

**Translation**

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FY2022, the year ending March 31, 2023

## Flash Report on the Consolidated Results for the Second Quarter Ended September 30, 2022 [JGAAP]

November 9, 2022

Company Name: **DAIICHIKOSHO CO., LTD.**  
 Stock Exchange Listing: Tokyo Stock Exchange  
 Code Number: 7458  
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 Date to Submit the Quarterly Securities Report: November 14, 2022  
 Start Date for Dividend Payment: December 5, 2022  
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 Schedule of Quarterly Financial Results Briefing Session: None

(Amounts below one million yen are truncated.)

### 1. Consolidated Performance for the Six Months Ended September 30, 2022 (From April 1, 2022, to September 30, 2022)

#### (1) Consolidated operating results (Percentage figures indicate increase/decrease from a year earlier.)

	Net sales		Operating profit		Ordinary profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended September 30, 2022	60,671	53.5	5,469	—	5,773	—
Six months ended September 30, 2021	39,529	(7.6)	(1,945)	—	(1,176)	—

	Profit attributable to owners of parent		Basic earnings per share	Diluted earnings per share
	Millions of yen	%	Yen	Yen
Six months ended September 30, 2022	5,990	—	109.73	109.57
Six months ended September 30, 2021	(1,429)	—	(26.20)	—

(Note) Comprehensive income:

Six months ended September 30, 2022: 6,208 million yen — %

Six months ended September 30, 2021: (1,277) million yen — %

#### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2022	184,480	108,286	57.8
As of March 31, 2022	180,389	105,160	57.4

(Reference) Shareholders' equity:

As of September 30, 2022: 106,621 million yen

As of March 31, 2022: 103,543 million yen

2. Dividend

	Annual dividend				
	First Quarter	Second Quarter	Third Quarter	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2022	—	56.00	—	57.00	113.00
Year ending March 31, 2023	—	56.00			
Year ending March 31, 2023 (forecast)			—	57.00	113.00

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

3. Forecast of Consolidated Performance for FY2022, the Year Ending March 31, 2023 (From April 1, 2022, to March 31, 2023)

(Percentage figures indicate increase/decrease from a year earlier.)

	Net sales		Operating profit		Ordinary profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ending March 31, 2023 (full year)	126,500	33.5	12,000	—	12,800	—

	Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Yen
Year ending March 31, 2023 (full year)	10,000	92.4	183.17

(Note) Changes in forecast of consolidated performance from most recently announced figures: None

**\*Notes**

- (1) Significant changes in subsidiaries during the period under review (changes to specific subsidiaries resulting in 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: None
  - 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 shares)
- 2) Number of treasury shares
- 3) Average number of shares during the period

As of September 30, 2022	54,734,200 shares	As of March 31, 2022	54,734,200 shares
As of September 30, 2022	141,302 shares	As of March 31, 2022	141,260 shares
Six months ended September 30, 2022	54,592,931 shares	Six months ended September 30, 2021	54,558,572 shares

\* These consolidated financial results are outside the scope of quarterly review 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. For the conditions underlying the assumptions made for financial results forecasts and their use, please see “Explanation of Forecast of Consolidated Performance and Other Forward-looking Information” on page 7 of the Attachments.

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## 1. Qualitative Information on Quarterly Performance

### (1) Explanation of Operating Results

In the six months ended September 30, 2022 (the “six months under review”), due to the gradual mitigation of impact of the COVID-19 pandemic on economic activities, Japan’s economy saw signs of consumer spending and other matters back to normal. The economic outlook, however, remains unclear as it is still not certain when the pandemic will end and due to the rapid depreciation of the yen and surging prices of energy resources and raw materials.

In the karaoke industry, where DAIICHIKOSHO CO., LTD. (the “Company,” together with its subsidiaries, the “Group”) operates, amid the lifting of quasi-emergency measures and related requests in the previous fiscal year, many karaoke cabins and restaurants both in the night business and the karaoke cabin markets resumed normal operation. Although there were still impacts of the pandemic on business locations, attracting customers late at night and some other affairs, the markets were in a recovery trend as a whole, partly due to the fact that no administrative restrictions were imposed on operation, despite the resurgence of infections seen in July.

As a result of taking a series of measures in our businesses amid such a situation, in the six months under review, net sales amounted to 60,671 million yen (up 53.5% year on year), operating profit was recorded of 5,469 million yen (a loss of 1,945 million yen in the previous corresponding period), ordinary profit was 5,773 million yen (a loss of 1,176 million yen in the previous corresponding period), and profit attributable to owners of parent amounted to 5,990 million yen (a loss of 1,429 million yen in the previous corresponding period).

The Group posted 2,868 million yen of subsidies income covering the previous fiscal year (5,660 million yen in the previous corresponding period) in extraordinary income from various subsidies, such as employment adjustment subsidies and subsidies for shorter business hours.

(Millions of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022	Year-on-year change	% change
Net sales	39,529	60,671	21,141	53.5%
Operating profit	(1,945)	5,469	7,414	—
Ordinary profit	(1,176)	5,773	6,950	—
Profit attributable to owners of parent	(1,429)	5,990	7,419	—

Operating results by segment are as follows.

#### (Commercial karaoke business)

In the commercial karaoke business, due to the lifting of various requests followed by the resumption of operation of our customers’ facilities and an increase in new store openings, the business environment was in the recovery trend primarily in stores operating at night, such as snack bars, which are our main market.

In such an environment, in order to recover the number of DAM units in operation, which is the key challenge in the current fiscal year, we opened a website to help with the introduction of karaoke equipment “Karaoke no Madoguchi (Consultation desk for karaoke)” in the previous fiscal year and a website providing property information “Yorumise Navi (Search navigation for properties for night entertainment)” in April. In addition to face-to-face sales that is our strength, we also strived to build a sales system online by holding online events at nursing facilities in the seniors’ market and taking other steps.

In addition, we strived to improve our Karaoke DAM products by further expanding our visual contents such as live videos, animated videos and music videos including “Liview!,” which was released in the previous fiscal year and with which users can enjoy the atmosphere of live performances in karaoke cabins.

We released in October “FREE DAM LIFE,” our latest dedicated model for DK elder system, newly equipped with a remote session function and others that would help reduce the workload of staff working at nursing facilities. Going forward, we aim to replace the old models and acquire new customers in the seniors’ market.

As a result, net sales and operating profit increased by 14.0% and 29.0%, respectively, year on year.

(Millions of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022	Year-on-year change	% change
Net sales	25,183	28,716	3,533	14.0%
Operating profit	5,792	7,472	1,679	29.0%

(Karaoke cabin and restaurant business)

In the karaoke cabin and restaurant business, we opened six karaoke cabins and six restaurants, including those in new business types (Amatsu and Ginten), and closed three karaoke cabins and six restaurants, and we operate 506 karaoke cabins and 175 restaurants as of the end of the six months under review.

Thanks to the lifting in the previous fiscal year of various requests made due to the pandemic, we have seen the return of customer flow since the beginning of the six months under review. However, the sales of existing karaoke cabins and restaurants in the six months under review were at the level of approximately 30% lower than those before the COVID-19 pandemic (80% lower in the previous corresponding period), as there were still impacts of the pandemic on business locations and attracting customers late at night, among other impacts, and due also to a temporary slowdown in the recovery trend given the spread of COVID-19 from mid-July onward.

Under such circumstances, in BIG ECHO karaoke cabins, we strengthened our equipment by establishing 42 karaoke cabins, of which “LIVE DAM Ai,” our most premium karaoke model, is installed in all rooms and worked to improve customer satisfaction. We also started to promote the joy of karaoke by using social media (Twitter and TikTok) and focused on attracting more young customers by advertising “Saikyo Gakuwari (Best student discount),” launched in all karaoke cabins in June.

As a result, net sales increased by 258.6% year on year, and operating loss was recorded at 1,671 million yen.

(Millions of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022	Year-on-year change	% change
Net sales	6,331	22,702	16,371	258.6%
Operating profit	(6,981)	(1,671)	5,309	—

(Music software business)

In the music software business, the product sales of CDs and DVDs saw a recovery trend while the music industry has been booming again as events and concerts have gradually started to resume. In addition, the TV program production business also made steady progress.

As a result, net sales and operating profit increased by 18.6% and 299.2%, respectively, year on year.

(Millions of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022	Year-on-year change	% change
Net sales	2,717	3,221	504	18.6%
Operating profit	24	98	74	299.2%

(Other businesses)

In the other businesses, the parking business operating “The Park” brand as its new pillar of revenue made steady progress, and the business scale expanded to 1,900 parking facilities and 23,000 parking spots as of the end of the six months under review.

As a result, net sales increased by 13.8% year on year thanks to the increase in revenue from the parking business, and operating profit increased by 110.5% year on year.

(Millions of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022	Year-on-year change	% change
Net sales	5,297	6,030	732	13.8%
Operating profit	374	788	413	110.5%

(2) Explanation of Financial Position

Total assets at the end of the six months under review increased by 4,090 million yen from the end of the previous fiscal year to 184,480 million yen.

Major changes from the previous fiscal year were increases in cash and deposits, notes and accounts receivable – trade, inventories and prepaid expenses included in “other” by 1,998 million yen, 579 million yen, 491 million yen and 1,053 million yen, respectively, in current assets.

Liabilities increased by 964 million yen from the end of the previous fiscal year to 76,193 million yen.

The increase is primarily attributable to increases in notes and accounts payable – trade and provision for bonuses by 339 million yen and 489 million yen, respectively, in current liabilities.

Net assets increased by 3,126 million yen from the end of the previous fiscal year to 108,286 million yen.

The increase is primarily attributable to an increase in retained earnings of 5,990 million yen due to profit attributable to owners of parent and a decrease in retained earnings of 3,111 million yen due to the dividends of surplus.

(3) Explanation of Cash Flows

Cash and cash equivalents (hereinafter referred to as “funds”) at the end of the six months under review increased by 1,998 million yen from the end of the previous fiscal year to 70,124 million yen.

The following is the explanation of cash flows in the six months under review and their contributing factors.

(Cash Flows from Operating Activities)

Funds provided by operating activities were 11,367 million yen (1,606 million yen used in the previous corresponding period), mainly due to profit before income taxes of 8,712 million yen, depreciation of 5,079 million yen and income taxes paid of 1,827 million yen.

(Cash Flows from Investing Activities)

Funds used in investing activities increased by 852 million yen year on year to 5,901 million yen, mainly due to purchase of property, plant and equipment of 3,527 million yen and purchase of intangible assets of 1,615 million yen.

(Cash Flows from Financing Activities)

Funds used in financing activities increased by 185 million yen year on year to 3,500 million yen, mainly due to dividends paid of 3,111 million yen.

(4) Explanation of Forecast of Consolidated Performance and Other Forward-looking Information

There is no change to the full-year performance forecast announced on August 8, 2022.

The forecast was prepared based on information available on the date this report was released, and actual results may vary from forecast values due to various factors in the future.

## Quarterly Consolidated Financial Statements and Primary Notes

### (1) Quarterly Consolidated Balance Sheets

	FY2021 (As of March 31, 2022)	Current Second quarter (As of September 30, 2022)
(Millions of yen)		
<b>Assets</b>		
Current assets		
Cash and deposits	68,214	70,212
Notes and accounts receivable – trade	4,127	4,706
Inventories	7,596	8,088
Other	4,796	5,600
Allowance for doubtful accounts	(457)	(377)
Total current assets	84,277	88,230
Non-current assets		
Property, plant and equipment		
Karaoke equipment for rental, net	6,294	6,525
Karaoke cabin and restaurant facilities, net	10,380	10,545
Land	40,341	40,340
Other, net	5,970	6,303
Total property, plant and equipment	62,987	63,714
Intangible assets		
Goodwill	996	938
Other	5,861	5,964
Total intangible assets	6,858	6,902
Investments and other assets		
Investment securities	4,507	4,713
Leasehold and guarantee deposits	13,449	13,622
Other	8,375	7,435
Allowance for doubtful accounts	(64)	(138)
Total investments and other assets	26,267	25,632
Total non-current assets	96,112	96,249
<b>Total assets</b>	<b>180,389</b>	<b>184,480</b>



(Millions of yen)

	FY2021 (As of March 31, 2022)	Current Second quarter (As of September 30, 2022)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable – trade	2,614	2,954
Short-term borrowings	6,098	16,016
Income taxes payable	1,985	2,034
Provision for bonuses	1,141	1,630
Other	9,817	9,979
Total current liabilities	21,658	32,615
Non-current liabilities		
Long-term borrowings	41,705	31,406
Provision for retirement benefits for directors (and other officers)	993	1,026
Retirement benefit liability	7,846	8,079
Other	3,024	3,064
Total non-current liabilities	53,570	43,578
<b>Total liabilities</b>	<b>75,229</b>	<b>76,193</b>
<b>Net assets</b>		
Shareholders' equity		
Share capital	12,350	12,350
Capital surplus	4,114	4,114
Retained earnings	87,733	90,612
Treasury shares	(570)	(571)
Total shareholders' equity	103,628	106,506
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	606	742
Revaluation reserve for land	(733)	(733)
Foreign currency translation adjustment	69	114
Remeasurements of defined benefit plans	(26)	(8)
Total accumulated other comprehensive income	(84)	114
Share acquisition rights	219	255
Non-controlling interests	1,397	1,409
<b>Total net assets</b>	<b>105,160</b>	<b>108,286</b>
<b>Total liabilities and net assets</b>	<b>180,389</b>	<b>184,480</b>

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

	(Millions of yen)	
	Six months ended September 30, 2021 (From April 1, 2021, to September 30, 2021)	Six months ended September 30, 2022 (From April 1, 2022, to September 30, 2022)
Net sales	39,529	60,671
Cost of sales	27,488	39,771
Gross profit	12,041	20,899
Selling, general and administrative expenses	13,987	15,430
Operating profit (loss)	(1,945)	5,469
Non-operating income		
Interest income	10	9
Insurance claim income	319	94
Cooperative monetary aid received	144	93
Other	533	350
Total non-operating income	1,007	548
Non-operating expenses		
Interest expenses	109	87
Foreign exchange losses	23	40
Cancellation penalty	49	35
Other	55	80
Total non-operating expenses	238	243
Ordinary profit (loss)	(1,176)	5,773
Extraordinary income		
Gain on sale of non-current assets	11	3
Gain on bargain purchase	—	112
Subsidies income	5,660	2,868
Total extraordinary income	5,672	2,983
Extraordinary losses		
Loss on disposal of non-current assets	30	26
Impairment losses	60	18
Loss on sale of investment securities	0	—
Loss on valuation of investment securities	108	—
Loss on COVID-19	6,299	—
Total extraordinary losses	6,499	44
Profit (loss) before income taxes	(2,004)	8,712
Income taxes – current	684	1,807
Income taxes – deferred	(1,275)	895
Total income taxes	(590)	2,703
Profit (loss)	(1,413)	6,009
Profit attributable to non-controlling interests	15	19
Profit (loss) attributable to owners of parent	(1,429)	5,990

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

	(Millions of yen)	
	Six months ended September 30, 2021 (From April 1, 2021, to September 30, 2021)	Six months ended September 30, 2022 (From April 1, 2022, to September 30, 2022)
Profit (loss)	(1,413)	6,009
Other comprehensive income		
Valuation difference on available-for-sale securities	106	136
Foreign currency translation adjustment	8	45
Remeasurements of defined benefit plans, net of tax	21	17
Total other comprehensive income	136	198
Comprehensive income	(1,277)	6,208
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(1,292)	6,189
Comprehensive income attributable to non-controlling interests	15	19

**(3) Quarterly Consolidated Statements of Cash Flows**

(Millions of yen)

	Six months ended September 30, 2021 (From April 1, 2021, to September 30, 2021)	Six months ended September 30, 2022 (From April 1, 2022, to September 30, 2022)
<b>Cash flows from operating activities</b>		
Profit (loss) before income taxes	(2,004)	8,712
Depreciation	6,002	5,079
Amortization of goodwill	53	54
Impairment losses	60	18
Increase (decrease) in provision for retirement benefits for directors (and other officers)	6	33
Interest and dividend income	(147)	(78)
Interest expenses	109	87
Foreign exchange losses (gains)	(6)	(33)
Loss (gain) on sale of investment securities	0	—
Loss (gain) on valuation of investment securities	108	—
Loss (gain) on disposal of non-current assets	19	23
Subsidy income	(5,660)	(2,868)
Gain on bargain purchase	—	(112)
Decrease (increase) in trade receivables	1,083	(566)
Decrease (increase) in inventories	(94)	(491)
Transfer of cost of sales on karaoke equipment for rental	80	27
Decrease (increase) in advance payments to suppliers	(42)	(242)
Increase (decrease) in trade payables	(455)	326
Increase (decrease) in accounts payable – other	(3,958)	548
Other, net	(1,537)	(352)
Subtotal	(6,384)	10,168
Interest and dividends received	147	78
Interest paid	(110)	(88)
Subsidies received	5,501	3,036
Income taxes paid	(761)	(1,827)
Net cash provided by (used in) operating activities	(1,606)	11,367
<b>Cash flows from investing activities</b>		
Payments into time deposits	(363)	(10)
Proceeds from withdrawal of time deposits	107	10
Purchase of property, plant and equipment	(2,824)	(3,527)
Proceeds from sale of property, plant and equipment	76	7
Purchase of intangible assets	(1,428)	(1,615)
Payments for acquisition of video licenses	(557)	(536)
Proceeds from sale of investment securities	0	—
Purchase of investment securities	(50)	—
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	—	143
Payments for acquisition of businesses	(1,014)	(16)
Loan advances	(32)	(106)
Proceeds from collection of loans receivable	207	106
Payments of leasehold and guarantee deposits	(68)	(472)
Proceeds from refund of leasehold and guarantee deposits	445	206
Other, net	453	(89)
Net cash provided by (used in) investing activities	(5,049)	(5,901)

DAIICHIKOSHO CO., LTD.

(Millions of yen)

	Six months ended September 30, 2021 (From April 1, 2021, to September 30, 2021)	Six months ended September 30, 2022 (From April 1, 2022, to September 30, 2022)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(299)	25
Proceeds from long-term borrowings	11,250	130
Repayments of long-term borrowings	(11,146)	(537)
Dividends paid	(3,105)	(3,111)
Purchase of treasury shares	(0)	(0)
Other, net	(12)	(7)
Net cash provided by (used in) financing activities	(3,314)	(3,500)
Effect of exchange rate change on cash and cash equivalents	6	33
Net increase (decrease) in cash and cash equivalents	(9,964)	1,998
Cash and cash equivalents at beginning of period	67,680	68,125
Cash and cash equivalents at end of period	57,715	70,124

**(4) Notes to Quarterly Consolidated Financial Statements**

(Notes on Going Concern Assumption)

Not applicable.

(Notes in Case of Significant Changes in Shareholders' Equity)

Not applicable.

(Segment Information)

[Segment information]

**Six months ended September 30, 2021 (From April 1, 2021, to September 30, 2021)**

## 1. Information on the amounts of net sales and profit or loss by reportable segment

(Millions of yen)

	Reportable segments				Other (Note 1)	Total	Adjusted amount (Note 2)	Posted amount to the consolidated quarterly statements of income
	Commercial karaoke	Karaoke cabin and restaurant	Music software	Subtotal				
Net sales	25,183	6,331	2,717	34,231	5,297	39,529	—	39,529
Segment profit or Segment loss (Operating profit or Operating loss)	5,792	(6,981)	24	(1,163)	374	(789)	(1,156)	(1,945)

- Notes:
1. The category "Other" comprises a business segment not attributable to reportable segments, including parking, real estate leasing and BGM broadcasting businesses.
  2. The (1,156) million yen adjustment posted to segment profit 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.

## 2. Information on impairment loss of non-current assets or goodwill, etc. by reportable segment

The statements are omitted due to little significance.

**Six months ended September 30, 2022 (From April 1, 2022, to September 30, 2022)**

## 1. Information on the amounts of net sales and profit or loss by reportable segment

(Millions of yen)

	Reportable segments				Other (Note 1)	Total	Adjusted amount (Note 2)	Posted amount to the consolidated quarterly statements of income
	Commercial karaoke	Karaoke cabin and restaurant	Music software	Subtotal				
Net sales	28,716	22,702	3,221	54,640	6,030	60,671	—	60,671
Segment profit or Segment loss (Operating profit or Operating loss)	7,472	(1,671)	98	5,899	788	6,688	(1,219)	5,469

- Notes:
1. The category "Other" comprises a business segment not attributable to reportable segments, including parking, real estate leasing and BGM broadcasting businesses.
  2. The (1,219) million yen adjustment posted to segment profit 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.

## 2. Information on impairment loss of non-current assets or goodwill, etc. by reportable segment

The statements are omitted due to little significance.

### (Additional Information)

Concerning the impairment of non-current assets, tax effect accounting, etc., the Company estimated future cash flows, recoverability of deferred tax assets, etc. on the assumption that the impact of COVID-19 will gradually improve throughout the fiscal year ending March 31, 2023, and that the performance of the Company will recover to the level before the COVID-19 pandemic in the medium term.

No significant changes have been made to the assumptions made at the end of the previous fiscal year.

### (Quarterly Consolidated Statements of Income)

#### Subsidies income

Following the issuance of the declaration of state of emergency due to the spread of COVID-19, employment adjustment subsidies, which are subsidies that are provided to cover salaries, etc. for the period during which employees are furloughed, as well as subsidies, etc. that are received from the national government, local municipalities, etc., have been posted in subsidies income.

#### Loss on COVID-19

Following the issuance of the declaration of state of emergency due to the spread of COVID-19, we implemented a measure to furlough (special leave of absence) employees in predetermined areas. In addition, karaoke cabins and restaurants operated by the Company as well as those operated by our clients closed temporarily or opened for shorter hours, following the requests from the national government and local municipalities.

In light of these events, fixed costs of karaoke cabins and restaurants operated by the Company during the period of closure and fixed costs in relation to leasing of commercial karaoke equipment, including salaries for the period during which employees were furloughed, have been posted in loss on COVID-19.