

Consolidated Financial Results for the Nine Months Ended May 31, 2024 [Japanese GAAP]



July 9, 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: July 11, 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 Nine Months Ended May 31, 2024 (September 1, 2023 to May 31, 2024)

(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, 2024	26,511	19.5	4,454	43.9	4,472	50.0	2,924	56.0
May 31, 2023	22,189	8.5	3,094	27.2	2,980	10.0	1,874	4.2

(Note) Comprehensive income: Nine months ended May 31, 2024: 3,643 million yen [up 140.9%]

Nine months ended May 31, 2023: 1,512 million yen [down 51.8%]

	Earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended		
May 31, 2024	31.76	–
May 31, 2023	20.36	–

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of			
May 31, 2024	39,229	17,682	45.1
August 31, 2023	39,111	15,070	38.5

(Reference) Equity: As of May 31, 2024: 17,682 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 nine months ended May 31, 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):

May 31, 2024: 93,857,493 shares

August 31, 2023: 93,857,493 shares

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

May 31, 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):

Nine months ended May 31, 2024: 92,058,494 shares

Nine months ended May 31, 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 May 31, 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. (1,798,875 shares during the nine months ended May 31, 2024 and 1,800,000 shares during the nine months ended May 31, 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 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 Tuesday, July 9, 2024.

Table of Contents

1. Qualitative Information on Quarterly Financial Results for the Period under Review	2
(1) Explanation of Operations Results	2
(2) Explanation of Financial Position	3
(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information	4
2. Quarterly Consolidated Financial Statements and Primary Notes	5
(1) Quarterly Consolidated Balance Sheets	5
(2) Quarterly Consolidated Statements of Income and Comprehensive Income	7
(3) Notes to Quarterly Consolidated Financial Statements	9
(Notes on going concern assumption)	9
(Notes in the case of significant changes in shareholders' equity)	9

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 nine-month period (September 2023 - May 2024) under review are as follows.

	Nine months ended May 31, 2023 (Million yen)	Nine months ended May 31, 2024 (Million yen)	Change (Million yen)	Change (%)
Net sales	22,189	26,511	4,322	19.5
Operating profit (Operating profit ratio)	3,094 (13.9%)	4,454 (16.8%)	1,359	43.9
Ordinary profit	2,980	4,472	1,491	50.0
Profit attributable to owners of parent	1,874	2,924	1,049	56.0

In the first nine months of the fiscal year under review, membership came to 800K, indicating net increases of 28K year on year and 23K 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)). During the third quarter of the fiscal year under review (March 2024 - May 2024), the Group ran TV commercials intensively in March and April while simultaneously conducting online-focused marketing. Through these efforts, it made steady progress in increasing the membership of young seniors (50 to 64 years old). In addition, by further increasing customer satisfaction, the Group succeeded in keeping the monthly membership attrition rate lower than the pre-COVID-19 level.

Merchandise sales to members continued to be strong during the third quarter of the fiscal year under review, as a result of enhanced Diet Counseling for members.

Accordingly, the number of Curves clubs (excluding Men’s Curves) and membership in Japan as of May 31, 2024 were as follows.

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

	As of August 31, 2023	As of May 31, 2024			* Reference: Numbers before COVID-19 As of February 29, 2020
			Changes from end of previous fiscal year		
Number of clubs	1,962 clubs	1,974 clubs	12 clubs	0.6%	2,014 clubs
Of which, number of corporate operated clubs	76 clubs	78 clubs	2 clubs	2.6%	65 clubs
Number of franchisee clubs	1,886 clubs	1,896 clubs	10 clubs	0.5%	1,949 clubs
Membership	777K	800K	23K	3.0%	832K

(Notes) 1. In the third quarter of the fiscal year under review, the number of new club opening was 7 and the number of clubs closed and merged was 4.

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 nine months of the fiscal year under review (March 31, 2024 (two-month lag due to difference in fiscal year end)), there were 136 Curves clubs in Europe (UK, Italy, Spain and five other countries, all clubs are franchisees' clubs).

During the first nine months of the fiscal year under review, selling, general and administrative expenses increased 368 million yen year on year. This reflected a number of factors such as increased advertising expenses with a view toward seizing an opportunity for increasing membership in the fiscal year under review, an increase in the amortization of goodwill and trademark rights due to the weakening of the yen (Note 1), and an increase in personnel expenses for investing in the future and other expenses. On the other hand, total amortization expenses decreased by 84 million yen year on year, largely reflecting the completion of the amortization of intangible assets at Curves International, Inc., an overseas subsidiary.

As a result, net sales for the first nine months of the fiscal year under review were 26,511 million yen (up 19.5% year on year), leading to operating profit of 4,454 million yen (up 43.9% year on year). Ordinary profit was 4,472 million yen (up 50.0% year on year). Profit attributable to owners of parent was 2,924 million yen (up 56.0% year on year) mainly due to the posting of income taxes - current of 1,726 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 third quarter down 9.49 yen to the dollar from the year-ago level, the amount of yen-based amortization increased by 72 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]	146.98 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]	151.41 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 May 31, 2024 increased by 118 million yen from the end of the previous fiscal year to 39,229 million yen (up 0.3% from the end of the previous fiscal year).

Current assets increased by 59 million yen to 14,397 million yen (up 0.4% year on year). This was mainly due to a increase of 1,099 million yen in notes and accounts receivable - trade and a increase of 757 million yen in merchandise, more than offsetting a decrease of 1,555 million yen in cash and deposits.

Property, plant and equipment increased by 53 million yen to 491 million yen (up 12.4% year on year).

Intangible assets increased by 12 million yen to 23,195 million yen (up 0.1% year on year) (Note 2).

Investments and other assets decreased by 7 million yen to 1,145 million yen (down 0.7% year on year).

Total non-current assets increased by 58 million yen to 24,831 million yen (up 0.2% 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 by 7,598 thousand dollars on a US

dollar basis due to yearly amortization. However, because the foreign exchange rate at the end of the third quarter of the fiscal year under review fell by 6.42 yen per dollar compared to the end of the previous fiscal year, the yen-converted value decreased by 191 million yen.

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: 7,598 thousand dollars
As of the end of the third quarter of the fiscal year under review: 141,836 thousand dollars, 151.41 yen for the dollar, equivalent to 21,475 million yen

(Liabilities)

Current liabilities decreased by 58 million yen to 10,628 million yen (down 0.5% year on year). This was primarily due to a decrease of 492 million yen in income taxes payable and a decrease of 174 million yen in provision for bonuses, which more than offset an increase of 547 million yen in notes and accounts payable - trade.

Non-current liabilities decreased by 2,435 million yen to 10,918 million yen (down 18.2% year on year). This was mainly due to a decrease of 2,467 million yen in long-term borrowings.

Total liabilities decreased by 2,494 million yen to 21,547 million yen (down 10.4% year on year).

(Net assets)

Net assets increased by 2,612 million yen, to 17,682 million yen (up 17.3% year on year). Shareholders' equity increased by 1,893 million yen, to 12,515 million yen (up 17.8% year on year).

This chiefly reflected an increase of 1,891 million yen in retained earnings due to the posting of profit attributable to owners of parent of 2,924 million yen and the payment of dividends of 1,032 million yen. In addition, foreign currency translation adjustment increased by 717 million yen to 5,167 million yen (up 16.1% 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 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.

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 May 31, 2024
Assets		
Current assets		
Cash and deposits	8,134,555	6,579,315
Notes and accounts receivable - trade	4,444,932	5,544,063
Merchandise	985,744	1,743,336
Raw materials and supplies	46,825	162,532
Other	921,909	557,085
Allowance for doubtful accounts	(195,813)	(188,548)
Total current assets	14,338,155	14,397,784
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	255,779	328,880
Vehicles, tools, furniture and fixtures, net	179,005	144,069
Other, net	2,293	18,110
Total property, plant and equipment	437,078	491,060
Intangible assets		
Goodwill	1,546,327	1,530,443
Trademark right	20,126,174	19,948,661
Software	1,361,644	1,596,495
Other	148,927	120,173
Total intangible assets	23,183,073	23,195,774
Investments and other assets		
Investment securities	17,240	-
Leasehold and guarantee deposits	313,702	331,742
Deferred tax assets	721,325	701,884
Other	106,921	117,804
Allowance for doubtful accounts	(6,112)	(6,301)
Total investments and other assets	1,153,077	1,145,131
Total non-current assets	24,773,230	24,831,965
Total assets	39,111,385	39,229,749

(Thousands of yen)

	As of August 31, 2023	As of May 31, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	2,028,197	2,575,754
Current portion of long-term borrowings	3,290,400	3,290,400
Accounts payable - other	570,548	516,192
Accrued expenses	317,655	309,125
Income taxes payable	1,153,823	661,605
Provision for bonuses	320,050	145,735
Provision for point card certificates	136,499	163,112
Provision for shareholder benefit program	25,602	–
Deposits received	2,269,969	2,393,706
Other	573,833	572,616
Total current liabilities	10,686,579	10,628,249
Non-current liabilities		
Long-term borrowings	8,665,700	6,197,900
Provision for share awards	272,745	312,809
Deferred tax liabilities	4,272,014	4,236,752
Asset retirement obligations	144,186	160,953
Other	–	10,436
Total non-current liabilities	13,354,646	10,918,852
Total liabilities	24,041,226	21,547,102
Net assets		
Shareholders' equity		
Share capital	848,666	848,666
Capital surplus	828,666	828,666
Retained earnings	10,192,047	12,083,648
Treasury shares	(1,247,477)	(1,245,919)
Total shareholders' equity	10,621,903	12,515,063
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(1,805)	–
Foreign currency translation adjustment	4,450,060	5,167,584
Total accumulated other comprehensive income	4,448,255	5,167,584
Total net assets	15,070,159	17,682,647
Total liabilities and net assets	39,111,385	39,229,749

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
Quarterly Consolidated Statement of Income
Nine Months Ended May 31, 2024

(Thousands of yen)

	For the nine months ended May 31, 2023	For the nine months ended May 31, 2024
Net sales	22,189,507	26,511,842
Cost of sales	12,698,289	15,292,518
Gross profit	9,491,218	11,219,323
Selling, general and administrative expenses	6,396,536	6,764,846
Operating profit	3,094,681	4,454,476
Non-operating income		
Interest income	157	121
Foreign exchange gains	–	18,078
Subsidy income	1,045	613
Compensation income	–	27,624
Other	18,386	16,863
Total non-operating income	19,588	63,300
Non-operating expenses		
Interest expenses	36,928	32,401
Foreign exchange losses	92,509	–
Other	3,916	12,890
Total non-operating expenses	133,354	45,291
Ordinary profit	2,980,916	4,472,486
Extraordinary losses		
Loss on retirement of non-current assets	9,152	2,389
Impairment losses	–	19,438
Total extraordinary losses	9,152	21,827
Profit before income taxes	2,971,764	4,450,658
Income taxes - current	1,262,895	1,726,036
Income taxes - deferred	(165,475)	(199,410)
Total income taxes	1,097,420	1,526,626
Profit	1,874,343	2,924,032
Profit attributable to owners of parent	1,874,343	2,924,032

Quarterly Consolidated Statement of Comprehensive Income
 Nine Months Ended May 31, 2024

(Thousands of yen)

	For the nine months ended May 31, 2023	For the nine months ended May 31, 2024
Profit	1,874,343	2,924,032
Other comprehensive income		
Valuation difference on available-for-sale securities	(6,096)	1,805
Foreign currency translation adjustment	(355,555)	717,523
Total other comprehensive income	(361,651)	719,328
Comprehensive income	1,512,691	3,643,360
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,512,691	3,643,360
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.