Fiscal Year Ended March 2025

Materials for Financial Results

May 23, 2025





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Fiscal Year Ended March 2025: Financial Results Summary

Achieved record net sales and net income, and solid growth of operating base

- The market environment improved moderately and net sales increased 4.3% year-on-year (record high)
- While operating profit decreased due to raising the base pay as well as pursuing proactive investment in each business, EBITDA increased 3.3% year-on-year

| Commercial Karaoke Business: | The number of DAM units in operation increased steadily, growing +1% vs. the end of the previous year |
|--|---|
| Karaoke Cabin and Restaurant Business: | Year-on-year change in existing stores: +2% for karaoke cabins, +3% for restaurants |
| Parking Business: | Steady growth in the number of facilities at year-end: 3,900 facilities and 44,000 parking spots |

 Net income increased by 44.6% year-on-year (record high) due to an increase in extraordinary profit and increase in deferred tax assets in conjunction with business recovery

Fiscal Year Ended March 2025: Earnings Highlights

Operating profit and ordinary profit were slightly less than forecast, but net income performed better than expected due to factors such as the impact of increased deferred tax assets

| | FY Ended March 2024 | FY Ended March 2025 | | | | | | |
|--|------------------------|---------------------|-------------------|----------------------------|------------------|--|--|--|
| (Unit: million yen) | Actual Actual | | Earnings Forecast | Year-on-Year Change (%) | Vs. Forecast (%) | | | |
| Net sales | 146,746 | 153,020 | 152,700 | 4.3 | 0.2 | | | |
| Gross operating profit | 52,602 | 53,757 | 54,470 | 2.2 | -1.3 | | | |
| Selling, general, and administrative expenses | 34,000 | 35,811 | 35,670 | 5.3 | 0.4 | | | |
| Operating profit | 18,601 | 17,945 | 18,800 | -3.5 | -4.5 | | | |
| Ordinary profit | 19,561 | 18,396 | 18,900 | -6.0 | -2.7 | | | |
| Net income attributable to parent company shareholders | 12,568 | 18,178 | 16,200 | 44.6 | 12.2 | | | |

Factor Analysis of Change in Net Sales



FY ended March 2024 Actual FY ended March 2025 Actual

01 Overview of Financial Results

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Changes in Net Sales by Quarter

(million yen)





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Factor Analysis of Change in Operating Profit

(Billion yen)



Business Environment (Commercial Karaoke)

Business environment

- Moderately improved mainly in the night business market (core market) and seniors' market (growth market) and increased the number of DAM units in operation, growing +1% vs. the end of the previous year
- Strengthened stable profit base due to promotion of replacing rental equipment with new models following the previous year
- Strengthened brand power of karaoke DAM systems by further enhancing video content

KPIs by Business Segment



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Business Environment (Karaoke Cabin and Restaurant Business)

- Business
 The flow of customers to stores trended upward from the previous fiscal year but the increase became more moderate in the second half of the year
 - Net sales at existing stores: +2% for karaoke cabins, +3% for restaurants

FY ended March 2025: Changes in net sales at existing stores of Karaoke Cabin and Restaurant Business (year-on-year)



Consolidated Balance Sheet

Shareholders' equity ratio increased by 4.6% compared to the end of the previous year,

| | FY Ended March 2024 | FY Ended March 2025 | | | |
|--|------------------------|---------------------|----------------------------|---|--|
| (Unit: million yen) | Actual | Actual | Year-on-Year Change (%) | Comments | |
| Current assets | 73,479 | 67,543 | -8.1% | Decrease in cash and deposits | |
| Non-current assets | 137,906 | 141,773 | 2.8% | Decrease in land due to selling Increase in rental karaoke equipment, store equipment, etc. | |
| Total assets | 211,386 | 209,316 | -1.0% | | |
| Current liabilities | 36,914 | 35,990 | -2.5% | | |
| Non-current liabilities | 65,480 | 55,463 | -15.3% | Decrease in long-term borrowings | |
| Total liabilities | 102,394 | 91,454 | -10.7% | | |
| Shareholders' equity | 106,340 | 114,481 | 7.7% | | |
| Accumulated other comprehensive income | 1,240 | 1,851 | 49.2% | | |
| Total net assets | 108,991 | 117,862 | 8.1% | | |
| Total liabilities/net assets | 211,386 | 209,316 | -1.0% | DAIICHIKOSHO CO., LTD. 11 | |

to 55.6% due to repayment progress of borrowings

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Consolidated Cash Flow Statement

The acquisition of fixed assets (head office building) and the associated borrowings from the previous year have been eliminated, resulting in a significant improvement in free cash flow

| | FY Ended March 2024 | FY Ended M | March 2025 | |
|--|---------------------|------------|---------------------|--|
| (Unit: million yen) | Actual | Actual | Year-on-Year Change | |
| Cash flows from operating activities | 26,799 | 24,656 | -2,142 | |
| Cash flows from investing activities | -55,915 | -11,445 | 44,469 | |
| Cash flows from financing activities | 6,926 | -20,901 | -27,828 | |
| Cash and cash equivalents at start of period | 71,423 | 49,306 | -22,117 | |
| Cash and cash equivalents at end of period | 49,306 | 41,584 | -7,721 | |
| Free cash flows | -29,115 | 13,210 | 42,326 | |

Consolidated Management Indicators

In the Commercial Karaoke Business and the karaoke Cabin and Restaurant Business, the profit margin decreased due to increased depreciation expenses from investments and higher personnel costs. On the other hand, the parking business expanded



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Analysis of Current State of Corporate Value Improvement (PBR/PER)

Even during the period of the pandemic, PBR did not drop below 1.0, but since the fiscal year ended March 2024, share prices have weakened compared to before the pandemic



Analysis of Current State of Corporate Value Improvement (ROE/Capital Cost)

Aim for 12.0%, which is the medium- to long-term ROE target,

based on capital policy that achieves a good balance with revenue improvement



02 Initiatives Aimed at Improving Corporate Value

Cash Allocation

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Proceed with growth investment in existing businesses, repay interest-bearing liabilities, and return profits to shareholders based on operating CF. Also consider use of interest-bearing liabilities for large-scale projects such as M&As



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Earnings Forecast for Fiscal Year Ending 2026

The launch of the new product LIVE DAM WAO! is expected to increase net sales, however, due to capital investment and promotional expenses, operating profit is forecasted to remain flat

| | FY Ended March 2025 | | FY Ending March 2026 | | |
|--|---------------------|----------|----------------------------|---------------------------------|--|
| (Unit: million yen) | Actual | Forecast | Year-on-Year Change (%) | Year-on-Year Change (Amount) | |
| Net sales | 153,020 | 162,700 | 6.3% | 9,679 | |
| Operating profit | 17,945 | 18,000 | 0.3% | 54 | |
| Operating profit margin (%) | 11.7% | 11.1% | _ | -0.6 pt | |
| Net income attributable to parent company shareholders | 18,178 | 13,000 | -28.5% | -5,178 | |

03 Forecast for Fiscal Year Ending March 2026

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Factor Analysis of Change in Net Sales



FY ended March 2025 (actual) FY ending March 2026 (forecast)

03 Forecast for Fiscal Year Ending March 2026 Operating Profit Forecast for Fiscal Year Ending March 2026: Factor Analysis of Change

(Billion yen)

FY ended March

2025 (actual)



FY ending March 2026 (forecast)

03 Forecast for Fiscal Year Ending March 2026

Fiscal Year Ending March 2026: Earnings Forecast by Segment



03 Forecast for Fiscal Year Ending March 2026

Fiscal Year Ending March 2026: Measures to Be Implemented by Segment



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Fiscal Year Ending March 2026: Consolidated Management Indicators Plan

Due to the increase in sales from the launch of new products and the increase in costs from capital investments, operating profit is expected to remain flat.

We aim to expand the business foundation, starting with the rollout of new products



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05 Reference Materials

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Growth Trajectory

Continue growth by constantly working to improve quality through incorporation of new technologies



Three Core Segments



Night business market

Seniors' market

X

Providing places

to sina

Exploring the joy of

Commercial Karaoke Business

Sales and rental of commercial karaoke systems and provision of music and videos for online karaoke

Karaoke Cabin and Restaurant Business

Management of karaoke rooms and restaurants

Other Businesses (including Parking Business)

Parking business, real estate rental business, BGM broadcasting business, etc.



Approach to Improving Corporate Value

Aim to improve corporate value based on sustainable profit growth and return of profits to shareholders by investing in three core businesses that offer mental and physical health benefits through singing

Execution of well-Basic policy for improving balanced capital policy return on equity FY ended FY ended Medium- to long March 2025 March 2025 term target value Aim to achieve sustainable Aim to improve corporate ROE expansion of profit by value by implementing a 11.7% 16.2% 12_0% or implementing growth investment capital policy that considers Net income/ in three businesses: commercial balance - i.e., maintenance more shareholders' equity karaoke business, karaoke cabin of capital efficiency and restaurant business, and (purchase of treasury shares) by using stable dividends parking business Shareholders' and indicators such as ROE Achieve an optimal capital equity ratio 50.9% 55.6% as reference structure by enhancing return of Shareholders' equity/ profits to shareholders, etc. total assets × 100%

Medium- to Long-Term Trends and Strategic Orientation

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Market Trends in Japan

Concentration of demand in urban areas due to population decline

Many municipalities expect that in the future it will be difficult to address aging infrastructure and maintain comprehensive public transit networks due to the impact of population decline and decreased tax revenue.

In response to this, the Ministry of Land, Infrastructure, Transport, and Tourism is promoting location optimization plans across the country that will implement more concentrated urban planning for commercial and residential districts, etc., in 10 to 20 years' time.

Diagram Showing Location Optimization Plan



Developing a "fried egg yolk strategy" across all businesses

Steadily focus on locations in the centers of various cities (shopping districts near major stations)

(•••)

Other Businesses

(Parking Business)

Open parking facilities



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Commercial Karaoke Business

Sales bases

Karaoke Cabin and Restaurant Business

Open restaurants

Core Competencies of Commercial Karaoke Business

We have established a high-revenue business model which other companies cannot copy, based on: the principle of "making our services easier to understand and use," the expertise we have accumulated as a manufacturer since our foundation, and the personal connections we have nurtured through community-based operations, etc.



Measures Aimed at Improving Brand Power

LIVE DAM WAO!: easy handling of hardware "Makes it easier to understand and use" for both karaoke users and operators







No differences between left and right speakers

Equipped with function to prevent charging being overlooked Easy-to-hold Denmoku songbook increases grip strength Simultaneous search by song name, singer name, and keyword is possible

Commercial Karaoke Business (Strategy by Market)

Business Strategy by Market

| Night business | Maintain current high market share (approx. 80%) | businesses |
|--------------------|--|--|
| market | Leverage BGM broadcasting service to contribute to top line | Since karaoke is a well- established part of entertainment culture that is very familiar to |
| Karaoke box market | Leverage synergy with karaoke cabin and restaurant business to expand share based on the effect of PR produced via the company's | consumers, it is expected that the market will be maintained in the future, and contribute, as a stable business base, to our revenue |
| • | own storesDevelop content based on joint research with | Growth/expansion businesses |
| Seniors' market | universities, etc.Train specialized staff (instructors) | Development of the welfare/nursing care market, where singing helps extend healthy life expectancy and |
| Other markets | Collaborate with supermarkets, and introduce COCOKARA box-type karaoke system, etc., to offer karaoke at locations with previously no "places to sing," thereby developing new markets and share | improve QOL, and opening of new markets where there were previously no places to sing are expected to expand into major growth areas in the future |

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Stable revenue

Promotion of Elderly-oriented Business

Increase the number of DAM units in operation and, at the same time, contribute to extending healthy life expectancy and improving quality of life (QOL) by expanding the use of karaoke at nursing care and welfare sites



Karaoke Cabin and Restaurant Business (Store Opening Strategy)

Mixed store opening

strategy that enables an

optimal balance between

income and rent. in alignment with market needs

Acquisition focused on

room-type karaoke, for

which there is a healthy

demand since COVID-19

Open both karaoke stores (Big Echo) and restaurants in prime locations and increase share in highly populated areas

Basic Policy for Opening Stores

Concentrate store openings in shopping districts near stations

where high price per customer and future flow of people can be expected

Rather than focusing on the target number of store openings, open stores when we can secure real estate that meets the optimal conditions



Key Hardware-related Initiatives



Parking Business

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Aim to expand the scale of the business, including M&A, as a new revenue stream (non-microphone business) that supports karaoke business

Advantages of Parking Business

 Leverage nationwide sales network (approx. 130 sites) and pool of customers with whom relationships have been developed in the karaoke cabin and restaurant business to offer land use solutions to landowners



Business Strategy

- Specify land that has hitherto been difficult to use—such as narrow or irregularly shaped sites in shopping districts near stations—as the main target
- By utilizing complimentary tickets that can be used at our stores for sales promotion, acquire new customers and achieve a low churn rate

Operation as long-term parking is possible

Main KPIs: No. of parking facilities and parking spots



○ Other Topics

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Promote music publishing business within the music software business

Business Strategy for Music Software Business

• Focus effort on music publishing business, together with discovery of new artists for record companies. Aim for synergy with karaoke business through creation of hit songs

Daiichikosho Music Publishing, Inc. (Fully owned subsidiary)

Business details:

- Music copyright administration
- Artist development and management
- Development of catalogue utilization (songs, etc.)
- Production of original recordings





○ Other Topics

Aim to drive innovation by consolidating dispersed head office functions at a single location

Timeline until relocation

February 2024

Acquired fixed asset for relocation of head office functions (Mita 3chome, Minato Ward)

September 2024

Sold land (in Shinagawa Ward) that had been held until now as a candidate site for relocation

Reference: "Notice Regarding Disposal of Fixed Assets and Recording of Extraordinary Profit," July 29, 2024

February to March 2026 Scheduled period for actual relocation

After relocation

We are currently considering our approach regarding sale of current head office building and other owned real estate

Purpose of relocation Acquire assets based on **Drive innovation** actual operation By consolidating head office We chose to acquire our own building functions—which are currently rather than leasing, because we will occupy it for a long time, set up a dispersed across 3 sites-at a recording studio suited to our single location, we aim to drive business activities, and carry out innovation by promoting more extensive renovations (office layout, active communication between etc.) departments Tamachi Gotanda **New location** Prime Takanawa

Gateway, 3-9-6

Mita, Minato Ward, Tokyo

Osaki

Sengakuji

Human Capital Management

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Approach to human capital

Based on the principle that nothing is more essential to a company's development than its human resources, we are engaged in developing a system and environment aimed at recruiting loyal personnel who will stay with the company for a long time



Intended Main Portfolio in the Future

Strive to expand scale and improve profitability of existing businesses while growing parking business into a third revenue stream



04 Conclusion

Daiichikosho's Corporate Message

Singing 歌いながらいこう。

When you're happy, sing it out to the world. When you're sad, sing away your blues. When you want to make friends, sing together. Sing alone and get lost in your own world.

Sing to laugh. Sing to cry. Sing for joy.

Singing isn't only about having a good time. Singing has the power to nourish body and soul, and can change the world for the better.

Young and old, green and wise, let's all sing together.

We can make tomorrow even better.

DAIICHIKOSHO Group is doing everything in its power to spread the magic of singing to society.

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"More music to society, more service to society"

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Measures Aimed at Improving Brand Power

Release of new flagship product, LIVE DAM WAO!

Our desire to "create a circle (WAO!) through singing and let people experience new surprises (WAO!)"







New Performance Method

DAM Multi Dimensional Sound

In addition to the conventional MIDI sound source method, this adopts a hybrid performance method combining the latest software synthesizers with live performances by professional musicians, enabling customers to enjoy rich, high-quality sound.

A Wide Variety of Original Artist Videos

Video content for over 5,000 songs has been added compared to existing models. <u>Original artist videos</u> are provided for <u>all the songs</u> of many popular artists, such as Southern All Stars, B'z, Ayumi Hamasaki, GLAY, Ketsumeishi, and UVERworld. Along with artists, overall video content has been enhanced, including anime-, kids-, VTuber-, and sports-related videos.

Measures Aimed at Improving Brand Power

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Features of LIVE DAM WAO!

Voice Magic adds a touch of magic to your singing voice

Singing Pro Filter

Automatically corrects pitch in a natural manner in real time so that your singing voice sounds more professional. Even people who are not talented singers can feel confident when singing.



Impersonation Effect

Reproduces the special vocal effects used by the artist on the original track. By sounding like a megaphone, or applying a mechanical voice effect, etc., during specific parts only, you can achieve an atmosphere similar to a live performance or the original track.



Hamorun

This enables automatic creation of the original song's harmony parts while you sing only the main part. You can therefore perform gorgeous harmonies with just a single voice.



Measures Aimed at Improving Brand Power (Topics)

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The Evolving Precision Scoring Series

Precision Scoring Ai Heart

In pursuit of scoring which evaluates how good a listener would actually feel the performance to be, this is equipped with a Heart Engine that incorporates "auditory perception." It rates singing voices using five types of heart, which reflect various singers' personalities in the scoring. "Accent" and "Hammering" have been added as new singing techniques.





Precision Scoring NIGHT

For those who that feel Precision Scoring is somewhat challenging, the evaluation criteria have been made more lenient, enabling anyone to aim for a high score. While you are singing, characters give praise with various comments and build up the excitement.



Precision Scoring Collaboration: Precision Scoring x ONE PIECE

A collaboration between *ONE PIECE* characters and Precision Scoring. Team up with Luffy and co. and aim for a score of 100. Further collaborations involving other popular works and artists are planned in the future.



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New Game

New Game Featuring four Microphones: "Battle! Stay Until the End Show!!!"

A new version of "Sing to the End Show" has been launched in which up to four players can compete simultaneously.

They all sing a song together, and the user who remains until the end without being eliminated by the judges wins. It's a thrilling party game that guarantees excitement.



05 Reference Materials

Strengthening Corporate Governance

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Approach to governance

1. To foster a relationship of trust with all stakeholders, including our shareholders, customers, suppliers, and employees

Directors' Skill Matrix (if all candidates are selected at AGM)

2. To achieve long-term, stable growth by providing services and products that satisfy our customers and lead to a mutually rewarding relationship between them and our Group, in accordance with the company's motto of "more music to society, more service to society"

Breakdown of Executives



| Title and Role in the Company | Name | Specified Skills in the Context of the Company's Management Strategy | | | | |
|---|---------------------|---|----------|----------------------|------|-----------|
| | | Management | Industry | Business strategy | Risk | Diversity |
| President and CEO | Tadahiro Hoshi | 0 | 0 | 0 | 0 | |
| Director General Manager, Sales Division | Kenji Otsuka | | 0 | 0 | 0 | |
| Director General Manager, Store Business Division | Takeshi Iijima | | 0 | 0 | 0 | |
| Director General Manager, Administration Division | Hiroshi Kunitsu | | 0 | 0 | 0 | |
| Director External/part-time | Katsuya Taruishi | 0 | 0 | | | |
| Director External/part-time | Chieko Takahashi | | | 0 | | 0 |

Approach regarding Balance of Board of Directors and Diversity

Our group's board of directors includes personnel with expertise in various business areas, achieving a balanced mix that provides a basis for the board to make comprehensive, rational management decisions. In terms of diversity, we have appointed independent external directors (including one female director) with the aim of enhancing corporate governance through management oversight that is not limited to the perspective of the karaoke industry and our corporate culture.

05 Reference Materials

Sustainability Management

Basic policy on sustainability

Our group aims to provide enjoyment and entertainment through the medium of karaoke while also contributing to people's health and enriching their lives.



Improving QOL (Quality of Life)

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Singing 歌いながらいこう。

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