

May 15, 2023

DAIICHIKOSHO CO., LTD.
Supplementary Briefing Material on
Financial Results for the Year Ended March 31, 2023

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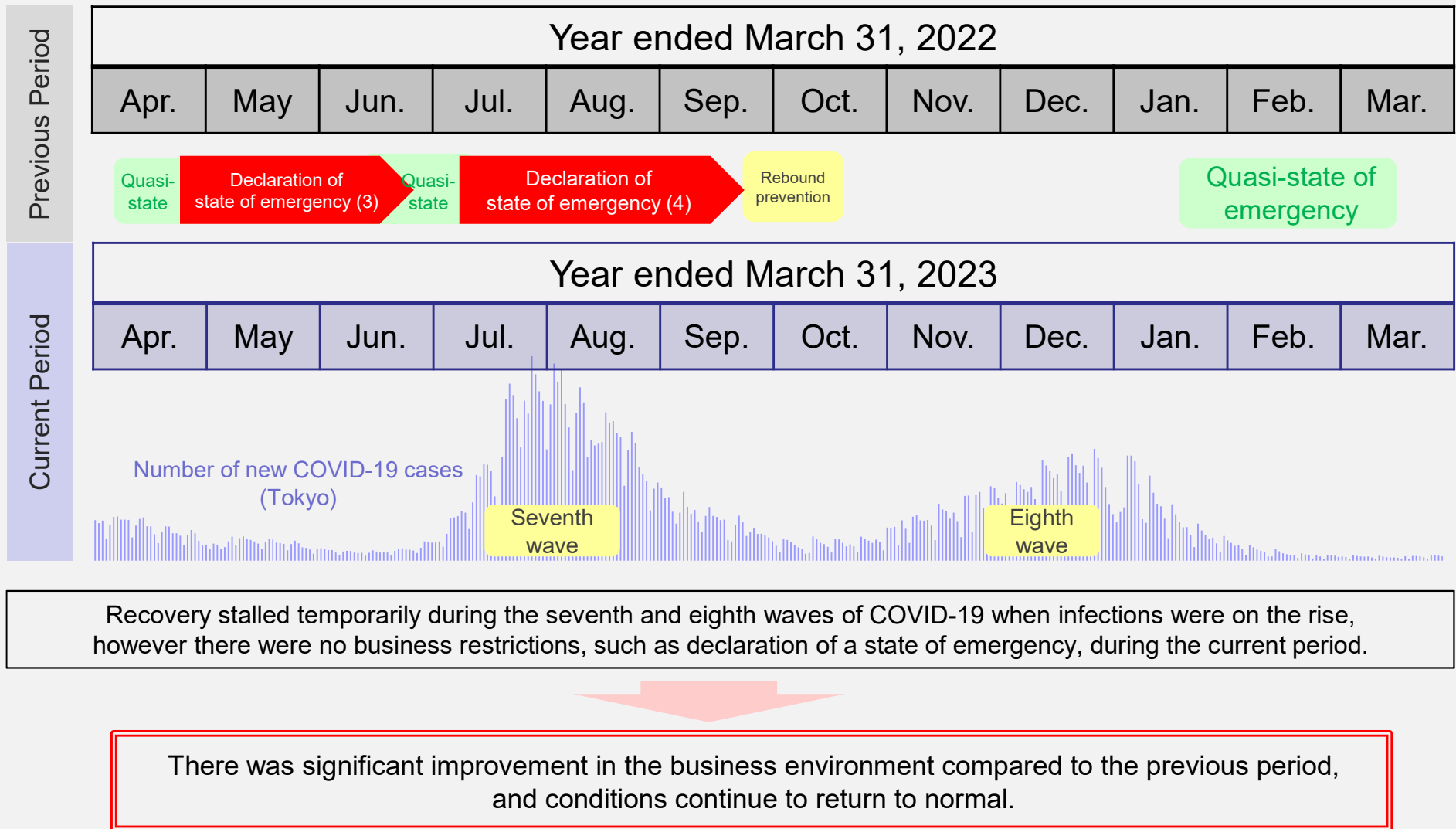
- The new Group corporate message
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Overview of Financial Results for the Year Ended March 31, 2023

《Year Ended March 31, 2023 (FY2022)》

- Despite the lingering impact of COVID-19, the business environment for the current period improved significantly compared to the previous period, when a state of emergency was declared twice.
- (Commercial karaoke)
Both the nightlife and the karaoke cabin markets were in a recovery trend 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 current period increased by 2% from the end of the previous period.
- (Karaoke cabins and restaurants)
There were no business restrictions, such as requests for reduced operating hours, during the current period, however with the impact of the seventh and eighth waves on attracting customers, net sales at existing stores were down approximately 20% compared to before COVID-19 (up 115% year on year), showing a recovery trend.
- 2.9 billion yen from the employment adjustment subsidies and subsidies for reduced business hours, etc. (corresponding to the previous period) was posted as extraordinary income, however 3.1 billion yen from store equipment impairment losses and losses due to changes in estimates of asset retirement obligations was posted as extraordinary losses.
- Consolidated net sales increased by 35.2% year on year and improved profits significantly.
(Year-on-year comparison) Operating profit: +13.2 billion yen; ordinary profit: +12.7 billion yen; profit: +3.1 billion yen
- Although a decrease in profit is expected in the commercial karaoke business in the next period (the fiscal year ending March 31, 2024) due to up-front investment in karaoke rental equipment and contents, overall sales and profit are forecast to increase due to factors such as recovery in the karaoke cabins and restaurants business due to a further reduction in the impact of COVID-19.
Net sales: 141.0 billion yen Operating profit: 15.0 billion yen Ordinary profit 16.0 billion yen
Profit: 10,700 million yen

<<Business environment >>



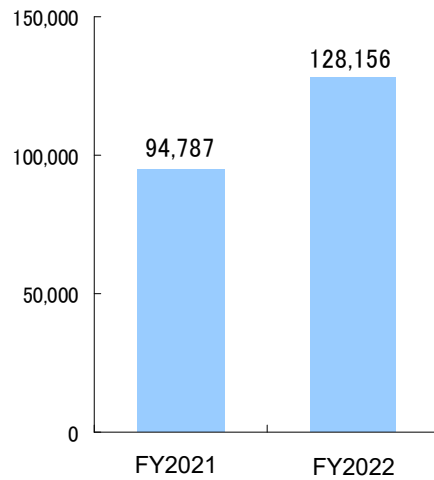
Overview of Financial Results for the Year Ended March 31, 2023: Performance comparison with FY2021

FY2022

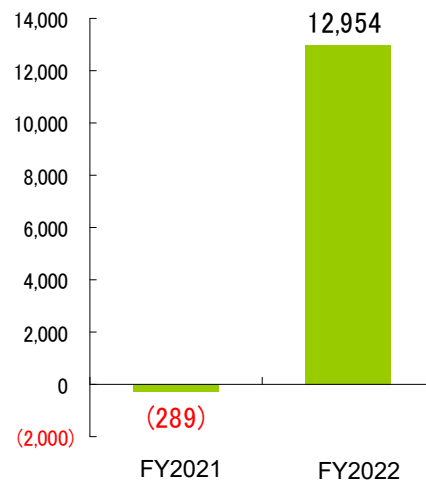
(Millions of yen)

	FY2021	(vs. sales ratio)	FY2022	(vs. sales ratio)	Change	% change
Net sales	94,787	(100.0%)	128,156	(100.0%)	+33,369	+35.2%
Operating Profit	(289)	-	12,954	(10.1%)	+13,244	-
Ordinary Profit	888	(0.9%)	13,601	(10.6%)	+12,712	-
Profit	5,196	(5.5%)	8,320	(6.5%)	+3,124	+60.1%

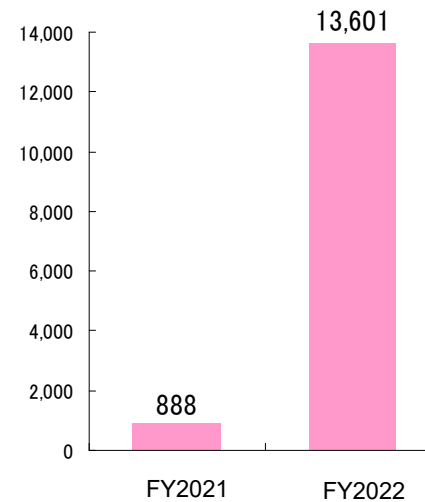
Net sales
(Millions of yen)



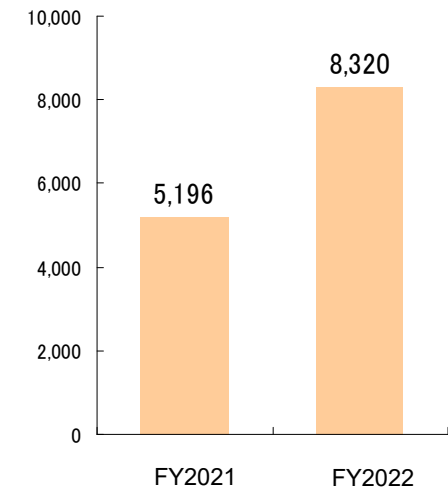
Operating Profit



Ordinary Profit

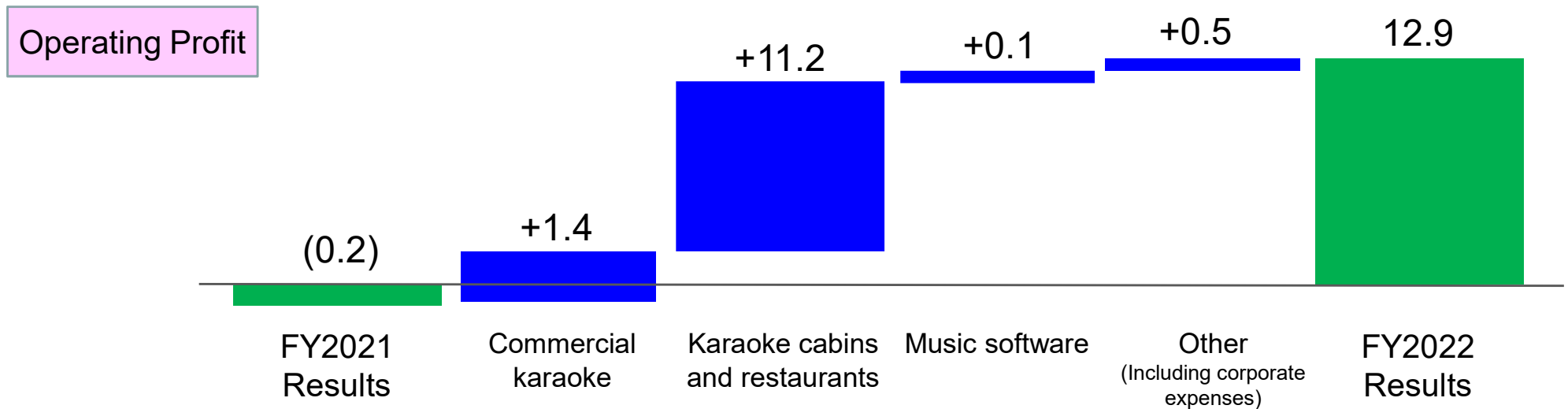
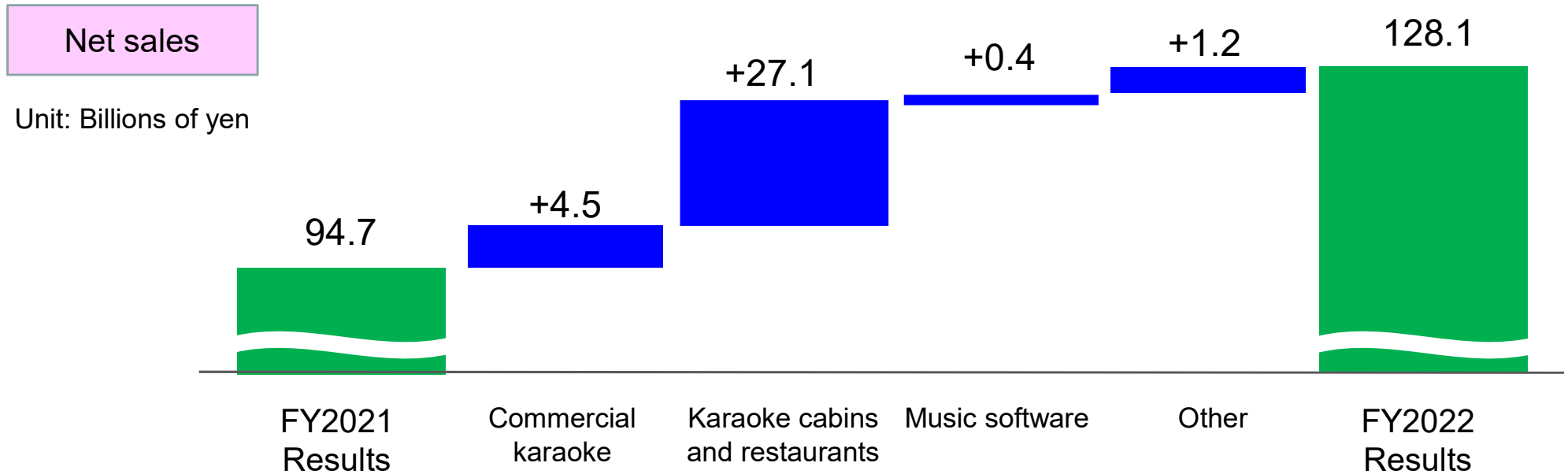


Profit



Overview of Financial Results for the Year Ended March 31, 2023: Factors for change of net sales / operating profit

FY2022



[Extraordinary income and losses]

◆ Extraordinary income 3,121 million yen (15,311 million yen for FY2021)

Main reason

- Subsidy income 2,928 million yen (15,206 million yen for FY2021)

(Various benefits, including employment adjustment subsidies and subsidies for shorter business hours for the previous period)

◆ Extraordinary losses 3,385 million yen (8,505 million yen for FY2021)

Main reason

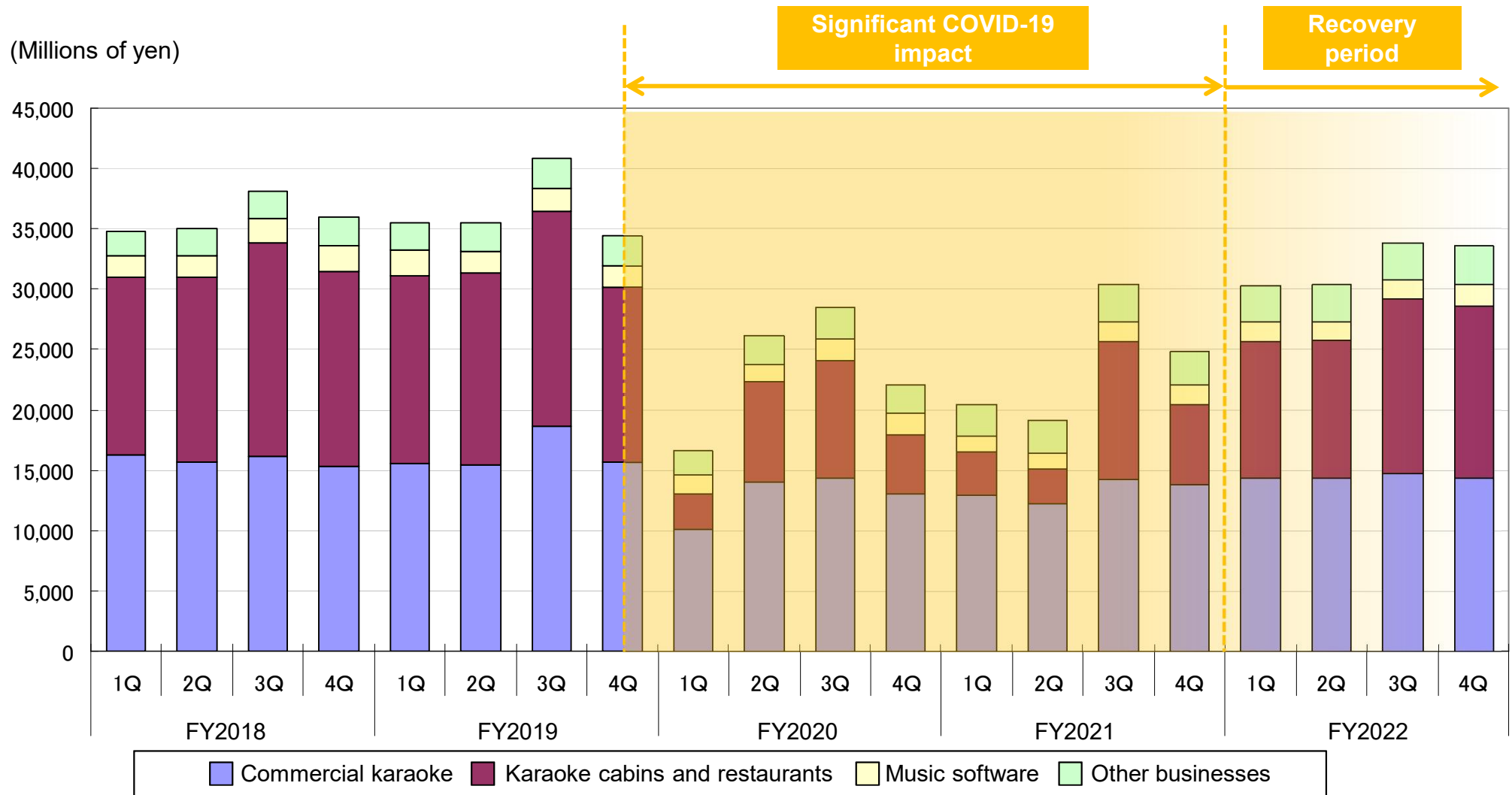
- Impairment losses 3,130 million yen (1,862 million yen for FY2021)

(Impairment losses of karaoke cabin and restaurant facilities and impairment losses due to changes in estimates of asset retirement obligations, etc.)

* In addition to the above, a loss on COVID-19 of 6,452 million yen was posted in the previous period.

Overview of Financial Results for the Year Ended March 31, 2023: Quarterly sales performance

FY2022

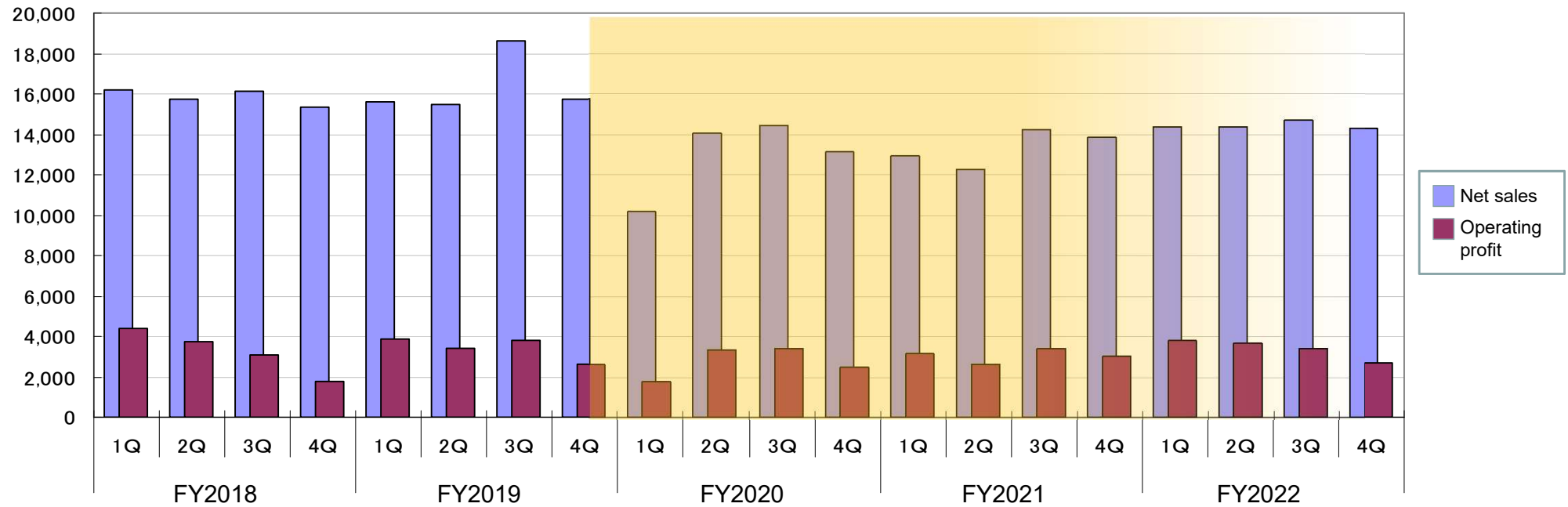


Overview of Financial Results for the Year Ended March 31, 2023: Performance by segment

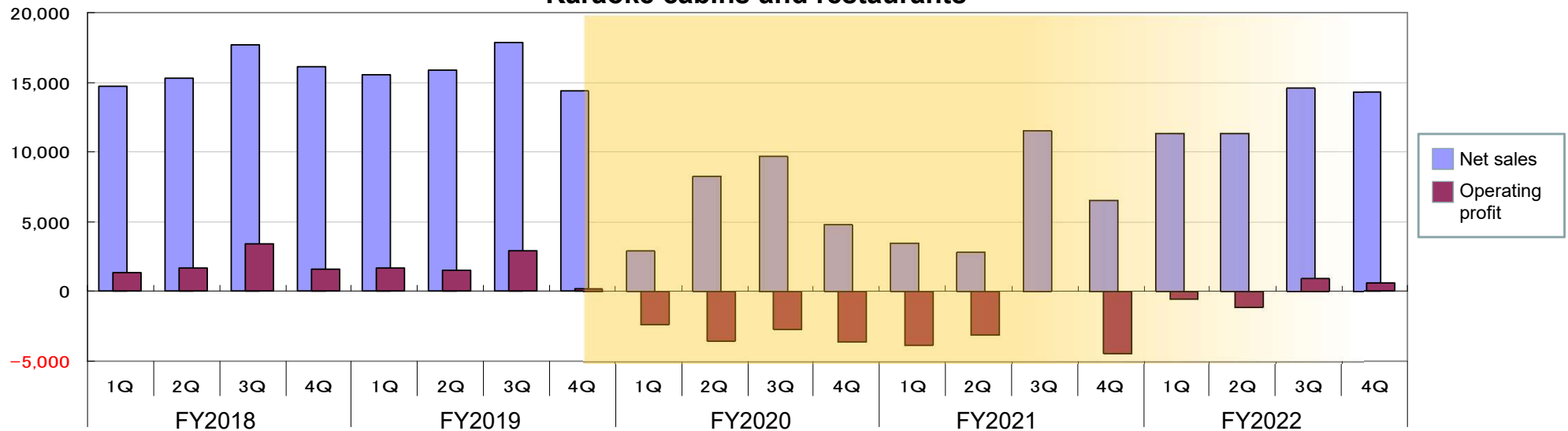
FY2022

(Millions of yen)

Commercial karaoke



Karaoke cabins and restaurants

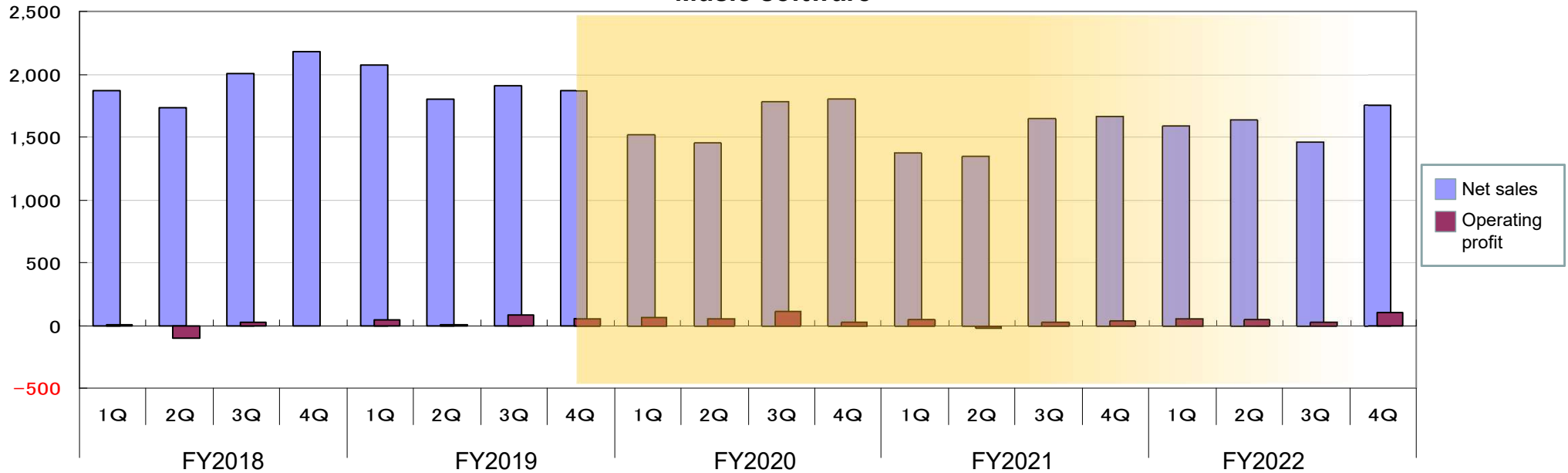


Overview of Financial Results for the Year Ended March 31, 2023: Performance by segment

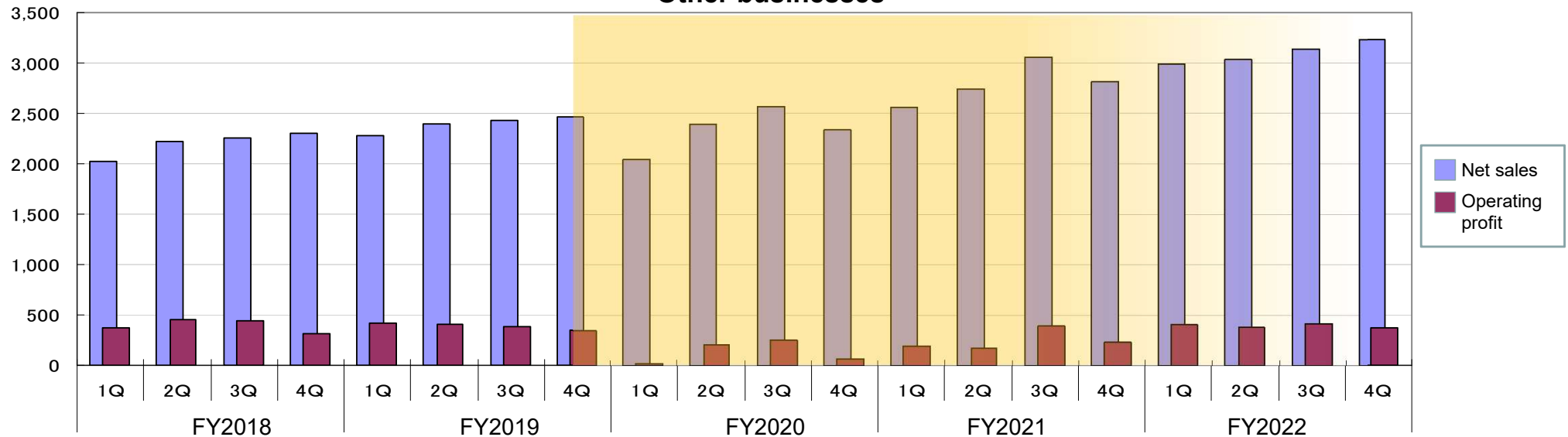
FY2022

(Millions of yen)

Music software



Other businesses



Overview of Financial Results for the Year Ended March 31, 2023:

Commercial karaoke

FY2022

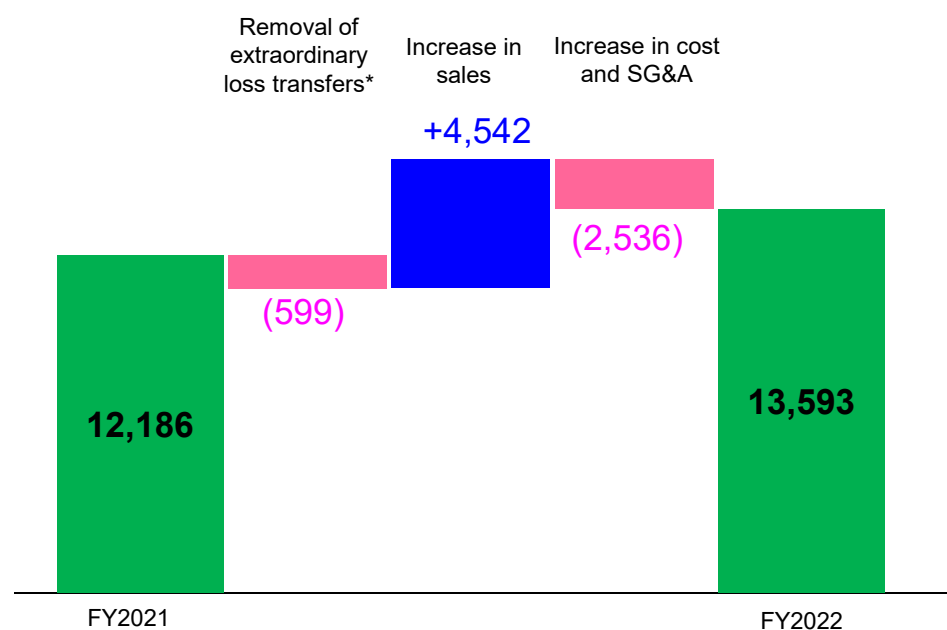
Commercial karaoke

(Millions of yen)

	FY2021	(vs. sales ratio)	FY2022	(vs. sales ratio)	Change	% change
Net sales	53,188	(100.0%)	57,731	(100.0%)	+4,542	+8.5%
Operating profit	12,186	(22.9%)	13,593	(23.5%)	+1,407	+11.6%

* 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 an 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 previous period.

[Notes]

- Due to the reopening of customer stores and an increase in new store openings following the lifting of various governmental requests, the business environment is trending toward recovery, centered on stores operating at night, such as snack bars, which are our main market.
- Establish a sales structure that also utilizes websites
 - "Karaoke no Madoguchi (Karaoke Sales Portal)": Supporting the introduction of karaoke equipment
 - "Yorumise Navi (Searchable Nightlife Real Estate Directory)"
 - Online events for the seniors' market such as nursing homes
- We strived to improve DAM products by expanding video contents such as live videos, animated videos and music videos, including a new content "Liview!"
- Net sales and operating profit increased due to a 2% increase in the number of units in operation compared to the end of the previous period.

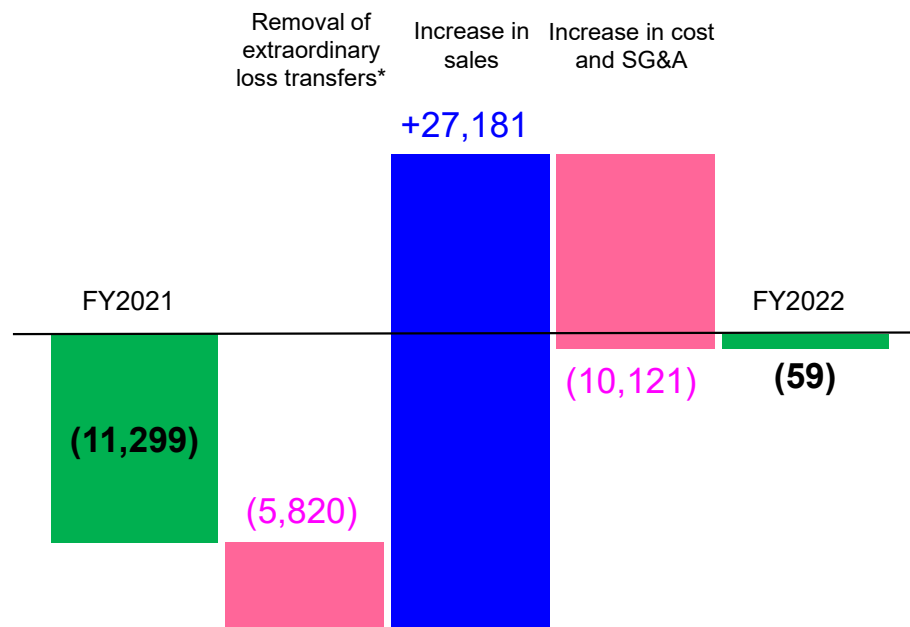
Overview of Financial Results for the Year Ended March 31, 2023: Karaoke cabins and restaurants

FY2022

Karaoke cabins and restaurants		(Millions of yen)				
	FY2021	(vs. sales ratio)	FY2022	(vs. sales ratio)	Change	% change
Net sales	24,402	(100.0%)	51,584	(100.0%)	+27,181	+111.4%
Operating profit	(11,299)	-	(59)	-	+11,240	-

* Fixed costs of 5,820 million yen for karaoke cabins and restaurants during the period they were closed were transferred to "loss on COVID-19" in the previous period (no amount for current period).

Factors for change of segment profit



* This is due to the absence of an amount transferred from the cost of sales and SG&A expenses to "loss on COVID-19" for the current period, which was 5,820 million yen in the previous period.

[Notes]

- Karaoke: Open 15, Close 10, Number of karaoke shops at the period-end 508
Restaurant: Open 14, Close 18, Number of restaurants at the period-end 171
- In addition to the continued impact of COVID-19 on some business locations and late-night hours, the impact of the seventh and eighth waves led to a temporary decline, however sales at existing stores were down approximately 20% compared to before COVID-19 (up 115% year-on-year), showing a recovery trend.
- For Big Echo, in addition to installing "LIVE DAM Ai" (our most premium karaoke model) in all rooms at 44 cabins, we focused on attracting more young customers through using social media and the introduction of "Saikyo Gakuwari (Best Student Discount)".
- We strove to strengthen our restaurants business, for instance by creating a new business type "Ginten," locations in Ginza Corridor Street, Tokyo and Meieki 3-chome, Nagoya.

Overview of Financial Results for the Year Ended March 31, 2023: Music software and other businesses

FY2022

Music software

(Millions of yen)

	FY2021	(vs. sales ratio)	FY2022	(vs. sales ratio)	Change	% change
Net sales	6,029	(100.0%)	6,430	(100.0%)	+400	+6.6%
Operating profit	79	(1.3%)	228	(3.5%)	+148	+186.0%

[Notes]

- With events and concerts starting to resume, the music industry has been regaining vigor and product sales of CDs, DVDs, etc. have shown modest recovery.
- The TV program production business also performed well.

Other businesses

(Millions of yen)

	FY2021	(vs. sales ratio)	FY2022	(vs. sales ratio)	Change	% change
Net sales	11,166	(100.0%)	12,411	(100.0%)	+1,244	+11.1%
Operating profit	1,006	(9.0%)	1,581	(12.7%)	+574	+57.0%

[Notes]

- The parking lot business, which operates under brand name "The Park," performed well with a total of approximately 2,000 facilities and 26,000 parking spaces at the end of the current period.

Overview of Financial Results for the Year Ended March 31, 2023:
Consolidated balance sheets

FY2022

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023	Change	Notes
Assets	180,389	188,623	+8,233	
Current assets	84,277	93,429	+9,152	Increase in cash and deposits and inventories
Non-current assets	96,112	95,193	(919)	Decrease in karaoke cabin and restaurant facilities
Liabilities	75,229	80,707	+5,478	
Current liabilities	21,658	35,288	+13,630	Increase in short-term borrowings and accounts payable – trade, accounts payable – other
Non-current liabilities	53,570	45,419	(8,151)	Decrease in long-term borrowings
Net assets	105,160	107,915	+2,755	

Overview of Financial Results for the Year Ended March 31, 2023: Consolidated management indicators

FY2022

Profitability

	FY2021	FY2022	Change
Operating profit to net sales (%)	(0.3)%	10.1%	+10.4%
Basic earnings per share (yen)	47.61 yen	76.21 yen	+28.60 yen

Soundness

	As of March 31, 2022	As of March 31, 2023	Change
Net assets (Millions of yen)	105,160	107,915	+2,755
Equity ratio (%)	57.4%	56.4%	(1.0)%

Cash flows

	FY2021	FY2022	Change
Cash flows from operating activities	18,165	24,869	+6,703
Cash flows from investing activities	(9,297)	(12,104)	(2,807)
Cash flows from financing activities	(8,487)	(9,493)	(1,005)
Net increase (decrease) in cash and cash equivalents	445	3,298	+2,853
Cash and cash equivalents at end of period	68,125	71,423	+3,298
Free cash flows	8,868	12,765	+3,896

(Millions of yen)

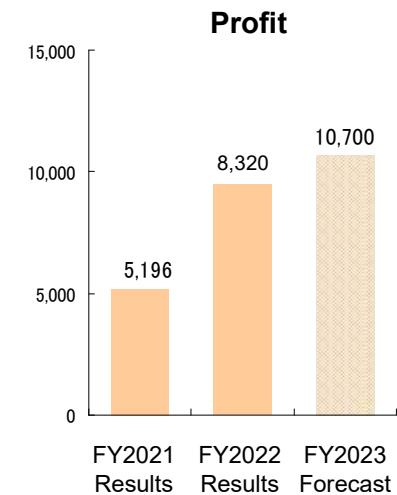
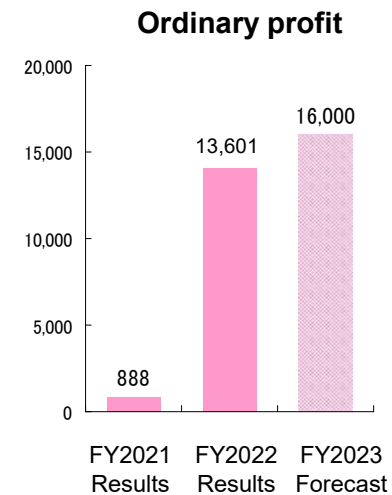
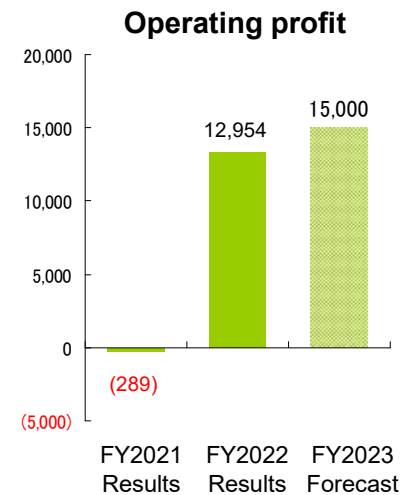
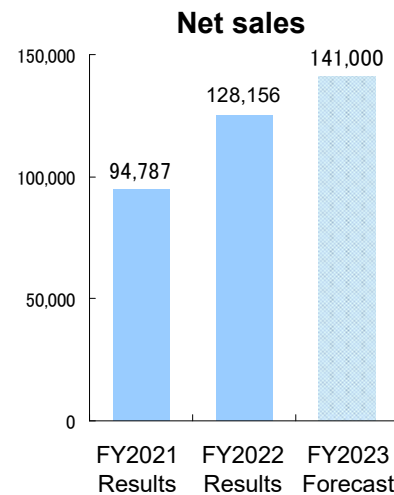
Outlook of Financial Results for the Year Ending March 31, 2024

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

FY2022

(Millions of yen)

	FY2021 (year ended March 31, 2022)		FY2022 (year ended March 31, 2023)		FY2023 (forecast) (year ending March 31, 2024)	
Net sales	94,787	(100.0%)	128,156	(100.0%)	141,000	(100.0%)
Operating profit	(289)	-	12,954	10.1%	15,000	10.6%
Ordinary profit	888	0.9%	13,601	10.6%	16,000	11.3%
Profit	5,196	5.5%	8,320	6.5%	10,700	7.6%
Earnings Per Share (EPS)*1	47.61		76.21		98.00	

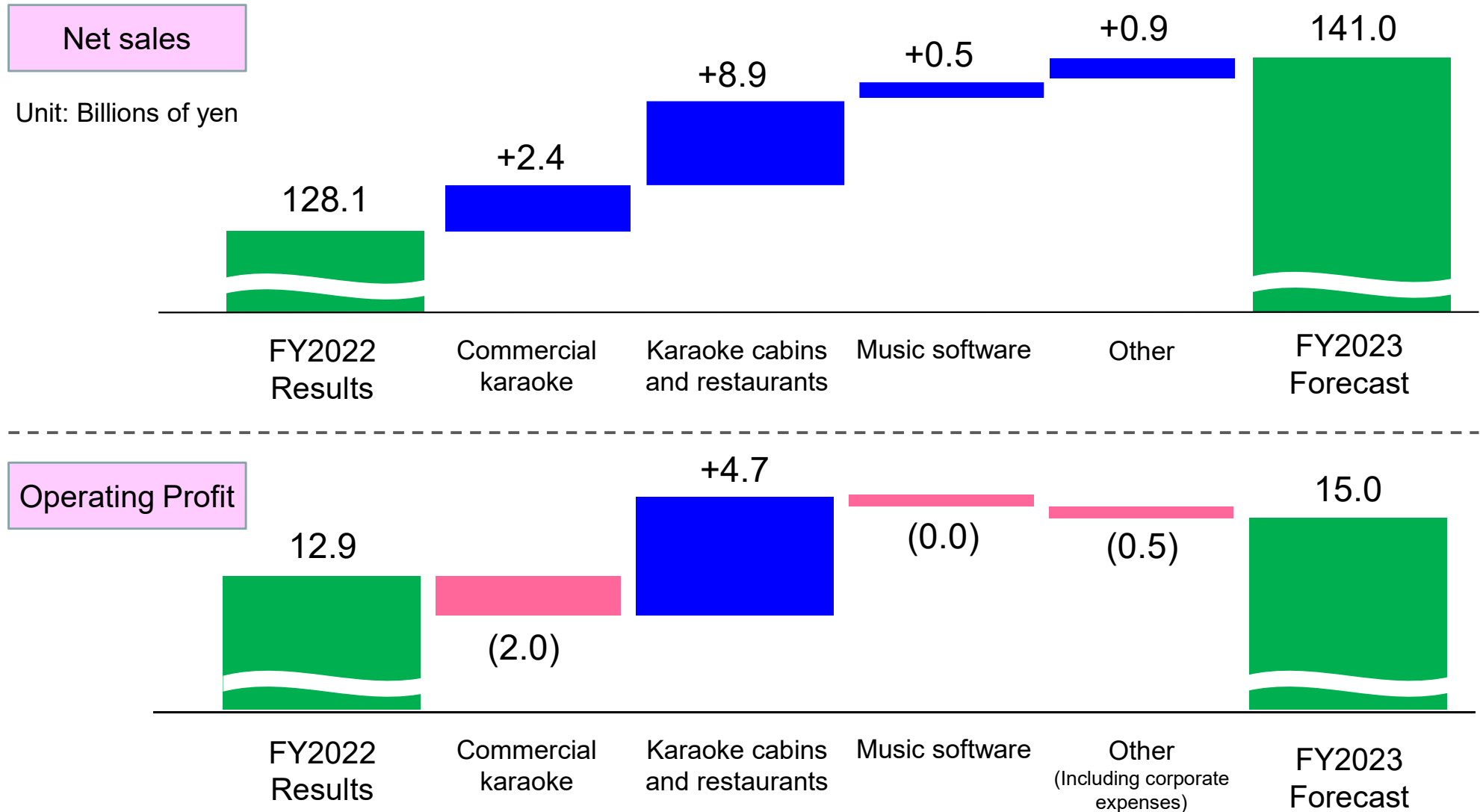


*1 Shares were split on April 1, 2023 at a ratio of 2 for 1 common share. Basic earnings per share were calculated as if said split had been carried out at the beginning of the previous fiscal year.

*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 and operating profit

FY2022



* 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.

Initiatives by segment

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 as the number one karaoke 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 forecast

- Taking into account the future business environment, and in light of the stock split, we decided to effectively increase the dividend forecast for the next fiscal year (FY2023), in comparison to the current fiscal year, at 57 yen (annual).

	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 (forecast)	29 yen (forecast)	57 yen (forecast)
Payout ratio	74.1%			58.2%		

* 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	Plan to acquire 4,000,000 shares	(6,000 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).

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.

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.

Released for 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

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.

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

Sing with No. 1.



Live hall reverb + Excite Mode

NEW **エキサイトライブホール**
 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

NEW **コール&レスポンス**
 コール&レスポンス

Call & response

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

YEAHHHHH! パチパチ

Arena!

"Hakushu!" (Applause!)

"Danshi!" (Now the boys!)

"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 노래제목좀 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/

Reference (karaoke cabins / restaurant business): Karaoke and restaurant brand list

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

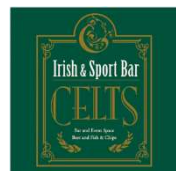


Tokachi Ishikari
Hakodate



Sushi ya
Harenohi

Bars



CELOTS



HIGHBALL BAR



J's Bar

Amusement bars



REGALO



Darts One



MARUNOUCHI
BASE

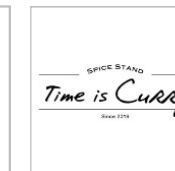
Restaurants / cafes



Ginza Coffee



Mochinoki
pasta



Time is Curry



Ichidan



◆ Enka, Pop

Tetsuji Kimura



◆ J-pop

BERRY GOODMAN



◆ Enka, Pop

Kaori Mizumori



◆ J-pop

chuLa



Parking Lot Business

Proposing land utilization and creating more value



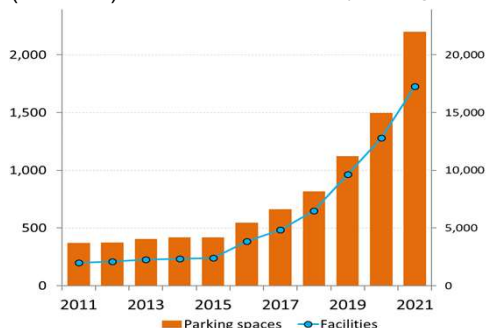
Armed with the trust we have built up with our customers nationwide as a leading company in the karaoke industry, we are developing our metered parking business under the name of "The Park," proposing effective use of land that contributes to local communities which satisfy our customers with safety 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, 2023 have expanded to a scale of 2,000 facilities and 26,000 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').



(Facilities)

(Parking spaces)



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
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