

RIZAP GROUP, Inc.

2928

Sapporo Securities Exchange Ambitious

17-Jan.-2024

FISCO Ltd. Analyst

Hideo Kakuta



FISCO Ltd.

<https://www.fisco.co.jp>

■ Index

■ Summary	01
1. FY3/24 1H results trends	01
2. Results forecast for FY3/24	02
3. Growth strategy and topics	02
■ Company overview	04
● Company overview and history	04
■ Business overview	06
● Business segments	06
■ chocoZAP business model	07
1. Overview of chocoZAP	07
2. Market trends	08
3. Service details	08
4. Gym opening strategy	10
5. Factors for rapid growth	10
6. Results to date and store profit model	13
■ Results trends	15
1. FY3/24 1H results overview	15
2. Financial position	17
3. Results forecast for FY3/24	18
■ Growth strategy and topics	19
1. Potential value and evolution of the chocoZAP business	19
2. Overview of Medium-term Management Plan (to FY3/26)	20
■ Shareholder return policy	21

RIZAP GROUP, Inc. | 17-Jan.-2024

2928 Sapporo Securities Exchange Ambitious | <https://ir-english.rizapgroup.com/>

Summary

FY3/24 1H results were increased sales with decreased profits. Membership surpassed 1 million (as of November 2023). Focus on potential value and evolution as a health tech platform

RIZAP GROUP, Inc. <2928> is a general company operating diverse businesses in the three domains of healthcare and beauty, lifestyle, and investment, with a focus on health creation businesses, guided by its unique corporate philosophy: “We prove that ‘people can change.’” With a vision of becoming the “No.1 global brand in the personal development industry,” the Company has adopted a holding company structure and has grown rapidly while making aggressive use of M&As to incorporate 67 Group companies, including five listed subsidiaries. The Company is led by its founder and current representative director, Takeshi Seto. His skill has been highly feted, having led numerous new businesses to success, such as a beauty mail-order business with numerous high products, including the “Milk Cookie Diet” product that provided the Company’s opportunity to list its stock, the body transformation product “RIZAP,” which the founder conceived based on his own successful diet experience in 2011, a beauty mail-order business with many hit products such as “DOROAWAWA(Mud Bubble),” and “Biganki,” facial massager as well as the RIZAP GOLF business. Under the Medium-term Management Plan announced in September 2022, the Company is currently making upfront investments in its new chocoZAP business, among others, aiming to achieve operating income of ¥30,000mn (FY3/26). Its shares were listed on the Sapporo Stock Exchange Ambitious market in 2006, and it aims to list its shares on the Tokyo Stock Exchange Prime Market in the future.

1. FY3/24 1H results trends

FY3/24 1H revenue was ¥81,012mn (up 5.3% YoY), with operating loss of ¥5,791mn (profit of ¥230mn in the same period of the previous fiscal year), loss before income taxes of ¥7,302mn (loss of ¥714mn), loss attributable to owners of the parent of 7,596mn (loss of ¥1,776mn) as the Company made aggressive investments in line with its Medium-term Management Plan. Revenue was influenced by a dramatic ¥8,102mn YoY increase in sales in the RIZAP business (including the chocoZAP convenience gym business with full-scale development), as the Company focused on expanding the chocoZAP business. By FY3/24 1H, the Company opened 550 chocoZAP gyms, bringing the total number of gyms as of November 14, 2023 to 1,160. Moreover, due to aggressive advertising and promotion, the business has increased its recognition and new members have also increased, with memberships surpassing 1 million as of November 2023. In existing businesses, decreases in sales (¥2,937mn decrease YoY), including a decrease in sales associated with the closure of retail stores of REXT, Inc. and a temporary decrease in sales of MRK Holdings Inc. <9980> due to concentration on new customer acquisitions outweighed the increases in sales (¥1,744mn increase YoY), including an increase at Aunty Rosa Inc. In addition, there was also an impact from selling the Shikata business, which had been under the umbrella of subsidiary BRUNO <3140>, at the end of the previous fiscal year (¥2,704mn decrease). Operating income was heavily impacted by a decrease in profit in the RIZAP business (including the chocoZAP business; ¥3,650mn decrease) due to upfront investments in chocoZAP. In addition, in existing businesses, upfront investments for new customer acquisition, early recording of inventory disposal and gym exit expenses, and the impact of rising prices for raw materials and supplies also influenced the Companywide decrease in profit.

RIZAP GROUP, Inc. | 17-Jan.-2024

2928 Sapporo Securities Exchange Ambitious | <https://ir-english.rizapgroup.com/>

Summary

2. Results forecast for FY3/24

In FY3/24, the Company is forecasting an increase in sales and an improvement in profits, with revenue of ¥172,000mn (up 7.1% YoY), operating loss of ¥4,500mn (loss of ¥4,505mn in the previous fiscal year), and loss before income taxes of ¥6,200mn (loss of ¥6,641mn), and loss attributable to owners of the parent of ¥9,000mn (loss of ¥12,733mn). In the medium term, net sales forecasts were revised downward, reflecting the impact of selling subsidiary SOHKEN HOMES Co., Ltd. to secure investment funds for the chocoZAP business. However, forecasts for each profit level have been left unchanged, as the chocoZAP business and others are growing steadily. Revenue is expected to increase significantly due to increases in new gym openings and membership base in the chocoZAP business. Under the Medium-term Management Plan, the Company is expected revenue of RIZAP related businesses (Body Transformation, chocoZAP, RIZAP GOLF, etc.) to double YoY to ¥38,000mn and operating loss to improve to ¥2,200mn (from a loss of ¥3,600mn in the previous fiscal year). In FY3/24, the Company aims to continue building its management foundation for sustainable growth through sales growth in its existing businesses. Specifically, the Group will reduce fixed expenses through cross-sectoral cost optimization and operational streamlining, as well as turning around unprofitable gyms/stores to a profitable condition and consolidating its gyms/stores. In addition, the Company plans to secure the necessary funds for its business activities through measures such as promoting asset liquidation strategies, selling off peripheral businesses, and strengthening the Group's overall financial management structure. The development of the chocoZAP business has progressed even faster than planned, and we believe it is possible that revenue will exceed the forecast. On the profit front, the Company is projecting an operating loss, but as the ratio of gyms that become profitable increases towards the end of the fiscal year, its profit situation is expected to improve.

3. Growth strategy and topics

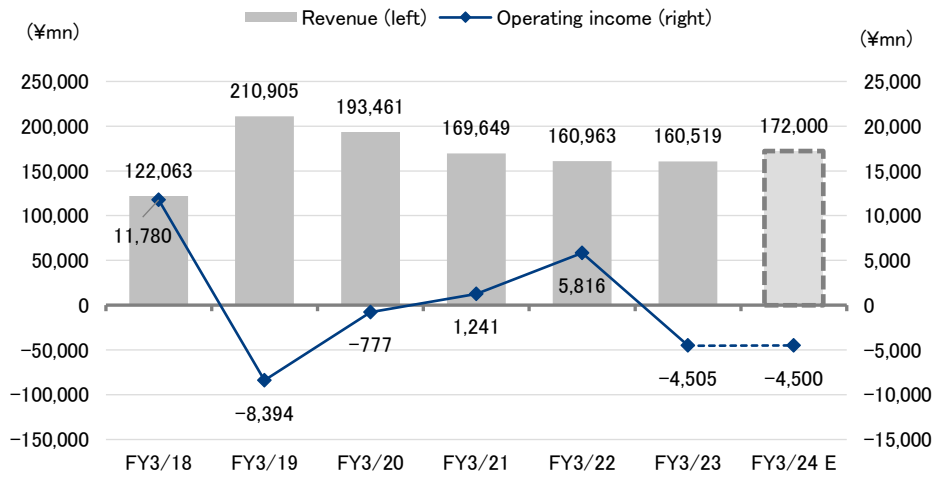
The chocoZAP business tends to be viewed as a “store business” that operates training gyms and diet support services. However, from the initial concept the Company's proposed business plan is “a health platform utilizing health tech.” Moreover, the significance of this strategic shift to a health tech company is considerable. In the short, 15-month period since the full-scale roll out of this initiative, the Company has distinguished itself as a health tech company in various ways. To give an example, chocoZAP members are issued with a free smartwatch and health meter as a starter kit, which connects to a dedicated chocoZAP app to enable them to manage various health data themselves. Comparing the numbers of these units distributed to date (830,000 units as of September 2023) against other top companies in the industry, in smart watches they have the second highest distribution in the industry after Apple, and in health meters, they have the third highest distribution after TANITA Corporation and OMRON HEALTHCARE Co., Ltd. The information received from these devices is stored as life log data via a dedicated app, and its ability to centrally manage and utilize this data is also a potential strength. The evolution of the chocoZAP dedicated app is another factor that should not be overlooked. The app has an important function as a contact point with members, including sign-up to a gym, facility access, congestion checking, exercise instructions, and reservation management. In addition, functions for health support outside of the gym are also being added over time, and it is worth monitoring their evolution. The full-scale release of a meal management function in September 2023 enabled users to take a single photograph of their meal, then create a record of the meal easily with a single one-touch operation. In addition, they can use AI to calculate the calorie content and nutritional elements of the meal and provide feedback regarding their diet and exercise. A sleep recording function scheduled for release in the future will provide individually tailored “sleep support” using measurement data and scientific statistics. Users are automatically evaluated on metrics such as daily sleep time, comprehensive score and sleep rhythm and receive feedback including recommended activity times, meals, and exercise. Both functions are closely connected to users' daily lifestyles and provide an approach for quantifying healthy lifestyle quality as data and providing science-based solutions.

Summary

Key Points

- The world's first DX convenience gym, “chocoZAP” is advancing steadily. The ratio of profitable gyms is expected to reach 80% by the end of FY3/24
- In FY3/24 1H, the Company recorded higher sales with lower profits after conducting strategic investments in the chocoZAP business as planned. The number of chocoZAP gyms surpassed 1,100, and membership exceeded 1 million (as of November 2023)
- The equity ratio was 21.7%, maintaining a certain level despite aggressive investment activity. The ratio is expected to improve from FY3/24 onward as the chocoZAP business achieves profitability
- Focus is on the potential value of the chocoZAP business as a health tech platform and its evolution. Under the current Medium-term Management Plan, the Company aims to achieve operating income of ¥30,000mn in FY3/26

Results trends



Source: Prepared by FISCO from the Company's financial results

■ Company overview

Guided by its unique corporate philosophy: “We prove that ‘people can change,’” the Company aims to become No.1 in the personal development industry. In just over one year since the start of the new chocoZAP business, membership has grown rapidly to more than 1 million

● Company overview and history

RIZAP Group is a general company operating diverse businesses in the three domains of healthcare and beauty, lifestyle, and investment, with a focus on health creation businesses, guided by its unique corporate philosophy: “We prove that ‘people can change.’” With a vision of becoming the “No.1 global brand in the personal development industry,” the Company has adopted a holding company structure and has grown rapidly while making aggressive use of M&As to incorporate 67 Group companies, including five listed subsidiaries. The Company is led by its founder and current representative director and president, Takeshi Seto. His skill has been highly feted, having led numerous new businesses to success, such as a beauty mail-order business with numerous high products, including the “Milk Cookie Diet” product that provided the Company’s opportunity to list its stock, the body transformation product “RIZAP,” which the founder conceived based on his own successful diet experience in 2011, a beauty mail-order business with many hit products such as “DOROAWAWA(Mud Bubble),” and “Biganki,” facial massager as well as the RIZAP GOLF business. Under the Medium-term Management Plan announced in September 2022, the Company is currently making upfront investments in its new chocoZAP business, among others, aiming to achieve operating income of ¥30,000mn (FY3/26). Its shares were listed on the Sapporo Stock Exchange Ambitious market in 2006.

RIZAP GROUP, Inc. | 17-Jan.-2024
 2928 Sapporo Securities Exchange Ambitious | <https://ir-english.rizapgroup.com/>

Company overview

History

April 2003	Established as Kenkou Corporation for the purpose of mail order sales of health foods
May 2006	Listed shares on the Sapporo Securities Exchange Ambitious section
January 2007	Acquired the shares of beauty equipment manufacturing and sales company JAPAN GALS co., Ltd., making it a subsidiary (currently a consolidated subsidiary)
May 2010	Established Global Medical Kenkyujo Co., Ltd. (currently RIZAP, Inc.)
January 2012	Transitioned to a holding company and changed company name to Kenkou Corporation, Inc. (currently RIZAP Group <2928>)
September 2013	Conducted a capital and business alliance with Idea International Co. Ltd.<3140> (currently BRUNO, Inc.), subscribing to its capital increase by third-party allocation of shares to make it a subsidiary (currently a consolidated subsidiary)
December 2013	RIZAP personal training gym operator Global Medical Kenkyujo changed its name to RIZAP
January 2014	Acquired shares of GEO DINOS Co., Ltd. <4650> (currently SD Entertainment, Inc.), making it a subsidiary (currently a consolidated subsidiary)
May 2014	Acquired shares of women's' and men's apparel design and sales company, Auntie Rosa Inc. and made it a subsidiary (currently a consolidated subsidiary) to expand the content of the apparel-related business
March 2015	Subscribed to increase in capital by third-party allocation of shares conducted by DREAM VISION CO.,LTD. <3185> making it a subsidiary (currently a consolidated subsidiary)
May 2016	Subscribed to increase in capital by third-party allocation of shares conducted by Passport Co., Ltd <7577> (currently HAPINS Co., Ltd.) making it a subsidiary (currently a consolidated subsidiary)
July 2016	Transitioned to a pure holding company through an incorporation-type company split and changed the company name to "RIZAP Group" Subscribed to increase in capital by third-party allocation of shares conducted by Maruk. Co., Ltd <9980> (currently MRK Holdings Inc.) making it a subsidiary (currently a consolidated subsidiary)
February 2017	Conducted a public tender for shares of JEANS Mate Corporation (currently REXT) and subscribed to an increase in capital by third-party allocation of shares conducted by the same, making it a subsidiary (currently a consolidated subsidiary)
June 2017	Subscribed to increase in capital by third-party allocation of shares conducted by Marusho hotta Co., Ltd. <8105> making it a subsidiary (currently a consolidated subsidiary)
March 2018	Subscribed to increase in capital by third-party allocation of shares conducted by Wonder Corporation <3344> (currently REXT Holdings), making it a subsidiary (currently a consolidated subsidiary)
June 2022	Subsidiary Wonder Corporation merged with HAPINS Co., Ltd. and JEANS Mate Corporation and changed name to REXT, Inc. (currently a consolidated subsidiary) Established RIZAP TECHNOLOGIES, Inc. (currently a consolidated subsidiary)
September 2022	RIZAP begins full-scale rollout of "chocoZAP" convenience gyms
August 2023	chocoZAP membership reaches No. 1 in Japan
November 2023	chocoZAP membership reaches 1 million

Source: Prepared by FISCO from the Company's website and annual securities reports

RIZAP GROUP, Inc. | 17-Jan.-2024

 2928 Sapporo Securities Exchange Ambitious | <https://ir-english.rizapgroup.com/>

Business overview

Two major segments are the Healthcare and Beauty Segment, which has growth potential, and the Lifestyle Segment, which has large sales

● Business segments

The Company's three business segments are the Healthcare and Beauty, Lifestyle, and Investment Segments. The Healthcare and Beauty Segment includes operation of the RIZAP-related businesses, including the "chocoZAP" convenience gyms for exercise beginners and "RIZAP" personal training gyms and sales of body-shaping underwear and beauty-related products, cosmetics, and health foods, and others. This has been the core business since the Company's founding, and it provides 33.7% of the Company's overall revenue (FY3/24 1H). Currently, the segment is recording operating losses due to its ongoing aggressive investment program, but it is potentially the business segment with the highest profitability. The Lifestyle Business's operations include retailing of entertainment and other goods and the operation of stores in the used items business, as well as the planning, development, manufacture, and sales of miscellaneous interior accessories, apparel, and miscellaneous apparel goods, and the sale of sports equipment. It provides the largest share of the Company's overall revenue at 48.0% (FY3/24 1H), and has achieved profitability on the operating income front, but still has room for improvement. The Investment Business is positioned as a segment that aims to create stable earnings as a group of functional companies that support synergies between group companies. It conducts wholesale sales of fitness gear, apparel, jewelry, traditional Japanese-style accessories, and women's products, as well as manufacture and sales of fancy twisted yarn. This segment provides 18.3% of overall revenue (FY3/24 1H) and stable earnings.

Business details and composition (consolidated, FY3/24 1H)

		(¥mn)		
Business segment	Main operations	Revenue	Share of overall sales	Operating income/loss
Healthcare and Beauty Business	Operation of the RIZAP-related businesses, including the "chocoZAP" convenience gyms for exercise beginners and "RIZAP" personal training gyms, and sales of body-shaping underwear and beauty-related products, cosmetics, and health foods, and others	27,937	33.7%	-5,544
Lifestyle Business	Retailing of entertainment and other goods and the operation of stores in the used items business, as well as the planning, development, manufacture, and sales of miscellaneous interior accessories, apparel, and miscellaneous apparel goods, and the sale of sports equipment	39,737	48.0%	-100
Investment Business	Positioned as a segment that aims to create stable earnings as a group of functional companies that support synergies between group companies. It conducts wholesale sales of fitness gear, apparel, jewelry, traditional Japanese-style accessories, and women's products, as well as manufacture and sales of fancy twisted yarn	15,148	18.3%	421

Note: Revenue and operating income are before adjustment
 Source: Prepared by FISCO from the Company's annual securities reports

chocoZAP business model

The world’s first DX convenience gym, “chocoZAP” is advancing steadily. The ratio of profitable gyms is expected to reach 80% by the end of FY3/24

1. Overview of chocoZAP

The Company began rolling out gyms under the chocoZAP brand from July 2022, and the brand has had a successful starting sprint, with membership becoming the largest in Japan in August 2023. chocoZAP is the world’s first “convenience gym” developed by RIZAP for exercise beginners to enable anyone to easily establish an exercise routine in their daily lifestyle and obtain health benefits from as little as five minutes of exercise per day. The business makes full use of RIZAP’s well-known body transformation knowledge and expertise. It has also created a method unique to RIZAP that produces effects in as little as five minutes at a low price. Moreover, it is worth paying attention to the business model, which utilizes various digital tools such as body composition meters, health watches, a dedicated app with artificial intelligence (AI), and a monitoring system to enable unstaffed gyms.

The birth of the world’s first convenience gym

Easy

15分で50分。

正しいフォーム
マシンの使いかた

You can exercise for 5 min. per day, without changing clothes or shoes. Video instructions for beginners so that they can work out without any worries.

Convenient

We are opening gyms across Japan.

Every gym is available 24 hours a day, 365 days a year. Video instructions for at-home workouts.

Affordable

Highly reasonable plan to use 24-hour gyms as much as you want.

2,980 yen/month (3,278 yen including tax)

*Initial membership fee and handling charges: 5,000 yen

2,980 yen/month (subscription)
You can use gyms, beauty care and hair removal devices, and golf gear as much as you want.

Source: Reprinted from the Company’s Medium-term Management Plan

The target customers for the chocoZAP business are men and women in their 20s to 60s, who are beginners in strength training. Specifically, the target group includes those who are not currently using a fitness gym, those who do not have a daily exercise habit, those who are feeling the effects of lack of exercise and energy, and those who wish to lose weight. On a population level, there are approximately 100 million people who are beginners at exercise, around 36 million seniors (aged 65 and above), and approximately 36 million women (aged 15 to 64), which is a large target market. On the other hand, the service does not primarily target advanced strength trainers. The Company recommends using the gyms with a five-minute a day, quick workout and healthy habits program. It envisages users making use of various gap times such as women while shopping, and company workers waiting for their next appointment, or after work.

RIZAP GROUP, Inc. | 17-Jan.-2024

2928 Sapporo Securities Exchange Ambitious | <https://ir-english.rizapgroup.com/>

chocoZAP business model

2. Market trends

Japan's fitness population is around 4 million persons, but the participation rate is only 3.3% of that population. By comparison, in the United States the participation rate is more than six times higher at 21.2%. Key factors here include difficulty (in acquiring knowledge and habits), difficulty in commuting, and relatively high prices, which result in approximately half of people who participate in fitness retiring from membership within one year. There are just under 8,000 gyms throughout Japan—one for every 16,000 members of the population. Generally, sports club fees range from ¥5,000 to ¥10,000 per month, which is a somewhat high price to continue paying for those who are not training seriously. Fitness and strength training are currently drawing attention as they have proven to be effective in extending healthy lifespans among the elderly. The chocoZAP business has stated its vision is to lift the fitness participation rate to 20%.

The Company's chocoZAP business is focused on unsatisfied needs in the industry, targeting people of all demographics (beginners at training), and offering them a convenient, affordable fitness environment that they can use easily. The training market for middle to advanced level people is considered a red ocean; however, the Company has identified a blue ocean in the market for beginners who want to do a quick workout. Over the past year, chocoZAP has grown rapidly, while industry peers Anytime Fitness and Curves have not seen their memberships decrease. This also shows that the Company is creating new customers.

3. Service details

chocoZAP's services are distinguished by their thorough pursuit of "easiness and convenience." To start with, members do not need to change their clothes or shoes, so that they can start training in as little as five seconds after entering the facility. They also have unlimited use of all the facilities 24 hours a day, 365 days a year. Members can thoroughly separate out and omit services that they do not need, and the gyms are unstaffed, with access management, fitness machine operation explanation, and other aspects all conducted by smartphone. Shower rooms and keyed lockers are also absent as there has been little demand for them from users. Using RIZAP's expertise, the gyms are equipped with strength training machines and aerobic exercise machines that are easy for beginners to use. In addition, all gyms have self-service beauty care and hair removal devices that are available for unlimited use (reservation required), mainly for women. From October 2023, the non-exercise menu has been enhanced with the launch of new services, including self-service nail care and self-service tooth whitening. Since the gyms are unstaffed, to address concerns regarding safety, each gym is fitted with 10 monitoring cameras on average, and an AI system detects suspicious behavior or customers falling, then issues notification or enables nearby staff to respond. The dedicated chocoZAP app enhances convenience and with its new added functions for meal management and sleep records, the business is continuing to evolve into a health tech service that extends further than exercise.

[Features of the chocoZAP service]

- No need to change clothes or shoes (members can start exercising in 5 seconds)
- Every gym is available 24 hours a day, 365 days a year
- Unstaffed gyms (monitoring system for safety and security), no showers
- Sign up and cancellation, facility access, video explanation, gym congestion information all available by smartphone
- Strength training and aerobic training machines that are easy for beginners to use
- Unlimited use of self-service beauty care and hair removal devices (reservation required)
- Unlimited golf practice (only certain gyms, reservation required)
- Body composition measurement/automatic link to health watch (starter kit)
- Launch of new services such as self-service nail care and self-service tooth whitening
- New app functions added for meal management and sleep records (details below)

We encourage readers to review our complete legal statement on "Disclaimer" page.

RIZAP GROUP, Inc. | 17-Jan.-2024
 2928 Sapporo Securities Exchange Ambitious | <https://ir-english.rizapgroup.com/>

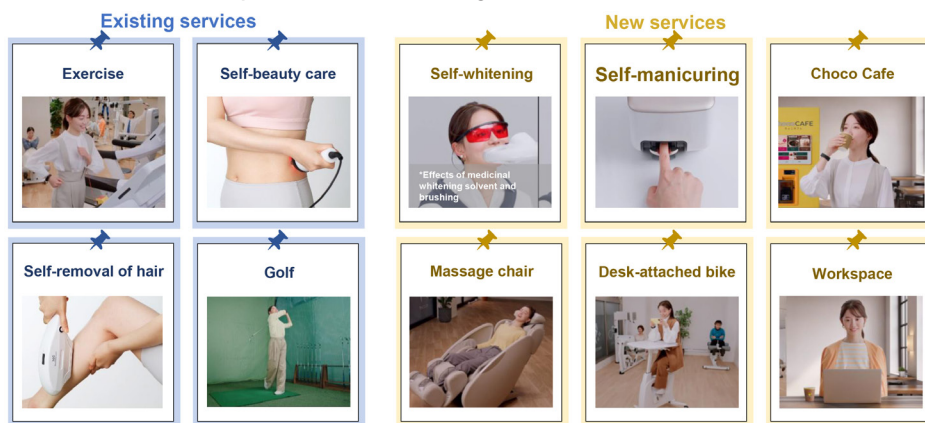
chocoZAP business model

chocoZAP's subscription is a uniform ¥3,278/month (tax included), which is a low price that ignores the market prices of the industry. Industry market prices currently range from ¥5,000 to ¥10,000 per month, and chocoZAP offers the unlimited use of facilities 24 hours a day at between one half and one third of this amount. This is around one hundredth of the level of RIZAP body transformation (*compared to 16 RIZAP sessions). The low price is made possible by narrowing down the facilities and services to only those truly needed by customers, such as unstaffed gyms, in principle, and no showers or keyed lockers. Scenes of users wiping their sweat off the machines after use and mopping the floor are unique to chocoZAP, and in some ways, the model relies on goodwilled cooperation from users. The unrivalled cost performance is driving rapid member acquisition and leading to early monthly profitability.

In September 2023, the Company marked the first anniversary of chocoZAP by announcing the progressive expansion of gyms providing six new services: self-service nail care, self-service tooth whitening, massage chairs, desk bikes, work spaces, and quick cafes. Under the concept of “breaking out of the gym,” the Company’s policy is to look beyond the conventional fixed concept of a fitness gym to incorporate various fields, including beauty, lifestyle, and entertainment to drive the evolution of a more convenient “convenience gym.” Among these, self-service nail care, which is drawing attention, will allow customers to enjoy a rich range of 397 kinds of nail design easily using nail printers installed onsite. The self-service tooth whitening service enables customers to whiten their own teeth by applying a special paste and shining an LED light onto them to remove stains from the tooth surface and make them white. Both of these services are usually expensive and time consuming, but chocoZAP customers can use them at no extra charge for about 10 minutes per time when they have a gap in their schedule. The desk bike services offer customers the ability to work out while reading, studying, watching a movie, or working on a PC, etc. at a desk fitted with an exercise bike. At the quick café, customers can enjoy drinks such as coffee, protein drinks, and collagen drinks from a drink server. The service introduction will begin from October 2023, and is scheduled to be complete at all gyms* in December 2023.

* Work space and quick café are scheduled to be introduced at all gyms in 2024.

Comparison between existing services and new services



*Some services require booking with the app.

Source: Reprinted from the Company's financial results briefing materials

We encourage readers to review our complete legal statement on “Disclaimer” page.

4. Gym opening strategy

chocoZAP is conducting a gym opening strategy similar to the strategy of a convenience store chain, as indicated by the “convenience gym” concept. Targeting customers in a small commercial area living nearby, the Company aims to open gyms mainly in the highly convenient locations at street level around train stations. Establishing a dominant presence in the same way as a convenience store chain, the Company aims to increase recognition and reduce advertising and promotion costs by concentrating gym openings around the same train line. The recent events have also helped the Company, with the impact of the novel coronavirus pandemic (hereinafter the “COVID-19 pandemic”) leaving a large number of candidate properties of the standard size of around 100 to 130 m². To reduce gym opening time and associated costs, the Company has directly procured internal and external store furnishing expenses, and purchased machine equipment in bulk, among to thoroughly standardize the operation. This system enables the Company to open around 50 to 100 gyms with minimal staff per month.

Currently, all chocoZAP gyms are directly managed by the Company. The benefits of direct management include high flexibility of gym management and high profitability once the gym is up and running. Naturally, there are also drawbacks: initial investment is generally high and exit costs also tend to be high. The Company has adopted a gym opening strategy of devising various ways of minimizing the drawbacks while enjoying the benefits of direct management. For example, the Company has removed restrictions on early termination (penalty payments, etc.) and focused on agile gym opening (flexible gym opening without fixed costs) that can go ahead within about two months. In approximately 14 months since the full-scale launch, the Company has been able to open over 1,000 gyms, and this achievement is partly attributable to devising this gym opening strategy. Looking ahead, the Company plans to aggressively open gyms not only in urban areas, but also in regional roadside sites that are easily accessible by car.

Characteristics of chocoZAP gym openings

Target commercial area	Small commercial area, nearby residents
Site	At this stage, urban areas around train stations. Going forward, roadside sites will also be developed
Floor area	Approximately 99 to 132 m ²
Gym opening method	Dominant presence (concentration on the same train line)
Gym opening period	Within around 2 months, changes flexibly
Gym opening cost	Cost reduction through rigorous standardization
Contract format	Removal of restrictions on early termination (no penalty payment on exit, no free rent)
Investment and operation method	Direct management

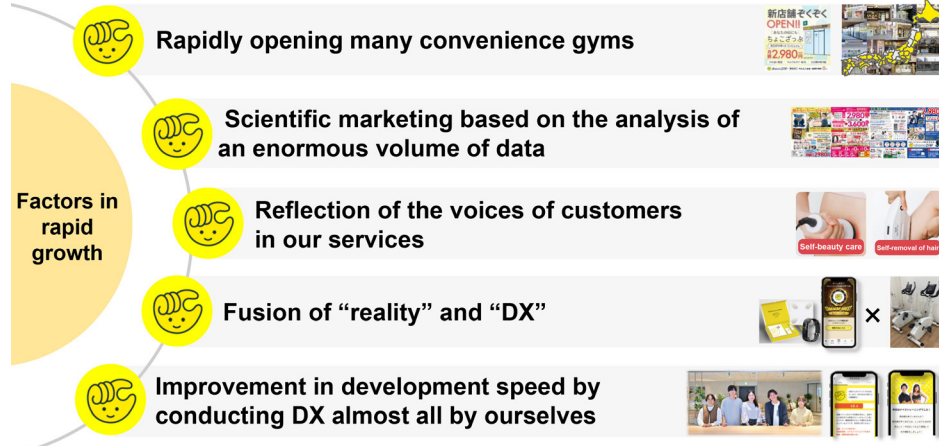
Source: Prepared by FISCO based on interview with the Company and its Medium-term Management Plan

5. Factors for rapid growth

How has the chocoZAP business risen to the top of the ranks in terms of membership within the training industry, which is generally considered to be a red ocean. Five factors driving this success are 1) Rapidly opening many convenience gyms, 2) Scientific marketing based on the analysis of an enormous volume of data, 3) Reflection of the voices of customers in services, 4) Fusion of “reality” and “DX,” and 5) Improvement in development speed by conducting DX almost entirely inhouse.

chocoZAP business model

Factors behind rapid growth of chocoZAP



Source: Reprinted from the Company's supplementary financial results briefing materials

1) Rapidly opening many convenience gyms

chocoZAP is an unstaffed gym, with no permanently stationed human resources such as the trainers and customer service staff that are essential in ordinary gyms. This means that the speed of gym openings is not affected by the status of human resource recruiting or development, with the benefit that highly reproducible gyms can be created en masse. This is one reason for the astonishing pace of approximately 90 gym openings per month.

2) Scientific marketing based on the analysis of an enormous volume of data

The Company is famous for its memorable commercials for RIZAP body transformation. In developing chocoZAP, it has adopted low-cost, science-based advertising and promotion methods with an eye to cost effectiveness. The Company uses flyers, banner advertising, landing pages, advertising on public transport, and television commercials; however, for all of these it has exhaustively explored highly cost-effective approaches using A/B tests (a method of trying multiple designs and content to verify the effect). Flyers were created with around 500 types of different catch copy to suit the individual characteristics of each gym, with different emphases such as weight-loss, pricing, and diversity of services, to test for effect. The Company also prepared over 4,000 types of banner advertising design and over 200 versions of the landing page, which is the space where the final push towards signing up is made, to conduct testing. Using data to identify the optimal method for the flow from consumer recognition to sign up is the driving force for winning over consumers.

chocoZAP business model

Verification using flyers



Source: Reprinted from the Company's supplementary financial results briefing materials

3) Reflection of the voices of customers in services

chocoZAP is not an ordinary training gym, but a “convenience gym,” and is positioned as a “health platform.” The richness of its service offerings outside of training can be seen from the popularity of the self-service beauty care and hair removal services that have been introduced at every gym from the initial full-scale launch of the business and from acceleration of new services being introduced, such as self-service nail care and self-service tooth whitening. These services are usually fairly expensive, which has prevented many customers from trying them. At chocoZAP, the Company has reflected customer feedback from trial testing and devised numerous ways to provide these services without changing the monthly fee in a bid to “democratize services.”

4) Fusion of “reality” and “DX”

The use of health tech is an essential factor behind the rapid growth of chocoZAP. The chocoZAP app is an essential part of the service, with functions including sign-up and cancellation, day-to-day facility access, provision of congestion information, life log and optimal exercise proposals by AI based on customer characteristics, streaming of recommended videos, game features (lottery, etc.) to support continuation, and customer community functions. Furthermore, systems are in place for prompt and appropriate responses when suspicious behavior or customers falling is detected, with AI analyzing camera images from an average of 10 monitoring cameras installed at each gym to contribute significantly to ensuring security of the unstaffed gyms. In addition, the accumulation of life logs through body composition meters, health watches, and various new apps plays an important role in customer service.

5) Improvement in development speed by conducting DX almost entirely inhouse

The Company established the DX specialist company RIZAP TECHNOLOGIES, Inc. in June 2022. The Company is actively recruiting and developing DX specialist personnel, such as Web and UI/UX designers, digital marketers, data analysts, and engineers. Using ideas and expertise that is not present in the strength training and training gym industry, they are making a direct contribution to attracting customers and increasing customer satisfaction in the chocoZAP business.

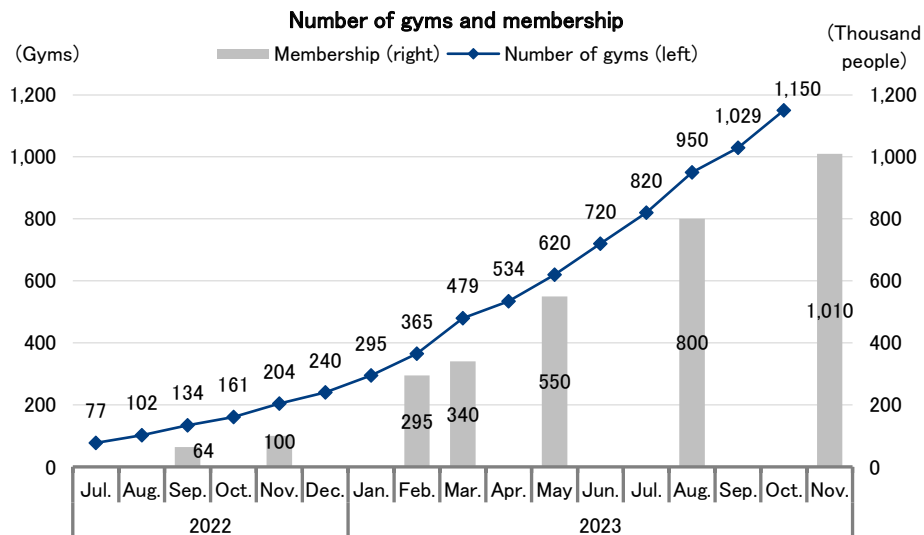
RIZAP GROUP, Inc. | 17-Jan.-2024
 2928 Sapporo Securities Exchange Ambitious | <https://ir-english.rizapgroup.com/>

chocoZAP business model

Such factors have driven the rapid growth of the business, however, going forward scale and branding effects will have a beneficial impact on various aspects such as customer satisfaction and costs. Since chocoZAP members are able to use all gyms, as the number of gyms increases, their convenience for making effective use of gaps in customers schedules also increases. Furthermore, an increase in the number of gyms also means that the Company can invest with increased efficiency in the cost of TV commercials and procurement of equipment such as exercise machines. With regard to branding, the Company used the RIZAP brand to get the business up and running and has established a barrier to entry by quickly becoming the default standard in the quick workout market. Looking ahead, players are expected to emerge with similar business models, but we believe that in various respects it will be a difficult task to catch up with chocoZAP in terms of customer attraction and profitability.

6. Results to date and store profit model

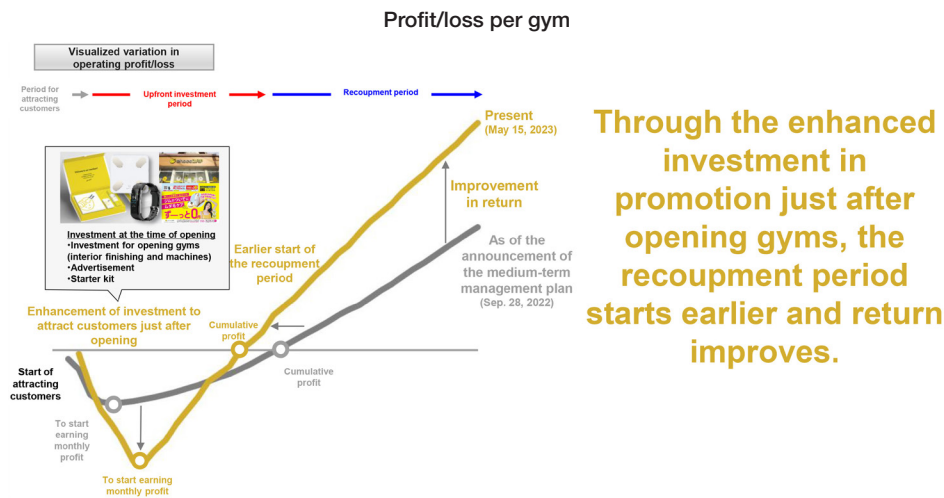
The Company is constantly disclosing the progress of the chocoZAP business. The number of gyms has increased from 16 at the end of March 2022 (test gyms) to 77 gyms in July 2022 with the start of full-scale development of the chocoZAP brand and growing steadily to 479 gyms as of the end of March 2023. In FY3/24 1H, the number is increased by around 90 gyms per month, and in November 2023, it reached 1,150 gyms. At a somewhat decreased pace in 2H, by the end of March 2024 it is possible that the Company could reach around 1,400 gyms. Memberships growth is also accelerating. Membership passed 100,000 in November 2022, reaching 340,000 by the end of March 2023, 550,000 in May 2023, and clearing 800,000 on August 15, 2023, and achieving the highest membership in Japan, ahead of Anytime Fitness (780,000 as of end of June 2023) and Curves (772,000 as of end of May 2023). As of November 2023, the membership has reached 1.01 million. Steady membership growth has been aided by growth in the number of new sign-ups as well as strong efforts to prevent cancellations. chocoZAP's churn rate has decreased. If the rate at July 2022 when the brand was launched is indexed as 1.00, then the rate as of September 2023 has fallen to 0.62, showing that customer satisfaction is high, and that customers are continuing with their training.



Source: Prepared by FISCO from the Company's financial results briefing materials and supplementary financial results briefing materials

chocoZAP business model

The Company has disclosed its average revenue and expenditure since the opening of the first gym. The average model disclosed in September 2022 showed gyms reaching monthly profitability around three months after opening, with cumulative investments recovered after around 18 months. In a general store business, cumulative investment recovery periods are often estimated from three to five years. By comparison, this business model is superior in its ability to recover investments extremely quickly. The average model disclosed in May 2023 has strengthened investment around the time of gym opening (for advertising, starter kits, etc.), with a cumulative investment recovery period that is even shorter than that of the September 2022 average model, and future increases in profitability after investment recovery.

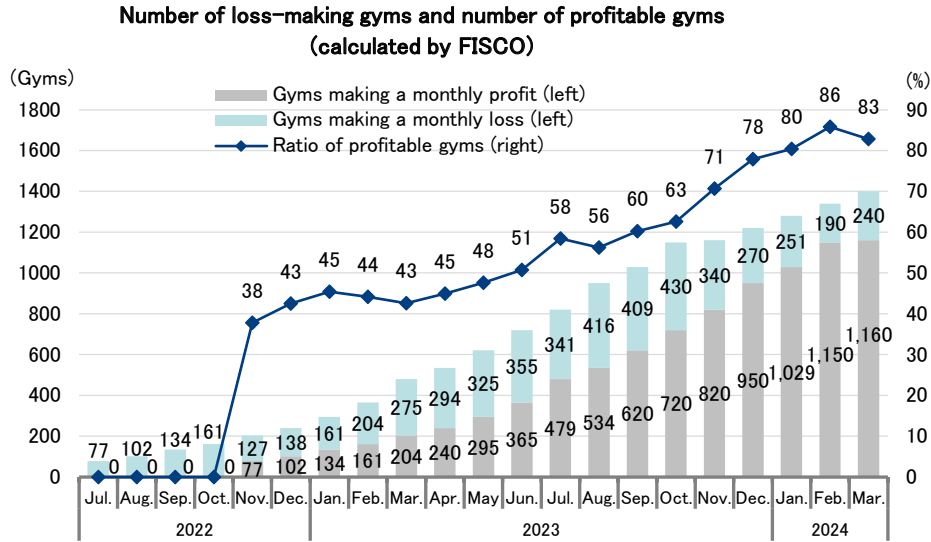


Source: Reprinted from the Company's financial results briefing materials

Thinking simply about the overall profitability of the chocoZAP business, gyms make monthly losses for the first four months after opening, however gyms that continue for longer than that can be expected to make profits. Considering the pace of 80 gym openings per month, the business has a constant loss on 320 gyms (80 gyms x four months), with the remaining gyms being profitable. Overall profitability increases as the number of gyms with long operating histories increases. At the end of FY3/24, we expect the number of gyms to reach 1,400, and at that point, even if 320 gyms (80 gyms x four months) are making monthly losses, as long as the total profit from the remaining 1,080 gyms exceeds the losses, then the overall balance of sales and expenses will be profit. By our calculations, the number of profitable gyms exceeded the number of loss-making gyms as of July to August 2023, and currently (December 2023), we believe that the overall chocoZAP business profit for the period will reach the point of profitability in the near future.

RIZAP GROUP, Inc. | 17-Jan.-2024
 2928 Sapporo Securities Exchange Ambitious | <https://ir-english.rizapgroup.com/>

chocoZAP business model



Note: Calculated by Fisco with the conditions of 60 new gym openings per month from December 2023 onward, monthly losses for four months after opening, and profitability from the fifth month after opening
 Source: Prepared by FISCO from the Company's financial results briefing materials

Results trends

In FY3/24 1H, the Company recorded higher sales with lower profits after conducting strategic investments in the chocoZAP business as planned. The number of chocoZAP gyms surpassed 1,100, and membership exceeded 1 million (as of November 2023)

1. FY3/24 1H results overview

FY3/24 1H revenue was ¥81,012mn (up 5.3% YoY), with operating loss of ¥5,791mn (gain of ¥230mn in the same period of the previous fiscal year), loss before income taxes of ¥7,302mn (loss of ¥714mn), loss attributable to owners of the parent of 7,596mn (loss of ¥1,776mn) as the Company made aggressive investments in line with its Medium-term Management Plan.

Results trends

Revenue was influenced by a dramatic ¥8,102mn YoY increase in sales in the RIZAP-related business (including the chocoZAP convenience gym business with full-scale development), as the Company focused on expanding the chocoZAP business. By FY3/24 1H, the Company opened 550 chocoZAP gyms, bringing the total number of gyms as of November 14, 2023 to 1,160. Moreover, due to aggressive advertising and promotion, the business has increased its recognition and new members have also increased, with memberships surpassing 1 million as of November 2023. In existing businesses, decreases in sales (¥2,937mn decrease YoY), including a decrease in sales associated with the closure of retail stores of REXT, Inc. (¥922mn decrease) and a temporary decrease in sales of MRK Holdings Inc. due to concentration on new customer acquisitions outweighed the increases in sales (¥1,744mn increase YoY), including an increase at Aunty Rosa Inc. In addition, there was also an impact from selling the Shikata business, which had been under the umbrella of subsidiary BRUNO at the end of the previous fiscal year (¥2,704mn decrease). Operating income was heavily impacted by a decrease in profit in the RIZAP business (including the chocoZAP business; ¥3,650mn decrease) due to upfront investments in chocoZAP. In addition, in existing businesses, upfront investments for new customer acquisition, early recording of inventory disposal and gym exit expenses, and the impact of rising prices for raw materials and supplies also influenced the Companywide decrease in profit.

[Healthcare and Beauty Business Segment]

In parallel with the abovementioned investment strategy for the chocoZAP business, the Company made progress in its existing body transformation business, increasing both the in the retention rate and LTV (life time value: sales over the lifetime per customers) of members through a transition to a subscription-type (lifelong) business model. MRK Holdings made concentrated upfront investments during the first half to capture new customers in the women's underwear and other businesses by strengthening its internet advertising. Revenues in the Healthcare and Beauty Business Segment were ¥27,937mn (up 38.3% YoY), while operating loss was ¥5,544mn (loss of ¥1,073mn in the same period of the previous fiscal year).

[Lifestyle Business Segment]

REXT improved its profitability as it made progress in its transition to high-earning business models in the trading card, entertainment, and used items businesses. BRUNO recorded decreases in sales and profits, as strong performance in outdoor-related and travel-related businesses was offset by a lull in household demand for its mainstay kitchen appliances. DREAM VISION CO., LTD. <3185> reported decreased sales and profits due to factors including a decline in sales caused by reducing the number of unprofitable stores. As a result, the Lifestyle Business Segment reported revenue of ¥39,737mn (a decrease of 6.7% from revenue of ¥42,605mn in the same period of the previous fiscal year) and operating loss of ¥100mn (loss of ¥637mn in the same period of the previous fiscal year).

FY3/24 1H results

	FY3/23 1H		FY3/24 1H		YoY	
	Results	Vs. revenue	Results	Vs. revenue	Change	% change
Revenue	76,940	100.0%	81,012	100.0%	4,071	5.3%
Gross profit	34,350	44.6%	38,276	47.2%	3,926	11.4%
SG&A expenses	34,815	45.2%	43,747	54.0%	8,931	25.7%
Operating income/loss	230	0.3%	-5,791	-9.0%	-6,022	-
Profit/loss before income taxes	-714	-0.9%	-7,302	-9.4%	-6,587	-
Net profit/loss	-1,215	-1.6%	-8,049	-9.9%	-6,833	-
Profit/loss attributable to owners of the parent	-1,776	-2.3%	-7,596	-7.1%	-5,819	-

Source: Prepared by FISCO from the Company's financial results

Results trends

The equity ratio was 21.7%, maintaining a certain level despite aggressive investment activity. The ratio is expected to improve from FY3/24 onward as the chocoZAP business achieves profitability

2. Financial position

Total assets at the end of FY3/24 1H increased by ¥12,639mn from the previous fiscal year-end to ¥155,288mn. Within this, current assets increased by ¥2,549mn to ¥69,746mn, mainly reflecting increases in inventories (up ¥1,078mn), and operating and other receivables (up ¥903mn), and cash and cash equivalents (up ¥257mn). Non-current assets increased ¥10,089mn to ¥85,541mn, with the main factors including increases in property, plant and equipment (up ¥6,034mn) and right-of-use assets (up ¥4,625mn).

Total liabilities increased ¥15,327mn from the previous fiscal year-end to ¥133,864mn. Within this, current liabilities increased ¥11,930mn to ¥87,851mn, the main factors being an increase in operating debt and other debt (up ¥7,316mn) and an increase in interest-bearing liabilities (up ¥5,243mn) due to increases in short-term borrowings and short-term lease liabilities. Non-current liabilities increased by ¥3,397mn to ¥46,012mn, the main factor being an increase in interest-bearing liabilities (up ¥2,779mn) due to increases in long-term borrowings and long-term lease obligations. Total equity decreased ¥2,688mn to ¥21,424mn, mainly due to a decrease in retained earnings after recording a loss attributable to owners of the parent and an increase in other equity instruments.

Turning to management indicators, the equity ratio (calculated as total equity / market capitalization) at the end of September 2023 was 21.7%, lower due to the Company's aggressive investment activity, but has remained at a certain level. From FY3/24 onward, the Company expects the equity ratio to improve due to an increase in net assets as the chocoZAP business becomes profitably and progress on debt repayment as a result of an improvement in chocoZAP's operating cash flows.

Balance sheet and management indicators

	(¥mn)			
	FY3/22	FY3/23	FY3/23 1H	Change*
Current assets	73,498	67,196	69,746	2,549
(Cash and deposits)	24,119	15,832	16,089	257
(Inventories)	28,629	28,541	29,620	1,078
Non-current assets	66,289	75,452	85,541	10,089
Total assets	139,788	142,649	155,288	12,639
Current liabilities	62,662	75,921	87,851	11,930
(Operating debts and other debts)	25,065	23,637	30,953	7,316
(Interest-bearing liabilities)	30,855	46,156	51,399	5,243
Non-current liabilities	41,064	42,615	46,012	3,397
(Interest-bearing liabilities)	35,501	36,628	39,407	2,779
Total liabilities	103,726	118,536	133,864	15,327
Total assets	36,061	24,112	21,424	-2,688
(Retained earnings)	2,266	-8,744	-16,374	-7,630
Total liabilities and net assets	139,788	142,649	155,288	12,639
<Safety>				
Equity ratio (IFRS)	19.1%	9.9%	7.7%	-
Equity ratio (Japanese GAAP)	38.3%	26.5%	21.7%	-

*Change from March 31, 2023 to September 30, 2023

Source: Prepared by FISCO from the Company's financial results

RIZAP GROUP, Inc. | 17-Jan.-2024

2928 Sapporo Securities Exchange Ambitious | <https://ir-english.rizapgroup.com/>

Results trends

FY3/24 revenue is expected to be ¥172,000mn with operating loss of ¥4,500mn. Upfront investment in the chocoZAP business produced results, and the Company expects an increase in sales and improvement in operating loss

3. Results forecast for FY3/24

In FY3/24, the Company is forecasting an increase in sales and an improvement in profits, with revenue of ¥172,000mn (up 7.1% YoY), operating loss of ¥4,500mn (loss of ¥4,505mn in the previous fiscal year), and loss before income taxes of ¥6,200mn (loss of ¥6,641mn), and loss attributable to owners of the parent of ¥9,000mn (loss of ¥12,733mn). The revenue forecast has been revised downward to reflect the impact of selling subsidiary SOHKEN HOMES Co., Ltd. to secure funds for investment in the chocoZAP business; however, the forecast for each profit level has been left unchanged, mainly due to steady performance in the chocoZAP business.

With regard to revenue, the chocoZAP business is expected to see significant growth in sales due to new gym openings and an increase in the membership base. In FY3/24 1H, the number of gym openings has been increasing at a pace of around 90 per month, and at a reduced pace of around 60 openings per month in 2H, we expect the number of gyms to reach around 1,400 by fiscal year-end. Assuming that membership grows proportionately to the number of gyms, then we can estimate around 1.23 million members by the end of FY3/24. Converted into full-year revenue for FY3/24, this membership corresponds to approximately ¥44.0bn. The Company has positioned FY3/24 as a year for upfront investment and will continue to make relevant investments including new gym openings, attracting customers, DX-related investments, and development of additional services. The chocoZAP business model has a comparatively lighter investment burden than that of ordinary training gyms and is superior in terms of monthly profitability, which is secured after around three months (average model for September 2022), and investment recovery, which takes around 18 months. For this reason, under the Medium-term Management Plan, revenue of the RIZAP-related business (body transformation, chocoZAP, and RIZAP GOLF, etc.) for FY3/24 is expected to double from the previous fiscal year to ¥38,000mn, with operating loss improving to ¥2,200mn (loss of ¥3,600mn in the previous fiscal year). In terms of changes during the fiscal year, factors for an upturn in revenues include expansion of the gym network by bringing forward gym openings and enhancement of the service menu by adding services such as tooth whitening, driving steady growth in membership. The scale benefits associated with an expansion in the scale of store openings are expected to streamline store opening costs per store to around 70% of the cost per store in the initial stages. The Company is making additional investments in new service development within the range of these efficiency gains.

In FY3/24, the Company aims to continue building its management foundation for sustainable growth through sales growth in its existing businesses. Specifically, the Group will reduce fixed expenses through cross-sectoral cost optimization and operational streamlining, as well as turning around unprofitable gyms/stores to a profitable condition and consolidating its gyms/stores. In addition, the Company plans to secure the necessary funds for its business activities through measures such as promoting asset liquidation strategies, selling off peripheral businesses, and strengthening the Group's overall financial management structure.

The development of the chocoZAP business has progressed faster than planned, and we believe it is possible that revenue will exceed the forecast. On the profit front, the Company is projecting an operating loss, but as the ratio of gyms that become profitable increases towards the end of the fiscal year, its income situation is expected to improve.

Results trends

Consolidated financial results forecast for FY3/24

(¥mn)

	FY3/23		FY3/24		YoY	
	Results	Vs. revenue	Forecast	Vs. revenue	% change	Change
Revenue	160,519	100.0%	172,000	100.0%	11,481	7.1%
Operating loss	-4,505	-2.8%	-4,500	-2.6%	5	-
Loss before income taxes	-6,641	-4.1%	-6,200	-3.6%	441	-
Net loss	-12,183	-7.6%	-8,200	-4.8%	3,983	-
Loss attributable to owners of the parent	-12,733	-7.9%	-9,000	-5.2%	3,733	-

Source: Prepared by FISCO from the Company's financial results

Growth strategy and topics

Focus on potential value and evolution of the chocoZAP business as a health tech platform. Aiming to achieve operating income of ¥30,000mn in FY3/26 under the current Medium-term Business Plan

1. Potential value and evolution of the chocoZAP business

Working towards the largest share in Japan's health tech market



Smart watch annual sales scope and comparison (reference)

Rank	Manufacturer	Units sold
1	Apple	2,270,000 units
2	chocoZAP	830,000 units
3	Huawei	480,000 units
4	Fitbit	400,000 units
5	Xiaomi	240,000 units



Health meter annual sales scope and comparison (reference)

Rank	Manufacturer	Units sold
1	TANITA	1,400,000 units
2	OMRON HEALTHCARE	840,000 units
3	chocoZAP	830,000 units
4	DRETEC	490,000 units
5	Other	-

*Reference material for comparison of the number of units (Prepared by FISCO by comparing the number of chocoZAP starter kit units distributed against other company's figures below)

*Other companies' smartwatch figures: from MM Research Institute, Ltd., "MM Report Vo. 324" for April 2022 to March 2023

*Other companies' health meter figures: from Fuji Chimera Research Institute, Inc., "Wearable/Healthcare Business Comprehensive Survey 2021" for January to December 2021

Source: Reprinted from materials provided by the Company

Growth strategy and topics

The evolution of the chocoZAP dedicated app is another factor that should not be overlooked. The app has an important function as a contact point with members, including sign-up to a gym, facility access, congestion checking, exercise instructions, and reservation management. In addition, functions for health support outside of the gym are also being added over time, and it is worth monitoring their evolution. The full-scale release of a meal management function in September 2023 enabled users to take a single photograph of their meal, then create a record of the meal easily with a single one-touch operation. In addition, they can use AI to calculate the calorie content and nutritional elements of the meal and provide feedback regarding their diet and exercise. A sleep recording function scheduled for release in the future will provide individually tailored “sleep support” using measurement data and scientific statistics. Users are automatically evaluated on metrics such as daily sleep time, comprehensive score and sleep rhythm and receive feedback including recommended activity times, meals, and exercise. Both functions are closely connected to users’ daily lifestyles and provide an approach for quantifying healthy lifestyle quality as data and providing science-based solutions.

New functions for the chocoZAP app



Source: Reprinted from materials provided by the Company

2. Overview of Medium-term Management Plan (to FY3/26)

The Company’s Medium-term Management Plan ending in the fiscal year ended March 31, 2026 (announced in September 2022) is currently in progress. The core strategy is to focus management resources on the new chocoZAP business, and execute growth investments totaling ¥50,000mn by the final fiscal year of the plan. The Company’s numerical management target is for operating income of ¥30,000mn by FY3/26, in two year’s time. This amount comprises the RIZAP-related business (including chocoZAP business) operating income of ¥17,700mn, and operating income of ¥14,000mn (adjusted amount ¥1,700mn) from continuing management streamlining of other businesses. the first two years of the plan (FY3/23 and FY3/24) are positioned as a period for upfront investment, while the following two years are an investment recovery period. Looking at RIZAP-related business (including chocoZAP) alone, during the second year of the upfront investment period, FY3/24 (the fiscal year currently in progress), the Company expects to more than double its revenue from the previous fiscal year to ¥38,000mn, while recording an operating loss of ¥2,200mn due to upfront investments for gym/store openings, advertising and promotion, and so forth. The Company plans to turn this around in the third year, FY3/25, and achieve operating income of ¥7,600mn. Planned investment of ¥50,000mn in the chocoZAP business will comprise ¥20,000mn for property, plant and equipment, such as gym equipment installation, furnishing, and training machines, and ¥30,000mn for intangible assets such as app and system development, marketing, and recruitment and training of DX specialists. In its policy on fund procurement, the Company plans to use operating cash flow from its existing businesses, along with borrowings from banks and other institutions, and liquidation of non-core assets. In August 2023, the Company had already procured funds (¥6,750mn) through long-term borrowings and subordinated equity loans.

We encourage readers to review our complete legal statement on “Disclaimer” page.

Growth strategy and topics

Medium-term Management Plan targets

		(¥mn)					
		FY3/22 Results	FY3/23 Results	FY3/24 Planned	FY3/25 Planned	FY3/26 Planned	
RIZAP-related business	Revenue	5,234	-	38,000	57,000	71,000	
	Operating income	1,138	-6,599	-2,200	7,600	17,700	
Other existing business	Healthcare and Beauty (other than RIZAP-related business)	Operating income	-62	941	-	-	3,200
	Life Style	Operating income	1,561	1,412	-	-	8,500
	Investment	Operating income	431	1,752	-	-	2,300
	Total	Operating income	1,929	4,105	-	-	14,000
Adjusted amount		Adjusted amount	2,167	-2,012	-	-	-1,700
Company total		Operating income	5,234	-4,505	-4,500	-	30,000

Source: Prepared by FISCO from the Company's Medium-term Management Plan and financial results

Shareholder return policy

The Company plans to pay no dividends during the upfront investment period up to FY3/24. Three-months free pass for chocoZAP was issued as a special 20th founding anniversary benefit

The Company considers the distribution of profits to shareholders to be one of management's priority issues. The dividend policy is basically to increase dividends to shareholders at a stable pace. The Company decides the amount of annual dividends giving consideration to management results, financial position, and cash flow status. For FY3/23 and FY3/24, the Company has decided not to pay dividends, as this period is positioned as a period for upfront investment in the chocoZAP business under the Medium-term Management Plan (FY3/23 to FY3/26), which started in FY3/23. From FY3/25, the third year of the Medium-term Management Plan, the Company plans to enter a period for recovering investments and will reinstate dividends at this point.

The Company's shareholder rewards system is highly popular because shareholders can select from a variety of Group company products, and its content is being constantly renewed. For shareholders as of the end of September 2023, the number of gifts was expanded significantly from 100 to over 150. The available products included free vouchers for the core RIZAP service, as well as cosmetics, cooking and beauty appliances, and apparel products. In addition, the RIZAP Group's special 20th founding anniversary benefit was a present of a three-month free use voucher for chocoZAP.



Disclaimer

FISCO Ltd. ("FISCO") offer stock price and index information for use under the approval of the Tokyo Stock Exchange, the Osaka Stock Exchange and Nikkei Inc.

This report is provided solely for the purpose of offering information, and is not a solicitation of investment nor any other act or action.

FISCO prepared and published this report based on information which it considered reliable; however, FISCO does not warrant the accuracy, completeness, fitness nor reliability of the contents of this report or the said information.

The issuers' securities, currencies, commodities, securities and other financial instruments mentioned in this report may increase or decrease in value or lose their value due to influence from corporate activities, economic policies, world affairs and other factors. This report does not make any promises regarding any future outcomes. If you use this report or any information mentioned herein, regardless of the purpose therefor, such use shall be made based on your judgment and responsibility, and FISCO shall not be liable for any damage incurred by you as a result of such use, irrespective of the reason.

This report has been prepared at the request of the company subject hereto based on the provision of information by such company through telephone interviews and the like. However, the hypotheses, conclusions and all other contents contained herein are based on analysis by FISCO. The contents of this report are as of the time of the preparation hereof, and are subject to change without notice. FISCO is not obligated to update this report.

The intellectual property rights, including the copyrights to the main text hereof, the data and the like, belong to FISCO, and any revision, reprocessing, reproduction, transmission, distribution or the like of this report and any duplicate hereof without the permission of FISCO is strictly prohibited.

FISCO and its affiliated companies, as well as the directors, officers and employees thereof, may currently or in the future trade or hold the financial instruments or the securities of issuers that are mentioned in this report.

Please use the information in this report upon accepting the above points.

■ For inquiry, please contact: ■

FISCO Ltd.

5-13-3 Minami Aoyama, Minato-ku, Tokyo, Japan 107-0062

Phone: 03-5774-2443 (IR Consulting Business Division)

Email: support@fisco.co.jp