

GLOBERIDE, Inc.

7990

Tokyo Stock Exchange First Section

13-Jan.-2022

FISCO Ltd. Analyst

Hideo Kakuta



FISCO Ltd.

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

■ Index

■ Summary	01
1. Company summary	01
2. Performance trends	01
3. Growth strategy and key issues	02
4. Shareholder returns	02
■ Company summary	03
1. Renamed from Daiwa Seiko Corporation to GLOBERIDE in 2009	03
2. Business summary	04
■ Performance trends	12
1. Overview of 1H FY3/22 results	12
2. Outlook for FY3/22	14
■ Growth strategy and key issues	15
1. Significant potential in overseas markets	15
2. Apparel brand DAIWA PIER 39	16
3. Social contribution activities and ESG initiatives	17
■ Shareholder returns	19

Summary

Substantial sales and profit growth in 1H FY3/22 as well as upwardly revised full-year forecast underpinned by the notion that outdoor sports and leisure enables people to steer away from the “three Cs.” Overseas growth serves as core strategy under the New Mid-term Business Plan 2023. Significant potential also in the Americas, Europe and Asia-Oceania

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 1H FY3/22 consolidated results, sales and profits increased significantly with net sales of ¥64,713mn (up 33.3% YoY), operating profit of ¥8,402mn (up 106.4% YoY), ordinary profit of ¥8,684mn (up 120.2% YoY), and profit attributable to owners of parent of ¥6,574mn (up 163.0% YoY). In the outdoor sports and leisure products industry to which the Company’s Group belongs, the Company achieved favorable results particularly in its mainstay fishing business due to the assessment that sports and leisure activities enable people to steer away from the so-called “three Cs” of confined spaces, crowded places, and close contact amid the COVID-19 pandemic. In overseas markets, all regions posted substantial sales and profit growth. In the Americas and Europe, sales increased by more than 50% YoY, and Australia drove sales in Asia-Oceania.

For FY3/22, the Company announced a second upward revision of its consolidated results forecast in light of its continuing strong sales, with projections for net sales of ¥117,000mn (up 16.6% YoY), operating profit of ¥10,500mn (up 41.8% YoY), ordinary profit of ¥10,500mn (up 46.9% YoY), and profit attributable to owners of parent of ¥7,500mn (up 56.3% YoY). In the mainstay fishing business, the market has maintained favorable performance with the assessment that outdoor sports and leisure activities make it possible to steer away from the “three Cs” as effects of COVID-19 persist throughout the world including Japan. Meanwhile, temporary adjustments to production, constraints on international logistics and other such factors pose cause for concern. In the fishing business, certain nations are beginning to encounter effects of a situation where multiple countries including Japan, Vietnam, Thailand, and China are now engaging in production. However, rates of progress achieved relative to the full-year results forecast amid this environment were on par with the previous fiscal year at 55.3% for net sales (52.8% in the same period in the previous fiscal year) and 80.0% for operating profit (84.8%). Whereas results in the Company’s scope of business, which includes fishing, are skewed toward the first half of the fiscal year due to seasonality, we deem that there is a high probability that the Company will outperform its results forecast in light of its continuing strong sales.

Summary

3. Growth strategy and key issues

The Company announced “New Mid-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.” This is a global trend.

Meanwhile, global manufacturers equipped with technological strengths have been encountering an increasingly expansive playing field amid a situation in recent years where consumers are becoming more particular about fishing gear due to factors that include rising popularity of sports fishing. Whereas the Company is the global leader as a comprehensive supplier of fishing products, it has a lower market share overseas than in Japan. This may suggest that it has significant potential for growth in North America, Europe, and Asia-Oceania.

4. Shareholder returns

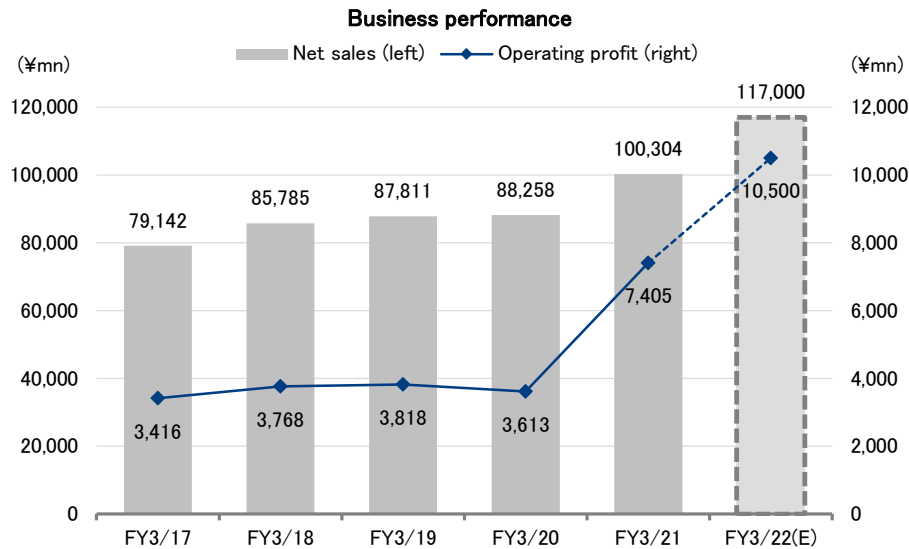
The Company pays dividends and offers a benefits program to shareholders under its shareholder returns policy. In the past five years since the reverse stock split, dividends have increased every year from the annual dividend of ¥25.0* in FY3/17 until FY3/21, resulting an increase of 1.4 times in comparison to FY3/17. For FY3/22, the Company has its sights set on achieving a dividend payout ratio of 12.2% by paying an annual dividend of ¥40.0 per share (¥20.0 at the end of 2Q and ¥20.0 at fiscal year-end), which is ¥5.0 higher than the annual dividend of the previous fiscal year. In addition, the Company performed a stock split at a ratio of two shares per common share effective as of October 1, 2021. It performed the stock split with the aims of arranging an environment conducive to investment, improving the liquidity of its shares, and seeking to expand the investor base by splitting its stock and reducing monetary value per investment unit. The Company has also resolved to submit application for listing on the Prime Market upon the Tokyo Stock Exchange’s transition to new market segments in April 2022.

| * This figure has been retroactively adjusted to reflect stock split performed on October 1, 2021. The same applies hereinafter. |

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
- The 1H FY3/22 consolidated results ended with substantial increases in sales and profits. FY3/22 results forecast upwardly revised given that the Company was continuing to achieve favorable results amid an assessment that sports and leisure enables people to steer away from the “three Cs”
- Overseas growth serves as core strategy under the New Mid-term Business Plan 2023. The Company has significant potential also in the Americas and Asia-Oceania
- The FY3/22 annual dividend has been revised upward to ¥40.0, an increase of ¥5.0 relative to the previous fiscal year. Performance of the stock split resulted in a better investment environment

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 each of these four businesses possesses a leading brand and a clear presence.

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.

Focusing on the "Daiwa" brand, company is now the world's top-ranking fishing supplier and expanding its unique vision to other business

2. Business summary

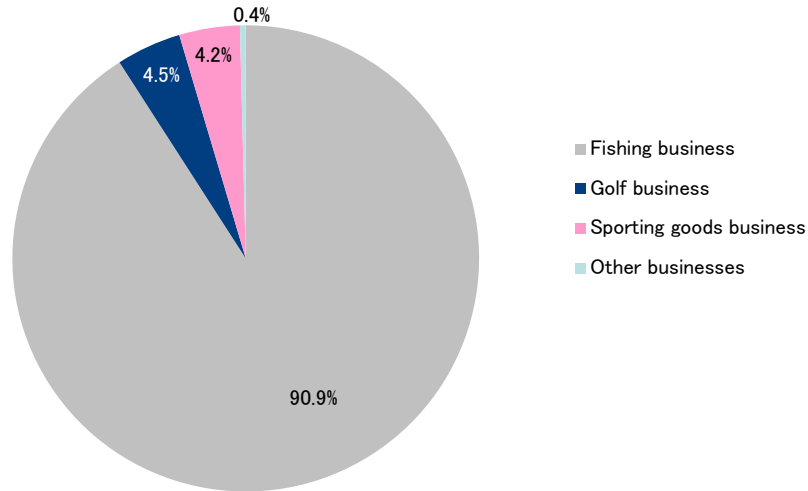
(1) Four main businesses

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 golf business for 4.5%, and the sporting goods business (including sales of products for racquet sports and cycle sports) for 4.2%.

Company summary

Sales breakdown by business areas (based on FY3/21 results)



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 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.

Company summary

A domestic fishing market encompassing all age groups

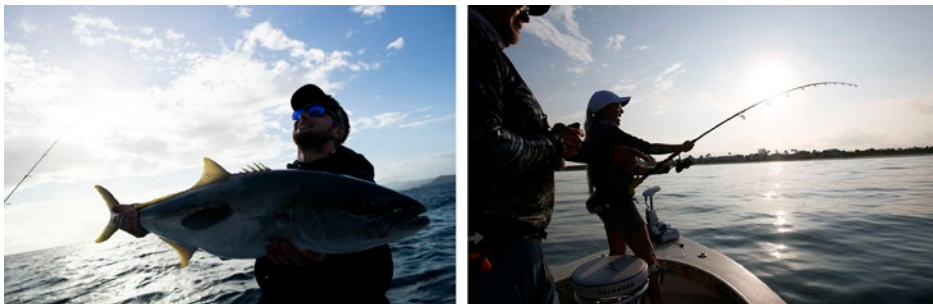


Source: Materials supplied by the Company

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 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

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

GLOBERIDE, Inc.
7990 Tokyo Stock Exchange First Section

13-Jan.-2022
<https://www.globeride.jp/ir/>

Company summary

DAIWA GIII



Source: Materials supplied by the Company

RODDIO



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.

eBike encountering growing popularity in Japan



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 36.6% of net sales in 1H FY3/22.

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 (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

1H FY3/22 consolidated results ended with substantial increases in sales and profits. FY3/22 results forecast upwardly revised given that the Company was continuing to achieve favorable results amid an assessment that sports and leisure enables people to steer away from the “three Cs”

1. Overview of 1H FY3/22 results

In the 1H FY3/22 consolidated results, sales and profits increased significantly with net sales of ¥64,713mn (up 33.3% YoY), operating profit of ¥8,402mn (up 106.4% YoY), ordinary profit of ¥8,684mn (up 120.2% YoY), and profit attributable to owners of parent of ¥6,574mn (up 163.0% YoY). In the outdoor sports and leisure products industry to which the Company's Group belongs, the Company achieved favorable results particularly in its mainstay fishing business due to the assessment that sports and leisure activities enable people to steer away from the so-called “three Cs” of confined spaces, crowded places, and close contact amid the COVID-19 pandemic.

Overview of 1H FY3/22 results

	1H FY3/21		1H FY3/22		YoY
	Results	% of sales	Results	% of sales	
Net sales	48,558	100.0%	64,713	100.0%	33.3%
Gross profit	17,430	35.9%	24,764	38.3%	42.1%
SG&A	13,359	27.5%	16,362	25.3%	22.5%
Operating profit	4,070	8.4%	8,402	13.0%	106.4%
Ordinary profit	3,943	8.1%	8,684	13.4%	120.2%
Profit attributable to owners of parent	2,499	5.1%	6,574	10.2%	163.0%

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

(1) Trends by region

a) Japan

In Japan, the Company posted a double-digit increase in sales and a significant increase in profits with net sales of ¥44,512mn (up 24.9% YoY) and segment profit of ¥6,281mn (up 95.1% YoY). Despite the travel and other restrictions having persisted under the state of emergency declaration, there was a strong market for outdoor leisure involving familiar activities that people are able to safely enjoy. The company has been focusing on addressing diverse market needs ranging from high-performance products specifically tailored to core users, and extending to a full lineup of entry-level products that beginner and family demographics are able to affordably enjoy.

b) Americas

In the Americas, the Company posted net sales of ¥6,144mn (up 57.5% YoY) and segment profit of ¥192mn (up 37.8% YoY). Consumer spending has mounted a rapid recovery with economic activity returning to normal as vaccinations become more widespread. The new product harnessing DAIWA technology for bass (freshwater fish) fishing, which is distinctive in the US where there are many freshwater areas, performed well and drove sales and profit growth. In addition, results were propelled by two of the Company's fishing reel models having been among the best of category award winners at the world's largest sport fishing trade show ICAST 2021, held in Orlando, Florida.

Performance trends

c) Europe

In Europe, the Company posted net sales of ¥7,818mn (up 54.6% YoY) and segment profit of ¥977mn (up 225.7% YoY). Despite longstanding restrictions having been imposed on economic activity amid rapid spread of a COVID-19 variant in the spring, consumer spending mounted a gradual recovery as a result of progress subsequently achieved in getting people vaccinated. The outdoor market was particularly strong and new products aligned with location-specific needs were well received.

d) Asia and Oceania

In the Asia and Oceania region, the Company posted net sales of ¥20,018mn (up 39.1% YoY) and segment profit of ¥2,182mn (up 57.5% YoY). Australia served as a driver of sales amid a scenario where the epidemic has eased up in China but market conditions have been spotty in the Southeast Asian region where authorities have imposed lockdowns and other actions due to the spread of COVID-19 variants.

1H FY3/22 financial results by regional segment

	1H FY3/21		1H FY3/22		YoY
	Results	% of sales	Results	% of sales	
Net sales	48,588	100.0%	64,713	100.0%	33.3%
Japan	35,643	60.4%	44,512	56.7%	24.9%
Americas	3,901	6.6%	6,144	7.8%	57.5%
Europe	5,057	8.6%	7,818	10.0%	54.6%
Asia and Oceania	14,395	24.4%	20,018	25.5%	39.1%
Adjustments	-10,439	-	-13,780	-	-

	1H FY3/21		1H FY3/22		YoY
	Results	% of profit	Results	% of profit	
Operating profit	4,070	8.4%	8,402	13.0%	106.4%
Japan	3,220	9.0%	6,281	14.1%	95.1%
Americas	139	3.6%	192	3.1%	37.8%
Europe	300	5.9%	977	12.5%	225.7%
Asia and Oceania	1,385	9.6%	2,182	10.9%	57.5%
Adjustments	-974	-	-1,232	-	-

Note: profit margin is based on Companywide
 Source: Prepared by FISCO from the Company's financial results

(2) Financial standing

As of the end of 1H FY3/22, total assets increased by ¥8,914mn from the end of the previous fiscal year to ¥86,644mn, largely as a result of higher accounts receivable due to favorable sales results. Net assets have increased by ¥7,300mn to ¥34,878mn compared to the end of previous fiscal year, largely due changes in foreign currency translation adjustment in addition to the recording of profit attributable to owners of parent. The Company maintains a sound financial position with an equity ratio of 40.1% (35.3% at the end of FY3/21).

Performance trends

Consolidated balance sheets

	FY3/19	FY3/20	FY3/21	1H FY3/22	Change
	(¥mn)				
Current assets	47,261	51,447	50,291	57,687	7,396
Cash and deposits	5,317	5,006	9,600	11,597	1,997
Notes and accounts receivable - trade	12,969	13,658	10,961	13,946	2,985
Inventories	27,010	29,645	27,130	30,409	3,279
Non-current assets	27,083	26,522	27,438	28,957	1,519
Property, plant and equipment	15,489	16,129	16,001	17,299	1,298
Intangible assets	1,702	1,401	1,509	1,466	-43
Investments and other assets	9,891	8,991	9,928	10,191	263
Total assets	74,344	77,970	77,730	86,644	8,914
Current liabilities	34,141	37,161	34,242	37,720	3,478
Notes and accounts payable – trade	10,365	12,138	13,424	16,455	3,031
Short-term borrowings	16,817	18,784	12,800	11,462	-1,338
Non-current liabilities	16,937	17,785	15,909	14,046	-1,863
Long-term borrowings	9,461	10,509	8,785	6,798	-1,987
Total net assets	23,265	23,023	27,577	34,878	7,300
Total liabilities and net assets	74,344	77,970	77,730	86,644	8,914

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

2. Outlook for FY3/22

For the FY3/22 consolidated results forecast, the Company has announced a second upward revision in light of its continuing strong sales, and despite there being points of uncertainty that include temporary adjustments to production and constraints on international logistics due to the COVID-19 pandemic. Under the forecast subsequent to the upward revision, the Company projects net sales of ¥117,000mn (up 16.6% YoY), operating profit of ¥10,500mn (up 41.8% YoY), ordinary profit of ¥10,500mn (up 46.9% YoY), and profit attributable to owners of parent of ¥7,500mn (up 56.3% YoY).

In the mainstay fishing business, the market has maintained favorable performance with the assessment that outdoor sports and leisure activities make it possible to steer away from the “three Cs” as effects of COVID-19 persist throughout the world including Japan. 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, which is accompanied by an apparent increase in people new to fishing, including women. Moreover, the golf market is also being underpinned by the notion that outdoor sports and leisure enables people to steer away from the “three Cs.,” which suggests further growth potential with respect to both “ONOFF” and “FOURTEEN.” We believe that demand for outdoor sports and leisure will persist going forward with the COVID-19 pandemic having caused consumer values to shift more toward nature and the outdoors. Meanwhile, temporary adjustments to production, constraints on international logistics and other such factors pose cause for concern. In the fishing business, certain nations are beginning to encounter effects of a situation where multiple countries including Japan, Vietnam, Thailand, and China are now engaging in production. Moreover, parts shortages have become apparent in the cycle sports business. However, rates of progress achieved relative to the full-year results forecast amid this environment were on par with the previous fiscal year at 55.3% for net sales (52.8% in the same period in the previous fiscal year), 80.0% for operating profit (84.8%), 82.7% for ordinary profit (93.9%) and 87.7% for profit attributable to owners of parent (96.1%). Whereas results in the Company’s scope of business, which includes fishing, are skewed toward the first half of the fiscal year due to seasonality, FISCO deems that there is a high probability that the Company will outperform its results forecast in light of its continuing strong sales.

Performance trends

Outlook for FY3/22

	FY3/21		FY3/22			YoY	(%mn) % achievement as of 1H
	Results	% of sales	Initial forecast	Revised forecast	% of sales		
Net sales	100,304	100.0%	110,000	117,000	100.0%	16.6%	55.3%
Operating profit	7,405	7.4%	8,000	10,500	9.0%	41.8%	80.0%
Ordinary profit	7,145	7.1%	7,800	10,500	9.0%	46.9%	82.7%
Profit attributable to owners of parent	4,797	4.8%	5,700	7,500	6.4%	56.3%	87.7%

Note: Figures in revised forecast for FY3/22 are based on November 2021 disclosure
 Source: Prepared by FISCO from the Company's financial results

Growth strategy and key issues

Overseas growth serves as core strategy under the New Mid-term Business Plan 2023. Significant potential also in the Americas, Europe and Asia-Oceania

1. Significant potential in overseas markets

The Company announced “New Mid-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.” Such developments constitute global trends, exemplified by a situation in the US where the fishing population numbered 57 million people in 2020 for an increase of 14% from 50 million people in the previous year.

Meanwhile, global manufacturers equipped with technological strengths have been encountering an increasingly expansive playing field amid a situation in recent years where consumers are becoming more particular about fishing gear due to factors that include rising popularity of sports fishing. Whereas the Company is the global leader as a comprehensive supplier of fishing products, it has a lower market share overseas than in Japan. This may suggest that it has significant potential for growth in North America, Europe, and Asia-Oceania.

Sales of DAIWA PIER 39 remain brisk

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, continues to sell well. Enlisting the involvement of the well-known multi-brand shop “BEAMS” for branding and direction, the DAIWA PIER 39 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. We reckon that the brand’s success is mainly attributable to its fashionableness, functionality, and marketing. In terms of its fashionableness, the brand has been positioned as “high-fashion apparel” rather than “high-performance wear made by an outdoor goods manufacturer.” The Company is also strengthening the organization by ushering in professionals active in the high-end fashion brand industry. In terms of functionality, whereas the brand does not offer strong appeal for high-performance, its strengths are fully leveraged with respect to its use of Gore-Tex breathable waterproof fabric. In terms of marketing, the Company has enlisted a successful strategy of selling the brand wholesale exclusively to certain multi-brand shops (Handled by 115 shops nationwide, including 3 shops conducting online sales). An expansion of the Company’s apparel operations going forward would likely give rise to the prospect of it achieving synergies whereby its apparel customers also turn to fishing gear while those who purchase fishing gear also turn to apparel.

DAIWA PIER39



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 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 2021 because of COVID-19, but the Company continued its activities such as online classes for elementary school children and their families entitled “Learn about fish ecology in your local river—online nature observation” in collaboration with Tamarokuto Science Center.

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 2021, the Company held its annual clean-up sessions on riverbanks along the Kurome, Yanase, and Aki rivers near its headquarters.

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 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 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 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

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

Growth strategy and key issues

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. 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.

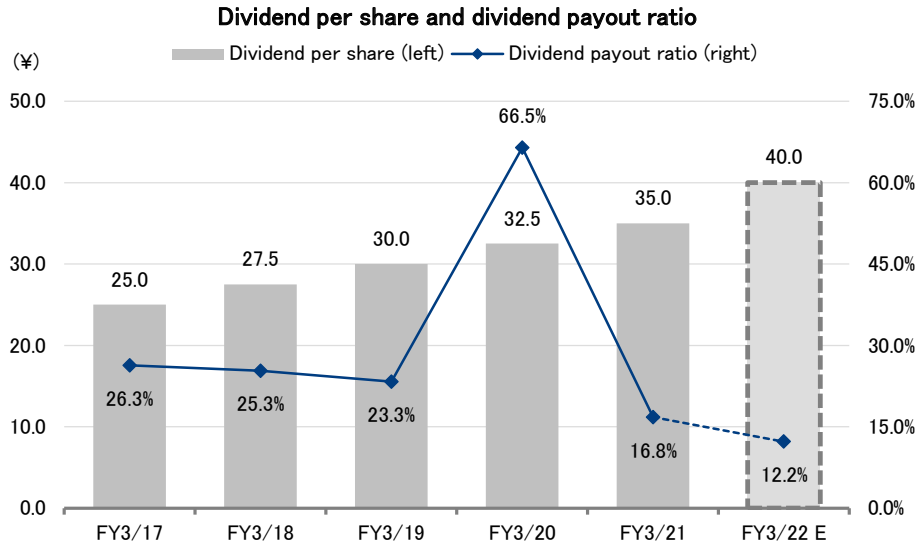
■ Shareholder returns

FY3/22 annual dividend revised upward to ¥40.0, an increase of ¥5.0 relative to the previous fiscal year. Stock split gives rise to a better investment environment

The Company pays dividends and offers a benefits program to shareholders under its shareholder returns policy. 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. In the past five years since the reverse stock split, dividends have increased every year from the annual dividend of ¥25.0 in FY3/17 until FY3/21, resulting an increase of 1.4 times in comparison to FY3/17. For FY3/22, the Company has its sights set on achieving a dividend payout ratio of 12.2% by paying an annual dividend of ¥40.0 per share (¥20.0 at the end of 2Q and ¥20.0 at fiscal year-end), which is ¥5.0 higher than the annual dividend of the previous fiscal year. The Company has increased its dividends for the end of 2Q by ¥2.5 over the initial forecast (¥17.5) pursuant to the upward revision of its results forecast.

The Company performed a stock split at a ratio of two shares per common share effective as of October 1, 2021. It performed the stock split with the aims of arranging an environment conducive to investment, improving the liquidity of its shares, and seeking to expand the investor base by splitting its stock and reducing monetary value per investment unit.

Shareholder returns



Note: Retroactive adjustments have been applied with respect to the 2-for-1 stock split performed on October 1, 2021.
 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 10 units for less than 3 years up to ¥5,000 for shareholders who have had 20 units or more for no less than 3 years.

QUO cards featuring the Company's original designs



Source: Reprinted from the Company's press release

In July 2021, the Company received findings of a primary assessment regarding its status of compliance with listing maintenance requirements under the Tokyo Stock Exchange's transition to new market segments in April 2022. The findings accordingly confirm that the Company is in compliance with the requirements for maintaining a listing on the Prime Market. As such, the Company's Board of Directors has resolved to apply for listing on the Prime Market based on this outcome. Going forward, the Company intends to proceed with the application process under the schedule established by the Tokyo Stock Exchange.



Disclaimer

FISCO Ltd. ("FISCO") offer stock price and index information for use under the approval of the Tokyo Stock Exchange, the Osaka Stock Exchange and Nikkei Inc.

This report is provided solely for the purpose of offering information, and is not a solicitation of investment nor any other act or action.

FISCO prepared and published this report based on information which it considered reliable; however, FISCO does not warrant the accuracy, completeness, fitness nor reliability of the contents of this report or the said information.

The issuers' securities, currencies, commodities, securities and other financial instruments mentioned in this report may increase or decrease in value or lose their value due to influence from corporate activities, economic policies, world affairs and other factors. This report does not make any promises regarding any future outcomes. If you use this report or any information mentioned herein, regardless of the purpose therefor, such use shall be made based on your judgment and responsibility, and FISCO shall not be liable for any damage incurred by you as a result of such use, irrespective of the reason.

This report has been prepared at the request of the company subject hereto based on the provision of information by such company through telephone interviews and the like. However, the hypotheses, conclusions and all other contents contained herein are based on analysis by FISCO. The contents of this report are as of the time of the preparation hereof, and are subject to change without notice. FISCO is not obligated to update this report.

The intellectual property rights, including the copyrights to the main text hereof, the data and the like, belong to FISCO, and any revision, reprocessing, reproduction, transmission, distribution or the like of this report and any duplicate hereof without the permission of FISCO is strictly prohibited.

FISCO and its affiliated companies, as well as the directors, officers and employees thereof, may currently or in the future trade or hold the financial instruments or the securities of issuers that are mentioned in this report.

Please use the information in this report upon accepting the above points.

■ 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