

Translation

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FY2018, the year ended March 31, 2019

Flash Report on the Consolidated Results for the Year Ended March 31, 2019 [JGAAP]

May 24, 2019

Company Name: **DAIICHIKOSHO CO., LTD.**
 Stock Exchange Listing: Tokyo Stock Exchange
 Code Number: 7458
 URL: <https://www.dkkaraoke.co.jp/>
 Representative: Tadahiro Hoshi, President
 Contact: Yasuhisa Nishihara,
 Corporate Officer and General Manager, Accounting Department
 Phone: +81-3-3280-2151
 Date of the Ordinary General Meeting of Shareholders: June 21, 2019
 Start Date for Dividend Payment: June 24, 2019
 Scheduled Date to Submit the Securities Report: June 25, 2019
 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, 2019 (From April 1, 2018, to March 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	%
Year ended March 31, 2019	143,833	1.7	19,672	(6.8)	20,881	(4.5)
Year ended March 31, 2018	141,370	0.5	21,103	2.0	21,857	(3.0)

	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, 2019	15,600	18.9	274.43	274.08
Year ended March 31, 2018	13,115	18.0	229.97	229.75

(Note) Comprehensive income:

Year ended March 31, 2019: 15,251 million yen 13.1 %

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

	Return on equity	Ordinary income to total assets	Operating income to net sales
	%	%	%
Year ended March 31, 2019	12.2	11.3	13.7
Year ended March 31, 2018	10.9	11.9	14.9

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

Year ended March 31, 2019: — million yen

Year ended March 31, 2018: — million yen

(Note) The company has applied “Partial Amendments to Accounting Standard for Tax Effect Accounting” (Accounting Standards Board of Japan (ASBJ) Statement No. 28, February 16, 2018) and such, starting from the beginning of the consolidated fiscal year ended March 31, 2019. Accordingly, the accounting standard has been retroactively applied to ordinary income to total assets for the year ended March 31, 2018.

(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, 2019	188,814	132,636	69.3	2,310.79
As of March 31, 2018	180,190	125,356	68.7	2,173.02

(Reference) Shareholders' equity:

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

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

(Note) The company has applied "Partial Amendments to Accounting Standard for Tax Effect Accounting" (Accounting Standards Board of Japan (ASBJ) Statement No. 28, February 16, 2018) and such, starting from the beginning of the consolidated fiscal year ended March 31, 2019. Accordingly, the accounting standard has been retroactively applied to total assets and equity ratio for the year ended March 31, 2018.

(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, 2019	30,221	(14,192)	(9,547)	56,439
Year ended March 31, 2018	33,303	(22,841)	(21,951)	49,736

2. Dividend

	Annual dividend				
	First Quarter	Second Quarter	Third Quarter	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2018	—	55.00	—	56.00	111.00
Year ended March 31, 2019	—	56.00	—	56.00	112.00
Year ending March 31, 2020 (forecast)	—	56.00	—	57.00	113.00

	Aggregate amount of dividend (total)	Payout ratio (consolidated)	Ratio of dividends to net assets (consolidated)
	Millions of yen	%	%
Year ended March 31, 2018	6,323	48.3	5.2
Year ended March 31, 2019	6,362	40.8	5.0
Year ending March 31, 2020 (forecast)		48.9	

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	%
Six months ending September 30, 2019	70,500	1.0	9,300	(11.2)	9,800	(12.7)
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
Six months ending September 30, 2019	6,200	(14.5)	109.44
Year ending March 31, 2020 (full year)	13,100	(16.0)	231.23

*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, 2019	57,234,200 shares	As of March 31, 2018	57,234,200 shares
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2) Number of shares of treasury shares

As of March 31, 2019	580,290 shares	As of March 31, 2018	266,228 shares
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3) Average number of shares during the period

Year ended March 31, 2019	56,847,498 shares	Year ended March 31, 2018	57,031,005 shares
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(Reference) Outline of Nonconsolidated Financial Results

1. Nonconsolidated Performance for the Year Ended March 31, 2019 (From April 1, 2018, to March 31, 2019)

(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, 2019	100,191	0.5	14,318	(8.0)	16,319	(5.3)
Year ended March 31, 2018	99,709	(1.6)	15,563	0.4	17,229	(6.2)

	Net income		Basic earnings per share	Fully diluted net income per share
	Millions of yen	%	Yen	Yen
Year ended March 31, 2019	12,466	14.8	219.31	219.03
Year ended March 31, 2018	10,857	12.9	190.37	190.19

(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, 2019	140,538	83,041	58.9	1,460.42
As of March 31, 2018	129,389	78,979	60.9	1,382.82

(Reference) Shareholders' equity:

As of March 31, 2019: 82,738 million yen

As of March 31, 2018: 78,776 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)	
	FY2017	FY2018
	(As of March 31, 2018)	(As of March 31, 2019)
Assets		
Current assets		
Cash and deposits	45,538	57,182
Notes and accounts receivable - trade	5,132	5,205
Securities	4,969	—
Inventories	6,252	5,464
Other	5,660	6,762
Allowance for doubtful accounts	(175)	(133)
Total current assets	67,378	74,482
Non-current assets		
Property, plant and equipment		
Buildings and structures	15,767	14,645
Accumulated depreciation	(9,065)	(8,741)
Buildings and structures, net	6,702	5,903
Karaoke equipment for rental	45,957	47,462
Accumulated depreciation	(36,163)	(38,353)
Karaoke equipment for rental, net	9,794	9,108
Karaoke cabin and restaurant facilities	49,809	52,002
Accumulated depreciation	(30,509)	(32,540)
Karaoke cabin and restaurant facilities, net	19,299	19,462
Land	38,053	39,794
Other	5,952	5,796
Accumulated depreciation	(4,395)	(4,451)
Other, net	1,556	1,345
Total property, plant and equipment	75,405	75,614
Intangible assets		
Goodwill	4,065	3,407
Other	6,198	6,944
Total intangible assets	10,263	10,351
Investments and other assets		
Investment securities	5,288	4,849
Long-term loans receivable	506	546
Deferred tax assets	5,468	6,110
Leasehold and guarantee deposits	14,263	14,976
Other	1,682	1,956
Allowance for doubtful accounts	(65)	(71)
Total investments and other assets	27,142	28,366
Total non-current assets	112,812	114,332
Total assets	180,190	188,814

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	(Millions of yen)	
	FY2017	FY2018
	(As of March 31, 2018)	(As of March 31, 2019)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	3,421	3,469
Short-term loans payable	4,015	3,264
Current portion of bonds	—	6,500
Accounts payable - other	8,656	8,979
Income taxes payable	4,652	6,030
Provision for bonuses	1,128	1,156
Other	3,489	3,710
Total current liabilities	25,365	33,111
Non-current liabilities		
Bonds payable	6,500	—
Long-term loans payable	12,587	11,890
Deferred tax liabilities	55	45
Provision for retirement benefits for directors (and other officers)	1,047	909
Retirement benefit liability	6,176	6,670
Other	3,101	3,550
Total non-current liabilities	29,469	23,066
Total liabilities	54,834	56,178
Net assets		
Shareholders' equity		
Capital stock	12,350	12,350
Capital surplus	4,003	4,003
Retained earnings	108,489	117,709
Treasury shares	(1,309)	(2,986)
Total shareholders' equity	123,534	131,077
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,261	814
Revaluation reserve for land	(733)	(733)
Foreign currency translation adjustment	87	47
Remeasurements of defined benefit plans	(356)	(289)
Total accumulated other comprehensive income	258	(161)
Share acquisition rights	203	302
Non-controlling interests	1,359	1,417
Total net assets	125,356	132,636
Total liabilities and net assets	180,190	188,814

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

	(Millions of yen)	
	FY2017 (From April 1, 2017, to March 31, 2018)	FY2018 (From April 1, 2018, to March 31, 2019)
Net sales	141,370	143,833
Cost of sales	86,527	89,555
Gross profit	54,842	54,277
Selling, general and administrative expenses		
Advertising expenses	2,177	2,284
Promotion expenses	1,355	1,548
Packing and freight expenses	817	807
Remuneration for directors (and other officers)	1,452	1,424
Provision for retirement benefits for directors (and other officers)	221	153
Salaries and bonuses	13,630	13,707
Provision for bonuses	860	879
Retirement benefit expenses	601	596
Rent expenses	1,045	1,058
Depreciation	734	802
Other	10,841	11,344
Total selling, general and administrative expenses	33,739	34,605
Operating income	21,103	19,672
Non-operating income		
Interest income	63	53
Commission income	173	156
Cooperative monetary aid received	335	378
Foreign exchange gains	—	214
Other	840	855
Total non-operating income	1,413	1,658
Non-operating expenses		
Interest expenses	302	159
Foreign exchange losses	31	—
Cancellation penalty	41	133
Other	284	156
Total non-operating expenses	658	449
Ordinary profit	21,857	20,881
Extraordinary income		
Gain on sales of non-current assets	103	5,952
Gain on acquisition of non-current assets	24	—
Gain on sales of investment securities	0	61
Compensation income	193	—
Total extraordinary income	320	6,013
Extraordinary losses		
Loss on disposal of non-current assets	261	366
Impairment loss	1,112	1,828
Loss on valuation of investments in capital	—	97
Total extraordinary losses	1,374	2,292
Income before income taxes	20,804	24,602
Income taxes - current	7,638	9,465
Income taxes - deferred	(3)	(533)
Total income taxes	7,634	8,931
Net income	13,169	15,671
Net income attributable to non-controlling interests	54	70
Net income attributable to owners of parent	13,115	15,600

(Consolidated Statements of Comprehensive Income)

	(Millions of yen)	
	FY2017 (From April 1, 2017, to March 31, 2018)	FY2018 (From April 1, 2018, to March 31, 2019)
Net Income	13,169	15,671
Other comprehensive income		
Valuation difference on available-for-sale securities	228	(446)
Foreign currency translation adjustment	7	(40)
Remeasurements of defined benefit plans, net of tax	83	67
Total other comprehensive income	319	(420)
Comprehensive income	13,489	15,251
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	13,434	15,180
Comprehensive income attributable to non-controlling interests	54	70

(3) Consolidated Statements of Changes in Net Assets
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
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	—
Reversal of revaluation reserve for land					—
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					Share acquisition rights	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
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								—
Reversal of revaluation reserve for land								—
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

FY2018 (from April 1, 2018, to March 31, 2019)

(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	108,489	(1,309)	123,534
Changes of items during period					
Dividends of surplus			(6,380)		(6,380)
Net income attributable to owners of parent			15,600		15,600
Purchase of treasury shares				(1,677)	(1,677)
Disposal of treasury shares					—
Retirement of treasury shares					—
Reversal of revaluation reserve for land			(0)		(0)
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	9,220	(1,677)	7,543
Balance at end of current period	12,350	4,003	117,709	(2,986)	131,077

	Accumulated other comprehensive income					Share acquisition rights	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	1,261	(733)	87	(356)	258	203	1,359	125,356
Changes of items during period								
Dividends of surplus								(6,380)
Net income attributable to owners of parent								15,600
Purchase of treasury shares								(1,677)
Disposal of treasury shares								—
Retirement of treasury shares								—
Reversal of revaluation reserve for land								(0)
Net changes of items other than shareholders' equity	(446)	0	(40)	67	(420)	99	58	(262)
Total changes of items during period	(446)	0	(40)	67	(420)	99	58	7,280
Balance at end of current period	814	(733)	47	(289)	(161)	302	1,417	132,636

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	FY2017 (From April 1, 2017, to March 31, 2018)	FY2018 (From April 1, 2018, to March 31, 2019)
Cash flows from operating activities		
Income before income taxes	20,804	24,602
Depreciation	15,692	15,108
Amortization of goodwill	711	658
Impairment loss	1,112	1,828
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(6)	(137)
Interest and dividend income	(170)	(199)
Interest expenses	302	159
Foreign exchange losses (gains)	28	(221)
Gain on acquisition of non-current assets	(24)	—
Loss (gain) on sales of investment securities	(0)	(61)
Loss (gain) on disposal of non-current assets	157	(5,585)
Loss on valuation of investments in capital	—	97
Decrease (increase) in notes and accounts receivable - trade	1,693	(77)
Decrease (increase) in inventories	(69)	784
Transfer of cost of sales on karaoke equipment for rental	37	76
Increase (decrease) in notes and accounts payable - trade	18	48
Increase (decrease) in accounts payable – other	(1,529)	423
Other, net	772	784
Subtotal	39,532	38,289
Interest and dividend income received	168	199
Interest expenses paid	(321)	(160)
Income taxes paid	(6,113)	(8,107)
Other, net	38	—
Net cash provided by (used in) operating activities	33,303	30,221
Cash flows from investing activities		
Payments into time deposits	(571)	(54)
Proceeds from withdrawal of time deposits	565	81
Purchase of property, plant and equipment	(12,589)	(15,263)
Proceeds from sales of property, plant and equipment	94	8,889
Purchase of intangible assets	(3,884)	(4,467)
Payments for acquisition of video licenses	(1,537)	(1,766)
Proceeds from sales of investment securities	5	61
Purchase of investment securities	—	(181)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(5,142)	—
Payments of loans receivable	(422)	(440)
Collection of loans receivable	503	484
Payments for leasehold and guarantee deposits	(588)	(2,094)
Proceeds from collection of leasehold and guarantee deposits	631	547
Other, net	95	10
Net cash provided by (used in) investing activities	(22,841)	(14,192)

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(Millions of yen)

	FY2017 (From April 1, 2017, to March 31, 2018)	FY2018 (From April 1, 2018, to March 31, 2019)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(39)	(273)
Proceeds from long-term loans payable	1,400	820
Repayments of long-term loans payable	(12,505)	(2,016)
Redemption of bonds	(3,500)	—
Cash dividends paid	(6,278)	(6,381)
Purchase of treasury shares	(1,001)	(1,677)
Other, net	(26)	(18)
Net cash provided by (used in) financing activities	(21,951)	(9,547)
Effect of exchange rate change on cash and cash equivalents	(28)	221
Net increase (decrease) in cash and cash equivalents	(11,518)	6,702
Cash and cash equivalents at beginning of period	61,254	49,736
Cash and cash equivalents at end of period	49,736	56,439

Notes to the Quarterly Consolidated Financial Statements

(Segment Information)

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.

FY2018 (From April 1, 2018, to March 31, 2019)

(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	63,444	63,799	7,788	135,031	8,801	143,833	—	143,833
Intersegment sales and transfers	—	—	—	—	—	—	—	—
Total	63,444	63,799	7,788	135,031	8,801	143,833	—	143,833
Segment income or Segment loss (Operating income or Operating loss)	12,926	8,001	(84)	20,844	1,581	22,425	(2,752)	19,672
Other items								
Depreciation and amortization	9,227	3,172	36	12,436	594	13,031	182	13,213
Amortization of goodwill	2	655	—	658	—	658	—	658

Note: The (2,752) 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.