

October 10, 2019

To whom it may concern

Company: KOSHIDAKA HOLDINGS Co., LTD.  
Representative: Hiroshi Koshidaka  
Representative Director & President  
(Securities Code: 2157, TSE 1st Section)  
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Managing Director, Head of Group Administration  
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## **Notice Regarding Dividend in Kind of Subsidiary Shares (Stock Distribution Spin-off) and Change in Specified Subsidiary**

KOSHIDAKA HOLDINGS Co., LTD. (hereinafter referred to as the “Company”) hereby announces that it has resolved, at the meeting of the Board of Directors held on October 10, 2019, to submit a proposal to the 50th ordinary general meeting of shareholders to be held on November 27, 2019, (hereinafter referred to as the “Ordinary General Meeting of Shareholders”) regarding the distribution of all shares of Curves HOLDINGS Co., Ltd, a subsidiary of the Company (hereinafter referred to as “Curves HOLDINGS”), which are held by the Company, to the shareholders of the Company as dividend in kind (distribution of property other than cash) (hereinafter referred to as the “Spin-off”).

In the 2017 Japan Tax Reform, qualified stock distribution spin-off was introduced, which allows (I) exemption of (a) taxation on the gain and/or loss arising from the transfer of subsidiary to be imposed on a company that conducts stock distribution, and (b) taxation on the dividend to be imposed on the shareholders receiving such distribution and (II) deferment of taxation on the gain and/or loss arising from share transfer to be imposed on such shareholders. The Spin-off will be implemented by utilizing this stock distribution spin-off and distributing to the shareholders of the Company as of the record date of February 29, 2020, the common shares of Curves HOLDINGS, a consolidated subsidiary of the Company, as dividend in kind.

Although the Spin-off will be implemented as dividend in kind (distribution of property other than cash) which will not grant the shareholders of the Company the right to demand distribution of monies, the Company obtained approval for the business reconstruction plan concerning the karaoke business under the Act on Strengthening Industrial Competitiveness from the Minister of Economy, Trade and Industry, regarding the Spin-off as of October 9, 2019 and the Spin-off is expected to be approved by the ordinary resolution at the Ordinary General Meeting of Shareholders as special treatment under the Act on Strengthening Industrial Competitiveness.

In addition, in order to secure trading opportunities for shareholders, the Spin-off is premised on the listing of the shares of Curves HOLDINGS on the Tokyo Stock Exchange, Inc. (hereinafter referred to as the “TSE”). Therefore, Curves HOLDINGS is scheduled to apply, before the implementation of the Spin-off, for listing of its distributed shares on the TSE and the Spin-off is subject to the approval for listing on the TSE and other conditions. At the same time, the shares of the Company will remain listed on the TSE after the Spin-off. Accordingly, as a result of the Spin-off, the shareholders of the Company as of the record date will have two listed shares, the shares of the Company and the shares of Curves HOLDINGS.

As a result of the Spin-off, Curves HOLDINGS will no longer be a consolidated subsidiary of the Company, and, instead, will become an independent listed company with no financial relationship with the Company.

Note: This document is prepared solely for the purpose of public disclosure regarding the Spin-off and does not constitute an offer to sell or the solicitation of an offer to buy any security of the Company or its subsidiaries, whether in Japan or overseas.

## 1. Purpose and reason for the Spin-off

Group of the Company (hereinafter referred to as the “Group”) upholds the management philosophy that “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”. With “health” and “vitality” as keywords, the Group set the development of “new business models in existing industries” as the foundation of its growth strategy and has operated its business in four fields, “amusement”, “sports and fitness”, “tourism and recreation“ and “hobby and culture”, as a corporate group that provides a comprehensive leisure service. Currently, the business segments of the Group consist of the “karaoke business”, “Curves business”, “bath house business” and “real estate management business”.

Since listing of the Company in 2007, the Group has achieved growth both in sales and earnings for 12 consecutive fiscal years. In light of the rapidly changing business climate in recent years, the Group became aware of the need to implement business strategies in each business segment promptly and flexibly in order to realize further growth in the business segments, including the karaoke business and Curves business, of the current Group (hereinafter, the Group before the Spin-off shall be referred to as the “current Group”, the Group after the Spin-off shall be referred to as the “new Group” and Curves HOLDINGS Group after the Spin-off shall be referred to as the “new Curves HOLDINGS Group”). In particular, with respect to the Curves business, where the Group acquired Curves International, Inc., (hereinafter referred to as “CVI”), a global franchiser of the Curves business in March 2018, the Group anticipates broad expansion of the business operations of the Curves business both in Japan and overseas. In addition, as Japan’s population continues to age, the business is expected to expand in collaboration with local governments and through industry-university-government cooperation in order to extend the healthy life expectancy and control medical and nursing care expenses. Therefore, the Group believes that for further growth in the future, it is essential to further strengthen and construct an independent governance system and establish a disciplined management system in the Curves business.

Under these circumstances, the Group was considering to separate and make the Curves business, which is currently operated as one of the business segments of the current Group, independent in terms of its management, capital, and listing, and thereby implement business strategies steadily and accelerate business growth. In addition, the 2017 Japan Tax Reform enabled exemption of taxation on the gain or loss arising from the transfer of a subsidiary to be imposed on companies that conduct share distribution and on the dividend to be imposed on shareholders that receive such dividend distributions, and deferrals of taxation on the gain and/or loss arising from share transfer to be imposed on such shareholders in the case of stock distribution spin-offs, and the tax benefits of stock distribution spin-offs have increased compared to the cases where companies aim for the separation and independence of their subsidiary through sales of shares of the subsidiary or its business in general. Therefore, the Group has come to the conclusion that the separation and independence of Curves HOLDINGS through the Spin-off is optimal for further improving of shareholder value.

In addition to the growth of the Curves business, the Group considers that the Spin-off will lead to further growth of the karaoke business as well, by enabling the new Group to concentrate management resources on further facility development both in Japan and overseas, and promoting marketing initiatives and content development etc. As a result of the Spin-off, shareholders of the Company will be able to retain their rights as shareholders of both the Company and Curves HOLDINGS, which is to be separate and independent from the Company. For the reasons stated above, the Group believes that the Spin-off will contribute to the enhancement of the shareholder value of the new Group and the new Curves HOLDINGS Group, and has resolved to implement the Spin-off subject to the approval by the Ordinary General Meeting of Shareholders and the approval for listing by the TSE and other conditions.

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Among the main business segments of the current Group, in karaoke business, the Group operates 525 facilities in total in Japan as of the end of August 2019: 517 “Karaoke Manekineko” stores and 8 “1 Kara” facilities, a specialized store for solo karaoke. Overseas, the Group operates 9 facilities in Singapore, 8 facilities in Korea, 3 facilities in Malaysia and 1 facility in Thailand. In Japan, the Group actively opens facilities in the Tokyo metropolitan area and expands the size of facilities to attract more customers, as well as cultivates new demand by implementing measures to increase the number of repeat customers in each customer base, such as “Zero Kara”, a service focusing on high school students, “Mafu (Manekineko Free Time Plan)”, a special plan for university, junior college, and technical school students, “Asa Uta”, a service created in response to the increase in senior customers and morning users, “Manekineko de Family Coupon” for families, as well as prohibition of smoking in every room of every store, which has never been attempted in a karaoke industry, a differentiation strategy by serving food in collaboration with famous restaurants. The Group also continuously promotes the automation and streamlining of business operations by providing “Manekineko App”, a service app for members, and further, the Group is recruiting large number of new employees and strengthening development of human resources by way of introducing unique personnel system, etc. Overseas, the Group has promoted further expansion of its business in Southeast Asia, opening its first facility in Thailand and its third facility in Malaysia and preparing for the opening of its first facility in Indonesia.

In the Curves business, the Group operates “Curves”, a 30-minute fitness club for women at franchised clubs and directly-manages clubs. As of the end of August 2019, the Group had 1,991 clubs and more than 822 thousand members in Japan. The Group will make efforts to improve its business performance through (a) expansion of club network by diversifying the method of opening new facilities, (b) decreasing the membership cancellation rate by improving customer’s satisfaction, (c) further promotion of word-of-mouth marketing, and (d) strengthening marketing activities covering the customer base from 55 years old to 64 years old. In addition, as a corporation which is trying to expand healthy-life expectancy, the Group will further promote cooperation with local governments and industry-university-government cooperation to tackle problems arising from super-aging society, and work to improve its brand value. With respect to the fitness facility for men, which the Group has been engaged in since 2016, the Company aims at multi-store operation by gradually increasing the number of clubs, as the business operation of “Men’s Curves” opened in Nagano in November 2018 gets on track and the business format is almost established. Furthermore, the acquisition of CVI enabled the Group to recover the outflow of royalty payments and to hold intellectual property related to the Curves business permanently. Looking forward, the Group will work to expand its know-how that have been developed and nurtured independently in Japan on a global scale, focusing on Europe in particular as a target area.

The Group will strive to meet the expectations of shareholders, investors, and other stakeholders by accurately understanding the rapidly changing business climate, utilizing the management resources of the Group, and improving shareholder value.

With respect to the Spin-off, the Company receives (i) from Mitsubishi UFJ Morgan Stanley Securities Co., Ltd., comprehensive advice including advice on the listing of Curves HOLDINGS, (ii) from GCA FAS Co., Ltd. and GCA Tax Corporation, financial and tax advice, including structuring advice, and (iii) from Nagashima Ohno & Tsunematsu, legal advice.

## 2. Outline of the dividend in kind (distribution of property other than cash)

(1) Record date	Saturday, February 29, 2020
(2) Type of dividend property	Common stock of Curves HOLDINGS Co., Ltd.
(3) Total book value of dividend property and value per share	18,038,187 yen (0.22 yen per share)
(4) Total market value of dividend property and value per share	- yen (- per share) (Note 1)

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- (2) Record date for distribution February 29, 2020  
(3) Method of public notice Public notices will be made electronically on the Company's website. <https://www.koshidakaholdings.co.jp/>

2. The above is the schedule for dividend in kind and listing of the distributed shares on the TSE, and the schedule for the Issuance of New Shares has not been decided.

(3) Method of distributing the dividend in kind

The Company plans to distribute dividend in kind at a rate of one share of common stock of Curves HOLDINGS to one share of common stock of the Company held by the shareholders registered as of the end of the record date, February 29, 2020 (Saturday).

As the record date, February 29, 2020 (Saturday) will fall on a non-business day of the shareholder register administrator, substantive record date will be February 28, 2020 (Friday).

\* For more details regarding the procedures of the Spin-off for shareholders and other general investors, please refer to "Explanation on Dividend in Kind of Subsidiary Shares (Stock Distribution Spin-off) and Change in Specified Subsidiary (Q&A)" (URL: <https://www.koshidakaholdings.co.jp/news/>) as of today.

4. Overview of the subsidiary to be changed (i.e., the subsidiary to be spun off), which is the issuer of the shares to be distributed as dividend in kind (as of August 31, 2019)

(1) Company name	Curves HOLDINGS Co., Ltd.	
(2) Location	3-9-1, Shibaura, Minato-ku, Tokyo	
(3) Name and title of representative	Takeshi Masumoto, Representative Director and President	
(4) Business activities	Operation of Curves business (fitness club business)	
(5) Capital stock	20,018,000 yen	
(6) Date of establishment	October 17, 2008	
(7) Major shareholders and shareholding ratio	KOSHIDAKA HOLDINGS Co., LTD.: 100%	
(8) Total number of shares outstanding (Note 2)	82,298,284 shares	
(9) Number of dilutive shares of stock acquisition rights	9,144,209 shares Takeshi Masumoto: 5,029,315 shares (Note 1) Maki Sakamoto: 2,057,447 shares (Note 1) Yoko Masumoto: 2,057,447 shares (Note 1)	
(10) Relationships between the Company and this subsidiary	Capital relationship	This subsidiary is a wholly owned subsidiary of the Company.
	Personnel relationship	There are two directors concurrently serving as directors of the Company and Curves HOLDINGS at the end of the immediately preceding fiscal year, namely, Osamu Koshidaka, the Senior Executive Director of the Company, and Kazuhiro Asakura, the Managing Director of the Company. Osamu Koshidaka will resign from his office as a Senior Executive Director of the Company due to the expiration of his term of office at

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		<p>the conclusion of the Ordinary General Meeting of Shareholders, and Kazuhiro Asakura will resign from his office as a Director of Curves HOLDINGS due to the expiration of his term of office at the conclusion of the 11th Ordinary General Meeting of Shareholders of Curves HOLDINGS to be held on November 28, 2019 (hereinafter referred to as the “Ordinary General Meeting of Shareholders of Curves HOLDINGS”). Therefore, after the Spin-off, there will be no directors concurrently serving as directors of the Company and Curves HOLDINGS.</p> <p>There is no other personnel relationship that should be stated.</p>
	Business relationship	<p>In the immediately preceding fiscal year, the Company had business relationships with Curves HOLDINGS and its group companies, such as business guidance, license of brand agreements, system use contracts, etc. However, all those business relationships are expected to be terminated at the time of the implementation of the Spin-Off.</p> <p>There is no other business relationship that should be stated.</p>
	Status as related party	<p>This subsidiary is a related party of the Company because the Company is a parent company that directly holds shares of this subsidiary; provided, however, that, after the Spin-off, this subsidiary will cease to be a related party of the Company.</p>

(11) Consolidated results of operations and consolidated financial position of this subsidiary for the last three fiscal years (for the fiscal year ended August 31, 2017, on a non-consolidated basis)

Fiscal year	Fiscal year ended August 31, 2017	Fiscal year ended August 31, 2018	Fiscal year ended August 31, 2019
Net assets	3,170 million yen	8,361 million yen	7,742 million yen
Total assets	5,328 million yen	37,402 million yen	34,224 million yen
Net assets per share (Note 2)	7,925,668.35 yen	20,903,445.64 yen	94.07 yen
Net sales	1,472 million yen	27,937 million yen	28,036 million yen
Operating profit	994 million yen	5,095 million yen	5,436 million yen
Ordinary profit	996 million yen	5,293 million yen	5,242 million yen
Profit attributable to owners of parent	997 million yen	3,488 million yen	3,706 million yen
Profit per share (Note 2)	2,494,139.16 yen	8,721,863.06 yen	60.89 yen

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Dividend per share (Notes 2 and 3)	7,500,000 yen	7,500,000 yen	49 yen
(12) Composition of directors and corporate auditors (Note 4)	Takeshi Masumoto, Representative Director and President Maki Sakamoto, Director Yoko Masumoto, Director Shinya Matsuda, Director Osamu Koshidaka, Director Kazuhiro Asakura, Director Motoaki Kuniyasu, Full-Time Corporate Auditor Sadayoshi Yamamoto, Corporate Auditor		
(13) Listing	Curves HOLDINGS is scheduled to apply for the listing of its shares on the TSE before the implementation of the Spin-off. For more details, please refer to “3. Summary of the Spin-off, (1) Listing of the shares of Curves HOLDINGS” above.		
(14) Major shareholders and shareholding ratio after the Spin-off (Major shareholders of the Company and shareholding ratio) (Note 5)	Yozan Co., Ltd.		25.9%
	Hiroshi Koshidaka		11.2%
	NOTHERN TRUST CO. (AVFC) RE FIDELITY FUNDS (Standing proxy: Custody Business Department of The Hong Kong and Shanghai Banking Corporation Limited, Tokyo Branch)		6.1%
	IMO Co., Ltd.		4.6%
	The Master Trust Bank of Japan, Ltd. (Trustee account)		4.5%
	Osamu Koshidaka		2.7%
	Japan Trustee Services Bank, Ltd. (Trustee account)		2.4%
	THE CHASE MANHATTAN BANK 385036 (Standing proxy: Settlement & Clearing Services Department of Mizuho Bank, Ltd.)		2.2%
	Japan Trustee Services Bank, Ltd. (Trustee account 9)		2.1%
	THE BANK OF NEW YORK MELLON (INTERNATIONAL) LIMITED 131800 (Standing proxy: Settlement & Clearing Services Department of Mizuho Bank, Ltd.)		1.6%

- (Notes) 1. Takeshi Masumoto, Maki Sakamoto, and Yoko Masumoto, Directors of Curves HOLDINGS, will exercise their stock acquisition rights promptly after the listing of Curves HOLDINGS. They have agreed with Curves HOLDINGS that they will continue to hold the shares of Curves HOLDINGS acquired as a result of the exercise of their stock acquisition rights, until the date on which two years have passed from the date of listing of the shares of Curves

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## HOLDINGS.

2. The total number of shares outstanding as of the fiscal year ended August 31, 2017 and the fiscal year ended August 31, 2018 was 400 shares. Thereafter, in the fiscal year ended August 31, 2019, the total number of shares outstanding of Curves HOLDINGS was increased to 82,298,284 shares, which figure corresponds to the total number of shares outstanding (excluding treasury shares) of the Company, so that the ratio of distribution of the shares of Curves HOLDINGS with respect to the Spin-off becomes a ratio of one share of common stock of Curves HOLDINGS to one share of common stock of the Company.
3. The dividend per share for the fiscal year ended August 31, 2019 includes forecasted dividend as of the end of the fiscal year ended August 31, 2019.
4. The composition of directors and corporate auditors of the subsidiary to be changed as of today is stated. Osamu Koshidaka, the Senior Executive Director of the Company as of today, will resign from his office due to the expiration of his term of office at the conclusion of the Ordinary General Meeting of Shareholders, and Kazuhiro Asakura, the Managing Director of the Company, will resign from his office as a Director of Curves HOLDINGS due to the expiration of his term of office at the conclusion of the Ordinary General Meeting of Shareholders of Curves HOLDINGS to be held on November 28, 2019. Therefore, after the Spin-off, there will be no directors concurrently serving as directors of the Company and Curves HOLDINGS. Masahide Teraishi, an Outside Director of the Company as of today, will resign from his office due to the expiration of his term of office at the conclusion of the Ordinary General Meeting of Shareholders, and will assume the office of an Outside Director of Curves HOLDINGS at the conclusion of the Ordinary General Meeting of Shareholders of Curves HOLDINGS.

Curves HOLDINGS will transform itself into a company with an audit and supervisory committee at the conclusion of the Ordinary General Meeting of Shareholders of Curves HOLDINGS. At the conclusion of the Ordinary General Meeting of Shareholders of Curves HOLDINGS, Motoaki Kuniyasu, the Full-time Corporate Auditor, and Sadayoshi Yamamoto, the Corporate Auditor, will resign from their offices as Corporate Auditors of Curves HOLDINGS due to the expiration of their terms of offices, assume the offices of Outside Directors of Curves HOLDINGS, and, together with Masahide Teraishi, who will assume the office of an Outside Director of Curves HOLDINGS, become the members of the Audit and Supervisory Committee of Curves HOLDINGS. For more details regarding the composition of directors and officers of Curves HOLDINGS after the Ordinary General Meeting of Shareholders of Curves HOLDINGS, please refer to the “Notice on New Managements of Our Group” (URL:<https://www.koshidakaholdings.co.jp/news/>) as of today.

5. The status of shareholders of the Company as of August 31, 2019 is stated. Since the dividend in kind through the Spin-off will be distributed by the shares of common stock of Curves HOLDINGS at the ratio of one share of common stock of Curves HOLDINGS per one share of common stock of the Company held by each of the shareholders recorded in the register of shareholders on the record date, i.e., Saturday, February 29, 2020, the status of shareholders of the Company is stated for reference. Therefore, upon the Spin-off becoming effective, the composition of shareholders of Curves HOLDINGS at the time of distribution will be the same as the composition of shareholders of the Company as of the record date. However, as stated in “3. Summary of the Spin-off, (1) Listing of the shares of Curves HOLDINGS” above and (Note 1) above, the total number of shares outstanding is expected to increase as a result of the Issuance of New Shares, and Takeshi Masumoto, Maki Sakamoto, and Yoko Masumoto, Directors of Curves HOLDINGS, will exercise their stock

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acquisition rights promptly after the listing of Curves HOLDINGS. They have agreed with Curves HOLDINGS that they will continue to hold the shares of Curves HOLDINGS acquired as a result of the exercise of their stock acquisition rights, until the date on which two years have passed from the date of listing of the shares of Curves HOLDINGS.

\* For the management policy of the new Curves HOLDINGS Group, please refer to the “Briefing Material on the Results of Operations of the Fiscal Year Ended August 31, 2019 of KOSHIDAKA HOLDINGS Co., LTD.” (URL: <https://www.koshidakaholdings.co.jp/news/>) as of today.

5. Japanese tax treatment with respect to the dividend in kind

(1) Taxation on the dividend

Since the Spin-off will be conducted on the assumption that it is a qualified stock distribution stipulated in Article 2, Item (xii)-15-3 of the Corporation Tax Act, the taxation on the deemed dividend will not apply to the shareholders in connection with the dividend in kind of the shares of Curves HOLDINGS (Article 24, Paragraph (1), Item (iii) of the Corporation Tax Act and Article 25, Paragraph (1), Item (iii) of the Income Tax Act).

(2) Taxation on the capital gain and/or loss arising from share transfer

The Spin-off is a stock distribution in which no assets other than the shares of the wholly owned subsidiary are transferred, and the shares of such subsidiary are distributed in proportion to the ratio of (a) the number of shares of the corporation distributing in kind held by each shareholder of the corporation distributing in kind to (b) the total number of shares outstanding of the corporation distributing in kind. Therefore, there shall be no taxation on the gain and/or loss arising from share transfer, and such taxation shall be deferred (Article 61-2, Paragraph (8) of the Corporation Tax Act, and Article 37-10, Paragraph (3), Item (iii) and Article 37-11, Paragraph (3) of the Act on Special Measures Concerning Taxation).

(3) Treatment with respect to the acquisition costs for tax purposes

After the Spin-off, in respect of the shares of the Company and the shares of Curves HOLDINGS, the respective acquisition cost for tax purposes that will apply to the shareholders will be the amount calculated based on the following calculation formula using the rate of distributed assets (the rate stipulated in Article 23, Paragraph (1), Item (iii) of the Order for Enforcement of the Corporation Tax Act and Article 61, Paragraph (2), Item (iii) of the Order for Enforcement of the Income Tax Act, which relate to stock distributions) (Article 119, Paragraph (1), Item (viii) of the Order for Enforcement of the Corporation Tax Act and Article 113-2, Paragraph (1) of the Order for Enforcement of the Income Tax Act).

The rate of distributed assets is calculated by dividing (a) “the book value of the share of Curves HOLDINGS immediately prior to the stock distribution” by (b) “the amount obtained by deducting the book value of liabilities of the Company from the book value of assets of the Company at the end of the fiscal year preceding the fiscal year which the date of stock distribution belongs to (taking into account the amount of increase or decrease of stated capital, etc. and certain profit reserve for the period from the end of the preceding fiscal year to the time immediately prior to the stock distribution)”. The estimated rate of distributed assets is expected to be approximately “0.1” and the rate of distributed assets will be announced as soon as it is fixed.

Acquisition cost per share of Curves HOLDINGS (X) = acquisition cost per share of the Company before adjustment (Y) × rate of distributed assets

Acquisition cost per share of the Company after the Spin-off (Z) = (Y) - (X)

<Example> Acquisition cost after adjustment assuming that 100 shares of the Company are purchased at

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1,735 yen (the closing price of the shares of common stock of the Company on the TSE 1st Section as of October 4, 2019) per share and the rate of distributed assets is 0.100

Acquisition cost of the shares of Curves HOLDINGS = 1,735 yen × 100 shares × 0.100 = 17,350 yen

Acquisition cost of the shares of the Company after the Spin-off = 1,735 yen × 100 shares - 17,350 yen = 156,150 yen

Please note that the adjustment to each acquisition cost is a treatment solely for tax purposes and each above-mentioned acquisition cost for tax purposes does not represent the stock value of the shares of each of Curves HOLDINGS and the Company after the Spin-off.

\* In respect of corporate shareholders, the calculation should be made by replacing “acquisition cost” with “book value (for tax purposes)”.

(4) Rate of distributed assets

The rate of distributed assets will be announced as soon as it is fixed; however, since the book value of the shares of Curves HOLDINGS held by the Company is low due to the background of the establishment of Curves HOLDINGS, a capital restructuring is planned to be implemented within the current Group after the approval of the agenda items for the Spin-off at the Ordinary General Meeting of Shareholders.

The acquisition cost at the time of the acquisition of 100% of the shares of Curves Japan Co., Ltd. by the current Group in October 2008 was 2,000 million yen; however, as such acquisition was conducted through a scheme in which Curves HOLDINGS became an intermediate holding company, the book value of the shares of Curves HOLDINGS held by the Company is low and the estimated rate of distributed assets does not necessarily reflect the background of the acquisition of the Curves business by the Group. Therefore, upon the Spin-off, the Company intends to calculate the rate of distributed assets after adjusting the book value of the shares of Curves HOLDINGS for tax purposes so that it corresponds to 2,000 million yen, which is the actual acquisition cost for the Curves business (such restructuring shall be hereinafter referred to as the “Capital Restructuring”).

The adjustment to the book value for tax purposes through the Capital Restructuring will be implemented promptly after the Spin-off is approved at the Ordinary General Meeting of Shareholders. The Capital Restructuring is a restructuring within the current Group, and will not have any impact on the performance, financial position, etc. of the current Group, the new Group or the new Curves HOLDINGS Group.

At this point, if the Capital Restructuring is implemented, the estimated rate of distributed assets is expected to be approximately “0.1” and the rate of distributed assets is currently expected to be fixed around December 2019. However, necessary changes may be made if any event requiring adjustments occurs in the future.

\* The above-mentioned tax treatments under Japanese law do not exhaustively explain the tax procedures, etc. required for the shareholders and do not purport to describe the tax consequences of the Spin-off of any jurisdiction other than Japan. The specific tax procedures and tax consequences to shareholders differ depending on the circumstances of each shareholder. You are urged to consult your own tax advisor with respect to the tax consequences of the Spin-off in your particular circumstances.

6. Future outlook

(1) Status of the Company after the Spin-off (planned)

(1) Company name	KOSHIDAKA HOLDINGS Co., LTD.
(2) Location	1-5-1, Otomomachi, Maebashi-shi, Gunma

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(3) Name and title of representative	Hiroshi Koshidaka, Representative Director and President	
(4) Business activities	Karaoke business, bath house business and real estate management business	
(5) Capital stock	2,070,257,000 yen	
(6) Net assets	16,367,707,000 yen (Note 1)	
(7) Total assets	20,823,441,000 yen (Note 1)	
(8) Total number of shares outstanding	82,298,284 shares (Note 2)	
(9) Composition of directors and officers (Note 3)	Hiroshi Koshidaka, Representative Director and President Kazuhiro Asakura, Managing Director Miwako Koshidaka, Managing Director Yoshihito Doi, Managing Director Akira Zama, Director Tomohiko Nishi, Outside Director Shigeyuki Moriuchi, Outside Director Kenichi Takai, Outside Director	
(10) Listing	The shares of the Company will remain listed on the TSE.	
(11) Major shareholders of the Company and shareholding ratio (Note 4)	Yozan Co., Ltd.	25.9%
	Hiroshi Koshidaka	11.2%
	NOTHERN TRUST CO. (AVFC) RE FIDELITY FUNDS (Standing proxy: Custody Business Department of The Hong Kong and Shanghai Banking Corporation Limited, Tokyo Branch)	6.1%
	IMO Co., Ltd.	4.6%
	The Master Trust Bank of Japan, Ltd. (Trustee account)	4.5%
	Osamu Koshidata	2.7%
	Japan Trustee Services Bank, Ltd. (Trustee account)	2.4%
	THE CHASE MANHATTAN BANK 385036 (Standing proxy: Settlement & Clearing Services Department of Mizuho Bank, Ltd.)	2.2%
	Japan Trustee Services Bank, Ltd. (Trustee account 9)	2.1%
	THE BANK OF NEW YORK MELLON (INTERNATIONAL) LIMITED 131800 (Standing proxy: Settlement & Clearing Services Department of Mizuho Bank, Ltd.)	1.6%

(Notes) 1. The amounts of the net assets and the total assets are adjusted to reflect the decline due to the dividend in kind.

2. 1,716 shares of the treasury shares held as of August 31, 2019 are not included.

3. The scheduled composition of the directors and officers after the Ordinary General Meeting of Shareholders is stated. For more details regarding composition of directors and officers of the Company after the Ordinary General Meeting of Shareholders, please refer to the “Notice on New

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Managements of Our Group” (URL:<https://www.koshidakaholdings.co.jp/news/>) as of today.

4. The composition of major shareholders of the Company as of August 31, 2019 is stated.

- \* For the management policy of the new Group, please refer to the “Briefing Material on the Results of Operations of the Fiscal Year Ended August 31, 2019 of KOSHIDAKA HOLDINGS Co., LTD.” (URL: <https://www.koshidakaholdings.co.jp/news/>) as of today.

(2) Trading of the Company’s shares

If the Spin-off is implemented, per one share of the Company’s stock held, one share of Curves HOLDINGS’ stock will be distributed to the shareholders of the Company as of Saturday, February 29, 2020, the record date for distribution (substantive record date: Friday, February 28, 2020), and the last trading date on which the shareholders of the Company’s shares will still be entitled to the rights will be Wednesday, February 26, 2020. As such, the Company’s shares will become ex-rights shares on Thursday, February 27, 2020, and, theoretically, the share value of the Company will be adjusted by the amount equivalent to the value of the shares of Curves HOLDINGS on the same date, while the shares of Curves HOLDINGS will be distributed to the shareholders of the Company on Monday, March 2, 2020.

When the shares of the Company become ex-rights shares, the total number of shares outstanding of the Company, excluding the number of treasury shares held by the Company, will be equal to the total number of shares outstanding of Curves HOLDINGS, excluding the number of treasury shares held by Curves HOLDINGS, as of the record date for distribution. Therefore, trading of the Company’s shares will be executed on the TSE on Thursday, February 27, 2020, with the calculated price per share based on the following formula as the base price of the Company’s shares. The base price refers to the reference price to determine a restricted price range (the range of prices at which the shares can fluctuate within a day), and does not refer to the actual trading price of each transaction to be executed on Thursday, February 27, 2020. The TSE will make a separate announcement with respect to the treatment of the trading including the calculation method of the base price, etc.

The base price on the date the Company’s shares will become ex-rights shares (Thursday, February 27, 2020) = the closing price of the Company’s shares on the last trading date on which the shareholders of the Company’s shares will still be entitled to the rights (Wednesday, February 26, 2020) minus the interim dividend per share (forecast) for the second quarter of the fiscal year ending August 31, 2020 minus the public offering price of the shares of Curves HOLDINGS

(3) Policy on holding the shares of Curves HOLDINGS after the Spin-off of the founding family of the Company and the asset management companies funded by the founding family, who are the Company’s shareholders

It has been confirmed that all of Hiroshi Koshidaka, Osamu Koshidaka and Miwako Koshidaka, who are the founding family of the Company, and Yozan, Co., Ltd., IMO Co., Ltd. and Koshihiro Co., Ltd. which are the asset management companies funded by the founding family, who are all Company’s shareholders, plan to hold on to the shares of Curves HOLDINGS in the medium to long term, as with the shares of the Company, even after the Spin-off, and that they have no intention to sell the shares of Curves HOLDINGS in the short term.

(4) Effects on the financial results of the Company

Although there will be no change in the current Group until the end of February 2020 prior to the Spin-off, Curves HOLDINGS will no longer be a consolidated subsidiary of the Company after the effective date of the dividend in kind. For this reason, if the approval at the Ordinary General Meeting of Shareholders and the TSE’s approval of listing are obtained and the Spin-off is implemented, the financial results of the new

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Group from March 2020 will not include the new Curves HOLDINGS Group. Since the Spin-off is subject to the approval at the Ordinary General Meeting of Shareholders and the TSE's approval of listing and other conditions, the consolidated financial results forecast for the fiscal year ending August 31, 2020 for the current Group as a whole (in the case where the Spin-off is not implemented) and the consolidated financial results forecast for the fiscal year ending August 31, 2020 in the case where the Spin-off is implemented are stated below. As described in "1. Purpose and reason for the Spin-off" above, the Company believes that the Spin-off will contribute to maximizing shareholder value through the investment of management resources by the new Group and the new Curves HOLDINGS Group in accordance with their respective growth strategies, and the acceleration of their respective growth.

- Consolidated financial results forecast for the fiscal year ending August 31, 2020 (September 1, 2019 through August 31, 2020) for the current Group as a whole (in the case where the Spin-off is not implemented)  
(% indicates year-on-year changes for a full year, and quarter-to-quarter changes for the same quarter of the previous year)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Profit per share
	million yen	%	million yen	%	million yen	%	million yen	%	Yen
Second Quarter (cumulative)(Note 1)	35,290	8.3	5,204	4.4	5,229	4.7	3,489	19.0	42.91
Full year (Note 1)	72,029	9.4	11,054	16.3	11,049	15.5	7,369	18.3	90.62

- (Note) 1. Since the Spin-off is subject to the approval at the Ordinary General Meeting of Shareholders and the TSE's approval of listing and other conditions, the above forecast includes the forecast for the Curves HOLDINGS Group as the consolidated financial results forecasts of the Company in the case where the Spin-off is not implemented.

- Consolidated financial results forecast for the fiscal year ending August 31, 2020 in the case where the Spin-off is implemented (September 1, 2019 through August 31, 2020)  
(% indicates year-on-year changes for a full year, and quarter-to-quarter changes for the same quarter of the previous year)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Profit per share
	million yen	%	million yen	%	million yen	%	million yen	%	Yen
Second Quarter (cumulative)(Note 1)	35,290	8.3	5,204	4.4	5,229	4.7	3,489	19.0	42.91
Full year (Note 2)	57,209	-	8,084	-	8,125	-	5,482	-	67.41

- (Notes) 1. The consolidated financial results forecast of the Company up to the second quarter includes the Curves HOLDINGS Group.
2. The above forecast is the consolidated financial results forecast of the Company in the case where the Spin-off is implemented, and the consolidated financial results forecast on and after the third quarter does not include the Curves HOLDINGS Group. Therefore, rate of year-on-year changes is not stated.

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7. Consolidated financial statements (unaudited) of Curves HOLDINGS

(1) Consolidated balance sheets

	(Thousands of yen)	
	FY 8/18 (As of August 31, 2018)	FY 8/19 (As of August 31, 2019)
Assets		
Current assets		
Cash and deposits	6,308,728	5,350,073
Notes and accounts receivable-trade	3,691,218	3,780,423
Merchandise	921,760	898,663
Raw materials and supplies	5,798	2,154
Other	1,364,505	1,346,906
Allowance for doubtful accounts	(13,188)	(97,098)
Total current assets	12,278,822	11,281,123
Non-current assets		
Property, plant and equipment		
Buildings and structures	204,346	211,560
Tools, furniture and fixtures	120,651	111,578
Total property, plant and equipment	324,998	323,138
Intangible assets		
Goodwill	1,639,258	1,456,101
Trademark right	20,559,362	19,020,017
Software	557,694	632,543
Other	1,234,126	974,676
Total intangible assets	23,990,441	22,083,339
Investments and other assets		
Investment securities	220,720	0
Lease and guarantee deposits	240,126	245,807
Deferred tax assets	304,555	273,159
Other	56,998	24,014
Allowance for doubtful accounts	(14,394)	(5,772)
Total investments and other assets	808,005	537,209
Total non-current assets	25,123,445	22,943,687
Total assets	37,402,268	34,224,810

Note: This document is prepared solely for the purpose of public disclosure regarding the Spin-off and does not constitute an offer to sell or the solicitation of an offer to buy any security of the Company or its subsidiaries, whether in Japan or overseas.

	(Thousands of yen)	
	FY 8/18 (As of August 31, 2018)	FY 8/19 (As of August 31, 2019)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable-trade	2,033,694	2,106,050
Current portion of long-term loans payable	1,840,000	1,840,000
Accounts payable-other	352,681	493,465
Accrued expenses	322,332	326,542
Income taxes payable	1,110,605	940,561
Provision for bonuses	194,262	198,227
Deposit received	1,748,225	1,801,177
Other	305,520	312,656
<b>Total current liabilities</b>	<b>7,907,321</b>	<b>8,018,682</b>
<b>Non-current liabilities</b>		
Long-term loans payable	16,100,000	14,260,000
Deferred tax liabilities	4,982,988	4,153,324
Asset retirement obligations	50,580	50,778
<b>Total non-current liabilities</b>	<b>21,133,568</b>	<b>18,464,102</b>
<b>Total liabilities</b>	<b>29,040,889</b>	<b>26,482,785</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	20,000	20,018
Capital surplus	-	18
Retained earnings	7,889,217	7,579,658
<b>Total shareholders' equity</b>	<b>7,909,217</b>	<b>7,599,694</b>
<b>Accumulated other comprehensive income</b>		
Foreign currency translation adjustments	452,160	142,331
<b>Total accumulated other comprehensive income</b>	<b>452,160</b>	<b>142,331</b>
<b>Total net assets</b>	<b>8,361,378</b>	<b>7,742,025</b>
<b>Total liabilities and net assets</b>	<b>37,402,268</b>	<b>34,224,810</b>

Note: This document is prepared solely for the purpose of public disclosure regarding the Spin-off and does not constitute an offer to sell or the solicitation of an offer to buy any security of the Company or its subsidiaries, whether in Japan or overseas.

## (2) Consolidated statement of income and comprehensive income

## Consolidated statement of income

	(Thousands of yen)	
	FY 8/18 (September 1, 2017 - August 31, 2018)	FY 8/19 (September 1, 2018 - August 31, 2019)
Net sales	27,937,496	28,036,238
Cost of sales	18,013,100	16,531,702
Gross profit	9,924,396	11,504,536
Selling, general and administrative expenses	4,828,945	6,068,057
Operating profit	5,095,450	5,436,478
Non-operating income		
Interest income	2,656	457
Foreign exchange gain	291,796	-
Subsidy	1,740	1,380
Insurance	-	1,344
Other	42,570	6,255
Total non-operating income	338,763	9,436
Non-operating expenses		
Interest expenses	27,981	62,416
Commission fee	102,200	1,000
Foreign exchange losses	-	137,781
Other	10,959	2,121
Total non-operating expenses	141,140	203,320
Ordinary profit	5,293,073	5,242,595
Extraordinary losses		
Loss on retirement of non-current assets	1,356	2,461
Loss on valuation of investment securities	-	221,758
Loss on liquidation of subsidiaries and associates	-	144,410
Total extraordinary losses	1,356	368,630
Profit before income taxes	5,291,716	4,873,964
Income taxes-current	1,889,437	1,862,901
Income taxes-deferred	(86,465)	(695,685)
Total income taxes	1,802,971	1,167,215
Profit	3,488,745	3,706,748
Profit attributable to owners of parent	3,488,745	3,706,748

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Consolidated statements of comprehensive income

	FY 8/18 (September 1, 2017 - August 31, 2018)	(Thousands of yen) FY 8/19 (September 1, 2018 - August 31, 2019)
Profit	3,488,745	3,706,748
Other comprehensive income		
Foreign currency translation adjustment	452,160	(309,829)
Total other comprehensive income	452,160	(309,829)
Comprehensive income	3,940,905	3,396,918
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,940,905	3,396,918
Comprehensive income attributable to non-controlling interests	-	-

Note: This document is prepared solely for the purpose of public disclosure regarding the Spin-off and does not constitute an offer to sell or the solicitation of an offer to buy any security of the Company or its subsidiaries, whether in Japan or overseas.

(3) Consolidated statement of changes in equity  
 FY 8/18 (From September 1, 2017 to August 31, 2018)

(Thousands of  
 yen)

	Shareholders' equity		
	Capital stock	Retained earnings	Total shareholders' equity
Balance at beginning of current period	20,000	8,400,472	8,420,472
Changes of items during period			-
Issuance of new shares			-
Dividends of surplus		(4,000,000)	(4,000,000)
Profit attributable to owners of parent		3,488,745	3,488,745
Disposal of treasury shares			-
Net changes of items other than shareholders' equity			-
Total changes of items during period	-	(511,254)	(511,254)
Balance at end of current period	20,000	7,889,217	7,909,217

	Accumulated other comprehensive income		Total net assets
	Foreign currency translation adjustment	Total accumulated other comprehensive income	
Balance at beginning of current period	-	-	8,420,472
Changes of items during period			-
Issuance of new shares			-
Dividends of surplus			(4,000,000)
Profit attributable to owners of parent			3,488,745
Disposal of treasury shares			-
Net changes of items other than shareholders' equity	452,160	452,160	452,160
Total changes of items during period	452,160	452,160	(59,094)
Balance at end of current period	452,160	452,160	8,361,378

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FY 8/19 (From September 1, 2018 to August 31, 2019)

(Thousands of yen)

	Shareholders' equity			
	Capital stock	Capital surplus	Retained earnings	Total shareholders' equity
Balance at beginning of current period	20,000	-	7,889,217	7,909,217
Changes of items during period				
Issuance of new shares	18	18		36
Dividends of surplus			(4,016,307)	(4,016,307)
Profit attributable to owners of parent			3,706,748	3,706,748
Disposal of treasury shares				
Net changes of items other than shareholders' equity				
Total changes of items during period	18	18	(309,559)	(309,523)
Balance at end of current period	20,018	18	7,579,658	7,599,694

	Accumulated other comprehensive income		Total net assets
	Foreign currency translation adjustment	Total accumulated other comprehensive income	
Balance at beginning of current period	452,160	452,160	8,361,378
Changes of items during period			
Issuance of new shares			
Dividends of surplus			(4,016,307)
Profit attributable to owners of parent			3,706,748
Disposal of treasury shares			
Net changes of items other than shareholders' equity	(309,829)	(309,829)	(309,829)
Total changes of items during period	(309,829)	(309,829)	(619,353)
Balance at end of current period	142,331	142,331	7,742,025

Note: This document is prepared solely for the purpose of public disclosure regarding the Spin-off and does not constitute an offer to sell or the solicitation of an offer to buy any security of the Company or its subsidiaries, whether in Japan or overseas.

## (4) Consolidated statements of cash flows

	(Thousands of yen)	
	FY 8/18 (September 1, 2017 - August 31, 2018)	FY 8/19 (September 1, 2018 - August 31, 2019)
Cash flows from operating activities		
Profit before income taxes	5,291,716	4,873,964
Depreciation	281,121	572,047
Loss on valuation of investment securities	-	221,758
Loss on liquidation of subsidiaries and associates	-	144,410
Amortization of goodwill	20,415	80,009
Amortization of trademarks	242,178	1,059,054
Increase (decrease) in allowance for doubtful accounts	(77)	13,292
Increase (decrease) in provision for bonuses	49,773	3,965
Interest and dividend income	(2,656)	(457)
Interest expenses	27,981	62,416
Foreign exchange gains and losses	(295,373)	137,781
Loss on retirement of non-current assets	1,356	2,461
Decrease (increase) in notes and accounts receivable-trade	(613,561)	37,901
Decrease (increase) in inventories	11,486	24,947
Increase (decrease) in prepaid expenses	(106,164)	58,685
Increase (decrease) in notes and accounts payable-trade	162,423	67,727
Increase (decrease) in accounts payable-other	65,167	161,364
Increase (decrease) in accounts accrued expenses	73,631	834
Other, net	84,985	(47,295)
Subtotal	5,294,404	7,474,869
Interest and dividend income received	15,639	457
Interest expenses paid	(17,117)	(62,416)
Income taxes paid or refunded	(2,416,895)	(2,091,373)
Net cash provided by (used in) operating activities	2,876,029	5,321,537
Cash flows from investing activities		
Purchase of property, plant and equipment	(137,325)	(138,572)
Purchase of intangible assets	(269,261)	(274,079)
Long-term prepaid expenses	(15,085)	(6,447)
Payments for lease and guarantee deposits	(11,176)	(8,897)
Proceeds from collection of lease and guarantee deposits	2,908	-
Proceeds from or expenses for purchase of shares of subsidiaries resulting in change in scope of consolidation	(18,410,165)	9,066
Collection of loans receivable	2,200,000	-
Net cash provided by (used in) investing activities	(16,640,105)	(418,929)
Cash flows from financing activities		
Proceeds from long-term loans payable	18,297,800	-
Repayments of long-term loans payable	(460,000)	(1,840,000)
Proceeds from issuance of shares	-	36
Cash dividends paid	(4,000,000)	(4,016,307)
Net cash provided by (used in) financing activities	13,837,800	(5,856,271)
Effect of exchange rate change on cash and cash equivalents	4,468	(4,991)

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Net increase (decrease) in cash and cash equivalents	78,192	(958,655)
Cash and cash equivalents at beginning of period	6,230,535	6,308,728
Cash and cash equivalents at end of period	6,308,728	5,350,073

Note: This document is prepared solely for the purpose of public disclosure regarding the Spin-off and does not constitute an offer to sell or the solicitation of an offer to buy any security of the Company or its subsidiaries, whether in Japan or overseas.

8. <Reference> Consolidated financial statements (unaudited) of the Company excluding Curves HOLDINGS

This pro forma has been prepared by the Company solely for the purpose of public disclosure, in accordance with the accounting standard adopted by the Company. Therefore, it has been submitted for the inspection, but not audited by Hibiki Audit Corporation, the auditing firm of the Company.

(1) Consolidated balance sheets

	FY 8/18 (As of August 31, 2018)	FY 8/19 (As of August 31, 2019)
(Thousands of yen)		
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	5,617,598	7,241,022
Notes and accounts receivable-trade	154,745	242,741
Merchandise	22,425	18,132
Raw materials and supplies	173,394	194,534
Other	1,739,397	1,894,550
Allowance for doubtful accounts	(3,129)	(1,172)
<b>Total current assets</b>	<b>7,704,432</b>	<b>9,589,808</b>
<b>Non-current assets</b>		
<b>Property, plant and equipment</b>		
Buildings and structures	22,752,645	27,179,573
Accumulated depreciation	(10,463,139)	(11,571,323)
Buildings and structures, net	12,289,506	15,608,249
Vehicles, tools, furniture and fixtures	11,893,959	13,444,836
Accumulated depreciation	(8,984,221)	(10,096,695)
Vehicles, tools, furniture, and fixtures, net	2,909,738	3,348,140
Land	1,965,917	2,815,162
Leased assets	538,486	538,486
Accumulated depreciation	(507,684)	(518,171)
Leased assets, net	30,801	20,314
Construction in progress	31,412	79,280
<b>Total property, plant and equipment</b>	<b>17,227,376</b>	<b>21,871,147</b>
<b>Intangible assets</b>		
Goodwill	323,803	155,895
Trademark right	-	-
Software	233,353	223,519
Other	78,312	80,428
<b>Total intangible assets</b>	<b>635,469</b>	<b>459,843</b>
<b>Investments and other assets</b>		
Investment securities	754,399	885,268
Long-term loans receivable	649,405	628,150
Long-term prepaid expenses	33,541	18,593
Lease and guarantee deposits	3,282,064	3,713,091
Deferred tax assets	678,017	838,058
Other	145,229	165,195
Allowance for doubtful accounts	(95,193)	(170,193)
<b>Total investments and other assets</b>	<b>5,447,465</b>	<b>6,078,165</b>
<b>Total non-current assets</b>	<b>23,310,311</b>	<b>28,409,156</b>
<b>Total assets</b>	<b>31,014,743</b>	<b>37,998,964</b>

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	FY 8/18 (As of August 31, 2018)	(Thousands of yen) FY 8/19 (As of August 31, 2019)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable-trade	397,263	375,221
Current portion of long-term loans payable	2,947,866	2,306,163
Lease obligations	20,452	6,957
Accounts payable-other	854,497	1,407,767
Accrued expenses	943,273	1,089,832
Income taxes payable	763,212	775,128
Provision for bonuses	200,790	208,194
Deposit received	58,147	94,671
Other	693,972	863,517
<b>Total current liabilities</b>	<b>6,879,473</b>	<b>7,127,454</b>
<b>Non-current liabilities</b>		
Long-term loans payable	3,433,844	3,837,681
Lease obligations	6,721	-
Deferred tax liabilities	112,439	179,168
Asset retirement obligations	1,931,259	2,376,481
Other	282,069	394,912
<b>Total non-current liabilities</b>	<b>5,766,332</b>	<b>6,788,243</b>
<b>Total liabilities</b>	<b>12,645,806</b>	<b>13,915,698</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	2,070,257	2,070,257
Capital surplus	2,335,577	2,335,577
Retained earnings	14,201,700	19,806,674
Treasury shares	(301,538)	(301,538)
<b>Total shareholders' equity</b>	<b>18,305,996</b>	<b>23,910,971</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	34,171	41,656
Foreign currency translation adjustments	28,769	130,639
<b>Total accumulated other comprehensive income</b>	<b>62,940</b>	<b>172,295</b>
<b>Non-controlling interests</b>	<b>-</b>	<b>-</b>
<b>Total net assets</b>	<b>18,368,936</b>	<b>24,083,266</b>
<b>Total liabilities and net assets</b>	<b>31,014,743</b>	<b>37,998,964</b>

Note: This document is prepared solely for the purpose of public disclosure regarding the Spin-off and does not constitute an offer to sell or the solicitation of an offer to buy any security of the Company or its subsidiaries, whether in Japan or overseas.

(2) Consolidated statement of income and comprehensive income  
Consolidated statement of income

	(Thousands of yen)	
	FY 8/18 (September 1, 2017 - August 31, 2018)	FY 8/19 (September 1, 2018 - August 31, 2019)
Net sales	37,677,582	41,850,896
Cost of sales	27,078,774	29,546,837
Gross profit	10,598,807	12,304,058
Selling, general and administrative expenses	4,276,612	4,428,242
Operating profit	6,322,195	7,875,815
Non-operating income		
Interest and dividend income	14,548	13,349
Foreign exchange gain	18,377	-
Store relocation compensation	91,000	-
Cooperation income	58,291	-
Cancellation income	-	441,120
Reversal of allowance for doubtful accounts	-	4,557
Other	130,932	162,794
Total non-operating income	313,152	621,821
Non-operating expenses		
Interest expenses	21,681	9,166
Commission fee	-	25,500
Foreign exchange losses	-	132,261
Loss on valuation of investment securities	-	53,623
Provision of allowance for doubtful accounts	73,359	75,000
Other	16,316	74,954
Total non-operating expenses	111,357	370,505
Ordinary profit	6,523,987	8,127,131
Extraordinary income		
Gain on sales of non-current assets	381	2,972
Total extraordinary income	381	2,972
Extraordinary losses		
Loss on retirement of non-current assets	58,758	46,072
Impairment loss	435,548	320,253
Loss on valuation of shares of subsidiaries and associates	24,650	-
Other	-	-
Total extraordinary losses	518,957	366,325
Profit before income taxes	6,005,410	7,763,777
Income taxes-current	1,124,245	1,362,164
Income taxes-deferred	(30,513)	(97,862)
Total income taxes	1,093,731	1,264,302
Profit	4,911,678	6,499,475
Profit attributable to non-controlling interests	-	-
Profit attributable to owners of parent	4,911,678	6,499,475

Note: This document is prepared solely for the purpose of public disclosure regarding the Spin-off and does not constitute an offer to sell or the solicitation of an offer to buy any security of the Company or its subsidiaries, whether in Japan or overseas.



Consolidated statements of comprehensive income

	FY 8/18 (September 1, 2017 - August 31, 2018)	(Thousands of yen) FY 8/19 (September 1, 2018 - August 31, 2019)
Profit	4,911,678	6,499,475
Other comprehensive income		
Valuation difference on available-for-sale securities	(736)	7,485
Foreign currency translation adjustment	(30,890)	101,869
Total other comprehensive income	(31,627)	109,355
Comprehensive income	4,880,051	6,608,830
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,880,051	6,608,830
Comprehensive income attributable to non-controlling interests	-	-

Note: This document is prepared solely for the purpose of public disclosure regarding the Spin-off and does not constitute an offer to sell or the solicitation of an offer to buy any security of the Company or its subsidiaries, whether in Japan or overseas.

(3) Consolidated statement of changes in equity  
 FY 8/18 (From September 1, 2017 to August 31, 2018)

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	2,070,257	2,335,577	9,891,265	(301,401)	13,995,699
Changes of items during period					
Dividends of surplus			(772,524)		(772,524)
Profit attributable to owners of parent			4,911,678		4,911,678
Purchase of treasury shares				(136)	(136)
Changes in equity of parent relating to transactions with non-controlling interests					-
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-	4,139,154	(136)	4,139,017
Balance at end of current period	2,070,257	2,335,577	14,030,420	(301,538)	18,134,716

	Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of current period	34,907	59,659	94,567	-	14,090,266
Changes of items during period					
Dividends of surplus					(772,524)
Profit attributable to owners of parent					4,911,678
Purchase of treasury shares					(136)
Changes in equity of parent relating to transactions with non-controlling interests					-
Net changes of items other than shareholders' equity	(736)	(30,890)	(31,627)	-	(31,627)
Total changes of items during period	(736)	(30,890)	(31,627)	-	4,107,390
Balance at end of current period	34,171	28,769	62,940	-	18,197,656

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FY 8/19 (From September 1, 2018 to August 31, 2019)

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	2,070,257	2,335,577	14,030,420	(301,538)	18,134,716
Changes of items during period					
Dividends of surplus			(894,501)		(894,501)
Profit attributable to owners of parent			6,499,475		6,499,475
Purchase of treasury shares					-
Changes in equity of parent relating to transactions with non-controlling interests					-
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-	5,604,974	-	5,604,974
Balance at end of current period	2,070,257	2,335,577	19,635,394	(301,538)	23,739,691

	Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of current period	34,171	28,769	62,940	-	18,197,656
Changes of items during period					
Dividends of surplus					(894,501)
Profit attributable to owners of parent					6,499,475
Changes in equity of parent relating to transactions with non-controlling interests					-
Disposal of treasury shares					-
Net changes of items other than shareholders' equity	7,485	101,869	109,355	-	109,355
Total changes of items during period	7,485	101,869	109,355	-	5,714,329
Balance at end of current period	41,656	130,639	172,295	-	23,911,986

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## (4) Consolidated statements of cash flows

(Thousands of yen)

	FY 8/18 (September 1, 2017 - August 31, 2018)	FY 8/19 (September 1, 2018 - August 31, 2019)
Cash flows from operating activities		
Profit before income taxes	6,005,410	7,764,867
Depreciation	3,245,674	3,396,448
Impairment loss	435,548	320,253
Amortization of goodwill	451,247	181,701
Amortization of trademarks	-	-
Increase (decrease) in provision for bonuses	10,760	7,403
Increase (decrease) in allowance for doubtful accounts	70,919	73,080
Interest and dividend income	(14,548)	(13,349)
Interest expenses	21,681	9,166
Loss (gain) on retirement of property, plant and equipment	(380)	(1,743)
Decrease (increase) in notes and accounts receivable-trade	25,886	(89,459)
Decrease (increase) in inventories	16,272	(17,224)
Increase (decrease) in notes and accounts payable-trade	72,113	(21,563)
Increase (decrease) in accounts payable-other and accrued expenses	79,931	259,191
Other, net	319,390	366,857
Subtotal	10,739,906	12,235,629
Interest and dividend income received	14,548	13,349
Interest expenses paid	(21,681)	(9,166)
Income taxes paid	(1,686,971)	(1,291,291)
Net cash provided by (used in) operating activities	9,045,802	10,948,521
Cash flows from investing activities		
Purchase of property, plant and equipment	(4,307,693)	(7,495,419)
Proceeds from sales of property, plant and equipment	381	5,579
Purchase of intangible assets	(171,512)	(140,839)
Purchase of investment securities	(267,863)	(165,549)
Proceeds from sales of investment securities	718,939	29,252
Payments for lease and guarantee deposits	(563,692)	(593,651)
Proceeds from collection of lease and guarantee deposits	50,998	89,708
Payments of loans receivables	(111,996)	(223,133)
Collection of loans receivable	61,806	251,799
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	-
Proceeds from sale of shares of subsidiaries	-	0
Others	(12,104)	52,993
Net cash provided by (used in) investing activities	(4,602,736)	(8,189,259)
Cash flows from financing activities		
Increase (decrease) in short-term loans payable	(2,200,000)	
Proceeds from long-term loans payable	-	2,700,000
Repayments of long-term loans payable	(3,355,738)	(2,937,866)
Purchase of treasury shares	(136)	-
Repayments of lease obligations	(33,383)	(21,037)

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Cash dividends paid	(772,524)	(894,501)
Dividends paid to non-controlling interests	-	-
Others	-	-
Net cash provided by (used in) financing activities	(6,361,783)	(1,153,404)
Effect of exchange rate change on cash and cash equivalents	(25,353)	2,995
Net increase (decrease) in cash and cash equivalents	(1,944,070)	1,608,852
Cash and cash equivalents at beginning of period	7,524,349	5,580,278
Cash and cash equivalents at end of period	5,580,278	7,189,131

Note (Statement of income relations)

(Thousands of yen)

	FY 8/18 (September 1, 2017 - August 31, 2018)	FY 8/19 (September 1, 2018 - August 31, 2019)
Net sales	The following transactions with the subsidiary are included in Net sales:	The following transactions with the subsidiary are included in Net sales:
	Dividend income from subsidiary 3,600,000	Dividend income from subsidiary 3,816,307
	Managing coaching fee 240,000	Managing coaching fee 231,000

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