

# **KOSHIDAKA HOLDINGS Co., LTD.**

**(TSE Prime Market 2157)**

## **Results of Operations**

**for the Fiscal Year Ended August 2023  
(FY8/2023)**

**October 12, 2023**

# Agenda

- 1 Executive Summary**
- 2 FY8/2023 Financial Summary**
- 3 FY8/2024 Consolidated Forecast**
- 4 Shareholder Return Policy**
- 5 Strategies and Actions**

# 1. Executive Summary

### FY8/2023 Overview

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

### Accelerate EIP (Entertainment Infrastructure Plan\*<sup>1</sup>)/Faster growth in Southeast Asia

- Operate karaoke Manekineko throughout Japan

Started expansion of store network in the Kinki region

Continued to actively open new stores → 53 locations in Japan

Entertainment as  
Infrastructure

- Make entertainment a vital part of everyone's life

Continued development to expand PER (Private Entertainment Room\*<sup>2</sup>)

- An outstanding entertainment experience for people worldwide

Resumed new store openings in S.E Asia → 2 locations in Thailand and 4 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. FY8/2023 Financial Summary

# FY8/2023 Consolidated Results of Operations

- FY8/2023 consolidated net sales and operating profit exceeded the revised 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 (4) Recording of an extraordinary income of 4,043 million yen resulting from the sale of "Sport Nagoya."

(Million yen)

Item	FY8/2022	FY8/2023	YoY change		Vs. forecast	
			Amount	Ratio	Forecast	Achievement ratio
<b>Net sales</b>	37,995	54,629	+16,634	+43.8%	53,830	101.5%
<b>Gross profit</b>	6,140	13,308	+7,168	+116.7%	-	-
<b>SG&amp;A expenses</b>	3,934	5,641	+1,706	+43.4%	-	-
<b>Operating profit</b>	2,205	7,667	+5,461	+247.6%	7,570	101.3%
(Operating profit to net sales)	5.8%	14.0%				
<b>Ordinary profit</b>	5,331	7,767	+2,435	+45.7%	7,700	100.9%
(Ordinary profit to net sales)	14.0%	14.2%				
<b>Profit attributable to owners of parent</b>	3,643	7,104	+3,461	+95.0%	7,470	95.1%
(Profit to net sales)	9.6%	13.0%				
<b>Net income per share (Yen)</b>	44.68	87.14	+42.46	+95.0%	91.62	95.1%

## Consolidated Results of Operations by Segment (YoY Change)

- Karaoke Business: Sales up 45% and operating profit up three times due to successful measures, including rapidly opening new stores, to target revenue consumption following the end of the pandemic. Sales and operating profit were 1,300 million yen lower than with the previous revenue recognition standard.
- 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.

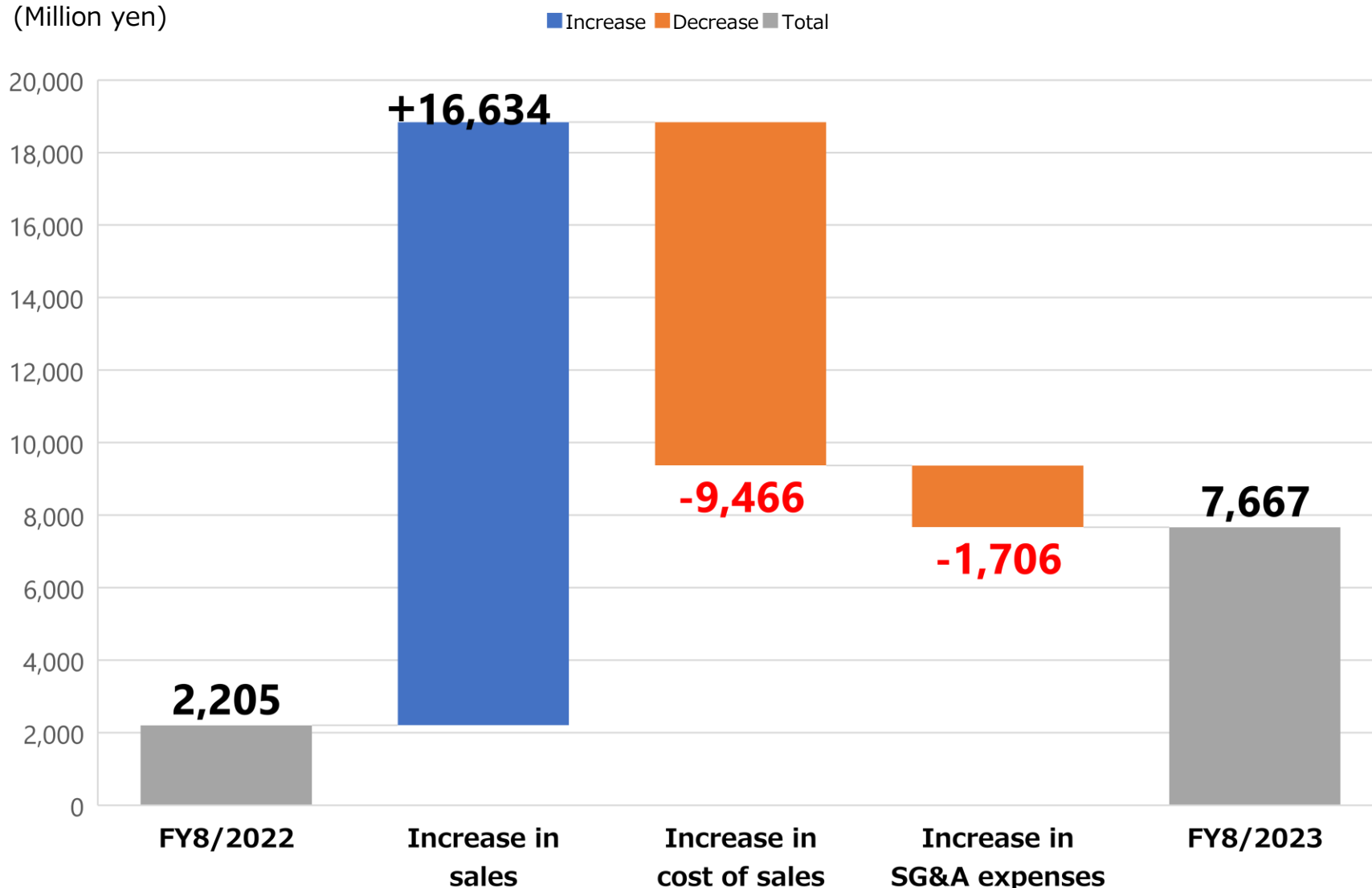
(Million yen)

Item	FY8/2022	FY8/2023	YoY change		Vs. revised forecast	
			Amount	Ratio	Amount	Achievement ratio
<b>Net sales</b>	<b>37,995</b>	<b>54,629</b>	<b>+16,634</b>	<b>+43.8%</b>	<b>53,830</b>	<b>101.5%</b>
Karaoke	36,178	52,318	+16,140	+44.6%	51,444	101.7%
Bath House	894	1,057	+163	+18.2%	1,052	100.5%
Real Estate Management	1,134	1,488	+353	+31.2%	1,556	95.6%
Adjustment	(212)	(234)	-22	-	(222)	-
<b>Operating profit</b>	<b>2,205</b>	<b>7,667</b>	<b>+5,461</b>	<b>+247.6%</b>	<b>7,570</b>	<b>101.3%</b>
Karaoke	3,012	9,006	+5,994	+199.0%	8,455	106.5%
(Karaoke (Operating profit to net sales))	(8.3%)	(17.2%)			(16.4%)	
Bath House	(73)	52	+125	-	68	76.5%
(Bath House (Operating profit to net sales))	-	(5.0%)			(6.5%)	
Real Estate Management	165	149	-15	-9.6%	257	58.0%
(Real Estate Management (Operating profit to net sales))	(14.6%)	(10.1%)			(16.5%)	
Adjustment	(899)	(1,541)	-642	-	(1,212)	-

# YoY Change in Operating Profit

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

(Million yen)



■ Major increase in sales

- ✓ New stores: +3,198
- ✓ Existing stores: +13,466
- ✓ Bath House/Real Estate: +517
- ✓ Closed stores/Adjustment: -547

■ Major increase in cost of sales

- ✓ Personnel: +3,137 (+31.0%)
- ✓ Cost of merchandise: +1,355 (+47.3%)
- ✓ Rents: +1,313 (+16.8%)
- ✓ Utilities: +951 (+40.5%)
- ✓ Fees and commissions: +710 (+133.5%)
- ✓ Distribution fees: +638 (+44.6%)

■ Major increase in SG&A expenses

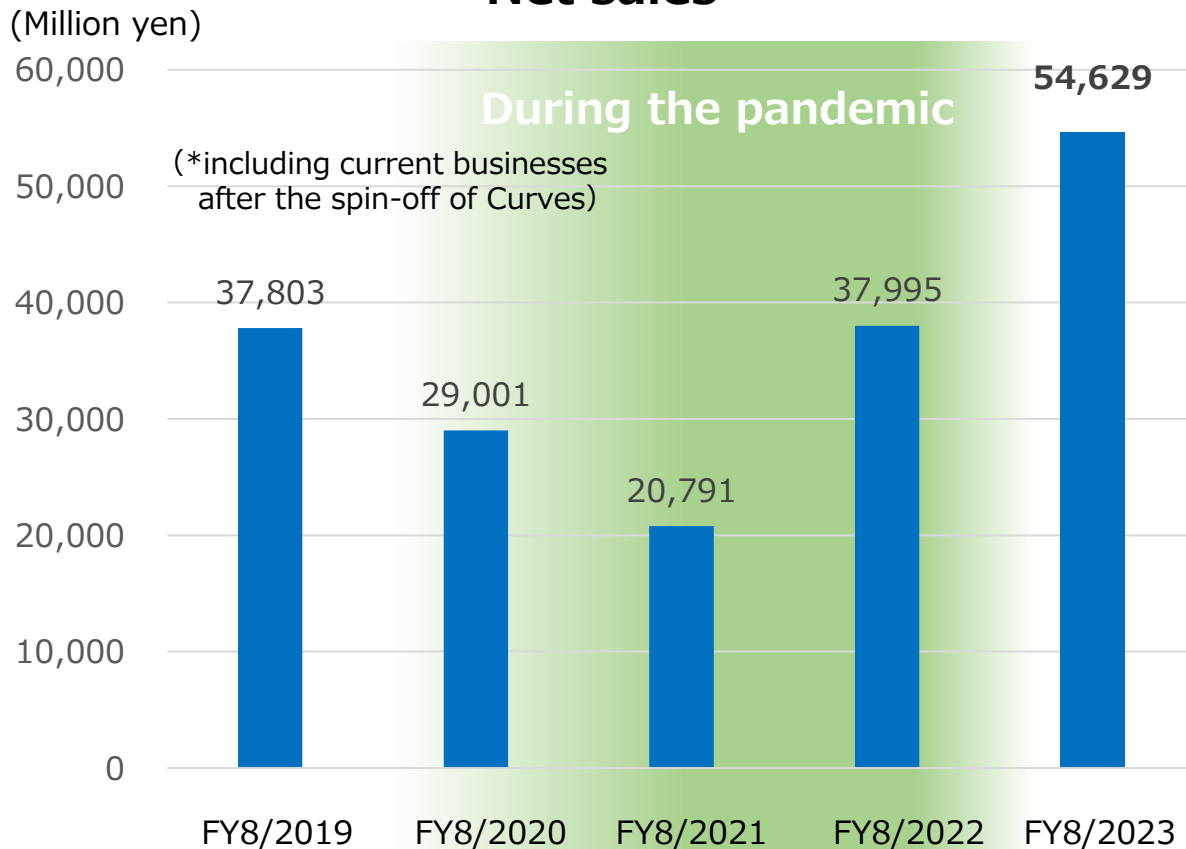
- ✓ Fees and commissions: +441 (+122.5%)
- ✓ Personnel: +330 (+23.8%)
- ✓ Opening expenses: +307 (+59.9%)



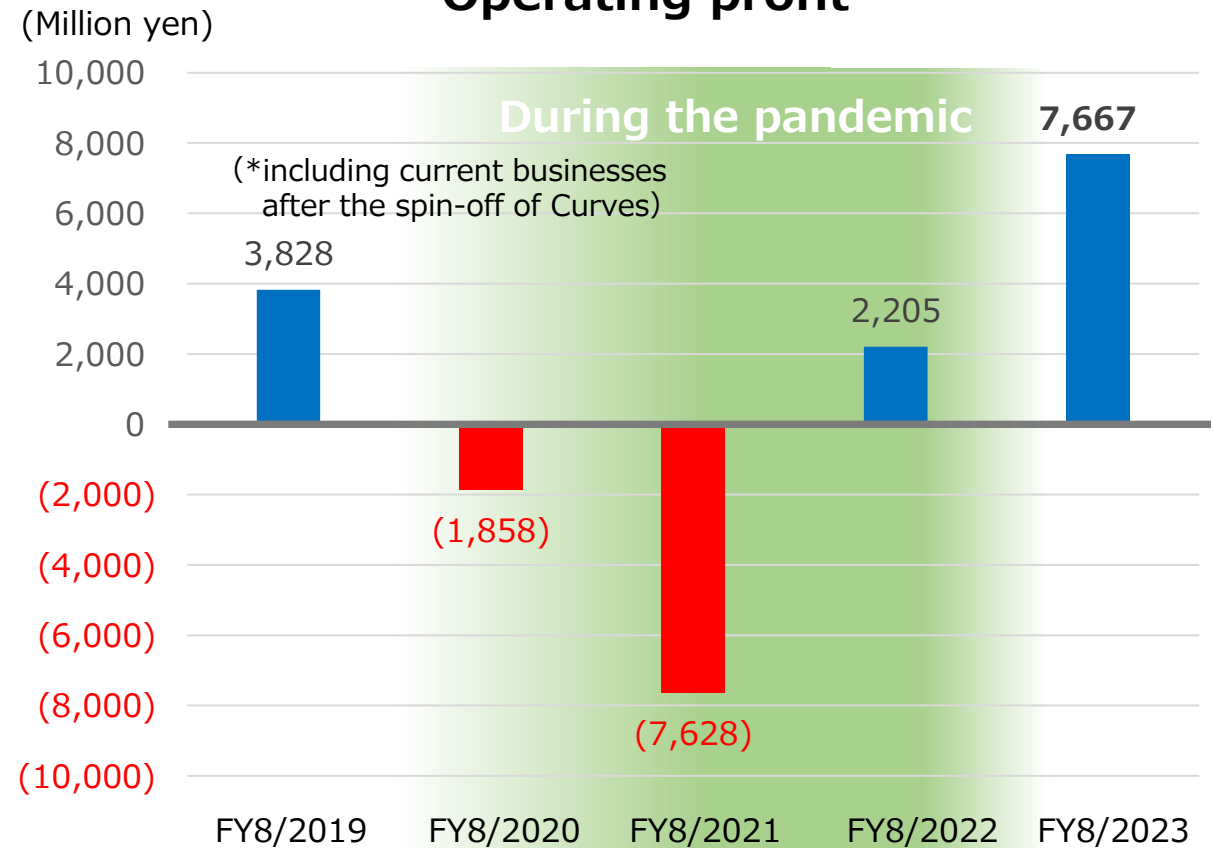
# (\*Reference) Changes in Net Sales and Operating Profit

■ V-shaped recovery and much higher sales and operating profit than pre-pandemic levels

## Net sales



## Operating profit

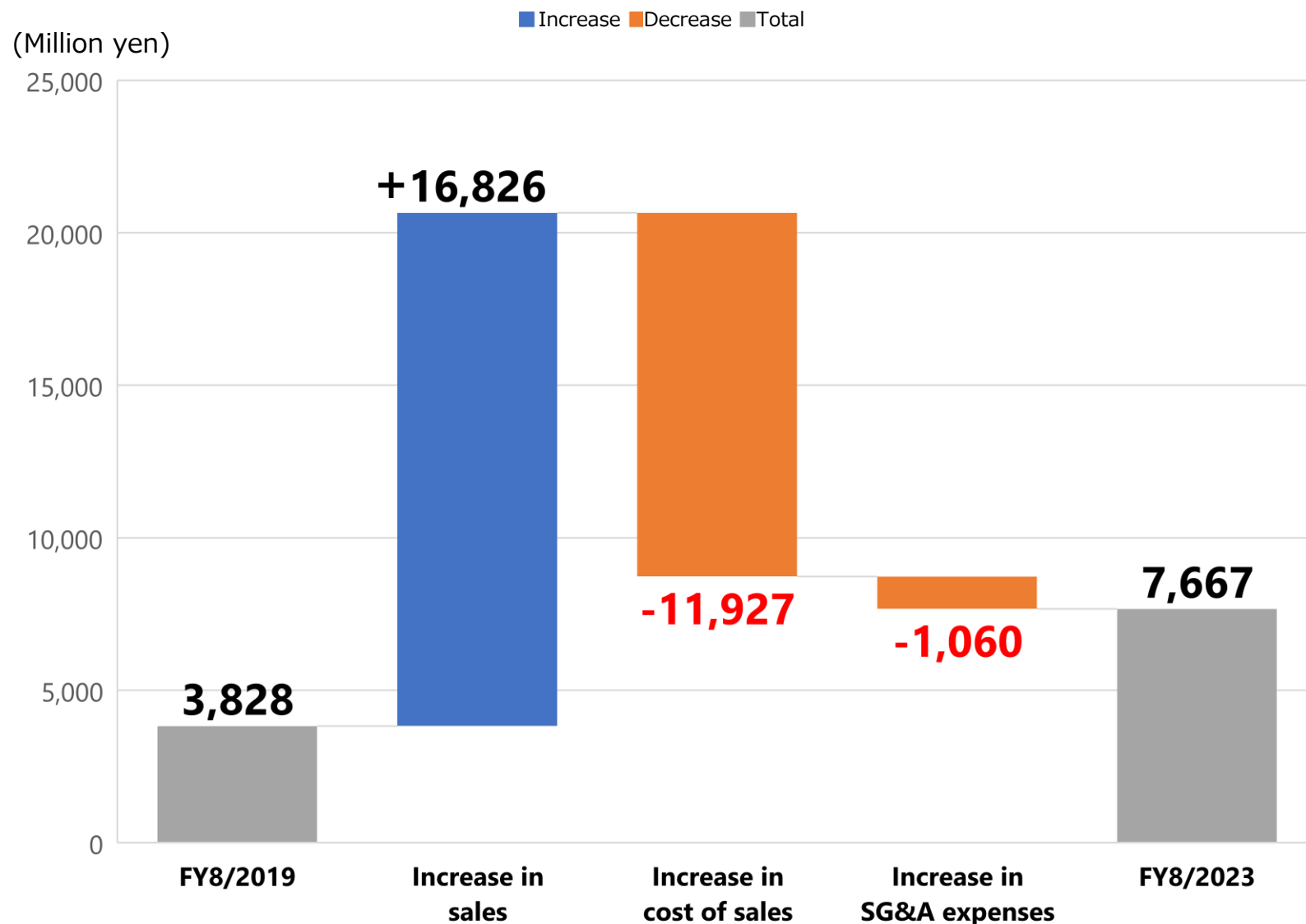


## (\*Reference) Results of Operations by Segment (vs. FY8/2019)

- Karaoke Business: Sales increased 46.4% mainly due to continued store openings even in the pandemic; earnings doubled.
  - 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	FY8/2019	FY8/2023	Change		Vs. revised forecast	
			Amount	Ratio	Amount	Achievement ratio
<b>Net sales</b>	<b>37,803</b>	<b>54,629</b>	<b>+16,826</b>	<b>+44.5%</b>	<b>53,830</b>	<b>101.5%</b>
Karaoke	35,732	52,318	+16,586	+46.4%	51,444	101.7%
Bath House	1,640	1,057	-583	-35.5%	1,052	100.5%
Real Estate Management	431	1,488	+1,057	+245.2%	1,556	95.6%
Adjustment	-	(234)	-234	-	(222)	-
<b>Operating profit</b>	<b>3,828</b>	<b>7,667</b>	<b>+3,839</b>	<b>+100.3%</b>	<b>7,570</b>	<b>101.3%</b>
Karaoke	4,518	9,006	+4,488	+99.3%	8,455	106.5%
(Operating profit to net sales)	(12.6%)	(17.2%)			(16.4%)	
Bath House	108	52	-56	-51.9%	68	76.5%
(Operating profit to net sales)	(6.6%)	(5.0%)			(6.5%)	
Real Estate Management	59	149	+90	+152.5%	257	58.0%
(Operating profit to net sales)	(13.7%)	(10.1%)			(16.5%)	
Adjustment	(858)	(1,541)	-683	-	(1,212)	-

(\*Reference) **Operating Profit (vs. FY8/2019)**



(Million yen)

■ **Major increase in sales**

- ✓ New stores: +14,838
- ✓ Existing stores: +5,572
- ✓ Bath House/Real Estate: +474
- ✓ Others including closed stores: -4,059

■ **Major increase in cost of sales**

- ✓ Personnel: +4,265 (+47.4%)
- ✓ Rents: +3,190 (+53.7%)
- ✓ Utilities: +1,057 (+47.1%)
- ✓ Fees and commissions: +654 (+111.3%)
- ✓ Cost of merchandise: +651 (+18.2%)
- ✓ Distribution fees: +514 (+33.1%)
- ✓ Depreciation: +438 (+13.4%)

■ **Major increase in SG&A expenses**

- ✓ Fees and commissions: +347 (+76.4%)
- ✓ Personnel: +226 (+15.2%)
- ✓ Opening and other expenses: +198 (+31.8%)

# Karaoke Business

## Karaoke Business

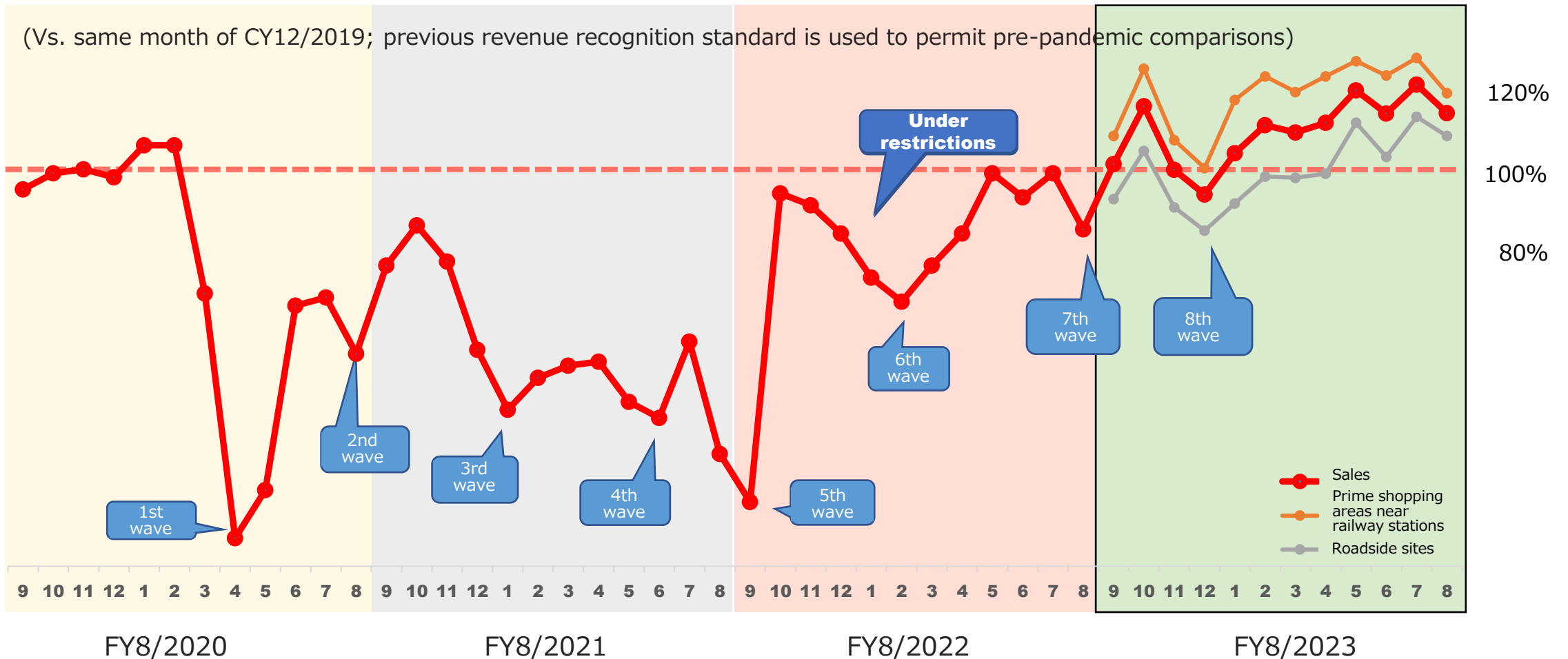
- Sales and profit margins improved as performance of existing stores recovered and due to contribution from steady new store openings.
- Renewed menu and revised room rates → Maintained customer numbers; average sales per customer increased.
- Profit margins increased due to store size expansion and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

(Million yen)

	FY8/2019		FY8/2020		FY8/2021		FY8/2022		FY8/2023	
	Result	Comp.	Result	Comp.	Result	Comp.	Result	Comp.	Result	Comp.
<b>Net sales</b>	35,732	-	27,156	-	19,195	-	36,178	-	52,318	-
<b>Cost of sales</b>	27,738	77.6%	24,821	91.4%	23,383	121.8%	30,178	83.4%	39,283	75.1%
<b>Gross profit</b>	7,994	22.4%	2,335	8.6%	(4,188)	-	6,000	16.6%	13,035	24.9%
<b>SG&amp;A expenses</b>	3,475	9.7%	3,174	11.7%	2,402	12.5%	2,987	8.3%	4,028	7.7%
<b>Operating profit</b>	4,518	12.6%	(839)	-	(6,591)	-	3,012	8.3%	9,006	17.2%

# Existing Store Sales

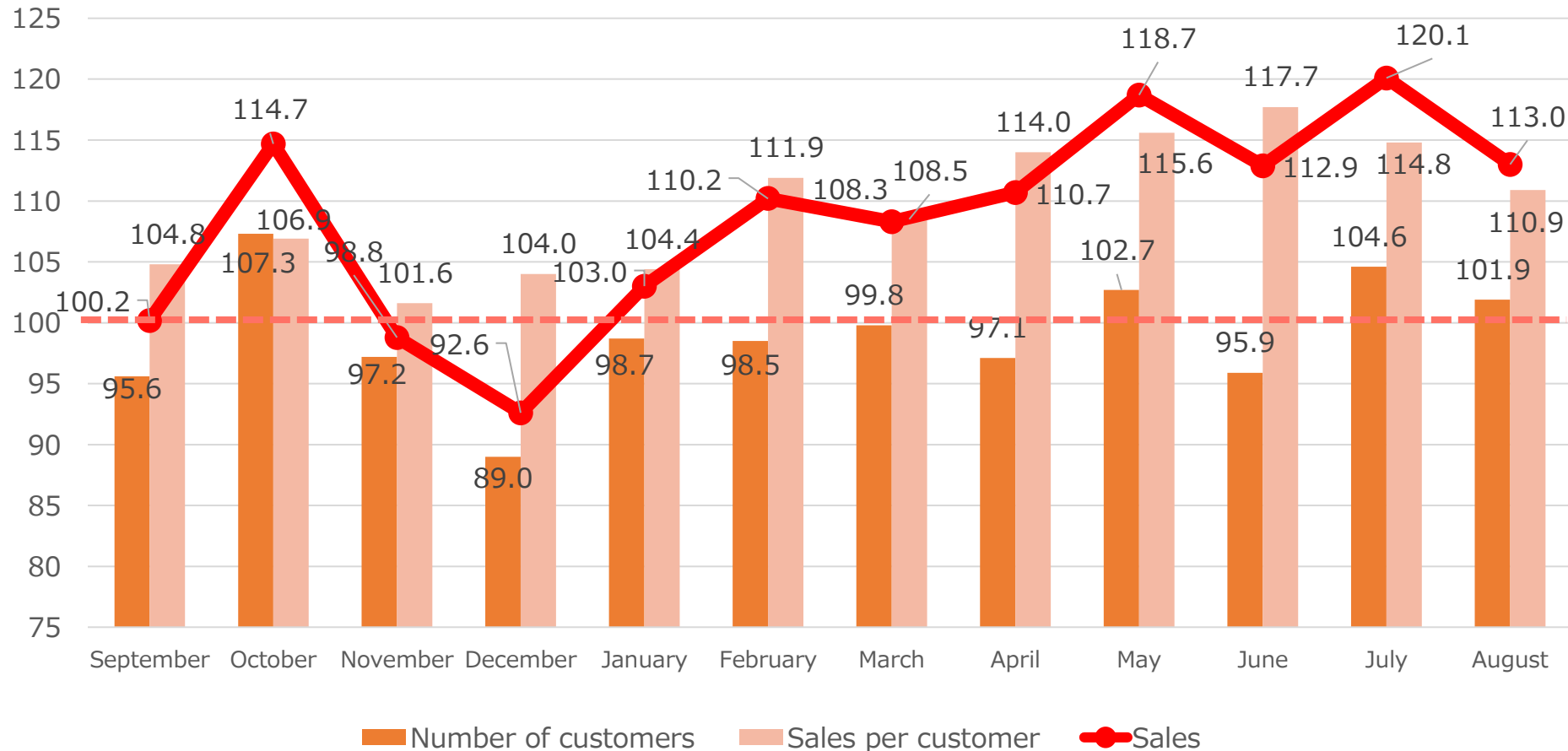
- FY8/2023 existing store sales (total of monthly sales) were 7.9% higher than CY12/2019, the last FY before the pandemic started.
- Sales of stores in prime shopping areas near railway stations were 16.3% higher than in FY8/2019. Revenge consumption quickly emerged, mainly among younger consumers.
- Sales of roadside stores in suburban locations, which had lagged behind, were down 1.9% from CY12/2019, but monthly sales at these locations were higher than in the same months of CY12/2019 beginning in May 2023.



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

- Steadily renewed menus and increased room rates from October 2022, and reviewed again in December and January
- Revenge consumption was widespread, and the number of customers exceeded that of CY12/2019 in May, July and August after the application of Category V.

(%) (Vs. same month of CY12/2019; previous revenue recognition standard is used to permit pre-pandemic comparisons)



## Number of Locations and Rooms

- Opened 53 stores in FY8/2023–Store opening was largely as planned
- Continued to increase store size and open new stores in prime shopping areas near railway stations  
→ Improved efficiency of store operations

Number of locations/rooms		FY8/2022		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	340	9,411	+42	+1,614
	Suburban/roadside locations	273	6,320	274	6,563	+1	+243
	Total	571	14,117	614	15,974	+43	+1,857
One Kara		6	210	6	212	0	+2
<b>Total</b>		<b>577</b>	<b>14,327</b>	<b>620</b>	<b>16,186</b>	<b>+43</b>	<b>+1,859</b>

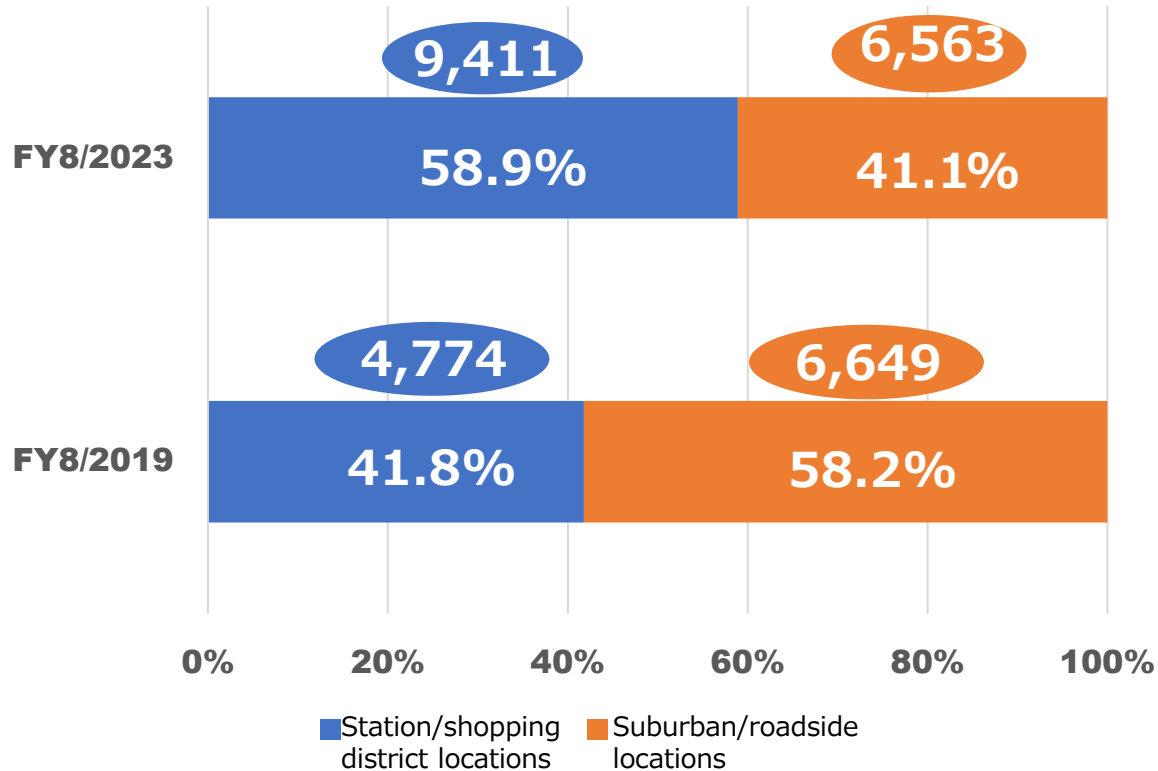
Number of locations opened/closed		1Q FY8/2023	2Q FY8/2023	3Q FY8/2023	4Q FY8/2023	FY8/2023
No. of locations opened	Near railway stations/ prime shopping areas	13	9	13	10	45
	Suburban/roadside locations	6	0	0	2	8
	Total	19	9	13	12	53
No. of locations closed		2	3	5	0	10



# Number of Stores By Location Type and By Prefecture

- Continued to open new stores in prime shopping areas near railway stations; currently twice as many rooms at these stores as prior to the pandemic
- The shopping district/suburban location ratio reversed from 4:6 prior to the pandemic to 6:4 currently.
- Outside Tokyo, opened 9 stores in Kyushu and Okinawa; 9 stores in the Kinki region, and 12 stores in other regions

Room ratio by location type



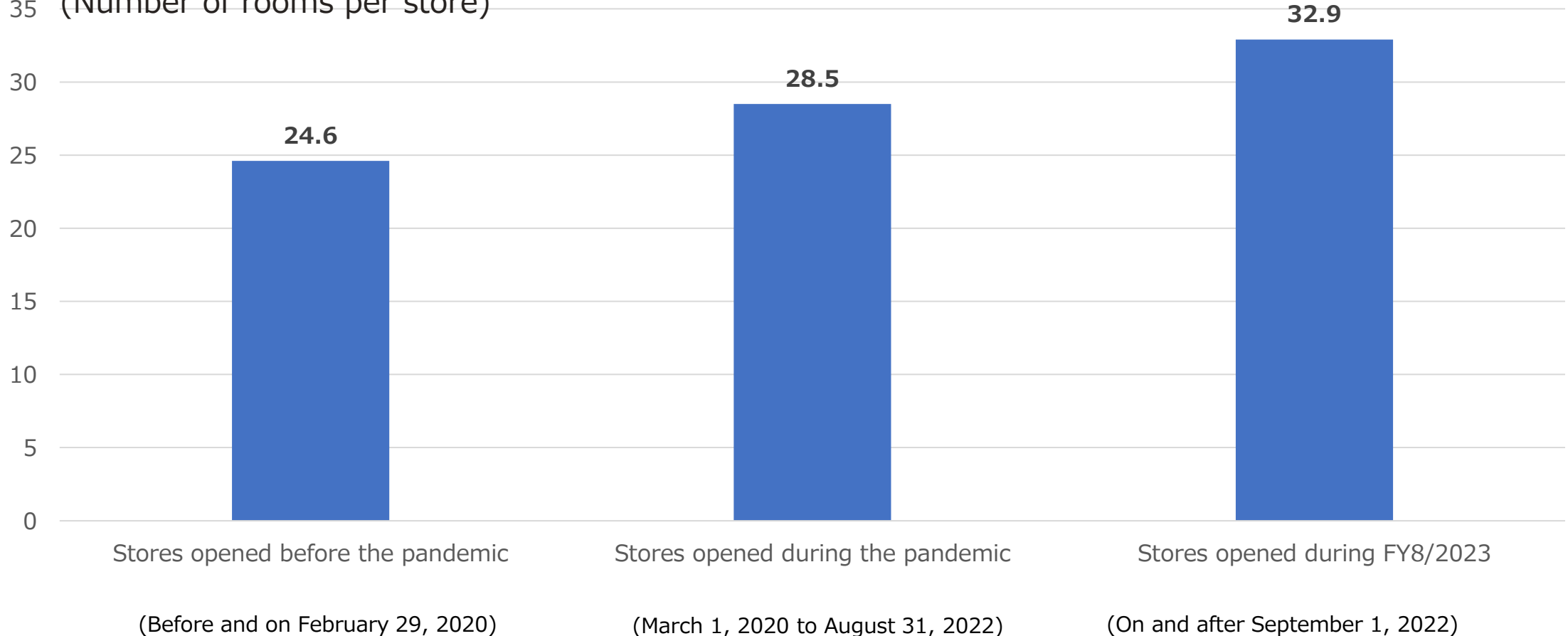
Number of Manekineko stores by prefecture as of August 2023



## Number of Rooms Per Store in Different Store Opening Periods

■ Stores have been getting bigger and bigger, including those opened during the pandemic

35 (Number of rooms per store)



Stores opened before the pandemic

Stores opened during the pandemic

Stores opened during FY8/2023

(Before and on February 29, 2020)

(March 1, 2020 to August 31, 2022)

(On and after September 1, 2022)

**463 stores**

**104 stores**

**53 stores**

# Overseas Performance

- Restarted aggressive store openings after the pandemic: Opened 4 stores in Malaysia and 2 in Thailand
- Sales and earnings are steadily recovering; average monthly sales of about 5 million yen at Southeast Asia stores
- Became profitable in Malaysia and Thailand
- Hired a manager for Indonesian operations  
→ Utilize local human resources

(Million yen)

	FY8/2022			FY8/2023		
	Full-year			Full-year		
	Net sales	Operating profit	No. of locations	Net sales	Operating profit	No. of locations
<b>Overseas</b>	315	(67)	11	779	(2)	17
<b>South Korea</b>	108	(9)	4	99	(14)	4
<b>Malaysia</b>	192	(13)	6	452	17	10
<b>Thailand</b>	0	(27)	0	185	11	2
<b>Indonesia</b>	15	(18)	1	43	(16)	1



Snapshot of a store in Malaysia



Snapshot of a store in Thailand

\* Sales and operating profit in Malaysia, Thailand and Indonesia are not consolidated; sales and earnings in July and August for each country have been multiplied by six for conversion to a 12-month basis.

# **Bath House / Real Estate Management Businesses**

## Real Estate Management Business

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

(Million yen)

	FY8/2019		FY8/2020		FY8/2021		FY8/2022		FY8/2023	
	Result	Comp.	Result	Comp.	Result	Comp.	Result	Comp.	Result	Comp.
<b>Net sales</b>	431	-	637	-	698	-	922	-	1,488	-
<b>Cost of sales</b>	343	79.6%	697	109.4%	863	123.6%	737	79.9%	1,296	87.1%
<b>Gross profit</b>	88	20.4%	(60)	-	(165)	-	185	20.1%	192	12.9%
<b>SG&amp;A expenses</b>	28	6.5%	16	2.5%	16	2.3%	19	2.1%	42	2.8%
<b>Operating profit</b>	59	13.7%	(77)	-	(181)	-	165	17.9%	149	10.1%

## Bath House Business

- Operating profit moved into the black for the first time since FY8/2019  
→ Customer numbers increased after the pandemic
- Profit margin declined compared to before the pandemic as soaring utility costs put pressure on profits

(Million yen)

	FY8/2019		FY8/2020		FY8/2021		FY8/2022		FY8/2023	
	Result	Comp.	Result	Comp.	Result	Comp.	Result	Comp.	Result	Comp.
<b>Net sales</b>	1,640	-	1,207	-	897	-	894	-	1,057	-
<b>Cost of sales</b>	1,466	89.4%	1,231	102.0%	1,061	118.3%	939	105.0%	976	92.3%
<b>Gross profit</b>	174	10.6%	(24)	-	(164)	-	(45)	-	81	7.7%
<b>SG&amp;A expenses</b>	65	4.0%	45	3.7%	38	4.2%	27	3.0%	28	2.7%
<b>Operating profit</b>	108	6.6%	(70)	-	(203)	-	(73)	-	52	5.0%

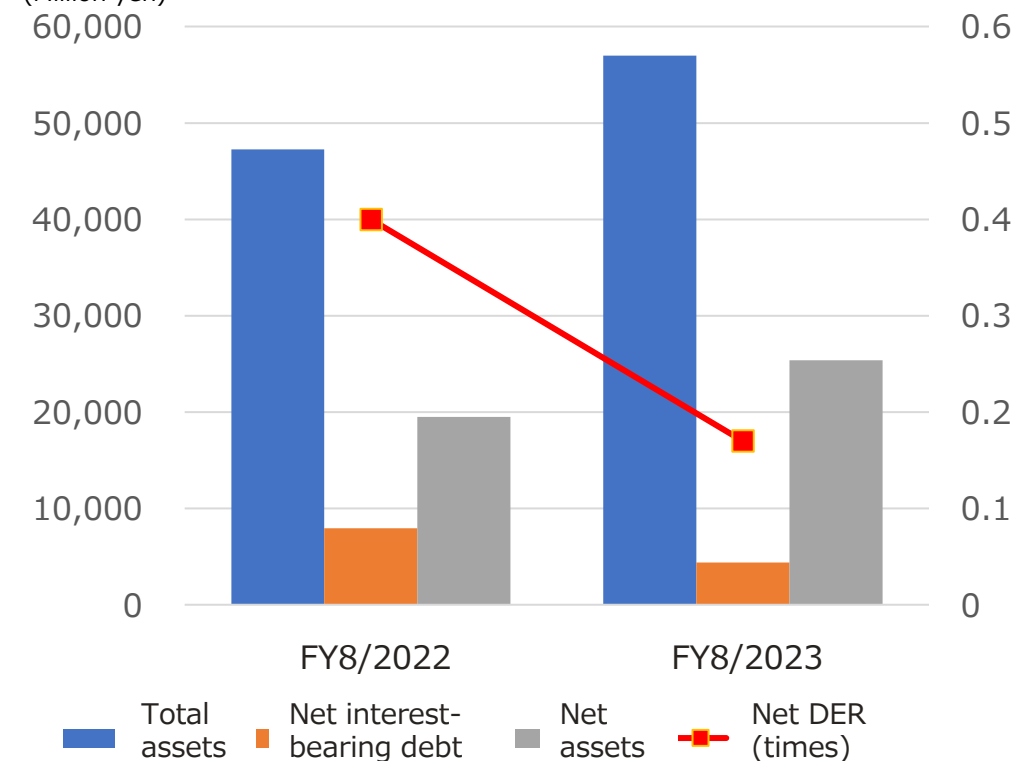
# Balance Sheet and Cash Flows

# Balance Sheet

(Million yen)

	August 31, 2022	August 31, 2023	Change
<b>Current assets</b>	9,911	12,374	+2,462
<b>Non-current assets</b>	37,362	44,633	+7,271
<b>Total assets</b>	47,273	57,007	+9,734
<b>Current liabilities</b>	9,643	13,964	4,320
<b>Non-current liabilities</b>	18,120	17,648	-472
<b>Net assets</b>	19,508	25,394	+5,885
<b>Net interest-bearing debt</b>	7,955	4,411	-3,544
<b>Equity ratio</b>	41.3%	44.5%	Up 3.3pt
<b>Net DER (times)</b>	0.4	0.2	Improved 0.2
<b>ROE</b>	19.3%	31.7%	Up 12.4pt

(Million yen)



Non-current assets increased as aggressive store openings continued. Working capital also increased due to a significant increase in sales. The result was an increase of 9.7 billion yen in total assets.

Net assets were higher as earnings increased and assets increased along with the increase in payables and other current liabilities. As a result, net interest-bearing debt decreased and the net DER declined to 0.2, half of the previous FY.

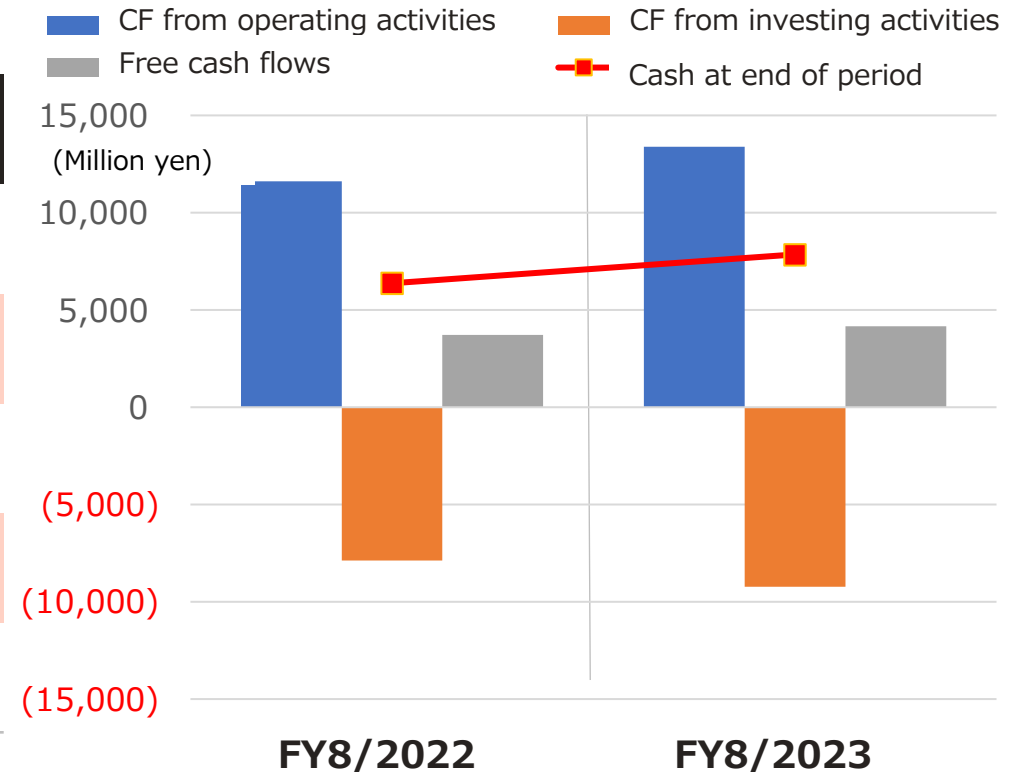
Although net assets increased, the ROE increased to over 30% due in part to extraordinary income.



# Cash Flows

(Million yen)

	FY8/2022	FY8/2023	Change
Cash flows from operating activities	11,607	13,385	+1,778
Cash flows from investing activities	(7,887)	(9,227)	-1,340
(Free cash flows)	3,719	4,158	+445
Cash flows from financing activities	(2,327)	(2,744)	-417
Cash and cash equivalents at end of period	6,379	7,854	+1,475



Cash flows from operating activities increased and remained high due to a V-shaped recovery in sales and earnings. Free cash flows increased even after funding larger expenditures for investing activities, including the continuation of the rapid opening of stores in Japan and other countries. Cash increased even as some interest-bearing debts were reduced.

## 3. FY8/2024 Consolidated Forecast

# FY8/2024 Forecast

## Consolidated Forecast

(Million yen)

Item	FY8/2023 Result	FY8/2024 Forecast	YoY	
			Change	Ratio
<b>Net sales</b>	54,629	61,976	+7,347	13.4%
<b>Operating profit</b>	7,667	9,004	+1,337	17.4%
(Operating profit to net sales)	(14.0%)	(14.5%)		
<b>Ordinary profit</b>	7,767	8,910	+1,143	14.7%
(Ordinary profit to net sales)	(14.2%)	(14.4%)		
<b>Profit attributable to owners of parent</b>	7,104	5,791	-1,313	-18.5%
(Profit to net sales)	(13.0%)	(9.3%)		
<b>Net income per share (Yen)</b>	87.14	71.03	-16.11	-18.5%

### ■ Karaoke Business

- At existing stores, forecast an increase in customers compared to FY8/2023 as the number of customers returns to the pre-pandemic level, and higher sales as prices are raised, mainly in the first half

- Sales forecast includes the first full FY contribution of the 53 stores added in FY8/2023 and sales from about the same number of new stores in FY8/2024

- Improve profitability by increasing productivity to offset expenses due to higher salaries

### ■ Forecast lower net profit because of extraordinary income of 4 billion yen in FY8/2023; forecast 37.1% increase after deducting this extraordinary income from prior-year earnings

### 【Reference】

Share acquisition rights and convertible bonds sold to Advantage Advisors can be exercised/converted beginning on March 15, 2024. The capital and business alliance with this company will continue. These rights and bonds are equivalent to 10,387,936 shares at 675 yen per share.

# FY8/2024 Forecast by Segment

## Forecast by Segment

(Million yen)

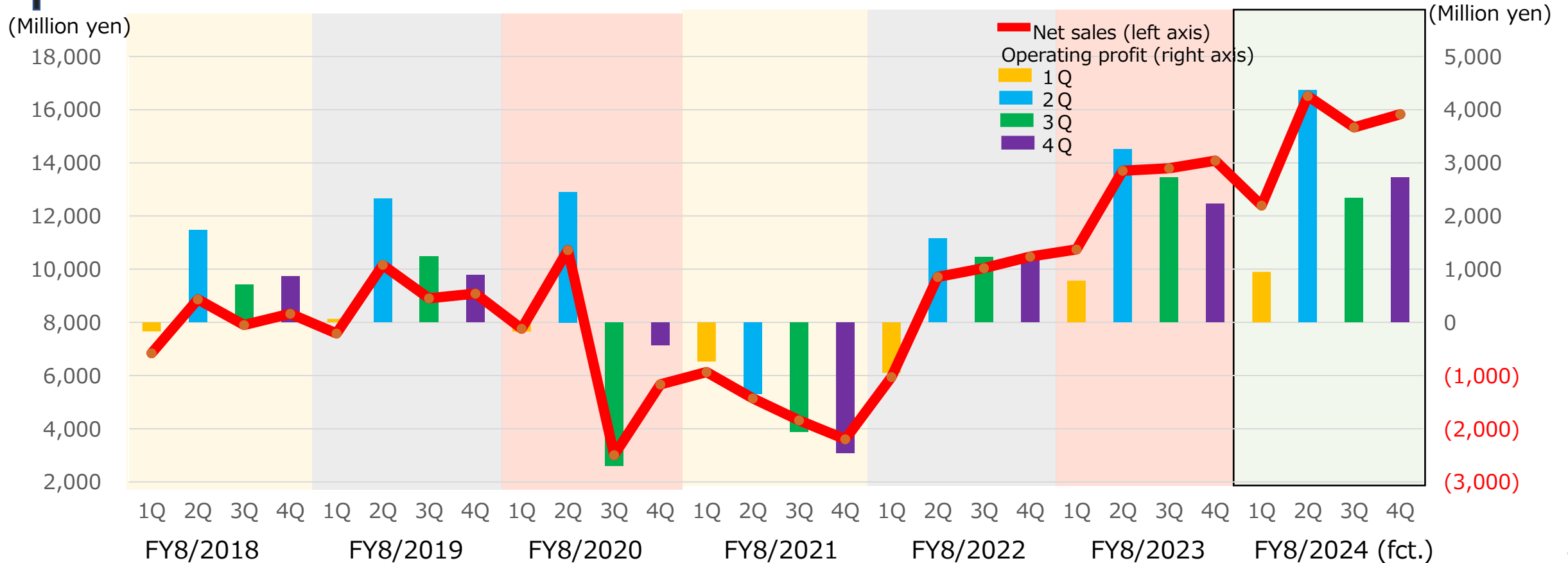
Item	FY8/2023 Result	FY8/2024 Forecast	YoY
			Change
<b>Net sales</b>	<b>54,629</b>	<b>61,976</b>	<b>+7,347</b>
Karaoke	52,318	60,075	+7,757
Real Estate Management	1,488	1,565	+77
Bath House⇒Other	1,057	563	-494
Adjustment	(234)	(226)	+8
<b>Operating profit</b>	<b>7,667</b>	<b>9,004</b>	<b>+1,337</b>
(Operating profit to net sales)	(14.0%)	(14.5%)	
Karaoke	9,006	10,390	+1,384
(Operating profit to net sales)	(17.2%)	(17.3%)	
Real Estate Management	149	90	-59
(Operating profit to net sales)	(10.1%)	(5.8%)	
Bath House⇒Other	52	10	-42
(Operating profit to net sales)	(5.0%)	(1.8%)	
Adjustment	(1,541)	(1,486)	+55

- The Bath House Business has become much smaller following the closing of Tokyo Kenko Land. This segment is listed as other because a study is under way concerning its reclassification.

# Karaoke Segment Quarterly Net Sales and Operating Profit

- Sales and earnings are lowest in the 1Q and highest in the 2Q, which includes the New Year holiday, followed by the 4Q, which includes Obon holiday and summer vacation, and the 3Q, which includes spring break and Golden Week.
- Prior to the pandemic, there was a loss in the 1Q, but the 1Q FY8/2023 was profitable and the 1Q is expected to have a profit again in FY8/2024.
- Performance was held down somewhat in the 2Q FY8/2023 by the eighth wave of the pandemic. The 2Q FY8/2024 performance is expected to return to normal.

## Karaoke Segment Quarterly Net Sales and Operating Profit



## 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\*<sup>1</sup> 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.

- Plans to pay interim and year-end dividends of 7 yen each, for a total full-year dividend of 14 yen per share, by adding a commemorative dividend to celebrate the 33rd founding anniversary to an ordinary dividend.

### Dividend per share/Payout ratio

(Yen)

	FY8/2019	FY8/2020	FY8/2021	FY8/2022	FY8/2023	FY8/2024 (forecast)
<b>Interim</b>	6.0	8.0	2.0	4.0	5.0	7.0
<b>Year-end</b>	6.0	4.0	2.0	4.0	7.0	7.0
<b>Annual</b>	12.0	12.0	4.0	8.0	12.0	14.0
<b>Payout ratio</b>	15.7%	-	-	17.9%	13.8%	19.7%

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

# Shareholder Benefit Program (Record Date: August 31)

Shares held	Length of shareholding	Gift
<b>At least 100</b>	Under three years	2 coupons (2,000 yen)
	Three years or more	4 coupons (4,000 yen)
<b>At least 400</b>	Under three years	5 coupons (5,000 yen)
	Three years or more	10 coupons (10,000 yen)
<b>1,000 or more</b>	Under three years	10 coupons (10,000 yen)
	Three years or more	20 coupons (20,000 yen)

\* Shareholder gift coupons can be used at Karaoke Manekineko, One Kara (single-use room karaoke) and Maneki-no-Yu bath houses in Japan. Up to five coupons can be used for a single visit and coupons can be used with other coupons.



# 5. Strategies and Actions

# **The “post-pandemic” period has ended**

**The rapid opening of stores during the pandemic has clearly positioned Koshidaka as Japan’s karaoke leader in terms of the number of locations. The performance of existing stores is better than before the pandemic and there is no longer any reason to compare sales and earnings with pre-pandemic levels.**

**Koshidaka will continue aggressive store openings in Japan while expanding operations in other countries. The goal is more growth at a pace that no competitor can match.**

### Medium/Long-term Plan and Strategic Initiatives

#### Initiative 1

##### **Accelerate the Entertainment Infrastructure Plan\*1**

- A) Aggressively open stores: Continue opening stores in Tokyo Metropolitan area and expand store opening areas to less cultivated markets
- B) More private entertainment rooms\*2: Improve existing services and develop new services
- C) A sound organizational structure: Introduce a new personnel system (increase in employee salaries), enhance training and recruitment capabilities, recruit human resources with advanced skills and continue activities to help accomplish the SDGs

#### Initiative 2

##### **Improve profitability by increasing productivity**

Increase labor productivity in order to both raise salaries for employees and lower labor's share of income. Establish Koshidaka Digital for the development of private entertainment rooms (PER) and the faster digital transformation of store and head office operations.

#### Initiative 3

##### **Full-scale expansion outside Japan**

Open stores faster in countries in Southeast Asia with enormous potential for growth

#### Initiative 4

##### **Create new sources of earnings**

Welltainment business\*3 Plan to open the second Canop store

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

\*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.

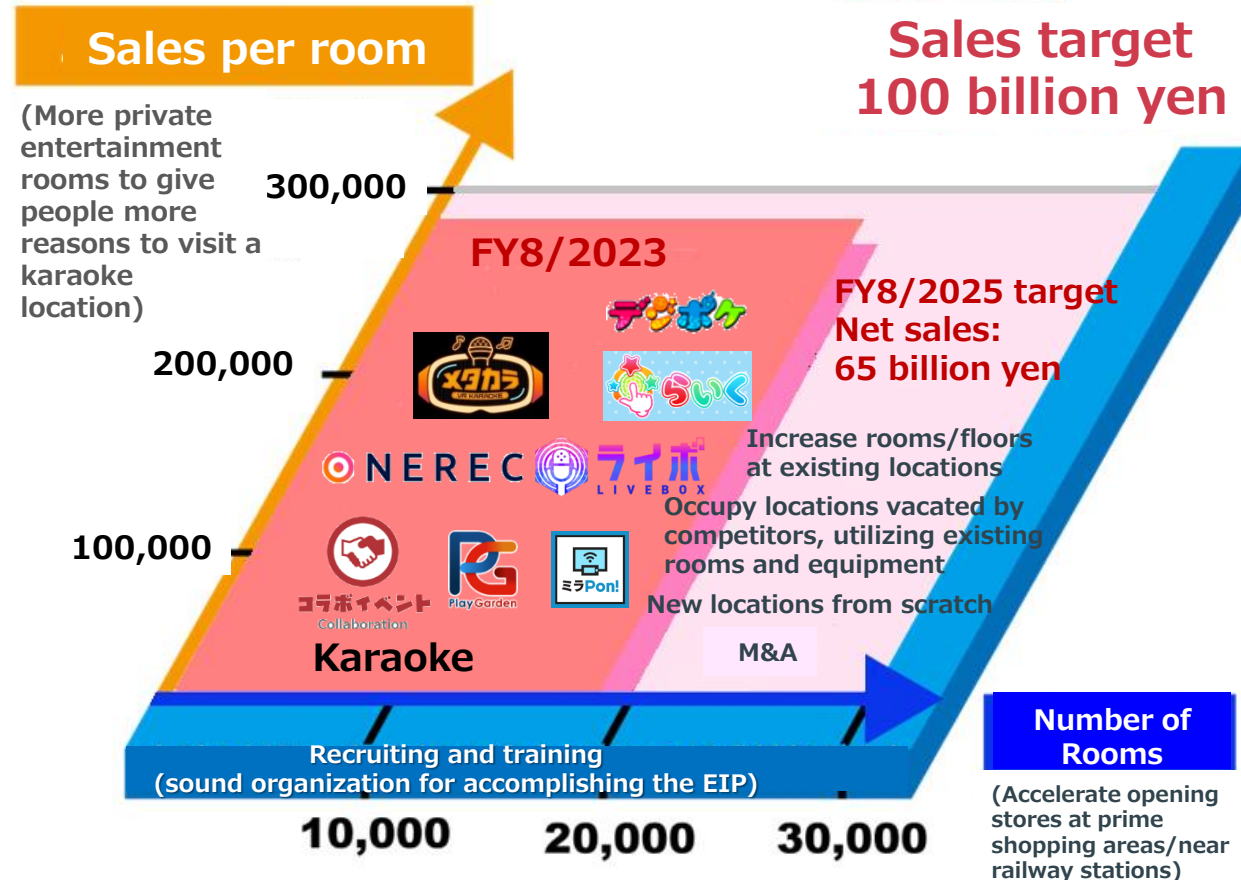
\*3 Welltainment (wellness and entertainment) is a concept for wellness measures incorporating enjoyment (entertainment) for a healthy life.

# 1 Accelerate the EIP: Action Plan

For the Entertainment Infrastructure Plan\*<sup>1</sup>, 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.

On track to reach the FY8/2025 sales target of 65 billion yen

## Explanation of strategic actions



**A** Open stores rapidly (More rooms)

Continue opening stores in prime shopping areas near railway stations, increase store size, rapidly increase the number of stores in the Kinki region where there is enormous potential for growth, and open stores in areas where Koshidaka does not yet operate

**B** More and upgraded PER (Increase sales per room)

Increase room utilization and sales per customer by using advanced digital technologies for new services that give customers more forms of entertainment to enjoy.

**C** A sound organizational structure (Recruiting and training)

Recruit more people from other companies for the skills needed to implement the above strategic actions.  
Increase employees' skills and motivation and their salaries 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 A Accelerate the EIP: Strategic Internal Actions – Rapidly Open Stores

Continue opening many stores near stations and in prime shopping districts as well as in the Kinki region to increase awareness; also open stores in regions where there is enormous potential for growth.

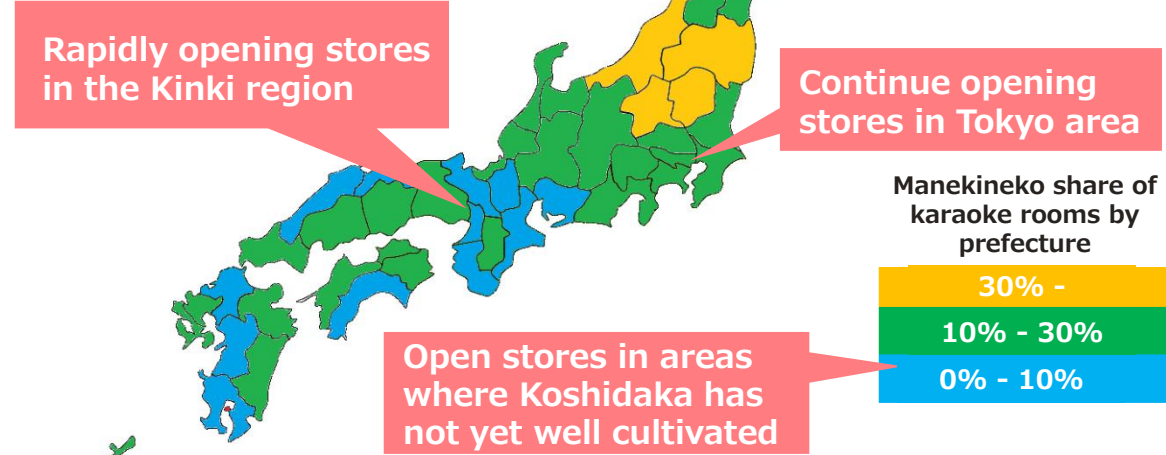
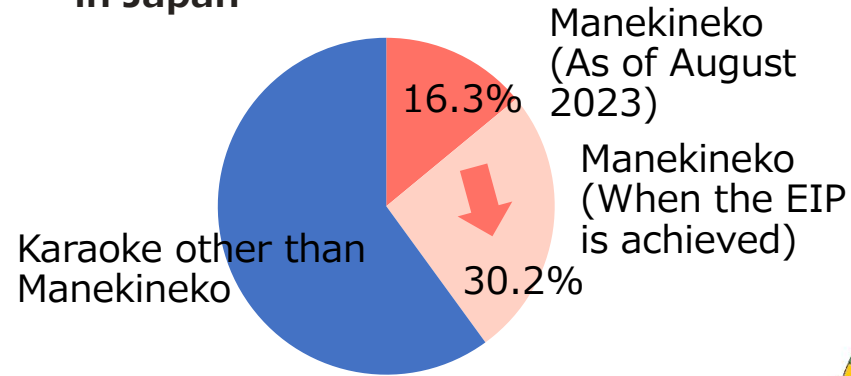
## Strategy for new stores

Continue opening many stores near stations and shopping districts, mainly in the Tokyo Metropolitan area

Rapidly increase the number of locations in the Kinki region

Open stores in regions where there is enormous potential for growth

Manekineko share of karaoke rooms in Japan\*1



\*1 Calculated based on the number of rooms as of August 31, 2023 (Koshidaka)/ Karaoke White Paper as of March 31, 2022. Assumes no change in the total number of rooms (99,441 nationwide) even when the EIP is achieved.

# 1 B PER (Private Entertainment Rooms)

The goal is to increase sales per room by converting karaoke rooms into private entertainment rooms (PER) for karaoke as well as for enjoying many other services.


Koshidaka Digital will support the digital transformation aspect of this conversion. Existing services will be upgraded and new PER services will be developed and offered.

Upgrade existing services and develop new PER services



Collaboration  
Play Garden  
X-KARA  
VR KARAOKE  
テロポテ

+



LIVE BOX  
ミラPon!  
NEREC  
すいこ

And more ...

### 1 C Progress Report Accelerate 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 Introduce a new personnel system

- Progress in the Workstyle Innovation Plan
- Restructuring of salary level and evaluation system  
New personnel system: To be introduced in FY8/2024  
Salary level: 25% increase in average employee salary over 2 years starting in FY8/2024
- Further enhancement of welfare benefits and reform of work style

#### 2 Recruit many human resources with advanced skills

- Promote recruitment of human resources for the next generation

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

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

#### 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 110 (911) Hotline” activities
- “Let’s Sing –a good cheer song” project  
→ Singing this song will be a donation to orphanages and other institutions.

### 2 More DX to Develop and Introduce Systems to Increase Productivity

Established Koshidaka Digital for the purpose of developing a variety of systems for higher productivity of store operations and back office tasks as well as starting to benefit from these advances even faster

#### Measures to increase productivity

- **Automated ordering system**
- **Remote store operations support**
- **Automated shift preparation system**
- **Invoice and payment system**
- **New POS system**
- **Reservation system**
- **Automatic reception: Remote concierge system**
- **Self-checkout units**



### 3 Full-scale Expansion Outside Japan: Resume Acceleration of Karaoke Business Growth

The market for leisure activities is expected to grow rapidly in Southeast Asia as personal income in many countries increases. The market is likely to expand along with populations in a long-run; there is substantial potential for opening more stores even based on the current size of economies of countries in this region.

#### Market-based comparison of major SE Asian countries

	No. of Maneki stores	Population (millions of people)		Nominal GDP (billions of dollars)		GDP per person (\$)
		2022	Potential for new stores	2022	Potential for new stores	2022
(Reference) Japan	620	124	-	4,234	-	33,922
Malaysia	10	34	164	408	58	12,364
Thailand	2	72	347	536	76	7,651
Indonesia	1	275	1,334	1,319	187	4,798
Vietnam	-	98	475	406	58	4,087
Philippines	-	115	559	404	57	3,623
<b>Total</b>	<b>13</b>	<b>595</b>	<b>2,880</b>	<b>3,074</b>	<b>436</b>	<b>5,228</b>

\*Potential for new stores (population): Ratio in Japan of Manekineko rooms to the population when EIP is achieved is used to estimate the potential number of rooms based on populations of other countries (# of stores assuming 50 rooms per store); Source: United Nations

\* Potential for new stores (nominal GDP): Ratio in Japan of Manekineko rooms to nominal GDP when EIP is achieved is used to estimate the potential number of rooms based on the nominal GDP of other countries (# of stores assuming 50 rooms per store); Source: IMF

#### Strategies for growth of the karaoke business outside Japan

##### Business climate

- No more restrictions on store operating hours as the pandemic ended
- Inadequate supply of entertainment opportunities due to fast growth of middle-income population
- The medium-term outlook is for market growth in proportion to population as economies of SE Asian countries continue to become stronger

##### Koshidaka Manekineko

- Restarted rapid store network expansion immediately after the end of pandemic restrictions
- Facilities of local competitors target evening and nighttime use. Local customers favor Manekineko Karaoke as authentic "Family Karaoke" where they can actually take their family together.
- In FY8/2023, average monthly sales were about 5 million yen at Southeast Asia stores.

	Stores at end of FY				
	FY8/2020	FY8/2021	FY8/2022	FY8/2023	Dec. 2023 Plan
<b>Overseas</b>	21	12	11	17	22
<b>South Korea</b>	5	4	4	4	4
<b>Singapore</b>	8	0	0	0	0
<b>Malaysia</b>	6	6	6	10	13
<b>Thailand</b>	1	1	0	2	3
<b>Indonesia</b>	1	1	1	1	2

# 4 Create New Sources of Earnings: Welltainment Business



**FY8/202X**  
The Welltainment business becomes the second core business of Koshidaka

**FY8/2024**  
Confirm viability of the business model

- Game playing environment with 20-minute brain exercise and oxygen exercise studio
- Open second location: Canop Yukigaya Otsuka store

**FY8/2023**

Confirmed success of the services   ▶   Achieved high customer retention rate

Opened Canop Maebashi flagship store on August 2, 2022

- ✓ 20-minute program (Brain and Body)
- ✓ Formation of a community (Mind)





# **The Mission of Koshidaka Holdings**

**We will establish network of stores everywhere worldwide which provides with various types of entertainment services in order to enable people to enjoy their leisure time in the best possible way**

# KOSHIDAKA HOLDINGS Co., LTD.

(TSE Prime Market 2157)

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