

Hard-Off (2674, JP)

Exchange: Tokyo Stock Exchange 1

Sector: Retail

Market Cap: JPY16.8 billion

P/B: 1.3x (3/16 act)

Recommendation: HOLD

Share Price: JPY1,208 (12/22/2016)

Target Price: JPY1,301

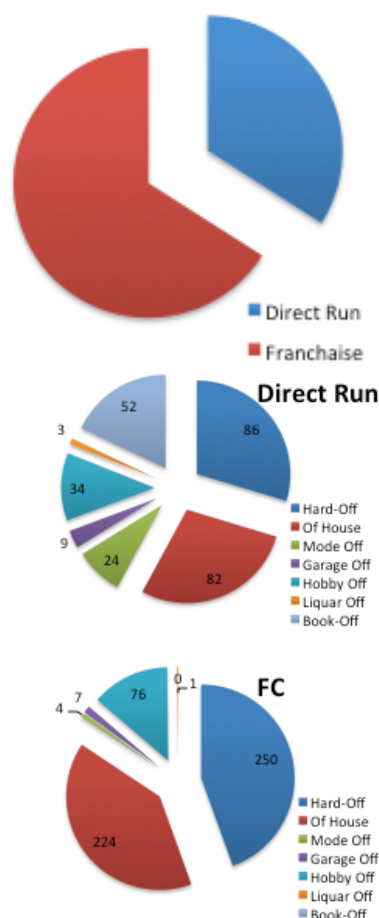
P/E: 13.0x (3/17 CE)

Div. Yield: 3.3% (3/17 CE)



Highlight

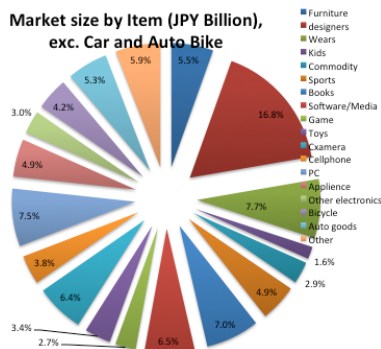
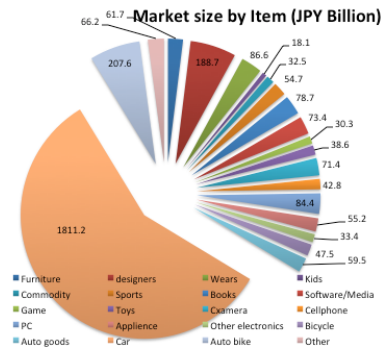
Titlis initiates Hold recommendation of Hard-Off (2674, JP) at this time. 'Reuse' market of 18 large operators grew 7.4% YoY to JPY393 billion for FY03/2016 and is expected to keep growing at solid rate. Online auction and flea market are threat, as younger generation is more likely to use Internet based reuse shop than real store. On the other hand, the company tries to develop customer needs, creating new category stores such as "Mode Off" and "Liquor Off" and expanding in urbane area and shopping malls. Regarding business outlook, full year earnings will nearly achieve the company's outlook that has been revised downward at 2Q reporting. On valuation, Hard-Off looks lower valuation than peer in Market Cap/EBIT, /EBITDA and /FCF and EV/EBITDA. Considering its higher profitability and strong balance sheet, the share price should be revalued toward its breakup value of JPY1,649. However, historical relationship between EBITDA and share price has 89% correlation for the period FY03/2009-FY2016/3. In this point, our recommendation is maintained as 'HOLD' at this time, as projected price is estimated to be JPY1,127 and JPY1,301 on EBITDA for FY03/2017(E) and FY03/2018(E). In mid-term view, there is more room for upside potential rising to JPY1,709 for FY03/2020(E), assuming existing store sale keeps growing at +1.3% YoY.



Business Description

Hard-Off is one of Japan's largest reuse retailers. Mr. Yoshimasa Yamamoto, president participated in reuse business in 1993 and expanded its business dealing with PC, audio and musical instruments at 'Hard-Off,' kids, sports, interior at 'Off House,' toys and games at 'Hobby Off,' autos at 'Garage Off,' accessory, designers and wears at 'Mode Off' and liquors at 'Liquor Off' and operating 'Book-Off' as a largest franchisee of Book-Off corporation (3313, JP). Currently the company runs 290 outlets directly (DR) and 562 franchise (FC) outlets as of November 2016. Breakdown of outlet numbers of direct run and franchise are shown as of November 2016 on each pie chart in left hand side. For this fiscal year, the company plans to open 15 direct run and 40 FC stores. Its business model developed by Yamamoto has generated cost adjusted higher return backed by low cost operation and tight cost management. Hard-Off is a low cost operator, buying used items from customers, cleaning those items as products and selling them at outlets, as a store staff plays 3 roles of

purchase, cleaning and sales. Gross profit margin and SGA to sale are well controlled at 30% and 60%.



Industry Overview and Competitive Positioning

Industry Overview

According to survey by Ministry of the Environment (MOE), 'reuse' market in this country inched up 1.2% YoY to JPY3,142 billion for FY2015 from JPY3,104 billion for FY2012. Of the total market, used Car market accounts for more than half of 57.6% as of FY03/2015. The market excluding Car and Auto Bike is estimated to be JPY1,123 billion. In this category, large retailers gain market shares as Japan Reuse Affair Association (JRAA) reports 18 large reuse operators expanded 2.8% YoY to 4,887 outlets from a year ago as of June 2016 and the total sale grew 7.4% YoY to JPY393 billion for FY02015. By items on the ministry's data, Cellphone, Camera, Appliances, Furniture, Other Electronics, Toys and Car goods showed more than double-digit growth from 3 years ago, whereas Wears exc. designers, PC, Software & Media, Books decreased more than 10%. Outstandingly Books decelerated 20.8% from 3 years ago, but the sale exc. Books of 18 large operators grew 8.7% YoY.

Competitive Positioning: SWOT Analysis Strength

Nationwide store network and brand name 'Hard-Off'

The company opens stores where it is convenient for customers to visit. Used items are brought easily to the stores where customers live. As buying/selling items are mostly completed in local area around a store, location of store is a key factor. Sale on Saturdays and Sundays are 30% and 70% higher than that on weekdays. The company believes 'Law of Triple' in business. The proportion rate of the number of sellers (8.15 million) to buyers (26.15 million) was 1:3 for FY03/2016. As the number of customers selling items to store, the customers for buying items will grow. Then, the company's sale (dollar value of selling to customers, JPY52.2 billion) will be 3 times more than dollar value of buying items from customers (JPY17.3 billion). Nation wide store network and brand name 'Hard-Off' are highly advantageous.

Less vulnerable to business cycle and deflation

Reuse retailing is less vulnerable to business cycle than other retail sectors such as department store and super market. Retail sale and consumer expenditure have been flat over a decade in Japan and many retailers fell into slump due to restrained buying after consumption tax hike in April 2014. Meanwhile sales of the company grew more than 10% from FY03/2013 to FY03/2016.

Low cost operation and tight cost management

Hard-Off has established its low-cost operation and tight cost control system. Stores are operated by limited number of staff as an employee works 3 tasks of buying, cleaning and selling items. Cost of sale and SGA are totally

controlled well, aiming at collecting store developing cost for 5 years.

Weakness

Real store based business model

Real store based business is relatively higher cost than Internet based model. Due to the decrease in labor population, hiring store staff is likely to more difficult and wage will be rising. Currently SGA/Sale is well managed at 60%.

Buying/selling from/to local customers

Products selling at a store are the items that are bought from local customers. Whether a product is attractive or not depends on an item a customer brings in. If more customers like to sell through Internet, less fascinating items would be procured. Disposal through Real reuse store decreased to 19.0% in FY2015 from 21.1% in FY2012, according to survey by MOE (see chart below).

Ways of disposal items

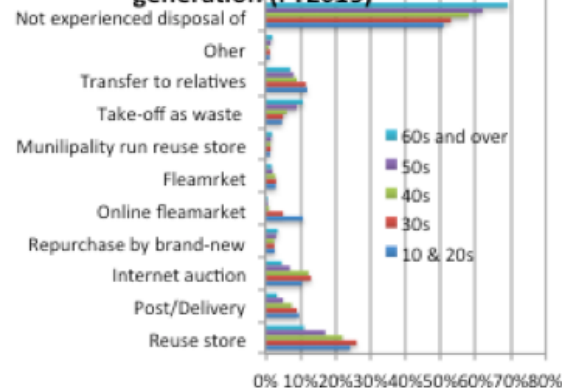


Opportunity

Reuse mind spreads over consumers

Due to increase in consciousness of environment, consumers are more likely to reuse used items. How much used items come to stores is a key for expanding sales of the company, as mentioned earlier as 'Law of Triple.' Interestingly younger generation (under 40 agers) uses reuse market than seniors. But the youth (10 and 20 agers) tend to use Internet based transaction (see chart below).

Ways of disposal items by generation (FY2015)



Budget-minded boosts reuse market

Deflation that is a threat for many retailers would be advantage for the company, as budget-minded consumers are more likely to buy used items.

Threat

Online shopping accelerates

An increasing number of consumers are using Internet shopping and auction. As mentioned earlier, the youth are more likely to use Internet auction and smartphone application for buying/selling reuse items. This trend would be intact and is expected to keep growing.

Shrinking brand-new market decreases used market

As consumer expenditure is growing at slower due to decrease in population, slower brand-new market will result in decrease in used market. This would be a negative factor for the growth of the company.

Investment Summary

Business Outlook

Despite of slower store sale led by bad weather in August and September, the full year earnings are very likely to achieve the company outlook that has been revised downward in November 2nd 2016. In mid-term projection, the sales and profits are expected to continue growing at sold pace, assuming +1.3% YoY of existing store sale and maintaining current level of cost to sales. Internet shopping is influencing to reuse market and more younger generation are likely to buying and selling used items on web sites than senior agers. Although the company has reinforced Internet business, its business model is mostly dependent of buying/selling used items at real stores. The threat remains on the company for mid-term basis. Meanwhile large reuse retailers such as Hard-Off will expand market share, as JRAA statistics supports this.

Competitive Positioning and Risks

On a SWOT analysis above, the company is relatively strong position in the industry, backed by large scale of store network and tight cost management. This results in advantages in profitability and financial soundness against peer. As environment conscious and budget-minded consumers are increasing, reuse market is very likely to keep higher growth than consumer spending. As mentioned earlier, the youth uses reuse market more than seniors but are more likely to use Internet based stores.

Valuation

Examining peer comparison, Hard-Off's valuation is lower than competitors. Considering its business value comparing EBITDA and FCF of peer as well as its strong cash position, the NAV is estimated to be JPY1,649 a share. But according to highly correlated historical relationship between EBITDA and share price, we should maintain as 'hold' the share at this moment, but the

share price is expected to rise to JPY1,301 for FY03/2018(E) and will rise in line with growth in EBITDA for FY03/2020(E).

Financial Stability

Hard-Off's financial position is pretty sound and its balance sheet is very strong with no debt. Although the company has set dividend payout at more than 30% of net profit and the payout ratio increases to 43% for FY03/2017 due to decrease in profit and keeping dividend per share, it would be reasonable to raise dividend per share on its operating cash flow of more than JPY1.5 billion. Development cost a store is estimated to be JPY50 million on average. Even if new store accelerate to 15 a year, CapEx remains at JPY700 million to JPY800 million.

Business Outlook

Monthly Store Sale

Due to Bad weather in August and September, the existing store sale fell to 91.7% YoY and 92.9% YoY respectively. The store sale remains slow at 96.4% YoY in October and 96.4% YoY in November* (1 day less holiday than the same month of the previous year). Hard-Off originally planed the existing store sale to grow +2% for the full year, but very likely to miss the target, as the number in December, January and February of the previous year was pretty high like 105.2%, 101.2% and 103.5% (see table below).

Monthly Sales

FY2014/4	YoY	FY2015/3	YoY	FY2016/3	YoY	FY2017/3	YoY	FY2018/3	YoY	FY2019/3	YoY	FY2020/3	YoY
4	97.8%	4	100.9%	4	106.2%	4	101.4%	4	99.9%	4	101.4%	4	99.9%
5	103.3%	5	101.2%	5	104.7%	5	101.0%	5	100.3%	5	101.0%	5	100.3%
6	106.0%	6	98.0%	6	104.2%	6	99.5%	6	101.8%	6	99.5%	6	101.8%
7	102.0%	7	102.2%	7	106.3%	7	102.0%	7	99.3%	7	102.0%	7	99.3%
8	108.8%	8	102.5%	8	103.5%	8	91.7%	8	109.6%	8	91.7%	8	109.6%
9	106.7%	9	100.3%	9	105.5%	9	92.9%	9	108.4%	9	92.9%	9	108.4%
10	101.3%	10	100.0%	10	109.0%	10	96.4%	10	104.9%	10	96.4%	10	104.9%
11	103.9%	11	104.5%	11	99.4%	11	96.4%	11	104.9%	11	96.4%	11	104.9%
12	110.7%	12	98.3%	12	105.2%	12	95.9%	12	105.5%	12	95.9%	12	105.5%
1	109.9%	1	99.8%	1	101.2%	1	99.9%	1	101.5%	1	99.9%	1	101.5%
2	101.3%	2	107.0%	2	103.5%	2	97.6%	2	103.8%	2	103.8%	2	103.8%
3	106.8%	3	98.1%	3	98.9%	3	102.2%	3	99.2%	3	102.2%	3	99.2%

1Q	102.4%	1Q	100.0%	1Q	105.0%	1Q	100.6%	1Q	100.7%	1Q	100.6%	1Q	100.7%
2Q	105.8%	2Q	101.7%	2Q	105.1%	2Q	95.5%	2Q	105.8%	2Q	95.5%	2Q	105.8%
3Q	105.3%	3Q	100.9%	3Q	104.5%	3Q	96.2%	3Q	105.1%	3Q	96.2%	3Q	105.1%
4Q	107.3%	4Q	101.7%	4Q	103.3%	4Q	97.8%	4Q	103.6%	4Q	97.8%	4Q	103.6%
YR	104.9%	YR	101.1%	YR	104.0%	YR	98.1%	YR	103.3%	YR	98.1%	YR	103.3%

(Source) Hard-Off, titlis

Full Year FY03/2017

Due to soggy store sale in summer, the company posted downward revision of full year outlook. Revised guidance by the company is sale is expected to be up 2.8% YoY to JPY18,700 million, whereas OP, RP and NP are expected to decrease 10.1% YoY to JPY1,840 million, 11.6% YoY to JPY2,000 million, 6.2% YoY to JPY1,250 million respectively.

Titlis forecast for FY03/2017

Based on monthly sale expectation on the 'Monthly Sales' table above, sales are expected to rise 3.5% YoY to JPY18,830 million buoyed by new store sale

opened for FY03/2016 (DR 9 and FC 25). OP, RP and NP are expected to decrease 10.9% YoY to JPY1,822 million, 10.8% YoY to JPY2,017 million, 3.6% YoY to JPY1,284 million for the full year. The full year earnings are very likely to be close to the company's revised projection.

You are close to the company's Revised Projection.																
FY2015/3	JPY million	Sales	COGS	COGS/S	Gross Profit	SGA	SGA/S	OP	OPM	RP	EBT	Tax	Minority	Net Profit	EPS	P/E
1Q (act)		3,988	-1,143	-28.7%	2,844	-2,455	-61.6%	388	9.7%	476	476	-196	0	280		
2Q (act)		3,992	-1,177	-29.5%	2,825	-2,595	-65.0%	221	5.5%	248	358	-160	0	198		
3Q (act)		4,429	-1,285	-29.0%	3,134	-2,605	-58.8%	538	12.1%	585	584	-221	0	363		
4Q (act)		4,416	-1,300	-29.4%	3,116	-2,655	-60.1%	462	10.5%	464	678	-201	0	477		
Full Year		16,825	-4,905	-29.2%	11,920	-10,310	-61.3%	1,609	9.6%	1,773	2,096	-778	0	1,318	97.75	10.36
FY2016/3		Sales	COGS	COGS/S	Gross Profit	SGA	SGA/S	OP	OPM	RP	EBT	Tax	Minority	Net Profit		
1Q (act)		4,402	-1,239	-28.1%	3,163	-2,667	-60.6%	495	11.2%	575	561	-204	0	357		
2Q (act)		4,380	-1,280	-29.2%	3,100	-2,705	-61.8%	395	9.0%	437	403	-146	0	257		
3Q (act)		4,837	-1,391	-28.8%	3,445	-2,710	-56.0%	736	15.2%	790	854	-282	0	572		
4Q (act)		4,571	-1,324	-29.0%	3,247	-2,826	-61.8%	420	9.2%	459	293	-147	0	146		
Full Year		18,190	-5,234	-28.8%	12,956	-10,908	-60.0%	2,046	11.2%	2,261	2,111	-779	0	1,332	98.82	12.41
FY2017/3 (E)		Sales	COGS	COGS/S	Gross Profit	SGA	SGA/S	OP	OPM	RP	EBT	Tax	Minority	Net Profit		
1Q (act)		4,573	-1,307	-28.6%	3,266	-2,808	-61.4%	458	10.0%	536	538	-179	0	359		
2Q (act)		4,311	-1,259	-29.2%	3,051	-2,829	-65.6%	221	5.1%	246	246	-93	0	153		
3Q (E)		5,067	-1,456	-28.7%	3,611	-2,877	-56.8%	734	14.5%	787	787	-295	0	492		
4Q (E)		4,880	-1,412	-28.9%	3,467	-3,058	-62.7%	410	8.4%	448	448	-168	0	280		
Full Year (E)		18,830	-5,435	-28.9%	13,396	-11,571	-61.5%	1,822	9.7%	2,017	2,019	-735	0	1,284	96.65	12.50
Full Year (CF)		18,200						1,840	9.8%	2,000				1,250	92.70	13.03

Valuation

On peer comparison, Hard-Off looks lower valuation, considering higher profitability. The break up value appraised by SOTP NAV is estimated JPY1,655, which shows 27 discount from the current share price. EV/EBITDA also supports undervalued. However, the share price has 89% correlation with EBITDA from FY03/2009 to FY03/2016. Based on the analysis, in short term view, target price would remain at JPY1,127 for FY03/2017(E). But in mid-term view for FY03/2020, it will rise to JPY1,758.

Peer Comparison

On a peer comparison, as far as considering profitability such as OPM and ROE, Hard-Off looks lower valuation than other 3 competitors (see table below). Comparing Market Cap/EBIT, Market Cap/EBITDA, Market Cap/FCF, multiples of Hard-Off is close to those of Treasure Factory (3093, JP), as both companies generate higher profitability on OPM and ROE. The deference of ROE is solely financial leverage, while profit margin of Hard-Off is higher than that of the competitor. Treasure factory employs JPY939 million (16% of total assets as of September 2016), whereas Hard-Off is no debt company.

Peer Comparison	Komehyo (2780, JP)	Treasure Factory (3093, JP)	Kqitori Okoku (3181, JP)	Hard-Off (2674, JP)
Market Cap/EBIT	16x	10x	21x	10x
Market Cap/EBITDA	10x	8x	3x	8x
Market Cap/FCF	25x	16x	4x	16x
EV/EBITDA	11x	8x	4x	6x
OPM	2.4%	7.3%	0.8%	9.0%
ROE	3.8%	18.4%	2.9%	9.9%

Breakup Value

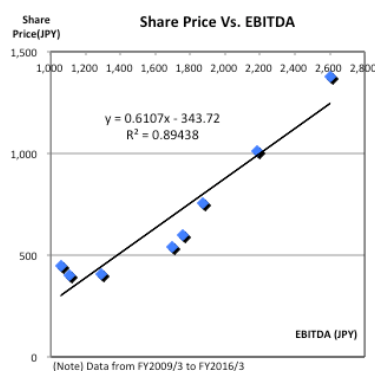
Assessing breakup value of business value and net cash (plus long-term investment), the sum of the parts value is estimated to raise to JPY1,649 a share. The NAV is evaluated by adding 8x (same multiple as of Treasure Factory) of EBITDA normalized from FY03/2013 to FY03/2017(E) to net cash

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plus land and LT investment (see the table below). The NAV is 27% higher than closing price of JPY1,208 as of December 22nd 2016.

NAVs:		
Sum of the parts NAV FY2017/3 (E):		
Retail	1,241	8x EBITDA
Cash	251	1x Book
Investment	106	0.75x Book
Land	52	0.75x Book
Debt	-	1x Book
Minority Interest	-	1x Book
Total SOTP NAV	JPY 1,649	73.2%



EBITDA and Share Price

Analyzing historical share price and EBITDA of the company from FY03/2009 to FY03/2016, both are highly correlated. The relationship is 89% explained. Applying this result to project share price on EBIT forecast by Titlis, the share price for FY03/2017(E) would remain at JPY1,127 (see scatter chart on the left). In mid-term view, however, the share price is projected to rise to JPY1,310 for FY03/2018(E), JPY1,497 for FY03/2019(E) and JPY1,709 for FY03/2020(E), assuming existing store growth at +1.3% YoY and yearly 40 (DR+FC) new store opening (see financial statements on Appendix for mid-term projection for FY03/2020).

	OP	DA	EBITDA	High	Low	Ave. Share Price
FY2009/3	1,158	134	1,292	490	323	407
FY2010/3	856	201	1,057	534	358	446
FY2011/3	870	236	1,106	470	331	401
FY2012/3	1,381	312	1,693	688	388	538
FY2013/3	1,385	373	1,758	704	488	596
FY2014/3	1,430	440	1,870	930	577	754
FY2015/3	1,609	575	2,184	1,266	760	1,013
FY2016/3	2,046	556	2,602	1,770	989	1,380
FY2017/3	1,822	585	2,407	1,556	989	1,127
FY2018/3	2,086	605	2,691			1,301
FY2019/3	2,388	625	3,013			1,497
FY2020/3	2,734	625	3,359			1,709

Adjusted EV/EBITDA

EV/EBITDA for FY03/2017(E) is estimated to be 5.5x that is lower than that of peer. Adjusted EV/EBITDA would be decline to 2.9x if long-term investment securities and land are included.

	Mar-14	Mar-15	Mar-16	Mar-17(E)	Mar-18(E)	Mar-19(E)	Mar-20(E)
Avg. Mkt. Cap	JPY 10,161	JPY 12,126	JPY 19,411	JPY 16,904	JPY 16,904	JPY 16,904	JPY 16,904
EV	JPY 8,552	JPY 10,179	JPY 16,639	JPY 13,406	JPY 13,010	JPY 12,510	JPY 11,893
EV/EBITDA	4.57	4.66	6.39	5.57	4.83	4.15	3.54
*EV (Land+LT)	JPY 4,055	JPY 5,267	JPY 11,089	JPY 7,130	JPY 6,337	JPY 5,338	JPY 4,103
*EV/EBITDA	2.17	2.41	4.26	2.96	2.35	1.77	1.22
EV/EBIT	5.98	6.33	8.13	7.36	6.24	5.24	4.35
EV/FCF	-75.68	-38.85	-49.97	10.44	13.63	11.83	10.11

Financial Analysis

As shown key financial ratios in table below and financial statements summary in Appendix, Hard-Off has strong balance sheet without debt. Well-

managed store operation and cost control generates stable cash flow from operation. The growth of FCF is dependent of the number of store opening, but existing stores provide products for a new store and this would connect to opportunity loss for existing stores temporarily. FCF is growing in line with steady store expansion under tight cost management, but this is less likely to accelerate FCF and number of new stores. However, stable growth will maintain solid financial ratios and balance sheet.

Financial Ratios:	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17(E)	Mar-18(E)	Mar-19(E)	Mar-20(E)
ROE		1.79%	11.75%	10.87%	9.88%	10.18%	10.87%	11.55%
Gross Margin	71.76%	70.80%	70.85%	71.23%	71.14%	71.14%	71.13%	71.12%
EBITDA Margin	14.62%	13.16%	12.98%	14.30%	12.78%	12.48%	12.20%	11.87%
EBIT Margin	11.52%	10.06%	9.56%	11.25%	9.68%	9.68%	9.67%	9.66%
Return on Assets	0.51%	9.04%	9.19%	8.73%	7.96%	8.17%	8.64%	9.09%
Return on Fixed Assets	3.82%	45.62%	46.06%	48.84%	47.08%	51.47%	58.39%	66.34%
Revenue / Assets	7.65%	106.92%	116.04%	119.26%	116.73%	125.50%	134.02%	142.19%
Depreciation / Capex	69.61%	23.12%	174.82%	130.75%	111.11%	108.33%	108.00%	108.00%
Depn / Sales	2.82%	2.70%	2.89%	2.59%	2.66%	2.41%	2.19%	1.91%
Capex / Sales	4.05%	11.69%	1.65%	1.98%	2.39%	2.23%	2.03%	1.77%
Depn / Net FA	1.63%	14.57%	16.80%	17.31%	18.34%	19.07%	19.80%	19.80%
Asset / Equity	1.27	1.23	1.22	1.21	1.20	1.21	1.22	1.23
Equity / Asset	78.75%	80.98%	82.14%	82.53%	83.08%	82.53%	82.02%	81.55%
Total Debt / EBITDA	3.05	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Investment Risks

Hard-Off is one of the largest reuse retailers in Japan. Its earnings and cash flows has been growing at solid rate as its cost of sale and SGA expenses are well managed due to its efficient store operation. However, there are some risks on its business in near future.

Slower brand-new market (Very Likely, Mid Risk)

Key of growth for the company is how much attractive items are provided to customers at reasonable price. Therefore, procurement of used items that customers need is important. To do so, the company has developed outlets in convenient location for consumers. This is one of the company's advantages, but brand-new market is likely to soft due to decreasing population in Japan. As market of brand-new items decreases, market of used items will decrease in near future. Retail sales and consumer spending in Japan has been flat for a decade and will decrease alongside in further decrease in population.

Higher personnel cost (Likely, Mid Risk)

Management of SGA expense of the company is excellent. But due to decreasing labor population, tightened labor market put upward pressure on personnel cost for retailers. Furthermore, social insurance cost is increasing in aging society. This is another headwind on retailers. As cost of sale such as rent, development cost and purchase price for used items are maintained lower at less than 70%, how SGA cost such as personnel cost should be kept lower is a key for the company.

Internet based shopping (Very Likely, Mid-High Risk)

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Smartphone based Internet shopping is accelerating in the world. Flea market operators on such devices are growing rapidly. This is a mid-term risk for the company, although Hard-Off reinforces its Internet business. For the time being, the sales of the company is expected to continue grow, gaining market share, as shown data of JRAA, but the threat would remain in mid-term.

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Appendix

FY2013/3	JPY million	Sales	COGS	COGS/S	Gross Profit	SGA	SGA/S	OP	OPM	RP	EBT	Tax	Minority	Net Profit	EPS	P/E
	1Q (act)	2,955	-830	-28.1%	2,124	-1,724	-58.3%	399	13.5%	443	431	-164	0	267		
	2Q (act)	2,813	-810	-28.8%	2,003	-1,769	-62.9%	234	8.3%	211	165	-92	0	73		
	3Q (act)	3,141	-873	-27.8%	2,269	-1,841	-58.6%	428	13.6%	398	398	-183	0	215		
	4Q (act)	3,116	-882	-28.3%	2,233	-1,909	-61.3%	324	10.4%	379	377	-138	0	239		
	Full Year	12,025	-3,395	-28.2%	8,629	-7,243	-60.2%	1,385	11.5%	1,431	1,371	-577	0	794	58.88	10.12
FY2014/3	Sales	COGS	COGS/S	Gross Profit	SGA	SGA/S	OP	OPM	RP	EBT	Tax	Minority	Net Profit			
	1Q (act)	3,210	-918	-28.6%	2,291	-1,920	-59.8%	371	11.6%	466	924	-342	0	582		
	2Q (act)	3,165	-923	-29.2%	2,243	-1,972	-62.3%	270	8.5%	286	217	-95	0	122		
	3Q (act)	3,562	-1,031	-28.9%	2,531	-2,080	-58.4%	451	12.7%	454	453	-191	0	262		
	4Q (act)	4,277	-1,278	-29.9%	2,998	-2,558	-59.8%	338	7.9%	494	455	-219	0	236		
	Full Year	14,214	-4,150	-29.2%	10,064	-8,530	-60.0%	1,430	10.1%	1,700	2,049	-847	0	1,202	89.16	8.45
FY2015/3	JPY million	Sales	COGS	COGS/S	Gross Profit	SGA	SGA/S	OP	OPM	RP	EBT	Tax	Minority	Net Profit	EPS	P/E
	1Q (act)	3,988	-1,143	-28.7%	2,844	-2,455	-61.6%	388	9.7%	476	476	-196	0	280		
	2Q (act)	3,992	-1,177	-29.5%	2,825	-2,595	-65.0%	221	5.5%	248	358	-160	0	198		
	3Q (act)	4,429	-1,285	-29.0%	3,134	-2,605	-58.8%	538	12.1%	585	584	-221	0	363		
	4Q (act)	4,416	-1,300	-29.4%	3,116	-2,655	-60.1%	462	10.5%	464	678	-201	0	477		
	Full Year	16,825	-4,905	-29.2%	11,920	-10,310	-61.3%	1,609	9.6%	1,773	2,096	-778	0	1,318	97.75	10.36
FY2016/3	Sales	COGS	COGS/S	Gross Profit	SGA	SGA/S	OP	OPM	RP	EBT	Tax	Minority	Net Profit			
	1Q (act)	4,402	-1,239	-28.1%	3,163	-2,667	-60.6%	495	11.2%	575	561	-204	0	357		
	2Q (act)	4,380	-1,280	-29.2%	3,100	-2,705	-61.8%	395	9.0%	437	403	-146	0	257		
	3Q (act)	4,837	-1,391	-28.8%	3,445	-2,710	-56.0%	736	15.2%	790	854	-282	0	572		
	4Q (act)	4,571	-1,324	-29.0%	3,247	-2,826	-61.8%	420	9.2%	459	293	-147	0	146		
	Full Year	18,190	-5,234	-28.8%	12,956	-10,908	-60.0%	2,046	11.2%	2,261	2,111	-779	0	1,332	98.82	12.41
FY2017/3 (E)	Sales	COGS	COGS/S	Gross Profit	SGA	SGA/S	OP	OPM	RP	EBT	Tax	Minority	Net Profit			
	1Q (act)	4,573	-1,307	-28.6%	3,266	-2,808	-61.4%	458	10.0%	536	538	-179	0	359		
	2Q (act)	4,311	-1,259	-29.2%	3,051	-2,829	-65.6%	221	5.1%	246	246	-93	0	153		
	3Q (E)	5,067	-1,456	-28.7%	3,611	-2,877	-56.8%	734	14.5%	787	787	-295	0	492		
	4Q (E)	4,880	-1,412	-28.9%	3,467	-3,058	-62.7%	410	8.4%	448	448	-168	0	280		
	Full Year (E)	18,830	-5,435	-28.9%	13,396	-11,571	-61.5%	1,822	9.7%	2,017	2,019	-735	0	1,284	96.65	12.50
	Full Year (CE)	18,700						1,840	9.8%	2,000			0	1,250	92.70	13.03
FY2018/3 (E)	Sales	COGS	COGS/S	Gross Profit	SGA	SGA/S	OP	OPM	RP	EBT	Tax	Minority	Net Profit			
	1Q (E)	5,053	-1,444	-28.6%	3,609	-3,103	-61.4%	506	10.0%	546	546	-205	0	341		
	2Q (E)	5,047	-1,474	-29.2%	3,573	-3,312	-65.6%	261	5.2%	301	301	-113	0	188		
	3Q (E)	5,886	-1,692	-28.7%	4,194	-3,342	-56.8%	852	14.5%	892	892	-334	0	557		
	4Q (E)	5,571	-1,613	-28.9%	3,958	-3,491	-62.7%	467	8.4%	507	507	-190	0	317		
	Full Year (E)	21,557	-6,222	-28.9%	15,335	-13,248	-61.5%	2,086	9.7%	2,246	2,246	-842	0	1,404	105.67	11.43
	Full Year (CE)	20,500							0.0%	2,600						
FY2019/3 (E)	Sales	COGS	COGS/S	Gross Profit	SGA	SGA/S	OP	OPM	RP	EBT	Tax	Minority	Net Profit			
	1Q (E)	5,584	-1,596	-28.6%	3,988	-3,429	-61.4%	559	10.0%	599	599	-225	0	374		
	2Q (E)	5,908	-1,725	-29.2%	4,182	-3,877	-65.6%	305	5.2%	345	345	-129	0	216		
	3Q (E)	6,838	-1,965	-28.7%	4,873	-3,883	-56.8%	990	14.5%	1,030	1,030	-386	0	644		
	4Q (E)	6,360	-1,841	-28.9%	4,519	-3,985	-62.7%	534	8.4%	574	574	-215	0	359		
	Full Year (E)	24,691	-7,128	-28.9%	17,562	-15,174	-61.5%	2,388	9.7%	2,548	2,548	-955	0	1,592	119.87	10.08
	Full Year (CE)	22,000							0.0%	2,850						
FY2020/3 (E)	Sales	COGS	COGS/S	Gross Profit	SGA	SGA/S	OP	OPM	RP	EBT	Tax	Minority	Net Profit			
	1Q (E)	6,171	-1,764	-28.6%	4,407	-3,789	-61.4%	618	10.0%	658	658	-247	0	411		
	2Q (E)	6,917	-2,020	-29.2%	4,896	-4,539	-65.6%	357	5.2%	397	397	-149	0	248		
	3Q (E)	7,944	-2,283	-28.7%	5,661	-4,511	-56.8%	1,150	14.5%	1,190	1,190	-446	0	744		
	4Q (E)	7,262	-2,102	-28.9%	5,159	-4,550	-62.7%	609	8.4%	649	649	-243	0	406		
	Full Year (E)	28,293	-8,169	-28.9%	20,124	-17,389	-61.5%	2,734	9.7%	2,894	2,894	-1,085	0	1,809	136.18	8.87
	Full Year (CE)															

(Source) Hard-off, titlis

Cash Flow Analysis:	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17(E)	Mar-18(E)	Mar-19(E)	Mar-20(E)
Net Income	794	1,202	1,332	1,332	1,284	1,404	1,592	1,809
Dep.	339	384	486	472	500	520	540	540
Amortization	34	56	89	84	85	85	85	85
Other non-cash charges	(309)	242	(153)	216	0	0	0	0
Changes in WC	(235)	(336)	(413)	(266)	(135)	(574)	(660)	(758)
Op. Cash Flow	623	1,548	1,341	1,838	1,734	1,435	1,558	1,676
Per share	JPY 46.20	JPY 114.79	JPY 112.03	JPY 136.31	JPY 130.54	JPY 108.00	JPY 117.26	JPY 126.15
Capex	(487)	(1,661)	(278)	(361)	(450)	(480)	(500)	(500)
Free Cash Flow	136	(113)	(262)	(333)	1,284	955	1,058	1,176
Per share	JPY 10.08	(JPY 8.38)	(JPY 21.89)	(JPY 24.70)	JPY 96.67	JPY 71.86	JPY 79.62	JPY 88.51
Beginning Cash	2,783	2,298	1,609	1,947	2,772	3,498	3,894	4,394
Net cash used	(485)	(689)	338	825	726	396	500	618
Ending cash	2,298	1,609	1,947	2,772	3,498	3,894	4,394	5,012

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	2013/3	2014/3	2015/3	2016/3	2017/3 (E)	2018/3 (E)	2019/3 (E)	2020/3 (E)
Assets								
Current Assets								
Cash and Cash Equivalents	2,197	1,508	1,846	2,772	3,498	3,894	4,394	5,012
Short-Term Investments	101	101	101	-	-	-	-	-
Notes and Accounts Receivable,	232	290	316	347	359	411	471	540
Allowance for Doubtful Receivables	(2)	(2)	(4)	(2)	(2)	(2)	(3)	(3)
Inventories	2,243	2,928	3,305	3,541	3,666	4,197	4,807	5,508
Deferred Income Taxes	86	112	114	130	135	154	176	202
Other Current Assets	222	277	304	316	327	374	429	492
Total Current Assets	5,079	5,214	5,982	7,104	7,982	9,028	10,274	11,750
Property, Plant and Equipment								
Land	870	983	983	970	970	970	970	970
Buildings	3,171	4,172	4,669	4,822	5,157	5,514	5,886	6,258
Machinery and Equipment	937	1,351	1,557	1,659	1,774	1,897	2,025	2,153
Construction in Progress	19	1	-	-	-	-	-	-
Total	4,997	6,507	7,209	7,451	7,901	8,381	8,881	9,381
Accumulated Depreciation	(1,983)	(2,889)	(3,334)	(3,754)	(4,015)	(4,293)	(4,582)	(4,872)
Net Property, Plant and Equipment	3,014	3,618	3,875	3,697	3,886	4,088	4,299	4,509
Software & Other intangible assts	37	72	83	79	79	79	79	79
Goodwill	116	348	258	174	174	174	174	174
	153	420	341	253	253	253	253	253
Other Assets								
Investments in and Advances to	400	448	135	162	162	162	162	162
Investment Securities	1,368	1,457	1,847	1,808	1,808	1,808	1,808	1,808
Software & Others	-	-	(17)	(16)	(16)	(16)	(16)	(16)
Deferred Income Taxes	163	210	187	250	250	250	250	250
Other	1,576	1,927	2,149	2,157	2,157	2,157	2,157	2,157
Total Other Assets	3,507	4,042	4,301	4,361	4,361	4,361	4,361	4,361
Differed Assets	-	-	-	-	-	-	-	-
Total	11,753	13,294	14,499	15,415	16,483	17,731	19,187	20,873
Liabilities and Stockholders' Equity								
Current Liabilities								
Bank Loans	-	-	-	-	-	-	-	-
Notes and Accounts Payable, Trade	48	69	56	57	59	68	77	89
Accrued Expenses	400	508	539	618	640	732	839	961
Income Taxes	378	678	455	463	479	549	628	720
Other Current Liabilities	416	470	661	675	699	800	916	1,050
Current Portion of Long-Term Debt	-	-	-	-	-	-	-	-
Total Current Liabilities	1,242	1,725	1,711	1,813	1,877	2,149	2,461	2,820
Long-Term Debt								
Deferred Income Taxes	-	-	-	-	-	-	-	-
Termination and Retirement Benefits	-	-	-	-	-	-	-	-
Other Long-Term Liabilities	654	804	879	852	852	852	852	852
	-	-	-	-	-	-	-	-
Total Liabilities	1,896	2,529	2,590	2,665	2,729	3,001	3,313	3,672
Stockholders' Equity								
Common Stock	1,676	1,676	1,676	1,676	1,676	1,676	1,676	1,676
Additional Paid-in Capital	1,768	1,768	1,769	1,769	1,769	1,769	1,769	1,769
Legal Reserve	6,572	7,437	8,351	9,211	10,495	11,899	13,491	15,300
Retained Earnings	-	1	-	1	1	1	1	1
Treasury Stock	(177)	(177)	(178)	(178)	(178)	(178)	(178)	(178)
Total Stockholders' Equity	9,839	10,705	11,618	12,479	13,763	15,167	16,759	18,568
Accumulated other Comprehensive								
Income	19	61	293	271	(9)	(437)	(885)	(1,367)
Warrant	0	0	0	0	0	0	0	0
Minority Interests in Subsidiaries	-	-	-	-	-	-	-	-
Total Stockholders' Equity	9,858	10,766	11,911	12,750	13,754	14,730	15,874	17,201
Total	11,754	13,295	14,501	15,415	16,483	17,731	19,187	20,873