

# Consolidated Financial Results for the Six Months Ended February 29, 2020 [Japanese GAAP]



April 10, 2020

Company name: Curves HOLDINGS Co., Ltd.  
 Stock exchange listing: Tokyo Stock Exchange Section 1  
 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: April 13, 2020  
 Scheduled date of commencing dividend payments: —  
 Availability of supplementary briefing material on quarterly financial results: Available  
 Schedule of quarterly financial results briefing session: Scheduled

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

## 1. Consolidated Financial Results for the Six Months Ended February 29, 2020 (September 1, 2019 to February 29, 2020)

(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	%
Six months ended February 29, 2020	14,431	-	2,988	-	3,046	-	2,056	-
February 28, 2019	-	-	-	-	-	-	-	-

(Note) Comprehensive income: Six months ended February 29, 2020: 2,259 million yen [- %]  
 Six months ended February 28, 2019: - million yen [- %]

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended February 29, 2020	24.98	-
February 28, 2019	-	-

(Note) Since Curves HOLDINGS Co., Ltd. (the “Company”) has not prepared quarterly consolidated financial statements for the six months ended February 28, 2019, the figures for the six months ended February 28, 2019 and changes from the previous corresponding period for the six months ended February 29, 2020 are not presented.

## (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of February 29, 2020	32,839	7,985	24.3
As of August 31, 2019	34,224	7,742	22.6

(Reference) Equity: As of February 29, 2020: 7,985 million yen  
 As of August 31, 2019: 7,742 million yen

## 2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year ended August 31, 2019	Yen -	Yen 24.50	Yen -	Yen 24.50	Yen 49.00
Fiscal year ending August 31, 2020	-	0.00			
Fiscal year ending August 31, 2020 (Forecast)			-	-	-

(Note) Revision to the forecast for dividends announced most recently: Yes

Cash dividends (forecast) for the fiscal year ending August 31, 2020 are not yet determined. The specific dividend amount will be announced promptly after it is decided.

## 3. Consolidated Financial Results Forecast for the Fiscal Year Ending August 31, 2020 (September 1, 2019 to August 31, 2020)

(% 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	-	-	-	-	-	-	-	-	-

(Note) Revision to the financial results forecast announced most recently: Yes

Since it is difficult to reasonably make the forecast for the consolidated financial results for the full year at this point of time, it has not been determined or described. The forecast will be announced as soon as reasonable predictions become possible in the future. For detailed reasons, please refer to “(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information” on page 3 of the attached material.

### \* Notes:

(1) Changes in significant subsidiaries during the six months ended February 29, 2020 (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):

February 29, 2020: 82,298,284 shares

August 31, 2019: 82,298,284 shares

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

February 29, 2020: - shares

August 31, 2019: - shares

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

Six months ended February 29, 2020: 82,298,284 shares

Six months ended February 28, 2019: - shares

(Note) Since the Company has not prepared quarterly consolidated financial statements for the six months ended February 28, 2019, the average number of shares during the period (cumulative from the beginning of the fiscal year) for the six months ended February 28, 2019 is not presented.

\* These quarterly financial results are 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

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. Please refer to “(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information,” on page 3 of the attached material for the assumptions used in the financial results forecast, as well as precautions for using the financial results forecast.

(How to obtain supplementary briefing material on the financial results for this quarter and content of the financial results briefing session for this quarter)

The Company will disclose supplementary briefing material on the financial results for this quarter along with the release of these quarterly financial results.

In light of the impact of coronavirus disease (COVID-19), the Company will provide explanations of its financial results by uploading videos, produced in advance, on the Company website on April 17, 2020 (Friday).

## Table of Contents

1. Qualitative Information on Quarterly Financial Results for the Period under Review .....	2
(1) Explanation of Business Results .....	2
(2) Explanation of Financial Position .....	2
(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information .....	3
(4) Explanation of Business and Other Risks .....	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) Quarterly Consolidated Statements of Cash Flows.....	9
(4) Notes to Quarterly Consolidated Financial Statements .....	10
(Notes on going concern assumption) .....	10
(Notes in the case of significant changes in shareholders' equity) .....	10
(Significant subsequent events).....	10

## 1. Qualitative Information on Quarterly Financial Results for the Period under Review

### (1) Explanation of Business Results

The Company Group (the Company and consolidated subsidiaries, hereinafter referred to as the “Group”) has been making efforts to contribute to the creation of a society with a healthy and long life expectancy through its core business, “Curves,” a 30-minute fitness club for women. The Group has endeavored to increase the number of facilities and enhance the satisfaction of its members by strengthening customer services as a “community-oriented health infrastructure” and “social issue-solving business” that contribute to solving the issues of a super-aging society.

Since membership decreases every year due to a seasonal slowdown in the number of new members during the second quarter of the fiscal year (the most recent being December 2019–February 2020), the Company has worked to steadily reduce the percentage of membership cancellations by further improving customer satisfaction, and to minimize the declining membership. According to a customer satisfaction survey conducted by the Council of Service Productivity & Innovation for Growth of Japan Productivity Center, the Company has been ranked first in the fitness industry for six consecutive years (2014–2019).

As a result of these efforts, the number of Curves facilities (excluding Men’s Curves) in Japan as of February 29, 2020 increased by 23 facilities, or 1.2%, compared to the end of the previous fiscal year to 2,014 facilities (including 65 facilities directly managed by the Group). Membership increased by 10,000 to 832,000 (up 1.2% from the end of the previous fiscal year, and 13,000 from the same month of the previous fiscal year).

As a result, business results for the six months ended February 29, 2020 are as follows:

(Net sales)

Net sales for the six months ended February 29, 2020 was 14,431 million yen.

(Operating profit)

Operating profit for the six months ended February 29, 2020 was 2,988 million yen.

(Ordinary profit)

Ordinary profit for the six months ended February 29, 2020 was 3,046 million yen, reflecting interest expenses and foreign exchange gains.

(Profit attributable to owners of parent)

Profit attributable to owners of parent for the six months ended February 29, 2020 was 2,056 million yen, mainly due to the recording of 1,143 million yen in income taxes - current.

Since the Group is a single segment of the Curves business, segment information is omitted.

### (2) Explanation of Financial Position

(Assets)

Total assets as of February 29, 2020 decreased by 1,385 million yen, compared to the end of the previous fiscal year to 32,839 million yen (down 4.0% from the end of the previous fiscal year).

Current assets decreased by 1,100 million yen to 10,180 million yen (down 9.8% year-on-year). This was mainly due to a decrease of 1,033 million yen in cash and deposits, offsetting increases of 336 million yen in notes and accounts receivable - trade and 229 million yen in merchandise.

Property, plant and equipment increased by 13 million yen to 336 million yen (up 4.1% year-on-year). This was mainly due to an increase of 11 million yen in tools, furniture and fixtures.

Intangible assets decreased by 275 million yen to 21,808 million yen (down 1.2% year-on-year). This was mainly due to decreases of 203 million yen in trademark right, 101 million yen in other intangible assets and 15 million yen in goodwill.

Investments and other assets decreased by 22 million yen to 514 million yen (down 4.3% year-on-year). This was mainly due to a decrease of 20 million yen in deferred tax assets.

Total non-current assets decreased by 284 million yen to 22,658 million yen (down 1.2% year-on-year).

(Liabilities)

Current liabilities decreased by 599 million yen to 7,418 million yen (down 7.5% year-on-year). This was mainly due to an increase of 25 million yen in income taxes payable, offsetting decreases of 362 million yen in notes and accounts payable - trade and 306 million yen in accounts payable - other.

Non-current liabilities decreased by 1,028 million yen to 17,435 million yen (down 5.6% year-on-year). This was mainly due to decreases of 920 million yen in long-term borrowings and 108 million yen in deferred tax liabilities.

Total liabilities decreased by 1,628 million yen to 24,854 million yen (down 6.2% year-on-year).

(Net assets)

Net assets increased by 243 million yen to 7,985 million yen (up 3.1% year-on-year). This was mainly due to an increase of 203 million yen in foreign currency translation adjustment, and an increase of 39 million yen in retained earnings resulting from the recording of profit attributable to owners of parent of 2,056 million yen, offsetting a decrease of 2,016 million yen from the recording of dividends of surplus.

(Status of cash flows)

The balance of cash and cash equivalents (hereinafter referred to as the “Fund”) as of February 29, 2020 was 4,316 million yen, a decrease of 1,033 million yen (down 19.3%) compared with the end of the previous fiscal year.

(Cash flows from operating activities)

As a result of operating activities during the six months ended February 29, 2020, the Fund increased by 2,189 million yen. This was mainly attributable to profit before income taxes of 3,044 million yen, depreciation of 288 million yen, income taxes paid of 539 million yen, a decrease in trade payables of 363 million yen, and an increase in trade receivables of 330 million yen.

(Cash flows from investing activities)

As a result of investment activities during the six months ended February 29, 2020, the Fund decreased by 291 million yen. This was mainly attributable to purchases of intangible assets of 206 million yen and purchases of property, plant and equipment of 80 million yen.

(Cash flows from financing activities)

As a result of financing activities during the six months ended February 29, 2020, the Fund decreased by 2,936 million yen. This was mainly attributable to dividends paid of 2,016 million yen and repayments of long-term borrowings of 920 million yen.

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

The spread of COVID-19 in Japan and Europe and a consequent slowdown in economic and consumer activities are expected to cause a decline in royalty sales due to decreases in the number of new and existing members resulting from a rising number of membership cancellations, a decline in net sales compared with the initial forecast due to the postponement or cancellation of new facility openings, and an increase in management support costs for franchised facilities.

On the other hand, it is yet to be predicted as to when the spread of COVID-19 will be contained. The impact on the Company’s financial results is also difficult to predict with certainty.

Therefore, no consolidated financial results forecasts have been determined for the fiscal year ending August 31, 2020.

For details, please refer to “Notice of Revisions to Consolidated Financial Results and Dividend Forecasts,” announced today.

Given that the market environment will continue to change frequently due to the spread of COVID-19, the Company will continue to monitor its business performance closely. If there is any material impact on its business performance, the Company will closely examine the content and promptly disclose it when necessary.

#### (4) Explanation of Business and Other Risks

There are certain matters to be added to “Business and Other Risks,” described in the latest Securities Registration Statement, after the statement’s date of filing and as of the date of filing of these quarterly financial results.

The section number in the following heading corresponds to the section number in the “II. Corporate Information, Part 2. Status of Business, 2. Business and Other Risks” of the most recent Securities Registration Statement. The following forward-looking statements are based on the judgment of the Group as of the date of filing of these quarterly financial results.

[Additional matters]

#### (5) Business risks associated with the spread of coronavirus disease (COVID-19)

In response to the spread of COVID-19, the Group has been collecting information from specialist doctors and government agencies. Since January 2020, it has been thoroughly implementing various measures to prevent infection inside and outside its facilities (including directly managed facilities and FC facilities).

However, it is anticipated that there will be: a further spread of COVID-19 in Japan and Europe; decreases in the number of new and existing members resulting from a rising number of membership cancellations due to the stagnation of economic activities and consumption; facility closures due to the declaration of a state of emergency; and a decrease in income, including royalties, due to the special membership freeze system (measures to suspend membership of those who have a high risk of infection and developing serious conditions (persons with underlying diseases, elderly persons, etc.) without collecting membership fees until COVID-19 is contained). A decrease in sales due to the postponement or suspension of new facility openings and an increase in the cost of providing support to franchised facilities are also expected. The timing of when COVID-19 will be contained may have an impact on the Group’s financial position, business results, and cash flows.

## 2. Quarterly Consolidated Financial Statements and Primary Notes

### (1) Quarterly Consolidated Balance Sheets

(Thousands of yen)

	As of August 31, 2019	As of February 29, 2020
<b>Assets</b>		
Current assets		
Cash and deposits	5,350,073	4,316,762
Notes and accounts receivable - trade	3,780,423	4,117,270
Merchandise	898,663	1,128,353
Raw materials and supplies	2,154	9,236
Other	1,346,906	734,715
Allowance for doubtful accounts	(97,098)	(126,105)
Total current assets	11,281,123	10,180,233
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	211,560	213,477
Tools, furniture and fixtures, net	111,578	122,837
Total property, plant and equipment	323,138	336,314
Intangible assets		
Goodwill	1,456,101	1,440,498
Trademark right	19,020,017	18,816,812
Software	632,543	678,024
Other	974,676	872,986
Total intangible assets	22,083,339	21,808,321
Investments and other assets		
Leasehold and guarantee deposits	245,807	248,839
Deferred tax assets	273,159	253,138
Other	24,014	16,177
Allowance for doubtful accounts	(5,772)	(3,862)
Total investments and other assets	537,209	514,292
Total non-current assets	22,943,687	22,658,929
Total assets	34,224,810	32,839,163

(Thousands of yen)

	As of August 31, 2019	As of February 29, 2020
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	2,106,050	1,743,552
Current portion of long-term borrowings	1,840,000	1,840,000
Accounts payable - other	493,465	186,962
Income taxes payable	940,561	966,427
Deposits received	1,801,177	1,916,840
Other	837,426	765,047
Total current liabilities	8,018,682	7,418,830
Non-current liabilities		
Long-term borrowings	14,260,000	13,340,000
Deferred tax liabilities	4,153,324	4,044,366
Asset retirement obligations	50,778	50,877
Total non-current liabilities	18,464,102	17,435,243
Total liabilities	26,482,785	24,854,074
Net assets		
Shareholders' equity		
Share capital	20,018	20,018
Capital surplus	18	18
Retained earnings	7,579,658	7,619,486
Total shareholders' equity	7,599,694	7,639,522
Accumulated other comprehensive income		
Foreign currency translation adjustment	142,331	345,567
Total accumulated other comprehensive income	142,331	345,567
Total net assets	7,742,025	7,985,089
Total liabilities and net assets	34,224,810	32,839,163

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statement of Income

Six Months Ended February 29, 2020

(Thousands of yen)

	For the six months ended February 29, 2020
Net sales	14,431,720
Cost of sales	8,328,433
Gross profit	6,103,286
Selling, general and administrative expenses	3,115,215
Operating profit	2,988,071
Non-operating income	
Interest income	123
Foreign exchange gains	86,044
Other	6,068
Total non-operating income	92,236
Non-operating expenses	
Interest expenses	28,577
Other	5,194
Total non-operating expenses	33,772
Ordinary profit	3,046,535
Extraordinary losses	
Loss on retirement of non-current assets	2,192
Total extraordinary losses	2,192
Profit before income taxes	3,044,342
Income taxes - current	1,143,469
Income taxes - deferred	(155,262)
Total income taxes	988,206
Profit	2,056,135
Profit attributable to owners of parent	2,056,135

Quarterly Consolidated Statement of Comprehensive Income

Six Months Ended February 29, 2020

(Thousands of yen)

	For the six months ended February 29, 2020
Profit	2,056,135
Other comprehensive income	
Foreign currency translation adjustment	203,236
Total other comprehensive income	203,236
Comprehensive income	2,259,371
Comprehensive income attributable to	
Comprehensive income attributable to owners of parent	2,259,371
Comprehensive income attributable to non-controlling interests	-

## (3) Quarterly Consolidated Statements of Cash Flows

(Thousands of yen)

	For the six months ended February 29, 2020
<b>Cash flows from operating activities</b>	
Profit before income taxes	3,044,342
Depreciation	288,786
Amortization of goodwill	39,090
Amortization of trademarks	510,070
Increase (decrease) in allowance for doubtful accounts	25,474
Increase (decrease) in provision for bonuses	8,214
Interest and dividend income	(123)
Interest expenses	28,577
Foreign exchange losses (gains)	(86,044)
Decrease (increase) in trade receivables	(330,219)
Decrease (increase) in inventories	(235,426)
Increase (decrease) in trade payables	(363,178)
Loss on retirement of non-current assets	2,192
Decrease (increase) in prepaid expenses	25,267
Increase (decrease) in accounts payable - other	(246,192)
Increase (decrease) in accrued expenses	(64,393)
Other, net	111,443
Subtotal	<u>2,757,882</u>
Interest and dividends received	123
Interest paid	(28,577)
Income taxes (paid) refund	(539,891)
Net cash provided by (used in) operating activities	<u>2,189,536</u>
<b>Cash flows from investing activities</b>	
Purchase of property, plant and equipment	(80,526)
Purchase of intangible assets	(206,614)
Payments of leasehold and guarantee deposits	(4,807)
Proceeds from refund of leasehold and guarantee deposits	1,775
Purchase of long-term prepaid expenses	(1,809)
Net cash provided by (used in) investing activities	<u>(291,982)</u>
<b>Cash flows from financing activities</b>	
Repayments of long-term borrowings	(920,000)
Dividends paid	(2,016,307)
Net cash provided by (used in) financing activities	<u>(2,936,307)</u>
Effect of exchange rate change on cash and cash equivalents	5,444
Net increase (decrease) in cash and cash equivalents	<u>(1,033,310)</u>
Cash and cash equivalents at beginning of period	<u>5,350,073</u>
Cash and cash equivalents at end of period	<u>4,316,762</u>

#### (4) 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.

(Significant subsequent events)

##### 1. Issuance of new shares

The Company was approved by Tokyo Stock Exchange, Inc. to be listed on the First Section of the Tokyo Stock Exchange on March 2, 2020. As a result of the initial public offering on March 1, 2020, 2,415,000 shares of common stock were issued, resulting in an increase of 828,646,000 yen in capital and capital reserve.

##### 2. Execution of Commitment Line Agreement

On March 27, 2020, the Company concluded the Commitment Line Agreement with MUFJ Bank, Ltd., with the aim of establishing a stable and flexible fund-raising system to meet the financing needs necessary to promote the Group's aggressive business development.

##### Agreement overview

(1) Agreement party	MUFG Bank, Ltd.
(2) Form of agreement	Revolving Credit Facility Agreement
(3) Maximum loan amount	5 billion yen
(4) Execution date	March 27, 2020
(5) Agreement period	1 year
(6) Purpose of funds	Working capital
(7) Existence of security interests, etc.	The following three companies will jointly and severally guarantee payment. Curves Japan Co., Ltd. HIGH STANDARD Co., LTD. Curves International, Inc.

##### 3. Impact of the spread of COVID-19

The Company has determined that for the period when COVID-19 spreads further in Japan and Europe, and while it experiences decreases in the number of new and existing members resulting from a rising number of membership cancellations due to the stagnation of economic activities and consumption, it will implement facility closures due to the declaration of a state of emergency and a special membership freeze system (measures to suspend membership of those who have a high risk of infection and developing serious conditions (persons with underlying diseases, elderly persons, etc.) without collecting membership fees until COVID-19 is contained).

It is anticipated that, by these initiatives, there will be decreases in income including royalties and in sales due to the postponement or suspension of new facility openings and an increase in the cost of providing support to franchised facilities. The timing of when COVID-19 will be contained may have an impact on the Group's financial position, business results, and cash flows.

As of the date of filing of these quarterly financial results, it is difficult to reasonably calculate its effects.