Date: 11/26/2017

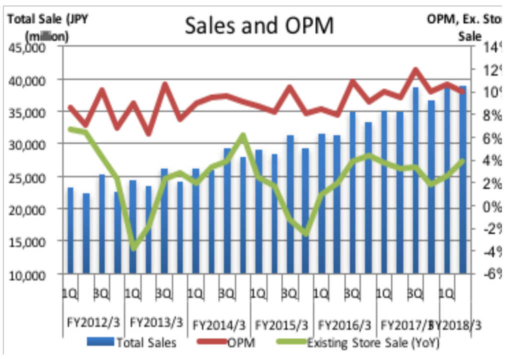
Seria (2782, JP)

Exchange: JASDAQ
Sector: Retail
Market Cap: JPY489.9 billion
P/B: 9.1x (3/17 act)

Recommendation: OUTPERFORM
Share Price: JPY6,460 (11/24/2017)
Target Price: JPY6,972
P/E: 41.9x (3/18 CE)
Div. Yield: 0.4% (3/18 CE)

Highlight – Strong competitive position accelerates growth and profit margin -

METRICAL upgraded to OUTPERFORM after reviewing the 2Q financial report and the analyst meeting. The share price is expected to move higher in favor of its solid competitive positioning and growth prospect. TP has been revised upward to JPY6,972 from JPY5,238 of the previous report on May 20th 2017. OP margin rose to 10.3% for 2Q FY3/2018, which is much higher than that of peers but is expected to rise to 15% for the mid-term. Its advanced IT based management in store operation and logistics leads the company's advantages in product development and cost structure. Its higher profit margin than competitors should expand the gap of store expansion going forward. The higher the market share rises, the higher the OP margin would increase further. The divergence of the expansion of earnings and sale between Seria and peers is very likely to increase the gap of the share prices. Investment risks includes the change in customer behavior that customers are more likely to buy higher priced goods than JPY100 goods, but they maintain supporting JPY100 goods on slower consumer expenditures and its exclusive items developed by profound analysis of customer need. Its rich free cash flow and strong balance sheet will push cash dividend rise higher than its projection of JPY25 a share for FY3/2018.



Business Description

Seria was founded 1987 in Ogaki, Gifu and has grown to the 2nd largest JPY100 shop in Japan. Its nationwide outlets total 1,417 as of October 2017 and are projected to add 150 new stores (close 60) for this fiscal year, strengthening stores in areas and relocating direct run stores to more competitive location for the year. Seria focuses on only JPY100 shop business, expanding its 'Seria' brand shops across the country. 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 solid growth backed by more than 100 new store opening a year. 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 'Sales and OPM' on left).

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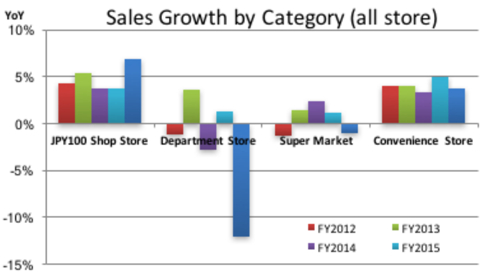
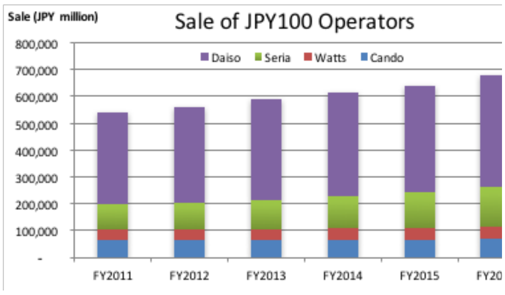
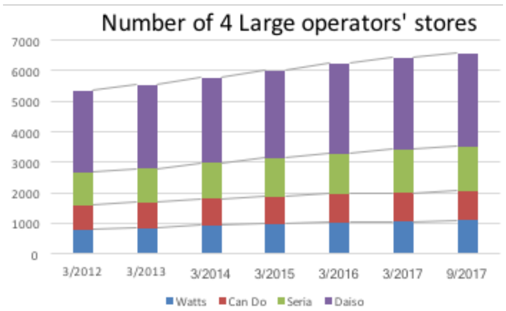
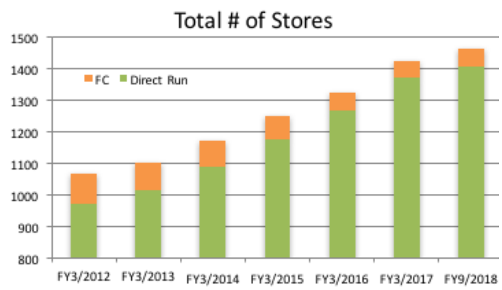
Industry Overview and Competitive Positioning

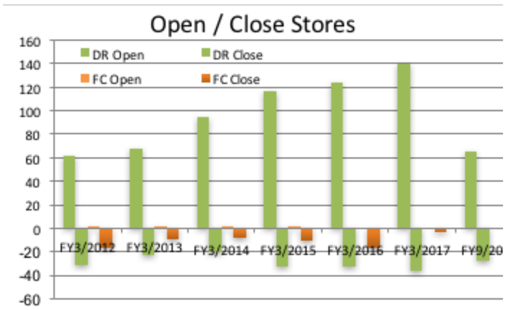
Industry Overview











Sales of 4 largest JPY100 shop operators rose 26.4% (5% per annum) from 5 years from JPY558 billion for FY2011 to JPY680 billion for FY2016. Other category, Department Store and Super Market grew much slower, as shown bar chart 'Sales Growth by Category (all store)' on left. Meanwhile, Convenience Store have grown favorably increasing its functions to meet various consumers demand, but JPY100 shop grew more rapid pace for the previous year, amid increasing budget mind of consumers led by soggy real income growth. As a result, JPY100 shop showed pretty good sales growth in YoY basis for past 5 years in line with anemic consumer spending in Japan.

Examining this category, different picture is seen. A giant Daiso (private owned) accounts for 62% of the sales of 4 companies for FY2016 and the other 3 companies share the rest of market. Also, the chart 'Sale of JPY100 Operators' shows that the sales growth of Seria is outstandingly highest of 55% for the past 5 years, while that of rivals slowed to grow at 23% of Daiso, 8% of Can Do (2698, JP) and 17% of Watts (2735, JP).

In terms of the number of stores by 4 largest operators, Daiso comes first and 3 companies of Seria, Watts and Can Do follow the giant. However, Daiso decelerated its expansion from 3/2014 and Can Do and Watts increased at mild pace, whereas Seria accelerated its expanding store. The JPY100 shop market is dominated by the 4 largest operators such as Daiso (private owned), Seria (2783, JP), Can Do (2698, JP) and Watts (2735, JP). As of September 2017, the giant Daiso runs 3,049 stores of the total 6,580 stores operated by the largest 4 operators, and Seria runs 1,459, Can Do and Watts operate 966 and 1,006 respectively. The number of outlets of Daiso is still the largest but the rivals catches up Daiso year by year. For the period from April to September, Seria, Watts and Can Do net-increased 35, 45 and 19 outlets, while Daiso did 35 stores for the same period. (see chart 'Number of 4 Large operators' stores' on left).

Competitive Positioning

3 key factors of improving COGS

Seria believes the change in COGS is explained by 3 factors of (a) composition ratio of direct run store sale/total sale, (b) composition ratio of sundry to total sale and (c) change in effective currency rate.

Composition ratio of direct run sale/total sale

As shown chart 'Total # of Stores' and 'Open/Close Stores' on left, Seria has accelerated opening new stores from 62 for FY3/2012 to 124 for FY03/2016 and 140 for FY3/2017 and project to open 150 for FY3/2018. Simultaneously, Seria has replaced to direct run stores

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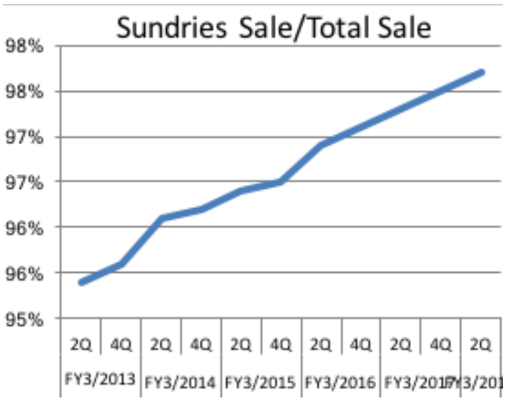
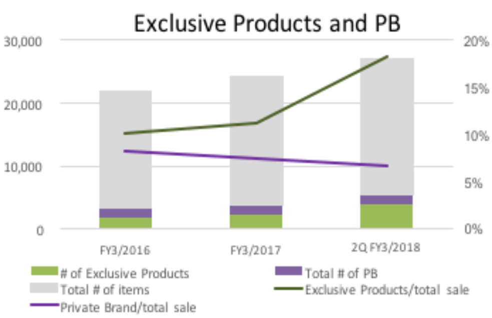
(DR) from franchise stores (FC), as the total number of FC stores decreased from 97 for FY3/2012 to 53 as of October 2017 and new FC stores has not opened since August 2014. As a result, the composition ratio of direct run sale to total sale increased from 96.9% for 2Q FY3/2016 to 97.1% for FY3/2016, 97.3% for 2Q FY3/2017 and 2Q FY3/2018. Seria plans to increase 90 direct run stores and decrease 5 FC stores on net basis for the full year. The direct run sale to total sale will continue rising going forward, too.



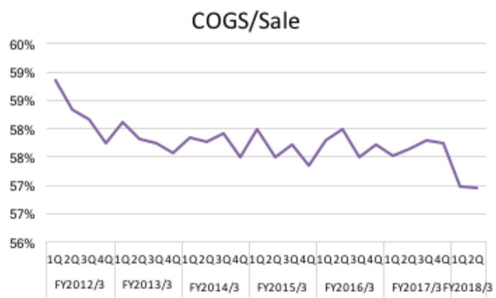
Composition ratio of sundry to total sale

The sundry sale to total sale has risen from 95.4% for 2Q FY3/2013 to 97.7% for 2Q FY3/2018, as shown chart 'Sundries Sale/Total Sale' on left. The higher the composition ratio of sundry sale is, the lower the COGS should be, as sundry is higher gross profit margin than snacks and other goods. The company aims at increasing the sale of sundry led by its following measures based on deep analysis of customer need.

Seria has led the store interior, making difference from traditional JPY100 shops and its fancy store interior, 'Color the days' named by Seria, which helps to gather many young teenagers and deliver more values than commodity goods at lower price sold by other retailers. Today, competitors' shops follow to imitate its store design. Young customers favor such store interior, but product line should be more important. Japan's consumer spending is changing to 'Need' based from 'What' based. Particularly younger customers are more likely to buy fancy items on special event and Seria experiences extremely higher sale in event months of Christmas, Halloween and St. Valentine's Day. Seria has not predicted the change in consumer trend, but pursuits offering what customers need helped by accurate analysis. This results in its fancy store design and unique items supported by young customers in special months. The company's advanced POS analysis really helps the product development and provides hot-seller items in stores. In addition to this, the following strategy would strengthen its analysis more accurately.



Seria is expanding the sale of exclusive items in its stores and this would reinforce sundry sale and the competitiveness further. As shown the chart 'Exclusive Products and PB' on left, the number of exclusive products and the sale of the products to total sale is growing, while the number of items exceeds 20,000 and the private brand sale of total sale is decreasing. The exclusive products are developed by real-time POS analysis of customer need and the sale of the products strengthens its competitiveness and makes the analysis more accurate than other items, as the items that are selling only at Seria should show customer need more clearly. A customer who buys the exclusive items would visit Seria for such type of items and make a customer Seria or such item's fan. Conversely, competitors have no data of exclusive items of Seria when, what time, how many and who buys such items etc. Nowadays, it is common rival JPY100 stores operate closely each other in the same shopping area. Each company must differentiate and deliver its own value to customers. Therefore, exclusive items are becoming a powerful tool of strengthening its competitiveness, as they improve accurate data of customer demand and differentiation from competitors. Exclusive items enhance its product development based on more accurate data than competitors.



Change in effective currency rate

Currency had affected COGS of JPY100 shop operators historically, but the impact has been decreasing. Seria estimates the currency rate to increase COGS/Sale 0.02 ppt. as the effective FX rate decreases 1 pt. and expects the change of currency to become largest impact on the COGS 18 month later, while the company has tried to minimize the impact by JPY dominated procurement but the inventory would still influence when the impact comes out. Currency rates would no longer be a significant factor on COGS and its cost structure has been less vulnerable to the change in currency market. Thus, COGS/Sale has been decreasing year by year and declined to 57.0% for 2Q FY3/2018 (see chart 'COGS/Sale' on left), and the company expects COGS/Sale to maintain at flat or slightly lower for 2H due to the projection of the 3 factors.

2 key drivers of reducing SGA expenses

Seria also manages personnel cost and distribution cost for reducing SGA expenses.

Personnel cost management

The company closely watches how staff is allocation in stores efficiently. One of indicators which the company uses is the number of stores in excess or shortage of staffing of the total number of stores. More than 10% of stores held excess staff before March 2014, while more than 10% of stores suffered shortage of staff. The ratio improved gradually year by year, as the % of both in excess and shortage of stores decreased from more than 10% to 5% in excess and 6% in shortage in September 2016 due to its efficient staff management. But the ratio slightly rose to 8% in excess and 7% in shortage in September 2017. As the staff shortage stores increased from 6% in 7% due to tight labor market, the company gives priority to its store operation at this moment and this results in a rise of excess of staffing temporarily.

Distribution cost management

Seria has first introduced IT based systems in the JPY100 shop industry, such as real-time POS and automated ordering system etc. These in-store operation system helps store staff to reduce workload

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and contributes to strong analysis of customer needs that leads to development of hot-seller items. Meanwhile, the company has also developed its automated ordering system for logistics. Logistics cost is one of key issues for the retailer, as the company provides more than 20,000 items. Logistics should connect to inventory management, as real-time POS and automated ordering system in-store improve inventory turnover. This results in efficient use of warehouse, aiming at optimal loading per fleet, container. Efficient distribution management would reduce warehouse cost (same volume of shipping items in smaller warehouse) and transportation cost (well-loading and well-hiring fleet). The innovative automated ordering system has been developed by the company and its algorithm has been tuned up in November. The ordering system was previously input average numbers as proxy for a newly opened store, but currently is input more accurate numbers based on the experience. The newly tuned up system will reduce its distribution cost further due to accurate analysis. Meantime, Seria looks beyond the coming competition with e-Commerce operators and believes that well-product line and well distribution management would be key of winning the competition for a real-store retailer. Therefore, the company strengthens product-line-up and enhances distribution management keeping more than 20,000 items based on customer need.

Porter's 5 Forces

<u>Buyers</u> (Low risk): Many of Seria is highly supported by customers particularly young ladies due to its pleasant store design and unique products based on strong analysis on customer need. Its higher-than-industry average of store sale shows its competitive position clearly. Therefore, risk of buyers is minimal at this moment.

<u>Suppliers</u> (Low risk): 20% of the goods are supplied by overseas such as China., whereas 80% of goods are supplied from domestic suppliers. Due to reduction of currency risk, Seria has diversified suppliers in domestic and overseas, and its algorithm based ordering system helps logistics to manage in a container or a fleet basis. Also, Seria collaborates with manufacturers in product development based on its POS that helps to find customer need. The risk would be marginal.

<u>Competition</u> (Middle risk): Due to relatively positive outlook for JPY100 shops market, competitors expanded stores aggressively for 1H FY3/2018. Landlord are more likely to want to lease JPY100 operators in their site than other retailers, and the competitors operate JPY100 stores in the same shopping area closely in many cases. The competition in the industry will continues hard. But its stronger product development and distribution management has led divergence in existing store sale and profitability against the rivals. This risk would be staying at middle.

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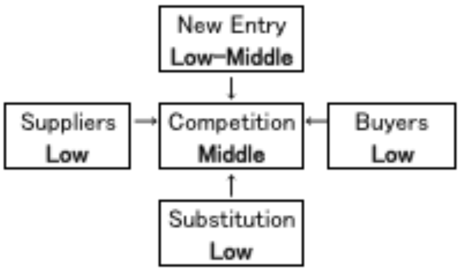

New Entry (Low-Middle risk): Due to soggy consumption spending in Japan, competition in overall retail sector is intense. Deflation economy and slower recovery of consumer confidence would be tailwind for JPY100 shop operators. The market looks attractive for a new entrant, but the market is also dominated by 4 largest operators and the unique price tag of JPY100 an item need specialized cost management, too. Seria's technology-aided advanced system is far ahead of competitors and new entrant. Consequently, the risk would be low-middle.

Substitution (Low risk): Many 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, and cost management issue would be a crucial for the business. Seria has much advantage in cost management and sells unique items that are more than commodity goods, as mentioned above. A risk would be the case that customers are preferable to an item at more than JPY100. Daiso that is a giant of JPY100 shop operator but offers JPY200 or JPY300 items, too. If customers consider such higher priced items as higher value than ordinary JPY100 items, this would be a risk for JPY100 items sellers. As far as Daiso continue selling such higher priced items, the differentiation strategy might have some positive effect on the company, but Considering that the number of the higher priced items is not expand and the number of stores of Daiso is not increasing, the risk seems to be less impact on other competitors.

Business Outlook

Monthly store sale

The company projects existing store sale to inch up 0.3% YoY for 2H FY3/2018, but actual sale grew 2.7% from April to October and is likely to move higher for 2H FY3/2018. METRICAL expects existing store sale to maintain solid growth +3.0% YoY from FY3/2018 to FY3/2020 (see Appendix).

Store development

Due to solid growth of existing store sale, only Seria keeps accelerating the number of stores. Super market operators have suffered sluggish sale for many years and an increasing number of super markets invite JPY100 shops their space for increasing customers into the stores. Seria plans to increase its stores in weaker region such as North Kanto, collaborating local super market chains, and this is aligned with supermarkets. METRICAL expects direct run stores to increase from 90 for FY3/2018 to 110 for FY3/2019, 120 for FY3/2020 and 130 for FY3/2021 on net basis.

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OP margin at stores

Seria aims at raising the operating profit margin to 15%. The *mean* average of OP margin at stores accelerated to 10.3% for 2Q FT3/2018 from 7.5% for 2Q FY3/2011 and 8.5% for 2Q FY3/2014. Examining the distribution of the store OP margin, the highest distribution or median increased from 14% for 2Q FY3/2014 and 2Q FY3/2014 to 16% for 2Q FY3/2018. The approximately 10% stores earn the OP margin at median in each period and diversify from lower and higher values. As the median value shifts higher to 16% 2Q FY3/2018 from 14% for 2Q FY3/2014, lower-tail also shifts higher. The company plans to increase 15 closing stores to 60 from 45 of its previous projection for FY3/2018. This should decrease lower-tail and improve mean average of OP margin further. According to the company, the store profit margin tends to increase in the regain that Seria has high market share such as Tokai region of Seria's hometown. Therefore, the company projects to expand stores in the region that Seria is behind of rivals in the number of stores. Assuming the profit margin improves at the same pace, it would take to reach 15% for 5-6 years, but the target would be achieved much earlier due to relocation and expansion of stores.

Company Outlook for Full Year FY3/2018

The company revised its full year projection. Sale will be up 9.4% YoY to JPY159,000 million and OP, RP and NP are expected to gain 12.1% YoY to JPY17,000 million, 11.7% YoY to JPY17,000 million and 11.1% YoY to JPY11,700 million respectively.

METRICAL forecast for FY3/2018

Based on positive outlook of monthly sale, earnings for the full year will move higher than company forecast. Sales are expected to rise 10.5% YoY to JPY160,594 million and OP, EBT and NP are expected to gain 17.6% YoY to JPY17,839 million, 15.1% YoY to JPY17,744 million and 16.6% YoY to JPY12,122 million respectively (see Appendix).

Mid-Term Outlook

Existing store sale is likely to maintain solid growth in the mid-term at +3.0% YoY for FY3/2018 (E), +2.9% YoY for FY3/2019 (E), +3.0% YoY for FY3/2020 (E) and +2.9% YoY for FY3/2021 (E). Assuming direct run stores increases to 110 for FY3/2019, 120 for FY3/2020 and 130 for FY3/2021, the sale is expected to grow 9.7% for FY3/2019, 10.8% for FY3/2020 and 10.9% for FY3/2021. Meanwhile, the company plans to double its market share. Currently Seria owns 21.3% market share of 4 largest companies, whereas Daiso owns 61.7%, Can Do and Watts owns 10.0% and 7.0% respectively as of FY2016. Simultaneously, Seria projects its OP margin to raise to 15%, as the company estimates the margin is likely to rise as much as 15% in case all 4 competitors continue competing. If one of them dropped from the industry and the market share of Seria increased like its

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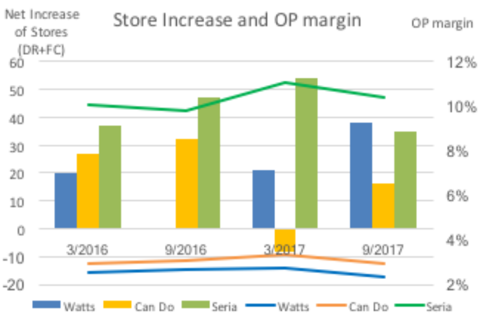

hometown, Tokai region, the mean-average OP margin would move much higher. Approximately 10% of stores earn more than 20% of OP margin for 2Q FY3/2018 and these stores seem to operate in monopolistic market. The chart 'Store Increase and OP margin' shows the divergence of OP margin between Seria and Can Do and Watts. Seria increases its outlets, improving the profit margin, while Can Do slows store expansion due to slower improvement in profitability. Watts increases outlets but suffering low profitability and will soft the store expansion if the low profitability continues. METRICAL does not expect any dropout soon, but the divergence of profitability and competitive positioning will grow for the mid-to-long term. Expected financial statements of Seria is shown in Appendix.

DCF - Seria (2782 JP)	JPY million
PV of SUM of FCF	50,522
PV of Terminal Value	444,813
Enterprise Value	495,335
Non Business Assets	33,914
Debt	460
Equity Value	528,789
Equity Value/Share	6,972

WACC - Seria (2782 JP)	
Deabt	460
Equity Market Value	489,926
Risk free Rate	0.6%
Equity Risk Premium	5.0%
Beta	-0.09
Cost of Debt	3.0%
Cost of Equity	4.1%
WACC	4.1%

Valuation

There would be room of rising share price on the following valuations. DCF value is estimated to be JPY6,972 a share, using present value of projected FCF for the period FY3/2018 (E) to FY3/2021 (E) and terminal value by WACC of 4.1%. EV/EBITDA looks expensive compared with that of peers, but this would be due to much higher profitability and relatively solid sale growth. The future NAV in the growth for the next 3 years as SOTP NAV for FY3/2021 (E) supports the upside potential, considering its business value (16x of EBIT) plus net cash and other non-business assets.

DCF

DCF valuation uses expected free cash flows from FY3/2018 to FY3/2021 (E). The sales is expected on the scenario that existing store sale grows +3% YoY, the number of stores increases +90 for FY3/2018, +110 for FY3/2019 and +120 for FY3/2020 and +130 for FY3/2021, and OP margin rises to 11.1% for FY3/2018, 11.9% for FY3/2019, 12.7% for FY3/2020 and 13.4% for FY3/2021 (see Appendix). The DCF value was estimated based on the PV of expected FCFs for the next 4 years and the terminal value divided WACC of 4.1% (see tables on left). In estimating Cost of Equity, 4.1% (=1/24.5, P/E for FY3/2021 (E)) is used as Beta of the share price is negative. On this assumption, the valuation of DCF is estimated to be JPY6,972 a share.

EV/EBITDA

In terms of EV/EBITDA, the share price does not look cheap at this moment on closing price on November 24th 2017. EV/EBITDA of Seria is much higher than that of peers on its higher profit margin and sales growth, as shown table below. EV/EBITDA is expected to decline from 20.0x for FY03/2018 (E) to 14.0x for FY03/2020 (E) and 11.6x for FY3/2021(E) (see Appendix).

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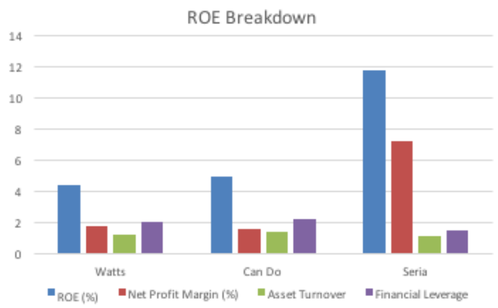
Comparable Analysis	Daiso (Private)	Cando (2698, JP)	Watts (2735, JP)	Seria (2782, JP)
Market Cap		30,656	16,583	489,926
EV		29,408	13,371	469,332
Sales	420,000	68,900	47,494	145,328
EBIT		1,907	1,209	12,016
EBITDA		2,768	1,585	14,748
EV/EBITDA		7.4	8.5	21.6
OP Margin		2.8%	2.5%	8.3%
SGA/Sale		33.1%	35.3%	29.9%
ROE (CE)		9.8%	8.7%	22.2%
Annual Sales Growth (s	4.6%	1.9%	4.9%	11.0%
# of Outlets	3,000	979	1,087	1,459
Existing Store Sale Groath (YoY)		99.9%	101.5%	102.7%

Sum-of-the Parts Value

Sum-of-the-Parts (SOTP) value is business value of each business segment that uses EBIT, EBITDA and FCF added to net cash and long-term investment securities and land. SOTP net asset value for FY3/2018 (E) is estimated to be JPY5,266 a share and SOTP value from FY3/2018 (E) to FY3/2021 (E) is estimated to be JPY7,209 a share, as Retail business value is apprised by 16x of EBIT (see table below). Currently the share price is traded between the both NAVs and is likely to move higher on the future earnings for the next 3 years.

NAVs:			NAVs:		
Sum of the parts NAV FY03/2018 (E):			**Future NAV FY03/2021 (E):**		
Retail	4,704	16x EBIT	Retail	6,106	16x EBIT
	-			-	
Cash	562	1x Book	Cash	1,104	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 5,266	122.7%	Total Future NAV	JPY 7,209	89.6%

Financial Analysis



As shown the chart 'ROE Breakdown' on left, ROE of Seria is extremely higher than that of 2 competitors such as Can Do and Watts. This is due to much higher profit margin of the company than that of peers. Asset Turnover and Financial Leverage of Seria are lower than that of the others, as Seria strengthens product lines at stores, increasing inventory for selling more items than others, and has is no debt company in real term. Higher profit margin is due to tight cost management that is proved by higher OP margin and lower SGA/Sale as also shown on the table 'Comparable Analysis' in EV/EBITDA earlier. Additionally, 3 companies have relatively strong balance sheet, but Seria is superior with no bank borrowing in real term. Its free

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cash flow is expected to accelerate in line with the expansion of prof margin. Its tight cost management will maintain higher ROE of 20% level going forward. The increase of cash on hand without bank borrowing on the balance sheet should raise the room of cash dividend, as the company prefer dividend to share buyback. (see cash flow statement and key financial ratios on Appendix).

Investment Risks

Sharp inflation would be a risk as it hardly to sell JPY100 goods at the shops in rising prices, but the operators would try to reduce the impact, as they have reduced the impact by the change in currency rates. JPY100 shops are highly supported by customers in the deflation and sluggish consumer spending. Particularly, Seria have delivered more value to customers than just low-priced goods. Seria offers enjoyable shopping space to customers who want to buy an item worth much more than its price tag on current customer need. Customer need based management is the center of the business of the company and this would reduce risks.

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, disposable income of consumers is hardly expected to grow, as social security expense is increasing at solid pace due to demographic structure in Japan. Also, teenager students who do not have enough money to buy luxury goods from their wallet will continue supporting Seria. 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 hardly anticipated in Japan where has been suffered from deflation economy for more than 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 Seria tries to reduce cost of purchased from manufacturer by re-designing of items. 3-coin shops (JPY300 shop) are operated in this country and Seria 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 data of customer needs by advanced IT system would be more important in such situation.

Weaker JPY rates (likely, Low-Middle Risk)
There was no clear correlation between currency rate and gross profit of JPY100 operators, as they have tried to reduce the impact by the

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change in currency rates. In general, however high appreciation of JPY rates hurt gross profit margin but they try to manage cost of goods by redesigning of goods and increasing procurement of domestic products. Moreover, Seria focuses on shifting uniquely exclusive goods from commodity goods and the sensitivity by the currency minimizes to 0.02 ppt. on COGS as the effective currency rate decrease by 1 pt. The risk would be lower than before.

JPY200 or JPY300 items (likely, Low-Middle Risk)
3-coin shops are also doing well, but as far as examining favorable sale of Seria, customers are unlikely to move to 3-coin shops or Daiso that offers JPY200 or JPY300 items as well as many of JPY100 goods. The key would be a value how items offer value backed by customer need. Seria's positive existing store sale growth shows that customers consider the items as value more than the price tag.

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Appendix

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		4.4%
	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		3.4%
	4Q	36,638	5.0%	-20,756	-56.7%	15,882	-12,184	-33.3%	3,698	10.1%	3,760	2,769		1.9%
	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 (C	143,500							14,100		14,100	9,700		
FY2018/3	1Q	38,994	12.0%	-22,216	-57.0%	16,778	-12,617	-32.4%	4,160	10.7%	4,141	2,807		2.7%
	2Q	38,925	0.3%	-22,173	-57.0%	16,752	-12,849	-33.0%	3,903	10.0%	3,827	2,587		3.9%
	3Q (E)	41,584	9.3%	-23,504	-56.5%	18,080	-12,760	-30.7%	5,319	12.8%	5,319	3,661		1.4%
	4Q (E)	41,091	12.2%	-23,115	-56.3%	17,976	-13,520	-32.9%	4,456	10.8%	4,456	3,067		4.1%
	Full Year	160,594	10.5%	-91,008	-56.7%	69,586	-51,746	-32.2%	17,839	11.1%	17,744	12,122	159.84	3.0%
	Full Year (C	159,000							17,000		17,000	11,700	154.27	
FY2019/3	1Q	42,831	11.3%	-24,230	-56.6%	18,601	-13,755	-32.1%	4,846	11.3%	4,846	3,334		3.3%
	2Q	42,601	10.0%	-24,096	-56.6%	18,505	-13,922	-32.7%	4,583	10.8%	4,583	3,153		2.1%
	3Q	46,599	12.7%	-26,154	-56.1%	20,445	-14,070	-30.2%	6,376	13.7%	6,376	4,386		4.5%
	4Q	44,133	9.8%	-24,651	-55.9%	19,482	-14,323	-32.5%	5,159	11.7%	5,159	3,549		1.9%
	Full Year	176,164	9.7%	-99,131	-56.3%	77,033	-56,069	-31.8%	20,964	11.9%	20,964	14,422	190.16	2.9%
	Full Year (CE)													
FY2020/3	1Q	47,419	7.8%	-26,637	-56.2%	20,782	-15,114	-31.9%	5,668	12.0%	5,668	3,899		2.7%
	2Q	47,655	7.8%	-26,765	-56.2%	20,890	-15,418	-32.4%	5,472	11.5%	5,472	3,765		3.9%
	3Q	50,821	7.8%	-28,322	-55.7%	22,499	-15,098	-29.7%	7,400	14.6%	7,400	5,091		1.4%
	4Q	49,346	7.8%	-27,369	-55.5%	21,977	-15,796	-32.0%	6,181	12.5%	6,181	4,252		4.1%
	Full Year	195,241	10.8%	-109,093	-55.9%	86,148	-61,426	-31.5%	24,722	12.7%	24,722	17,007	224.25	3.0%
	Full Year (CE)													
FY2021/3	1Q	52,819	7.8%	-29,461	-55.8%	23,358	-16,710	-31.6%	6,648	12.6%	6,648	4,573		3.3%
	2Q	52,404	7.8%	-29,225	-55.8%	23,179	-16,784	-32.0%	6,395	12.2%	6,395	4,399		2.1%
	3Q	57,188	7.8%	-31,646	-55.3%	25,542	-16,717	-29.2%	8,824	15.4%	8,824	6,071		4.5%
	4Q	54,053	7.8%	-29,768	-55.1%	24,284	-17,066	-31.6%	7,218	13.4%	7,218	4,966		1.9%
	Full Year	216,464	10.9%	-120,101	-55.5%	96,363	-67,278	-31.1%	29,085	13.4%	29,085	20,009	263.83	2.9%
	Full Year (CE)													

(Source) Seria, METRICAL

Income Statement	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18(E)	Mar-19(E)	Mar-20(E)	Mar-21(E)
Sales	93,634	98,246	109,393	118,336	130,983	145,328	160,594	176,164	195,241	216,464
COGS	-54,567	-56,800	-63,545	-68,206	-75,480	-82,940	-91,008	-99,131	-109,093	-120,101
Gross Profit	**39,066**	**41,445**	**46,214**	**50,129**	**55,503**	**62,388**	**69,586**	**77,033**	**86,148**	**96,363**
Operating	-31,344	-33,131	-36,022	-39,607	-43,486	-47,216	-51,746	-56,069	-61,426	-67,278
EBIT	**7,722**	**8,314**	**10,192**	**10,521**	**12,016**	**15,171**	**17,839**	**20,964**	**24,722**	**29,085**
EBITDA	**9,944**	**10,480**	**12,400**	**12,921**	**14,748**	**17,817**	**20,739**	**23,964**	**27,822**	**32,185**
Non Op. Income	-60	-144	-35	32	-1	47	-95	0	0	0
EBT	**7,662**	**8,170**	**10,157**	**10,553**	**12,015**	**15,218**	**17,744**	**20,964**	**24,722**	**29,085**
Tax	-3,369	-3,368	-3,962	-3,833	-3,897	-4,685	-5,622	-6,542	-7,715	-9,076
Minority Int	0	0	0	0	0	0	0	0	0	0
Net income (Loss)	**4,292**	**4,802**	**6,194**	**6,720**	**8,118**	**10,533**	**12,122**	**14,422**	**17,007**	**20,009**
EPS (Fully diluted)	JPY 113.20	JPY 126.63	JPY 163.35	JPY 177.21	JPY 209.70	JPY 138.89	JPY 159.84	JPY 190.16	JPY 224.25	JPY 263.83
Dividend per share	JPY 10.00	JPY 15.00	JPY 20.00	JPY 25.00	JPY 30.00	JPY 20.00	JPY 25.00	JPY 25.00	JPY 25.00	JPY 26.00
P/E					28.7	43.3	37.7	31.7	26.8	22.8

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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)	2021/3(E)
Consolidated Balance Sheets										
Assets										
Current Assets										
Cash and Cash Equivalents	11,523	13,240	14,655	17,221	21,487	29,301	38,719	49,946	63,424	79,821
Short-Term Investments	2,119	2,119	2,904	2,895	3,437	3,888	3,888	3,888	3,888	3,888
Notes and Accounts	425	442	384	392	312	281	311	341	378	419
Allowance for Doubtful	(9)	(7)	(1)	(1)	-	-	-	-	-	-
Inventories	9,521	9,648	10,014	10,767	12,365	13,562	14,987	16,440	18,220	20,200
Deferred Income Taxes	367	382	440	368	414	434	480	526	583	646
Other Current Assets	553	613	661	684	877	823	909	998	1,106	1,226
Total Current Assets	24,499	26,437	29,057	32,326	38,892	48,289	59,293	72,138	87,598	106,200
Property, Plant and										
Land	979	979	940	940	940	940	940	940	940	940
Builidings	10,791	11,974	13,647	16,007	18,377	21,441	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	5,727
Construction in Progress	-	-	10	2	12	11	11	11	11	11
Total	17,657	18,652	20,340	22,932	25,547	28,121	28,121	28,120	28,120	28,120
Accumulated Depreciation	(9,762)	(10,840)	(12,023)	(13,421)	(15,255)	(16,295)	(16,295)	(16,295)	(16,295)	(16,294)
Net Property, Plant and	7,895	7,812	8,317	9,511	10,292	11,826	11,826	11,826	11,826	11,825
Software & Other intangible	309	224	231	203	163	117	117	117	117	117
Goodwill	-	-	-	-	-	-	-	1	2	3
	309	224	231	203	163	117	117	118	119	120
Other Assets										
Investments in and Advances	79	78	77	77	76	75	75	75	75	75
Investment Securities	148	164	142	181	160	170	170	170	170	170
Software & Others	(96)	(80)	(69)	(71)	(154)	(149)	(149)	(149)	(149)	(149)
Deferred Income Taxes	376	353	393	275	295	326	326	326	326	326
Other	6,915	7,264	8,007	8,655	9,463	10,113	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	10,535
Total	40,125	42,252	46,155	51,157	59,187	70,767	81,771	94,617	110,078	128,680
Liabilities and Stockholders'										
Current Liabilities										
Bank Loans	-	-	-	-	-	-	-	-	-	-
Notes and Accounts Payable,	7,208	6,528	5,977	5,986	7,210	8,255	9,122	10,007	11,090	12,296
	1,079	889	744	769	936	1,272	1,406	1,542	1,709	1,895
Accrued Expenses	1,500	1,607	1,724	1,874	2,059	2,355	2,123	1,731	1,287	864
Income Taxes	2,709	1,986	2,863	2,878	2,989	3,764	4,159	4,563	5,057	5,606
Other Current Liabilities	1,156	1,158	1,273	1,269	1,384	1,370	1,514	1,661	1,841	2,041
Current Portion of Long-Term	2,180	2,033	1,387	810	433	460	460	460	460	460
Total Current Liabilities	15,832	14,201	13,968	13,586	15,011	17,476	18,784	19,963	21,444	23,161
Long-Term Debt	3,384	3,091	1,703	893	460	-	-	-	-	-
Deferred Income Taxes	-	-	-	-	-	-	-	-	-	-
Termination and Retirement	489	387	428	272	340	422	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	3,233
	5,564	5,124	3,090	1,703	893	460	460	460	460	460
Total Liabilities	22,999	20,689	18,985	17,912	18,955	21,131	22,439	23,618	25,099	26,816
Stockholders' Equity										
Common Stock	1,278	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	1,419
Legal Reserve	14,430	18,853	24,479	30,524	37,528	46,925	57,151	69,677	84,788	102,825
Retained Earnings	1	1	1	1	1	-	-	-	-	-
Treasury Stock	-	-	-	-	-	-	-	-	-	-
Total Stockholders' Equity	17,128	21,551	27,177	33,222	40,226	49,622	59,848	72,374	87,485	105,522
Comprehensive Income	-	12	(5)	25	8	15	(515)	(1,375)	(2,506)	(3,657)
Minority Interests in	-	-	-	-	-	-	-	-	-	-
Total Stockholders' Equity	17,128	21,563	27,172	33,247	40,234	49,637	59,333	70,999	84,979	101,865
Total	40,127	42,252	46,157	51,159	59,189	70,767	81,771	94,617	110,078	128,680

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DCF - Seria (2782 JP)											
(In Y million)	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18(E)	Mar-19(E)	Mar-20(E)	Mar-21(E)	SUM of Future FCF
Retail											
Sales	93,634	98,246	109,393	118,336	130,983	145,328	160,594	176,164	195,241	216,464	748,462
EBIT	7,722	8,314	10,192	10,521	12,016	15,171	17,839	20,964	24,722	29,085	92,609
Dep	2,222	2,166	2,208	2,400	2,732	2,646	2,900	3,000	3,100	3,100	12,100
Wkg Capital	-274	-821	-859	-751	-352	-121	-587	-599	-734	-816	-2,735
OCF	7,481	5,622	7,854	8,711	10,382	14,113	14,435	16,823	19,374	22,293	72,925
Capex	-1,483	-2,246	-2,860	-3,331	-3,396	-3,244	-3,500	-3,700	-4,000	-4,000	-15,200
FCF	5,998	3,376	4,994	5,380	6,986	10,869	10,935	13,123	15,374	18,293	57,725

	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18(E)	Mar-19(E)	Mar-20(E)	Mar-21(E)
Avg. Mkt. Cap	JPY 65,829	JPY 128,264	JPY 154,713	JPY 206,379	JPY 456,555	JPY 456,555	JPY 456,555	JPY 456,555	JPY 456,555
EV	JPY 55,981	JPY 114,223	JPY 136,572	JPY 182,688	JPY 424,248	JPY 414,830	JPY 403,603	JPY 390,125	JPY 373,729
EV/EBITDA	5.34	9.21	10.57	12.39	23.81	20.00	16.84	14.02	11.61

Financial Ratios:	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18(E)	Mar-19(E)	Mar-20(E)	Mar-21(E)
ROE	19.83%	22.23%	25.42%	22.25%	22.12%	23.48%	22.28%	22.16%	21.83%	21.43%
Gross Margin	41.72%	42.18%	42.25%	42.36%	42.37%	42.93%	43.33%	43.73%	44.12%	44.52%
EBITDA Margin	10.62%	10.67%	11.34%	10.92%	11.26%	12.26%	12.91%	13.60%	14.25%	14.87%
EBIT Margin	8.25%	8.46%	9.32%	8.89%	9.17%	10.44%	11.11%	11.90%	12.66%	13.44%
Return on Assets	10.14%	11.37%	13.42%	13.14%	13.73%	14.90%	14.84%	15.25%	15.46%	15.56%
Return on Fixed Ass	62.81%	70.28%	83.96%	78.40%	86.80%	96.76%	111.36%	132.49%	156.24%	183.81%
Revenue / Assets	221.16%	232.52%	237.01%	231.32%	221.59%	205.58%	196.57%	186.33%	177.49%	168.32%
Depreciation / Cape	149.83%	96.44%	77.20%	72.05%	80.45%	81.57%	82.86%	81.08%	77.50%	77.50%
Depn / Sales	2.37%	2.20%	2.02%	2.03%	2.09%	1.82%	1.81%	1.70%	1.59%	1.43%
Capex / Sales	1.58%	2.29%	2.61%	2.81%	2.59%	2.23%	2.18%	2.10%	2.05%	1.85%
Depn / Net FA	32.52%	31.70%	29.93%	28.00%	29.21%	24.31%	26.64%	27.56%	28.48%	28.48%
Asset / Equity	1.96	1.96	1.70	1.54	1.47	1.43	1.38	1.33	1.30	1.26
Equity / Asset	51.13%	51.03%	58.87%	64.99%	67.93%	70.11%	72.53%	75.02%	77.18%	79.15%
Total Debt / EBITDA	0.55	0.53	0.28	0.15	0.08	0.05	0.04	0.04	0.03	0.03

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