

KOSHIDAKA HOLDINGS Co., LTD.

(TSE Prime Market 2157)

Results of Operations

**for the First Nine Months of the Fiscal Year
Ending August 2023 (3Q FY8/2023)**

Agenda

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

3Q FY8/2023 Overview

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

EIP(Entertainment Infrastructure Plan*1) Restarting

Entertainment as
Infrastructure

- Operate karaoke Manekineko throughout Japan
 - Started expansion of store network in the Kinki region
 - Continued to actively open new stores → 41 locations in Japan
- Make entertainment a vital part of everyone's life
 - Continued development to expand PER (Private Entertainment Room*2)
- An outstanding entertainment experience for people worldwide
 - Resumed new store openings in S.E Asia → 2 locations in Thailand and 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. 3Q FY8/2023 Financial Summary

3Q FY8/2023 Consolidated Results of Operations

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

(Million yen)

Item	1Q-3Q FY8/2022	1Q-3Q FY8/2023	YoY change		Vs. 1Q-3Q forecast	
			Amount	Ratio	Forecast	Achievement ratio
Net sales	27,026	39,981	+12,955	+47.9%	39,313	101.7%
Gross profit	4,151	9,976	+5,825	+140.3%	-	-
SG&A expenses	2,846	4,021	+1,174	+41.3%	-	-
Operating profit	1,305	5,956	+4,651	+356.4%	5,263	113.2%
(Operating profit to net sales)	4.8%	14.9%				
Ordinary profit	4,195	6,143	+1,948	+46.4%	5,403	113.7%
(Ordinary profit to net sales)	15.5%	15.4%				
Profit attributable to owners of parent	2,484	6,843	+4,360	+175.5%	6,092	112.3%
(Profit to net sales)	9.2%	17.1%				
Net income per share (Yen)	30.46	83.94	+53.48	+175.5%	74.72	112.3%

Consolidated Results of Operations by Segment (YoY change)

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

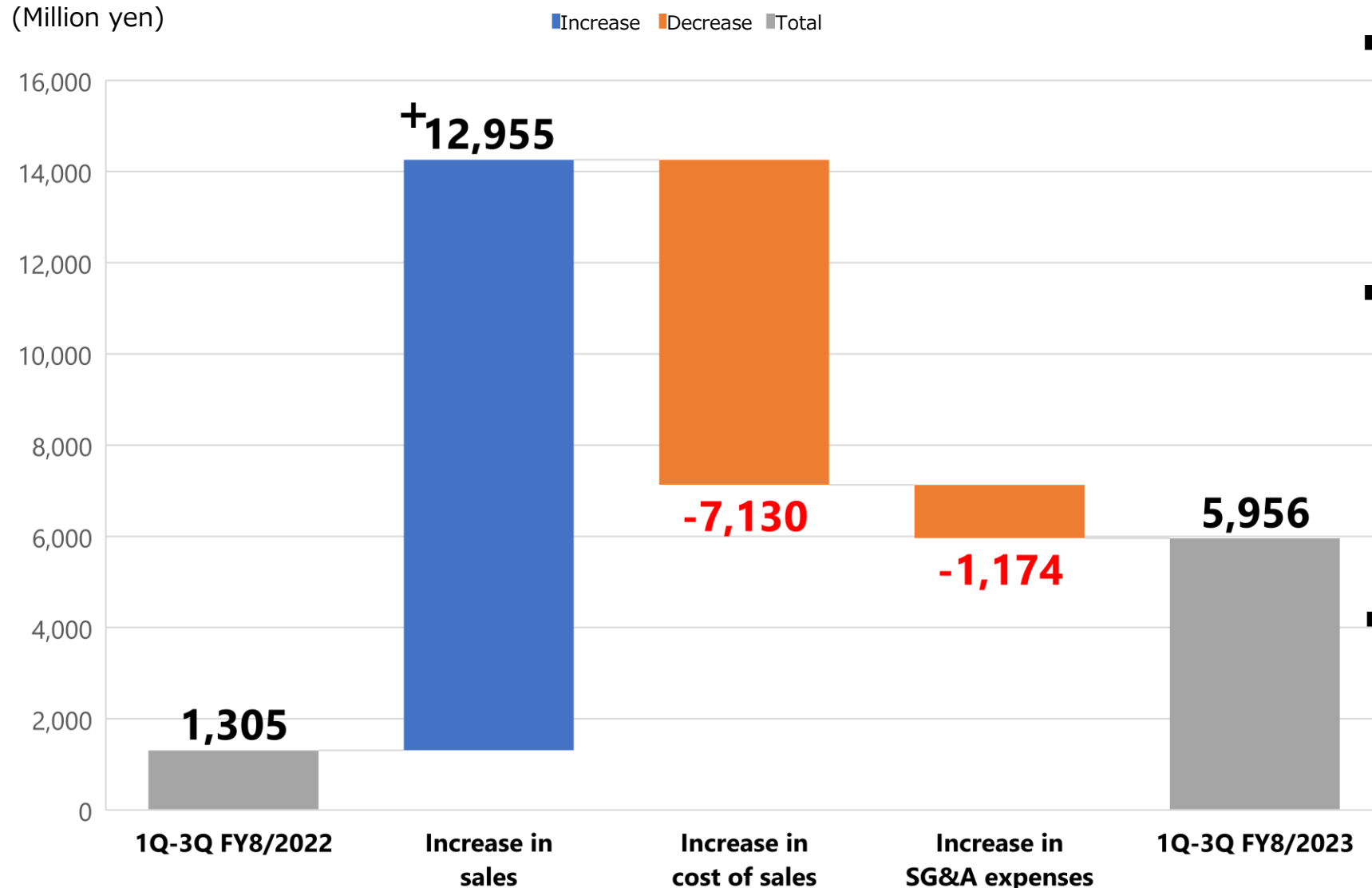
(Million yen)

Item	1Q-3Q FY8/2022	1Q-3Q FY8/2023	YoY change		Vs. 1Q-3Q forecast	
			Amount	Ratio	Amount	Achievement ratio
Net sales	27,026	39,981	+12,955	+47.9%	39,313	101.7%
Karaoke	25,705	38,234	+12,529	+48.7%	37,543	101.8%
Bath House	663	789	+125	+18.9%	783	100.7%
Real Estate Management	814	1,131	+317	+38.9%	1,154	98.0%
Adjustment	(156)	(173)	-17	-	(167)	-
Operating profit	1,305	5,956	+4,651	+356.4%	5,263	113.2%
Karaoke	1,850	6,758	+4,908	+265.4%	5,957	113.4%
(Operating profit to net sales)	(7.2%)	(17.7%)			(15.9%)	
Bath House	(54)	20	+74	-	43	45.9%
(Operating profit to net sales)	-	(2.5%)			(5.5%)	
Real Estate Management	104	204	+100	+96.5%	193	105.4%
(Operating profit to net sales)	(12.7%)	(18.0%)			(16.7%)	
Adjustment	(594)	(1,026)	-432	-	(930)	-

YoY Change in Operating Profit

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

(Million yen)



Major increase in sales

✓ New stores:	+3,925
✓ Existing stores:	+9,224
✓ Bath House/Real Estate:	+443
✓ Adjustment:	-17

Major increase in cost of sales

✓ Personnel:	+2,584 (+36.0%)
✓ Cost of merchandise:	+1,007 (+48.9%)
✓ Rents:	+948 (+16.4%)
✓ Utilities:	+902 (+55.6%)
✓ Fees and commissions:	+457 (+123.0%)
✓ Distribution fees:	+377 (+37.2%)

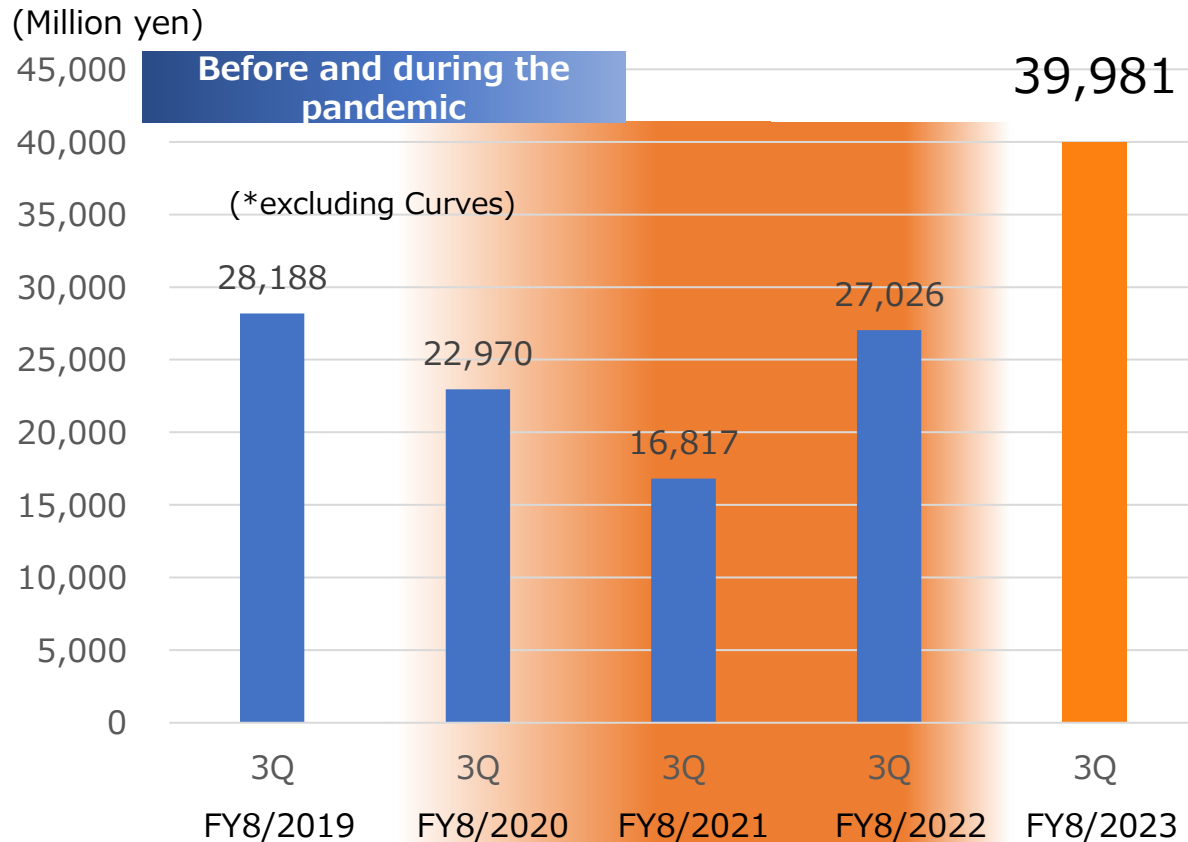
Major increase in SG&A expenses

✓ Fees and commissions:	+361 (+168.9%)
✓ Personnel:	+245 (+23.7%)
✓ Opening expenses:	+204 (+50.1%)

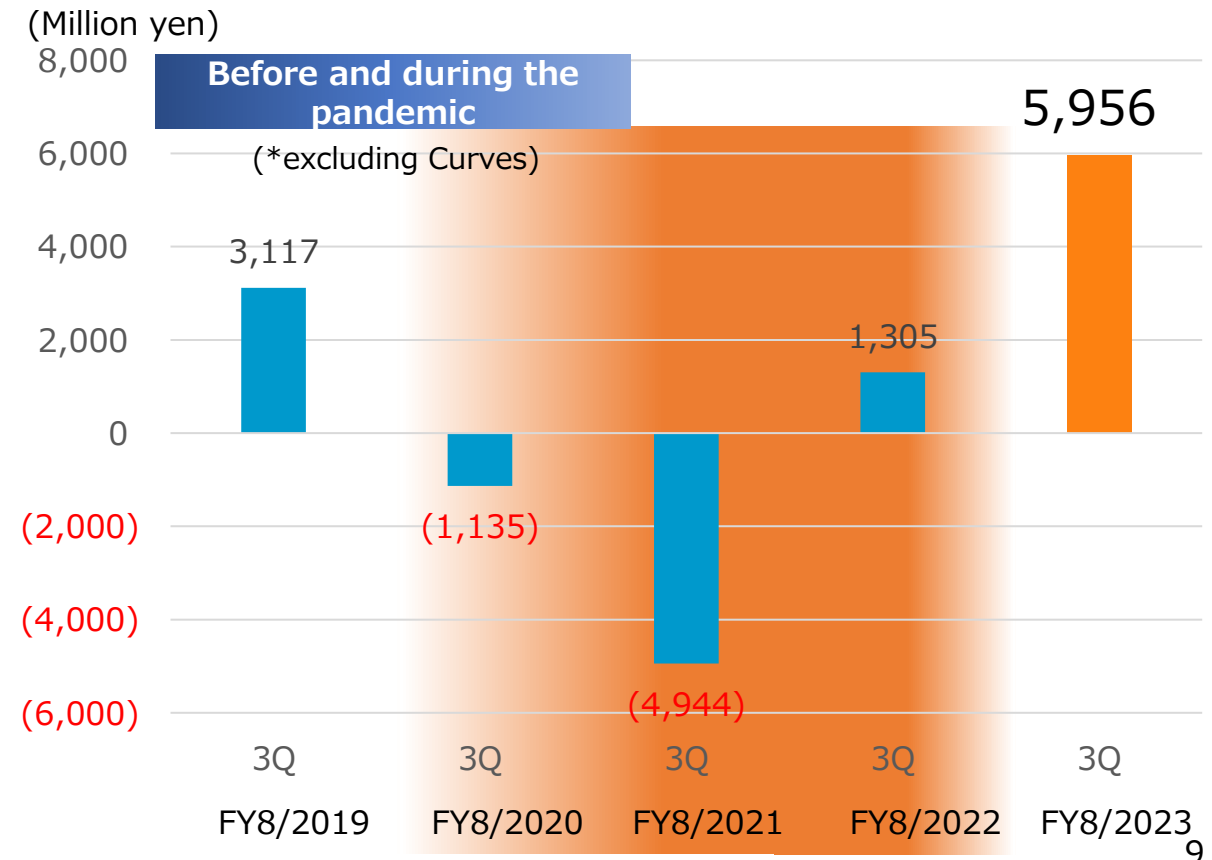
(*Reference) 3Q FY8/2023 Consolidated Results of Operations

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

Net sales



Operating profit



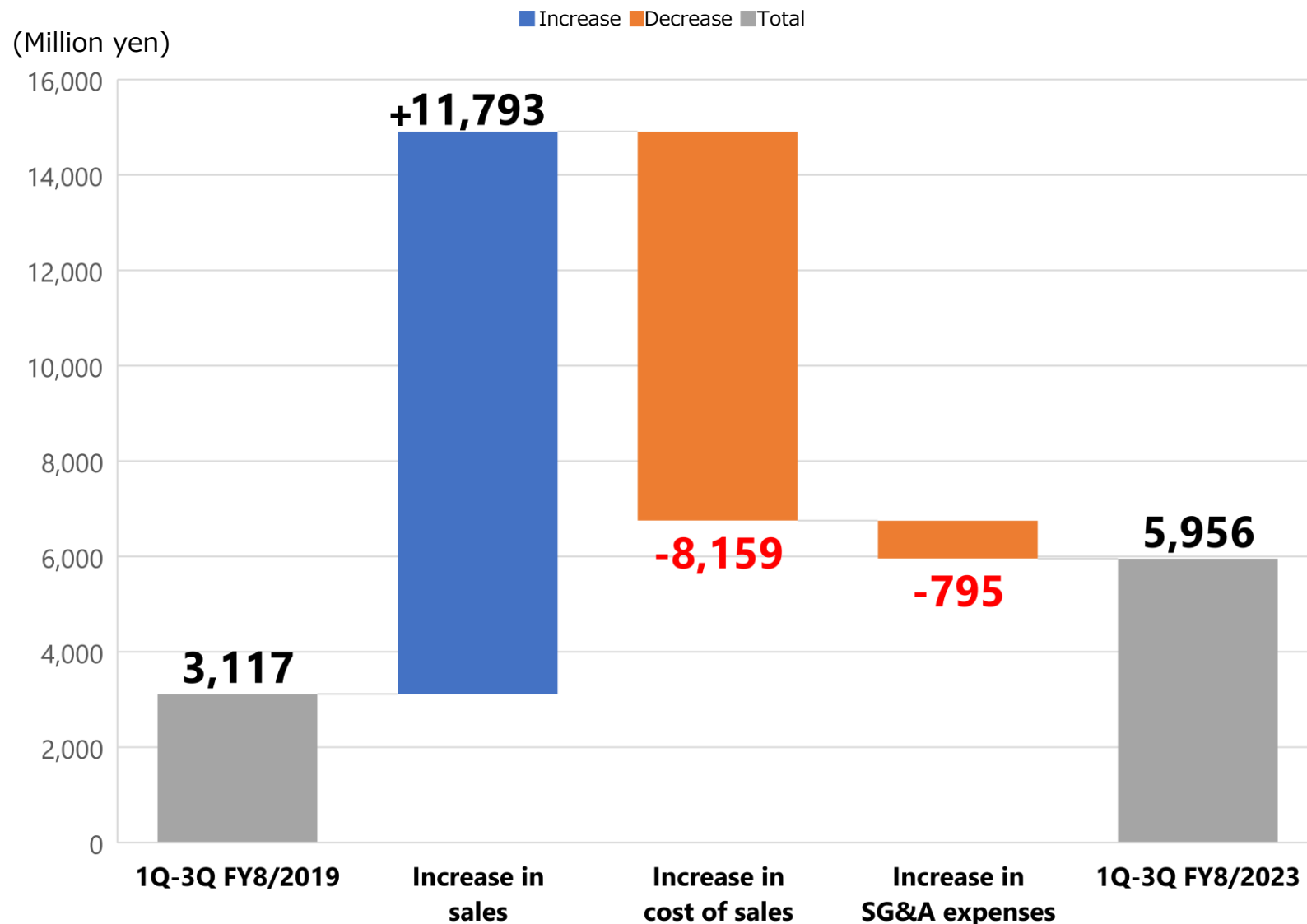
(*Reference) **Results of Operations by Segment (vs. FY8/2019)**

- Karaoke Business: Sales increased 43.5% mainly due to continued store openings even in the pandemic.
- Bath House Business: Sales decreased due to closure of two Oita stores and slow recovery
- Real Estate Management Business: Progress in the acquisition of various types of real estate and leasing of existing owned properties.

(Million yen)

Item	1Q-3Q FY8/2019 result	1Q-3Q FY8/2023 result	Change		Vs. 1Q-3Q forecast	
			Amount	Ratio	Amount	Achievement ratio
Net sales	28,188	39,981	+11,793	+41.8%	39,313	101.7%
Karaoke	26,646	38,234	+11,588	+43.5%	37,543	101.8%
Bath House	1,241	789	-452	-36.4%	783	100.7%
Real Estate Management	302	1,131	+830	+275.2%	1,154	98.0%
Adjustment	-	(173)	-173	-	(167)	-
Operating profit	3,117	5,956	+2,839	+91.1%	5,263	113.2%
Karaoke (Operating profit to net sales)	3,626 (13.6%)	6,758 (17.7%)	+3,132	+86.4%	5,957 (15.9%)	113.4%
Bath House (Operating profit to net sales)	72 (5.8%)	20 (2.5%)	-52	-	43 (5.5%)	45.9%
Real Estate Management (Operating profit to net sales)	78 (26.0%)	204 (18.0%)	+125	+159.4%	193 (16.7%)	105.4%
Adjustment	(659)	(1,026)	-366	-	(930)	-

(*Reference) **Operating Profit (vs. 1Q-3Q FY8/2019)**



(Million yen)

■ **Major increase in sales**

- ✓ New stores: +10,347
- ✓ Existing-stores: +1,241
- ✓ Bath House/Real Estate: +378
- ✓ Others: -173

■ **Major increase in cost of sales**

- ✓ Personnel: +3,106 (+46.7%)
- ✓ Rents: +2,305 (52.1%)
- ✓ Utilities: +837 (+49.5%)
- ✓ Depreciation: +377 (+16.2%)
- ✓ Distribution fees: +361 (35.1%)
- ✓ Cost of merchandise: +357 (13.2%)
- ✓ Fees and commissions: +308 (59.3%)

■ **Major increase in SG&A expenses**

- ✓ Fees and commissions: +418 (+266.8%)
- ✓ Opening and other expenses: 243 (+66.3%)
- ✓ Personnel: +157 (+14.0%)

Karaoke Business

Karaoke Business

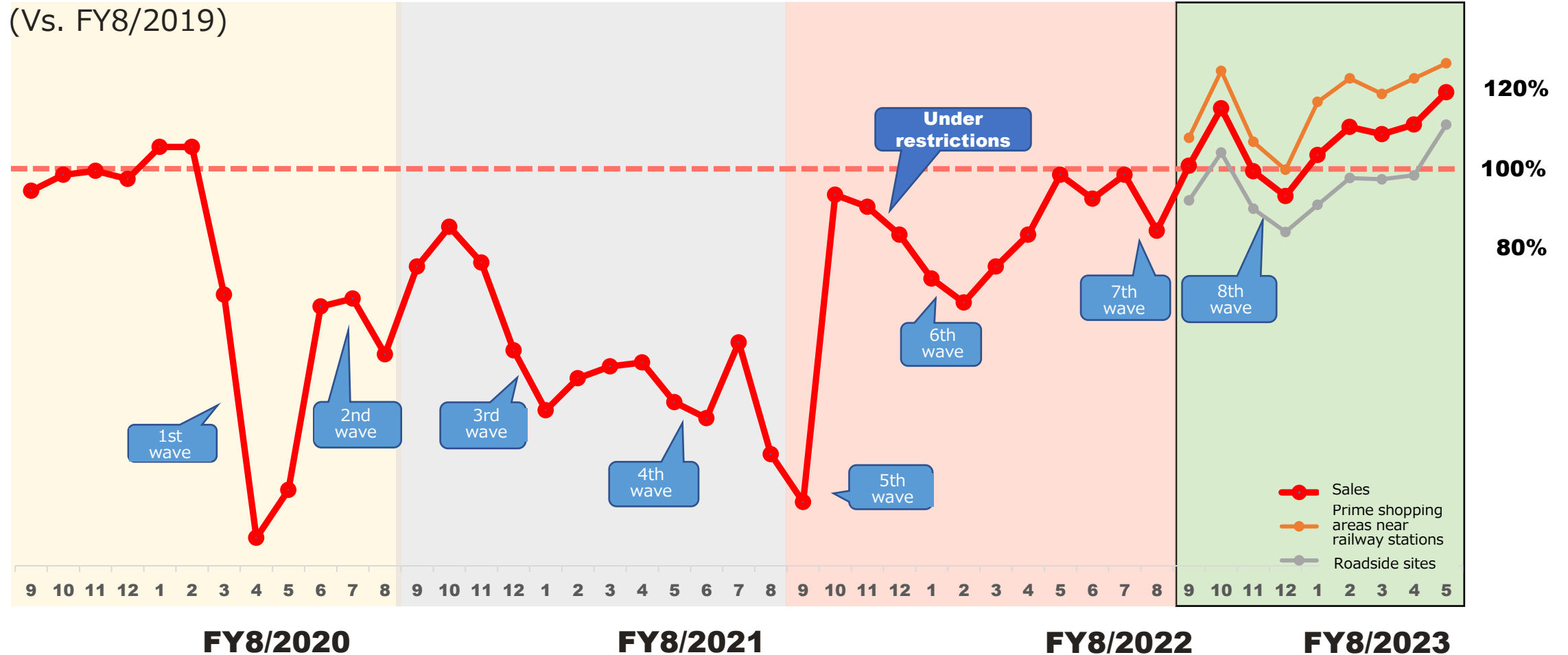
- Sales and profit margins improved as performance of existing stores recovered and contribution from steady new store openings.
- Renewed menu and revised room rates → Maintained customer numbers; average sales per customer increased.
- Profit margins increased due to store size expansion and better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

(Million yen)

	1Q-3Q FY8/2019		1Q-3Q FY8/2020		1Q-3Q FY8/2021		1Q-3Q FY8/2022		1Q-3Q FY8/2023	
	Result	Comp.	Result	Comp.	Result	Comp.	Result	Comp.	Result	Comp.
Net sales	26,646	-	21,491	-	15,590	-	25,705	-	38,234	-
Cost of sales	20,512	77.0%	19,383	90.2%	17,800	114.2%	21,640	84.2%	28,527	74.6%
Gross profit	6,133	23.0%	2,107	9.8%	(2,210)	-	4,065	15.8%	9,707	25.4%
SG&A expenses	2,507	9.4%	2,522	11.7%	1,926	12.4%	2,215	8.6%	2,950	7.7%
Operating profit	3,626	13.6%	(414)	-	(4,137)	-	1,849	7.2%	6,758	17.7%

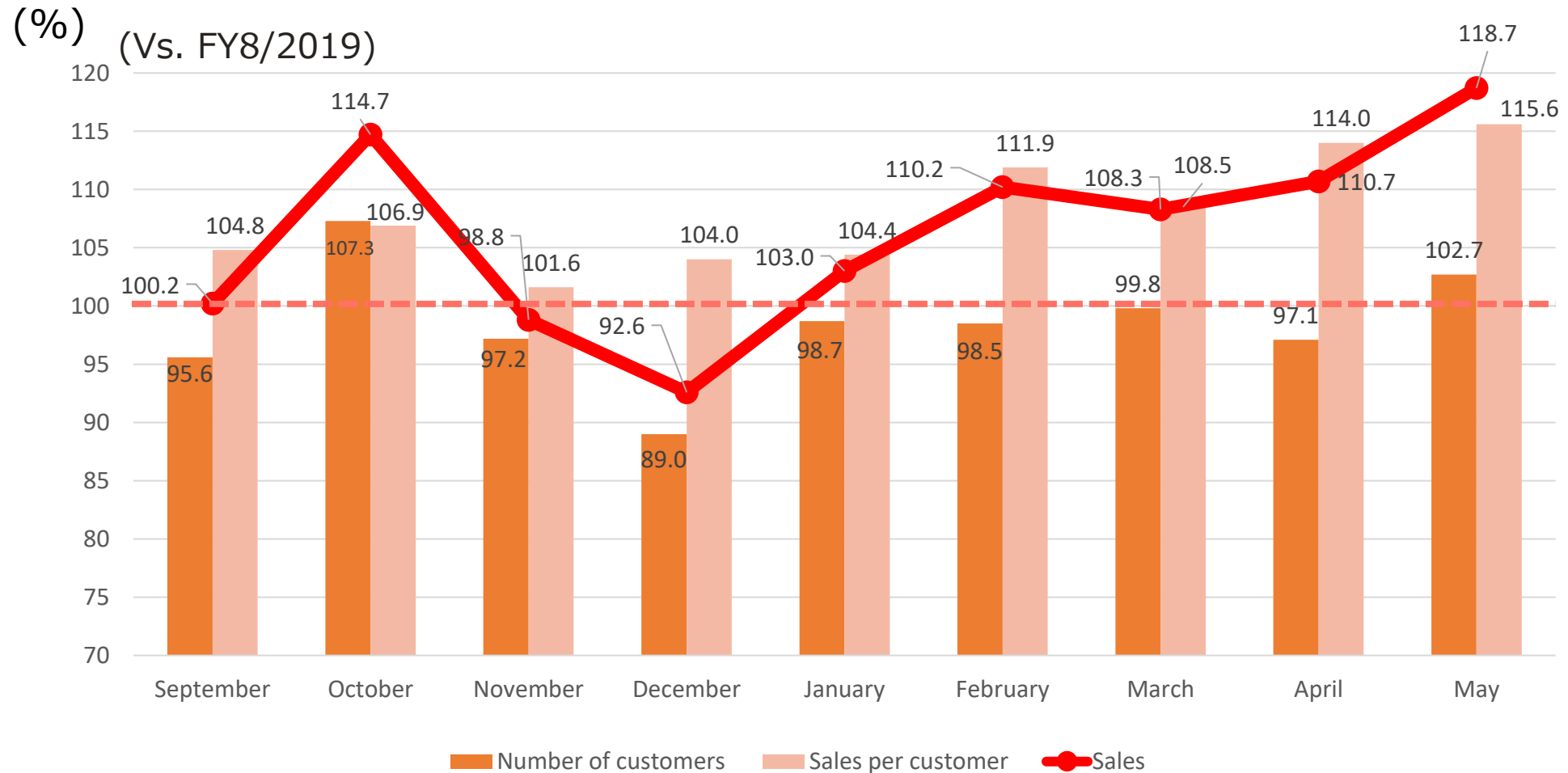
Existing Store Sales

- Existing store sales increased 5.4% in the first nine months of FY8/2023 compared to FY8/2019, and remained above pre-pandemic level in 3Q
- The young are returning quickly particularly to stores in prime shopping areas near railway stations. Business is brisk with sales/traffic up 14.4% from FY8/2019
- Suburban roadside store sales, which had lagged behind, fell 5.0% in the first nine months, but rose 10.6% in the single month of May, surpassing the pre-pandemic level



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

- Steadily renewed menus and increased room rates from October, and reviewed again in December and January
- Slight impact on the increase in sales per customer and the number of customers were negligible in 3Q FY8/2023
- Revenge consumption was widespread, and the number of customers exceeded that of FY8/2019 at the revised prices in May after the application of Category V.



Number of Locations and Rooms

- Opened 41 stores in 3Q FY8/2023–Store opening largely on track
- Continued to increase store size and open new store in prime shopping areas near railway stations
→ Improve efficiency of store operations

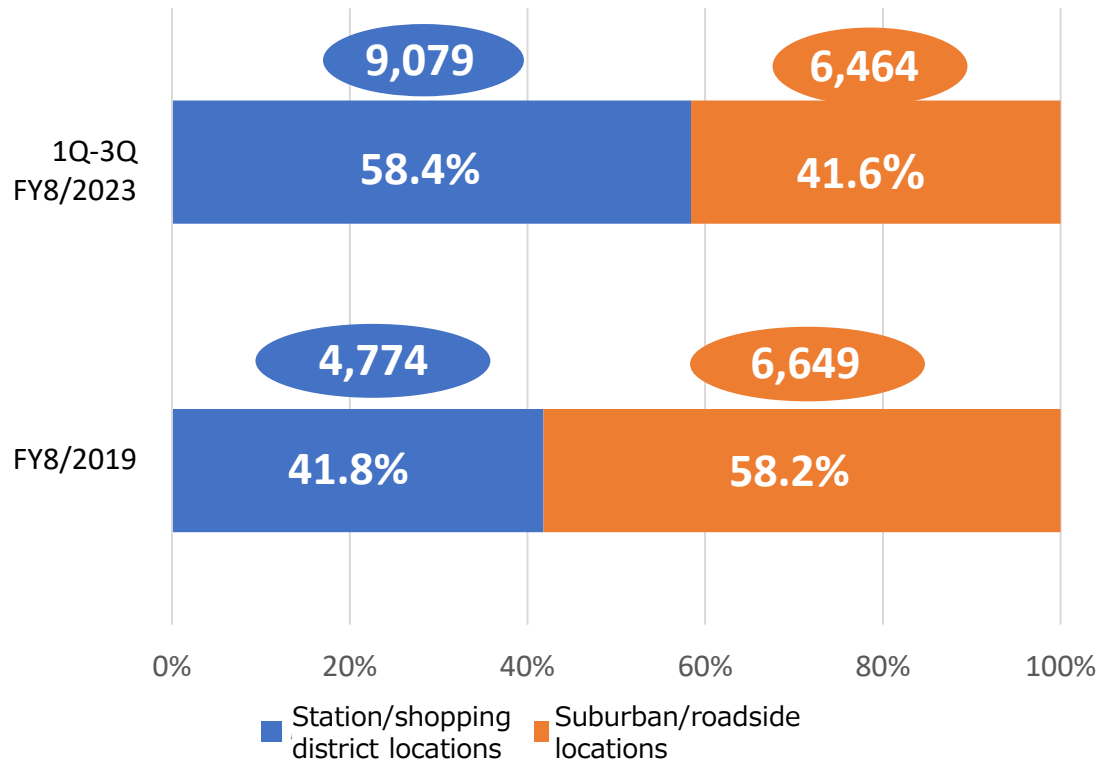
Number of locations/rooms		FY8/2022		1Q-3Q FY8/2023		Change	
		No. of locations	No. of rooms	No. of locations	No. of rooms	No. of locations	No. of rooms
Manekineko	Near railway stations/ prime shopping areas	298	7,797	329	9,079	+31	+1,282
	Suburban/roadside locations	273	6,320	273	6,464	0	+144
	Total	571	14,117	602	15,543	+31	+1,426
One kara		6	210	6	212	0	+2
Total		577	14,327	608	15,755	+31	+1,428

Number of locations opened/closed		1Q FY8/2023	2Q FY8/2023	3Q FY8/2023	FY8/2023
No. of locations opened	Near railway stations/ prime shopping areas	13	9	13	35
	Suburban/roadside locations	6	0	0	6
	Total	19	9	13	41
No. of locations closed		2	3	5	10

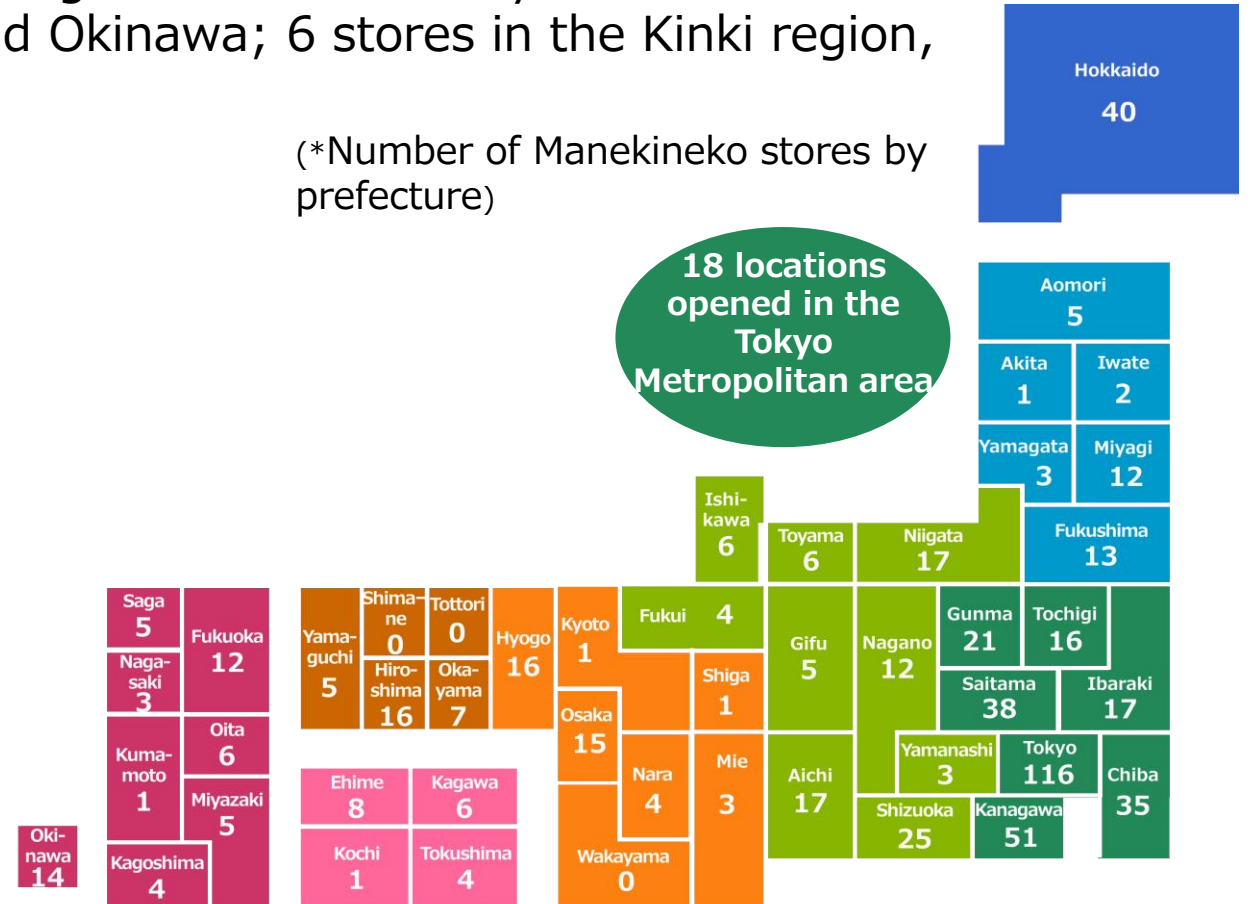
Number of Stores By Location Type and By Prefecture

- Continued to open new stores in prime shopping areas near railway stations
- Outside Tokyo, opened 8 stores in Kyushu and Okinawa; 6 stores in the Kinki region, and 9 stores in other regions

Room ratio by location type

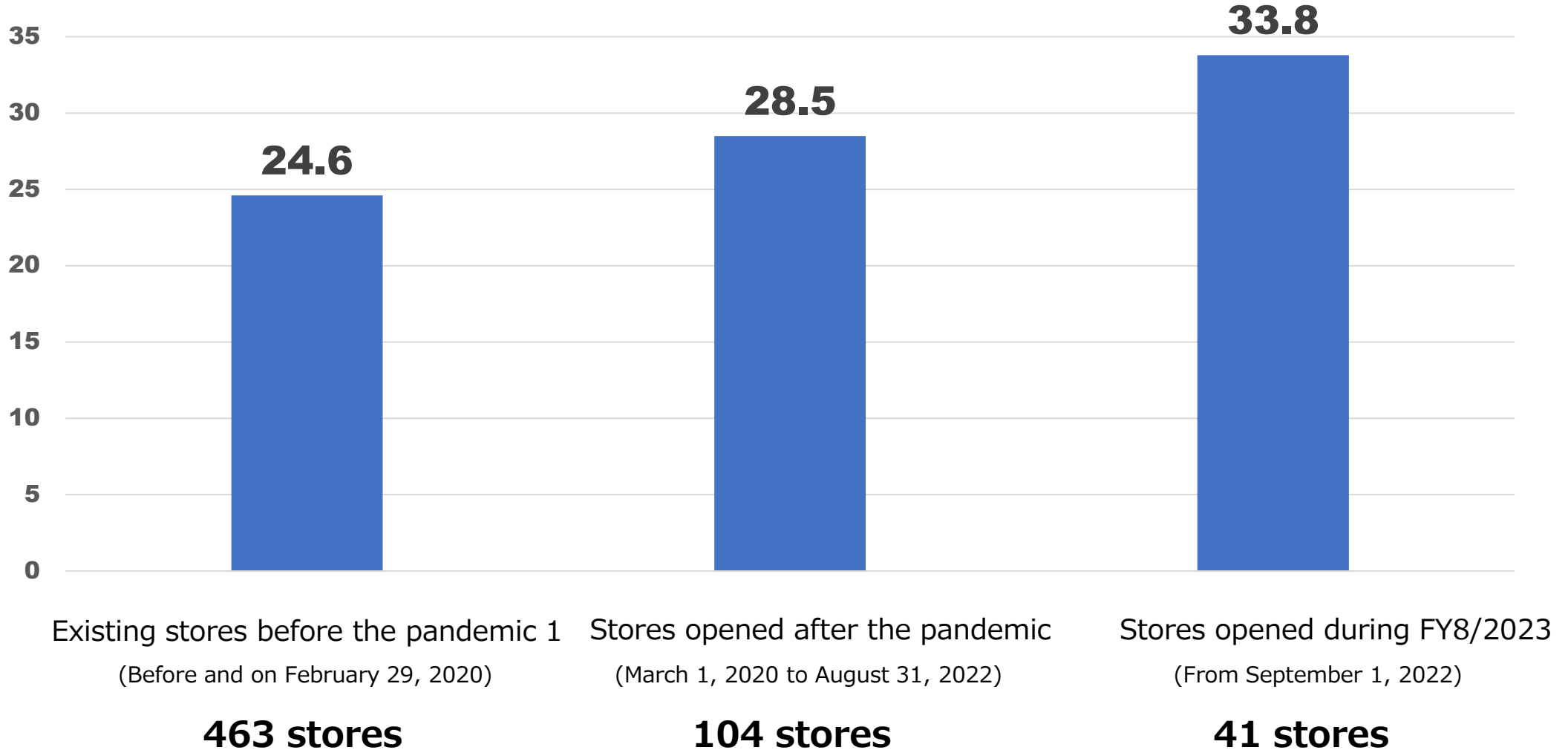


(*Number of Manekineko stores by prefecture)



Number of Rooms Per Store

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



Overseas Performance

- Recovering steadily after the pandemic
- Opened 4 stores in Malaysia and 2 in Thailand
- Hired a manager for Indonesian operations
→ Utilize local human resources



Snapshot of a store in Malaysia



Snapshot of a store in Thailand

(Million yen)

	FY8/2022						FY8/2023		
	1Q-3Q			Full-year			1Q-3Q		
	Net sales	Operating profit	No. of locations	Net sales	Operating profit	No. of locations	Net sales	Operating profit	No. of locations
Overseas	201	(58)	11	315	(67)	11	473	9	17
South Korea	81	(8)	4	108	(9)	4	73	(7)	4
Malaysia	114	(13)	6	192	(13)	6	286	23	10
Thailand	0	(21)	0	0	(27)	0	86	(1)	2
Indonesia	5	(15)	1	15	(18)	1	28	(5)	1

* Sales in Malaysia, Thailand and Indonesia are not consolidated

Bath House / Real Estate Management Businesses

Bath House Business

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

(Million yen)

	1Q-3Q FY8/2019		1Q-3Q FY8/2020		1Q-3Q FY8/2021		1Q-3Q FY8/2022		1Q-3Q FY8/2023	
	Result	Comp.	Result	Comp.	Result	Comp.	Result	Comp.	Result	Comp.
Net sales	1,240	-	960	-	731	-	663	-	789	-
Cost of sales	1,118	90.2%	965	100.5%	825	112.9%	697	105.1%	745	94.5%
Gross profit	121	9.8%	(5)	-	(93)	-	(33)	-	44	5.5%
SG&A expenses	50	4.0%	37	3.9%	32	4.4%	20	3.0%	24	3.0%
Operating profit	71	5.7%	(42)	-	(126)	-	(54)	-	20	2.5%

Real Estate Management Businesses

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

(Million yen)

	1Q-3Q FY8/2019		1Q-3Q FY8/2020		1Q-3Q FY8/2021		1Q-3Q FY8/2022		1Q-3Q FY8/2023	
	Result	Comp.	Result	Comp.	Result	Comp.	Result	Comp.	Result	Comp.
Net sales	301	-	518	-	495	-	814	-	1,131	-
Cost of sales	214	71.1%	532	102.7%	661	133.5%	696	85.5%	906	80.1%
Gross profit	86	28.6%	(13)	-	(165)	-	117	14.4%	225	19.9%
SG&A expenses	8	2.7%	10	1.9%	12	2.4%	14	1.7%	22	1.9%
Operating profit	78	26.1%	(24)	-	(179)	-	104	12.7%	204	18.0%

Balance Sheet

- Increase in property, plant and equipment and investments and other assets due to new store openings was covered by an increase in retained earnings due to improved earnings
 - Sublease from Sumitomo Mitsui Finance and Leasing Company, Limited had no significant effect

(Million yen)

	August 31, 2022	May 31, 2023	Change
Current assets	9,911	11,999	+2,087
Non-current assets	37,362	43,799	+6,437
Property, plant and equipment	27,102	32,191	+5,088
Intangible assets	439	537	+98
Investments and other asset	9,821	11,072	+1,251
Total assets	47,273	55,798	+8,525
Current liabilities	9,644	12,569	+2,925
Short-term borrowings	0	0	-
Current portion of long-term borrowings	2,188	2,004	-184
Non-current liabilities	18,121	17,944	-177
Long-term borrowings	8,745	7,890	-855
Total liabilities	27,765	30,513	+2,748
Shareholders' equity	19,691	25,527	+5,836
Net assets	19,509	25,285	+5,777
Total liabilities and net assets	47,273	55,798	+8,525

3. FY8/2023 Consolidated Forecast

FY8/2023 Forecast

- Posted 4,330 million yen in extraordinary income in 3Q for the sale of property owned by Koshidaka Products.
- In addition, raised the full-year forecast over the initial forecast based on the favorable performance in 1H. (At the time of announcement of 2Q results)
- Full-year forecasts were maintained in 3Q results, as the revised forecasts included the revenge consumption.

Consolidated Forecast

(Million yen)

Items	FY8/2022 Result	FY8/2023 Revised Forecast	Vs. FY8/2022	
			Change	Ratio
Net sales	37,995	53,830	+15,835	41.7%
Operating profit	2,205	7,570	+5,365	243.3%
(Operating profit to net sales)	(5.8%)	(14.1%)		
Ordinary profit	5,331	7,700	+2,369	44.4%
(Ordinary profit to net sales)	(14.0%)	(14.3%)		
Profit attributable to owners of parent	3,643	7,470	+3,827	105.1%
(Profit to net sales)	(9.6%)	(13.9%)		

Forecast by Segment

(Million yen)

Items	FY8/2022 Result	FY8/2023 Revised Forecast	Vs. FY8/2022	
			Change	Ratio
Net sales	37,995	53,830	+15,835	
Karaoke	36,178	51,444	+15,266	
Bath House	894	1,052	+158	
Real Estate Management	1,134	1,556	+422	
Adjustment	(212)	(222)	-10	
Operating profit	2,205	7,570	+5,365	
(Operating profit to net sales)	(5.8%)	(14.1%)		
Karaoke	3,012	8,455	+5,443	
(Operating profit to net sales)	(8.3%)	(16.4%)		
Bath House	(73)	68	+141	
(Operating profit to net sales)	-	(6.4%)		
Real Estate Management	165	257	+92	
(Operating profit to net sales)	(17.9%)	(16.5%)		
Adjustment	(899)	(1,212)	-313	

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.

- Increased the year-end dividend by 2 yen to 7 yen in commemoration of the 33rd anniversary of the Company's karaoke business. Plans to pay a full-year dividend of 12 yen per share.

Dividend per share/Payout ratio

(Yen)

	FY8/2018	FY8/2019	FY8/2020	FY8/2021	FY8/2022	FY8/2023 (forecast)
Interim	20.0	6.0	8.0	2.0	4.0	5.0
Year-end	5.0	6.0	4.0	2.0	4.0	7.0
Annual	25.0	12.0	12.0	4.0	8.0	12.0
Payout ratio	18.4%	15.7%	-	-	17.9%	13.2%

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

5. Strategies and Actions

Medium/Long-term Plan and Strategic Initiatives

Initiative 1

Restart the Entertainment Infrastructure Plan^{*1}

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

Initiative 2

Create the next core drivers of growth

Welltainment^{*3} business

Initiative 3

Faster growth outside Japan

Opened 6 new stores overseas during the first nine months

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

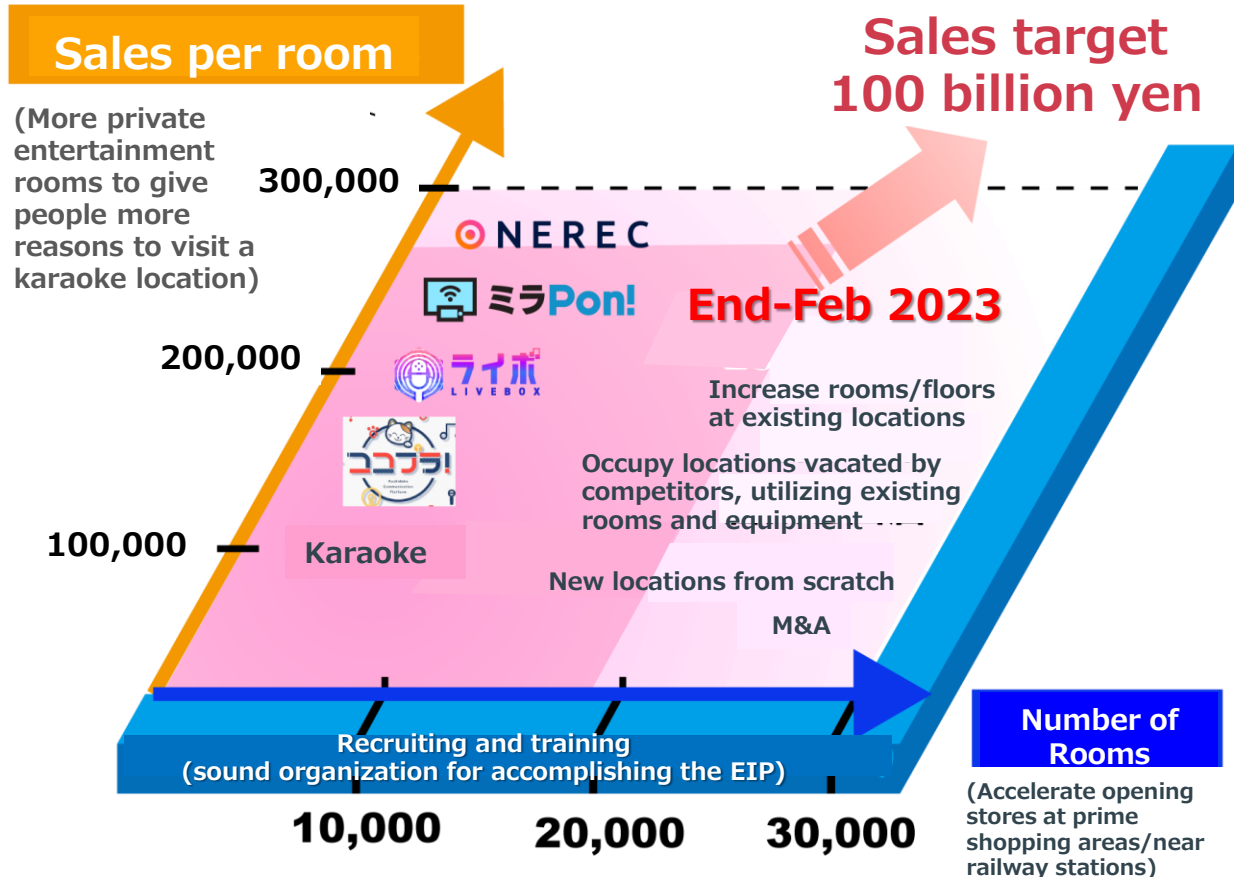
^{*2} Private Entertainment Rooms, which are part of the “entertainment as infrastructure” vision, are a platform for providing karaoke along with many other forms of entertainment.

^{*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 yen.

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.
→ Development of METAKARA
- C A sound organizational structure (Recruiting and training)**
Recruit people from other companies for the skills needed to implement these strategic actions.
Increase employees' skills and motivation by completely reexamining the personnel system.

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

1 C Progress Report

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

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

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

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

2 Recruit many human resources with advanced skills

- Promote recruitment of human resources for the next generation

3 Upgrade personnel systems

- Progress in the Workstyle Innovation Plan
- Restructuring of salary level and evaluation system
New personnel system: 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

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

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(TSE Prime Market 2157)

The purpose of this presentation is to provide information about the Koshidaka Group based on results of operations for the first nine months of the fiscal year ending August 31, 2023. This is not a solicitation to purchase securities issued by Koshidaka Holdings.

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