

Head office: 2-21-1 Kita-Shinjuku, Shinjuku-ku, Tokyo, Japan  
Company name: RIZAP GROUP, Inc.  
Representative: Takeshi Seto, Representative Director, President  
(2928, Sapporo Securities Exchange's Ambitious market)  
Contact: Takayuki Kamaya, Executive General Manager of Group  
Management Department  
(TEL: +81-3-5337-1337)  
URL: <https://www.rizapgroup.com>

**Announcement of Change (Transfer of Shares) of Consolidated Subsidiary of RIZAP GROUP**  
**Associated with Structural Reforms**  
**- Transfer of Japan Gateway Co., Ltd. to Manrakuan Inc. -**

RIZAP GROUP, Inc. (the "Company") hereby announces that, at a meeting held on January 25, 2019, its Board of Directors made a resolution to transfer shares of Japan Gateway Co., Ltd. ("Japan Gateway"), which is a consolidated subsidiary of the Company, to Manrakuen Inc. ("Manrakuan"), and completed the conclusion of a share transfer agreement with Manrakuen and the transfer of Japan Gateway shares. Details are as follows.

As a result of the share transfer, Japan Gateway will no longer be a consolidated subsidiary of the Company.

1. Reason for share transfer

On December 20, 2017, XIO, Inc., a subsidiary of the Company, acquired business consisting mainly of planning and selling hair care, body care and facial care products from Japan Gateway ("old Japan Gateway"), was renamed Japan Gateway and relaunched the business as part of the Group in a bid to strengthen the Group's beauty and healthcare business.

Since then, Japan Gateway has built on its proven sales track record across its nationwide retail distribution network and its ability to develop high-quality and high-added-value products such as Rêveur silicone-free shampoo and Mellsavon bodywash, launching brand new products in the current fiscal year ending March 2019 and conducting large-scale promotional campaigns including TV commercials. However, sales results were less than planned and, since there was no prospect of immediate recovery of upfront investments, the Company took action, including making substantial provision for structural reforms.

In light of the circumstances described above, in the second half of the fiscal year ending March 31, 2019, the Company has been focusing on turning Japan Gateway around through the discontinuation of unprofitable products and a fundamental review of promotional campaigns. In addition, as disclosed in the "Announcement of Revisions to Consolidated Business Forecasts and Dividend Forecast and Structural Reforms of RIZAP GROUP," dated November 14, 2018, the Company has commenced fundamental structural reforms for the sustainable growth of the Group and, as part of a strategy of business selection and concentration, has examined selling Japan Gateway based on the judgement that immediate improvement of profitability would be difficult.

During this process, the Company received a proposal from Manrakuan, saying Manrakuan wanted to acquire the shares of Japan Gateway and the Company has, therefore, considered the share transfer in detail. Tadashi Nakamura, Chairman of Manrakuan is the founder of Oak Lawn Marketing, Inc., which runs the Shop Japan TV shopping channel, and Manrakuan will proceed with the share acquisition because synergies between Manrakuan and Japan Gateway can be expected in the beauty and healthcare genre of TV shopping business that Manrakuan plans to develop in the future. Meanwhile, the Company has decided to go ahead with the share transfer in order to facilitate the structural reforms mentioned earlier and to turn around its business quickly.

2. Outline of subsidiary subject to change (Japan Gateway)

(1) Trade name	Japan Gateway Co., Ltd.	
(2) Address	31F Shinjuku Front Tower 31F, 2-21-1, Kitashinjuku, Shinjuku-ku, Tokyo	
(3) Name and title of representative	Hidenobu Ito, Representative Director	
(4) Description of business	Planning, sale and export of products including hair care, body care, facial care products and everyday items	
(5) Paid-in capital	10 million yen	
(6) Date of incorporation	December 20, 2017 (The date of the Group acquired business from old Japan Gateway)	
(7) Major shareholders and shareholding ratio	RIZAP GROUP, Inc.: 100%	
(8) Relationship with RIZAP GROUP	Capital relationship	Japan Gateway is a wholly owned subsidiary of RIZAP GROUP.
	Human relationship	RIZAP GROUP has temporarily transferred five employees to Japan Gateway.
	Transactional relationship	RIZAP GROUP has loaned funds to Japan Gateway.

As explained earlier, the Group acquired business from old Japan Gateway on December 20, 2017 but the business was not fully relaunched until this fiscal year ending March 31, 2019. Accordingly, operating results and financial position data for more than one accounting year is not available at present and is, therefore, omitted.

3. Outline of other party to the share transfer

(1) Trade name	Manrakuen Inc.	
(2) Address	2-10-7 Matsubara, Naka-ku Nagoya-shi, Aichi	
(3) Name and title of representative	Tadashi Nakamura, Chairman Yusei Hatakeyama, CEO	
(4) Description of business	Corporate investment, real estate investment	
(5) Paid-in capital	10 million yen	
(6) Date of incorporation	November 24, 2009	
(7) Relationship with RIZAP GROUP	Capital relationship	N/A
	Human relationship	N/A
	Transactional relationship	N/A
	Relevant facts regarding related parties	N/A

4. Number and value of the shares to be transferred, and number of shares held before and after the transfer

(1) Number of shares held before change	2,268,800 shares (shareholding ratio: 100.0%)
(2) Number of shares to be transferred	2,268,800 shares
(3) Number of shares held after change	0 share (shareholding ratio: 0.0%)

\*The Company will refrain from disclosing the value of the shares to be transferred in view of its duty of confidentiality under the share transfer agreement with the other party to the share transfer. The value of the shares to be transferred was determined through a fair process in negotiations with the other party to the share transfer and is recognized as being fair.

5. Schedule

- (1) Date of Resolution by the Board of Directors: January 25, 2019
- (2) Date of Execution of Share Transfer Agreement: January 25, 2019
- (3) Date of share transfer: January 25, 2019

6. Future outlook

The Company will record loss on the share transfer of 800 million yen in the forth quarter of the fiscal year ending March 31, 2019.

The forecast for the consolidated business results for the fiscal year ending March 31, 2019 is currently under review based on the impact of the share transfer and other factors. The Company plans to promptly disclose details if any changes are required.