

Full Fiscal Year Reference Format 1 [Japanese GAAP] (Consolidated)

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May 10, 2023

Consolidated Financial Results for the Fiscal Year Ended March 31, 2023 (Japanese GAAP)

Company name: Renaissance Inc.
Listing: Tokyo Stock Exchange
Securities code: 2378
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Scheduled date of annual general meeting of shareholders: June 28, 2023
Scheduled date to commence dividend payments: June 13, 2023
Scheduled date to file annual securities report: June 28, 2023
Preparation of supplementary material on financial results: Yes
Holding of financial results briefing: Yes (for institutional investors, analysts and the media)

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated Financial Results for the Year Ended March 31, 2023 (April 1, 2022 to March 31, 2023)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

Fiscal year ended	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended March 31, 2023	40,760	9.8	680	(25.5)	311	(50.8)	(1,141)	—
Fiscal year ended March 31, 2022	37,120	22.9	912	—	632	—	513	—

Note: Comprehensive income Fiscal year ended March 31, 2023: (1,191) million yen [- %]
Fiscal year ended March 31, 2022: 442 million yen [- %]

Fiscal year ended	Basic earnings per share	Diluted earnings per share	Return on equity	Ratio of ordinary income to total assets	Ratio of operating income to net sales
	Yen	Yen	%	%	%
Fiscal year ended March 31, 2023	(60.44)	—	(10.7)	0.8	1.7
Fiscal year ended March 31, 2022	27.19	—	5.1	1.6	2.5

Reference: Share of profit (loss) of entities accounted for using equity method

Fiscal year ended March 31, 2023: - million yen

Fiscal year ended March 31, 2022: - million yen

(Note) Diluted net income per share for the fiscal year ended March 31, 2022 is not shown because there are no dilutive shares, and diluted net income per share for the fiscal year ended March 31, 2023 is not shown because a loss per share was recorded, although there are dilutive shares.

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(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
Fiscal year ended March 31, 2023	42,272	10,991	26.0	475.41
Fiscal year ended March 31, 2022	38,189	10,321	27.0	546.30

Reference: Equity

Fiscal year ended March 31, 2023:10,979 million yen

Fiscal year ended March 31, 2022:10,318 million yen

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal year ended March 31, 2023	1,614	(4,238)	3,350	5,532
Fiscal year ended March 31, 2022	3,819	(1,421)	(4,555)	4,855

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended March 31, 2022	—	2.00	—	4.00	6.00	113	22.1	1.1
Fiscal year ended March 31, 2023	—	4.00	—	4.00	8.00	151	—	1.6
Fiscal year ending March 31, 2024 (forecast)	—	3.00	—	5.00	8.00		151.1	

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending March 31, 2024 (April 1, 2023 to March 31, 2024)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent company		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen		
First Six Months (YTD)	21,000	5.6	10	(89.7)	(300)	—	(400)	—	(21.18)
Full Year	44,000	7.9	900	32.3	350	12.4	100	—	5.29

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* Notes

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) Changes in accounting policies, changes in accounting estimates, and restatement
- (i) Changes in accounting policies due to revisions to accounting standards and other regulations: None
 - (ii) Changes in accounting policies due to other reasons: None
 - (iii) Changes in accounting estimates: None
 - (iv) Restatement: None

- (3) Number of issued shares (common shares)

- (i) Total number of issued shares at the end of the period (including treasury shares)

Fiscal year ended March 31, 2023	21,379,000 shares
Fiscal year ended March 31, 2022	21,379,000 shares

- (ii) Number of treasury shares at the end of the period

Fiscal year ended March 31, 2023	2,490,706 shares
Fiscal year ended March 31, 2022	2,490,706 shares

- (iii) Average number of shares outstanding during the period

Fiscal year ended March 31, 2023	18,888,294 shares
Fiscal year ended March 31, 2022	18,888,294 shares

[Reference] Overview of non-consolidated financial results

1. Non-Consolidated Financial Results for the Fiscal Year Ended March 31, 2023 (April 1, 2022 to March 31, 2023)

(1) Non-consolidated operating results

(Percentages indicate year-on-year changes.)

Fiscal year ended	Net sales		Operating income		Ordinary income		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended March 31, 2023	40,244	9.3	737	(24.3)	302	(46.5)	(1,204)	—
Fiscal year ended March 31, 2022	36,830	22.6	974	—	564	—	441	—

Fiscal year ended	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Fiscal year ended March 31, 2023	(63.76)	—
Fiscal year ended March 31, 2022	23.38	—

(Note) Diluted net income per share for the fiscal year ended March 31, 2022 is not shown because there are no dilutive shares, and diluted net income per share for the fiscal year ended March 31, 2023 is not shown because a loss per share was recorded, although there are dilutive shares.

(2) Non-consolidated financial position

As of	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Fiscal year ended March 31, 2023	42,047	11,018	26.2	476.86
Fiscal year ended March 31, 2022	37,955	10,363	27.3	548.70

Reference: Equity

Fiscal year ended March 31, 2023:11,007 million yen

Fiscal year ended March 31, 2022:10,363 million yen

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* Financial results reports are exempt from audit conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters

- (1) The earnings forecasts and other forward-looking statements in this document are based on information available to the Company and certain assumptions that the Company considers reasonable. Actual financial results may differ significantly from the forecasts due to various factors. Please refer to “1. Overview of Operating Results” on page 2 of the Summary of Financial Results (Attachments) for the assumptions used in forecasting business results and precautions regarding the use of the forecasts.
- (2) The Company held a briefing for institutional investors, analysts, and the media on May 11, 2023. The financial results presentation materials are posted on the Company’s website

(Reference) Dividends on class shares

Breakdown of dividends per share related to class shares with different rights from those of common stock is as follows:

	Annual dividend				
	End of first quarter	End of second quarter	End of third quarter	End of term	Total
Class A Shares	yen	yen	yen	yen	yen
Fiscal year ended March 31, 2022	—	—	—	—	—
Fiscal year ended March 31, 2023	—	—	—	1.57	1.57
Fiscal year ending March 31, 2024 (forecast)	—	4.78	—	4.78	9.56

(Note) 2,092,000 Class A shares were issued on January 31, 2023

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1. Overview of Operating Results
(1) Overview of Operating Results for Fiscal Year Ended March 31, 2023

In the current consolidated fiscal year, net sales increased from the previous fiscal year, mainly due to steady growth in the number of new members joining the Company's sports clubs. On the other hand, expenditures were higher than initially expected due to the impact of higher heating and lighting expenses and other factors. In addition, as announced today in the "Notice Regarding Differences between Full-Year Consolidated Earnings Forecast and Actual Results and Recording of Extraordinary Losses and Reversal of Deferred Tax Assets," the Company has recorded impairment losses of 599 million yen and reversed deferred tax assets and recorded income taxes-deferred of 749 million yen.

As a result, for the consolidated fiscal year under review, net sales were 40,760 million yen (up 9.8% year-on-year), operating income came to 680 million yen (down 25.5% year-on-year), ordinary income posted 311 million yen (down 50.8% year-on-year), and a loss attributable to owners of the parent company was 1,141 million yen (compared with net income attributable to owners of the parent company of 513 million yen for the same period last year). The above figures include approximately 400 million yen in business commencement expenses for the newly opened integrated sports clubs (two facilities opened in August and one facility in November).

During the current consolidated fiscal year, the Japanese economy showed signs of an economic recovery as a result of the normalization of economic activities due to the easing of restrictions on activities and entry into Japan associated with COVID-19. On the other hand, the situation remains highly uncertain due to soaring prices of energy resources and raw materials resulting from the situation in Russia and Ukraine, and the rise in prices of goods due to the weak yen.

The fitness industry also continues to face a challenging business environment due to rising utility, labor, and other costs. However, demand is on the road to recovery as the eighth wave of COVID-19 has subsided, and people are becoming more motivated to exercise and be more health-conscious. Also, in March 2023, an industry group revised its guidelines for the spread of infection and established a policy that basically leaves the wearing of masks by customers in sports facilities to the discretion of the individual.

Under these circumstances, the Renaissance group, based on its corporate philosophy of a "company for creating purpose in life" (*ikigai* in Japanese), and its long-term vision of a "health solution company that enriches the age of the 100-year life span," has been working to realize a healthy and long-lived society and resolve local social issues. It will do so through the maintenance and promotion of good health to enable people to work throughout their lifetime, which is becoming increasingly important with the arrival of the 100-year life period, and the "shift from treatment to prevention" initiatives that will lead to the reduction of social security expenses such as medical expenses.

In the sports club business, the number of enrolled members as of March 31, 2023 was 373,615 (including 36,936 online members) (up 12.2% year-on-year), due to strong growth in the number of new fitness members as a result of the popularity of the swimming pool, bath, sauna and other features unique to an integrated sports club. In addition, the Company has worked to enhance the value it provides by implementing renovations centered on the expansion of free weight zones in gyms at 10 existing facilities, launching "RENAISSANCEColors," a fan community website where members can interact with each other nationwide, and developing and marketing "Gungun Nobirune," a private brand of supplements for growing children. On the other hand, in response to the government's request to save electricity, we implemented power-saving measures during the summer (July to September) and winter (December to March), but the increase in heating and lighting expenses exceeded our assumptions. During the current consolidated fiscal year, three integrated sports clubs were opened: "Sports Club Renaissance Aeon Town Fujimino 24" (Fujimino-shi, Saitama) and "Sports Club Renaissance Ebina ViNA Gardens 24" (Ebina-shi, Kanagawa) in August, and "Sports Club Renaissance Maita 24" (Yokohama-shi, Kanagawa) in November.

In the nursing and rehabilitation business, the Company strengthened its sales and support system to increase the number of franchisees of the rehabilitation-focused day service "Genki Gym," and opened four new facilities during the current consolidated fiscal year, including "Renaissance Genki Gym Obihiro Jiyugaoka," the first such facility in Hokkaido. As for facilities directly operated, the Company opened three facilities: "Renaissance Rehabilitation Center Maita," a day-care facility specializing in stroke care, and "Renaissance Rehabilitation Station Maita," a home-nursing station, both in December, and "Renaissance Genki Gym Jr. Maita," an after-school daycare service, in February 2023. These three facilities are attached to "Sports Club Renaissance Maita 24" and aim to promote the health of the community while enhancing synergy between the sports club and nursing care rehabilitation facility.

In addition, in support of nursing care facilities operated by other companies, we provided online gymnastics classes at more than 70 nursing homes and nursing care offices operated by Sampo Care Inc. in an effort to prevent functional decline of residents and users during the pandemic. In the future, we will work to prevent functional decline of residents by providing our proprietary brain activation method, "SYNAPSOLOGY," which is expected to prevent cognitive decline of the brain, to nursing care facilities.

In our business targeting corporations and health insurance associations, we have been expanding the provision of our online lesson service, "RENAISSANCE Online Livestream" (hereinafter referred to as "ROL"), which is available for free to members of our sports clubs. The number of ROL users among members of "Sumitomo Life Insurance's Vitality" health promotion insurance, sold by Sumitomo Life Insurance Company, has been increasing. Additionally, starting from October, we have commenced providing

ROL to the "KENCO SUPPORT PROGRAM," a comprehensive health management support tool for small and medium-sized enterprises offered by Daido Life Insurance Company. In addition, we developed an online program for cancer survivors, held event lessons, and implemented other initiatives to help people living with cancer maintain and improve their quality of life before, during, and after treatment.

In our business for municipalities, the Company has dispatched employees to 16 municipalities, utilizing the "Regional Revitalization Entrepreneur" program supported by the Ministry of Internal Affairs and Communications, to solve local health issues and plan community revitalization at the base facilities of the dispatched municipalities. Among the municipalities to which our employees were dispatched, "Revitalizing the village through the power of sports! Local multi-generational exchange activity 'Tsumagoi Village Fitness Festa' 2022," held in the village of Tsumagoi in Agatsuma-gun, Gunma, received an award for excellence in the "2nd Sport in Life Award" sponsored by Japan Sports Agency. In the public-private partnership (PPP) projects for public facilities, a consortium in which the Company participates has been newly designated as the manager of sports parks and indoor sports facilities in Takeo-shi, Saga, and Ozu-machi Kikuchi-gun, Kumamoto. From April 2023, we will operate, maintain, and manage a total of 40 sports facilities in each city and town as the designated manager, and further revitalize the facilities as a base for promoting community health and sports.

Furthermore, in March 2023, we concluded "Partnership Agreement on Health and Productivity Management Support in Sumida-ku" with Sumida-ku, Tokyo. In accordance with the agreement, starting in April, the Company will cooperate with Sumida-ku as a "health and productivity management supporter" and work toward the "realization of a city with the best health and longevity in Japan, where no one is left behind" as stated in the Sumida Comprehensive Plan for Sumida Promotion (latter phase).

In Vietnam, it has been nine years since we started operations and the localization of operations is progressing smoothly. During the current consolidated fiscal year, both facilities in Hanoi and Binh Duong province saw steady growth in the number of new enrollees and registered members as socio-economic activities normalized. We are also actively involved in providing swimming lessons to kindergartens and elementary schools, and will continue to contribute to children's education support and drowning prevention through our ties with the community by leveraging our strengths in having directly managed facilities.

BEACH TOWN Inc., a consolidated subsidiary, has been involved in planning and proposing projects for participation in the public-private partnership (PPP) projects for public facilities and the park private financing initiative (Park-PFI), and was selected as a project partner in the Takeo Onsen Resort Village Campground Utilization Project in Takeo-shi, Saga. In April 2023, "BEACHTOWN OND PARK" opened within "OND PARK" in Takeo Onsen Resort Village, offering a yoga studio, bouldering gym, outdoor fitness center, and other facilities to enhance the coexistence of the natural environment and surrounding facilities as well as the attractiveness of the area.

During the current consolidated fiscal year, we opened new facilities and were entrusted with the operation of the facilities listed in the table below, and the number of our group's facilities as of the end of March 2023, including the facilities of BEACH TOWN, Inc., totaled 190 facilities: 130 sports clubs (105 directly managed, 23 entrusted, and two Renaissance Vietnam facilities), two studio-type facilities, 43 nursing and rehabilitation facilities (32 directly managed and 11 franchise), and 15 outdoor fitness facilities (six directly managed and nine entrusted).

Opening Date	Facility Name	Facility Type
May 2022	Renaissance Care Station Totsuka (Yokohama-shi, Kanagawa)	Nursing rehabilitation (directly managed)
May 2022	Renaissance Genki Gym Oizumigakuen (Nerima-ku, Tokyo)	Nursing rehabilitation (franchise, FC)
May 2022	ATHLETA ATHLETIC CLUB (Sumida-ku, Tokyo)	Outdoor fitness (entrusted)
June 2022	BEACHTOWN HIBIYA PARK (Chiyoda-ku, Tokyo)	Outdoor fitness (directly managed)
July 2022	Renaissance Genki Gym Iwaki Chuodai (Iwaki-shi, Fukushima)	Nursing rehabilitation (franchise, FC)
August 2022	Sports Club Renaissance Aeon Town Fujimino 24 (Fujimino-shi, Saitama)	Sports club
August 2022	Sports Club Renaissance Ebina ViNA Gardens 24 (Ebina-shi, Kanagawa)	Sports club
September 2022	Renaissance Genki Gym Kagoshima-Chuo (Kagoshima-shi, Kagoshima)	Nursing rehabilitation (franchise, FC)
November 2022	Sports Club Renaissance Maita 24 (Yokohama-shi, Kanagawa)	Sports club
December 2022	Renaissance Rehabilitation Center Maita (same as above) *	Nursing rehabilitation (directly managed)
December 2022	Renaissance Rehabilitation Station Maita (same as above) *	Nursing rehabilitation (directly managed)

February 2023	Renaissance Genki Gym Jr. Maita (same as above) *	Nursing rehabilitation (directly managed)
March 2023	Renaissance Genki Gym Obihiro Jiyugaoka (Obihiro-shi, Hokkaido)	Nursing rehabilitation (franchise, FC)
Time of outlet closure/ termination of management contract	Facility Name	Facility Type
End of June 2022	Demi Renaissance Live Stream Studio Ikebukuro-Higashiguchi (Toshima-ku, Tokyo)	Studio
End of June 2022	Fitness Studio Renaissance Gotanda (Shinagawa-ku, Tokyo)	Studio
End of July 2022	Community Park KOBE (Kobe-shi, Hyogo)	Outdoor fitness (directly managed)
End of August 2022	Sports Club Renaissance Ebina (Ebina-shi, Kanagawa)	Sports club (entrusted)
End of September 2022	Liv Shin-Yurigaoka Futsal Club (Kawasaki-shi, Kanagawa)	Other (entrusted)
End of January 2023	Outdoor Fitness Okayama (Okayama-shi, Okayama)	Outdoor fitness (entrusted)
End of March 2023	Fitness Club Renaissance Shin-Urayasu (Urayasu-shi, Chiba)	Sports club
End of March 2023	Renaissance Genki Gym Ekoda (Nerima-ku, Tokyo)	Nursing rehabilitation (franchise, FC)
End of March 2023	Sharp Fukuyama Sports Center (Fukuyama-shi, Hiroshima)	Other (entrusted)

* Attached to Sports Club Renaissance Maita 24

In November 2022, the Company decided to raise approximately 5 billion yen from a fund serviced by Advantage Advisors, Inc. At the same time, we entered into a business alliance agreement with Advantage Advisors, Inc and have initiated multiple projects, including the enhancement of outlet development, positioning the following four points as priority measures and key focus areas.

- 1) Establish an organizational structure, including the development of an optimal management and personnel framework based on the Company's business portfolio
- 2) Strengthen the development system, expand regions for opening new outlets, and improve operational efficiency and develop new services by utilizing DX to expand and increase added value in the sports club business.
- 3) Accelerate new store openings by improving and strengthening the development system for nursing rehabilitation facility properties in the healthcare business, which is positioned as a growth area
- 4) Take on the challenge of new businesses that address social issues with a focus on health

In addition, on March 31, 2023, the Company acquired a portion of the equity (40.0%) of Tokyu Sports Oasis Inc. (hereafter referred to as "Tokyu Sports Oasis"), a newly established company that took over the fitness management, home fitness, outsourced sports facility management and digital health design businesses of Tokyu Sports Oasis, Inc., a subsidiary of Tokyu Land Corporation, through a corporate divestiture. With this capital participation, Tokyu Sports Oasis and the Company combined have approximately 140 directly managed sports clubs in Japan, making it the largest corporate group in the fitness industry by sales. Going forward, the two companies will mutually utilize their resources and expertise to contribute to the re-growth of the business and the development of the industry.

(2) Overview of Financial Position for Fiscal Year Ended March 31, 2023

1) Assets

Total assets at the end of the current consolidated fiscal year rose 4,083 million yen from the end of the previous fiscal year to 42,272 million yen. This was mainly due to an increase of 1,109 million yen in total current assets resulting from an increase in cash and deposits, and an increase of 2,947 million yen in total fixed assets resulting from an increase in leased assets associated with new store openings and an increase in investment securities resulting from the acquisition of shares in affiliated companies.

2) Liabilities

Total liabilities at the end of the current fiscal year grew 3,414 million yen from the end of the previous fiscal year to 31,281 million yen. This was mainly due to an increase of 657 million yen in total current liabilities, resulting from an increase in short-term borrowings, and a rise of 2,756 million yen in noncurrent liabilities, mainly due to an increase in lease liabilities in connection with new store openings, the issuance of convertible-bond-type bonds with share acquisition rights, and a decrease in long-term borrowings.

3) Net assets

Total net assets at the end of the current fiscal year were up 669 million yen from the end of the previous fiscal year to 10,991 million yen. This was mainly due to an increase of 999 million yen in share capital and legal capital surplus,

respectively, as a result of the issuance of Class A shares, and a decrease of 1,292 million yen in retained earnings as a result of recording a loss attributable to owners of the parent company of 1,141 million yen and paying 151 million yen in dividends.

(3) Overview of Cash Flow for Fiscal Year Ended March 31, 2023

Cash and cash equivalents (“cash”) at the end of the current consolidated fiscal year increased 676 million yen from the end of the previous fiscal year to 5,532 million yen.

The status of each cash flow at the end of the current consolidated fiscal year and their factors are as follows.

1) Cash flows from operating activities

1,614 million yen in the current fiscal year (3,819 million yen in the previous fiscal year)

Cash provided by operating activities amounted to 1,614 million yen (down 57.7% from the previous consolidated fiscal year). This was mainly due to depreciation of 2,233 million yen (up 1.8% from the previous consolidated fiscal year), an increase in long-term accounts payable-other of 644 million yen, and a decrease in accrued consumption tax of -1,118 million yen.

2) Cash flows from investing activities

-4,238 million yen in the current consolidated fiscal year (-1,421 million yen in the previous fiscal year)

Cash used for investment activities totaled 4,238 million yen. This was mainly due to purchase of property, plant and equipment of 2,583 million yen (up 84.0% year-on-year) and purchase of shares of subsidiaries and associates of 1,616 million yen.

3) Cash flows from financing activities

3,350 million yen in the current consolidated fiscal year (-4,555 million yen in the previous fiscal year)

Cash provided by financing activities amounted to 3,350 million yen. This was mainly due to proceeds from issuance of shares of 1,978 million yen, proceeds from issuance of convertible-bond-type bonds with share acquisition rights of 1,494 million yen, proceeds from long-term borrowings of 1,200 million yen (down 40.1% from the previous consolidated fiscal year), a net increase in short-term borrowings of 1,150 million yen and repayment of long-term borrowings of 2,223 million yen (up 4.7% from the previous consolidated fiscal year).

(Reference) Trends in cash flow indicators

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023 (Consolidated fiscal year under review)
Equity ratio (%)	23.9	27.0	26.0
Equity ratio based on market value (%)	53.1	48.9	41.5
Debt repayment period (years)	—	4.9	14.0
Operating Revenue Interest Coverage Ratio(times)	—	2.5	1.5

(Note) 1. Each indicator is calculated using the following formulas, all of which are based on consolidated financial figures.

- Equity ratio : Equity ratio/Total assets
- Equity ratio based on market value : Market capitalization/Total assets
- Debt repayment period : Interest-bearing liabilities/Cash flow from operating activities
- Operating Revenue Interest Coverage Ratio : (Operating income + Interest income + Dividend income)/Interest expense

2. Market capitalization is calculated by multiplying the closing stock price at the end of the period by the number of shares outstanding at the end of the period (less treasury shares).
3. Interest-bearing liabilities include convertible-bond-type bonds with share acquisition rights, short-term and long-term borrowings and lease liabilities recorded on the consolidated balance sheet. Operating cash flow is the cash flow from operating activities in the consolidated statement of cash flows. Interest expense in the consolidated statement of income is used for interest expense.
4. Debt repayment period for fiscal year ended March 31, 2021 is not shown because operating cash flow was negative, and the operating revenue interest coverage ratio is not shown because of operating losses.

(4) Future Outlook

The status of COVID-19 under the Infectious Diseases Control Law shifted from Class 2 to Class 5 from May 8, 2023. Therefore, in the next consolidated fiscal year, while we expect to see more active service consumption and economic recovery, the outlook is expected to remain uncertain due to further price hikes of energy resources and raw materials and the impact of the rise in prices of goods.

The fitness industry will continue to face unpredictable conditions due to intensifying competition, including the development of a wide variety of business formats and moves to restructure the industry in the wake of the pandemic, as well as the challenge of balancing investments with a view to growth while responding to ever-rising costs.

Under these circumstances, our group has set a long-term vision of becoming a “health solution company that enriches the age of the 100-year life span.” It will work to increase the profitability of existing facilities and steadily grow new facilities in its core sports club business, expand its nursing and rehabilitation business, and create added value through collaboration between each business and the healthcare field, including business targeting companies and health insurance associations, and business for municipalities.

The next consolidated fiscal year is positioned as the first year to accelerate the building of a foundation for the realization of the long-term vision and to chart a medium- to long-term growth trajectory for fiscal 2024 and beyond. In order to respond to the ever-changing external environment and achieve new growth, we established a new Marketing Promotion Department to perform a cross-organizational function. The planning, digital promotion and human resource functions of each business unit in the sports club and health care businesses will be consolidated in the headquarters of the new division to optimize operations from a company-wide perspective, strengthen collaboration among divisions, and create synergies among businesses.

Regarding new sports club openings, we plan to open four new integrated sports clubs in Osaka-shi, Osaka; Sendai-shi, Miyagi; Kikuyomachi, Kikuchi-gun, Kumamoto; and Zama-shi, Kanagawa, to meet the diverse needs of local residents and contribute to the promotion of local health and the revitalization of local communities. The opening costs for these sports clubs are expected to be at the same level as in fiscal year 2022.

In addition, we believe that it is important for employees to be the starting point in realizing the “creating purpose in life (*ikigai* in Japanese) ” for all stakeholders. In the next consolidated fiscal year, the Company will work to strengthen its investment in human resources, including health management and human resource development, and raise employee salary levels in light of recent price hikes.

In order to cope with these various cost increases and to increase added value in our business through continuous investment in human resources and facilities, we decided to revise membership fees for sports clubs, excluding some facilities, sequentially starting in July 2023.

In addition, to improve the operational efficiency of sports clubs, which is the core of the income and expenditure structure reform, a cloud-based shift management system has been introduced at each facility to visualize the distribution of work hours, etc., to initiate efforts to equalize, automate, and consolidate operations, while also saving labor.

Furthermore, through the capital participation in Tokyu Sports Oasis, the two companies will combine their strengths to expand customer value and improve service quality, while aiming for business growth.

As a result of the above initiatives, consolidated forecasts for the fiscal year ending March 31, 2024 are net sales of 44,000 million yen (up 7.9% from the fiscal year under review), operating income of 900 million yen (up 32.3%), ordinary income of 350 million yen (up 12.4%), and net income attributable to owner of the parent company of 100 million yen (a loss attributable to owners of the parent company of 1,141 million yen).

Rikako Ikee won four events: the 100-meter butterfly, 100-meter freestyle, 50-meter butterfly, and 50-meter freestyle, at the 99th Japan Swimming Championships held in April 2023. She was selected to represent Japan at the World Championships to be held in Fukuoka in July. In April of the same year, Rikako Ikee became affiliated with The Yokohama Rubber Co., Ltd., a Category 1 registered organization, but we will continue to provide swimming instructions and support her activities as a Category 2 registered organization. In addition, Riku Ezawa, affiliated with our company, won the men’s 5 km category at the 98th Japan Swimming Championships OWS (Open Water Swimming) event held in October 2022 and will represent Japan at the same event in World Aquatics Championships to be held in July 2023.

We also signed a personal sponsorship agreement with freestyle skier specializing in mogul, Anri Kawamura, in April of the same year. Anri Kawamura is a highly promising athlete who has been competing around the world as a member of the Japanese national team, aiming to compete in the 2026 Olympics in Cortina d’Ampezzo, Italy. We will support Anri Kawamura for her further success by providing Sports Club Renaissance as her training site in Japan.

From April 2023 onward, the Company plans to open new facilities, entrust operations, and close the facilities in the table below, including the facilities of BEACH TOWN, Inc.

Opening Date	Facility Name	Facility Type
April 2023	Takeo Civic Baseball Stadium (and 26 other facilities) (Takeo-shi, Saga)	Designated management
April 2023	Five Ozu-machi athletic park facilities (and eight others) (Ozu-machi, Kikuchi-gun, Kumamoto)	Designated management
April 2023	BEACHTOWN OND PARK (Takeo-shi, Saga)	Outdoor fitness (entrusted)

July 2023	Sports Club & Spa Renaissance Imazato 24 (Osaka-shi, Osaka)	Sports club
July 2023	Sports Club Renaissance Sendai Oroshimachi 24 (Sendai-shi, Miyagi)	Sports club
Fall 2023	Sports Club Renaissance Hikarinomori 24 (tentative name) (Kikuyomachi, Kikuchi-gun, Kumamoto)	Sports club
Fall 2023	Sports Club Renaissance Aeon Mall Zama 24 (tentative name) (Zama-shi, Kanagawa)	Sports club
Time of outlet closure/ termination of management contract	Facility Name	Facility Type
End of June 2023	Sports Club Renaissance Sagami-Ono (Sagamihara-shi, Kanagawa)	Sports club

2. Basic Approach to the Selection of Accounting Standards

The Group's policy for the time being is to prepare its consolidated financial statements in accordance with Japanese GAAP, taking into consideration the comparability of its consolidated financial statements between periods and between companies.

The Company's policy is to respond appropriately to the application of International Financial Reporting Standards, taking into consideration the domestic and international situation.

3. Consolidated Financial Statements and Primary Notes

(1) Consolidated balance sheet

(Thousands of yen)

	FYE March 2022 (as of March 31, 2022)	FYE March 2023 (as of March 31, 2023)
Assets		
Current assets		
Cash and deposits	4,841,060	5,520,381
Accounts receivable – trade	1,051,987	1,245,183
Investments in leases	23,361	23,957
Commodity	243,628	234,274
Supplies	74,469	75,319
Other	1,448,239	1,691,792
Allowance for doubtful accounts	(8,295)	(6,881)
Total current assets	7,674,451	8,784,027
Fixed assets		
Property, plant and equipment		
Buildings and structures	19,794,087	20,049,221
Accumulated depreciation	(13,891,533)	(14,463,005)
Buildings and structures, net	5,902,554	5,586,215
Machinery, equipment and vehicles	2,513,821	2,541,868
Accumulated depreciation	(2,124,767)	(2,176,353)
Machinery, equipment and vehicles, net	389,054	365,514
Tools, furniture and fixtures	4,583,327	4,614,544
Accumulated depreciation	(3,871,557)	(4,020,218)
Tools, furniture and fixtures, net	711,769	594,326
Land	1,124,938	1,124,938
Leased assets	13,253,267	15,954,239
Accumulated depreciation	(4,177,933)	(4,984,686)
Leased assets, net	9,075,334	10,969,552
Construction in progress	107,142	905,929
Total property, plant and equipment	17,310,793	19,546,478
Intangible fixed assets		
Goodwill	184,827	76,610
Other	450,709	384,465
Total intangible fixed assets	635,537	461,076
Investments and other assets		
Investment securities	30,558	1,645,137
Long-term loans receivable	433,836	477,105
Leasehold and guarantee deposits	8,458,356	8,814,555
Deferred tax assets	2,517,313	1,766,323
Other	1,128,196	751,008
Total investments and other assets	12,568,260	13,454,129
Total fixed assets	30,514,590	33,461,683
Deferred assets		
Share issuance costs	—	21,318
Bond issuance costs	—	5,700
Total deferred assets	—	27,018
Total assets	38,189,042	42,272,729

(Thousands of yen)

	FYE March 2022 (as of March 31, 2022)	FYE March 2023 (as of March 31, 2023)
Liabilities		
Current liabilities		
Accounts payable - trade	60,482	54,479
Short-term borrowings	1,850,000	3,000,000
Current portion of long-term borrowings	2,103,084	2,203,084
Lease obligations	592,548	695,898
Accounts payable-other	1,367,402	1,622,097
Income taxes payable	332,476	197,429
Advances received	324,660	354,084
Provision for bonuses	493,778	684,062
Provision for bonuses for directors (and other officers)	10,637	13,926
Asset retirement obligations	25,846	13,453
Other	2,523,269	1,503,415
Total current liabilities	9,684,185	10,341,931
Non-current liabilities		
Convertible-bond-type bonds with share acquisition rights	—	1,499,988
Long-term borrowings	4,874,805	3,751,721
Lease obligations	9,456,574	11,400,747
Retirement benefit liability	825,151	851,520
Asset retirement obligations	1,308,481	1,357,079
Other	1,717,908	2,078,499
Total non-current liabilities	18,182,920	20,939,556
Total liabilities	27,867,105	31,281,487
Net assets		
Shareholders' equity		
Share capital	2,210,380	3,210,356
Capital surplus	4,813,515	5,813,491
Retained earnings	5,936,804	4,644,051
Treasury shares	(2,514,753)	(2,514,753)
Total shareholders' equity	10,445,945	11,153,145
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,176	4,846
Foreign currency translation adjustment	(95,557)	(145,643)
Remeasurements of defined benefit plans	(37,934)	(32,779)
Total accumulated other comprehensive income	(127,316)	(173,576)
Share acquisition rights	—	11,673
Non-controlling interests	3,306	—
Total net assets	10,321,936	10,991,242
Total liabilities and net assets	38,189,042	42,272,729

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income
Consolidated statement of income

(Thousands of yen)

	FYE March 2022 (April 1, 2021 to March 31, 2022)	FYE March 2023 (April 1, 2022 to March 31, 2023)
Net sales	37,120,078	40,760,685
Cost of sales	34,107,551	37,781,939
Gross profit	3,012,527	2,978,746
Selling, general and administrative expenses	2,099,541	2,298,356
Operating income	912,985	680,390
Non-operating income		
Interest income	9,656	9,033
Dividend income	120	226
Foreign exchange gains	84,429	55,123
Gain on sublease	10,316	10,316
Commission income	3,195	2,112
Other	53,607	49,773
Total non-operating income	161,325	126,585
Non-operating expenses		
Interest expenses	372,512	467,336
Other	68,852	28,308
Total non-operating expenses	441,365	495,644
Ordinary income	632,946	311,331
Extraordinary income		
Gain on sale of non-current assets	326	360
Subsidies for employment adjustment	146,175	—
Subsidy income	437,942	—
Total extraordinary income	584,444	360
Extraordinary losses		
Loss on retirement of non-current assets	17,925	14,260
Impairment losses	315,469	599,111
Loss on store closings	4,619	3,000
Loss on outlet shutdown	391,626	—
Other	5,283	932
Total extraordinary losses	734,922	617,305
Net income (loss) before income taxes	482,467	(305,613)
Income taxes - current	154,083	90,034
Income taxes - deferred	(188,491)	749,303
Total income taxes	(34,407)	839,338
Net income (loss)	516,875	(1,144,952)
Net income (loss) attributable to non-controlling interests	3,306	(3,306)
Net income (loss) attributable to owners of parent company	513,568	(1,141,646)

Consolidated statement of comprehensive income

(Thousands of yen)

	FYE March 2022 (April 1, 2021 to March 31, 2022)	FYE March 2023 (April 1, 2022 to March 31, 2023)
Net income (loss)	516,875	(1,144,952)
Other comprehensive income		
Valuation difference on available-for-sale securities	817	(1,329)
Foreign currency translation adjustment	(82,556)	(50,086)
Remeasurements of defined benefit plans, net of tax	7,644	5,155
Total other comprehensive income	(74,093)	(46,260)
Comprehensive income	442,781	(1,191,213)
(Breakdown)		
Comprehensive income attributable to owners of parent company	439,475	(1,187,906)
Comprehensive income attributable to non-controlling interests	3,306	(3,306)

(3) Consolidated statement of changes in equity

FYE March 2022 (April 1, 2021 to March 31, 2022)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	2,210,380	4,813,515	5,498,788	(2,514,753)	10,007,930
Changes during period					
Dividends of surplus			(75,553)		(75,553)
Net income attributable to owners of the parent company			513,568		513,568
Net changes in items other than shareholders' equity					
Total changes during period	—	—	438,015	—	438,015
Balance at end of period	2,210,380	4,813,515	5,936,804	(2,514,753)	10,445,945

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	5,358	(13,001)	(45,579)	(53,222)	—	9,954,707
Changes during period						
Dividends of surplus						(75,553)
Net income attributable to owners of the parent company						513,568
Net changes in items other than shareholders' equity	817	(82,556)	7,644	(74,093)	3,306	(70,787)
Total changes during period	817	(82,556)	7,644	(74,093)	3,306	367,228
Balance at end of period	6,176	(95,557)	(37,934)	(127,316)	3,306	10,321,936

FYE March 2023 (April 1, 2022 to March 31, 2023)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	2,210,380	4,813,515	5,936,804	(2,514,753)	10,445,945
Changes during period					
Issuance of new shares	999,976	999,976			1,999,952
Dividends of surplus			(151,106)		(151,106)
Loss attributable to owners of parent company			(1,141,646)		(1,141,646)
Net changes in items other than shareholders' equity					
Total changes during period	999,976	999,976	(1,292,752)	—	707,199
Balance at end of period	3,210,356	5,813,491	4,644,051	(2,514,753)	11,153,145

	Accumulated other comprehensive income				Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	6,176	(95,557)	(37,934)	(127,316)	—	3,306	10,321,936
Changes during period							
Issuance of new shares							1,999,952
Dividends of surplus							(151,106)
Loss attributable to owners of parent company							(1,141,646)
Net changes in items other than shareholders' equity	(1,329)	(50,086)	5,155	(46,260)	11,673	(3,306)	(37,893)
Total changes during period	(1,329)	(50,086)	5,155	(46,260)	11,673	(3,306)	669,305
Balance at end of period	4,846	(145,643)	(32,779)	(173,576)	11,673	—	10,991,242

(4) Consolidated statement of cash flows

(Thousands of yen)

	FYE March 2022 (April 1, 2021 to March 31, 2022)	FYE March 2023 (April 1, 2022 to March 31, 2023)
Cash flows from operating activities		
Net income (loss) before income taxes	482,467	(305,613)
Depreciation	2,193,021	2,233,037
Impairment losses	315,469	599,111
Loss on store closings	4,619	3,000
Increase (decrease) in retirement benefit liability	22,672	33,799
Increase (decrease) in long-term accounts payable - other	(83,583)	644,840
Increase (decrease) in provision for bonuses	258,471	193,572
Loss (gain) on sale of non-current assets	(326)	(360)
Loss on retirement of non-current assets	17,925	14,260
Interest and dividend income	(9,776)	(9,260)
Subsidies for employment adjustment	(146,175)	—
Subsidy income	(437,942)	—
Interest expenses	372,512	467,336
Decrease (increase) in trade receivables	(156,415)	(193,195)
Decrease (increase) in inventories	22,880	8,016
Decrease (increase) in prepaid expenses	40,374	(55,210)
Increase (decrease) in trade payables	24,947	(6,002)
Increase (decrease) in accounts payable - other	(386,640)	255,823
Increase (decrease) in accrued expenses	37,735	57,036
Increase (decrease) in advances received	(21,926)	29,424
Decrease (increase) in consumption taxes refund receivable	—	(337,793)
Increase (decrease) in accrued consumption taxes	1,116,129	(1,118,243)
Other	89,606	(157,455)
Subtotal	3,756,045	2,356,122
Interest and dividends received	233	329
Interest paid	(381,527)	(467,158)
Subsidies received for employment adjustment	146,175	—
Subsidies received	437,942	—
Income taxes refund (paid)	(139,631)	(274,354)
Cash flows from operating activities	3,819,236	1,614,938

(Thousands of yen)

	FYE March 2022 (April 1, 2021 to March 31, 2022)	FYE March 2023 (April 1, 2022 to March 31, 2023)
Cash flows from investing activities		
Purchase of shares of subsidiaries and associates	—	(1,616,497)
Purchase of property, plant and equipment	(1,404,632)	(2,583,976)
Proceeds from sale of property, plant and equipment	1,473	360
Purchase of intangible assets	(77,006)	(117,852)
Payments of leasehold and guarantee deposits	(179,980)	(256,217)
Proceeds from refund of leasehold and guarantee deposits	180,878	314,688
Proceeds from collection of long-term loans receivable	96,797	71,875
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(27,869)	—
Other	(11,259)	(51,069)
Cash flows from investing activities	(1,421,598)	(4,238,687)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(4,105,000)	1,150,000
Proceeds from long-term borrowings	2,005,000	1,200,000
Repayments of long-term borrowings	(2,122,318)	(2,223,084)
Proceeds from issuance of convertible-bond-type bonds with share acquisition rights	—	1,494,288
Proceeds from issuance of shares	—	1,978,633
Repayments of lease liabilities	(592,381)	(653,448)
Proceeds from issuance of share acquisition rights	—	11,673
Dividends paid	(77,522)	(152,235)
Proceeds from sale and leaseback transactions	348,607	551,489
Other	(11,391)	(6,682)
Cash flows from financing activities	(4,555,006)	3,350,634
Effect of exchange rate change on cash and cash equivalents	(82,556)	(50,086)
Net increase (decrease) in cash and cash equivalents	(2,239,924)	676,799
Cash and cash equivalents at beginning of period	7,095,721	4,855,796
Cash and cash equivalents at end of period	4,855,796	5,532,596

(5) Notes to Consolidated Financial Statements
(Notes on Going Concern Assumption)

Not applicable.

(Additional information)

Overview of acquisition of shares of Tokyu Sports Oasis Corporation

At a meeting of the Board of Directors held on February 10, 2023, the Board of Directors of the Company resolved to acquire a portion of the equity (40.0%) of Tokyu Sports Oasis Corporation (hereafter referred to as “Tokyu Sports Oasis”), a newly established company that took over the fitness management, home fitness, outsourced sports facility management and digital health design businesses of Tokyu Sports Oasis, Inc., a subsidiary of Tokyu Land Corporation, through a corporate divestiture, as of March 31, 2023. Accordingly, new Tokyu Sports Oasis became an equity-method affiliate as a result of the acquisition of such shares on March 31, 2023.

An overview of the investee company, Tokyu Sports Oasis, is as follows:

Company Name (Investee Company)	Tokyu Sports Oasis Corporation
Business Profile	Management of members-only sports clubs, etc.
Start of application of equity method	March 31, 2023
Percentage of voting rights after share acquisition	40.0%

Since the investee company, Tokyu Sports Oasis, was established on March 31, 2023, the consolidated statement of income for the current consolidated fiscal year does not include equity in losses (earnings) of affiliates of the investee company based on its performance.

(Segment Information, Etc.)

(Segment Information)

[Segment Information]

This information is omitted because the Group’s only reportable segment is the “sports club management business.”

[Related information]

FYE March 2022 (April 1, 2021 to March 31, 2022)

1 Information by product and service

This information is omitted because net sales to external customers in the “sports club management business” exceed 90% of net sales in the consolidated statement of income.

2 Information by region

(1) Net sales

This information is omitted because net sales to external customers in Japan account for more than 90% of net sales in the consolidated statement of income.

(2) Property, plant and equipment

This information is omitted because the amount of property, plant and equipment located in Japan exceeds 90% of the amount of property, plant and equipment on the consolidated balance sheet.

3 Information by major customer

No sales to external customers account for 10% or more of the net sales on the consolidated statement of income.

FYE March 2023 (April 1, 2022 to March 31, 2023)

1 Information by product and service

This information is omitted because net sales to external customers in the “sports club management business” exceed 90% of net sales in the consolidated statement of income.

2 Information by region

(1) Net sales

This information is omitted because net sales to external customers in Japan account for more than 90% of net sales in the consolidated statement of income.

(2) Property, plant and equipment

This information is omitted because the amount of property, plant and equipment located in Japan exceeds 90% of the amount of property, plant and equipment on the consolidated balance sheet.

3 Information by major customer

No sales to external customers account for 10% or more of the net sales on the consolidated statement of income.

[Information on impairment losses on fixed assets by reportable segment]

FYE March 2022 (April 1, 2021 to March 31, 2022)

This information is omitted because the only reportable segment is the “sports club management business.”

FYE March 2023 (April 1, 2022 to March 31, 2023)

This information is omitted because the only reportable segment is the “sports club management business.”

[Information on amortization of goodwill and unamortized balance by reportable segment]

FYE March 2022 (April 1, 2021 to March 31, 2022)

This information is omitted because the only reportable segment is the “sports club management business.”

FYE March 2023 (April 1, 2022 to March 31, 2023)

This information is omitted because the only reportable segment is the “sports club management business.”

[Information on gain on negative goodwill by reportable segment]

FYE March 2022 (April 1, 2021 to March 31, 2022)

Not applicable.

FYE March 2023 (April 1, 2022 to March 31, 2023)

Not applicable.

(Per share information)

	FYE March 2022 (April 1, 2021 to March 31, 2022)	FYE March 2023 (April 1, 2022 to March 31, 2023)
Net assets per share	546.30 yen	475.41 yen
Net income (loss) per share	27.19 yen	(60.44) yen

- (Notes) 1. Diluted net income per share for the previous consolidated fiscal year is not shown because there were no dilutive shares. Diluted net income per share for the fiscal year ended March 31, 2023 is not shown, because a loss per share was recorded, although there are dilutive shares.
2. The basis for calculating net income (loss) per share is as follows:

	FYE March 2022 (April 1, 2021 to March 31, 2022)	FYE March 2023 (April 1, 2022 to March 31, 2023)
Net income (loss) attributable to owners of parent company (thousand yen)	513,568	(1,141,646)
Amount not attributable to common shareholders (thousand yen)	—	—
Net income (loss) attributable to owners of parent company related to common stock (thousand yen)	513,568	(1,141,646)
Average number of common stocks during the period (shares)	18,888,294	18,888,294

(Significant subsequent events)

Not applicable.