October 7, 2016

Summary of Consolidated Financial Results for the Fiscal Year Ended August 31, 2016 [Japanese GAAP]

Company name: KOSHIDAKA HOLDINGS Co., LTD. Listing: Tokyo Stock Exchange (JASDAQ)
Stock code: 2157 URL: http://www.koshidakaholdings.co.jp/
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Scheduled date of Annual General Meeting of Shareholders: November 25, 2016
Scheduled date of filing of Annual Securities Report: November 28, 2016
Scheduled date of payment of dividend: November 28, 2016
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, 2016 (Sep. 1, 2015 – Aug. 31, 2016)

(1) Consolidated results of operations (Percentages represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended Aug. 31, 2016	51,170	15.6	4,810	9.5	4,699	4.6	1,900	(9.5)
Fiscal year ended Aug. 31, 2015	44,257	17.3	4,394	2.8	4,492	2.8	2,098	(13.4)

Note: Comprehensive income (million yen) Fiscal year ended Aug. 31, 2016: 2,085 (down 17.3%)
Fiscal year ended Aug. 31, 2015: 2,520 (down 3.0%)

	Net income per share	Diluted net income per share	Return on equity	Ordinary income on total assets	Operating income to net sales
	Yen	Yen	%	%	%
Fiscal year ended Aug. 31, 2016	104.71	-	14.1	14.6	9.4
Fiscal year ended Aug. 31, 2015	112.79	-	16.2	15.9	9.9

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Aug. 31, 2016	33,517	14,272	40.4	755.09
As of Aug. 31, 2015	30,663	14,052	43.7	725.99

Reference: Shareholders' equity (million yen) As of Aug. 31, 2016: 13,557 As of Aug. 31, 2015: 13,397

(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, 2016	5,737	(6,122)	532	6,249
Fiscal year ended Aug. 31, 2015	4,649	(4,276)	445	6,142

2. Dividends

	Dividend per share					Total dividends	Payout ratio (consolidated)	Dividend on equity (consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended Aug. 31, 2015	-	15.00	-	15.00	30.00	560	26.6	4.1
Fiscal year ended Aug. 31, 2016	-	15.00	-	17.00	32.00	582	30.6	4.0
Fiscal year ending Aug. 31, 2017 (forecast)	-	16.00	-	16.00	32.00		21.6	

Note: Total dividend payments include dividends paid to the trust account for the employee stock ownership plan (J-ESOP) (7 million yen each for the fiscal years ended August 31, 2015 and 2016).

3. Consolidated Earnings Forecast for the Fiscal Year Ending August 31, 2017 (Sep. 1, 2016 – Aug. 31, 2017)

(Percentages represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	26,830	10.0	2,493	(3.3)	2,515	1.4	1,206	(13.3)	66.45
Full year	55,112	7.7	5,468	13.7	5,519	17.4	2,694	41.8	148.44

4. Others

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in scope of consolidation): None

Newly added: - Excluded: -

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

1) Changes in accounting policies due to revisions in accounting standards, others: Yes

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

3) Changes in accounting-based estimates: None

4) Restatements: None

(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, 2016:	19,200,000 shares	As of Aug. 31, 2015:	19,200,000 shares

2) Number of treasury shares at the end of the period

As of Aug. 31, 2016:	1,245,409 shares	As of Aug. 31, 2015:	745,360 shares

3) Average number of shares outstanding during the period

Fiscal year ended Aug. 31, 2016:	18,146,929 shares	Fiscal year ended Aug. 31, 2015:	18,608,498 shares

Reference: Summary of Non-consolidated Financial Results

(1) Non-consolidated results of operations (Percentages represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended Aug. 31, 2016	3,903	(27.3)	2,187	(45.9)	2,204	(46.1)	1,398	(64.4)
Fiscal year ended Aug. 31, 2015	5,372	143.5	4,043	342.1	4,090	309.6	3,928	352.1

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended Aug. 31, 2016	77.08	-
Fiscal year ended Aug. 31, 2015	211.09	-

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Aug. 31, 2016	18,333	6,014	32.8	335.00
As of Aug. 31, 2015	16,822	6,288	37.4	340.76

Reference: Shareholders' equity (million yen) As of Aug. 31, 2016: 6,014 As of Aug. 31, 2015: 6,288

* Indication of audit procedure implementation status

The current financial report is not subject to the audit procedures based on the Financial Instruments and Exchange Act. At the time when this report is released, the audit procedures for the consolidated financial statements have not been completed.

* 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 2 of the attachments "1. Analysis of Results of Operations and Financial Position, (1) Analysis of Results of Operations" for forecast assumptions and notes of caution for usage.

Contents of Attachments

1. Analysis of Results of Operations and Financial Position

(1) Analysis of Results of Operations

1) Overview of the fiscal year ended August 31, 2016

In the current fiscal year under review, Japan's economy was negatively affected by sluggish overseas demand and a return to a strong yen. The uncertain outlook due to emerging signs of major changes in global events also influenced the economy. In this environment, corporate earnings and consumer spending were both lackluster during the fiscal year.

Results by business segment were as follows.

Karaoke

The pace of karaoke facility openings increased in the Tokyo area, which has a variety of customer segments targeted by this business. In addition, we started a new service called ZERO Kara with no room charge aimed primarily at high school students, which are the future core customers of this business. Another benefit of these activities is a significant increase in awareness of our karaoke business. We started an Asa-Uta ("Morning Song") program that allows people to use a karaoke room for 30 minutes at a cost of only 10 yen up until noon. The aims are to increase the number of seniors as well as morning customers of all ages. Karaoke facilities also added more kids rooms to attract more families. The use of our SKIT (Smart Karaoke Internet Terminal) for joint activities with content holders and a large variety of other promotions further contributed to creating new sources of demand. One example is the SKI-Doru ("SKIT Idol") Project 3, in which customers select the top SKIT singers or singing groups.

Motivating the part-time workers who play a key role in the operation of karaoke facilities and increasing the retention rate are major goals. As one way to accomplish these goals, we started the Maneki Mile program that gives employees extra payments for remaining a certain length of time.

In addition, we increased measures to encourage employees to participate in training that makes them think like a manager. Due to our program to enable employees to become independent entrepreneurs, former employees currently operate 19 of our karaoke facilities.

We have directly operated karaoke facilities in and near Seoul, South Korea. We are expanding the network of karaoke facilities in Southeast Asia. In Singapore, we are converting our karaoke operations to the K-BOX Manekineko business format by renovating six karaoke locations and adding a new location.
At the end of the fiscal year, the number of karaoke locations in Japan totaled 457, 45 more than at the end of the previous fiscal year, and 25 locations were renovated. The number of overseas karaoke facilities totaled 24, consisting of 11 in Singapore and 13 in South Korea.

Sales in the Karaoke segment were 27,643 million yen, up 16.2% year on year. The segment profit decreased 2.7% to 1,170 million yen.

Curves

Curves operates facilities that enable people to continue exercising 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 to understand the importance of physical exercise and make this a regular part of their lives. Our goal is to maintain the steady growth in the number of members at Curves fitness clubs as we expand our network of these clubs.

Increasing sales of merchandise to members is another source of growth in this segment. There has been steady growth in sales of protein supplements. These supplements have significant synergy effect with workouts.

At the end of the fiscal year, the number of Curves fitness clubs in Japan was 1,722 (including 55 directly operated facilities), an increase of 120 or 7.4%, from the end of the previous fiscal year. The number of members went up by 61,000, or 8.5%, to 772,000.

Sales in the Curves segment were 21,667 million yen, up 16.2% year on year, and the segment profit was 4,235 million yen, up 9.8%.

Bath House

The Bath House business uses employee training, cost management and a variety of other expertise gained from the Karaoke business. This segment has also implemented dramatic changes in order to cut fixed expenses, particularly the cost of utilities. All of these actions are aimed at reinvigorating bath house facilities.

Sales in the Bath House segment were 1,552 million yen, up 3.8% year on year. The segment profit was 77 million yen, an increase of 167 million yen from the same period of the previous fiscal year.

Real Estate Management

Sales in the Real Estate Management segment were 306 million yen, down 3.6% year on year, and the segment profit was 98 million yen, down 22.7%.

Overall, the Koshidaka Group (KOSHIDAKA HOLDINGS Co., LTD. and its consolidated subsidiaries) had sales of 51,170 million yen, up 15.6%, operating income of 4,810 million yen, up 9.5%, ordinary income of 4,699 million yen, up 4.6%, and profit attributable to owners of parent of 1,900 million yen, down 9.5% in the fiscal year ended August 31, 2016.

2) Forecasts for the fiscal year ending August 31, 2017

There are concerns about weakening consumer spending in Japan as the growth rate of corporate earnings declines because slowing global economic growth is keeping Japan's exports level and the yen is strengthening.

Business segment forecasts are as follows.

Karaoke

To overcome intense competition from companies operating large numbers of karaoke facilities, we will continue to upgrade and expand our network in Japan that are primarily in the Tokyo area. We will also make our services even more attractive by using our One Kara locations (for people who want to sing alone) and SKIT. Another goal is using IT systems to create new and even better services.

We believe the overseas karaoke market is on the verge of rapid growth. Moving quickly to establish a presence in Southeast Asian countries is our first goal. We will use our Singapore operations as the base for upgrading our karaoke facility functions in order to grow in Southeast Asia.

Due to these initiatives, we forecast a 9.6% increase in Karaoke segment sales to 30,295 million yen.

Curves

As Japan's population rapidly ages, we are committed to helping more people enjoy more years of good health. However, we still cannot make a sufficient contribution with the current number of fitness clubs and members in each region of Japan. People who do not realize the importance of exercise must gain an understanding of the need to exercise. We will use numerous measures to provide this information so that more people exercise regularly. In addition, we will use tie-ups with local governments for making people more aware of the need for regular exercise to stay healthy. We plan to continue increasing the number of fitness clubs and members as we take all of these actions.

Consequently, we forecast a 5.6% increase in Curves segment sales to 22,883 million yen.

Bath House

In this segment, our goals are to improve profitability and increase sales. To do this, we are using operational expertise (particularly involving customer services) gained from the Karaoke business while continuing to use energy more efficiently.

We forecast a 5.5% increase in the Bath House segment sales to 1,637 million yen.

Real Estate Management

We forecast a 2.9% decrease in Real Estate Management segment sales to 297 million yen.

Overall, we forecast consolidated net sales of 55,112 million yen, up 7.7%, operating income of 5,468 million yen, up 13.7%, ordinary income of 5,519 million yen, up 17.4%, and profit attributable to owners of parent of 2,694 million yen, up 41.8% for the fiscal year ending August 31, 2017.

(2) Analysis of Financial Position

1) Assets, liabilities and net assets

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

Total assets increased 2,854 million yen (9.3%) from the end of the previous fiscal year to 33,517 million yen.

Current assets

Current assets increased 737 million yen (6.4%) to 12,185 million yen. This was mainly due to a 467 million yen increase in notes and accounts receivable-trade and a 205 million yen increase in merchandise.

Non-current assets

Property, plant and equipment increased 2,478 million yen (20.1%) to 14,802 million yen. This was mainly due to a 1,989 million yen increase in buildings and structures, and a 682 million yen increase in vehicles, tools, furniture and fixtures.

Intangible assets decreased 729 million yen (23.6%) to 2,361 million yen. This was mainly due to a 653 million yen decrease in goodwill.

Investments and other assets increased 368 million yen (9.7%) to 4,167 million yen. This was mainly due to a 197 million yen increase in lease and guarantee deposits and a 167 million yen increase in long-term loans receivable.

Total non-current assets increased 2,116 million yen (11.0%) to 21,331 million yen.

Current liabilities

Current liabilities increased 654 million yen (6.5%) to 10,685 million yen. This was mainly due to increases of 733 million yen in current portion of long-term loans payable and 315 million yen in notes and accounts payable-trade, and a decrease of 257 million yen in accounts payable-other.

Non-current liabilities

Non-current liabilities increased 1,978 million yen (30.1%) to 8,559 million yen. This was mainly due to increases of 1,733 million yen in long-term loans payable and 308 million yen in asset retirement obligations.

Total liabilities increased 2,633 million yen (15.9%) to 19,244 million yen.

Net assets

Net assets increased 220 million yen (1.6%) to 14,272 million yen. This was mainly due to increases of 1,354 million yen in retained earnings and 1,118 million yen in treasury shares.

2) Cash flows

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

Cash and cash equivalents (hereinafter "net cash") at the end of the current fiscal year increased 107 million yen from the end of the previous fiscal year to 6,249 million yen.

Cash flows from operating activities

Net cash provided by operating activities totaled 5,737 million yen, an increase of 1,088 million yen from 4,649 million yen provided in the previous fiscal year. Main factors include increases in profit before income taxes of 393 million yen and depreciation of 927 million yen.

Cash flows from investing activities

Net cash used in investing activities totaled 6,122 million yen, an increase of 1,845 million yen from 4,276 million yen used in the previous fiscal year. Main factors include a 2,441 million yen increase in purchase of property, plant and equipment, and a decrease of 721 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 532 million yen, an increase of 86 million yen from 445 million yen provided in the previous fiscal year. Main factors include increases of 1,188 million yen in proceeds from long-term loans payable, and 846 million yen for repayments of long-term loans payable.

(3) Basic Policy for Profit Distribution, and Dividends in the Current and Next Fiscal Years

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 the need to retain earnings for future business operations and building a sounder base of operations.

We have paid an interim dividend of 15 yen per share as planned, and plan to pay a year-end dividend of 17 yen per share, which is an increase of 2 yen, resulting in a dividend of 32 yen per share for the fiscal year ended August 31, 2016.

For the fiscal year ending August 31, 2017, based on the basic policy, we plan to pay a dividend of 32 yen per share, the sum of 16 yen interim and year-end dividends.

Retained earnings will be used to fund expenditures, mainly capital expenditures and other activities needed for growth.

(4) Business Risks

This section presents risk factors and other potential sources of changes that may affect results of operations, the financial condition as well as the stock price and other items concerning the Koshidaka Group. We are aware of these risks and will continue to do everything possible to minimize any effects if any of these events occur.

1) Operating Environment for Core Businesses

a. Karaoke

If a new, more appealing form of entertainment emerges, a social problem involving the karaoke industry occurs or there is some other event that causes people to shun karaoke facilities, there may be an effect on the performance of the Karaoke business.

We developed a new karaoke system called SKIT for the purpose of enabling people to enjoy karaoke in more ways, thereby making karaoke facilities even more appealing. There are also investments for a new karaoke format called One Kara, which is solely for people who want to sing alone. If initiatives like these do not generate a positive customer response as expected, there may be an effect on the performance of the Karaoke business.

b. Curves

The Koshidaka Group operates Curves fitness clubs in Japan based on a master franchise contract with Curves International, Inc.

(i) Although the current franchise contract will expire on May 1, 2020, Curves International has the right to terminate the contract in the event of a violation of the contract terms. As of the date of this earnings release, there has never been a contract violation. However, if Curves International terminates the franchise contract because of a violation or does not renew the contract upon expiration, it may become impossible to continue operating the fitness club business. This could have a serious effect on the performance of Koshidaka Holdings.

(ii) To assist operators of franchised fitness clubs, we offer or sell management support, systems needed for operations, other know-how, equipment, merchandise, printed materials and other forms of assistance. Receiving this support requires the cooperation of franchised fitness clubs as well as payments. Therefore, the prior understanding of these operators must be obtained. If there is a problem with one or more franchised fitness club operators that results in a lawsuit or clubs abandoning the Curves brand, there may be an effect on the performance of the Curves business.

(iii) Measures to protect consumers are growing in Japan. As a result, there is an increasing risk of criticism from government agencies, the media, consumer groups or other organizations. The risk of reputation damage caused by a variety of rumors is also increasing. Since Curves is a business that relies on members, any of these problems may create significant difficulties for maintaining and increasing the number of members. If this happens, there may be an effect on the performance of the Curves business.

c. Recruiting and training

The Koshidaka Group operates businesses that use large numbers of locations to provide services directly to customers. These businesses require continuous activities for maintaining the satisfaction of customers and increasing the number of regular customers. Recruiting and training people are vital to performing these activities. We will perform recruiting activities based on carefully formulated plans and establish training programs in each business to develop the skills of the workforce.

If recruiting workers becomes more difficult or there is an increase in the number of resignations, we may become unable to hire a sufficient number of people with the characteristics needed to serve as supervisors and store managers. If this happens, there may be an effect on the group’s performance.

d. New business activities

One goal of the Koshidaka Group is more growth in corporate value by establishing a firm position as a comprehensive source of services for enjoying free time and by making the entire group more profitable. This is why we will continue to launch new activities based on our fundamental policy of creating innovative business models in existing business domains. However, there are many uncertainties involving new businesses. Consequently, a new activity may require more time than initially planned to become profitable. In addition, new businesses may not perform as planned. Any of these problems involving new businesses may affect the group’s performance.

e. Mergers, acquisitions and organizational changes

As one means of adding new businesses, the Koshidaka Group may purchase businesses from other companies, form alliances, invest in other companies, acquire or merge with another company, or establish a subsidiary or affiliate. However, there is no guarantee that these or other organizational changes will produce benefits as expected. If a sudden change in market conditions or some other event causes an unexpected loss or causes a new business, subsidiary or other activity to perform poorly, there may be an effect on the group’s performance.

2) Results of operations and financial soundness

a. Return of lease security deposits

Most of the karaoke, fitness club and other locations of the Koshidaka Group are leased. Security deposits are paid to the building owners when lease agreements are signed.

Before signing a lease agreement, we examine the financial soundness and other characteristics of the property owner to determine the likelihood of receiving the deposit when the lease ends. However, receiving security deposits may be difficult if the financial soundness of property owner declines. If these deposits cannot be returned, there may be an effect on the group’s performance and financial condition.

b. Effect of asset impairment

In certain cases, the Koshidaka Group may decide that there is a need for an asset impairment charge concerning non-current assets. For example, there may be a karaoke facility or fitness club that is expected to continue to be unprofitable. There may also be a need to close a business location for some other reason or another cause for an impairment charge. The recognition of impairment charges may have an effect on the group’s performance.

c. Seasonal changes in results of operations

In the core Karaoke business, sales are usually highest in the second quarter of each fiscal year, which includes the December and January new year party season. As a result, the second quarter normally accounts for a large share of this segment’s profit in each fiscal year. Consequently, the second quarter performance can have a significant impact on the fiscal year performance of the Karaoke business and the entire Koshidaka Group. The following table shows Karaoke segment quarterly sales and profit in the past three fiscal years.

Results of operations of the Karaoke segment

(Millions of yen)

Fiscal years		1Q	2Q	3Q	4Q	Total
FY8/14	Net sales	4,107	5,400	5,034	5,312	19,854
	Segment profit	(233)	952	449	411	1,580
FY8/15	Net sales	5,171	6,540	5,780	6,301	23,794
	Segment profit	(131)	1,116	203	14	1,203
FY8/16	Net sales	6,076	7,697	6,764	7,104	27,643
	Segment profit	(334)	1,098	16	390	1,170

3) Laws and Regulations

a. Driving while intoxicated

Some of the Koshidaka Group's business locations sell alcoholic beverages. In Japan, there is growing criticism concerning intoxicated drivers as well as individuals and others who aid and abet these drivers. Police enforcement activities have become stricter as a result. Our business locations use many actions to prevent intoxicated driving. One measure is assistance in providing a substitute driver for customers who have been drinking. Employees also caution customers about intoxicated drivers and there are posters about the dangers of intoxicated driving.

Despite these measures, a customer who has been drinking at one of our locations may subsequently cause an automobile accident that results in a group company or employee being charged with aiding and abetting intoxicated driving. If this happens, there may be an effect on the group's performance.

b. Sale of alcoholic beverages and tobacco to minors

Many of the karaoke, fitness club and other locations of the Koshidaka Group serve large numbers of customers who are minors. We display posters to prevent minors from consuming alcohol and check the ages of customers when entering an area that serves alcoholic beverages. Overall, we have numerous measures to prevent minors from consuming alcoholic beverages or using tobacco products.

Despite these measures, a group company may be subject to litigation for violating a law or regulation in the event that a minor consumes an alcoholic beverage or smokes a cigarette at a group business location. This could result in restrictions on business operations. If these problems occur, there may be an effect on the group's performance.

c. Fire Service, Building Standards and Other Acts

Buildings occupied by businesses of the Koshidaka Group must comply with provisions of Japan's Fire Service Act, Building Standards Act and City Planning Act. All business locations are committed to complying with these laws and regulations. For example, we have a fire prevention manual to protect customers in the event of a fire or other emergency. Employees undergo fire prevention and response training and there are fire drills twice each year. Furthermore, to prevent problems involving the Fire Service Act, Building Standards Act and City Planning Act, we have completed all items and required improvements and notices associated with amendments to laws and guidance from government agencies. In addition, we continue to implement these measures.

Despite all of these activities, there may be a fire at a business location that results in one or more deaths. The resulting loss of confidence in the Koshidaka Group, demands for payments and other issues resulting from an event like this may have an effect on the group's performance.

d. Food Sanitation Act

The Karaoke and Bath House operations of the Koshidaka Group must comply with provisions of the Food Sanitation Act. Every karaoke and bath house location must have a food hygiene manager and, as stipulated by the Ministry of Health, Labour and Welfare, must also receive permits from prefectural governors. We have an extensive program concerning hygiene management that includes manuals and other materials and employee training. In the event of food poisoning or some other violation of the Food Sanitation Act, the location where the violation occurred could have its business permit revoked and receive other penalties. If this happens, there could be an impact on the performance of this business segment as well as damage to the public’s perception of the Koshidaka Group.

In addition, overseas operations must comply with the laws and regulations of the countries where they are located.

e. Ordinance regarding the Healthy Development of Youths and similar regulations

Some businesses of the Koshidaka Group must comply with the Ordinance Regarding the Healthy Development of Youths and similar regulations. Almost all prefectures in Japan have established ordinances for the sound upbringing of young people. The purpose of these restrictions is to protect young people by establishing age-based limitations on access to business locations, rules for the soundness of content, and other items.

We have measures that include providing guidance to individual sites for operating all of our business locations in a manner that complies with the ordinances of prefectures. However, if regulations become stricter due to a revision or other event, there may be an effect on the group’s performance.

f. Act on the Protection of Personal Information

The Koshidaka Group acquires personal information about its customers because operations include businesses that require customers to become members. As a result, these operations must comply with the provisions of the Act on the Protection of Personal Information. We have numerous measures to prevent leaks of personal information. For example, we have employee training programs and a rigorous storage and management system for customer information that are consistent with guidelines for protecting personal information.

If there is an event that causes an external leak of personal information, the resulting loss of confidence in the Koshidaka Group, demands for the payments and other issues may have an effect on the group’s performance.

2. Corporate Group

The Koshidaka Group consists of KOSHIDAKA HOLDINGS Co., LTD. and 11 consolidated subsidiaries (KOSHIDAKA Co., Ltd., KOSHIDAKA PRODUCTS Co., LTD., Moon Corporation, Curves HOLDINGS Co., Ltd., Curves Japan Co., Ltd., HIGH STANDARD CO., LTD., KOSHIDAKA Business Support Co.,LTD., KOSHIDAKA KOREA Co., Ltd., KOSHIDAKA INTERNATIONAL PTE.LTD., KOSHIDAKA MANAGEMENT SINGAPORE PTE.LTD., and KOSHIDAKA SINGAPORE PTE.LTD.) and four non-consolidated subsidiaries (ENGLISHISLAND Ltd., EEIKAIWA INC., English Island Ltd. and KOSHIDAKA R&C Co., Ltd.) The Karaoke, Curves and Bath House businesses are the group's primary operations.

KOSHIDAKA HOLDINGS is a special listed company as defined in Article 49, Paragraph 2 of the Cabinet Office Ordinance on Restrictions on Securities Transactions, etc. As a result, consolidated financial figures are used to reach decisions about the immateriality standard for material facts involving insider trading regulations.

(1) Karaoke Business

In Japan, KOSHIDAKA Co., Ltd. and Moon Corporation have networks of directly operated karaoke using the Karaoke Manekineko, One Kara (locations solely for people who sing alone), Karaoke Moon and Karaoke Sincere brands. KOSHIDAKA PRODUCTS Co., LTD. (KOSHIDAKA Facilities Co., Ltd. absorbed KOSHIDAKA IP Management Co., Ltd. on March 1, 2016 and was renamed KOSHIDAKA PRODUCTS.) manages intellectual assets and performs development activities to create new services and business formats such as One Kara. In addition, ENGLISHISLAND Ltd., which is the supervisory company, EEIKAIWA INC. and English Island Ltd. operate an online English conversation education business as a new service for One Kara locations.

Outside Japan, KOSHIDAKA KOREA Co., Ltd. directly operates karaoke facilities in South Korea using the Manekineko brand. This company also manufactures speakers and other karaoke equipment that are sold to other Koshidaka Group companies. In Singapore, KOSHIDAKA SINGAPORE PTE.LTD. (formerly K BOX ENTERTAINMENT PTE.LTD.) directly operates karaoke facilities in Singapore using the K-BOX and Manekineko brands. KOSHIDAKA INTERNATIONAL PTE.LTD. was established in Singapore to oversee the overseas karaoke business. On September 1, 2016, this company absorbed KOSHIDAKA MANAGEMENT SINGAPORE PTE.LTD. In the United States, KOSHIDAKA R&C Co., Ltd. was established for the purpose of investigating U.S. opportunities for karaoke and other business activities.

(2) Curves Business

Curves HOLDINGS Co., Ltd. has the exclusive right to operate Curves fitness clubs in Japan. This company oversees a network of directly operated and franchised clubs offering 30-minute fitness sessions solely for women. Curves Japan Co., Ltd. directly operates five fitness clubs and is the franchisor for other clubs. In addition, this company sells protein products and other merchandise to members. HIGH STANDARD CO., LTD. operates the directly operated Curves fitness clubs in Hokkaido, Saitama, Tokyo and Chiba.

Curves HOLDINGS Co., Ltd. is the holding company for Curves Japan and HIGH STANDARD. In this role, Curves HOLDINGS performs management and administrative functions.

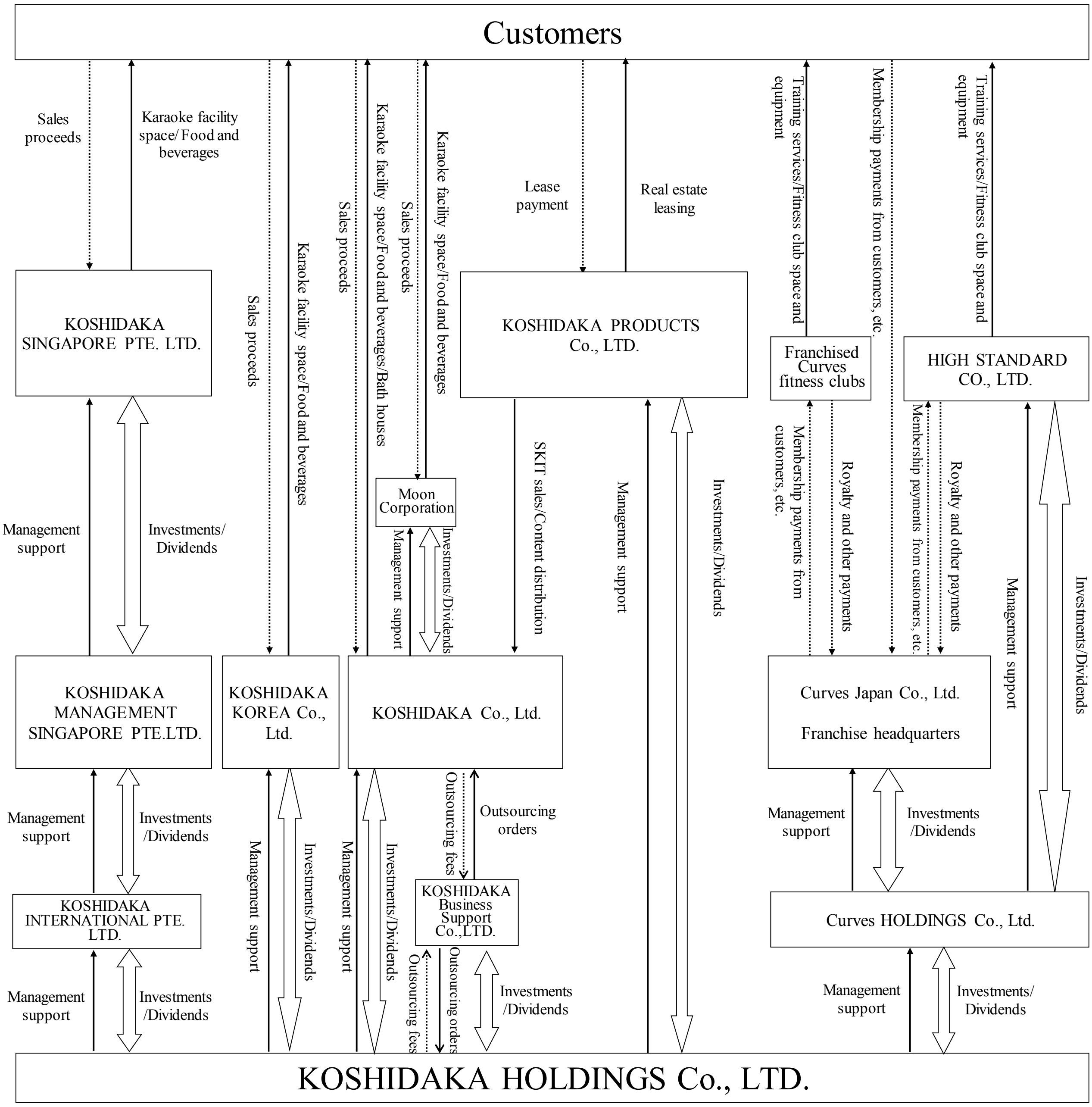
(3) Bath House Business

KOSHIDAKA Co., Ltd. directly operates five bath houses in Japan using the Maneki no Yu and Lamp no Yu brands.

(4) Real Estate Management

KOSHIDAKA PRODUCTS Co., LTD. owns and manages buildings in Kanagawa and Aichi prefectures that are leased to tenants.

The following flowchart shows these business activities and the roles of the major group companies that perform these activities.



Note: All companies in the above table are consolidated subsidiaries. Four non-consolidated subsidiaries (ENGLISHISLAND Ltd., EEIKAIWA INC., English Island Ltd. and KOSHIDAKA R&C Co., Ltd.) are not presented.

* KOSHIDAKA Facilities Co., Ltd. merged KOSHIDAKA IP Management Co., Ltd. on March 1, 2016 and changed the company name to KOSHIDAKA PRODUCTS Co., LTD. on the same day.

* K BOX ENTERTAINMENT GROUP PTE.LTD. changed the company name to KOSHIDAKA SINGAPORE PTE.LTD. on August 25, 2016.

* KOSHIDAKA Co., Ltd. merged Moon Corporation on September 1, 2016.

* KOSHIDAKA INTERNATIONAL PTE.LTD. merged KOSHIDAKA MANAGEMENT SINGAPORE PTE.LTD. on September 1, 2016.

3. Management Policies

(1) Basic Management Policy

Our mission is to contribute to the realization of lifestyles full of leisure and to the establishment of a peaceful world filled with hope by continuing to create, offer and provide the world with new and meaningful products and services.

Guided by this corporate philosophy, we respond with accuracy to the rapid changes in our operating environment and make effective use of our resources in order to aim for growth in corporate value. We are determined to meet the expectations of shareholders, investors and other stakeholders by increasing our corporate value.

(2) Performance Targets

The Koshidaka Group places priority on the return on assets. Our goal is to generate substantial sales along with earnings while making the smallest possible investments and then recovering these investments quickly.

(3) Medium- and Long-term Management Strategy

Our vision for the future has five components: (1) Create new styles of business in the existing leisure activity market which are price, distance and time-friendly; (2) Develop an optimal framework and business models that meet the conditions of each country, region and industry; (3) Continue offering high-quality products and services that deliver an element of surprise and excitement based on the needs of our customers; (4) Nurture highly motivated staff who have a strong sense of entrepreneurship; and (5) Harness the maximum potential of the Koshidaka Group by striving for a strong synergy between our businesses.

(4) Challenges

1) Karaoke business

Increasing the number of karaoke facilities is our highest priorities in order to compete successfully against intense competition in Japan and grow in overseas where karaoke markets are expanding. Most new karaoke facilities in Japan will be in the Tokyo area. In other countries, we plan to use Singapore as a base for enlarging karaoke business operations in other Southeast Asian countries.

Our second priority is improving how we interact with customers and upgrading customer services. We want our karaoke locations to combine the close customer relationships that are a hallmark of outstanding individually managed facilities with an operating style that uses the standpoint of a manager. To accomplish this, we will reinforce internal training programs aimed at enabling employees to become independent operators of karaoke facilities. In addition to increasing the number of independent owners of karaoke facilities, we will conduct programs that give employees a stronger commitment to customer service and operational excellence. We want to use in other countries our expertise in Japan for operating karaoke facilities that are safe, provide outstanding services at reasonable prices and have a friendly atmosphere.

The third priority is creating and refining new services. Further enhancing our selection of content by using our exclusive One Kara business model and our internally developed SKIT is one objective. Furthermore, we will work on new ideas for ways to enjoy karaoke facilities in order to meet an even broader spectrum of our customers' needs.

2) Curves business

Everyone wants to enjoy a long and healthy life. Many research reports state that the most important points are preventing lifestyle diseases and problems involving the body's musculoskeletal system. At Curves fitness clubs, people do exercises for their muscles and aerobic exercises. To confirm the effectiveness of these activities at preventing health problems, we have used tie-ups with well-known medical institutions in Japan and other countries to collect evidence from a broad range of viewpoints.

We plan to make many people aware of this evidence by targeting both people who do not exercise and people who do not have a good understanding of the need for exercise. By using these activities to increase the number of fitness clubs and members, we want to become an even more important source of services that help people enjoy healthy and fulfilling lives.

3) Measures to capture synergies

The business activities of the Koshidaka Group involve the provision of services that target people of all ages. Increasing the number of regular customers is one common goal to the all businesses in the Koshidaka Group. There is a considerable overlap of the customer segments that each business plans to target. To attract more customers and increase the number of regular customers, we will take actions aimed at generating synergies across different business sectors.

Furthermore, we want to be able to capture powerful synergies that produce benefits for a diverse array of activities. For example, synergies can yield benefits for recruiting activities, employee training and assignments, the efficient use of capital, the management of business sites, purchasing activities, and many other activities.

4. 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.

5. Consolidated Financial Statements

(1) Consolidated Balance Sheet

(Thousands of yen)

	FY8/15 (As of Aug. 31, 2015)	FY8/16 (As of Aug. 31, 2016)
Assets		
Current assets		
Cash and deposits	6,187,438	6,304,164
Notes and accounts receivable-trade	2,258,528	2,725,682
Merchandise	732,145	938,063
Raw materials and supplies	188,536	215,763
Deferred tax assets	308,724	317,030
Other	1,804,508	1,724,413
Allowance for doubtful accounts	(31,052)	(39,263)
Total current assets	11,448,828	12,185,854
Non-current assets		
Property, plant and equipment		
Buildings and structures	14,800,632	18,046,933
Accumulated depreciation	(6,708,384)	(7,965,183)
Buildings and structures, net	8,092,247	10,081,749
Vehicles, tools, furniture and fixtures	8,383,260	9,790,595
Accumulated depreciation	(6,416,618)	(7,141,165)
Vehicles, tools, furniture and fixtures, net	1,966,641	2,649,429
Land	1,965,917	1,965,917
Leased assets	538,486	538,486
Accumulated depreciation	(368,665)	(455,186)
Leased assets, net	169,820	83,299
Construction in progress	129,137	22,035
Total property, plant and equipment	12,323,765	14,802,432
Intangible assets		
Goodwill	2,082,803	1,429,342
Software	1,001,208	899,868
Other	6,922	32,013
Total intangible assets	3,090,934	2,361,224
Investments and other assets		
Investment securities	523,445	494,009
Long-term loans receivable	400,097	567,753
Long-term prepaid expenses	87,598	74,227
Lease and guarantee deposits	2,476,787	2,674,361
Deferred tax assets	287,888	265,830
Other	38,596	108,145
Allowance for doubtful accounts	(14,591)	(16,475)
Total investments and other assets	3,799,822	4,167,853
Total non-current assets	19,214,522	21,331,510
Total assets	30,663,351	33,517,364

(Thousands of yen)

	FY8/15 (As of Aug. 31, 2015)	FY8/16 (As of Aug. 31, 2016)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	1,830,734	2,146,556
Current portion of long-term loans payable	2,231,512	2,964,912
Lease obligations	69,927	47,400
Accounts payable-other	1,110,216	853,130
Accrued expenses	925,993	1,011,689
Income taxes payable	1,021,373	1,006,955
Provision for bonuses	223,125	246,544
Deposits received	1,549,419	1,659,939
Other	1,067,798	747,930
Total current liabilities	10,030,101	10,685,059
Non-current liabilities		
Long-term loans payable	5,122,004	6,855,752
Lease obligations	122,516	55,983
Deferred tax liabilities	167,336	171,367
Asset retirement obligations	925,551	1,233,584
Other	243,650	242,845
Total non-current liabilities	6,581,059	8,559,532
Total liabilities	16,611,161	19,244,591
Net assets		
Shareholders’ equity		
Capital stock	493,600	493,600
Capital surplus	483,600	483,600
Retained earnings	13,480,094	14,834,131
Treasury shares	(1,200,797)	(2,319,401)
Total shareholders’ equity	13,256,497	13,491,930
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	27,195	19,255
Foreign currency translation adjustment	114,203	46,229
Total accumulated other comprehensive income	141,399	65,484
Non-controlling interests	654,292	715,358
Total net assets	14,052,190	14,272,773
Total liabilities and net assets	30,663,351	33,517,364

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statement of Income

(Thousands of yen)

	FY8/15 (Sep. 1, 2014 – Aug. 31, 2015)	FY8/16 (Sep. 1, 2015 – Aug. 31, 2016)
Net sales	44,257,397	51,170,002
Cost of sales	33,323,616	38,612,284
Gross profit	10,933,780	12,557,717
Selling, general and administrative expenses	6,539,051	7,747,544
Operating income	4,394,728	4,810,172
Non-operating income		
Interest and dividend income	19,195	21,809
Foreign exchange gains	30,047	-
Co-sponsor fee	20,272	30,074
Gain on investments in silent partnership	17,955	-
Other	81,430	119,600
Total non-operating income	168,901	171,484
Non-operating expenses		
Interest expenses	32,920	31,530
Commission fee	24,143	-
Foreign exchange losses	-	177,926
Other	14,205	72,281
Total non-operating expenses	71,269	281,738
Ordinary income	4,492,360	4,699,919
Extraordinary income		
Gain on sales of non-current assets	67,550	104,831
Total extraordinary income	67,550	104,831
Extraordinary losses		
Loss on retirement of non-current assets	129,978	60,044
Impairment loss	102,699	106,641
Loss on closing of stores	82,186	-
Total extraordinary losses	314,864	166,686
Profit before income taxes	4,245,046	4,638,064
Income taxes-current	2,014,549	2,449,277
Income taxes-deferred	(101,964)	27,545
Total income taxes	1,912,584	2,476,822
Profit	2,332,461	2,161,241
Profit attributable to non-controlling interests	233,584	261,065
Profit attributable to owners of parent	2,098,877	1,900,176

Consolidated Statement of Comprehensive Income

(Thousands of yen)

	FY8/15 (Sep. 1, 2014 – Aug. 31, 2015)	FY8/16 (Sep. 1, 2015 – Aug. 31, 2016)
Profit	2,332,461	2,161,241
Other comprehensive income		
Valuation difference on available-for-sale securities	21,290	(7,940)
Foreign currency translation adjustment	166,864	(67,974)
Total other comprehensive income	188,154	(75,915)
Comprehensive income	2,520,616	2,085,326
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,287,032	1,824,261
Comprehensive income attributable to non-controlling interests	233,584	261,065

(3) Consolidated Statement of Changes in Equity

FY8/15 (Sep. 1, 2014 – Aug. 31, 2015)

(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	11,944,096	(300,139)	12,621,157
Changes of items during period					
Dividends of surplus			(561,140)		(561,140)
Profit attributable to owners of parent			2,098,877		2,098,877
Purchase of treasury shares				(900,658)	(900,658)
Change of scope of consolidation			(1,738)		(1,738)
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-	1,535,998	(900,658)	635,340
Balance at end of current period	493,600	483,600	13,480,094	(1,200,797)	13,256,497

(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	5,905	(52,660)	(46,755)	620,708	13,195,110
Changes of items during period					
Dividends of surplus					(561,140)
Profit attributable to owners of parent					2,098,877
Purchase of treasury shares					(900,658)
Change of scope of consolidation					(1,738)
Net changes of items other than shareholders' equity	21,290	166,864	188,154	33,584	221,739
Total changes of items during period	21,290	166,864	188,154	33,584	857,079
Balance at end of current period	27,195	114,203	141,399	654,292	14,052,190

FY8/16 (Sep. 1, 2015 – Aug. 31, 2016)

(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	13,480,094	(1,200,797)	13,256,497
Changes of items during period					
Dividends of surplus			(546,139)		(546,139)
Profit attributable to owners of parent			1,900,176		1,900,176
Purchase of treasury shares				(1,118,604)	(1,118,604)
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-	1,354,037	(1,118,604)	235,432
Balance at end of current period	493,600	483,600	14,834,131	(2,319,401)	13,491,930

(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	27,195	114,203	141,399	654,292	14,052,190
Changes of items during period					
Dividends of surplus					(546,139)
Profit attributable to owners of parent					1,900,176
Purchase of treasury shares					(1,118,604)
Net changes of items other than shareholders' equity	(7,940)	(67,974)	(75,915)	61,065	(14,849)
Total changes of items during period	(7,940)	(67,974)	(75,915)	61,065	220,582
Balance at end of current period	19,255	46,229	65,484	715,358	14,272,773

(4) Consolidated Statement of Cash Flows

(Thousands of yen)

	FY8/15 (Sep. 1, 2014 – Aug. 31, 2015)	FY8/16 (Sep. 1, 2015 – Aug. 31, 2016)
Cash flows from operating activities		
Profit before income taxes	4,245,046	4,638,064
Depreciation	2,427,482	3,355,455
Impairment loss	102,699	106,641
Amortization of goodwill	355,954	457,114
Increase (decrease) in provision for bonuses	2,627	23,418
Increase (decrease) in allowance for doubtful accounts	16,548	10,095
Interest and dividend income	(19,195)	(21,809)
Interest expenses	32,920	31,530
Loss (gain) on sales of property, plant and equipment	(67,550)	(104,831)
Decrease (increase) in notes and accounts receivable-trade	(421,597)	(467,404)
Decrease (increase) in inventories	102,266	(236,897)
Increase (decrease) in notes and accounts payable-trade	360,693	323,439
Other, net	(472,335)	(38,660)
Subtotal	6,665,561	8,076,157
Interest and dividend income received	19,195	21,809
Interest expenses paid	(31,477)	(31,443)
Income taxes paid	(2,003,633)	(2,328,625)
Net cash provided by (used in) operating activities	4,649,647	5,737,896
Cash flows from investing activities		
Purchase of property, plant and equipment	(3,159,527)	(5,601,508)
Proceeds from sales of property, plant and equipment	73,243	111,730
Purchase of intangible assets	(135,647)	(198,636)
Purchase of investment securities	(50,000)	(164)
Proceeds from sales of investment securities	58,426	4,575
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(721,583)	-
Payments for investments in non-consolidated subsidiaries	(28,637)	-
Payments for lease and guarantee deposits	(382,345)	(308,536)
Proceeds from collection of lease and guarantee deposits	79,892	53,919
Payments of loans receivable	(2,506)	(219,509)
Collection of loans receivable	39,648	50,610
Decrease (increase) in time deposits	(2,400)	(2,006)
Other, net	(45,507)	(12,758)
Net cash provided by (used in) investing activities	(4,276,945)	(6,122,284)

(Thousands of yen)

	FY8/15 (Sep. 1, 2014 – Aug. 31, 2015)	FY8/16 (Sep. 1, 2015 – Aug. 31, 2016)
Cash flows from financing activities		
Proceeds from long-term loans payable	4,371,680	5,560,516
Repayments of long-term loans payable	(2,240,672)	(3,086,968)
Purchase of treasury shares	(900,658)	(1,118,604)
Repayments of lease obligations	(23,489)	(76,291)
Cash dividends paid	(561,140)	(546,139)
Dividends paid to non-controlling interests	(200,000)	(200,000)
Net cash provided by (used in) financing activities	445,720	532,512
Effect of exchange rate change on cash and cash equivalents	10,596	(40,756)
Net increase (decrease) in cash and cash equivalents	829,018	107,368
Cash and cash equivalents at beginning of period	5,169,807	6,142,225
Increase in cash and cash equivalents from newly consolidated subsidiary	143,399	-
Cash and cash equivalents at end of period	6,142,225	6,249,594

(5) Notes to Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Significant Accounting Policies in the Preparation of Consolidated Financial Statements

1. Scope of consolidation

Number of consolidated subsidiaries: 11

(1) Names of consolidated subsidiaries:
KOSHIDAKA Co., Ltd.
Curves HOLDINGS Co., Ltd.
Curves Japan Co., Ltd.
HIGH STANDARD CO., LTD.
KOSHIDAKA PRODUCTS Co., LTD.
Moon Corporation
KOSHIDAKA Business Support Co.,LTD.
KOSHIDAKA KOREA Co., Ltd.
KOSHIDAKA INTERNATIONAL PTE.LTD.
KOSHIDAKA MANAGEMENT SINGAPORE PTE.LTD.
KOSHIDAKA SINGAPORE PTE.LTD.

KOSHIDAKA Facilities Co., Ltd. merged KOSHIDAKA IP Management Co., Ltd. on March 1, 2016 and changed the company name to KOSHIDAKA PRODUCTS Co., LTD. on the same day.
K BOX ENTERTAINMENT GROUP PTE.LTD. changed the company name to KOSHIDAKA SINGAPORE PTE.LTD. on August 25, 2016.

(2) Number of non-consolidated subsidiaries: 4
Names of non-consolidated subsidiaries:
ENGLISHISLAND Ltd.
EEIKAIWA INC.
English Island Ltd.
KOSHIDAKA R&C Co., Ltd.

Reason for exclusion from the scope of consolidation
These subsidiaries are not included in the scope of consolidation since their total assets, net sales, net income/loss and retained earnings have no significant effect on the consolidated financial statements.

2. Application of equity method

There are no non-consolidated subsidiaries and affiliates accounted for by the equity method.

Non-consolidated subsidiaries not accounted for by the equity method
ENGLISHISLAND Ltd.
EEIKAIWA INC.
English Island Ltd.
KOSHIDAKA R&C Co., Ltd.

Reason for exclusion from the application of the equity method
These companies are excluded from the application of the equity method because their net income/loss and retained earnings after eliminations for consolidation have minor effect on the consolidated financial statements and little practical importance.

3. Fiscal years of consolidated subsidiaries

The fiscal year of all consolidated subsidiaries except KOSHIDAKA SINGAPORE PTE.LTD ends on the closing date of consolidated financial statements. The fiscal year of KOSHIDAKA SINGAPORE PTE.LTD ends on June 30. Appropriate adjustments are made for significant transactions during the periods from the balance sheet date of KOSHIDAKA SINGAPORE PTE.LTD and the balance sheet date of the consolidated financial statements.

4. Accounting standards

(1) Valuation standards and methods for principal assets

i. Marketable securities

Available-for-sale securities
Securities with market quotations
Stated at market value at the end of the fiscal year. (Unrealized gain or loss is included in net assets. Cost of securities sold is determined by the moving-average method.)
Securities without market quotations
Stated at cost determined by the moving-average method.

ii. Inventories

Merchandise
Stated at cost determined by the moving-average method. (The carrying value on the balance sheet is written down to reflect the effect of lower profit margins.)
Raw materials and supplies
Stated at cost determined by the last purchased price method. (The carrying value on the balance sheet is written down to reflect the effect of lower profit margins.)

(2) Depreciation and amortization of significant depreciable assets

i. Property, plant and equipment (excluding lease assets)

Declining-balance method except for buildings (excluding attached facilities) acquired on or after April 1, 1998 and facilities attached to buildings and structures acquired on or after April 1, 2016, which are accounted for by the straight-line method. Some consolidated subsidiaries use the straight-line method.
Useful lives of principle assets are as follows:

Buildings and structures:	4-34 years
Vehicles, tools, furniture and fixtures:	3-10 years

ii. Intangible assets (excluding lease assets)

The straight-line method.
Software for internal use is amortized over an expected useful life of five years by the straight-line method.

iii. Leased assets

Lease assets associated with finance lease transactions where there is no transfer of ownership
The straight-line method with no residual value is applied over the lease period used as the useful life of the assets.

(3) Recognition of significant allowances

i. Allowance for doubtful accounts

To prepare for credit losses on accounts receivable at KOSHIDAKA HOLDINGS and its consolidated subsidiaries, allowances equal to the estimated amount of uncollectible receivables are booked for general receivables based on the historical write-off ratio, and bad receivables based on case-by-case determination of collectability.

ii. Provision for bonuses

To provide for employee bonus obligation at KOSHIDAKA HOLDINGS and certain consolidated subsidiaries, an amount accrued for the current fiscal year among the estimated future obligations is designated in the reserve account.

(4) Amortization method and amortization period of goodwill

Goodwill is amortized over a period of five years by the straight-line method.

(5) Scope of cash and cash equivalents on consolidated statement of cash flows

Cash and cash equivalents consist of vault cash, deposits that can be withdrawn on demand, and short-term investments, with original maturities of three months or less, that are readily convertible known amounts of cash and present insignificant risk of changes in value.

(6) Other significant accounting policies in the preparation of consolidated financial statements

Accounting for consumption taxes
All amounts stated are exclusive of consumption taxes.

Changes in Accounting Policies

Application of the Accounting Standards for Business Combinations

The Company has applied the "Accounting Standard for Business Combinations" (Accounting Standards Board of Japan (ASBJ) Statement No. 21, September 13, 2013), "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, September 13, 2013), "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, September 13, 2013), etc. from the current fiscal year. Accordingly, difference arising from changes in the Company's ownership interests in subsidiaries in cases where control is retained is recognized in capital surplus, and the acquisition costs in connection with business combinations are recognized as expenses in the fiscal year in which they arise. Regarding business combinations that take place on or after the beginning of the current fiscal year, the Company has revised the method to reflect reviewed allocation of the acquisition costs arising from determination of the provisional accounting treatment on the consolidated financial statements to which the date of the business combination belongs. In addition, the presentation of net income and other items has been revised, and the minority interests item has been renamed non-controlling interests. For consistency with these changes, the consolidated financial statements for the previous fiscal year have been revised.

The Company has adopted the Accounting Standard for Business Combinations, etc. from the beginning of the current fiscal year in accordance with the transitional accounting treatments set forth in Article 58-2 (4) of the Accounting Standard for Business Combinations, Article 44-5 (4) of the Accounting Standard for Consolidated Financial Statements and Article 57-4 (4) of the Accounting Standard for Business Divestitures.

There is no impact on the consolidated financial statements for the current fiscal year.

Application of Practical Solution on a Change in Depreciation Method due to Tax Reform 2016

Following the revised Corporation Tax Act, the Company has adopted the "Practical Solution on a Change in Depreciation Method due to Tax Reform 2016" (ASBJ Practical Issues Task Force (PITF) No. 32, June 17, 2016) from the current fiscal year, and changed the method for the depreciation of facilities attached to buildings and structures acquired on or after April 1, 2016, from the declining-balance method to the straight-line method.

The effect of this change is insignificant.

Segment and Other Information

Segment information

1. Overview of reportable segment

(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 subsidiaries determines comprehensive strategies for services they provide and develops business operations.

Consequently, business operations are divided into segments based on services provided by each subsidiaries, 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 income.

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

Application of Practical Solution on a Change in Depreciation Method due to Tax Reform 2016

As stated in "Changes in Accounting Policies," the Company has adopted the "Practical Solution on a Change in Depreciation Method due to Tax Reform 2016" from the current fiscal year, and changed the method for the depreciation of facilities attached to buildings and structures acquired on or after April 1, 2016, from the declining-balance method to the straight-line method.

The effect of this change is insignificant.

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

FY8/15 (Sep. 1, 2014 – Aug. 31, 2015) (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	Subtotal			
Net sales								
External sales	23,794,761	18,649,141	1,495,125	318,368	44,257,397	44,257,397	-	44,257,397
Inter-segment sales and transfers	-	-	-	-	-	-	-	-
Total	23,794,761	18,649,141	1,495,125	318,368	44,257,397	44,257,397	-	44,257,397
Segment profit (loss)	1,203,438	3,856,032	(89,949)	127,959	5,097,480	5,097,480	(702,752)	4,394,728
Segment assets	17,493,269	6,799,532	592,266	3,580,211	28,465,280	28,465,280	2,198,070	30,663,351
Other items								
Depreciation	2,062,788	130,448	107,291	78,838	2,379,366	2,379,366	48,116	2,427,482
Amortization of goodwill	346,806	8,797	-	350	355,954	355,954	-	355,954
Impairment loss	46,190	21,350	35,158	-	102,699	102,699	-	102,699
Increase in property, plant and equipment and intangible assets	3,041,425	131,951	111,942	21,686	3,307,005	3,307,005	47,570	3,354,576

Notes: 1. The -702,752 thousand yen adjustment to segment profit (loss) mainly includes general and administrative expenses that cannot be attributed to reportable segments.

2. The 2,198,070 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 marketable securities) and assets related to the administrative division.

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

FY8/16 (Sep. 1, 2015 – Aug. 31, 2016) (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	27,643,226	21,667,838	1,552,183	306,754	51,170,002	-	51,170,002
Inter-segment sales and transfers	-	-	-	-	-	-	-
Total	27,643,226	21,667,838	1,552,183	306,754	51,170,002	-	51,170,002
Segment profit (loss)	1,170,929	4,235,663	77,327	98,850	5,582,770	(772,597)	4,810,172
Segment assets	16,808,082	10,560,613	614,772	3,741,654	31,725,123	1,792,241	33,517,364
Other items							
Depreciation	2,891,023	224,877	101,900	80,834	3,298,635	56,820	3,355,455
Amortization of goodwill	453,551	3,212	-	350	457,114	-	457,114
Impairment loss	106,641	-	-	-	106,641	-	106,641
Increase in property, plant and equipment and intangible assets	5,105,250	306,208	92,888	125,589	5,629,937	30,972	5,660,909

Notes: 1. The -772,597 thousand yen adjustment to segment profit (loss) mainly includes general and administrative expenses that cannot be attributed to reportable segments.

2. The 1,792,241 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 marketable securities) and assets related to the administrative division.

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

Related information

FY8/15 (Sep. 1, 2014 – Aug. 31, 2015)

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.

FY8/16 (Sep. 1, 2015 – Aug. 31, 2016)

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% of net sales on the consolidated statement of income.

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

FY8/15 (Sep. 1, 2014 – Aug. 31, 2015)

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

FY8/16 (Sep. 1, 2015 – Aug. 31, 2016)

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

FY8/15 (Sep. 1, 2014 – Aug. 31, 2015) (Thousands of yen)

	Karaoke	Curves	Bath House	Real Estate Management	Elimination or corporate	Total
Goodwill amortization	346,806	8,797	-	350	-	355,954
Balance at the end of the period	2,076,199	6,253	-	350	-	2,082,803

FY8/16 (Sep. 1, 2015 – Aug. 31, 2016) (Thousands of yen)

	Karaoke	Curves	Bath House	Real Estate Management	Elimination or corporate	Total
Goodwill amortization	453,551	3,212	-	350	-	457,114
Balance at the end of the period	1,426,302	3,040	-	-	-	1,429,342

Information related to gain on bargain purchase for each reportable segment

FY8/15 (Sep. 1, 2014 – Aug. 31, 2015)

Not applicable.

FY8/16 (Sep. 1, 2015 – Aug. 31, 2016)

Not applicable.

Per-share Information

(Yen)

FY8/15 (Sep. 1, 2014 – Aug. 31, 2015)		FY8/16 (Sep. 1, 2015 – Aug. 31, 2016)	
Net assets per share	725.99	Net assets per share	755.09
Net income per share	112.79	Net income per share	104.71
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 issued 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 245 thousand shares each as of August 31, 2015 and 2016.)

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 245 thousand shares each as of August 31, 2015 and 2016.)

2. The following is a reconciliation of net income per share.

(Thousands of yen)

	FY8/15 (Sep. 1, 2014 – Aug. 31, 2015)	FY8/16 (Sep. 1, 2015 – Aug. 31, 2016)
Profit attributable to owners of parent	2,098,877	1,900,176
Amounts not available to common shareholders	-	-
Net income available to common stock	2,098,877	1,900,176
Average number of shares outstanding during the period (Shares)	18,608,498	18,146,929

Material Subsequent Events

Not applicable.

6. Others

(1) Changes in Directors

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.