

FY2021

May 12, 2022

DAIICHIKOSHO CO., LTD.
Supplementary Briefing Material on
Financial Results for the Year Ended March 31, 2022

DAIICHIKOSHO CO., LTD. Year Ended March 31, 2022 (FY2021)

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Overview of Financial Results for the Year Ended March 31, 2022

Overview of Financial Results for the Year Ended March 31, 2022: Summary

FY2021

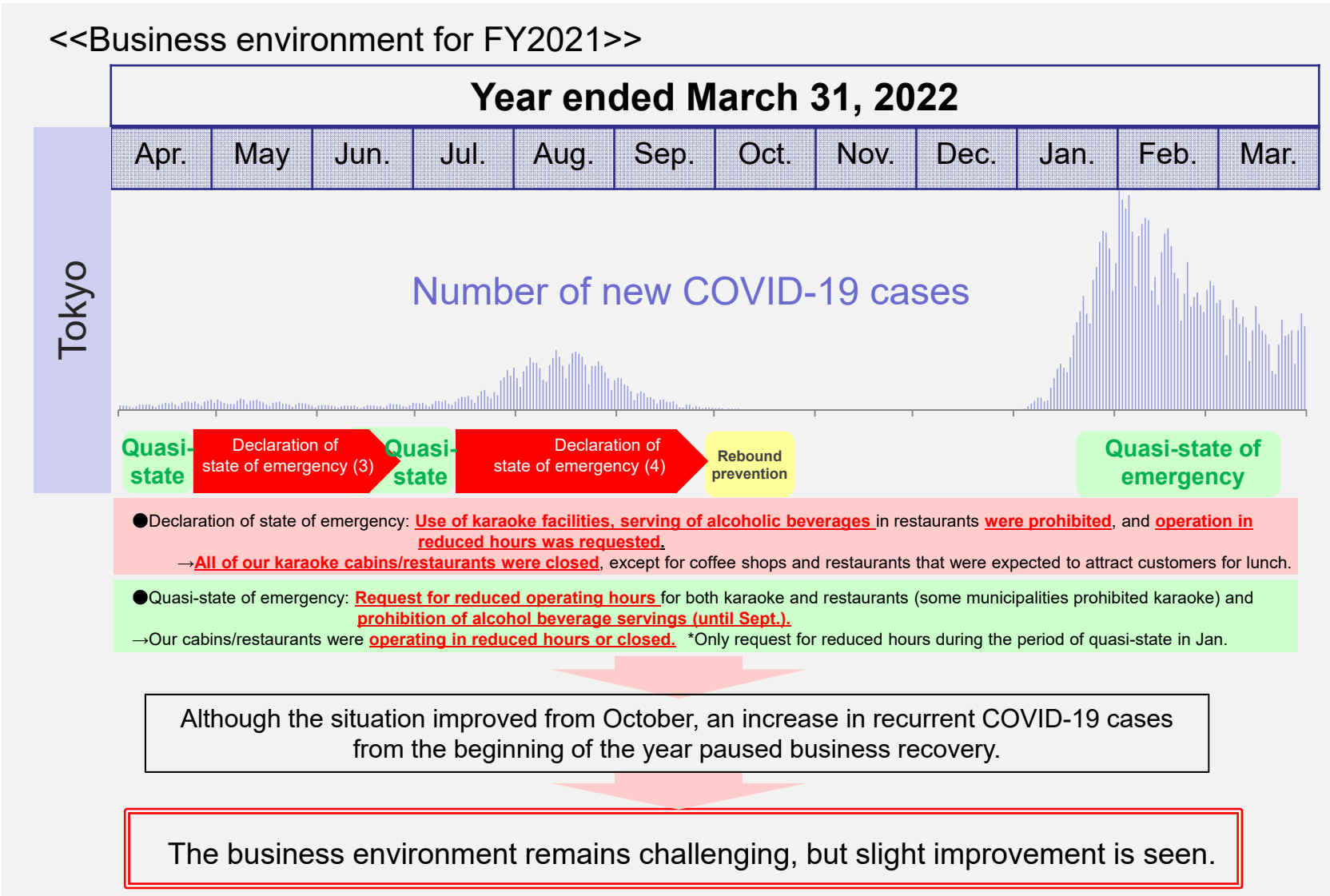
<<Year Ended March 31, 2022 (FY2021)>>

- Continued from the previous fiscal year, the business was affected by COVID-19 pandemics.
- (Commercial karaoke)
The number of DAM systems in operation at the end of the fiscal year slightly increased from the previous fiscal year. } YoY increase in sales and income
Exemptions of equipment for rentals and information fees decreased. }
- (Karaoke cabins and restaurants)
1Q & 2Q: Many karaoke cabins and restaurants were forced to shutdown or shorter business hours during the period of the declaration of state of emergency and quasi-state of emergency.
3Q: Operated for normal business hours during Nov.-Dec.
4Q: Operated under shorter business hours from late Jan. to late Mar. due to quasi-state of emergency .
→ Operating lossess improved despite lower sales YoY.
- 15,200 million yen from the employment adjustment subsidies and subsidies for reduced business hours, etc. was posted as extraordinary income.
- Fixed costs of 6,400 million yen which arose from the response to the declaration of state of emergency were transferred as extraordinary loss.
- Consolidated net sales increased by 1.6% and improved the income significantly.
Ordinary income and net income returned to profitability for the first time in two fiscal years.
- Full-year financial forecasts for the next fiscal year are calculated based on the assumption that COVID-19 will not spread again.
Net sales: 126,000 million yen Operating income: 10,000 million yen Net income: 9,000 million yen
- Due to TSE market reclassification, the market segment was changed to "Prime."

Overview of Financial Results for the Year Ended March 31, 2022:

Business environment

FY2021



Overview of Financial Results for the Year Ended March 31, 2022:

Consolidated balance sheets

FY2021

(Millions of yen)

	FY2020	FY2021	Year-on-year change	Notes
Assets	186,795	180,389	(6,405)	
Current assets	86,780	84,277	(2,503)	Decrease in inventories and accounts receivable
Non-current assets	100,014	96,112	(3,902)	Decrease in facility equipment and others
Liabilities	80,765	75,229	(5,535)	
Current liabilities	36,712	21,658	(15,053)	Decrease in long-term debt that needs to be paid back within a year due to refinancing, and decrease in short-term debt due to repayment
Non-current liabilities	44,052	53,570	+9,517	Increase in long-term debt due to refinancing
Net assets	106,030	105,160	(869)	

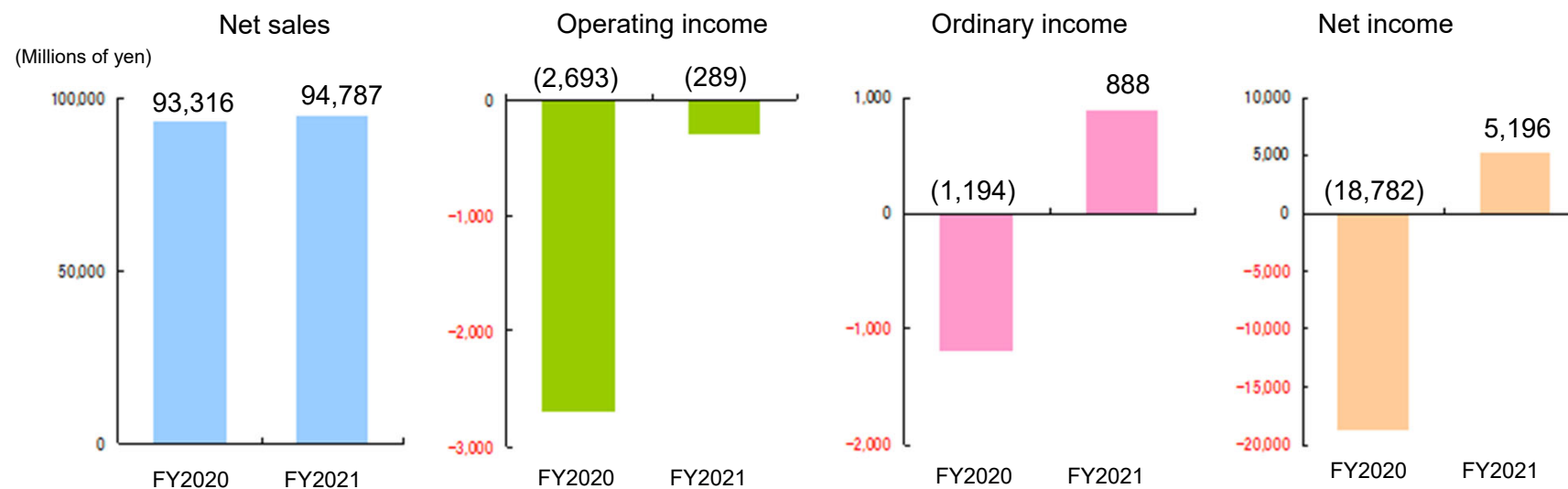
Overview of Financial Results for the Year Ended March 31, 2022:

Performance comparison with FY2020

FY2021

(Millions of yen)

	FY2020	(vs. sales ratio)	FY2021	(vs. sales ratio)	Year-on-year change	% change
Net sales	93,316	(100.0%)	94,787	(100.0%)	1,470	1.6%
Operating income	(2,693)	-	(289)	-	2,403	-
Ordinary income	(1,194)	-	888	(0.9%)	2,083	-
Net income	(18,782)	-	5,196	(5.5%)	23,978	-



Extraordinary income and losses (1)

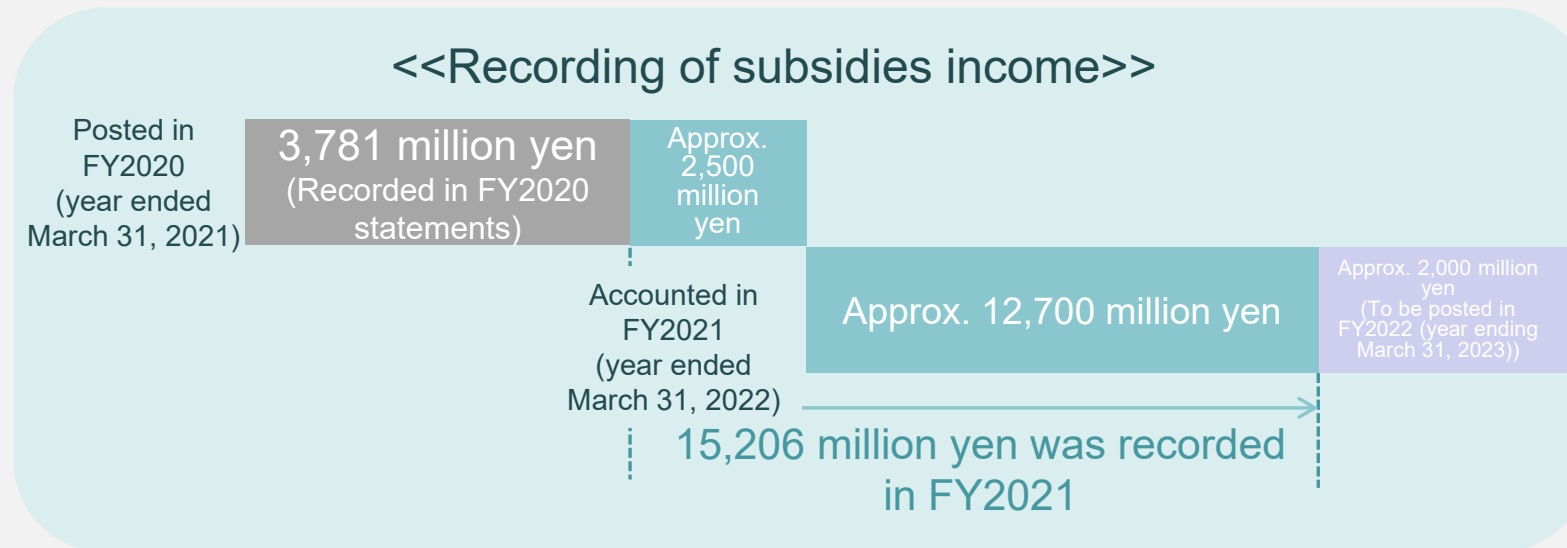
[Extraordinary income and losses (1)]

◆ Extraordinary income 15,311 million yen

Main reason

- Subsidy income 15,206 million yen (3,781 million yen for FY2020)

Various benefits, including employment adjustment subsidies and subsidies for reduced business hours, were recorded as extraordinary income.



Extraordinary income and losses (2)

[Extraordinary income and losses (2)]

◆ Extraordinary losses 8,505 million yen

Main reason

- Losses on COVID-19 6,452 million yen (8,883 million yen for the previous fiscal year)

Extraordinary losses were recorded for expenses arising from responses to the declaration of state of emergency. The losses consist of fixed costs of our stores operated in the affected areas during the affected period, and the fixed costs related to the commercial karaoke equipment for rental, etc.

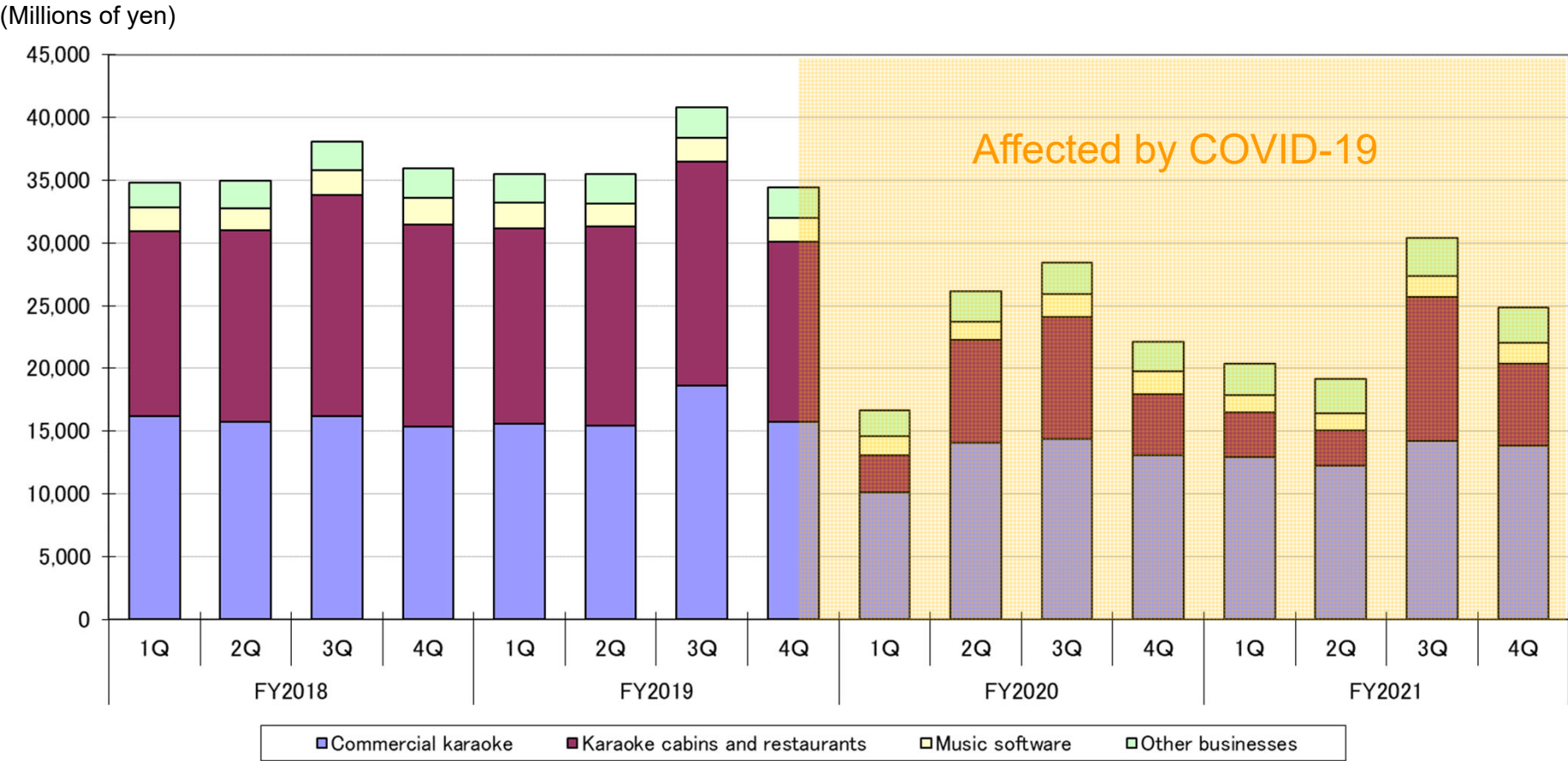
<<Details>>

▶Commercial karaoke	599 million yen	(1,887 million yen for FY2020)
▶Karaoke cabins and restaurants	5,820 million yen	(6,935 million yen for FY2020)
▶Corporate expenses	32 million yen	(60 million yen for FY2020)

- Impairment losses 1,862 million yen (12,606 million yen for FY2020)

Overview of Financial Results for the Year Ended March 31, 2022: Quarterly sales performance

FY2021

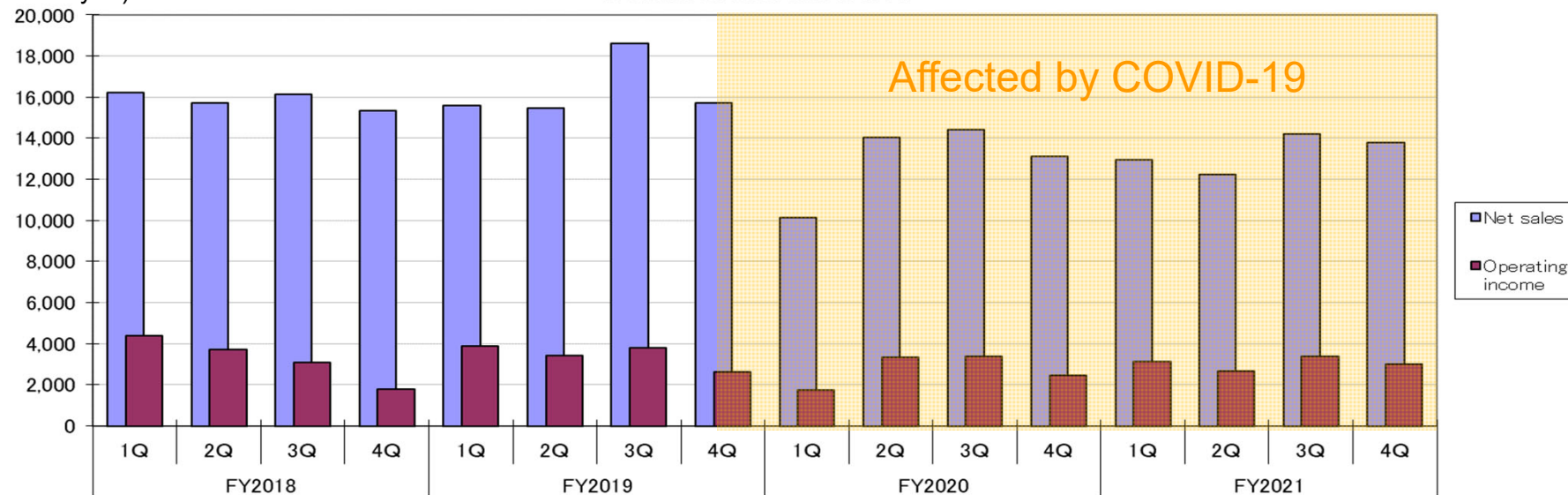


Overview of Financial Results for the Year Ended March 31, 2022: Performance by segment

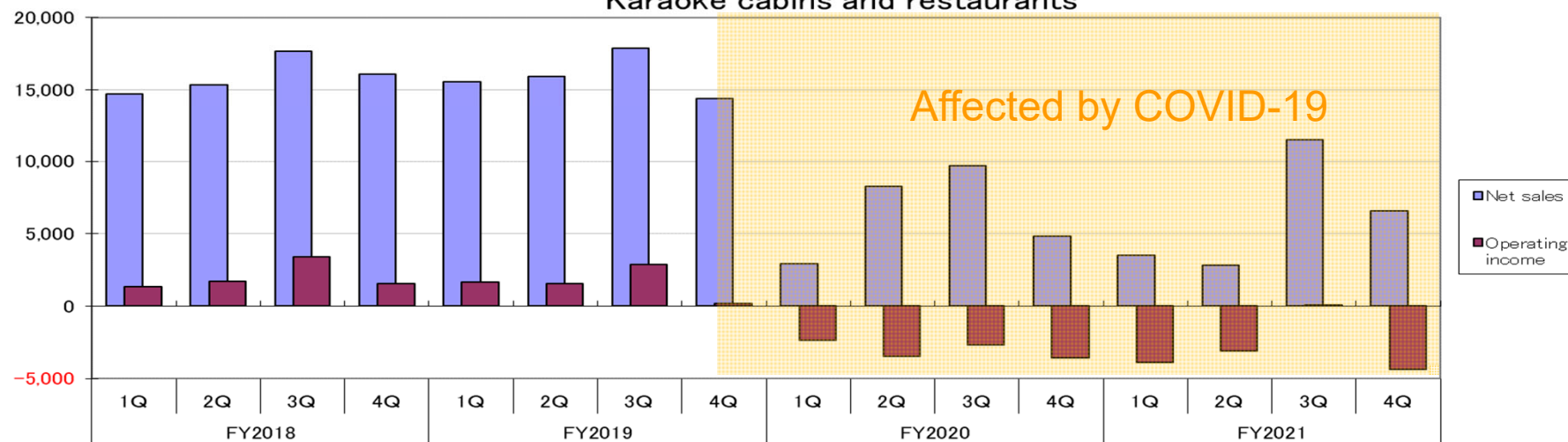
FY2021

(Millions of yen)

Commercial karaoke

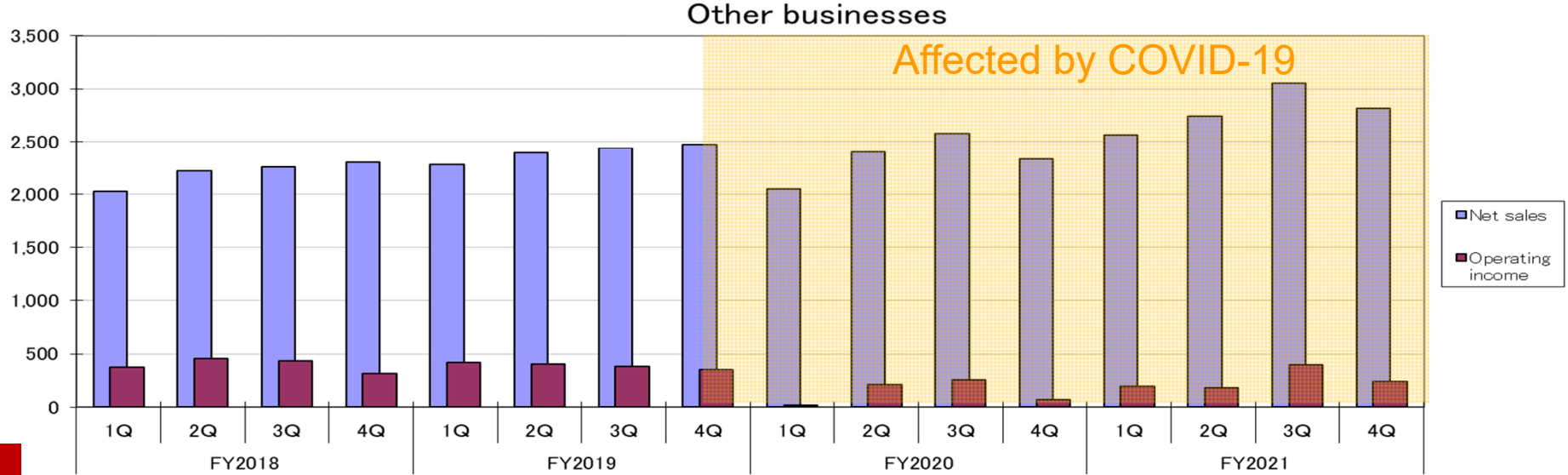
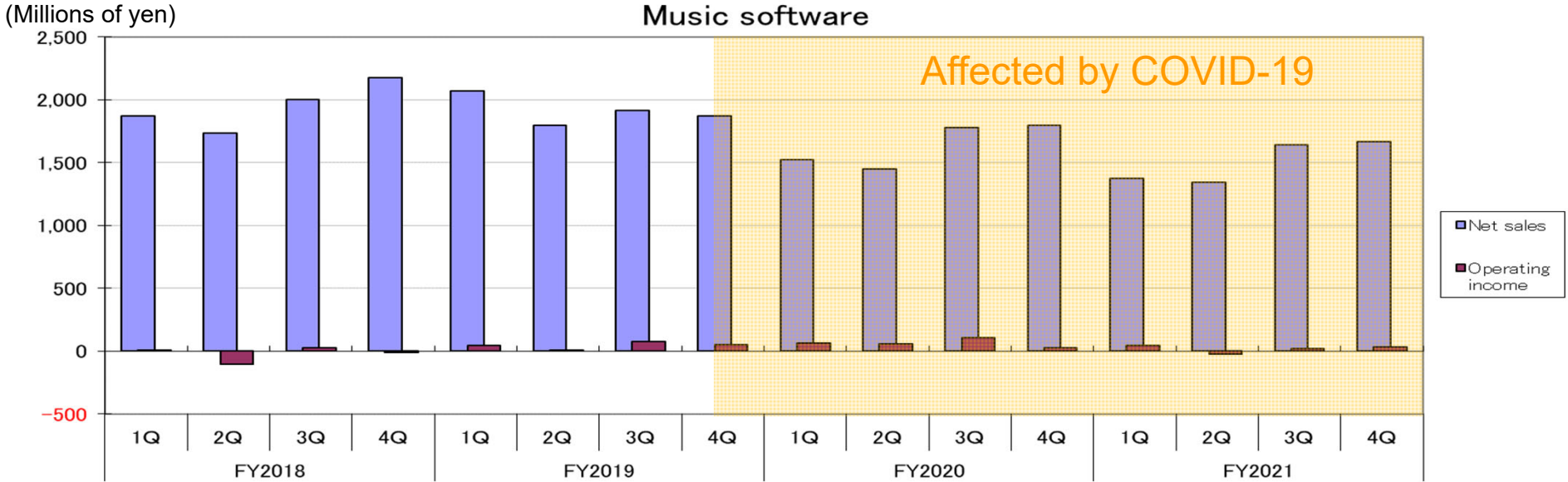


Karaoke cabins and restaurants



Overview of Financial Results for the Year Ended March 31, 2022: Performance by segment

FY2021



Overview of Financial Results for the Year Ended March 31, 2022:

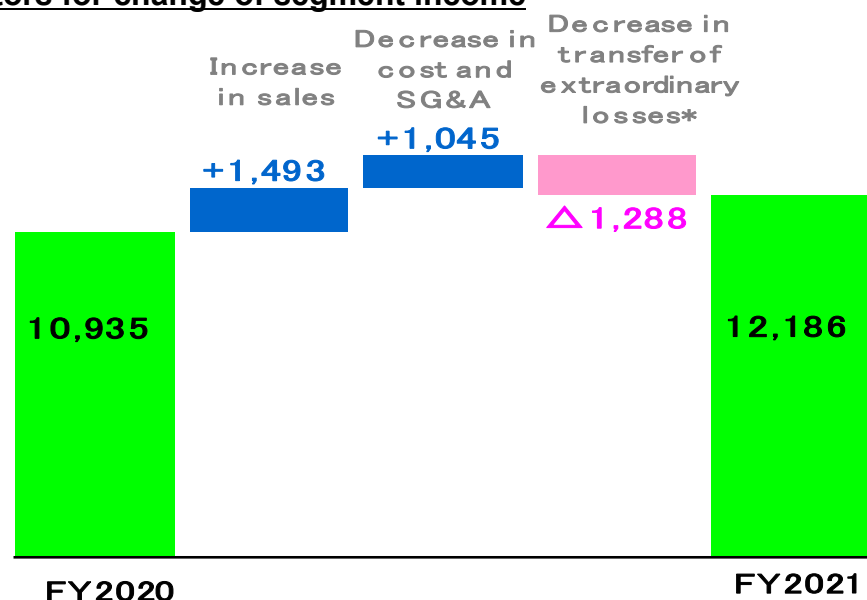
Commercial karaoke

FY2021

Commercial karaoke		(Millions of yen)				
	FY2020	(vs. sales ratio)	FY2021	(vs. sales ratio)	Year-on-year change	% change
Net sales	51,695	(100.0%)	53,188	(100.0%)	1,493	2.9%
Operating income	10,935	(21.2%)	12,186	(22.9%)	1,250	11.4%

* Fixed costs of 599 million yen related to the exemption measures (1,887 million yen in the previous fiscal year) were transferred to "loss on COVID-19."

Factors for change of segment income



* This is due to the amount transferred from the cost of sales and SG&A expenses to "loss on COVID-19" decreased by 1,288 million yen from the previous fiscal year.

[Notes]

- In response to prolonged impact of COVID-19, we continued to support our customers through offerings and sales of infection-prevention goods.
- In the seniors' market, we utilized online events and other means for the further recognition of the use of karaoke for health preservation.
- We strengthened our product lineup by launching "Cyber DAM+" for the night market and strengthened DAM's product appeal by providing better video contents such as "LIVIEW!"
- Since October, more karaoke cabins have been reopening their business and more new stores have been opening.
- Despite the impact of the returning spread of COVID-19 at the beginning of the year, net sales and operating income increased due to a slight increase in the number of units in operation compared to the end of the previous fiscal year.

Overview of Financial Results for the Year Ended March 31, 2022: Karaoke cabins and restaurants

FY2021

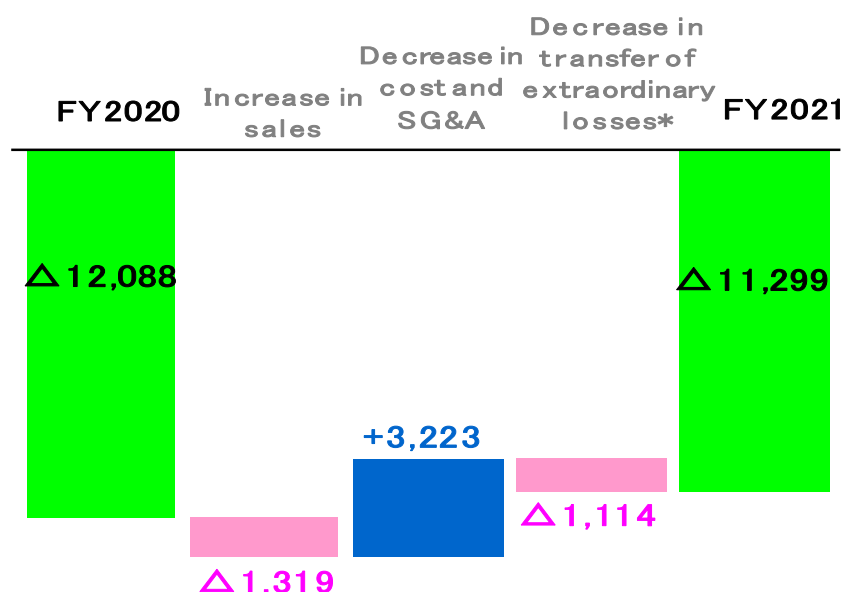
Karaoke cabins and restaurants

(Millions of yen)

	FY2020	(vs. sales ratio)	FY2021	(vs. sales ratio)	Year-on-year change	% change
Net sales	25,722	(100.0%)	24,402	(100.0%)	(1,319)	(5.1)%
Operating income	(12,088)	-	(11,299)	-	788	-

* Fixed costs of 5,820 million yen for karaoke cabins and restaurants during the period they were closed (6,935 million yen in the previous fiscal year) were transferred to "loss on COVID-19."

Factors for change of segment income



* This is due to the amount transferred from the cost and SG&A expenses in the segment to "losses on COVID-19" decreased by 1,114 million yen from the previous fiscal year.

[Notes]

- Karaoke: New open 5, Close 23, Number of karaoke shops at the FY-end 503
- Restaurant: New open 3, Close 6, Number of restaurants at the FY-end 175
- Impact of shutdown and shorter business hours in response to the requests at the declaration of state of emergency and quasi-state emergency continued.
- We have been striving to save fixed costs and to take measures to "reduce outflow and increase inflow," including expansion of the delivery business.
- We promoted a flagship model "LIVE DAM Ai" to improve customer satisfaction and installed harmony pink/white microphones at all karaoke cabins.
- We utilized subsidies to keep our employees and maintain facilities of karaoke cabins and restaurants to prepare for the return of customer flow.

Overview of Financial Results for the Year Ended March 31, 2022:

Music software/other businesses

FY2021

Music software

(Millions of yen)

	FY2020	(vs. sales ratio)	FY2021	(vs. sales ratio)	Year-on-year change	% change
Net sales	6,548	(100.0%)	6,029	(100.0%)	(518)	(7.9)%
Operating income	254	(3.9%)	79	(1.3%)	(174)	(68.6)%

[Note]

- We strived to control selling expenses and other expenses amid the decrease in merchandise sales caused by postponement of new songs releases and cancellation of events.

Other businesses

(Millions of yen)

	FY2020	(vs. sales ratio)	FY2021	(vs. sales ratio)	Year-on-year change	% change
Net sales	9,350	(100.0%)	11,166	(100.0%)	1,815	19.4%
Operating income	553	(5.9%)	1,006	(9.0%)	453	82.0%

[Notes]

- BGM broadcasting business continued to be negatively affected by the COVID-19 pandemic, as most of the contracts are installed in restaurants and karaoke cabins.
- “karaoke@DAM,” net streaming karaoke service for family use, performed well due to stay-at-home demands.
- Parking lot business, which operates under “The Park” brand, saw strong growth in new parking facilities openings with a total of 1,700 facilities and 22,000 parking spaces at the end of the fiscal year.

Overview of Financial Results for the Year Ended March 31, 2022:

FY2021

Consolidated management indexes

Profitability index

	FY2020	FY2021	Year-on-year change
Return on equity	(15.7)%	5.0%	+20.7%
Operating income to net sales (%)	(2.9)%	(0.3)%	+2.6%
Net assets per share (yen)	(338.54) yen	95.21 yen	+433.75 yen

Soundness

	FY2020	FY2021	Year-on-year change
Net assets (Millions of yen)	106,030	105,160	(869)
Equity ratio (%)	55.8%	57.4%	1.7%
Net assets per share (yen)	1912.19 yen	1896.65 yen	(15.54) yen

Cash flows

	FY2020	FY2021	Year-on-year change
Cash flows from operating activities	7,755	18,165	+10,409
Cash flows from investing activities	(9,539)	(9,297)	+242
Cash flows from financing activities	22,174	(8,487)	(30,662)
Net increase (decrease) in cash and cash equivalents	20,447	445	(20,002)
Cash and cash equivalents at end of period	67,680	68,125	+445
Free cash flows	(1,783)	8,868	+10,652

(Millions of yen)

Outlook of Financial Results for the Year Ending March 31, 2023

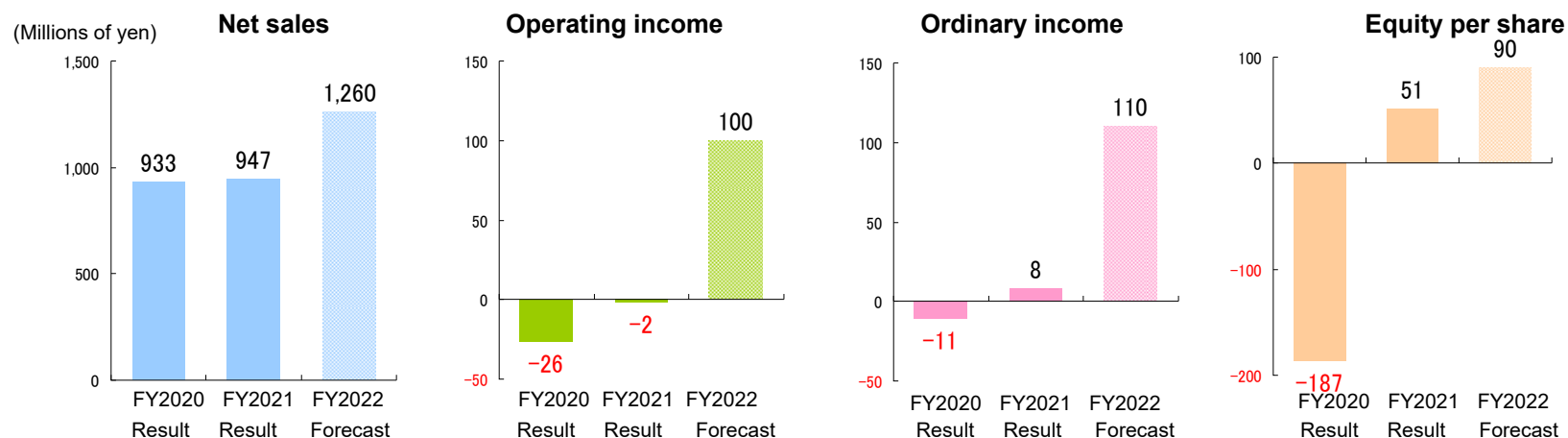
Outlook of Financial Results for the Year Ending March 31, 2023:

Full-year consolidated performance forecasts

FY2021

(Millions of yen)

	FY2020 (year ended March 31, 2021)		FY2021 (year ended March 31, 2022)		FY2022 (forecast) (year ending March 31, 2023)	
Net sales	93,316	(100.0%)	94,787	(100.0%)	126,000	(100.0%)
Operating income	(2,693)	-	(289)	-	10,000	7.9%
Ordinary income	(1,194)	-	888	0.9%	11,000	8.7%
Net income	(18,782)	-	5,196	5.5%	9,000	7.1%
Equity per share	(338.54)		95.21		164.86	



* The earnings forecast has been made based on information available as of the publication date of this material, and actual operating results may differ from such forecasts due to various factors. The earning forecast has also been made based on the assumption that COVID-19 will not resurge on a nationwide basis and will gradually settle.

Basic policy on profit distribution

■ Dividend policy

- Actively return profits to shareholders in line with consolidated business results, taking into consideration internal reserves for future investments and other plans.
- Pay dividends with a target consolidated payout ratio of at least 30%.
- Repurchase the shares at appropriate timings to improve capital efficiency.

■ Dividend forecast

- Although we recorded a loss for the current fiscal year ended March 31, 2022 (FY2021) due to the spread of COVID-19, we decided to maintain the dividend for FY2021 with the same amount as the previous fiscal year (FY2020), taking into account the future business environment.
- The same with above applies to the dividend forecast for FY2022.

	FY2021 (Year ended March 31, 2022)			FY2022 Forecast (Year ending March 31, 2023)		
	Interim	Year-end	Annual	Interim	Year-end	Annual
Dividends per share	56 yen	57 yen	113円	56 yen (forecast)	57 yen (forecast)	113 yen (forecast)
Payout ratio	118.7%			68.5%		

■ Repurchasing of shares

November 2018	Acquired 314,000 shares	(1,676 million yen)
November 2019 to January 2020	Acquired 273,400 shares	(1,499 million yen)
March 2020 to June 2020	Acquired 500,000 shares	(1,587 million yen)
August 2020 to March 2021	Acquired 1,379,800 shares	(4,999 million yen)
May 2021	Cancelled 2,500,000 shares	

References

LIVE DAM Ai (DAM-XG8000)

Use the industry's first AI deep-learning model



- Equipped with the "Ai Assistant" voice recognition function
- Lighting control with "Infinity Mirror"
- Equipped with the industry's first sound source that realistically reproduces sounds at Tokyo Dome and Nagoya Dome
- Come with the industry's first precision scoring game to evaluate singing ability with sensitivity.

Party DAM 20V (DAM-PD20V)

Integrated mobile type for hotels and event venues



- To allow usage as a podium for lectures, the display at the top can be stored in the main body
- Come with a wide variety of party contents for various usage scenes at hotels, inns, wedding halls, etc.

Cyber DAM + (DAM-G100W)

Music lineup specialized for night time



- Equipped with the industry's first double monitor, processed with anti-virus and anti-bacterial coating
- Add presence with "Live Echo"
- Substantially strengthened enka and pop songs, foreign songs, and duet songs that have been well-received in the night market.

FREE DAM HD (DAM-F750HD)

Clearer image and sound DK elder system for the elderly



- Full HD all-in-one design
- Large woofer for clear bass frequencies
- Come with a variety of contents to satisfy users and the purposes

SmartDAM Ai (TM30)

Music search and learning capabilities improved with Ai!



- Equipped with an app that reproduces the feel of a paper music book
- AI will assist even with ambiguous input
- Direct keys (stop, TOP, return, remote controller) are located on the front side of the 10.1 inch panel.

Harmony microphone (WITM-500P/W)

Come with "DAM button" that changes user's voice to a more singable sound quality



- Infrared wireless optimizes compatibility with DAM karaoke system
- High-quality sound eliminating mic feedback
- Come with a switch that changes the voice quality between Sharp ↔ Mild

A powerful live experience for you!



LIVIEW!
(LIVE+YOU!)

"LIVE+YOU! (Bringing live music closer to you)."

"LIVIEW!" is a new Live DAM Ai content which provides long live performance videos that can be experienced at karaoke cabins. High-quality live performances by famous artists can be enjoyed on large displays and in a powerful sound environment at any time of the day. "LIVIEW!" will provide new videos of high-quality live performances of popular artists every month.



04 Limited Sazabys



Yuzu



WANIMA



THE RAMPAGE from EXILE TRIBE

Karaoke Shops

Big Echo



Karaoke Mac



Karaoke CLUB DAM



Mega Big

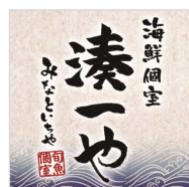


Restaurants/Bars

Restaurants / pubs



Rakuzo



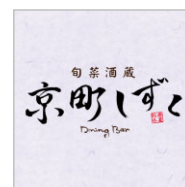
Minatoichiya



Senyaichiya



Umekono ie



Kyomachi shizuku



Bistro ya



Jibundoki



Seseragi wo kikinagara



Uenotori



Tokachi Ishikari Hakodate



Sushi ya Harenohi

Bars



Kitchen



Amatsu

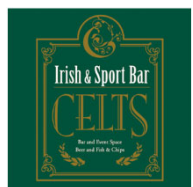


Rock



IL MARE

Bars



CELTS

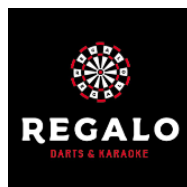


HIGHBALL BAR



J's Bar

Amusement bars



REGALO



MARUNOUCHI BASE

Restaurants / cafes



Ginza Coffee



Mochinoki pasta



Time is Curry



Ichidan

◆Enka, pop

Aimi Tanaka

The industry's first online convention, held for the music industry, gathered a big attention, including a publication in a major sports newspaper. She has appeared in many TV shows, which is unusual for a new musician. Her song was ranked No. 2 on the radio OA chart for the month of November and No. 1 on USEN's monthly hit ranking for the month of December. In May of this year, she released a single for distribution under the name AiMi, a masked singer, "Ray of Light / Yurameku." It has already become a hot topic, especially on social networking services. In September, she plans to hold her long-awaited one-man live concert at Ebisu Liquid Room.



◆J-POP

Berry Good Man

Their song has been chosen for the song that a baseball team uses when their players appear on the field for three consecutive years since 2019. They are also ranked 3rd on the popular artist vote. This year they sang at Hanshin Tiger's season opening game. Their love songs with lyrics that sing about the feelings for the loved ones, have been received with much sympathy, and many videos using the song have been posted on social networking sites. A live TikTok post of a portion of the tour held in January of this year recorded a cumulative total of approx. 60,000 viewers. Their goal is to do a one-man live performance at Hanshin Koshien Stadium.



◆Enka, pop

Ikuzo Yoshi

Entertainer of the century, who entered his 50th year in show business this March. 50th anniversary single "Tayori Tayorare..." and commemorative album "Guitar to Yoshi to" were released in March, and many commemorative singles & albums are scheduled to be released in 2022. In addition, special 50th anniversary performances are scheduled in Nagoya, Osaka, Tokyo, Fukuoka, and Aomori. The first part of the performance will be a play in which Yoshi himself created the draft and music, and the second part will be a concert which is also directed and produced by him. He is working vigorously to make the commemorative year a great success.



◆J-POP

Jams Collection

An idol group consisting of nine members that made their stage debut in March 2021. In August 2021, they held their first one-man live concert at TSUTAYA O-EAST, and in March 2022, their second one-man live concert at Zepp Haneda took place selling all available tickets. As Big Echo's party course supporter, they are appearing in Big Echo's commercial which can be seen at Karaoke shops since March 2022. The main song in their debut album, "Shisso Dreamer" is used in the commercial. They are one of the top emerging idol groups.

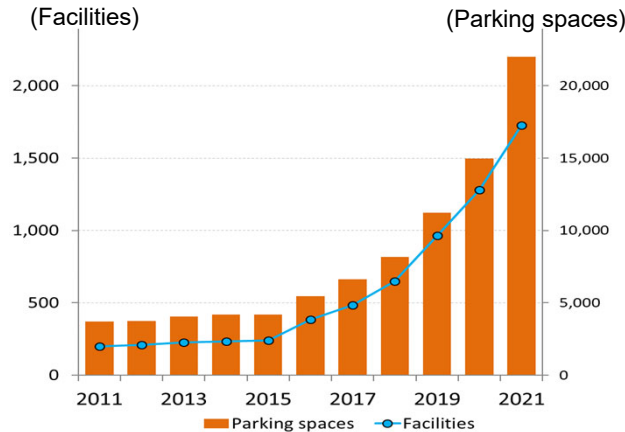


Parking Lot Business

Proposing land utilization and creating more value



Armed with the trust we have built up with our customers nationwide as a leading company in the karaoke industry, we are developing our metered parking business under the name of "The Park," proposing effective use of land that contributes to local communities which satisfy our customers with safety and security. We provide a thorough support, from establishment of a new facility to follow-up service. We are promoting this business nationwide to make it a new pillar of our earnings, and as of March 31, 2022, it has expanded to more than 1,700 facilities and 22,000 parking spaces.



BGM Broadcasting Business



[Commercial use]
BGM service utilizing dedicated mobile network.



[Commercial use]
BGM service utilizing NTT Flet's internet network.



[Home use]
Music channel which comes with "Sky Perfect TV! Premium Service" or "Sky Perfect TV! Premium Service Hikari."

Online Business



A karaoke user community service linked to the DAM karaoke system. It allows users to film and record karaoke performances and publish them on the Internet.



Internet streaming karaoke. A monthly subscription service that allows users to enjoy karaoke with video and lyrics with their computer.



A monthly subscription service that allows users to view the lyrics displayed on the DAM monitor on their computers.

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

For questions regarding this material, please contact
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