

Consolidated Financial Results for the Six Months Ended February 29, 2024 [Japanese GAAP]



April 9, 2024

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 Stock exchange listing: Tokyo Stock Exchange Prime Market
 Stock code: 7085
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 Scheduled date of filing quarterly securities report: April 11, 2024
 Scheduled date of commencing dividend payments: May 13, 2024
 Availability of supplementary briefing material on quarterly financial results: Available
 Schedule of quarterly financial results briefing session: Scheduled

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

1. Consolidated Financial Results for the Six Months Ended February 29, 2024 (September 1, 2023 to February 29, 2024)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Six months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
February 29, 2024	17,028	17.6	2,809	38.2	2,792	45.9	1,805	53.2
February 28, 2023	14,482	7.7	2,033	17.6	1,914	3.5	1,178	(2.4)

(Note) Comprehensive income: Six months ended February 29, 2024: 1,433 million yen [up 99.4%]
 Six months ended February 28, 2023: 718 million yen [down 57.9%]

	Earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
February 29, 2024	19.61	—
February 28, 2023	12.80	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
As of	Million yen	Million yen	%
February 29, 2024	38,035	16,035	42.2
August 31, 2023	39,111	15,070	38.5

(Reference) Equity: As of February 29, 2024: 16,035 million yen
 As of August 31, 2023: 15,070 million yen

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended August 31, 2023	—	5.00	—	5.00	10.00
Fiscal year ending August 31, 2024	—	6.00	—	—	—
Fiscal year ending August 31, 2024 (Forecast)	—	—	—	6.00	12.00

(Note) Revision to the forecast for dividends announced most recently: No

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
Full year	34,600	15.2	4,900	27.2	4,850	26.2	3,020	18.4	32.81
	~35,000	~16.6	~5,100	~32.4	~5,050	~31.4	~3,140	~23.1	~34.11

(Note) Revision to the financial results forecast announced most recently: No

*** Notes:**

(1) Changes in significant subsidiaries during the six months ended February 29, 2024: (changes in specified subsidiaries resulting in changes in scope of consolidation): No
Newly added: — (Name:) Excluded: — (Name:)

(2) Accounting policies adopted specially for the preparation of quarterly consolidated financial statements: No

(3) 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

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

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

February 29, 2024: 93,857,493 shares

August 31, 2023: 93,857,493 shares

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

February 29, 2024: 1,797,874 shares

August 31, 2023: 1,800,123 shares

3) Average number of shares during the period (cumulative from the beginning of the fiscal year):

Six months ended February 29, 2024: 92,058,012 shares

Six months ended February 28, 2023: 92,057,370 shares

(Note) The total number of treasury shares at the end of the period include shares of the Company (1,797,750 shares on February 29, 2024 and 1,800,000 shares on August 31, 2023) 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. (1,799,357 shares during the six months ended February 29, 2024 and 1,800,000 shares during the six months ended February 28, 2023)

* This summary of the quarterly financial results is outside the scope of quarterly review 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. See “(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information” in the section, “1. Qualitative Information on Quarterly Financial Results for the Period under Review,” on page 5 of the attached material for the assumptions used in the financial results forecast and precautions for using the financial results forecast.

(How to obtain supplementary briefing materials on the financial results and the content of the financial results briefing session)

The Company’s results briefing will be held by posting video recorded in advance on its website (<https://www.curvesholdings.co.jp/>) on Thursday, April 11, 2024.

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. Qualitative Information on Quarterly Financial Results for the Period under Review

(1) Explanation of Operations Results

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, 30-minute Fitness 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 clubs by strengthening customer services.

Operating results for the first six-month period (September 2023 - February 2024) under review are as follows.

	Six months ended February 28, 2023 (Million yen)	Six months ended February 29, 2024 (Million yen)	Change (Million yen)	Change (%)
Net sales	14,482	17,028	2,545	17.6
Operating profit (Operating profit ratio)	2,033 (14.0%)	2,809 (16.5%)	776	38.2
Ordinary profit	1,914	2,792	877	45.9
Profit attributable to owners of parent	1,178	1,805	626	53.2

In the first six months of the fiscal year under review, membership came to 782K, indicating net increases of 24K year on year and 5K from the end of the previous consolidated fiscal year (777K). (*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)). Due to seasonal factors, the number of new members remains low and the total membership normally declines during the second quarter (the period from December 2023 through February 2024) every year. While we did not run the Membership Drive Campaigns, we strived to further raise customer satisfaction by improving the quality of services for existing members. With the monthly membership attrition rate kept below the pre-COVID-19 level, it is moving forward with the creation of operation foundations to increase membership in the spring and summer. In addition, the Group worked to expand the merchandise sales through enhancing “Diet Counselling” program for members. In particular, sales of new products among the merchandise for members exceeded the initial forecast, reflecting the complete renewal of mainstay protein products and steady sales of new products.

Accordingly, the number of Curves facilities (excluding Men’s Curves) and membership in Japan as of February 29, 2024 were as follows.

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

	As of August 31, 2023	As of February 29, 2024		* Reference: Numbers before COVID-19 As of February 29, 2020
			Changes from end of previous fiscal year	
Number of clubs	1,962 clubs	1,971 clubs	9 clubs 0.5%	2,014 clubs
Of which, number of corporate operated clubs	76 clubs	77 clubs	1 club 1.3%	65 clubs
Number of franchisee clubs	1,886 clubs	1,894 clubs	8 clubs 0.4%	1,949 clubs
Membership	777K	782K	5K 0.7%	832K

(Notes) 1. In the second quarter of the fiscal year under review, the number of new club opening was 1 and the number of clubs closed and merged was 1.

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.

There were total 17 'Men's Curves', Fitness for Men.

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 first six months of the fiscal year under review (December 31, 2023 (two-month lag due to difference in fiscal year end)), there were 135 Curves clubs in Europe (UK, Italy, Spain and five other countries, all clubs are franchisees' clubs).

During the first six months of the fiscal year under review, selling, general and administrative expenses increased 47 million yen year on year. This mainly reflected an increase in the amortization of goodwill and trademark rights due to the weakening of the yen (Note 1), as well as increased personnel expenses for investing in the future and other expenses. On the other hand, depreciation decreased 65 million yen overall year on year, largely reflecting the completion of the amortization of intangible assets at Curves International, Inc., an overseas subsidiary. In addition, advertising expenses decreased year on year. The decrease 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. Selling, general and administrative expenses for the second quarter of the fiscal year under review decreased 48 million yen from the first quarter due in part to the containment of marketing expenses reflecting seasonal factors.

As a result, net sales for the first six months of the fiscal year under review were 17,028 million yen (up 17.6% year on year), leading to operating profit of 2,809 million yen (up 38.2% year on year). Ordinary profit was 2,792 million yen (up 45.9% year on year). Profit attributable to owners of parent was 1,805 million yen (up 53.2% year on year) mainly due to the posting of income taxes - current of 1,189 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 quarter by 2,532 thousand dollars according to the straight-line method. With the average exchange rate of the yen against the US dollar for the second quarter down 6.52 yen to the dollar from the year-ago level, the amount of yen-based amortization increased by 33 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	145.44 yen [138.68 yen]	145.74 yen [139.22 yen]	- [137.49 yen]	- [137.98 yen]
Foreign exchange rates at the end of the quarter	149.58 yen [144.81 yen]	141.83 yen [132.70 yen]	- [133.53 yen]	- [144.99 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) Explanation of Financial Position

(Assets)

Total assets as of February 29, 2024 decreased by 1,076 million yen, compared to the end of the previous fiscal year to 38,035 million yen (down 2.8% from the end of the previous fiscal year).

Current assets decreased by 159 million yen to 14,178 million yen (down 1.1% year on year). This was mainly due to a decrease of 1,544 million yen in cash and deposits.

Property, plant and equipment increased by 12 million yen to 449 million yen (up 3.0% year on year).

Intangible assets decreased by 1,026 million yen to 22,156 million yen (down 4.4% year on year) (Note 2).

Investments and other assets increased by 96 million yen to 1,249 million yen (up 8.4% year on year).

Total non-current assets decreased by 916 million yen to 23,856 million yen (down 3.7% year on year).

(Note 2) The value of goodwill and trademark rights, which are part of intangible assets and were recorded when the acquisition of Curves International, Inc. took place, decreased 1,190 million yen from the end of the previous fiscal year on a yen basis, reflecting quarterly amortization and a rise in the foreign exchange rate by 3.16 yen for the dollar at the end of the second quarter of the fiscal year under review.

}	As of the end of the previous fiscal year: 149,435 thousand dollars, 144.99 yen for the dollar, equivalent to 21,666 million yen on a yen basis
	Decrease due to amortization: 5,065 thousand dollars
	As of the end of the second quarter of the fiscal year under review: 144,369 thousand dollars, 141.83 yen for the dollar, equivalent to 20,475 million yen

(Liabilities)

Current liabilities decreased by 207 million yen to 10,478 million yen (down 1.9% year on year). This was primarily due to decreases of 155 million yen in accounts payable - other and 95 million yen in income taxes payable.

Non-current liabilities decreased by 1,834 million yen to 11,520 million yen (down 13.7% year on year). This was mainly due to a decrease of 1,645 million yen in long-term borrowings.

Total liabilities decreased by 2,041 million yen to 21,999 million yen (down 8.5% year on year).

(Net assets)

Net assets increased by 965 million yen, to 16,035 million yen (up 6.4% year on year). Shareholders' equity increased by 1,337 million yen, to 11,959 million yen (up 12.6% year on year).

This chiefly reflected an increase of 1,335 million yen in retained earnings due to the posting of profit attributable to owners of parent of 1,805 million yen and the payment of dividends of 469 million yen, despite a decrease of 373 million yen in foreign currency translation adjustment attributable to the appreciation of the yen.

(Status of cash flows)

The balance of cash and cash equivalents (hereinafter referred to as "net cash") as of February 29, 2024 was 6,301 million yen, a decrease of 1,553 million yen compared with the end of the previous fiscal year.

(Cash flows from operating activities)

As a result of operating activities during the six months ended February 29, 2024, net cash provided by operating activities increased by 1,151 million yen (from 1,749 million yen in the same period of the previous fiscal year). This was mainly attributable to profit before income taxes of 2,771 million yen, depreciation of 355 million yen, an increase in inventories of 1,025 million yen, amortization of trademark rights of 685 million yen and income taxes paid of 1,124 million yen.

(Cash flows from investing activities)

As a result of investing activities during the six months ended February 29, 2024, net cash used in investing activities stood at 576 million yen (as compared to 525 million yen in the same period of the previous fiscal year). This was mainly attributable to purchase of intangible assets of 505 million yen and purchase of property, plant and equipment of 53 million yen.

(Cash flows from financing activities)

As a result of financing activities during the six months ended February 29, 2024, net cash used in financing activities stood at 2,117 million yen (as compared to 1,975 million yen in the same period of the previous fiscal year). This was mainly caused by repayments of long-term borrowings of 1,645 million yen and dividends paid of 469 million yen.

(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information

The Group's outlook for the full-year results for the fiscal year ending August 31, 2024 has not changed since the announcement on March 11, 2024.

The Group expects net sales of 34,600 to 35,000 million yen (up 15.2 to 16.6% year on year), operating profit of 4,900 to 5,100 million yen (up 27.2 to 32.4% year on year), ordinary profit of 4,850 to 5,050 million yen (up 26.2 to 31.4% year on year) and profit attributable to owners of parent of 3,020 to 3,140 million yen (up 18.4 to 23.1% year on year) on a consolidated basis.

Details are as follows.

Regarding the business performance for the first six months of the fiscal year ending August 31, 2024, net sales exceeded the initial forecast, reflecting substantial growth in the number of members and sales of merchandise to members. In particular, sales of new products among merchandise for members have been exceeding the initial forecast. Moreover, profits significantly exceeded the initial forecast, attributable to the containment of cost and SG&A expenses.

In the meantime, because the Company considers the current fiscal year to be a good opportunity to expand the number of members in light of market trends, it plans to increase advertising and promotion expenses by around 400 million yen to 600 million yen from the previous forecast.

Domestic Business

- The number of clubs in the second half of the fiscal year ending August 31, 2024 is forecast to be 1,982, a net increase of 11 clubs from the end of the previous fiscal year.
- 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 782K by February 29, 2024. The Group will continue to increase its efforts to recruit new members in the second half through the implementation of appealing membership drive campaign and other promotions. Membership at the end of the fiscal year ending August 31, 2024 is expected to be 810K to 820K (including online members).
- The Group expects that sales of merchandise to members will continue to be steady.
- In the second half of the fiscal year ending August 31, 2024, the Group plans to continuously allocate advertising expenses toward a recovery in membership through proactive marketing. Because the Company considers the current fiscal year to be a good opportunity to expand the number of members in light of market trends, it plans to increase advertising and promotion expenses by around 400 million yen to 600 million yen from the previous forecast.
- 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).
- Regarding the Men's Curves clubs, the Group plans to enhance relevant know-how and expertise with an eye on the full-fledged development of clubs in multiple locations going forward.

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. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheets

(Thousands of yen)

	As of August 31, 2023	As of February 29, 2024
Assets		
Current assets		
Cash and deposits	8,134,555	6,589,891
Notes and accounts receivable - trade	4,444,932	5,303,760
Merchandise	985,744	1,941,266
Raw materials and supplies	46,825	113,586
Other	921,909	424,305
Allowance for doubtful accounts	(195,813)	(194,139)
Total current assets	14,338,155	14,178,669
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	255,779	282,139
Vehicles, tools, furniture and fixtures, net	179,005	149,997
Other, net	2,293	17,847
Total property, plant and equipment	437,078	449,984
Intangible assets		
Goodwill	1,546,327	1,460,141
Trademark right	20,126,174	19,020,158
Software	1,361,644	1,561,803
Other	148,927	114,563
Total intangible assets	23,183,073	22,156,667
Investments and other assets		
Investment securities	17,240	19,280
Leasehold and guarantee deposits	313,702	326,784
Deferred tax assets	721,325	799,687
Other	106,921	110,045
Allowance for doubtful accounts	(6,112)	(6,011)
Total investments and other assets	1,153,077	1,249,787
Total non-current assets	24,773,230	23,856,438
Total assets	39,111,385	38,035,108

(Thousands of yen)

	As of August 31, 2023	As of February 29, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	2,028,197	2,096,832
Current portion of long-term borrowings	3,290,400	3,290,400
Accounts payable - other	570,548	414,941
Accrued expenses	317,655	308,851
Income taxes payable	1,153,823	1,058,007
Provision for bonuses	320,050	334,065
Provision for point card certificates	136,499	166,221
Provision for shareholder benefit program	25,602	–
Deposits received	2,269,969	2,303,487
Other	573,833	506,133
Total current liabilities	10,686,579	10,478,941
Non-current liabilities		
Long-term borrowings	8,665,700	7,020,500
Provision for share awards	272,745	299,916
Deferred tax liabilities	4,272,014	4,038,759
Asset retirement obligations	144,186	147,879
Other	–	13,374
Total non-current liabilities	13,354,646	11,520,429
Total liabilities	24,041,226	21,999,370
Net assets		
Shareholders' equity		
Share capital	848,666	848,666
Capital surplus	828,666	828,666
Retained earnings	10,192,047	11,527,887
Treasury shares	(1,247,477)	(1,245,919)
Total shareholders' equity	10,621,903	11,959,302
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(1,805)	(470)
Foreign currency translation adjustment	4,450,060	4,076,906
Total accumulated other comprehensive income	4,448,255	4,076,435
Total net assets	15,070,159	16,035,738
Total liabilities and net assets	39,111,385	38,035,108

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statement of Income

Six Months Ended February 29, 2024

(Thousands of yen)

	For the six months ended February 28, 2023	For the six months ended February 29, 2024
Net sales	14,482,363	17,028,105
Cost of sales	8,166,277	9,888,150
Gross profit	6,316,086	7,139,955
Selling, general and administrative expenses	4,282,276	4,330,078
Operating profit	2,033,809	2,809,876
Non-operating income		
Interest income	130	97
Subsidy income	1,045	213
Compensation income	–	27,624
Other	11,629	6,017
Total non-operating income	12,804	33,953
Non-operating expenses		
Interest expenses	24,733	20,421
Foreign exchange losses	105,590	23,239
Other	1,488	7,430
Total non-operating expenses	131,812	51,090
Ordinary profit	1,914,801	2,792,738
Extraordinary losses		
Loss on retirement of non-current assets	493	2,389
Impairment losses	–	19,274
Total extraordinary losses	493	21,663
Profit before income taxes	1,914,308	2,771,075
Income taxes - current	868,044	1,189,312
Income taxes - deferred	(132,089)	(223,364)
Total income taxes	735,955	965,947
Profit	1,178,353	1,805,127
Profit attributable to owners of parent	1,178,353	1,805,127

Quarterly Consolidated Statement of Comprehensive Income

Six Months Ended February 29, 2024

(Thousands of yen)

	For the six months ended February 28, 2023	For the six months ended February 29, 2024
Profit	1,178,353	1,805,127
Other comprehensive income		
Valuation difference on available-for-sale securities	(5,285)	1,334
Foreign currency translation adjustment	(454,423)	(373,154)
Total other comprehensive income	(459,708)	(371,819)
Comprehensive income	718,644	1,433,307
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	718,644	1,433,307
Comprehensive income attributable to non-controlling interests	—	—

(3) Quarterly Consolidated Statement of Cash Flows

(Thousands of yen)

	For the six months ended February 28, 2023	For the six months ended February 29, 2024
Cash flows from operating activities		
Profit before income taxes	1,914,308	2,771,075
Depreciation	442,707	355,404
Impairment losses	–	19,274
Amortization of goodwill	51,680	54,019
Amortization of trademark right	655,092	685,772
Increase (decrease) in allowance for doubtful accounts	20,573	2,242
Increase (decrease) in provision for bonuses	(37,110)	14,441
Increase (decrease) in provision for share awards	6,642	28,730
Interest and dividend income	(130)	(97)
Interest expenses	24,733	20,421
Foreign exchange losses (gains)	105,590	23,239
Decrease (increase) in trade receivables	(124,137)	(873,648)
Decrease (increase) in inventories	(300,177)	(1,025,582)
Increase (decrease) in trade payables	40,548	70,454
Loss on retirement of property, plant and equipment	493	2,389
Decrease (increase) in prepaid expenses	(15,722)	39,665
Increase (decrease) in accounts payable - other	(255,158)	(126,305)
Increase (decrease) in accrued expenses	(22,974)	(7,948)
Other, net	84,052	243,923
Subtotal	2,591,009	2,297,472
Interest and dividends received	130	97
Interest paid	(24,733)	(21,231)
Income taxes refund (paid)	(816,840)	(1,124,459)
Net cash provided by (used in) operating activities	1,749,565	1,151,878
Cash flows from investing activities		
Purchase of property, plant and equipment	(44,385)	(53,747)
Purchase of intangible assets	(436,837)	(505,202)
Payments of guarantee deposits	(33,469)	(17,433)
Proceeds from refund of guarantee deposits	1,937	4,535
Other, net	(12,355)	(5,113)
Net cash provided by (used in) investing activities	(525,109)	(576,960)
Cash flows from financing activities		
Repayments of long-term borrowings	(1,645,200)	(1,645,200)
Purchase of treasury shares	–	(0)
Dividends paid	(328,500)	(469,286)
Other, net	(1,402)	(2,729)
Net cash provided by (used in) financing activities	(1,975,103)	(2,117,217)
Effect of exchange rate change on cash and cash equivalents	10,375	(11,365)
Net increase (decrease) in cash and cash equivalents	(740,271)	(1,553,664)
Cash and cash equivalents at beginning of period	7,943,566	7,855,158
Cash and cash equivalents at end of period	7,203,294	6,301,493

(4) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Notes in the case of significant changes in shareholders' equity)

Not applicable.