

## Hard-Off (2674, JP)

Exchange: Tokyo Stock Exchange 1

Sector: Retail

Market Cap: JPY15.3 billion

P/B: 1.1x (3/17 act)

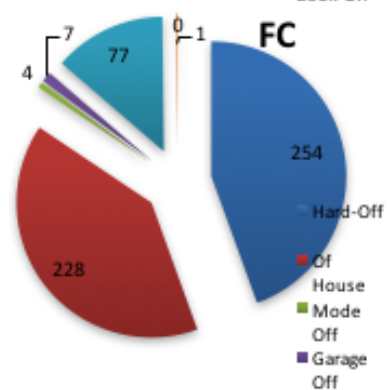
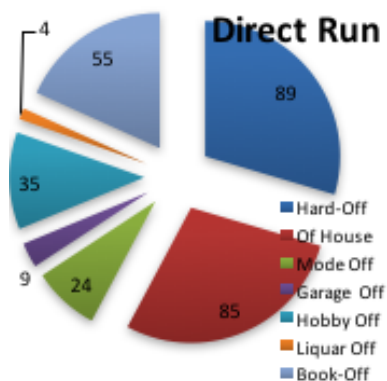
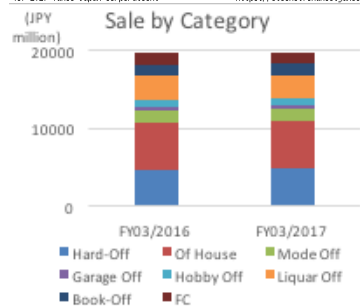
Recommendation: HOLD

Share Price: JPY1,100 (05/26/2017)

Target Price: JPY1,060-JPY1,201 for 12-month

P/E: 14.1x (3/18 CE)

Div. Yield: 3.6% (3/18 CE)



### Highlight

METRICAL maintained Hold of Hard-Off (2674, JP) for the next 12-month horizon. '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 C2C 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, the company projection seems slightly conservative and the earnings fort FY03/2018 is expected to slightly move higher than company guidance. However, on mid-term projection, company outlook seems slightly optimistic, as its threat of C2C and e-commerce are expected to keep growing. Hard-Off posted its acceleration of e-commerce and overseas market. However, the strategy and timeline/quantitative goal of the both business remain unclear. On valuation, Hard-Off looks lower valuation on EV/EBITA and Sum-Of-the=Parts valuation applying Market Cap/EBIT, /EBITDA and /FCF and EV/EBITDA plus net cash and etc. However, assuming threat mentioned above as well as unclear business expansion for future growth, the share price is less likely to break historical relationship between share price and EBITDA that explains significant correlation statistically.

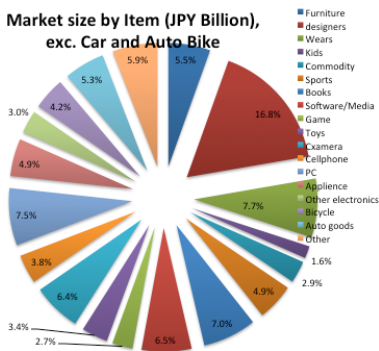
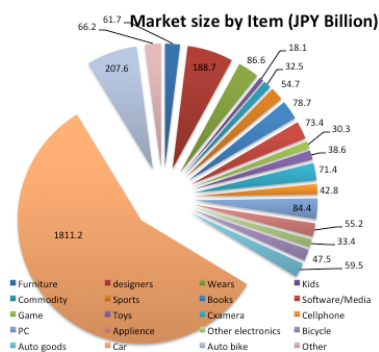
### Business Description

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 297 outlets directly (DR) and 571 franchise (FC) outlets as of April 2017. Breakdown of outlet numbers of direct run and franchise are shown as of April 2017 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 (8.22 million) to buyers (26.05 million) was 1:3 for FY03/2017. 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, JPY52.5 billion) will be 3 times more than dollar value of buying items from customers (JPY17.9 billion). Nationwide 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 FY03/2017.

#### *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

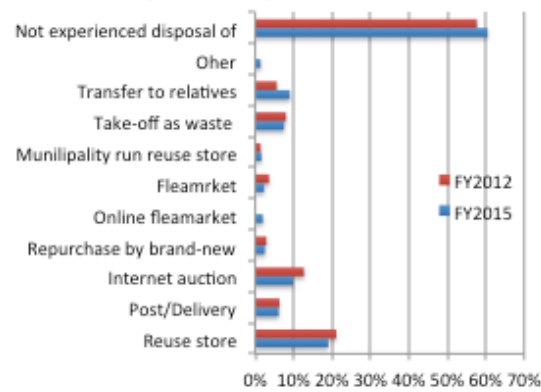
### *Real store based business model*

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

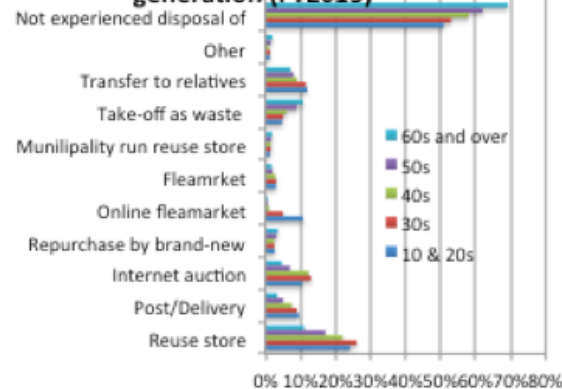


## Opportunity

### *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**

Full year for FY03/2017, the earnings missed its earnings guidance mainly due to bad weather in August and September, while COGS/Sales was maintained flat at the previous year but SGA/Sales rose on the increase in new store opening. Hard-Off anticipates recovering +1.5% YoY of existing store sale for FY03/2018 from -2.6% YoY a year ago. METRICAL expects earnings for FY03/2018 to move slightly higher than the company guidance. But its mid-term projection the company posted at the same time for FY03/2020 looks slightly optimistic, considering the increasing threat of e-Commerce and C2C market. We need to clarify how the company overcomes and its strategy for future growth as the company posted expansion plan on overseas market and ecommerce business. 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

Considering its business value comparing EBITDA and FCF of peer as well as its strong cash position, the NAV is estimated to be JPY1,514 a share for FY03/2018 and JPY1,637 a share. Also, the share price on EV/EBITDA looks lower valuation in historical basis. On the other hand, the share price is highly correlated with EBITDA. Assuming unclear future strategy and increasing threat mentioned earlier, share price is likely to remain within historical relationship between share price and EBITDA. In case future strategy is clearer, TP should move higher to JPY1,360 for the next 24-months (revised upward from JPY1,301 on the previous report) for FY03/2018(E).

## Financial Stability

Hard-Off's financial position is pretty sound and its balance sheet is very strong with no debt. The company has set dividend payout at more than 30% of net profit and the payout ratio increased to 59% for FY03/2017 due to sagged profit and maintained dividend per share at JPY40 a share. Operating cash flow dip to JPY763 million for FY03/2017 but is expected to improve to JPY1.3 billion for FY03/2018 (E) that will cover sufficiently the CapEx of JPY750 million, as new stores continue opening 15 stores a year and investment for e-Commerce is added.

## Business Outlook

### Monthly Store Sale

Due to Bad weather in August and September, the existing store sale for FY03/2017 fell to 97.4% YoY. The company projects the sale to increase to 100.5% YoY. METRICAL forecast slightly more conservative at 100.8% (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	99.4%	4	101.4%	4	99.4%
5	103.3%	5	101.2%	5	104.7%	5	101.0%	5	99.8%	5	101.0%	5	99.8%
6	106.0%	6	98.0%	6	104.2%	6	99.5%	6	101.3%	6	99.5%	6	101.3%
7	102.0%	7	102.2%	7	106.3%	7	102.0%	7	98.8%	7	102.0%	7	98.8%
8	108.8%	8	102.5%	8	103.5%	8	91.7%	8	109.1%	8	91.7%	8	109.1%
9	106.7%	9	100.3%	9	105.5%	9	92.9%	9	107.9%	9	92.9%	9	107.9%
10	101.3%	10	100.0%	10	109.0%	10	96.4%	10	104.4%	10	96.4%	10	104.4%
11	103.9%	11	104.5%	11	99.4%	11	96.4%	11	104.4%	11	96.4%	11	104.4%
12	110.7%	12	98.3%	12	105.2%	12	97.7%	12	103.1%	12	97.7%	12	103.1%
1	109.9%	1	99.8%	1	101.2%	1	97.3%	1	103.5%	1	97.3%	1	103.5%
2	101.3%	2	107.0%	2	103.5%	2	94.3%	2	106.5%	2	94.3%	2	106.5%
3	106.8%	3	98.1%	3	98.9%	3	97.4%	3	103.4%	3	97.4%	3	103.4%
1Q	102.4%	1Q	100.0%	1Q	105.0%	1Q	100.6%	1Q	100.2%	1Q	100.6%	1Q	100.2%
2Q	105.8%	2Q	101.7%	2Q	105.1%	2Q	95.5%	2Q	105.3%	2Q	95.5%	2Q	105.3%
3Q	105.3%	3Q	100.9%	3Q	104.5%	3Q	96.8%	3Q	104.0%	3Q	96.8%	3Q	104.0%
4Q	107.3%	4Q	101.7%	4Q	103.3%	4Q	96.4%	4Q	104.4%	4Q	96.4%	4Q	104.4%
YR	104.9%	YR	101.1%	YR	104.0%	YR	97.3%	YR	103.5%	YR	97.3%	YR	103.5%

(Source) Hard-Off, METRICAL

### Company Outlook for Full Year FY03/2018

The company posts full year guidance. Sale will increase 5.7% YoY to JPY19,300 million, OP will grow 12.3% YoY to JPY1,630 million, RP will go up 8.9% to JPY1,750 million and NP will gain 15.3% YoY to JPY1,050 million.

## METRICAL forecast for FY03/2018

METRICAL expects slightly better than company forecast and Sale to increase 6.9% YoY to JPY19,522 million, OP to gain 15.1% YoY to JPY1,669 million, RP to gain 13.8% YoY to JPY1,829 million, 25.5% YoY to JPY1,143 million respectively.

## Mid-term forecast for FY03/2020

Hard-Off plans to continue opening 15 new stores a year for FY03/2018 and reinforces e-Commerce channel, increasing JPY400 to JPY500 million for CapEx. The investment is expected to contribute to increasing sale from FY03/2019 and the company projects the online sale to increase to 5% of the total sale. However, the timeline and strategy when/how the project will expand is not clear. Hard-Off opened outlets in Hawaii and Taiwan this year and plans its expansion in overseas market. Its mid-term projection for FY03/2019 and FY2020 does not include contribution of overseas business. If it really contributes to the company, the earnings outlook should be more positive. But acceleration plan is not clear at this moment.

## Valuation

### EV/EBITDA

EV/EBITDA for FY03/2018 (E) is estimated to be 5.4x and decline to 3.9x for FY03/2020 (E) from 7.6x for FY03/2017 and 6.4x for FY03/2016.

	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18(E)	Mar-19(E)	Mar-20(E)
Avg. Mkt. Ca	JPY 10,161	JPY 12,126	JPY 19,411	JPY 16,904	JPY 14,254	JPY 14,254	JPY 14,254
EV	JPY 8,552	JPY 10,179	JPY 16,639	JPY 14,990	JPY 12,217	JPY 11,841	JPY 11,095
EV/EBITDA	4.57	4.66	6.39	7.61	5.43	4.68	3.91
*EV (Land+L)	JPY 4,055	JPY 5,267	JPY 11,089	JPY 10,057	JPY 7,160	JPY 6,409	JPY 4,916
*EV/EBITDA	2.17	2.41	4.26	5.11	3.18	2.53	1.73
EV/EBIT	5.98	6.33	8.13	10.34	7.32	6.08	4.91
EV/FCF	-75.68	-38.85	-49.97	220.44	17.92	12.68	8.51

### Sum-Of-The-Parts Valuation

The sum-of-the-parts value is estimated to be JPY1,514 a share for FY03/2018 (E) and JPY1,626 a share for FY03/2020 (E). The valuation method is based on analysis of normalized EBIT, EBITDA and FCF for the period from FY03/2013 to FY03/2018 (E) or to FY03/2020 (E) as well as net cash plus long-term investment. Both values are much higher than share price as of May 26<sup>th</sup> 2017, as using 8x of EBITDA seems reasonable multiple for reuse retailers. On a valuation, the share price is currently traded at discount.

NAVs:			NAVs:		
Sum of the parts NAV FY03/2018 (E):			Future NAV FY03/2020 (E):		
Retail	1,191	8x EBITDA	Retail	1,222	16x FCF
Cash	146	1x Book	Cash	226	1x Book
Investment	125	0.75x Book	Investment	125	0.75x Book
Land	52	0.75x Book	Land	52	0.75x Book
Debt	-	1x Book	Debt	-	1x Book
Minority Interest	-	1x Book	Minority Interest	-	1x Book
<b>Total SOTP NAV</b>	<b>JPY 1,514</b>	<b>72.7%</b>	<b>Total Future NAV</b>	<b>JPY 1,626</b>	<b>67.6%</b>

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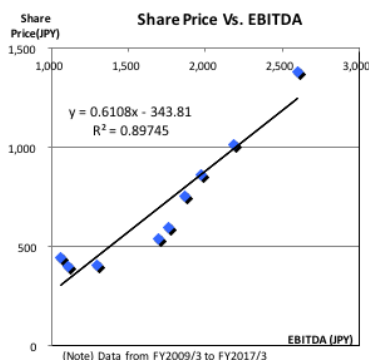
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# METRICAL INC.

corporate governance, investment research & solutions



## EBITDA and Share Price

Analyzing historical share price and EBITDA of the company from FY03/2009 to FY03/2017, both of share price and EBITDA are highly correlated. The relationship is statistically 90% ( $R^2=0.90$ ,  $p\text{-value}=0.00$ ) explained. Applying this to projected share price on EBIT forecast by METRICAL, the share price would remain at JPY1,030 for FY2018 (E) and JPY1,201 for FY03/2019 (E) (see Table below). On a valuation of EV/EBITDA and SOTP valuation mentioned above, the share price has more upside potential. However, considering competitive positioning and intense competition with C2C and e-Commerce mentioned earlier, METRICAL expects the share price to remain in range based on the historical relationship between share price and EBITDA at this moment.

	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	1,450	519	1,969	1,556	1,020	860
FY2018/3	1,669	580	2,249			1,030
FY2019/3	1,948	580	2,528			1,201
FY2020/3	2,259	580	2,839			1,390
				r	p	r2
				0.95	0.00	0.90

## 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. The no debt company maintains solid financial ratios and balance sheet for the time being, but in mid-to-long term view, key would be how the company maintains stable sales in the business environment e-Commerce and C2C markets are expanding at faster than expectation.

## 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.

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### **Slower brand-new market (Very Likely, Middle-High 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. The risk pulled the earnings lower for FY03/2017 and the company should accelerate diversify markets expanding to overseas market.

### **Higher personnel cost (Likely, Middle 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)**

Smartphone based Internet shopping is accelerating in the world. Online based flea market operators on such devices are growing rapidly. This risk also put downward pressure on the company's sale for FY03/2017. Customers in local region as well as young users tend to use online shopping on its convenience. Hard-Off reinforces e-Commerce channel and has just started using SNS marketing but we should clarify how it goes well combining its real store network.

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## Appendix

FY2013/ 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	EPS	P/E
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/ 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	EPS	P/E
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	EPS	P/E
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 (act)	4,816	-1,439	-29.9%	3,377	-2,930	-60.8%	448	9.3%	479	478	-170	0	308	
4Q (act)	4,563	-1,317	-28.9%	3,247	-2,923	-64.1%	323	7.1%	346	232	-141	0	91	
Full Year (E)	18,263	-5,322	-29.1%	12,941	-11,490	-62.9%	1,450	7.9%	1,607	1,494	-583	0	911	67.55 16.28
Full Year (CE)	18,700						1,840	9.8%	2,000			1,250	92.70 11.87	
FY2018/3 (E)	Sales	COGS	COGS/S	Gross Profit	SGA	SGA/S	OP	OPM	RP	EBT	Tax	Minority Net Profit	EPS	P/E
1Q (E)	4,721	-1,349	-28.6%	3,372	-2,899	-61.4%	473	10.0%	513	513	-192	0	320	
2Q (E)	4,697	-1,372	-29.2%	3,325	-2,957	-63.0%	368	7.8%	408	408	-153	0	255	
3Q (E)	5,177	-1,547	-29.9%	3,630	-3,150	-60.8%	480	9.3%	520	520	-195	0	325	
4Q (E)	4,926	-1,422	-28.9%	3,504	-3,155	-64.1%	348	7.1%	388	388	-146	0	243	
Full Year (E)	19,522	-5,690	-29.1%	13,832	-12,161	-62.3%	1,669	8.6%	1,829	1,829	-686	0	1,143	86.07 12.78
Full Year (CE)	19,300						1,630	8.4%	1,750			1,050	77.87 14.13	
FY2019/3 (E)	Sales	COGS	COGS/S	Gross Profit	SGA	SGA/S	OP	OPM	RP	EBT	Tax	Minority Net Profit	EPS	P/E
1Q (E)	4,875	-1,393	-28.6%	3,481	-2,954	-60.6%	527	10.8%	567	567	-213	0	354	
2Q (E)	5,118	-1,495	-29.2%	3,623	-3,181	-62.2%	442	8.6%	482	482	-181	0	301	
3Q (E)	5,566	-1,663	-29.9%	3,902	-3,342	-60.0%	561	10.1%	601	601	-225	0	376	
4Q (E)	5,317	-1,535	-28.9%	3,782	-3,364	-63.3%	419	7.9%	459	459	-172	0	287	
Full Year (E)	20,876	-6,086	-29.2%	14,789	-12,841	-61.5%	1,948	9.3%	2,108	2,108	-791	0	1,318	99.20 11.09
Full Year (CE)	20,500						0.0%	2,250						
FY2020/3 (E)	Sales	COGS	COGS/S	Gross Profit	SGA	SGA/S	OP	OPM	RP	EBT	Tax	Minority Net Profit	EPS	P/E
1Q (E)	5,033	-1,438	-28.6%	3,594	-3,010	-59.8%	584	11.6%	624	624	-234	0	390	
2Q (E)	5,577	-1,629	-29.2%	3,948	-3,421	-61.4%	526	9.4%	566	566	-212	0	354	
3Q (E)	5,983	-1,788	-29.9%	4,195	-3,544	-59.2%	651	10.9%	691	691	-259	0	432	
4Q (E)	5,740	-1,657	-28.9%	4,083	-3,585	-62.5%	498	8.7%	538	538	-202	0	336	
Full Year (E)	22,333	-6,512	-29.2%	15,820	-13,561	-60.7%	2,259	10.1%	2,419	2,419	-907	0	1,512	113.82 9.66
Full Year (CE)	22,000							0.0%	2,850					

(Source) Hard-off, METRICAL

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# METRICAL INC.

corporate governance, investment research & solutions

	2013/3	2014/3	2015/3	2016/3	2017/3	2018/3 (E)	2019/3 (E)	2020/3 (E)
<b>Assets</b>								
<b>Current Assets</b>								
Cash and Cash Equivalents	2,197	1,508	1,846	2,772	1,914	2,037	2,413	3,159
Short-Term Investments	101	101	101	-	-	-	-	-
Notes and Accounts	232	290	316	347	397	424	454	485
Allowance for Doubtful	(2)	(2)	(4)	(2)	(2)	(2)	(2)	(2)
Inventories	2,243	2,928	3,305	3,541	3,902	4,171	4,460	4,772
Deferred Income Taxes	86	112	114	130	110	118	126	135
Other Current Assets	222	277	304	316	326	348	373	399
<b>Total Current Assets</b>	<b>5,079</b>	<b>5,214</b>	<b>5,982</b>	<b>7,104</b>	<b>6,647</b>	<b>7,097</b>	<b>7,823</b>	<b>8,947</b>
<b>Property, Plant and</b>								
Land	870	983	983	970	970	970	970	970
Buildings	3,171	4,172	4,669	4,822	5,159	5,712	6,191	6,522
Machinery and Equipment	937	1,351	1,557	1,659	1,841	2,038	2,209	2,327
Construction in Progress	19	1	-	-	2	2	2	3
<b>Total</b>	<b>4,997</b>	<b>6,507</b>	<b>7,209</b>	<b>7,451</b>	<b>7,972</b>	<b>8,722</b>	<b>9,372</b>	<b>9,822</b>
Accumulated Depreciation	(1,983)	(2,889)	(3,334)	(3,754)	(4,106)	(4,546)	(4,927)	(5,191)
<b>Net Property, Plant and</b>	<b>3,014</b>	<b>3,618</b>	<b>3,875</b>	<b>3,697</b>	<b>3,866</b>	<b>4,176</b>	<b>4,445</b>	<b>4,631</b>
Goodwill	37	72	83	79	66	66	66	66
Software & Other	116	348	258	174	104	104	104	104
	153	420	341	253	170	170	170	170
<b>Other Assets</b>								
Investments in and	400	448	135	162	280	280	280	280
Investment Securities	1,368	1,457	1,847	1,808	2,049	2,049	2,049	2,049
Software & Others	-	-	(17)	(16)	(15)	(15)	(15)	(15)
Deferred Income Taxes	163	210	187	250	219	219	219	219
Other	1,576	1,927	2,149	2,157	2,249	2,249	2,249	2,249
<b>Total Other Assets</b>	<b>3,507</b>	<b>4,042</b>	<b>4,301</b>	<b>4,361</b>	<b>4,782</b>	<b>4,782</b>	<b>4,782</b>	<b>4,782</b>
Differed Assets	-	-	-	-	-	-	-	-
<b>Total</b>	<b>11,753</b>	<b>13,294</b>	<b>14,499</b>	<b>15,415</b>	<b>15,465</b>	<b>16,225</b>	<b>17,220</b>	<b>18,530</b>
<b>Liabilities and</b>								
<b>Current Liabilities</b>								
Bank Loans	-	-	-	-	-	-	-	-
Notes and Accounts	48	69	56	57	64	68	73	78
Accrued Expenses	400	508	539	618	607	649	694	742
Income Taxes	378	678	455	463	208	222	238	254
Other Current Liabilities	416	470	661	675	506	541	578	619
Current Portion of Long-	-	-	-	-	-	-	-	-
<b>Total Current Liabilities</b>	<b>1,242</b>	<b>1,725</b>	<b>1,711</b>	<b>1,813</b>	<b>1,385</b>	<b>1,480</b>	<b>1,583</b>	<b>1,694</b>
<b>Long-Term Debt</b>								
Deferred Income Taxes	-	-	-	-	-	-	-	-
Termination and	-	-	-	-	-	-	-	-
Other Long-Term Liabilities	654	804	879	852	928	928	928	928
	-	-	-	-	-	-	-	-
<b>Total Liabilities</b>	<b>1,896</b>	<b>2,529</b>	<b>2,590</b>	<b>2,665</b>	<b>2,313</b>	<b>2,408</b>	<b>2,511</b>	<b>2,622</b>
<b>Stockholders' Equity</b>								
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	9,583	10,726	12,044	13,556
Retained Earnings	-	1	-	1	-	-	-	-
Treasury Stock	(177)	(177)	(178)	(178)	(178)	(178)	(178)	(178)
<b>Total Stockholders' Equity</b>	<b>9,839</b>	<b>10,705</b>	<b>11,618</b>	<b>12,479</b>	<b>12,850</b>	<b>13,993</b>	<b>15,311</b>	<b>16,823</b>
<b>Accumulated other</b>								
Comprehensive Income	19	61	293	271	303	(177)	(602)	(915)
Warrant	0	0	0	0	0	0	0	0
Minority Interests in	-	-	-	-	-	-	-	-
<b>Total Stockholders' Equity</b>	<b>9,858</b>	<b>10,766</b>	<b>11,911</b>	<b>12,750</b>	<b>13,153</b>	<b>13,816</b>	<b>14,709</b>	<b>15,909</b>
<b>Total</b>	<b>11,754</b>	<b>13,295</b>	<b>14,501</b>	<b>15,415</b>	<b>15,466</b>	<b>16,225</b>	<b>17,220</b>	<b>18,530</b>

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Cash Flow Analysis:	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18(E)	Mar-19(E)	Mar-20(E)
<b>Net Income</b>	794	1,202	1,332	1,332	911	1,143	1,318	1,512
Dep.	339	384	486	472	450	500	500	500
Amortization	34	56	89	84	69	80	80	80
Other non-cash charges	-309	242	-153	216	-262	0	0	0
Changes in WC	-235	-336	-413	-266	-405	-292	-314	-338
<b>Op. Cash Flow</b>	<b>623</b>	<b>1,548</b>	<b>1,341</b>	<b>1,838</b>	<b>763</b>	<b>1,432</b>	<b>1,584</b>	<b>1,754</b>
Per share	JPY 46.20	JPY 114.79	JPY 112.03	JPY 136.31	JPY 57.44	JPY 107.77	JPY 119.23	JPY 132.06
Capex	-487	-1,661	-278	-361	-695	-750	-650	-450
<b>Free Cash Flow</b>	<b>136</b>	<b>-113</b>	<b>-262</b>	<b>-333</b>	<b>68</b>	<b>682</b>	<b>934</b>	<b>1,304</b>
Per share	JPY 10.08	(JPY 8.38)	(JPY 21.89)	(JPY 24.70)	JPY 5.12	JPY 51.31	JPY 70.30	JPY 98.19
Beginning Cash	2,783	2,298	1,609	1,947	2,772	1,914	2,037	2,413
Net cash used	-485	-689	338	825	-858	123	376	746
Ending cash	2,298	1,609	1,947	2,772	1,914	2,037	2,413	3,159
Key Financial Ratios:	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18(E)	Mar-19(E)	Mar-20(E)
ROE		1.79%	11.75%	10.87%	7.20%	8.87%	9.85%	10.65%
Gross Margin	71.76%	70.80%	70.85%	71.23%	70.86%	70.85%	70.84%	70.84%
EBITDA Margin	14.62%	13.16%	12.98%	14.30%	10.78%	11.52%	12.11%	12.71%
EBIT Margin	11.52%	10.06%	9.56%	11.25%	7.94%	8.55%	9.33%	10.12%
Return on Assets	0.51%	9.04%	9.19%	8.73%	6.09%	7.42%	8.17%	8.76%
Return on Fixed Assets	3.82%	45.62%	46.06%	48.84%	33.41%	41.93%	48.32%	55.45%
Revenue / Assets	7.65%	106.92%	116.04%	119.26%	122.13%	126.73%	129.42%	129.44%
Depreciation / Capex	69.61%	23.12%	174.82%	130.75%	64.75%	66.67%	76.92%	111.11%
Depn / Sales	2.82%	2.70%	2.89%	2.59%	2.46%	2.56%	2.40%	2.24%
Capex / Sales	4.05%	11.69%	1.65%	1.98%	3.81%	3.84%	3.11%	2.01%
Depn / Net FA	1.63%	14.57%	16.80%	17.31%	16.50%	18.34%	18.34%	18.34%
Asset / Equity	1.27	1.23	1.22	1.21	1.18	1.18	1.18	1.17
Equity / Asset	78.75%	80.98%	82.14%	82.53%	85.04%	84.86%	84.90%	85.25%

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