

Consolidated Financial Results for the Fiscal Year Ended August 31, 2023 [Japanese GAAP]



October 11, 2023

Company name: CURVES HOLDINGS Co., Ltd.

Stock exchange listing: Tokyo Stock Exchange Prime Market

Stock code: 7085

URL: <https://www.curvesholdings.co.jp/>

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Scheduled date of Ordinary General Meeting of Shareholders: November 22, 2023

Scheduled date of commencing dividend payments: November 24, 2023

Scheduled date of filing annual securities report: November 24, 2023

Availability of supplementary briefing material on annual financial results: Available

Schedule of annual financial results briefing session: Scheduled (for institutional investors and analysts)

(Amounts of less than one million yen are rounded down.)

1. Consolidated Financial Results for the Fiscal Year Ended August 31, 2023 (September 1, 2022 to August 31, 2023)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

Fiscal year ended	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
August 31, 2023	30,022	9.1	3,851	40.4	3,841	16.0	2,551	13.5
August 31, 2022	27,509	11.5	2,742	69.1	3,311	92.9	2,247	99.0

(Note) Comprehensive income: Fiscal year ended August 31, 2023: 3,511 million yen [down 32.9%]

Fiscal year ended August 31, 2022: 5,237 million yen [up 251.4%]

Fiscal year ended	Earnings per share	Diluted earnings per share	Return on equity	Ordinary profit to total assets	Operating profit to net sales
	Yen	Yen	%	%	%
August 31, 2023	27.71	-	18.6	9.9	12.8
August 31, 2022	24.20	-	20.9	8.9	10.0

(Reference) Equity in earnings (losses) of affiliates:

Fiscal year ended August 31, 2023: - million yen

Fiscal year ended August 31, 2022: - million yen

(2) Consolidated Financial Position

As of	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
August 31, 2023	39,111	15,070	38.5	163.70
August 31, 2022	38,352	12,355	32.2	134.22

(Reference) Equity: As of August 31, 2023: 15,070 million yen

As of August 31, 2022: 12,355 million yen

(3) Consolidated Cash Flows

Fiscal year ended	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
August 31, 2023	4,920	(891)	(4,091)	7,855
August 31, 2022	3,273	(943)	(4,218)	7,943

2. Dividends

Fiscal year ended	Annual dividends					Total dividends	Payout ratio (consolidated)	Dividends to net assets (consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
August 31, 2022	-	3.50	-	3.50	7.00	657	28.9	6.0
August 31, 2023	-	5.00	-	5.00	10.00	938	36.1	6.7
Fiscal year ending August 31, 2024 (Forecast)	-	6.00	-	6.00	12.00		38.1	

3. Consolidated Financial Results Forecast for the Fiscal Year Ending August 31, 2024 (September 1, 2023 to August 31, 2024)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	16,400	13.2	2,080	2.3	2,055	7.3	1,290	9.5	14.01
Full year	34,000	13.2	4,700	22.0	4,650	21.0	2,900	13.7	31.50

* Notes:

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in scope of consolidation): No

Newly added: — (Name:) Excluded: — (Name:)

(2) Changes in accounting policies, changes in accounting estimates and restatements

1) Changes in accounting policies due to the revision of accounting standards: Yes

2) Changes in accounting policies other than 1) above: No

3) Changes in accounting estimates: No

4) Restatements: No

(3) Total number of issued shares (common shares)

1) Total number of issued shares at the end of the period (including treasury shares):

August 31, 2023: 93,857,493 shares

August 31, 2022: 93,857,493 shares

2) Total number of treasury shares at the end of the period:

August 31, 2023: 1,800,123 shares

August 31, 2022: 1,800,123 shares

3) Average number of shares during the period:

Fiscal year ended August 31, 2023: 92,057,370 shares

Fiscal year ended August 31, 2022: 92,888,140 shares

(Note) The total number of treasury shares at the end of the period include shares of the Company (1,800,000 shares on August 31, 2023 and 1,800,000 shares on August 31, 2022) held by Custody Bank of Japan, Ltd. (Trust Account E). In addition, shares of the Company held by Custody Bank of Japan, Ltd. (Trust Account E) are included in treasury shares that are subtracted in calculating the average number of shares during the period. (1,800,000 shares during the fiscal year ended August 31, 2023 and 969,231 shares during the fiscal year ended August 31, 2022)

* This summary of the financial results is outside the scope of audit by certified public accountants or audit firms.

* Explanation of the proper use of financial results forecast and other notes

(Note on forward-looking statements, etc.)

The financial results forecast and other forward-looking statements contained in this document are based on information currently available to the Company and certain assumptions deemed reasonable by the Company. Such forward-looking statements are not intended to represent a commitment on the part of the Company to achieve them. Actual results may vary significantly due to various factors. Please refer to “1. Overview of Operating Results, etc. (4) Future Outlook,” on page 6 of the attached material for the assumptions used in the financial results forecast, as well as precautions for using the financial results forecast.

(How to obtain supplementary briefing material on the financial results)

The Company will hold a financial results briefing for institutional investors and analysts on Friday, October 13, 2023. The Company plans to post materials to be used at the briefing on TDnet and the Company’s website (<https://www.curvesholdings.co.jp/>) on the same day.

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1. Overview of Operating Results, etc.

(1) Overview of Operating Results for the Year under Review

The Group (the Company and consolidated subsidiaries, hereinafter referred to as the “Group”) has been striving to contribute to the extension of health life expectancy through its core business, Curves, a 30-minute fitness club for women, and to solving social issues as “community-based health infrastructure.” The Group endeavors to enhance the satisfaction of its members and expand and increase membership and the number of CURVES facilities by strengthening customer services.

Operating results for the fiscal year (September 2022 - August 2023) under review are as follows.

	Previous fiscal year (Million yen)	Fiscal year under review (Million yen)	Change (Million yen)	Change (%)
Net sales	27,509	30,022	2,512	9.1
Operating profit (Operating profit ratio)	2,742 (10.0%)	3,851 (12.8%)	1,108	40.4
Ordinary profit	3,311	3,841	530	16.0
Profit attributable to owners of parent	2,247	2,551	303	13.5

In the fiscal year under review, membership totaled 777K, compared to 754K as of the end of the previous fiscal year (net increase in membership: 22K). (*Membership includes members of online fitness program, Ouchi-de-Curves (Curves at Home), and Ouchi-de-Curves Dual Plan (in-club and on-line hybrid service)). The Group conducted new membership recruitment campaigns three times during the fiscal year under review and media mix-oriented marketing campaign including TV commercials and online advertising, as well as community-based promotional activities. As a result of initiatives taken since the COVID-19 pandemic, steady progress was continuously made in the acquisition of younger senior members (50 – 64 years old). Moreover, customer satisfaction was further increased as indicated in the fact that Curves was ranked number one for the 9th consecutive year (in the fitness club industry) in the Japanese Customer Satisfaction Index (JCSI) survey conducted by the Service Productivity & Innovation for Growth (SPRING). The monthly membership attrition rate was below the pre-COVID-19 level, with no impact from monthly dues revision implemented to existing members in June 2023. There was a steady net gain in membership at the end of the fiscal year under review attributable to continued recovery trend, although the said gain fell short of the initial plan.

Merchandise sales to members reached a record high in the fiscal year under review, as the total number of protein product subscribers rose to the highest level in May, owing to the enhanced Diet Counseling for members.

As a result of the above, revenue from the entire chain business (total amount of revenue from membership monthly dues and sign-up fee, including the said fees collected at franchisees’ facilities, and merchandise sales to members) came to 71,300 million yen, achieving a record-high and exceeding the pre-COVID-19 level. Net sales per franchise facility also exceeded the pre-COVID-19 level.

The number of Curves facilities (excluding Men’s Curves) and membership in Japan as of the end of the fiscal year under review (August 31, 2023) were as follows:

Number of Curves facilities (excluding Men's Curves) and membership in Japan

	As of August 31, 2022	As of August 31, 2023			* Reference: Numbers before COVID-19 As of February 29, 2020
			Changes from end of previous fiscal year		
Number of facilities	1,947 facilities	1,962 facilities	15 facilities	0.8%	2,014 facilities
Of which, number of corporate operated facilities	75 facilities	76 facilities	1 facility	1.3%	65 facilities
Number of franchisee facilities	1,872 facilities	1,886 facilities	14 facilities	0.7%	1,949 facilities
Membership	754K	777K	22K	3.0%	832K

(Notes) 1. In the fiscal year under review, the number of new clubs opened was 25 and the number of clubs closed and merged was 10.

2. Membership of Curves in Japan includes members of Ouchi de Curves, an online fitness program, and the Ouchi de Curves Dual Plan, a hybrid service offering online and in-club programs.

The fitness club for men, Men's Curves, opened five new locations during the fiscal year under review, making the total number of clubs to seventeen.

In overseas business, the Group considers Europe where it acquired the franchiser operations in July 2019 to be its priority market. As of the end of the fiscal year under review (June 30, 2023 (two-month lag due to difference in fiscal year end)), there were 137 Curves facilities in Europe (UK, Italy, Spain and five other countries, all facilities are franchisees' facilities).

Selling, general and administrative expenses decreased 294 million yen year on year. This reflected a decrease in advertising and other expenses, which more than offset an increase in the amortization of goodwill and trademark rights due to a weakening yen (Note 1) and higher expenses due to the normalization of sales activities such as a resumption of training programs nationwide, among other factors. The decrease in advertising expenses mainly reflected an increase in advertising funds collected from franchisee clubs as a result of a rise in the number of members and an improvement in marketing efficiency.

As a result, net sales for the fiscal year under review were 30,022 million yen (up 9.1% year on year), leading to operating profit of 3,851 million yen (up 40.4% year on year). Ordinary profit was 3,841 million yen (up 16.0% year on year). Profit attributable to owners of parent for the fiscal year was 2,551 million yen (up 13.5% year on year) mainly due to the posting of income taxes - current of 1,957 million yen.

(Note 1) Goodwill and trademark rights are based on those recorded in US dollars when the acquisition of Curves International, Inc. took place and are amortized for each fiscal year by 10,131 thousand dollars according to the straight-line method. With the average exchange rate of the yen against the US dollar for the fiscal year under review down 20.17 yen to the dollar from the year-ago level, the amount of yen-based amortization increased 204 million yen.

The following exchange rates were adopted for relevant items in financial statements for overseas subsidiaries, etc.

1 USD	1st quarter September-November	2nd quarter December-February	3rd quarter March-May	4th quarter June-August
Average foreign exchange rates for the quarter	138.68 yen [110.47 yen]	139.22 yen [112.05 yen]	137.49 yen [113.77 yen]	137.98 yen [117.81 yen]
Foreign exchange rates at the end of the quarter	144.81 yen [111.92 yen]	132.70 yen [115.02 yen]	133.53 yen [122.39 yen]	144.99 yen [136.68 yen]

Figures in parentheses are exchange rates for the same period of the previous year.

Since the Group operates in a single business segment, the Curves business, the segment information is omitted.

(2) Overview of Financial Position for the Year under Review

(Assets)

Total assets as of the end of the fiscal year under review increased by 759 million yen from the end of the previous fiscal year to 39,111 million yen (up 2.0% from the end of the previous fiscal year).

Current assets increased by 598 million yen to 14,338 million yen (up 4.4% year on year). This was primarily due to an increase of 288 million yen in notes and accounts receivable - trade.

Property, plant and equipment increased by 12 million yen to 437 million yen (up 2.9% year on year).

Intangible assets decreased by 218 million yen to 23,183 million yen (down 0.9% year on year) (Note 2).

Investments and other assets increased by 366 million yen to 1,153 million yen (up 46.6% year on year).

Total non-current assets increased by 160 million yen to 24,773 million yen (up 0.7% year on year).

(Note 2) Under intangible assets, the asset value of goodwill and trademark rights arising from the acquisition of Curves International, Inc. decreased in US dollar terms due to annual amortization, and also in yen terms by 142 million yen due to the weakening yen by 8.31 yen against the dollar at the end of the fiscal year under review compared to a year ago.

{	As of the end of the previous fiscal year: 159,566 thousand dollars, 136.68 yen for the dollar, equivalent to 21,809 million yen on a yen basis
	Decrease due to amortization: 10,131 thousand dollars
	As of the end of the fiscal year: 149,435 thousand dollars, 144.99 yen for the dollar, equivalent to 21,606 million yen on a yen basis
	}

(Liabilities)

Current liabilities increased by 1,378 million yen to 10,686 million yen (up 14.8% year on year). This was primarily due to increases of 504 million yen in income taxes payable and 375 million yen in deposits received.

Non-current liabilities decreased by 3,333 million yen to 13,354 million yen (down 20.0% year on year). This was mainly due to a decrease of 3,290 million yen in long-term borrowings.

Total liabilities decreased by 1,955 million yen to 24,041 million yen (down 7.5% year on year).

(Net assets)

Net assets increased by 2,714 million yen to 15,070 million yen (up 22.0% year on year).

Of the above, shareholders' equity increased by 1,753 million yen, to 10,621 million yen (up 19.8% year on year). This was due to an increase of 1,753 million yen in retained earnings resulting from the payment of dividends of 797 million yen, offsetting the recording of profit attributable to owners of parent of 2,551 million yen. Moreover, foreign currency translation adjustment rose by 968 million yen to 4,448 million yen, due to the weakening of the yen.

(3) Overview of Cash Flows for the Year under Review

The balance of cash and cash equivalents (hereinafter referred to as “cash”) at the end of the fiscal year under review decreased by 88 million yen from the end of the previous fiscal year to 7,855 million yen.

(Cash flows from operating activities)

Net cash provided by operating activities during the fiscal year under review stood at 4,920 million yen (3,273 million yen in the previous fiscal year). This was mainly attributable to profit before income taxes of 3,822 million yen and amortization of trademark rights of 1,298 million yen, which was partly offset by income taxes paid of 1,454 million yen.

(Cash flows from investing activities)

Net cash used in investing activities during the fiscal year under review came to 891 million yen (943 million yen used in the previous fiscal year). This was mainly attributable to purchase of intangible assets of 687 million yen and purchase of property, plant and equipment of 162 million yen.

(Cash flows from financing activities)

Net cash used in financing activities during the fiscal year under review was 4,091 million yen (4,218 million yen used in the previous fiscal year). This was caused primarily by repayments of long-term borrowings of 3,290 million yen and dividends paid of 797 million yen.

(Reference) Trends in cash flow-related indicators

	Fiscal year ended August 31, 2019	Fiscal year ended August 31, 2020	Fiscal year ended August 31, 2021	Fiscal year ended August 31, 2022	Fiscal year ended August 31, 2023 (fiscal year under review)
Equity ratio (%)	22.6	22.1	25.3	32.2	38.5
Equity ratio based on fair value (%)	-	173.0	217.3	199.2	171.6
Debt redemption period (years)	3.0	10.2	5.3	4.6	2.4
Interest coverage ratio (times)	85.3	32.1	48.9	58.2	96.9

Equity ratio: Shareholders' equity / Total assets

Equity ratio based on fair value: Total market capitalization (Closing share price at the end of the fiscal year × Total number of issued shares at the end of the fiscal year (excluding treasury shares)) / Total assets

Debt redemption period: Interest-bearing debt / Operating cash flows

Interest coverage ratio: Operating cash flows / Interest expenses

(Note 1) Total market capitalization is calculated by multiplying the closing share price at the end of the fiscal year by the total number of issued shares at the end of the fiscal year.

(Note 2) Equity ratio based on fair value for the fiscal year ended August 31, 2019 is not presented because the Company's shares were unlisted and it is therefore not possible to identify the closing share price at the end of the fiscal year.

(Note 3) Interest-bearing debt refers to all liabilities on the consolidated balance sheets for which interest is paid.

(Note 4) Operating cash flows refer to cash flows from operating activities on the consolidated statements of cash flows.

(Note 5) Interest expenses refer to interest paid on the consolidated statements of cash flows.

(4) Future Outlook

In the full-year consolidated financial forecasts for the fiscal year ending August 31, 2024, the Group expects net sales of 34,000 million yen (up 13.2% year on year), operating profit of 4,700 million yen (up 22.0% year on year), ordinary profit of 4,650 million yen (up 21.0% year on year), and profit attributable to owners of parent of 2,900 million yen (up 13.7% year on year).

Details are as follows.

Domestic Business

- For the full fiscal year ending August 31, 2024, the Group plans to open 35 new facilities and close or merge 15 franchisee facilities. The number of facilities is expected to be 1,982 at the end of the period, a net increase of 20 facilities.
- The number of members was 832K as of February 29, 2020, decreased to 545K (excluding absent members) by May 31, 2020, due to the pandemic, and recovered to 777K by August 31, 2023. The Group will continuously work to strengthen recruitment of new members by means of the implementation of appealing membership drive campaign three times a year and other promotions in the fiscal year ending August 31, 2024, and expects the total membership at the end of the fiscal year to be 810K-820K (including online members).
- Merchandise sales to members are expected to rise attributable to an increase in sales volume in proportion to expected increase in membership as well as the launch of new products.
- In the fiscal year ending August 31, 2024, the Group plans to continuously allocate advertising expenses toward a recovery in membership through proactive marketing. However, advertising expenses will likely decrease year on year, mainly due to an increase in franchisees' contribution to Advertisement Funds associated with rises in membership.
- Goodwill and trademark amortization costs are expected to increase compared to the levels of the previous fiscal year, due to exchange fluctuations (a weakening yen).
- The Group plans to open 5 Men's Curves, fitness club for men, increasing the total number to 22 as of the end of the fiscal year ending August 31, 2024. With an eye on full-fledged development of facilities at multi-locations, the Group is determined to improve relevant knowhow.

Overseas Business

- The number of members is recovering in Europe (including the UK, Italy and Spain), a priority region, following the resumption of operations. To facilitate the growth of business, the Group will continue to experiment with new business models, including the provision of online fitness programs, and strive to plan and implement strategies in response to changing management environments. The Group positions the fiscal year ending August 31, 2024 as a preparation period for growth and expects it will continue to record an operating loss on a full-year basis.

Any further revisions to the financial results forecast necessitated by changes in the business environment will be promptly disclosed.

2. Basic Policy for the Selection of Accounting Standards

Taking into account the comparability of consolidated financial statements between periods and companies, the Group intends to prepare consolidated financial statements in accordance with Japanese standards in the foreseeable future.

3. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheets

(Thousands of yen)

	As of August 31, 2022	As of August 31, 2023
Assets		
Current assets		
Cash and deposits	8,212,746	8,134,555
Notes and accounts receivable - trade	4,156,396	4,444,932
Merchandise	933,076	985,744
Raw materials and supplies	4,117	46,825
Other	651,892	921,909
Allowance for doubtful accounts	(219,018)	(195,813)
Total current assets	13,739,210	14,338,155
Non-current assets		
Property, plant and equipment		
Buildings and structures	560,038	633,814
Accumulated depreciation	(362,490)	(378,035)
Buildings and structures, net	197,547	255,779
Tools, furniture and fixtures	900,649	906,410
Accumulated depreciation	(673,449)	(727,404)
Tools, furniture and fixtures, net	227,200	179,005
Other, net	-	2,293
Total property, plant and equipment	424,748	437,078
Intangible assets		
Goodwill	1,559,559	1,546,327
Trademark right	20,258,938	20,126,174
Software	1,204,818	1,361,644
Other	378,365	148,927
Total intangible assets	23,401,682	23,183,073
Investments and other assets		
Investment securities	28,800	17,240
Leasehold and guarantee deposits	294,434	313,702
Deferred tax assets	398,555	721,325
Other	69,855	106,921
Allowance for doubtful accounts	(5,083)	(6,112)
Total investments and other assets	786,562	1,153,077
Total non-current assets	24,612,993	24,773,230
Total assets	38,352,203	39,111,385

(Thousands of yen)

	As of August 31, 2022	As of August 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	1,747,409	2,028,197
Current portion of long-term borrowings	3,290,400	3,290,400
Accounts payable - other	627,131	570,548
Accrued expenses	304,046	317,655
Income taxes payable	649,044	1,153,823
Provision for bonuses	288,495	320,050
Provision for point card certificates	109,583	136,499
Provision for shareholder benefit program	21,764	25,602
Deposits received	1,894,295	2,269,969
Other	375,720	573,833
Total current liabilities	9,307,891	10,686,579
Non-current liabilities		
Long-term borrowings	11,956,100	8,665,700
Provision for share awards	222,692	272,745
Deferred tax liabilities	4,390,359	4,272,014
Asset retirement obligations	119,211	144,186
Total non-current liabilities	16,688,363	13,354,646
Total liabilities	25,996,254	24,041,226
Net assets		
Shareholders' equity		
Share capital	848,666	848,666
Capital surplus	828,666	828,666
Retained earnings	8,438,466	10,192,047
Treasury shares	(1,247,477)	(1,247,477)
Total shareholders' equity	8,868,322	10,621,903
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,756	(1,805)
Foreign currency translation adjustment	3,481,870	4,450,060
Total accumulated other comprehensive income	3,487,626	4,448,255
Total net assets	12,355,949	15,070,159
Total liabilities and net assets	38,352,203	39,111,385

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

(Thousands of yen)

	For the fiscal year ended August 31, 2022	For the fiscal year ended August 31, 2023
Net sales	27,509,600	30,022,487
Cost of sales	15,517,977	17,216,462
Gross profit	11,991,622	12,806,024
Selling, general and administrative expenses	9,248,641	8,954,478
Operating profit	2,742,981	3,851,546
Non-operating income		
Interest and dividend income	306	254
Foreign exchange gains	569,406	31,025
Subsidy income	23,134	1,513
Income insurance	110	2,587
Compensation income	4,005	-
Other	36,054	10,398
Total non-operating income	633,018	45,780
Non-operating expenses		
Interest expenses	56,192	47,800
Commission expenses	1,900	1,900
Other	6,777	5,711
Total non-operating expenses	64,870	55,412
Ordinary profit	3,311,130	3,841,914
Extraordinary losses		
Provision for share awards	170,990	-
Loss on retirement of non-current assets	5,680	9,421
Impairment losses	-	10,026
Total extraordinary losses	176,670	19,447
Profit before income taxes	3,134,459	3,822,467
Income taxes - current	1,173,397	1,957,181
Income taxes - deferred	(286,742)	(686,083)
Total income taxes	886,654	1,271,098
Profit	2,247,804	2,551,368
Profit attributable to owners of parent	2,247,804	2,551,368

Consolidated Statement of Comprehensive Income

(Thousands of yen)

	For the fiscal year ended August 31, 2022	For the fiscal year ended August 31, 2023
Profit	2,247,804	2,551,368
Other comprehensive income		
Valuation difference on available-for-sale securities	(20,538)	(7,561)
Foreign currency translation adjustment	3,010,263	968,190
Total other comprehensive income	2,989,724	960,628
Comprehensive income:	5,237,529	3,511,997
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	5,237,529	3,511,997
Comprehensive income attributable to non-controlling interests	-	-

(3) Consolidated Statements of Changes in Equity
For the fiscal year ended August 31, 2022

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	848,666	828,666	6,988,449	(76)	8,665,706
Changes during period					
Dividends of surplus			(797,787)		(797,787)
Profit attributable to owners of parent			2,247,804		2,247,804
Purchase of treasury shares				(1,247,401)	(1,247,401)
Net changes in items other than shareholders' equity					
Total changes during period	-	-	1,450,017	(1,247,401)	202,615
Balance at end of period	848,666	828,666	8,438,466	(1,247,477)	8,868,322

	Accumulated other comprehensive income			Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income	
Balance at beginning of period	26,294	471,607	497,902	9,163,608
Changes during period				
Dividends of surplus				(797,787)
Profit attributable to owners of parent				2,247,804
Purchase of treasury shares				(1,247,401)
Net changes in items other than shareholders' equity	(20,538)	3,010,263	2,989,724	2,989,724
Total changes during period	(20,538)	3,010,263	2,989,724	3,192,340
Balance at end of period	5,756	3,481,870	3,487,626	12,355,949

For the fiscal year ended August 31, 2023

(Thousands of yen)

	Shareholders' equity				Total shareholders' equity
	Share capital	Capital surplus	Retained earnings	Treasury shares	
Balance at beginning of period	848,666	828,666	8,438,466	(1,247,477)	8,868,322
Changes during period					
Dividends of surplus			(797,787)		(797,787)
Profit attributable to owners of parent			2,551,368		2,551,368
Purchase of treasury shares					-
Net changes in items other than shareholders' equity					
Total changes during period	-	-	1,753,581	-	1,753,581
Balance at end of period	848,666	828,666	10,192,047	(1,247,477)	10,621,903

	Accumulated other comprehensive income			Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income	
Balance at beginning of period	5,756	3,481,870	3,487,626	12,355,949
Changes during period				
Dividends of surplus				(797,787)
Profit attributable to owners of parent				2,551,368
Purchase of treasury shares				-
Net changes in items other than shareholders' equity	(7,561)	968,190	960,628	960,628
Total changes during period	(7,561)	968,190	960,628	2,714,210
Balance at end of period	(1,805)	4,450,060	4,448,255	15,070,159

(4) Consolidated Statements of Cash Flows

(Thousands of yen)

	For the fiscal year ended August 31, 2022	For the fiscal year ended August 31, 2023
Cash flows from operating activities		
Profit before income taxes	3,134,459	3,822,467
Depreciation	797,848	908,992
Impairment losses	-	10,026
Amortization of goodwill	88,021	102,458
Amortization of trademark right	1,108,698	1,298,515
Increase (decrease) in allowance for doubtful accounts	5,423	(33,080)
Increase (decrease) in provision for bonuses	47,088	30,437
Increase (decrease) in provision for share awards	222,692	50,053
Interest and dividend income	(306)	(254)
Interest expenses	56,192	47,800
Foreign exchange losses (gains)	(588,158)	(31,025)
Loss on retirement of non-current assets	5,680	9,421
Decrease (increase) in trade receivables	(188,084)	(252,928)
Decrease (increase) in inventories	172,549	(87,887)
Decrease (increase) in prepaid expenses	(20,089)	(29,179)
Increase (decrease) in trade payables	39,283	274,600
Increase (decrease) in accounts payable - other	(171,626)	(38,352)
Increase (decrease) in accrued expenses	(28,187)	10,958
Other, net	(14,177)	333,083
Subtotal	4,667,307	6,426,107
Interest and dividends received	306	254
Interest paid	(56,192)	(50,804)
Income taxes refund (paid)	(1,338,277)	(1,454,691)
Net cash provided by (used in) operating activities	3,273,144	4,920,866
Cash flows from investing activities		
Purchase of property, plant and equipment	(218,467)	(162,390)
Purchase of intangible assets	(717,043)	(687,566)
Purchase of long-term prepaid expenses	(10,485)	(22,678)
Payments of leasehold and guarantee deposits	(4,695)	(38,353)
Proceeds from refund of leasehold and guarantee deposits	1,603	19,085
Other, net	5,100	-
Net cash provided by (used in) investing activities	(943,987)	(891,903)
Cash flows from financing activities		
Proceeds from long-term borrowings	1,000,000	-
Repayments of long-term borrowings	(3,173,500)	(3,290,400)
Purchase of treasury shares	(1,247,401)	-
Repayments of lease liabilities	-	(3,619)
Dividends paid	(797,787)	(797,787)
Net cash provided by (used in) financing activities	(4,218,689)	(4,091,807)
Effect of exchange rate change on cash and cash equivalents	73,023	(25,564)
Net increase (decrease) in cash and cash equivalents	(1,816,508)	(88,408)
Cash and cash equivalents at beginning of period	9,760,075	7,943,566
Cash and cash equivalents at end of period	7,943,566	7,855,158

(5) Notes to Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Changes in accounting policies)

(Application of accounting standard for fair value measurement, etc.)

The Company has applied the Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31; June 17, 2021) prospectively from the beginning of the fiscal year under review in accordance with the provisions for transitional measures set forth in Article 27-2 of the said Implementation Guidance. The application has no impact on the consolidated financial statements.

(Segment information, etc.)

(Segment information)

Description is omitted as the Group operates in a single segment, which is the Curves business.

(Per share information)

	Previous fiscal year (September 1, 2021-August 31, 2022)	Fiscal year under review (September 1, 2022-August 31, 2023)
Net assets per share	134.22 yen	163.70 yen
Earnings per share	24.20 yen	27.71 yen

(Notes) 1. Diluted earnings per share is not stated since the Group has no dilutive shares.

2. The shares of the Company's stock held by Custody Bank of Japan, Ltd. (Trust Account E) as trust assets under stock benefit trust schemes (J-ESOP and board benefit trust (BBT)) are included in treasury stock that is subtracted from the total number of outstanding shares when calculating net assets per share (1,800,000 shares in the previous fiscal year and 1,800,000 shares in the fiscal year under review), and that is subtracted in the calculation of average number of shares outstanding during the period when calculating net income (969,231 shares in the previous fiscal year and 1,800,000 shares in the fiscal year under review).

3. The following is the basis of calculating earnings per share.

	Previous fiscal year (September 1, 2021-August 31, 2022)	Fiscal year under review (September 1, 2022-August 31, 2023)
Earnings per share		
Profit attributable to owners of parent (Thousands of yen)	2,247,804	2,551,368
Amount not attributable to common shareholders (Thousands of yen)	-	-
Profit attributable to owners of parent relating to common shares (Thousands of yen)	2,247,804	2,551,368
Average number of common shares during the period (Shares)	92,888,140	92,057,370
Overview of residual shares not included in calculation of diluted earnings per share due to lack of dilutive effect	-	-

(Significant subsequent events)

Not applicable.