Convenience gym "chocoZAP" is expanding

RIZAP Group, Inc.

(2928, Sapporo Ambitious Market)

Recommendation rating (Sep. 29)

Remain "Overweight"

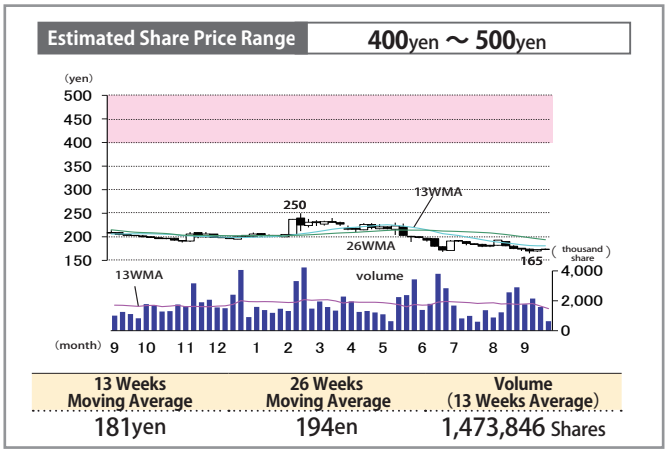
Stock Price	Unit of Investment	Market Cap	year's high	year's low	PER(E)
173yen (Sep. 29)	100Shares	103.22Bil yen (Sep. 29)	250yen (Feb.16, 2026)	189yen (Sep. 10, 2026)	20.6 x (Sep. 29)

Earnings base strengthened by halving break-even membership

■ First-quarter net profit for the first time in five years as chocoZAP transforms its earnings structure

For the first quarter of the fiscal year ending March 2027 (April–June 2026), consolidated results under IFRS showed sales revenue of ¥36.91 billion, down 7.5% year on year, while operating profit increased significantly to ¥790 million, up 93.4% year on year. Furthermore, the company reported a net profit of ¥135 million (compared with a net loss of ¥5.95 billion in the same period of the previous year), marking a return to profitability in the first quarter for the first time in five years. By segment, the healthcare and beauty segment, which includes the core chocoZAP business, recorded sales revenue of ¥15.31 billion, down 6.1% year on year, and operating profit of ¥460 million, down 40.1%. Of this, the RIZAP-related business recorded sales revenue of ¥10.28 billion, down 6.9% year on year, and operating profit of ¥520 million, down 30.1%. The decline in sales revenue in the RIZAP-related business (chocoZAP) was mainly due to a lag in revenue recognition resulting from the free campaign period (initially two months) offered to attract new members. (In the same period of the previous year, this timing impact was smaller because store openings and new member acquisition had been restrained.) On the profit front, growth investments had a negative impact of ¥220 million on earnings. Meanwhile, the group's subsidiaries performed well, offsetting the temporary decline in profits in the RIZAP-related business. The company maintained its consolidated earnings forecast for the fiscal year ending March 2027, projecting sales revenue of ¥180.0 billion, up 7.6% year on year, operating profit of ¥12.0 billion to ¥16.0 billion, up 8.2% to 44.3%, and net profit of ¥4.0 billion to ¥6.0 billion, up 2.8 to 4.2 times. At the upper end of the operating profit forecast, surpassing the record high of ¥13.6 billion recorded in the fiscal year ended March 2018 is within reach.

chocoZAP, a convenience gym operated through an unmanned-store model, is bringing consumables, maintenance, and transportation functions in-house and improving the efficiency of its use of "Friendly Members," who assist with certain store operations. In the first quarter, 95% of existing stores achieved profitability for three consecutive months, while consistently unprofitable stores accounted for just 1.9% of the total. **Through extensive cost cutting and improved operational efficiency, the company has successfully built a robust earnings base, reducing the break-even membership level as of the end of the fiscal year ended March 2026 to half the level at the beginning of the fiscal year ended March 2025. Against this backdrop, members acquired through promotional campaigns will gradually convert to paid memberships from the second quarter (July–September 2026) onward. Furthermore, by efficiently opening stores through a dual strategy of directly operated and franchised locations, the company aims to achieve earnings growth while maintaining profitability and investing in customer acquisition and advertising**. For the fiscal year ending March 2027, the company plans to open 300–650 stores domestically and 50–150 stores overseas. Although the net increase in domestic stores in the first quarter was limited to 66 due to the careful selection of high-quality sites, the company is expanding its partner network to increase the number of sites referred to it and strengthening its own search for properties. It therefore appears to be on track to achieve its store-opening plan. The company is also making progress in establishing methods for selecting sites expected to attract more members, and the pace of store openings is expected to accelerate going forward while continuing to prioritize quality.



■ "chocoZAP Chapter 2" gets underway, balancing quality improvements and growth investment

Under its "chocoZAP Chapter 2" initiative, the company plans to make ¥15.0 billion in growth investment in the fiscal year ending March 2027. This investment will support new store openings, expanded gym equipment, and accelerated AI adoption. While its basic strategy of primarily targeting gym beginners remains unchanged, the company will also gradually introduce equipment for intermediate users (machines designed for higher-intensity training) with the aim of improving retention among existing members who have become more experienced. As a result, the company will also be able to appeal to intermediate-level users who have previously used full-scale gyms, with the secondary benefit of broadening the pool of potential new members. In AI transformation (AX), the company plans to introduce an "AI store manager" that analyzes real-time data collected through IoT devices and apps and provides operational instructions to staff and Friendly Members. In addition, the machine failure rate has recently fallen to a record-low 1.6%, as bringing repairs in-house, expanding the scope of repairs that can be performed on site, and strengthening maintenance rounds have significantly shortened repair lead times. For customer satisfaction, the company has also introduced a new "Store Experience Score," going beyond quantitative indicators alone. The system uses AI-powered natural language processing

Financial Results (As of September 29)

		Sales Revenue (Yen Mil)	YoY (%)	Operating Profit (Yen Mil)	YoY (%)	Income Before Income Taxes (Yen Mil)	YoY (%)	Net Profit (Yen Mil)	YoY (%)	EPS (Yen)
FY2025	Past Results	171,090	5.2	1,882	Loss to profit	-1,495	Loss decrease	264	Loss to profit	0.15
FY2026	Past Results	167,257	-2.2	11,086	489.1	8,128	Loss to profit	1,440	445.5	2.4
FY2027	Company est.	180,000	7.6	14,000	26.3	11,000	35.3	5,000	247.2	8.4
	WA est.	180,000	7.6	14,000	26.3	12,000	47.6	5,500	281.9	9.2
FY2028	WA est.	222,000	23.3	19,500	39.3	14,800	23.3	6,600	20.0	11.1

*Based on IFRS. Profit for 2027-3 (Company est.) is the midpoint of the forecast range.

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to analyze direct feedback from members collected through the app and surveys, assigning scores to each category and store based on factors such as "cleanliness," "machine availability," and "inventory replenishment." Low-scoring areas are quickly reported back to individual stores, allowing them to prioritize improvements and implement the PDCA cycle in real time, thereby enhancing the overall member experience. Overseas, the company plans to initially expand its store network across Asia, focusing on Hong Kong, where full-scale expansion is already underway, with a target of opening up to 150 stores in the fiscal year ending March 2027. A new-format store is planned in South Korea, along with a second, larger store in Malaysia, with the pace of store openings expected to accelerate from around this fall. Although the directly operated model is expected to take some time to become meaningfully profitable, the overseas business is seen as a potential driver of future earnings growth.

■ Moving toward asset-light, highly efficient growth; "Overweight" investment rating maintained

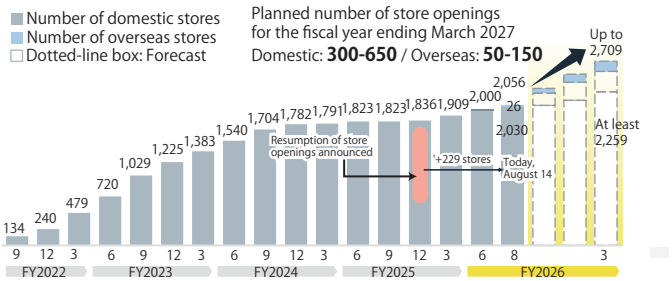
With the break-even point for domestic stores having been cut in half, the operating leverage from future member acquisition and a renewed acceleration in store openings has become even stronger. Against the backdrop of an improved financial position, the company resumed dividends for the first time in eight years in the fiscal year ended March 2026, with a dividend of ¥0.67 per share, and plans to increase the dividend to ¥1.34–¥2.01 per share in the fiscal year ending March 2027, demonstrating a clear commitment to shareholder returns. The franchise strategy allows the company to continue opening stores at scale while limiting asset growth. Demand from potential franchise owners is extremely strong, and the company plans to increase the number of franchise stores to 286 by the end of the fiscal year ending March 2027, representing approximately 10% of all domestic stores. When directly operated stores are transferred to franchisees, the company records a one-time gain on the transfer. Thereafter, the recurring revenue model generates sales-linked royalties as well as fixed payments for advertising, operating expenses, and other fees to headquarters. Based on the progress of store openings in the first quarter, Wealth Advisor has adjusted its forecast for the fiscal year ending March 2027 to around the midpoint of the company's guidance (operating profit of ¥14.0 billion). However, the scenario of a stronger earnings base in the core business and renewed asset-light growth remains unchanged. We therefore maintain our estimated share price range of ¥400–¥500 and our investment rating of "Overweight." (Sota Suzuki)

■ Company Overview

Established in 2003 for the purpose of mail-order sales of health foods. On July 1, 2016, the company shifted to a pure holding company structure and changed its trade name to "RIZAP Group." Since July 2022, the company has fully developed its new convenience store gym "chocoZAP," and its healthcare and beauty businesses, including the RIZAP-related body composition businesses, are now its main businesses. As of August 14, 2026, chocoZAP had 2,056 stores (2,030 in Japan and 26 overseas) and 1.167 million members, including corporate trial members and shareholder benefit members. The company had redirected investments previously focused on store expansion and advertising expenses toward improving store quality and customer satisfaction. As the chocoZAP business has returned to sustained profitability, it entered a new investment phase aimed at renewed growth from 2H of fiscal 2026 onward. The business has the potential for more than 6,000 stores and plans to expand to 8,000 stores across Japan. It is also looking to accelerate its overseas expansion, beginning with Hong Kong, Taiwan, South Korea, and Malaysia. By expanding the store network through the utilization of idle land in local regions in cooperation with various partners—including franchise owners, corporations, local governments, and hospitals—the company aims to position chocoZAP as a health-related social infrastructure.

Trend in the Number of chocoZAP Stores

While emphasizing profitability, the company will rigorously select locations for new store openings. The current pace is cautious, but sufficient to achieve the target.



*Figures prior to June 2023 represent the total number of stores including those under previous brand names other than chocoZAP.
*Q2 of the fiscal year ending March 2026: -1 store (closed due to owner's circumstances)

Excerpt from RIZAP Group's financial results briefing

■ Business Environment and Outlook

The fitness participation rate in Japan is estimated at around 5%. However, given that it is about 20% in the U.S. and similarly higher in other developed countries, there remains significant room for market expansion. Accordingly, the number of chocoZAP stores is estimated to have the potential to expand to the company's target of approximately 8,000. Although the company currently faces external headwinds such as rising rents and material costs and shortages of skilled labor, it has significantly lowered the break-even point per store through measures such as bringing operations in-house. This has created a robust earnings structure that allows stores to remain profitable even with relatively few members. This has enabled the company to improve its ability to identify and select high-quality sites likely to attract more members, without compromising its store-opening criteria by, for example, relaxing population requirements. As a result, the company is reaccelerating store openings while maintaining its focus on quality. It is also seeking to improve customer satisfaction by enhancing the store environment through digital transformation (DX) and using the "Store Experience Score" to drive continuous improvements at the store level through the PDCA cycle. In the fiscal year ending March 2027, it plans to significantly expand its gym equipment and service offerings, accelerate the rollout of women-only locations, gradually introduce equipment for intermediate users, and extend its overseas store network, particularly in Asia.

Risk Factors

Competition in the beauty and health field is intensifying, with many companies entering the field from fitness management companies, food companies, and pharmaceutical manufacturers, and this can be described as a business risk. The company has made investments in expanding its chocoZAP branches, introducing and expanding new services, and marketing, but its operations could be affected if it does not get the expected advertising impact on customer traffic.

Shareholder Return (As of September 29)

■ Dividends

		Dividend Per Share		
		First half	Second half	Annual
FY2025	Past Results	0 yen	0 yen	0 yen
FY2026	Past Results	0 yen	0. 67yen	0. 67yen
FY2027	Company est.	0yen	1. 34–2. 01yen	1. 34–2. 01yen

■ Shareholder Special Benefits

As of March 31, 2026
(1) 50% off chocoZAP
(2) RIZAP Group digital gift certificates (usable within the RIZAP Group)
(3) Shareholder benefit points (redeemable for RIZAP Group products)
100 shares or more: (1) 6 months
200 shares or more: (1) 1 year
400 shares or more: (1) 1 year (2 people) + (2) ¥5,000 + (3) 10,000 points
800 shares or more: (1) 1 year (4 people) + (2) 10,000 yen + (3) 14,000 points
1,600 shares or more: (1) 1 year (4 people) + (2) 10,000 yen + (3) 24,000 points
2,400 shares or more: (1) 1 year (4 people) + (2) 10,000 yen + (3) 30,000 points
4,000 shares or more: (1) 1 year (4 people) + (2) 10,000 yen + (3) 36,000 points
8,000 shares or more: (1) 1 year (4 people) + (2) 10,000 yen + (3) 72,000 points
16,000 shares or more: (1) 1 year (4 people) + (2) 10,000 yen + (3) 144,000 points

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Competitor Comparison （If the number is better than rivals, it's highlighted by red character） (As of September 29)

		RIZAP Group, Inc. (2928・Sapporo Ambitious Market)	Renaissance Inc. (2378・TSE Prime)	Felissimo Corporation (3396・TSE Standard)
Basic Point	Stock Price	173yen	1, 005yen	859yen
	Unit of Investment	100 shares	100 shares	100 shares
	Minimum Investment Amount	17, 300yen	100, 500yen	85, 900yen
	Fiscal Year End	March	March	February
Share Price Indicator	PER（E）	20.6 x	39.6 x	**20.4 x**
	PBR	2.0 x	2.5 x	**0.3 x**
	Dividend Yield（E）	1.0%	1.3%	**2.9%**
Growth	Revenue Growth Rate（E）	**7.6%**	4.7%	3.7%
	Operating Profit Growth Rate（E）	**26.3%**	15.0%	10.2%
	EPS Growth Rate（E）	**347.7%**	-122.6%	-16.5%
Profitability	Operating Margin（E）	**7.8%**	2.6%	0.8%
	ROE	**2.8%**	-19.3%	1.8%
	ROA（Ordinary income/Total assets）	**5.0%**	1.4%	1.6%
Financial Health	Equity ratio	30.9%	17.0%	**70.1%**
	Debt-to-Equity Ratio	126.1%	164.6%	**0.0%**
	Current Ratio	122.3%	81.3%	**293.3%**

Comparison targets were RENAISSANCE (2378), which operates sports clubs, and FELISSIMO (3396), which sells clothing and beauty products through mail order.
*RIZAP reports under IFRS. Profit forecasts and projected dividend yields are based on the midpoint of the forecast range.

■Growth

The company plans operating profit of ¥12.0 billion to ¥16.0 billion for the fiscal year ending March 2027, up 8.2% to 44.3% from the previous year. The primary driver of profit growth is the sustained profitability of the company's core business, chocoZAP. Although the first quarter was affected by a timing lag in revenue recognition associated with the free membership campaign, this impact is expected to diminish gradually from the second quarter onward as members convert to paid memberships, with profits expected to begin increasing. Going forward, the company will pursue asset-light growth by actively opening new high-quality locations and expanding its franchise network in response to strong demand from potential franchise owners, aiming for efficient network expansion while limiting asset growth.

■Profitability

Driven by the recovery of the chocoZAP business, operating profit increased to ¥11.086 billion in the fiscal year ended March 2026, 5.9 times the previous year's level. For the fiscal year ending March 2027, operating profit is projected to range from ¥12.0 billion to ¥16.0 billion, representing growth of 8.2% to 44.3% year on year. The break-even membership level at the end of the fiscal year ended March 2026 had fallen to half the level at the beginning of the fiscal year ended March 2025, further increasing the earnings leverage from future membership growth.

■Financial Position

The company's financial position has become more stable, supported by improved profitability at chocoZAP and greater asset efficiency. Free cash flow turned positive in the fiscal year ended March 2025 and increased further to ¥30.9 billion in the fiscal year ended March 2026, compared with ¥6.9 billion in the previous fiscal year. As of the end of the first quarter of the fiscal year ending March 2027, the equity ratio attributable to owners of the parent remained high at 30.8% (30.9% at the end of the fiscal year ended March 2026). The company also continues to maintain a net cash position (effectively debt-free), with cash and deposits exceeding liabilities. In addition, the company is firmly pursuing an asset-light strategy of limiting asset growth by promoting the transfer of directly operated stores to franchisees. Its financial soundness is therefore expected to be maintained over the medium to long term.

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How to Read Wealth Advisor Equity Research Report

Our Uniqueness

(1) Emphasize Its Position as an Independent Evaluation Organization

Wealth Advisor emphasizes its position as an independent evaluation organization and is committed to providing objective comparison and assessment in the Wealth Advisor Equity Research Report. For all stocks covered by us, we determine investment decisions, estimated share price range and earnings forecasts based on expertise of an individual analyst as well as the stock assessment committee consisting of several analysts.

(2) Universe of Covered Stocks

The stock assessment committee selects covered stocks based on the following criteria.

【Stock Selection Criteria】

- Domestic emerging companies that are rarely covered by analysts
- Stocks that are popular among retail investors (refer to data from online security brokers)
- Size of market capitalization (over about 5 billion yen)
- Exclude stocks which are liquidated or trade control, or stocks with going concern and excessive debt

(3) Investment Decisions Classified into Three Groups

We determine investment decisions for covered stocks after consultation with the stock assessment committee based on research, interview and analysis by each Wealth Advisor analyst.

Each stock is classified into either of three groups according to the following criteria.

Overweight : Forecasted to go beyond the current stock price level by 15% or more in the next 6 months.

Neutral : Forecasted to fall into the range of -15% ~+15% of the current stock price level in the next 6 months.

Underweight : Forecasted to go below the current stock price level by 15% or more in the next 6 months.

We flexibly respond to any changes of observations regarding earnings forecasts, financial situations and stock price trends, and change investment decisions accordingly. "Under Review" status may be applied if any new information comes out and extra time is needed to determine investment decisions. Also we don't change investment decisions during trading hours. "Suspension" status may be applied when an analyst leaves our company.

(4) Estimated Share Price Range in the Medium Term

It shows the price range for a stock price in the next 6 months. We determine upper and lower range of stock price based on fair value estimates from share price indicator, technical factors such as chart points, most recent high and low prices, trend line and moving average, trading volume in each price range and such.

Analysis Points

■ Analyst Comment

Each analyst reports and evaluates the most recent earnings trend and business environment. It shows the most important information for stock investment such as evidence for investment decisions, perspectives on earnings forecasts and business prospects. Also to make sure it is easy to comprehend, we write in 2-4 paragraphs and use bold to emphasize important texts.

■ Revenue and Earnings Trend

It reports earnings in past two fiscal years, company forecasts and our forecasts for the current and next fiscal year. We predict earnings based on research as well as past quarterly earnings trend and analysis by segments.

■ Company Overview

It explains in detail what businesses the company is engaged in and how revenue sources are defined. Also on the basis of our research, it discusses what businesses the company will focus on in years to come and how it carries out mid-term business plan.

■ Business Environment and Outlook

It discusses current circumstances and growth potential of the industry to which the company belongs. A comprehensive report on the industry from different perspectives is provided through research interviews to competitors. Specific figures of the industry data are also introduced.

■ Risk factors

It shows the company's risk factors and describes various aspects of risks such as business, earnings and financials. Typical stock market risks are also taken into consideration.

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