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.

Flash Report on the Consolidated Results for the First Quarter Ended June 30, 2024 [JGAAP]

August 8, 2024

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
Scheduled date of commencing dividend payments: —
Preparation of supplementary material on financial results: None
Holding of financial results briefing: None

(Amounts below one million yen are truncated.)

1. Consolidated Performance for the Three Months Ended June 30, 2024 (From April 1, 2024, to June 30, 2024)

(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	%
Three Months Ended June 30, 2024	36,886	4.3	4,647	(2.3)	4,164	(16.8)
Three Months Ended June 30, 2023	35,381	16.9	4,757	57.5	5,003	54.5

	Profit attributable to owners of parent		Basic earnings per share	Diluted earnings per share
	Millions of yen	%	Yen	Yen
Three Months Ended June 30, 2024	3,407	(1.0)	31.95	31.87
Three Months Ended June 30, 2023	3,443	1.6	31.73	31.67

(Note) Comprehensive income:
Three Months Ended June 30, 2024: 3,734 million yen [(1.6)%]
Three Months Ended June 30, 2023: 3,796 million yen [9.7%]

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2024	197,868	108,581	54.1
As of March 31, 2024	211,386	108,991	50.9

(Reference) Shareholders' equity:
As of June 30, 2024: 107,145 million yen
As of March 31, 2024: 107,581 million yen

2. Dividend

	Annual dividend				
	First Quarter	Second Quarter	Third Quarter	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2024	—	28.00	—	29.00	57.00
Year ending March 31, 2025	—				
Year ending March 31, 2025 (forecast)		28.00	—	29.00	57.00

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

3. Forecast of Consolidated Performance for FY2024, the Year Ending March 31, 2025 (From April 1, 2024, to March 31, 2025)

(Percentage figures indicate increase/decrease from a year earlier for full-year forecasts and increase/decrease from the corresponding quarter for quarterly forecasts)

	Net sales		Operating profit		Ordinary profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ending September 30, 2024	74,300	4.3	8,700	(7.2)	8,400	(13.9)
Year ending March 31, 2025 (full year)	152,700	4.1	18,800	1.1	18,900	(3.4)

	Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Yen
Six months ending September 30, 2024	9,300	41.4	87.56
Year ending March 31, 2025 (full year)	16,200	28.9	152.52

(Note) Changes in forecast of consolidated performance from most recently announced figures: Yes
For details of the amendment of the forecast of consolidated performance, please refer to the “Notice Concerning the Amendment of Forecast of Performance” released today, August 8, 2024.

*Notes

(1) Significant changes in scope of consolidation during the period: None

(2) Adoption of special accounting policies for quarterly financial statements: None

(3) 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: None

4) Retrospective restatement: None

(4) Number of common shares issued

1) Number of shares issued (including treasury shares)	As of June 30, 2024	109,468,400 shares	As of March 31, 2024	109,468,400 shares
2) Number of treasury shares	As of June 30, 2024	3,254,807 shares	As of March 31, 2024	2,613,807 shares
3) Average number of shares during the period	Three months ended June 30, 2024	106,673,919 shares	Three months ended June 30, 2023	108,547,545 shares

* Review of the Japanese-language originals of the attached quarterly financial statements by certified public accountants or an audit firm: None

* 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 “Explanation of Forecast of Consolidated Performance and Other Forward-looking Information” on page 7 of the Attachments.

Table of Contents - Attachments

1. Qualitative Information on Quarterly Performance 5
(1) Explanation of Operating Results 5
(2) Explanation of Financial Position 7
(3) Explanation of Forecast of Consolidated Performance and Other Forward-looking Information 7
2. Quarterly Consolidated Financial Statements and Primary Notes 8
(1) Quarterly Consolidated Balance Sheets 8
(2) Quarterly Consolidated Statements of Income and Comprehensive Income 10
(Quarterly Consolidated Statements of Income) 10
(Quarterly Consolidated Statements of Comprehensive Income) 11
(3) Notes to Quarterly Consolidated Financial Statements 12
(Segment Information) 12
(Notes in Case of Significant Changes in Shareholders' Equity) 12
(Notes on Going Concern Assumption) 12
(Statements of Cash Flows) 13
(Significant Subsequent Events) 13

1. Qualitative Information on Quarterly Performance

(1) Explanation of Operating Results

In the three months ended June 30, 2024 (the "three months under review"), Japan's economy trended toward a moderate recovery, with signs of improvement in the employment and wages environment and a pickup of consumer spending, boosted by an increase in inbound demand and other factors. The economic outlook, however, remains unclear, mainly due to concerns about political instability overseas, the progressive depreciation of the yen, and continued price hikes of commodities.

In the karaoke industry, where DAIICHIKOSHO CO., LTD. (the "Company," together with its subsidiaries, the "Group") operates, amid a moderate recovery in demand as a whole, mainly in the night business and the karaoke cabin markets, the Company's mainstay markets, the trend toward a concentration of demand in central areas became even more conspicuous in all trading areas.

As a result of taking a series of measures in our businesses amid such a situation, in the three months under review, net sales amounted to 36,886 million yen (up 4.3% year on year), a record high first-quarter result. In terms of profits, due to an increase in selling, general and administrative expenses and other factors, operating profit was 4,647 million yen (down 2.3% year on year) and ordinary profit was 4,164 million yen (down 16.8% year on year). Profit attributable to owners of parent amounted to 3,407 million yen (down 1.0% year on year).

(Millions of yen)

	Three Months Ended June 30, 2023	Three Months Ended June 30, 2024	Year-on-year change	% change
Net sales	35,381	36,886	1,505	4.3%
Operating profit	4,757	4,647	(109)	(2.3)%
Ordinary profit	5,003	4,164	(838)	(16.8)%
Profit attributable to owners of parent	3,443	3,407	(35)	(1.0)%

Operating results by segment are as follows.

(Commercial karaoke business)

In the commercial karaoke business, with the ongoing moderate recovery, mainly in the Company's mainstay night market and in the seniors' market, which is a growth market for the Company, the number of DAM units in operation increased by 2% year on year.

In such an environment, the Company sought to strengthen its stable profit base by taking measures in each market to increase the number of DAM units in operation, as well as by expediting the replacement of previous models with newer ones in equipment rentals continuously from the previous fiscal year. At the same time, we strived to improve our Karaoke DAM products by further expanding our visual content, including live videos, animated videos, and music videos.

In the seniors' market, due to broader awareness that "Singing is good for one's health," we expanded sales of FREE DAM LIFE, a model developed exclusively for the senior's market, through door-to-door sales activities targeting nursing facilities and others. We also promoted the new features that lessen the burden on nursing facility staff.

As a result, although the new-product effect of LIVE DAM AiR, which was launched in April 2023, dropped off and revenue from product sales, mainly in wholesale, failed to reach the level of the corresponding period of the previous fiscal year, stock income increased due to increases in the number of equipment rentals and the number of DAM units in operation, resulting in a 0.2% increase year on year in net sales. In terms of profit, operating profit decreased by 9.4% year on year, mainly due to a fall in gross profit from product sales and an increase in selling, general and administrative expenses.

(Millions of yen)

	Three Months Ended June 30, 2023	Three Months Ended June 30, 2024	Year-on-year change	% change
Net sales	15,393	15,418	24	0.2%
Operating profit	3,719	3,370	(349)	(9.4)%

(Karaoke cabin and restaurant business)

In the karaoke cabin and restaurant business, we opened two karaoke cabins and four restaurants and closed four restaurants, and we operated 508 karaoke cabins and 159 restaurants as of the end of the three months under review.

The flow of customers continued its moderate upward trend since the beginning of the fiscal year, and sales at both existing karaoke cabins and restaurants increased 5% year on year during the three months under review.

Under such circumstances, for BIG ECHO karaoke cabins, as a directly managed store, under the slogan "BIG SMILE, BIG ECHO. Let's sing, laugh, and do more with everyone," in addition to improving the quality of karaoke equipment and acoustic facilities as a chain directly operated by a karaoke system manufacture, we sought to build cleaner and more comfortable cabin environments by expediting the refurbishment of cabins. We also increased convenience with the introduction of automated reception and payment equipment, and by actively pursuing collaborations with diverse artists and animation works as part of our "BIG SMILE CAMPAIGN," strived to create a variety of joy and fun through karaoke.

For restaurants, we pursued the visualization of customer satisfaction by employing a system that is capable of collecting and quantifying customer feedback easily, and we worked to improve the quality of the restaurants' environment, customer service, and food. We also strived to attract a wide range of customers, including by opening two DARTS ONE premises in the darts business.

As a result, net sales increased by 5.1% year on year, and operating profit increased by 14.4% year on year.

(Millions of yen)

	Three Months Ended June 30, 2023	Three Months Ended June 30, 2024	Year-on-year change	% change
Net sales	15,012	15,779	766	5.1%
Operating profit	1,219	1,394	175	14.4%

(Music software business)

In the music software business, in addition to our efforts to discover new artists and create hit songs, we strived to build a steady earnings model by concentrating our efforts on the music publishing business.

As a result, with the absence of the TV program production business due to the transfer of shares in the previous fiscal year, net sales decreased by 15.1% year on year. However, product sales such as CDs and DVDs and the music publishing business performed strongly, resulting in a 71.5% increase year on year in operating profit.

(Millions of yen)

	Three Months Ended June 30, 2023	Three Months Ended June 30, 2024	Year-on-year change	% change
Net sales	1,571	1,333	(237)	(15.1)%
Operating profit	61	104	43	71.5%

(Other businesses)

In the other businesses, progress was made in the expansion of the parking business operating "The Park" brand as its new pillar of revenue, and the business scale expanded to approximately 3,400 parking facilities and 38,000 parking spots as of the end of the three months under review. This included Crest Co., Ltd., which became a subsidiary in the previous fiscal year. The BGM business, which operates "Stardigio Air," and the home-use karaoke service, "Karaoke@DAM," also performed strongly.

As a result, net sales increased by 28.0% year on year owing to factors such as an increase in revenue from the parking business, and operating profit increased by 36.6% year on year.

(Millions of yen)

	Three Months Ended June 30, 2023	Three Months Ended June 30, 2024	Year-on-year change	% change
Net sales	3,404	4,356	951	28.0%
Operating profit	414	566	151	36.6%

(2) Explanation of Financial Position

Total assets at the end of the three months under review decreased by 13,517 million yen from the end of the previous fiscal year to 197,868 million yen.

Major changes from the previous fiscal year were, in current assets, a decrease in cash and deposits by 16,474 million yen and an increase of 1,536 million yen in pre-paid expenses included in other.

In non-current assets, karaoke equipment for rental and karaoke cabin and restaurant facilities increased by 513 million yen and 563 million yen, respectively.

Liabilities decreased by 13,107 million yen from the end of the previous fiscal year to 89,287 million yen.

This was mainly due to decreases of 1,002 million yen in notes and accounts payable – trade and 2,548 million yen in income taxes payable in current liabilities.

In non-current liabilities, long-term borrowings decreased by 10,084 million yen.

Net assets decreased by 410 million yen from the end of the previous fiscal year to 108,581 million yen.

The decrease is primarily attributable to a decrease in retained earnings of 3,098 million yen due to the dividends of surplus and a decrease of 1,062 million yen due to purchase of treasury shares, despite an increase in retained earnings of 3,407 million yen due to profit attributable to owners of parent.

(3) Explanation of Forecast of Consolidated Performance and Other Forward-looking Information

For details of the amendment of the forecast of performance for the six months ending September 30, 2024 and the fiscal year ending March 31, 2025, please refer to the “Notice Concerning the Amendment of Forecast of Performance” released today, August 8, 2024.

The forecast was prepared based on information available on the date this report was released, and actual results may vary from forecast values due to various factors in the future.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	FY2023 (As of March 31, 2024)	Current First quarter (As of June 30, 2024)
Assets		
Current assets		
Cash and deposits	49,694	33,220
Notes and accounts receivable - trade	5,894	5,674
Inventories	11,216	10,931
Other	7,005	7,967
Allowance for doubtful accounts	(331)	(289)
Total current assets	73,479	57,504
Non-current assets		
Property, plant and equipment		
Karaoke equipment for rental, net	9,122	9,636
Karaoke cabin and restaurant facilities, net	10,875	11,439
Land	40,111	40,111
Construction in progress	32,120	32,246
Other, net	7,002	7,374
Total property, plant and equipment	99,233	100,808
Intangible assets		
Goodwill	5,668	5,515
Other	5,616	5,653
Total intangible assets	11,285	11,168
Investments and other assets		
Investment securities	6,060	6,653
Leasehold and guarantee deposits	14,341	14,376
Other	7,112	7,479
Allowance for doubtful accounts	(126)	(122)
Total investments and other assets	27,388	28,386
Total non-current assets	137,906	140,363
Total assets	211,386	197,868

(Millions of yen)

	FY2023 (As of March 31, 2024)	Current First quarter (As of June 30, 2024)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	4,332	3,330
Short-term borrowings	12,885	12,950
Income taxes payable	4,746	2,198
Provision for bonuses	1,214	658
Other	13,735	14,735
Total current liabilities	36,914	33,872
Non-current liabilities		
Long-term borrowings	51,533	41,449
Provision for retirement benefits for directors (and other officers)	666	524
Retirement benefit liability	7,986	8,101
Asset retirement obligations	1,879	1,865
Other	3,414	3,476
Total non-current liabilities	65,480	55,415
Total liabilities	102,394	89,287
Net assets		
Shareholders' equity		
Share capital	12,350	12,350
Capital surplus	4,211	4,211
Retained earnings	96,350	96,659
Treasury shares	(6,571)	(7,633)
Total shareholders' equity	106,340	105,587
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,466	1,741
Revaluation reserve for land	(733)	(733)
Foreign currency translation adjustment	188	235
Remeasurements of defined benefit plans	320	314
Total accumulated other comprehensive income	1,240	1,557
Share acquisition rights	374	398
Non-controlling interests	1,035	1,037
Total net assets	108,991	108,581
Total liabilities and net assets	211,386	197,868

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

(Millions of yen)

	Three Months Ended June 30, 2023 (From April 1, 2023, to June 30, 2023)	Three Months Ended June 30, 2024 (From April 1, 2024, to June 30, 2024)
Net sales	35,381	36,886
Cost of sales	22,355	23,549
Gross profit	13,026	13,337
Selling, general and administrative expenses	8,269	8,690
Operating profit	4,757	4,647
Non-operating income		
Interest income	3	3
Dividend income	54	83
Insurance claim income	10	43
Cooperative monetary aid received	60	52
Foreign exchange gains	19	-
Other	167	195
Total non-operating income	316	377
Non-operating expenses		
Interest expenses	37	109
Foreign exchange losses	-	13
Cancellation penalty	2	1
Loss on refund of subsidy	-	653
Other	30	82
Total non-operating expenses	70	860
Ordinary profit	5,003	4,164
Extraordinary income		
Gain on sale of non-current assets	1	3
Gain on sale of investment securities	-	891
Total extraordinary income	1	895
Extraordinary losses		
Loss on disposal of non-current assets	36	30
Impairment losses	20	20
Total extraordinary losses	56	51
Profit before income taxes	4,948	5,008
Income taxes - current	1,738	2,000
Income taxes - deferred	(240)	(409)
Total income taxes	1,497	1,590
Profit	3,450	3,417
Profit attributable to non-controlling interests	6	9
Profit attributable to owners of parent	3,443	3,407

(Quarterly Consolidated Statements of Comprehensive Income)

(Millions of yen)

	Three Months Ended June 30, 2023 (From April 1, 2023, to June 30, 2023)	Three Months Ended June 30, 2024 (From April 1, 2024, to June 30, 2024)
Profit	3,450	3,417
Other comprehensive income		
Valuation difference on available-for-sale securities	291	275
Foreign currency translation adjustment	55	47
Remeasurements of defined benefit plans, net of tax	(1)	(5)
Total other comprehensive income	345	316
Comprehensive income	3,796	3,734
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,789	3,724
Comprehensive income attributable to non-controlling interests	6	9

(3) Notes to Quarterly Consolidated Financial Statements

(Segment Information)

[Segment information]

Three Months Ended June 30, 2023 (From April 1, 2023, to June 30, 2023)

1. Information on the amounts of net sales and profit or loss by reportable segment

(Millions of yen)

	Reportable segments				Other (Note 1)	Total	Adjusted amount (Note 2)	Posted amount to the consolidated quarterly statements of income
	Commercial karaoke	Karaoke cabin and restaurant	Music software	Subtotal				
Net sales	15,393	15,012	1,571	31,976	3,404	35,381	—	35,381
Segment profit (Operating profit)	3,719	1,219	61	5,000	414	5,414	(657)	4,757

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 (657) million yen adjustment posted to segment profit 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.

2. Information on impairment loss of non-current assets or goodwill, etc. by reportable segment
The statements are omitted due to little significance.

Three Months Ended June 30, 2024 (From April 1, 2024, to June 30, 2024)

1. Information on the amounts of net sales and profit or loss by reportable segment

(Millions of yen)

	Reportable segments				Other (Note 1)	Total	Adjusted amount (Note 2)	Posted amount to the consolidated quarterly statements of income
	Commercial karaoke	Karaoke cabin and restaurant	Music software	Subtotal				
Net sales	15,418	15,779	1,333	32,530	4,356	36,886	—	36,886
Segment profit (Operating profit)	3,370	1,394	104	4,869	566	5,435	(788)	4,647

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 (788) million yen adjustment posted to segment profit 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.

2. Information on impairment loss of non-current assets or goodwill, etc. by reportable segment
The statements are omitted due to little significance.

(Notes in Case of Significant Changes in Shareholders' Equity)

Not applicable.

(Notes on Going Concern Assumption)

Not applicable.

(Statements of Cash Flows)

The Company has not prepared quarterly consolidated statements of cash flows for the three months ended June 30, 2024. Depreciation (including amortization of intangible assets excluding goodwill), amortization of goodwill, and amortization of negative goodwill for the three months ended June 30, 2024 are as follows.

(Millions of yen)

	Three Months Ended June 30, 2023 (From April 1, 2023, to June 30, 2023)	Three Months Ended June 30, 2024 (From April 1, 2024, to June 30, 2024)
Depreciation	2,747	3,282
Amortization of goodwill	18	134
Amortization of negative goodwill	0	0

(Significant Subsequent Events)

(Sale of Non-current Assets)

At a meeting of the Board of Directors held on July 29, 2024, the Company resolved to sell held assets and concluded a sale agreement on the same day.

(1) Reason for Sale

The Company will sell the following non-current assets held by the Company to improve asset efficiency through the effective use of management resources.

(2) Details of the sale

1) Overview of company that is the counterparty to the sale

Name	Mitsui Fudosan Residential Co., Ltd.
Address	3-2-1 Nihonbashi Muromachi-cho, Chuo-ku, Tokyo
Name and position of representative	Toru Kamura President
Description of business	Medium- and high-rise housing business, single-dwelling housing business, rental housing business, other
Capital	40.0 billion yen
Date of incorporation	December 26, 2005
Relationship between the Company and this company	There are no capital, personnel, or trading relationships or matters constituting an affiliated party between the buyer and the Company that should be stated.

2) Overview of assets to be sold

Address	Nos. 1-4, 451 & No. 1, 452 Higashigotanda 2-chome, Shinagawa-ku, Tokyo
Type of asset	Land (1,732.87 m^2)
Current state	Land used for parking
Date of sale	September 6, 2024 (scheduled)
Sale price	8,500 million yen

(3) Impact of sale on consolidated earnings

Due to the sale of this non-current asset, the Company plans to record 4,390 million yen in gain on sale of non-current assets as extraordinary income in September 2024.