

**Translation**

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FY2021, the year ended March 31, 2022

**Flash Report on the Consolidated Results for the Year Ended March 31, 2022**  
**[JGAAP]**

May 12, 2022

Company Name: **DAIICHIKOSHO CO., LTD.**  
 Stock Exchange Listing: Tokyo Stock Exchange  
 Code Number: 7458  
 URL: <https://www.dkkaraoke.co.jp/>  
 Representative: Tadahiro Hoshi, President  
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 Date of the Ordinary General Meeting of Shareholders: June 24, 2022  
 Start Date for Dividend Payment: June 27, 2022  
 Scheduled Date to Submit the Securities Report: June 28, 2022  
 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, 2022 (From April 1, 2021, to March 31, 2022)

(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, 2022	94,787	1.6	(289)	—	888	—
Year ended March 31, 2021	93,316	(36.2)	(2,693)	—	(1,194)	—

	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, 2022	5,196	—	95.21	95.07
Year ended March 31, 2021	(18,782)	—	(338.54)	—

(Note) Comprehensive income:

Year ended March 31, 2022: 5,170 million yen — %

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

	Return on equity	Ordinary income to total assets	Operating income to net sales
	%	%	%
Year ended March 31, 2022	5.0	0.5	(0.3)
Year ended March 31, 2021	(15.7)	(0.6)	(2.9)

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

Year ended March 31, 2022: — million yen

Year ended March 31, 2021: — 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, 2022	180,389	105,160	57.4	1,896.65
As of March 31, 2021	186,795	106,030	55.8	1,912.19

(Reference) Shareholders' equity:

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

As of March 31, 2021: 104,258 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 end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended March 31, 2022	18,165	(9,297)	(8,487)	68,125
Year ended March 31, 2021	7,755	(9,539)	22,174	67,680

## 2. Dividend

	Annual dividend				
	First Quarter	Second Quarter	Third Quarter	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2021	—	56.00	—	57.00	113.00
Year ended March 31, 2022	—	56.00	—	57.00	113.00
Year ending March 31, 2023 (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, 2021	6,222	—	5.3
Year ended March 31, 2022	6,169	118.7	5.9
Year ending March 31, 2023 (forecast)		68.5	

## 3. Forecast 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 income		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ending September 30, 2022	58,500	48.0	2,400	—	3,000	—
Year ending March 31, 2023 (full year)	126,000	32.9	10,000	—	11,000	—

	Net income attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Yen
Six months ending September 30, 2022	3,400	—	62.28
Year ending March 31, 2023 (full year)	9,000	73.2	164.86

**\*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: 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
- (Note) For details, please refer to “Changes in Accounting Policies” on page 17.

## (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, 2022	54,734,200 shares	As of March 31, 2021	57,234,200 shares
As of March 31, 2022	141,260 shares	As of March 31, 2021	2,711,167 shares
Year ended March 31, 2022	54,575,724 shares	Year ended March 31, 2021	55,479,828 shares

## (Reference) Outline of Nonconsolidated Financial Results

## 1. Nonconsolidated Performance for the Year Ended March 31, 2022 (From April 1, 2021, to March 31, 2022)

## (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, 2022	64,504	5.0	(402)	—	511	—
Year ended March 31, 2021	61,450	(40.4)	(2,463)	—	(1,299)	—

	Net income		Basic earnings per share	Fully diluted net income per share
	Millions of yen	%	Yen	Yen
Year ended March 31, 2022	3,139	—	57.53	57.44
Year ended March 31, 2021	(14,957)	—	(269.60)	—

## (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, 2022	140,877	54,998	38.9	1,003.41
As of March 31, 2021	137,559	58,182	42.0	1,060.01

## (Reference) Shareholders' equity:

As of March 31, 2022: 54,778 million yen

As of March 31, 2021: 57,794 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. For the conditions underlying the assumptions made for financial results forecasts and their use, please see “1. Overview of Operating Results, etc. (4) Future Outlook” on page 8 of the Attachments.

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## 1. Overview of Operating Results, etc.

### (1) Overview of Operating Results for the Fiscal Year under Review

In the fiscal year ended March 31, 2022 (the “fiscal year under review”), due to the prolonged restrictions on economic activities caused by the COVID-19 pandemic, and the resurgence of infections in August, Japan’s economy remained in a tough situation. As vaccinations progressed in Japan, infections calmed down since October, and economic activities started to show a sign of improvement. The outlook, however, remains unclear as the emergence of new variants may bring new waves of infection.

In the karaoke industry, where DAIICHIKOSHO CO., LTD. (the “Company,” together with its subsidiaries, the “Group”) operates, amid the issuance of declarations of state of emergency, quasi-emergency measures and related requests from authorities in large metropolitan areas, such as Tokyo, many karaoke cabins and restaurants both in the night business and the karaoke cabin markets, were forced to endure long-term shut downs and shorter business hours. Although the karaoke business tended to recover during the period when restrictions on operation were lifted, such as at the year-end, the severe business environment, as seen in the emergence of new variants and the self-restraints on business meals by companies, continued until the end of the period.

In the Group, both commercial karaoke and karaoke cabin and restaurant businesses that are the Group’s core businesses continued to suffer a negative impact of the COVID-19 pandemic. Under the policy “control costs and increase sales,” the Group worked on the reduction of fixed costs while securing cash on hand. The Group also made efforts to reinforce relationships with its commercial karaoke users to prepare for the market recovery phase while developing new revenue sources, such as through expanding the parking and delivery businesses.

Also, the Group posted 15,206 million yen of subsidies income (3,781 million yen in the previous fiscal year) in extraordinary income from various subsidies, such as employment adjustment subsidies and subsidies for shorter business hours. The Group also recorded costs related to the measures for state of emergency for COVID-19 of 6,452 million yen (8,883 million yen in the previous fiscal year) as loss on COVID-19 in extraordinary losses.

As a result, in the fiscal year under review, net sales amounted to 94,787 million yen (up 1.6% year on year), an operating loss was recorded of 289 million yen (a loss of 2,693 million yen in the previous year), and ordinary income was 888 million yen (a loss of 1,194 million yen in the previous year). Net income attributable to owners of parent amounted to 5,196 million yen (a loss of 18,782 million yen in the previous year) as extraordinary income increased by 10,998 million yen and extraordinary losses improved by 13,217 million yen from the previous fiscal year.

The Group plans to record approximately 2.0 billion yen in the fiscal year ending March 31, 2023 out of subsidies covering the fiscal year under review.

	FY2020	FY2021	Year-on-year change	(Millions of yen) % change
Net sales	93,316	94,787	1,470	1.6%
Operating income	(2,693)	(289)	2,403	—
Ordinary income	(1,194)	888	2,083	—
Net income attributable to owners of parent	(18,782)	5,196	23,978	—

Operating results by segment are as follows.

#### (Commercial karaoke business)

In the commercial karaoke business, due to various requests for preventing the COVID-19 pandemic from authorities, especially in the first half of the fiscal year under review, most of our customers operating at night, such as snack bars, and karaoke cabins that are our customers continued to suffer from severe business conditions, such as long-term shutdowns and shorter business hours. In such an environment, we continued to support our customers through offerings and sales of infection-prevention goods ongoing from the previous fiscal year, and held online events and other efforts to reinforce the relationships with our customers mainly at nursing facilities in the seniors’ market. Also, in April, we enhanced our product lineup by releasing a new karaoke machine with an antibacterial-treated main unit and remote controller for night karaoke business, “Cyber DAM+.” In October, we released new contents “Liview!” where users can enjoy the atmosphere of live performances in karaoke cabins to improve our Karaoke DAM products by further expanding our visual contents.

Since October when the state of emergency was lifted, more karaoke cabins are being reopened and newly launched. Although the resurgence of infection in the new year had an impact, the number of DAM units in operation at the end of the fiscal year under review exceeded that of the previous fiscal year, albeit a little.

As a result, net sales and operating income grew by 2.9% and 11.4%, respectively, year on year.

We transferred fixed costs related to exemption measures during the period of state of emergency of 599 million yen

(1,887 million yen in the previous fiscal year) to loss on COVID-19.

(Millions of yen)

	FY2020	FY2021	Year-on-year change	% change
Net sales	51,695	53,188	1,493	2.9%
Operating income	10,935	12,186	1,250	11.4%

(Karaoke cabin and restaurant business)

In the karaoke cabin and restaurant business, while we opened five karaoke cabins and three restaurants, we closed 23 karaoke cabins and six restaurants, resulting in 503 karaoke cabins and 175 restaurants as of the end of the fiscal year under review.

Two declarations of state of emergency and quasi-emergency measures were taken, and continued to have a serious impact on our businesses, such as long-term shutdowns and shorter business hours of many of our karaoke cabins and restaurants in the fiscal year under review. As the states of emergency and quasi-emergency measures were lifted at the end of September, we were able to operate without governmental restrictions at the year-end, which is the busiest season. We, however, were affected by the spread of infection of new variants after the turn of the year, and full-year sales of existing karaoke cabins and restaurants decreased by 60% from that before the COVID-19 pandemic as companies continued to practice self-restraint and smaller business meals until the end of the fiscal year.

In such an environment, while we continued to reduce fixed costs and take measures to “control costs and increase sales,” such as expanding delivery services utilizing kitchens of existing karaoke cabins and restaurants, we promoted the upgrade to “LIVE DAM Ai,” our most premium karaoke model, in BIG ECHO karaoke cabins, and installed harmony pink/white microphones in all rooms of all cabins, in order to improve customer satisfaction by enhancing the appeal of karaoke. We also worked to keep our employees and maintain facilities of karaoke cabins and restaurants to prepare for the return of customer flow by utilizing the employment adjustment subsidies and subsidies for shorter business hours.

As a result, net sales decreased by 5.1% year on year, and an operating loss was recorded at 11,299 million yen.

We transferred fixed costs for karaoke cabins and restaurants shut down during the period of state of emergency of 5,820 million yen (6,935 million yen in the previous fiscal year) to loss on COVID-19.

(Millions of yen)

	FY2020	FY2021	Year-on-year change	% change
Net sales	25,722	24,402	(1,319)	(5.1%)
Operating income	(12,088)	(11,299)	788	—

(Music software business)

The music software business strived to control selling expenses and other costs amid the impact of delays releases of new tunes and decline in product sales resulting from the cancellation of events and concerts due to COVID-19.

As a result, net sales and operating income decreased by 7.9% and 68.6%, respectively, year on year.

(Millions of yen)

	FY2020	FY2021	Year-on-year change	% change
Net sales	6,548	6,029	(518)	(7.9%)
Operating income	254	79	(174)	(68.6%)

(Other businesses)

In the other businesses, BGM broadcasting business used by many restaurants and karaoke cabins continued to be negatively affected by the COVID-19 pandemic for the second year in a row, while “karaoke@DAM,” net streaming karaoke service for family use, performed well.

The parking business operates “The Park” brand as its new pillar of revenue, and new store openings including through the acquisition of operating assets were robust. The business scale expanded to 1,700 parking facilities and 22,000 parking spots as of the end of the fiscal year under review.

As a result, net sales and operating income increased by 19.4% and 82.0%, respectively, year on year.

(Millions of yen)

	FY2020	FY2021	Year-on-year change	% change
Net sales	9,350	11,166	1,815	19.4%
Operating income	553	1,006	453	82.0%

## (2) Overview of Financial Position for the Fiscal Year under Review

Total assets at the end of the fiscal year under review decreased by 6,405 million yen from the end of the previous fiscal year to 180,389 million yen.

Major changes from the previous fiscal year were decreases in inventories by 1,350 million yen and accounts receivable - other included in "other" by 1,044 million yen in current assets, respectively.

In non-current assets, buildings and structures decreased by 380 million yen, Karaoke equipment for rental - net decreased by 410 million yen, Karaoke cabin and restaurant facilities - net decreased by 1,305 million yen, and leasehold and guarantee deposits decreased by 774 million yen year on year.

Liabilities decreased by 5,535 million yen year on year to 75,229 million yen.

The decrease is primarily attributable to decreases in short-term borrowings and of decrease in accounts payable - other in current liabilities of 11,897 million yen and 3,549 million yen, respectively, as well as an increase in long-term borrowings in non-current liabilities of 9,620 million yen.

Net assets decreased by 869 million yen year on year to 105,160 million yen.

The decrease is primarily attributable to an increase in retained earnings due to net income attributable to owners of parent of 5,196 million yen and a decrease in retained earnings of 6,165 million yen due to the dividends of surplus.

## (3) Overview of Cash Flows for the Fiscal Year under Review

Cash and deposits (hereinafter referred to as "funds") at the end of the fiscal year under review increased by 445 million yen from the previous fiscal year to 68,125 million yen.

The following is an overview of cash flows in the fiscal year under review.

## (Cash Flows from Operating Activities)

Funds provided by operating activities increased by 10,409 million yen year on year to 18,165 million yen, mainly due to income before income taxes of 7,695 million yen, depreciation of 11,840 million yen, impairment losses of 1,862 million yen, a decrease in accounts payable – other of 3,577 million yen and income taxes paid of 1,028 million yen.

## (Cash Flows from Investing Activities)

Funds used in investing activities decreased by 242 million yen year on year to 9,297 million yen, mainly due to purchase of property, plant and equipment of 6,261 million yen, purchase of intangible assets of 2,985 million yen and payments for acquisition of video licenses of 1,283 million yen.

## (Cash Flows from Financing Activities)

Funds used in financing activities amounted to 8,487 million yen (22,174 million yen provided in the previous fiscal year) mainly due to proceeds of long-term borrowings of 11,250 million yen, repayments of long-term borrowing of 11,707 million yen and dividends paid of 6,162 million yen.

## (Reference) Cash flow indicators

	As of March 31				
	2018	2019	2020	2021	2022
Equity ratio (%)	68.7	69.3	74.0	55.8	57.4
Equity ratio at market value (%)	178.3	169.8	89.4	125.2	105.3
Ratio of interest-bearing debt to cash flow (years)	0.7	0.7	0.5	6.5	2.6
Interest coverage ratio (times)	103.5	188.7	243.8	39.2	90.9

Notes: Equity ratio is shareholders' equity divided by total assets.

Equity ratio at market value is market capitalization divided by total assets.

Ratio of interest-bearing debt to cash flow is interest-bearing debt divided by cash flow.

Interest coverage ratio is cash flow divided by interest expenses.

1. All figures are calculated on a consolidated basis.
2. Market capitalization is calculated by multiplying closing share price at fiscal year-end by the number of shares issued less treasury shares at fiscal year-end.
3. Cash flows from operating activities on the consolidated statements of cash flows are used as “cash flow.”
4. Interest-bearing debt represents the sum of all liabilities on the consolidated balance sheets subject to interest payment. Interest paid on the consolidated statements of cash flows is used as “interest expenses.”
5. The Company applied the “Partial Amendments to Accounting Standard for Tax Effect Accounting” (Accounting Standards Board of Japan (ASBJ) Statement No. 28, February 16, 2018) and others from the beginning of fiscal year ended at March 31, 2019. Equity ratio (and equity ratio at market value) for the fiscal year ended March 31, 2018 are after the retroactive application of these accounting standards.

#### (4) Future Outlook

The economic outlook is foreseen to continue its uncertain path, as political instability arises in foreign countries and price hikes of commodities including fuel prices continue, in addition to the fact that it is still unclear whether the persisting COVID-19 pandemic will settle down.

In the karaoke industry, it is expected that both the night business and karaoke cabin market will continue to face a severe business environment for a while.

The Group’s commercial karaoke business is also expected to take some time to recover the number of karaoke machines in operation that fell due to the COVID-19 pandemic. In the karaoke cabin and restaurant business, we are working to make an environment where our customers can enjoy karaoke safely and with peace of mind by continuing thorough basic operations such as disinfection of karaoke rooms. It is expected, however, that the impact of the COVID-19 pandemic will remain in the fiscal year ending March 31, 2023 to some extent.

It is expected, however, that as a wide range of generations in Japan have taken up vaccination, and the virus itself is reported to have attenuated, economic activities are expected to gradually recover close to normal even if the COVID-19 pandemic will not settle down completely.

In such a situation, the most urgent task for the Group is to revive the number of DAM units in operation, which had declined due to the pandemic, and to promptly bring the karaoke and restaurants business, which recorded an operating loss for two years in a row, back to profitability.

In the medium term, as karaoke has become a part of the lifestyle of a wide range of generations, and is believed to contribute to the extension of a healthy life expectancy especially in the so-called ultra-aging society, we believe that the demand for karaoke will recover to the level before the COVID-19 pandemic. Even in such a severe business environment, we will continue to invest in commercial karaoke and karaoke and restaurants businesses that are the Group’s core businesses to enhance the appeal of karaoke, and strengthen our market competitiveness and earning power in an aim to make a big leap after the end of the COVID-19 pandemic. We also aim to grow sustainably by focusing on developing new businesses such as the coin-parking lot business.

Based on the above, we expect net sales of 126.0 billion yen, operating income of 10.0 billion yen and ordinary income of 11.0 billion yen in the next fiscal year. Net income attributable to owners of parent is expected to be 9.0 billion yen, including subsidies of approximately 2.0 billion yen covering the fiscal year ended March 31, 2022.

The earnings forecast has been made based on information available as of the publication date of this material, and actual operating results may differ from such forecasts due to various factors.

The earning forecast has also been made based on the assumption that COVID-19 will not resurge on a nationwide basis and will gradually settle.

## 2. Basic Policy on Selection of Accounting Standards

The Group’s policy for the time being is to apply Japanese GAAP. The Group will consider whether to apply International Financial Reporting Standards (IFRS) taking into account trends of other companies in Japan.



## Consolidated Financial Statements and Primary Notes

### (1) Consolidated Balance Sheets

	(Millions of yen)	
	FY2020 (As of March 31, 2021)	FY2021 (As of March 31, 2022)
<b>Assets</b>		
Current assets		
Cash and deposits	68,508	68,214
Notes and accounts receivable - trade	3,546	—
Notes receivable - trade	—	44
Accounts receivable - trade	—	4,082
Inventories	8,946	7,596
Other	6,722	4,796
Allowance for doubtful accounts	(944)	(457)
Total current assets	86,780	84,277
Non-current assets		
Property, plant and equipment		
Buildings and structures	14,521	13,953
Accumulated depreciation	(9,223)	(9,036)
Buildings and structures, net	5,297	4,916
Karaoke equipment for rental	49,627	50,813
Accumulated depreciation	(42,922)	(44,518)
Karaoke equipment for rental, net	6,705	6,294
Karaoke cabin and restaurant facilities	46,570	44,978
Accumulated depreciation	(34,884)	(34,598)
Karaoke cabin and restaurant facilities, net	11,685	10,380
Land	40,681	40,341
Other	6,673	6,830
Accumulated depreciation	(5,360)	(5,776)
Other, net	1,313	1,053
Total property, plant and equipment	65,683	62,987
Intangible assets		
Goodwill	92	996
Other	6,140	5,861
Total intangible assets	6,232	6,858
Investments and other assets		
Investment securities	4,811	4,507
Long-term loans receivable	760	508
Deferred tax assets	6,912	6,520
Leasehold and guarantee deposits	14,224	13,449
Other	1,521	1,346
Allowance for doubtful accounts	(131)	(64)
Total investments and other assets	28,098	26,267
Total non-current assets	100,014	96,112
Total assets	186,795	180,389

DAIICHIKOSHO CO., LTD.

	(Millions of yen)	
	FY2020 (As of March 31, 2021)	FY2021 (As of March 31, 2022)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	2,591	2,614
Short-term borrowings	17,996	6,098
Accounts payable - other	10,003	6,453
Income taxes payable	1,736	1,985
Contract liabilities	—	968
Provision for bonuses	1,168	1,141
Other	3,216	2,395
Total current liabilities	36,712	21,658
Non-current liabilities		
Long-term borrowings	32,085	41,705
Deferred tax liabilities	89	77
Provision for retirement benefits for directors (and other officers)	899	993
Retirement benefit liability	7,556	7,846
Other	3,422	2,946
Total non-current liabilities	44,052	53,570
Total liabilities	80,765	75,229
<b>Net assets</b>		
Shareholders' equity		
Share capital	12,350	12,350
Capital surplus	4,114	4,114
Retained earnings	98,783	87,733
Treasury shares	(10,958)	(570)
Total shareholders' equity	104,289	103,628
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	810	606
Revaluation reserve for land	(733)	(733)
Foreign currency translation adjustment	32	69
Remeasurements of defined benefit plans	(140)	(26)
Total accumulated other comprehensive income	(31)	(84)
Share acquisition rights	388	219
Non-controlling interests	1,383	1,397
Total net assets	106,030	105,160
<b>Total liabilities and net assets</b>	186,795	180,389

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

	(Millions of yen)	
	FY2020 (From April 1, 2020, to March 31, 2021)	FY2021 (From April 1, 2021, to March 31, 2022)
Net sales	93,316	94,787
Cost of sales	67,073	65,951
Gross profit	26,242	28,835
Selling, general and administrative expenses		
Advertising expenses	920	1,047
Promotion expenses	870	913
Packing and freight expenses	657	682
Remuneration for directors (and other officers)	1,296	1,168
Provision for retirement benefits for directors (and other officers)	144	162
Salaries and bonuses	12,281	12,780
Provision for bonuses	882	875
Retirement benefit expenses	567	564
Rent expenses	1,040	1,074
Depreciation	792	741
Other	9,480	9,114
Total selling, general and administrative expenses	28,935	29,124
Operating loss	(2,693)	(289)
Non-operating income		
Interest income	45	22
Dividend income	118	197
Commission income	126	142
Insurance claim income	419	355
Cooperative monetary aid received	275	255
Compensation income	570	11
Other	500	645
Total non-operating income	2,057	1,630
Non-operating expenses		
Interest expenses	207	199
Foreign exchange losses	23	48
Provision of allowance for doubtful accounts	64	—
Commission expenses	97	15
Cancellation penalty	62	61
Other	104	126
Total non-operating expenses	559	452
Ordinary income (loss)	(1,194)	888
Extraordinary income		
Gain on sale of non-current assets	530	104
Gain on sale of investment securities	0	—
Subsidies income	3,781	15,206
Total extraordinary income	4,313	15,311
Extraordinary losses		
Loss on disposal of non-current assets	231	80
Impairment losses	12,606	1,862
Loss on sale of investment securities	0	0
Loss on valuation of investment securities	1	108
Loss on COVID-19	8,883	6,452
Total extraordinary losses	21,722	8,505
Income (loss) before income taxes	(18,604)	7,695
Income taxes - current	813	1,971
Income taxes - deferred	(698)	500
Total income taxes	115	2,471
Net income (loss)	(18,719)	5,223
Net income attributable to non-controlling interests	62	26
Net income (loss) attributable to owners of parent	(18,782)	5,196

**(Consolidated Statements of Comprehensive Income)**

	(Millions of yen)	
	FY2020 (From April 1, 2020, to March 31, 2021)	FY2021 (From April 1, 2021, to March 31, 2022)
Net income (loss)	(18,719)	5,223
Other comprehensive income		
Valuation difference on available-for-sale securities	1,032	(203)
Foreign currency translation adjustment	59	36
Remeasurements of defined benefit plans, net of tax	113	114
Total other comprehensive income	1,205	(52)
Comprehensive income	(17,514)	5,170
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(17,577)	5,143
Comprehensive income attributable to non-controlling interests	62	26

**(3) Consolidated Statements of Changes in Net Assets****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
Cumulative effects of changes in accounting policies					
Restated balance	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					—
Cancellation 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
Cumulative effects of changes in accounting policies								
Restated balance	(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								—
Cancellation 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

## FY2021 (from April 1, 2021, to March 31, 2022)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	12,350	4,114	98,783	(10,958)	104,289
Cumulative effects of changes in accounting policies			65		65
Restated balance	12,350	4,114	98,848	(10,958)	104,355
Changes during period					
Dividends of surplus			(6,165)		(6,165)
Net income (loss) attributable to owners of parent			5,196		5,196
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares			(40)	282	242
Cancellation of treasury shares			(10,104)	10,104	—
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	—	—	(11,114)	10,387	(726)
Balance at end of period	12,350	4,114	87,733	(570)	103,628

	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	810	(733)	32	(140)	(31)	388	1,383	106,030
Cumulative effects of changes in accounting policies								65
Restated balance	810	(733)	32	(140)	(31)	388	1,383	106,095
Changes during period								
Dividends of surplus								(6,165)
Net income (loss) attributable to owners of parent								5,196
Purchase of treasury shares								(0)
Disposal of treasury shares								242
Cancellation of treasury shares								—
Change in ownership interest of parent due to transactions with non-controlling interests								—
Net changes in items other than shareholders' equity	(203)	—	36	114	(52)	(169)	13	(208)
Total changes during period	(203)	—	36	114	(52)	(169)	13	(934)
Balance at end of period	606	(733)	69	(26)	(84)	219	1,397	105,160

**(4) Consolidated Statements of Cash Flows**

(Millions of yen)

	FY2020 (From April 1, 2020, to March 31, 2021)	FY2021 (From April 1, 2021, to March 31, 2022)
<b>Cash flows from operating activities</b>		
Income (loss) before income taxes	(18,604)	7,695
Depreciation	15,057	11,840
Amortization of goodwill	646	118
Impairment losses	12,606	1,862
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(44)	94
Interest and dividend income	(164)	(220)
Interest expenses	207	199
Foreign exchange losses (gains)	(56)	(64)
Loss (gain) on sale of investment securities	(0)	0
Loss (gain) on valuation of investment securities	1	108
Loss (gain) on disposal of non-current assets	(299)	(23)
Subsidy income	(3,781)	(15,206)
Decrease (increase) in trade receivables	1,498	(554)
Decrease (increase) in inventories	(1,072)	1,355
Transfer of cost of sales on karaoke equipment for rental	109	108
Decrease (increase) in advance payments to suppliers	(51)	(74)
Increase (decrease) in trade payables	(2,519)	7
Increase (decrease) in accounts payable – other	2,314	(3,577)
Other, net	889	(254)
Subtotal	6,736	3,414
Interest and dividends received	164	220
Interest paid	(198)	(199)
Subsidies received	3,061	15,759
Income taxes paid	(2,007)	(1,028)
Net cash provided by (used in) operating activities	7,755	18,165
<b>Cash flows from investing activities</b>		
Payments into time deposits	(602)	(45)
Proceeds from withdrawal of time deposits	534	785
Purchase of property, plant and equipment	(5,797)	(6,261)
Proceeds from sale of property, plant and equipment	1,047	649
Purchase of intangible assets	(3,139)	(2,985)
Payments for acquisition of video licenses	(924)	(1,283)
Proceeds from sale of investment securities	1	0
Purchase of investment securities	(400)	(50)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(251)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	28	—
Payments for acquisition of businesses	—	(1,067)
Loan advances	(503)	(82)
Proceeds from collection of loans receivable	344	383
Payments of leasehold and guarantee deposits	(901)	(144)
Proceeds from refund of leasehold and guarantee deposits	624	643
Other, net	151	412
Net cash provided by (used in) investing activities	(9,539)	(9,297)

DAIICHIKOSHO CO., LTD.

(Millions of yen)

	FY2020 (From April 1, 2020, to March 31, 2021)	FY2021 (From April 1, 2021, to March 31, 2022)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term borrowings	4,842	(1,855)
Proceeds from long-term borrowings	31,850	11,250
Repayments of long-term borrowings	(1,600)	(11,707)
Redemption of bonds	(160)	—
Dividends paid	(6,363)	(6,162)
Purchase of treasury shares	(6,368)	(0)
Other, net	(24)	(12)
Net cash provided by (used in) financing activities	22,174	(8,487)
Effect of exchange rate change on cash and cash equivalents	56	64
Net increase (decrease) in cash and cash equivalents	20,447	445
Cash and cash equivalents at beginning of period	47,232	67,680
Cash and cash equivalents at end of period	67,680	68,125



**(5) Notes to Consolidated Financial Statements****(Notes on Going Concern Assumption)**

Not applicable.

**(Changes in Accounting Policies)****(Adoption of the Accounting Standard for Revenue Recognition, etc.)**

The Company adopted the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020; hereinafter the “Revenue Recognition Standard”), etc. from the beginning of the fiscal year under review. Accordingly, the Company recognizes revenue at an amount it expects to receive in exchange for a promised good or service at a time when control over such good or service transfers to a customer.

Main changes attributable to the adoption of the Revenue Recognition Standard, etc. are as follows:

**(1) Revenue recognition with regard to customer loyalty programs**

As for the provision of services under customer loyalty programs, which grant points at the time of sales at karaoke cabins and restaurants, etc., the Company had previously recognized revenue at the time of sales. The Company however has changed the methodology and identifies points granted as performance obligations and allocates transaction prices based on standalone selling prices calculated with factors taken into consideration, such as the number of points expected to expire in the future without being redeemed.

**(2) Revenue recognition with regard to installment sales**

As for installment sales, the Company had previously recognized revenue based on the installment method, but has changed the methodology and recognizes revenue at the time when performance obligations are satisfied by transferring the goods or services to customers.

**(3) Revenue recognition with regard to agent transactions**

As for transactions in which the Company acts as an agent in providing products to customers, the Company had previously recognized revenue at gross amounts received from customers. The Company has changed the methodology and recognizes revenue at amounts received from customers, net of amounts to be paid to suppliers.

In adopting the Revenue Recognition Standard, etc., the Company applied the transitional treatment stipulated in the proviso to Paragraph 84 of the Revenue Recognition Standard. Accordingly, the Company adjusted the cumulative impact of retrospectively applying the new accounting policies to past periods to retained earnings at the beginning of the fiscal year under review, and applies the new accounting policies from the beginning balance.

In addition, the Company reclassified notes and accounts receivable - trade presented in current assets in the consolidated balance sheets for the previous fiscal year separately into notes receivable - trade and accounts receivable - trade from the fiscal year under review, and reclassified accounts payable - other and “other” presented in current liabilities in the previous fiscal year into accounts payable - other, contract liabilities and “other” from the fiscal year under review.

As a result, compared to the results before the application of the Revenue Recognition Standard, notes and accounts receivable - trade decreased by 4,127 million yen, notes receivable - trade increased by 44 million yen, accounts receivable - trade increased by 4,082 million yen, accounts payable - other decreased by 135 million yen, contract liabilities increased by 968 million yen, and “other” in current liabilities decreased by 900 million yen on the consolidated balance sheets on the fiscal year under review. Likewise, net sales decreased by 249 million yen, cost of sales decreased by 237 million yen, selling, general and administrative expenses decreased by 67 million yen, operating loss improved by 55 million yen, and ordinary income and income before income taxes each increased by 55 million yen on the consolidated statements of income in the fiscal year under review.

The beginning balance of retained earnings in the consolidated statements of changes in net assets increased by 65 million yen due to the cumulative effects of changes in accounting policies being reflected in net assets at the beginning of period.

Effects on per share information are described in the “Per Share Information” section.

**(Adoption of the Accounting Standard for Fair Value Measurement, etc.)**

The Company adopted the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019; hereinafter the “Fair Value Standard”), etc. from the beginning of the fiscal year under review. According to the transitional treatment stipulated in Paragraph 19 of the Fair Value Standard and Paragraph 44-2 of Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019), the Company will prospectively apply the new accounting policies set forth by the Fair Value Standard, etc. The consolidated financial statements will not be affected.

**(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.

**(Segment Information)****1. Overview of reportable segments**

Reportable segments of the Group consist of units for which separate financial information is available and are regularly reviewed by the Company's Board of Directors to determine allocation of management resources and evaluate performance.

The Group operates business headquarters by product and service at its head office, each of which formulates a comprehensive strategy for its products and services and performs business activities.

Accordingly, the Group consists of segments by product and service based on business headquarters, and has three reportable segments, namely, Commercial Karaoke business, Karaoke Cabin and Restaurant business and Music Software business.

Commercial Karaoke business sells and leases commercial karaoke equipment, and provides audio source and video contents to on-line karaoke operators. Karaoke Cabin and Restaurant business operates karaoke cabins and restaurants. Music Software business produces and sells music and visual software.

**2. Information on the calculation method for the amounts of sales, income or loss, assets, liabilities and other items by reportable segment**

Segment income is based on operating income.

Assets are not allocated to business segments.

As described in in "(5) Notes to Consolidated Financial Statements (Changes in Accounting Policies)," the Company adopted the Revenue Recognition Standard, etc. from the beginning of the fiscal year under review, and changed its accounting method for revenue recognition. The calculation method of segment income or segment loss have been changed accordingly.

As a result of the change, in the fiscal year under review, segment income of Commercial Karaoke increased by 45 million yen, while sales of Karaoke Cabin and Restaurant decreased by 67 million yen, a segment loss in the Karaoke Cabin and Restaurant improved by 9 million yen, and sales of Music Software decreased by 182 million yen from those before the change.

## 3. Information on the amounts of sales, income or loss, assets, liabilities and other items by reportable segment

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

(Millions of yen)

	Reportable segments				Other (Note 1)	Total	Adjusted amount (Note 2)	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

- 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 (2,347) 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.

**FY2021 (From April 1, 2021, to March 31, 2022)**

(Millions of yen)

	Reportable segments				Other (Note 1)	Total	Adjusted amount (Note 2)	Posted amount to the consolidated statements of income
	Commercial karaoke	Karaoke cabin and restaurant	Music software	Subtotal				
Sales								
Sales to third parties	53,188	24,402	6,029	83,620	11,166	94,787	—	94,787
Intersegment sales and transfers	—	—	—	—	—	—	—	—
Total	53,188	24,402	6,029	83,620	11,166	94,787	—	94,787
Segment income or Segment loss (Operating income or Operating loss)	12,186	(11,299)	79	966	1,006	1,973	(2,262)	(289)
Other items								
Depreciation and amortization	7,091	2,233	23	9,349	677	10,026	163	10,190
Amortization of goodwill	—	46	—	46	72	118	—	118

- Notes: 1. The category "Other" comprises a business segment not attributed to reportable segments, including parking, real estate leasing and BGM broadcasting businesses.
2. The (2,262) 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.

## (Per Share Information)

	FY2020 (From April 1, 2020, to March 31, 2021)	FY2021 (From April 1, 2021, to March 31, 2022)
Net assets per share	1,912.19 yen	1,896.65 yen
Basic earnings (net loss) per share	(338.54) yen	95.21 yen
Fully diluted net income per share	—	95.07 yen

- Notes:
1. Fully diluted net income per share is not described for the fiscal year ended March 31, 2021 as a net loss per share was recorded, although there were potential shares.
  2. As described in “(5) Notes to Consolidated Financial Statements (Changes in Accounting Policies),” the Company adopted the Accounting Standard for Revenue Recognition, etc. As a result, net assets per share, basic earnings per share and fully diluted net income per share in the fiscal year under review increased by 0.88 yen, 1.01 yen and 1.01 yen, respectively.
  3. The basis of calculation of basic earnings (net loss) per share and fully diluted net income per share are as follows:

	FY2020 (From April 1, 2020, to March 31, 2021)	FY2021 (From April 1, 2021, to March 31, 2022)
Basic earnings (net loss) per share		
Net income (loss) attributable to owners of parent (Millions of yen)	(18,782)	5,196
Amount not attributable to common shareholders (Millions of yen)	—	—
Net income (loss) attributable to owners of parent relating to common shares (Millions of yen)	(18,782)	5,196
Average number of common shares during the period (Thousand shares)	55,479	54,575
Fully diluted net income per share		
Adjustment to net income attributable to owners of parent (Millions of yen)	—	—
Increase in number of common shares (Thousand shares)	—	80
[Of which, share acquisition rights] (Thousand shares)	—	[80]
Overview of potential shares not included in the calculation of fully diluted net income per share due to lack of dilutive effect	—	—

## (Significant Subsequent Events)

Not applicable.