



Fast Fitness Japan

TSE Prime 7092 Industry: Leisure & amusement

Confusion over election of directors

Conflict between major shareholders and board of directors

On May 23, Fast Fitness Japan (7092, the company) announced that 1) on April 25, it had received a letter from three of its major shareholders jointly proposing the election of directors, and 2) on May 23, the company's board of directors decided to oppose the shareholder proposal. The shareholder proposal was submitted in response to the board's April 14 decision regarding director candidates. The company plans to hold its annual general meeting of shareholders on June 23.

The three shareholders submitting the shareholder proposal are Oak KK (Representative: Mr. Akira Okuma; 40.84% of voting rights), Mr. Akira Okuma (Director and Chairman; 10.69%), and Mr. Jun Takashima (Director as Audit & Supervisory Committee Member; 2.28%). Together, these three hold 53.82% of the voting rights, exceeding the majority. It appears that Mr. Okuma's family members have voting rights as well. The current basic scenario would be the election of directors as proposed by the shareholders.

The chart on page 2 shows the composition of the board of directors proposed by the company's board of directors and by the shareholders. The shaded portions indicate differences between the two proposals. The key point is that Mr. Jun Takashima, a current director (member of the Audit & Supervisory Committee) and a participant in the shareholder proposal, is not included in the board's proposed director candidates. The company stated that the Nomination and Compensation Committee opposed the appointment of Jun Takashima as a director. However, the three parties submitting the shareholder proposal have proposed Mr. Takashima as a candidate for director.

In addition, on May 23, a document titled "Opposition to the Shareholder Proposal" was released by the company's employee volunteers. A total of 18 department heads, division heads, and general managers (excluding director candidates) of the company voted by secret ballot, with 16 voting in favor of the board proposal, 0 voting in favor of the shareholder proposal, and 2 abstaining.

Despite the company's solid fundamentals, such disruption in the governing structure could be an additional risk factor for the stock price in the near term. However, since Mr. Atsuyuki Tsuchiya, President and Representative Director, should be elected in either scenario, the management structure is unlikely to change significantly in our view.

Please refer to the report dated April 4, 2022 for the rationale of the rating and target price.

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Update

Rating
Buy

| | |
|----------------------------|-------|
| Target price (JPY) | 2,650 |
| Stock price (JPY) (May 25) | 1,695 |
| Market cap (JPYbn) | 31.7 |

Key changes

| | |
|-------------------|----|
| Rating | No |
| Target price | No |
| Earnings forecast | No |

Stock price (JPY)



Source: Bloomberg Finance LP

Earnings

| | | 3/20 | 3/21 | 3/22 | 3/23E | 3/24E |
|------------|-------|-------|-------|-------|-------|-------|
| Sales | JPYbn | 11.3 | 11.2 | 13.1 | 14.6 | 16.9 |
| OP | JPYbn | 2.8 | 2.3 | 2.9 | 3.1 | 3.6 |
| RP | JPYbn | 2.8 | 2.3 | 2.9 | 3.1 | 3.6 |
| NP | JPYbn | 1.6 | 0.9 | 1.7 | 1.7 | 2.0 |
| EPS | JPY | 112.8 | 49.2 | 91.1 | 89.2 | 104.8 |
| BPS | JPY | 230.0 | 434.7 | 517.3 | 581.8 | 674.5 |
| DPS | JPY | 1.9 | 7.1 | 12.0 | 12.0 | 14.0 |
| PER | x | NA | 59.8 | 18.6 | 19.0 | 16.2 |
| PBR | x | NA | 6.8 | 3.3 | 2.9 | 2.5 |
| Div. yield | % | NA | 0.2 | 0.7 | 0.7 | 0.8 |
| ROA | % | 12.3 | 5.0 | 8.0 | 7.3 | 7.6 |
| ROE | % | 64.6 | 16.1 | 19.1 | 16.4 | 16.7 |

Source: Company data, Mita Securities

Company profile

Fast Fitness Japan operates the 24-hour machine-focused fitness club Anytime Fitness mainly through a franchise system, with 1,002 stores and 645,000 members at the end of March 2022.

Company and shareholder proposals regarding election of directors

Figure: Company and shareholder proposals regarding election of directors

Current Directors

■ Directors (excluding Directors as Audit & Supervisory Committee Members)

| Name | Note |
|--------------------|------------------------------------|
| Akira Okuma | Director and Chairman |
| Atsuyuki Tsuchiya | President, Representative Director |
| Hirohisa Yamaguchi | Vice President, Director |
| Akio Miyamoto | External Director |
| Harumi Matsumura | External Director |

■ Directors as Audit & Supervisory Committee Members

| Name | Note |
|------------------|---|
| Jun Takashima | Director (Audit & Supervisory Committee Member) |
| Akihiko Nakajima | External Director (Audit & Supervisory Committee Member) |
| Rumiko Tanabe | External Director (Audit & Supervisory Committee Member) |
| Maki Imura | External Director (Audit & Supervisory Committee Member) |

Candidates Proposed by the Company

■ Candidates for Directors (excluding Directors as Audit & Supervisory Committee Members)

| Name | Note |
|--------------------|------------------------------------|
| Akira Okuma | Director and Chairman |
| Atsuyuki Tsuchiya | President, Representative Director |
| Akio Miyamoto | External Director |
| Harumi Matsumura | External Director |
| Kazuteru Matsuzawa | New Head of AFJProject |

■ Candidates for Directors as Audit & Supervisory Committee Members

| Name | Note |
|------------------|---|
| Akihiko Nakajima | External Director (Audit & Supervisory Committee Member) |
| Rumiko Tanabe | External Director (Audit & Supervisory Committee Member) |
| Maki Imura | External Director (Audit & Supervisory Committee Member) |
| Shinichi Nozoe | New Manager of Internal Audit |

Candidates Proposed by the Shareholders

■ Candidates for Directors (excluding Directors as Audit & Supervisory Committee Members)

| Name | Note |
|-------------------|---|
| Akira Okuma | Director and Chairman |
| Atsuyuki Tsuchiya | President, Representative Director |
| Jun Takashima | Director (Audit & Supervisory Committee Member) |
| Harumi Matsumura | External Director |
| Mitsuhiko Uehira | New External |
| Kiyoaki Yamabe | New External |

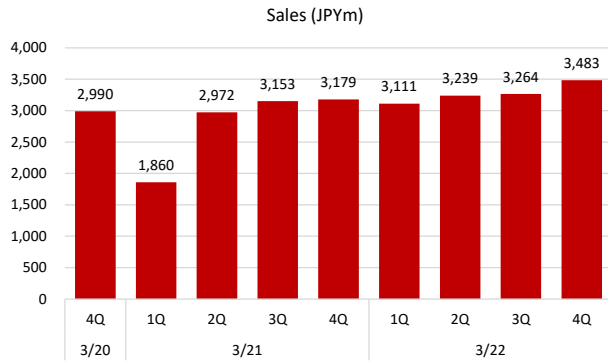
■ Candidates for Directors as Audit & Supervisory Committee Members

| Name | Note |
|-------------|---|
| Maki Imura | External Director (Audit & Supervisory Committee Member) |
| Naoki Inoue | New Head of Administration |
| Shu Sugita | New External |

Source: Company data, Mita Securities

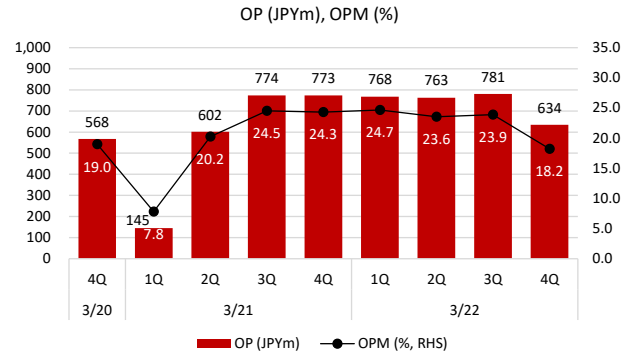
Quarterly earnings, KPIs

Figure: Sales



Source: Company data, Mita Securities

Figure: OP



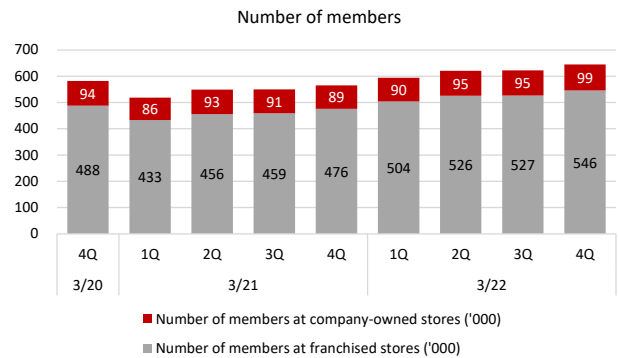
Source: Company data, Mita Securities

Figure: Store count



Source: Company data, Mita Securities

Figure: Number of members



Source: Company data, Mita Securities

Comparison of valuations with peers (reference)

Figure: Comparison of valuations for fitness club operators

| Company name | Ticker | PX | Mkt cap | Net D/E | Sales YoY | EBITDA Mgn | ROE | ROE | ROE | PER | PER | PER | PBR | EV/EBITDA | EV/Sales | Div yield | 1M | 3M | 1YR |
|--|-------------|--------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|------------|------------|------------|------------|--------------|--------------|--------------|
| | | 25-May | JPYbn | Last | LTM | LTM | LTM | Cur E | Nxt E | LTM | Cur E | Nxt E | Last | Cur E | Cur E | Cur E | Chg | Chg | Chg |
| RENAISSANCE INC | 2378 | 905 | 19.3 | 1.4 | 22.9 | 9.0 | 5.1 | 4.2 | NA | 33.3 | 38.0 | 17.8 | 1.7 | NA | 0.8 | 0.9 | -2.2 | -13.8 | -23.3 |
| RIZAP GROUP INC | 2928 | 143 | 79.5 | 1.2 | -3.3 | 8.7 | 8.0 | NA | NA | 38.2 | NA | NA | 3.0 | NA | NA | NA | -2.7 | -4.7 | -30.9 |
| CENTRAL SPORTS CO LTD | 4801 | 2,401 | 27.5 | 0.1 | 12.0 | 10.6 | 6.7 | NA | NA | 17.5 | NA | NA | 1.1 | NA | NA | NA | 1.7 | -0.2 | -2.5 |
| CURVES HOLDINGS CO LTD | 7085 | 729 | 68.4 | 0.8 | 16.4 | NA | 23.8 | 21.8 | 31.8 | 34.3 | 32.8 | 19.4 | 7.3 | NA | 2.9 | 1.1 | -3.4 | 4.6 | -18.5 |
| FAST FITNESS JAPAN INC (TP 2,650 Buy) | 7092 | 1,695 | 31.7 | -0.3 | NA | 28.7 | 19.1 | 16.4 | 16.7 | 18.6 | 19.0 | 16.2 | 3.3 | 6.4 | 2.0 | 0.7 | -7.5 | -4.6 | -66.4 |
| TOSHO CO LTD (TP 2,300 Buy) | 8920 | 1,276 | 48.9 | 0.1 | 55.0 | 25.7 | 6.8 | 5.3 | 8.2 | 20.2 | 24.2 | 18.9 | 1.3 | 7.2 | 2.3 | 0.5 | -24.9 | -24.8 | -30.2 |
| Average | | | | 0.5 | 20.6 | 16.5 | 11.6 | 11.9 | 18.9 | 27.0 | 28.5 | 18.1 | 3.0 | 6.8 | 2.0 | 0.8 | -6.5 | -7.3 | -28.6 |
| Median | | | | 0.5 | 16.4 | 10.6 | 7.4 | 10.8 | 16.7 | 26.7 | 28.5 | 18.4 | 2.3 | 6.8 | 2.1 | 0.8 | -3.1 | -4.6 | -26.8 |

Source: Bloomberg Finance LP data, Mita Securities

Note: Forecasts are based on Bloomberg consensus. Shading indicates stocks covered by Mita Securities

Figure: Comparison of valuations for franchise business operators

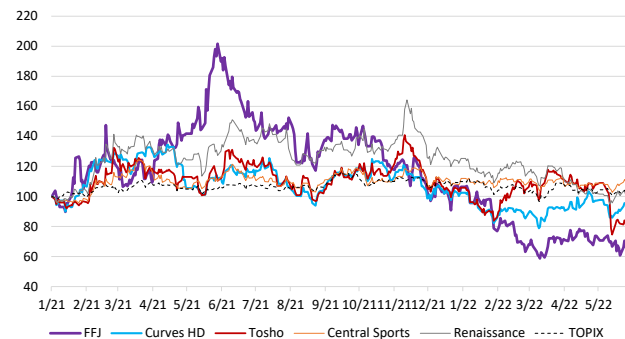
| Company name | Ticker | PX | Mkt cap | Net D/E | Sales YoY | EBITDA Mgn | ROE | ROE | ROE | PER | PER | PER | PBR | EV/EBITDA | EV/Sales | Div yield | 1M | 3M | 1YR |
|--|-------------|--------------|--------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|------------|-------------|------------|------------|-------------|-------------|--------------|
| | | 25-May | JPYbn | Last | LTM | LTM | LTM | Cur E | Nxt E | LTM | Cur E | Nxt E | Last | Cur E | Cur E | Cur E | Chg | Chg | Chg |
| KOBE BUSSAN CO LTD | 3038 | 2,804 | 767.2 | -0.3 | 8.6 | 8.5 | 28.7 | 25.3 | 25.7 | 30.3 | 29.6 | 25.4 | 7.7 | 20.8 | 1.9 | 0.8 | -15.0 | -27.5 | -0.1 |
| KOMEDA HOLDINGS CO LTD (TP 3,000 Buy) | 3543 | 2,200 | 101.6 | 1.1 | 15.5 | 26.8 | 13.6 | 13.5 | 13.8 | 20.6 | 19.0 | 17.4 | 2.7 | 15.0 | 3.9 | 2.5 | -0.4 | 6.0 | 8.9 |
| IBJ INC (TP 1,300 Buy) | 6071 | 700 | 29.4 | -0.1 | 11.9 | 15.2 | 20.0 | 18.9 | 19.8 | 24.1 | 21.7 | 17.7 | 4.4 | 11.6 | 1.8 | 1.0 | -3.0 | -7.8 | -33.5 |
| CURVES HOLDINGS CO LTD | 7085 | 729 | 68.4 | 0.8 | 16.4 | NA | 23.8 | 21.8 | 31.8 | 34.3 | 32.8 | 19.4 | 7.3 | NA | 2.9 | 1.1 | -3.4 | 4.6 | -18.5 |
| FAST FITNESS JAPAN INC (TP 2,650 Buy) | 7092 | 1,695 | 31.7 | -0.3 | NA | 28.7 | 19.1 | 16.4 | 16.7 | 18.6 | 19.0 | 16.2 | 3.3 | 6.4 | 2.0 | 0.7 | -7.5 | -4.6 | -66.4 |
| WORKMAN CO LTD | 7564 | 4,430 | 362.6 | -0.4 | 9.9 | 24.5 | 18.9 | NA | NA | 19.8 | 21.3 | 19.8 | 3.5 | NA | NA | 1.6 | 0.0 | -15.6 | -41.6 |
| Average | | | | 0.1 | 12.4 | 20.7 | 20.7 | 19.2 | 21.6 | 24.6 | 23.9 | 19.3 | 4.8 | 13.5 | 2.5 | 1.3 | -4.9 | -7.5 | -25.2 |
| Median | | | | -0.2 | 11.9 | 24.5 | 19.6 | 18.9 | 19.8 | 22.3 | 21.5 | 18.6 | 4.0 | 13.3 | 2.0 | 1.1 | -3.2 | -6.2 | -26.0 |

Source: Bloomberg Finance LP data, Mita Securities

Note: Forecasts are based on Bloomberg consensus. Shading indicates stocks covered by Mita Securities

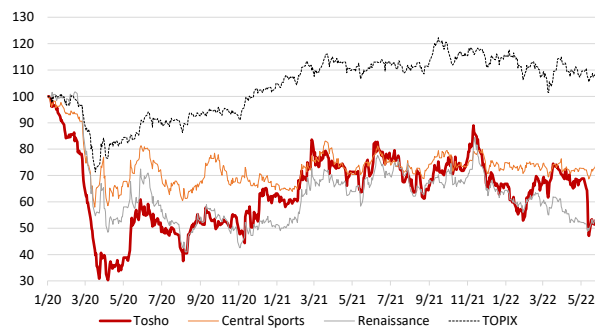
Comparison of stock price trends (reference)

Figure: Stock price trends for fitness club companies



Source: Bloomberg Finance LP data, Mita Securities Note: Indexed 100 at the end of 2020

Figure: Stock price trends for fitness club companies



Source: Bloomberg Finance LP data, Mita Securities Note: Indexed 100 at the end of 2019

APPENDIX

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