

Sing for Smile

DAIICHIKOSHO Securities Code: 7456

To Our Stakeholders

TOP MESSAGE

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

In August during the second quarter, the number of new cases testing positive for the novel coronavirus disease (COVID-19) peaked, with the disease continuing to spread following its emergence at the end of 2019. With Tokyo being placed under a state of emergency for a total of 138 days out of 6 months, the Company has been forced to operate under extremely difficult circumstances this period for both our company and the stores of our customers.

For the DAIICHIKOSHO Group also, the difficult situation continued through to the end of the second quarter, with the number of DAM online karaoke operating units decreasing by more than 15% year on year, including temporary reductions and the group's directly operated stores, including BIG ECHO, also entering into a period of extended temporary closure.

As a response to this situation, we have, under the policy of "cutting expenses and increasing earnings," expanded both the delivery business in our stores business and our new parking business THE PARK, while also, continuing on from the previous period, taken every other feasible measure to ameliorate the situation under the pandemic, including efforts to reduce fixed expenses.

However, as we prepare to enter a recovery as we come out of the grips of the COVID-19 pandemic, our focus is on maximizing the fun factor of karaoke, a feature that is at the core of our business.

With regard to the Commercial Karaoke Sales division, in addition to efforts to strengthen our relationships with existing customers, in April we also boosted our product portfolio by launching the new Cyber DAM+ product to the nighttime entertainment market (such as small pubs and clubs), and made efforts to increase the product capabilities of karaoke DAM by making further enhancements to its video content. Furthermore, by putting in place thorough Group-wide measures to prevent infections, and by introducing the latest equipment and facilities at our stores, we have been working to create an environment in which our customers can continue to have lots of fun in a way that is safe and enjoyable for all.

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 CSR

Publishing sustainability stories on the company website

We have created a web page that introduces initiatives related to CSR activities.

The web page provides information on DAIICHIKOSHO Group's ESG (Environment, Social, Governance) initiatives.

See the website for details.

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


President

Interview with **Tadahiro Hoshi**

Considerations and points of focus during the more than 18 months of the COVID-19 pandemic

The COVID-19 pandemic has continued for more than 18 months at this point, and there are two major conclusions that I have come to on the back of this. The first point being that, while the COVID-19 pandemic may be prolonged to some extent, at some point it is sure to abate, and with that, the demand for karaoke will return. And the second point is that we must do all we can to maintain the system and stem the bleeding in preparation for such a recovery.

With regard to these points, on the back of our employees' efforts to come up with and implement specific measures aimed at their respective departments, we have been successful in reducing fixed expenses and building up new sources of income such as through our parking, delivery, and at-home karaoke services.

Other specific things we have done include, in addition to procuring 30 billion yen as early as May, 2020 in order to ensure that the company was financially covered, utilizing employment adjustment subsidies in periods where we were not able to operate such that we were able to pay allowance for absence for work, including for part-time employees, and retain jobs.

On top of that, in order to improve the appeal of karaoke DAM, we also released LIVEWI, as part of our efforts to boost live video content, with a view towards life post COVID-19. At BIG ECHO stores, we have also been working to create an environment in which our customers are able to sing and have fun in a way that is safe. In addition to introducing the premium LIVE DAM Ai model to over 50% of rooms, we have now also switched out the microphones in all karaoke rooms to the latest Harmony Pink / Harmony White and laid the groundwork so that customers are able to get maximum enjoyment out of karaoke once the COVID-19 situation is resolved.

With the state of emergency lifted in October, there has been something of a ray of hope for a return to normalcy.

As a company, our current aim is to convey the appeal of karaoke to the public while also ensuring that safety measures are adhered to fully.

Aims of DAIICHIKOSHO Group in return to normality

While there remain some uncertainties with regard to the COVID-19 pandemic, the area we are focusing on in terms of this recovery phase is, more than anything, a return to a demand for karaoke. We have received a lot of correspondence recently from people telling us how they cannot wait to get back to karaoke, and this has strongly convinced us that there are a lot of people just waiting for the day when they can start utilizing our business once again.

As the manufacturer of karaoke DAM, our aim is to further expand the number of karaoke users, which stood at around 47 million people pre-COVID, by continuing to enhance the content offered as part of efforts to improve the enjoyment factor and sense of presence of our karaoke, and by making the device easier and more intuitive to use. Equally, as a business operator of karaoke rooms, we have been aiming to improve the appeal and value of karaoke by making upgrades to the karaoke equipment and other hardware, as well as to the software in terms of hygiene management and quality of service. We are now doing more than ever before to provide a service that provides maximum enjoyment to all. We just hope you are excited as we are.

Further, we have also been pushing forward with the positioning of our parking business as a new pillar of growth for our company. It is our belief that it is essential for sustainable growth and improving corporate value that employees are motivated and feel rewarded in their work, and so, we think that the challenge of this new business should help revitalize our organization by, among other things, giving our employees the opportunity to demonstrate fresh ideas. Moving forward, we will continue to take on new challenges that will lead to future growth of the business.

Karaoke is a popular leisure activity for people of all ages, and we believe it is certain that demand will recover as we come out of the COVID-19 pandemic. Therefore, we are pursuing a vision of "the joy of karaoke" and building a "place where you can safely and comfortably sing to your heart's content" so that more people than ever before can enjoy karaoke.

In addition, karaoke has been proven to have beneficial effects in terms of health, including in improving oral function and reducing stress. At present, we are working on providing content that will help maintain and improve the health of elderly residents; however, moving forward, our goal is to become the type of company that society demands, and we will do this by contributing to the mental health of all society through karaoke.



LIVE DAM Ai

▶ New content LIVEW! added on LIVE DAM Ai

On LIVE DAM Ai, customers can enjoy our new content LIVEW!(LIVE+YOU!) which allows long-form live video to be enjoyed on the large screens and at the large volumes unique to karaoke rooms. This new content was born out of the idea of "not forgetting the thrill of live music" as we live through these strange days in which the COVID-19 pandemic is causing major changes to the way we live our lives, including restrictions on events and gatherings. Going forward, LIVEW! will offer a series of video content of energetic live performances from popular music artists. Our aim is to maximize this service in order to bring happiness and joy to people through karaoke.

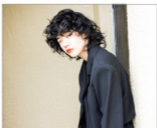
迫力のライブ体験をおあなたに



Broadcasting October AAA



Broadcasting November Aimyon



Broadcasting December RADWIMPS



BIG ECHO's latest initiatives

🎤 Harmony microphones installed in all rooms of all stores

- Point 1** The latest microphones for the greatest harmonies!
- Point 2** Attractive microphones for creating that good feeling!
- Point 3** Thoroughly cleaned and sterilized for your peace of mind



🎧 Latest equipment installed in more than 50% of all karaoke rooms

We are pushing ahead with the roll-out of the premium LIVE DAM Ai model so that our customers can get even more out of their karaoke experience and be fully satisfied. In addition to featuring the latest SEMITSU SAITEN Ai precision scoring system, which uses AI technology to evaluate singing performance, it also allows for the optimal acoustic settings to be configured for each room, creating a space in which the awesome nature of the sound system can be felt deep down in the soul.



👤 Implementation of our teleworking plan

As part of our efforts to reform working styles and improve productivity, we have, since starting in April, 2017, rolled out our teleworking plans to around 500 stores nationwide. 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," and "not having to worry about others seeing the documents on their table"—features unique to a karaoke room—and the number of users has increased by about ten-fold compared to the same period last year.



■ Delivery-only specialty restaurants open one after the other

Since opening the specialty fried-chicken store "Ichi no Karage" in September of last year, we have been steadily increasing the number of delivery-only specialty stores that utilize the kitchens of existing restaurants. These efforts allow our customers to enjoy the authentic flavors of restaurants from the comfort of their own homes. Moving forward, we will strive to develop new channels of customers by providing services that meet customer needs and demands.



Korean restaurant "Changgong Shikudo"



New York style chicken over rice specialty restaurant "WORLD RICE KITCHEN"



Taiwanese style fruit tea & soda specialty café "Kacha-Kacha"

■ At-home karaoke Karaoke@DAM

The Company now offers Karaoke@DAM, a service that allows users to enjoy karaoke accompanied by the high-quality sound and videos of the online karaoke system DAM while using their own PCs, game consoles, smartphones, etc. In July, we also launched Kids Karaoke@DAM, a karaoke service aimed at children.

We will continue to enhance our efforts to make karaoke more accessible and convenient for users.

**キッズ
カラオケ@DAM**



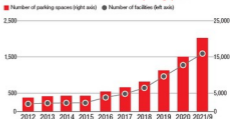
■ Parking business THE PARK

The Company is promoting its coin parking business, which utilizes the business network of karaoke that is closely linked to each local region, under the name THE PARK. Roll out of the business is progressing well having grown to encompass 1,600 facilities and 20,000 parking spaces as of the end of September 2021. Going forward, it will continue growing as a new pillar of the DAIKICHOSHOU Group.



ザ・パーク

Trends of number of facilities and number of parking spaces



Promoting health through karaoke DK ELDER SYSTEM

The Company's DK ELDER SYSTEM packages up entertainment and recreation into a single system, offering users comprehensive lifestyle improvement functions that help train functional capabilities and prevent the need for nursing care in elderly residents.

The system uses the power of singing and music to help maintain and improve the three functions of exercise, oral movement, and cognition that serve as the foundational pillars of "comprehensive lifestyle functional improvement" designated by the Ministry of Health, Labour and Welfare, while also promoting the formulation of social relationships and revitalization in local communities.

Furthermore, by developing human resources who can support the creation of diverse content and businesses that offer classes to help prevent the need for nursing care, the system also assists in the development of healthy minds and bodies in these communities.

As of the end of September 2021, the system had been introduced into more than 25,300 facilities nationwide aimed at elderly residents, and as we move forward, we aim to continue offering effective content with the goal of creating a healthy society in which everybody can live a fun and enjoyable life.



全国総合株式会社
DK ELDER SYSTEM

DK ELDER SYSTEM

Official DK ELDER SYSTEM website
<http://dk-eldersystem.com>

Official DK ELDER SYSTEM YouTube channel

<https://www.youtube.com/c/DKELDERCHANNEL>



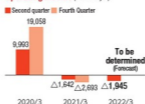
FINANCIAL HIGHLIGHTS

Item	2020/3		2021/3		2022/3		
	Second quarter	Fourth Quarter	Second quarter	Fourth Quarter	Second quarter	Fourth Quarter(Forecast)	
Operating results (Millions of yen)							
Net sales	71,018	146,297	42,778	93,316	39,529		To be determined
Operating income	9,993	19,058	△1,642	△2,693	△1,945		
Operating income to net sales (%)	14.1	13.0	△3.8	△2.9	△4.9		
Ordinary income	10,997	20,133	△746	△1,194	△1,176		
Net income attributable to owners of parent	6,655	12,555	△3,881	△18,782	△1,429		
Financial position (Millions of yen)							
Total assets	182,975	181,567	207,328	186,795	176,804		–
Net assets	136,200	136,205	127,384	106,030	101,733		–
Cash flows (Millions of yen)							
Net cash provided by operating activities	11,489	28,155	△1,595	7,755	△1,606		–
Net cash used in investing activities	△8,100	△21,430	△5,555	△9,539	△6,049		–
Net cash used in financing activities	△10,299	△15,872	31,511	22,174	△3,314		–
Cash and cash equivalents at the end of period	49,473	47,232	71,593	67,680	57,715		–
Per share data (yen)							
Basic earnings per share	117.45	221.87	△69.38	△338.54	△26.20		–
Net assets per share	2,372.79	2,386.30	2,259.18	1,912.19	1,834.75		–
Dividend per share (interim/year-end)	56.00	57.00	56.00	57.00	56.00		57.00
Major management indicators (%)							
Ordinary income to total assets (ROA)	–	10.9	–	△0.6	–		–
Return on equity (ROE)	–	9.5	–	△15.7	–		–
Equity ratio	73.5	74.0	60.6	55.8	56.7		–
Payout ratio	–	50.9	–	–	–		–

Net sales (Millions of yen)



Operating income (Millions of yen)



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



Overview by Segment



Net sales **25,183** 百万円
Operating income **5,792** 百万円

Net sales (Millions of yen)
● Second quarter ● Fourth Quarter

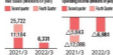


- Continued to support customers by making proposals and sales with regard to infection-control related products.
- With regard to the market for elderly residents, we have been striving to raise awareness of the beneficial effects of karaoke on the health of the elderly.
- Boosted video content to increase the product capabilities of Karaoke DAM and launched Cyber DAM onto the nighttime entertainment market (such as small pubs and clubs) to increase our product portfolio.
- Despite a reduction in the number of operating units, there was actually increased revenue and profits thanks to a reduction in scale of reductions/suspensions relative to the previous year.



Net sales **6,331** 百万円
Operating income **△6,981** 百万円

Net sales (Millions of yen)
● Second quarter ● Fourth Quarter



- Karaoke: 2 stores opened, 14 stores closed, 509 stores as of end of current period.
- Restaurants: 0 stores opened, 2 stores closed, 135 stores as of end of current period.
- The impact of forced temporary closures and reduced operating hours has continued throughout the period.
- In addition to efforts to reduce fixed expenses, including negotiations to reduce, or gain exemptions from, rent rates, we have also been continuing with measures to cut expenses and increase earnings such as through expanding our delivery business.
- In order to increase customer satisfaction levels, we pushed ahead with the roll-out of the premium LINE DAM A model, and also introduced the Harmony Pro: Harmony White microphones to all the rooms of our stores.



Net sales **2,717** 百万円
Operating income **24** 百万円

Net sales (Millions of yen)
● Second quarter ● Fourth Quarter

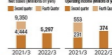


- With postponements in the launch of new songs and a reduction in product sales due to cancellations of live events having an impact on business, we have been striving to keep costs such as sales expenses under control.



Net sales **5,297** 百万円
Operating income **374** 百万円

Net sales (Millions of yen)
● Second quarter ● Fourth Quarter



- BGM broadcasting, which is frequently installed in restaurants and karaoke stores, continues to be negatively affected by COVID-19.
- Our at-home karaoke service Karaoke@DAM has been performing well thanks to increased demand due to the higher number of people staying at home rather than going out for entertainment.
- With regard to our parking business, developed under the brand name THE PARK, the opening of new parking lot facilities has been progressing well, with more than 1,600 facilities and 20,000 parking spaces in place as of the end of current period.

Enka (Popular Ballad)/Kayokyoku (Pop Songs)

Aimi Tanaka

Winner of the grand prize at the 2019 NIPPON Crown Enka/Kayokyoku New Singer Audition 2019. Lauded for her soulful voice, Aimi Tanaka launched her debut single on November 10, 2021 entitled "Kodoku no Singer." Her husky style and performance, suffused with sorrow and dynamism, brims with potential for drawing in fans across a broad range of generations and genres. Despite her young age of just 21 and still attending college, she is garnering much attention in the Kayokyoku scene as a rising star, destined for, in her own words, "superstardom."



Enka (Popular Ballad)

Ikuzo Yoshi

A true entertainer of our times, now entering his 50th year in the industry with a career featuring countless appearances in music TV and variety shows, as well as huge experience in composing songs and advertising jingles.

In 2022, he is scheduled to embark on a concert tour across Japan to celebrate his 50 years as an entertainer. In addition to performances in Tokyo (Meiji-za), Osaka (Shinkabukuro), and Nagoya (Misereza), performances have also been confirmed for Fukuoka and Aomori, meaning 2022 is going to get off to a real bang. Watch this space!


CORPORATE INFORMATION (as of September 30, 2021)

Corporate Profile

Corporate name	DAICHIKOSHO CO., LTD.
Established	April 16, 1973
Capital	12,350 million yen
Number of employees	Parent: 1,901 Group: 3,402
Description of main businesses	Commercial karaoke business, karaoke room and restaurant business, music software business and other businesses
Consolidated subsidiaries	Domestic sales subsidiaries: 24 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	54,734,200 shares
Number of shareholders	20,439

Major Shareholders

Name of shareholder	Number of shares held (Thousands of shares)	Shareholding ratio (%)
Tadahiro Hoshi	6,246	11.44
Harutoshi Hoshi	6,119	11.21
The Master Trust Bank of Japan, Ltd. (Trust account)	5,716	10.47
J.P. MORGAN CHASE BANK 380055	2,935	5.38
Hoshi Create Co., Ltd.	2,449	4.49

* Shareholding ratio is calculated after deducting 142,506 treasury shares.

Executive Officers

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

Shareholding Ratio by Category

Shareholder Special Benefits

Shareholders recorded in the final shareholder registry on September 30, 2021 as holding 100 or more shares will be granted special benefits coupons according to the number of shares held.

Number of shares held	Delivered benefits		Issued item annually
	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 BICO and KARAOKE BIC brands rooms and restaurants operated by the DAICHIKOSHO Group including BICO21, BICO22, BICO23, BICO24, and BICO25.

(**): CD shares are granted in exchange for treasury shares of corporate held.

Timing of delivery On or after December 2, 2021

Validity period January 1, 2022 to June 30, 2022

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 impossible to provide an electronic public notice because of an accident or any other unavoidable reason, a public notice will be provided in the Main Office (Shinjuku).
Transfer agent and account management institution for the special account	Mitsubishi UFJ Trust and Banking Corporation Mitsubishi UFJ Trust and Banking Corporation Corporate Agency Division 1-1-1 Mikko-cho, Fuchu-shi, Tokyo Telephone: 0120-232-711 (toll-free in Japan only) Postal address: Mitsubishi UFJ Trust and Banking Corporation Corporate Agency Division Shinjuku Post Office, PO Box No. 29, 131-8051, Japan
Contact of above (postal address and telephone number)	