

Sing for Smile

Business Report

ECHO

Vol.46

2020.4.1 -
2020.9.30



DAIICHIKOSHO Securities Code: 7458



To Our Stakeholders

TOP MESSAGE

Let me take this opportunity to express my appreciation to our shareholders for their continued support.

The outbreak of novel coronavirus disease (COVID-19), which began at the end of last year, continues to spread throughout the world. We would like to express our deepest condolences to those who have contracted the disease, as well as our deepest gratitude to all including those in the medical field who have been doing their utmost to prevent the spread of infection.

During the second quarter, due to the impact of the spread of COVID-19, the Company had no choice but to suspend the business of all its stores for more than a month. In the commercial karaoke business, the stores of our customers were also affected by factors such as temporary business suspensions and store closures. From June onwards, as personal consumption gradually recovered and economic policies implemented by the government were effective, business results were on a recovery track. However, it remains difficult to predict when COVID-19 will be contained.

Under these circumstances, we began several new initiatives. In the Karaoke Sales division, as a measure to support our customers in their efforts to attract customers to their stores, we proposed and sold products related to the prevention of infections. In the elder business, we started a YouTube channel and conducted remote sessions. In the store business, we began delivery and kitchen car services. In addition, our parking business THE PARK, which we are promoting as a new business, is growing smoothly.

These new initiatives implemented in response to the current conditions will undoubtedly become a great source of strength for the DAIICHIKOSHO Group in the future. However, regardless of the times, the Company's mission under the corporate philosophy of "more music to society, more service to society" is to bring the joy of karaoke to as many people as possible, and that has remained unchanged.

As karaoke enriches and brings color into people's lives, it is a service that is necessary to society.

As a leading company in the karaoke industry, the Company will continue to grow by further enhancing the appeal and value of karaoke, and by contributing to the development of the entire karaoke industry through the continuous pursuit of services that are suitable for the era of living with COVID-19.

We ask for your continued support and understanding.

President Tadahiro Hoshi

このカラオケには、
Aiがある。

LIVEDAM Ai



Director and Senior Corporate Officer
General Manager of Store Business Headquarters

Interview with Takeshi Iijima



Protecting the safety and security of customers and employees by taking thorough measures to prevent infections

Soon after this fiscal year began, on April 7, the Japanese government declared a state of emergency. As protecting the safety and security of customers and employees is our top priority, from the perspective of preventing the spread of COVID-19, all stores of the DAIICHIKOSHO Group, including BIG ECHO stores and restaurants, conducted temporary business suspensions for more than a month. For the first time since our founding, we faced a situation where sales from the stores business had completely vanished, yet we still needed to pay a large amount of expenses, centering around fixed expenses. While it goes without saying that we should "decrease expenses and increase earnings," I shared the awareness with executives and all departments that all future operations should be conducted with this principle at the forefront of their minds, and that the most important goal is to ensure that the organizational structure does not collapse.

After business resumed, the infection prevention manual that we prepared during the business suspension period was placed at all stores of the DAIICHIKOSHO Group. Accordingly, we took thorough measures to prevent infections, including requesting customers to have their temperatures checked, and conducting health check-ups of employees before they start work. Also, we took steps to develop a system that ensures the safety of customers and employees without creating an additional burden, such as by introducing a temperature detection machine that automatically detects human temperatures using AI at BIG ECHO stores, which have a particularly high volume of visitors. Furthermore, at karaoke stores of the DAIICHIKOSHO Group including BIG ECHO stores, a ventilation system that complies with the Building Standards Act is in operation, and the air in the rooms is exchanged with the air outside every 7-12 minutes. In addition, we have been preparing for hygiene management using HACCP, which has been deemed as an obligation by the amended Food Sanitation Act, and we aim to complete preparations within this fiscal year. We have already adopted the cleaning methods stipulated in HACCP, and owing to these initiatives, the awareness of infection prevention and hygiene management among employees is at an exceptionally high level.

In this COVID-19 crisis, we view the protection of our employees' jobs as an important issue. No dismissals of regular employees or partners (part-time employees) were carried out because of the deterioration of business results. In addition, during the business suspension period, we

paid to partners the full amount of the allowance for absence from work based on the labor agreement. The Company's stance during this crisis has been praised even by the families of partners, and we believe that it has led to the construction of even stronger relationships of trust.

Developing new business formats compatible with "new ways of life," and working to improve operation rates of existing stores

"New ways of life," such as working at home, telework, and avoidance of dining in large groups, have had a large negative effect on stores located in the business districts. The usage of stores located in bustling shopping districts and in front of train stations has also decreased, but the decrease in the performance of stores located on the outskirts of cities was relatively low. Regardless of the area, the DAIICHIKOSHO Group has a tendency to open many stores at prime locations that have good conditions. We are certain that customers will eventually return to these stores as the COVID-19 crisis is approaching its "conclusion," and ultimately comes to an "end."

We have begun new initiatives in order to "decrease expenses and increase earnings." Demand for the telework plan OFFICE BOX, where karaoke rooms are provided as telework spaces, has further increased due to the COVID-19 crisis. In October, the number of uses was five times that in February. Thus, the plan leads to an increase in the operation rate of rooms without the need to make any new investments. Furthermore, in order to attract the customer group that makes smaller purchases than BIG ECHO customers, we opened MEGA BIG KARAOKE in Aichi, Osaka and Kyoto, targeting students and the younger generation. For restaurants, in order to raise the operation rates of kitchens, we developed the ICHINO series, which are delivery-only specialty restaurants that offer dishes such as fried chicken and pot rice, and began the sales of DASHIMAKI BURGERS using kitchen cars. We are also transforming a portion of the restaurants into a business format providing food, which is relatively strong even under the impact of the COVID-19 outbreak. As a new initiative, on November 5, we opened MARUNOUCHI BASE, a new business format with the concept of "a playground for adults from noon till evening, and even until the next morning" in Marunouchi Nakadori, Tokyo.

These measures and new stores, coupled with the resumption of economic activities, have led to visible signs of customers returning to our stores. Going forward, we will continue to develop business formats that are compatible with new ways of life, and we plan to create a cast-iron store management system.

Measures taken to prevent the spread of COVID-19

 ソーシャルディスタンス 確保	 フロント 透明シート設置	 入室人数の制限	
 アルコール除菌剤 の設置	 マイクの除菌	 清掃・除菌徹底	
 換気システム 作動中	 従業員の手洗い 健康チェック	 従業員マスク 着用	

▲ Temperature detection system
◀ Signs about infection prevention measures

New business format of a kitchen car, "D-kitchen," operated in Akihabara




Offers omelet hamburgers with a rich dashi taste, grilled carefully by hand by professional chefs



New initiatives by the DAIICHIKOSHO Group

Bringing telework even closer to you

 **Conducting infection prevention measures based on new ways of life**
Teleworking at nearby, convenient and safe BIG ECHO

The karaoke rooms of BIG ECHO stores, totaling around 500 in Japan, are provided as work spaces through the service OFFICE BOX. The service has been well-received by customers, who listed advantages such as "being able to talk and make calls without worrying about the people around them," "not having to worry about others seeing the documents on their table" and that "many stores are located near train stations." As demand for telework spaces has increased due to the spread of COVID-19, in order to encourage more people to use TELEWORK PLAN, we revised the prices and services on July 1. All stores are conducting infection prevention measures based on the "new ways of life," and a high-speed temperature detection system has been introduced at some stores. Through these measures, we strive to strengthen initiatives aimed at creating a telework space that is even closer to customers, and even more convenient and safe.



新しい、働き方。
ビッグエコーで
テレワーク!

60分ご利用料金

お一人様 **500円** 税込 延長30分 250円税込

6名様以上
一室 **2,500円** 税込

  **予約不要** **完全個室**

BIG ECHO

Enjoy delectable food from specialty restaurants at home!

 **Opened ICHINO KAMAMESHI (KAMAMESHI means pot rice), a new business format of a delivery-only specialty restaurant**

With "delectable pot rice and obanzai cooked using carefully selected rice" as its concept, utilizing the kitchens of existing restaurants, ICHINO KAMAMESHI opened as a delivery-only specialty restaurant in Akihabara, Yokohama and Kyoto Sanjo on September 17. It offers 13 types of pot rice that utilize carefully selected ingredients, with each dish being cooked only after an order is received, thereby ensuring that delivered dishes are freshly cooked. The restaurant also offers six types of obanzai that are perfect as side dishes, thereby allowing customers to easily enjoy the delectable food of a specialty restaurant from the comfort of their homes.


Going forward, the Company will continue striving to improve customer satisfaction levels by providing services that meet the new needs of our customers.



A dish on the menu:
CHICKEN KAMAMESHI

Delectable pot rice and obanzai cooked using carefully selected rice
 ICHINO KAMAMESHI (delivery-only specialty restaurant)

New business format of a casual karaoke store with reasonable prices

 **MEGA BIG KARAOKE, a new business format, opened in Aichi, Osaka and Kyoto**

On August 11, MEGA BIG KARAOKE, a new business format, opened at Chiryu Station in Aichi, at Takatsuki-shi Station in Osaka and at Kyoto-Kawaramachi Station in Kyoto. With students and the younger generation as the target audience, the store concept is set as "enjoy karaoke at a casual store with reasonable prices." Stores with pop rooms are filled with services that allow customers to enjoy karaoke more easily.

カラオケ 飲み放題付 **カラオケ**
メガビッグ



Using the power of song for the mind and body

 **Started YouTube channel of the DK ELDER SYSTEM**

We started the DK ELDER CHANNEL on YouTube, which allows people to easily experience the DK ELDER SYSTEM, a system distributing contents for prevention of the need for nursing care and promotion of good health utilizing the online karaoke system DAM. People can more easily enjoy the video contents in their homes from their personal computers, smartphones or other devices. The channel was also praised for alleviating the problem of a lack of exercise during the COVID-19 crisis.



The DAM series, with the No.1 share in the industry

Boosting it further with exclusively distributed content!

Online karaoke DAM, which boasts an overwhelmingly large share in the market, distributes the industry's largest lineup of more than 23,000 video contents featuring real artists, including the music videos and live performance

videos of artists, in the pursuit of the joy and comfort of singing karaoke. There are also many contents exclusively available on DAM. We will continue our efforts to enhance the appeal of karaoke and the product capabilities of DAM.



B'z



AAA



Anzen Chitai

First large-scale entertainment spot in the Tokyo Marunouchi area

MARUNOUCHI BASE opened on November 5

On November 5, in the redevelopment area of Marunouchi, Tokyo, a new commercial building named Marunouchi Terrace opened. On levels one and two of the building, we opened an American diner, MARUNOUCHI BASE. Inside the restaurant, state-of-the-art karaoke systems and darts machines have been installed in an adjoining entertainment area. Therefore, we have created a large-scale composite entertainment space which can be used in many ways, from business meetings to private gatherings, and where a myriad of conversations can arise. For the food menu, our lineup includes BIG FRIED CHICKEN fried by the cooking appliance Dr. Fry, which has been garnering much attention lately and sirloin steaks. Furthermore, we will offer craft beer both from Japan and overseas, which will liven up recreational gatherings.



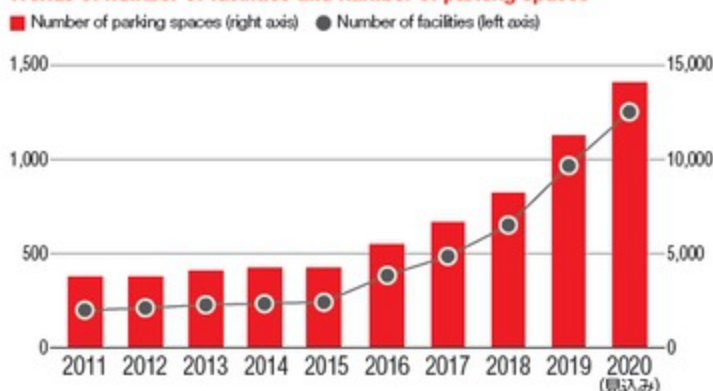
DAIICHIKOSHO's THE PARK

Parking business expands smoothly



The Company is promoting its coin parking business, which utilizes the business network of karaoke that is closely linked to each local region, under the name THE PARK. It has been about three years since we began the full-scale development of the business throughout Japan. Currently, the business has grown to more than 1,000 facilities and more than 10,000 parking spaces. Going forward, it will continue growing as a new pillar of the DAIICHIKOSHO Group.

Trends of number of facilities and number of parking spaces



Making the DK ELDER SYSTEM more effective!

A wide variety of premium content

The DK ELDER SYSTEM is a system that distributes contents for prevention of the need for nursing care and promotion of good health. The lineup of premium content, selected based on the opinions of caregivers, has been further enhanced. Going forward, the Company will continue developing contents that are even more effective, with the aim of creating a healthy society where every person can "live a joyful life."

生活総合機能改善機器

DK ELDER SYSTEM

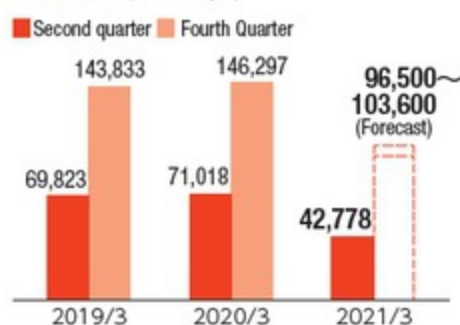


Do it with Mr. Gobo! Chair exercises *Oral exercises to help you enjoy your meals*

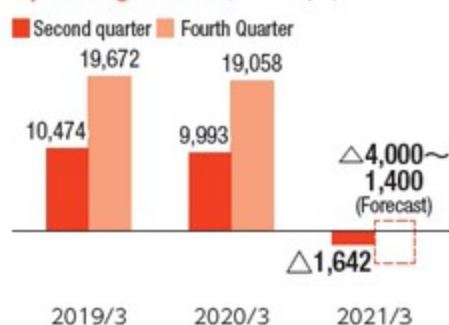
FINANCIAL HIGHLIGHTS

Item	2019/3		2020/3		2021/3	
	Second quarter	Fourth Quarter	Second quarter	Fourth Quarter	Second quarter	Fourth Quarter(Forecast)
Operating results (Millions of yen)						
Net sales	69,823	143,833	71,018	146,297	42,778	96,500~103,600
Operating income	10,474	19,672	9,993	19,058	△ 1,642	△ 4,000~1,400
Operating income to net sales (%)	15.0	13.7	14.1	13.0	△ 3.8	△ 4.1 ~ 1.4
Ordinary income	11,225	20,881	10,697	20,133	△ 746	△ 2,600~2,800
Net income attributable to owners of parent	7,253	15,600	6,655	12,555	△ 3,881	To be determined
Financial position (Millions of yen)						
Total assets	182,759	188,814	182,975	181,567	207,328	-
Net assets	129,491	132,636	136,200	136,205	127,384	-
Cash flows (Millions of yen)						
Net cash provided by operating activities	13,239	30,221	11,489	28,155	△ 1,595	-
Net cash used in investing activities	△ 9,101	△ 14,192	△ 8,100	△ 21,430	△ 5,555	-
Net cash used in financing activities	△ 3,563	△ 9,547	△ 10,299	△ 15,872	31,511	-
Cash and cash equivalents at the end of period	50,563	56,439	49,473	47,232	71,593	-
Per share data (Yen)						
Basic earnings per share	127.33	274.43	117.45	221.87	△ 69.38	To be determined
Net assets per share	2,244.44	2,310.79	2,372.79	2,386.30	2,259.18	-
Dividend per share (interim/year-end)	56.00	56.00	56.00	57.00	56.00	57.00
Major management indicators (%)						
Ordinary income to total assets (ROA)	-	11.3	-	10.9	-	-
Return on equity (ROE)	-	12.2	-	9.5	-	-
Equity ratio	70.0	69.3	73.5	74.0	60.6	-
Payout ratio	-	40.8	-	50.9	-	To be determined

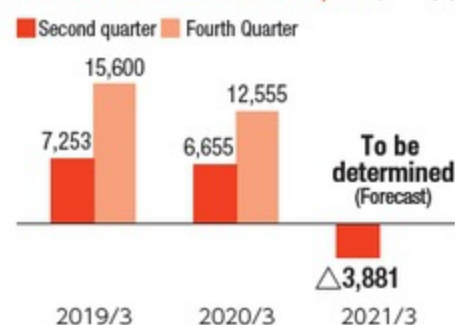
Net sales (Millions of yen)



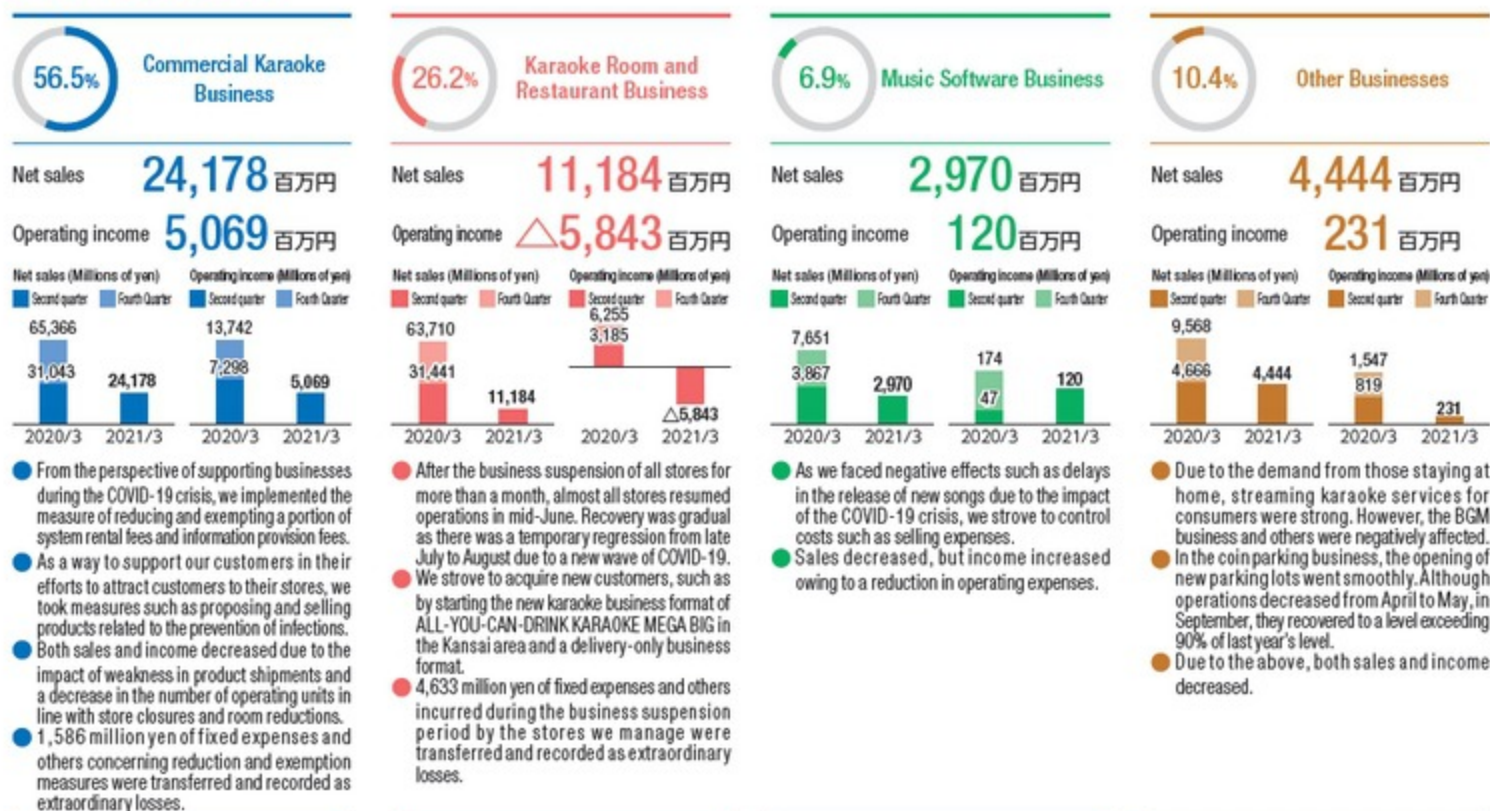
Operating income (Millions of yen)



Net income attributable to owners of parent (Millions of yen)



Overview by Segment



J-POP

BERRY GOODMAN



This is a three-member vocal group. Throughout their career, they have written many "power songs," or songs with an encouraging message. From last year, for two years in a row, they have been chosen as one of the top three artists whose songs are most popular when played during a professional baseball player's appearance. On October 28, they released their new album "TEPPAN" through a new label TEPPAN MUSIC. The album has 12 songs, including "Dreamer," a song written as the "2020 ABC High School Baseball Power Song," and "Aikata," a song with a music video that garnered much attention as the M-1 champion Milk Boy appeared in it.



Enka (Popular Ballad)

Kaori Mizumori



Known as the "local singing queen," Kaori Mizumori celebrates the 25th anniversary of her debut this year.

The song "Setouchi Shodoshima," set in Shodoshima, Kagawa Prefecture, was released in February, and is still a hit currently. Due to the current COVID-19 crisis, she had to cancel all her concerts and events. However, she conducted an "online autograph session," and her "memorial concert," held annually on her debut date of September 25, was held online as well, and the event ended as a huge success. It has also been confirmed that she will be appearing, for the 18th year running, on the NHK Kohaku Uta-Gassen at the end of the year.



CORPORATE INFORMATION (as of September 30, 2020)

Corporate Profile

Corporate name	DAIICHIKOSHO CO., LTD.
Established	April 16, 1973
Capital	12,350 million yen
Number of employees	Parent: 3,526 Group: 1,938
Description of main businesses	Commercial karaoke business, karaoke room and restaurant business, music software business and other businesses
Consolidated subsidiaries	Domestic sales subsidiaries: 25 companies Other domestic subsidiaries: 12 companies Overseas subsidiaries: 3 companies

Status of the Shares

Number of authorized shares	200,000,000 shares
Number of outstanding shares	57,234,200 shares
Number of shareholders	20,153

Major Shareholders

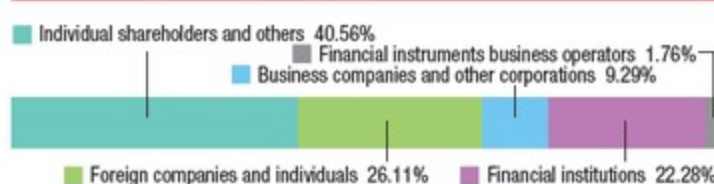
Name of shareholder	Number of shares held (Thousands of shares)	Shareholding ratio (%)
Tadahiro Hoshi	6,246	11.23
Harutoshi Hoshi	6,119	11.00
The Master Trust Bank of Japan, Ltd. (Trust account)	3,119	5.61
JP MORGAN CHASE BANK 380072	2,693	4.84
Hoshi Create Co., Ltd.	2,449	4.40

* Shareholding ratio is calculated after deducting 1,610,512 treasury shares.

Executive Officers

President	Tadahiro Hoshi	Director (part-time)	Katsuhiko Baba
Senior Managing Director and Senior Corporate Officer	Yasutaka Wada	Director (outside)	Atsuya Furuta
Senior Managing Director and Senior Corporate Officer	Tatsuya Kumagai	Director (outside)	Chika Masuda
Senior Managing Director and Senior Corporate Officer	Yuichi Murai	Corporate Auditor (standing, outside)	Hiroshi Umetsu
Director and Senior Corporate Officer	Yasuhiro Watanabe	Corporate Auditor (standing)	Shigeki Kobayashi
Director and Senior Corporate Officer	Noriyuki Takehana	Corporate Auditor (outside)	Masumi Arichika
Director and Senior Corporate Officer	Kenji Otsuka	Corporate Auditor (part-time)	Hiroyoshi Shibano
Director and Senior Corporate Officer	Takeshi Iijima		
Director and Senior Corporate Officer	Harutoshi Hoshi		

Shareholding Ratio by Category



Shareholder Special Benefits

Shareholders recorded in the final shareholder registry on September 30, 2020 as holding 100 or more shares will be granted special benefits coupons according to the number of shares held.

Number of shares held	Issued semiannually	
	Special benefits coupon ^(*)	Exchange with CD(s) ^(**)
100 to 999 shares	Ten sheets of 500-yen coupon	1 CD
1,000 shares or more	25 sheets of 500-yen coupon	2 CDs

(*) The coupons can be used at BIG ECHO and KARA OKE MAC karaoke rooms and restaurants operated by the DAIICHIKOSHO Group including RAKUZO, UMEKO-NO-IE, and BISTRO-YA.

(**) CD albums are granted in exchange for total face value of coupons held.

Timing of delivery On or after December 4, 2020

Validity period January 1, 2021 to June 30, 2021

Information for Shareholders

Business term	From April 1 of each year to March 31 of the following year
Ordinary General Meeting of Shareholders	June of each year
Record date for the above	Ordinary General Meeting of Shareholders: March 31 Other occasions: Other record date separately determined as necessary upon a public notice
Record date of shareholders to receive dividends from surplus	Year-end dividend: March 31 Interim dividend: September 30
Number of shares constituting one unit	100 shares

Method of public notice	Electronic public notice If it is impracticable to provide an electronic public notice because of an accident or any other unavoidable reason, a public notice will be provided in the Nihon Keizai Shinbun.
Transfer agent and account management institution for the special account	Mitsubishi UFJ Trust and Banking Corporation
Contact of above (postal address and telephone number)	Mitsubishi UFJ Trust and Banking Corporation Corporate Agency Division 1-1 Nikko-cho, Fuchu-shi, Tokyo Telephone: 0120-232-711 (toll-free in Japan only) Postal address: Mitsubishi UFJ Trust and Banking Corporation Corporate Agency Division Shin-Tokyo Post Office, PO Box No. 29, 137-8081, Japan