

**JASDAQ**

Stock code: 2157

# Results of Operations for the Fiscal Year Ended August 2015 (FY8/15)

October 14, 2015



**KOSHIDAKA HOLDINGS Co., LTD.**

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# Corporate Overview

<b>Company name</b>	KOSHIDAKA HOLDINGS Co., LTD.	
<b>Business</b>	Oversight of operating companies, business development and other activities	
<b>Established</b>	March 1967	
<b>Tokyo Head Office</b>	World Trade Center Building 23F, 2-4-1 Hamamatsucho, Minato-ku, Tokyo, Japan * Location of the registered head office: Maebashi city, Gunma prefecture, Japan	
<b>Capital</b>	493.6 million yen	
<b>Employees</b>	3,088 ( all group companies, as of the end of August 2015)	
<b>Group companies</b>	Karaoke	KOSHIDAKA Co., Ltd. / KOSHIDAKA KOREA Co., Ltd. Moon Corporation
	Bath house	KOSHIDAKA INTERNATIONAL PTE. LTD. KOSHIDAKA MANAGEMENT SINGAPORE PTE. LTD. K BOX ENTERTAINMENT GROUP PTE. LTD.
	Curves	Curves HOLDINGS Co., Ltd. / Curves Japan Co., Ltd. HIGH STANDARD CO., LTD.
	Real estate management	KOSHIDAKA Facilities Co., Ltd.
	Intellectual property management	KOSHIDAKA IP Management Co., Ltd.
	Others	KOSHIDAKA Business Support Co.,LTD. ENGLISHISLAND Ltd.

## Corporate Philosophy

Our mission is to contribute to the creation of fulfilling and rewarding leisure activities and a peaceful world filled with hope by remaining a consistent source on a global scale of innovative and meaningful services and products.

# Organization



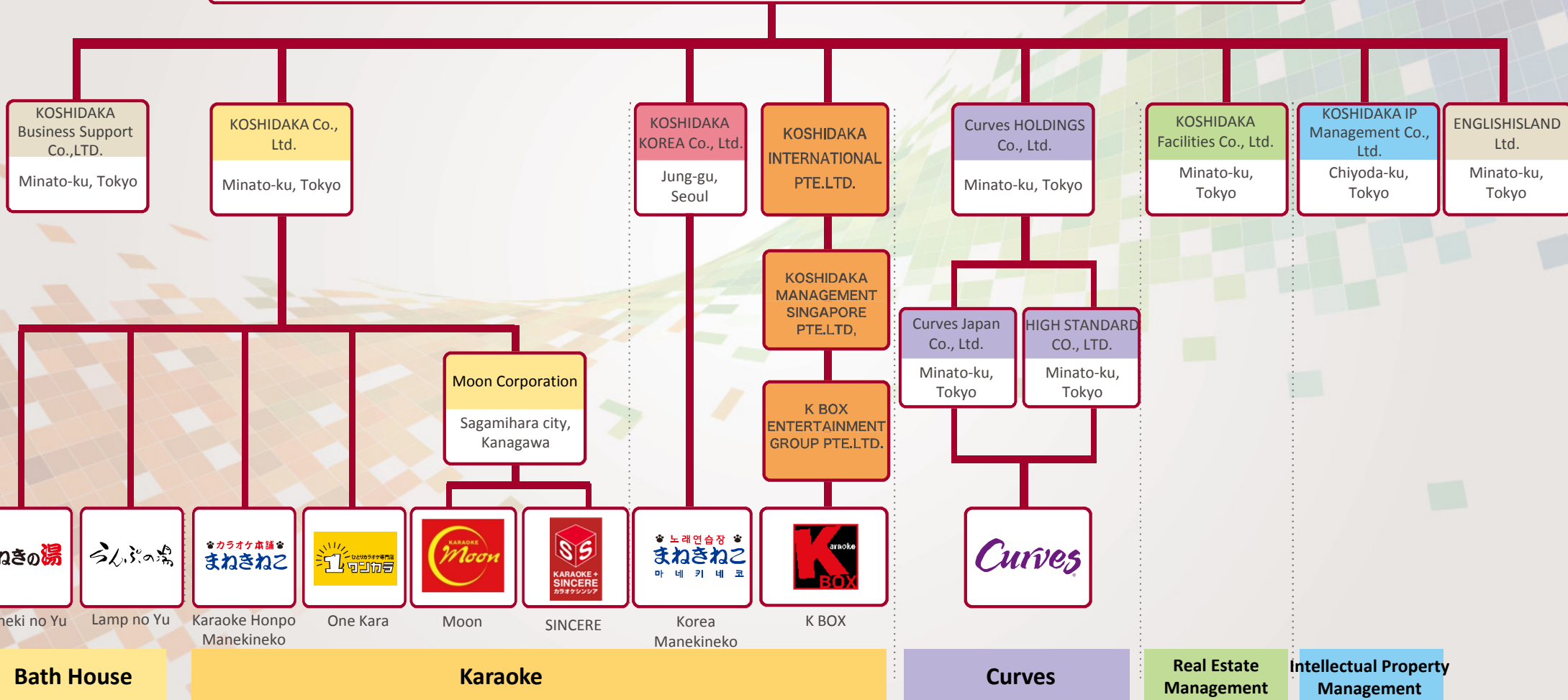
**Koshidaka** HOLDINGS

**KOSHIDAKA HOLDINGS Co., LTD.**

Capital: ¥493.6 million Head office: Minato-ku, Tokyo

Note: The registered head office is located in Maebashi city, Gunma prefecture, Japan.

(As of October 14, 2015)



**KOSHIDAKA HOLDINGS Co., LTD.**

**FY8/15**

# **Consolidated Results of Operations**



**KOSHIDAKA HOLDINGS Co., LTD.**

# Financial Highlights

- **Eighth consecutive year of sales growth**
- **Record-high earnings at Curves**
- **Speeding up again expansion of the Karaoke Manekineko network**
- **Investment loss due to start of consolidating the Singapore subsidiary; but turning point of overseas operations is in sight!**
- **One Kara and bath house businesses on the verge of becoming profitable**

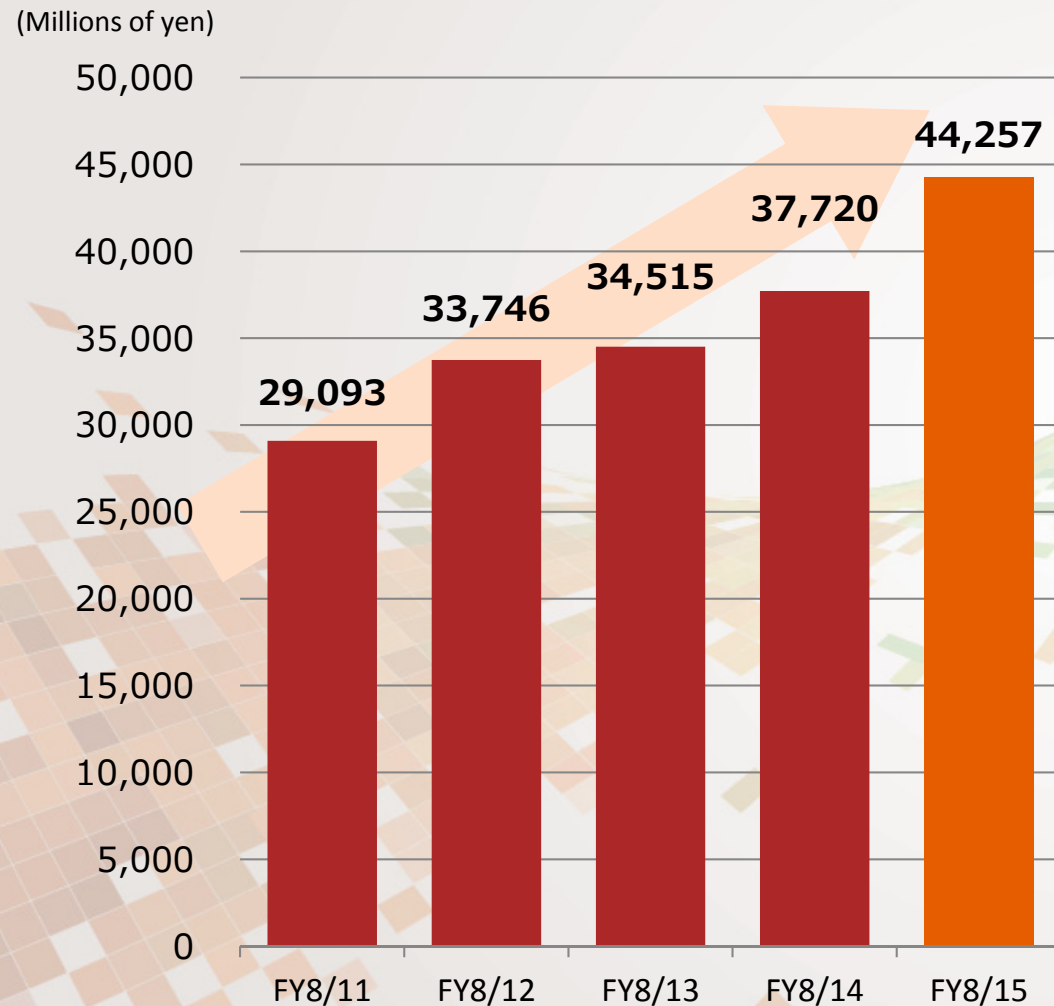
# Consolidated Statement of Income

(Millions of yen)

	FY8/14	FY8/15	YoY change		(Reference) vs. plan Announced on Oct. 10, 2014	
			Ratio	Amount	Forecast	Ratio
Net sales	37,720	44,257	117.3%	6,537	43,685	101.3%
Cost of sales	27,759	33,323	120.0%	5,564	-	-
Gross profit	9,960	10,933	109.8%	973	-	-
SG&A expenses	5,684	6,539	115.0%	855	-	-
Operating income	4,276	4,394	102.8%	118	4,946	88.8%
Ordinary income	4,370	4,492	102.8%	122	5,066	88.7%
Extraordinary income	4	67	1,675.0%	63	-	-
Net income	2,423	2,098	86.6%	(325)	2,668	78.6%

Note: All amounts are rounded down to the nearest million yen; all percentages are rounded to one decimal place.

# Net Sales



Note: All amounts are rounded down to the nearest million yen.

## Net sales

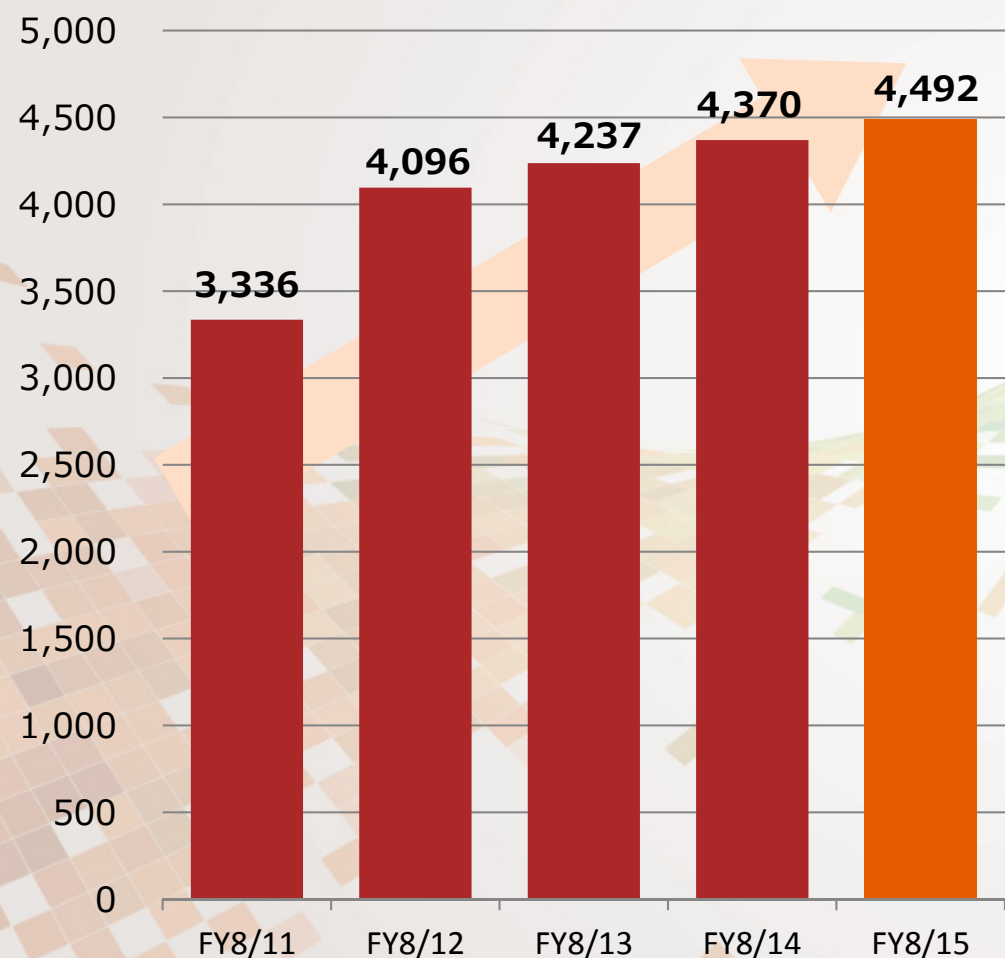
# ¥44.2 billion

## Eighth consecutive year of sales growth



# Ordinary Income

(Millions of yen)



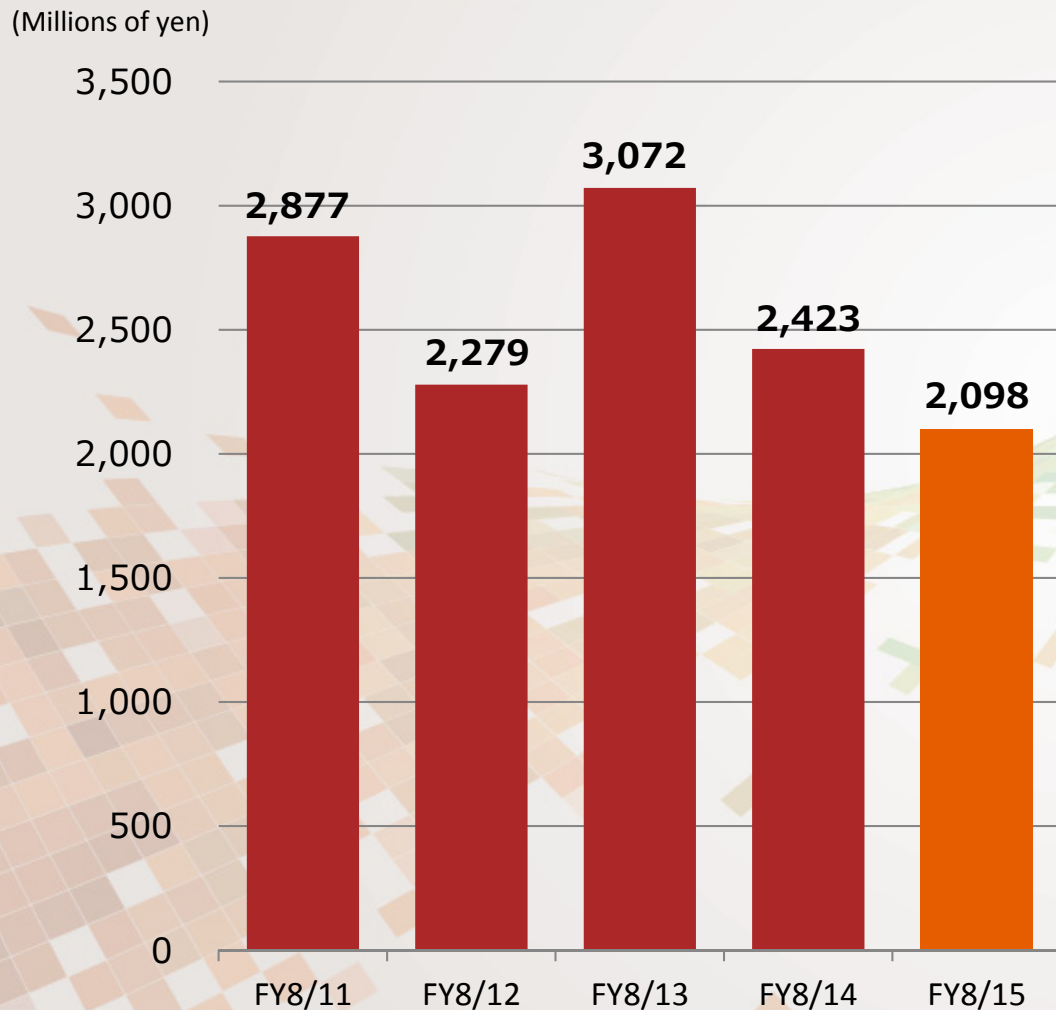
Note: All amounts are rounded down to the nearest million yen.

## Ordinary income

### ¥4.4 billion

**Curves business  
performed strong**

# Net Income



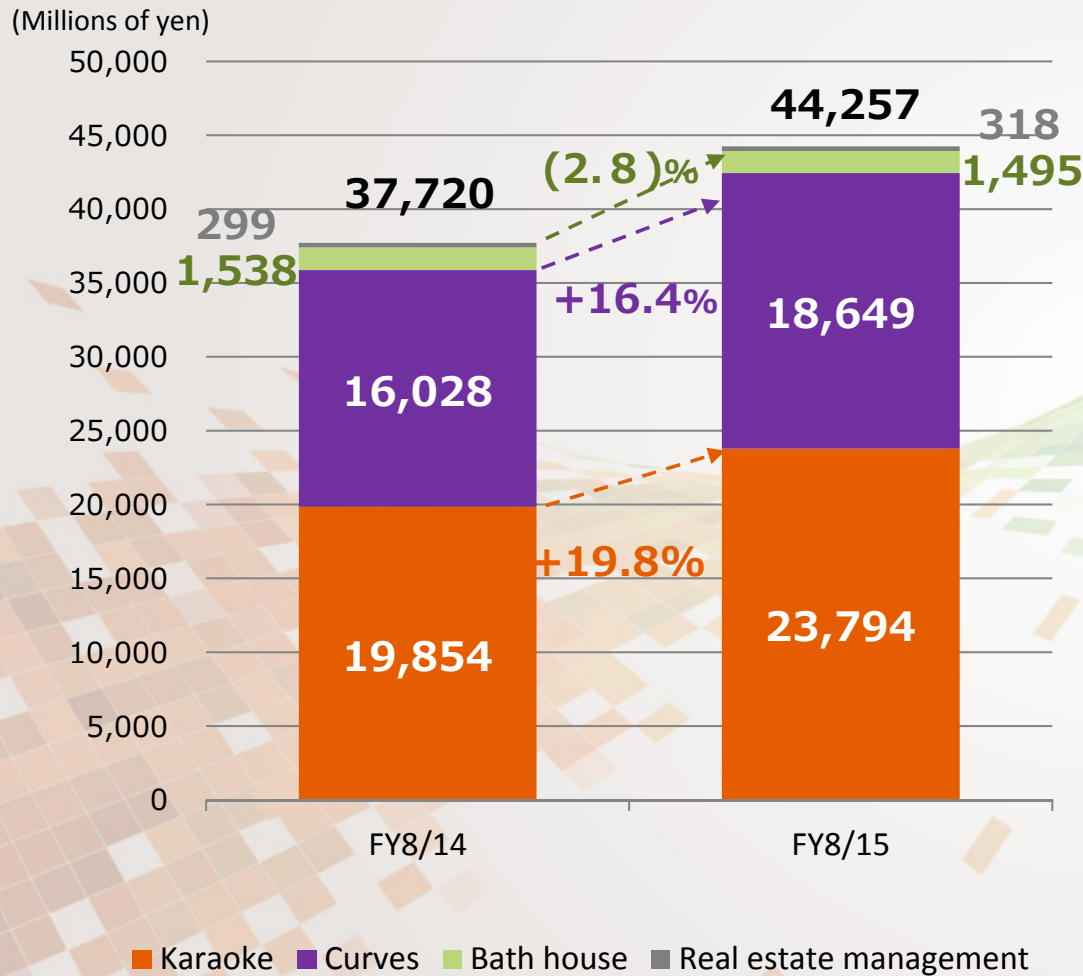
**Net income**  
**¥2.09 billion**

Note: All amounts are rounded down to the nearest million yen.

- \* Gain on bargain purchase (extraordinary income) of ¥1,193 million was recorded in FY8/11.
- \* Gain on sales of non-current assets (extraordinary income) of ¥1,536 million was recorded in FY8/13.

# Growth in Net Sales

YoY Change in New Sales



(Millions of yen)

	FY8/14	FY8/15	YoY change (%)
Consolidated sales	37,720	44,257	117.3
Karaoke	19,854	23,794	119.8
Curves	16,028	18,649	116.4
Bath house	1,538	1,495	97.2
Real estate management	299	318	106.4

Note: All amounts are rounded down to the nearest million yen; all percentages are rounded to one decimal place.

# Consolidated Balance Sheet

(Millions of yen)

	Aug. 31, 2014	Aug. 31, 2015	Change
<b>Total assets</b>	<b>25,926</b>	<b>30,663</b>	<b>4,737</b>
Current assets	9,813	11,448	1,635
Non-current assets	16,112	19,214	3,102
<b>Total liabilities</b>	<b>12,731</b>	<b>16,611</b>	<b>3,880</b>
Current liabilities	8,378	10,030	1,652
Non-current liabilities	4,352	6,581	2,229
<b>Total net assets</b>	<b>13,195</b>	<b>14,052</b>	<b>857</b>
Shareholders' equity	12,621	13,256	635
Accumulated other comprehensive income	(46)	141	187
Minority interests	620	654	34
<b>Total liabilities and net assets</b>	<b>25,926</b>	<b>30,663</b>	<b>4,737</b>

Assets (major items)		
Current assets	Cash and deposits	6,187
	Notes and accounts receivable-trade	2,258
	Merchandise	732
Non-current assets	Property, plant and equipment	12,323
	Intangible assets	3,090
Liabilities (major items)		
Current liabilities	Notes and accounts payable-trade	1,830
	Current portion of long-term loans payable	2,231
	Income taxes payable	1,021
	Deposits received	1,549
Non-current liabilities	Long-term loans payable	5,122
Net assets (major items)		
	Capital stock	493
	Capital surplus	483
	Retained earnings	13,480
	Treasury shares	(1,200)

Note: All amounts are rounded down to the nearest million yen.

**KOSHIDAKA HOLDINGS Co., LTD.**

# Consolidated Statement of Cash Flows

(Millions of yen)

	FY8/14	FY8/15	Major items
Cash flows from operating activities	4,042	4,649	<ul style="list-style-type: none"> <li>Income before income taxes and minority interests 4,245</li> <li>Depreciation 2,427</li> <li>Amortization of goodwill 355</li> <li>Income taxes paid (2,003)</li> </ul>
Cash flows from investing activities	(6,931)	(4,276)	<ul style="list-style-type: none"> <li>Purchase of property, plant and equipment (3,159)</li> <li>Purchase of investments in subsidiaries resulting in change in scope of consolidation (721)</li> <li>Payments for lease and guarantee deposits (382)</li> </ul>
Cash flows from financing activities	2,198	445	<ul style="list-style-type: none"> <li>Proceeds from long-term loans payable 4,371</li> <li>Repayments of long-term loans payable (2,240)</li> <li>Purchase of treasury shares (900)</li> </ul>
Increase (decrease) in cash and cash equivalents	(690)	829	
Cash and cash equivalents at beginning of period	5,860	5,169	
Cash and cash equivalents at end of period	5,169	6,142	

Note: All amounts are rounded down to the nearest million yen.

**Cash flows from financing activities declined due to the purchase of treasury shares**

**FY8/15**

# **Results by Segment**

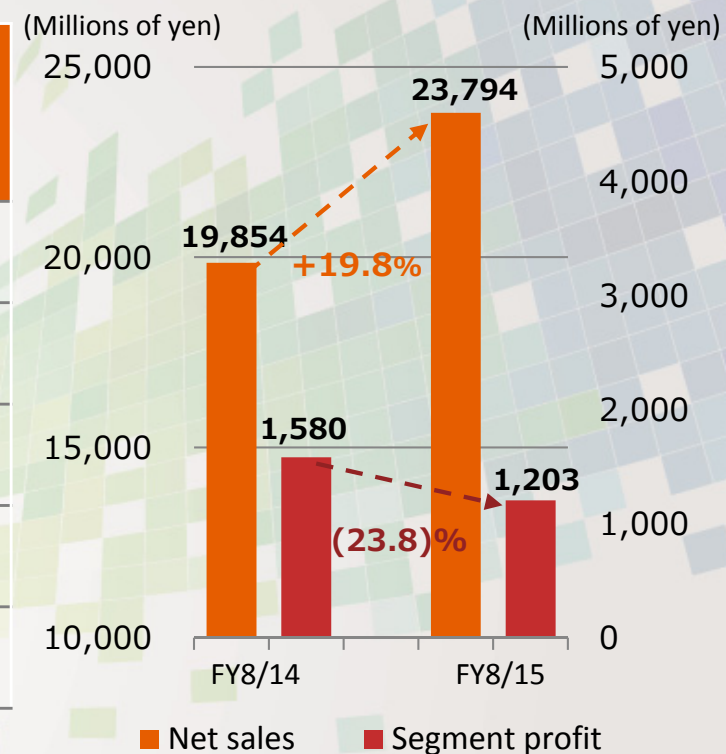


# Results of the Karaoke Business



# Results of the Karaoke Business

	FY8/14		FY8/15		YoY change (%)
	Amount (Millions of yen)	Composition (%)	Amount (Millions of yen)	Composition (%)	
Net sales	19,854	100.0%	23,794	100.0%	119.8%
Cost of sales	15,600	78.6%	19,657	82.6%	126.0%
Gross profit	4,254	21.4%	4,137	17.4%	97.2%
SG&A expenses	2,674	13.5%	2,933	12.3%	109.7%
Segment profit	1,580	7.9%	1,203	5.1%	76.1%



Note: All amounts are rounded down to the nearest million yen; all percentages are rounded to one decimal place.

## Sales up but earnings down:

New karaoke locations, Singapore (-¥500mn), SKIT (Smart Karaoke Internet Terminal) investments (-¥300mn)

New locations: Opened 32 karaoke facilities (19 in existing and 13 in newly constructed facilities)

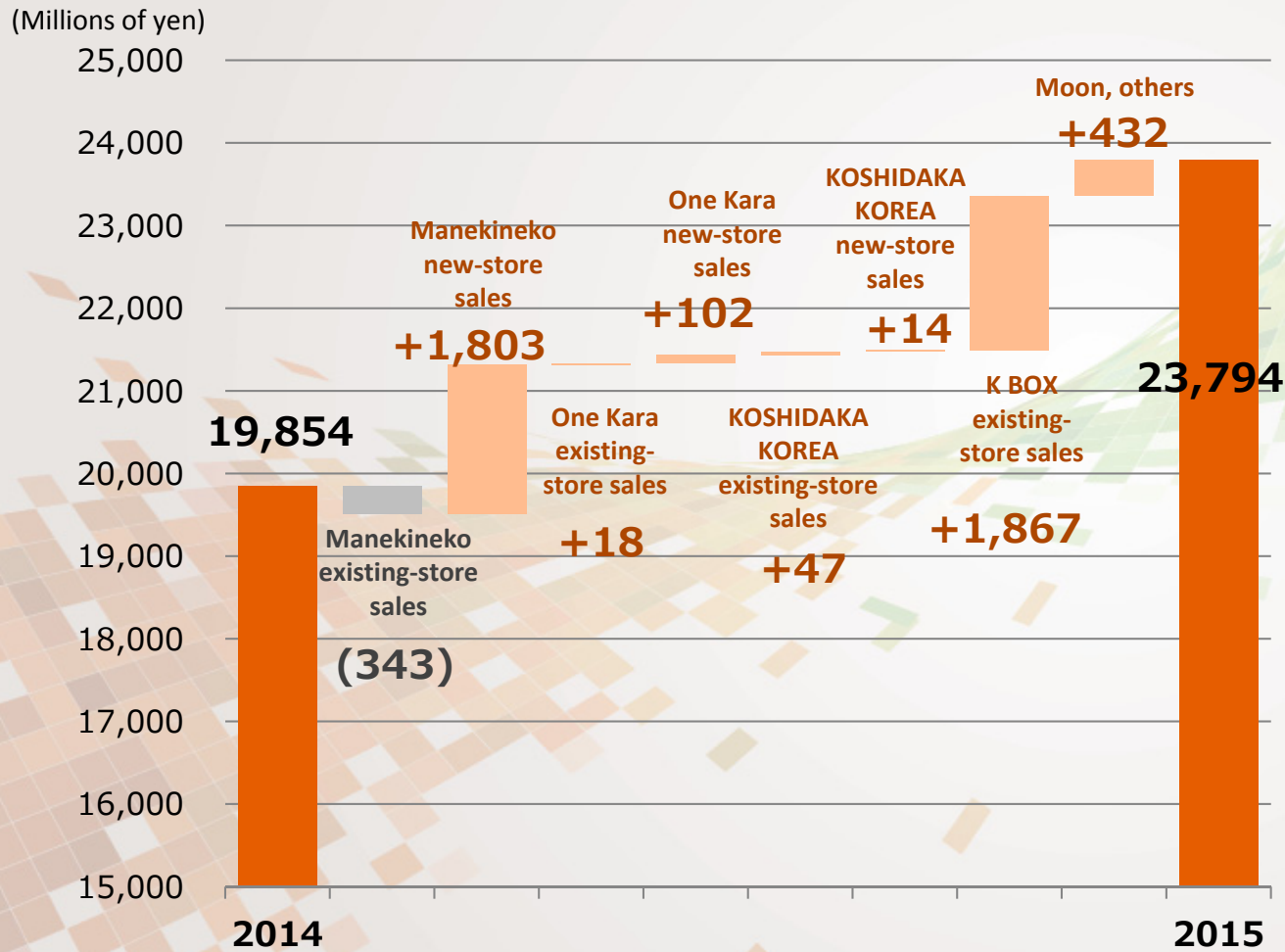
Performance benefited from favorable summer weather

M3 strategy: Increasing presence along the Chuo Line (Iidabashi, Mitaka, Musashi-koganei, Hachioji)

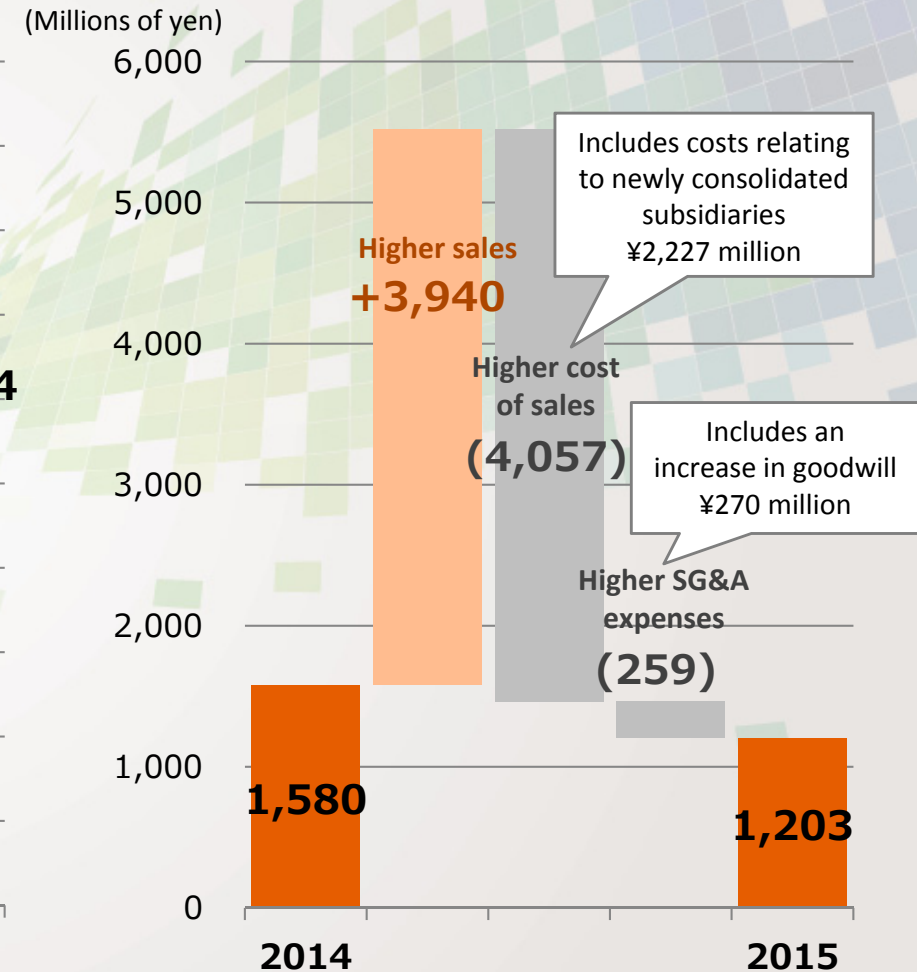


# Components of Change

## Change in Net Sales



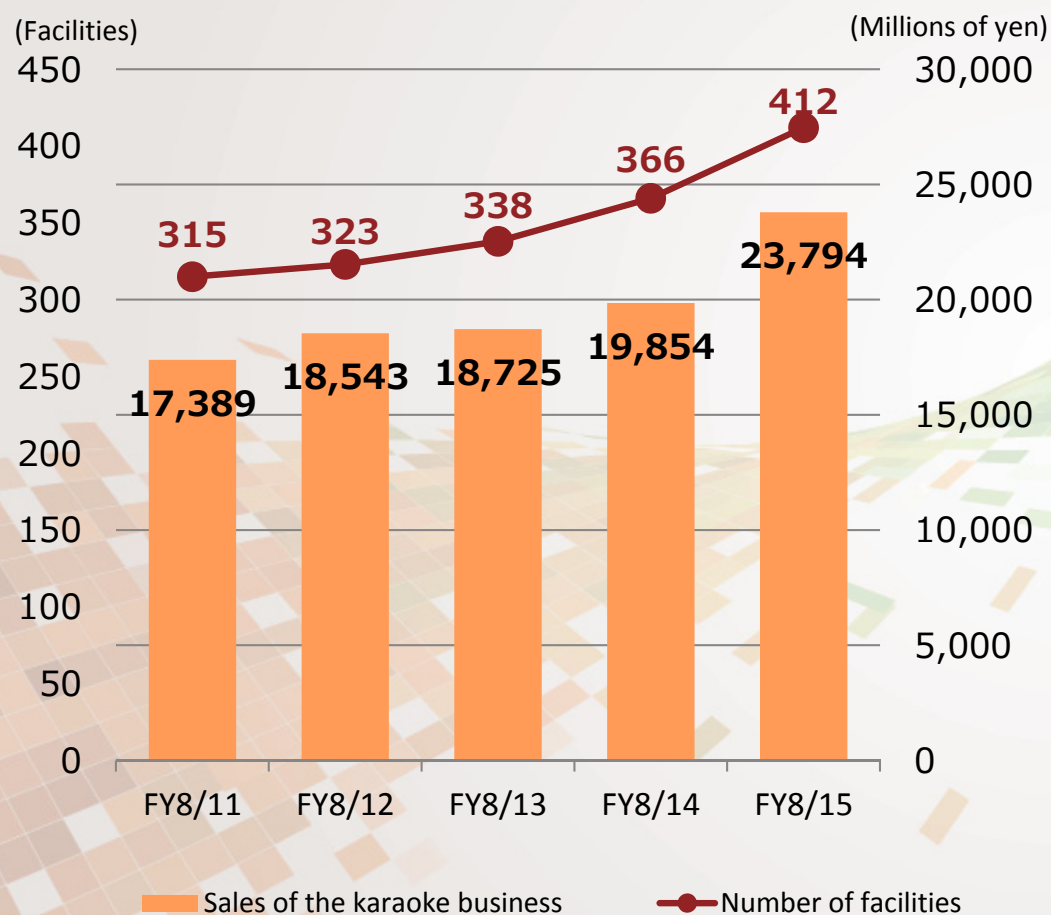
## Change in Operating Income



# Sales and Number of Karaoke Facilities in Japan

(As of the end of August 2015)

## Growth in the Number of Karaoke Facilities



	FY8/14	FY8/15
Number of karaoke facilities in Japan	366	412
Manekineko	353	381
One Kara	13	10
Moon / Sincere	-	21

# Sales, Operating Income and Number of Karaoke Facilities outside Japan

	FY8/14	FY8/15
Overseas sales (Millions of yen)	79	2,007
Manekineko (Korea)	79	140
K BOX (Singapore)	0	1,867
Overseas operating income (Millions of yen)	(52)	(272)
Manekineko (Korea)	(52)	(91)
K BOX (Singapore)	-	(181)
Number of facilities overseas	16	19
Manekineko (Korea)	4	9
K BOX (Singapore)	12	10

(As of the end of August 2015)

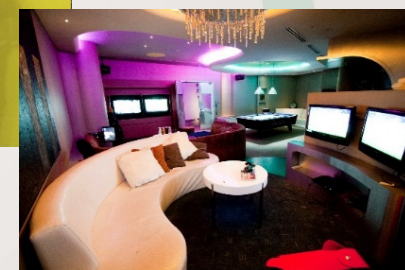
\* K BOX (Singapore) goodwill: ¥(300) million



Manekineko (Korea)



K BOX (Singapore)



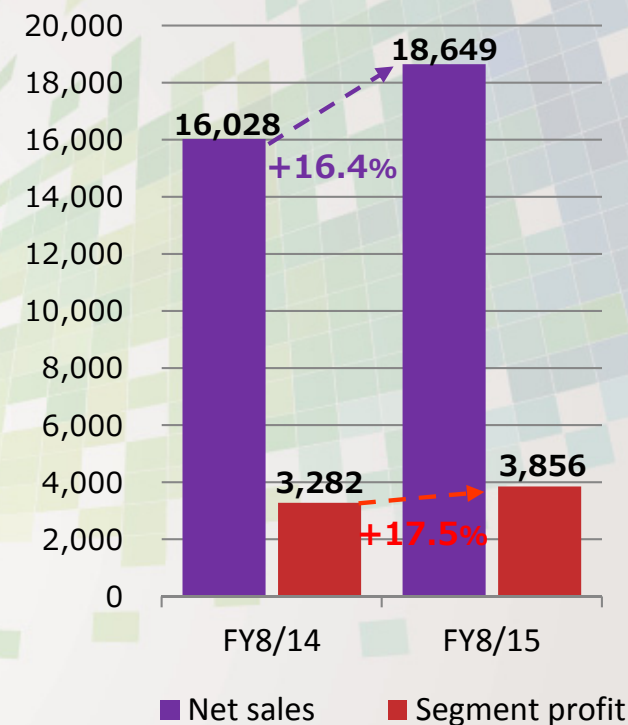
# Results of the Curves Business



# Results of the Curves Business

	FY8/14		FY8/15		YoY change (%)
	Amount (Millions of yen)	Composition (%)	Amount (Millions of yen)	Composition (%)	
Net sales	16,028	100.0%	18,649	100.0%	116.4%
Cost of sales	10,241	63.9%	12,198	65.4%	119.1%
Gross profit	5,786	36.1%	6,451	34.6%	111.5%
SG&A expenses	2,504	15.6%	2,595	13.9%	103.6%
Segment profit	3,282	20.5%	3,856	20.7%	117.5%

(Millions of yen)



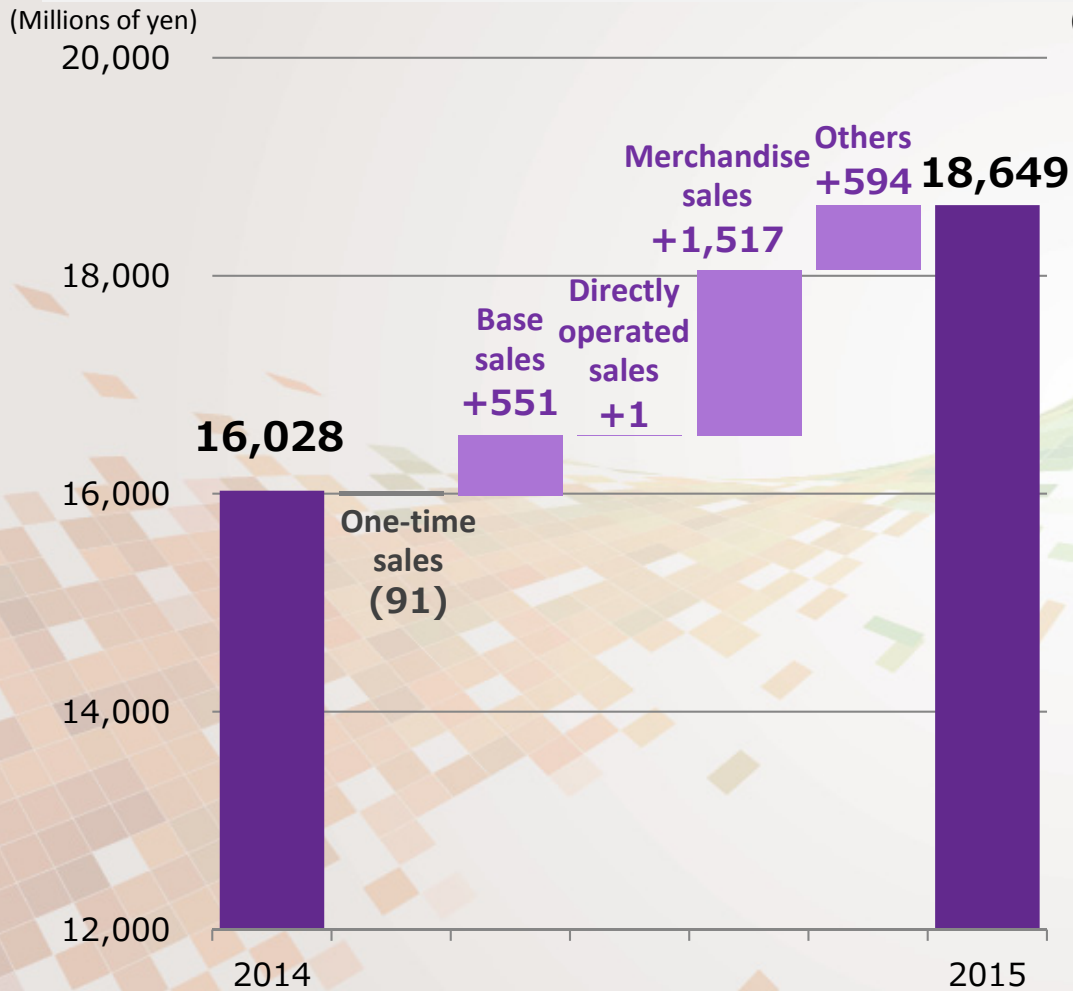
Note: All amounts are rounded down to the nearest million yen; all percentages are rounded to one decimal place.

**Opened 130 fitness clubs during the fiscal year**

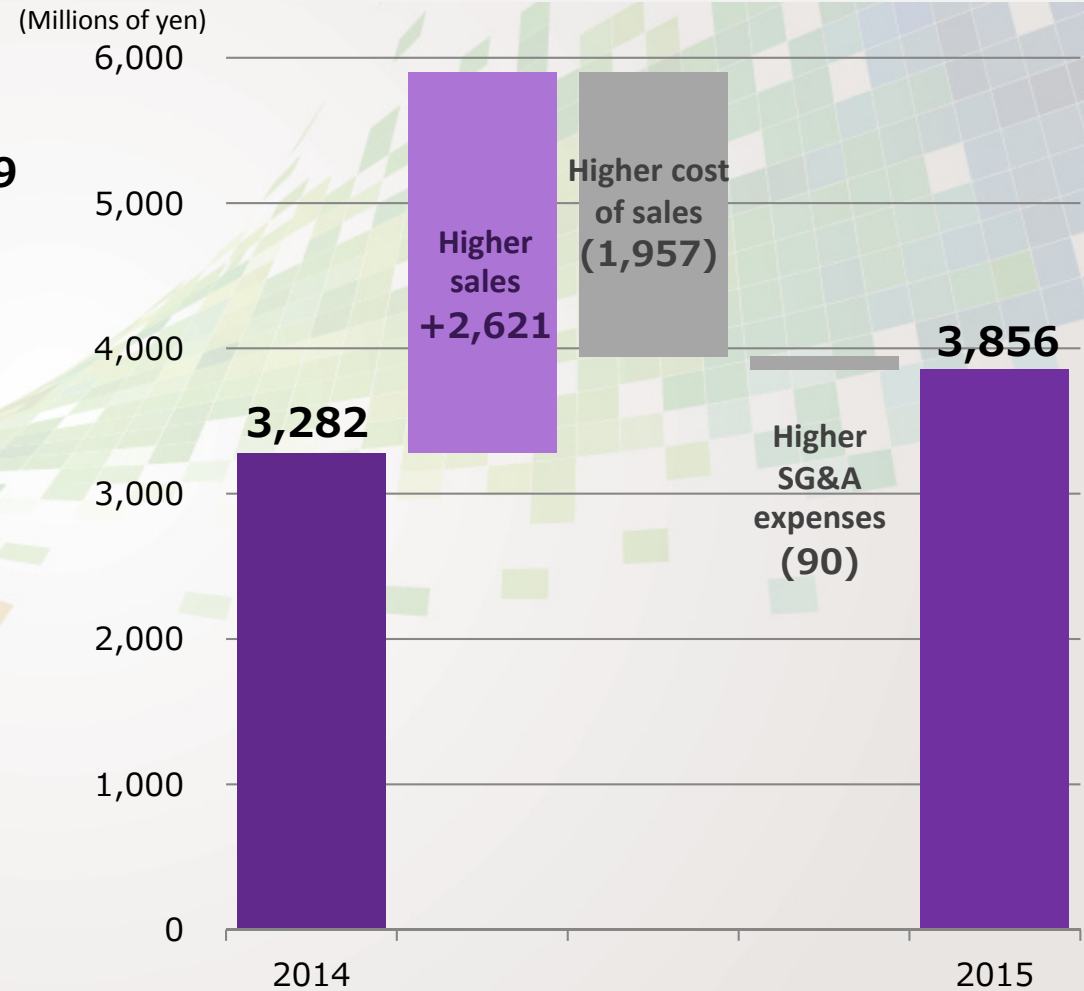
**Sales higher at existing fitness clubs**

# Components of Change

## Change in Net Sales



## Change in Operating Income

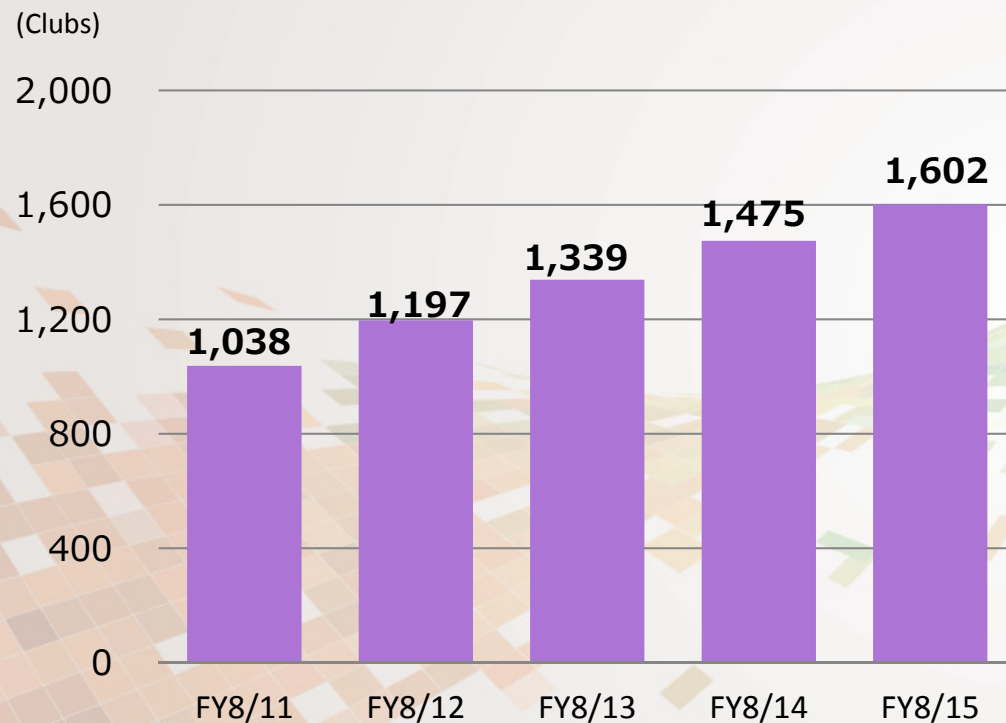


\* One-time sales are franchise fees and other one-time payments received when a new fitness club opens.  
Base sales are royalties and other steady sources of sales.

# Number of Curves Fitness Clubs

There were 1,602 locations in Japan at the end of August 2015

Growth in the Number of Clubs



■ Number of clubs at the end of fiscal year

	FY8/14	FY8/15
Number of clubs	1,475	1,602
Growth rate (%)	10.2	8.6
Number of members (thousands)	641	711
Growth rate (%)	9.4	10.9

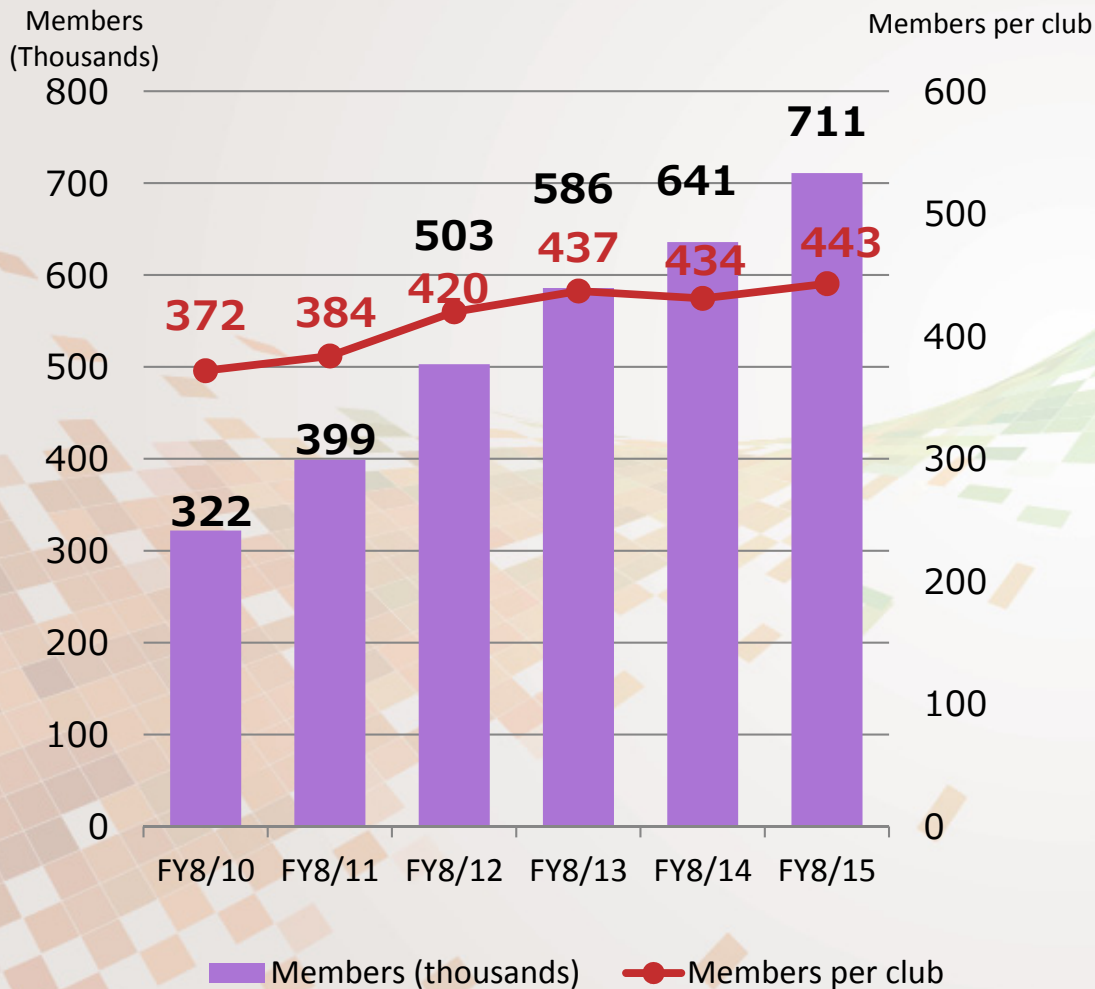
**Opened 130 clubs during FY8/15**

Note: There were 1,625 locations as of October 14, 2015.

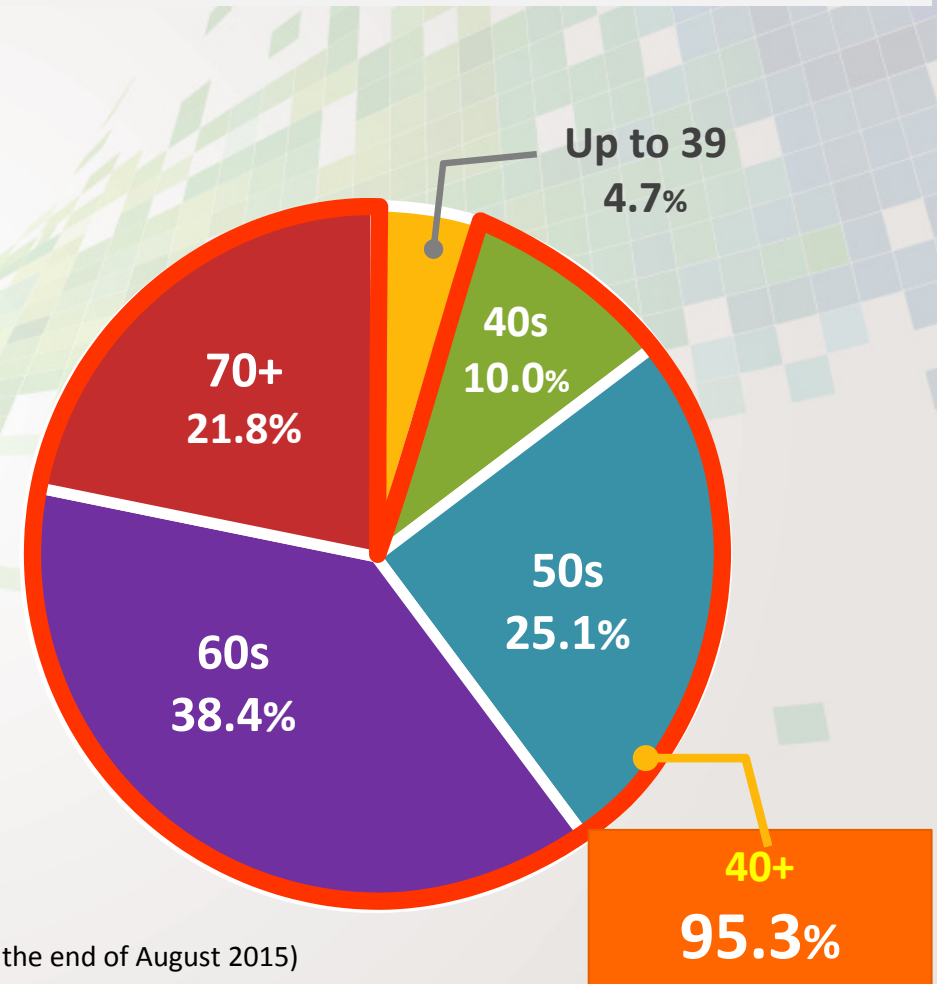
# Growth in Number of Curves Members

**711,000 members at the end of August 2015**

**Growth in the Number of Curves Members**



**Age Composition of Members**



(As of the end of August 2015)

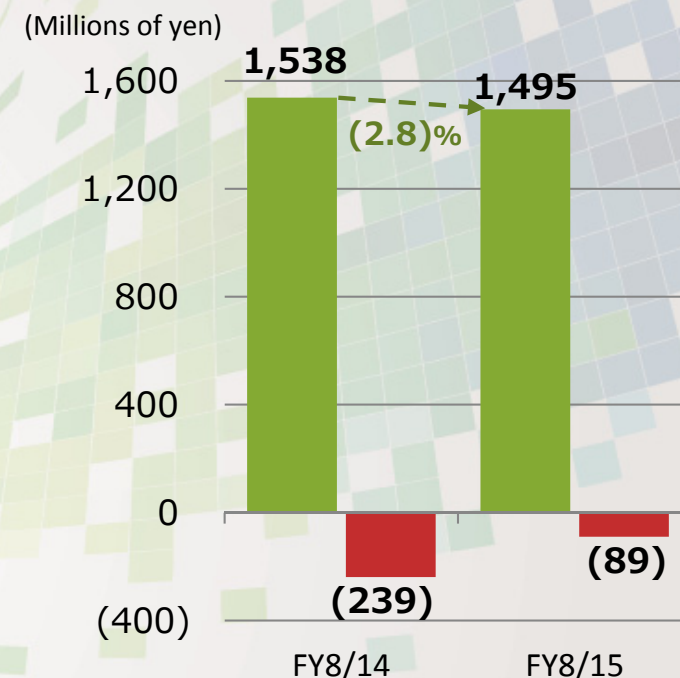


# Results of the Bath House Business



# Results of the Bath House Business

	FY8/14		FY8/15		YoY change (%)
	Amount (Millions of yen)	Composition (%)	Amount (Millions of yen)	Composition (%)	
Net sales	1,538	100.0%	1,495	100.0%	97.2%
Cost of sales	1,757	114.2%	1,492	99.8%	84.9%
Gross profit	(219)	(14.2)%	2	0.1%	-
SG&A expenses	19	1.2%	92	6.2%	484.2%
Segment profit	(239)	(15.5)%	(89)	(6.0)%	-



Note: All amounts are rounded down to the nearest million yen; all percentages are rounded to one decimal place.

**Sales at existing bath houses up 5% (sales up 13% at Tokyo Kenko Land)**

**Ongoing actions to cut utility expenses and new installation of demand control units for air conditioners**

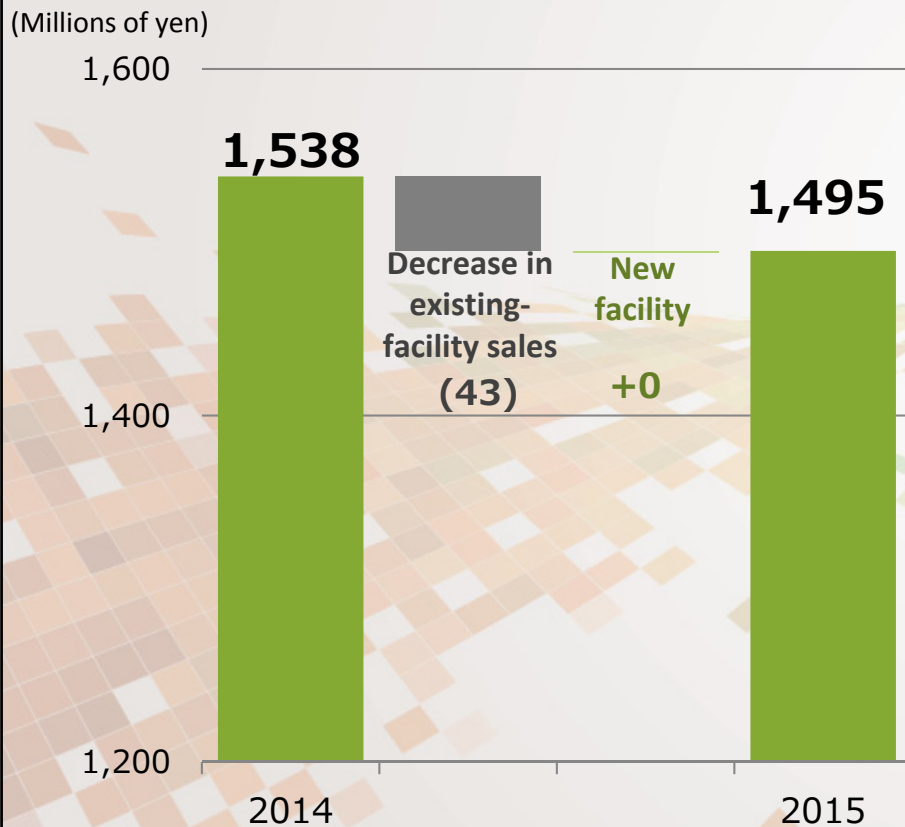
**Closed two unprofitable facilities in the fiscal year's first half**

**Overnight accommodations (at Tokyo Kenko Land)**

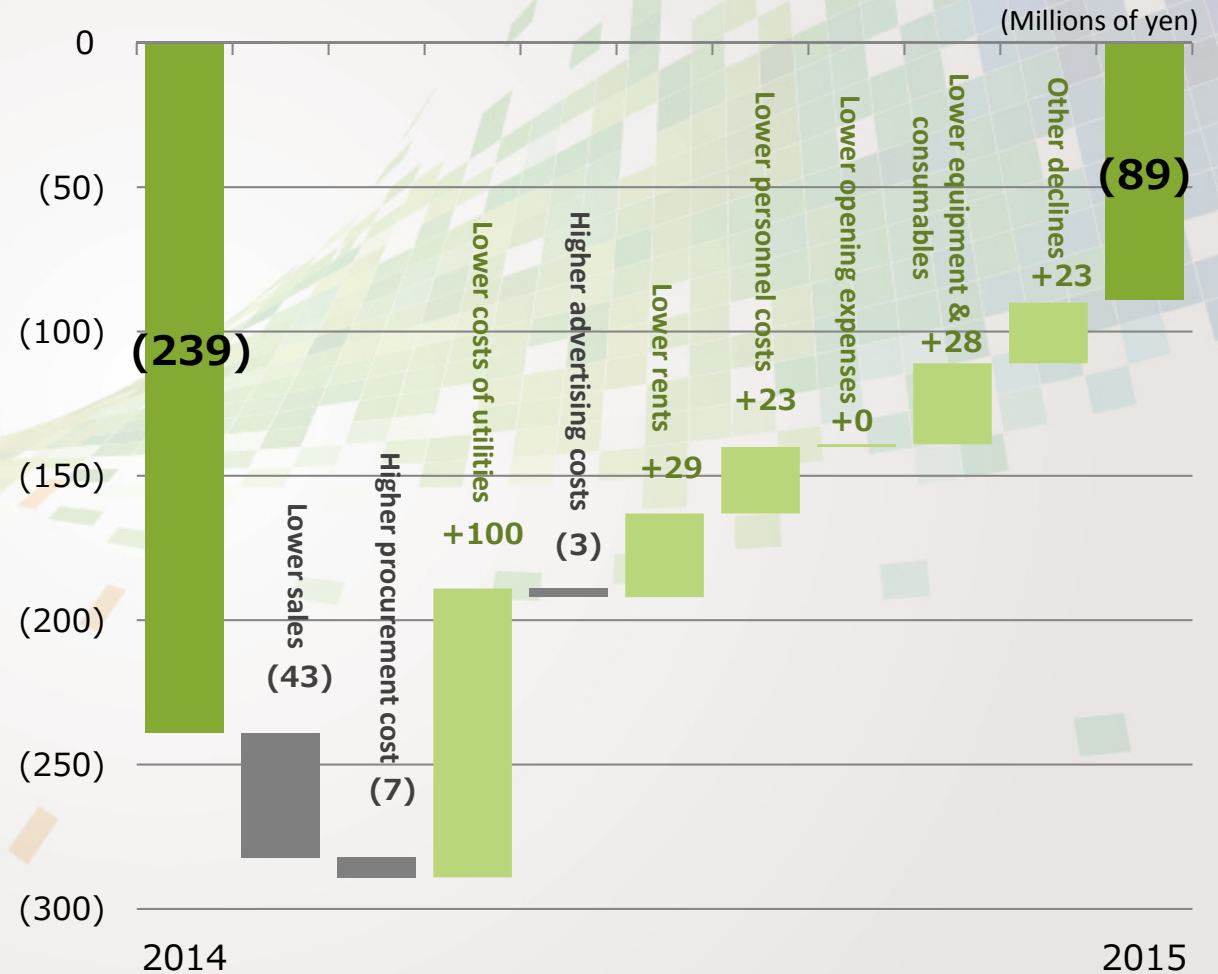
# Components of Change

Energy conservation lowered expenses – Cost of utilities down 12.7% (existing facilities)

### Change in Net Sales



### Change in Operating Income



Note: Existing-facility sales include two closed bath houses.

# FY8/16 Consolidated Forecast



# FY8/16 Forecast

Expect growth in sales and earnings to continue

(Millions of yen)

	FY8/15 Results	FY8/16 Forecast	Amount of change	YoY change (%)
Net sales	44,257	49,607	5,350	112.1%
Operating income	4,394	4,939	545	112.4%
Ordinary income	4,492	5,019	527	111.7%
Profit attributable to owners of parent	2,098	2,410	312	114.9%
Dividend (yen)	30.00	30.00	-	-

Note: All amounts are rounded down to the nearest million yen; all percentages are rounded to one decimal place.

- Dividend forecast for FY8/16 is 30 yen
- Expect all business segments to be profitable

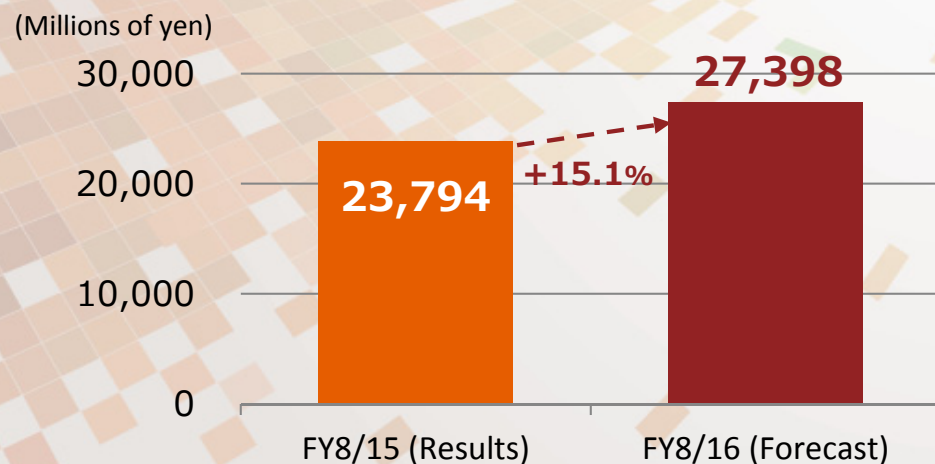
# FY8/16 Outlook (Karaoke Business)

	FY8/15	FY8/16 (Forecast)		
	Amount (Millions of yen)	Amount (Millions of yen)	Composition (%)	YoY change (%)
<b>Net sales</b>	<b>23,794</b>	<b>27,398</b>	<b>100.0%</b>	<b>115.1%</b>
<b>Segment profit</b>	<b>1,203</b>	<b>1,272</b>	<b>4.6%</b>	<b>105.7%</b>

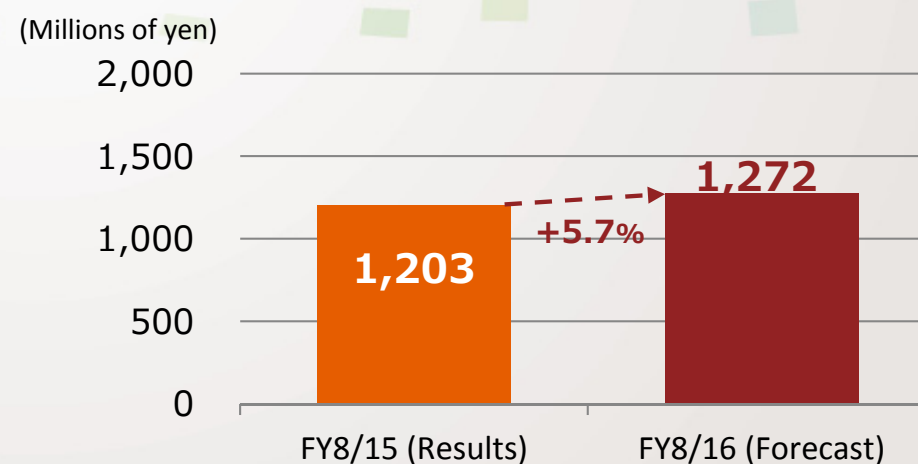
Notes:

1. All amounts are rounded down to the nearest million yen; all percentages are rounded to one decimal place.
2. K-BOX was included in the consolidation in FY8/15.

## Net Sales



## Segment Profit

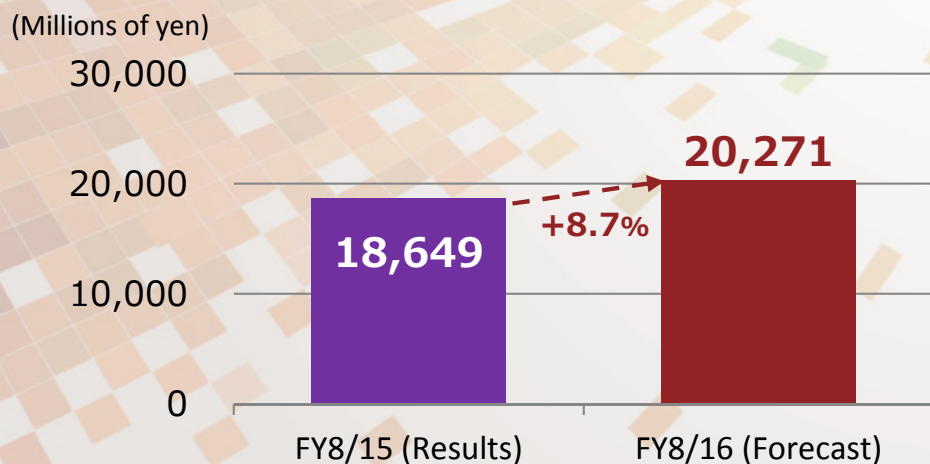


# FY8/16 Outlook (Curves Business)

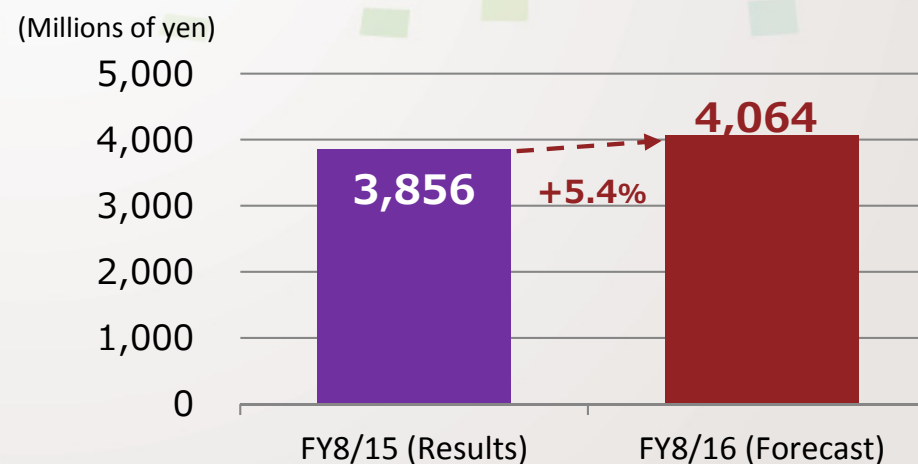
	FY8/15	FY8/16 (Forecast)		
	Amount (Millions of yen)	Amount (Millions of yen)	Composition (%)	YoY change (%)
Net sales	18,649	20,271	100.0%	108.7%
Segment profit	3,856	4,064	20.0%	105.4%

Note: All amounts are rounded down to the nearest million yen; all percentages are rounded to one decimal place.

### Net Sales



### Segment Profit

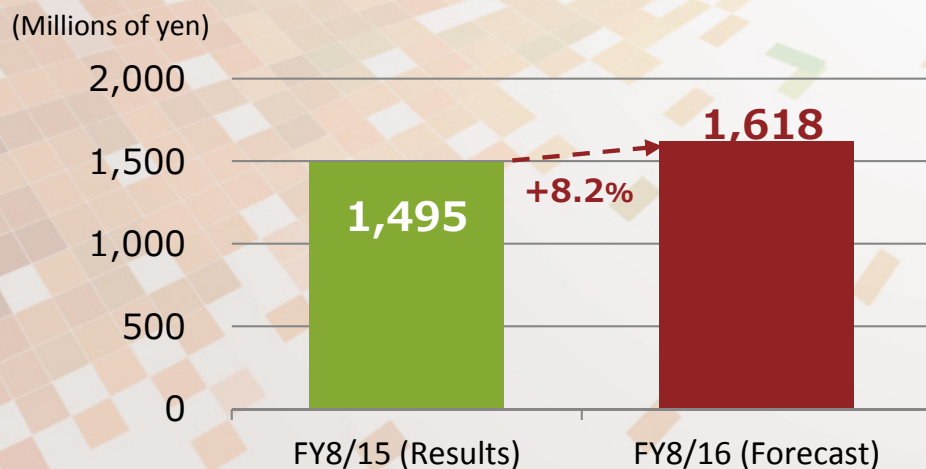


# FY8/16 Outlook (Bath House Business)

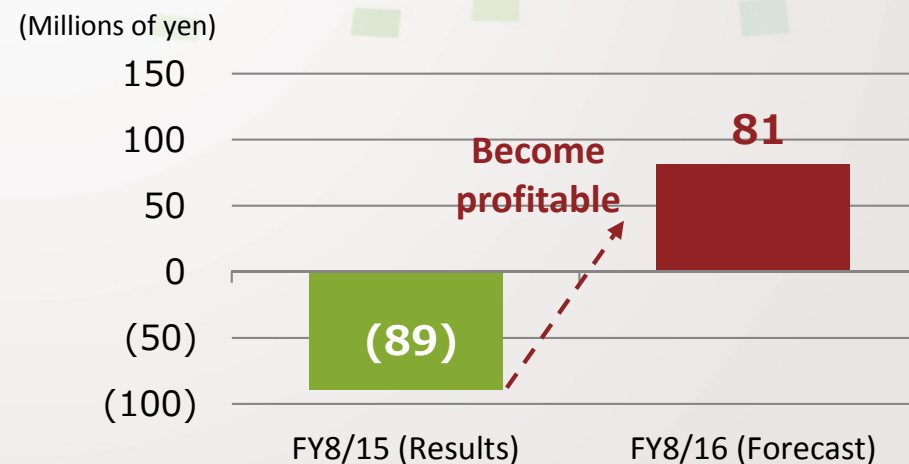
	FY8/15	FY8/16 (Forecast)		
	Amount (Millions of yen)	Amount (Millions of yen)	Composition (%)	YoY change (%)
Net sales	1,495	1,618	100.0%	108.2%
Segment profit	(89)	81	5.0%	-

Note: All amounts are rounded down to the nearest million yen; all percentages are rounded to one decimal place.

### Net Sales



### Segment Profit





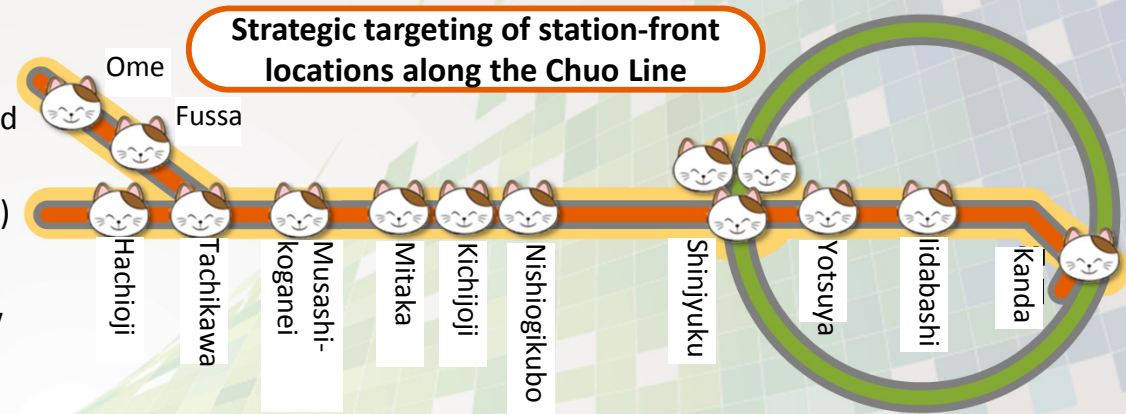
# Strategic Objectives



# FY8/16 Strategic Goals (Karaoke Business)

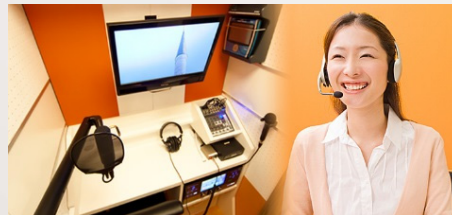
## 1 Network expansion

- Big shift in strategy for opening new locations from targeting existing facilities in areas outside Tokyo metropolitan area to constructing facilities for new location in urban, station-front and entertainment/shopping areas
- 40 new locations (30 newly constructed, 10 at existing buildings)
- Close 10 unprofitable locations
- Make all One Kara locations profitable and resume opening new locations
- Aiming for 500 locations and sales of 40 billion yen



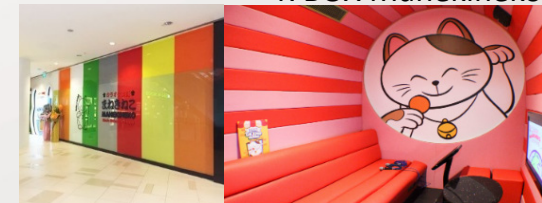
## 2 New services and other initiatives

- Use SKIT for more progress with content strategies
  - Scoring point challenges
  - Singing Olympics
- Start of ZERO Kara (September)
- Morning operating hours at all locations
- New subsidiaries Karaoke Moon and Sincere will provide the same services as at Manekineko
- Working on increasing the number of One Kara Singers Club members
- Started One Kara English conversation classes



## 3 Overseas growth

- Korea
  - Plan to add 20 locations during FY8/16
  - Considering franchising in order to establish a framework for 100 locations
- Singapore
  - Renovation and reinvigoration of K BOX Manekineko facilities



# FY8/16 Strategic Goals (Curves Business)

## 1 Network expansion strategy

- Plan to continue adding about 100 clubs every year
- Build a club infrastructure for one million members

## 2 New services and other initiatives

- Upgrade skills of coaches
- Create new products and develop new business categories
- Strengthen infomercial activities (30 minutes TV commercial)

## 3 Joint research with universities to provide more evidence of effectiveness of the Curves Workout

- Demonstration that the Curves Workout is effective at improving brain (cognitive) function (Institute of Development, Aging and Cancer, Tohoku University)
- Large-scale follow-up study of exercise by Curves members and subsequent occurrence of lifestyle diseases (National Institute of Health and Nutrition)  
\*This study has already shown that the occurrence of diabetes falls as the frequency of exercise by members increases.
- Demonstration of quality-of-life benefit for people following breast cancer treatment (Okayama University)
- Benefits involving health and mental sharpness for all community residents due to activities of the Daisen-cho Curves fitness club (Tottori University and University of Tsukuba)

## 4 More tie-ups with local governments

- Established a health awareness facility (Odawara Curves Disease Prevention Center) certified by the Kanagawa prefectural government (June)
- Opened the Curves Daisen-cho Health Center (Tottori)  
Used the cooperation of the local government to open a club in an area with a small population (September); working with the government to improve the health of residents



Opening ceremony for Curves Odawara

# FY8/16 Strategic Goals (Bath House Business)

## 1 Measures to make existing locations profitable

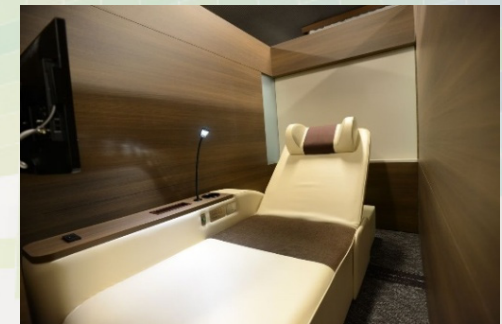
- Activities to achieve even higher customer satisfaction
- Extensive sales promotion activities
- Offer a large volume of content



Buffet (Koriyama)



Women's sauna event  
Loyly (Misato)



Overnight accommodations  
(Tokyo Kenko Land Maneki no Yu)

## 2 More energy conservation

- Use of biomass fuel
- Filtration equipment
- Installation of water treatment systems

# Shareholder Distributions and Benefits

- ◆ A revision to the shareholder benefit program raised the number of eligible shareholders to all 6,750 shareholders who own at least one trading unit (tangen) for FY8/15.



Shareholder Gift Catalog



Shareholder Coupon

- ◆ Forecast for FY8/16 dividend is 30 yen.

## Basic Policy for Profit Distribution

Returning profits to shareholders is one of the highest priorities of Koshidaka Holdings. The basic policy is to make stable and consistent dividend payments while taking into consideration securing retain earnings for future business operations and building a sounder base of operations.

# The Goal of the Koshidaka Group

**We are dedicated to constantly  
creating and expanding new  
formats in existing business sectors.**

# Inquiries



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