

## Summary of Consolidated Financial Results for the Fiscal Year Ended August 31, 2017

[Japanese GAAP]

Company name: KOSHIDAKA HOLDINGS Co., LTD. Listing: Tokyo Stock Exchange (First Section)  
 Stock code: 2157 URL: <http://www.koshidakaholdings.co.jp/>  
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Scheduled date of Annual General Meeting of Shareholders: November 24, 2017  
 Scheduled date of filing of Annual Securities Report: November 27, 2017  
 Scheduled date of payment of dividend: November 27, 2017  
 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, 2017 (Sep. 1, 2016 – Aug. 31, 2017)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended Aug. 31, 2017	55,283	8.0	6,146	27.8	6,354	35.2	3,255	71.3
Fiscal year ended Aug. 31, 2016	51,170	15.6	4,810	9.5	4,699	4.6	1,900	(9.5)

Note: Comprehensive income (million yen) Fiscal year ended Aug. 31, 2017: 3,577 (up 71.6%)  
 Fiscal year ended Aug. 31, 2016: 2,085 (down 17.3%)

	Net income per share	Diluted net income per share	Return on equity	Ordinary profit on total assets	Operating profit to net sales
	Yen	Yen	%	%	%
Fiscal year ended Aug. 31, 2017	174.50	-	18.5	16.5	11.1
Fiscal year ended Aug. 31, 2016	104.71	-	14.1	14.6	9.4

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Aug. 31, 2017	43,690	22,663	49.6	1,065.46
As of Aug. 31, 2016	33,517	14,272	40.4	755.09

Reference: Shareholders' equity (million yen) As of Aug. 31, 2017: 21,660 As of Aug. 31, 2016: 13,557

(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, 2017	9,209	(6,317)	4,659	13,754
Fiscal year ended Aug. 31, 2016	5,737	(6,122)	532	6,249

### 2. Dividends

	Dividend per share					Total dividends	Payout ratio (consolidated)	Dividend on equity (consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Total			
Fiscal year ended Aug. 31, 2016	-	15.00	-	17.00	32.00	582	30.6	4.3
Fiscal year ended Aug. 31, 2017	-	18.00	-	18.00	36.00	697	20.6	4.0
Fiscal year ending Aug. 31, 2018 (forecast)	-	20.00	-	20.00	40.00		20.2	

Note: Total dividend payments include dividends paid to the trust account for the employee stock ownership plan (J-ESOP) (7 million yen and 8 million yen for the fiscal years ended August 31, 2016 and 2017, respectively).

### 3. Consolidated Earnings Forecast for the Fiscal Year Ending August 31, 2018 (Sep. 1, 2017 – Aug. 31, 2018)

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	29,207	8.7	3,338	6.0	3,334	1.9	1,827	1.2	89.86
Full year	59,612	7.8	7,313	19.0	7,306	15.0	4,036	24.0	198.52

#### 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, 2017:	20,575,000 shares	As of Aug. 31, 2016:	19,200,000 shares
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2) Number of treasury shares at the end of the period

As of Aug. 31, 2017:	245,409 shares	As of Aug. 31, 2016:	1,245,409 shares
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3) Average number of shares outstanding during the period

Fiscal year ended Aug. 31, 2017:	18,656,514 shares	Fiscal year ended Aug. 31, 2016:	18,146,929 shares
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\* The current financial report is not subject to audit procedures.

\* Explanation of appropriate use of earnings forecasts, and other special items

Forecasts of future performance in these materials are based on assumptions judged to be valid and information available to the Company's management at the time the materials were prepared. These materials are not promises by the Company regarding future performance. Actual results may differ significantly from these forecasts for a number of reasons. Please refer to page 4 of the attachments "1. Overview of Results of Operations, (4) Outlook" for forecast assumptions and notes of caution for usage.

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## 1. Overview of Results of Operations

### (1) Results of Operations

In the current fiscal year under review, the Japanese economy strengthened with the support of higher corporate earnings. However, economic strength did not produce a significant upturn in consumer spending due to the slow pace of growth in personal income.

Results by business segment were as follows.

#### Karaoke

Japan's karaoke facility market has started to shrink. In response, companies are closing locations and selling karaoke businesses. As a result, the overall structure of this business sector is changing as a few big companies are capturing an increasing share of this market.

To succeed and grow in this challenging environment, we are focusing on increasing the number of locations nationwide, mainly in the Tokyo area. We are also using resources to offer even more and better events and services that our competitors cannot match.

There are several initiatives that target specific customer segments and time frames. The ZERO Kara service has no room charge for high school students. The Asa-Uta ("Morning Song") service mainly targets seniors. There are also a variety of joint activities with content holders. All of these initiatives have been successful at attracting more customers as planned.

In addition, during the current fiscal year, karaoke facilities have been revising operating hours, rates and staffing policies in order to accurately reflect changes in customer utilization patterns at each location.

All karaoke locations in the Tokyo area, including Tokyo and three neighboring prefectures, became smoke-free to allow customers to sing in rooms with clean air. The no-smoking policy has been very well accepted, generating a positive response among families, seniors and all other customers who place the highest priority on leading a healthy life style.

The karaoke business has a program that encourages employees to become independent operators of karaoke facilities. The aim is to take advantage of the strengths of management by entrepreneurs in order to offer services that precisely match customers' needs and closely reflect the perspective of each operator. Former employees currently operate 30 of our karaoke facilities, 11 more than at the end of the previous fiscal year.

Outside Japan, one karaoke location using the new Noretown format opened in South Korea.

At the end of the current fiscal year, the number of karaoke locations in Japan totaled 499, 42 more than at the end of the previous fiscal year, and the number of overseas karaoke facilities totaled 24, consisting of 10 in Singapore and 14 in South Korea.

Renovations of karaoke locations in Japan were completed at 37 locations.

Sales in the Karaoke segment were 29,614 million yen, up 7.1% year on year. The segment profit was 2,050 million yen, up 75.1% year on year.

#### Curves

Curves operate facilities where people can become accustomed to exercising regularly with friends throughout their lives in order to enjoy happy and healthy lives with fewer worries about diseases and the need for nursing care. We want people who do not exercise regularly to understand the importance of physical exercise and make this a regular part of their lives. 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 current fiscal year, the number of Curves fitness clubs in Japan was 1,823 (including 58 directly operated facilities), an increase of 101 or 5.8%, from the end of the previous fiscal year. The number of members went up by 49,000, or 6.3%, to 821,000.

Sales in the Curves segment were 23,720 million yen, up 9.5% year on year, and the segment profit was 4,672 million yen, up 10.3%.

#### Bath House

In this segment, there were measures to enhance activities for attracting customers and bath houses started offering new types of content. There were also more investments in energy-saving equipment. The goal was to improve operations in terms of both quality and quantity.

Sales in the Bath House segment were 1,637 million yen, up 5.5% year on year. The segment profit was 122 million yen, up 58.2%.

#### Real Estate Management

Sales in the Real Estate Management segment were 312 million yen, up 1.7% year on year, and the segment profit was 126 million yen, up 27.8%.

Overall, the Koshidaka Group (KOSHIDAKA HOLDINGS Co., LTD. and its consolidated subsidiaries) had sales of 55,283 million yen, up 8.0%, operating profit of 6,146 million yen, up 27.8%, ordinary profit of 6,354 million yen, up 35.2%, and profit attributable to owners of parent of 3,255 million yen, up 71.3% in the fiscal year ended August 31, 2017.

## **(2) Financial Position**

Total assets at the end of the current fiscal year increased 10,172 million yen (30.4%) from the end of the previous fiscal year to 43,690 million yen.

#### Current assets

Current assets increased 7,551 million yen (62.0%) to 19,737 million yen. This was mainly due to a 7,480 million yen increase in cash and deposits.

#### Non-current assets

Property, plant and equipment increased 2,007 million yen (13.6%) to 16,810 million yen. This was mainly due to a 1,634 million yen increase in buildings and structures, and a 422 million yen increase in vehicles, tools, furniture and fixtures.

Intangible assets decreased 690 million yen (29.3%) to 1,670 million yen. This was mainly due to a 394 million yen decrease in goodwill and a 298 million yen decrease in software.

Investments and other assets increased 1,304 million yen (31.3%) to 5,472 million yen. This was mainly due to a 710 million yen increase in investment securities, a 334 million yen increase in lease and guarantee deposits and a 191 million yen increase in deferred tax assets.

Total non-current assets increased 2,621 million yen (12.3%) to 23,953 million yen.

#### Current liabilities

Current liabilities increased 1,956 million yen (18.3%) to 12,641 million yen. This was mainly due to a 509 million yen increase in income taxes payable, a 492 million yen increase in accounts payable-other and a 390 million yen increase in current portion of long-term loans payable.

### Non-current liabilities

Non-current liabilities decreased 175 million yen (2.0%) to 8,384 million yen. This was mainly due to a 394 million yen increase in asset retirement obligations, while there was a decrease of 474 million yen in long-term loans payable.

Total liabilities increased 1,781 million yen (9.3%) to 21,026 million yen.

### Net assets

Net assets increased 8,391 million yen (58.8%) to 22,663 million yen. This was mainly due to a 2,627 million yen increase in retained earnings, a 1,851 million yen increase in capital surplus, and a 1,576 million yen increase in capital stock, while there was a decrease of 2,018 million yen in treasury shares.

## **(3) Cash flows**

Cash and cash equivalents (hereinafter “net cash”) at the end of the current fiscal year increased 7,505 million yen from the end of the previous fiscal year to 13,754 million yen.

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

### Cash flows from operating activities

Net cash provided by operating activities totaled 9,209 million yen, an increase of 3,471 million yen from 5,737 million yen provided in the previous fiscal year. Main factors include increases of 1,237 million yen in accounts payable-other and accrued expenses, 1,069 million yen in profit before income taxes, 440 million yen in impairment loss, 295 million yen in inventories, and a decrease of 404 million yen in income taxes paid.

### Cash flows from investing activities

Net cash used in investing activities totaled 6,317 million yen, an increase of 194 million yen from 6,122 million yen used in the previous fiscal year. Main factors include a decrease of 622 million yen in purchase of property, plant and equipment, and increases of 693 million yen in purchase of investment securities and 201 million yen in purchase of intangible assets.

### Cash flows from financing activities

Net cash provided by financing activities totaled 4,659 million yen, an increase of 4,126 million yen from 532 million yen provided in the previous fiscal year. Main factors include increases of 3,126 million yen in proceeds from issuance of common shares, 2,293 million yen in proceeds from sales of treasury shares, and decreases of 2,060 million yen in proceeds from long-term loans payable and 1,118 million yen in payments for the purchase of treasury shares.

## **(4) Outlook**

The outlook is for more growth of the Japanese economy backed by a recovery in demand from foreign tourists, growth of exports and strong corporate earnings. But there are concerns about the possibility of a continuation in sluggish consumer spending as personal income remains flat despite the recovery in the job market.

Business segment forecasts are as follows.

### Karaoke

To overcome intense competition for survival in Japan’s karaoke market, we have a strong commitment to increasing the number of locations, mainly in the Tokyo area. In addition, we are reinforcing activities aimed at increasing the number of visitors in all customer segments.

We will step up activities to make services even more systemized and automated in order to serve customers even better. Another goal is to create new services that involve development activities.

Southeast Asia will be the focus of our overseas operations because of the outlook for growth of the leisure and recreation market as the region's population increases. Our operations will closely match the characteristics of the markets and business climate in each country where we operate.

Due to these initiatives, we forecast an 8.4% increase in Karaoke segment sales to 32,095 million yen.

#### Curves

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

We will create ways to help people who do not realize the importance of exercise gain an understanding of the need to exercise and make this a regular part of their lives. We will strengthen the operations of the Curves head office and Curves franchisees to reinforce Curves' presence in the fitness market. Furthermore, we plan to expand tie-ups with local governments for making people more aware of the need for regular exercise to stay healthy. Our objective is to use these actions to achieve more growth in the number of fitness clubs and members.

Consequently, we forecast a 7.6% increase in Curves segment sales to 25,529 million yen.

#### Bath House

We are taking a variety of actions for further enhancing customer satisfaction. Two main initiatives are expanding and upgrading the food and beverage selection and providing space that allows customers to stay longer. We are also making more investments for using energy more efficiently in order to become more profitable and support the growth of this business.

We forecast a 0.9% increase in the Bath House segment sales to 1,652 million yen.

#### Real Estate Management

We forecast a 7.7% increase in Real Estate Management segment sales to 336 million yen.

Overall, we forecast consolidated net sales of 59,612 million yen, up 7.8%, operating profit of 7,313 million yen, up 19.0%, ordinary profit of 7,306 million yen, up 15.0%, and profit attributable to owners of parent of 4,036 million yen, up 24.0% for the fiscal year ending August 31, 2018.

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

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

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

### 3. Consolidated Financial Statements and Notes

#### (1) Consolidated Balance Sheet

(Thousands of yen)

	FY8/16 (As of Aug. 31, 2016)	FY8/17 (As of Aug. 31, 2017)
<b>Assets</b>		
Current assets		
Cash and deposits	6,304,164	13,785,094
Notes and accounts receivable-trade	2,725,682	3,021,695
Merchandise	938,063	900,386
Raw materials and supplies	215,763	196,282
Deferred tax assets	317,030	434,772
Other	1,724,413	1,418,940
Allowance for doubtful accounts	(39,263)	(20,104)
Total current assets	12,185,854	19,737,068
Non-current assets		
Property, plant and equipment		
Buildings and structures	18,046,933	21,143,674
Accumulated depreciation	(7,965,183)	(9,426,936)
Buildings and structures, net	10,081,749	11,716,737
Vehicles, tools, furniture and fixtures	9,790,595	10,437,806
Accumulated depreciation	(7,141,165)	(7,365,776)
Vehicles, tools, furniture and fixtures, net	2,649,429	3,072,030
Land	1,965,917	1,965,917
Leased assets	538,486	538,486
Accumulated depreciation	(455,186)	(489,247)
Leased assets, net	83,299	49,238
Construction in progress	22,035	6,310
Total property, plant and equipment	14,802,432	16,810,233
Intangible assets		
Goodwill	1,429,342	1,034,950
Software	899,868	601,509
Other	32,013	33,861
Total intangible assets	2,361,224	1,670,321
Investments and other assets		
Investment securities	494,009	1,205,029
Long-term loans receivable	567,753	613,541
Long-term prepaid expenses	74,227	59,526
Lease and guarantee deposits	2,674,361	3,008,647
Deferred tax assets	265,830	457,433
Other	108,145	163,327
Allowance for doubtful accounts	(16,475)	(34,959)
Total investments and other assets	4,167,853	5,472,548
Total non-current assets	21,331,510	23,953,103
Total assets	33,517,364	43,690,171



(Thousands of yen)

	FY8/16 (As of Aug. 31, 2016)	FY8/17 (As of Aug. 31, 2017)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	2,146,556	2,193,275
Current portion of long-term loans payable	2,964,912	3,355,738
Lease obligations	47,400	33,289
Accounts payable-other	853,130	1,345,766
Accrued expenses	1,011,689	1,124,858
Income taxes payable	1,006,955	1,516,796
Provision for bonuses	246,544	334,518
Deposits received	1,659,939	1,728,024
Other	747,930	1,009,693
Total current liabilities	10,685,059	12,641,960
Non-current liabilities		
Long-term loans payable	6,855,752	6,381,710
Lease obligations	55,983	23,286
Deferred tax liabilities	171,367	119,680
Asset retirement obligations	1,233,584	1,628,153
Other	242,845	231,581
Total non-current liabilities	8,559,532	8,384,411
Total liabilities	19,244,591	21,026,372
<b>Net assets</b>		
Shareholders' equity		
Capital stock	493,600	2,070,257
Capital surplus	483,600	2,335,577
Retained earnings	14,834,131	17,461,291
Treasury shares	(2,319,401)	(301,401)
Total shareholders' equity	13,491,930	21,565,724
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	19,255	34,907
Foreign currency translation adjustment	46,229	59,659
Total accumulated other comprehensive income	65,484	94,567
Non-controlling interests	715,358	1,003,506
Total net assets	14,272,773	22,663,798
Total liabilities and net assets	33,517,364	43,690,171

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

(Thousands of yen)

	FY8/16 (Sep. 1, 2015 – Aug. 31, 2016)	FY8/17 (Sep. 1, 2016 – Aug. 31, 2017)
Net sales	51,170,002	55,283,582
Cost of sales	38,612,284	40,998,606
Gross profit	12,557,717	14,284,976
Selling, general and administrative expenses	7,747,544	8,138,507
Operating profit	4,810,172	6,146,469
Non-operating income		
Interest and dividend income	21,809	8,673
Foreign exchange gains	-	79,915
Store relocation compensation	-	73,259
Co-sponsor fee	30,074	59,212
Other	119,600	110,191
Total non-operating income	171,484	331,252
Non-operating expenses		
Interest expenses	31,530	23,418
Share issuance cost	-	26,754
Foreign exchange losses	177,926	-
Other	72,281	73,297
Total non-operating expenses	281,738	123,471
Ordinary profit	4,699,919	6,354,250
Extraordinary income		
Gain on sales of non-current assets	104,831	16,214
Total extraordinary income	104,831	16,214
Extraordinary losses		
Loss on retirement of non-current assets	60,044	115,848
Impairment loss	106,641	546,790
Total extraordinary losses	166,686	662,639
Profit before income taxes	4,638,064	5,707,826
Income taxes-current	2,449,277	2,524,106
Income taxes-deferred	27,545	(364,999)
Total income taxes	2,476,822	2,159,107
Profit	2,161,241	3,548,718
Profit attributable to non-controlling interests	261,065	293,148
Profit attributable to owners of parent	1,900,176	3,255,570

**Consolidated Statement of Comprehensive Income**

	(Thousands of yen)	
	FY8/16 (Sep. 1, 2015 – Aug. 31, 2016)	FY8/17 (Sep. 1, 2016 – Aug. 31, 2017)
Profit	2,161,241	3,548,718
Other comprehensive income		
Valuation difference on available-for-sale securities	(7,940)	15,652
Foreign currency translation adjustment	(67,974)	13,430
Total other comprehensive income	(75,915)	29,082
Comprehensive income	2,085,326	3,577,801
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,824,261	3,284,653
Comprehensive income attributable to non-controlling interests	261,065	293,148

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

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					
Issuance of new shares					
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)
Disposal of treasury shares				-	-
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					
Issuance of new shares					
Dividends of surplus					(546,139)
Profit attributable to owners of parent					1,900,176
Purchase of treasury shares					(1,118,604)
Disposal of treasury shares					-
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

FY8/17 (Sep. 1, 2016 – Aug. 31, 2017)

(Thousands of yen)

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

(Thousands of yen)

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

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

(Thousands of yen)

	FY8/16 (Sep. 1, 2015 – Aug. 31, 2016)	FY8/17 (Sep. 1, 2016 – Aug. 31, 2017)
<b>Cash flows from operating activities</b>		
Profit before income taxes	4,638,064	5,707,826
Depreciation	3,355,455	3,570,980
Impairment loss	106,641	546,790
Amortization of goodwill	457,114	437,717
Increase (decrease) in provision for bonuses	23,418	87,974
Increase (decrease) in allowance for doubtful accounts	10,095	(675)
Interest and dividend income	(21,809)	(8,673)
Interest expenses	31,530	23,418
Loss (gain) on sales of property, plant and equipment	(104,831)	(16,214)
Decrease (increase) in notes and accounts receivable-trade	(467,404)	(294,455)
Decrease (increase) in inventories	(236,897)	58,636
Increase (decrease) in notes and accounts payable-trade	323,439	45,522
Increase (decrease) in accounts payable-other and accrued expenses	(434,423)	803,050
Other, net	395,763	185,522
Subtotal	8,076,157	11,147,420
Interest and dividend income received	21,809	8,673
Interest expenses paid	(31,443)	(23,315)
Income taxes paid	(2,328,625)	(1,923,688)
Net cash provided by (used in) operating activities	5,737,896	9,209,089
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(5,601,508)	(4,978,676)
Proceeds from sales of property, plant and equipment	111,730	16,283
Purchase of intangible assets	(198,636)	(400,476)
Purchase of investment securities	(164)	(693,875)
Proceeds from sales of investment securities	4,575	3,603
Payments for lease and guarantee deposits	(308,536)	(323,681)
Proceeds from collection of lease and guarantee deposits	53,919	16,232
Payments of loans receivable	(219,509)	(51,012)
Collection of loans receivable	50,610	27,788
Decrease (increase) in time deposits	(2,006)	28,535
Other, net	(12,758)	38,268
Net cash provided by (used in) investing activities	(6,122,284)	(6,317,007)

	(Thousands of yen)	
	FY8/16	FY8/17
	(Sep. 1, 2015 – Aug. 31, 2016)	(Sep. 1, 2016 – Aug. 31, 2017)
<b>Cash flows from financing activities</b>		
Proceeds from long-term loans payable	5,560,516	3,500,000
Repayments of long-term loans payable	(3,086,968)	(3,583,216)
Proceeds from issuance of common shares	-	3,126,560
Purchase of treasury shares	(1,118,604)	-
Proceeds from sales of treasury shares	-	2,293,320
Repayments of lease obligations	(76,291)	(44,115)
Cash dividends paid	(546,139)	(628,410)
Dividends paid to non-controlling interests	(200,000)	(5,000)
Net cash provided by (used in) financing activities	532,512	4,659,138
Effect of exchange rate change on cash and cash equivalents	(40,756)	(45,928)
Net increase (decrease) in cash and cash equivalents	107,368	7,505,291
Cash and cash equivalents at beginning of period	6,142,225	6,249,594
Cash and cash equivalents at end of period	6,249,594	13,754,885

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

### **Going Concern Assumption**

Not applicable.

### **Additional Information**

(Application of the “Implementation Guidance on Recoverability of Deferred Tax Assets”)

The Company has adopted the “Implementation Guidance on Recoverability of Deferred Tax Assets” (Accounting Standards Board of Japan (ASBJ) Guidance No. 26, March 28, 2016) from the first quarter of the current fiscal year.

### **Segment and Other Information**

#### **Segment information**

##### 1. Overview of reportable segments

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

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

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

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

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

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

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

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

Profits for reportable segments are operating profit.

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



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

FY8/16 (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 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 investment securities) and assets related to the administrative division.

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

FY8/17 (Sep. 1, 2016 – Aug. 31, 2017)

(Thousands of yen)

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

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

2. The 6,769,202 thousand yen adjustment to segment assets includes corporate assets that are not allocated to any of the reportable segments. Corporate assets mainly include excess working capital (cash and investment securities) and assets related to the administrative division.

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

## **Related information**

FY8/16 (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% or more of net sales on the consolidated statement of income.

FY8/17 (Sep. 1, 2016 – Aug. 31, 2017)

### 1. Information by product or service

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

### 2. Information by region

#### (1) Net sales

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

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

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

### 3. Information by major client

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

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

FY8/16 (Sep. 1, 2015 – Aug. 31, 2016)

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

FY8/17 (Sep. 1, 2016 – Aug. 31, 2017)

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**

FY8/16 (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

FY8/17 (Sep. 1, 2016 – Aug. 31, 2017)

(Thousands of yen)

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

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

FY8/16 (Sep. 1, 2015 – Aug. 31, 2016)

Not applicable.

FY8/17 (Sep. 1, 2016 – Aug. 31, 2017)

Not applicable.

**Per-share Information**

(Yen)

FY8/16 (Sep. 1, 2015 – Aug. 31, 2016)		FY8/17 (Sep. 1, 2016 – Aug. 31, 2017)	
Net assets per share	755.09	Net assets per share	1,065.46
Net income per share	104.71	Net income per share	174.50
Diluted net income per share is not presented because there are no outstanding dilutive securities.		Diluted net income per share is not presented because there are no outstanding dilutive securities.	

Notes: 1. The Company's stock held by the employee stock ownership plan (J-ESOP) is included in treasury shares and is thus deducted from the number of shares outstanding at the end of each fiscal year that was used to calculate net assets per share. (The number of shares of the Company's stock held by the trust was 245,000 shares each as of August 31, 2016 and 2017.)

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 245,000 shares each as of August 31, 2016 and 2017.)

2. The basis for calculating net income per share.

(Thousands of yen)

	FY8/16 (Sep. 1, 2015 – Aug. 31, 2016)	FY8/17 (Sep. 1, 2016 – Aug. 31, 2017)
Profit attributable to owners of parent	1,900,176	3,255,570
Amounts not available to common shareholders	-	-
Net income available to common stock	1,900,176	3,255,570
Average number of shares outstanding during the period (Shares)	18,146,929	18,656,514

**Material Subsequent Events**

Not applicable.

*This summary report is solely a translation of "Kessan Tanshin" (in Japanese, including attachments), which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.*