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The financial information contained in this report is taken from our unaudited financial statements.

Consolidated Financial Report for the Fiscal Year Ended March 31, 2019 (IFRS)

May 15, 2019

Company name: RIZAP GROUP, Inc.
Stock exchange listing: Sapporo Securities Exchange's Ambitious market
Stock code: 2928
URL: https://ir-english.rizapgroup.com
Representative: Takeshi Seto, Representative Director, President
Contact: Takayuki Kamaya, Executive Officer, Executive General Manager of Corporate Strategy and Planning Department TEL: 81-3-5337-1337
Scheduled date of ordinary shareholders' meeting: June 22, 2019
Scheduled date for filing of annual securities report: June 24, 2019
Scheduled date for commencement of dividend payments: –
Supplementary documents for results: Yes
Results briefing: Yes (for institutional investors, analysts, and news media)

(Millions of yen; amounts are rounded to the nearest million yen)

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2019 (April 1, 2018 to March 31, 2019)

(1) Consolidated Operating Results

(Percentages indicate year-on-year change)

	Revenue		Operating income		Income before income taxes		Net income		Net income attributable to owners of the parent		Total comprehensive income for the period	
		%		%		%		%		%		%
Fiscal year ended March 31, 2019	¥222,500	82.3	¥(9,388)	–	¥(12,398)	–	¥(21,729)	–	¥(19,393)	–	¥(21,498)	–
Fiscal year ended March 31, 2018	¥122,063	–	¥11,780	–	¥10,282	–	¥10,566	35.4	¥9,075	18.2	¥10,472	29.0

	Basic earnings per share	Diluted earnings per share	Return on equity attributable to owners of the parent	Net income before tax to total assets	Ratio of operating income to revenue
	Yen	Yen	%	%	%
Fiscal year ended March 31, 2019	(35.49)	(35.49)	(54.9)	(7.0)	(4.2)
Fiscal year ended March 31, 2018	17.80	17.80	40.1	7.6	9.7

(Reference) Share of profit (loss) of investments accounted for using the equity method Fiscal year ended March 31, 2019: None; Fiscal year ended March 31, 2018: ¥(61) million

* The Company conducted a capital increase by public offering (20,270,000 shares) on the payment date of June 13, 2018 and a third-party allotment (2,967,200 shares) on the payment date of July 13, 2018.
* The Company split the common stock at the ratio of 1 to 2 on the effective dates of October 1, 2017 and August 1, 2018. Accordingly, basic earnings per share and diluted earnings per share were calculated based on the assumption that the said stock split was conducted at the beginning of the previous consolidated fiscal year.
* The Company finalized the provisional account processing in relation to the business combinations during the tree-month period ended September 30, 2018 and three-month period ended March 31, 2019, and reflected the information after the finalization of the said provisional account processing for the fiscal year ended March 31, 2018.
* The Company categorized the businesses of its subsidiaries Japan Gateway Co., Ltd. and Tatsumi Planning Co., Ltd. as discontinued operations in the fiscal year under review. As a result, the amounts of revenue, operating income, and income before income taxes represent the amounts of continuing operations after excluding the discontinued operations.

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of the parent	Percentage of equity attributable to owners of the parent	Equity attributable to owners of the parent per share
				%	Yen
As of March 31, 2019	¥180,306	¥54,791	¥42,396	23.5	77.59
As of March 31, 2018	¥174,264	¥42,707	¥28,226	16.2	55.37

* The Company finalized the provisional account processing in relation to the business combinations during the tree-month period ended September 30, 2018 and three-month period ended March 31, 2019, and reflected the information after the finalization of the said provisional account processing for the fiscal year ended March 31, 2018.

(3) Consolidated Cash Flows

	Operating activities	Investing activities	Financing activities	Cash and cash equivalents at end of year
Fiscal year ended March 31, 2019	¥(10,429)	¥(7,708)	¥18,684	¥44,172
Fiscal year ended March 31, 2018	¥87	¥(3,495)	¥22,725	¥43,630

2. Dividends

	Annual dividends					Annual total of dividend	Payout ratio (Consolidated)	Dividend on equity attributable to owners of the parent (Consolidated)
	First quarter	Second quarter	Third quarter	Fourth quarter	Total			
	Yen	Yen	Yen	Yen	Yen		%	%
Fiscal year ended March 31, 2018	–	0.00	–	7.30	7.30	¥1,860	20.5	12.0
Fiscal year ended March 31, 2019	–	0.00	–	0.00	0.00	–	–	–
Fiscal year ending March 31, 2020 (Forecasts)	–	0.00	–	1.00	1.00		111.2	

3. Forecasts on the Consolidated Results for the Fiscal Year Ending March 31, 2020 (April 1, 2019 to March 31, 2020)

(Percentages indicate year-on-year change)

	Revenue		Operating income		Income before income taxes		Net income		Net income attributable to owners of the parent		Basic earnings per share
		%		%		Yen		%		%	Yen
Full year ending March 31, 2020	¥225,000	1.1	¥3,200	–	¥1,800	–	¥700	–	¥500	–	0.90

The impact of the application of IFRS 16 is currently being assessed and is therefore not taken into consideration.

* Notes

(1) Significant changes in scope of consolidation (change in scope of consolidation of specified subsidiaries): Yes
Newly consolidated: Five companies (SHICATA CO., Shonan Bellmare Co., Ltd., ISSHIN WATCH Corp., Onko Inc., Sohken Homes Co., Ltd.)
Excluded from consolidation: None

(2) Changes in accounting policies and changes in accounting estimates
1. Changes in accounting policies required by IFRS: Yes
2. Changes in accounting policies other than 1.: No
3. Changes in accounting estimates: Yes

(3) Number of outstanding shares (common stock)
[1] Number of outstanding shares including treasury stock:
As of March 31, 2019 556,218,400 shares
As of March 31, 2018 509,744,000 shares
[2] Number of shares of treasury stock:
As of March 31, 2019 932 shares
As of March 31, 2018 932 shares
[3] Average number of shares during the period (April-September):
As of March 31, 2019 546,434,829 shares
As of March 31, 2018 509,743,276 shares

* The Company conducted a capital increase by public offering (20,270,000 shares) on the payment date of June 13, 2018 and a third-party allotment (2,967,200 shares) on the payment date of July 13, 2018.

* The Company split the common stock at the ratio of 1 to 2 on the effective dates of October 1, 2017 and August 1, 2018. Accordingly, the number of outstanding shares (common shares) is calculated based on the assumption that the said stock split was conducted at the beginning of the previous consolidated fiscal year.

* Consolidated financial summaries are not subject to audit by a certified public accountant or an audit corporation.

* Explanation about the proper use of results forecasts, and additional information
The forward-looking statements such as results forecasts included in this document are based on the information available to the Company at the time of the announcement and certain assumptions that are considered reasonable. Actual results may differ materially depending on a range of factors.

(Method of obtaining the information of the financial results briefing)
The Company plans to hold a briefing for institutional investors, analysts, and news media on May 15, 2019 (Wednesday). The video of the briefing will be distributed live and, together with the materials of the financial results briefing used, will be uploaded onto the website of the Company after the briefing.

(Appendix)

Contents

The Company will hold a briefing for institutional investors, analysts, and news media on May 15, 2019, at which this consolidated financial report will be announced. The materials distributed at the financial results briefing will be uploaded on the website of the Company immediately after the briefing.

In addition to the above briefing, the Company holds briefings on its business and financial performance for individual investors as appropriate. Please refer to the Company’s website for the schedules and other information about the briefings.

1. Analysis of Operating Results and Financial Position

(1) Analysis of Operating Results

The Company categorized the businesses of its subsidiaries Japan Gateway Co., Ltd. and Tatsumi Planning Co., Ltd. as discontinued operations in the fiscal year under review. Consequently, the revenue, operating income, income before income taxes, and other items represent the amounts of continuing operations, and the above businesses (discontinued operations) are separated from the continuing operations as net income (net income attributable to owners of the parent) of discontinued operations.

In the previous fiscal year, the Company undertook provisional accounting treatment of the business combination with GORIN Inc. that was implemented in August 2017 and the business combination with SANKEI LIVING SHIMBUN Inc. that was implemented in March 2018. The treatments of these transactions were finalized in the second and fourth quarters of the fiscal year under review, respectively. Accordingly, retroactive adjustments have been made.

The Company applies the above process to present, compare, and analyze the numerical values for the consolidated fiscal year under review and the previous fiscal year.

During the fiscal year under review, the Japanese economy slowly recovered while employment and income conditions and consumer spending picked up against a background of continued strength in corporate earnings. On the other hand, it is necessary to pay attention to uncertainties in overseas economies due in part to the impact of trade issues and the future outlook of China's economy.

In this business environment, RIZAP GROUP, Inc. (the "Company") posted a significant operating loss during the first half partly due to the management reorganization behind the initial plan, mainly in the companies and businesses that were included in the Group in the past year, such as WonderCorporation, Japan Gateway Co., Ltd., SANKEI LIVING SHIMBUN Inc., PADO, and Tatsumi Planning Co., Ltd., as announced in the consolidated financial report, and also due in part to the posting of non-recurring loss, including impairment loss of inventory, unprofitable business and cost related to structural reforms. Therefore, the Company implements initiatives for structural reform toward the sustainable growth of the Group, including the early completion of management reorganization of the companies and businesses in the Group, changes to the strong management structure, selection and concentration of businesses, general freezing of new mergers and acquisitions and concentration of management resources on the growth businesses.

In the fourth quarter of the fiscal year under review, the Company posted additional expenses totaling ¥9.3 billion to complete urgently-needed structural reforms at an early stage, strengthen the Company's management foundation for sustainable growth, and turn a profit in the fiscal year ending March 2020. The amount includes approximately ¥4.0 billion for strategic store closures and other measures, approximately ¥4.0 billion for a decrease in inventory valuation, particularly of video and music software, and approximately ¥1.3 billion for the goodwill impairment of Auntie Rosa Co., Ltd., which offers women's apparel, and several other companies and other losses.

As part of its selection and concentration of businesses, the Company considered the reduction, withdrawal, or sale of businesses facing difficulty in recovering investments and improving profitability within a short period of time and businesses from which the initially expected group synergy is not likely to be created. In the third quarter of the fiscal year under review, the Company split and incorporated the entertainment business of SD ENTERTAINMENT, Inc. and sold the new company. Consequently, SD ENTERTAINMENT is set to concentrate its management resources in the wellness business, primarily operating fitness gyms, from which is expected to create synergy with the Group. Additionally, in the fourth quarter of the fiscal year under review, the Company sold Japan Gateway Co., Ltd., which develops and sells hair care, body care, and facial care products, and passed a resolution to split and incorporate the detached housing and renovation business of Tatsumi Planning Co., Ltd., which operates a detached housing and renovation business and an environment and energy business, transfer the business to the new company, and sell all the shares of the new company.

After joining the Group in December 2017, Japan Gateway Co., Ltd. had been marketing and actively promoting new products; however, it failed to reach its sales targets and incurred an operating loss in the first nine months of the fiscal year under review. The Company therefore decided to sell Japan Gateway.

Since joining the Group in February 2016, Tatsumi Planning Co., Ltd. has been the core company in the Group's Lifestyle segment, primarily operating the detached housing business, which is recognized for its superior design and performance. Due to a steep rise in labor, material, and other expenses, however, Tatsumi Planning Co., Ltd. incurred an operating loss in the first nine months of the fiscal year under review, and the Company therefore passed a resolution to split and incorporate the above business and sell all the shares of the new company. As noted earlier, Japan Gateway Co., Ltd. and Tatsumi Planning Co., Ltd. are categorized as discontinued operations.

As a result, the Group posted consolidated revenue of ¥222,500 million, compared with ¥122,063 million in the previous fiscal year (up 82.3% year-on-year). The Company's consolidated operating loss was ¥9,388 million, compared with operating income of ¥11,780 million in the previous fiscal year, and its loss attributable to owners of the parent was ¥19,393 million, compared with profit attributable to owners of the parent of ¥9,075 million in the previous fiscal year.

A summary of business by segment is as shown below.

(Beauty and Healthcare)

In the RIZAP businesses, prior investment was made into the active opening of new studios and advertising, among other initiatives, in the RIZAP personal training gym and the new businesses RIZAP GOLF and RIZAP ENGLISH. Owing to this, the number of members increased progressively and the business expanded steadily. In addition to the one-to-one service that the Company has provided, new one-to-many services are also actively provided, including women-only muscle diet studio EXPA, which utilizes RIZAP's method, and programs for corporations and local government. As described above, not only the growth of the main body making business but also the launch of a range of new businesses will be achieved in order to diversify revenues.

With respect to MRK HOLDINGS INC., strong results were achieved with increases in both revenue and operating income in the second half, due in part to the contribution of prior investments to revenue, including the opening of new stores, the relocation and renovation of existing stores, and the hiring of a body stylist, which were actively conducted starting this consolidated fiscal year, the improvement of gross profit through the establishment of a stable supply system of the mainstay product Curvaceous, and cost reduction by revamping advertising expenses and sales promotion expenses. In the second half of the fiscal year under review, MRK HOLDINGS INC. posted the highest operating income after the change of the accounting period in the fiscal year ended March 2013, but failed to recover from the loss in the first half. During the fiscal year, MRK HOLDINGS INC. posted an increase in revenue and a decline in operating income.

With respect to SD ENTERTAINMENT, as stated above, the company sold the entertainment business during the third quarter, positioning the wellness business as the new core business for the concentration of its management resources.

As a result, in the Beauty and Healthcare segment, revenue was ¥77,280 million (up 26.2% year-on-year as compared with ¥61,251 million for the previous fiscal year), and operating income was ¥1,136 million (down 82.2% year-on year as compared with ¥6,388 million for the previous fiscal year).

(Lifestyle)

With respect to IDEA INTERNATIONAL, in the interior goods business, the sales of the BRUNO interior goods brand, whose main products are kitchen goods, and the MILESTO travel goods brand were strong. In April 2018, SHICATA, which undertakes the planning and manufacturing of bags, among other business, was turned into a consolidated subsidiary and the sales of the said company were included in the scope of consolidation. As a result, revenue and operating income continued to be favorable.

HAPiNS continued aggressively opening new stores under the new brand, HAPiNS, from the previous fiscal year. It changed products and assortments to narrow down the target products, which allowed HAPiNS to focus on promoting strategic products and enhancing the efficiency of store operations such as product supplementation and inventory management. Revenue growth was achieved as a result; however, a decline in gross margin was caused by the initial investment cost for new store openings and discounts, which resulted in a decrease in operating income.

With respect to JEANS MATE, the gross profit margin and the SG&A to sales ratio improved significantly, as the effects of the improvement of the mark-up, the restraint of price reductions, discounts, and cost reductions were seen. In addition, there were hot-selling products as a result of initiatives for changing the method of promoting each product by ranking the products offered. Initiatives were taken to expand the range of brands that are popular among foreign tourists and the range of settlement services in response to the demand from foreign tourists to Japan, and the scrap and build of stores was also implemented. As a result, JEANS MATE achieved a profit as its final result for the first time in 11 periods.

With respect to DREAM VISION, the sales of the main apparel business remained strong due to the improvement of merchandise and product planning, the strengthening of the SPA strategy, the strengthening of the sales strategy by store and other initiatives. In addition, NARACAMICIE JAPAN Co., Ltd. was made into a consolidated subsidiary of the company in the third quarter, and the operations will be expanded. While the jewelry business began turning a profit in the third quarter of the fiscal year under review thanks to improved sales of new products and reduced costs, DREAM VISION was unable to recover the deficit accumulated in the first half of the fiscal year under review. Revenue increased, but income was reduced by the posting of a loss on the impairment of fixed assets as the cost of sustainable growth.

With respect to Marusho hotta, structural reforms were continued. However, mainly due to the measures for reducing the inventory of the Apparel business, both revenue and operating income fell below the level of the same period of a year earlier.

As a result, in the Lifestyle segment, revenue was ¥55,648 million (up 32% year-on-year, as compared with ¥42,163 million for the previous fiscal year) and operating loss was ¥348 million (as compared with operating income of ¥1,150 million for the previous fiscal year).

(Platform)

WonderCorporation became a subsidiary of the Company in March 2018. It is transforming itself into a highly profitable hybrid store by, for instance, taking advantage of the range of merchandise and services offered by the Group and introducing new businesses such as TetraFit, which is entertainment fitness in the dark, and Ganryu trading card stores. The WonderREX business (reuse) remains strong. To achieve further growth, it is working to open stores in large commercial facilities, not only on roadsides in suburbs. The financial results, however, include significant deficits in recurring income and other items due to expenses for structural reforms such as a valuation loss on goods despite a profit being secured at the stage of operating income.

While PADO Corporation incurred a fall in revenue and operating income in the first nine months of the fiscal year under review, the increase in revenue in the second half exceeded that in the first half of the fiscal year, and PADO moved into the black as a result of making Living Pro-Seed, Inc. a subsidiary, an increase in sales per issue of the home edition, the growth of “Affluent” targeted media for wealthy people, cost reductions, and other efforts. As a result, PADO achieved an increase in revenue and operating income in the fiscal year under review.

As a result, in the Platform segment, revenue was ¥91,082 million (up 347.9% year-on-year as compared with ¥20,334 million for the previous fiscal year) and operating loss was ¥5,538 million (as compared with operating income of ¥6,819 million for the previous fiscal year).

In addition, because of internal revenue for transactions among segments of ¥1,510 million and the adjustment of segment income that cannot be allocated to each segment, including administrative department costs of the Company, which is the parent company, of ¥4,638 million, the revenue of the entire Group was ¥222,500 million and the operating loss was ¥9,388 million.

(2) Analysis of Financial Position

a. Overview of assets, liabilities and equity

(Assets)

Total assets increased to ¥180,306 million from the end of the previous fiscal year. Current assets increased to ¥125,306 million from the end of the previous fiscal year. This increase was mainly attributable to inventory growth due to the addition of new subsidiaries and an increase in trade and other receivables, due in part to the addition of RIZAP Co., Ltd., MRK HOLDINGS INC., IDEA INTERNATIONAL CO., LTD., and new subsidiaries. Inventories decreased from the end of the third quarter of the fiscal year under review due to the posting of a valuation loss on goods of WonderCorporation, the sale of Japan Gateway Co., Ltd., and the resolution to split and incorporate part of the business of Tatsumi Planning Co., Ltd., transfer the business to the new company, and sell all the shares of the new company. Non-current assets decreased to ¥55,270 million from the end of the previous fiscal year. This increase was mainly attributable to a rise in deferred tax assets and an increase in intangible assets due to the addition of new subsidiaries, which more than offset a decrease in goodwill due to the reduction of the goodwill of Tatsumi Planning Co., Ltd., Auntie Rosa, and other companies that was implemented in the fourth quarter of the fiscal year under review.

Total assets decreased from the end of the third quarter of the fiscal year under review, largely due to a fall in inventories, trade and other receivables, and goodwill.

(Liabilities)

Total liabilities decreased to ¥125,514 million from the end of the previous fiscal year.

Current liabilities increased to ¥82,509 million from the end of the previous fiscal year. This was mainly attributable to an increase in trade and other payables due to the addition of new subsidiaries and the business expansion of group companies and an increase in provisions chiefly for shareholder benefit programs, which more than offset a decrease in interest-bearing debts due to the repayment of borrowings.

Non-current liabilities decreased to ¥43,005 million from the end of the previous fiscal year. This was mainly attributable to a decrease in interest-bearing debts of the Company and SD ENTERTAINMENT due to the repayment of borrowings.

(Equity)

Total equity increased to ¥54,791 million from the end of the previous fiscal year. This was mainly attributable to increases in capital stock and capital surplus due to the capital increase by public offering and third-party allotment that the Company conducted during the six-month period ended September 30, 2018 (the "first half"), which were more than offset by a decrease in retained earnings.

b. Overview of cash flows

In the fiscal year under review, the balance of cash and cash equivalents ("cash") increased ¥541 million compared to the end of the previous fiscal year, to ¥44,172 million.

The details of increases and decreases in respective cash flows and major contributing factors are as follows.

(Cash flows from operating activities)

Cash used in operating activities in the fiscal year under review was ¥10,429 million (cash provided of ¥87 million in the same period of the previous year). This was caused primarily by the impairment loss of ¥6,282 million posted by SD ENTERTAINMENT, WonderCorporation, and other businesses, as well as depreciation of ¥4,496 million. The main factors contributing to the decrease included a loss before tax of ¥12,398 million on continuing operations and a loss before tax of ¥7,764 million on discontinued operations.

(Cash flows from investing activities)

There was a decrease in cash from investing activities of ¥7,708 million (a decrease of ¥3,495 million in the previous year). The main factors contributing to the increase included proceeds from the sale of property, plant and equipment held by SD ENTERTAINMENT amounting to ¥1,840 million yen. This was mainly due to expenditure of ¥5,426 million for the acquisition of the subsidiaries, including SHICATA, and expenditure of ¥4,927 million due to the purchase of property, plant, and equipment in relation to new store openings for the RIZAP businesses and those of HAPiNS and MRK HOLDINGS INC.

(Cash flows from financing activities)

There was an increase in cash of ¥18,684 million from financing activities (an increase of ¥22,725 million in the previous year). The main factor contributing to the increase was proceeds of ¥35,480 million from shares issued through the public offering and third-party allotment in the first half. The main factors for the decrease were expenditures of ¥17,421 million for the repayment of long-term loans payable for SD ENTERTAINMENT and the Company and ¥3,561 million for the redemption of bonds.

(3) Basic Policy for Profit Distribution and Dividends for the Fiscal Year under Review and the Next Fiscal Year

a. Policy for Decisions on Distribution of Retained Earnings, etc.

The Company positions profit distribution as a management task of the utmost importance and strives to secure stable profit, ensure that the Company's financial position is sound, strengthen its management foundations, and return profit to its shareholders. While the Company has previously followed the dividend policy of targeting 20% of net income attributable to owners of the parent as the annual dividend payout ratio, it has decided to change the policy to one for determining whether to pay dividends and the amount of annual dividends by examining the Company's management performance, financial affairs, and cash flow position in order to establish a strong management base with the aim of stably increasing the dividends paid to shareholders.

b. Status of dividends of surplus

The financial results for the fiscal year under review are presented in "(1) Analysis of Operating Results" under "1. Analysis of Operating Results and Financial Position" on page 2., the Company recorded a significant loss due to the structural reform for sustainable growth of the Group. Therefore, the Company already announced on November 14, 2018, its plan not to pay a dividend for the dividends of surplus with the record date of March 31, 2019.

For the next fiscal year, the Company now has a certain outlook for the structural reforms and expects to return to profitability. For this reason, the Company announced a dividend forecast of the resumption of a dividend of 1.0 yen per share based on the above policy.

(4) Information on the Future Outlook

As previously described, the Company implements initiatives for structural reform toward the sustainable growth of the Group, including the early completion of management reorganization of the companies and businesses in the Group, changes to the strong management structure, selection and concentration of businesses, general freezing of new mergers and acquisitions and concentration of management resources on the growth businesses. As a result, the Company posted a significant loss. Meanwhile, the Company considers that urgently-needed structural reforms have been completed and, through the implementation of these measures, it has made steady progress in strengthening the foundation for its management to achieve sustainable growth in the next and subsequent fiscal years.

As for the financial forecasts for the fiscal year ending March 2020, the Company expects to earn operating income of ¥3.2 billion. The Company plans to achieve this through the absence of the expenses for structural reforms totaling approximately ¥9.6 billion posted in the fiscal year ended March 31, 2019, an increase in business profitability, the reduction of the costs and expenses of the Company being a holding company, and other efforts. In addition, the Company will steadily strengthen the Group management system, cash flow management, etc. through the corporate governance system, including the appointment of an outside director to the position of the chairperson of the Board of Directors' meeting, which has already been announced, and will strive to further improve the Company's management base for sustainable growth.

(5) Important Events Regarding Going Concern Assumptions

The Group recognizes the presence of a situation that may cause significant doubts regarding going concern assumptions as a result of recording a significant loss for the fiscal year under review due to the intensive posting of expenses for structural reforms.

However, the Company considers that steady progress in strengthening its management base for sustainable growth has been made by having completed the urgently-needed structural reforms at an early stage.

Furthermore, in terms of funds, the Company signed a commitment line agreement with a financial institution in May 2019, which enables dynamic, stable financing.

This suggests that there are no doubts in terms of the continuity of the Company's business activities, and the Company considers that there are no uncertainties related to the going concern assumptions.

2. Basic Concept of the Selection of Accounting Standards

The Group aims to achieve full-fledged expansion into overseas markets. It adopted the International Financial Reporting Standards (IFRS) in the fiscal year ended March 2017 to increase convenience for shareholders, investors, and other stakeholders in Japan and overseas by improving the international comparability of financial information and increasing information disclosure.

3. Consolidated Financial Statements and Major Notes

(1) Consolidated Statements of Financial Position

(Millions of yen)

	Notes	As of March 31, 2018	As of March 31, 2019
Assets			
Current assets			
Cash and cash equivalents		43,630	42,245
Trade and other receivables		33,019	33,432
Inventories		35,179	36,175
Accrued income taxes		214	338
Other financial assets		607	885
Other current assets		3,962	3,960
Subtotal		116,614	117,037
Assets held for sale		-	7,998
Total current assets		116,614	125,036
Non-current assets			
Property, plant and equipment		29,696	29,028
Goodwill		7,430	4,584
Intangible assets		2,502	3,150
Other financial assets		14,894	14,978
Deferred tax assets		1,878	2,607
Other non-current assets		1,247	921
Total non-current assets		57,650	55,270
Total assets		174,264	180,306

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	39,204	37,425
Interest-bearing debts	33,587	29,266
Income taxes payable	2,167	1,727
Provisions	1,947	2,570
Other financial liabilities	34	5
Other current liabilities	3,701	4,526
Subtotal	80,643	75,523
Liabilities directly associated with assets held for sale	-	6,986
Total current liabilities	80,643	82,509
Non-current liabilities		
Interest-bearing debts	43,197	33,458
Net defined benefit liability	1,771	2,302
Provisions	3,312	4,147
Other financial liabilities	1,594	2,215
Deferred tax liabilities	257	467
Other non-current liabilities	780	413
Total non-current liabilities	50,912	43,005
Total liabilities	131,556	125,514
Equity		
Capital stock	1,400	19,200
Capital surplus	5,436	23,343
Retained earnings	21,231	(549)
Other components of equity	158	402
Total equity attributable to owners of the parent	28,226	42,396
Non-controlling interests	14,481	12,395
Total equity	42,707	54,791
Total liabilities and equity	174,264	180,306

(2) Consolidated Statements of Income or Loss and Consolidated Statements of Comprehensive Income

Consolidated Statements of Income or Loss

(Millions of yen)

	Notes	Fiscal year ended March 31, 2018 (From April 1, 2017 to March 31, 2018)	Fiscal year ended March 31, 2019 (From April 1, 2018 to March 31, 2019)
Continuing operations			
Revenue	2	122,063	222,500
Cost of sales		59,628	124,208
Gross profit		62,434	98,292
Selling, general and administrative expenses		57,995	97,853
Other income		9,654	3,247
Other expenses		2,313	13,075
Operating income (loss)	2	11,780	(9,388)
Finance income		50	101
Finance cost		1,548	3,111
Income (loss) before tax		10,282	(12,398)
Income tax expense		905	1,682
Profit (loss) from continuing operations		9,376	(14,081)
Discontinued operations			
Profit (loss) from discontinued operations	4	1,189	(7,648)
Net income (loss)		10,566	(21,729)
Net income (loss) attributable to:			
Owners of the parent		9,075	(19,393)
Non-controlling interests		1,491	(2,335)
Net income (loss)		10,566	(21,729)
Earnings per share			
Basic earnings per share (yen)			
Continuing operations	5	15.49	(21.57)
Discontinued operations	5	2.31	(13.92)
Basic earnings (loss) per share (yen)		17.80	(35.49)
Diluted earnings per share (yen)			
Continuing operations	5	15.49	(21.57)
Discontinued operations	5	2.31	(13.92)
Diluted earnings (loss) per share (yen)		17.80	(35.49)

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Notes	Fiscal year ended March 31, 2018 (From April 1, 2017 to March 31, 2018)	Fiscal year ended March 31, 2019 (From April 1, 2018 to March 31, 2019)
Net income (loss)		10,566	(21,729)
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Equity instruments measured at the fair value through other comprehensive income		(34)	221
Re-measurements of defined benefit obligation		(16)	(9)
Total in the item		(50)	211
Items that may be transferred to profit (loss)			
Exchange differences on translating foreign operations		(43)	19
Total in the item		(43)	19
Total other comprehensive income		(93)	231
Total comprehensive income		10,472	(21,498)
Total comprehensive income attributable to:			
Owners of the parent		9,001	(19,157)
Non-controlling interests		1,471	(2,340)
Total comprehensive income		10,472	(21,498)

(3) Consolidated Statements of Changes in Equity

Fiscal year ended March 31, 2018 (From April 1, 2017 to March 31, 2018)

(Millions of yen)

	Equity attributable to owners of the parent						
	Capital stock	Capital surplus	Retained earnings	Other components of equity	Total	Non-controlling interests	Total equity
Balance on April 1, 2017	1,400	1,692	13,696	228	17,018	4,436	21,454
Net income	-	-	9,075	-	9,075	1,491	10,566
Other comprehensive income	-	-	-	(73)	(73)	(19)	(93)
Total comprehensive income for the period	-	-	9,075	(73)	9,001	1,471	10,472
Dividends of surplus	-	-	(1,541)	-	(1,541)	(19)	(1,561)
Changes due to business combinations	-	-	-	-	-	3,615	3,615
Change in the ownership interests in the subsidiary that does not lead to loss of control	-	3,791	-	-	3,791	4,978	8,769
Share-based payment transactions	-	-	-	3	3	-	3
Other	-	(48)	1	(0)	(46)	-	(46)
Total amount of transactions with owners	-	3,743	(1,540)	3	2,206	8,574	10,780
Balance on March 31, 2018	1,400	5,436	21,231	158	28,226	14,481	42,707

Fiscal year ended March 31, 2019 (From April 1, 2018 to March 31, 2019)

(Millions of yen)

	Equity attributable to owners of the parent						
	Capital stock	Capital surplus	Retained earnings	Other components of equity	Total	Non-controlling interests	Total equity
Balance on April 1, 2018	1,400	5,436	21,231	158	28,226	14,481	42,707
Change of the accounting policy	-	-	(535)	-	(535)	-	(535)
Balance after the revised presentation on April 1, 2018	1,400	5,436	20,695	158	27,690	14,481	42,172
Net income	-	-	(19,393)	-	(19,393)	(2,335)	(21,729)
Other comprehensive income	-	-	-	236	236	(4)	231
Total comprehensive income for the period	-	-	(19,393)	236	(19,157)	(2,340)	(21,498)
Issuance of new shares	17,799	17,705	-	-	35,505	-	35,505
Dividends of surplus	-	-	(1,860)	-	(1,860)	(84)	(1,945)
Changes due to business combinations	-	-	-	-	-	(5)	(5)
Change in the ownership interests in the subsidiary that does not lead to loss of control	-	201	-	-	201	344	545
Share-based payment transactions	-	-	-	7	7	-	7
Other	-	-	9	-	9	-	9
Total amount of transactions with owners	17,799	17,907	(1,851)	7	33,863	254	34,117
Balance on March 31, 2019	19,200	23,343	(549)	402	42,396	12,395	54,791

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal year ended March 31, 2018 (From April 1, 2017 to March 31, 2018)	Fiscal year ended March 31, 2019 (From April 1, 2018 to March 31, 2019)
Cash flows from operating activities		
Income (loss) before tax	10,282	(12,398)
Profit (loss) before tax from discontinued operations	1,590	(7,764)
Depreciation and amortization	2,582	4,496
Impairment loss	300	6,282
Finance income and costs	610	1,844
Change in inventory	(1,493)	595
Change in operating receivables and other receivables	(4,595)	2,840
Change in operating payables and other payables	226	(1,257)
Change in retirement benefit liabilities	(520)	6
Change in provisions	(10)	792
Other	(7,494)	(2,289)
Subtotal	1,478	(6,850)
Interest and dividend income received	16	55
Interest expenses paid	(662)	(871)
Income taxes paid	(1,195)	(3,052)
Income taxes refunded	449	289
Net cash provided by (used in) operating activities	87	(10,429)
Cash flows from investing activities		
Payments into time deposits	(206)	(309)
Proceeds from withdrawal of time deposits	219	323
Purchase of property, plant and equipment	(4,424)	(4,927)
Proceeds from sales of property, plant and equipment	403	1,840
Acquisition of subsidiary	(1,280)	(5,426)
Proceeds from acquisition of subsidiary	4,434	44
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	-	302
Payments for lease and guarantee deposits	(1,155)	(1,053)
Proceeds from collection of lease and guarantee deposits	616	1,314
Payments for transfer of business	(1,792)	-
Proceeds from transfer of business	-	1,475
Other	(310)	(1,293)
Net cash provided by (used in) investing activities	(3,495)	(7,708)

(Millions of yen)

	Fiscal year ended March 31, 2018 (From April 1, 2017 to March 31, 2018)	Fiscal year ended March 31, 2019 (From April 1, 2018 to March 31, 2019)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	2,738	(3,138)
Proceeds from long-term loans payable	24,937	10,149
Repayments of long-term loans payable	(11,385)	(17,421)
Proceeds from issue of bonds, notes and debentures	2,790	271
Redemption of bonds	(2,557)	(3,561)
Repayments of lease obligations	(714)	(1,703)
Proceeds from issuing shares	-	35,480
Proceeds from share issuance to non-controlling interests	8,982	740
Cash dividends paid	(1,540)	(1,858)
Dividends paid to non-controlling interests	(29)	(87)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	-	(185)
Other	(496)	(3)
Net cash provided by (used in) financing activities	22,725	18,684
Effect of exchange rate change on cash and cash equivalents	(35)	(5)
Net increase (decrease) in cash and cash equivalents	19,282	541
Cash and cash equivalents at the beginning of the period	24,643	43,630
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(295)	-
Cash and cash equivalents at the end of the period	43,630	44,172

(5) Notes on Consolidated Financial Statements

a. Significant accounting policy

The important accounting policy that was applied to the preparation of this consolidated financial summary is the same as the accounting policy that was applied to the consolidated financial statements for the previous fiscal year, except for the following.

The Company adopted the following standards in the three-month period ended June 30, 2018 (the "first quarter").

Standard	Name of standard	Summary of new establishment and revision
IFRS 15	Revenue from Contracts with Customers	Revision to the account processing in relation to the recognition of revenues

The Company adopted IFRS 15 "Revenue from Contracts with Customers" (announced in May 2014) and "Clarifications to IFRS 15" (announced in April 2016) (collectively, "IFRS 15") in the first quarter of the fiscal year under review.

In relation to the application of IFRS 15, the following five steps were applied in recognition of revenues, except for interest and dividend income under IFRS 9 "Financial Instruments."

Step 1: Identify contracts with customers.

Step 2: Identify the obligation of performance under the contracts.

Step 3: Calculate the transaction price.

Step 4: Allocate the transaction price to the obligation of performance under the contracts.

Step 5: Recognize revenues at the time of (or with the progress of) the fulfilment of the obligation of performance.

In the adoption of this standard, the method of recognizing the cumulative impact on the date of commencement of application was adopted. As a result, in comparison with the case where the former accounting standards were applied, retained earnings at the beginning of the fiscal year under review, which were stated in the consolidated statements of financial position, decreased ¥535 million. In addition, at the end of the fiscal year under review, trade and other receivables increased ¥617 million, other current liabilities increased ¥1,241 million and retained earnings decreased ¥623 million. In addition, revenue in the fiscal year under review, which is stated in the condensed consolidated statements of income, decreased ¥87 million.

Specific standards for the recognition of revenues are as stated below.

(Beauty and Healthcare)

In the Beauty and Healthcare segment, the management of the RIZAP businesses, including the RIZAP personal training gym and RIZAP GOLF, sales of foundation, beauty goods, cosmetics, health foods, sporting goods and other products, and other businesses are conducted.

The RIZAP businesses assume the obligation to provide the service to the members for the contract period. This performance obligation is fulfilled at the time of providing the service, and thus revenue is recognized at that time.

In sales of foundation, beauty goods, sporting goods and other products, it is judged that the performance obligation is fulfilled at the time of the delivery of the products to customers, and revenue is recognized at that time.

(Lifestyle)

In the Lifestyle segment, planning, development, manufacturing and sales of interior, apparel goods, casual wear, fancy twisted yarn, etc., custom-built home, reform business, and other businesses are conducted.

In any of these businesses, it is judged that the performance obligation is fulfilled at the time of the delivery of the products to customers, and revenue is recognized at that time.

(Platform)

In the Platform segment, the business of retail sales and the reuse of entertainment products and other products, the editing and issue of free newspapers, the publishing business, and other businesses are conducted.

In the business of retail sales and the reuse of entertainment products and other products and the publishing business, it is judged that the performance obligation is fulfilled at the time of the delivery of the products to customers, and revenue is recognized at that time.

In the issue of free newspapers, it is judged that the performance obligation is fulfilled at the time of the issue of the information magazine that contains advertisements, and revenue is recognized at that time.

b. Segment information

(1) Summary of the reporting segments

The reporting segments of the Group were decided based on the constituent units of the Company whose financial information can be obtained and which are the business segments to be regularly reviewed so that the board of directors can decide on the allocation of management resources and evaluate the business performance.

Based on the views described above, the Group previously used the four reporting segments of "Beauty and Healthcare," "Apparel," "Housing Related and Lifestyle" and "Entertainment." However, in the first quarter of the fiscal year under review, these segments were changed to the three segments of "Beauty and Healthcare," "Lifestyle" and "Platform" to link the reporting segments to the strategy of the Group. The details of the business of each segment are as stated below.

- "Beauty and Healthcare" segment: management of the RIZAP businesses, including the RIZAP personal training gym and RIZAP GOLF, sales of foundation, beauty goods, cosmetics, health foods, sporting goods, and other items
- "Lifestyle" segment: planning, development, manufacturing and sales of interior, apparel goods, casual wear, fancy twisted yarn and other products, custom-built house, renovation business, and other business
- "Platform" segment: management of stores in the business of retail sale and reuse of entertainment products and other products, the editing and issue of free newspapers, the publishing business, and other business that constitutes the base of the value chain of the entire Group, such as development, planning, production, marketing, sales, and other operations.

In addition, the segment information for the fiscal year ended March 31, 2018, and the three-month period ended March 31, 2018, was prepared based on the category of the changed reporting segments in the disclosure.

In the fiscal year under review, the Company categorized the businesses of Japan Gateway Co., Ltd. and Tatsumi Planning Co., Ltd. as discontinued operations, having sold the subsidiary Japan Gateway Co., Ltd., and passed a resolution to split and incorporate the detached housing and renovation businesses of Tatsumi Planning Co., Ltd., transfer the business to the new company, and sell all the shares of the new company. Consequently, Japan Gateway Co., Ltd. has been excluded from the Beauty and Healthcare segment and Tatsumi Planning Co., Ltd. has been excluded from the Lifestyle segment.

(2) Information relating to revenues and operating results of the reporting segments

The accounting policy for reporting segments is the same as that of "1. Significant Accounting Policy" in general.

The profits of the reporting segments are the figures based on the operating income. Transactions between the segments are based on the prevailing market price.

Information relating to the revenues and operating results of the reporting segments is as shown below.

Fiscal year ended March 31, 2018 (From April 1, 2017 to March 31, 2018)

(Millions of yen)

	Beauty and Healthcare	Lifestyle	Platform	Total	Adjustment (Note 1)	Amount posted in the consolidated financial statements
Revenue						
Revenue from outside customers	60,722	41,303	20,037	122,063	-	122,063
Revenue from transactions between the segments	528	859	297	1,686	(1,686)	-
Total	61,251	42,163	20,334	123,749	(1,686)	122,063
Segment income (loss)	6,388	1,150	6,819	14,358	(2,578)	11,780
Finance income	-	-	-	-	-	50
Finance costs	-	-	-	-	-	1,548
Income before tax	-	-	-	-	-	10,282

(Notes) 1. Revenue from transactions between the segments and segment profit (loss) are attributable to the elimination of transactions among the segments or the head office expenses not allocated to each reporting segment.

2. The Company finalized the provisional account processing in relation to the business combinations during the three month period ended September 30, 2017 and March 31, 2018, and reflected the information after the finalization of the said provisional account processing for the fiscal year ended March 31, 2018.

Fiscal year ended March 31, 2019 (From April 1, 2018 to March 31, 2019)

(Millions of yen)

	Beauty and Healthcare	Lifestyle	Platform	Total	Adjustment (Note 1)	Amount posted in the consolidated financial statements
Revenue						
Revenue from outside customers	76,636	55,174	90,689	222,500	-	222,500
Revenue from transactions between the segments	643	474	392	1,510	(1,510)	-
Total	77,280	55,648	91,082	224,011	(1,510)	222,500
Segment income (loss)	1,136	(348)	(5,538)	(4,750)	(4,638)	(9,388)
Finance income	-	-	-	-	-	101
Finance costs	-	-	-	-	-	3,111
Income before tax	-	-	-	-	-	(12,398)

(Note) 1. Revenue from transactions between the segments and segment profit (loss) are attributable to the elimination of transactions among the segments or the head office expenses not allocated to each reporting segment.

c. Business combination and acquisition of non-controlling interest, among other matters

For the fiscal year ended March 31, 2018 (From April 1, 2017 to March 31, 2018)

(1) Business combination by acquisition

1) TRECENTI, Inc.

DREAM VISION CO., LTD., a subsidiary of the Group, acquired the shares of TRECENTI, Inc. which engages in the retail sale of jewelry from Nissen Holdings Co., Ltd. and changed it into its subsidiary at the meeting of the board of directors held on April 28, 2017.

(a) Outline of the business combination

i) Name and business of the company acquired

Name of acquiree: TRECENTI, Inc.

Business description: retail sale of jewelry

ii) Main reasons for the business combination

By taking advantage of the expertise in web advertising and the operation of e-commerce sites of Dream Vision Co., Ltd., it is expected that the structure of customer attraction of TRECENTI, Inc. will be improved and the number of customers and sales will increase.

In addition, the member customers of DREAM VISION CO., LTD., which is about 1.6 million people with a high percentage of unmarried people based on their age groups, will include prospective customers who may become customers of TRECENTI, Inc. By considering mutual customer transfers and other measures, synergy effects will be produced.

iii) Date of the business combination April 28, 2017

iv) Legal form of the business combination

Stock acquisition in consideration for cash

v) Name after the business combination

TRECENTI, Inc.

vi) Percentage share of voting rights acquired 100.0%*

* DREAM VISION CO., LTD. acquired all the shares with voting rights of TRECENTI, Inc. in consideration for cash.

vii) Major grounds for the decision of the acquiring company

Because the stock was acquired in consideration for cash in the business combination, the company that delivered the cash (DREAM VISION CO., LTD.) is the acquiring company.

(b) Payment for acquisition and its breakdown

(Millions of yen)

Price	Amounts
Cash	0
Total	0

(Notes) 1. Acquisition-related costs of ¥19 million arising from the business combination are recognized in "Other expenses."
2. There is no contingent consideration.

(c) Fair value, non-controlling interests and goodwill of acquired assets and acceptance liabilities on the date of acquisition

(Millions of yen)

Item	Amounts
Current assets (Notes 1, 2)	690
Non-current assets	133
Current liabilities	673
Non-current liabilities	143
Net assets	7
Consolidated revision	561
Goodwill (gain on discount purchase) (Note 3)	(569)

(Notes) 1. Cash and deposits of ¥31 million are included.
2. Fair value of receivables acquired, contractual amounts receivable and estimated loss:
With respect to the fair value of the acquired operating receivables and other receivables, which is ¥22 million, the total contractual amount is ¥22 million, and there is no contractual cash flow that will be uncollectible.
3. Goodwill: The net assets measured at the fair value exceed the consideration paid, and thus there is gain on discount purchase. It is included in "other income" of the consolidated statements of income in the presentation.

(d) Impact on the operating results of the Group

The operating results of TRECENTI, Inc. from the date of acquisition that is included in the consolidated statements of income for the fiscal year ended March 31, 2018 are as shown below.

(Millions of yen)

	Fiscal year ended March 31, 2018
Revenue	859
Profit (loss)	(34)

2) MARUSYOHOTTA CO., LTD.

(a) Outline of the business combination

i) Name and business of the company acquired

Name of acquiree: MARUSYOHOTTA CO., LTD.

Business description: manufacture/ wholesale of Western clothing and other products and manufacture/ sale of fancy twisted yarn

ii) Main reasons for the business combination

Because it was judged that in the business of fancy twisted yarn and the business of Western clothing, among other business, of MARUSYOHOTTA CO., LTD., by taking charge of the manufacturing department of the SPA (manufacture and retail sale) model of the Group that had multiple apparel retailers under its umbrella, a contribution would be made to increase sales of MARUSYOHOTTA CO., LTD. and increase the profit of the Group.

iii) Date of the business combination June 28, 2017

iv) Legal form of the business combination

Subscription of shares by capital increase by third-party allotment

v) Name after the business combination

MARUSYOHOTTA CO., LTD.

vi) Percentage share of voting rights acquired

62.3%

vii) Major grounds for the decision of the acquiring company

Because the stock was acquired in consideration for cash in the business combination, the company that delivered the cash (the Company) is the acquiring company.

(b) Payment for acquisition and its breakdown

(Millions of yen)

Price	Amounts
Cash	1,925
Total	1,925

(Notes) 1. Acquisition-related costs of ¥12 million arising from the business combination are recognized in "Other expenses."
2. There is no contingent consideration.

(c) Fair value, non-controlling interests and goodwill of acquired assets and acceptance liabilities on the date of acquisition

(Millions of yen)

Item	Amounts
Current assets (Notes 1, 2)	5,277
Non-current assets	941
Current liabilities	1,551
Non-current liabilities	59
Net assets	4,608
Non-controlling interests (Note 3)	(1,168)
Goodwill (gain on discount purchase) (Note 4)	(1,514)

(Notes) 1. Cash and cash equivalents of ¥1,866 million are included.
2. Fair value of receivables acquired, contractual amounts receivable and estimated loss:
With respect to the fair value of the acquired operating receivables and other receivables, which is ¥1,318 million, the total contractual amount is ¥1,339 million, and the contractual cash flow that will be uncollectible is estimated at ¥21 million as of the date of acquisition.
3. Non-controlling interests: The fair value of non-controlling interests is calculated comprehensively considering the financial/ assets situations and the corporate valuation, among other factors, thoroughly investigated through due diligence by a third party.
4. Goodwill: The net assets measured at the fair value exceed the consideration paid, and thus there is gain on discount purchase. It is included in "other income" of the condensed consolidated statements of income in the presentation.

(d) Impact on the operating results of the Group

The operating results of MARUSHOHOTTA CO., LTD. from the date of acquisition that is included in the consolidated statements of income for the fiscal year ended March 31, 2018 are as shown below.

(Millions of yen)

	Fiscal year ended March 31, 2018
Revenue	5,905
Profit	126

3) GORIN Inc.

(a) Outline of the business combination

i) Name and business of the company acquired

Name of acquiree: GORIN Inc. and GORIN Packing Inc., PHILIPPINE ADVANCED PROCESSING TECHNOLOGY, INC. and other one company

Note: On August 10, 2017, the trade name was changed from GORIN Packing Inc. (SPC) to GORIN Inc.

Business description: Processing and sale of electrical parts and manufacturing and sale of various types of packing in Japan and abroad)

ii) Main reasons for the business combination

The Company has begun to build the SPA model (business model of the manufacturing and retail business) for the total process from materials development, planning/production upstream to sales downstream as part of the initiatives for increasing competitiveness through the realization of synergies of the Group on a global scale. To strengthen these initiatives and accelerate the growth of the entire Group in the future, the Company considered business partners with production bases abroad.

The Company judges that by acquiring the shares of GORIN Inc., the business operations of this company will be expanded as a strategic important subsidiary under the policy for strengthening the Group's overseas production system, and that this expansion will therefore lead to an increase in competitiveness and the further growth of the entire Group.

iii) Date of the business combination August 10, 2017

iv) Legal form of the business combination

Stock acquisition in consideration for cash

v) Name after the business combination

GORIN Inc.

vi) Percentage share of voting rights acquired 100.0%

vii) Major grounds for the decision of the acquiring company

Because the stock was acquired in consideration for cash in the business combination, the company that delivered the cash (the Company) is the acquiring company.

(b) Payment for acquisition and its breakdown

(Millions of yen)

Price	Amounts
Cash	1,450
Total	1,450

(Notes) 1. Acquisition-related costs of ¥82 million arising from the business combination are recognized in "Other expenses."
2. There is no contingent consideration.

(c) Fair value, non-controlling interests and goodwill of acquired assets and acceptance liabilities on the date of acquisition

(Millions of yen)

Item	Amounts
Current assets (Notes 1, 2)	2,123
Non-current assets	1,579
Current liabilities	1,665
Non-current liabilities	1,261
Net assets	776
Goodwill (Note 3)	673

(Notes) 1. Cash and cash equivalents of ¥625 million are included.
2. Fair value of receivables acquired, contractual amounts receivable and estimated loss:
With respect to the fair value of the acquired operating receivables and other receivables, which is ¥1,042 million, the total contractual amount is ¥1,048 million, and the contractual cash flow that will be uncollectible is estimated at ¥5 million as of the date of acquisition.
3. Goodwill: The factors that constitute goodwill are mainly synergy effects due to the integration of operating activities, the economies of scale, and intangible assets that do not meet the requirements for individual recognition. Of such goodwill, no amounts are expected to be deductible from taxable income.

(d) Impact on the operating results of the Group

The operating results of GORIN Inc. (consolidated) from the date of acquisition that is included in the consolidated statements of income for the fiscal year ended March 31, 2018 are as shown below.

(Millions of yen)

	Fiscal year ended March 31, 2018
Revenue	1,990
Profit	235

4) B&D Co., Ltd.

RIZAP Co., Ltd., a subsidiary of the Group, resolved to acquire shares of B&D Co., Ltd., which engages in the retail sale of sporting goods from Himaraya Co., Ltd., and change it into a subsidiary at the meeting of the board of directors held on December 20, 2017.

(a) Outline of the business combination

i) Name and business of the company acquired

Name of acquiree: B&D Co., Ltd.

Business description: Retail sale of sporting goods

ii) Main reasons for the business combination

The Company takes steps to strengthen its sports related business against the backdrop of the recent national upsurge in sports and the growing national health consciousness as well as increased initiatives on sports and exercises by local governments for extending healthy life expectancy. As part of these specific steps, RIZAP Co., Ltd., a subsidiary of the Group, was transferred the sporting business from Yamano Holdings Corporation in May 2017 to reinforce the development of functional wear, various gear, goods, and so on, including sports apparel. The Company has thus been reinforcing its efforts for its sports related business as the Group’s growth business.

The Company expected that acquisition of shares of B&D Co., Ltd. and combination of sophisticated services for body development at B&D Co., Ltd. and RIZAP will enable it to establish a new sporting goods store model and boost profitability, and judged that this will contribute to the reinforcement of the Group’s sports related business and expansion of its business scale.

iii) Date of the business combination December 28, 2017

iv) Legal form of the business combination

Stock acquisition in consideration for cash

v) Name after the business combination

B&D Co., Ltd.

vi) Percentage share of voting rights acquired 100.0%*

* RIZAP Co., Ltd. acquired all the shares with voting rights of B&D Co., Ltd. in consideration for cash.

vii) Major grounds for the decision of the acquiring company

Because the stock was acquired in consideration for cash in the business combination, the company that delivered the cash (RIZAP Co., Ltd.) is the acquiring company.

(b) Payment for acquisition and its breakdown

(Millions of yen)

Price	Amounts
Cash	0
Total	0

(Notes) 1. Acquisition-related costs of ¥3 million arising from the business combination are recognized in “Other expenses.”

2. There is no contingent consideration.

(c) Fair value, non-controlling interests and goodwill of acquired assets and acceptance liabilities on the date of acquisition

(Millions of yen)

Item	Amounts
Current assets (Notes 1, 2)	3,076
Non-current assets	526
Current liabilities	2,287

Non-current liabilities	1,076
Net assets	238
Goodwill (gain on discount purchase) (Note 3)	(238)

(Notes) 1. Cash and deposits of ¥492 million are included.
2. Fair value of receivables acquired, contractual amounts receivable and estimated loss:
With respect to the fair value of the acquired operating receivables and other receivables, which is ¥369 million, the total contractual amount is ¥369 million, and there is no contractual cash flow that will be uncollectible.
3. Goodwill: The net assets measured at the fair value exceed the consideration paid, and thus there is gain on discount purchase. It is included in "other income" of the condensed consolidated statements of income in the presentation.

(d) Impact on the operating results of the Group

The operating results of B&D Co., Ltd. from the date of acquisition that is included in the consolidated statements of income for the fiscal year ended March 31, 2018 are as shown below.

(Millions of yen)

	Fiscal year ended March 31, 2018
Revenue	1,335
Profit (loss)	(39)

5) WonderCorporation

(a) Outline of the business combination

i) Name and business of the company acquired

Name of acquiree: WonderCorporation

Business description: Retail and franchising of entertainment products, cosmetics, etc., rental of mobile phones and music and video software, reuse business, and e-commerce

ii) Main reasons for the business combination

WonderCorporation operates more than 300 directly managed and franchise stores in Japan, including WonderGOO, which sells entertainment products, and WonderREX large general reuse stores. The environment surrounding the entertainment retail business has been significantly affected by the spread of mobile phones, however, and WonderCorporation was facing an urgent need to implement drastic reforms.

The Company determined that brand power improvement and the expansion of the customer base of WonderCorporation could be achieved by sharing the extensive experience and knowledge of advertising and marketing that the Company has acquired in its past business operations. The Company also considered that making WonderCorporation its consolidated subsidiary by investing funds acquired through a capital increase by third-party allotment would enable the prompt implementation of a range of measures through the efficient cooperation of the two companies, thereby contributing to the increased corporate value of both companies.

iii) Date of the business combination March 29, 2018

iv) Legal form of the business combination

a) Stock acquisition in consideration for cash

b) Subscription of shares by capital increase by third-party allotment

v) Name after the business combination

WonderCorporation

vi) Percentage share of voting rights acquired

75.1%

vii) Major grounds for the decision of the acquiring company

Because the stock was acquired in consideration for cash in the business combination, the company that delivered the cash (the Company) is the acquiring company.

(b) Payment for acquisition and its breakdown

(Millions of yen)

Price		Amounts
Cash		
a) Stock acquisition in consideration for cash		3,617
b) Subscription of shares by capital increase by third-party allotment		1,653
	Total	5,271

(Notes) 1. Acquisition-related costs of ¥122 million arising from the business combination are recognized in "Other expenses."
2. There is no contingent consideration.

(c) Fair value, non-controlling interests and goodwill of acquired assets and acceptance liabilities on the date of acquisition

(Millions of yen)

Item	Amounts
Current assets (Notes 1, 2)	25,272
Non-current assets	13,650
Current liabilities	20,733
Non-current liabilities	6,691
Net assets	11,498
Non-controlling interests (Note 3)	(2,224)
Goodwill (gain on discount purchase) (Note 4)	(4,002)

(Notes) 1. Cash and cash equivalents of ¥8,078 million are included.
2. Fair value of receivables acquired, contractual amounts receivable and estimated loss:
With respect to the fair value of the acquired operating receivables and other receivables, which is ¥2,173 million, the total contractual amount is ¥2,176 million, and the contractual cash flow that will be uncollectible is estimated at ¥3 million as of the date of acquisition.
3. Non-controlling interests: The fair value of non-controlling interests is calculated comprehensively considering the financial/ assets situations and the corporate valuation, among other factors, thoroughly investigated through due diligence by a third party.
4. Goodwill: The net assets measured at the fair value exceed the consideration paid, and thus there is gain on discount purchase. It is included in "other income" of the condensed consolidated statements of income in the presentation.

(d) Impact on the operating results of the Group

There is no impact on the consolidated statements of income for the fiscal year ended March 31, 2018.

6) Sankei Living Shimbun Inc.

(a) Outline of the business combination

i) Name and business of the company acquired

Name of acquiree: Sankei Living Shimbun Inc.

Business description: Issuance, etc. of Living Shimbun and City Living

ii) Main reasons for the business combination

The Company considers that its foundation for sales can be expanded and its earning ability can be increased by using various free papers provided by Sankei Living Shimbun to improve the Company's marketing function, as well as by using the sales and marketing expertise of the Group.

iii) Date of the business combination

March 30, 2018

iv) Legal form of the business combination

Stock acquisition in consideration for cash

v) Name after the business combination

Sankei Living Shimbun Inc.

vi) Percentage share of voting rights acquired

80.0%

vii) Major grounds for the decision of the acquiring company

Because the stock was acquired in consideration for cash in the business combination, the company that delivered the cash (the Company) is the acquiring company.

(b) Payment for acquisition and its breakdown

(Millions of yen)

Price	Amounts
Cash	1,000
Total	1,000

(Notes) 1. Acquisition-related costs of ¥47 million arising from the business combination are recognized in “Other expenses.”
2. There is no contingent consideration.

(c) Fair value, non-controlling interests and goodwill of acquired assets and acceptance liabilities on the date of acquisition

(Millions of yen)

Item	Amounts
Current assets (Notes 1, 2)	4,582
Non-current assets	997
Current liabilities	1,974
Non-current liabilities	332
Net assets	3,273
Non-controlling interests (Note 3)	(406)
Goodwill (gain on discount purchase) (Note 4)	(1,867)

(Notes) 1. Cash and cash equivalents of ¥2,083 million are included.
2. Fair value of receivables acquired, contractual amounts receivable and estimated loss:
With respect to the fair value of the acquired operating receivables and other receivables, which is ¥2,272 million, the total contractual amount is ¥2,280 million, and the contractual cash flow that will be uncollectible is estimated at ¥7 million as of the date of acquisition.
3. Non-controlling interests: The fair value of non-controlling interests is calculated comprehensively considering the financial/ assets situations and the corporate valuation, among other factors, thoroughly investigated through due diligence by a third party.
4. Goodwill: The net assets measured at the fair value exceed the consideration paid, and thus there is gain on discount purchase. It is included in “other income” of the condensed consolidated statements of income in the presentation.

(d) Impact on the operating results of the Group

There is no impact on the consolidated statements of income for the fiscal year ended March 31, 2018.

(2) Pro forma information

The pro forma information (unaudited information) based on the assumption that the business combination of TRECENTI, Inc., MARUSYOHOTTA CO., LTD., GORIN Inc., B&D Inc., WonderCorporation and Sankei Living Shimbun Inc. was conducted at the beginning of the fiscal year ended March 31, 2019 is not stated because it is difficult to obtain accurate financial figures for these companies prior to their acquisition by the Company.

(3) Transactions under common control, etc.

1) Maruko Co., Ltd., Angeliebe Co., Ltd.

(a) Outline of the business combination

i) Names of parties to the business combination

Name of acquiring company: Maruko Co., Ltd.
Business description: Sales of women’s body shaping underwear, cosmetics, and health food
Name of acquiree: Angeliebe Co., Ltd.
Business description: Mail-order business of selling clothing and everyday goods, etc.

ii) Main reasons for the business combination

Both MARUKO CO., LTD. and Angeliebe Co., Ltd., which was a wholly-owned subsidiary of the Company, target women in their 20s and 30s as their core customers. The reasons for the business combination were that by MARUKO making Angeliebe its subsidiary, it would help achieve a more efficient, close alliance between them, maximize business synergy by using each other’s strengths, and focus on their sustainable growth.

iii) Date of the business combination

March 14, 2018

iv) Legal form of the business combination

Stock acquisition in consideration for cash

v) Name after the business combination

Name of acquiring company: Maruko Co., Ltd.; Name of acquiree: Angeliebe Co., Ltd.

vi) Percentage share of voting rights acquired

Ratio of voting rights after acquisition 100.0%*

* MARUKO acquired all the voting shares of Angeliebe in return for cash.

(b) Payment for acquisition and its breakdown

(Millions of yen)

Price		Amounts
Cash		330
	Total	330

(Notes) 1. Cost of acquisition: The cost of acquisition related to the business combination concerned is not applicable.

2. There is no contingent consideration.

For the fiscal year ended March 31, 2019 (April 1, 2018 to March 31, 2019)

(1) Business combination by acquisition

1) SHICATA CO.

IDEA INTERNATIONAL Co., Ltd., which is a consolidated subsidiary of the Company, resolved to acquire all the shares of SHICATA CO. and turn it into a subsidiary at the meeting of its board of directors held on April 6, 2018.

In addition, IDEA INTERNATIONAL Co., Ltd. acquired the said shares on April 27, 2018.

(a) Outline of the business combination

i) Name and business of the company acquired

Name of acquiree: SHICATA CO.

Business description: Planning/ manufacture of bags (OEM, ODM business), brand business

ii) Main reasons for the business combination

Because IDEA INTERNATIONAL Co., Ltd. judged that by making SHICATA CO. into a wholly owned subsidiary, it would become possible to mutually utilize the bag brand of IDEA INTERNATIONAL Co., Ltd., the expertise of SHICATA CO. relating to the planning/ manufacture/ sale of bags, and the human and physical management resources of both companies, thereby achieving the development of their respective businesses and the further improvement of corporate value.

iii) Date of the business combination April 27, 2018

iv) Legal form of the business combination Stock acquisition in consideration for cash

v) Name after the business combination SHICATA CO.

vi) Percentage share of voting rights acquired 100.0%*

* IDEA INTERNATIONAL Co., Ltd. acquired all the shares with the voting rights of SHICATA CO. in consideration of cash.

vii) Major grounds for the decision of the acquiring company

Because IDEA INTERNATIONAL Co., Ltd. acquired the shares in consideration of cash, the said company is the acquiring company.

(b) Payment for acquisition and its breakdown

(Millions of yen)

Price		Amounts
Cash		1,594
	Total	1,594

(Notes) 1. Acquisition-related costs of ¥4 million arising from the business combination are recognized in “Other expenses.”

2. There is no contingent consideration.

(c) Fair value, non-controlling interests and goodwill of acquired assets and acceptance liabilities on the date of acquisition

(Millions of yen)

Item	Amounts
Current assets (Notes 1, 2)	1,700
Non-current assets	554
Current liabilities	1,167
Non-current liabilities	203
Net assets	883
Goodwill (Note 3)	711

(Notes) 1. Cash and cash equivalents of ¥163 million are included.

2. Fair value of receivables acquired, contractual amounts receivable and estimated loss:
With respect to the fair value of the acquired operating receivables and other receivables, which is ¥1,038 million, the total contractual amount is ¥1,043 million, and the contractual cash flow that will be uncollectible is estimated at ¥4 million as of the date of acquisition.

3. Goodwill: The factors that constitute goodwill are mainly synergy effects due to the integration of operating activities, the economies of scale, and intangible assets that do not meet the requirements for individual recognition. Of such goodwill, no amounts are expected to be deductible from taxable income.

4. The acquisition cost is allocated to the acquired assets and the acceptance liabilities based on the fair value on the date of acquisition of control. The amounts described above are the provisional fair values based on the best estimates at the present time, and thus in the case of valuation with any additional information regarding the facts and situations existing on the date of the acquisition of control, a revision may be made for a year from the date of the acquisition of control.

(d) Impact on the operating results of the Group

The operating results of SHICATA CO. from the date of acquisition that is included in the consolidated statements of income for the fiscal year ended March 31, 2019 are as shown below.

(Millions of yen)

	Fiscal year ended March 31, 2019
Revenue	4,760
Profit	230

2) Establishment of a joint venture and acquisition of the shares of Shonan Bellmare Co., Ltd. by the said joint venture

The Company established a joint venture that is a subsidiary of the Company (K.K. Meldia RIZAP Shonan Sports Partners) together with Sanei Architecture Planning Co., Ltd. for the purpose of the operation of Shonan Bellmare Co., Ltd. The said joint venture, by the underwriting of a capital increase by third-party allotment of Shonan Bellmare Co., Ltd., turned Shonan Bellmare Co., Ltd. into a subsidiary (sub-subsidiary) of the Company.

1. K.K. Meldia RIZAP Shonan Sports Partners

An outline of K.K. Meldia RIZAP Shonan Sports Partners, which is a subsidiary of the Company, is as shown below.

Name	K.K. Meldia RIZAP Shonan Sports Partners
Address	Shinjuku Center Building 32F, 1-25-1, Nishishinjuku, Shinjuku-ku, Tokyo
Title/name of representative	Director and Chairman, Sinzo Koike Representative Director and President, Takeshi Seto
Business description	Performance of soccer and various sporting events and management of the team, among other business
Capital stock	101 million yen
Date of establishment	April 9, 2018
Fiscal year-end	March
Capital contribution ratio	The Company: 49.95% Sanei Architecture Planning Co., Ltd.: 50.05% (Note)

(Note) The shares acquired by Sanei Architecture Planning Co., Ltd. are the shares without voting rights, and thus

K.K. Meldia RIZAP Shonan Sports Partners became a consolidated subsidiary of the Company.

2. Shonan Bellmare Co., Ltd.

(a) Outline of the business combination

i) Name and business of the company acquired

Name of acquiree: Shonan Bellmare Co., Ltd.

Business description: Management of the soccer club, holding/ management of soccer games, planning/ operation/ management of events relating to sports, and other business

ii) Main reasons for the business combination

Because by making investments in Shonan Bellmare Co., Ltd. through K.K. Meldia RIZAP Shonan Sports Partners, the Group will be able to accelerate the growth of the sports area listed for the achievement of the medium-term management plan COMMIT 2020.

iii) Date of the business combination April 27, 2018

iv) Legal form of the business combination Subscription of shares by capital increase by third-party allotment (Note 1)

v) Name after the business combination Shonan Bellmare Co., Ltd.

ⅵ) Percentage share of voting rights acquired 50.0% (Note)

(Note) This percentage of voting rights includes, in addition to the voting rights acquired by the underwriting of shares in a capital increase by third-party allotment, 6,800 shares of the stocks of Shonan Bellmare Co., Ltd. held by Sanei Architecture Planning Co., Ltd., and a contribution in kind made for the establishment of K.K. Meldia RIZAP Shonan Sports Partners.

vii) Major grounds for the decision of the acquiring company

It is the undertaking of a capital increase by third-party allotment by the joint venture.

(b) Payment for acquisition and its breakdown

(Millions of yen)

Price	Amounts
Cash	101
Total	101

(Notes) 1. Acquisition-related costs of ¥5 million arising from the business combination are recognized in “Other expenses.”
2. There is no contingent consideration.

(c) Fair value, non-controlling interests and goodwill of acquired assets and acceptance liabilities on the date of acquisition

(Millions of yen)

Item	Amounts
Current assets (Notes 1, 2)	533
Non-current assets	62
Current liabilities	782
Non-current liabilities	27
Net assets	(214)
Non-controlling interests (Note 3)	107
Goodwill (Note 4)	311

(Notes) 1. Cash and cash equivalents of ¥100 million are included.

2. Fair value of receivables acquired, contractual amounts receivable and estimated loss:
With respect to the fair value of the acquired operating receivables and other receivables, which is ¥160 million, the total contractual amount is ¥164 million, and the contractual cash flow that will be uncollectible is estimated at ¥4 million as of the date of acquisition.

3. Non-controlling interests: The fair value of non-controlling interests is calculated comprehensively considering the financial/ assets situations and the corporate valuation, among other factors, thoroughly investigated through due diligence by a third party.

4. Goodwill: The factors that constitute goodwill are mainly synergy effects due to the integration of operating activities, the economies of scale, and intangible assets that do not meet the requirements for individual recognition. Of such goodwill, no amounts are expected to be deductible from taxable income.

5. The acquisition cost is allocated to the acquired assets and the acceptance liabilities based on the fair value on the date of acquisition of control. The amounts described above are the provisional fair values based on the best estimates at the present time, and thus in the case of valuation with any additional information regarding the facts and situations existing on the date of the acquisition of control, a revision may be made for a year from the date of the acquisition of control.

(d) Impact on the operating results of the Group

The operating results of Shonan Bellmare Co., Ltd. from the date of acquisition that is included in the consolidated statements of income for the fiscal year ended March 31, 2019 are as shown below.

(Millions of yen)

	Fiscal year ended March 31, 2019
Revenue	2,458
Profit	293

(2) Pro forma information

The pro forma information (unaudited information) based on the assumption that the business combination of SHICATA CO. and Shonan Bellmare Co., Ltd. was conducted at the beginning of the fiscal year ended March 31, 2019 is not stated because it is difficult to obtain accurate financial figures for these companies prior to their acquisition by the Company.

(3) Finalization of provisional accounting treatment related to business combination

1) GORIN Inc.

The Company performed provisional accounting treatment in the previous fiscal year for the business combination with GORIN Inc. conducted in August 2017 and finalized this accounting treatment in the three months ended September 30, 2018.

As a result of this finalization of the provisional accounting treatment, the initial allocation amount of the acquisition cost has been revised, in which intangible assets increased by ¥390 million and, consequently, goodwill decreased by ¥390 million.

Fair value of the price paid and amounts recognized by type of acquired asset and acceptance liability on the date of acquisition

(Millions of yen)

Price	Provisional	Retroactive adjustment	Final
Cash	1,450	-	1,450
Total	1,450	-	1,450

(Millions of yen)

Item	Provisional	Retroactive adjustment	Final
Current assets	2,123	-	2,123
Non-current assets	1,189	390	1,579
Current liabilities	1,665	-	1,665
Non-current liabilities	1,261	-	1,261
Net assets	386	390	776
Goodwill	1,063	△390	673

2) Sankei Living Shimbun Inc.

The Company performed provisional accounting treatment in the previous fiscal year for the business combination with Sankei Living Shimbun Inc. conducted in March 2018 and finalized this accounting treatment in the three months ended March 31, 2019.

The initial allocation amount of the acquisition cost has been revised due to the finalization of this provisional accounting treatment, and negative goodwill decreased by ¥126 million. As a result, provisions increased by ¥64 million and other non-current assets decreased by ¥61 million.

Fair value of the price paid and amounts recognized by type of acquired asset and acceptance liability on the date of acquisition

(Millions of yen)

Price	Provisional	Retroactive adjustment	Final

Cash	1,450	-	1,450
Total	1,450	-	1,450

(Millions of yen)

Item	Provisional	Retroactive adjustment	Final
Current assets	4,582	-	4,582
Non-current assets	1,059	(61)	997
Current liabilities	1,910	64	1,974
Non-current liabilities	332	-	332
Net assets	3,399	(126)	3,273
Non-controlling interests	(406)	-	(406)
Goodwill (gain on discount purchase)	(1,993)	126	(1,867)

3) WonderCorporation

The Company performed provisional accounting treatment in the previous fiscal year for the business combination with WonderCorporation conducted in March 2018 and finalized this accounting treatment in the three months ended March 31, 2019.

This finalization of the provisional accounting treatment has no impact.

d. Discontinued operations

(1) Overview of the discontinued operations

In the fourth quarter of the fiscal year under review, the Company sold Japan Gateway Co., Ltd. and passed a resolution to split and incorporate the detached housing and renovation business of Tatsumi Planning, transfer the business to the new company, and sell all the shares of the new company. The former was categorized into the Beauty and Healthcare segment and the latter was categorized into the Lifestyle segment.

As a result, the businesses of these companies are categorized as discontinued operations in the fiscal year under review and are presented separately from the continuing operations.

(2) Profit and loss of the discontinued operations

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Profit and loss of the discontinued operations		
Revenue	14,174	8,696
Cost	(12,584)	(16,460)
Profit before tax from discontinued operations	1,590	(7,764)
Income tax expense	(400)	115
Profit from discontinued operations	1,189	(7,648)

e. Earnings per share

(1) Basis for calculation of basic earnings per share

The basic earnings per share and the basis for their calculation are as shown below.

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Profit (loss) attributable to ordinary equity holders of the parent (million yen)		
Continuing operations	7,896	(11,787)
Discontinued operations	1,179	(7,606
Total	9,075	(19,393)
Basic weighted average ordinary shares (shares)	509,743,276	546,434,829
Basic earnings (loss) per share (yen)		
Continuing operations	15.49	(21.57)
Discontinued operations	2.31	(13.92)
Total	17.80	(35.49)

(Note) The Company split the common stock at the ratio of 1 to 2 on the effective dates of October 1, 2017, and August 1, 2018. Accordingly, basic earnings per share were calculated based on the assumption that the said stock splits were conducted at the beginning of the previous consolidated fiscal year.

(2) Basis for calculation of diluted earnings per share

The diluted earnings per share and the basis for their calculation are as shown below.

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Profit (loss) attributable to ordinary equity holders of the parent (million yen)		
Continuing operations	7,896	(11,787)
Discontinued operations	1,179	(7,606)
Total	9,075	(19,393)
Adjustment	-	-
Earnings (loss) to be used in the calculation of diluted earnings per share (million yen)		
Continuing operations	7,896	(11,787)
Discontinued operations	1,179	(7,606)
Total	9,075	(19,393)
Basic weighted average ordinary shares (shares)	509,743,276	546,434,829
Impact of potential ordinary shares with the effect of dilution (shares)	-	-
Weighted average ordinary shares to be used in the calculation of diluted earnings per share (shares)	509,743,276	546,434,829
Diluted earnings (loss) per share (yen)		
Continuing operations	15.49	(21.57)
Discontinued operations	2.31	(13.92)
Total	17.80	(35.49)

(Note) The Company split the common stock at the ratio of 1 to 2 on the effective dates of October 1, 2017, and August 1, 2018. Accordingly, diluted earnings per share were calculated based on the assumption that the said stock splits were conducted at the beginning of the previous consolidated fiscal year.

f. Significant subsequent events

Not applicable