

# Consolidated Financial Results for the Fiscal Year Ended August 31, 2022 [Japanese GAAP]



October 7, 2022

Company name: CURVES HOLDINGS Co., Ltd.

Stock exchange listing: Tokyo Stock Exchange Prime Market

Stock code: 7085

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Scheduled date of Ordinary General Meeting of Shareholders: November 22, 2022

Scheduled date of commencing dividend payments: November 24, 2022

Scheduled date of filing annual securities report: November 24, 2022

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, 2022 (September 1, 2021 to August 31, 2022)

### (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, 2022	27,509	11.5	2,742	69.1	3,311	92.9	2,247	99.0
August 31, 2021	24,681	(1.6)	1,622	39.0	1,716	47.4	1,129	47.7

(Note) Comprehensive income: Fiscal year ended August 31, 2022: 5,237 million yen [up 251.4%]

Fiscal year ended August 31, 2021: 1,490 million yen [up 96.2%]

	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, 2022	24.20	-	20.9	8.9	10.0
August 31, 2021	12.04	-	13.1	4.7	6.6

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

Fiscal year ended August 31, 2022: - million yen

Fiscal year ended August 31, 2021: - 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, 2022	38,352	12,355	32.2	134.22
August 31, 2021	36,284	9,163	25.3	97.63

(Reference) Equity: As of August 31, 2022: 12,355 million yen

As of August 31, 2021: 9,163 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, 2022	3,273	(943)	(4,218)	7,943
August 31, 2021	3,240	(733)	(2,309)	9,760

## 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, 2021	-	0.00	-	5.00	5.00	469	41.5	5.4
August 31, 2022	-	3.50	-	3.50	7.00	657	28.9	6.0
Fiscal year ending August 31, 2023 (Forecast)	-	5.00	-	5.00	10.00		38.0	

### 3. Consolidated Financial Results Forecast for the Fiscal Year Ending August 31, 2023 (September 1, 2022 to August 31, 2023)

(% 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	14,600	8.6	1,905	10.2	1,950	5.4	1,269	13.79
Full year	30,000	9.1	3,700	34.9	3,710	12.0	2,422	26.32

#### \* 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, 2022: 93,857,493 shares

August 31, 2021: 93,857,493 shares

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

August 31, 2022: 1,800,123 shares

August 31, 2021: 121 shares

3) Average number of shares during the period:

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

Fiscal year ended August 31, 2021: 93,857,372 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, 2022 and 0 shares on August 31, 2021) 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. (969,231 shares during the fiscal year ended August 31, 2022 and 0 shares during the fiscal year ended August 31, 2021)

\* 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)

The Company will hold a financial results briefing for institutional investors and analysts on Thursday, October 13, 2022. 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. Video clips of the briefing are scheduled to be posted on the Company’s website on Friday, October 14.

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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-based health infrastructure” that contributes to solving social issues.

The Group aims to achieve a business recovery from the COVID-19 crisis and establish business models in the new management environment by the end of December 2022. It is pursuing strategies, positioning the fiscal year ending August 31, 2022 (from September 1, 2021, to August 31, 2022) as the year for ensuring that such goals are achieved.

The net increase in the number of members, the most important indicator of the Group’s business recovery, was 60K from 693K as of the end of the previous fiscal year and totaled 754K (including online members).

In addition, by further increasing customer satisfaction which was underlined by the fact that Curves was ranked #1 in 8 consecutive years (in the fitness club industry) in the Japanese Customer Satisfaction Index (JCSI) survey conducted by the Service Productivity & Innovation for Growth (SPRING), the Group succeeded in maintaining the monthly membership attrition rate below the pre-COVID-19 level. Moreover, the Group implemented new membership recruitment campaigns three times in the year and was able to produce steady results, including increased younger seniors (50 to 64 years old) who are the Group’s priority target. However, due to sluggish social activity linked to the spread of infection with the Omicron variant, recruitment of senior members (65 years old or above), which had previously been on a recovery path, slowed. Consequently, the number of members as of the end of the fiscal year under review decreased by slightly below 6K from the initial forecast of 760K.

Sales of merchandise to members were robust throughout the fiscal year under review and reached a record high, mainly reflecting increases both in the number of subscribers to fixed-term contracts for protein products and sales per customer for new highly functional products.

The Group 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:

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

Number of Curves facilities (excluding Men's Curves) and membership in Japan					
	As of August 31, 2021	As of August 31, 2022			* Reference: Numbers before COVID-19 As of February 29, 2020
			Changes from end of previous fiscal year		
Number of facilities	1,958 facilities	1,947 facilities	A decrease of 11 facilities	(0.6)%	2,014 facilities
Of which, number of corporate operated facilities	75 facilities	75 facilities	-	-	65 facilities
Number of franchisee facilities	1,883 facilities	1,872 facilities	A decrease of 11 facilities	(0.6)%	1,949 facilities
Membership	693K	754K	60K	8.7%	832K

(Notes) 1. In the fiscal year under review, the number of new clubs opened was 15 and the number of clubs closed and merged was 26.

2. Curves membership in Japan includes the number of members of online fitness program, Ouchi de Curves (Curves at Home).

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 twelve.

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, 2022 (two-month lag due to difference in fiscal year end)), there were 151 Curves facilities in Europe (UK, Italy, Spain and five other countries, all facilities are franchisees' facilities).

Selling, general, and administrative expenses increased 467 million yen from the previous fiscal year, mainly due to increases in advertising and promotion expenses used to achieve an early recovery of membership, increases in personnel expenses resulted chiefly from provision for the introduction of stock benefit trust schemes (J-ESOP and BBT (Board Benefit Trust)), and increases in amortization cost for goodwill and trademark rights due to weakening yen (\*note 1).

(\*note 1) Goodwill and trademark rights were acquired in US\$ terms at the time of acquisition of Curves International, Inc, and have been amortized in a fixed amount at US\$10.131 million every year. The average exchange rate for US\$ to Yen during the period was 11.18 Yen/US\$ higher compared to the previous fiscal year, which increased the amortization expense by 113 million yen in yen terms.

As a result, net sales for the fiscal year under review were 27,509 million yen (up 11.5% year on year), leading to operating profit of 2,742 million yen (up 69.1% year on year). Ordinary profit was 3,311 million yen (up 92.9% 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 2,247 million yen (up 99.0% year on year) mainly due to the posting of income taxes - current of 1,173 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 increased by 2,067 million yen from the end of the previous fiscal year to 38,352 million yen (up 5.7% from the end of the previous fiscal year).

Current assets decreased by 1,221 million yen to 13,739 million yen (down 8.2% year on year). This was mainly due to a decrease of 1,547 million yen in cash and deposits.

Property, plant and equipment decreased by 80 million yen to 424 million yen (down 16.0% year on year).

Intangible assets increased by 3,273 million yen to 23,401 million yen (up 16.3% year on year) (\*note 2).

Investments and other assets increased by 96 million yen to 786 million yen (up 14.0% year on year).

Total non-current assets increased by 3,289 million yen to 24,612 million yen (up 15.4% year on year).

(\*note 2) Under intangible assets, Goodwill and Trademark Rights acquired at the time of acquisition of Curves International, Inc decreased in US\$ terms with annual amortization, while they have increased in yen terms by 3,044 million yen due to weakening yen by 26.10 yen/US\$ with the exchange rate at the end of the current year compared to the previous fiscal year.

Balance at end of previous FY: \$169.697 million, or 18,765 million yen (110.85 yen/\$)

Reduced by annual amortization: -\$10.131 million

Balance at end of current FY: \$159.566 million, or 21,809 million yen (136.68 yen/\$)

### (Liabilities)

Current liabilities increased by 378 million yen to 9,307 million yen (up 4.2% year on year). This was mainly due to an increase of 200 million yen in the current portion of long-term borrowings and an increase of 162 million yen in deposits payable, which was partly offset by a decrease of 241 million yen in accounts payable -

other.

Non-current liabilities decreased by 1,503 million yen to 16,688 million yen (down 8.3% year on year). This was mainly due to a decrease of 2,373 million yen in long-term borrowings.

Total liabilities decreased by 1,125 million yen to 25,996 million yen (down 4.1% year on year).

(Net assets)

Net assets increased by 3,192 million yen to 12,355 million yen (up 34.8% year on year).

Retained earnings increased by 1,450 million yen resulting from the recording of profit attributable to owners of parent of 2,247 million yen and payment of dividends of 797 million yen, while treasury shares stood at △1,247 million yen as a result of the purchase of treasury shares associated with the introduction of Employee Stock Ownership Plan (J-ESOP and Board Benefit Trust, or BBT). As a result, total shareholders' equity increased by 202 million yen and stood at 8,868 million yen (up 2.3% year on year).

Currency adjustment account increased by 3,010 million yen due to weakening 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 1,816 million yen from the end of the previous fiscal year to 7,943 million yen.

#### (Cash flows from operating activities)

Net cash provided by operating activities during the fiscal year under review stood at 3,273 million yen (3,240 million yen in the previous fiscal year). This was mainly attributable to profit before income taxes of 3,134 million yen and amortization of trademark rights of 1,108 million yen, which was partly offset by income taxes paid of 1,338 million yen.

#### (Cash flows from investing activities)

Net cash used in investing activities during the fiscal year under review came to 943 million yen (a decrease of 733 million yen in the previous fiscal year). This was mainly attributable to purchase of intangible assets of 717 million yen and purchase of property, plant and equipment of 218 million yen.

#### (Cash flows from financing activities)

Net cash used in financing activities during the fiscal year under review was 4,218 million yen (a decrease of 2,309 million yen in the previous fiscal year). This was mainly attributable to repayments of long-term borrowings of 3,173 million yen, 1,247 million yen spent for the purchase of treasury shares, 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 under review)
Equity ratio (%)	22.6	22.1	25.3	32.2
Equity ratio based on fair value (%)	-	173.0	217.3	199.2
Debt redemption period (years)	3.0	10.2	5.3	4.6
Interest coverage ratio (times)	85.3	32.1	48.9	58.2

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, 2023, the Group expects net sales of 30,000 million yen (up 9.1% year on year), operating profit of 3,700 million yen (up 34.9% year on year), ordinary profit of 3,710 million yen (up 12.0% year on year), and profit attributable to owners of parent of 2,422 million yen (up 7.8% year on year).

Details are as follows.

##### Domestic Business

- For the full fiscal year ending August 31, 2023, the Group plans to open 25 new facilities and close or merge 20 franchisee facilities. The number of facilities is expected to be 1,952 at the end of the period, a net increase of 5 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 754K by August 31, 2022. The Group will continuously work to strengthen recruitment of new members toward a recovery in membership, by means such as the implementation of appealing promotional campaigns three times a year, in the fiscal year ending August 31, 2023 and expects the number of members at the end of the period to be 824K (including online members), a net increase of 70K from a year ago.
- The net sales of merchandise to members are expected to rise in line with the increase in membership. The Group also anticipates cost increases, mainly due to rising prices of raw materials for its core protein products.
- In the fiscal year ending August 31, 2023, the Group plans to continuously allocate advertising and promotion expenses toward a recovery in membership through proactive marketing. However, advertising and promotion expenses will likely decrease year on year, mainly due to an increase in franchisees' contribution to advertisement expenses 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, making the total number of the said clubs to 17 as of the end of the fiscal year ending August 31, 2023. 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, 2023 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, 2021	As of August 31, 2022
<b>Assets</b>		
Current assets		
Cash and deposits	9,760,075	8,212,746
Notes and accounts receivable - trade	3,857,456	4,156,396
Merchandise	1,092,413	933,076
Raw materials and supplies	4,249	4,117
Other	423,056	651,892
Allowance for doubtful accounts	(176,103)	(219,018)
Total current assets	14,961,146	13,739,210
Non-current assets		
Property, plant and equipment		
Buildings and structures	546,258	560,038
Accumulated depreciation	(337,995)	(362,490)
Buildings and structures, net	208,262	197,547
Tools, furniture and fixtures	904,706	900,649
Accumulated depreciation	(607,238)	(673,449)
Tools, furniture and fixtures, net	297,468	227,200
Total property, plant and equipment	505,730	424,748
Intangible assets		
Goodwill	1,346,271	1,559,559
Trademark right	17,431,010	20,258,938
Software	815,317	1,204,818
Other	535,473	378,365
Total intangible assets	20,128,072	23,401,682
Investments and other assets		
Investment securities	60,200	28,800
Leasehold and guarantee deposits	291,474	294,434
Deferred tax assets	288,275	398,555
Other	53,529	69,855
Allowance for doubtful accounts	(3,561)	(5,083)
Total investments and other assets	689,917	786,562
Total non-current assets	21,323,720	24,612,993
Total assets	36,284,867	38,352,203

(Thousands of yen)

	As of August 31, 2021	As of August 31, 2022
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	1,690,879	1,747,409
Current portion of long-term borrowings	3,090,000	3,290,400
Accounts payable - other	868,646	627,131
Accrued expenses	324,313	304,046
Income taxes payable	694,617	649,044
Provision for bonuses	238,117	288,495
Provision for point card certificates	69,880	109,583
Provision for shareholder benefit program	19,810	21,764
Deposits received	1,731,552	1,894,295
Other	202,056	375,720
Total current liabilities	8,929,876	9,307,891
Non-current liabilities		
Long-term borrowings	14,330,000	11,956,100
Provision for share awards	-	222,692
Deferred tax liabilities	3,728,604	4,390,359
Asset retirement obligations	132,778	119,211
Total non-current liabilities	18,191,383	16,688,363
Total liabilities	27,121,259	25,996,254
<b>Net assets</b>		
Shareholders' equity		
Share capital	848,666	848,666
Capital surplus	828,666	828,666
Retained earnings	6,988,449	8,438,466
Treasury shares	(76)	(1,247,477)
Total shareholders' equity	8,665,706	8,868,322
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	26,294	5,756
Foreign currency translation adjustment	471,607	3,481,870
Total accumulated other comprehensive income	497,902	3,487,626
Total net assets	9,163,608	12,355,949
Total liabilities and net assets	36,284,867	38,352,203

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

(Thousands of yen)

	For the fiscal year ended August 31, 2021	For the fiscal year ended August 31, 2022
Net sales	24,681,001	27,509,600
Cost of sales	14,277,818	15,517,977
Gross profit	10,403,183	11,991,622
Selling, general and administrative expenses	8,780,704	9,248,641
Operating profit	1,622,479	2,742,981
Non-operating income		
Interest and dividend income	284	306
Foreign exchange gains	77,894	569,406
Subsidy income	35,420	23,134
Income insurance	421	110
Compensation income	30,000	4,005
Other	23,680	36,054
Total non-operating income	167,701	633,018
Non-operating expenses		
Interest expenses	66,330	56,192
Commission expenses	1,900	1,900
Other	5,124	6,777
Total non-operating expenses	73,354	64,870
Ordinary profit	1,716,826	3,311,130
Extraordinary losses		
Provision for share awards	-	170,990
Loss on retirement of non-current assets	6,724	5,680
Impairment loss	4,256	-
Total extraordinary losses	10,981	176,670
Profit before income taxes	1,705,844	3,134,459
Income taxes - current	1,011,711	1,173,397
Income taxes - deferred	(435,549)	(286,742)
Total income taxes	576,162	886,654
Profit	1,129,682	2,247,804
Profit attributable to owners of parent	1,129,682	2,247,804

# Consolidated Statement of Comprehensive Income

(Thousands of yen)

	For the fiscal year ended August 31, 2021	For the fiscal year ended August 31, 2022
Profit	1,129,682	2,247,804
Other comprehensive income		
Valuation difference on available-for-sale securities	26,294	(20,538)
Foreign currency translation adjustment	334,312	3,010,263
Total other comprehensive income	360,607	2,989,724
Comprehensive income:	1,490,290	5,237,529
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,490,290	5,237,529
Comprehensive income attributable to non-controlling interests	-	-

(3) Consolidated Statements of Changes in Equity  
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					
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				
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

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

## (4) Consolidated Statements of Cash Flows

(Thousands of yen)

	For the fiscal year ended August 31, 2021	For the fiscal year ended August 31, 2022
Cash flows from operating activities		
Profit before income taxes	1,705,844	3,134,459
Depreciation	664,085	797,848
Impairment losses	4,256	-
Amortization of goodwill	79,968	88,021
Amortization of trademark right	1,003,484	1,108,698
Increase (decrease) in allowance for doubtful accounts	24,474	5,423
Increase (decrease) in provision for bonuses	13,958	47,088
Increase (decrease) in provision for share awards	-	222,692
Interest and dividend income	(284)	(306)
Interest expenses	66,330	56,192
Foreign exchange losses (gains)	(77,894)	(588,158)
Loss on retirement of non-current assets	6,724	5,680
Decrease (increase) in trade receivables	(602,065)	(188,084)
Decrease (increase) in inventories	421,109	172,549
Decrease (increase) in prepaid expenses	(39,603)	(20,089)
Increase (decrease) in trade payables	126,262	39,283
Increase (decrease) in accounts payable - other	(191,238)	(171,626)
Increase (decrease) in accrued expenses	32,120	(28,187)
Other, net	242,254	(14,177)
Subtotal	3,479,788	4,667,307
Interest and dividends received	284	306
Interest paid	(66,330)	(56,192)
Income taxes refund (paid)	(172,784)	(1,338,277)
Net cash provided by (used in) operating activities	3,240,958	3,273,144
Cash flows from investing activities		
Purchase of property, plant and equipment	(249,924)	(218,467)
Purchase of intangible assets	(407,696)	(717,043)
Purchase of long-term prepaid expenses	(33,802)	(10,485)
Payments of leasehold and guarantee deposits	(41,921)	(4,695)
Proceeds from refund of leasehold and guarantee deposits	3,849	1,603
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	875	-
Other, net	(4,709)	5,100
Net cash provided by (used in) investing activities	(733,329)	(943,987)
Cash flows from financing activities		
Proceeds from long-term borrowings	-	1,000,000
Repayments of long-term borrowings	(1,840,000)	(3,173,500)
Purchase of treasury shares	-	(1,247,401)
Dividends paid	(469,286)	(797,787)
Net cash provided by (used in) financing activities	(2,309,286)	(4,218,689)
Effect of exchange rate change on cash and cash equivalents	28,146	73,023
Net increase (decrease) in cash and cash equivalents	226,488	(1,816,508)
Cash and cash equivalents at beginning of period	9,533,587	9,760,075
Cash and cash equivalents at end of period	9,760,075	7,943,566

## (5) Notes to Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Changes in accounting policies)

(Application of accounting standard for revenue recognition, etc.)

The Company started to apply the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29 dated March 31, 2020; hereinafter, “Revenue Recognition Accounting Standard”), etc. at the beginning of the fiscal year under review. Under this standard, revenue is recognized, when the Company transfers the control of a promised good or service to a customer, in an amount that the Company expects to receive in exchange for such good or service.

As a result, while the Company had previously recognized franchise fees as revenues at a single point in time, the Company made a switch to the method of estimating the degree of progress concerning obligation performance and recognizing revenues over a fixed period based on the degree of progress.

The Company applies the Revenue Recognition Accounting Standard, etc. pursuant to the transitional treatment provided for in the proviso of Paragraph 84 of the Revenue Recognition Accounting Standard. However, adopting the method stipulated in Paragraph 86 of the Revenue Recognition Accounting Standard, the Company does not apply the new accounting policies retroactively to contracts prior to the beginning of the fiscal year under review wherein almost all revenues are recognized in accordance with the previous treatment.

As a result, the impact of the change on profit and loss for the fiscal year under review was immaterial. There is also no impact on the balance of retained earnings at the beginning of the fiscal year under review.

According to the transitional measures prescribed in Paragraph 89-3 of the Revenue Recognition Accounting Standard, information that breaks down revenue from contracts with customers for the previous fiscal year is not presented.

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

The Company has decided to apply the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019; hereinafter the “Fair Value Measurement Accounting Standard”), etc. from the beginning of the fiscal year under review and to continue to apply the new accounting policy stipulated in the Fair Value Measurement Accounting Standard, etc. according to the provisional treatment stipulated in Paragraph 19 of the Fair Value Measurement Accounting Standard and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019). The application has no impact on the consolidated financial statements.

(Additional information)

(Transactions of delivering the Company’s shares to employees, etc. through the trust)

Based on the resolution passed by the Board of Directors on October 18, 2021, the Company introduced an Employee Stock Ownership Plan (J-ESOP; hereinafter, the “Plan”), an incentive plan under which the Company’s stock is granted to employees of the Company and its subsidiaries (hereinafter, “Eligible Employees”), on January 31, 2022.

(i) Overview of transactions

The Plan is a system that provides benefits in the form of the Company’s stock to Eligible Employees who meet certain requirements set forth in the Stock Benefit Regulations that were established by the Company when it introduced the Plan.

To acquire stock to grant in the future, the Company has entrusted money as trust assets under the Plan to Custody Bank of Japan, Ltd. (Trust Account E), which has acquired the Company’s stock by using the entrusted money.

(ii) Treasury shares remaining in the trust

The Company’s shares remaining in the trust are recorded at the book value (excluding all incidental



expenses) in the section of net assets as treasury shares in the trust. The book value and number of these treasury shares were 1,074,150,000 yen and 1,550,000 shares as of August 31, 2022.

(Transactions of delivering the Company's shares to directors, etc. through the trust)

Based on the resolution passed at the General Shareholders Meeting that was held on November 25, 2021, the Company introduced on January 31, 2022 the Board Benefit Trust (hereinafter, "BBT"), a new stock compensation plan for the Company's directors (excluding directors who are Audit and Supervisory Committee members and other directors who are outside directors; the same applies hereinafter unless otherwise noted), the Company's executive officers, directors of the Company's subsidiaries (excluding outside directors; the same applies hereinafter unless otherwise noted), and executive officers of the Company's subsidiaries (hereinafter, directors and executive officers of the Company and its subsidiaries are collectively referred to as "Eligible Officers").

(i) Overview of transactions

Under BBT, the Company's stock is granted to Eligible Officers who meet beneficiary requirements set forth in the Officer Stock Benefit Regulations that were established by the Company when it introduced BBT.

To acquire stock to grant in the future, the Company has entrusted money as trust assets under the Plan to Custody Bank of Japan, Ltd. (Trust Account E), which has acquired the Company's stock by using the entrusted money.

(ii) Treasury shares remaining in the trust

The Company's shares remaining in the trust are recorded at the book value (excluding all incidental expenses) in the section of net assets as treasury shares in the trust. The book value and number of these treasury shares were 173,250,000 yen and 250,000 shares as of August 31, 2022.

(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, 2020-August 31, 2021)	Fiscal year under review (September 1, 2021-August 31, 2022)
Net assets per share	97.63 yen	134.22 yen
Earnings per share	12.04 yen	24.20 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 the stock benefit trust schemes (J-ESOP and board benefit trust (BBT)) are included in treasury stock that is subtracted (from the total number of issued shares when calculating the average number of shares during a fiscal year for the calculation of net profit per share. The average numbers of treasury shares subtracted in the calculation of net profit per share were zero share in the previous fiscal year and 969,231 shares in the fiscal year under review.

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

	Previous fiscal year (September 1, 2020-August 31, 2021)	Fiscal year under review (September 1, 2021-August 31, 2022)
Earnings per share		
Profit attributable to owners of parent (Thousands of yen)	1,129,682	2,247,804
Amount not attributable to common shareholders (Thousands of yen)	-	-
Profit attributable to owners of parent relating to common shares (Thousands of yen)	1,129,682	2,247,804
Average number of common shares during the period (Shares)	93,857,372	92,888,140
Overview of residual shares not included in calculation of diluted earnings per share due to lack of dilutive effect	-	-

(Significant subsequent events)

Not applicable.