Consolidated Financial Results for the Three Months Ended November 30, 2023 [Japanese GAAP]

January 10, 2024

Company name: CURVES HOLDINGS Co., Ltd.
Stock exchange listing: Tokyo Stock Exchange Prime Market
Stock code: 7085
URL: https://www.curvesholdings.co.jp/
Representative: Takeshi Masumoto, Representative Director and President
Contact: Shinya Matsuda, Director and General Manager, Administration Division
Tel: +81-3-5418-9922
Scheduled date of filing quarterly securities report: January 12, 2024
Scheduled date of commencing dividend payments: –
Availability of supplementary briefing material on quarterly financial results: Available
Schedule of quarterly financial results briefing session: Not scheduled

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

1. Consolidated Financial Results for the Three Months Ended November 30, 2023 (September 1, 2023 to November 30, 2023)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Three months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
November 30, 2023	7,544	8.8	1,036	63.9	1,053	46.2	666	42.9
November 30, 2022	6,935	7.3	632	28.2	720	34.4	466	47.7

(Note) Comprehensive income: Three months ended November 30, 2023: 1,189 million yen [down 15.7%]
Three months ended November 30, 2022: 1,411 million yen [up 205.3%]

	Earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
November 30, 2023	7.24	–
November 30, 2022	5.07	–

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
As of	Million yen	Million yen	%
November 30, 2023	38,902	15,790	40.6
August 31, 2023	39,111	15,070	38.5

(Reference) Equity: As of November 30, 2023: 15,790 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	–				
Fiscal year ending August 31, 2024 (Forecast)		6.00	–	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
First half	16,400	13.2	2,080	2.3	2,055	7.3	1,290	9.5	14.01
Full year	34,000	13.2	4,700	22.0	4,650	21.0	2,900	13.7	31.50

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

*** Notes:**

(1) Changes in significant subsidiaries during the three months ended November 30, 2023 (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):
November 30, 2023: 93,857,493 shares
August 31, 2023: 93,857,493 shares

2) Total number of treasury shares at the end of the period:
November 30, 2023: 1,800,123 shares
August 31, 2023: 1,800,123 shares

3) Average number of shares during the period (cumulative from the beginning of the fiscal year):
Three months ended November 30, 2023: 92,057,370 shares
Three months ended November 30, 2022: 92,057,370 shares

(Note) The total number of treasury shares at the end of the period include shares of the Company (1,800,000 shares on November 30, 2023 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. (1,800,000 shares during the three months ended November 30, 2023 and 1,800,000 shares during the three months ended November 30, 2022)

* 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 4 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 material on the financial results)

The Company will post supplementary briefing material on the financial results for this quarter on TDnet and the Company’s website (https://www.curvesholdings.co.jp/) on Wednesday, January 10, 2024.

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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, a 30-minute fitness club for women, and to solving social issues as "community-based health infrastructure." The Group endeavors to enhance the satisfaction of its members and expand and increase membership and the number of CURVES facilities by strengthening customer services.

Operating results for the first three-month period (September 2023 - November 2023) under review are as follows.

	Three months ended November 30, 2022 (Million yen)	Three months ended November 30, 2023 (Million yen)	Change (Million yen)	Change (%)
Net sales	6,935	7,544	609	8.8
Operating profit (Operating profit ratio)	632 (9.1%)	1,036 (13.7%)	404	63.9
Ordinary profit	720	1,053	333	46.2
Profit attributable to owners of parent	466	666	200	42.9

In the first three months of the fiscal year under review, membership totaled 809K, compared to 777K as of the end of the previous fiscal year (net increase in membership: 32K). (*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)). By running TV commercials intensively and conducting a marketing campaign mainly online in September and October, the Group continued achieving a steady progress in the acquisition of younger senior members (50 – 64 years old). In terms of the acquisition of senior members (65 years old and higher), the market is recovering as shown among others by an increase of the number of former members who became members again year on year. Moreover, the monthly membership attrition rate was maintained below the pre-COVID-19 level, attributable to further improvements in customer satisfaction.

In online fitness programs, the Group ran a campaign to offer the Ouchi-de-Curves Dual Plan, a hybrid plan comprising services provided online and at facilities, to members of facility-based fitness plans, which resulted in approximately 20K members switching to the Dual Plan, raising the membership of the Dual Plan to 42K. As a result, the number of members including those of the Ouchi-de-Curves program only stood at approximately 60K.

The net increase in the number of facilities was 9, rising from 1,962 clubs at the end of the previous fiscal year to total 1,971 clubs. This was because there were 9 new club openings and no closures/mergers during the first quarter of the fiscal year under review.

Accordingly, the number of Curves facilities (excluding Men's Curves) and membership in Japan as of November 30, 2023 were as follows.

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

	As of August 31, 2023	As of November 30, 2023			* Reference: Numbers before COVID-19 As of February 29, 2020
			Changes from end of previous fiscal year		
Number of facilities	1,962 facilities	1,971 facilities	9 facilities	0.5%	2,014 facilities
Of which, number of corporate operated facilities	76 facilities	77 facilities	1 facility	1.3%	65 facilities
Number of franchisee facilities	1,886 facilities	1,894 facilities	8 facilities	0.4%	1,949 facilities
Membership	777K	809K	32K	4.2%	832K

(Note) 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, a fitness club 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 three months of the fiscal year under review (September 30, 2023 (two-month lag due to difference in fiscal year end)), there were 135 Curves facilities in Europe (UK, Italy, Spain and five other countries, all facilities are franchisees' facilities).

During the first three months of the fiscal year under review, selling, general and administrative expenses decreased 217 million yen year on year. This reflected a decrease in advertising and other expenses, which more than offset an increase in the amortization of goodwill and trademark rights due to a weakening yen (Note 1), among other factors. The decrease in advertising expenses mainly reflected an increase in advertising funds collected from franchisee clubs as a result of a rise in the number of members and an improvement in marketing efficiency.

As a result, net sales for the first three months of the fiscal year under review were 7,544 million yen (up 8.8% year on year), leading to operating profit of 1,036 million yen (up 63.9% year on year). Ordinary profit was 1,053 million yen (up 46.2% year on year). Profit attributable to owners of parent was 666 million yen (up 42.9% year on year) mainly due to the posting of income taxes - current of 289 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 first quarter down 6.76 yen to the dollar from the year-ago level, the amount of yen-based amortization increased by 17 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]	– yen [139.22 yen]	– yen [137.49 yen]	– yen [137.98 yen]
Foreign exchange rates at the end of the quarter	149.58 yen [144.81 yen]	– yen [132.70 yen]	– yen [133.53 yen]	– 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 November 30, 2023 decreased by 208 million yen, compared to the end of the previous fiscal year to 38,902 million yen (down 0.5% from the end of the previous fiscal year).

Current assets decreased by 461 million yen to 13,876 million yen (down 3.2% year on year). This was mainly due to a decrease of 1,782 million yen in cash and deposits.

Property, plant and equipment increased by 1 million yen to 438 million yen (up 0.2% year on year).

Intangible assets increased by 396 million yen to 23,579 million yen (up 1.7% year on year) (Note 2).

Investments and other assets decreased by 144 million yen to 1,008 million yen (down 12.6% year on year).

Total non-current assets increased by 252 million yen to 25,026 million yen (up 1.0% 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, increased 307 million yen on a yen basis because the foreign exchange rate at the end of the first quarter of the fiscal year under review fell 4.59 yen for the dollar from the end of the previous fiscal year, although the value has been decreasing on a US dollar basis due to yearly amortization.

(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: 2,532 thousand dollars
As of the end of the first quarter of the fiscal year under review: 146,902 thousand dollars, 149.58 yen for the dollar, equivalent to 21,973 million yen)

(Liabilities)

Current liabilities decreased by 183 million yen to 10,503 million yen (down 1.7% year on year). This was primarily due to a decrease of 916 million yen in income taxes payable and others which more than offset an increase of 1,091 million yen in notes and accounts payable - trade.

Non-current liabilities decreased by 746 million yen to 12,608 million yen (down 5.6% year on year). This was mainly due to a decrease of 822 million yen in long-term borrowings.

Total liabilities decreased by 929 million yen to 23,111 million yen (down 3.9% year on year).

(Net assets)

Net assets increased by 720 million yen to 15,790 million yen (up 4.8% year on year).

Of the above, shareholders' equity increased by 197 million yen, to 10,819 million yen (up 1.9% year on year). This was mainly due to an increase of 197 million yen in retained earnings resulting from the payment of dividends of 469 million yen, offsetting the recording of profit attributable to owners of parent of 666 million yen. In addition, foreign currency translation adjustment increased by 516 million yen to 4,966 million yen (up 11.6% year on year) due to a weaker yen.

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

The Group's outlook for the full-year consolidated results for the fiscal year ending August 31, 2024 has not changed since the announcement on October 11, 2023.

The Group expects net sales of 34,000 million yen (up 13.2% year on year), operating profit of 4,700 million yen (up 22.0% year on year), ordinary profit of 4,650 million yen (up 21.0% year on year), and profit attributable to owners of parent of 2,900 million yen (up 13.7% year on year).

Looking at the second quarter of the fiscal year under review, the Group will promote "Month of Diet Counseling" in December 2023, and plans to launch new protein products, a totally renewed version of the existing protein products, as well as new subscription-based product lines, which will follow the current protein product lines. Consequently, consolidated financial results for the first six months of the fiscal year under review are expected to reflect increases in cost of sales and SGA expenses due to the temporary recording of sales promotion costs, although net sales are expected to increase year on year. The sales promotion costs are related to the releases of the new protein and the new product lines.

Due to seasonal factors, the number of new members in the second quarter of every fiscal year is lower every year than that in the first quarter, which causes a decline in the total net number of members. In addition, the Group has a policy of keeping marketing costs under control in the second quarter of every

fiscal year, taking seasonal factors into account. As usual, consolidated financial results for the second quarter of the fiscal year under review are also expected to reflect a decline in the number of members and restraints on marketing costs.

Details of the outlook for the full-year consolidated results as announced on October 11, 2023 are provided below.

Domestic Business

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

Overseas Business

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

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

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheets

(Thousands of yen)

	As of August 31, 2023	As of November 30, 2023
Assets		
Current assets		
Cash and deposits	8,134,555	6,351,609
Notes and accounts receivable - trade	4,444,932	4,285,819
Merchandise	985,744	2,333,927
Raw materials and supplies	46,825	57,191
Other	921,909	1,044,864
Allowance for doubtful accounts	(195,813)	(197,069)
Total current assets	14,338,155	13,876,343
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	255,779	274,102
Vehicles, tools, furniture and fixtures, net	179,005	162,795
Other, net	2,293	1,200
Total property, plant and equipment	437,078	438,098
Intangible assets		
Goodwill	1,546,327	1,567,392
Trademark right	20,126,174	20,411,395
Software	1,361,644	1,515,459
Other	148,927	85,491
Total intangible assets	23,183,073	23,579,738
Investments and other assets		
Investment securities	17,240	27,680
Leasehold and guarantee deposits	313,702	316,833
Deferred tax assets	721,325	551,085
Other	106,921	118,387
Allowance for doubtful accounts	(6,112)	(5,714)
Total investments and other assets	1,153,077	1,008,271
Total non-current assets	24,773,230	25,026,108
Total assets	39,111,385	38,902,452

(Thousands of yen)

	As of August 31, 2023	As of November 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	2,028,197	3,120,176
Current portion of long-term borrowings	3,290,400	3,290,400
Accounts payable - other	570,548	498,626
Accrued expenses	317,655	303,114
Income taxes payable	1,153,823	237,510
Provision for bonuses	320,050	135,942
Provision for point card certificates	136,499	129,971
Provision for shareholder benefit program	25,602	–
Deposits received	2,269,969	2,369,548
Other	573,833	418,136
Total current liabilities	10,686,579	10,503,426
Non-current liabilities		
Long-term borrowings	8,665,700	7,843,100
Provision for share awards	272,745	285,413
Deferred tax liabilities	4,272,014	4,333,352
Asset retirement obligations	144,186	146,632
Total non-current liabilities	13,354,646	12,608,498
Total liabilities	24,041,226	23,111,925
Net assets		
Shareholders' equity		
Share capital	848,666	848,666
Capital surplus	828,666	828,666
Retained earnings	10,192,047	10,389,480
Treasury shares	(1,247,477)	(1,247,477)
Total shareholders' equity	10,621,903	10,819,336
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(1,805)	5,023
Foreign currency translation adjustment	4,450,060	4,966,166
Total accumulated other comprehensive income	4,448,255	4,971,190
Total net assets	15,070,159	15,790,526
Total liabilities and net assets	39,111,385	38,902,452

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statement of Income

Three Months Ended November 30, 2023

(Thousands of yen)

	For the three months ended November 30, 2022	For the three months ended November 30, 2023
Net sales	6,935,121	7,544,922
Cost of sales	3,895,986	4,319,158
Gross profit	3,039,135	3,225,763
Selling, general and administrative expenses	2,406,959	2,189,339
Operating profit	632,176	1,036,423
Non-operating income		
Interest income	77	51
Foreign exchange gains	94,139	30,121
Subsidy income	375	213
Other	7,431	4,025
Total non-operating income	102,023	34,411
Non-operating expenses		
Interest expenses	12,363	10,548
Other	1,459	6,895
Total non-operating expenses	13,822	17,443
Ordinary profit	720,377	1,053,391
Extraordinary losses		
Loss on retirement of non-current assets	128	2,389
Total extraordinary losses	128	2,389
Profit before income taxes	720,248	1,051,001
Income taxes - current	227,848	289,452
Income taxes - deferred	25,838	94,829
Total income taxes	253,686	384,281
Profit	466,562	666,719
Profit attributable to owners of parent	466,562	666,719

Quarterly Consolidated Statement of Comprehensive Income

Three Months Ended November 30, 2023

(Thousands of yen)

	For the three months ended November 30, 2022	For the three months ended November 30, 2023
Profit	466,562	666,719
Other comprehensive income		
Valuation difference on available-for-sale securities	(287)	6,828
Foreign currency translation adjustment	945,446	516,105
Total other comprehensive income	945,158	522,934
Comprehensive income	1,411,720	1,189,654
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,411,720	1,189,654
Comprehensive income attributable to non-controlling interests	–	–

(3) 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.