

KOSHIDAKA HOLDINGS Co., LTD.

(TSE Prime Market 2157)

Results of Operations

**for the First Half of the Fiscal Year
Ending August 2023 (1H FY8/2023)**

Agenda

- 1 Executive Summary**
- 2 1H FY8/2023 Financial Summary**
- 3 FY8/2023 Consolidated Forecast**
- 4 Shareholder Return Policy**
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1. Executive Summary

1H FY8/2023 Overview

- Record-high sales and operating profit (*excluding Curves)
- Continued to open new stores at prime shopping areas/near railway stations and started expansion of store network in the Kinki region
- Resumed new store openings outside Japan

EIP(Entertainment Infrastructure Plan*¹) Restarting

Entertainment as Infrastructure

- Operate karaoke Manekineko throughout Japan
Started expansion of store network in the Kinki region
Continued to actively open new stores → 28 locations in Japan
- Make entertainment a vital part of everyone's life
Continued development to expand PER (Private Entertainment Room*²)
- An outstanding entertainment experience for people worldwide
Resumed new store openings in S.E Asia → 2 locations in Thailand and 3 in Malaysia
Started overseas collaboration in animation business

*1. EIP: The Entertainment Infrastructure Plan has the goal of accomplishing the medium-term corporate vision of "entertainment as infrastructure."

*2. PER: Private Entertainment Rooms, which are part of the "entertainment as infrastructure" vision, are a platform for providing karaoke along with many other forms of entertainment.

2. 1H FY8/2023 Financial Summary

1H FY8/2023 Consolidated Results of Operations

- First half consolidated sales and operating profit exceeded initial forecasts.
- Factors driving favorable performance: (1) Strong growth in sales at stores in prime-shopping areas near railway stations; Sales recovery at suburban roadside stores (2) Contribution of stores opened steadily even during the pandemic. (3) Increased efficiency through larger stores.

(Million yen)

Item	1H FY8/2022	1H FY8/2023	YoY change		Vs. 1H forecast	
			Amount	Ratio	Forecast	Achievement ratio
Net sales	16,533	25,609	+9,076	+54.9%	25,138	101.9%
Gross profit	2,126	6,079	+3,953	+185.9%	-	-
SG&A expenses	1,850	2,554	+704	+38.1%	-	-
Operating profit	275	3,525	+3,250	+1,181.8%	3,383	104.2%
(Operating profit to net sales)	1.7%	13.8%				
Ordinary profit	2,973	3,683	+710	+23.9%	3,377	109.1%
(Ordinary profit to net sales)	18.0%	14.4%				
Profit attributable to owners of parent	1,883	2,499	+616	+32.7%	2,026	123.3%
(Profit to net sales)	11.4%	9.8%				
Net income per share (Yen)	23.10	30.66	+7.56	+32.7%	24.85	123.4%

Consolidated Results of Operations by Segment (YoY change)

- Karaoke Business: Sales increased year on year because of pickup in the number of customers as the pandemic seems to be ending. Aggressive new store opening, among other factors, also contributed to sales.
- Bath House Business: Sales increased year on year as restaurant and banquet sales were up supported by increased customer traffic.
- Real Estate Management Business: Sales increased year on year due to an increase in leasing income caused by full occupancy.

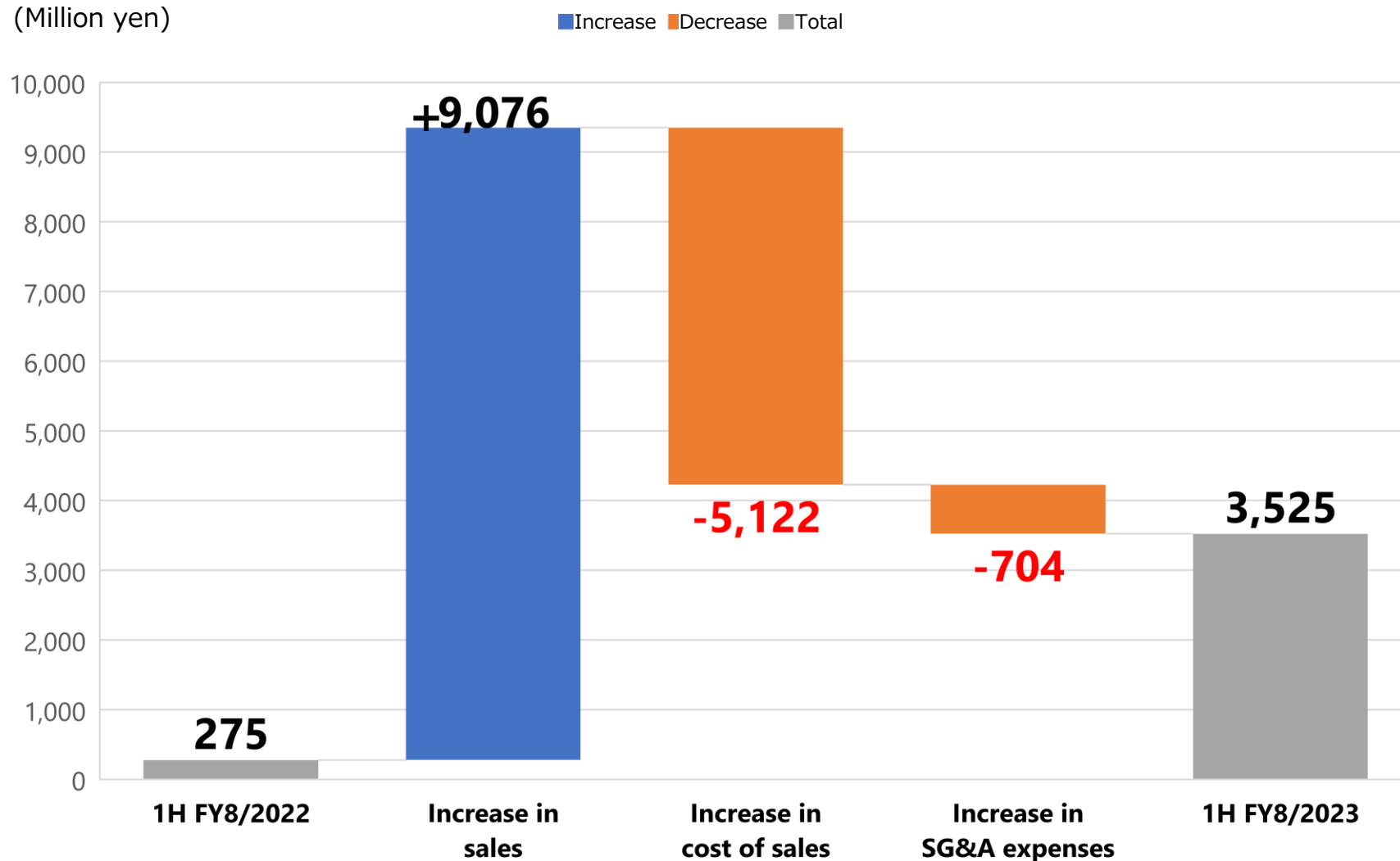
(Million yen)

Item	1H FY8/2022 Results	1H FY8/2023 Results	YoY change		Vs. 1H forecast	
			Amount	Ratio	Amount	Achievement ratio
Net sales	16,634	25,609	+8,975	+54.0%	25,138	101.9%
Karaoke	15,660	24,442	+8,782	+56.1%	23,944	102.1%
Bath House	437	524	+87	+19.9%	518	101.2%
Real Estate Management	536	753	+217	+40.5%	788	95.6%
Adjustment	-	(111)	-111	-	(111)	-
Operating profit	275	3,525	+3,250	+1,181.8%	3,383	104.2%
Karaoke	620	4,038	+3,418	+551.3%	3,768	107.2%
(Operating profit to net sales)	(3.9%)	(15.7%)			(14.9%)	
Bath House	(46)	10	+56	-	58	17.2%
(Operating profit to net sales)	-	(0%)			(0.2%)	
Real Estate Management	68	129	+61	+89.7%	122	105.7%
(Operating profit to net sales)	(12.7%)	(0.5%)			(0.4%)	
Adjustment	(368)	(653)	-285	-	(566)	-

YoY Change in Operating Profit

(* Including increase from store closures in September in FY8/2022)

(Million yen)



■ Major increase in sales

- ✓ New stores: +2,528
- ✓ Existing stores: +6,333
- ✓ Bath House/Real Estate: +303
- ✓ Adjustment: -111

■ Major increase in cost of sales

- ✓ Personnel: +1,999 (+43.2%)
- ✓ Utilities: +731 (+73.1%)
- ✓ Cost of merchandise: +723 (+59.6%)
- ✓ Rents: +580 (+15.3%)
- ✓ Fees and commissions: +309 (+143.6%)
- ✓ Distribution fees: +271 (+46.3%)

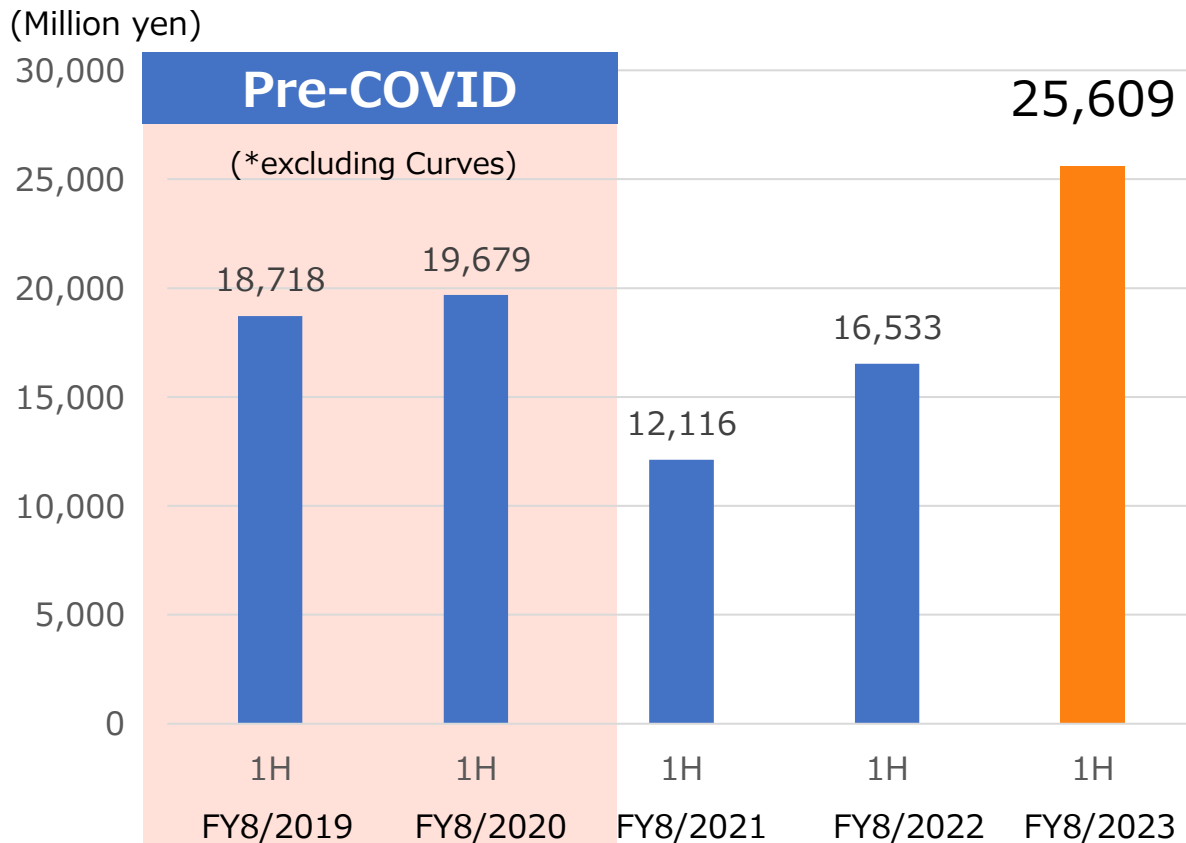
■ Major increase in SG&A expenses

- ✓ Fees and commissions: +263 (+230.4%)
- ✓ Opening expenses: +135 (+30.2%)
- ✓ Personnel: +188 (+26.5%)

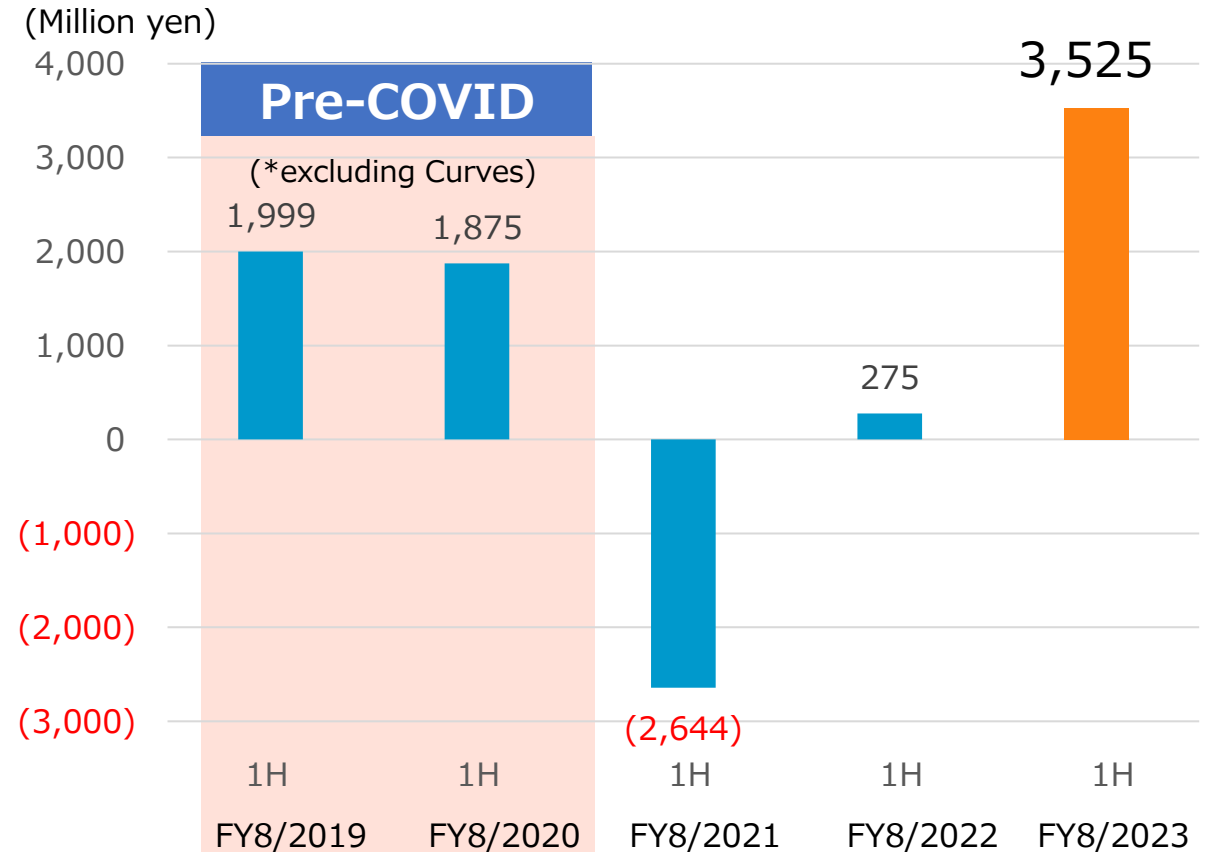
(*Reference) 1H FY8/2023 Consolidated Results of Operations

■ V-shaped recovery of sales and operating profit to pre-pandemic levels

Net sales



Operating profit



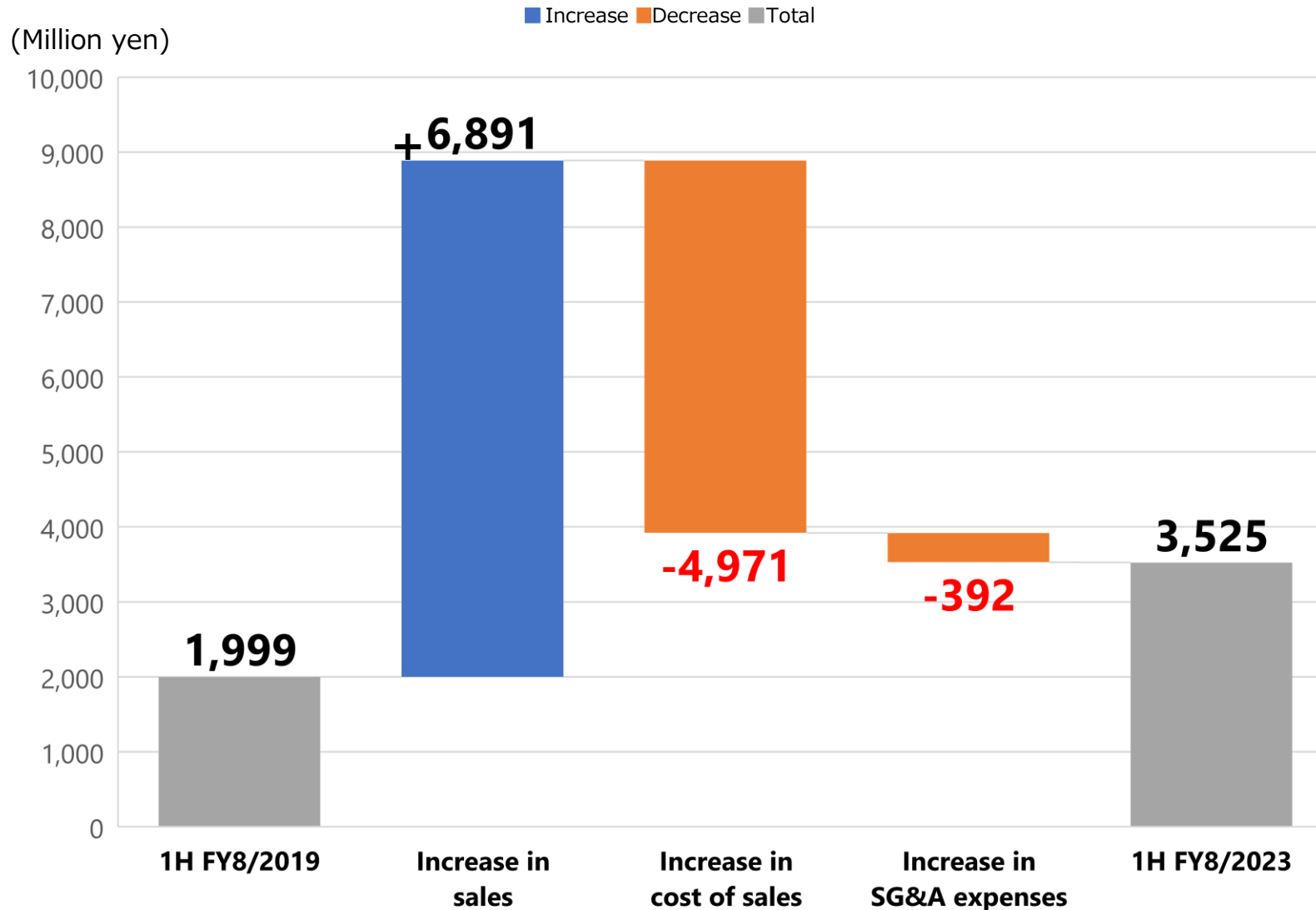
(*Reference) **Results of Operations by Segment (vs. FY8/2019)**

- Karaoke Business: Sales increased 37.8% mainly due to continued store openings even in the pandemic.
- Bath House Business: Sales decreased due to closure of two Oita stores and slow recovery
- Real Estate Management Business: Progress in the acquisition of various types of real estate and leasing of existing owned properties.

(Million yen)

Item	1H FY8/2019 result	1H FY8/2023 result	Change		Vs. 1H forecast	
			Amount	Ratio	Amount	Achievement ratio
Net sales	18,718	25,609	+6,891	+36.8%	25,138	101.9%
Karaoke	17,740	24,442	+6,702	+37.8%	23,944	102.1%
Bath House	822	524	-298	-36.3%	518	101.2%
Real Estate Management	156	753	+597	+382.7%	788	95.6%
Adjustment	-	(111)	-111	-	(111)	-
Operating profit	1,999	3,525	+1,526	+76.3%	3,383	104.2%
Karaoke	2,389	4,038	+1,649	+69.0%	3,768	107.2%
(Operating profit to net sales)	(13.4%)	(16.5%)			(14.9%)	
Bath House	31	10	-21	-	58	17.2%
(Operating profit to net sales)	-	(1.9%)			(0.2%)	
Real Estate Management	28	129	+101	+360.7%	122	105.7%
(Operating profit to net sales)	(17.9%)	(17.1%)			(0.4%)	
Adjustment	(449)	(653)	-204	-	(566)	-

(*Reference) **Operating Profit (vs. 1H FY8/2019)**



(Million yen)

■ **Major increase in sales**

✓ New stores:	+6,093
✓ Existing-stores:	+304
✓ Bath House/Real Estate:	+299
✓ Others:	+195

■ **Major increase in cost of sales**

✓ Personnel:	+2,083 (+45.9%)
✓ Rents:	+1,437 (49.0%)
✓ Utilities:	+566 (+48.6%)
✓ Cost of merchandise:	+299 (18.3%)
✓ Depreciation:	+245 (+16.2%)
✓ Distribution fees:	+181 (26.9%)
✓ Fees and commissions:	+158 (43.5%)

■ **Major increase in SG&A expenses**

✓ Fees and commissions:	+260 (221.9%)
✓ Personnel:	+98 (12.3%)

Karaoke Business

Karaoke Business

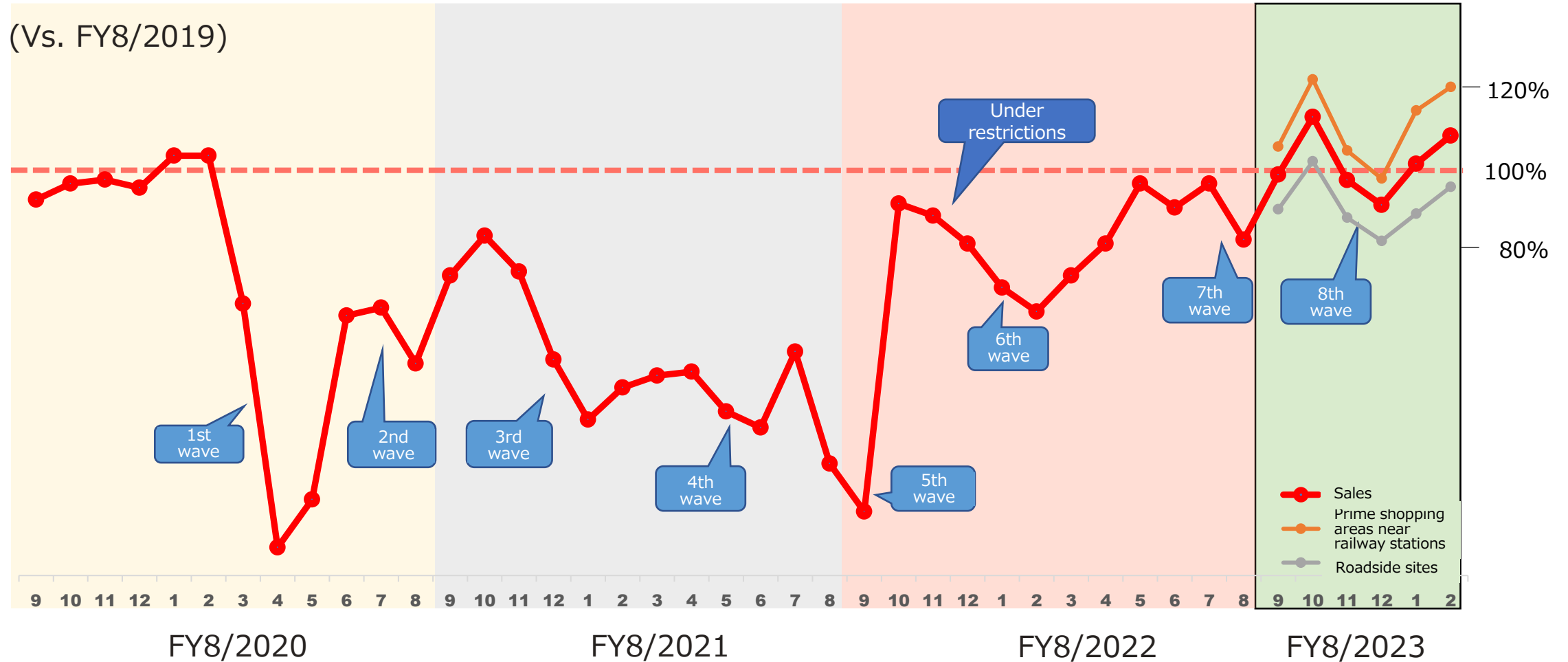
- Sales and profit margins improved as performance of existing stores recovered and contribution from steady new store openings.
- Renewed menu and revised room rates → Maintained customer numbers; average sales per customer increased.
- Profit margins increased due to store size expansion and better operating efficiency

(Million yen)

	1H FY8/2019		1H FY8/2020		1H FY8/2021		1H FY8/2022		1H FY8/2023	
	Result	Comp.	Result	Comp.	Result	Comp.	Result	Comp.	Result	Comp.
Net sales	17,740	-	18,482	-	11,274	-	15,660	-	24,442	-
Cost of sales	13,678	77.1%	14,279	77.3%	12,090	107.2%	13,578	86.7%	18,531	75.8%
Gross profit	4,061	22.9%	4,202	22.7%	(815)	-	2,082	13.3%	5,910	24.2%
SG&A expenses	1,672	9.4%	1,923	10.4%	1,266	11.2%	1,461	9.3%	1,872	7.7%
Operating profit	2,389	13.5%	2,279	12.3%	(2,082)	-	620	4.0%	4,038	16.5%

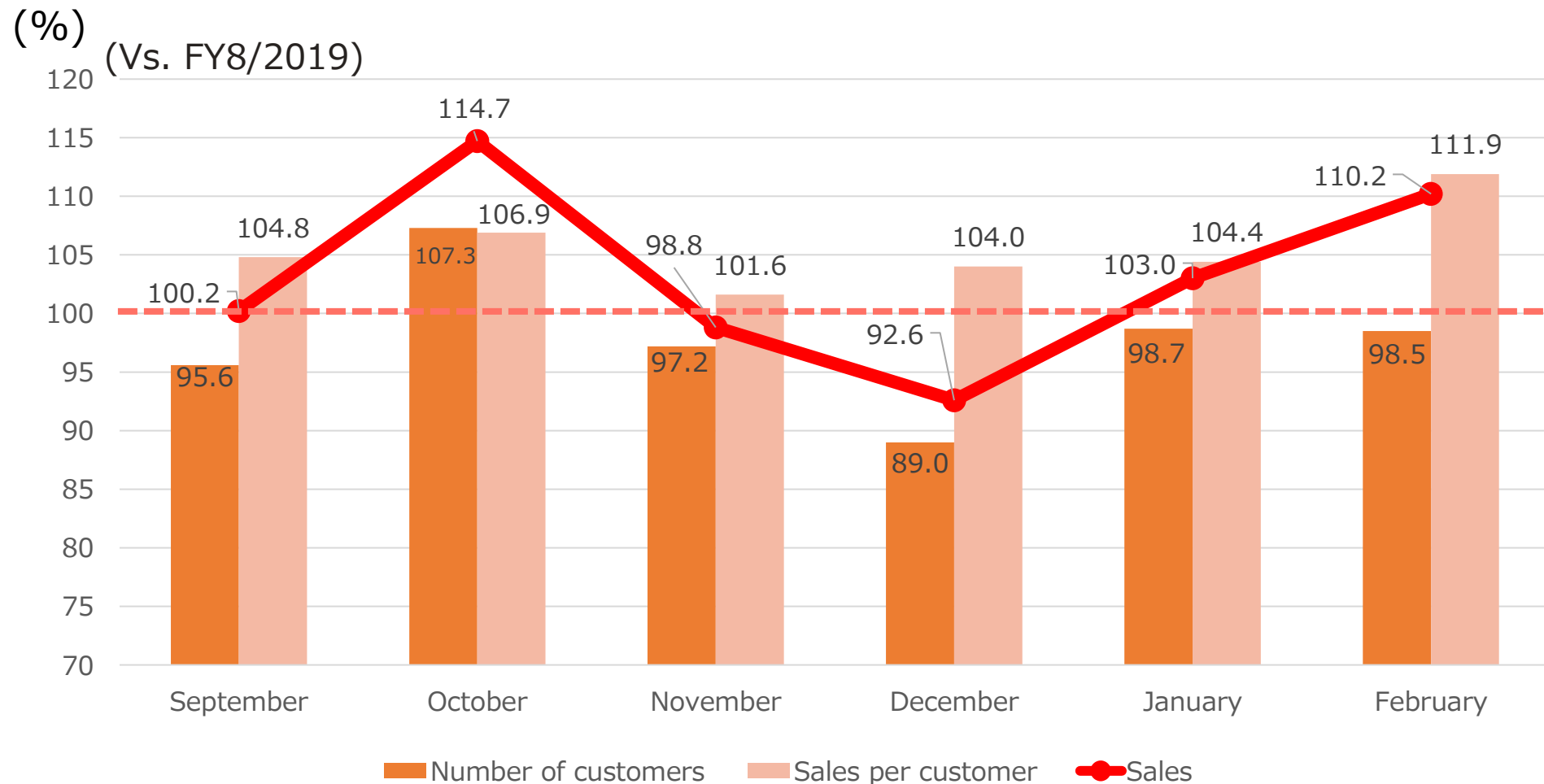
Existing Store Sales

- Sales increased by 2% from FY2019 to pre-pandemic level.
- The young are returning quickly particularly to stores in prime shopping areas near railway stations. Business is brisk with sales/traffic up 10.8% from FY2019
- Performance of suburban roadside stores which had lagged behind is recovering and came close to 100% in February 2023



Sales at Existing Stores/Number of Customers/Sales Per Customer

- Steadily renewed menus and increased room rates from October there after
- Slight impact of the increase in sales per customer on the number of customers in 1H FY8/2023.



Number of Locations and Rooms

- Opened 28 stores in 1H FY8/2023–Store opening largely on track
- Continued to increase store size and open new store in prime shopping areas near railway stations
→ Improve efficiency of store operations

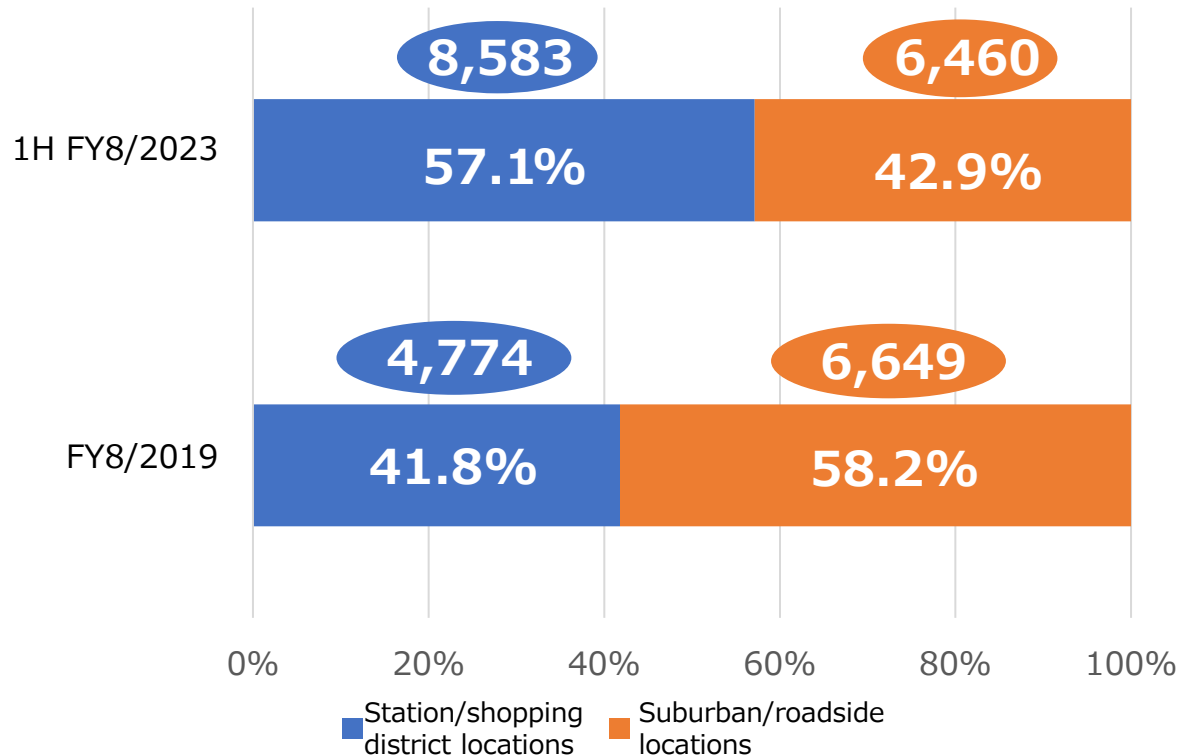
Number of locations/rooms		FY8/2022		1H FY8/2023		Change	
		No. of locations	No. of rooms	No. of locations	No. of rooms	No. of locations	No. of rooms
Manekineko	Near railway stations/ prime shopping areas	298	7,797	320	8,583	+22	+786
	Suburban/roadside locations	273	6,320	274	6,460	+1	+140
	Total	571	14,117	594	15,043	+23	+926
One Kara		6	210	6	212	0	+2
Total		577	14,327	600	15,255	+23	+928

Number of locations opened/closed		1Q FY8/2023	2Q FY8/2023	1H FY8/2023
No. of locations opened	Near railway stations/ prime shopping areas	13	9	22
	Suburban/roadside locations	6	0	6
	Total	19	9	28
No. of locations closed		2	3	5

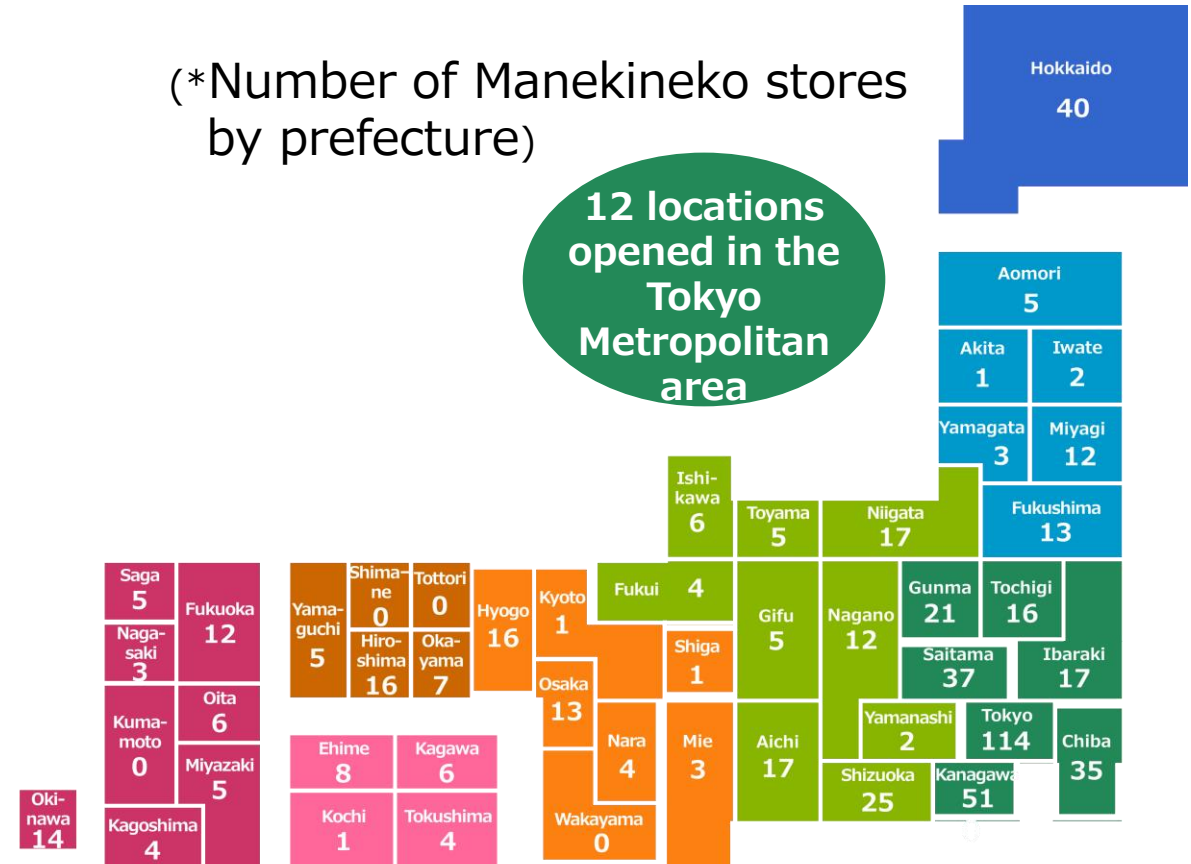
Number of Stores By Location Type and By Prefecture

- Continued to open new stores in prime shopping areas near railway stations
- Outside Tokyo, opened 7 stores in Kyushu and Okinawa; 4 stores in the Kinki region, and 5 stores in other regions

Room ratio by location type

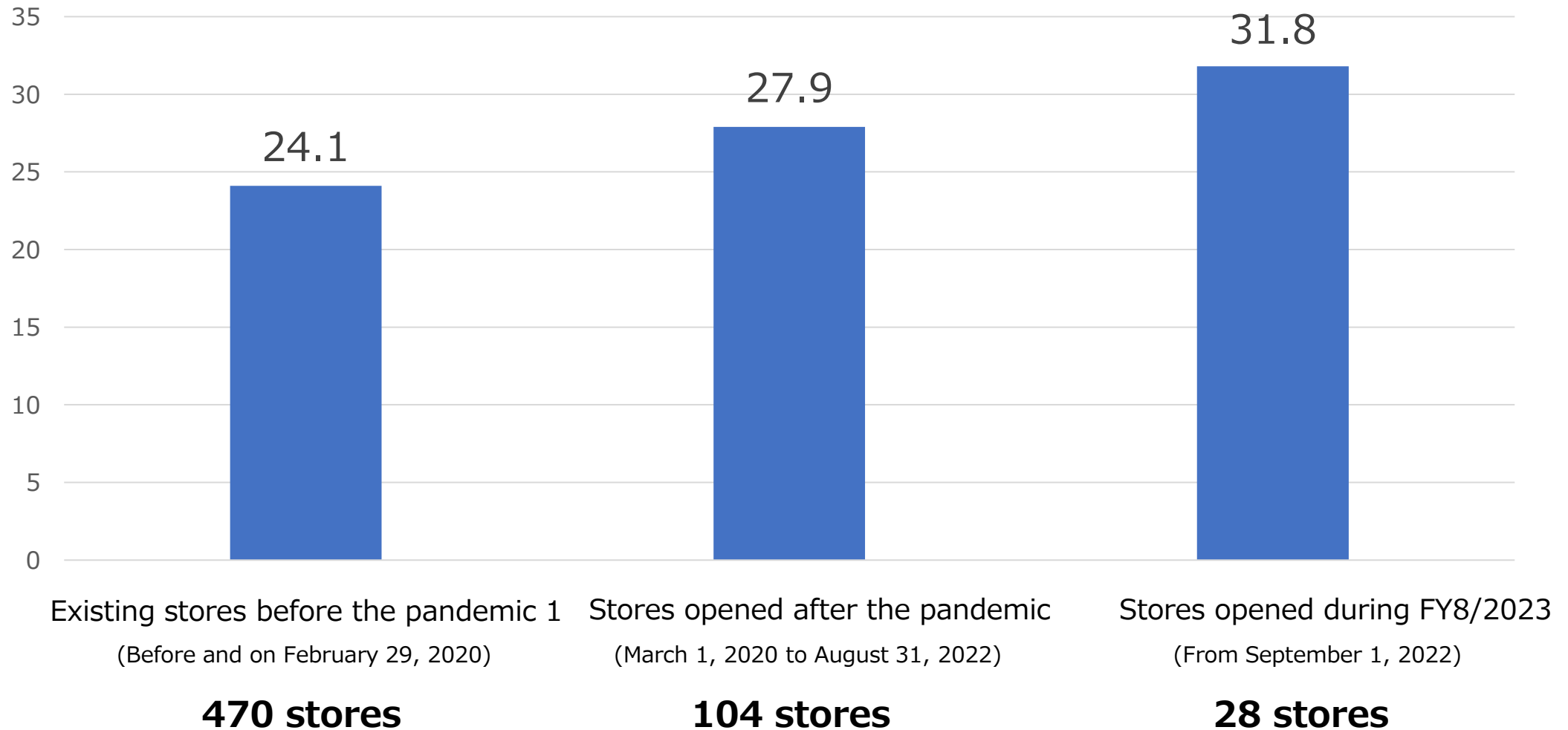


(*Number of Manekineko stores by prefecture)



Number of Rooms Per Store

- Stores have been getting bigger and bigger since before the pandemic.



Overseas Performance

- Recovering steadily after the pandemic
- Opened 3 stores in Malaysia and 2 in Thailand
- Hired a manager for Indonesian operations
→ Utilize local human resources

(Million yen)

	FY8/2022						FY8/2023		
	1H			Full-year			1H		
	Net sales	Operating profit	No. of locations	Net sales	Operating profit	No. of locations	Net sales	Operating profit	No. of locations
Overseas	113	(34)	12	315	(67)	11	296	11	16
South Korea	52	(9)	4	108	(9)	4	50	(4)	4
Malaysia	59	(6)	6	192	(13)	6	181	21	9
Thailand	0	(10)	1	0	(27)	0	44	(6)	2
Indonesia	2	(9)	1	15	(18)	1	21	0	1

* Sales in Malaysia, Thailand and Indonesia are not consolidated



Snapshot of a store in Malaysia



Snapshot of a store in Thailand

Bath House / Real Estate Management Businesses

Bath House Business

- Operating profit moved into the black ink for the first time since FY8/2020
→ Customer numbers increased after the pandemic
- Profit margin declined from pre-COVID P/L as utility rates increased sharply

(Million yen)

	1H FY8/2019		1H FY8/2020		1H FY8/2021		1H FY8/2022		1H FY8/2023	
	Result	Comp.	Result	Comp.	Result	Comp.	Result	Comp.	Result	Comp.
Net sales	822	-	812	-	536	-	437	-	524	-
Cost of sales	756	92.0%	721	88.8%	570	106.3%	470	107.6%	499	95.2%
Gross profit	66	8.0%	91	11.2%	(34)	-	(32)	-	25	4.8%
SG&A expenses	35	4.3%	32	3.9%	23	4.3%	13	3.0%	14	2.7%
Operating profit	31	3.8%	58	7.1%	(58)	-	(46)	-	10	1.9%

Real Estate Management Businesses

- Increase in rental income along with progress in leasing
→ AQERU Maebashi, Fleuret Sakuragicho
- Acquisition of land for opening new stores

(Million yen)

	1H FY8/2019		1H FY8/2020		1H FY8/2021		1H FY8/2022		1H FY8/2023	
	Result	Comp.	Result	Comp.	Result	Comp.	Result	Comp.	Result	Comp.
Net sales	156	-	384	-	305	-	536	-	753	-
Cost of sales	123	78.8%	369	96.1%	456	149.5%	460	85.8%	610	81.0%
Gross profit	33	21.2%	15	3.9%	(151)	-	76	14.2%	143	19.0%
SG&A expenses	4	2.6%	7	1.8%	11	3.6%	7	1.3%	14	1.9%
Operating profit	28	17.9%	8	2.1%	(162)	-	68	12.7%	129	17.1%

Balance Sheet

- Land and short-term borrowings increased as Koshidaka Products acquired land for opening new stores
- Property, plant and equipment increased due to new store openings
 - Sublease from Sumitomo Mitsui Finance and Leasing Company, Limited had no significant effect

(Million yen)

	August 31, 2022	February 28, 2023	Change
Current assets	9,911	8,669	-1,242
Non-current assets	37,362	43,911	+6,549
Property, plant and equipment	27,102	32,423	+5,321
Intangible assets	439	483	+44
Investments and other asset	9,820	11,004	+1,184
Total assets	47,273	52,581	+5,308
Current liabilities	9,643	12,989	+3,346
Short-term borrowings	0	3,198	+3,198
Current portion of long-term borrowings	2,188	2,091	-97
Non-current liabilities	18,120	18,267	147
Long-term borrowings	8,744	8,388	-356
Total liabilities	27,764	31,256	+3,492
Shareholders' equity	19,690	21,525	+1,835
Net assets	19,508	21,324	+1,816
Total liabilities and net assets	47,273	52,581	+5,308

Cash Flows

- Cash flows from operating activities:
→ 3,630 million yen in profit before income taxes and 650 million yen in income taxes paid
- Cash flows from investing activities:
→ Purchase of property, plant and equipment of 7,360 million yen
- Cash flows from financing activities:
→ 3,190 million yen increase in short-term borrowings and 1,150 million yen in repayments of long-term borrowings

(Million yen)

	1H FY8/2022	1H FY8/2023	Change
Cash flows from operating activities	6,341	4,936	-1,405
Cash flows from investing activities	(4,901)	(8,970)	-4,069
(Free cash flows)	1,440	(4,034)	-5,474
Cash flows from financing activities	(1,364)	2,419	+3,783
Cash and cash equivalents at end of period	5,247	4,936	-311

3. FY8/2023 Consolidated Forecast

FY8/2023 Forecast

- Plan to post 4,350 million yen in extraordinary income in 3Q for the sale of property owned by Koshidaka Products.
- In addition, raised the full-year forecast over the initial forecast based on the favorable performance in 1H over initial forecast.

Consolidated Forecast

(Million yen)

Items	FY8/2023 Initial Forecast	FY8/2023 Revised Forecast	Vs. Initial Forecast	
			change	Ratio
Net sales	53,361	53,830	+469	0.9%
Operating profit	7,430	7,570	+140	1.9%
(Operating profit to net sales)	(13.9%)	(14.1%)		
Ordinary profit	7,403	7,700	+297	4.0%
(Ordinary profit to net sales)	(13.9%)	(14.3%)		
Profit attributable to owners of parent	4,442	7,470	+3,028	68.2%
(Profit to net sales)	(8.3%)	(13.9%)		

Forecast by Segment

(Million yen)

Items	FY8/2023 Initial Forecast	FY8/2023 Revised Forecast	Vs. Initial Forecast
			change
Net sales	53,361	53,830	+469
Karaoke	50,948	51,444	+496
Bath House	1,045	1,052	+7
Real Estate Management	1,591	1,556	-35
Adjustment	(223)	(222)	+1
Operating profit	7,430	7,570	+140
(Operating profit to net sales)	(13.9%)	(14.0%)	
Karaoke	8,188	8,455	+267
(Operating profit to net sales)	(16.1%)	(16.4%)	
Bath House	117	68	-49
(Operating profit to net sales)	(11.2%)	(6.4%)	
Real Estate Management	251	257	+6
(Operating profit to net sales)	(18.3%)	(16.5%)	
Adjustment	(1,125)	(1,212)	-87

4. Shareholder Return Policy

Policy

Distributing earnings to shareholders is one of the highest priorities of Koshidaka Holdings. Our policy is to pay dividends consistently while taking steps for the medium/long-term growth of the value of our stock. By restarting the Entertainment Infrastructure Plan*¹ and creating the next core drivers of growth, we are aiming for more growth of our businesses and the even more efficient use of capital.

Dividend per share/Payout ratio

(Yen)

	FY8/2018	FY8/2019	FY8/2020	FY8/2021	FY8/2022	FY8/2023 (forecast)
Interim	20.0	6.0	8.0	2.0	4.0	5.0
Year-end	5.0	6.0	4.0	2.0	4.0	5.0
Annual	25.0	12.0	12.0	4.0	8.0	10.0
Payout ratio	18.4%	15.7%	-	-	17.9%	10.9%

*1. The Entertainment Infrastructure Plan has the goal of accomplishing the medium-term corporate vision of “entertainment as infrastructure.”

5. Strategies and Actions

Medium/Long-term Plan and Strategic Initiatives

Initiative 1

Restart the Entertainment Infrastructure Plan*¹

- A) Rapidly open stores: Increase the number of stores in the Kinki region
- B) More private entertainment rooms*²: Development of METAKARA
- C) A sound organizational structure: Raise employee salaries, enhance training and recruitment capabilities

Initiative 2

Create the next core drivers of growth

Welltainment*³ business

Initiative 3

Faster growth outside Japan

Opened 5 new stores overseas during the first half

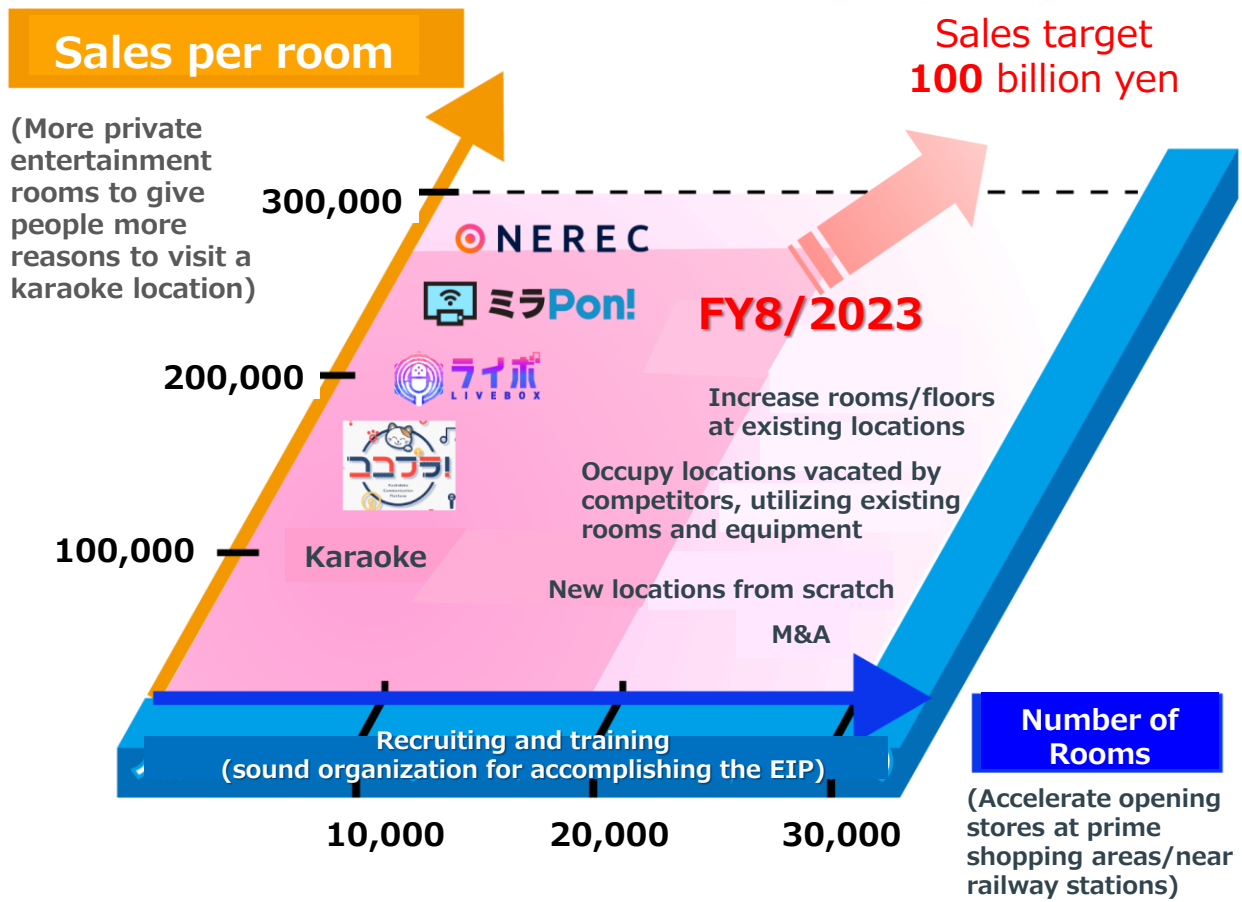
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*2 Private Entertainment Rooms, which are part of the “entertainment as infrastructure” vision, are a platform for providing karaoke along with many other forms of entertainment.

*3 Welltainment (wellness and entertainment) is a concept for wellness measures incorporating enjoyment (entertainment) for a healthy life.

1 Restart the EIP: Action Plan

For the Entertainment Infrastructure Plan*¹, actions for business growth ((A) Rapidly open stores, (B) More and upgraded PER) and for (C) building a sound organizational structure needed for the first two actions. The final goal is sales of 100 billion yen.



Explanation of strategic actions

- A Open stores rapidly (More rooms)**
 Continued to open new stores at prime shopping areas/near railway stations and started expansion of store network in the Kinki region.
- B More and upgraded PER (Increase sales per room)**
 Increase room utilization and sales per customer by using digital technologies for new services that give customers more forms of entertainment to enjoy.
 → Development of METAKARA
- C A sound organizational structure (Recruiting and training)**
 Recruit people from other companies for the skills needed to implement these strategic actions.
 Increase employees' skills and motivation by completely reexamining the personnel system.

*1 The Entertainment Infrastructure Plan has the goal of accomplishing the medium-term corporate vision of "entertainment as infrastructure."

1 C Progress Report

Restart the EIP: Strategic internal actions– A sound organizational structure

Actions to build a sound infrastructure to serve as the foundation for growth in order to accomplish the goals of the Entertainment Infrastructure Plan

1

Strengthen training programs at Maneki-Juku (employee training center)

- Introduce training programs for each employee level
- Develop video of operation manuals
- Enhance training programs

2

Recruit many human resources with advanced skills

- Promote recruitment of human resources for the next generation

3

Upgrade personnel systems

- Progress in the Workstyle Innovation Plan
 - Restructuring of salary level and evaluation system
 - Further enhancement of welfare benefits and reform of work style

4

Activities to help accomplish the SDGs

Established the Sustainability Promotion Committee and strengthening social contribution activities and environmental measures

- Single-parent family support
- “Children’s 911 Hotline” activities
- “Let’s Sing –a good cheer song” project
 - Singing this song will be a donation to orphanages and other institutions.

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(TSE Prime Market 2157)

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