

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 later shall prevail.

FY2017, the year ended March 31, 2018

Flash Report on the Consolidated Results for the Year Ended March 31, 2018 [JGAAP]

May 23, 2018

Company Name: **DAIICHIKOSHO CO., LTD.**
 Stock Exchange Listing: Tokyo Stock Exchange
 Code Number: 7458
 URL: <http://www.dkkaraoke.co.jp>
 Representative: Tadahiro Hoshi, President
 Contact: Shigeki Kobayashi,
 General Manager, Accounting Department
 Phone: +81-3-3280-2151
 Date of the Ordinary General Meeting of Shareholders: June 22, 2018
 Start Date for Dividend Payment: June 25, 2018
 Scheduled Date to Submit the Securities Report: June 26, 2018
 Availability of Supplementary Briefing Material on Financial Results: Available
 Schedule of Financial Results Briefing Session: None

(Amounts below one million yen are truncated.)

1. Consolidated Performance for the Year Ended March 31, 2018 (From April 1, 2017, to March 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	%
Year ended March 31, 2018	141,370	0.5	21,103	2.0	21,857	(3.0)
Year ended March 31, 2017	140,640	(0.5)	20,694	4.1	22,539	6.7

	Net income attributable to owners of parent		Basic earnings per share	Fully diluted net income per share
	Millions of yen	%	Yen	Yen
Year ended March 31, 2018	13,115	18.0	229.97	229.75
Year ended March 31, 2017	11,115	(11.8)	193.53	193.38

(Note) Comprehensive income:

Year ended March 31, 2018: 13,489 million yen (6.2) %

Year ended March 31, 2017: 14,385 million yen 41.9 %

	Return on equity	Ordinary income to total assets	Operating income to net sales
	%	%	%
Year ended March 31, 2018	10.9	11.9	14.9
Year ended March 31, 2017	9.7	12.3	14.7

(Reference) Equity in net income of unconsolidated subsidiaries and affiliates:

Year ended March 31, 2018: — million yen

Year ended March 31, 2017: — million yen

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2018	180,215	125,356	68.7	2,173.02
As of March 31, 2017	186,954	119,069	62.9	2,057.98

(Reference) Shareholders' equity:

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

As of March 31, 2017: 117,574 million yen

(3) Consolidated cash flows

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended March 31, 2018	33,303	(22,841)	(21,951)	49,736
Year ended March 31, 2017	33,076	(16,331)	(8,546)	61,254

2. Dividend

	Annual dividend				
	First Quarter	Second Quarter	Third Quarter	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2017	—	54.00	—	55.00	109.00
Year ended March 31, 2018	—	55.00	—	56.00	111.00
Year ending March 31, 2019 (forecast)	—	56.00	—	56.00	112.00

	Aggregate amount of dividend (total)	Payout ratio (consolidated)	Ratio of dividends to net assets (consolidated)
	Millions of yen	%	%
Year ended March 31, 2017	6,243	56.3	5.5
Year ended March 31, 2018	6,323	48.3	5.2
Year ending March 31, 2019 (forecast)		47.3	

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	%
Six months ending September 30, 2018	70,400	2.0	10,000	(7.2)	10,300	(10.2)
Year ending March 31, 2019 (full year)	142,500	0.8	21,200	0.5	22,000	0.7

	Net income attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Yen
Six months ending September 30, 2018	6,500	(11.9)	114.10
Year ending March 31, 2019 (full year)	13,500	2.9	236.98

*Notes

(1) Significant changes in subsidiaries during the period under review (changes to specific subsidiaries resulting in changes in scope of consolidation): None

(2) 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 (2) 1): None

3) Changes due to accounting estimation change: None

4) Error correction: None

(3) Number of common shares issued

1) Number of shares issued (including treasury shares)

As of March 31, 2018	57,234,200 shares	As of March 31, 2017	57,434,200 shares
----------------------	-------------------	----------------------	-------------------

2) Number of shares of treasury shares

As of March 31, 2018	266,228 shares	As of March 31, 2017	303,168 shares
----------------------	----------------	----------------------	----------------

3) Average number of shares during the period

Year ended March 31, 2018	57,031,005 shares	Year ended March 31, 2017	57,436,068 shares
---------------------------	-------------------	---------------------------	-------------------

(Reference) Outline of Nonconsolidated Financial Results

1. Nonconsolidated Performance for the Year Ended March 31, 2018 (From April 1, 2017, to March 31, 2018)

(1) Nonconsolidated 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	%
Year ended March 31, 2018	99,709	(1.6)	15,563	0.4	17,229	(6.2)
Year ended March 31, 2017	101,348	(1.8)	15,499	8.2	18,371	9.2

	Net income		Basic earnings per share	Fully diluted net income per share
	Millions of yen	%	Yen	Yen
Year ended March 31, 2018	10,857	12.9	190.37	190.19
Year ended March 31, 2017	9,617	(8.6)	167.45	167.32

(2) Nonconsolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2018	129,389	78,979	60.9	1,382.82
As of March 31, 2017	137,934	75,085	54.3	1,311.15

(Reference) Shareholders' equity:

As of March 31, 2018: 78,776 million yen

As of March 31, 2017: 74,907 million yen

* These consolidated financial results are outside the scope of audit 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.

Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheets

	(Millions of yen)	
	FY2016	FY 2017
	(As of March 31, 2017)	(As of March 31, 2018)
Assets		
Current assets		
Cash and deposits	62,019	45,538
Notes and accounts receivable-trade	6,792	5,132
Securities	—	4,969
Inventories	6,158	6,252
Deferred tax assets	1,076	1,069
Other	4,808	5,660
Allowance for doubtful accounts	(181)	(175)
Total current assets	80,673	68,447
Non-current assets		
Property, plant and equipment		
Buildings and structures	15,103	15,767
Accumulated depreciation	(8,949)	(9,065)
Buildings and structures, net	6,154	6,702
Karaoke equipment for rental	44,182	45,957
Accumulated depreciation	(33,473)	(36,163)
Karaoke equipment for rental, net	10,708	9,794
Karaoke cabin and restaurant facilities	46,328	49,809
Accumulated depreciation	(27,872)	(30,509)
Karaoke cabin and restaurant facilities, net	18,456	19,299
Land	36,714	38,053
Other	5,472	5,952
Accumulated depreciation	(4,352)	(4,395)
Other, net	1,119	1,556
Total property, plant and equipment	73,153	75,405
Intangible assets		
Goodwill	1,321	4,065
Other	5,807	6,198
Total intangible assets	7,129	10,263
Investments and other assets		
Investment securities	4,959	5,288
Long-term loans receivable	456	506
Deferred tax assets	4,480	4,423
Lease and guarantee deposits	14,267	14,263
Other	1,871	1,682
Allowance for doubtful accounts	(37)	(65)
Total investments and other assets	25,998	26,098
Total non-current assets	106,280	111,767
Total assets	186,954	180,215

DAIICHIKOSHO CO., LTD.

(Millions of yen)

	FY2016 (As of March 31, 2017)	FY2017 (As of March 31, 2018)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	3,343	3,421
Short-term loans payable	14,163	4,015
Current portion of bonds	3,500	—
Accounts payable-other	9,315	8,656
Income taxes payable	3,206	4,652
Provision for bonuses	1,096	1,128
Other	3,566	3,490
Total current liabilities	38,191	25,365
Non-current liabilities		
Bonds payable	6,500	6,500
Long-term loans payable	13,268	12,587
Deferred tax liabilities	75	80
Provision for directors' retirement benefits	1,053	1,047
Net defined benefit liability	5,775	6,176
Other	3,021	3,101
Total non-current liabilities	29,693	29,494
Total liabilities	67,884	54,859
Net assets		
Shareholders' equity		
Capital stock	12,350	12,350
Capital surplus	4,003	4,003
Retained earnings	102,649	108,489
Treasury shares	(1,368)	(1,309)
Total shareholders' equity	117,634	123,534
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,033	1,261
Revaluation reserve for land	(733)	(733)
Foreign currency translation adjustment	80	87
Remeasurements of defined benefits plans	(440)	(356)
Total accumulated other comprehensive income	(60)	258
Subscription rights to shares	178	203
Non-controlling interests	1,316	1,359
Total net assets	119,069	125,356
Total liabilities and net assets	186,954	180,215

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

	(Millions of yen)	
	FY2016 (From April 1, 2016, to March 31, 2017)	FY2017 (From April 1, 2017, to March 31, 2018)
Net sales	140,640	141,370
Cost of sales	86,210	86,527
Gross profit	54,430	54,842
Selling, general and administrative expenses		
Advertising expenses	2,005	2,177
Promotion expenses	1,455	1,355
Packing and freight expenses	875	817
Directors' compensations	1,494	1,452
Provision for directors' retirement benefits	158	221
Salaries and bonuses	13,596	13,630
Provision for bonuses	844	860
Retirement benefit expenses	604	601
Rent expenses	1,254	1,045
Depreciation	611	734
Other	10,835	10,841
Total selling, general and administrative expenses	33,736	33,739
Operating income	20,694	21,103
Non-operating income		
Interest income	264	63
Commission fee	116	173
Insurance income	89	160
Cooperative monetary aid received	373	335
Foreign exchange gains	766	—
Other	762	680
Total non-operating income	2,372	1,413
Non-operating expenses		
Interest expenses	331	302
Foreign exchange losses	—	31
Other	196	325
Total non-operating expenses	528	658
Ordinary income	22,539	21,857
Extraordinary income		
Gain on sales of non-current assets	34	103
Gain on acquisition of non-current assets	370	24
Gain on sales of investment securities	4	0
Compensation income	—	193
Total extraordinary income	408	320
Extraordinary losses		
Loss on disposal of non-current assets	417	261
Impairment loss	1,431	1,112
Loss on sales of investment securities	8	—
Loss on valuation of investment securities	3,365	—
Total extraordinary losses	5,224	1,374
Income before income taxes	17,723	20,804
Income taxes-current	6,627	7,638
Income taxes-deferred	(84)	(3)
Total income taxes	6,542	7,634
Net income	11,180	13,169
Net income attributable to non-controlling interests	65	54
Net income attributable to owners of parent	11,115	13,115

(Consolidated Statements of Comprehensive Income)

	(Millions of yen)	
	FY2016 (From April 1, 2016, to March 31, 2017)	FY2017 (From April 1, 2017, to March 31, 2018)
Net income	11,180	13,169
Other comprehensive income		
Valuation difference on available-for-sale securities	3,107	228
Foreign currency translation adjustment	(28)	7
Remeasurements of defined benefit plans	125	83
Total other comprehensive income	3,204	319
Comprehensive income	14,385	13,489
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	14,320	13,434
Comprehensive income attributable to non-controlling interests	65	54

(3) Consolidated Statements of Changes in Net Assets
FY2016 (from April 1, 2016, to March 31, 2017)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	12,350	4,001	98,329	(13)	114,668
Cumulative effects of changes in accounting policies			228		228
Restated balance	12,350	4,001	98,557	(13)	114,896
Changes of items during period					
Dividends of surplus			(6,213)		(6,213)
Net income attributable to owners of parent			11,115		11,115
Purchase of treasury shares				(2,166)	(2,166)
Disposal of treasury shares					—
Retirement of treasury shares			(811)	811	—
Purchase of shares of consolidated subsidiaries		2			2
Net changes of items other than shareholders' equity					
Total changes of items during period	—	2	4,091	(1,355)	2,738
Balance at end of current period	12,350	4,003	102,649	(1,368)	117,634

	Accumulated other comprehensive income					Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	(2,074)	(733)	108	(566)	(3,265)	81	1,270	112,754
Cumulative effects of changes in accounting policies								228
Restated balance	(2,074)	(733)	108	(566)	(3,265)	81	1,270	112,983
Changes of items during period								
Dividends of surplus								(6,213)
Net income attributable to owners of parent								11,115
Purchase of treasury shares								(2,166)
Disposal of treasury shares								—
Retirement of treasury shares								—
Purchase of shares of consolidated subsidiaries								2
Net changes of items other than shareholders' equity	3,107	—	(28)	125	3,204	96	46	3,347
Total changes of items during period	3,107	—	(28)	125	3,204	96	46	6,086
Balance at end of current period	1,033	(733)	80	(440)	(60)	178	1,316	119,069

DAIICHIKOSHO CO., LTD.

FY2017 (from April 1, 2017, to March 31, 2018)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	12,350	4,003	102,649	(1,368)	117,634
Cumulative effects of changes in accounting policies					—
Restated balance	12,350	4,003	102,649	(1,368)	117,634
Changes of items during period					
Dividends of surplus			(6,275)		(6,275)
Net income attributable to owners of parent			13,115		13,115
Purchase of treasury shares				(1,001)	(1,001)
Disposal of treasury shares			(16)	77	61
Retirement of treasury shares			(983)	983	—
Purchase of shares of consolidated subsidiaries					—
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	5,840	59	5,899
Balance at end of current period	12,350	4,003	108,489	(1,309)	123,534

	Accumulated other comprehensive income					Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	1,033	(733)	80	(440)	(60)	178	1,316	119,069
Cumulative effects of changes in accounting policies								—
Restated balance	1,033	(733)	80	(440)	(60)	178	1,316	119,069
Changes of items during period								
Dividends of surplus								(6,275)
Net income attributable to owners of parent								13,115
Purchase of treasury shares								(1,001)
Disposal of treasury shares								61
Retirement of treasury shares								—
Purchase of shares of consolidated subsidiaries								—
Net changes of items other than shareholders' equity	228	—	7	83	319	25	42	387
Total changes of items during period	228	—	7	83	319	25	42	6,286
Balance at end of current period	1,261	(733)	87	(356)	258	203	1,359	125,356

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	FY2016 (From April 1, 2016, to March 31, 2017)	FY2017 (From April 1, 2017, to March 31, 2018)
Cash flows from operating activities		
Income before income taxes	17,723	20,804
Depreciation	16,187	15,692
Amortization of goodwill	437	711
Impairment loss	1,431	1,112
Increase (decrease) in provision for directors' retirement benefits	(210)	(6)
Interest and dividend income	(389)	(170)
Interest expenses	331	302
Foreign exchange losses (gains)	(815)	28
Gain on acquisition of non-current assets	(370)	(24)
Loss (gain) on valuation of investment securities	3,365	—
Loss (gain) on disposal of non-current assets	383	157
Decrease (increase) in notes and accounts receivable - trade	318	1,693
Decrease (increase) in inventories	41	(69)
Transfer of cost of sales on karaoke equipment for rental	105	37
Increase (decrease) in notes and accounts payable - trade	(680)	18
Increase (decrease) in accounts payable - other	1,252	(1,529)
Other, net	517	772
Subtotal	39,631	39,532
Interest and dividend income received	521	168
Interest expenses paid	(278)	(321)
Income taxes paid	(6,885)	(6,113)
Other, net	87	38
Net cash provided by (used in) operating activities	33,076	33,303
Cash flows from investing activities		
Payments into time deposits	(594)	(571)
Proceeds from withdrawal of time deposits	69	565
Purchase of property, plant and equipment	(16,831)	(12,589)
Proceeds from sales of property, plant and equipment	75	94
Purchase of intangible assets	(3,592)	(3,884)
Payments for acquisition of video licenses	(1,764)	(1,537)
Proceeds from sales of investment securities	6,135	5
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(5,142)
Payments of loans receivable	(450)	(422)
Collection of loans receivable	509	503
Payments for lease and guarantee deposits	(465)	(588)
Proceeds from collection of lease and guarantee deposits	548	631
Other, net	30	95
Net cash provided by (used in) investing activities	(16,331)	(22,841)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(49)	(39)
Proceeds from long-term loans payable	2,385	1,400
Repayments of long-term loans payable	(2,467)	(12,505)
Redemption of bonds	—	(3,500)
Cash dividends paid	(6,214)	(6,278)
Purchase of treasury shares	(2,166)	(1,001)
Other, net	(33)	(26)
Net cash provided by (used in) financing activities	(8,546)	(21,951)
Effect of exchange rate change on cash and cash equivalents	809	(28)
Net increase (decrease) in cash and cash equivalents	9,007	(11,518)
Cash and cash equivalents at beginning of period	52,247	61,254
Cash and cash equivalents at end of period	61,254	49,736

Notes to the Quarterly Consolidated Financial Statements

(Segment Information)

FY2016 (From April 1, 2016, to March 31, 2017)

(Millions of yen)

	Reportable segments				Other	Total	Adjusted amount (Note)	Posted amount to the consolidated statements of income
	Commercial karaoke	Karaoke cabin and restaurant	Music software	Subtotal				
Sales								
Sales to third parties	67,076	57,227	8,718	133,022	7,618	140,640	—	140,640
Intersegment sales and transfers	—	—	—	—	—	—	—	—
Total	67,076	57,227	8,718	133,022	7,618	140,640	—	140,640
Segment income (Operating income)	14,860	7,536	20	22,417	1,426	23,843	(3,149)	20,694
Other items								
Depreciation and amortization	9,987	3,394	37	13,419	495	13,915	54	13,969
Amortization of goodwill	2	435	—	437	—	437	—	437

Note: The (3,149) 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.

FY2017 (From April 1, 2017, to March 31, 2018)

(Millions of yen)

	Reportable segments				Other	Total	Adjusted amount (Note)	Posted amount to the consolidated statements of income
	Commercial karaoke	Karaoke cabin and restaurant	Music software	Subtotal				
Sales								
Sales to third parties	64,430	61,009	7,799	133,239	8,130	141,370	—	141,370
Intersegment sales and transfers	—	—	—	—	—	—	—	—
Total	64,430	61,009	7,799	133,239	8,130	141,370	—	141,370
Segment income or Segment loss (Operating income or Operating loss)	14,333	7,956	(33)	22,256	1,659	23,915	(2,812)	21,103
Other items								
Depreciation and amortization	9,699	3,295	34	13,029	577	13,607	177	13,784
Amortization of goodwill	2	709	—	711	—	711	—	711

Note: The (2,812) 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.