

Translation

This report is a translation of excerpts from original Japanese Flash Report and for reference purpose only. In case of discrepancy between this report and original Japanese Flash Report, the latter shall prevail.

FY2023, the year ending March 31, 2024

Flash Report on the Consolidated Results for the Third Quarter Ended December 31, 2023 [JGAAP]

February 8, 2024

Company Name: **DAIICHIKOSHO CO., LTD.**
 Stock Exchange Listing: Tokyo Stock Exchange
 Code Number: 7458
 URL: <https://www.dkkaraoke.co.jp/>
 Representative: Tadahiro Hoshi, President
 Contact: Yasuhisa Nishihara, General Manager, Accounting Department
 Phone: +81-3-3280-2151
 Date to Submit the Quarterly Securities Report: February 13, 2024
 Start Date for Dividend Payment: —
 Availability of Supplementary Briefing Material on Quarterly Financial Results: None
 Schedule of Quarterly Financial Results Briefing Session: None

(Amounts below one million yen are truncated.)

1. Consolidated Performance for the Nine Months Ended December 31, 2023 (From April 1, 2023, to December 31, 2023)

(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, 2023 | 109,864 | 16.2 | 15,098 | 55.8 | 15,683 | 53.2 |
| Nine months ended December 31, 2022 | 94,507 | 35.2 | 9,690 | 614.3 | 10,238 | 330.6 |

| | Profit attributable to owners of parent | | Basic earnings per share | Diluted earnings per share |
|-------------------------------------|---|------|--------------------------|----------------------------|
| | Millions of yen | % | Yen | Yen |
| Nine months ended December 31, 2023 | 10,531 | 17.0 | 97.88 | 97.69 |
| Nine months ended December 31, 2022 | 9,001 | 74.5 | 82.44 | 82.31 |

(Notes) 1. Comprehensive income:

Nine months ended December 31, 2023: 10,839 million yen 15.6%

Nine months ended December 31, 2022: 9,375 million yen 85.9%

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

(2) Consolidated financial position

| | Total assets | Net assets | Equity ratio |
|-------------------------|-----------------|-----------------|--------------|
| | Millions of yen | Millions of yen | % |
| As of December 31, 2023 | 176,636 | 106,703 | 59.5 |
| As of March 31, 2023 | 188,623 | 107,915 | 56.4 |

(Reference) Shareholders' equity:

As of December 31, 2023: 105,161 million yen

As of March 31, 2023: 106,451 million yen

2. Dividend

| | Annual dividend | | | | |
|--|-----------------|----------------|---------------|----------|--------|
| | First Quarter | Second Quarter | Third Quarter | Year-end | Annual |
| | Yen | Yen | Yen | Yen | Yen |
| Year ended March 31, 2023 | — | 56.00 | — | 57.00 | 113.00 |
| Year ending March 31, 2024 | — | 28.00 | — | | |
| Year ending March 31, 2024 (forecast) | | | | 29.00 | 57.00 |

(Notes) 1. Changes in dividends forecast from most recently announced figures: None

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

3. Forecast of Consolidated Performance for FY2023, the Year Ending March 31, 2024 (From April 1, 2023, to March 31, 2024)

(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, 2024 (full year) | 144,500 | 12.8 | 18,000 | 38.9 | 19,100 | 40.4 |

| | Profit attributable to owners of parent | | Basic earnings per share |
|---|---|------|--------------------------|
| | Millions of yen | % | Yen |
| Year ending March 31, 2024 (full year) | 12,700 | 52.6 | 118.85 |

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

***Notes**

- (1) Significant changes in subsidiaries during the period under review (changes to specific subsidiaries resulting in changes in scope of consolidation): 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, 2023 | 109,468,400 shares | As of March 31, 2023 | 109,468,400 shares |
| 2) Number of treasury shares | As of December 31, 2023 | 2,613,807 shares | As of March 31, 2023 | 282,604 shares |
| 3) Average number of shares during the period | Nine months ended December 31, 2023 | 107,597,202 shares | Nine months ended December 31, 2022 | 109,185,840 shares |

(Note) Shares were split on April 1, 2023 at a ratio of 2 for 1 common share. Number of shares issued, number of treasury shares, and average number of shares during the period were calculated as if said split had been carried out at the beginning of the previous fiscal year.

* These consolidated financial results are outside the scope of quarterly review by Certified Public Accountants or auditing corporations.

* Explanation for the appropriate use of performance forecasts and other special notes:

The statements regarding forecast of financial results in this report are based on the information that is available, as well as estimates, assumptions and projections that are believed to be reasonable at the time of publication. Therefore, there might be cases in which actual results greatly differ from forecast values. For the conditions underlying the assumptions made for financial results forecasts and their use, please see “Explanation of Forecast of Consolidated Performance and Other Forward-looking Information” on page 7 of the Attachments.

Table of Contents - Attachments

| | |
|---|----|
| 1. Qualitative Information on Quarterly Performance | 5 |
| (1) Explanation of Operating Results | 5 |
| (2) Explanation of Financial Position | 7 |
| (3) Explanation of Forecast of Consolidated Performance and Other Forward-looking Information | 7 |
| 2. Quarterly Consolidated Financial Statements and Primary Notes | 8 |
| (1) Quarterly Consolidated Balance Sheets | 8 |
| (2) Quarterly Consolidated Statements of Income and Comprehensive Income | 10 |
| (Quarterly Consolidated Statements of Income) | 10 |
| (Quarterly Consolidated Statements of Comprehensive Income) | 11 |
| (3) Notes to Quarterly Consolidated Financial Statements | 12 |
| (Notes on Going Concern Assumption) | 12 |
| (Notes in Case of Significant Changes in Shareholders' Equity) | 12 |
| (Segment Information) | 12 |
| (Quarterly Consolidated Statements of Income) | 13 |
| (Significant Subsequent Events) | 14 |

1. Qualitative Information on Quarterly Performance

(1) Explanation of Operating Results

In the nine months ended December 31, 2023 (the “nine months under review”), Japan’s economy showed signs of a moderate recovery due to the downgrading of the status of COVID-19 under the Act on the Prevention of Infectious Diseases and Medical Care for Patients with Infectious Diseases in May and a recovery trend in consumer spending and capital expenditures. The economic outlook, however, remains unclear mainly due to concerns that a downward swing in the global economy could put pressure on Japan’s economy, as well as prolonged depreciation of the yen and price hikes of commodities.

In the karaoke industry, where DAIICHIKOSHO CO., LTD. (the “Company,” together with its subsidiaries, the “Group”) operates, markets were on a recovery trend as a whole, mainly in the night business and the karaoke cabin markets, the Company’s mainstay markets.

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 109,864 million yen (up 16.2% year on year), operating profit was 15,098 million yen (up 55.8% year on year), and ordinary profit was 15,683 million yen (up 53.2% year on year). Profit attributable to owners of parent amounted to 10,531 million yen (up 17.0% year on year), as subsidy income of 2,920 million yen posted in the previous corresponding period was absent in the nine months under review.

(Millions of yen)

| | Nine months ended December 31, 2022 | Nine months ended December 31, 2023 | Year-on-year change | % change |
|---|--|--|------------------------|----------|
| Net sales | 94,507 | 109,864 | 15,356 | 16.2% |
| Operating profit | 9,690 | 15,098 | 5,407 | 55.8% |
| Ordinary profit | 10,238 | 15,683 | 5,445 | 53.2% |
| Profit attributable to owners of parent | 9,001 | 10,531 | 1,530 | 17.0% |

Operating results by segment are as follows.

(Commercial karaoke business)

In the commercial karaoke business, the Company sought to strengthen its stable profit base on the back of an improvement in the business environment by increasing the number of equipment rentals and expediting the replacement of previous models with newer ones, which had slowed due to the impact of COVID-19. 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 such an environment, we launched LIVE DAM AiR, a successor of our flagship model, in April. With the expansion of the Ai Assistant function that allows users to queue a song and remotely operate the unit vocally through a microphone, it is now compatible with speech in English, Chinese, and Korean. In addition, the Live Sound function, which reproduces acoustic characteristics of actual concert venues, is now complemented by “Excite Live Hall,” which creates a huge chorus of several thousand persons singing together or engaging in call and response. These and other new functions that further pursue the joy of singing received a favorable reception from users, and we have shipped more units than originally planned.

Furthermore, in the seniors’ market, the business environment improved as we could resume some of our door-to-door sales activities targeting nursing facilities and others, which were not possible during the pandemic. We also focused on utilizing the Internet by, for example, organizing online events periodically, in an effort to increase the number of units in operation.

As a result, net sales increased by 5.8% year on year, 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 by 8.9% year on year mainly due to an increase in costs related to equipment rentals and in selling, general and administrative expenses.

(Millions of yen)

| | Nine months ended December 31, 2022 | Nine months ended December 31, 2023 | Year-on-year change | % change |
|------------------|--|--|---------------------|----------|
| Net sales | 43,414 | 45,950 | 2,535 | 5.8% |
| Operating profit | 10,898 | 9,927 | (971) | (8.9)% |

(Karaoke cabin and restaurant business)

In the karaoke cabin and restaurant business, we opened eight karaoke cabins and seven restaurants and closed three karaoke cabins and 15 restaurants due to the integration of food and beverage complex types, and we operated 513 karaoke cabins and 163 restaurants as of the end of the nine months under review.

Thanks to the downgrading of the status of COVID-19 under the Act on the Prevention of Infectious Diseases and Medical Care for Patients with Infectious Diseases in May, we have seen a recovery trend in the flow of customers since the beginning of the nine months under review. December, the peak demand period, saw a recovery in the use of karaoke cabins for after-parties, and reservations and orders were strong for restaurants. As such, during the nine months under review, existing karaoke cabin sales recovered to a level approximately 8% lower than before the COVID-19 pandemic and restaurants to a level approximately 12% higher, for an approximately 25% increase for karaoke cabins and approximately 35% increase for restaurants, year on year.

Under such circumstances, for BIG ECHO karaoke cabins, which marked its 35th anniversary in September, we tried to bring back customers visiting karaoke cabins less frequently than before, through collaboration with popular artists such as Yuuri and Momoiro Clover Z, as well as various campaigns making the 35th anniversary more exciting, such as the Good Company Room, which is a Karaoke room decorated with major brands of our business partners, and BIG ECHO Karaoke Grand Prix, while at the same time introducing the top-end model, LIVE DAM AiR, early and equipping BIG ECHO app with the Denmoku function, 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.

As a result, net sales increased by 30.1% year on year, and operating profit amounted to 5,619 million yen.

(Millions of yen)

| | Nine months ended December 31, 2022 | Nine months ended December 31, 2023 | Year-on-year change | % change |
|------------------|--|--|---------------------|----------|
| Net sales | 37,240 | 48,446 | 11,206 | 30.1% |
| Operating profit | (709) | 5,619 | 6,328 | — |

(Music software business)

In the music software business, 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.

As a result, net sales and operating profit increased by 4.7% and 100.1%, respectively, year on year.

(Millions of yen)

| | Nine months ended December 31, 2022 | Nine months ended December 31, 2023 | Year-on-year change | % change |
|------------------|--|--|---------------------|----------|
| Net sales | 4,680 | 4,899 | 218 | 4.7% |
| Operating profit | 124 | 249 | 124 | 100.1% |

(Other businesses)

In the other businesses, the parking business operating “The Park” brand as its new pillar of revenue made steady progress, and the business scale expanded to approximately 2,400 parking facilities and 30,000 parking spots as of the end of the nine months under review. In addition, we strove to expand recognition of “The Park” brand through TV commercials targeting land owners.

As a result, net sales increased by 15.2% year on year owing to factors such as an increase in revenue from the parking business, and operating profit decreased by 5.0% year on year due to the impact of increases in selling, general and administrative expenses, including advertising expenses related to the parking business.

(Millions of yen)

| | Nine months ended December 31, 2022 | Nine months ended December 31, 2023 | Year-on-year change | % change |
|------------------|--|--|---------------------|----------|
| Net sales | 9,173 | 10,568 | 1,395 | 15.2% |
| Operating profit | 1,211 | 1,151 | (60) | (5.0)% |

(2) Explanation of Financial Position

Total assets at the end of the nine months under review decreased by 11,987 million yen from the end of the previous fiscal year to 176,636 million yen.

Major changes from the previous fiscal year were a decrease in cash and deposits by 19,425 million yen and an increase in notes and accounts receivable – trade by 1,731 million yen in current assets.

In non-current assets, karaoke equipment for rental and karaoke cabin and restaurant facilities increased by 3,012 million yen and 1,809 million yen, respectively.

Liabilities decreased by 10,775 million yen from the end of the previous fiscal year to 69,932 million yen.

This was mainly due to a decrease of 10,038 million yen in long-term borrowings in non-current liabilities.

Net assets decreased by 1,212 million yen from the end of the previous fiscal year to 106,703 million yen.

The decrease is primarily attributable to an increase in retained earnings of 10,531 million yen due to profit attributable to owners of parent, a decrease in retained earnings of 6,103 million yen due to the dividends of surplus, and a decrease of 6,000 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 9, 2023.

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.

Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheets

| | (Millions of yen) | |
|--|----------------------------------|--|
| | FY2022 (As of March 31, 2023) | Current Third quarter (As of December 31, 2023) |
| Assets | | |
| Current assets | | |
| Cash and deposits | 71,812 | 52,386 |
| Notes and accounts receivable - trade | 5,367 | 7,099 |
| Inventories | 11,735 | 10,046 |
| Other | 4,888 | 6,459 |
| Allowance for doubtful accounts | (374) | (345) |
| Total current assets | 93,429 | 75,646 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Karaoke equipment for rental, net | 6,306 | 9,319 |
| Karaoke cabin and restaurant facilities, net | 9,192 | 11,002 |
| Land | 40,218 | 40,218 |
| Other, net | 6,574 | 7,491 |
| Total property, plant and equipment | 62,292 | 68,032 |
| Intangible assets | | |
| Goodwill | 606 | 549 |
| Other | 6,056 | 5,496 |
| Total intangible assets | 6,663 | 6,045 |
| Investments and other assets | | |
| Investment securities | 4,914 | 5,559 |
| Leasehold and guarantee deposits | 14,477 | 14,494 |
| Other | 6,986 | 6,995 |
| Allowance for doubtful accounts | (140) | (137) |
| Total investments and other assets | 26,237 | 26,911 |
| Total non-current assets | 95,193 | 100,989 |
| Total assets | 188,623 | 176,636 |

DAIICHIKOSHO CO., LTD.

(Millions of yen)

| | FY2022 (As of March 31, 2023) | Current Third quarter (As of December 31, 2023) |
|--|----------------------------------|--|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 4,954 | 4,198 |
| Short-term borrowings | 13,511 | 13,154 |
| Income taxes payable | 3,106 | 3,210 |
| Provision for bonuses | 1,151 | 1,173 |
| Other | 12,564 | 12,631 |
| Total current liabilities | 35,288 | 34,369 |
| Non-current liabilities | | |
| Long-term borrowings | 31,135 | 21,096 |
| Provision for retirement benefits for directors (and other officers) | 1,113 | 685 |
| Retirement benefit liability | 7,991 | 8,362 |
| Asset retirement obligations | 2,018 | 2,008 |
| Other | 3,160 | 3,410 |
| Total non-current liabilities | 45,419 | 35,563 |
| Total liabilities | 80,707 | 69,932 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 12,350 | 12,350 |
| Capital surplus | 4,211 | 4,211 |
| Retained earnings | 89,885 | 94,313 |
| Treasury shares | (571) | (6,571) |
| Total shareholders' equity | 105,876 | 104,304 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 1,047 | 1,250 |
| Revaluation reserve for land | (733) | (733) |
| Foreign currency translation adjustment | 99 | 184 |
| Remeasurements of defined benefit plans | 160 | 155 |
| Total accumulated other comprehensive income | 574 | 857 |
| Share acquisition rights | 292 | 350 |
| Non-controlling interests | 1,172 | 1,190 |
| Total net assets | 107,915 | 106,703 |
| Total liabilities and net assets | 188,623 | 176,636 |

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

| | (Millions of yen) | |
|--|---|---|
| | Nine months ended December 31, 2022 (From April 1, 2022, to December 31, 2022) | Nine months ended December 31, 2023 (From April 1, 2023, to December 31, 2023) |
| Net sales | 94,507 | 109,864 |
| Cost of sales | 61,425 | 69,793 |
| Gross profit | 33,082 | 40,070 |
| Selling, general and administrative expenses | 23,391 | 24,972 |
| Operating profit | 9,690 | 15,098 |
| Non-operating income | | |
| Interest income | 17 | 18 |
| Insurance claim income | 206 | 72 |
| Cooperative monetary aid received | 142 | 140 |
| Foreign exchange gains | — | 6 |
| Other | 530 | 572 |
| Total non-operating income | 897 | 809 |
| Non-operating expenses | | |
| Interest expenses | 130 | 104 |
| Foreign exchange losses | 53 | — |
| Cancellation penalty | 37 | 5 |
| Other | 128 | 114 |
| Total non-operating expenses | 349 | 224 |
| Ordinary profit | 10,238 | 15,683 |
| Extraordinary income | | |
| Gain on sale of non-current assets | 78 | 2 |
| Gain on bargain purchase | 112 | — |
| Subsidy income | 2,920 | — |
| Total extraordinary income | 3,110 | 2 |
| Extraordinary losses | | |
| Loss on disposal of non-current assets | 56 | 125 |
| Impairment losses | 117 | 81 |
| Total extraordinary losses | 173 | 207 |
| Profit before income taxes | 13,175 | 15,478 |
| Income taxes - current | 2,799 | 4,916 |
| Income taxes - deferred | 1,350 | 4 |
| Total income taxes | 4,150 | 4,921 |
| Profit | 9,025 | 10,557 |
| Profit attributable to non-controlling interests | 24 | 25 |
| Profit attributable to owners of parent | 9,001 | 10,531 |

(Quarterly Consolidated Statements of Comprehensive Income)

| | (Millions of yen) | |
|--|---|---|
| | Nine months ended December 31, 2022 (From April 1, 2022, to December 31, 2022) | Nine months ended December 31, 2023 (From April 1, 2023, to December 31, 2023) |
| Profit | 9,025 | 10,557 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 249 | 203 |
| Foreign currency translation adjustment | 74 | 84 |
| Remeasurements of defined benefit plans, net of tax | 25 | (5) |
| Total other comprehensive income | 350 | 282 |
| Comprehensive income | 9,375 | 10,839 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 9,351 | 10,814 |
| Comprehensive income attributable to non-controlling interests | 24 | 25 |

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

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

Pursuant to a resolution at the Board of Directors meeting held on February 8, 2023, the Company purchased 2,331,100 treasury shares. With this purchase and other factors, the amount of treasury shares increased by 6,000 million yen during the nine months ended December 31, 2023 and treasury shares amounted to 6,571 million yen at the end of the nine months under review.

(Segment Information)

[Segment information]

Nine months ended December 31, 2022 (From April 1, 2022, to December 31, 2022)

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 | 43,414 | 37,240 | 4,680 | 85,334 | 9,173 | 94,507 | – | 94,507 |
| Segment profit or Segment loss (Operating profit or Operating loss) | 10,898 | (709) | 124 | 10,313 | 1,211 | 11,525 | (1,834) | 9,690 |

- 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 (1,834) million yen adjustment posted to segment profit or segment loss 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, 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 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.

(Quarterly Consolidated Statements of Income)

Subsidy income

Following the issuance of the declaration of state of emergency due to the spread of COVID-19, employment adjustment subsidies, which are subsidies that are provided to cover salaries, etc. for the period during which employees are furloughed, as well as subsidies, etc. that are received from the national government, local municipalities, etc., have been posted in subsidy income.

(Significant Subsequent Events)**(Acquisition of Non-current Assets)**

At a meeting of the Board of Directors held on January 29, 2024, the Company resolved to acquire non-current assets.

(1) Reason for the acquisition

In anticipation of the Group's future growth, the Company resolved to acquire non-current assets for the purpose of amalgamating head office functions as an initiative toward human capital management. The aim of the acquisition is the enhancement of medium- to long-term corporate value by striving for the revitalization of communication among employees and the improvement of productivity.

(2) Overview of the acquired asset

| Name and address of asset | Acquisition cost | Current status |
|--|------------------|--|
| Prime Takanawa Gateway (3-9-6 Mita, Minato-ku, Tokyo) | 32.1 billion yen | Site area: 2,604 m ² (787.7 <i>tsubo</i>) Total floor area: 11,930.6 m ² (3,609 <i>tsubo</i>) 1 basement level and 13 aboveground levels |

(Note) Acquisition cost is an estimated amount that includes the various costs accompanying the transaction (real estate acquisition taxes, consumption taxes, brokerage fees, etc.)

(3) Overview of counterpart

| | |
|---|--|
| 1) Name | M3 Project Limited |
| 2) Address | 201, 3-22-10 Toranomon, Minato-ku, Tokyo |
| 3) Name and position of representative | Masaki Aguni Executor of Duties Representative Partner, General Incorporate Association M3 Project |
| 4) Description of business | Acquisition, holding, and divestment of beneficial interests in real property trusts. |
| 5) Capital | 100,000 yen |
| 6) Date of incorporation | August 17, 2022 |
| 7) Relationship between the listed company and this company | There are no capital, personnel, or trading relationships or matters constituting an affiliated party. |

(Note) There are no capital, personnel, or trading relationships between the counterpart and the Company that should be stated. In addition, there are no matters constituting an affiliated party of the Company.

(4) Acquisition schedule

| | |
|--|-------------------------------------|
| 1) Date of Board of Directors resolution | January 29, 2024 |
| 2) Date of conclusion of agreement | January 30, 2024 |
| 3) Date of delivery of property | February 29, 2024 (to be confirmed) |

(Borrowing of Funds)

At a meeting of the Board of Directors held on January 29, 2024, the Company resolved to undertake a loan of funds as described below.

| | |
|------------------------------------|--|
| (1) Use of funds | Borrowing of funds required for the acquisition of real property |
| (2) Lender | 8 counterparty financial institutions (to be confirmed) |
| (3) Borrowed amount | 30.0 billion yen (to be confirmed) |
| (4) Interest charged for borrowing | Fixed interest |
| (5) Date of loan execution | On or after February 20, 2024 (to be confirmed) |
| (6) Loan period | 5 – 7 years (to be confirmed) |
| (7) Security | None (to be confirmed) |

(Business Combination as a Result of Acquisition)

At a meeting of the Board of Directors held on January 29, 2024, the Company resolved to acquire the shares of Crest Co., Ltd. and make it a subsidiary. As a result of this acquisition of shares, the Company plans to make Crest and Okinawa Break Co., Ltd., 100% of whose shares are owned by Crest, a subject of consolidation from March 31, 2024.

(1) Outline of business combination

1) Name of company to be acquired and its business description

Name of acquired business Crest Co., Ltd.

Business description Management of car parking and bicycle parking lots, etc.

2) Main reason for business combination

As a manufacturer of DAM commercial karaoke equipment, the Company conducts sales activities rooted in local communities from our sales offices located throughout Japan.

In this environment, leveraging its karaoke sales offices nationwide and the personal networks and other advantages that it has built up in its sales activities in various regions, the Group is promoting a parking business with the name, "The Park," with the aim of making it the third pillar of the Group's business after the commercial karaoke business and karaoke cabin and restaurant business. It has expanded this business to a scale of approximately 2,400 parking facilities and 30,000 parking spots (as of December 31, 2023).

Crest Co., Ltd. (including Okinawa Break Co., Ltd.) operates approximately 700 coin-operating parking facilities with 6,000 parking spots (as of December 31, 2023) in major locations such as Tokyo, Osaka, Nagoya, and Okinawa. By acquiring the shares of this company, not only will the Company significantly increase its share in the major city-center locations, which has been a challenge for the Company, but it will also acquire the expertise in location development in city centers that CREST has cultivated for over 20 years since its establishment, which the Company believes will lead to further growth in the Company's parking business.

3) Date of business combination

February 26, 2024 (to be confirmed)

4) Legal form of business combination

Acquisition of shares

5) Name of the company after combination

No change

6) Percentage of voting rights acquired

100%

7) Main grounds leading to the decision on the acquiring company

The Company will acquire the shares with cash as the consideration.

(2) Acquisition cost and consideration of the acquired company by item

| | | |
|-------------------------------|-------------------|-------------------|
| Consideration for acquisition | Cash and deposits | 5,250 million yen |
| Acquisition cost | | 5,250 million yen |

(3) Main acquisition-related costs and their amounts

Not finalized at this time.

(4) Goodwill value generated, cause of generation, amortization method, and amortization period

Not finalized at this time.

(5) Assets received and liabilities assumed on the date of business combination and main breakdown of same

Not finalized at this time.