

Nov 9, 2022

DAIICHIKOSHO CO., LTD.
Supplementary Briefing Material on
Financial Results for the Second Quarter
of the Year Ending March 31, 2023

DAIICHIKOSHO CO., LTD. Ended September 30, 2022 (FY2022)

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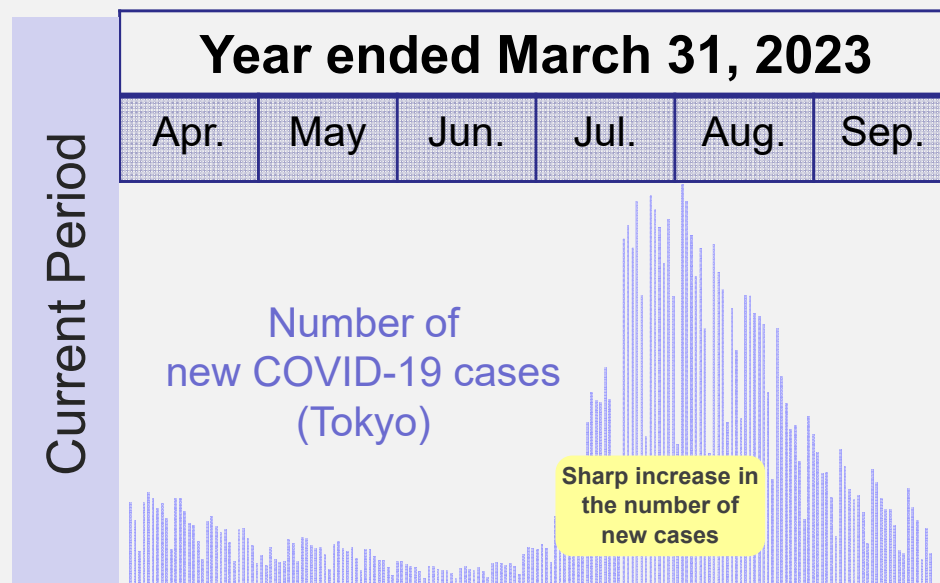
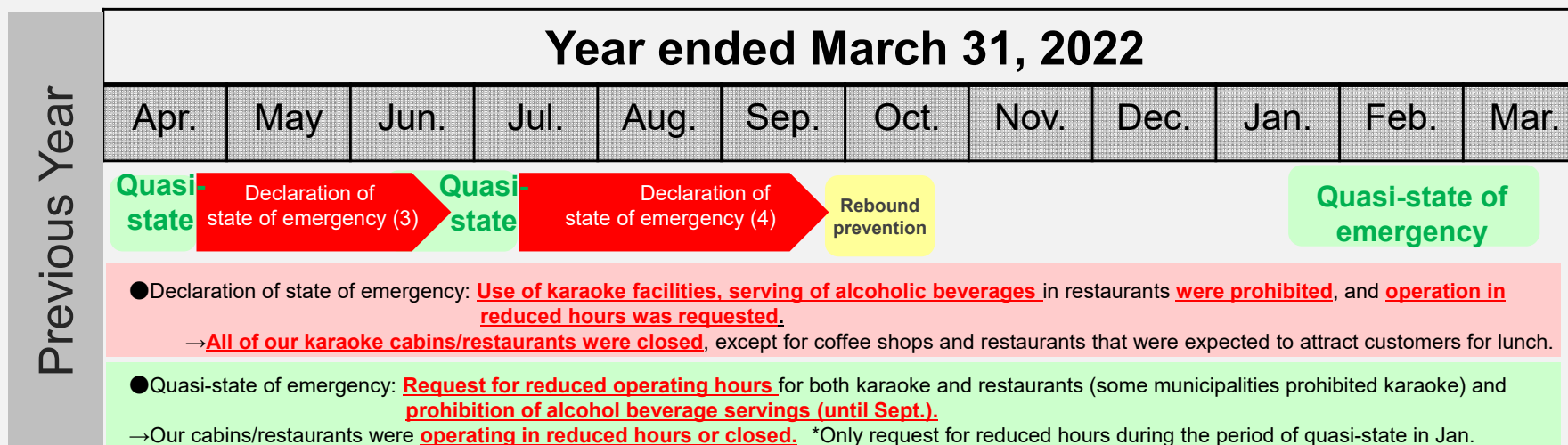
3. References p.16-21

Overview of Financial Results for the Second Quarter of the Year Ending March 31, 2023

<<Second Quarter of the Year Ending March 31, 2023 (FY2022)>>

- Despite the lingering impact of COVID-19, the business environment for the current period improved significantly compared to the same period of the previous fiscal year, when a state of emergency was declared twice.
- (Commercial karaoke)
Both the night business and the karaoke cabin markets are recovering due to the resumption of operation and an increase in new store openings.
The number of DAM systems in operation at the end of the second quarter increased by 3% from the end of the previous fiscal year.
- (Karaoke cabins and restaurants)
There were no business restrictions such as requests for operation in reduced working hours throughout the period, and despite the impact of the “seventh wave” of infection on attracting customers, net sales at existing stores were down approximately 30% compared to before COVID-19 (down 80% in the same period of the previous fiscal year), showing a recovery trend.
- 2,800 million yen from the employment adjustment subsidies and subsidies for reduced business hours, etc. (corresponding to the previous period) was posted as extraordinary income.
- Consolidated net sales increased by 53.5% year on year and improved the income significantly.
(Year-on-year comparison) Operating profit: +7,400 million yen, profit: +7,400 million yen
- Although both sales and income exceeded the forecast for the first half of the fiscal year ending March 31, 2023, the full-year forecast remains unchanged due to many uncertainties such as the infection situation in the second half of the year and various cost increase factors.
Net sales: 126,500 million yen Operating profit: 12,000 million yen Profit: 10,000 million yen

<<Business environment >>



The number of new COVID-19 cases increased sharply from mid-July and the recovery trend temporarily receded, but there were no business restrictions such as a declaration of a state of emergency.

Significant improvement in the business environment compared to the same period of the previous year

(Millions of yen)

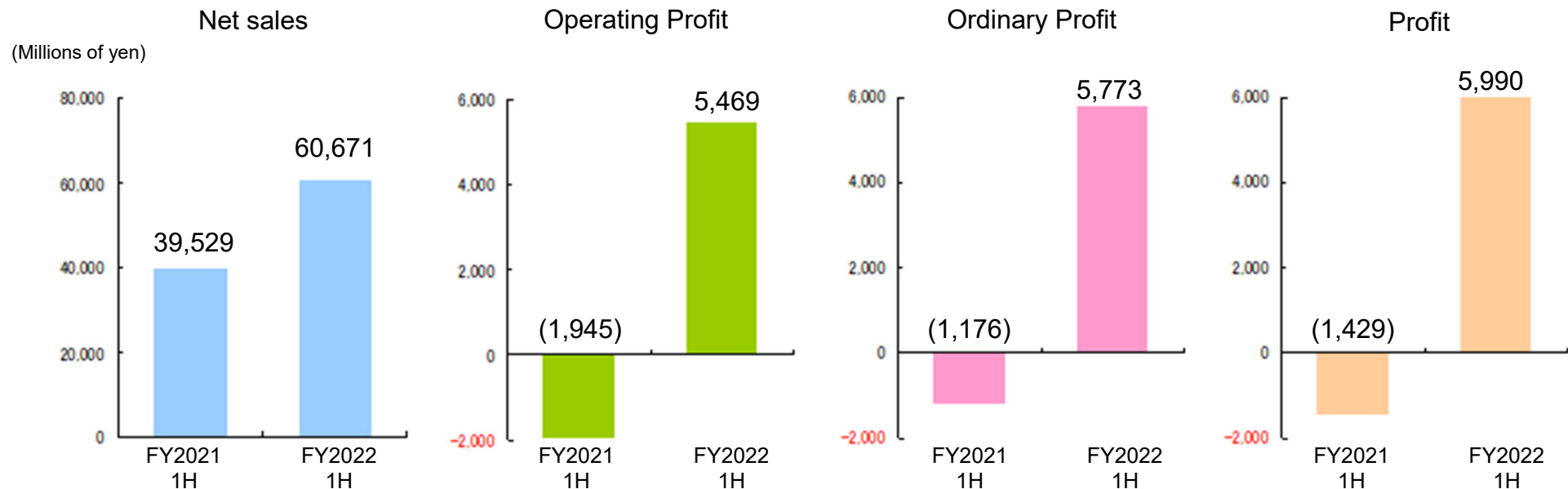
	As of March 31, 2022	As of Sept. 30, 2021	change	Notes
Assets	180,389	184,480	+4,090	
Current assets	84,277	88,230	+3,953	Increase in cash and deposits, etc.
Non-current assets	96,112	96,249	+136	
Liabilities	75,229	76,193	+964	
Current liabilities	21,658	32,615	+10,956	Increase in current portion of long-term borrowings
Non-current liabilities	53,570	43,578	(9,992)	Decrease in long-term borrowings
Net assets	105,160	108,286	+3,126	

Overview of Financial Results for the Second Quarter of the Year Ending March 31, 2023:
Performance comparison with FY2021

FY2022

(Millions of yen)

	FY2022 1H	(vs. sales ratio)	FY2023 1H	(vs. sales ratio)	Change	% change
Net sales	39,529	(100.0%)	60,671	(100.0%)	21,141	+53.5%
Operating Profit	(1,945)	-	5,469	(9.0%)	7,414	-
Ordinary Profit	(1,176)	-	5,773	(9.5%)	6,950	-
Profit	(1,429)	-	5,990	(9.9%)	7,419	-



[Extraordinary income and losses]

◆ Extraordinary income 2,983 million yen (5,672 million yen for the same period of the previous fiscal year)

Main reason

- Subsidies income 2,868 million yen (5,660 million yen for the same period of the previous fiscal year)

Various benefits, including employment adjustment subsidies and subsidies for shorter business hours for the previous period, were recorded as extraordinary income.

◆ Extraordinary losses 44 million yen (6,499 million yen for the same period of the previous fiscal year)

Main reason

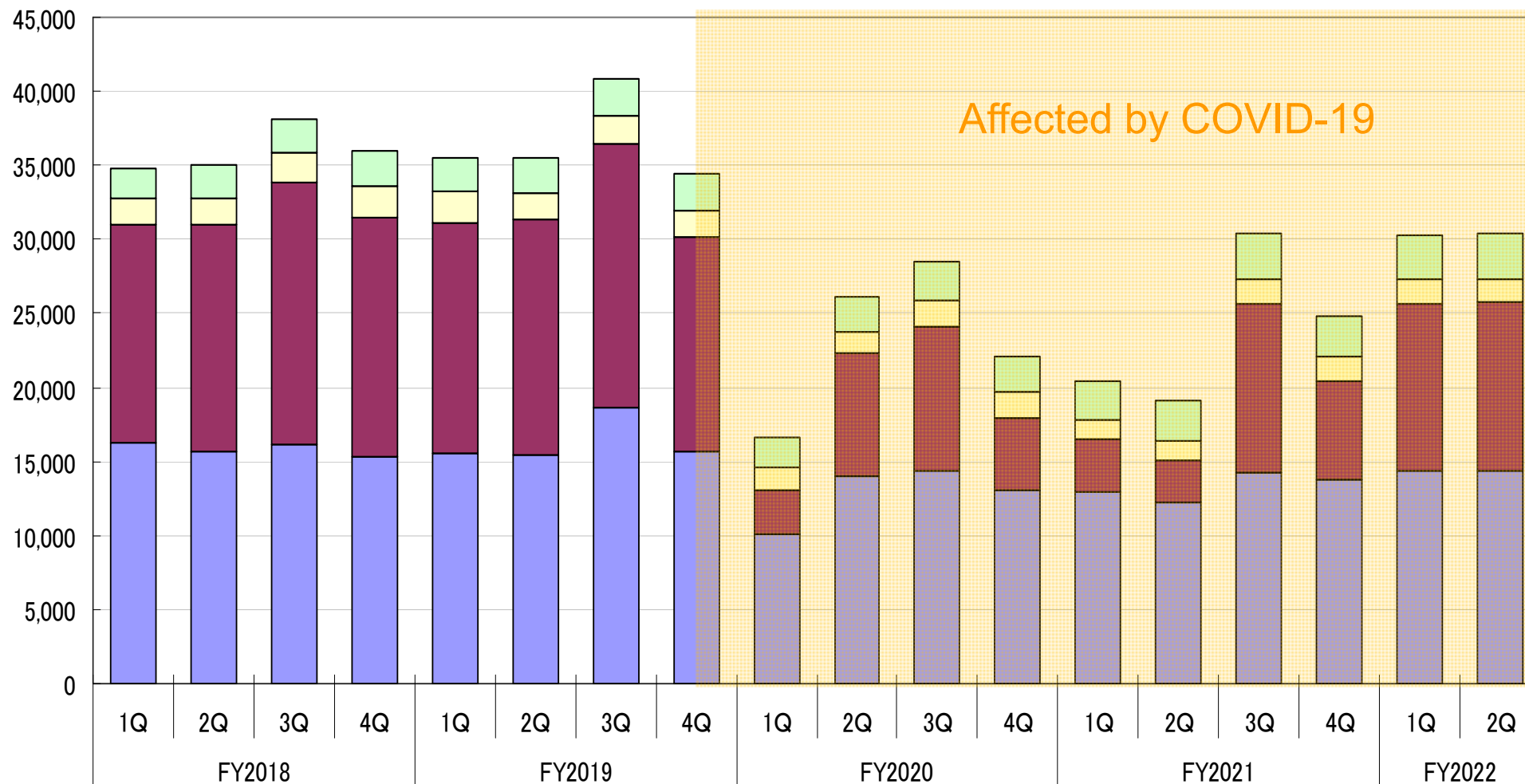
- None

- * Loss on COVID-19 of 6,299 million yen was posted in the same period of 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.

(Millions of yen)



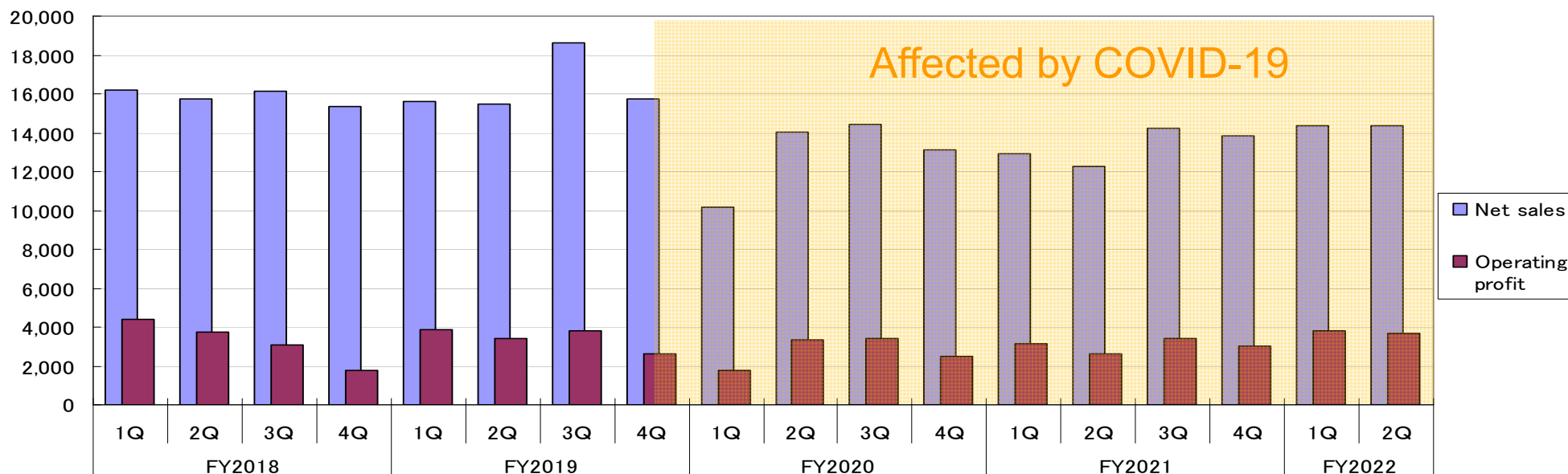
■ Commercial karaoke ■ Karaoke cabins and restaurants ■ Music software ■ Other businesses

Overview of Financial Results for the Second Quarter of the Year Ending March 31, 2023: Performance by segment

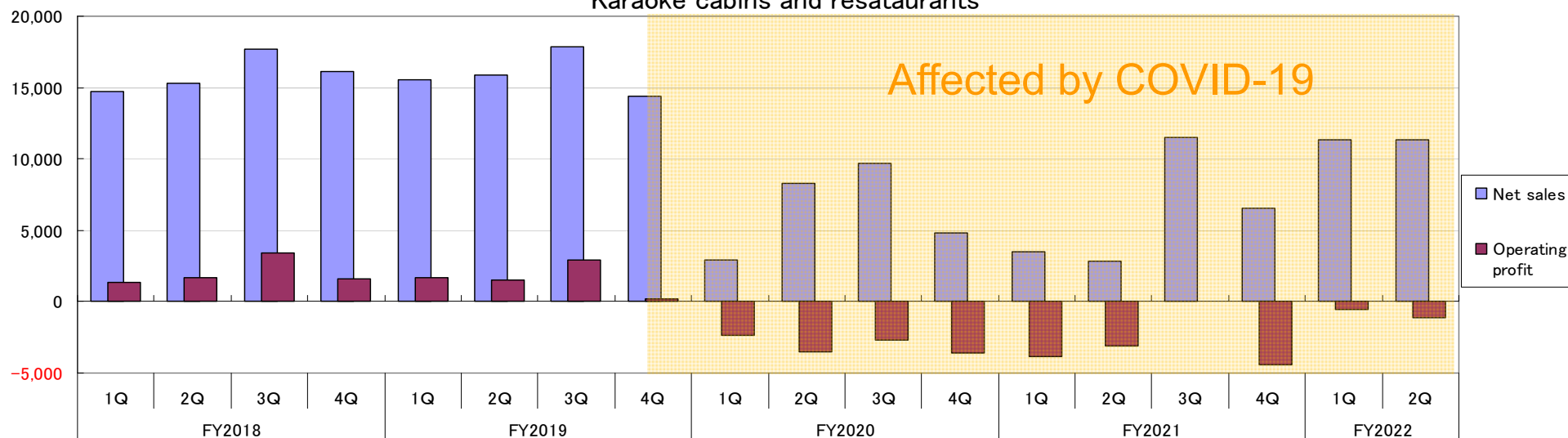
FY2022

(Millions of yen)

Commercial karaoke



Karaoke cabins and restaurants

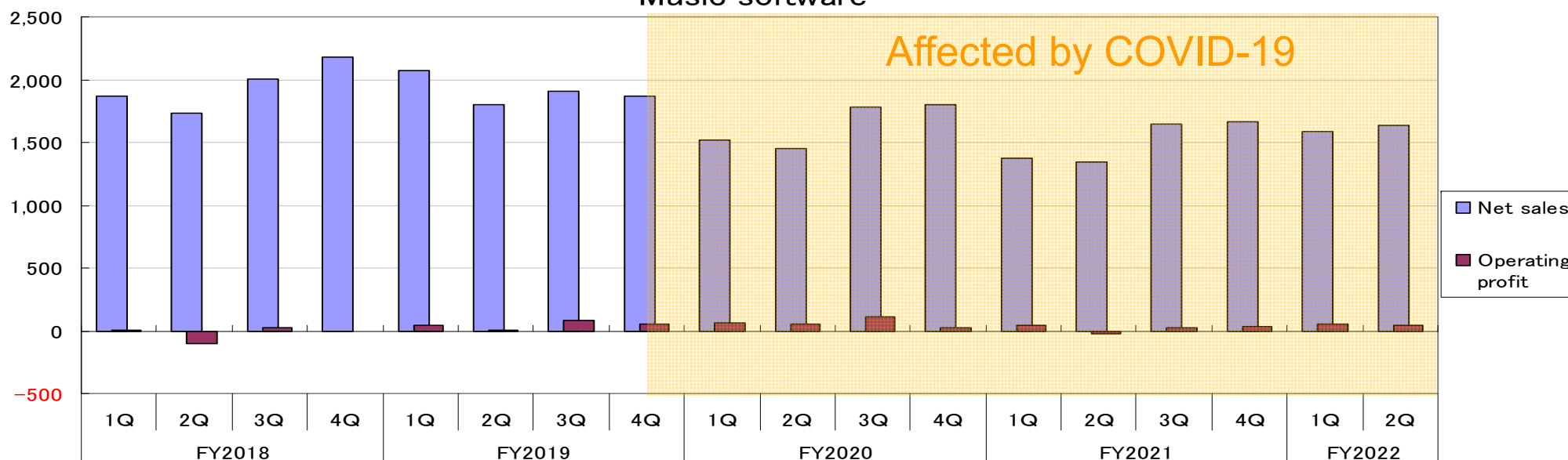


Overview of Financial Results for the Second Quarter of the Year Ending March 31, 2023: Performance by segment

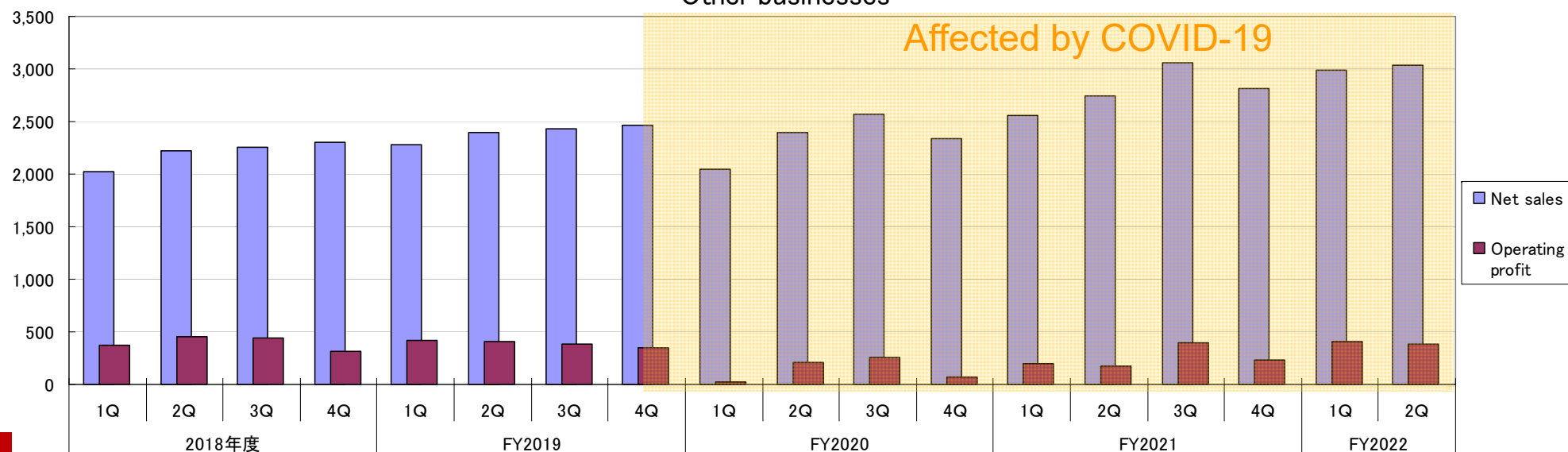
FY2022

(Millions of yen)

Music software



Other businesses



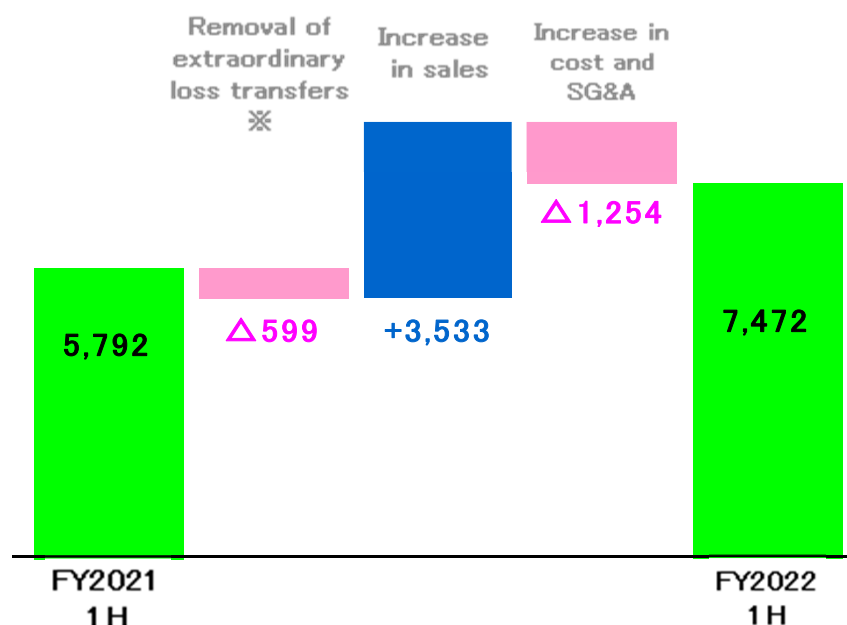
Commercial karaoke

(Millions of yen)

	FY2021 1H	(vs. sales ratio)	FY2022 1H	(vs. sales ratio)	Change	% change
Net sales	25,183	(100.0%)	28,716	(100.0%)	+3,533	+14.0%
Operating profit	5,792	(23.0%)	7,472	(26.0%)	+1,679	+29.0%

* In the same period of the previous fiscal year, fixed costs of 599 million yen related to the exemption measures (none for the current period) were transferred to "loss on COVID-19."

Factors for change of segment profit



** This is due to the absence of the amount transferred from the cost of sales and SG&A expenses to "loss on COVID-19" for the current period, which was 599 million yen in the same period of the previous fiscal year.

[Notes]

- Due to the reopening of customer stores and an increase in new store openings following the lifting of various requests, the business environment is trending toward recovery, centered on stores operating at night, such as snack bars, which are our main market.
- Building a sales system that also uses a website
 - "Karaoke no Madoguchi (Consultation desk for karaoke)": Supporting the introduction of karaoke equipment
 - "Yorumise Navi (Search navigation for properties for night entertainment)": Property information site for stores operating at night
 - Online events for the seniors' market such as nursing homes
- We strengthened DAM's product appeal by enhancing video contents such as live videos, anime videos, and music videos, including a new content "LIVIEW!"
- Net sales and operating profit increased due to a 3% increase in the number of units in operation compared to the end of the previous corresponding period.

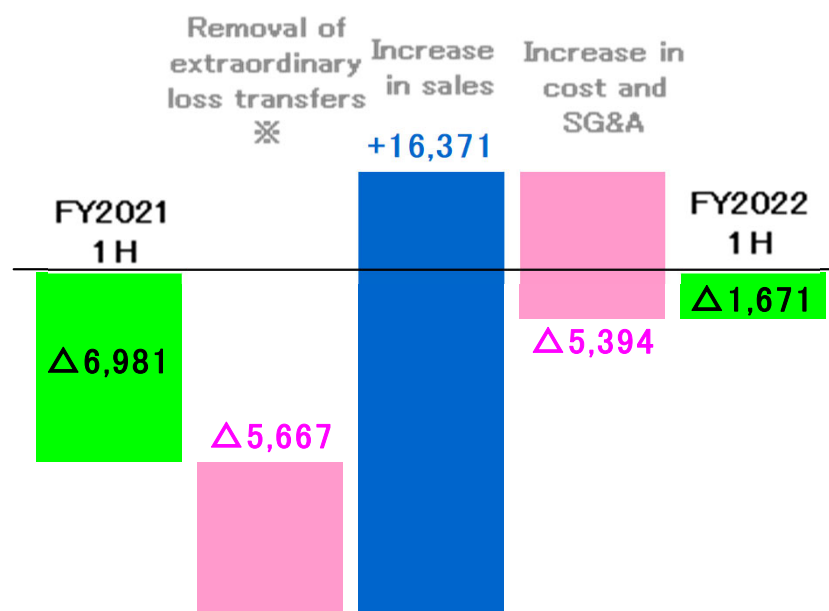
Karaoke cabins and restaurants

(Millions of yen)

	FY2021 1H	(vs. sales ratio)	FY2022 1H	(vs. sales ratio)	change	% change
Net sales	6,331	(100.0%)	22,702	(100.0%)	+16,371	+258.6%
Operating profit	(6,981)	-	(1,671)	-	+5,309	-

* In the same period of the previous fiscal year, fixed costs of 599 million yen related to the exemption measures (none for the current period) were transferred to “loss on COVID-19.”

Factors for change of segment profit



* This is due to the absence of the amount transferred from the cost of sales and SG&A expenses to “loss on COVID-19” for the current period, which was 5,667 million yen in the same period of the previous fiscal year.

[Notes]

- Karaoke: New open 6, Close 3, Number of karaoke shops at the period-end 506
- Restaurant: New open 6, Close 6, Number of restaurants at the period-end 175
- As various requests were lifted in the previous period, the number of customers at stores has been gradually recovering since the beginning of the period.
- In addition to the continued impact of COVID-19 on some business locations and late-night hours, the impact of the “seventh wave” led to a decline, but sales at existing stores were down approximately 30% compared to before COVID-19 (down 80% in the same period of the previous fiscal year), showing a recovery trend.
- We installed a flagship model “LIVE DAM Ai” in all karaoke cabins at 42 stores to improve customer satisfaction.
- We also focused on attracting young customers by launching the “Saikyo Gakuwari (Best student discount)” at all stores in June.

Music software

(Millions of yen)

	FY2021 1H	(vs. sales ratio)	FY2022 1H	(vs. sales ratio)	Change	% change
Net sales	2,717	(100.0%)	3,221	(100.0%)	+504	+18.6%
Operating profit	24	(0.9%)	98	(3.1%)	+74	+299.2%

[Notes]

- With events and concerts starting to resume, the music industry regained vigor and product sales of CDs, DVDs, etc. have been on a recovery track.
- The TV program production business also performed well.

Other businesses

(Millions of yen)

	FY2021 1H	(vs. sales ratio)	FY2022 1H	(vs. sales ratio)	change	% change
Net sales	5,297	(100.0%)	6,030	(100.0%)	+732	+13.8%
Operating profit	374	(7.1%)	788	(13.1%)	+413	+110.5%

[Notes]

- Parking lot business, which operates under "The Park" brand, performed well with a total of 1,900 facilities and 23,000 parking spaces at the end of the period.

Profitability index

	FY2021 1H	FY2022 1H	Change
Operating profit to net sales (%)	(4.9)%	9.0%	+13.9%pt
Net assets per share (yen)	(26.20) yen	109.73yen	+135.93 yen

Soundness

	As of March 31, 2022	As of Sept. 30, 2021	Change
Net assets (Millions of yen)	105,160	108,286	+3,126
Equity ratio (%)	57.4%	57.8%	+0.4%pt

Cash flows

	FY2021 1H	FY2022 1H	change
Cash flows from operating activities	(1,606)	11,367	+12,973
Cash flows from investing activities	(5,049)	(5,901)	(852)
Cash flows from financing activities	(3,314)	(3,500)	(185)
Net increase (decrease) in cash and cash equivalents	(9,964)	1,998	+11,963
Cash and cash equivalents at end of period	57,715	70,124	+12,408
Free cash flows	(6,656)	5,465	+12,121

(Millions of yen)

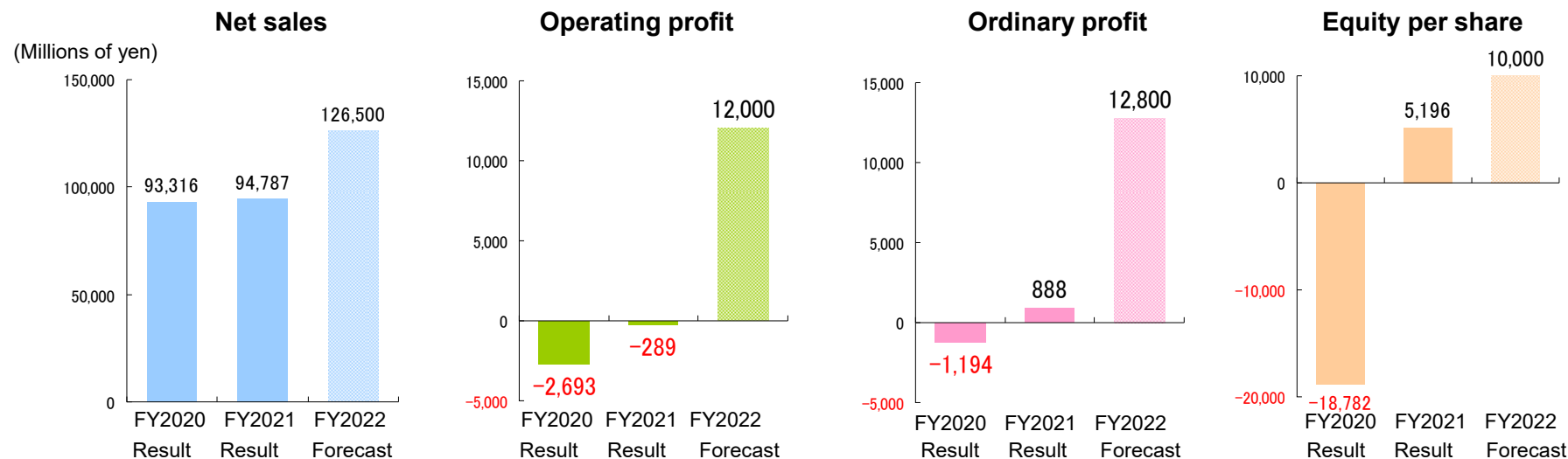
Outlook of Financial Results for the Year Ending March 31, 2023

Outlook of Financial Results for the Year Ending March 31, 2023:
Full-year consolidated performance forecasts

FY2022

(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%)	126,500	(100.0%)
Operating profit	(2,693)	-	(289)	-	12,000	9.5%
Ordinary profit	(1,194)	-	888	0.9%	12,800	10.1%
profit	(18,782)	-	5,196	5.5%	10,000	7.9%
Equity per share	(338.54)		95.21		183.17	



* 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

- We decided to maintain the dividend forecast for FY2022 with the same amount as the previous fiscal year (FY2021), taking into account the future business environment.

Dividends per share	FY2021 (Year ended March 31, 2022)			FY2022 Forecast (Year ending March 31, 2023)		
	Interim	Year-end	Annual	Interim	Year-end	Annual
	56 yen	57 yen	113円	56 yen	57 yen (forecast)	113 yen (forecast)
Payout ratio	118.7%			61.7%(forecast)		

■ 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

**The new Group corporate message is “Singing as we go”
 ~Let’s sing as we go everyday. If we sing, tomorrow will be a better day~**

Singing as we go

Let’s sing when we’re happy.
 Let’s sing when we’re sad to let it all go.
 Let’s sing to make new friends.
 Let’s sing when we’re alone to connect with ourselves.
 Let’s laugh as we sing. Let’s cry as we sing.
 Let’s cheer up as we sing.
 Singing isn’t just fun.
 Singing has the power to heal the mind and body,
 And lead the world in a better direction.
 Adults and kids, young people and old people,
 Let’s all sing as we go everyday.
 If we sing, tomorrow will be a better day.

DAIICHIKOSHO Group will spread the incredible power of singing throughout society through various actions.



DAIICHIKOSHO Group has created the new Group corporate message “Singing as we go” based on our aspiration to have more people enjoy karaoke that rejuvenates the mind and body.

Based on this message, we will spread the incredible power of singing throughout society through various actions and help enrich people’s daily lives.

In addition, on the newly opened special website, we introduce the delightful effects of singing on the mind and body, the power of songs and music, as well as feature articles that will make you want to sing.

■ Singing Special Website:
<https://www.clubdam.com/singing/>



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.

On sale October 4, 2022

FREE DAM LIFE (DAM-F850)

Clearer image and sound
DK elder system for the elderly

- Anti-virus and anti-bacterial specifications
- Function to automatically create progress programs by purpose
- Remote session function that can be enjoyed simultaneously between distant facilities



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.

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.



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.



GENERATIONS from EXILE TRIBE



Strawberry Prince



Da-iCE



TOKYO SKA PARADISE ORCHESTRA

Karaoke Shops

Big Echo



Karaoke Mac



Karaoke CLUB DAM



Mega Big

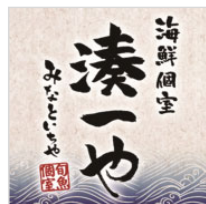


Restaurants/Bars

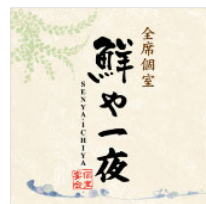
Restaurants / pubs



Rakuzo



Minatoichiya



Senyaichiya



Umekono ie



Kyomachi shizuku



Bistro ya



Jibundoki



Seseragi wo kikinagara



Uenotori

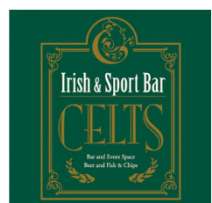


Tokachi Ishikari Hakodate



Sushi ya Harenohi

Bars



CELT'S

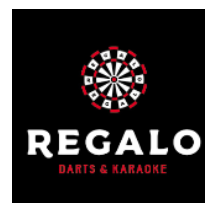


HIGHBALL BAR



J's Bar

Amusement bars



REGALO



MARUNOUCHI BASE

Restaurants / cafes



Ginza Coffee



Mochinoki pasta



Time is Curry



Ichidan

Bars



Kitchen



Amatsu



Gin ten.



Rock



Tokyo Nicks

◆Enka, pop

Tetsuji Kimura

The second son of Ichiro Toba, one of Japan's leading enka singers. Fascinated by enka since childhood, he has been active on stage numerous times since high school. In 2016, he formed the pop duo "Ryutetsu Nikki" with his older brother Ryuzo. Their singing ability that transcended genres attracted much attention. He decided to debut as a solo enka singer while continuing his work with "Ryutetsu Nikki." In his debut song "Nidaime," he delivers a powerful singing voice as the successor of his father Ichiro Toba's "Stout Enka."



◆Enka, pop

Kaori Mizumori

The "Queen of Regional Songs" celebrated the 28th year since her debut and released "Kujukurihama" set in Chiba Prefecture. It became her 44th prefectural original song, and now only 3 prefectures remain: Tokushima, Fukuoka and Miyazaki prefectures. In addition, she was appointed as the "Kujukuri Town PR Ambassador" and carried out a beach cleanup of Kujukuri Beach at the release event. She is a tourism ambassador at 25 locations nationwide. Her performance last year for "NHK Kohaku Uta Gassen" (annual New Year's Eve music show) at the snowy Kiyomizu-dera Temple in Kyoto was spectacular. The popularity of the YouTube channel "Kaori Mizumori Channel" is on the rise!



◆J-POP

BERRY GOODMAN

Their signature power songs (cheer songs) are often used by baseball teams when their players appear on the field and encourage those who work hard. The music video for their popular song "Aikata" has been played over 8.5 million times and the song has been played more than 40 million times on subscription. "Hanataba" recorded 1st place in the DL ranking and 1st place in the amazon music rapid moving chart. In October, they released the album "Sugoi Kamoshiren," which includes their new cheer song "Zassou" and "Ii Kibun," the theme song of the Nippon TV informational program "Sukkiri."



◆J-POP

FES☆TIVE

A festive idol unit formed in 2013. They have become regulars at large idol festivals such as TOKYO IDOL FESTIVAL and @JAM, and boast top-ranking popularity. The Thailand-themed song "Hohoemi no Kuni" has seen a significant increase in the number of YouTube music video views in Southeast Asian countries, as well as in India, Turkey, Ukraine, and Mexico. In addition, they received an official invitation from the Tourism Authority of Thailand and held a solo concert.

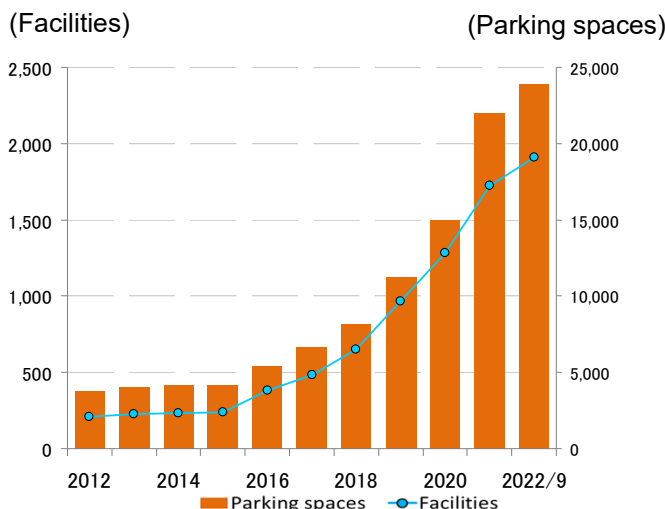


Parking Lot Business

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 September 30, 2022, it has expanded to more than 1,900 facilities and 23,000 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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