

Syuppin (3179, JP)

Exchange: Tokyo Stock Exchange 1

Sector: Retail

Market Cap: JPY36.2 billion

P/B: 8.4x (3/18 act)

Recommendation: Outperform

Share Price: JPY1,513 (6/8/2018)

Target Price: JPY2,077

P/E: 28.9x (3/19 CE)

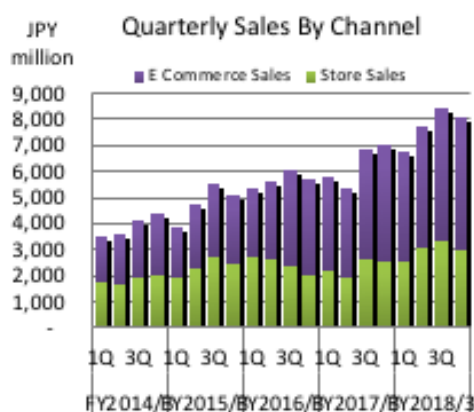
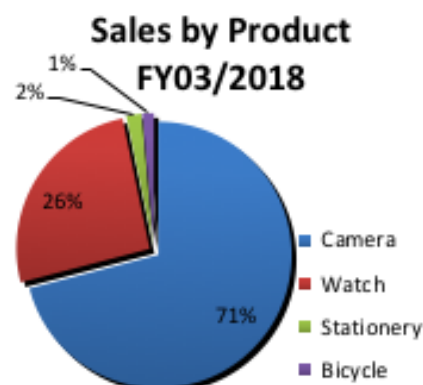
Div. Yield: 0.9% (3/19 CE)



Highlight - Share price looks undervalued on solid earnings growth in mid-term -

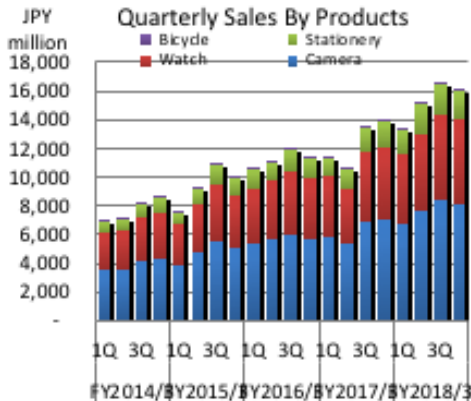
METRICAL upgraded Syuppin (3179, JP) to Outperform from Hold. TP has been revised upwardly to JPY2,077 from JPY1,544 (JPY3,088 before stock-split). The previous downgrade to Hold was due to temporarily sharp rise of stock price led by the investors' expectations of stock-split. The share price seems to be traded less-volatile after 4Q financial reporting in May and it would be a buy opportunity on its solid mid-term view.

Due to strong monthly sale in August and September of the previous year, the share price is likely to soft in the coming months, but after the months the monthly sale is very likely to move higher after October and moreover new marketing strategy will add sale in 2H FY3/2019. The earnings expansion is very likely led by Internet based sale for the mid-term. The appropriate marketing strategy will continue pull the earnings higher. The company focuses on the used item resale business and put solely the CFs to the core business. Growing FCFs raises its cash on hands after increasing cash dividends year by year. The solid growth in FCF will continue increasing the financial stability. While a number of used item retailers that run many real outlets suffer the threat of e-Commerce operator and C2C operator, Syuppin has lower such risk, as the company specializes relatively high-price goods and mostly sells on its web-site. Its business risk is also limited for the time being.



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. The sale by product, Camera is the largest of 71% of total sale, Watch is the 2nd largest sale of 26%, Stationery is 2% and Bicycle is 1%. The sale by channel, e-Commerce is expanding rapidly to 62% of total sales as of FY3/2018 from 57% for FY3/2016 (see chart 'Sales by Product', chart 'Quarterly Sales by Products' and chart 'Quarterly Sales By Channel' on left). 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 nearby its head office.

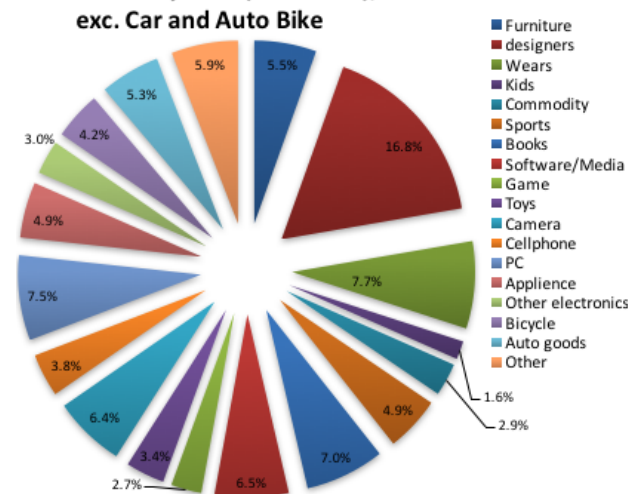


Industry Overview and Competitive Positioning

Industry Overview

Brand-new camera and peripheral market is estimated to be JPY168.5 billion (data source: Camera & Imaging Products Association, CIPA) and watch is JPY786.7 billion for CY2016 (data source: Japan Clock & Watch Association, JCWA). Brand-new Camera market in Japan for April-September 2017 recovered 22% from the previous year after slid due to earthquake in April 2016. On the reuse market, survey by Ministry of the Environment (MOE) reports, the 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. Please see chart 'Market size by Item' below.

Market size by Item (JPY Billion),



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 62% for FY3/2018.

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 overall camera market. However, Syuppin focuses on high-end camera, while compact camera market sharply has decreased and lens-interchangeable camera has maintained flat. Syuppin raised its camera sale 20% YoY for FY3/2018, gaining its market share and e-Commerce channel.

Opportunity

Focusing on Internet channel

As on the Industry Overview above, Internet channel of used Camera is accelerating to 75% from 66.7% from 3 years ago. Particularly, Internet channel is accelerating more rapidly. This is a tailwind for Syuppin that is strengthening e-Commerce business and raised Internet sale to 62% for FY3/2018.

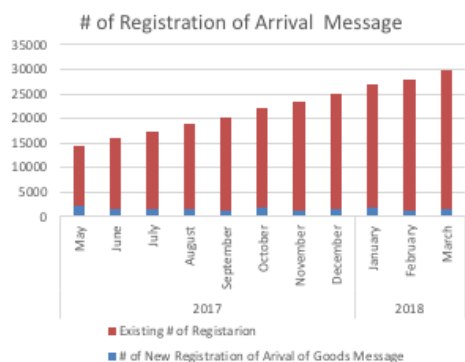
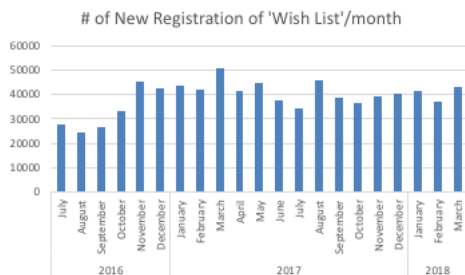
Higher growth and potential of used Camera

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 JPY102 billion for CY2017 in shipment to Japan which gained 8% YoY after the slid hit by Kumamoto earthquake a year ago. The used Camera market is much smaller and estimated to approximately JPY80 billion. The company aims to increase its market share to 30% from 10% right now. Brand-new Watch market is much larger of JPY786.7 billion for CY2016.

Threat

C to C business of smartphone flea market

As increasing number of young generation uses smartphone application, Internet flea market operators are growing business in line with the demand. 10 agers and 20 agers are more likely to use smartphone application than PC based web shopping. Furthermore, such a flea market is C to C business and lower cost than B to C operators like Syuppin. Those C to C flea market site is popular among younger customers. If this trend strengthens, it would be thereat for the company, although the company reinforces to release smartphone application going forward. Its many of the customers are 30 years old and develops wider range of customers, as senior customers buy expensive items. Expensive items are not good at C to C flea market operators, as customers buy/sell items through a reliable shop. 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. At this moment, the threat does not affect the company's business, while many real-stores based reuse operators suffer from C2C Internet based competitors. Syuppin benefits from the increasing trend of e-Commerce shopping and its strategy of synergy effect of selling both of used new models and focusing on expensive items.

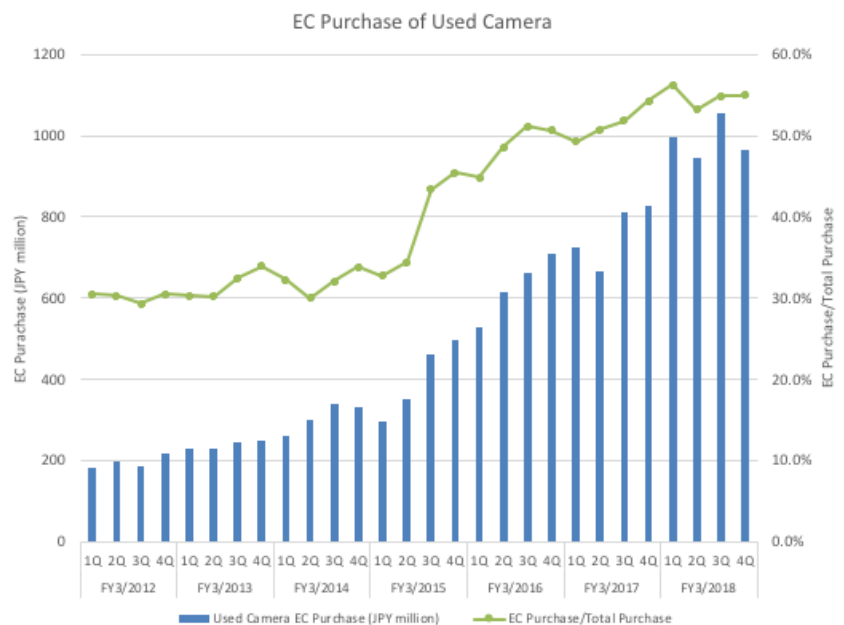


Enhanced Marketing Strategy

One to One Marketing

A new push sale has successfully started since October 2016, raising used e-Commerce sale. 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 'wish list' of Amazon. From January Syuppin has started notifying a customer who puts an item without stock in 'wish list' when the stock comes to. The number of new registration of 'wish list' maintains 40,000 on average per month (see chart of # of New Registration of 'Wish List' on left). The number of registration of arrival of goods message also increased more than 1,500 per month (see chart of # of Registration of Arrival Message on left). As a result, the number of active users has been growing since the 'One-To One Marketing' strategy launched in 3Q FY3/2017. Now, the marketing strategy is at the phase3 stage and Syuppin tries to enhance further sale for increasing conversion ratio. The strategy expects to a customer who is likely to fall in a trap or tired of choosing of the item that has recommended one another to buy his/her right item by notifying push-recommendation. The new recommendation will encourage such a customer to pick one of the most popular items or alternatives of his/her several choices.

The company aims to enhance the strategy further for 2H FY3/2019. At this phase, Syuppin tries to deliver camera fun 'place' after purchase of items and this will complete the virtuous cycle of pre-purchase, in-purchase and post-purchase and improve to personalize its e-commerce web site and offer more demanding information to customers. Consequently, this would help enhance camera market and raise its sale. Also, the company plans to provide coupon tickets that are customized for each customer who is likely to want. The following chart shows purchase of used camera by quarter through e-Commerce. The purchase is the driver of the sales growth of the company. The dollar amount of purchase and EC ratio to total purchase is rising quarter by quarter. This should raise the profit margins, too.



Business Outlook

Monthly Store Sale

May sale grew 12.7% YoY, but e-Commerce sale gained 17.1% YoY. The sale in August and September is likely to soft due to strong sale of +40% YoY for the same month of the previous year. However, the sale of the full year is expected to grow +12.7% YoY in total sale and +17% YoY in r-Commerce sale. This expectation is slightly lower than the company projection of +15% YoY in total sale and +17% YoY in e-Commerce sale. However, the new marketing strategy that is scheduled to launch for 2H FY3/2019 would increase the sale after 3Q.

Company Outlook for Full Year FY3/2019

The company posted its full year outlook as sale will be up 14.4% YoY to JPY35,381 million and OP, RP and NP are expected to gain 19.9% YoY to JPY1,842 million, 20.5% YoY to JPY1,833 million, 16.1% YoY to JPY1,250 million respectively.

METRICAL forecast for FY3/2019

The sale for the full year will continue growing but remain slightly lower than the company forecast, but profits are expected to be in line with the company forecast. The sales are expected to rise 12.1% YoY to JPY34,653 million and OP, RP and NP are expected to gain 19.2% YoY to JPY1,830 million, 19.4% YoY to JPY1,815 million, 14.2% YoY to JPY1,228 million respectively (see Appendix).

Mid-Term Outlook

Syuppin posted its mid-term projection in its MTP. Due to upbeat e-Commerce of +20% YoY, METRICAL expects the sales to keep solid growth of +13% YoY for FY3/2020 and FY3/2021 (see Appendix). Consumers are more likely to buy items at Internet than real store year by year. Furthermore, the mid-term projection does not include the positive effect of cross border e-Commerce as Syuppin launched the sale to e-Bay from 2Q FY3/2018 and will expand the business in US going forward. The sale to US has just started and remains small. The projection will reflect the effect when the business is expanding.

DCF - Shuppin (3179 JP)	JPY million
PV of SUM of FCF	2,024
PV of Terminal Value	49,852
Enterprise Value	51,876
Non Business Assets	0
Debt	2,160
Equity Value	49,716
Equity Value/Share	2,077

Valuation

DCF value has been revised upward on its positive outlook in mid-term view. EV/EBITDA will decline from 20.6x for FY3/2018 to 11.9x for FY3/2021 (E).

DCF

DCF valuation uses expected free cash flows from FY3/2019 (E) to FY3/2021 (E). The sales are expected on the scenario that sale keeps growing +13% YoY led by favorable e-Commerce sale in Japan (see Appendix). The DCF value was estimated based on the PV of expected FCFs for the next 3 years and the terminal value divided by WACC of 3.5% (see tables on left). In estimating Cost of Equity, 3.5% (=1/28.96, P/E for FY3/2019 (CE)). On this assumption, the valuation of DCF is estimated to be JPY2,077 a share.

WACC - Shuppin (3179 JP)	
Deabt	2,160
Equity Market Value	36,222
Risk free Rate	0.6%
Equity Risk Premium	5.0%
Beta	0.11
Cost of Debt	0.4%
Cost of Equity	3.5%
WACC	3.3%

EV/EBITDA

EV/EBITDA for FY3/2019 (E) is estimated to be 17.6x and will come down to 11.9x for FY3/2021 (E). Considering business outlook in particular prospective expansion of e-Commerce, mid-term growth of EBIDA is very likely. Also, comparing historical values of EV/EBITDA, 17.6x and 14.5x of EV/EBITDA for FY3/2019 (E) and FY3/2020 (E)

are close to the average value of 15.0x for past 3 years average from FY3/2014 to FY3/2018 (see Appendix).

Sum-of-the-Parts NAV

Assessing Sum-of-the-Parts NAV that adds business value (EBIT, EBITDA and FCF for FY3/2019 (E) to net cash (plus long-term investment), the sum of the parts NAV for FY3/2019 (E) is estimated to be JPY1,269 a share for FY3/2018 (see table below). The share price seems to discount future earnings beyond FY3/2018. Additionally, future NAV for FY3/2021 (E) that considers business value (EBIT, EBITDA and FCF for the period from FY3/2019 (E) to FY3/2021 (E) to net cash (plus long-term investment), the NAV for FY3/2021 (E) is estimated to be JPY1,896 a share. As mentioned above, EV/EBITDA will come down to FY3/2020 (E) and FY3/2021 (E). The share price is very likely to have discounted the earnings until FY3/2019 (E) or it would reflect the growth prospect beyond the period like FY3/2020 (E) and FY3/2021 (E).

NAVs:			NAVs:		
Sum of the parts NAV FY3/2018 (E):			Future NAV FY3/2021 (E):		
Camera	1,377	25x FCF	Camera	1,904	25x FCF
Watch	322	25x FCF	Watch	453	25x FCF
Stationery	26	25x FCF	Stationery	11	25x FCF
Bicycle	(1)	15x EBITDA	Bicycle	8	15x EBITDA
Adjustment	(413)	15x EBITDA	Adjustment	(482)	15x EBITDA
Cash	67	1x Book	Cash	109	1x Book
Investment	-	0.75x Book	Investment	-	0.75x Book
Land	-	0.75x Book	Land	-	0.75x Book
Debt	(107)	1x Book	Debt	(107)	1x Book
Minority Interest	-	1x Book	Minority Interest	-	1x Book
Total SOTP NAV	JPY 1,269	119.2%	Total Future NAV	JPY 1,896	79.7%

Financial Analysis

As shown table 'Key Financial Ratios' in Appendix, ROE of Syuppin is very high of more than 20%. This is mainly due to outstandingly high Asset Turnover, as the e-Commerce business does not need much tangible assets. Meantime, profit margin is improving year by year, as the sale increases the SGA expense/sale sharply decline in the business. The sale is expected to grow on track, the profit margin and ROE are expected to rise, too. The cash on hand will grow in its balance sheet and the business needs less CapEx and tangible assets, the room of cash dividend or share buyback is very likely to increase going forward. The financial risk is very limited.

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 reliability and quality of customer service of the company would reduce some of the risk.

Slower brand-new market (Likely, Middle 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 less than half size of new model market and the used market is rapidly growing in favor of 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 the market of brand-new items decreases, the 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. Syuppin strengthen e-Commerce, increasing its market share right now, but has started to enter US business for future growth.

Slower consumer spending (Less Likely, Low-Middle 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. This mind of consumers is 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 operators on smartphone (Likely, Middle Risk)

Smartphone based Internet shopping is accelerating in the world. Flea market operators on such devices are growing rapidly amid popular among younger generation. 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 that benefits from e-commerce channel, although the company plans to release smartphone appli in the next year. However,

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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.

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Appendix

FY2013, JPY million	Sales	COGS	COGS/S	Gross Profit	SGA	SGA/S	OP	OPM	RP	EBT	Tax	Minority	Net Profit	EPS	P/E
1Q(act)															
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	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(act)	7,014	-5,868	-83.7%	1,145	-882	-12.6%	262	3.7%	255	254	-80	0	174		
Full Year	24,996	-20,793	-83.2%	4,203	-3,105	-12.4%	1,096	4.4%	1,078	1,077	-336	0	740	44.19	34.24
Full Year (CE)	25,600	-21,211	-82.9%	4,389	-3,303	-12.9%	1,085	4.2%	1,070				724	60.50	25.01
FY2018/3 (E)	Sales	COGS	COGS/S	Gross Profit	SGA	SGA/S	OP	OPM	RP	EBT	Tax	Minority	Net Profit		
1Q	6,743	-5,592	-83.1%	1,151	-832	-12.4%	319	4.7%	316	316	-98	0	218		
2Q	7,690	-6,424	-82.6%	1,266	-849	-13.3%	417	5.4%	414	414	-129	0	285		
3Q	8,394	-7,014	-83.6%	1,381	-888	-10.6%	492	5.9%	488	489	-151	0	337		
4Q	8,094	-6,786	-83.8%	1,307	-999	-12.3%	308	3.8%	303	301	-65	0	236		
Full Year (E)	30,921	-25,816	-83.5%	5,105	-3,568	-11.5%	1,536	5.0%	1,521	1,520	-443	0	1,076	44.19	34.24
Full Year (CE)	28,429		0.0%			0.0%	1,402	4.9%	1,387				950		
FY2019/3 (E)	Sales	COGS	COGS/S	Gross Profit	SGA	SGA/S	OP	OPM	RP	EBT	Tax	Minority	Net Profit		
1Q(E)	7,562	-6,275	-83.1%	1,287	-918	-12.1%	369	4.9%	365	365	-118	0	247		
2Q(E)	7,248	-5,954	-82.6%	1,294	-939	-13.0%	355	4.9%	351	351	-114	0	238		
3Q(E)	9,789	-8,147	-83.6%	1,642	-1,006	-10.3%	636	6.5%	632	632	-204	0	428		
4Q(E)	10,054	-8,372	-83.8%	1,682	-1,211	-12.0%	471	4.7%	467	467	-151	0	316		
Full Year (E)	34,653	-28,749	-83.0%	5,905	-4,074	-11.8%	1,830	5.3%	1,815	1,815	-587	0	1,228	51.31	29.49
Full Year (CE)	35,381	-29,367	-83.0%	6,014	-4,171	-11.8%	1,842	5.2%	1,833				1,251	52.25	28.96
FY2020/3 (E)	Sales	COGS	COGS/S	Gross Profit	SGA	SGA/S	OP	OPM	RP	EBT	Tax	Minority	Net Profit		
1Q(E)	8,645	-7,170	-83.1%	1,475	-1,011	-11.7%	464	5.4%	460	460	-149	0	311		
2Q(E)	9,629	-7,877	-82.6%	1,752	-1,204	-12.5%	548	5.7%	544	544	-176	0	368		
3Q(E)	10,720	-8,927	-83.6%	1,793	-1,054	-9.8%	739	6.9%	736	736	-238	0	498		
4Q(E)	10,261	-8,569	-83.8%	1,692	-1,190	-11.6%	503	4.9%	499	499	-161	0	338		
Full Year (E)	39,255	-32,543	-82.9%	6,712	-4,458	-11.4%	2,254	5.7%	2,239	2,239	-724	0	1,515	63.27	23.91
Full Year (CE)	40,896	-33,946	-83.0%	6,950	-4,683	-11.5%	2,268	5.5%	2,259				1,548		
FY2021/3 (E)	Sales	COGS	COGS/S	Gross Profit	SGA	SGA/S	OP	OPM	RP	EBT	Tax	Minority	Net Profit		
1Q(E)	9,787	-8,118	-83.1%	1,669	-1,101	-11.2%	568	5.8%	564	564	-183	0	382		
2Q(E)	10,896	-8,915	-82.6%	1,981	-1,313	-12.1%	667	6.1%	664	664	-215	0	449		
3Q(E)	12,137	-10,109	-83.6%	2,028	-1,138	-9.4%	890	7.3%	886	886	-287	0	600		
4Q(E)	11,615	-9,691	-83.8%	1,924	-1,294	-11.1%	630	5.4%	626	626	-202	0	424		
Full Year (E)	44,436	-36,834	-82.9%	7,602	-4,846	-10.9%	2,755	6.2%	2,740	2,740	-886	0	1,854	77.45	19.54
Full Year (CE)	47,053	-39,040	-83.0%	8,013	-5,153	-11.0%	2,860	6.1%	2,854				1,955		

(Source) Syuppin, METRICAL

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METRICAL INC.

corporate governance, investment research & solutions

	2013/3	2014/3	2015/3	2016/3	2017/3	2018/3	2019/3 (E)	2020/3 (E)	2021/3 (E)
Assets									
Current Assets									
Cash and Cash Equivalents	571	441	492	506	644	1,268	1,603	1,989	2,620
Short-Term Investments	-	-	-	-	-	-	-	-	-
Notes and Accounts	844	1,049	917	1,327	1,612	1,851	2,074	2,350	2,660
Allowance for Doubtful	-	(1)	(1)	(1)	(1)	-	-	-	-
Inventories	1,362	1,790	2,222	2,757	3,209	4,194	4,700	5,324	6,027
Deferred Income Taxes	52	81	75	61	89	106	119	135	152
Other Current Assets	123	115	319	255	174	379	425	481	545
Total Current Assets	2,952	3,475	4,024	4,905	5,727	7,798	8,922	10,279	12,004
Property, Plant and									
Land									
Buildings	129	114	138	139	142	162	274	386	498
Machinery and Equipment	136	144	176	184	187	200	338	476	614
Construction in Progress	-	-	-	-	-	-	-	-	-
Total	265	258	314	323	329	362	612	862	1,112
Accumulated Depreciation	(156)	(156)	(155)	(186)	(206)	(225)	(380)	(536)	(691)
Net Property, Plant and	109	102	159	137	123	137	232	326	421
Software & Other									
Goodwill	120	210	607	530	468	443	443	443	443
	-	-	-	-	-	-	-	-	-
	120	210	607	530	468	443	443	443	443
Other Assets									
Investments in and Investment Securities	-	-	-	-	-	-	-	-	-
Software & Others	-	-	-	-	-	-	-	-	-
Deferred Income Taxes	-	-	7	6	4	4	4	4	4
Other	305	475	311	329	352	398	398	398	398
Total Other Assets	305	475	318	335	356	402	402	402	402
Differed Assets	1	1	2	-	-	-	-	-	-
Total	3,487	4,263	5,110	5,907	6,674	8,780	9,998	11,450	13,270
Liabilities and Stockholders'									
Current Liabilities									
Bank Loans	150	150	250	500	800	1,000	1,000	1,000	1,000
Notes and Accounts	510	727	656	940	823	1,045	1,171	1,327	1,502
Accrued Expenses	41	34	38	47	47	63	71	80	91
Income Taxes	137	215	177	120	267	301	337	382	433
Other Current Liabilities	197	280	518	263	389	470	527	597	675
Current Portion of Long-Term Debt	460	500	621	715	628	474	474	474	474
Total Current Liabilities	1,495	1,906	2,260	2,585	2,954	3,353	3,580	3,859	4,174
Long-Term Debt									
Deferred Income Taxes	612	584	577	568	322	1,095	1,095	1,095	1,095
Termination and	-	-	-	-	-	-	-	-	-
Other Long-Term Liabilities	9	6	3	1	1	1	1	1	1
	1,222	1,234	1,448	1,783	1,750	2,569	2,569	2,569	2,569
Total Liabilities	2,116	2,496	2,840	3,154	3,277	4,449	4,676	4,955	5,270
Stockholders' Equity									
Common Stock	485	508	508	508	508	508	508	508	508
Additional Paid-in Capital	385	408	408	408	408	408	408	408	408
Legal Reserve	500	849	1,352	1,829	2,474	3,408	4,636	6,151	8,005
Retained Earnings	1	1	2	1	2	1	1	1	1
Treasury Stock	-	-	-	-	-	-	-	-	-
Total Stockholders' Equity	1,371	1,766	2,270	2,746	3,392	4,325	5,553	7,068	8,922
Accumulated other									
Comprehensive Income	-	1	-	1	1	-	(237)	(579)	(928)
Warrant	0	0	0	6	6	6	6	6	6
Minority Interests in	-	-	-	-	-	-	-	-	-
Total Stockholders' Equity	1,371	1,767	2,270	2,753	3,399	4,331	5,322	6,495	8,000
Total	3,487	4,263	5,110	5,907	6,676	8,780	9,998	11,450	13,270

METRICAL INC.

corporate governance, investment research & solutions

FY JPY million	Camera			Watch			Stationary			Bicycle			Adjustment		Total	
	Sales	OP	OPM	Sales	OP	OPM	Sales	OP	OPM	Sales	OP	OPM	Sales	OP	Sales	OP
1Q(act)	2,560	220	8.6%	800	53	6.6%	70	4	5.7%	79	-7	-8.9%	-98		3,509	172
2Q(act)	2,689	211	7.8%	751	29	3.9%	70	1	1.4%	87	-11	-12.6%	-101		3,597	129
3Q(act)	2,993	262	8.8%	994	48	4.8%	82	6	7.3%	76	-1	-1.3%	-97		4,145	218
4Q(act)	3,091	293	9.5%	1,095	42	3.8%	87	4	4.6%	78	-4	-5.1%	-153		4,351	182
Full Year	11,333	986	8.7%	3,640	172	4.7%	309	15	4.9%	320	-23	-7.2%	-449		15,602	701
FY JPY million	Sales	OP	OPM	Sales	OP	OPM	Sales	OP	OPM	Sales	OP	OPM	Sales	OP	Sales	OP
1Q(act)	2,890	236	8.2%	774	14	1.8%	85	5	5.9%	94	-5	-5.3%	-131		3,843	119
2Q(act)	3,379	285	8.4%	1,132	41	3.6%	92	9	9.8%	99	-3	-3.0%	-110		4,702	222
3Q(act)	3,868	362	9.4%	1,491	88	5.9%	96	7	7.3%	81	-5	-6.2%	-104		5,536	348
4Q(act)	3,621	326	9.0%	1,283	74	5.8%	90	0	0.0%	89	-2	-2.2%	-201		5,083	197
Full Year	13,758	1,209	8.8%	4,680	217	4.6%	363	21	5.8%	363	-15	-4.1%	-546		19,164	886
FY2016/3	Sales	OP	OPM	Sales	OP	OPM	Sales	OP	OPM	Sales	OP	OPM	Sales	OP	Sales	OP
1Q(act)	3,885	292	7.5%	1,259	51	4.1%	96	5	5.2%	96	-1	-1.0%	-160		5,336	187
2Q(act)	4,098	301	7.3%	1,303	72	5.5%	118	19	16.1%	105	3	2.9%	-151		5,624	244
3Q(act)	4,358	318	7.3%	1,449	69	4.8%	134	19	14.2%	76	-4	-5.3%	-164		6,017	238
4Q(act)	4,231	257	6.1%	1,290	39	3.0%	122	11	9.0%	83	-5	-6.0%	-140		5,726	162
Full Year	16,572	1,168	7.0%	5,301	231	4.4%	470	54	11.5%	360	-7	-1.9%	-615		22,703	831
FY2017/3 (E)	Sales	OP	OPM	Sales	OP	OPM	Sales	OP	OPM	Sales	OP	OPM	Sales	OP	Sales	OP
1Q(act)	4,351	342	7.9%	1,225	44	3.6%	118	11	9.3%	83	0	0.0%	-146		5,777	251
2Q(act)	3,833	298	7.8%	1,344	60	4.5%	122	13	10.7%	84	-5	-6.0%	-145		5,383	221
3Q(act)	4,904	407	8.3%	1,696	97	5.7%	139	14	10.1%	82	-5	-6.1%	-151		6,821	362
4Q(act)	5,042	395	7.8%	1,747	106	6.1%	132	8	6.1%	90	-4	-4.4%	-243		7,011	262
Full Year	18,130	1,442	8.0%	6,012	307	5.1%	511	46	9.0%	339	-14	-4.1%	-685		24,992	1,096
Full Year (CE)	18,790			5,873			537			398					25,600	1,085
FY2018/3 (E)	Sales	OP	OPM	Sales	OP	OPM	Sales	OP	OPM	Sales	OP	OPM	Sales	OP	Sales	OP
1Q(act)	4,830	388	8.1%	1,679	86	3.8%	140	13	9.5%	94	-2	0.0%	-166		6,743	319
2Q(act)	5,308	433	8.0%	2,141	142	4.7%	141	9	10.9%	100	2	-6.0%	-169		7,690	417
3Q(act)	5,944	524	8.8%	2,174	145	6.7%	155	8	5.2%	121	-3	-2.5%	-182		8,394	492
4Q(E)	5,855	488	8.3%	1,980	102	5.2%	137	9	6.6%	121	-1	-0.8%	-289		8,093	309
Full Year (E)	21,937	1,833	8.4%	7,974	475	6.0%	573	39	6.8%	436	-4	-9.3%	0	-806	30,920	1,537
Full Year (CE)	20,400			7,016			618			395					28,429	1,387
FY2019/3 (E)	Sales	OP	OPM	Sales	OP	OPM	Sales	OP	OPM	Sales	OP	OPM	Sales	OP	Sales	OP
1Q(E)	5,480	458	8.4%	1,954	80	4.1%	28	3	9.8%	100	2	0.0%	-174		7,562	369
2Q(E)	5,258	435	8.3%	1,863	92	5.0%	27	3	11.2%	100	2	-6.0%	-177		7,248	355
3Q(E)	7,045	642	9.1%	2,598	181	7.0%	32	2	5.5%	115	2	-2.5%	-191		9,789	636
4Q(E)	7,231	624	8.6%	2,675	146	5.5%	32	2	6.9%	117	2	-0.8%	-303		10,054	471
Full Year (E)	25,013	2,160	8.6%	9,089	499	5.5%	119	10	8.2%	432	8	-9.3%	0	-846	34,653	1,830
Full Year (CE)	25,251			9,128			621			480					35,480	1,842
FY2020/3 (E)	Sales	OP	OPM	Sales	OP	OPM	Sales	OP	OPM	Sales	OP	OPM	Sales	OP	Sales	OP
1Q(E)	6,246	541	8.7%	2,269	100	4.4%	30	3	10.0%	100	3	0.0%	-183		8,645	464
2Q(E)	6,913	593	8.6%	2,544	134	5.3%	31	4	11.4%	140	4	-6.0%	-186		9,629	548
3Q(E)	7,713	726	9.4%	2,873	209	7.3%	33	2	5.7%	100	3	-2.5%	-201		10,720	739
4Q(E)	7,375	659	8.9%	2,734	157	5.8%	32	2	7.1%	120	3	-0.8%	-319		10,261	503
Full Year (E)	28,352	2,519	8.9%	10,421	600	5.8%	127	11	8.5%	460	13	-9.3%	0	-889	39,255	2,254
Full Year (CE)	29,163			10,497			696			540					40,896	2,268
FY2021/3 (E)	Sales	OP	OPM	Sales	OP	OPM	Sales	OP	OPM	Sales	OP	OPM	Sales	OP	Sales	OP
1Q(E)	7,054	632	9.0%	2,602	122	4.7%	32	3	10.2%	100	3	0.0%	-192		9,787	568
2Q(E)	7,810	693	8.9%	2,913	162	5.6%	34	4	11.6%	140	4	-6.0%	-196		10,896	667
3Q(E)	8,716	847	9.7%	3,286	249	7.6%	36	2	5.9%	100	3	-2.5%	-211		12,137	890
4Q(E)	8,332	769	9.2%	3,128	189	6.1%	35	3	7.3%	120	3	-0.8%	-335		11,615	630
Full Year (E)	32,105	2,941	9.2%	11,928	722	6.1%	136	12	8.6%	460	13	-9.3%	0	-933	44,436	2,755
Full Year (CE)	33,926			11,738			780			609					47,053	2,850

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Cash Flow Analysis:	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18	Mar-19(E)	Mar-20(E)	Mar-21(E)		
Net Income	231	390	563	560	740	1,076	1,228	1,515	1,854		
Dep.	49	65	84	189	197	196	200	200	200		
Amortization	0	0	0	0	0	0	0	0	0		
Other non-cash charge	54	41	-121	2	303	-138	0	0	0		
Changes in WC	-249	-417	-369	-661	-852	-1,000	-604	-744	-838		
Op. Cash Flow	85	79	157	90	388	134	825	971	1,216		
Per share	JPY 16.22	JPY 13.33	JPY 13.12	JPY 7.52	JPY 32.41	JPY 5.60	JPY 34.45	JPY 40.55	JPY 50.81		
Capex	-129	-225	-262	-333	-104	-184	-250	-250	-250		
Free Cash Flow	-44	-146	-105	-243	284	-50	575	721	966		
Per share	(JPY 8.40)	(JPY 24.63)	(JPY 8.77)	(JPY 20.30)	JPY 23.73	(JPY 2.09)	JPY 24.01	JPY 30.10	JPY 40.37		
Beginning Cash	380	571	441	492	506	644	1,268	1,603	1,989		
DCF - Syuppin (3179 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
Camera											
Sales		9,176	11,333	13,758	16,572	18,130	21,937	25,013	28,352	32,105	107,406
EBIT		720	986	1,209	1,168	1,442	1,833	2,160	2,519	2,941	9,453
Dep		23	37	51	61	64	63	65	65	65	257
Watch											
Sales	0	2,838	3,640	4,680	5,301	6,012	7,974	9,089	10,421	11,928	39,412
EBIT	0	83	172	217	231	307	475	499	600	722	2,296
Dep	0	9	8	10	10	10	10	11	11	11	42
Capex	0	0	0	-5	-4	-1	-1	-2	-2	-2	-7
Stallionery											
Sales	0	223	310	364	471	511	573	119	127	136	955
EBIT	0	0	15	21	55	46	39	10	11	12	71
Dep	0	2	2	2	3	3	3	3	3	3	13
Capex	0	0	0	-1	-1	-0	-0	-0	-0	-0	-2
Bicycle											
Sales	0	224	320	363	361	339	436	432	460	460	1,788
EBIT	0	-27	-23	-15	-7	-14	-4	8	13	13	30
Dep	0	1	4	1	1	1	1	1	1	1	4
Capex	0	0	-25	-1	-1	-0	-0	-0	-0	-0	-2
Adjustment											
Sales	0	0	0	0	0	0	0	0	0	0	0
EBIT	0	-387	-449	-546	-615	-685	-806	-846	-889	-933	-3,474
Dep	0	14	14	20	114	119	118	121	121	121	480
Capex	0	-16	-115	-122	-462	-95	-168	-228	-228	-228	-853
Total (Wkg Capital)											
Wkg Capital	0	-249	-417	-369	-661	-852	-1,000	-604	-744	-838	
OCF	0	85	79	157	90	388	134	825	971	1,216	3,146
Capex	0	-129	-225	-262	-333	-104	-184	-250	-250	-250	-934
FCF	0	-44	-146	-105	-243	284	-50	575	721	966	2,212

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	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18	Mar-19(E)	Mar-20(E)	Mar-21(E)
Avg. Mkt. Ca	JPY 5,750	JPY 15,044	JPY 18,087	JPY 18,111	JPY 36,222	JPY 36,222	JPY 36,222	JPY 36,222
EV	JPY 6,543	JPY 16,000	JPY 19,364	JPY 19,217	JPY 37,523	JPY 37,188	JPY 36,802	JPY 36,171
EV/EBITDA	7.70	15.18	17.52	13.96	20.66	17.59	14.50	11.90
EV*	JPY 6,543	JPY 16,000	JPY 19,364	JPY 19,217	JPY 37,523	JPY 37,188	JPY 36,802	JPY 36,171
EV*/EBITDA	7.70	15.18	17.52	13.96	20.66	17.59	14.50	11.90
EV/EBIT	9.33	18.06	23.27	17.53	24.43	20.32	16.33	13.13
EV/FCF	-44.82	-152.38	-79.69	67.67	-750.47	64.69	51.07	37.43

Key Financial Ratios	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18	Mar-19(E)	Mar-20(E)	Mar-21(E)
ROE		24.94%	27.91%	22.31%	24.09%	28.12%	26.07%	26.58%	26.70%
Gross Margin	18.86%	18.75%	17.47%	16.42%	16.81%	16.51%	17.04%	17.10%	17.11%
EBITDA Margin	4.19%	5.45%	5.50%	4.87%	5.51%	5.87%	6.10%	6.46%	6.84%
EBIT Margin	3.12%	4.49%	4.62%	3.66%	4.38%	4.97%	5.28%	5.74%	6.20%
Return on Assets	6.64%	9.15%	11.02%	9.48%	11.10%	12.35%	12.49%	13.53%	14.35%
Return on Fixed Asse	211.93%	382.35%	354.09%	408.76%	540.15%	785.40%	896.63%	1105.68%	1353.38%
Revenue / Assets	358.31%	366.10%	375.22%	384.37%	374.93%	354.88%	352.29%	350.68%	343.95%
Depreciation / Capex	37.98%	28.89%	32.06%	56.76%	189.42%	106.52%	80.00%	80.00%	80.00%
Depn / Sales	0.39%	0.42%	0.44%	0.83%	0.79%	0.63%	0.58%	0.51%	0.45%
Capex / Sales	1.04%	1.44%	1.37%	1.47%	0.42%	0.60%	0.72%	0.64%	0.56%
Depn / Net FA	44.95%	63.73%	52.83%	137.96%	143.80%	143.07%	145.99%	145.99%	145.99%
Asset / Equity	2.55	2.41	2.25	2.15	1.97	2.04	1.91	1.79	1.69
Equity / Asset	39.16%	41.44%	44.40%	46.61%	50.85%	48.94%	52.47%	55.73%	59.21%
Total Debt / EBITDA	2.34	1.45	1.37	1.61	1.27	1.41	1.21	1.01	0.85