

Translation

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FY2020, the year ended March 31, 2021

Flash Report on the Consolidated Results for the Year Ended March 31, 2021 [JGAAP]

May 28, 2021

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 25, 2021
 Start Date for Dividend Payment: June 28, 2021
 Scheduled Date to Submit the Securities Report: June 29, 2021
 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, 2021 (From April 1, 2020, to March 31, 2021)

(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, 2021	93,316	(36.2)	(2,693)	—	(1,194)	—
Year ended March 31, 2020	146,297	1.7	19,058	(3.1)	20,133	(3.6)

	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, 2021	(18,782)	—	(338.54)	—
Year ended March 31, 2020	12,555	(19.5)	221.87	221.56

(Note) Comprehensive income:

Year ended March 31, 2021: (17,514) million yen — %

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

	Return on equity	Ordinary income to total assets	Operating income to net sales
	%	%	%
Year ended March 31, 2021	(15.7)	(0.6)	(2.9)
Year ended March 31, 2020	9.5	10.9	13.0

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

Year ended March 31, 2021: — million yen

Year ended March 31, 2020: — 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, 2021	186,795	106,030	55.8	1,912.19
As of March 31, 2020	181,567	136,205	74.0	2,386.30

(Reference) Shareholders' equity:

As of March 31, 2021: 104,258 million yen

As of March 31, 2020: 134,419 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, 2021	7,755	(9,539)	22,174	67,680
Year ended March 31, 2020	28,155	(21,430)	(15,872)	47,232

2. Dividend

	Annual dividend				
	First Quarter	Second Quarter	Third Quarter	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2020	—	56.00	—	57.00	113.00
Year ended March 31, 2021	—	56.00	—	57.00	113.00
Year ending March 31, 2022 (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, 2020	6,384	50.9	4.8
Year ended March 31, 2021	6,222	—	5.3
Year ending March 31, 2022 (forecast)		undecided	

3. Forecast Consolidated Performance for FY2021, the Year Ending March 31, 2022 (From April 1, 2021, to March 31, 2022)

(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, 2021	49,800	16.4	(3,700)	—	(3,300)	—
Year ending March 31, 2022 (full year)	113,800	22.0	1,600	—	2,500	—

	Net income attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Yen
Six months ending September 30, 2021	undecided	—	undecided
Year ending March 31, 2022 (full year)	undecided	—	undecided

*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, 2021	57,234,200 shares	As of March 31, 2020	57,234,200 shares
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2) Number of shares of treasury
shares

As of March 31, 2021	2,711,167 shares	As of March 31, 2020	904,712 shares
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3) Average number of shares
during the period

Year ended March 31, 2021	55,479,828 shares	Year ended March 31, 2020	56,590,367 shares
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(Reference) Outline of Nonconsolidated Financial Results

1. Nonconsolidated Performance for the Year Ended March 31, 2021 (From April 1, 2020, to March 31, 2021)

(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, 2021	61,450	(40.4)	(2,463)	—	(1,299)	—
Year ended March 31, 2020	103,057	2.9	13,323	(6.9)	15,605	(4.4)

	Net income		Basic earnings per share	Fully diluted net income per share
	Millions of yen	%	Yen	Yen
Year ended March 31, 2021	(14,957)	—	(269.60)	—
Year ended March 31, 2020	10,689	(14.3)	188.89	188.62

(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, 2021	137,559	58,182	42.0	1,060.01
As of March 31, 2020	132,050	84,725	63.9	1,498.59

(Reference) Shareholders' equity:

As of March 31, 2021: 57,794 million yen

As of March 31, 2020: 84,414 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)	
	FY2019	FY2020
	(As of March 31, 2020)	(As of March 31, 2021)
Assets		
Current assets		
Cash and deposits	47,992	68,508
Notes and accounts receivable - trade	4,758	3,546
Inventories	7,777	8,946
Other	5,331	6,722
Allowance for doubtful accounts	(122)	(944)
Total current assets	65,737	86,780
Non-current assets		
Property, plant and equipment		
Buildings and structures	14,866	14,521
Accumulated depreciation	(9,098)	(9,223)
Buildings and structures, net	5,768	5,297
Karaoke equipment for rental	50,961	49,627
Accumulated depreciation	(41,148)	(42,922)
Karaoke equipment for rental, net	9,813	6,705
Karaoke cabin and restaurant facilities	54,221	46,570
Accumulated depreciation	(34,102)	(34,884)
Karaoke cabin and restaurant facilities, net	20,118	11,685
Land	40,600	40,681
Other	6,583	6,673
Accumulated depreciation	(4,949)	(5,360)
Other, net	1,634	1,313
Total property, plant and equipment	77,935	65,683
Intangible assets		
Goodwill	2,900	92
Other	7,299	6,140
Total intangible assets	10,199	6,232
Investments and other assets		
Investment securities	3,157	4,811
Long-term loans receivable	745	760
Deferred tax assets	6,485	6,912
Leasehold and guarantee deposits	15,249	14,224
Other	2,127	1,521
Allowance for doubtful accounts	(71)	(131)
Total investments and other assets	27,693	28,098
Total non-current assets	115,829	100,014
Total assets	181,567	186,795

DAIICHIKOSHO CO., LTD.

	(Millions of yen)	
	FY2019	FY2020
	(As of March 31, 2020)	(As of March 31, 2021)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	4,929	2,591
Short-term borrowings	2,786	17,996
Accounts payable - other	7,986	10,003
Income taxes payable	2,117	1,736
Provision for bonuses	1,184	1,168
Other	3,429	3,216
Total current liabilities	22,433	36,712
Non-current liabilities		
Long-term borrowings	11,045	32,085
Deferred tax liabilities	29	89
Provision for retirement benefits for directors (and other officers)	943	899
Retirement benefit liability	7,270	7,556
Other	3,638	3,422
Total non-current liabilities	22,927	44,052
Total liabilities	45,361	80,765
Net assets		
Shareholders' equity		
Share capital	12,350	12,350
Capital surplus	4,003	4,114
Retained earnings	123,891	98,783
Treasury shares	(4,589)	(10,958)
Total shareholders' equity	135,656	104,289
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(221)	810
Revaluation reserve for land	(733)	(733)
Foreign currency translation adjustment	(26)	32
Remeasurements of defined benefit plans	(254)	(140)
Total accumulated other comprehensive income	(1,236)	(31)
Share acquisition rights	310	388
Non-controlling interests	1,475	1,383
Total net assets	136,205	106,030
Total liabilities and net assets	181,567	186,795

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

	(Millions of yen)	
	FY2019 (From April 1, 2019, to March 31, 2020)	FY2020 (From April 1, 2020, to March 31, 2021)
Net sales	146,297	93,316
Cost of sales	92,362	67,073
Gross profit	53,935	26,242
Selling, general and administrative expenses		
Advertising expenses	2,306	920
Promotion expenses	2,039	870
Packing and freight expenses	833	657
Remuneration for directors (and other officers)	1,355	1,296
Provision for retirement benefits for directors (and other officers)	137	144
Salaries and bonuses	13,585	12,281
Provision for bonuses	900	882
Retirement benefit expenses	589	567
Rent expenses	1,057	1,040
Depreciation	792	792
Other	11,278	9,480
Total selling, general and administrative expenses	34,876	28,935
Operating income (loss)	19,058	(2,693)
Non-operating income		
Interest income	31	45
Commission income	150	126
Insurance claim income	113	419
Cooperative monetary aid received	366	275
Compensation income	30	570
Other	726	619
Total non-operating income	1,419	2,057
Non-operating expenses		
Interest expenses	114	207
Foreign exchange losses	19	23
Provision of allowance for doubtful accounts	—	64
Commission expenses	20	97
Cancellation penalty	59	62
Other	130	104
Total non-operating expenses	344	559
Ordinary income (loss)	20,133	(1,194)
Extraordinary income		
Gain on sale of non-current assets	28	530
Gain on sale of investment securities	39	0
Subsidies income	—	3,781
Total extraordinary income	68	4,313
Extraordinary losses		
Loss on disposal of non-current assets	179	231
Impairment losses	1,250	12,606
Loss on sale of investment securities	96	0
Loss on valuation of investment securities	130	1
Loss on COVID-19	—	8,883
Total extraordinary losses	1,658	21,722
Income (loss) before income taxes	18,543	(18,604)
Income taxes - current	6,041	813
Income taxes - deferred	(125)	(698)

DAIICHIKOSHO CO., LTD.

	FY2019 (From April 1, 2019, to March 31, 2020)	FY2020 (From April 1, 2020, to March 31, 2021)
Total income taxes	5,915	115
Net income (loss)	12,628	(18,719)
Net income attributable to non-controlling interests	72	62
Net income (loss) attributable to owners of parent	12,555	(18,782)

(Consolidated Statements of Comprehensive Income)

	(Millions of yen)	
	FY2019 (From April 1, 2019, to March 31, 2020)	FY2020 (From April 1, 2020, to March 31, 2021)
Net income (loss)	12,628	(18,719)
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,036)	1,032
Foreign currency translation adjustment	(73)	59
Remeasurements of defined benefit plans, net of tax	35	113
Total other comprehensive income	(1,075)	1,205
Comprehensive income	11,553	(17,514)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	11,480	(17,577)
Comprehensive income attributable to non-controlling interests	72	62

(3) Consolidated Statements of Changes in Net Assets
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 (loss) attributable to owners of parent			12,555		12,555
Purchase of treasury shares				(1,719)	(1,719)
Disposal of treasury shares			(27)	116	88
Change in ownership interest of parent due to transactions with non-controlling interests					—
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 (loss) attributable to owners of parent								12,555
Purchase of treasury shares								(1,719)
Disposal of treasury shares								88
Change in ownership interest of parent due to transactions with non-controlling interests								—
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

FY2020 (from April 1, 2020, to March 31, 2021)

(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	123,891	(4,589)	135,656
Changes during period					
Dividends of surplus			(6,325)		(6,325)
Net income (loss) attributable to owners of parent			(18,782)		(18,782)
Purchase of treasury shares				(6,368)	(6,368)
Disposal of treasury shares					—
Change in ownership interest of parent due to transactions with non-controlling interests		111			111
Net changes in items other than shareholders' equity					
Total changes during period	—	111	(25,108)	(6,368)	(31,366)
Balance at end of period	12,350	4,114	98,783	(10,958)	104,289

	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	(221)	(733)	(26)	(254)	(1,236)	310	1,475	136,205
Changes during period								
Dividends of surplus								(6,325)
Net income (loss) attributable to owners of parent								(18,782)
Purchase of treasury shares								(6,368)
Disposal of treasury shares								—
Change in ownership interest of parent due to transactions with non-controlling interests								111
Net changes in items other than shareholders' equity	1,032	—	59	113	1,205	77	(91)	1,191
Total changes during period	1,032	—	59	113	1,205	77	(91)	(30,174)
Balance at end of period	810	(733)	32	(140)	(31)	388	1,383	106,030

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	FY2019 (From April 1, 2019, to March 31, 2020)	FY2020 (From April 1, 2020, to March 31, 2021)
Cash flows from operating activities		
Income (loss) before income taxes	18,543	(18,604)
Depreciation	15,604	15,057
Amortization of goodwill	606	646
Impairment losses	1,250	12,606
Increase (decrease) in provision for retirement benefits for directors (and other officers)	33	(44)
Interest and dividend income	(171)	(164)
Interest expenses	114	207
Foreign exchange losses (gains)	60	(56)
Loss (gain) on sale of investment securities	56	(0)
Loss (gain) on valuation of investment securities	130	1
Loss (gain) on disposal of non-current assets	151	(299)
Subsidy income	—	(3,781)
Decrease (increase) in trade receivables	434	1,498
Decrease (increase) in inventories	(2,316)	(1,072)
Transfer of cost of sales on karaoke equipment for rental	75	109
Decrease (increase) in advance payments to suppliers	1,099	(51)
Increase (decrease) in trade payables	1,467	(2,519)
Increase (decrease) in accounts payable – other	(816)	2,314
Other, net	1,610	889
Subtotal	37,935	6,736
Interest and dividends received	171	164
Interest paid	(115)	(198)
Subsidies received	—	3,061
Income taxes paid	(9,835)	(2,007)
Net cash provided by (used in) operating activities	28,155	7,755
Cash flows from investing activities		
Payments into time deposits	(61)	(602)
Proceeds from withdrawal of time deposits	44	534
Purchase of property, plant and equipment	(14,347)	(5,797)
Proceeds from sale of property, plant and equipment	66	1,047
Purchase of intangible assets	(4,224)	(3,139)
Payments for acquisition of video licenses	(2,383)	(924)
Proceeds from sale of investment securities	189	1
Purchase of investment securities	—	(400)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(33)	—
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	—	28
Loan advances	(547)	(503)
Proceeds from collection of loans receivable	470	344
Payments of leasehold and guarantee deposits	(910)	(901)
Proceeds from refund of leasehold and guarantee deposits	240	624
Other, net	66	151
Net cash provided by (used in) investing activities	(21,430)	(9,539)

DAIICHIKOSHO CO., LTD.

(Millions of yen)

	FY2019 (From April 1, 2019, to March 31, 2020)	FY2020 (From April 1, 2020, to March 31, 2021)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(38)	4,842
Proceeds from long-term borrowings	170	31,850
Repayments of long-term borrowings	(1,455)	(1,600)
Redemption of bonds	(6,500)	(160)
Dividends paid	(6,308)	(6,363)
Purchase of treasury shares	(1,719)	(6,368)
Other, net	(20)	(24)
Net cash provided by (used in) financing activities	(15,872)	22,174
Effect of exchange rate change on cash and cash equivalents	(60)	56
Net increase (decrease) in cash and cash equivalents	(9,207)	20,447
Cash and cash equivalents at beginning of period	56,439	47,232
Cash and cash equivalents at end of period	47,232	67,680

Notes to the Consolidated Financial Statements

(Segment Information)

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.

FY2020 (From April 1, 2020, to March 31, 2021)

(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	51,695	25,722	6,548	83,965	9,350	93,316	—	93,316
Intersegment sales and transfers	—	—	—	—	—	—	—	—
Total	51,695	25,722	6,548	83,965	9,350	93,316	—	93,316
Segment income or Segment loss (Operating income or Operating loss)	10,935	(12,088)	254	(898)	553	(345)	(2,347)	(2,693)
Other items								
Depreciation and amortization	8,916	3,109	36	12,062	725	12,788	168	12,956
Amortization of goodwill	32	598	—	631	14	646	—	646

Note: The (2,347) 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)

As for the impact of COVID-19 on 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 our business results will recover to the same level as before the COVID-19 pandemic in the medium term although the negative impact on our business results will continue throughout the fiscal year ending March 2022 due to restraint from going out, various requests from the government and other events to prevent the spread of the virus.

(Notes to the 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 provided to cover salaries, etc. for the period during which employees were furloughed, as well as subsidies, etc. received from the national government, local municipalities, etc. have been posted to “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) all employees in principle. In addition, karaoke cabins and restaurants operated by the Company as well as those operated by our clients were required to close temporarily and shorten business 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 to “loss on COVID-19.”