

# **GLOBERIDE, Inc.**

**7990**

Tokyo Stock Exchange First Section

28-Jan.-2019

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FISCO Ltd.

<http://www.fisco.co.jp>

## ■ Index

■ Summary	01
■ Business details and history	02
■ Performance trends	08
1. FY3/19 1H results (April to September 2018)	08
2. Outlook for FY3/19	09
■ Outlook and strategy	12
● Medium-term business plan	12
■ Shareholder returns	18
■ Information security measures	18

## Summary

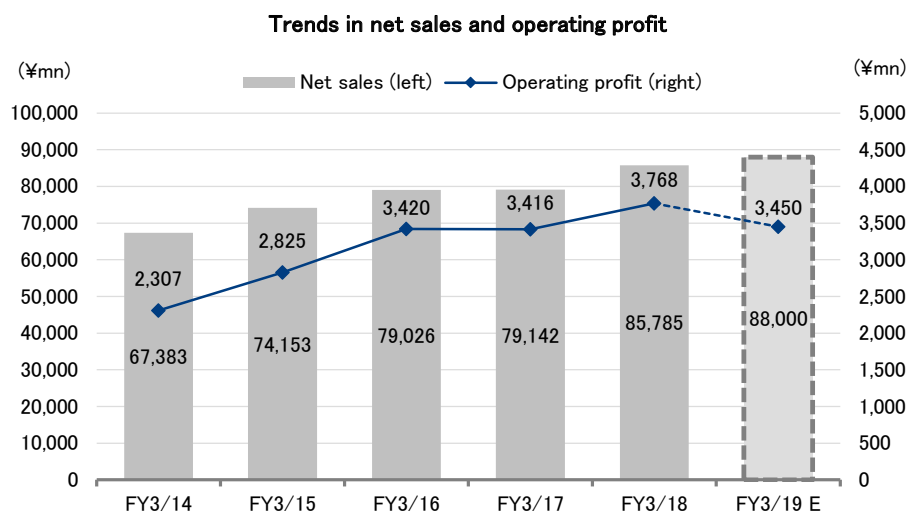
GLOBERIDE, Inc. <7990> (hereafter, also “the Company”) became the global leader in fishing product sales (under the DAIWA global brand) in 1976. It has consistently led the industry since then with numerous innovations, revolutionary products based on unique technologies, and new proposals for fishing lifestyle. DAIWA is a universally known presence in the fishing world. The Company also sells products for golf, tennis, and cycling sports worldwide.

It generated approximately 70% of sales in Japan and 30% from other countries and has steadily solidified positions in the Americas, Europe, and Asia and Oceania. Growth in sales to Asia has stood out recently. The Company manufactures almost all of its products, except for some luxury items, in China, Vietnam, Thailand, and other overseas sites. Sales ratios by product are fishing, the main business, at 87.4%, golf at 5.0%, racquet sports at 6.7% and others including cycling sports at 0.9% in FY3/19 1H.

The Company renamed itself from Daiwa Seiko Corporation to GLOBERIDE on October 1, 2009. It continues to use the DAIWA brand for fishing products and is steadily growing this business. Because its products are for hobbies, income fluctuates with trends in economic activity. Nevertheless, it possesses a strong brand presence, and a key point is the extent to which it can expand in areas besides fishing products. Going forward, the Company hopes to stimulate the global market by developing innovative new products that create market opportunities.

In the 1H FY3/19 consolidated results announced on November 7, 2018, net sales were ¥45,574mn (up 1.4% year on year (YoY)), operating profit was ¥2,703mn (down 7.8%), ordinary profit was ¥2,575mn (down 13.3%), and profit attributable to owners of parent was ¥2,584mn (up 26.5%). The decline in both operating and ordinary profit was partially the result of the series of large natural disasters that struck the Japanese archipelago during the period. As a result, the Company lowered its forecast for FY3/19 net sales from ¥90,000mn to ¥88,000mn (up 2.6% YoY), and dropped its forecast for operating profit from ¥4,000mn to ¥3,450mn (down 8.5%).

The Company currently undertaking the medium-term business plan lasting through FY3/21. The targets for FY3/21, the plan’s final fiscal year, are net sales of ¥100,000mn and operating profit of ¥5,000mn, while it is aiming for an annual dividend of ¥70.



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

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## ■ Business details and history

### Started as a manufacturer of fishing reels for export, DAIWA brand captured the hearts of fishing fans

The Company was established in 1955. It was initially named Matsui Manufacturing and mainly manufactured fishing reels for export. It established Daiwa Seiko Corporation in Yamatocho, Nakano Ward, Tokyo in 1958, built a plant for reel production at the site of the current headquarters in 1960, and also moved the headquarters two years later. It launched overseas operations with the establishment of Daiwa Corporation in Los Angeles, US in 1966. The Company revised its company name in Japanese (still Daiwa Seiko in English) in 1969 and listed shares on the Second Section of the Tokyo Stock Exchange in 1970. It switched to the First Section in 1976.

The Company began as a specialty manufacturer of fishing products, but started to diversify by starting sales of golf products in Japan in 1972. It moved into tennis products in 1980 and cycling sports products in 1990. The new name GLOBERIDE was adopted in 2009. The Company has a corporate motto of being a “lifetime sports company” that enriches life, and its main fishing business is known throughout the fishing world. The brand is very highly regarded, and as a top brand, based on the principle of changing lives to make them more exciting from experiencing “Feel Alive (the ultimate moment)” through fishing, the Company has evolved the concept of fishing goods and captured the hearts of fishing fans by consistently delivering innovative products to the market. The DAIWA brand mark receives robust consumer support as a symbol of challenge, originality, and innovation. Support for the DAIWA brand is extensive not only in Japan, but also worldwide.

DAIWA brand mark



Source: Materials supplied by the Company

In fishing products, the Company proposed an out-spool mechanism for reels ahead of the industry, and this created the template of the modern spinning reel. The Company focuses on more than just reels, rods, and other core products and offers an extensive line-up of related products including lures, strings, and other small items. It also handles cooler boxes and rain gear and is a comprehensive supplier of fishing-related items. In Japan, the Company covers from large chain stores to local specialty shops and “DAIWA fishing goods” is a familiar sign. Much of product supply goes through direct sales to retailers, and this format keeps the Company in touch with consumer needs. The Company actively pursues a variety of measures to expand the market, including cooperation in the TV production of “The Fishing,” the most popular fishing program, and the well-known “Fishing Fool’s Diary” movie series (seen in reruns on TV).

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GLOBERIDE, Inc. | 28-Jan.-2019  
7990 Tokyo Stock Exchange First Section

Business details and history

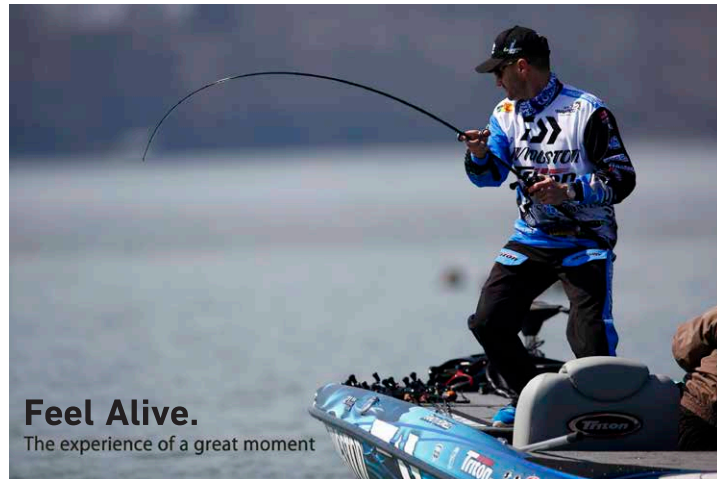
DAIWA



Source: Materials supplied by the Company

The Company has three sales locations in Japan - Tokyo, Osaka, and Fukuoka. Outside of Japan, it operates Daiwa Corporation in the US and has sales offices in the UK, France, Germany, Italy, Australia, China, Hong Kong, South Korea, Taiwan, Singapore, Malaysia, and Thailand. The Company manufactures most of the products at overseas sites, including Thailand, China, and Vietnam.

DAIWA



Source: Materials supplied by the Company

Meanwhile, in the golf business, the Company offers two popular brands ONOFF, which proposes products for refined golfing with reliable quality, and FOURTEEN, known for superior club philosophy and excellent performance.

The Company does not blindly pursue sales growth in this business. Instead, it focuses on selling high-end products and services to customers with an emphasis on brands by building membership organizations and offering a fitting service that provides clubs best suited to individual customers. It also has contracts with professionals such as Shingo Katayama, Yosuke Asaji, Ji-hee Lee, Akane Iijima, O. Sattaya, and Satsuki Oshiro. The success of these top professionals attests to reliable club performance and enhances the brand image.

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**GLOBERIDE, Inc.** | 28-Jan.-2019  
 7990 Tokyo Stock Exchange First Section

Business details and history

The Company is the distributor for PRINCE (US based tennis warehouse manufacturer) in Japan for tennis and other racquet sports. It proposes a tennis lifestyle for adults that covers activities both on and off the court and has carefully cultivated the brand for racquets as well as tennis wear and other related products. The Company handles a wide range of products beyond tennis, including badminton, which has attracted interest following strong performances by Japanese athletes in the Olympics, and squash.

In cycling sports, the Company promotes the three European brands of CORRATEC, FOCUS, and BOTTECCHIA.

ONOFF



Source: Materials supplied by the Company

FOURTEEN



Source: Materials supplied by the Company

GLOBERIDE, Inc. | 28-Jan.-2019  
7990 Tokyo Stock Exchange First Section

Business details and history

PRINCE



Source: Materials supplied by the Company

CORRATEC



Source: Materials supplied by the Company

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**GLOBERIDE, Inc.** | 28-Jan.-2019  
 7990 Tokyo Stock Exchange First Section

Business details and history

The Company’s apparel business cannot be overlooked. It has recently launched D-VEC, a new apparel brand that combines functionality and fashion, and the Company is making new proposals as a “lifetime sports company.”

The Company mainly supplied fishing apparel up until now, but the D-VEC brand launched in 2017 has been well received as a line that combines the technology and functionality cultivated over many years through DAIWA fishing apparel with the fashion sense brought by a dedicated design team. This line is available not only at the Company’s store, but department stores and boutiques are also now asking to carry the line. D-VEC is widely receiving attention as a highly-fashionable performance line capable of withstanding harsh natural environments.

D-VEC



Source: From the Company’s website



# GLOBERIDE, Inc. | 28-Jan.-2019

## 7990 Tokyo Stock Exchange First Section

### Business details and history

#### History

Year	Main events
1955	Started manufacturing fishing reels (mainly for export) (Company name: Matsui Manufacturing)
1958	Established Daiwa Seiko Corporation in Nakano, Tokyo
1960	Built a reel manufacturing plant where the headquarters is currently located
1962	Started domestic reel sales and moved headquarters to the current location
1964	Built a rod manufacturing plant
1966	Established Daiwa Corporation in Los Angeles, US
1969	Changed the Company name in Japanese
1970	Built the Hiroshima and Tochigi plants as domestic manufacturing sites (consolidated at the headquarters in 2000) Listed shares on the Second Section of the Tokyo Stock Exchange
1971	Established Daiwa Seiko (Taiwan) Co., Ltd. in Kaohsiung, Taiwan (liquidated in 2007) Established Daiwa Golf Inc. at the current location (absorbed by headquarters in 1995)
1972	Started domestic sales of gold products
1973	Established Daiwa Whitehall Pty. Limited in Sydney, Australia (now Daiwa (Australia) Pty. Ltd.)
1976	Listed shares on the First Section of the Tokyo Stock Exchange
1977	Established Daiwa Sports Limited in Wishaw, Scotland, UK
1980	Acquired Fishing Nakamura Inc. (now, World Sports Co., Ltd.), a Fukuoka-based fishing goods retailer, as a subsidiary Entered the tennis business Established Nasu Daiwa Corporation to manufacture and sell fishing goods in Kurobane, Nasu, Tochigi
1984	Established Daiwa France S.A. (now, Daiwa France S.A.S.) in Rouen, France
1985	Acquired Ooyagi Shoten Inc. (now, World Sports Co., Ltd.), a Tokyo-based fishing goods retailers, as a subsidiary Established Daiwa Sogo Services Corporation (now Desco Inc.), which handles welfare services, at the current location
1990	Established Daiwa-Cormoran Sportartikel Vertrieb GmbH in the suburbs of Munich, Germany Entered the cycling sports business
1995	Established Daiwa Seiko (Thailand) Co., Ltd. in Bangkok, Thailand
2002	Established Daiwa Seiko Limited in Taichung, Taiwan
2004	Established Daiwa Seiko (Hong Kong) Co., Ltd. in Hong Kong
2005	Established Daiwa Seiko (South Korea) Co., Ltd. in the suburbs of Seoul (Korea). Acquired Casting Limited., a Tokyo-based fishing goods retailers, as a subsidiary Established Zhongshan Daiwa Sporting Goods Limited in China Established Daiwa Vietnam Limited in Da Nang, Vietnam
2008	Acquired Windsor Corporation, a Kanagawa-based sports goods retailer, as a subsidiary Acquired Fourteen Co., Ltd., a Gunma-based company which manufactures and sells golf clubs, as a subsidiary Spun off the fishing goods after-service business and established Sports Life Planets, Inc.
2009	Changed the Company name to Globberide, Inc. Retained DAIWA as the brand name for the fishing business
2012	Established Singapore Daiwa Pte. Ltd. in Singapore
2013	Established Dongguan Daiwa Sporting Goods Limited in China Acquired Daiwa Logistics Services Inc. (now, LOGISPO.Inc), a Tokyo-based warehouse logistics firm, as a subsidiary
2014	Established Daiwa Italy S.r.l in Italy
2016	Established Daiwa Sports (M) SDN.BHD. in Malaysia

Source: Prepared by FISCO from the Company's website

## ■ Performance trends

### 1. FY3/19 1H results (April to September 2018)

In the FY3/19 1H (April to September 2018) results announced on November 7, 2018, net sales were ¥45,574mn (up 1.4%YoY), operating profit was ¥2,703mn (down 7.8%), ordinary profit was ¥2,575mn (down 13.3%), and profit attributable to owners of parent was ¥2,584mn (up 26.5%), for lower operating profit.

Within Japan, there is the sense that the economic indicators are improving, such as the economy performing better compared to recently, but it is not the case that consumer confidence is as high as the indicators. In this situation, it cannot be said that the environment surrounding the Company's products, which are not daily necessities, is necessarily a good one. However, it is responding through the launches of innovative products that strike a chord with people who enjoy fishing, golf, and racquet sports.

These efforts have yielded results, and in the mainstay fishing business the Company has a history of continually exceeding the actual market value in the domestic market. However, no matter how popular the Company's products are, profits cannot grow if the market itself shrinks due to inclement weather or other factors. In 1H, a number of large natural disasters occurred one after another, including the torrential rains in western Japan, the earthquake in northern Osaka, typhoons, and the Hokkaido Eastern Iburi Earthquake. These natural disasters had significant negative impacts on the market. Marine fishing parks and a number of other fishing spots, particularly in Kansai, were impacted by the natural disasters, while the severe summertime heat nationwide also had a large impact.

In the domestic fishing market, the overall market declined approximately 3% YoY. In this environment, the Company's fishing business posted an overall 0.5% YoY decline in sales.

There has been a YoY increase in sales since the beginning of October (the start of 2H), but it has not yet developed into a full-fledged recovery. Western Japan is a particularly large market for the Company, and we expect a quick recovery in consumer sentiment.

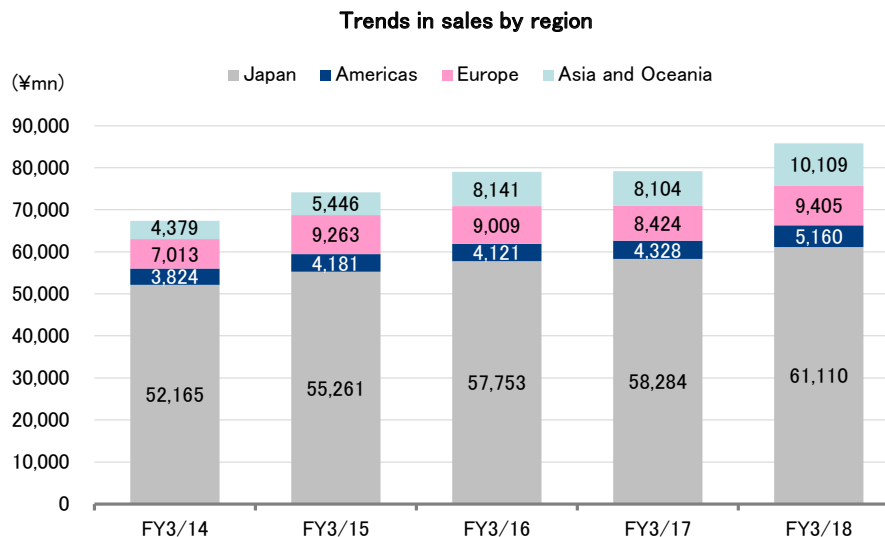
Meanwhile, despite solid market conditions in the domestic golf business, sales declined 22% YoY due to the fact that the flagship brand ONOFF had a lull in new product launches. In racket sports, sales fell 12% YoY due to the stagnation of the tennis boom.

Overseas, sales were solid, making up for the decline in domestic sales, with a steady expansion of sales in the fishing business. Although the fishing market in the United States and Europe are not particularly strong, the initiatives made over the past few years to strengthen the overseas business have started to yield results. The overseas business grew at a double-digit clip, even excluding foreign exchange gains due to the depreciation of the yen and other factors.

Looking by region, in the Americas, while the overall market was on par with the same period of the previous fiscal year, the Company still recorded growth of 25% in the United States on a local currency basis. In Europe, the market grew 1% even though the market contracted due to the severe cold wave in 1Q. In Asia and Oceania, the Company recorded a 12% increase in sales. In Asia, there was a large effect from the launching of new products meeting the needs of each region.

**GLOBERIDE, Inc.** | 28-Jan.-2019  
7990 Tokyo Stock Exchange First Section

Performance trends



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

The conditions in the golf market are severe to the extent it can be described as a global slump, including that even in the main market of the United States, a leading sports equipment manufacturer has withdrawn from golf equipment. The background to this is that currently there are no star players, like Tiger Woods.

In profits, there was an increase in costs, such as personnel costs and logistics costs. There was an increase in upfront investment related to e-commerce as well as an increase in apparel-related costs. The cost of sales increased slightly from ¥28,548mn in the previous fiscal year to ¥28,918mn, but the cost of sales ratio fell slightly from 63.51% to 63.45%.

In non-operating profit and expenditure, the non-recurrence of the ¥270mn posted in the year-earlier period from the settlement on patent litigation resulted in ordinary profit declining more than operating profit.

On the financial side, the Company has been selling investment securities and using proceeds from sales to repay borrowings. As of September 30, 2018, short-term borrowings were ¥15,598mn (down from ¥17,210mn as of March 31, 2018), while long-term borrowings were ¥8,288mn (down from ¥10,324mn as of March 31, 2018). The equity ratio improved to 32.0%, compared to 30.8% as of March 31, 2018.

## 2. Outlook for FY3/19

For FY3/19, at the beginning of current fiscal year, the Company forecasts higher net sales and profits to continue, with ¥90,000mn in net sales (up 4.6% YoY), ¥4,000mn in operating profit (up 6.1%), ¥3,700mn in ordinary profit (up 2.8%), and ¥2,600mn in profit attributable to owners of parent (up 4.1%).

However, due to the difficult 1H, the Company lowered its forecast FY3/19 net sales forecast to ¥88,000mn (up 2.6% YoY), its operating profit forecast to ¥3,450mn (down 8.5%), and its ordinary profit forecast to ¥2,900mn (down 19.4%), while leaving its outlook for profit attributable to owners of parent unchanged. Although the net sales forecast was lowered, the Company appears set to post record high net sales again in FY3/19, after setting a record in FY3/18 for the first time in 25 years going back to FY3/93.

**GLOBERIDE, Inc.** | 28-Jan.-2019  
 7990 Tokyo Stock Exchange First Section

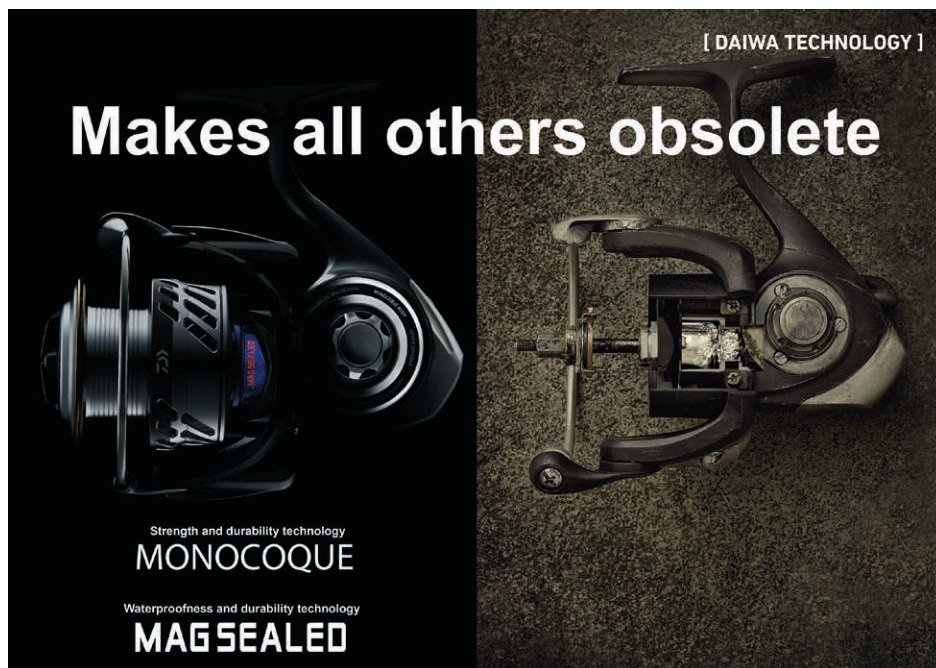
Performance trends

The Company intends to pursue sales growth in the mainstay fishing goods business at a faster pace than the market in Japan by continuing to release innovative products. Its plan focuses on drawing customers to retail stores by aggressively stimulating the market through events, sales promotions, and other efforts.

In the overseas fishing business, the Company is focusing efforts in the United States, particularly in the popular bass fishing market. The Company has launched new reels for bass fishing, which the Company has been developing based on upfront investment, and the results of this investment have begun to contribute to earnings. In Europe, although the market lacks vigor, there is room for the Company to cultivate more business, as its market share is not as high as in Japan.

Meanwhile, in Asia, the Company will continue to make proposals for lure fishing and otherwise work to expand the market.

**DAIWA's waterproofing and durability technologies**



Source: Materials supplied by the Company

In the golf business, the Company focuses on steady sales growth with provision of high-end products and services to “fan” customers while carefully preserving its brands. Specifically, it utilizes test hitting opportunities and other events as member perks for ONOFF, FOURTEEN, and other fan clubs to improve brand value and also highlight product features.

In 1H FY3/19, the Company was in a defensive mode as it was a lean period for new product releases, but the Company will launch new ladies products in 2H FY3/19. With respect to the FOURTEEN brand, the Company plans to return to its roots as a top wedge brand and thereby engineer a rally in the golf business overall.

Meanwhile, the situation in racquet sports remains challenging. There is a movement symbolizing young people moving away from tennis, and for the foreseeable future the Company will be taking a defensive posture in racquet sports. However, there are a few positive developments as well, such as the arrival of new stars like Naomi Osaka. In fact, October sales recovered on a YoY basis, possibly reflecting Naomi Osaka’s success.

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**GLOBERIDE, Inc.** | 28-Jan.-2019  
7990 Tokyo Stock Exchange First Section

Performance trends

**ONOFF LADY**



Source: Materials supplied by the Company

**PRINCE**



Source: Materials supplied by the Company

**Past results and forecasts**

	FY3/16	FY3/17	FY3/18	FY3/19 E
	(¥mn)			
Net sales	79,026	79,142	85,785	88,000
YoY	6.57%	0.15%	8.39%	2.58%
Operating profit	3,420	3,416	3,768	3,450
YoY	21.06%	-0.12%	10.30%	-8.44%
Ordinary profit	2,885	2,447	3,598	2,900
YoY	-1.13%	-15.18%	47.04%	-19.40%
Profit attributable to owners of parent	1,659	2,184	2,497	2,600
YoY	3.49%	31.65%	14.33%	4.12%
EPS (¥)	144.39	190.08	217.36	226.34
Dividend (¥)	45	50	55	60

Note: Conducted a reverse stock split of 10 shares to one share on October 1, 2015; post-split EPS and dividend for FY3/16

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

## ■ Outlook and strategy

### Formulated a new medium-term business plan that lasts through FY3/21

#### ● Medium-term business plan

The Company finished the medium-term business plan lasting through FY3/17 that had final-year goals of ¥80,000mn in consolidated sales (up 18% versus FY3/14), ¥3bn in consolidated operating profit (up 30%), and a ¥50 dividend (effectively a ¥15 dividend hike). While sales slightly missed the goal due to the impact of yen appreciation on conversion of overseas value to a yen basis, operating profit reached the goal one year ahead of time and ultimately overshot by ¥416mn.

The Company is advancing a new medium-term business plan that lasts through FY3/21 with aims of further growth and improved corporate value by sustaining “proactive management.” The new plan continues the three measures from the previous medium-term plan of pursuing supply capacity for products with market advantages, stimulating and improving the domestic market, and taking actions in overseas markets.

The final fiscal year is FY3/21 and targets the Tokyo Olympics and Paralympics year. We expect a reasonably healthy environment given the prospect of heightened sports excitement in Japan. But with the population declining there is no hope of the large Japanese market expanding. While the domestic market is likely to pick up, we think overseas business will remain the primary source of growth opportunity.

Income levels should be rising in Asia, and these gains are likely to broaden demand for products related to fishing for leisure. We forecast continuation of a growth trajectory along with the plan, thanks to this addition to market development room.

The numerical targets for the plan's final fiscal year of FY3/21 are net sales of ¥100,000mn and operating profit of ¥5,000mn, while the Company is aiming for an annual dividend of ¥70. Recently, it has been increasing the dividend by ¥5 each year, and if it realizes a dividend of ¥70 in FY3/21, it will have recorded a ¥5 dividend increase for 10 consecutive fiscal periods, which seems an achievement worth paying attention to.

The plan also has strong awareness of “post-Olympics” from 2020. In the situation of slumping domestic demand, the Company will advance the creation of highly appealing products while also further strengthening its overseas bases so it can keep on a growth path. In fact, at the present time, it is dispatching top sales team members in Japan to local markets as marketers for overseas sales, and this measure is bearing fruit.

The Company previously focused on sales of luxury goods for overseas, but at the current time it has started to place more emphasis on the largest customer segment. Products in the medium, popular price range have a low profit margin compared to luxury goods, but even so, currently profits are accumulating from the increase in the sales volume.

Outlook and strategy

The strategies by product are as follows.

**(1) Fishing product business**

Aging is affecting the fishing population in Japan, and the overall trend is moving downward. This environment raises concern about the future similar to other consumption goods.

The Company is addressing the situation by proposing a different type of fishing than in the past and hopes to increase sales by creating a new market. We think the Company is capable of pursuing this strategy because of its strength of steadily launching innovative products that cannot be produced by rivals. The Company also conducts activities to raise awareness among young people, such as the Daiwa Young Fishing Club (D.Y.F.C.) started 40 years ago, and takes an aggressive stance to market development.

DAIWA's technologies



Source: Materials supplied by the Company

GLOBERIDE, Inc. | 28-Jan.-2019  
7990 Tokyo Stock Exchange First Section

Outlook and strategy

Daiwa Young Fishing Club



Source: Materials supplied by the Company

Yet overseas markets are the primary opportunity for driving future growth. Asia, which is already exhibiting robust growth, offers clear potential. For example, particularly strong demand for the Company’s high-end products exists in China from the segment with large incomes even though these items cost a few times more than normal prices. The fishing style is also changing from simple fishing, mainly for crucian carp and koi carp, to fishing using lures and reels. Inquiries for high-end products handled by the Company are likely to strengthen as income levels climb in Southeast Asia and other regions.

US and European markets have matured and largely fluctuate with trends in economic activity, but the Company still has substantial room to expand its share. The Company plans to use a strategy of acquiring share by bolstering the line-up of products that meet regional characteristics.

Fishing show in Italy



Source: Materials supplied by the Company

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Outlook and strategy

**(2) Golf products business**

While the Company aims to increase its global market share in fishing business, it is not trying to compete for volume with Sumitomo Rubber Industries, Ltd. <5110> (former DUNLOP SPORTS CO. LTD.), Bridgestone Corporation <5108>, and other firms in the golf business.

While the Company is aiming to increase its global market share in the fishing products business, in the golf products business the Company is not trying to compete for volume with companies such as Sumitomo Rubber Industries' <5110> Sports Business Headquarters (formerly DUNLOP SPORTS CO. LTD.) or Bridgestone Corporation <5108>.

The Company differentiates itself from other manufacturers and provides high-end products and services to customers who are fans of these products, with an emphasis on nurturing the brand value of ONOFF, FOURTEEN, and other brands. Specifically, following on from the FOURTEEN fan club, which has more than 10,000 members, the ONOFF brand has started to build a membership organization and enhance customer services to increase its customers' satisfaction. As discussed above, the Company is working to engineer a rebound for FOURTEEN by reconfirming it as a premier wedge brand.

The membership organization holds test-hitting events exclusive to members. These activities put emphasis on fans and pursue steady improvement of brand value and stable sales growth.

**CLUB ONOFF membership organization**



Source: Materials supplied by the Company

**GLOBERIDE, Inc.** | 28-Jan.-2019  
7990 Tokyo Stock Exchange First Section

Outlook and strategy

**Fourteen Classic golf competition organized by FOURTEEN**



Source: Materials supplied by the Company

**(3) Racquet sports business**

The Company utilizes a strategy that nurtures a brand in the tennis business too, similar to golf products. It serves as the sales agency for PRINCE in Japan. PRINCE triggered a boom with “oversized racquets” and fueled a revolution in the tennis playing style in the 1970s. Recently, the company launched new products featured world-first technology. This brand has continued to deliver innovations in racquet technology and actively engages in product creation and promotions that propose an enjoyable tennis life for adults both on and off the court.

**Enjoying adult tennis life off the court**



Source: Materials supplied by the Company

Windsor Corporation, a subsidiary running a retail business, is a well-known specialty racquet shop in Japan. It has a broad range of sales connections that extends from students to adults and also other racquet sport players, mainly in the Kanto area, and aims to expand sales going forward.

Outlook and strategy

Windsor Racquet Shop - Shibuya



Source: Materials supplied by the Company

(4) Apparel

Apparel business offers opportunity in the new medium-term plan. The Company mainly supplied fishing apparel up to now and has launched an independent apparel brand for the first time. It is developing the D-VEC brand released in 2017 as an urban fashion line that combines technology and functionality cultivated over many years for DAIWA fishing apparel with fashion sense from a dedicated design team.

D-VEC items, which can be worn comfortably even in a harsh fishing natural environment, comprise an extensive line-up of not only outerwear, but also T-shirts, shorts, shoes, umbrellas, and eyewear. The Company opened the EC site and a shop in Harajuku, Tokyo in March 2017. It is proposing sports apparel that makes life fuller in accordance with the corporate ideal of being a “lifetime sports company” and hopes to enhance corporate value.

The Company is planning to open a second store in the near future, following the store in Harajuku.

D-VEC



Source: From the Company's website

#### Outlook and strategy

In July 2018, the Company launched “A Lifetime Sports Studio” in the ifs Future Laboratory inside Itochu Garden located in Gaienmae, Minato Ward, Tokyo. The Company plans to use this space to advocate itself as a “lifetime sports company” and communicate Globoride’s corporate value.

Elsewhere, the Company is planning to address the consumption tax rate hike scheduled for October 2019 by adjusting the timing of new product launches. It seems that the Company is planning to mitigate the impact of the rush in demand before the tax rate hike and the recoil dip in demand following the hike as much as possible.

## Shareholder returns

### Steadily raised the dividend each fiscal year, targeting ¥60 in FY3/19

The FY3/18 annual dividend was ¥55 per share, while the forecast for FY3/19 is ¥60. The dividend payout ratio was 26.3% in FY3/17 and 25.3% in FY3/18, while the estimate for FY3/19 is 26.5%, so the Company is stably paying dividends.

The Company pays shareholder returns while striking a balance with internal reserves, seeking proactive R&D and capital investments to develop innovative products. Based on the target dividend of ¥70 in FY3/21, the final fiscal year of the medium-term management plan, we expect that the dividend amount will increase by ¥5 per year over the near term.

The Company is expecting capital investment to be around ¥2.5bn per year, but the Company is considering quickening the pace of capital investment in overseas factories in response to the growth in overseas sales.

## Information security measures

On considering the environment created by the increasingly malicious and sophisticated ransomware and other types of computer viruses, the Company constantly installs the latest virus-detection software at various places in its networks, servers, and PCs. It has also established a multi-level defense system, including tools to catch unknown threats in advance. In addition, it has in place a 24-hour monitoring system operated by an external specialist agency for detecting and protecting against abnormalities. The Company actively conducts promotions for customers, so it handles a lot of personal information. Therefore, it is thoroughly educating employees on information management, while it has also launched a risk management committee within the Company and is working to prevent the leakage of information.



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