COMPANY RESEARCH AND ANALYSIS REPORT

Sanyei Corporation

8119

Tokyo Stock Exchange Standard Market

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Summary

Sales declined in FY2023, but profits rose sharply on higher demand for travel-related products, improved earnings power and structural reforms. Targeting FY2025 ordinary profit of ¥2.0bn in medium-term management strategy

Sanyei Corporation <8119> is a multifunctional trading company specializing in high-value-added products with a history of 78 years. The Company handles a full range of lifestyle consumer goods and covers an expansive supply chain spanning manufacturing, imports and exports, wholesale, and retail. The group has 17 overseas locations and 35 directly managed retail stores in Japan. The Company stands out in terms of its coverage of high-value added products, including the introduction of differentiated European brands to Japan and OEM supply of products to customers, such as Ryohin Keikaku Co., Ltd. <7453>, which operates MUJI. In terms of the ratio of net sales, OEM Business represents about 70%, and the Brand Business about 30%. It has three main business segments—Furniture and Houseware Business (47.2% of sales in FY2023), Fashion Accessories Business (38.3%), and Home Appliance Business (10.0%).

1. FY2023 results

In the FY2023 consolidated results, net sales were ¥36,688mn (down 5.1% year on year (YoY)), operating profit was ¥1,163mn (up 388.7%), ordinary profit was ¥1,248mn (up 382.2%), and profit attributable to owners of parent totaled ¥538mn (loss of ¥158mn in FY2022), so even though sales were down, each profit line increased significantly. Net sales increased in the Fashion Accessories Business but declined in the Furniture and Houseware Business. Sales growth in the Fashion Accessories Business was supported by higher demand for products related to going out and travel amid a recovery in inbound demand, in addition to sustainable products also contributing to growth. Weaker sales in the Furniture and Houseware Business reflected fading stay-at-home demand and the impact on overseas sites of sluggish economic conditions in Europe and China. Operating profit rose sharply, due mainly to improved earnings power in each segment, structural reforms, increased productivity and tighter control of SG&A expenses. Profit attributable to owners of parent moved into the black for the first time in the last four years, despite the booking of extraordinary losses such as impairment losses and subsidiary liquidation losses as part of structural reforms.

2. FY2024 results forecast

For the FY2024 consolidated results, the Company forecasts increased sales and reduced profits, with net sales to increase 6.3% YoY to ¥39,000mn, operating profit to decrease 27.0% to ¥850mn, ordinary profit to decrease 27.9% to ¥900mn, and profit attributable to owners of parent to decline 16.4% to ¥450mn. FY2024 is the second year of the new medium-term management strategy SANYEI 2025. The Company has positioned FY2024 as a year to reinforce its business base to achieve the final-year ordinary profit target of ¥2.0bn by stepping up investment in growth. It forecasts large contributions to net sales from sales growth in the Furniture and Houseware Business and in the Fashion Accessories Business. In the Furniture and Houseware Business, the Company expects expansion of the e-commerce business and orders from new customers to lift sales. In the Fashion Accessories Business, it expects demand related to going out and inbound demand to remain firm, as well as growth for environmental products. The Company forecasts profits will increase in the Furniture and Houseware Business, but it sees profits declining in the Fashion Accessories Business due to time and investment needed for BENEXY CORPORATION to roll out and reorganize its business around the multi-brand store format. Continued yen depreciation and rising logistics costs are also seen weighing on profits. We at FISCO believe progress with previous structural reforms and business reorganization have improved the Company's earnings power. While profits are expected to decline in FY2024, our take is positive, as the drop in profits reflects "offensive" investments over the current fiscal year. Key strategic issues to watch in the second year of the medium-term management strategy are growth in online sales and expansion in environmental products.

3. Growth strategy

The Company's quantitative target is ordinary profit of ¥2.0bn in the final year (FY2025) of the medium-term management strategy SANYEI 2025. The first year of the strategy saw steady growth in profits toward that target. One of the Company's key "defensive" strategies is to "review the Group's business portfolio (liquidate unprofitable businesses)." This strategy is delivering results, with the Company merging with and absorbing Zelic Corporation into the head office and dissolving and taking over the operations of Essen Corporation. In the current fiscal year, the challenge for the Company will be to reinforce multi-brand stores following the termination of contracts for BIRKENSTOCK stores. One of its key "offensive" strategies is to "strengthen overseas sales." Overseas sales have been weak, partly due to sluggish economic conditions in Europe and China, but it is making good progress with two other strategies, "expand the e-commerce business" and "promote the sustainable business." Product lineups have been improved in both categories and it has strengthened the marketing base to support growth.

One of the Group's promising brands is OrthoFeet, a US footwear brand based on the science of foot health. In December 2023, subsidiary BENEXY signed an exclusive Japanese import and sales agreement with US company Orthofeet, Inc. and started selling the OrthoFeet brand in Japan. Orthofeet's main products are sneakers that provide a stress-free feeling during and after wearing thanks to podiatry-based designs. The sneakers have a hands-free feature that allows the wearer to step in and out of them without bending down, as well as a proprietary insole and customizable parts for better fit. Orthofeet's focus on advanced foot biomechanics has helped the brand gain strong support in its home US market from customers with sensitive foot problems, physicians and people who work standing up. In Japan, Orthofeet's mainstay KITA and YARI sneakers have already won the top prize in the beauty & health category at the FOOT HEALTH AWARDS 2024 (organized by be foot Lab., the event receives a wide range of outstanding product and service submissions related to feet and walking, which are judged and awarded prizes by foot experts and opinion leaders).

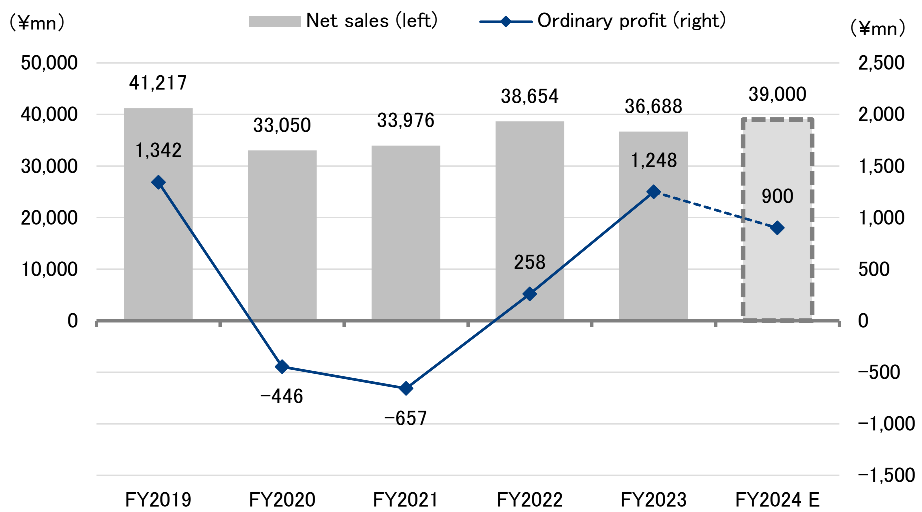
4. Shareholder return policy

In May 2024, the Company revised its policy on determining dividends from surplus. Under the new policy, the Company has positioned the appropriate return of profits to shareholders who have a close relationship with the Company as one of its most important management issues, in line with its corporate philosophy of "Zuien" (connection-i.e., the bonds). The Company's basic policy is to pay dividends twice a year – an interim dividend and a year-end dividend – targeting a dividend payout ratio of 30-50%. The Company is starting to see promising signs of profit generation, suggesting the payout ratio could increase under the new policy, accelerating the pace of dividend hikes. For FY2023, the Company raised the annual dividend sharply from its initial ¥20 per share forecast to ¥80 per share (interim dividend ¥10, year-end dividend ¥70; up ¥60 from FY2022). The dividend payout ratio is 35.4%. For FY2024, the Company plans to pay an annual dividend of ¥80 (interim dividend ¥40, year-end dividend ¥40; no change from FY2023), with a payout ratio of 41.5%.

Key Points

- Profits rose sharply in FY2023, supported by structural reforms and the Fashion Accessories Business on increased demand for travel-related products
- The Company forecasts FY2024 net sales of ¥39.0bn and ordinary profit ¥0.9bn. It plans to step up investment in growth to increase profits
- Under its medium-term management strategy, the Company is targeting FY2025 ordinary profit of ¥2.0bn. Key to achieving this will be accelerating growth strategies, such as reinforcing proprietary multi-brand stores, growing the e-commerce business and expanding sustainable products
- Under its new dividend policy, the Company has lifted the target dividend payout ratio to 30-50%. Profit growth and this new target could lift the pace of dividend hikes

Results trends



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

Company profile

A stated management vision of “enhancing health and enriching life through lifestyle goods,” a multi-function company that manufactures and sells worldwide high-quality lifestyle products on the theme of health and the environment

1. Company profile and history

Established as an exporter of accessories in Osaka in 1946 shortly after World War II, the Company has a history of 78 years. Today, it carries a full range of lifestyle consumer goods and covers an expansive supply chain spanning manufacturing, imports and exports, wholesale, and retail. It has grown to be a multifunctional trading company with 17 overseas locations and 35 directly managed domestic retail stores. The Company stands out in terms of its coverage of products with high added value based on the theme of “health and the environment,” including the introduction of differentiated European brands to Japan and OEM supply of unique products to clients, such as Ryohin Keikaku (MUJI). The Company is a global enterprise that deal with products at domestic and overseas sites and sells them in the Japanese and overseas markets, based on the concept of offering “enhancing health and enriching life through lifestyle goods.” In personnel matters, the Company announced the promotion of Mr. Masaki Mizukoshi to the position of President and CEO from January 2022, and it transitioned to a new management system. Mr. Mizukoshi, who was formerly an employee of Sumitomo Corporation <8053>, makes use of his abundant experience and knowledge, including wholesale, retail, e-commerce and online shopping, targeting business development over the next 10 years. The Company is listed on the Standard Market following the Tokyo Stock Exchange market segment restructuring in April 2022.

2. Business composition

The Company’s business segments are categorized as the Furniture and Houseware Business, the Fashion Accessories Business, the Home Appliance Business, and Others. The Furniture and Houseware Business includes MINT, the furniture and interior goods e-commerce brand, mainly procedures OEM products for major domestic and overseas companies. The Fashion Accessories Business conducts import sales of brand products to which it has the sales rights, such as BIRKENSTOCK sandals and shoes and Kipling bags, and also domestic and overseas OEM Business. The Home Appliance Business consists of OEM product procurement and Brand Business, and the brands it focuses on are Vitantonio, which are cooking appliances, and mod’s hair, which are beauty appliances. The Others segment consists of pet stores, veterinary hospitals, and other businesses. In FY2023, the Furniture and Houseware Business accounted for 47.2% of sales, the Fashion Accessories Business 38.3%, the Home Appliance Business 10.0%, and other businesses 4.5%.

The Company has two business models: Brand Business and OEM Business. The Brand Business mainly promotes wholesale and retail business in Japan for overseas brands and the Company’s own brands. It mainly carries brands with strong histories that have not yet been introduced in Japan, while in recent years the Company has proactively introduced new sustainable brands. The Brand Business accounted for about 29% of overall sales in FY2023, and the Company aims to increase the ratio of the Brand Business to broaden business in the lifestyle consumer product category. The OEM Business makes up around 71% of all sales. It provides various procurement services, such as review of product specifications for goods that meet the needs of client companies, manufacturer selection, price negotiation, production management, and export/import and logistics. The Company has strengths in the manufacturing network in Asia built through overseas initiatives over many years and production management by its own staff.

Business overview

There are two business models: OEM Business from major clients such as Ryohin Keikaku (MUJI), and store sales with a focus on imported brands

1. Trends in the Furniture and Houseware Business

The Furniture and Houseware Business is the Company's largest business segment. In this segment, OEM Business accounts for around 90% of net sales and has grown alongside the growth of the major clients, such as Ryohin Keikaku (MUJI). Net sales by Ryohin Keikaku (MUJI) and its affiliates amount to ¥15,689mn (total of all segments for FY2023), which make it a significant presence. Expected to lead to further growth as new sales channels are the Company's own e-commerce interior shops, such as MINT. They sell more than 1,000 items on Rakuten and Yahoo! Shopping, and meet the needs of consumers for items at reasonable prices, including good quality beds and mattresses, antique-style furniture, interior goods, garden exterior and outdoor goods. The Company owns a furniture and interior goods manufacturing factory in Malaysia (approximately 4,000m^2) which serves as a development base for ODM proposals in addition to the Company's own brand products and manufacturing of OEM products.

2. Trends in the Fashion Accessories Business

The Fashion Accessories Business is a potentially profitable segment, with the Brand Business having a large presence. The largest brand the Company handles is BIRKENSTOCK, a comfortable shoe and sandal brand from Germany that has welcomed the 250th anniversary of its founding, and its subsidiary BENEXY CORPORATION is engaged in the retail sales business, and it is supported by deep-rooted fans even in the price range of around ¥10,000 and is sold in shopping centers and at direct sales locations within major department stores, and e-commerce. As many customers use the products for a long period of time, the Company provides its own full range of after-sales services. Over the past few years, the number of stores has declined from 65 directly managed stores as of March 31, 2019 to 24 as of March 31, 2024 due to a combination of factors, such as the fading BIRKENSTOCK boom and difficulty attracting customers amid the COVID-19 pandemic. The Company expects to terminate all its contracts on BIRKENSTOCK stores by September 2024. It is now converting these stores to directly managed multi-brand stores BENEXY and Quorinest.

3. Trends in the Home Appliance Business

In the OEM Business, the Chinese subsidiary Sanfat Electric Manufacturing (Dongguan) Co., Ltd., and the Hong Kong subsidiary Sanfat Electric Manufacturing Co., Ltd. manufacture and export home appliances. In the Brand Business, the segment manufactures and sells its own Vitantonio brand of cooking appliances, beauty appliances brand mod's hair, and cooking appliances brand MULTI CHEF. For the Vitantonio brand, hot sandwich makers and cordless portable blenders have been selling well. It has gained popularity as a unique brand offering products that allow users to make hot sandwiches and original drinks at home. As the pandemic has subsided, it has also resulted in increased domestic demand for beauty appliances. The mod's hair products include hairdryers and hair irons as well as a compact ion heat brush, for which sales have been strong. Segment earnings are currently being squeezed by a decline in plant utilization rate, but profitability improved in FY2023 as the Company succeeded in efforts such as reducing SG&A expenses.

Business performance trends

Profits rose sharply in FY2023.
Increased demand for travel-related products and structural reforms in the Fashion Accessories Business contributed to profit growth

1. Overview of FY2023 results

In the FY2023 consolidated results, net sales were ¥36,688mn (down 5.1% YoY), operating profit was ¥1,163mn (up 388.7%), ordinary profit was ¥1,248mn (up 382.2%), and profit attributable to owners of parent totaled ¥538mn (loss of ¥158mn in FY2022), so even though sales were down, each profit line increased significantly.

Regarding net sales, the Fashion Accessories Business was up ¥3,023mn YoY, but the Furniture and Houseware Business was down ¥4,775mm, so there was a decline in sales overall. In the Fashion Accessories Business, against a backdrop of the recovery in soaring inbound demand, contributions to increased sales came from new initiatives such as sustainability, in addition to growing demand for going out and travel-related products. At the same time, in the Furniture and Houseware Business, stay-at-home demand, which was rampant during the pandemic, dropped off, and at overseas sites, slowing in the European and Chinese economies had an effect, so sales were down. In the Home Appliance Business, beauty appliances performed well, but cooking appliances suffered from a contraction in stay-at-home demand and sluggish overseas sales, which led to a decrease in sales. Overall, following subsiding of the pandemic, demand for products related to going out (travel, beauty, etc.) was up, but stay-at-home demand was down, which had the bigger impact, so overall sales were down.

Gross profit increased by 3.4% YoY and the gross margin increased 2.2 percentage points to 26.6%. This mainly reflected improved earnings power in each segment, structural reforms and increased productivity. SG&A expenses also declined ¥604mn (down 6.6%) YoY due to reduced store expenses and lower depreciation for the Group's core systems. As a result, operating profit increased sharply, up ¥925mn YoY to ¥1,163mn. The increase in operating profit and lower foreign exchange losses also led to a large rise in ordinary profit. Despite the booking of extraordinary losses (¥319mn) such as impairment losses and subsidiary liquidation losses as part of structural reforms, profit attributable to owners of parent increased ¥696mn YoY to ¥538mn, moving back into the black for the first time in the last four years.

FY2023 results (consolidated)

(¥mn)

	FY2022		FY2023		YoY	
	Results	% of sales	Results	% of sales	Change	Change (%)
Net sales	38,654	100.0%	36,688	100.0%	-1,965	-5.1%
Furniture and Houseware Business	22,074	57.1%	17,299	47.2%	-4,775	-21.6%
Fashion Accessories Business	11,016	28.5%	14,039	38.3%	3,023	27.4%
Home Appliance Business	3,870	10.0%	3,685	10.0%	-185	-4.8%
Cost of sales	29,228	75.6%	26,941	73.4%	-2,286	-7.8%
Gross profit	9,425	24.4%	9,746	26.6%	320	3.4%
SG&A expenses	9,187	23.8%	8,583	23.4%	-604	-6.6%
Operating profit	238	0.6%	1,163	3.2%	925	388.7%
Ordinary profit	258	0.7%	1,248	3.4%	989	382.2%
Profit attributable to owners of parent	-158	-0.4%	538	1.5%	696	-

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

Progressed on reducing inventories. The Company's equity ratio was over 50% and net assets were over ¥10.0bn. The Company maintained its financial soundness based on the capital accumulation to date

2. Financial indicators

Financial indicators as of March 31, 2024 were maintained at a high level. The current ratio was 185.9% and equity ratio was 53.7%, which is sound with a high level of safety. Amid steady progress with structural reforms in the Brand Business, inventory (merchandise and finished goods) declined ¥1,135mn YoY to ¥4,432mn. Cash and deposits totaled ¥4,442mn, interest-bearing debt was ¥4,505mn and total net assets amounted to ¥11,495mn. The Company's earnings were severely impacted by the COVID-19 pandemic (FY2020-21), but it maintained financial soundness through its previous accumulation of capital. Going forward, the Company's financial position is likely to strengthen further as earnings recover.

Outlook

The Company forecasts FY2024 net sales of ¥39.0bn and ordinary profit ¥0.9bn. It plans to step up investment in growth to increase profits

For the FY2024 consolidated results, the Company forecasts increased sales and decreased profits, with net sales to increase 6.3% YoY to ¥39,000mn, operating profit to decrease 27.0% to ¥850mn, ordinary profit to decrease 27.9% to ¥900mn, and profit attributable to owners of parent to decline 16.4% to ¥450mn. FY2024 is the second year of the new medium-term management strategy SANYEI 2025. The Company has positioned FY2024 as a year to reinforce its business base to achieve the final-year ordinary profit target of ¥2.0bn by stepping up investment in growth.

It forecasts large contributions to net sales from sales growth in the Furniture and Houseware Business and in the Fashion Accessories Business. In the Furniture and Houseware business, expansion of the e-commerce business, which has been positioned as a growth driver in the medium-term management strategy, and orders from new customers, one of the Company's key strategies, are expected to lift sales. In the Fashion Accessories Business, it expects demand related to going out and inbound demand to remain firm, as well as growth for environmental products. However, it expects sales to decline in the Home Appliance Business due to a drop in overseas OEM sales. The Company forecasts profits will increase in the Furniture and Houseware Business, but it sees profits declining in the Fashion Accessories Business due to time and investment needed for BENEXY to roll out and reorganize its business around the multi-brand store format. It also forecasts lower profits in the Home Appliance Business, mainly because the rebranding of cooking appliance product lines is still ongoing. Along with other factors such as continued yen weakness, rising logistics costs and new measures that are expected to lead to higher SG&A expenses, the Company forecasts consolidated profits will decline YoY.

In terms of external factors, there is still some uncertainty around the impact of the international situation, but with domestic consumer spending picking up gradually, we believe the operating environment is favorable for the Company, particularly in areas where it is traditionally strong, such as travel goods, fashion accessories, beauty care products and environmental products. In terms of internal factors, we at FISCO believe progress with previous structural reforms and business reorganization have improved the Company's earnings power. While profits are expected to decline in FY2024, our take is positive, as the drop in profits reflects "offensive" investments over the current fiscal year. Key strategic issues to watch in the second year of the medium-term management strategy are 1) enhancing the multi-brand store business model, 2) growing online sales, and 3) expanding environmental products.

Forecast for FY2024 consolidated results

(¥mn)

	FY2023		FY2024		YoY	
	Results	% of sales	Forecast	% of sales	Change	Change (%)
Net sales	36,688	100.0%	39,000	100.0%	2,312	6.3%
Furniture and Houseware Business	17,299	47.2%	18,800	48.2%	1,501	8.7%
Fashion Accessories Business	14,039	38.3%	15,000	38.5%	961	6.8%
Home Appliance Business	3,685	10.0%	3,400	8.7%	-285	-7.7%
Operating profit	1,163	3.2%	850	2.2%	-313	-27.0%
Ordinary profit	1,248	3.4%	900	2.3%	-348	-27.9%
Profit attributable to owners of parent	538	1.5%	450	1.2%	-88	-16.4%

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

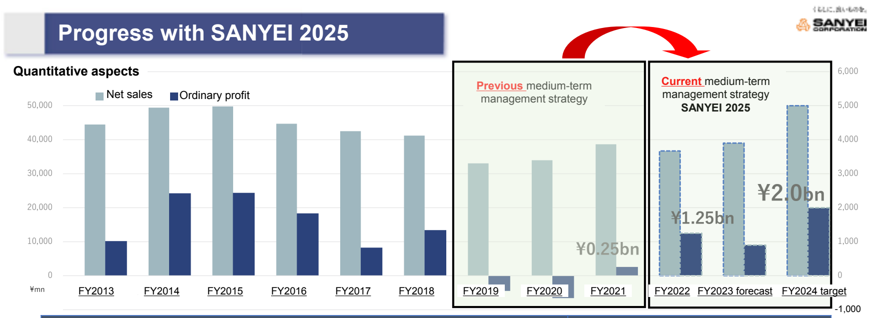
Growth strategy

Under its medium-term management strategy, the Company is targeting FY2025 ordinary profit of ¥2.0bn.
Key to achieving this will be accelerating growth strategies, such as growing the e-commerce business and expanding sustainable products

1. Steady progress with medium-term management strategy SANYEI 2025

The Company is currently implementing its medium-term management strategy SANYEI 2025 (FY2023-25). The Company's quantitative target is net sales of ¥50.0bn and ordinary profit of ¥2.0bn in the final year. The first year of the strategy saw steady growth in profits toward that target. One of the Company's key "defensive" strategies is to "review the Group's business portfolio (liquidate unprofitable businesses)." This strategy is delivering results, with the Company merging with and absorbing Zelic Corporation into the head office in April 2023 and dissolving and taking over the operations of Essen Corporation in February 2024. In the current fiscal year, the multi-brand store business will be a key challenge for the Company following the termination of contracts for BIRKENSTOCK stores. One of its key "offensive" strategies is to "strengthen overseas sales." Overseas sales have been weak, partly due to sluggish economic conditions in Europe and China, but it is making good progress with two other strategies, "expand the e-commerce business" and "promote the sustainable business." Product lineups have been improved in both categories and it has strengthened the marketing base to support growth.

Quantitative targets and results under SANYEI 2025



Key strategies		First-year outcomes
Review the Group's business portfolio	Promote liquidation of unprofitable businesses	○
Growth drivers	Strengthen overseas sales	△
	Expand the e-commerce business	○
	Promote the sustainable business	○

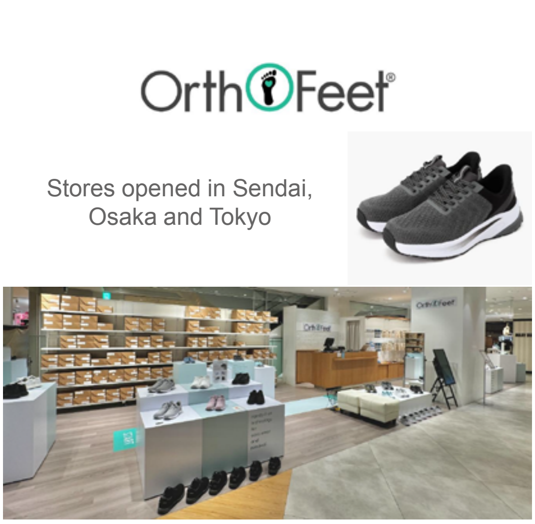
Source: Prepared by FISCO from the Company's financial results briefing materials

2. Challenges in the footwear multi-brand store business

Improving earnings at subsidiary BENEXY is a key issue for the Company. The Company is in the process of converting BIRKENSTOCK stores to multi-brand stores BENEXY, Quorinest and OrthoFeet, aiming to complete the transition by September 2024. As of March 2024, only two of the 24 retail stores were BIRKENSTOCK stores, while the remaining 22 were other formats (four BENEXY stores, 18 Quorinest stores). After completing the transition, the Company will continue to develop proprietary brands and source other brands to build the appeal of its multi-brand stores.

One of the Group's promising brands is OrthoFeet, a US footwear brand based on the science of foot health. In December 2023, subsidiary BENEXY signed an exclusive Japanese import and sales agreement with US company Orthofeet and started selling the OrthoFeet brand in Japan. Orthofeet's main products are sneakers with advanced technology and anatomical insoles. The sneakers provide a stress-free feeling during and after wearing thanks to podiatry-based designs. They have a hands-free feature that allows the wearer to step in and out of them without bending down, as well as a proprietary insole and customizable parts for better fit. Orthofeet's focus on advanced foot biomechanics has helped the brand gain strong support in its home US market from customers with sensitive foot problems, physicians and people who work standing up. In Japan, Orthofeet's mainstay KITA and YARI sneakers have already won the top prize in the beauty & health category at the FOOT HEALTH AWARDS 2024. Initial sales channels were BENEXY multi-brand stores, some Quorinest stores and the BENEXY ONLINE SHOP and the Company is now opening pop-up OrthoFeet stores nationwide.

OrthoFeet



Awarded top prize at
FOOT HEALTH AWARDS 2024
(Beauty & health category)

Source: The Company's financial results briefing materials and the OrthoFeet brand website

3. Growth driver: Expanding the e-commerce business

One of the growth drivers in the medium-term management strategy is "expand the e-commerce business." Sales in the e-commerce business totaled ¥5,250mn in FY2023. Sales were driven by the e-commerce interior shop MINT, which captured COVID-19 stay-at-home demand. With sales growth slowing due to a drop off in stay-at-home demand, the Company is progressively rolling out new measures. The Company is expanding the product range with exterior goods, and it also has plans to add ornamental plants and other products further down the track. Also, because it operates a certain level of e-commerce infrastructure, the Company has started providing various fulfillment functions on an outsourced basis, such as product photography, product page creation, order processing and payment settlement. These outsourced e-commerce functions are attracting attention as a new type of business model. The Company also plans to share and integrate various resources and know-how (wide-area deployment), drawing on its experience of operating 34 stores under 28 brands in the e-commerce space. In FY2024, the Company is targeting e-commerce sales of ¥6,000mn, up 14.3% YoY.

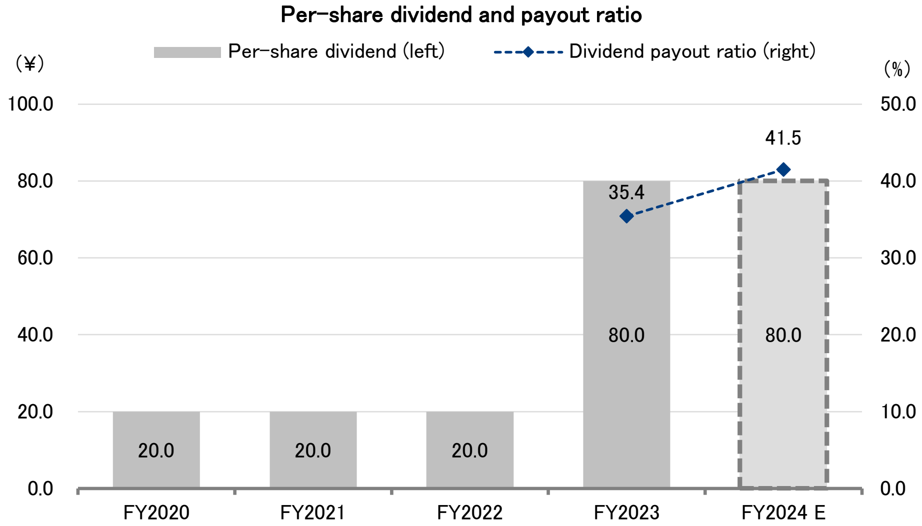
Shareholder return policy

Under its new dividend policy, the Company has lifted the target dividend payout ratio to 30-50%.
Profit growth and this new target could lift the pace of dividend hikes

In May 2024, the Company revised its policy on determining dividends from surplus. Under the new policy, the Company has positioned the appropriate return of profits to shareholders who have a close relationship with the Company as one of its most important management issues, in line with its corporate philosophy of “Zuien” (connection-i.e., the bonds). The Company determines the distribution of profits by comprehensively assessing a range of factors, including financial position, projected earnings trends, and capital requirements, taking into account the need to maintain and reinforce the management base by retaining earnings for future business development and contingencies, and to implement appropriate investments, including investment in human capital, in order to deliver sustainable growth and enhance corporate value over the medium to long term. The Company’s basic policy is to pay dividends twice a year – an interim dividend and a year-end dividend – targeting a dividend payout ratio of 30-50%. The Company has previously targeted a payout ratio of 30%, but deteriorating performance due to the COVID-19 pandemic led to uncertainty around this target. It is starting to see promising signs of profit generation, suggesting the payout ratio could increase under the new policy, accelerating the pace of dividend hikes.

For FY2023, the Company raised the annual dividend sharply from its initial ¥20 per share forecast to ¥80 per share (interim dividend ¥10, year-end dividend ¥70; up ¥60 from FY2022). The dividend payout ratio is 35.4%. For FY2024, the Company plans to pay an annual dividend of ¥80 (interim dividend ¥40, year-end dividend ¥40; no change from FY2023), with a payout ratio of 41.5%.

The Company operates a shareholder benefit program. Shareholders as of the shareholder benefit reference date (March 31 each year) will enjoy benefit points according to the number of shares held and length of time held, which can be exchanged for the Company’s benefit program products. In FY2023, benefit points could be exchanged for 1) Company group products, 2) discount vouchers that can be used at the groups directly managed stores, 3) discount coupons that can be used at designated online stores, 4) QUO cards, and 5) donated to designated social contribution activities.



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

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