

## S. T. CORP (4951, JP)

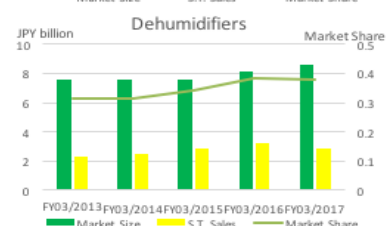
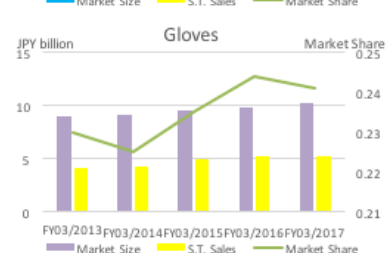
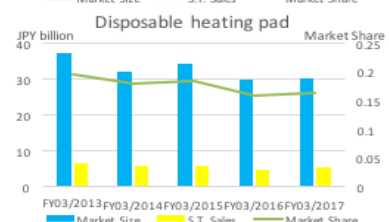
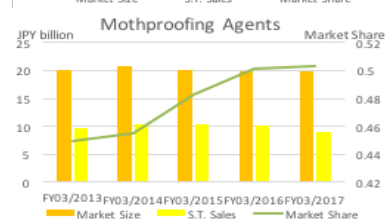
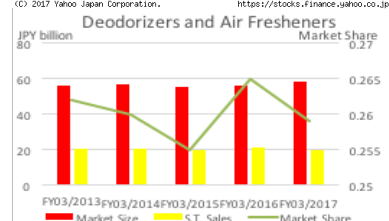
Exchange: Tokyo Stock Exchange 1  
Sector: Deodorizers and air fresheners  
Market Cap: JPY41 billion  
P/B: 1.6x (3/17 act)

Recommendation: Outperform  
Share Price: JPY1,790 (5/2/2017)  
Target Price: JPY2,201  
P/E: 18.3x (3/18 CE)  
Div. Yield: 1.5% (3/18 CE)



### Highlight

METRICAL initiates S.T. CORPORATION as "Outperform" on positive outlook for mid-term. The business reform is finally on right track since Ms. Takako Suzuki, president undertook in FY03/2014, reviewing profitability of product line-up and focusing on higher profitability products. COGS/Sales improved to 59.8% for FY03/2017 from 61.1% for the previous year and recurring profit margin gained to 6.3% from 3.9% for the same period. The improvement has just started and is expected to keep going for the mid-term, as the company targets OP margin to 10% from 6.2% for FY03/2017. Beyond FY03/2020, overseas business would be a key for further growth. Its overseas sale is only 7.3% of the total sale for FY03/2017. The company anticipates expanding its air fresheners sale, developing the demand in rapidly accelerating aging society in Japan and Asian neighbor countries. On peer comparison, S.T CORPORATION's share price does not look expensive and seems to have room for upside on mid-term growth outlook. Applying 15x of EBIT to the normalized earnings from FY03/2012 to FY03/2018 (E) and adding net cash to the valuation, it would be appraised to be 18% discount from the closing price on May 2nd 2017.



### Business Description

S.T. Corporation was founded as S.T. Chemical Plant in 1946 and expanded to air fresheners dehumidification agent from insecticides and home-use gloves (See the sales by product and market share chart on left and below).



# METRICAL INC.

corporate governance, investment research & solutions



## AIR Care (Deodorizers and Air Fresheners)

AIR Care products include deodorizers and air fresheners, accounting for 43% of total sale. Deodorizers gains 79% and air fresheners owns 26% of domestic market share. These products lead the company's sales growth.



## CLOTH Care (Mothproofing Agents)

CLOTH Care products include mothproofing agents that owns 50% of domestic market share, maintaining high profitability as one of original products since the company was founded.



## THERMAL Care (Disposable Heating Pad)

Thermal Care products include Disposable Heating Pad that owns 17% of domestic market share and sells in gap season winter.



## HAND Care (Gloves)

HAND Care products include home-use gloves that owns 24% of domestic market share and sells in overseas market such as Wal-Mart stores in U.S.



## HUMIDITY Care (Dehumidifiers)

HUMIDITY Care products include dehumidifiers that owns 38% of domestic market share and the market has been originated by the company. The products are selling mainly in rainy season in June-July in Japan.



## HOME Care (Cleaners and Other)

HOME Care products include cleaners and other home-use products as well as newly developed products.

## Industry Overview and Competitive Positioning

### Industry Overview

The markets are likely to expand at slower rate in Japan where the number of household will be decreasing gradually. Mothproofing Agents market that S.T. gains 50% market share remained flat JPY5 billion in 2016. Disposable Heating Pad market that S.T. owns 2<sup>nd</sup> largest share of 16% was also flat at JPY16 billion. Household use gloves was flat at JPY24 billion, maintaining 24% market share by S.T. Only 2 product segment such as Deodorizers & Air Fresheners and Dehumidifiers markets grew slightly by 4.6% YoY and 6.2% YoY. Household consumer goods are very likely to slow alongside the decrease in the number of family in Japan. However, Deodorizers & Air Fresheners market does not look the same case. There is still potential for elderly care use. Such deodorizers & air fresheners products are more likely to be used in elderly care nursing facilities going forward.

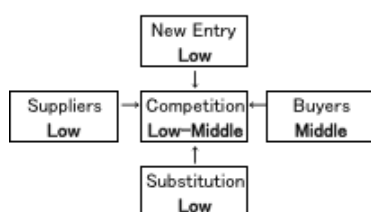
### Competitive Positioning

#### Buyers (Middle risk):

S.T. sells its products to wholesalers such as PALTAC (8283, JP) and Arata (2733, JP) that are expanding bargaining power through a number of business combinations. Also, in retail industry, drug stores are also gaining large

# METRICAL INC.

corporate governance, investment research & solutions



buying power recently and prices of consumer goods come under pressure. Meantime, S.T. CORPORATION has changed the game, focusing on selling high priced products rather than commodities. For instance, S.T. lost 5% sale YoY but raised 10% gross profit YoY in dehumidifiers, and gained 7% gross profit from increasing 3% sale YoY in gloves for FY03/2017. S.T. tries to promote differentiation strategy from price competition in commodity goods and the strategy is currently apparently doing well. OP margin has been increasing from 4.5% in FY03/2014, 3.8% in FY03/2015 and 4.8% in FY03/2016 to 6.2% in FY03/2017. Sales discount has been decreasing from JPY857 million in FY03/2014, JPY863 million in FY03/2015 and JPY885 million in FY03/2016 to JPY520 million in FY03/2017. Therefore, buyers risk would be middle.

## Suppliers (Low risk):

S.T. has close and long-term relationship with suppliers since its operation started in 1946. Suppliers risk would be minimal at this moment.

Competition (Low risk): Due to its high market share and limited number of players in domestic market, competition risk in industry would be low.

New Entry (Low risk): The market size of each product field is relatively small such as JPY60 billion for even largest market of Deodorizers & Air Fresheners market. It would not easy to enter into such small markets, even though the products in nature requires high technology.

Substitution (Low-Middle risk): Due to its nature of products, household goods that S.T. provides to the consumers could be replaced relatively easily. However, those makers always monitor consumer's preferences and launch and develop value added products every year in order to get attention from them.

## Investment Summary

### Business Outlook

Due to business reform, the profits for FY03/2017 is expected to continue improving and achieve the company projection, although sales are expected to increase at modest pace.

### Competitive Positioning and Risks

S.T. CORPORATION's competitive positioning is relatively high backed by solid market share in domestic market. However, the market size of each product field is relatively small such as JPY1 billion to 6 billion and the market is expected to grow at soft. Due to acceleration of aging population, air refreshers market is anticipated to grow of its product fields, whereas the decrease in the number of family is a headwind for the business. Without successful increase in air fresheners as well as further penetration into overseas market, its mid-term growth is unlikely.

## Valuation

Due to the improvement of profitability, the increase in EBITDA will pull EV/EBITDA lower from 7.2x for FY03/2017 to 4.3x for FY03/2020 (E), which is lower than its average multiple of 6.0x from FY03/2012 to FY03/2016. Applying valuation multiples on MV/EBIT, MV/EBITDA and MV/FCF of 15x, 10x and 19x that are the lowest values of peers such as Kobayashi Pharm (4967, JP), Earth Chemical (4985, JP) and Fumakilla (4998, JP) to the normalized earnings and cash flows of S.T CORPORATION and adding its net cash, the value is estimated to be JPY2,201 a share. This is 18% discount from the closing price of JPY1,790 on May 2<sup>nd</sup> 2017.

## Financial Stability

S.T. has maintained stable positive free cash flow, operating cash flow and working capital, and is expected to stably grow free cash flows for the next few years. In addition, S.T. has strong balance sheet with no debt.

## Business Outlook

### Full Year FY03/2017 Result

Total sale was up 2.9% YoY to JPY45,957 million and OP, RP and NP surged 21.9% YoY to JPY2,854 million, 68.3% YoY to JPY2,902 million and 99.2% YoY to JPY1,817 million, as product mix was improved sharply. On attribution to OP, product mix raised OP by JPY1,026 million and the decrease in COGS increased by JPY909 million. Annual dividend is raised JPY2 a share to JPY24.

### Full Year FY03/2018 Outlook by company

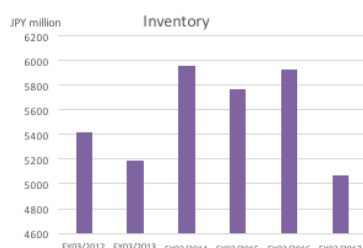
S.T. posted its outlook for FY03/2018. Sale is expected to increase 8.1% YoY to JPY49,700 million, and OP, RP and NP are expected to rise 22.6% YoY to JPY3,500 million, 13.7% YoY to JPY3,300 million and 23.8% YoY to JPY2,250 million respectively. Annual dividend will increase to JPY26 a share.

### FY03/2018 forecast by METRICAL

METRICAL expects S.T. posted its outlook for FY03/2018. Sale is expected to miss the sale projection by the company, increasing 3.1% YoY to JPY47,363 million, but profits will slightly move higher than the outlook. OP, RP and NP are expected to rise 25.8% YoY to JPY3,592 million, 20.2% YoY to JPY3,489 million and 25.1% YoY to JPY2,275 million respectively.

## Mid-Term Projection

In mid-term projection, Sales are expected to grow at modest pace of 3% per annum, but profit margin is likely to keep improving on business reform. S.T. CORPORATION continues improving product mix by abolishing unprofitable products. The company has set inventory reduction target at -20%, cutting the number of SKU by 10% and returned goods by 20%. The company slashed inventory by 14% from the previous year. These measures will pull the profit margin higher for mid-term. METRICAL expects sales to gain JPY50,229 million, OP to rise JPY4,412, RP to increase to JPY4,286 million and NP to gain to JPY2,683 million for FY03/2020 (E).





## Valuation

### Peer Comparison

There would be room of upside potential for the share price on peer comparison. Considering the 2<sup>nd</sup> highest profit margins after Kobayashi Pharm, valuation of S.T. looks lower in Price/Book, Price/EBIT, Price/EBITDA and Price/FCF (see table below).

	Kobayashi Pharm (4967, JP)	Earth Chemical (4985, JP)	Fumakilla (4998, JP)	S.T. CORP (4951, JP)
Share Price (2017/5/2)	JPY 6,000	JPY 6,040	JPY 835	JPY 1,886
Market Cap (JPY million)	492,300	122,008	27,538	41,170
Sales	150,800	168,505	36288	45957
EBIT	22,367	5,549	1865	2854
EBITDA	25183	7828	2647	3844
EBIT Margin	14.8%	3.3%	5.1%	6.2%
EBITDA Margin	16.7%	4.6%	7.3%	8.4%
Price/Sales	3.3	0.7	0.8	0.9
Price/Book	3.0	2.0	2.1	1.6
Price/EBIT	22.0	22.0	14.8	14.4
Price/EBITDA	19.5	15.6	10.4	10.7
Price/FCF	48.7	451.4	19.0	17.2

(Source) Kobayashi Pharm, Earth, Fumakilla, S.T. CORP, METRICAL

### EV/EBITDA

EV/EBITDA for FY03/2018(E) is estimated to be 5.9x. Based on positive outlook of mid-term projection in EBITDA, EV/EBDA is expected to decline from 7.7x for FY03/2017 to 5.3x for FY03/2020 (E) (see the Table below).

	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18 (E)	Mar-19 (E)	Mar-20 (E)
Avg. Mkt. Cap	JPY 20,728	JPY 21,012	JPY 22,182	JPY 22,005	JPY 23,830	JPY 38,919	JPY 38,582	JPY 38,582	JPY 38,582
EV	JPY 16,504	JPY 18,070	JPY 17,672	JPY 16,208	JPY 18,395	JPY 29,491	JPY 26,877	JPY 22,489	JPY 19,040
EV/EBITDA	6.16	6.87	5.84	6.10	5.30	7.66	5.88	4.48	3.5
EV*(LT Investme	JPY 8,031	JPY 9,565	JPY 10,587	JPY 8,764	JPY 9,916	JPY 19,882	JPY 17,268	JPY 12,880	JPY 9,431
EV/EBITDA	3.00	3.64	3.50	3.30	2.86	5.16	3.78	2.57	1.7
EV/EBIT	9.43	10.04	8.29	8.94	7.86	10.33	7.48	5.57	4.3
EV/FCF	25.71	-19.20	6.59	11.42	23.11	6.26	9.60	4.54	4.7

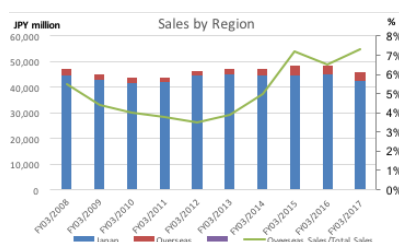
### Sum-of-the Parts Valuation

Sum-of-the-Parts (SOTP) value is business value of each business segment that is normalized EBIT, EBITDA and FCF from FY03/2012 to FY03/2018 (E) by multiples based on the lowest value of peers above, and added to net cash and long-term investment securities and land. SOTP value for FY03/2018(E) is estimated to be JPY2,201 a share that is 18% discount of closing price of March 2<sup>nd</sup> 2017 (see the Table below).

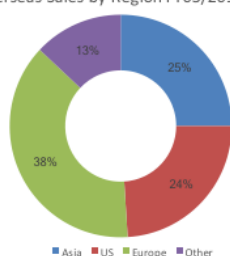
NAVs:			NAVs:		
Sum of the parts NAV (FY2018/3 (E)):			Future NAV (2020/3 (E)):		
Consumer Products	1,379	15x EBIT	Consumer Products	1,792	15x EBIT
Cash	596	1x Book	Cash	937	1x Book
Land	101	0.75x Book	Land	101	1x Book
Investment	212	0.75x Book	Investment	212	1x Book
Debt	(59)	1x Book	Debt	(59)	1x Book
Minority	(28)	1x Book	Minority	(28)	1x Book
Total SOTP NAV	JPY 2,201	81.3%	Total Future NAV	JPY 2,955	60.6%

## Financial Analysis

S.T. has maintained stable positive free cash flow, operating cash flow and working capital, and is expected to stably grow free cash flows for the next few years. In addition, S.T. has strong balance sheet with no debt. Its business requires less intensive capital investment. Average CapEx for 17 years from FY03/2001 to FY03/2017 was JPY921 million and is projected JPY980 million for FY03/2018, while operating cash flow was generated stably average JPY2.4 billion from FY03/2012 to FY03/2017. Consequently, free cash flow is likely to expand at solid pace and the dividend increase is very likely.



Overseas Sales by Region FY03/2017



## Investment Risks

### Decelerating the number of family (Very Likely, High Risk)

The decrease in the number of household is inevitable in the population in Japan has decreased, if immigration policy has not changed. This is material risk for the company and S.T. tries to develop elderly care market for its air fresheners demand, as senior aged population is accelerating at this time. S.T. aims to expand overseas sales from JPY3.3 billion and 7.3% of its total sales for FY03/2017. Overseas sales should be grow more rapidly, although higher appreciation of JPY decreased JPY based overseas sales for the previous year, increasing only JPY200 million from JPY3.1 billion for FY03/2016.

### Sagging consumer spending (Likely, Middle Risk)

For deflation economy of Japan, it is a tough for the consumer goods maker to expand the sale continuously. Consumers tend to buy lower priced goods in slower growth in real wages as well as higher burden of social insurance burden. In order to solve the slower recovery of consumer expenditure, S.T. changed the game, focusing on higher price products and abolishing low profitable products. Higher priced air fresheners that is targeted at women customers are selling well for the previous fiscal year. Also, Aroma oil has been launched through e-Commerce and mail-order channel.

### Consumption tax hike (Very Likely, Low-Middle Risk)

According to the current schedule of next tax hike has been set in October 2019. Of course, further postpone of the tax hike is also likely due to slower economic recovery in Japan. OP plunged by 15% YoY for FY03/2015 at the previous consumption tax hike in April 2014.

### Succession of management (Likely, Middle Risk)

S.T. CORPORATION has been run by Suzuki family and should clarify how the company keeps sustainable growth as a going-concern organization, although a family company performs superior according to statistical research in the world. The board of directors is managed by the structure of company with committees. However, nomination committee is comprised of 3 family members of total 5. For sustainable growth, the management should limit the governance risk in future.

Aki Matsumoto, CFA  
akimatsumoto@metrical.co.jp

# METRICAL INC.

corporate governance, investment research & solutions

## Appendix

FY2014/3	Sales	COGS	GP	SGA	OP	RP	EBT	Tax	Minority	NP	EPS	P/E
1Q	9,426	-5,000	4,426	-4,344	82	189	191	-39	4	155	7.17	
2Q	12,534	-6,722	5,812	-4,546	1,266	1,092	1,062	-390	3	676	31.12	
3Q	13,703	-8,848	4,855	-4,514	341	-120	84	61	-28	116	5.36	
4Q	11,329	-6,410	4,919	-4,377	442	335	300	5	-18	286	13.08	
Full Year	46,992	-26,980	20,012	-17,881	2,131	1,496	1,637	-363	-39	1,233	56.73	
FY2015/3	Sales	COGS	GP	SGA	OP	RP	EBT	Tax	Minority	NP	EPS	P/E
1Q	9,659	-5,204	4,455	-4,295	159	51	44	-13	-15	15	0.70	
2Q	13,322	-7,159	6,163	-4,973	1,191	1,101	1,127	-378	43	736	33.66	
3Q	14,026	-9,195	4,831	-4,757	74	133	61	9	-95	30	1.42	
4Q	11,256	-6,677	4,579	-4,190	388	312	303	-174	-19	111	5.04	
Full Year	48,263	-28,235	20,028	-18,216	1,812	1,597	1,535	-556	-86	892	40.82	
FY2016/3	Sales	COGS	GP	SGA	OP	RP	EBT	Tax	Minority	NP	EPS	P/E
1Q	9,042	-5,519	3,523	-3,661	-138	-208	-209	70	-29	-167	-7.70	
2Q	12,975	-7,408	5,567	-3,813	1,753	1,663	1,654	-532	-12	1,108	50.97	
3Q	12,195	-7,995	4,200	-3,878	322	50	35	-97	-40	-102	-4.63	
4Q	10,448	-6,372	4,076	-3,672	404	219	222	-120	-30	73	3.33	
Full Year	44,660	-27,294	17,366	-15,025	2,341	1,724	1,702	-679	-111	912	41.97	42.65
Full Year (CE)	49,500				2,300	1,800				1,050	48.33	37.04
FY2017/3 (E)	Sales	COGS	GP	SGA	OP	RP	EBT	Tax	Minority	NP	EPS	P/E
1Q	9,781	-5,608	4,173	-3,699	474	526	523	-164	-40	318	14.66	
2Q	13,029	-7,247	5,782	-4,073	1,708	1,645	1,652	-466	-35	1,150	52.89	
3Q	12,921	-8,305	4,616	-4,008	609	516	385	-108	-56	222	10.05	
4Q	10,226	-6,313	3,913	-3,850	63	215	191	-67	3	127	5.57	
Full Year	45,957	-27,473	18,484	-15,630	2,854	2,902	2,751	-805	-128	1,818	83.17	21.52
Full Year (CE)	47,400				2,400	2,300				1,450	66.82	26.79
FY2018/3 (E)	Sales	COGS	GP	SGA	OP	RP	EBT	Tax	Minority	NP	EPS	P/E
1Q (E)	10,580	-5,992	4,588	-3,970	619	601	601	-188	-52	360	16.57	
2Q (E)	13,083	-7,186	5,898	-4,051	1,847	1,794	1,794	-506	-38	1,250	57.50	
3Q (E)	13,690	-8,731	4,959	-4,206	754	732	732	-205	-69	457	21.04	
4Q (E)	10,009	-6,119	3,890	-3,518	372	362	362	-127	-28	207	9.53	
Full Year (E)	47,363	-28,028	19,335	-15,743	3,592	3,489	3,489	-1,027	-187	2,275	104.64	17.11
Full Year (CE)	49,700				3,500	3,300				2,250	102.9	17.40
FY2019/3 (E)	Sales	COGS	GP	SGA	OP	RP	EBT	Tax	Minority	NP	EPS	P/E
1Q (E)	10,896	-6,116	4,779	-4,066	713	693	693	-220	-60	412	18.96	
2Q (E)	13,473	-7,332	6,141	-4,145	1,996	1,939	1,939	-617	-41	1,281	58.93	
3Q (E)	14,098	-8,921	5,178	-4,303	875	850	850	-270	-80	499	22.95	
4Q (E)	10,307	-6,250	4,057	-3,602	456	443	443	-141	22	323	14.87	
Full Year (E)	48,775	-28,619	20,155	-16,115	4,040	3,925	3,925	-1,249	-160	2,516	115.72	15.47
Full Year (CE)												#DIV/0!
FY2020/3 (E)	Sales	COGS	GP	SGA	OP	RP	EBT	Tax	Minority	NP	EPS	P/E
1Q (E)	11,221	-6,265	4,956	-4,165	791	768	768	-244	-67	457	21.02	
2Q (E)	13,875	-7,509	6,366	-4,240	2,125	2,064	2,064	-657	-44	1,364	62.74	
3Q (E)	14,519	-9,143	5,376	-4,402	974	946	946	-301	-90	555	25.54	
4Q (E)	10,614	-6,404	4,210	-3,688	522	507	507	-161	-39	307	14.12	
Full Year (E)	50,229	-29,322	20,907	-16,495	4,412	4,286	4,286	-1,364	-239	2,683	123.42	14.50
Full Year (CE)												#DIV/0!

(Source) S.T. CORPORATION, METRICAL

METRICAL INC.

Suite 3113, 28-10 Ebisu 2 chome, Shibuya-Ku, Tokyo 150-0013 Japan

Phone: +81-3-4405-6223 Email: [akimatsumoto@metrical.co.jp](mailto:akimatsumoto@metrical.co.jp)

<http://www.metical.co.jp/>

# METRICAL INC.

## corporate governance, investment research & solutions

	2012/3	2013/3	2014/3	2015/3	2016/3	2017/3	2018/3 (E)	2019/3 (E)	2020/3 (E)
<b>Consolidated Balance Sheets</b>									
<b>Assets</b>									
<b>Current Assets</b>									
Cash and Cash Equivalents	6,120	4,692	6,765	7,628	7,565	11,438	13,715	18,103	21,552
Short-Term Investments	23	85	-	109	-	-	-	-	-
Notes and Accounts Receivable, Trade	4,545	4,791	5,150	5,867	5,379	5,220	5,380	5,540	5,705
Allowance for Doubtful Receivables	(13)	(14)	(16)	(5)	(4)	(4)	(3)	(3)	(3)
Inventories	5,418	5,190	5,952	5,770	5,926	5,071	4,703	2,422	1,247
Deferred Income Taxes	364	362	385	370	383	413	382	354	327
Other Current Assets	483	426	720	482	458	328	338	348	358
<b>Total Current Assets</b>	<b>16,940</b>	<b>15,532</b>	<b>18,956</b>	<b>20,221</b>	<b>19,707</b>	<b>22,466</b>	<b>24,515</b>	<b>26,763</b>	<b>29,187</b>
<b>Property, Plant and Equipment</b>									
Land	3,278	3,253	3,289	3,188	3,195	3,095	3,095	3,095	3,095
Buildings	1,848	2,899	2,771	2,634	3,342	3,144	3,669	4,349	5,187
Machinery and Equipment	1,082	1,282	1,481	1,913	1,998	1,762	757	(90)	(5)
Construction in Progress	86	90	13	374	123	-	-	-	-
<b>Total</b>	<b>6,294</b>	<b>7,524</b>	<b>7,554</b>	<b>8,109</b>	<b>8,658</b>	<b>8,001</b>	<b>7,521</b>	<b>7,354</b>	<b>8,276</b>
Accumulated Depreciation	-	-	-	-	-	-	-	1	2
<b>Net Property, Plant and Equipment</b>	<b>6,294</b>	<b>7,524</b>	<b>7,554</b>	<b>8,109</b>	<b>8,658</b>	<b>8,001</b>	<b>7,521</b>	<b>7,355</b>	<b>8,278</b>
<b>Software &amp; Other intangible assets</b>									
Goodwill	182	166	192	219	228	333	333	333	333
	182	166	192	219	228	333	333	333	333
<b>Other Assets</b>									
Investments in and Advances to Associates	58	49	38	30	-	-	-	-	-
Investment Securities	5,137	5,203	3,758	4,226	5,284	6,514	6,514	6,514	6,514
Software & Others	-	-	-	-	-	-	-	-	-
Deferred Income Taxes	235	132	411	4	10	10	10	10	10
Other	1,438	1,469	1,460	974	1,037	1,132	1,132	1,132	1,132
<b>Total Other Assets</b>	<b>6,868</b>	<b>6,853</b>	<b>5,667</b>	<b>5,234</b>	<b>6,331</b>	<b>7,656</b>	<b>7,656</b>	<b>7,656</b>	<b>7,656</b>
<b>Total</b>	<b>30,284</b>	<b>30,075</b>	<b>32,369</b>	<b>33,783</b>	<b>34,924</b>	<b>38,456</b>	<b>40,025</b>	<b>42,108</b>	<b>45,454</b>
<b>Liabilities and Stockholders' Equity</b>									
<b>Current Liabilities</b>									
Bank Loans	-	-	-	-	46	-	-	-	-
Notes and Accounts Payable, Trade	5,917	4,625	5,434	4,895	5,184	5,095	5,251	5,407	5,569
Accrued Expenses	568	506	580	613	2,159	2,405	2,479	2,552	2,629
Income Taxes	195	331	278	581	375	1,057	1,089	1,122	1,155
Other Current Liabilities	2,098	2,595	2,673	2,919	1,016	1,109	1,143	1,177	1,212
<b>Current Portion of Long-Term Debt</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Current Liabilities</b>	<b>8,778</b>	<b>8,057</b>	<b>8,965</b>	<b>9,008</b>	<b>8,780</b>	<b>9,666</b>	<b>9,962</b>	<b>10,259</b>	<b>10,564</b>
<b>Long-Term Debt</b>									
Deferred Income Taxes	333	321	321	304	372	718	718	718	718
Termination and Retirement Benefits	1,383	1,402	1,719	1,312	1,439	1,368	1,368	1,368	1,368
Other Long-Term Liabilities	91	82	278	560	837	893	893	893	893
	-	-	-	-	46	-	-	-	-
<b>Total Liabilities</b>	<b>10,585</b>	<b>9,862</b>	<b>11,283</b>	<b>11,184</b>	<b>11,428</b>	<b>12,645</b>	<b>12,941</b>	<b>13,238</b>	<b>13,543</b>
<b>Stockholders' Equity</b>									
Common Stock	7,065	7,065	7,065	7,065	7,065	7,065	7,065	7,065	7,065
Additional Paid-in Capital	7,067	7,067	7,067	7,067	7,067	7,067	7,067	7,067	7,067
Legal Reserve	7,552	7,661	8,837	9,394	9,738	11,015	12,768	14,719	16,837
Retained Earnings	-	1	-	-	1	2	2	2	2
Treasury Stock	(1,784)	(1,786)	(1,651)	(1,653)	(1,734)	(1,487)	(1,487)	(1,487)	(1,487)
<b>Total Stockholders' Equity</b>	<b>19,900</b>	<b>20,008</b>	<b>21,318</b>	<b>21,873</b>	<b>22,137</b>	<b>23,662</b>	<b>25,415</b>	<b>27,366</b>	<b>29,484</b>
Accumulated other Comprehensive Income	(691)	(336)	(863)	19	638	1,462	981	862	1,785
Warrant	98	108	95	80	75	46	46	46	46
Minority Interests in Subsidiaries	394	433	536	628	645	642	642	642	642
<b>Total Stockholders' Equity</b>	<b>19,701</b>	<b>20,213</b>	<b>21,086</b>	<b>22,600</b>	<b>23,495</b>	<b>25,812</b>	<b>27,084</b>	<b>28,916</b>	<b>31,957</b>
<b>Total</b>	<b>30,286</b>	<b>30,075</b>	<b>32,369</b>	<b>33,784</b>	<b>34,923</b>	<b>38,456</b>	<b>40,025</b>	<b>42,108</b>	<b>45,454</b>

METRICAL INC.

Suite 3113, 28-10 Ebisu 2 chome, Shibuya-Ku, Tokyo 150-0013 Japan

Phone: +81-3-4405-6223 Email: [akimatsumoto@metrical.co.jp](mailto:akimatsumoto@metrical.co.jp)

<http://www.metical.co.jp/>



# METRICAL INC.

corporate governance, investment research & solutions

Cash Flow Analysis (JPY million)	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18 (E)	Mar-19 (E)	Mar-20 (E)
Net Income	75	564	1,233	892	912	1,818	2,275	2,516	2,683
Dep.	930	830	894	844	1,128	996	980	980	980
Amortization	0	0	0	0	0	0	0	0	0
Other non-cash charges	739	850	393	1,215	-117	1,386	0	0	0
Changes in WC	-184	-1,265	-410	-815	557	950	363	2,278	1,171
Op. Cash Flow	1,560	979	2,110	2,136	2,480	5,150	3,619	5,774	4,834
Per share	JPY 71.72	JPY 45.08	JPY 97.02	JPY 97.75	JPY 114.22	JPY 236.86	JPY 166.43	JPY 265.54	JPY 222.33
Capex	-918	-1,920	571	-717	-1,684	-440	-820	-820	-820
Free Cash Flow	642	-941	2,681	1,419	796	4,710	2,799	4,954	4,014
Per share	JPY 29.52	(JPY 43.33)	JPY 123.28	JPY 64.94	JPY 36.66	JPY 216.63	JPY 128.71	JPY 227.83	JPY 184.62
Beginning Cash	5,730	5,920	4,469	6,727	6,584	7,552	11,396	13,715	18,103
Net cash used	190	-1,451	2,258	-143	968	3,844	2,319	4,388	3,449
Ending cash	5,920	4,469	6,727	6,584	7,552	11,396	13,715	18,103	21,552

Key Financial Ratios:	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18 (E)	Mar-19 (E)	Mar-20 (E)
ROE	0.38%	2.83%	5.97%	4.08%	3.96%	7.25%	8.26%	8.56%	8.54%
Gross Margin	41.00%	40.91%	42.59%	41.50%	38.88%	40.22%	40.82%	41.32%	41.62%
EBITDA Margin	5.78%	5.60%	6.44%	5.50%	7.77%	8.38%	9.65%	10.29%	10.73%
EBIT Margin	3.78%	3.83%	4.53%	3.75%	5.24%	6.21%	7.58%	8.28%	8.78%
Return on Assets	0.25%	1.88%	3.81%	2.64%	2.61%	4.67%	5.55%	5.82%	5.88%
Return on Fixed Assets	2.49%	13.21%	28.91%	18.13%	16.69%	33.28%	41.65%	46.06%	49.12%
Revenue / Assets	153.06%	156.09%	145.18%	142.86%	127.88%	118.09%	115.61%	112.86%	110.06%
Depreciation / Capex	101.31%	43.23%	-156.57%	117.71%	66.98%	226.36%	119.51%	119.51%	119.51%
Depn / Sales	2.01%	1.77%	1.90%	1.75%	2.53%	2.17%	2.07%	2.01%	1.95%
Capex / Sales	1.98%	4.09%	-1.22%	1.49%	3.77%	0.96%	1.73%	1.68%	1.63%
Depn / Net FA	30.84%	19.43%	20.96%	17.15%	20.65%	18.23%	17.94%	17.94%	17.94%
Asset / Equity	1.54	1.49	1.54	1.49	1.49	1.46	1.44	1.42	1.40
ROE	0.38%	2.83%	5.97%	4.08%	3.96%	7.25%	8.26%	8.56%	8.54%
Gross Margin	41.00%	40.91%	42.59%	41.50%	38.88%	40.22%	40.82%	41.32%	41.62%
EBITDA Margin	5.78%	5.60%	6.44%	5.50%	7.77%	8.38%	9.65%	10.29%	10.73%
EBIT Margin	3.78%	3.83%	4.53%	3.75%	5.24%	6.21%	7.58%	8.28%	8.78%
Return on Assets	0.25%	1.87%	3.95%	2.70%	2.65%	4.92%	5.70%	5.98%	6.04%
Return on Fixed Assets	2.49%	15.48%	28.89%	19.42%	17.57%	33.28%	41.65%	46.06%	49.12%