



July 13, 2022

**Summary of Consolidated Financial Results
for the Third Quarter of the Fiscal Year Ending August 31, 2022
(Nine Months Ended May 31, 2022)**

[Japanese GAAP]

Company name: KOSHIDAKA HOLDINGS Co., LTD. Listing: Tokyo Stock Exchange
 Stock code: 2157 URL: <https://www.koshidakaholdings.co.jp/>
 Representative: Hiroshi Koshidaka, Representative Director and President
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 Scheduled date of filing of Quarterly Report: July 14, 2022
 Scheduled date of payment of dividend: -
 Preparation of supplementary materials for quarterly financial results: None
 Holding of quarterly financial results meeting: None

(All amounts are rounded down to the nearest million yen)

1. Consolidated Financial Results for the Third Quarter Ended May 31, 2022 (Sep. 1, 2021 – May 31, 2022)

(1) Consolidated results of operations (Percentages are year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine months ended May 31, 2022	27,026	60.7	1,304	-	4,194	-	2,483	-
Nine months ended May 31, 2021	16,817	(54.9)	(4,944)	-	(3,432)	-	(2,963)	-

Note: Comprehensive income (million yen) Nine months ended May 31, 2022: 2,303 (-%)

Nine months ended May 31, 2021: (3,126) (-%)

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended May 31, 2022	30.46	29.97
Nine months ended May 31, 2021	(36.35)	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of May 31, 2022	47,961	18,430	38.4
As of Aug. 31, 2021	41,973	18,178	43.3

Reference: Shareholders' equity (million yen) As of May 31, 2022: 18,422 As of Aug. 31, 2021: 18,178

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Aug. 31, 2021	-	2.00	-	2.00	4.00
Fiscal year ending Aug. 31, 2022	-	4.00	-	-	-
Fiscal year ending Aug. 31, 2022 (forecast)	-	-	-	4.00	8.00

Note: Revisions to the most recently announced dividend forecast: None

3. Consolidated Earnings Forecast for the Fiscal Year Ending August 31, 2022 (Sep. 1, 2021 – Aug. 31, 2022)

(Percentages are year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	40,093	92.8	2,701	-	5,380	-	3,228	-	39.59

Note: Revisions to the most recently announced earnings forecast: None

* Notes

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in scope of consolidation): None

Newly added: - Excluded: -

(2) Application of special accounting methods in the preparation of the quarterly consolidated financial statements: None

(3) Changes in accounting policies and accounting-based estimates, and restatements

1) Changes in accounting policies due to revisions in accounting standards, others: Yes

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting-based estimates: None

4) Restatements: None

(4) Number of outstanding shares (common stock)

1) Number of shares outstanding at the end of the period (including treasury shares)

As of May 31, 2022:	82,300,000 shares	As of Aug. 31, 2021:	82,300,000 shares
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2) Number of treasury shares at the end of the period

As of May 31, 2022:	767,296 shares	As of Aug. 31, 2021:	767,296 shares
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3) Average number of shares outstanding during the period

Nine months ended May 31, 2022:	81,532,704 shares	Nine months ended May 31, 2021:	81,532,704 shares
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* The current financial report is not subject to quarterly review by certified public accountants or auditing firms.

* Explanation of appropriate use of earnings forecasts, and other special items

Forecasts of future performance in these materials are based on assumptions judged to be valid and information available to the Company's management at the time the materials were prepared. These materials are not promises by the Company regarding future performance. Actual results may differ significantly from these forecasts for a number of reasons. Please refer to page 3 of the attachments "(3) Explanation of Consolidated Earnings Forecast and Other Forward-looking Statements" for forecast assumptions and notes of caution for usage.

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1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

In the first nine months of the current fiscal year, the Japanese economy saw prices rise due to global energy and food shortages caused by the prolonged invasion of Ukraine and other factors, and the rapid depreciation of the yen against the backdrop of differences in monetary policy between Japan and the USA. However, states of emergency and other safety measures to prevent COVID-19 were lifted by the end of March, and both business activity and consumer spending are gradually returning to their pre-pandemic state.

Business segment performance was as follows.

Karaoke

The karaoke business has been consistently increasing the number of locations even during the pandemic and 41 stores were opened during the current fiscal year's first nine months. Since late March, there have been no requests for reducing operating hours, and for the first time in three years, Golden Week was free of restrictions, which also helped to capture some of the revenge consumption rebound in consumer demand.

Many activities are under way to accomplish the medium-term management vision of "Entertainment as Infrastructure," which was started in September 2019. Major initiatives are the provision of forms of entertainment other than karaoke, such as PG (PlayGarden; amusement facility) and Mirror Pon! (screen mirroring of personal content), and the expansion of recruiting and training activities.

In other countries, operations are gradually resuming, and, in some cases, restrictions on opening hours and other services have been lifted.

At the end of May 2022, the number of karaoke locations in Japan was 585, 26 more than at the end of the previous fiscal year. The number of overseas karaoke stores was 11 in three countries, consisting of four in South Korea, six in Malaysia and one in Indonesia, one less than at the end of the previous fiscal year.

Sales in the Karaoke segment were 25,705 million yen, up 64.9% year on year, and there was a profit of 1,849 million yen, an increase of 5,986 million yen from the loss one year earlier.

Bath House

Sales in the Bath House segment were 663 million yen, down 9.3% year on year, and the segment loss decreased 72 million yen from one year earlier to 54 million yen.

Real Estate Management

The AQERU Maebashi shopping and entertainment center that opened in the first half of the previous fiscal year made a big contribution to the performance of this segment due to the full contribution to revenue for the first time of tenants that began leasing space at this location in the previous fiscal year.

Sales in the Real Estate Management segment were 814 million yen, up 64.3% year on year, and the segment profit was 103 million yen, an improvement of 282 million yen from the loss one year earlier.

Overall, the Koshidaka Group (KOSHIDAKA HOLDINGS Co., LTD. and its consolidated subsidiaries) had sales of 27,026 million yen, up 60.7% year on year. The operating profit was 1,304 million yen, an increase of 6,249 million yen from the loss in the same period of previous fiscal year, the ordinary profit was 4,194 million yen, an increase of 7,626 million yen from the loss, and the profit attributable to owners of parent was 2,483 million yen, an increase of 5,447 million yen from the loss.

Results of operations for the first nine months include 2,915 million yen of cooperation and other payments for the reduction of operating hours involving the pandemic as requested that were categorized as subsidy income in non-operating income.

(2) Explanation of Financial Position

Total assets at the end of the third quarter of the current fiscal year increased 5,987 million yen (14.3%) from the end of the previous fiscal year to 47,961 million yen.

Current assets

Current assets increased 2,549 million yen (27.2%) to 11,938 million yen. This was mainly due to an increase of 3,380 million yen in cash and deposits.

Non-current assets

Property, plant and equipment increased 3,842 million yen (16.3%) to 27,385 million yen. This was mainly due to increases of 2,566 million yen in buildings and structures and 1,174 million yen in land.

Intangible assets increased 38 million yen (16.3%) to 277 million yen.

Investments and other assets decreased 443 million yen (5.0%) to 8,360 million yen. This was mainly due to a decrease of 763 million yen in deferred tax assets, while there was an increase of 477 million yen in leasehold and guarantee deposits.

Total non-current assets increased 3,438 million yen (10.6%) to 36,023 million yen.

Current liabilities

Current liabilities increased 385 million yen (3.8%) to 10,483 million yen. This was mainly due to increases of 355 million yen in accounts payable-other, 303 million yen in accrued expenses, 703 million yen in income taxes payable and 1,850 million yen in other current liabilities, while there was a decrease of 3,000 million yen in short-term borrowings.

Non-current liabilities

Non-current liabilities increased 5,350 million yen (39.1%) to 19,047 million yen. This was mainly due to increases of 4,000 million yen in convertible-bond-type bonds with share acquisition rights, 582 million yen in long-term borrowings and 673 million yen in asset retirement obligations.

Total liabilities increased 5,735 million yen (24.1%) to 29,530 million yen.

Net assets

Net assets increased 252 million yen (1.4%) to 18,430 million yen. This was mainly due to an increase of 424 million yen in retained earnings.

(3) Explanation of Consolidated Earnings Forecast and Other Forward-looking Statements

Despite continued upward pressure on prices, including instability in global energy, food supplies and logistics, and the ongoing depreciation of the yen, as well as a trend reversal in the number of COVID-19 infections, we are making no changes to our revised fiscal year consolidated earnings forecast released on April 13, 2022, based on the assumption that the summer sales season will be normal. We forecast consolidated net sales of 40,093 million yen, up 92.8%, operating profit of 2,701 million yen, an increase of 10,329 million yen from the loss in the previous fiscal year, ordinary profit of 5,380 million yen, an increase of 8,462 million yen from the loss in the previous fiscal year, and profit attributable to owners of parent of 3,228 million yen, an increase of 7,372 million yen from the loss in the previous fiscal year.

We are placing priority on the following three activities in accordance with our “Entertainment as Infrastructure” medium-term management vision: (1) Increasing the number of karaoke stores and karaoke rooms; (2) Providing a diverse array of entertainment; (3) Recruiting and training. To speed up measures to accomplish the goals of this vision, we have signed a business alliance agreement with Advantage Advisors Inc.

This agreement has three primary goals. First is recruiting people with outstanding skills and building an organization capable of sustained growth. Second is using digital transformation solutions for upgrading private entertainment rooms. The aim is the creation of entertainment experience value that goes beyond the limitations of places and spaces through the fusion of the real and digital worlds. Customers will be able to enjoy new

experiences that are not restricted by conventional karaoke services. Third is the development of a new business format called “well-tainment” that combines entertainment and services for healthy living. We plan to undertake, together with Advantage Advisors, various initiatives with the objective of increasing corporate value, and several specific projects are already underway.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheet

(Thousands of yen)

	FY8/21 (As of Aug. 31, 2021)	Third Quarter of FY8/22 (As of May 31, 2022)
Assets		
Current assets		
Cash and deposits	5,766,843	9,147,468
Notes and accounts receivable-trade	84,030	439,111
Merchandise	19,912	21,903
Raw materials and supplies	196,243	222,356
Other	3,339,597	2,125,293
Allowance for doubtful accounts	(17,641)	(17,679)
Total current assets	9,388,986	11,938,454
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	17,752,236	20,319,107
Vehicles, tools, furniture and fixtures, net	2,446,390	2,395,576
Land	3,344,448	4,518,552
Construction in progress	-	152,560
Total property, plant and equipment	23,543,075	27,385,797
Intangible assets		
Goodwill	9,598	6,039
Software	217,651	241,959
Other	11,160	29,227
Total intangible assets	238,410	277,226
Investments and other assets		
Investment securities	405,587	283,673
Shares of subsidiaries and associates	9,480	9,899
Long-term loans receivable	1,129,652	1,237,982
Long-term prepaid expenses	70,876	57,350
Leasehold and guarantee deposits	5,261,103	5,738,236
Deferred tax assets	2,198,588	1,435,139
Other	182,308	182,248
Allowance for doubtful accounts	(454,405)	(584,405)
Total investments and other assets	8,803,190	8,360,124
Total non-current assets	32,584,676	36,023,148
Total assets	41,973,662	47,961,603

(Thousands of yen)

	FY8/21 (As of Aug. 31, 2021)	Third Quarter of FY8/22 (As of May 31, 2022)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	189,785	414,626
Short-term borrowings	4,500,000	1,500,000
Current portion of long-term borrowings	2,956,712	2,938,244
Accounts payable-other	660,635	1,016,303
Accrued expenses	1,025,926	1,329,614
Income taxes payable	59,107	762,345
Provision for bonuses	129,710	149,748
Deposits received	148,519	94,581
Other	427,733	2,277,749
Total current liabilities	10,098,129	10,483,212
Non-current liabilities		
Convertible-bond-type bonds with share acquisition rights	-	4,000,000
Long-term borrowings	9,313,768	9,895,924
Deferred tax liabilities	225,906	270,619
Asset retirement obligations	3,409,037	4,082,408
Other	748,460	798,566
Total non-current liabilities	13,697,172	19,047,517
Total liabilities	23,795,302	29,530,730
Net assets		
Shareholders' equity		
Share capital	2,070,257	2,070,257
Capital surplus	3,302,786	3,302,786
Retained earnings	12,840,049	13,264,196
Treasury shares	(105,662)	(105,662)
Total shareholders' equity	18,107,431	18,531,577
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	27,449	23,727
Foreign currency translation adjustment	43,479	(133,053)
Total accumulated other comprehensive income	70,929	(109,326)
Share acquisition rights	-	8,622
Total net assets	18,178,360	18,430,873
Total liabilities and net assets	41,973,662	47,961,603

(2) Quarterly Consolidated Statements of Income and Comprehensive Income**Quarterly Consolidated Statement of Income****(For the Nine-month Period)**

(Thousands of yen)

	First nine months of FY8/21 (Sep. 1, 2020 – May 31, 2021)	First nine months of FY8/22 (Sep. 1, 2021 – May 31, 2022)
Net sales	16,817,406	27,026,327
Cost of sales	19,288,030	22,875,177
Gross profit (loss)	(2,470,624)	4,151,149
Selling, general and administrative expenses	2,473,546	2,846,253
Operating profit (loss)	(4,944,170)	1,304,895
Non-operating income		
Interest and dividend income	11,376	13,157
Foreign exchange gains	183,359	57,459
Store relocation compensation	110,000	-
Subsidy income	1,097,460	2,915,513
Other	277,576	75,383
Total non-operating income	1,679,773	3,061,514
Non-operating expenses		
Interest expenses	23,059	40,872
Compensation expenses	9,714	-
Provision of allowance for doubtful accounts	116,857	105,336
Other	17,980	25,332
Total non-operating expenses	167,611	171,541
Ordinary profit (loss)	(3,432,009)	4,194,869
Extraordinary income		
Gain on sale of non-current assets	74,175	84,224
Gain on sale of investment securities	57,123	-
Total extraordinary income	131,299	84,224
Extraordinary losses		
Loss on retirement of non-current assets	43,900	25,990
Impairment losses	785,566	75,674
Loss on valuation of investment securities	-	104,205
Loss on valuation of shares of subsidiaries and associates	44,138	-
Total extraordinary losses	873,605	205,870
Profit (loss) before income taxes	(4,174,314)	4,073,222
Income taxes-current	118,354	779,599
Income taxes-deferred	(1,329,110)	809,804
Total income taxes	(1,210,755)	1,589,403
Profit (loss)	(2,963,558)	2,483,819
Profit (loss) attributable to owners of parent	(2,963,558)	2,483,819

Quarterly Consolidated Statement of Comprehensive Income
(For the Nine-month Period)

(Thousands of yen)

	First nine months of FY8/21 (Sep. 1, 2020 – May 31, 2021)	First nine months of FY8/22 (Sep. 1, 2021 – May 31, 2022)
Profit (loss)	(2,963,558)	2,483,819
Other comprehensive income		
Valuation difference on available-for-sale securities	(20,970)	(3,722)
Foreign currency translation adjustment	(141,639)	(176,533)
Total other comprehensive income	(162,609)	(180,255)
Comprehensive income	(3,126,168)	2,303,563
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(3,126,168)	2,303,563

(3) Notes to Quarterly Consolidated Financial Statements**Going Concern Assumption**

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

Changes in Accounting Policies**Application of the Accounting Standard for Revenue Recognition**

Koshidaka Holdings has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) from the beginning of the first quarter of the current fiscal year. Based on this standard, revenue expected to be received in exchange for the provision of goods and services is recognized when the control of the goods and services is transferred to customers.

This new standard has changed the accounting treatment for customer loyalty program benefits, such as the accumulation of points for discounts and other rights concerning services received in the future. In prior years, revenue was recognized when these benefits were granted to customers. Under the new standard, these benefits are categorized as performance obligations and the associated revenue is recognized when these discounts and other rights are used, based on independent sales prices.

For the application of the Accounting Standard for Revenue Recognition, in accordance with the transitional treatment prescribed in Paragraph 84 of this standard, the cumulative effect of the retrospective application of the new accounting standard, if it is applied prior to the first quarter of the current fiscal year, is added to or subtracted from retained earnings at the beginning of the first quarter of the current fiscal year. The new standard is then applied beginning with this amount of retained earnings.

As a result, net sales increased 269 million yen and the operating profit, ordinary profit and profit before income taxes increased 269 million yen each in the first nine months of the current fiscal year. In addition, the new standard reduced retained earnings at the beginning of the current fiscal year by 1,570 million yen.

Furthermore, in accordance with the transitional treatment prescribed in Paragraph 28-15 of the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12, March 31, 2020), Koshidaka Holdings has not presented the disaggregation of revenue from contracts with customers for the first nine months of the previous fiscal year.

Application of the Accounting Standard for Fair Value Measurement

Koshidaka Holdings has applied the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019) from the beginning of the first quarter of the current fiscal year, and has applied the new accounting standard set forth by the Accounting Standard for Fair Value Measurement prospectively in accordance with the transitional treatment prescribed in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019). There is no effect of the application of these standards on the quarterly consolidated financial statements.

Segment and Other Information

Segment Information

I. First nine months of FY8/21 (Sep. 1, 2020 – May 31, 2021)

1. Information related to net sales, profit or loss for each reportable segment

(Thousands of yen)

	Reportable segment			Total	Adjustment (Note 1)	Amounts shown on quarterly consolidated statement of income (Note 2)
	Karaoke	Bath House	Real Estate Management			
Net sales						
External sales	15,590,083	731,641	495,680	16,817,406	-	16,817,406
Inter-segment sales and transfers	-	-	-	-	-	-
Total	15,590,083	731,641	495,680	16,817,406	-	16,817,406
Segment profit (loss)	(4,137,326)	(126,580)	(178,506)	(4,442,412)	(501,757)	(4,944,170)

Notes: 1. The -501,757 thousand yen adjustment to segment profit (loss) mainly includes general and administrative expenses that cannot be attributed to reportable segments.

2. Segment profit (loss) is adjusted to be consistent with operating profit (loss) shown on the quarterly consolidated statement of income.

2. Information related to impairment losses on non-current assets, goodwill, etc. for each reportable segment

Impairment losses related to non-current assets

In the first nine months of FY8/21, there were impairment losses (extraordinary losses) of 785,566 thousand yen on non-current assets associated with closed locations and software development in the Karaoke segment.

Significant change in goodwill

Not applicable.

II. First nine months of FY8/22 (Sep. 1, 2021 – May 31, 2022)

1. Information related to net sales and profit/loss and disaggregation of revenue for each reportable segment

(Thousands of yen)

	Reportable segment			Total	Adjustment (Note 1)	Amounts shown on quarterly consolidated statement of income (Note 2)
	Karaoke	Bath House	Real Estate Management			
Net sales						
Revenue from contracts with customers	25,705,274	663,295	1,861	26,370,432	-	26,370,432
Other revenue	-	-	655,894	655,894	-	655,894
External sales	25,705,274	663,295	657,756	27,026,327	-	27,026,327
Inter-segment sales and transfers	-	-	156,482	156,482	(156,482)	-
Total	25,705,274	663,295	814,239	27,182,810	(156,482)	27,026,327
Segment profit (loss)	1,849,585	(54,420)	103,568	1,898,733	(593,837)	1,304,895

Notes: 1. The -593,837 thousand yen adjustment to segment profit (loss) mainly includes general and administrative expenses that cannot be attributed to reportable segments.

2. Segment profit (loss) is adjusted to be consistent with operating profit (loss) shown on the quarterly consolidated statement of income.

2. Information related to impairment losses on non-current assets, goodwill, etc. for each reportable segment

No applicable items.

3. Information related to revisions for reportable segments

As described in Changes in Accounting Policies, Koshidaka Holdings has applied the Accounting Standard for Revenue Recognition from the beginning of the first quarter of the current fiscal year and changed the accounting method for revenue recognition. The calculation for segment information has also been changed accordingly.

As a result of this change, net sales in the “Karaoke” segment for the first nine months of the current fiscal year increased by 269,812 thousand yen and segment profit increased by 269,812 thousand yen, compared with the

previous method.

Revenue Recognition

Information related to disaggregation of revenue from contracts with customers is described in the Segment and Other Information section.

This summary report is solely a translation of “Kessan Tanshin” (in Japanese, including attachments), which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.