

## Summary of Consolidated Financial Results for the Fiscal Year Ended August 31, 2018

[Japanese GAAP]

Company name: KOSHIDAKA HOLDINGS Co., LTD. Listing: Tokyo Stock Exchange (First Section)  
 Stock code: 2157 URL: <http://www.koshidakaholdings.co.jp/>  
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Scheduled date of Annual General Meeting of Shareholders: November 27, 2018  
 Scheduled date of filing of Annual Securities Report: November 29, 2018  
 Scheduled date of payment of dividend: November 28, 2018  
 Preparation of supplementary materials for financial results: Yes  
 Holding of financial results meeting: Yes

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

### 1. Consolidated Financial Results for the Fiscal Year Ended August 31, 2018 (Sep. 1, 2017 – Aug. 31, 2018)

#### (1) Consolidated results of operations

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended Aug. 31, 2018	61,771	11.7	7,858	27.8	8,207	29.2	4,426	36.0
Fiscal year ended Aug. 31, 2017	55,283	8.0	6,146	27.8	6,354	35.2	3,255	71.3

Note: Comprehensive income (million yen) Fiscal year ended Aug. 31, 2018: 5,133 (up 43.5%)

Fiscal year ended Aug. 31, 2017: 3,577 (up 71.6%)

	Net income per share	Diluted net income per share	Return on equity	Ordinary profit on total assets	Operating profit to net sales
	Yen	Yen	%	%	%
Fiscal year ended Aug. 31, 2018	54.44	-	18.7	14.7	12.7
Fiscal year ended Aug. 31, 2017	43.63	-	18.5	16.5	11.1

Koshidaka Holdings conducted a 4-for-1 stock split on June 1, 2018. Net income per share has been calculated as if this stock split had taken place at the beginning of the previous fiscal year.

#### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Aug. 31, 2018	68,357	26,697	37.5	315.51
As of Aug. 31, 2017	43,690	22,663	49.6	266.36

Reference: Shareholders' equity (million yen) As of Aug. 31, 2018: 25,656 As of Aug. 31, 2017: 21,660

#### (3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended Aug. 31, 2018	8,327	(23,405)	13,276	11,889
Fiscal year ended Aug. 31, 2017	9,209	(6,317)	4,659	13,754

### 2. Dividends

	Dividend per share					Total dividends	Payout ratio (consolidated)	Dividend on equity (consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Total			
Fiscal year ended Aug. 31, 2017	Yen -	Yen 18.00	Yen -	Yen 18.00	Yen 36.00	Million yen 697	% 20.6	% 4.0
Fiscal year ended Aug. 31, 2018	-	20.00	-	5.00	-	822	18.4	3.4
Fiscal year ending Aug. 31, 2019 (forecast)	-	6.00	-	6.00	12.00		18.7	

Koshidaka Holdings conducted a 4-for-1 stock split on June 1, 2018. The year-end dividend for the fiscal year ended August 31, 2018 and the year-end dividend forecast for the fiscal year ending August 31, 2019 have been adjusted to reflect the stock split.

### 3. Consolidated Earnings Forecast for the Fiscal Year Ending August 31, 2019 (Sep. 1, 2018 – Aug. 31, 2019)

(Percentages represent 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
First half	31,961	5.2	4,123	11.8	4,109	6.4	2,258	(2.7)	27.77
Full year	66,044	6.9	9,345	18.9	9,307	13.4	5,205	17.6	64.01

\* Notes

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in scope of consolidation): Yes

Newly added: 1 (Curves International, Inc.)

Excluded: -

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

1) Changes in accounting policies due to revisions in accounting standards, others: None

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

3) Changes in accounting-based estimates: None

4) Restatements: None

(3) Number of outstanding shares (common stock)

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

As of Aug. 31, 2018:	82,300,000 shares	As of Aug. 31, 2017:	82,300,000 shares
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2) Number of treasury shares at the end of the period

As of Aug. 31, 2018:	981,716 shares	As of Aug. 31, 2017:	981,636 shares
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3) Average number of shares outstanding during the period

Fiscal year ended Aug. 31, 2018:	81,318,345 shares	Fiscal year ended Aug. 31, 2017:	74,626,056 shares
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Koshidaka Holdings conducted a 4-for-1 stock split on June 1, 2018. Number of shares outstanding at the end of the period, number of treasury shares at the end of the period and average number of shares outstanding during the period have been calculated as if this stock split had taken place at the beginning of the previous fiscal year.

\* The current financial report is not subject to audit 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 4 of the attachments "1. Overview of Results of Operations, (4) Outlook" for forecast assumptions and notes of caution for usage.

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## 1. Overview of Results of Operations

### (1) Results of Operations

In the fiscal year that ended in August 2018, the Japanese economy performed well because of strong exports and capital expenditures and other reasons. Internal and external demand was firm, personal income staged a strong recovery and consumer spending started to recover.

Results by business segment were as follows.

#### Karaoke

Major changes are taking place in the structure of Japan's karaoke facility market because of competition among major companies in this market. To continue to grow in this environment, we have been increasing the number of locations, mainly in the Tokyo area, and adding rooms to existing locations. We are also making investments to increase the automation and efficiency of our operations and to provide customers with new services that competitors do not have.

Each karaoke location is setting prices and operating hours that match the needs of its own customers and using carefully timed rate structures. For example, there are several initiatives that target specific time frames and customer segments, such as ZERO Kara and Asa-Uta ("Morning Song"). The karaoke business used these measures to build even stronger ties with the base customer segment.

Through a tie-up with HotLand Co., Ltd., karaoke locations added Tsukuji Gindako (octopus dumplings) to their menus. These dumplings have quickly become the best-selling menu item.

Outside Japan, we opened the first karaoke location in Malaysia.

At the end of the current fiscal year, the number of karaoke locations in Japan totaled 520, 21 more than at the end of the previous fiscal year, and the number of overseas karaoke facilities totaled 23, consisting of 10 in Singapore, 12 in South Korea and one in Malaysia. Renovations of karaoke locations in Japan were conducted at 42 locations.

Sales in the Karaoke segment were 31,936 million yen, up 7.8% year on year. The segment profit was 3,153 million yen, up 53.8%.

#### Curves

Curves operate facilities where people can become accustomed to exercising regularly with friends throughout their lives in order to enjoy happy and healthy lives with fewer worries about diseases and the need for nursing care.

We want people who do not exercise regularly to understand the importance of physical exercise and make this a regular part of their lives. We have worked maintain the steady growth in the number of members at Curves fitness clubs as we expand our network of these clubs.

We have recorded very strong sales of an upgraded line of protein supplements that have a synergy effect with workouts and are formulated to make these beverages easy to drink. Significant growth in the number of Curves members buying these supplements on a regular basis made a contribution to sales and earnings growth.

At the end of the current fiscal year, the number of Curves fitness clubs in Japan was 1,912 (including 61 directly operated facilities), an increase of 89, or 4.8%, from the end of the previous fiscal year. The number of members increased by 6,000, or 0.7%, to 827,000.

Curves Holdings Co., Ltd. purchased the stock of Curves International Holdings, Inc., the global franchisor of Curves fitness clubs, and other companies associated with Curves operations. This action was announced in a February 17, 2018 news release titled "Notice of Acquisition of Stock Resulting in Change in Subsidiaries of Subsidiary" and in a March 31, 2018 news release titled "Notice of Merger of Consolidated Subsidiaries (Subsidiaries of Subsidiary) and Change in Specified Subsidiaries" (Japanese versions only.) Expenses of 545 million yen were recorded for the purchase of these stocks.

Sales in the Curves segment were 27,933 million yen, up 17.8% year on year, and the segment profit was 5,345 million yen, up 14.4%.

#### Bath House

Bath houses made improvements to create an atmosphere that makes people want to stay longer and added new food and beverage items. There were also more investments in energy-saving equipment. All these activities improved bath house operations in terms of both quality and quantity.

Sales in the Bath House segment were 1,587 million yen, down 3.0% year on year. The segment profit was 71 million yen, down 41.2%.

#### Real Estate Management

Sales in the Real Estate Management segment were 313 million yen, up 0.5% year on year, and the segment profit was 133 million yen, up 5.8%.

Overall, the Koshidaka Group (KOSHIDAKA HOLDINGS Co., LTD. and its consolidated subsidiaries) had sales of 61,771 million yen, up 11.7%, operating profit of 7,858 million yen, up 27.8%, ordinary profit of 8,207 million yen, up 29.2%, and profit attributable to owners of parent of 4,426 million yen, up 36.0% in the current fiscal year.

## (2) Financial Position

Financial position at the end of the current fiscal year is as follows.

#### Assets

Total assets at the end of the current fiscal year increased 24,667 million yen (56.5%) from the end of the previous fiscal year to 68,357 million yen.

Current assets increased 728 million yen (3.7%) to 20,465 million yen.

Property, plant and equipment increased 742 million yen (4.4%) to 17,552 million yen. This was mainly due to a 777 million yen increase in buildings and structures, net.

Intangible assets increased 22,957 million yen (1,374.4%) to 24,627 million yen. This was mainly due to a 20,559 million yen increase in trademark right.

Investments and other assets increased 239 million yen (4.4%) to 5,712 million yen. This was mainly due to a 513 million yen increase in lease and guarantee deposits and a 272 million yen decrease in investment securities.

Total non-current assets increased 23,938 million yen (99.9%) to 47,892 million yen.

#### Liabilities

Current liabilities increased 2,185 million yen (17.3%) to 14,827 million yen. This was mainly due to increases of 1,432 million yen in current portion of long-term loans payable and 357 million yen in income taxes payable.

Non-current liabilities increased 18,448 million yen (220.0%) to 26,832 million yen. This was mainly due to increases of 13,152 million yen in long-term loans payable and 4,908 million yen in deferred tax liabilities.

Total liabilities increased 20,633 million yen (98.1%) to 41,660 million yen.

#### Net assets

Net assets increased 4,033 million yen (17.8%) to 26,697 million yen. This was mainly due to a 3,654 million yen increase in retained earnings.

**(3) Cash Flows**

Cash and cash equivalents (hereinafter “net cash”) at the end of the current fiscal year decreased 1,865 million yen from the end of the previous fiscal year to 11,889 million yen.

The cash flow components during the current fiscal year and the main reasons for changes are as described below.

**Cash flows from operating activities**

Net cash provided by operating activities totaled 8,327 million yen, a decrease of 881 million yen from 9,209 million yen provided in the previous fiscal year. Main factors include increases of 1,980 million yen in profit before income taxes and 2,181 million yen in income taxes paid, and a decrease of 731 million yen in accounts payable-other and accrued expenses.

**Cash flows from investing activities**

Net cash used in investing activities totaled 23,405 million yen, an increase of 17,088 million yen from 6,317 million yen used in the previous fiscal year. Main factors include an increase of 18,405 million yen in purchase of shares of subsidiaries resulting in change in scope of consolidation.

**Cash flows from financing activities**

Net cash provided by financing activities totaled 13,276 million yen, an increase of 8,616 million yen from 4,659 million yen provided in the previous fiscal year. Main factors include an increase of 14,797 million yen in proceeds from long-term loans payable, and decreases of 3,126 million yen in proceeds from issuance of common shares and 2,293 million yen in proceeds from sales of treasury shares.

**(4) Outlook**

The health of the Japanese economy will probably continue to improve with the support of strong corporate earnings. We also foresee robust consumer spending as the labor market recovers. But there are concerns about negative effects of trade protectionism in the United States and other countries.

In this environment, business segment forecasts are as follows.

**Karaoke**

An intense battle for survival in Japan’s karaoke market is taking place. To succeed in this difficult environment, we will continue to increase the number of locations and add more rooms to existing locations, mainly in the Tokyo area. We will also continue to take actions aimed at specific customer segments and use a variety of measures that accurately reflect the characteristics of the customers at each karaoke location.

In addition, we will step up activities to make services even more systemized and automated so that employees can spend more of their time serving customers. Another goal is to create new services that involve development activities.

In other countries, we plan to open the first karaoke location in Thailand and start increasing the number of locations in Malaysia. In addition, preparations are under way to start karaoke operations in other countries in this region.

Due to these initiatives, we forecast a 10.3% increase in Karaoke segment sales to 35,234 million yen.

**Curves**

We believe that the number of Curves fitness clubs that we can foresee at this time will be inadequate to accomplish our goal of helping more people enjoy more years of good health as Japan’s population rapidly ages.

We will create ways to help people who do not realize the importance of exercise gain an understanding of the need to exercise and make this a regular part of their lives. We will strengthen the operations of the Curves head office and Curves franchisees to reinforce Curves’ presence in the fitness market. Furthermore, we plan to expand

tie-ups with local governments for making people more aware of the need for regular exercise to stay healthy. Our objective is to use these actions to achieve more growth in the number of fitness clubs and members.

Consequently, we forecast a 3.1% increase in Curves segment sales to 28,793 million yen.

#### Bath House

We are taking a variety of actions to increase customer satisfaction. For example, a new hot spring spa opened at Koriyama Maneki no Yu and this bath house updated its existing amenities. We are also making investments for even better energy efficiency. Our goals are the growth of this business along with higher profitability.

We forecast a 7.5% increase in the Bath House segment sales to 1,707 million yen.

#### Real Estate Management

We forecast a 0.8% decrease in Real Estate Management segment sales to 311 million yen.

Overall, we forecast consolidated net sales of 66,044 million yen, up 6.9%, operating profit of 9,345 million yen, up 18.9%, ordinary profit of 9,307 million yen, up 13.4%, and profit attributable to owners of parent of 5,205 million yen, up 17.6% for the fiscal year ending August 31, 2019.

## **2. Basic Approach to the Selection of Accounting Standards**

The Koshidaka Group will continue to prepare consolidated financial statements in accordance with generally accepted accounting principles in Japan for the time being to permit comparisons with prior years and with the financial data of other companies.

We will consider the use of International Financial Reporting Standards (IFRS) in the future based on changes in foreign ownership of our stock, the growth of our overseas operations and other factors.

## 3. Consolidated Financial Statements and Notes

## (1) Consolidated Balance Sheet

(Thousands of yen)

	FY8/17 (As of Aug. 31, 2017)	FY8/18 (As of Aug. 31, 2018)
<b>Assets</b>		
Current assets		
Cash and deposits	13,785,094	11,926,326
Notes and accounts receivable-trade	3,021,695	3,824,364
Merchandise	900,386	944,185
Raw materials and supplies	196,282	179,193
Deferred tax assets	434,772	502,318
Other	1,418,940	3,105,386
Allowance for doubtful accounts	(20,104)	(16,317)
Total current assets	19,737,068	20,465,457
Non-current assets		
Property, plant and equipment		
Buildings and structures	21,143,674	23,149,729
Accumulated depreciation	(9,426,936)	(10,655,877)
Buildings and structures, net	11,716,737	12,493,852
Vehicles, tools, furniture and fixtures	10,437,806	12,399,499
Accumulated depreciation	(7,365,776)	(9,369,109)
Vehicles, tools, furniture and fixtures, net	3,072,030	3,030,389
Land	1,965,917	1,965,917
Leased assets	538,486	538,486
Accumulated depreciation	(489,247)	(507,684)
Leased assets, net	49,238	30,801
Construction in progress	6,310	31,412
Total property, plant and equipment	16,810,233	17,552,375
Intangible assets		
Goodwill	1,034,950	1,965,454
Trademark right	-	20,559,362
Software	601,509	791,047
Other	33,861	1,311,693
Total intangible assets	1,670,321	24,627,557
Investments and other assets		
Investment securities	1,205,029	932,066
Long-term loans receivable	613,541	649,405
Long-term prepaid expenses	59,526	47,986
Lease and guarantee deposits	3,008,647	3,522,191
Deferred tax assets	457,433	481,810
Other	163,327	188,217
Allowance for doubtful accounts	(34,959)	(109,587)
Total investments and other assets	5,472,548	5,712,090
Total non-current assets	23,953,103	47,892,023
<b>Total assets</b>	<b>43,690,171</b>	<b>68,357,480</b>



	(Thousands of yen)	
	FY8/17 (As of Aug. 31, 2017)	FY8/18 (As of Aug. 31, 2018)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	2,193,275	2,430,957
Current portion of long-term loans payable	3,355,738	4,787,866
Lease obligations	33,289	20,452
Accounts payable-other	1,345,766	1,337,875
Accrued expenses	1,124,858	1,096,081
Income taxes payable	1,516,796	1,873,817
Provision for bonuses	334,518	395,052
Deposits received	1,728,024	1,806,372
Other	1,009,693	1,079,163
Total current liabilities	12,641,960	14,827,639
Non-current liabilities		
Long-term loans payable	6,381,710	19,533,844
Lease obligations	23,286	6,721
Deferred tax liabilities	119,680	5,028,123
Asset retirement obligations	1,628,153	1,981,839
Other	231,581	282,069
Total non-current liabilities	8,384,411	26,832,597
Total liabilities	21,026,372	41,660,236
<b>Net assets</b>		
Shareholders' equity		
Capital stock	2,070,257	2,070,257
Capital surplus	2,335,577	2,335,577
Retained earnings	17,461,291	21,115,366
Treasury shares	(301,401)	(301,538)
Total shareholders' equity	21,565,724	25,219,662
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	34,907	34,171
Foreign currency translation adjustment	59,659	402,722
Total accumulated other comprehensive income	94,567	436,893
Non-controlling interests	1,003,506	1,040,687
Total net assets	22,663,798	26,697,244
Total liabilities and net assets	43,690,171	68,357,480

**(2) Consolidated Statements of Income and Comprehensive Income****Consolidated Statement of Income**

(Thousands of yen)

	FY8/17 (Sep. 1, 2016 – Aug. 31, 2017)	FY8/18 (Sep. 1, 2017 – Aug. 31, 2018)
Net sales	55,283,582	61,771,031
Cost of sales	40,998,606	45,064,587
Gross profit	14,284,976	16,706,443
Selling, general and administrative expenses	8,138,507	8,848,328
Operating profit	6,146,469	7,858,115
Non-operating income		
Interest and dividend income	8,673	14,727
Foreign exchange gains	79,915	302,944
Store relocation compensation	73,259	91,000
Co-sponsor fee	59,212	58,291
Other	110,191	132,811
Total non-operating income	331,252	599,774
Non-operating expenses		
Interest expenses	23,418	47,185
Share issuance cost	26,754	-
Provision of allowance for doubtful accounts	-	73,359
Commission fee	-	102,200
Other	73,297	27,251
Total non-operating expenses	123,471	249,996
Ordinary profit	6,354,250	8,207,893
Extraordinary income		
Gain on sales of non-current assets	16,214	381
Total extraordinary income	16,214	381
Extraordinary losses		
Loss on retirement of non-current assets	115,848	60,115
Impairment loss	546,790	435,548
Loss on valuation of investment securities	-	24,650
Total extraordinary losses	662,639	520,314
Profit before income taxes	5,707,826	7,687,959
Income taxes-current	2,524,106	3,013,682
Income taxes-deferred	(364,999)	(116,979)
Total income taxes	2,159,107	2,896,703
Profit	3,548,718	4,791,256
Profit attributable to non-controlling interests	293,148	364,657
Profit attributable to owners of parent	3,255,570	4,426,599

**Consolidated Statement of Comprehensive Income**

(Thousands of yen)

	FY8/17 (Sep. 1, 2016 – Aug. 31, 2017)	FY8/18 (Sep. 1, 2017 – Aug. 31, 2018)
Profit	3,548,718	4,791,256
Other comprehensive income		
Valuation difference on available-for-sale securities	15,652	(736)
Foreign currency translation adjustment	13,430	343,063
Total other comprehensive income	29,082	342,326
Comprehensive income	3,577,801	5,133,583
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,284,653	4,768,925
Comprehensive income attributable to non-controlling interests	293,148	364,657

**(3) Consolidated Statement of Changes in Equity**

FY8/17 (Sep. 1, 2016 – Aug. 31, 2017)

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	493,600	483,600	14,834,131	(2,319,401)	13,491,930
Changes of items during period					
Issuance of new shares	1,576,657	1,576,657			3,153,315
Dividends of surplus			(628,410)		(628,410)
Profit attributable to owners of parent			3,255,570		3,255,570
Disposal of treasury shares		275,320		2,018,000	2,293,320
Purchase of treasury shares					-
Net changes of items other than shareholders' equity					
Total changes of items during period	1,576,657	1,851,977	2,627,159	2,018,000	8,073,794
Balance at end of current period	2,070,257	2,335,577	17,461,291	(301,401)	21,565,724

(Thousands of yen)

	Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of current period	19,255	46,229	65,484	715,358	14,272,773
Changes of items during period					
Issuance of new shares					3,153,315
Dividends of surplus					(628,410)
Profit attributable to owners of parent					3,255,570
Disposal of treasury shares					2,293,320
Purchase of treasury shares					-
Net changes of items other than shareholders' equity	15,652	13,430	29,082	288,148	317,231
Total changes of items during period	15,652	13,430	29,082	288,148	8,391,025
Balance at end of current period	34,907	59,659	94,567	1,003,506	22,663,798

FY8/18 (Sep. 1, 2017 – Aug. 31, 2018)

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	2,070,257	2,335,577	17,461,291	(301,401)	21,565,724
Changes of items during period					
Issuance of new shares					-
Dividends of surplus			(772,524)		(772,524)
Profit attributable to owners of parent			4,426,599		4,426,599
Disposal of treasury shares					-
Purchase of treasury shares				(136)	(136)
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-	3,654,074	(136)	3,653,938
Balance at end of current period	2,070,257	2,335,577	21,115,366	(301,538)	25,219,662

(Thousands of yen)

	Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of current period	34,907	59,659	94,567	1,003,506	22,663,798
Changes of items during period					
Issuance of new shares					-
Dividends of surplus					(772,524)
Profit attributable to owners of parent					4,426,599
Disposal of treasury shares					-
Purchase of treasury shares					(136)
Net changes of items other than shareholders' equity	(736)	343,063	342,326	37,180	379,506
Total changes of items during period	(736)	343,063	342,326	37,180	4,033,445
Balance at end of current period	34,171	402,722	436,893	1,040,687	26,697,244

**(4) Consolidated Statement of Cash Flows**

(Thousands of yen)

	FY8/17 (Sep. 1, 2016 – Aug. 31, 2017)	FY8/18 (Sep. 1, 2017 – Aug. 31, 2018)
<b>Cash flows from operating activities</b>		
Profit before income taxes	5,707,826	7,687,959
Depreciation	3,570,980	3,581,895
Impairment loss	546,790	435,548
Amortization of goodwill	437,717	473,118
Amortization of trademarks	-	242,178
Increase (decrease) in provision for bonuses	87,974	60,533
Increase (decrease) in allowance for doubtful accounts	(675)	70,841
Interest and dividend income	(8,673)	(14,727)
Interest expenses	23,418	47,185
Loss (gain) on sales of property, plant and equipment	(16,214)	(381)
Decrease (increase) in notes and accounts receivable-trade	(294,455)	(587,477)
Decrease (increase) in inventories	58,636	27,731
Increase (decrease) in notes and accounts payable-trade	45,522	232,970
Increase (decrease) in accounts payable-other and accrued expenses	803,050	71,506
Other, net	185,522	136,201
<b>Subtotal</b>	<b>11,147,420</b>	<b>12,465,087</b>
Interest and dividend income received	8,673	14,727
Interest expenses paid	(23,315)	(47,119)
Income taxes paid	(1,923,688)	(4,105,573)
<b>Net cash provided by (used in) operating activities</b>	<b>9,209,089</b>	<b>8,327,121</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(4,978,676)	(4,356,427)
Proceeds from sales of property, plant and equipment	16,283	381
Purchase of intangible assets	(400,476)	(465,809)
Purchase of investment securities	(693,875)	(267,863)
Proceeds from sales of investment securities	3,603	718,939
Payments for lease and guarantee deposits	(323,681)	(574,868)
Proceeds from collection of lease and guarantee deposits	16,232	52,025
Payments of loans receivable	(51,012)	(111,996)
Collection of loans receivable	27,788	61,806
Decrease (increase) in time deposits	28,535	-
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(18,405,198)
Other, net	38,268	(56,652)
<b>Net cash provided by (used in) investing activities</b>	<b>(6,317,007)</b>	<b>(23,405,662)</b>

	(Thousands of yen)	
	FY8/17	FY8/18
	(Sep. 1, 2016 – Aug. 31, 2017)	(Sep. 1, 2017 – Aug. 31, 2018)
<b>Cash flows from financing activities</b>		
Proceeds from long-term loans payable	3,500,000	18,297,800
Repayments of long-term loans payable	(3,583,216)	(3,815,738)
Proceeds from issuance of common shares	3,126,560	-
Purchase of treasury shares	-	(136)
Proceeds from sales of treasury shares	2,293,320	-
Repayments of lease obligations	(44,115)	(33,383)
Cash dividends paid	(628,410)	(772,524)
Dividends paid to non-controlling interests	(5,000)	(400,000)
Net cash provided by (used in) financing activities	4,659,138	13,276,016
Effect of exchange rate change on cash and cash equivalents	(45,928)	(63,353)
Net increase (decrease) in cash and cash equivalents	7,505,291	(1,865,877)
Cash and cash equivalents at beginning of period	6,249,594	13,754,885
Cash and cash equivalents at end of period	13,754,885	11,889,007

## **(5) Notes to Consolidated Financial Statements**

### **Going Concern Assumption**

Not applicable.

### **Segment and Other Information**

#### **Segment information**

##### 1. Overview of reportable segments

###### (1) Method of determining the reportable segments

Segments used for financial reporting are the Koshidaka Group's constituent units for which separate financial information is available and for which the Board of Directors performs periodic studies for the purposes of determining the allocation of resources and evaluating performance.

The Koshidaka Group uses a holding company structure. Under KOSHIDAKA HOLDINGS, a holding company, each subsidiary determines comprehensive strategies for services they provide and develops business operations.

Consequently, business operations are divided into segments based on services provided by each subsidiary, resulting in the following four reportable segments.

###### (2) Services by each reportable segment

- 1) Karaoke is the operations of the network of karaoke facilities.
- 2) Curves is the operations of Curves fitness clubs, both franchised and directly operated locations.
- 3) Bath House is the operation of bath house facilities.
- 4) Real Estate Management is the leasing and management of real estate.

##### 2. Calculation methods for net sales, profit/loss, assets, liabilities and other items for each reportable segment

The accounting methods for reportable segments are generally the same as those listed in "Significant Accounting Policies in the Preparation of Consolidated Financial Statements."

Profits for reportable segments are operating profit.

Inter-segment sales and transfers are based on market prices.



## 3. Information related to net sales, profit/loss, assets, liabilities and other items for each reportable segment

FY8/17 (Sep. 1, 2016 – Aug. 31, 2017)

(Thousands of yen)

	Reportable segment				Total	Adjustment (Notes 1 and 2)	Amounts shown on consolidated financial statements (Note 3)
	Karaoke	Curves	Bath House	Real Estate Management			
Net sales							
External sales	29,614,188	23,720,110	1,637,206	312,077	55,283,582	-	55,283,582
Inter-segment sales and transfers	-	-	-	-	-	-	-
Total	29,614,188	23,720,110	1,637,206	312,077	55,283,582	-	55,283,582
Segment profit (loss)	2,050,744	4,672,385	122,308	126,302	6,971,740	(825,270)	6,146,469
Segment assets	18,720,766	13,892,354	630,366	3,683,721	36,927,209	6,762,962	43,690,171
Other items							
Depreciation	3,124,421	236,324	84,984	82,484	3,528,215	42,765	3,570,980
Amortization of goodwill	436,365	1,351	-	-	437,717	-	437,717
Impairment loss	546,790	-	-	-	546,790	-	546,790
Increase in property, plant and equipment and intangible assets	5,008,424	442,152	107,982	-	5,558,559	13,765	5,572,324

Notes: 1. The -825,270 thousand yen adjustment to segment profit mainly includes general and administrative expenses that cannot be attributed to reportable segments.

2. The 6,762,962 thousand yen adjustment to segment assets includes corporate assets that are not allocated to any of the reportable segments. Corporate assets mainly include excess working capital (cash and investment securities) and assets related to the administrative division.

3. Segment profit is adjusted to be consistent with operating profit shown on the consolidated statement of income.

FY8/18 (Sep. 1, 2017 – Aug. 31, 2018)

(Thousands of yen)

	Reportable segment				Total	Adjustment (Notes 1 and 2)	Amounts shown on consolidated financial statements (Note 3)
	Karaoke	Curves	Bath House	Real Estate Management			
Net sales							
External sales	31,936,452	27,933,448	1,587,484	313,644	61,771,031	-	61,771,031
Inter-segment sales and transfers	-	-	-	-	-	-	-
Total	31,936,452	27,933,448	1,587,484	313,644	61,771,031	-	61,771,031
Segment profit (loss)	3,153,438	5,345,320	71,885	133,570	8,704,215	(846,100)	7,858,115
Segment assets	19,942,277	37,433,323	679,331	3,746,393	61,801,325	6,556,155	68,357,480
Other items							
Depreciation	3,044,097	578,400	86,040	79,647	3,788,185	35,889	3,824,074
Amortization of goodwill	451,247	21,870	-	-	473,118	-	473,118
Impairment loss	435,548	-	-	-	435,548	-	435,548
Increase in property, plant and equipment and intangible assets	4,028,979	424,176	133,552	3,459	4,590,168	13,695	4,603,864

Notes: 1. The -846,100 thousand yen adjustment to segment profit mainly includes general and administrative expenses that cannot be attributed to reportable segments.

2. The 6,556,155 thousand yen adjustment to segment assets includes corporate assets that are not allocated to any of the reportable segments. Corporate assets mainly include excess working capital (cash and investment securities) and assets related to the administrative division.

3. Segment profit is adjusted to be consistent with operating profit shown on the consolidated statement of income.

## **Related information**

FY8/17 (Sep. 1, 2016 – Aug. 31, 2017)

### 1. Information by product or service

This information is omitted because the same information is presented in segment information.

### 2. Information by region

#### (1) Net sales

This information is omitted because external sales in Japan exceeded 90% of net sales on the consolidated statement of income.

#### (2) Property, plant and equipment

This information is omitted because property, plant and equipment in Japan exceeded 90% of property, plant and equipment on the consolidated balance sheet.

### 3. Information by major client

This information is omitted because no specific external client accounts for 10% or more of net sales on the consolidated statement of income.

FY8/18 (Sep. 1, 2017 – Aug. 31, 2018)

### 1. Information by product or service

This information is omitted because the same information is presented in segment information.

### 2. Information by region

#### (1) Net sales

This information is omitted because external sales in Japan exceeded 90% of net sales on the consolidated statement of income.

#### (2) Property, plant and equipment

This information is omitted because property, plant and equipment in Japan exceeded 90% of property, plant and equipment on the consolidated balance sheet.

### 3. Information by major client

This information is omitted because no specific external client accounts for 10% or more of net sales on the consolidated statement of income.

## **Information related to impairment losses on non-current assets for each reportable segment**

FY8/17 (Sep. 1, 2016 – Aug. 31, 2017)

This information is omitted because the same information is presented in segment information.

FY8/18 (Sep. 1, 2017 – Aug. 31, 2018)

This information is omitted because the same information is presented in segment information.

**Information related to goodwill amortization and the unamortized balance for each reportable segment**

FY8/17 (Sep. 1, 2016 – Aug. 31, 2017)

(Thousands of yen)

	Karaoke	Curves	Bath House	Real Estate Management	Elimination or corporate	Total
Goodwill amortization	436,365	1,351	-	-	-	437,717
Balance at the end of the period	1,033,261	1,689	-	-	-	1,034,950

FY8/18 (Sep. 1, 2017 – Aug. 31, 2018)

(Thousands of yen)

	Karaoke	Curves	Bath House	Real Estate Management	Elimination or corporate	Total
Goodwill amortization	451,247	21,870	-	-	-	473,118
Balance at the end of the period	323,803	1,641,651	-	-	-	1,965,454

**Information related to gain on bargain purchase for each reportable segment**

FY8/17 (Sep. 1, 2016 – Aug. 31, 2017)

Not applicable.

FY8/18 (Sep. 1, 2017 – Aug. 31, 2018)

Not applicable.

**Per-share Information**

(Yen)

FY8/17 (Sep. 1, 2016 – Aug. 31, 2017)		FY8/18 (Sep. 1, 2017 – Aug. 31, 2018)	
Net assets per share	266.36	Net assets per share	315.51
Net income per share	43.63	Net income per share	54.44
Diluted net income per share is not presented because there are no outstanding dilutive securities.		Diluted net income per share is not presented because there are no outstanding dilutive securities.	

Notes: 1. The Company's stock held by the employee stock ownership plan (J-ESOP) is included in treasury shares and is thus deducted from the number of shares outstanding at the end of each fiscal year that was used to calculate net assets per share. (The number of shares of the Company's stock held by the trust was 980,000 shares each as of August 31, 2017 and 2018.)

In addition, for the calculation of net income per share, this J-ESOP trust stock is included in treasury shares, which is deducted from the calculation of the average number of shares outstanding during the fiscal year. (The number of shares of the Company's stock held by the trust was 980,000 shares each as of August 31, 2017 and 2018.)

2. Koshidaka Holdings conducted a 4-for-1 stock split on June 1, 2018. Net assets per share and net income per share have been calculated as if this stock split had taken place at the beginning of the previous fiscal year.

3. The basis for calculating net income per share.

(Thousands of yen)

	FY8/17 (Sep. 1, 2016 – Aug. 31, 2017)	FY8/18 (Sep. 1, 2017 – Aug. 31, 2018)
Profit attributable to owners of parent	3,255,570	4,426,599
Amounts not available to common shareholders	-	-
Net income available to common stock	3,255,570	4,426,599
Average number of shares outstanding during the period (Shares)	74,626,056	81,318,345

**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.*