

GLOBERIDE, Inc.

7990

Tokyo Stock Exchange First Section

17-Sept.-2020

FISCO Ltd. Analyst



FISCO Ltd.

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

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■ Company summary

Founded as a manufacturer of fishing reels for export, broadened scope from fishing to golf, racquet sports, and cycle sports too

1. Renamed from Daiwa Seiko Corporation to GLOBERIDE in 2009

GLOBERIDE, Inc. <7990> (hereafter, also “the Company”) is the world’s largest comprehensive supplier of fishing products. It has manufacturing sites in Japan and overseas (Asia, United Kingdom) and operates in four major regions, including the Americas, Europe, and Asia-Oceania. It also manufactures and sells (including exports) golf clubs and conducts import sales of tennis products and cycle sports in the domestic market.

The Company was established in 1955 as Matsui Manufacturing and mainly manufactured fishing reels for export. It established Daiwa Seiko Corporation in Yamato-cho, Nakano Ward, Tokyo in July 1958, taking its first step toward today’s format. It built a plant for reel production at the site of the current headquarters in 1960, and also moved the headquarters to this location in 1962. It launched a rod manufacturing plant at the same location too in 1964. This consolidation of the headquarters function and manufacturing plant for important items at one site established a foundation as a comprehensive supplier of fishing products.

The Company actively pursued overseas operations from early on, particularly since it targeted the export market from the founding stage. It established Daiwa Corporation in Los Angeles, US, in 1966 and then proceeded to steadily add overseas subsidiaries, including Taiwan, Australia, the United Kingdom, France, and Asian countries. As of the end of June 2020, it has 18 overseas local entities, including a local entity in Russia established in January 2019.

While the Company’s core business is the fishing business, its founding area, it also expanded into the golf business in 1972, the tennis business in 1980 (which is now often referred to as the racquet sports business) and the cycle sports business in 1991. Today it possesses strong brands and a clear presence in each of these four businesses.

The Company revised its name to Daiwa Seiko Corporation in 1969. While this took hold broadly along with “DAIWA” fishing brand, the Company renamed itself as GLOBERIDE in October 2009, its 50th year in business, as an expression of powerful resolve to evolve into a global company and a desire to contribute to people around the world who love sports and nature as “A Lifetime Sports Company” that supports enjoyment of our planet with the five human senses and valuable experiences.

The Company listed its shares on the Second Section of the Tokyo Stock Exchange in October 1970 and switched to the First Section, where it is currently listed, in January 1976.

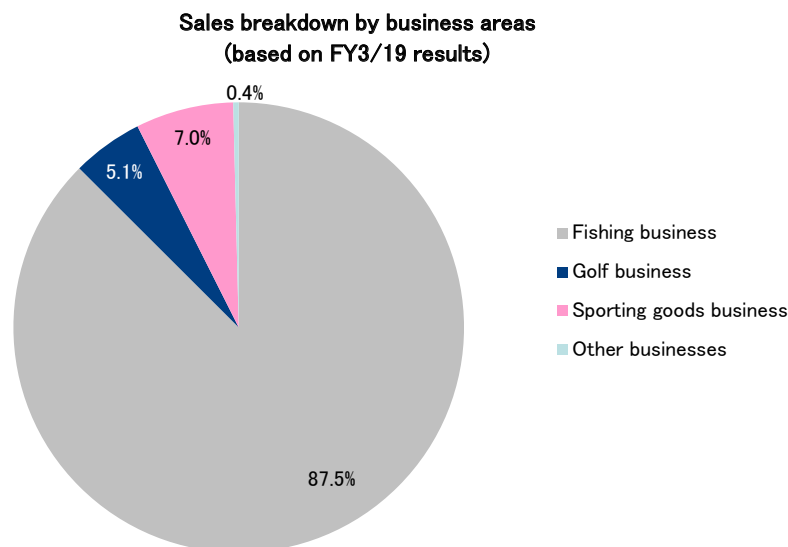
With its mainstay “DAIWA” fishing brand, the Company also operates other businesses with its original outlook on the world.

2. Business summary

(1) Four main businesses

The Company focuses on sports and leisure business as its scope and is currently promoting business in four areas - fishing, golf, tennis, and cycle sports. In the fishing business, where it is the global leader as a comprehensive supplier of fishing products, “DAIWA” brand is widely known in the market. The Company also stands out in having refined and uniquely positioned brands in the other three areas with “ONOFF” in the golf business, “Prince” in the tennis business, and “corrateg” in the cycle sports business.

Looking at the sales breakdown by business in FY3/19, the fishing business accounted for 87.5%, the sporting goods business for 7.0%, and the golf business for 5.1%.



Source: Prepared by FISCO from the Company’s website

Below is a review of the Company’s business by the main business areas.

a) Fishing business

The Company’s core business holds a top global position as a comprehensive supplier of fishing products. With “DAIWA” brand and a “Feel Alive” vision, the Company aims to expand its products for the fast-growing lure fishing and broadly cover target fish species from around the world. The Company’s product line-up has a broad scope that extends from reels and rods to apparel (gear), cooler boxes, and specialty smaller items.

In technology, an important differentiating factor, the Company promotes “DAIWA Technology” that offers unique waterresistance and dustproof features in reels, rods, and other fishing products and constantly pursues innovative technologies for various parts. By deploying these technologies in products, the Company strives to lead the fishing gear industry worldwide.

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Company summary

DAIWA



Source: Materials supplied by the Company

The market for fishing products is very narrowly segmented by types of fishing and target fish species and has many small-scale businesses catering to this broad range of market segments. This means that it is highly separated in terms of market segmentation and related participants. Furthermore, there are some cases in which large companies participate in certain markets (such as Toray Industries, Inc. <3402> and Kuraray Co., Ltd. <3405> in fishing lines), along with fishing product companies. Within this context, the Company holds the top global position as a comprehensive supplier of fishing products with a line-up of wide-ranging and diverse products.

In manufacturing, the Company makes reels and rods at the Tokyo plant (headquarters plant) and subsidiary Nasu Daiwa Corporation in Japan and in the UK, Thailand, Vietnam, and China abroad.

“DAIWA” brand is also popular in Europe and the US



Source: Materials supplied by the Company

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Company summary

b) Golf business

In the golf business, the Company established Daiwa Golf K.K. in 1971, initiating production and sales of golf products (it later conducted an absorption merger of Daiwa Golf in 1995). Thereafter, it acquired Fourteen Inc., which manufactures and sells golf clubs, as a subsidiary in 2008. The Company currently has four brands – “ONOFF”, “DAIWA GIII”, “RODDIO” (manufacturing and sales by subsidiary Sports Life Planets Inc.) and “Fourteen” (manufacturing and sales by subsidiary Fourteen).

“ONOFF”, the core brand in golf business, promotes a concept of “refined adult golf.” The Company operates “CLUB ONOFF”, a membership club, to offer a premium atmosphere that is suited to the concept of “refined adult golf” and strives to further enhance service content.

ONOFF



Source: Materials supplied by the Company

“Fourteen” is a brand that focuses on golf club performance with a concept of delivering the “best 14 clubs to every golfer,” selecting its name from the number of golf clubs in a set.

Fourteen



Source: Materials supplied by the Company

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Company summary

c) Tennis business

The Company started the tennis business in 1980. It supplies “Prince” brand products to the domestic market for the various racquet sports (tennis, badminton, squash, etc.) as the exclusive import agent in Japan.

“Prince” is a brand founded in Princeton, New Jersey (US) in 1970. It has attracted support from many fans around the world as a preferred choice of numerous top players with a robust track record over the years. It leverages innovative technology and refined brand strength to go beyond just racquets and broaden the line-up to tennis wear and other sports apparel products.

Prince

Source: Materials supplied by the Company

Company summary

d) Cycle sports business

The Company entered the cycle sports business in 1991. It conducts import sales of sports bicycles and related products and currently operates three brands of sports bicycles with Germany-based “corrateg” and “FOCUS” and Italy-based “BOTTECHIA” and handles, seats, tires, and other items under “WTB”, “iTM”, and other brands.

“corrateg” bicycle brand has a track record in both road and MTB racing and is also an eBike pioneer. It has been manufacturing and selling products since the emergence of eBike business in Europe and enjoys support from many users. This brand has been sustaining growth as a leading German bicycle thanks to rigorous testing in an area with many trails that differ considerably.

“FOCUS” brand, which was established in 1992, comes under Derby Cycle Holding GmbH, Germany’s largest bicycle company. The brand concept is to develop bicycles capable of winning in the racing world. “FOCUS” supplies cutting-edge machines equipped with the most advanced technologies and equipment and has acquired the support of many road racers.

“BOTTECHIA”, which was founded in 1926, obtained its brand name from legendary racer Ottavio Bottecchia. It is a famous popular brand in European road racing with a long history in the fiercely competitive bicycle industry and past victories in the Tour de France, the global pinnacle of bicycle races.

Fast-growing German bicycle brands



Source: Materials supplied by the Company

Company summary

(2) Overseas activities

The Company established a presence in the US market in 1966 and actively developed overseas operations thereafter, particularly since it had roots as a manufacturer of fishing reels for export. Its Group currently consists of the parent company and 30 subsidiaries located in Japan and other countries.

In overseas operations, the Company engages in fishing and golf businesses with original brands. The golf business, however, only appears to have a small amount of sales. FISCO hence thinks it is reasonable to analyze the Company's overseas business as almost entirely fishing products.

History of overseas initiatives

October 1966	Established Daiwa Corporation in Los Angeles, USA (currently a consolidated subsidiary)
February 1971	Established Taiwan Daiwa Co., Ltd. in Kaohsiung, Taiwan (liquidated in December 2007)
February 1973	Established Daiwa Whitehall Pty. Limited in Sydney, Australia (renamed Daiwa (Australia) Pty. Ltd. in July 1981) (currently a consolidated subsidiary)
July 1977	Established Daiwa Sports Limited in Wishaw, Scotland, UK (currently a consolidated subsidiary)
October 1984	Established Daiwa France S.A. (renamed Daiwa France S.A.S. in June 2004) in Rouen, France (currently a consolidated subsidiary)
April 1990	Established Daiwa-Cormoran Sportartikel Vertrieb GmbH in Grobenzell, Germany as a joint venture with Cormoran (purchased additional shares to acquire the company as a wholly owned subsidiary in November 2009) (currently a consolidated subsidiary)
June 1995	Established Daiwa Seiko (Thailand) Co., Ltd. in Bangkok, Thailand (currently a consolidated subsidiary)
February 2002	Established Daiwa FT Enterprise Co., Limited in Taichung, Taiwan (currently a consolidated subsidiary)
January 2004	Established Daiwa (Hong Kong) Co., Ltd. in Hong Kong (currently a consolidated subsidiary)
April 2005	Established Daiwa Seiko (South Korea) Co., Ltd. in Korea (renamed Daiwa Korea Co., Ltd. in April 2011) (currently a consolidated subsidiary)
September 2005	Established Daiwa Vietnam Limited in Da Nang, Vietnam (currently a consolidated subsidiary) and established Zhongshan Daiwa Sporting Goods Limited in Guangdong, China (currently a consolidated subsidiary)
November 2010	Established Asia Daiwa (Hong Kong) Co., Ltd. in Hong Kong (currently a consolidated subsidiary)
September 2012	Established Singapore Daiwa Pte. Ltd. in Singapore (currently a consolidated subsidiary)
February 2013	Established Dongguan Daiwa Sporting Goods Limited in Guangdong, China (currently a consolidated subsidiary)
April 2014	Established Daiwa Italy S.r.l. in Milan, Italy as a joint venture with Fassa (acquired all shares in March 2016) (currently a consolidated subsidiary)
March 2016	Established Daiwa Sports (M) SDN.BHD. in Malaysia (currently a consolidated subsidiary)
November 2018	Established Daiwa Casting (Guangzhou) Trading Co., Ltd. in Guangdong, China (currently a consolidated subsidiary)
January 2019	Established <<000>> Daiwa Rus in Russia (currently a consolidated subsidiary)

Source: Prepared by FISCO from the Company's securities report

The Company's fishing business has local entities that handle sales in the Americas (Los Angeles, US), Europe (UK, France, Germany, Italy, and Russia), and Asia-Oceania (Taiwan, Australia, Hong Kong, Korea, China, Singapore, Malaysia, and Thailand) and implements sales strategies that address wide-ranging and diverse market trends in regions covering more than 100 countries worldwide and strives to expand sales of handled products.

The Company also manufactures products for the fishing business in other countries. It currently makes products in Thailand, Vietnam, China (two companies), and the UK and ships them to Japan and markets around the world.

Performance trends

Sales and profits declined in FY3/21 1Q because of impact from the COVID-19 pandemic, though aims to increase sales and raise profits for the full year and maintain the dividend

1. Overview of FY3/21 1Q results

In the FY3/21 1Q (Apr-Jun 2020) consolidated results, net sales were ¥20,377mn (down 8.4% YoY), operating profit was ¥794mn (down 26.7%), ordinary profit was ¥697mn (down 29.8%), and profit attributable to owners of parent was ¥448mn (down 38.1%).

Overview of FY3/21 1Q results

	FY3/20 1Q Results	FY3/21 1Q	
		Results	YoY
Net sales	22,243	20,377	-8.4%
Gross profit	8,122	7,285	-10.3%
SG&A	7,038	6,490	-7.8%
Operating profit	1,084	794	-26.7%
Operating income margin	4.9%	3.9%	-
Ordinary profit	994	697	-29.8%
Profit attributable to owners of parent	724	448	-38.1%

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

The sports and leisure products industry, which is covered by the Company's Group, confronts a difficult market environment because of "stay home" restrictions, store suspension requests, and other measures related to the COVID-19 pandemic. This section reviews recent trends by region.

● Trends by region

a) Japan

In Japan, the Company reported ¥14,485mn in net sales (down 11.4% YoY) and ¥911mn in segment profit (down 12.8%) in FY3/21 1Q. The market temporarily weakened significantly due to the impact of the COVID-19 pandemic after the issuance of the state of emergency declaration in April. Amid these conditions, the Company actively implemented sales activities, such as providing a broad line-up of proprietary innovative products.

b) Americas

In the Americas, the Company posted ¥1,909mn in net sales (up 10.0% YoY) and ¥35mn in segment profit (down 42.3%) in FY3/21 1Q. It achieved an increase in sales, despite impact from the COVID-19 outbreak that emerged in March, on the success of offering new products using its proprietary technologies and conducting extensive marketing activities. Profit, meanwhile, fell because of higher import costs related to the impact of US-China trade friction and other negative factors.

c) Europe

In Europe, the Company reported ¥2,812mn in net sales (down 6.6% YoY) and ¥179mn in segment profit (down 38.9%) in FY3/21 1Q. While market conditions were already sluggish from the start of the year, economic activity weakened substantially due to the setback from the COVID-19 outbreak since March.

Performance trends

d) Asia and Oceania

In the Asia-Oceania region, the Company posted ¥6,209mn in net sales (down 3.0% YoY) and ¥378mn in segment profit (up 15.1%) in FY3/21 1Q. The market dropped significantly from February because of a broad COVID-19 outbreak in Asian countries. Additionally, temporary suspension of output at Chinese plants affected supplies of products and parts. Sales in China, however, remained healthy despite this environment.

Details by regional segments

(¥mn)

	FY3/20 1Q		FY3/21 1Q		
	Results	% of total	Results	YoY	% of total
Net sales	22,243	-	20,377	-8.4%	-
Japan	16,353	59.5%	14,485	-11.4%	57.0%
Americas	1,735	6.3%	1,909	10.0%	7.5%
Europe	3,010	10.9%	2,812	-6.6%	11.1%
Asia and Oceania	6,404	23.3%	6,209	-3.0%	24.4%
Adjustments	-5,259	-	-5,039	-	-
Operating profit	1,084	-	794	-26.7%	-
Japan	1,044	60.4%	911	-12.8%	60.6%
Americas	62	3.6%	35	-42.3%	2.3%
Europe	294	17.0%	179	-38.9%	11.9%
Asia and Oceania	328	19.0%	378	15.1%	25.2%
Adjustments	-646	-	-710	-	-
Operating income margin	4.9%	-	3.9%	-	-
Japan	6.4%	-	6.3%	-	-
Americas	3.6%	-	1.8%	-	-
Europe	9.8%	-	6.4%	-	-
Asia and Oceania	5.1%	-	6.1%	-	-

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

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Performance trends

Balance sheet

	March 31, 2016	March 31, 2017	March 31, 2018	March 31, 2019	March 31, 2020	June 30, 2020
	(¥mn)					
Current assets	43,200	44,843	46,277	47,261	51,447	51,631
Cash and deposits	4,704	4,470	5,318	5,317	5,006	6,090
Notes and accounts receivable - trade	12,069	13,079	13,604	12,969	13,306	11,944
Inventories	23,749	24,252	25,995	27,010	29,645	32,343
Non-current assets	25,519	24,744	28,401	27,083	26,522	27,176
Property, plant and equipment	15,128	14,053	14,646	15,489	16,129	16,225
Intangible assets	2,399	2,319	2,150	1,702	1,401	1,383
Investments and other assets	7,990	8,371	11,605	9,891	8,991	9,567
Total assets	68,719	69,587	74,678	74,344	77,970	78,807
Current liabilities	31,673	32,927	33,756	34,141	37,161	37,985
Notes and accounts payable - trade	9,510	10,000	10,259	10,365	12,138	5,581
Short-term borrowings	16,728	17,075	17,210	16,817	18,784	19,939
Non-current liabilities	18,535	17,218	17,803	16,937	17,785	17,859
Long-term borrowings	10,944	9,721	10,324	9,461	10,509	10,656
Shareholders' equity	15,677	16,442	18,360	20,625	21,055	21,102
Share capital	4,184	4,184	4,181	4,184	4,184	4,184
Capital surplus	-	-	0	0	0	0
Retained earnings	12,352	13,120	15,043	17,313	17,747	17,794
Treasury shares	-859	-862	-867	-872	-876	-876
Accumulated other comprehensive income	2,678	2,861	4,607	2,499	1,827	1,732
Non-controlling interests	154	137	151	140	139	128
Total net assets	18,510	19,441	23,119	23,265	23,023	22,962
Total liabilities and net assets	68,719	69,587	74,678	74,344	77,970	78,807

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

2. Outlook for FY3/20

In the outlook for FY3/21 consolidated results, while the Company left guidance undecided initially because of impact by the COVID-19 pandemic, it newly disclosed guidance this time in light of recent result trends. Its targets are ¥89,000mn in net sales (up 0.8% YoY), ¥3,500mn in operating profit (down 3.1%), ¥2,800mn in ordinary profit (down 9.3%), and ¥1,700mn in profit attributable to owners of parent (up 51.4%). In the mainstay fishing business, the fishing goods retail market* continues to growth at a healthy pace amid a downward trend in the fishing participant population, the customer segment, and the Company expects the expansion trend to continue over the longer term. The Company also forecasts moderate recovery in the sports and leisure products market in 2H, though does not know when the COVID-19 situation is likely to settle down. Looking back at results over the past three months, while the state of emergency declaration, business suspension, and other setbacks caused by the COVID-19 outbreak directly affect the Company in April, demand has shown signs of a rebound since the government lifted the state of emergency declaration in June. There is also clear recovery momentum in other countries. Given these developments, FISCO thinks the Company's results should recover in Jul-Sep and are likely to reach FY3/21 targets. The Company kept the FY3/21 dividend target at the same level as the previous year.

* Retail market size is an estimate obtained by applying distribution-stage gross margin to total domestic shipment value by individual product areas.

For details, refer to the graphs "Trend in Japan's fishing participant population" (page 12) and "Trend in domestic retail market size for fishing products (estimate)" (page 12).

Performance trends

Past results and forecasts

	FY3/20	FY3/21 E	YoY
Net sales	88,258	89,000	0.8%
Operating profit	3,613	3,500	-3.1%
Ordinary profit	3,085	2,800	-9.3%
Profit attributable to owners of parent	1,123	1,700	51.4%
ESP (¥)	97.79	148.03	51.4%
Dividend (¥)	65	65	0.0%

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

Longer-term growth strategy

Sales likely to continue rising with overseas markets as the driver, improving profitability is an issue and also a source of growth

1. Growth strategy in the fishing business

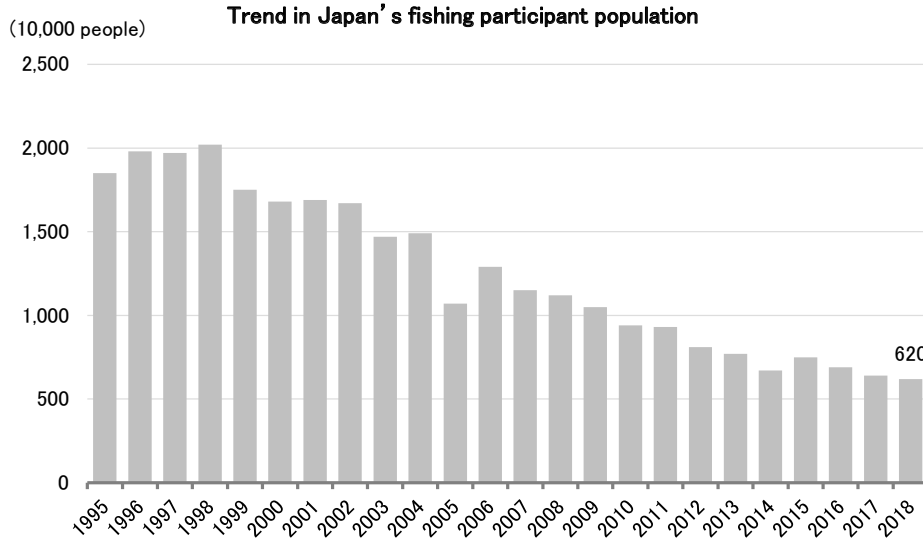
Fishing business provides about 90% of the Company's sales, as explained in the Company summary, and growth in the fishing business is obviously a vital component of the longer-term growth strategy. The following section takes a more detailed look at growth strategy and issues in the Company's fishing business.

● Fishing market trends and long-term results

Japan's fishing population increased along with the overall market during the mid-1990s when the country experienced a boom in outdoor activities and reached a peak at 20.2mn people in 1998. Since then, however, it has been trending lower and dropped to 6.2mn people in 2018.

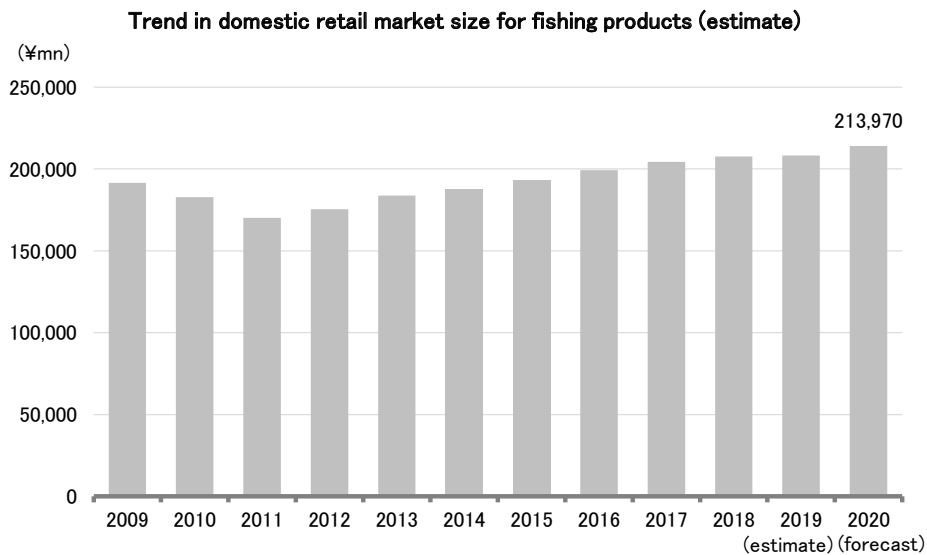
The compound annual growth rate (CAGR) over the 20 years from 1998 to 2018 was -6.0%, showing sustained decline at a fairly rapid pace, including a comparable level of -5.7% in the 10 years from 2008 to 2018. Other outdoor sports and leisure activities, such as mountain climbing, hiking, and auto camping, have followed similar trends.

Longer-term growth strategy



Source: Prepared by FISCO from the Japan Productivity Center's White Book on Leisure

We also look at activity in the fishing products market. According to trend data on domestic retail market size for fishing products (estimate), the market switched to positive growth in 2012, following a downward trend through 2011, and the estimated size in 2019 is ¥208.2bn. The outlook for 2020 using the estimate prior to the COVID-19 outbreak is ¥213.9bn, a 2.8% YoY increase. These levels indicate that the market is increasing.



Note: Retail market size is an estimate obtained by applying distribution-stage gross margin to total domestic shipment value by individual product areas.

Source: Prepared by FISCO from the JAPAN FISHING TACKLE MANUFACTURERS ASSOCIATION's "Report on a demand trend survey for fishing products" issued in January 2020

Longer-term growth strategy

Looking at the trend in domestic market size by fishing products(estimate) by fishing products, fishing rods, fishing reels, and lures, which have large market segments, have been generally moving upward since 2013. Based on estimates from prior to the COVID-19 outbreak, the market is headed for an all-time high since 2013 in 2020. While some fishing product companies focus on certain types of fishing, overall market trends are likely to roughly overlap with the Company's shipment trend because it has a full line-up of products as a comprehensive supplier of fishing products.

Trend in domestic market size by fishing products (estimate)

	(¥mn)							
	2013	2014	2015	2016	2017	2018	2019 (estimate)	2020 (forecast)
Fishing rods	37,450	37,730	39,750	40,890	42,360	43,370	41,850	43,550
Fishing reels	30,520	33,060	33,870	36,120	36,470	38,140	40,130	40,810
Miscellaneous hooks	26,490	26,180	26,700	27,420	27,790	27,380	27,220	27,860
Gear	8,220	8,550	8,380	8,920	9,890	11,260	11,370	11,720
Goods	19,330	19,030	19,930	20,430	21,210	20,360	20,150	20,630
Bait	19,450	19,500	19,360	18,700	17,980	17,500	17,100	17,220
Lures	29,100	29,840	30,710	31,790	33,530	34,810	35,560	36,740
Coolers	3,030	3,230	3,370	3,640	3,690	3,830	3,870	4,210
Others	10,150	10,390	10,940	11,470	11,340	10,950	10,980	11,230
Total	183,740	187,510	193,010	199,380	204,260	207,600	208,230	213,970

Source: Prepared by FISCO from the Japan Fishing Tackle Manufacturers Association's "Report on a demand trend survey for fishing products" issued in January 2020

According to the above-mentioned graphs "Trend in Japan's fishing participant population" and "Trend in domestic retail market size for fishing products," despite the downward trend in the fishing population, the fishing products market is expanding and offers a vibrant market similar to outdoor sports.

2. Initiative in the apparel sector utilizing functionality cultivated in fishing

The Company is actively pursuing its initiative in apparel sector with the aim of creating a next-generation growth engine. While upfront investments in this area have pressured recent profitability, FISCO believes that the Company has extremely large potential in the sector and its initiative in this area is very meaningful.

The Company's apparel initiative started with the launch of new-label D-VEC in 2017. D-VEC follows a concept of "integrating functionality cultivated from fishing-leader DAIWA's many years of interacting with nature and urban fashion."

Furthermore, the Company has displayed products (mainly fishing wear) at ISPO, one of the world's largest sports exhibitions held in Munich (Germany), since 2017 and won the ISPO Award for the outdoor segment in 2019. "DAIWA" brand is highly rated in other countries too. The Company is implementing various measures to raise awareness and bolster "DAIWA" brand image, including promotional activities such as opening a concept shop in Omotesando Hills.

Longer-term growth strategy

D-VEC



Source: Materials supplied by the Company

Addressing social contributions and environmental issues with pride as a company leading the world

3. Social contribution activities and ESG initiatives

The Company aims to be “A Lifetime Sports Company” and actively promotes social contributions, environmental conservation, and stimulation of the fishing market. Costs associated with these activities are a factor pressuring profitability (margin). Nevertheless, the efforts are very meaningful from an ESG perspective, and FISCO expects a resulting boost in the Company’s value over the longer term.

D.Y.F.C. Daiwa Young Fishing Club, which the Company has continued since 1976, is an initiative that contributes to society and stimulates the fishing market. It addresses elementary and middle school students and aims to increase fishing fans and support healthy upbringing for children, as the next generation, through a unique experience in which children interact with nature via fishing. Through its history of more than 40 years, members from the Club’s initial years have already finished raising their own children and members from the 1990s, when the domestic fishing population expanded, have families now and the experience has shifted to their children’s generation. The Company also arranges collaboration with local government entities, various organizations, and other parties throughout Japan. In these efforts, it promotes broader inroads by fishing and greater awareness and also actively engages in cleaning and other tasks at fishing sites and other locations.

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Longer-term growth strategy

D.Y.F.C. Daiwa Young Fishing Club



Source: Materials supplied by the Company

Environmental conservation activities (fishing site clean-up)



Source: Materials supplied by the Company

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Longer-term growth strategy

In environmental conservation activities, the Company supports the “Forest Foster Parent Promotion Program”^{*1} promoted by Nagano Prefecture since 2005 and concluded a forest foster parent contract with “Nireikai” handling forest management and operation. The contract designates a portion of forest land owned by “Nireikai” as “GLOBERIDE’s Forest of Water, Greenery, and Sun,” and the Company covers some of the costs for planting, clearing, thinning, and pruning trees. The Company also conducts employee training using the forest, provides manpower assistance to forest conservation through recruitment of volunteers, and supports regional forest cultivation. It received the “Nagano Prefecture Furusato Forest Development Award,” an award from the Nagano Governor, in 2016 due to favorable assessment of these activities and was given related certification of forecast CO₂ absorption volume in the following fiscal year based on Nagano Prefecture’s Forest CO₂ Absorption Assessment and Certification Program^{*2}. Effective promotion of further thinning and other improvements helps reduce CO₂ as well.

*1 Companies involved in environmental activities become foster parents for local government entities within the prefecture that have forests through introduction by Nagano Prefecture. This program is a new approach to forest development that deepens interaction via collaboration between companies and local areas.

*2 This program is part of the Forest Foster Parent Promotion Program that utilizes Nagano Prefecture’s forest development prefectural resident’s tax. By measuring and certifying CO₂ absorption volume over a single year in a forest that conducts “thinning and other improvement tasks” as an initiative of companies cooperating in forest development through interaction with the local region, it aims to promote further thinning and other improvements.

Forest conservation activities



Source: Materials supplied by the Company

The Company has also built a framework for promoting environmental management as an initiative to enhance the environment. It established a companywide horizontal organization, stays abreast of activities conducted by various divisions based on the environmental policy continuously with monthly updates, and checks on compliance with environmental laws and regulations with the aim of ensuring proper operation of the environmental management system. Thanks to these efforts, the Company obtained ISO 14001 certification in 2007. It is strengthening production and sales of lead-free sinkers that use tungsten and eco-friendly products that utilize biodegradable materials, recycling batteries used in electric reels, promoting green factories (realizing resource and energy savings and zero emissions at plants), reducing environmental burden in sales and administrative work, and generating solar power too.

Longer-term growth strategy

While costs for these activities negatively affect near-term earnings, FISCO expects them to improve the Company's brand value over the longer term. The overall share of ESG investment is steadily rising as well, and companies lagging in ESG are being removed from investment choices. This is clearly a very significant issue for shareholder value. Conversely, companies need to curtail near-term earnings volatility and generate a positive effect for shareholders in order to be highly rated from an ESG perspective. FISCO thinks the Company's strong awareness of social contributions and the environment and pride as the top global companies should serve as an advantage in ESG investment.



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