

KOSHIDAKA HOLDINGS Co., LTD.

(TSE Prime Market 2157)

Results of Operations

**for the Fiscal Year Ended August 2022
(FY8/2022)**

October 19, 2022

Agenda

- 1 Executive Summary**
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1. Executive Summary

FY8/2022 Overview

A V-shaped recovery backed mainly by the core karaoke business

FY8/2023 Plan

Net sales: ¥53.3bn, operating profit: ¥7.4bn, profit attributable to owners of parent: ¥4.4bn

EIP(Entertainment Infrastructure Plan*¹) Restarting →

Entertainment as
Infrastructure

- Operate karaoke Manekineko throughout Japan
- Make entertainment a vital part of everyone's life
- An outstanding entertainment experience for people worldwide

Capital and Business Alliance with Advantage Partners

Goal is to speed up growth by utilizing knowhow and business networks involving the alliance with Advantage Partners for building a base to accomplish the medium/long-term vision.

Use the fusion of real and digital activities to create new customer experiences (the PER*² concept) that go far beyond the current karaoke sector and develop a the new Welltainment business model that combines entertainment and services for healthy living.

*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. FY8/2022 Financial Summary

FY8/2022 Consolidated Results of Operations

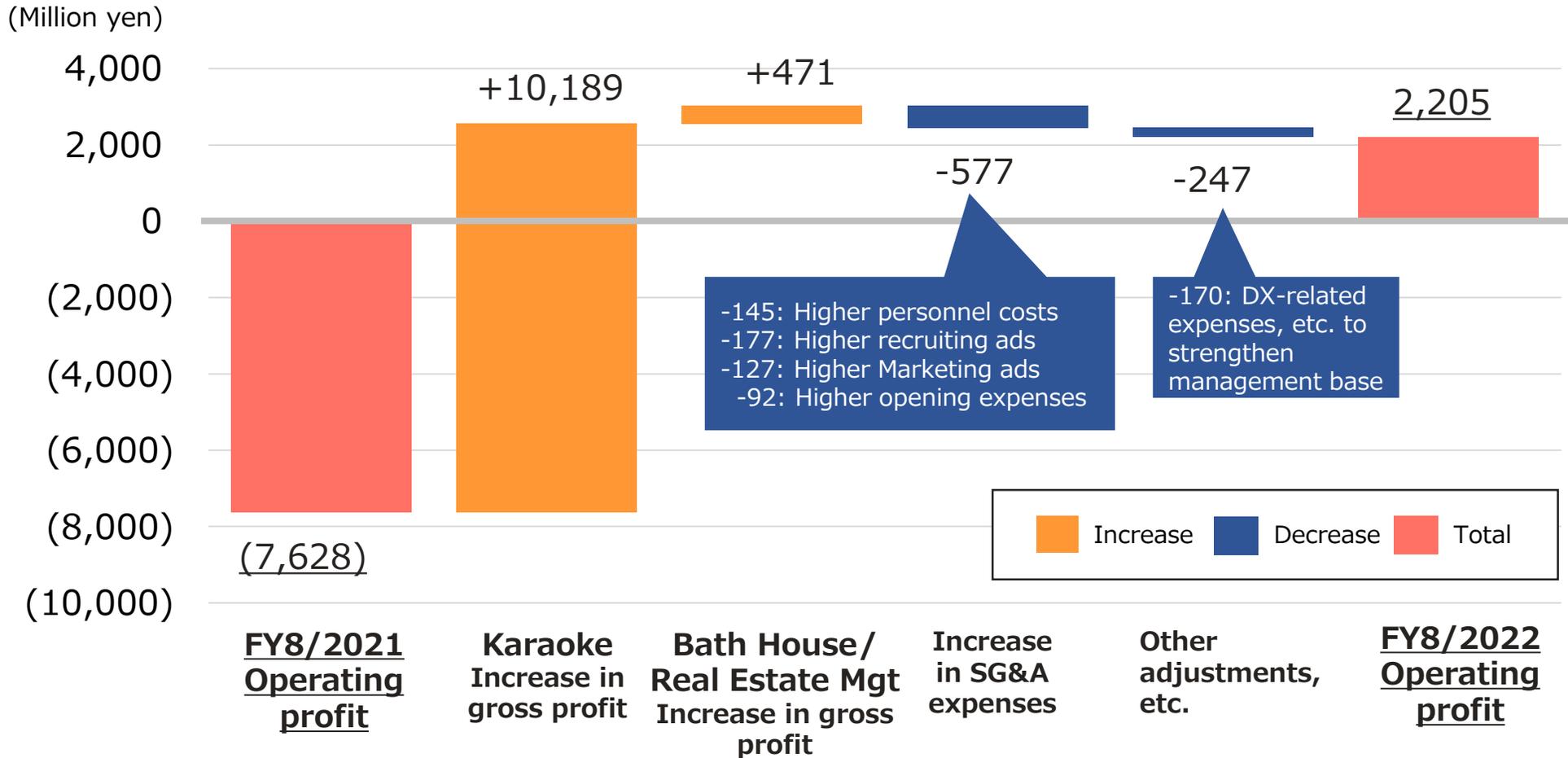
(Million yen)

Item	FY8/2021	FY8/2022	YoY change		Vs. forecast	
			Amount	Ratio	Forecast	Achievement ratio
Net sales	20,791	37,995	+17,204	+82.7%	40,093	94.8%
Gross profit	(4,518)	6,140	+10,659	-	-	-
SG&A expenses	3,109	3,934	+825	+26.5%	-	-
Operating profit	(7,628)	2,205	+9,835	-	2,701	81.7%
(Operating profit to net sales)	-	(5.8%)	-	-	-	-
Ordinary profit	(3,092)	5,331	+8,424	-	4,459	119.6%
(Ordinary profit to net sales)	-	(14.0%)	-	-	-	-
Profit attributable to owners of parent	(4,144)	3,643	+7,788	-	3,121	116.7%
(Profit to net sales)	-	(9.6%)	-	-	-	-
Net income per share (Yen)	(50.84)	44.68	+95.52	-	-	-

Sales and earning increased as Japan resumed economic activity and operations returned to normal amid measures for pandemic safety and facilitating social and economic activities. Sales and operating profit were below the plan due to the seventh wave of the pandemic during the peak summer sales period.

Ordinary profit and profit attributable to owners of parent were higher than the plan despite an asset impairment loss. An increase in subsidy income, and a revaluation of deferred tax assets to reflect a big improvement in profitability are the main reasons.

YoY Change in Consolidated Operating Profit



Operating profit was ¥2,205 million as karaoke demand recovered with the resumption of economic activity and there was a large gross profit in the core karaoke segment and all other segments. SG&A expenses increased because of the growth of business operations.

Results of Operations by Segment

(Million yen)

Item	FY8/2021	FY8/2022	YoY change		Vs. forecast	
			Amount	Ratio	Amount	Ratio
Net sales	20,791	37,995	+17,204	+82.8%	40,093	94.8%
Karaoke	19,195	36,178	+16,983	+88.5%	37,999	95.2%
Bath House	897	894	-3	-0.3%	1,069	83.6%
Real Estate Management	698	922	+224	+32.1%	1,024	90.0%
Operating profit	(7,628)	2,205	+9,833	-	2,701	81.7%
Karaoke	(6,591)	3,012	+9,604	-	3,133	96.1%
(Operating profit to net sales)	-	(8.3%)	-	-	(8.2%)	-
Bath House	(203)	(73)	+130	+64.0%	35	-
(Operating profit to net sales)	-	-	-	-	(3.3%)	-
Real Estate Management	(181)	165	+347	-	182	90.7%
(Operating profit to net sales)	-	(17.9%)	-	-	(17.8%)	-
Adjustment	(651)	(899)	-248	-	(650)	-

■ Karaoke

Big increases in sales and operating profit but still slightly below the plan. Tokyo area and station-front locations achieved strong recoveries but the seventh wave of the pandemic that started in mid-July held sales below the plan. Personnel and other SG&A expenses increased due to expenses for a rapid comeback (new karaoke stores, recruiting, etc.) as business operations return to normal.

■ Bath House

Sales increased at existing locations as economic activity resumed but sales were down slightly and about 80% of the plan due to the closing of two bath houses in Oita prefecture. There was a loss due to closing bath houses and despite the positive effects of measures to cut costs and raise efficiency in order to minimize the impact of the rising cost of fuel.

■ Real Estate Management

The segment was profitable because of higher revenue from new tenants, cost cutting and other reasons. Sales and operating profit were higher than one year earlier but about 10% below the plan due to the timing of new tenants and other factors.

■ Other adjustment

Administrative expenses that are not assigned to a specific segment increased because of a large volume of recruiting activities to hire people with skills needed to strengthen business operations and investments for upgrading digital transformation activities.

Karaoke Business (1)

Summary

(Million yen)

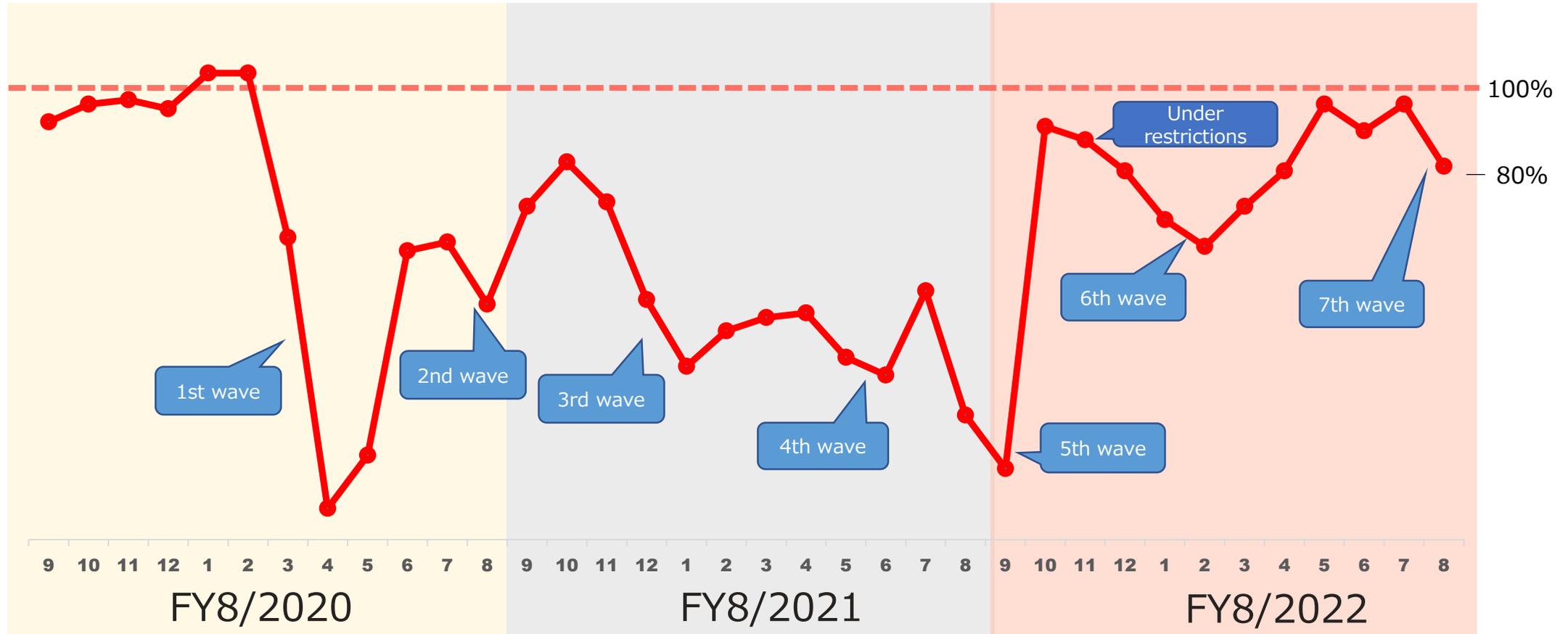
	FY8/2019	FY8/2020	FY8/2021	FY8/2022
Net sales	35,732	27,156	19,195	36,178
Gross profit	7,994	2,335	(4,188)	6,000
SG&A expenses	3,475	3,174	2,402	2,987
Operating profit	4,518	(839)	(6,591)	3,012

Suspensions and reduced operations of stores in FY8/2020 and FY8/2021 resulted in big downturns in sales and operating losses. In FY8/2022, many locations were added in prime shopping and entertainment districts of large cities. Backed by the strong performance of karaoke stores in these places, the performance of this business staged a V-shaped recovery as economic activity in Japan resumed and operating hours slowly returned to normal.

Karaoke is well established in Japan and Koshidaka's activities to give people more reasons to visit a karaoke store have been successful at attracting people across a broad range of customer segments. The Manekineko brand is well known and this business is in an excellent position to benefit from latent karaoke demand in Japan as the severity of the pandemic declines.

Karaoke Business (2)

Recovery ratio: Sales at existing locations (vs. same month of FY8/2019)



Recent existing store sales have recovered to the pre-pandemic (FY8/2019) level with urban areas the primary source of growth.

Karaoke Business (3)

Number of locations/rooms		FY8/2019			FY8/2020			FY8/2021			FY8/2022		
		No. of locations	No. of rooms	Rooms per location	No. of locations	No. of rooms	Rooms per location	No. of locations	No. of rooms	Rooms per location	No. of locations	No. of rooms	Rooms per location
Manekineko	Near railway stations/ prime shopping areas	207	4,774	23	225	5,615	25	260	6,741	26	298	7,797	26
	Suburban/roadside locations	310	6,649	21	281	6,365	22	279	6,314	23	273	6,320	23
	Total	517	11,423	22	506	11,980	23	539	13,055	24	571	14,117	25
One Kara		8	282	35	6	221	37	6	218	36	6	210	35
Total		525	11,705	-	512	12,201	-	545	13,273	-	577	14,327	-

Number of locations opened/closed

	FY8/2019	FY8/2020	FY8/2021	FY8/2022
No. of Manekineko locations opened	33	31	48	48
(of which, no. of locations in near railway stations/prime shopping areas)	(16)	(27)	(41)	(38)
Average no. of rooms at newly opened locations (excluding former Daisyo locations)	33.2	30.9	32.7	30.7
No. of Manekineko locations closed	28	44	15	16

Karaoke Business (4)

Overseas performance/Number of locations

(Million yen)

	FY8/2019			FY8/2020			FY8/2021			FY8/2022		
	Net sales	Operating profit	No. of locations	Net sales	Operating profit	No. of locations	Net sales	Operating profit	No. of locations	Net sales	Operating profit	No. of locations
Overseas	1,656	(131)	21	1,166	(186)	21	99	(266)	12	122	(28)	11
South Korea	350	(25)	8	233	(45)	5	99	(35)	4	108	(10)	4
Singapore	1,477	(106)	9	932	(140)	8	0	(231)	0	Withdrawal		
Malaysia	-	-	3	-	-	6	-	-	6	14	(18)	6
Thailand	-	-	1	-	-	1	-	-	1	-	-	0
Indonesia	-	-	-	-	-	1	-	-	1	-	-	1

Bath House/Real Estate Management Businesses

Bath House

(Million yen)

	FY8/2019	FY8/2020	FY8/2021	FY8/2022
Net sales	1,640	1,207	897	894
Gross profit	174	(24)	(164)	(45)
SG&A expenses	65	45	38	27
Operating profit	108	(70)	(203)	(73)

There was an operating profit in FY8/2019 due to converting all locations to natural hot springs, upgrading facilities for women and other actions but a loss in FY8/2020 because of the pandemic. In FY8/2022, bath houses improved efficiency and cut costs to minimize the impact of the high cost of fuel. Two bath houses in Oita prefecture were closed in October 2021 due to the end of their leases.

Real Estate Management

(Million yen)

	FY8/2019	FY8/2020	FY8/2021	FY8/2022
Net sales	431	637	698	922
Gross profit	88	(60)	(165)	185
SG&A expenses	28	16	16	19
Operating profit	59	(77)	(181)	165

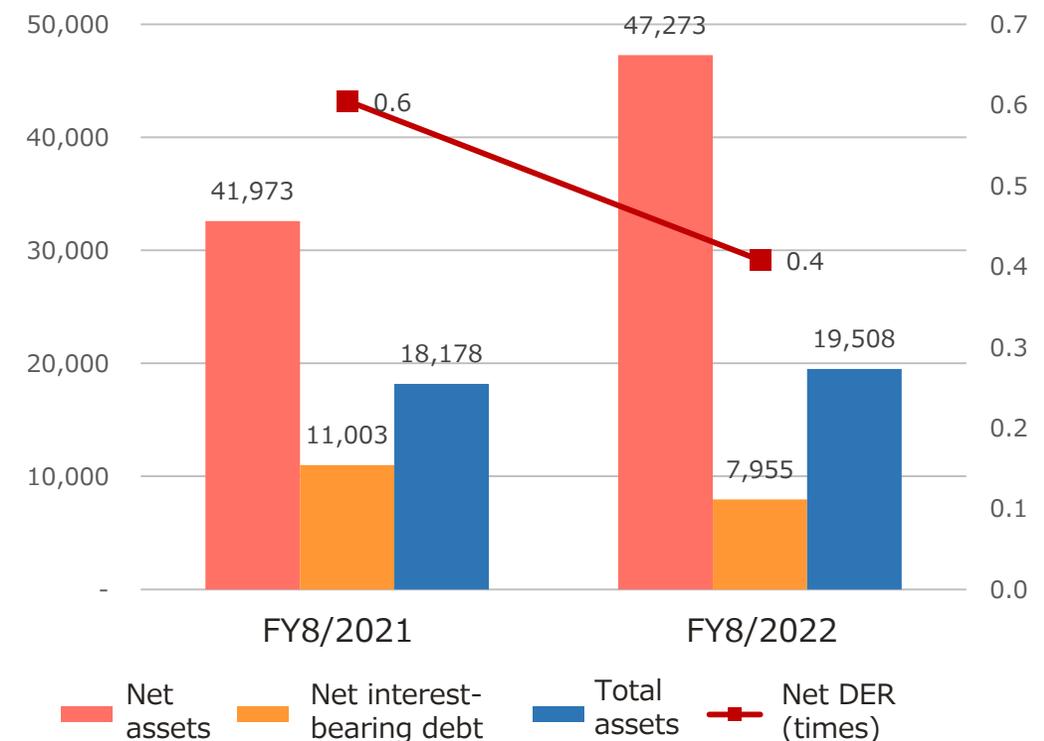
There were operating losses during the pandemic mainly due to a decline in income from leases. Operations are returning to normal due to the emergence of signs of a recovery. Also, the occupancy rate increased due to the acquisition of the Fleuret Hanasaki Building in Yokohama and higher leasing income at AQERU Maebashi due to new tenants. As a result, this business returned to profitability.

Balance Sheet

(Million yen)

	August 31, 2021	August 31, 2022	Change
Current assets	9,389	9,911	+522
Non-current assets	32,584	37,362	+4,777
Total assets	41,973	47,273	+5,300
Current liabilities	10,098	9,643	-455
Non-current liabilities	13,697	18,120	+4,424
Net assets	18,178	19,508	+1,330
Net interest-bearing debt	11,003	7,955	-3,048
Equity ratio	43.3%	41.2%	Down 2.1pt
Net DER (times)	0.6	0.4	Down 0.2
ROE	(20.2)%	19.3%	Up 39.5pt

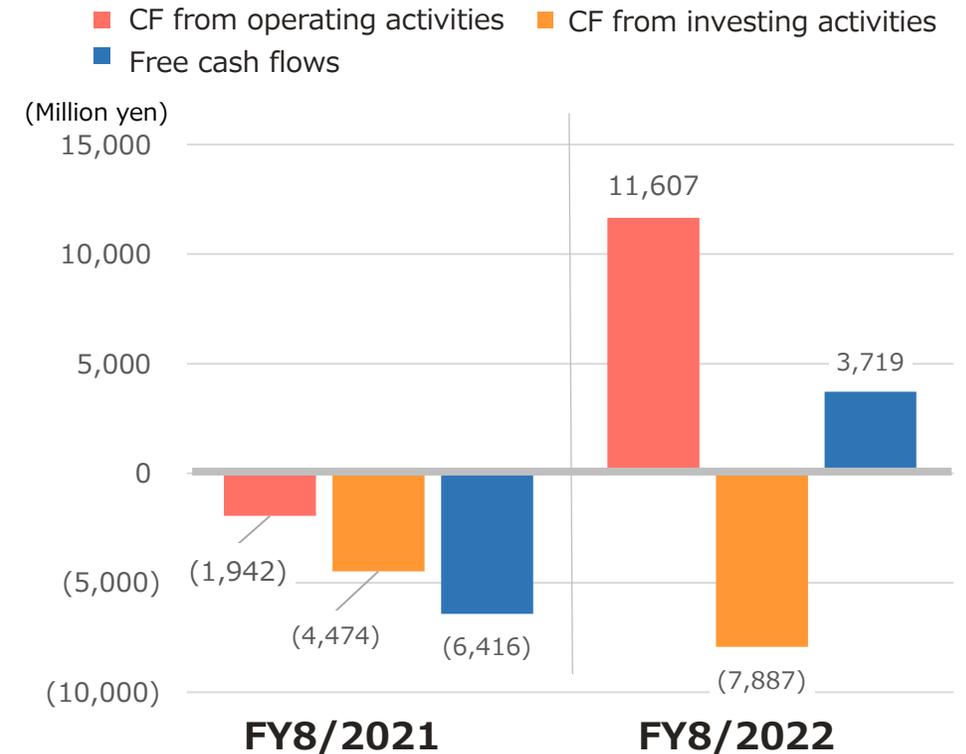
(Million yen)



Assets increased ¥5,300 million as the addition of new stores continued during the pandemic. Due to measures to reduce debt while maintaining sufficient liquidity, net interest-bearing debt was down ¥3,048 million and the net DER decreased 0.2 percentage point.

Cash Flows

	(Million yen)		
	FY8/2021	FY8/2022	Change
Cash flows from operating activities	(1,942)	11,607	+13,549
Cash flows from investing activities	(4,474)	(7,887)	-3,413
(Free cash flows)	(6,416)	3,719	+10,137
Cash flows from financing activities	2,285	(2,327)	-4,613
Cash and cash equivalents at end of period	5,171	6,379	+1,208



Operating cash flow recovered from FY8/2021, which was impacted by the pandemic, and free cash flow became positive at ¥3,719 million.

Non-current assets increased as store openings continued and there were measures to reduce debt. But these uses of cash did not exceed operating cash flow, resulting in a ¥1,208 million increase in cash and cash equivalents.

3. FY8/2023 Consolidated Forecast

FY8/2023 Forecast

Consolidated Forecast

(Million yen)

Items	FY8/2022 Results	FY8/2023 Forecast	YoY Change	
			Amount	Ratio
Net sales	37,995	53,361	+15,366	+40%
Operating profit	2,205	7,430	+5,224	+237%
(Operating profit to net sales)	(5.8%)	(13.9%)	(+8.1%)	-
Ordinary profit	5,331	7,403	+2,071	+39%
(Ordinary profit to net sales)	(14.0%)	(13.9%)	(-0.2%)	-
Profit attributable to owners of parent	3,643	4,442	+799	+22%
(Profit to net sales)	(9.6%)	(8.3%)	(-1.3%)	-

Karaoke

Continuing to open stores to raise rooms to 16,400

Plan to continue rapid increase in stores (about 50 in FY8/2023), mainly in the Tokyo area and station-front locations, returning to pre-pandemic operations with complete resumption of normal operations, using SG&A expenses more efficiently than before the pandemic, and strengthening many initiatives. Forecast operating profit much higher than before the pandemic.

Forecast by Segment

(Million yen)

Items	FY8/2022 Results	FY8/2023 Forecast	YoY Change	
			Amount	Ratio
Net sales	37,995	53,361	+15,366	+40%
Karaoke	36,178	50,948	+14,770	+41%
Bath House	894	1,045	+150	+17%
Real Estate Management	922	1,368	+445	+48%
Operating profit	2,205	7,430	+5,224	+237%
(Operating profit to net sales)	(5.8%)	(13.9%)	(+8.1%)	-
Karaoke	3,012	8,188	+5,176	+172%
(Operating profit to net sales)	(8.3%)	(16.1%)	(+7.7%)	-
Bath House	(73)	117	+190	-
(Operating profit to net sales)	((8.2)%)	(11.2%)	(+19.4%)	-
Real Estate Management	165	251	+85	+51%
(Operating profit to net sales)	(18.0%)	(18.3%)	(+0.4%)	-
Adjustment	(899)	(1,125)	-226	+25%

Composition of FY8/2023 Karaoke Sales Forecast

(Million yen)

	Opening date	Stores	Avg. rooms	Sales per room	Sales forecast
Before the pandemic ^{*1}	– Feb. 28, 2019	431	23.4	70	30,235
Before the pandemic ^{*2}	Mar. 1, 2019 – Feb. 29, 2020	41	31.5	99	4,063
During the pandemic	Mar. 1, 2020 – Aug. 31, 2022	105	27.9	113	11,889
FY8/2022 new stores	Sep. 1, 2022 – Aug. 31, 2023	50	37.5	86	4,298
Total		627	25.9	80	50,485 ^{*3}

Larger
size
of
stores



*1 Locations open for at least 12 months prior to the pandemic

*2 Locations open for less than 12 months when the pandemic started

*3 Excludes overseas and Gindaco HB stores (4): Sales ¥463 million

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.

Divided 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%	18.4%

We plan to pay **10** yen per share for FY8/2023.

*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
At least 100	Under three years	2 coupons (2,000 yen)
	Three years or more	4 coupons (4,000 yen)
At least 400	Under three years	5 coupons (5,000 yen)
	Three years or more	10 coupons (10,000 yen)
1,000 or more	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

Medium/Long-term Plan and Strategic Initiatives

Initiative 1

Restart the Entertainment Infrastructure Plan^{*1}

- A) Rapidly open stores
- B) More private entertainment rooms^{*2}
- C) A sound organizational structure

Initiative 2

Create the next core drivers of growth

Open trial stores using the Welltainment^{*3} business model that combines entertainment and wellness

Initiative 3

Faster growth outside Japan

Resume the acceleration of the pace of karaoke business growth in other countries (start operations in SE Asia, a region with a karaoke culture and much potential for growth)

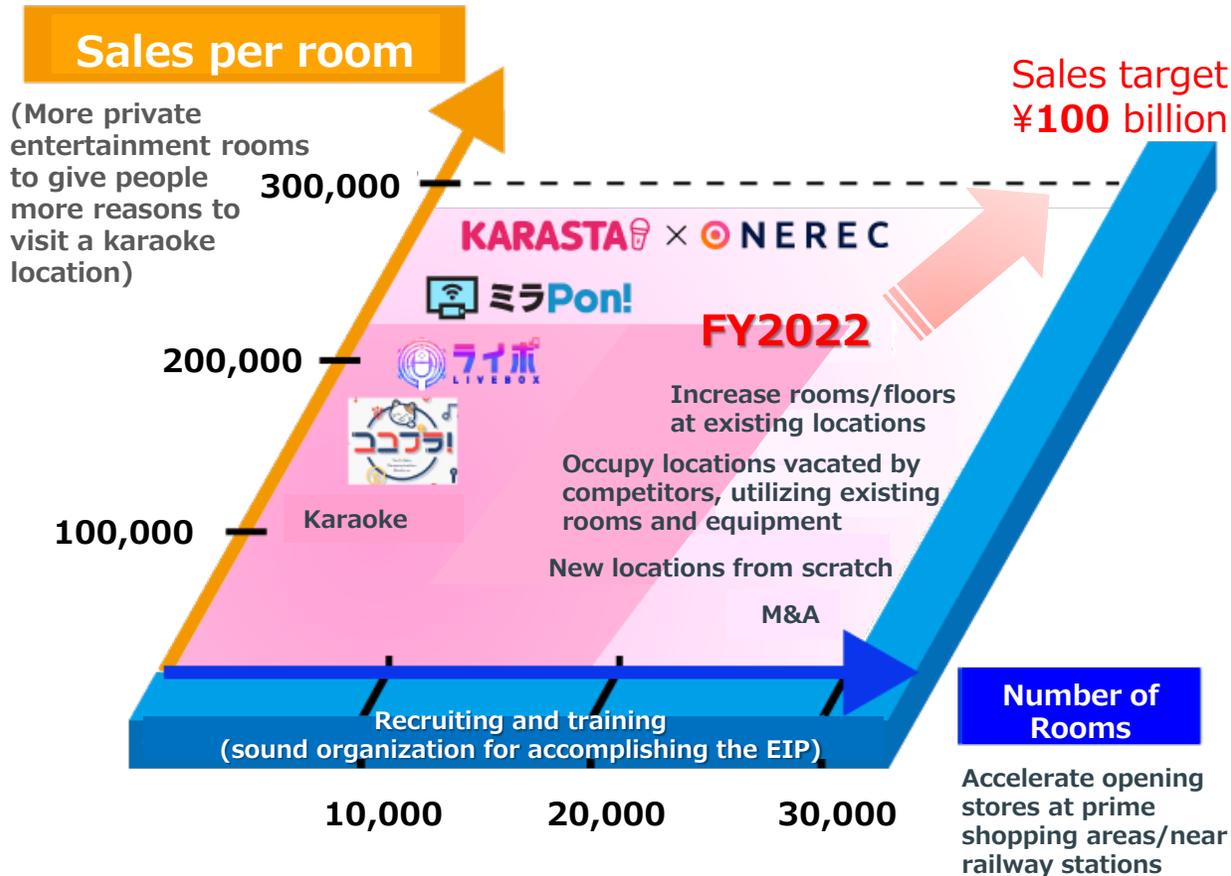
*1 The Entertainment Infrastructure Plan has the goal of accomplishing the medium-term corporate vision of “entertainment as infrastructure.”

*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 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.



Explanation of strategic actions

- A Open stores rapidly (More rooms)**

Open many new locations and renovate existing ones to target demand created by the closings of many small/midsize karaoke businesses, which has increased because of the pandemic.
- 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.
- 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 A Restart the EIP: Strategic internal actions – Rapidly open stores

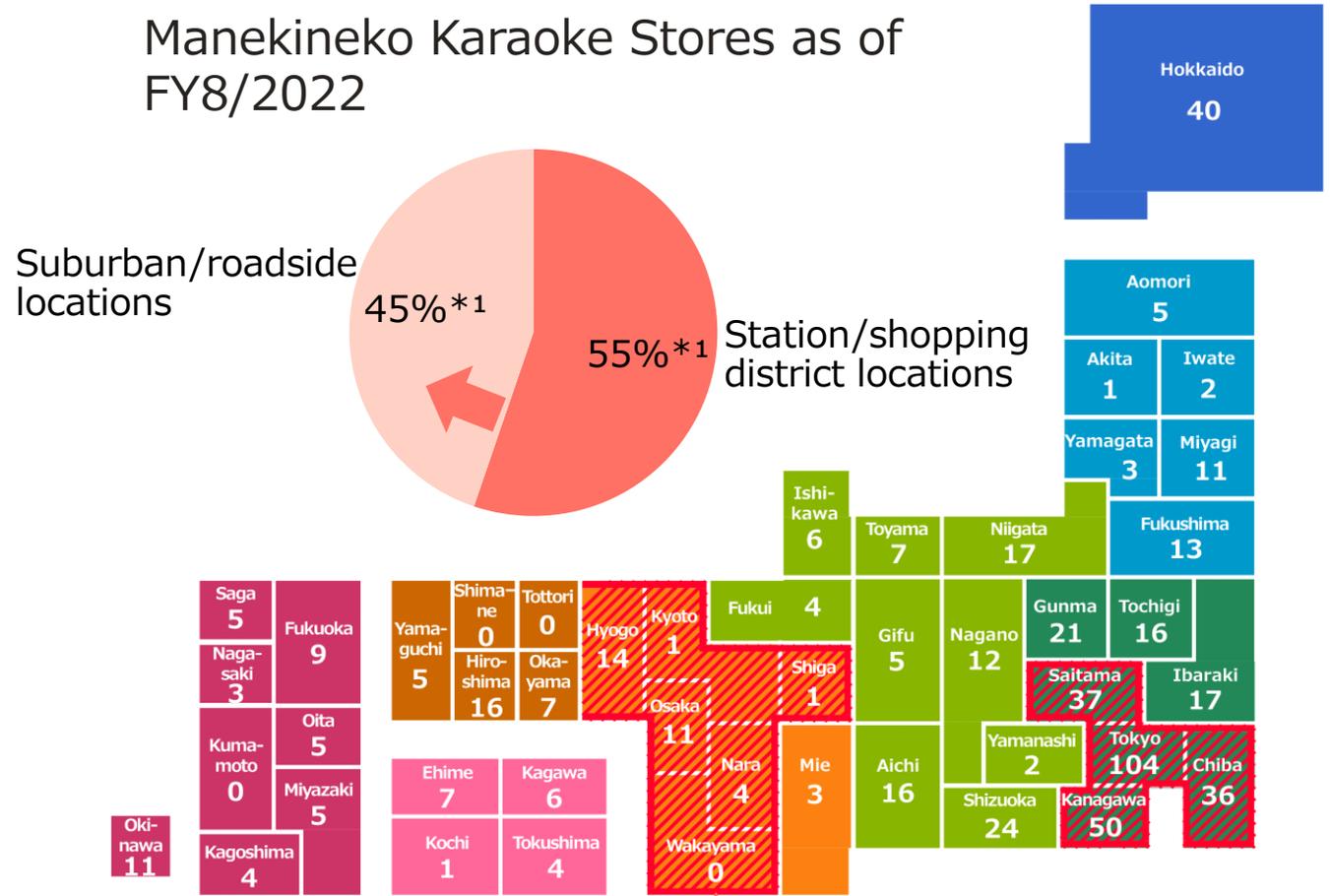
Continue opening many stores near stations and in prime shopping districts and start the full-scale expansion of the number of locations in the Kansai region, where there is enormous potential for growth.

Strategy for new stores

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

Start to rapidly increase the number of locations in the Kansai region

Manekineko Karaoke Stores as of FY8/2022



Plan to start rapidly opening stores in the Kansai region

*1 Based on the number of rooms as of FY8/2022

1 B Restart the EIP: Strategic internal actions – More and upgraded PER

Use digital technologies to develop new private entertainment room*¹ services

Current PER services



New PER activities

Link with a virtual communication service

New services that use digital technologies (Under development)

A tie-up with cocoro:id for a new karaoke service that allows customers to enjoy karaoke with virtual characters while conversing with these characters (First event was held in September 2022)

*¹ 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.

1 C 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)

2

Recruit many people with advanced skills

3

Upgrade personnel systems

4

Activities to help accomplish the SDGs

2 Create the next core drivers of growth: New Welltainment business models

Steady progress with development of Welltainment businesses, starting with the trial launch of a business model for seniors

Development of Welltainment business models

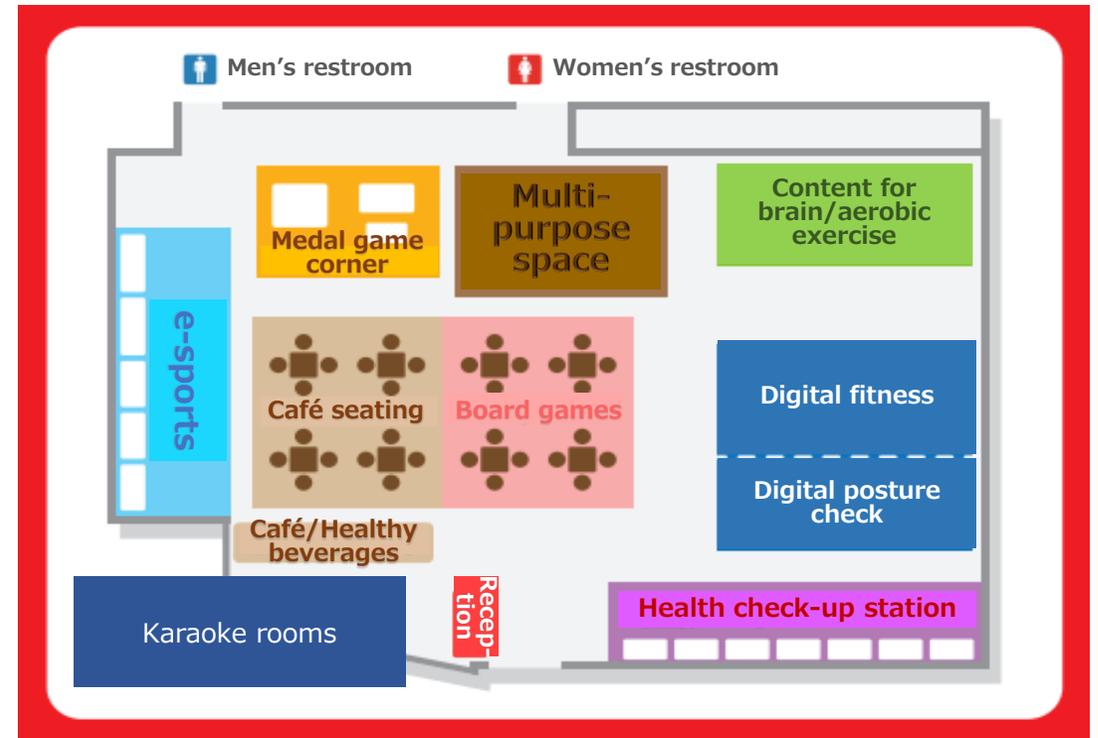
Approximate layout of the trial store with the new business model for seniors

Initiative 1

Currently developing a Welltainment*¹ business for facilities with services for staying healthy that people can use while having fun

Initiative 2

Opened a trial store with a new format for seniors; some suburban karaoke stores may be converted to this format



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

3 Faster growth outside Japan: Resume acceleration of karaoke business growth

High GDP growth rates are expected to continue in SE Asia. Planning to resume the acceleration of growth of the overseas karaoke business to target demand associated with the region's enormous leisure market as economies recover from the pandemic.

Comparison of Major SE Asian Countries

	Working age population (Million people)		GDP per capita (International dollars)		GDP growth FY2021-2026
	2020	2030	2020	2027	
(Reference) Japan	75	70	42,154	58,682	+3.9%
Malaysia	22	22	27,735	43,620	+7.9%
Thailand	49	47	18,198	27,951	+8.5%
Indonesia	185	186	12,221	20,379	+12.9%
Vietnam	67	70	10,897	19,404	+12.3%
Philippines	71	87	8,452	14,624	+9.8%

Strategies for growth of the karaoke business outside Japan

Business climate

- Consumption environment throughout SE Asia has recovered to the pre-pandemic level
- Operating trial stores to confirm that operations match the needs and preferences of customers

Koshidaka

- Trial stores in three countries are performing well
- In FY8/2023, plan to open four stores in Malaysia and two in Thailand

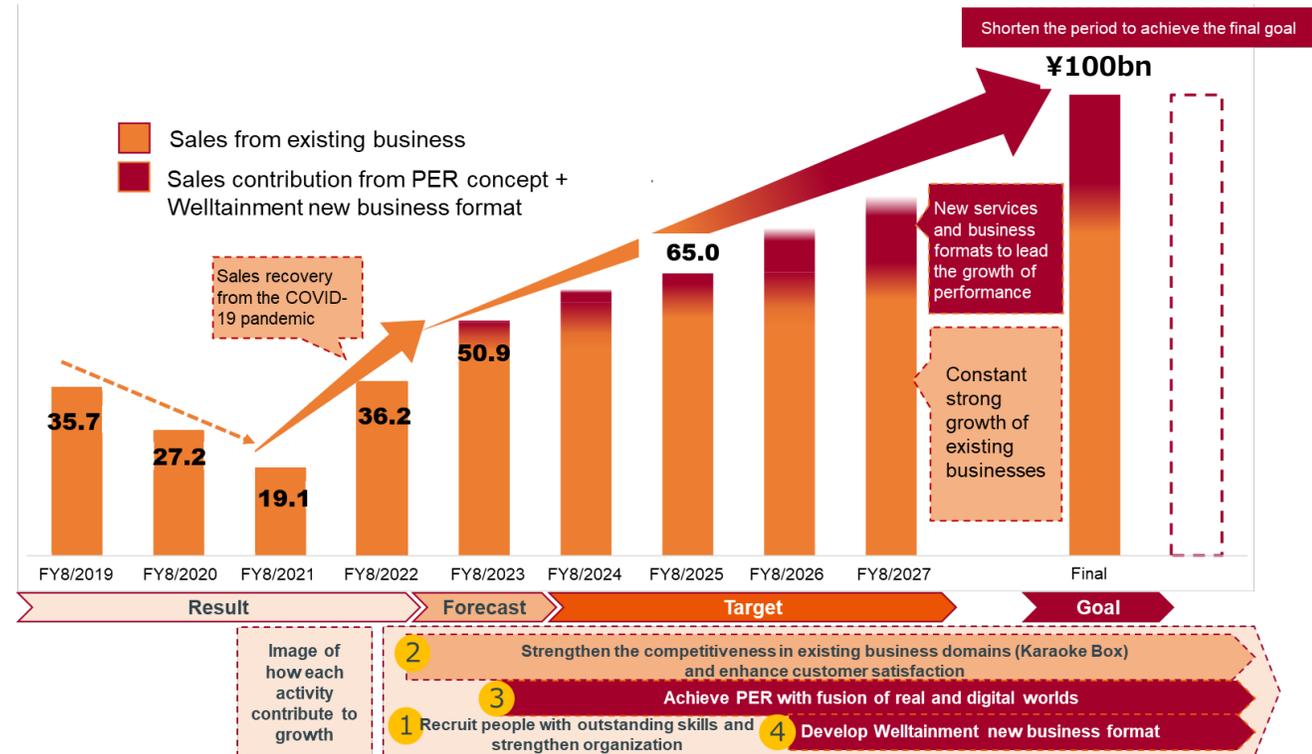
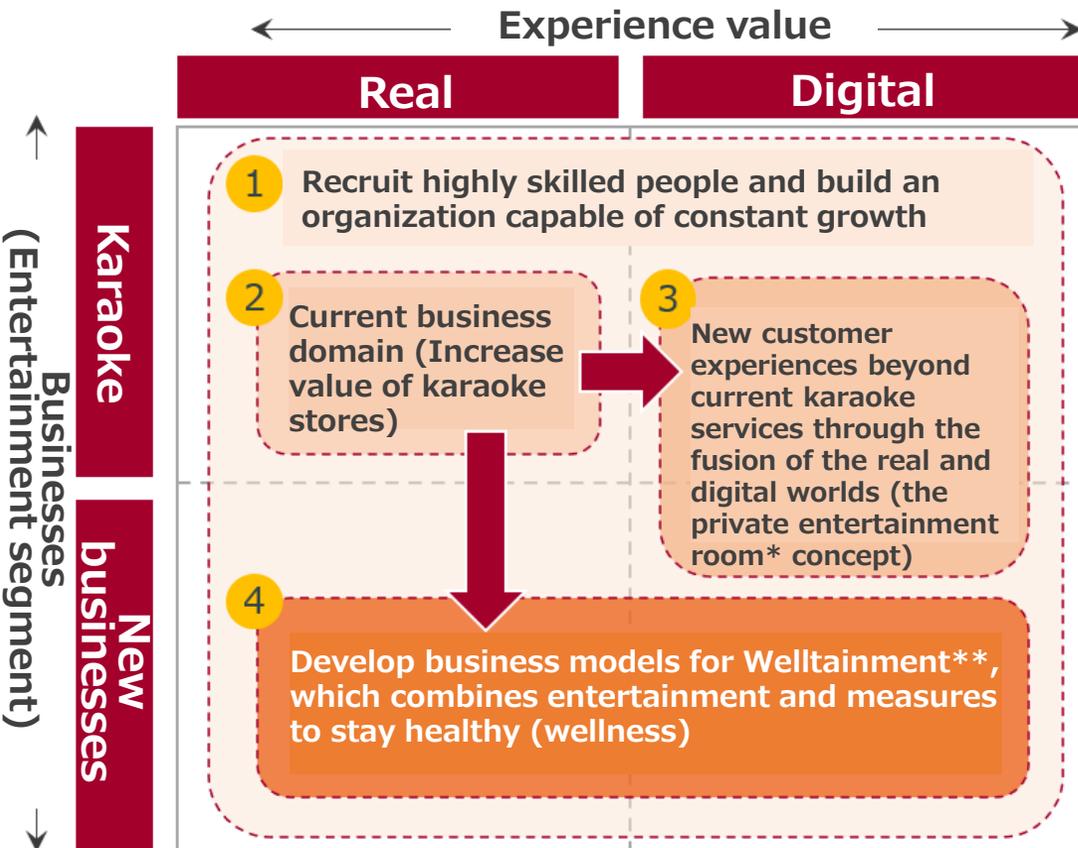
	Stores at end of FY				
	FY8/2019	FY8/2020	FY8/2021	FY8/2022	FY8/2023 Plan
Overseas	21	21	12	11	17
South Korea	8	5	4	4	4
Singapore	9	8	0	0	0
Malaysia	3	6	6	6	10
Thailand	1	1	1	0	2
Indonesia	-	1	1	1	1

Progress with actions for quickly accomplishing long-term goals

Steady progress with activities based on the business strategies announced in February 2022. Aiming to accomplish long-term goals quickly due to the benefits of measures to make current businesses stronger, start new businesses and further speed up the growth in other countries.

Koshidaka Business Strategy Flow Chart

Overview of the Business Plan



* 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.

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

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