

# Curves Group Business Overview

## Full Picture of the Curves Group

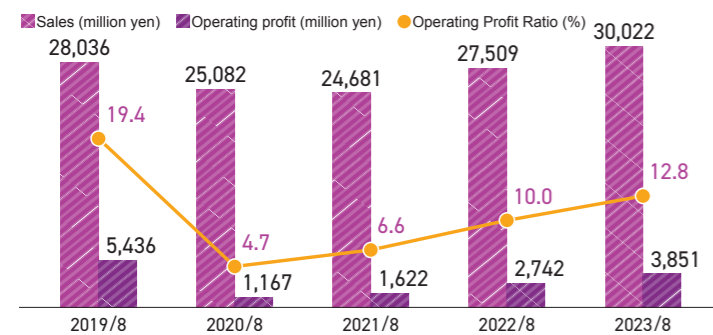
Consolidated Sales  
**30.02 B yen**  
(109.1% y-on-y)

Operating Profit  
**3.85 B yen** (Operating Profit Ratio 12.8%)  
(140.4% y-on-y)

In the fiscal year ended August 2019, a year before the listing, Curves Group's consolidated sales were 28 billion yen and operating profit was 5.4 billion yen. Immediately after going public, the Group was hit by the Corona pandemic. From the third quarter of the fiscal year ended August 2020, we have struggled with some quarters ended in deficits, but in the fiscal year ended August 2023, sales have recovered to 30 billion yen, and operating profit to 3.8 billion yen.

While we worked to reduce regular operating costs during the pandemic, we have actively invested in strategic measures such as financial supports to franchisees, marketing costs to recover membership, and development costs for online fitness systems, whereby the Group has successfully recovered from the pandemic. For the fiscal year ending August 2024, we forecast to achieve sales of 34 billion yen and operating profit of 4.7 billion yen.

### Trends of Consolidated Sales & Operating Profit of Curves Holdings

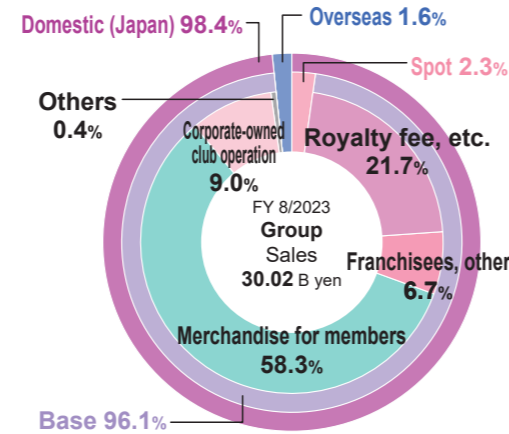
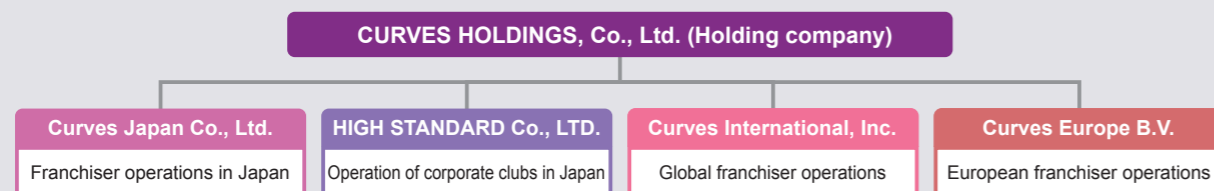


### Stable earnings foundation

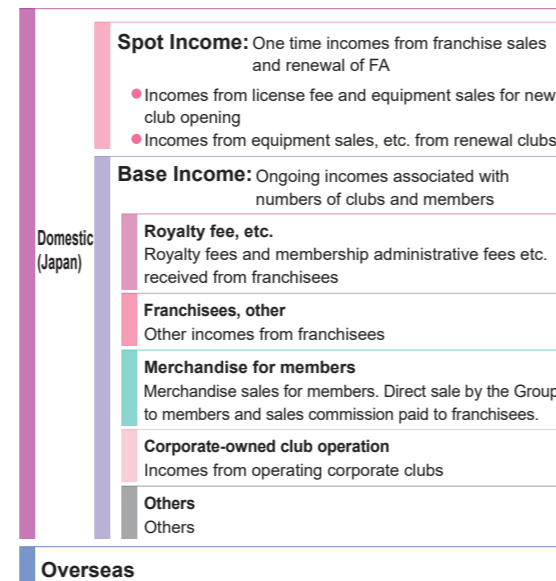
The majority of our revenues comes from royalties incomes charged at a certain rate on the membership fees and dues collected from members, and from sales of products to members, mainly protein products on subscriptions. We have built a highly stable stock-based earnings foundations.

### Structures of Group Companies

Domestically, two subsidiaries operate: Curves Japan Co., Ltd. operates the franchise headquarters in Japan, and HIGH STANDARD Co., LTD. operates the Group's corporate clubs. Internationally, Curves International, Inc. operates the global franchiser, and Curves Europe B.V. operates the European franchise headquarters.



### Composition of Sales



### Ability to generate high cash flows

Curves operates a franchise system leveraging the know-how accumulated over years. It offers a high cash flow generation with a system that enables to expand business quickly with small investments.

## Domestic Curves business

### Franchiser operations

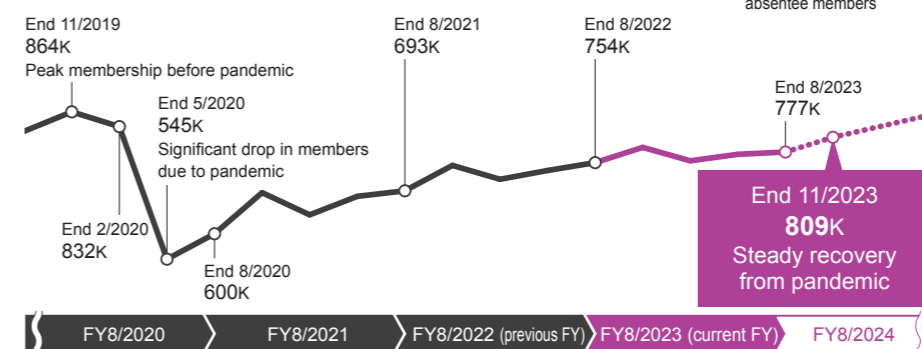
The two main sources of revenue are royalty fee incomes and merchandise sales to members. We are enhancing our efforts to increase the total membership being the key management indicator and to raise customers LTV (Life Time Value).

### Royalty Fee Incomes etc.

Royalty Fee Incomes etc. are the royalties incomes charged at a certain rate on the membership fees and dues collected by franchisees from members which fluctuate according to the number of members.

The number of members increased to 864,000 before the Covid-19 pandemic. It then dropped to 545,000 during the pandemic, and has recovered to 809,000 as of the end of November 2023. In the early pandemic period, there was a sharp increase in the number of members absenting/canceling membership, particularly among seniors (65 and older), and it was challenging to attract new members. We therefore have shifted marketing efforts to the younger senior demographic (under 65 and mainly the 50s). As a result, new membership in this age group has dramatically increased. At the same time, we have continually enhanced services, and successfully kept attrition rate low as comparable to that of senior members. Additionally, during the pandemic, we swiftly developed an online fitness system. Initially, it was mainly used by seniors who were forced to suspend or cancel their membership due to the government recommendation to refrain from going out. Currently, we are focusing on the 'Dual Plan', a hybrid service offering both in-club and online. Our main users are younger women who have jobs and cannot come to clubs frequently. An increased frequency of exercise opportunity raises customer satisfaction, and the attrition rate tends to get lower compared to in-club plan members. Currently, the social environments are changing, and we feel the senior women market is finally starting to come back, so we will also strive to acquire new members from the senior demographic.

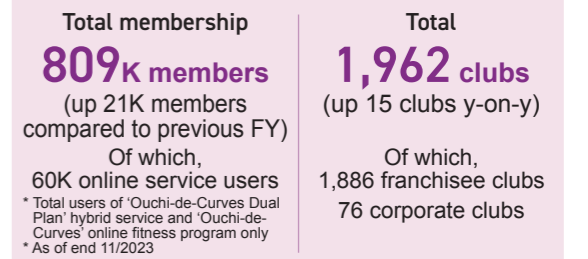
### Membership Trends of Curves, 30-minute Fitness for Women



### Future Forecast and Strategies

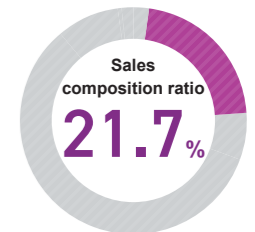
- End FY8/2024 Forecast total 810K-820K members (including online members)
- Enhance new member sign-ups with attractive membership drive campaigns 3 times annually
- Focus on the hybrid online fitness program

### 'Curves, 30-minute Fitness for Women'



### Total Sales of Royalty Fee Income etc.

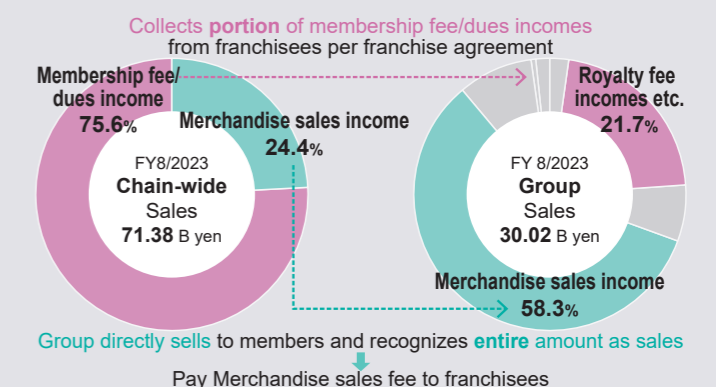
**6.5 B yen**  
(108.2% y-on-y)



### Relationship of Chain-wide Sales and the Group Sales

Approximately 75% of the entire Curves chain's sales for the fiscal year ended August 2023 came from "membership fees and monthly dues incomes" and approximately 25% from "merchandise sales". However, 58.3% of the Group's sales came from merchandise sales because the Group's main business is the franchiser headquarters operations. "Membership fee/dues incomes" representing 75% of the entire chain's sales are sales realized at franchisee clubs, and the Group receives a portion of the incomes as royalties from franchisees and recognizes as our sales.

On the other hand, "merchandise sales" is structured in a way that the corporate sells products directly to members and pays sales fees to franchisees. Hence, the entire sales from "merchandise sales" are recognized as the Group's sales. In other words, in the Group's financial statements, only a portion of "membership fee/dues income" is recorded as sales, and the entire sales of "merchandise sales" are recorded as sales.



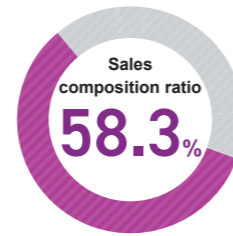
## Curves Group Business Overview

### Merchandise sales income

The main source of revenue from merchandise sales is protein products sales, which started in December 2010. It is sold on a subscription basis and has been growing steadily.

While some clubs were forced to close during the pandemic, many members continued to purchase Protein products on a regular basis, so the impact of the pandemic was smaller compared to the number of members. The increase of the subscribers and higher unit prices for high-performance products have contributed to the continued growth in sales. In the fiscal year ended August 2022, sales reached a record high, surpassing the pre-pandemic level.

Merchandise sales  
**17.4 B yen**  
(106.6% y-on-y)

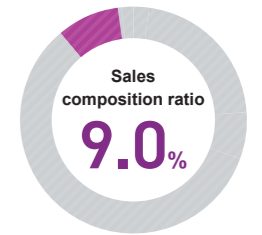


### Corporate-owned Club Operations

Corporate club operations include clubs operated by Curves Japan and by High Standard.

As of the end of August 2023, 76 clubs were in operation (excluding Men's Curves), playing an important role in the continued evolution of the chain.

Corporate Club Sales  
**2.7 B yen**  
(111.8% y-on-y)



### Curves Japan Corporate Clubs

The corporate clubs of Curves Japan as the franchise headquarters not only conduct exemplary club management, but also contribute to the growth of the chain through developing new know-how. Our activities are based on the idea of running the cycle of setting hypothesis, experimenting and verification. This thinking is deeply rooted in the entire franchise chain. The headquarters acquires new ideas from franchisee clubs, identifies its success factors, reflects them in the chain operations and continues to evolve as the chain.

### High Standard Corporate Clubs

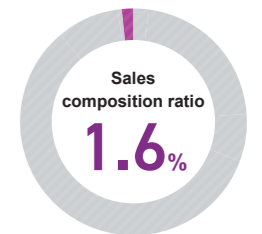
As the name suggests, High Standard practices high-level quality club operations and corporate management that serve as a model nationwide.

We strive to achieve management that not only performs well, but also achieves both high customer satisfaction and employee satisfaction, thereby continually raises the corporate value.

### Overseas Segment

Our overseas business segment includes Curves International, Inc., operating the global franchiser business, and Curves Europe B.V., operating the European franchiser headquarters business.

Sales  
**470 M yen**  
(118.0% y-on-y)



### Curves International, Inc.

In March 2018, the Group has acquired Curves International, Inc., the global franchiser (global headquarters), for 18.4 billion yen. The direct franchise operations in North America and Oceania were separated and the Group has acquired the master franchiser business.

#### Purpose of the acquisition

- 1 To incorporate royalties payable by Curves Japan to Curves International, Inc. into the Group. Before the acquisition Curves Japan paid approximately 2 billion yen annually for royalties and fitness equipment purchases. Acquisition allows all of these incomes incorporated into the Group.
- 2 Perpetual acquisition of intellectual properties and Curves brand
- 3 Dramatic expansion of management freedom
- 4 Wider potentials for the chain's global expansion

### Curves Europe B.V.

In 7/2019, Group has acquired Curves Europe B.V., the European franchiser operations. The Group will leverage this market as a stepping stone for future global expansion. After the pandemic, the members per club has recovered to the pre-pandemic level. By implementing the Japanese know-how and focusing on creating a strong business model tailored to the current European environment, we are going to build a position to allow us to open multiple clubs in Europe as well.

#### Purpose of the acquisition

- 1 We position Europe as a key region with its high income level and aging population, and are working to build a business foundation in Europe.
- 2 In Europe, we have strong human resources including the management and the operations teams with proven track records.

### Future Forecast and Strategies

- Fiscal year 8/2024 is positioned as preparation stage for future growth.
- Deficits in operating profit annually are expected to continue.

### Curves, 30-minute Fitness for Women

**137 clubs**  
Franchise clubs in Europe  
(8 countries including Spain, Italy and UK)  
As of 6/2023  
(\* 2 months gap due to the fiscal year ending)



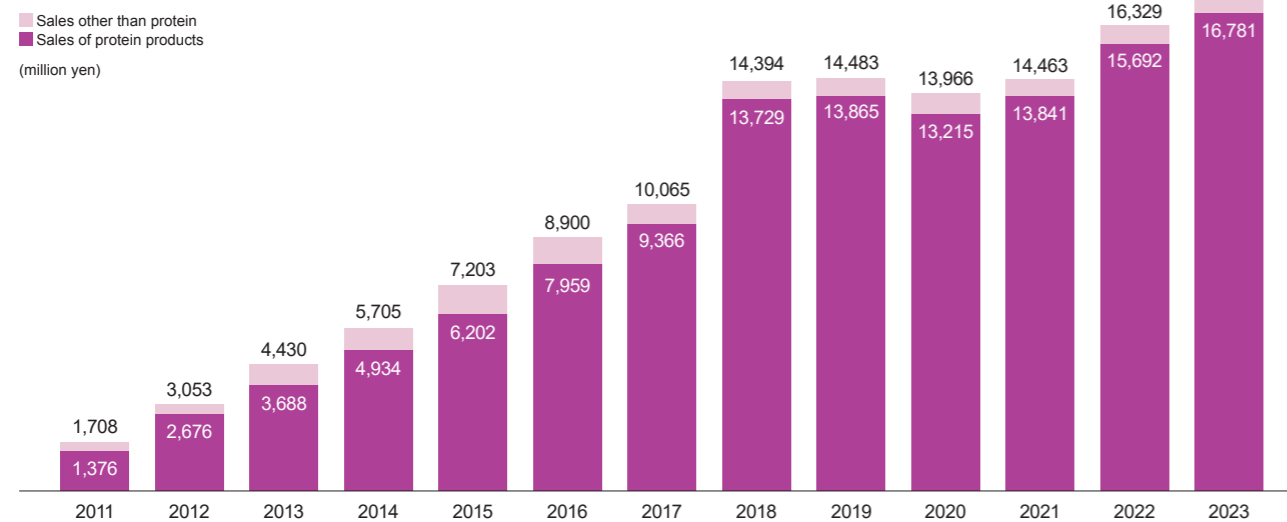
### History of Protein Products Development

The development of the protein products started when we studied a way to solve the health issues of members from a diet and nutrition perspective. Based on a dietary survey of over 100 members, we focused on "the protein deficiency" and developed a protein formulation with unique ingredients suitable for women who exercise in Curves based on scientific evidence and have started a roll out. Curves has been communicating the importance of protein to members and recommended protein during the diet counsellings even when the need for protein for middle-aged and older women was not getting public attention.

In December 2017, we have introduced "Super Protein", a complete renewal version of the existing protein products. As a result, merchandise sales income in the fiscal year ended August 2018 was 143% of the previous year. Today, the importance of protein is widely recognized as the Ministry of Health, Labor and Welfare has suggested an intake target of protein in the "Dietary Reference Intakes for Japanese (2020)" for the first time. We plan to release totally renewed protein products in FY8/2024.



### Trends of Merchandise Sales by FY



#### 12/2010 Release of Curves Protein products

Protein products were developed with unique ingredients formulation based on scientific evidence through diet survey of members. Stable growth of users with subscription was achieved.

#### 12/2017 Release of Super Protein

We have developed and launched new protein products with unique ingredients and formulation based on scientific evidence that is expected to be more effective with lower intake. The number of subscribers has increased, and the quantities of sales have also increased.

### Future Forecast and Strategies

- In December 2023, we have released a new protein product for younger senior members (under 65 and mainly the 50s), expecting to further increase sales.
- New protein products: Completely renewed the existing products. The unique ingredient formulation based on scientific evidence enhances the effectiveness for increasing muscle mass, maintaining and improving health.
- New product line: A major new product line will follow the protein products for subscription. A unique new product that solves the concerns of younger members and resolves their daily discontents (dissatisfaction, inconvenience, anxiety, etc.) based on feedback from members, dietary surveys and insight research.