

Consolidated Financial Results for the Fiscal Year Ended August 31, 2021 [Japanese GAAP]



October 8, 2021

Company name: CURVES HOLDINGS Co., Ltd.

Stock exchange listing: Tokyo Stock Exchange Section 1

Stock code: 7085

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Scheduled date of Ordinary General Meeting of Shareholders: November 25, 2021

Scheduled date of commencing dividend payments: November 26, 2021

Scheduled date of filing annual securities report: November 26, 2021

Availability of supplementary briefing material on annual financial results: Available

Schedule of annual financial results briefing session: Scheduled

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

1. Consolidated Financial Results for the Fiscal Year Ended August 31, 2021 (September 1, 2020 to August 31, 2021)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Fiscal year ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
August 31, 2021	24,681	(1.6)	1,622	39.0	1,716	47.4	1,129	47.7
August 31, 2020	25,082	(10.5)	1,167	(78.5)	1,165	(77.8)	764	(79.4)

(Note) Comprehensive income: Fiscal year ended August 31, 2021: 1,490 million yen [96.2%]

Fiscal year ended August 31, 2020: 759 million yen [down 77.6%]

	Earnings per share	Diluted earnings per share	Return on equity	Ordinary profit to total assets	Operating profit to net sales
Fiscal year ended	Yen	Yen	%	%	%
August 31, 2021	12.04	-	13.1	4.7	6.6
August 31, 2020	8.73	-	9.6	3.3	4.7

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

Fiscal year ended August 31, 2021: - million yen

Fiscal year ended August 31, 2020: - million yen

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Million yen	Million yen	%	Yen
August 31, 2021	36,284	9,163	25.3	97.63
August 31, 2020	36,837	8,142	22.1	86.76

(Reference) Equity: As of August 31, 2021: 9,163 million yen

As of August 31, 2020: 8,142 million yen

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Fiscal year ended	Million yen	Million yen	Million yen	Million yen
August 31, 2021	3,240	(733)	(2,309)	9,760
August 31, 2020	1,882	(464)	2,765	9,533

2. Dividends

	Annual dividends					Total dividends	Payout ratio (consolidated)	Dividends to net assets (consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
Fiscal year ended	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
August 31, 2020	-	0.00	-	5.00	5.00	469	57.3	5.5
August 31, 2021	-	0.00	-	5.00	5.00	469	41.5	5.4
Fiscal year ending August 31, 2022 (Forecast)	-	3.50	-	3.50	7.00		41.1	

(Note) Breakdown of the year-end dividends for the fiscal year ended August 31, 2020:

Ordinary dividend: 3.00 yen

Commemorative dividend: 2.00 yen

3. Consolidated Financial Results Forecast for the Fiscal Year Ending August 31, 2022 (September 1, 2021 to August 31, 2022)

(% 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	13,050	9.7	1,400	60.6	1,380	106.2	899	158.8	9.58
Full year	26,550	7.6	2,500	54.1	2,450	42.7	1,598	41.5	17.03

* 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: No
 - 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, 2021: 93,857,493 shares
August 31, 2020: 93,857,493 shares
 - 2) Total number of treasury shares at the end of the period:
August 31, 2021: 121 shares
August 31, 2020: 121 shares
 - 3) Average number of shares during the period:
Fiscal year ended August 31, 2021: 93,857,372 shares
Fiscal year ended August 31, 2020: 87,633,268 shares

* 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 5 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)

Amid the coronavirus disease (COVID-19) pandemic, the Company will provide explanations of its annual financial results by posting videos, filmed in advance, on the Company’s website (<https://www.curvesholdings.co.jp/>) on Friday, October 15, 2021.

The Company will post supplementary briefing material on annual financial results featured in the video on TDnet and the Company’s website 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. The Group has endeavored to enhance the satisfaction of its members and expand membership by strengthening customer services as “community-oriented health infrastructure” that contributes to solving social issues.

It is the Group’s understanding that the market environment during and after the COVID-19 pandemic will change dramatically in the following two ways:

- (i) Growth of the health market: The pandemic forced people to focus on their lives and health, and the trend toward taking care of their own health will gain momentum over the medium and long terms, promoting substantial growth of the disease-prevention and health market.
- (ii) Growing demand for contactless services: Extending beyond the end of the COVID-19 pandemic, consumer sentiment, society and the economy will remain “scared” by COVID-19, and qualitative changes will occur, such as an increase in demand for non-contact services.

Under these operating conditions, the Group aims to achieve business recovery and establish business models in the new management environments in about two years, or, by the end of 2022. It pursued strategies positioning the fiscal year ended August 31, 2021 (from September 1, 2020, to August 31, 2021) as the fiscal year for getting firmly on track towards this goal.

The net increase in the number of members, the most important indicator of the Group’s business recovery, was 92K from 600K as of the end of the previous fiscal year and totaled 693K (including online members).

Amid the repeated issuance of a declaration of a state of emergency and other alerts throughout the fiscal year, the Group continued to operate its business while taking thorough measures to prevent COVID-19 infections and worked to increase service quality and customer satisfaction. As a result, the Group has already reduced the monthly rate of membership termination to a level lower than that before the COVID-19 outbreak.

In the solicitation of new members, the Group carried out a free trial campaign three times in the year, and the word-of-mouth marketing, which is one of its strengths, and a media mix of TV and online ads resulted in an increase in membership. In particular, the Group’s priority strategy of targeting younger seniors (50 to 64 years old) in marketing is making steady progress, resulting in an increase in the number of new members aged 64 years or below and the percentage of such members in the overall new members.

In April 2021, the Group started soliciting new members for Ouchi de Curves (Curves at Home), an online fitness program released in advance to special absent members in September 2020. The Group is working to build a new business model that combines online and offline programs.

In merchandise sales, the number of new subscription buyers increased thanks to promotion of protein and other products through consultations on daily diet. Sales of the new product targeting the existing protein users, which was launched in December 2020, remained strong. As a result, sales per customer increased and net sales of merchandise to members recovered to a level very close to that before COVID-19.

Some clubs operating in large commercial facilities subject to business suspension due to the declaration of a state of emergency and other alerts issued on and after April 23, 2021, were temporarily closed (31 stores the most). Meanwhile, approximately 70% of the members at these clubs have been able to continue doing exercise by attending nearby Curves clubs or taking online programs, Ouchi de Curves (Curves at Home), minimizing the impact such as refunds of membership fees.

The Group also proceeded with the closure and merging of the clubs that have been severely affected by COVID-19, and approximately 70% of the members of closed and merged clubs have moved to other clubs.

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

1. Number of Curves facilities in Japan

	As of August 31, 2020		As of August 31, 2021	
			Changes from end of previous fiscal year	
Number of facilities	2,020 facilities	1,958 facilities	A decrease of 62 facilities	(3.1)%
Of which, number of corporate operated facilities	70 facilities	75 facilities	An increase of 5 facilities	7.1%
Number of franchisee facilities	1,950 facilities	1,883 facilities	A decrease of 67 facilities	(3.4)%

2. Curves membership in Japan

	As of August 31, 2020		As of August 31, 2021	
			Changes from end of previous fiscal year	
Active memberships excluding absentee members	600K	693K	92K	15.5%

- (Notes) 1. In the fiscal year under review, the number of new clubs opened was 17 and the number of clubs closed and merged was 79.
2. Special Absentee Program ended as of March 31, 2021.
3. Curves membership in Japan include the number of members of online fitness program, Ouchi de Curves (Curves at Home).

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

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, 2021 (two-month lag in the inclusion into the consolidated results due to difference in fiscal year end)), there were 157 Curves facilities in Europe (UK, Italy, Spain, and five other countries) (all of which were franchisees' facilities). Of these, 154 facilities gradually resumed business after the lifting of city lockdowns in their respective countries.

In terms of cost and expenses, selling, general, and administrative expenses increased 779 million yen year on year largely due to active spending on marketing and continuous investment in the development of the online fitness program, Ouchi de Curves (Curves at Home), which was partly offset by a decrease in the payment of financial support to franchisee clubs subject to business suspension.

As a result, net sales for the fiscal year under review were 24,681 million yen (down 1.6% year on year), leading to operating profit of 1,622 million yen (up 39.0% year on year). Ordinary profit was 1,716 million yen (up 47.4% year on year) due to foreign exchange gains at Curves International, Inc., which did not have an impact on changes in cash. Profit attributable to owners of parent was 1,129 million yen (up 47.7% year on year) mainly due to the posting of income taxes - current of 1,011 million yen.

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 decreased by 553 million yen from the end of the previous fiscal year to 36,284 million yen (down 1.5% from the end of the previous fiscal year).

Current assets decreased by 314 million yen to 14,961 million yen (down 2.1% year on year). This was mainly due to a decrease of 419 million yen in merchandise.

Property, plant and equipment increased by 179 million yen to 505 million yen (up 55.0% year on year).

Intangible assets decreased by 661 million yen to 20,128 million yen (down 3.2% year on year). This was primarily due to a decrease of 566 million yen in trademark rights.

Investments and other assets increased by 242 million yen to 689 million yen (up 54.4% year on year).

Total non-current assets decreased by 238 million yen to 21,323 million yen (down 1.1% year on year).

(Liabilities)

Current liabilities increased by 1,667 million yen to 8,929 million yen (up 23.0% year on year). This was mainly due to an increase of 1,250 million yen in the current portion of long-term borrowings.

Non-current liabilities decreased by 3,241 million yen to 18,191 million yen (down 15.1% year on year). This was mainly due to a decrease of 3,090 million yen in long-term borrowings.

Total liabilities decreased by 1,574 million yen to 27,121 million yen (down 5.5% year on year).

(Net assets)

Net assets increased by 1,021 million yen to 9,163 million yen (up 12.5% year on year). This was mainly due to an increase of 660 million yen in retained earnings resulting from the posting of profit attributable to owners of parent of 1,129 million yen, which was partly offset by the payment of dividends of 469 million 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 increased by 226 million yen from the end of the previous fiscal year to 9,760 million yen.

(Cash flows from operating activities)

Net cash provided by operating activities during the fiscal year under review stood at 3,240 million yen (1,882 million yen in the previous fiscal year). This was attributable principally to 1,705 million yen in profit before income taxes, 1,003 million yen in amortization of trademark rights, an increase in cash of 421 million yen due to a decrease in inventories, and 455 million yen in income taxes refund, which were partly offset by a decrease in cash of 602 million yen due to an increase in notes and accounts receivable and 628 million yen in income taxes paid.

(Cash flows from investing activities)

Net cash used in investing activities during the fiscal year under review came to 733 million yen (a decrease of 464 million yen in the previous fiscal year). This was mainly attributable to purchase of intangible assets of 407 million yen and purchase of property, plant and equipment of 249 million yen.

(Cash flows from financing activities)

Net cash used in financing activities during the fiscal year under review was 2,309 million yen (2,765 million yen in the previous fiscal year). This was caused primarily by repayments of long-term borrowings of 1,840 million yen and dividends paid of 469 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 under review)
Equity ratio (%)	22.6	22.1	25.3
Equity ratio based on fair value (%)	-	173.0	217.3
Debt redemption period (years)	3.0	10.2	5.3
Interest coverage ratio (times)	85.3	32.1	48.9

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

The Group aims to achieve business recovery and establish business models in the new management environments in about two years, or, by the end of December 2022. It will pursue strategies positioning the fiscal year ending August 31, 2022 (from September 1, 2021, to August 31, 2022) as the fiscal year for ensuring that such goals are achieved.

In the fiscal year under review (September 1, 2020, through August 31, 2021), profit exceeded the forecast; however, the Group's first priority, an early recovery of membership, was yet to be achieved and the business environment continues to be unclear and unstable. The Group recognizes that in order to early achieve business recovery and establish business models in the new management environments in these circumstances, the following measures continue to be important.

(i) Further improve customer satisfaction and protect and foster the Group's operating base, including the stabilization of franchisee management.

(ii) Recover membership by strengthening marketing and actively using funds.

(iii) Quickly get new business models such as the online fitness program, Ouchi de Curves (Curves at Home) on track. We plan to continue to reinforce marketing and other strategic investment in the fiscal year ending August 31, 2022.

In the full-year consolidated financial forecasts for the fiscal year ending August 31, 2022, the Group expects net sales of 26,550 million yen (up 7.6% year on year), operating profit of 2,500 million yen (up 54.1% year on year), ordinary profit of 2,450 million yen (up 42.7% year on year), and profit attributable to owners of parent of 1,598 million yen (up 41.5% year on year).

Details are as follows.

Assumptions about the Business Environment

The financial forecasts have been prepared on the assumption of a case in which the impact of the COVID-19 pandemic gradually eases thanks to an increase in the vaccination rate, progress in medical systems for COVID-19 treatment, and other improvements, and gradual resumption of normal daily life while still taking preventive measures.

While another surge in infections caused by new variants, a decrease in hospital availability, and other changes may cause a significant impact on the social and economic activities again, the financial forecasts in this report do not assume such a case.

Domestic Business

- The Group plans to open 25 new facilities and to close and merge 50 franchisee facilities that have been significantly affected by COVID-19 during the fiscal year ending August 31, 2022. The number of facilities is forecast to be 1,933 at the end of the period, a net decrease of 25 facilities.
- The number of members was 832K as of February 28, 2020, decreased to 545K (excluding absent members) by May 31, 2020, due to the pandemic, and recovered to 693K by August 31, 2021. During the fiscal year ending August 31, 2022, the Group expects a recovery in new membership as a result of appealing promotional campaigns carried out three times in the year and other efforts to achieve an early recovery. It forecasts that the number of members at the end of the fiscal year will be 798K (including online members).
- The number of subscriptions and sales volume of merchandise sales to members are expected to rise in line with the increase in membership.
- To achieve business recovery and establish business models in the new management environments by the end of 2022, the quick recovery of membership is a priority issue. To this end, the Group plans to actively spend on marketing and continue its strategic investment in new business development.

Overseas Business

- The Group's fitness clubs in Europe, a key area of focus (UK, Italy, Spain, etc.), are resuming business activities and the number of members is also recovering. The Group will develop and implement strategies adapted to the changing management environment while experimenting with new business models including the sale of online fitness programs, gradually starting from regions where the social and economic impact has subsided. For this reason, the Group forecasts that the full-year operating result will continue to be a deficit.

Any further revisions to the financial results forecast necessitated by changes in the business environment due to future COVID-19 conditions and other factors 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, 2020	As of August 31, 2021
Assets		
Current assets		
Cash and deposits	9,533,587	9,760,075
Notes and accounts receivable - trade	3,243,741	3,857,456
Merchandise	1,511,593	1,092,413
Raw materials and supplies	6,116	4,249
Other	1,127,615	423,056
Allowance for doubtful accounts	(147,384)	(176,103)
Total current assets	15,275,269	14,961,146
Non-current assets		
Property, plant and equipment		
Buildings and structures	517,248	546,258
Accumulated depreciation	(296,868)	(337,995)
Buildings and structures, net	220,379	208,262
Tools, furniture and fixtures	632,144	904,706
Accumulated depreciation	(526,337)	(607,238)
Tools, furniture and fixtures, net	105,807	297,468
Total property, plant and equipment	326,187	505,730
Intangible assets		
Goodwill	1,392,773	1,346,271
Trademark right	17,997,264	17,431,010
Software	666,101	815,317
Other	733,374	535,473
Total intangible assets	20,789,513	20,128,072
Investments and other assets		
Investment securities	20,000	60,200
Leasehold and guarantee deposits	253,498	291,474
Deferred tax assets	155,771	288,275
Other	21,166	53,529
Allowance for doubtful accounts	(3,492)	(3,561)
Total investments and other assets	446,943	689,917
Total non-current assets	21,562,644	21,323,720
Total assets	36,837,913	36,284,867

(Thousands of yen)

	As of August 31, 2020	As of August 31, 2021
Liabilities		
Current liabilities		
Notes and accounts payable - trade	1,562,764	1,690,879
Current portion of long-term borrowings	1,840,000	3,090,000
Accounts payable - other	919,875	868,646
Accrued expenses	291,399	324,313
Income taxes payable	364,394	694,617
Provision for bonuses	223,835	238,117
Provision for point card certificates	44,320	69,880
Provision for shareholder benefit program	30,622	19,810
Deposits received	1,653,990	1,731,552
Other	331,404	202,056
Total current liabilities	7,262,606	8,929,876
Non-current liabilities		
Long-term borrowings	17,420,000	14,330,000
Deferred tax liabilities	3,887,324	3,728,604
Asset retirement obligations	125,377	132,778
Total non-current liabilities	21,432,701	18,191,383
Total liabilities	28,695,308	27,121,259
Net assets		
Shareholders' equity		
Share capital	848,666	848,666
Capital surplus	828,666	828,666
Retained earnings	6,328,053	6,988,449
Treasury shares	(76)	(76)
Total shareholders' equity	8,005,310	8,665,706
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	-	26,294
Foreign currency translation adjustment	137,294	471,607
Total accumulated other comprehensive income	137,294	497,902
Total net assets	8,142,605	9,163,608
Total liabilities and net assets	36,837,913	36,284,867

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

(Thousands of yen)

	For the fiscal year ended August 31, 2020	For the fiscal year ended August 31, 2021
Net sales	25,082,276	24,681,001
Cost of sales	15,914,099	14,277,818
Gross profit	9,168,177	10,403,183
Selling, general and administrative expenses	8,000,895	8,780,704
Operating profit	1,167,282	1,622,479
Non-operating income		
Interest and dividend income	178	284
Foreign exchange gains	-	77,894
Subsidy income	86,396	35,420
Income insurance	4,475	421
Compensation income	-	30,000
Other	11,807	23,680
Total non-operating income	102,857	167,701
Non-operating expenses		
Interest expenses	58,592	66,330
Commission expenses	37,189	1,900
Foreign exchange losses	3,704	-
Other	5,642	5,124
Total non-operating expenses	105,128	73,354
Ordinary profit	1,165,011	1,716,826
Extraordinary losses		
Loss on retirement of non-current assets	5,993	6,724
Impairment loss	11,815	4,256
Total extraordinary losses	17,809	10,981
Profit before income taxes	1,147,202	1,705,844
Income taxes - current	530,629	1,011,711
Income taxes - deferred	(148,131)	(435,549)
Total income taxes	382,498	576,162
Profit	764,703	1,129,682
Profit attributable to owners of parent	764,703	1,129,682

Consolidated Statement of Comprehensive Income

(Thousands of yen)

	For the fiscal year ended August 31, 2020	For the fiscal year ended August 31, 2021
Profit	764,703	1,129,682
Other comprehensive income		
Valuation difference on available-for-sale securities	-	26,294
Foreign currency translation adjustment	(5,036)	334,312
Total other comprehensive income	(5,036)	360,607
Comprehensive income:	759,666	1,490,290
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	759,666	1,490,290
Comprehensive income attributable to non-controlling interests	-	-

(3) Consolidated Statements of Changes in Equity
For the fiscal year ended August 31, 2020

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	20,018	18	7,579,658	-	7,599,694
Changes during period					
Issuance of new shares	828,648	828,648			1,657,297
Dividends of surplus			(2,016,307)		(2,016,307)
Profit attributable to owners of parent			764,703		764,703
Purchase of treasury shares				(76)	(76)
Net changes in items other than shareholders' equity					
Total changes during period	828,648	828,648	(1,251,604)	(76)	405,616
Balance at end of period	848,666	828,666	6,328,053	(76)	8,005,310

	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	-	142,331	142,331	7,742,025
Changes during period				
Issuance of new shares				1,657,297
Dividends of surplus				(2,016,307)
Profit attributable to owners of parent				764,703
Purchase of treasury shares				(76)
Net changes in items other than shareholders' equity	-	(5,036)	(5,036)	(5,036)
Total changes during period	-	(5,036)	(5,036)	400,579
Balance at end of period	-	137,294	137,294	8,142,605

For the fiscal year ended August 31, 2021

(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	6,328,053	(76)	8,005,310
Changes during period					
Issuance of new shares					-
Dividends of surplus			(469,286)		(469,286)
Profit attributable to owners of parent			1,129,682		1,129,682
Purchase of treasury shares					-
Net changes in items other than shareholders' equity					
Total changes during period	-	-	660,395	-	660,395
Balance at end of period	848,666	828,666	6,988,449	(76)	8,665,706

	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	-	137,294	137,294	8,142,605
Changes during period				
Issuance of new shares				-
Dividends of surplus				(469,286)
Profit attributable to owners of parent				1,129,682
Purchase of treasury shares				-
Net changes in items other than shareholders' equity	26,294	334,312	360,607	360,607
Total changes during period	26,294	334,312	360,607	1,021,003
Balance at end of period	26,294	471,607	497,902	9,163,608

(4) Consolidated Statements of Cash Flows

(Thousands of yen)

	For the fiscal year ended August 31, 2020	For the fiscal year ended August 31, 2021
Cash flows from operating activities		
Profit before income taxes	1,147,202	1,705,844
Depreciation	581,525	664,085
Impairment losses	11,815	4,256
Amortization of goodwill	78,386	79,968
Amortization of trademark right	1,019,482	1,003,484
Increase (decrease) in allowance for doubtful accounts	48,327	24,474
Increase (decrease) in provision for bonuses	25,706	13,958
Interest and dividend income	(178)	(284)
Interest expenses	58,592	66,330
Foreign exchange losses (gains)	3,704	(77,894)
Loss on retirement of non-current assets	5,993	6,724
Decrease (increase) in trade receivables	536,327	(602,065)
Decrease (increase) in inventories	(617,102)	421,109
Decrease (increase) in prepaid expenses	39,902	(39,603)
Increase (decrease) in trade payables	(543,197)	126,262
Increase (decrease) in accounts payable - other	457,189	(191,238)
Increase (decrease) in accrued expenses	(35,430)	32,120
Other, net	(325,770)	242,254
Subtotal	2,492,476	3,479,788
Interest and dividends received	178	284
Interest paid	(58,592)	(66,330)
Income taxes refund (paid)	(551,754)	(172,784)
Net cash provided by (used in) operating activities	1,882,307	3,240,958
Cash flows from investing activities		
Purchase of property, plant and equipment	(112,322)	(249,924)
Purchase of intangible assets	(311,808)	(407,696)
Purchase of investment securities	(20,000)	-
Purchase of long-term prepaid expenses	(11,374)	(33,802)
Payments of leasehold and guarantee deposits	(13,228)	(41,921)
Proceeds from refund of leasehold and guarantee deposits	4,537	3,849
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	-	875
Other, net	-	(4,709)
Net cash provided by (used in) investing activities	(464,196)	(733,329)
Cash flows from financing activities		
Proceeds from long-term borrowings	4,964,100	-
Repayments of long-term borrowings	(1,840,000)	(1,840,000)
Proceeds from issuance of shares	1,657,297	-
Purchase of treasury shares	(76)	-
Dividends paid	(2,016,307)	(469,286)
Net cash provided by (used in) financing activities	2,765,013	(2,309,286)
Effect of exchange rate change on cash and cash equivalents	389	28,146
Net increase (decrease) in cash and cash equivalents	4,183,514	226,488
Cash and cash equivalents at beginning of period	5,350,073	9,533,587
Cash and cash equivalents at end of period	9,533,587	9,760,075

(5) Notes to Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(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, 2019 - August 31, 2020)	Fiscal year under review (September 1, 2020 - August 31, 2021)
Net assets per share	86.76 yen	97.63 yen
Earnings per share	8.73 yen	12.04 yen

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

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

	Previous fiscal year (September 1, 2019 - August 31, 2020)	Fiscal year under review (September 1, 2020 - August 31, 2021)
Earnings per share		
Profit attributable to owners of parent (Thousands of yen)	764,703	1,129,682
Amount not attributable to common shareholders (Thousands of yen)	-	-
Profit attributable to owners of parent relating to common shares (Thousands of yen)	764,703	1,129,682
Average number of common shares during the period (Shares)	87,633,268	93,857,372
Overview of residual shares not included in calculation of diluted earnings per share due to lack of dilutive effect	-	-

(Significant subsequent events)

Not applicable.