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For Immediate Release

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Notice Concerning Differences between Financial Forecasts and Results for the First Six Months of the Fiscal Year Ending August 31, 2022

The Company hereby announces differences that have arisen between the consolidated earnings forecasts for the first six months of the fiscal year ending August 31, 2022 published on October 8, 2021 and the results released today.

1. Differences between consolidated financial forecasts for the first six months of the fiscal year ending August 31, 2022 and the results (September 1, 2021 to February 28, 2022)

(Million yen / %)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent	Earnings per share
Previous forecasts (A)	13,050	1,400	1,380	899	9.58 yen
Actual results (B)	13,443	1,729	1,850	1,207	12.90 yen
Change (B - A)	393	329	470	308	3.32 yen
Change (%)	3.0	23.5	34.1	34.3	34.7
(Reference) Results for the previous fiscal year (Six months ended February 28, 2021)	11,891	871	669	347	3.70 yen

(Reason for differences)

The Group aims to achieve a business recovery and establish business models in the new management environment by the end of December 2022. It is pursuing strategies positioning the fiscal year ending August 31, 2022 (from September 1, 2021, to August 31, 2022) as the year for ensuring that such goals are achieved.

Consolidated results for the first six months under review (September 1, 2021 to February 28, 2022) are as follows. Thanks to the free trial campaign conducted to solicit new members in the first three months of the fiscal year under review (September 1, 2021 to November 30, 2021), the increase in membership during the said period exceeded the pre-COVID-19 level, reaching a quarterly record high. The increase reflected a gradual recovery in the membership of older seniors (65 years old and above) resulting from the easing tendency towards voluntary restraint, mainly because of rising vaccination rates, as well as the strong results of marketing programs that the Group launched in the previous fiscal year and continued to promote as a priority measure with a focus on younger seniors (50 to 64 years old).

Because of seasonal factors, the number of new members remains low and membership declines during the period

from December through February, or the second quarter for the Company, every year. The increase in the membership during the second quarter of the fiscal year under review (December 1, 2021 to February 28, 2022) was slightly slower than expected due to the enforcement of quasi-emergency measures in some areas in addition to the decline in membership due to seasonal factors. On the other hand, the monthly membership attrition rate was reduced to the pre-COVID-19 level, reflecting service quality improvement measures that the Group continued to take to raise customer satisfaction.

As a result, the number of members increased 25K in net from 693K at the end of the previous fiscal year, totaling 718K (including online members) at the end of the second quarter of the fiscal year under review. The number of members is almost in line with the plan.

In terms of merchandise sales to members, the number of members who entered into subscription contracts increased thanks to the promotion of protein and other products through consultations on daily diet, and sales per customer also rose, reflecting an increase in the number of members who decided to buy new highly functional products instead of items they had been purchasing. As a result, sales of merchandises surpassed expectations.

On the expenses side, the Group invested aggressively in marketing activities such as TV commercials and online advertising with a view toward an early recovery in membership, which the Group set forth as the top priority. Nonetheless, the operating profit ratio was higher than expected chiefly because some anticipated expenses were carried over until the second half and beyond.

Ordinary profit and profit attributable to owners of parent rose due to foreign exchange gains at Curves International, Inc., which did not have any impact on changes in cash, as well as the said increase in operating profit.