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To whom it may concern

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### Explanation on Dividend in Kind of Subsidiary Shares (Stock Distribution Spin-off) and Change in Specified Subsidiary (Q&A)

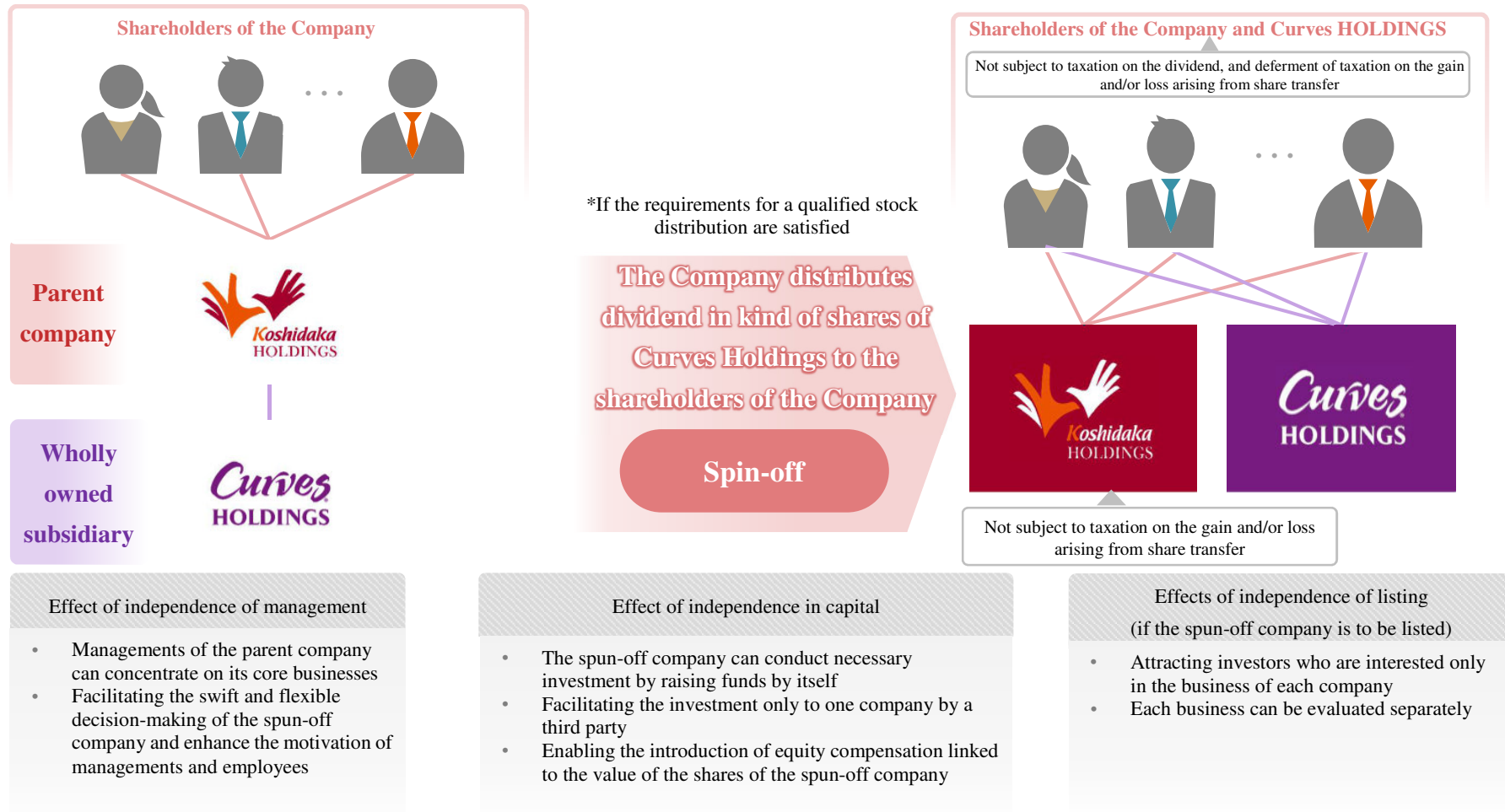
With respect to the distribution of all shares of Curves HOLDINGS Co., Ltd (hereinafter referred to as “Curves HOLDINGS”), a subsidiary of KOSHIDAKA HOLDINGS, Co., Ltd (hereinafter referred to as the Company), which are held by the Company, to the shareholders of the Company as dividend in kind (distribution of property other than cash) (hereinafter referred to as the “Spin-off”), which was announced in the “Notice Regarding Dividend in Kind of Subsidiary Shares (Stock Distribution Spin-off) and Change in Specified Subsidiary” released as of October 10, 2019, the Company prepared this Q&A for your reference.

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.

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**Overview of stock distribution spin-off and expected benefits in general**



\* After the Spin-off, there will be no capital relationship between the Company and Curves HOLDINGS. Hereinafter, the KOSHIDAKA HOLDINGS Group before the Spin-off shall be referred to as the “current Group”, the KOSHIDAKA HOLDINGS Group after the Spin-off shall be referred to as the “new Group”, and the Curves HOLDINGS Group after the Spin-off shall be referred to as the “new Curves HOLDINGS Group”.

## Purpose and reason for the Spin-off

- **By implementing the Spin-off, the Company aims to enhance the shareholder value through promoting further achievement of business strategies of both karaoke business and Curves business**
  - In addition, compared to the case of separation and independence of a subsidiary through sales of shares of the subsidiary in general, where the Company is subject to taxation on the gain arising from sale, in the case of the separation and independence of a subsidiary by the Spin-off, both the Company and its shareholders can receive tax benefits. This is because, for the Company, it will be exempted from taxation, and, for the shareholders of the Company, the taxation on the deemed dividend will not be applied and taxation on gains and/or losses on the transfer of shares will be deferred.

## Current status, growth strategies, and medium-term management vision of the two main businesses the current Group

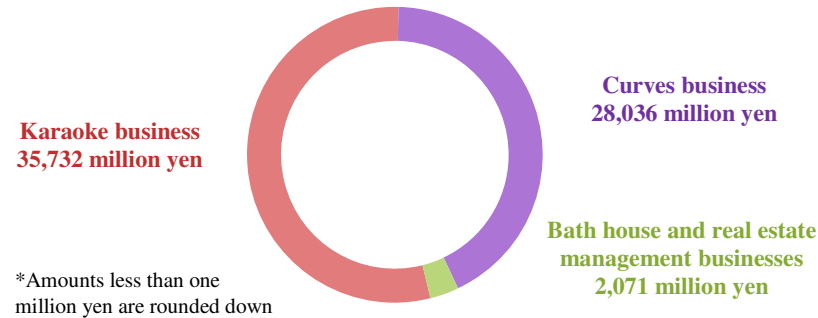
Karaoke business
<p><b>Current status and growth strategy</b></p> <ul style="list-style-type: none"> <li>• Promoting the opening of facilities in the Tokyo metropolitan area, expansion of the size of facilities to attract more customers, and closing of small facilities</li> <li>• Focusing on recruiting and educating human resources</li> <li>• Cultivating new demand by implementing marketing measures for each customer base, differentiation strategy for food and beverages and contents development</li> <li>• Continually promoting the automation and streamlining of business operation</li> <li>• Promoting the opening of its facilities in Southeast Asia, where the Company anticipates growth of its overseas business</li> </ul>
<p><b>Medium-term management vision</b></p> <p>Promoting the growth strategy under “EIP (Entertainment Infrastructure Plan)”<sup>*1</sup> to make entertainment a critical part of the infrastructure of people’s lives</p>

Curves business
<p><b>Current status and growth strategy</b></p> <ul style="list-style-type: none"> <li>• Expanding the club network by diversifying the method of opening new facilities</li> <li>• Realizing growth of existing clubs through (a) decreasing the membership cancellation rate by pursuing the improvement of customer’s satisfaction and (b) strengthening word-of-mouth marketing, and expanding customer base by the marketing activities covering the customers from 55 years old to 64 years old</li> <li>• Improving the brand value by promoting cooperation with local governments and industry-university-government cooperation</li> <li>• Aiming at multi-store operation of “Men’s Curves”</li> <li>• Greater flexibility in the expansion of business both in Japan and overseas through the acquisition of Curves International, Inc., provided</li> <li>• Working to expand its business on a global scale, focusing on developed countries in Europe with maturing economy and aging population, in particular as a target</li> </ul>
<p><b>Medium-term management vision</b></p> <p>Pursuing the growth strategy as a “Corporation which is trying to resolve social issues and expand healthy-life expectancy” to realize the prevention of illness and need for nursing care</p>

<sup>\*1</sup> The Entertainment Infrastructure Plan is the medium-term business plan of the Company. Under the Entertainment Infrastructure Plan, the Company works to make entertainment a critical part of the infrastructure of people’s lives and provide ultimate peace to people all over the world by first starting with opening private entertainment rooms (karaoke facilities) in every corner of Japan through acceleration of opening stores in front of train stations and downtowns areas, mass-recruiting and education of human resources, and creation of new services with development.

**Purpose and reason for the Spin-off (continued)**

**Sales of each business segment of the Company for the fiscal year ended August 31, 2019**



**The Company achieved record high sales in both business segments in the fiscal year ended August 31, 2019. On the other side, the directions of future growth strategy of each business segment is different.**

**Carrying out the Spin-off to realize the growth of each segment promptly.**

**Benefits**

- The separation of Curves business will foster sound awareness of crisis in the karaoke business department, and raise officer’s and employees’ awareness of the need to concentrate more on the implementation of the business strategy of the karaoke business
- The Company can concentrate human management resources, including managements of the Company, and administrative division and employees related to overseas business, which are currently engaged in other business areas, on the karaoke business

**Effect and influence on growth strategy**

- Support the expansion of the number of facilities and rooms and improvement of profitability by accelerating the opening of facilities in the Tokyo metropolitan area
- Enhance and promote the mass-recruiting and education of human resources by introducing a human resource system unique to each business segment
- Promote the opening of facilities and development of new business in countries in Southeast Asia more strongly

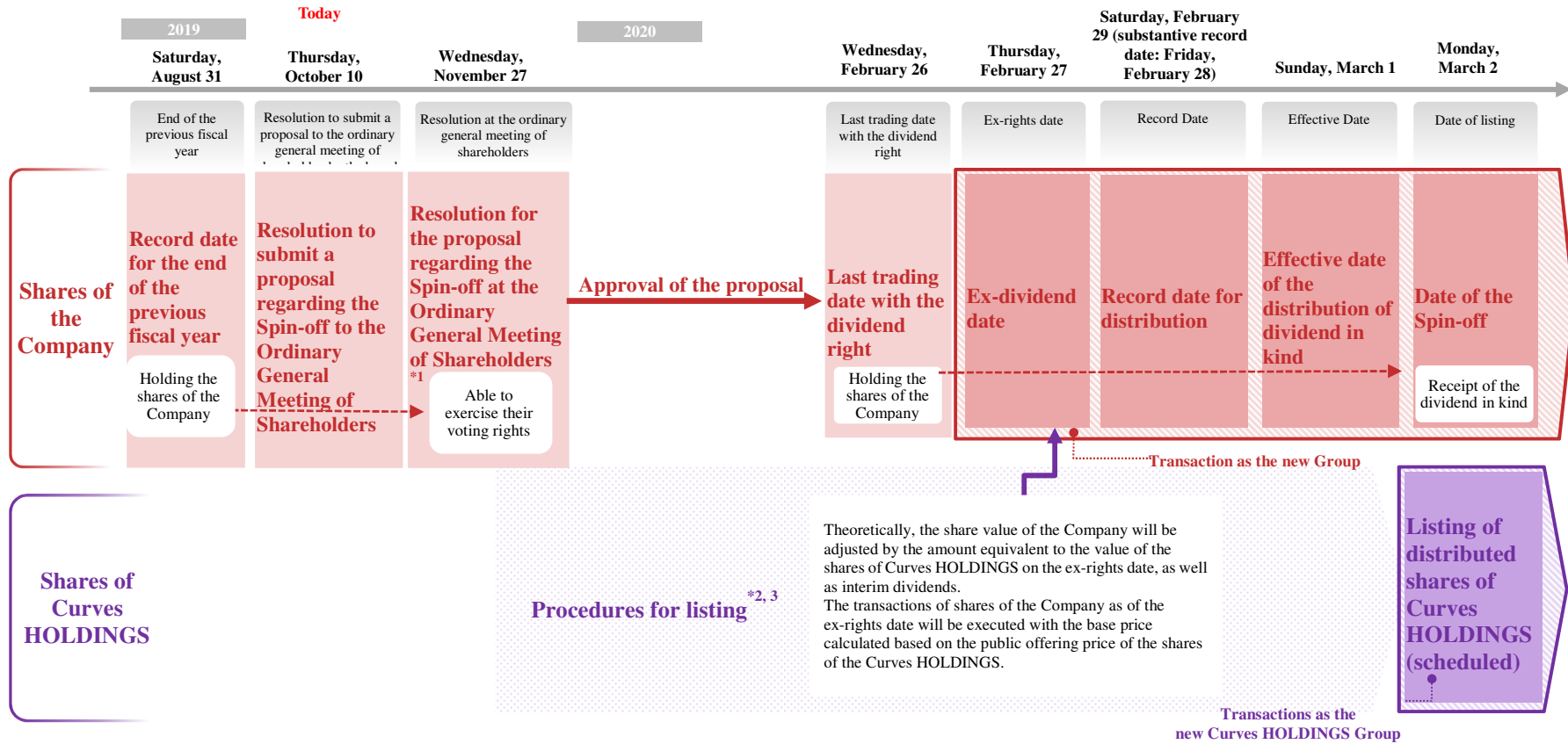
**Benefits**

- Enable further strengthening and construction of the disciplined governance system
- Build stronger sense of duty of officers and employees and enhance their motivations
- Enhance the visibility and brand value of the Company as a single listed company and cause expectation of positive effects regarding securing talents and business management

**Effect and influence on growth strategy**

- Support the expansion of coordination with local governments, and industry-university-government coordination
- Strongly promote continuous increase of membership and expansion of facility network
- Accelerate the multi-store development of Men’s Curves and building up new business formats
- Focus on strengthening business in developed countries in Europe

## Scheme and schedule of the Spin-off



\*1 If the proposal is not approved, the Spin-off will be discontinued.

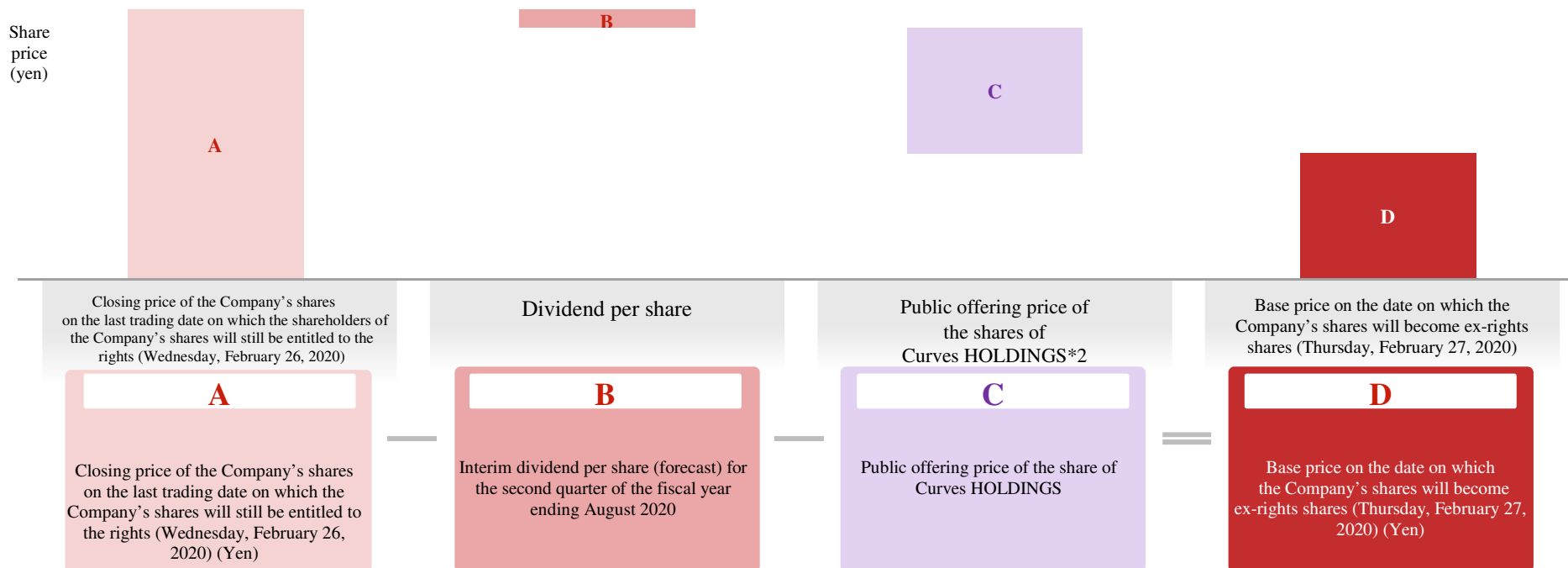
\*2 If the Tokyo Stock Exchange Inc., (hereinafter referred to as the "TSE") does not approve the listing, the Spin-off will be discontinued.

\*3 If the issuance of new shares of the Curves Holdings is cancelled, the Spin-off will be discontinued.

### Trading of the Company's share on the date on which the Company's shares will become ex-rights shares with respect to the Spin-off

When the shares of the Company become ex-rights shares, as scheduled for Thursday, February 27, 2020, 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, with the calculated price per share based on the following formula as the base price of the Company's shares.\*1

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.



\*1 The TSE will make a separate announcement with respect to the treatment of the trading including the calculation method of the base price, etc.

\*2 The public offering price of the shares of Curves HOLDINGS will be determined by the book building method

## Japanese tax treatment with respect to the dividend in kind

### 1. Taxation on the dividend

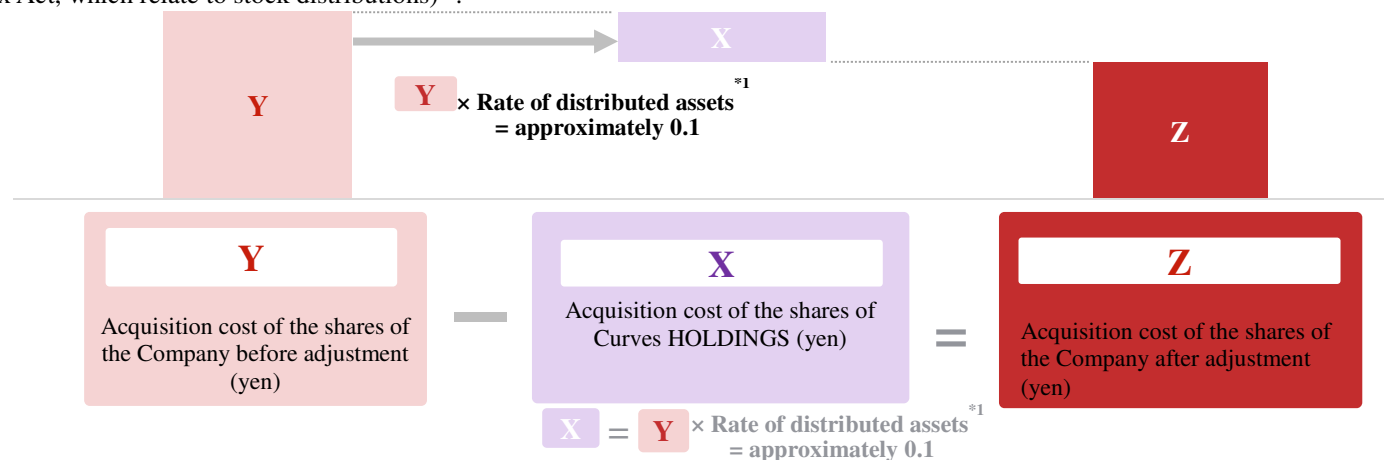
Since the Spin-off will be conducted on the assumption that it is a qualified stock distribution stipulated in Article 2, Item (xii)-15-3 of the Corporation Tax Act, the taxation on the deemed dividend will not apply to the shareholders in connection with the dividend in kind of the shares of Curves 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)<sup>\*1,\*2</sup>



Example: Acquisition cost after adjustment assuming that 100 shares of the Company are purchased at 1,735 yen<sup>\*3</sup> per share and the rate of distributed assets is 0.100

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

**Z** : Acquisition cost of the shares of the Company after adjustment = 1,735 yen × 100 shares - 17,350 yen = 156,150 yen

\*1 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)". At this point, in the case where the capital restructuring stated in "5. Japanese tax treatment with respect to the dividend in kind, (4) Rate of distributed assets" of the "Notice Regarding Dividend in Kind of Subsidiary Shares (Stock Distribution Spin-off) and Change in Specified Subsidiary" as of today is implemented, the estimated rate of distributed assets is expected to be approximately "0.1". The rate of distributed assets, which is currently expected to be fixed around December 2019, will be announced as soon as it is fixed.

\*2 In respect of corporate shareholders, the calculation should be made by replacing "acquisition cost" with "book value (for tax purposes)".

\*3 Closing price of the shares of common stock of the Company on the TSE 1st Section as of October 4, 2019.

\*4 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.

## Cautionary Statement

- (1) The Company plans to distribute dividend in kind to the shareholders of the Company registered as of the end of record date, Saturday, February 29, 2020 (substantive record date: Friday, February 28, 2020) 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. 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 the Curves HOLDINGS.
- (2) Generally speaking, the shareholders are not required to take any special procedures. It is expected that the shares will be delivered to shareholders' accounts on Monday, March 2, 2020. Please contact your securities company for further details.
- (3) The shares of Curves HOLDINGS are scheduled to be listed on the Tokyo Stock Exchange, Inc. (hereinafter referred to as "TSE") on Monday, March 2, 2020. However, it is not guaranteed at present that the shares will be listed as scheduled, since it is based on obtaining the TSE's approval for the listing following the forthcoming listing examination by the Japan Exchange Regulation.
- (4) The shares of the Company will remain listed on the TSE. If the Spin-off is implemented, 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.

- (5) 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. Since, after the Spin-off, shares of the common stock of the Company and Curves HOLDINGS after the Spin-off will be traded independently, the price of these stocks will be determined separately.

\* For the management policies of the new Group and 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.

## 1. Overview of the Spin-off

Question	Answer
<p>Q1-1</p> <p>Please tell us about the outline of the stock distribution spin-off.</p>	<p>A1-1</p> <p>Stock distribution spin-off refers to the act of separating a certain subsidiary of the company conducting the spin-off and making it independent. The shares of the independent subsidiary (spun-off company) will be delivered to the shareholders of the company conducting the spin-off. In the Spin-off, the shares of the Company’s consolidated subsidiary, Curves HOLDINGS, will be delivered to the shareholders of the Company through so-called dividends in kind. The “spin-off”, where a certain business is separated and made into an independent company, was introduced in the organizational restructuring tax regime in the 2017 Japan Tax Reform in order to promote flexible business restructuring of companies. As a result, upon conducting a spin-off, it has become possible to (i) exempt taxation on the gain and/or loss arising from the transfer of a subsidiary to be imposed on the company conducting the spin-off, (ii) exempt taxation on the dividend to be imposed on the shareholders, and (iii) defer taxation on the gain and/or loss arising from share transfer to be imposed on such shareholders.</p>
<p>Q1-2</p> <p>What are the benefits of the stock distribution spin-off?</p>	<p>A1-2</p> <p>In general, the effects of a spin-off include (i) enabling the company conducting the spin-off to concentrate on its core business; (ii) “the effects of the independence of management” such as swift and flexible decision making by the spun-off company; (iii) “the effects of the independence of capital” such as the spun-off company having a higher level of flexibility on the capital management policies and investment strategies; and (iv) if the spun-off company gets listed on the market, “the effects of the independent listing”, such as attracting investors interested in individual businesses; and it is expected that these effects would increase the corporate value.</p>
<p>Q1-3</p> <p>What is the difference between a stock distribution spin-off and sale of a subsidiary?</p>	<p>A1-3</p> <p>In the case of the sale of a subsidiary, in general, the Company will sell shares of the subsidiary to a certain third party or investor, and receive the sale proceeds. On the other hand, in the case of stock distribution spin-off, the Company will distribute shares of the subsidiary to the shareholders of the Company as dividend in kind (distribution of property other than cash). As a result of the Spin-off, the shareholders of the Company will have two listed shares, the shares of the Company and the shares of the Curves HOLDINGS, and 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. The Spin-off is</p>

	<p>scheduled to be implemented as a qualified stock distribution, as set forth in organizational restructuring tax regime, and the Company believes that it has tax benefits compared to the sale of the shares of the subsidiary.</p>
<p>Q1-4</p> <p>Have these kinds of spin-offs been conducted in the past?</p>	<p>A1-4</p> <p>This Spin-off is the first case in Japan of a “spin-off” that has been introduced in the organizational restructuring tax regime after the 2017 Japan Tax Reform.</p> <p>The Company is aware that there have been spin-offs outside Japan, such as DuPont de Nemours, Inc., a major U.S. chemical company, spinning off its Performance Chemicals segment as The Chemours Company in 2015, or eBay Inc., a major U.S. online auction company, spinning off PayPal Holdings Inc. which operates an online payments business in 2015.</p>
<p>Q1-5</p> <p>Please tell us about the requirements for the Spin-off to be a tax-qualified restructuring.</p>	<p>A1-5</p> <p>The outline of the requirements for a qualified stock distribution for tax purposes is as follows. The Company believes that the Spin-off will satisfy the following requirements.</p> <ol style="list-style-type: none"> <li>1. Non-controlling requirement (an in-kind distributing entity (note: the Company) is an entity that is not controlled by the other party immediately prior to the distribution and a wholly-owned subsidiary (note: Curves HOLDINGS) is not expected to be controlled by any other party after the stock distribution)</li> <li>2. Requirement that distribution is conducted on pro-rata basis and distributed assets are limited to shares of the subsidiary(all shares of the wholly-owned subsidiary are to be transferred, and only shares of the wholly-owned subsidiary are to be delivered to each shareholder of the distributing entity in proportionate to the number of shares held by each of such shareholders)</li> <li>3. Employee continuity requirement (80% or more of the employees are expected to continue to engage in the business of the wholly-owned subsidiary)</li> <li>4. Business continuity requirement (major businesses of the wholly-owned subsidiary are expected to be continued by the wholly-owned subsidiary after the stock distribution)</li> <li>5. Executive continuity requirement (not all of the specified executives will resign upon the stock distribution)</li> </ol>

<p>Q1-6</p> <p>Will the shares of Curves HOLDINGS be listed?</p>	<p>A1-6</p> <p>In order to secure trading opportunities for the shareholders after the stock distribution, the Spin-off is subject to the approval for listing on the TSE.</p>
<p>Q1-7</p> <p>Please tell us about the scheme for listing the shares of Curves HOLDINGS.</p>	<p>A1-7</p> <p>From the perspective of securing trading opportunities for shareholders, 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 of shares on the TSE and other conditions. The listing of shares of Curves HOLDINGS and the timing thereof are subject to the approval for listing of shares on the TSE as a result of the listing examination by Japan Exchange Regulation in the future, and, therefore, are not assured at this point in time. In addition, another condition for the Spin-off is that the issuance of new shares of Curves HOLDINGS (hereinafter referred to as the “Issuance of New Shares”) is planned to be implemented upon new listing (i.e., the decisions necessary for the issuance have been made and there has been no cancellation). In case the Issuance of New Shares is to be carried out, a price for such issuance is determined by book-building method set forth in Article 233 of the Enforcement Rules for the Securities Listing Regulations stipulated by the TSE (a method of determining the issue price after presenting the offering price range upon solicitation for application for acquisition of shares and ascertaining the demand from investors concerning shares). As stated in the “Cautionary Statement” (page 9), when the shares of the Company become ex-rights shares, the base price for the trading on the TSE will be calculated using the public offering price of Curves HOLDINGS. Since the value of shares of the Curves HOLDINGS will be determined by the book-building method with transparency, it is expected to facilitate smooth trading of shares of the Company on and after ex-right date. The timing of the Issuance of New Shares has not been decided yet.</p>
<p>Q1-7-1</p> <p>Please tell us the details of the Issuance of New Shares. (Added on October 28, 2019)</p>	<p>A1-7-1</p> <p>The details of the timing and the scale of the Issuance of New Shares have yet to be determined; however, the primary purpose of the Issuance of New Shares is to calculate the adequate price of Curves HOLDINGS and to facilitate the smooth and transparent share price formation process after the date when the Company’s shares become ex-rights shares. Therefore, the Company firmly believes that the determination of the public offering price of Curves HOLDINGS by the book-building method (a method which cannot be utilized unless public offering (including issuance of new shares) takes place) is indispensable upon the implementation of the Spin-off, and in fact, one condition for the Spin-off is that</p>

	<p>the Issuance of New Shares is planned to be implemented upon new listing (i.e., the decisions necessary for the issuance have been made and there has been no cancellation).</p> <p>Since the approval for listing of the shares of Curves HOLDINGS has yet to be granted, the Company would like to withhold providing the detailed explanation regarding the Issuance of New Shares; however, the Company appreciates your understanding of the above reasons for the Issuance of New Shares.</p> <p>On the other hand, as described in “6. Future outlook, (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” of the “Notice Regarding Dividend in Kind of Subsidiary Shares (Stock Distribution Spin-off) and Change in Specified Subsidiary” as of October 10, it has been confirmed that the major shareholders of the Company who are currently serving as the management of the Company have no intention to sell their holding shares by any means, including through a secondary offering, in the short term.</p>
<p>Q1-8</p> <p>What are the voting requirements for the Spin-off at the general meeting of shareholders?</p>	<p>A1-8</p> <p>In order to satisfy the requirements for a tax-qualified restructuring, the Spin-off will be conducted through the distribution of dividends in kind without the right to demand distribution of monies set forth in Article 454, Paragraph 4, Item 1 of the Companies Act (right to request the stock company to distribute cash in lieu of such dividend property). Accordingly, the Spin-off was supposed to be authorized by a special resolution stipulated in Article 309, Paragraph 2, Item 10 of the Companies Act at an ordinary general meeting of shareholders; however, as of October 9, 2019, with respect to the Spin-off, the Company has obtained approval from the Minister of Economy, Trade and Industry regarding the business reconstruction plan concerning the karaoke business under the Act on Strengthening Industrial Competitiveness. Therefore, by utilizing special treatment under the Act on Strengthening Industrial Competitiveness, the Company plans to pass the ordinary resolution stipulated in Article 309, Paragraph 1 of the Companies Act at the 50th ordinary general meeting of shareholders (hereinafter referred to as “Ordinary General Meeting of Shareholders”) scheduled to be held on November 27, 2019, with approval from a majority of the voting rights of shareholders present who are able to exercise their voting rights in accordance with the Company’s Articles of Incorporation.</p>
<p>Q1-9</p> <p>What will happen if the</p>	<p>A1-9</p> <p>The Spin-off will be brought before the Ordinary General Meeting of Shareholders, and implementation of the Spin-off is subject to the</p>

<p>resolution is rejected at the general meeting of shareholders, the approval for the listing of the shares of Curves HOLDINGS cannot be obtained, or the issuance of new shares is discontinued?</p>	<p>following conditions. If any of the following conditions are not satisfied, the Spin-off will be discontinued.</p> <ol style="list-style-type: none"> <li>(1) Obtaining approval at the Ordinary General Meeting of Shareholders.</li> <li>(2) Obtaining the TSE's approval for the listing with respect to common shares of Curves HOLDINGS.</li> <li>(3) The Issuance of New Shares is planned to be implemented upon new listing.</li> </ol>
<p>Q1-10 How can shareholders exercise their voting rights on the agenda for the general meeting of shareholders regarding the Spin-off?</p>	<p>A1-10 Those who are recorded as shareholders of the Company as of Saturday, August 31, 2019 (substantive record date: Friday, August 30, 2019) will be able to exercise their voting rights at the Ordinary General Meeting of Shareholders of the Company. In exercising the voting rights, the Company asks the shareholders to review the Convocation Notice of the Ordinary General Meeting of Shareholders, which the Company plans to send in early November.</p>
<p>Q1-11 What options do shareholders have?</p>	<p>A1-11 Firstly, the Company asks those who are recorded as shareholders of the Company as of Saturday, August 31, 2019 (substantive record date: Friday, August 30, 2019) to deliberate the agenda for the Spin-off to be brought before the Ordinary General Meeting of Shareholders. If the Spin-off is implemented, for each share of the Company held, one share of Curves HOLDINGS will be delivered to those who are recorded as shareholders of the Company as of the record date for distribution, Saturday, February 29, 2020 (substantive record date: Friday, February 28, 2020). Therefore, as a result of the Spin-off, the shareholders of the Company as of the record date for distribution will have two listed shares, the shares of the Company and the shares of Curves HOLDINGS. After the Spin-off, the shareholders may, as the shareholders of each of the shares of the Company and Curves HOLDINGS, continue to hold</p>



	rights or trade the shares on the market.
<p>Q1-12</p> <p>What are the options available to the shareholders who hold fractional shares?</p>	<p>A1-12</p> <p>Firstly, the shareholders holding the Company's common stock less than the number of shares constituting one unit of shares, i.e., 100 share, (fractional shares) as of Saturday, August 31, 2019 (substantive record date: Friday, August 30, 2019), may not exercise their voting rights with respect to the agenda for the Spin-off which will be brought before the Ordinary General Meeting of Shareholders because they do not have voting rights.</p> <p>In the Spin-off, for each share of the Company held, one share of Curves HOLDINGS will be delivered to those who are recorded as shareholders of the Company as of the record date for distribution, Saturday, February 29, 2020 (substantive record date: Friday, February 28, 2020). Accordingly, the distribution will be made to the shareholders holding fractional shares in proportionate to the number of fractional shares held by the respective shareholders. However, the number of shares constituting one unit of shares of Curves HOLDINGS will also be 100 shares; therefore, the shareholders may not trade such fractional shares of Curves HOLDINGS on the market (there are no restrictions on trading units for trading outside the market). Purchase of the fractional shares of Curves HOLDINGS will start after the listing.</p>
<p>Q1-13</p> <p>What is the composition of shareholders of the Company and Curves HOLDINGS after the Spin-off?</p>	<p>A1-13</p> <p>Through the Spin-off, the shares of Curves HOLDINGS will be distributed to the shareholders of the Company as of the record date for distribution at the ratio of 1:1. Therefore, the shareholders of the Company and the shareholders of Curves HOLDINGS will be identical at the time of the implementation of the Spin-off. However, the total number of shares outstanding of Curves HOLDINGS is expected to increase as a result of the Issuance of New Shares upon the new listing of Curves HOLDINGS, and Takeshi Masumoto, Maki Sakamoto, and Yoko Masumoto, Directors of Curves HOLDINGS, will exercise their stock acquisition rights promptly after the listing of Curves HOLDINGS. As a result, the composition of shareholders will change. Furthermore, since both the shares of the Company and the shares of Curves HOLDINGS will be traded on the TSE market after the listing of the shares of Curves HOLDINGS, the composition of shareholders will change accordingly. The above-mentioned three directors of Curves HOLDINGS 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</p>

	<p>date of listing of the shares of Curves HOLDINGS.</p> <p>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 current Group, even after the Spin-off, and that they have no intention to sell the shares of Curves HOLDINGS in the short term.</p>
<p>Q1-14</p> <p>What are the personnel relationship and the capital relationship with Curves HOLDINGS going forward?</p>	<p>A1-14</p> <p>After the Spin-off, there will be no directors concurrently serving as directors of the Company and Curves HOLDINGS. It is also expected that there will be no capital relationship.</p>
<p>Q1-15</p> <p>Please tell us about the prospect of meeting the requirements for a tax-qualified restructuring.</p>	<p>A1-15</p> <p>The Spin-off will be conducted based on the understanding that it satisfies the requirements for a tax-qualified restructuring, and no particular obstacles are expected in meeting such requirements for the time being.</p>
<p>Q1-16</p> <p>How will margin trading (right handling, prohibition of actually receiving stock purchased, etc.), cumulative stock investment (<i>Ruitou</i>) or</p>	<p>A1-16</p> <p>Please contact your securities company for the particular treatment of margin trading, cumulative stock investment, and small-lot stock trading.</p>

small-lot stock trading ( <i>Minikabu</i> ) be treated?	
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## 2. Procedures for distribution of dividends in kind

Question	Answer
Q2-1 Please tell us about the schedule of the distribution of dividend in kind.	A2-1 On the condition that (i) the Spin-off is approved at the Ordinary General Meeting of Shareholders to be held on Wednesday, November 27, 2019, (ii) the listing of common shares of Curves HOLDINGS is approved by the TSE, and (iii) the Issuance of New Shares is planned to be implemented upon new listing, on Monday, March 2, 2020, the shares of Curves HOLDINGS will be distributed to the shareholders registered as of the record date of distribution of Saturday, February 29, 2020 (substantive record date: Friday, February 28, 2020), 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.
Q2-2 How can shareholders receive dividends in kind, the shares of Curves HOLDINGS?	A2-2 In the Spin-off, for each share of the Company held, one share of Curves HOLDINGS will be delivered to those who are recorded as shareholders of the Company as of the record date for distribution, Saturday, February 29, 2020 (substantive record date: Friday, February 28, 2020). Therefore, in order to receive dividends in kind, the shares of Curves HOLDINGS, it is necessary to be recorded as a shareholder of the Company as of the record date for distribution. To become a shareholder of the Company as of the record date for distribution, it is necessary to complete a purchase order by the last trading date on which the shareholders of the Company's shares will still be entitled to the rights, Wednesday, February 26, 2020.
Q2-3 How many shares of Curves HOLDINGS will be delivered for one share of the Company? How did	A2-3 In the Spin-off, in order to satisfy the requirements for a tax-qualified restructuring, shares of Curves HOLDINGS will be delivered pro rata in proportionate to the number of shares of the Company held by the shareholders as of the record date for distribution. Specifically, for each share of the Company held, one share of Curves HOLDINGS will be delivered to those who are recorded as shareholders of the Company as of the record date for distribution, Saturday, February 29, 2020 (substantive record date: Friday, February 28, 2020). Since, currently, the total number

<p>the Company decide on such number of shares?</p>	<p>of shares outstanding of the Company (excluding the number of treasury shares held) and the total number of shares outstanding of Curves HOLDINGS are both 82,298,284 shares, the number of shares to be delivered will be one share of Curves HOLDINGS for each share of the Company held. If the total number of shares outstanding of the Company decreases due to fractional share purchase demands, the Company plans to make the total number of shares outstanding of the Company (excluding the number of treasury shares held) match to the total number of shares outstanding of Curves HOLDINGS (excluding the number of treasury shares held) by making Curves HOLDINGS acquire treasury shares held by the Company on Friday, February 28, 2020, in the number equivalent to the number of shares the Company delivers pursuant to the fractional share purchase demands. Accordingly, in any event, the Company plans to transfer all the shares of Curves HOLDINGS to the shareholders of the Company by delivering one share of Curves HOLDINGS for each one share of the Company held.</p>
<p>Q2-4 Will there be any fractions in delivering the shares of Curves HOLDINGS?</p>	<p>A2-4 As stated in A2-3 above, currently, the total number of shares outstanding of the Company (excluding the number of treasury shares held) and the total number of shares outstanding of Curves HOLDINGS are the same, and, the Company does not expect that there would be any fractions (less than one share) in the shares to be delivered in the Spin-off.</p>
<p>Q2-5 What are the procedures for receiving dividends in kind, the shares of Curves HOLDINGS?</p>	<p>A2-5 The distribution of the shares of Curves HOLDINGS will be made on Monday, March 2, 2020, to those who are recorded as shareholders of the Company as of the record date for distribution, Saturday, February 29, 2020 (substantive record date: Friday, February 28, 2020), and, generally speaking, the shareholders are not required to take any special procedures. It is expected that the shares will be delivered to shareholders' accounts on Monday, March 2, 2020. Please contact your securities company for confirmation of delivery.</p>
<p>Q2-6 Is it necessary to pay any funds to receive the delivery of the shares of Curves HOLDINGS?</p>	<p>A2-6 The overall transaction of the Spin-off is to deliver the shares of the subsidiary Curves HOLDINGS held by the Company to the shareholders of the Company through the distribution of dividends in kind (distribution of property other than cash). Therefore, the shareholders of the Company do not have to pay any special funds in order to receive the delivery of the shares of Curves HOLDINGS.</p>

<p>Q2-7</p> <p>How can shareholders confirm if the shares of Curves HOLDINGS are delivered?</p>	<p>A2-7</p> <p>The delivery is expected to be made into the accounts of the shareholders on Monday, March 2, 2020, the date on which the implementation of the distribution of dividends in kind will be reflected. Please contact your securities company for confirmation of delivery.</p>
<p>Q2-8</p> <p>Is it possible to reject receiving the shares of the Curves HOLDINGS?</p>	<p>A2-8</p> <p>The overall transaction of the Spin-off is to deliver the shares of the subsidiary Curves HOLDINGS held by the Company to the shareholders of the Company through the distribution of dividends in kind (distribution of property other than cash). Therefore, the shares of Curves HOLDINGS will be delivered without exception to those who are recorded as shareholders of the Company as of the record date for distribution, Saturday, February 29, 2020 (substantive record date: Friday, February 28, 2020) in proportionate to the number of shares of the Company held.</p> <p>In addition, in order to satisfy the requirements for a tax-qualified restructuring, the Spin-off will be conducted through the distribution of dividends in kind without the right to demand distribution of monies set forth in Article 454, Paragraph 4, Item 1 of the Companies Act (right to request the stock company to distribute cash in lieu of such dividend property). Therefore, it is not possible to receive dividends in cash and the shareholders of the Company will receive dividends in the form of shares without exception; however, it will be possible to sell them on the market after the listing.</p>
<p>Q2-9</p> <p>Please tell us about the expenses of receiving dividends in kind.</p>	<p>A2-9</p> <p>Usually, there will be no special expenses for receiving dividends in kind.</p>
<p>Q2-10</p> <p>What kind of documents will be sent, and when and</p>	<p>A2-10</p> <p>It is expected that the Notice of Distribution Allocation and Rate of Distributed Assets will be sent from the Company around the end of March 2020 to those who are recorded as shareholders of the Company as of the record date for distribution, Saturday, February 29, 2020 (substantive</p>

where such documents will be sent in the Spin-off?	record date: Friday, February 28, 2020) receiving the delivery of the shares of Curves HOLDINGS. With regard to if there will be any written notice from your securities company, please contact your securities company for confirmation.
Q2-11 Do the shares of Curves HOLDINGS go into a specified account or a general account?	A2-11 The Company's understanding is that, usually, the shares of Curves HOLDINGS to be distributed will go into the respective accounts in which the shareholders of the Company hold their shares of the Company. Therefore, the Company understands that the shares of Curves HOLDINGS will go into a specified account if a shareholder is holding the shares of the Company in the specified account, or into a general account if a shareholder is holding the shares of the Company in the general account. Please contact your securities company for further details as handling may differ depending on each securities company.
Q2-12 If a shareholder of the Company is holding the shares of the Company in a NISA account, how will the shares of Curves HOLDINGS be handled?	A2-12 The Company understands that, if the shares of the Company are being held in the NISA account as of the record date for distribution, Saturday, February 29, 2020 (substantive record date: Friday, February 28, 2020), the shares of Curves HOLDINGS will go into such NISA account. Please contact your securities company for further details.
Q2-13 Will the shares of Curves HOLDINGS be delivered with respect to treasury shares of the Company?	A2-13 Pursuant to the provisions of Article 454, Paragraph 3 of the Companies Act, no distribution of dividends in kind, the shares of Curves HOLDINGS will be made with respect to the treasury shares held by the Company.

### 3. Trading of shares of Curves HOLDINGS and status of Curves HOLDINGS after Spin-off

Question	Answer
<p>Q3-1</p> <p>Please provide information about the listing of shares of the Curves HOLDINGS.</p>	<p>A3-1</p> <p>From the perspective of securing trading opportunities for shareholders, 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 of shares on the TSE and other conditions. The listing of shares of Curves HOLDINGS and the timing thereof are subject to the approval for listing of shares on the TSE as a result of the listing examination by Japan Exchange Regulation in the future, and, therefore, are not assured at this point in time. In addition, another condition for the Spin-off is that Issuance of New Shares is planned to be implemented upon new listing. In case the Issuance of New Shares is to be carried out, a price for such issuance is determined by book-building method set forth in Article 233 of the Enforcement Rules for the Securities Listing Regulations stipulated by the TSE (a method of determining the issue price after presenting the offering price range upon solicitation for application for acquisition of shares and ascertaining the demand from investors concerning shares). The timing of the Issuance of New Shares has not been decided yet.</p>
<p>Q3-2</p> <p>Will Curves Holdings issue new shares?</p>	<p>A3-2</p> <p>New shares of Curves HOLDINGS will not be issued as a part of the Spin-off. However, as stated in the “Notice Regarding Dividend in Kind of Subsidiary Shares (Stock distribution spin-off) and Change in Specified Subsidiary” released today, the Spin-off is subject to the condition that the Issuance of New Shares is planned to be implemented upon new listing. The timing of the Issuance of New Shares has not been decided yet.</p>
<p>Q3-3</p> <p>Please tell us about the stock acquisition rights (dilutive shares) of Curves HOLDINGS.</p>	<p>A3-3</p> <p>When the Company made Curves HOLDINGS a wholly owned subsidiary of the Company in anticipation of the Spin-off, Curves HOLDINGS allocated stock acquisition rights to Takeshi Masumoto, the Representative Director and President, and Maki Sakamoto and Yoko Masumoto, the Directors, of Curves HOLDINGS, who had been the shareholders of Curves HOLDINGS, in proportionate to their shareholding ratio. Such allocation was made in order to ensure that the above-mentioned three directors remain committed to management after the Spin-off and in order to grant medium-to-long term incentives to such three directors. The three directors will exercise their stock acquisition rights promptly after the</p>

	<p>listing of Curves HOLDINGS. In addition, 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.</p>
<p>Q3-3-1 Please tell us the reason why three directors of Curves HOLDINGS hold approximately 10% of stock acquisition rights of Curves HOLDINGS in total. (Added on October 28, 2019)</p>	<p>A3-3-1 When the Company acquired Curves Japan Co., Ltd, an operating company of Curves business in 2007 (now a sub-subsidiary of the Company; hereinafter referred to as “CVJ”), the Company has established Curves HOLDINGS as an intermediate holding company (shares outstanding: 400 shares). Upon establishing Curves HOLDINGS, (a) in accordance with the conditions for acquisition proposed by Curves International, Inc., the general headquarters of Curves business, and (b) from the perspective of raising awareness of the management of CVJ of its responsibility, the Company undertook 360 shares (shareholding ratio: 90%) and the core management of CVJ (Takeshi Masumoto, Maki Sakamoto, and Yoko Masumoto; hereinafter referred to as the “Three Eligible Directors”) undertook 40 shares (shareholding ratio: 10%). In respect of the Spin-off, in order to satisfy the requirements for a tax-qualified restructuring, Curves HOLDINGS needed to be a wholly-owned subsidiary of the Company; therefore, the Company had to acquire the shares of Curves HOLDINGS held by the Three Eligible Directors and make Curves HOLDINGS a wholly-owned subsidiary. At the same time, the Company believed that having the Three Eligible Directors remain committed to the management of Curves HOLDINGS after the Spin-off would contribute to the interest of shareholders, and also, for the smooth implementation of the Spin-off, it was necessary to make the number of shares outstanding of the Company and that of Curves HOLDINGS (excluding the number of treasury shares held) equal (82,298,284 shares). Hence, the Company decided to make Curves HOLDINGS a wholly-owned subsidiary of the Company by the following procedures: (i) first, Curves HOLDINGS allocates stock acquisition rights to all of its shareholders (i.e. the Company and the Three Eligible Directors) in proportionate to their shareholding ratio without a contribution, and then (ii) the Company exercises all of the stock acquisition rights allocated (equivalent to 82,297,884 shares) and purchase 40 existing shares held by the Three Eligible Directors. As a result, the Three Eligible Directors will hold approximately 10% of dilutive shares of Curves HOLDINGS (9,144,209 shares) in total, but this merely means the economic condition of the Three Eligible Directors has remained substantially the same as before Curves HOLDINGS was made into a wholly-owned subsidiary of the Company.</p>



<p>Q3-4</p> <p>Will there be any changes in business of Curves HOLDINGS after the Spin-off?</p>	<p>A3-4</p> <p>Although, after the Spin-off, Curves HOLDINGS will be separate and independent from the current Group, the business of Curves HOLDINGS itself will not change. The Group considers that making Curves Holdings independent in terms of its management, capital and listing by the Spin-off will lead to the steady implementation of business strategies and acceleration of business growth, thereby contributing to further improvement of shareholder value.</p>
<p>Q3-5</p> <p>Will there be any changes in the management of Curves HOLDINGS after the Spin-off?</p>	<p>A3-5</p> <p>The agenda items regarding the composition of directors going forward will be submitted to 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”). Kazuhiro Asakura, the Director of Curves Holdings, will resign from his office due to the expiration of his term of office at the conclusion of the Ordinary General Meeting of Shareholders of Curves HOLDINGS in order to terminate his concurrent positions at the Company and Curves HOLDINGS; however, there will be no changes in major directors, including Takeshi Masumoto, the Representative Director and President. Curves HOLDINGS will implement its business strategies more soundly than ever before and strive to increase its corporate value.</p> <p>In addition, 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.</p>
<p>Q3-6</p> <p>Please tell us about the management policy after the Spin-off.</p>	<p>A3-6</p> <p>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: <a href="https://www.koshidakaholdings.co.jp/news/">https://www.koshidakaholdings.co.jp/news/</a>) as of today.</p>

<p>Q3-7</p> <p>Please tell us about the impact of the Spin-off on financial results.</p>	<p>A3-7</p> <p>The Spin-off will have no impact on the performance of the new Curves HOLDINGS Group. The Group considers that making Curves Holdings independent in terms of its management, capital and listing by the Spin-off will lead to the steady implementation of business strategies and acceleration of business growth, thereby contribute to further improvement of shareholder value.</p>
<p>Q3-8</p> <p>Please tell us about Curves HOLDINGS' financial condition in previous periods.</p>	<p>A3-8</p> <p>For further details, please refer to “7. Consolidated financial statements (unaudited) of Curves HOLDINGS” in the “Notice Regarding Dividend in Kind of Subsidiary Shares (Stock Distribution Spin-off) and Change in Specified Subsidiary” as of today.</p>
<p>Q3-9</p> <p>How will information regarding the business of the new Curves HOLDINGS Group be disclosed in the future?</p>	<p>A3-9</p> <p>Until Curves HOLDINGS is listed on the TSE, the Company will continue to disclose to the shareholders and investors, in a timely and appropriate manner, information pertaining to the Curves HOLDINGS Group as part of the information pertaining to the current Group. When Curves HOLDINGS is listed on the TSE, Curves HOLDINGS will submit an annual securities report, etc., and make a timely disclosure on the TSE.</p>
<p>Q3-10</p> <p>Please tell us about the policy of the major shareholders of the Company who are currently the management of the Company, on holding the shares of</p>	<p>A3-10</p> <p>It has been confirmed that the major shareholders of the Company plan to hold on to such shares in the medium to long term, even after the Spin-off, and that they have no intention to sell such shares in the short term.</p>

Curves HOLDINGS after the Spin-off.	
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#### 4. Trading of the Company's shares and Status of the Company after the Spin-off

Question	Answer
<p>Q4-1</p> <p>Will the shares of the Company remain listed?</p>	<p>A4-1</p> <p>The shares of the Company will remain listed on the TSE after the Spin-off.</p>
<p>Q4-2</p> <p>Please tell us about effects on the share value of the Company by the Spin-off.</p>	<p>A4-2</p> <p>The shareholders registered in the shareholders registry of the Company at the end of Saturday, February 29, 2020, the record date for distribution (substantive record date: Friday, February 28, 2020), will be eligible for distribution of the dividend in kind, which will be conducted at the ratio of one share of Curves HOLDINGS' stock per one share of the Company's stock held. However, due to such dividend in kind, 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.</p> <p>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.</p> <p>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</p>

<p>Q4-3</p> <p>Does the Spin-off affect transactions of the shares of the Company?</p>	<p>A4-3</p> <p>The shares of the Company will continue to be traded on the TSE just as before.</p>
<p>Q4-4</p> <p>Please tell us about transactions after the shares of the Company become ex-rights shares.</p>	<p>A4-4</p> <p>If the Spin-off is implemented, 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.</p>
<p>Q4-5</p> <p>Will there be any changes in the business of the Company after the Spin-off?</p>	<p>A4-5</p> <p>As a result of the Spin-off, the Curves business will be separate and independent from the business segments of the current Group; however, this will not affect the karaoke business, bath house business, and real estate management business. The Company aims to further increase the corporate value by concentrating management resources of the new Group on these businesses.</p>
<p>Q4-6</p> <p>Will there be any changes in the management of the Company after the Spin-off?</p>	<p>A4-6</p> <p>The agenda items regarding the composition of directors and officers going forward will be submitted to the Ordinary General Meeting of Shareholders. Osamu Koshidaka, the Senior Executive Director of the Company, and Masahide Teraishi, an Outside Director of the Company, will resign from their offices due to the expiration of their terms of offices at the conclusion of the Ordinary General Meeting of Shareholders; however, there will be no changes in other directors and officers, including Hiroshi Koshidaka, the Representative Director and President. The Company will implement its business strategies more soundly than ever before and strive to increase its corporate value.</p>
<p>Q4-7</p> <p>Please tell us about the management policy after</p>	<p>A4-7</p> <p>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: <a href="https://www.koshidakaholdings.co.jp/news/">https://www.koshidakaholdings.co.jp/news/</a>) as of today.</p>

the Spin-off.	
<p>Q4-8</p> <p>Please tell us about the effects of the Spin-off on the financial results of the Company.</p>	<p>A4-8</p> <p>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 Group from March 2020 will not include the new Curves HOLDINGS Group. 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. For details on the effects on the financial results of the Company, please refer to “6. Future outlook (4) Effects on the financial results of the Company” in the “Notice Regarding Dividend in Kind of Subsidiary Shares (Stock Distribution Spin-off) and Change in Specified Subsidiary”.</p>
<p>Q4-9</p> <p>Please tell us about what the Company’s financial condition would have been in previous periods assuming the Spin-off had been conducted in the past.</p>	<p>A4-9</p> <p>For further details, please refer to “8. &lt;Reference&gt; Consolidated financial statements (unaudited) of the Company excluding Curves HOLDINGS” in the “Notice Regarding Dividend in Kind of Subsidiary Shares (Stock Distribution Spin-off) and Change in Specified Subsidiary” as of today.</p>

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

Question	Answer
<p>Q5-1</p> <p>Please tell us about the tax benefits of the Spin-off for the shareholders.</p>	<p>A5-1</p> <p>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). In addition, 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). Furthermore, as compared to the case where the Company aims to become independent through general methods such as the sale of the shares or the business of a subsidiary, the Spin-off will not lead to the imposition of any tax on the Company in respect of a gain on the sale of the shares or the business of a subsidiary and will enable the Company to prevent the outflow of its assets. Therefore, from the perspective of shareholder value as well, the Company believes that there are tax benefits for its shareholders.</p>
<p>Q5-2</p> <p>What are the acquisition costs of the shares of the Company and Curves HOLDINGS?</p>	<p>A5-2</p> <p>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 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.</p>

	<p>Acquisition cost per share of Curves HOLDINGS (X) = acquisition cost per share of the Company before adjustment (Y) × rate of distributed assets</p> <p>Acquisition cost per share of the Company after the Spin-off (Z) = (Y) - (X)</p> <p>&lt;Example&gt; Acquisition cost after adjustment assuming that 100 shares of the Company are purchased at 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</p> <p>Acquisition cost of the shares of Curves HOLDINGS = 1,735 yen × 100 shares × 0.100 = 17,350 yen</p> <p>Acquisition cost of the shares of the Company after the Spin-off = 1,735 yen × 100 shares - 17,350 yen = 156,150 yen</p> <p>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.</p> <p>* In respect of corporate shareholders, the calculation should be made by replacing “acquisition cost” with “book value (for tax purposes)”.</p>
<p>Q5-3</p> <p>Please tell us about the rate of distributed assets.</p>	<p>A5-3</p> <p>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)”.</p> <p>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.</p> <p>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</p>



	<p>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”).</p> <p>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.</p> <p>At this point, if the Capital Restructuring is implemented, the estimated rate of distributed assets is expected to be approximately “0.1”. However, necessary changes may be made if any event requiring adjustments occurs in the future.</p>
<p>Q5-4 When will the rate of distributed assets be fixed?</p>	<p>A5-4 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.</p>

\* 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. Accounting treatment of corporate shareholders, etc.**

Question	Answer
<p>Q6-1</p> <p>Please tell us about the accounting treatment for the Spin-off.</p>	<p>A6-1</p> <p>For the specific accounting treatment, please contact your accountant or other experts. For your reference, in Paragraph 52 of the Accounting Standards for Business Divestitures and Paragraph 297 of the Implementation Guidance on the Accounting Standards for Business Combinations and the Accounting Standards for Business Divestitures, a summary of the accounting treatment is set forth as follows:</p> <p>In accordance with the general views on the accounting treatment for exchanges, etc., the accounting shall be conducted by considering that the shares held thus far were substantially exchanged.</p> <p>If it is deemed that the investments are ongoing, gains and losses on exchanges shall not be recognized, and the acquisition cost of the shares of the wholly-owned subsidiary (note: Curves HOLDINGS), which is the subsidiary of the company implementing the spin-off (note: the Company), shall be calculated by reasonably prorating, with respect to the shares that are deemed to have been exchanged, the fair book value of the shares of the company implementing the spin-off (note: the Company) immediately prior to the distribution. The possible methods of reasonable prorating are (1) prorating on the basis of the rate of the relevant market value, (2) prorating on the basis of the rate of the aggregate market value and (3) prorating on the basis of the rate of the relevant book value.</p>

<Contact for further questions and inquiries>

KOSHIDAKA HOLDINGS Co., LTD.

03-6403-5710 (9:00 a.m. to 6:00 p.m. on weekdays, excluding national holidays)

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.