

**Consolidated Financial Results
for the Nine Months Ended May 31, 2020
[Japanese GAAP]**



July 13, 2020

Company name: CURVES HOLDINGS Co., Ltd.

Stock exchange listing: Tokyo Stock Exchange Section 1

Stock code: 7085

URL: <https://www.curvesholdings.co.jp/>

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Scheduled date of filing quarterly securities report: July 14, 2020

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, 2020 (September 1, 2019 to May 31, 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	%
Nine months ended								
May 31, 2020	19,559	-	1,728	-	1,732	-	1,122	-
May 31, 2019	-	-	-	-	-	-	-	-

(Note) Comprehensive income: Nine months ended May 31, 2020: 1,241 million yen [- %]

Nine months ended May 31, 2019: - million yen [- %]

	Earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended		
May 31, 2020	13.09	-
May 31, 2019	-	-

(Note) Since Curves HOLDINGS Co., Ltd. (the “Company”) has not prepared quarterly consolidated financial statements for the nine months ended May 31, 2019, the figures for the nine months ended May 31, 2019 and changes from the previous corresponding period for the nine months ended May 31, 2020 are not presented.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of May 31, 2020	33,120	8,624	26.0
As of August 31, 2019	34,224	7,742	22.6

(Reference) Equity: As of May 31, 2020: 8,624 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)				4.00	4.00

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

Breakdown of the year-end dividends for the fiscal year ending August 31, 2020:

Ordinary dividend: 2.00 yen Commemorative dividend: 2.00 yen

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	24,450	(12.8)	700	(87.1)	594	(88.7)	382	(89.7)	4.36

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

* Notes:

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

May 31, 2020: 93,857,493 shares

August 31, 2019: 82,298,284 shares

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

May 31, 2020: 57 shares

August 31, 2019: - shares

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

Nine months ended May 31, 2020: 85,766,037 shares

Nine months ended May 31, 2019: - shares

(Note) Since the Company has not prepared quarterly consolidated financial statements for the nine months ended May 31, 2019, the average number of shares during the period (cumulative from the beginning of the fiscal year) for the nine months ended May 31, 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

(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. 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)

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/>).

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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.

During the third quarter ended May 31, 2020 (March 2020 – May 2020), facilities were temporarily closed from March 8 to March 15, 2020 and from April until the end of May 2020 in light of various requests from the central and local governments in response to the global spread of coronavirus disease (COVID-19). As concerns mounted over “secondary health damage,” such as weakened immunity and the exacerbation of lifestyle diseases caused by decreased activity under the state of emergency that was declared, we worked to support both customers and facilities with a view to “after COVID” and “with COVID.”

As a result of these efforts, the number of Curves facilities (excluding Men’s Curves) in Japan as of May 31, 2020 increased by 28 facilities, or 1.4%, compared to the end of the previous fiscal year to 2,019 facilities (including 65 facilities directly managed by the Group). Membership decreased by 72K to 749K (down 8.9% from the end of the previous fiscal year). However, since there were 203K members as of the end of the third quarter ended May 31, 2020 who were using the special absentee program and to whom membership fees for the applicable period have been refunded in full, total active members at the end of the third quarter ended May 31, 2020 was 545K.

As a result, business results for nine months ended May 31, 2020 are as follows:

(Net sales)

Net sales for the nine months ended May 31, 2020 was 19,559 million yen.

(Operating profit)

Operating profit for the nine months ended May 31, 2020 was 1,728 million yen.

(Ordinary profit)

Ordinary profit for the nine months ended May 31, 2020 was 1,732 million yen, reflecting interest expenses and foreign exchange gains.

(Profit attributable to owners of parent)

Profit attributable to owners of parent for the nine months ended May 31, 2020 was 1,122 million yen, mainly due to the recording of 746 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 May 31, 2020 decreased by 1,104 million yen, compared to the end of the previous fiscal year to 33,120 million yen (down 3.2% from the end of the previous fiscal year).

Current assets decreased by 271 million yen to 11,009 million yen (down 2.4% year-on-year). This was mainly due to decreases of 1,298 million yen in cash and deposits and 566 million yen in notes and accounts receivable - trade, offsetting an increase of 873 million yen in merchandise.

Property, plant and equipment decreased by 0 million yen to 322 million yen (down 0.3% year-on-year).

Intangible assets decreased by 747 million yen to 21,336 million yen (down 3.4% year-on-year). This was mainly due to decreases of 584 million yen in trademark right, 173 million yen in other intangible assets and 44 million yen in goodwill.

Investments and other assets decreased by 85 million yen to 451 million yen (down 15.9% year-on-year). This was mainly due to a decrease of 88 million yen in deferred tax assets.

Total non-current assets decreased by 833 million yen to 22,110 million yen (down 3.6% year-on-year).

(Liabilities)

Current liabilities decreased by 417 million yen to 7,601 million yen (down 5.2% year-on-year). This was mainly due to an increase of 470 million yen in accounts payable - other, offsetting decreases of 423 million yen in notes and accounts payable - trade and 365 million yen in income taxes payable.

Non-current liabilities decreased by 1,569 million yen to 16,894 million yen (down 8.5% year-on-year). This was mainly due to decreases of 1,380 million yen in long-term borrowings and 189 million yen in deferred tax liabilities.

Total liabilities decreased by 1,987 million yen to 24,495 million yen (down 7.5% year-on-year).

(Net assets)

Net assets increased by 882 million yen to 8,624 million yen (up 11.4% year-on-year). This was mainly due to increases of 828 million yen in share capital and 828 million yen in capital surplus, offsetting a decrease of 893 million yen in retained earnings.

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

As of today, the consolidated financial results forecasts for the fiscal year ending August 31, 2020 have been revised. For details, please refer to “Notice of Revisions to Consolidated Financial Results and Dividend Forecasts,” announced today.

(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 absentee program (measures to suspend membership of those who have a high risk of infection and developing serious conditions, persons with underlying diseases, and 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 May 31, 2020
Assets		
Current assets		
Cash and deposits	5,350,073	4,051,292
Notes and accounts receivable - trade	3,780,423	3,214,393
Merchandise	898,663	1,772,065
Raw materials and supplies	2,154	11,099
Other	1,346,906	2,092,411
Allowance for doubtful accounts	(97,098)	(131,423)
Total current assets	11,281,123	11,009,838
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	211,560	209,079
Tools, furniture and fixtures, net	111,578	113,196
Total property, plant and equipment	323,138	322,275
Intangible assets		
Goodwill	1,456,101	1,411,279
Trademark right	19,020,017	18,435,388
Software	632,543	688,638
Other	974,676	800,919
Total intangible assets	22,083,339	21,336,225
Investments and other assets		
Leasehold and guarantee deposits	245,807	247,430
Deferred tax assets	273,159	184,908
Other	24,014	23,317
Allowance for doubtful accounts	(5,772)	(3,790)
Total investments and other assets	537,209	451,864
Total non-current assets	22,943,687	22,110,365
Total assets	34,224,810	33,120,204

(Thousands of yen)

	As of August 31, 2019	As of May 31, 2020
Liabilities		
Current liabilities		
Notes and accounts payable - trade	2,106,050	1,682,438
Current portion of long-term borrowings	1,840,000	1,840,000
Accounts payable - other	493,465	963,806
Income taxes payable	940,561	575,419
Deposits received	1,801,177	1,905,352
Other	837,426	634,149
Total current liabilities	8,018,682	7,601,165
Non-current liabilities		
Long-term borrowings	14,260,000	12,880,000
Deferred tax liabilities	4,153,324	3,963,648
Asset retirement obligations	50,778	50,927
Total non-current liabilities	18,464,102	16,894,576
Total liabilities	26,482,785	24,495,741
Net assets		
Shareholders' equity		
Share capital	20,018	848,666
Capital surplus	18	828,666
Retained earnings	7,579,658	6,686,324
Treasury shares	-	(32)
Total shareholders' equity	7,599,694	8,363,625
Accumulated other comprehensive income		
Foreign currency translation adjustment	142,331	260,837
Total accumulated other comprehensive income	142,331	260,837
Total net assets	7,742,025	8,624,462
Total liabilities and net assets	34,224,810	33,120,204

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statement of Income

Nine Months Ended May 31, 2020

(Thousands of yen)

	For the nine months ended May 31, 2020
Net sales	19,559,007
Cost of sales	12,163,357
Gross profit	7,395,649
Selling, general and administrative expenses	5,667,164
Operating profit	1,728,485
Non-operating income	
Interest income	135
Foreign exchange gains	50,396
Other	10,258
Total non-operating income	60,790
Non-operating expenses	
Interest expenses	41,385
Other	15,356
Total non-operating expenses	56,742
Ordinary profit	1,732,533
Extraordinary losses	
Loss on retirement of non-current assets	4,249
Total extraordinary losses	4,249
Profit before income taxes	1,728,283
Income taxes - current	746,343
Income taxes - deferred	(141,033)
Total income taxes	605,310
Profit	1,122,973
Profit attributable to owners of parent	1,122,973

Quarterly Consolidated Statement of Comprehensive Income
Nine Months Ended May 31, 2020

(Thousands of yen)

	For the nine months ended May 31, 2020
Profit	1,122,973
Other comprehensive income	
Foreign currency translation adjustment	118,506
Total other comprehensive income	118,506
Comprehensive income	1,241,480
Comprehensive income attributable to	
Comprehensive income attributable to owners of parent	1,241,480
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)

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 share capital and capital surplus. Share capital and capital surplus at the end of the third quarter ended May 31, 2020 stood at 848,666,000 yen and 828,666,000 yen, respectively.

(Significant subsequent events)

Capital loan

At the Board of Directors meeting held on June 15, 2020, the Company resolved to conclude a syndicated term loan (lump-sum) agreement with financial institutions, effective as of July 3, 2020. The outline of the loan agreement is as follows.

1. Details of the syndicated loan agreement

(1) Composition amount	Total of 5.0 billion yen
(2) Form of agreement	Syndicated term loan (lump-sum)
(3) Execution date	June 30, 2020
(4) Effective date	July 3, 2020
(5) Maturity date	June 30, 2025
(6) Repayment method	Repayments of equal installments every three months, starting September 30, 2021
(7) Arranger	MUFJ Bank, Ltd.
(8) Agent	MUFJ Bank, Ltd.
(9) Participating financial institutions	MUFJ Bank, Ltd., Sumitomo Mitsui Banking Corporation, The Gunma Bank, Ltd.
(10) Loan interest rate	Base interest (3 months TIBOR) + 0.25%
(11) Guarantor	Curves Japan Co., Ltd.
(12) Financial covenants	(1) Maintain the amount of net assets shown in the consolidated balance sheets at the end of the fiscal year at 75% or more of the amount shown at the end of the fiscal year immediately prior to the relevant fiscal year. [Initial determination: fiscal year ending August 31, 2022] (2) An ordinary loss not to be recorded in the consolidated statement of income for two consecutive fiscal years. [Initial determination: fiscal year ending August 31, 2022] (Subject of initial determination: fiscal year ending August 31, 2021 and fiscal year ending August 31, 2022)

2. Objective of the syndicated loan agreement

The funds are intended to be used for long-term working capital of Group companies.