

FY2013, the year ended March 31, 2014

Flash Report on the Consolidated Results for the Year Ended March 31, 2014
[JGAAP]

May 12, 2014

Company Name: **DAIICHIKOSHO CO., LTD.**
 Stock Exchange Listing: Tokyo Stock Exchange, JASDAQ
 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
 Date of the Ordinary General Meeting of Shareholders: June 20, 2014
 Start Date for Dividend Payment: June 23, 2014
 Scheduled Date to Submit the Securities Report: June 24, 2014
 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, 2014 (From April 1, 2013, to March 31, 2014)

(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, 2014	130,587	1.3	19,139	4.0	21,227	(4.7)
Year ended March 31, 2013	128,901	1.3	18,395	(2.0)	22,280	8.5

	Net income		Net income per share	Fully diluted net income per share
	Millions of yen	%	Yen	Yen
Year ended March 31, 2014	13,084	2.1	219.68	—
Year ended March 31, 2013	12,819	19.9	209.06	—

(Note) Comprehensive income:

Year ended March 31, 2014: 10,862 million yen (31.4)%

Year ended March 31, 2013: 15,839 million yen 38.3%

	Return on equity	Ordinary income to total assets	Operating income to net sales
	%	%	%
Year ended March 31, 2014	13.1	13.2	14.7
Year ended March 31, 2013	13.3	14.8	14.3

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

Year ended March 31, 2014: 0 million yen

Year ended March 31, 2013: 0 million yen

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Year ended March 31, 2014	161,587	102,268	62.6	1,736.70
Year ended March 31, 2013	159,479	100,315	62.2	1,662.00

(Reference) Shareholders' equity:

Year ended March 31, 2014: 101,114 million yen

Year ended March 31, 2013: 99,258 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 the end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended March 31, 2014	27,298	(15,415)	(9,458)	44,381
Year ended March 31, 2013	24,482	(18,553)	(989)	41,963

2. Dividend

	Annual dividend				
	First Quarter	Second Quarter	Third Quarter	Year-end	Total
		Yen		Yen	Yen
Year ended March 31, 2013	—	25.00	—	35.00	60.00
Year ended March 31, 2014	—	30.00	—	35.00	65.00
Year ending March 31, 2015 (forecast)	—	30.00	—	35.00	65.00

	Aggregate amount of dividend (total)	Payout ratio (consolidated)	Ratio of dividends to net assets (consolidated)
	Millions of yen	%	%
Year ended March 31, 2013	3,635	28.7	3.8
Year ended March 31, 2014	3,829	29.6	3.8
Year ending March 31, 2015 (forecast)		31.0	

3. Forecast Consolidated Performance for FY2014, the Year Ending March 31, 2015 (From April 1, 2014, to March 31, 2015)

(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, 2014	65,400	0.7	9,200	(8.8)	10,100	(7.0)
Year ending March 31, 2015 (full year)	134,000	2.6	19,500	1.9	21,300	0.3

	Net income		Net income per share
	Millions of yen	%	Yen
Six months ending September 30, 2014	5,900	(4.3)	101.34
Year ending March 31, 2015 (full year)	12,200	(6.8)	209.54

***Notes**

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

Newly consolidated: — (Company name: —)

Eliminated from the scope of consolidation: — (Company name: —)

(2) 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 (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)

2) Number of treasury shares

3) Average number of shares
during the period

As of March 31, 2014	58,225,000 shares	As of March 31, 2013	59,725,000 shares
As of March 31, 2014	2,714 shares	As of March 31, 2013	2,714 Shares
Year ended March 31, 2014	59,560,920 shares	Year ended March 31, 2013	61,318,793 shares

(Reference) Outline of Nonconsolidated Financial Results

1. Nonconsolidated Performance for the Year Ended March 31, 2014 (From April 1, 2013, to March 31, 2014)

(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, 2014	92,605	1.8	13,409	9.3	15,695	(5.9)
Year ended March 31, 2013	90,934	5.4	12,266	7.1	16,672	30.5

	Net income		Net income per share	Fully diluted net income per share
	Millions of yen	%	Yen	Yen
Year ended March 31, 2014	10,532	4.0	176.83	—
Year ended March 31, 2013	10,130	57.3	165.20	—

(2) Nonconsolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Year ended March 31, 2014	115,021	64,640	56.2	1,110.23
Year ended March 31, 2013	116,095	64,886	55.9	1,086.46

(Reference) Shareholders' equity:

Year ended March 31, 2014: 64,640 million yen

Year ended March 31, 2013: 64,886 million yen

* Presentation regarding the implementation status of the audit procedure:

This flash report on the consolidated results is not covered by the audit procedure stipulated in the Financial Instruments and Exchange Act. At the time of the publication of this report, the audit procedure for 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.

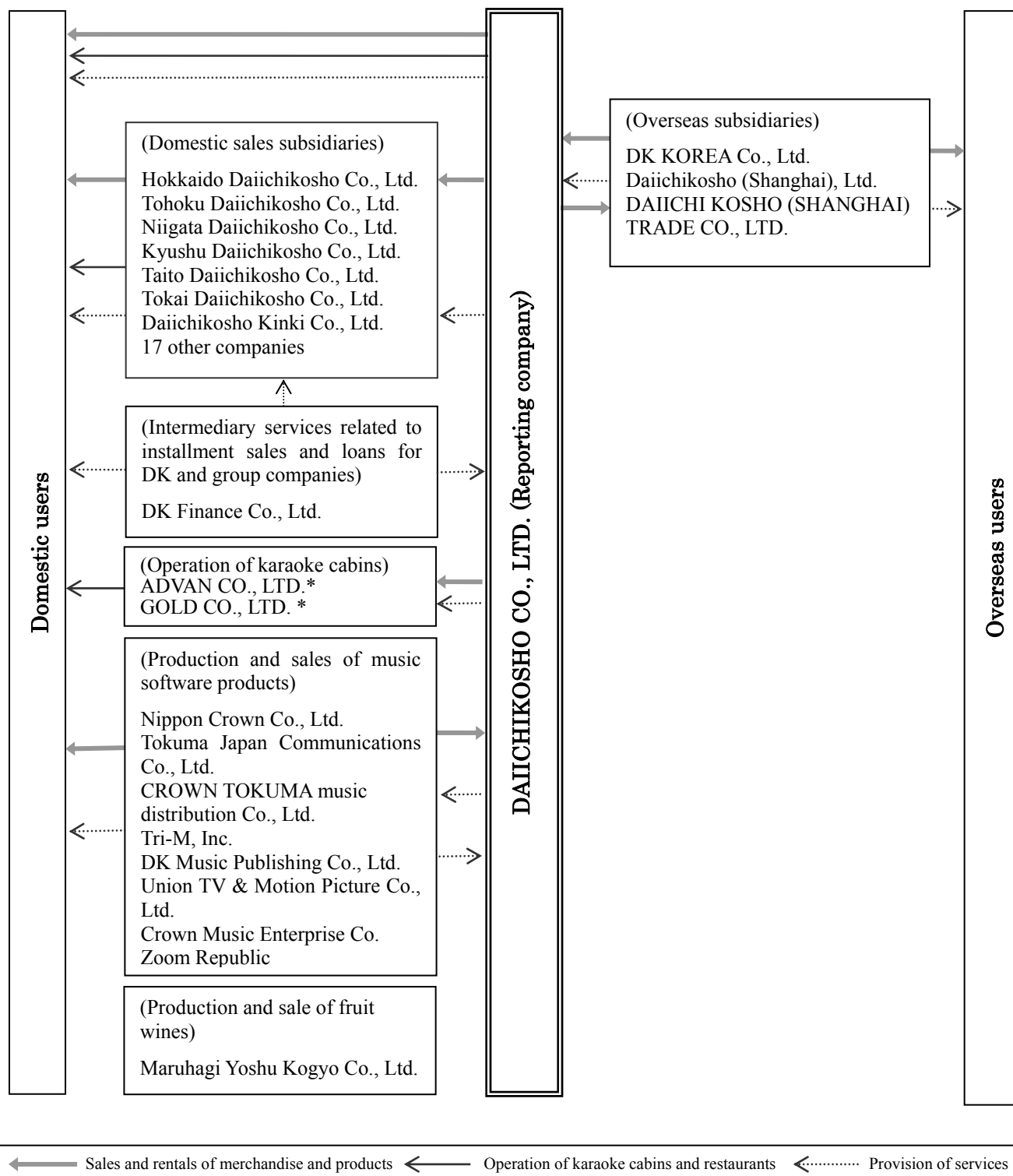
(Attachment)

Corporate Group

The Daiichikoshō Group (“DKG”) consists of Daiichikoshō Co., Ltd. (“DK” or “the company”), 39 consolidated subsidiaries. The major group companies engage in sales and rental of commercial-use karaoke equipment, supply of sound source and video content for communication karaoke, operation of karaoke cabins and restaurants, and production and sales of music and video software products.

Business segment	Business line	Domestic	Overseas
Commercial karaoke	Sales and rental of commercial-use karaoke equipment and supply of sound source and video content for communication karaoke	Daiichikoshō Co., Ltd., Hokkaido Daiichikoshō Co., Ltd., Tohoku Daiichikoshō Co., Ltd., Taito Daiichikoshō Co., Ltd., Niigata Daiichikoshō Co., Ltd., Tokai Daiichikoshō Co., Ltd., Daiichikoshō Kinki Co., Ltd., Kyushu Daiichikoshō Co., Ltd., and 19 other subsidiaries	DK KOREA Co., Ltd., Daiichikoshō (Shanghai), Ltd., and 1 other subsidiary
Karaoke cabin and restaurant	Operation of karaoke cabins and restaurants		
Music software	Production and sales of music and video software products	Daiichikoshō Co., Ltd., Nippon Crown Co., Ltd., Tokuma Japan Communications Co., Ltd., CROWN TOKUMA music distribution Co., Ltd., Union Eiga Co., Ltd., and 4 other subsidiaries	
Other	Background music (BGM) broadcasting, supply of content services via mobile phone and real estate lease and rental, etc.	Daiichikoshō Co., Ltd., DK Finance Co., Ltd., and Maruhagi Yoshu Kogyo Co., Ltd.	

The following diagram schematically shows the relationships of the respective group companies and businesses.



Note: * As Daiichikoshi Co., Ltd. acquired all the shares of Advan Co., Ltd. Gold Co., Ltd. in February 2014, they have been included in the scope of consolidation.

Consolidated Financial Statements

(1) Consolidated Balance Sheets

	(Millions of yen)	
	FY2012	FY2013
	(As of March 31, 2013)	(As of March 31, 2014)
Assets		
Current assets		
Cash and deposits	41,248	44,223
Notes and accounts receivable - trade	8,337	6,403
Securities	1,072	426
Inventories	6,178	7,000
Deferred tax assets	1,422	1,405
Other	4,240	4,401
Allowance for doubtful accounts	(134)	(131)
Total current assets	62,365	63,729
Non-current assets		
Property, plant and equipment		
Buildings and structures	13,097	12,801
Accumulated depreciation	(8,270)	(8,144)
Buildings and structures, net	4,826	4,656
Karaoke equipment for rental	32,811	34,895
Accumulated depreciation	(25,212)	(26,605)
Karaoke equipment for rental, net	7,598	8,289
Karaoke cabin and restaurant facilities	36,125	38,537
Accumulated depreciation	(20,874)	(22,832)
Karaoke cabin and restaurant facilities, net	15,251	15,705
Land	24,497	26,095
Other	7,880	5,690
Accumulated depreciation	(5,571)	(4,758)
Other, net	2,308	931
Total property, plant and equipment	54,484	55,679
Intangible assets		
Goodwill	405	1,675
Other	5,956	6,016
Total intangible assets	6,361	7,691
Investments and other assets		
Investment securities	18,998	14,621
Long-term loans receivable	813	741
Deferred tax assets	2,148	4,052
Lease and guarantee deposits	13,060	13,752
Other	1,394	1,439
Allowance for doubtful accounts	(146)	(121)
Total investments and other assets	36,268	34,486
Total non-current assets	97,113	97,857
Total assets	159,479	161,587

DAIICHIKOSHO CO., LTD.

(Millions of yen)

	FY2012 (As of March 31, 2013)	FY2013 (As of March 31, 2014)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	4,540	4,492
Short-term loans payable	4,836	4,501
Accounts payable - other	8,815	7,340
Income taxes payable	4,524	5,375
Provision for bonuses	1,063	1,103
Other	3,603	3,834
Total current liabilities	27,384	26,647
Non-current liabilities		
Bonds payable	10,000	10,000
Long-term loans payable	14,151	13,367
Deferred tax liabilities	62	66
Provision for retirement benefits	3,683	—
Provision for directors' retirement benefits	2,088	2,296
Net defined benefit liability	—	5,075
Other	1,794	1,865
Total non-current liabilities	31,780	32,670
Total liabilities	59,164	59,318
Net assets		
Shareholders' equity		
Capital stock	12,350	12,350
Capital surplus	6,026	4,001
Retained earnings	78,119	84,926
Treasury shares	(5)	(7)
Total shareholders' equity	96,490	101,270
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,646	1,172
Revaluation reserve for land	(777)	(777)
Foreign currency translation adjustment	(100)	51
Remeasurements of defined benefit plans	—	(602)
Total accumulated other comprehensive income	2,768	(156)
Minority interests	1,056	1,153
Total net assets	100,315	102,268
Total liabilities and net assets	159,479	161,587

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

	(Millions of yen)	
	FY2012 (From April 1, 2012, to March 31, 2013)	FY2013 (From April 1, 2013, to March 31, 2014)
Net sales	128,901	130,587
Cost of sales	75,884	76,800
Gross profit	53,016	53,787
Selling, general and administrative expenses		
Advertising expenses	2,617	2,680
Promotion expenses	2,150	1,870
Packing and freight expenses	1,040	1,017
Directors' compensations	1,648	1,668
Provision for directors' retirement benefits	369	310
Salaries and bonuses	13,473	13,705
Provision for bonuses	842	879
Retirement benefit expenses	494	556
Rent expenses	1,261	1,301
Depreciation	794	737
Other	9,926	9,921
Total selling, general and administrative expenses	34,620	34,648
Operating income	18,395	19,139
Non-operating income		
Interest income	717	1,005
Cooperative monetary aid received	490	512
Compensation income	13	283
Foreign exchange gains	2,471	—
Other	740	996
Total non-operating income	4,433	2,798
Non-operating expenses		
Interest expenses	295	290
Foreign exchange losses	—	204
Other	252	215
Total non-operating expenses	548	710
Ordinary income	22,280	21,227
Extraordinary income		
Gain on sales of non-current assets	50	31
Gain on sales of investment securities	92	2,126
Total extraordinary income	142	2,157
Extraordinary losses		
Loss on disposal of non-current assets	569	546
Impairment loss	359	362
Other	—	10
Total extraordinary losses	928	918
Income before income taxes and minority interests	21,495	22,466
Income taxes - current	8,604	9,444
Income taxes - deferred	(9)	(162)
Total income taxes	8,594	9,281
Income before minority interests	12,900	13,184
Minority interests in income	81	100
Net income	12,819	13,084

(Consolidated Statements of Comprehensive Income)

	(Millions of yen)	
	FY2012 (From April 1, 2012, to March 31, 2013)	FY2013 (From April 1, 2013, to March 31, 2014)
Income before minority interests	12,900	13,184
Other comprehensive income		
Valuation difference on available-for-sale securities	2,852	(2,474)
Foreign currency translation adjustment	86	151
Total other comprehensive income	2,939	(2,322)
Comprehensive income	15,839	10,862
Comprehensive income attributable to		
Owners of parent	15,758	10,762
Minority interests	81	100

(3) Consolidated Statements of Changes in Net Assets
FY2012 (from April 1, 2012 to March 31, 2013)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	12,350	12,905	68,730	(989)	92,996
Changes of items during period					
Dividends of surplus			(3,429)		(3,429)
Net income			12,819		12,819
Purchase of treasury shares				(5,895)	(5,895)
Retirement of treasury shares		(6,879)		6,879	—
Net changes of items other than shareholders' equity					
Total changes of items during period	—	(6,879)	9,389	983	3,493
Balance at end of current period	12,350	6,026	78,119	(5)	96,490

	Accumulated other comprehensive income					Minority 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	793	(777)	(186)	—	(170)	978	93,804
Changes of items during period							
Dividends of surplus							(3,429)
Net income							12,819
Purchase of treasury shares							(5,895)
Retirement of treasury shares							—
Net changes of items other than shareholders' equity	2,852	—	86	—	2,939	78	3,017
Total changes of items during period	2,852	—	86	—	2,939	78	6,510
Balance at end of current period	3,646	(777)	(100)	—	2,768	1,056	100,315

FY2013 (from April 1, 2013 to March 31, 2014)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	12,350	6,026	78,119	(5)	96,490
Changes of items during period					
Dividends of surplus			(3,881)		(3,881)
Net income			13,084		13,084
Purchase of treasury shares				(4,422)	(4,422)
Retirement of treasury shares		(2,024)	(2,394)	4,419	—
Net changes of items other than shareholders' equity					
Total changes of items during period	—	(2,024)	6,807	(2)	4,780
Balance at end of current period	12,350	4,001	84,926	(7)	101,270

	Accumulated other comprehensive income					Minority 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	3,646	(777)	(100)	—	2,768	1,056	100,315
Changes of items during period							
Dividends of surplus							(3,881)
Net income							13,084
Purchase of treasury shares							(4,422)
Retirement of treasury shares							—
Net changes of items other than shareholders' equity	(2,474)	—	151	(602)	(2,924)	97	(2,827)
Total changes of items during period	(2,474)	—	151	(602)	(2,924)	97	1,953
Balance at end of current period	1,172	(777)	51	(602)	(156)	1,153	102,268

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	FY2012 (From April 1, 2012, to March 31, 2013)	FY2013 (From April 1, 2013, to March 31, 2014)
Cash flows from operating activities		
Income before income taxes and minority interests	21,495	22,466
Depreciation and amortization	13,321	13,378
Impairment loss	359	362
Increase (decrease) in allowance for doubtful accounts	(102)	(27)
Increase (decrease) in provision for directors' retirement benefits	(132)	207
Interest and dividend income	(805)	(1,151)
Interest expenses	295	290
Loss (gain) on sales of non-current securities	(92)	(2,118)
Loss (gain) on disposal of non-current assets	518	514
Foreign exchange losses (gains)	(2,576)	119
Decrease (increase) in notes and accounts receivable - trade	(1,286)	1,970
Decrease (increase) in inventories	(1,018)	(808)
Transfer of cost of sales on karaoke equipment for rental	307	335
Increase (decrease) in notes and accounts payable - trade	1,184	(88)
Increase (decrease) in accounts payable - other	956	(1,206)
Other, net	1,075	679
Subtotal	33,500	34,923
Interest and dividend income received	796	1,149
Interest expenses paid	(298)	(287)
Income taxes paid	(9,516)	(8,487)
Net cash provided by (used in) operating activities	24,482	27,298
Cash flows from investing activities		
Increase in time and saving deposits	(236)	(89)
Proceeds from decrease in time and saving deposits	194	182
Purchase of property, plant and equipment	(12,158)	(10,974)
Proceeds from sales of property, plant and equipment	251	246
Purchase of intangible assets	(3,818)	(3,498)
Payments for acquisition of video licenses	(1,700)	(1,761)
Purchase of investment securities	(789)	(9,358)
Proceeds from sales of investment securities	93	11,989
Purchase of shares of subsidiaries resulting in charge in scope of consolidation	—	(1,629)
Payments of loans receivable	(412)	(757)
Collection of loans receivable	828	782
Payments for lease and guarantee deposits	(1,039)	(1,279)
Proceeds from collection of lease and guarantee deposits	507	655
Other, net	(273)	76
Net cash provided by (used in) investing activities	(18,553)	(15,415)

DAIICHIKOSHO CO., LTD.

(Millions of yen)

	FY2012 (From April 1, 2012, to March 31, 2013)	FY2013 (From April 1, 2013, to March 31, 2014)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	5	(30)
Proceeds from long-term loans payable	2,796	2,390
Repayment of long-term loans payable	(4,372)	(3,478)
Proceeds from issuance of bonds	9,946	—
Cash dividends paid	(3,430)	(3,883)
Purchase of treasury shares	(5,895)	(4,422)
Other, net	(39)	(34)
Net cash provided by (used in) financing activities	(989)	(9,458)
Effect of exchange rate change on cash and cash equivalents	2,656	(5)
Net increase (decrease) in cash and cash equivalents	7,596	2,418
Cash and cash equivalents at beginning of period	34,367	41,963
Cash and cash equivalents at end of period	41,963	44,381

(5) Notes to the Consolidated Financial Statements

(Changes in Accounting Policies)

(Application of Accounting Standard for Retirement Benefits)

The Company has applied Accounting Standard for Retirement Benefits (Accounting Standards Board of Japan (ASBJ) Statement No. 26, May 17, 2012, “the Retirement Benefits Accounting Standard”) and Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012, “the Retirement Benefits Guidance”) from the current fiscal year end, with the exception of the provisions in the main text of paragraph 35 of the Retirement Benefits Accounting Standard and the main text of paragraph 67 of the Retirement Benefits Accounting Standard Application Guidance. Under the new standard, the Company has changed the method of accounting for retirement benefit obligation, and recognized the previously unrecognized actuarial gains and losses and unrecognized past service cost in net defined benefit liability.

With regard to the application of retirement benefit accounting standards, etc., the amount accompanying the relevant changes has been reconciled in remeasurements of defined benefit plans in accumulated other comprehensive income at the current fiscal year end in accordance with the interim treatment provided for in paragraph 37 of the Retirement Benefits Accounting Standard.

As a result, the Company recorded 5,075 million yen as net defined benefit liability while accumulated other comprehensive income fell by 602 million yen at the current fiscal year end.

Net assets per share fell 10.34 yen.

(6) Segment Information**FY2012 (From April 1, 2012, to March 31, 2013)**

(Millions of yen)

	Reportable segments				Other	Total	Adjusted amount (Note)	Amount on consolidated statements of income
	Commercial karaoke	Karaoke cabin and restaurant	Music software	Subtotal				
Sales								
Sales to third parties	64,985	45,641	10,654	121,280	7,620	128,901	—	128,901
Intersegment sales and transfers	—	—	—	—	—	—	—	—
Total	64,985	45,641	10,654	121,280	7,620	128,901	—	128,901
Segment income (Operating income)	12,050	6,852	1,269	20,171	1,241	21,413	(3,017)	18,395
Other items								
Depreciation and amortization	8,327	2,915	42	11,285	379	11,665	25	11,691
Amortization of goodwill	0	147	—	147	—	147	—	147

Note: The (3,017) 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.

FY2013 (From April 1, 2013 to March 31, 2014)

(Millions of yen)

	Reportable segments				Other	Total	Adjusted amount (Note)	Amount on consolidated statements of income
	Commercial karaoke	Karaoke cabin and restaurant	Music software	Subtotal				
Sales								
Sales to third parties	66,047	47,086	10,463	123,598	6,989	130,587	—	130,587
Intersegment sales and transfers	—	—	—	—	—	—	—	—
Total	66,047	47,086	10,463	123,598	6,989	130,587	—	130,587
Segment income (Operating income)	13,155	6,591	966	20,712	1,303	22,015	(2,875)	19,139
Other items								
Depreciation and amortization	8,336	2,931	51	11,320	320	11,641	17	11,658
Amortization of goodwill	2	152	—	155	—	155	—	155

Note: The (2,875) 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.