

Translation

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FY2019, the year ended March 31, 2020

Flash Report on the Consolidated Results for the Year Ended March 31, 2020 [JGAAP]

May 25, 2020

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 19, 2020
 Start Date for Dividend Payment: June 22, 2020
 Scheduled Date to Submit the Securities Report: June 30, 2020
 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, 2020 (From April 1, 2019, to March 31, 2020)

(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, 2020	146,297	1.7	19,058	(3.1)	20,133	(3.6)
Year ended March 31, 2019	143,833	1.7	19,672	(6.8)	20,881	(4.5)

	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, 2020	12,555	(19.5)	221.87	221.56
Year ended March 31, 2019	15,600	18.9	274.43	274.08

(Note) Comprehensive income:

Year ended March 31, 2020: 11,553 million yen (24.2) %

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

	Return on equity	Ordinary income to total assets	Operating income to net sales
	%	%	%
Year ended March 31, 2020	9.5	10.9	13.0
Year ended March 31, 2019	12.2	11.3	13.7

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

Year ended March 31, 2020: — million yen

Year ended March 31, 2019: — 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, 2020	181,567	136,205	74.0	2,386.30
As of March 31, 2019	188,814	132,636	69.3	2,310.79

(Reference) Shareholders' equity:

As of March 31, 2020: 134,419 million yen

As of March 31, 2019: 130,915 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, 2020	28,155	(21,430)	(15,872)	47,232
Year ended March 31, 2019	30,221	(14,192)	(9,547)	56,439

2. Dividend

	Annual dividend				
	First Quarter	Second Quarter	Third Quarter	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2019	—	56.00	—	56.00	112.00
Year ended March 31, 2020	—	56.00	—	57.00	113.00
Year ending March 31, 2021 (forecast)	—	—	—	—	—

	Aggregate amount of dividend (total)	Payout ratio (consolidated)	Ratio of dividends to net assets (consolidated)
	Millions of yen	%	%
Year ended March 31, 2019	6,362	40.8	5.0
Year ended March 31, 2020	6,384	50.9	4.8
Year ending March 31, 2021 (forecast)		—	

(Note) Dividend forecast for the year ending March 31, 2021 is not determined at this time.

3. Forecast Consolidated Performance for FY2020, the Year Ending March 31, 2021 (From April 1, 2020, to March 31, 2021)

As it is currently difficult to reasonably calculate the impact of the spread of coronavirus disease (COVID-19) to business activities of the Group, the forecast performance is yet to be determined. Forecast consolidated performance will be disclosed as soon as it becomes available.

*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)

2) Number of shares of treasury
shares

3) Average number of shares
during the period

As of March 31, 2020	57,234,200 shares	As of March 31, 2019	57,234,200 shares
As of March 31, 2020	904,712 shares	As of March 31, 2019	580,290 shares
Year ended March 31, 2020	56,590,367 shares	Year ended March 31, 2019	56,847,498 shares

(Reference) Outline of Nonconsolidated Financial Results

1. Nonconsolidated Performance for the Year Ended March 31, 2020 (From April 1, 2019, to March 31, 2020)

(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, 2020	103,057	2.9	13,323	(6.9)	15,605	(4.4)
Year ended March 31, 2019	100,191	0.5	14,318	(8.0)	16,319	(5.3)

	Net income		Basic earnings per share	Fully diluted net income per share
	Millions of yen	%	Yen	Yen
Year ended March 31, 2020	10,689	(14.3)	188.89	188.62
Year ended March 31, 2019	12,466	14.8	219.31	219.03

(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, 2020	132,050	84,725	63.9	1,498.59
As of March 31, 2019	140,538	83,041	58.9	1,460.42

(Reference) Shareholders' equity:

As of March 31, 2020: 84,414 million yen

As of March 31, 2019: 82,738 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:

Since it is difficult to reasonably calculate the impacts of the spread of COVID-19 to business activities of the Group, the forecast performance is yet to be determined. Forecast consolidated performance will be disclosed as soon as it becomes available.

Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheets

	(Millions of yen)	
	FY2018	FY2019
	(As of March 31, 2019)	(As of March 31, 2020)
Assets		
Current assets		
Cash and deposits	57,182	47,992
Notes and accounts receivable - trade	5,205	4,758
Inventories	5,464	7,777
Other	6,762	5,331
Allowance for doubtful accounts	(133)	(122)
Total current assets	74,482	65,737
Non-current assets		
Property, plant and equipment		
Buildings and structures	14,645	14,866
Accumulated depreciation	(8,741)	(9,098)
Buildings and structures, net	5,903	5,768
Karaoke equipment for rental	47,462	50,961
Accumulated depreciation	(38,353)	(41,148)
Karaoke equipment for rental, net	9,108	9,813
Karaoke cabin and restaurant facilities	52,002	54,221
Accumulated depreciation	(32,540)	(34,102)
Karaoke cabin and restaurant facilities, net	19,462	20,118
Land	39,794	40,600
Other	5,796	6,583
Accumulated depreciation	(4,451)	(4,949)
Other, net	1,345	1,634
Total property, plant and equipment	75,614	77,935
Intangible assets		
Goodwill	3,407	2,900
Other	6,944	7,299
Total intangible assets	10,351	10,199
Investments and other assets		
Investment securities	4,849	3,157
Long-term loans receivable	546	745
Deferred tax assets	6,110	6,485
Leasehold and guarantee deposits	14,976	15,249
Other	1,956	2,127
Allowance for doubtful accounts	(71)	(71)
Total investments and other assets	28,366	27,693
Total non-current assets	114,332	115,829
Total assets	188,814	181,567

DAIICHIKOSHO CO., LTD.

	FY2018 (As of March 31, 2019)	FY2019 (As of March 31, 2020)
(Millions of yen)		
Liabilities		
Current liabilities		
Notes and accounts payable - trade	3,469	4,929
Short-term borrowings	3,264	2,786
Current portion of bonds payable	6,500	—
Accounts payable - other	8,979	7,986
Income taxes payable	6,030	2,117
Provision for bonuses	1,156	1,184
Other	3,710	3,429
Total current liabilities	33,111	22,433
Non-current liabilities		
Long-term borrowings	11,890	11,045
Deferred tax liabilities	45	29
Provision for retirement benefits for directors (and other officers)	909	943
Retirement benefit liability	6,670	7,270
Other	3,550	3,638
Total non-current liabilities	23,066	22,927
Total liabilities	56,178	45,361
Net assets		
Shareholders' equity		
Share capital	12,350	12,350
Capital surplus	4,003	4,003
Retained earnings	117,709	123,891
Treasury shares	(2,986)	(4,589)
Total shareholders' equity	131,077	135,656
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	814	(221)
Revaluation reserve for land	(733)	(733)
Foreign currency translation adjustment	47	(26)
Remeasurements of defined benefit plans	(289)	(254)
Total accumulated other comprehensive income	(161)	(1,236)
Share acquisition rights	302	310
Non-controlling interests	1,417	1,475
Total net assets	132,636	136,205
Total liabilities and net assets	188,814	181,567

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

	(Millions of yen)	
	FY2018 (From April 1, 2018, to March 31, 2019)	FY2019 (From April 1, 2019, to March 31, 2020)
Net sales	143,833	146,297
Cost of sales	89,555	92,362
Gross profit	54,277	53,935
Selling, general and administrative expenses		
Advertising expenses	2,284	2,306
Promotion expenses	1,548	2,039
Packing and freight expenses	807	833
Remuneration for directors (and other officers)	1,424	1,355
Provision for retirement benefits for directors (and other officers)	153	137
Salaries and bonuses	13,707	13,585
Provision for bonuses	879	900
Retirement benefit expenses	596	589
Rent expenses	1,058	1,057
Depreciation	802	792
Other	11,344	11,278
Total selling, general and administrative expenses	34,605	34,876
Operating income	19,672	19,058
Non-operating income		
Interest income	53	31
Commission income	156	150
Cooperative monetary aid received	378	366
Foreign exchange gains	214	—
Other	855	870
Total non-operating income	1,658	1,419
Non-operating expenses		
Interest expenses	159	114
Foreign exchange losses	—	19
Cancellation penalty	133	59
Other	156	151
Total non-operating expenses	449	344
Ordinary income	20,881	20,133
Extraordinary income		
Gain on sales of non-current assets	5,952	28
Gain on sales of investment securities	61	39
Total extraordinary income	6,013	68
Extraordinary losses		
Loss on disposal of non-current assets	366	179
Impairment loss	1,828	1,250
Loss on sales of investment securities	—	96
Loss on valuation of investment securities	—	130
Loss on valuation of investments in capital	97	—
Total extraordinary losses	2,292	1,658
Income before income taxes	24,602	18,543
Income taxes - current	9,465	6,041
Income taxes - deferred	(533)	(125)
Total income taxes	8,931	5,915
Net income	15,671	12,628
Net income attributable to non-controlling interests	70	72
Net income attributable to owners of parent	15,600	12,555

(Consolidated Statements of Comprehensive Income)

	(Millions of yen)	
	FY2018 (From April 1, 2018, to March 31, 2019)	FY2019 (From April 1, 2019, to March 31, 2020)
Net income	15,671	12,628
Other comprehensive income		
Valuation difference on available-for-sale securities	(446)	(1,036)
Foreign currency translation adjustment	(40)	(73)
Remeasurements of defined benefit plans, net of tax	67	35
Total other comprehensive income	(420)	(1,075)
Comprehensive income	15,251	11,553
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	15,180	11,480
Comprehensive income attributable to non-controlling interests	70	72

(3) Consolidated Statements of Changes in Net Assets
FY2018 (from April 1, 2018, to March 31, 2019)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	12,350	4,003	108,489	(1,309)	123,534
Changes 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					—
Reversal of revaluation reserve for land			(0)		(0)
Net changes in items other than shareholders' equity					
Total changes during period	—	—	9,220	(1,677)	7,543
Balance at end of 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 period	1,261	(733)	87	(356)	258	203	1,359	125,356
Changes 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								—
Reversal of revaluation reserve for land								(0)
Net changes in items other than shareholders' equity	(446)	0	(40)	67	(420)	99	58	(262)
Total changes during period	(446)	0	(40)	67	(420)	99	58	7,280
Balance at end of period	814	(733)	47	(289)	(161)	302	1,417	132,636

FY2019 (from April 1, 2019, to March 31, 2020)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	12,350	4,003	117,709	(2,986)	131,077
Changes during period					
Dividends of surplus			(6,346)		(6,346)
Net income attributable to owners of parent			12,555		12,555
Purchase of treasury shares				(1,719)	(1,719)
Disposal of treasury shares			(27)	116	88
Reversal of revaluation reserve for land					—
Net changes in items other than shareholders' equity					
Total changes during period	—	—	6,181	(1,603)	4,578
Balance at end of period	12,350	4,003	123,891	(4,589)	135,656

	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 period	814	(733)	47	(289)	(161)	302	1,417	132,636
Changes during period								
Dividends of surplus								(6,346)
Net income attributable to owners of parent								12,555
Purchase of treasury shares								(1,719)
Disposal of treasury shares								88
Reversal of revaluation reserve for land								—
Net changes in items other than shareholders' equity	(1,036)	—	(73)	35	(1,075)	7	57	(1,009)
Total changes during period	(1,036)	—	(73)	35	(1,075)	7	57	3,569
Balance at end of period	(221)	(733)	(26)	(254)	(1,236)	310	1,475	136,205

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	FY2018 (From April 1, 2018, to March 31, 2019)	FY2019 (From April 1, 2019, to March 31, 2020)
Cash flows from operating activities		
Income before income taxes	24,602	18,543
Depreciation	15,108	15,604
Amortization of goodwill	658	606
Impairment loss	1,828	1,250
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(137)	33
Interest and dividend income	(199)	(171)
Interest expenses	159	114
Foreign exchange losses (gains)	(221)	60
Loss (gain) on sales of investment securities	(61)	56
Loss (gain) on valuation of investment securities	—	130
Loss (gain) on disposal of non-current assets	(5,585)	151
Loss on valuation of investments in capital	97	—
Decrease (increase) in trade receivables	(77)	434
Decrease (increase) in inventories	784	(2,316)
Transfer of cost of sales on karaoke equipment for rental	76	75
Decrease (increase) in advance payments - trade	(552)	1,099
Increase (decrease) in trade payables	48	1,467
Increase (decrease) in accounts payable – other	423	(816)
Other, net	1,336	1,610
Subtotal	38,289	37,935
Interest and dividends received	199	171
Interest paid	(160)	(115)
Income taxes paid	(8,107)	(9,835)
Net cash provided by (used in) operating activities	30,221	28,155
Cash flows from investing activities		
Payments into time deposits	(54)	(61)
Proceeds from withdrawal of time deposits	81	44
Purchase of property, plant and equipment	(15,263)	(14,347)
Proceeds from sales of property, plant and equipment	8,889	66
Purchase of intangible assets	(4,467)	(4,224)
Payments for acquisition of video licenses	(1,766)	(2,383)
Proceeds from sales of investment securities	61	189
Purchase of investment securities	(181)	—
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(33)
Loan advances	(440)	(547)
Collection of loans receivable	484	470
Payments of leasehold and guarantee deposits	(2,094)	(910)
Proceeds from refund of leasehold and guarantee deposits	547	240
Other, net	10	66
Net cash provided by (used in) investing activities	(14,192)	(21,430)

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(Millions of yen)

	FY2018 (From April 1, 2018, to March 31, 2019)	FY2019 (From April 1, 2019, to March 31, 2020)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(273)	(38)
Proceeds from long-term borrowings	820	170
Repayments of long-term borrowings	(2,016)	(1,455)
Redemption of bonds	—	(6,500)
Dividends paid	(6,381)	(6,308)
Purchase of treasury shares	(1,677)	(1,719)
Other, net	(18)	(20)
Net cash provided by (used in) financing activities	(9,547)	(15,872)
Effect of exchange rate change on cash and cash equivalents	221	(60)
Net increase (decrease) in cash and cash equivalents	6,702	(9,207)
Cash and cash equivalents at beginning of period	49,736	56,439
Cash and cash equivalents at end of period	56,439	47,232

Notes to the Consolidated Financial Statements

(Segment Information)

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.

FY2019 (From April 1, 2019, to March 31, 2020)

(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	65,366	63,710	7,651	136,729	9,568	146,297	—	146,297
Intersegment sales and transfers	—	—	—	—	—	—	—	—
Total	65,366	63,710	7,651	136,729	9,568	146,297	—	146,297
Segment income (Operating income)	13,742	6,255	174	20,172	1,547	21,720	(2,661)	19,058
Other items								
Depreciation and amortization	9,623	3,150	40	12,813	604	13,418	173	13,591
Amortization of goodwill	2	600	—	603	3	606	—	606

Note: The (2,661) 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.

(Additional Information)

Due to the spread of COVID-19, our Karaoke cabins and restaurants were required to close temporarily, and other events have affected our current business results as seen for example in a decrease in net sales. As for the impairment of non-current assets and tax-effect accounting, etc., we estimate future cash flows, recoverability of deferred tax assets and other matters assuming that this impact on business results will continue until the autumn of 2020.