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

Consolidated Financial Report for the Six-month Period Ended September 30, 2019 (IFRS)

November 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
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Scheduled date to submit the Quarterly Securities Report (*Shihanki Houkokusyo*): November 14, 2019
Scheduled date for commencement of dividend payments: TBD
Supplementary documents for results: Yes
Results briefing: Yes (for institutional investors, analysts, and news media)

(Millions of yen; amounts are rounded down)

1. Consolidated Financial Results for the Six-month Period Ended September 30, 2019 (April 1, 2019 to September 30, 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	
		%		%		%		%		%		%
Six-month period ended September 30, 2019	¥108,286	2.5	¥2,709	-	¥1,378	-	¥815	-	¥(66)	-	¥777	-
Six-month period ended September 30, 2018	¥105,675	68.9	¥(5,897)	-	¥(6,713)	-	¥(9,954)	-	¥(8,546)	-	¥(9,571)	-

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six-month period ended September 30, 2019	(0.12)	(0.12)
Six-month period ended September 30, 2018	(15.92)	(15.92)

* The Company split the common stock at the ratio of 1 to 2 on the effective dates of August 1, 2018. Accordingly, basic earnings per share and diluted earnings per share were calculated based on the assumption that the stock split was conducted at the beginning of the previous consolidated fiscal year.
* The Company categorized Tatsumi Planning Co., Ltd. and Tatsumi Management K.K. as discontinued operations in the fiscal year under review and Tatsumi Planning Co., Ltd. and Japan Gateway Co., Ltd. as discontinued operations in the previous fiscal year. Their net income is presented as "net income from discontinued operations," separately from the net income from continuing operations.
* The Company finalized the provisional account processing during the first quarter ended June 30, 2019 in relation to the business combinations, and reflected the information after the finalization of the said provisional account processing for the fiscal year ended March 31, 2019. The same applies to the consolidated financial position.

(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 September 30, 2019	¥208,036	¥40,870	¥31,607	15.2
As of March 31, 2019	¥180,421	¥54,737	¥42,367	23.5

2. Dividends

	Annual dividends				
	First quarter	Second quarter	Third quarter	Fourth quarter	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2019	-	0.00	-	0.00	-
Fiscal year ending March 31, 2020	-	0.00			
Fiscal year ending March 31, 2020 (Forecasts)			-	1.00	1.00

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
Full year ending March 31, 2020	¥225,000	1.1	¥3,200	–	¥1,800	–	¥700	–	¥500	–	0.90

(Note) Revisions to results forecasts published most recently: None
* Forecasts of the consolidated results for the fiscal year under review take into account changes in selling expenses and general and administrative expenses caused by the application of IFRS 16 Leases and the loss on liquidation of business, chiefly resulting from the sale of subsidiaries and liquidation of business to build the foundation for sustainable growth in the fiscal year ending March 31, 2021 and thereafter on a consolidated basis.

* Notes

(1) Significant changes in scope of consolidation (change in scope of consolidation of specified subsidiaries): None
Newly consolidated: None
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:	No

(3) Number of outstanding shares (common stock)

[1] Number of outstanding shares including treasury stock:	
As of September 30, 2019	556,218,400 shares
As of March 31, 2019	556,218,400 shares
[2] Number of shares of treasury stock:	
As of September 30, 2019	932 shares
As of March 31, 2019	932 shares
[3] Average number of shares during the period (April-June):	
As of September 30, 2019	556,217,468 shares
As of September 30, 2018	536,779,438 shares

* The Company split its common stock at the ratio of 1 to 2 on the effective date of August 1, 2018. Accordingly, basic earnings per share were calculated based on the assumption that the 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 November 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 (https://ir-english.rizapgroup.com/) of the Company after the briefing.

(Appendix)

Contents

1. Analysis of Operating Results and Financial Position

(1) Analysis of Operating Results

a. Analysis of Consolidated Operating Results

Beginning in the first three months of the fiscal year under review (the “first quarter”), RIZAP GROUP, Inc. (the “Company”) is applying IFRS 16 Leases (“IFRS 16”) to its financial statements. For details, see the section “a. Significant accounting policy” under “(5) Notes on Condensed Consolidated Financial Statements.”

In the fiscal year ending March 31, 2020 (the “fiscal year under review”), the Company split and incorporated the detached housing and renovation business of Tatsumi Planning Co., Ltd., transferred the business to the new company, and sold all the shares of the new company. This company is categorized as discontinued operations in the fiscal year under review and presented as “net income from discontinued operations (net income attributable to owners of the parent)” separately from the continuing operations.

In addition, the Company performed provisional accounting treatment of the business combination with SHICATA CO. conducted in April 2018 in the fiscal year ended March 31, 2019 (the “previous fiscal year”). It finalized the accounting treatment in the first quarter and made a retroactive adjustment.

In response to the delay in the management reorganization of some companies in the Group that emerged in the previous fiscal year, the Company launched a structural reform aiming for sustainable growth with a focus on the early completion of the 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 operating loss due to the posting of a non-recurring loss, including expenses for the structural reform such as impairment loss of inventory, unprofitable business.

The Company is planning to implement this structural reform in three phases. The previous fiscal year was Phase I, which was the most urgent of the three. In the fiscal year under review, the Company is moving on to Phase II (construction of foundations of growth) and focusing on the change to a strong business structure and further improvement of the group management system with the aim of shifting to Phase III (getting on a growth path) from the fiscal year ending March 31, 2021.

In the first six months of the fiscal year ending March 31, 2020 (the “second quarter”), revenue increased. This was mainly due to growth led by the Group’s major companies such as IDEA INTERNATIONAL CO., LTD. and MRK HOLDINGS INC, known for product lines such as interior goods and women’s shapewear, respectively, and a significant rise in revenue recorded by Auntie Rosa Co., Ltd. on the back of strong online sales. In addition, Sohken Homes Co., Ltd., which was converted into a consolidated subsidiary in the previous fiscal year contributed, along with ISSHIN WATCH Corp. and other companies.

Operating income exceeded the forecast. This was mainly due to the absence of structural reform-related expenses posted by WonderCorporation and other companies for the second quarter of the previous fiscal year (the “previous second quarter”), a significant rise in profit that MRK HOLDINGDS INC. achieved by returning to profitability during this fiscal year despite previously suffering an operating loss due to the delayed production of major products. Other factors included an increase in earnings from the previous year achieved by many other listed subsidiaries and the effect of IFRS16.

As a result, in the first six months under review, revenue was ¥108,286 million (up 2.5% year on year, compared with ¥105,675 million for the same period a year earlier, and operating income stood at ¥2,709 million (compared with an operating loss of ¥5,879 million for the same period a year earlier). However, the Company recorded loss attributable to owners of the parent of ¥66 million (compared with a loss of ¥8,546 million for the same period a year earlier), because mainly listed subsidiaries with non-controlling equities recorded profits against expectations.

b. Summary of business by segment

(Beauty and Healthcare)

In the RIZAP businesses, the RIZAP personal training service remained firm. In addition, sales increased for the Group

Studio Services such as EXPA, which is fitness in the dark that uses the RIZAP method. RIZAP will evolve from the conventional diet gym that helps achieve results and provide wide-ranging services that contribute to the extension of healthy life expectancy in the aging society and the prevention of lifestyle diseases such as diabetes. In this fiscal year under review, the Company will improve its advertisements targeting seniors and accelerate the acquisition of customers, mainly in their 50s and above who aspire to improve their health. In addition, the Company has been developing medical trainers by providing special education and training, ensuring that people with diseases or those who are not confident about their physical strength can go to the gym with peace of mind. Such trainers are placed at all RIZAP studios.

MRK HOLDINGS achieved an increase in revenue and significant rise in profit mainly due to the improvement of unit prices for customers by improving store conditions largely through renewals and expanding its product lineup, in addition to the stabilization of the supply of Curvaceous, its core product in the body shaping underwear line, the production of which had been delayed in the previous second quarter.

SD ENTERTAINMENT recorded an increase in profit due to the progress on structural reform in the wellness business and steady sales of online crane games business, despite a significant decline in revenue due to the sale of its entertainment business in the previous fiscal year and the burden of expenses from opening nine childcare facilities.

As a result, in the Beauty and Healthcare segment, revenue was ¥38,235 million (down 0.8% year on year as compared with ¥38,536 million for the same period of the previous fiscal year), and operating income was ¥1,288 million (up 1,057.3% as compared with an operating loss of ¥111 million for the same period of the previous fiscal year).

(Lifestyle)

IDEA INTERNATIONAL CO., LTD. achieved an increase in revenue and operating income thanks to the continued strength in sales of BRUNO interior goods brand centered on kitchen appliances and the MILESTO travel goods brand.

Particularly, in BRUNO, optional products, along with oval hot plates that were released this year, contributed to growth in revenue of the company. In addition, overseas sales expanded, reflecting the strong results of hot sandwich makers, among other products, in China. On the profit side, operating income increased steadily. This was attributable to the strong sales of BRUNO mentioned earlier and the conversion of SHICATA CO. into a consolidated subsidiary in April 2018.

Although the revenue of DREAM VISION CO., LTD. increased year on year thanks to the addition of NARACAMICIE JAPAN CO., LTD., which had become a consolidated subsidiary in the previous fiscal year, to its mainstay apparel business, profit decreased year on year, partly due to unstable weather in early spring. In the jewelry business, both revenue and profit rose year on year thanks to improvements made in the sales of new products. As a result of these and due to the impact of IFRS 16, the overall result for the Company was an increase in both revenue and profit.

HAPiNS Co., Ltd. is implementing structural reforms with a focus on “pursuit of value” and “selection and concentration.” Revenue decreased in the first quarter, reflecting the sluggish sales of spring and summer products attributable to the effect of unstable weather in early spring. In terms of sales, it succeeded in offsetting the decrease in revenue recorded in the first quarter by reducing the volume of the product lines to promote its summer products intensively along with improving the sales cost ratio through the expansion of sales with private brands. On the profit side, it also achieved an increase in operating income.

MARUSYOHOTTA CO., LTD. suffered a fall in revenue in almost all segments. However, in terms of profit, all segments secured profitability through the facilitation of structural reforms, including office mergers and closures and disposal of unprofitable businesses. Nearly all segments recorded an increase in profit. The company remained unprofitable on a consolidated basis but achieved an increase in profit.

JEANS MATE, Inc. suffered a decline in revenue and profit, due to the slow-selling of seasonal merchandise caused by unstable weather in April and July. However, it continued to secure profitability as in the previous year in terms of operating income because it moved forward with initiatives for appropriately controlling inventories and gross margins by continuing to revise sales prices in a timely manner, changed the product mix in a way that matches store types in consideration of the ranking of promoted items and store locations, and placed facilities that engage in duty-free sales in all stores.

As a result, in the Lifestyle segment, revenue was ¥29,777 million (up 28.0% year on year from ¥23,262 million in the same period of the previous fiscal year) and operating income was ¥906 million (as compared with a loss of ¥199 million for the same period of the previous fiscal year)

(Platform)

WonderCorporation implemented drastic structural reforms in the previous fiscal year, including the closure of unprofitable stores and the revaluation of Inventories. The WonderREX secondhand shops and Shinseido CD stores achieved increases in revenue. However, WonderGOO, which is changing its earnings structure, recorded a fall in revenue, which resulted in decreased revenue on a consolidated basis as well. Even so, structural reforms and the reduction of SG&A expenses contributed to profit growth.

PADO Corporation achieved significant growth in revenue and operating income as a result of making Living Pro-Seed, Inc. a subsidiary in December 2018 while still carrying a deficit. Despite a decrease in revenue in its existing businesses, PADO achieved an increase in profit by working on the reduction of SG&A expenses. With respect to PADO, the Company made a timely disclosure on a tender offer on November 6, 2019, and expressed its intent to accept. The offer is valid until December 4. If the tender offer is concluded as expected, PADO and its subsidiaries will be excluded from the Company's consolidated subsidiaries.

As a result, in the Platform segment, revenue was ¥40,895 million (down 8.0% year on year from ¥44,465 million in the same period of the previous fiscal year) and operating income was ¥1,303 million (as compared with an operating loss of ¥4,089 million in the same period of the previous fiscal year).

In addition, because of internal revenue for transactions among segments of ¥621 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 ¥788 million, the revenue of the entire Group was ¥108,286 million and the operating income was ¥2,709 million.

(2) Analysis of Financial Position

a. Overview of assets, liabilities and equity

(Assets)

Current assets decreased ¥18,099 million, or 14.5%, from the end of the previous fiscal year to become ¥106,936 million. This was mainly attributable to a decrease of ¥9,002 million in cash and cash equivalents and a fall of ¥5,221 million in assets held for sale chiefly due to the sale of the new company that succeeded the detached housing business and renovation business of the subsidiary, Tatsumi Planning Co., Ltd., in the first quarter.

Non-current assets increased ¥45,714 million, or 82.5%, from the end of the previous fiscal year to become ¥101,099 million. This was caused primarily by an increase of ¥44,903 million in property, plant, and equipment as a result of the application of IFRS 16.

As a result, total assets grew ¥27,614 million, or 15.3%, from the end of the previous fiscal year, to become ¥208,036 million.

(Liabilities)

Current liabilities rose ¥4,870 million, or 5.9%, from the end of the previous fiscal year to become ¥87,379 million. This was attributable to an increase of ¥16,391 million in interest-bearing debts, due in part to the application of IFRS 16, which was partially offset by a decrease of ¥5,643 million in liabilities directly related associated with assets held for sale, which had resulted largely from the sale of the aforementioned new company.

Non-current liabilities grew ¥36,612 million, or 84.8%, from the end of the previous fiscal year to become ¥79,786 million. This resulted mainly from an increase of ¥37,135 million in interest-bearing debts, partly due to the application of IFRS 16.

As a result, total liabilities rose ¥41,482 million, or 33.0%, from the end of the previous fiscal year to become ¥167,166 million.

(Equity)

Total equity decreased ¥13,867 million, or 25.3%, from the end of the previous fiscal year to become ¥40,870 million. This was chiefly a result of decreases in retained earnings and non-controlling equities, mainly due to the application of IFRS 16.

b. Overview of cash flows

The balance of cash and cash equivalents ("cash") declined ¥10,857 million in the second quarter under review from the end of the previous fiscal year, to ¥33,242 million factoring in the reimbursement and transfer amount of cash and cash equivalents included in the assets held for sale.

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

(Cash flows from operating activities)

Cash provided in operating activities in the first six months of the fiscal year under review was ¥5,046 million (cash used in of ¥7,616million in the same period of the previous year). Major factors for the cash increase include income before tax of ¥1,378 million and depreciation and amortization of ¥7,149 million, mainly as a result of the application of IFRS 16. Major factors for the decrease include income taxes paid amounting to ¥2,010 million.

(Cash flows from investing activities)

Cash used in investing activities was ¥1,403 million (cash used in of ¥8,764 million in the same period of the previous year). Key factors for the cash increase included the proceeds from sale of the shares of a subsidiaries resulting in change in scope of consolidation totaling ¥1,181 million, due to the sale of the new company that had succeeded to the detached housing business and renovation business of the subsidiary, Tatsumi Planning Co., Ltd. Primary factors for the cash decrease included ¥2,521 million of the purchase of property, plant, and equipment, mainly as a result of new store openings in the RIZAP related businesses and SD Entertainment (company-led childcare facilities) and store renovations at WonderCorporation.

(Cash flows from financing activities)

Cash used in financing activities was ¥14,458 million (cash provided by of ¥29,945 million in the same period of the previous year). Key factors for the cash decrease include repayments of long-term borrowings amounting to ¥9,521 million and repayments of lease obligations totaling ¥7,139 million, which resulted from the application of IFRS 16.

(3) Information on the Future Outlook

Currently, no change has been made to the consolidated financial forecasts for the fiscal year under review, which were announced on May 15, 2019. These forecasts take into account the impact of factors such as changes in SG&A expenses, etc. caused by the application of IFRS 16 and a loss on the liquidation of business to build foundations of sustained growth during and after the fiscal year ending March 31, 2021.

(4) Important Notes Regarding Going Concern Assumptions

As previously reported, the Company posted substantial losses in the previous fiscal year, including the cost of structural reforms. This has caused the Company to violate the financial covenants in the loan agreement for some of the Company's borrowings signed with a financial institution, and the Company recognizes that there is significant doubt about its ability to continue as a going concern.

Meanwhile, the Company considers that the early completion of the urgently needed structural reforms in the previous fiscal year contributed to the steady progress in the improvement of its management infrastructure for sustainable growth, and it plans to post profit in the financial forecasts for the fiscal year under review. The Company has been communicating with the relevant financial institutions regarding such forecasts and progress in the fiscal year under review in a timely and appropriate manner and is following procedures to continue the agreement concerned with the financial institutions' understanding of the Company's situation.

Furthermore, in terms of funds, the Company signed a commitment line agreement with a financial institution in May 2019, which allows dynamic and stable financing. The Company therefore expects that its finances will remain stable for the time being.

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. Consolidated Financial Statements and Major Notes

(1) Consolidated Statements of Financial Position

(Millions of yen)

	As of March 31, 2019	As of September 30, 2019
Assets		
Current assets		
Cash and cash equivalents	42,245	33,242
Trade and other receivables	33,432	30,237
Inventories	36,175	36,472
Accrued income taxes	338	416
Other financial assets	885	921
Other current assets	3,960	2,858
Subtotal	117,037	104,149
Assets held for sale	7,998	2,787
Total current assets	125,036	106,936
Non-current assets		
Property, plant and equipment	29,028	73,931
Goodwill	4,147	4,147
Intangible assets	3,702	4,030
Other financial assets	14,978	14,689
Deferred tax assets	2,607	3,444
Other non-current assets	921	856
Total non-current assets	55,385	101,099
Total assets	180,421	208,036

(Millions of yen)

	As of March 31, 2019	As of September 30, 2019
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	37,425	32,893
Interest-bearing debts	29,266	45,658
Income taxes payable	1,727	947
Provisions	2,570	2,511
Other financial liabilities	5	5
Other current liabilities	4,526	4,020
Subtotal	75,523	86,036
Liabilities directly associated with assets held for sale	6,986	1,343
Total current liabilities	82,509	87,379
Non-current liabilities		
Interest-bearing debts	33,458	70,594
Net defined benefit liability	2,302	2,283
Provisions	4,147	4,389
Other financial liabilities	2,215	1,861
Deferred tax liabilities	636	272
Other non-current liabilities	413	385
Total non-current liabilities	43,174	79,786
Total liabilities	125,683	167,166
Equity		
Capital stock	19,200	19,200
Capital surplus	23,343	6,745
Retained earnings	(578)	5,295
Other components of equity	402	365
Total equity attributable to owners of the parent	42,367	31,607
Non-controlling interests	12,370	9,262
Total equity	54,737	40,870
Total liabilities and equity	180,421	208,036

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

Consolidated Statements of Income or Loss

For the six-month period ended September 30, 2019

(Millions of yen)

	Six-month period ended September 30, 2018 (From April 1, 2018 to September 30, 2018)	Six-month period ended September 30, 2019 (From April 1, 2019 to September 30, 2019)
Revenue	105,675	108,286
Cost of sales	56,254	58,749
Gross profit	49,420	49,537
Selling, general and administrative expenses	52,192	46,655
Other income	2,109	580
Other expenses	5,217	752
Operating income (loss)	(5,879)	2,709
Finance income	74	64
Finance cost	908	1,394
Income (loss) before tax	(6,713)	1,378
Income tax expense	449	761
Income (loss) from continuing operations	(7,162)	617
Discontinued operations		
Net income (loss) from discontinued operations	(2,791)	198
Net income (loss)	(9,954)	815
Net income (loss) attributable to:		
Owners of the parent	(8,546)	(66)
Non-controlling interests	(1,407)	881
Net income (loss)	(9,954)	815
Earnings per share		
Basic earnings per share (yen)		
Continuing operations	(10.77)	(0.47)
Discontinued operations	(5.15)	0.36
Basic earnings (loss) per share (yen)	(15.92)	(0.12)
Diluted earnings per share (yen)		
Continuing operations	(10.77)	(0.48)
Discontinued operations	(5.15)	0.36
Diluted earnings (loss) per share (yen)	(15.92)	(0.12)

For the three-month period ended September 30, 2019
(Millions of yen)

	Three-month period ended September 30, 2018 (From July 1, 2018 to September 30, 2018)	Three-month period ended September 30, 2019 (From July 1, 2018 to September 30, 2018)
Revenue	54,154	54,785
Cost of sales	28,969	30,302
Gross profit	25,184	24,482
Selling, general and administrative expenses	25,755	23,215
Other income	632	330
Other expenses	4,549	371
Operating income (loss)	(4,488)	1,226
Finance income	68	34
Finance cost	641	891
Income (loss) before tax	(5,061)	369
Income tax expense	812	236
Income (loss) from continuing operations	(5,873)	133
Discontinued operations		
Net income (loss) from discontinued operations	(705)	317
Net income (loss)	(6,579)	450
Net income (loss) attributable to:		
Owners of the parent	(5,426)	74
Non-controlling interests	(1,153)	375
Net income (loss)	(6,579)	450
Earnings per share		
Basic earnings per share (yen)		
Continuing operations	(8.51)	(0.44)
Discontinued operations	(1.26)	0.57
Basic earnings (loss) per share (yen)	(9.77)	0.13
Diluted earnings per share (yen)		
Continuing operations	(8.51)	(0.44)
Discontinued operations	(1.26)	0.57
Diluted earnings (loss) per share (yen)	(9.77)	0.13

Consolidated Statements of Comprehensive Income

For the six-month period ended September 30, 2019

(Millions of yen)

	Notes	Six-month period ended September 30, 2018 (From April 1, 2018 to September 30, 2018)	Six-month period ended September 30, 2019 (From April 1, 2019 to September 30, 2019)
Net income (loss)		(9,954)	815
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Equity instruments measured at the fair value through other comprehensive income		289	(5)
Re-measurements of defined benefit obligation		57	(8)
Total in the item		346	(14)
Items that may be transferred to profit (loss)			
Exchange differences on translating foreign operations		36	(23)
Total in the item		36	(23)
Total other comprehensive income		383	(37)
Total comprehensive income		(9,571)	777
Total comprehensive income attributable to:			
Owners of the parent		(8,213)	(94)
Non-controlling interests		(1,357)	872
Total comprehensive income		(9,571)	777

For the three-month period ended September 30, 2019

(Millions of yen)

	Notes	Three-month period ended September 30, 2018 (From July 1, 2018 to September 30, 2018)	Three-month period ended September 30, 2019 (From July 1, 2018 to September 30, 2018)
Net income (loss)		(6,579)	450
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Equity instruments measured at the fair value through other comprehensive income		290	10
Re-measurements of defined benefit obligation		7	5
Total in the item		298	15
Items that may be transferred to profit (loss)			
Exchange differences on translating foreign operations		21	6
Total in the item		21	6
Total other comprehensive income		319	22
Total comprehensive income		(6,260)	473
Total comprehensive income attributable to:			
Owners of the parent		(5,137)	98
Non-controlling interests		(1,122)	375
Total comprehensive income		(6,260)	473

(3) Consolidated Statements of Changes in Equity

For the six-month period ended September 30, 2018 (From April 1, 2018 to September 30, 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, 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	-	-	(8,546)	-	(8,546)	(1,407)	(9,954)
Other comprehensive income	-	-	-	332	332	50	383
Total comprehensive income for the period	-	-	(8,546)	332	(8,213)	(1,357)	(9,571)
Issuance of new shares	17,799	17,714	-	-	35,514	-	35,514
Dividends of surplus	-	-	(1,860)	-	(1,860)	(77)	(1,937)
Increase (decrease) by business combination	-	-	-	-	-	5	5
Change in the ownership interests in the subsidiary that does not lead to loss of control	-	302	-	-	302	243	546
Share-based payment transactions	-	-	-	7	7	-	7
Other	-	-	(27)	-	(27)	-	(27)
Total amount of transactions with owners	17,799	18,017	(1,887)	7	33,936	171	34,108
Balance on September 30, 2018	19,200	23,453	10,261	498	53,414	13,295	66,709

For the six-month period ended September 30, 2019 (From April 1, 2019 to September 30, 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, 2019	19,200	23,343	(578)	402	42,367	12,370	54,737
Change of the accounting policy	-	-	(10,660)	-	(10,660)	(3,901)	(14,561)
Balance after the revised presentation on April 1, 2019	19,200	23,343	(11,239)	402	31,706	8,469	40,175
Net income	-	-	(66)	-	(66)	881	815
Other comprehensive income	-	-	-	(28)	(28)	(9)	(37)
Total comprehensive income for the period	-	-	(66)	(28)	(94)	872	777
Dividends of surplus	-	-	-	-	-	(72)	(72)
Changes in the ownership interest in subsidiaries that result in loss of control	-	-	-	-	-	(5)	(5)
Change in the ownership interests in the subsidiary that does not lead to loss of control	-	-	-	-	-	(0)	(0)
Transfer to retained earnings	-	(16,590)	16,590	-	-	-	-
Other	-	(7)	10	(8)	(5)	-	(5)
Total amount of transactions with owners	-	(16,597)	16,600	(8)	(5)	(78)	(83)
Balance on September 30, 2019	19,200	6,745	5,295	365	31,607	9,262	40,870

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Six-month period ended September 30, 2018 (From April 1, 2018 to September 30, 2018)	Six-month period ended September 30, 2019 (From April 1, 2019 to September 30, 2019)
Cash flows from operating activities		
Income (loss) before tax	(6,713)	1,378
Income (loss) before tax from discontinued operations	(3,027)	494
Depreciation and amortization	2,622	7,149
Impairment losses	387	172
Finance income and finance costs	388	784
Decrease (increase) in inventories	(269)	166
Decrease (increase) in trade and other receivables	492	1,566
Increase (decrease) in trade and other payables	625	(3,740)
Increase (decrease) in retirement benefit liability	(126)	(12)
Increase (decrease) in provisions	265	(156)
Other	101	(236)
Subtotal	(5,253)	7,567
Interest and dividends received	31	57
Interest paid	(457)	(1,007)
Income taxes paid	(2,225)	(2,010)
Income taxes refund	289	439
Net cash provided by (used in) operating activities	(7,616)	5,046
Cash flows from investing activities		
Payments into time deposits	(187)	(294)
Proceeds from withdrawal of time deposits	245	293
Purchase of property, plant and equipment	(3,240)	(2,521)
Proceeds from sale of property, plant and equipment	140	306
Payments for acquisition of subsidiaries	(5,039)	-
Proceeds from acquisition of subsidiaries	44	-
Payments for leasehold deposits and guarantee deposits	(609)	(278)
Proceeds from collection of leasehold deposits and guarantee deposits	561	584
Proceeds from sale of investments in subsidiaries resulting in change in scope of consolidation	-	1,181
Other	(678)	(676)
Net cash provided by (used in) investing activities	(8,764)	(1,403)

(Millions of yen)

	Six-month period ended September 30, 2018 (From April 1, 2018 to September 30, 2018)	Six-month period ended September 30, 2019 (From April 1, 2019 to September 30, 2019)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(1,400)	2,511
Proceeds from long-term borrowings	5,516	627
Repayments of long-term borrowings	(6,707)	(9,521)
Proceeds from issuance of bonds	223	190
Redemption of bonds	(1,198)	(1,044)
Repayments of lease obligations	(699)	(7,139)
Proceeds from issuance of shares	35,480	-
Capital contribution from non-controlling interests	743	-
Dividends paid	(1,856)	(3)
Dividends paid to non-controlling interests	(78)	(70)
Purchase of investments in subsidiaries not resulting in change in scope of consolidation	(185)	-
Other	107	(7)
Net cash provided by (used in) financing activities	29,945	(14,458)
Effect of exchange rate changes on cash and cash equivalents	24	(42)
Net increase (decrease) in cash and cash equivalents	13,589	(10,857)
Cash and cash equivalents at beginning of period	43,630	42,245
Reversal amount of cash and cash equivalents included in the assets held for sale	-	1,926
Transfer amount of cash and cash equivalents included in the assets held for sale	-	(72)
Cash and cash equivalents at end of period	57,220	33,242

(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 from the first quarter of the fiscal year under review.

Standard	Name of standard	Summary of new establishment and revision
IFRS 16	Lease	Comprehensive review on lease transactions

The Company adopted IFRS 16 "Lease" (announced in January 2016) (collectively, "IFRS 16") from the first quarter under review. As for the application of IFRS 16, the Company has adopted the method of recognizing its cumulative impact on the first day of application.

When applying IFRS 16, the Company continues to use IAS 17 Leases ("IAS 17") and IFRIC 4 Determining Whether an Arrangement Contains a Lease to determine whether an agreement includes a lease. The Company treats lease agreements whose lease term ends within 12 months from the first day of the application in the same manner as a short-term lease.

If an agreement is a lease or includes a lease, the Company posts the right-of-use assets and lease liabilities, excluding short-term leases and leases of low-value assets, in the condensed quarterly consolidated statement of financial position. The Company regularly recognizes lease payments for short-term leases and leases of low-value assets as expenses over the lease terms.

The Company uses a cost model for the measurement of right-of-use assets. The Company performs the initial measurement of right-of-use assets using the amount resulting from adjusting the amount of lease liabilities in the initial measurement with prepaid lease payments, etc. and regularly depreciates the amount over the lease terms. The Company measures lease liabilities using the discounted present value of unpaid leases. Lease payments are distributed between the finance cost and the repayment of lease liabilities based on the effective interest-rate method. The weighted average of the incremental borrowing rate applied to lease liabilities recognized in the condensed quarterly consolidated statement of financial position as of the first day of application is 1.6%.

The difference between an irrevocable operating lease agreement, to which IAS 17 applies at the end of the previous fiscal year, and lease liabilities recognized in the condensed quarterly consolidated statement of financial position on the first day of application is caused primarily by a difference in the estimates of the lease term.

As a result, in comparison with the case where the former accounting standards were applied, property, plant, and equipment increased ¥48,104 million, interest-bearing debts increased ¥63,250 million, and deferred tax assets increased ¥1,157 million at the beginning of the second quarter. In addition, retained earnings decreased ¥10,545 million and non-controlling interests decreased ¥3,901 million. In the consolidated statements of income for the second quarter, cost of sales decreased ¥275 million, SG&A expenses decreased ¥1,934 million, and finance cost increased ¥511 million.

Expenditures for lease liabilities not subject to IFRS 16, which were included in cash flow from operating activities in the Condensed Consolidated Statements of Cash Flows for the previous fiscal year, are included in cash flow from financing activities beginning in the first quarter of the fiscal year under review.

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.

Temporary accounting processing was applied to the consolidated financial results for the previous fiscal year pertaining to the business combination with SHICATA CO. implemented in the first three months of the previous fiscal year. With such results finalized in the first quarter of the fiscal year, details of the temporary accounting processing, which were finalized, are reflected in financial figures in the previous first six months.

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 "a. 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 six-month period ended September 30, 2018 (From April 1, 2018 to September 30, 2018)

(Millions of yen)

	Beauty and Healthcare	Lifestyle	Platform	Total	Adjustment	Amount posted in the consolidated financial statements
Revenue						
Revenue from outside customers	38,295	23,096	44,282	105,675	-	105,675
Revenue from transactions between the segments	240	166	182	589	(589)	-
Total	38,536	23,262	44,465	106,264	(589)	105,675
Segment income (loss)	111	(199)	(4,089)	(4,177)	(1,701)	(5,879)
Finance income	-	-	-	-	-	74
Finance costs	-	-	-	-	-	908
Income before tax	-	-	-	-	-	(6,713)

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

For the six-month period ended September 30, 2019 (From April 1, 2019 to September 30, 2019)

(Millions of yen)

	Beauty and Healthcare	Lifestyle	Platform	Total	Adjustment	Amount posted in the consolidated financial statements
Revenue						
Revenue from outside customers	37,878	29,650	40,757	108,286	-	108,286
Revenue from transactions between the segments	356	127	137	621	(621)	-
Total	38,235	29,777	40,895	108,908	(621)	108,286
Segment income (loss)	1,288	906	1,303	3,497	(788)	2,709
Finance income	-	-	-	-	-	64
Finance costs	-	-	-	-	-	1,394
Income before tax	-	-	-	-	-	1,378

(Note) 1. Revenue from transactions between the segments and segment income (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 six-month period ended September 30, 2018 (From April 1, 2018 to September 30, 2018)

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	1,184
Current liabilities	1,167
Non-current liabilities	396
Net assets	1,320
Goodwill (Note 3)	273

(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.

(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)

	Six-month period ended September 30, 2018 (From April 1, 2018 to September 30, 2018)
Revenue	2,073
Net income	69

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.

(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)

	Six-month period ended September 30, 2018 (From April 1, 2018 to September 30, 2018)
Revenue	1,062
Net income	190

* 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 three months ended June 30, 2019 is not stated because it is difficult to obtain accurate financial figures for the companies before their acquisition by the Company.

For the six-month period ended September 30, 2019 (From April 1, 2019 to September 30, 2019)

Finalization of provisional accounting treatment related to business combination

1) SHICATA CO.

The Company performed provisional accounting treatment in the previous fiscal year for the business combination with SHICATA CO. conducted in April 2018 and finalized this accounting treatment in the three months ended June 30, 2019.

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 ¥630 million and non-current liabilities increased by ¥192 million; consequently, goodwill decreased by ¥437 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	1,594	-	1,594
Total	1,594	-	1,594

(Millions of yen)

Price	Provisional	Retroactive adjustment	Final
Current assets	1,700	-	1,700
Non-current assets	554	630	1,184
Current liabilities	1,167	-	1,167
Non-current liabilities	203	192	396
Net assets	883	437	1,320
Goodwill	711	(437)	273

2) Shonan Bellmare Co., Ltd.

The Company performed provisional accounting treatment in the previous fiscal year for the business combination with Shonan Bellmare Co., Ltd. conducted in April 2018 and finalized this accounting treatment in the three months ended June 30, 2019.

This finalization of the provisional accounting treatment has no impact.

d. Discontinued operations

(1) Overview of the discontinued operations

In the previous fiscal year, the Company sold Japan Gateway and passed a resolution to split and incorporate the detached housing and renovation businesses of Tatsumi Planning, transfer the business to a new company, and sell all the shares of the new company. This sale was conducted in the first quarter under review. The businesses of Japan Gateway and Tatsumi Planning are, therefore, restated as discontinued operations in the first quarter of the previous fiscal year.

Revenues and expenses categorized as discontinued operations in the first quarter under review include revenues and expenses in the businesses of Tatsumi Planning categorized as discontinued operations in the previous fiscal year, a gain on the sale of the shares of the new company, and temporary expenses for the share transfer agreement for the shares of Japan Gateway sold in the previous fiscal year.

Japan Gateway was categorized into the Beauty and Healthcare segment and Tatsumi Planning was categorized into the Lifestyle segment.

(2) Net income and loss of the discontinued operations

(Millions of yen)

	Six-month period ended September 30, 2018 (From April 1, 2018 to September 30, 2018)	Six-month period ended September 30, 2019 (From April 1, 2019 to September 30, 2019)
Income and loss of the discontinued operations		
Revenue	3,531	2,098
Cost	6,558	1,604
Income (loss) before tax from discontinued operations	(3,027)	494
Income tax expense	(236)	296
Net income (loss) from discontinued operations	(2,791)	198

(3) Cash flows from discontinued operations

(Millions of yen)

	Six-month period ended September 30, 2018 (From April 1, 2018 to September 30, 2018)	Six-month period ended September 30, 2019 (From April 1, 2019 to September 30, 2019)
Cash flows from discontinued operations		
Net cash provided by (used in) operating activities	(3,204)	(29)
Net cash provided by (used in) investing activities	(192)	1,184
Net cash provided by (used in) financing activities	67	(3,297)
Total	(3,330)	(2,143)

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.

	Six-month period ended September 30, 2018 (From April 1, 2018 to September 30, 2018)	Six-month period ended September 30, 2019 (From April 1, 2019 to September 30, 2019)
Net income (loss) attributable to ordinary equity holders of the parent (million yen)		
Continuing operations	(5,780)	(264)
Discontinued operations	(2,765)	198
Total	(8,546)	(66)
Basic weighted average ordinary shares (shares)	536,779,438	556,217,468
Basic earnings (loss) per share (yen)		
Continuing operations	(10.77)	(0.47)
Discontinued operations	(5.15)	0.36
Total	(15.92)	(0.12)

	Three-month period ended September 30, 2018 (From July 1, 2018 to September 30, 2018)	Three-month period ended September 30, 2019 (From July 1, 2019 to September 30, 2019)
Net income (loss) attributable to ordinary equity holders of the parent (million yen)		
Continuing operations	(4,725)	(242)
Discontinued operations	(701)	317
Total	(5,426)	74
Basic weighted average ordinary shares (shares)	555,443,416	556,217,468
Basic earnings (loss) per share (yen)		
Continuing operations	(8.51)	(0.44)
Discontinued operations	(1.26)	0.57
Total	(9.77)	0.13

(Note) The Company split its common stock at the ratio of 1 to 2 on the effective date of August 1, 2018. Accordingly, diluted earnings per share were calculated based on the assumption that the stock split was conducted at the beginning of the previous fiscal year.

f. Significant subsequent events

Acceptance of the tender offer for PADO Corporation

With respect to common shares in PADO Corporation ("PADO"), a consolidated subsidiary of the Company, as part of structural reforms aimed at achieving the sustainable growth of the Group, the Company passed a resolution at a meeting held on November 6, 2019, on the conclusion of a tender offer acceptance agreement ("Agreement"), based on which all common shares in PADO owned by the Company and its subsidiaries shall be purchased in accordance with the tender offer ("Tender Offer") implemented by Koji Hatano ("Tender Offeror"), and concluded the Agreement with the Tender Offeror.

PADO, which currently belongs to the Platform segment of the Group, will be excluded from the Company's consolidated subsidiaries if the Tender Offer is concluded as expected.

The overview of the Tender Offer is as follows.

1. Overview of the subsidiary whose shares will be purchased

Name	PADO Corporation
Business description	Publication and distribution of the PADO information magazine Distribution business of fliers and other materials Provision of different types of community information Internet/mobile related businesses Planning, production, operation and agency service for advertisements, advertising materials and events
Capital stock	1,026 million yen
Main shareholders and shareholding ratio (as of March 31, 2019; rounded off to two decimal places)	RIZAP GROUP, Inc. 67.56% Nihon Design Kenkyujo 6.86% SANKEI LIVING SHIMBUN Inc. 5.00% Hiroshi Kurahashi 4.22% PADO Employee Shareholding Association 0.85%

2. Overview of Tender Offeror

Name	Koji Hatano
Location	Shibuya-ku, Tokyo

3. Expected number of shares to be purchased through the Tender Offer, transfer value, dividends to be received, and number of shares owned before and after the Tender Offer

Number of shares owned before the Tender Offer	13,513,515 shares (ownership ratio: 67.56%)
Number of shares to be purchased through the Tender Offer	13,513,515 shares
Transfer value	¥2,467 million (¥170 per share, includes shares owned by the Company's subsidiaries)
Number of shares owned after the Tender Offer (planned)	0 shares (ownership ratio: 0%)

* The number of shares shows the number of shares owned by the Company. SANKEI LIVING SHIMBUN Inc., a subsidiary of the Company which owns 1 million shares (ownership ratio of 5.00%), also agreed to transfer all of such shares in accordance with the Tender Offer. The transfer value includes shares to be transferred from this company.

4. Schedule

Conclusion date of the Agreement	November 6, 2019
Tender offer period	November 7, 2019 to December 4, 2019 (If the tender offer period is extended pursuant to laws and regulations, the offer shall be valid through such an extended period.)
Start date of payments	December 11, 2019 (If the tender offer period is extended pursuant to laws and regulations, payments shall be commenced on the revised start date.)