

**Summary of Consolidated Financial Results**  
**for the Second Quarter of the Fiscal Year Ending August 31, 2020**  
**(Six Months Ended February 29, 2020)**

**[Japanese GAAP]**

Company name: KOSHIDAKA HOLDINGS Co., LTD. Listing: Tokyo Stock Exchange (First Section)  
 Stock code: 2157 URL: <https://www.koshidakaholdings.co.jp/>  
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 Scheduled date of filing of Quarterly Report: April 14, 2020  
 Scheduled date of payment of dividend: May 11, 2020  
 Preparation of supplementary materials for quarterly financial results: Yes  
 Holding of quarterly financial results meeting: No

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

**1. Consolidated Financial Results for the Second Quarter Ended February 29, 2020 (Sep. 1, 2019 – Feb. 29, 2020)**

(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	%
Six months ended Feb. 29, 2020	33,981	4.3	4,880	(2.1)	5,231	4.8	3,425	16.9
Six months ended Feb. 28, 2019	32,582	7.2	4,984	35.2	4,992	29.3	2,931	26.3

Note: Comprehensive income (million yen) Six months ended Feb. 29, 2020: 3,560 (up 10.1%)

Six months ended Feb. 28, 2019: 3,234 (up 28.6%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Feb. 29, 2020	42.07	-
Six months ended Feb. 28, 2019	36.05	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Feb. 29, 2020	72,336	34,953	48.3
As of Aug. 31, 2019	72,087	31,815	44.1

Reference: Shareholders' equity (million yen) As of Feb. 29, 2020: 34,953 As of Aug. 31, 2019: 31,815

**2. Dividends**

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Aug. 31, 2019	-	6.00	-	6.00	12.00
Fiscal year ending Aug. 31, 2020	-	8.00	-	-	-
Fiscal year ending Aug. 31, 2020 (forecast)	-	-	-	4.00	12.00

Note: Revisions to the most recently announced dividend forecast: None

**3. Consolidated Earnings Forecast for the Fiscal Year Ending August 31, 2020 (Sep. 1, 2019 – Aug. 31, 2020)**

(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
Full year	-	-	-	-	-	-	-	-	-

Note: Revisions to the most recently announced consolidated earnings forecast: Yes

A consolidated earnings forecast for the fiscal year ending August 31, 2020 has not been established due to the difficulty of determining an accurate forecast at this time. An announcement will be made as soon as it becomes possible to determine a forecast.

\* 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: None

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 Feb. 29, 2020:	82,300,000 shares	As of Aug. 31, 2019:	82,300,000 shares
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2) Number of treasury shares at the end of the period

As of Feb. 29, 2020:	767,296 shares	As of Aug. 31, 2019:	981,716 shares
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3) Average number of shares outstanding during the period

Six months ended Feb. 29, 2020:	81,440,809 shares	Six months ended Feb. 28, 2019:	81,318,284 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 4 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 half of the current fiscal year, external demand was weak as Japan's exports to the United States, China and other countries decreased. Internal demand was also lackluster as weak corporate earnings held down capital expenditures and typhoons, warm winter weather and the October 2019 consumption tax hike impacted consumer spending. In addition, the sharp decline in foreign tourists in Japan and consumer spending for services caused by the new coronavirus crisis began to have a significant negative effect on all business segments of the Koshidaka Group.

Results by business segment were as follows.

#### Karaoke

There were many activities to increase the number of locations in prime shopping areas and near railway stations and the number of large locations. We are opening new karaoke facilities and adding rooms to existing locations nationwide with emphasis on the Tokyo area. In addition, we are closing unprofitable locations.

To recruit and train a large number of people, we are diversifying our recruiting method and upgrading training programs and employee benefit programs.

Special rates offered to specific customer segments have been very popular. Two examples are Mafu, a flat rate with no time limit for students, and Maneki de Kazoku-wari, a family discount. We have added Nominity, a special rate that includes free unlimited beverages for women in mixed-gender groups.

All karaoke locations became smoke-free in September 2019, prior to enactment of Japan's amended Health Promotion Act. This step generated a very positive response from customers, especially young people and families.

Outside Japan, we further expanded our operations in Southeast Asia by opening three karaoke locations in Malaysia.

At the end of the first half of the current fiscal year, the number of karaoke locations in Japan totaled 534, nine more than at the end of the previous fiscal year, and the number of overseas karaoke facilities totaled 22, consisting of nine in Singapore, six in South Korea, six in Malaysia and one in Thailand. In Japan, 29 karaoke locations were renovated.

Sales in the Karaoke segment were 18,482 million yen, up 4.2% year on year. The segment profit was 2,279 million yen, down 4.6% year on year.

#### Curves

Curves is playing a role in creating a society where people are healthy and live longer by offering the Curves 30-Minute Fitness Class for Women. By increasing the number of Curves locations offering this class and strengthening customer services, Curves aims to further increase customer satisfaction. Curves is building a healthy-living infrastructure with strong community ties and operating a business dedicated to solving social issues as Japan's population continues to age.

The number of members usually decreases during the first half of every fiscal year because this is a time of the year when the number of new members is low. To reduce the decline in membership during the first half, there were heightened customer satisfaction improvement initiatives that succeeded at lowering the attrition rate.

Curves placed first for the sixth consecutive year in the fitness category of the customer satisfaction survey of Japan Productivity Center, a non-profit organization dedicated to improving productivity.

At the end of the first half, the number of Curves fitness clubs (excluding Men's Curves) in Japan was 2,014 (including 65 directly operated facilities), an increase of 23, or 1.2%, from the end of the previous fiscal year. The number of members increased by 10,000, or 1.2%, from the end of the previous fiscal year to 832,000 (an increase of 13,000 from the end of the first half of the previous fiscal year).

Sales in the Curves segment were 14,302 million yen, up 3.2% year on year, and the segment profit was 3,005 million yen, up 0.7% year on year.

#### Bath House

Bath houses further improved comfort and convenience 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 812 million yen, down 1.2% year on year. The segment profit was 58 million yen, up 89.8% year on year.

#### Real Estate Management

Sales in the Real Estate Management segment were 384 million yen, up 146.1% year on year, and the segment profit was 8 million yen, down 71.0% year on year.

Overall, the Koshidaka Group (KOSHIDAKA HOLDINGS Co., LTD. and its consolidated subsidiaries) had sales of 33,981 million yen, up 4.3%, operating profit of 4,880 million yen, down 2.1%, ordinary profit of 5,231 million yen, up 4.8%, and profit attributable to owners of parent of 3,425 million yen, up 16.9% in the first half of the current fiscal year.

## **(2) Explanation of Financial Position**

Total assets at the end of the first half of the current fiscal year increased 249 million yen (0.3%) from the end of the previous fiscal year to 72,336 million yen.

#### Current assets

Current assets decreased 1,477 million yen (7.1%) to 19,285 million yen. This was mainly due to a decrease of 1,235 million yen in cash and deposits.

#### Non-current assets

Property, plant and equipment increased 1,373 million yen (6.2%) to 23,566 million yen. This was mainly due to increases of 1,194 million yen in buildings and structures and 224 million yen in vehicles, tools, furniture and fixtures.

Intangible assets decreased 347 million yen (1.5%) to 22,189 million yen. This was mainly due to decreases of 106 million yen in goodwill and 203 million yen in trademark right.

Investments and other assets increased 699 million yen (10.6%) to 7,295 million yen. This was mainly due to increases of 489 million yen in leasehold and guarantee deposits and 234 million yen in long-term loans receivable.

Total non-current assets increased 1,726 million yen (3.4%) to 53,051 million yen.

#### Current liabilities

Current liabilities decreased 1,450 million yen (9.7%) to 13,572 million yen. This was mainly due to decreases of 529 million yen in current portion of long-term borrowings and 445 million yen in notes and accounts payable-trade.

#### Non-current liabilities

Non-current liabilities decreased 1,438 million yen (5.7%) to 23,810 million yen. This was mainly due to a 1,716 million yen decrease in long-term borrowings and a 332 million yen increase in asset retirement obligations.

Total liabilities decreased 2,888 million yen (7.2%) to 37,383 million yen.

## Net assets

Net assets increased 3,138 million yen (9.9%) to 34,953 million yen. This was mainly due to increases of 2,938 million yen in retained earnings and 126 million yen in foreign currency translation adjustment.

## Cash Flows

Cash and cash equivalents (hereinafter “net cash”) at the end of the second quarter of the current fiscal year decreased 1,225 million yen (compared with a 300 million yen decrease in the same period of the previous fiscal year) from the end of the previous fiscal year to 11,304 million yen (compared with 11,588 million yen at the same period of the previous fiscal year).

### Cash flows from operating activities

Net cash provided by operating activities totaled 5,566 million yen, a decrease of 154 million yen from 5,721 million yen provided in the same period of the previous fiscal year. Main factors include increases of 406 million yen in profit before income taxes and 257 million yen in depreciation, and an increase of 383 million yen in notes and accounts receivable-trade and a decrease of 258 million yen in notes and accounts payable-trade.

### Cash flows from investing activities

Net cash used in investing activities totaled 4,058 million yen, an decrease of 1,562 million yen from 5,621 million yen used in the same period of the previous fiscal year. Main factors include a decrease of 2,376 million yen in purchase of property, plant and equipment and increases of 401 million yen in payments for leasehold and guarantee deposits and 313 million yen in payments for loans.

### Cash flows from financing activities

Net cash used in financing activities totaled 2,740 million yen, a decrease of 2,337 million yen from 403 million yen used in the same period of the previous fiscal year. Main factors include a net decrease of 2,700 million yen in short-term borrowing and a decrease of 238 million yen in repayments of long-term borrowings.

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

Sales began to decline rapidly in late February because of the outbreak of the new coronavirus. We closed stores and fitness clubs or reduced operating hours to comply with requests from the national and local governments to stay home as much as possible and avoid karaoke businesses to prevent the spread of COVID-19. On April 7, the Japanese government declared a state of emergency. Currently, more than half of the Koshidaka Group’s business locations are closed and the remainder have significantly reduced operating hours.

The length of these severe restrictions on business operations will depend on how long the COVID-19 pandemic continues and the ability to contain this outbreak. At this time, it is impossible to predict when this crisis will end. Due to this uncertainty, we have not yet established a revised consolidated forecast for the fiscal year ending in August 2020. An announcement will be made promptly when there is information that requires disclosure.

## 2. Quarterly Consolidated Financial Statements and Notes

## (1) Quarterly Consolidated Balance Sheet

(Thousands of yen)

	FY8/19 (As of Aug. 31, 2019)	Second quarter of FY8/20 (As of Feb. 29, 2020)
<b>Assets</b>		
Current assets		
Cash and deposits	12,582,028	11,346,568
Notes and accounts receivable-trade	3,870,289	4,165,156
Merchandise	915,186	1,155,406
Raw materials and supplies	196,689	275,993
Other	3,233,954	2,402,483
Allowance for doubtful accounts	(35,701)	(60,207)
<b>Total current assets</b>	<b>20,762,447</b>	<b>19,285,399</b>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	15,819,123	17,013,870
Vehicles, tools, furniture and fixtures, net	3,458,837	3,683,573
Land	2,815,162	2,795,246
Leased assets, net	20,314	18,620
Construction in progress	79,280	55,064
<b>Total property, plant and equipment</b>	<b>22,192,717</b>	<b>23,566,374</b>
Intangible assets		
Goodwill	1,611,996	1,505,370
Trademark right	19,020,017	18,816,812
Software	855,811	938,258
Other	1,048,297	928,660
<b>Total intangible assets</b>	<b>22,536,122</b>	<b>22,189,101</b>
Investments and other assets		
Investment securities	816,900	863,368
Shares of subsidiaries and associates	50,329	51,114
Long-term loans receivable	628,150	862,990
Long-term prepaid expenses	31,115	22,881
Leasehold and guarantee deposits	3,958,898	4,448,426
Deferred tax assets	1,109,984	974,614
Other	176,689	173,273
Allowance for doubtful accounts	(175,965)	(100,695)
<b>Total investments and other assets</b>	<b>6,596,103</b>	<b>7,295,974</b>
<b>Total non-current assets</b>	<b>51,324,943</b>	<b>53,051,450</b>
<b>Total assets</b>	<b>72,087,391</b>	<b>72,336,850</b>

(Thousands of yen)

	FY8/19 (As of Aug. 31, 2019)	Second quarter of FY8/20 (As of Feb. 29, 2020)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	2,476,545	2,030,848
Current portion of long-term borrowings	4,146,163	3,616,996
Lease obligations	6,957	544
Accounts payable-other	1,858,567	1,785,790
Accrued expenses	1,431,285	1,410,272
Income taxes payable	1,715,689	1,567,563
Provision for bonuses	406,421	356,796
Deposits received	1,893,317	2,006,541
Other	1,088,143	797,593
Total current liabilities	15,023,091	13,572,948
Non-current liabilities		
Long-term borrowings	18,097,681	16,380,850
Deferred tax liabilities	4,329,366	4,305,478
Asset retirement obligations	2,427,259	2,759,694
Other	394,912	364,495
Total non-current liabilities	25,249,219	23,810,517
<b>Total liabilities</b>	<b>40,272,310</b>	<b>37,383,465</b>
Net assets		
Shareholders' equity		
Share capital	2,070,257	2,070,257
Capital surplus	3,302,786	3,302,786
Retained earnings	26,447,399	29,385,465
Treasury shares	(301,538)	(235,690)
Total shareholders' equity	31,518,904	34,522,819
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	41,656	49,859
Foreign currency translation adjustment	254,520	380,705
Total accumulated other comprehensive income	296,176	430,565
<b>Total net assets</b>	<b>31,815,081</b>	<b>34,953,384</b>
<b>Total liabilities and net assets</b>	<b>72,087,391</b>	<b>72,336,850</b>

**(2) Quarterly Consolidated Statements of Income and Comprehensive Income****Quarterly Consolidated Statement of Income****(For the Six-month Period)**

(Thousands of yen)

	First six months of FY8/19 (Sep. 1, 2018 – Feb. 28, 2019)	First six months of FY8/20 (Sep. 1, 2019 – Feb. 29, 2020)
Net sales	32,582,548	33,981,639
Cost of sales	22,579,423	23,668,549
Gross profit	10,003,125	10,313,089
Selling, general and administrative expenses	5,018,213	5,432,581
Operating profit	4,984,911	4,880,508
Non-operating income		
Interest and dividend income	5,883	7,600
Foreign exchange gains	19,397	123,688
Store relocation compensation	-	180,000
Other	56,070	114,359
Total non-operating income	81,351	425,648
Non-operating expenses		
Interest expenses	36,050	31,504
Provision of allowance for doubtful accounts	11,379	-
Other	26,213	42,983
Total non-operating expenses	73,643	74,487
Ordinary profit	4,992,620	5,231,669
Extraordinary income		
Gain on sales of non-current assets	3,214	20,640
Gain on sales of investment securities	-	747
Total extraordinary income	3,214	21,387
Extraordinary losses		
Loss on retirement of non-current assets	12,861	83,348
Impairment loss	52,021	45,453
Loss on valuation of shares of subsidiaries and associates	213,539	-
Total extraordinary losses	278,423	128,801
Profit before income taxes	4,717,410	5,124,255
Income taxes-current	1,797,096	1,722,345
Income taxes-deferred	(180,815)	(24,065)
Total income taxes	1,616,281	1,698,280
Profit	3,101,129	3,425,975
Profit attributable to non-controlling interests	169,801	-
Profit attributable to owners of parent	2,931,327	3,425,975

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

(Thousands of yen)

	First six months of FY8/19 (Sep. 1, 2018 – Feb. 28, 2019)	First six months of FY8/20 (Sep. 1, 2019 – Feb. 29, 2020)
Profit	3,101,129	3,425,975
Other comprehensive income		
Valuation difference on available-for-sale securities	5,684	8,203
Foreign currency translation adjustment	127,254	126,185
Total other comprehensive income	132,939	134,388
Comprehensive income	3,234,068	3,560,364
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,064,266	3,560,364
Comprehensive income attributable to non-controlling interests	169,801	-

**(3) Quarterly Consolidated Statement of Cash Flows**

(Thousands of yen)

	First six months of FY8/19 (Sep. 1, 2018 – Feb. 28, 2019)	First six months of FY8/20 (Sep. 1, 2019 – Feb. 29, 2020)
<b>Cash flows from operating activities</b>		
Profit before income taxes	4,717,410	5,124,255
Depreciation	1,886,839	2,144,088
Impairment loss	52,021	45,453
Amortization of goodwill	131,400	131,810
Amortization of trademarks	540,959	510,070
Increase (decrease) in provision for bonuses	24,998	(49,651)
Increase (decrease) in allowance for doubtful accounts	40,539	85,761
Interest and dividend income	(5,883)	(7,600)
Interest expenses	36,050	31,504
Loss (gain) on sales of property, plant and equipment	(3,214)	(20,640)
Loss on retirement of non-current assets	12,861	83,348
Decrease (increase) in trade receivables	95,295	(288,097)
Decrease (increase) in inventories	(114,991)	(317,654)
Increase (decrease) in trade payables	(188,593)	(447,459)
Other, net	(447,264)	(341,176)
<b>Subtotal</b>	<b>6,778,430</b>	<b>6,684,011</b>
Interest and dividend income received	5,883	7,600
Interest expenses paid	(35,795)	(31,479)
Income taxes paid	(1,027,498)	(1,093,787)
<b>Net cash provided by (used in) operating activities</b>	<b>5,721,020</b>	<b>5,566,344</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(5,347,877)	(2,971,164)
Proceeds from sales of property, plant and equipment	3,214	43,273
Purchase of intangible assets	(196,566)	(238,943)
Purchase of investment securities	(5,541)	(80,393)
Proceeds from sales of investment securities	15,990	39,922
Payments for leasehold and guarantee deposits	(113,643)	(514,871)
Proceeds from collection of leasehold and guarantee deposits	34,768	14,718
Payments of loans receivable	(25,409)	(339,110)
Collection of loans receivable	33,834	9,349
Other, net	(20,046)	(21,605)
<b>Net cash provided by (used in) investing activities</b>	<b>(5,621,277)</b>	<b>(4,058,822)</b>
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term borrowings	2,700,000	-
Repayments of long-term borrowings	(2,484,368)	(2,245,998)
Repayments of lease obligations	(12,838)	(6,953)
Cash dividends paid	(406,591)	(487,909)
Dividends paid to non-controlling interests	(200,000)	-
<b>Net cash provided by (used in) financing activities</b>	<b>(403,798)</b>	<b>(2,740,860)</b>
Effect of exchange rate change on cash and cash equivalents	3,078	8,007
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(300,977)</b>	<b>(1,225,331)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>11,889,007</b>	<b>12,530,137</b>
<b>Cash and cash equivalents at end of period</b>	<b>11,588,030</b>	<b>11,304,806</b>

**(4) Notes to Quarterly Consolidated Financial Statements****Going Concern Assumption**

Not applicable.

**Significant Changes in Shareholders' Equity**

Not applicable.

**Segment and Other Information**

## Segment Information

## I. First six months of FY8/19 (Sep. 1, 2018 – Feb. 28, 2019)

## 1. Information related to net sales, profit or loss for each reportable segment

(Thousands of yen)

	Reportable segment				Total	Adjustment (Note 1)	Amounts shown on quarterly consolidated statement of income (Note 2)
	Karaoke	Curves	Bath House	Real Estate Management			
Net sales							
External sales	17,740,005	13,863,514	822,753	156,275	32,582,548	-	32,582,548
Inter-segment sales and transfers	-	-	-	-	-	-	-
Total	17,740,005	13,863,514	822,753	156,275	32,582,548	-	32,582,548
Segment profit (loss)	2,389,056	2,985,729	31,045	28,599	5,434,431	(449,520)	4,984,911

Notes: 1. The -449,520 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.

## II. First six months of FY8/20 (Sep. 1, 2019 – Feb. 29, 2020)

## 1. Information related to net sales, profit or loss for each reportable segment

(Thousands of yen)

	Reportable segment				Total	Adjustment (Note 1)	Amounts shown on quarterly consolidated statement of income (Note 2)
	Karaoke	Curves	Bath House	Real Estate Management			
Net sales							
External sales	18,482,081	14,302,235	812,700	384,621	33,981,639	-	33,981,639
Inter-segment sales and transfers	-	-	-	-	-	-	-
Total	18,482,081	14,302,235	812,700	384,621	33,981,639	-	33,981,639
Segment profit (loss)	2,279,471	3,005,987	58,925	8,292	5,352,677	(472,169)	4,880,508

Notes: 1. The -472,169 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.

*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.*