

# **GLOBERIDE, Inc.**

**7990**

Tokyo Stock Exchange First Section

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FISCO Ltd. Analyst

**Hideo Kakuta**



FISCO Ltd.

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## Summary

### Achieved record high sales in FY3/21 exceeding ¥100bn. Demand recovered rapidly amid an assessment that sports and leisure enable people to steer away from the “three Cs”

#### 1. Company summary

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. The Company focuses on sports and leisure business as its scope and is currently promoting business in four areas—fishing, golf, racquet sports, 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.

#### 2. Performance trends

In the FY3/21 consolidated results, the Company posted double-digit increases in sales and significant increase in profits with net sales of ¥100,304mn (up 13.6% YoY), operating profit of ¥7,405mn (up 104.9% YoY), ordinary profit of ¥7,145mn (up 131.6% YoY), and profit attributable to owners of parent of ¥4,797mn (up 327.2% YoY). In the outdoor sports and leisure products industry to which the Company’s Group belongs, the Company achieved favorable results accompanying a situation where the industry encountered a brief downturn due to the COVID-19 pandemic, but mounted a swift recovery after the government lifted its state of emergency declaration amid an assessment the four business areas the Company is promoting are sports and leisure enabling people to steer away from the so-called “three Cs” of confined spaces, crowded places, and close contact. In overseas markets, all regions posted sales and profit growth. Asia-Oceania performed particularly well, because China recovered relatively quickly from the COVID-19 pandemic.

For the FY3/22 consolidated results forecast, the Company projects continued sales and profit growth, with net sales of ¥110,000mn (up 9.7% YoY), operating profit of ¥8,000mn (up 8.0% YoY), ordinary profit of ¥7,800mn (up 9.2% YoY), and profit attributable to owners of parent of ¥5,700mn (up 18.8% YoY). After the initial COVID-19-related travel and other restrictions were relaxed, demand for outdoor sports and leisure recovered sharply in Japan and overseas amid an assessment that sports and leisure enable people to steer away from the “three Cs.” The new normal (including the popularity of outdoor sports and leisure and cycling to work) is likely to become an established lifestyle to some extent rather than a temporary one associated with the pandemic. The Company’s earnings during an average year are weighted toward 1H due to the seasonality of the Company’s fishing and other product items. For FY3/22, the Company assumes that the normal seasonal pattern will continue, with a similar business environment as in 2H FY3/21 without the sudden downturn seen in 1H FY3/21. We thus believe the Company forecast is reasonable and well within achievable range.

Summary

### 3. Growth strategy and key issues

The Company announced “New Medium-term Business Plan 2023” and consolidated net sales of ¥125,000mn (up 25.0% from FY3/21) and consolidated operating profit of ¥10,000mn (up 35.0%) as targets for the final year (FY3/24). This is against a backdrop of the fishing population, which had been declining for many years, rebounding to 6.7 million (+0.5 million from 2018) in 2019. We note that this trend is linked to the increased popularity of camping and had emerged before COVID-19. In addition, fishing attracted new participants, because demand for outdoor sports and leisure recovered sharply amid an assessment that sports and leisure enable people to steer away from the “three Cs.” We forecast a solid increase in the fishing population going forward, assuming that the new normal becomes an established lifestyle to some extent rather than a temporary one associated with the pandemic. Meanwhile, the fishing products market has been growing since 2012 despite a shrinking fishing population. This trend can be attributed to various factors including increases in added-value and diversification of products; we therefore can see potential for higher spending per customer. In consideration of the above, we expect solid growth in the post-COVID-19 domestic fishing products market as well, because we expect an increase in the fishing population and rise in spending per customer.

The Company is aggressively moving into the apparel market to create the next growth engine. Its apparel brand DAIWA PIER 39, launched in the spring/summer 2020 season, has been selling well. Its main feature is the involvement of well-known boutique BEAMS in branding and direction. The brand made a strong start, with first-year sales far exceeding the target.

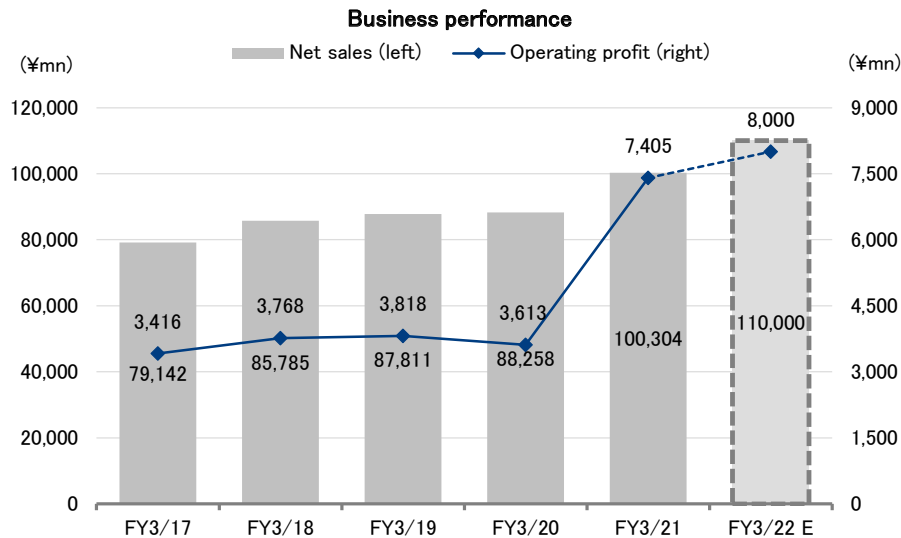
### 4. Shareholder returns

The Company pays dividends and offers a benefits program to shareholders under its shareholder returns policy. Annual dividends were ¥70 per share (up ¥5 per share YoY) with a dividend payout ratio of 16.8% in FY3/21. In the past five years since the reverse stock split, dividends have increased every year from the annual dividend of ¥50 in FY3/17 until FY3/21, resulting an increase of 1.4 times in comparison to FY3/17. The annual dividend forecast for FY3/22 is ¥75 per share (up ¥5 per share YoY) with a dividend payout ratio of 15.1%. Under its shareholder benefits program, the Company also presents shareholders with original QUO Cards featuring the popular Japanese manga “Fisherman Sanpei,” which have been well received.

### Key Points

- The world’s largest comprehensive supplier of fishing products. With its mainstay fishing products, the Company also operates other businesses with its original outlook on the world
- Achieved record high sales in FY3/21 exceeding ¥100bn. Demand recovered rapidly amid an assessment that sports and leisure enable people to steer away from the “three Cs”
- For the post-COVID-19 era, the Company forecasts strong performance in the domestic fishing products market and growth in the US market
- New Medium-term Business Plan 2023 targets consolidated net sales of ¥125,000mn and operating profit of ¥10,000mn in FY3/24, the final year of the plan
- With the involvement of BEAMS in branding and direction, apparel brand DAIWA PIER 39 performed favorably, far exceeding sales targets despite the negative impact of COVID-19

Summary



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

## Company summary

**The world's largest comprehensive supplier of fishing products. In addition to its mainstay fishing business, the Company has expanded businesses into golf, racquet sports, and cycle sports**

### 1. Renamed from Daiwa Seiko Corporation to GLOBERIDE in 2009

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 products for racquet sports, such as tennis, 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 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 May 2021, it has 21 overseas local entities, including a local entity in Russia established in January 2019.

Company summary

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 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.

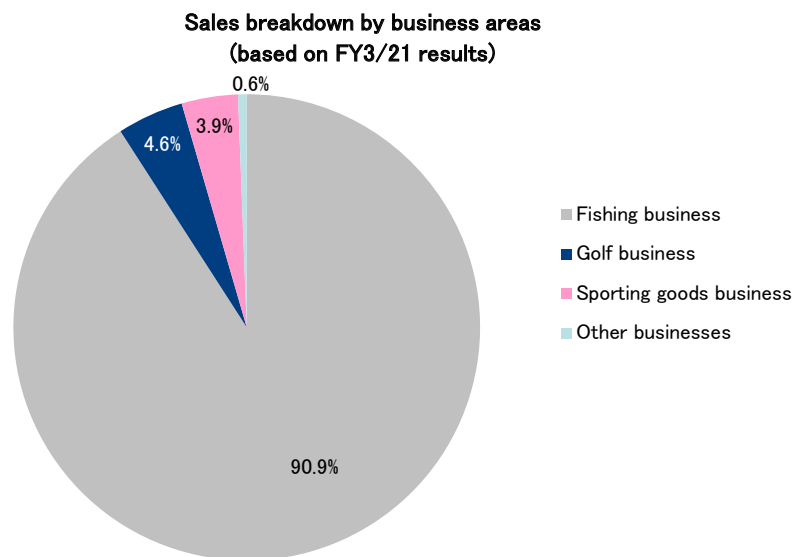
## With its mainstay “DAIWA” fishing brand, the Company also operates other businesses with its original outlook on the world

### 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, racquet sports, and cycle sports. In the fishing business, where it holds the top global position as a comprehensive supplier of fishing products, “DAIWA” brand is widely known in the market. The Company also stands out for having refined and uniquely positioned brands in the other three areas with “ONOFF” and “FOURTEEN” in the golf business, “Prince” in the racquet sports business, and “corrateg” in the cycle sports business.

Looking at the sales breakdown by business in FY3/21, the fishing business accounted for 90.9%, the sporting goods business (including sales of products for racquet sports and cycle sports) for 3.9%, and the golf business for 4.6%.



Source: Prepared by FISCO from Company materials

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Company summary

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

**a) Fishing business**

The Company’s core business holds the 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 (fishing gear), cooler boxes, and specialty smaller items.

In technology, an important differentiating factor, the Company promotes “DAIWA Technology” that offers unique water resistance 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.

**A domestic fishing market encompassing all age groups**



Source: Materials supplied by the Company

Company summary

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 KUREHA CORPORATION <4023> 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. Overseas, the Company has established a global product supply framework encompassing the United Kingdom, Thailand, Vietnam and China, and is furthermore strengthening the production framework primarily in Vietnam to diversify the risk of being concentrated in specific geographic areas.

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



Source: Materials supplied by the Company



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 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 the 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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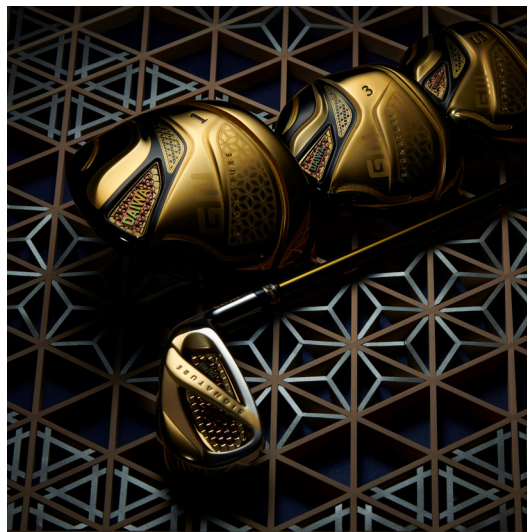
Company summary

RODDIO



Source: Materials supplied by the Company

DAIWA GIII



Source: Materials supplied by the Company

## Company summary

**c) Racquet sports business**

The Company started the racquet sports 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 “BOTTECCHIA” 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 the 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. Having attained an abundance of accomplishments in bicycle racing, the brand has served professional athletes and teams ever since it was first established. As such, the brand has gained the support of many road racers given that “FOCUS” supplies cutting-edge machines equipped with the most advanced technologies and equipment, underpinned by the notion that “FOCUS” develops bicycles capable of winning in the racing world.

“BOTTECCHIA,” 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.

**Europe’s eBike market is growing**



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 29 subsidiaries located in Japan and other countries. The sales from overseas business account for 34.9% of net sales in FY3/21.

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

|                       |  |
|-----------------------|--|
| <b>October 1966</b>   | Established Daiwa Corporation in Los Angeles, USA (currently a consolidated subsidiary)  |
| <b>February 1971</b>  | Established Taiwan Daiwa Co., Ltd. in Kaohsiung, Taiwan (liquidated in December 2007)  |
| <b>February 1973</b>  | Established Daiwa Whitehall Pty. Limited in Sydney, Australia (renamed Daiwa (Australia) Pty. Ltd. in July 1981) (currently a consolidated subsidiary)   |
| <b>July 1977</b>      | Established Daiwa Sports Limited in Wishaw, Scotland, UK (currently a consolidated subsidiary)   |
| <b>October 1984</b>   | Established Daiwa France S.A. (renamed Daiwa France S.A.S. in June 2004) in Rouen, France (currently a consolidated subsidiary)  |
| <b>April 1990</b>     | 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) |
| <b>June 1995</b>      | Established Daiwa Seiko (Thailand) Co., Ltd. in Bangkok, Thailand (currently a consolidated subsidiary)  |
| <b>February 2002</b>  | Established Daiwa FT Enterprise Co., Limited in Taichung, Taiwan (currently a consolidated subsidiary)   |
| <b>January 2004</b>   | Established Daiwa (Hong Kong) Co., Ltd. in Hong Kong (currently a consolidated subsidiary)   |
| <b>April 2005</b>     | Established Daiwa Seiko (South Korea) Co., Ltd. in Korea (renamed Daiwa Korea Co., Ltd. in April 2011) (currently a consolidated subsidiary)   |
| <b>September 2005</b> | 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)   |
| <b>November 2010</b>  | Established Asia Daiwa (Hong Kong) Co., Ltd. in Hong Kong (currently a consolidated subsidiary)  |
| <b>September 2012</b> | Established Singapore Daiwa Pte. Ltd. in Singapore (currently a consolidated subsidiary)   |
| <b>February 2013</b>  | Established Dongguan Daiwa Sporting Goods Limited in Guangdong, China (currently a consolidated subsidiary)  |
| <b>April 2014</b>     | 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)   |
| <b>March 2016</b>     | Established Daiwa Sports (M) SDN.BHD. in Malaysia (currently a consolidated subsidiary)  |
| <b>November 2018</b>  | Established Daiwa Casting (Guangzhou) Trading Co., Ltd. in Guangdong, China (currently a consolidated subsidiary)  |
| <b>January 2019</b>   | 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 (United Kingdom, 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 around the world such as Eastern Europe and South America, 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 United Kingdom and ships them to Japan and markets around the world.

## Performance trends

### Achieved record high sales in FY3/21 exceeding ¥100bn. Demand recovered rapidly amid an assessment that sports and leisure enable people to steer away from the “three Cs”

#### 1. Overview of FY3/21 results

In the FY3/21 consolidated results, the Company posted double-digit increase in sales and significant increase in profits with net sales of ¥100,304mn (up 13.6% YoY), operating profit of ¥7,405mn (up 104.9% YoY), ordinary profit of ¥7,145mn (up 131.6% YoY), and profit attributable to owners of parent of ¥4,797mn (up 327.2% YoY). In the outdoor sports and leisure products industry to which the Company's Group belongs, the Company achieved favorable results accompanying a situation where the industry encountered a brief downturn due to the COVID-19 pandemic, but mounted a swift recovery after the government lifted its state of emergency declaration amid an assessment the four business areas the Company is promoting are sports and leisure enabling people to steer away from the so-called “three Cs” of confined spaces, crowded places, and close contact.

#### Overview of FY3/21 results

|   | FY3/20  |            | FY3/21  |            | YoY    |
|---|---------|------------|---------|------------|--------|
|   | Results | % of total | Results | % of total |        |
| Net sales                               | 88,258  | 100.0%     | 100,304 | 100.0%     | 13.6%  |
| Gross profit                            | 32,168  | 36.4%      | 36,578  | 36.5%      | 13.7%  |
| SG&A                                    | 28,555  | 32.4%      | 29,172  | 29.1%      | 2.2%   |
| Operating profit                        | 3,613   | 4.1%       | 7,405   | 7.4%       | 104.9% |
| Ordinary profit                         | 3,085   | 3.5%       | 7,145   | 7.1%       | 131.6% |
| Profit attributable to owners of parent | 1,123   | 1.3%       | 4,797   | 4.8%       | 327.2% |

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

#### (1) Trends by region

##### a) Japan

In Japan, the Company reported net sales of ¥72,090mn (up 11.2% YoY) and segment profit of ¥5,947mn (up 75.8% YoY), recording double-digit sales growth and sharp profit growth. Although the market slumped for a time following the state of emergency declaration in April 2020 amid the COVID-19 pandemic, demand recovered thereafter, because lifetime sports, mainly fishing, gained popularity as a leisure pursuit that fits current needs, including avoidance of the “three Cs.”

##### b) Americas

In the Americas, the Company posted net sales of ¥8,021mn (up 21.5% YoY) and segment profit of ¥168mn (up 12.8% YoY). Although the market slumped in response to the COVID-19 pandemic in spring, it began to recover gradually as restrictions were relaxed. The new product harnessing DAIWA technology for bass fishing, which is distinctive in the US where there are many freshwater areas, performed well and drove sales and profit growth.

## Performance trends

**c) Europe**

In Europe, the Company posted net sales of ¥10,590mn (up 8.9% YoY) and segment profit of ¥591mn (up 32.0% YoY). From April 2020 onward, demand was negatively impacted by strict lockdowns and other measures to combat COVID-19 in major cities in the region, but picked up after lockdowns ended amid a sharp recovery in demand for outdoor sports.

**d) Asia and Oceania**

In the Asia and Oceania region, the Company posted net sales of ¥31,295mn (up 13.5% YoY) and segment profit of ¥2,730mn (up 34.0% YoY). While trends varied between countries, the Chinese market recovered relatively quickly from the COVID-19 and drove overall performance.

**FY3/21 financial results by regional segment**

|   | FY3/20  |            | FY3/21  |            | YoY    |
|---|---------|------------|---------|------------|--------|
|   | Results | % of total | Results | % of total |        |
| Net sales                                     | 88,258  | -          | 100,304 | -          | 13.6%  |
| Japan   | 64,846  | 59.6%      | 72,090  | 59.1%      | 11.2%  |
| Americas                                      | 6,602   | 6.1%       | 8,021   | 6.6%       | 21.5%  |
| Europe  | 9,722   | 8.9%       | 10,590  | 8.7%       | 8.9%   |
| Asia and Oceania                              | 27,578  | 25.4%      | 31,295  | 25.7%      | 13.5%  |
| Adjustments                                   | -20,490 | -          | -21,692 | -          | -      |
| Operating profit                              | 3,613   | -          | 7,405   | -          | 104.9% |
| Japan   | 3,382   | -          | 5,947   | -          | 75.8%  |
| Americas                                      | 149     | -          | 168     | -          | 12.8%  |
| Europe  | 448     | -          | 591     | -          | 32.0%  |
| Asia and Oceania                              | 2,038   | -          | 2,730   | -          | 34.0%  |
| Adjustments                                   | -2,405  | -          | -2,032  | -          | -      |
| Operating profit margin<br>(Companywide base) | 4.1%    | -          | 7.4%    | -          | 3.3pt  |
| Japan   | 5.2%    | -          | 8.2%    | -          | 3.0pt  |
| Americas                                      | 2.3%    | -          | 2.1%    | -          | -0.2pt |
| Europe  | 4.6%    | -          | 5.6%    | -          | 1.0pt  |
| Asia and Oceania                              | 7.4%    | -          | 8.7%    | -          | 1.3pt  |

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

**(2) Financial standing**

As of the end of FY3/21, total assets decreased by ¥240mn from the end of the previous fiscal year to ¥77,730mn. Although cash and deposits increased, notes and accounts receivable – trade and inventories decreased. Net assets have increased by ¥4,554mn to ¥27,577mn compared to the end of previous fiscal year, largely due to the recording of profit attributable to owners of parent.

## Performance trends

**Consolidated balance sheets**

|   | (¥mn)  |        |        |        |        |
|---|--------|--------|--------|--------|--------|
|   | FY3/18 | FY3/19 | FY3/20 | FY3/21 | Change |
| <b>Current assets</b>                   | 46,277 | 47,261 | 51,447 | 50,291 | -1,156 |
| Cash and deposits                       | 5,318  | 5,317  | 5,006  | 9,600  | 4,594  |
| Notes and accounts receivable - trade   | 13,604 | 12,969 | 13,658 | 10,961 | -2,697 |
| Inventories                             | 25,995 | 27,010 | 29,645 | 27,130 | -2,515 |
| <b>Non-current assets</b>               | 28,401 | 27,083 | 26,522 | 27,438 | 916    |
| Property, plant and equipment           | 14,646 | 15,489 | 16,129 | 16,001 | -128   |
| Intangible assets                       | 2,150  | 1,702  | 1,401  | 1,509  | 108    |
| Investments and other assets            | 11,605 | 9,891  | 8,991  | 9,928  | 937    |
| <b>Total assets</b>                     | 74,678 | 74,344 | 77,970 | 77,730 | -240   |
| <b>Current liabilities</b>              | 33,756 | 34,141 | 37,161 | 34,242 | -2,919 |
| Notes and accounts payable - trade      | 10,259 | 10,365 | 12,138 | 13,424 | 1,286  |
| Short-term borrowings                   | 17,210 | 16,817 | 18,784 | 12,800 | -5,984 |
| <b>Non-current liabilities</b>          | 17,803 | 16,937 | 17,785 | 15,909 | -1,876 |
| Long-term borrowings                    | 10,324 | 9,461  | 10,509 | 8,785  | -1,724 |
| <b>Total net assets</b>                 | 23,119 | 23,265 | 23,023 | 27,577 | 4,554  |
| <b>Total liabilities and net assets</b> | 74,678 | 74,344 | 77,970 | 77,730 | -240   |

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

**2. Outlook for FY3/22**

For the FY3/22 consolidated results forecast, the Company projects continued sales and profit growth, with net sales of ¥110,000mn (up 9.7% YoY), operating profit of ¥8,000mn (up 8.0% YoY), ordinary profit of ¥7,800mn (up 9.2% YoY), and profit attributable to owners of parent of ¥5,700mn (up 18.8% YoY).

After the initial COVID-19-related travel and other restrictions were relaxed, demand for outdoor sports and leisure recovered sharply in Japan and overseas amid an assessment that sports and leisure enable people to steer away from the “three Cs.” The new normal is likely to become an established lifestyle to some extent rather than a temporary one associated with the pandemic. The Company deems that the COVID-19 pandemic has renewed interest in fishing among customers who became fond of the hobby during the fishing boom of the 1990s, and there has been an increase in people new to fishing, including women. The growing popularity of fishing looks set to continue.

The FY3/22 forecast is weighted toward the 1H. For 1H FY3/22, the Company forecasts net sales of ¥58,000mn and operating profit of ¥5,400mn, while for 2H, it forecasts net sales of ¥52,000mn and operating profit of ¥2,600mn. This reflects the seasonality of the Company's fishing and other product items, and a pattern that has been constant in all fiscal years except FY3/21, which was impacted by government orders to stay home as much as possible in the early months of the pandemic. For FY3/22, the Company assumes that the normal seasonal pattern will continue, with a similar business environment as in 2H FY3/21 without the sudden downturn seen in 1H FY3/21. We therefore believe the Company forecast is reasonable and well within achievable range.



## Performance trends

## Outlook for FY3/22

|   | FY3/21  |            | FY3/22   |            | YoY   |
|---|---------|------------|----------|------------|-------|
|   | Results | % of total | Forecast | % of total |       |
| Net sales                               | 100,304 | 100.0%     | 110,000  | 100.0%     | 9.7%  |
| Gross profit                            | 36,578  | 36.5%      | -        | -          | -     |
| SG&A                                    | 29,172  | 29.1%      | -        | -          | -     |
| Operating profit                        | 7,405   | 7.4%       | 8,000    | 7.3%       | 8.0%  |
| Ordinary profit                         | 7,145   | 7.1%       | 7,800    | 7.1%       | 9.2%  |
| Profit attributable to owners of parent | 4,797   | 4.8%       | 5,700    | 5.2%       | 18.8% |

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

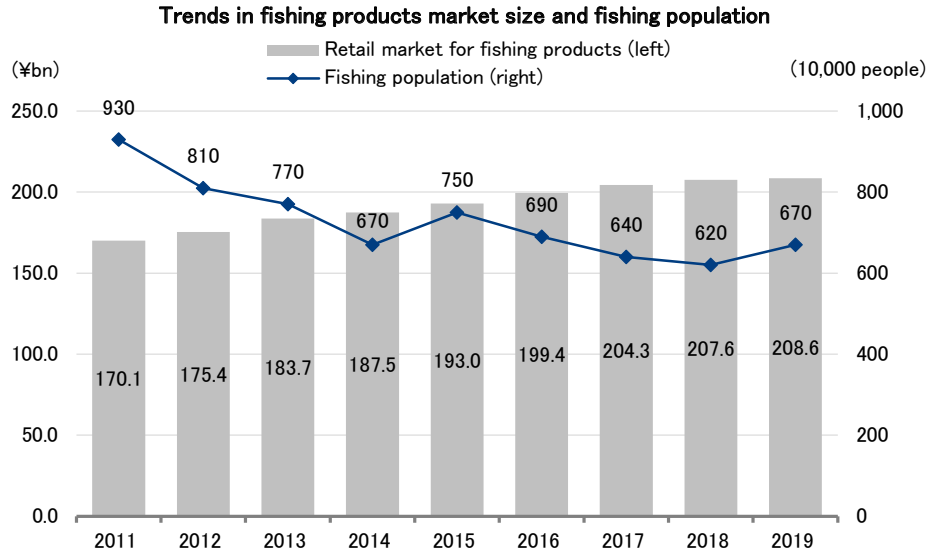
## Growth strategy and key issues

**For the post-COVID-19 era, the Company forecasts strong performance in the domestic fishing products market and growth in the US market. The New Medium-term Business Plan targets increases of 25% in sales and 35% in profits from FY3/21**

### 1. New Medium-term Business Plan targets sales and profit growth based on positive outlook for fishing products market

The Company announced “New Medium-term Business Plan 2023” and consolidated net sales of ¥125,000mn (up 25.0% from FY3/21) and consolidated operating profit of ¥10,000mn (up 35.0%) as targets for the final year (FY3/24). This is against a backdrop of the fishing population, which had been declining for many years, rebounding to 6.7 million (+0.5 million from 2018) in 2019. We note that this trend is linked to the increased popularity of camping and had emerged before COVID-19. In addition, fishing attracted new participants, because demand for outdoor sports and leisure recovered sharply amid an assessment that sports and leisure enable people to steer away from the “three Cs.” We forecast a solid increase in the fishing population going forward, assuming that the new normal becomes an established lifestyle to some extent rather than a temporary one associated with the pandemic. Meanwhile, the fishing products market has been growing since 2012 despite a shrinking fishing population. This trend can be attributed to various factors including increases in added-value and diversification of products; we therefore can see potential for higher spending per customer. The Company has high expectations for growth in leisure-related markets in the US, the world’s largest fishing products market, where COVID-19-related restrictions are rapidly disappearing. In consideration of the above, we expect solid growth in the post-COVID-19 domestic fishing products market as well, because we expect an increase in the fishing population and rise in spending per customer. We also expect accelerated moves to lift COVID-19-related restrictions and resume tourism and leisure activities in US and other overseas markets.

Growth strategy and key issues



Source: Prepared by FISCO from "Leisure White Paper 2020," Japan Productivity Center

## Brisk sales of DAIWA PIER 39, far exceeding sales target despite negative impact of COVID-19

### 2. Apparel brand DAIWA PIER 39

The Company is aggressively moving into the apparel market to create the next growth engine. Its apparel brand DAIWA PIER 39, launched in the spring/summer 2020 season, has been selling well. Enlisting the involvement of the well-known multi-brand shop "BEAMS" for branding and direction, this brand of casual apparel shares ideas that blend with urban lifestyles, based on the functionality of fishing wear. The brand targets a customer demographic of adults in their 20s and early 30s. The brand made a strong start despite the negative impact of COVID-19, with first year sales far exceeding targets.

#### DAIWA PIER39



Source: Materials supplied by the Company

We encourage readers to review our complete legal statement on "Disclaimer" page.

## 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 putting pressure on profitability (profit 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 a 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. Events and seminars were restricted in 2020 because of COVID-19, but the Company continued its activities such as online classes for elementary school children and their families entitled “Check it out! Journey along a river—online nature observation” in collaboration with Tamarokuto Science Center (held three times).

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



Source: Materials supplied by the Company

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. In 2020, the Company held its annual clean-up sessions on riverbanks along the Kurome and Aki rivers near its headquarters on “Shoreline Appreciation Day,” the third Sunday in October.

Growth strategy and key issues

Environmental conservation activities (fishing site clean-up)



Source: Materials supplied by the Company

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 CO<sub>2</sub> absorption volume in the following fiscal year based on Nagano Prefecture’s Forest CO<sub>2</sub> Absorption Assessment and Certification Program\*2. Effective promotion of further thinning and other improvements helps reduce CO<sub>2</sub> as well.

\*1 Companies involved in environmental activities receive introductions from the Nagano Prefectural Government to become “foster parents” for local government entities for forests in the 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 CO<sub>2</sub> 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.

## Growth strategy and key issues

## Forest conservation activities



Source: Materials supplied by the Company

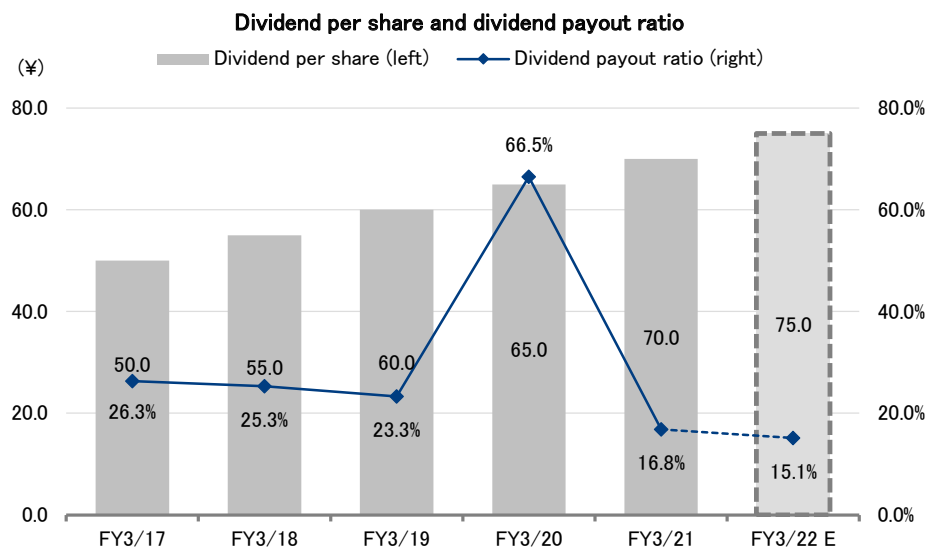
The Company has also built a framework for promoting environmental management as an initiative to enhance the environment. It established a companywide horizontal organization, stays abreast of activities conducted by various divisions based on the environmental policy continuously with monthly updates, 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.

Although the cost of these activities may have a negative impact on short-term earnings, we at FISCO think that the Company will contribute toward enhancing the value of its brand in the mid- to long-term. We expect that its keen awareness of social contributions and environmental issues, and pride as a company leading the world will give it an edge from the perspective of ESG investment.

## Shareholder returns

**Annual dividends were ¥70 per share (up ¥5 per share YoY) in FY3/21 with a dividend payout ratio of 16.8%; shareholder benefits well received**

The Company provides dividends and a shareholder benefits program under its policy on shareholder returns. Under its basic policy of providing consistent dividends on an ongoing basis, the Company distributes profits in a manner that factors in its consolidated results and future business outlook. The Company paid an annual dividend of ¥70 per share (up ¥5 per share YoY) in FY3/21 with a dividend payout ratio of 16.8%. In the past five years since the reverse stock split, dividends have increased every year from FY3/17 until FY3/21, resulting an increase of 1.4 times in comparison to FY3/17. The annual dividend forecast for FY3/22 is ¥75 per share (up ¥5 per share YoY) with a dividend payout ratio of 15.1%.



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

Under its shareholder benefits program, the Company presents shareholders with a well-regarded gift in the form of QUO cards featuring the Company's original designs depicting images from the popular Japanese manga "Fisherman Sanpei" illustrated by Takao Yaguchi. Each year shareholders with holdings of at least 1 unit (100 shares) as of March 31 of the respective year are eligible to receive a gift. Depending on the number and length of shares held, the gift value changes accordingly from ¥1,000 for shareholders who have had at least 1 unit and less than 5 units for less than 3 years up to ¥5,000 for shareholders who have had 10 units or more for no less than 3 years.

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## Shareholder returns

## QUO cards featuring the Company's original designs



Source: Reprinted from the Company's press release



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■ For inquiry, please contact: ■

FISCO Ltd.

5-13-3 Minami Aoyama, Minato-ku, Tokyo, Japan 107-0062

Phone: 03-5774-2443 (IR Consulting Business Division)

Email: [support@fisco.co.jp](mailto:support@fisco.co.jp)