

# Consolidated Financial Results for the Nine Months Ended May 31, 2023 [Japanese GAAP]



July 7, 2023

Company name: CURVES HOLDINGS Co., Ltd.

Stock exchange listing: Tokyo Stock Exchange Prime Market

Stock code: 7085

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Scheduled date of filing quarterly securities report: July 13, 2023

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 Nine Months Ended May 31, 2023 (September 1, 2022 to May 31, 2023)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine months ended								
May 31, 2023	22,189	8.5	3,094	27.2	2,980	10.0	1,874	4.2
May 31, 2022	20,449	12.5	2,432	85.0	2,710	90.7	1,799	118.1

(Note) Comprehensive income: Nine months ended May 31, 2023: 1,512 million yen [down 51.8%]

Nine months ended May 31, 2022: 3,141 million yen [up 162.2%]

	Earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended		
May 31, 2023	20.36	-
May 31, 2022	19.32	-

### (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of			
May 31, 2023	36,877	13,070	35.4
August 31, 2022	38,352	12,355	32.2

(Reference) Equity: As of May 31, 2023: 13,070 million yen

As of August 31, 2022: 12,355 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, 2022	-	3.50	-	3.50	7.00
Fiscal year ending August 31, 2023	-	5.00	-		
Fiscal year ending August 31, 2023 (Forecast)				5.00	10.00

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

**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
Full year	30,000	9.1	3,700	34.9	3,710	12.0	2,422	7.8	26.32

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

**\* Notes:**

(1) Changes in significant subsidiaries during the nine months ended May 31, 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):

May 31, 2023: 93,857,493 shares

August 31, 2022: 93,857,493 shares

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

May 31, 2023: 1,800,123 shares

August 31, 2022: 1,800,123 shares

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

Nine months ended May 31, 2023: 92,057,370 shares

Nine months ended May 31, 2022: 93,137,372 shares

(Note) The total number of treasury shares at the end of the period include shares of the Company (1,800,000 shares on May 31, 2023 and 1,800,000 shares on August 31, 2022) 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 nine months ended May 31, 2023 and 720,000 shares during the nine months ended May 31, 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 Friday, July 7, 2023.

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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 nine-month period (September 2022 - May 2023) under review are as follows.

	Nine months ended May 31, 2022 (Million yen)	Nine months ended May 31, 2023 (Million yen)	Change (Million yen)	Change (%)
Net sales	20,449	22,189	1,739	8.5
Operating profit (Operating profit ratio)	2,432 (11.9%)	3,094 (13.9%)	662	27.2
Ordinary profit	2,710	2,980	270	10.0
Profit attributable to owners of parent	1,799	1,874	75	4.2

In the third quarter of the fiscal year under review (March 2023 – May 2023), membership came to 772K, indicating net increases of 34K year on year and 17K from the end of the previous consolidated fiscal year (754K). (\*Curves membership in Japan 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)). In the third quarter (March 2023 – May 2023), the Group conducted a media mix-oriented marketing campaign in March and April that included TV commercials and online advertising. We continued achieving a steady progress in the acquisition of younger senior members (50 – 64 years old) as a result of our focused efforts since the pandemic. Moreover, the monthly membership attrition rate was maintained below the pre-COVID-19 level, attributable to further improvements in customer satisfaction.

Regarding merchandise sales to members, due to the enhanced Diet Counseling for members, the total number of protein products subscribers reached a record high. The number of subscribers who exercised the skip shipping option (Note 1), which had increased slightly during the six months before this quarter, showed an improving trend, and in May returned to the level before the price revision (September 2022), owing to continuous customer support. (Note 1) By exercising this option, subscribers can request to skip shipment for a month. The skip shipping affects Sales as the invoicing and revenues are recognized at the time of delivery of products.

Accordingly, the number of Curves facilities (excluding Men’s Curves) and membership in Japan as of May 31, 2023 were as follows.

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

	As of August 31, 2022	As of May 31, 2023			* Reference: Numbers before COVID-19 As of February 29, 2020
			Changes from end of previous fiscal year		
Number of facilities	1,947 facilities	1,956 facilities	9 facilities	0.5%	2,014 facilities
Of which, number of corporate operated facilities	75 facilities	76 facilities	1 facility	1.3%	65 facilities
Number of franchisee facilities	1,872 facilities	1,880 facilities	8 facilities	0.4%	1,949 facilities
Membership	754K	772K	17K	2.3%	832K

(Notes) 1. In the third quarter of the fiscal year under review, the number of new club opening was 5 and the number

of clubs closed and merged was 3.

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.

Men's Curves, the fitness club for men, opened 1 new location during the third quarter, making the total number of clubs to 16.

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 nine months of the fiscal year under review (March 31, 2023 (two-month lag due to difference in fiscal year end)), there were 142 Curves facilities in Europe (UK, Italy, Spain and five other countries, all facilities are franchisees' facilities).

During the first nine months of the fiscal year under review, selling, general and administrative expenses decreased 139 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 2) and higher expenses due to the normalization of sales activities such as a resumption of training programs nationwide, 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 nine months of the fiscal year under review were 22,189 million yen (up 8.5% year on year), leading to operating profit of 3,094 million yen (up 27.2% year on year). Ordinary profit was 2,980 million yen (up 10.0% year on year) due to the generation of foreign exchange losses at Curves International, Inc., which did not have an impact on changes in cash (Note 3). Profit attributable to owners of parent was 1,874 million yen (up 4.2% year on year) mainly due to the posting of income taxes - current of 1,262 million yen.

(Note 2) 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 third quarter down 23.72 yen to the dollar from the year-ago level, the amount of yen-based amortization increased by 180 million yen.

(Note 3) Foreign exchange losses amounting to 92 million yen were posted partly due to the conversion of yen-based loans provided to Curves International, Inc., an overseas subsidiary, although it did not have any impact on changes in cash. This was mainly because the exchange rate of the yen against the US dollar at the end of the third quarter of the fiscal year under review rose 3.15 yen for the dollar from the end of the previous fiscal year.

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	138.68 yen [110.47 yen]	139.22 yen [112.05 yen]	137.49 yen [113.77 yen]	- [117.81 yen]
Foreign exchange rates at the end of the quarter	144.81 yen [111.92 yen]	132.70 yen [115.02 yen]	133.53 yen [122.39 yen]	- [136.68 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 May 31, 2023 decreased by 1,474 million yen, compared to the end of the previous fiscal year to 36,877 million yen (down 3.8% from the end of the previous fiscal year).

Current assets increased by 42 million yen to 13,782 million yen (up 0.3% year on year).

Property, plant and equipment increased by 49 million yen to 474 million yen (up 11.7% year on year).

Intangible assets decreased by 1,559 million yen to 21,841 million yen (down 6.7% year on year) (Note 4).

Investments and other assets decreased by 7 million yen to 778 million yen (down 1.0% year on year).

Total non-current assets decreased by 1,517 million yen to 23,095 million yen (down 6.2% year on year).

(Note 4) 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 1,517 million yen on a yen basis, reflecting quarterly amortization and a rise in the foreign exchange rate from the end of the previous fiscal year by 3.15 yen for the dollar at the end of the third quarter of the fiscal year under review.

As of the end of the previous fiscal year: 159,566 thousand dollars, 136.68 yen for the dollar,  
equivalent to 21,809 million yen on a yen basis  
Decrease due to amortization: 7,598 thousand dollars  
As of the end of the third quarter of the fiscal year under review: 151,968 thousand dollars,  
133.53 yen for the dollar, equivalent to 20,292 million yen

(Liabilities)

Current liabilities increased by 509 million yen to 9,817 million yen (up 5.5% year on year). This was primarily due to an increase of 532 million yen in notes payable and accounts payable-trade.

Non-current liabilities decreased by 2,699 million yen to 13,988 million yen (down 16.2% year on year). This was mainly due to a decrease of 2,467 million yen in long-term borrowings.

Total liabilities decreased by 2,189 million yen to 23,806 million yen (down 8.4% year on year).

(Net assets)

Net assets increased by 714 million yen, to 13,070 million yen (up 5.8% year on year). Shareholders' equity increased by 1,076 million yen, to 9,944 million yen (up 12.1% year on year).

This chiefly reflected an increase of 1,076 million yen in retained earnings due to the posting of profit attributable to owners of parent of 1,874 million yen and the payment of dividends of 797 million yen, despite a decrease of 355 million yen in foreign currency translation adjustment attributable to the appreciation of the 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, 2023 has not changed since the announcement on October 7, 2022.

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).

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, 2022	As of May 31, 2023
<b>Assets</b>		
Current assets		
Cash and deposits	8,212,746	7,341,958
Notes and accounts receivable - trade	4,156,396	4,461,139
Merchandise	933,076	1,227,215
Raw materials and supplies	4,117	10,462
Other	651,892	952,255
Allowance for doubtful accounts	(219,018)	(210,826)
<b>Total current assets</b>	<b>13,739,210</b>	<b>13,782,204</b>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	197,547	270,854
Vehicles, tools, furniture and fixtures, net	227,200	200,372
Other, net	-	3,161
<b>Total property, plant and equipment</b>	<b>424,748</b>	<b>474,388</b>
Intangible assets		
Goodwill	1,559,559	1,449,380
Trademark right	20,258,938	18,849,562
Software	1,204,818	1,347,761
Other	378,365	195,109
<b>Total intangible assets</b>	<b>23,401,682</b>	<b>21,841,813</b>
Investments and other assets		
Investment securities	28,800	19,480
Leasehold and guarantee deposits	294,434	311,263
Deferred tax assets	398,555	362,547
Other	69,855	92,097
Allowance for doubtful accounts	(5,083)	(6,417)
<b>Total investments and other assets</b>	<b>786,562</b>	<b>778,971</b>
<b>Total non-current assets</b>	<b>24,612,993</b>	<b>23,095,173</b>
<b>Total assets</b>	<b>38,352,203</b>	<b>36,877,378</b>

(Thousands of yen)

	As of August 31, 2022	As of May 31, 2023
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	1,747,409	2,280,044
Current portion of long-term borrowings	3,290,400	3,290,400
Accounts payable - other	627,131	453,410
Accrued expenses	304,046	277,147
Income taxes payable	649,044	581,644
Provision for bonuses	288,495	154,539
Provision for point card certificates	109,583	134,353
Provision for shareholder benefit program	21,764	-
Deposits received	1,894,295	2,178,965
Other	375,720	467,272
<b>Total current liabilities</b>	<b>9,307,891</b>	<b>9,817,778</b>
Non-current liabilities		
Long-term borrowings	11,956,100	9,488,300
Provision for share awards	222,692	263,208
Deferred tax liabilities	4,390,359	4,091,256
Asset retirement obligations	119,211	145,981
<b>Total non-current liabilities</b>	<b>16,688,363</b>	<b>13,988,746</b>
<b>Total liabilities</b>	<b>25,996,254</b>	<b>23,806,524</b>
<b>Net assets</b>		
Shareholders' equity		
Share capital	848,666	848,666
Capital surplus	828,666	828,666
Retained earnings	8,438,466	9,515,022
Treasury shares	(1,247,477)	(1,247,477)
<b>Total shareholders' equity</b>	<b>8,868,322</b>	<b>9,944,878</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,756	(340)
Foreign currency translation adjustment	3,481,870	3,126,315
<b>Total accumulated other comprehensive income</b>	<b>3,487,626</b>	<b>3,125,975</b>
<b>Total net assets</b>	<b>12,355,949</b>	<b>13,070,853</b>
<b>Total liabilities and net assets</b>	<b>38,352,203</b>	<b>36,877,378</b>



(2) Quarterly Consolidated Statements of Income and Comprehensive Income  
Quarterly Consolidated Statement of Income  
Nine Months Ended May 31, 2023

(Thousands of yen)

	For the nine months ended May 31, 2022	For the nine months ended May 31, 2023
Net sales	20,449,718	22,189,507
Cost of sales	11,482,013	12,698,289
Gross profit	8,967,705	9,491,218
Selling, general and administrative expenses	6,535,646	6,396,536
Operating profit	2,432,059	3,094,681
Non-operating income		
Interest income	249	157
Foreign exchange gains	284,246	-
Subsidy income	22,704	1,045
Compensation income	4,176	-
Other	15,730	18,386
Total non-operating income	327,107	19,588
Non-operating expenses		
Interest expenses	42,086	36,928
Foreign exchange losses	-	92,509
Other	6,476	3,916
Total non-operating expenses	48,562	133,354
Ordinary profit	2,710,603	2,980,916
Extraordinary losses		
Loss on retirement of non-current assets	3,461	9,152
Total extraordinary losses	3,461	9,152
Profit before income taxes	2,707,141	2,971,764
Income taxes - current	1,022,125	1,262,895
Income taxes - deferred	(114,286)	(165,475)
Total income taxes	907,838	1,097,420
Profit	1,799,303	1,874,343
Profit attributable to owners of parent	1,799,303	1,874,343

Quarterly Consolidated Statement of Comprehensive Income  
 Nine Months Ended May 31, 2023

(Thousands of yen)

	For the nine months ended May 31, 2022	For the nine months ended May 31, 2023
Profit	1,799,303	1,874,343
Other comprehensive income		
Valuation difference on available-for-sale securities	(20,983)	(6,096)
Foreign currency translation adjustment	1,362,808	(355,555)
Total other comprehensive income	1,341,824	(361,651)
Comprehensive income	3,141,128	1,512,691
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,141,128	1,512,691
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.