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

Consolidated Financial Report for the Three-month Period Ended June 30, 2019 (IFRS)

August 9, 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*): August 9, 2019
Scheduled date for commencement of dividend payments: –
Supplementary documents for results: Yes
Results briefing: Yes (for institutional investors, analysts, and news media)

(Millions of yen; amounts are rounded down)

1. Consolidated Financial Results for the Three-month Period Ended June 30, 2019 (April 1, 2019 to June 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	
		%		%		%		%		%		%
Three-month period ended June 30, 2019	¥53,501	3.8	¥1,482	-	¥1,009	-	¥364	-	¥(140)	-	¥304	-
Three-month period ended June 30, 2018	¥51,520	79.8	¥(1,390)	-	¥(1,651)	-	¥(3,374)	-	¥(3,119)	-	¥(3,310)	-

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three-month period ended June 30, 2019	(0.25)	(0.25)
Three-month period ended June 30, 2018	(6.03)	(6.03)

* 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 three-month period 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 June 30, 2019	¥216,302	¥40,704	¥31,700	14.7
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	-				
Fiscal year ending March 31, 2020 (Forecasts)		0.00	-	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 the impact of factors such as changes in selling, general, and administrative expenses, etc. caused by the application of IFRS 16 Leases and the strategic loss on liquidation of business to build the foundations for sustained growth in the next fiscal year and thereafter.

* 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 June 30, 2019	556,218,400 shares
As of March 31, 2019	556,218,400 shares
[2] Number of shares of treasury stock:	
As of June 30, 2019	932 shares
As of March 31, 2019	932 shares
[3] Average number of shares during the period (April-June):	
As of June 30, 2019	556,217,468 shares
As of June 30, 2018	517,761,969 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 August 9, 2019 (Friday). 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

The Company will hold a briefing for institutional investors, analysts, and news media on August 9, 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. 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 quarter, the Company again achieved record high revenue for the first quarter of a fiscal year, making it the 10th consecutive period. The growth was led by the RIZAP businesses, IDEA INTERNATIONAL CO., LTD., which deals in interior goods, MRK HOLDINGS INC., which deals in women’s shapewear, and other major companies of the Group and Sohken Homes Co., Ltd., which was converted into a subsidiary in the previous fiscal year.

Operating income exceeded the forecast after MRK HOLDINGS INC., which had posted an operating loss due in part to a delay in the production of core product in the first quarter of the previous fiscal year (the “previous first quarter”), generated a profit in the first quarter under review and achieved significant profit growth, IDEA INTERNATIONAL CO., LTD. achieved an increase in the sales of in-house brand products with high profitability, and WonderCorporation also achieved profit growth through the structural reform implemented in the previous fiscal year.

As a result, the Company posted consolidated revenue of ¥53,501 million for the first quarter, compared with ¥51,520 million for the same period a year earlier (up 3.8% year on year). The Company’s consolidated operating income was ¥1,482 million, compared with an operating loss of ¥1,390 million for the same period a year earlier, and its loss attributable to owners of the parent was ¥140 million, compared with a loss attributable to owners of the parent of ¥3,119 million for the same period a year earlier.

b. Summary of business by segment

(Beauty and Healthcare)

In the RIZAP businesses, the RIZAP personal training service and RIZAP ENGLISH outperformed the plan thanks to the successful acquisition of customers. EXPA, which is fitness in the dark that uses the RIZAP method, LIPTY hot yoga, and other One-to-many services also successfully raised sales. In the previous first quarter, profit decreased temporarily due to expenses incurred for active studio openings, advertising, and other prior investments, particularly at RIZAP. In the first quarter under review, the Company revised the plans for these expenses and increased its efficiency, which resulted in an improvement.

RIZAP will evolve from the conventional diet gym that helps achieve positive 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. The Company will improve its advertisement targeting senior citizens and accelerate the acquisition of customers mainly in their 50s and above who aspire to improve their health. Additionally, the Company will develop medical trainers who have received special education and training to help people who are not confident about their physical strength to go to the gym with peace of mind. The Company aims to place such trainers at all RIZAP studios in the future.

MRK HOLDINGS INC. achieved an increase in both revenue and operating income thanks 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 first quarter. In addition, the hair salon business and the wedding and banquet business operated by MISEL INC. contributed to sales and profit growth. The maternity and baby business achieved double-digit year-on-year growth in sales for the second consecutive year as a result of business selection and concentration, including the cancellation of a new issue of a gift catalog for family celebration in the gift department and the focus on sales growth in the baby department.

SD ENTERTAINMENT, Inc. experienced a significant decrease in sales due to the sale of its entertainment business in the previous fiscal year. Thanks to a structural reform, including the closure of unprofitable stores, and improvement in SG&A expenses, however, it achieved an increase in profit. In the wellness business, which was positioned as its new core business, SD ENTERTAINMENT opened four locations of childcare facilities, Dinos Kids, in Sapporo, Hokkaido as a company-led childcare business.

As a result, in the Beauty and Healthcare segment, revenue was ¥18,587 million (up 6.2% year on year as compared with ¥17,497 million for the previous fiscal year), and operating income was ¥214 million (as compared with an operating loss of ¥345 million for 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 centered on kitchen appliances and the MILESTO travel goods brand. In particular, hot plates, main products of BRUNO. led sales through the strong results of optional products such as ceramic-coated pots, knobs, and models featuring popular characters, the Moomins. Growth in sales of high-margin in-house brand products and SHICATA CO., which became a consolidated subsidiary in April 2018, contributed to steady profit growth.

Although the sales 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 sales 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 sales and profit.

HAPiNS Co., Ltd. is implementing structural reforms with a focus on “pursuit of value” and “selection and concentration.” In the first quarter under review, sales of spring and summer clothes were sluggish due to unstable weather in early spring, causing a fall in revenue. The improvement of the product mix, the careful selection of merchandise, and the increased efficiency of store operations, however, helped reduce the sales cost ratio and SG&A expenses and resulted in profit growth.

MARUSYOHOTTA CO., LTD. suffered a fall in revenue in all segments. A structural reform including office mergers and closures and disposal of unprofitable businesses, however, resulted in the first increase in the first-quarter consolidated operating income in three fiscal years. Particularly in the Western clothing segment, which is the second core business of MARUSYOHOTTA, the apparel business achieved growth in revenue and operating income thanks to an increase in sales in the Marufuku business of hosting events and selling babies’ and children’s clothing.

JEANS MATE, Inc. suffered a decline in revenue, due in part to a delay in the launch of seasonal merchandise caused by unstable weather in early spring; duty-free sales rose year on year, however, thanks to an increase in sales per store as a result of scraping and building at stores and steady demand for inbound tourism. A continuous reduction of SG&A expenses also contributed to operating profit maintained from the previous fiscal year.

As a result, in the Lifestyle segment, revenue was ¥14,773 million (up 27.2% year on year from ¥11,617 million in the previous fiscal year) and operating income was ¥761 million (up 303.4% year on year from ¥188 million in 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. While overall revenue decreased due to a fall in sales, particularly at WonderGoo, which is changing its earnings structure, 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 sales in PADO Corporation's existing businesses, sales of Affluent, the targeted media for wealthy people, have been increasing steadily.

As a result, in the Platform segment, revenue was ¥20,248 million (down 10.2% year on year from ¥22,552 million in the previous fiscal year) and operating income was ¥762 million (as compared with an operating loss of ¥366 million in the previous fiscal year).

In addition, because of internal revenue for transactions among segments of ¥107 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 ¥256 million, the revenue of the entire Group was ¥53,501 million and the operating income was ¥1,482 million.

(2) Analysis of Financial Position

a. Overview of assets, liabilities and equity

(Assets)

Current assets decreased ¥11,568 million, or 9.3%, from the end of the previous fiscal year to become ¥113,467 million. This was mainly attributable to a decrease of ¥6,956 million in cash and cash equivalents and a fall of ¥3,448 million in assets held for sale as a result of sale of the new company that was detached housing business and renovation business of the subsidiary, Tatsumi Planning Co., Ltd.

Non-current assets increased ¥47,449 million, or 85.7%, from the end of the previous fiscal year to become ¥102,835 million. This was caused primarily by an increase of ¥46,579 million in property, plant, and equipment as a result of the application of IFRS 16.

As a result, total assets grew ¥35,880 million, or 19.9%, from the end of the previous fiscal year, to become ¥216,302 million.

(Liabilities)

Current liabilities rose ¥7,602 million, or 9.2%, from the end of the previous fiscal year to become ¥90,111 million. This was attributable to an increase of ¥15,348 million in interest-bearing debts, due in part to the application of IFRS 16, which was not offset by a decrease of ¥4,217 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 ¥42,311 million, or 98.0%, from the end of the previous fiscal year to become ¥85,485 million. This resulted mainly from an increase of ¥42,694 million in interest-bearing debts, partly due to the application of IFRS 16.

As a result, total liabilities rose ¥49,913 million, or 39.7%, from the end of the previous fiscal year to become ¥175,597 million.

(Equity)

Total equity decreased ¥14,032 million, or 25.6%, from the end of the previous fiscal year to become ¥40,704 million. This was chiefly a result of a fall of ¥10,614 million in retained earnings, mainly due to the application of IFRS 16.

b. Overview of cash flows

The balance of cash and cash equivalents ("cash") declined ¥8,089 million in the first quarter under review from the previous fiscal year and became ¥35,289 million, excluding the transfer amount of cash and cash equivalents including in the assets held for sale, ¥793 million, 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 quarter of the fiscal year under review was ¥470 million (a decrease of ¥4,714million in the same period of the previous year). Major factors for the increase include income before tax of ¥1,009 million and depreciation and amortization of ¥3,402 million, mainly as a result of the application of IFRS 16. Major factors for the decrease include change in inventory of ¥1,942 million associated with an increase in inventories made by Sohken Homes Co., Ltd., which added inventories in preparation for upcoming demand growth, and income taxes refunded amounting to ¥1,961 million.

(Cash flows from investing activities)

There was a decrease in cash from investing activities of ¥99 million (a decrease of ¥3,075 million in the same period of the previous year). Key factors for the increase included the proceeds from sale of the shares of a subsidiaries resulting in change in scope of consolidation totaling ¥1,181 million, which caused a change in the scope of consolidation chiefly 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 decrease included the purchase of property, plant, and equipment amounting to ¥1,169 million for new store openings, etc. in the RIZAP businesses and SD Entertainment (company-led childcare facilities).

(Cash flows from financing activities)

There was a decrease in cash of ¥8,431 million from financing activities (an increase of ¥24,023 million in the same period of the previous year). Key factors for the decrease include repayments of long-term loans payable amounting to ¥5,434 million and repayments of lease obligations totaling ¥3,535 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 forcasts 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)

	Notes	As of March 31, 2019	As of June 30, 2019
Assets			
Current assets			
Cash and cash equivalents		42,245	35,289
Trade and other receivables		33,432	31,226
Inventories		36,175	37,266
Accrued income taxes		338	693
Other financial assets		885	896
Other current assets		3,960	3,545
Subtotal		117,037	108,917
Assets held for sale		7,998	4,549
Total current assets		125,036	113,467
Non-current assets			
Property, plant and equipment		29,028	75,607
Goodwill		4,147	4,147
Intangible assets		3,702	3,870
Other financial assets		14,978	15,004
Deferred tax assets		2,607	3,417
Other non-current assets		921	788
Total non-current assets		55,385	102,835
Total assets		180,421	216,302

(Millions of yen)

	Notes	As of March 31, 2019	As of June 30, 2019
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables		37,425	34,723
Interest-bearing debts		29,266	44,615
Income taxes payable		1,727	577
Provisions		2,570	2,564
Other financial liabilities		5	15
Other current liabilities		4,526	4,847
Subtotal		75,523	87,343
Liabilities directly associated with assets held for sale		6,986	2,768
Total current liabilities		82,509	90,111
Non-current liabilities			
Interest-bearing debts		33,458	76,153
Net defined benefit liability		2,302	2,305
Provisions		4,147	4,207
Other financial liabilities		2,215	2,023
Deferred tax liabilities		636	368
Other non-current liabilities		413	427
Total non-current liabilities		43,174	85,485
Total liabilities		125,683	175,597
Equity			
Capital stock		19,200	19,200
Capital surplus		23,343	23,343
Retained earnings		(578)	(11,192)
Other components of equity		402	349
Total equity attributable to owners of the parent		42,367	31,700
Non-controlling interests		12,370	9,004
Total equity		54,737	40,704
Total liabilities and equity		180,421	216,302

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

Consolidated Statements of Income or Loss

(Millions of yen)

	Notes	Three-month period ended June 30, 2018 (From April 1, 2018 to June 30, 2018)	Three-month period ended June 30, 2019 (From April 1, 2019 to June 30, 2019)
Revenue	2	51,520	53,501
Cost of sales		27,284	28,446
Gross profit		24,236	25,054
Selling, general and administrative expenses		26,437	23,439
Other income		1,477	249
Other expenses		667	381
Operating income (loss)	2	(1,390)	1,482
Finance income		6	29
Finance cost		266	503
Income (loss) before tax		(1,651)	1,009
Income tax expense		(362)	525
Income (loss) from continuing operations		(1,288)	484
Discontinued operations			
Net income (loss) from discontinued operations	4	(2,085)	(119)
Net income (loss)		(3,374)	364
Net income (loss) attributable to:			
Owners of the parent		(3,119)	(140)
Non-controlling interests		(254)	505
Net income (loss)		(3,374)	364
Earnings per share			
Basic earnings per share (yen)	5		
Continuing operations		(2.04)	(0.04)
Discontinued operations		(3.99)	(0.22)
Basic earnings (loss) per share (yen)		(6.03)	(0.25)
Diluted earnings per share (yen)	5		
Continuing operations		(2.04)	(0.04)
Discontinued operations		(3.99)	(0.22)
Diluted earnings (loss) per share (yen)		(6.03)	(0.25)

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Notes	Three-month period ended June 30, 2018 (From April 1, 2018 to June 30, 2018)	Three-month period ended June 30, 2019 (From April 1, 2019 to June 30, 2019)
Net income (loss)		(3,374)	364
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Equity instruments measured at the fair value through other comprehensive income		(0)	(15)
Re-measurements of defined benefit obligation		49	(13)
Total in the item		48	(29)
Items that may be transferred to profit (loss)			
Exchange differences on translating foreign operations		14	(30)
Total in the item		14	(30)
Total other comprehensive income		63	(59)
Total comprehensive income		(3,310)	304
Total comprehensive income attributable to:			
Owners of the parent		(3,076)	(192)
Non-controlling interests		(234)	496
Total comprehensive income		(3,310)	304

(3) Consolidated Statements of Changes in Equity

For the three-month period ended June 30, 2018 (From April 1, 2018 to June 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	21,406	158	28,401	14,481	42,882
Change of the accounting policy	-	-	(535)	-	(535)	-	(535)
Balance after the revised presentation on April 1, 2018	1,400	5,436	20,870	158	27,865	14,481	42,347
Net income	-	-	(3,119)	-	(3,119)	(254)	(3,374)
Other comprehensive income	-	-	-	43	43	20	63
Total comprehensive income for the period	-	-	(3,119)	43	(3,076)	(234)	(3,310)
Issuance of new shares	15,526	15,452	-	-	30,979	-	30,979
Dividends of surplus	-	-	(1,860)	-	(1,860)	(57)	(1,917)
Changes due to business combinations	-	-	-	-	-	5	5
Change in the ownership interests in the subsidiary that does not lead to loss of control	-	66	-	-	66	7	74
Share-based payment transactions	-	-	-	12	12	-	12
Other	-	-	(3)	-	(3)	-	(3)
Total amount of transactions with owners	15,526	15,519	(1,864)	12	29,194	(44)	29,150
Balance on June 30, 2018	16,927	20,955	15,886	214	53,983	14,202	68,186

For the three-month period ended June 30, 2019 (From April 1, 2019 to June 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	-	-	(10,476)	-	(10,476)	(3,811)	(14,287)
Balance after the revised presentation on April 1, 2019	19,200	23,343	(11,054)	402	31,890	8,558	40,449
Net income	-	-	(140)	-	(140)	505	364
Other comprehensive income	-	-	-	(51)	(51)	(8)	(59)
Total comprehensive income for the period	-	-	(140)	(51)	(192)	496	304
Dividends of surplus	-	-	-	-	-	(46)	(46)
Change in the ownership interests in the subsidiary that leads to loss of control	-	-	-	-	-	(5)	(5)
Change in the ownership interests in the subsidiary that does not lead to loss of control	-	-	-	-	-	(0)	(0)
Other	-	(0)	2	(0)	2	-	2
Total amount of transactions with owners	-	(0)	2	(0)	2	(51)	(49)
Balance on June 30, 2019	19,200	23,343	(11,192)	349	31,700	9,004	40,704

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Three-month period ended June 30, 2018 (From April 1, 2018 to June 30, 2018)	Three-month period ended June 30, 2019 (From April 1, 2019 to June 30, 2019)
Cash flows from operating activities		
Income (loss) before tax	(1,651)	1,009
Income (loss) before tax from discontinued operations	(2,383)	40
Depreciation and amortization	1,413	3,402
Impairment loss	90	127
Finance income and costs	222	338
Change in inventory	(2,773)	(1,942)
Change in operating receivables and other receivables	1,493	996
Change in operating payables and other payables	1,047	(2,100)
Change in retirement benefit liabilities	38	(1)
Change in provisions	105	(48)
Other	(95)	942
Subtotal	(2,493)	2,765
Interest and dividend income received	7	38
Interest expenses paid	(235)	(463)
Income taxes paid	(2,000)	(1,961)
Income taxes refunded	7	92
Net cash provided by (used in) operating activities	(4,714)	470
Cash flows from investing activities		
Payments into time deposits	(61)	(81)
Proceeds from withdrawal of time deposits	122	110
Purchase of property, plant and equipment	(1,154)	(1,169)
Acquisition of subsidiary	(1,549)	-
Payments for lease and guarantee deposits	(262)	(300)
Proceeds from collection of lease and guarantee deposits	290	285
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	-	1,181
Other	(459)	(126)
Net cash provided by (used in) investing activities	(3,075)	(99)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(3,978)	1,327
Proceeds from long-term loans payable	2,940	100
Repayments of long-term loans payable	(3,280)	(5,434)
Proceeds from issue of bonds, notes and debentures	192	-
Redemption of bonds	(385)	(385)
Repayments of lease obligations	(611)	(3,535)
Proceeds from issuing shares	30,979	-
Proceeds from share issuance to non-controlling interests	89	-
Cash dividends paid	(1,791)	(0)
Dividends paid to non-controlling interests	(48)	(40)
Other	(83)	(462)
Net cash provided by (used in) financing activities	24,023	(8,431)
Effect of exchange rate change on cash and cash equivalents	15	(29)

(Millions of yen)

	Three-month period ended June 30, 2018 (From April 1, 2018 to June 30, 2018)	Three-month period ended June 30, 2019 (From April 1, 2019 to June 30, 2019)
Net increase (decrease) in cash and cash equivalents	16,248	(8,089)
Cash and cash equivalents at the beginning of the 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	-	(793)
Cash and cash equivalents at the end of the period	59,879	35,289

(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 ¥48,278 million, interest-bearing debts increased ¥63,190 million, and deferred tax assets increased ¥1,192 million at the beginning of the first quarter of the fiscal year under review. In addition, retained earnings decreased ¥10,360 million and non-controlling interests decreased ¥3,811 million. In the condensed consolidated statements of income for the first quarter of the fiscal year under review, cost of sales decreased ¥115 million, SG&A expenses decreased ¥980 million, and finance cost increased ¥258 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.

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

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

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

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

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

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

For the three-month period ended June 30, 2018 (From April 1, 2018 to June 30, 2018)

(Millions of yen)

	Beauty and Healthcare	Lifestyle	Platform	Total	Adjustment (Note 1)	Amount posted in the consolidated financial statements
Revenue						
Revenue from outside customers	17,485	11,543	22,492	51,520	-	51,520
Revenue from transactions between the segments	11	74	59	146	(146)	-
Total	17,497	11,617	22,552	51,666	(146)	51,520
Segment income (loss)	(345)	188	(366)	(524)	(866)	(1,390)
Finance income	-	-	-	-	-	6
Finance costs	-	-	-	-	-	266
Income before tax	-	-	-	-	-	(1,651)

(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.

For the three-month period ended June 30, 2019 (From April 1, 2019 to June 30, 2019)

(Millions of yen)

	Beauty and Healthcare	Lifestyle	Platform	Total	Adjustment (Note 1)	Amount posted in the consolidated financial statements
Revenue						
Revenue from outside customers	18,553	14,747	20,199	53,501	-	53,501
Revenue from transactions between the segments	33	25	49	107	(107)	-
Total	18,587	14,773	20,248	53,609	(107)	53,501
Segment income (loss)	214	761	762	1,738	(256)	1,482
Finance income	-	-	-	-	-	29
Finance costs	-	-	-	-	-	503
Income before tax	-	-	-	-	-	1,009

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

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

For the three-month period ended June 30, 2018 (From April 1, 2018 to June 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)

	Three-month period ended June 30, 2018 (From April 1, 2018 to June 30, 2018)
Revenue	738
Profit	14

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)

	Three-month period ended June 30, 2018 (From April 1, 2018 to June 30, 2018)
Revenue	341
Profit	19

* 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 three-month period ended June 30, 2019 (From April 1, 2019 to June 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) Profit and loss of the discontinued operations

(Millions of yen)

	Three-month period ended June 30, 2018 (From April 1, 2018 to June 30, 2018)	Three-month period ended June 30, 2019 (From April 1, 2019 to June 30, 2019)
Income and loss of the discontinued operations		
Revenue	697	853
Cost	3,081	813
Income (loss) before tax from discontinued operations	(2,383)	40
Income tax expense	(298)	160
Net income (loss) from discontinued operations	(2,085)	(119)

(3) Cash flows from discontinued operations

(Millions of yen)

	Three-month period ended June 30, 2018 (From April 1, 2018 to June 30, 2018)	Three-month period ended June 30, 2019 (From April 1, 2019 to June 30, 2019)
Cash flows from discontinued operations		
Net cash provided by (used in) operating activities	(2,019)	(651)
Net cash provided by (used in) investing activities	(59)	1,184
Net cash provided by (used in) financing activities	(63)	(2,586)
Total	(2,142)	(2,053)

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.

	Three-month period ended June 30, 2018 (From April 1, 2018 to June 30, 2018)	Three-month period ended June 30, 2019 (From April 1, 2019 to June 30, 2019)
Profit (loss) attributable to ordinary equity holders of the parent (million yen)		
Continuing operations	(1,055)	(21)
Discontinued operations	(2,064)	(119)
Total	(3,119)	(140)
Basic weighted average ordinary shares (shares)	517,761,969	556,217,468
Basic earnings (loss) per share (yen)		
Continuing operations	(2.04)	(0.04)
Discontinued operations	(3.99)	(0.22)
Total	(6.03)	(0.25)

(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.

(2) Basis for calculation of diluted earnings per share

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

	Three-month period ended June 30, 2018 (From April 1, 2018 to June 30, 2018)	Three-month period ended June 30, 2019 (From April 1, 2019 to June 30, 2019)
Profit (loss) attributable to ordinary equity holders of the parent (million yen)		
Continuing operations	(1,055)	(21)
Discontinued operations	(2,064)	(119)
Total	(3,119)	(140)
Adjustment	-	-
Earnings (loss) to be used in the calculation of diluted earnings per share (million yen)		
Continuing operations	(1,055)	(21)
Discontinued operations	(2,064)	(119)
Total	(3,119)	(140)
Basic weighted average ordinary shares (shares)	517,761,969	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)	517,761,969	556,217,468
Diluted earnings (loss) per share (yen)		
Continuing operations	(2.04)	(0.04)
Discontinued operations	(3.99)	(0.22)
Total	(6.03)	(0.25)

(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

Not applicable