

Translation

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Flash Report on the Consolidated Results for the Third Quarter Ended December 31, 2024 [JGAAP]

February 12, 2025

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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 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 Nine Months Ended December 31, 2024 (From April 1, 2024, to December 31, 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	%
Nine Months Ended December 31, 2024	114,439	4.2	14,320	(5.2)	14,505	(7.5)
Nine Months Ended December 31, 2023	109,864	16.2	15,098	55.8	15,683	53.2

	Profit attributable to owners of parent		Basic earnings per share	Diluted earnings per share
	Millions of yen	%	Yen	Yen
Nine Months Ended December 31, 2024	13,503	28.2	127.85	127.51
Nine Months Ended December 31, 2023	10,531	17.0	97.88	97.69

(Note) Comprehensive income:

Nine Months Ended December 31, 2024: 13,956 million yen [28.8%]

Nine Months Ended December 31, 2023: 10,839 million yen [15.6%]

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of December 31, 2024	202,631	112,969	55.0
As of March 31, 2024	211,386	108,991	50.9

(Reference) Shareholders' equity:

As of December 31, 2024: 111,473 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	—	28.00	—		
Year ending March 31, 2025 (forecast)				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.)

	Net sales		Operating profit		Ordinary profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
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
Year ending March 31, 2025 (full year)	16,200	28.9	155.04

(Note) Changes in forecast of consolidated performance from most recently announced figures: None

***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 December 31, 2024	109,468,400 shares	As of March 31, 2024	109,468,400 shares
2) Number of treasury shares	As of December 31, 2024	4,980,507 shares	As of March 31, 2024	2,613,807 shares
3) Average number of shares during the period	Nine months ended December 31, 2024	105,625,609 shares	Nine months ended December 31, 2023	107,597,202 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.

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1. Overview of Operating Results, etc.

(1) Overview of Operating Results for the Period under Review

In the nine months ended December 31, 2024 (the “nine 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, fluctuations of exchange rates, 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 improvement in market environment 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 nine months under review, net sales amounted to 114,439 million yen (up 4.2% year on year), a record high nine-months result. In terms of profits, mainly due to an increase in personnel expenses associated with a pay raise and an increase in depreciation accompanying capital expenditures into our businesses, operating profit was 14,320 million yen (down 5.2% year on year) and ordinary profit was 14,505 million yen (down 7.5% year on year). Profit attributable to owners of parent amounted to 13,503 million yen (up 28.2% year on year), mainly due to an increase of 5,792 million yen in extraordinary income compared with that of the corresponding period of the previous fiscal year.

(Millions of yen)

	Nine Months Ended December 31, 2023	Nine Months Ended December 31, 2024	Year-on-year change	% change
Net sales	109,864	114,439	4,575	4.2%
Operating profit	15,098	14,320	(778)	(5.2)%
Ordinary profit	15,683	14,505	(1,178)	(7.5)%
Profit attributable to owners of parent	10,531	13,503	2,971	28.2%

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, holding online concerts, 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 1.1% increase year on year in net sales. In terms of profit, operating profit decreased by 7.6% year on year, mainly due to a fall in gross profit from product sales, an increase in costs caused by expediting the replacement of previous models with newer ones in equipment rentals, and an increase in selling, general and administrative expenses.

The Company plans to launch a new flagship model of DAM brand in April 2025.

(Millions of yen)

	Nine Months Ended December 31, 2023	Nine Months Ended December 31, 2024	Year-on-year change	% change
Net sales	45,950	46,476	526	1.1%
Operating profit	9,927	9,176	(750)	(7.6)%

(Karaoke cabin and restaurant business)

In the karaoke cabin and restaurant business, we opened nine karaoke cabins and 12 restaurants and closed eight karaoke cabins and 13 restaurants, and we operated 507 karaoke cabins and 158 restaurants as of the end of the nine months under review. The open and close of restaurants include the change of the brand and integration of food and beverage complex type restaurants.

The flow of customers slightly slowed its upward trend since the previous fiscal year into the second half of the year, however, sales at both existing karaoke cabins and restaurants increased 3% year on year during the nine 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, strived to create a variety of joy and fun through karaoke.

For restaurants, reservations and orders were strong, 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 of “Sushiya Harenohi,” an all-you-can-eat sushi and tempura restaurant at KITTE Hakata, a large commercial facility directly connected to Hakata station, and “Gin ten,” a Japanese-style tap bar at Kyoto Porta in December 2024.

As a result, net sales increased by 3.1% year on year. In terms of profit, operating profit decreased by 8.4% year on year mainly due to investment in upgrading karaoke cabin and restaurant facilities and increased personnel expenses.

(Millions of yen)

	Nine Months Ended December 31, 2023	Nine Months Ended December 31, 2024	Year-on-year change	% change
Net sales	48,446	49,937	1,490	3.1%
Operating profit	5,619	5,144	(474)	(8.4)%

(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. In addition, the sales of “PROLOGUE” and “GIFT” which visualized the performance by pro figure skater Yuzuru Hanyu were strong.

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 14.7% year on year. However, product sales such as CDs and DVDs and the music publishing business performed strongly, resulting in a 11.1% increase year on year in operating profit.

(Millions of yen)

	Nine Months Ended December 31, 2023	Nine Months Ended December 31, 2024	Year-on-year change	% change
Net sales	4,899	4,179	(719)	(14.7)%
Operating profit	249	276	27	11.1%

(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 3,700 parking facilities and 41,000 parking spots as of the end of the nine 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 31.0% year on year owing to factors such as an increase in revenue from the parking business, and operating profit increased by 62.0% year on year.

(Millions of yen)

	Nine Months Ended December 31, 2023	Nine Months Ended December 31, 2024	Year-on-year change	% change
Net sales	10,568	13,845	3,277	31.0%
Operating profit	1,151	1,865	713	62.0%

(2) Overview of Financial Position for the Period under Review

Total assets at the end of the nine months under review decreased by 8,754 million yen from the end of the previous fiscal year to 202,631 million yen.

Major changes from the previous fiscal year were, in current assets, a decrease in cash and deposits by 11,166 million yen, and increases of 1,330 million yen in notes and accounts receivable - trade and 779 million yen in pre-paid expenses included in other, respectively.

In non-current assets, land decreased by 5,158 million yen, and karaoke equipment for rental, karaoke cabin and restaurant facilities, and investment securities increased by 1,102 million yen, 2,528 million yen, and 788 million yen, respectively.

Liabilities decreased by 12,732 million yen from the end of the previous fiscal year to 89,662 million yen.

This was mainly due to decreases of 1,311 million yen in income taxes payable and 986 million yen in accounts payable - other included in other, respectively, under current liabilities.

In non-current liabilities, long-term borrowings decreased by 10,449 million yen.

Net assets increased by 3,978 million yen from the end of the previous fiscal year to 112,969 million yen.

This is primarily attributable to an increase in retained earnings of 13,503 million yen due to profit attributable to owners of parent, a decrease in retained earnings of 6,038 million yen due to the dividends of surplus, and a decrease of 3,999 million yen due to purchase of treasury shares.

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

There is no change to the full-year performance forecast announced on 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 Third quarter (As of December 31, 2024)
Assets		
Current assets		
Cash and deposits	49,694	38,528
Notes and accounts receivable - trade	5,894	7,225
Inventories	11,216	10,367
Other	7,005	8,111
Allowance for doubtful accounts	(331)	(293)
Total current assets	73,479	63,939
Non-current assets		
Property, plant and equipment		
Karaoke equipment for rental, net	9,122	10,225
Karaoke cabin and restaurant facilities, net	10,875	13,404
Land	40,111	34,953
Construction in progress	32,120	32,417
Other, net	7,002	8,375
Total property, plant and equipment	99,233	99,375
Intangible assets		
Goodwill	5,668	5,239
Other	5,616	5,589
Total intangible assets	11,285	10,828
Investments and other assets		
Investment securities	6,060	6,848
Leasehold and guarantee deposits	14,341	14,524
Other	7,112	7,232
Allowance for doubtful accounts	(126)	(116)
Total investments and other assets	27,388	28,489
Total non-current assets	137,906	138,692
Total assets	211,386	202,631

(Millions of yen)

	FY2023 (As of March 31, 2024)	Current Third quarter (As of December 31, 2024)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	4,332	3,975
Short-term borrowings	12,885	12,840
Income taxes payable	4,746	3,434
Provision for bonuses	1,214	1,206
Other	13,735	12,816
Total current liabilities	36,914	34,273
Non-current liabilities		
Long-term borrowings	51,533	41,083
Provision for retirement benefits for directors (and other officers)	666	598
Retirement benefit liability	7,986	8,249
Asset retirement obligations	1,879	1,858
Other	3,414	3,598
Total non-current liabilities	65,480	55,388
Total liabilities	102,394	89,662
Net assets		
Shareholders' equity		
Share capital	12,350	12,350
Capital surplus	4,211	4,211
Retained earnings	96,350	103,815
Treasury shares	(6,571)	(10,571)
Total shareholders' equity	106,340	109,806
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,466	1,755
Revaluation reserve for land	(733)	(558)
Foreign currency translation adjustment	188	166
Remeasurements of defined benefit plans	320	303
Total accumulated other comprehensive income	1,240	1,666
Share acquisition rights	374	442
Non-controlling interests	1,035	1,054
Total net assets	108,991	112,969
Total liabilities and net assets	211,386	202,631

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

	(Millions of yen)	
	Nine Months Ended December 31, 2023 (From April 1, 2023, to December 31, 2023)	Nine Months Ended December 31, 2024 (From April 1, 2024, to December 31, 2024)
Net sales	109,864	114,439
Cost of sales	69,793	73,716
Gross profit	40,070	40,722
Selling, general and administrative expenses	24,972	26,402
Operating profit	15,098	14,320
Non-operating income		
Interest income	18	19
Dividend income	120	153
Insurance claim income	72	195
Cooperative monetary aid received	140	126
Foreign exchange gains	6	-
Compensation income	-	366
Other	451	524
Total non-operating income	809	1,385
Non-operating expenses		
Interest expenses	104	320
Foreign exchange losses	-	2
Cancellation penalty	5	26
Loss on refund of subsidy	-	653
Other	114	197
Total non-operating expenses	224	1,201
Ordinary profit	15,683	14,505
Extraordinary income		
Gain on sale of non-current assets	2	4,414
Gain on sale of investment securities	-	1,380
Total extraordinary income	2	5,795
Extraordinary losses		
Loss on disposal of non-current assets	125	128
Impairment losses	81	277
Total extraordinary losses	207	406
Profit before income taxes	15,478	19,894
Income taxes - current	4,916	6,194
Income taxes - deferred	4	168
Total income taxes	4,921	6,362
Profit	10,557	13,531
Profit attributable to non-controlling interests	25	27
Profit attributable to owners of parent	10,531	13,503

(Quarterly Consolidated Statements of Comprehensive Income)

	(Millions of yen)	
	Nine Months Ended December 31, 2023 (From April 1, 2023, to December 31, 2023)	Nine Months Ended December 31, 2024 (From April 1, 2024, to December 31, 2024)
Profit	10,557	13,531
Other comprehensive income		
Valuation difference on available-for-sale securities	203	289
Revaluation reserve for land	-	175
Foreign currency translation adjustment	84	(21)
Remeasurements of defined benefit plans, net of tax	(5)	(17)
Total other comprehensive income	282	425
Comprehensive income	10,839	13,956
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	10,814	13,929
Comprehensive income attributable to non-controlling interests	25	27

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

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

Not applicable.

(Segment Information)

[Segment information]

Nine Months Ended December 31, 2023 (From April 1, 2023, to December 31, 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	45,950	48,446	4,899	99,295	10,568	109,864	—	109,864
Segment profit (Operating profit)	9,927	5,619	249	15,795	1,151	16,947	(1,848)	15,098

- 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 (1,848) 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.

Nine Months Ended December 31, 2024 (From April 1, 2024, to December 31, 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	46,476	49,937	4,179	100,593	13,845	114,439	—	114,439
Segment profit (Operating profit)	9,176	5,144	276	14,597	1,865	16,462	(2,142)	14,320

- 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 (2,142) 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.

(Statements of Cash Flows)

The Company has not prepared quarterly consolidated statements of cash flows for the nine months ended December 31, 2024. Depreciation (including amortization of intangible assets excluding goodwill), amortization of goodwill, and amortization of negative goodwill for the nine months ended December 31, 2024 are as follows.

	(Millions of yen)	
	Nine months ended December 31, 2023 (From April 1, 2023 to December 31, 2023)	Nine months ended December 31, 2024 (From April 1, 2024 to December 31, 2024)
Depreciation	9,253	10,704
Amortization of goodwill	55	402
Amortization of negative goodwill	0	0