

Consolidated Results of Operations for 1st Half of FY ending Aug 31, 2020

The logo for Curves, featuring the word "Curves" in a stylized, cursive script font. A small registered trademark symbol (®) is located at the bottom right of the word.

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April 17, 2020

CURVES HOLDINGS Co., Ltd

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What is Curves?

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CURVES HOLDINGS Co., Ltd.
(Holding company for Curves operations)

Curves Japan Co., Ltd.

Franchiser operations in Japan

HIGHSTANDARD Co., LTD.

Operation of directly
operated clubs in Japan

Curves International, Inc.

Global franchiser operations

Curves Europe B.V.

European franchiser
operations

Business Profile

- Operations of “Curves 30-min fitness clubs for women only”
- 2,014 clubs in Japan (65 corporate owned, 1,949 Franchisees) (as of the end Feb 2020)
- Total 832,000 members in Japan (as of the end Feb 2020)

Basic Data

- Corporate Address: 11F, Shibaura Renasite Tower, 3-9-1 Shibaura, Minato-ku, Tokyo
- Founded⁽¹⁾ : Feb 2005 (Curves Japan)
- Sales⁽²⁾ : 28.0 billion Yen
- Operating income : 5.4 billion Yen
- Net profit : 3.7 billion Yen

History

- | | |
|------------------|---|
| Feb. 2005 | Curves Japan founded by Venture Link Co. Ltd.
(Acquired master license from Curves International) |
| Mar. 2006 | Rollout in Japan in franchising |
| Jun. 2006 | Opened 100 clubs |
| Oct. 2008 | Becomes Koshidaka Holdings' subsidiary |
| Jun. 2011 | Reached 1,000 clubs |
| Jun. 2015 | Opened 'Prevention Center Curves Odawara', the 1 st Prevention Center certified by Kanagawa Pref |
| Mar. 2018 | Acquired Curves International, Inc. (global franchisor) |
| Nov. 2018 | Started Men's Curves (Chino) |
| Jul. 2019 | Acquired CFW International Management B.V.
(Europe franchisor currently Curves Europe B.V.) |
| Oct. 2019 | Topped 2,000 clubs |
| Mar. 2020 | Listed in Tokyo Stock Exchange Section 1 with Stock Allocation Spin-off |

Footnote:

1. Curves Japan was founded on this date. Curves Holdings was founded in October 2008

2. FY 8/2019 data

**By spreading the habits of
correct exercise,
we will help ourselves and
our members have a better life,
and resolve problems in our society.**

1 . Operations results of 1st Half of FY 8/2020

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Consolidated Results of Operations

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Consolidated Statement of Income

9

(Millions of yen)

	1st Half of FY 8/2020	To Projection	
		Projection	Result
Sales	14,431	14,435	100.0%
Cost of Sales	8,328		
Gross Profit	6,103		
SGA	3,115		
Operating Income	2,988	2,811	106.3%
Ordinary Income	3,046	2,761	110.3%
Extraordinary Income	0		
Extraordinary Loss	2		
Net Profit	2,056	1,898	108.3%

Consolidated Statement of Income (by region)

10

(million Yen)

	1st Half of FY 8/2020	
	Actual	To Sales
Sales	14,431	100.0%
Japan	14,179	98.3%
International	251	1.7%
Operating Income	2,988	20.7%
Japan	3,791	26.3%
International	△ 143	△ 1.0%
Adjustments	△ 660	-

Sales : **14.4** billion Yen

- Strong Sales in Japan sustained.
- Record high Sales for 1st Half

Operating Income: **2.9** billion Yen

- Gross Sales Up 4.3% YOY
- International segment on plan

※ Sales/Operating Income for International Segment

Sales and Operating Income for International segment consist of the global franchise business and European franchiser business of the two international subsidiaries (Curves International, Inc, Curves Europe B.V.).

Royalty fee payments and equipment sales paid by Curves Japan to Curves International, and management and training fee costs paid by the two entities to Japan are not included.

Japan

Spot income :

One time incomes from franchise sales and renewal of FA

- Income from license fee and new equipment sales for new club opening
- Income from FA renewal for equipment sales, etc.

Base income :

Ongoing incomes associated with numbers of clubs and members

Royalty fee, etc.	Royalty fees and membership administrative fees etc received from franchisees
Ad fund	Payments by franchisees for marketing activities
Other from franchisees	Other incomes from franchisees
Merchandise for members	Merchandise sales for members. Direct sale by the group to members and sales commission paid to franchisees.
Corporate own clubs	Income from operating corporate clubs
Others	Others

International

Breakdown of Sales

12

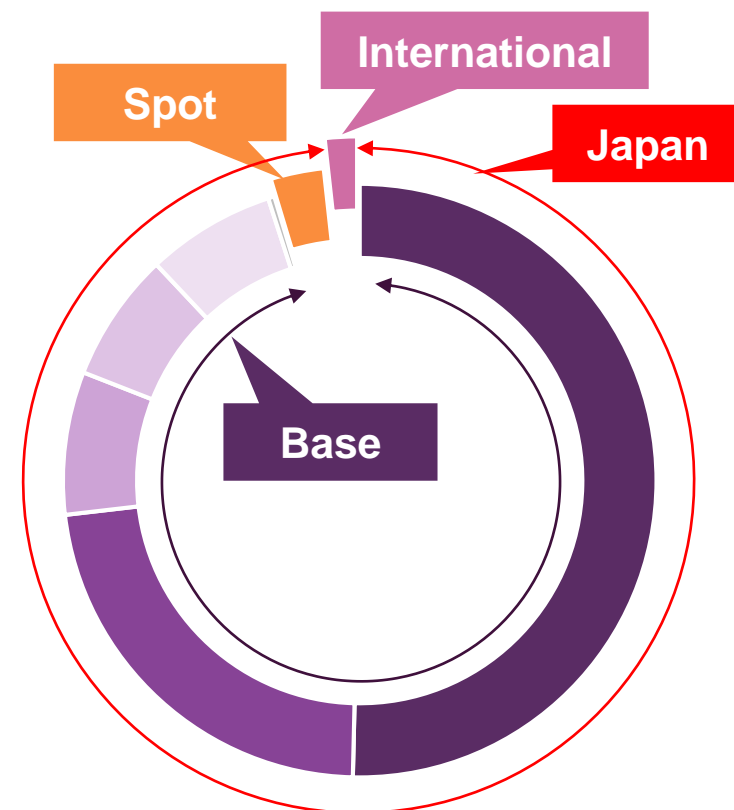
(million Yen)

	1st Half of FY 8/2020	To Total Sales	
		Region	% for Japan
Sales	14,431	100.0%	-
Japan	14,179	98.3%	100.0%
Spot	419		3.0%
Base	13,760		97.0%
Royalty etc	3,288		23.2%
Ad fund	1,016		7.2%
Franchisees	1,014		7.2%
Merchandise	7,269		51.3%
Corporate owned	1,123		7.9%
Other	48		0.3%
International	251	1.7%	-

Spot income stayed stable YoY.

Base income showed strong growth of +3.7% YoY.

- Royalty +1.8% YoY
- Merchandise +0.8% YoY



Consolidated Balance Sheet

13

(million Yen)

	FY 8/2019	1H of FY 8/2020	Changes	Notes for changes
Current assets	11,281	10,180	△1,101	Cash & deposits -1,033
Noncurrent assets	22,943	22,658	△285	Trademark -203, Other -101, Software +45
Tangible assets	323	336	+13	
Intangible assets	22,083	21,808	△275	
Investments and other assets	537	514	△23	
Total assets	34,224	32,839	△1,385	
Current liabilities	8,018	7,418	△600	Notes & accounts payable -362, Accrued expenses -249
Short-term loans	1,840	1,840	+0	
Noncurrent liabilities	18,464	17,435	△1,029	
Long-term loans	14,260	13,340	△920	
Total liabilities	26,482	24,854	△1,628	
Shareholders' equity	7,599	7,639	+40	Foreign currency adjustment +20
total net assets	7,742	7,985	+243	
Total liabilities and net assets	34,224	32,839	△1,385	

Cash Flows

14

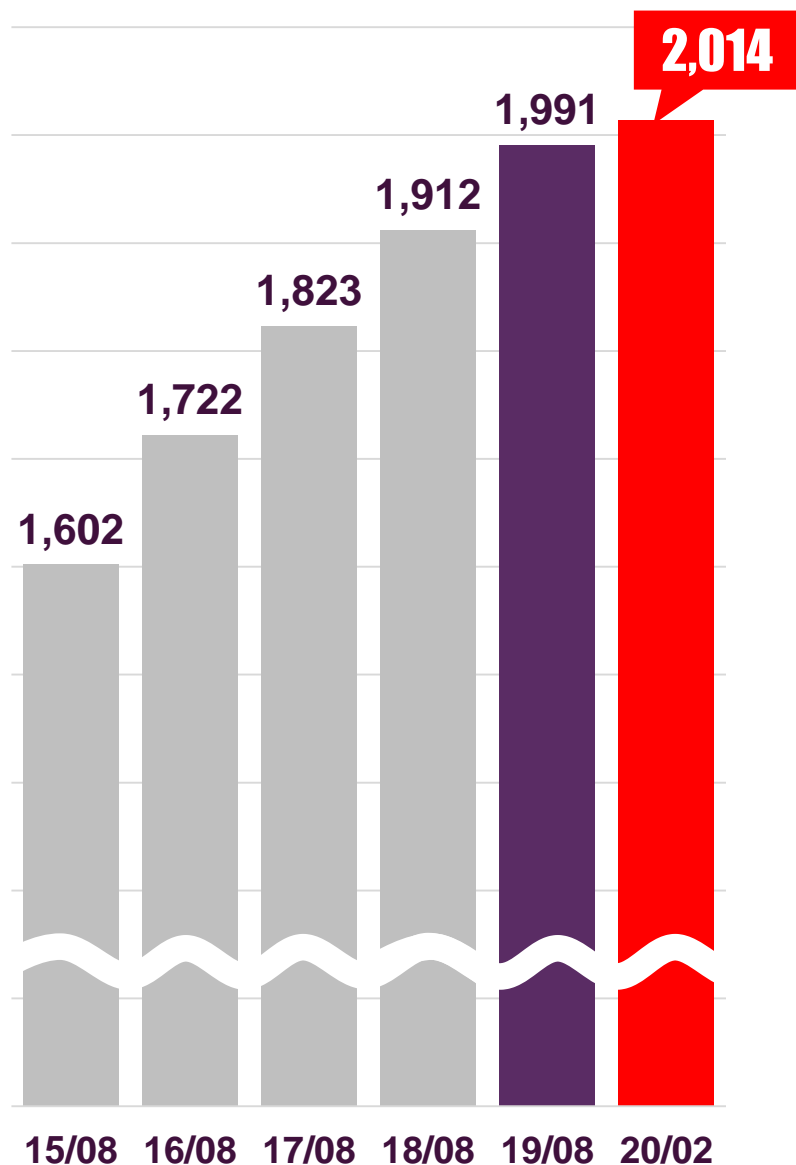
(Million Yen)

	1st Half of FY 8/2020	Main items
Net cash from operating activities	2,189	<ul style="list-style-type: none"> • Net profit before income taxes 3,044 • Depreciation and amortization 510 • Income taxes paid Δ 539 • Changes in accounts receivable Δ 330 • Changes in inventory Δ 362
Net cash from investing activities	Δ 291	<ul style="list-style-type: none"> • Purchase of tangible assets Δ 80 • Purchase of intangible assets Δ 206
Net cash from financing activities	Δ 2,936	<ul style="list-style-type: none"> • Repayment of long-term loans Δ 920 • Payments of dividends Δ 2,016
Net increase (decrease) in cash and cash equivalent	Δ 1,033	
Cash and cash equivalent at beginning of period	5,350	
Cash and cash equivalent at end of period	4,316	

Curves Japan Operations

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2,014 clubs in Japan

Clubs continued opening
in Q2

Opened **26**

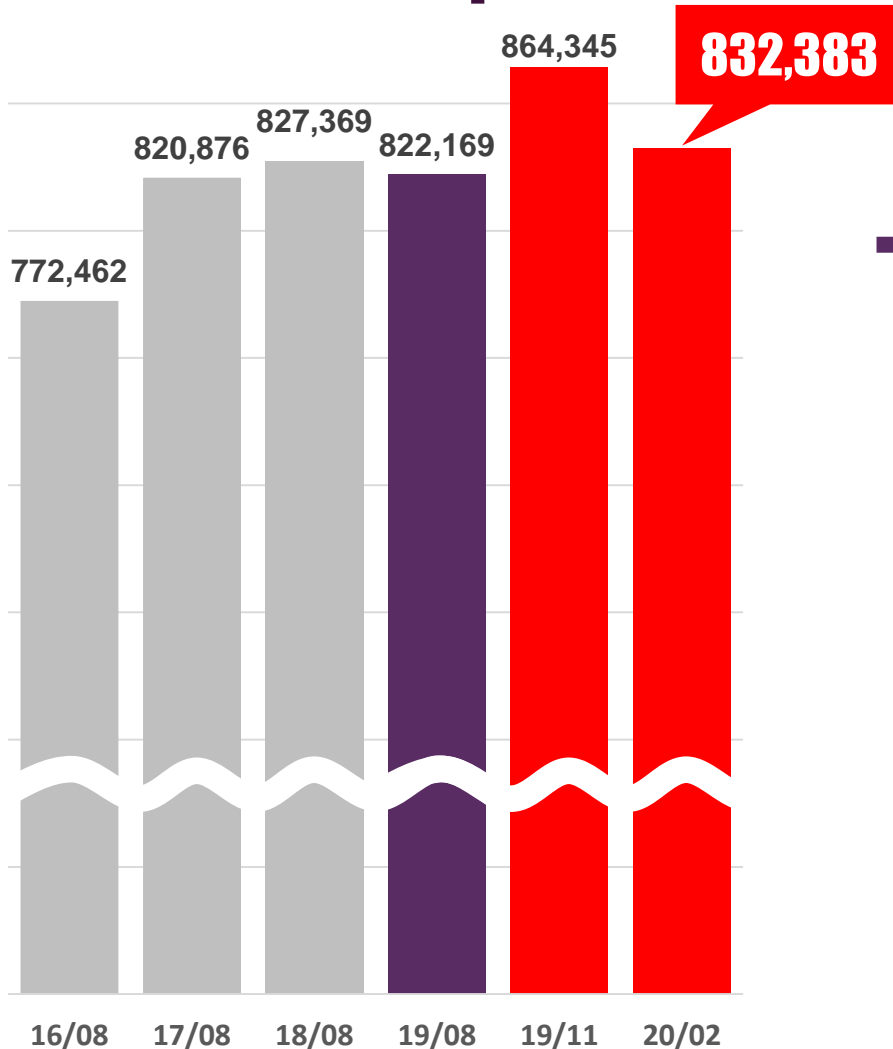
Closed **3**

Net growth **+23**

※ Total for the 1st Half of FY
(9/2019 – 2/2020)

Membership count

17



832,000 members

- New sign-up campaign
- Lowering attrition rate

EOY : **+10K**

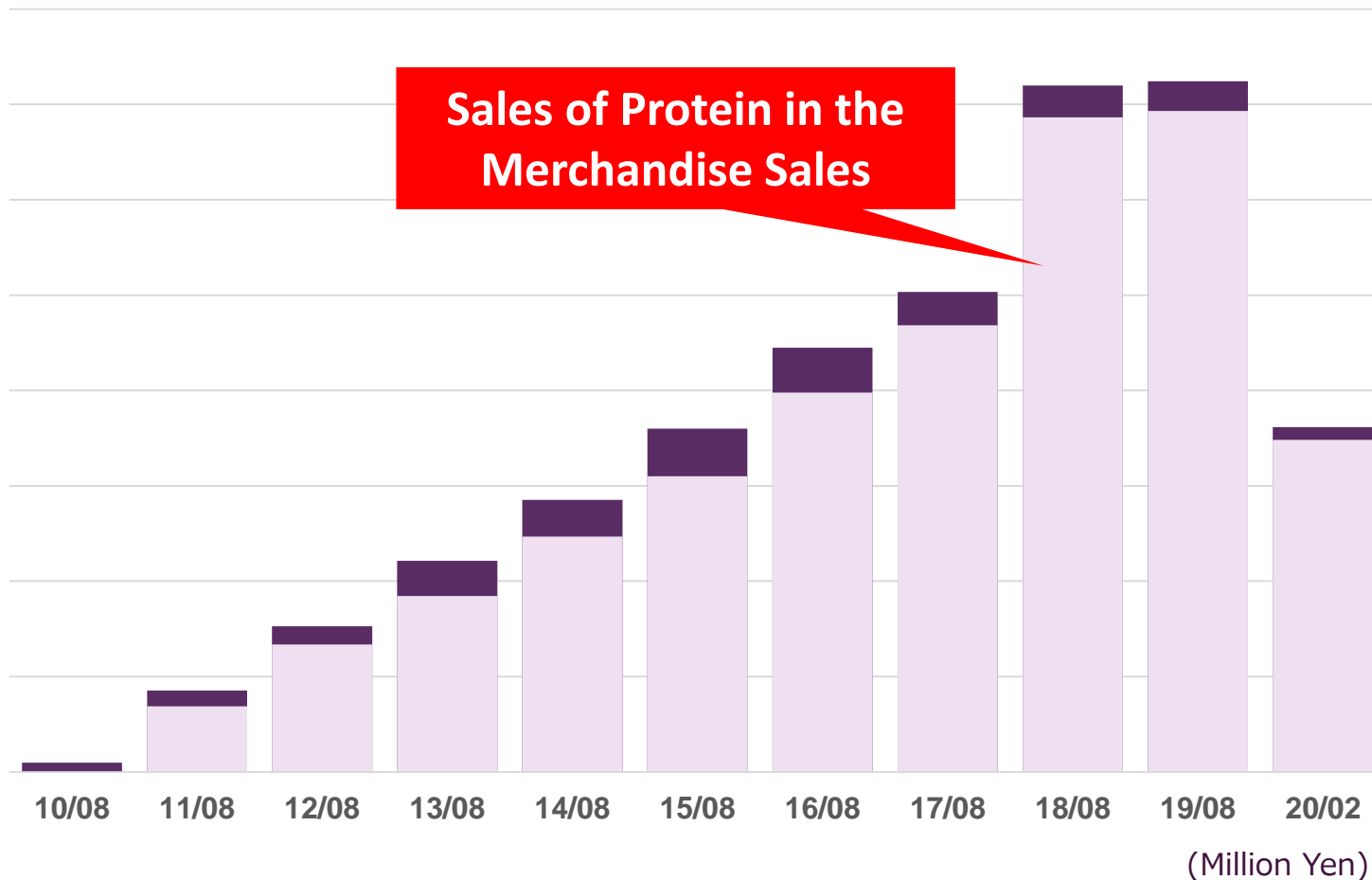
YOY : **+13K**

Attrition rate **2.3%**
(Mon.avg.)
(9/2019 – 2/2020)

※Same period last year **2.5%**
(9/2018-2/2019)

(people)

FY 8/2016	FY 8/2017				FY 8/2018				FY 8/2019				FY 8/2020	
4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q
772,462	807,107	784,773	799,107	820,876	838,702	806,467	820,044	827,369	845,081	819,016	823,069	822,169	864,345	832,383



Rollout of new business “Men’s Curves”

- Started service for “men”
- 3 clubs open as of Jan 2020 and growing strong.
(Daisen-cho, Tottori Prefecture; Chino City,
Nagano Prefecture; Oita City, Oita Prefecture)



2. Impact of the Coronavirus outbreak

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(1) Operational Impact on Curves Japan (3/2020)

- 1** All clubs temporarily closed for 6 days (3/8 – 15)
(Royalty fee refunded to franchisees for members fee refunded)
- 2** Significant drop in new sign-ups YoY - **80%**
- 3** Attrition rate stayed stable YoY.
- 4** Special Absentee Program – Over **100K** members used
(Royalty fee refunded to franchisees for members fee refunded)
- 5** Total members excl. absentees : Over **700K** as of End March

(1) Financial impact on Curves Japan (3/2020)

- 1 Chain-wide Sales^{*} 73 % YoY**
- 2 Consolidated Sales (Japan) 92 % YoY**
- 3 Royalty fee income 68 % YoY**
- 4 Merchandise Sales 103.5 % YoY**
(Gross profit **109 % YoY**)
- 5 Cost of financial support to franchisees 479 Million Yen**
(Closure compensations etc.)

***Chain-wide Sales: Total of sign up fees, members due & merchandise retail sales for all clubs**

(2) Operational Impact on Curves Japan (4/2020)

23

1 Club closures by Emergency Order: **1,075 clubs**
(10 – 18 business days)

*7 Prefectures declared: **849 clubs** (4/11-5/6)

*Adjacent prefectures also followed.

2 Members in closed clubs **420,000**

3 Major drops in sign-ups expected **10% YoY**

4 Attrition rate will rise By **160 % YoY**

5 Special Absentee Program to be used by **160,000** members

6 Total members excl. absentees end of April: **620K**

(2) Projected Financial Impact on Curves Japan (4/2020)

- 1 Chain-wide Sales** **58** % YoY
- 2 Consolidated Sales (Japan)** **73** % YoY
- 3 Royalty income** **54** % YoY
- 4 Merchandise Sales** **99** % YoY
- 5 Cost of financial support to franchisees** **200** Million Yen
(Closure compensation)

Main markets (UK, Italy, Spain)

Almost all clubs (franchisees) are closed by government orders

Financial impacts including government supports are currently under review.

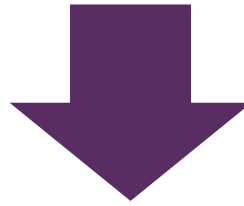
***Financial results will be consolidated in the group with 2-month delay due to the ends of FY.**

3. Possible impacts going forward

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Projecting financial impacts is a challenge with the end of the outbreak not predictable in near future.

The longer the outbreak lasts, the larger the impact will be.



Risk factors to decrease the consolidated sales, operating income, ordinary income and net profit after taxes allocated to the shareholders of parent company

- 1** Increase in closed clubs and closure period
- 2** Decrease in sign-ups and increase in cancellations
- 3** Increase of members under Special Absentee Program
- 4** Decrease in membership excl. absentees
- 5** Increase in costs for financial support to franchisees

4. Strategies

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(1) Strategies with perspectives during and after the Coronavirus outbreak

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<Operating Policy>

- 1 Clubs that continue operations:**
Operate by implementing fullest preventive measures
 - * Absentee Program for members with high risk of severe symptoms
 - * Avoid 3 dangerous conditions and fully implement standard preventive measures.

- 2 Club closures complying with the government directives.**

<Approaches after the outbreak>

1 Experimental rollout of out-of-club services

2 Develop and rollout new services

Online fitness program “O-uchi de Curves”
(Curves at Home)

3 Active support to “Secondary Health Damage Prevention Campaign” (Prof. Kuno Laboratory, Tsukuba Univ.)

Promote education campaigns tied with
local governments

<Implement Business Sustaining Plans assuming the prolonged outbreak impacts>

- 1 Improve cash flows and zero-based cost cutting measures
- 2 Continued management supports to franchisees
- 3 Strengthen strategic investment

(2) Background of the Strategies

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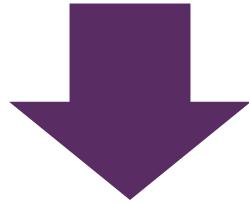
<Market Change during and after the Coronavirus outbreak>

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- **Broadening of Health-related Market (weight gain, enhance immunity system, prevent chronic diseases)**
- **Higher demands for fitness services with no physical contact. (After-effect of the Coronavirus)**

**Quantitative and qualitative changes of
Health-related Market**



New and enormous potential markets will emerge.

Rollout new strategies to embrace the new potential markets

【Support “Secondary Health Damage Prevention”】

【Curves fitness center】 +

【Online fitness program

“O-uchi de Curves”】

<Strengths of Curves Group>

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Strength of Curves Group

Essential value offered to our customers

“Habit of Healthy Lifestyle”

- Workout in club is not essential value.
- Creating the “exercise habit” for those people with no experiences to start and continue exercises for life is our essential value.
- The group’s true strengths are to provide a space for the “exercise habit”, communications and community.

We are currently reinventing the business model from the starting point of this principle.

Our (Invisible) Assets

5 Engagements

(Strong bond beyond simple customer satisfaction)

- ① Engagement with customers
- ② Engagement with franchisees
- ③ Engagement with employees
- ④ Engagement with society and community
- ⑤ Engagement with shareholders

* Will continue to enhance the 5 engagements in the Coronavirus counter measures.

Strength of Curves Group

Management Technology

Have created new fitness market for elderly populations with franchisees

【Experimental Thinking, Collective Wisdom,
Manage with Science 】

Speeding up the development of new
business models and services.

5. Shareholder Distribution Policy

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Dividend policy

Shareholder Benefits Policy

Appendix

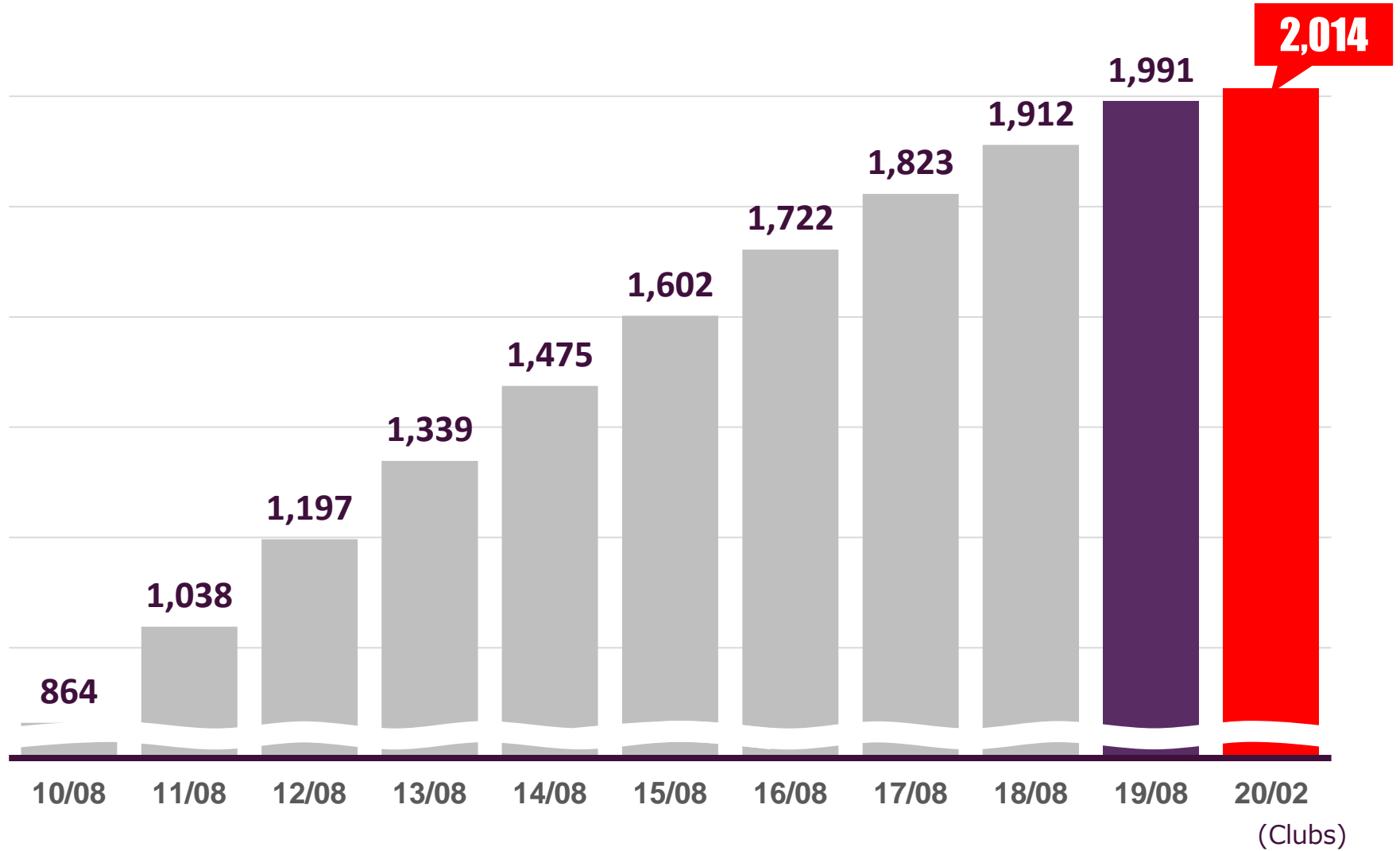
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Trend of Club Count Growth

Reference
Data

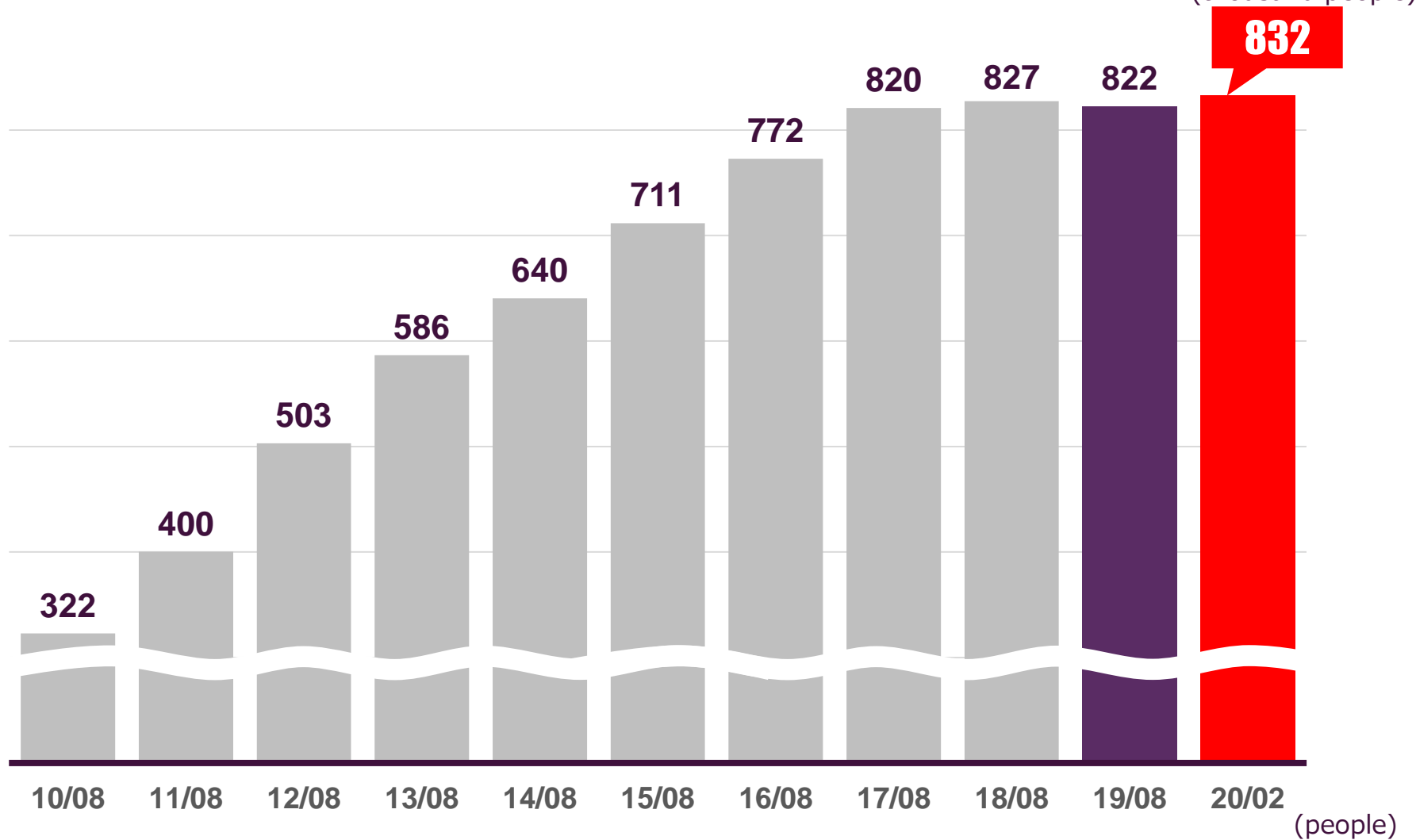
46



10/08	11/08	12/08	13/08	14/08	15/08	16/08	17/08	18/08	19/08	20/02
864	1,038	1,197	1,339	1,475	1,602	1,722	1,823	1,912	1,991	2,014

Membership Growth

Reference
Data **47**
(thousand people)

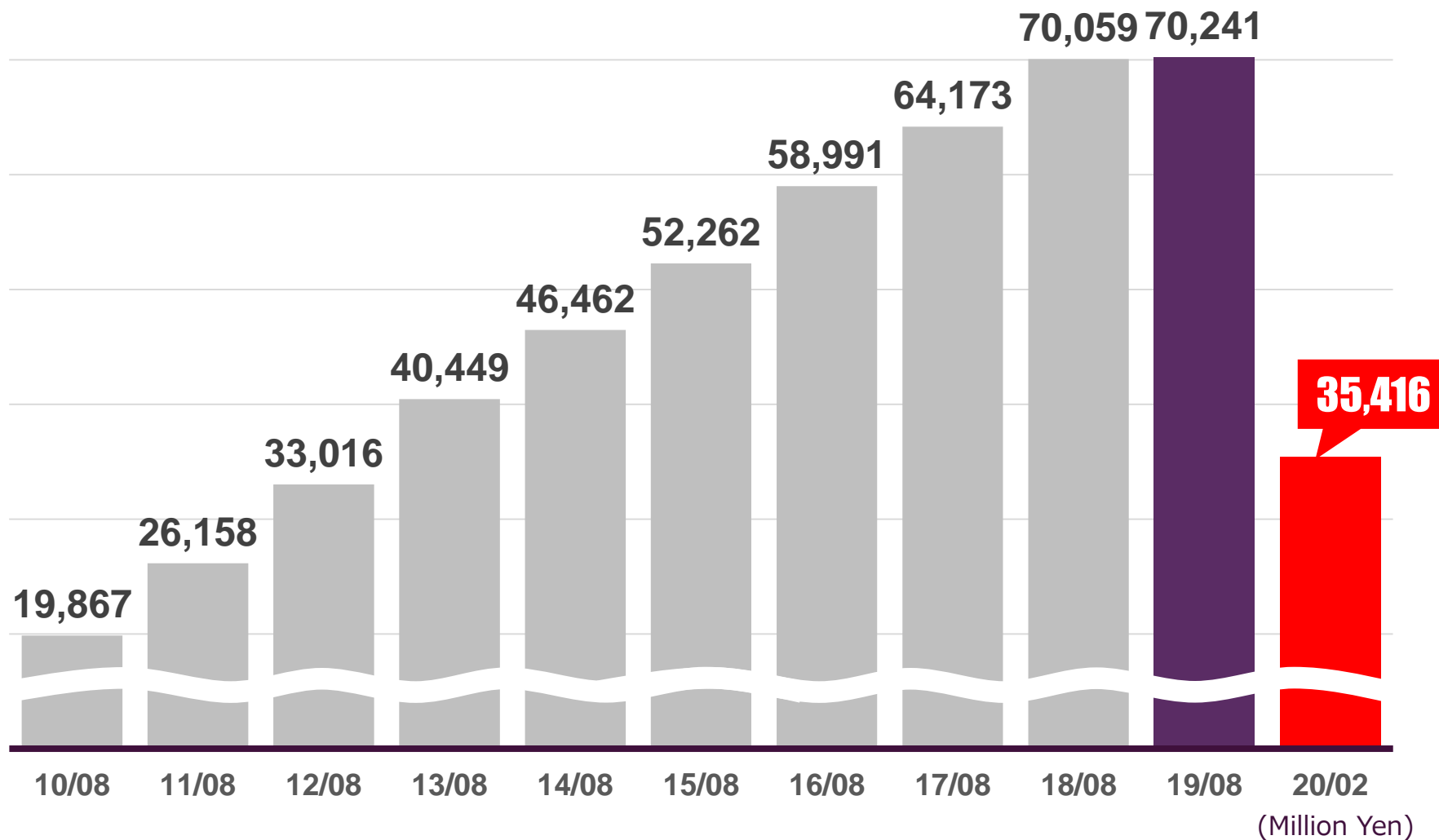


10/08	11/08	12/08	13/08	14/08	15/08	16/08	17/08	18/08	19/08	20/02
322,918	400,372	503,164	586,456	640,472	711,666	772,760	820,876	827,369	822,169	832,383

<Appendix> Chain-wide Sales (Annual)

Reference
Data

48

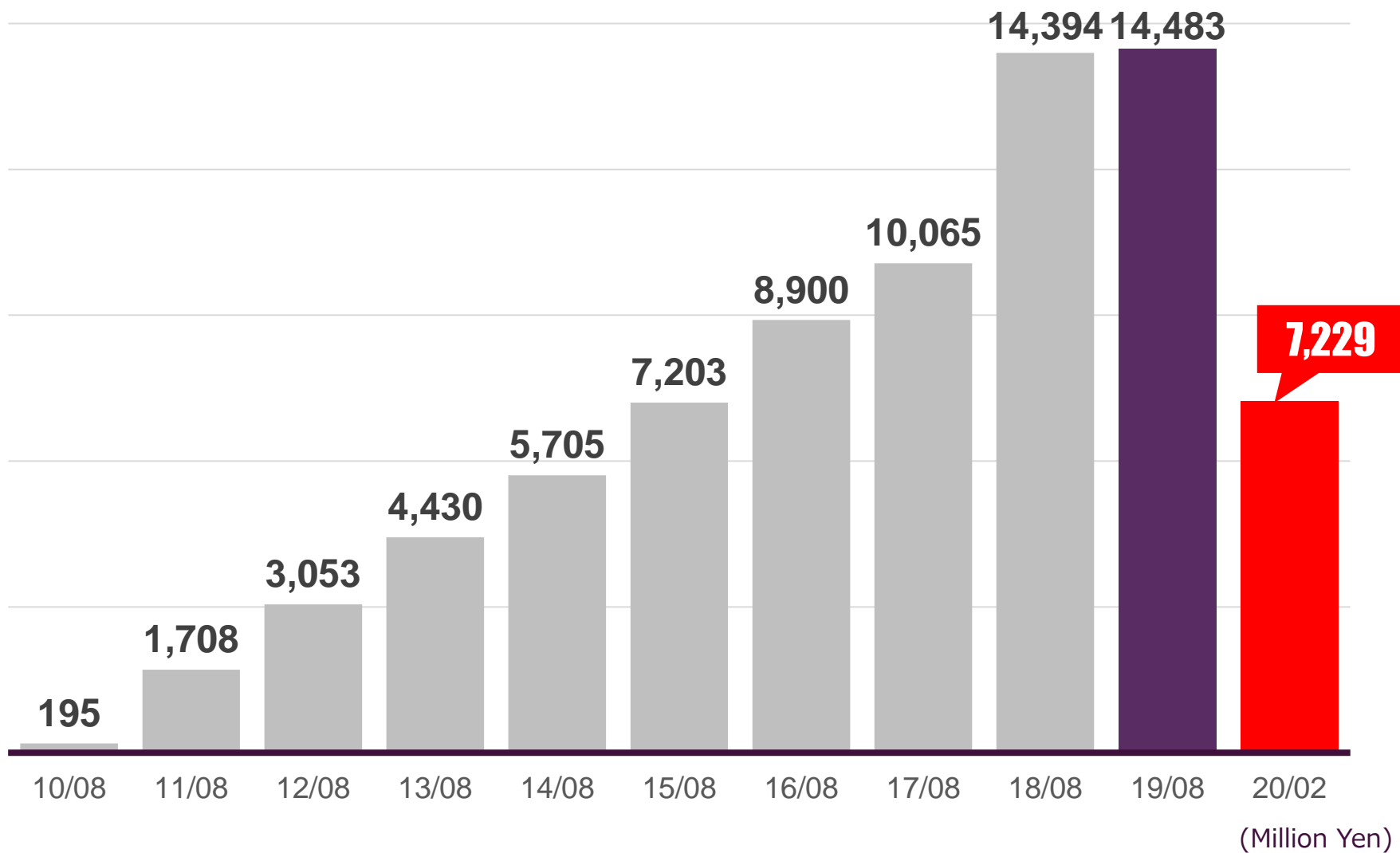


10/08	11/08	12/08	13/08	14/08	15/08	16/08	17/08	18/08	19/08	20/02
19,867	26,158	33,016	40,449	46,462	52,262	58,991	64,173	70,059	70,241	35,416

Growth of Merchandise Sales

Reference
Data

49

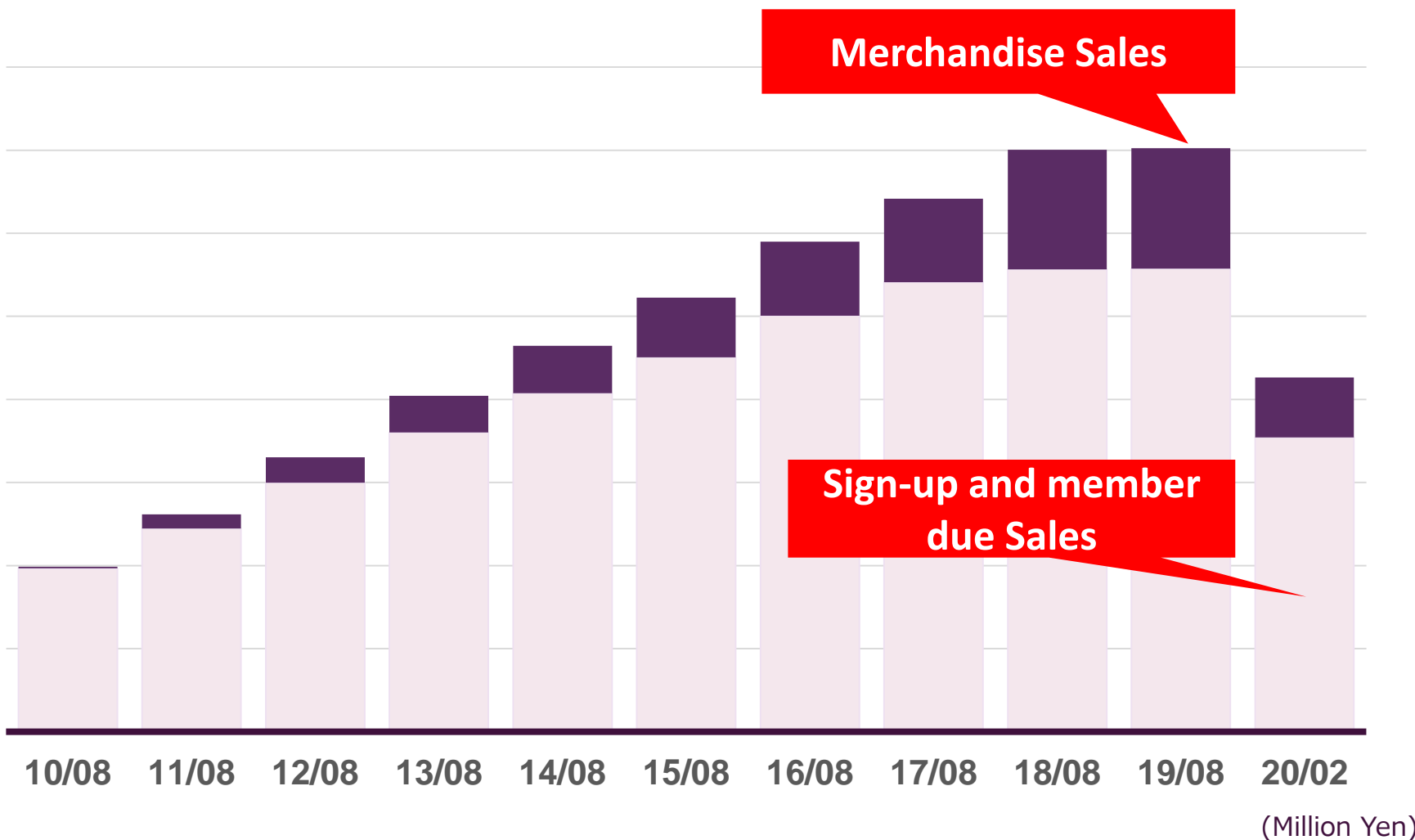


10/08	11/08	12/08	13/08	14/08	15/08	16/08	17/08	18/08	19/08	20/02
195	1,708	3,053	4,430	5,705	7,203	8,900	10,065	14,394	14,483	7,229

Breakdown of Chain-wide Sales

Reference
Data

50



10/08	11/08	12/08	13/08	14/08	15/08	16/08	17/08	18/08	19/08	20/02
195	1,708	3,053	4,430	5,705	7,203	8,900	10,065	14,394	14,483	7,229
19,672	24,450	29,963	36,019	40,757	45,059	50,091	54,108	55,665	55,758	28,187

The company has decided to cancel the onsite briefing of the operations results for the 1st half of the current fiscal year in response to the Coronavirus outbreak. We sincerely apologize for the inconvenience to those of you who had planned to participate.

The video of the briefing of the operations results for the 1st Half of the FY 8/2020 will be posted on our website.

For inquiries relating to the operations results of the period, please contact us to the following e-mail address from the inquiry page on our website.

Please refer to our website for answers to some frequently asked questions.

▶ IR Contact

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