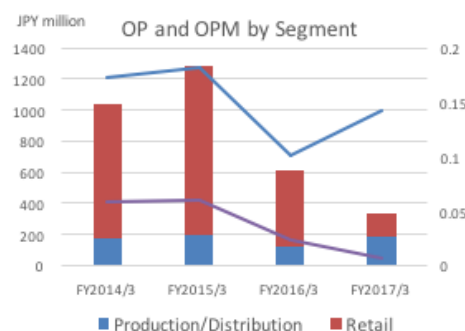
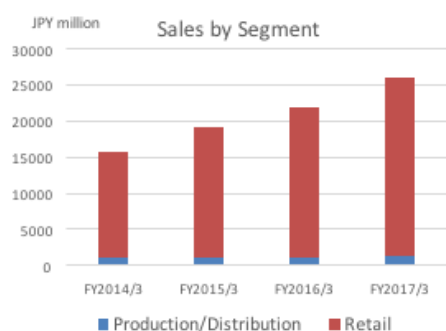


## AP Company (3175, JP)

Exchange: TSE  
Sector: Foods/Restaurant  
Market Cap: JPY6.1 billion  
P/B: 1.6x (3/17 act)  
Div. Yield: 0.0% (3/18 CE)

Recommendation: HOLD  
Share Price: JPY824 (12/1/2017)  
Target Price: JPY980  
P/E: 15.6x (3/18 CE)



### Highlight

METRICAL kept on hold AP Company as 'HOLD.' The company is doing a unique business, combining businesses of food production and restaurant chain. Its restaurant chain provides fresh food such as chicken, fish from its own farm or contracted producers to customers at its direct run outlets such as "Tsukada Nojo." In upbeat time, the sale of the company is synergically growing in the both business, as the sale of Production/Distribution increases as the restaurant sale grows. In downbeat time, the both sale are synergically decreasing. Existing store sale continues sliding at -7.7% YoY from April to October 2017. The rating has been maintained as 'HOLD' but TP has been downward slightly to JPY980 from JPY1,001 of the previous report on June 12<sup>th</sup> 2017 due to the continuing sluggish sale. On the other hand, the valuation seems to be slightly lower than the closing price on December 1<sup>st</sup> 2017 on several approaches. However, better-than-expected monthly sale is less likely to come out for 3Q of its high season, while the number deteriorated for 2Q FY3/2018. Consequently, the rating should remain at 'HOLD.' On financial stability, free cash flow is likely to turn positive due to slower store expansion, but cash dividend would be demanded if AP Company restores its growth prospect in future.

### 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 sea 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 FY3/2017. 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 chart 'Sales by Segment' and 'OP and OPM by Segment' on left).

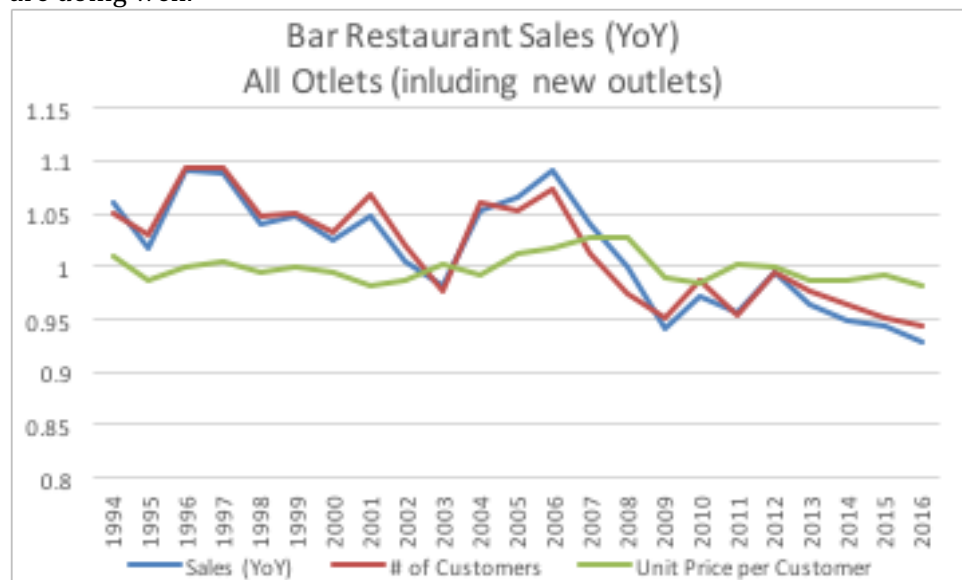
## ‘Direct Farm to Consumer’ model

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 (including Izakaya) slid 9.2% YoY for the same period and Pub & Beer Hall rose 1.3% YoY. The decrease of the number of customers pulled down the sale of Bar Restaurant, as the number of customers fell 7.9% YoY and unit price lost 1.4% YoY for CY2016 (see table ‘Bar Restaurant Sales (YoY)’ below). The soft growth of population and the slower growth of real wage put downward pressure on the retail market in Japan. Additionally, the trend that younger generation is less likely to drink would be another headwind for Bar Restaurant. For these reasons, Bar Restaurant operators developed low-cost operations and the operators that focus on low-price food and drink Bar Restaurant are doing well.

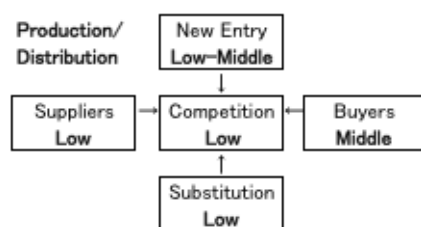


### Competitive Positioning

#### Porter’s 5 Forces: Production/Distribution segment

Eating out chain operators have tried to reinforce direct procurement with food producers 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 domestic foods are more expensive than imports. In this trend, some restaurant operators such as Ringer Hut (8200, JP), Mos Food (8153, JP), Royal Holdings (8179, JP), Osho Food (9936, JP), Torikizoku (3193, JP) etc. 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. The restaurant chains above procure domestic foods on the contract with food producers, and this enables them to secure stable procurement in volume and price and attract customers the quality and safety of foods. On the other hand, AP is only a few companies have set up its own farm for providing fresh chicken to customers of its restaurant.



**Buyers** (Middle risk): Main buyer of the business segment is AP company. In case AP company's Retail business increases sale, the higher operation of its farm or Production/Distribution business will pull the sale and profit margin higher. Additionally, the increasing brand of its restaurant expands the sale of the wholesale business of Production/Distribution to other restaurants and retailers more easily, and vice versa. The sale of outside AP for the segment decreased from 61% for FY3/2017 from 59% for 2Q FY3/2018. The half of its revenue is secured but this is a risk that depends on AP restaurant business, too.

**Suppliers** (Low risk): Local farmers and fishers are organized by AP Company that oversees marketing, building brand by advertising and serving foods at its restaurants. This is benefit to suppliers, as they can secure the volume and stable sale to AP Company and suppliers risk is marginal. Also, due to slower eating-out industry and consumer expenditure, suppliers are more likely to continue such stable contract of supplying foods to AP Company.

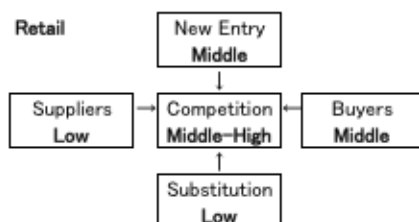
**Competition** (Low risk): A limited number of companies operate the production business run by the own farm. The competition risk is low.

**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. 'Production' of chicken farm would be higher profit margin than 'Distribution.' The OP margin of this segment combining Production and Distribution hit the high of 6.5% for FY3/2015. Some restaurant chains earn more than 10% of OP margin in restaurant business and should focus on the main business. Therefore, restaurant operators are less likely to enter such wholesale business.

**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 mainly restaurant added lunch box delivery lately. Lunch box delivery has just started-up but has turned profit in this fiscal year, as lunch box or food delivery is growing in the eating-out industry. 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 is more likely to become more popular backed by social change that women advance work place in the decreasing labor population and increasing senior population 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 slow 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 cocked by fresh chicken provided from its own farm and unique presentation. 'Tsukada Nojo' restaurant 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 1<sup>st</sup> time visit, 'Kacho (Manager)' at 2<sup>nd</sup> visit and 'Bucho (General Manager)' at 5<sup>th</sup> 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, while Torikizoku (3193, JP) and Kushikatsu Tanaka (3547, JP) charges average 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 suffers from slower existing store sale -7.65% YoY from April to October. 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. However, its Yakitori Standard has not been expanding. The competition risk is middle to High, while the existing store sale of AP remains lower-than-projection 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.

## 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 of -7.7% YoY for 9-month from April to October of FY3/2018. After slow sale, AP Company receded its new store expansion to 11 outlets for FY3/2018 from 38 for FY3/2016 and 19 for FY3/2017. METRICAL expects the new store expansion to slow to 8 outlets for the next 3 years and the existing store sale to remain soft at -4.7% YoY for FY3/2019 (E), -0.9% YoY for FY3/2020 (E) and -3.9% YoY for FY3/2021 (E) (see table in Appendix). AP will accelerate scrap and build as some stores opened in Central Tokyo perform bad and will be closed at the end of leasing period. This will help the existing store sale to recover slightly, but customers are very likely to choose budget restaurants due to slower growth in real wage.

In general, fast growing food chain operators experience facing a temporal respite after rapid expansion, due to shortage of trained staff and cannibalization of each outlets. AP Company commented that this is the case of the company, as humane resource has insufficient to provide to entire outlets and hence quality of service deteriorates. If it is the case, the existing store sale should recover soon after the number of new stores decreases but decelerates the existing store sale to -7% YoY for this fiscal year from -5.7% YoY of the previous year. This would be because customers are less likely to feel value of the "Tsukada Nojo" that serves higher than average price of the market. Additionally,

another issue is the Production/Distribution segment. If the sale of the farm wants to increase, the number of restaurants should expand as much as possible. That was why the new outlets accelerated from 20 for FY3/2015 to 38 for FY3/2016.

## 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 FY3/2018

Based on weaker existing store sale outlook than company projection, sales and profits are likely to miss company forecast slightly. Sales are expected to increase 5.3% YoY to JPY27,354 million and OP, EBT and NP are expected to gain 68.4% YoY to JPY526 million, 53.0% YoY to JPY807 million and 154.9% YoY to JPY316 million respectively (see Appendix).

## Mid-Term Outlook

For the mid-term, due to modest growth of the sale, the profits are expected to remain almost flat for the next 3 years. The sale is expected to rise 4.6% YoY for FY3/2019 (E), 3.4% YoY for FY3/2020 (E) and 0.8% YoY for FY3/2021 (E). The OP will rise 0% for FY3/2019 (E), 3.6% YoY for FY3/2020 (E) and 0.7% YoY for FY3/2021 (E) (see Appendix).

DCF - AP Company (3175 JP)	JPY million
PV of SUM of FCF	959
PV of Terminal Value	12,915
Enterprise Value	13,874
Non Business Assets	0
Debt	6,819
Equity Value	7,055
Equity Value/Share	980

WACC - AP Company (3175 JP)	
Debt	6,819
Equity Market Value	6,121
Risk free Rate	0.6%
Equity Risk Premium	5.0%
Beta	0.86
Cost of Debt	0.7%
Cost of Equity	4.9%
WACC	2.7%

## Valuation

The share price looks slightly undervalued on the valuations. The DCF value shows JPY980 a share. EV/EBITDA declines to 6.3x for FY3/2018 (E) and 6.1x for FY3/2020 (E). However, the better-than-expected monthly sale of restaurants for 3Q of the high season is less likely. Investment recommendation should maintain as 'HOLD' before better numbers come out.

## DCF

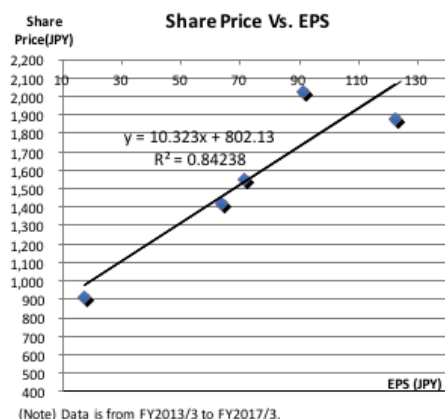
DCF valuation uses expected free cash flows from FY3/2018 (E) to FY3/2021 (E). The sales is expected on the scenario that the existing store sale keeps slow -7.0% YoY, -4.7% YoY, -0.9% YoY and -3.9% YoY (see Appendix). The DCF value was estimated based on the PV of expected FCFs for the next 4 years and the terminal value divided by WACC of 2.7% (see tables on left). On this assumption, the valuation of DCF is estimated to be JPY980 a share.

## EV/EBITDA

EV/EBITDA for FY03/2018 (E) is estimated to be 6.3x and will decline to 5.7x for FY3/2021 (E) from 7.8x for FY3/2017 and 9.9x for FY3/2017 (see Appendix).

## Correlation between EPS and share price

Correlation between the share price and the EPS is relatively high at 0.84 for the period from FY3/2013 to FY3/2017. P-value of 0.11 is not statistically significant with small number of observation. For the reference, the share price is projected to be JPY1,255.



	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	914
FY2018/3	526	1,067	1,593	43.88	995	724	1,255
FY2019/3	525	1,067	1,592	43.85			1,255
FY2020/3	544	1,067	1,611	44.88			1,265
FY2021/3	548	1,067	1,615	45.07			1,267
					r	p	r2
					0.65	0.11	0.85

## Financial Analysis

As shown table 'Key Financial Ratios' in Appendix, ROE of AP Company sharply dropped from 30% for FY3/2014 and FY3/2015 to 3.4% for FY3/2017 and will rise to 7.5% for FY3/2018 (E). The food operator raised ROE led by higher profit margin and asset turnover, using higher financial leverage. However, when the profit margin turned declining, ROE plunged significantly. Due to slower expansion of CapEx, free cash flow is likely to turn positive from this fiscal year and the financial leverage is likely to decrease eventually. Financial stability is expected to improve, but the ratios of profitability is less likely to improve further unless the existing store sale recovers. On the other hand, if free cash flow turns positive, dividend payout would be demanded in future.

## 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' budget mind gets stronger due to 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)**

After strong sale pulled by TV reports for FY3/2016, the store sale has been normalized down. But the sluggish sale growth 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, many fast-growing operators have face standstill due to shortage of staff in outlets and this results in lower quality of service.

**Inflation Risk (Very Likely, Middle Risk)**

Rising prices will all the cost of the economy. Rising feedstuff and transportation cost will raise the cost of production of chicken farm and deteriorate the procurement cost of restaurant. Rise in material cost is increasing globally and depreciation of JPY rates will put upward pressure on the costs. The risk of approaching inflation is very likely, while it would be difficult to carry the increase of the cost onto price of dishes.

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## Appendix

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 (act)	6,470	-2,166	-33.0%	4,304	-4,274	-66.1%	29	0.4%	109	109	-59	-3	47
2Q (act)	6,273	-2,017	-32.2%	4,256	-4,231	-67.4%	26	0.4%	95	78	-49	0	29
3Q	7,496	-3,011	-40.2%	4,486	-4,137	-55.2%	348	4.6%	419	419	-257	5	167
4Q	7,114	-2,610	-36.7%	4,505	-4,382	-61.6%	122	1.7%	183	183	-112	2	73
Full Year (E)	27,354	-9,803	-35.8%	17,550	-17,025	-62.2%	526	1.9%	807	790	-478	4	316
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	7,042	-2,326	-33.0%	4,717	-4,687	-66.6%	29	0.4%	109	109	-67	-3	39
2Q	6,897	-2,218	-32.2%	4,679	-4,655	-67.5%	25	0.4%	94	94	-58	0	36
3Q	7,510	-3,016	-40.2%	4,494	-4,145	-55.2%	349	4.6%	420	420	-257	5	167
4Q	7,170	-2,630	-36.7%	4,540	-4,417	-61.6%	123	1.7%	184	184	-113	3	73
Full Year (E)	28,619	-10,190	-35.6%	18,430	-17,905	-62.6%	525	1.8%	806	806	-495	4	316
Full Year (CE)													
FY2020/3	Sale	COGS	COGS/S	Gross Profit	SGA	SGA/S	OP	OPM	RP	EBT	Tax	Minority	Net Profit
1Q	7,271	-2,401	-33.0%	4,870	-4,839	-66.6%	31	0.4%	111	111	-68	-3	40
2Q	6,971	-2,241	-32.2%	4,729	-4,705	-67.5%	24	0.4%	93	93	-57	0	36
3Q	7,690	-3,089	-40.2%	4,602	-4,244	-55.2%	358	4.7%	429	429	-263	5	171
4Q	7,650	-2,806	-36.7%	4,844	-4,712	-61.6%	131	1.7%	192	192	-118	3	77
Full Year (E)	29,582	-10,537	-35.6%	19,045	-18,501	-62.5%	544	1.8%	825	825	-506	4	323
Full Year (CE)													
FY2021/3	Sale	COGS	COGS/S	Gross Profit	SGA	SGA/S	OP	OPM	RP	EBT	Tax	Minority	Net Profit
1Q	7,300	-2,411	-33.0%	4,890	-4,859	-66.6%	31	0.4%	111	111	-68	-3	40
2Q	6,970	-2,241	-32.2%	4,729	-4,705	-67.5%	24	0.3%	93	93	-57	0	36
3Q	7,737	-3,107	-40.2%	4,630	-4,270	-55.2%	360	4.7%	431	431	-264	5	171
4Q	7,804	-2,863	-36.7%	4,941	-4,808	-61.6%	133	1.7%	194	194	-119	3	78
Full Year (E)	29,812	-10,622	-35.6%	19,190	-18,642	-62.5%	548	1.8%	829	829	-508	4	325
Full Year (CE)													

(Source) AP, METRICAL

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FY2016/3	Sales	Sales to Retail	OP	Sales	OP	OP	Sales	OP
1Q (act)	797	-525	41	4,628	185	-3	4,900	223
2Q (act)	868	-577	41	4,803	148	1	5,094	190
3Q (act)	941	-628	35	5,625	202	-24	5,938	213
4Q (act)	858	-571	0	5,620	-39	10	5,907	-29
Full Year (act)	3,464	-2,301	117	20,676	496	-16	21,839	597
FY2017/3	Sales	Sales to Retail	OP	Sales	OP	OP	Sales	OP
1Q (act)	947	-656	54	5,962	-81	-6	6,253	-33
2Q (act)	850	-515	44	5,970	-50	-3	6,305	-9
3Q (act)	978	-614	66	6,562	266	-27	6,926	305
4Q (act)	786	-457	23	6,153	10	16	6,482	49
Full Year	3,561	-2,242	187	24,647	145	-20	25,966	312
Full Year (CE)							26,000	200
FY2018/3	Sales	Sales to Retail	OP	Sales	OP	OP	Sales	OP
1Q (act)	883	-574	12	6,161	19	-2	6,470	29
2Q (act)	869	-668	14	6,072	17	-5	6,273	26
3Q	987	-614	15	6,509	354	-21	7,496	348
4Q	932	-595	14	6,183	96	12	7,114	122
Full Year (E)	3,671	-2,450	54	24,925	487	-16	27,354	526
Full Year (CE)							27,500	650
FY2019/3	Sales	Sales to Retail	OP	Sales	OP	OP	Sales	OP
1Q	908	-592	12	6,134	19	-2	7,042	29
2Q	796	-590	13	6,101	17	-5	6,897	25
3Q	996	-614	15	6,514	355	-21	7,510	349
4Q	1,105	-588	16	6,065	94	12	7,170	123
Full Year (E)	3,804	-2,383	56	24,815	485	-16	28,619	525
Full Year (CE)								
FY2020/3	Sales	Sales to Retail	OP	Sales	OP	OP	Sales	OP
1Q	935	-604	13	6,336	20	-2	7,271	31
2Q	729	-598	12	6,242	17	-5	6,971	24
3Q	1,004	-624	15	6,686	364	-22	7,690	358
4Q	1,310	-604	20	6,340	99	13	7,650	131
Full Year (E)	3,977	-2,429	60	25,604	500	-16	29,582	544
Full Year (CE)								
FY2021/3	Sales	Sales to Retail	OP	Sales	OP	OP	Sales	OP
1Q	962	-604	13	6,339	20	-2	7,300	31
2Q	667	-602	11	6,302	18	-5	6,970	24
3Q	1,013	-626	16	6,724	366	-22	7,737	360
4Q	1,552	-599	23	6,252	97	13	7,804	133
Full Year (E)	4,195	-2,430	63	25,617	501	-16	29,812	548
Full Year (CE)								

(Source) AP, METRICAL

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Cash Flow Analysis	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18(E)	Mar19(E)	Mar-20(E)	Mar-21(E)
Net Income	430	675	906	522	124	316	316	323	325
Depreciation*	470	616	699	843	1,003	1,000	1,000	1,000	1,000
Amortization*	0	0	11	19	67	67	67	67	67
Other non-cash charges	256	353	191	15	490	0	0	0	0
Changes in WC	-44	-185	-260	-96	-59	-37	-34	-26	-6
Operating Cash Flow	1,112	1,459	1,547	1,303	1,625	1,346	1,349	1,364	1,385
Per share	JPY 163.92	JPY 196.43	JPY 208.28	JPY 177.90	JPY 225.61	JPY 186.84	JPY 187.26	JPY 189.43	JPY 192.35
Capex	-1,282	-2,123	-1,623	-2,979	-2,165	-1,100	-1,100	-1,100	-1,100
Free Cash Flow	-170	-664	-76	-1,676	-540	246	249	264	285
Per share	(JPY 25.06)	(JPY 89.40)	(JPY 10.23)	(JPY 228.82)	(JPY 74.97)	JPY 34.12	JPY 34.54	JPY 36.70	JPY 39.63
Beginning Cash	1,766	3,548	3,827	4,269	3,226	3,217	3,463	3,712	3,976
Net cash used	1,782	279	442	-1,043	-9	246	249	264	285
Ending cash	3,548	3,827	4,269	3,226	3,217	3,463	3,712	3,976	4,261

Existing Store :	FY2015/3	FY2016/3	FY2017/3	FY2018/3	FY2019/3	FY2020/3	FY2021/3	
4	0.9	-7.6	-5.7	-6.8	-4.9		-0.7	-4.1
5	-2.3	-8.0	-9.9	-6.9	-4.8		-0.8	-4.0
6	-8.0	-7.0	-5.5	-7.1	-4.6		-1.0	-3.8
7	-7.3	-5.2	-4.5	-10.0	-1.7		-3.9	-0.9
8	-3.8	-9.9	-9.3	-6.6	-5.1		-0.5	-4.3
9	-5.4	-6.9	-6.7	-7.1	-4.6		-1.0	-3.8
10	-3.9	-6.0	-8.2	-9.1	-2.6		-3.0	-1.8
11	-7.6	-10.1	-4.6	-10.1	-1.6		-4.0	-0.8
12	-4.7	-3.4	-2.6	-3.4	-8.3		2.7	-7.5
1	-5.8	-5.8	-4.8	-5.8	-5.9		0.3	-5.1
2	-3.2	-4.6	-6.9	-4.6	-7.1		1.5	-6.3
3	-7.5	-6.4	-2.1	-6.4	-5.3		-0.3	-4.5
1Q	-3.1	-7.5	-7.0	-6.9	-4.8		-0.9	-4.0
2Q	-5.5	-7.3	-6.8	-7.9	-3.8		-1.8	-3.0
3Q	-5.4	-6.5	-5.1	-7.5	-4.2		-1.5	-3.4
4Q	-5.5	-5.6	-4.6	-5.6	-6.1		0.5	-5.3
YR	-5.0	-5.7	-5.7	-7.0	-4.7		-0.9	-3.9
(Source) AP, METRICAL	CE			-5.0				
				-6.5	-5.8		-5.6	-4.1

	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18(E)	Mar19(E)	Mar-20(E)	Mar-21(E)
Avg. Mkt. Cap	JPY 9,621	JPY 15,008	JPY 13,945	JPY 11,353	JPY 6,583	JPY 6,191	JPY 6,191	JPY 6,191	JPY 6,191
EV	JPY 9,784	JPY 15,883	JPY 14,957	JPY 14,365	JPY 10,255	JPY 9,617	JPY 9,368	JPY 9,104	JPY 8,818
EV/EBITDA	8.33	9.68	7.60	9.98	7.80	6.30	6.14	5.90	5.70
*EV (Land+LT Inves	JPY 9,784	JPY 15,851	JPY 14,925	JPY 14,345	JPY 10,114	JPY 9,476	JPY 9,227	JPY 8,963	JPY 8,677
EV/EBITDA	8.33	9.66	7.59	9.96	7.69	6.21	6.05	5.80	5.61
EV/EBIT	13.88	15.50	11.80	24.06	32.87	18.30	17.83	16.73	16.10
EV/FCF	-57.55	-23.92	-196.81	-8.57	-18.99	39.13	37.66	34.44	30.89

# METRICAL INC.

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## DCF - AP Company (3175 JP)

(In Y million)	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18(E)	Mar-19(E)	Mar-20(E)	Mar-21(E)	SUM of Future FCF
<b>Production/Distribution</b>											
Sales		950	1,004	2,976	3,464	3,561	3,671	3,804	3,977	4,195	15,647
EBIT		164	174	194	117	187	54	56	60	63	234
Dep		27	68	60	66	56	61	61	61	61	242
Capex		-156	-212	-243	-33	-12	-8	-8	-8	-8	-32
<b>Retail</b>											
Sales		10,436	14,788	18,166	20,676	24,647	24,925	24,815	25,604	25,617	100,961
EBIT		538	862	1,088	496	145	487	485	500	501	1,972
Dep		416	500	588	717	911	986	986	986	986	3,943
Capex		-912	-1,538	-1,129	-2,222	-1,614	-1,092	-739	-739	-739	-3,308
<b>Adjustment</b>											
Sales		0	0	-1,907	-2,301	-2,242	-2,450	-2,383	-2,429	-2,430	-9,693
EBIT		2	-11	-14	-16	-20	-16	-16	-16	-16	-64
Dep		-9	1	11	16	19	21	21	21	21	82
Capex		0	-1	0	0	0	0	0	0	0	0
<b>Total (Wkg Capital)</b>											
Wkg Capital		-44	-185	-260	-96	-59	-37	-34	-26	-6	
OCF		1,112	1,459	1,547	1,303	1,625	1,346	1,349	1,364	1,385	5,444
Capex		-1,282	-2,123	-1,623	-2,979	-2,165	-1,100	-1,100	-1,100	-1,100	-4,400
FCF		-170	-664	-76	-1,676	-540	246	249	264	285	1,044

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%	7.54%	5.96%	4.93%
Gross Margin	68.03%	69.09%	69.74%	69.04%	66.93%	64.16%	64.40%	64.38%
EBITDA Margin	10.32%	10.39%	10.23%	6.65%	5.06%	5.58%	5.33%	5.22%
EBIT Margin	6.19%	6.49%	6.59%	2.76%	1.20%	1.92%	1.84%	1.84%
Return on Assets	5.78%	6.96%	7.86%	4.09%	0.90%	2.15%	1.99%	1.90%
Return on Fixed Assets	21.15%	21.35%	24.08%	10.23%	2.24%	5.01%	4.45%	4.09%
Revenue / Assets	153.01%	162.93%	166.97%	169.71%	187.81%	185.99%	180.57%	173.98%
Depreciation / Capex	36.66%	29.02%	43.07%	28.30%	46.33%	90.91%	90.91%	90.91%
Depn / Sales	4.13%	3.90%	3.63%	3.90%	3.86%	3.66%	3.49%	3.38%
Capex / Sales	11.26%	13.44%	8.44%	13.77%	8.34%	4.02%	3.84%	3.72%
Depn / Net FA	23.12%	19.48%	18.58%	16.51%	18.08%	15.85%	14.10%	12.66%
Asset / Equity	4.05	3.85	3.34	3.60	3.73	3.14	2.67	2.36
Equity / Asset	24.71%	25.98%	29.97%	27.75%	26.79%	31.80%	37.40%	42.32%
Total Debt / EBITDA	3.16	2.86	2.67	4.33	5.19	4.47	4.47	4.42

# METRICAL INC.

## corporate governance, investment research & solutions

	2013/3	2014/3	2015/3	2016/3	2017/3	2018/3E	2019/3E	2020/3E	2021/3E
Consolidated Balance Sheets									
Assets									
Current Assets									
Cash and Cash Equivalents	3,548	3,827	4,269	3,225	3,217	3,463	3,712	3,976	4,261
Short-Term Investments	-	-	-	-	-	-	-	-	-
Notes and Accounts Receivable, Trade	365	501	587	779	843	888	929	960	968
Allowance for Doubtful Receivables	(2)	(4)	(3)	(3)	(2)	(2)	(2)	(2)	(2)
Inventories	218	434	683	741	845	890	931	963	970
Deferred Income Taxes	27	133	122	132	148	156	163	169	170
Other Current Assets	203	203	337	380	415	437	457	473	476
Total Current Assets	4,359	5,094	5,995	5,254	5,466	5,832	6,190	6,538	6,843
Property, Plant and Equipment									
Land	-	-	-	-	-	-	-	-	-
Buildings	2,037	3,201	4,088	5,500	6,507	7,265	8,049	8,855	9,682
Machinery and Equipment	1,131	1,692	1,991	2,566	2,932	2,932	2,932	2,932	2,932
Construction in Progress	-	-	-	-	-	-	-	-	-
Total	3,168	4,893	6,079	8,066	9,439	10,197	10,981	11,787	12,614
Accumulated Depreciation	(1,135)	(1,731)	(2,316)	(2,961)	(3,892)	(3,889)	(3,889)	(3,889)	(3,889)
Net Property, Plant and Equipment	2,033	3,162	3,763	5,105	5,547	6,308	7,092	7,898	8,725
Software & Other intangible assets	11	11	10	54	113	113	113	113	113
Goodwill	6	6	71	155	246	-	-	-	1
	17	17	81	209	359	113	113	113	114
Other Assets									
Investments in and Advances to Associates	-	12	12	12	12	12	12	12	12
Investment Securities	-	20	20	20	141	141	141	141	141
Software & Others	(4)	(3)	(3)	(2)	(2)	(2)	(2)	(2)	(2)
Deferred Income Taxes	1	61	57	96	94	94	94	94	94
Other	1,036	1,330	1,595	2,069	2,221	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	2,466
Total	7,442	9,693	11,520	12,763	13,838	14,719	15,861	17,015	18,148
Liabilities and Stockholders' Equity									
Current Liabilities									
Bank Loans	168	-	-	-	141	141	141	141	141
Notes and Accounts Payable, Trade	479	646	735	888	988	1,041	1,089	1,126	1,134
Accrued Expenses	160	182	167	202	215	226	237	245	247
Income Taxes	535	696	797	1,023	1,147	956	756	572	418
Other Current Liabilities	249	393	238	103	104	110	115	118	119
Current Portion of Long-Term Debt	276	324	623	406	561	591	618	639	644
Total Current Liabilities	915	1,269	1,445	1,861	2,181	2,181	2,181	2,181	2,181
Long-Term Debt	2,782	3,510	4,005	4,483	5,337	5,246	5,137	5,022	4,885
Deferred Income Taxes	2,628	3,432	3,809	4,367	4,497	4,497	4,497	4,497	4,497
Termination and Retirement Benefits	1	12	21	24	23	23	23	23	23
Other Long-Term Liabilities	-	-	-	-	-	-	-	-	-
Total Liabilities	192	221	233	338	265	265	265	265	265
	3,711	4,701	5,254	6,228	6,819	6,819	6,819	6,819	6,819
Total Liabilities	5,603	7,175	8,068	9,212	10,122	10,031	9,922	9,807	9,670
Stockholders' Equity									
Common Stock	495	495	495	495	495	495	495	495	495
Additional Paid-in Capital	475	475	475	475	475	475	475	475	475
Legal Reserve	870	1,546	2,452	2,976	3,100	3,416	3,732	4,055	4,380
Retained Earnings	1	-	1	-	-	-	-	-	-
Treasury Stock	-	-	-	(374)	(374)	(374)	(374)	(374)	(374)
Total Stockholders' Equity	1,841	2,516	3,423	3,572	3,696	4,012	4,328	4,651	4,976
Accumulated other Comprehensive Income	-	(1)	-	(32)	(52)	607	1,541	2,487	3,433
Warrant	0	3	3	3	3	3	3	3	3
Total Stockholders' Equity	1,841	2,518	3,426	3,543	3,647	4,619	5,869	7,139	8,408
Minority Interests in Subsidiaries	-	1	27	9	70	70	70	70	70
Total Stockholders' Equity	1,841	2,519	3,453	3,552	3,717	4,689	5,939	7,209	8,478
Total	7,444	9,694	11,521	12,764	13,839	14,719	15,861	17,015	18,148

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