COMPANY RESEARCH AND ANALYSIS REPORT

Sanyei Corporation

8119

Tokyo Stock Exchange Standard Market

15-Aug.-2022

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Summary

Sales increased but profits declined in FY2022. Profits were squeezed by factors such as higher raw material prices and distribution costs

Sanyei Corporation <8119> is a multifunctional trading company specializing in high-value-added products with a history of over 75 years. The Company handles a full range of consumer lifestyle products and covers an expansive supply chain spanning manufacturing, imports and exports, wholesale, and retail. The group has 17 overseas locations and 62 directly managed stores in Japan. The Company stands out in terms of its coverage of high-value added products, 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 Business represents about 70% of net sales, and the Brand Business about 30% of net sales. It has three main business segments—Furniture and Houseware Business (61.8% of net sales in FY2022), Fashion Accessories Business (22.8%), and Home Appliance Business (10.8%).

1. FY2022 consolidated results

In FY2022 consolidated results, net sales were ¥33,976mn (up 2.8% year-on-year (YoY)), with an operating loss of ¥912mn (a loss of ¥709mn in FY2021), an ordinary loss of ¥657mn (¥446mn) and a loss attributable to owners of parent of ¥945mn (¥717mn). Net sales were driven by the increase in sales in the Furniture and Houseware Business. The main factors were strong sales in the OEM Business against the backdrop of the rapid recovery of economic activity overseas and on top of stay-at-home demand within Japan, and growth at MINT, the furniture and interior goods online shop on which the Company is focused. On the other hand, products related to going out (travel, beauty, etc.) struggled, with a clear divide between bright and dark areas. Gross profit decreased due to the rises in prices of raw materials and distribution costs, etc. SG&A expenses declined as a result of the progress made in reducing costs. Despite this, the operating loss widened by ¥210mn from the previous fiscal year to ¥657mn as a result. Assuming that the gross profit margin (27.2%) remains at the same level as the previous year, gross profit would be approximately 1 billion yen more than in the previous year, which is affected by the rise in raw material prices.

2. FY2023 consolidated results (forecast)

In FY2023 consolidated results, the Company is forecasting a recovery to a certain extent, with net sales set to increase 6.0% YoY to ¥36,000mn, an operating loss of ¥700mn (an improvement ¥212mn YoY improvement), an ordinary loss of ¥600mn (an improvement ¥57mn YoY improvement) and a loss attributable to owners of parent of ¥700mn (an improvement ¥245mn YoY improvement). The Company anticipates overall sales in the mainstay Furniture and Houseware Business segment to decline slightly due to the impact of a reactionary fall in stay-at-home demand in the OEM Business. Although sales are expected to grow at the interior goods e-commerce business, the Company anticipates a reactionary fall in sales in the OEM Business from the dropout of stay-at-home demand. Sales are forecast to increase in the Fashion Accessories Business segment as business reforms in the Brand Business move ahead. For operating profit, the Company regards FY2023 as the fiscal year its profitability dramatically improves and intends to review the inventories and cost structure of all its businesses. Rises in the prices of raw materials and distribution costs, and yen depreciation, etc. are all negative factors for the Company as an import trading company. However, higher raw material prices can be passed on to sale prices for some transactions. Some transactions of the Company also avoid the impact of forex (produced at overseas manufacturing plants and then sold overseas, etc.), and risk avoidance measures such as forward exchange contracts taken by the Company may also reduce the impact of yen depreciation. At FISCO, we believe the Company is making steady progress towards a more robust internal structure, and that this will highly likely have a positive effect on earnings. Although the outlook for the external environment remains poor, negative factors such as self-restraint on going out and travel, the Russia/Ukraine conflict, and the lockdowns in China, have largely been factored in, and if the business environment improves, they could be a factor in earnings upside. One example of this is the signs in June 2022 of a recovery in domestic travel and going out demand, which should have a positive impact on the travel and beauty products the Company excels in.

3. Growth strategy

In response to the external environment, such as the outbreak of the new coronavirus (hereinafter, “the COVID-19 pandemic”) and rising raw material prices and improve earnings, the Company plans to thoroughly carry out realistic “defensive” and “offensive” measures to recover our business performance. The Company’s policy for a FY2023 earnings recovery is to “review unprofitable business and urgently complete structural reform (defensive), and then identify and explore measures that will act as drivers for an earnings recovery (offensive).” With respect to “defensive” measures, the Company had already commenced restructuring of mainstay brands in the Fashion Accessories Business prior to the COVID-19 pandemic, and the results of this restructuring should become apparent in FY2023. In the Home Appliance Business segment, the Company will conduct full-scale streamlining through vertical integration of its supply chain from production to sales. Future growth drivers (offensive) include 1) further deepening the e-commerce business, 2) bolstering the OEM Business (new business development including overseas market development by strengthening overseas bases), 3) enhancing the Brand Business (expanding lineup by developing new brands), and 4) promoting the SDGs initiatives.

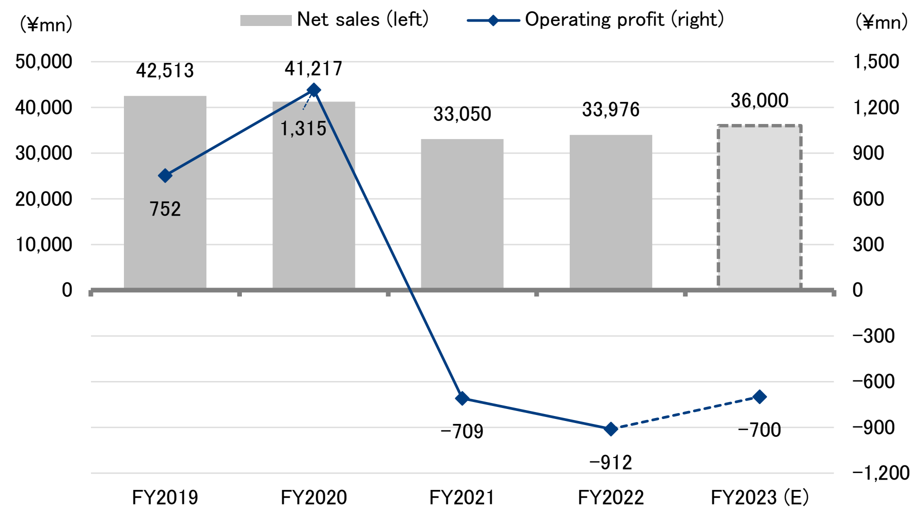
4. Shareholder return policy

The Company considers the appropriate return of profits to shareholders as one of the most important management issues. Under its corporate philosophy of “Zuien” (connection-i.e., the bonds), dividends are paid as continuously as possible so that its shareholders with close relationship with the Company can hold shares with peace of mind over the long term. FY2022 dividends were ¥20 per share, consisting of an interim dividend of ¥10 and a year-end dividend of ¥10. Despite significant losses continuing due to the COVID-19 pandemic, the Company will maintain a certain level of dividends. For FY2023, it expects to maintain an annual dividend of ¥20 per share (interim dividend of ¥10, year-end dividend of ¥10).

Key Points

- FY2022 sales increased, driven by products relating to stay-at-home demand, despite a delay in the recovery of demand for products relating to going out. Profit declined, squeezed by factors such as higher raw material prices and distribution costs
- Progress made in reducing inventories and repaying interest-bearing debt. The Company's equity ratio exceeded 48%. The Company maintained financial soundness by accumulating capital to date
- The Company is forecasting FY2023 net sales to increase 6.0% YoY to ¥36.0bn, and an operating loss of ¥0.7bn. As the plan factors in the challenging external factors (the COVID-19 pandemic, raw material prices, etc.), an early turnaround in business environment could lead to an upside to earnings
- The Company will complete the review of unprofitable businesses and structural reforms by the end of FY2023. Its next growth drivers will be further deepening e-commerce business, reinforcing overseas bases and, promoting SDGs initiatives

Results trends



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

Company profile

The Company is a multifunctional trading company that globally manufactures and sells “lifestyle products that enhance health and enrich life” based on the theme of “health and environment”

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 75 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 17overseas locations and 62 directly managed domestic retail stores. The Company stands out in terms of its coverage of products with high added value based on the concept of “focused on health and environment,” 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 domestic and overseas sites and sells them in the Japanese and overseas markets, based on the concept of offering “enhancing health and enriching life through lifestyle goods.”

In personnel matters, the Company announced the promotion of Mr. Masaki Mizukoshi to the position of President and COO from January 2022, and it renewed the management system. Mr. Mizukoshi, who was formerly an employee of Sumitomo Corporation<8053>, will make use of his abundant experience and knowledge, including wholesale, retail, e-commerce and mail order sales, targeting business development over the next 10 years. Former President Noriyuki Kobayashi, who has led the Company for over 10 years, will continue to participate in management as Chairman and CEO.

2. Business composition

The Company’s business segments are categorized as the Furniture and Houseware Business, the Fashion Accessories Business, the Home Appliance Business, and Others. The Furniture and Houseware Business mainly procures OEM products for major Japanese and foreign companies, and the furniture and interior goods e-commerce brand MINT is also included in this segment (percentage of total net sales in FY2022: 61.8%). The Fashion Accessories Business conducts import sales of brand products to which it has the sales rights, such as BIRKENSTOCK sandals and shoes and Kipling bags, and also domestic and overseas OEM Business (percentage of total net sales: 22.8%). The Home Appliance Business consists of OEM product procurement and Brand Business, and the brands it focuses on are Vitantonio, which are cooking appliances, and mod’s hair, which are beauty appliances (percentage of total net sales, 10.8%). The Others segment consists of pet stores and other businesses (percentage of total net sales: 4.6%).

The Company has two business models: Brand Business and OEM Business. The Brand Business mainly promotes wholesale and retail business in Japan for overseas brands and the Company’s own brands. It carries brands with strong histories that have not yet been introduced in Japan, while in recent years the Company has proactively introduced new sustainable brands. The Brand Business accounted for 31.9% of overall sales in FY2022, and the Company aims to increase the ratio of the Brand Business to broaden business in the consumer lifestyle product category. The OEM Business provides various procurement services, such as review of product specifications for products that meet the needs of client companies, manufacturer 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 (68.1% of overall sales in FY2022).

Business overview

There are three main business segments: Furniture & Housewares, Fashion Accessories, and Home Appliances. For each of these business segments, there are two business models: OEM Business from major clients such as Ryohin Keikaku, and Brand Business consisting of retail and wholesale with a focus on imported brands

1. Trends in the Furniture and Houseware Business

The Furniture and Houseware Business is the Company's largest business segment. In this segment, OEM Business has grown alongside the growth of the major clients, such as Ryohin Keikaku (MUJI). For the Brand Business, the subsidiary Essen Corporation mainly deals with German tableware brand Villeroy & Boch and the Company's own e-commerce interior shops, such as MINT, are growing remarkably. They sell more than 1,000 items on Rakuten and Yahoo! Shopping, and meet the needs of consumers for items at reasonable prices, including good quality beds and mattresses, antique-style furniture, interior goods, garden exterior and outdoor goods. Sales have grown during the COVID-19 pandemic, benefitting from stay-at-home consumption, and net sales increased to a scale of more than ¥4bn in FY2022. In March 2019, the Company's own furniture and interior goods manufacturing plant in Malaysia (approximately 4,000m^2) started operations. It serves as a development base for ODM proposals in addition to manufacturing OEM and the Company's own brand products.

2. Trends in the Fashion Accessories Business

The Fashion Accessories Business is an inherently profitable segment, with the Brand Business having a large presence, accounting for about 50% of net sales. The largest brand the Company handles is BIRKENSTOCK, a comfortable shoe and sandal brand with more than 240 years of tradition in Germany, and its subsidiary BENEXY CORPORATION is engaged in the retail sales business, and it is supported by deep-rooted fans even in the price range of around ¥10,000 and is sold through 46 directly managed stores and e-commerce. As many customers use the products for a long period of time, the Company provides its own full range of after-sales services and their directly-managed stores are located in shopping centers and major department stores that have the ability to attract customers. The business has seen earnings deteriorate since several years ago due to the subsidence of the temporary boom, the occurrence of cannibalization among stores, mainly in urban centers, and the difficulty in attracting customers due to the COVID-19 pandemic. However, the Company is improving the profitability per store by closing unprofitable stores and improving the sales capabilities of in-house staff and sales personnel. The number of stores has been reduced from 65 (as of March 31, 2019) to 46 (as of March 31, 2022), as the Company scraps and builds stores.

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 segment plans and sells its own Vitantonio brand of cooking appliances, beauty appliances brand “mod’s hair,” its own electric toothbrushes brand “ION-Sei,” and commercial cooking appliances brand “MULTI CHEF.” Recently Vitantonio brand owned by subsidiary ZELIC Corporation, performs very well by the stay-at-home demand under the COVID-19 pandemic. In particular, hot sandwich makers and cordless portable blenders have been selling well. It has gained popularity as a unique brand offering products that allow users to make hot sandwiches and original drinks at home. However, demand for beauty appliances is declining as people refrain from going out.

Business Performance trends

FY2022 sales increased, driven by products relating to stay-at-home demand, despite a delay in the recovery of demand for products relating to going out. Profit declined due to soaring raw material prices and distribution costs

1. Overview of FY2022 results overview

In FY2022 consolidated results, net sales were ¥33,976mn (up 2.8% year-on-year (YoY), with an operating loss of ¥912mn (a loss of ¥709mn in FY2021), an ordinary loss of ¥657mn (¥446mn) and a loss attributable to owners of parent of ¥945mn (¥717mn). The Furniture and Housewares business segment rode the tail wind from stay-at-home demand to increase profit, but factors such as higher raw material prices and distribution costs squeezed profit, resulting in an operating loss.

Net sales were driven by the increase in the Furniture and Houseware Business segment, up ¥3,296mn YoY to ¥21,002mn. The main sales drivers were the OEM Business putting in a strong performance, helped by the rapid recovery of economic activity overseas and on top of stay-at-home demand within Japan, and higher sales at MINT, the furniture and interior goods online shop that is the subject of the Company’s focus, as well as at its tableware subsidiary. Sales declined in the Fashion Accessories Business segment, as self-restraint on going out and travel delayed the recovery in demand for travel products, etc. in the OEM Business, and sales of mainstay BIRKENSTOCK and Kipling brands remained sluggish in the Brand Business. Sales also decreased in the Home Appliance Business segment. Overseas cooking appliances sales improved, but demand was weak for oral care products and beauty appliances. In terms of overall trends since the start of the COVID-19 pandemic, there was a clear distinction between the strong performance of products relating to stay-at-home demand and the struggles of products relating to out-of-home demand (travel, beauty, etc.).

Gross profit decreased by 8.2% YoY to ¥8,241mn due to the rises in prices of raw materials and distribution costs, etc. The gross profit margin declined by 2.9 percentage points (pp) YoY to 24.3%. Applying the gross profit margin (27.2%) from the same period last year to FY2022 net sales would result in gross profit being roughly ¥1.0bn higher, illustrating the impact of higher prices of raw materials. SG&A expenses declined 5.5% YoY to ¥9,153mn as a result of the progress made in reducing costs, including consolidating stores in the Brand Business. As a result, the operating loss widened by ¥210mn compared to the previous fiscal year to ¥657mn, and the loss attributable to owners of parent grew by ¥227mn to ¥945mn. Segment income was positive in the Furniture and Houseware Business segment (¥750mn profit) and the Others (¥73mn profit), negative in the Fashion Accessories Business segment (¥724mn loss) and the Home Appliance Business segment (¥257mn loss).

FY2022 results (consolidated)

(¥mn)

	FY2021		FY2022		
	Results	% of sales	Results	% of sales	YoY
Net sales	33,050	100.0%	33,976	100.0%	2.8%
Cost of sales	24,069	72.8%	25,734	75.7%	6.9%
Gross profit	8,981	27.2%	8,241	24.3%	-8.2%
SG&A expenses	9,691	29.3%	9,153	26.9%	-5.5%
Operating profit	-709	-2.1%	-912	-2.7%	-
Ordinary profit	-446	-1.4%	-657	-1.9%	-
Profit attributable to owners of parent	-717	-2.2%	-945	-2.8%	-

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

Progress was made in reducing inventories and repaying interest-bearing debt. The Company's equity ratio was over 48%. The Company maintained its financial soundness based the capital accumulation to date

2. Financial condition and management indicators

As of March 31, 2022, total assets amounted to ¥20,782mn, a decrease of ¥3,273mn from March 31, 2021. Of this amount, current assets decreased by ¥1,999mn to ¥15,707mn. The main factors were the ¥1,646mn decrease in cash and deposits and the ¥651mn decrease in Merchandise and finished goods. Non-current assets decreased by ¥1,273mn to ¥5,075mn. The main factor was the ¥976mn decrease in investments securities.

Total liabilities decreased by ¥2,026mn to ¥10,678mn. Current liabilities decreased by ¥1,951mn, with the main factors being the ¥1,026mn decrease in short-term borrowings and the ¥389mn decrease in notes and accounts payable-trade. Non-current liabilities decreased by ¥75mn, and there were no significant changes. Interest-bearing debt was ¥6,073mn (¥7,100mn as of March 31, 2021), a decrease due to the repayment of short-term borrowings. There is still relatively room for interest-bearing debt, compared to the balance of ¥4,599mn in cash and deposits. Net assets declined by ¥1,246mn to ¥10,104mn.

Regarding the Company's management indicators as of March 31, 2022, the current ratio was 234.9%, while the equity ratio remains high at 48.1%, which has a high level of safety and soundness. Although business environment is unfavorable due to the impacts of the COVID-19 pandemic, the Company's financial soundness is maintained due to capital accumulation from the past.

Consolidated balance sheet and financial indicators

(¥mn)

	End of FY2020	End of FY2021	End of FY2022	Change
Current assets	16,561	17,706	15,707	-1,999
(Cash and deposits)	5,075	6,246	4,599	-1,646
(Notes and accounts receivable – trade, and contract assets)	3,849	3,616	3,886	269
(Merchandise and finished goods)	6,852	6,970	6,319	-651
Non-current assets	5,632	6,348	5,075	-1,273
Total assets	22,193	24,055	20,782	-3,273
Current liabilities	6,913	8,637	6,686	-1,951
(Short-term borrowings)	1,908	3,900	2,873	-1,026
Non-current liabilities	3,862	4,067	3,992	-75
Total liabilities	10,775	12,704	10,678	-2,026
Net assets	11,417	11,351	10,104	-1,246
Total liabilities and net assets	22,193	24,055	20,782	-3,273
<Soundness>				
Current ratio (Current assets / Current liabilities)	239.5%	205.0%	234.9%	29.9pt
Equity ratio (Equity / Total assets)	51.0%	46.7%	48.1%	1.4pt

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

Outlook

FY2023 forecast is Net sales to increase 6.0% YoY to ¥36.0bn, and an operating loss of ¥0.7bn. As the plan factors in severe external factors, an early turnaround in the business environment could lead to earnings upside

In the FY2023 consolidated forecasts, the Company is forecasting a recovery to a certain extent, with net sales set to increase 6.0% YoY to ¥36,000mn, and an operating loss of ¥700mn (a ¥212mn YoY improvement), an ordinary loss of ¥600mn (a ¥57mn YoY improvement) and a loss attributable to owners of parent of ¥700mn (a ¥245mn YoY improvement).

The Company expects net sales to recover moderately as assumed at the beginning of FY2022. This forecast does not expect a rapid recovery in demand for fashion accessories or beauty appliances, which have been adversely affected by the COVID-19 pandemic. The forecast also takes into account the negative impact on consumption caused by external factors such as the global rise in raw material prices and distribution costs, and the yen's depreciation. The Company forecasts a slight decrease in overall net sales for its Furniture and Houseware Business segment. Although sales are expected to grow at the interior goods e-commerce business, the Company anticipates a reactionary fall in sales in the OEM Business from the dropout of stay-at-home demand. In the Fashion Accessories Business segment, OEMs are expected to continue to struggle, but sales in Brand Business are expected to increase due to progress in operational reforms. In this year store reduction plan at subsidiary BENEXY that handles BIRKENSTOCK is almost complete, and sales per store are expected to enter a growth phase. In the Home Appliance Business segment, the Company aim to expand sales by boosting local sales utilizing its locations in Asia and strengthening its e-commerce business.

For operating profit, the Company projects an operating loss of ¥500mn in 1H, and an operating loss of ¥200mn in 2H, showing a clear recovery trend. The Company has positioned FY2023 as a year of dramatic improvement in profitability, and intends to review the inventories and cost structure of all its businesses. It expects the outcome of these measures to become apparent from 2H FY2023 at the earliest. The Fashion Accessories Business segment is expected to make a significant contribution to profit growth. Improvements by subsidiaries BENEXY and L&S Corporation towards a robust internal structure are beginning to see the effects, with segment profit expected to increase ¥586mn YoY. Rises in the prices of raw materials and distribution costs, and yen depreciation, etc. are all negative factors for the Company as an importer. However, higher raw material prices can be passed on to sale prices for some transactions. Some transactions of the Company also avoid the impact of forex (produced at overseas manufacturing plants and then sold overseas, etc.) and risk avoidance measures taken by the Company such as forward exchange contracts may also reduce the impact of yen depreciation. FISCO believes the Company is making steady progress towards a more robust internal structure, and that this will highly likely have a positive effect on earnings. Although the outlook for the external environment remains poor, the Company has factored in most negative factors such as self-restraint on going out and travel, the Russia/Ukraine conflict, and the lockdowns in China and if the business environment improves, this could be an upside for earnings. One example of this is the signs in June 2022 of a recovery in domestic travel and going out demand, which should have a positive impact on the travel and beauty appliances the Company excels in.

Forecast for FY2023 consolidated results

(¥mn)

	FY2022		FY2023			
	Results	% of sales	Forecast	% of sales	Change	YoY
Net sales	33,976	100.0%	36,000	100.0%	2,023	6.0%
Operating profit	-912	-2.7%	-700	-1.9%	212	-
Ordinary profit	-657	-1.9%	-600	-1.7%	57	-
Profit attributable to owners of parent	-945	-2.8%	-700	-1.9%	245	-

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

Growth Strategy

The Company continues review unprofitable businesses and complete structural reforms in FY2023. Its next growth drivers are to further deepening the e-commerce business, reinforcing overseas bases, strengthening Brand Business and promoting the SDGs initiatives

● Profitability Improvement Measures

In order to combat external factors such as the COVID-19 pandemic and rising raw material prices, the Company plans to thoroughly carry out realistic “defensive” and “offensive” measures to improve profitability. The Company’s policy for a FY2023 earnings recovery is to “review unprofitable business and urgently complete structural reform (defensive), and then identify and consider measures that will act as drivers for an earnings recovery (offensive).” With respect to “defensive” measures, the Company had already commenced restructuring of mainstay brands in the Fashion Accessories Business prior to the COVID-19 pandemic, and the results of this restructuring should become apparent in FY2023. In the Home Appliance Business segment, the Company will conduct full-scale streamlining through vertical integration of its supply chain from production to sales. Please break line here future growth drivers (offensive) include 1) further deepening the e-commerce business, 2) bolstering the OEM Business (new business development including overseas market development by reinforcing overseas bases), 3) enhancing the Brand Business (expanding lineup by developing new brands), and 4) promoting the SDGs initiatives.

(1) Further deepening the e-commerce business

The Company has various distribution channels, but among them, e-commerce is the channel with the greatest growth potential. FY2022 e-commerce business net sales were roughly ¥5.0bn, increasing its presence year by year. In particular, the scale of e-commerce for the Furniture and Houseware Business, including the MINT online shop for furniture and interior goods, is large, and e-commerce in also growing in the Brand Business for brands such as BIRKENSTOCK and Quorinest. The growth of the e-commerce business comes from know-how and platforms developed by the interior goods e-commerce business. Specifically, this business has accumulated the know-how to grow sales and generate profit by producing content such as pictures, Internet promotions including SNS, efficient storage management, and order taking operations. The Company intends that the Home Appliance Business segment will fully embrace e-commerce in FY2023. Looking at e-commerce markets by product, home appliances have a larger market size and a higher e-commerce ratio than the furniture and interior market, and having a higher e-commerce ratio (37.5% compared to 26.0% for furniture and interior market). In the mid- to long-term, the Company targets e-commerce sales of ¥10.0bn.

(2) Bolstering the OEM (new business development including overseas market development by reinforcing overseas bases)

The Company is looking to leverage the Company’s overseas production plants in Malaysia, Taiwan, Vietnam, and China to develop an OEM business with local roots, and expand direct transactions with domestic (Japanese market) and overseas customers on a foreign currency denominated basis.

(3) Enhancing the Brand Business (expanding lineup by developing new brands)

The Furniture and Houseware Business segment subsidiary Essen Corporation has a proven track-record of success in bring traditional European brands to the Japanese market. Recent successful examples include German tableware brand Villeroy & Boch and UK kitchen accessory brand Cole & Mason. The Company will continue to develop new brands and expand its product lineup as a business that embodies its Management Vision of “enhancing health and enriching life through lifestyle goods.”

(4) Promoting the SDGs initiatives.

The Company has developed brands that reflect its vision that states: “Lifestyle Goods focused on ‘Health and Environment’,” we provide enhancing health and enriching life through lifestyle goods.” Please break line here in recent years, the Company has come to handle a large number of brands that promote environmental consciousness and sustainable value, and this is one of its major features. Based on the concept of “more earth-friendly,” the Company is moving ahead with its “Our EARTH Project,” in which it provides brands, products, materials, and services with the keywords “sustainable” and “ethical” to realize a sustainable society. In particular, e.dye’s strength in anhydrous dyeing technology minimizes environmental impact by reducing water and chemicals used in the fabric dyeing process by 85% and 90%, respectively. It also has more than 5,000 color arrangement through the use of its proprietary digital color management system, allowing for a wide range of color reproduction. Another advantage is that it can be manufactured in small lots. The company received a great response at trade fairs and is currently in negotiations with many potential customers. It is expected to contribute to earnings in the near future. The Company also develops eight other environmentally conscious brands, such as AIRPAQ, a bag brand made from upcycled car parts, that received the Social Products Award in 2022. The Company expects SDGs goods net sales to increase 25% YoY in FY2023.

e.dye’s SDGs products

Source: The Company’s results briefing materials

Shareholder return policy

The Company plans to pay an annual dividend of ¥20 per share in FY2023

The Company considers the appropriate return of profits to shareholders as one of the most important management issues. It determines the dividend comprehensively, taking into account factors such as its financial position through accumulating retained earnings and strengthening the management base, in preparation for future business development and unforeseen circumstances. Under its corporate philosophy of “Zuien” (connection-i.e., the bonds), dividends are paid as continuously as possible so that its shareholders can hold shares with confidence over the long term. FY2022 dividends were ¥20 per share, consisting of an interim dividend of ¥10 and a year-end dividend of ¥10. Despite significant losses continuing due to the COVID-19 pandemic, the Company will maintain a certain level of dividends. For FY2023, the Company plans to maintain an annual dividend of ¥20 per share (interim dividend of ¥10, year-end dividend of ¥10).

FISCO

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