

Translation

This report is a translation of excerpts from original Japanese Flash Report and for reference purpose only. In case of discrepancy between this report and original Japanese Flash Report, the latter shall prevail.

FY2020, the year ending March 31, 2021

Flash Report on the Consolidated Results for the Third Quarter Ended December 31, 2020 [JGAAP]

February 22, 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
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 Date to Submit the Quarterly Securities Report: February 12, 2021
 Start Date for Dividend Payment: —
 Availability of Supplementary Briefing Material on Quarterly Financial Results: None
 Schedule of Quarterly Financial Results Briefing Session: None

(Amounts below one million yen are truncated.)

1. Consolidated Performance for the Nine Months Ended December 31, 2020 (From April 1, 2020, to December 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	%
Nine months ended December 31, 2020	71,232	(36.3)	(1,171)	—	93	(99.5)
Nine months ended December 31, 2019	111,832	3.6	16,484	(1.3)	17,397	(1.8)

	Net income attributable to owners of parent		Basic earnings per share	Fully diluted net income per share
	Millions of yen	%	Yen	Yen
Nine months ended December 31, 2020	(3,305)	—	(59.32)	—
Nine months ended December 31, 2019	11,580	(22.2)	204.42	204.15

(Note) Comprehensive income:

Nine months ended December 31, 2020: (2,493) million yen — %

Nine months ended December 31, 2019: 11,688 million yen (18.1) %

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of December 31, 2020	204,350	122,619	59.1
As of March 31, 2020	181,567	136,205	74.0

(Reference) Shareholders' equity:

As of December 31, 2020: 120,869 million yen

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

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 ending March 31, 2021	—	56.00	—		
Year ending March 31, 2021 (forecast)				57.00	113.00

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

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

(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 ending March 31, 2021 (full year)	96,500	(34.0)	(4,000)	—	(2,600)	—
	-103,600	-(29.2)	-1,400	-(92.7)	-2,800	-(86.1)

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

(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 shares of treasury shares
- 3) Average number of shares during the period

As of December 31, 2020	57,234,200 shares	As of March 31, 2020	57,234,200 shares
As of December 31, 2020	2,306,217 shares	As of March 31, 2020	904,712 shares
Nine months ended December 31, 2020	55,731,042 shares	Nine months ended December 31, 2019	56,648,852 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.

Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheets

	(Millions of yen)	
	FY2019 (As of March 31, 2020)	Current Third quarter (As of December 31, 2020)
Assets		
Current assets		
Cash and deposits	47,992	70,887
Notes and accounts receivable - trade	4,758	4,404
Inventories	7,777	9,283
Other	5,331	6,493
Allowance for doubtful accounts	(122)	(917)
Total current assets	65,737	90,151
Non-current assets		
Property, plant and equipment		
Karaoke equipment for rental, net	9,813	7,537
Karaoke cabin and restaurant facilities, net	20,118	19,648
Land	40,600	40,991
Other, net	7,402	7,389
Total property, plant and equipment	77,935	75,567
Intangible assets		
Goodwill	2,900	2,634
Other	7,299	6,414
Total intangible assets	10,199	9,049
Investments and other assets		
Investment securities	3,157	4,251
Leasehold and guarantee deposits	15,249	15,307
Other	9,358	10,150
Allowance for doubtful accounts	(71)	(128)
Total investments and other assets	27,693	29,581
Total non-current assets	115,829	114,198
Total assets	181,567	204,350

DAIICHIKOSHO CO., LTD.

(Millions of yen)

	FY2019 (As of March 31, 2020)	Current Third quarter (As of December 31, 2020)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	4,929	2,966
Short-term borrowings	2,786	19,088
Income taxes payable	2,117	1,492
Provision for bonuses	1,184	1,112
Other	11,415	12,739
Total current liabilities	22,433	37,399
Non-current liabilities		
Long-term borrowings	11,045	32,199
Provision for retirement benefits for directors (and other officers)	943	855
Retirement benefit liability	7,270	7,576
Other	3,668	3,700
Total non-current liabilities	22,927	44,331
Total liabilities	45,361	81,730
Net assets		
Shareholders' equity		
Share capital	12,350	12,350
Capital surplus	4,003	4,114
Retained earnings	123,891	114,259
Treasury shares	(4,589)	(9,372)
Total shareholders' equity	135,656	121,352
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(221)	450
Revaluation reserve for land	(733)	(733)
Foreign currency translation adjustment	(26)	8
Remeasurements of defined benefit plans	(254)	(207)
Total accumulated other comprehensive income	(1,236)	(482)
Share acquisition rights	310	370
Non-controlling interests	1,475	1,379
Total net assets	136,205	122,619
Total liabilities and net assets	181,567	204,350

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

	(Millions of yen)	
	Nine months ended December 31, 2019 (From April 1, 2019, to December 31, 2019)	Nine months ended December 31, 2020 (From April 1, 2020, to December 31, 2020)
Net sales	111,832	71,232
Cost of sales	69,219	50,760
Gross profit	42,613	20,472
Selling, general and administrative expenses	26,129	21,643
Operating income (loss)	16,484	(1,171)
Non-operating income		
Interest income	24	35
Cooperative monetary aid received	294	200
Compensation income	20	420
Other	775	967
Total non-operating income	1,114	1,624
Non-operating expenses		
Interest expenses	90	151
Foreign exchange losses	14	9
Provision of allowance for doubtful accounts	—	56
Other	95	140
Total non-operating expenses	201	359
Ordinary income	17,397	93
Extraordinary income		
Gain on sales of non-current assets	0	314
Gain on sales of investment securities	39	0
Subsidies income	—	2,746
Total extraordinary income	40	3,061
Extraordinary losses		
Loss on disposal of non-current assets	135	118
Impairment loss	76	731
Loss on sales of investment securities	96	0
Loss on valuation of investment securities	130	1
Loss on COVID-19	—	6,258
Total extraordinary losses	439	7,110
Income (loss) before income taxes	16,998	(3,954)
Income taxes - current	5,093	637
Income taxes - deferred	262	(1,344)
Total income taxes	5,355	(707)
Net income (loss)	11,642	(3,247)
Net income attributable to non-controlling interests	62	58
Net income (loss) attributable to owners of parent	11,580	(3,305)

(Quarterly Consolidated Statements of Comprehensive Income)

	(Millions of yen)	
	Nine months ended December 31, 2019 (From April 1, 2019, to December 31, 2019)	Nine months ended December 31, 2020 (From April 1, 2020, to December 31, 2020)
Net income (loss)	11,642	(3,247)
Other comprehensive income		
Valuation difference on available-for-sale securities	20	671
Foreign currency translation adjustment	(52)	35
Remeasurements of defined benefit plans, net of tax	77	47
Total other comprehensive income	46	754
Comprehensive income	11,688	(2,493)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	11,626	(2,551)
Comprehensive income attributable to non-controlling interests	62	58

Notes to the Quarterly Consolidated Financial Statements

(Segment Information)

Nine months ended December 31, 2019 (From April 1, 2019, to December 31, 2019)

(Millions of yen)

	Reportable segments				Other	Total	Adjusted amount (Note)	Posted amount to the consolidated quarterly statements of income
	Commercial karaoke	Karaoke cabin and restaurant	Music software	Subtotal				
Sales	49,645	49,308	5,779	104,733	7,099	111,832	—	111,832
Segment income (Operating income)	11,107	6,079	125	17,311	1,199	18,511	(2,026)	16,484

Note: The (2,026) 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.

Nine months ended December 31, 2020 (From April 1, 2020, to December 31, 2020)

(Millions of yen)

	Reportable segments				Other	Total	Adjusted amount (Note)	Posted amount to the consolidated quarterly statements of income
	Commercial karaoke	Karaoke cabin and restaurant	Music software	Subtotal				
Sales	38,582	20,882	4,748	64,213	7,018	71,232	—	71,232
Segment income or Segment loss (Operating income or Operating loss)	8,463	(8,508)	229	184	485	670	(1,841)	(1,171)

Note: The (1,841) 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.

(Additional Information)

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 the negative impact due to the spread of COVID-19 on our business results will continue until the end of the current consolidated fiscal year, even though the impact will gradually diminish going forward.

(Notes to the Quarterly Consolidated Statements of Income)

Subsidies income

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. following the spread of COVID-19, 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, 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.”