

Nov. 9, 2023

DAIICHIKOSHO CO., LTD.

Supplementary Briefing Material on Financial Results
for the Second Quarter of the Year Ending March 31, 2024

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Overview of Financial Results for the Second Quarter of the Year Ending March 31, 2024

- Due to the downgrading of the status of COVID-19's classification (as per the Act on the Prevention of Infectious Diseases) in May, the business environment improved, compared to the same period in the previous year, when businesses were impacted by the seventh wave of infections.
- Generally progressed according to plans, with a record high for the first six months (71.2 billion yen).

- (Commercial karaoke)

Both the night business and the karaoke cabin markets were on a recovery trend.

New flagship model, LIVE DAM AiR, launched in April, with strong shipments.

The number of DAM systems in operation at the end of the period under review increased by 2% from the end of the previous period.

- (Karaoke cabins and restaurants)

Due to the downgrading of the status of COVID-19's infectious disease classification in May, we have seen a recovery trend in the flow of customers since the beginning of the six months under review.

Net sales at existing stores compared to pre COVID-19

Karaoke cabins: approximate 10% decrease; Restaurants: approximate 10% increase

Year on year

Karaoke cabins: approximate 30% increase; Restaurants: approximate 40% increase

- Consolidate net sales increased 17.4% year on year, showing improvement in terms of profit as well.

(Year-on-year comparison) Operating profit: +3.9 billion yen; Ordinary profit: +3.9 billion yen; Profit: +0.5 billion yen.*

* Extraordinary income (subsidy income of 2.8 billion yen) posted in the previous corresponding period was no longer present in the six months under review.

- The full-year forecast, as updated in August, remains unchanged:

Net sales: 144.5 billion yen; Operating profit: 18.0 billion yen; Ordinary profit 19.1 billion yen; Profit: 12.7 billion yen

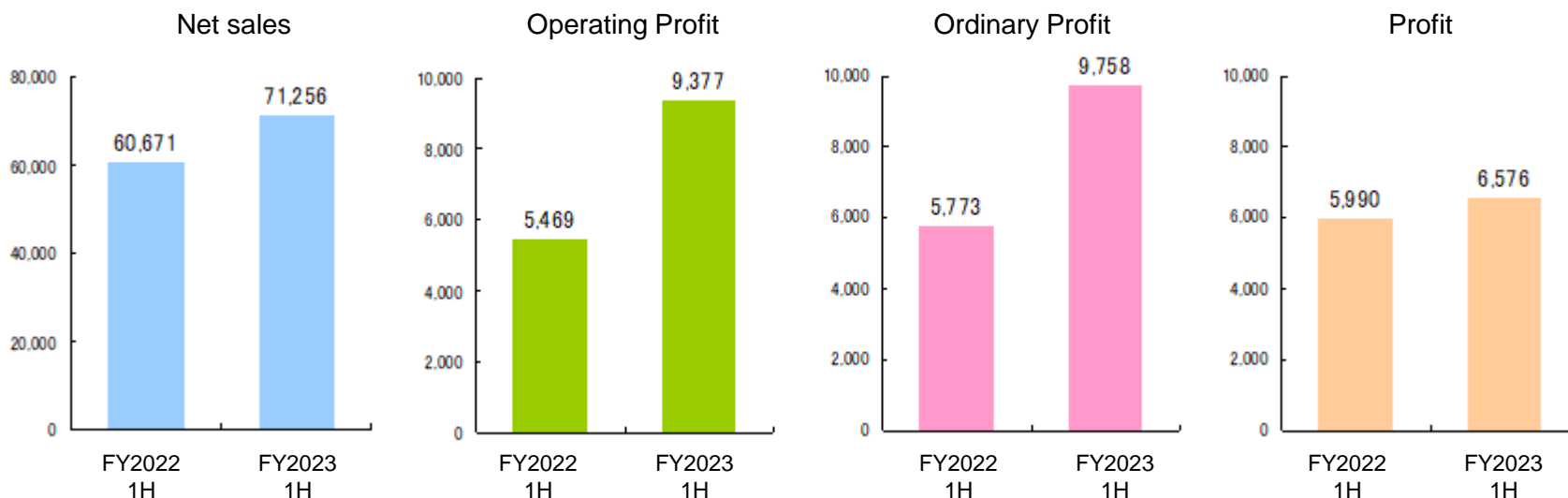
- 2,331,100 treasury shares (approximately 6.0 billion yen) were purchased during April-September.

Overview of Financial Results for the Second Quarter of the Year Ending March 31, 2024:
Performance comparison with FY2022

FY2023

(Millions of yen)

	FY2022 1H	(vs. sales ratio)	FY2023 1H	(vs. sales ratio)	Change	% change
Net sales	60,671	(100.0%)	71,256	(100.0%)	+10,584	+17.4%
Operating Profit	5,469	(9.0%)	9,377	(13.2%)	+3,908	+71.5%
Ordinary Profit	5,773	(9.5%)	9,758	(13.7%)	+3,985	+69.0%
Profit	5,990	(9.9%)	6,576	(9.2%)	+585	+9.8%

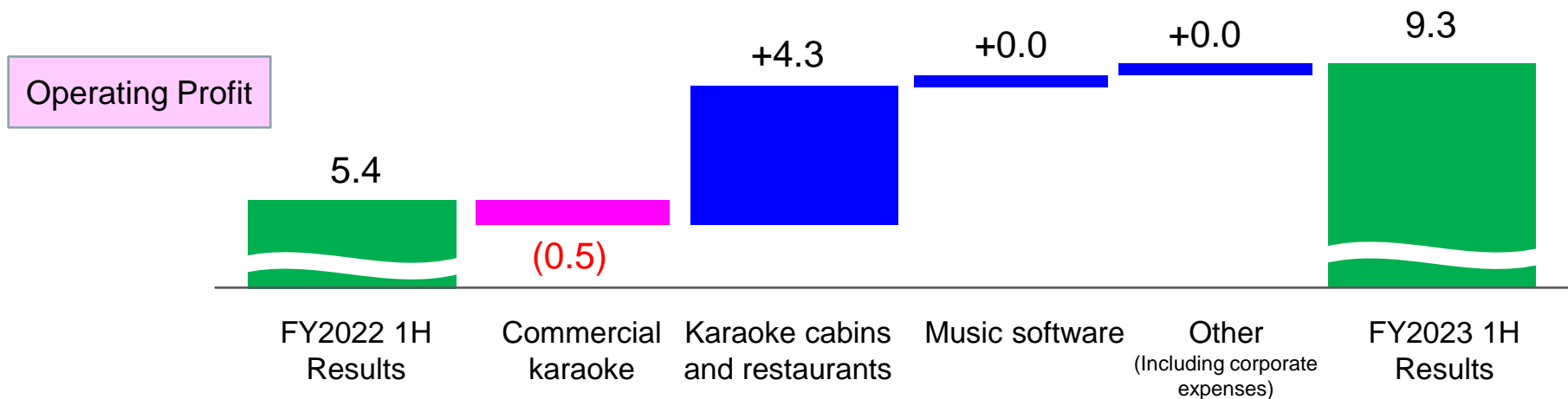
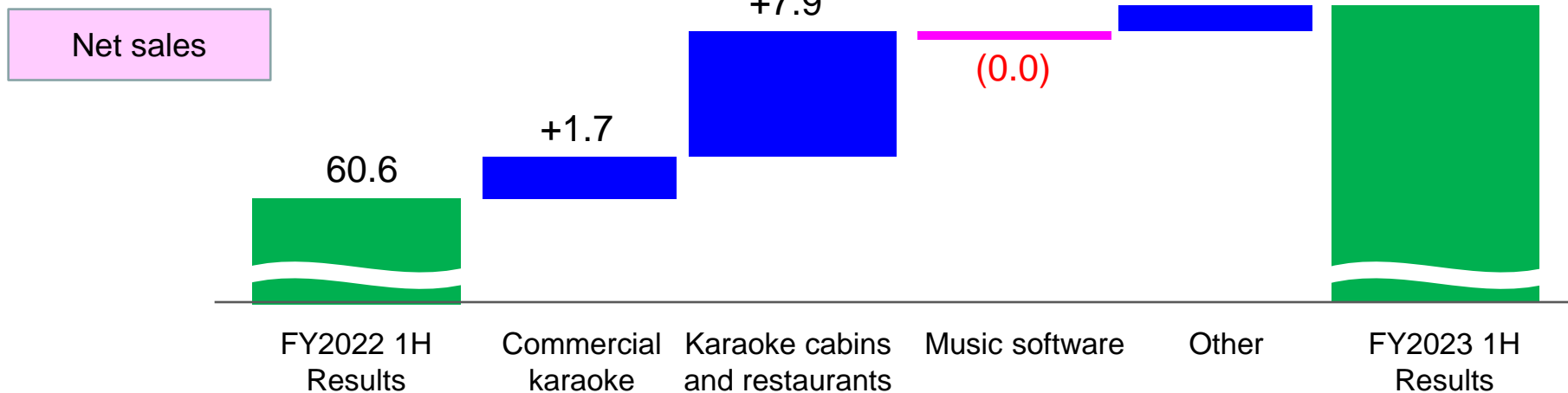


Overview of Financial Results for the Second Quarter of the Year Ending March 31, 2024:
Factors for change of net sales / operating profit

FY2023

<Year on Year>

Unit: Billions of yen



[Extraordinary income and losses]

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

Main reason

- Subsidy income 0 (2,868 million yen for the same period of the previous fiscal year)

Various benefits, including employment adjustment subsidies and subsidies for shorter business hours posted in the previous corresponding period were no longer present in the six months under review.

- ◆ Extraordinary losses 129 million yen (44 million yen for the same period of the previous fiscal year)

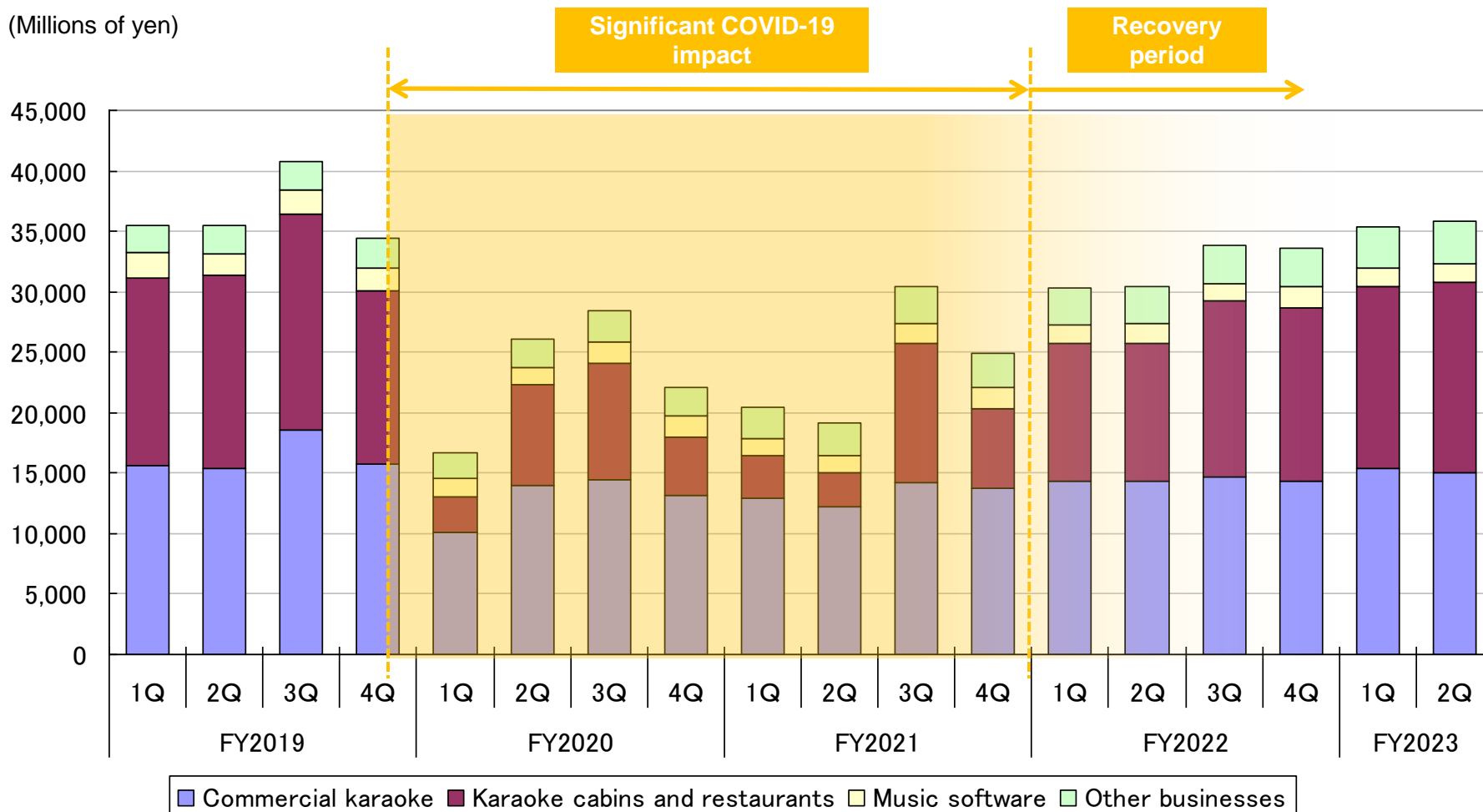
Main reason

- None

Overview of Financial Results for the Second Quarter of the Year Ending March 31, 2024: Quarterly sales performance

FY2023

(Millions of yen)

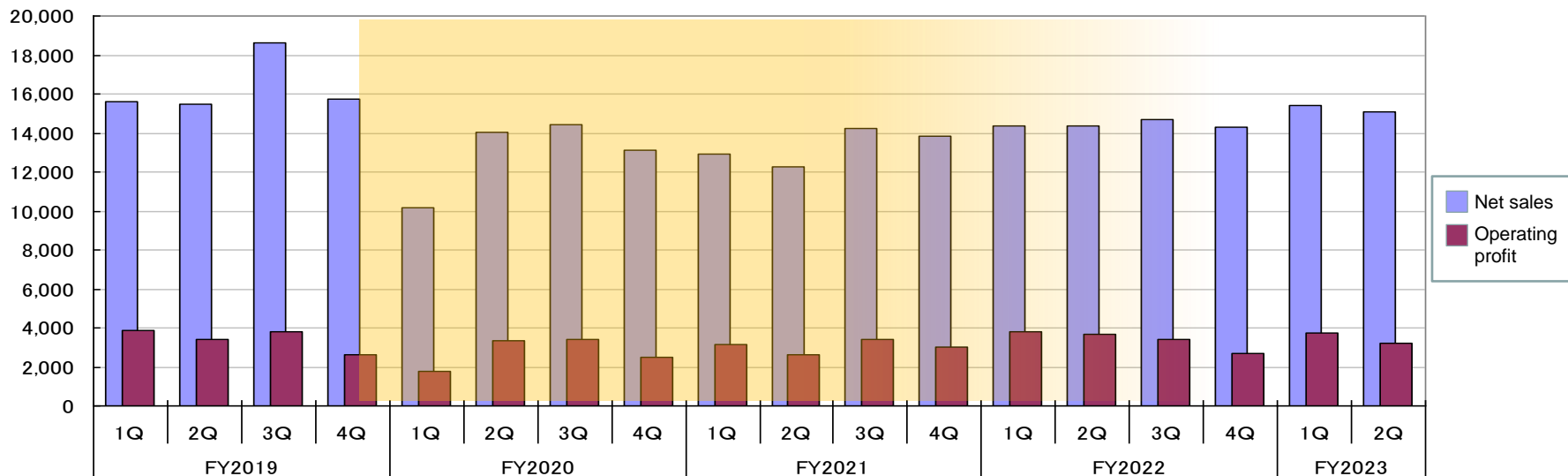


Overview of Financial Results for the Second Quarter of the Year Ending March 31, 2024: Performance by segment

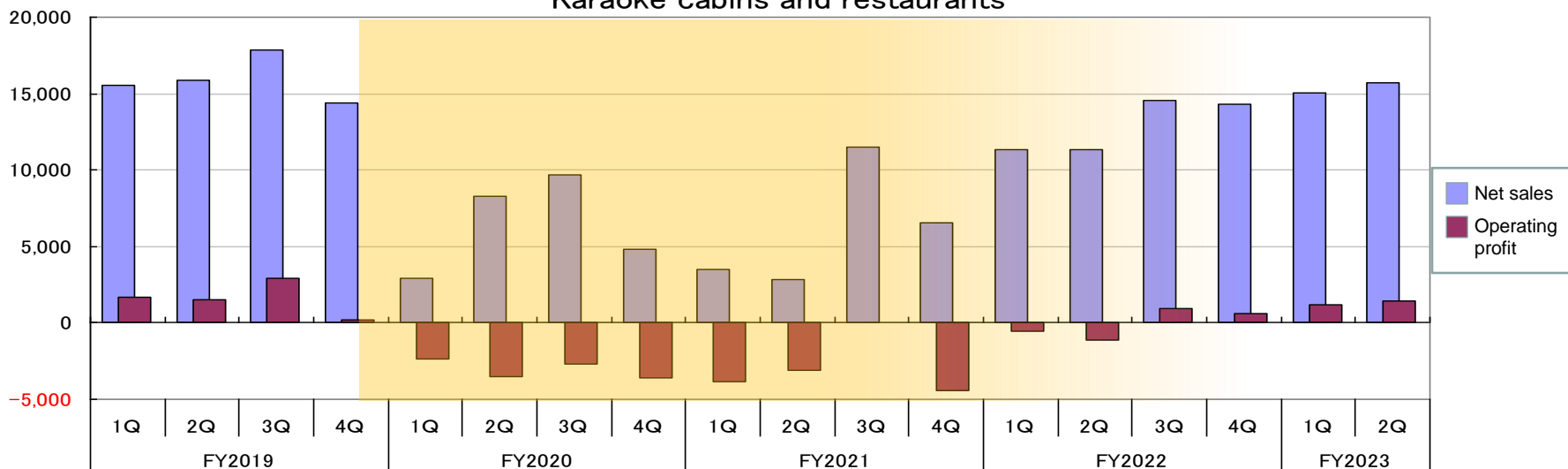
FY2023

(Millions of yen)

Commercial karaoke

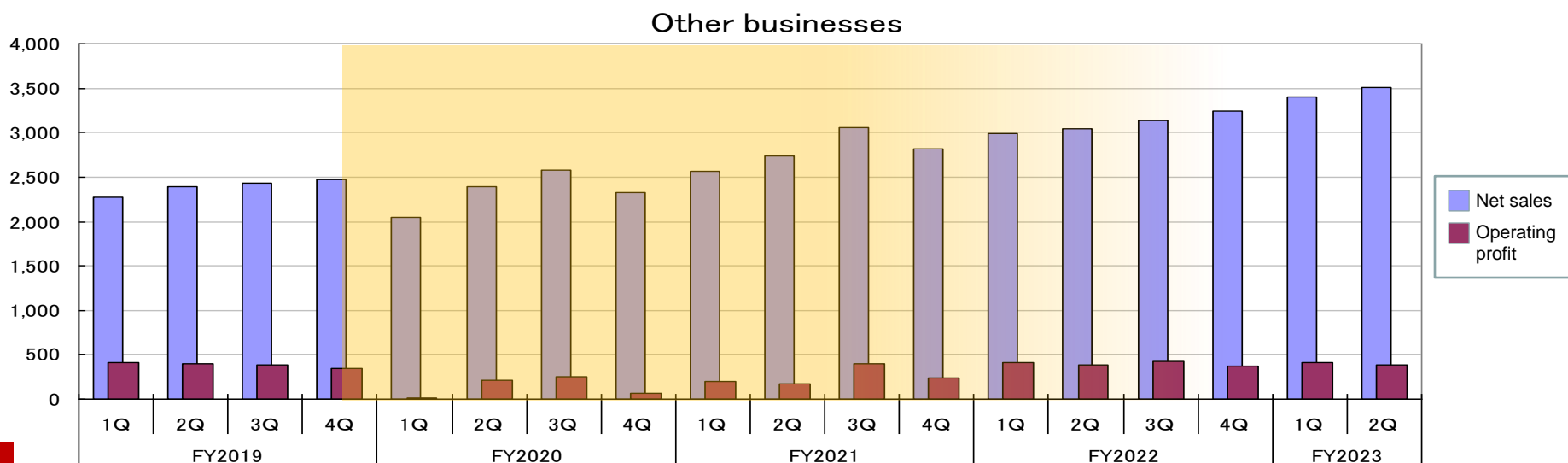
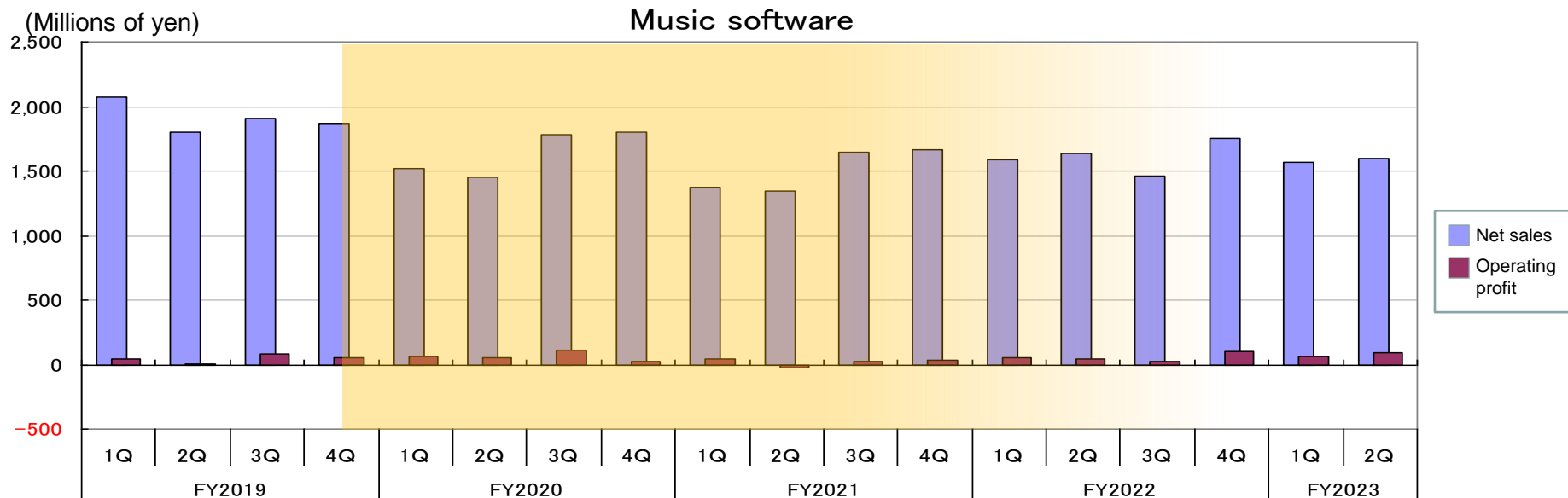


Karaoke cabins and restaurants



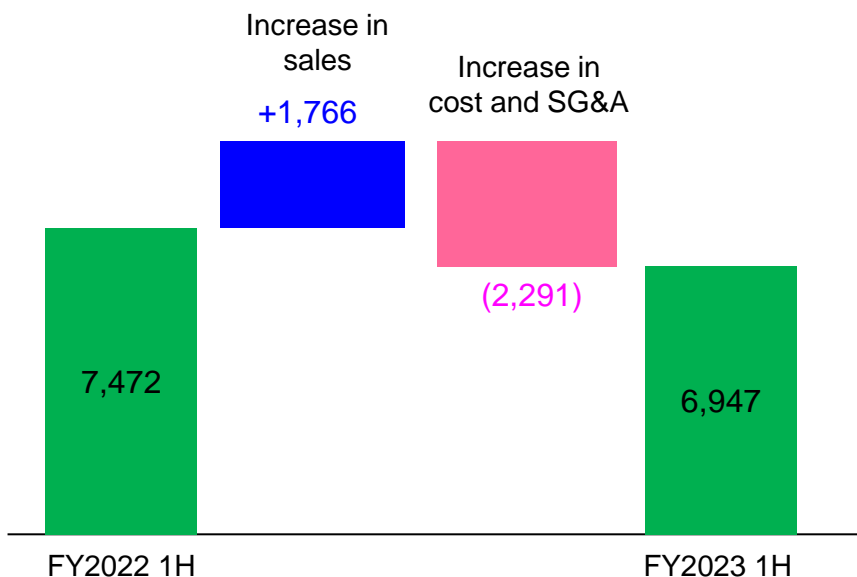
Overview of Financial Results for the Second Quarter of the Year Ending March 31, 2024: Performance by segment

FY2023



Commercial karaoke		(Millions of yen)				
	FY2022 1H	(vs. sales ratio)	FY2023 1H	(vs. sales ratio)	Change	% change
Net sales	28,716	(100.0%)	30,483	(100.0%)	+1,766	6.2%
Operating profit	7,472	(26.0%)	6,947	(22.8%)	(525)	(7.0)%

Factors for change of segment profit



[Notes]

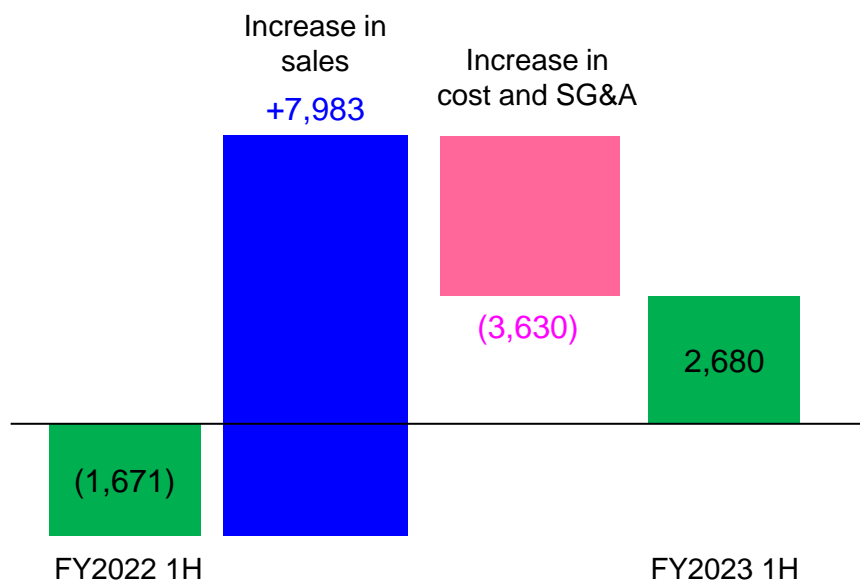
- launched new flagship model LIVE DAM AiR in April and shipped more units than originally planned.
- sought to strengthen the stable profit base by increasing the number of equipment rentals and expediting the replacement of previous models with newer ones.
- strived to improve our Karaoke DAM products by further expanding our visual content, including live videos, animated videos, and music videos.
- In the seniors' market, strove to increase number of units in operation, as number of facilities allowing sales visits increased; utilized web as well.
- net sales increased owing to strong shipments of new products and steady increases in the number of equipment rentals and the number of DAM units in operation, while operating profit decreased due to an increase in costs and in SG&A expenses.

Karaoke cabins and restaurants

(Millions of yen)

	FY2022 1H	(vs. sales ratio)	FY2023 1H	(vs. sales ratio)	Change	% change
Net sales	22,702	(100.0%)	30,685	(100.0%)	+7,983	35.2%
Operating profit	(1,671)	-	2,680	(8.7%)	+4,352	-

Factors for change of segment profit



[Notes]

- Karaoke: Open 3, Close 2, Number of karaoke cabins at the period-end 509
Restaurant: Open 5, Close 9, Number of restaurants at the period-end 167
- Due to the downgrading of the status of COVID-19's infectious disease classification in May, we have seen a recovery trend in the flow of customers since the beginning of the six months under review.
- Existing stores compared to pre COVID-19:
Karaoke cabins 90%; Restaurants 110%
- Existing stores year on year:
Karaoke cabins 130%; Restaurants 140%
- BIG ECHO karaoke cabins, we tried to bring back customers visiting karaoke cabins through collaboration with popular artists as well as various campaigns making 35th anniversary more exciting, such as the Good Company Room and BIG ECHO Karaoke Grand Prix, while introducing the top-end model early in an effort to enhance customer satisfaction.
- For restaurants, we made efforts to increase customer traffic in a wide-ranging manner by, for example, expanding the call center function to win more reservations for banquets and opening three premises in the darts business.

Music software

(Millions of yen)

	FY2022 1H	(vs. sales ratio)	FY2023 1H	(vs. sales ratio)	Change	% change
Net sales	3,221	(100.0%)	3,169	(100.0%)	(51)	(1.6)%
Operating profit	98	(3.1%)	156	(4.9%)	+57	58.0%

[Note]

- Product sales of CDs and DVDs and the TV program production business progressed nearly as planned, while the music industry has been booming again as events and concerts have resumed.

Other businesses

(Millions of yen)

	FY2022 1H	(vs. sales ratio)	FY2023 1H	(vs. sales ratio)	Change	% change
Net sales	6,030	(100.0%)	6,917	(100.0%)	+886	14.7%
Operating profit	788	(13.1%)	795	(11.5%)	+7	0.9%

[Notes]

- The parking business operating “The Park” brand made steady progress, and the business scale expanded to more than 2,300 parking facilities and 28,000 parking spots as of the end of the six months under review.
- We strove to expand recognition of “The Park” brand through TV commercials targeting land owners.

(Millions of yen)

	As of March 31, 2023	As of Sept. 30, 2023	Change	Notes
Assets	188,623	174,219	(14,403)	
Current assets	93,429	75,200	(18,229)	Decrease in cash and deposits due to repayment of borrowings, purchase of treasury shares and payment of dividends
Non-current assets	95,193	99,019	+3,825	Increase in property, plant and equipment such as karaoke equipment for rental and karaoke cabin and restaurant facilities
Liabilities	80,707	68,358	(12,349)	
Current liabilities	35,288	33,064	(2,224)	Decrease in notes and accounts payable-trade
Non-current liabilities	45,419	35,294	(10,124)	Decrease in long-term borrowings
Net assets	107,915	105,860	(2,054)	

Profitability

	FY2022 1H	FY2023 1H	Change
Operating profit to net sales (%)	9.0%	13.2%	+4.2%pt
Basic earnings per share (yen)	54.86	60.91	+6.05

Soundness

	As of March 31, 2023	As of Sept. 30, 2023	Change
Net assets (Millions of yen)	107,915	105,860	+2,054
Equity ratio (%)	56.4%	59.9%	+3.5%pt

Cash flows

	FY2022 1H	FY2023 1H	Change
Cash flows from operating activities	11,367	9,446	(1,920)
Cash flows from investing activities	(5,901)	(9,676)	(3,774)
Cash flows from financing activities	(3,500)	(19,450)	(15,950)
Net increase (decrease) in cash and cash equivalents	1,998	(19,613)	(21,612)
Cash and cash equivalents at end of period	70,124	51,810	(18,314)
Free cash flows	5,465	(229)	(5,694)

(Millions of yen)

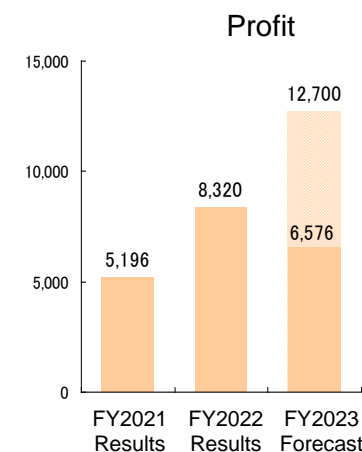
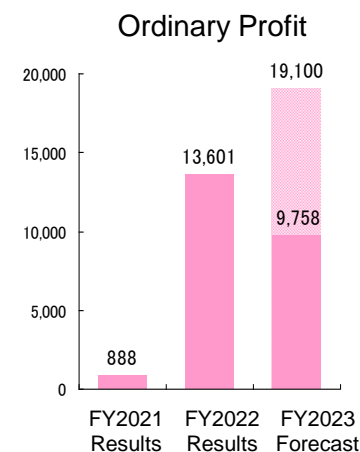
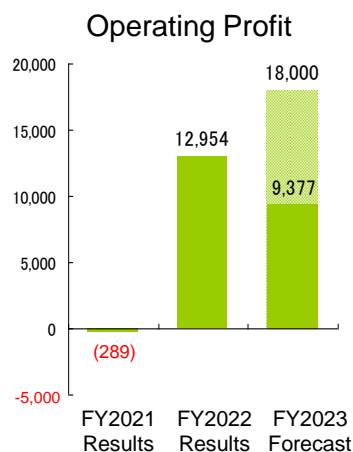
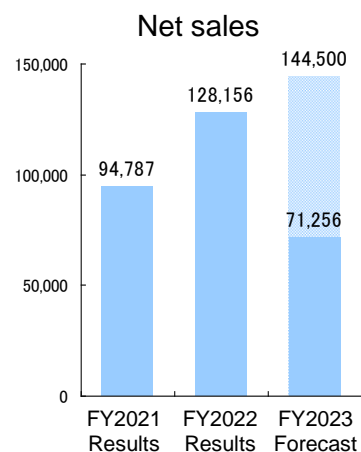
Outlook of Financial Results for the Year Ending March 31, 2024

Outlook of Financial Results for the Year Ending March 31, 2024: Full-year consolidated performance forecasts

FY2023

(Millions of yen)

	FY2021 (year ended March 31, 2022)		FY2022 (year ended March 31, 2023)		FY2023 (forecast) (year ending March 31, 2024)		FY2023 1H		Progress
Net sales	94,787	(100.0%)	128,156	(100.0%)	144,500	(100.0%)	71,256	(100.0%)	49.3%
Operating profit	(289)	-	12,954	(10.1%)	18,000	(12.4%)	9,377	(13.2%)	52.1%
Ordinary profit	888	(0.9%)	13,601	(10.6%)	19,100	(13.2%)	9,758	(13.7%)	51.1%
Profit	5,196	(5.5%)	8,320	(6.5%)	12,700	(8.7%)	6,576	(9.2%)	51.8%
Earnings Per Share (EPS)*1	47.61 yen		76.21 yen		118.85 yen		60.91 yen		-



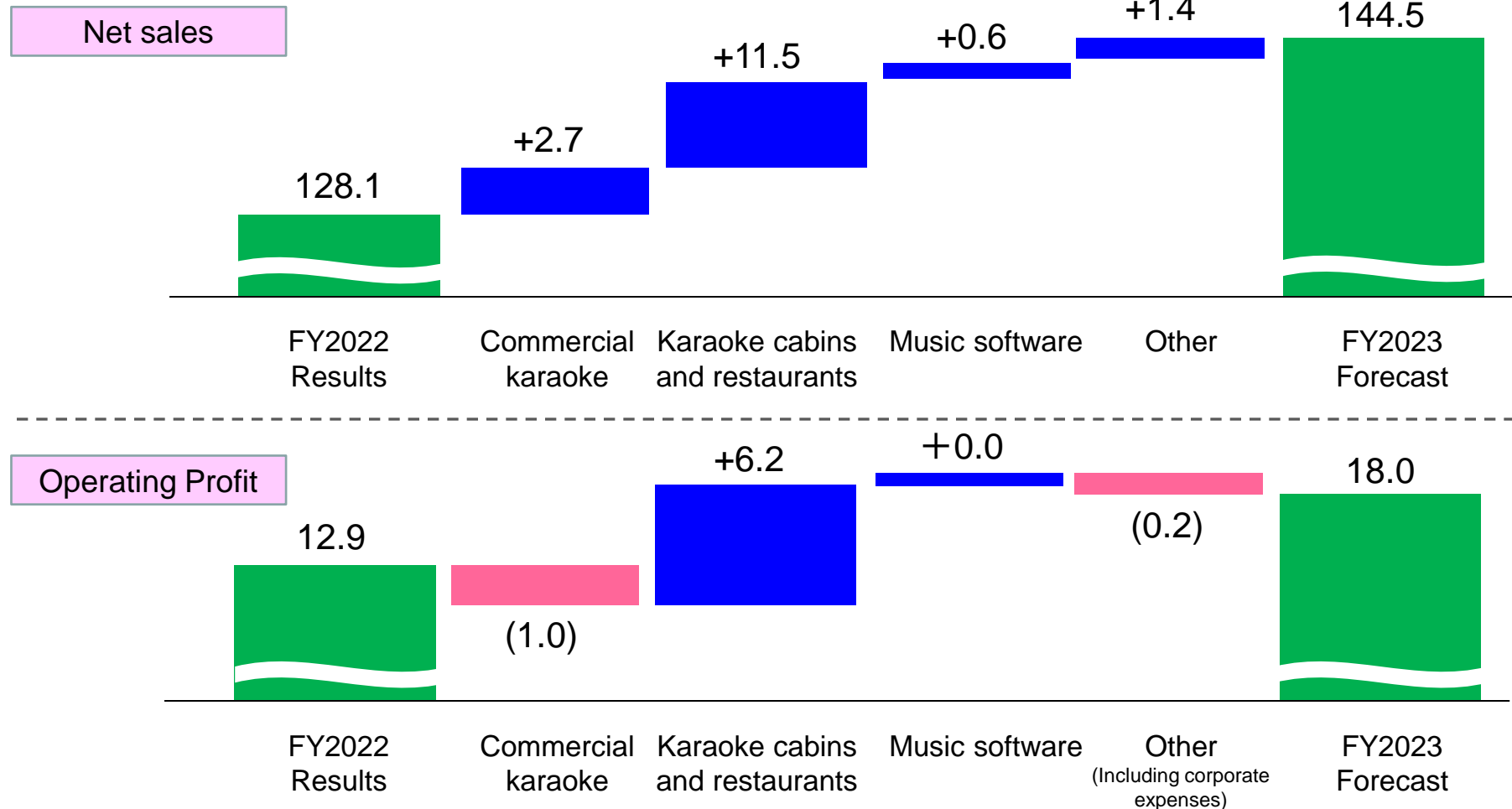
*1 Shares were split on April 1, 2023 at a ratio of 2 for 1 common share. Basic earnings per share were calculated as if said split had been carried out at the beginning of FY2021.

*2 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.

Outlook of Financial Results for the Year Ending March 31, 2024:
Factors for change of net sales / operating profit

FY2023

Unit: Billions of yen



* 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.

Commercial karaoke business

- Work 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.
- Pursue investment into replacement of rental equipment assets, with a focus on LIVE DAM AiR which was released for sale in April, as well as investment into karaoke contents such as soundtracks and video. Strengthen stable profit base and aim to further increase value of DAM brand.
- Contribute to increasing healthy life expectancies and reducing workloads for nursing home employees through promotion of FREE DAM LIFE, which was released for sale in October of last year, on the seniors' market (nursing homes, etc.).
⇒ Despite increased sales due to factors such as an increase in wholesaling and in the number of DAM systems in operation, profit is forecast to decrease due to increased cost of sales and SG&A expenses due to upfront investments to strengthen profit base.

Karaoke cabins and restaurants business

- Although customer levels are expected to recover as the COVID-19 pandemic comes to an end, expenses such as utility costs are expected to increase.
- 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.
- For Big Echo, which is approaching its 35th anniversary, appeal to customers with the joy of karaoke, and stimulate the desire to sing, through a variety of campaigns such as collaboration with artists.
⇒ Although results are not expected to reach pre-COVID-19 levels, sales and profits are forecast to increase due to recovery at existing stores.

Music software business

- Work to discover new artists and create hit songs while also working to construct an earnings models that is not dependent on major hits.
⇒ Sales and profits are forecast to generally be in line with the year ended March 31, 2023.

Other businesses

- In the parking business, aim to grow size of business through development of new facilities, including M&As, while also working to spread awareness of The Park brand through methods such as television commercials.
⇒ Although sales are forecast to increase due to increased sales in the parking business, profits are forecast to decrease due to factors such as increased SG&A expenses from efforts to spread brand awareness for The Park.

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 forecasts

- We decided to effectively increase the dividend forecast for FY2023 in comparison to the previous fiscal year, at 57 yen (annual), in light of the stock split.

	FY2022* (Year ended March 31, 2023)			FY2023 Forecast* (Year ending March 31, 2024)		
	Interim	Year-end	Annual	Interim	Year-end	Annual
Dividends per share	56 yen	57 yen	113 yen	28 yen	29 yen (forecast)	57 yen (forecast)
Payout ratio	74.1%			48.0% (forecast)		

* Shares were split on April 1, 2023 at a ratio of 2 for 1 common share. Actual dividends amounts before stock split are listed for the fiscal year ended March 31, 2023.

■ Repurchasing of shares

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	
April 1, 2023			Stock split at a ratio of 2 for 1 common share.	
April 2023	to	September 2023	Acquired 2,331,000 shares	(5,999 million yen)

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:

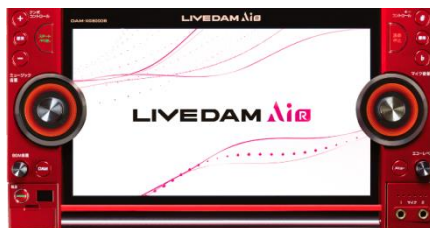
<https://www.clubdam.com/singing/>



Released for sale April 18, 2023

LIVE DAM AiR (DAM-XG8000R)

The highest sound quality,
a live show experience
Further expands the AI experience



- "Ai Assistant" voice recognition feature is compatible with foreign language speech.
- Saitama Super Arena and Excite Live Hall are added to "Live Sound" feature.
- Largest collection of actual artist/live show video contents in the industry (according to in-house investigation).

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.



Released for sale April 18, 2023

SmartDAM AiR (TM30R)

Easier to use! More enjoyable!
More intuitive confirmation of
reserved songs/manipulation of songs settings



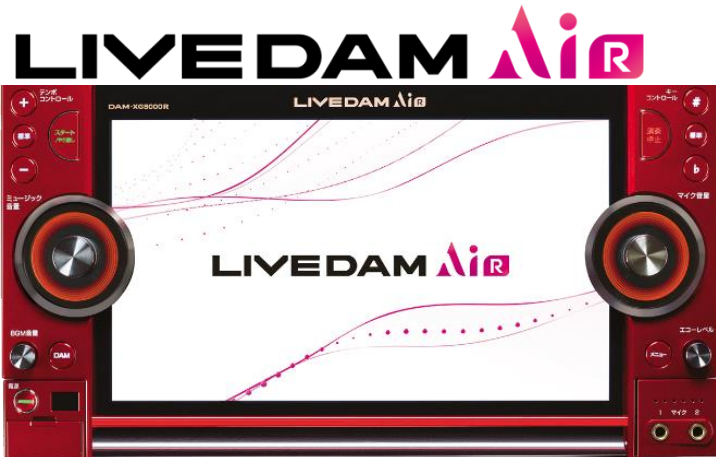
- Equipped with new operating panel for intuitive use of most common karaoke features.
- New search function that encompasses popular songs in each genre.
- Features antiviral/antibacterial coating.

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





Live hall reverb + Excite Mode

NEW

エキサイトライブホール

Sing together, with "minna de utatte!" (everyone together!) ♪

Say "danshi...!" (now the boys...!) ♪

Say "arena!" ♪

Say "hakushu...!" (applause...!) ♪

...and more

Call & response

Shout phrases into the mike during preludes and interludes to get responses such as applause or cheering.

YEAHHHH! / バチバチ

Arena!
"Danshi!" (Now the boys!)

"Hakushu!" (Applause!)

"Joshi!" (Now the girls!)

Let the audience join in

Create spectacular auditory performances resembling a chorus of thousands.

"Minna de utatte!" (Everyone together!)

NEW Display song selections

When search criteria yield multiple songs, such as when searching by singer name only or criteria such as "1992 rankings," users can select from a list.

Which number would you like?

1番 Tooku Haruka Short Films

2番 Ibara no michi ANNY PUMP

3番 Naitemo iindana... Sindy

OK, DAM! Osusume kakete (Play the recommended song.)

Ichiban! (Number one!)

NEW Compatible with foreign languages

Compatible with native speech in foreign languages, including English, Korean and Chinese.

Please Say The Name Of Singer And Song

가수명과 노래제목 좀 알려주세요

請說出歌手和歌曲的名字

Moshi-moshi DAM! (Hey DAM!)

NEW

Impression videos that are fun to sing to or to watch

Korokke's Impression Park



Japanese television personality "Korokke" is the king of parody impressions, and users can enjoy medleys of some of his biggest hits. The features includes guide vocals using Korokke's actual voice, which can be turned on or off, letting users enjoy watching and listening, or letting them become Korokke and sing for themselves.

On the special Denmoku page where impression characters appear, users can find content such as an impressions picture matching game that unlocks a special impressions video when cleared, or curated playlists of impression medley compositions.



■ Special LIVE DAM AiR site: https://www.clubdam.com/damlineup/livedam_air/

Karaoke and restaurant brand list

Karaoke Shops

Big Echo



Karaoke Mac



Karaoke CLUB DAM



Mega Big



B-GARAGE

NEW



Restaurants/Bars

Restaurants / pubs



Rakuzo



Minatoichiya



Senyaichiya



Umekono ie



Kyomachi shizuku



Seseragi wo kikinagara



Kitchen



Amatsu



Ginten



Jibundoki



Sushi ya Harenohi



Totouo

NEW



Tokachi Ishikari Hakodate



Bistro ya



FOREST DINER

NEW



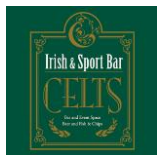
Tokyo Nicks



Matsuri sakaba

NEW

Bars



CELTS



HIGHBALL BAR



J's Bar

Amusement bars



REGALO



Darts One



MARUNOUCHI BASE

Restaurants / cafes



Ginza Coffee



Mochinoki pasta



Time is Curry



Ichidan



◆ Enka, Pop

Tetsuji Kimura



◆ J-pop

BERRY GOODMAN



◆ Enka, Pop

Kaori Mizumori



◆ J-pop

Jams Collection



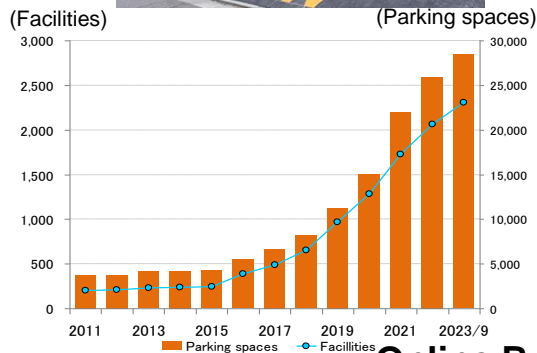
Parking Lot Business

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, 2023 have expanded to a scale of 2,300 facilities and 28,000 parking spaces.

As of mid-April we have begun spreading awareness of The Park as an attractive option to make use of available land through television commercials (focused on regional cities) that feature Kenichi Mikawa as a fictional Enka singer named "Tochio Katsuyo" (Tochio Katsuyo is a homonym of the Japanese for 'land use').



Mascot character Tochio Katsuyo



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.

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
Corporate Planning Division
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