108	16
Remeasurements of defined benefits plans	(566)	(540)
Total accumulated other comprehensive income	(3,265)	(955)
Subscription rights to shares	81	109
Non-controlling interests	1,270	1,278
Total net assets	112,754	112,835
Total liabilities and net assets	179,641	180,213

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

	(Millions of yen)	
	Three months ended June 30, 2015 (From April 1, 2015, to June 30, 2015)	Three months ended June 30, 2016 (From April 1, 2016, to June 30, 2016)
Net sales	35,282	33,628
Cost of sales	21,539	20,764
Gross profit	13,742	12,864
Selling, general and administrative expenses	8,721	8,467
Operating income	5,021	4,396
Non-operating income		
Interest income	218	165
Other	384	299
Total non-operating income	603	465
Non-operating expenses		
Interest expenses	84	83
Foreign exchange losses	5	65
Other	68	34
Total non-operating expenses	158	182
Ordinary income	5,465	4,679
Extraordinary income		
Gain on sales of non-current assets	2	4
Other	—	0
Total extraordinary income	2	4
Extraordinary losses		
Loss on disposal of non-current assets	21	56
Impairment loss	137	—
Loss on valuation of investment securities	—	3,304
Other	—	5
Total extraordinary losses	158	3,365
Income before income taxes	5,309	1,318
Income taxes-current	2,067	2,022
Income taxes-deferred	16	(1,343)
Total income taxes	2,083	678
Net income	3,226	639
Net income attributable to non-controlling interests	19	20
Net income attributable to owners of parent	3,206	618

(Quarterly Consolidated Statements of Comprehensive Income)

	(Millions of yen)	
	Three months ended June 30, 2015 (From April 1, 2015, to June 30, 2015)	Three months ended June 30, 2016 (From April 1, 2016, to June 30, 2016)
Net income	3,226	639
Other comprehensive income		
Valuation difference on available-for-sale securities	477	2,375
Foreign currency translation adjustment	4	(92)
Remeasurements of defined benefit plans, net of tax	23	26
Total other comprehensive income	504	2,309
Comprehensive income	3,731	2,948
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,711	2,928
Comprehensive income attributable to non-controlling interests	19	20

(4) Segment Information**Three months ended June 30, 2015 (From April 1, 2015, to June 30, 2015)**

(Millions of yen)

	Reportable segments				Other	Total	Adjusted amount (Note)	Amount on 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.

Three months ended June 30, 2016 (From April 1, 2016, to June 30, 2016)

(Millions of yen)

	Reportable segments				Other	Total	Adjusted amount (Note)	Amount on consolidated quarterly statements of income
	Commercial karaoke	Karaoke cabin and restaurant	Music software	Subtotal				
Sales	16,407	13,270	2,115	31,792	1,835	33,628	—	33,628
Segment income (Operating income)	3,638	1,294	7	4,941	373	5,314	(918)	4,396

(Note) The (918) 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 period under review, 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 period under review and the amount of deferred tax assets at the previous fiscal year-end has added to retained earnings at the beginning of the period under review.

As a result, deferred tax assets included in Investments and other assets, and Retained earnings at the beginning of the period under review 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 period under review.

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.