

Seria (2782, JP)

Exchange: JASDAQ

Sector: Retail

Market Cap: JPY390.5 billion

P/B: 7.9x (3/17 act)

Recommendation: Hold

Share Price: JPY5,150 (5/19/2017)

Target Price: JPY5,238

P/E: 34.0x (3/18 CE)

Div. Yield: 0.5% (3/18 CE)

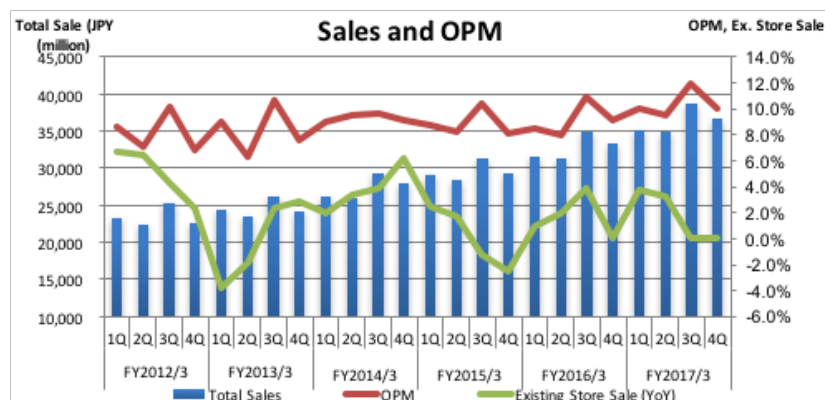
Highlight

METRICAL downgraded from OUTPERFORM to HOLD due to valuation. However, TP has been revised upward to JPY5,238 from JPY4,378 (JPY8,756 before stock split 1:2). Seria's competitive positioning and business strategy have maintained very robust and solid. Its aggressive store opening plan of +100 net new opening will boost its earnings on track. Also, its integrated cost management system with store sale, inventory and distribution at real-time basis helps cost management tighten due to strong analysis of customer need and near term trend of customer demand that is used for product development as well. Backed by its competitiveness as well as budget-minded trend of consumer spending, its solid growth is very likely in mid-term. Currently, there seems limited upside room for the near term in valuation but share price under JPY4,500 would be strong buy opportunity in mid-term.



Business Description

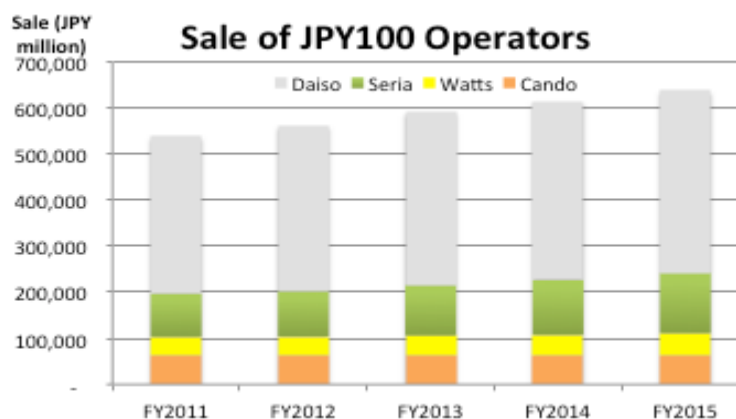
Seria was founded 1987 in Ogaki, Gifu and has grown to the 2nd largest JPY100 shop in Japan. Its nationwide outlets total 1,379 as of April 2017 and are projected to add 150 new stores for this fiscal year, while 45 direct run stores are scheduled to close for relocation. Series focuses on only JPY100 shop business based on low cost operation. The sale grew +10% a year from JPY93,634 million for FY03/2012 to JPY145,328 million for FY03/2017 and is expected to keep growing for the mid-term backed by solid store growth as well as more than 100 new store opening. Operating profit also accelerated yearly +19% from JPY7,722 million to JPY15,171 million for the same period. Operating profit margin improved from 8.2% to 10.4% due to its innovative cost management (see Chart below).



Industry Overview and Competitive Positioning

Industry Overview

Total sales of large 4 JPY100 shop operators rose 18.3% (4.6% per annum) from 4 years from JPY558 billion for FY2011 to JPY637 billion for FY2015. For other category, Department Store and Super Market grew much slower, as shown bar Chart below, although Convenience Store grew more rapidly than JPY100 shop. However, JPY100 shop showed pretty good sales growth in YoY basis for past 4 years amid soggy consumer spending in Japan. Examining this category, different picture is seen. A giant Daiso (private owned) accounts for 62% of the total sales of 4 companies for FY03/2016 and the other 3 companies share the rest of market. Also, the total sales of 4 companies grew 14.1% for 3years from FY2011 to FY2013, but mostly Daiso and Seria raised the sale 13.7% and 26.4%, while Watts (2735, JP) and Can Do (2698, JP) gained 9.9% and 0.7% respectively for the same period (see Chart below).

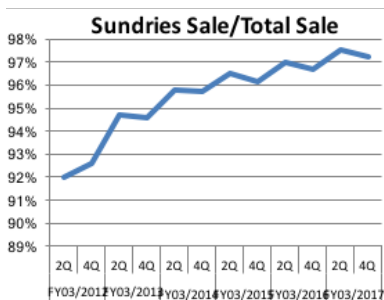
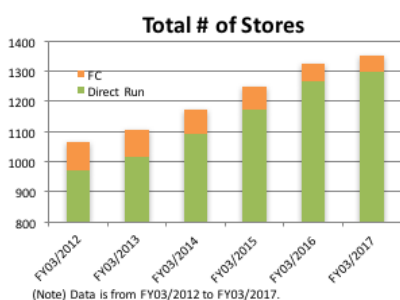
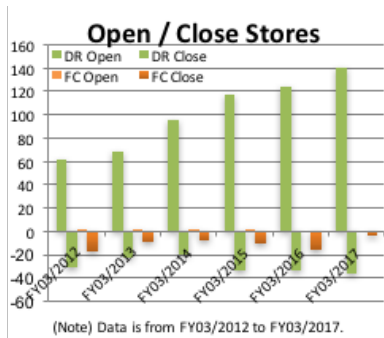


Competitive Positioning

Competency in 4 points

Store Development

As shown 2 Charts below, Seria has accelerated opening new stores from 62 for FY03/2012 to 124 for FY03/2016 and 140 for FY03/2017. In addition, interestingly, Seria has replaced to direct run stores (DR) from franchise stores (FC), as the total number of FC decreased from 97 for FY03/2012 to 54 as of April 2017 and new FC stores has not opened since August 2014 (see Charts on left). As far as store design, concept is quite different from other JPY100 shops. Not only bright and tidy but also it is amusing space, as Seria calls its store design 'Color the days.' I believe anyone who has once visited Series agree with why it is so popular among 10 ager girls. It is a shop that really tickles customer's fancy and makes lose track of time easily, looking at so many adorable goods. Goods at other shops look like useful items, but those of Series are rather sundries that customers go shopping for looking for items of hobby, gift and event with buddy. On Interior display racks and shelving are designed with right height that has no blocking-up, but offers 20,000 items, the largest number of articles in industry. Due to highly support by customers, the company accelerates direct run stores and the higher direct run stores are operated the more likely operating profit increases. Now, the number of 'Color the days' designed stores rose to 777 of total 1,369 stores as of FY03/2017.

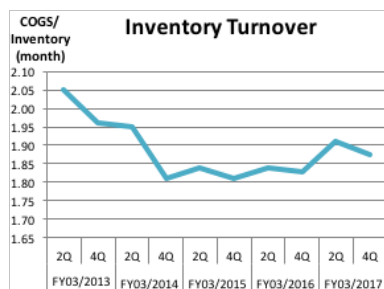


Merchandise Development

Anyone has visited JPY100 shop has felt admiration or been shocked how valuable items are selling at such low price. Seria's real competency is in its management system by using POS (Point of Sales) data analysis. Seria has introduced POS into the JPY100 shop operation for the first time in Japan in September 2004, which is well known by a success story of Seven-Eleven Japan. The system enables to discover customer's preferences and needs and hence dramatically reduces unsold items as well as opportunity loss. The analysis by POS provides the company and manufacturers working closely with Seria valuable information for targeting new merchandise designs in tune with current trends and the market and helping to judge whether an existing item should discontinue or not if it is not supported by customers. Helped by such a technology, the company has raised sundries while removing floor space for other items such as snack food. Expanding sundry sale that earns higher profit margin is pushing the profit higher. Sundries sale to total sale increased 92.0% for 2Q FY03/2012 to 97.3% for FY03/2017 (see Chart on left).

Store Operation

In store operation, so-called 'real-time based' POS helps store operation in ordering stock on Internet. Moreover, this technology system supports staff, many of who are part-time employees in user-friendly ordering system by Internet based keypad device that has been updated in September 2012. This enables stores to reduce opportunity loss of sale as well as save labor time and also helps inventory turnover from 2.05 month for FY2Q FY03/2013 to



1.83 month for FY03/2016 and maintained inch-up to 1.88 month for FY03/2017 despite the increase of the number of in-store items for this fiscal year (see Chart below).

Distribution Operation

In addition to real-time internet-based POS system that enables head office and each store to find total sales figures of all the stores in real-time as well as each store's individual product sales information, Seria newly developed original distribution system corresponding to customers' needs linking with POS and ordering support system. With analysis of customer needs backed by the real-time sales information and optimal inventory by ordering system, Seria tries to enhance effective distribution co-working with logistic company based on the new distribution system that employs algorithm data. The system is used for domestic distribution to its stores from 2-distribution centers in Japan but will be applied to marine logistic from China going forward.

Porter's 5 Forces

Buyers (Low risk): Seria is highly supported by customers in particular young ladies due to its pleasant store design and unique products. Its store sale has been growing faster than peer and industry average and its competitive position will continue strong. Therefore, risk of buyers is minimal at this moment.

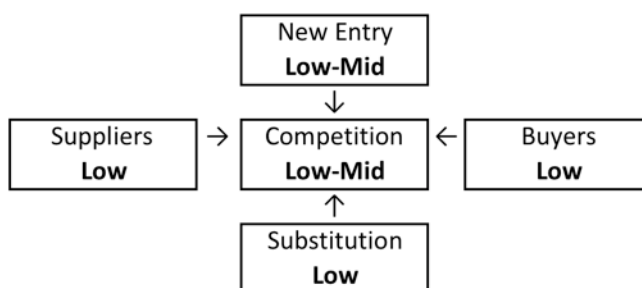
Suppliers (Low risk): Seria collaborates with manufacturers in co-developing products. Close relation with manufacturers is a key for the company, but its innovative analytical system such as POS that helps to find customer need also plays an important role. Due to current upbeat sale, the relationship is very likely going well. The risk would be marginal.

Competition (Low-Mid risk): Due to relatively positive outlook for JPY100 shops, competitors plan to expand stores aggressively. The competition continues hard. But its stronger merchandise development based on customer need analysis is advantageous to rivals. This results in its higher existing store sale growth than peer (See Table below).

	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Mar-17	Simple Av
Cando	101.9%	103.2%	103.2%	101.6%	101.1%	99.4%	100.6%	102.5%	98.5%	99.5%	98.3%	99.4%	97.6%	99.5%	96.6%	98.6%	101.2%	100.2%
Watts	101.3%	101.6%	103.4%	101.3%	102.3%	100.9%	101.5%	103.8%	99.8%	101.3%	101.8%	103.2%	101.2%	105.0%	102.6%	105.2%	104.9%	102.4%
Seria	105.1%	103.8%	106.0%	103.3%	103.9%	103.1%	104.1%	106.0%	101.1%	102.6%	103.1%	103.5%	102.6%	102.6%	98.3%	102.0%	104.4%	103.3%

New Entry (Low-Mid risk): Due to soggy consumption spending in Japan, competition in overall retail sector is intense. Deflation economy and slower recovery of consumer confidence would be tailwind for JPY100 shop operators in general. In this sense, risk of new entry seems to be increasing. However, due to the nature of business of selling an item at JPY100, cost management is a vital issue for new entry. Reducing unsold goods that are unlikely to markdown is essential. Seria's technology-aided analysis and management is highly advantageous for cost management.

Substitution (Low-Mid risk): a number of retailers are selling low-price goods at discount store, DIY store, drug store and super market. However, JPY100 is an ultimate sale price of goods. In this restriction (JPY100 price tag), JPY100 shop operators have established business segmentation, as the shops offer customers worth more than JPY100. Operators like Seria provides value rather than just JPY100 items to customers and customers are more likely to visiting to get something valuable that is worth more than JPY100. Also, sundry is comprised of seasonal goods and are more difficult to manage merchandise than all year goods. Consequently, significant substitution risk is unlikely for the time being.



Investment Summary

Business Outlook

Titlis expects profits to grow on expectations for strong monthly store sales growth supported by customers. Seria continues emphasizing cost management and customer demand analysis based on advanced POS system.

Competitive Positioning and Risks

Analyzing competitiveness on 5 Forces, Seria has relatively strong competitive positioning. This is mainly due to analysis of customer demand of the company, as Seria has introduced cost management system such as POS, order support system and distribution management system prior to rivals and has developed and improved it again and again. Each system that is integrated, inking each other and provides useful information for expecting customer demand in near term. The analysis of customer need is used for inventory management, product development and distribution management at real-time basis.

Valuation

Examining EV/EBITDA, the share price is less likely to show much undervalue. In mid-term view, the valuation on Sum-Of-The-Parts valuation for FY03/2020 (E) shows slightly discount of the closing price as of May 19th 2017. EV/EBITDA also shows remaining high at 16x for FY03/2020 (E) although it declines from 22x for FY03/2017.

Financial Stability

Seria has strong balance sheet and rich free cash flow as well as positive working capital. Free cash flow is expected to grow from JPY7 billion for FY03/2016 to JPY10.4 billion for FY03/2018 (E) and JPY12 billion for FY03/2020 (E). This will push acceleration of its business expansion and competitive positioning in industry higher.

Business Outlook

Monthly Store Sale

The company projects existing store sale to inch down 0.4% YoY for FY03/2018, but actual sale grows is very likely to grow much faster than company's projection as April sale grew +4.4% YoY. METRICAL expects AVERAGE 3% SALES GROWTH Store sale is expected to maintain solid growth +3.0% YoY from FY03/2018 to FY03/2020 (see Table below).

Existing Store Sales Growth (% YoY)

Month	FY2012/3	FY2013/3	FY2014/3	FY2015/3	FY2016/3	FY2017/3	FY2018/3	FY2019/3	FY2020/3
4	5.7	0.4	-0.5	2.1	1.4	3.9	4.4	1.5	4.4
5	6.7	-1.7	2.2	4.1	2.8	3.1	2.8	3.1	2.8
6	7.8	-0.3	4.1	1.3	-1.3	4.1	1.8	4.1	1.8
7	7.2	0.6	1.2	0.9	1.9	6.0	-0.1	6.0	-0.1
8	4.6	0.9	4.9	2.7	1.9	1.1	4.8	1.1	4.8
9	7.5	0.5	4.0	1.5	2.3	2.6	3.3	2.6	3.3
10	6.9	-2.8	3.4	0.5	5.9	3.1	2.8	3.1	2.8
11	3.3	0.6	4.8	-0.6	0.5	3.0	2.9	3.0	2.9
12	2.8	0.9	3.3	-3.5	5.1	4.0	1.9	4.0	1.9
1	1.0	1.0	3.1	-1.8	3.8	3.9	2.0	3.9	2.0
2	1.9	0.2	1.9	4.4	6.0	-1.0	6.9	-1.0	6.9
3	4.3	2.0	13.7	-10.1	3.3	2.7	3.2	2.7	3.2

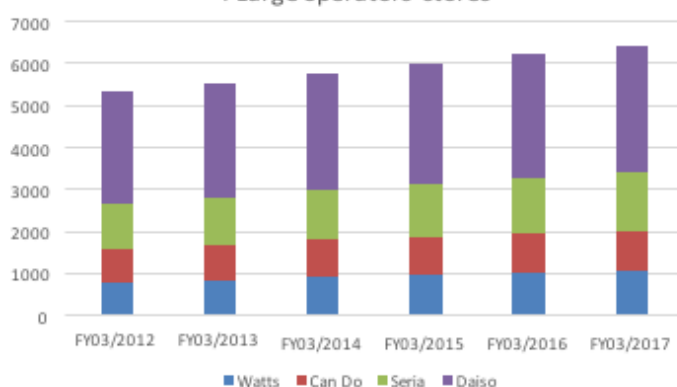
1Q	6.7	-3.8	1.9	2.5	1.0	3.7	3.0	2.9	3.0
2Q	6.4	-1.9	3.4	1.7	2.0	3.2	2.7	3.2	2.7
3Q	4.3	2.4	3.8	-1.2	3.8	3.4	2.5	3.4	2.5
4Q	2.4	2.9	6.2	-2.5	4.4	1.9	4.0	1.9	4.0
YR	0.2	3.8	-0.1	0.1	2.8	3.1	3.1	2.8	3.1

(Source) Seria, METRICAL

CE 0.4 0.4 0.4

Due to solid growth of existing store sale, only Seria has accelerated the number of stores. From FY03/2012 to FY03/2017, total number of outlets of 4 large operators increased to 6,435 from 5,352 and particularly grew at softer from 6,241 to 6,435 for the previous year (see Table below).

4 Large operators' stores



Its higher existing store rates would be due to its strong data analysis backed by strong POS analytic skills. Based on the skills, Seria raised the number of items in-store stock a year ago. The increase in number of items must be levered the store sales, as the items increased are what a customer wants analyzed by POS, whereas stores of competitors would often lack the items that a customer wants. Such a greater selection of items should attract and keep more customers from rival stores, as a customer who has not found items that she/he wants at other stores but learns Seria always sells them would hardly returns to other stores. The difference of selection is expected to affect divergence greatly.

Company Outlook for Full Year FY03/2018

The company projects sale will be up 8.7% YoY to JPY158,000 million and OP, RP and NP are expected to gain 9.1% YoY to JPY16,600 million, 9.1% YoY to JPY16,600 million and 9.2% YoY to JPY11,500 million respectively. Of 194 net increase of outlets of 4 operators, Seria expanded 101 net increase for the period, whereas 23 for Watts, 20 for Can Do and 50 for Daiso.

METRICAL forecast for FY03/2018

Based on positive outlook of monthly sale, earnings for the full year will move higher than company forecast. Sales are expected to rise 11.1% YoY to JPY161,432 million and OP, EBT and NP are expected to gain 20.6% YoY to JPY17,011 million, 20.6% YoY to JPY17,011 million and 20.6% YoY to JPY11,785 million respectively (see Appendix).

Mid-Term Outlook

Mid-term outlook is more interesting and important for the company, as share price ordinary looks beyond earnings for ongoing fiscal year for such a solid growth company. On an existing store sale, the sale is likely to maintain solid growth in the mid-term at +1.1% YoY for FY03/2018 (E), +2.3% YoY for FY03/2019 (E) and +1.1% YoY for FY03/2020 (E). The total sale assumes 130 new stores open a year as same pace as this year, but the company plans to double market share. Currently Seria owns 20.5% market share of 4 largest companies, whereas Daiso owns 62.0%, Can Do and Watts owns 10.2% and 7.2% respectively as of FY2015. Mr. Kawai, president of Series does not mention time horizon of achieving the goal exactly but if the company could so, its earnings would significantly increase. Additionally, in near term view, Seria agreed with Seiyu to open 31 JPY100 shops in Seiyu super market (only 10 store have already opened in 1H FY03/2017). If open more Seria shops in the super market that operates 342 stores in nationwide, this would impact substantially positive. Titlis will revise mid-term projection when it is certainly explained by the company. For profit projection, Seria's innovative cost management system would continue benefitting to the company. Examining currency rate such as USD/JPY and gross profit of Seria and Cando, there was not significant correlation. In general, cost of sale of JPY100 shop operators is a headwind in case of high appreciation of USD/JPY, as most of goods are from China. But in cost management point of view, operators change size or material of a good to reduce cost of goods purchased from

manufactures. Conversely in case of depreciation of USD/JPY, cost of goods purchased from manufacturers in China is lower like 1H FY03/2017, earnings are very likely to move higher without any effort of product redesigning. Seria believes that it is time for the company gains more market in harsh time for rivals, as the company is very likely to benefit from real-time based cost management. The financial statements in the mid-term are shown on [Appendix](#).

Valuation

EV/EBITDA

EV/EBITDA for FY03/2018 (E) is estimated to be 21.9x and will decline to 16.4x for FY03/2020 (E). In terms of EV/EBITDA, the share price does not look cheap at this moment on closing price on May 19th 2017 (see Table below).

	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18(E)	Mar-19(E)	Mar-20(E)
Avg. Mkt. Cap	JPY 65,829	JPY 128,264	JPY 154,713	JPY 206,379	JPY 390,575	JPY 390,575	JPY 390,575	JPY 390,575
EV	JPY 55,981	JPY 114,223	JPY 136,572	JPY 182,688	JPY 358,268	JPY 349,219	JPY 340,148	JPY 329,984
EV/EBITDA	6.28	10.34	11.97	13.99	21.92	19.62	17.72	16.31
*EV (LT Investm)	JPY 54,760	JPY 113,064	JPY 135,374	JPY 181,588	JPY 357,158	JPY 348,109	JPY 339,038	JPY 328,874
*EV/EBITDA	5.23	9.12	10.48	12.31	20.05	17.48	15.38	13.81
EV/EBIT	6.59	11.09	12.87	15.11	23.54	20.46	17.81	15.81
EV/FCF	16.22	22.64	25.16	25.99	32.86	32.95	28.92	25.61

Sum-of-the Parts Value

Sum-of-the-Parts (SOTP) value is business value of each business segment that uses normalized EBIT, EBITDA and FCF from FY03/2016 to FY03/2018 (E), added to net cash and long-term investment securities and land. SOTP value for FY03/2018 (E) is estimated to be JPY4,142 a share (24% premium of closing price of May 19th 2017). SOTP value for FY03/2020(E) is estimated to be JPY5,239 a share (1% discount of closing price of January 19th 2017), as shown table below.

NAVs:			NAVs:		
Sum of the parts NAV FY03/2018 (E):			Future NAV FY03/2020 (E):		
Retail	3,585	16x EBIT	Retail	4,428	16x EBIT
	-			-	
Cash	557	1x Book	Cash	811	1x Book
Investment	2	0.75x Book	Investment	2	0.75x Book
Land	9	0.75x Book	Land	9	0.75x Book
Debt	(12)	1x Book	Debt	(12)	1x Book
Minority	-	1x Book	Minority	-	1x Book
Total SOTP NAV	JPY 4,142	124.3%	Total Future NAV	JPY 5,239	98.3%

Financial Analysis

As shown key financial ratios in table below and financial statements summary in Appendix, Seria has strong balance sheet and rich free cash flow. Free cash flow is expected to grow from JPY7 billion for FY03/2016 to JPY10.8

billion for FY03/2017 and JPY12 billion for FY03/2020 (E). This will push key financial ratios further higher and excess cash will be piled up on its balance sheet. Currently cash on hands is JPY28 billion and is expected to grow to more than JPY50 billion for FY03/2020. The company will implement share – buyback at the time (see cash flow statement and key financial ratios on Appendix).

Investment Risks

Investment risk is more likely in external risk. Sharp inflation possibly led by sharp depreciation of JPY rates would impact the company more negatively. However, JPY100 shop is just concept of the business and really Seria offers enjoyable shopping space to customers who want to buy an item worth much more than its price tag on current customer need.

Reversal of budget-minded consumption (Less Likely, Low Risk)

This would be a major risk for JPY100 shop operators if consumers were more likely to buy luxury or high-priced goods rather than JPY100 price tag goods. The risk would be less likely for the mid-term. In macroeconomic point of view in Japan, disposable income of consumers is hardly expected to grow further as social security expense is increasing at solid pace due to demographic structure in Japan. Also, a lot of teenager students many of who do not have enough money to buy luxury goods from their wallet, highly support Series and its unique goods. Therefore, the risk that consumers will not go shopping high-priced goods rather than JPY100 is less likely.

Inflation (Likely, Mid-High Risk)

Inflation risk is relatively more likely to hurt its business. It would hardly anticipate further inflation in Japan that has been suffered from deflation economy for a decade. In case of mild inflation, JPY100 price tag looks more attractive in value of money. In case of sharp inflation, price tag would be no longer put at JPY100 a good even though Series tries to reduce cost of purchased from manufacturer by re-designing of items. 3-coin shops (JPY300 shop) are operated in this country and Series and rivals might change price tags to more than JPY100 in case. More importantly for consumers than just number on a price tag, how they find items worth more than price tag. Real-time information of customer needs by Seria's system would work effectively in such situation.

Weaker JPY rates (likely, Mid Risk)

As mentioned earlier, examining currency rate such as USD/JPY and gross profit of JPY100 operators, there was no significant correlation. In general, however high appreciation of JPY rates hurt gross profit margin but they try to manage cost of goods by redesigning of goods or shifting manufacturers to lower labor cost country. From 3Q FY03/2017 JPY rates are depreciating again. The company states that it is opportunity to expand its market share in harsh time for competitors. Currency rates closely connect with prices of goods and affect the business in all industry. In case of moderate depreciation

of JPY rates, it would influence positively on the earnings of the company, but in sharp deceleration of JPY rates, it would influence negatively. However, JPY100 shop is just concept of the business and really Seria offers enjoyable shopping space to customers who want to buy an item worth much more than its price tag on current customer need.

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METRICAL INC.

corporate governance, investment research & solutions

Appendix

	Sales	Sales chg	COGS	COGS/S	GP	SGA	SGA/S	OP	OPM	EBT	NP	EPS	Listing Sto	
FY2015/3	1Q	29,114	11.0%	-16,885	-58.0%	12,229	-9,679	-33.2%	2,550	8.8%	2,614	1,632	2.5%	
	2Q	28,482	10.1%	-16,376	-57.5%	12,106	-9,771	-34.3%	2,334	8.2%	2,327	1,445	1.7%	
	3Q	31,320	6.7%	-18,075	-57.7%	13,245	-10,000	-31.9%	3,244	10.4%	3,273	2,061	-1.2%	
	4Q	29,420	5.4%	-16,870	-57.3%	12,550	-10,157	-34.5%	2,393	8.1%	2,339	1,582	-2.5%	
	Full Year	118,336	8.2%	-68,206	-57.6%	50,130	-39,607	-33.5%	10,521	8.9%	10,553	6,720	177.21	0.1%
FY2016/3	1Q	31,536	8.3%	-18,227	-57.8%	13,309	-10,632	-33.7%	2,676	8.5%	2,659	1,722	1.0%	
	2Q	31,326	10.0%	-18,090	-57.7%	13,236	-10,733	-34.3%	2,503	8.0%	2,498	1,613	2.0%	
	3Q	34,880	11.4%	-20,103	-57.6%	14,777	-10,982	-31.5%	3,795	10.9%	3,777	2,480	3.8%	
	4Q	33,241	6.1%	-19,060	-57.3%	14,181	-11,139	-33.5%	3,042	9.2%	3,039	2,136	0.0%	
	Full Year	130,983	10.7%	-75,480	-57.6%	55,503	-43,486	-33.2%	12,016	9.2%	12,015	8,118	214.07	2.8%
FY2017/3	1Q	35,066	11.2%	-20,172	-57.5%	14,894	-11,396	-32.5%	3,497	10.0%	3,496	2,362	3.7%	
	2Q	34,821	11.2%	-19,924	-57.2%	14,897	-11,575	-33.2%	3,322	9.5%	3,320	2,239	3.2%	
	3Q	38,803	11.2%	-22,088	-56.9%	16,715	-12,061	-31.1%	4,654	12.0%	4,642	3,163	0.0%	
	4Q	36,638	5.0%	-20,756	-56.7%	15,882	-12,184	-33.3%	3,698	10.1%	3,760	2,769	0.0%	
	Full Year	145,328	11.0%	-82,940	-57.1%	62,388	-47,216	-32.5%	15,171	10.4%	15,218	10,533	138.89	3.1%
	Full Year (CE)	143,500						14,100		14,100	9,700			
FY2018/3	1Q (E)	38,932	11.0%	-22,396	-57.5%	16,536	-12,613	-32.4%	3,923	10.1%	3,923	2,717	3.0%	
	2Q (E)	38,534	10.7%	-22,049	-57.2%	16,486	-12,771	-33.1%	3,715	9.6%	3,715	2,573	2.7%	
	3Q (E)	42,885	10.5%	-24,412	-56.9%	18,474	-13,287	-31.0%	5,187	12.1%	5,187	3,593	2.5%	
	4Q (E)	41,081	12.1%	-23,273	-56.7%	17,808	-13,620	-33.2%	4,187	10.2%	4,187	2,901	4.0%	
	Full Year	161,432	11.1%	-92,129	-57.1%	69,303	-52,291	-32.4%	17,011	10.5%	17,011	11,785	155.39	3.1%
	Full Year (CE)	158,000						16,600		16,600	11,500	151.63		
FY2019/3	1Q	43,183	10.9%	-24,841	-57.5%	18,342	-13,947	-32.3%	4,394	10.2%	4,394	3,023	2.9%	
	2Q	42,881	11.3%	-24,536	-57.2%	18,345	-14,168	-33.0%	4,177	9.7%	4,177	2,873	3.2%	
	3Q	47,784	11.4%	-27,200	-56.9%	20,584	-14,757	-30.9%	5,827	12.2%	5,827	4,008	3.4%	
	4Q	45,114	9.8%	-25,558	-56.7%	19,556	-14,912	-33.1%	4,644	10.3%	4,644	3,195	1.9%	
	Full Year	178,961	10.9%	-102,135	-57.1%	76,826	-57,785	-32.3%	19,041	10.6%	19,041	13,099	172.72	2.8%
	Full Year (CE)													
FY2020/3	1Q	46,560	7.8%	-26,784	-57.5%	19,776	-14,992	-32.2%	4,784	10.3%	4,784	3,291	3.0%	
	2Q	46,234	7.8%	-26,454	-57.2%	19,780	-15,230	-32.9%	4,550	9.8%	4,550	3,130	2.7%	
	3Q	51,521	7.8%	-29,327	-56.9%	22,193	-15,859	-30.8%	6,334	12.3%	6,334	4,357	2.5%	
	4Q	48,642	7.8%	-27,556	-56.7%	21,085	-16,030	-33.0%	5,055	10.4%	5,055	3,478	4.0%	
	Full Year	192,956	7.8%	-110,122	-57.1%	82,834	-62,111	-32.2%	20,723	10.7%	20,723	14,256	187.98	3.1%
	Full Year (CE)													

(Source) Seria, METRICAL

Cash Flow Analysis	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18(E)	Mar-19(E)	Mar-20(E)
Net Income	4,292	4,802	6,194	6,720	8,118	10,533	11,785	13,099	14,256
Depreciation*	2,222	2,166	2,208	2,400	2,732	2,646	2,900	3,000	3,100
Amortization*	0	0	0	0	0	0	0	0	0
Other non-cash chg	1,241	-525	311	342	-116	1,055	0	0	0
Changes in WC	-274	-821	-859	-751	-352	-121	-619	-674	-538
Operating Cash Flow	7,481	5,622	7,854	8,711	10,382	14,113	14,066	15,425	16,818
Per share	JPY 197.28	JPY 148.26	JPY 207.12	JPY 229.72	JPY 273.78	JPY 186.09	JPY 185.47	JPY 203.39	JPY 221.76
Capex	-1,483	-2,246	-2,860	-3,331	-3,396	-3,244	-3,500	-3,700	-4,000
Free Cash Flow	5,998	3,376	4,994	5,380	6,986	10,869	10,566	11,725	12,818
Per share	JPY 158.18	JPY 89.03	JPY 131.70	JPY 141.88	JPY 184.22	JPY 143.32	JPY 139.32	JPY 154.61	JPY 169.02
Beginning Cash	7,409	10,699	12,416	13,861	16,327	20,693	28,597	38,350	47,421
Net cash used	3,290	1,717	1,445	2,466	4,366	7,904	9,753	9,071	10,164
Ending cash	10,699	12,416	13,861	16,327	20,693	28,597	38,350	47,421	57,585

METRICAL INC.

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	2012/3	2013/3	2014/3	2015/3	2016/3	2017/3	2018/3(E)	2019/3(E)	2020/3(E)
Consolidated Balance Sheets									
Assets									
Current Assets									
Cash and Cash Equivalents	11,523	13,240	14,655	17,221	21,487	29,301	38,350	47,421	57,585
Short-Term Investments	2,119	2,119	2,904	2,895	3,437	3,888	3,888	3,888	3,888
Notes and Accounts	425	442	384	392	312	281	312	346	373
Allowance for Doubtful	(9)	(7)	(1)	(1)	-	-	-	-	-
Inventories	9,521	9,648	10,014	10,767	12,365	13,562	15,065	16,701	18,007
Deferred Income Taxes	367	382	440	368	414	434	482	534	576
Other Current Assets	553	613	661	684	877	823	914	1,013	1,093
Total Current Assets	24,499	26,437	29,057	32,326	38,892	48,289	59,011	69,903	81,521
Property, Plant and									
Land	979	979	940	940	940	940	940	940	940
Buildings	10,791	11,974	13,647	16,007	18,377	21,441	21,441	21,441	21,441
Machinery and Equipment	5,887	5,699	5,743	5,983	6,218	5,729	5,729	5,728	5,728
Construction in Progress	-	-	10	2	12	11	11	11	11
Total	17,657	18,652	20,340	22,932	25,547	28,121	28,121	28,120	28,120
Accumulated Depreciation	(9,762)	(10,840)	(12,023)	(13,421)	(15,255)	(16,295)	(16,295)	(16,295)	(16,295)
Net Property, Plant and	7,895	7,812	8,317	9,511	10,292	11,826	11,826	11,826	11,826
Software & Other intangible									
Goodwill	309	224	231	203	163	117	117	117	117
	-	-	-	-	-	-	-	1	2
	309	224	231	203	163	117	117	118	119
Other Assets									
Investments in and Advances	79	78	77	77	76	75	75	75	75
Investment Securities	148	164	142	181	160	170	170	170	170
Software & Others	(96)	(80)	(69)	(71)	(154)	(149)	(149)	(149)	(149)
Deferred Income Taxes	376	353	393	275	295	326	326	326	326
Other	6,915	7,264	8,007	8,655	9,463	10,113	10,113	10,113	10,113
Total Other Assets	7,422	7,779	8,550	9,117	9,840	10,535	10,535	10,535	10,535
Total	40,125	42,252	46,155	51,157	59,187	70,767	81,489	92,382	104,001
Liabilities and Stockholders'									
Current Liabilities									
Bank Loans	-	-	-	-	-	-	-	-	-
Notes and Accounts Payable,	7,208	6,528	5,977	5,986	7,210	8,255	9,170	10,165	10,960
	1,079	889	744	769	936	1,272	1,413	1,566	1,689
Accrued Expenses	1,500	1,607	1,724	1,874	2,059	2,355	2,123	1,722	1,260
Income Taxes	2,709	1,986	2,863	2,878	2,989	3,764	4,181	4,635	4,998
Other Current Liabilities	1,156	1,158	1,273	1,269	1,384	1,370	1,522	1,687	1,819
Current Portion of Long-Term	2,180	2,033	1,387	810	433	460	460	460	460
Total Current Liabilities	15,832	14,201	13,968	13,586	15,011	17,476	18,868	20,236	21,186
Long-Term Debt									
Deferred Income Taxes	-	-	-	-	-	-	-	-	-
Termination and Retirement	489	387	428	272	340	422	422	422	422
Other Long-Term Liabilities	3,294	3,010	2,886	3,161	3,144	3,233	3,233	3,233	3,233
	5,564	5,124	3,090	1,703	893	460	460	460	460
Total Liabilities	22,999	20,689	18,985	17,912	18,955	21,131	22,523	23,891	24,841
Stockholders' Equity									
Common Stock	1,278	1,278	1,278	1,278	1,278	1,278	1,278	1,278	1,278
Additional Paid-in Capital	1,419	1,419	1,419	1,419	1,419	1,419	1,419	1,419	1,419
Legal Reserve	14,430	18,853	24,479	30,524	37,528	46,925	56,056	66,500	78,102
Retained Earnings	1	1	1	1	1	-	-	-	-
Treasury Stock	-	-	-	-	-	-	-	-	-
Total Stockholders' Equity	17,128	21,551	27,177	33,222	40,226	49,622	58,753	69,197	80,799
Comprehensive Income	-	12	(5)	25	8	15	213	(707)	(1,640)
Minority Interests in									
	-	-	-	-	-	-	-	-	-
Total Stockholders' Equity	17,128	21,563	27,172	33,247	40,234	49,637	58,966	68,491	79,160
Total	40,127	42,252	46,157	51,159	59,189	70,767	81,489	92,382	104,001

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METRICAL INC.

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Financial Ratios:	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18(E)	Mar-19(E)	Mar-20(E)
ROE	19.83%	22.23%	25.42%	22.25%	22.12%	23.48%	21.73%	20.58%	19.33%
Gross Margin	41.72%	42.18%	42.25%	42.36%	42.37%	42.93%	42.93%	42.93%	42.93%
EBITDA Margin	10.62%	10.67%	11.34%	10.92%	11.26%	12.26%	12.33%	12.32%	12.35%
EBIT Margin	8.25%	8.46%	9.32%	8.89%	9.17%	10.44%	10.54%	10.64%	10.74%
Return on Assets	10.14%	11.37%	13.42%	13.14%	13.73%	14.90%	14.48%	14.19%	13.72%
Return on Fixed Ass	62.81%	70.28%	83.96%	78.40%	86.80%	96.76%	108.26%	120.33%	130.97%
Revenue / Assets	221.16%	232.52%	237.01%	231.32%	221.59%	205.58%	198.29%	193.88%	185.67%
Depreciation / Cape	149.83%	96.44%	77.20%	72.05%	80.45%	81.57%	82.86%	81.08%	77.50%
Depn / Sales	2.37%	2.20%	2.02%	2.03%	2.09%	1.82%	1.80%	1.68%	1.61%
Capex / Sales	1.58%	2.29%	2.61%	2.81%	2.59%	2.23%	2.17%	2.07%	2.07%
Depn / Net FA	32.52%	31.70%	29.93%	28.00%	29.21%	24.31%	26.64%	27.56%	28.48%
Asset / Equity	1.96	1.96	1.70	1.54	1.47	1.43	1.38	1.35	1.31
Equity / Asset	51.13%	51.03%	58.87%	64.99%	67.93%	70.11%	72.34%	74.12%	76.10%
Total Debt / EBITDA	0.55	0.53	0.28	0.15	0.08	0.05	0.04	0.04	0.04