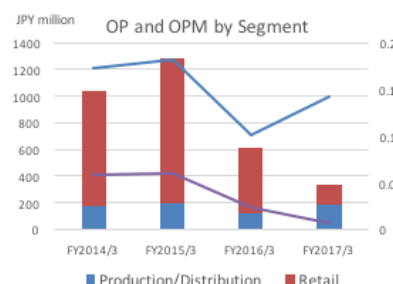
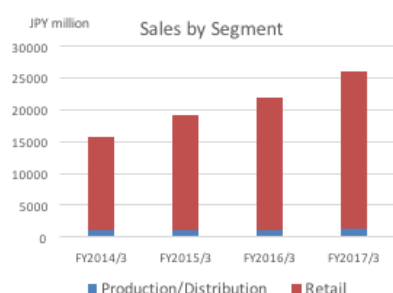


AP Company (3175, JP)

Exchange: TSE 1st
Sector: Foods/Restaurant
Market Cap: JPY6.9 billion
P/B: 1.9x (3/17 act)
Div. Yield: 0.0% (3/18 CE)

Recommendation: Hold
Share Price: JPY939 (6/9/2017)
Target Price: JPY1,001
P/E: 17.8x (3/18 CE)



Highlight

Metrical initiates coverage of AP Company as 'Hold.' The company has unique business structure of Production/Distribution business of farm foods and fish and Retail business of operating restaurant. Production/Distribution enjoys high profit margin with solid growth, whereas Retail business is very likely to be forced review its strategy, as its existing store sale suffers continuously falling due to anemic consumer spending in Japan and unique presentation and local chicken quality seem hardly differentiate from other competitors. In terms of valuation, the share price seems to discount on EV/EBITDA and Sum-of-the-Parts value. However, considering the earnings for FY03/2018 (E) and for the mid-term based on continuing slower growth in existing store sale, the share price would not recover to its fair values above. The share price would stay the range based on correlation between EPS and share price from FY03/2013 to FY03/2017 at this moment.

Business Description

AP Company was founded in 2001 as a venture enterprise of producing eating-out outlet and opened chicken restaurant in Hachioji, Tokyo in 2004. In 2006 AP Company expands chicken farm in Miyazaki and opened see food restaurant in Shinjuku, Tokyo. After it went public in TSE Mothers in 2016, the business accelerated to operate chicken restaurant as 'Tsukada Nojo' brand and operates 208 direct run outlets in Japan and 15 outlets in overseas as end of FY03/2017. The sale is growing in both Production/Distribution and Retail business, but profit is different as Production/Distribution maintains stable profit margin whereas Retail suffers deteriorated profitability (see Charts on left).

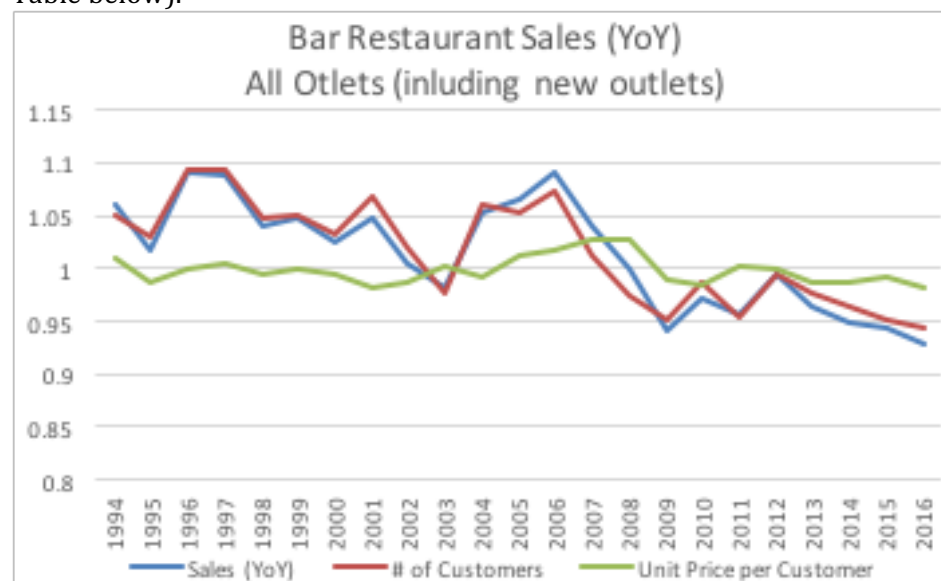
'Direct Farm to Consumer' model

AP Company have been developing 'Direct Farm to Consumer' model in belief that delivering quality of foods without vendors and distributors should benefit to both of producers and retailers benefit. The model directly delivers quality of foods to customers at its restaurant. AP Company is engaged in directly connecting between farmers/fishers and customers at its eating-out outlets, constructing network with producers in nationwide.

Industry Overview and Competitive Positioning

Industry Overview

Japan's eating-out market is estimated JPY25 trillion, growing slightly at 2.8% YoY to JPY25 trillion for CY2016. Of the market, Bar Restaurant slid 9.2% YoY for the same period and Pub & Beer Hall rose 1.3% YoY. For Bar Restaurant, mainly due to the decrease of number of customers pulled down the sale, as the number of customers fell 7.9% YoY and unit price lost 1.4% YoY (see Table below).



Competitive Positioning

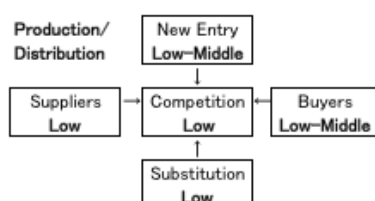
Porter's 5 Forces: Production/Distribution

Eating out chain operators have tried to reinforce direct procurement with food producers in order to secure volume and domestic foods. Particularly, the trend of sourcing domestic foods is accelerating, as consumers are more sensitive to safety as well as quality of foods. There have been a number of food fraud scandals and chemical contaminated foods imported from China and other countries for the decade. Domestic foods are more traceable and likely to offer reliability to customers, even though they are higher priced than imports. In this trend, some restaurant operators serve foods cooked by mostly domestic material. However, due to weak consumer spending and deflation, it is really difficult to switch to domestic foods, maintaining prices of menu. Of public companies, Ringerhut (8200, JP), Mos Food (8153, JP), Torikizoku (3193, JP), Osho Food (9936, JP) and Royal Holdings (8179, JP) are serving cooked by mostly domestic food materials. They use domestic foods for securing stable procurement in volume and price and attract to customers in safety and quality. However, only a few companies have set up a subsidiary in charge of production and distribution, but others have used contracted food producers for direct procurement.

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Buyers (Low-Middle risk): Main buyer is AP company. In case AP company's Retail business increases sale, the operation of Production/Distribution will expand its business led by high operation in volume and increase sale outside AP Company more easily in economy of scale. Currently, Retail business expands soft from 15 outlets in Japan for FY03/2017 to 7 outlets for FY03/2018.



Suppliers (Low risk): Local farmers and fishers are organized by AP Company that is in charge of marketing, building brand by advertising and serving foods at its restaurants. This is benefit to suppliers and suppliers risk is marginal.

Competition (Low risk): As mentioned earlier, a limited number of companies operate this business. The competition risk is low.

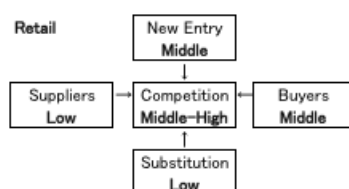
New Entry (Low-Middle risk): Organizing network with food producers on contracted basis is not high barrier, as several eating-out chain operators uses direct procurement from domestic producers. However, many of the names (listed earlier) are fast food chain except Royal Host family restaurant run by Royal Holdings. Production/Distribution of AP Company earns high profit margin but this business requires a large number of outlets in enjoying economy of scale as well as branding skills at restaurant. For fast food chain that serves dishes quickly and reasonably low price, it would be enough only direct procurement from contracted farmers but they do not need production which would be costly for fast food or low priced Restaurant chain. The risk would be low to middle at the moment.

Substitution (Low risk): Apart from the way of setting up Production base, direct procurement is one of the best way of reducing procurement cost and securing stable procurement for large restaurant operators. For farmers, key issue is access to a buyer such as retailer or restaurant and marketing to consumers. Production/Distribution business equips the both functions, which would be appealing model to food producers. Substitution risk would not be significant.

Porter's 5 Forces: Retail

Retail business is consisted of restaurant and lunch box delivery. Lunch box delivery is start-up stage but is expected to turn profit in this fiscal year, as lunch box or food delivery drives earnings of many of eating-out outlets. Food delivery is popular for busy business people in major city in the world such as New York, London and Shang-Hai as well as Tokyo, and also is more likely to become useful and increase demand for social change that women advance work place in the decrease in labor population and senior population accelerates in Japan. On the other hand, restaurant business is in highly intensive competition. The number of outlets in overall eating-out industry remained flat of down 0.1% YoY and that of Bar Restaurant fell 8.9% YoY for CY2016 and is expected to increase soft led by the decrease in population.

Besides, due to anemic consumer expenditure and continued deflation, customers are more likely to use lower priced restaurant in general. AP Company achieved excellent growth in its main brand restaurant 'Tsukada Nojo,' serving quality of food cooked by domestic brand chicken provided from its Production/Distribution and unique presentation. "Tsukada Nojo' focuses on increasing frequent customers, offering hospitality to frequent customer with unique presentation. This includes a welcome message plate written by chocolate and giving a business card written title name in company as 'Shunin (Associate) at 1st time visit, 'Kacho (Manager)' at 2nd visit and 'Bucho (General Manager)' at 5th visit with special service by title. Due to such unique presentation, quality of local chicken as well as TV reports, the store sale boosted for FY03/2015. However, the sale has grown slower after consumer confidence deteriorated amid consumption tax hike in April 2014 and deflation mind increased for a few years as the unit price per customer of 'Tsukada Nojo' is relatively higher at JPY3,500 than low price Bar chain of JPY2,000.



Buyers (Middle risk): Amid continuing deflation and soggy real income growth in Japan, customers are more likely to choose lower priced restaurant. Existing store sale of AP Company remains stagnated at -5% for 3 straight year in row. Buyers risk would be middle.

Suppliers (Low risk): Food materials are provided by mainly Production/Distribution of AP Company. The suppliers risk is low.

Competition (Middle-High risk): AP Company diversifies restaurant band to lower price range outlets such as 'Yakitori-Standard,' as lower priced Bar like Torikizoku (3193, JP) and Kushikatsu Tanaka (3547, JP) keep solid growth in existing store sale at +1.8% YoY and +1.4% YoY fiscal year to month respectively. The competition risk is middle to High, while AP Company projects existing store sale to grow -5% YoY for FY03/2018.

New Entry (Middle risk): 'Tsukada Nojo' targets relatively higher price zone and less risk in entry, but for lower price zone restaurant the new entry risk is high, as consumer need is higher for lower ranged zone and AP Company diversify to lower priced restaurant.

Substitution (Low risk): Restaurant in each price segment should have a certain demand for customers in need and price/service based. Customers use restaurant that recognizes value compared with cost. Substitution risk is marginal.

Investment Summary

Business Outlook

Due to slower growth of existing store sale, the earnings are expected to slow recovery after the bottom in FY03/2017. In mid-term view, the slower Retail sale drags the earnings growth for the mid-term, while new store opening increases modestly for the next few years and Production/Distribution maintains stable profit.

Competitive Positioning and Risks

Production/Distribution has relatively lower risk with fewer competitors at the moment, generating enough high profit margin. Conversely, Retail faces difficulty in both in higher price range and lower price range markets. In higher than average price segment, AP should develop differentiation as a competitor expands 200 'Yamauchi Nojo' of a kind of copied chain. In lower price market, competitors look more advantageous in standardized chain system.

Valuation

Due to recovery of profit and cash flow for FY03/2018 and the next few years, the share price looks a little discount from the valuation. In terms of EV/EBITDA and Sum-of-the-Parts value, the share price stays at lower than its fair values as of closing price on June 9th 2017.

Financial Stability

Retail business outflows in its free cash flow, delaying cash collection after investment in new store open. But the company projects the investment in new store open to limit for a few years and this will improve profitability and cash flows. Working capital is positive and financial stability has significant issues for the time being.

Business Outlook

Existing Store Sale

Existing store sales softened -5.0% YoY for FY03/2015 and -5.7% YoY for FY03/2016 and -5.7% YoY for FY03/2017 and remains soft sale of -6.8% YoY in April and -6.9% YoY in May. METRICAL expects the existing store sale to slide at 6.6% YoY for FY03/2018 (E) lower than company projection of -5.0% YoY and improve to -4.9% YoY for FY03/2019 (E) and +0.9% YoY for FY03/2020 (E), and new store to open 7 outlets for FY03/2018 (E) as same as company projection, 3 for FY03/2019 (E) and 3 outlets in Japan for FY2020 (E). Some outlets opened in Central Tokyo performs bad and are very likely closed down and more selectively to open new outlets from now in profitability point of view. Due to sluggish existing store sale, total store sale in Retail segment would grow slower pace without new store opening. The sale in Retail for FY03/2018 (E) is expected to remain flat at -0.5% YoY but would decrease more in case new outlets opens less than company projection of 7. More importantly, we should watch carefully at existing store sale for a year to find whether it resulted from a temporarily turmoil. A number of

fast growing food chain operators experience suffering from respite after rapid expansion, as humane resource has insufficient to provide to entire outlets and hence quality of service deteriorates. AP Company recognized this problem at the previous analyst meeting for 2Q FY03/2017, but the number of store sale remains stagnated. It would take some time to find whether it is respite or structure issue. If it is respite and solved the human resource issue, the sale should go up in 2H FY03/2018. However, in my view and forecast is not this and weak consumer confidence is a headwind on the 'Tsukada Nojo' that serves higher than average price restaurant while lower price range restaurant is in intense competition (see Table below).

Existing Store:	FY2015/3	FY2016/3	FY2017/3	FY2018/3	FY2019/3	FY2020/3
4	0.9	-7.6	-5.7	-6.8	-4.7	0.7
5	-2.3	-8.0	-9.9	-6.9	-4.6	0.6
6	-8.0	-7.0	-5.5	-7.0	-4.5	0.5
7	-7.3	-5.2	-4.5	-5.2	-6.3	2.3
8	-3.8	-9.9	-9.3	-9.9	-1.6	-2.4
9	-5.4	-6.9	-6.7	-6.9	-4.6	0.6
10	-3.9	-6.0	-8.2	-6.0	-5.5	1.5
11	-7.6	-10.1	-4.6	-10.1	-1.4	-2.6
12	-4.7	-3.4	-2.6	-3.4	-8.1	4.1
1	-5.8	-5.8	-4.8	-5.8	-5.7	1.7
2	-3.2	-4.6	-6.9	-4.6	-6.9	2.9
3	-7.5	-6.4	-2.1	-6.4	-5.1	1.1
1Q	-3.1	-7.5	-7.0	-6.9	-4.6	0.6
2Q	-5.5	-7.3	-6.8	-7.3	-4.2	0.2
3Q	-5.4	-6.5	-5.1	-6.5	-5.0	1.0
4Q	-5.5	-5.6	-4.6	-5.6	-5.9	1.9
YR	-5.0	-5.7	-5.7	-6.6	-4.9	0.9
(Source) AP, METRICAL	CE					
	-5.0					

Company Outlook for Full Year FY03/2018

The company posted its full year outlook. Sale will be up 5.9% YoY to JPY27,500 million and OP, RP and NP are expected to gain 107.4% YoY to JPY650 million, 51.7% YoY to JPY800 million and 205.9% YoY to JPY380 million respectively.

METRICAL forecast for FY03/2018

Based on weaker existing store sale outlook than company projection, sales and profits are likely to miss company forecast. Sales are expected to remain flat at -0.1% YoY to JPY25,945 million and OP, EBT and NP are expected to gain 72.4% YoY to JPY538 million, 42.8% YoY to JPY753 million and 131.2% YoY to JPY287 million respectively (see Appendix). In case new store opens more slowly, sales will decrease more but profits will improve further.

Mid-Term Outlook

For the mid-tem, the earnings are expected to continue recover slower, as existing store sale assumes to grow at -4.9% YoY for FY03/2019 (E) and +0.9% YoY for FY03/2020 (E) due to weak consumer expenditure and continuing deflation mind in customers. Slower expansion of Retail business might negatively affect to Production/Distribution business in economy-of scale and marketing point of view, as solid growth in restaurant business such

as 'Tsukada Nojo' will accelerate Production/Distribution in synergy adding value to the farm products and increasing brand.

Valuation

The share price looks undervalued on EV/EBITDA and Sum-of-the-Parts value. On the other hand, the share price has correlation with EPS since listed in 2013, although the observation is limited and p-value is not significant as 0.18. Currently to figure out whether the earnings or existing store sale is temporarily downturn, the share price has limited downside risk but also limited upside potential at this time. Therefore, the share price is unlikely to fully recover its fair value and hold range of reference price based on 85% correlation with EPS at this moment.

EV/EBITDA

EV/EBITDA for FY03/2018 (E) is estimated to be 6.5x and will decline to 5.3x for FY03/2020 (E) from 7.8x for FY03/2017 and 9.9x for FY03/2017 (see Table below). If EV/EBITDA for FY03/2017 of 7.4x is applied on the FY03/2018 (E) by METRICAL, the share price will be JPY1,249 a share.

	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18(E)	Mar19(E)	Mar-20(E)
Avg. Mkt. Cap	JPY 9,621	JPY 15,008	JPY 13,945	JPY 11,353	JPY 6,583	JPY 6,716	JPY 6,716	JPY 6,716
EV	JPY 9,784	JPY 15,883	JPY 14,957	JPY 14,365	JPY 10,255	JPY 10,884	JPY 10,746	JPY 10,622
EV/EBITDA	8.33	9.68	7.60	9.98	7.80	6.45	5.71	5.30
*EV (Land+LT Inves	JPY 9,784	JPY 15,851	JPY 14,925	JPY 14,345	JPY 10,114	JPY 10,743	JPY 10,605	JPY 10,481
EV/EBITDA	8.33	9.66	7.59	9.96	7.69	6.37	5.64	5.23
EV/EBIT	13.88	15.50	11.80	24.06	32.87	20.24	16.52	13.21
EV/FCF	-57.55	-23.92	-196.81	-8.57	-18.99	-21.95	77.51	86.05

Sum-of-the Parts Value

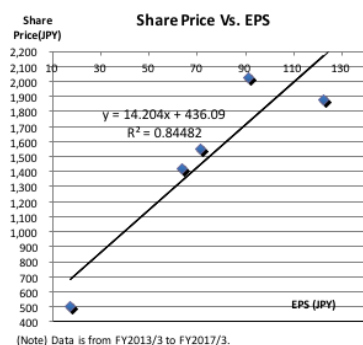
Sum-of-the-Parts (SOTP) value is business value of each business segment that uses normalized EBIT, EBITDA and FCF from FY03/2013 to FY12/2018 (E), added to net cash and long-term investment securities and land. SOTP value for FY03/2018 (E) is estimated to be JPY1,462 a share (45% discount of closing price of June 9th 2017). SOTP value for FY12/2020 (E) is estimated to be JPY1,750 a share 52% discount of closing price of June 9th 2017), as shown table below.

NAV's:			NAV's:		
Sum of the parts NAV FY03/2018 (E):			Future NAV FY03/2020 (E):		
Production/Distribution	338	15x EBIT	Production/Distribution	372	15x EBIT
Retail	1,686	10x EBITDA	Retail	1,880	10x EBITDA
Adjustment	(16)	10x EBITDA	Adjustment	9	20x FCF
Cash	366	1x Book	Cash	402	1x Book
Investment	15	0.75x Book	Investment	15	0.75x Book
Land	-	0.75x Book	Land	-	0.75x Book
Debt	(918)	1x Book	Debt	(918)	1x Book
Minority Interest	(9)	1x Book	Minority Interest	(9)	1x Book
Total SOTP NAV	JPY 1,462	54.5%	Total Future NAV	JPY 1,750	67.6%

Correlation between EPS and share price

Correlation coefficient is 0.85 and highly correlate between EPS and share price

Price, although p-value is 0.18 and small number of observation does not indicate statistically well significant. According to the correlation, the share price is expected to be JPY1,001 per share on the EPS for FY03/2018 (E) by METRICAL.



	OP	DA	EBITDA	EPS	High	Low	Ave. Share Price
FY2013/3	705	470	1,175	63.46	1,738	1,098	1,418
FY2014/3	1,025	616	1,641	90.95	2,670	1,371	2,021
FY2015/3	1,268	710	1,978	122.07	2,244	1,511	1,878
FY2016/3	597	862	1,459	71.44	2,127	973	1,550
FY2017/3	312	1,070	1,382	17.25	1,198	630	501
FY2018/3	538	1,217	1,755	39.80			1,001
FY2019/3	650	1,297	1,947	44.81			1,073
FY2020/3	804	1,267	2,071	52.03			1,175
					r	p	r2
					0.56	0.18	0.85

Financial Analysis

Retail business outflows in its free cash flow, delaying cash collection after investment in new store open. But the company projects the investment in new store open to limit for a few years and this will improve profitability and cash flows. Working capital is positive and financial stability has significant issues for the time being (Please see Table below and Appendix).

Key Financial Ratios:	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18(E)	Mar19(E)	Mar-20(E)
ROE	7.39%	30.98%	30.35%	14.93%	3.42%	7.09%	6.41%	5.87%
Gross Margin	68.03%	69.09%	69.74%	69.04%	66.93%	68.00%	68.02%	68.00%
EBITDA Margin	10.32%	10.39%	10.23%	6.65%	5.06%	6.51%	7.45%	7.73%
EBIT Margin	6.19%	6.49%	6.59%	2.76%	1.20%	2.07%	2.58%	3.10%
Return on Assets	5.78%	6.96%	7.86%	4.09%	0.90%	2.00%	2.10%	2.24%
Return on Fixed Assets	21.15%	21.35%	24.08%	10.23%	2.24%	4.23%	4.14%	4.19%
Revenue / Assets	153.01%	162.93%	166.97%	169.71%	187.81%	181.25%	163.86%	154.78%
Depreciation / Capex	36.66%	29.02%	43.07%	28.30%	46.33%	57.50%	82.00%	80.00%
Depn / Sales	4.13%	3.90%	3.63%	3.90%	3.86%	4.43%	4.87%	4.63%
Capex / Sales	11.26%	13.44%	8.44%	13.77%	8.34%	7.71%	5.94%	5.79%
Depn / Net FA	23.12%	19.48%	18.58%	16.51%	18.08%	16.96%	15.79%	13.40%
Asset / Equity	4.05	3.85	3.34	3.60	3.73	3.26	2.71	2.36
Equity / Asset	24.71%	25.98%	29.97%	27.75%	26.79%	30.63%	36.90%	42.35%
Total Debt / EBITDA	3.16	2.86	2.67	4.33	5.19	4.04	3.63	3.40

Investment Risks

Industry competition (Very Likely, Middle Risk)

Competition within industry would be the most likely risk, as the competition is getting intense in customers tend to be budget mind in slower real income growth. Copied restaurant such as 'Yamauchi Nojo' operates more than 200 outlets and AP Company needs to show clear differentiation from others.

Operational Risk (Very Likely, Middle-High Risk)

It would be normal slowing for FY03/2016 after surging store sale pulled by TV reports. But the sluggish sale has kept on hold for more than 2 years. It could be due to not only temporary issue. If this is the case, the problem would be due to structure or operation/management. As mentioned above, not a few fast-growing operators have faced standstill on shortage of management in outlet led to lower quality of service. Human resource is the issue and the company posted to cut overhead cost of JPY150 million for FY03/2018. The resource should be allocated to retail outlet side, as Retail growth is driver of the company in Production/Distribution business as well. If it takes more time than company expected to solve the issue, it would be likely that human resource is not secured well from now.

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Appendix

(JPY million)	Production/Distribution		Retail		Adjustment		Total	
FY2014/3	Sales	OP	Sales	OP	Sales	OP	Sales	OP
1Q (act)	245	48	3,165	159	0	-6	3,410	201
2Q (act)	244	44	3,512	101	0	0	3,756	145
3Q (act)	270	50	4,071	341	0	-13	4,341	378
4Q (act)	245	32	4,040	261	0	8	4,285	301
Full Year (act)	1,004	174	14,788	862	0	-11	15,792	1,025
FY2015/3	Sales	OP	Sales	OP	Sales	OP	Sales	OP
1Q (act)	263	55	4,189	238	0	-3	4,452	290
2Q (act)	268	64	4,417	244	0	1	4,685	309
3Q (act)	282	34	4,932	376	0	-8	5,214	402
4Q (act)	255	41	4,628	230	0	-4	4,883	267
Full Year (act)	1,068	194	18,166	1,088	0	-14	19,234	1,268
FY2016/3	Sales	OP	Sales	OP	Sales	OP	Sales	OP
1Q (act)	271	41	4,628	185	0	-3	4,899	223
2Q (act)	292	41	4,803	148	0	1	5,095	190
3Q (act)	312	35	5,625	202	0	-24	5,937	213
4Q (act)	288	0	5,620	-39	0	10	5,908	-29
Full Year (act)	1,163	117	20,676	496	0	-16	21,839	597
FY2017/3	Sales	OP	Sales	OP	Sales	OP	Sales	OP
1Q (act)	290	54	5,962	-81	0	-6	6,252	-33
2Q (act)	336	44	5,970	-50	0	-3	6,306	-9
3Q (act)	363	66	6,562	266	0	-27	6,925	305
4Q (act)	329	23	6,153	10	0	16	6,482	49
Full Year	1,318	187	24,647	145	0	-20	25,965	312
Full Year (CE)							26,000	200
FY2018/3	Sales	OP	Sales	OP	Sales	OP	Sales	OP
1Q	305	57	5,962	-29	0	-6	6,267	22
2Q	368	48	6,013	2	0	-3	6,380	48
3Q	390	70	6,504	321	0	-27	6,894	364
4Q	357	25	6,047	63	0	16	6,404	103
Full Year (E)	1,420	200	24,525	358	0	-20	25,945	538
Full Year (CE)							27,500	650
FY2019/3	Sales	OP	Sales	OP	Sales	OP	Sales	OP
1Q	321	58	5,818	1	0	-6	6,139	54
2Q	402	52	5,860	32	0	-3	6,262	80
3Q	420	73	6,249	339	0	-26	6,668	386
4Q	387	25	5,787	89	0	15	6,175	130
Full Year (E)	1,530	208	23,713	462	0	-19	25,243	650
Full Year (CE)								
FY2020/3	Sales	OP	Sales	OP	Sales	OP	Sales	OP
1Q	338	63	5,945	31	0	-6	6,283	88
2Q	440	57	5,931	62	0	-3	6,371	116
3Q	451	80	6,410	380	0	-26	6,861	434
4Q	420	29	5,988	122	0	16	6,409	166
Full Year (E)	1,649	229	24,274	595	0	-20	25,924	804
Full Year (CE)								

(Source) AP, METRICAL

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FY2014/3	JPY million	Sale	COGS	COGS/S	Gross Profit	SGA	SGA/S	OP	OPM	RP	EBT	Tax	Minority	Net Profit
1Q (act)		3,410	-1,074	-31.5%	2,336	-2,135	-62.6%	201	5.9%	247	247	-127	0	120
2Q (act)		3,756	-1,161	-30.9%	2,595	-2,449	-65.2%	145	3.9%	184	184	-81	0	103
3Q (act)		4,342	-1,335	-30.7%	3,007	-2,627	-60.5%	378	8.7%	476	469	-191	0	278
4Q (act)		4,285	-1,310	-30.6%	2,975	-2,676	-62.5%	301	7.0%	336	299	-126	1	174
Full Year (act)		15,793	-4,880	-30.9%	10,913	-9,887	-62.6%	1,025	6.5%	1,243	1,199	-525	1	675
FY2015/3		Sale	COGS	COGS/S	Gross Profit	SGA	SGA/S	OP	OPM	RP	EBT	Tax	Minority	Net Profit
1Q (act)		4,452	-1,352	-30.4%	3,100	-2,809	-63.1%	290	6.5%	333	333	-131	2	204
2Q (act)		4,686	-1,407	-30.0%	3,279	-2,969	-63.4%	309	6.6%	357	333	-135	4	202
3Q (act)		5,214	-1,591	-30.5%	3,623	-3,221	-61.8%	402	7.7%	464	464	-196	7	275
4Q (act)		4,883	-1,470	-30.1%	3,413	-3,147	-64.4%	267	5.5%	339	273	-37	-10	226
Full Year (act)		19,235	-5,820	-30.3%	13,415	-12,146	-63.1%	1,268	6.6%	1,493	1,403	-499	3	907
FY2016/3		Sale	COGS	COGS/S	Gross Profit	SGA	SGA/S	OP	OPM	RP	EBT	Tax	Minority	Net Profit
1Q (act)		4,900	-1,473	-30.1%	3,427	-3,203	-65.4%	223	4.6%	273	273	-97	5	181
2Q (act)		5,094	-1,549	-30.4%	3,545	-3,356	-65.9%	190	3.7%	223	197	-77	4	124
3Q (act)		5,938	-1,950	-32.8%	3,988	-3,772	-63.5%	213	3.6%	284	249	-110	6	145
4Q (act)		5,907	-1,928	-32.6%	3,979	-4,010	-67.9%	-29	-0.5%	45	45	25	2	72
Full Year (act)		21,839	-6,900	-31.6%	14,939	-14,341	-65.7%	597	2.7%	825	764	-259	17	522
FY2017/3		Sale	COGS	COGS/S	Gross Profit	SGA	SGA/S	OP	OPM	RP	EBT	Tax	Minority	Net Profit
1Q (act)		6,253	-2,065	-33.0%	4,188	-4,220	-67.5%	-33	-0.5%	5	21	-31	1	-9
2Q (act)		3,741	-957	-25.6%	2,784	-4,229	-113.0%	-9	-0.2%	36	-10	-36	2	-44
3Q (act)		9,490	-3,427	-36.1%	6,063	-4,586	-48.3%	305	3.2%	376	308	-118	4	194
4Q (act)		6,482	-2,138	-33.0%	4,344	-4,029	-62.2%	49	0.8%	110	-19	1	1	-17
Full Year (act)		25,966	-8,587	-33.1%	17,379	-17,064	-65.7%	312	1.2%	527	300	-184	8	124
Full Year (CE)		26,000						200	0.8%	400				140
FY2018/3		Sale	COGS	COGS/S	Gross Profit	SGA	SGA/S	OP	OPM	RP	EBT	Tax	Minority	Net Profit
1Q		6,267	-2,070	-33.0%	4,197	-4,223	-67.4%	22	0.4%	60	60	-37	-1	23
2Q		6,380	-1,632	-25.6%	4,748	-7,206	-112.9%	48	0.8%	93	93	-57	-11	25
3Q		6,894	-2,490	-36.1%	4,404	-3,325	-48.2%	364	5.3%	435	435	-267	5	173
4Q		6,404	-2,112	-33.0%	4,291	-3,974	-62.1%	103	1.6%	164	164	-101	2	66
Full Year (E)		25,945	-8,303	-32.0%	17,641	-18,728	-72.2%	538	2.1%	753	753	-462	-4	287
Full Year (CE)		27,500						650	2.4%	800				380
FY2019/3		Sale	COGS	COGS/S	Gross Profit	SGA	SGA/S	OP	OPM	RP	EBT	Tax	Minority	Net Profit
1Q		6,139	-2,027	-33.0%	4,111	-4,130	-67.3%	54	0.9%	92	92	-56	-2	34
2Q		6,262	-1,602	-25.6%	4,660	-7,066	-112.8%	80	1.3%	125	125	-77	-18	31
3Q		6,668	-2,408	-36.1%	4,260	-3,209	-48.1%	386	5.8%	457	457	-281	5	182
4Q		6,175	-2,037	-33.0%	4,138	-3,826	-62.0%	130	2.1%	191	191	-117	3	76
Full Year (E)		25,243	-8,074	-32.0%	17,170	-18,231	-72.2%	650	2.6%	865	865	-531	-12	323
Full Year (CE)														
FY2020/3		Sale	COGS	COGS/S	Gross Profit	SGA	SGA/S	OP	OPM	RP	EBT	Tax	Minority	Net Profit
1Q		6,283	-2,075	-33.0%	4,208	-4,221	-67.2%	88	1.4%	126	126	-77	-3	46
2Q		6,371	-1,630	-25.6%	4,741	-7,183	-112.7%	116	1.8%	161	161	-99	-26	36
3Q		6,861	-2,478	-36.1%	4,384	-3,295	-48.0%	434	6.3%	505	505	-310	6	201
4Q		6,409	-2,114	-33.0%	4,295	-3,964	-61.9%	166	2.6%	227	227	-139	3	91
Full Year (E)		25,924	-8,296	-32.0%	17,627	-18,663	-72.0%	804	3.1%	1,019	1,019	-625	-19	375
Full Year (CE)														

(Source) AP, METRICAL

Cash Flow Analysis	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18(E)	Mar19(E)	Mar-20(E)
Net Income	430	675	906	522	124	287	323	375
Depreciation*	470	616	699	843	1,003	1,150	1,230	1,200
Amortization*	0	0	11	19	67	67	67	67
Other non-cash charges	256	353	191	15	490	0	0	0
Changes in WC	-44	-185	-260	-96	-59	1	19	-18
Operating Cash Flow	1,112	1,459	1,547	1,303	1,625	1,504	1,639	1,623
Per share	JPY 163.92	JPY 196.43	JPY 208.28	JPY 177.90	JPY 225.61	JPY 208.84	JPY 227.51	JPY 225.40
Capex	-1,282	-2,123	-1,623	-2,979	-2,165	-2,000	-1,500	-1,500
Free Cash Flow	-170	-664	-76	-1,676	-540	-496	139	123
Per share	(JPY 25.06)	(JPY 89.40)	(JPY 10.23)	(JPY 228.82)	(JPY 74.97)	(JPY 68.84)	JPY 19.25	JPY 17.14
Beginning Cash	1,766	3,548	3,827	4,269	3,226	3,217	2,721	2,860
Net cash used	1,782	279	442	-1,043	-9	-496	139	123
Ending cash	3,548	3,827	4,269	3,226	3,217	2,721	2,860	2,983

METRICAL INC.

corporate governance, investment research & solutions

	2013/3	2014/3	2015/3	2016/3	2017/3	2018/3E	2019/3E	2020/3E
Consolidated Balance Sheets								
Assets								
Current Assets								
Cash and Cash Equivalents	3,548	3,827	4,269	3,225	3,217	2,721	2,860	2,983
Short-Term Investments	-	-	-	-	-	-	-	-
Notes and Accounts Receivable, Trade	365	501	587	779	843	842	820	842
Allowance for Doubtful Receivables	(2)	(4)	(3)	(3)	(2)	(2)	(2)	(2)
Inventories	218	434	683	741	845	844	821	844
Deferred Income Taxes	27	133	122	132	148	148	144	148
Other Current Assets	203	203	337	380	415	415	403	414
Total Current Assets	4,359	5,094	5,995	5,254	5,466	4,968	5,046	5,229
Property, Plant and Equipment								
Land	-	-	-	-	-	-	-	-
Buildings	2,037	3,201	4,088	5,500	6,507	7,886	8,979	10,110
Machinery and Equipment	1,131	1,692	1,991	2,566	2,932	2,932	2,932	2,932
Construction in Progress	-	-	-	-	-	-	-	-
Total	3,168	4,893	6,079	8,066	9,439	10,818	11,911	13,042
Accumulated Depreciation	(1,135)	(1,731)	(2,316)	(2,961)	(3,892)	(4,039)	(4,119)	(4,089)
Net Property, Plant and Equipment	2,033	3,162	3,763	5,105	5,547	6,779	7,792	8,953
Software & Other Intangible Assets	11	11	10	54	113	113	113	113
Goodwill	6	6	71	155	246	-	-	-
	17	17	81	209	359	113	113	113
Other Assets								
Investments in and Advances to Associates	-	12	12	12	12	12	12	12
Investment Securities	-	20	20	20	141	141	141	141
Software & Others	(4)	(3)	(3)	(2)	(2)	(2)	(2)	(2)
Deferred Income Taxes	1	61	57	96	94	94	94	94
Other	1,036	1,330	1,595	2,069	2,221	2,221	2,221	2,221
Total Other Assets	1,033	1,420	1,681	2,195	2,466	2,466	2,466	2,466
Total	7,442	9,693	11,520	12,763	13,838	14,326	15,417	16,761
Liabilities and Stockholders' Equity								
Current Liabilities								
Bank Loans	168	-	-	-	141	141	141	141
Notes and Accounts Payable, Trade	479	646	735	888	988	987	961	986
Accrued Expenses	160	182	167	202	215	215	209	215
Income Taxes	535	696	797	1,023	1,147	956	797	683
Other Current Liabilities	249	393	238	103	104	104	101	104
Current Portion of Long-Term Debt	276	324	623	406	561	561	545	560
Total Current Liabilities	915	1,269	1,445	1,861	2,181	2,181	2,181	2,181
Long-Term Debt	2,782	3,510	4,005	4,483	5,337	5,144	4,935	4,870
Deferred Income Taxes	2,628	3,432	3,809	4,367	4,497	4,497	4,497	4,497
Termination and Retirement Benefits	1	12	21	24	23	23	23	23
Other Long-Term Liabilities	-	-	-	-	-	-	-	-
Total Liabilities	192	221	233	338	265	265	265	265
Stockholders' Equity	3,711	4,701	5,254	6,228	6,819	6,819	6,819	6,819
Common Stock	5,603	7,175	8,068	9,212	10,122	9,929	9,720	9,655
Additional Paid-in Capital								
Legal Reserve	495	495	495	495	495	495	495	495
Retained Earnings	475	475	475	475	475	475	475	475
Treasury Stock	870	1,546	2,452	2,976	3,100	3,387	3,709	4,084
Total Stockholders' Equity	1	-	1	-	-	-	-	-
Accumulated other Comprehensive Income	-	-	-	(374)	(374)	(374)	(374)	(374)
Warrant	1,841	2,516	3,423	3,572	3,696	3,983	4,305	4,680
Total Stockholders' Equity	-	(1)	-	(32)	(52)	344	1,322	2,355
Minority Interests in Subsidiaries	0	3	3	3	3	3	3	3
Total	1,841	2,518	3,426	3,543	3,647	4,327	5,627	7,035
Total Stockholders' Equity	1,841	2,519	3,453	3,552	3,717	4,397	5,697	7,105
Total	7,444	9,694	11,521	12,764	13,839	14,326	15,417	16,761

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