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Supplementary Material: Consolidated Results of Operations for 1Q of FY ending August 31, 2021

January 15, 2021

TSE Sec 1: 7085

CURVES HOLDINGS CO., LTD.

Table of Contents

1. Operation results for 1Q of FY 8/2021 3

2. Business outline and updates for 1Q 14

3. Forecasts and strategies for 2Q and beyond 25

Appendix 33

Consolidated Results of Operations for 1Q of FY 8/2021

Consolidated Statement of Income

(million yen)

	FY 8/2021 (current) 1Q Actual	FY 8/2020 (previous) 1Q Actual	Year on year
Sales	5,719	7,335	78.0%
Cost of Sales	3,211	4,304	74.6%
(Cost of Sales Ratio)	56.2%	58.7%	
SGA	2,518	1,428	176.3%
incl. Amortization for goodwill and trademarks	268	272	98.6%
Operating Profit	-10	1,603	-
(Operating ratio)	-	21.9%	
Ordinary Profit	-103	1,592	-
Extraordinary Income	-	-	-
Extraordinary Loss	0	0	0.0%
Net Profit	-143	1,099	-
(Net profit ratio)	-	15.0%	

Consolidated Statement of Income (by region)

(million yen)

	FY 8/2021 (current)		FY 8/2020 (previous)		Y-o-Y
	1Q Actual	To Sales	1Q Actual	To Sales	
Sales	**5,719**	**100.0%**	**7,335**	**100.0%**	**78.0%**
Domestic	5,679	99.3%	7,200	98.2%	78.9%
International	40	0.7%	134	1.8%	29.9%
Op. profit	**-10**		**1,603**		**-**
Domestic	478		1,922		24.9%
International	-167		-0		-
Adjustments	-322		-319		-

＊**Sales and Operating profit for the International segment**
The international segment comprises of the global franchise business and European franchiser operations by 2 subsidiaries (Curves International, Inc. and Curves Europe B.V.). Sales and operating profit for the international segment do not include incomes from royalty fees and equipment sales from the domestic business to Curves International, as well as the costs for management fee payments from the 2 subsidiaries to the Japanese entity.

＊**Adjustments for operating profit**
Expenses not attributable to specific regions, including amortizations for goodwill and trademark rights.

Consolidated Statement of Income - Topics

Comparison to 4Q previous year

	Sales	Op profit	Ord profit	Net profit
1Q current (9 - 11)	5.71 B yen (78.0% Y-o-Y)	-10 M yen	-100 M yen	-140 M yen
4Q previous (6 - 8)	5.52 B yen (77.9% Y-o-Y)	-560 M yen	-560 M yen	-350 M yen

Sales

Sales shrinkage reduced compared to previous 4Q with successful membership drive in Sept/Nov and returns of absentee members

- Total active members is in recovery trend with new members acquired in the membership drive in Sept/Nov supported by TV CM and increasing returns of absentee members.
- Sales have grown faster in royalty income and corporate-owned clubs compared to previous 4Q as total active members recovered.
- Protein subscription sales stayed strong while overall merchandise sales slightly slowed down compared to previous 4Q.
- In the international market, clubs started to reopen since June in the key countries in Europe, where all areas eventually reopened at the end of Sept.

*Results in International are consolidated with 2 month delay due to fiscal year end.

Consolidated Statement of Income - Topics

Profit

Company continues expenditures of mid/long-term strategic costs

- The strategic expenditures were budgeted in 1Q. The expenditures were made substantially on plan.

Costs up due to the strategies (SGA)	1.07 B yen
Marketing for the fall sales campaign*	540 M yen
Investment in Online workout program	350 M yen
Financial aids to franchisees	160 M yen

* Marketing cost in excess of Advertising Funds collected from franchisees. Classified in SGA as advertising expenses.

- Operating Loss was smaller than planned as net growth in active members has exceeded plan.
- Company's loans to international subsidiaries in yen had 90 million yen of currency exchange loss (non-operating expenses) due to stronger yen with no effects on cash flows.

Composition of Sales

Domestic (Japan)

Spot income : One time incomes from franchise sales and renewal of FA

- Income from license fee and new equipment sales for new club opening
- Income from FA renewal for equipment sales, etc.

Base income : Ongoing incomes associated with numbers of clubs and members

Royalty fee, etc.	Royalty fees and membership administrative fees etc received from franchisees
Franchisees other	Other incomes from franchisees
Merchandise for members	Merchandise sales for members. Direct sale by the group to members and sales commission paid to franchisees.
Corporate-owned clubs	Income from operating corporate clubs
Others	Others

International

Breakdown of Sales

(million yen)

	FY 8/2021 (current)		FY 8/2020 (previous)		YoY
	1Q Actual	To Sales	1Q Actual	To Sales	
Sales	**5,719**	**100.0%**	**7,335**	**100.0%**	**78.0%**
Domestic	**5,679**	**99.3%**	**7,200**	**98.2%**	**78.9%**
Spot	141	2.5%	233	3.2%	60.8%
Base	5,537	96.8%	6,967	95.0%	79.5%
Royalty, etc.	1,346	23.5%	1,676	22.9%	80.3%
Franchisees other	485	8.5%	560	7.6%	86.6%
Merchandise	3,193	55.8%	3,376	46.0%	94.6%
Corporate-owned clubs	488	8.5%	555	7.6%	88.0%
Other	23	0.4%	21	0.3%	107.6%
Ad funds*	-	-	776	10.6%	-
Internatnional	**40**	**0.7%**	**134**	**1.8%**	**29.9%**

* As from FY 8/2021, Ad Funds is not listed in Sales. Marketing costs exceeding Ad Funds collected from franchisees are accounted for as SGA expenses.

Curves

Breakdown of Sales by Quarter

(million yen)

	FY 8/2020				FY 8/2021
	1Q	2Q	3Q	4Q	1Q
Sales	7,335	7,096	5,127	5,523	5,719
Domestic	7,200	6,979	4,967	5,474	5,679
Spot	233	186	167	194	141
Base	6,967	6,793	4,800	5,280	5,537
Royalty, etc.	1,676	1,611	738	1,182	1,346
Franchisees other	560	453	296	253	485
Merchandise	3,376	3,892	3,518	3,246	3,193
Corporate-owned clubs	555	567	173	401	488
Other	21	28	15	18	23
Ad funds	776	239	57	177	-
International	134	117	159	49	40

Breakdown of Sales - Topic

Comparison year-on-year

	1Q current (9-11)	4Q previous (6-8)		
Spot	**60.8%**	61.0%	↓ **0.2%**	Club openings were constant. Decrease in Spot Income stays steady.
Base (excl. Ad Funds)*	**89.4%**	81.5%	↑ **7.9%**	Base Income recovers stronger.
Royalty, etc	**80.3%**	73.9%	↑ **6.4%**	New sign-ups increased with the membership drive and absentee members are returning, enabling Royalty income to recover.
Merchandise	**94.6%**	88.8%	↑ **5.7%**	Protein renewal rate is higher and stays strong compared to previous year. Merchandise overall saw slight decrease from previous 4Q.
Corporate-owned clubs	**88.0%**	72.6%	↑ **15.4%**	Total active members recovered strong and Sales recovery is significant y-o-y.

＊Ad Funds income is not listed in Sales as from FY 8/2021, wherefore the comparison by quarter excludes Ad Funds income from the Base Income for FY 8/2020 and 8/2019.

Consolidated Balance Sheet

(million yen)

	FY 8/2021 End 1Q	FY 8/2020 End fiscal year	Changes
Current assets	**14,795**	**15,275**	**-479**
Cash and deposits	8,866	9,533	-667
Notes and accounts receivable	3,299	3,243	55
Merchandise	1,434	1,511	-77
Non-current assets	**20,920**	**21,562**	**-641**
Property, plant and equipment	**331**	**326**	**5**
Intangible assets	**20,112**	**20,789**	**-676**
Goodwill	1,348	1,392	-44
Trademark rights	17,424	17,997	-572
Software	678	666	12
Investments and other assets	**476**	**446**	**29**
Total assets	**35,716**	**36,837**	**-1,121**
Current liabilities	**7,550**	**7,262**	**287**
Current portion of long term borrowings	1,840	1,840	0
Non-current liabilities	**20,856**	**21,432**	**-576**
Long-term borrowings	16,960	17,420	-460
Total liabilities	**28,406**	**28,695**	**-288**
Interest-bearing debts	18,800	19,260	-460
Total net assets	**7,309**	**8,142**	**-833**
Shareholders' equity	7,392	8,005	-612
Total liabilities and net assets	**35,716**	**36,837**	**-1,121**

Changes in Cash Position

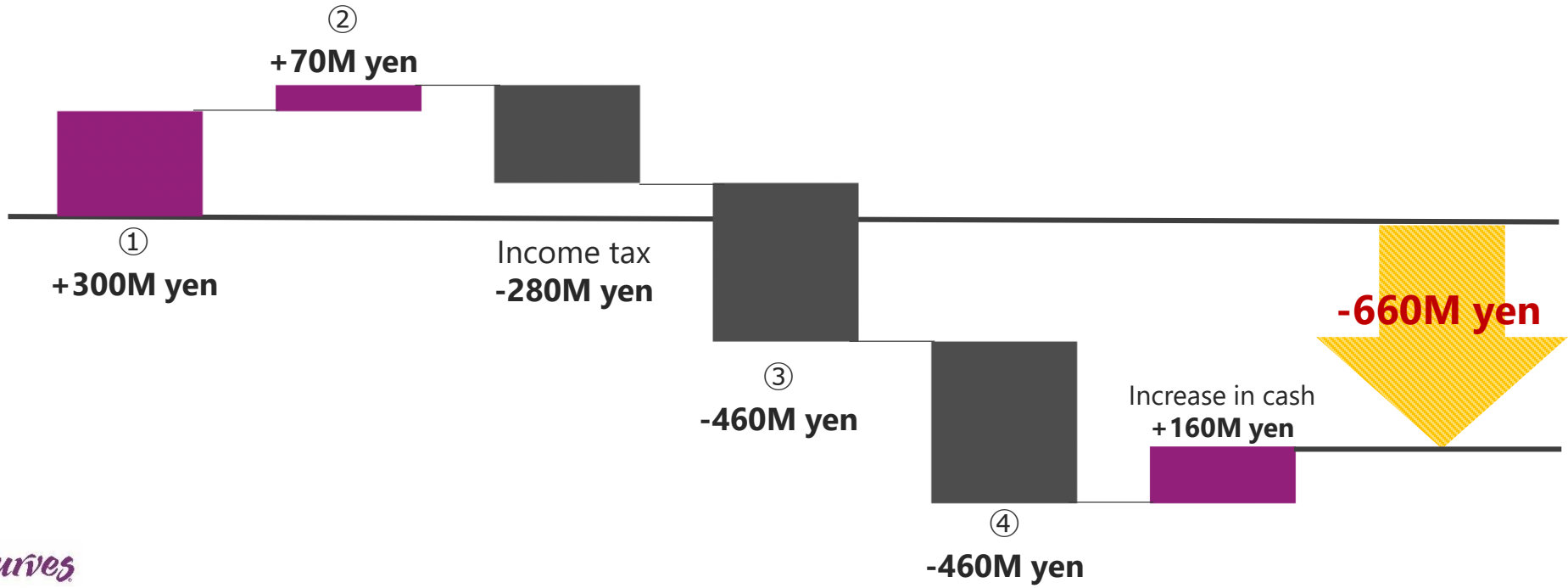
Cash/deposit decreased by 660M yen in 1Q (9-11), 8.8B yen at end period

① Earnings before taxes and depreciation/amortization +300M yen

② Inventory decrease：Protein extra inventory has decreased per plan while additional purchase made for increase of protein sales in Dec. +70M yen

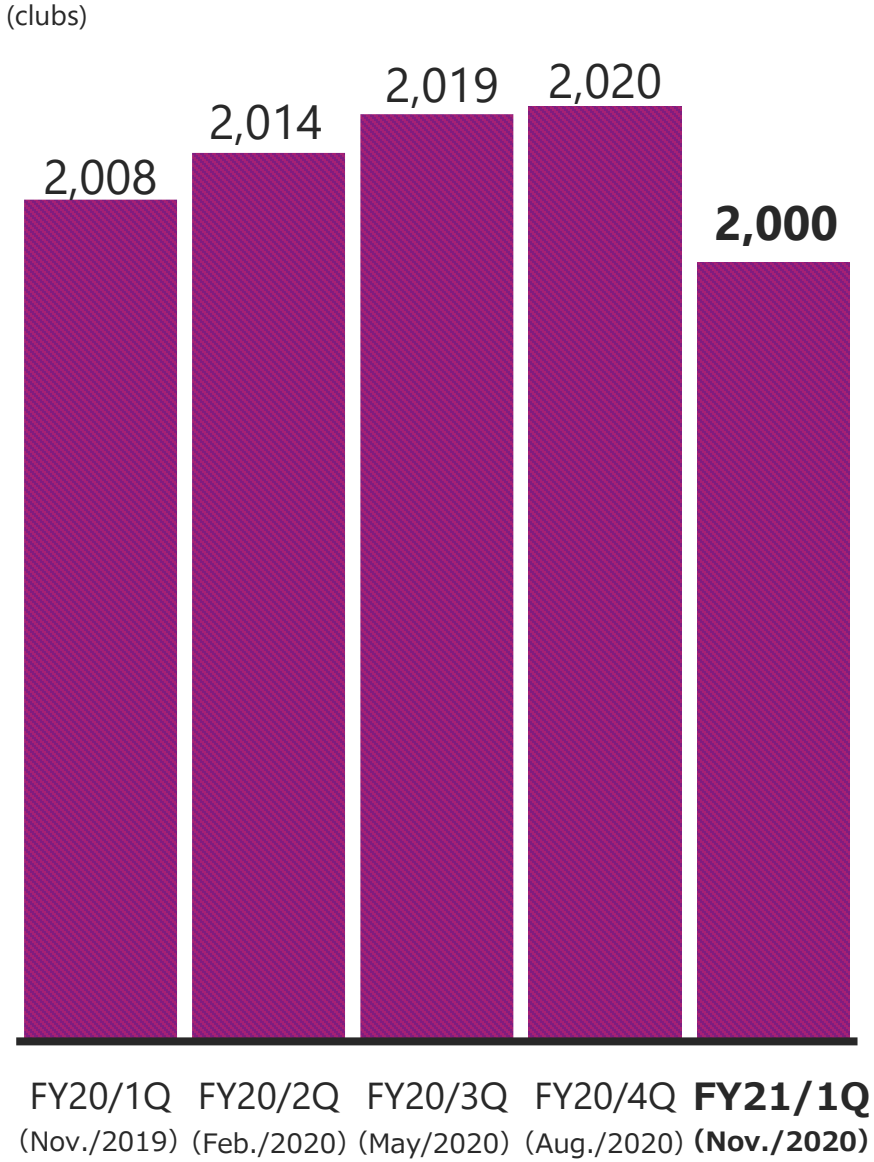
③ Repayment of borrowings made on plan. -460M yen

④ Payout of dividends at 5.0 yen per share -460M yen



Business Outline and Updates for 1Q

Total Club Count

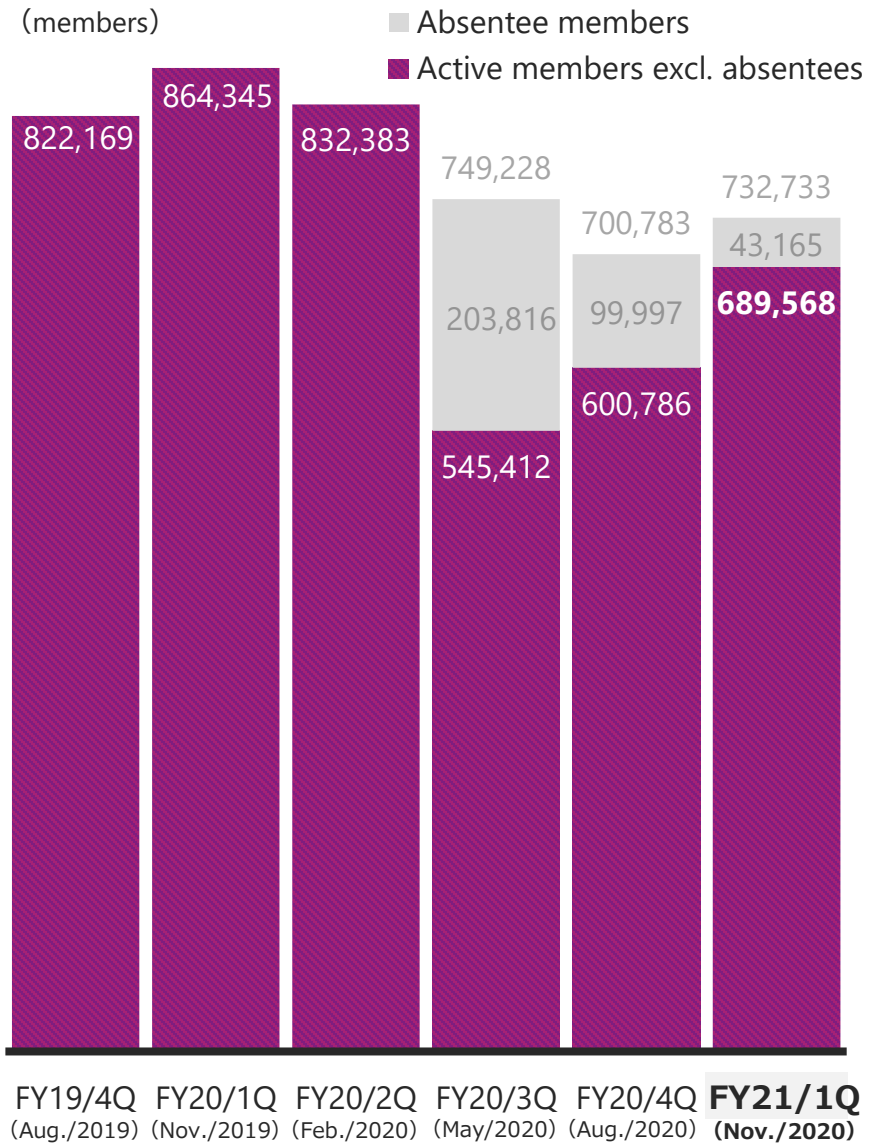


2,000 Clubs in Japan

New open		**10 clubs**
Closed		**30 clubs**
Net decrease	-	**20 clubs**

- Clubs financially affected by COVID were closed or merged as scheduled.
- Over 65% of members from closed clubs were transferred to neighboring clubs.

Total Membership



689K Members excl. absentees

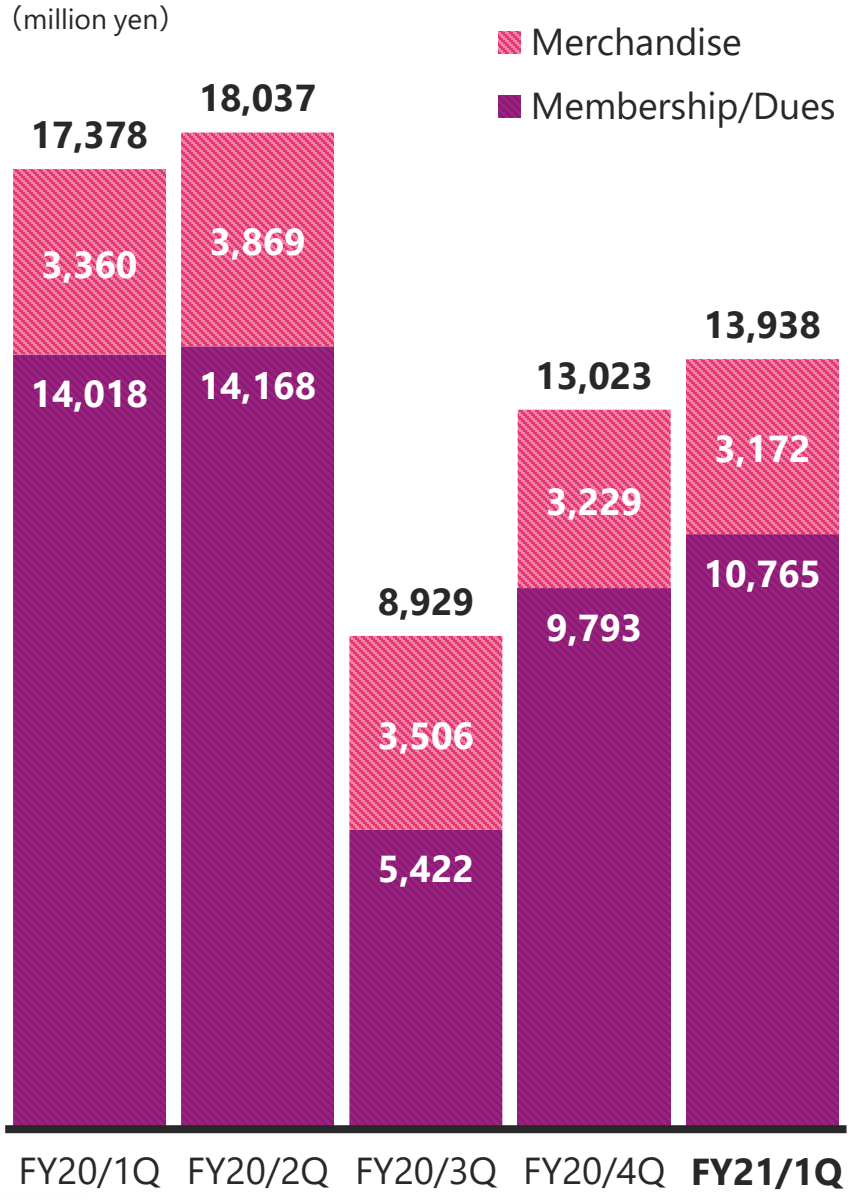
Compared to End FY 8/2020 **+ 88K members**

Compared to End FY 8/2019 **- 132K members**

Total active members increased by 88K with new sign-ups in the membership drive and more absentee members returning.

Special absentees due to COVID decreased to 43K.

Chain-wide Sales



1Q FY 8/21

Actual

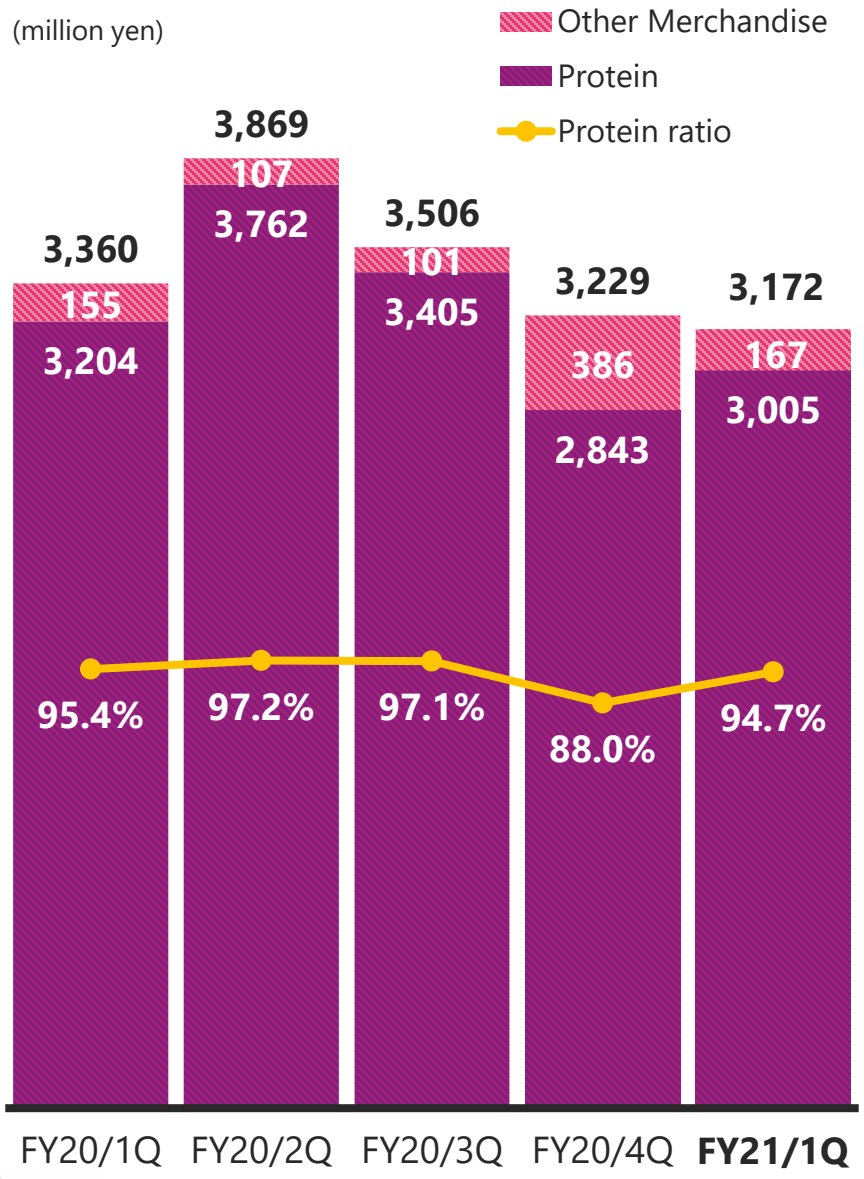
13,930 Million yen

Year on Year **80.2 %**

To 4Q of FY 8/2020 **107.0 %**

Curves

Merchandise Sales



1Q FY 8/2021

Actual

3,170 Million yen

Year on Year **94.4** %

To 4Q of FY 8/2020 **98.2** %

(% of Protein Sales) **94.7** %

Membership Trends for March-November, 2020

Y-o-Y comparison	3Q 8/2020 (3 - 5)	4Q 8/2020 (6 - 8)	1Q 8/2021 (9 - 11)	Sept	Oct	Nov
Sign-ups	11.8%	57.5%	90.3%	72.2%	96.7%	105.6%
Members excl. absentees	545K	600K	689K	631K	674K	689K
Net increase	-286K	55K	88K	30K	42K	15K
Special absentees	203K	99K	43K	72K	52K	43K
Total Membership	749K	700K	732K	703K	726K	732K

- New sign-ups showed a steady increase Y-o-Y with the successful membership drive in Sept/Nov.
- Cancellations decreased Y-o-Y since Oct 2020 and more absentees came back steadily. (Ave attrition rate 1.9% during Sept/Nov 2020, compared to 2.3% Jan/Dec 2019.)
- These resulted in net increase of 88K total active members.

Sales Trends in March-November 2020

Y-o-Y comparison	3Q 8/2020 (3-5)	4Q 8/2020 (6-8)	1Q 8/2021 (9-11)	Sept	Oct	Nov
Chain-wide Sales*	50.9%	74.4%	80.2%	78.8%	79.9%	82.0%
Sales from Royalty etc	46.1%	73.9%	80.3%	75.6%	82.1%	83.2%
Sales from Merchandise*	94.4%	88.8%	94.6%	95.6%	89.4%	98.9%
Financial aids to franchisees	1,035 M yen	342 M yen	166 M yen	70 M yen	52 M yen	43 M yen

- **Chain-wide Sales are growing stronger with a recovery of total active members.**
- **Financial aids decreased with absentee members decreasing.**

*Chain-wide Sales: Gross Sales include all franchisees' membership sales + Merchandise retail sales.

*Sales from Merchandise: Protein renewal rate is higher and stays strong compared to previous year. Merchandise overall saw slight decrease from previous 4Q.

Free Workout Trial Campaign in Sept-Nov

1Q FY 8/2021 (9-11)

※less than 1000 rounded down

Net growth: 88K ⇒ Total 689K members

- **Total active members showed a net growth of 88K from 600K at the end of FY 8/2020.**
- **Media-mix marketing centered in TV CM proved very effective, with ripple effects to other media including the website and word of mouth.**

“Ouchi-de-Curves” (Curves at home) developed

As of the end November, the program is being provided in 1,525 clubs, with approx. 10,200 members participating.

Offering opportunities to absentees and cancelled members to return to workout

Service tied with COVID prevention

- Operating clubs by implementing fullest preventive measures complying with the Ministry of Health and other industry associations guidelines.
- Have developed the operation know-how enabling to maintain and improve Service tied with COVID prevention under constant growth of members and workouts. in clubs.
- Informing members of the real time workout traffic in clubs on the Website.



本日の来店状況（18:00時点）

来店者	退店者	運動中	
166	144	22	（人）

Curves Japan website「https://www.curves.co.jp/」

Curves

Men's Curves & International Operations

Men's Curves

- **Men's Curves Yamashina-Takehana opened in Oct 2020 (Kyoto)**

First Men's Curves in Kansai area is The 6th location in Japan.



International operations

- **Clubs gradually reopened since mid June 2020 in the key markets of Europe. 169 clubs in all areas reopened end September.**

＊In the territories directly operated by the group franchisors only.
Other territories, including Holland, Greece, East Europe, Russia, Ukraine, are operated by master licensees as franchisors.

＊Operation results in international markets are consolidated in reports 2 months behind due to the fiscal year ends.



Forecasts and Strategies for 2Q and beyond

Positioning of FY 8/2021

【Changes in market environments】

- Expansion of health markets
  (Weight loss, improve immune system, prevent underlying illnesses)
- Rising demands for services requiring no physical contact (COVID after effects)

▼

Growth with new business model of onsite/online integration

▼

Strong earnings recovery and establishing new business model by the end of 2022

▼

FY 8/2021: Create a solid path to goals

Key Challenges for FY 8/2021

1. Restore business foundations in membership, etc.
2. Raise customer satisfaction to next level
3. Enhance marketing activities
   (media mix marketing targeting younger generations)
4. Establish new business model
   (“Ouchi-de-Curves”, etc.)
5. Men’s Curves, creating new service models
6. Strengthen collaborations with the fitness industry, academia and medical institutions

Financial Forecasts for FY 8/2021

	6 mos FY 8/2021		Annual FY 8/2021	
	Forecast	Y-o-Y	Forecast	Y-o-Y
Sales	11,100 M yen	76.9 %	23,500 M yen	93.7 %
Operating profit	0.0 M yen	0.0 %	1,000 M yen	85.7 %
Total active members (end of period)	–	–	660K members	+59K members
Club count	–	–	1,940 clubs	-80 clubs

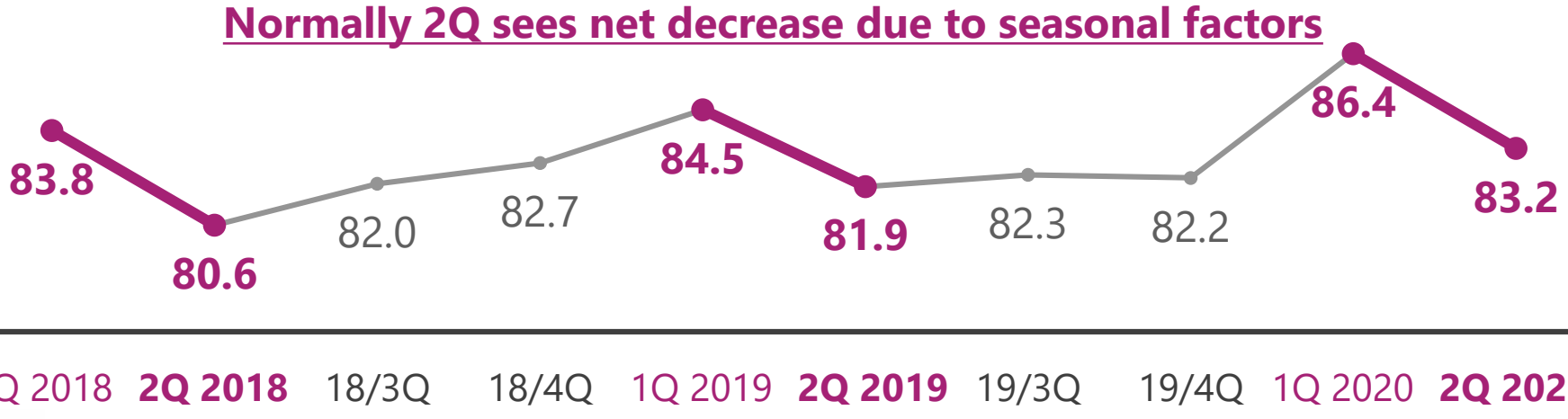
- Recovery of total active members exceeded our expectation with successful fall membership drive in Sept-Nov.
- Club closures were less than plan with the strong recovery of membership – aiming over 70% of members in closed clubs to be transferred to neighboring clubs.

Financial forecasts remain unchanged at this point due to uncertainty in management environments continuing.

Seasonal Factors in 2Q (compared to 1Q)

- **Membership drops in usual years due to decrease in new sign-ups in 2Q compared to 1Q due to seasonal factors. (3% to 5% down from 1Q end)**
- **Merchandise Sales grow in Dec with Protein sales campaign tied with "Diet Counseling Program".**

【Active member trend by quarter (10,000 members)】



Strategies for 2Q

- ”Diet Counseling Month” (Dec)
  → Promote Protein intake, Protein sales up
- Raise customer satisfaction level with Service Enhancement (Jan, Feb)
  → Lowering attrition rate in 3Q and beyond
- Continue financial aids to franchisees
- Enhance collaborations with fitness industry, government, academia and medical institutions

Response to State of Emergency Declaration

As of 1/31/2021, under the guidelines of the State of Emergency Declaration issued by the government

① Fitness gyms and sports facilities are not required to close in compliance with the COVID Special Act.

② Outside the guidelines, sports facilities are encouraged to limit business hours until 8 pm daily.

⇒ Curves business is not affected as no clubs operate after 8 pm daily.

Company's Policy

Curves maintains daily operations by implementing fullest preventive measures in all clubs.

The Minister of HLW stated to the press on Jan 8, "We should exercise under appropriate preventive measures to combat the secondary health impacts."

＊Secondary health impacts include exacerbation of underlying diseases or arthralgia, cognitive decline, lower immune system, etc., resulting from reduced physical and social activities through staying at home.

Develop “Ouchi-de-Curves” for new customers.

Testing in 1,525 clubs underway since Sept 2020.
Main users are absentees and cancelled members.

おうちで Curves

Future

- Enhance UI/UX/Service
- App comparable with cellular phone
- New technology developments to improve service productivity
- Planning for new customer marketing

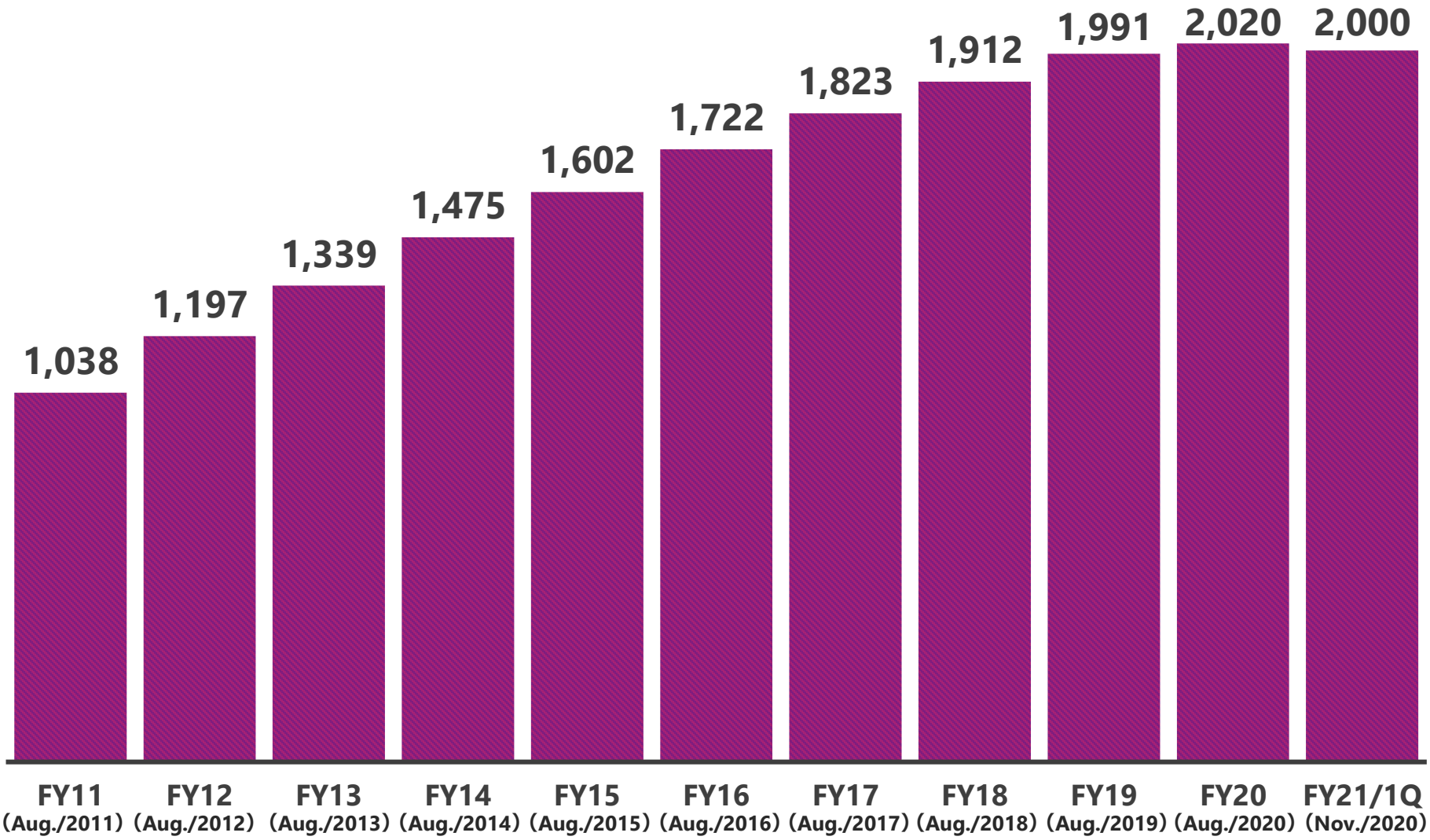
etc

Rollout of new customer acquisition initiative will start in Spring 2021.

Appendix

Curves Business History

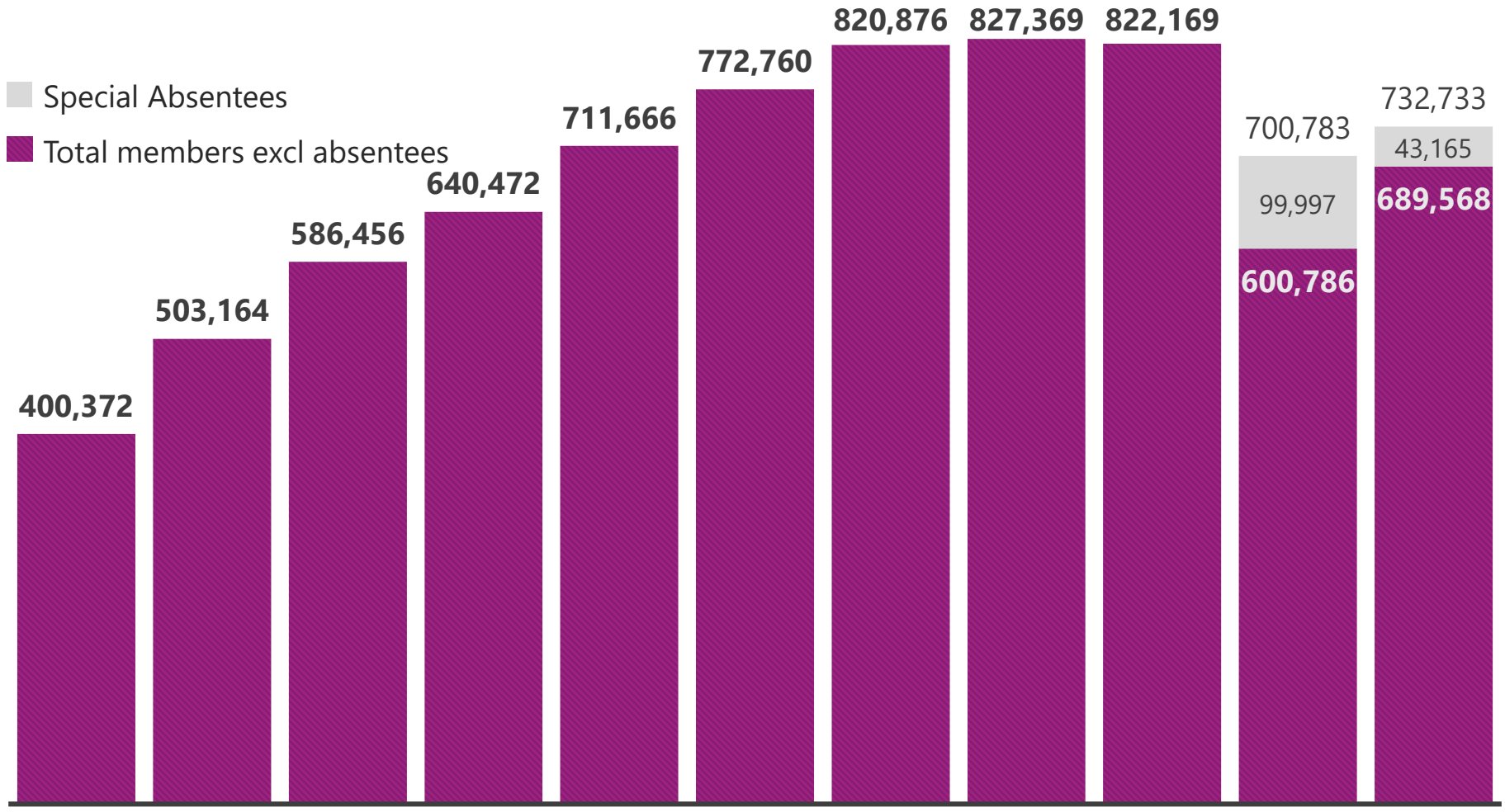
Growth in Club Count



FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21/1Q
1,038	1,197	1,339	1,475	1,602	1,722	1,823	1,912	1,991	2,020	2,000

Trends in Membership

(members)

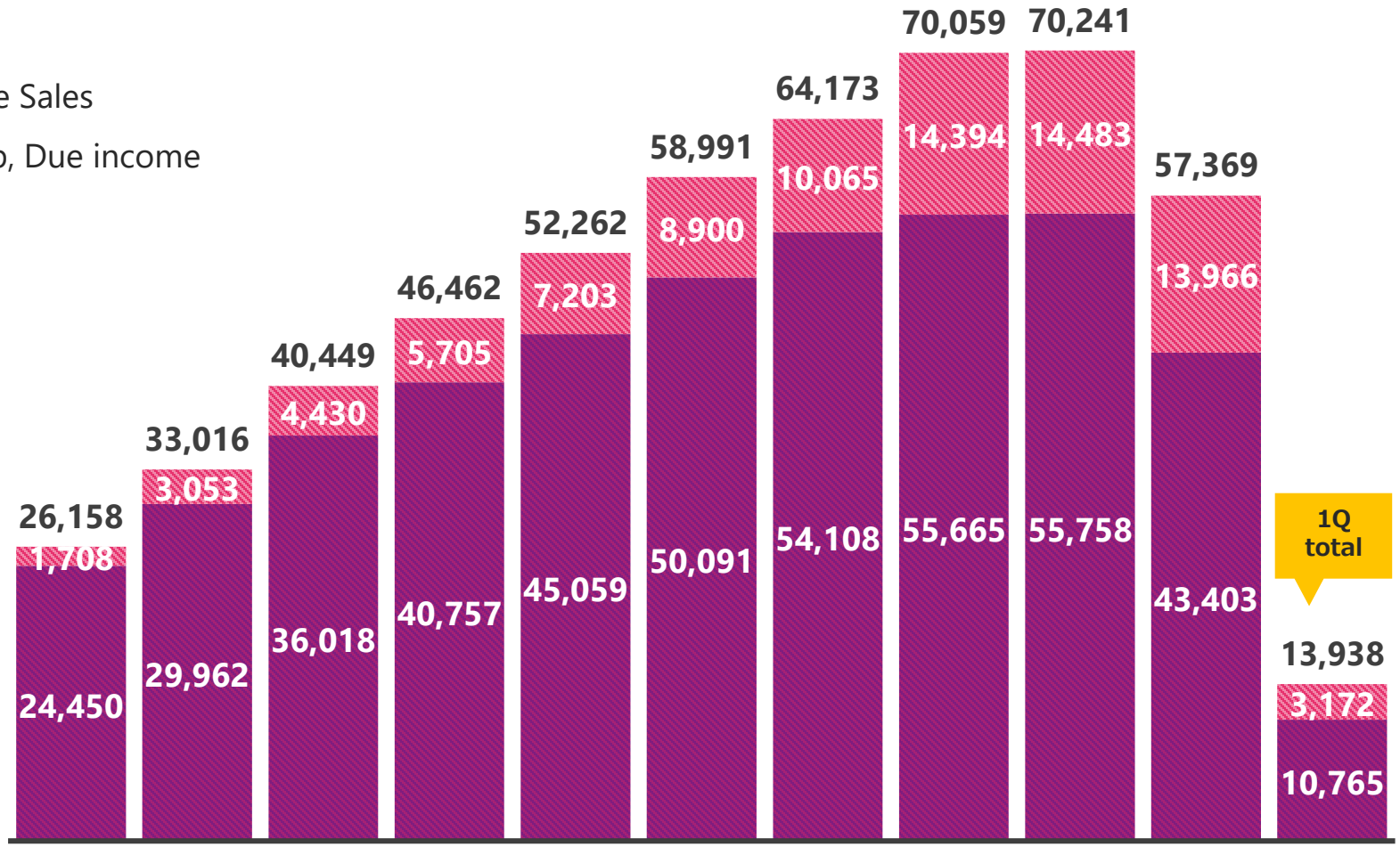


FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21/1Q
400,372	503,164	586,456	640,472	711,666	772,760	820,876	827,369	822,169	600,786	689,568

Curves

Trends in Chain-wide Sales

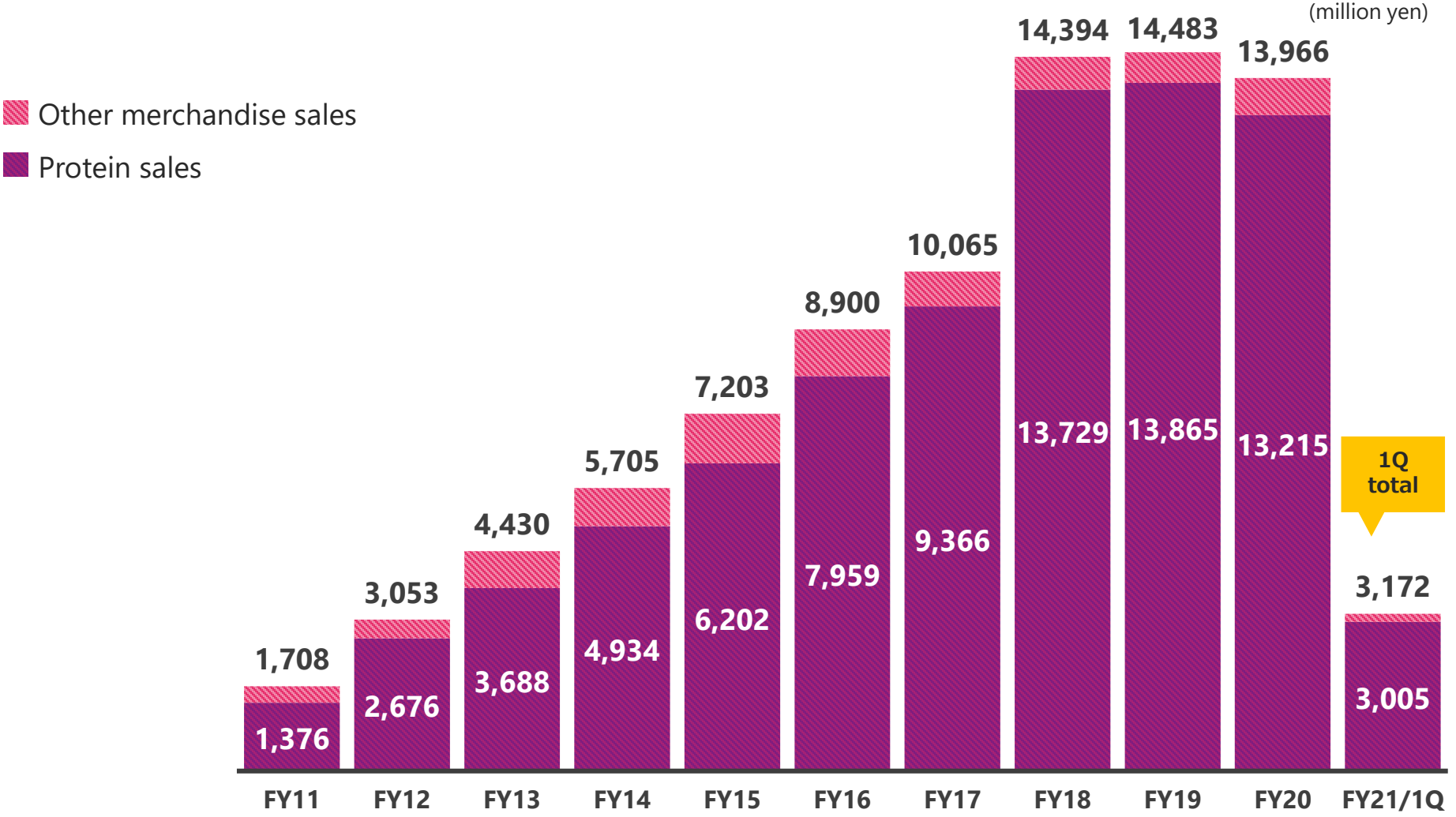
(million yen)



	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21/1Q
Chain-wide Sales	26,158	33,016	40,449	46,462	52,262	58,991	64,173	70,059	70,241	57,369	13,938
Merchandise Sales	1,708	3,053	4,430	5,705	7,203	8,900	10,065	14,394	14,483	13,966	3,172
Membership, Dues	24,450	29,962	36,018	40,757	45,059	50,091	54,108	55,665	55,758	43,403	10,765

Trends in Merchandise Sales

(million yen)



	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21/1Q
Merchandise Sales	1,708	3,053	4,430	5,705	7,203	8,900	10,065	14,394	14,483	13,966	3,172
incl. Protein Sales	1,376	2,676	3,688	4,934	6,202	7,959	9,366	13,729	13,865	13,215	3,005
Ratio of Protein	80.6%	87.6%	83.3%	86.5%	86.1%	89.4%	93.1%	95.4%	95.7%	94.6%	94.7%
Y-o-Y Protein Sales	-	194.4%	137.8%	133.8%	125.7%	128.3%	117.7%	146.6%	101.0%	95.3%	-

Trends in Consolidated Income Statement

(million yen)

	FY 8/2020				FY 8/2021
	1Q	2Q	3Q	4Q	1Q
Sales	7,335	7,096	5,127	5,523	5,719
Domestic	7,200	6,979	4,967	5,474	5,679
Spot	233	186	167	194	141
Base	6,967	6,793	4,800	5,280	5,537
Royalty, etc.	1,676	1,611	738	1,182	1,346
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Merchandise	3,376	3,892	3,518	3,246	3,193
Corporate-owned clubs	555	567	173	401	488
Other	21	28	15	18	23
Ad funds	776	239	57	177	-
International	134	117	159	49	40
Gross profit	3,031	3,071	1,292	1,772	2,507
Operating profit	1,603	1,384	-1,259	-561	-10
Ordinary profit	1,592	1,453	-1,314	-567	-103
Net profit	1,099	956	-933	-358	-143
Total active members, end period	864K	832K	545K	600K	689K
Club count	2,008	2,014	2,019	2,020	2,000

Curves

Curves Group Profile

Our Mission

By spreading the habits of

correct exercise,

we will help ourselves and

our members have a better life,

and resolve problems in our society.

Essential value offered to our customers

"Habit of Healthy Lifestyle"

- Workout in club is not our essential value.
- Our essential value is to create the "habit of exercise" for those people with no experiences to start and continue exercises for life.
- The group's true strengths are to provide a space for the "exercise habit", communications and community.

We are currently reinventing the business model based on this principle.

Our (Invisible) Assets

5 Engagements
(Strong bonds beyond simple customer satisfaction)

①Engagement with customers

②Engagement with franchisees

③Engagement with employees

④Engagement with society and community

⑤Engagement with shareholders

Will continue to enhance the 5 engagements in the COVID prevention measures.

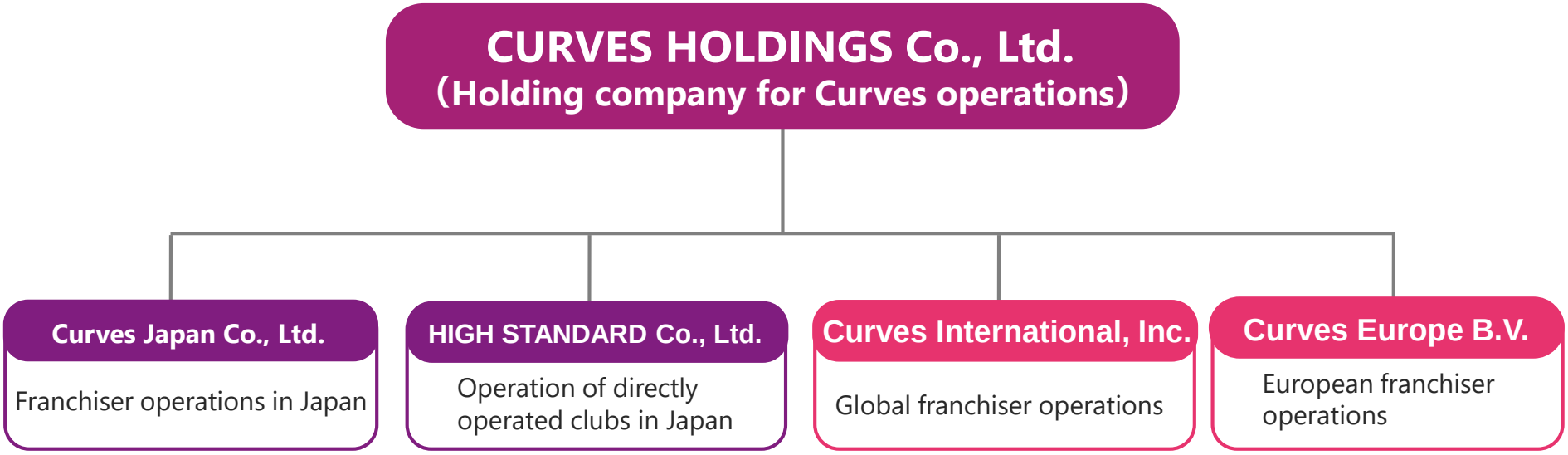
Management Technology

We have created new fitness market for elderly populations with franchisees

【Experimental Thinking, Collective Wisdom, Manage with Science 】

Speeding up the development of new business models and services.

Group Companies



Company Profile

Business Profile

- Operations of “Curves 30-min fitness clubs for women only”
- 2,000 clubs in Japan (75 corporate owned, 1,925 Franchisees)

  (as of the end November 2020)

Basic Data

- Corporate Address: 11F, Shibaura Renasite Tower, 3-9-1 Shibaura, Minato-ku, Tokyo
- Founded(1)：Feb 2005
- Sales (2)：25.0 billion Yen
- Capital (2)： 800 million Yen

Note:
(1) Shows date of incorporation of Curves Japan Co., Ltd. Curves Holdings was founded in October 2008.
(2) Results of the FY August 31, 2020.

History

2/2005	Curves Japan founded by Venture Link Co. Ltd. (Acquired master license from Curves International)
3/2006	Rollout in Japan in franchising
6/2006	Opened 100 clubs
10/2008	Becomes Koshidaka Holdings’ subsidiary
6/2011	Reached 1,000 clubs
6/2015	Opened ‘Prevention Center Curves Odawara’, the 1st Prevention Center certified by Kanagawa Pref
3/2018	Acquired Curves International, Inc. (global franchisor)
11/2018	Started Men’s Curves (Chino)
7/2019	Acquired CFW International Management B.V. (currently Curves Europe B.V., European franchisor)
10/2019	Topped 2,000 clubs
3/2020	Listed in Tokyo Stock Exchange Section 1 with Stock Allocation Spin-off

For more information

▶ For IR related inquiries :

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The purpose of this presentation is to provide information about the Curves Group based on results of operations for the 1st Quarter of the fiscal year ending August 31, 2021. This is not a solicitation to purchase securities issued by Curves Holdings Co., Ltd.
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