

To Our Stakeholders

TOP MESSAGE

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

There was a sharp increase in the number of new cases of COVID-19 in July, with the disease continuing to spread following its emergence at the end of 2019. However, since the lifting of priority measures to prevent the spread of the disease in March of this year, no restrictions have been imposed by the government on the operations of our Group's stores or those of our customers' stores, and during the second quarter, both our commercial karaoke business and our karaoke room and restaurant business, which are our main businesses, showed a recovery trend.

Under these circumstances, the Group has been working on a variety of measures with two key tasks for the current fiscal year: to recover the number of DAM online karaoke operating units, which declined due to the COVID-19 pandemic, and to return the karaoke room and restaurant business to profitability. Based on the results up to the second quarter, we are seeing significant progress.

In the commercial karaoke business, in addition to face-to-face sales, which is one of the Company's strengths, we strived to build a sales structure that also utilizes the Internet and to strengthen DAM's product appeal by further enhancing video content, including live performances and animation, such as the new "LIVIEW!"

In the karaoke room and restaurant business, the Group strengthened its facilities by introducing the premium LIVE DAM Ai model, and in addition to attracting customers by using SNS to appeal to a wide range of customers, including students, we are also focusing on the development of new types of restaurants.

Furthermore, the scale of the parking business, which we are focusing on as the third pillar of our business, is steadily expanding.

Although it is expected to take some time for the COVID-19 pandemic to be completely contained, the business environment is steadily recovering compared to the previous periods. Now is the time for us to widely promote the value of karaoke as "an indispensable service for society that contributes to people's mental and physical health" in addition to "the joy of singing" as our mission. In October, we formed this desire into a new Group corporate message, "Singing as we go," and announced it on our website and in other media.

As a leading company in the karaoke industry, the Company will continue to grow by further enhancing the appeal of karaoke under the corporate philosophy of "more music to society, more service to society," and by contributing to the development of the entire karaoke industry as well as to the resolution of societal issues.

We ask for your continued support and understanding.

President **Tadahiro Hoshi**

DAIICHIKOSHO Group's New Corporate Message

Singing as We Go

Let's sing as we go everyday. If we sing, tomorrow will be a better day.

We have formulated a new Group corporate message based on our desire for everyone to enjoy karaoke more, as it energizes the body and mind. We will continue to spread the wonderful power of singing throughout society and help enrich people's day-to-day lives through a variety of actions centered on this message.

Special website launched <https://www.clubdam.com/singing/>



Interview with Kenji Otsuka



Sales structure under the impact of COVID-19

Almost three years have passed since COVID-19 began to spread. During this period, the karaoke industry has been severely affected, primarily by declarations of a state of emergency.

On the other hand, despite the various restrictions on day-to-day life, customers are steadily returning to karaoke every time a declaration or other measure is lifted. The COVID-19 pandemic has helped us to realize once again that songs are an inseparable part of day-to-day life and that karaoke has taken root as a familiar culture that can be enjoyed by all.

Amid these circumstances, the Sales Management Headquarters has overcome this crisis hand-in-hand with our customers by continuing our face-to-face marketing that is closely linked to each region through the provision of infection prevention products and other measures. In addition, we have made the preparations that can be made in the face of the temporary shrinkage of the market due to the COVID-19 pandemic, such as establishing the “Karaoke no Madoguchi” (consultation desk for karaoke) and “Yorumise Navi” (search navigation for properties for night entertainment) and building a sales structure utilizing the Internet. The parking business, which we began promoting nationwide about six years ago, is also steadily expanding, backed by our longstanding business activities that are closely linked to each region.

Conveying the wonderful power of singing to all of society

The impact of the COVID-19 infection on the economy has been gradually diminishing.

In response to this situation, we have formulated a new Group corporate message: “Singing as we go.” This message expresses our desire for everyone to enjoy karaoke more, as it energizes the body and mind.

One of our efforts to realize this desire is the provision of Harmony microphones, which have been redesigned into pink and white versions. Black is the color that has generally been associated with microphones, but we aim to promote the value of karaoke with the bright, clean, and vibrant Harmony microphones. Hoping to contribute to the development of the karaoke industry by making karaoke more accessible to a wider range of people than ever before, we have already switched out the microphones in all rooms of our BIG ECHO store to the latest Harmony microphones, and are introducing the microphones not only in karaoke rooms but also in snack bars and other customer outlets.

In addition, based on our Basic Policy on Sustainability, the Group has raised “extending healthy life expectancy” and “enhancing quality of life” as key issues, and the promotion of karaoke to the market for elderly residents is part of this policy. Specifically, we are introducing karaoke equipment to community centers, day service facilities, and nursing care facilities for elderly residents as we believe that there is a strong need for karaoke in these facilities. The DK ELDER SYSTEM can also be used as a regular karaoke system, and is equipped with many contents based on evidence from research conducted jointly with universities, etc. This is greatly appreciated by facility staff, who are struggling with recreational activities for the facility users. The newest model, FREE DAM LIFE, launched in this October, is equipped with an automatic function “*Omakase-rec*” that plays recreation programs that suit the user’s motor functions and other factors, as well as a remote session function that allows sessions to be held between distant facilities, which we hope will help improve the environment at nursing facilities.

We are striving to return the number of DAM units in operation to the level seen before the decline due to the COVID-19 pandemic, as one of our key tasks for the current fiscal year. We are also working to boost the recovery of existing markets, such as snack bars and karaoke rooms, while developing the seniors’ market and other growth markets, as well as creating new places to sing. In addition, we believe that expanding our stable business base by strengthening the parking business as the third pillar of our business, utilizing our nationwide sales network, will lead to the development of DAIICHIKOSHO.

We will continue to increase the value of karaoke and singing, and we will implement measures to contribute to the resolution of societal issues by invigorating the karaoke industry.



Consultation service to support the installation of karaoke equipment in stores and facilities



Information website about rental properties for use as snack bars and clubs.



LIVE DAM Ai

The Company puts its utmost efforts into supporting anime and voice-actor content with DAM!

In pursuit of the enjoyment factor of karaoke, the Company has been striving to enhance visual content, such as live videos and music videos. As part of these efforts, we launched the DAM Anime Club in April to enable customers to enjoy anime songs and voice-actor content more than ever at karaoke.

The DAM Anime Club's official Twitter account will provide information on anime and voice actors, and together we will create karaoke tracks that you want to sing.

In addition, more than 200 voice actors have participated in "Anison Vocal," DAM's unique content in which popular voice actors sing animation songs that they have chosen, and more than 300 songs have been available.

DAM will continue to enhance anime and voice-actor content, as well as other content that maximizes the enjoyment of karaoke.



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DK ELDER SYSTEM

The latest FREE DAM LIFE model is now available.

On October 4, 2022, we launched FREE DAM LIFE, the latest model dedicated to the DK ELDER SYSTEM, a comprehensive lifestyle functional improvement device currently used in more than 25,500 facilities for the elderly. In addition to beautiful images and clear sound, the new model is an evolution of the lightweight and highly usable FREE DAM, equipped with a wide variety of content and a significantly increased number of recreation programs.

Enhancement of music and video contents

More than 130,000 songs are available and so are more than 1,450 video contents. More than 1,200 elder system contents are available to support functional training and prevent the need for nursing care.

Songs Over 130,000	Songs with guide vocal Over 10,000	Video contents Over 1,450	Elder system contents Over 1,200
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*As of October 2022



FREE DAM LIFE

The newly-launched FREE DAM app is an application exclusive for FREE DAM LIFE that allows users to search for songs, and create, register and reserve recreation programs from their smartphones and other devices without having to operate the DAM system.



Screenshot of the FREE DAM app main menu ▶

生活総合機能改善機器

DK ELDER SYSTEM

Official DK ELDER SYSTEM website

<https://dk-eldersystem.com/>



BIG ECHO's latest initiatives

Utilization of SNS and launch of the "Saikyo Gakuwari (Best student discount)"

In September, BIG ECHO became the first karaoke room operator to launch an official TikTok account and we are making efforts to convey the fun factor of karaoke by utilizing social networking services including Twitter.

In addition, we will continue to implement measures to provide opportunities to experience the enjoyment and pleasure of singing, including the "Saikyo Gakuwari (Best student discount)" offered at all stores.



● TikTok



● twitter

New business model in the restaurant business

New business model featuring freshly fried tempura and shochu on tap Japanese-style tap bar "Gin ten" opened on September 16.

On September 16, 2022, a Japanese-style tap bar "Ginten" opened on Ginza Corridor Gai. At Ginten, customers can enjoy healthy tempura and a wide variety of *atemaki* (a kind of rolled sushi as nibbles for drinks). A table-top tap allows customers to pour any amount of shochu they want at any time, which is available with no additional charge for 60 minutes, so there is no waiting time hindering the enjoyment of unlimited drinks. The interior of the restaurant features a clean, white, wooden counter and table seating area, and blue mosaic tiles are used as a point of interest to create a stylish yet comfortable space that evokes a sense of nostalgia. We will continue to develop attractive stores and services that meet customer needs and location characteristics, and aim to attract more customers by pursuing customer satisfaction.



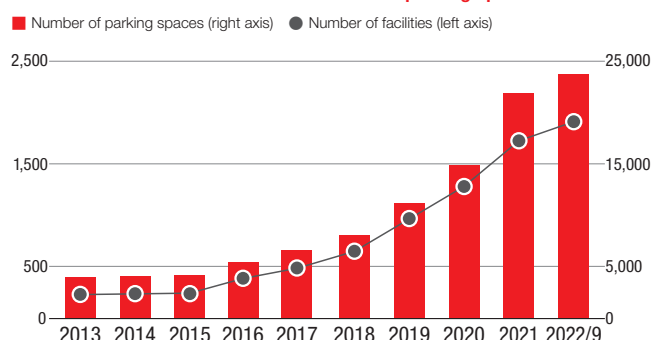
Parking business THE PARK

The Company is promoting its coin parking business, which utilizes the business network of karaoke that is closely linked to each region, under the name THE PARK. Roll out of the business is progressing well having grown to encompass 1,900 facilities and 23,000 parking spaces as of the end of September 2022. Going forward, it will continue growing as a new pillar of the DAICHIKOSHO Group.



ザ・パーク

Trends of number of facilities and number of parking spaces



Sustainability at DAICHIKOSHO

Disclosure based on the TCFD recommendations

We will analyze the risks and opportunities posed by climate change, reflect them in our management strategies and risk management, and disclose our progress in order to contribute to the decarbonization of society as a whole while aiming for further growth.

See our website for details.

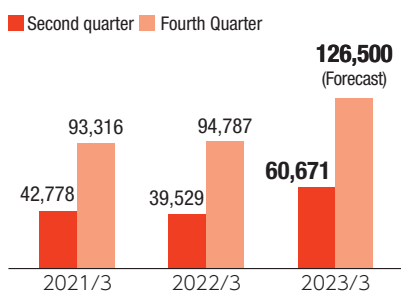
<https://www.dkkaraoke.co.jp/english/csr/environment/>



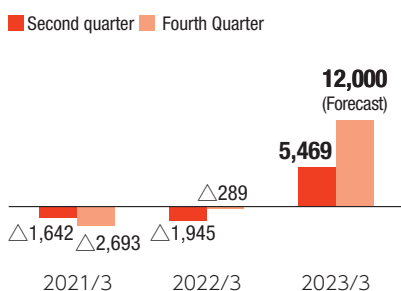
FINANCIAL HIGHLIGHTS

Item	2021/3		2022/3		2023/3	
	Second quarter	Fourth Quarter	Second quarter	Fourth Quarter	Second quarter	Fourth Quarter(Forecast)
Operating results (Millions of yen)						
Net sales	42,778	93,316	39,529	94,787	60,671	126,500
Operating profit	△ 1,642	△ 2,693	△ 1,945	△ 289	5,469	12,000
Operating profit to net sales (%)	△ 3.8	△ 2.9	△ 4.9	△ 0.3	9.0	9.5
Ordinary profit	△ 746	△ 1,194	△ 1,176	888	5,773	12,800
Profit attributable to owners of parent	△ 3,881	△ 18,782	△ 1,429	5,196	5,990	10,000
Financial position (Millions of yen)						
Total assets	207,328	186,795	176,804	180,389	184,480	—
Net assets	127,384	106,030	101,733	105,160	108,286	—
Cash flows (Millions of yen)						
Net cash provided by operating activities	△ 1,595	7,755	△ 1,606	18,165	11,367	—
Net cash used in investing activities	△ 5,555	△ 9,539	△ 5,049	△ 9,297	△ 5,901	—
Net cash used in financing activities	31,511	22,174	△ 3,314	△ 8,487	△ 3,500	—
Cash and cash equivalents at the end of period	71,593	67,680	57,715	68,125	70,124	—
Per share data (Yen)						
Basic earnings per share	△ 69.38	△ 338.54	△ 26.20	95.21	109.73	183.17
Net assets per share	2,259.18	1,912.19	1,834.75	1,896.65	1,953.02	—
Dividend per share (interim/year-end)	56.00	57.00	56.00	57.00	56.00	57.00
Major management indicators (%)						
Ordinary profit to total assets (ROA)	—	△ 0.6	—	0.5	—	—
Return on equity (ROE)	—	△ 15.7	—	5.0	—	—
Equity ratio	60.6	55.8	56.7	57.4	57.8	—
Payout ratio	—	—	—	118.7	—	61.7

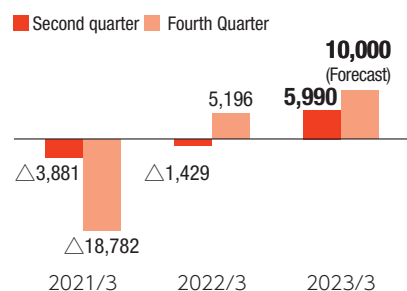
Net sales (Millions of yen)



Operating profit (Millions of yen)



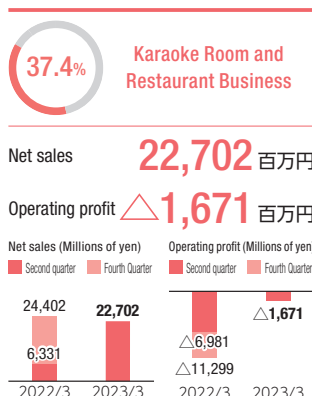
Profit attributable to owners of parent (Millions of yen)



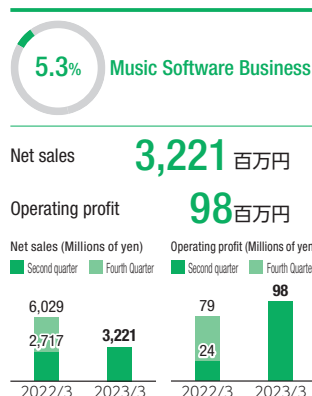
Overview by Segment



- Due to the reopening of customer stores and an increase in new store openings following the lifting of various COVID-related requests, the business environment is trending toward recovery, centered on stores operating at night, such as snack bars, which are our main market.
- Building a sales structure that also utilizes the Internet - "Karaoke no Madoguchi (consultation desk for karaoke)": Supporting the introduction of karaoke equipment; "Yoromise Navi (search navigation for properties for night entertainment)": Property information website for stores operating at night; Online events for the seniors' market such as nursing facilities.
- We strengthened DAM's product appeal by enhancing video contents such as live videos, animation videos, and music videos, including a new content "LIVIEW!"



- Karaoke: 6 stores opened, 3 stores closed, 506 stores as of end of current period
- Restaurants: 6 stores opened, 6 stores closed, 175 stores as of end of current period
- As various COVID-related requests were lifted in the previous period, the number of customers at stores has been gradually recovering since the beginning of the period.
- In addition to the continued impact of COVID-19 on some business locations and late-night hours, the impact of the "seventh wave" led to a decline, and sales at existing stores were down approx. 30% in the second quarter compared to pre-COVID-19 level (those in the same period of the previous fiscal year were down 80% compared to pre-COVID-19 level).
- We improved facilities mainly by installing the premium LIVE DAM Ai model in all karaoke rooms at 42 stores, and we also focused on attracting young customers by launching the "Saikyo Gakuwari (Best student discount)" at all stores in June and utilizing SNS.



- In addition to the music industry regaining vigor and product sales of CDs, DVDs, etc. being on a recovery track, with events and concerts starting to resume, the TV program production business also performed well.



- The parking business, which operates under the brand name THE PARK, performed well with a total of 1,900 facilities and 23,000 parking spaces in place at the end of the second quarter.

Enka (Popular Ballad)/Kayokyoku (Pop Songs)

Tetsuji Kimura



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



J-POP

FES☆TIVE



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



CORPORATE INFORMATION (as of September 30, 2022)

Corporate Profile

Corporate name	DAIICHIKOSHO CO., LTD.
Established	April 16, 1973
Capital	12,350 million yen
Number of employees	Parent: 1,894 Group: 3,381
Description of main businesses	Commercial karaoke business, karaoke room and restaurant business, music software business and other businesses
Consolidated subsidiaries	Domestic sales subsidiaries: 26 companies Other domestic subsidiaries: 12 companies Overseas subsidiaries: 2 companies

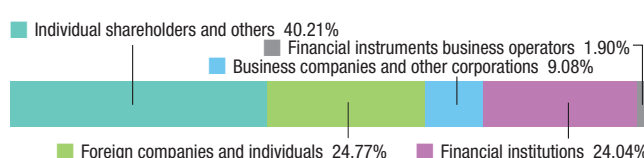
Executive Officers

President	Tadahiro Hoshi	Director (outside)	Chika Masuda
Director	Harutoshi Hoshi	Corporate Auditor (standing, outside)	Hiroshi Umetsu
Director	Kenji Otsuka	Corporate Auditor (standing)	Fumiaki Koizumi
Director	Takeshi Iijima	Corporate Auditor (outside)	Masumi Arichika
Director (outside)	Atsuya Furuta	Corporate Auditor (part-time)	Hiroyoshi Shibano

Status of the Shares

Number of authorized shares	200,000,000 shares
Number of outstanding shares	54,734,200 shares
Number of shareholders	23,888

Shareholding Ratio by Category



Major Shareholders

Name of shareholder	Number of shares held (Thousands of shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	7,698	14.10
Tadahiro Hoshi	6,246	11.44
Harutoshi Hoshi	6,119	11.21
JP MORGAN CHASE BANK 380055	2,871	5.26
Hoshi Create Co., Ltd.	2,449	4.49

* Shareholding ratio is calculated after deducting 142,602 treasury shares.

Shareholder Special Benefits

Shareholders recorded in the final shareholder registry on September 30, 2022 as holding 100 or more shares will be granted special benefits coupons according to the number of shares held.

Details of benefits 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 KARAOKE 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 2, 2022
Validity period	January 1, 2023 to June 30, 2023

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 Shimbun.
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