

Syuppin (3179, JP)

Exchange: Tokyo Stock Exchange 1

Sector: Retail

Market Cap: JPY17.6 billion

P/B: 5.5x (3/16 act)

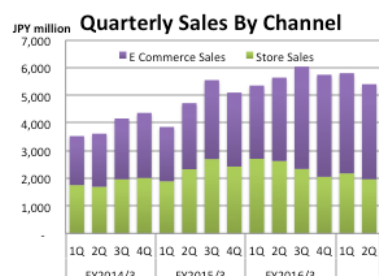
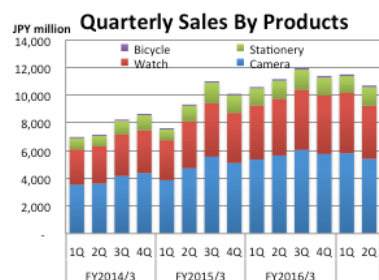
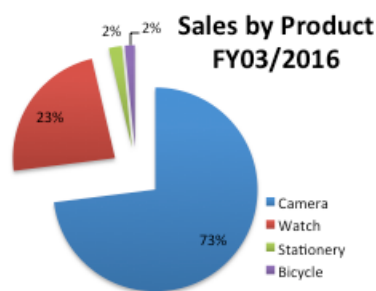
Recommendation: Outperform

Share Price: JPY1,470 (2/20/2017)

Target Price: JPY1,958

P/E: 24.3x (3/17 CE)

Div. Yield: 0.5% (3/17 CE)



Highlight

Titlis maintains Outperform of Syuppin (3179, JP). Its business environment and competitive positioning has been intact and 3Q earnings grew at solid pace. 'Reuse' market of 18 large operators grew 7.4% YoY to JPY393 billion for FY03/2016 and is expected to keep growing at solid rate. Increasing number of consumers are shopping in Internet year by year and used Camera market is expanding at faster of all reused items. Those are tailwinds for the company that focuses on Internet channel and 4 categories such as Camera, Watch and Stationery. For ongoing full year outlook, the earnings of the company is very likely to achieve company's guidance buoyed by favorable growth of e-Commerce sale. In mid-term, the earnings are expected to continue solid growth due to e-Commerce channel, although Internet flea market on smartphones is a threat. The share price is very likely to move higher on its solid growth in e-Commerce sale at +30% YoY. The solid topline growth will reduce SGA/Sales and hence increase its earnings. The share price has positive correlation with EBITDA. On this analysis, the target price has been upgraded to JPY1,958 from JPY1,906 due to acceleration of 3Q earnings led by 'One to One Marketing' (see Business Outlook). For FY03/2017 its free cash flow is likely to turn positive and this will result in further improvement in its balance sheet.

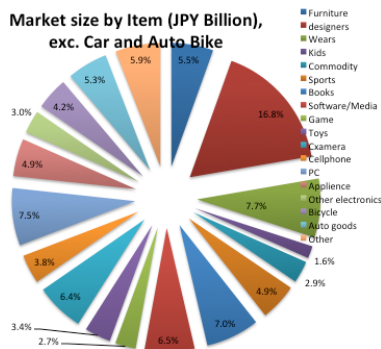
Business Description

Syuppin is a reused items retailer, using Internet channel and a real store of each product category. The company was established in August 2005 as a Camera retailer and added Watch, Stationery and Sport-Bicycle. Sale by product, Camera is the largest of 73% of total sale, Watch is the 2nd largest sale of 23%, Stationery is 2% and Bicycle is 2%. Sales by channel, e-Commerce is expanding rapidly to 63.7% of total sales as of 2Q FY03/2017 from 50% in 1Q FY03/2014. The company runs 1 real outlet in Shinjuku for Camera, Watch and Stationery and 1 small outlet in Yoyogi for Bicycle, both of which are near by its head office.

Industry Overview and Competitive Positioning

Industry Overview

Brand-new camera and peripheral market is estimated to be JPY195.5 billion and watch is JPY693.8 billion for FY2015 (data source: Camera & Imaging



Products Association, CIPA). According to survey by Ministry of the Environment (MOE), used Camera market grew 53.2% to JPY71.4 billion for FY2015 from JPY46.6 billion for FY2012. Although used Camera market is growing very fast, the difference of market size between new and used would be potential growth for reuse market of Camera. Another data from the Ministry shows rapid growth of Internet channel (Internet auction, Internet shopping and Internet flea market) of used Camera. Of JPY71.4 million used Camera market, JPY52.0 billion was Internet channel and JPY17.5 billion was real store for FY2015. 75% of users used Internet channel and 25% used real store. For FY2012, Internet channel was 66.7% and real store was 28.8%. Internet based used Camera market is expanding, too.

Competitive Positioning: SWOT Analysis

Strength

Internet based reuse retailer

As on the above Industry Overview, used Camera market is accelerating to Internet channel. This is a tailwind for Syuppin that is strengthening e-Commerce business and raised Internet sale to 63.7% for 2Q FY03/2017.

Quality of customer service

Syuppin focuses on selective goods that are relatively expensive goods (i.e. Watch's average sale price is JPY0.8 million). For expensive goods, quality of customer service would increase customer satisfaction. The company offers experts and real store for each specialty goods. Running real store is costly but store staff takes care of customers politely with adequate advice when I visited. This would lead to a value of the company.

Synergy with sale of brand-new items

Syuppin sells not only used camera but also brand-new camera. This brings synergy to the sale. A customer who wants to sell his used camera is more likely to buy a brand-new camera at Syuppin and vice versa. A customer who wants to buy a new camera is more likely to sell his camera at Syuppin. The company also offers frequent buyer program, encouraging loyal customers to buy more often items.

Weakness

Shrinking brand-new market under soggy consumer spending

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

Slower pace of new model entry

If new model enters into marketplace at slower pace or fewer attractive new models comes to consumers, used market will not grow at faster and the sale of the company will hardly increase. Due to sluggish earnings of Nikon, its brand-new camera is released behind schedule. CIPA forecasts middle-high end camera shipment to slid 8% YoY for 2017. For 2016 middle-high end

camera shipment to Japan fell 21% YoY due to Kumamoto quake, but Syuppin grew camera sale 8.5% YoY for the same period.

Opportunity

Focusing Internet channel

As on the above Industry Overview, Internet channel of used Camera is accelerating to 75% from 66.7% from 3 years ago. Internet channel. This is a tailwind for Syuppin that is strengthening e-Commerce business and raised Internet sale to 63.7% for 2Q FY03/2017.

Higher growth and potential of used Camera

Used Camera market grew 53.2% to JPY71.4 billion for FY2015 from JPY46.6 3 years ago. In addition, brand-new Camera's market is quite large of JPY195.5 billion. There is still huge potential for the market and the company, as its Camera sale for FY03/2016 remained at JPY16.5 billion.

Threat

C to C business of smartphone flea market

As increasing number of young generation uses smartphone appli, Internet flea market operators are growing business. 10 agers and 20 agers are more likely to use smartphone appli than PC based web shopping. Furthermore, such a flea market is C to C business and lower cost than B to C operators like Shuppin. Those C to C flea market site is popular among them. If this trend strengthens, it would be thereat for the company, although the company plans to release smartphone appli in next year. Syuppin launches a new service of extending warranty period. Normally 1 year warranty is attached when a used item is purchased. From March warranty extension service is notified to a customer for at least JPY15,000 before the warranty is expired. The company considers such service as differentiation.

Investment Summary

Business Outlook

Due to sharp increase of inbound sale for 1H of FY03/2016, the sale in this year looks soft, but its solid growth is really maintained other than such an extraordinary demand. Total sale is expected to keep double-digit growth led by solid expansion of e-Commerce channel for mid-term.

Competitive Positioning and Risks

On a SWOT analysis above, the company is in strong position in the industry. The company focuses on higher growth market of Internet channel and used Camera. Consumers are more likely to shop in Internet and used Camera expanded 53.2% fir 3 years. Brand-new Camera market is much larger than used market and this implies large potential of this item. Quality of customer service with well-knowledgeable sale staff and a real store would be advantages. Younger generation such as 10 agers and 20 agers are more often uses flea market sites on smartphones. This would be a threat for the company for the mid-term.

Valuation

The share price is very likely to move higher on expectations of positive outlook for mid-term. On a correlation between share price and EBITDA, there is upside potential for the share price to JPY1,958 for FY03/2017(E). Sum-of-the-parts NAV will increase from JPY1,317 for FY03/2017(E) to JPY2,008 for FY03/2020 on its positive growth outlook. EV/EBITDA is likely to come down on higher cash flows.

Financial Stability

Turning positive free cash flow for FY03/2017(E), financial stability of the company is very likely to improve.

Business Outlook

Monthly Store Sale

Due to sharp increase of sale to foreign visitors in 2Q of the previous year, sale softened YoY for 2Q in this year, but apparently hit the bottom in August and accelerated growth in 3Q buoyed by e-Commerce Sale. (see table below).

FY2016/3	Total Sales	YoY	EC Sales	YoY	FY2017/3	Total Sales	YoY	EC Sales	YoY
4	1,602	137.6%	763	127.4%	4	2,076	129.6%	1,268	166.2%
5	1,848	143.9%	906	137.3%	5	1,969	106.5%	1,208	133.3%
6	1,899	135.3%	984	139.2%	6	1,752	92.3%	1,149	116.8%
7	2,062	135.3%	1,105	142.0%	7	1,840	89.2%	1,202	108.8%
8	1,815	114.2%	923	116.7%	8	1,662	91.6%	1,035	112.1%
9	1,760	110.1%	990	120.3%	9	1,896	107.7%	1,200	121.2%
10	1,775	106.5%	1,066	116.8%	10	2,020	113.8%	1,223	114.7%
11	1,880	109.6%	1,146	134.0%	11	2,114	112.4%	1,341	117.0%
12	2,378	109.9%	1,489	136.7%	12	2,378	125.8%	1,649	142.2%
1	1,794	103.8%	1,129	132.7%	1	1,794	116.7%	1,421	138.1%
2	1,773	113.4%	1,173	149.6%	2	1,773	117.2%	1,819	155.1%
3	2,173	120.7%	1,391	133.5%	3	2,173	109.1%	1,932	138.9%

1Q	5,349	138.9%	2,653	134.9%	1Q	5,797	108.4%	3,625	136.6%
2Q	5,637	119.6%	3,018	126.2%	2Q	5,398	95.8%	3,437	113.9%
3Q	6,033	108.8%	3,701	129.5%	3Q	2,341	132.0%	1,819	155.1%
4Q	5,740	112.7%	3,693	138.0%	4Q	3,027	139.3%	1,932	138.9%
YR	22,759	118.5%	13,065	132.1%	YR	25,691	112.9%	16,447	125.9%

(Source) Syuppin, titlis

Marketing Strategy

One to One Marketing

A new push sales has successfully started since October, raising used e-Commerce sale, as used camera purchased from customers grew 22.7% YoY in December. Once a customer puts an item in 'wish list,' the information will be sent to the customer immediately when the price of the item goes up and down or someone posts a review about it. This is a similar strategy as 'wishlist' of Amazon. From January Syuppin has started notifying a customer who put an item without stock in 'wish list' when the stock comes to. As a result, the number of active users is increasing. Currently, 53,000 customers use 'wish list' of 300,000 web members. 17.6% is active customers.

Measures for dormant customers

Syuppin plans to start marketing strategy for increasing shopping by a dormant customer in the next fiscal year. A customer who has no reaction from the previous shopping will be received useful information as 'recommendation' such as information about additional parts (camera lenses) or resale price of the item.

Company Outlook for Full Year FY03/2017

The company kept on hold its full year outlook. Sale will be up 12.8% YoY to JPY25,600 million and OP, RP and NP are expected to gain 30.4% YoY to JPY1,085 million, 30.3% YoY to JPY1,070 million, 29.3% YoY to JPY724 million respectively.

Titlis forecast for FY03/2017

Based on positive monthly sale forecast shown on the table above, earnings for the full year will slightly move higher than the company forecast. Sales are expected to rise 12.9% YoY to JPY25,632 million and OP, RP and NP are expected to gain 34.2% YoY to JPY1,117 million, 34.9% YoY to JPY1,108 million, 35.5% YoY to JPY759 million respectively (see table below).

Mid-Term Outlook

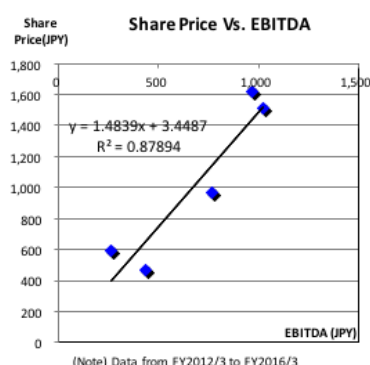
Syuppin posted its mid-term projection in its MTP. Due to upbeat e-Commerce of +30% YoY, Titlis assumes total sale is conservatively expected to grow +10.7% for FY03/2018, +11.4% YoY for FY03/2019 and +11.4% YoY for FY03/2020. (see the table below). Consumers are more likely to buy items at Internet than real store. The company plans to enter into cross border e-Commerce in FY03/2018 on e-Bay in US. These sale will add on although threat of C to C operator will be increasing gradually.

FY2016/3	Sales	COGS	COGS/S	Gross Profit	SGA	SGA/S	OP	OPM	RP	EBT	Tax	Minority	Net Profit		
1Q (act)	5,337	-4,438	-83.2%	899	-710	-13.3%	189	3.5%	185	185	-61	0	124		
2Q (act)	5,624	-4,671	-83.1%	953	-708	-12.6%	244	4.3%	240	239	-80	0	159		
3Q (act)	6,017	-5,027	-83.5%	990	-754	-12.5%	236	3.9%	232	232	-78	0	154		
4Q (act)	5,727	-4,840	-84.5%	887	-725	-12.7%	163	2.8%	164	164	-41	0	123		
Full Year	22,705	-18,976	-83.6%	3,729	-2,897	-12.8%	832	3.7%	821	820	-260	0	560	46.81	29.56
FY2017/3 (E)	Sales	COGS	COGS/S	Gross Profit	SGA	SGA/S	OP	OPM	RP	EBT	Tax	Minority	Net Profit		
1Q (act)	5,779	-4,801	-83.1%	978	-725	-12.5%	253	4.4%	248	248	-77	0	171		
2Q (act)	5,382	-4,443	-82.6%	939	-719	-13.4%	219	4.1%	218	217	-68	0	149		
3Q (act)	6,821	-5,681	-83.3%	1,140	-779	-11.4%	362	5.3%	357	358	-111	0	246		
4Q (E)	7,650	-6,399	-84.2%	1,252	-969	-12.7%	283	3.7%	285	285	-92	0	193		
Full Year (E)	25,632	-21,324	-83.2%	4,309	-3,192	-12.5%	1,117	4.4%	1,108	1,108	-348	0	759	63.37	23.01
Full Year (CE)	25,600	-21,211	-82.9%	4,389	-3,303	-12.9%	1,085	4.2%	1,070				724	60.50	24.10
FY2018/3 (E)	Sales	COGS	COGS/S	Gross Profit	SGA	SGA/S	OP	OPM	RP	EBT	Tax	Minority	Net Profit		
1Q (E)	6,399	-5,303	-83.1%	1,096	-796	-12.4%	299	4.7%	296	296	-96	0	200		
2Q (E)	5,908	-4,849	-82.6%	1,060	-783	-13.3%	276	4.7%	272	272	-88	0	184		
3Q (E)	7,556	-6,313	-83.3%	1,242	-855	-11.3%	387	5.1%	383	383	-124	0	259		
4Q (E)	8,571	-7,143	-84.2%	1,429	-1,077	-12.6%	352	4.1%	348	348	-113	0	235		
Full Year (E)	28,434	-23,608	-83.0%	4,826	-3,512	-12.4%	1,314	4.6%	1,299	1,299	-420	0	879	73.44	19.85
Full Year (CE)	29,450	-24,390	-82.8%	5,060	-3,648	-12.4%	1,411	4.8%	1,400				947		
FY2019/3 (E)	Sales	COGS	COGS/S	Gross Profit	SGA	SGA/S	OP	OPM	RP	EBT	Tax	Minority	Net Profit		
1Q (E)	7,129	-5,902	-83.1%	1,227	-855	-12.0%	372	5.2%	368	368	-119	0	249		
2Q (E)	6,571	-5,386	-82.6%	1,186	-842	-12.8%	344	5.2%	340	340	-110	0	230		
3Q (E)	8,413	-7,025	-83.3%	1,389	-915	-10.9%	474	5.6%	470	470	-152	0	318		
4Q (E)	9,556	-7,961	-84.2%	1,595	-1,158	-12.1%	438	4.6%	434	434	-140	0	294		
Full Year (E)	31,670	-26,273	-83.0%	5,397	-3,769	-11.9%	1,628	5.1%	1,613	1,613	-522	0	1,091	91.16	15.99
Full Year (CE)	33,850	-27,992	-82.7%	5,858	-4,044	-11.9%	1,813	5.4%	1,805				1,221		
FY2020/3 (E)	Sales	COGS	COGS/S	Gross Profit	SGA	SGA/S	OP	OPM	RP	EBT	Tax	Minority	Net Profit		
1Q (E)	7,936	-6,565	-83.1%	1,371	-916	-11.5%	455	5.7%	451	451	-146	0	305		
2Q (E)	7,349	-6,018	-82.6%	1,331	-908	-12.4%	423	5.8%	419	419	-135	0	283		
3Q (E)	9,380	-7,829	-83.3%	1,551	-977	-10.4%	574	6.1%	570	570	-184	0	386		
4Q (E)	10,684	-8,902	-84.2%	1,783	-1,246	-11.7%	536	5.0%	532	532	-172	0	360		
Full Year (E)	35,349	-29,313	-82.9%	6,036	-4,048	-11.5%	1,988	5.6%	1,973	1,973	-638	0	1,335	111.51	13.08
Full Year (CE)															

(Source) Syuppin, titlis

Valuation

The share price seems to have upside potential on its earnings growth in mid-term. The relationship between the share price and EBITDA shows correlation from FY03/2012 and FY03/2016. Using this correlation, the share price is estimated to rise to JPY1,958 for FY03/2017. EV/EBITDA will fall to 13.2x for this year from 17.5x from the previous year, and the share price will rise on upbeat EBITDA in mid-term. Regarding breakup value based on business value adding to net cash, the share price is traded at 10.7% higher than NAV for FY03/2017(E). But NAV for FY03/2020(E) is estimated to increase to JPY1,995, which shows 27% upside potential.



EBITDA and Share Price

There is highly correlation between the share price and EBITDA. Examining historical share price and EBITDA of the company from FY03/2012 to FY03/2016, the relationship is 88% explained (see scatter chart on the left). Applying this result to project share price on EBITDA forecast by Titlis, the share price would be JPY1,958 for FY03/2017(E), JPY2,250 for FY03/2018(E). Based on this analysis, there would be more room of upside potential for the share price.

EV/EBITDA

EV/EBITDA for FY03/2017(E) is estimated to be 13.4x and will come down to 7.2x for FY03/2020(E). Considering business outlook in particular prospective expansion of e-Commerce, mid-term growth of EBITDA is very likely. In this point, it would be reasonable for the share price to go up.

	Mar-14	Mar-15	Mar-16	Mar-17(E)	Mar-18(E)	Mar-19(E)	Mar-20(E)
Avg. Mkt. Ca	JPY 5,750	JPY 15,044	JPY 18,087	JPY 17,453	JPY 17,453	JPY 17,453	JPY 17,453
EV	JPY 6,543	JPY 16,000	JPY 19,364	JPY 18,472	JPY 17,915	JPY 17,205	JPY 16,314
EV/EBITDA	7.70	15.18	17.52	13.19	11.21	9.00	7.18
EV*	JPY 6,543	JPY 16,000	JPY 19,364	JPY 18,472	JPY 17,915	JPY 17,205	JPY 16,314

Sum-of-the-Parts Value

Assessing breakup value of business value (normalizing EBIT, EBITDA and FCF for FY03/2013-FY03/2017(E) or FY03/2020(E)) adding to net cash (plus long-term investment), the sum of the parts NAV is estimated to be JPY1,302 a share for FY03/2017(E), which is 10.7% lower than closing price of February 20th 2017. Current share price is likely to discount further growth of earnings beyond ongoing fiscal year of FY03/2017. The NAV based on future earnings for FY03/2020 is estimated to be JPY2,008 a share, which is 27% higher than the closing price (see the table below).

NAVs:			NAVs:		
Sum of the parts NAV FY2017/3 (E):			Future NAV 2020/3 (E):		
Camera	1,657	25x FCF	Camera	2,054	25x FCF
Watch	294	25x FCF	Watch	298	25x FCF
Stationery	45	25x FCF	Stationery	56	25x FCF
Bicycle	(19)	15x EBITDA	Bicycle	(9)	15x EBITDA
Adjustment	(576)	15x EBITDA	Adjustment	(485)	15x EBITDA
Cash	64	1x Book	Cash	244	1x Book
Investment	-	0.75x Book	Investment	-	0.75x Book
Land	-	0.75x Book	Land	-	0.75x Book
Debt	(149)	1x Book	Debt	(149)	1x Book
Minority Interest	-	1x Book	Minority Interest	-	1x Book
Total SOTP NAV	JPY 1,317	110.7%	Total Future NAV	JPY 2,008	72.6%

Financial Analysis

As shown higher return on equity, Syuppin focuses on its main business with light assets. OP margin are likely to gain at solid pace in line with expansion of e-Commerce sale. In particular, FCF is expected to turn positive for this fiscal year and will increase year by year. This will improve its balance sheet further.

Financial Ratios:	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17(E)	Mar-18(E)	Mar-19(E)	Mar-20(E)
ROE		24.94%	27.91%	22.31%	24.65%	22.73%	22.26%	21.65%
Gross Margin	18.86%	18.75%	17.47%	16.42%	16.81%	16.97%	17.04%	17.08%
EBITDA Margin	4.19%	5.45%	5.50%	4.87%	5.47%	5.62%	6.04%	6.43%
EBIT Margin	3.12%	4.49%	4.62%	3.66%	4.36%	4.62%	5.14%	5.62%
Return on Assets	6.64%	9.15%	11.02%	9.48%	11.27%	11.22%	11.90%	12.39%
Return on Fixed Asse	211.93%	382.35%	354.09%	408.76%	553.69%	641.67%	796.52%	974.29%
Revenue / Assets	358.31%	366.10%	375.22%	384.37%	380.77%	363.05%	345.42%	328.13%
Depreciation / Capex	37.98%	28.89%	32.06%	56.76%	100.00%	100.00%	100.00%	100.00%
Depn / Sales	0.39%	0.42%	0.44%	0.83%	0.78%	0.70%	0.63%	0.57%
Capex / Sales	1.04%	1.44%	1.37%	1.47%	0.78%	0.70%	0.63%	0.57%
Depn / Net FA	44.95%	63.73%	52.83%	137.96%	145.99%	145.99%	145.99%	145.99%
Asset / Equity	2.55	2.41	2.25	2.15	1.98	1.81	1.68	1.57
Equity / Asset	39.16%	41.44%	44.40%	46.61%	50.52%	55.32%	59.70%	63.64%
Total Debt / EBITDA	2.34	1.45	1.37	1.61	1.27	1.12	0.93	0.78

Investment Risks

To increase used market of items such as Camera, Watch, Stationery and Bicycle is a key of sales growth for Syuppin. The risk would be lower at this moment, as used market of such items is growing in particular Internet channel. Another risk on C to C based flea market sites would be higher risk as they are likely offer at lower sale price and young generation use more smartphone flea market sites. But quality of customer service of the company would reduce some of the risk.

Slower brand-new market (Less Likely, Low Risk)

Key of growth for the company is how much attractive items are provided to customers at reasonable price. Therefore, procurement of used items that customers need is important. New model market is unlikely to grow at faster due to anemic consumer spending in Japan. However, the potential of used items such as Camera is much smaller than new models and used market is rapidly growing led by fast growing Internet channel. Also, Camera makers are providing new models added value yearly basis to attract customers and increase revenue. This is one of the company's advantages, but brand-new market is likely to soft due to decreasing population in Japan.

As market of brand-new items decreases, market of used items will decrease in near future. Retail sales and consumer spending in Japan has been flat for a decade and will decrease alongside in further decrease in population.

Slower consumer spending (Less Likely, Less Risk)

Consumer spending has been flat for more than a decade and is unlikely to grow at faster on the decrease of population. However, budget-mind and environmental-mind are spreading over consumers and they are more likely

to buy used items. These kind of consumers are a tailwind for the company. If overall consumer spending remains flat or slower or another consumption hike will hurt retail sales in this country, reuse market or e-commerce market is less likely to suffer.

C to C based business (Likely, Mid Risk)

Smartphone based Internet shopping is accelerating in the world. Flea market operators on such devices are growing rapidly. This is a mid-term risk for the company. Flea market operators on smartphone focuses on C to C business many of which offer at lower price than B to C operators. The new Internet channel is popular among 10 agers and 20 agers and will expand at rapid pace. This trend will not be a marginal risk for the company, although the company plans to release smartphone appli in the next year. However, the company's advantage includes sale staff with expertise about products and a real store. Knowledgeable advice and display at real store are costly but would deliver value to customers.

Aki Matsumoto, CFA
akimatsumoto@titlisgroup.com

Titlis Group

corporate governance, investment research & solutions

Appendix

FY2013/ JPY million	Sales	COGS	COGS/S	Gross Profit	SGA	SGA/S	OP	OPM	RP	EBT	Tax	Minority	Net Profit	EPS	P/E
1Q (act)															
2Q (act)	5,664	-4,587	-81.0%	1,076	-917	-16.2%	159	2.8%	148	158	-60	0	98		
3Q (act)	3,333	-2,714	-81.4%	619	-513	-15.4%	105	3.2%	95	95	-37	0	58		
4Q (act)	3,465	-2,811	-81.1%	655	-531	-15.3%	125	3.6%	122	122	-46	0	76		
Full Year	12,462	-10,112	-81.1%	2,350	-1,961	-15.7%	389	3.1%	365	375	-143	0	232	44.22	10.49
FY2014/3	Sales	COGS	COGS/S	Gross Profit	SGA	SGA/S	OP	OPM	RP	EBT	Tax	Minority	Net Profit		
1Q (act)	3,510	-2,812	-80.1%	697	-525	-15.0%	172	4.9%	168	167	-64	0	103		
2Q (act)	3,598	-2,923	-81.2%	675	-546	-15.2%	129	3.6%	125	121	-46	0	75		
3Q (act)	4,145	-3,384	-81.6%	762	-544	-13.1%	217	5.2%	214	214	-82	0	132		
4Q (act)	4,350	-3,558	-81.8%	792	-610	-14.0%	183	4.2%	182	128	-48	0	80		
Full Year	15,603	-12,677	-81.2%	2,926	-2,225	-14.3%	701	4.5%	689	630	-240	0	390	65.79	14.74
FY2015/ JPY million	Sales	COGS	COGS/S	Gross Profit	SGA	SGA/S	OP	OPM	RP	EBT	Tax	Minority	Net Profit	EPS	P/E
1Q (act)	3,844	-3,154	-82.0%	689	-569	-14.8%	119	3.1%	115	115	-41	0	74		
2Q (act)	4,703	-3,900	-82.9%	803	-581	-12.4%	223	4.7%	218	214	-77	0	137		
3Q (act)	5,535	-4,589	-82.9%	947	-601	-10.9%	346	6.3%	342	342	-122	0	220		
4Q (act)	5,084	-4,174	-82.1%	909	-710	-14.0%	198	3.9%	195	195	-62	0	133		
Full Year	19,166	-15,817	-82.5%	3,349	-2,461	-12.8%	886	4.6%	870	866	-302	0	564	47.08	26.69
FY2016/3	Sales	COGS	COGS/S	Gross Profit	SGA	SGA/S	OP	OPM	RP	EBT	Tax	Minority	Net Profit		
1Q (act)	5,337	-4,438	-83.2%	899	-710	-13.3%	189	3.5%	185	185	-61	0	124		
2Q (act)	5,624	-4,671	-83.1%	953	-708	-12.6%	244	4.3%	240	239	-80	0	159		
3Q (act)	6,017	-5,027	-83.5%	990	-754	-12.5%	236	3.9%	232	232	-78	0	154		
4Q (act)	5,727	-4,840	-84.5%	887	-725	-12.7%	163	2.8%	164	164	-41	0	123		
Full Year	22,705	-18,976	-83.6%	3,729	-2,897	-12.8%	832	3.7%	821	820	-260	0	560	46.81	29.56
FY2017/3 (E)	Sales	COGS	COGS/S	Gross Profit	SGA	SGA/S	OP	OPM	RP	EBT	Tax	Minority	Net Profit		
1Q (act)	5,779	-4,801	-83.1%	978	-725	-12.5%	253	4.4%	248	248	-77	0	171		
2Q (act)	5,382	-4,443	-82.6%	939	-719	-13.4%	219	4.1%	218	217	-68	0	149		
3Q (act)	6,821	-5,681	-83.3%	1,140	-779	-11.4%	362	5.3%	357	358	-111	0	246		
4Q (E)	7,650	-6,399	-84.2%	1,252	-969	-12.7%	283	3.7%	285	285	-92	0	193		
Full Year (E)	25,632	-21,324	-83.2%	4,309	-3,192	-12.5%	1,117	4.4%	1,108	1,108	-348	0	759	63.37	23.01
Full Year (CE)	25,600	-21,211	-82.9%	4,389	-3,303	-12.9%	1,085	4.2%	1,070				724	60.50	24.10
FY2018/3 (E)	Sales	COGS	COGS/S	Gross Profit	SGA	SGA/S	OP	OPM	RP	EBT	Tax	Minority	Net Profit		
1Q (E)	6,399	-5,303	-83.1%	1,096	-796	-12.4%	299	4.7%	296	296	-96	0	200		
2Q (E)	5,908	-4,849	-82.6%	1,060	-783	-13.3%	276	4.7%	272	272	-88	0	184		
3Q (E)	7,556	-6,313	-83.3%	1,242	-855	-11.3%	387	5.1%	383	383	-124	0	259		
4Q (E)	8,571	-7,143	-84.2%	1,429	-1,077	-12.6%	352	4.1%	348	348	-113	0	235		
Full Year (E)	28,434	-23,608	-83.0%	4,826	-3,512	-12.4%	1,314	4.6%	1,299	1,299	-420	0	879	73.44	19.85
Full Year (CE)	29,450	-24,390	-82.8%	5,060	-3,648	-12.4%	1,411	4.8%	1,400				947		
FY2019/3 (E)	Sales	COGS	COGS/S	Gross Profit	SGA	SGA/S	OP	OPM	RP	EBT	Tax	Minority	Net Profit		
1Q (E)	7,129	-5,902	-83.1%	1,227	-855	-12.0%	372	5.2%	368	368	-119	0	249		
2Q (E)	6,571	-5,386	-82.6%	1,186	-842	-12.8%	344	5.2%	340	340	-110	0	230		
3Q (E)	8,413	-7,025	-83.3%	1,389	-915	-10.9%	474	5.6%	470	470	-152	0	318		
4Q (E)	9,556	-7,961	-84.2%	1,595	-1,158	-12.1%	438	4.6%	434	434	-140	0	294		
Full Year (E)	31,670	-26,273	-83.0%	5,397	-3,769	-11.9%	1,628	5.1%	1,613	1,613	-522	0	1,091	91.16	15.99
Full Year (CE)	33,850	-27,992	-82.7%	5,858	-4,044		1,813	5.4%	1,805				1,221		
FY2020/3 (E)	Sales	COGS	COGS/S	Gross Profit	SGA	SGA/S	OP	OPM	RP	EBT	Tax	Minority	Net Profit		
1Q (E)	7,936	-6,565	-83.1%	1,371	-916	-11.5%	455	5.7%	451	451	-146	0	305		
2Q (E)	7,349	-6,018	-82.6%	1,331	-908	-12.4%	423	5.8%	419	419	-135	0	283		
3Q (E)	9,380	-7,829	-83.3%	1,551	-977	-10.4%	574	6.1%	570	570	-184	0	386		
4Q (E)	10,684	-8,902	-84.2%	1,783	-1,246	-11.7%	536	5.0%	532	532	-172	0	360		
Full Year (E)	35,349	-29,313	-82.9%	6,036	-4,048	-11.5%	1,988	5.6%	1,973	1,973	-638	0	1,335	111.51	13.08
Full Year (CE)															

(Source) Syuppin, titlis

Titlis Group Inc.

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

Phone: +81-3-4405-6223 Email: akimatsumoto@titlisgroup.com

<http://www.titlisgroup.com/>

Titlis Group

corporate governance, investment research & solutions

Cash Flow Analysis:	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17(E)	Mar-18(E)	Mar-19(E)	Mar-20(E)
Net Income	231	390	563	560	759	879	1,091	1,335
Dep.	49	65	84	189	200	200	200	200
Amortization	0	0	0	0	0	150	150	150
Other non-cash charge	54	41	-121	2	0	0	0	0
Changes in WC	-249	-417	-369	-661	-405	-388	-448	-509
Op. Cash Flow	85	79	157	90	553	841	993	1,175
Per share	JPY 16.22	JPY 13.33	JPY 13.12	JPY 7.52	JPY 46.23	JPY 70.27	JPY 82.98	JPY 98.20
Capex	-129	-225	-262	-333	-200	-200	-200	-200
Free Cash Flow	-44	-146	-262	-333	353	641	793	975
Per share	(JPY 8.40)	(JPY 24.63)	(JPY 21.89)	(JPY 27.82)	JPY 29.52	JPY 53.57	JPY 66.28	JPY 81.49
Beginning Cash	380	571	441	492	506	764	1,321	2,031
Net cash used	191	-130	51	14	258	557	710	892
Ending cash	571	441	492	506	764	1,321	2,031	2,922

Titlis Group Inc.

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

Phone: +81-3-4405-6223 Email: akimatsumoto@titlisgroup.com

<http://www.titlisgroup.com/>

Titlis Group

corporate governance, investment research & solutions

	2013/3	2014/3	2015/3	2016/3	2017/3 (E)	2018/3 (E)	2019/3 (E)	2020/3 (E)
Assets								
Current Assets								
Cash and Cash Equivalents	571	441	492	506	764	1,321	2,031	2,922
Short-Term Investments	-	-	-	-	-	-	-	-
Notes and Accounts	844	1,049	917	1,327	1,498	1,662	1,851	2,066
Allowance for Doubtful	-	(1)	(1)	(1)	(1)	(1)	(1)	(2)
Inventories	1,362	1,790	2,222	2,757	3,112	3,453	3,846	4,292
Deferred Income Taxes	52	81	75	61	69	76	85	95
Other Current Assets	123	115	319	255	288	319	356	397
Total Current Assets	2,952	3,475	4,024	4,905	5,730	6,830	8,166	9,771
Property, Plant and								
Land	-	-	-	-	-	-	-	-
Buildings	129	114	138	139	225	311	397	483
Machinery and Equipment	136	144	176	184	298	412	526	640
Construction in Progress	-	-	-	-	-	-	-	-
Total	265	258	314	323	523	723	923	1,123
Accumulated Depreciation	(156)	(156)	(155)	(186)	(301)	(416)	(532)	(647)
Net Property, Plant and	109	102	159	137	222	307	391	476
Software & Other	120	210	607	530	530	530	530	530
Goodwill	-	-	-	-	-	-	-	-
	120	210	607	530	530	530	530	530
Other Assets								
Investments in and	-	-	-	-	-	-	-	-
Investment Securities	-	-	-	-	-	-	-	-
Software & Others	-	-	-	-	-	-	-	-
Deferred Income Taxes	-	-	7	6	6	6	6	6
Other	305	475	311	329	329	329	329	329
Total Other Assets	305	475	318	335	335	335	335	335
Differed Assets	1	1	2	-	-	-	-	-
Total	3,487	4,263	5,110	5,907	6,817	8,002	9,423	11,112
Liabilities and								
Current Liabilities								
Bank Loans	150	150	250	500	500	500	500	500
Notes and Accounts	510	727	656	940	1,061	1,177	1,311	1,463
Accrued Expenses	41	34	38	47	53	59	66	73
Income Taxes	137	215	177	120	135	150	167	187
Other Current Liabilities	197	280	518	263	297	329	367	409
Current Portion of Long-	460	500	621	715	715	715	715	715
Total Current Liabilities	1,495	1,906	2,260	2,585	2,762	2,931	3,126	3,348
Long-Term Debt								
Deferred Income Taxes	-	-	-	-	-	-	-	-
Termination and	-	-	-	-	-	-	-	-
Other Long-Term Liabilities	9	6	3	1	1	1	1	1
	1,222	1,234	1,448	1,783	1,783	1,783	1,783	1,783
Total Liabilities	2,116	2,496	2,840	3,154	3,331	3,500	3,695	3,917
Stockholders' Equity								
Common Stock	485	508	508	508	508	508	508	508
Additional Paid-in Capital	385	408	408	408	408	408	408	408
Legal Reserve	500	849	1,352	1,829	2,588	3,467	4,558	5,893
Retained Earnings	1	1	2	1	1	1	1	1
Treasury Stock	-	-	-	-	-	-	-	-
Total Stockholders' Equity	1,371	1,766	2,270	2,746	3,505	4,384	5,475	6,810
Accumulated other								
Comprehensive Income	-	1	-	1	(25)	112	247	380
Warrant	0	0	0	6	6	6	6	6
Minority Interests in	-	-	-	-	-	-	-	-
Total Stockholders' Equity	1,371	1,767	2,270	2,753	3,486	4,502	5,728	7,195
Total	3,487	4,263	5,110	5,907	6,817	8,002	9,423	11,112

Titlis Group Inc.

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

Phone: +81-3-4405-6223 Email: akimatsumoto@titlisgroup.com

<http://www.titlisgroup.com/>