

GMT Research Accounting Screen



Short Name	Asics Corp	Description:	Relevant GMT Research Reports (please go to our website and login):
GICS Ind Name	Textiles, Apparel & Luxury Goods	ASICS CORPORATION manufactures general sporting goods and equipment. The Company's products, such as athletic shoes and sportswear, are distributed in the United States, Europe, Australia, and Asia.	
GICS Industry	252,030		
Cntry of Dom	JP		
Most Recent Balance Sheet Period	2017 Y		
Ticker	7936 JP		
Latest Period	Y		Short-Seller's Report (for Asian companies only)
Current Fiscal Year	2017		
Well known auditor:	Shin Nihon		Summary of accounting risk for Y/FY17
Numbe of auditors in past 5yrs:	1		- Profit manipulation Low risk: Montier.
Country of incorporation:	Country of incorporation (Japan) is same as domicile (Japan).		- Financial position Strong: Piotroski.
Country of financials:	Currency of financials (Japanese Yen) is same as country of risk (Japan).		- General accounting Clean accounting with just 8 red flags
			- Shenanigans No evidence
			= Accounting risk: Low
Profit Manipulation		Latest financials complete	This spreadsheet expires on 30th June 2018, in 66 days.
Profit Manipulation: Beneish M-Score (See App 1)		Beneish M-Score of -2.84 in Y/FY17 suggests no profit manipulation.	
Cooking the Books: Montier's C-Score (App 2)		A C-Score of 0/6 implies improving financials and unlikely manipulating profit.	
Financial Position			
Strength of Financial Position: Piotroski F-Score (App 3)		An F-Score of 6/9 suggests financials are improving.	
Risk of Default: Altman Z-Score (App 4)		An Altman Z-Score of 4.21 is in the Safe Zone: Financially sound.	
Accounting Shenanigans			
Acquisition Accounting (App 5)	Global screen	No evidence of acquisition accounting.	
Window Dressing (App 6)		No evidence of window dressing.	
Fake Cash Fraud: Overly profitable (App 7)	Global screen	Scores 0/4 in Y/FY17. 64% of companies score similarly and just 2.4% of frauds. Rest easy. Triggered Fake Cash Flow in last 5yrs?: None	
Excess Capital Raising (App 8)	Global screen	Net flows over 5yrs at 3% of Sales are normal.	
Debt Reconciliation (App 9)	Global screen	Material unreconcilable change of debt in 3 of the last 5 years.	
Other Financial Items			
Number of Red Flags (Out of a possible 75)		Triggers 8 red flags in the last financial period which is low.	
Cash Balance		Cash & STI of JPY81.3bn is within normal range.	
Restricted Cash		Restricted Cash of JPY0bn is within normal range.	
Receivables		Receivables of JPY69.7bn are equal to 17% of Sales which is in within normal range.	
Doubtful Debts		No delinquencies have been reported.	
Payables		Large Payables of JPY55.9bn are within normal range.	
Inventory		Inventories of JPY86.4bn are equal to 22% of Sales which is within normal range.	
Profit Manipulation: Gross Working Capital		No evidence of profit/cash flow manipulation through working capital.	
Cash Extraction Fraud: Prepaid Expenses		No evidence of illegal cash extraction fraud.	
Capitalisation of Expenses		na	
Affiliate Investments		Investments in Associates of JPY0.2bn are equal to 0% of equity and 0% of OP, within normal range.	
Auditing Costs		Auditing expenses of 2.2bp of sales are unusually low in the 16%ile relative to peers, suggesting a poor audit.	
Deferred Tax Assets		Large Deferred Tax Assets/Sales of 3% in the 82%ile relative to peers, might reflect losses at subsidiaries or of Acquisition Accounting.	
Deferred Tax Liabilities		Deferred Tax Liabilities/Sales of 5% are within normal range.	
Derivatives		Derivatives equal to 1% of equity within normal range.	
Other Large Curious Assets and/or Liabilities		Within normal range.	
Depn & Amort		Within normal range.	
Interest Cover		EBIT Interest Cover of 34x is within normal range.	
Leverage		Total Debt/Profit of 4.6x and assets to equity of 1.7x are within normal range.	
Related Party Fraud		No evidence of related party transactions.	
Other Tests:		No or new CFO. Unable to reconcile 67% of other comprehensive income which is unusually high. Other comprehensive income is -69% of income which is unusually high. Gross Margin volatility is unusually low at 2.9% in the 19%ile relative to peers which is sometimes a trait of frauds.	

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Ratios		Asics Corp Ratios			Ratio Change		Peer Group Comparison Ratios				Percentiles and Red Flags			Red Flag Comment
	Country	Y/FY17	Y/FY16	Y/FY14	-1yr Chg	-3yr Chg	20th %ile	50th %ile	80th %ile	No of Peers	Y/FY17	-1yr Chg	-3yr Chg	
Balance Sheet: Assets														
Av Cash & Equiv./Sales (%)	GICS Industry	18.7	15.7	15.3	+3.0	+3.4	3.2	10.4	24.0	379	71%	-28%	-18%	
Unrestricted Cash/COGS (%)	GICS Industry	36.5	29.0	31.8	+7.5	+4.7	5.1	16.6	40.3	314	77%	-4%	+2%	
ST Investments/Sales FY (%)	GICS Industry	0.5	1.0	1.1	-0.5	-0.5	0.1	1.6	8.5	172	34%	-24%	-19%	ST Investments/Sales FY (%) present.
Av. Trade & Notes Rec/Sales (%)	GICS Industry	17.2	17.6	22.4	-0.3	-5.2	7.2	12.1	20.0	356	73%	-16%	-45%	
Delinquent AR/AR (%)	Global	na	na	na	na	na	0.9	5.9	22.7	1,912	na	na	na	
Av. Inventory/Sales (%)	GICS Industry	21.6	22.1	24.6	-0.5	-3.0	13.0	19.6	29.8	375	57%	-11%	-29%	
Inventory Days	GICS Industry	147	154	135	-7	+12	62	103	187	314	70%	-32%	+13%	
Finished Goods/Inventory (%)	GICS Industry	99	99	99	-0.2	+0.1	33	60	89	417	93%	-13%	-15%	Finished Goods/Inventory (%) high.
Av. Other ST Assets/Sales (%)	GICS Industry	5.6	7.4	4.8	-1.8	+0.8	2.0	3.6	7.4	376	71%	-41%	+12%	
PPE/Sales (%)	GICS Industry	9.8	9.7	10.5	+0.2	-0.7	9.2	22.8	45.7	360	22%	+3%	-8%	
Affiliate Inv/Equity (%)	Global	0.1	0.1	0.2	-0.0	-0.1	0.5	3.0	13.1	7,896	6%	+3%	-7%	
LT Inv & Rec/Sales (%)	GICS Industry	3.5	2.9	2.2	+0.6	+1.3	0.2	1.5	10.0	249	62%	+26%	+18%	
Deferred Tax Assets/Sales FY (%)	GICS Industry	3.1	3.1	2.5	+0.0	+0.6	0.2	0.9	2.7	277	82%	-7%	+16%	Deferred Tax Assets/Sales FY (%) high.
Prepaid Expenses/Sales (%)	GICS Industry	0.0	0.0	0.0	+0.0	+0.0	0.3	1.3	3.4	167	na	na	na	
Prepaid Expenses/Inventory (%)	GICS Industry	0.0	0.0	0.0	+0.0	+0.0	1.2	3.7	10.7	99	na	na	na	
Intangibles/Sales FY (%)	GICS Industry	6.6	6.9	5.1	-0.3	+1.4	0.1	1.0	9.2	316	75%	-36%	+24%	
Av. Other LT Assets/Sales FY (%)	GICS Industry	1.7	2.8	1.9	-1.1	-0.2	0.4	1.8	5.8	332	48%	-39%	-23%	
Av. Assets/Sales (%)	GICS Industry	86	86	85	+0.4	+1.0	65.5	95.1	139.4	380	41%	-7%	-10%	
Balance Sheet: Liabilities and Equity														
Av. Payables (Trade, Bills, Accr/Sales (%)	GICS Industry	12.6	11.6	14.1	+1.0	-1.5	5.3	10.0	15.5	379	64%	+24%	-25%	
Trade Payable Days	GICS Industry	45	44	50	+1.6	-4.7	24.5	45.6	81.5	348	49%	+6%	-24%	
ST Debt/Total Debt (%)	GICS Industry	10	13	20	-2.4	-10.2	37.0	69.8	100.0	342	6%	-13%	-16%	
Av. Other ST Liabs/Sales (%)	GICS Industry	3.1	2.5	3.4	+0.6	-0.3	3.8	6.8	10.9	380	13%	+20%	-14%	
Av. Deferred Tax Liab/Sales FY (%)	GICS Industry	4.7	5.9	3.2	-1.2	+1.5	0.7	3.6	12.1	256	56%	-47%	+34%	Risen over 3yrs.
Av. Other LT Liabs/Sales (%)	GICS Industry	3.2	2.2	3.5	+1.0	-0.3	0.4	1.8	5.1	298	66%	+20%	-28%	
Preferred Equity/Equity (%)	Global	0.0	0.0	0.0	+0.0	+0.0	0.2	5.1	20.7	908	na	na	na	
Minority/Total Equity (%)	Global	0.7	0.5	0.7	+0.2	+0.0	0.3	2.4	11.4	9,628	30%	+18%	+2%	
Assets/Equity (x)	GICS Industry	1.7	1.7	2.0	+0.0	-0.3	1.4	1.8	2.6	373	45%	+13%	-25%	
Balance Sheet: Other														
Av. GFA/D&A (yrs)	GICS Industry	7.6	8.3	10.0	-0.7	-2.4	8.4	14.3	22.8	371	15%	-26%	-38%	
Restricted Cash/Equity (%)	GICS Industry	0.0	0.0	0.0	+0.0	+0.0	0.1	0.3	5.9	60	na	na	na	
Cash Conversion Cycle (Days)	GICS Industry	165	175	167	-10	-2	70.6	110.2	186.0	312	74%	-33%	-7%	
Av. Gross Working Capital/Sales (%)	GICS Industry	60.6	63.6	65.9	-3.0	-5.3	40.4	53.6	72.2	379	63%	-30%	-31%	
Contingent Liab/Equity (%)	GICS Industry	27.3	17.5	13.5	+9.8	+13.8	2.0	13.6	59.2	253	66%	+37%	+35%	Risen over 1yr. Risen over 3yrs.
Pension Liabilities/Equity (%)	Global	2.9	2.4	5.4	+0.5	-2.5	0.7	2.8	10.0	7,570	50%	+24%	-35%	
Net Derivatives/Equity (%)	Global	1.4	8.1	1.4	-6.7	+0.1	-1.4	0.0	1.1	2,405	82%	-46%	+0%	
Return on Production Assets (%)	GICS Industry	15.5	19.4	25.8	-3.9	-10.3	4.5	14.9	33.7	382	51%	+17%	+25%	
Non-Prod. Assets/COGS FY (%)	GICS Industry	86.2	83.2	3.0	+3.0	+83.2	34.6	67.1	132.2	299	63%	+7%	-40%	Risen over 3yrs.
Gross Debt/Profit (x)	GICS Industry	4.6	4.1	4.7	+0.4	-0.2	0.9	4.0	13.7	306	53%	+10%	-10%	
Income Statement														
Sales/Employee (US\$)	GICS Industry	415,566	467,971	499,466	-52,405	-83,900	56,779	148,854	359,649	286	83%	+41%	+37%	Sales/Employee (US\$) high. Fallen over 1yr. Fallen over 3yrs.
Gross Margin (%)	GICS Industry	45.8	44.2	43.8	+2	+2	15	30	52	322	71%	-5%	-9%	
GM Volatility 5yrs (%)	GICS Industry	2.9					2.9	6.3	20.0	303	19%			GM Volatility 5yrs (%) low.
Other Op Y/Op Y (%)	GICS Industry	0.0	0.0	0.0	+0.0	+0.0	1.8	6.4	20.7	119	na	na	na	
D&A/Sales T12M (%)	GICS Industry	2.7	2.4	2.1	+0.3	+0.6	1.4	2.8	4.7	376	53%	-21%	-19%	
Operating Margin T12M (%)	GICS Industry	4.9	6.4	8.1	-1.5	-3.2	2.8	7.2	14.9	374	35%	+21%	+23%	
Non-Op Y/Op Y (%)	GICS Industry	14.5	10.2	7.1	+4.3	+7.4	2.9	10.4	36.5	329	59%	+18%	+19%	
FFF Int Rate less MLR (ppt)	Country	-0.1	0.1	0.2	-0.3	-0.3	-0.4	0.1	0.8	1,937	34%	-37%	-28%	
Cash Return less Policy Rate (ppt)	Country	-0.3	-0.3	-0.2	-0.0	-0.1	-1.2	-1.0	-0.3	1,935	79%	-25%	-38%	Fallen over 3yrs.
Affil Y/Op Y (%)	Global	0.0	0.0	0.0	+0.0	+0.0	0.3	2.2	11.9	6,391	na	na	na	
Eff Tax Rate (%)	Country	39.4	28.5	37.7	+10.9	+1.6	30.6	39.4	47.8	1,976	49%	+35%	+21%	Risen over 1yr.
CF Tax/IS Tax (%)	GICS Industry	80.3	97.9	100.0	-17.6	-19.8	64.9	98.7	151.1	285	71%	+21%	+22%	
X Items/Op Y (%)	Global	0.0					0.8	6.2	37.4	1,297	na			
Minority Int/Profit B4 MI (%)	Global	2.0	1.6	6.6	+0.4	-4.6	-0.1	1.8	12.8	8,362	51%	+13%	-31%	
Net Income Margin (%)	GICS Industry	3.2	3.9	4.9	-0.7	-1.6	1.3	4.7	11.2	383	63%	+12%	+17%	
Capitalised Int/PTP (%)	Global	na	na	na	na	na	0.0	0.0	0.0	13,642	na	na	na	
Cap of Intang. Assets/PTP (%)	Global	14.6	17.4	3.8	-2.9	+10.8	0.9	4.0	16.7	728	77%			Cap of Intang. Assets/PTP (%) high.
EBIT Interest Cover (x)	GICS Industry	34.0	34.0	37.0	+0.0	-3.0	1.7	7.4	41.1	351	23%	+0%	+18%	

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Ratios		Global/Sector/ Country	Asics Corp Ratios			Ratio Change		Peer Group Comparison Ratios				Percentiles and Red Flags			Red Flag Comment
			Y/FY17	Y/FY16	Y/FY14	-1yr Chg	-3yr Chg	20th %ile	50th %ile	80th %ile	No of Peers	Y/FY17	-1yr Chg	-3yr Chg	
Cash Flow												(0-100%)	(+/-50%)	(+/-50%)	
CFO/Net Profit (x)	GICS Industry		2.9	2.4	0.4	+0.4	+2.5	0.3	1.1	2.2	1,697	15%	-14%	-37%	
Cash Interest Exp./CFO (%)	GICS Industry		1.4	2.1	11.3	-0.6	-9.8	0.2	4.8	25.8	271	31%	-7%	-29%	
Capex/Sales (%)	GICS Industry		2.7	1.3	1.9	+1.4	+0.8	1.4	3.2	7.2	371	43%	+30%	+18%	Risen over 1yr.
Decrease Investments/Sales (%)	GICS Industry		0.1	0.0	0.5	+0.0	-0.4	0.0	0.5	4.8	141	21%			
Other Investing Activities/Sales (%)	GICS Industry		0.8	2.1	3.1	-1.3	-2.3	0.1	1.1	4.4	292	44%			
Debt Repay/ST Debt -1FY (%)	Global		85	66	24	+18.6	+60.4	20.0	88.4	210.9	10,373	48%	+19%	+29%	
Free Cash Flow Margin (%)	GICS Industry		6.5	8.2	0.0	-1.6	+6.5	-4.2	2.4	8.7	377	28%	+14%	-24%	
FCF-Divs/Sales (%)	Global		5.4	7.1	-0.7	-1.6	+6.1	-7.2	0.9	6.8	10,563	25%	+13%	-24%	
No. of Mat. Capital Inc -5yrs	Global		0					0.0	0.0	1.0	9,451	na			
Other Fin. Activities/Sales (%)	GICS Industry		0.7	0.5	0.3	+0.2	+0.4	0.0	0.3	1.4	329	67%			
Corporate Governance												(0-100%)	(+/-50%)	(+/-50%)	
Auditing Exp/Sales (bp)	GICS Industry		2.2					2.5	6.3	13.2	179	16%			Auditing Exp/Sales (bp) low.
RPT Balances/Equity (%)	Global		0.0					0.3	1.9	11.0	1,434	na			
Number of Acq&Disp -5yrs	Global		3					0.0	3.0	5.0	12,251	55%			
Acq&Disp Con./Sales Av. -5yrs (%)	Global		1.1					0.2	1.4	6.9	12,251	46%			
Executive Comp/Sales (bp)	GICS Industry		3.8					7.4	22.6	73.1	84	10%			
Executive Comp/PTP (bp)	GICS Industry		70.5					67.6	188.6	669.0	84	20%			
CEO Tenure (yrs)	Global		7.1					1.4	4.5	10.8	5,466	64%			
CFO Tenure (yrs)	Global		na					1.1	3.3	8.3	716	na			
Av. Executive Tenure (yrs)	Global		na					4.1	7.4	11.9	3,291	na			
Av. Board Tenure (yrs)	Global		2.9					3.9	6.4	9.9	3,672	9%			Av. Board Tenure (yrs) low.

Source: GMT Research, Bloomberg

Summary of financials in Y/FY17

		Result: Scores within normal range. Few red flags.	Explanation
Average Ratio Percentile Score (0 is good, 100 is bad)	49%	In Y/FY17, Asics Corp recorded an average percentile score (0 is good, 100 is bad) of 49% across all 75 financial ratios listed below. This places it in a percentile of 50 relative to around 379 GICS industry peers globally, which is a moderate result.	Each of the 50 financial ratios listed below is percentile ranked relative to an appropriate peer group drawn from 16,000 companies globally between 2010 and 2015. In general, low percentile scores are good while high scores are poor. Red flags are mainly triggered when a company's ratio is above the 80th percentile; however, for certain ratios a red flag is triggered when it is below the 20th percentile. Red flags are highlighted below in red.
- Percentile vs Industry Peers (0% is good, 100% is bad)	50%	The company triggered a total of 8 red flags out of 75 placing it in a percentile of 18 relative to our sample of 16,000 companies globally, which is a very good result.	
Number of Red Flags (Out of a possible 75)	8		
- Percentile vs Global Peers (0% is good, 100% is bad)	18%		

Summary of change in financials over 1 year

		Result: Few red flags.	Explanation
Number of Red Flags (Out of a possible 62)	4	Over the financial year prior to Y/FY17, Asics Corp triggered a total of 4 red flags out of 62 placing it in a percentile of 18 relative to our sample of 16,000 companies globally, which is a very good result.	Red flags are normally triggered by a score between +30 and +50 which suggests an aggressively deteriorating financial ratio. These are highlighted in red below.
- Percentile vs Global Peers (0% is good, 100% is bad)	18%		

Summary of change in financials over 3 yrs

		Result: Number of red flags normal.	Explanation
Number of Red Flags (Out of a possible 62)	5	Over the 3 financial years prior to Y/FY17, Asics Corp triggered a total of 5 red flags out of 62 placing it in a percentile of 33 relative to our sample of 16,000 companies globally, which is a moderate result.	Red flags are normally triggered by a score between +30 and +50 which suggests an aggressively deteriorating financial ratio. These are highlighted in red below.
- Percentile vs Global Peers (0% is good, 100% is bad)	33%		

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Appendices

Appendix 1: Beneish M-Score

	Calculation	FY13	FY14	FY15	FY16	FY17	Y/FY17	Index Calculation	Comments on latest period
Days Sales in Receivables Index	$+(0.92 \times 0.98)$	1.08	0.93	0.79	0.99	0.98	0.98	$(\text{Net Receivables}_t / \text{Sales}_t) / (\text{Net Receivables}_{t-1} / \text{Sales}_{t-1})$	Receivables of 63 days have fallen by 1 days YoY
Gross Margin Index	$+(0.528 \times 0.97)$	0.99	1.00	1.03	0.96	0.97	0.97	$[(\text{Sales}_{t-1} - \text{COGS}_{t-1}) / \text{Sales}_{t-1}] / [(\text{Sales}_t - \text{COGS}_t) / \text{Sales}_t]$	12m Trailing Gross Margin of 45.8% has improved by 1.6ppts YoY
Asset Quality Index	$+(0.404 \times 0.95)$	0.94	0.84	1.01	1.24	0.95	0.95	$[1 - (\text{Curr Ass}_t + \text{PP\&E}_t + \text{Sec}_t) / \text{Assets}_t] / [1 - ((\text{Curr Ass}_{t-1} + \text{PP\&E}_{t-1} + \text{Sec}_{t-1}) / \text{Assets}_{t-1})]$	Other LT Assets/Total Assets of 14.9% has fallen by 0.8ppts YoY
Sales Growth Index	$+(0.892 \times 1.00)$	1.05	1.27	1.30	0.93	1.00	1.00	$\text{Sales}_t / \text{Sales}_{t-1}$	12m Trailing Sales have risen 0% YoY
Depreciation Index	$+(0.115 \times 0.96)$	1.06	0.95	0.88	0.89	0.96	0.96	$(\text{Depr}_{t-1} / (\text{PP\&E}_{t-1} + \text{Depr}_{t-1})) / (\text{Depr}_t / (\text{PP\&E}_t + \text{Depr}_t))$	12m Trailing Depreciation/Sales of 20.8% has risen by 0.8ppts YoY
SG&A Index	$-(0.172 \times 0.93)$	0.97	1.02	0.99	0.95	0.93	0.93	$(\text{SG\&A Expense}_t / \text{Sales}_t) / (\text{SG\&A Expense}_{t-1} / \text{Sales}_{t-1})$	12m Trailing SG&A/Sales of 40.9% have risen by 3.1ppts YoY
Total Accruals to Total Assets	$-(4.679 \times 0.07)$	0.00	0.03	-0.02	-0.06	-0.07	-0.07	$\text{Profit from Continuing Ops}_t - \text{Cash Flows from Ops}_t / \text{Total Assets}_t$	Total Accruals (Net Profit less CFO)/Total Assets are -7%
Leverage Index	$-(0.327 \times 0.99)$	1.01	0.85	1.16	1.02	0.99	0.99	$[(\text{Curr Liab}_t + \text{Total LT Debt}_t) / \text{Total Ass}_t] / [(\text{Curr Liab}_{t-1} + \text{Total LT Debt}_{t-1}) / \text{Total Ass}_{t-1}]$	LT Debt + Current Liabilities/Total Assets of 37% have risen by 0.3ppts YoY
Beneish M-Score for Y/FY17	-4.84 =	-2.39	-2.20	-2.56	-2.78	-2.84	-2.84	An M-Score of >-2.22 signals that the company is likely to be a manipulator	Beneish M-Score of -2.84 in Y/FY17 suggests no profit manipulation

Appendix 2: Montier C-Score

	FY13	FY14	FY15	FY16	FY17	Y/FY17	Point Calculation	Comments
Profit	0	1	0	0	0	0	A growing divergence between Profit and Operating Cash Flow (1 point)	12m Trailing Accruals Margin of 6% has improved from 5.6% YoY
Receivables	1	0	0	0	0	0	Receivable Days are increasing (1 point)	Receivables of 62 days have fallen by 1 days YoY
Inventory	1	1	0	0	0	0	Inventory Days are increasing (1 point)	Inventory of 22 days has fallen by 0 days YoY
Other current assets	1	1	1	1	0	0	Other Current Assets to Sales are increasing (1 point)	Other Current Assets/Sales of 5.6% have fallen by 1.8ppts YoY
Depreciation	1	0	0	0	0	0	Depreciation relative to PPE jobs usfa bs	Depreciation of 7.6yrs has fallen by 0.7yrs YoY
Asset growth	1	1	0	0	0	0	High asset growth in excess of 10% (1 point)	Asset growth of 2% is below 10%
Montier's C-Score	5	4	1	1	0	0	Score 0-1 is good; 2-4 is average, 5-6 is bad	A C-Score of 0/6 implies improving financials and unlikely manipulating profit

Appendix 3: Piotroski F-Score

	FY13	FY14	FY15	FY16	FY17	Y/FY17	Point Calculation	Comments
Net Income Score	1	1	1	1	1	1	Positive Return on Assets in the current year (1 point)	12m Trailing Return on Assets of 3.9%
Operating Cash Flow Score	1	1	1	1	1	1	Positive Operating Cash Flow in the current year (1 point)	12m Trailing CFO Margin of 9.3%
Return on Assets Score	1	0	0	1	0	0	Higher Return on Assets than previous year (1 point)	12m Trailing ROA has fallen to 3.9% from 4.8% YoY
Quality of Earnings Score	1	0	1	1	1	1	Operating Cash Flow are greater than ROA (1 point)	12m Trailing CFO Margin of 9.3% is above Net Profit Margin of 3.4%
Long-Term Debt to Assets Score	1	0	1	1	1	1	Lower ratio of Long Term Debt than previous year (1 point)	LT Debt/Total Assets has fallen to 18% from 20% YoY
Current Ratio Score	1	1	1	1	0	0	Higher Current Ratio this year compared to the previous year (1 point)	Current Ratio has fallen to 3.41x from 3.69x YoY
Shares Outstanding Score	1	1	1	1	1	1	No new shares were issued in the last year (1 point)	Number of shares remains unchanged
Gross Margin Score	1	1	0	1	1	1	A higher Gross Margin compared to the previous year (1 point)	12m Trailing Gross Margin of 45.8% has improved by 1.6ppts YoY
Asset Turnover Score	0	1	1	0	0	0	A high Asset Turnover ratio compared to the previous year (1 point)	Asset turnover has fallen to 1.16x from 1.16x YoY
Piotroski F-Score	8	6	7	8	6	6	Score 0-1 weak and deteriorating; 8-9 strong and improving	An F-Score of 6/9 suggests financials are improving

Appendix 4: Altman Z-Score

	FY13	FY14	FY15	FY16	FY17	Y/FY17	Altman Z-Score for a manufacturing company	Comments
Solvency	0.96	0.74	0.66	0.70	0.67	0.67	Working Capital (Current Assets less Current Liabilities)/Tangible Assets	Ability to meet short term obligations
Cumulative profitability	0.63	0.54	0.61	0.67	0.70	0.70	Retained Earnings/Tangible Assets	Determines cumulative historic profitability
Profitability	0.27	0.29	0.28	0.27	0.20	0.20	EBIT/Tangible Assets	Measures earnings away from the effects of taxes and leverage
Market confidence	1.68	1.46	2.00	1.88	1.39	1.39	Market Capitalisation/Total Liabilities	Whether a firm's value able to cover liabilities
Efficiency	1.15	1.11	1.32	1.27	1.24	1.24	Sales/Tangible Assets	An asset turnover metric to measure efficiency
Leverage	na	na	na	na	na	na	Book Value of Equity/Total Liabilities	Leverage
Altman Z-Score for Y/FY17	4.68	4.15	4.87	4.78	4.21	4.21	Anything <1.81 for a manufacturer or <1.11 for other companies is problematic	Safe Zone: Financially sound

Appendix 5: Acquisition Accounting

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	Point Calculation	FY13	FY14	FY15	FY16	FY17	Y/FY17	Point Calculation	Comments
Material acquisition?	1 point	0	0	0	0	0	0	An acquisition in excess of 5% of sales.	No recent material acquisitions (>5% sales)
Rise in intangible assets -1yr?	1 point	1	1	0	1	0	0	Either a rise in Intangible Assets over 1 year	na
Material intangibles on balance sheet?		1	1	1	1	1	1	Or Intangibles are >=50%ile relative to peers	Intangible Assets/Sales of 7% are in the 75%ile
Rise in deferred tax assets -1yr?	1 point	1	1	1	1	0	0	Either a rise in Deferred Tax Asset over 1 year	na
Large deferred tax assets		1	1	0	1	1	1	Or a large Deferred Tax Asset in the 80%ile relative to industry peers	DTA/Sales of 3.1% is in the 82%ile relative to industry peers
Acquisition Accounting		2	2	2	2	2	2	A score of 3 suggests possibility of acquisition accounting to inflate profits	No evidence of acquisition accounting.

GMT Research Accounting Screen



Appendix 6: Debt Window Dressing

	FY13	FY14	FY15	FY16	FY17	Y/FY17	Point Calculation	Comments
Has high debt repayment/ST debt?	0	0	0	0	0	0	Debt Repayment relative to the ST Debt one year prior is in excess of 130%	Debt Repayment/ST Debt -1FY of 85% is in the 48%ile relative to global peers
Has high effective interest rate?	1	0	0	0	0	0	Effective Interest Rate is in excess of the 80%ile relative to country peers	Effective Int Rate of 0.9% is in the 36%ile relative to country peers
Has moderate debt?	1	1	1	1	1	1	If Debt to Sales >15%ile of industry peers	Debt/Sales of 15% is in the 37%ile relative to industry peers
Window Dressing	2	1	1	1	1	1	A score of 3 suggests strong likelihood of window dressing	Unlikely to be debt window dressing

Appendix 6a: Investment Window Dressing

	FY13	FY14	FY15	FY16	FY17	Y/FY17	Point Calculation	Comments
High level of investment repayment/sales?	0	0	0	0	0	0	If Invest Repay/Sales in excess of the 80%ile relative to industry peers	Inv. Repayment/Sales of 0% is in the 21%ile relative to industry peers
High inv. repay./investments -1FY?	0	0	0	0	0	0	If Invest Repay in excess of 100% of previous year's Investments	Investment Repayment/Investment -1FY of 6%
Window Dressing Investments	0	0	0	0	0	0	A score of 2 suggests a strong possibility of window dressing	Unlikely to be window dressing investments

Appendix 7: Fake Cash Flow

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	Point Calculation	FY13	FY14	FY15	FY16	FY17	Y/FY17	Point Calculation	
High operating margin	Critical criteria: 1 point	0	0	0	0	0	0	Operating Margin >80%ile relative to industry peers	A 12m Trailing Operating Margin of 5% is in the 35%ile
High return on production assets	1 point	0	0	0	0	0	0	Op Profit/(PPE + Inv) in the >80%ile relative to industry peers	A 12m Return on Production Assets of 16% is in the 51%ile
High level of non-production assets	1 point	0	0	0	0	0	0	(Total Assets-Production Assets)/(COGS or Sales) >80%ile versus peers	Non Production Assets/COGS (or Sales) of 98% is in the 69%ile
Build-up of non-production assets	1 point	0	0	0	0	0	0	Increase in Non Prod Assets rel to Sales or COGS >80%ile peers	Non Production Assets/COGS (or Sales) changed by 5% over 1 year
Low dividends and buybacks	1 point	1	1	0	1	0	0	Dividends and Buybacks are less than 30% profit	Dividends and buybacks of 33%
A relatively unknown auditor	1pt if >1	0	0	0	0	0	0	Relatively obscure auditor	Well known auditor: Shin Nihon
Incorporation and Domicile	1pt if >1	0	0	0	0	0	0	Different country of incorporation vrs domicile	Country of incorporation (Japan) is same as domicile (Japan).
Debt structure	1pt if >1	0	0	0	0	0	0	If Short Term Debt >75% Total Debt, or no debt at all	Short term debt is 10% of total debt
Sector	1pt if >1	1	1	1	1	1	1	Operates in sector prone to fraud	Textiles, Apparel & Luxury Goods industry is prone to fraud.
Fake Cash Flow Fraud	Max 4pts	0	0	0	0	0	0	A score of 3 or 4 is problematic and requires further investigation	64% of companies score similarly and just 2.4% of frauds

Appendix 8: Excess Capital Raising

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(JPYm)	FY13	FY14	FY15	FY16	FY17	FY13-17
Sales	+260,245	+329,383	+428,525	+399,141	+400,050	+1,817,344
- OPCF	+14,295	+6,393	+18,301	+37,971	+37,136	+114,096
- Capex	(3,781)	(5,438)	(5,974)	(9,022)	(12,700)	(36,915)
- Dividends (incl MI at subs)	(2,273)	(2,274)	(4,455)	(4,455)	(4,458)	(17,915)
- Buybacks	(2)	(10)	(8)	(3)	(25)	(45)
- (Acquisitions)/disposals	(1,100)	(9,037)	(117)	(9,669)	+0	(19,923)
= Net internal cash generation	+7,139	(10,366)	+7,747	+14,822	+19,976	+39,318
Externally generated cash flows						
- Debt issuance, net	(557)	+30,069	(8,745)	+35	(7,093)	+13,709
- Equity issuance	+0	+0	+0	+0	+6	+6
= Net external financing	(557)	+30,069	(8,745)	+35	(7,087)	+13,715
Net surplus/(deficit)	+6,582	+19,703	(998)	+14,857	+12,889	+53,033
Net flows/Sales (%)	+3	+6	(0)	+4	+3	3
Relative to Global Sector (%ile):						63%
Av. cash balance/sales (%)	14	15	14	16	19	
Relative to Global Sector (%ile)	60%	64%	61%	65%	71%	
Core cash required (10% of Sales):					8,457	
Surplus cash at year end (cash balance less core cash):					72,802	
Possible fake cash flow over past 5yrs (only if 5yr surplus is greater than zero):					53,033	
Possible fake cash/excess cash balance (%):					73	
Normal amounts of cash flow generated.						

Appendix 9: Debt Reconciliation

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(JPYm)	FY13	FY14	FY15	FY16	FY17	FY13-17
Balance sheet (BS) debt YE	39,372	73,661	68,485	67,908	61,688	
Change in debt: BS	+1,497	+34,289	(5,176)	(577)	(6,220)	+23,813
Change in debt: Cash flow (CF)	(557)	30,069	(8,745)	35	(7,093)	+13,709
Unrec chg BS and CF debt	+2,054	+4,220	+3,569	(612)	+873	+10,104
Unrec chg/total debt (%)	+5	+6	+5	(1)	+1	16
Possible reason:	None.	None.	None.	ok	ok	
Material unreconcilable change of debt in 3 of the last 5 years.						
Reasons:						
- Assets paid with debt (such as operating leases) is a non-cash item. Capex should be restated.						
- Proceeds raised from convertible bonds (CBs) are sometimes regarded as equity, not debt.						
- Large acquisitions can lead to difficulties in reconciling debt.						
- If no reason is found, further work is needed.						

Appendix 10: Ownership Type (latest Bloomberg data)

	(%)	Active Versus Passive	
Investment Advisor	54	Free Float (%)	90
Bank	20	No. Instit. Owners	298
Corporation	11	Institutional (%)	81
Government	8	- Passive Instit. (ETFs) (%)	14
Insurance Company	4	- Active Instit. (%)	67
Other	4		

Appendix 11: Insiders (latest Bloomberg data)

		Comment
Insider Shares O/S (%)	0.05	
Chg Insider Hldgs -6m (%)	0.00	Changes in insider holdings can be due to options, etc. as opposed to actively buying or selling shares
Number of Insider Shares Purchased (m)	+0.0	
Number of Insider Shares Sold (m)	+0.0	
Average Purchase Price of Insider Shares	0.00	Current share price is JPY2063
Average Sell Price of Insider Shares	0.00	
Shares Outstanding (m)	190	
Insider Shares Traded -6m/Total Shares (%)	0.00	

Appendix 12: Comprehensive Income (latest Bloomberg data)

	(JPYm)	Comment
Comprehensive Income	4,076	
Less:		
Net Income/Net Profit (Losses)	12,970	
Other comprehensive income comprised of:		
Change In Fair Value of Derivatives	(15,437)	Other comprehensive income is -69% of income which is unusually high. Unable to reconcile 67% of other comprehensive income which is unusually high.
Other Comprehensive Income	(8,836)	
Foreign Currency Trans. Adj.	6,054	
Unrealized Gain (Loss) On Securities	929	
Pension Related Adjustments	(345)	
na	na	
na	na	
Amount unable to reconcile:	8,741	