

Sanyei Corporation

8119

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Summary

Net sales and profit declined in FY2021. Earnings are expected to recover to some extent in FY2022, although the impacts of the COVID-19 pandemic will linger

Sanyei Corporation <8119> is a multifunctional trading company specializing in high-value-added products with a history of over 70 years. It carries a full range of consumer lifestyle products and covers an expansive supply chain spanning manufacturing, imports and exports, wholesale, and retail. The group has 18 overseas locations and about 67 directly managed domestic retail stores. The Company stands out in terms of its coverage of products with high added value, including the introduction of differentiated European brands to Japan and OEM supply of unique products to customers, such as Ryohin Keikaku Co., Ltd. <7453>, which operates MUJI. In terms of its business model, OEM products represent about 70% of sales. It has three main business segments—Furniture and Houseware Business (53.5% of overall sales at FY2021), Fashion Accessories Business (26.4%), and Home Appliance Business (14.4%).

1. FY2021 consolidated results

In FY2021, net sales declined 19.8% year on year (YoY) to ¥33,050mn, operating loss was ¥709mn (versus operating profit of ¥1,315mn in FY2020) ordinary loss was ¥446mn (versus ordinary profit of ¥1,342mn in FY2020) and loss attributable to owners of parent of ¥717mn (profit attributable to owners of parent of ¥191mn in FY2020). Both net sales and profits declined despite the 2H recovery trend from the impacts of the COVID-19 pandemic. Net sales were impacted by the decline in demand in the OEM business due to COVID-19. Also, although online sales were strong based on stay-at-home demand, segments where sales are mainly at brick-and-mortar stores were significantly impacted by the call for people to refrain from going out or traveling, as well as the request for stores to suspend business or reduce operating hours, and this caused a decline in sales in the overall brand business. Operating profit declined in all segments, the first operating loss in 25 years, with the decrease being particularly large in the Fashion Accessories Business, to which subsidiary BENEXY CORPORATION belongs. Looking at half-year results, operating loss was ¥810mn in 1H, while in 2H the Company posted an operating profit of ¥100mn. This shows the improvement trend in profitability.

Summary

2. FY2022 consolidated results (forecast)

For its FY2022 consolidated results, the Company is forecasting that results will recover to a certain extent despite the ongoing impacts of the COVID-19 pandemic. The Company is forecasting net sales of ¥36,000mn (+8.9% YoY), operating profit of ¥100mn (versus operating loss of ¥709mn in FY2021), ordinary profit of ¥100mn (versus ordinary loss of ¥446mn in FY2021) and profit attributable to owners of parent of ¥10mn (versus loss attributable to owners of parent of ¥717mn in FY2021). The forecast for a sluggish recovery in net sales is due to the weakness in drawing in customers to retail stores, especially in commercial facilities. A state of emergency was declared between late April and late June in Tokyo, and this had an impact, especially on the pre-summer sales season (particularly for fashion accessories and other products used when going out). Meanwhile, in 2H, the Company expects a further recovery from the rebound that took place in FY2021 2H. In FY2022 2H (especially January – March 2022), it will be the busy season for furniture and houseware items, and growth amid the COVID-19 pandemic is expected. For operating profit, the forecast is for a clear upward trend. In the brand business, the Company expects the loss amount to contract significantly as a result of measures being taken, including the full-fledged reduction of unprofitable BENEXY stores in FY2021. In the OEM business, effective measures to increase profit included the establishment of local subsidiaries in Vietnam and Taiwan, along with other efforts to bolster sales in Asia, as well as implementing low-cost operations at the headquarters and at all domestic and overseas subsidiaries. At FISCO, we feel that the Company's profit recovery scenario is legitimate based on a number of factors, including the fact that there is an outlook for getting past the COVID-19 pandemic thanks to vaccines and other measures, the progress on measures in the Fashion Accessories segment, which was a main factor for the loss in FY2021, and the remarkable growth in e-commerce.

3. Topics

The Company posted an ordinary loss of ¥446mn in FY2021. Of this, BENEXY's (BIRKENSTOCK retail sales) ordinary loss was ¥951mn (FY2020), so BENEXY was the biggest reason for the ordinary loss. The reasons for BENEXY's weak performance included: 1) The downtrend in fashion; 2) the negative effects of retail shop expansions (cannibalization); 3) insufficient measures to create new markets; and 4) the high cost structure. The COVID-19 pandemic then just made things worse. Reducing unprofitable stores has taken time due to lease contract periods with commercial facilities or building owners, but in FY2021 the number of stores that BENEXY operates directly was narrowed to 50 (reduction of 15 stores compared to March 2019). BENEXY-operated store reductions will continue going forward, and the plan is for there to be 46 stores in December 2021. On the other hand, investments will be made in opening flagship stores that can offer high-quality services. In May 2020, the Company opened a newly renovated Shinjuku BIRKENSTOCK concept shop (flagship store). The shop has a "meister" (a specialist in diagnosing and repairing shoes) working at all times, and the aim is to improve the percentage of repeat customers by providing even higher-quality services. The Company is also in the process of constructing a system in which Company staff provide service to customers at all regular stores as well as reducing headquarters expenses by contracting the scale of operations. At FISCO, we believe that BENEXY's earnings have bottomed out, and we expect that its results will improve in FY2022 when the positive effects of various measures begin to emerge.

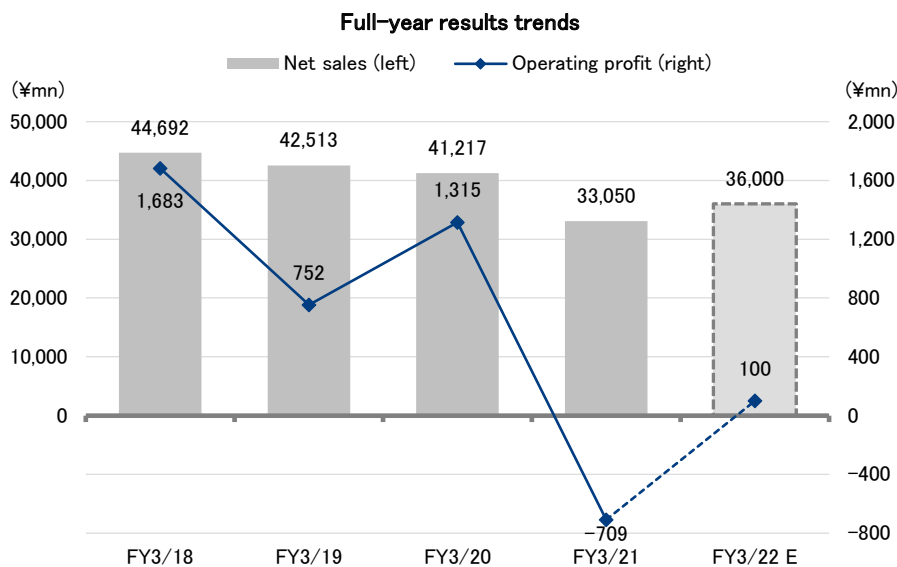
Summary

4. Shareholder return policy

The Company positions the appropriate return of profits to shareholders as one of its priority issues for management. The Company has changed its previous policy of targeting a dividend payout ratio of approximately 30%, and will make decisions on dividends based on a comprehensive assessment of future performance trends and capital needs. The Company will endeavor to enhance its financial position through retained earnings and strengthen its management base, in preparation for future business development and unforeseen circumstances. Also, based on the Buddhist concept of 'Zuien' in its simplest form means 'connection,' which was reaffirmed through a new resolution, the Company's policy is to pay dividends to shareholders as continuously as possible so that shareholders can hold the Company's shares for the long term with a sense of security. For FY2021, despite the loss posted due to the impacts of the COVID-19 pandemic, the Company's annual dividend was ¥20 (interim dividend = ¥10; year-end dividend = ¥10). The Company is also forecasting a ¥20 annual dividend in FY2022.

Key Points

- Based on the theme of "health and environment," the Company is a multifunctional trading company that manufactures and sells "lifestyle products that enhance health and enrich life." The Company's three main businesses are the Furniture and Houseware Business, Fashion Accessories Business, and Home Appliance Business
- In FY2021, the Company was significantly impacted by the COVID-19 pandemic, and both net sales and profits declined YoY. Despite the strong performance in the furniture and interior goods online shops, businesses that sell through brick-and-mortar stores performed weakly
- The Company is expecting a decent recovery in FY2022 despite the lingering impacts of the COVID-19 pandemic. Forecasting net sales to increase 8.9% YoY to ¥36.0bn, and a return to profits as progress is made on the BENEXY reforms
- Progress is being made on initiatives targeting a revival of BENEXY (BIRKENSTOCK retail). The Company will strengthen the strong performing interior goods e-commerce site, aiming for sales of ¥10.0bn.



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

■ Company profile

Having set its mind to be a 100-year company, the Company has a corporate philosophy of “Zuien (connection).” Based on the theme of “health and environment,” the Company is a multifunctional trading company that manufactures and sells “lifestyle products that enhance health and enrich life”

1. Company profile and history

Established as an exporter of accessories in Osaka in 1946 shortly after World War II, the Company has a history of more than 70 years. Today, it carries a full range of consumer lifestyle products and covers an expansive supply chain spanning manufacturing, imports and exports, wholesale, and retail. It has grown to be a multifunctional trading company with 18 overseas locations and about 67 directly managed domestic retail stores. The Company stands out in terms of its coverage of products with high added value, including the introduction of differentiated European brands to Japan and OEM supply of unique products to clients, such as Ryohin Keikaku (MUJI). The Company is a global enterprise that manufactures products at overseas sites and sells them in the Japanese and overseas markets, based on the concept of offering “lifestyle products that enhance health and enrich life.”

At the start of 2020, the Company took a fresh look at its corporate philosophy and management vision, turning back to its origins and aiming to be a 100-year company. The new corporate philosophy is “Zuien (connection).” The founder of the Company previously emphasized this idea. This corporate philosophy places the highest value on ties between people, both in work and in life. The Company also revised its management vision. The new management vision is “Sanyei Corporation offers truly superior goods for living. Based on the theme of ‘Health and Environment,’ we create healthy and rich lifestyles.” Health and the environment had previously been areas of focus, thus there has been no change to the Company’s commitment to providing high-quality products and services. Based on the fact that “lifestyle products that enhance health and enrich life” is included in the explanation of the management vision, we feel it is a message that is simple and easy for stakeholders to understand.

2. Business composition

The Company operates under the following business segments: Furniture and Houseware Business, Fashion Accessories Business, Home Appliance Business, and Others. The Furniture and Houseware Business mainly procures OEM products for major Japanese and foreign companies, with its proprietary e-commerce brands also gaining momentum. This segment provided 53.5% of overall sales in FY2021 over the full fiscal year. The Fashion Accessories Business covers import sales of brand products with sales rights, such as BIRKENSTOCK (shoes and sandals) and Kipling (bags), and domestic and overseas OEM business. It contributed 26.4% of overall sales. The Home Appliance Business handles OEM product procurement and brand business. Major brands are Vitantonio (cooking appliances) and mod’s hair (beauty appliances). This segment generated 14.4% of overall sales. The Others segment operates pet stores and other businesses, and accounted for 5.8% of overall sales.

Company profile

The Company has two business models: brand business and OEM business. The brand business mainly promotes wholesale and retail activity in Japan for overseas brands and the Company's own brands. It has a generally higher profitability than the OEM business because it carries brands with strong histories that have not yet been introduced in Japan. The Company aims to expand the brand business from 33.2% of overall sales in FY2021 to about 40% in future years. The OEM business provides various procurement services, such as review of product specifications for products that meet the needs of client companies, plant selection, price negotiation, production management, and export/import and logistics. The Company has strengths in the manufacturing network in Asia built through overseas initiatives over many years and production management by its own staff. The OEM business contributes 66.8% (FY2021) of overall sales. Historically, the Company has developed its brand business using the knowledge and experience of overseas business it cultivated in the OEM business, and currently there are synergistic effects in various aspects.

Business overview

The three main businesses are the Furniture and Houseware Business, the Fashion Accessories Business, and the Home Appliance Business. Handles OEM from major customers such as Ryohin Keikaku

1. Trends in the Furniture and Houseware Business

The Furniture and Houseware Business is the Company's largest business segment. In this segment, the OEM business represents a very large percentage of segment sales at about 90%, and growth has been driven by expansion in business at major clients, such as Ryohin Keikaku (MUJI). Sales increased from ¥17,007mn in FY2013 to ¥27,431mn in FY2017. Subsequently, the Company faced a period of adjustment due to impacts including the non-recurrence of large spot orders by a European customer and the contraction of sales to a US volume retailer, and this business was impacted in FY2021 by the COVID-19 pandemic. The Furniture and Houseware Business should remain the core component. Showing remarkable growth are the Company's own e-commerce brands, MINT and so on. It sells over 1,000 items on Rakuten and Yahoo!, and its items include good-quality beds, mattresses and antique-style furniture, and interior goods at reasonable prices that meet the needs of consumers. The tailwind provided by stay-at-home consumption amid the COVID-19 pandemic contributed to rapid growth, and sales expanded to approximately ¥4.0bn (FY2021). In March 2019, the Company's own furniture and interior goods plant in Malaysia (approximately 4,000m²) started full-scale operations. In addition to manufacturing OEM or the Company's own brand products, it intends to utilize it as a development base for ODM proposals.

2. Trends in the Fashion Accessories Business

The brand business has a substantial presence of around 50% in the Fashion Accessories Business and exhibits high profitability. The largest brand the Company handles is BIRKENSTOCK, which provides sandals and comfort shoes with excellent functional beauty and has a legacy of more than 240 years in Germany. It is supported by a deep-rooted fan base even with a price range of ¥10,000. The products are sold via the directly managed stores and e-commerce. The Company offers its own after-sales services because many customers use the products for lengthy periods. The directly managed stores are opened in shopping centers and major department stores capable of attracting large numbers of customers. The retail business for BIRKENSTOCK is managed by the subsidiary BENEXY. In FY2021, the business posted a loss, as the settling down of the temporary boom coincided with the difficulty attracting customers due to the COVID-19 pandemic. The Company is currently working to close unprofitable stores and enhance the sales capabilities of its staff and salespeople. The scrap-and-build effort is making progress, as the number of stores that BENEXY operates directly has declined from 65 stores at the end of FY2019 to 50 stores at the end of FY2021.

3. Trends in the Home Appliance Business

In the OEM business, the Chinese subsidiary SANFAT ELECTRIC MANUFACTURING (DONGGUAN) CO., LTD. and the Hong Kong subsidiary SANFAT ELECTRIC MANUFACTURING COMPANY LIMITED manufacture and sell home appliances. In the brand business, the Company manufactures and sells the Vitantonio brand of cooking appliances, the mod's hair brand of beauty appliances, and the MULTI CHEF brand of professional quality cookware. In recent years, both net sales and operating profit in the segment as a whole had been solid, but both sales and profit declined in FY2021 due to the impacts of the COVID-19 pandemic.

One brand that has recently been performing well is the Vitantonio brand of cooking appliances related to stay-at-home consumption amid the COVID-19 pandemic. Hot sandwich makers and cordless portable bottle blenders have been selling especially well. This is a very popular and unique brand that offers people products that allow them to make hot sandwiches at home as well as create their own original drinks. ION-Sei, the high-performance ultrasonic toothbrush backed by patented technology, has been selling well, particularly in Europe (UK and Germany), as the concept of at-home personal healthcare aligns with the needs in the market based on heightened health-consciousness amid the COVID-19 pandemic.

■ Results trends

In FY2021, the Company was significantly impacted by the COVID-19 pandemic, and both net sales and profits declined YoY. Despite the strong performance in the furniture and interior goods online shops business, businesses that sell through brick-and-mortar stores performed poorly

1. FY2021 results

In FY2021, net sales declined 19.8% YoY to ¥33,050mn, operating loss was ¥709mn (operating profit of ¥1,315mn in FY2020), ordinary loss was ¥446mn (ordinary profit of ¥1,342mn in FY2020) and loss attributable to owners of parent was ¥717mn (profit attributable to owners of parent of ¥191mn in FY2020). Both net sales and profits declined despite the recovery trend from the impacts of the COVID-19 pandemic in 2H.

Net sales were impacted by the decline in demand in the OEM business due to COVID-19. Also, although online sales were strong based on stay-at-home demand, segments where sales are mainly through brick-and-mortar stores were significantly impacted by the call for people to refrain from going out or traveling, as well as the request for stores to suspend operations or reduce operating hours, and this caused a decline in sales in the overall brand business. Net sales declined in all segments, but the impact of the COVID-19 pandemic was different in each segment. In the Furniture and Houseware Business, stay-at-home demand led to growth in the MINT brand of online furniture and interior goods shops and other areas, while Essen Corporation, which handles brands including German tableware brand Villeroy & Boch, saw an increase in sales. Meanwhile, in the mainstay OEM business, orders received declined significantly, as it was unable to escape the impacts of the COVID-19 pandemic, both in Japan and overseas. In the Fashion Accessories Business, in the OEM business, sales of travel goods declined, while in the brand business, both BENEXY, which operates stores including BIRKENSTOCK, and L&S Corporation, which manages brands such as Kipling, were significantly impacted by calls for people to refrain from going out or traveling, as well as for stores to suspend operations or shorten operating hours. As a result, sales in the Fashion Accessories Business declined 39.9% YoY. In the Home Appliance Business, overall sales declined 21.4% due to factors including the drop in demand for beauty appliances, despite strong sales of cooking appliances due to stay-at-home demand.

Operating profit declined in all segments. In particular, the Fashion Accessories Business, which subsidiary BENEXY belongs to, saw a large decline in profit, and ended up recording an operating loss for the first time in 25 years. Gross profit declined by a significant ¥3,262mn (down 26.6% YoY) due to the drop in sales, and the ¥1,237mn decline in SG&A expenses (down 11.3% YoY) was unable to completely offset this. Looking at half-year results, operating loss was ¥810mn in 1H, while in 2H the Company posted an operating profit of ¥100mn. This shows the improvement trend in profitability.

Results trends

FY2021 results (consolidated)

	FY2020		FY2021		YoY
	Results	% of sales	Results	% of sales	
Net sales	41,217	100.0%	33,050	100.0%	-19.8%
Cost of sales	28,973	70.3%	24,069	72.8%	-16.9%
Gross profit	12,244	29.7%	8,981	27.2%	-26.6%
SG&A expenses	10,928	26.5%	9,691	29.3%	-11.3%
Operating profit	1,315	3.2%	-709	-2.1%	-
Ordinary profit	1,342	3.3%	-446	-1.4%	-
Profit attributable to owners of parent	191	0.5%	-717	-2.2%	-

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

Amid the headwinds created by the challenging environment due to the COVID-19 pandemic, the Company has maintained financial soundness based on its previous accumulation of capital

2. Financial condition and management indicators

As of March 31, 2021, total assets amounted to ¥24,055mn, an increase of ¥1,861mn from March 31, 2020. Of this, current assets increased ¥1,145mn to ¥17,706mn. The main factor was the ¥1,170mn increase in cash and deposits. Merchandise and finished goods increased by ¥117mn, as they were controlled. Non-current assets increased ¥716mn to ¥6,348mn. The main factor was the ¥1,133mn increase in investments and other assets.

Total liabilities increased ¥1,928mn to ¥12,704mn. Of this, current liabilities increased ¥1,723mn, with the main factor being the ¥1,991mn increase in short-term borrowings. Non-current liabilities increased ¥204mn, and there were no major changes. Interest-bearing debt was ¥7,100mn, and although there was an increase accompanying the COVID-19 pandemic, there is still room for more interest-bearing debt when compared to the ¥6,246mn in cash and deposits. Total net assets declined ¥66mn to ¥11,351mn.

Regarding management indicators as of March 31, 2021, the current ratio was 205.0%, while the equity ratio was 46.7%, which is a good level. The business environment is adverse due to the impacts of the COVID-19 pandemic, but the Company has capital accumulated from before, so it has maintained its financial soundness.

Results trends

Consolidated balance sheet and financial indicators

	March 31, 2019	March 31, 2020	March 31, 2021	Change
	(¥mn)			
Current assets	18,341	16,561	17,706	1,145
(Cash and deposits)	4,773	5,075	6,246	1,170
(Notes and accounts receivable)	5,722	3,849	3,616	-232
(Merchandise and finished goods)	6,678	6,852	6,970	117
Non-current assets	6,890	5,632	6,348	716
Total assets	25,231	22,193	24,055	1,861
Current liabilities	11,655	6,913	8,637	1,723
(Short-term borrowings)	5,510	1,908	3,900	1,991
Non-current liabilities	1,107	3,862	4,067	204
Total liabilities	12,763	10,775	12,704	1,928
Total net assets	12,468	11,417	11,351	-66
Total liabilities and net assets	25,231	22,193	24,055	1,861
<Soundness>				
Current ratio (Current assets / Current liabilities)	157.4%	239.5%	205.0%	-
Equity ratio (Equity / Total assets)	48.9%	51.0%	46.7%	-

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

Outlook

Company is forecasting net sales to increase 8.9% YoY to ¥36.0bn, and a return to profits as progress is made on the BENEXY reforms

For its FY2022 consolidated results, the Company is forecasting that results will recover to a certain extent despite the lingering impacts of the COVID-19 pandemic. The Company is forecasting net sales of ¥36,000mn (+8.9% YoY), operating profit of ¥100mn (versus operating loss of ¥709mn in FY2021), ordinary profit of ¥100mn (versus ordinary loss of ¥446mn in FY2021) and profit attributable to owners of parent of ¥10mn (versus loss attributable to owners of parent of ¥717mn in FY2021).

The forecast is for net sales of ¥16,000mn in 1H (+12.1% YoY), and net sales of ¥20,000mn in 2H (+6.5% YoY). The growth since FY2021 1H, when stringent refraining from going out and reduced operating hours were in place, will be particularly large. The forecast for a sluggish recovery in net sales is due to the weakness in drawing in customers to retail stores, especially in commercial facilities. A state of emergency was declared between late April and late June 2021 in Tokyo, and this had an impact, especially on the pre-summer sales season (particularly for fashion accessories and other products used when going out). Meanwhile, in 2H, the Company expects a further recovery from the rebound that took place in FY2021 2H. In FY2022 2H (especially January – March 2022), it will be the busy season for furniture and houseware items, and growth amid the COVID-19 pandemic is expected. Activities expected to lead to an increase in sales include bolstering local sales using Asian bases (Taiwan, Vietnam, China, Malaysia, etc.) as well as further growth in e-commerce, centered on furniture. At FISCO, we think that both of these will be effective measures amid the COVID-19 pandemic. In FY2021, subsidiary BENEXY (BIRKENSTOCK retail), made a full-fledged effort to reduce the number of unprofitable stores (reduction of 15 stores from the 65 stores at the end of FY2019), and the plan is to reduce the number by four more stores during FY2022. This will cause a decline in sales, but the impact of this is expected to be limited.

Outlook

In terms of operating profit, the Company is forecasting clear increases in profit in both 1H and 2H. For 1H, the forecast is for an operating loss of ¥450mn (versus an operating loss of ¥810mn in FY2021 1H), while the Company is forecasting an operating profit of ¥550mn in 2H (versus an operating profit of ¥100mn in FY2021 2H). In the brand business, the Company expects the loss amount to contract significantly as a result of measures being taken, including the full-fledged reduction of unprofitable BENEXY stores in FY2021. In the OEM business, effective measures to increase profit included the establishment of local subsidiaries in Vietnam and Taiwan, along with other efforts to bolster sales in Asia, as well as implementing low-cost operations at the headquarters and at all domestic and overseas subsidiaries. At FISCO, we feel that the Company's profit recovery scenario is sufficiently valid based on a number of factors, including the fact that there is an outlook for getting past the COVID-19 pandemic thanks to vaccines and other measures, the progress on measures in the Fashion Accessories Business segment, which was a main factor for the loss in FY2021, and the remarkable growth in e-commerce.

Annual forecast for FY2022

	FY2021		FY2022		(¥mn)	
	Results	% of sales	Forecast	% of sales	Change	YoY
Net sales	33,050	100.0%	36,000	100.0%	2,949	8.9%
Operating profit	-709	-2.1%	100	0.3%	809	-
Ordinary profit	-446	-1.4%	100	0.3%	546	-
Profit attributable to owners of parent	-717	-2.2%	10	0.0%	727	-

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

Growth Strategy and Topics

Progress is being made on efforts to achieve a recovery for BENEXY (BIRKENSTOCK retail). Measures to strengthen the high-performing interior goods EC site with a target of ¥10.0bn in sales

1. Reasons behind BENEXY's weak performance and progress on countermeasures

The Company posted an ordinary loss of ¥446mn in FY2021. Of this, BENEXY's (BIRKENSTOCK retail sales) ordinary loss was ¥951mn (FY2020), so BENEXY was the biggest reason for the ordinary loss. The reasons for BENEXY's weak performance included: 1) the downtrend in fashion; 2) the negative effects of retail shop expansions (cannibalization); 3) insufficient measures to create new markets; and 4) the high cost structure. The COVID-19 pandemic came as the form of a follow-up to these. Reducing unprofitable stores has taken time due to lease contract periods with commercial facility building owners, but in FY2021 the number of stores that BENEXY operates directly was lowered to 50 stores (reduction of 15 stores compared to March 2019). BENEXY-operated store reductions will continue going forward, and the plan is for there to be 46 stores in December 2021. On the other hand, investments will be made in opening flagship stores that can offer high-quality services. In May 2020, the company opened a newly renovated Shinjuku BIRKENSTOCK concept shop (flagship store). The shop has a "meister" (a specialist in diagnosing and repairing shoes) working at all times, and the aim is to improve the percentage of repeat customers by providing even higher-quality services. The Company is also in the process of constructing a system in which Company staff provide service to customers at all regular stores as well as reducing headquarters expenses by contracting the scale of operations. At FISCO, we believe that BENEXY's earnings have bottomed out, and we expect that its results will improve in FY2022 when the positive effects of various measures begin to materialize.

2. Strengthen the high-performing interior goods e-commerce site with a target of ¥10.0bn in sales

Furniture and interior goods online shops, such as MINT, have been enjoying strong sales. Net sales were approximately ¥1.0bn in FY2017, but have soared since then, and net sales exceeded ¥4.0bn in FY2021. This growth has been backed by the merchandising capability of being able to procure quality items and offer them at reasonable prices. In FY2020, there was an increase in stay-at-home demand as well as higher orders of chairs, desks and other items used for remote work. The Company has also started strengthening its internal structure. Up until this point, the Company had been handling all online sales operations, including product planning, logistics, and studio photo shooting at the Okawa Branch Office (Kurume City, Fukuoka Prefecture) located in the Okawa Area which is Japan's biggest furniture manufacturing hub, but recently the Company newly established the Hakata Creative Office in Hakata (Fukuoka City, Fukuoka Prefecture). The Company will split up responsibility for product planning and creative work in Hakata, where it is easier to recruit human resources, as it prepares for additional business expansion. Going forward, in addition to adding home appliances and other items to the product lineup, the Company will aim to achieve sales of ¥10.0bn in this business over the medium term.

■ Shareholder return policy

The Company plans to pay dividends to shareholders as continuously as possible so that shareholders can hold the Company's shares for the long term with a sense of security. The Company paid an annual dividend of ¥20 in FY2021 and expects to similarly pay an annual dividend of ¥20 in FY2022

The Company positions the appropriate return of profits to shareholders as one of its priority issues for management. The Company has changed its previous policy of targeting a dividend payout ratio of approximately 30%, and will make decisions on dividends based on a comprehensive assessment of future performance trends and capital needs. The Company will endeavor to enhance its financial position through retained earnings and strengthen its management base, in preparation for future business development and unforeseen circumstances. Also, based on the corporate philosophy of "Zuien (connection)," which is the idea that is the essence of building relationships based on bonds of fellowship, that was reaffirmed through a new resolution, the Company's policy is to pay dividends to shareholders as continuously as possible so that shareholders can hold the Company's shares for the long term with a sense of security. For FY2021, despite the loss posted due to the impacts of the COVID-19 pandemic, the Company's annual dividend was ¥20 (interim dividend = ¥10; year-end dividend = ¥10). The Company is also forecasting a ¥20 annual dividend in FY2022.



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