

**Translation**

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FY2022, the year ended March 31, 2023

## Flash Report on the Consolidated Results for the Year Ended March 31, 2023 [JGAAP]

May 15, 2023

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, General Manager, Accounting Department  
 Phone: +81-3-3280-2151  
 Date of the Ordinary General Meeting of Shareholders: June 23, 2023  
 Start Date for Dividend Payment: June 26, 2023  
 Scheduled Date to Submit the Securities Report: June 27, 2023  
 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, 2023 (From April 1, 2022, to March 31, 2023)

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

	Net sales		Operating profit		Ordinary profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended March 31, 2023	128,156	35.2	12,954	—	13,601	—
Year ended March 31, 2022	94,787	1.6	(289)	—	888	—

	Profit attributable to owners of parent		Basic earnings per share	Diluted earnings per share
	Millions of yen	%	Yen	Yen
Year ended March 31, 2023	8,320	60.1	76.21	76.08
Year ended March 31, 2022	5,196	—	47.61	47.54

(Note) Comprehensive income:

Year ended March 31, 2023: 9,018 million yen [74.4 %]

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

	Return on equity	Ordinary profit to total assets	Operating profit to net sales
	%	%	%
Year ended March 31, 2023	7.9	7.4	10.1
Year ended March 31, 2022	5.0	0.5	(0.3)

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

Year ended March 31, 2023: — million yen

Year ended March 31, 2022: — million yen

(Note) Shares were split on April 1, 2023 at a ratio of 2 for 1 common share. Basic earnings per share and diluted earnings per share were calculated as if said split had been carried out at the beginning of the previous fiscal year.

(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, 2023	188,623	107,915	56.4	974.95
As of March 31, 2022	180,389	105,160	57.4	948.33

(Reference) Shareholders' equity:

As of March 31, 2023: 106,451 million yen

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

(Note) Shares were split on April 1, 2023 at a ratio of 2 for 1 common share. Net assets per share were calculated as if said split had been carried out at the beginning of the previous fiscal year.

(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, 2023	24,869	(12,104)	(9,493)	71,423
Year ended March 31, 2022	18,165	(9,297)	(8,487)	68,125

2. Dividend

	Annual dividend				
	First Quarter	Second Quarter	Third Quarter	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2022	—	56.00	—	57.00	113.00
Year ended March 31, 2023	—	56.00	—	57.00	113.00
Year ending March 31, 2024 (forecast)	—	28.00	—	29.00	57.00

	Aggregate amount of dividend (total)	Payout ratio (consolidated)	Ratio of dividends to net assets (consolidated)
	Millions of yen	%	%
Year ended March 31, 2022	6,169	118.7	5.9
Year ended March 31, 2023	6,168	74.1	5.9
Year ending March 31, 2024 (forecast)		58.2	

(Note) Shares were split on April 1, 2023 at a ratio of 2 for 1 common share. Actual dividend amounts before stock split are listed for the year ended March 31, 2022 and year ended March 31, 2023. The stock split is reflected in amounts listed for the year ending March 31, 2024 (forecast).

3. Forecast of Consolidated Performance for FY2023, the Year Ending March 31, 2024 (From April 1, 2023, to March 31, 2024)

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

	Net sales		Operating profit		Ordinary profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ending September 30, 2023	68,900	13.6	6,900	26.2	7,300	26.4
Year ending March 31, 2024 (full year)	141,000	10.0	15,000	15.8	16,000	17.6

	Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Yen
Six months ending September 30, 2023	4,900	(18.2)	44.88
Year ending March 31, 2024 (full year)	10,700	28.6	98.00

(Note) Shares were split on April 1, 2023 at a ratio of 2 for 1 common share. The stock split has been taken into account for basic earnings per share for forecast consolidated performance for the year ending March 31, 2024.

\*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 policies, changes in accounting estimates and retrospective restatement

1) Changes in accounting policies due to the revision of accounting standards: None

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting estimates: Yes

4) Retrospective restatement: None

(Note) For details, please refer to “Changes in Accounting Policies” on page 18 of the Attachments.

(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, 2023	109,468,400 shares	As of March 31, 2022	109,468,400 shares
As of March 31, 2023	282,604 shares	As of March 31, 2022	282,520 shares
Year ended March 31, 2023	109,185,829 shares	Year ended March 31, 2022	109,151,448 shares

(Note) Shares were split on April 1, 2023 at a ratio of 2 for 1 common share. Number of shares issued, number of treasury shares, and average number of shares during the period were calculated as if said split had been carried out at the beginning of the previous fiscal year.

(Reference) Outline of Nonconsolidated Financial Results

1. Nonconsolidated Performance for the Year Ended March 31, 2023 (From April 1, 2022, to March 31, 2023)

(1) Nonconsolidated operating results

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

	Net sales		Operating profit		Ordinary profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended March 31, 2023	89,367	38.5	9,514	—	10,756	—
Year ended March 31, 2022	64,504	5.0	(402)	—	511	—

	Profit		Basic earnings per share		Diluted earnings per share	
	Millions of yen	%	Yen		Yen	
Year ended March 31, 2023	6,849	118.2	62.73		62.63	
Year ended March 31, 2022	3,139	—	28.76		28.72	

(Note) Shares were split on April 1, 2023 at a ratio of 2 for 1 common share. Basic earnings per share and diluted earnings per share were calculated as if said split had been carried out at the beginning of the previous fiscal year.

(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, 2023	149,471		56,192		37.4		511.98	
As of March 31, 2022	140,877		54,998		38.9		501.70	

(Reference) Shareholders' equity:

As of March 31, 2023: 55,900 million yen

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

(Note) Shares were split on April 1, 2023 at a ratio of 2 for 1 common share. Net assets per share were calculated as if said split had been carried out at the beginning of the previous fiscal year.

\* 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 9 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, 2023 (the “fiscal year under review”), due to the gradual mitigation of the impact of the COVID-19 pandemic on economic activities, Japan’s economy saw signs of consumer spending and other matters returning back to normal. The economic outlook, however, remains unclear due to sharp fluctuations in exchange rates and price hikes of commodities.

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

As a result of various measures taken in each businesses amid this situation, in the fiscal year under review, net sales amounted to 128,156 million yen (up 35.2% year on year), operating profit was recorded of 12,954 million yen (a loss of 289 million yen in the previous year), ordinary profit was 13,601 million yen (a profit of 888 million yen in the previous year), and profit attributable to owners of parent amounted to 8,320 million yen (up 60.1% year on year).

The Group posted 2,928 million yen of subsidy income (15,206 million yen in the previous fiscal year) in extraordinary income from various subsidies covering the previous fiscal year, such as employment adjustment subsidies and subsidies for shorter business hours, as well as extraordinary losses of 3,130 million yen (1,862 million yen in the previous fiscal year) as impairment losses on non-current assets in karaoke cabins and restaurants.

(Millions of yen)

	FY2021	FY2022	Year-on-year change	% change
Net sales	94,787	128,156	33,369	35.2%
Operating profit	(289)	12,954	13,244	—
Ordinary profit	888	13,601	12,712	—
Profit attributable to owners of parent	5,196	8,320	3,124	60.1%

Operating results by segment are as follows.

#### (Commercial karaoke business)

In the commercial karaoke business, due to the continued absence of various operating restrictions and resumption of operation/new store openings on the parts of customers, the business environment was in a recovery trend particularly in regard to stores operating at night, such as snack bars, which are our main market.

In light of these circumstances, in order to recover lost numbers on the amount of DAM units in operation (a key challenge in the current fiscal year) we established a website to facilitate karaoke equipment orders in the previous fiscal year, “Karaoke no Madoguchi (Karaoke Sales Portal),” and a real estate information website in April, “Yorumise Navi (Searchable Nightlife Real Estate Directory)” in April. In addition to face-to-face sales, which are our strength, we also strived to build online sales structures such as by holding online events for nursing facilities and other targets in the seniors’ market.

In addition, we strived to improve our Karaoke DAM products by further expanding our visual content, including live videos, animated videos and music videos, including “Liview!” contents. “Liview!” is a feature that was released in the previous fiscal year that allows users to enjoy the atmosphere of live performances from a karaoke cabin.

We also launched “FREE DAM LIFE” in October, our latest model exclusively for the DK elder system, which includes new features to reduce workloads for staff working at nursing facilities. These features include “Omakase Rec,” which automatically creates and plays recreational activity programs, and “Remote Session,” which allows sharing and remote operation of programs for multiple facilities through simultaneous pairing. We aimed to both replace old models and acquire new customers in the seniors’ market.

As a result, net sales and operating profit increased by 8.5% and 11.6%, respectively, year on year.

(Millions of yen)

	FY2021	FY2022	Year-on-year change	% change
Net sales	53,188	57,731	4,542	8.5%
Operating profit	12,186	13,593	1,407	11.6%

## (Karaoke cabin and restaurant business)

In the karaoke cabin and restaurant business, we opened 15 karaoke cabins and 14 restaurants and closed 10 karaoke cabins and 18 restaurants, and so operate 508 karaoke cabins and 171 restaurants as of the end of the fiscal year under review.

Thanks to the lifting in the previous fiscal year of various government requests made due to the pandemic, we have seen a return of customer flow since the beginning of the fiscal year under review. Despite the lingering impact of the pandemic on issues such as our ability to establish locations and to attract late-night customers, and temporary halts in recovery due to a resurgence in infections such as with the seventh and eighth waves, we were able to maintain normal operations throughout the fiscal year under review. This contributed to existing karaoke cabin sales recovering to a level approximately 25% lower than before the COVID-19 pandemic and restaurants to a level approximately 15% lower, for an approximately 105% increase for karaoke cabins and approximately 135% increase for restaurants, year on year.

In light of these circumstances, for Big Echo karaoke cabins we strove to bolster equipment and increase customer satisfaction, for instance by increasing the number of stores with “LIVE DAM Ai” (our most premium karaoke model) installed in all rooms to 44. We also focused on attracting more young customers, including by using social media to promote the joy of karaoke and through the introduction of “Saikyo Gakuwari (Best Student Discount)” at all karaoke cabins. We also strove to strengthen our restaurants business, for instance by creating a new business type “Ginten,” locations in Ginza Corridor Street, Tokyo and Meieki 3-chome, Nagoya.

As a result, net sales increased by 111.4% year on year, and an operating loss was recorded at 59 million yen.

(Millions of yen)

	FY2021	FY2022	Year-on-year change	% change
Net sales	24,402	51,584	27,181	111.4%
Operating profit	(11,299)	(59)	11,240	—

## (Music software business)

In the music software business, product sales of CDs and DVDs saw a slight recovery as the music industry regained vigor, for instance with events and concerts resuming. The TV program production business also made steady progress.

As a result, net sales and operating profit increased by 6.6% and 186.0%, respectively, year on year.

(Millions of yen)

	FY2021	FY2022	Year-on-year change	% change
Net sales	6,029	6,430	400	6.6%
Operating profit	79	228	148	186.0%

## (Other businesses)

In other businesses, our parking business operating under the brand name “The Park,” which will serve as a new pillar of revenue, made steady progress, with business scale reaching approximately 2,000 parking facilities and 26,000 parking spots as of the end of the fiscal year under review.

As a result, net sales increased by 11.1% year on year thanks to the increase in revenue from the parking business, and operating profit increased by 57.0% year on year.

(Millions of yen)

	FY2021	FY2022	Year-on-year change	% change
Net sales	11,166	12,411	1,244	11.1%
Operating profit	1,006	1,581	574	57.0%

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

Total assets at the end of the fiscal year under review increased by 8,233 million yen from the end of the previous fiscal year to 188,623 million yen.

Major causes included increases in cash and deposits, accounts receivable - trade and inventories under current assets of 3,598 million yen, 1,240 million yen and 4,139 million yen, respectively.

Liabilities increased by 5,478 million yen year on year to 80,707 million yen.

Major causes included increases in notes and accounts payable - trade, short-term borrowings, accounts payable - other and income taxes payable under current liabilities of 2,339 million yen, 7,412 million yen, 2,520 million yen and 1,120 million yen, respectively.

In non-current liabilities, asset retirement obligations increased by 2,018 million yen and long-term borrowings decreased by 10,570 million yen.

Net assets increased by 2,755 million yen year on year to 107,915 million yen.

The increase is primarily attributable to an increase in retained earnings of 8,320 million yen due to profit attributable to owners of parent and a decrease in retained earnings of 6,168 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 3,298 million yen from the previous fiscal year to 71,423 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 6,703 million yen year on year to 24,869 million yen, mainly due to profit before income taxes of 13,337 million yen, depreciation of 10,867 million yen, impairment losses of 3,130 million yen, an increase in inventories of 4,137 million yen, an increase in trade payables of 2,330 million yen, an increase in accounts payable – other of 2,318 million yen and income taxes paid of 2,790 million yen.

## (Cash Flows from Investing Activities)

Funds used in investing activities increased by 2,807 million yen year on year to 12,104 million yen, mainly due to purchase of property, plant and equipment of 7,462 million yen, purchase of intangible assets of 3,199 million yen and payments for acquisition of video licenses of 1,246 million yen.

## (Cash Flows from Financing Activities)

Funds used in financing activities increased by 1,005 million yen year on year to 9,493 million yen, mainly due to a net decrease in short-term borrowings of 2,235 million yen, repayments of long-term borrowings of 1,052 million yen and dividends paid of 6,168 million yen.

## (Reference) Cash flow indicators

	As of March 31				
	2019	2020	2021	2022	2023
Equity ratio (%)	69.3	74.0	55.8	57.4	56.4
Equity ratio at market value (%)	169.8	89.4	125.2	105.3	126.4
Ratio of interest-bearing debt to cash flow (years)	0.7	0.5	6.5	2.6	1.8
Interest coverage ratio (times)	188.7	243.8	39.2	90.9	143.4

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.”

#### (4) Future Outlook

The economic outlook is expected to remain uncertain due to factors such as political instability overseas and the ongoing price hikes for fuel and other commodities. However, with the downgrading of the infectious disease category (under Infectious Diseases Control Law) for COVID-19 in May, the market environments are likely to continue to recover and the karaoke industry is expected to return to near pre-COVID-19 levels.

In response to these circumstances the Group has released a new corporate message (“Singing as we go”), and will strive to create demand and appeal to customers through not only the joy of singing, but also through the contributions karaoke makes to physical and mental health and its status as an indispensable service for society.

In the commercial karaoke business, in addition to working to increase the number of DAM systems in operation through a sales structure that utilizes local-based face-to-face sales as well as websites, we will pursue investment into replacement of rental equipment assets (which had slowed due to the impact of COVID-19), with a focus on LIVE DAM AiR which was released for sale in April, and investment into karaoke contents such as sound tracks and video, aiming to strengthen our stable profit base and further increase the value of DAM brand, the number one karaoke brand. Additionally, in the seniors’ market, we will contribute to extending healthy lifespans and reducing workloads for care facility staff through sales and marketing of FREE DAM LIFE, which was released for sale in October of last year.

In the karaoke cabins and restaurants business, although customer levels are expected to recover as the COVID-19 pandemic comes to an end, utility costs and other expenses are expected to increase, so we will work to establish lean earning models and strengthen competitiveness of locations through efforts such as efficient operations (collaboration with darts businesses) and scrap and build. Additionally, as Big Echo is approaching its 35th anniversary, we will strive to appeal to customers with the joy of karaoke and stimulate the desire to sing, through a variety of campaigns such as collaboration with artists.

In the music software business, we will work to discover new artists and create hit songs while also working to construct an earnings model that is not dependent on major hits.

Additionally, in the parking business, which we are currently focusing on as a new business, we will pursue development of new facilities, including M&As, and aim to grow the size of the business, while also working to spread awareness of The Park brand through methods such as television commercials.

Based on the above, we expect net sales of 141,000 million yen, operating profit of 15,000 million yen, ordinary profit of 16,000 million yen and profit attributable to owners of parent of 10,700 million yen in the next fiscal year.

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.

## 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)	
	FY2021 (As of March 31, 2022)	FY2022 (As of March 31, 2023)
<b>Assets</b>		
Current assets		
Cash and deposits	68,214	71,812
Notes receivable - trade	44	44
Accounts receivable - trade	4,082	5,323
Inventories	7,596	11,735
Other	4,796	4,888
Allowance for doubtful accounts	(457)	(374)
Total current assets	84,277	93,429
Non-current assets		
Property, plant and equipment		
Buildings and structures	13,953	13,894
Accumulated depreciation	(9,036)	(8,954)
Buildings and structures, net	4,916	4,939
Karaoke equipment for rental	50,813	51,490
Accumulated depreciation	(44,518)	(45,183)
Karaoke equipment for rental, net	6,294	6,306
Karaoke cabin and restaurant facilities	44,978	46,078
Accumulated depreciation	(34,598)	(36,885)
Karaoke cabin and restaurant facilities, net	10,380	9,192
Land	40,341	40,218
Other	6,830	7,436
Accumulated depreciation	(5,776)	(5,801)
Other, net	1,053	1,634
Total property, plant and equipment	62,987	62,292
Intangible assets		
Goodwill	996	606
Other	5,861	6,056
Total intangible assets	6,858	6,663
Investments and other assets		
Investment securities	4,507	4,914
Long-term loans receivable	508	516
Deferred tax assets	6,520	5,117
Leasehold and guarantee deposits	13,449	14,477
Other	1,346	1,352
Allowance for doubtful accounts	(64)	(140)
Total investments and other assets	26,267	26,237
Total non-current assets	96,112	95,193
<b>Total assets</b>	<b>180,389</b>	<b>188,623</b>

DAIICHIKOSHO CO., LTD.

	FY2021 (As of March 31, 2022)	FY2022 (As of March 31, 2023)
(Millions of yen)		
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	2,614	4,954
Short-term borrowings	6,098	13,511
Accounts payable - other	6,453	8,974
Income taxes payable	1,985	3,106
Contract liabilities	968	1,038
Provision for bonuses	1,141	1,151
Other	2,395	2,551
Total current liabilities	21,658	35,288
Non-current liabilities		
Long-term borrowings	41,705	31,135
Deferred tax liabilities	77	44
Provision for retirement benefits for directors (and other officers)	993	1,113
Retirement benefit liability	7,846	7,991
Asset retirement obligations	—	2,018
Other	2,946	3,115
Total non-current liabilities	53,570	45,419
Total liabilities	75,229	80,707
Net assets		
Shareholders' equity		
Share capital	12,350	12,350
Capital surplus	4,114	4,211
Retained earnings	87,733	89,885
Treasury shares	(570)	(571)
Total shareholders' equity	103,628	105,876
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	606	1,047
Revaluation reserve for land	(733)	(733)
Foreign currency translation adjustment	69	99
Remeasurements of defined benefit plans	(26)	160
Total accumulated other comprehensive income	(84)	574
Share acquisition rights	219	292
Non-controlling interests	1,397	1,172
Total net assets	105,160	107,915
Total liabilities and net assets	180,389	188,623

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

	(Millions of yen)	
	FY2021 (From April 1, 2021, to March 31, 2022)	FY2022 (From April 1, 2022, to March 31, 2023)
Net sales	94,787	128,156
Cost of sales	65,951	83,715
Gross profit	28,835	44,441
Selling, general and administrative expenses		
Advertising expenses	1,047	1,265
Promotion expenses	913	1,365
Packing and freight expenses	682	718
Remuneration for directors (and other officers)	1,168	1,114
Provision for retirement benefits for directors (and other officers)	162	157
Salaries and bonuses	12,780	13,346
Provision for bonuses	875	899
Retirement benefit expenses	564	573
Rent expenses	1,074	1,035
Depreciation	741	739
Other	9,114	10,270
Total selling, general and administrative expenses	29,124	31,486
Operating profit (loss)	(289)	12,954
Non-operating income		
Interest income	22	23
Dividend income	197	131
Commission income	142	136
Insurance claim income	355	259
Cooperative monetary aid received	255	187
Compensation income	11	—
Other	645	418
Total non-operating income	1,630	1,156
Non-operating expenses		
Interest expenses	199	173
Foreign exchange losses	48	86
Commission expenses	15	14
Cancellation penalty	61	39
Other	126	196
Total non-operating expenses	452	510
Ordinary profit	888	13,601
Extraordinary income		
Gain on sale of non-current assets	104	81
Gain on sale of investment securities	—	0
Gain on bargain purchase	—	112
Subsidy income	15,206	2,928
Total extraordinary income	15,311	3,121
Extraordinary losses		
Loss on disposal of non-current assets	80	104
Impairment losses	1,862	3,130
Loss on sale of investment securities	0	—
Loss on valuation of investment securities	108	150
Loss on COVID-19	6,452	—
Total extraordinary losses	8,505	3,385
Profit before income taxes	7,695	13,337
Income taxes - current	1,971	3,800
Income taxes - deferred	500	1,177
Total income taxes	2,471	4,978
Profit	5,223	8,359
Profit attributable to non-controlling interests	26	38
Profit attributable to owners of parent	5,196	8,320

**(Consolidated Statements of Comprehensive Income)**

	(Millions of yen)	
	FY2021 (From April 1, 2021, to March 31, 2022)	FY2022 (From April 1, 2022, to March 31, 2023)
Profit	5,223	8,359
Other comprehensive income		
Valuation difference on available-for-sale securities	(203)	441
Foreign currency translation adjustment	36	30
Remeasurements of defined benefit plans, net of tax	114	186
Total other comprehensive income	(52)	658
Comprehensive income	5,170	9,018
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	5,143	8,979
Comprehensive income attributable to non-controlling interests	26	38

**(3) Consolidated Statements of Changes in Equity****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)
Profit 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)
Profit 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

## FY2022 (from April 1, 2022, to March 31, 2023)

(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	87,733	(570)	103,628
Cumulative effects of changes in accounting policies					—
Restated balance	12,350	4,114	87,733	(570)	103,628
Changes during period					
Dividends of surplus			(6,168)		(6,168)
Profit attributable to owners of parent			8,320		8,320
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares					—
Cancellation of treasury shares					—
Change in ownership interest of parent due to transactions with non-controlling interests		96			96
Net changes in items other than shareholders' equity					
Total changes during period	—	96	2,151	(0)	2,248
Balance at end of period	12,350	4,211	89,885	(571)	105,876

	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	606	(733)	69	(26)	(84)	219	1,397	105,160
Cumulative effects of changes in accounting policies								—
Restated balance	606	(733)	69	(26)	(84)	219	1,397	105,160
Changes during period								
Dividends of surplus								(6,168)
Profit attributable to owners of parent								8,320
Purchase of treasury shares								(0)
Disposal of treasury shares								—
Cancellation of treasury shares								—
Change in ownership interest of parent due to transactions with non-controlling interests								96
Net changes in items other than shareholders' equity	441	—	30	186	658	73	(225)	506
Total changes during period	441	—	30	186	658	73	(225)	2,755
Balance at end of period	1,047	(733)	99	160	574	292	1,172	107,915

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

(Millions of yen)

	FY2021 (From April 1, 2021, to March 31, 2022)	FY2022 (From April 1, 2022, to March 31, 2023)
<b>Cash flows from operating activities</b>		
Profit before income taxes	7,695	13,337
Depreciation	11,840	10,867
Amortization of goodwill	118	108
Impairment losses	1,862	3,130
Increase (decrease) in provision for retirement benefits for directors (and other officers)	94	119
Interest and dividend income	(220)	(155)
Interest expenses	199	173
Foreign exchange losses (gains)	(64)	(26)
Loss (gain) on sale of investment securities	0	(0)
Loss (gain) on valuation of investment securities	108	150
Loss (gain) on disposal of non-current assets	(23)	22
Subsidy income	(15,206)	(2,928)
Gain on bargain purchase	—	(112)
Decrease (increase) in trade receivables	(554)	(1,233)
Decrease (increase) in inventories	1,355	(4,137)
Transfer of cost of sales on karaoke equipment for rental	108	49
Decrease (increase) in advance payments to suppliers	(74)	(351)
Increase (decrease) in trade payables	7	2,330
Increase (decrease) in accounts payable - other	(3,577)	2,318
Other, net	(254)	918
Subtotal	3,414	24,581
Interest and dividends received	220	155
Interest paid	(199)	(173)
Subsidies received	15,759	3,096
Income taxes paid	(1,028)	(2,790)
Net cash provided by (used in) operating activities	18,165	24,869
<b>Cash flows from investing activities</b>		
Payments into time deposits	(45)	(334)
Proceeds from withdrawal of time deposits	785	34
Purchase of property, plant and equipment	(6,261)	(7,462)
Proceeds from sale of property, plant and equipment	649	333
Purchase of intangible assets	(2,985)	(3,199)
Payments for acquisition of video licenses	(1,283)	(1,246)
Proceeds from sale of investment securities	0	0
Purchase of investment securities	(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	—	143
Payments for acquisition of businesses	(1,067)	(16)
Loan advances	(82)	(149)
Proceeds from collection of loans receivable	383	212
Payments of leasehold and guarantee deposits	(144)	(671)
Proceeds from refund of leasehold and guarantee deposits	643	356
Other, net	412	(102)
Net cash provided by (used in) investing activities	(9,297)	(12,104)



DAIICHIKOSHO CO., LTD.

(Millions of yen)

	FY2021 (From April 1, 2021, to March 31, 2022)	FY2022 (From April 1, 2022, to March 31, 2023)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term borrowings	(1,855)	(2,235)
Proceeds from long-term borrowings	11,250	130
Repayments of long-term borrowings	(11,707)	(1,052)
Dividends paid	(6,162)	(6,168)
Purchase of treasury shares	(0)	(0)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	—	(159)
Other, net	(12)	(7)
Net cash provided by (used in) financing activities	(8,487)	(9,493)
Effect of exchange rate change on cash and cash equivalents	64	26
Net increase (decrease) in cash and cash equivalents	445	3,298
Cash and cash equivalents at beginning of period	67,680	68,125
Cash and cash equivalents at end of period	68,125	71,423

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

Not applicable.

**(Changes in Accounting Policies)****(Changes in estimates of asset retirement obligations)**

In accordance with new information obtained such as recent construction results, estimates for costs required to return locations to their original state when retiring stores have changed during the fiscal year under review. Due to these changes, estimated restoration costs for some properties now exceed the leasehold and guarantee deposits under building lease agreements, etc., thus precluding the previously used accounting method, whereby in lieu of calculating asset retirement obligation liabilities, reasonable estimates were made for leasehold and guarantee deposits that could be expected not to be returned and the burden for fiscal years in question included as expenses (hereafter referred to as “simplified treatment”). As a result, we have switched to a standard accounting treatment for the properties in question as of the end of the fiscal year under review.

Due to changes in estimates and this change from simplified to standard treatment, asset retirement obligations included in other under current liabilities and asset retirement obligations under non-current liabilities increased by 82 million yen and 2,018 million yen, respectively, on consolidated balance sheets for the fiscal year under review.

Additionally, this change in estimates resulted in an impairment loss being posted for property, plant and equipment, and as a result profit before income taxes decreased by 516 million yen on consolidated statements of income for the fiscal year under review.

Additionally, due to this change in estimates, the amount of leasehold and guarantee deposits not expected to be refunded as per simplified treatment increased by 719 million yen.

**(Consolidated Statements of Income)****Subsidy 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 subsidy 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, the Commercial Karaoke business, the Karaoke Cabin and Restaurant business and the Music Software business.

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

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

Segment profit is based on operating profit.

Assets are not allocated to business segments.

## 3. Information on the amounts of sales, profit or loss, assets, liabilities and other items by 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 profit or Segment loss (Operating profit 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 profit or segment loss is primarily composed of general and administrative expenses incurred by the administrative department at the head office that are not attributable to any particular reportable segment.

**FY2022 (From April 1, 2022, to March 31, 2023)**

(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	57,731	51,584	6,430	115,745	12,411	128,156	—	128,156
Intersegment sales and transfers	—	—	—	—	—	—	—	—
Total	57,731	51,584	6,430	115,745	12,411	128,156	—	128,156
Segment profit or Segment loss (Operating profit or Operating loss)	13,593	(59)	228	13,762	1,581	15,343	(2,388)	12,954
Other items								
Depreciation and amortization	6,647	1,999	22	8,669	695	9,365	150	9,515
Amortization of goodwill	22	—	—	22	85	108	—	108

- 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 (2,388) million yen adjustment posted to segment profit or segment loss is primarily composed of general and administrative expenses incurred by the administrative department at the head office that are not attributable to any particular reportable segment.

## (Per Share Information)

	FY2021 (From April 1, 2021, to March 31, 2022)	FY2022 (From April 1, 2022, to March 31, 2023)
Net assets per share	948.33 yen	974.95 yen
Basic earnings per share	47.61 yen	76.21 yen
Diluted earnings per share	47.54 yen	76.08 yen

Notes: 1. Shares were split on April 1, 2023 at a ratio of 2 for 1 common share. Net assets per share, basic earnings per share and diluted earnings per share were calculated as if said split had been carried out at the beginning of the previous fiscal year.

2. The basis of calculation of basic earnings per share and diluted earnings per share are as follows:

	FY2021 (From April 1, 2021, to March 31, 2022)	FY2022 (From April 1, 2022, to March 31, 2023)
Basic earnings per share		
Profit attributable to owners of parent (Millions of yen)	5,196	8,320
Amount not attributable to common shareholders (Millions of yen)	—	—
Profit attributable to owners of parent relating to common shares (Millions of yen)	5,196	8,320
Average number of common shares during the period (Thousand shares)	109,151	109,185
Diluted earnings per share		
Adjustment to profit attributable to owners of parent (Millions of yen)	—	—
Increase in number of common shares (Thousand shares)	161	179
[Of which, share acquisition rights] (Thousand shares)	[161]	[179]
Overview of potential shares not included in the calculation of diluted earnings per share due to lack of dilutive effect	—	—

## (Significant Subsequent Events)

## (Stock Split and Partial Amendments to the Articles of Incorporation in Connection with Stock Split)

At a meeting of the Board of Directors held on February 8, 2023, the Company resolved and carried out matters relating to a stock split and partial amendment of the Articles of Incorporation in connection with said stock split, as described below.

## (1) Purpose of the stock split

The purpose of the stock split is to increase the liquidity of the Company's shares and broaden the investor base by reducing the amount per investment.

(2) Method of the stock split

With March 31, 2023, as the record date, each share of the Company's common stock held by shareholders who are recorded in the shareholders registry as of the end of March 31, 2023, will be split at a ratio of 2 for 1.

(3) Number of shares to be increased by the stock split

Total number of shares issued before the stock split	54,734,200 shares
Number of shares to be increased by the stock split	54,734,200 shares
Total number of shares issued and outstanding after the stock split	109,468,400 shares
Total number of shares authorized after the stock split	400,000,000 shares

(4) Schedule for the stock split

Date of public notice of record date	March 1, 2023
Record date	March 31, 2023
Effective date	April 1, 2023

(5) Effect on per share information

The effect on per share information is listed under "(5) Notes to Consolidated Financial Statements (Per Share Information).

(6) Partial amendment to the Articles of Incorporation in connection with the stock split

1) Reason for the amendment to the Articles of Incorporation

Following the stock split, the total number shares authorized to be issued defined in Article 5 of the Company's Articles of Incorporation shall be changed as of April 1, 2023, according to Article 184, Paragraph 2 of the Companies Act.

2) Details of amendments to the Articles of Incorporation

Details of the changes are as follows. (Amended parts are underlined.)

Current Articles of Incorporation	After the Amendment
(Total number shares authorized to be issued) Article 5. The total number shares authorized to be issued by the Company shall be <u>200,000,000</u> shares.	Article 5. The total number shares authorized to be issued by the Company shall be <u>400,000,000</u> shares.

3) Schedule of amendments to the Articles of Incorporation

Effective Date April 1, 2023

(Repurchase of Treasury Shares)

At a meeting of the Board of Directors held on February 8, 2023, the Company resolved and carried out matters relating to the repurchase of treasury shares under Article 156 of the Companies Act as applied mutatis mutandis pursuant to Article 165, Paragraph 3 of the Act as described below.

(1) Details of resolution by Board of Directors to repurchase treasury shares

1) Reason for the repurchase

To improve capital efficiency and return profits to shareholders

2) Type of shares to be repurchased

Common shares of the Company

3) Number of shares to repurchase (amount after stock split)

Up to 4,000,000 shares

4) Total amount of repurchase

Up to 6,000,000,000 yen

- 5) Period of the repurchase  
From April 3, 2023, to September 30, 2023
- 6) Method of the repurchase  
Market purchase on the Tokyo Stock Exchange

(2) April 3-30, 2023 implementation status (trade basis)

- 1) Number of shares repurchased: 475,100 shares
- 2) Total amount of repurchase: 1,096,799,687 yen