



Fuji Corp Miyagi (7605 JP)

Japan's version of Discount Tire with 17% ROE at 6x P/E



ASIAN
CENTURY
STOCKS

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Summary



1. Fuji Corporation is a Japanese discount tire retailer based in Sendai City in the Tohoku region north of Tokyo. It's a specialised operation, focusing almost entirely on tires and wheels, helping it reach industry-leading volumes. Its low cost structure enables it to charge low prices and therefore take market share against incumbents. And while margins for reselling tires may be low, Fuji is selling its own-branded wheels together with the tires. These wheels are sourced cheaply from overseas and therefore contributing to the bottom-line.
2. The company's track record is extraordinary. It has had a return on equity of 15-20% for most of the past decade. Over the past 20 years, it's grown at a revenue CAGR of 8.2% and a EPS CAGR of 14.3%. And there is every reason to think that growth will continue, with Fuji Corporation's higher-margin e-commerce operation continuing to grow at double digit rates.
3. Despite these positive, the stock trades at only 6.6x P/E on current-year earnings. If you adjust for the net cash position and the portfolio of securities, Fuji Corporation's EV/EBIT multiple reaches low single digits.
4. While the weaker Japanese yen may be a short-term headwind, Fuji is adjusting its prices on a daily basis. And overall monthly revenue has remained strong despite the tire price hikes in May and October 2022.
5. A low pay-out ratio of just 14% is a question mark. But then again, Fuji Corporation repurchased roughly 10% of shares outstanding last year, and a significant portion of these shares were cancelled.
6. Other issues such as variability in weather conditions and supplier concentration (the major tire OEMs such as Yokohama and Bridgestone representing a significant portion of revenues) are worth noting as well.

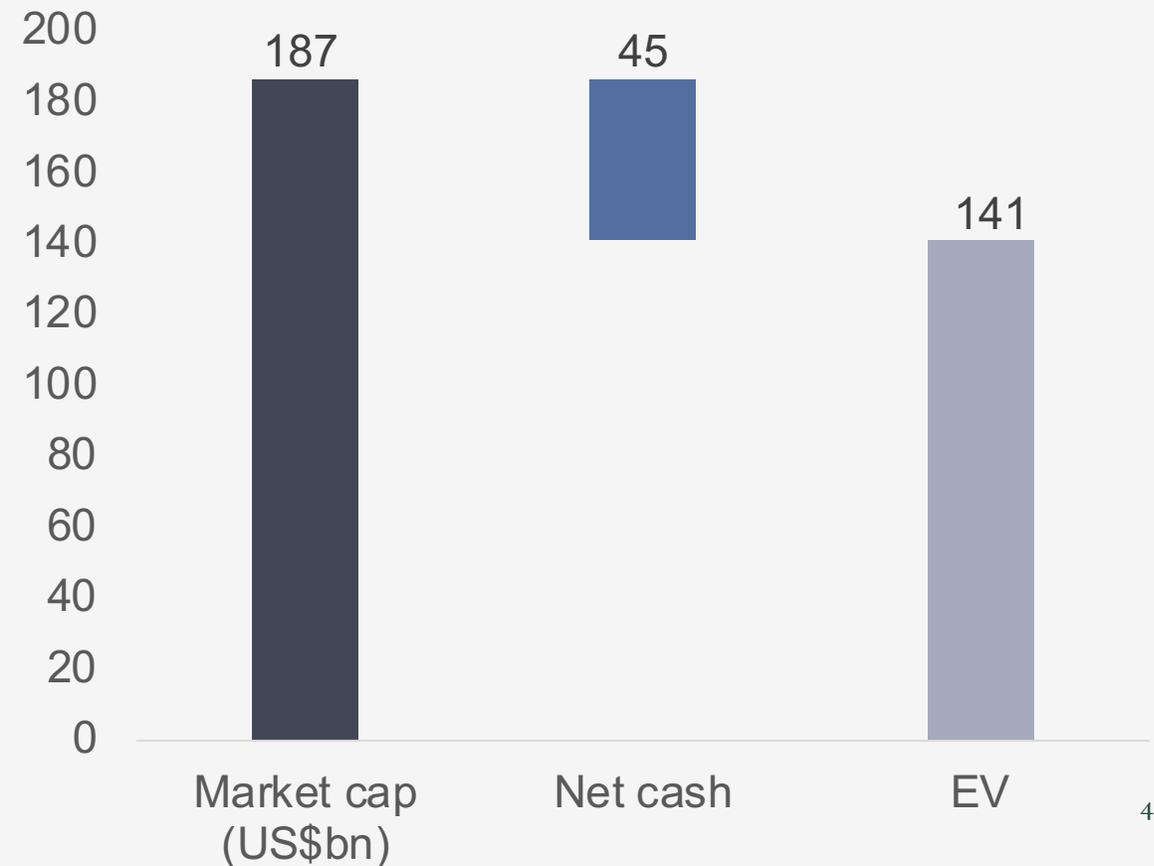
Capitalisation



- Share price: JPY 1,300
- Shares outstanding: 20 million
- Market cap: US\$187 million
- Net cash: US\$45million
- Enterprise value: US\$141 million

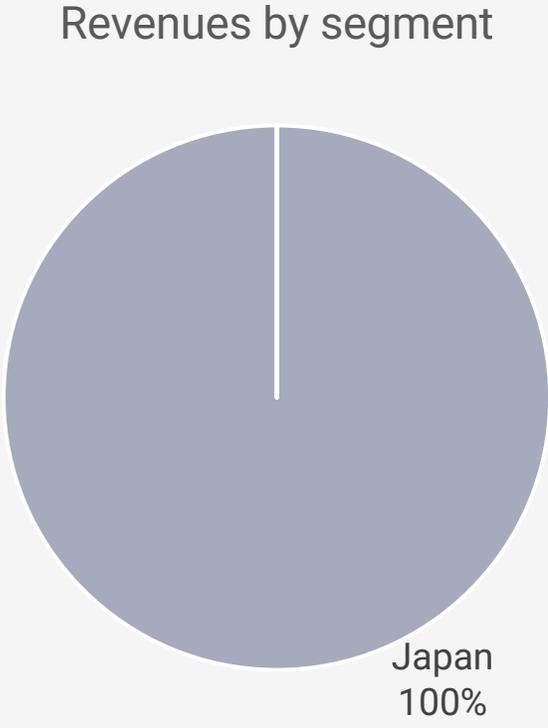
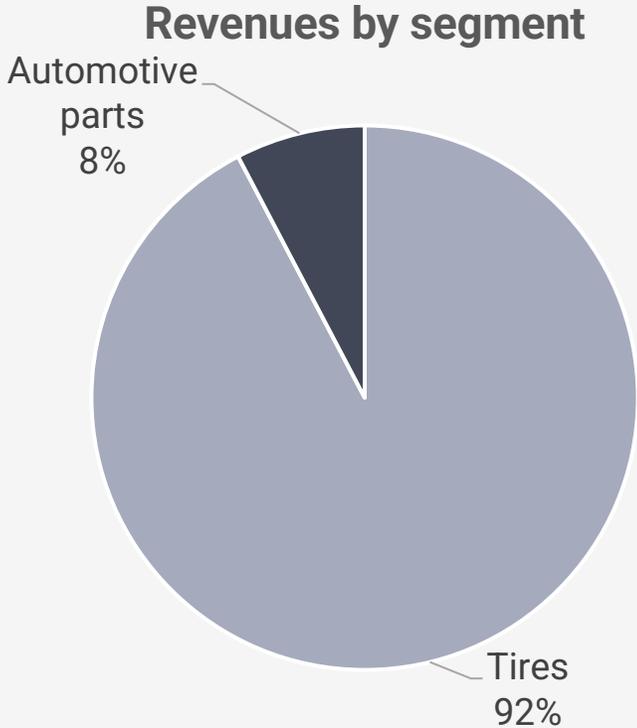
- Daily value traded: US\$294,000

US\$ million



* JPY = Japanese Yen. JPY/US\$ = 139.2

Fuji Corp sells tires and wheels, both in stores but increasingly online as well.



Source: Bloomberg

Business overview



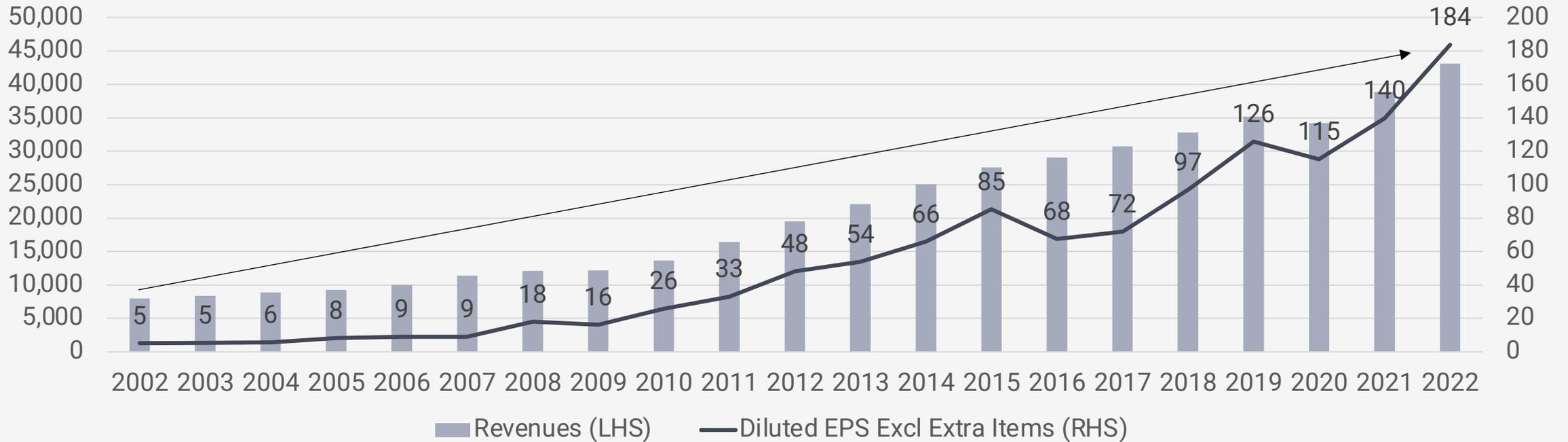
- Fuji Corporation is a Japanese discount tire retailer with 48 physical stores and an e-commerce operation. It's based in the Tohoku region.
- The company sells tires, wheels, rims and related products with the strategy of purchasing bulk volumes of high-priced tires and then selling them cheaply to end customers: individuals, car dealers, gas stations, wholesale, etc.
- It has three store formats and an e-commerce business:
 - **Special brand stores:** higher-end and exclusive to the brand
 - **Tire & Wheels Fuji:** stores with discount prices on a variety of brands
 - **5 Days stores:** fancier stores operating only 5 days per week to save cost
 - **E-commerce:** the fastest growing business is the online operation, with the ability to pick up the product in stores.
- The tires are purchased from the large tire manufacturers such as Yokohama, Bridgestone, Continental, etc. Wheels are purchased from OEMs overseas.
- Fuji also sells wine online as a new business.



Fuji Corporation has been an incredible success story



Fuji Corporation



Fuji Corporation has three separate store formats



Fuji Special brands stores (36 in total)

- Selling tires and other related products from particular manufacturers such as Yokohama, Bridgestone, etc.
- Selling higher-, but competitively priced tires for luxury cars such as foreign cars and Lexus
- Mainly in urban areas where customers are wealthier



Tire & wheel store (9 in total)

- General store retailing a variety of tires and wheels across all brands
- Selling low-priced products that appeal to cash-strapped customers
- Also offers installation services in connection to the stores

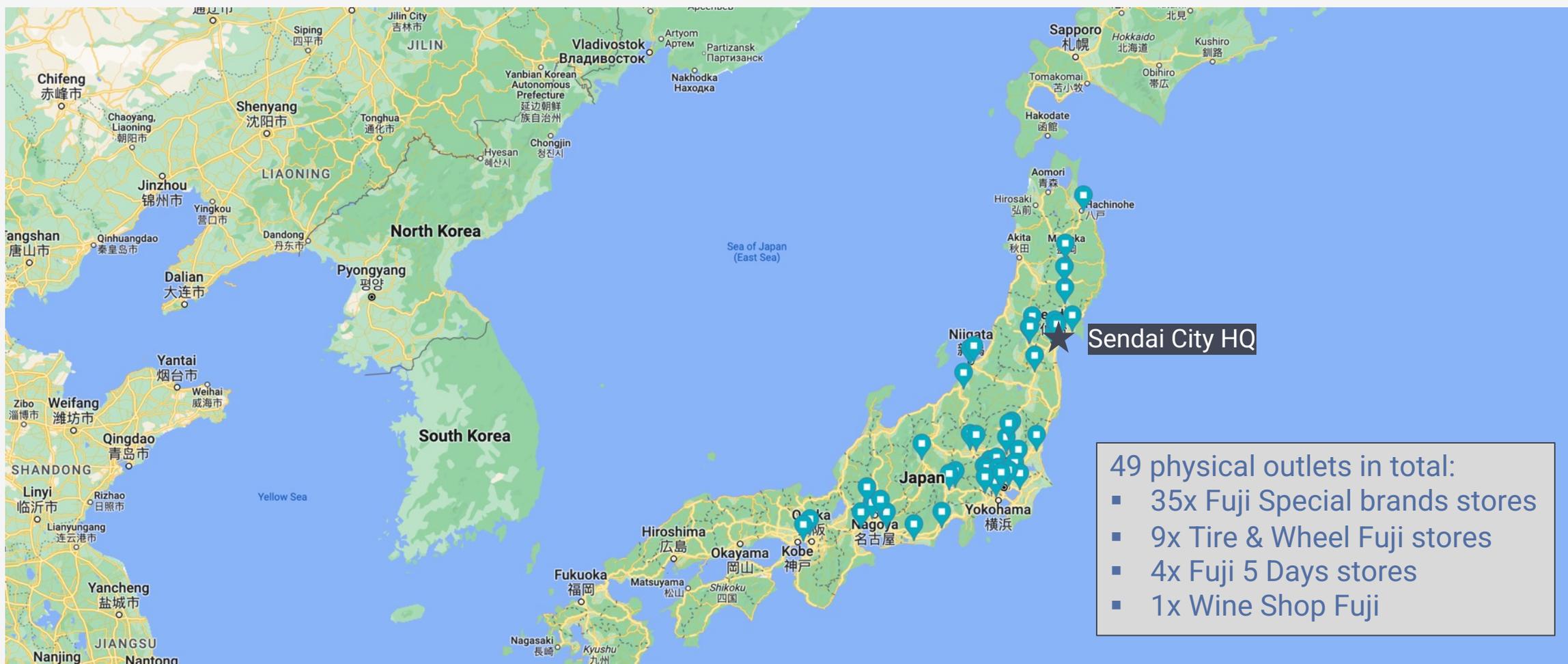


Fuji Five Days store (4 in total)

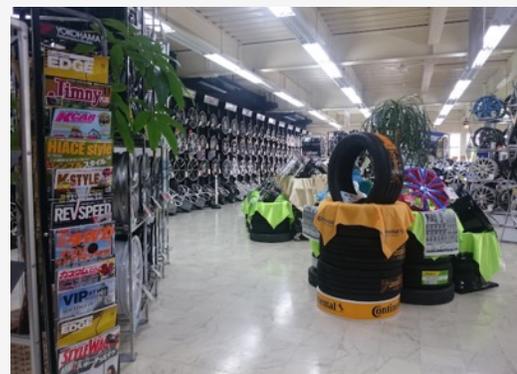
- A type of stylish store, with top-notch furniture, sofas, etc. offering an inviting experience for the customer
- Two days off per week, used in close proximity to other Fuji tire stores so that customers can be redirected.
- Since all employees can take weekends off, it's possible to operate the store efficiently with a small number of people.



Fuji stores can be found across central and northern Honshu



Fuji's stores offer low prices with no frills



Google reviews (3-star reviews only) suggest Fuji's stores offer low prices and great selection but saves cost on customer service.



Fuji Special Brand Takasaki Store (3.5/5)



- "With a wide selection of products, it is perfect for those who are particular about the design around their feet. But **waiting time is too long**. No matter what, it won't last more than 5 hours."
- "I don't know how to **wait in line**, so I have no choice but to wander around. I think there are quite a few people who go home without being able to talk..."
- "I bought normal tires. **The cheapest in Takasaki city**. The fee for changing from studless to normal It's expensive. Recommended for those who are particular about tires!"
- "To install it, I lined up before the store opened, was told that it would be **installed in about 2 hours**, and that I would call you when it was finished, and the other person would call me at 4 o'clock. The reservation system may be cleaner."

Fuji Special Brand Nagano (3.7/5)



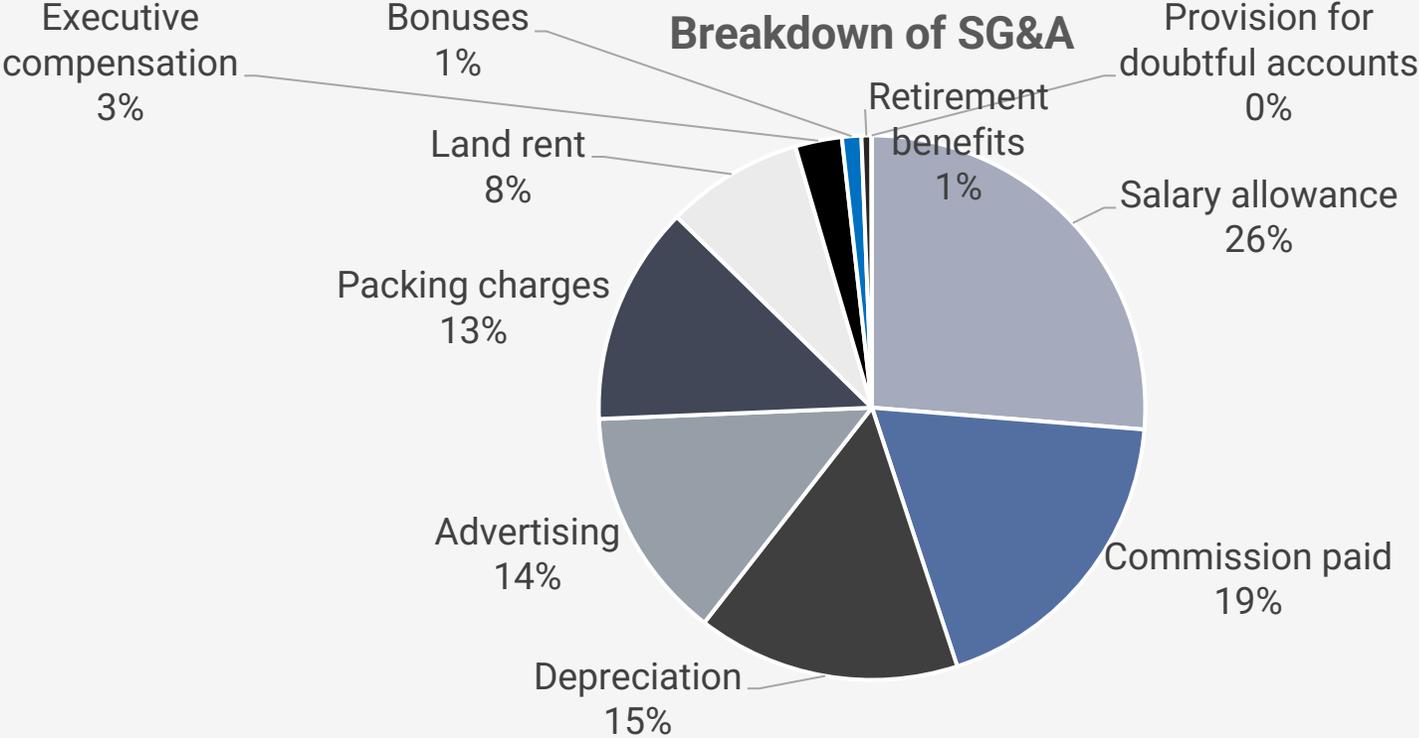
- "I received a phone call to confirm whether the item had arrived. **Making customers pay for their phone bills???**"
- "I think they have **the best selection of tires and aluminum**. Of course, items that are not in the store will be ordered, but it will not take so many days. Work fast."
- "I think it's probably **the best selection in the area and the price is reasonable**."
- "I went to change tires the other day. There was no confirmation after replacement, so it is 3 stars, I think you need confirmation."
- "The store is **full of new products**. Buy it online and pick it up at the store"

Tire & Wheel Fuji Sendai (3.6/5)



- "There is **no difference in price whether you buy online or visit a store**. I found out that if you use point day etc. on the net, you can buy it cheaply as the points are added. Hmm... I wonder (sweat)"
- "A lot of luxury wheels are decorated. The ceiling is lower than other shops and there is **a sense of oppression**"
- "I wasn't really interested in cars and I was just driving the car I bought, so I had no idea which tires would suit me. **Correspondence was also polite**."
- "I **waited 2 hours after purchasing it**, but I was able to exchange it on the same day, so I think it's good, but it's hard to use the waiting area with one chair at a time, so it's 3 stars"

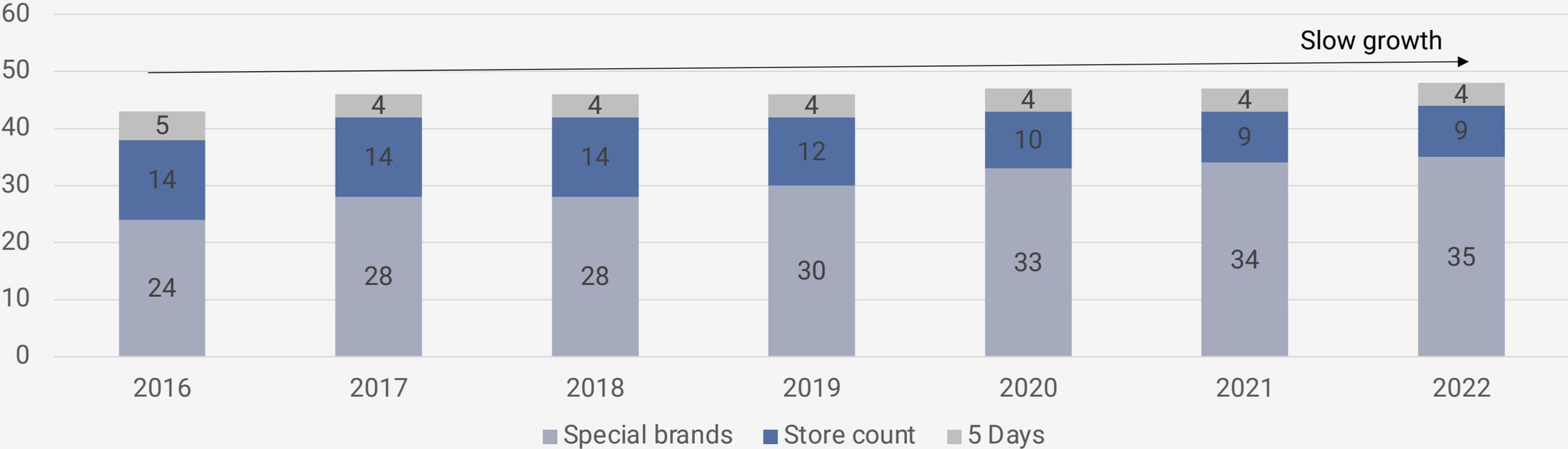
Selling, general & administrative expenses are mostly salaries, packing charges, depreciation and advertising



Fuji's overall store count is not growing particularly fast



Fuji Corporation store count





The “mail-order business” (=e-commerce)

- In the past, the so-called “mail-order business” was focused on just that: placing ads in car magazines and then selling them via toll-free phone numbers.
- But over time, Fuji has shifted to online sales, which enables customers to buy the exact product they want 24/7. Payments can be made with credit cards, bank transfers or 7-Eleven.
- This online sales takes place on fujicorporation.com and the products are delivered to Fuji stores, gas stations, etc.
- They can then get it shipped to their homes or pick up in stores, where Fuji staff also help install the wheels and tires on your vehicle. But many customers who buy online are familiar with their own vehicles and are able to install them themselves.
- The number of SKUs on the website is absolutely massive, and prices are among the lowest in the industry. Also worth mentioning that prices online and offline are equally low.

Default search: lowest price

並べ替え: 価格(安い順) | 新着順(降順) | 商品名 | 標準
※表示価格はタイヤ1本の価格です。

インチサイズで絞り込む
16 17 18 19 20
詳細サイズで絞り込み
この絞り込み条件をクリア |
上記の条件で絞り込んで検索する

価格で絞り込む
この絞り込み条件をクリア |
上記の条件で絞り込んで検索する

メーカー/ブランドで絞り込む
国内メーカー
 BRIDGESTONE
 DUNLOP
 FALKEN
 NITTO
 YOKOHAMA
欧州メーカー
 CONTINENTAL
 MICHELIN
 PIRELLI
北米メーカー
 BFG
 GOODYEAR
アジアメーカー
 DELINTE
 GRIP MAX
 HANKOOK
 MARSHAL
 NEOLIN

超おススメ! NEW MODEL 低燃費タイヤ
転がり抵抗性能 A フットグリップ性能 a
PIRELLI / PIRELLI
パワジー
タイヤカテゴリ: コンフォート
インチサイズ: 16,17,18
価格: ¥9,500(税込)~
このタイヤを選ぶ
タイヤバンク保証プランを見る

超おススメ!
転がり抵抗性能 A フットグリップ性能 a
GRIP MAX / グリップマックス
シュアグリップ オールシーズン(限定)
タイヤカテゴリ: オールシーズン
インチサイズ: 18
価格: ¥10,200(税込)~
このタイヤを選ぶ
タイヤバンク保証プランを見る

超おススメ! 低燃費タイヤ 低燃費タイヤ
転がり抵抗性能 A フットグリップ性能 a フットグリップ性能 b
MICHELIN / MICHELIN
プライマシー4
タイヤカテゴリ: コンフォート
インチサイズ: 16,17,18
価格: キャンペーン価格

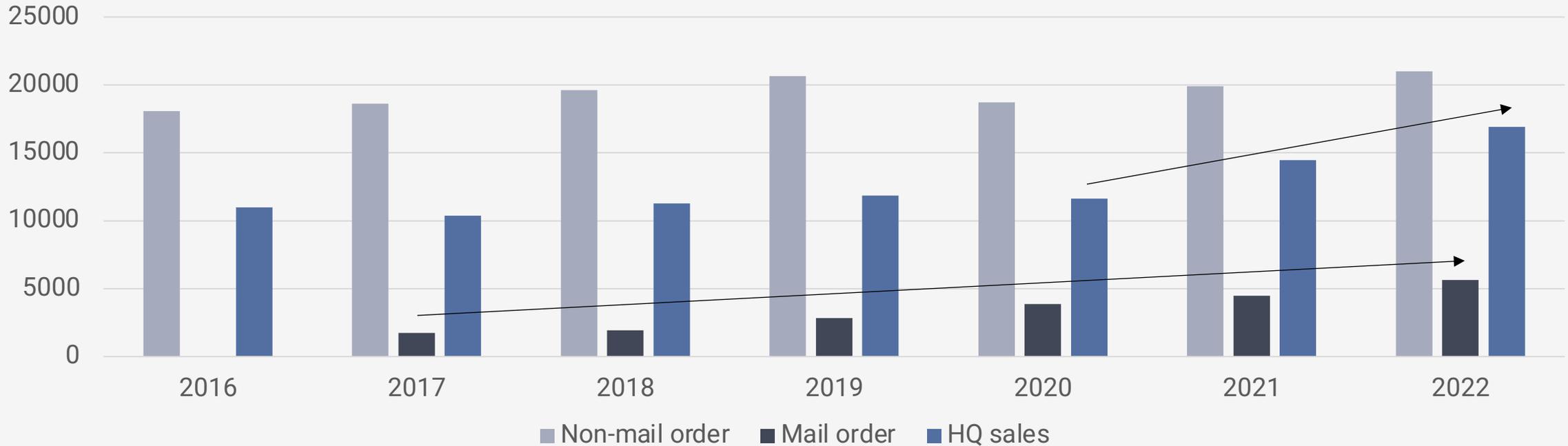
超おススメ!
転がり抵抗性能 A フットグリップ性能 a
NEOLIN / ネオリン
ネオグリーン プラス(限定)
タイヤカテゴリ: コンフォート
インチサイズ: 16
価格: ¥5,500(税込)~

Insurance cross-selling

Mail order (=e-commerce) revenue is the primary source of growth. But non-mail order revenue includes online purchases delivered in stores.



Revenue per segment



The website's virtual "wheel fitting room" enables you to try on wheels on your car make, and even upload your own photos to imagine the look.



WHEEL FITTING ROOM

ホイールフィッティングルーム

タイヤ装着イメージ
見られるようになりました! 詳しくはこちら

自分で撮影した写真でホイール装着イメージが見れる!
マイカーホイールシミュレーター

装着リスト | 自動車選択 | ホイール絞り込 | ボディカラー | 背景設定

ホイール基本情報

メーカー	BRANDLE
ブランド	ブランドル
商品名	M71
リム幅	F:7.5J/R:7.5J-18
カラー	メタリックシルバー
備考	在庫限りの販売になります

一時保存 | 一覧表示

インチサイズ 18 | 車高 ↑UP ↓DOWN

ホイール設定 | ナット設定

ページ: 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18

検索結果: 0件 / 1~10 件目を表示

タイヤ&ホイールセット ¥0~ [タイヤ選択へ](#)

ホイール単品(4本セット) ¥0~ [カートへ進む](#)

WHEEL FITTING ROOM

ホイールフィッティングルーム

タイヤ装着イメージ
見られるようになりました! 詳しくはこちら

自分で撮影した写真でホイール装着イメージが見れる!
マイカーホイールシミュレーター

wearing list | car selection | wheel refinement | body color | Background setti

Wheel basic information

Maker	ADVANTI RACING
brand	Vigo Rosso
Product name	N765
rim width	F:8.5J/R:9.5J-19
Color	matte black machining
remarks	Genuine aluminum bolts used

Temporarily saved | List display

inch size 19 | Vehicle height ↑UP ↓DOWN

Page: 1

Search results: Display 0 items / 1 to 10 items

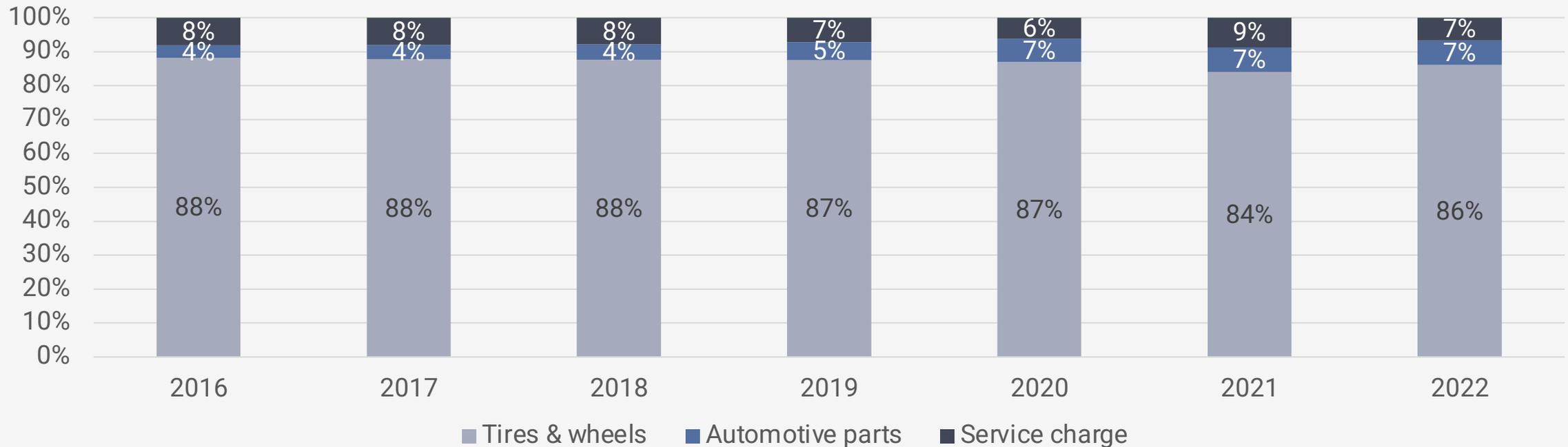
tire & wheel set ¥0~ [To tire selection](#)

Single wheel (set of 4) ¥0~ [go to cart](#)

The sales split has not shifted materially, except greater service charges (for installation of wheels, etc.)



Sales by product



Wine Shop Fuji



- Fuji Corporation sells wine online as well as through its wine store in Narita, Tomiya City in Miyagi Prefecture. Close to the company's headquarters.
- Offering 600 types of wines ranging from JPY 1,000 to JPY 1 million. Many of the wines look obscure and high-end to me.
- Wine Shop Fuji currently has about 5,000 bottles for sale, but expanding to 10,000 by the end of the year.
- The wine shop does look like a hobby project to me.



The competition



Fuji Corporation (7605 JP)

- Operates “Tire & Wheel Fuji” tire discount retail stores, as well as special brand stores for tire OEMs.
- 49 stores store currently, almost all of which are focused on selling tires.
- Strategy of purchasing bulk volumes of tires and selling them at low prices
- Has moved into e-commerce, with shipping from each outlet.
- Also has large-scale distribution warehouses to meet demand in winter.



Autobacs Seven (9832 JP)

- The largest specialised automotive goods store operator in Japan.
- Comprehensive selection of automotive products, including motor oils, tires, etc. etc.
- Founded in 1947.
- Has 588 domestic stores plus 62 retail outlets in France, Thailand, Malaysia, etc.
- Also offers vehicle inspections, maintenance, used car purchasing, etc.



Yellow Hat (9882 JP)

- Second-largest domestic chain store specializing in automotive products.
- Franchisee structure with zero royalty fee, while the ListCo focuses on the wholesale trade.
- 735 domestic outlets, selling a comprehensive set of products.
- Recently reinforcing its focus on tires and related services, including vehicle inspections.

History



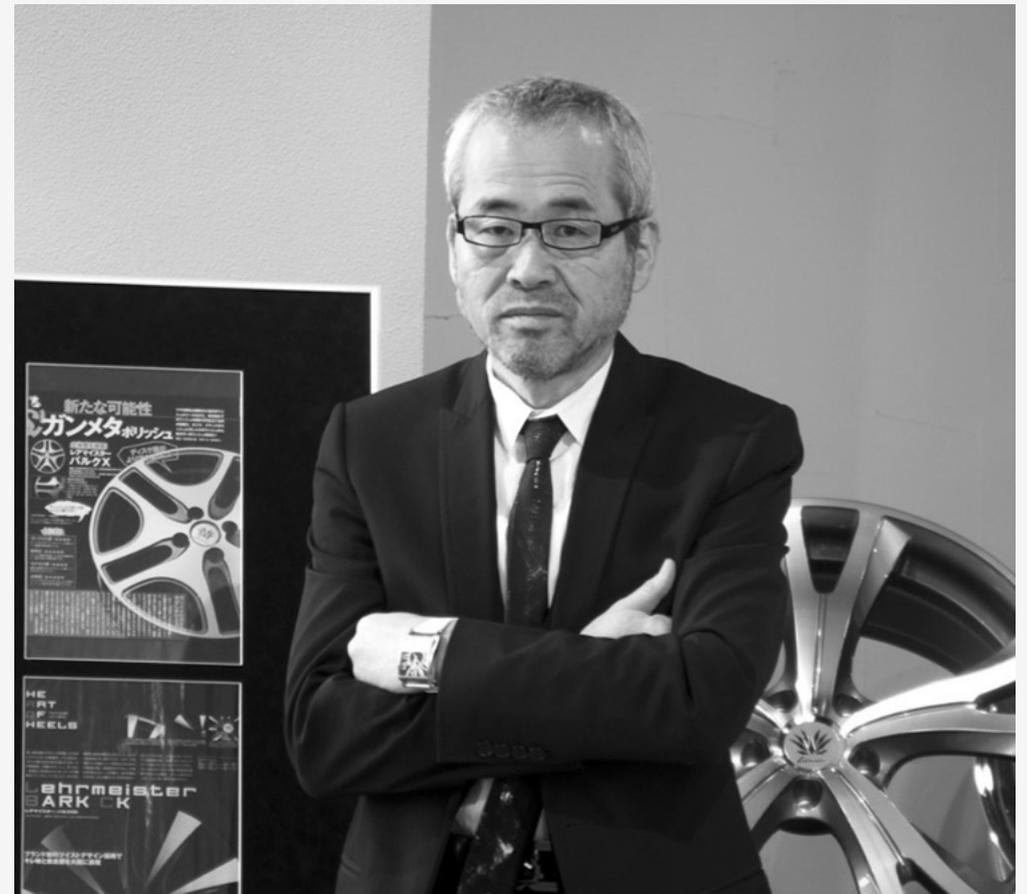
- Fuji Corp is an automobile tire retailer founded in Sendai City in **1971**.
- In **1988**, it began placing ads in car magazines and selling tires over the phone to prospective customers in neighbouring regions.
- In **1999** the stock listed via an IPO on JASDAQ.
- In the **early 2010s**, Fuji started sponsoring the Tohoku Rakuten Golden Eagles baseball team to get greater visibility in the region.
- In **2012**, it won the “77 Business Grand Prize” for being a well-run company. Fumiko Endo said that *“he was not very interested in awards”*.
- A third logistics warehouse was completed in **2015**.
- The company did a small share issue in **2016** to fund capex. The same year, it transferred to the first section of the Tokyo Stock Exchange (now known as the “Prime Market”).
- In **2020**, a new automated warehouse was added to Logistics Centre Number 3.
- In **2021**, Fuji Corporation started selling wine, partly online and partly through a new store in Sendai City.



Management



- Fuji Corp was founded by **Fumiki Endo** (遠藤文樹) in 1969, and he has been the President since 1990. He's a self-professed car enthusiast. He owns a 38% stake in Fuji Corporation, and that level has remained broadly the same since 2014 with no major sales. According to Fumiki, Fuji employs a decentralised organizational structure, letting store managers make their own decisions.
- Head of sales is **Masao Sasaki**, who owns 6% of the shares.



Fuji's key products



Tires



- Branded tires
- From major brands such as Bridgestone, Yokohama, Continental, Pirelli, etc.

Wheels



- Self-designed wheels with proprietary brand names sold at low prices
- High-margin product

Car parts



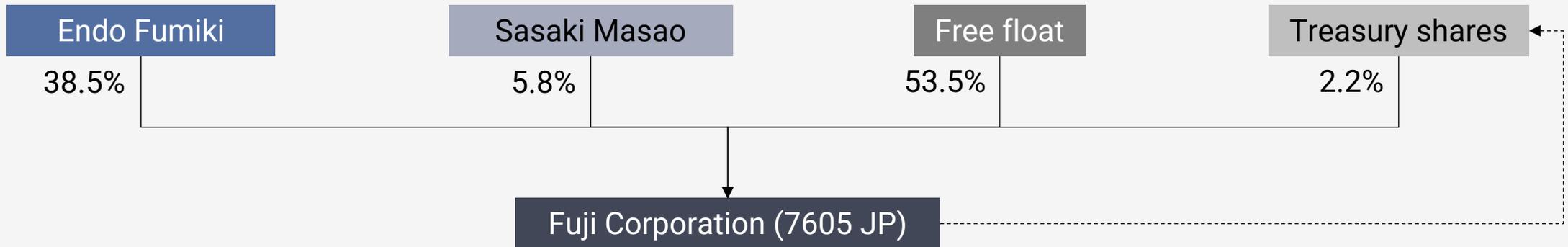
- Undercarriages
- Chains
- Lock nuts
- Exhausts
- Motor oil
- Electronic parts
- Batteries

Wine



- A selection of 600 fine wines
- Available for purchase online or at their store close to Sendai City

Corporate structure

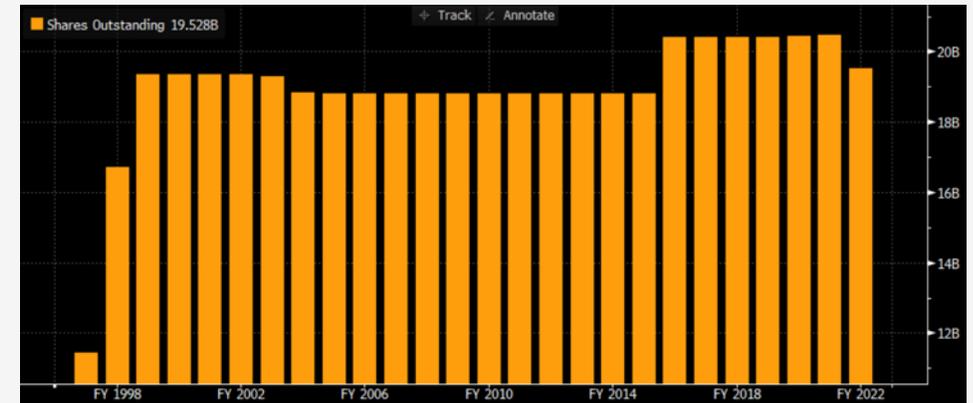


Source: Bloomberg

Capital allocation and corporate governance



- The only dilution came from a small share issue in 2016, used to build warehouses at a time when Fuji was in a net debt position.
- The company has not been active in M&A except for a plot of land and a building in 2012 near the headquarters to increase the number of stores and for reconstruction after the earthquake.
- A positive sign is Fuji's first-ever share buyback in 2022, which reduced the share count. 1.9 million shares have now been repurchased, equivalent to 10% of shares outstanding. Since Fuji Corp only has 442,000 Treasury shares on its balance sheet, the majority must have been cancelled.



7605 JP Equity Actions Export

Actions for Company Announced Effective 06/07/00 - 12/31/24 Asset Types

Filter Actions Dividends Splits M & A IPO / ADDL Listings Action Types (5)

Effective	Action Type	Ticker / ID	Summary
07/01/22	Stock Buyback	7605 JP	Open Market for Common; 139900 Shares
06/01/22	Stock Buyback	7605 JP	Open Market for Common; 304200 Shares
05/01/22	Stock Buyback	7605 JP	Open Market for Common; 192700 Shares
04/01/22	Stock Buyback	7605 JP	Open Market for Common; 221900 Shares
03/22/22	Stock Buyback	7605 JP	Open Market for Common; 1,000M Shares
03/22/22	Stock Buyback	7605 JP	Open Market for Common; 141300 Shares
03/02/12	Acquisition	7605 JP	Target: Land & Building, Sought: 100.00%
01/31/03	Stock Buyback	7605 JP	Open Market for Common; 1,000M Shares



Source: Bloomberg

Competitive advantages



- **Lowest cost:** Consumers consider Fuji to be a discount retailer, offering customers full price matching. The company's low cost structure enables it to charge less for its products. Part of the low cost comes from sourcing products, including wheels directly from overseas OEMs in Italy, China and Taiwan and therefore cutting out the middlemen. The brand name has also become more worth thanks to its sponsorships of local racing teams.
- **Proprietary designs:** Fuji Corp offers its own wheel designs and limits competition.
- **Store network:** Selling tires online is difficult because of installation. And customers will want to make sure new wheels fit their car. Being able to pick up the tires & wheels at Fuji's physical locations helps reduce risk.
- **Scale:** According to competitor Yellow Hat, auto accessory stores are able to procure merchandise more cheaply than service stations and car dealers as they handle larger volumes. That's especially true for tires. And especially for Fuji, which has 92% of its revenues from tires and wheels, incredibly specialisation that gives bargaining power.
- **Technology platforms:**
 - **FACE:** Through Fuji's "FACE" ERP system, they're able to identify best-selling products and then jointly develop private brands of high-margin aluminium wheels with manufacturers overseas. This helps Fuji maintain a paperless company-wide environment.
 - **Wheel fitting room:** On Fuji's e-commerce website, customers can try out tires and wheels on a variety of car models to get a glimpse of how they will look. They can even upload pictures of their own cars, to reduce the purchase risk.

Fuji's 3 distribution centres support their satellite retail stores in neighbouring regions



Source: Fuji Corporation's website

One of Fuji Corporation's automated warehouse



Unique work lines, specifically designed for our company, and "Tire and wheel assembly machines"



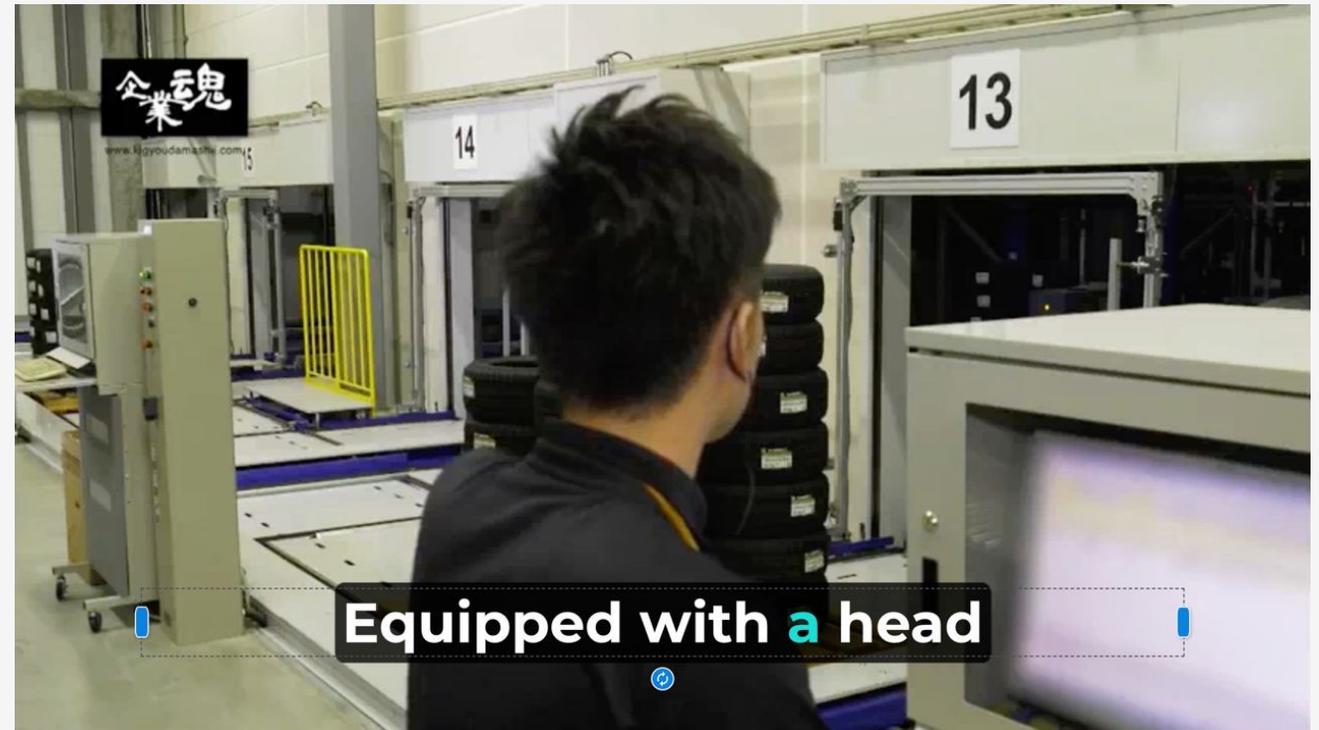
make it possible to automate assembly, air injection, wheel balancing, and packaging.

Source: <https://youtu.be/ThwxUAhw3Cs>

Fuji's two automated warehouses employ top-notch technology



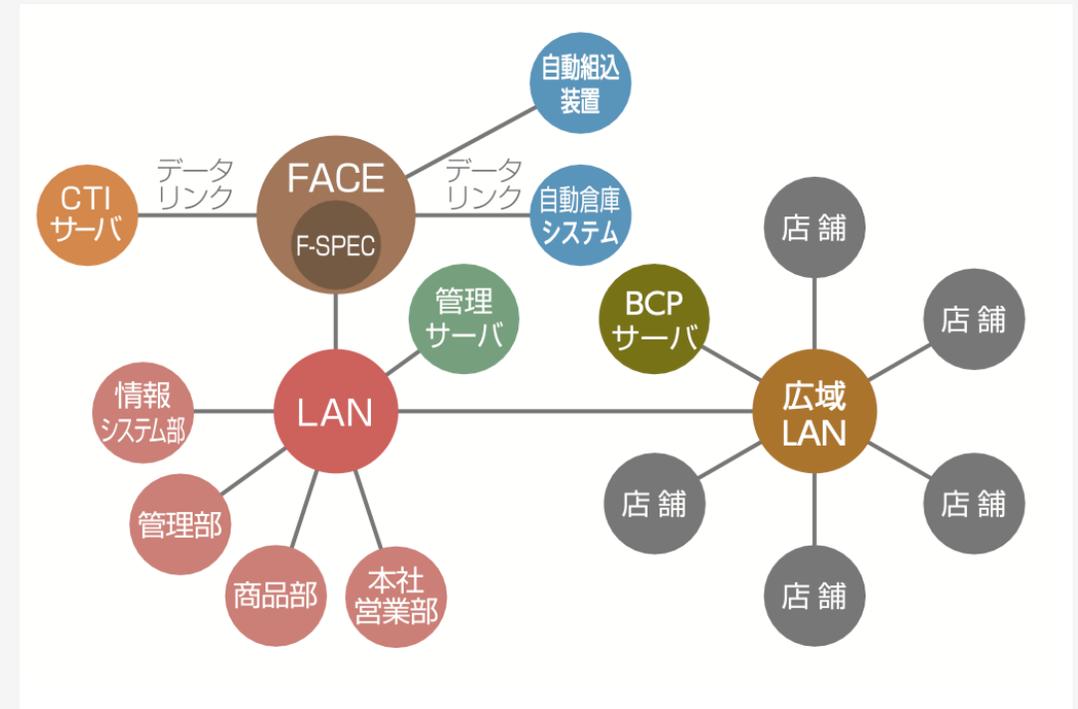
- In the past, Fuji had a flat warehouse of 7,000 tsubo and two automated warehouses.
- In September 2020, Fuji completed the construction of a new warehouse with double the storage capacity of the previous building
- This new building has an automated rack, a high-speed sorting electric trolley and an automatic transfer conveyor belt.
- Products that receive shipping instructions are automatically shipped from the pallets stored in the automated rack warehouse to the customer.
- The automated warehouses are linked to the FACE ERP system that send ship products as soon as orders have been processed.
- The high degree of automation will help the matching of inventory and better serve customers through a greater range of products, reduce lead times and lower aggregate inventory.



Fuji's ERP system seems more advanced than for the average retailer



- Fuji has its proprietary ERP software called FACE, which tracks sales, inventory, purchases, prices, etc. and is accessible across the network.
- Prices for products are set daily based on a variety of factors.
- Through FACE, they're able to identify best-selling products and then jointly develop private brands of aluminium wheels with manufacturers overseas.
- These wheel products tend to be high-margin and therefore contributing significantly to the bottom line.



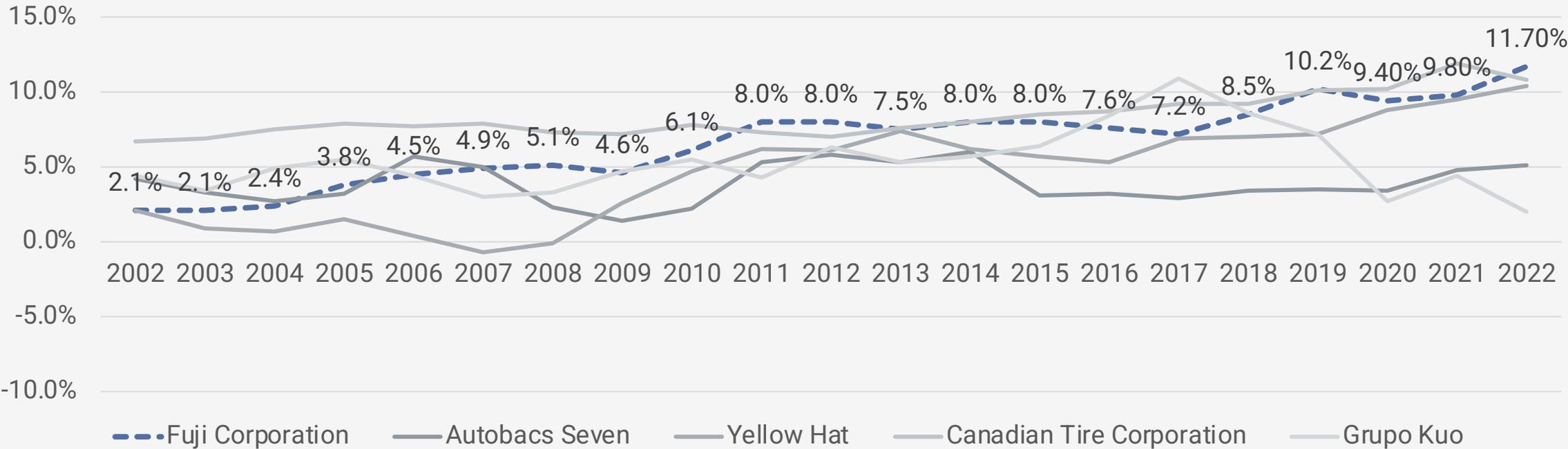
Fuji Corporation's return on equity is impressive for a Japanese retailer, especially considering the poor dividend pay-out ratio



Fuji Corporation's operating margins are up there with the best tire retailers globally



Operating profit margin



Source: TIKR

Share price



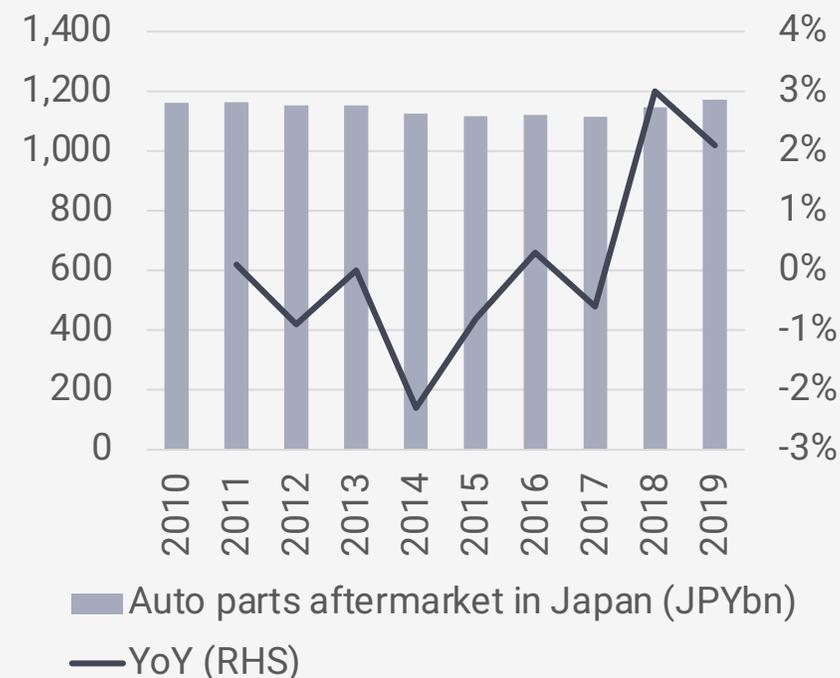
Source: Bloomberg



Long-term industry trends

- Japan's automotive parts industry is essentially a zero-growth industry, with only a certain uptick in 2018-19 thanks to the weaker yen.
- The number of passenger cars owned has increased with a few percent in the past decade from 58 million to 62 million vehicles.
- The primary driver is an increase in the number of households – not a greater penetration rate. One potential explanation is a drop in the number of car enthusiasts among youth. The number of households in Japan is expected to peak in 2024, suggesting weak growth going forward.
- On the positive side, a switch to heavier EVs would cause greater tires to wear out more quickly, increasing the demand for new tires. But we haven't seen much of this effect in the industry data yet.

Japan auto parts aftermarket





What will change for Fuji Corporation?

- Fuji will continue growing its store footprint slowly, focusing on locations with low store cost. They prefer to repair old buildings to reduce capex associated with new stores rather than build new.
- The weak Japanese yen caused import prices to rise. But with daily resetting of prices on the website, much of those costs are passed on to customers.
- Tire OEMs increased their prices in May and October 2022. In 2022, there might have been particularly high demand in anticipation of price increases from tire manufacturers. Fuji Corp may now face a weaker year in 2023 after demand has been pulled forward. As explained in Autobacs' full-year FY2023 report:
 - *"Tires remained solid due to the rich product line-up and sales promotion, although prices increased twice. Sales increased but profit decreased as the reaction to exceptional demand in the previous year."*
- Fuji Corporation's 2H2023 numbers were largely positive with sales +7.1% year-on-year and net profit +12.2% year-on-year.
- The company is increasing the number of items handled by Fuji Wine Shop, which was established in 2021. The latest target is 10,000 wines by year end 2023. The number of transaction is also increasing gradually.

Fuji's monthly sales numbers continue to look constructive



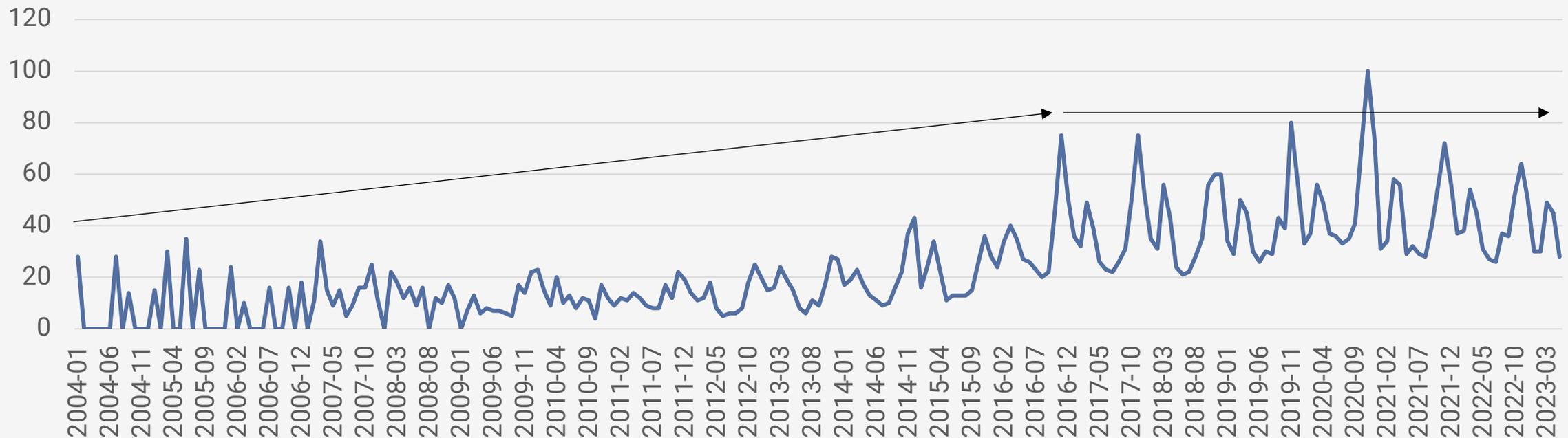
Fuji Corp monthly sales



Google search query data suggests a flattening out in growth in terms of the consumer interest of the website



Google search queries for “フジ タイヤ” (Fuji tires) in Japan



Fuji Corporation's 1HFY2023 result was positive



- Fuji's first quarter 2023 result was positive:
 - Revenues grew +7% year-on-year
 - Operating profit +12% year-on-year
 - Net profit +12% year-on-year
 - EPS +17% year-on-year thanks to buybacks
- The cash flow was also strong thanks to lower inventory build.
- The new full-year forecast remains unchanged with revenues +1% YoY, operating profit +3% YoY and net profit +2% YoY. But these are exceptionally conservative estimates. Management is certainly not promotional.

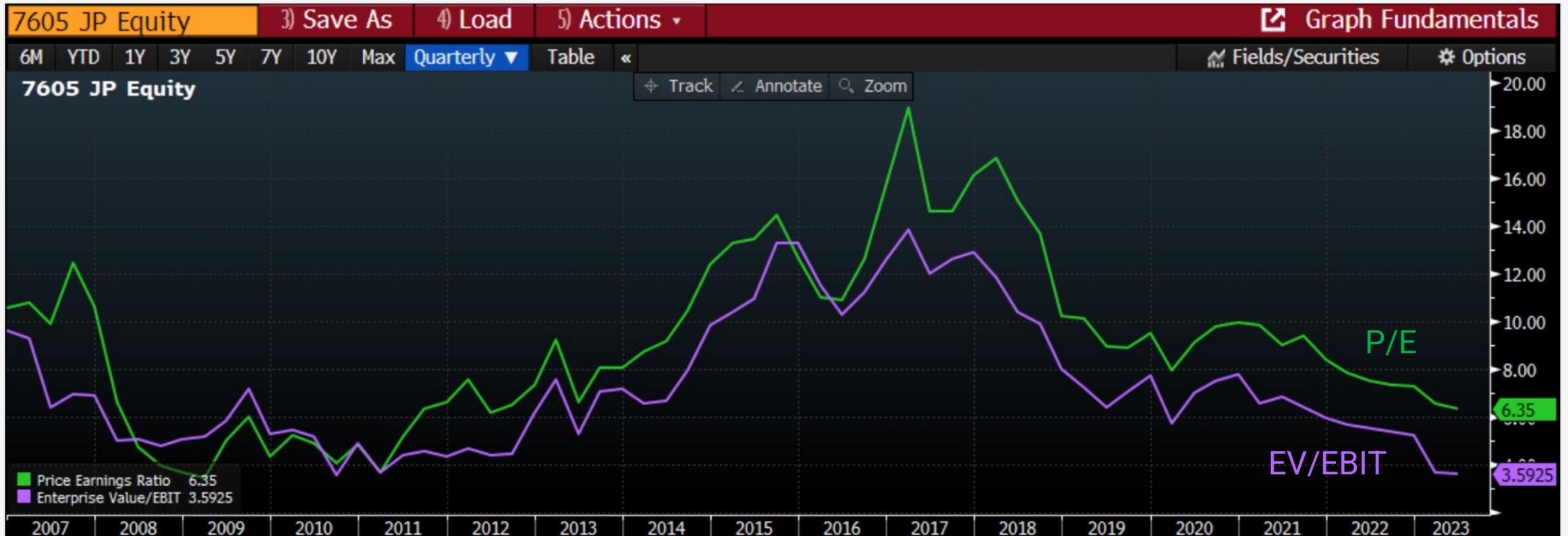
Fuji Corp (7605 JP)	1H2022	1H2023	Year-on-year
Revenues	24,827	26,588	+7.1%
Operating profit	3,635	4,052	+11.5%
Net profit	2,584	2,897	+12.1%
EPS	126.35	148.13	+17.2%
Net asset	22,492	24,986	+11.1%

The October spike in inventory was strategic, fulfilling customer demand for tires before ASP hike. Inventory is back to normal, boosting FCF.



Source: TIKR

Fuji Corporation used to trade at P/E 9x and EV/EBIT 7x and has now reached close to record low valuation multiples



Source: Bloomberg

Fuji Corporation's peers trade closer to 11x P/E and 10x EV/EBIT



Automobile tires 2024e	Ticker	Region	Mkt cap (US\$m)	EV/Sales	EV/EBIT	P/E	Div yield
Fuji Corporation	7605 JP	Japan	187	0.44x	3.6x	6.4x	1.9%
Autobacs Seven	9832 JP	Japan	897	0.48x	9.6x	16.4x	3.9%
Yellow Hat	9882 JP	Japan	658	0.57x	5.5x	7.9x	3.6%
Autowave	2666 JP	Japan	18	n.a.	n.a.	9.5x	1.2%
Hotman	3190 JP	Japan	31	0.33x	19.2x	22.5x	1.7%
Bridgestone	5108 JP	Japan	29,939	1.03x	8.2x	10.5x	3.8%
Sumitomo Rubber	5110 JP	Japan	2,453	0.53x	12.5x	10.2x	3.6%
Yokohama Rubber	5101 JP	Japan	3,740	0.68x	7.2x	8.1x	2.7%
Canadian Tire	CTC/A CN	Canada	7,485	1.05x	10.5x	9.0x	4.2%
Grupo Kuo	KUOB MM	Mexico	1,130	0.70x	28.1x	12.0x	1.3%
Average ex-Fuji			5,150	0.67x	12.6x	11.8x	2.9%
Median ex-Fuji			1,130	0.63x	10.1x	10.2x	3.6%

Source: Bloomberg

Growth in Fuji's e-commerce arm is margin accretive, leading to a mid-single digit forward-looking P/E

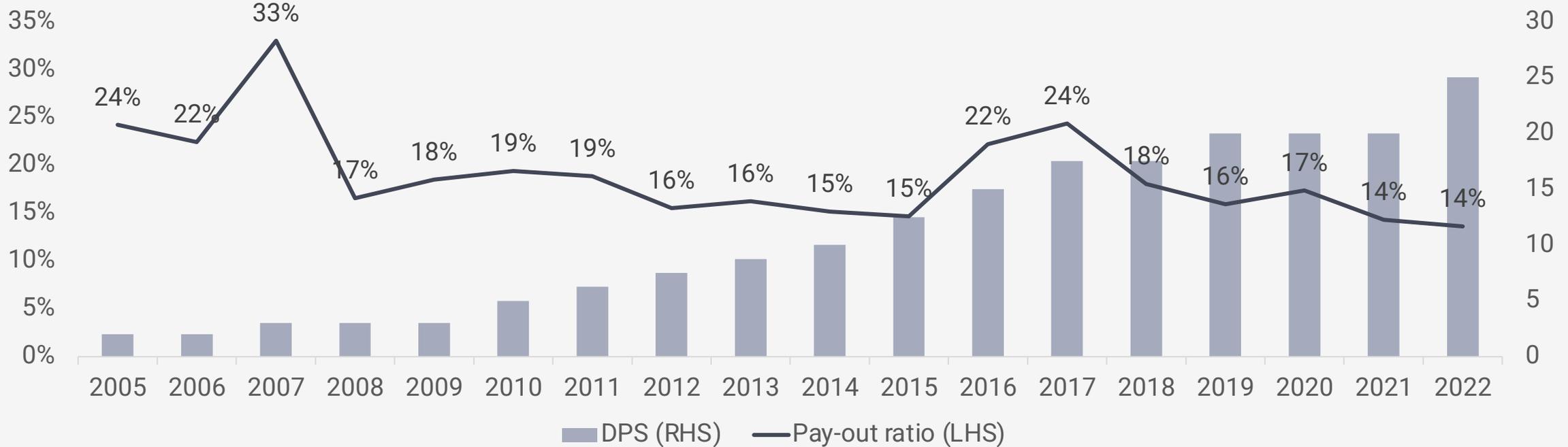


Fuji Corporation (7265 JP) (JPYbn)	2019	2020	2021	2022	2023	2024	2025	2026
Revenue	35,165	34,241	38,847	43,080	46,096	48,862	51,305	53,357
Cost of sales	-24,033	-23,158	-26,176	-28,837	-30,717	-32,413	-33,880	-35,075
<u>Gross profit</u>	<u>11,132</u>	<u>11,082</u>	<u>12,672</u>	<u>14,244</u>	<u>15,379</u>	<u>16,448</u>	<u>17,425</u>	<u>18,282</u>
SG&A	-7,552	-7,856	-8,872	-9,188	-9,911	-10,505	-11,031	-11,472
<u>Operating profit</u>	<u>3,580</u>	<u>3,226</u>	<u>3,800</u>	<u>5,055</u>	<u>5,468</u>	<u>5,943</u>	<u>6,394</u>	<u>6,810</u>
Non-operating income	211	339	442	374	342	342	342	342
Non-operating expenses	-31	-35	-28	-49	-36	-36	-36	-36
One-off losses	1	-73	-26	-2	0	0	0	0
<u>Pretax profit</u>	<u>3,761</u>	<u>3,457</u>	<u>4,189</u>	<u>5,378</u>	<u>5,774</u>	<u>6,249</u>	<u>6,700</u>	<u>7,116</u>
Income tax	-1,190	-1,101	-1,325	-1,687	-1,819	-1,968	-2,111	-2,242
<u>Net profit</u>	<u>2,572</u>	<u>2,357</u>	<u>2,864</u>	<u>3,692</u>	<u>3,956</u>	<u>4,281</u>	<u>4,590</u>	<u>4,875</u>
EPS (JPY)	128.8	118.0	143.4	184.9	198.1	214.4	229.8	244.1
GPM	31.7%	32.4%	32.6%	33.1%	33.4%	33.7%	34.0%	34.3%
OPM	10.2%	9.4%	9.8%	11.7%	11.9%	12.2%	12.5%	12.8%
NPM	7.3%	6.9%	7.4%	8.6%	8.6%	8.8%	8.9%	9.1%
P/E	10.1x	11.0x	9.1x	7.0x	6.6x	6.1x	5.7x	5.3x
EV/EBIT	5.5x	6.1x	5.2x	3.9x	3.6x	3.3x	3.1x	2.9x
Div yield	1.5%	1.5%	1.5%	1.9%	2.1%	2.2%	2.3%	2.4%

Fuji's Corporation dividend payouts have been disappointing at just 10-33%... but at least, reinvested capital has led to EPS growth



Fuji Corp dividend payouts



Some modest insider buying in 2012/15/16 by Sasaki Masao



Potential downside risks



- **Supplier concentration:** Their bargaining power against the tire manufacturers is low given that 40% of purchases come from Yokohama and Sumitomo.
- **Weather:** Hot winters could reduce the demand for winter tires. But only temporarily.
- **Raw materials prices:** Higher oil and rubber prices will raise ASP but potentially lead to backlash from consumers. Rubber prices are average in JPY terms in a historical perspective, whereas oil prices are high. In any case, I don't believe fluctuations in prices will change the overall growth picture much.
- **Strong economy:** The tire industry is not cyclical. When there is a recession, customers drive their old cars longer and buy tires from third-parties. The risk is rather that customers buy new cars already equipped with tires and wheels.

Potential catalysts



- Continued growth in the e-commerce business
- Greater sell-side and buy-side coverage as the stock progresses to higher market cap ranges
- Further share buybacks

