This English translation of the financial report has been prepared for reference purposes only.
The financial information contained in this report is taken from our unaudited financial statements.

Consolidated Financial Report for the Nine-month Period Ended December 31, 2018 (IFRS)

February 14, 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, General Manager of Corporate Strategy and Planning
TEL: 81-3-5337-1337
Scheduled date to submit the Quarterly Securities Report (*Shihanki Houkokusho*): February 14, 2019
Scheduled date for commencement of dividend payments: –
Supplementary documents for quarterly results: Yes
Quarterly 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 Nine-month Period Ended December 31, 2018 (April 1, 2018 to December 31, 2018)

(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	
		%		%		%		%		%		%
Nine-month period ended December 31, 2018	¥172,404	73.9	¥(5,799)	–	¥(7,303)	–	¥(8,831)	–	¥(8,126)	–	¥(8,655)	–
Nine-month period ended December 31, 2017	¥99,129	50.8	¥8,082	1.0	¥7,080	(6.3)	¥5,696	9.5	¥5,201	2.3	¥5,736	8.7

	Basic earnings per share (yen)	Diluted earnings per share (yen)
Nine-month period ended December 31, 2018	(14.96)	(14.96)
Nine-month period ended December 31, 2017	10.20	10.20

* 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 three-month period ended September 30, 2018 and reflected the information after the finalization of the said provisional account processing for the fiscal year ended March 31, 2018.

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of the parent	Percentage of equity attributable to owners of the parent
				%
As of December 31, 2018	¥201,738	¥67,777	¥53,763	26.7
As of March 31, 2018	¥174,326	¥42,833	¥28,352	16.3

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

2. Dividends

	Annual dividends				
	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
Fiscal year ending March 31, 2019	–	0.00	–		
Fiscal year ending March 31, 2019 (forecasts)			–	0.00	0.00

(Note) Revision of forecasts on the dividends: No

3. Forecasts on the Consolidated Results for the Fiscal Year Ending March 2019 (April 1, 2018 to March 31, 2019)

(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
Fiscal year ending March 31, 2019	¥230,900	69.5	¥(3,300)	–	¥(4,900)	–	¥(6,400)	–	¥(7,000)	–	(12.81)

(Note) Revision of forecasts on the results: No
* The Company conducted a public offering by the issue of new shares (20,270,000 shares) with the payment date of June 13, 2018 and a third-party allotment (2,967,200 shares) with the payment date of July 13, 2018.
* The Company split the common stock at the ratio of 1 to 2 on the effective date of August 1, 2018. Accordingly, basic earnings per share were calculated reflecting the said public offering, third-party allotment and stock split.

* Notes

(1) Significant changes in scope of consolidation (change in scope of consolidation of specified subsidiaries): No
Newly consolidated: 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 December 31, 2018	556,218,400 shares
As of March 31, 2018	509,744,000 shares
[2] Number of shares of treasury stock:	
As of December 31, 2018	932 shares
As of March 31, 2018	932 shares
[3] Average number of shares during the period (April-September):	
As of December 31, 2018	543,258,781 shares
As of December 31, 2017	509,743,344 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.

* Quarterly consolidated financial summaries are not subject to quarterly review by a certified public accountant or an audit corporation.

* Explanation about the proper use of results forecasts, and additional information
(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 February 14, 2019 (Thursday). 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/ news media on February14, 2019, at which this consolidated financial report will be announced. With respect to the progress of the financial results briefing, a livestream broadcast will be provided on the website of the Company, and the video will be available at a later date. In addition, the materials distributed at the financial results briefing will be uploaded on the website of the Company immediately after the briefing.

1. Qualitative Information on the Financial Results

(1) Description of Operating Results

During the nine-month period ended December 31, 2018 (the "period"), 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 the mega solar business of Tatsumi Planning, 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.

The Company posted operating income of ¥3,030 million in the three-month period ended December 31, 2018 ("third quarter"), partly due to the steady performance of the core business, the RIZAP personal training gym, the posting of the highest operating income in the third quarter in the past eleven years by MRK HOLDINGS INC. that eliminated the temporary production delay of the mainstay product Curvaceous, and absence of non-recurring loss, which was posted by WonderCorporation in the second quarter.

With respect to structural reforms, the Company first implemented corporate governance. The board of directors was restructured with a majority of outside directors and a minority of directors from within the company. The supervision and execution were separated to shift to a system that promotes swift decision-making. Specifically, the number of directors was reduced from 12 to two directors within the company with three outside directors. In line with the restructuring of the board of directors, the Company introduced an executive officer system. The power and responsibility for execution are clarified to improve the management efficiency and the certainty of planning practice and also to achieve sustainable growth and further improve our corporate value by actively appointing an executive officer with excellent capacity to perform operations from inside and outside the company.

Furthermore, as part of the selection and concentration of businesses, the Company is proactively considering shrinking, withdrawing from, and selling businesses from which short-term investment recovery or improvement of profitability is difficult and a synergy effect within the Group is not expected as initially planned. During the third quarter, the Company spun off the entertainment business of SD ENTERTAINMENT and sold the new company. As a result, SD ENTERTAINMENT will concentrate its management resources on its wellness business to manage fitness gyms, the core business, from which a high synergy effect is expected with the Company. During the three-month period ended March 31, 2019 ("fourth quarter"), the Company sold Japan Gateway Co., Ltd., a planning and sales company of hair care, body care, and facial care products. After joining the Group on December 20, 2017, Japan Gateway Co., Ltd. launched new products and conducted active promotions in the market, but failed to achieve the sales target and posted an operating loss during the first half. Therefore, the Company decided to sell the company.

As a result, the Group posted consolidated revenue of ¥172,404 million in the period, compared with ¥99,129 million in the same period a year earlier (up 73.9% year-on-year). The Company's consolidated operating loss was ¥5,799 million, compared with operating income of ¥8,082 million in the same period a year earlier, and its loss attributable to owners of the parent was ¥8,126 million, compared with profit attributable to owners of the parent of ¥5,201 million in the same period a year earlier.

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, strong results were achieved with increases in both revenue and operating income in the third quarter, 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. During the third quarter, the company posted the highest operating income in the past eleven years, but failed to recover from the loss in the first half. During the nine-month period, MRK HOLDINGS 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 ¥60,801 million (up 32.6% year-on-year as compared with ¥45,851 million for the same period a year earlier), and operating income was ¥1,557 million (down 75.5% year-on-year as compared with ¥6,352 million for the same period a year earlier).

(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.

With respect to HAPiNS, the opening of new stores under the new brand of HAPiNS and the change of products and assortments were undertaken, as in the previous fiscal year. As a result, the business situation improved and increases in both revenue and operating income were achieved.

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, a record operating income in the nine-month period was achieved for the first time in the past 11 fiscal years.

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. Meanwhile, the jewelry business is showing signs of recovery due to the strengthening of sales of new products and the revamping of cost, but continues to suffer sluggish sales. As a result, DREAM VISION posted an increase in revenue and a decline in operating income.

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 ¥44,324 million (up 10.9% year-on-year, as compared with ¥39,972 million for the same period a year earlier) and operating loss was ¥248 million (as compared with operating income of ¥3,011 million for the same period a year earlier).

(Platform)

WonderCorporation became a subsidiary of the Company from March 2018. By taking advantage of the range of merchandise and services offered by the Group, change to a highly profitable hybrid store is being undertaken. Mainly the reduction and withdrawal of items whose space efficiency had worsened, the opening of RIZAP and RIZAP GOLF, the introduction of products of HAPiNS and JEANS MATE, which are group companies, and other initiatives were conducted by taking advantage of the group synergy. Meanwhile, with respect to the operating results, significant deficits were recorded, mainly due to the restructuring-related expenses, such as a valuation loss on goods posted in the second quarter.

With respect to PADO, a review of the issue of the home-edition in unprofitable areas, the promotion the division of work in the sales organization, the introduction of simple SFA tools, the expansion of the target media and the promotion of shifting to web media were conducted, along with other initiatives. However, partly due to impairment loss on the websites relating to beauty, both revenue and operating income fell below the level of the same period of a year earlier.

As a result, in the Platform segment, revenue was ¥68,417 million (up 355.5% year-on-year as compared with ¥15,020 million for the same period a year earlier) and operating loss was ¥3,728 million (as compared with operating income of ¥845 million for the same period a year earlier).

In addition, because of internal revenue for transactions among segments of ¥1,138 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 ¥3,379 million, the revenue of the entire Group was ¥172,404 million and the operating loss was ¥5,799 million.

Furthermore, the Company performed provisional accounting treatment in the previous fiscal year for the business combination with K.K. GORIN conducted in August 2017 and finalized this accounting treatment in the three-month period ended September 30, 2018. Retrospective adjustments are made in the operating results for the nine-month period ended December 31, 2017, the three-month period ended December 31, 2017, and the fiscal year ended March 31, 2018 in accordance with this finalization of the provisional accounting treatment. Comparative analysis is conducted based on the adjusted figures.

(2) Description of Financial Position

a. Overview of assets, liabilities and equity

(Assets)

Total assets increased 15.7% or ¥27,411 million as compared to the end of the previous fiscal year, to ¥201,738 million.

Current assets increased 20.6% or ¥23,984 million as compared to the end of the previous fiscal year, to ¥140,599 million. This increase was mainly attributable to an increase of ¥13,988 million in inventories due to an increase in new subsidiaries and change in the use of property, plant and equipment, and chiefly due to an increase in operating receivables and other receivables of ¥4,847 million due to RIZAP, MRK HOLDINGS and IDEA INTERNATIONAL, and an increase in new subsidiaries, among other causes.

Non-current assets increased 5.9% or ¥3,426 million as compared to the end of the previous fiscal year, to ¥61,138 million. This increase was mainly attributable to a rise of ¥957 million in deferred tax assets, an increase of ¥911 million in intangible assets due to an increase in new subsidiaries, an increase of ¥819 million in property, plant and equipment chiefly due to the new addition of subsidiaries, and new store openings of the RIZAP businesses, HAPiNS, and MRK HOLDINGS.

(Liabilities)

Total liabilities increased 1.9% or ¥2,468 million as compared to the end of the previous fiscal year, to ¥133,960 million.

Current liabilities increased 7.4% or ¥5,981 million as compared to the end of the previous fiscal year, to ¥86,561 million. This increase was mainly attributable to an increase of ¥3,323 million in operating payables and other payables due to an increase in new subsidiaries and business expansion of group companies, among other causes, and an increase of ¥2,827 million in interest-bearing debts due in part to a new addition of subsidiaries.

Non-current liabilities decreased 6.9% or ¥3,513 million as compared to the end of the previous fiscal year, to ¥47,399 million. This decrease was mainly attributable to a decrease of ¥5,293 million in interest-bearing debts of SD ENTERTAINMENT and the Company, among others, largely due to the repayment of borrowings.

(Equity)

Total equity increased 58.2% or ¥24,943 million as compared to the end of the previous fiscal year, to ¥67,777 million. This increase was mainly attributable to increases of ¥17,799 million in capital stock and ¥17,937 million in 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 offset by a decrease of ¥10,522 million in retained earnings.

b. Overview of cash flows

In the period, the balance of cash and cash equivalents ("cash") increased ¥3,431 million compared to the end of the previous fiscal year, to ¥47,062 million.

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

(Cash flows from operating activities)

In the period, there was a decrease in cash from operating activities of ¥14,099 million (a decrease of ¥2,658 million in the same period of the previous year). The main factors for the decrease were a loss before tax of ¥7,303 million, a rise in inventories of ¥4,543 million attributable to increased inventories at its group companies including IDEA INTERNATIONAL, MRK HOLDINGS, SOHKEN HOMES, and payment of income tax amounting to ¥3,047 million.

(Cash flows from investing activities)

In the period, there was a decrease in cash from investing activities of ¥9,200 million (a decrease of ¥6,720 million in the same period of the previous year). This was mainly due to expenditure of ¥5,425 million for the acquisition of the subsidiaries, including SHICATA and expenditure of ¥4,357 million due to the purchase of property, plant and equipment in relation to openings of new stores for the RIZAP businesses and those of HAPiNS and MRK HOLDINGS.

(Cash flows from financing activities)

In the nine-month period ended December 31, 2018, there was an increase in cash of ¥26,718 million from financing activities (an increase of ¥15,732 million in the same period of 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 ¥11,272 million for the repayment of long-term loans payable for SD ENTERTAINMENT and the Company and ¥2,709 million for the redemption of bonds.

(3) Information on the Future Outlook

With respect to the consolidated results forecasts for the fiscal year ending March 2019, there is no change from the consolidated results forecasts announced on November 14, 2018.

However, the Company continues the structural reforms that are currently underway, accelerating the shift to a strong management structure capable of achieving sustainable growth and maintaining high profitability. The Company restored its financial performance in the third quarter, and continues reforms collectively across the Group during this fiscal year, including the implementation of the disposal of group companies, which is necessary regardless of the possibility of losses on sales, intensively in a short period, and accelerates the management rationalization across the Group, including revamping inventory to minimize risk in order to restore financial performance for the next fiscal year.

If revision of the results forecasts becomes necessary in the future, the information will be announced in a swift manner.

2. Condensed Consolidated Financial Statements and Major Notes

(1) Condensed consolidated statement of financial position

(Millions of yen)

	Notes	As of March 31, 2018	As of December 31, 2018
Assets			
Current assets			
Cash and cash equivalents		43,630	47,062
Trade and other receivables		33,019	37,866
Inventories		35,179	49,167
Accrued income taxes		214	366
Other financial assets		607	772
Other current assets		3,962	5,362
Total current assets		116,614	140,599
Non-current assets			
Property, plant and equipment		29,696	30,515
Goodwill		7,430	7,653
Intangible assets		2,502	3,414
Other financial assets		14,894	15,562
Deferred tax assets		1,878	2,836
Other non-current assets		1,308	1,156
Total non-current assets		57,711	61,138
Total assets		174,326	201,738

(Millions of yen)

	Notes	As of March 31, 2018	As of December 31, 2018
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables		39,204	42,527
Interest-bearing debts		33,587	36,415
Income taxes payable		2,167	1,692
Provisions		1,883	1,944
Other financial liabilities		34	12
Other current liabilities		3,701	3,967
Total current liabilities		80,579	86,561
Non-current liabilities			
Interest-bearing debts		43,197	37,903
Net defined benefit liability		1,771	2,218
Provisions		3,312	3,670
Other financial liabilities		1,594	2,423
Deferred tax liabilities		257	408
Other non-current liabilities		780	774
Total non-current liabilities		50,912	47,399
Total liabilities		131,492	133,960
Equity			
Capital stock		1,400	19,200
Capital surplus		5,436	23,373
Retained earnings		21,357	10,835
Other components of equity		158	354
Total equity attributable to owners of the parent		28,352	53,763
Non-controlling interests		14,481	14,013
Total equity		42,833	67,777
Total liabilities and equity		174,326	201,738

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

Condensed Consolidated Statements of Income or Loss

For the nine-month period ended December 31, 2018

(Millions of yen)

	Notes	Nine-month period ended December 31, 2017 (From April 1, 2017 to December 31, 2017)	Nine-month period ended December 31, 2018 (From April 1, 2018 to December 31, 2018)
Revenue	2	99,129	172,404
Cost of sales		50,142	96,755
Gross profit		48,986	75,648
Selling, general and administrative expenses		44,381	78,633
Other income		4,167	2,967
Other expenses		691	5,782
Operating income (loss)	2	8,082	(5,799)
Finance income		30	83
Finance cost		1,031	1,587
Income (loss) before tax		7,080	(7,303)
Income tax expense		1,384	1,527
Net income (loss)		5,696	(8,831)
Net income (loss) attributable to:			
Owners of the parent		5,201	(8,126)
Non-controlling interests		495	(704)
Net income (loss)		5,696	(8,831)
Earnings per share			
Basic earnings (loss) per share (yen)	4	10.20	(14.96)
Diluted earnings (loss) per share (yen)	4	10.20	(14.96)

For the three-month period ended December 31, 2018

(Millions of yen)

	Notes	Three-month period ended December 31, 2017 (From October 1, 2017 to December 31, 2017)	Three-month period ended December 31, 2018 (From October 1, 2018 to December 31, 2018)
Revenue	2	36,548	63,299
Cost of sales		18,377	35,382
Gross profit		18,170	27,916
Selling, general and administrative expenses		15,898	25,500
Other income		1,081	1,173
Other expenses		258	558
Operating income	2	3,094	3,030
Finance income		22	24
Finance cost		414	652
Income before tax		2,702	2,402
Income tax expense		436	1,304
Net income		2,266	1,098
Net income attributable to:			
Owners of the parent		2,268	405
Non-controlling interests		(2)	692
Net income		2,266	1,098
Earnings per share			
Basic earnings per share (yen)	4	4.45	0.73
Diluted earnings per share (yen)	4	4.45	0.73

Condensed Consolidated Statements of Comprehensive Income
For the nine-month period ended December 31, 2018

(Millions of yen)

	Notes	Nine-month period ended December 31, 2017 (From April 1, 2017 to December 31, 2017)	Nine-month period ended December 31, 2018 (From April 1, 2018 to December 31, 2018)
Net income (loss)		5,696	(8,831)
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Equity instruments measured at the fair value through other comprehensive income		(19)	194
Re-measurements of defined benefit obligation		84	(16)
Total in the item		64	178
Items that may be transferred to profit (loss)			
Exchange differences on translating foreign operations		(24)	(2)
Total in the item		(24)	(2)
Total other comprehensive income		40	175
Total comprehensive income		5,736	(8,655)
Total comprehensive income attributable to:			
Owners of the parent		5,209	(7,938)
Non-controlling interests		527	(717)
Total comprehensive income		5,736	(8,655)

For the three-month period ended December 31, 2018

(Millions of yen)

	Notes	Three-month period ended December 31, 2017 (From October 1, 2017 to December 31, 2017)	Three-month period ended December 31, 2018 (From October 1, 2018 to December 31, 2018)
Net income		2,266	1,098
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Equity instruments measured at the fair value through other comprehensive income		15	(94)
Re-measurements of defined benefit obligation		32	(73)
Total in the item		47	(168)
Items that may be transferred to profit (loss)			
Exchange differences on translating of foreign operations		1	(38)
Total in the item		1	(38)
Total other comprehensive income		49	(207)
Total comprehensive income		2,315	890
Total comprehensive income attributable to:			
Owners of the parent		2,299	261
Non-controlling interests		16	628
Total comprehensive income		2,315	890

(3) Condensed Consolidated Statements of Changes in Equity

For the nine-month period ended December 31, 2017 (From April 1, 2017 to December 31, 2017) (Millions of yen)

	Notes	Equity attributable to owners of the parent					Non-controlling interests	Total equity
		Capital stock	Capital surplus	Retained earnings	Other components of equity	Total		
Balance on April 1, 2017		1,400	1,692	13,696	228	17,018	4,436	21,454
Net income		-	-	5,201	-	5,201	495	5,696
Other comprehensive income		-	-	-	8	8	32	40
Total comprehensive income for the period		-	-	5,201	8	5,209	527	5,736
Dividends of surplus		-	-	(1,541)	-	(1,541)	(19)	(1,561)
Changes due to business combinations		-	-	-	-	-	985	985
Change in the ownership interests in the subsidiary that does not lead to loss of control		-	3,674	-	-	3,674	5,094	8,769
Share-based payment transactions		-	-	-	4	4	-	4
Other		-	(47)	(4)	(0)	(52)	-	(52)
Total amount of transactions with owners		-	3,627	(1,546)	3	2,084	6,060	8,144
Balance on December 31, 2017		1,400	5,320	17,351	240	24,312	11,023	35,335

For the nine-month period ended December 31, 2018 (From April 1, 2018 to December 31, 2018) (Millions of yen)

	Notes	Equity attributable to owners of the parent					Non-controlling interests	Total equity
		Capital stock	Capital surplus	Retained earnings	Other components of equity	Total		
Balance on April 1, 2018		1,400	5,436	21,357	158	28,352	14,481	42,833
Impact of change of the accounting policy		-	-	(535)	-	(535)	-	(535)
Balance after the revised presentation on April 1, 2018		1,400	5,436	20,821	158	27,816	14,481	42,298
Net income		-	-	(8,126)	-	(8,126)	(704)	(8,831)
Other comprehensive income		-	-	-	188	188	(12)	175
Total comprehensive income for the period		-	-	(8,126)	188	(7,938)	(717)	(8,655)
Issuance of new shares		17,799	17,714	-	-	35,513	-	35,513
Dividends of surplus		-	-	(1,860)	-	(1,860)	(77)	(1,937)
Changes due to business combinations		-	-	-	-	-	5	5
Change in the ownership interests in the subsidiary that does not lead to loss of control		-	223	-	-	223	321	544
Share-based payment transactions		-	-	-	7	7	-	7
Other		-	-	0	-	0	-	0
Total amount of transactions with owners		17,799	17,937	(1,859)	7	33,885	249	34,134
Balance on December 31, 2018		19,200	23,373	10,835	354	53,763	14,013	67,777

(4) Condensed Consolidated Statements of Cash Flows

(Millions of yen)

	Notes	Nine-month period ended December 31, 2017 (From April 1, 2017 to December 31, 2017)	Nine-month period ended December 31, 2018 (From April 1, 2018 to December 31, 2018)
Cash flows from operating activities			
Income (loss) before tax		7,080	(7,303)
Depreciation and amortization		1,966	3,762
Impairment loss		24	699
Finance income and costs		432	554
Change in inventory		(2,238)	(4,543)
Change in operating receivables and other receivables		(4,722)	(1,609)
Change in operating payables and other payables		(684)	1,917
Change in retirement benefit liabilities		(340)	(158)
Change in provisions		(124)	21
Other		(2,875)	(4,070)
Subtotal		(1,480)	(10,730)
Interest and dividend income received		14	42
Interest expenses paid		(466)	(654)
Income taxes paid		(1,175)	(3,047)
Income taxes refunded		449	289
Net cash provided by (used in) operating activities		(2,658)	(14,099)
Cash flows from investing activities			
Payments into time deposits		(98)	(251)
Proceeds from withdrawal of time deposits		208	308
Purchase of property, plant and equipment		(3,498)	(4,357)
Proceeds from sales of property, plant and equipment		144	170
Acquisition of subsidiary		(1,280)	(5,425)
Proceeds from acquisition of subsidiary		524	44
Payments for lease and guarantee deposits		(411)	(828)
Proceeds from collection of lease and guarantee deposits		319	908
Payments for transfer of business		(1,792)	-
Proceeds from transfer of business		-	1,078
Other		(834)	(847)
Net cash provided by (used in) investing activities		(6,720)	(9,200)

(Millions of yen)

	Notes	Nine-month period ended December 31, 2017 (From April 1, 2017 to December 31, 2017)	Nine-month period ended December 31, 2018 (From April 1, 2018 to December 31, 2018)
Cash flows from financing activities			
Net increase (decrease) in short-term loans payable		771	(1,154)
Proceeds from long-term loans payable		14,878	8,833
Repayments of long-term loans payable		(7,339)	(11,272)
Proceeds from issue of bonds, notes and debentures		2,470	270
Redemption of bonds		(1,577)	(2,709)
Repayments of lease obligations		(542)	(1,493)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation		-	(185)
Proceeds from issuing shares		-	35,480
Proceeds from share issuance to non-controlling interests		8,982	741
Cash dividends paid		(1,539)	(1,857)
Dividends paid to non-controlling interests		(29)	(80)
Other		(342)	145
Net cash provided by (used in) financing activities		15,732	26,718
Effect of exchange rate change on cash and cash equivalents		3	13
Net increase (decrease) in cash and cash equivalents		6,356	3,431
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		30,705	47,062

(5) Notes on Condensed 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 first quarter of the fiscal year under review, which were stated in the condensed consolidated statement of financial position, decreased ¥535 million. In addition, at the end of the third quarter of the fiscal year under review, trade and other receivables increased ¥674 million, other current liabilities increased ¥1,328 million and retained earnings decreased ¥654 million.

In addition, revenue in the third quarter of the fiscal year under review, which is stated in the condensed consolidated statements of income, decreased ¥118 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 assumes 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 nine-month period ended December 31, 2017, and the three-month period ended December 31, 2017, was prepared based on the category of the changed reporting segments in the disclosure.

(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.

For the nine-month period ended December 31, 2017 (April 1, 2017 to December 31, 2017)

(Millions of yen)

	Beauty and Healthcare	Lifestyle	Platform	Total	Adjustment (Note 1)	Amount posted in the condensed consolidated financial statements
Revenue						
Revenue from outside customers	45,390	38,938	14,800	99,129	-	99,129
Revenue from transactions between the segments	460	1,034	220	1,715	(1,715)	-
Total	45,851	39,972	15,020	100,844	(1,715)	99,129
Segment income (loss)	6,352	3,011	845	10,209	(2,127)	8,082
Finance income	-	-	-	-	-	30
Finance costs	-	-	-	-	-	1,031
Income before tax	-	-	-	-	-	7,080

(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 tree-

month period ended September 30, 2018 and reflected the information after the finalization of the said provisional account processing for the fiscal year ended March 31, 2018.

For the nine-month period ended December 31, 2018 (April 1, 2018 to December 31, 2018)

(Millions of yen)

	Beauty and Healthcare	Lifestyle	Platform	Total	Adjustment (Note 1)	Amount posted in the condensed consolidated financial statements
Revenue						
Revenue from outside customers	60,319	43,945	68,139	172,404	-	172,404
Revenue from transactions between the segments	481	379	277	1,138	(1,138)	
Total	60,801	44,324	68,417	173,543	(1,138)	172,404
Segment income (loss)	1,557	(248)	(3,728)	(2,419)	(3,379)	(5,799)
Finance income	-	-	-	-	-	83
Finance costs	-	-	-	-	-	1,587
Loss before tax	-	-	-	-	-	(7,303)

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

For the three-month period ended December 31, 2017 (October 1, 2017 to December 31, 2017)

(Millions of yen)

	Beauty and Healthcare	Lifestyle	Platform	Total	Adjustment (Note 1)	Amount posted in the condensed consolidated financial statements
Revenue						
Revenue from outside customers	16,151	14,657	5,739	36,548	-	36,548
Revenue from transactions between the segments	338	187	76	603	(603)	-
Total	16,490	14,845	5,816	37,151	(603)	36,548
Segment income (loss)	3,241	381	452	4,074	(979)	3,094
Finance income	-	-	-	-	-	22
Finance costs	-	-	-	-	-	414
Income before tax	-	-	-	-	-	2,702

(Notes) 1. Revenue from transactions between the segments and segment income or 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 tree-month period ended September 30, 2018 and reflected the information after the finalization of the said provisional account processing for the fiscal year ended March 31, 2018.

For the three-month period ended December 31, 2018 (October 1, 2018 to December 31, 2018)

(Millions of yen)

	Beauty and Healthcare	Lifestyle	Platform	Total	Adjustment (Note 1)	Amount posted in the condensed consolidated financial statements
Revenue						
Revenue from outside customers	21,241	18,195	23,862	63,299	-	63,299
Revenue from transactions between the segments	241	167	89	498	(498)	-
Total	21,482	18,363	23,951	63,798	(498)	63,299
Segment income (loss)	3,485	878	360	4,724	(1,694)	3,030
Finance income	-	-	-	-	-	24
Finance costs	-	-	-	-	-	652
Income before tax	-	-	-	-	-	2,402

(Note) 1. Revenue from transactions between the segments and segment income or 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 nine-month period ended December 31, 2017 (April 1, 2017 to December 31, 2017)

(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. 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

(Million yen)

Consideration		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

(Million yen)

Account title	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 condensed 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 condensed consolidated statements of income for the nine months ended December 31, 2017 are as shown below.

(Million yen)

	Nine-month period ended December 31, 2017
Revenue	624
Profit (loss)	(10)

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

(Million yen)

Consideration	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

(Million yen)

Account title	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 condensed consolidated statements of income for the nine months ended December 31, 2017 are as shown below.

(Million yen)

	Nine-month period ended December 31, 2017
Revenue	4,128
Profit (loss)	88

3) K.K. GORIN

(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

(Million yen)

Consideration	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

(Million yen)

Account title	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 condensed consolidated statements of income for the nine months ended December 31, 2017 are as shown below.

(Million yen)

	Nine-month period ended December 31, 2017
Revenue	1,990
Profit (loss)	251

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 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 reason 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

(Million yen)

Consideration	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

(Million yen)

Account title	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

There is no impact on the condensed consolidated statements of income for the nine months ended December 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. and B&D Inc. was conducted at the beginning of the nine months ended December 31, 2017 is not stated because it is difficult to obtain accurate financial figures for these companies prior to their acquisition by the Company.

(3) Acquisition of significant non-controlling interests

The Company did not acquire any significant non-controlling interests during the first nine months of the fiscal year under review.

For the nine-month period ended December 31, 2018 (April 1, 2018 to December 31, 2018)

d. 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

(Million yen)

Consideration	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

(Million yen)

Account title	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 condensed consolidated statements of income for the nine months ended December 31, 2018 are as shown below.

(Million yen)

	Nine-month period ended December 31, 2018
Revenue	3,253
Profit (loss)	152

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

(Million yen)

Consideration	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

(Million yen)

Account title	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 condensed consolidated statements of income for the nine months ended December 31, 2018 are as shown below.

(Million yen)

	Nine-month period ended December 31, 2018
Revenue	1,835
Profit (loss)	434

e. 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 six months ended September 30, 2018 is not stated because it is difficult to obtain accurate financial figures for these companies prior to their acquisition by the Company.

f. Finalization of provisional accounting treatment related to business combination

The Company performed provisional accounting treatment in the previous fiscal year for the business combination with K.K. GORIN 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

4. 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.

	Nine-month period ended December 31, 2017 (From April 1, 2017 to December 31, 2017)	Nine-month period ended December 31, 2018 (From April 1, 2018 to December 31, 2018)
Profit (loss) attributable to ordinary equity holders of the parent (million yen)	5,201	(8,126)
Basic weighted average ordinary shares (shares)	509,743,344	543,258,781
Basic earnings (loss) per share (yen)	10.20	(14.96)

	Three-month period ended December 31, 2017 (From October 1, 2017 to December 31, 2017)	Three-month period ended December 31, 2018 (From October 1, 2018 to December 31, 2018)
Profit (loss) attributable to ordinary equity holders of the parent (million yen)	2,268	405
Basic weighted average ordinary shares (shares)	509,743,068	556,217,468
Basic earnings (loss) per share (yen)	4.45	0.73

(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.

(2) Basis for calculation of diluted earnings per share

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

	Nine-month period ended December 31, 2017 (From April 1, 2017 to December 31, 2017)	Nine-month period ended December 31, 2018 (From April 1, 2018 to December 31, 2018)
Profit (loss) attributable to ordinary equity holders of the parent (million yen)	5,201	(8,126)
Adjustment	(2)	—
Earnings (loss) to be used in the calculation of diluted earnings per share (million yen)	5,198	(8,126)
Basic weighted average ordinary shares (shares)	509,743,344	543,258,781
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)	509,743,344	543,258,781
Diluted earnings (loss) per share (yen)	10.20	(14.96)

	Three-month period ended December 31, 2017 (From October 1, 2017 to December 31, 2017)	Three-month period ended December 31, 2018 (From October 1, 2018 to December 31, 2018)
Profit (loss) attributable to ordinary equity holders of the parent (million yen)	2,268	405
Adjustment	—	—
Earnings (loss) to be used in the calculation of diluted earnings per share (million yen)	2,268	405
Basic weighted average ordinary shares (shares)	509,743,068	556,217,468
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)	509,743,068	556,217,468
Diluted earnings (loss) per share (yen)	4.45	0.73

(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.

5. Events after reporting period

The Company resolved to transfer shares of Japan Gateway Co., Ltd. ("Japan Gateway"), the Company's consolidated subsidiary that belongs to the Beauty and Healthcare segment, to Manrakuan Inc. ("Manrakuan") at the meeting of the board of directors held on January 25, 2019, as part of the structural reform for the Group's sustainable growth, concluded a share transfer agreement with Manrakuan, and transferred shares of Japan Gateway. With the share transfer, Japan Gateway is excluded from the scope of consolidation and the Company is expected to post a ¥775 million loss on sales in the fourth quarter. The outline is as follows:

(1) Outline of the subsidiary that transfers shares

Name	Japan Gateway Co., Ltd.
Business description	Planning, sale and export of products including hair care, body care, facial care products and everyday items
Capital	¥10 million

Major shareholder and shareholding ratio	RIZAP GROUP, Inc.　100% of the shares

(2) Name of the transferee

Name	Manrakuan Inc.
Business description	Enterprise investment business, real estate investment business
Capital	¥10 million

(3) Number and value of transferred shares, and number of shares held before and after the transfer

Number of shares held before the change	2,268,800 shares (shareholding ratio: 100.0%)
Number of transferred shares	2,268,800 shares
Number of shares held after the change	0 shares (shareholding ratio: 0.0%)

*We would like to refrain from disclosing the transfer price based on the confidentiality obligations in the share transfer agreement with the transferee.

(4) Schedule

Date of resolution by the board of directors	January 25, 2019
Date of execution of the share transfer agreement	January 25, 2019
Date of share transfer	January 25, 2019