Corporate Governance Report

Last Update: June 29, 2021

DAIICHIKOSHO CO., LTD.

Tadahiro Hoshi, President

Contact: Corporate Planning Department

Securities Code: 7458

https://www.dkkaraoke.co.jp/

The corporate governance of DAIICHIKOSHO CO., LTD. (the "Company") is described below.

I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information

1. Basic Views

The Company and its subsidiaries (the "Group") believe that sustained growth and medium- to long-term enhancement of corporate value are priority management objectives. In order to achieve them, it is critical for us to 1) build up a trustful relationship with all stakeholders including not only shareholders and customers, but also business partners and employees. It is no less important for us to 2) achieve long-term stable growth, through providing services and products that offer satisfaction to customers, thereby contributing to the co-existence between customers and the Group, based on our corporate motto, "More music to society, more service to society." Under the aforementioned philosophy, the Group established and published the "DAIICHIKOSHO Group Code of Conduct" as our action guidelines. Moreover, with a view to further driving the achievements of priority management objectives, the Group will strive to develop a more robust corporate governance structure through various measures, fully respecting the purport of the Corporate Governance Code established by the Tokyo Stock Exchange.

DAIICHIKOSHO Group Code of Conduct
https://www.dkkaraoke.co.jp/corporate/public/conduct.html

[Reasons for Non-compliance with the Principles of the Corporate Governance Code] **Updated**

[Supplementary principle 4.11.1] (Philosophy on the compositional balance, diversity and size of the Board of Directors)
The compositional balance of the Group's Board of Directors is basically maintained by appointing talents well-versed in each business domain of the Group, and the Group seeks a balance as a foundation to allow the Board of Directors to carry out comprehensive and reasonable decision-making.
In terms of diversity, independent Outside Directors (including a female director) are appointed, with a view to enhancing corporate governance based on the management oversight from a viewpoint free of the business culture of the karaoke industry and of the Company. Meanwhile, as to the size of the Board of Directors, it is believed to be adequate in view of the Group's business domains from the perspective of building a management system that flexibly responds to changes in the business environment. Besides, the Board of Directors is not comprised in a way that takes into account a global aspect, as currently most of the Company's net sales come from its domestic business. Going forward, we will make efforts so that we can appoint Directors with diverse backgrounds in accordance with the expansion of our business domains.

[Disclosure Based on the Principles of the Corporate Governance Code] **Updated**

[Principle 1.4] (Policies for strategic shareholdings and the standards for exercising voting rights)

1. Policies for strategic holdings
The Group's business domains cover a wide array of businesses ranging from the planning and development, consignment production, sales, rental, distribution and maintenance of commercial karaoke systems to the operation of karaoke boxes as part of provision of services to end users and the music software business, a business domain adjacent to the karaoke content business. Thus, since collaborative relationships with various companies are vital for carrying out these businesses, the Group maintains strategic holdings of shares that are judged necessary from a medium- to long-term point of view, by taking into account factors including business strategies and reinforcement of relationships with our business partners.
In addition, the strategic shareholdings are subject to annual verification at the Board of Directors to check the rationality of such holdings on a stock by stock basis, and shareholdings that are judged lacking in rationality are reviewed for possible reduction or unwinding in consideration of share price, market trends and other circumstances as appropriate.

2. Basic principles for exercising voting rights
The Group makes decisions on the exercise of voting rights from perspectives including whether the proposal is in line with appropriate corporate governance of the relevant company issuing strategic shares, compatibility with the Group's objectives of shareholding, and economic rationality.

[Principle 1.7] (Related party transactions)
In respect of related party transactions, the Group stipulates basic attitudes of its officers and employees under the "DAIICHIKOSHO Group Code of Conduct" in an effort to fully inform all concerned of the risks associated with such transactions including any conflicts of interest that may be involved. In addition, with respect to specific transactions, the "Administrative Rules for Related Party Transactions within the Group" separately stipulate the scope of relevant transactions, procedures for executing such transactions if appropriate, reporting obligations imposed on concerned parties including officers in charge, and methods for administering transaction records.
With respect to the scope of relevant transactions and the procedures for executing such transactions, the Companies Act and other laws and regulations shall be complied with, and approval of relevant transactions shall be decided by the Board of Directors. Meanwhile, as part of measures to eliminate any such transactions going unchecked, officers and other concerned parties conducting transactions with the Group shall be required to report all of them so that progress is checked regularly in every period.
Furthermore, clear explanations are provided in the "Compliance Handbook," formulated as part of the education program for officers and employees, regarding the overview and handling of competitive and conflict-of-interest transactions. These explanations ensure understanding and attention on this issue by all officers and employees.

[Principle 2.6] (Roles of corporate pension funds as asset owners)
The Company does not operate a corporate pension plan.

[Principle 3.1] (Full disclosure)
1. Corporate philosophy, business strategies and management plan
(1) Corporate philosophy
The Group believes that "the survival of a business depends on co-existence and co-prosperity with society." Thus, for achieving sustained growth, the Group finds it critical to fulfill our social responsibility by creating corporate value needed by society through karaoke, as illustrated by our corporate motto, "More music to society, more service to society," thereby providing pleasure and cheerfulness to the population while contributing to their healthy and enriched lifestyles.

(2) Business strategies
With a view to fulfilling its corporate philosophy, the Group shall be committed to promoting the following karaoke-focused businesses.
1. We will expand our customer base, which enjoys our karaoke services as well as the benefits of music, by developing karaoke systems of the highest standards (in terms of sound, vision, content, etc.) and building up a high-level service network across Japan.
2. We will increase the number of our repeat customers among karaoke box users by providing comfortable time and space that offer peace of mind, safety and cleanliness.
3. We will entice a wide range of karaoke users across generations, not least among the elderly population,

by extensively marketing karaoke systems targeting those in need of good health or seeking recovery from ill health, physically or mentally.

(3) Management plan
The management plan (on a single year basis) is disclosed in the Company's Flash Report on the Consolidated Results as well as on its corporate website.
Please refer to "Financial Information" (financial results briefing materials).
https://www.dkkaraoke.co.jp/stockinfo/financialinfo/

2. Our views and basic principles on corporate governance
Please refer to "Basic Views" in this report.

3. Policies and procedures on determining the remuneration for Representative Director and Directors
Remuneration for Representative Director and Directors consists of a fixed portion called basic remuneration commensurate with individual job responsibilities. A variable portion comprises executive bonuses that provide incentives commensurate with short-term performance payable within the collective limit of aggregate executive remuneration, and share remuneration-type stock options, which provide incentives commensurate with medium- to long-term performance.
Remuneration for Representative Director and Directors shall be determined based on the "Executive Remuneration Rules" and the "Rules for Share Remuneration-type Stock Options," and individual evaluations shall be made according to the "Standards for Evaluating Directors' Performance." The final evaluation and allocation of the amount of remuneration shall be decided solely by the President as entrusted by the Board of Directors.
Individual remuneration proposals prepared by the President, as entrusted by the Board of Directors, shall be submitted to the Remuneration Advisory Committee comprising Outside Directors and officers in charge of personnel affairs. The President makes the ultimate decision by respecting the results of deliberations or recommendations by the Committee.
Remuneration for Outside Directors and Corporate Auditors consists solely of basic remuneration, in consideration of their responsibilities for management oversight and auditing functions from an independent standpoint.

4. Policies and procedures on the appointment/dismissal of Representative Director as well as on the nomination of candidates for Directors and Corporate Auditors
The Company has clarified the roles expected of Representative Director and Directors in the form of seven key roles expected of Directors (innovative spirit, flexibility for change, power to see the essence, power to envision, breaking free of the past, utilization of diversity, risk management) in the "Standards for Evaluating Directors' Performance."
In the appointment of Representative Director, abilities to envisage strategies based on the Group's corporate philosophy and strong capabilities to execute business are required as vital preconditions, apart from the aforementioned roles expected of Directors.
In the nomination of candidates for Directors, appropriate persons are selected in overall consideration of individual character and insights necessary for executing management/supervisory functions, based on the aforementioned seven key roles expected of Directors.
In the nomination of candidates for Corporate Auditors, appropriate persons are selected based on their insight into corporate risks, abilities to honestly articulate opinions to the corporate manager, and capabilities to contribute to the enhancement of the soundness and transparency of management.
In the appointment of Representative Director as well as the nomination of candidates for Directors and Corporate Auditors, the Personnel Affairs Advisory Committee chaired by an Outside Director shall conduct prior deliberation and submit its opinion to the Board of Directors. The Board shall carefully review such opinions and make decisions.
Dismissal of Representative Director shall be decided by the Board of Directors whenever deviation from the standards that warranted the appointment is recognized. However, as a fail-safe system in the event of the Board of Directors falling into a state of dysfunction for whatever reason, the Personnel Affairs Advisory Committee chaired by an Outside Director shall provide the Board of Directors with advice or recommendations for dismissal.
Individual appointment/dismissal and nomination at the time of nominating candidates for Directors and Corporate Auditors shall be stated in the Notice of Convocation of the General Meeting of Shareholders.

Please refer to the "Report on the General Meeting of Shareholders" (Notice of Convocation of the 46th Ordinary General Meeting of Shareholders).
https://www.dkkaraoke.co.jp/stockinfo/meeting.html

[Supplementary principle 4.1.1] (Scope of delegation to the management)
The Board of Directors shall make decisions on the matters required to be decided solely by the Board of Directors under laws and regulations, as well as on important business execution as defined by the internal rules. Business execution other than the aforementioned matters shall be delegated to each organizational unit and managers thereof including Corporate Officers, according to the "Organizational Rules" and the "Rules on Division of Duties." The description and level of delegation of authority associated with the delegation of business execution shall be defined by the "Standards for the Approving Authority" stipulated by the Board of Directors.

[Principle 4.8] (Effective utilization of independent Outside Directors)
The Company currently appoints two independent Outside Directors to ensure enhancement of oversight functions towards Directors' business execution and management transparency.

[Principle 4.9] (Criteria for assessing the independence of and qualification required for independent Outside Directors)
The Company's independence criteria for Outside Directors are stated in the "[Independent Officers-related] Other matters relating to Independent Officers" in this report. Please refer to the section.

[Supplementary principle 4.11.2] (Concurrent service of Directors and Corporate Auditors)
None of the Company's Directors or Corporate Auditors are concurrently serving as officers of other listed companies.

[Supplementary principle 4.11.3] (Self-evaluation of the effectiveness of the Board of Directors)
With a view to enhancing the function of the Board of Directors, the Company conducted an evaluation of the effectiveness of the Board of Directors as follows. The results will be fed back to ensure future improvement of the Board of Directors.
1. Content of implementation (Evaluation period: from October 2020 to March 2021)
(1) A questionnaire-based self-evaluation is carried out targeting all Inside Directors including the Chairman of the Board of Directors.
(2) The effectiveness of the Board of Directors as a whole is evaluated with reference to the results of a self-evaluation by individual Directors.
(3) Efforts for improvement are to be made as necessary by drawing out issues with respect to the composition and administration of the Board of Directors, based on the evaluation of the Board.
(4) Evaluation of the Board's effectiveness as well as the issues drawn out and improvement are to reflect the opinions of Outside Directors.
2. Method for evaluation
The evaluation of the Board of Directors is classified into two categories, namely "resolution matter evaluation" and "institutional evaluation" as follows.
(1) "Resolution matter evaluation" refers to the evaluation of the effectiveness of the resolution/reporting process at the Board of Directors meetings held during the applicable period.
(2) "Institutional evaluation" refers to the evaluation of the compositional/organizational effectiveness of the Board of Directors.
3. Summary of results of analysis/evaluation relating to the effectiveness of the Board of Directors in the second half of the fiscal year ending March 31, 2021
Through the "resolution matter evaluation," as a result of the evaluation of resolution/reporting matters relating to items including the management plan, capital policies, business strategies, affiliates policies, internal control, corporate institution, material personnel affairs, it was concluded that effectiveness of the resolution/reporting process was carefully managed and appropriate.
Through the "institutional evaluation," as a result of the evaluation of the current status of items including the Board of Directors, outside officers, corporate governance, various reportings, administration of meetings, it was concluded that compositional/organizational effectiveness of the Board of Directors is in compliance with laws and regulations, suitable for the actual condition of the Company, and adequate as well as

reasonable in consideration of all factors including oversight by outside officers.
Furthermore, we will proceed with evaluations going forward while making efforts for improvement and conducting examinations including with respect to its procedures and methods, with a view to enhancing the functions of the Board of Directors.

[Supplementary principle 4.14.2] (Policy on the training for Directors and Corporate Auditors)
Newly appointed Directors and Corporate Auditors shall participate in the executive training program organized by an external attorney at the earliest opportunity following their appointment. They shall also receive briefings on important matters concerning the Company including its business strategies and financial condition from the President or executive corporate officers designated by the President.
To help Inside Directors gain a deeper understanding mainly in such areas as “Roles and Responsibilities of the Board of Directors” and “Fiduciary Duty of Directors and Corporate Auditors, etc.” set out under the Corporate Governance Code, the Company provides information and training on specific matters as they arise, utilizing venues such as the Officers Council.
To help independent Outside Directors gain a deeper understanding mainly in such areas as “Responsibilities of the Board of Directors” in general and “Roles and Responsibilities of Outside Directors” set out under the Corporate Governance Code, the Company provides necessary information on specific matters as appropriate. Meanwhile, the Company also provides explanations about the Group’s businesses and operations while creating as many opportunities as possible for visiting the fields of business.
In the meantime, information about relevant laws and regulations, etc. is shared among Corporate Auditors as appropriate, while the Company is offering necessary support to their self-improvement efforts through training opportunities such as external seminars.

[Principle 5.1] (Policy for establishment of system and related measures for the promotion of constructive dialogue with shareholders)
1. Basic views
The Group believes that the development of trustful relationships with shareholders/investors is essential for materializing sustained growth and enhancing corporate value over the medium to long term. To this end, the Group recognizes that it is important to provide accurate and impartial report on the current status of the Group’s operation to shareholders/investors, while gathering unreserved opinions therefrom.

2. IR system
For effective dialogue with shareholders/investors, the Group adopts a system in which the Business Planning Department is in charge of IR activities, committed to the collection and analysis of information from all departments in the Company. Opinions presented from shareholders/investors in the course of dialogue will be periodically organized and analyzed by the Business Planning Department and reported to the President and Directors as appropriate.

3. IR activities
The Group conducts close information exchanges with institutional investors based on the “face-to-face” principle. Meanwhile, the Company posts on its website various information as appropriate for both private and institutional investors, including the Flash Report on the Consolidated Results, financial results briefing materials and newsletters for shareholders.
For the purpose of direct dialogue with shareholders, the Company also organizes a social gathering for shareholders after every Ordinary General Meeting of Shareholders, thereby providing an opportunity for them to have their voice heard candidly.

4. Insider information and the quiet period
The Company shall deliver no insider information in its dialogue with shareholders/investors. It shall refrain from having any dialogue on the subject of financial results for a period that begins three weeks before the announcement of financial results and ends on the day of the said announcement in each quarter (the “quiet period”).

2. Capital Structure

Foreign Shareholding Ratio	20% or more but less than 30%

[Status of Major Shareholders] Updated

Name / Company Name	Number of Shares Owned (Shares)	Percentage (%)
Tadahiro Hoshi	6,246,000	11.46
Harutoshi Hoshi	6,119,600	11.22
The Master Trust Bank of Japan, Ltd. (Trust Account)	3,431,100	6.29
JP MORGAN CHASE BANK 380055	2,937,530	5.39
Hoshi Create Co., Ltd.	2,449,800	4.49
NORTHERN TRUST CO. (AVFC) RE FIDELITY FUNDS	1,861,814	3.41
ASAHI BREWERIES, LTD.	1,820,000	3.34
Custody Bank of Japan, Ltd. (Trust Account)	1,634,300	3.00
Custody Bank of Japan, Ltd. (Trust Account 9)	1,492,400	2.74
THE BANK OF NEW YORK MELLON (INTERNATIONAL) LIMITED 131800	1,391,600	2.55

Controlling Shareholder (except for Parent Company)	—
Parent Company	None

Supplementary Explanation Updated

(1) The major shareholders as abovementioned are as of March 31, 2021.
(2) As of March 31, 2021, the Company holds 2,712,467 shares of treasury stock, but is excluded from the above list of the major shareholders.
(3) The Report of Possession of Large Volume (Change Report) made available for public inspection on January 8, 2021 states that FMR LLC possesses the following shares as of December 31, 2020. However, since the Company cannot confirm the actual number of shares owned by FMR LLC as of March 31, 2021, it is not included in the above Status of Major Shareholders.
Details of the Report of Possession of Large Volume (Change Report) are as follows.

FMR LLC 2,892,151 shares

3. Corporate Attributes

Listed Stock Exchange and Market Section	Tokyo Stock Exchange First Section
Fiscal Year-End	March
Type of Business	Wholesale Trade
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	1,000 persons or more
Sales (consolidated) as of the End of the Previous Fiscal Year Updated	¥10 billion or more but less than ¥100 billion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	10 or more but less than 50 companies

4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

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5. Other Special Circumstances That May Have Material Impact on Corporate Governance

As the Company has neither a parent company nor listed subsidiaries, there are no particular facts or circumstances that may have material impact on its corporate governance at present.

II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

1. Organizational Composition and Operation

Organization Form	Company with Corporate Auditors

[Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	12
Term of Office Stipulated in Articles of Incorporation	2 years
Chairperson of the Board	President
Number of Directors Updated	6
Appointment of Outside Directors	Appointed
Number of Outside Directors	2
Number of Outside Directors designated as Independent Officers	2

Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Atsuya Furuta	Other											○
Chika Masuda	Other											○

* Categories for "Relationship with the Company"

* "○" when the director presently falls or has recently fallen under the category;
"△" when the director fell under the category in the past

* "●" when a close relative of the director presently falls or has recently fallen under the category;
"▲" when a close relative of the director fell under the category in the past

a. Executive of the Company or its subsidiaries
b. Non-executive director or executive of a parent company of the Company
c. Executive of a fellow subsidiary company of the Company
d. A party whose major client or supplier is the Company or an executive thereof
e. Major client or supplier of the Company or an executive thereof

f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides remuneration as a director
g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
h. Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the director himself/herself only)
i. Executive of a company, between which and the Company outside officers are mutually appointed (the director himself/herself only)
j. Executive of a company or organization that receives a donation from the Company (the director himself/herself only)
k. Others

Outside Directors' Relationship with the Company (2)

Name	Designation as Independent Officer	Supplementary Explanation of the Relationship	Reasons of Appointment
Atsuya Furuta	○	1988: Joined TOYOTA MOTOR CORPORATION 1990: Joined Yakult Swallows (currently Tokyo Yakult Swallows) 2005: Appointed as Manager, Yakult Swallows 2007: Appointed as Representative Director, A Point Co., Ltd. (current position) Mr. Furuta has been designated as an independent officer of the Company.	Since his appointment as Outside Director of the Company in 2015, Mr. Furuta has been supervising the Board of Directors' management of the Company primarily from the shareholders' and other stakeholders' perspective, based on the "Roles and Responsibilities of the Board of Directors" and the "Fiduciary Duty of Directors and Corporate Auditors, etc." In addition, as the Chairman of the "Personnel and Remuneration Advisory Committee," which was launched in 2016, he has been focusing on maintaining the stability of the nomination and remuneration processes of Directors. The Company has appointed Mr. Furuta as Outside Director so that he will continue to provide the Company with appropriate advice and supervision.
Chika Masuda	○	1993: Joined the Takarazuka Revue Company (under the name of Natsuki Mizu) 2007: Appointed as Top Star (Male Lead) of Snow Troupe of the Takarazuka Revue 2013: Became affiliated with AQUA Co., Ltd. (current position) Ms. Masuda has been designated as independent officer of the Company.	Since her appointment as Outside Director of the Company in 2015, Ms. Masuda has been supervising the Board of Directors' management of the Company primarily from the shareholders' and other stakeholders' perspective, based on the "Roles and Responsibilities of the Board of Directors" and the "Fiduciary Duty of Directors and Corporate Auditors, etc." In addition, as a member of the "Personnel and Remuneration Advisory Committee," which was launched in 2016, she has been focusing on maintaining the stability of the nomination and remuneration

			processes of Directors. The Company has appointed Ms. Masuda as Outside Director so that she will continue to provide the Company with appropriate advice and supervision.

Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee	Established

Committee's Name, Composition, and Attributes of Chairperson

	Committee Corresponding to Nomination Committee	Committee Corresponding to Remuneration Committee
Committee's Name	Personnel Affairs Advisory Committee	Remuneration Advisory Committee
All Committee Members	4	3
Full-time Members	0	0
Inside Directors	2	1
Outside Directors	2	2
Outside Experts	0	0
Other	0	0
Chairperson	Outside Director	Outside Director

Supplementary Explanation

The Company has established the Personnel Affairs Advisory Committee along with the Remuneration Advisory Committee. Candidates for Directors and Corporate Auditors as well as their remuneration shall be decided after these committees receive consultations and reports.

[Corporate Auditors]

Establishment of Board of Corporate Auditors	Established
Maximum Number of Corporate Auditors Stipulated in Articles of Incorporation	5
Number of Corporate Auditors	4

Cooperation among Corporate Auditors, Accounting Auditors and Internal Audit Departments

Corporate Auditors receive reports from the Accounting Auditor on the results of accounting audits, etc. at least once a quarter, apart from reports on the contents of the audit plan, exchanging opinions as appropriate. Furthermore, a collaborative system is being strengthened between them by measures including opportunities for Corporate Auditors to attend visiting audits or physical inspections by Accounting Auditors as necessary.
Corporate Auditors and the internal audit department hold monthly meetings for communications, including reporting on the result of internal audits and the progress of internal control assessment along with exchange of opinions, in an effort to share information and recognition over matters such as confirmation of audit priorities and necessity for additional investigations.

Appointment of Outside Corporate Auditors	Appointed

Number of Outside Corporate Auditors	2
Number of Outside Corporate Auditors that are designated as Independent Officers	2

Outside Corporate Auditors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Hiroshi Umetsu	From another company													○
Masumi Arichika	From another company													○

* Categories for "Relationship with the Company"

* "○" when the corporate auditor presently falls or has recently fallen under the category;
"△" when the corporate auditor fell under the category in the past

* "●" when a close relative of the corporate auditor presently falls or has recently fallen under the category;
"▲" when a close relative of the corporate auditor fell under the category in the past

a. Executive of the Company or its subsidiary
b. Non-executive director or accounting advisor of the Company or its subsidiaries
c. Non-executive director or executive of a parent company of the Company
d. Corporate auditor of a parent company of the Company
e. Executive of a fellow subsidiary company of the Company
f. A party whose major client or supplier is the Company or an executive thereof
g. Major client or supplier of the Company or an executive thereof
h. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides remuneration as a corporate auditor
i. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
j. Executive of a client or supplier company of the Company (which does not correspond to any of f, g, or h) (the corporate auditor himself/herself only)
k. Executive of a company, between which and the Company outside directors/corporate auditors are mutually appointed (the corporate auditor himself/herself only)
l. Executive of a company or organization that receives a donation from the Company (the corporate auditor himself/herself only)
m. Others

Outside Corporate Auditors' Relationship with the Company (2)

Name	Designation as Independent Officer	Supplementary Explanation of the Relationship	Reasons of Appointment

Hiroshi Umetsu	○	1991: Joined Asahi Shinwa & Co. (currently KPMG AZSA LLC) 1994: Registered as certified public accountant 2006: Partner, KPMG AZSA LLC Mr. Umetsu has been designated as independent officer of the Company.	The Company elected Mr. Umetsu as Corporate Auditor, since he has a wealth of experience based on his years of service as certified public accountant, along with high-level expert knowledge and insight in finance and accounting.
Masumi Arichika	○	1987: Representative Director, Kami no Fune Co., Ltd. (current position) Mr. Arichika has been designated as independent officer of the Company.	The Company elected Mr. Arichika as Corporate Auditor, since he has considerable expertise in legal affairs related to music as well as knowledge about the music industry in general, based on his years of experience as music composer and as staff member at a company managing music copyrights.

[Independent Officers]

Number of Independent Officers	4

Other matters relating to Independent Officers

The Company sets forth the "Criteria for Assessing the Independence of Independent Officer of the Company," and designates individuals to whom none of the following criteria apply as Independent Officers.

(1) An executive of the Company or an affiliate of the Company, or a person who has been an executive of the Company or an affiliate of the Company in the past ten years

(2) A person who has the Group as its major business partner or its executive.
(3) A person who is the major business partner of the Group or its executive.
(4) A person who is a major shareholder of the Company (directly or indirectly holding 10% or more of the voting rights) or its executive.
(5) A person in whom 10% or more of the voting rights is held directly or indirectly by the Company or its executive.
(6) A person affiliated with an audit firm, which serves as the Accounting Auditor of the Group.
(7) An attorney, a certified public accountant, a tax accounting or a consultant, and the like, who receives considerable monetary compensation or other properties from the Group other than executive remuneration.
(8) A director or other executive of legal entities or organization, including legal firms, audit firms, tax accountant firms or consulting firms, and the like, which receives considerable monetary compensation or other properties from the Group.
(9) A person, who receives considerable amounts of donations or subsidies from the Group, or a director or other executive of legal entities or organizations including legal firms, audit firms, tax accountant firms or consulting firms, and the like, which receives considerable amounts of donations or subsidies from the Group.
(10) An Executive Director, an Executive Officer, a Corporate Officer or an employee, including a Manager of a company, at which an Executive Director or a Standing Corporate Auditor of the Group concurrently serves as Outside Director or Outside Corporate Auditor
(11) Any person to whom items (2) through (10) applied in the past three (3) years; and
(12) In cases where a person to whom items (1) through (11) above applies is in an important position, the spouse or a relative within the second degree of kinship of such person.

[Incentives]

Incentive Policies for Directors	Stock Options

Supplementary Explanation

Stock option plan
The Company abolished the Executive Retirement Benefit Plan at the 40th Ordinary General Meeting of Shareholders held on June 19, 2015. The Company instead introduced the Share Remuneration-type Stock Option Plan, with a view to enhancing motivation for the long-term improvement of business performance and corporate value more than ever by making executive remuneration more linked to the Company's share price and performance and sharing the merits and risks of share price fluctuations with shareholders.

Recipients of Stock Options Updated	Inside Directors, Others

Supplementary Explanation Updated

Share remuneration-type stock options shall be granted to Inside Directors (excluding Part-time Directors), whereas performance-based stock options shall not be granted to Outside Directors or Corporate Auditors in consideration of their roles and independent nature.
"Others" under Recipients of Stock Options refers to Officers with Special Titles and Senior Corporate Officers (excluding those concurrently serving as Directors and Part-time Corporate Officers).

Status of granting these stock options in the fiscal year ending March 31, 2022
Share remuneration-type stock options (share acquisition rights) based on the resolution at the Board of Directors meeting held on June 25, 2021
160 stock acquisition rights (equivalent to 16,000 shares) were granted to four Directors
82 stock acquisition rights (equivalent to 8,200 shares) were granted to Officers with Special Titles and Senior Corporate Officers (excluding those concurrently serving as Directors and Part-time Corporate Officers)

[Director Remuneration]

Disclosure of Individual Directors' Remuneration	Selected Directors

Supplementary Explanation

Total amount of remuneration paid to Directors and that paid to Corporate Auditors are disclosed separately, while remuneration for officers receiving ¥100 million or more per person shall be disclosed individually.

Policy on Determining Remuneration Amounts and Calculation Methods	Established

Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

Based on a Board of Directors resolution, the Company shall entrust the decision on the amount of remuneration for each Director to the President, who shall make a final decision after deliberations at the Remuneration Advisory Committee, an advisory body to the President.

[Supporting System for Outside Directors and/or Corporate Auditors]

While there is no organizational unit dedicated to supporting Outside Directors (Outside Corporate Auditors), there is a system in place for measures to be taken as necessary primarily by the Administration Department of the Company.

[Retired presidents/CEOs holding advisory positions (Corporate Counselor, Advisor, etc.)]

Information on retired presidents/CEOs holding advisory positions (Corporate Counselor, Advisor, etc.) Updated

Name	Job title/ position	Responsibilities	Employment terms (Full/part time, with/without remuneration, etc.)	Date when former role as president/ CEO ended	Term
Yasutaka Wada	Advisor	Activities associated with industry bodies, etc.	Part-time/with compensation	September 1, 2009	1 year

Number of retired presidents/CEOs holding advisory positions (Corporate Counselor, Advisor, etc.)	1

Others

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2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System) Updated

An outline of the Company's decision-making, execution of business and oversight in management is as follows.

[Board of Directors]
The Board of Directors of the Company is composed of six directors, including two Outside Directors, who make decisions on important matters, including matters stipulated by laws and regulations or the Articles of Incorporation and basic management policies, and supervise the management of business execution.
The members of the Board of Directors are as follows.
President: Tadahiro Hoshi (Chairman)
Directors: Harutoshi Hoshi, Kenji Otsuka, Takeshi Iijima, Atsuya Furuta, Chika Masuda

[Board of Corporate Auditors]
The Company adopts a Corporate Auditor system. The Board of Corporate Auditors is composed of four Corporate Auditors, two of whom are Outside Corporate Auditors. In addition to attending important meetings, including the Board of Directors meetings, Corporate Auditors conduct rigorous audits by inspecting important documents requiring approval, and receiving reports and explanations directly from Directors, the Audit Department, and persons in charge of business, as necessary.
The Members of the Board of Corporate Auditors are as follows.
Standing Corporate Auditors: Hiroshi Umetsu (Chairman), Shigeki Kobayashi
Corporate Auditors: Masumi Arichika, Hiroyoshi Shibano

[Executive Committee]
The Executive Committee is composed of twelve Corporate Officers who meet once a month in principle and hold extraordinary meetings as required. The Executive Committee engages in decision-making, following sufficient deliberations, regarding the execution of important business based on the basic management policies determined by the Board of Directors. Executive Committee meetings shall be attended by a manager responsible for the department concerned with each agenda, in order to provide detailed verification of subject matters and further accelerate decision-making as appropriate.
While not decision-making bodies, we have also established the "Officers Council" and the "Management Liaison Council" as auxiliary bodies for meetings of the Executive Committee. The Officers Council engages in extensive and multilateral discussions on matters relating to management and important business execution, and assists the Executive Committee. The Officers Council shall meet twice a month in principle. The Management Liaison Council is positioned as a body that holds meetings where the managers responsible for each department report on the policies, plans, and progress of other important projects decided by the Board of Directors and the Executive Committee, and share information with officers and managers responsible for each department. A Management Liaison Council shall be held on a weekly basis in principle.
The members of the Executive Committee are as follows.
President and Chief Corporate Officer: Tadahiro Hoshi (Chairman)
Senior Managing Corporate Officer: Yuichi Murai
Managing Corporate Officer: Yasuhito Watanabe
Senior Corporate Officers: Harutoshi Hoshi, Kenji Otsuka, Takeshi Iijima, Noriyuki Takehana, Shuichiro Odajima
Corporate Officers: Hiroshi Kunitsu, Takeshi Sekizawa, Kenji Suda, Toshiharu Egashira

[Managing Officers Council]
The Company's Managing Officers Council is composed of three Officers with Special Titles who meet on a weekly basis in principle and hold extraordinary meetings as required.
As an advisory body to the President and Chief Corporate Officer, the Managing Officers Council assists the President and Chief Corporate Officer by deliberating and approving important management matters based on the basic management policies determined by the Board of Directors. Managing Officers Council meetings shall be attended by a manager responsible for the department concerned with each agenda.
The members of the Managing Officers Council are as follows.
President and Chief Corporate Officer: Tadahiro Hoshi (Chairman)
Senior Managing Corporate Officer: Yuichi Murai
Managing Corporate Officer: Yasuhito Watanabe

[Personnel Affairs Advisory Committee]
The Company has established a Personnel Affairs Advisory Committee chaired by an Outside Director, as an advisory body to the Board of Directors. The Board of Directors ensures fairness and objectivity by consulting with the Committee regarding such matters as the appointment/dismissal policies of Representative Directors, proposals for each candidate, and succession plans for the President.
The members of the Personnel Affairs Advisory Committee are as follows.
Chairman: Atsuya Furuta (Outside Director)
Committee members: Chika Masuda (Outside Director), Tadahiro Hoshi (President), Harutoshi Hoshi (Director in charge of personnel affairs)

[Remuneration Advisory Committee]
The Company has established a Remuneration Advisory Committee chaired by an Outside Director, as an advisory body to the Board of Directors. The Board of Directors ensures fairness and objectivity by consulting with the Committee regarding such matters as the remuneration system for Directors and Representative Directors, the level of remuneration and the amount of remuneration.
The members of the Remuneration Advisory Committee are as follows.
Chairman: Atsuya Furuta (Outside Director)
Committee members: Chika Masuda (Outside Director), Harutoshi Hoshi (Director in charge of personnel affairs)

[Independent Officers Liaison Council]
The Company has established an Independent Officers Liaison Committee for the purpose of coordinating information sharing and the exchange of opinions among outside officers. In addition, when meetings of the abovementioned Personnel Affairs Advisory Committee and Remuneration Advisory Committee are held, the Independent Officers Liaison Council shares information and exchanges opinions among outside officers.
The members of the Independent Officers Liaison Council are as follows.
Members of the Committee: Atsuya Furuta (Outside Director), Chika Masuda (Outside Director), Hiroshi Umetsu (Outside Corporate Auditor), Masumi Arichika (Outside Corporate Auditor)

[Summary of the liability limitation agreement]
Pursuant to Article 427, Paragraph 1 of the Companies Act, the Company concluded an agreement with Outside Directors and Outside Corporate Auditors, which limits their liability for damages set out under Article 423, Paragraph 1 of the same act. The limit of liability for damages under such an agreement is an amount stipulated under laws and regulations. The limit shall be applied only when the Outside Director or Outside Corporate Auditor acts in good faith and there is no gross negligence on the side of them in executing their duties that give rise to such liability for damages.

3. Reasons for Adoption of Current Corporate Governance System

The present corporate governance system is adopted, as it is believed to be appropriate in maintaining efficient and sound management and materializing sustainable enhancement of corporate value, while ensuring fairness and transparency of management.

III. Implementation of Measures for Shareholders and Other Stakeholders

1. Measures for the Vitalization of the General Shareholder Meetings and Smooth Exercise of Voting Rights Updated

	Supplementary Explanations
Early Notification of General Meeting of Shareholders	In order to allow shareholders to secure a sufficient period of time to examine proposals to be resolved at the General Meeting of Shareholders, the Company disclosed a summary of the proposals on the same day they were passed at the Board of Directors. The Notice of Convocation was also dispatched to shareholders early on. The Notice of Convocation was posted on the Company's website on the following dates, before it was sent by postal mail: Japanese version: June 1 English version: June 1
Scheduling General Meeting of Shareholders Avoiding the Peak Day	The Company held the 46th Ordinary General Meeting of Shareholders on June 25, 2021, avoiding the peak day, June 29, 2021.
Allowing Electronic Exercise of Voting Rights	The Company adopts an electronic method for exercising voting rights.
Participation in Electronic Voting Platform and Other Efforts to Enhance the Voting Environment for Institutional Investors	The Company participates in an Electronic Voting Platform run by ICJ, Inc.
Providing Notice of Convocation in English	The Company prepares a shortened English version of the Notice of Convocation and posts it on the Company's website, to assist non-Japanese shareholders in exercising their voting rights.

2. IR Activities

	Supplementary Explanations	Explanation by Representative
Preparation and Publication of Disclosure Policy	The Company prepares its disclosure policy and publishes it on the Company's website. For details, please refer to the website: https://www.dkkaraoke.co.jp/corporate/public/disclosure.html	
Regular Investor Briefings for Analysts and Institutional Investors	While the Company does not hold financial results briefing sessions in the form of plenary conferences, it actively organizes one-on-one meetings.	None
Posting of IR Materials on Website	Flash Reports on the Consolidated Results, financial results briefing materials and newsletters for shareholders are posted in the Shareholder & Investor Information section of the Company's website on a timely basis.	
Establishment of Department and/or Manager in Charge of IR	Business Planning Department	

3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanations
Stipulation of Internal Rules for Respecting the Position of Stakeholders	The DAIICHIKOSHO Group Code of Conduct clearly prescribes a basic stance, approach and handling for all its stakeholders. The Company and the Group apply this Code not only to their management but also to each and every employee, while continuing to encourage them all to act in accordance therewith.
Implementation of Environmental Activities, CSR Activities etc.	As part of its environmental conservation activities, the Company has digitized its karaoke songbooks in an effort to reduce paper consumption. All the Company's "BIG ECHO" karaoke cabins have switched lighting to LED as part of its efforts to reduce CO_2 emissions, as well as discontinued the use of plastic straws to battle the plastic waste issue. As part of its CSR activities, the Company is committed to donation activities to support recovery and reconstruction efforts in the event of large-scale disasters, along with support activities including providing care for the affected population to improve their physical and mental welfare through making full use of karaoke. The Company also engages in an elder business that contributes to preventing senior citizens from falling into care dependency, which is one of our social issues, as well as to promoting their health. Details are posted on the Company's website: [CSR Activities] https://www.dkkaraoke.co.jp/english/csr/
Development of Policies on Information Provision to Stakeholders	In the course of their corporate activities, the Company and the Group shall be committed to active disclosure to stakeholders of all information that may have short-, medium- or long-term impacts on business performance. Disclosures are conducted in ways that ensure timeliness, fairness and accuracy.
Other	As part of efforts to promote the advancement of women in workplace, the Company is committed to developing a workplace environment that allows a balance between work and child-rearing by establishing various systems such as leave of absence and temporary retirement or shortened working hours before and after giving birth and child-rearing.

IV. Matters Related to the Internal Control System

1. Basic Views on Internal Control System and the Progress of System Developments Updated

1. System to ensure that Directors and employees of the Company and its subsidiaries execute their duties in compliance with laws, regulations and respective Articles of Incorporation
(1) The Group Code of Conduct prepared by the Company shall be thoroughly conveyed to all officers and employees to ensure that officers and employees of the Company and its subsidiaries (the "Group") execute their duties in compliance with laws, regulations and respective Articles of Incorporation, while fulfilling their social responsibilities (and business ethics).
(2) The Internal Control Promotion Department shall be assigned as "Department Controlling Risk Management and Compliance." The Department shall be responsible for preparing a basic compliance manual, taking a guiding role in the planning and development of the Group structure and conducting education and training for officers and employees. Furthermore, monitoring the status of legal compliance will be conducted jointly with the Audit Department.
(3) The Internal Control Promotion Department shall be responsible for managing and operating the whistle-blowing system across the Group, as well as for strictly protecting whistle-blowers.
(4) Status of legal compliance shall be assessed through regular audits by the Audit Department and reported to the Board of Directors and the Board of Corporate Auditors.

2. System related to the retention and management of information concerning the execution of duty by Directors
(1) With respect to decision making by Directors and reports delivered thereto as well as other material decision making and reports, rules such as the Document Control Rules for the Preparation, Retention and Disposal of Documents and the Rules for Meeting Bodies shall be established and a system shall be in place to allow concerned parties to inspect the information as necessary.

3. Rules and other systems related to the management of risk of loss at the Company and its subsidiaries
(1) Pursuant to the Basic Rules for the Group Risk Management, the Internal Control Promotion Department shall be responsible for providing guidance on risk management within the Group (involving instruction and education for development of relevant manuals for each department), comprehensive risk analysis, evaluation and responses, the operation of the risk management system, and maintaining its functions within the Group.
(2) Pursuant to the Basic Rules for the Group Risk Management, the Group shall be engaged in the management of risks associated with each department.
(3) In the event of the materialization of risks involving the likelihood of significant loss, general managers at the Company's headquarters and/or presidents of its subsidiaries shall report to the Board of Directors without delay.
(4) In the event of the emergence of new risks, the President of the Company shall instruct the Group as appropriate to address the risks. The Rules for the Group Crisis Management shall be activated along with the appointment of the Director in charge.

4. System to ensure that Directors of the Company and its subsidiaries execute their duties efficiently
(1) The Board of Directors, Executive Committee and Managing Officers Council shall be attended by a manager responsible for the department concerned with each agenda, in order to ensure management transparency, detailed verification of subject matters and prompt decision-making as appropriate.
(2) A Management Liaison Council shall be held on a weekly basis in principle to achieve prompt and accurate instructions on the Group's management policies as well as communication of important matters. Directors and Corporate Auditors shall attend the Council.

5. System to ensure appropriate business execution within corporate Group comprising the Company and its subsidiaries
(1) A Group Risk Management and Compliance Committee shall be established as a body for deliberation on and promotion of the Group-wide risk management and compliance system.
(2) The Group Risk Management and Compliance Committee shall be responsible for giving instructions and presenting information regarding the system for risk management and compliance covering the entire Group.
(3) The Internal Control Promotion Department shall be responsible for appropriately developing and operating the system for evaluating and managing the risks throughout the entire Group. The Audit Department shall be responsible for monitoring the system.

(4) Internal control necessary for ensuring appropriate financial reporting shall be developed and operated.
(5) Matters concerning the business execution by directors and employees of the Company's subsidiaries shall be reported to the Company on a regular and timely basis. Implementation of important management matters by the Company's subsidiaries shall be subject to the Company's prior approval.

6. Matters concerning employees in cases where Corporate Auditors request employees' assignments to serve as their assistants in carrying out their duties
(1) While no staff shall be assigned as assistants to Corporate Auditors for the time being, they shall be assisted by the Audit Department and Business Planning Department for business audits and by the Administration Department for day-to-day business.
(2) In the event where assistants to Corporate Auditors are required in future, the Company shall select the right persons in consultation with the Board of Corporate Auditors.

7. Matters concerning the independence of the aforementioned employees from Directors
(1) In the event where assistants to Corporate Auditors are required, the employees' independence shall be ensured by measures including the establishment of a chain of command in which they report directly to Corporate Auditors.

8. System for reporting to Corporate Auditors including a system for Directors and employees of the Company and its subsidiaries to report, and a system to ensure that persons who report should not receive any disadvantageous treatment on account of their actions
(1) The Group's Directors and employees shall report to Corporate Auditors in the event of actual or likely occurrences of situations involving significant loss to a Group company, or discovery of illegal or wrongful acts committed by officers or employees, or otherwise any matters instructed by Corporate Auditors to report thereto.
(2) Directors and General Managers of the Audit Department, Administration Department, Internal Control Promotion Department, Business Planning Department, or other departments responsible for managing the Company's subsidiaries shall report on matters including the processes to decide on important matters, illegal acts, rewards and punishments, status of risk management and whistle-blowing, at the request of Corporate Auditors or subject to the matters' materiality. The Audit Department shall have reporting sessions with Corporate Auditors on a regular basis on the progress of internal audits.
(3) The Group prohibits disadvantageous treatment of officers or employees who report to a Corporate Auditor or the Board of Corporate Auditors on account of such actions. The spirit of the prohibition shall be thoroughly communicated to all officers and employees throughout the Group.

9. Matters concerning the policy for the processing of expenses or obligations arising from the execution of duties by Corporate Auditors of the Company, including the procedures for the advance payment or reimbursement of the expenses
(1) Under its annual business plan, the Company shall establish budgets for expenses arising from the execution of duties by Corporate Auditors. The Company shall promptly process payment or reimbursement on request for the advance payment of expenses, or upon the occurrence of unbudgeted audit-related expenses or obligations arising on an urgent or temporary basis.

10. System to ensure that audits by Corporate Auditors are otherwise effectively conducted
(1) Opinion-exchange sessions between the President and Corporate Auditors shall be held periodically for the purpose of adequate communication.
(2) Corporate Auditors shall be allowed to attend the Officers Council and other important meetings.
(3) The Audit Department, Administration Department and Internal Control Promotion Department shall also assist the Board of Corporate Auditors.

11. System to eliminate anti-social forces
(1) Under the provisions of the Group Code of Conduct, the Group shall declare the breaking off of its relationship with anti-social forces and promote the development of an internal system that will eliminate anti-social forces. The Administration Department will be assigned as the office responsible for dealing with anti-social forces, taking a dauntless stance as an organization against any unlawful demands, in coordination with outside parties such as attorneys and the police.

2. Basic Views on Eliminating Anti-Social Forces and the Progress of System Development

1. Basic views on eliminating anti-social forces
(1) In order to completely break off its relationship with anti-social forces, the Group makes it a basic principle to develop and appropriately apply internal regulations and systems, including the Group Code of Conduct.

2. Progress of development of the system for eliminating anti-social forces
(1) The Company has assigned an office responsible for dealing with anti-social forces along with a person in charge of defending the Company from unlawful demands. The Company also endeavors to collect and share information through its participation in a liaison group organized by the police, and closely communicating with the external expert organizations. The Company also adopts measures, including preparation and distribution of a basic manual for handling anti-social force issues, participation in an external training program and conducting internal enlightenment activities, striving to develop a system for preventing loss and damage associated with anti-social forces.

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted

Supplementary Explanation

As of this moment, the Company has yet to introduce defensive measures against hostile takeovers.
Going forward, the Company shall review the necessity and other aspects of such measures, based on the judgment of whether they would contribute to the enhancement of corporate value, fully in consideration of the impact on shareholders.
If the Company decides to introduce, as a defense against hostile takeovers, any measures that might impact shareholders and investors, the measures' details shall immediately be disclosed.

2. Other Matters Concerning Corporate Governance System

Summary of the timely disclosure system
1. The Company's approach toward disclosure
We recognize that management's essential responsibility is its commitment to active information disclosure in a timely and appropriate manner to help shareholders/investors make appropriate judgments on the Company's corporate value. Based on the following disclosure policy, the Company will strive to enhance management transparency through adequate information disclosure, with a view to meeting the trust of shareholders/investors.

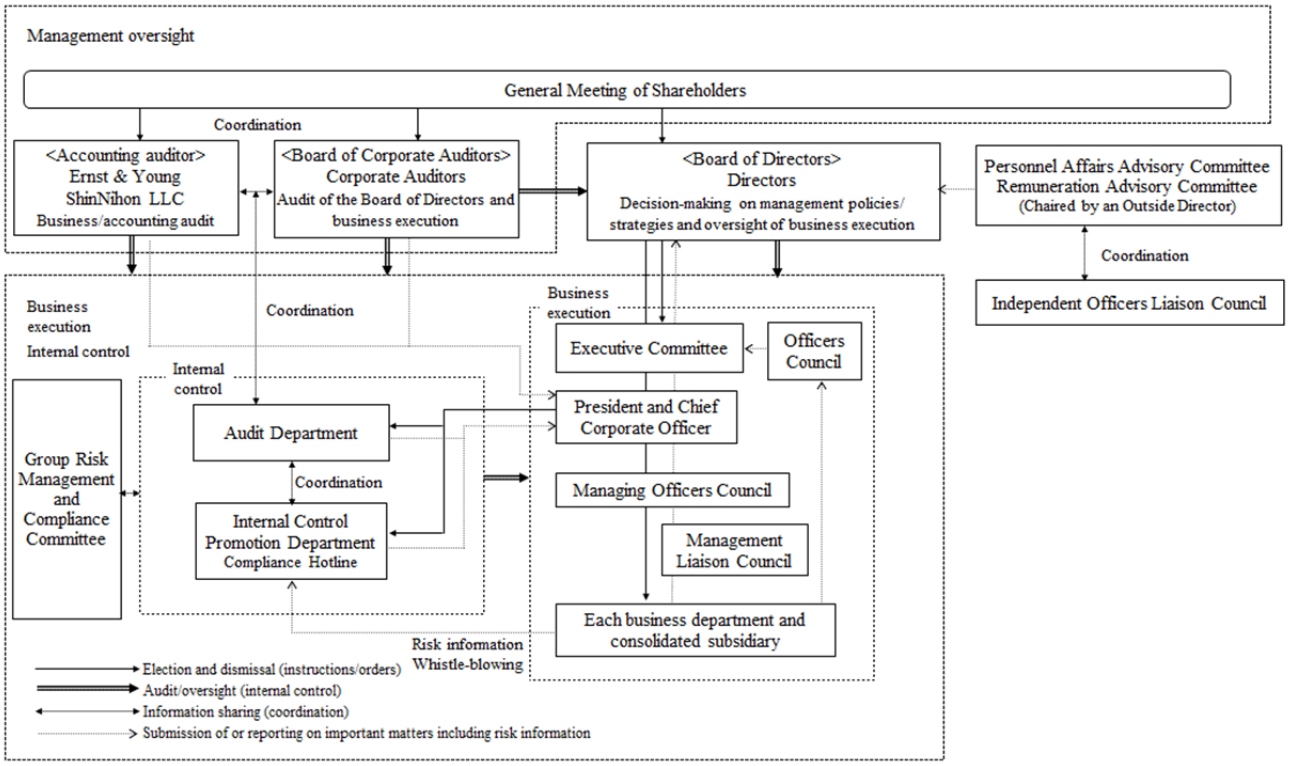
2. Disclosure policy
(1) Basic policy for information disclosure
The Company believes that it is its critical responsibility to all stakeholders, not least shareholders and investors, to provide prompt and accurate information disclosure based on transparency, fairness and continuity of management.
In order to fulfill such responsibilities, the Company shall strive to disclose information in compliance with the Financial Instruments and Exchange Act and the Timely Disclosure Rules set out by the Tokyo Stock Exchange. Other important information will also be published on the Company's website on a timely basis.

(2) Method for information disclosure
The Company discloses the required information under the Timely Disclosure Rules on TD-NET as provided by the Tokyo Stock Exchange, pursuant to such rules. Information disclosed on TD-NET shall all be posted, in principle, on the Company's website without delay. The Company shall also strive to disclose at its discretion information not required to be disclosed under the Timely Disclosure Rules on the Company's website, following the spirit of timely disclosure, insofar as it helps the shareholders/investors better understand the Company, thereby ensuring an accurate and fair delivery of information thereto.

(3) Quiet period
The Company shall arrange a "quiet period" that begins three weeks before the announcement of financial results and ends on the day of the said announcement, for the purpose of preventing information leakages concerning financial results and ensuring fairness. During the quiet period, the Company shall refrain from making any comments or answering any questions regarding the results, provided, however, that if it becomes evident that a discrepancy from the performance forecast observed during the period falls into the range of fluctuation applicable under the Securities Listing Regulations, the discrepancy shall be disclosed in the form of a press release, etc. as appropriate.

(4) Forward-looking statements
The information disclosed by the Company excepting the past facts is forward-looking statements reflecting its judgment based on currently available information, and thus should involve risks and uncertainties associated with factors including economic conditions, market trends, and changes in tax regimes and various institutions. Thus, please bear in mind that the actual results, etc. to be announced in the future may deviate from those described in the forward-looking statements due to changes in such factors.

3. Internal system for timely disclosure
Please refer to the diagram that illustrates the system for timely disclosure.



[System for timely disclosure]

