

Summary of Consolidated Financial Results
for the Third Quarter of the Fiscal Year Ending August 31, 2023
(Nine Months Ended May 31, 2023)

[Japanese GAAP]

Company name: KOSHIDAKA HOLDINGS Co., LTD. Listing: Tokyo Stock Exchange
 Stock code: 2157 URL: <https://www.koshidakaholdings.co.jp/>
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 Scheduled date of filing of Quarterly Report: July 12, 2023
 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, 2023 (Sep. 1, 2022 – May 31, 2023)

(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, 2023	39,981	47.9	5,955	356.4	6,143	46.4	6,843	175.5
Nine months ended May 31, 2022	27,026	60.7	1,304	-	4,194	-	2,483	-

Note: Comprehensive income (million yen) Nine months ended May 31, 2023: 6,783 (up 194.5%)
 Nine months ended May 31, 2022: 2,303 (-%)

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended May 31, 2023	83.94	76.96
Nine months ended May 31, 2022	30.46	29.97

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of May 31, 2023	55,731	25,219	45.2
As of Aug. 31, 2022	47,273	19,508	41.2

Reference: Shareholders' equity (million yen) As of May 31, 2023: 25,210 As of Aug. 31, 2022: 19,500

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Aug. 31, 2022	-	4.00	-	4.00	8.00
Fiscal year ending Aug. 31, 2023	-	5.00	-	-	-
Fiscal year ending Aug. 31, 2023 (forecast)	-	-	-	7.00	12.00

Note: Revisions to the most recently announced dividend forecast: Yes

Breakdown of dividends for the fiscal year ending Aug. 31, 2023: Ordinary dividends: 10.00 yen; Commemorative dividends to celebrate 33rd founding anniversary: 2.00 yen

For more information, see the July 11, 2023 press release titled "Notice of Revisions to Dividend Forecast for the Fiscal Year Ending Aug. 31, 2023" (Japanese version only).

3. Consolidated Earnings Forecast for the Fiscal Year Ending August 31, 2023 (Sep. 1, 2022 – Aug. 31, 2023)

(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	53,830	41.7	7,570	243.2	7,700	44.4	7,470	105.0	91.62

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, 2023:	82,300,000 shares	As of Aug. 31, 2022:	82,300,000 shares
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2) Number of treasury shares at the end of the period

As of May 31, 2023:	767,376 shares	As of Aug. 31, 2022:	767,296 shares
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3) Average number of shares outstanding during the period

Nine months ended May 31, 2023:	81,532,668 shares	Nine months ended May 31, 2022:	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 was largely at a standstill against a backdrop several concerns, such as continuing inflation caused by shortages of energy and food products in many countries due to the protracted Ukraine crisis. The pace of price increases in Japan, driven by the yen's depreciation, has recently slowed down as the market assesses potential changes in monetary policy and price situation on both sides of the North Pacific. The Category V shift of the COVID-19 pandemic has greatly influenced consumer behavior, making the pent-up demand, which has been seen since the beginning of the year, even more noticeable particularly in the third quarter .

Business segment performance was as follows.

Karaoke

In the core karaoke business, although sales were sluggish in the peak season from late-November through December as consumers refrained from going out due to the 8th wave of the pandemic, same-store sales rebounded and stayed above the pre-pandemic level after January. In May, customer traffic on the same-store basis have rebounded to surpass the level seen before the pandemic.

Aggressive store openings during the pandemic continued in the first nine months with 41 new Karaoke Manekineko locations in Japan.

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 forms of entertainment other than karaoke, such as PlayGarden (an amusement facility with billiards, darts and other games) and Mirror Pon! (use of karaoke screen and speakers to watch content in the personal devices), many types of content collaboration, and measures to upgrade and expand recruiting and training activities. In addition, we have been preparing to develop and introduce DX to enhance operating efficiency and offer new types of entertainment. We are implementing a new DX-based PER (Private Entertainment Rooms) initiative called "Metacara" at select stores.

In other countries, we restarted opening new stores in Southeast Asia, four in Malaysia and two in Thailand during the first nine months.

At the end of May 2023, the number of karaoke locations in Japan was 613, 31 more than at the end of the previous fiscal year. The number of overseas karaoke stores was 17 in four countries, consisting of four in South Korea, ten in Malaysia, two in Thailand and one in Indonesia, six more than at the end of the previous fiscal year.

Sales in the Karaoke segment were 38,234 million yen, up 48.7% year on year, and there was a profit of 6,757 million yen, up 265.4% year on year.

Bath House

As in the Karaoke segment, customer footfall has been gradually recovering since the start of the year, following the impact of the 8th wave of the Corona pandemic. However, it has yet to reach pre-pandemic levels. On the other hand, soaring utility costs have exerted pressure on profits.

Sales in the Bath House segment were 788 million yen, up 18.9% year on year, and the segment profit improved 74 million yen from one year earlier to a profit of 19 million yen.

Real Estate Management

Occupancy was almost 100% at both of the major properties in this segment, the AQERU Maebashi commerce & business complex and the Fleuret Hanasaki Building in Yokohama. Furthermore, alongside our property acquisitions, we have also divested "Sport Nagoya," a property that was owned by us, resulting in a gain on sales of non-current assets of 4,333 million yen in the third quarter.

Sales in the Real Estate Management segment were 1,131million yen, up 38.9% year on year, and the segment profit was 203 million yen, up 96.5% year on year.

Overall, the Koshidaka Group (KOSHIDAKA HOLDINGS Co., LTD. and its consolidated subsidiaries) had sales

of 39,981 million yen, up 47.9% year on year. The operating profit was 5,955 million yen, up 356.4% year on year, the ordinary profit was 6,143 million yen, up 46.4% year on year, and the profit attributable to owners of parent was 6,843 million yen, up 175.5% year on year.

(2) Explanation of Financial Position

Assets

Current assets increased 2,087 million yen (21.1%) to 11,998 million yen. This was mainly due to increases of 1,264 million yen in cash and deposits and 338 million yen in other current assets.

Property, plant and equipment increased 5,088 million yen (18.8%) to 32,190 million yen. This was mainly due to increases of 2,456 million yen in land and 2,142 million yen in buildings and structures.

Intangible assets increased 97 million yen (22.2%) to 536 million yen.

Investments and other assets increased 1,184 million yen (12.1%) to 11,005 million yen. This was mainly due to increases of 1,156 million yen in leasehold and guarantee deposits, 598 million yen in long-term prepaid expenses, 412 million yen in long-term loans receivable, while there was a decrease of 924 million yen in deferred tax assets.

Total non-current assets increased 6,371 million yen (17.1%) to 43,733 million yen.

As a result, total assets increased 8,458 million yen (17.9%) to 55,731 million yen.

Liabilities

Current liabilities increased 2,925 million yen (30.3%) to 12,568 million yen. This was mainly due to increases of 1,511 million yen in income taxes payable, 207 million yen in other current liabilities, 341 million yen in deposits received and 832 million yen in accounts payable-other.

Non-current liabilities decreased 177 million yen (1.0%) to 17,943 million yen. This was mainly due to an increase of 696 million yen in asset retirement obligations and a decrease of 854 million yen in long-term borrowings.

As a result, total liabilities increased 2,748 million yen (9.9%) to 30,512 million yen.

Net assets

Net assets increased 5,710 million yen (29.3%) to 25,219 million yen. This was mainly due to an increase of 5,770 million yen in retained earnings.

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

Uncertainties such as the prolonged war in Ukraine, price hikes due to the resulting shortages of energy and food, and the global economic slowdown due to monetary tightening to combat inflation are likely to continue. However, policies to restrict movement of people that were introduced to fight the successive outbreaks of the pandemic and had a significant impact on consumer behavior over the past three years are being lifted. Inbound demand was recovered as border controls were also eased, and on May 2023 COVID will be reclassified to infection category V, the same as seasonal influenza, etc., under the Infection Control Law. Demand had been suppressed due to policy measures to contain the pandemic and by voluntary restraints by consumers during the pandemic. The phenomenon known as "revenge consumption" is emerging in earnest.

Since we had assumed at the time of releasing the initial forecast that the pandemic would subside and that a reactionary demand surge would emerge, we maintain the forecast announced in the second quarter earnings report. Overall, we forecast consolidated net sales of 53,830 million yen, up 41.7% year on year, operating profit of 7,570 million yen, up 243.2% year on year, ordinary profit of 7,700 million yen, up 44.4% year on year, and profit attributable to owners of parent of 7,470 million yen, up 105.0% year on year.

We have positioned (1) expansion of the store network and increase in the number of karaoke rooms, (2) provision of various types of entertainment, and (3) recruitment and training of human resources as our three priority tasks under our medium-term management vision, "Entertainment Infrastructure Plan". Toward these goals, we are (1) actively recruiting of high-level human resources and building an organizational structure capable of sustaining growth, (2) leveraging DX to Create new customer experiences that transcend the limitations of location and space

by fusing real and digital entertainment and increase the number of Private Entertainment Rooms (PER), and (3) developing "well-tainment", a new business model, that combines entertainment and wellness. We are introducing in the current fiscal year "Metacara", a new DX-based PER initiative, and taking actions to enhance operating efficiency.

Furthermore, to enhance the acquisition and growth of our human resources, which serve as the foundation for implementing various initiatives, we have decided to reform our personnel system. This includes raising salary levels, with an average annual increase of 25% for the entire company over the two-year period ending August 2024 and August 2025. The revised system will be implemented starting from the fiscal year ending in August 2024.

Moreover, to celebrate the 33rd anniversary of our karaoke business, we have resolved to distribute a commemorative dividend of 2 yen per share for the fiscal year ending August 31, 2023 (subject to approval at the upcoming ordinary general meeting of shareholders in late November 2023). This commemorative dividend is intended as a token of appreciation to our shareholders for their unwavering support. Consequently, the total dividend per share for the fiscal year ending August 31, 2023, inclusive of the ordinary dividend, will amount to 12 yen per share.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheet

(Thousands of yen)

	FY8/22 (As of Aug. 31, 2022)	Third Quarter of FY8/23 (As of May 31, 2023)
Assets		
Current assets		
Cash and deposits	6,977,443	8,241,854
Notes and accounts receivable-trade	525,866	792,145
Merchandise	23,707	164,670
Raw materials and supplies	240,144	302,366
Other	2,161,669	2,500,156
Allowance for doubtful accounts	(17,677)	(2,555)
Total current assets	9,911,154	11,998,637
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	20,405,196	22,547,867
Vehicles, tools, furniture and fixtures, net	2,196,998	2,668,543
Land	4,490,814	6,947,705
Construction in progress	9,010	26,387
Total property, plant and equipment	27,102,019	32,190,504
Intangible assets		
Goodwill	4,915	2,075
Software	223,418	238,407
Other	210,914	296,442
Total intangible assets	439,248	536,925
Investments and other assets		
Investment securities	141,677	197,481
Shares of subsidiaries and associates	10,284	5,423
Long-term loans receivable	1,397,800	1,810,175
Long-term prepaid expenses	44,866	643,255
Leasehold and guarantee deposits	6,045,882	7,202,737
Deferred tax assets	2,563,537	1,639,429
Other	182,386	151,610
Allowance for doubtful accounts	(565,660)	(644,401)
Total investments and other assets	9,820,774	11,005,713
Total non-current assets	37,362,042	43,733,143
Total assets	47,273,196	55,731,780

(Thousands of yen)

	FY8/22 (As of Aug. 31, 2022)	Third Quarter of FY8/23 (As of May 31, 2023)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	443,200	547,999
Current portion of long-term borrowings	2,188,243	2,004,240
Accounts payable-other	1,744,506	2,576,853
Accrued expenses	1,377,403	1,497,200
Income taxes payable	736,756	2,248,472
Provision for bonuses	229,570	221,521
Deposits received	56,297	397,477
Other	2,867,573	3,074,876
Total current liabilities	9,643,551	12,568,641
Non-current liabilities		
Convertible-bond-type bonds with share acquisition rights	4,000,000	4,000,000
Long-term borrowings	8,744,700	7,890,020
Deferred tax liabilities	233,336	270,352
Asset retirement obligations	4,225,294	4,921,471
Other	917,666	862,069
Total non-current liabilities	18,120,998	17,943,913
Total liabilities	27,764,549	30,512,554
Net assets		
Shareholders' equity		
Share capital	2,070,257	2,070,257
Capital surplus	3,302,786	3,302,786
Retained earnings	14,423,589	20,193,771
Treasury shares	(105,662)	(105,741)
Total shareholders' equity	19,690,970	25,461,073
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	24,189	34,155
Foreign currency translation adjustment	(215,134)	(284,625)
Total accumulated other comprehensive income	(190,945)	(250,470)
Share acquisition rights	8,622	8,622
Total net assets	19,508,647	25,219,225
Total liabilities and net assets	47,273,196	55,731,780

(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 FY8/22 (Sep. 1, 2021 – May 31, 2022)	First nine months of FY8/23 (Sep. 1, 2022 – May 31, 2023)
Net sales	27,026,327	39,981,281
Cost of sales	22,875,177	30,004,932
Gross profit	4,151,149	9,976,348
Selling, general and administrative expenses	2,846,253	4,020,742
Operating profit	1,304,895	5,955,606
Non-operating income		
Interest and dividend income	13,157	31,016
Foreign exchange gains	57,459	221,764
Subsidy income	2,915,513	-
Other	75,383	71,610
Total non-operating income	3,061,514	324,391
Non-operating expenses		
Interest expenses	40,872	16,475
Provision of allowance for doubtful accounts	105,336	92,223
Other	25,332	28,255
Total non-operating expenses	171,541	136,954
Ordinary profit	4,194,869	6,143,043
Extraordinary income		
Gain on sale of non-current assets	84,224	4,333,327
Total extraordinary income	84,224	4,333,327
Extraordinary losses		
Loss on retirement of non-current assets	25,990	52,188
Impairment losses	75,674	131,364
Loss on valuation of investment securities	104,205	8,023
Total extraordinary losses	205,870	191,575
Profit before income taxes	4,073,222	10,284,795
Income taxes-current	779,599	2,484,597
Income taxes-deferred	809,804	956,725
Total income taxes	1,589,403	3,441,323
Profit	2,483,819	6,843,472
Profit attributable to owners of parent	2,483,819	6,843,472

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

(Thousands of yen)

	First nine months of FY8/22 (Sep. 1, 2021 – May 31, 2022)	First nine months of FY8/23 (Sep. 1, 2022 – May 31, 2023)
Profit	2,483,819	6,843,472
Other comprehensive income		
Valuation difference on available-for-sale securities	(3,722)	9,966
Foreign currency translation adjustment	(176,533)	(69,490)
Total other comprehensive income	(180,255)	(59,524)
Comprehensive income	2,303,563	6,783,947
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,303,563	6,783,947

(3) Notes to Quarterly Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

Changes in Accounting Policies

Koshidaka Holdings has applied the Implementation Guidance on Accounting Standard for Fair Value Measurement (Accounting Standards Board of Japan (ASBJ) Guidance No. 31, June 17, 2021) from the beginning of the first quarter of the fiscal year, and has applied the new accounting policies set forth by the Implementation Guidance on Accounting Standard for Fair value Measurement prospectively in accordance with the transitional treatment prescribed in Paragraph 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement. There is no effect of the application of this guidance on the quarterly consolidated financial statements.

Segment and Other Information

Segment Information

I. 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 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.

II. First nine months of FY8/23 (Sep. 1, 2022 – May 31, 2023)

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	38,234,221	788,729	173,723	39,196,674	-	39,196,674
Other revenue	-	-	784,606	784,606	-	784,606
External sales	38,234,221	788,729	958,330	39,981,281	-	39,981,281
Inter-segment sales and transfers	-	-	173,054	173,054	(173,054)	-
Total	38,234,221	788,729	1,131,385	40,154,336	(173,054)	39,981,281
Segment profit	6,757,729	19,859	203,541	6,981,130	(1,025,524)	5,955,606

Notes: 1. The -1,025,524 thousand yen adjustment to segment profit mainly includes general and administrative expenses that cannot be attributed to reportable segments.

2. Segment profit is adjusted to be consistent with operating profit 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.

Revenue Recognition

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

Material Subsequent Events

Not applicable.

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.